

Decent performance in tough times

- Exide posted better than expected numbers in a Covid impacted quarter led by improvement in automotive replacement demand and traction in UPS batteries. Revenue grew 60% YoY to Rs 24.86bn on a low base. EBITDA stood at Rs 2.6bn (+76% YoY) with margin of 10.5% (+89bps YoY), fall in gross margin and negative operating leverage was partially offset by cost control measures.
- Our channel checks indicate demand is strong with a shortage of supply across segments post Covid lockdown restriction subsides. We expect demand to improve from 2Q post vaccination drive.
- The key near to medium term tailwinds for Exide include – 1) recovery in demand for Automotive both replacement and OEMs 2) gaining market share from unorganized players due to strong brand loyalty; 3) strong inverter segment demand due to the continuation of work from home and online school situation.
- Exide continue to dominate in lead batteries segment due to its core strengths including a strong dealer network (~48k direct plus indirect dealers), diverse geographic footprint with deep presence in rural market, manufacturing units spread across regions and digital marketing engagement.
- Life insurance business saw a difficult quarter, PBT of life insurance business registered a loss of Rs 909mn in Q1FY22 vs loss of Rs 443 mn in Q1FY21.
- Recently Exide has taken 2-3% price hikes in the Auto and inverter segments to offset the rise in RM prices. Moreover, better than expected demand recovery in OEMs, Industrial and Export segments shall also benefit bottom-line.
- We trim our EPS estimates by 7/5% for FY22/23E, factoring higher RM cost. We maintain BUY with SOTP-based TP of Rs 214. (17x FY23E EPS + 1x Inv. (Rs 22) for insurance business).

Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	24,864	15,476	60.7	29,388	(15.4)
Total Expense	22,258	13,992	59.1	25,265	(11.9)
EBITDA	2,606	1,485	75.5	4,123	(36.8)
Depreciation	1,009	914	10.4	974	3.6
EBIT	1,597	571	179.7	3,149	(49.3)
Other Income	152	70	115.2	235	(35.6)
Interest	109	14	674.5	85	28.6
EBT	1,640	627	161.4	3,300	(50.3)
Tax	385	188	105.2	859	(55.1)
RPAT	1,254	440	185.4	2,441	(48.6)
APAT	1,254	440	185.4	2,441	(48.6)
			(bps)		(bps)
Gross Margin (%)	31.5	31.2	23	34.3	(284)
EBITDA Margin (%)	10.5	9.6	89	14.0	(355)
NPM (%)	5.0	2.8	220	8.3	(326)
Tax Rate (%)	23.5	29.9	(644)	26.0	(252)
EBIT Margin (%)	6.4	3.7	273	10.7	(429)

CMP	Rs 179		
Target / Upside	Rs 214 / 20%		
NIFTY	15,763		
Scrip Details			
Equity / FV	Rs 850mn / Rs 1		
Market Cap	Rs 152bn		
	USD 2bn		
52-week High/Low	Rs 219/ 153		
Avg. Volume (no)	26,06,190		
Bloom Code	EXID IN		
Price Performance			
1M	3M	12M	
Absolute (%)	(2)	0	15
Rel to NIFTY (%)	(2)	(8)	(25)

Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	46.0	46.0	46.0
MF/Banks/FIs	27.3	29.4	28.0
FIs	11.0	12.6	12.4
Public / Others	15.8	12.1	13.6

Valuation (x)

	FY21A	FY22E	FY23E
P/E	20.0	18.4	15.8
EV/EBITDA	10.5	9.6	8.1
ROE (%)	11.5	11.5	12.3
RoACE (%)	11.7	11.5	12.3

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	1,00,408	1,11,789	1,22,480
EBITDA	13,556	14,594	16,840
PAT	7,583	8,239	9,587
EPS (Rs.)	8.9	9.7	11.3

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Recovery is visible in OEM & Replacement market

Our channel checks indicate that the current demand is strong across the region as lockdown restriction subsides. We expect demand scenario to improve in both Automotive and Industrial division from 2Q with pickup in economic activities. The aftermarket to witness strong pent up with easing of logistics movement and preference of personal mobility.

