

Await bigger, firm investments in Li-On battery space...

About the stock: Exide Industries (EIL) is a part of the duopolistic organised Indian lead acid battery market with a presence across automotive & industrial applications.

- Segment mix: -automotive sales~73% & industrial application ~26%.
- Channel exposure to replacement/OEMs is at ~60%/ ~40%, respectively
- EIL is leader in most of the application segments of lead-acid batteries
- Within its automobile segment sales, it derives ~60% of sales from OEMs

Q3FY22 Results: The company reported steady performance in Q3FY22

- Total operating income for Q3FY22 came in at ₹ 3,197 crore, down 3% QoQ
- EBITDA came in at ₹ 373 crore with margins at 11.7%, down 90 bps QoQ
- PAT for the quarter was at ₹ 204 crore, down ~13% QoQ

What should investors do? EIL's share price has declined at ~3.5% CAGR from ~₹ 209 in February 2017, thereby underperforming Nifty Auto index in that time.

- We retain **HOLD** rating given future growth challenge posed by EV transition

Target Price and Valuation: We value EIL at revised SOTP-based TP of ₹ 195 (₹ 122 for battery business at 12x FY24E EPS, ₹ 73 for investments; earlier TP ₹ 210).

Key triggers for future price performance:

- Sizeable investment and execution in the sunrise Li-On battery domain
- Given widespread electrification thrust and muted OEM sales in Covid impacted FY21, we build 11% sales CAGR over FY21-24E
- With elevated commodity prices and limited operating leverage, we expect EBITDA margins to stabilise at ~11% mark, going forward, in FY23E-24E
- With HDFC Life stake clubbed under long term investments, headline RoE, RoCE to remain muted but core RoIC well above 20% over FY22E-24E

Alternate Stock Idea: Leaving aside EIL, in our OEM coverage we like M&M.

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with target price of ₹ 1,125



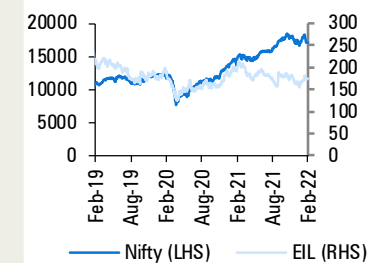
Particulars

Particular	₹ crore
Market Capitalization	14,875.0
Total Debt (FY21)	0.0
Cash & Inv. (FY21)	974.1
EV (₹ Crore)	13,900.9
52 week H/L (₹)	221 /154
Equity capital	₹ 85 Crore
Face value	₹ 1

Shareholding pattern

	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	46.0	46.0	46.0	46.0
FII	12.0	11.8	9.7	9.6
DII	24.6	23.3	21.7	20.6
Other	17.5	18.9	22.6	23.8

Price Chart



Recent event & key risks

- EIL applies under the PLI scheme for Advance Chemistry Cell (ACC) domain for energy storage
- **Key Risk:** (i) Big announcement in EV battery domain (ii) Slower than anticipated growth in sales

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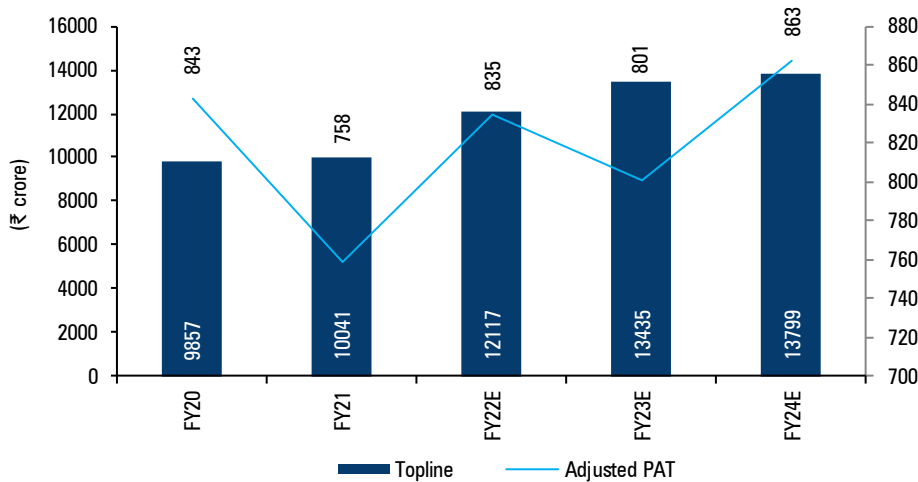
Key Financial Summary

