

May 05, 2022

RESULT REPORT Q4 FY22 | Sector: Automobile

Exide Industries (EXID)

RM inflation overshadow acute cost control

Valuation and View – Near-term margins headwinds to continue

EXID's 4QFY22 results were mixed where revenue outperformance continued with ~7% QoQ growth (v/s flat growth expected). However, margins contracted steeply QoQ by ~140bp to 10.2% (est 10.6%, cons 11.6%), led by RM inflation (gross margin contracted ~300bp QoQ to lowest at 28%). Sharp RM inflation in the recent pat has overshadowed the tight cost control with aggregate other operating expense has declined ~170bp/~80bp in 4Q/3Q. We believe RM cost inflation to continue impact gross margins as Lead prices continues to rise ~3.5% so-far in 1QFY23 (v/s ~22% spike in FY22).

Over the midterm, EXID's successful execution on EV battery manufacturing foray (such as 1) lithium-ion battery cell manufacturing through collaboration with SVOLT and 2) Nexcharge - fully automated lithium-ion battery packs and modules manufacturing plant) would act as key growth drivers for future technologies. While EXID's LAB business is expected to grow 7-8% CAGR over 3-5 years, significant EV battery foray is key trigger for the stock. EXID is trading at 13.6/10.5x of FY23/24 EPS (v/s 10-year LPA of 21.6x). We estimate Revenue/EBITDA/PAT CAGR of 10%/18.7%/19.3% over FY22-24E and tweak FY22/23 estimates to factor in for higher RM. Our current estimates do not factor in any significant capex on foray in to EV battery manufacturing. Maintain BUY with TP of Rs189 (11x Mar-24 EPS + 50% holdco discount to HDFC Life stake).

Result Highlights – Gross margins all time low at ~28% (-300bp QoQ)

- Revenues grew 6.6% QoQ/ (+16% YoY) at Rs34.1b (our/cons est at Rs31.1b/Rs32.4b). This was led by, i) double-digit growth in auto segment, ii) continued strong demand for industrial UPS and iii) healthy exports in both auto/industrial.
- Led by RM inflation, gross margins contracted 300bp QoQ at 28% (all time low, est at 30.3%). This was offset by op leverage resulting in EBITDA beat at Rs3.5b (-6% QoQ, our/cons est at Rs3.3b/Rs3.8b). However, margins were below est at 10.2% (-140bp QoQ, our/cons est at 10.6%/11.6%).
- EXID reported exceptional gains of Rs46.9b related to HDFC Life stake sale.
- Adj PAT at Rs2b (-1.5% QoQ, est at Rs1.7b) came better led by higher other income at Rs392m (est at Rs155m).
- Exide though its subsidiary, Exide Energy Solutions will be setting up green field multi GW lithium-ion battery cell manufacturing facility with capability to manufacture multiple advance chemistry formats.

Exhibit 1: Actual vs estimates

Rs m	Actual	Estimate		% variation		Remarks
		Yes Sec	Consensus	Yes Sec	Consensus	
Sales	34,086	31,067	32,394	9.7	5.2	Weak gross margins offset the impact of op leverage and cost control, resulting in 140bp QoQ margin contraction.
EBITDA	3,490	3,285	3,761	6.2	(7.2)	
EBITDA margins %	10.2	10.6	11.6	(30bp)	(140bp)	
Adjusted PAT	2,011	1,713	2,210	17.4	(9.0)	

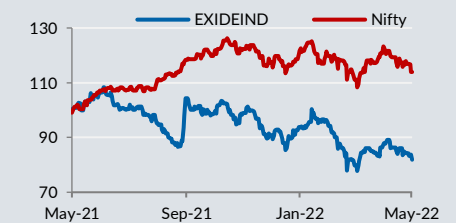
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 149
Target Price	: Rs 189
Potential Return	: +27%

Stock data (as on May 05, 2022)

Nifty	16,683
52 Week h/l (Rs)	205 / 139
Market cap (Rs/USD mn)	126,565 / 1,660
Outstanding Shares (mn)	850
6m Avg t/o (Rs mn):	395
Div yield (%):	1.3
Bloomberg code:	EXID IN
NSE code:	EXIDEIND

Stock performance



	1M	3M	1Y
Absolute return	(6.8%)	(12.0%)	(17.6%)

