

September 7, 2023

Company Update

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	1,45,919	1,59,987	1,75,786	1,99,304
EBITDA (Rs. m)	15,680	18,655	21,728	25,233
Margin (%)	10.7	11.7	12.4	12.7
PAT (Rs. m)	9,036	10,956	12,958	15,160
EPS (Rs.)	10.6	12.9	15.2	17.8
Gr. (%)	6.6	21.2	18.3	17.0
DPS (Rs.)	2.0	3.0	3.5	4.0
Yield (%)	0.7	1.1	1.3	1.5
RoE (%)	8.3	9.4	10.3	11.1
RoCE (%)	10.2	11.8	13.0	14.2
EV/Sales (x)	1.6	1.4	1.2	1.0
EV/EBITDA (x)	14.4	11.9	9.9	8.2
PE (x)	25.7	21.2	17.9	15.3
P/BV (x)	2.1	1.9	1.8	1.6

Key Data

EXID.BO | EXID IN

52-W High / Low	Rs.277 / Rs.153
Sensex / Nifty	66,266 / 19,727
Market Cap	Rs.232bn/ \$ 2,794m
Shares Outstanding	850m
3M Avg. Daily Value	Rs.947.57m

Shareholding Pattern (%)

Promoter's	45.99
Foreign	12.86
Domestic Institution	19.77
Public & Others	21.36
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.0	49.9	59.8
Relative	3.5	36.3	42.3

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On path to strong revenue and margin growth

Quick Pointers:

- Strong demand across divisions to continue in medium term
- Lithium ion investment to come on-board by FY25-end

EXIDE industries' (EXID) core segment has seen strong growth over the last two years due to pent up demand, and we expect it to grow at c9% CAGR over FY23-26E (ex li-ion battery revenue) with growth to pick-up from 2HFY24. Battery space is undergoing huge technological shift and EXID is investing Rs. 60bn in phased manner in 12GWh lithium ion cell plant to leverage future demand from electric vehicles (EV) segment. However, rapid shift in technology & increased competition will require agility with high investments.

We believe that EXID is well placed to benefit for medium term given its aggressive product and network expansion strategy along with investment in new technologies and strong traction in the industrial segment. Automotive segment is expected to continue with its recovery led by 1) leadership position in growing OEM & after market segment, 2) launch of new & advanced products for new applications and 3) expansion of network in Indian after-market and export markets. Industrial segment is expected to benefit from 1) pick-up in demand led by government and private capex, 2) increased investment in renewable power, 3) good traction in projects vertical like railways, telecom, infrastructure, etc. and grow faster than the automotive segment. We resume coverage with an "Accumulate" rating and SoTP of Rs.295 at 15x Sep-2025 EPS (currently trading at c21x PE on FY24E EPS).

Core segments to continue to grow; margins to expand: EXID's revenue growth of 17.6% YoY in FY23 was aided by double digit growth across segments with industrial sector outperforming; we expect core segment to continue to grow in the medium term with industrial growing faster. In FY23, margin was impacted due to higher commodity prices, inflation, discounting, inferior mix. Going ahead we see benign lead prices, operating leverage, and cost optimization to benefit margin.

Investment in new age technology positive for long-run: Lithium-ion cell plant should be ready by FY25-end and may have single digit margin initially, and reach mid-teens in medium term in line with global peers at higher capacity utilization. EXID's investment in li-ion cell plant and focus on catering to wider battery value chain like battery modules and packaging and BMS augurs well for future growth.

Technology, digitization and network expansion to help maintain leadership: EXID has introduced multiple advanced products which cater to newer applications in the lead-acid battery space eg: hybrid vehicles, 12V battery for EVs, next-generation industrial VRLA batteries. Digitization has helped it become more agile and gain greater transparency in wide network of distributors and operations. Further network expansion has also helped with timely product delivery, seamless services, and customer satisfaction. All this has helped EXID in maintaining its leadership position and growing revenues faster than the end market.

Exide Industries - India's largest selling batteries

EXID is one of the leading manufacturer and distributor of lead-acid batteries and storage solutions. It is engaged in the design, manufacture and sale of lead-acid storage batteries as well as power storage solutions for automotive, industrial and other applications, which are its core segments. This includes batteries for two-wheelers, three-wheelers, e-rickshaws, inverter batteries, home UPS systems, integrated power backup systems and solar inverter systems. EXID has an export footprint in 60 countries across the globe.

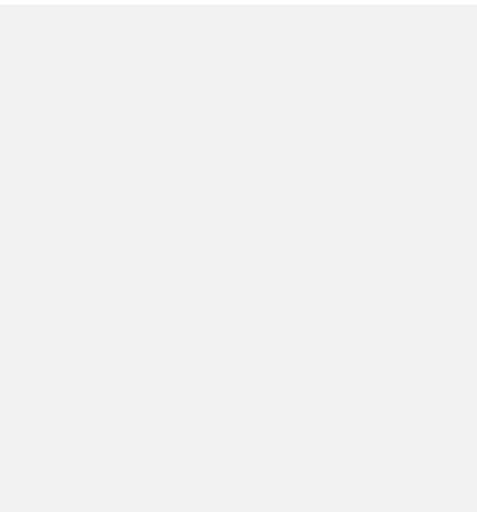
The company has introduced eco-friendly and efficient products into emerging sectors such as ISS battery, E-rickshaw battery, lithium-ion battery and solar inverter systems. It is strategically foraying into lithium-ion cell manufacturing by setting up a multi-gigawatt, multi-chemistry, and multi-format lithium-ion cell manufacturing factory.

EXID is also a market leader in automotive OEM space and leading player in after-market segment and industrial space. While India is on an upward economic growth trajectory, EXID is well placed to cater towards increasing demand of energy and energy storage solutions.

Exhibit 1: Product Portfolio- Automotive & Industrial



Source: Company, PL



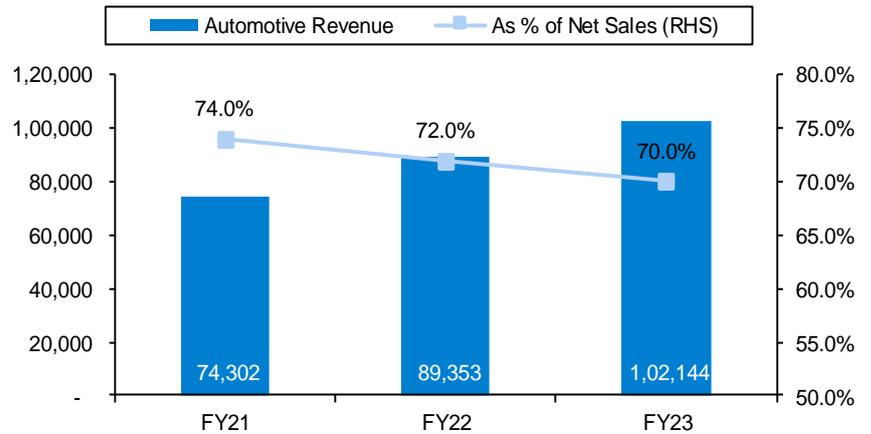
Automotive Division

EXID has built strong leadership and long-standing relationship with OEMs. It has successfully leveraged to expand market share with both 4W and 2W manufacturers, despite stiff competition. The company saw good volume growth led by market share gains in OEM market and growth in domestic vehicle production in FY23. Digital transformation in EXID’s aftermarket business over last few years (which provides micro-market level visibility) has started paying dividends by providing greater transparency not just to the company but to dealers, distributors and other channel partners.

First mover advantage in emerging segments such as batteries for hybrid vehicles with its EXID Mileage ISS & SF HybridX range of batteries aided rise of market opportunities and diversification of revenue sources.

Exports for EXID were impacted in key automotive markets due to 1) geopolitical tensions, 2) appreciation of US dollar, 3) imposition of anti-dumping duty in Gulf Cooperation Council (GCC) countries and 4) demand slowdown in North America & some other markets. The company is making efforts to maintain/regain volumes in key markets and enter new markets.

Exhibit 2: Automotive revenue growth of c37% YoY in FY23



Source: Company, PL

Automotive revenue grew c37% from c102bn in FY23 to c74bn FY21, while its share as percentage of total revenue reduced from c74% in FY21 to c70% in FY23.

Exhibit 3: Product Portfolio of Automotive Segment

 <p>E-rickshaw</p> <ul style="list-style-type: none"> • Exide E-Ride Plus • Exide E-Ride Tubular Plus 	 <p>Inverter batteries</p> <ul style="list-style-type: none"> • Exide Invatubular • Exide Invazest • Exide Invamaster • Exide Invahomz • Exide Invabrite • Exide Dlite 	 <p>Home UPS systems</p> <ul style="list-style-type: none"> • Exide Inverterz GQP • Exide Inverterz Star • Exide Inverterz Magic • Exide Inverterz HKVA
 <p>Four wheelers</p> <ul style="list-style-type: none"> • Exide Epiq • Exide Matrix • Exide Mileage • Exide Eezy • Exide Drive • Exide Xpress • Exide Jai Kisan • Exide Ride 	 <p>Three wheelers</p> <ul style="list-style-type: none"> • Exide Eko 	 <p>Two wheelers</p> <ul style="list-style-type: none"> • Exide Xplore
 <p>Integrated power backup system</p> <ul style="list-style-type: none"> • Exide Integra 	 <p>Genset</p> <ul style="list-style-type: none"> • Exide Genplus 	 <p>ERK vehicle</p> <ul style="list-style-type: none"> • Exide Neo Bharat

Source: Company, PL

Key growth drivers

- Strong automobile sales to benefit both OEM business and after-market business.
- IMD has predicted 'above-normal maximum temperatures' in most parts of the country. This will drive demand for inverter batteries, HUPS and Integra (integrated inverter with lithium-ion technology).
- Strengthen distribution reach from current 95000+ and empower other two brands - 'SF Batteries' and 'Dynex'.

