

Estimate changes	↔
TP change	↔
Rating change	↔

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 Asiamoney Brokers Poll 2021 for India
 Research, Sales, Corporate Access and
 Trading team. We [request your ballot](#).



Bloomberg	EXID IN
Equity Shares (m)	850
M.Cap.(INRb)/(USDb)	151.8 / 2
52-Week Range (INR)	221 / 150
1, 6, 12 Rel. Per (%)	-2/-21/-23
12M Avg Val (INR M)	755

Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Net Sales	100.4	118.4	133.4
EBITDA	13.6	15.4	18.9
Adj. PAT	7.6	8.8	11.6
Adj. EPS (INR)	8.9	10.4	13.6
EPS Gr. (%)	-10.0	16.3	31.0
BV/Sh. (INR)	81.1	88.3	98.7
Ratio			
Net D:E	-0.1	-0.3	-0.3
RoE (%)	11.0	11.8	13.8
RoCE (%)	11.8	12.6	14.7
Payout (%)	22.4	30.8	23.5
Valuations			
P/E (x)	20.0	17.2	13.1
P/BV (x)	2.2	2.0	1.8
Div Yield (%)	1.1	1.8	1.8
FCF Yield (%)	7.1	9.1	6.4

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	46.0	46.0	46.0
DII	23.3	24.6	22.9
FII	11.8	12.0	9.1
Others	18.9	17.5	22.1

FII Includes depository receipts

CMP: INR179 **TP: INR215 (+20%)** **Buy**

Revenue beat; margin impacted by higher RM cost

Captive smelters dilute higher lead prices

- EXID's topline performance was driven by growth in both Auto and Industrial segments in 1QFY22, while margin was restricted due to commodity cost inflation. We expect a cyclical recovery in demand from the OEM segment in FY22, along with strength in the Aftermarket segment, with a continuous shift from the unorganized to the organized segment.
- We largely maintain our earnings estimate. We maintain our **Buy** rating, with a TP of ~INR215/share (~14x FY23 EPS + INR25/share for the Insurance business).

Higher lead cost inflation hurt margin

- Revenue/EBITDA/PAT declined by 15%/37%/49% QoQ (+61%/+75.5%/+185% YoY) to INR24.9b/INR2.6b/INR1.25b in 1QFY22.
- Gross margin contracted by 280bp QoQ (+20bp YoY) to 31.5% (est. 34.5%) due to lead cost inflation.
- EBITDA margin fell 350bp QoQ (+90bp YoY) to 10.5% (est. 11.1%). This was due to operating deleverage and higher staff costs (up by 110bp QoQ to 7.4% as a percentage of sales). EBITDA declined by 37% QoQ (+75.5% YoY) to INR2.6b (est. INR2.2b).
- Adjusted PAT declined by 49% QoQ (+185% YoY) to ~INR1.25b (est. ~INR1b).

Highlights from the press release

- Growth was achieved by both the Automotive and Industrial divisions, despite COVID-related disruptions in 1QFY22.
- Replacement volumes for both Automotive and UPS batteries were robust.
- Demand from Infrastructure, OEM, and Export markets exceeded the company's expectations.
- The company is focusing on sales transformation and various cost control measures as core strategies to boost profits.

Valuation and view

- We largely maintain our earnings estimates. EXID would see a lesser impact of lead price inflation on account of its captive smelter. It should have a better mix, owing to a higher Aftermarket share.
- We prefer EXID as it offers a superior risk-reward considering its market leadership, technological alliances, backward integration, and better mix.
- Lithium batteries pose a risk to the 2W and 3W segment (~15% of revenue) and Industrial segment (~26% of revenue).
- The stock trades at 17.2x/13.1x FY22E/FY23E standalone EPS. We cut our P/E multiple to 14x from 15x to account for risk from EVs. Valuing it ~14x standalone Mar'23E EPS + INR25/share for the Life Insurance business, we maintain our **Buy** rating with a TP of ~INR215 per share.

