

Exide Industries Limited

CMP Rs. 106.90
HOLD

Result Update
Q2FY10

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Improving OE and Replacement Sales to sustain the growth momentum

Exide Industries Ltd. (EIL) has clocked a 92% Y-Y bottom line growth to Rs. 1,497Mn for Q2FY10 v/s Rs. 778.4Mn for Q2FY09, on the back of falling raw material costs. The company's top line growth was flat at 5.5% Y-Y to Rs. 9,503Mn (Rs. 9,004Mn), which came ahead of our expectations. Improving growth in OE and Replacement sales aided EIL's Auto Battery segment in clocking better growth during the quarter, this was also supported by the robust growth in its Industrial Battery segment.

The strong growth in profits was attributed to a 1,142bps fall in raw material to sales ratio owing to a huge decline in lead prices and an exchange gain of Rs. 20.4Mn for Q210 as against a loss of Rs. 29.7Mn for Q209. The fall in raw material costs pulled up the operating margins to 26% for Q210 v/s 16.5% for the corresponding previous quarter.

Other Highlights:

- Operating Profit was up by 66.5% to Rs. 2,471Mn for Q210 v/s Rs. 1,484Mn for Q209
- Margin Increase was also on account of lower imports and growing backward integration, i.e., captive sourcing of lead and lead alloys from Tandon Metals and Leadage Alloys India which EIL has acquired during the year
- This acquisition will augment availability of indigenous raw materials and also facilitate the company in recycling scrap batteries
- Further on, Exide plans to increase its Automotive and Industrial battery capacity by 50%, at an investment of Rs. 4,500-5,000Mn over the next 10-12months.

Outlook and Valuation:

The unprecedented growth reported in the past, huge upcoming capex signaling volume growth in the business and focus on new products catering to different industries will ensure improved performance by the company. The backward integration and expansion will also support the growth in business.

We upgrade our EPS estimates of Exide to Rs. 5.5/- (earlier Rs. 4.4/-) and to Rs. 6.2/- (earlier Rs. 5.3/-) for FY10E and FY11E respectively. At the CMP of Rs. 106.9/-, the stock is trading at 17.3x FY11E earnings (net of insurance value). We recommend HOLD on the scrip with a SOTP based revised target price of Rs. 126.8/- (19x FY11E earnings + Rs. 9.3/- value of Exide's investment in ING Vysya Life Insurance).

Summary Financials	FY08	FY09	FY10E	FY11E
Net Revenues (Rs. Mn)	28,449.3	33,930.2	38,709.2	41,126.5
- Growth (%)	52.1%	19.3%	14.1%	6.2%
PAT (Rs. Mn)	2,503.3	2,843.9	4,402.6	4,948.2
- Growth (%)	61.3%	13.6%	54.8%	12.4%
OPM (%)	16.5%	16.1%	20.5%	21.4%
PAT (%)	8.8%	8.4%	11.4%	12.0%
EPS (Rs.)	3.1	3.6	5.5	6.2
P/E (x)	34.2	30.1	19.4	17.3
ROCE (%)	29.9%	30.8%	38.6%	36.2%
RONW (%)	24.4%	22.7%	27.6%	25.0%
DER (x)	0.34	0.25	0.16	0.11
Dividend Yield (%)	0.4%	0.6%	0.9%	1.1%

Exide: Quarterly Financials

Earnings Statement								
Particulars (Rs. Mn)	Q210	Q110	Q-Q(%)	Q209	Y-Y(%)	H110	H109	Y-Y(%)
Gross Sales	11,360.1	10,842.6	4.8%	11,347.5	0.1%	22,202.7	22,697.2	-2.2%
Less: ED, VAT, ST & Octroi	1,857.0	1,811.5	2.5%	2,343.1	-20.7%	3,668.5	4,627.5	-20.7%
Net Revenues	9,503.1	9,031.1	5.2%	9,004.4	5.5%	18,534.2	18,069.7	2.6%
Other Operating Income	3.9	3.5	11.4%	3.9	0.0%	7.4	3.9	89.7%
Raw Material Cost	5,214.5	5,256.3	-0.8%	5,969.3	-12.6%	10,470.8	12,153.5	-13.8%
Gross Profit	4,292.5	3,778.3	13.6%	3,039.0	41.2%	8,070.8	5,920.1	36.3%
Staff Cost	591.5	537.0	10.1%	421.2	40.4%	1,128.5	817.4	38.1%
Other Expenditure	1,229.9	1,146.8	7.2%	1,133.9	8.5%	2,376.7	2,119.8	12.1%
Total Expenditure	1,821.4	1,683.8	8.2%	1,555.1	17.1%	3,505.2	2,937.2	19.3%
Operating Profit	2,471.1	2,094.5	18.0%	1,483.9	66.5%	4,565.6	2,982.9	53.1%
Other Income	11.4	8.9	28.1%	0.0	-	20.3	23.5	-13.6%
EBITDA	2,482.5	2,103.4	18.0%	1,483.9	67.3%	4,585.9	3,006.4	52.5%
Depreciation	221.5	188.2	17.7%	169.4	30.8%	409.7	331.8	23.5%
EBIT	2,261.0	1,915.2	18.1%	1,314.5	72.0%	4,176.2	2,674.6	56.1%
Interest	44.0	4.0	1000.0%	133.6	-67.1%	48.0	241.7	-80.1%
PBT	2,217.0	1,911.2	16.0%	1,180.9	87.7%	4,128.2	2,432.9	69.7%
Tax	720.3	687.2	4.8%	402.5	79.0%	1,407.5	832.5	69.1%
PAT	1,496.7	1,224.0	22.3%	778.4	92.3%	2,720.7	1,600.4	70.0%
Equity Capital	800.0	800.0	-	800.0	-	800.0	800.0	-
EPS	1.9	1.5	22.3%	1.0	92.3%	3.4	2.0	70.0%
Ratio Analysis								
Profitability								
Particulars	Q210	Q110	Q-Q(bps)	Q209	Y-Y(bps)	H110	H109	Y-Y(bps)
OPM (%)	26.0%	23.2%	281.1	16.5%	952.3	24.6%	16.5%	812.6
EBITDA (%)	26.1%	23.3%	283.2	16.5%	964.3	24.7%	16.6%	810.5
EBIT (%)	23.8%	21.2%	258.6	14.6%	919.4	22.5%	14.8%	773.1
PAT (%)	15.7%	13.6%	219.6	8.6%	710.5	14.7%	8.9%	582.3
Operational Parameters								
Particulars	Q210	Q110	Q-Q(bps)	Q209	Y-Y(bps)	H110	H109	Y-Y(bps)
Raw Material Cost	54.9%	58.2%	(333.1)	66.3%	(1,142.2)	56.5%	67.3%	(1,076.5)
Staff Cost	6.2%	5.9%	27.8	4.7%	154.7	6.1%	4.5%	156.5
Other Expenditure	12.9%	12.7%	24.4	12.6%	34.9	12.8%	11.7%	109.2
Effective Tax Rate	32.5%	36.0%	(346.7)	34.1%	(159.4)	34.1%	34.2%	(12.4)

Disclaimer

Disclosure of Interest Statement

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

Exide

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NO

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