

Retail Equity Research

**Exide Industries Ltd**

Automobile – Auto Ancillaries

BSE CODE : 500086

NSE CODE: EXIDEIND

BLOOMBERG CODE: EXID:IN SENSEX : 48,678

**Buy**

12M Investment Period

Rating as per Mid cap

**CMP Rs. 183 TARGET Rs. 217 RETURN 19%** ↑

(Closing: 05-05-21)

**KEY CHANGES:**

**TARGET** ↓

**RATING** ↔

**EARNINGS** ↓

**Superior product mix and cost optimization**

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.

- Q4FY21 revenue grew by 43%YoY primarily due to lower base and strong growth from the Aftermarket & UPS segment.
- As a result, EBITDA margin expanded by 90bps. Despite 20% increase in the lead price for the quarter stringent cost control measure led the PAT to grow by 45%YoY.
- While the economy is on the path of gradual recovery, newer cost-effective brands of EIL at competitive price is continue to drive growth in the replacement market.
- Robust revival in the auto sales numbers due to cyclical change will continue to benefit the company, owing to its market leadership.
- We expect the ongoing headwinds is only for near term and expect strong growth from Q2 onwards. On a SOTP basis, we value EIL at 16x on FY23EPS and Insurance business at 0.9xEV (Embedded value) and maintain our buy rating at CMP.

**Superior product mix and cost optimization**

During Q4FY21, EIL posted a revenue growth of 43%YoY primarily driven by strong growth from the Aftermarket & UPS segment. It also delivered impressive growth in the OEM and Industrial segment. As a result, EBITDA margin expanded by 90bps. Despite 20% increase in the lead price for the quarter stringent cost control measure led the PAT to grow by 45%YoY. While the overall demand scenario is showing sign of pick up due to cyclical nature. We expect the margin to show some resilience going forward due to cost optimization. However, we factor 80 bps lower margin from our early estimate due to lower supply of raw material and demand normalization in the Aftermarket segment. While considering the full potential to reach by FY22 we expect the revenue to grow by 16%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 Q4 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 from the unorganized sectors. 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-wheeler. We factor positive growth for H2 owing to cyclical change for the industry, normal monsoon and easy finance availability.

**Newer strategies to expand margin..**

We expect margins to show some resilience at 13%-14% over FY21-23E. Expansion is justifiable on 1) 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) 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. Meanwhile company has increased its stake from 80.15% to 82.71% in April 2021 for a total consideration of Rs40cr.

**Valuations**

We remain positive on the medium & 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's standalone business at 16x FY23EPS for Rs.188 and Insurance business at 0.9x FY21 EV (Embedded value) for Rs29/share and maintain our rating as Buy with a target price of Rs217.

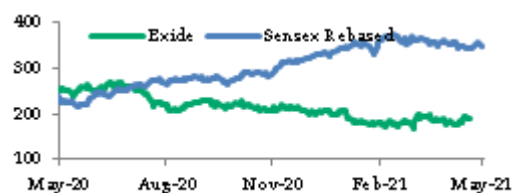
**Company Data**

Market Cap (cr)	Rs.15,556
Enterprise Value (cr)	Rs.15,556
Outstanding Shares (cr)	85
Free Float	54%
Dividend Yield	1.2%
52 week high	Rs.221
52 week low	Rs.142
6m average volume (cr)	0.46
Beta	0.8
Face value	Rs1

Shareholding (%)	Q2FY21	Q3FY21	Q4FY21
Promoters	46.0	46.0	46.0
FII's	9.8	10.4	11.9
MFs/Insti	23.1	27.3	24.6
Public	21.1	16.4	17.5
Total	100.0	100.0	100.0

Price Performance	6month	1 Year	1 Year
Absolute Return	-11.7%	3.6%	20.7%
Absolute Sensex	-2.0%	11.2%	53.8%
Relative Return	-9.7%	-7.6%	-33.1%

over or under performance to benchmark index



Standalone (cr)	FY21E	FY22E	FY23E
Sales	10,041	11,647	12,898
Growth (%)	1.9	16.0	10.7
EBITDA	1,356	1,601	1,810
EBITDA Margin(%)	13.5	13.7	14.0
PAT Adj.	758	887	1,000
Growth (%)	-10.5	17.0	12.7
Adj.EPS	8.9	10.4	11.8
Growth (%)	-10.5	17.0	12.7
P/E	20.5	17.5	15.5
P/B	2.2	2.0	1.8
EV/EBITDA	11.5	9.7	8.6
ROE (%)	13.5	11.1	12.0
D/E	0.0	0.0	0.0

