

Exide Industries (EXID IN)

Rating: ACCUMULATE | CMP: Rs249 | TP: Rs268

November 5, 2018

Q2FY19 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY19E	FY20E	FY19E	FY20E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	268		282	
Sales (Rs. m)	106,282	123,896	109,018	127,104
% Chng.			(2.5)	(2.5)
EBITDA (Rs. m)	14,287	16,921	14,989	17,748
% Chng.			(4.7)	(4.7)
EPS (Rs.)	9.8	11.9	10.4	12.6
% Chng.			(5.6)	(5.5)

Key Financials

	FY17	FY18	FY19E	FY20E
Sales (Rs. m)	75,835	91,863	106,282	123,896
EBITDA (Rs. m)	10,825	12,408	14,287	16,921
Margin (%)	14.3	13.5	13.4	13.7
PAT (Rs. m)	6,936	7,102	8,344	10,105
EPS (Rs.)	8.2	8.4	9.8	11.9
Gr. (%)	11.1	2.4	17.5	21.1
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	14.6	13.7	14.7	15.9
RoCE (%)	18.0	18.9	20.4	21.7
EV/Sales (x)	2.7	2.3	2.0	1.7
EV/EBITDA (x)	18.9	16.9	14.6	12.1
PE (x)	30.6	29.9	25.4	21.0
P/BV (x)	4.3	3.9	3.6	3.2

Key Data

EXID.BO | EXID IN

52-W High / Low	Rs.305 / Rs.192
Sensex / Nifty	34,951 / 10,524
Market Cap	Rs.212bn / \$ 2,902m
Shares Outstanding	850m
3M Avg. Daily Value	Rs.1076.06m

Shareholding Pattern (%)

Promoter's	45.99
Foreign	11.22
Domestic Institution	23.37
Public & Others	19.42
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.3	0.3	21.8
Relative	(1.3)	0.2	17.4

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Operating performance disappoints!!!

Exide Industries' Q2FY19 performance missed our estimates, with operating margins at 12.2%, lower 40bps YoY / 200bps QoQ, as against our expectations of 15.2%. Margin dip was mainly on account of other expenses as a % of sales being higher 100bps YoY / 120bps QoQ while staff costs as a % of sales dipped 20bps YoY / up 30bps QoQ and with lead prices declining ~10% YoY, gross margins too rose 50bps YoY (down 50bps QoQ).

Revenue growth for the quarter was decent at 15.4% YoY (down ~2% QoQ) to Rs27.2bn (in-line with PLe: Rs27bn). The company has stated that over Q2FY19, while there has been good volume growth across segments i.e.s Automotive, Motorcycle, Invertors and Industrial batteries, margins got impacted by higher fuel cost and adverse currency movement, eating into benefit from favorable lead prices

While margins dipped 40bps YoY to 12.2%, absolute EBITDA rose 12.4% YoY (down ~15% QoQ) to Rs3.3bn (PLe: Rs4.1bn). With lower tax rate (at 28.3% v/s PLe of 33% against 34.3% in Q2FY18 and 34.8% in Q1FY19), net profit came in at Rs2.7bn. However, adjusting for the one-off amounting to Rs1.08bn, on account of sale of property, adjusted profit stands at Rs1.9bn, up 17% YoY, lower than PLe of Rs2.3bn.

Continued growth in the automotive and industrial segment has been impressive and further gains in the unorganized and replacement market post GST implementation has helped Exide lower its dependence on the declining inverter/UPS segment. Introduction of the cheaper brand Dynex has helped increase market share in the LCV and Tractor segment. Increased traction in the e-Rickshaw and solar batteries will further aid revenues in the near-to-medium term. Management's focus on cost control and technology upgradation to improve performance has impacted margins positively. While lead prices have softened this quarter, any rise in the same again can hamper gross margins going ahead. We maintain "Accumulate" with a price target of Rs268, based on 20xMar'20E standalone EPS plus value of investments. The stock is currently trading at 25.4x FY19E and 21.0x FY20E standalone core EPS.

Exhibit 1: Q2FY19 Result Overview (Rs m)

