Exide Industries — BUY

Result beat; recovery ahead

TP	Rs216
CMP	Rs173
Potential upside / downside	25%
Previous Rating	BUY

V/s Consensus

EPS (Rs)	FY22E	FY23E	FY24E
IDBI Capital	9.2	11.4	13.3
Consensus	4.4	12.4	16.2
% difference	*111.2*	*(8.0)*	*(22.0)*

Key Stock Data

Bloomberg / Reuters	EXID IN / EXID.BO
Sector	Auto Ancilliary
Shares o/s (mn)	850
Market cap. (Rs mn)	147,008
Market cap. (US$ mn)	1,961
3-m daily avg Trd value (Rs mn)	91.4
52-week high / low	Rs221 / 155
Sensex / Nifty	59,307 / 17,672

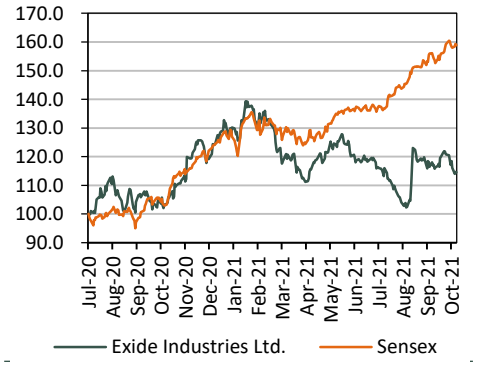
Shareholding Pattern (%)

Promoters	46.0
FII	9.7
DII	21.6
Public	22.7

Price Performance (%)

	-1m	-3m	-12m
Absolute	(3.9)	(2.0)	8.9
Rel to Sensex	(3.3)	(15.1)	(39.7)

Relative to Sensex (%)



Summary

Exide Industries result was stronger than our forecasts due to higher than expected sales growth in Replacement segment. Revenue increased by 20% YoY to Rs33 bn. However, gross margin contracted 224 bps YoY to 32.8% as the prices of key raw material (lead) and other inputs rose sharply. Hence, EBITDA grew only 5% YoY to Rs4.1 bn. Further, sharp rise in interest cost (+37% YoY to Rs86 mn) restricted its net profit growth to 2.4% YoY at Rs2,344 mn.

We raise our FY22/FY23 sales forecasts by 6% each. Also, we increase our FY22/FY23 EBITDA forecasts by 9%/4% to factor higher sales forecast. We introduce FY24 estimates in the report and expect sales/EBTIDA to grow by 11%/13%, respectively. We now value the stock at a PER of 16x on FY24 (earlier 16x FY23E) EPS to derive a target price of Rs216 (Rs208 earlier). We maintain our BUY rating on the stock.

Key Highlights and Investment Rationale

- **Surge in top-line performance:** During Q2FY22, strong sales growth (+20% YoY) was led by higher demand from Replacement segment after restrictions were eased from June. The company strengthened relationship with large OEMs as Exide remained a preferred partner for OEMs for their fuel-efficient and new-age vehicles.
- **Telecom and Power segments witnessing improvement:** The company is witnessing improvement in demand from Industrial sectors such as telecom and power. Also, demand from other sectors is expected to increase as commercial activity increases in H2FY22. We anticipate sales to increase by 18% YoY in FY22 mainly led by higher sales from replacement market. Lastly, Exide's EBITDA margin is forecasted to improve ~130bps over FY22-24E mainly due to better operating leverage.
- **Outlook:** Demand in industrial sectors is likely to witness improvement in H2FY22 and likely to further improve in FY23 in our view. Also, we expect Exide to raise prices in the Replacement segment to mitigate the impact of higher raw material prices over FY22-FY23E.

Financial snapshot (Rs mn)

Year	FY20	FY21	FY22E	FY23E	FY24E
Revenue	98,567	100,408	118,319	127,785	141,841
EBITDA	13,650	13,556	14,355	16,965	19,185
EBITDA (%)	13.8	13.5	12.1	13.3	13.5
Adj. PAT	8,472	7,583	7,816	9,692	11,325
EPS (Rs)	10.0	8.9	9.2	11.4	13.3
EPS Growth (%)	15.1	(10.5)	3.1	24.0	16.9
PE (x)	18.2	20.4	19.8	15.9	13.6
Dividend Yield (%)	1.8	1.7	1.9	2.2	2.5
EV/EBITDA (x)	11.2	10.9	10.2	8.3	7.1
RoE (%)	13.8	11.5	11.0	12.7	13.7
RoCE (%)	15.9	14.3	13.8	16.0	17.3

Source: IDBI Capital Research;

Exhibit 1: Quarterly Snapshot (Rs mn)

