

August 6, 2025

Li-On cell plant commissioning on the anvil...

About the stock: Exide Industries (EIL) is a part of the duopolistic organised Indian lead acid battery market with presence across automotive & industrial applications. It also has dual presence in Li-On battery space through assembly operations (1.5 GWh, Nexcharge) & Li-On Cell manufacturing venture (12 GWh, Exide Energy Sols).

- Segment mix: automotive sales - 70% & industrial application - 30%.

Q1FY26 Results: On standalone basis, Sales for Q1'26 came in at ₹4,510 crore, up 4.6% YoY. EBITDA for Q1FY26 came in at ₹548 crore, with EBITDA margins at 12.2% (up 100 bps QoQ). PAT in Q1FY26 stood at ₹321 crore (up 14.6% YoY). EBITDA Margin performance was upbeat despite some pressure on gross margins.

Investment Rationale:

- Lithium-ion Capex on track, strengthening energy Transition Play:** EIL continues to make meaningful progress in its transition to next – generation energy solutions with its greenfield lithium-ion cell manufacturing facility in Bengaluru. The 6 GWH first phase (part of total 12 GWH) remains on track for commissioning by FY26 end, with civil work near completion and procurement in motion. Over ₹ 3,700 crore has been invested till date, with a total capex outlay of ~₹ 5,000 crores for 1st phase (6 GWh). The business is being structured to target EV, grid scale storage, telecom, and other industrial applications, offering diversified revenue base. Notably, in the recent past, it has entered into a MoU with Hyundai Motors & Kia for strategic co-operation in India's EV market. This partnership will focus on development, production & supply of battery cells (LFP chemistry) for Hyundai's electric vehicles dedicated to Indian market. Since the initial commercial operations timeline and margin profile is uncertain for this venture at this point in time, we have continued to value this business on CWIP basis & continue to report just standalone numbers.
- Base Lead-Acid business: margin recovery seen going forward:** In Q1FY26, EIL's EBITDA margins recovered due to better price realisation, improved product mix and benefits from various cost excellence projects. EIL continues to see an increasing trend for prices of input materials. With successive price hikes in Q4FY25 and continued focus on sourcing efficiency, we anticipate operating leverage benefits to accrue resulting in EBITDA margins in its base lead acid business inching to 12%/12.3% levels by FY26E/FY27E. Auto replacement market is seen supporting growth in this segment amid tepid Auto OEM sales volume growth trends. Going forward, in base business, we have built 6.4% sales CAGR over FY25-27E.

Rating and Target Price:

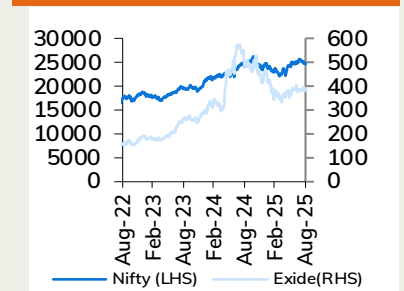
- We maintain a positive outlook on Exide, driven by it being the first company in India to commission sizeable greenfield Li-On cell plant and steady demand prospects at its base (lead acid) business. We maintain **BUY** rating on the stock and value EIL at SOTP-based target price of ₹ 480 (₹318 for base business at 20x PE on F27E, ₹103 for investments & stake in other subsidiary & ₹ 59 as 1x Invested Capital-Li-On Cell Plant).

