

Exide Industries LimitedCMP Rs. 120.0
HOLDResult Update
Q3FY10

Anuj Anandwala | anuj@ppfas.com

The Charge Continues!

Exide Industries Ltd. (EIL) has posted substantial growth for the quarter and 9 months ended Dec'09.

Bottom line for the company has zoomed by 132% to Rs. 1,305Mn for Q310 v/s Rs. 561.5Mn for Q309, on the back of falling raw material costs. For the current quarter, EIL's top line has risen by 10% Y-Y to Rs. 10,879.5Mn (Rs. 9,883.5Mn), which came ahead of our expectations. Improving growth in the Replacement and OE sales aided the company's Auto Battery segment in clocking better growth during the quarter; which was also supported by a decent up move in its Industrial Battery segment.

Correspondingly, for the 9 months ended Dec'09, EIL's bottom line has increased by 86% to Rs. 4,025.5Mn from Rs. 2,162Mn for the corresponding 9 months last year. Top line for the current 9 months has shown a flattish rise of 1.5% to Rs. 33,082.2Mn (Rs. 32,581Mn).

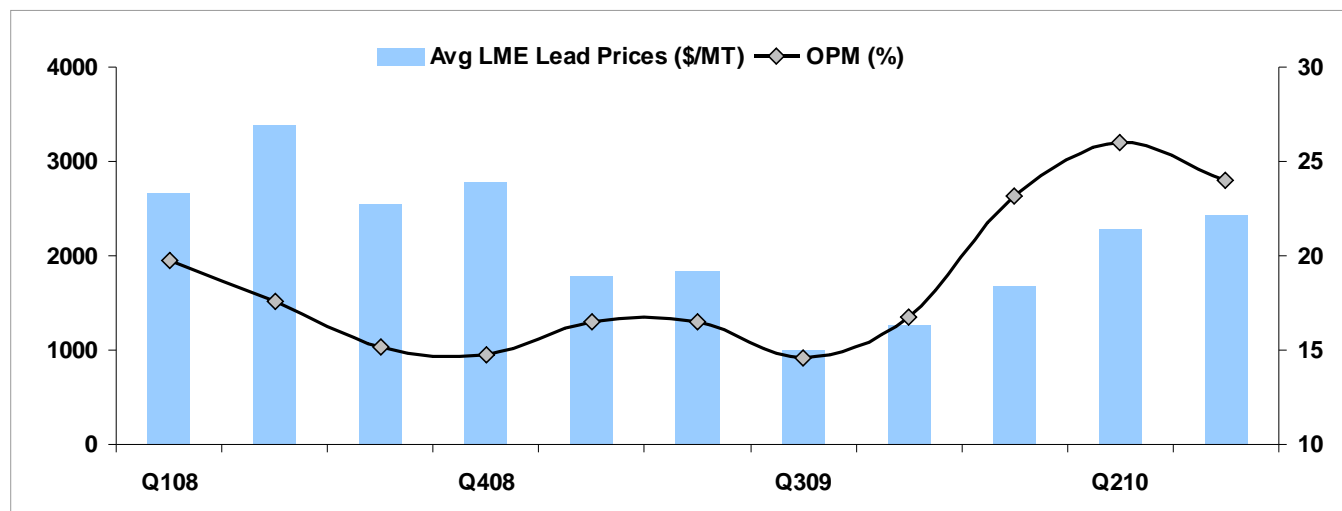
Strong growth in profits was attributed to a 991bps fall in raw material to sales ratio owing to in-house sourcing of recycled Lead from its own smelters. This was also aided by a favourable Rupee-Dollar movement during the first 9 months. Exide registered a net exchange gain of Rs. 146.2Mn (including Rs. 115.5Mn for the quarter) for 9M10 as against a loss of Rs. 259.3Mn (including Rs. 183.5Mn loss) for 9M09.

