

August 3, 2020

Q1FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		ACCUMULATE	
Target Price	183		177	
Sales (Rs. m)	1,12,671	1,21,415	1,12,671	1,24,026
% Chng.	-	(2.1)		
EBITDA (Rs. m)	16,350	17,623	16,018	17,717
% Chng.	2.1	(0.5)		
EPS (Rs.)	11.3	12.5	10.9	12.9
% Chng.	3.6	(3.3)		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	98,567	1,02,144	1,12,671	1,21,415
EBITDA (Rs. m)	13,650	14,560	16,350	17,623
Margin (%)	13.8	14.3	14.5	14.5
PAT (Rs. m)	8,439	8,524	9,606	10,600
EPS (Rs.)	9.9	10.0	11.3	12.5
Gr. (%)	9.6	1.0	12.7	10.3
DPS (Rs.)	4.1	4.5	5.0	5.5
Yield (%)	2.7	2.9	3.2	3.6
RoE (%)	13.7	13.1	13.7	14.0
RoCE (%)	16.3	16.5	17.3	17.5
EV/Sales (x)	1.3	1.2	1.1	1.0
EV/EBITDA (x)	9.5	8.7	7.5	6.6
PE (x)	15.6	15.4	13.7	12.4
P/BV (x)	2.1	1.9	1.8	1.7

Key Data

EXID.BO | EXID IN

52-W High / Low	Rs.209 / Rs.122
Sensex / Nifty	36,940 / 10,892
Market Cap	Rs.131bn/ \$ 1,751m
Shares Outstanding	850m
3M Avg. Daily Value	Rs.1127.68m

Shareholding Pattern (%)

Promoter's	45.99
Foreign	9.08
Domestic Institution	22.87
Public & Others	22.06
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.8	(20.9)	(14.5)
Relative	(1.7)	(14.6)	(14.1)

Deep Shah

deepshah@plindia.com | 91-22-66322235

Amber Shukla

ambershukla@plindia.com | 91-22-66322426

Better placed to ride recovery; Upgrade to BUY

Quick Pointers:

- Volumes grew for auto replacement and UPS segment however auto OEM looked weak in 1QFY21 due to lower production.
- Lead prices further declined by 4.5% QoQ/ 3% YoY in 1QFY21 to Rs127/kg.

EXIDE 1QFY21 results exceeded expectations at revenue/EBITDA/PAT as the weak volumes in auto OEMs was offset by better than expected growth in replacement segment. Going forward also we believe stronger growth in replacement segment (~65% of industry) coupled with recovery of industrial battery demand will offset subdued volumes from auto OEMs. Consequently, favorable mix along with benign RM should help ~50bp margin expansion in FY21 to 14.3%. We increase FY22 EPS by 3.6% to factor in for favorable mix while the same to reverse in FY23 leading to EPS cut by 3.3%. We expect organized players including EXIDE to see margin expansion (~100-150bps in CV, tractor and motorcycle segment)) led by weakening competitive position of small regional/unorganized players. Hence, we upgrade stock to 'BUY' (from Accumulate) with revised price target of Rs183 (Rs177) based on 14x June-22 standalone EPS plus Rs21 value of insurance business. Stock trades at 13.7x/12.4x FY22/23 EPS.

- EXID's Q1FY21 Revenue came higher at Rs15.5bn** (-44% YoY/ -25% QoQ, PLe Rs11.1bn) led by higher than expected growth in auto replacement and UPS segment. However, it was partially offset by muted OEM demand due to lower production.
- Gross margins contracted 430bp YoY/ 700bp QoQ at 31.2%** (PLe 38%) led by inventory correction and INR depreciation at 6% (~20% RM is imported). This was partially offset by a decline in lead prices by 4.5% QoQ/ 3% YoY to Rs127/kg. Led by cost control benefits, EBITDA came in at Rs1.48bn (PLe Rs806mn) resulting in margins beat at 9.6% (-510bp YoY/ -350 bp QoQ, PLe7.3%).
- Better operating performance led Adj. PAT higher at Rs440mn** (-80% YoY, PLe Rs85mn). However lower other income at Rs70mn (PLe Rs164mn) and higher tax at 30% (PLe 23%) partially impacted better operating performance.
- Life insurance business reported EBIT loss of Rs443.5mn** for the quarter (v/s loss of Rs653.7mn in 1QFY20 and profit of Rs1.1bn in Q4FY20).

