

Revival in auto volumes, commitment towards Li-On space to steer on path of promising growth...

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~75% & industrial application ~25%
- Channel exposure to replacement/OEMs is at ~60%, ~40%, respectively
- Within its automobile segment sales, it derives ~60% of sales from OEMs

Q3FY23 Results: The company reported a steady performance in Q3FY23.

- Total operating income came in at ₹ 3,405 crore, down 8.4% QoQ
- EBITDA came in at ₹ 401 crore with margins at 11.8%, up 70 bps QoQ
- PAT in Q3FY23 was at ₹ 223 crore, down 9% QoQ

What should investors do? EIL share price has de-grown at ~3% CAGR from ~₹ 211 in January 2018, thereby underperforming Nifty Auto index in that time.

- We upgrade the stock from HOLD to **BUY** following a strong commitment to the Li-On technology in battery domain (setting up cell manufacturing unit in India with initial capacity of 6 GWh) and inexpensive valuations

Target Price & Valuation: Introducing FY25E, we value EIL at SOTP-based TP of ₹ 210 (₹161 for battery business at 15x average FY24-25E EPS, ₹ 49 for invests.).

Key triggers for future price performance:

- Sizeable capex under execution in the Li-On battery domain (cell manufacturing; 6 GWh + 6 GWh) at a total outlay of ~₹ 6,000 crore
- We build 9.4% sales CAGR in FY22-25E. With recent uptick in lead prices, we expect margins to stabilise ~11% mark over FY23E-25E
- Technological absorption from its JV partners in the Li-On domain i.e. SVOLT Energy Solutions; & Leclanché S.A. (JV stake already bought out)
- Debt free b/s with significant cash accrual to fund upcoming capex requirements, cushioned through stake in HDFC Life (worth ~₹ 5,000 crore)
- Ex-investments healthy capital efficiency with RoICs >20% mark

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 ₹ 1,590



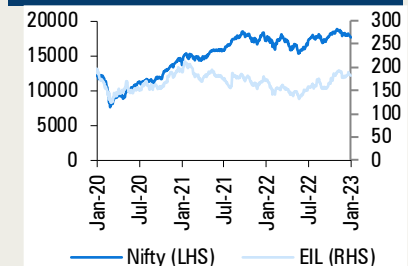
Particulars

Particular	₹ crore
Market Capitalization	14,875.0
Total Debt (FY22)	0.0
Cash & Inv. (FY22)	864.2
EV (₹ Crore)	14,010.8
52 week H/L (₹)	194 /130
Equity capital	₹ 85 Crore
Face value	₹ 1

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	46.0	46.0	46.0	46.0
FII	10.1	10.4	10.5	11.0
DII	19.2	17.8	17.8	19.6
Other	24.7	25.8	25.7	23.5

Price Chart



Recent event & key risks

- Posted steady Q3FY22 results.
- **Key Risk:** (i) Delay in execution of Li-On cell manufacturing plant as well as securing long term customers for this new business (ii) Elevated lead prices limiting margin recovery in the base (lead acid battery) business

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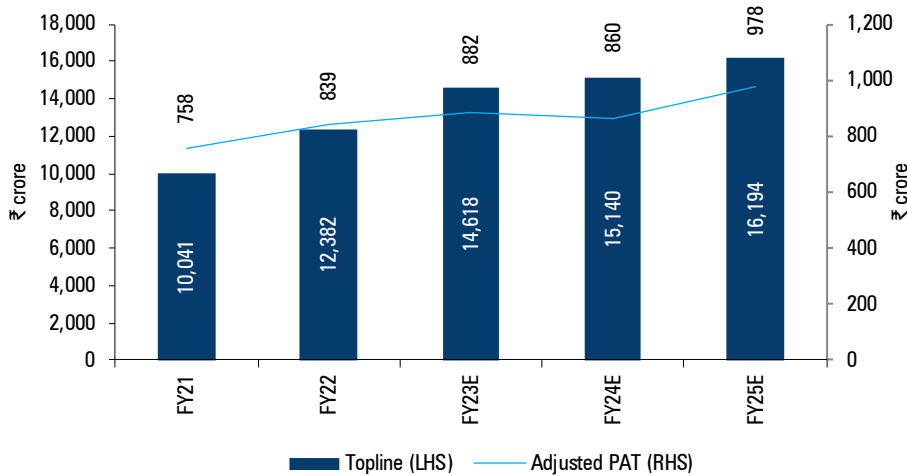
Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	3 year CAGR (FY22-25E)
Net Sales	10,588.3	9,856.7	10,040.8	12,381.7	10.2%	14,618.4	15,140.3	16,194.4	9.4%
EBITDA	1,406.9	1,365.0	1,355.6	1,395.6	5.2%	1,548.9	1,584.5	1,781.6	8.5%
EBITDA Margins (%)	13.3	13.8	13.5	11.3		10.6	10.5	11.0	
Net Profit	839.7	825.5	758.2	4,683.5	NA	882.5	860.1	977.9	NA
EPS (₹)	9.9	9.7	8.9	55.1		10.4	10.1	11.5	
Adjusted Net Profit	766.0	842.8	758.2	839.4	3.9%	882.5	860.1	977.9	5.2%
Adjusted EPS (₹)	9.0	9.9	8.9	9.9	3.9%	10.4	10.1	11.5	5.2%
P/E	17.7	18.0	19.6	3.2		16.9	17.3	15.2	
RoNW (%)	12.8	13.4	11.0	7.9		7.8	7.2	7.7	
RoCE (%)	17.8	15.7	14.0	9.3		9.7	9.4	10.1	
RoIC (%)	19.6	16.9	16.8	24.0		24.7	24.7	28.3	

