

Fair valuations prompt downgrade...

Exide Industries reported a steady Q2FY21 performance. Net standalone sales in Q2FY21 were at ₹ 2,753 crore (up 5.5% YoY). The topline growth was driven by healthy replacement demand in the automotive and UPS segment with OEM and institutional demand gaining traction during the latter part of the quarter. EBITDA in Q2FY21 was at ₹ 392 crore with corresponding EBITDA margins at 14.2%. The margin performance was steady amid RM costs that were at 65% of sales, partly mitigated by savings in other expenses. Consequent standalone PAT came in at ₹ 229 crore.

Topline growth to taper off after FY22E

Relatively healthy OEM offtake over FY16-19 (~8.7% CAGR) continues to aid battery manufacturers like EIL, as a replacement cycle of about two to three years ensures steady aftermarket demand. The same is seen enduring till FY22E, post which ongoing downturn in OEM output (from Q4FY19 onwards; about two years of sluggishness) is seen weighing on topline performance. Currently, QoQ improvement in OEM production continues, with PV, 2-W segments leading the way. However, sustainability of upturn post November, December would need to be watched to ascertain the pace of possible ramp up at ancillaries like EIL. On the industrial side, sales are expected to grow in single digit territory in FY21E-23E. We await further commentary on Exide's JV with Swiss partner Leclanche for lithium ion-battery assembly and manufacturing in India. With the recent announcement of production linked incentives (PLI) for sunrise sectors including advanced cell chemistry including lithium ion, EIL could benefit.

Stable margin performance on the cards

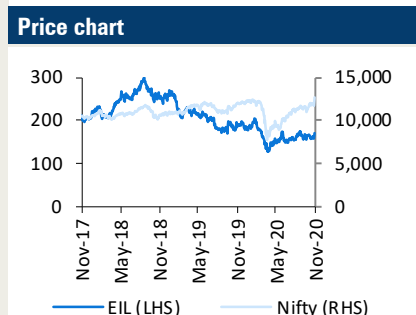
Lead and lead alloys are key inputs for EIL, forming >70% of the value of raw material consumed. EIL procures ~30% of its requirement via imports while it procures the rest i.e. 70% domestically including ~40% from its own smelters. It enjoys pass through mechanism in ~30% of its revenue pie (OEM & institutional sales) while the remaining ~70% to retail clients are exposed to price volatility. However, due to the B2C nature of this space, EIL is able to retain appropriate pricing power to mitigate heavy movement in lead prices. EIL's blended margin profile is also substantially impacted by activity levels and higher operating leverage in coming months is seen leading to some recovery on that front. We build in largely stable margins over FY20-23E amid better product mix and elements of fixed cost control.

Valuation & Outlook

Sales, PAT are seen growing at 4.7%, flattish CAGR in FY20-23E respectively. We believe the stock is near fair value at the CMP. Hence, we downgrade the stock from BUY to **HOLD** valuing it at ₹ 180 (SOTP basis), (battery business at ₹ 148 i.e. ~15x P/E on average of FY22E & FY23E EPS; ₹ 32 for insurance business & smelting operations).



Particulars	Amount
Market Capitalization (₹ crore)	14,450.0
Total Debt (FY 20, ₹ Crore)	0.0
Cash & Inv. (FY 20, ₹ Crore)	173.5
EV (₹ Crore)	14,276.5
52 week H/L (₹)	209 /122
Equity capital	₹ 85 Crore
Face value	₹ 1



Key Highlights

- For Q2FY21, sales rose 5.5% YoY led primarily by replacement demand. Margins rose slightly to 14.2% amid lower other expenses
- Aftermarket to impart topline stability, with growth seen tapering off after FY22E
- Higher share of replacement sales also seen leading to stable margin performance
- Downgrade from BUY to HOLD with unchanged SOTP based target of ₹ 180 valuing core battery business at ~15x P/E on FY22-23E average earnings

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Jaimin Desai
jaimin.desai@icicisecurities.com

