



Exide Industries Ltd. Q4 FY18 Quarterly Update

MARKET DATA

NSE TICKER	EXIDE
Networth FY18 (Rs in Crs)	5,431
P/BV Ratio (FY17) (x)	3.5X
EPS (FY17)(Rs.)	9.5
Market Price (Rs.)	205
P/E Ratio (FY18E) (x)	31.0X
52 Week High(Rs)	249.7
52 Week Low (Rs)	166.7
Market Capitalisation (rs. Cr)	17,577

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	1 Yr
Exide	27.4	34.8	11.8
Nifty	1.3	4.0	15.1

Harsh Shah (Research Analyst)

harsh.shah@dimensional.in

+91-22-66545231

Riding on the back of high OEM volume across auto segment and revival in industrial volume, Exide reported strong sets of number for Q4FY18. The growth in revenues was underpinned by both Automotive and Industrial segment due to pick up in fresh demand. In the Automotive Battery segment, robust growth in underlying industry especially Two-Wheelers (up 24.6%) and Commercial Vehicles (up 30.9%) led to higher volume growth in OEM segment for Exide. Replacement volume were also strong during the quarter since company's new capacity has commenced commercial operations.

During FY17 and FY18, Exide incurred capex of Rs. 1400 cr for technology upgradation and expansion of capacity. Exide has implemented new 'Punched Grid Technology', in tie-up with US based East Penn Manufacturing Co., for the manufacture of batteries at its plant in Haldia. It is a next generation technology and according to the management the life of batteries would improve by about 20%. These batteries are primarily for after-market and company as of yet have not tied up with any OEMs for this battery.

Pick up in industrial activities supported growth of industrial battery segment. In particular, higher growth was seen in telecom, UPS and solar batteries. However, continuously escalating lead prices is putting pressure on company's gross margins which have fallen from 36.6% to 34.8% YoY. Various cost control measures adopted by the management helped them to contain other operating overheads especially admin overheads and marketing spends which capped the impact on EBITDA margin which improved by 80 bps YoY and 130 bps QoQ. Company's EBITDA stood at Rs. 338.0 cr an improvement of 34.2% YoY and 19.6% QoQ.

Recent fall in lead prices to come as a relief

The LME Lead prices which were on continuous upward spiral have eased down a bit over last 3-4 months. After a sharp rally from \$1750 to \$2600 over January 2016 to December 2017 period the prices have corrected to \$2308 recently. However, depreciation of USD by ~3% in last three months have offset the fall in lead price to some extent. Going ahead, lead prices would be the key monitorable as company's profits are highly sensitive to fluctuation in lead prices which forms ~70% of the total raw materials. Owing to lower other income and increase in effective tax rate, company's PAT increased by 15.4% YoY (22.9% QoQ) to Rs. 189.6 cr.

Quarterly Performance:

Particulars (RS in crs)	Q4 FY18	Q4 FY17	YoY (%)	Q3 FY18	QoQ (%)	FY18	FY16	y-o-y
Net Sales	2459.4	1954.6	25.8	2276.5	8.0	9187.0	7642.4	20.2
RM Cost	1603.2	1239.0	29.4	1490.2	7.6	6010.3	4707.7	27.6
RM Cost as % of Sales	65.2%	63.4%	180 bps	65.5%	-30 bps	65.4%	61.6%	380 bps
Employee Cost	153.8	130.3	18.0	152.3	--	597.1	519.6	--
Other Operating Expenses	364.4	333.4	9.3	351.4	--	1338.8	1318.6	--
EBITDA	338.0	251.9	34.2	282.6	19.6	1240.7	1096.5	13.2
EBITDA Margin	13.7%	12.9%	80 bps	12.4%	130 bps	13.5%	14.3%	-80 bps
Interest	0.6	0	--	0.9	--	5.2	4.3	--
PBT	290.3	228.3	27.1	230.2	26.1	1008.6	975.7	3.4
Tax	100.7	64.1	--	75.9	--	337.8	282.1	--
PAT	189.6	164.3	15.4	154.3	22.9	670.8	693.6	-3.3
EPS	2.2	1.9	15.4	1.8	22.9	8.4	8.2	2.7

