

November 04, 2024

RESULT REPORT Q2FY25 | Sector: Automobile

Exide Industries (EXID)

Maintain ADD; LIB ramp-up a key ahead

Valuation and View – Valuations expansion limited upside

EXID's 2QFY25 results were weak with EBITDA/Adj.PAT miss of ~13%/8% to our and consensus. This was led by lower-than-expected revenues which grew ~4% YoY (-1.1% QoQ) while gross margins at 31.5% were in-line (+40bp/+90bp YoY/QoQ), primarily led favorable product mix, selective price hikes. Further, lead prices have declined by ~5.6%/5% YoY/QoQ in 2QFY25, which should fully reflect from 3QFY25E. Co indicated double digit revenue growth in 2W/PV replacement while excess channel inventory impacted Auto OEM vertical. Within industrial, UPS/Solar saw strong demand while home-UPS segment were soft due to early onset of monsoon. Exports remained healthy.

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, despite sharp recent valuations correction, we maintain the stock to ADD as it trades at 24.3x/21.7x FY26/27 S/A EPS (v/s 10-year LPA of ~20x). We cut FY25/26 EPS by ~7%/5.8% to factor in for weak revenues and higher other expenses. We build revenue/EBITDA/Adj.PAT CAGR of 8%/12.1%/18.2% over FY24-27E. We value EXID at Rs521/share as we value LAB at Rs425 (19x Mar-27 EPS + 50% holdco discount to HDFC Life stake at Rs36) and value of LIB business at Rs96/share.

Result Highlight – Weak revenues dented EBITDA

- S/A revenues grew 3.9% YoY (-1.1% QoQ) at ~Rs42.7b (est ~Rs45.2b). Co indicated double digit revenue growth in 2W/PV replacement while excess channel inventory impacted Auto OEM volumes. Within industrial, UPS/Solar saw strong demand while home-UPS segment were soft due to early onset of monsoon. Exports remained healthy.
- Gross margins expanded 40bp YoY (+90bp QoQ) at 31.5% (est 31.5%). This should be largely led by favorable product mix as well as benign lead prices which declined QoQ by average 5.6% (-5% YoY) to Rs170.6/kg in 2QFY25. This was partially offset by +10.5% YoY (+5.5% QoQ) in other exp at Rs5.98b. Consequently, EBITDA were flat YoY (-2.2% QoQ) at ~Rs4.8b (est ~Rs5.6b) with margins contracted 50bp YoY (-20bp QoQ) at 11.3% (est 12.4%). Weak operating performance was partially offset by higher other income at Rs528m (est Rs230m, +35% YoY) led to Adj.PAT grew 4% YoY (+6.5% QoQ) at Rs2.97b (est ~Rs3.2b).
- Key highlights from PR - Li-ion project - Co invested further ~Rs2.5b in 2Q and ~Rs1b in Oct'24, as equity in EESL with overall investments now stands at ~Rs28.5b. 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	42,673	45,173	44,489	-5.5	-4.1	Weak revenue, led EBITDA and PAT miss
EBITDA	4,836	5,587	5,406	-13.4	-10.5	
EBITDA margins %	11.3	12.4	12.2	-100bp	-80bp	
Adjusted PAT	2,978	3,250	3,127	-8.4	-4.8	

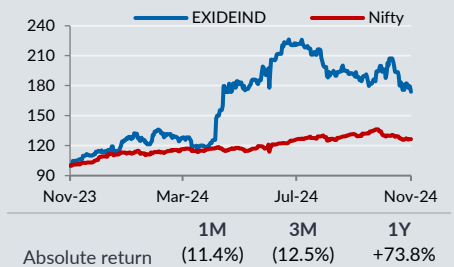
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 445
Target Price	: Rs 521
Potential Return	: +17.1%

Stock data (as on Nov 04, 2024)

Nifty	23,995
52 Week h/l (Rs)	620 / 249
Market cap (Rs/USD mn)	3,87,133 / 4,604
Outstanding Shares (mn)	850
s6m Avg t/o (Rs mn):	3,011
Div yield (%):	0.4
Bloomberg code:	EXID IN
NSE code:	EXIDEIND

Stock performance



Shareholding pattern (As of Sep'24)

Promoter	46.0%
FII+DII	30.3%
Others	23.7%

Δ in stance

(1-Yr) Rating	New	Old
Rating	ADD	ADD
Target Price	521	605

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	14.4	18.3
EPS (Old)	15.4	19.4
% change	(6.9%)	(5.8%)

