

Exide Industries

HOLD

EBITDA margin weaker than expected; downgrade to HOLD

Summary

Exide Industries Q1FY24 EBITDA was below our estimate. Its revenue increased by 4.4% YoY to Rs40,726mn (below our forecast) mainly on strong growth from Automotive segment. EBITDA grew by 11.8% YoY and by 17.7% QoQ to Rs4,322 mn and EBITDA margin expanded 70bps YoY and 25 bps QoQ to 10.6% despite firm prices of key raw materials during the quarter. Adjusted net profit increased by 6.9% YoY to Rs2,419 mn. Exide aims to accelerate process of setting up lithium ion cell manufacturing project. Broadly we maintain our FY24-25 estimates. We now value the stock at a PER of 15x (earlier 14x) on FY25E EPS to derive a target price of Rs241 (earlier Rs225). Given the recent rise in stock price, we downgrade the stock to a HOLD.

Key Highlights and Investment Rationale

- **Robust business performance:** Despite rising prices of raw materials, the company's cost optimization strategies led to improvement in EBITDA margin during Q1FY24. In the automotive division, demand is steady remains steady in the domestic market. Exide continues to focus on strengthening market position through its technologically advanced product portfolio. Its order inflows remain strong in industrial sectors (such as IUPS, solar, telecom, traction, railways, etc.) on account of large investments flowing into these sectors.
- **Other highlights:** The company's lithium ion project continues to progress well. The company had completed site enablement work and construction activity is progressing as per schedule. The company is regularly collaborating with its technology partner SVOLT Energy Technology Co. Limited (Svolt). The company's latest Automotive division products include hybrid vehicles, longer-life batteries for e-rickshaws and superior range of inverters. Its distribution network has increased from 48,000 in FY20 to 95,000+ in FY23.

TP Rs241

CMP Rs251

Potential upside/downside -4%

Previous Rating BUY

Price Performance (%)

	-1m	-3m	-12m
Absolute	7.9	29.4	60.9
Rel to Sensex	3.6	20.3	42.4

V/s Consensus

EPS (Rs)	FY24E	FY25E
IDBI Capital	13.2	16.1
Consensus	12.3	14.1
% difference	7.5	13.9

Key Stock Data

Bloomberg / Reuters	EXID IN / EXID.BO
Sector	Auto Ancilliary
Shares o/s (mn)	850
Market cap. (Rs mn)	213,478
3-m daily avg Trd value (Rs mn)	59.5
52-week high / low	Rs257 / 150
Sensex / Nifty	66,160 / 19,646

Shareholding Pattern (%)

Promoters	46.0
FII	12.9
DII	19.4
Public	21.7

Financial snapshot

(Rs mn)

Year	FY21	FY22	FY23	FY24E	FY25E
Revenue	1,00,408	1,24,101	1,45,919	1,57,593	1,74,928
Change (yoy, %)	2	24	18	8	11
EBITDA	13,556	13,983	15,680	18,564	21,854
Change (yoy, %)	(1)	3	12	18	18
EBITDA Margin(%)	13.5	11.3	10.7	11.8	12.5
Adj.PAT	7,583	(98)	9,036	11,203	13,657
EPS (Rs)	8.9	(0.1)	10.6	13.2	16.1
Change (yoy, %)	(10.5)	(101.3)	(9,339.6)	24.0	21.9
PE(x)	23.0	(1,260.2)	19.3	15.6	12.8
Dividend Yield (%)	1.5	1.7	1.9	2.2	2.4
EV/EBITDA (x)	13.0	12.6	11.3	9.0	7.4
RoE (%)	11.5	nm	8.3	9.7	11.1
RoCE (%)	14.3	nm	9.9	11.8	13.6

Source: IDBI Capital Research

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Exhibit 1: Quarterly Snapshot

(Rs mn)

Financial snapshot	Q1FY24	Q4FY23	QoQ (%)	Q1FY23	YoY (%)
Total revenues	40,726	35,430	14.9	38,994	4.4
Gross profit	11,506	10,573	8.8	10,883	5.7
<i>Gross margin (%)</i>	<i>28.3</i>	<i>29.8</i>	<i>-159bps</i>	<i>27.9</i>	<i>34bps</i>
Total expenditure	36,404	31,758	14.6	35,127	3.6
EBIDTA	4,322	3,672	17.7	3,866	11.8
<i>EBITDA margin (%)</i>	<i>10.6</i>	<i>10.4</i>	<i>25bps</i>	<i>9.9</i>	<i>70bps</i>
Depreciation	1,194	1,193	0.1	1,091	9.5
Interest cost	98	83	17.5	64	53.5
Other income	192	412	(53.4)	322	(40.3)
PBT	3,222	2,808	14.7	3,034	6.2
Tax	803	730	10.0	771	4.2
Reported Net profit	2,419	2,078	16.4	2,263	6.9
Adj.Net profit	2,419	2,078	16.4	2,263	6.9
Adj. EPS (INR)	2.8	2.4	16.4	2.7	6.9