Inverter battery sales remain strong due to the ongoing work from home situation. Demand for other industrial batteries like solar and telecom segments continue to be strong.

Price increase to offset RM cost pressure

EXIDE has recently taken 2-3% price hikes in Auto and inverter segments to offset the rise in RM prices and demand-supply mismatch. The company has rolled back most of the additional offers/schemes to end users. The unorganized players are getting squeezed out of the market due to 1) inability to cater to the new launches by the OEMs which come with advanced fitments and upgraded technology and 2) challenging to source lead (key raw material), as there is no inventory of used batteries in the market, which is positively impacting the organized companies. We expect a surge in demand as channel inventory is lower than the same period last year.

Focus on Lithium Ion Batteries

Exide has increased its stake in its subsidiary Exide Leclanche Energy Pvt Ltd from 77.87% to 80.15% to satisfy the funding requirement towards capital expenditure projects. The JV to build lithium-ion batteries and energy storage solutions with module and battery pack assembly to help Exide target e-transport (fleet vehicles, e-buses, and e-rickshaws) and battery energy storage solutions for industrial applications. This should address concerns about its readiness to tap opportunity as the mobility landscape changes.

Actual vs DART Estimates

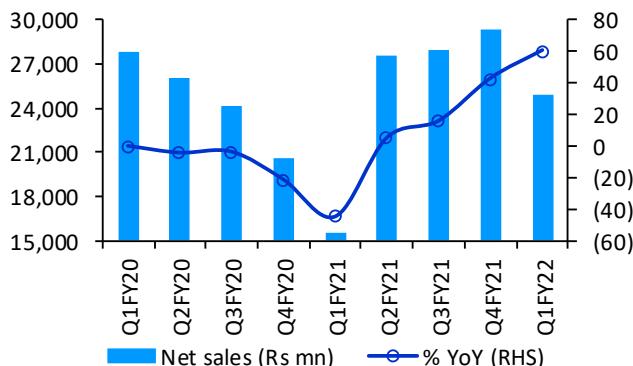
Particulars (Rs mn)	Actual	DART Est	Var (%)	Remarks
Sales	24,864	20,552	21	Better revenue mix
EBIDTA	2,606	2,364	10	
EBIDTA Margin (%)	10.5	11.5	(102) bps	
APAT	1,254	1,102	14	Lowe tax rate

Source: DART, Company

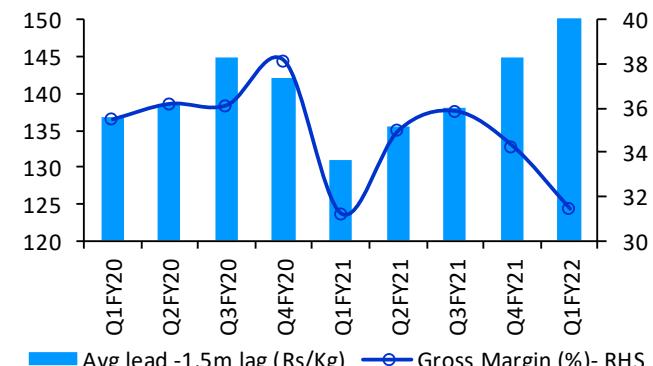
Exhibit 1: Change in Estimates

(Rs mn)	FY22E			FY23E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	1,11,789	1,11,789	0.0	1,22,480	1,22,480	0.0
EBITDA	14,594	15,439	(5.5)	16,840	17,513	(3.8)
EBITDA Margin (%)	13.1	13.8	(76)	13.7	14.3	(55)
PAT	8,239	8,869	(7.1)	9,587	10,088	(5.0)
EPS (Rs)	9.69	10.43	(7.1)	11.28	11.87	(5.0)