Other Highlights:

- ✓ Operating Profit was up by 90% to Rs. 2,187Mn for Q310 v/s Rs. 1,149Mn for Q309. For the current quarter OPM have risen to 24% v/s 14.6% for the corresponding period last year
- ✓ Interest cost for 9 months ended Dec'09 reduced substantially to Rs. 77Mn v/s Rs. 365Mn for the 9 months ended Dec'08. This was on the back of restructured loans and repayment of short term loans, thereby raising its profitability
- ✓ PAT margins have increased by 717bps to 14.3% for Q310 from 7% for Q309
- ✓ EPS for the 9 months ended Dec'09 was Rs. 5/- as compared to Rs. 2.7/- for the corresponding period of last year
- ✓ Exide's margin improvement will be sustained on account of lower imports and growing backward integration
- ✓ Further on, the company is already in the process of doubling its Industrial battery capacity and increase its Automotive battery capacity by 50%, at an investment of Rs. 4,500-5,000Mn

Mitigating rising Lead Prices:

In the last one year, global lead prices have gone up very high. Currently, average lead prices are around USD 2,550/tonne. Earlier, 70-80% of Exide's raw material constituted of original lead. To mitigate this pressure, the company had acquired lead smelting capacities, thus augmenting the availability of recycled scrap batteries and bringing down the usage to around 50%. This has helped the company in reducing its dependence on imports and purchasing pure lead from the market.



Raising Estimates:

We upgrade our FY10E and FY11E earnings estimates of EIL to Rs. 6.1/- (earlier Rs. 5.5/-) and to Rs. 7.1/- (earlier Rs. 6.2/-) to factor in the robust operating performance.

Change in Estimates	Old Estimates		Revised Estimates		% Change	
	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Particulars (Rs. Mn)						
Net Revenues	38,709.2	41,126.5	37,793.9	40,534.7	-2.4%	-1.4%
EBITDA	8,012.8	8,872.4	8,285.6	9,640.7	3.4%	8.7%
EBITDA Margin (%)	20.7%	21.6%	21.9%	23.8%		
PAT	4,402.6	4,948.2	4,842.3	5,648.0	10.0%	14.1%
EPS (Rs.)	5.5	6.2	6.1	7.1	10.0%	14.1%

Valuation:

At the CMP of Rs 120/-, the scrip is trading at 17.1x FY11E standalone earnings of Rs. 7.1/- We recommend a HOLD on Exide Industries with a SOTP based revised target price of Rs. 129.3/- (16x FY11E EPS + Rs. 15.7/- value of Exide's Subsidiaries).