Source: Company, ICICI Direct Research

Financial story in charts

Exhibit 1: Trend in topline and adjusted PAT



Source: Company, ICICI Direct Research

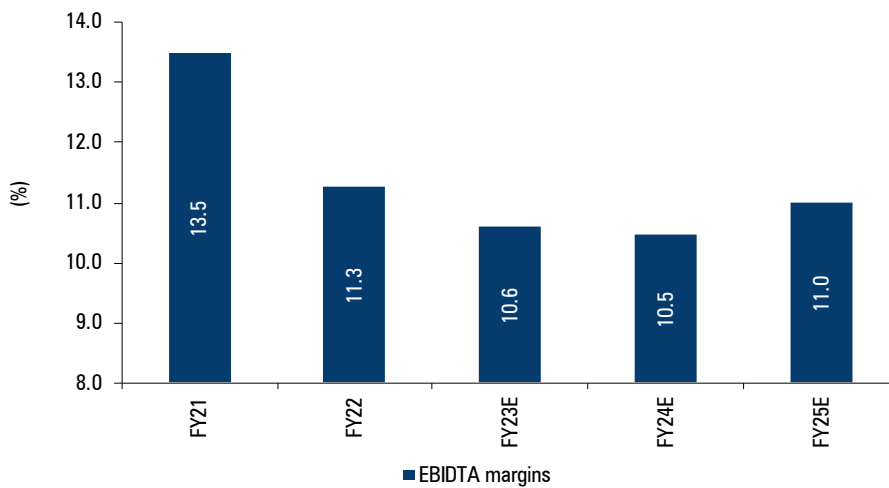
EIL- ESG Disclosure Score*

Score	FY20	FY21	FY22
Environmental	3.3	33.2	33.2
Social	18.1	26.0	27.8
Governance	83.6	83.6	83.6
Overall ESG Score	35.0	47.6	48.2

Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

EIL revenues, PAT are seen growing at 9.4%, 5.2%, CAGR, respectively, over FY22-25E

Exhibit 2: Trend in EBITDA margins



Source: Company, ICICI Direct Research

Margins are seen rising to 11% by FY25E

Exhibit 3: SOTP-based valuation

SOTP Valuation	Estimated value	Value per share	Remark
Standalone Business			
FY24-25E Average EPS	10.8		Valuing the base business (lead acid battery) at 15x P/E
P/E Multiple	15		
Value per share (₹)		161	
Investments			
HDFC Life Insurance Stake	3850		Using current market price of ₹590/share & assigning 25% discount
Value per share (₹)		45	
Value of subsidiaries (₹ crore)			
Value of other subsidiaries (₹)	657	4	1x trailing P/BV
Total Value per Share (₹)		210	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Total operating Income	12381.7	14618.4	15140.3	16194.4
Growth (%)	23.3	18.1	3.6	7.0
Raw Material Expenses	8575.3	10221.2	10641.3	11368.2
Employee Expenses	789.3	870.4	946.3	987.9
Other Expenses	1621.6	1977.9	1968.2	2056.7
Total Operating Expenditure	10986.1	13069.5	13555.8	14412.8
EBITDA	1,395.6	1,548.9	1,584.5	1,781.6
Growth (%)	3.0	11.0	2.3	12.4
Depreciation	412.6	453.2	469.3	502.0
Interest	38.4	30.6	29.1	27.7
Other Income	80.3	118.6	63.8	55.4
PBT	1,024.9	1,183.7	1,149.8	1,307.3
Exceptional Item	-4693.8	0.0	0.0	0.0
Total Tax	1035.1	301.2	289.8	329.4
Reported PAT	4,683.5	882.5	860.1	977.9
Growth (%)	517.7	-81.2	-2.5	13.7
EPS (₹)	55.1	10.4	10.1	11.5
Adjusted PAT	839.4	882.5	860.1	977.9
Adjusted EPS (₹)	9.9	10.4	10.1	11.5