Standalone quarterly performance (INR m)											
Y/E March	FY21				FY22E				FY21	FY22E	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Net Sales	15,476	27,534	28,010	29,388	24,864	30,012	31,371	32,166	1,00,408	1,18,413	20119
Growth YoY (%)	-44	5	16	43	61	9	12	9	2	17.9	30
EBITDA	1,485	3,920	4,028	4,123	2,606	3,722	4,368	4,690	13,556	15,387	2223
Change (%)	-64	7	26	53	76	-5	8	14	-1	13.5	50
Depreciation	914	953	953	974	1009	1050	1070	1089	3794	4,218	1000
Interest	14	63	76	85	109	80	60	71	238	320	75
Non-Operating Income	70	148	201	235	152	225	250	276	654	902	230
PBT after EO Exp.	627	3,052	3,200	3,300	1,640	2,817	3,488	3,806	10,179	11,752	1378
Tax	188	764	786	859	385	702	870	973	2596	2,930	344
Effective Tax Rate (%)	30	25	25	26	24	25	25	26	26	24.9	25
Adj. PAT	440	2,288	2,414	2,441	1,254	2,115	2,619	2,834	7,583	8,821	1035
Change (%)	-80	-4	13	45	185	-8	8	16	-10	16.3	135
Key performance indicators											
Cost Break-up											
RM (%)	68.8	65.0	64.1	65.7	68.5	67.5	66.0	65.2	65.5	66.7	65.5
Employee cost (%)	9.0	6.9	7.4	6.3	7.4	6.5	6.4	6.3	7.2	6.6	8.4
Other Exp. (%)	12.6	13.9	14.1	14.0	13.6	13.6	13.7	13.9	13.8	13.7	15.0
Gross Margin (%)	31.2	35.0	35.9	34.3	31.5	32.5	34.0	34.8	34.5	33.3	34.5
EBITDA Margin (%)	9.6	14.2	14.4	14.0	10.5	12.4	13.9	14.6	13.5	13.0	11.1
EBIT Margin (%)	3.7	10.8	11.0	10.7	6.4	8.9	10.5	11.2	9.7	9.4	6.1
Lead Price (INR/kg)	127.4	139.2	140.3	146.7	156.2				138.4	156.2	154.7
Change (%)	-2.8	-2.5	-3.6	9.9	22.6				0.1	12.8	21.4

E: MOFSL estimates

Key exhibits

Exhibit 1: Trend in revenue and growth

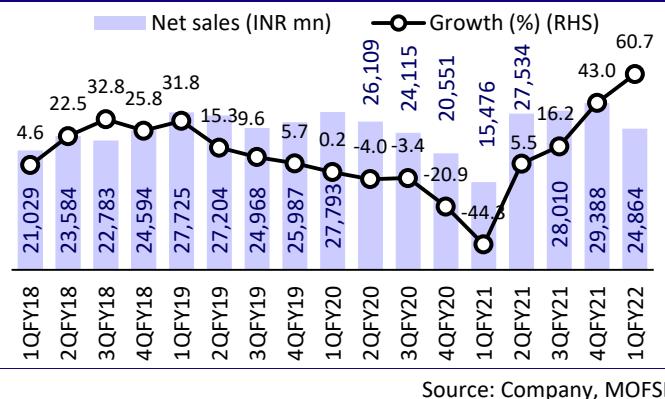
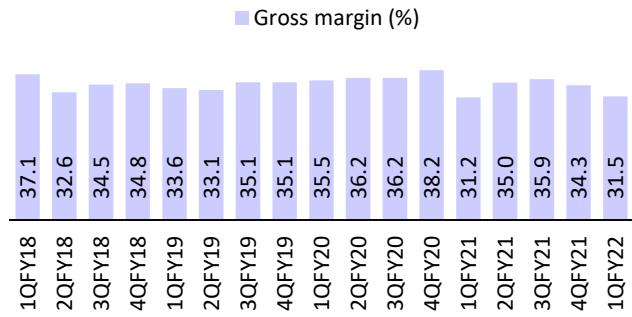
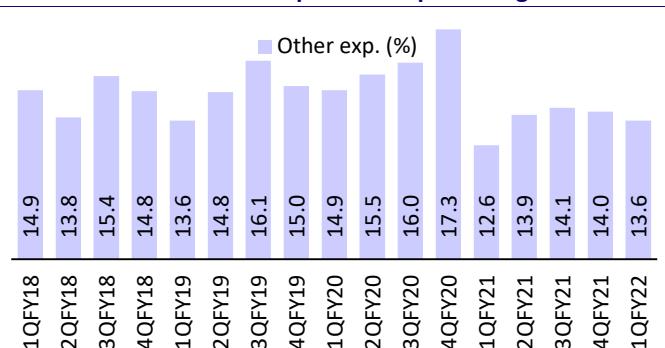