Key Financial Summary

Key Financials	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-FY23E)
Net Sales	10,588.3	9,856.7	9,586.6	11,044.0	11,313.0	4.7%
EBITDA	1,411.3	1,365.0	1,190.2	1,434.1	1,527.9	3.8%
EBITDA Margins (%)	13.3	13.8	12.4	13.0	13.5	
Net Profit	844.0	825.5	619.4	779.8	844.6	0.8%
EPS (₹)	9.9	9.7	7.3	9.2	9.9	
P/E	17.1	17.5	23.3	18.5	17.1	
Core P/E	NA	13.9	19.0	15.1	13.9	
RoNW (%)	12.9	13.4	9.2	10.8	10.8	
RoCE (%)	17.8	15.7	11.8	13.7	13.6	

Source: ICICI Direct Research, Company

Exhibit 1: Variance Analysis

	Q2FY21	Q2FY21E	Q2FY20	YoY (Chg %)	Q1FY21	QoQ (Chg %)	Comments
Total Operating Income	2,753	2,334	2,611	5.5	1,548	77.9	Revenue increase was led primarily by automotive aftermarket segment
Raw Material Expenses	1,789	1,447	1,665	7.5	1,064	68.1	Raw material expenses rose 121 bps YoY on percentage of sales basis
Employee Expenses	191	163	174	9.5	140	36.7	Employee costs were higher by 26 bps YoY
Other expenses	381	373	404	-5.7	195	95.2	The company realised 164 bps savings in other expenses on percentage of sales basis
EBITDA	392	350	367	6.8	149	164.0	
EBITDA Margin (%)	14.2	15.0	14.1	17 bps	9.6	464 bps	Margins came in marginally higher YoY, albeit well below our estimates - largely due to miss on gross margins front
Other Income	14.8	14.2	5.6	166.1	7.0	109.8	
Depreciation	95.3	101.7	89.8	6.1	91.4	4.3	
Interest	6.3	1.9	1.8	252.8	1.4	348.6	Interest outgo was higher than estimates
Tax	76.4	65.7	43.9	74.1	18.8	306.8	
Reported PAT	228.8	195.1	237.3	-3.6	44.0	420.3	EIL delivered beat on PAT front chiefly due to higher-than-expected sales
EPS (₹)	2.7	2.3	2.8	-3.6	0.5	420.3	

Source: Company, ICICI Direct Research

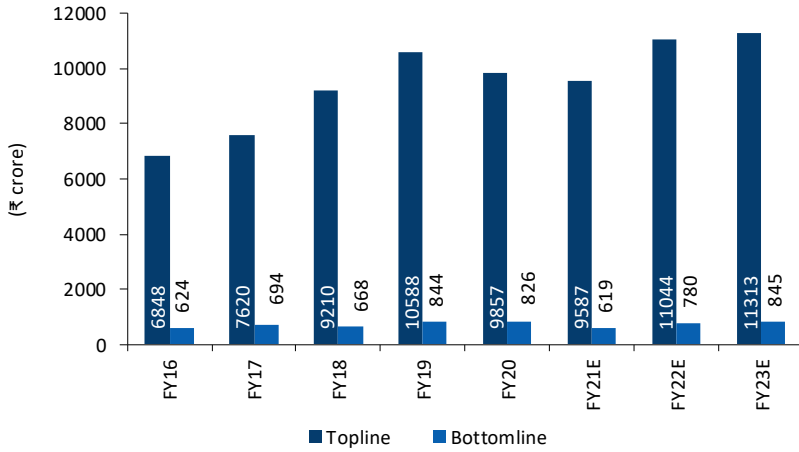
Exhibit 2: Change in estimates

(₹ Crore)	FY21E			FY22E			FY23E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	8,320	9,587	15.2	9,934	11,044	11.2	11,313	Raised revenue estimates for FY21E & FY22E on the back of higher than anticipated offtake in replacement segment in post Covid months. Introduced FY23E estimates
EBITDA	1,084	1,190	9.8	1,387	1,434	3.4	1,528	
EBITDA Margin (%)	13.0	12.4	-61 bps	14.0	13.0	-98 bps	13.5	Incrementally higher OEM offtake in overall channel mix on account of improvement in OEM production, going forward, is seen leading to lower margin profile
PAT	538	619	15.1	753	780	3.6	845	Increase in sales estimates leads to higher PAT
EPS (₹)	6.3	7.3	15.1	8.9	9.2	3.6	9.9	

