

CMP: ₹ 340

Target: ₹ 435 (28%)

Target Period: 12 months

February 5, 2026

BUY

Earnings recovery with energy transition upside...

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%.

Q3FY26 Results: On standalone basis, topline for the quarter at Exide came in at ₹4,030 crore, up 4.7% YoY. EBITDA for Q3FY26 came in at ₹470 crore, with EBITDA margins at 11.7% (up 220 bps QoQ). PAT in Q3FY26 stood at ₹258 crore (up 5% YoY). Cost pressures remain, however the gross margin improved by ~180 bps QoQ.

Investment Rationale:

- Base Lead-Acid business: margin recovery seen going forward:** EIL continues to demonstrate the strength of its core lead-acid franchise, supported by dominant market share, and a favourable business mix skewed toward high-margin aftermarket demand. With ~92% of the business growing ~12% YoY in Q3 FY26, underlying demand trends remain healthy across automotive replacement, industrial infrastructure, railways, and inverters. Margin resilience despite extreme raw material inflation highlights structural improvements. As commodity volatility stabilizes and incremental price hikes flow through, the company is well positioned to deliver 100–150 bps EBITDA margin expansion over the medium term while sustaining high single-digit to low double-digit topline growth, supported by strong cash generation and disciplined capital allocation.
- 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 cylindrical cell line is under validation. Over ₹ 4,250 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. 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.

Rating and Target Price:

- We maintain a positive outlook on Exide, given that it is 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 ₹ 435 (₹275 for base business at 17x PE on avg. F27-28E, ₹100 for investments & stake in other subsidiary & ₹ 60 as 1x Invested Capital-Li-On Cell Plant).

Key Financial Summary

Key Financials	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	12,410	14,592	16,029	16,588	11.0%	17,111	18,538	20,130	6.7%
EBITDA	1,398	1,568	1,871	1,893	6.8%	1,943	2,225	2,462	9.2%
EBITDA Margins (%)	11.3	10.7	11.7	11.4		11.4	12.0	12.2	
Adjusted Net Profit	840	904	1,053	1,077	5.0%	1,108	1,297	1,449	10.4%
Adjusted EPS (₹)	9.9	10.6	12.4	12.7		13.0	15.3	17.0	
P/E	6.2	32.0	27.4	26.8		26.2	22.3	19.9	
RoCE (%)	9.3	9.9	10.5	9.6		9.1	9.9	10.4	
RoIC (%)	24.0	23.7	33.6	32.9		33.5	32.1	34.1	

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



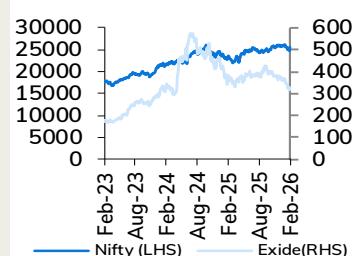
Particulars

Particular	₹ crore
Market Capitalization	28,900
Total Debt (FY25)	0
Cash & Inv. (FY25)	258
EV (₹ Crore)	28,642
52 week H/L (₹)	431 / 308
Equity capital	₹ 85 Crore
Face value	₹ 1

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	46.0	46.0	46.0	46.0
FII	11.6	11.5	10.9	10.9
DII	17.2	17.4	18.5	18.7
Other	25.3	25.2	24.7	24.4

Price Chart



Recent event & key risks

- Exide Industries reports steady Q3FY26 with EBITDA margins at 11.7%, up 220 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

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Bhavish Doshi
Bhavish.doshi@icicisecurities.com

Q3FY26 Highlights

Exhibit 1: Exide – Quarterly Results (Standalone)