Shareholding pattern (As of Mar'22 end)

Promoter	46.0%
FII+DII	29.3%
Others	24.7%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	189	190


Δ in earnings estimates

	FY23e	FY24e
EPS (New)	11.3	14.6
EPS (Old)	10.9	14.3
% change	3.2%	2.1%

Financial Summary

Y/E MARCH (Rs b)	2022	2023E	2024E
Sales	123.8	134.6	148.1
EBITDA	14.0	16.6	20.2
Adj. PAT	8.4	9.6	12.4
Adj. EPS (INR)	9.9	11.3	14.6
EPS Gr. (%)	10.7	14.1	29.6
BV/Sh. (INR)	124.8	132.0	142.6
RoE (%)	7.9	8.5	10.2
RoCE (%)	10.0	9.1	10.9
Payout (%)	20.3	35.5	27.4
P/E (x)	15.1	13.2	10.2
P/BV (x)	1.2	1.1	1.0
EV/EBITDA (x)	4.6	3.8	3.0
Div. Yield (%)	1.3	2.7	2.7

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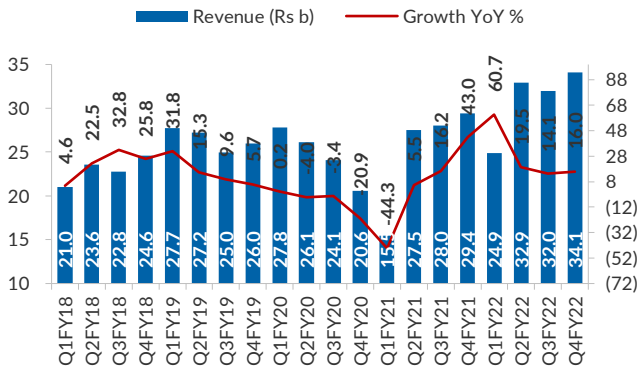
Exhibit 2: Quarterly snapshot

Y/e Mar (Rs.mn)	Q4FY22	Q4FY21	YoY chg	Q3FY22	FY22	FY21	YoY chg
Net Revenues	34,086	29,388	16.0	31,967	123,817	100,408	23.3
Raw Materials	24,554	19,306	27.2	22,042	85,753	65,795	30.3
% of Net Sales	72.0%	65.7%		69.0%	69.3%	65.5%	
Personnel	1,893	1,847	2.5	2,044	7,893	7,215	9.4
% of Net Sales	5.6%	6.3%		6.4%	6.4%	7.2%	
Manufacturing & Other Exp	4,149	4,112	0.9	4,154	16,216	13,842	17.1
% of Net Sales	12.2%	14.0%		13.0%	13.1%	13.8%	
Total Expenditure	30,596	25,265	21.1	28,240	109,861	86,853	26.5
EBITDA	3,490	4,124	(15.4)	3,726	13,956	13,556	3.0
EBITDA Margin (%)	10.2%	14.0%		11.7%	11.3%	13.5%	
Depreciation	1,065	974	9.3	1,041	4,126	3,794	8.8
EBIT	2,426	3,149	(23.0)	2,685	9,830	9,762	0.7
Interest Expenses	106	85		83	384	238	61.7
Non-operating income	392	235	66.8	150	803	654	22.8
Extraordinary Expenses	(46,938)	0		0	(46,938)	0	
PBT	49,649	3,300	1,404.6	2,753	57,186	10,179	461.8
Tax-Total	8,453	859	884.6	712	10,351	2,596	298.7
Tax Rate (%) - Total	17.0%	26.0%		25.8%	18.1%	25.5%	(29.0)
Reported PAT	41,197	2,441	1,587.5	2,041	46,835	7,583	517.6
Adj. PAT	2,011	2,441	(17.6)	2,041	8,394	7,583	0.9
PAT Margin	5.9%	8.3%		6.4%	6.8%	7.6%	

