SAMNIDHY

FOSTERING FORTUNES

COMPANY ANALYSIS

EXIDE INDUSTRIES LTD.

EXIDE

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For more than seven decades, Exide has been one of India's most reliable brands, enjoying unrivalled reputation and recall. Exide emphasis on innovation, extensive geographic footprint, strong relationship with marquee clients and steady technology upgradations with global business partners have made them a distinct frontrunner in the lead-acid storage batteries space for both automotive and industrial applications. The main business of Exide Industries Ltd. in India is the production of storage batteries and related goods.

Industry: Auto Ancillaries

Area of Expertise: Automotive & Industrial Storage Batteries

Exide Industries around the world

Current Market Capitalization

INR 15,436 Crores

Price Earning Multiple

20.17

Current Market Price

INR 181.60

Business Model

- Exide generates its revenue from automotive and industrial battery sector. It also supply and manufacture submarine batteries. The industrial battery customers are primarily from power, solar, railways, telecom, and UPS sectors.
- It has exclusive battery supply contracts from OEM for their new product launch.
- Its strong distribution networks help them to earn from replacement market.
- Comprehensive and innovative solutions serve a gamut of end-user sectors, including industrial UPS, infrastructure including power, telecommunications, railways and solar and exports. The diversified nature of industrial end-user sectors enable them to overcome challenges in any particular sector and achieve sustained growth.
- It is currently operating in 10 manufacturing plants in India. The facilities are spread out across India that are adjacent to major car hubs.
- Exide has 1750+ Exide Care locations with 75+ warehouses and sales offices, as well as more than 70000 direct and indirect dealers. The automotive industry accounts for the majority of its revenue. Additionally, it exports its goods to South Africa, Germany, and the United States of America.
- Company’s core business is in lead-acid battery. Exide is the market leader in lead-acid battery segment.
- Approximately 91% of the revenue comes from domestic market. Rest 9% comes from export market.
- The company has set up a wholly owned subsidiary Exide Energy Solutions Ltd. for manufacturing lithium-ion cell, in technical collaboration with SVOLT Energy Technology Co. Ltd.
- The company sells nearly two batteries every second.
- The company has a global footprint with exports to 50+ countries/ locations.

SWOT

S Strengths

- Global leader in lead-acid automotive batteries
- Strong brand recognition and reputation
- High quality products and services
- Focus on research and development
- Broad product portfolio

W Weakness

- Reliance on OEM sales
- Lack of presence in other battery markets
- High cost of production

T Threats

- Technology innovation requires high capex
- Increasing regulations on lead acid batteries
- High competition from new entrants in the battery segment
- Price wars with rivals

O Opportunities

- Expansion in emerging markets
- Growth in renewable energy and electric vehicle markets
- Developing innovative products in the lithium-ion space

Recent Highlights

The revenue from operations for Q3 FY23 grew by roughly 7% to INR 3405 crores. Overall volumes in the vehicle replacement industry continue to expand. OEM demand was also high as supply-side bottlenecks eased, with chip supplies expanding internationally.

As input cost constraints eased, the operating profit margin increased throughout the quarter compared to the prior quarter. The EBITDA margin grew to 11.8% in Q3 FY23, up from 11.1% in Q2 FY23.

Company is forecasting for steady growth for its core business, and it is planning to do capex of INR 400-500 crores every year. For lithium-ion battery plant they will spend around INR 6000 crores.

Sector-wise Trend

01 AUTOMOBILE SEGMENT

With increasing demand in the automotive and industrial sector, the business outlook is improving with the normalisation of economic activities. Automotive demand is witnessing strong recovery in the two-wheeler and four-wheeler segments, aided by pent-up demand and increased personal mobility transport.

02 INDUSTRIAL BATTERY SEGMENT

The industrial part is also witnessing growth, driven by a recovery in the telecom and UPS segments. The potential in telecom and UPS industry demand remains buoyant because of increased data usage and digitalisation.

03 BOOST IN DEMAND

A cumulative investment of around INR 12.5 trillion (USD 180 billion) in vehicle production and charging infrastructure would be required until 2030 to achieve India's EV ambitions. This is likely to boost demand for auto components from local manufacturers.

