

July 30, 2024

RESULT REPORT Q1FY25 | Sector: Automobile

Exide Industries (EXID)

Maintain ADD; LIB ramp-up a key ahead

Valuation and View – Valuations factors in decent LIB utilization

EXID's 1QFY25 results were weak with EBITDA/Adj.PAT miss of ~8%-16% to our and consensus estimates. This was led by lower-than-expected gross margins at 30.7% (est 31.7%, +240bp/-230bp YoY/QoQ), primarily led by unfavorable product mix. However, lead prices have increased by ~5%/4% YoY/QoQ in 1QFY25, the co has taken price increase in few segments which should fully reflect from 2QFY25E. The demand outlook is positive for the base business for auto/industrial vertical, as current volume growth is expected to sustain over near-mid term. EXID did indicated, 1) market share gains in the domestic market, 2) increased distribution to +115k in FY24 (vs +95k in FY23), 3) double digit growth in industrial vertical and positive response to new product launches in exports were the factors which led growth in FY24.

Over the mid-long term, EXID's speedy ramp-up of lithium-ion battery (LIB) cell manufacturing and new order wins (in addition to MOU signed with Hyundai group), would be closely watched as the plant is expected to see production ramp-up over FY26E. While EXID's LAB business is expected to grow 7-8% CAGR over 3-5 years, the recent valuation expansion do factor in decent capacity utilization of LIB vertical. Consequently, with sharp recent valuations expansion and limited upside, we maintain ADD as it trades at 34x/27.9x FY25/26 S/A EPS (v/s 10-year LPA of ~20x). We cut FY25/26 EPS by 4%/0.5% to factor in for recent lead inflation and build Revenue/EBITDA/PAT CAGR of 9.4%/16.3%/24% over FY24-26E. We value EXID at Rs602/share as we value LAB at Rs496 (24x Mar-26 EPS + 50% holdco discount to HDFC Life stake at Rs30) and value of LIB business at Rs106/share.

Result Highlight – Unfavorable product mix dent gross margins

- S/A revenues grew 5.9% YoY (+7.6% QoQ) at ~Rs43.1b (est ~Rs43b, cons ~Rs44.3b). This was largely led by equal volume growth in auto/industrial. Within auto, growth is similar for OE/replacement while exports grew faster. Within industrial sector, verticals such as UPS, Solar, railways saw healthy volume uptick.
- Gross margins expanded 240bp YoY (-230bp QoQ) at 30.7% (est 31.7%). This should be largely led by unfavorable product mix as price hike in few segments to fully reflect from 2QFY25E. Lead prices grew QoQ by average 4.9% (+3.9% YoY) to Rs180.8/k in 1QFY25. Consequently, EBITDA grew 14.4% YoY (-4.2% QoQ) at ~Rs4.9b (est ~Rs5.4b, cons ~Rs5.9) with margins expanded 90bp YoY (-140bp QoQ) at 11.5% (est 12.5%, cons 13.3%). Led by steady EBITDA growth, Adj.PAT grew 15.6% YoY (-1.5% QoQ) at Rs2.8b (est Rs3.1b, cons ~Rs3.3b).
- Key highlights from PR - Li-ion project - Co invested further Rs2b in EESL with overall investments now stands at ~Rs25.8b. Customer onboarding across auto and non-auto segment underway.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		Yes Sec	Consensus	Yes Sec	Consensus	
Sales	43,128	42,966	44,274	0.4	-2.6	Weak gross margins, led EBITDA and PAT miss
EBITDA	4,943	5,386	5,880	-8.2	-15.9	
EBITDA margins %	11.5	12.5	13.3	-110bp	-180bp	
Adjusted PAT	2,796	3,112	3,282	-10.2	-14.8	

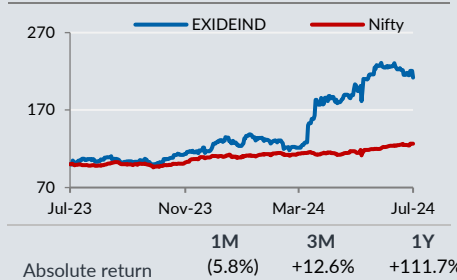
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 532
Target Price	: Rs 602
Potential Return	: +13%

Stock data (as on Jul 30, 2024)

