

## Margins -a key surprise, OEM tie-up validates EV play

**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%.

**Q4FY24 Results:** Exide Ind reported healthy performance in Q4FY24. Topline for the quarter came in at ₹4,009 crore, up 13.2% YoY. EBITDA for Q4FY24 came in at ₹516 crore, highest ever, with EBITDA margins at 12.9% (up 140 bps QoQ), largely led by 150 bps expansion in gross margins. PAT in Q4FY24 stood at ₹284 crore (up 37% YoY). EIL generated healthy CFO in FY24 and continues remain debt free despite aggressive capex spending in the Li-On cell domain. Automotive division witnessed uptick across OEM and replacement market while it continues to witness healthy demand prospects in the industrial domain. Exports recovery was gradual.

### Investment Rationale:

- Li-On cell venture progressing well, OEM tie-up validates EV play:** EIL is the early one to take tangible steps in new age Li-On battery business. It had first ventured into EV battery assembly operations (capacity 1.5 GWH). Additionally, it is venturing into manufacturing of Li-On cells in technical collaboration with SVOLT with capex outlay of ₹6,000 crore for 12 GWH capacity with 1st phase of 6 GWH slated to be operational in CY25E at a capex outlay of ₹4,000 crore (~₹2,000+ crore invested till date). Interestingly, in recent past, it has signed a non-binding MOU with Hyundai Motor Co. ("Hyundai Motors") & Kia Corp. ("Kia") for strategic co-operation in India's EV market. As per this MOU, both the parties will work together for development, production & supply of battery cells (LFP chemistry) for Hyundai's electric vehicles dedicated to Indian market. This validates EIL's ambitious plans in new energy space and gives us more confidence of EIL success in this domain with guidance of healthy margins & RoCE's matrix.
- Margins surprise in base business, likely to inch up to 13% by FY26E:** EIL surprised us positively by reporting 12.9% as EBITDA margins in Q4FY24 largely led by 150 bps expansion in gross margins amid likely price hike in replacement market and decline in RM costs. Although LME lead prices are up ~10% over the past 1 month, we expect part of gross margins to reverse starting Q2FY25 with o/p leverage benefits to accrue resulting in EBITDA margins inching to 12.6%/13% levels by FY25E/FY26E respectively. Going forward, in base business, we have built 7% sales CAGR over FY24-26E.

### Rating and Target Price:

- We retain our positive stance on Exide Industries and are enthused by its recent OEM tie-up (Hyundai Motors group) in Li-On cell domain. We assign **BUY** rating on the stock. We now value EIL at SOTP-based target price of ₹ 550 (₹325 for base business at 20x FY26E EPS, ₹85 for investments & stake in other subsidiary and ₹ 140 as 3x CWIP - Li-On Cell Plant in FY26E).

### Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	FY23	FY24P	5 year CAGR (FY19-24P)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	10,588.3	9,856.7	10,040.8	12,410.1	14,591.9	16,029.2	8.6%	16,792.2	18,243.9	6.7%
EBITDA	1,411.3	1,365.0	1,355.6	1,398.3	1,568.0	1,871.4	5.8%	2,117.7	2,373.8	12.6%
EBITDA Margins (%)	13.3	13.8	13.5	11.3	10.7	11.7		12.6	13.0	
Adjusted Net Profit	770.3	842.8	758.2	840.3	903.6	1,053.0	6.5%	1,164.7	1,376.0	14.3%
Adjusted EPS (₹)	9.1	9.9	8.9	9.9	10.6	12.4		13.7	16.2	
P/E	47.3	48.4	52.7	8.5	44.2	37.9		34.3	29.0	
RoCE (%)	17.8	15.7	14.0	9.3	9.9	10.5		10.7	11.5	
RoIC (%)	19.7	16.9	16.8	24.0	23.7	33.6		36.3	40.6	

Source: Company, ICICI Direct Research



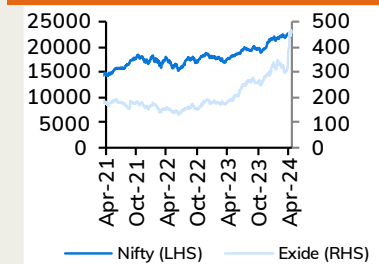
### Particulars

Particular	₹ crore
Market Capitalization	39,950
Total Debt (FY24P)	0
Cash & Inv. (FY24P)	474
EV (₹ Crore)	39,476
52 week H/L (₹)	482 /186
Equity capital	₹ 85 Crore
Face value	₹ 1

### Shareholding pattern

	June-23	Sep-23	Dec-23	Mar-24
Promoter	46.0	46.0	46.0	46.0
FII	12.9	12.8	12.9	13.6
DII	19.8	19.1	19.2	18.6
Other	21.4	22.2	21.8	21.9

### Price Chart



### Recent event & key risks

- Exide Industries reports healthy Q4FY24. Reports highest ever EBITDA with margins at 12.9%
- Key Risk: (i) slower than anticipated ramp up of new Li-On cell plant (ii) adverse RM prices limiting margin recovery