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	10,588.3	9,856.7	10,040.8	7.9%	12,117.2	13,435.0	13,799.2	11.1%
EBITDA	1,406.9	1,365.0	1,355.6	5.9%	1,393.9	1,484.8	1,551.1	4.5%
EBITDA Margins (%)	13.3	13.8	13.5		11.5	11.1	11.2	
Net Profit	839.7	825.5	758.2	4.0%	5,059.5	801.0	862.6	4.3%
EPS (₹)	9.9	9.7	8.9		59.5	9.4	10.1	
Adjusted Net Profit	766.0	842.8	758.2	4.0%	834.9	801.0	862.6	4.3%
Adjusted EPS (₹)	9.0	9.9	8.9	4.0%	9.8	9.4	10.1	
P/E	17.7	18.0	19.6		2.9	18.6	17.2	
RoNW (%)	12.8	13.4	11.0		7.2	6.6	6.8	
RoCE (%)	17.8	15.7	14.0		8.4	8.6	8.7	
RoIC (%)	19.6	16.9	16.8		23.4	24.2	25.6	

Source: Company, ICICI Direct Research

Financial story in charts

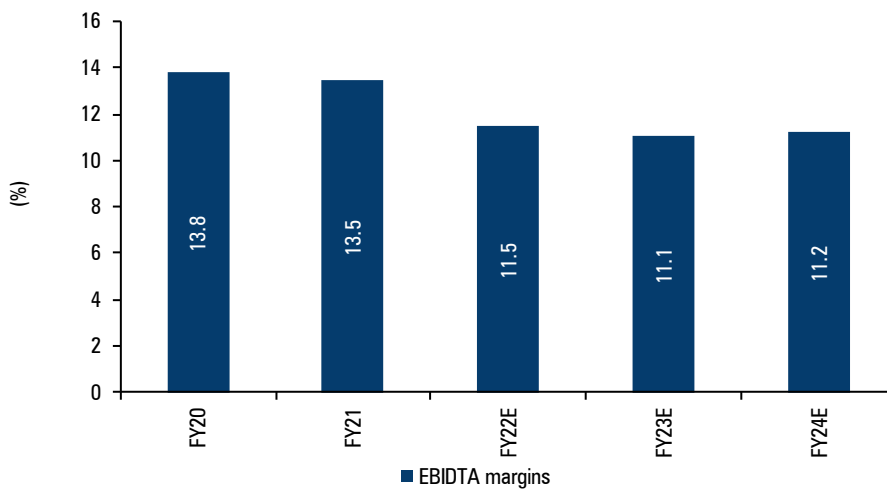
Exhibit 1: Trend in topline and adjusted PAT



EIL revenues, PAT are seen growing at 11.1%, 4.3%, respectively, in FY21-24E

Source: Company, ICICI Direct Research

Exhibit 2: Trend in EBITDA margins



Margins are seen dipping to 11.2% by FY24E

Source: Company, ICICI Direct Research

Exhibit 3: SOTP-based valuation

SOTP Valuation	Estimated value	Value per share	Remark
Standalone Business			
FY24E EPS	10.1		Valuing the base business (lead acid battery) at 12x P/E
P/E Multiple	12.0		
Value per share (₹)		122	
Investments			
HDFC Life Insurance Stake	5438		Using current market price of ₹625/share
Value per share (₹)		64	
Value of subsidiaries (₹ crore)			
Value of other subsidiaries (₹)	496	9	1.5x trailing P/BV
Total Value per Share (₹)		195	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	10040.8	12117.2	13435.0	13799.2
Growth (%)	1.9	20.7	10.9	2.7
Raw Material Expenses	6579.6	8287.9	9229.6	9467.5
Employee Expenses	721.5	804.3	839.7	862.4
Other Expenses	1384.2	1631.1	1880.9	1918.1
Total Operating Expenditure	8685.3	10723.3	11950.1	12248.0
EBITDA	1,355.6	1,393.9	1,484.8	1,551.1
Growth (%)	-0.7	2.8	6.5	4.5
Depreciation	379.4	412.0	436.6	448.5
Interest	23.8	36.7	38.6	40.5
Other Income	65.4	44.3	61.2	91.0
PBT	1,017.8	989.5	1,070.9	1,153.2
Exceptional Item	0.0	-5007.0	0.0	0.0
Total Tax	259.6	936.9	269.9	290.6
Reported PAT	758.2	5,059.5	801.0	862.6
Growth (%)	-8.2	567.3	-84.2	7.7
EPS (₹)	8.9	59.5	9.4	10.1
Adjusted PAT	758.2	834.9	801.0	862.6
Adjusted EPS (₹)	8.9	9.8	9.4	10.1