**Particulars**

Particular	₹ crore
Market Capitalization	32,725
Total Debt (FY25)	0
Cash & Inv. (FY25)	258
EV (₹ Crore)	32,467
52 week H/L (₹)	535 / 328
Equity capital	₹ 85 Crore
Face value	₹ 1

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	46.0	46.0	46.0	46.0
FII	12.3	11.8	11.6	11.5
DII	18.0	17.6	17.2	17.4
Other	23.7	24.6	25.3	25.2

Price Chart**Recent event & key risks**

- Exide Industries reports steady Q1FY26 with EBITDA margins at 12.2%, up 100 bps QoQ
- Key Risk: (i) lower than anticipated gains from operating leverage at its base lead acid business (ii) delay in Li-On cell plant commissioning

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Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	10,041	12,410	14,592	16,029	16,588	11.0%	17,626	18,764	6.4%
EBITDA	1,356	1,398	1,568	1,871	1,893	6.8%	2,110	2,309	10.4%
EBITDA Margins (%)	13.5	11.3	10.7	11.7	11.4		12.0	12.3	
Adjusted Net Profit	758	840	904	1,053	1,077	5.0%	1,198	1,352	12.1%
Adjusted EPS (₹)	8.9	9.9	10.6	12.4	12.7		14.1	15.9	
P/E	43.2	7.0	36.2	31.1	30.4		27.3	24.2	
RoCE (%)	14.0	9.3	9.9	10.5	9.6		10.0	10.5	
RoIC (%)	16.8	24.0	23.7	33.6	32.9		36.7	40.5	

Source: Company, ICICI Direct Research; These are standalone numbers

Q1FY26 Highlights

Market Overview: Exide encountered mixed demand across segments, with double digit growth in automotive replacement demand (both four- and two-wheeler), In the industrial segment, particularly solar, was the fastest growing segment supported by various government programs. Certain segments of the Industrials like power, railways, traction also showed recovery and was able to achieve double digit growth. However, Telecom and exports faced declines amidst technology shift and geopolitical disruption respectively. Auto OEM business was also impacted by lower demand from vehicle manufacturers.

Lithium-Ion and Energy Storage Business: The company confirmed that the 6 GWh greenfield project in Bengaluru is progressing as per plan. Civil construction is nearing completion, and equipment procurement is underway. The company aims to begin commercial production by FY26. It aims to ramp up production slowly and have a target to reach 80% capacity utilization in 1-2 years.

Management Commentary and Outlook: The management expressed confidence in sustaining growth across both the automotive and industrial battery businesses. Going forward they expect overall demand scenario to improve going ahead and will continue to focus on better product mix, innovative products and achieving cost efficiencies at its manufacturing facilities. Strategic priorities include leadership in lead-acid battery technology, successful commissioning of the lithium-ion plant, and long-term investments in R&D and digital infrastructure.

Margin expansion: During the quarter, operating profitability was positively impacted due to better price realisation, improved product mix and benefits from various cost excellence projects undertaken.

Key tables and charts

Exhibit 1: Exide – Li-On foray – first movers' advantage at play (plant progress)



Source: Company, ICICI Direct Research

Exhibit 2: SOTP valuation

SOTP Valuation	Estimated value	Value per share	Remark
Standalone Business			
FY27E EPS	15.9		
P/E Multiple	20		Valuing the base (lead acid battery business) at 20x PE
Value per share (₹, A)		318	
Long Term Investments			
HDFC Life Insurance Stake (₹ crore)	7,656		Using house target price of ₹ 880/share on HDFC Life.
Value per share (₹, B)		90	
Value of other subsidiaries (₹ crore)	561		
Value of other subsidiaries (₹, C)		13	1x trailing P/B
Li-On Cell Plant	5,000		Valuing it at 1x invested capital (~₹ 5,000 crore in Phase-1, 6 GWH)
Value per share (₹, D)		59	
SoTP based target price (A+B+C+D)		480	

Source: ICICI Direct Research

Since the initial commercial operations timeline and margin profile is uncertain for this venture at this point in time, we have continued to value this business separate (on CWIP basis) and continue to report just standalone numbers.

