

Shubh Nivesh



EV transition commitment – a key catalyst...

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%.

Investment Rationale

- Commitment to EV transition, hedging base business, early mover:** EIL is the early one to take tangible steps in new age Li-On battery business thereby addressing the risk of EV transition at its base business. It has first ventured into a JV with Leclanché SA for setting up of EV battery assembly operations in India and now owns 100% in this venture with capacity of 1.5 GWH & order book of ₹ 600-700 crore. In addition to it, EIL is venturing into quite essential manufacturing of Li-On cells in technical collaboration with SVOLT with capex outlay of ~₹6,000 crore for a 12 GWH capacity with 1st phase of 6 GWH slated to be operational in CY25E at a capex outlay of ~₹4,000 crore. With guidance of healthy double-digit margins & return ratios matrix, we believe it to be structurally positive for EIL.
- Margins set to improve in base business amid stable lead prices:** EIL is the industry leader in the Lead Acid battery space which finds application in both automotive and industrial space (including sunrise sectors like renewables, data centre, etc.). With healthy Auto OEM sales in FY22-23, increasing industrial use and export opportunity (China+1 trend), we expect this base business to grow at steady state in near to medium term. EIL continues to be capital efficient in this domain with RoIC's >20%. Going forward, in the base business, we have built 10% sales CAGR over FY23-26E. With stable raw material prices (lead at ~US\$ 2,100/tonne) and operational efficiencies, we expect margins to inch to 12.5% by FY26E.
- Reports broad based recovery in Q3FY24:** EIL reported steady performance in Q3FY24. On standalone basis, its topline came in at ₹3,841 crore, up 12.8% YoY. EBITDA in Q3FY24 stood at ₹440 crore with EBITDA margins at 11.5% (down 30 bps QoQ). PAT in Q3FY24 stood at ₹240 crore (up 8% YoY). In Automotive space, EIL witnessed uptick which was broad-based, with most end-user markets showing signs of demand recovery. While in the industrial segment, EIL benefitted from large investments in sectors such as Renewables, Telecom, Infrastructure (Power, Railways etc)

Rating and Target Price

- We assign BUY rating to Exide Industries. We value EIL at SOTP-based target price of ₹ 400 (₹280 for base business at 17x FY26E EPS, ₹75 for investments, stake in subsidiary and 1x CWIP - Li-On Cell Plant in FY26E).

Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	10,588.3	9,856.7	10,040.8	12,410.1	14,591.9	9.6%	16,133.3	17,691.4	19,381.6	9.9%
EBITDA	1,411.3	1,365.0	1,355.6	1,398.3	1,568.0	4.8%	1,850.8	2,175.7	2,432.0	15.8%
EBITDA Margins (%)	13.3	13.8	13.5	11.3	10.7		11.5	12.3	12.5	
Net Profit	844.0	825.5	758.2	4,684.3	903.6	NA	1,048.4	1,216.3	1,393.4	15.5%
EPS (₹)	9.9	9.7	8.9	55.1	10.6		12.3	14.3	16.4	
Adjusted Net Profit	770.3	842.8	758.2	840.3	903.6	5.4%	1,048.4	1,216.3	1,393.4	15.5%
Adjusted EPS (₹)	9.1	9.9	8.9	9.9	10.6	5.4%	12.3	14.3	16.4	15.5%
P/E	33.0	33.8	36.8	6.0	30.9		26.6	22.9	20.0	
RoCE (%)	17.8	15.7	14.0	9.3	9.9		10.7	11.4	12.2	
RoIC (%)	19.7	16.9	16.8	24.0	23.7		31.1	36.0	37.8	

Source: Company, ICICI Direct Research; Pl note: We have not amalgamated numbers from its new Li-On cell manufacturing facility in FY26E and continue to value this venture separately



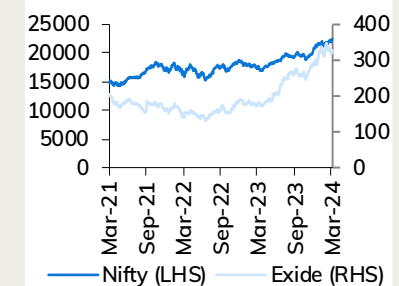
Particulars

Particular	₹ crore
Market Capitalization	27,880
Total Debt (FY23)	0
Cash & Inv. (FY23)	628
EV (₹ Crore)	27,252
52 week H/L (₹)	354 /170
Equity capital	₹ 85 Crore
Face value	₹ 1

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	46.0	46.0	46.0	46.0
FII	12.3	12.9	12.8	12.9
DII	18.9	19.8	19.1	19.2
Other	22.8	21.4	22.2	21.8

Price Chart



Recent event & key risks

- Posted steady Q3FY24 results. Capex on Li-On cell facility progressing well with ~₹1,965 crore equity invested till date
- Key Risk: (i) slower than anticipated ramp up of new Li-On cell plant (ii) adverse RM prices limiting margin recovery in base business

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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