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Liabilities				
Equity Capital	85.0	85.0	85.0	85.0
Reserve and Surplus	6,808.5	11,528.0	11,989.0	12,511.6
Total Shareholders funds	6,893.5	11,613.0	12,074.0	12,596.6
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	77.1	93.0	103.1	105.9
Other non-current liabilities	343.4	378.4	413.4	448.4
Total Liabilities	7,313.9	12,084.4	12,590.5	13,150.9
Assets				
Gross Block	4,246.6	4,697.4	5,097.4	5,497.4
Less: Acc Depreciation	1,644.9	2,056.8	2,493.5	2,942.0
Net Block	2,601.8	2,640.5	2,603.9	2,555.4
Capital WIP	200.8	250.0	250.0	250.0
Total Fixed Assets	2,802.5	2,890.5	2,853.9	2,805.4
Investments	3,094.7	7,199.7	7,504.7	8,059.7
Inventory	2,346.2	2,655.8	2,944.7	3,024.5
Debtors	887.4	1,161.9	1,288.3	1,323.2
Loans and Advances	53.2	64.1	71.1	73.0
Cash	91.6	105.3	137.6	134.7
Total Current Assets	3,563.7	4,210.9	4,689.7	4,810.1
Creditors	1,641.6	1,659.9	1,840.4	1,890.3
Provisions	270.7	273.7	303.5	311.7
Total Current Liabilities	2,314.9	2,419.4	2,682.5	2,755.2
Net Current Assets	1,248.8	1,791.5	2,007.2	2,054.9
Other non-current assets	168.1	202.9	225.0	231.1
Total Assets	7,313.9	12,084.4	12,590.5	13,150.9

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	758.2	559.5	801.0	862.6
Add: Depreciation	379.4	412.0	436.6	448.5
(Inc)/dec in Current Assets	-241.2	-633.5	-446.5	-123.4
Inc/(dec) in CL and Provisions	570.6	104.5	263.1	72.7
CF from operating activities	1,467.0	442.5	1,054.3	1,260.4
(Inc)/dec in Investments	-863.8	250.0	-250.0	-500.0
(Inc)/dec in Fixed Assets	-582.1	-500.0	-400.0	-400.0
Others	76.5	161.2	-32.0	-23.3
CF from investing activities	(1,369.4)	(88.8)	(682.0)	(923.3)
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-170.0	-340.0	-340.0	-340.0
Others	9.2	0.0	0.0	0.0
CF from financing activities	(160.8)	(340.0)	(340.0)	(340.0)
Net Cash flow	-63.2	13.7	32.3	-2.9
Opening Cash	154.8	91.6	105.3	137.6
Closing Cash	91.6	105.3	137.6	134.7

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
EPS	8.9	59.5	9.4	10.1
Cash EPS	13.4	64.4	14.6	15.4
BV	81.1	136.6	142.0	148.2
DPS	2.0	4.0	4.0	4.0
Cash Per Share	1.1	1.2	1.6	1.6
Operating Ratios (%)				
EBITDA Margin	13.5	11.5	11.1	11.2
PBT / Net sales	9.7	8.1	7.8	8.0
PAT Margin	7.6	6.9	6.0	6.3
Inventory days	85.3	80.0	80.0	80.0
Debtor days	32.3	35.0	35.0	35.0
Creditor days	59.7	50.0	50.0	50.0
Return Ratios (%)				
RoE	11.0	7.2	6.6	6.8
RoCE	14.0	8.4	8.6	8.7
RoIC	16.8	23.4	24.2	25.6
Valuation Ratios (x)				
P/E	19.6	17.8	18.6	17.2
EV / EBITDA	10.3	10.1	9.3	8.6
EV / Net Sales	1.4	1.2	1.0	1.0
Market Cap / Sales	1.5	1.2	1.1	1.1
Price to Book Value	2.2	1.3	1.2	1.2
Solvency Ratios				
Debt: Equity	-	-	-	-
Quick Ratio	0.5	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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