Financial Summary

Y/E Mar (Rs b)	2025E	2026E	2027E
Sales	172.2	186.4	202.0
EBITDA	20.6	24.2	26.4
Adj. PAT	12.2	15.5	17.4
Adj. EPS (INR)	14.4	18.3	20.5
EPS Gr. (%)	15.9	27.4	12.0
BV/Sh. (INR)	166.4	181.7	199.2
RoE (%)	8.6	10.1	10.3
RoCE (%)	9.1	10.7	11.0
Payout (%)	17.4	16.4	14.6
P/E (x)	31.0	24.3	21.7
P/BV (x)	2.7	2.4	2.2
EV/EBITDA (x)	13.9	11.5	10.2
Div. Yield (%)	0.6	0.7	0.7

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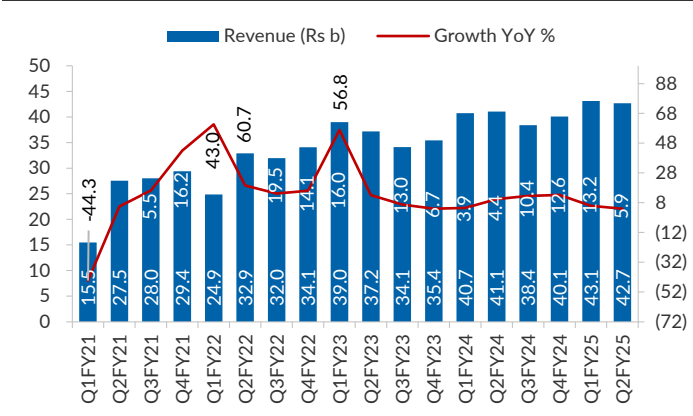
Exhibit 2: Quarterly snapshot

Y/e Mar (Rs m)	Q2FY25	Q2FY24	YoY chg	Q1FY25	1HFY25	1HFY24	YoY chg
Net Revenues	42,673	41,067	3.9	43,128	85,801	81,793	4.9
Raw Materials	29,213	28,292	3.3	29,895	59,108	57,512	2.8
% of Net Sales	68.5%	68.9%		69.3%	68.9%	70.3%	
Personnel	2,675	2,561	4.5	2,650	5,325	4,933	7.9
% of Net Sales	6.3%	6.2%		6.1%	6.2%	6.0%	
Manufacturing & Other Exp	5,948	5,383	10.5	5,640	11,588	10,195	13.7
% of Net Sales	13.9%	13.1%		13.1%	13.5%	12.5%	
Total Expenditure	37,837	36,235	4.4	38,185	76,022	72,640	4.7
EBITDA	4,836	4,831	0.1	4,943	9,779	9,153	6.8
EBITDA Margin (%)	11.3%	11.8%		11.5%	11.4%	11.2%	
Depreciation	1,270	1,259	0.9	1,257	2,527	2,453	3.0
EBIT	3,566	3,572	(0.2)	3,686	7,252	6,700	8.2
Interest Expenses	103	115		87	190	213	(11.1)
Non-operating income	528	392	34.8	142	670	584	14.7
Extraordinary Expenses	0	0		0	0	0	
PBT	3,991	3,849	3.7	3,741	7,732	7,071	9.3
Tax-Total	1,014	979	3.6	945	1,958	1,782	9.9
Tax Rate (%) - Total	25.4%	25.4%		25.3%	25.3%	25.2%	
Reported PAT	2,978	2,870	3.8	2,796	5,773	5,289	9.2
Adj. PAT	2,978	2,870	3.8	2,796	5,773	5,289	9.2
PAT Margin	7.0%	7.0%		6.5%	6.7%	6.5%	