- Exports are expected to show strong growth FY24 onwards. Besides recovery in existing markets, new geographies that the company has added will generate additional business.
- In EVs - A 12-volt lead acid battery is required to operate lights, audio system, and other equipment's which EXID is supplying to EV manufacturers. Hence, there is no immediate threat to lead acid battery business.

Outlook

In automotive division, EXID plans to capitalize on strong demand in the OEM segment by leveraging its leadership position. The company plans to enhance product portfolio by launching new products, upgrading technology and entering into new domains. Additionally, after slowdown in export market, EXID is now expanding reach in existing markets while also entering in new untapped countries. We estimate automotive revenue (excl. HUPS) CAGR of 7.2% over FY23-FY26E.

Industrial Division

Industrial segment grew faster than the automotive division led by broad based recovery in end-user market. EXID's industrial division including industrial UPS, solar, traction, telecom and power saw strong demand across all end-market verticals. While external headwinds like input cost inflation and geopolitical tensions impacted margins and overseas demand, yet domestic demand remained strong. 2HFY23 than 1H was better as these headwinds eased.

Industrial segment is further divided under Industrial Uninterrupted Power System, Solar, Telecom, infrastructure, Traction, Railways and industrial.

Uninterrupted Power System (UPS) is largest business vertical of the Industrial Division which saw good growth in FY23, helped by rising requirement for critical power backup in domestic market and rising demand (as overall economic activity continued to improve). In the industrial division - EXID focuses on diversified portfolio, continuous product/process innovations with presence of strong sales and service network across India.

EXIDE's **Solar vertical** revenue saw strong growth in FY23 led by higher sales of Solar Power Generation System (SPGS) combination which comprises of Solar Battery, PV Panel Solar Hybrid Inverter/Charge Controller.

Exhibit 4: Industrial division product portfolio

 <p>Industrial UPS (IUPS)</p>	 <p>Solar</p>
<p>IUPS – EXIDE Range</p> <ul style="list-style-type: none"> • SMF Small VRLA (Exide PowerSafe Plus range) • SMF Medium VRLA (Exide PowerSafe Plus and NXT Plus range) • Battery for Data Centre (Exide Powersafe EHP range) 	<ul style="list-style-type: none"> • Tubular gel VRLA (Exide PowerSafe XHD range) • Flooded tubular (EL/ EL+ range) <p>Chloride IUPS range</p> <ul style="list-style-type: none"> • SMF Small VRLA (Chloride SafePower CS7-12) <ul style="list-style-type: none"> • Tubular Gel VRLA Batteries (Solatron) • Flooded Tubular (Solatubular/Solar Blitz) • Solar Power Generating Systems • Solar Hybrid Inverters (Aditya MPPT, PWM and Grid Tie Inverters) • Rooftop Solar Systems (Exide SUNDAY) • Solar PV Modules • Solar Charge Controllers • AGM VRLA Range of Batteries (Solar NXT)

Source: Company, PL

Launch of 5G services in India have opened new opportunities in several sectors, ranging from manufacturing, healthcare and augmented entertainment to smart city projects leading to higher demand for **Telecom batteries**, especially towards FY23 end, as 5G implementation reached full swing. This helped the Telecom vertical to report double-digit growth for FY23.

EXID achieved its best ever performance and maintained strong leadership position in **infrastructure batteries** market. EXID was also able to pass on the rise in raw material cost to the customers, leading to satisfactory net margins for the segment.

We expect this vertical to reach pre-Covid revenue status (most likely in FY24), as and how the orders which were delayed during pandemic get executed.

Exhibit 5: Traction vertical - Power batteries for material handling equipment

 <p>Telecom</p> <ul style="list-style-type: none"> Advanced AGM VRLA batteries – NEPST and NMST Range 	 <p>Traction</p> <ul style="list-style-type: none"> Exide HSP and GenX range of traction batteries and accessories Exide Thorr range Exide Megacharge range 	 <p>Power and Infrastructure Projects</p> <ul style="list-style-type: none"> Tubular standby batteries – Exide HDP, NDP & TBS Range Exide Plante Range OPzV + Powersafe Gel Gel Tubular batteries 2V range of VRLA batteries - Exide SMF Powersafe
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Source: Company, PL

In its **Traction vertical**, EXID makes motive power batteries for forklifts and other material handling equipment, which registered significant growth in both OEM and replacement market in FY23. High growth in warehousing and Third Party Logistics (3PL) markets aided demand for motive power. In FY24, EXID will introduce two new products, 1) Opportunity Rapid Charge (ORC) traction batteries, which will utilize rapid charging to facilitate two-shift operations with a single battery and 2) a high-performance traction battery which has a very high service life setting a new industry benchmark. These two new additions are likely to supplement existing portfolio of conventional Gen X batteries and help growth.

EXID reported double-digit growth in the **Railways vertical**, on back of rapid execution of orders since activities resumed after the pandemic.

EXID registered growth in **industrial exports**, despite slowdown in Europe, as a result of the Russia-Ukraine war and winter recession. Increased focus on existing accounts in South Korea, Italy, Portugal and Australia helped growth.

Exhibit 6: Double-Digit Surge in Railways Vertical: Post-Pandemic Recovery

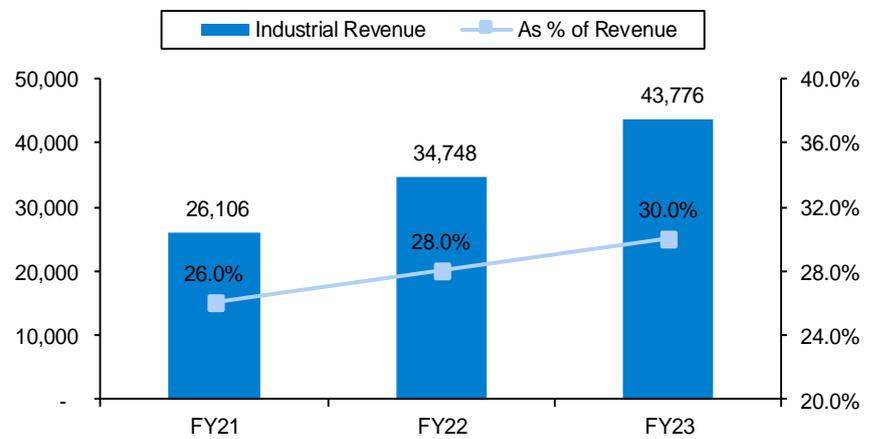
 <p>Railways</p> <ul style="list-style-type: none"> • MET range of VRLA Batteries for train lighting and air conditioning • Exide 4DS range for Engine Starting • Exide EMU range for electric locomotives • Exide 2V range of batteries for signalling 	 <p>Mines</p> <ul style="list-style-type: none"> • Smartlite - LED (Miner's Cap lamp) 	 <p>Submarine</p> <ul style="list-style-type: none"> • Submarine battery
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Source: Company, PL

EXID is making efforts to increase reach via product offerings in export vertical and expects these market to grow in FY24, as well.

In Standby batteries, EXID has achieved all-round growth across regions with particular success in West Asia and Middle East. It has made inroads in Europe and will continue to pitch products in these markets.

Exhibit 7: Steady improvement in Industrial revenue at 30% in FY23



Source: Company, PL

Industrial revenue as shown steady improvement in revenue from c26bn in FY21 to c44bn in FY23 and grew from 26% in FY21 to 30% in FY23 as a % of net sales.

Key growth drivers

- IUPS business growth to be led by increase in Government and private spending on infrastructure projects during the 2024 elections run-up.
- Solar batteries business: Addition of AGM VRLA product range will fill whitespace for maintenance-free solar batteries in the market and help volumes.

- Power vertical is expected to benefit from large orders of nuclear power plants and thermal power plants, and govt's 'Make in India' policy should provide additional tailwinds for the segment.
- Projects vertical is expected to benefit from substantial orders from metro railways in addition to Plant orders from defence establishment. Also re-entering after a 5-year gap in flooded batteries segment required for signaling and telecommunications in the Indian Railways, should help volumes.
- In Traction segment, customers have been moving their portfolio towards green products category, driving demand for electric forklifts. EXID sees increase in demand from various applications including warehouse, logistics hubs & luggage puller trolley batteries for aviation sector.
- Scale-up of the recently launched EXID SUNDAY Rooftop Solar Solutions (RTSS) offering a first-of-its-kind 5-year comprehensive warranty business.