	Q3FY26	Q3FY25	YoY (Chg %)	Q2FY26	QoQ (Chg %)
Total Operating Income	4,030	3,849	4.7	4,178	-3.6
Raw Material Expenses	2,757	2,618	5.3	2,932	-6.0
Employee Expenses	264	262	0.7	268	-1.7
Other expenses	539	520	3.6	583	-7.5
EBITDA	470	449	4.7	395	19.0
EBITDA Margin (%)	11.7	11.7	0 bps	9.4	221 bps
Other Income	18.3	13.2	39.1	42.4	-56.9
Depreciation	127.0	124.4	2.0	130.6	-2.7
Interest	8.5	12.0	-29.3	8.9	-5.3
Tax	85.7	80.3	6.7	76.8	11.5
Reported PAT	257.7	245.0	5.2	220.7	16.7
EPS (₹)	3.0	2.9	5.2	2.6	16.7

Source: Company, ICICI Direct Research

Automotive Business – OEM and Aftermarket Momentum: Automotive remains a key growth driver, with replacement demand particularly strong. Automotive aftermarket volumes grew sharply, driven by improved OEM production in H2, alleviating earlier concerns of a future replacement slowdown. The current mix stands at ~73–75% aftermarket and 25–27% OEM. Exide also highlighted new OEM wins, including being a 100% supplier for the Tata Sierra Petrol and new Kia Seltos domestic model, both witnessing strong market traction.

Profitability, margins & Cost pressures: Despite severe raw material inflation—notably in silver (+50% QoQ), tin (+12%), copper (+13%), sulphur acid (+40%), and a 6–7% INR depreciation—Exide maintained EBITDA margin at 11.7% YoY. Sequentially, EBITDA margin expanded ~220 bps, supported by higher capacity utilization, favorable product mix, better realizations, and benefits from ongoing cost excellence initiatives. Gross margins improved ~175 bps QoQ, underscoring the effectiveness of internal efficiency measures despite limited price pass-through.

Lithium Margins, Pricing and Competitive Positioning: Lithium-ion margins are expected to be higher than lead-acid OEM margins but lower than aftermarket lead-acid margins. Indexed raw material pricing should result in more stable margins compared to lead-acid. Management expressed confidence in achieving positive and sustainable margins as utilization ramps up

Industrial & Infrastructure Business Performance: Industrial (non-automotive) business contributes ~30% of revenues. Excluding telecom, the segment continues to post double-digit growth, led by railways, motive power, industrial UPS, and data centers. Railways benefited from a new overhaul policy mandating battery replacement irrespective of remaining life, boosting tender activity. Data centers currently contribute ₹75–100 crore per quarter, with a robust pipeline, though order conversion cycles remain long (3–4 quarters).

Telecom Business – Structural Decline Bottoming Out: Telecom revenues have structurally declined due to industry-wide migration from lead-acid to lithium-ion batteries. Telecom now accounts for just ~1% of Q3 revenues, and management confirmed the segment has largely bottomed out. Importantly, Exide has already transitioned into supplying lithium-ion packs for telecom tower operators, mitigating long-term disruption

Inverters and Solar Business Update: The inverter segment, contributing ~20% annually, is expected to rebound strongly from Q4 into Q1, driven by seasonal demand. Solar contributes ~4–5% of revenues, returning to growth after weather & GST-related disruptions in Q2. New launches, including AGM batteries, premium inverter batteries & solar grid-tie inverters, are expected to strengthen positioning.

Capital Allocation and Capex Strategy: Exide reiterated its disciplined capital allocation philosophy. For FY26–27, planned investments include ₹1,400 crore for lithium-ion and ~₹500 crore annually for the core lead-acid business, broadly aligned with depreciation. Recent years have focused on manufacturing technology upgrades, automation, and cost competitiveness, positioning the core business for sustained cash generation

Pricing Actions and Commodity Outlook:

The company did not raise prices in Q3, choosing instead to pass on the full GST reduction benefit to customers. However, given continued commodity inflation, Exide implemented a ~2% price hike in January, with further calibrated increases likely depending on raw material stability and competitive dynamics. Management indicated that ~100–150 bps margin expansion over the next year is achievable, contingent on commodity normalization and operational leverage.

