

Exide Industries (EXID IN)

Rating: BUY | CMP: Rs162 | TP: Rs194

November 10, 2020

Q2FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	194		191	
Sales (Rs. m)	1,12,671	1,21,415	1,12,671	1,21,415
% Chng.	-	-	-	-
EBITDA (Rs. m)	16,914	17,987	16,568	17,858
% Chng.	2.1	0.7	-	-
EPS (Rs.)	11.8	12.9	11.5	12.7
% Chng.	2.9	1.3	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	98,567	1,02,144	1,12,671	1,21,415
EBITDA (Rs. m)	13,650	15,581	16,914	17,987
Margin (%)	13.8	15.3	15.0	14.8
PAT (Rs. m)	8,428	9,323	10,062	10,924
EPS (Rs.)	9.9	11.0	11.8	12.9
Gr. (%)	9.4	10.6	7.9	8.6
DPS (Rs.)	4.1	4.5	5.0	5.5
Yield (%)	2.5	2.8	3.1	3.4
RoE (%)	13.7	14.2	14.1	14.1
RoCE (%)	16.3	17.9	17.8	17.6
EV/Sales (x)	1.4	1.3	1.2	1.1
EV/EBITDA (x)	10.0	8.6	7.8	7.2
PE (x)	16.4	14.8	13.7	12.6
P/BV (x)	2.2	2.0	1.9	1.7

Key Data

EXID.BO | EXID IN

52-W High / Low	Rs.208 / Rs.122
Sensex / Nifty	43,278 / 12,631
Market Cap	Rs.138bn/ \$ 1,860m
Shares Outstanding	850m
3M Avg. Daily Value	Rs.1188.35m

Shareholding Pattern (%)

Promoter's	45.99
Foreign	9.75
Domestic Institution	23.12
Public & Others	21.13
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.2)	10.6	(13.0)
Relative	(7.6)	(19.1)	(18.9)

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Tight cost control drive margins, maintain BUY

Quick Pointers:

- Healthy pickup in volumes for auto replacement and UPS segment while auto OEM demand too picking up gradually.
- Lead prices grew by 9.5% QoQ/ (-2.5% YoY) in 2QFY21 to Rs139/kg. In 3QFY21 so-far it declined to ~Rs131/kg.

EXIDE 2QFY21 margins exceeded expectations at 14.2% (PLe 13%, +10bp YoY) led by cost control measures and better gross margins. While there was significant pick up in replacement and UPS batteries demand, OEM segment too started picking up in later part of the quarter. Going forward we believe stronger growth in replacement segment (~65% of industry) to continue coupled with recovery in OEM demand.

Consequently, favorable mix along with benign RM should help ~150bp YoY margin expansion in FY21 to 15.3%. We increase FY21/FY22/23 EPS by 7.4%/2.9%/1.3% to factor in higher replacement sales. We expect organized players including EXIDE to see market share expansion (~1-1.5% in CV, tractor and motorcycle segment)) led by weakening competitive position of small regional/unorganized players. Hence, we maintain buy with revised price target of Rs194 (earlier Rs191) based on 14x Sep-22 standalone EPS plus Rs21 value of insurance business. Stock trades at 13.7x/12.6x FY22/23 EPS.

- EXID's Q2FY21 revenue in-line at Rs27.5bn (+5.5% YoY/ +77.9% QoQ)** led by higher healthy growth in auto replacement and UPS segment. Demand from OEMs too started picking up in later part of the quarter.
- Better cost control led EBITDA beat-** Led by favorable mix gross margins came in better at 35% (PLe 34%) which contracted 120bp YoY/ +380bp QoQ. This coupled with lower other expense at Rs3.8bn (PLe Rs4.1bn) resulted in EBITDA beat at Rs3.9bn (+6.8% YoY, PLe Rs3.6bn). Consequently, margin came higher at 14.2% (PLe 13%, +10bp YoY).
- Adj. PAT came in better at Rs2.3bn (-3.6% YoY, PLe Rs2bn)** led by better operating performance and higher other income at Rs148mn (PLe Rs56mn). However, this was partially offset by higher interest at Rs63mn (PLe Rs18mn) and higher tax rate at 25% (PLe 24%).
- Life insurance business reported EBIT profit of Rs247.5mn** for the quarter (v/s loss of Rs443.5mn in 1QFY21 and profit of Rs50.6bn in 2QFY20).