Source- Company, Yes Sec

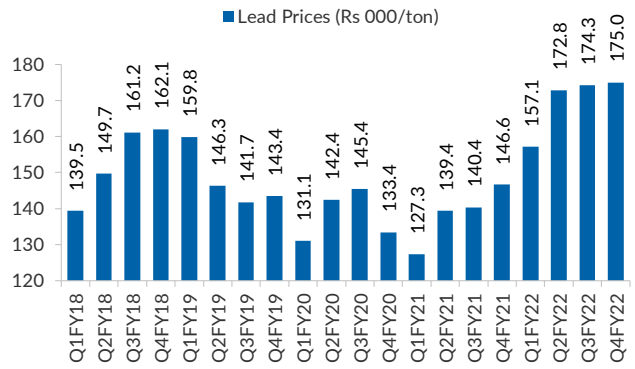
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Exhibit 3: 4QFY22 revenue grew ~16% YoY/7% QoQ



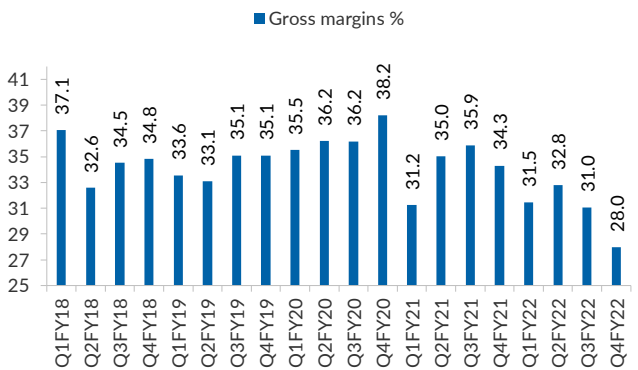
Source: Company, YES Sec

Exhibit 4: Avg lead price further inc by 3.4% till May'22



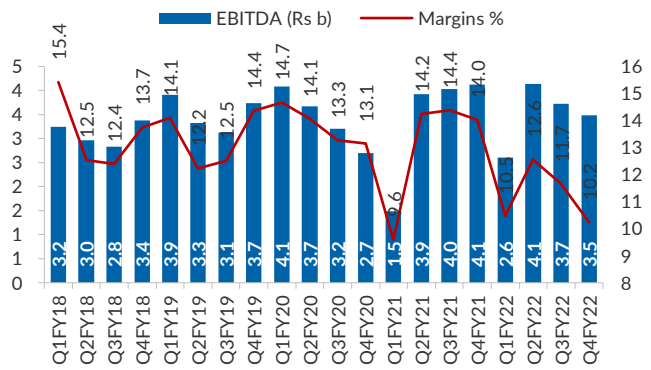
Source: Bloomberg, YES Sec

Exhibit 5: 4QFY22 gross margins record low at 28%...



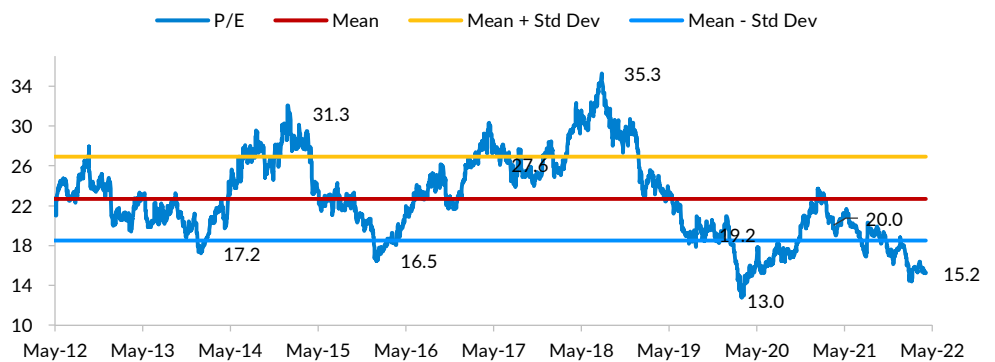
Source: Company, YES Sec

Exhibit 6: ... led margins contraction by 140bp QoQ



Source: Company, YES Sec

Exhibit 7: EXID trades at 1 yr fwd multiple of 15.3x (~33% discount to 10yrs LPA)



