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| <p>Exide Industries Limited</p> | <p>CMP Rs. 60.0 BUY</p> | <p>Result Update Q4FY09</p> |
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Tax Provision restrains bottom-line growth!

Exide Industries Ltd. (EIL) has reported a flat top-line growth of 1% for Q409. Net Revenues for the company stood at Rs. 7,983Mn v/s Rs. 7,913Mn for Q408. However, the operating profit margins (OPM) for the quarter have improved by 206 bps to 16.8% from 14.7% for the corresponding quarter last year. This rise was mainly due to the lower lead prices on the London Metal Exchange (LME). During the quarter average lead prices were at US\$ 1,160 per tonne, 60% lower Y-o-Y. Lead being the major raw material for EIL and most of this is imported by the company, the softening of lead prices in the international market, to some extent, has been neutralized by the sharp depreciation of Rupee against the Dollar.

EBITDA for the quarter ended Mar'09 stood at Rs. 1,341Mn as against Rs. 1,168Mn for the quarter ended Mar'08, an increase of 15%. This would have been higher but for a forex exchange loss of Rs. 147Mn relating to raw material import costs. Due to an offset by inventory losses EIL's margins had not expanded in the previous quarters despite a decline in lead prices, thereby having a neutral effect on full year margins. Going ahead we feel that the stabilizing lead prices will improve the long-expected margin expansion.

For the year ended March 2009, Exide has reported a 19% growth in net sales to Rs. 33,930Mn from Rs. 28,449Mn for the year ended March 2008, mainly driven by the volume growth in replacement segment. The margins for full year were more or less stable due to the neutralizing effect of reducing raw material prices and depreciating rupee.

Interest cost for EIL has risen by 28% to Rs. 479Mn for FY09 as compared to Rs. 374Mn for FY08. This includes a foreign exchange loss of Rs. 137.2Mn for FY09 as against a foreign exchange gain of Rs. 40.2Mn for FY08. Bottom-line for year ended Mar'09 has been restrained by a sharp rise of 22% in provision for tax to Rs. 1,510Mn from Rs. 1,240Mn for the year ended Mar'08, (effective tax rate increasing to 34.7% from 33%). With a surge in taxation, PAT for the company stood 13.6% higher at Rs. 2,844Mn for FY09 v/s Rs. 2,503Mn for FY08.

Exide Industries had recently acquired two lead smelting plants (Tandon Metals and Leadage Alloys) which now contribute 28% of total lead requirement for the company. This captive sourcing of lead and lead alloys will have a positive impact on the company's overall margins. At CMP of Rs. 60/- the stock is trading at 14.5x FY10E earnings of Rs. 4.1/- (net of insurance value). Maintain BUY on the stock with a target price of Rs. 72.6/- (16x FY10E earnings and Rs. 6.3/- value of investment in ING Vysya Life Insurance).