Nifty	24,857
52 Week h/l (Rs)	620 / 242
Market cap (Rs/USD mn)	4,69,115 / 5,605
Outstanding Shares (mn)	850
6m Avg t/o (Rs mn):	2673
Div yield (%):	0.4
Bloomberg code:	EXID IN
NSE code:	EXIDEIND

Stock performance



Shareholding pattern (As of June'24)

Promoter	46.0%
FII+DII	31.6%
Others	22.4%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	602	519

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	15.6	19.1
EPS (Old)	16.2	19.2
% change	(4.2%)	(0.5%)

Financial Summary

Y/E Mar (Rs b)	2024	2025E	2026E
Sales	160.3	177.3	192.0
EBITDA	18.7	21.9	25.3
Adj. PAT	10.5	13.2	16.2
Adj. EPS (INR)	12.4	15.6	19.1
EPS Gr. (%)	16.5	25.5	22.7
BV/Sh. (INR)	154.6	167.6	183.7
RoE (%)	8.0	9.3	10.4
RoCE (%)	8.9	9.8	11.1
Payout (%)	16.1	16.1	15.7
P/E (x)	42.9	34.2	27.9
P/BV (x)	3.4	3.2	2.9
EV/EBITDA (x)	19.4	16.4	13.9
Div. Yield (%)	0.4	0.5	0.6

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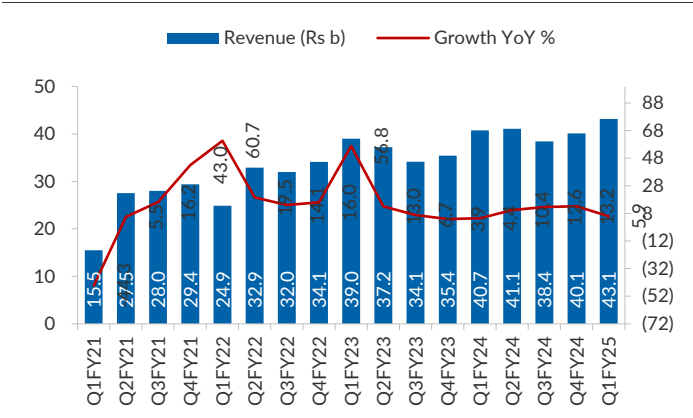
Exhibit 2: Quarterly snapshot

Y/e Mar (Rs m)	Q1FY25	Q1FY24	YoY chg	Q4FY24	FY24	FY23	YoY chg
Net Revenues	43,128	40,726	5.9	40,094	160,292	145,734	10.0
Raw Materials	29,895	29,220	2.3	26,860	110,684	101,909	8.6
% of Net Sales	69.3%	71.7%		67.0%	69.1%	69.9%	
Personnel	2,650	2,373	11.7	2,426	9,827	8,666	13.4
% of Net Sales	6.1%	5.8%		6.1%	6.1%	5.9%	
Manufacturing & Other Exp	5,640	4,812	17.2	5,646	21,068	19,486	8.1
% of Net Sales	13.1%	11.8%		14.1%	13.1%	13.4%	
Total Expenditure	38,185	36,404	4.9	34,932	141,578	130,061	8.9
EBITDA	4,943	4,322	14.4	5,162	18,714	15,673	19.4
EBITDA Margin (%)	11.5%	10.6%		12.9%	11.7%	10.8%	
Depreciation	1,257	1,194	5.3	1,248	4,975	4,556	9.2
EBIT	3,686	3,128	17.8	3,913	13,739	11,117	23.6
Interest Expenses	87	98		128	486	291	67.0
Non-operating income	142	192	(26.3)	34	845	1,324	(36.1)
Extraordinary Expenses	0	0		0	0	0	
PBT	3,741	3,222	16.1	3,819	14,099	12,150	16.0
Tax-Total	945	803	17.7	982	3,569	3,114	14.6
Tax Rate (%) - Total	25.3%	24.9%		25.7%	25.3%	25.6%	
Reported PAT	2,796	2,419	15.6	2,838	10,530	9,036	16.5
Adj. PAT	2,796	2,419	15.6	2,838	10,530	9,036	16.5
PAT Margin	9.0%	7.0%		7.1%	6.6%	6.2%	

