INVasset Corporate Insights

EXIDE INDUSTRIES LIMITED

13th June, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Exide Industries: Pioneering Battery Solutions in India

Comprehensive Product Range: Exide Industries manufactures a wide range of batteries for various sectors, including automotive (two-wheelers, three-wheelers, four-wheelers, E-rickshaws, H-UPS) and industrial applications. Their products range from 2.5 Ah batteries for two-wheelers to 3200 Ah for industrial and submarine uses. This diverse product portfolio establishes Exide as a leader in the battery manufacturing industry, catering to numerous customer needs across different sectors.

Dominant Storage Batteries Segment: The storage batteries segment accounts for 74% of Exide's revenues, with the automotive sector contributing 73%, industrial 26%, and submarine 1%. Exide leads in the automotive, industrial, and submarine battery markets. Their industrial battery customers primarily come from the power, solar, railways, telecom, and UPS sectors, further solidifying Exide's position as a key player in the energy storage market.

Strategic Lithium-ion Foray: Exide's entry into the lithium-ion segment is marked by two key ventures. Exide Energy Private Limited, started in 2018, manufactures Li-ion modules and packs for e-mobility and stationary power applications. With a 1.5 GWh capacity, it began commercial production in FY22. Exide Energy Solutions Limited, set up in FY23, focuses on advanced chemistry cells and aims for a 12 GWh capacity, highlighting Exide's commitment to future-ready energy solutions.

Lithium-ion Cell Manufacturing Facility: Exide is setting up a lithium-ion cell manufacturing plant in collaboration with SVOLT (China). This facility, located at the Hi-Tech Defense & Aerospace Park in Bengaluru, spans 80 acres. This strategic move aligns with Exide's vision to become a significant player in the lithium-ion battery market, leveraging international expertise and cutting-edge technology for advanced energy storage solutions.

Robust Distribution Network: Exide boasts a comprehensive distribution network with over 150 warehouses and sales offices, and 95,000 direct and indirect dealers across India as of FY23. The network includes 1,600+ Exide Care outlets and 300+ SF Batteries Power Bay outlets. This extensive distribution system ensures that Exide's products are readily available across the country, providing customers with easy access to their battery solutions.

Diverse Customer Base: Exide serves almost all major automotive companies in India, including those manufacturing two-wheelers, three-wheelers, and four-wheelers. Its industrial customer base features prominent names like Emerson, Ericsson, Hitachi, Cipla, General Electric, Mitsubishi, Godrej, BSNL, Finolex, BHEL, Tata, NTPC, and Indus Towers. This diverse and prestigious customer base underscores Exide's reputation for reliability and quality.

Global Reach and Collaborations: Exide exports to over 60 countries, with 91% of revenue from domestic sales and 9% from exports in FY23. The company has six overseas technical collaborations, including partnerships with Showa Denko and Furukawa from Japan, Advanced Battery and East Penn from the USA, Moura from Brazil, and SVOLT from China.

Stock Data	
CMP	526
52 Week High/Low	537/204
Face Value	1.00
Market Cap (In Crs)	44,714
Enterprise Value (In Crs)	45,507
NSE	EXIDEIND
BSE	500086
Bloomberg	EXID:IN
Sector	AUTO ANCILLIARIES

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	45.99	45.99
FII	13.57	12.94
DII	18.57	19.24
Public	21.88	21.82

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	5.23	10.77	25.04
EXIDEIND	14.68	78.21	154.29

Key Ratios	
P/E	51.0
P/S	2.67
P/B	3.50
Debt To Equity	0.09
ROE	7.30%
ROCE	10.5%
Dividend Yield	0.38%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	4,173	3,980	3,677	4.85%	13.49%
Expenses	3,725	3,548	3,305	4.99%	12.71%
EBITDA	453	477	408	-5.03%	11.03%
Other Income	5	25	36	-80.00%	-86.11%
Net Profit	186	203	181	-8.37%	2.76%
EPS	2.17	2.36	2.12	-8.05%	2.36%

Result Highlights

Strong Q4 Performance Highlights Growth and Challenges

Impressive Sales Growth: In Q4 FY24, Jio Financial Services Ltd. achieved robust sales growth, recording Rs 4,173 crore. This marks a significant increase of 13.49% year-over-year (YOY) and 4.85% quarter-over-quarter (QOQ). The strong sales performance highlights the company's effective strategies in capturing market demand and expanding its customer base. These results demonstrate the company's resilience in a competitive market. Sustained focus on customer acquisition and retention will be key to maintaining this momentum.