Outlook

We expect increase in the order book with expansion of products and services. With focus on key sectors such as IUPS, traction and solar - the company aims to strengthen its position in markets where it has leadership. A digital-heavy capex super-cycle inspired by both public and private investments in FY24, in backdrop of upcoming general elections, bodes well for the vertical. EXID is currently undertaking an expansion project in Haldia to expand its traction segment capacity and cater to anticipated demand increase over the medium-term. We estimate company's industrial division revenue CAGR of 9.6% over FY23- FY26E.

Submarine Division

In FY23, EXID manufactured and delivered two sets of submarine batteries, along with all accessories and spares for export to different countries after successful completion of all Factory Acceptance Tests (FAT) in presence of customers and with prior permission of Government of India. Submarine division is a high-value segment. However, due to inherent nature, new opportunities are expected to fructify over medium to long term.

Exports: Fresh opportunities in global market

Moderation in demand from western countries and anti-dumping duties in GCC countries impacted auto exports in FY23. Despite headwinds in exports, the company has identified fresh opportunities and is expanding in new markets such as Russia. It has emerged as a key market, owing to strategic partnerships with distributors and commercial partners. Furthermore, strategic presence in Southeast Asia has allowed to capitalize on growth opportunities in the region, resulting in greater reach. EXID is also tailoring its product range to meet unique needs of developed countries. The company is developing new battery models specifically for developed markets, while AGM range is expected to gain traction in developing countries.

Exhibit 8: Exploring new possibilities and untapped countries

Gaining international exposure



Automechanika, Frankfurt



Exide team attending auto exhibition in Dubai

Source: Company, PL

Industrial exports have faced numerous headwinds, starting with Ukraine war and winter recession in Europe. However, EXID is confident of bouncing back. To mitigate risks associated with certain markets, efforts have been made to broad base exports by entering new and under-served markets such as Korea and South-East Asia. To further boost exports, EXID has deployed partners in key markets such as Europe, Middle East, Italy and other countries where demand continues to be high. Additionally, France is being targeted as a major market and efforts are being made to enter Russia. These new market penetration strategies are intended to boost exports and aid in challenges posed by global headwinds.

Investing in new age technology for the long run

Li-ion ventures to gain traction in sunrise sector

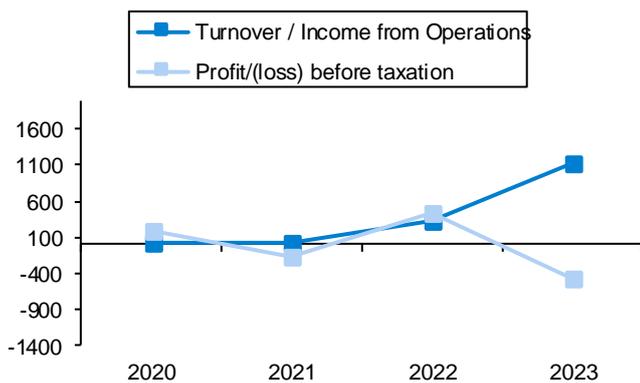
EXID has ventured in the lithium ion battery space through its multiple subsidiaries EXIDE Energy Private Limited (EEPL) and EXIDE Energy Solutions Limited (EESL), both 100% owned subsidiaries. The company is investing into lithium-ion cell manufacturing by setting up a multi-gigawatt, multi-chemistry and multi-format lithium-ion cell manufacturing factory.

EXIDE Energy Private Limited (EEPL) operates the Nexcharge brand, is already supplying high-quality lithium-ion battery modules and packs in transportation and Industrial applications. This has helped EXID in getting invaluable insights into Indian climatic conditions and safety requirements, enabling it to gain expertise in lithium-ion battery packs and modules.

EEPL has developed Nexcharge BTMS (Battery Thermal Management System), a carefully engineered solution for heat management and superior performance. BTMS effectively controls individual cell temperatures, prevents accelerated deterioration and maximises efficiency, safeguarding against potential battery damage while ensuring durability and peak performance.

During the year EEPL secured orders worth ~Rs. 7bn for lithium-ion packs and modules (order book to be executed in next 12-15 months from 2W, 3W, CVs and telecom (OEMs)). It plans to meet demand and ramp-up production at its 1.5GWh capacity.

Exhibit 9: EEPL's significant increase in revenues in FY23



Source: Company, PL

Exhibit 10: Range of solution in automotive and industrial



Source: Company, PL

EXIDE Energy Solutions Limited (EESL): At its EESL subsidiary, EXID has already made a head-start in setting up single site multi giga-watt lithium-ion cell manufacturing factory at Karnataka. The facility will focus on production of advanced chemistry cells, including cylindrical, pouch, and prismatic types. The projected cost for the entire project is estimated at approximately Rs. 60bn.

This project aims to achieve a total capacity of 12 GWh, in a phased manner over a span of 8-10 years. It has team of experts and seasoned professionals in the lithium ion space, which should help in accelerating the project; EXID expects

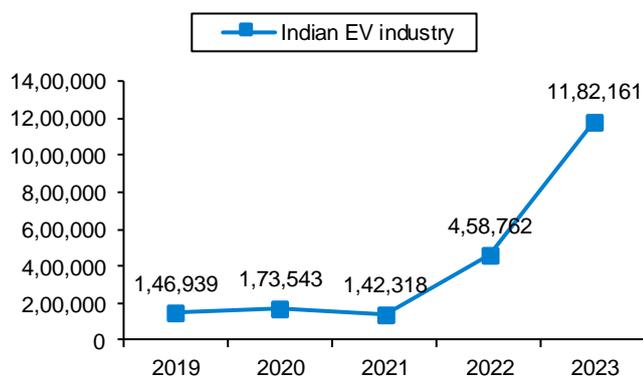
commercial production under phase-1 (6 GWh of production capacity alongside the establishment of an R&D pilot line) to start by the end of CY24.

EESL has entered into a comprehensive, long-term technical partnership with SVOLT Energy Technology (SVOLT) to facilitate the manufacturing of lithium-ion cells. This collaboration involves a multi-year technical agreement focusing on li-ion cell manufacturing, as well as assistance in setting up the plant on turnkey basis. It has a team of more than 300-400 R&D experts; the company is headquartered in China.

Key highlights on the project:

- Initial phase-1 capacity is of 6 GWh, to be ramped up to 12 GWh.
- Site preparation completed; civil and pre-engineered building works in progress.
- Funding through internal accruals and loan financing.
- Senior management and middle management hiring completed.
- Collaborating with SVOLT to achieve key milestones, including R&D training.

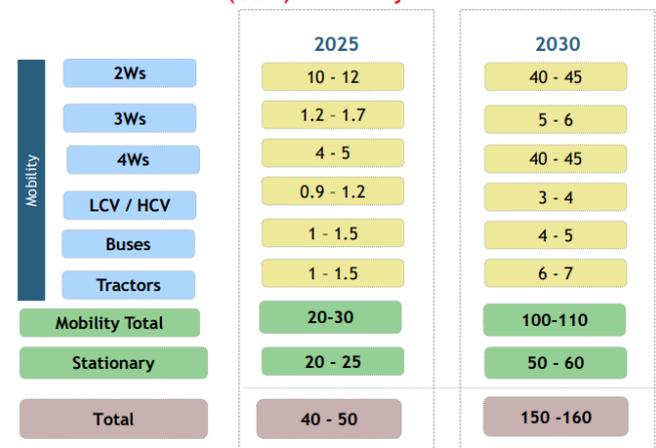
Exhibit 11: India EV volumes saw a sharp jump in FY23



Source: Company, PL

Exhibit 12: India's li-ion battery demand likely to accelerate

Lithium-ion demand (GWh) in India by 2030



Source: Internal Assessment

Source: Company, PL

We expect lithium ion cell demand to accelerate over this decade and attract much higher competition and investment in the space v/s current dynamics of the lead acid battery industry. However, we see ample opportunities for multiple players to flourish as the battery industry would become much bigger in terms of value. We see EXID's first mover advantage to likely help remain amongst top players in the segment.

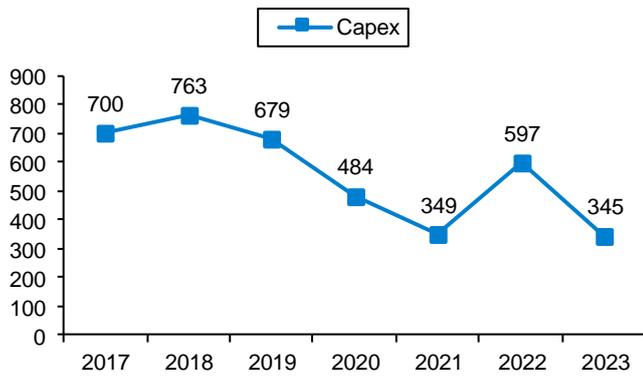
Moderating capex intensity in lead acid business

EXID is making strategic investments in capacity expansion, technology upgradation and new market segments to drive business growth, enhance productivity and reduce environmental impact.

The company has not increased its capacity in recent years, as end user demand was impacted both in automotive and industrial segment. Given, recovery in demand EXID will invest in brownfield capacity expansion, de-bottlenecking before committing large greenfield capex.