Source: ICICI Direct Research

Financial story in charts

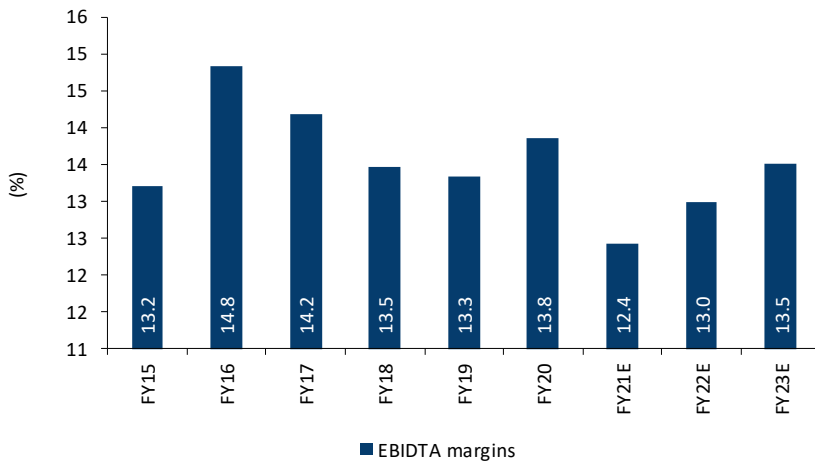
Exhibit 3: Topline and bottomline trend



We expect sales to grow at 4.7% CAGR over FY20-23E while PAT is seen remaining flattish in that period

Source: Company, ICICI Direct Research

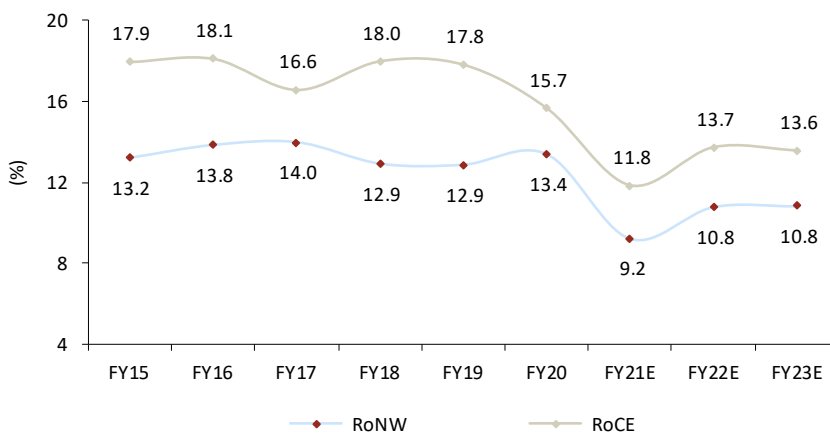
Exhibit 4: EBITDA margin trend



We expect margins to improve to 13.5% by FY23E

Source: Company, ICICI Direct Research

Exhibit 5: RoE, RoCE trend



RoCE profile is seen declining in FY21E before recovering to ~13.5% levels

Source: Company, ICICI Direct Research

Exhibit 6: Valuation Matrix (SOTP Valuation)

SOTP Valuation	Estimated value	Value per share	Remark
Standalone Business			
Average of FY 22E & FY 23E EPS	9.6		
P/E Multiple	15.3	~15% discount to competitor	
Value per share (₹)		148	
Insurance business			
Value of Exide Life Insurance (₹ crore)	2404	1x FY 19 Embedded Value	
Value per share (₹)		29	
Value of subsidiaries (₹ crore)			
Value of smelting subsidiaries (₹)	216	3	1.5x P/B on investment (FY 20)
Total Value per Share (₹)		180	

Source: ICICI Direct Research

Exhibit 7: Valuation Summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY 19	10,588	15.0	9.1	10.6	17.1	10.0	12.9	17.8
FY 20	9,857	(6.9)	9.9	9.4	17.5	10.5	13.4	15.7
FY 21E	9,587	(2.7)	7.3	(26.5)	23.3	11.5	9.2	11.8
FY 22E	11,044	15.2	9.2	25.9	18.5	9.4	10.8	13.7
FY 23E	11,313	2.4	9.9	8.3	17.1	8.6	10.8	13.6