Source- Company, YES Sec

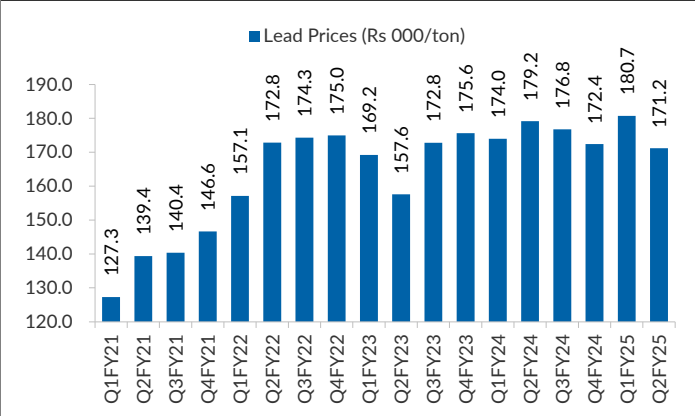
CHARTS

Exhibit 1: Revenue grew 3.9% YoY at Rs42.7b



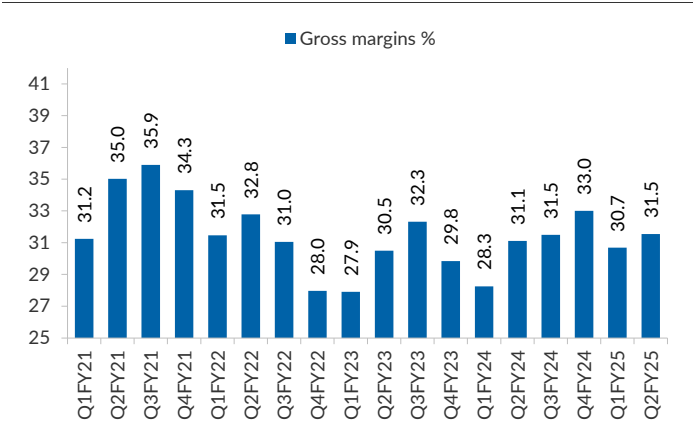
Source: Company, YES Sec

Exhibit 2: Lead price decreased to Rs171.2k/ton in 2Q



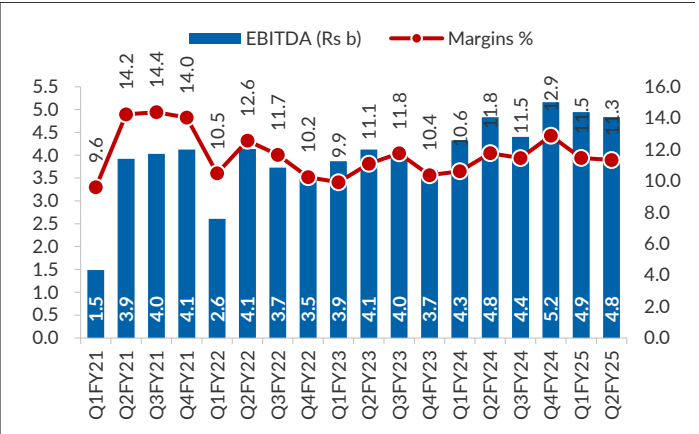
Source: Bloomberg, YES Sec

Exhibit 3: Gross margins expanded by 80bp QoQ



Source: Company, YES Sec

Exhibit 4: EBITDAM contracted ~20bp QoQ



Source: Company, YES Sec

FINANCIALS

Exhibit 5: Balance Sheet

Y/E March	2022	2023	2024	2025E	2026E	2027E
Share Capital	850	850	850	850	850	850
Reserves	105,131	111,248	130,522	140,602	153,596	168,453
Net Worth	105,981	112,098	131,372	141,452	154,446	169,303
Loans	-	-	-	-	-	-
Deferred Tax Liability	654	1,160	137	137	137	137
Capital Employed	106,635	113,257	131,509	141,589	154,583	169,439
Application of Funds						
Gross Fixed Assets	47,180	53,473	58,005	64,022	72,022	80,022
Less: Depreciation	19,802	24,970	29,353	34,455	40,001	45,277
Net Fixed Assets	27,378	28,503	28,652	29,567	32,020	34,745
Capital WIP	3,381	1,009	2,017	2,000	2,000	2,000
Investments	60,355	63,417	86,212	88,096	93,500	99,117
Curr.Assets	40,862	46,422	51,646	58,965	64,852	74,307
Inventory	24,647	29,891	32,493	34,914	37,793	40,947
Sundry Debtors	11,945	12,741	12,644	15,098	16,343	17,707
Cash & Bank Balances	1,614	745	2,227	4,353	5,737	10,259
Loans & Advances	0	-	1,000	1,074	1,163	1,260
Other Current Assets	2,656	3,045	3,282	3,526	3,817	4,135
Current Liab. & Prov.	25,341	26,093	37,018	37,039	37,789	40,730
Sundry Creditors	16,254	18,036	27,052	21,231	20,429	22,133
Other Liabilities	5,173	4,544	5,945	11,323	12,257	13,280
Provisions	3,914	3,514	4,021	4,484	5,104	5,317
Net Current Assets	15,521	20,329	14,628	21,926	27,063	33,577
Application of Funds	106,635	113,257	131,509	141,589	154,583	169,439