Exhibit 2: Trend in gross margin



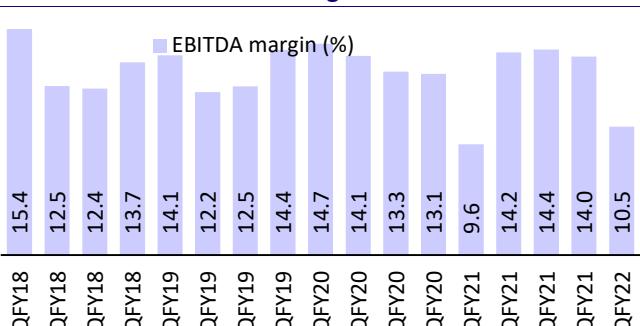
Source: Company, MOFSL

Exhibit 3: Trend in other expense as a percentage of sales

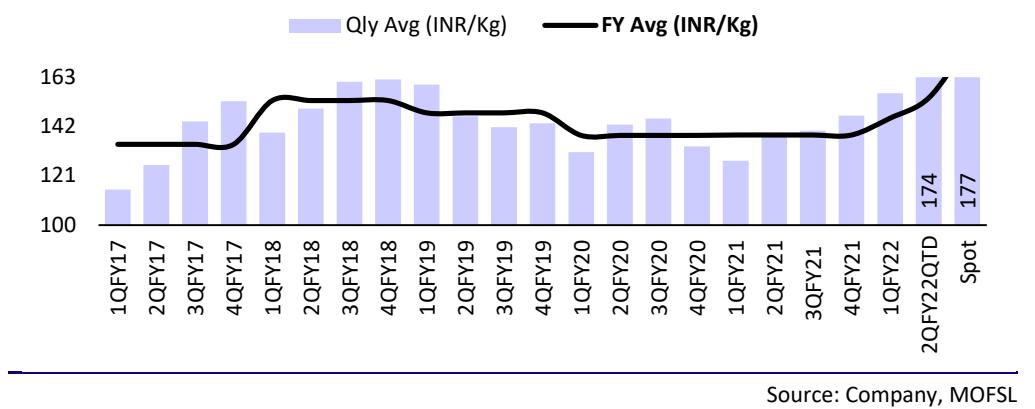


Source: Company, MOFSL

Exhibit 4: Trend in EBITDA margin



Source: Company, MOFSL

Exhibit 5: Spot lead prices are ~13% higher than its 1QFY22 average

Source: Company, MOFSL

Valuation and view

- **Industry structure remains a duopoly; EXID leads:** While the industry structure remains largely a duopoly, EXID is the largest lead acid Battery manufacturer in India, with leadership in Auto OEMs and the Replacement segment. Over FY13-17, EXID clocked 5.9%/7.3% CAGR in net sales/PAT, below competitor AMRJ's CAGR of 15.9%/13.1%. This was due to AMRJ's technological innovations – it was the first to introduce maintenance free, factory-charged, extended-warranty batteries – and unique distribution model (franchisee-based), supported by operational efficiency-led competitive pricing. However, EXID has largely caught up with competitors by investing in technology and being more proactive in terms of customer service and about plugging the gaps in its product portfolio.
- **EXID to defend top position:** With a recovery in demand from Auto OEMs and the Industrial segment, EXID should improve its market share. OEM demand has started showing signs of recovery by the end of Jun'21 after the gradual opening of markets that were shut due to localized lockdowns imposed by states. We expect value migration from unorganized to organized players such as EXID and AMRJ in the Replacement segment, driven by tax reforms such as GST, and lower corporate tax rates. Healthy replacement demand would lead to better capacity utilization and margin.
- **Electrification of 2Ws/3Ws a risk for lead acid Battery players:** The government is pushing for the electrification of 3Ws/2Ws from CY23/CY25. The incentives offered by the government (FAME-2), coupled with the recently announced EV policies of states, have brought e-2W prices almost at similar levels as its ICE counterparts. Unlike e-Cars, e-2Ws/e-3Ws do not require a lead acid battery as an auxiliary battery. This would impact 15-20% of revenue of lead acid Battery players. Lithium also poses a risk to the industrial batteries (~26% of revenue). Some concrete steps in this direction would potentially lead to the de-rating of the P/E multiple (due to a decline in terminal growth).
- **Valuation and view:** We maintain our FY22E/FY23E EPS, factoring in stronger revenue and gross margin. EXID would see a higher benefit from lead prices v/s AMRJ due to its captive smelter. EXID should have a better mix, owing to higher Aftermarket share. We prefer EXID as it offers a superior risk-reward considering its market leadership, technological alliances, backward integration, and better mix. The stock trades at 17.2x/13.1x FY22E/FY23E standalone EPS. We cut our

