

# Exide Industries (EXID IN)

Rating: BUY | CMP: Rs194 | TP: Rs238

January 31, 2021

## Q3FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	238		236	
Sales (Rs. m)	1,15,018	1,27,347	1,10,587	1,21,318
% Chng.	4.0	5.0		
EBITDA (Rs. m)	16,884	19,149	16,892	18,753
% Chng.	-	2.1		
EPS (Rs.)	11.9	13.9	12.0	13.8
% Chng.	(0.9)	0.9		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	98,567	98,391	1,15,018	1,27,347
EBITDA (Rs. m)	13,650	13,178	16,884	19,149
Margin (%)	13.8	13.4	14.7	15.0
PAT (Rs. m)	8,428	7,271	10,121	11,823
EPS (Rs.)	9.9	8.6	11.9	13.9
Gr. (%)	9.4	(13.7)	39.2	16.8
DPS (Rs.)	4.1	4.5	5.0	5.5
Yield (%)	2.1	2.3	2.6	2.8
RoE (%)	13.7	11.2	14.6	15.6
RoCE (%)	16.3	14.5	18.6	19.9
EV/Sales (x)	1.7	1.6	1.4	1.3
EV/EBITDA (x)	11.9	12.3	9.5	8.3
PE (x)	19.5	22.6	16.3	13.9
P/BV (x)	2.6	2.5	2.3	2.1

### Key Data

EXID.BO | EXID IN

52-W High / Low	Rs.209 / Rs.122
Sensex / Nifty	46,286 / 13,635
Market Cap	Rs.164bn / \$ 2,255m
Shares Outstanding	850m
3M Avg. Daily Value	Rs.1768.9m

### Shareholding Pattern (%)

Promoter's	45.99
Foreign	10.39
Domestic Institution	27.26
Public & Others	16.36
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	1.1	25.8	(4.6)
Relative	4.0	3.5	(15.1)

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## In-line; Favourable mix drive record PAT

### Quick Pointers:

- Favorable mix and cost control drive historical high adj. PAT at Rs2.4b.
- Strong demand outlook to drive Revenue/EBITDA/PAT CAGR of 9%/11%/12% over FY20-23E.

**EXID's 3QFY21 revenues/EBITDA/PAT were in-line, wherein the company reported highest ever adj PAT at Rs2.4bn. EBITDA margins expanded by 110bp YoY/20bp QoQ at 14.4% led by favorable product mix and better cost control initiatives. Going forward, we believe growth drivers are in place for EXIDE led by i) continued growth in auto and non-auto replacement volumes and ii) structural market share gains for organized players. Further EXIDE has recently commenced battery supply to EV 3W segment which should address concern on EV battery readiness and help drive re-rating. We have largely maintained EPS and factor in revenue/EBITDA/PAT CAGR of 9%/11%/12% over FY20-23E. We maintain 'Buy' with revised SoTP based price target of Rs238 (earlier Rs236, based on 16x Mar'23E core EPS plus Rs16 for insurance subsidiary). Stock is trading at 16.3x/13.9x for FY22/23 core EPS.**

- Revenues in-line:** Exide's Q3FY21 revenue grew 16.2% YoY (+1.7% QoQ) at Rs28bn (in line). This was largely led by double digit growth in replacement segment (both automotive and industrial). On the other hand, recovery in OEM segment too has helped volumes during the quarter.
- EBITDA margins came in better at 14.4% (+110bp YoY, PLe 13.7%)** as gross margins expanded 90bp QOQ at 35.9% (-30bp YoY) led by price hikes (1.5-2%) and, favorable mix. This coupled with operating leverage led EBITDA growth of ~26% YoY at Rs4bn (in line). Sharp increase in staff cost at Rs2.1b (PLe Rs1.8bn) was offset by lower other expense at Rs3.9bn (PLe Rs4.2b).
- Lead prices declined ~3.5% YoY (+1% QoQ) to average Rs140/kg in 3QFY21. However, the same increased to an average of ~Rs147/kg in Jan-21.
- Lower depreciation and higher other income boosted adjusted PAT** at Rs2.4bn (+12.5% YoY, PLe Rs2.3b). Depreciation came in lower at Rs953mn (PLe Rs978mn) while other income was higher at Rs201mn (PLe Rs140mn).
- EXIDE declared interim dividend of Rs2/share.**