Y/e March	Q2FY19	Q2FY18	YoY gr. (%)	Q1FY19	H1FY19	H1FY18	YoY gr. (%)
Net Revenues	27,204	23,567	15.4	27,725	54,928	44,596	23.2
Raw Materials	18,206	15,885	14.6	18,419	36,625	29,117	25.8
<i>% of Net Sales</i>	<i>66.9</i>	<i>67.4</i>		<i>66.4</i>	<i>66.7</i>	<i>65.3</i>	
Personnel	1,649	1,480	11.4	1,620	3,268	2,911	12.3
<i>% of Net Sales</i>	<i>6.1</i>	<i>6.3</i>		<i>5.8</i>	<i>6.0</i>	<i>6.5</i>	
Manufacturing & Other Exp	4,022	3,243	24.0	3,757	7,779	6,367	22.2
<i>% of Net Sales</i>	<i>14.8</i>	<i>13.8</i>		<i>13.6</i>	<i>14.2</i>	<i>14.3</i>	
Total Expenditure	23,876	20,608	15.9	23,796	47,673	38,394	24.2
EBITDA	3,327	2,959	12.4	3,928	7,256	6,202	17.0
<i>EBITDA Margin (%)</i>	<i>12.2</i>	<i>12.6</i>		<i>14.2</i>	<i>13.2</i>	<i>13.9</i>	
Depreciation	768	597	28.7	719	1,487	1,160	28.2
EBIT	2,559	2,362	8.3	3,210	5,769	5,042	14.4
Interest Expenses	14	21		11	25	37	(32.1)
Non-operating income	116	139	(16.1)	23	139	271	(48.6)
Extraordinary Expenses	0	418		0	0	418	
Extraordinary Income	1,083	0		0	1,083	0	
PBT	3,745	2,061	81.7	3,221	6,966	4,858	43.4
Tax-Total	1,060	706	50.2	1,122	2,182	1,612	35.4
<i>Tax Rate (%) - Total</i>	<i>28.3</i>	<i>34.3</i>	<i>(17.3)</i>	<i>34.8</i>	<i>31.3</i>	<i>33.2</i>	<i>(5.6)</i>
Reported PAT	2,684	1,355	98.1	2,099	4,783	3,245	47.4
Adj. PAT	1,926	1,648	16.9	2,099	4,025	3,538	13.8

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
Net Revenues	75,835	91,863	106,282	123,896
YoY gr. (%)	10.5	21.1	15.7	16.6
Cost of Goods Sold	47,151	60,104	67,975	79,222
Gross Profit	28,684	31,759	38,307	44,674
Margin (%)	37.8	34.6	36.0	36.1
Employee Cost	5,196	5,972	7,121	8,301
Other Expenses	12,664	13,380	16,899	19,452
EBITDA	10,825	12,408	14,287	16,921
YoY gr. (%)	5.3	14.6	15.2	18.4
Margin (%)	14.3	13.5	13.4	13.7
Depreciation and Amortization	2,063	2,459	2,696	3,121
EBIT	8,762	9,948	11,592	13,800
Margin (%)	11.6	10.8	10.9	11.1
Net Interest	43	52	55	58
Other Income	1,039	584	299	591
Profit Before Tax	9,757	10,480	11,835	14,333
Margin (%)	12.9	11.4	11.1	11.6
Total Tax	2,821	3,378	3,491	4,228
Effective tax rate (%)	28.9	32.2	29.5	29.5
Profit after tax	6,936	7,102	8,344	10,105
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,936	7,102	8,344	10,105
YoY gr. (%)	11.1	2.4	17.5	21.1
Margin (%)	9.1	7.7	7.9	8.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,936	7,102	8,344	10,105
YoY gr. (%)	11.1	2.4	17.5	21.1
Margin (%)	9.1	7.7	7.9	8.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,936	7,102	8,344	10,105
Equity Shares O/s (m)	850	850	850	850
EPS (Rs)	8.2	8.4	9.8	11.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
Non-Current Assets				
Gross Block	19,019	25,550	32,423	36,923
Tangibles	18,679	25,106	31,941	36,441
Intangibles	340	444	483	483
Acc: Dep / Amortization	3,559	5,966	8,701	11,821
Tangibles	3,434	5,756	8,452	11,572
Intangibles	125	210	249	249
Net fixed assets	15,460	19,583	23,723	25,102
Tangibles	15,245	19,350	23,489	24,868
Intangibles	215	234	234	234
Capital Work In Progress	1,414	2,335	-	-
Goodwill	-	-	-	-
Non-Current Investments	17,833	17,789	17,789	17,789
Net Deferred tax assets	(1,552)	(1,405)	(1,405)	(1,405)
Other Non-Current Assets	1,546	1,742	1,742	1,742
Current Assets				
Investments	9,055	2,039	2,039	2,039
Inventories	15,274	17,602	21,839	25,458
Trade receivables	6,217	9,434	8,736	10,183
Cash & Bank Balance	196	872	1,809	5,203
Other Current Assets	413	2,180	2,180	2,180
Total Assets	68,113	74,400	80,730	90,621
Equity				
Equity Share Capital	850	850	850	850
Other Equity	48,786	53,043	58,837	66,392
Total Networkth	49,636	53,893	59,687	67,242
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	425	465	515	565
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,702	-	-	-
Trade payables	7,679	10,787	10,774	12,559
Other current liabilities	6,704	7,349	7,849	8,349
Total Equity & Liabilities	68,113	74,400	80,730	90,621