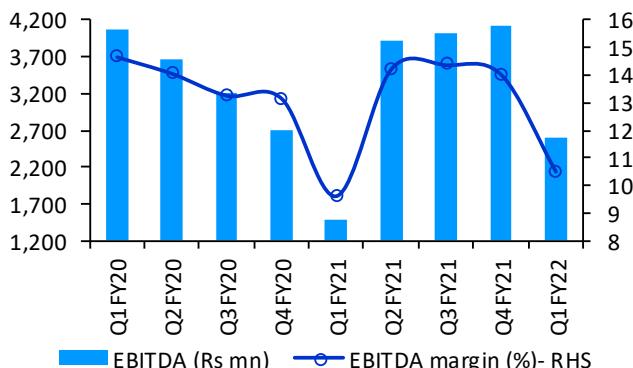
Source: DART, Company

Exhibit 2: Revenue de- grew QoQ


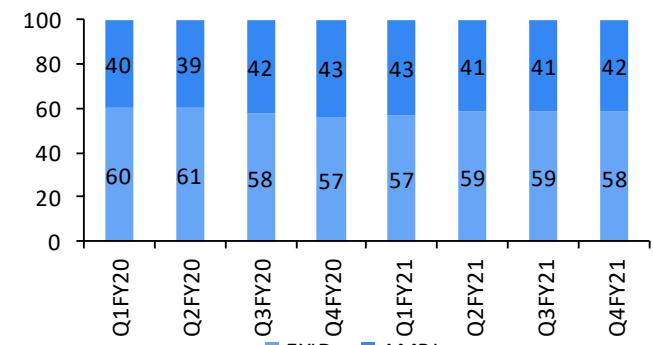
Source: Company, DART

Exhibit 3: GM contracted QoQ


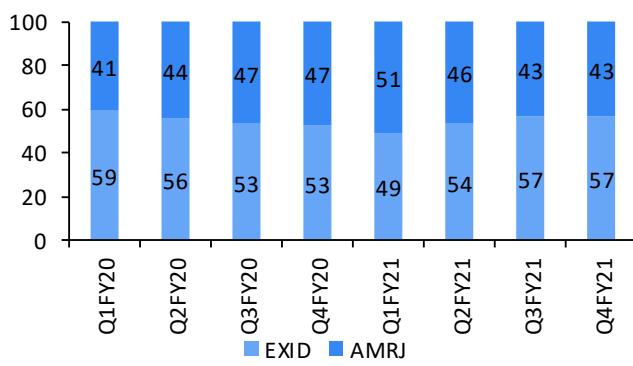
Source: Company, DART

Exhibit 4: EBITDA margin contracted QoQ


Source: Company, DART

Exhibit 5: Exide vs AMRJ Industry Revenue share* (%)


Source: Company, DART, *Industry revenue = (AMRJ+ Exide Revenue)

Exhibit 6: Exide vs AMRJ Industry EBITDA share* (%)


Source: Company, DART, * Company, DART, *Industry EBITDA= (AMRJ+ Exide REBITDA)

Exhibit 7: P/E Band at near historical low (1 yr fwd PE)


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	98,567	1,00,408	1,11,789	1,22,480
Total Expense	84,917	86,853	97,195	1,05,641
COGS	62,664	65,795	72,947	79,645
Employees Cost	6,664	7,215	7,720	8,183
Other expenses	15,589	13,842	16,527	17,813
EBIDTA	13,650	13,556	14,594	16,840
Depreciation	3,626	3,794	3,975	4,412
EBIT	10,024	9,762	10,619	12,428
Interest	94	238	80	80
Other Income	639	654	520	520
Exc. / E.O. items	(218)	0	0	0
EBT	10,351	10,179	11,059	12,868
Tax	2,097	2,596	2,820	3,281
RPAT	8,254	7,583	8,239	9,587
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	8,472	7,583	8,239	9,587