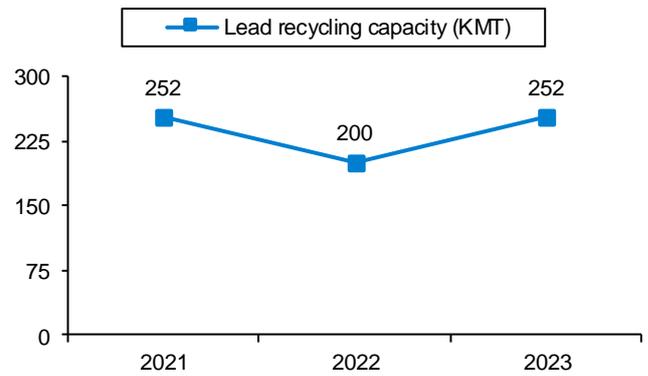
The company has adopted Industry 4.0 principles resulting in reduced waste, increased energy savings, improved quality control, optimized resource management and enhanced productivity. This has led to higher capacity utilization, more effective planning & forecasting, lower production and distribution costs.

Exhibit 13: Capex declined; optimum use yet to achieve



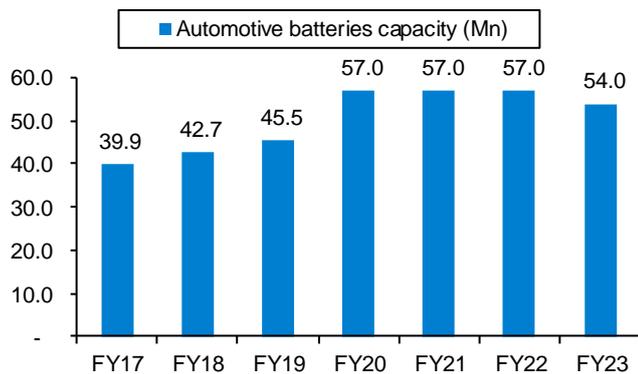
Source: Company, PL

Exhibit 14: 252 KMT capacity across 3 lead recycling plants



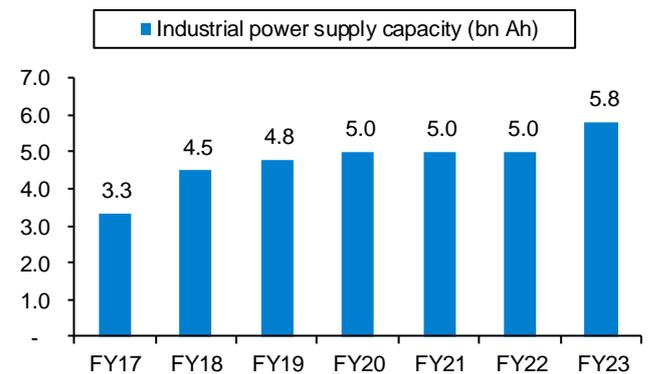
Source: Company, PL

Exhibit 15: Automotive manufacturing capacity at 54Mn



Source: Company, PL

Exhibit 16: Industrial power capacity at 5.8bn Ah

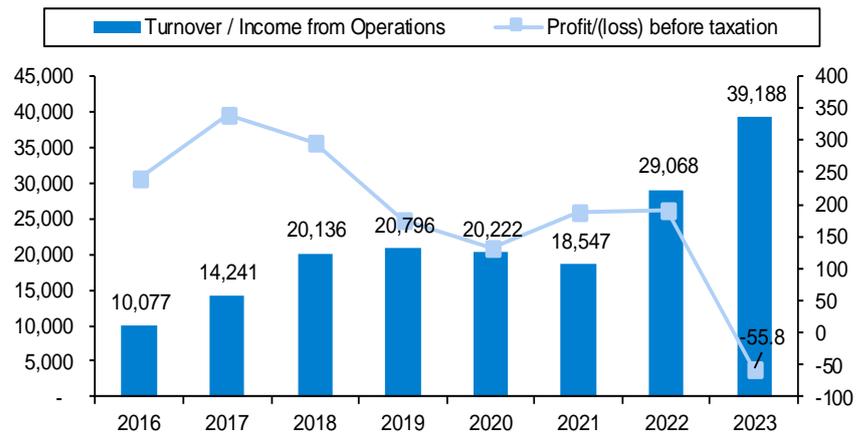


Source: Company, PL

Strategic backward integration through Chloride Metal

Chloride Metal Ltd (CML) plays a strategic role in backward integration and meets the lead and lead alloy requirements of EXID. CML has an installed capacity of 252 MT/yr. FY23 revenue was at Rs. 39bn, but recorded losses of Rs. 56mn. EXID sources 40% of its recycled lead requirement from CML.

Exhibit 17: CML's contribution increasing rapidly



Source: Company, PL

- EXID's lead recycling capacity is 252 KMT per year. However, Chloride Metals plays a strategic role in backward integration and meets the lead and lead alloy requirements of the company.
- EXID and its in-house smelting units R&D engineers have in close collaboration developed a superior grade of recycled lead, almost at par with primary lead which will increase the share of recycled lead in total raw material used, going forward.

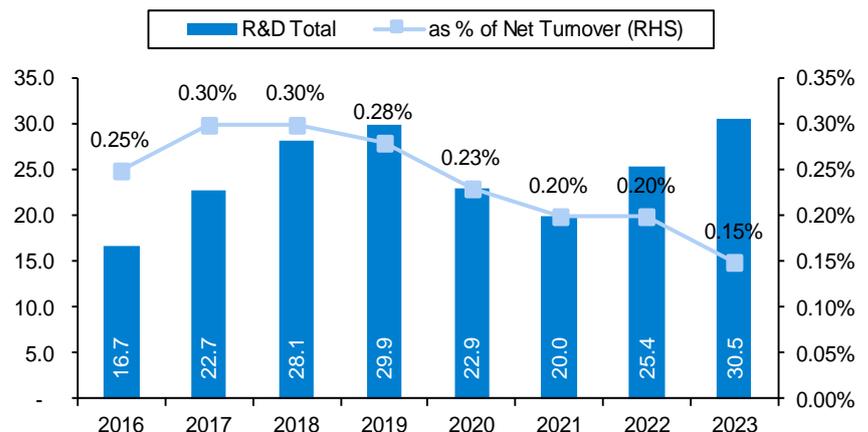
We believe EXID had already built enough capacity for automotive segment (pre-covid) and doesn't require additional capacity to cater demand in its largest segment. While it has been adding capacity in the industrial division which is seeing much higher growth. Backward integration should help the company comply with regulations and ensure supply and quality of critical raw material.

R&D investments in emerging trends

EXID R&D spend in FY23 was of Rs. 22mn, which accounted to 0.15% of the total net sales and grew by 20% YoY. R&D efforts have helped identify emerging trends, assess market needs, and develop prototypes or proof-of-concept solutions. This includes 1) development at the prototype level for AGM VRLA batteries for passenger vehicles, 2) punched plate technology for 2-wheeler batteries, 3) compact high-performance sealed batteries for telecom sector and 4) traction batteries with advanced technologies.

- Collaborative efforts with overseas technology partners, such as the Japanese collaborator Furukawa Batteries have resulted in development of India-specific solutions, like advanced version of batteries for two-wheelers designed for operation in India.
- Investments in R&D has helped EXID to adapt to new regulations and incentives introduced by Central and State Governments to accelerate the shift to sustainable mobility.

Exhibit 18: R&D back at pre-COVID level



Source: Company, PL

New products

- Introduced/upgraded EXID Idle Stop Start (ISS) batteries, Enhanced Flooded Batteries (EFB) and Eko Ultra batteries for the automotive sector.
- New products like EXID NXT and rooftop solar solutions were introduced for the industrial sector.

New technology to gain competitive edge in the market

EXID Industries' investment in new technologies and innovations has resulted in development of advanced, energy-efficient, and environmentally friendly products, improved operational efficiency and helped gain a competitive edge in the market.

Key points:

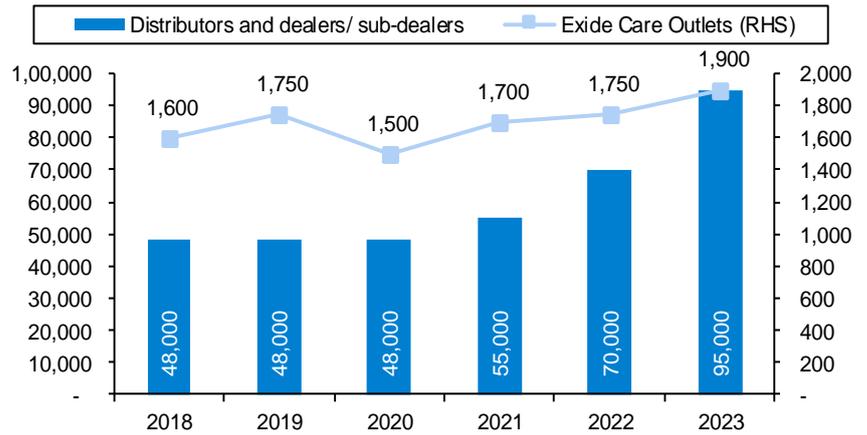
- Developed energy efficient products and solutions to reduce manufacturing costs and carbon footprint.
- Launched high performance traction battery with 50% extra cycle life and eco-friendly manufacturing technology.
- Developed high performance sealed batteries for outdoor deployment in the telecom sector.
- In process of launching punched plate technology for 2-Wheeler batteries.
- Development at prototype level for AGM VRLA batteries for passenger vehicles has been completed and EXID plans to introduce these batteries on a commercial scale.