Source: Bloomberg, ICICI Direct Research

Exhibit 8: Shareholding pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	46.0	46.0	46.0	46.0	46.0
FII	9.1	8.9	9.4	9.1	9.8
DII	24.2	24.4	23.5	22.9	23.1
Others	20.7	20.7	21.1	22.1	21.1

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 9: Profit and loss statement				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	9856.7	9586.6	11044.0	11313.0
Growth (%)	-6.9	-2.7	15.2	2.4
Raw Material Expenses	6266.4	6287.8	7158.1	7296.3
Employee Expenses	666.4	686.1	739.9	791.9
Other Expenses	1558.9	1422.5	1711.8	1696.9
Total Operating Expenditure	8491.7	8396.4	9609.9	9785.1
EBITDA	1,365.0	1,190.2	1,434.1	1,527.9
Growth (%)	-3.3	-12.8	20.5	6.5
Depreciation	362.6	383.5	425.2	452.5
Interest	9.4	13.8	14.5	15.2
Other Income	63.9	38.4	48.2	69.1
PBT	1,056.9	831.3	1,042.6	1,129.2
Exceptional Item	21.7	0.0	0.0	0.0
Total Tax	209.7	212.0	262.7	284.6
Reported PAT	825.5	619.4	779.8	844.6
Growth (%)	-2.2	-25.0	25.9	8.3
EPS (₹)	9.7	7.3	9.2	9.9

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	825.5	619.4	779.8	844.6
Add: Depreciation	362.6	383.5	425.2	452.5
(Inc)/dec in Current Assets	2.2	255.9	-452.3	-83.5
Inc/(dec) in CL and Provisions	-213.8	183.8	293.1	54.1
CF from operating activities	976.6	1,442.5	1,045.9	1,267.8
(Inc)/dec in Investments	235.2	-575.0	-175.0	-400.0
(Inc)/dec in Fixed Assets	-448.3	-400.0	-450.0	-450.0
Others	-166.0	-243.7	-145.8	-123.5
CF from investing activities	(379.1)	(1,218.7)	(770.8)	(973.5)
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	-418.2	-204.0	-255.0	-276.3
Others	-98.2	0.0	0.0	0.0
CF from financing activities	(516.4)	(204.0)	(255.0)	(276.3)
Net Cash flow	81.1	19.8	20.1	18.1
Opening Cash	73.7	154.8	174.6	194.6
Closing Cash	154.9	174.6	194.6	212.7

Source: Company, ICICI Direct Research

Exhibit 11: Balance Sheet				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	85.0	85.0	85.0	85.0
Reserve and Surplus	6,211.1	6,626.5	7,151.3	7,719.7
Total Shareholders funds	6,296.1	6,711.5	7,236.3	7,804.7
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	101.9	99.1	114.1	116.9
Other non-current liabilities	99.9	60.0	75.2	107.9
Total Liabilities	6,497.8	6,870.5	7,425.7	8,029.5
Assets				
Gross Block	3,575.2	4,022.1	4,472.1	4,922.1
Less: Acc Depreciation	1,265.5	1,648.9	2,074.1	2,526.7
Net Block	2,309.7	2,373.1	2,397.9	2,395.4
Capital WIP	296.9	250.0	250.0	250.0
Total Fixed Assets	2,606.6	2,623.1	2,647.9	2,645.4
Investments	2,107.3	2,887.3	3,217.3	3,772.3
Inventory	2,192.3	1,838.5	2,118.0	2,169.6
Debtors	815.3	919.3	1,059.0	1,084.8
Loans and Advances	39.6	38.6	44.4	45.5
Cash	154.8	174.6	194.6	212.7
Total Current Assets	3,385.7	3,149.5	3,621.9	3,723.4
Creditors	1,030.3	1,181.9	1,361.6	1,394.8
Provisions	296.4	340.0	391.7	401.3
Total Current Liabilities	1,744.3	1,928.0	2,221.1	2,275.2
Net Current Assets	1,641.4	1,221.5	1,400.8	1,448.2
Other non-current assets	142.7	138.8	159.9	163.8
Total Assets	6,497.8	6,870.5	7,425.7	8,029.5