Source- Company, YES Sec

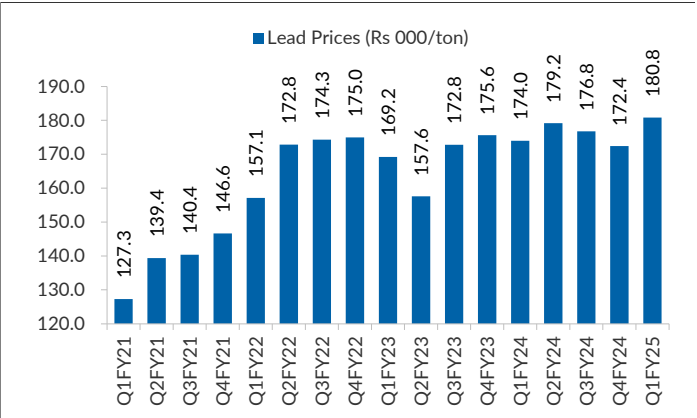
CHARTS

Exhibit 1: Revenue grew 5.9% YoY at Rs43.1b



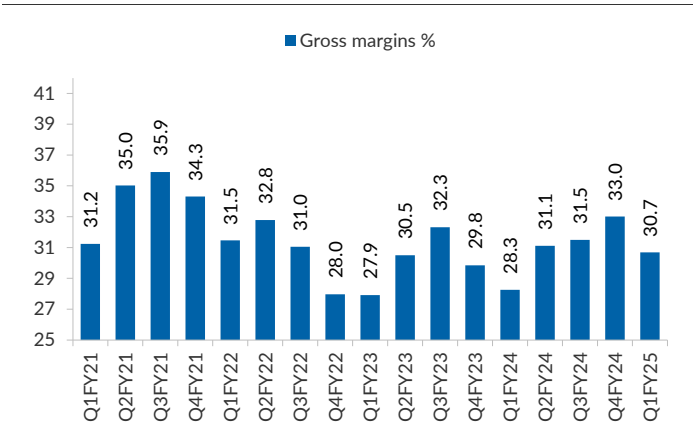
Source: Company, YES Sec

Exhibit 2: Lead price increased to Rs180.8k/ton in 1Q



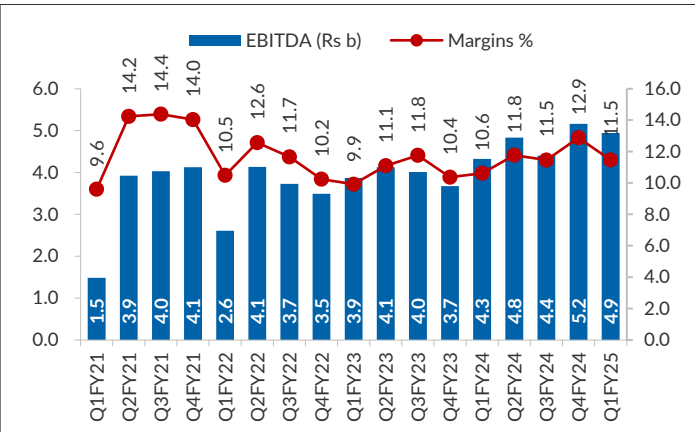
Source: Bloomberg, YES Sec

Exhibit 3: Gross margins contracted by 230bp QoQ



Source: Company, YES Sec

Exhibit 4: EBITDAM contracted ~140bp QoQ



Source: Company, YES Sec

FINANCIALS

Exhibit 5: Balance Sheet

Y/E March	2021	2022	2023	2024	2025E	2026E
Share Capital	850	850	850	850	850	850
Reserves	68,085	105,131	111,248	130,522	141,617	155,288
Net Worth	68,935	105,981	112,098	131,372	142,467	156,138
Loans	-	-	-	-	-	-
Deferred Tax Liability	771	654	1,160	137	137	137
Capital Employed	69,706	106,635	113,257	131,509	142,604	156,275
Application of Funds						
Gross Fixed Assets	42,740	47,180	53,473	58,005	64,022	72,022
Less: Depreciation	16,361	19,802	24,970	29,353	34,155	39,160
Net Fixed Assets	26,379	27,378	28,503	28,652	29,867	32,862
Capital WIP	2,008	3,381	1,009	2,017	2,000	2,000
Investments	30,924	60,355	63,417	86,212	88,096	93,500
Curr.Assets	36,977	40,862	46,422	51,646	60,715	66,749
Inventory	23,462	24,647	29,891	32,493	35,948	38,916
Sundry Debtors	8,874	11,945	12,741	12,644	15,545	16,829
Cash & Bank Balances	825	1,614	745	2,227	4,485	5,877
Loans & Advances	0	0	-	1,000	1,106	1,198
Other Current Assets	3,816	2,656	3,045	3,282	3,630	3,930
Current Liab. & Prov.	26,581	25,341	26,093	37,018	38,073	38,837
Sundry Creditors	16,478	16,254	18,036	27,052	21,860	21,036
Other Liabilities	6,860	5,173	4,544	5,945	11,659	12,621
Provisions	3,243	3,914	3,514	4,021	4,554	5,179
Net Current Assets	10,396	15,521	20,329	14,628	22,641	27,913
Application of Funds	69,706	106,635	113,257	131,509	142,604	156,275

