



Exide Industries Ltd. Q1 FY18 Quarterly Update

MARKET DATA

NSE TICKER	EXIDE
Networth FY17 (Rs in Crs)	5,032
P/BV Ratio (FY17) (x)	4.0
EPS (FY17E)(Rs.)	9.5
Market Price (Rs.)	237
P/E Ratio (FY18E) (x)	25.0X
52 Week High(Rs)	249.7
52 Week Low (Rs)	148.7
Market Capitalisation (rs. Cr)	18,377

AVERAGE MONTHLY VOLUME ('000)

BSE	160
NSE	1,560

SHARE HOLDING PATTERN

Promoter	46.0
FII	9.5
DII	12.0
Public	32.5

RETURN (%)

	3M	6M	12M
Exide	-3.0	10.0	24.0
Sensex	7.6	17.1	21.8

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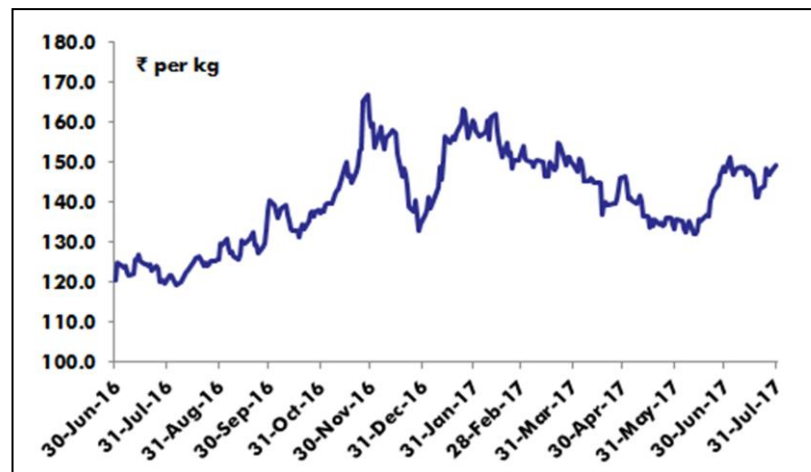
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Exide Industries Ltd. reported 4.6% growth in its top line to Rs. 2102.9 cr during Q1FY18. The growth mainly came from the Auto segment; both OEM and aftermarket. Within Auto segment, Two-Wheelers and Passenger Vehicles segment saw better growth. Demand in Home UPS continued to remain under pressure and it is seeing a structural decline while demand for industrial batteries is gradually picking up, with increase in industrial activities.

Exide's Gross Margin dropped 50 bps YoY to 36.1% while sequentially it was down 30 bps on the back of increase in lead prices. The outlook for lead prices continues to remain positive as demand is outgrowing supply. While the global production for lead metal rose by 7.2% for first half of CY2017, the demand grew by 10.3% led by US and China where demand rose by 23% and 13% respectively. Thus we see no major respite in RM prices. However given the duopoly nature of the industry company would be able to pass on hikes to end consumers, albeit after some lag.

1-Yr Lead Price Trend



Exide's EBITDA stood at Rs. 324.3 cr against Rs. 314.3 cr in corresponding quarter. Company's EBITDA Margin contracted 20 bps YoY (up 240 bps QoQ) and stood at 15.4%. Company's focus continues to be on cost control initiatives and technological upgradation which will sustain EBITDA Margin at 15-16% levels.

Exide's PAT for the quarter stood at Rs. 189.0 cr, which was 3.6% lower YoY due to higher depreciation and higher effective Tax rate.

Quarterly Performance:

Particulars (Rs in crs)	Q4 FY17	Q4 FY16	YoY (%)	Q3 FY17	QoQ (%)	FY17	FY16	y-o-y
Net Sales	2102.9	2010.4	4.6	1975.7	6.4	11206.2	9479.4	18.2
RM Cost	1323.2	1254.3	--	1236.8	--	4750.6	4428.8	--
RM Cost as % of Sales	62.9%	62.4%	-50 bps	62.6%	-30 bps	42.4%	46.7%	-410 bps
EBITDA	324.3	314.2	3.2	261.8	23.9	1215.5	957.9	26.9
EBITDA Margin	15.4%	15.6%	-20 bps	13.2%	220 bps	10.8%	10.1%	-70 bps
Interest	1.6	1.7		0.0	--	12.5	7.1	--
PBT	279.6	278.4	0.4	228.9	22.2	1097.1	1008.6	8.8
Tax	90.6	82.4		64.1	--	293.1	292.2	--
PAT	189.0	196.1	-3.6	164.8	14.7	804.0	716.4	12.2
EPS	2.2	2.3	-3.6	1.9	14.7	9.5	8.4	13.1



Valuation & View:

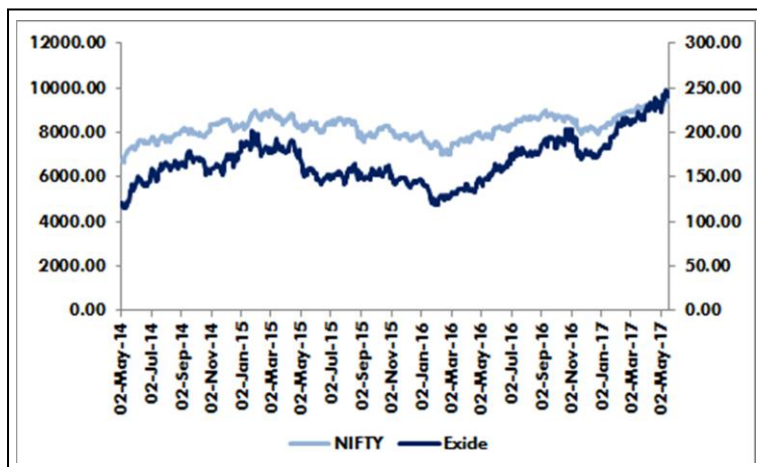
Exide has planned a capex of Rs. 1400 crore which would be used for technical upgradation, rolling out of new products and capacity expansion. Out of Rs. 1,400 crore, 700 crore would be spent only on Haldia plant where capacity will go up by 1 mn units to 3.2mn. Rest would be spread across all the other plants. Entire funding would be done from internal accruals. It has come out with a new technology battery, called punch-grid, which they are getting from East Penn of US. It is a next generation technology and according to the management the life of batteries would improve by about 20%. These batteries would be primarily for after-market and company as of yet have not tied up with any OEMs for this battery.