Exide : Quarterly Financials

| Earnings Statement | | | | | | | | |
|----------------------------|---------|---------|----------|----------|----------|----------|----------|----------|
| Particulars (Rs. Mn) | Q409 | Q309 | Q-Q(%) | Q408 | Y-Y(%) | FY09 | FY08 | Y-Y(%) |
| Gross Sales | 9,752.8 | 9,883.5 | -1.3% | 10,078.4 | -3.2% | 42,333.5 | 36,041.6 | 17.5% |
| Less: ED, VAT, ST & Octroi | 1,769.4 | 2,006.4 | -11.8% | 2,165.0 | -18.3% | 8,403.3 | 7,592.3 | 10.7% |
| Net Revenues | 7,983.4 | 7,877.1 | 1.3% | 7,913.4 | 0.9% | 33,930.2 | 28,449.3 | 19.3% |
| Other Operating Income | 11.6 | 9.4 | 23.4% | 42.5 | -72.7% | 24.9 | 48.8 | -49.0% |
| Raw Material Cost | 5,082.2 | 5,247.9 | -3.2% | 5,422.9 | -6.3% | 22,483.6 | 18,740.8 | 20.0% |
| Gross Profit | 2,912.8 | 2,638.6 | 10.4% | 2,533.0 | 15.0% | 11,471.5 | 9,757.3 | 17.6% |
| Staff Cost | 436.1 | 455.5 | -4.3% | 344.6 | 26.6% | 1,709.0 | 1,505.7 | 13.5% |
| Other Expenditure | 1,135.9 | 1,034.4 | 9.8% | 1,022.7 | 11.1% | 4,290.1 | 3,507.3 | 22.3% |
| Total Expenditure | 1,572.0 | 1,489.9 | 5.5% | 1,367.3 | 15.0% | 5,999.1 | 5,013.0 | 19.7% |
| Operating Profit | 1,340.8 | 1,148.7 | 16.7% | 1,165.7 | 15.0% | 5,472.4 | 4,744.3 | 15.3% |
| Other Income | 16.3 | 0.0 | - | 7.7 | - | 39.8 | 15.3 | 160.1% |
| EBITDA | 1,357.1 | 1,148.7 | 18.1% | 1,173.4 | 15.7% | 5,512.2 | 4,759.6 | 15.8% |
| Depreciation | 178.9 | 168.7 | 6.0% | 156.1 | 14.6% | 679.4 | 642.3 | 5.8% |
| EBIT | 1,178.2 | 980.0 | 20.2% | 1,017.3 | 15.8% | 4,832.8 | 4,117.3 | 17.4% |
| Interest | 113.7 | 123.5 | -7.9% | 126.1 | -9.8% | 478.9 | 374.0 | 28.0% |
| PBT | 1,064.5 | 856.5 | 24.3% | 891.2 | 19.4% | 4,353.9 | 3,743.3 | 16.3% |
| Tax | 382.5 | 295.0 | 29.7% | 263.0 | 45.4% | 1,510.0 | 1,240.0 | 21.8% |
| PAT | 682.0 | 561.5 | 21.5% | 628.2 | 8.6% | 2,843.9 | 2,503.3 | 13.6% |
| Equity Capital | 800.0 | 800.0 | - | 800.0 | - | 800.0 | 800.0 | - |
| EPS | 0.9 | 0.7 | 21.5% | 0.8 | 8.6% | 3.6 | 3.1 | 13.6% |
| Ratio Analysis | | | | | | | | |
| Profitability | | | | | | | | |
| Particulars | Q409 | Q309 | Q-Q(bps) | Q408 | Y-Y(bps) | FY09 | FY08 | Y-Y(bps) |
| OPM (%) | 16.8% | 14.6% | 221.2 | 14.7% | 206.4 | 16.1% | 16.7% | (54.8) |
| EBITDA (%) | 17.0% | 14.6% | 241.6 | 14.8% | 217.1 | 16.2% | 16.7% | (48.4) |
| EBIT (%) | 14.8% | 12.4% | 231.7 | 12.9% | 190.3 | 14.2% | 14.5% | (22.9) |
| PAT (%) | 8.5% | 7.1% | 141.4 | 7.9% | 60.4 | 8.4% | 8.8% | (41.8) |
| Operational Parameters | | | | | | | | |
| Particulars | Q409 | Q309 | Q-Q(bps) | Q408 | Y-Y(bps) | FY09 | FY08 | Y-Y(bps) |
| Raw Material Cost | 63.7% | 66.6% | (296.3) | 68.5% | (486.8) | 66.3% | 65.9% | 39.0 |
| Staff Cost | 5.5% | 5.8% | (32.0) | 4.4% | 110.8 | 5.0% | 5.3% | (25.6) |
| Other Expenditure | 14.2% | 13.1% | 109.7 | 12.9% | 130.5 | 12.6% | 12.3% | 31.6 |
| Effective Tax Rate | 35.9% | 34.4% | 149.0 | 29.5% | 642.2 | 34.7% | 33.1% | 155.6 |