Source: Company, YES Sec

Exhibit 6: Income statement

Y/E March	2021	2022	2023	2024	2025E	2026E
Total Operating Income	100,408	124,101	145,919	160,292	177,312	191,951
Change (%)	1.9	23.6	17.6	9.8	10.6	8.3
Total Expenditure	86,853	110,119	130,239	141,578	155,370	166,624
EBITDA	13,556	13,983	15,680	18,714	21,942	25,327
EBITDA Margins (%)	13.5	11.3	10.7	11.7	12.4	13.2
Change (%)	(0.7)	3.1	12.1	19.3	17.2	15.4
Depreciation	3,794	4,131	4,558	4,975	4,803	5,004
EBIT	9,762	9,851	11,122	13,739	17,139	20,322
Deferred Revenue Exp.	-	-	-	-	-	-
Interest Charges	238	394	295	486	340	408
Other Income	654	805	1,324	845	827	1,429
EO Exp/(Inc)	-	(46,938)	-	-	-	-
PBT	10,179	57,199	12,151	14,099	17,626	21,343
Tax	2,596	10,356	3,115	3,569	4,407	5,122
Effective Rate (%)	25.5	18.1	25.6	25.3	25.0	24.0
Rep. PAT	7,583	46,843	9,036	10,530	13,220	16,221
Change (%)	(8.1)	517.8	(80.7)	16.5	25.5	22.7
Adj. PAT	7,583	8,404	9,036	10,530	13,220	16,221
Change (%)	(10.0)	10.8	7.5	16.5	25.5	22.7

Source: Company, YES Sec

Exhibit 7: Cash Flow Statement

Y/E March	2021	2022	2023	2024	2025E	2026E
OP/(Loss) before Tax	10,179	57,199	12,151	14,099	17,139	20,322
Interest/Dividends Received	(365)	(156)	(233)	(237)	827	1,429
Depreciation & Amortisation	3,794	4,131	4,558	4,975	4,803	5,004
Direct Taxes Paid	(2,721)	(10,472)	(3,212)	(3,707)	(4,407)	(5,122)
(Inc)/Dec in Working Capital	3,044	(3,479)	(4,538)	4,874	(5,755)	(3,879)
Other Items	203	(93,957)	(242)	(38)	-	-
CF from Oper. Activity	14,134	(46,733)	8,484	19,965	12,607	17,755
Extra-ordinary Items	-	46,938	-	-	-	-
Other Items	-	-	-	-	-	-
CF after EO Items	14,134	205	8,484	19,965	12,607	17,755
(Inc)/Dec in FA+CWIP	(3,384)	(5,795)	(3,716)	(4,903)	(6,000)	(8,000)
Free Cash Flow	10,750	(52,528)	4,768	15,063	6,607	9,755
(Pur)/Sale of Invest.	(9,385)	8,549	(5,162)	(11,269)	(1,884)	(5,404)
CF from Inv. Activity	(12,769)	2,754	(8,878)	(16,172)	(7,884)	(13,404)
Issue of Equity	-	-	-	-	0	(0)
Inc/(Dec) in Debt	(244)	(67)	(101)	-	-	-
Interest Rec./(Paid)	(45)	(482)	(360)	(601)	(340)	(408)
Dividends Paid	(1,700)	(1,700)	-	(1,700)	(2,125)	(2,550)
CF from Fin. Activity	(1,989)	(2,249)	(461)	(2,301)	(2,465)	(2,958)
Inc/(Dec) in Cash	(623)	709	(855)	1,493	2,258	1,393
Add: Beginning Balance	1,449	825	1,614	745	2,227	4,485
Closing Balance	825	1,534	759	2,238	4,485	5,877