Financial snapshot	Q2FY22	Q1FY22	QoQ (%)	Q2FY21	YoY (%)
Total revenues	**32,900**	**24,864**	***32.3***	**27,534**	***19.5***
Gross profit	10,785	7,823	*37.9*	9,643	*11.8*
Gross margin (%)	*32.8*	*31.5*	*132bps*	*35.0*	*-224bps*
Total expenditure	28,767	22,258	*29.2*	23,614	*21.8*
EBIDTA	**4,134**	**2,606**	***58.6***	**3,920**	***5.4***
EBITDA margin (%)	*12.6*	*10.5*	*208bps*	*14.2*	*-167bps*
Depreciation	1,012	1,009	*0.3*	953	*6.1*
Interest cost	86	109	*(21.5)*	63	*36.5*
Other income	109	152	*(27.9)*	148	*(26.1)*
PBT	**3,145**	**1,640**	***91.9***	**3,052**	***3.1***
Tax	802	385	*108.1*	764	*4.9*
Net profit	**2,344**	**1,254**	***86.9***	**2,288**	***2.4***
Diluted EPS (INR)	**2.8**	**1.5**	***86.9***	**2.7**	***2.4***

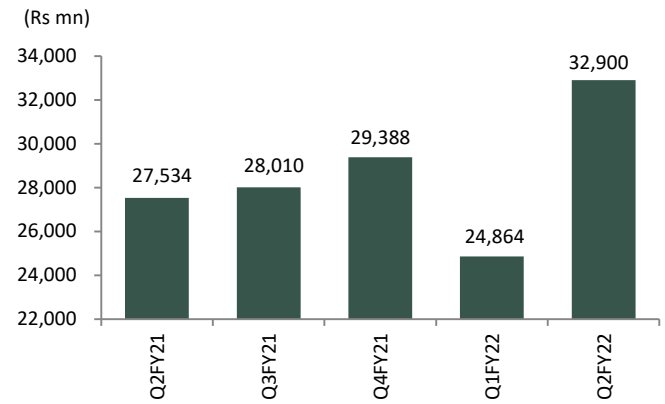
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. Estimates (Rs mn)

	Q2FY22A	Q2FY22E	Variance (%)
Net sales	32,900	28,910	*13.8*
EBTIDA	4,134	3,463	*19.4*
EBITDA margin (%)	*12.6*	*12.0*	*59bps*
Net profit	2,344	1,870	*25.4*
Diluted EPS (Rs)	2.8	2.2	*25.4*

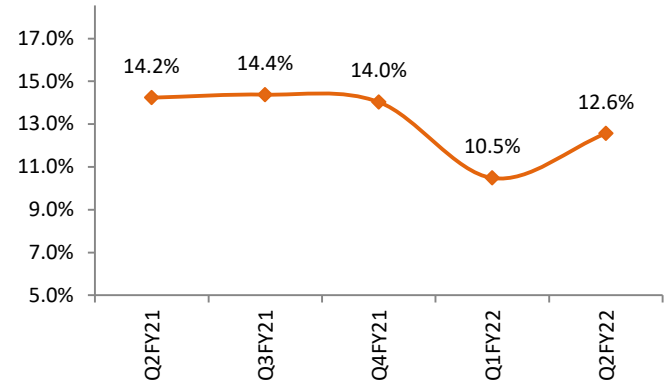
Source: Company; IDBI Capital Research

Exhibit 3: Top-line jumps 20% YoY



Source: Company; IDBI Capital Research

Exhibit 4: EBIDTA margin saw recovery on QoQ basis



Source: Company; IDBI Capital Research

Exhibit 5: Change in estimates

	FY22E			FY23E			FY24E
	Old	New	*(%) Chg*	Old	New	*(%) Chg*	
Revenue (Rs mn)	111,481	118,319	*6.1*	120,399	127,785	*6.1*	141,841
EBITDA (Rs mn)	13,147	14,355	*9.2*	16,248	16,965	*4.4*	19,185
EBITDA margin (%)	*11.8*	*12.1*	*34bps*	*15.4*	*13.3*	*-212bps*	*13.5*
Net profit (Rs mn)	6,981	7,816	*12.0*	9,225	9,692	*5.1*	15,203
EPS (Rs)	8.2	9.2	*12.0*	10.9	11.4	*5.1*	17.9