Exide : Financials

| Earnings Statement | | | | | | | |
|--------------------------|----------|----------|----------|----------|----------|----------|----------|
| Particulars (Rs. Mn) | FY04 | FY05 | FY06 | FY07 | FY08 | FY09A | FY10E |
| Gross Sales | 12,035.2 | 14,828.5 | 17,610.8 | 23,826.8 | 36,059.7 | 42,333.5 | 46,594.6 |
| Less: Excise Duty | 2,415.6 | 2,986.7 | 3,817.8 | 5,123.6 | 7,610.3 | 8,403.3 | 9,365.5 |
| Net Revenues | 9,619.7 | 11,841.8 | 13,793.0 | 18,703.2 | 28,449.3 | 33,930.2 | 37,229.1 |
| - Growth (%) | 9.5% | 23.1% | 16.5% | 35.6% | 52.1% | 19.3% | 9.7% |
| Total Expenditure | 7,817.5 | 10,073.5 | 11,568.2 | 15,625.8 | 23,754.2 | 28,482.7 | 31,100.8 |
| Operating Profit | 1,802.2 | 1,768.4 | 2,224.8 | 3,077.4 | 4,695.1 | 5,447.5 | 6,128.3 |
| Other Income | 19.8 | 19.8 | 64.9 | 93.7 | 64.5 | 64.7 | 71.2 |
| EBITDA | 1,822.0 | 1,788.1 | 2,289.6 | 3,171.1 | 4,759.6 | 5,512.2 | 6,199.5 |
| - Growth (%) | 12.7% | -1.9% | 28.0% | 38.5% | 50.1% | 15.8% | 12.5% |
| Depreciation | 544.8 | 538.6 | 548.0 | 542.0 | 642.4 | 679.4 | 756.7 |
| EBIT | 1,277.2 | 1,249.6 | 1,741.7 | 2,629.2 | 4,117.3 | 4,832.8 | 5,442.8 |
| Interest | 84.7 | 114.7 | 224.4 | 277.1 | 374.0 | 478.9 | 464.1 |
| Exceptional Items | 91.5 | 17.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PBT | 1,101.1 | 1,117.9 | 1,517.3 | 2,352.1 | 3,743.3 | 4,353.9 | 4,978.7 |
| Tax | 372.5 | 372.5 | 510.0 | 800.0 | 1,240.0 | 1,510.0 | 1,660.5 |
| PAT | 728.6 | 745.4 | 1,007.3 | 1,552.1 | 2,503.3 | 2,843.9 | 3,318.2 |
| - Growth (%) | 39.2% | 2.3% | 35.1% | 54.1% | 61.3% | 13.6% | 16.7% |
| Ratio Analysis | | | | | | | |
| Particulars | FY04 | FY05 | FY06 | FY07 | FY08 | FY09E | FY10E |
| OPM (%) | 18.7% | 14.9% | 16.1% | 16.5% | 16.5% | 16.1% | 16.5% |