Rising Expenses Impact Margins: The company's expenses in Q4 FY24 rose to Rs 3,725 crore, reflecting a 12.71% YOY increase and a 4.99% QOQ increase. This rise in expenses is indicative of the company's ongoing investments in growth initiatives and operational costs, which have slightly impacted profit margins. Careful cost management will be essential to ensure sustained profitability amidst these rising expenses. The company must balance its investment in growth with prudent expense controls to safeguard margins.

EBITDA Performance: Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for Q4 FY24 stood at Rs 453 crore. Despite a 5.03% QOQ decline, the EBITDA shows an 11.03% YOY growth. This positive YOY performance underscores the company's ability to generate healthy operational profits amidst rising expenses. Future EBITDA growth will depend on the company's capacity to enhance operational efficiency. Streamlining processes and optimizing resource allocation will be vital for sustaining EBITDA improvements.

Significant Decline in Other Income: Other income for Q4 FY24 dropped dramatically to Rs 5 crore, representing an 86.11% YOY decrease and an 80.00% QOQ decline. This sharp fall in other income signals a potential reduction in non-core revenue streams, which could be an area for the company to address moving forward. Identifying new sources of other income could help mitigate this decline. Diversifying income streams by exploring innovative opportunities could bolster financial stability.

Net Profit and EPS Insights: The net profit for Q4 FY24 came in at Rs 186 crore, showing a slight YOY increase of 2.76% but an 8.37% QOQ decrease. The Earnings Per Share (EPS) stood at Rs 2.17, a 2.36% YOY increase but an 8.05% QOQ decrease. These figures reflect a steady financial performance despite quarterly fluctuations. Maintaining net profit and EPS growth will be crucial for long-term shareholder value. The company's strategic initiatives should focus on consistent profit growth.

Strategic Implications and Future Outlook: The mixed financial results of Q4 FY24 suggest that while Jio Financial Services Ltd. has achieved commendable sales growth, rising expenses and declining other income present challenges. The company's ability to sustain profit margins and explore new revenue streams will be crucial for its future success and investor confidence. Continued focus on innovation and market expansion will drive future performance. Strengthening core operations and leveraging new market opportunities will be essential for achieving long-term growth objectives.

Concall Highlights

Exide's Remarkable Year in Review: Exide has demonstrated significant achievements across multiple dimensions this past year. The company boasts an impressive manufacturing capacity with 66 million automotive batteries and 6.7 billion AH of industrial power. Financially, Exide has shown robust performance, with a market capitalization of over Rs 25,000 crore, revenues surpassing Rs 16,000 crore, an EBITDA of more than Rs 1,800 crore, and a PAT exceeding Rs 1,050 crore. On the sustainability front, Exide has made commendable strides, utilizing 20% renewable energy, recycling three-fourths of its lead, reducing water intensity by 7.4%, and positively impacting over 310,000 people through CSR initiatives.

Exide's Cutting-Edge R&D Driving Innovation: Exide's R&D Centre in Kolkata, established in 1976, is one of India's premier research facilities, contributing significantly to advanced technical products and solutions. The company's international collaborations with entities in Brazil, Japan, the USA, and China enhance its research capabilities. Recent developments include launching high-efficiency Absorbent Glass Mat (AGM) batteries, extending punched plate technology, and designing batteries for solar applications. Exide's R&D team has also developed cost-effective battery energy storage systems (BESS). By focusing on strengthening manufacturing processes and reducing turnaround time and costs, Exide continues to lead in innovation and efficiency.

Exide's Promising Future Driven by Automotive Production Growth: Exide is poised for a promising future, supported by significant growth in automotive production across various segments. Passenger vehicle production increased by 7%, driven by strong SUV sales. Commercial vehicles saw a 3% rise, marking the second-highest production since FY19. Despite a 12% decline in tractor production due to rural sentiment, demand is expected to rebound. Three-wheeler production surged by 16%, reaching pre-COVID levels, while two-wheeler production grew by 10%, with an anticipated export uptick. Exide's strategic focus on these growing automotive trends ensures robust demand for lead-acid batteries, securing its position in the market.