**Exhibit 1: Q3FY21 Result Overview (Rs m)**

Y/e March	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	9MFY21	9MFY20	YoY gr. (%)
<b>Net Revenues</b>	<b>28,010</b>	<b>24,115</b>	<b>16.2</b>	<b>27,534</b>	<b>71,020</b>	<b>78,016</b>	<b>(9.0)</b>
Raw Materials	17,955	15,392	16.7	17,891	46,489	49,961	(6.9)
<i>% of Net Sales</i>	<i>64.1</i>	<i>63.8</i>		<i>65.0</i>	<i>65.5</i>	<i>64.0</i>	
Personnel	2,064	1,671	23.5	1,908	5,368	5,081	5.7
<i>% of Net Sales</i>	<i>7.4</i>	<i>6.9</i>		<i>6.9</i>	<i>7.6</i>	<i>6.5</i>	
Manufacturing & Other Exp	3,963	3,854	2.8	3,814	9,731	12,027	(19.1)
<i>% of Net Sales</i>	<i>14.1</i>	<i>16.0</i>		<i>13.9</i>	<i>13.7</i>	<i>15.4</i>	
Total Expenditure	23,982	20,916	14.7	23,614	61,588	67,068	(8.2)
<b>EBITDA</b>	<b>4,028</b>	<b>3,198</b>	<b>25.9</b>	<b>3,920</b>	<b>9,432</b>	<b>10,948</b>	<b>(13.8)</b>
<i>EBITDA Margin (%)</i>	<i>14.4</i>	<i>13.3</i>		<i>14.2</i>	<i>13.3</i>	<i>14.0</i>	
Depreciation	953	925	2.9	953	2,819	2,688	4.9
<b>EBIT</b>	<b>3,075</b>	<b>2,273</b>	<b>35.3</b>	<b>2,967</b>	<b>6,613</b>	<b>8,260</b>	<b>(19.9)</b>
Interest Expenses	76	21		63	153	57	167.6
Non-operating income	201	251	(20.0)	148	419	471	(11.0)
Extraordinary Expenses	0	217		0	0	217	
<b>PBT</b>	<b>3,200</b>	<b>2,286</b>	<b>40.0</b>	<b>3,052</b>	<b>6,879</b>	<b>8,456</b>	<b>(18.7)</b>
Tax-Total	786	326	140.8	764	1,738	1,881	(7.6)
<i>Tax Rate (%) - Total</i>	<i>24.6</i>	<i>14.3</i>	<i>72.0</i>	<i>25.0</i>	<i>25.3</i>	<i>22.2</i>	<i>13.5</i>
<b>Reported PAT</b>	<b>2,414</b>	<b>1,959</b>	<b>23.2</b>	<b>2,288</b>	<b>5,142</b>	<b>6,575</b>	<b>(21.8)</b>
<b>Adj. PAT</b>	<b>2,414</b>	<b>2,145</b>	<b>12.5</b>	<b>2,288</b>	<b>5,142</b>	<b>6,761</b>	<b>(24.0)</b>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>98,567</b>	<b>98,391</b>	<b>1,15,018</b>	<b>1,27,347</b>
YoY gr. (%)	(6.9)	(0.2)	16.9	10.7
Cost of Goods Sold	62,664	64,151	73,611	81,502
Gross Profit	35,903	34,240	41,406	45,845
Margin (%)	36.4	34.8	36.0	36.0
Employee Cost	6,664	7,330	7,550	7,777
Other Expenses	15,589	13,732	16,973	18,919
<b>EBITDA</b>	<b>13,650</b>	<b>13,178</b>	<b>16,884</b>	<b>19,149</b>
YoY gr. (%)	(3.3)	(3.5)	28.1	13.4
Margin (%)	13.8	13.4	14.7	15.0
Depreciation and Amortization	3,626	3,809	3,987	4,069
<b>EBIT</b>	<b>10,024</b>	<b>9,369</b>	<b>12,896</b>	<b>15,080</b>
Margin (%)	10.2	9.5	11.2	11.8
Net Interest	94	207	227	273
Other Income	639	598	649	749
<b>Profit Before Tax</b>	<b>10,352</b>	<b>9,760</b>	<b>13,318</b>	<b>15,556</b>
Margin (%)	10.5	9.9	11.6	12.2
Total Tax	2,097	2,489	3,196	3,733
Effective tax rate (%)	20.3	25.5	24.0	24.0
<b>Profit after tax</b>	<b>8,255</b>	<b>7,271</b>	<b>10,121</b>	<b>11,823</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>8,428</b>	<b>7,271</b>	<b>10,121</b>	<b>11,823</b>