Source- Company, Yes Sec

FINANCIALS

Exhibit 8: Balance Sheet

Y/E March (Rs mn)	2020	2021	2022	2023E	2024E
Share Capital	850	850	850	850	850
Reserves	62,111	68,085	105,206	112,577	121,985
Net Worth	62,961	68,935	106,056	113,427	122,835
Deferred Tax Liability	1,019	771	-	-	-
Capital Employed	63,980	69,706	106,056	113,427	122,835
Application of Funds					
Gross Fixed Assets	36,370	42,740	48,173	54,797	60,597
Less: Depreciation	12,634	16,361	20,487	25,347	29,900
Net Fixed Assets	23,736	26,379	27,686	29,450	30,697
Capital WIP	2,969	2,008	3,124	2,000	2,000
Investments	20,708	30,924	60,765	67,139	74,050
Curr.Assets	35,008	36,977	41,857	45,147	49,703
Inventory	21,923	23,462	24,585	26,716	29,839
Sundry Debtors	8,154	8,874	11,925	12,987	14,306
Cash & Bank Balances	1,449	825	1,534	1,272	963
Loans & Advances	322	-	-	-	-
Other Current Assets	3,161	3,816	3,813	4,171	4,595
Current Liab. & Prov.	18,441	26,581	27,376	30,308	33,615
Sundry Creditors	10,309	16,478	16,161	17,678	19,211
Other Liabilities	4,530	6,860	8,024	8,905	9,810
Provisions	3,602	3,243	3,191	3,725	4,594
Net Current Assets	16,567	10,396	14,481	14,838	16,088
Application of Funds	63,980	69,706	106,056	113,427	122,835

Source: Company, YES Sec

Exhibit 9: Income statement

Y/E March (Rs mn)	2020	2021	2022	2023E	2024E
Total Operating Income	98,567	100,408	123,817	135,435	149,194
Change (%)	(6.9)	1.9	23.3	9.4	10.2
Total Expenditure	84,917	86,853	109,861	119,195	129,540
EBITDA	13,650	13,556	13,956	16,240	19,654
EBITDA Margins (%)	13.8	13.5	11.3	12.0	13.2
Change (%)	(3.3)	(0.7)	3.0	16.4	21.0
Depreciation	3,626	3,794	4,126	4,859	4,553
EBIT	10,024	9,762	9,830	11,381	15,101
Interest Charges	94	238	384	423	465
Other Income	639	654	803	1,201	1,098
EO Exp/(Inc)	217	-	(46,938)	-	-
PBT	10,352	10,179	57,186	12,160	15,734
Tax	2,097	2,596	10,351	2,918	3,776
Effective Rate (%)	20.3	25.5	18.1	24.0	24.0
Rep. PAT	8,255	7,583	46,835	9,241	11,958
Change (%)	(2.2)	(8.1)	517.7	(80.3)	29.4
Adj. PAT	8,428	7,583	8,394	9,241	11,958
Change (%)	9.4	(10.0)	10.7	10.1	29.4

Source: Company, YES Sec

Exhibit 10: Cash Flow Statement

Y/E March (Rs mn)	2020	2021	2022	2023E	2024E
OP/(Loss) before Tax	10,352	10,179	57,186	11,381	15,101
Interest/Dividends Received	(372)	(365)	(224)	1,201	1,098
Depreciation & Amortisation	3,626	3,794	4,126	4,859	4,553
Direct Taxes Paid	(2,494)	(2,721)	(10,475)	(2,918)	(3,776)
(Inc)/Dec in Working Capital	2,155	3,044	(3,525)	(619)	(1,559)
Other Items	(4,131)	203	(93,904)	-	-
CF from Oper. Activity	9,136	14,134	(46,816)	13,905	15,417
(Inc)/Dec in FA+CWIP	(4,646)	(3,384)	(5,812)	(5,500)	(5,800)
Free Cash Flow	4,491	10,750	(52,628)	8,405	9,617
(Pur)/Sale of Invest.	1,397	(9,385)	8,542	(6,374)	(6,911)
CF from Inv. Activity	(3,249)	(12,769)	2,730	(11,874)	(12,711)
Inc/(Dec) in Debt	(30)	(244)	(303)	-	-
Interest Rec./(Paid)	(70)	(45)	(139)	(423)	(465)
Dividends Paid	(4,986)	(1,700)	(1,700)	(1,870)	(2,550)
CF from Fin. Activity	(5,086)	(1,989)	(2,143)	(2,293)	(3,015)
Inc/(Dec) in Cash	802	(623)	709	(262)	(309)
Add: Beginning Balance	736	1,449	825	1,534	1,272
Closing Balance	1,537	825	1,534	1,272	963