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	9.9	7.3	9.2	9.9
Cash EPS	13.6	11.8	14.2	15.3
BV	70.4	79.0	85.1	91.8
DPS	2.4	4.1	2.4	3.0
Cash Per Share	0.9	2.1	2.3	2.5
Operating Ratios (%)				
EBITDA Margin	13.3	12.4	13.0	13.5
PBT / Net sales	10.4	8.4	9.1	9.5
PAT Margin	7.3	6.5	7.1	7.5
Inventory days	62.2	70.0	70.0	70.0
Debtor days	37.3	35.0	35.0	35.0
Creditor days	39.4	45.0	45.0	45.0
Return Ratios (%)				
RoE	12.9	9.2	10.8	10.8
RoCE	17.8	11.8	13.7	13.6
RoIC	19.7	13.9	16.4	17.1
Valuation Ratios (x)				
Core P/E	13.9	19.0	15.1	13.9
EV / EBITDA	10.0	11.5	9.4	8.6
EV / Net Sales	1.3	1.4	1.2	1.2
Market Cap / Sales	1.4	1.5	1.3	1.3
Price to Book Value	2.4	2.2	2.0	1.9
Solvency Ratios				
Debt: Equity	-	-	-	-
Quick Ratio	0.7	0.6	0.6	0.6

Source: Company, ICICI Direct Research

Exhibit 13: ICICI Direct coverage universe (Auto & auto ancillary)

Sector / Company	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)		(₹ Cr)	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Apollo Tyre (APOTYR)	175	175	Buy	10,011	8.3	6.4	11.6	21.0	27.3	15.1	8.4	5.9	5.2	4.5	5.0	7.0	4.8	3.3	6.3
Ashok Leyland (ASHLEY)	95	100	Buy	27,807	0.8	-0.6	2.4	116.4	-149.6	39.0	25.4	40.0	14.3	4.5	0.0	9.5	4.7	-2.6	9.5
Bajaj Auto (BAAUTO)	3,050	3,570	Buy	88,258	176.2	142.5	180.2	17.3	21.4	16.9	13.9	15.4	11.2	23.9	24.1	27.3	25.6	18.5	20.7
Balkrishna Ind. (BALIND)	1,645	1,700	Buy	31,801	48.9	48.1	58.6	33.7	34.2	28.1	22.8	18.0	14.9	14.4	17.6	19.7	18.8	16.7	18.2
Bharat Forge (BHAFOR)	500	490	Hold	23,279	7.5	0.8	10.5	66.7	NM	47.5	23.3	41.7	20.6	5.6	0.3	5.9	7.8	0.8	8.8
Eicher Motors (EICMOT)	2,610	2,600	Hold	71,149	67.0	46.6	70.2	38.9	54.8	36.3	28.8	35.5	25.2	17.3	11.8	15.2	18.3	11.6	15.3
Escorts (ESCORT)	1,420	1,460	Buy	17,406	39.6	59.5	71.0	35.8	23.9	20.0	24.3	16.0	13.5	16.2	15.3	15.3	14.2	14.0	14.5
Exide Industries (EXIIND)	170	180	Hold	14,450	9.7	7.3	9.2	13.9	19.0	15.1	10.5	11.5	9.4	15.7	11.8	13.7	13.4	9.2	10.8
Hero Moto (HERHON)	2,980	3,450	Buy	59,511	181.9	123.6	161.8	16.4	24.1	18.4	13.0	14.9	11.2	21.3	16.6	20.6	22.7	16.0	19.0
M&M (MAHMAH)	705	760	Buy	87,646	11.2	22.8	40.1	63.2	30.9	17.6	14.5	12.3	9.8	8.8	8.4	10.5	6.4	9.5	11.9
Maruti Suzuki (MARUTI)	7,050	6,335	Reduce	2,12,966	187.1	132.1	191.8	37.7	53.4	36.8	24.5	35.1	22.7	7.4	3.6	7.6	11.7	7.8	10.6
Minda Industries (MININD)	365	410	Buy	9,925	5.9	6.7	10.8	61.8	54.6	33.7	17.6	17.4	12.7	9.1	7.9	12.3	10.3	9.4	14.2
Tata Motors (TATMOT)	173	165	Buy	62,240	-33.3	-16.6	6.1	NM	NM	28.3	5.5	5.1	3.7	1.3	2.8	6.4	-18.7	-10.6	3.7

Source: ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), and Jaimin Desai, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ00183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.