We believe R&D investments have helped EXID to 1) remain ahead in terms of launching innovative solutions in the market, 2) adapt to new regulations in the sector and 3) reduce costs through value engineering. We see new technology introduction being key aspect of EXID's market leadership and help it in smoothly transitioning to a more stringent environmental norm.

Wider distribution network for aftermarket growth

EXID has a comprehensive and strategic approach to its distribution network, focusing on timely product delivery, seamless services and customer satisfaction. The company has leveraged digitalization & innovative service initiatives to strengthen its distribution network & market position both domestically and internationally.

Exhibit 19: Network of 1900 care outlets with 95k distributors and dealers



Source: Company, PL

Key highlights of Indian market

- EXID has a streamlined dealer ecosystem that guarantees timely product delivery and seamless services for its customers with help of its extensive pan-India distribution network.
- The company has robust network of more than 95,000 distributors and dealers/sub-dealers across India, backed by resilient after-sale services network.
- Cumulative 1,900+ outlets of EXIDE Care and SF Power Bay; and 1,600+ EXIDE Care outlets.
- EXID has focused on strengthening its distribution reach and building stronger customer connect. The company has extended its superior Batmobile doorstep services to new cities and added an annual maintenance contract (AMC) service for inverter batteries and HUPS. Batmobile services is available in over 300 cities, including tier 1, tier 2, tier 3 cities, towns and villages.
- The company has also leveraged digitalization to enhance brand loyalty and streamline processes.
- Focused on hyperlocal marketing initiatives to help channel partners draw more customers.

Focus on expanding Global markets

EXID is also focusing on global markets by expanding its distributor base, exploring new product options, private labeling and contract manufacturing.

Key highlights

- EXID has an export footprint in 60 countries across the globe.
- It made efforts to broad base its exports by entering new and under-served markets such as Korea and Southeast Asia.
- The company has deployed partners in key markets such as Europe, Middle East, Italy, and other countries where demand continues to be high.

EXID's exports business saw only a marginal decline by c2% YoY, despite sharp weakness and bans in key market. We expect the company to remain focused on expanding export footprint for automotive batteries with emphasis on 1) strengthening presence in key markets, 2) expanding its distributor base, 3) exploring new product options, 4) private labeling, and 5) contract manufacturing.

Digitalization to increase efficiency

EXID's digitalization journey encompasses various aspects of its operations from manufacturing and supply chain to salesforce and customer engagement. Increased use of digitalization has resulted in cost savings, better service, optimized resource management and enhanced productivity.

EXID embarked on the path of digitalization three years ago for transforming its operating processes including sales & marketing, distribution, manufacturing, human resources, supply chain management and logistics.

The company has started reaping benefits of cost competitiveness, faster market reach and enhanced efficiencies. It now has micro-market level visibility and enables sharper deployment of strategic initiatives for fulfilment of customer expectations.

Highlights of digitalization across processes

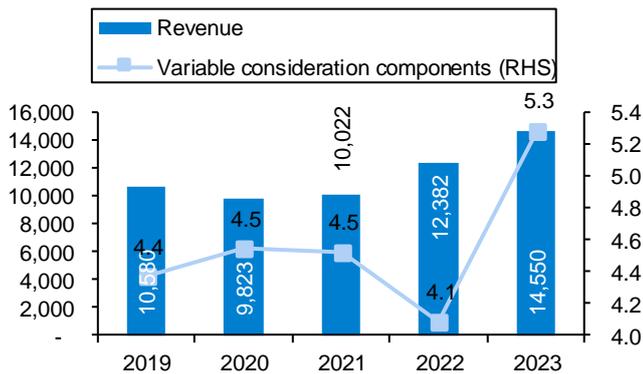
- **Operations:** Implemented Industry 4.0 principles and integrated business planning resulting in an efficient digital supply chain, optimized demand and production planning and lower costs.
- **Salesforce and Channel Partners:** Adopted business intelligence dashboards, machine learning models and Dealer Management System (DMS) to enhance dealer management, improve customer satisfaction and optimize strategies.
- **Customer Journey:** Digitally amplified onboarding journey for SUNDAY rooftop solar systems, enabling easy enquiry submissions and remote rooftop 3D modeling assistance.
- **Aftermarket Business:** Enabled micro-market level visibility for real-time data monitoring on primary and secondary sales, resulting in sharper strategies.
- **IT & Digital Initiatives:** Focused on innovation and digital transformation to enhance operational efficiency, resource optimization and create sustainable value.
- **Logistics and Supply Chain:** Digitized business processes for real-time data, leaner supply chain and streamlined logistical operations.

Financial Analysis

Revenue to grow by c9% CAGR over FY23-25E

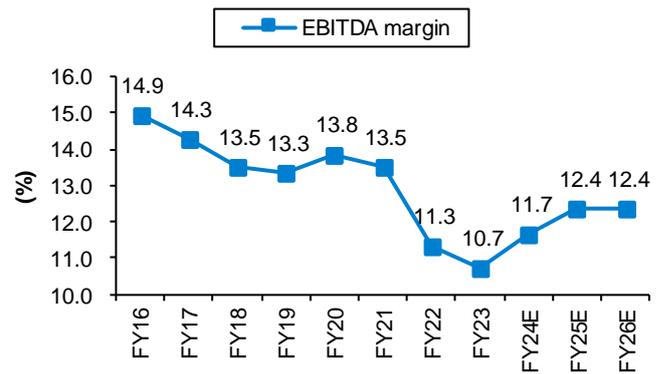
Total revenue grew strongly (+17.6% YoY), however EXID's variable consideration components increased at much faster pace (+51.8% YoY) and impacted margins. The variable consideration jumped to much higher levels compared to even pre-covid levels of 5.3% from 4.1% in FY22.

Exhibit 20: Discounts and incentives inched up in FY23



Source: Company, PL

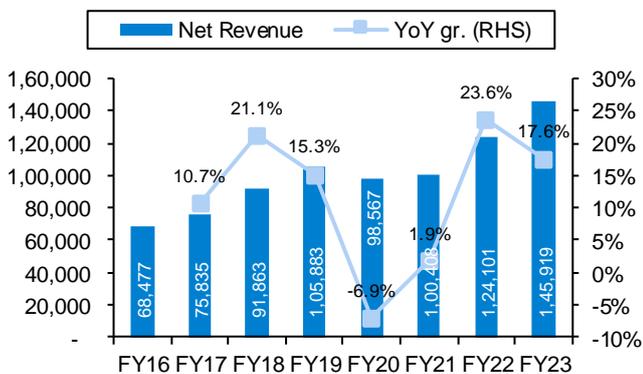
Exhibit 21: Margins yet to reach its previous peak of FY19



Source: Company, PL

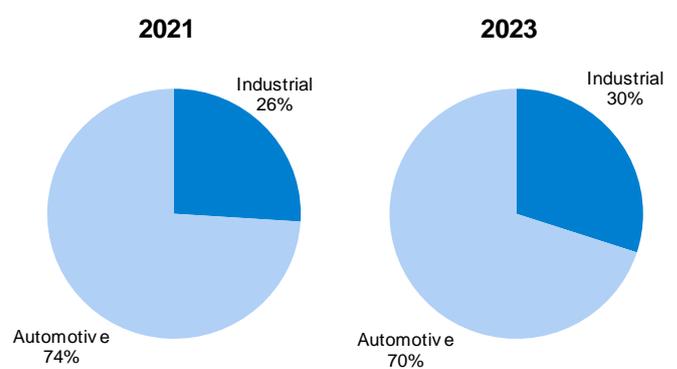
EXID reported strong revenue growth of 17.6% led by strong growth in volumes and pricing. While both Automotive and industrial segment saw double digit revenue growth, industrial grew +26% YoY (much faster than automotive) led by Industrial UPS, traction and solar energy sectors which grew in high double digit over the same period. This segment accounts c70% of total industrial revenues. In automotive segment, OEM sales grew much faster than the replacement demand. However, exports for both automotive and industrial divisions delivered modest performance, impacted by low demand from developed nations, especially from Europe and USA. EXID's growth is unsteady, while net revenue is growing YoY at c146 bn in FY23. Industrial revenue share grew by 4% w.r.t automotive revenue share from 26% in FY21 to 30% in FY23.