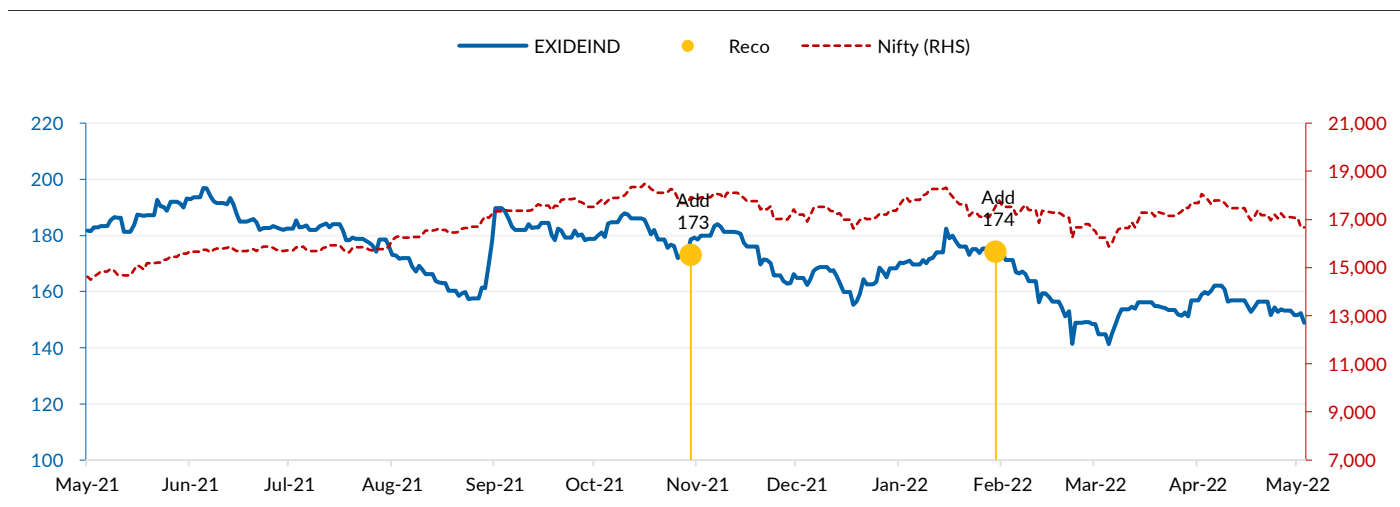
Source- Company, Yes Sec

Exhibit 11: Growth and Ratio matrix

Y/E March	2020	2021	2022	2023E	2024E
Basic (INR)					
EPS	9.9	8.9	9.9	10.9	14.1
Cash EPS	14.2	13.4	14.7	16.6	19.4
Book Value per Share	74.1	81.1	124.8	133.4	144.5
DPS	4.1	2.0	2.0	2.2	3.0
Payout (Incl. Div. Tax) %	41.3	22.4	20.3	20.2	21.3
Valuation (x)					
P/E	15.0	16.7	15.1	13.7	10.6
Cash P/E	10.5	11.1	10.1	9.0	7.7
EV/EBITDA	7.7	7.0	4.6	3.6	2.6
EV/Sales	1.1	0.9	0.5	0.4	0.3
Price to Book Value	2.0	1.8	1.2	1.1	1.0
Dividend Yield (%)	2.8	1.3	1.3	1.5	2.0
Profitability Ratios (%)					
RoE	13.4	11.0	7.9	8.1	9.7
RoCE	13.8	11.8	10.0	8.7	10.4
RoIC	21.3	19.4	21.0	20.7	25.8
Turnover Ratios					
Debtors (Days)	30.2	32.3	35.2	35.0	35.0
Inventory (Days)	81.2	85.3	72.5	72.0	73.0
Creditors (Days)	38.2	59.9	47.6	47.6	47.0
Working Capital (Days)	73.2	57.6	60.0	59.4	61.0
Gross Fixed Asset Turnover (x)	2.7	2.3	2.6	2.5	2.5
Leverage Ratio					
Debt/Equity (x)	-	-	-	-	-

Source- Company, Yes Sec

Recommendation Tracker



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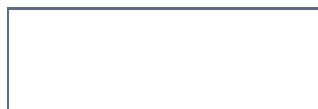
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