

Steady performance, attractive risk-reward 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%.

Q2FY25 Results: Exide Ind reported steady performance in Q2FY25. Topline for the quarter came in at ₹4,267 crore, up 4% YoY. EBITDA for Q2FY25 came in at ₹484 crore with corresponding margins at 11.3%, down 12 bps QoQ. PAT in Q2FY25 stood at ₹298 crore, up 4% YoY. EIL shared that Automotive replacement market witnesses a double-digit revenue growth, while the industrial segment particularly in UPS & solar, experienced a healthy demand in the quarter. However, demand from auto OEMs was subdued due to surplus channel inventories.

Investment Rationale:

- Greenfield EV battery execution on track, OEM tie-up validates EV play:** EIL is the early one in taking significant strides in the new age Li-On battery business by launching EV battery assembly operations (capacity 1.5 GWH). Furthermore, it is establishing greenfield Li-On cells plant 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 CY25 at a capex outlay of ~₹5,000 crore (~₹2,850 crore invested till date). Notably, in the recent past, it has entered into a non-binding MoU with Hyundai Motors & Kia for strategic co-operation in India's EV market. This partnership will focus on development, production & supply of battery cells (LFP chemistry) for Hyundai's electric vehicles dedicated to Indian market. This moves underlines EIL's ambitious plans in the new energy space and gives us more confidence of EIL success in this domain with guidance of healthy margins & RoCE's matrix (at optimum utilisation levels).
- Scope of margins improvement, likely to inch up to ~13% by FY27E:** EIL's gross margins expanded by 90 bps QoQ to 31.5% in Q2FY25 largely attributable to a likely price hike in the replacement market amid decline in global lead prices during Q2FY25 (down 5%). With stable LME lead prices, we anticipate operating leverage benefits to accrue resulting in EBITDA margins inching to 12.5%/12.8% levels by FY26E/FY27E respectively. Going forward, in base business, we have built 8.4% sales CAGR over FY24-27E.

Rating and Target Price:

- We retain our positive stance on Exide Industries and are enthused by its near-term commissioning of greenfield Li-On cell plant. We assign **BUY** rating on the stock. We now value EIL at SOTP-based target price of ₹ 570 (₹350 for base business at 20x FY26-27E EPS, ₹100 for investments & stake in other subsidiary and ₹ 120 as 2x Invested Capital Li-On Cell Plant). We have not included Li-On cell subsidiary financials in our estimates amid volatile end product prices and continue to value it as a separate unit.



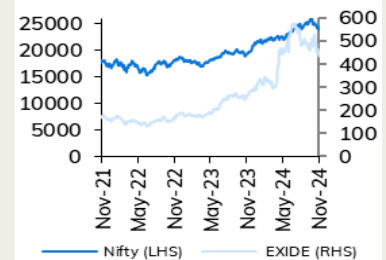
Particulars

Particular	₹ crore
Market Capitalization	37,400
Total Debt (FY24)	0
Cash & Inv. (FY24)	474
EV (₹ Crore)	36,926
52 week H/L (₹)	620 / 266
Equity capital	₹ 85 Crore
Face value	₹ 1

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	46.0	46.0	46.0	46.0
FII	12.9	13.6	13.7	12.3
DII	19.2	18.6	17.9	18.0
Other	21.8	21.9	22.4	23.7

Price Chart



Recent event & key risks

- Exide Industries reports steady Q2FY25 with EBITDA margins at 11.3%, down 12 bps QoQ
- Key Risk: (i) delay in Li-On cell plant commissioning (ii) volatile RM prices limiting margin recovery in base business

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Manisha Kesari
manisha.kesari@icicisecurities.com

