

13 April 2018

Initiating Coverage (BUY)

EXIDE INDUSTRIES LTD

CMP

INR 237

Target Price

INR 294

Stock Details

Industry	Auto Parts & Equipment
Bloomberg Code	EXID:IN
BSE Code	500086
Face Value (Rs.)	1.00
Market Cap. (Rs. mn)	202,300
52wk. Low/High (Adjusted) (Rs.)	249.70/192.85

Shareholding Pattern Dec '17

Promoter (%)	45.99
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	54.01
No. of Share Outstanding (mn)	850.00

Valuation Summary

	FY 16A	FY 17A	FY 18P	FY 19P
P/E (x)*	16.84	25.05	23.00	24.00
EV/EBITDA (x)	16.92	20.12	10.48	3.64
P/BV (x)	2.78	4.00	4.09	3.97

*TTM for Current Year

 Based on Market Price as on 1st Apr is taken for Each FY

Key Financial

Rs. Mn	FY 16A	FY 17A	FY 18P	FY 19P
Net Sales	94,794	121,951	126,829	149,659
EBITDA	11,902	14,694	16,102	17,368
Net Profit	7,137	8,040	9,904	10,418
EPS (Rs.)*	08.4	09.5	11.7	12.3

*Un adjusted

Key Ratios

	FY 16A	FY 17A	FY 18P	FY 19P
EBITDA Margin (%)	12.4	11.9	12.6	11.5
EBIT Margin (%)	10.5	10.1	11.1	10.2
Net Pro. Margin (%)	7.4	6.5	7.7	6.9
Debt/Equity (x)	1.94	1.93	1.75	1.55
RoNW (%)	17.5	17.2	18.7	17.6
RoCE (%)	5.8	5.7	6.4	6.5

One Year Price / Volume

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We recommend 'BUY' on EXIDE INDUSTRIES LTD for a target of INR 294 - valuing the company at P/E 24x of FY19E Earning.

INVESTMENT RATIONALE:

- Exide is India's most reliable brand and largest manufacturer of all types of batteries.
- Assailing sales promotion and extensive distribution network
- Enjoy well entrenched relationships with industry leaders across automotive and industrial segments.
- The largest lead acid storage battery manufacturer in India.
- Technological collaborations to result in innovative launches
- Strong relationship with customers and partners.
- Focus on innovation and consistent product launches.
- Extensive sales and distribution network and quality customer service.
- State-of-the-art manufacturing facilities at diversified locations.
- Only company with multi-locational manufacturing units spread across the country and equipped with advanced technology.

VALUATIONS AND VIEW:

Exide Industries Limited (Exide) is India's largest manufacturer of lead acid storage batteries and power storage solutions provider. Its unwavering emphasis on innovation, extensive geographic reach, strong relationship with distinguished customers and consistent technology upgradations has enabled to stay ahead of the curve. We value the business at 24x FY19E EPS and recommend a BUY rating on the stock with a target price of INR 294 per share.

RISK & CONCERNS:

- **Foreign currency risk:** Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.
- **Commodity price risks:** The Company is affected by the price volatility of certain commodities. Its operating activity is manufacturing of batteries and therefore requires supply of lead.
- **Equity price risks:** The Company's listed and non-listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments / mutual funds.
- **Credit risk:** Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities.

COMPANY BACKGROUND:

Exide Industries Limited (Exide) is India's largest manufacturer of lead acid storage batteries and power storage solutions provider. From small emergency light batteries to huge submarine batteries, this brand enjoys a nationwide respect and recall. Its unwavering emphasis on innovation, extensive geographic reach, strong relationship with distinguished customers and consistent technology upgradations has enabled to stay ahead of the curve. It consistently remain at the forefront of international battery technology with the help of its collaborators – Shin Kobe and Furukawa of Japan, Zhejiang Chaowei Chuangyuan Shiya of China, East Penn of the US and its subsidiary company Ecoult of Australia. It has nine factories strategically located all over India, of which seven factories are dedicated to batteries and the other two factories manufacture Home UPS systems. It manufacture a wide range of batteries for the automotive, power, telecom, infrastructure projects, computer industries, railways, mining, renewable energy and defence sectors, among others. It offer a comprehensive solution in areas of equipment selection, battery sizing, optimum room layout, installation, operation and maintenance. Its distribution network and service spectrum are continuously monitored and kept contemporary in line with changing market dynamics.

Products:

- Automotive Batteries
- Industrial Batteries
- Inverter Batteries
- Solar Batteries
- Genset Batteries
- Submarine Batteries
- Home UPS Systems

INDUSTRY OVERVIEW:

The Indian auto-components industry has experienced healthy growth over the last few years. Some of the factors attributable to this include: a buoyant end-user market, improved consumer sentiment and return of adequate liquidity in the financial system. The auto-component industry of India has expanded by 14.3 per cent because of strong growth in the after-market sales to reach at a level of Rs 2.92 lakh crore (US\$ 44.90 billion) in FY 2016-17. The auto-components industry accounts for almost seven per cent of India's GDP and employs as many as 25 million people. A stable government framework, increased purchasing power, large domestic market, and an ever increasing development in infrastructure have made India a favourable destination for investment. The Indian automotive aftermarket is expected to grow at a CAGR of 10.5 per cent and reach Rs 75,705 crore (US\$ 13 billion) by the year 2019-20, according to the Automotive Component Manufacturers Association of India (ACMA). These estimates are in sync with the targets of the Automotive Mission Plan (AMP) 2016-26.