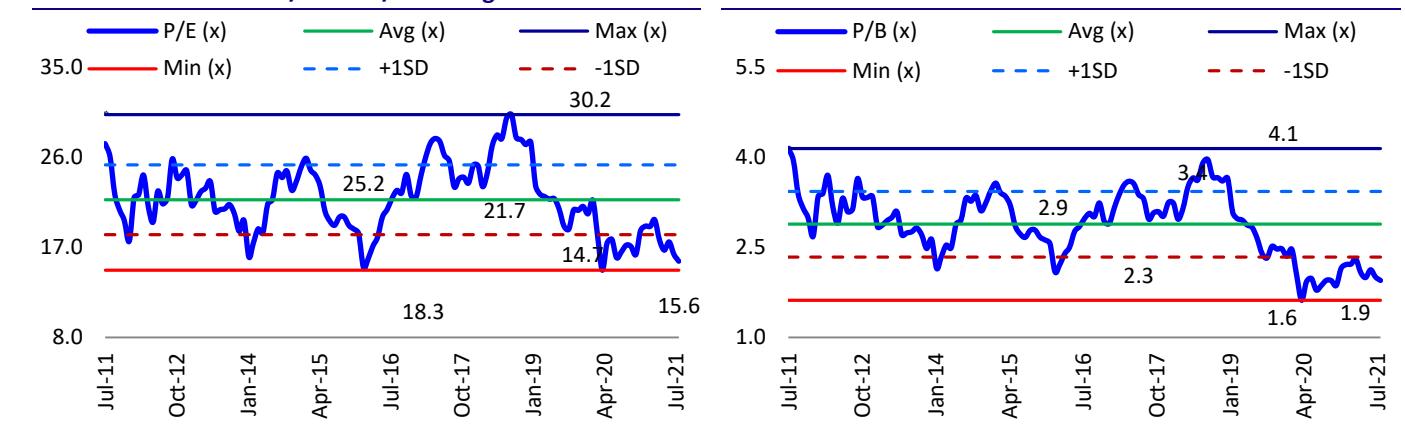
P/E multiple to 14x from 15x to account for risk from EVs. Valuing it ~14x standalone Mar'23E EPS + INR25/share for the Life Insurance business, we maintain our **Buy** rating with a TP of ~INR215 per share.

Exhibit 6: Revised estimates

(INR m)	FY22E			FY23E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Net Sales	1,18,413	1,14,906	3.1	1,33,411	1,29,695	2.9
EBITDA Margin (%)	13.0	13.1	-10bp	14.1	14.0	20bp
PAT	8,821	8,704	1.4	11,553	11,024	4.8
EPS (INR)	10.4	10.2	1.4	13.6	13.0	4.8