Source: Company; IDBI Capital Research

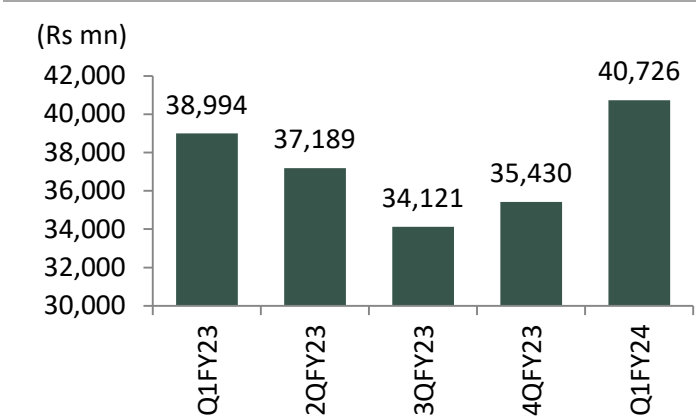
Exhibit 2: Actual vs. Estimates

(Rs mn)

	Q1FY24E	Q1FY24A	Variance (%)
Net sales	41,918	40,726	(2.8)
EBTIDA	4,797	4,322	(9.9)
<i>EBITDA margin (%)</i>	<i>11.4</i>	<i>10.6</i>	<i>-83bps</i>
Adj.Net profit	2,871	2,419	(15.7)
Diluted EPS (Rs)	3.4	2.8	(15.7)

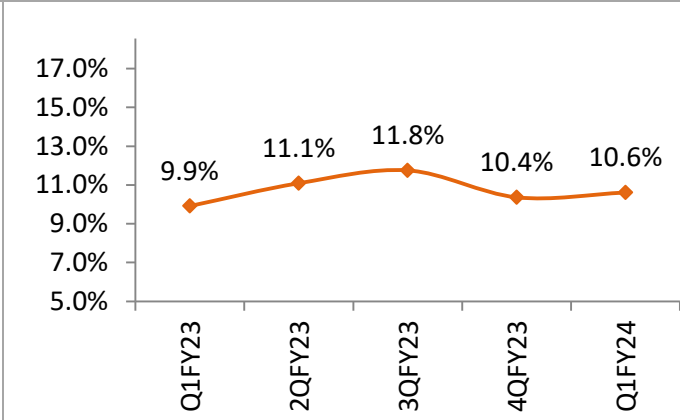
Source: Company; IDBI Capital Research

Exhibit 3: Top-line increases 4% YoY



Source: Company; IDBI Capital Research

Exhibit 4: EBIDTA margin increased 70bps YoY



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	98,567	1,00,408	1,24,101	1,45,919	1,57,593	1,74,928
<i>Change (yoy, %)</i>	(7)	2	24	18	8	11
Operating expenses	(84,917)	(86,853)	(1,10,119)	(1,30,239)	(1,39,029)	(1,53,074)
EBITDA	13,650	13,556	13,983	15,680	18,564	21,854
<i>Change (yoy, %)</i>	-3	-1	3	12	18	18
<i>Margin (%)</i>	13.8	13.5	11.3	10.7	11.8	12.5
Depreciation	(3,626)	(3,794)	(4,131)	(4,558)	(4,649)	(4,742)
EBIT	10,024	9,762	9,851	11,122	13,915	17,112
Interest paid	(94)	(238)	(394)	(295)	(266)	(239)
Other income	639	654	805	1,324	1,390	1,460
Pre-tax profit	10,786	10,179	57,199	12,151	15,039	18,332
Tax	(2,097)	(2,596)	(10,356)	(3,115)	(3,836)	(4,676)
<i>Effective tax rate (%)</i>	19	26	18	26	26	26
Minority Interest	-	-	-	-	-	-
Net profit	8,689	7,583	46,843	9,036	11,203	13,657
Exceptional items	217	-	46,938	-	-	-
Adjusted net profit	8,472	7,583	(98)	9,036	11,203	13,657
<i>Change (yoy, %)</i>	15	(10)	N/A	N/A	24	22
EPS	10.0	8.9	(0.1)	10.6	13.2	16.1
Dividend per share	3.2	3.0	3.5	4.0	4.5	5.0
<i>Dividend Payout %</i>	38	39	N/A	44	40	36