Bhavish Doshi
bhavish.doshi@icicisecurities.com

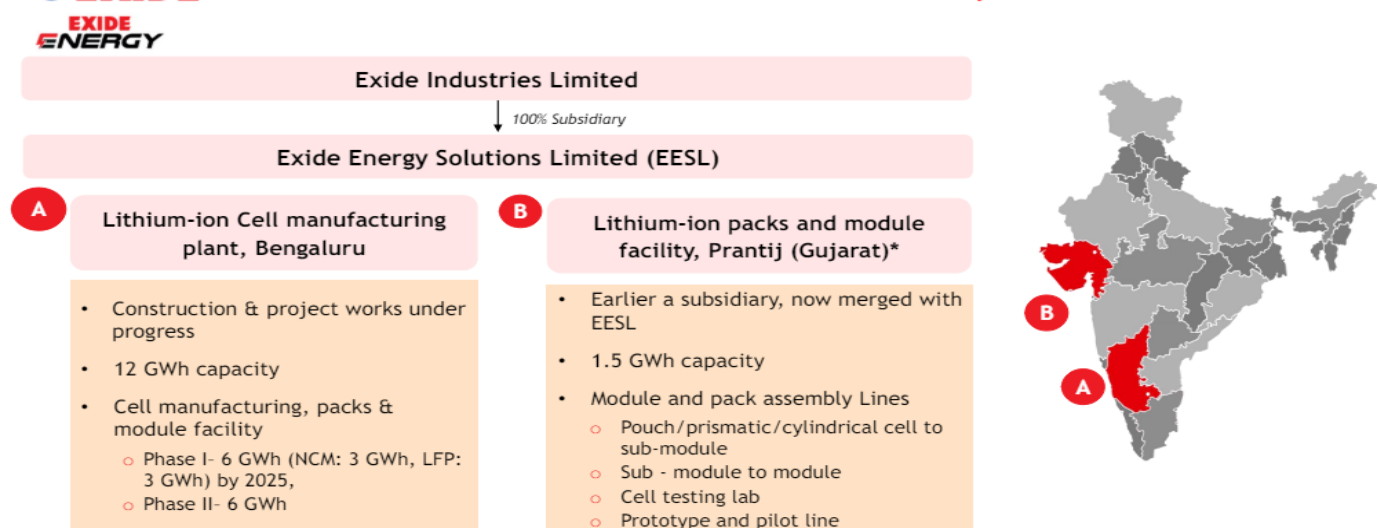
Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Net Sales	10,041	12,410	14,592	16,029	8.6%	16,974	18,788	20,395	8.4%
EBITDA	1,356	1,398	1,568	1,871	5.8%	1,995	2,353	2,606	11.7%
EBITDA Margins (%)	13.5	11.3	10.7	11.7		11.8	12.5	12.8	
Adjusted Net Profit	758	840	904	1,053	6.5%	1,140	1,384	1,568	14.2%
Adjusted EPS (₹)	8.9	9.9	10.6	12.4		13.4	16.3	18.4	
P/E	49.3	8.0	41.4	35.5		32.8	27.0	23.9	
RoCE (%)	14.0	9.3	9.9	10.5		10.1	11.4	12.0	
RoC (%)	16.8	24.0	23.7	33.6		34.5	39.6	46.2	

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



*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
Standalone Business			
FY26-27E Average EPS	17.4		Valuing the base (lead acid battery business) at 20x PE
P/E Multiple	20		
Value per share (₹, A)		350	
Long Term Investments			
HDFC Life Insurance Stake (₹ crore)	7,439		Using house target price of ₹ 855/share on HDFC Life.
Value per share (₹, B)		88	
Value of other subsidiaries (₹ crore)	556		1x trailing P/B
Value of other subsidiaries (₹, C)		13	
Li-On Cell Plant			
Value per share (₹, D)	10,000	120	Valuing it at 2x invested capital (~₹ 5,000 crore in Phase-1, 6 GWH)
SoTP based target price (A+B+C+D)		570	

Source: ICICI Direct Research

Financial Summary (Standalone)