Exide: Quarterly Financials

Earnings Statement								
Particulars (Rs. Mn)	Q310	Q210	Q-Q(%)	Q309	Y-Y(%)	9M10	9M09	Y-Y(%)
Gross Sales	10,879.5	11,360.1	-4.2%	9,883.5	10.1%	33,082.2	32,580.7	1.5%
Less: ED, VAT, ST & Octroi	1,753.8	1,857.0	-5.6%	2,006.4	-12.6%	5,422.3	6,633.9	-18.3%
Net Revenues	9,125.7	9,503.1	-4.0%	7,877.1	15.9%	27,659.9	25,946.8	6.6%
Other Operating Income	3.4	3.9	-12.8%	9.4	-63.8%	10.8	13.3	-18.8%
Raw Material Cost	5,175.7	5,214.5	-0.7%	5,247.9	-1.4%	15,646.5	17,401.4	-10.1%
Gross Profit	3,953.4	4,292.5	-7.9%	2,638.6	49.8%	12,024.2	8,558.7	40.5%
Staff Cost	551.9	591.5	-6.7%	455.5	21.2%	1,680.4	1,272.9	32.0%
Other Expenditure	1,214.4	1,229.9	-1.3%	1,034.4	17.4%	3,591.1	3,154.2	13.9%
Total Expenditure	1,766.3	1,821.4	-3.0%	1,489.9	18.6%	5,271.5	4,427.1	19.1%
Operating Profit	2,187.1	2,471.1	-11.5%	1,148.7	90.4%	6,752.7	4,131.6	63.4%
Other Income	10.2	11.4	-10.5%	0.0	-	30.5	23.5	29.8%
EBITDA	2,197.3	2,482.5	-11.5%	1,148.7	91.3%	6,783.2	4,155.1	63.2%
Depreciation	188.5	221.5	-14.9%	168.7	11.7%	598.2	500.5	19.5%
EBIT	2,008.8	2,261.0	-11.2%	980.0	105.0%	6,185.0	3,654.6	69.2%
Interest	29.0	44.0	-34.1%	123.5	-76.5%	77.0	365.2	-78.9%
PBT	1,979.8	2,217.0	-10.7%	856.5	131.2%	6,108.0	3,289.4	85.7%
Tax	675.0	720.3	-6.3%	295.0	128.8%	2,082.5	1,127.5	84.7%
PAT	1,304.8	1,496.7	-12.8%	561.5	132.4%	4,025.5	2,161.9	86.2%
Equity Capital	800.0	800.0	-	800.0	-	800.0	800.0	-
EPS	1.6	1.9	-12.8%	0.7	132.4%	5.0	2.7	86.2%
Ratio Analysis								
Profitability								
Particulars	Q310	Q210	Q-Q(bps)	Q309	Y-Y(bps)	9M10	9M09	Y-Y(bps)
OPM (%)	24.0%	26.0%	(203.7)	14.6%	938.4	24.4%	15.9%	849.0
EBITDA (%)	24.1%	26.1%	(204.5)	14.6%	949.5	24.5%	16.0%	851.0
EBIT (%)	22.0%	23.8%	(178.0)	12.4%	957.1	22.4%	14.1%	827.6
PAT (%)	14.3%	15.7%	(145.2)	7.1%	717.0	14.6%	8.3%	622.2
Operational Parameters								
Particulars	Q310	Q210	Q-Q(bps)	Q309	Y-Y(bps)	9M10	9M09	Y-Y(bps)
Raw Material Cost	56.7%	54.9%	184.4	66.6%	(990.7)	56.6%	67.1%	(1,049.8)
Staff Cost	6.0%	6.2%	(17.7)	5.8%	26.5	6.1%	4.9%	116.9
Other Expenditure	13.3%	12.9%	36.5	13.1%	17.6	13.0%	12.2%	82.7
Effective Tax Rate	34.1%	32.5%	160.5	34.4%	(34.8)	34.1%	34.3%	(18.2)