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22E	FY23E	FY24E
Net sales	**100,408**	**118,319**	**127,785**	**141,841**
growth (%)	*1.9*	*17.8*	*8.0*	*11.0*
Operating expenses	(86,853)	(103,964)	(110,820)	(122,657)
EBITDA	**13,556**	**14,355**	**16,965**	**19,185**
growth (%)	*(0.7)*	*5.9*	*18.2*	*13.1*
Depreciation	(3,794)	(4,074)	(4,156)	(4,239)
EBIT	**9,762**	**10,281**	**12,809**	**14,946**
Interest paid	(238)	(341)	(307)	(277)
Other income	654	484	508	534
Pre-tax profit	**10,179**	**10,424**	**13,010**	**15,203**
Tax	(2,596)	(2,608)	(3,318)	(3,878)
Effective tax rate (%)	*25.5*	*25.0*	*25.5*	*25.5*
Net profit	**7,583**	**7,816**	**9,692**	**11,325**
Adjusted net profit	**7,583**	**7,816**	**9,692**	**11,325**
growth (%)	*(10.5)*	*3.1*	*24.0*	*16.9*
Shares o/s (mn nos)	*850*	*850*	*850*	*850*

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22E	FY23E	FY24E
Pre-tax profit	10,179	10,424	13,010	15,203
Depreciation	3,794	4,074	4,156	4,239
Tax paid	(2,844)	(2,558)	(3,268)	(3,828)
Chg in working capital	2,963	(1,988)	(697)	(1,364)
Other operating activities	-	-	-	-
Cash flow from operations (a)	**14,091**	**9,952**	**13,200**	**14,250**
Capital expenditure	(3,500)	(5,000)	(3,500)	(5,000)
Chg in investments	-	-	-	-
Other investing activities	-	-	-	-
Cash flow from investing (b)	**(3,500)**	**(5,000)**	**(3,500)**	**(5,000)**
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	2,575	-	-	-
Dividend (incl. tax)	(2,984)	(3,481)	(3,978)	(4,475)
Other financing activities	-	-	-	-
Cash flow from financing (c)	**(408)**	**(3,481)**	**(3,978)**	**(4,475)**
Net chg in cash (a+b+c)	**10,183**	**1,471**	**5,722**	**4,775**

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22E	FY23E	FY24E
Net fixed assets	28,386	29,712	29,456	30,618
Investments	22,099	21,699	21,299	20,899
Other non-curr assets	-	-	-	-
Current assets	**45,803**	**49,223**	**57,180**	**65,973**
Inventories	23,462	22,903	24,227	26,892
Sundry Debtors	8,874	11,382	12,292	13,645
Cash and Bank	914	2,384	8,107	12,882
Marketable Securities	8,825	8,825	8,825	8,825
Loans and advances	383	383	383	383
Other current assets	3,346	3,346	3,346	3,346
Total assets	**96,288**	**100,634**	**107,935**	**117,489**
Shareholders' funds	**68,935**	**73,270**	**78,984**	**85,834**
Share capital	850	850	850	850
Reserves & surplus	68,085	72,420	78,134	84,984
Total Debt	**2,855**	**2,855**	**2,855**	**2,855**
Secured loans	2,793	2,793	2,793	2,793
Unsecured loans	62	62	62	62
Other liabilities	771	821	871	921
Curr Liab & prov	**23,727**	**23,688**	**25,226**	**27,879**
Current liabilities	20,483	20,060	21,379	23,709
Provisions	3,244	3,628	3,847	4,170
Total liabilities	**27,353**	**27,364**	**28,951**	**31,655**
Total equity & liabilities	**96,288**	**100,634**	**107,935**	**117,489**
Book Value (Rs)	**81**	**86**	**93**	**101**

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: March	FY21	FY22E	FY23E	FY24E
Adj. EPS (Rs)	8.9	9.2	11.4	13.3
Adj. EPS growth (%)	*(10.5)*	*3.1*	*24.0*	*16.9*
EBITDA margin (%)	*13.5*	*12.1*	*13.3*	*13.5*
Pre-tax margin (%)	*10.1*	*8.8*	*10.2*	*10.7*
ROE (%)	*11.5*	*11.0*	*12.7*	*13.7*
ROCE (%)	*14.3*	*13.8*	*16.0*	*17.3*
Turnover & Leverage ratios (x)				
Asset turnover (x)	1.1	1.2	1.2	1.3
Leverage factor (x)	1.4	1.4	1.4	1.4
Net margin (%)	*7.6*	*6.6*	*7.6*	*8.0*
Net Debt/Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Working Capital & Liquidity ratio				
Inventory days	85	71	69	69
Receivable days	32	35	35	35
Payable days	69	47	46	47

Valuation

Year-end: March	FY21	FY22E	FY23E	FY24E
PER (x)	20.4	19.8	15.9	13.6
Price / Book value (x)	2.2	2.1	2.0	1.8
PCE (x)	13.6	13.0	11.2	9.9
EV / Net sales (x)	1.5	1.2	1.1	1.0
EV / EBITDA (x)	10.9	10.2	8.3	7.1
Dividend Yield (%)	*1.7*	*1.9*	*2.2*	*2.5*

Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com

Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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