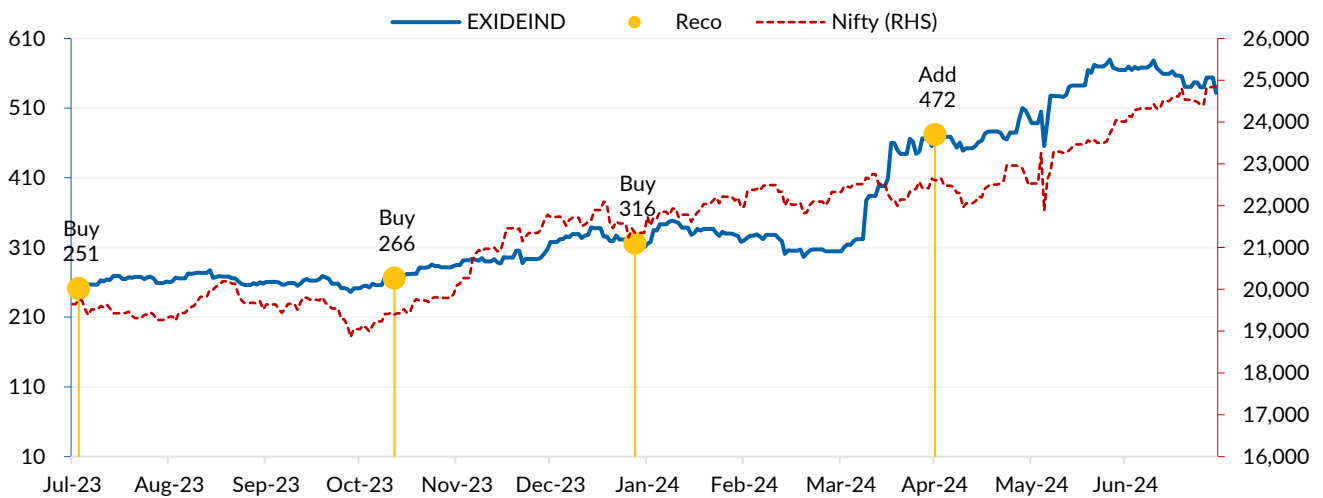
Source- Company, YES Sec

Exhibit 8: Growth and Ratio matrix

Y/E March	2021	2022	2023	2024	2025E	2026E
Basic (INR)						
EPS	8.9	9.9	10.6	12.4	15.6	19.1
Cash EPS	13.4	14.7	16.0	18.2	21.2	25.0
Book Value per Share	81.1	124.7	131.9	154.6	167.6	183.7
DPS	2.0	3.2	2.0	2.0	2.5	3.0
Payout (Incl. Div. Tax) %	22.4	32.4	18.8	16.1	16.1	15.7
Valuation (x)						
P/E	59.6	53.8	50.0	42.9	34.2	27.9
Cash P/E	39.7	36.1	33.3	29.2	25.1	21.3
EV/EBITDA	31.0	27.9	24.7	19.4	16.4	13.9
EV/Sales	4.2	3.1	2.7	2.3	2.0	1.8
Price to Book Value	6.6	4.3	4.0	3.4	3.2	2.9
Dividend Yield (%)	0.4	0.6	0.4	0.4	0.5	0.6
Profitability Ratios (%)						
RoE	11.0	7.9	8.1	8.0	9.3	10.4
RoCE	11.8	10.0	8.5	8.9	9.8	11.1
RoC	19.4	20.9	18.5	23.0	28.9	30.0
Turnover Ratios						
Debtors (Days)	32.3	35.1	31.9	28.8	32.0	32.0
Inventory (Days)	85.3	72.5	74.8	74.0	74.0	74.0
Creditors (Days)	59.9	47.8	45.1	61.6	45.0	40.0
Working Capital (Days)	57.6	59.8	61.5	41.2	61.0	66.0
Gross Fixed Asset Turnover (x)	2.3	2.6	2.7	2.8	2.8	2.7
Leverage Ratio						
Debt/Equity (x)	-	-	-	-	-	-

Source- Company, YES Sec

Recommendation Tracker



Source - YES Sec

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In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

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Name of the Research Analyst : Deep Shah

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Analyst signature

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