Exhibit 22: Double digit revenue growth continued in FY23



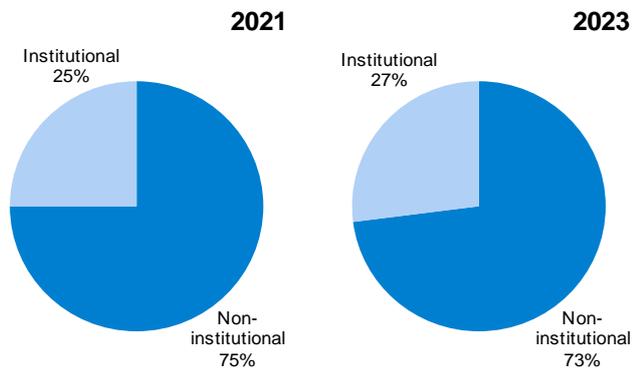
Source: Company, PL

Exhibit 23: Industrial revenue growth faster than automotive



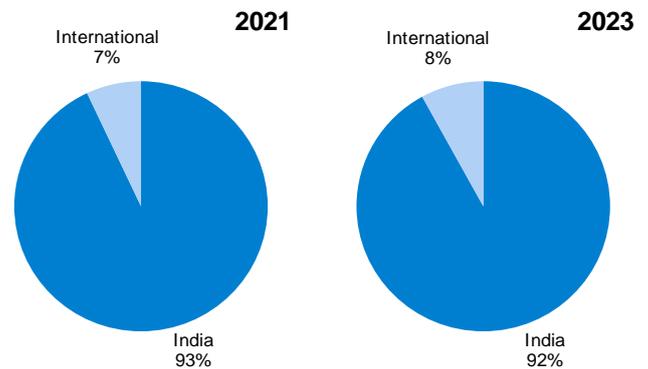
Source: Company, PL

Exhibit 24: After market segment mix lower in FY23



Source: Company, PL

Exhibit 25: Exports see strong growth despite challenges



Source: Company, PL

Institutional revenue has shown an increment of 200bps from FY21 and grown from 25% in FY21 to 27% in FY23.

Revenue distribution has largely remained consistent as an overall percentage, but exports revenue has grown from cRs. 711mn in FY21 to cRs. 1.1bn in FY23 registering a growth of 58%.

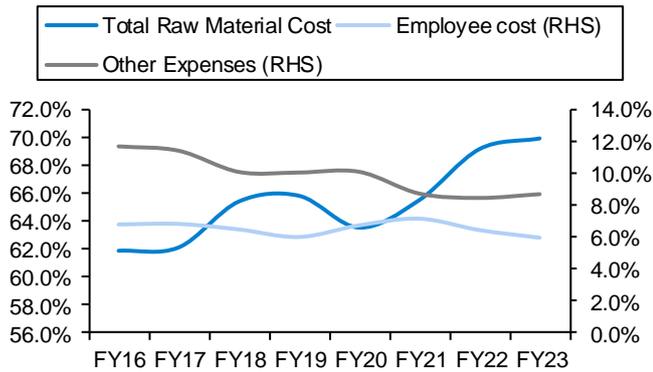
Margins to expand by over c190bps over FY23-26E

EBITDA margins are expected to grow by c190bps till FY26 from margins of 10.7% in FY23 to 12.7% by FY26E. EBITDA margins were majorly impacted by power and fuel cost, warranty cost and freight charges. These three factors costed company c8% of the total revenue.

EBITDA margins in FY23 dipped by c60bps YoY, largely driven by higher RM prices as lead prices increased by c5% on average in FY23 vs FY22 and higher warranty and freight charges dragged margins further. EBITDA margins are yet to reach its previous peak of FY19. Management sees that margins will go back to pre-covid levels in next 7-8 quarters.

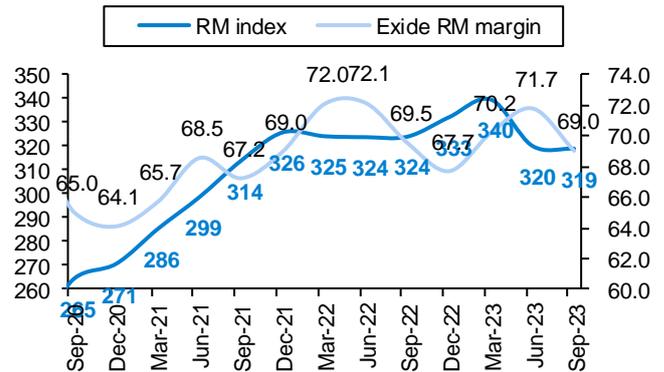
Overall raw material cost has increased to c70% of the total net sales in FY23 and employee expense and other expenses contributed to 6% and 9.7% respectively.

Exhibit 26: RM cost inching up



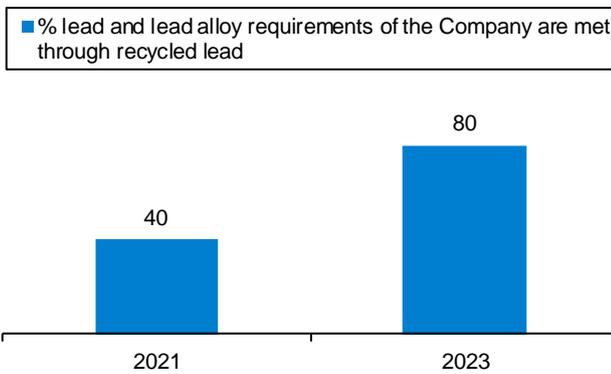
Source: Company, PL

Exhibit 27: Lead prices softening after an upward trend



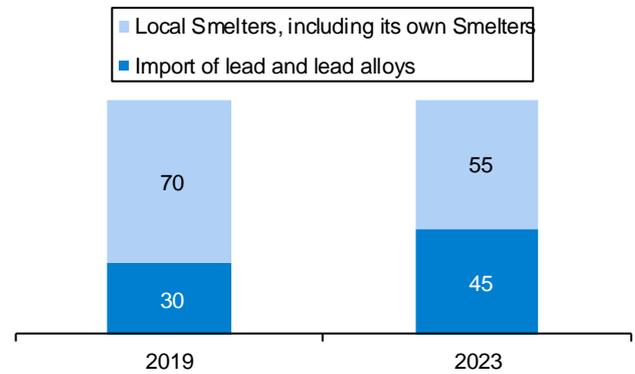
Source: Company, PL

Exhibit 28: Recycled lead requirement up to 80%



Source: PL, Company

Exhibit 29: Focus on reducing import dependency



Source: PL, Company

- EXID has doubled its fulfillment of lead requirement through recycled lead. The requirements of lead were fulfilled upto 40% by FY21, which has now reached to 80% in FY23.
- Company has prioritized its own smelting plants and local smelters for fulfilling its lead requirements. The import of lead and lead alloys has reduced from 70% in FY19 to 55% in FY23.

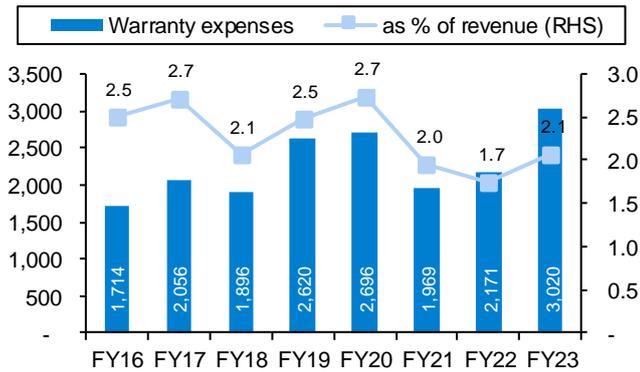
Other expenses increase marginally in FY23

Warranty expenses as % of revenue increased by c40bps YoY, but moved closer to pre-covid levels and impacted margins YoY.

Freight expense increased much faster than revenues and were impacted by higher transportation costs.

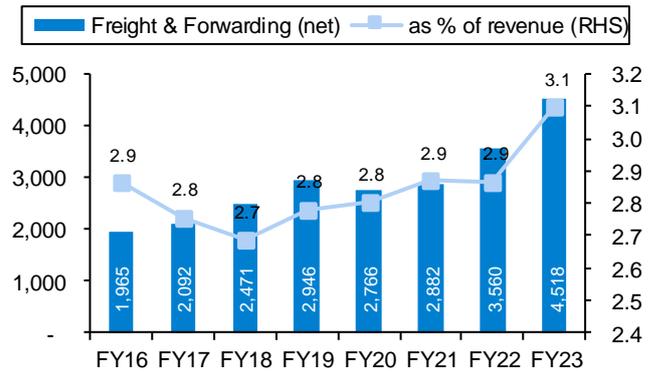
Expenditure on power & fuel at Rs. 4bn in FY23 has grown c29% than its previous peak in FY19, while has marginally lowered by 20bps as percentage of net sales.