We expect company to announce more OEM tie ups in its journey towards plant commissioning which shall keep positive sentiments alive in the counter

Financial Summary (Standalone)

Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	16029	16588	17626	18764
Growth (%)	9.8	3.5	6.3	6.5
Raw Material Expenses	11068	11389	12191	12946
Employee Expenses	983	1056	1100	1163
Other Expenses	2107	2250	2225	2345
Total Operating Expenditure	14158	14695	15516	16454
EBITDA	1871	1893	2110	2309
Growth (%)	19.3	1.2	11.4	9.5
Depreciation	497	504	538	563
Interest	49	44	54	44
Other Income	85	96	84	105
PBT	1410	1441	1602	1808
Exceptional Item	0	0	0	0
Total Tax	357	365	405	456
Reported PAT	1053	1077	1198	1352
Growth (%)	16.5	2.3	11.2	12.9
EPS (₹)	12.4	12.7	14.1	15.9

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax (adjusted)	1053	1077	1198	1352
Add: Depreciation	497	504	538	563
(Inc)/dec in Current Assets	-358	-817	317	-345
Inc/(dec) in CL and Provisions	760	643	-432	224
CF from operating activities	1952	1407	1620	1794
(Inc)/dec in Investments	302	110	120	-300
(Inc)/dec in Fixed Assets	-2206	-1455	-1700	-1000
Others	-775	-396	-23	-23
CF from investing activities	-2679	-1742	-1603	-1323
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	0	0	200	-200
Dividend paid & dividend tax	-170	-170	-187	-213
Others	1044	398	0	0
CF from financing activities	874	228	13	-413
Net Cash flow	148	-107	31	58
Opening Cash	75	223	116	147
Closing Cash	223	116	147	205

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	85	85	85	85
Reserve and Surplus	13,052	14,357	15,368	16,508
Total Shareholders funds	13,137	14,442	15,453	16,593
Total Debt	0	0	200	0
Deferred Tax Liability	0	11	11	12
Other non-current liabilities	470	464	499	534
Total Liabilities	13,607	14,917	16,163	17,139
Assets				
Gross Block	5,857	6,376	6,876	7,376
Less: Acc Depreciation	3,011	3,515	4,053	4,616
Net Block	2,846	2,861	2,823	2,760
Capital WIP	2,504	3,440	4,640	5,140
Total Fixed Assets	5,349	6,300	7,463	7,900
Investments	6,339	6,685	6,620	6,975
Inventory	3,249	3,827	3,622	3,856
Debtors	1,264	1,577	1,449	1,542
Loans and Advances	33	43	45	48
Cash	223	116	147	205
Total Current Assets	5,068	5,778	5,491	5,894
Creditors	2,310	2,831	2,415	2,570
Provisions	318	394	336	357
Total Current Liabilities	3,259	3,902	3,470	3,694
Net Current Assets	1,808	1,876	2,021	2,201
Other non-current assets	111	56	59	63
Total Assets	13,607	14,917	16,163	17,139

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	12.4	12.7	14.1	15.9
Cash EPS	18.2	18.6	20.4	22.5
BV	154.6	169.9	181.8	195.2
DPS	2.0	2.0	2.2	2.5
Cash Per Share	2.6	1.4	1.7	2.4
Operating Ratios (%)				
EBITDA Margin	11.7	11.4	12.0	12.3
PBT / Net sales	8.6	8.4	8.9	9.3
PAT Margin	6.6	6.5	6.8	7.2
Inventory days	74.0	84.2	75.0	75.0
Debtor days	28.8	34.7	30.0	30.0
Creditor days	52.6	62.3	50.0	50.0
Return Ratios (%)				
RoE	8.0	7.5	7.8	8.1
RoCE	10.5	9.6	10.0	10.5
RoIC	33.6	32.9	36.7	40.5
Valuation Ratios (x)				
P/E	31.1	30.4	27.3	24.2
EV / EBITDA	17.2	17.1	15.5	13.9
EV / Net Sales	2.0	2.0	1.9	1.7
Market Cap / Sales	2.0	2.0	1.9	1.7
Price to Book Value	2.5	2.3	2.1	2.0
Solvency Ratios				
Debt: Equity	-	-	0.0	-
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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Buy: >15%

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Sell: <-15%



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