### Research Analyst

Shashank Kanodia, CFA  
shashank.kanodia@icicisecurities.com

Manisha Kesari  
manisha.kesari@icicisecurities.com

Key tables and charts

Exhibit 1: Exide – Li-On foray – first movers' advantage at play

**EXIDE ENERGY** Exide is ahead of the curve in its lithium-ion foray

**Exide Industries Limited**  
↓ 100% Subsidiary  
**Exide Energy Solutions Limited (EESL)**

**A** Lithium-ion Cell manufacturing plant, Bengaluru

- Construction & project works under progress
- 12 GWh capacity
- Cell manufacturing, packs & module facility
  - Phase I- 6 GWh (NCM: 3 GWh, LFP: 3 GWh) by 2025,
  - Phase II- 6 GWh

**B** Lithium-ion packs and module facility, Prantij (Gujarat)\*

- Earlier a subsidiary, now merged with EESL
- 1.5 GWh capacity
- Module and pack assembly Lines
  - Pouch/prismatic/cylindrical cell to sub-module
  - Sub - module to module
  - Cell testing lab
  - Prototype and pilot line

\*Note: This facility was under a wholly owned subsidiary Exide Energy Private Ltd., which has now become a subsidiary of Exide Energy Solution Ltd. The amalgamation has been approved by NCLT, Kolkata Bench in March 2024.

Source: Company, ICICI Direct Research

Exhibit 2: Exide's recent tie-up with OEM's validates its play in the sunrise Li-On cell domain

**EESL signs a non-binding MoU with Hyundai Motors and Kia for the strategic cooperation in Indian EV market**

**MOU Signing Ceremony**  
HYUNDAI MOTOR GROUP | EXIDE ENERGY

Both the parties will work together for development, production and supply of battery cells for Hyundai Motor's electric vehicles dedicated to the Indian market.

Source: Company, ICICI Direct Research

Exhibit 3: SOTP valuation

SOTP Valuation	Estimated value	Value per share	Remark
<b>Standalone Business</b>			
FY26E EPS	16.2		Valuing the base business (lead acid battery) at 20x P/E
P/E Multiple	20		
Value per share (₹, A)		325	
<b>Long Term Investments</b>			
HDFC Life Insurance Stake (₹ crore)	6,090		Using house target price of ₹700/share
Value per share (₹, B)		75	
Value of other subsidiaries (₹ crore)	744		1x trailing P/BV
Value of other subsidiaries (I, C)		10	
Li-On Cell Plant (FY26E)	12,000		3x P/B FY26E (3x Invested Amount, CWIP of ₹ 4,000 crore)
Value per share (₹, D)		140	
<b>SoTP based target price (A+B+C+D)</b>		<b>550</b>	