Source: Company, YES Sec

Exhibit 6: Income statement

Y/E March	2022	2023	2024	2025E	2026E	2027E
Total Operating Income	124,101	145,919	160,292	172,210	186,410	201,966
Change (%)	23.6	17.6	9.8	7.4	8.2	8.3
Total Expenditure	110,119	130,239	141,578	151,596	162,193	175,575
EBITDA	13,983	15,680	18,714	20,613	24,217	26,391
EBITDA Margins (%)	11.3	10.7	11.7	12.0	13.0	13.1
Change (%)	3.1	12.1	19.3	10.2	17.5	9.0
Depreciation	4,131	4,558	4,975	5,102	5,547	5,275
EBIT	9,851	11,122	13,739	15,511	18,671	21,115
Deferred Revenue Exp.	-	-	-	-	-	-
Interest Charges	394	295	486	340	408	490
Other Income	805	1,324	845	1,145	2,190	2,278
EO Exp/(Inc)	(46,938)	-	-	-	-	-
PBT	57,199	12,151	14,099	16,317	20,453	22,903
Tax	10,356	3,115	3,569	4,112	4,909	5,497
Effective Rate (%)	18.1	25.6	25.3	25.2	24.0	24.0
Rep. PAT	46,843	9,036	10,530	12,205	15,544	17,407
Change (%)	517.8	(80.7)	16.5	15.9	27.4	12.0
Adj. PAT	8,404	9,036	10,530	12,205	15,544	17,407
Change (%)	10.8	7.5	16.5	15.9	27.4	12.0

Source: Company, YES Sec

Exhibit 7: Cash Flow Statement

Y/E March	2022	2023	2024	2025E	2026E	2027E
OP/(Loss) before Tax	57,199	12,151	14,099	15,511	18,671	21,115
Interest/Dividends Received	(156)	(233)	(237)	1,145	2,190	2,278
Depreciation & Amortisation	4,131	4,558	4,975	5,102	5,547	5,275
Direct Taxes Paid	(10,472)	(3,212)	(3,707)	(4,112)	(4,909)	(5,497)
(Inc)/Dec in Working Capital	(3,479)	(4,538)	4,874	(5,172)	(3,753)	(1,992)
Other Items	(93,957)	(242)	(38)	-	-	-
CF from Oper. Activity	(46,733)	8,484	19,965	12,475	17,746	21,179
Extra-ordinary Items	46,938	-	-	-	-	-
Other Items	-	-	-	-	-	-
CF after EO Items	205	8,484	19,965	12,475	17,746	21,179
(Inc)/Dec in FA+CWIP	(5,795)	(3,716)	(4,903)	(6,000)	(8,000)	(8,000)
Free Cash Flow	(52,528)	4,768	15,063	6,475	9,746	13,179
(Pur)/Sale of Invest.	8,549	(5,162)	(11,269)	(1,884)	(5,404)	(5,617)
CF from Inv. Activity	2,754	(8,878)	(16,172)	(7,884)	(13,404)	(13,617)
Issue of Equity	-	-	-	0	(0)	(0)
Inc/(Dec) in Debt	(67)	(101)	-	-	-	-
Interest Rec./ (Paid)	(482)	(360)	(601)	(340)	(408)	(490)
Dividends Paid	(1,700)	-	(1,700)	(2,125)	(2,550)	(2,550)
CF from Fin. Activity	(2,249)	(461)	(2,301)	(2,465)	(2,958)	(3,040)
Inc/(Dec) in Cash	709	(855)	1,493	2,126	1,384	4,522
Add: Beginning Balance	825	1,614	745	2,227	4,353	5,737
Closing Balance	1,534	759	2,238	4,353	5,737	10,259