Exide's Long-Term Growth Drivers Fueling Technological Advancements: Exide is set to capitalize on key long-term growth drivers, ensuring sustained demand for advanced products and solutions. Rising urbanization is expected to double passenger vehicle production in the next 4-5 years, boosting demand for personal mobility. Increased business activity and infrastructure development will enhance connectivity, driving demand for commercial vehicles, two-wheelers, and passenger vehicles. The need for efficient batteries, such as ISS, EFB, and AGM, is growing, favoring organized players. Additionally, auxiliary batteries for electric vehicles are essential for various functions. The shift in global supply chains towards Indian exports, driven by the China+1 strategy, positions India to expand its global trade share in the coming years.

Exide's Strategy for Future-Ready Automotive Growth: Exide is strategically positioning itself for future growth in the automotive sector by focusing on three key areas: revenue growth, operational efficiency, and margin expansion. The company is launching new technologically advanced products, expanding its domestic and international reach, and enhancing customer experience through robust support for channel partners. To boost operational efficiency, Exide is implementing digitalization initiatives and striving for manufacturing excellence. For margin expansion, the focus is on creating an optimal product mix with a higher share of premium products. This comprehensive approach ensures Exide remains competitive and well-prepared for future market demands.

FY24 Highlights: Exide's Automotive Vertical Achievements: In FY24, Exide's automotive vertical saw significant progress, driven by recovering domestic demand for OEMs and the replacement market, especially in the latter half of the year. The company achieved notable volume growth and market share gains domestically. Exide's introduction of new battery ranges in GCC countries received positive responses, despite anti-dumping duties. The launch of technologically advanced products across various categories further strengthened Exide's market position. Additionally, the company focused on enhancing its upcountry network penetration and activation, ensuring broader market reach and improved customer service. These strategic moves have solidified Exide's leadership in the automotive battery sector.

Enhancing Operational Efficiency Through Digitalization at Exide: Exide's commitment to operational efficiency is evident through its comprehensive digitalization initiatives across various processes. The company has improved integrated business planning by enhancing demand forecasting, aligning production and dispatch with demand, and optimizing inventory management. Sales force efficiency has been bolstered with integrated data analysis for better visibility, transparency, and reduced turnaround time. In logistics and warehousing, real-time information, online inventory tracking, and timely deliveries have reduced costs and improved stock management. Manufacturing has embraced Industry 4.0, implementing efficient monitoring and excellence practices like LEAN and waste minimization. These initiatives collectively drive operational excellence at Exide.

Capitalizing on Mega Trends: Exide's Strategic Positioning: Exide is strategically positioned to capitalize on mega trends across key verticals. In digitalization, increasing cloud adoption and data consumption drive demand for data centers, projected to grow at a 20% CAGR. The energy transition is fueled by India's ambitious solar targets and the rising use of Battery Energy Storage Systems (BESS). Automation advancements include the 100% electrification of railway routes by FY26 and significant growth in material handling equipment electrification. Infrastructure investments, supported by government spending, encompass metro projects, urban infrastructure, thermal power as a base load, and the 5G rollout. Exide's proactive approach ensures it leverages these opportunities effectively.

Leveraging Cost Optimization and Margin Expansion for Profitability: Exide is strategically focusing on cost optimization and margin expansion to enhance profitability. Through operational excellence, the company is reducing costs via digitalized processes and Industry 4.0 initiatives, enabling real-time monitoring of production. Design-to-value initiatives leverage deep consumer insights to optimize products at the system level. For margin expansion, Exide manages an optimal product and distribution channel mix, ensuring efficient market reach. Additionally, the introduction of premium offerings with industry-first features positions Exide as a market leader, disrupting the competition. This dual focus on cost efficiency and premium product delivery aims to significantly raise profitability standards.

India's Electrification Surge: Meeting the 150GWh Demand by 2030: India's electrification demand is projected to reach 150GWh by 2030, driven by strong policy support and market adoption across various segments. Key growth drivers include the Production-Linked Incentive (PLI) scheme, state EV policies, and subsidies. Market demand will rise notably in 2W and 3W personal, B2B, and e-commerce segments, and 4W personal and taxi fleets. Commercial vehicles (CVs) will focus on last-mile connectivity, while renewables gain momentum due to increased government focus. The telecom sector's 5G rollout will also contribute significantly. By 2025, demand is expected to be 40-50GWh, escalating to 150-160GWh by 2030, highlighting a robust growth trajectory.