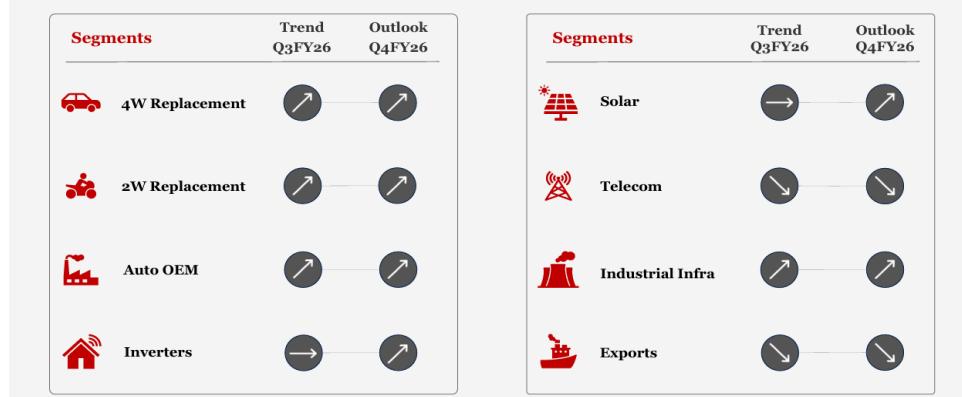
Management Outlook – FY27 & Beyond:

Management remains constructively optimistic on growth, expecting high single-digit to early double-digit topline growth in FY27 as declining segments stabilize and core businesses continue to perform. With telecom largely behind, exports bottoming out, and lithium-ion nearing commercialization, Exide believes it is well-positioned for both near-term recovery and long-term energy transition opportunities.

Key tables and charts

Exhibit 2: Exide – Market trend

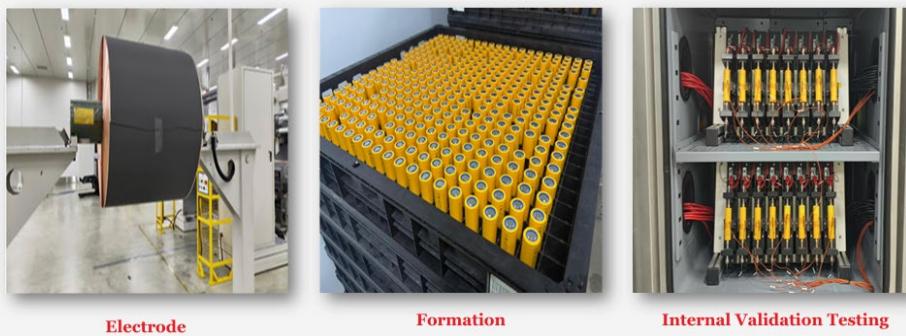
EXIDE Market Trend (Q3 FY26) and Outlook (Q4 FY26)



Source: Company, ICICI Direct Research

Exhibit 3: Exide – Li-On foray – first movers' advantage at play

EXIDE Cylindrical Line | Validation in progress



Source: Company, ICICI Direct Research

Exhibit 4: SOTP valuation

SOTP Valuation	Estimated value	Value per share	Remark
Standalone Business			
Avg. FY27E-28E EPS	16.2		
P/E Multiple	17		Valuing the base (lead acid battery business) at 17x PE
Value per share (₹, A)		275	
Long Term Investments			
HDFC Life Insurance Stake (₹ crore)	7,482		Using house target price of ₹ 860/share on HDFC Life.
Value per share (₹, B)		88	
Value of other subsidiaries (₹ crore)	561		
Value of other subsidiaries (₹, C)	12		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)	60		
SoTP based target price (A+B+C+D)	435		