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E
Total operating Income	16029	16974	18788	20395
Growth (%)	9.8	5.9	10.7	8.6
Raw Material Expenses	11068	11600	12733	13822
Employee Expenses	983	1067	1165	1264
Other Expenses	2107	2312	2536	2702
Total Operating Expenditure	14158	14979	16435	17789
EBITDA	1871	1995	2353	2606
Growth (%)	19.3	6.6	18.0	10.7
Depreciation	497	509	564	612
Interest	49	41	32	0
Other Income	85	81	92	102
PBT	1410	1525	1850	2096
Exceptional Item	0	0	0	0
Total Tax	357	385	466	528
Reported PAT	1053	1140	1384	1568
Growth (%)	16.5	8.3	21.4	13.3
EPS (₹)	12.4	13.4	16.3	18.4

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit after Tax (adjusted)	1053	1140	1384	1568
Add: Depreciation	497	509	564	612
(Inc)/dec in Current Assets	-358	-296	-652	-495
Inc/(dec) in CL and Provisions	760	55	354	314
CF from operating activities	1952	1408	1649	1998
(Inc)/dec in Investments	302	200	-150	-550
(Inc)/dec in Fixed Assets	-2206	-2000	-1000	-750
Others	-775	-27	-33	-31
CF from investing activities	-2679	-1827	-1183	-1331
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	0	600	-200	-400
Dividend paid & dividend tax	-170	-187	-225	-255
Others	1044	0	0	0
CF from financing activities	874	413	-425	-655
Net Cash flow	148	-5	41	12
Opening Cash	75	223	217	259
Closing Cash	223	217	259	270

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E
Liabilities				
Equity Capital	85	85	85	85
Reserve and Surplus	13,052	14,005	15,164	16,476
Total Shareholders funds	13,137	14,090	15,249	16,561
Total Debt	0	600	400	0
Deferred Tax Liability	0	0	0	0
Other non-current liabilities	470	505	540	575
Total Liabilities	13,607	15,195	16,188	17,136
Assets				
Gross Block	5,857	6,357	6,857	7,107
Less: Acc Depreciation	3,011	3,520	4,084	4,696
Net Block	2,846	2,836	2,773	2,411
Capital WIP	2,504	4,004	4,504	5,004
Total Fixed Assets	5,349	6,840	7,276	7,415
Investments	6,339	6,194	6,399	7,004
Inventory	3,249	3,488	3,861	4,191
Debtors	1,264	1,302	1,544	1,676
Loans and Advances	33	35	39	42
Cash	223	217	259	270
Total Current Assets	5,068	5,358	6,052	6,559
Creditors	2,310	2,325	2,574	2,794
Provisions	318	320	354	384
Total Current Liabilities	3,259	3,314	3,668	3,982
Net Current Assets	1,808	2,044	2,384	2,577
Other non-current assets	111	117	130	141
Total Assets	13,607	15,195	16,188	17,136

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY24	FY25E	FY26E	FY27E
Per share data (₹)				
EPS	12.4	13.4	16.3	18.4
Cash EPS	18.2	19.4	22.9	25.6
BV	154.6	165.8	179.4	194.8
DPS	2.0	2.2	2.7	3.0
Cash Per Share	2.6	2.6	3.0	3.2
Operating Ratios (%)				
EBITDA Margin	11.7	11.8	12.5	12.8
PBT / Net sales	8.6	8.8	9.5	9.8
PAT Margin	6.6	6.7	7.4	7.7
Inventory days	74.0	75.0	75.0	75.0
Debtor days	28.8	28.0	30.0	30.0
Creditor days	52.6	50.0	50.0	50.0
Return Ratios (%)				
RoE	8.0	8.1	9.1	9.5
RoCE	10.5	10.1	11.4	12.0
RoIC	33.6	34.5	39.6	46.2
Valuation Ratios (x)				
P/E	35.5	32.8	27.0	23.9
EV / EBITDA	19.7	18.9	15.9	14.0
EV / Net Sales	2.3	2.2	2.0	1.8
Market Cap / Sales	2.3	2.2	2.0	1.8
Price to Book Value	2.8	2.7	2.5	2.3
Solvency Ratios				
Debt: Equity	-	0.0	0.0	-
Quick Ratio	0.5	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), Bhavesh Doshi (MBA) 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.

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

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@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 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.