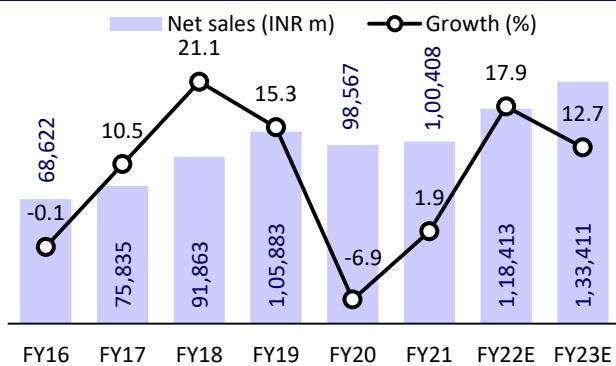
Source: MOFSL

Exhibit 7: Valuations – P/E and P/B trading band



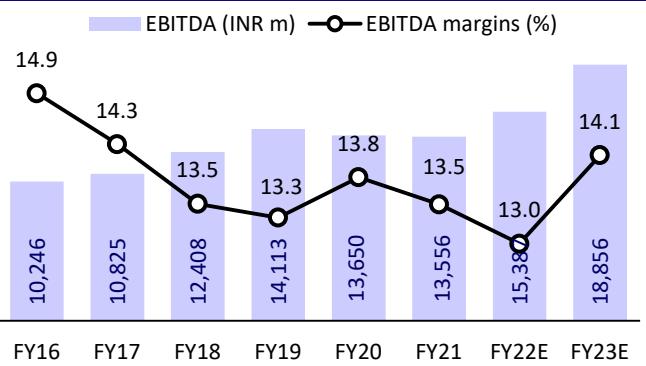
Story in charts

Exhibit 8: Trend in revenue and growth



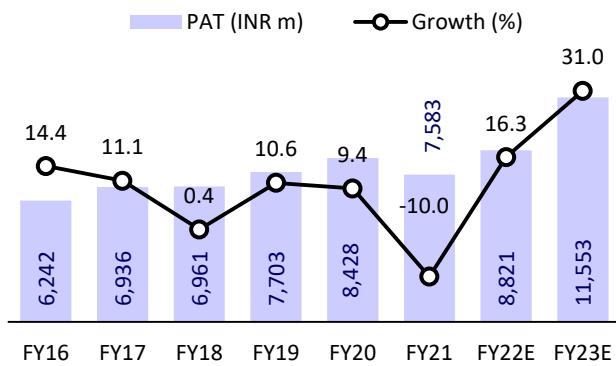
Source: Company, MOFSL

Exhibit 9: Trend in EBITDA and EBITDA margin



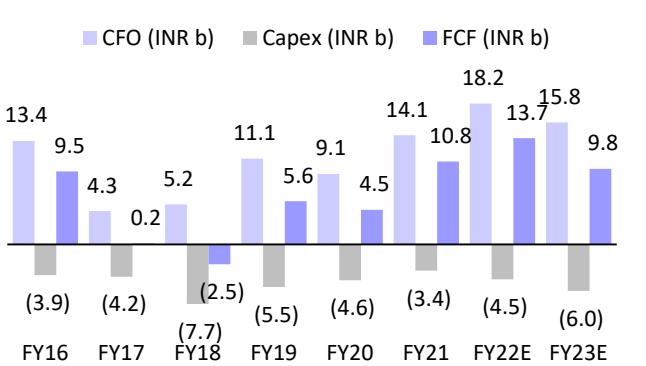
Source: Company, MOFSL

Exhibit 10: PAT and PAT growth trend



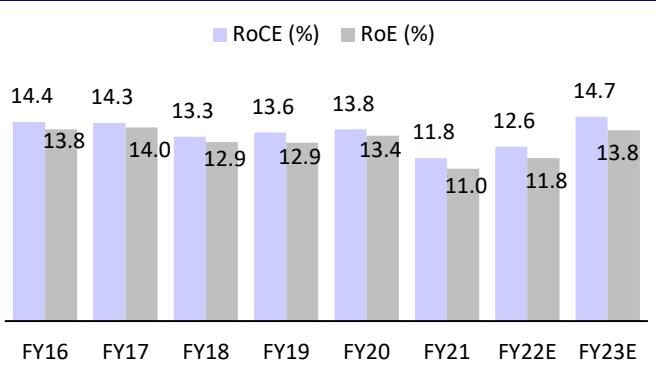
Source: Company, MOFSL

Exhibit 11: Strong FCF driven by healthy CFO



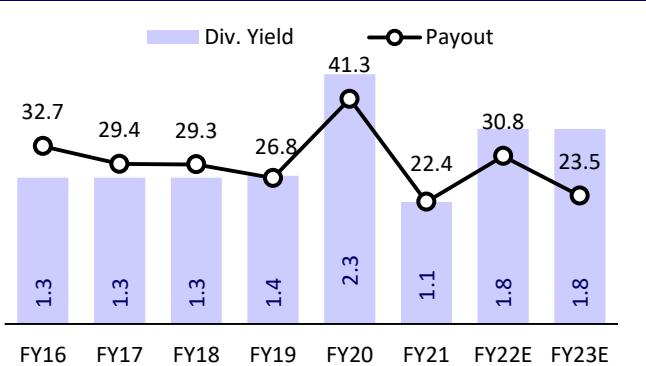
Source: Company, MOFSL

Exhibit 12: Trend in return ratios



Source: Company, MOFSL

Exhibit 13: Dividend yield and dividend payout (%) trend



Source: Company, MOFSL

Financials and valuations

Income Statement (INR Million)								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Sales	68,477	75,835	91,863	1,05,883	98,567	1,00,408	1,18,413	1,33,411
Change (%)	-0.3	10.7	21.1	15.3	-6.9	1.9	17.9	12.7
Total Expenditure	58,376	65,010	79,456	91,770	84,916	86,852	1,03,025	1,14,554
EBITDA	10,246	10,825	12,408	14,113	13,651	13,557	15,388	18,857
EBITDA Margins (%)	14.9	14.3	13.5	13.3	13.8	13.5	13.0	14.1
Change (%)	12.2	5.7	14.6	13.7	-3.3	-0.7	13.5	22.5
Depreciation	1,579	2,063	2,459	3,135	3,626	3,794	4,218	4,540
EBIT	8,666	8,762	9,948	10,978	10,025	9,763	11,170	14,317
Interest Charges	3	43	52	61	94	238	320	200
Other Income	416	1,039	584	385	639	654	902	1,268
EO Exp/(Inc)	-	-	418	(1,083)	217	-	-	-
PBT	9,080	9,757	10,062	12,386	10,352	10,179	11,752	15,383
Tax	2,837	2,821	3,378	3,945	2,097	2,596	2,930	3,830
Effective Rate (%)	31.2	28.9	33.6	31.9	20.3	25.5	24.9	24.9
Rep. PAT	6,242	6,936	6,683	8,440	8,255	7,583	8,821	11,553