Exhibit 1: Q2FY21 Result Overview (Rs m)

Y/e March	Q2FY21	Q2FY20	YoY gr. (%)	Q1FY21	H1FY21	H1FY20	YoY gr. (%)
Net Revenues	27,534	26,109	5.5	15,476	43,010	53,901	(20.2)
Raw Materials	17,891	16,649	7.5	10,642	28,533	34,569	(17.5)
<i>% of Net Sales</i>	<i>65.0</i>	<i>63.8</i>		<i>68.8</i>	<i>66.3</i>	<i>64.1</i>	
Personnel	1,908	1,743	9.5	1,396	3,304	3,410	(3.1)
<i>% of Net Sales</i>	<i>6.9</i>	<i>6.7</i>		<i>9.0</i>	<i>7.7</i>	<i>6.3</i>	
Manufacturing & Other Exp	3,814	4,045	(5.7)	1,954	5,768	8,173	(29.4)
<i>% of Net Sales</i>	<i>13.9</i>	<i>15.5</i>		<i>12.6</i>	<i>13.4</i>	<i>15.2</i>	
Total Expenditure	23,614	22,436	5.2	13,992	37,605	46,152	(18.5)
EBITDA	3,920	3,672	6.8	1,485	5,405	7,749	(30.3)
<i>EBITDA Margin (%)</i>	<i>14.2</i>	<i>14.1</i>		<i>9.6</i>	<i>12.6</i>	<i>14.4</i>	
Depreciation	953	898	6.1	914	1,867	1,762	5.9
EBIT	2,967	2,774	6.9	571	3,538	5,987	(40.9)
Interest Expenses	63	18		14	77	36	115.4
Non-operating income	148	56	166.1	70	218	220	(0.7)
Extraordinary Expenses	0	0		0	0	0	
PBT	3,052	2,812	8.5	627	3,679	6,171	(40.4)
Tax-Total	764	439	74.1	188	952	1,555	(38.8)
<i>Tax Rate (%) - Total</i>	<i>25.0</i>	<i>15.6</i>	<i>60.4</i>	<i>29.9</i>	<i>25.9</i>	<i>25.2</i>	<i>2.7</i>
Reported PAT	2,288	2,373	(3.6)	440	2,727	4,616	(40.9)
Adj. PAT	2,288	2,373	(3.6)	440	2,727	4,616	(40.9)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	98,567	1,02,144	1,12,671	1,21,415
YoY gr. (%)	(6.9)	3.6	10.3	7.8
Cost of Goods Sold	62,664	66,394	71,772	77,462
Gross Profit	35,903	35,750	40,900	43,952
Margin (%)	36.4	35.0	36.3	36.2
Employee Cost	6,664	6,731	7,134	7,563
Other Expenses	15,589	13,439	16,852	18,402
EBITDA	13,650	15,581	16,914	17,987
YoY gr. (%)	(3.3)	14.1	8.6	6.3
Margin (%)	13.8	15.3	15.0	14.8
Depreciation and Amortization	3,626	3,809	4,209	4,343
EBIT	10,024	11,772	12,705	13,645
Margin (%)	10.2	11.5	11.3	11.2
Net Interest	94	103	114	136
Other Income	639	598	649	865
Profit Before Tax	10,352	12,267	13,240	14,374
Margin (%)	10.5	12.0	11.8	11.8
Total Tax	2,097	2,944	3,178	3,450
Effective tax rate (%)	20.3	24.0	24.0	24.0
Profit after tax	8,255	9,323	10,062	10,924
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,428	9,323	10,062	10,924
YoY gr. (%)	9.4	10.6	7.9	8.6
Margin (%)	8.6	9.1	8.9	9.0
Extra Ord. Income / (Exp)	(217)	-	-	-
Reported PAT	8,255	9,323	10,062	10,924
YoY gr. (%)	(2.2)	12.9	7.9	8.6
Margin (%)	8.4	9.1	8.9	9.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,255	9,323	10,062	10,924
Equity Shares O/s (m)	850	850	850	850
EPS (Rs)	9.9	11.0	11.8	12.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	36,370	41,139	44,639	47,139
Tangibles	36,370	41,139	44,639	47,139
Intangibles	-	-	-	-
Acc: Dep / Amortization	12,634	16,442	20,651	24,994
Tangibles	12,634	16,442	20,651	24,994
Intangibles	-	-	-	-
Net fixed assets	23,736	24,696	23,987	22,145
Tangibles	23,736	24,696	23,987	22,145
Intangibles	-	-	-	-
Capital Work In Progress	2,969	2,000	2,000	2,000
Goodwill	-	-	-	-
Non-Current Investments	20,521	22,573	24,830	27,313
Net Deferred tax assets	(1,019)	(1,019)	(1,019)	(1,019)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	187	1,187	2,187	3,187
Inventories	21,923	22,718	25,060	27,004
Trade receivables	8,154	11,194	12,348	12,640
Cash & Bank Balance	1,546	2,266	3,834	4,386
Other Current Assets	3,064	3,175	3,502	3,774
Total Assets	82,421	90,143	98,116	1,02,846
Equity				
Equity Share Capital	850	850	850	850
Other Equity	62,111	67,609	73,421	79,670
Total Network	62,961	68,459	74,271	80,520
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10,309	10,683	11,785	9,314
Other current liabilities	8,132	9,982	11,041	11,993
Total Equity & Liabilities	82,421	90,143	98,116	1,02,846