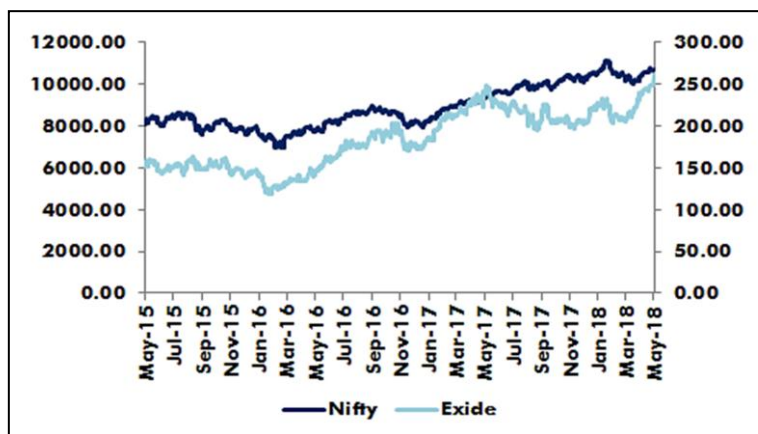


Valuation & View:

We believe that Exide Industries is poised to witness steady volume growth in both Auto and Industrial segment for next 2-3 years. While the OEM industry will witness growth of 8-9% on the back of similar growth in the underlying industry, the replacement segment will grow faster due to commissioning of new capacity which will cater exclusively to aftermarket segment. Further, the management’s commentary post Q4FY18 results hints at revival in demand across segments, especially industrial batteries. We are valuing the company using SoTP method and have arrived at a target price of Rs. 274 per share. Accordingly we recommend a HOLD 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	26.6
Multiple Assigned (35% discount to ICICI Pru)	2.25X
Value per Share (II)	Rs. 60
Total Value per Share	275

3-Yr Price comparison





Exide Industries Ltd. Standalone- Profit & Loss Statement					
DESCRIPTION	FY16	FY17	FY18	FY19E	FY20E
Net Sales	6853.7	7642.4	9187.0	10472.4	11809.7
EXPENDITURE :					
Raw Material Consumed	4241.3	4707.7	6010.3	6888.2	7783.3
Employee Cost	467.1	519.6	597.1	638.9	683.6
Other Operating Exp.	1127.7	1318.6	1338.8	1488.6	1650.2
Total Expenditure	5836.1	6545.9	7946.3	9015.8	10117.2
EBITDA	1017.6	1096.5	1240.7	1456.6	1692.5
Depreciation	160.2	206.3	245.0	276.6	288.6
EBIT	857.5	890.2	995.7	1180.0	1404.0
Other Income	56.2	89.8	59.9	66.1	96.4
Interest	3.8	4.3	5.2	6.5	0.0
Exceptional Item	-	-	(41.80)	-	-
PBT	909.8	975.7	1008.6	1239.6	1500.3
Provision for Tax	283.5	282.1	337.8	409.1	495.1
Profit After Tax	626.3	693.6	670.8	830.6	1005.2
EPS	7.3	8.2	8.4	9.8	11.8