Change (%)	14.4	11.1	-3.6	26.3	-2.2	-8.1	16.3	31.0
Adj. PAT	6,242	6,936	6,961	7,703	8,428	7,583	8,821	11,553
Change (%)	14.4	11.1	0.4	10.6	9.4	-10.0	16.3	31.0
Balance Sheet (INR Million)								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	850	850	850	850	850	850	850	850
Reserves	44,264	48,786	53,043	59,020	62,111	68,085	74,186	83,020
Net Worth	45,114	49,636	53,893	59,870	62,961	68,935	75,036	83,870
Loans	1,025	1,702	0	0	0	0	0	0
Deferred Tax Liability	1,270	1,552	1,405	1,751	1,019	771	1,123	1,585
Capital Employed	47,409	52,890	55,298	61,621	63,980	69,706	76,159	85,454
Application of Funds								
Gross Fixed Assets	14,206	19,058	25,588	32,069	36,823	41,285	44,792	50,792
Less: Depreciation	1,551	3,598	6,005	9,097	10,107	13,901	18,118	22,659
Net Fixed Assets	12,654	15,460	19,583	22,973	26,716	27,384	26,674	28,133
Capital WIP	1,858	1,414	2,335	2,549	2,969	2,008	3,000	3,000
Investments	26,978	26,755	19,690	21,994	20,708	30,586	33,086	35,586
Curr. Assets	20,680	24,143	32,361	34,208	35,008	36,978	44,897	53,803
Inventory	11,335	15,274	17,602	18,040	21,923	23,462	20,114	22,662
Sundry Debtors	6,039	6,217	9,434	10,812	8,154	8,875	11,355	12,793
Cash & Bank Balances	738	196	872	736	1,546	914	9,032	13,396
Loans & Advances	228	235	272	322	322	383	452	509
Other Current Assets	2,340	2,222	4,181	4,299	3,064	3,345	3,945	4,444
Current Liab. & Prov.	14,762	14,881	18,671	20,103	18,441	26,582	30,917	34,489
Sundry Creditors	7,449	7,679	10,787	11,428	10,361	16,483	19,438	21,900
Other Liabilities	4,184	4,556	5,091	5,539	4,478	6,856	7,137	8,041
Provisions	3,129	2,647	2,793	3,136	3,602	3,244	4,342	4,548
Net Current Assets	5,918	9,262	13,690	14,105	16,567	10,396	13,979	19,315
Application of Funds	47,409	52,890	55,298	61,621	66,960	70,373	76,739	86,034