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Liabilities				
Equity Capital	85.0	85.0	85.0	85.0
Reserve and Surplus	10,520.6	11,190.6	11,838.2	12,603.5
Total Shareholders funds	10,605.6	11,275.6	11,923.2	12,688.5
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	0.0	0.0	0.0	0.0
Other non-current liabilities	339.3	374.3	409.3	444.3
Total Liabilities	10,944.9	11,649.9	12,332.5	13,132.9
Assets				
Gross Block	4,790.4	5,352.8	5,852.8	6,252.8
Less: Acc Depreciation	2,057.5	2,510.6	2,980.0	3,482.0
Net Block	2,733.0	2,842.1	2,872.8	2,770.8
Capital WIP	312.4	750.0	1,750.0	2,750.0
Total Fixed Assets	3,045.3	3,592.1	4,622.8	5,520.8
Investments	6,079.1	5,964.1	5,519.1	5,224.1
Inventory	2,458.5	3,003.8	3,111.0	3,327.6
Debtors	1,192.4	1,401.8	1,451.8	1,552.9
Loans and Advances	64.6	76.3	79.0	84.5
Cash	161.5	158.5	186.4	244.2
Total Current Assets	4,052.2	4,847.2	5,042.4	5,438.4
Creditors	1,609.7	2,002.5	2,074.0	2,218.4
Provisions	263.8	328.1	339.9	363.5
Total Current Liabilities	2,398.2	2,950.3	3,055.6	3,268.3
Net Current Assets	1,653.9	1,897.0	1,986.9	2,170.0
Other non-current assets	166.9	197.0	204.0	218.2
Total Assets	10,944.9	11,649.9	12,332.5	13,132.9

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit after Tax (adjusted)	-10.5	882.5	860.1	977.9
Add: Depreciation	412.6	453.2	469.3	502.0
(Inc)/dec in Current Assets	-418.6	-798.0	-167.4	-338.1
Inc/(dec) in CL and Provisions	83.4	552.0	105.3	212.7
CF from operating activities	66.9	1,089.7	1,267.4	1,354.5
(Inc)/dec in Investments	179.8	120.0	450.0	100.0
(Inc)/dec in Fixed Assets	-655.4	-1000.0	-1500.0	-1400.0
Others	1450.1	-0.1	23.0	215.8
CF from investing activities	974.4	(880.1)	(1,027.0)	(1,084.2)
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	-212.5	-212.5	-212.5
Others	-801.5	0.0	0.0	0.0
CF from financing activities	(971.5)	(212.5)	(212.5)	(212.5)
Net Cash flow	69.8	-2.9	27.8	57.8
Opening Cash	91.6	161.5	158.5	186.4
Closing Cash	161.5	158.5	186.4	244.2

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
EPS	55.1	10.4	10.1	11.5
Cash EPS	60.0	15.7	15.6	17.4
BV	124.8	132.7	140.3	149.3
DPS	2.0	2.5	2.5	2.5
Cash Per Share	1.9	1.9	2.2	2.9
Operating Ratios (%)				
EBITDA Margin	11.3	10.6	10.5	11.0
PBT / Net sales	7.9	7.5	7.4	7.9
PAT Margin	6.8	6.0	5.7	6.0
Inventory days	72.5	75.0	75.0	75.0
Debtor days	35.2	35.0	35.0	35.0
Creditor days	47.5	50.0	50.0	50.0
Return Ratios (%)				
RoE	7.9	7.8	7.2	7.7
RoCE	9.3	9.7	9.4	10.1
RoIC	24.0	24.7	24.7	28.3
Valuation Ratios (x)				
P/E	17.7	16.9	17.3	15.2
EV / EBITDA	10.0	9.1	9.2	8.2
EV / Net Sales	1.1	1.0	1.0	0.9
Market Cap / Sales	1.2	1.0	1.0	0.9
Price to Book Value	1.4	1.3	1.2	1.2
Solvency Ratios				
Debt: Equity	-	-	-	-
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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Sell: <-15%



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