04 REPLACEMENT AND EXPORT MARKET

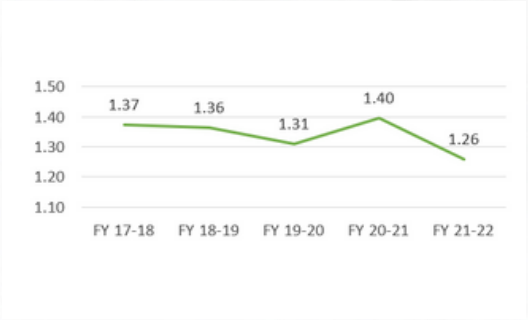
Export demand for auto ancillary parts are increasing, as well as there is a strong demand in the replacement market in the battery segments.

Financial Highlights

PARTICULARS	FY 19-20	FY 20-21	FY 21-22	COMMENTS
Revenues (INR in crores)	9,857	10,041	12,382	Increase in revenue, driven by increase in demand from industrial segments.
Inventory Turnover	2.64	2.53	3.04	Increased demand resulted in higher inventory turnover.
EBITDA Margin	13.85%	13.50%	11.27%	Capex investments in lithium-ion and rising raw material costs.
RoCE	17%	14%	11%	Decrease in RoCE, due to increasing debt and employee cost.
ROE	13.11%	10.99%	7.2%	Decrease in Return on Equity, due to rise in prices.

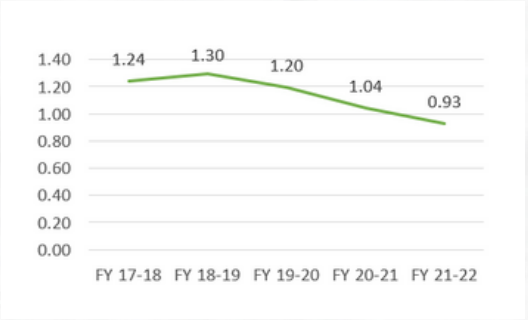
Ratio Analysis

DEBT TO EQUITY



Debt to equity ratio has reduced. It shows that company has reduced its debt. For new capex and other investment, company is planning to finance it by internal cash flow.

ASSET TURNOVER

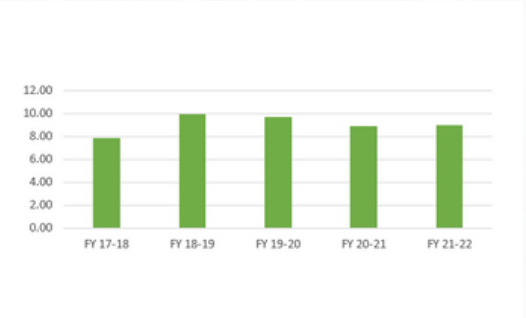


Asset turnover is declining. This is the main reason behind the decline of the Return on Equity. Company's ability to generate sales from its assets has reduced.

CASH CONVERSION CYCLE

Cash conversion cycle is maintained at 71 days. The inventory days has been reduced, which helps to improve the cash conversion cycle. Receivable days are almost steady with 34.6 days.

EARNINGS PER SHARE



EPS has not been showing a promising trend as the industry is facing stiff competition and the potential new entrants into the segment with increasing existing competition is putting pressure on the earnings.

Future Outlook

1 FOR THE INDUSTRY

- By 2030, it is anticipated that India's yearly demand for batteries would increase to between 104 GWh and 260 GWh across various sectors. This growth compares to the current domestic battery demand, which is close to 2.7 GWh, by a factor of 50 to 100.
- To achieve India's ambitious objective of electric mobilisation and 500 GW of installed non-fossil energy by 2030, a domestic battery manufacturing ecosystem must be developed.
- According to a report by the India Energy Storage Alliance, it is anticipated that the market for EV batteries will grow at a CAGR of 30% until 2026.

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2 FOR THE COMPANY

- Telecom sector which is shifting to 5G will have strong demand, and the company is looking forward to meet the demand.
- Exide is expecting to start cell manufacturing for lithium-ion battery from its new facility, which will be prepared in 2 phases by FY 2024-25. For their core business of lead-acid battery demand will remain strong, so for core business they have capex planning of INR 400-500 crores per year.
- By improving offerings through premiumization and enhancing the product mix to concentrate on the replacement market for UPS and traction verticals, the company is lifting the bar for profitability.