Saji John  
Research Analyst

## Quarterly Financials (Standalone)

### Profit & Loss

Rs cr	Q3FY21	Q3FY20	YoY Growth %	Q2FY21	QoQ Growth %
<b>Sales</b>	<b>2939</b>	<b>2055</b>	<b>43.0</b>	<b>2801</b>	<b>4.9</b>
<b>EBITDA</b>	<b>412</b>	<b>270</b>	<b>52.6</b>	<b>403</b>	<b>2.4</b>
EBITDA margins	14.0	13.1	90bps	14.4	-30bps
Depreciation	97	94	3.8	95	2.3
<b>EBIT</b>	<b>315</b>	<b>176</b>	<b>78.6</b>	<b>308</b>	<b>2.4</b>
Interest	8.5	3.7	130.1	7.6	11.9
Other Income	24	17	39.6	20	17.1
Exceptional Items	0	0	0	0	0
<b>PBT</b>	<b>330</b>	<b>190</b>	<b>74.1</b>	<b>320</b>	<b>3.1</b>
Tax	86	22	298.6	79	9.2
Share of profit from Associate	0	0	0	0	0
Minority Interest	0	0	0	0	0
<b>Reported PAT</b>	<b>244</b>	<b>168</b>	<b>45.3</b>	<b>241</b>	<b>1.1</b>
Adjustments	0	0	0	0	0
<b>Adj PAT</b>	<b>244</b>	<b>168</b>	<b>45.3</b>	<b>241</b>	<b>1.1</b>
No. of Shares (cr)	85.0	85.0	0	85.0	0
<b>EPS (Rs)</b>	<b>2.9</b>	<b>2.0</b>	<b>45.3</b>	<b>2.8</b>	<b>1.1</b>

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	11,647	12,898	11,647	12,898	0.0	0.0
EBITDA	1,689	1,895	1,601	1,810	-5.2	-4.5
Margins (%)	14.5	14.7	13.7	14.0	-80bps	-70bps
Adj. PAT	968	1103	887	1000	-8.4	-9.5
EPS	11.4	13	10.4	11.8	-8.4	-9.5

### SOTP - Valuation

Particulars	Segments	Embedded Value (Rs Cr)	Stake	Value/Share (Rs)	Rationale
Exide Core business	Core Business	-	100%	188	P/E 16x FY23E EPS
Exide Life Insurance Ltd	Life insurance	Rs2,691	100%	29	0.9x EV (Embedded Value)/share
<b>Total Value per share</b>				<b>217</b>	

## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Sales</b>	<b>10,588</b>	<b>9,857</b>	<b>10,041</b>	<b>11,647</b>	<b>12,898</b>
% change	15.3	-6.9	1.9	16.0	10.7
<b>EBITDA</b>	<b>1,411</b>	<b>1,365</b>	<b>1,356</b>	<b>1,601</b>	<b>1,810</b>
% change	13.7	-3.3	-0.7	18.1	13.1
Depreciation	314	363	379	438	492
EBIT	1,098	1,002	976	1,163	1,318
Interest	6	9	24	28	31
Other Income	39	64	65	64	64
<b>PBT</b>	<b>1,239</b>	<b>1,035</b>	<b>1,018</b>	<b>1,199</b>	<b>1,352</b>
% change	23.1	-16.4	-1.7	17.8	12.7
Tax	395	210	260	312	351
Tax Rate (%)	0.32	0.20	0.26	0.26	0.26
<b>Reported PAT</b>	<b>844</b>	<b>826</b>	<b>758</b>	<b>887</b>	<b>1,000</b>
Adj.	1,083	-217	0	0	0
<b>Adj. PAT</b>	<b>736</b>	<b>847</b>	<b>758</b>	<b>887</b>	<b>1,000</b>
% change	3.6	15.1	-10.5	17.0	12.7
No. of shares (cr)	85	85	85	85	85
<b>Adj EPS (Rs)</b>	<b>8.7</b>	<b>10.0</b>	<b>8.9</b>	<b>10.4</b>	<b>11.8</b>
% change	3.6	15.1	-10.5	17.0	12.7
DPS (Rs)	3	3	3	3	3

### CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Net inc. + Depn.	1552	1398	1397	1637	1844
Non-cash adj.	-30	81	50	28	31
Changes in W.C	-580	-58	-402	-546	-533
<b>C.F. Operation</b>	<b>942</b>	<b>1421</b>	<b>1045</b>	<b>1119</b>	<b>1342</b>
Capital exp.	-675	-655	-655	-600	-600
Change in inv.	-46	-250	-150	0	-250
Other invest.CF	0	0	0	0	0
<b>C.F - Investment</b>	<b>-708</b>	<b>-905</b>	<b>-804</b>	<b>-600</b>	<b>-850</b>
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	-28	-31
<b>C.F - Finance</b>	<b>-251</b>	<b>-255</b>	<b>-269</b>	<b>-273</b>	<b>-276</b>
Chg. in cash	-17	261	-28	246	216
Closing cash	61	322	294	540	756

### BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	61	322	294	540	756
Accounts Receivable	1,073	999	1,018	1,181	1,307
Inventories	2,005	1,803	1,893	2,193	2,418
Other Cur. Assets	479	392	509	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	2,856	3,028	3,146
CWIP	220	220	220	220	220
Intangible Assets	40	36	31	22	12
Def. Tax (Net)	-104	-176	-202	-202	-202
Other Assets	0	0	0	0	0
<b>Total Assets</b>	<b>8,069</b>	<b>8,438</b>	<b>9,035</b>	<b>9,987</b>	<b>10,976</b>
Current Liabilities	549	515	541	627	691
Provisions	348	324	330	383	424
Debt Funds	0	0	0	0	0
Other Liabilities	1,184	1,030	1,082	1,253	1,382
Equity Capital	85	85	85	85	85
Reserves & Surplus	5,903	6,484	6,997	7,639	8,395
Shareholder's Fund	5,988	6,569	7,082	7,724	8,480
<b>Total Liabilities</b>	<b>8,069</b>	<b>8,438</b>	<b>9,035</b>	<b>9,987</b>	<b>10,976</b>
BVPS	70	77	83	91	100

### RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Profitab &amp; Return</b>					
EBITDA margin (%)	13.3	13.8	13.5	13.7	14.0
EBIT margin (%)	10.4	10.2	9.7	10.0	10.2
Net profit mgn.(%)	6.9	8.6	7.6	7.6	7.8
ROE (%)	12.9	13.5	11.1	12.0	12.3
ROCE (%)	13.0	13.6	11.4	12.3	12.6
<b>W.C &amp; Liquidity</b>					
Receivables (days)	34.8	38.4	36.7	34.4	35.2
Inventory (days)	98.6	110.9	102.5	97.8	100.1
Payables (days)	27.6	31.0	29.3	27.9	28.6
Current ratio (x)	4.0	4.2	4.3	4.5	4.6
Quick ratio (x)	2.1	2.6	2.4	2.7	3.0
<b>Turnover &amp; Leverage</b>					
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	41.1	41.3	42.4
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	1.5	1.6	1.5	1.3	1.2
EV/EBITDA (x)	11.0	11.4	11.5	9.7	8.6
P/E (x)	21.1	18.4	20.5	17.5	15.5
P/BV (x)	2.6	2.4	2.2	2.0	1.8

## Recommendation summary (Last 3 Years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
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 <sup>th</sup> December 2018	Accumulate	276
6 <sup>th</sup> February 2019	Hold	230
6th May 2019	Hold	224
6th August 2019	Hold	188
7th November 2019	Accumulate	209
06 August 2020	Accumulate	175
01 December 2020	Accumulate	204
05 February 2021	Buy	264
05 May 2021	Buy	217

## 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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