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 5: Profit and loss statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Total operating Income	16588	17111	18538	20130
Growth (%)	3.5	3.2	8.3	8.6
Raw Material Expenses	11389	11815	12716	13843
Employee Expenses	1056	1078	1149	1208
Other Expenses	2250	2275	2447	2617
Total Operating Expenditure	14695	15168	16313	17667
EBITDA	1893	1943	2225	2462
Growth (%)	1.2	2.6	14.5	10.7
Depreciation	504	522	556	604
Interest	44	35	35	25
Other Income	96	98	100	103
PBT	1441	1484	1734	1937
Exceptional Item	0	9	0	0
Total Tax	365	374	437	488
Reported PAT	1077	1101	1297	1449
Growth (%)	2.3	2.3	17.8	11.7
EPS (₹)	12.7	13.0	15.3	17.0

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Profit after Tax (adjusted)	1077	1101	1297	1449
Add: Depreciation	504	522	556	604
(Inc)/dec in Current Assets	-817	474	-433	-483
Inc/(dec) in CL and Provisions	643	-534	281	313
CF from operating activities	1407	1563	1702	1883
(Inc)/dec in Investments	110	100	20	0
(Inc)/dec in Fixed Assets	-1455	-1700	-1900	-1200
Others	-396	29	226	-224
CF from investing activities	-1742	-1571	-1654	-1424
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	0	200	150	-200
Dividend paid & dividend tax	-170	-187	-213	-255
Others	398	0	0	0
CF from financing activities	228	13	-63	-455
Net Cash flow	-107	5	-15	4
Opening Cash	223	116	121	106
Closing Cash	116	121	106	110

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Liabilities				
Equity Capital	85	85	85	85
Reserve and Surplus	14,357	15,272	16,356	17,550
Total Shareholders funds	14,442	15,357	16,441	17,635
Total Debt	0	200	350	150
Deferred Tax Liability	11	11	12	13
Other non-current liabilities	464	499	534	569
Total Liabilities	14,917	16,067	17,338	18,367
Assets				
Gross Block	6,376	6,876	8,276	8,976
Less: Acc Depreciation	3,515	4,037	4,593	5,197
Net Block	2,861	2,839	3,682	3,779
Capital WIP	3,440	4,640	5,140	5,640
Total Fixed Assets	6,300	7,478	8,822	9,418
Investments	6,685	6,590	6,375	6,630
Inventory	3,827	3,516	3,809	4,136
Debtors	1,577	1,406	1,524	1,655
Loans and Advances	43	44	48	52
Cash	116	121	106	110
Total Current Assets	5,778	5,309	5,727	6,214
Creditors	2,831	2,344	2,539	2,758
Provisions	394	326	353	383
Total Current Liabilities	3,902	3,368	3,649	3,963
Net Current Assets	1,876	1,941	2,078	2,251
Other non-current assets	56	58	63	68
Total Assets	14,917	16,067	17,338	18,367

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	12.7	13.0	15.3	17.0
Cash EPS	18.6	19.1	21.8	24.1
BV	169.9	180.7	193.4	207.5
DPS	2.0	2.2	2.5	3.0
Cash Per Share	1.4	1.4	1.2	1.3
Operating Ratios (%)				
EBITDA Margin	11.4	11.4	12.0	12.2
PBT / Net sales	8.4	8.3	9.0	9.2
PAT Margin	6.5	6.5	7.0	7.2
Inventory days	84.2	75.0	75.0	75.0
Debtor days	34.7	30.0	30.0	30.0
Creditor days	62.3	50.0	50.0	50.0
Return Ratios (%)				
RoE	7.5	7.2	7.9	8.2
RoCE	9.6	9.1	9.9	10.4
RoIC	32.9	33.5	32.1	34.1
Valuation Ratios (x)				
P/E	26.8	26.1	22.3	19.9
EV / EBITDA	15.1	14.9	13.1	11.7
EV / Net Sales	1.7	1.7	1.6	1.4
Market Cap / Sales	1.7	1.7	1.6	1.4
Price to Book Value	2.0	1.9	1.8	1.6
Solvency Ratios				
Debt: Equity	-	0.0	0.0	0.0
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal,
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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