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)								
EPS	7.3	8.2	8.2	9.1	9.9	8.9	10.4	13.6
Cash EPS	9.2	10.6	11.1	12.8	14.2	13.4	15.3	18.9
Book Value per Share	53.1	58.4	63.4	70.4	74.1	81.1	88.3	98.7
DPS	2.4	2.4	2.4	2.4	4.1	2.0	3.2	3.2
Payout (Incl. Div. Tax) %	32.7	29.4	29.3	26.8	41.3	22.4	30.8	23.5
Valuation (x)								
P/E	24.3	21.9	21.8	19.7	18.0	20.0	17.2	13.1
Cash P/E	19.4	16.9	16.1	14.0	12.6	13.3	11.6	9.4
EV/EBITDA	12.2	11.7	10.6	9.1	9.5	8.9	7.1	5.5
EV/Sales	1.8	1.7	1.4	1.2	1.3	1.2	0.9	0.8
Price to Book Value	3.4	3.1	2.8	2.5	2.4	2.2	2.0	1.8
Dividend Yield (%)	1.3	1.3	1.3	1.4	2.3	1.1	1.8	1.8
Profitability Ratios (%)								
RoE	13.8	14.0	12.9	12.9	13.4	11.0	11.8	13.8
RoCE	14.4	14.3	13.3	13.6	13.8	11.8	12.6	14.7
RoIC	30.1	29.4	23.2	21.8	21.3	19.4	24.9	33.3
Turnover Ratios								
Debtors (Days)	32	30	37	37	30	32	35	35
Inventory (Days)	60	74	70	62	81	85	62	62
Creditors (Days)	40	37	43	39	38	60	60	60
Working Capital (Days)	53	66	65	60	73	58	37	37
Gross Fixed Asset Turnover (x)	4.8	4.0	3.6	3.3	2.7	2.4	2.6	2.6
Leverage Ratio								
Net Debt/Equity (x)	-0.2	-0.2	-0.1	-0.1	0.0	-0.1	-0.3	-0.3

Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
(INR Million)								
OP/(Loss) before Tax	9,019	9,757	10,062	12,386	10,352	10,179	11,169	14,316
Interest/Dividends Received	-413	-898	-358	-217	-429	-362	902	1,268
Depreciation & Amortisation	1,579	2,063	2,459	3,135	3,626	3,794	4,218	4,540
Direct Taxes Paid	-2,684	-2,812	-3,503	-3,733	-2,494	-2,721	-2,578	-3,368
(Inc)/Dec in Working Capital	5,783	-3,840	-3,563	-468	-2,155	3,044	4,535	-971
CF from Oper. Activity	13,398	4,311	5,166	11,121	9,137	14,134	18,246	15,784
CF after EO Items	13,398	4,311	5,166	10,038	9,137	14,134	18,246	15,784
(Inc)/Dec in FA+CWIP	-3,948	-4,158	-7,714	-5,510	-4,646	-3,384	-4,500	-6,000
Free Cash Flow	9,450	153	-2,548	5,611	4,491	10,750	13,746	9,784
(Pur)/Sale of Invest.	-7,512	1,086	7,433	-2,147	1,397	-9,385	-2,500	-2,500
CF from Inv. Activity	-11,460	-3,072	-280	-7,656	-3,249	-12,769	-7,000	-8,500
Interest Rec. / (Paid)	-13	-37	-58	-61	-100	-289	-320	-200
Dividends Paid	-2,334	-2,417	-2,449	-2,459	-4,986	-1,700	-2,720	-2,720
CF from Fin. Activity	-1,497	-1,782	-4,209	-2,520	-5,086	-1,989	-3,040	-2,920
Inc/(Dec) in Cash	441	-543	676	-138	802	-623	8,206	4,364
Add: Beginning Balance	298	738	196	785	647	1,449	826	9,032
Closing Balance	739	195	872	647	1,449	826	9,032	13,396

E: MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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