| EBITDA (%) | 18.9% | 15.1% | 16.6% | 17.0% | 16.7% | 16.2% | 16.7% |
| PBIT (%) | 13.3% | 10.6% | 12.6% | 14.1% | 14.5% | 14.2% | 14.6% |
| PAT (%) | 7.6% | 6.3% | 7.3% | 8.3% | 8.8% | 8.4% | 8.9% |
| Interest Cover (x) | 15.1 | 10.9 | 7.8 | 9.5 | 11.0 | 10.1 | 11.7 |
| EBITDA per share (Rs.) | 2.6 | 2.4 | 3.1 | 4.2 | 5.9 | 6.9 | 7.7 |
| EPS (Rs.) | 1.0 | 1.0 | 1.3 | 2.1 | 3.1 | 3.6 | 4.1 |
| P/E (x) | 58.8 | 60.5 | 44.8 | 29.1 | 19.2 | 16.9 | 14.5 |
| P/BV (x) | 10.8 | 9.3 | 8.1 | 6.7 | 4.7 | 3.8 | 3.2 |
| BVPS (Rs.) | 5.6 | 6.5 | 7.4 | 8.9 | 12.8 | 15.7 | 18.9 |
| Market Cap (Rs. Mn.) | 42,839.2 | 45,112.5 | 45,112.5 | 45,112.5 | 48,120.0 | 48,120.0 | 48,120.0 |
| M Cap/Sales (x) | 4.5 | 3.8 | 3.3 | 2.4 | 1.7 | 1.4 | 1.3 |
| EV (Rs. Mn.) | 44,617.7 | 46,536.4 | 45,052.0 | 44,565.2 | 46,418.6 | 46,489.1 | 45,960.2 |
| EV/EBITDA (x) | 24.5 | 26.0 | 19.7 | 14.1 | 9.8 | 8.4 | 7.4 |
| EV/Sales (x) | 4.6 | 3.9 | 3.3 | 2.4 | 1.6 | 1.4 | 1.2 |
| ROCE (%) | 21.4% | 16.1% | 20.6% | 26.4% | 29.9% | 29.6% | 29.1% |
| RONW (%) | 18.4% | 15.4% | 18.2% | 23.1% | 24.4% | 22.7% | 22.0% |
| Debt/Equity Ratio (x) | 0.50 | 0.60 | 0.52 | 0.48 | 0.34 | 0.30 | 0.24 |
| Inventory T/o Days | 80.6 | 70.1 | 64.0 | 77.4 | 73.2 | 73.0 | 75.0 |
| Debtors T/o Days | 50.2 | 50.7 | 40.4 | 29.0 | 33.3 | 35.0 | 37.0 |
| Advances T/o Days | 7.4 | 9.3 | 7.6 | 5.6 | 5.8 | 6.0 | 6.5 |
| Creditors T/o Days | 64.9 | 52.4 | 57.9 | 63.1 | 59.9 | 57.0 | 55.0 |
| Working Cap T/o Days | 59.1 | 73.4 | 42.1 | 32.2 | 39.0 | 50.2 | 64.7 |
| Fixed Assets T/o (Gross) | 1.2 | 1.4 | 1.6 | 2.0 | 2.6 | 2.8 | 2.8 |
| DPS (Rs.) | 0.4 | 0.3 | 0.3 | 0.4 | 0.4 | 0.6 | 0.8 |
| Dividend Payout (%) | 39.1% | 25.2% | 22.3% | 16.9% | 12.8% | 16.9% | 19.3% |
| Dividend Yield (%) | 0.7% | 0.4% | 0.5% | 0.6% | 0.7% | 1.0% | 1.3% |