YoY gr. (%)	9.4	(13.7)	39.2	16.8
Margin (%)	8.6	7.4	8.8	9.3
Extra Ord. Income / (Exp)	(217)	-	-	-
<b>Reported PAT</b>	<b>8,255</b>	<b>7,271</b>	<b>10,121</b>	<b>11,823</b>
YoY gr. (%)	(2.2)	(11.9)	39.2	16.8
Margin (%)	8.4	7.4	8.8	9.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,255	7,271	10,121	11,823
<b>Equity Shares O/s (m)</b>	<b>850</b>	<b>850</b>	<b>850</b>	<b>850</b>
<b>EPS (Rs)</b>	<b>9.9</b>	<b>8.6</b>	<b>11.9</b>	<b>13.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>36,370</b>	<b>41,139</b>	<b>44,639</b>	<b>47,139</b>
Tangibles	36,370	41,139	44,639	47,139
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>12,634</b>	<b>16,442</b>	<b>20,430</b>	<b>24,499</b>
Tangibles	12,634	16,442	20,430	24,499
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>23,736</b>	<b>24,696</b>	<b>24,209</b>	<b>22,640</b>
Tangibles	23,736	24,696	24,209	22,640
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	-	-	-	-
<b>Current Assets</b>				
Investments	187	1,187	2,187	3,187
Inventories	21,923	21,884	25,582	28,324
Trade receivables	8,154	10,783	12,605	13,258
Cash & Bank Balance	1,546	971	1,147	1,469
Other Current Assets	3,064	3,058	3,575	3,958
<b>Total Assets</b>	<b>82,421</b>	<b>87,472</b>	<b>96,510</b>	<b>1,02,565</b>
<b>Equity</b>				
Equity Share Capital	850	850	850	850
Other Equity	62,111	65,557	71,429	78,576
<b>Total Network</b>	<b>62,961</b>	<b>66,407</b>	<b>72,279</b>	<b>79,426</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10,309	10,291	12,030	9,769
Other current liabilities	8,132	9,755	11,183	12,351
<b>Total Equity &amp; Liabilities</b>	<b>82,421</b>	<b>87,472</b>	<b>96,510</b>	<b>1,02,565</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	10,352	9,369	12,896	15,080
Add. Depreciation	3,626	3,809	3,987	4,069
Add. Interest	(372)	598	649	749
Less Financial Other Income	639	598	649	749
Add. Other	(4,131)	-	-	-
Op. profit before WC changes	9,475	13,776	17,533	19,898
Net Changes-WC	2,155	(978)	(2,925)	(4,912)
Direct tax	(2,494)	(2,489)	(3,196)	(3,733)
<b>Net cash from Op. activities</b>	<b>9,136</b>	<b>10,309</b>	<b>11,411</b>	<b>11,253</b>
Capital expenditures	(4,646)	(3,800)	(3,500)	(2,500)
Interest / Dividend Income	-	-	-	-
Others	1,397	(3,052)	(3,257)	(3,483)
<b>Net Cash from Invst. activities</b>	<b>(3,249)</b>	<b>(6,852)</b>	<b>(6,757)</b>	<b>(5,983)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(30)	-	-	-
Dividend paid	(4,889)	(3,825)	(4,250)	(4,675)
Interest paid	(70)	(207)	(227)	(273)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(4,989)</b>	<b>(4,032)</b>	<b>(4,477)</b>	<b>(4,948)</b>
<b>Net change in cash</b>	<b>899</b>	<b>(575)</b>	<b>177</b>	<b>322</b>
Free Cash Flow	4,491	6,509	7,911	8,753