Exhibit 30: Warranty expenses at ~2% of the total revenue



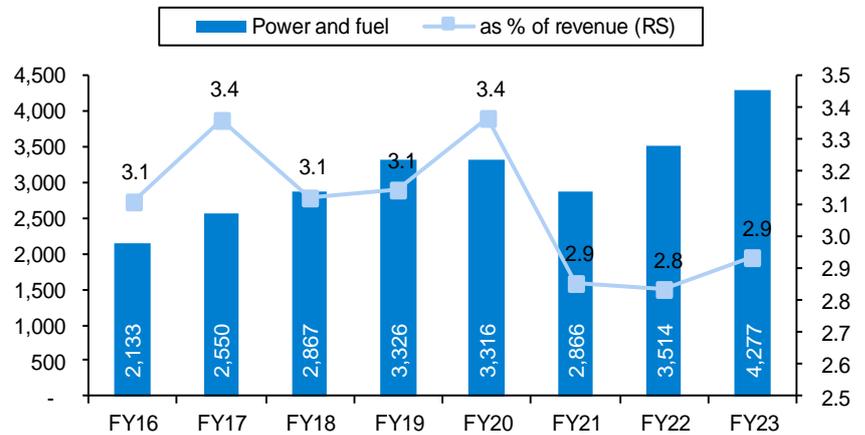
Source: Company, PL

Exhibit 31: Freight expense stable as percent of revenue



Source: Company, PL

Exhibit 32: Power & Fuel expense risen faster than rev. and impacted margins



Source: Company, PL

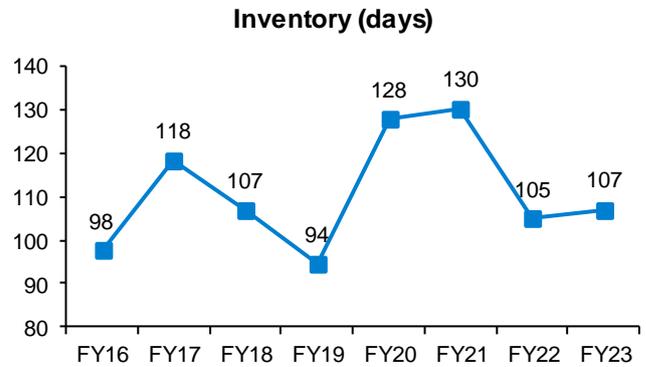
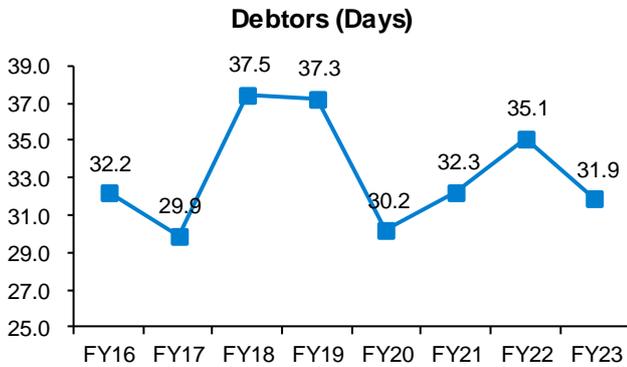
Working capital days increased with stringent creditors

- Debtor days have gone down from 35 days to 32 days and remain much below pre-coivd levels of c37 days. While inventory days have come down to near pre-Covid levels after a sharp increase immediately post-covid and remained largely flattish YoY.
- Overall, EXID has well-managed inventory levels which are closer to pre-covid levels, helped likely by digitalization efforts of the company. The inventory turnover ratio for FY23 was 4.44x (which is a 4.9% increase from FY23 levels), while inventory days have largely remained flattish YoY. However, inventory days have seen sharp reduction after an initial jump post-covid. As lead prices stabilize and supply chain issues normalize, inventory levels should come down.
- Debtor management has become much more efficient over last few years and grown slower than revenues; it has reduced debtor days as well.
- EXID has made provisions for doubtful advances and write-downs of inventory wherever necessary.

- As the effects of pandemic subside, creditors have become more stringent which has led to lower creditor days; Creditor days have fallen over last two years and reached pre-covid levels.

Exhibit 33: Debtor management has become more efficient

Exhibit 34: Inventory management helped by digitalization

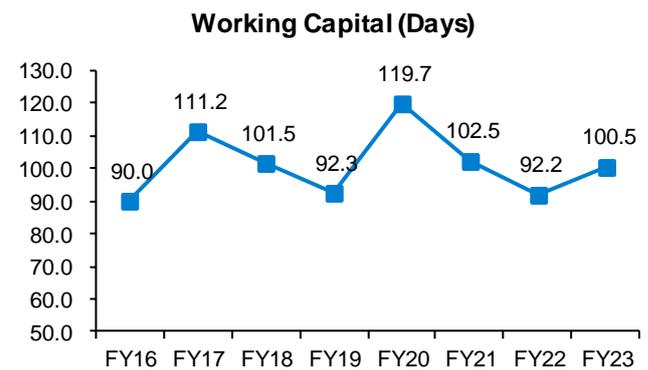
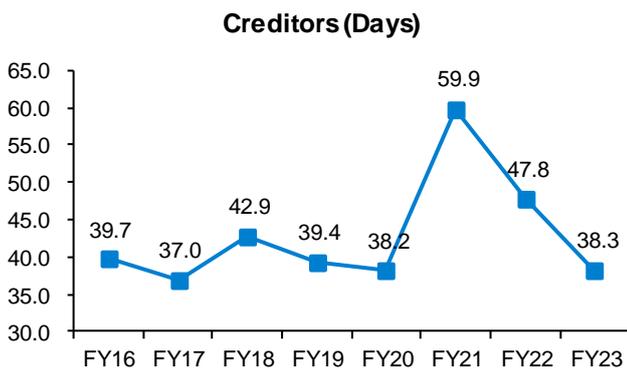


Source: PL, Company

Source: PL, Company

Exhibit 35: Sharp fall in creditor days (at pre-Covid levels)

Exhibit 36: Working capital inch-up on higher creditor days

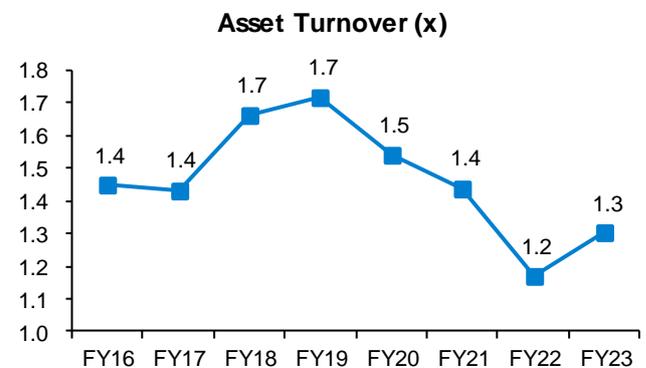
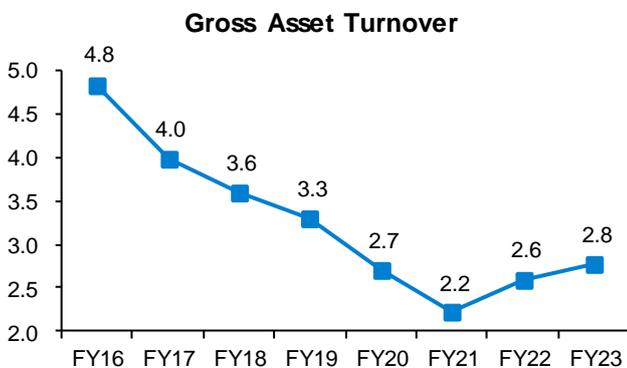


Source: Company, PL

Source: Company, PL

Exhibit 37: Gross asset turnover to improve with high rev.

Exhibit 38: High investment led to low asset turnover



Source: Company, PL

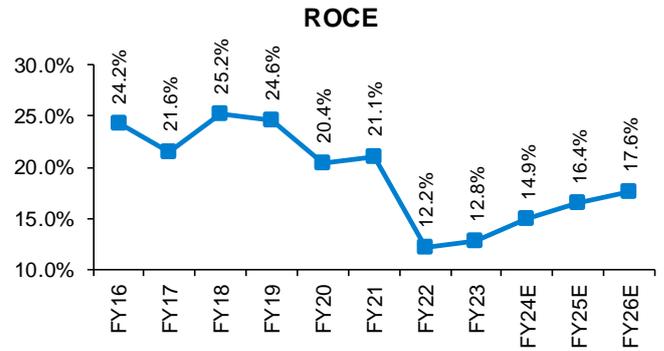
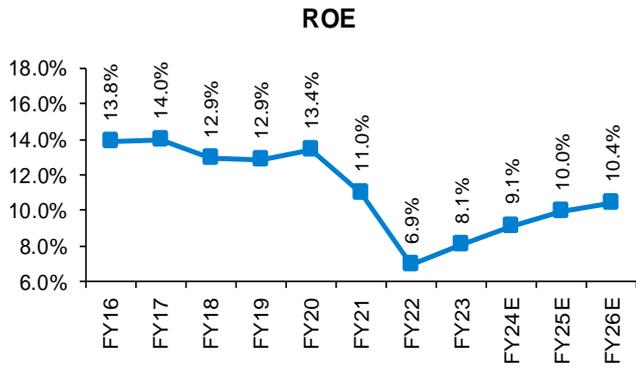
Source: Company, PL

Return ratios improve sequentially

Return ratios have seen a decline post sales of life insurance business which is sitting as long term investment on the books. However, we have seen sequential improvement in both parameters, given rise in revenues and profitability.

Exhibit 39: Return ratio drop post sale of life ins. business...

