



Exide Industries Ltd. Q4 FY17 Quarterly Update

MARKET DATA

NSE TICKER	EXIDE
Networth FY17E (Rs in Crs)	5,032
P/BV Ratio (FY17E) (x)	4.0
EPS (FY17E)(Rs.)	9.5
Market Price (Rs.)	237
P/E Ratio (FY18E) (x)	25.0X
52 Week High (10/05/2017)(Rs)	249.7
52 Week Low (23/12/2016)(Rs)	148.7
Market Capitalisation (rs. Cr)	20,187

AVERAGE MONTHLY VOLUME ('000)

BSE	390
NSE	2,350

SHARE HOLDING PATTERN

Promoter	46.0
FII	9.5
DII	12.0
Public	32.5

RETURN (%)

	3M	6M	12M
Exide	13.7	34.0	58.4
Sensex	5.9	10.0	16.9

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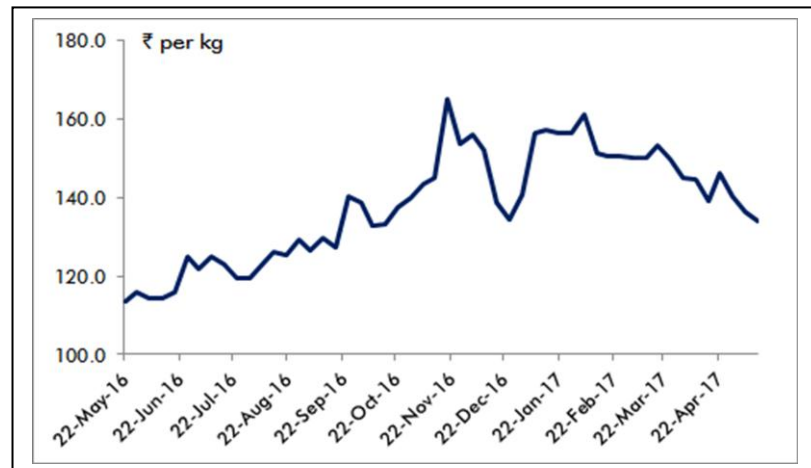
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Carrying the momentum from Q3FY17, where it outperformed Amara Raja Batteries for the first time in last 12 quarters, Exide Industries witnessed another strong quarter with growth in the revenues of 11.5% YoY (28.7% QoQ) to Rs. 2,225 cr. Company saw improved demand in the OEM segment during the quarter while replacement market also saw some traction. The declining trend in UPS segment also saw some reversal as company posted growth in both Industry and Home UPS. Exide During the second half of the year, Exide launched new punch-grid technology Batteries which it developed with technology collaboration with East Penn, USA. Increase in Raw material prices led to contraction of EBITDA by 170 bps YoY (flat QoQ) to 13.3% from 15% in corresponding quarter. However higher revenues during the quarter restricted absolute decline in EBITDA to 1.8% YoY to Rs. 261.8 cr. Exide reported PAT of Rs. 164.8 cr during the quarter which was lower by 6% YoY and higher by 8.8% QoQ.

Increasing prices of lead continued to put pressure on gross margins which declined 200 bps YoY (260b ps QoQ) to 37.4%. Though the lead prices had rallied sharply by 22-25%, some of it was absorbed by the company by taking price hike of 5-9% across their products. Since the highs of Rs. 155-160 per kg during Jan-Feb period, the lead prices have eased off and have fallen to Rs. 135 levels. This coupled with recent price hikes taken by the company will help in recouping margins back to historical levels of 15-16%.

1-Yr Lead Price Trend



On Consolidated level for full year, Exide reported 17.1% increase in revenues to Rs 12,177 cr. The battery business grew by 10.7% mainly on the back of growth in OEM segment and recovery in replacement and UPS segment during the second half of the year. Exide Life saw another strong year and it ended with Revenue growth of 36% to Rs. 3,343 cr (~28% of total revenues) and EBIT growth of ~60%. Battery business' EBIT grew only by ~4% during the year to Rs. 916 cr due to margin pressure from higher commodity prices.

Quarterly Performance:

Particulars (Rs in crs)	Q4 FY17	Q4 FY16	YoY (%)	Q3 FY17	QoQ (%)	FY17	FY16	y-o-y
Net Sales	1975.7	1771.1	11.4	1729.3	14.3	11206.2	9479.4	18.2
RM Cost	1236.2	1077.4	--	1037.6	--	4750.6	4428.8	--
RM Cost as % of Sales	55.5%	53.9%	--	60.0%	--	42.4%	46.7%	-410 bps
EBITDA	261.8	266.3	-1.7	229.6	14.0	1215.5	957.9	26.9
EBITDA Margin	13.2%	15.0%	-180 bps	13.3%	-10 bps	10.8%	10.1%	-70 bps
Interest	0.0	1.4	--	4.6	--	12.5	7.1	--
PBT	228.9	243.6	-6.0	207.9	10.1	1097.1	1008.6	8.8
Tax	64.1	68.4	--	56.4	--	293.1	292.2	--
PAT	164.8	175.2	-6.0	151.5	8.8	804.0	716.4	12.2
EPS	1.9	2.1	-6.0	1.8	8.8	9.5	8.4	13.1



Valuation & View:

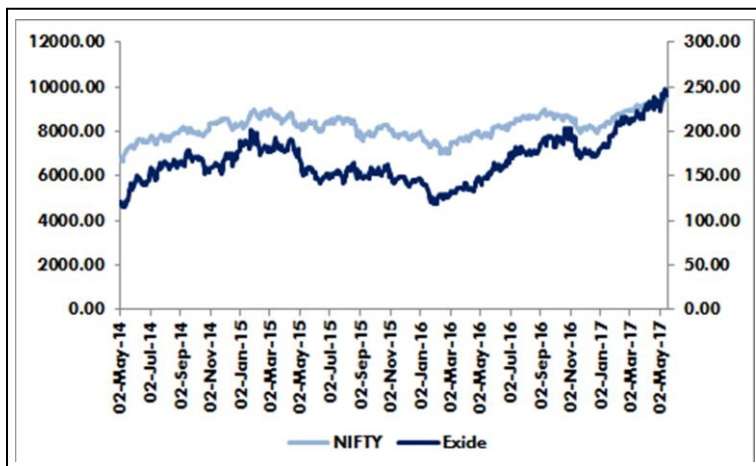
Exide has planned a capex of Rs. 1400 crore which would be used for technical upgradation, rolling out of new products and capacity expansion. Out of Rs. 1,400 crore, 700 crore would be spent only on Haldia plant whose capacity will go up by 1 mn units to 3.2mn. Rest would be spread across all the other 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.

The recent rally in the Exide’s stock price was mainly fuelled by re-rating of its Insurance Business by analyst community who upped the value of Insurance business from Rs. 8-12 per share to Rs. 35-40 per share. With ICICI Prudential trading at 3.7X its TTM Embedded Value (EMV) and HDFC_ Max Life deal happening at 4X EMV, the re-rating in Exide’s Insurance Business was warranted. We have presented the valuation snapshot of Exide’s Core Battery business under different scenario of multiple assigned to Exide Life Insurance.

We are valuing Exide Ind at Rs. 284 based on our SoTP valuation, which represents an upside of 20% from CMP and accordingly we recommend a BUY on the stock.

	FY19E
Exide Standalone EPS	9.8
P/E Assigned	24X
Value per Share (I)	235
Embedded Value per share of Insurance Business	24.7
Multiple Assigned	1.5X
Value per Share (II)	49
Total Value per Share	284

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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