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
PBT	9,512	9,830	11,835	14,333
Add. Depreciation	2,063	2,459	2,696	3,121
Add. Interest	43	52	55	58
Less Financial Other Income	1,039	584	299	591
Add. Other	(44)	143	-	-
Op. profit before WC changes	11,574	12,485	14,586	17,512
Net Changes-WC	(3,901)	(3,737)	(3,052)	(2,782)
Direct tax	(2,539)	(3,525)	(3,491)	(4,228)
Net cash from Op. activities	5,134	5,223	8,042	10,502
Capital expenditures	(4,425)	(7,504)	(4,500)	(4,500)
Interest / Dividend Income	-	-	-	-
Others	239	7,049	-	-
Net Cash from Inv. activities	(4,186)	(455)	(4,500)	(4,500)
Issue of share cap. / premium	-	-	-	-
Debt changes	677	(1,702)	-	-
Dividend paid	(2,125)	(2,338)	(2,550)	(2,550)
Interest paid	(43)	(52)	(55)	(58)
Others	-	-	-	-
Net cash from Fin. activities	(1,491)	(4,092)	(2,605)	(2,608)
Net change in cash	(543)	676	937	3,394
Free Cash Flow	709	(2,281)	3,542	6,002

Source: Company Data, PL Research

Key Financial Metrics

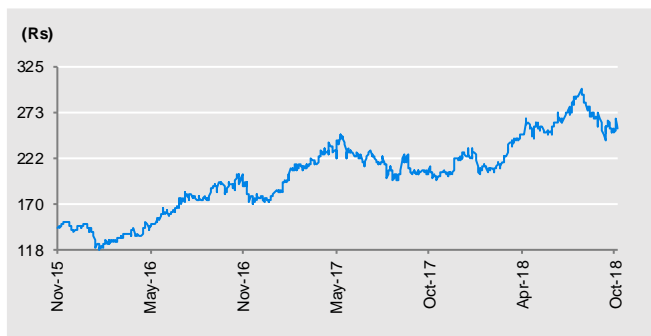
Y/e Mar	FY17	FY18	FY19E	FY20E
Per Share(Rs)				
EPS	8.2	8.4	9.8	11.9
CEPS	10.6	11.2	13.0	15.6
BVPS	58.4	63.4	70.2	79.1
FCF	0.8	(2.7)	4.2	7.1
DPS	-	-	-	-
Return Ratio(%)				
RoCE	18.0	18.9	20.4	21.7
ROIC	15.8	13.6	15.4	17.3
RoE	14.6	13.7	14.7	15.9
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	66	65	68	68
Valuation(x)				
PER	30.6	29.9	25.4	21.0
P/B	4.3	3.9	3.6	3.2
P/CEPS	10.6	11.2	13.0	15.6
EV/EBITDA	18.9	16.9	14.6	12.1
EV/Sales	2.7	2.3	2.0	1.7
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Net Revenue	22,765	24,594	27,725	27,204
YoY gr. (%)	32.7	25.8	31.8	15.4
Raw Material Expenses	14,902	16,032	18,419	18,206
Gross Profit	7,863	8,562	9,305	8,997
Margin (%)	34.5	34.8	33.6	33.1
EBITDA	2,826	3,380	3,928	3,327
YoY gr. (%)	24.3	34.2	21.1	12.4
Margin (%)	12.4	13.7	14.2	12.2
Depreciation / Depletion	625	674	719	768
EBIT	2,200	2,706	3,210	2,559
Margin (%)	9.7	11.0	11.6	9.4
Net Interest	9	6	11	14
Other Income	111	203	23	116
Profit before Tax	2,302	2,903	3,221	3,745
Margin (%)	10.1	11.8	11.6	13.8
Total Tax	759	1,007	1,122	1,060
Effective tax rate (%)	33.0	34.7	34.8	28.3
Profit after Tax	1,543	1,896	2,099	2,684
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,543	1,896	2,099	1,601
YoY gr. (%)	1.8	15.4	11.1	(9.7)
Margin (%)	6.8	7.7	7.6	5.9
Extra Ord. Income / (Exp)	-	-	-	1,083
Reported PAT	1,543	1,896	2,099	2,684
YoY gr. (%)	1.8	15.4	11.1	98.1
Margin (%)	6.8	7.7	7.6	9.9
Other Comprehensive Income	40	-	-	-
Total Comprehensive Income	1,582	1,896	2,099	2,684
Avg. Shares O/s (m)	850	850	850	850
EPS (Rs)	1.8	2.2	2.5	1.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Jan-18	Accumulate	231	225
2	31-Jan-18	Accumulate	239	224
3	13-Apr-18	Accumulate	239	241
4	8-May-18	Accumulate	281	268
5	11-Jun-18	Accumulate	281	268
6	10-Jul-18	Accumulate	281	262
7	1-Aug-18	Accumulate	282	271
8	5-Oct-18	Accumulate	282	252

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	146	118
2	Atul Auto	Accumulate	397	303
3	Bajaj Auto	Reduce	2,394	2,478
4	Bharat Forge	Accumulate	696	607
5	CEAT	Accumulate	1,255	1,106
6	Eicher Motors	Accumulate	30,296	21,908
7	Exide Industries	Accumulate	282	252
8	Hero Motocorp	Accumulate	3,385	2,895
9	Mahindra & Mahindra	BUY	1,058	795
10	Maruti Suzuki	BUY	8,510	6,723
11	Motherson Sumi Systems	Accumulate	348	242
12	Tata Motors	BUY	267	179
13	TVS Motors	Accumulate	618	535
14	Wabco India	Accumulate	7,111	6,422

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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