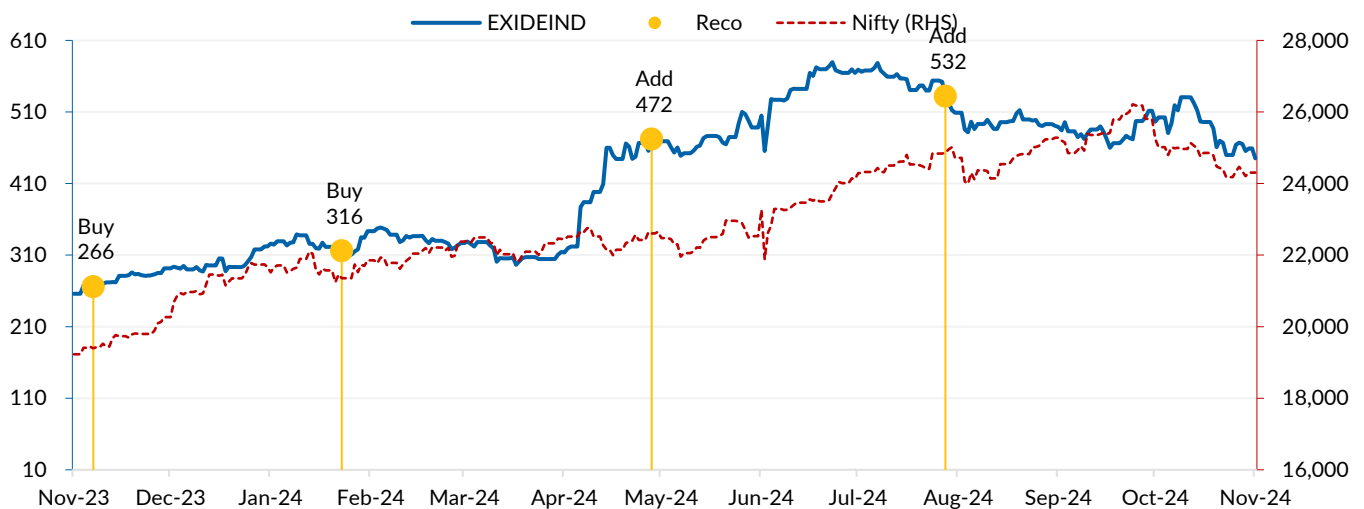
Source- Company, YES Sec

Exhibit 8: Growth and Ratio matrix

Y/E March	2022	2023	2024	2025E	2026E	2027E
Basic (INR)						
EPS	9.9	10.6	12.4	14.4	18.3	20.5
Cash EPS	14.7	16.0	18.2	20.4	24.8	26.7
Book Value per Share	124.7	131.9	154.6	166.4	181.7	199.2
DPS	3.2	2.0	2.0	2.5	3.0	3.0
Payout (Incl. Div. Tax) %	32.4	18.8	16.1	17.4	16.4	14.6
Valuation (x)						
P/E	45.0	41.9	35.9	31.0	24.3	21.7
Cash P/E	30.2	27.8	24.4	21.9	17.9	16.7
EV/EBITDA	22.6	20.0	15.5	13.9	11.5	10.2
EV/Sales	2.5	2.2	1.8	1.7	1.5	1.3
Price to Book Value	3.6	3.4	2.9	2.7	2.4	2.2
Dividend Yield (%)	0.7	0.4	0.4	0.6	0.7	0.7
Profitability Ratios (%)						
RoE	7.9	8.1	8.0	8.6	10.1	10.3
RoCE	10.0	8.5	8.9	9.1	10.7	11.0
RoIC	20.9	18.5	23.0	26.3	28.2	28.8
Turnover Ratios						
Debtors (Days)	35.1	31.9	28.8	32.0	32.0	32.0
Inventory (Days)	72.5	74.8	74.0	74.0	74.0	74.0
Creditors (Days)	47.8	45.1	61.6	45.0	40.0	40.0
Working Capital (Days)	59.8	61.5	41.2	61.0	66.0	66.0
Gross Fixed Asset Turnover (x)	2.6	2.7	2.8	2.7	2.6	2.5
Leverage Ratio						
Debt/Equity (x)	-	-	-	-	-	-

Source- Company, YES Sec

Recommendation Tracker



Source - YES Sec

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- (b) Providing research reports to major U.S. institutional investors, and effecting transactions in the subject securities with or for those investors;
- (c) Soliciting and effecting transactions with or for U.S. institutional investors or major U.S. institutional investors through a "chaperone broker-dealer"; and
- (d) Soliciting and effecting transactions with or for registered broker-dealers, banks³ acting in a broker or dealer capacity, certain international organizations, foreign persons temporarily present in the U.S., U.S. citizens resident abroad, and foreign branches and agencies of U.S. persons.

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)].

DISCLOSURE OF INTEREST

Name of the Research Analyst : Deep Shah, Meghna Gundu

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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1	Research Analyst or his/her relative's or YSIL's financial interest in the subject company(ies)	No
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3	Research Analyst or his/her relative or YSIL has any other material conflict of interest at the time of publication of the research report	No
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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

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

Analyst signature

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