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	850	850	850	850
Minority Interest	0	0	0	0
Reserves & Surplus	62,111	68,085	73,420	80,499
Net Worth	62,961	68,935	74,270	81,349
Total Debt	0	0	0	0
Net Deferred Tax Liability	1,019	771	771	771
Total Capital Employed	63,980	69,706	75,040	82,119

Applications of Funds

Net Block	23,736	26,716	25,462	25,050
CWIP	2,969	2,008	2,508	2,608
Investments	20,521	21,761	23,761	25,761
Current Assets, Loans & Advances	35,197	45,804	47,136	53,925
Inventories	21,923	23,462	21,439	23,489
Receivables	8,154	8,874	10,719	11,745
Cash and Bank Balances	1,733	9,739	11,247	14,960
Loans and Advances	0	0	0	0
Other Current Assets	3,387	3,730	3,731	3,731
Less: Current Liabilities & Provisions	18,443	26,583	23,827	25,225
Payables	10,361	16,483	12,391	13,529
Other Current Liabilities	8,083	10,101	11,436	11,696
<i>sub total</i>				
Net Current Assets	16,754	19,221	23,309	28,700
Total Assets	63,980	69,706	75,040	82,119

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	36.4	34.5	34.7	35.0
EBIDTA Margin	13.8	13.5	13.1	13.7
EBIT Margin	10.2	9.7	9.5	10.1
Tax rate	20.3	25.5	25.5	25.5
Net Profit Margin	8.4	7.6	7.4	7.8
(B) As Percentage of Net Sales (%)				
COGS	63.6	65.5	65.3	65.0
Employee	6.8	7.2	6.9	6.7
Other	15.8	13.8	14.8	14.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	106.6	41.1	132.7	155.3
Inventory days	81	85	70	70
Debtors days	30	32	35	35
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	38	60	40	40
Working Capital days	62	70	76	86
FA T/O	4.2	3.8	4.4	4.9
(D) Measures of Investment				
AEPS (Rs)	10.0	8.9	9.7	11.3
CEPS (Rs)	14.2	13.4	14.4	16.5
DPS (Rs)	4.1	2.0	2.5	2.5
Dividend Payout (%)	41.1	22.4	25.8	22.2
BVPS (Rs)	74.1	81.1	87.4	95.7
RoANW (%)	13.4	11.5	11.5	12.3
RoACE (%)	13.6	11.7	11.5	12.3
RoAIC (%)	16.6	16.0	17.2	19.0
(E) Valuation Ratios				
CMP (Rs)	179	179	179	179
P/E	17.9	20.0	18.4	15.8
Mcap (Rs Mn)	1,51,853	1,51,853	1,51,853	1,51,853
MCap/ Sales	1.5	1.5	1.4	1.2
EV	1,50,119	1,42,114	1,40,605	1,36,893
EV/Sales	1.5	1.4	1.3	1.1
EV/EBITDA	11.0	10.5	9.6	8.1
P/BV	2.4	2.2	2.0	1.9
Dividend Yield (%)	2.3	1.1	1.4	1.4
(F) Growth Rate (%)				
Revenue	(6.9)	1.9	11.3	9.6
EBITDA	(3.3)	(0.7)	7.7	15.4
EBIT	(8.7)	(2.6)	8.8	17.0
PBT	(16.4)	(1.7)	8.6	16.4
APAT	15.2	(10.5)	8.7	16.4
EPS	15.2	(10.5)	8.7	16.4

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	9,376	16,854	9,316	12,400
CFI	(4,578)	(12,769)	(8,221)	(10,100)
CFF	(4,206)	(2,244)	(2,588)	(2,588)
FCFF	4,567	11,042	6,096	8,300
Opening Cash	3,275	1,733	9,739	11,247
Closing Cash	1,733	9,739	11,247	14,960

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-20	Buy	188	155
Nov-20	Buy	201	162
Jan-21	Accumulate	222	194
Apr-21	Buy	224	178

*Price as on recommendation date

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