PEER COMPARISON

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div Yld (%)	NP Qtr (Rs Cr)	Qtr Profit Var (%)	Sales Qtr (Rs Cr)	Qtr Sales Var (%)	CMP/BV
Motherson Sumi	343	30.5	72,127.2	0.39	561.7	2.88	14,397.9	35.94	7.38
Bosch	166	20.3	60,704.5	0.83	281.0	28.79	3,071.9	14.08	5.24
Sundaram Clayton	4,909	37.2	9,931.6	0.64	NaN	NaN	NaN	NaN	5.31
TI Financial	658	21.9	12,337.8	0.19	157.2	50.72	886.7	26.04	3.87
Amara Raja Batt.	818	30.3	13,969.1	0.53	134.5	19.70	1,553.5	17.07	4.73
Sundram Fasten.	597	34.7	12,544.0	0.75	91.7	21.66	848.1	19.92	7.91
Exide Inds.	237.0	23.0	20,145.0	1.00	154.3	1.81	2,276.5	32.74	4.00

*TTM

FINANCIAL OVERVIEW

Q4 FY17 Performance Highlight							
(in Million)	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	YoY (%)	QoQ (%)
Revenue	19,495.60	22,133.20	23,763.60	23,713.20	22,765.40	16.77%	-4.00%
Other Income	350.2	336.3	132.1	138.7	110.5		
Total Income	19,845.80	22,469.50	23,895.70	23,851.90	22,875.90	15.27%	-4.09%
Expenditure	-17,199.30	-19,636.50	-20,536.50	-21,193.90	-19,948.90		
As a % of Sales	88.22%	88.72%	86.42%	89.38%	87.63%		
Interest	-46.1	--	-15.6	-21.2	-9.3	-79.83%	-56.13%
PBDT	2600.4	2833	3359.2	2658	2927		
As a % of Sales	13.34%	12.80%	14.14%	11.21%	12.86%		
Depreciation	-521.8	-544.4	-563	-596.7	-625.4		
PBT	2078.6	2288.6	2796.2	2061.3	2301.6	10.73%	11.66%
As a % of Sales	10.66%	10.34%	11.77%	8.69%	10.11%		
Tax	-563.7	-640.8	-906.2	-706.1	-758.9	34.63%	7.48%
Net Profit	1514.9	1647.8	1890	1355.2	1542.7	1.84%	13.84%
As a % of Sales	7.77%	7.44%	7.95%	5.71%	6.78%		
Equity	850	850	--	850	850	0.00%	0.00%
EPS (Rs)	1.78	1.94	2.22	1.6	1.82	2.25%	13.75%
CEPS (Rs)	2.4	2.58	--	2.3	2.55		
OPM %	13.57	12.8	14.14	11.21	12.86		
NPM %	7.77	7.44	7.95	5.71	6.78		

Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 14A	FY 15A	FY 16A	FY 17A	FY 18E	FY 19P	FY 20P
Net Sales	83,089	95,350	94,794	121,951	126,829	149,659	158,638
Other Operating Income	708	952	1,351	1,027	1,218	1,505	1,629
Expenditure	74,434	85,980	84,243	108,285	111,946	133,796	139,405
EBITDA	9,363	10,321	11,902	14,694	16,102	17,368	20,862
Depreciation	1,420	1,553	1,800	2,259	1,887	1,890	1,893
EBIT	7,943	8,767	10,102	12,434	14,214	15,478	18,969
Interest Expenses	76	32	17	1,463	773	1,355	1,202
PBT	7,867	8,735	10,086	10,971	13,442	14,123	17,767
Tax	2,406	2,572	2,922	2,931	3,538	3,705	4,600
Other Income	-	-	-	-	-	-	-
Net Income Before Adjustment	5,462	6,163	7,164	8,040	9,904	10,418	13,167
Minority Int./Income from Assoc.	15	18	27	-	-	-	-
Adjusted PAT	5,447	6,145	7,137	8,040	9,904	10,418	13,167

Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 14A	FY 15A	FY 16A	FY 17A	FY 18E	FY 19P	FY 20P
Equity share capita	850	850	850	850	850	850	850
Reserves & surplus	33,747	37,560	42,454	49,471	54,795	62,065	71,253
Misc Expenditure	-	-	-	-	-	-	-
Net worth	34,597	38,410	43,304	50,321	55,645	62,915	72,103
Minority Interest	117	128	146	158	118	122	126
Share Application Money	-	-	-	-	-	-	-
Loan Funds	66,838	76,266	84,134	97,347	97,349	97,347	97,345
Net deferred tax liability	1,118	1,315	1,305	1,561	1,561	1,561	1,561
Other Long-term Liabilities	59	55	53	1,665	1,731	2,043	2,165
Long-term Provisions	269	348	415	526	547	645	684
Total Liabilities	102,997	116,523	129,358	151,579	156,952	164,634	173,986
Net block	17,488	18,958	21,840	24,276	22,331	20,631	18,737
Investment, Loan & Adv.	72,156	82,712	89,647	105,024	153,752	224,716	330,621
Total Current Assets	35,294	37,204	41,773	48,353	203,405	339,730	441,154
Current Liabilities & Provisions	21,942	22,352	23,903	26,075	222,537	420,445	616,528
Net Current Assets	13,353	14,852	17,870	22,278	(19,132)	(80,715)	(175,374)
Total Assets	102,997	116,523	129,358	151,579	156,952	164,634	173,986

Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 17A	FY 18E	FY 19P	FY 20P
Operating Cash Flow	9,986	10,801	8,728	14,404
Cash Flow from Investments	(7,871)	(48,844)	(71,310)	(106,059)
Cash Flow from Financing	(1,819)	191,160	190,438	189,801
Net Changes in Cash	295	153,118	127,856	98,147
Opening Cash	2,940	3,235	156,353	284,209
Closing Cash Balance	3,235	156,353	284,209	382,355

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