

Retail Equity Research

Exide Industries Ltd

Automobile – Auto Ancillaries

BSE CODE : 500086

NSE CODE: EXIDEIND

BLOOMBERG CODE: EXID:IN SENSEX : 50,732

Buy

12M Investment Period

Rating as per Mid cap

CMP Rs. 204 TARGET Rs. 264 RETURN 29% ↑

(Closing: 05-02-20)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Innovation & leadership to drive growth..

Exide Industries Limited (EIL) is a leader in storage battery business with a market share of 60% in India. Its segment includes automotive & industrial batteries and holds 86% market share in the 2W space.

- Amid challenging business environment, Exide posted a revenue growth of 16%YoY led by pent up demand from the Auto manufactures & strong aftermarket sales
- EBITDA was above estimates, at Rs.403cr (23% YoY) with margin of 14.4% (+90bps YoY) led by cost optimisation.
- While the economy is opening up, newer cost-effective brands of EIL at competitive price is continue to drive growth in the replacement market.
- EILs, cost control initiatives and technological up-gradation has paid for strong bottom line growth. Revival in the auto sales numbers will continue to benefit, due to its market leadership.
- We expect most of the negatives have been factored in the price and expect a revival by H2FY21. On a SOTP basis, we value EIL at 18x on FY23EPS and Insurance business at 1xEV (Embedded value) and upgrade our rating to Buy from Accumulate.

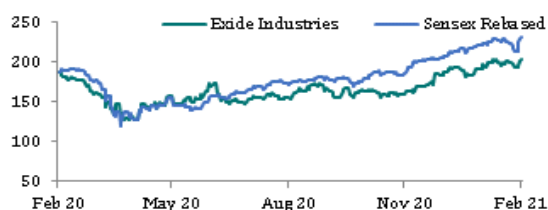
Company Data

Market Cap (cr)	Rs.18,326
Enterprise Value (cr)	Rs.15,722
Outstanding Shares (cr)	85
Free Float	54%
Dividend Yield	1.2%
52 week high	Rs.217
52 week low	Rs.122
6m average volume (cr)	0.46
Beta	0.8
Face value	Rs1

Shareholding (%)	Q1FY21	Q2FY21	Q3FY21
Promoters	46.0	46.0	46.0
FII's	9.4	9.8	10.4
MFs/Insti	22.9	23.1	27.3
Public	22.1	21.1	16.4
Total	100.0	100.0	100.0

Price Performance	6month	1 Year	1 Year
Absolute Return	24.9%	25.8%	8.1%
Absolute Sensex	21.1%	31.6%	22.8%
Relative Return	3.8%	-5.8%	-14.6%

over or under performance to benchmark index



Standalone (cr)	FY21E	FY22E	FY23E
Sales	9,934	11,647	12,898
Growth (%)	0.8	17.2	10.7
EBITDA	1,018	1,166	1,403
EBITDA Margin(%)	13.7	14.5	14.7
PAT Adj.	742	968	1,103
Growth (%)	-12.4	30.4	13.9
Adj.EPS	8.7	11.4	13.0
Growth (%)	-12.4	30.4	13.9
P/E	23.4	18.0	15.8
P/B	2.5	2.2	2.0
EV/EBITDA	12.7	10.3	9.2
ROE (%)	10.9	13.0	13.4
D/E	0.0	0.0	0.0

Saji John
Research Analyst

Aftermarket sales supported margin.

During Q3FY21, EIL posted a revenue growth of 16%YoY led by strong festive demand in the OEM space and robust aftermarket sales, both in the auto and home UPS. EBITDA Margin came at 14.4% (+90bps), above expectation largely due to product mix and cost control measures. While the overall demand scenario is showing sign of pick up due to reopening of the economy. The 4W replacement market is still not reached to the pre-covid level due to slow down in the ola/uber and tour & travel business. We expect the margin to show some resilience going forward due to fair raw material price at current level and cost optimization. While considering the full potential to reach by FY22 we expect the revenue to grow by 24%YoY in FY22 on account of robust sales in OEM and Aftermarket volume.

Strong revival expected in auto volume numbers.