Exide : Financials

| Balance Sheet | | | | | | | |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Particulars (Rs. Mn) | FY04 | FY05 | FY06 | FY07 | FY08 | FY09E | FY10E |
| Equity Capital | 712.2 | 750.0 | 750.0 | 750.0 | 800.0 | 800.0 | 800.0 |
| Reserves | 3,253.4 | 4,100.6 | 4,789.4 | 5,954.7 | 9,463.5 | 11,745.8 | 14,315.3 |
| Shareholders Funds | 3,965.6 | 4,850.6 | 5,539.4 | 6,704.7 | 10,263.5 | 12,545.8 | 15,115.3 |
| Borrowed Funds | 1,989.6 | 2,901.9 | 2,898.6 | 3,247.0 | 3,498.1 | 3,762.6 | 3,562.6 |
| Deferred Tax Liability | 575.0 | 587.0 | 511.0 | 446.5 | 479.0 | 479.0 | 481.5 |
| Total Liabilities | 6,530.2 | 8,339.5 | 8,949.0 | 10,398.2 | 14,240.6 | 16,787.4 | 19,159.4 |
| Fixed Assets | 4,775.0 | 4,842.5 | 4,574.5 | 4,968.4 | 6,017.7 | 6,938.3 | 7,381.7 |
| Investments | 198.7 | 1,116.2 | 2,785.3 | 3,780.1 | 5,182.8 | 5,182.8 | 5,182.8 |
| Current Assets | | | | | | | |
| Inventory | 2,123.3 | 2,275.8 | 2,417.2 | 3,966.1 | 5,707.4 | 6,786.0 | 7,649.8 |
| Sundry Debtors | 1,323.5 | 1,643.6 | 1,528.4 | 1,483.9 | 2,592.1 | 3,253.6 | 3,773.9 |
| Loans & Advances | 196.1 | 302.7 | 285.6 | 287.9 | 448.4 | 557.8 | 663.0 |
| Cash & Bank Balance | 12.6 | 361.9 | 173.7 | 14.2 | 16.8 | 210.8 | 539.6 |
| Current Liabilities | | | | | | | |
| Sundry Creditors | 1,711.6 | 1,701.1 | 2,186.3 | 3,231.2 | 4,670.7 | 5,298.7 | 5,609.9 |
| Provisions | 387.3 | 502.1 | 629.5 | 871.2 | 1,053.9 | 843.1 | 421.6 |
| Net Current Assets | 1,556.6 | 2,380.9 | 1,589.1 | 1,649.7 | 3,040.2 | 4,666.3 | 6,594.9 |
| Total Assets | 6,530.2 | 8,339.5 | 8,949.0 | 10,398.2 | 14,240.6 | 16,787.4 | 19,159.4 |
| Cash Flow | | | | | | | |
| Particulars (Rs. Mn) | FY04 | FY05 | FY06 | FY07 | FY08 | FY09E | FY10E |
| Opening Cash & Bank | 26.6 | 12.6 | 361.9 | 173.7 | 14.2 | 16.8 | 210.8 |
| Profit after Tax | 728.6 | 745.4 | 1,007.3 | 1,552.1 | 2,503.3 | 2,843.9 | 3,318.2 |
| Less: Investment Inc | (19.8) | (19.8) | (64.9) | (93.7) | (64.5) | (64.7) | (71.2) |
| Interest Paid | 84.7 | 114.7 | 224.4 | 277.1 | 374.0 | 478.9 | 464.1 |
| Depreciation | 544.8 | 538.6 | 548.0 | 542.0 | 642.4 | 679.4 | 756.7 |
| Others | (21.3) | (60.8) | (82.2) | (122.9) | 10.5 | 0.0 | 2.5 |
| Change in Working Cap | 489.0 | (475.0) | 603.6 | (220.1) | (1,387.9) | (1,432.2) | (1,599.7) |
| CF - Operating Activities | 1,805.9 | 843.1 | 2,236.1 | 1,934.4 | 2,077.8 | 2,505.3 | 2,870.6 |
| Change in Fixed Assets | (521.6) | (533.3) | (273.8) | (877.4) | (1,669.7) | (1,600.0) | (1,200.0) |
| Change in Investments | (8.4) | (917.5) | (1,669.2) | (994.8) | (1,402.7) | 0.0 | 0.0 |
| Investment Income | 19.8 | 19.8 | 64.9 | 93.7 | 64.5 | 64.7 | 71.2 |
| CF - Investing Activities | (510.2) | (1,431.0) | (1,878.1) | (1,778.5) | (3,007.8) | (1,535.3) | (1,128.8) |
| Increase in Equity | (76.6) | 354.2 | (61.9) | (79.7) | 1,430.0 | 0.0 | 0.0 |
| Changes in Borrowings | (827.0) | 912.3 | (3.4) | 348.4 | 251.1 | 264.5 | (200.0) |
| Interest Paid | (84.7) | (114.7) | (224.4) | (277.1) | (374.0) | (478.9) | (464.1) |
| Dividend Paid | (321.4) | (214.5) | (256.6) | (307.1) | (374.4) | (561.6) | (748.8) |
| CF - Financing Activities | (1,309.7) | 937.3 | (546.2) | (315.5) | 932.7 | (776.0) | (1,412.9) |
| Net Change in Cash | (14.0) | 349.4 | (188.2) | (159.6) | 2.6 | 194.0 | 328.9 |
| Closing Cash & Bank Bal | 12.6 | 361.9 | 173.7 | 14.2 | 16.8 | 210.8 | 539.6 |

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Disclosure of Interest Statement

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

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NO
NO

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