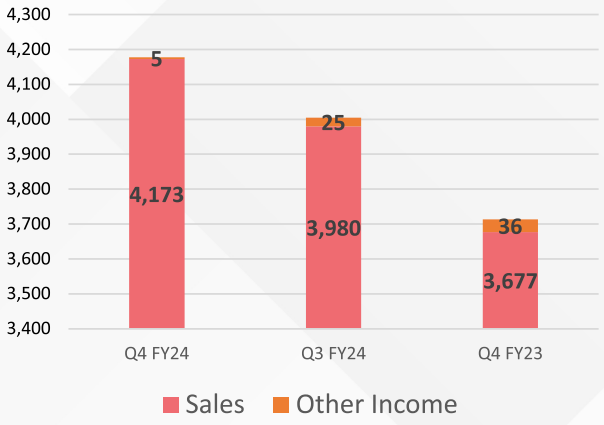
Exide's Competitive Edge and Value Proposition: Exide's competitive edge lies in its comprehensive "Cell to Pack" product portfolio, offering multiple chemistries and customizable solutions. The company emphasizes competitive costing through strategic raw material sourcing and manufacturing efficiencies via automation and technology. Partnering with SVOLT ensures world-class technology and quality, with industry-leading thermal stability and robust quality checks. Exide's scalable operations are bolstered by a state-of-the-art plant featuring multiple production lines and potential access to a strong dealer network for charging and after-sales support. This holistic approach enables Exide to meet customer needs effectively, positioning itself as a leader in the battery industry.

Exide's Multifaceted Strategy to Drive Returns: Exide aims to maximize returns through a comprehensive strategy encompassing revenue growth, operational efficiency, improved profitability, and regular dividend payments. The company focuses on launching new products and deepening market penetration domestically, supported by digitalization in sales to boost volumes and reduce inefficiencies. Exide also emphasizes exports to broaden its market reach. Streamlining the supply chain and implementing automation projects are key to enhancing productivity and efficiency. By shifting the product mix towards higher-margin products, Exide ensures improved profitability. Consistently paying dividends to shareholders underscores Exide's commitment to delivering strong financial returns.

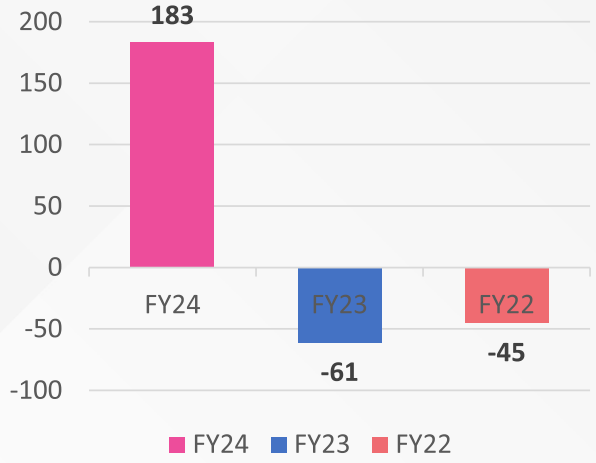
Exide's Commitment to ESG: Core of Business Strategy: Exide integrates Environmental, Social, and Governance (ESG) principles at the core of its business strategy. The company achieves 20% green energy consumption and aims for zero waste-to-landfill, using over 75% recycled lead and eco-friendly products. Social initiatives include hybrid working policies for young mothers, comprehensive leadership frameworks, and significant ESG awareness among value chain partners. Governance is upheld through stringent corporate standards, with board remuneration under 2% of profits and a longstanding separation of Chairman and CEO roles. These efforts reflect Exide's dedication to sustainable growth, employee welfare, and exemplary corporate governance.

Exide's CSR Initiatives: Fostering Inclusive Community Growth: Exide's commitment to socio-economic development is evident through its comprehensive Corporate Social Responsibility (CSR) initiatives. Focusing on five key pillars—Employability (Exide Saksham), Education (Exide Akshar), Health (Exide Aarogya), Environment (Exide Paryavaran), and Empowerment (Exide Kaushal)—the company has positively impacted nearly 310,000 people in FY24. With over Rs. 100 crore invested in CSR activities over the past five years, Exide's initiatives include establishing medical centers, supporting educational programs, and promoting eco-friendly practices. These efforts underscore Exide's dedication to nurturing communities and fostering inclusive growth, making a significant difference in the lives of many.