Exide Industries Ltd. Standalone Balance Sheet					
DESCRIPTION	FY16	FY17	FY18E	FY19E	FY20E
Share Capital	85.0	85.0	85.0	85.0	85.0
Total Reserves	4349.1	4878.6	5346.2	5931.8	6937.0
Shareholder's Funds	4434.1	4963.6	5431.2	6016.8	7022.0
Long-Term Borrowings	0.0	0.0	0.0	0.0	0.0
Deferred Tax Assets / Liabilities	124.9	155.2	169.9	182.3	195.3
Other Non-Current Liabilities	39.5	48.3	58.1	66.3	74.7
Total Non-Current Liabilities	164.4	203.5	228.0	248.6	270.1
Trade Payables	744.9	767.9	951.0	1086.0	1224.8
Short Term Borrowings	102.5	170.2	145.3	0.0	0.0
Other Current Liabilities	682.9	670.4	683.8	688.3	693.0
Total Current Liabilities	1530.3	1608.5	1780.1	1774.4	1917.8
Total Liabilities	6128.7	6775.6	7439.4	8039.7	9209.8
ASSETS					
Net Block	1448.8	1687.4	2243.7	2082.7	1983.0
Long Term Loans & Advances	69.2	13.3	146.9	183.6	229.5
Other Non Current Assets	1764.2	1896.6	1772.6	1773.2	1773.8
Total Non-Current Assets	3282.1	3597.3	4163.2	4039.6	3986.4
Current Investments	926.3	905.5	805.5	1084.0	1669.0
Inventories	1133.5	1527.3	1614.9	1832.2	2056.0
Sundry Debtors	607.5	623.5	764.3	871.3	982.5
Cash and Equivalents	45.0	19.6	19.7	19.7	19.7
Short Term Loans and Advances	134.3	102.4	71.8	193.0	496.2
Total Current Assets	2846.6	3178.3	3276.2	4000.2	5223.4
Total Assets	6128.7	6775.6	7439.4	8039.7	9209.8



Exide Industries Ltd.- Key Ratios					
DESCRIPTION	FY16	FY17	FY18E	FY19E	FY20E
RoE	14.8	14.8	13.7	14.5	15.4
RoCE	21.2	20.3	19.7	21.5	23.0
Inventory Days	83	74	74	73	72
Debtor Days	31	29	30	30	30
Creditor Days	54	52	52	52	51
Debt/Equity	0.0	0.0	0.0	0.0	0.0
Interest Coverage	225.7	207.0	191.2	NA	NA
Fixed Asset Turnover	3.6	3.2	3.2	3.4	3.4
Adj. P/E	36.3	32.6	31.7	27.2	22.5
Adj. P/BV	5.1	4.6	4.2	3.8	3.2

Exide Industries Ltd.- Cash Flow				
DESCRIPTION	FY17	FY18E	FY19E	FY20E
Profit Before Tax	984.0	1050.4	1239.6	1500.3
Adjustment	120.6	250.2	283.1	288.6
Changes In Working Capital	-384.0	-52.9	-254.4	-279.2
Trade & Other receivables	-18.9	-142.7	-106.9	-111.3
Inventories	-393.9	-97.5	-227.3	-233.8
Loans & Advances	1.9	-0.3	-59.6	-77.5
Trade & Other payables	26.8	187.6	139.5	143.4
Cash Flow after changes in W/C	720.6	1247.7	1268.4	1509.7
Tax Paid	-282.1	-337.8	-409.1	-495.1
Cash From Operating Activities	438.5	909.9	859.3	1014.6
Cash Flow from Investing Activities	-307.2	-740.0	-215.0	-160.0
Free Cash Flow	131.3	169.9	644.3	854.6
Cash Flow from Financing Activities	-177.31	-269.92	-390.30	-245.01
Closing Cash & Equivalent	27.8	27.8	81.8	191.3



ANALYST CERTIFICATION

I (Harsh Shah), Research Analyst, author and the name subscribed to this report; hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

Dimensional Securities Private Limited (DSPL) is engaged in the business of stock broking and distribution of financial products. This Report has been prepared by Dimensional Securities Private Limited (DSPL) in the capacity of a Research Analyst having SEBI Registration No. INH000001444 and distributed as per SEBI (Research Analysts) Regulations 2014.

The information and opinions in this report have been prepared by DSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of DSPL. While we would endeavour to update the information herein on a reasonable basis, DSPL is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent DSPL from doing so.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. DSPL or its associates accept no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

DSPL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. DSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither DSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that (Harsh Shah), Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. DSPL or its associates collectively or Research Analysts do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of DSPL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that (Harsh Shah), Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

DSPL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

We submit that no material disciplinary action has been taken on DSPL by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject DSPL and associates to any registration or licensing requirement within such jurisdiction.

The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

DSPL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of DSPL to present the data. In no event shall DSPL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by DSPL through this report.