Exide Industries will see a re-rating of its Insurance arm given that its peers ICICI Prudential is trading at 4.2X its TTM Embedded Value (EMV) while HDFC Life's IPO is expected to be valued at 3.5-3.7X EV.

We are valuing Exide Ind at Rs. 263 based on our SoTP valuation, which represents an upside of 19% from CMP and accordingly we recommend a BUY on the stock.

	FY19E
Exide Standalone EPS	9.8
P/E Assigned	22X
Value per Share (I)	Rs. 215
Embedded Value per share of Insurance Business	24.7
Multiple Assigned	2X
Value per Share (II)	Rs. 49
Total Value per Share	263

3-Yr Price comparison





Exide Industries Ltd.- Profit/Loss Statement				
DESCRIPTION	FY16	FY17	FY18E	FY19E
Net Sales	6809.2	7642.4	8769.6	9834.7
EXPENDITURE :				
Raw Material Consumed	4363.3	4707.7	5970.4	6693.6
Employee Cost	474.7	519.6	558.8	597.9
Other Operating Exp.	959.5	1318.6	1034.1	1125.0
Total Expenditure	5797.5	6545.9	7563.2	8416.5
EBITDA	1011.7	1096.5	1206.4	1418.2
Depreciation	160.2	206.3	220.8	249.6
EBIT	851.5	890.2	985.6	1168.6
Other Income	56.2	89.8	59.1	55.2
Interest	3.8	4.3	3.8	3.8
Exceptional Item	-	-	-	-
PBT	903.9	975.7	1040.9	1220.1
Provision for Tax	283.5	282.1	333.1	391.6
Profit After Tax	620.4	693.6	707.8	828.4
EPS	7.3	8.2	8.3	9.8

Exide Industries Ltd.- Cash Flow		
DESCRIPTION	FY15	FY16
Profit Before Tax	873.53	1008.59
Adjustment	-42.64	289.58
Changes In working Capital	-397.88	596.47
Cash Flow after W/C changes	433.01	1894.64
Tax Paid	-252.79	-277.99
Cash From Operating Activities	180.22	1616.65
Cash Flow from Investing Activities	-55.53	-1350.50
Cash from Financing Activities	-199.03	-182.30
Net Cash Inflow / Outflow	-74.34	83.85
Opening Cash & Cash Equivalents	286.82	207.47
Forex Fluctuations	-5.01	2.67
Closing Cash & Cash Equivalent	207.47	293.99

Exide Industries Ltd.- Balance Sheet				
DESCRIPTION	FY16	FY17	FY18E	FY19E
Share Capital	85.0	85.0	85.0	85.0
Total Reserves	4349.1	4878.6	5171.0	5758.2
Shareholder's Funds	4434.1	4963.6	5256.0	5843.2
Long-Term Borrowings	0.0	0.0	0.0	0.0
Deferred Tax Assets / Liabilities	124.9	155.2	151.7	162.9
Other Non-Current Liabilities	39.5	48.3	50.8	57.0
Total Non-Current Liabilities	164.4	203.5	202.5	219.9
Current Liabilities				
Trade Payables	744.9	767.9	904.5	990.6
Short Term Borrowings	102.5	170.2	144.2	137.0
Other Current Liabilities	682.9	670.4	642.4	648.7
Total Current Liabilities	1530.3	1608.5	1691.1	1776.3
Total Liabilities	6128.7	6775.6	7149.6	7839.4
ASSETS				
Net Block	1448.8	1687.4	2107.7	1998.1
Long Term Loans & Advances	69.2	13.3	84.5	105.6
Other Non Current Assets	1764.2	1896.6	1765.2	1765.7
Total Non-Current Assets	3282.1	3597.3	3957.4	3869.4
Current Assets				
Current Investments	926.3	905.5	551.3	829.8
Inventories	1133.5	1527.3	1657.7	1844.7
Sundry Debtors	607.5	623.5	744.8	835.3
Cash and Equivalents	45.0	19.6	45.0	45.0
Short Term Loans and Advances	134.3	102.4	193.4	415.2
Total Current Assets	2846.6	3178.3	3192.2	3970.0
Total Assets	6128.7	6775.6	7149.6	7839.4

Exide Industries Ltd.- Key Ratios				
DESCRIPTION	FY16	FY17	FY18E	FY19E
RoE	14.7	13.1	14.1	15
RoCE	20.8	18.7	20.2	21.5
Inventory Days	84	80	82	82
Debtor Days	31	31	31	31
Creditor Days	53	52	51	50
Debt/Equity	0.0	0.0	0.0	0.0
Interest Coverage	143.0	78.1	259.4	307.5
Fixed Asset Turnover	3.6	3.2	3.2	3.4
Adj. P/E	16.8	25.3	28.5	24.2
Adj. P/BV	3.0	4.0	3.8	3.4



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