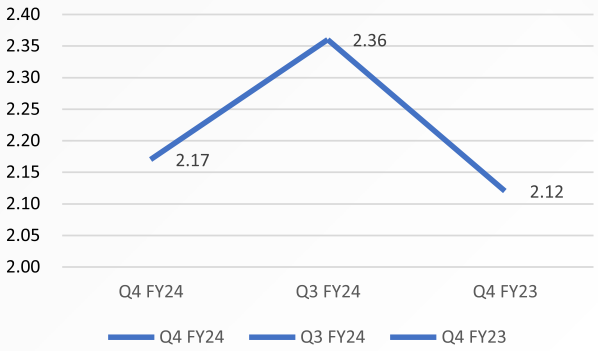
Sales & Other Income (In Cr)



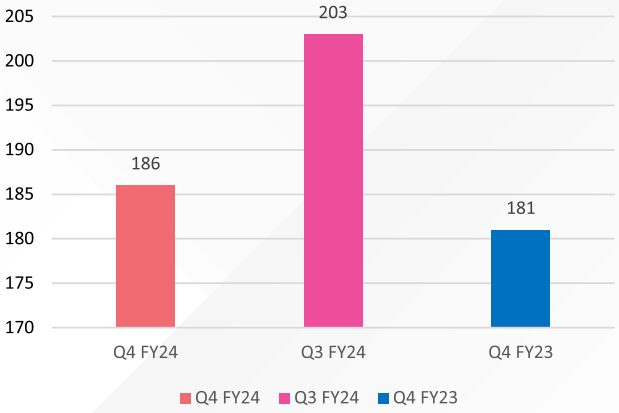
Cashflow (In Cr)



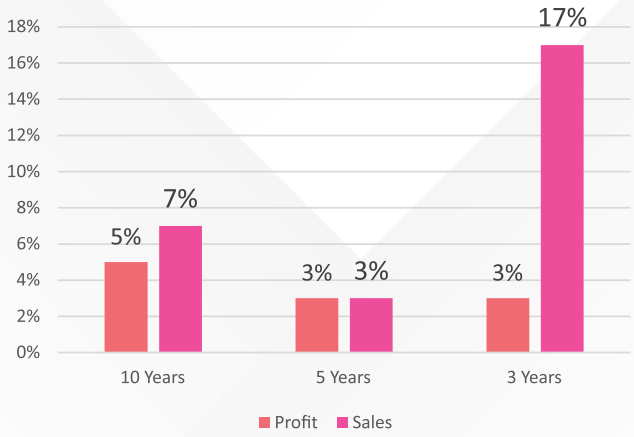
EPS



Net Profit (In Cr)



Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



Exide Industries Ltd shows a strong bullish trend in the weekly timeframe, as indicated by the upward trajectory from 2015 to 2024. The stock is currently priced at 541.50, having experienced a minor correction of 2.74%. The trendline demonstrates consistent upward momentum, breaking past significant resistance levels. The volume data of 21.78 million suggests high trading activity, reinforcing the positive sentiment among investors. This indicates sustained investor interest but also suggests potential for a short-term correction due to overbought conditions. Overall, Exide Industries Ltd exhibits a robust bullish trend with strong technical indicators. Investors should be mindful and be prepared for potential short-term corrections. However, the long-term outlook remains positive, supported by consistent upward movement and strong trading volumes.

Exide Industries shows strong short-term momentum, with the 5-day Simple Moving Average (SMA) at 505.44 and the Exponential Moving Average (EMA) at 514.55. The long-term trends are also positive, with the 200-day SMA at 330.67 and EMA at 348.13, indicating a robust upward movement. Investors should consider the potential for continued growth.

The technical analysis of Exide Industries indicates a strong performance, with a daily Relative Strength Index (RSI) of 63.50, suggesting the stock is approaching overbought territory. The weekly RSI is significantly higher at 82.39, indicating a sustained bullish trend. Investors should monitor these levels for potential signs of overvaluation and consider caution in the short term.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	505.44	514.55
10	503.50	504.07
20	488.04	489.43
50	442.67	448.41
100	383.32	401.77
200	330.67	348.13

Pivot Levels : FIBONACCI		
R1 532.24	Pivot 527.32	S1 522.39
R2 535.29		S2 519.34
R3 540.22		S3 514.42

	Daily	Weekly
Relative Strength Index (RSI)	63.50	82.39

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This research has been done by the Core Fundamental Research Team of InvAsset PMS Desk.

Anirudh Garg
anirudhgarg@invasset.com

Harshal Dasani
harshaldasani@invasset.com

Bhavik Joshi
bhavikjoshi@invasset.com

INVASSET

India's Best Performing and Most Customer Centric PMS

MUMBAI
911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM
4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA
1401, Aspen 2, Centara Greens,
Pakhowal Road, Opp. Riviera Resort,
Ludhiana 141001

1800-309-2172
98158-10172

info@invasset.com

www.invasset.com