Exide: Financials

Earnings Statement					Balance Sheet				
Particulars (Rs. Mn)	FY08	FY09	FY10E	FY11E	Particulars (Rs. Mn)	FY08	FY09	FY10E	FY11E
Net Revenues	28,449.3	33,930.2	37,793.9	40,534.7	Equity Capital	800.0	800.0	800.0	800.0
- Growth (%)	52.1%	19.3%	11.4%	7.3%	Reserves	9,463.5	11,703.5	15,609.8	20,134.6
Total Expenditure	23,754.9	28,482.7	29,574.9	30,962.7	Shareholders Funds	10,263.5	12,503.5	16,409.8	20,934.6
Operating Profit	4,694.4	5,447.5	8,218.9	9,572.1	Borrowed Funds	3,498.1	3,171.8	3,271.8	3,321.8
Other Income	65.2	64.7	66.6	68.6	Deferred Tax Liability	479.0	412.0	516.0	601.6
EBITDA	4,759.6	5,512.2	8,285.6	9,640.7	Total Liabilities	14,240.6	16,087.3	20,197.6	24,858.0
- Growth (%)	50.1%	15.8%	50.3%	16.4%					
Depreciation	642.4	679.4	813.0	913.0	Fixed Assets	6,017.7	6,853.1	7,540.1	7,927.1
EBIT	4,117.3	4,832.8	7,472.6	8,727.7	Investments	5,182.8	6,681.8	7,684.1	9,220.9
Interest	374.0	478.9	152.7	167.1	Current Assets				
PBT	3,743.3	4,353.9	7,319.9	8,560.6	Inventory	5,707.4	4,384.7	4,866.6	5,219.5
Tax	1,240.0	1,510.0	2,477.7	2,912.6	Sundry Debtors	2,592.1	2,310.2	3,106.3	3,331.6
PAT	2,503.3	2,843.9	4,842.3	5,648.0	Loans & Advances	448.4	386.8	517.7	555.3
- Growth (%)	61.3%	13.6%	70.3%	16.6%	Cash & Bank Balance	16.8	337.1	2,438.4	4,991.2
					Current Liabilities				
					Sundry Creditors	4,670.7	3,807.3	4,659.5	4,997.4
					Provisions	1,053.9	1,059.1	1,296.2	1,390.2
					Net Current Assets	3,040.2	2,552.4	4,973.4	7,710.0
					Total Assets	14,240.6	16,087.3	20,197.6	24,858.0
Ratio Analysis					Cash Flow				
Particulars	FY08	FY09	FY10E	FY11E	Particulars (Rs. Mn)	FY08	FY09	FY10E	FY11E
OPM (%)	16.5%	16.1%	21.7%	23.6%	Opening Cash & Bank	14.2	16.8	337.1	2,438.4
EBITDA (%)	16.7%	16.2%	21.9%	23.8%	Profit after Tax	2,503.3	2,843.9	4,842.3	5,648.0
PBIT (%)	14.5%	14.2%	19.8%	21.5%	Less: Investment Inc	(65.2)	(64.7)	(66.6)	(68.6)
PAT (%)	8.8%	8.4%	12.8%	13.9%	Interest Paid	374.0	478.9	152.7	167.1
Interest Cover (x)	11.0	10.1	48.9	52.2	Depreciation	642.4	679.4	813.0	913.0
EBITDA per share (Rs.)	5.9	6.9	10.4	12.1	Others	10.5	(283.0)	104.0	85.6
EPS (Rs.)	3.1	3.6	6.1	7.1	Change in Working Cap	(1,387.9)	808.1	(319.7)	(183.8)
P/E (x)	38.7	34.0	20.0	17.1	CF - Operating Activities	2,077.1	4,462.6	5,525.6	6,561.2
P/BV (x)	9.4	7.7	5.9	4.6	Change in Fixed Assets	(1,669.7)	(1,298.8)	(1,500.0)	(1,300.0)
BVPS (Rs.)	12.8	15.6	20.5	26.2	Change in Investments	(1,402.7)	(1,499.0)	(1,002.3)	(1,536.8)
Market Cap (Rs. Mn.)	96,800.0	96,800.0	96,800.0	96,800.0	Investment Income	65.2	64.7	66.6	68.6
EV (Rs. Mn.)	95,098.6	92,952.9	89,949.3	85,909.7	CF - Investing Activities	(3,007.2)	(2,733.1)	(2,435.6)	(2,768.2)
EV/EBITDA (x)	20.0	16.9	10.9	8.9	Increase in Equity	1,430.0	(42.9)	(0.0)	0.0
EV/Sales (x)	3.3	2.7	2.4	2.1	Changes in Borrowings	251.1	(326.3)	100.0	50.0
ROCE (%)	29.9%	30.8%	38.0%	36.0%	Interest Paid	(374.0)	(478.9)	(152.7)	(167.1)
RONW (%)	24.4%	22.7%	29.5%	27.0%	Dividend Paid	(374.4)	(561.0)	(936.0)	(1,123.2)
Debt/Equity Ratio (x)	0.34	0.25	0.20	0.16	CF - Financing Activities	932.7	(1,409.1)	(988.7)	(1,240.3)
Inventory T/o Days	73.2	47.2	47.0	47.0	Net Change in Cash	2.6	320.3	2,101.3	2,552.8
Debtors T/o Days	33.3	24.9	30.0	30.0	Closing Cash & Bank Bal	16.8	337.1	2,438.4	4,991.2
Advances T/o Days	5.8	4.2	5.0	5.0					
Creditors T/o Days	59.9	41.0	45.0	45.0					
Working Cap T/o Days	39.0	27.5	48.0	69.4					
Fixed Assets T/o (Gross)	2.6	2.7	2.7	2.7					
DPS (Rs.)	0.4	0.6	1.0	1.2					
Dividend Payout (%)	12.8%	16.9%	16.5%	17.0%					
Dividend Yield (%)	0.3%	0.5%	0.8%	1.0%					