Source: Company, ICICI Direct Research

## Financial Summary (Standalone)

Exhibit 4: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Total operating Income	14591.9	16029.2	16792.2	18243.9	
Growth (%)	17.6	9.8	4.8	8.6	
Raw Material Expenses	10198.7	11068.4	11416.8	12403.8	
Employee Expenses	872.0	982.7	1074.7	1140.2	
Other Expenses	1953.3	2106.8	2183.0	2326.1	
Total Operating Expenditure	13023.9	14157.8	14674.5	15870.1	
<b>EBITDA</b>	<b>1,568.0</b>	<b>1,871.4</b>	<b>2,117.7</b>	<b>2,373.8</b>	
Growth (%)	12.1	19.3	13.2	12.1	
Depreciation	455.8	497.5	545.7	592.9	
Interest	29.5	48.6	50.0	20.0	
Other Income	132.4	84.5	35.1	78.8	
<b>PBT</b>	<b>1,215.1</b>	<b>1,409.9</b>	<b>1,557.1</b>	<b>1,839.6</b>	
Exceptional Item	0.0	0.0	0.0	0.0	
Total Tax	311.5	356.9	392.4	463.6	
<b>Reported PAT</b>	<b>903.6</b>	<b>1,053.0</b>	<b>1,164.7</b>	<b>1,376.0</b>	
Growth (%)	-80.7	16.5	10.6	18.1	
EPS (₹)	10.6	12.4	13.7	16.2	
<b>Adjusted PAT</b>	<b>903.6</b>	<b>1053.0</b>	<b>1164.7</b>	<b>1376.0</b>	
<b>Adjusted EPS (₹)</b>	<b>10.6</b>	<b>12.4</b>	<b>13.7</b>	<b>16.2</b>	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Profit after Tax (adjusted)	903.6	1053.0	1164.7	1376.0	
Add: Depreciation	455.8	497.5	545.7	592.9	
(Inc)/dec in Current Assets	-581.3	-358.1	-332.9	-447.6	
Inc/(dec) in CL and Provisions	83.4	760.0	19.4	283.4	
<b>CF from operating activities</b>	<b>861.5</b>	<b>1,952.4</b>	<b>1,397.0</b>	<b>1,804.8</b>	
(Inc)/dec in Investments	149.4	302.2	200.0	-150.0	
(Inc)/dec in Fixed Assets	-1031.0	-1919.3	-2000.0	-1000.0	
Others	235.1	-1061.7	-25.3	-30.0	
<b>CF from investing activities</b>	<b>(646.5)</b>	<b>(2,678.8)</b>	<b>(1,825.3)</b>	<b>(1,180.0)</b>	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-10.1	0.0	500.0	-300.0	
Dividend paid & dividend tax	-170.0	-170.0	-170.0	-212.5	
Others	-121.9	1044.5	0.0	0.0	
<b>CF from financing activities</b>	<b>(302.0)</b>	<b>874.5</b>	<b>330.0</b>	<b>(512.5)</b>	
<b>Net Cash flow</b>	<b>-87.0</b>	<b>148.1</b>	<b>-98.3</b>	<b>112.2</b>	
Opening Cash	161.5	74.5	222.6	124.2	
<b>Closing Cash</b>	<b>74.5</b>	<b>222.6</b>	<b>124.2</b>	<b>236.5</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
<b>Liabilities</b>					
Equity Capital	85.0	85.0	85.0	85.0	
Reserve and Surplus	11,124.8	13,052.2	14,046.9	15,210.5	
<b>Total Shareholders funds</b>	<b>11,209.8</b>	<b>13,137.2</b>	<b>14,131.9</b>	<b>15,295.5</b>	
Total Debt	0.0	0.0	500.0	200.0	
Deferred Tax Liability	0.0	0.0	0.0	0.0	
Other non-current liabilities	342.1	469.9	504.9	539.9	
<b>Total Liabilities</b>	<b>11,551.9</b>	<b>13,607.1</b>	<b>15,136.8</b>	<b>16,035.4</b>	
<b>Assets</b>					
Gross Block	5,338.3	5,856.8	6,356.8	6,856.8	
Less: Acc Depreciation	2,513.8	3,011.2	3,557.0	4,149.9	
<b>Net Block</b>	<b>2,824.5</b>	<b>2,845.5</b>	<b>2,799.8</b>	<b>2,706.8</b>	
Capital WIP	800.9	2,201.7	3,701.7	4,201.7	
Total Fixed Assets	3,625.4	5,047.2	6,501.5	6,908.5	
Investments	5,667.4	6,640.9	6,495.9	6,700.9	
Inventory	2,989.1	3,249.3	3,450.4	3,748.7	
Debtors	1,274.1	1,264.1	1,380.2	1,499.5	
Loans and Advances	42.2	33.1	34.7	37.7	
Cash	74.5	222.6	124.2	236.5	
Total Current Assets	4,561.5	5,067.6	5,302.2	5,862.1	
Creditors	1,525.9	2,309.6	2,300.3	2,499.2	
Provisions	280.1	317.8	316.5	343.9	
Total Current Liabilities	2,499.2	3,259.2	3,278.7	3,562.1	
<b>Net Current Assets</b>	<b>2,062.3</b>	<b>1,808.4</b>	<b>2,023.6</b>	<b>2,300.0</b>	
Other non-current assets	197.1	110.9	116.1	126.2	
<b>Total Assets</b>	<b>11,551.9</b>	<b>13,607.1</b>	<b>15,136.8</b>	<b>16,035.4</b>	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY23	FY24P	FY25E	FY26E	
<b>Per share data (₹)</b>					
EPS	10.6	12.4	13.7	16.2	
Cash EPS	16.0	18.2	20.1	23.2	
BV	131.9	154.6	166.3	179.9	
DPS	2.0	2.0	2.0	2.5	
Cash Per Share	0.9	2.6	1.5	2.8	
<b>Operating Ratios (%)</b>					
EBITDA Margin	10.7	11.7	12.6	13.0	
PBT / Net sales	7.6	8.6	9.4	9.8	
PAT Margin	6.2	6.6	6.9	7.5	
Inventory days	74.8	74.0	75.0	75.0	
Debtor days	31.9	28.8	30.0	30.0	
Creditor days	38.2	52.6	50.0	50.0	
<b>Return Ratios (%)</b>					
RoE	8.1	8.0	8.2	9.0	
RoCE	9.9	10.5	10.7	11.5	
RoIC	23.7	33.6	36.3	40.6	
<b>Valuation Ratios (x)</b>					
P/E	44.2	37.9	34.3	29.0	
EV / EBITDA	25.1	21.1	19.0	16.7	
EV / Net Sales	2.7	2.5	2.4	2.2	
Market Cap / Sales	2.7	2.5	2.4	2.2	
Price to Book Value	3.6	3.0	2.8	2.6	
<b>Solvency Ratios</b>					
Debt: Equity	-	-	0.0	0.0	
Quick Ratio	0.6	0.5	0.5	0.5	

Source: Company, ICICI Direct Research

## RATING RATIONALE

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

## ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), Manisha Kesari, PGDM (Finance) 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 is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. 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](http://www.icicibank.com).

## Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

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

For any queries or grievances: Mr. Prabodh Avadhoot Email address: [headsservicequality@icicidirect.com](mailto:headsservicequality@icicidirect.com) Contact Number: 18601231122

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 and its analysts, persons reporting to analysts and their relatives are generally prohibited 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](http://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, and 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 or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

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 and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest 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.