We expect the demand scenario for 2Ws is likely to fair well both in the domestic and export market. The segment registered strong double digit growth in Q3 on account of increased rural income due to strong agri. output and new product launches by OEMs. In addition the company is well poised to take advantage of the replacement market as unorganized players have been forced to shut shop due to pandemic. With batteries being a product that needs to be continuously replaced, Exide is in prime position to drive home its advantage. EIL will be the direct beneficiary from any structural change in the auto demand owing to its leadership position (~60% market share) in the automotive battery and having 86% market share in two -wheelers. We factor positive growth for H2 owing to lower base and easy finance availability.

Newer strategies to expand margin..

We expect margins to show some resilience at 14%-15% over FY21-23E. Expansion is justifiable once 1) a market share gain from unorganised players 2) strong rebound in 2W/PV OEM sales 3) an uptick in the e-rickshaws and solar battery segment 4) strengthening distribution network by introducing sub-distributor led model (cluster of small retailers) and 5) fair lead price & cost-saving initiatives. EIL's joint venture (JV) with Switzerland's Leclanche to manufacture lithium-ion batteries in Gujarat for electric vehicles is on the commencement stage.

Valuations

We remain positive on the long term outlook of EIL owing to higher acceptance of battery engineering and Exide's foray into 3W manufacturing. On a SOTP basis, we value EIL at 18x FY23EPS for Rs.234 and Insurance business at 1x FY20 EV (Embedded value) Rs30/share and upgrade our rating Buy with a target price of Rs264.

Quarterly Financials (Standalone)

Profit & Loss

Rs cr	Q3FY21	Q3FY20	YoY Growth %	Q2FY21	QoQ Growth %
Sales	2,801	2,411	16.2	2,753	1.7
EBITDA	403	320	25.9	392	2.7
EBITDA margins	14.4	13.3	90bps	14.2	20bps
Depreciation	95	93	2.9	95	-0.1
EBIT	308	227	35.3	297	3.6
Interest	7.6	2.1	254.7	6.3	20.9
Other Income	20	25	-20.0	15	36.1
Exceptional Items	0	-217	0	0	0
PBT	320	229	40.0	305	4.9
Tax	79	33	140.8	76	2.9
Share of profit from Associate	0	0	0	0	0
Minority Interest	0	0	0	0	0
Reported PAT	241	196	23.2	229	5.5
Adjustments	0	0	0	0	0
Adj PAT	241	196	23.2	229	5.5
No. of Shares (cr)	85.0	85.0	0	85.0	0
EPS (Rs)	2.8	2.3	23.2	2.7	5.5

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	11,571	12,777	11,647	12,898	0.7	0.9
EBITDA	1,605	1,502	1,689	1,895	5.3	26.2
Margins (%)	13.9	14.0	14.5	14.7	60bps	70bps
Adj. PAT	897	1,059	968	1,103	7.9	4.1
EPS	10.6	12.5	11.4	13.0	7.4	3.8

SOTP - Valuation

Particulars	Segments	Embedded Value (Rs Cr)	Stake	Value/Share (Rs)	Rationale
Exide Core business	Core Business		-	234	PE 18x FY23E EPS
Exide Life Insurance Ltd	Life insurance	Rs2,545	100%	30	1x EV (Embedded Value)/share
Total Value per share				264	

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	10,588	9,857	9,934	11,647	12,898
% change	15.3	-6.9	0.8	17.2	10.7
EBITDA	1,411	1,365	1,363	1,689	1,895
% change	13.7	-3.3	-0.1	23.9	12.2
Depreciation	314	363	377	424	465
EBIT	1,098	1,002	986	1,266	1,430
Interest	6	9	24	22	17
Other Income	39	64	55	64	77
PBT	1,239	1,035	1,017	1,308	1,490
% change	23.1	-16.4	-1.7	28.6	13.9
Tax	395	210	275	340	387
Tax Rate (%)	0.32	0.20	0.27	0.26	0.26
Reported PAT	844	826	742	968	1,103
Adj.	1,083	-217	0	0	0
Adj. PAT	736	847	742	968	1,103
% change	3.6	15.1	-12.4	30.4	13.9
No. of shares (cr)	85	85	85	85	85
Adj EPS (Rs)	8.7	10.0	8.7	11.4	13.0
% change	3.6	15.1	-12.4	30.4	13.9
DPS (Rs)	3	3	3	3	3

CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Net inc. + Depn.	1,552	1,398	1,394	1,732	1,955
Non-cash adj.	-30	81	24	22	17
Changes in W.C	-580	-58	-400	-587	-570
C.F. Operation	942	1,421	1,018	1,166	1,403
Capital exp.	-675	-655	-655	-600	-600
Change in inv.	-46	-250	-150	0	-250
Other invest.CF	0	0	0	0	0
C.F - Investment	-708	-905	-804	-600	-850
Issue of equity	0	0	0	0	0
Issue/repay debt	0	0	0	0	0
Dividends paid	-245	-245	-245	-245	-245
Other finance.CF	-6	-9	-24	-22	-17
C.F - Finance	-251	-255	-269	-267	-262
Chg. in cash	-17	261	-55	300	290
Closing cash	61	322	267	567	857

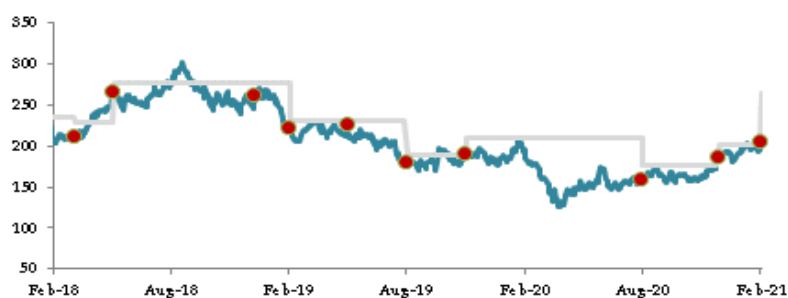
BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	61	322	267	567	857
Accounts Receivable	1,073	999	1,007	1,181	1,307
Inventories	2,005	1,803	1,860	2,161	2,393
Other Cur. Assets	479	392	504	590	654
Investments	2,015	2,265	2,415	2,415	2,665
Gross Fixed Assets	3,161	3,811	4,461	5,061	5,661
Net Fixed Assets	2,280	2,577	2,859	3,045	3,189
CWIP	220	220	220	220	220
Intangible Assets	40	36	31	22	12
Def. Tax (Net)	-104	-176	-176	-176	-176
Other Assets	0	0	0	0	0
Total Assets	8,069	8,438	8,987	10,024	11,122
Current Liabilities	549	515	531	617	684
Provisions	348	324	327	383	424
Debt Funds	0	0	0	0	0
Other Liabilities	1,184	1,030	1,063	1,235	1,368
Equity Capital	85	85	85	85	85
Reserves & Surplus	5,903	6,484	6,981	7,704	8,562
Shareholder's Fund	5,988	6,569	7,066	7,789	8,647
Total Liabilities	8,069	8,438	8,987	10,024	11,122
BVPS	70	77	83	92	102

RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
Profitab & Return					
EBITDA margin (%)	13.3	13.8	13.7	14.5	14.7
EBIT margin (%)	10.4	10.2	9.9	10.9	11.1
Net profit mgn.(%)	6.9	8.6	7.5	8.3	8.5
ROE (%)	12.9	13.5	10.9	13.0	13.4
ROCE (%)	13.0	13.6	11.1	13.2	13.6
W.C & Liquidity					
Receivables (days)	34.8	38.4	36.9	34.3	35.2
Inventory (days)	98.6	110.9	103.4	97.7	99.9
Payables (days)	27.6	31.0	29.5	27.9	28.5
Current ratio (x)	4.0	4.2	4.2	4.5	4.7
Quick ratio (x)	2.1	2.6	2.4	2.8	3.2
Turnover & Leverage					
Gross asset T.O (x)	3.7	2.8	2.4	2.4	2.4
Total asset T.O (x)	1.4	1.2	1.1	1.2	1.2
Int. covge. ratio (x)	181.5	106.6	41.3	58.6	83.6
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	1.6	1.8	1.7	1.5	1.3
EV/EBITDA (x)	12.3	12.7	12.7	10.3	9.2
P/E (x)	23.6	20.5	23.4	18.0	15.8
P/BV (x)	2.9	2.7	2.5	2.2	2.0

Recommendation summary (Last 3 Years)



Dates	Rating	Target
28-October-2016	Buy	220
06-May 2017	Hold	256
28-July-2017	Hold	234
13 October 2017	Accumulate	234
9 March 2018	Accumulate	228
8.May 2018	Hold	276
12 th December 2018	Accumulate	276
6 th February 2019	Hold	230
6 th May 2019	Hold	224
6 th August 2019	Hold	188
7 th November 2019	Accumulate	209
06 August 2020	Accumulate	175
01 December 2020	Accumulate	204
08 February 2021	Buy	264

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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