Balance Sheet

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Shareholders' funds	62,961	68,935	1,05,981	1,12,098	1,18,826	1,27,510
Share capital	850	850	850	850	850	850
Reserves & surplus	62,111	68,085	1,05,131	1,11,248	1,17,976	1,26,660
Total Debt	280	2,855	2,898	2,776	2,776	2,876
Other liabilities	1,019	771	-	-	-	-
Curr Liab & prov	18,161	23,727	24,760	25,637	31,797	34,923
Current liabilities	14,559	20,483	21,561	22,254	27,016	29,734
Provisions	3,602	3,244	3,198	3,383	4,780	5,189
Total liabilities	19,460	27,353	27,657	28,413	34,573	37,799
Total equity & liabilities	82,421	96,288	1,33,638	1,40,510	1,53,398	1,65,309
Net fixed assets	26,364	28,386	30,869	29,512	30,263	30,921
Investments	20,863	22,099	53,658	57,882	57,482	57,182
Other non-curr assets	-	-	-	-	-	-
Current assets	35,194	45,803	49,111	53,116	65,653	77,206
Inventories	21,922	23,462	24,647	29,891	31,010	34,170
Sundry Debtors	8,153	8,874	11,945	12,741	15,160	16,827
Cash and Bank	1,546	914	1,614	745	9,744	16,469
Loans and advances	509	9,208	7,256	5,731	5,731	5,731
Other current assets	3,065	3,346	3,649	4,008	4,008	4,008
Total assets	82,421	96,288	1,33,638	1,40,510	1,53,398	1,65,309

Cash Flow Statement (Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Pre-tax profit	10,786	10,179	57,199	12,151	15,039	18,332
Depreciation	3,626	3,794	4,131	4,558	4,649	4,742
Tax paid	(2,830)	(2,844)	(11,126)	(3,115)	(3,836)	(4,676)
Chg in working capital	(1,930)	2,963	(3,372)	(5,494)	2,622	(1,701)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	9,652	14,091	46,832	8,100	18,474	16,697
Capital expenditure	(5,000)	(3,500)	(5,000)	(5,000)	(5,000)	(5,000)
Chg in investments	-	-	-	(4,225)	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(5,000)	(3,500)	(5,000)	(9,225)	(5,000)	(5,000)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	280	2,575	42	(121)	-	100
Dividend (incl. tax)	(3,182)	(2,984)	(3,481)	(3,978)	(4,475)	(4,973)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(2,902)	(408)	(3,438)	(4,099)	(4,475)	(4,873)
Net chg in cash (a+b+c)	1,750	10,183	38,394	(5,224)	8,999	6,825

Financial Ratios

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Book Value (Rs)	74	81	125	132	140	150
Adj EPS (Rs)	10.0	8.9	-0.1	10.6	13.2	16.1
Adj EPS growth (%)	15.1	(10.5)	N/A	N/A	24.0	21.9
EBITDA margin (%)	13.8	13.5	11.3	10.7	11.8	12.5
Pre-tax margin (%)	10.9	10.1	46.1	8.3	9.5	10.5
Net Debt/Equity (x)		0.0	0.0	0.0	-0.1	-0.1
ROCE (%)	15.9	14.3	nm	9.9	11.8	13.6
ROE (%)	13.8	11.5	nm	8.3	9.7	11.1

DuPont Analysis

Asset turnover (x)	1.2	1.1	1.1	1.1	1.1	1.1
Leverage factor (x)	1.3	1.4	1.3	1.3	1.3	1.3
Net margin (%)	8.6	7.6	N/A	6.2	7.1	7.8

Working Capital & Liquidity ratio

Inventory days	81	85	72	75	72	71
Receivable days	30	32	35	32	35	35
Payable days	44	69	54	43	47	47

Valuations

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
PER (x)	20.6	23.0	N/A	19.3	15.6	12.8
Price/Book value (x)	2.8	2.5	1.6	1.6	1.5	1.4
EV/Net sales (x)	1.8	1.8	1.4	1.2	1.1	0.9
EV/EBITDA (x)	12.7	13.0	12.6	11.3	9.0	7.4
Dividend Yield (%)	1.6	1.5	1.7	1.9	2.2	2.4

Source: Company; IDBI Capital Research



Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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