Exhibit 40: ...but sequential improvement in both parameters



Source: Company, PL

Source: Company, PL

Valuation

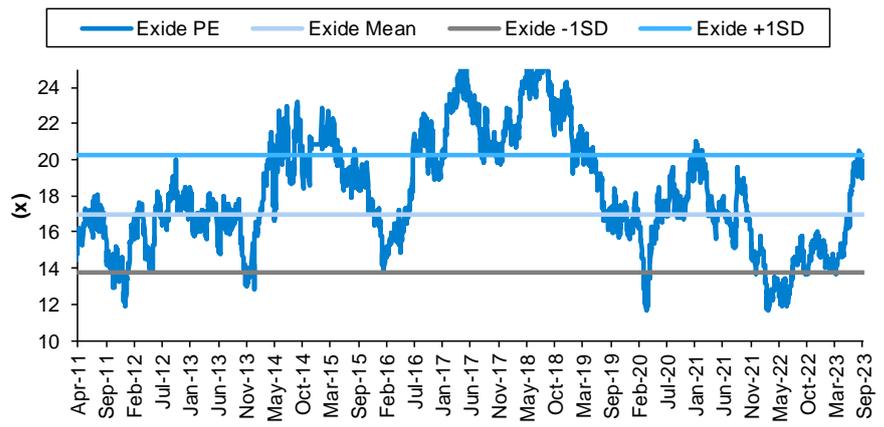
EXID is well placed to benefit for medium term given its aggressive product and network expansion strategy along with investment in new technologies and strong traction in the industrial segment. We expect Revenue/EPS growth of c11%/c18% over FY23-26E driven by volume growth and expansion in margins. We value EXID’s core business on PE multiple of 15.0x (close to 5-yr and 10-yr average multiple) and separately value its stake in HDFC Life at a 30% discount to current market price. We resume coverage with an “Accumulate” rating and TP of Rs. 295 at 15x Sep-2025 EPS (currently trading at c20x 1-yr fwd PE).

Exhibit 41: SOTP Valuation

EPS - Sep-25	16.5
PE multiple	15.0x
Core business	248
HDFC Life stake at 30% discount	46.7
SOTP-based value	295

Source: Company, PL

Exhibit 42: PE multiple trading at +1SD on 1-yr fwd



Source: Bloomberg, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	1,45,919	1,59,987	1,75,786	1,99,304
YoY gr. (%)	17.6	9.6	9.9	13.4
Cost of Goods Sold	1,01,987	1,11,511	1,21,644	1,38,317
Gross Profit	43,933	48,476	54,142	60,987
Margin (%)	30.1	30.3	30.8	30.6
Employee Cost	8,720	9,439	10,196	11,161
Other Expenses	19,533	20,382	22,219	24,593
EBITDA	15,680	18,655	21,728	25,233
YoY gr. (%)	11.5	19.0	16.5	16.1
Margin (%)	10.7	11.7	12.4	12.7
Depreciation and Amortization	4,558	4,970	5,435	5,889
EBIT	11,122	13,685	16,293	19,344
Margin (%)	7.6	8.6	9.3	9.7
Net Interest	295	350	350	550
Other Income	1,324	1,306	1,374	1,466
Profit Before Tax	12,151	14,641	17,317	20,260
Margin (%)	8.3	9.2	9.9	10.2
Total Tax	3,115	3,685	4,359	5,099
Effective tax rate (%)	25.6	25.2	25.2	25.2
Profit after tax	9,036	10,956	12,958	15,160
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	9,036	10,956	12,958	15,160
YoY gr. (%)	6.6	21.2	18.3	17.0
Margin (%)	6.2	6.8	7.4	7.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	9,036	10,956	12,958	15,160
YoY gr. (%)	(80.7)	21.2	18.3	17.0
Margin (%)	6.2	6.8	7.4	7.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	9,036	10,956	12,958	15,160
Equity Shares O/s (m)	850	850	850	850
EPS (Rs)	10.6	12.9	15.2	17.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	53,473	59,473	65,473	71,473
Tangibles	53,473	59,473	65,473	71,473
Intangibles	-	-	-	-
Acc: Dep / Amortization	24,970	29,940	35,375	41,263
Tangibles	24,970	29,940	35,375	41,263
Intangibles	-	-	-	-
Net fixed assets	28,503	29,533	30,098	30,209
Tangibles	28,503	29,533	30,098	30,209
Intangibles	-	-	-	-
Capital Work In Progress	1,009	1,009	1,009	1,009
Goodwill	-	-	-	-
Non-Current Investments	57,882	58,604	59,362	60,159
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	5,531	6,531	7,531	8,531
Inventories	29,891	32,689	35,660	40,548
Trade receivables	12,741	13,588	14,930	16,927
Cash & Bank Balance	681	4,496	10,580	17,412
Other Current Assets	4,072	4,465	4,906	5,562
Total Assets	1,40,510	1,51,135	1,64,316	1,80,629
Equity				
Equity Share Capital	850	850	850	850
Other Equity	1,11,248	1,19,654	1,29,637	1,41,397
Total Network	1,12,098	1,20,504	1,30,487	1,42,247
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	15,328	16,805	18,465	20,935
Other current liabilities	13,085	13,826	15,364	17,447
Total Equity & Liabilities	1,40,510	1,51,135	1,64,316	1,80,629

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	12,151	13,685	16,293	19,344
Add. Depreciation	4,558	4,970	5,435	5,889
Add. Interest	(198)	1,306	1,374	1,466
Less Financial Other Income	1,324	1,306	1,374	1,466
Add. Other	(277)	-	-	-
Op. profit before WC changes	16,234	19,961	23,102	26,698
Net Changes-WC	(4,538)	(1,839)	(1,577)	(3,021)
Direct tax	(3,212)	(3,685)	(4,359)	(5,099)
Net cash from Op. activities	8,484	14,437	17,167	18,578
Capital expenditures	(3,493)	(6,000)	(6,000)	(6,000)
Interest / Dividend Income	-	-	-	-
Others	(5,385)	(1,722)	(1,758)	(1,796)
Net Cash from Inv. activities	(8,878)	(7,722)	(7,758)	(7,796)
Issue of share cap. / premium	-	-	-	-
Debt changes	(305)	-	-	-
Dividend paid	-	(2,550)	(2,975)	(3,400)
Interest paid	(156)	(350)	(350)	(550)
Others	-	-	-	-
Net cash from Fin. activities	(461)	(2,900)	(3,325)	(3,950)
Net change in cash	(855)	3,815	6,084	6,832
Free Cash Flow	4,991	8,437	11,167	12,578

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	10.6	12.9	15.2	17.8
CEPS	16.0	18.7	21.6	24.8
BVPS	131.9	141.8	153.5	167.3
FCF	5.9	9.9	13.1	14.8
DPS	2.0	3.0	3.5	4.0
Return Ratio(%)				
RoCE	10.2	11.8	13.0	14.2
ROIC	8.0	9.7	11.4	13.1
RoE	8.3	9.4	10.3	11.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	68	67	67	67
Valuation(x)				
PER	25.7	21.2	17.9	15.3
P/B	2.1	1.9	1.8	1.6
P/CEPS	17.1	14.6	12.6	11.0
EV/EBITDA	14.4	11.9	9.9	8.2
EV/Sales	1.6	1.4	1.2	1.0
Dividend Yield (%)	0.7	1.1	1.3	1.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	37,189	34,121	35,430	40,726
YoY gr. (%)	16.3	0.1	-	-
Raw Material Expenses	25,846	23,095	24,857	29,220
Gross Profit	11,343	11,027	10,573	11,506
Margin (%)	30.5	32.3	29.8	28.3
EBITDA	4,124	4,010	3,672	4,322
YoY gr. (%)	10.7	14.9	-	-
Margin (%)	11.1	11.8	10.4	10.6
Depreciation / Depletion	1,120	1,153	1,193	1,194
EBIT	3,005	2,858	2,479	3,128
Margin (%)	8.1	8.4	7.0	7.7
Net Interest	62	82	83	98
Other Income	356	234	412	192
Profit before Tax	3,298	3,009	2,808	3,222
Margin (%)	8.9	8.8	7.9	7.9
Total Tax	836	778	730	803
Effective tax rate (%)	25.3	25.8	26.0	24.9
Profit after Tax	2,462	2,232	2,078	2,419
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,462	2,232	2,078	2,419
YoY gr. (%)	20.6	(0.8)	-	-
Margin (%)	6.6	6.5	5.9	5.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,462	2,232	2,078	2,419
YoY gr. (%)	20.6	(94.6)	-	-
Margin (%)	6.6	6.5	5.9	5.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,462	2,232	2,078	2,419
Avg. Shares O/s (m)	850	850	850	850
EPS (Rs)	2.9	2.6	2.4	2.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	UR	-	185
2	05-Jan-23	UR	-	179
3	06-Oct-22	UR	-	157

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	225	182
2	Bajaj Auto	Reduce	4,575	4,839
3	Bharat Forge	BUY	1,070	963
4	CEAT	Hold	2,430	2,496
5	Eicher Motors	Accumulate	3,520	3,380
6	Endurance Technologies	Accumulate	1,725	1,636
7	Exide Industries	UR	-	185
8	Hero Motocorp	Accumulate	3,535	2,995
9	Mahindra & Mahindra	BUY	1,760	1,465
10	Maruti Suzuki	BUY	11,100	9,821
11	Tata Motors	BUY	760	639
12	TVS Motor Company	Accumulate	1,400	1,364

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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