Disclaimer

Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Exide Industries

- NO
NO
NO

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Parag Parikh Financial Services Ltd. (PPFAS). PPFAS is disseminated and available primarily electronically, and, in some cases, in printed form. Additional information on recommended securities is available on request.

PPFAS is a Stock Broker registered with Securities and Exchange Board of India Limited (SEBI) and so it is regulated by SEBI. This report is not and should not be construed as an investment advice to any client to acquire, subscribe, purchase, sell, dispose of, retain any securities or an offer to sell or the solicitation of an offer to purchase or subscribe for any investment or as an official endorsement of any investment.

If 'Buy', 'Sell', or 'Hold' recommendation is made in this report such recommendation or view or opinion expressed on investments in this report is not intended to constitute investment advice and should not be intended or treated as a substitute for necessary review or validation or any professional advice. The views expressed in this report are those of the analyst which are subject to change and do not represent to be an authority on the subject. PPFAS may or may not subscribe to any and/ or all the views expressed herein.

PPFAS makes best endeavour to ensure that the analyst(s) use current, reliable, comprehensive information and obtain such information from sources, which the analyst(s) believes to be reliable. However, such information has not been independently verified by PPFAS or the analyst(s).

The information, opinions and views contained within this report are based upon publicly available information and rates of taxation at the time of publication, which are subject to change from time to time without any prior notice. reports may be updated anytime without any prior notice to any and/ or all client(s).

PPFAS makes no guarantee, representation or warranty, express or implied; and accepts no responsibility or liability as to the accuracy or completeness or currentness of the information in this report.

Please note that past performance is not necessarily a guide to evaluate future performance.

PPFAS and its affiliates and their respective officers directors and employees may hold positions in any securities mentioned in this report (or in any related investment) and may from time to time add to or dispose of any such securities (or investment).

This report should be read and relied upon at the sole discretion and risk of the client.

The value of any investment made at your discretion based on this report or income therefrom may be affected by changes in economic, financial and/ or political factors and may go down as well as up and you may not get back the full or the expected amount invested. Some securities and/ or investments involve substantial risk and are not suitable for all investors.

This report is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied in whole or in part, for any purpose. Neither this report nor any copy of it may be taken or transmitted or distributed, directly or indirectly within India or into any other countries or to any resident thereof. The distribution of this report in other jurisdictions may be strictly restricted and/ or prohibited by law, and persons into whose possession this report comes should inform themselves about such restriction and/ or prohibition, and observe any such restrictions and/ or prohibition.

Neither PPFAS nor its affiliates or their directors, employees, agents or representatives, shall be responsible or liable in any manner, directly or indirectly, for views or opinions expressed in this report or the contents or any errors or discrepancies herein or for any decisions or actions taken in reliance on the report or inability to use or access our service or this report or for any loss or damages whether direct or indirect, incidental, special or consequential including without limitation loss of revenue or profits or any loss or damage that may arise from or in connection with the use of or reliance on this report or inability to use or access our service or this report.

Contact

Ridhim Thapar	Institutional Sales	ridhim@ppfas.com	91 22 2284 6555 Extn 312
Anuj Anandwala	Analyst - Investment Research	anuj@ppfas.com	91 22 2284 6555 Extn 320

Now access PPFAS Reports on Bloomberg

<PPFS> <Go>

Parag Parikh Financial Advisory Services Limited

130/132, Great Western Building, 1st Floor, S. B. Marg, Near Lion Gate, Fort, Mumbai - 400 001.

Tel : 91-22-2284 6555 Fax : 91-22-2284 6553, e-mail : researchcall@ppfas.com

www.ppfas.com