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	9.9	8.6	11.9	13.9
CEPS	14.2	13.0	16.6	18.7
BVPS	74.1	78.1	85.0	93.4
FCF	5.3	7.7	9.3	10.3
DPS	4.1	4.5	5.0	5.5
<b>Return Ratio(%)</b>				
RoCE	16.3	14.5	18.6	19.9
ROIC	13.4	11.2	14.8	16.1
RoE	13.7	11.2	14.6	15.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	0.0	0.0	(0.1)
Net Working Capital (Days)	73	83	83	91
<b>Valuation(x)</b>				
PER	19.5	22.6	16.3	13.9
P/B	2.6	2.5	2.3	2.1
P/CEPS	13.6	14.8	11.7	10.3
EV/EBITDA	11.9	12.3	9.5	8.3
EV/Sales	1.7	1.6	1.4	1.3
Dividend Yield (%)	2.1	2.3	2.6	2.8

Source: Company Data, PL Research

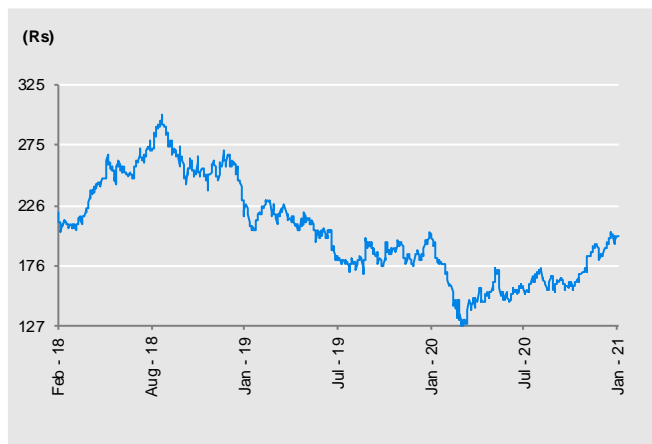
**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>Net Revenue</b>	<b>20,551</b>	<b>15,476</b>	<b>27,534</b>	<b>28,010</b>
YoY gr. (%)	(20.9)	(44.3)	5.5	16.2
Raw Material Expenses	12,703	10,642	17,891	17,955
Gross Profit	7,848	4,834	9,643	10,055
Margin (%)	38.2	31.2	35.0	35.9
<b>EBITDA</b>	<b>2,702</b>	<b>1,485</b>	<b>3,920</b>	<b>4,028</b>
YoY gr. (%)	(27.6)	(63.6)	6.8	25.9
Margin (%)	13.1	9.6	14.2	14.4
Depreciation / Depletion	939	914	953	953
<b>EBIT</b>	<b>1,764</b>	<b>571</b>	<b>2,967</b>	<b>3,075</b>
Margin (%)	8.6	3.7	10.8	11.0
Net Interest	37	14	63	76
Other Income	169	70	148	201
<b>Profit before Tax</b>	<b>1,895</b>	<b>627</b>	<b>3,052</b>	<b>3,200</b>
Margin (%)	9.2	4.1	11.1	11.4
Total Tax	215	188	764	786
Effective tax rate (%)	11.4	29.9	25.0	24.6
<b>Profit after Tax</b>	<b>1,680</b>	<b>440</b>	<b>2,288</b>	<b>2,414</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,680</b>	<b>440</b>	<b>2,288</b>	<b>2,414</b>
YoY gr. (%)	(20.3)	(80.4)	(3.6)	12.5
Margin (%)	8.2	2.8	8.3	8.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,680</b>	<b>440</b>	<b>2,288</b>	<b>2,414</b>
YoY gr. (%)	(20.3)	(80.4)	(3.6)	23.2
Margin (%)	8.2	2.8	8.3	8.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,680</b>	<b>440</b>	<b>2,288</b>	<b>2,414</b>
Avg. Shares O/s (m)	850	850	850	850
<b>EPS (Rs)</b>	<b>2.0</b>	<b>0.5</b>	<b>2.7</b>	<b>2.8</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-21	BUY	236	198
2	16-Dec-20	BUY	234	194
3	10-Nov-20	BUY	194	162
4	9-Oct-20	BUY	191	164
5	3-Aug-20	BUY	183	155
6	11-Jul-20	Accumulate	177	155
7	6-Jun-20	Accumulate	179	173
8	9-Apr-20	Accumulate	167	148
9	4-Feb-20	Accumulate	214	188

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	133	113
2	Bajaj Auto	Hold	3,489	3,727
3	Bharat Forge	Hold	515	603
4	CEAT	Accumulate	1,434	1,310
5	Eicher Motors	Accumulate	2,901	2,761
6	Endurance Technologies	BUY	1,540	1,412
7	Exide Industries	BUY	236	198
8	Hero Motocorp	Accumulate	3,344	3,161
9	Mahindra & Mahindra	BUY	851	771
10	Maruti Suzuki	BUY	8,428	7,589
11	Motherson Sumi Systems	BUY	203	168
12	Tata Motors	Hold	172	198
13	TVS Motors	Sell	437	529

## PL's Recommendation Nomenclature (Absolute Performance)

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

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