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	10,352	11,772	12,705	13,645
Add. Depreciation	3,626	3,809	4,209	4,343
Add. Interest	(372)	598	649	865
Less Financial Other Income	639	598	649	865
Add. Other	(4,130)	1	0	0
Op. profit before WC changes	9,476	16,180	17,564	18,854
Net Changes-WC	2,155	(1,734)	(1,696)	(4,056)
Direct tax	(2,494)	(2,944)	(3,178)	(3,450)
Net cash from Op. activities	9,136	11,501	12,689	11,347
Capital expenditures	(4,646)	(3,800)	(3,500)	(2,500)
Interest / Dividend Income	-	-	-	-
Others	1,397	(3,052)	(3,257)	(3,483)
Net Cash from Invt. activities	(3,249)	(6,852)	(6,757)	(5,983)
Issue of share cap. / premium	-	-	-	-
Debt changes	(30)	-	-	-
Dividend paid	(4,889)	(3,825)	(4,250)	(4,675)
Interest paid	(70)	(103)	(114)	(136)
Others	-	-	-	-
Net cash from Fin. activities	(4,989)	(3,928)	(4,364)	(4,811)
Net change in cash	899	720	1,568	552
Free Cash Flow	4,491	7,701	9,189	8,847

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	9.9	11.0	11.8	12.9
CEPS	14.2	15.4	16.8	18.0
BVPS	74.1	80.5	87.4	94.7
FCF	5.3	9.1	10.8	10.4
DPS	4.1	4.5	5.0	5.5
Return Ratio(%)				
RoCE	16.3	17.9	17.8	17.6
ROIC	13.4	14.4	14.8	14.9
RoE	13.7	14.2	14.1	14.1
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	73	83	83	91
Valuation(x)				
PER	16.4	14.8	13.7	12.6
P/B	2.2	2.0	1.9	1.7
P/CEPS	11.4	10.5	9.7	9.0
EV/EBITDA	10.0	8.6	7.8	7.2
EV/Sales	1.4	1.3	1.2	1.1
Dividend Yield (%)	2.5	2.8	3.1	3.4

Source: Company Data, PL Research

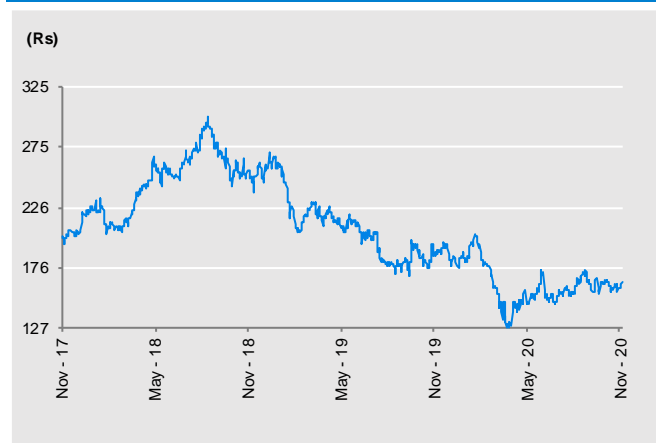
Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	24,115	20,551	15,476	27,534
YoY gr. (%)	(3.4)	(20.9)	(44.3)	5.5
Raw Material Expenses	15,392	12,703	10,642	17,891
Gross Profit	8,723	7,848	4,834	9,643
Margin (%)	36.2	38.2	31.2	35.0
EBITDA	3,198	2,702	1,485	3,920
YoY gr. (%)	2.3	(27.6)	(63.6)	6.8
Margin (%)	13.3	13.1	9.6	14.2
Depreciation / Depletion	925	939	914	953
EBIT	2,273	1,764	571	2,967
Margin (%)	9.4	8.6	3.7	10.8
Net Interest	21	37	14	63
Other Income	251	169	70	148
Profit before Tax	2,286	1,895	627	3,052
Margin (%)	9.5	9.2	4.1	11.1
Total Tax	326	215	188	764
Effective tax rate (%)	14.3	11.4	29.9	25.0
Profit after Tax	1,959	1,680	440	2,288
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,145	1,680	440	2,288
YoY gr. (%)	38.4	(20.3)	(80.4)	(3.6)
Margin (%)	8.9	8.2	2.8	8.3
Extra Ord. Income / (Exp)	(217)	-	-	-
Reported PAT	1,959	1,680	440	2,288
YoY gr. (%)	26.4	(20.3)	(80.4)	(3.6)
Margin (%)	8.1	8.2	2.8	8.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,959	1,680	440	2,288
Avg. Shares O/s (m)	850	850	850	850
EPS (Rs)	2.5	2.0	0.5	2.7

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	9-Oct-20	BUY	191	164
2	3-Aug-20	BUY	183	155
3	11-Jul-20	Accumulate	177	155
4	6-Jun-20	Accumulate	179	173
5	9-Apr-20	Accumulate	167	148
6	4-Feb-20	Accumulate	214	188
7	3-Jan-20	Accumulate	214	184

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	100	84
2	Bajaj Auto	Hold	3,108	3,006
3	Bharat Forge	Hold	446	466
4	CEAT	Accumulate	1,223	1,148
5	Eicher Motors	Accumulate	2,291	2,218
6	Exide Industries	BUY	191	164
7	Hero Motocorp	Accumulate	3,282	2,894
8	Mahindra & Mahindra	BUY	703	633
9	Maruti Suzuki	BUY	7,642	7,118
10	Motherson Sumi Systems	BUY	139	121
11	Tata Motors	Hold	146	136
12	TVS Motors	Sell	386	422

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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