Exhibit 1: Q1FY21 Result Overview (Rs m)

Y/e March	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY21E	FY20	YoY gr. (%)
Net Revenues	15,476	27,793	(44.3)	20,551	1,02,144	98,567	3.6
Raw Materials	10,642	17,920	(40.6)	12,703	66,394	62,664	6.0
<i>% of Net Sales</i>	<i>68.8</i>	<i>64.5</i>		<i>61.8</i>	<i>65.0</i>	<i>63.6</i>	
Personnel	1,396	1,667	(16.3)	1,583	6,731	6,664	1.0
<i>% of Net Sales</i>	<i>9.0</i>	<i>6.0</i>		<i>7.7</i>	<i>6.6</i>	<i>6.8</i>	
Manufacturing & Other Exp	1,954	4,129	(52.7)	3,562	14,460	15,589	(7.2)
<i>% of Net Sales</i>	<i>12.6</i>	<i>14.9</i>		<i>17.3</i>	<i>14.2</i>	<i>15.8</i>	
Total Expenditure	13,992	23,716	(41.0)	17,849	87,584	84,917	3.1
EBITDA	1,485	4,077	(63.6)	2,702	14,560	13,650	6.7
<i>EBITDA Margin (%)</i>	<i>9.6</i>	<i>14.7</i>		<i>13.1</i>	<i>14.3</i>	<i>13.8</i>	
Depreciation	914	864	5.7	939	3,806	3,626	4.9
EBIT	571	3,213	(82.2)	1,764	10,754	10,024	7.3
Interest Expenses	14	18		37	103	94	10.0
Non-operating income	70	164	(57.1)	169	565	639	(11.6)
Extraordinary Expenses	0	0		0	0	217	
PBT	627	3,359	(81.3)	1,895	11,216	10,352	8.3
Tax-Total	188	1,116	(83.2)	215	2,692	2,097	28.4
<i>Tax Rate (%) - Total</i>	<i>29.9</i>	<i>33.2</i>	<i>(9.9)</i>	<i>11.4</i>	<i>24.0</i>	<i>20.3</i>	<i>18.5</i>
Reported PAT	440	2,243	(80.4)	1,680	8,524	8,255	3.3
Adj. PAT	440	2,243	(80.4)	1,680	8,524	8,441	1.0

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	98,567	1,02,144	1,12,671	1,21,415
YoY gr. (%)	(6.9)	3.6	10.3	7.8
Cost of Goods Sold	62,664	66,394	71,772	77,462
Gross Profit	35,903	35,750	40,900	43,952
Margin (%)	36.4	35.0	36.3	36.2
Employee Cost	6,664	6,731	7,134	7,563
Other Expenses	15,589	14,460	17,415	18,766
EBITDA	13,650	14,560	16,350	17,623
YoY gr. (%)	(3.3)	6.7	12.3	7.8
Margin (%)	13.8	14.3	14.5	14.5
Depreciation and Amortization	3,626	3,806	4,202	4,331
EBIT	10,024	10,754	12,149	13,292
Margin (%)	10.2	10.5	10.8	10.9
Net Interest	94	103	114	136
Other Income	650	565	605	791
Profit Before Tax	10,362	11,216	12,640	13,947
Margin (%)	10.5	11.0	11.2	11.5
Total Tax	2,097	2,692	3,034	3,347
Effective tax rate (%)	20.2	24.0	24.0	24.0
Profit after tax	8,265	8,524	9,606	10,600
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	8,439	8,524	9,606	10,600
YoY gr. (%)	9.6	1.0	12.7	10.3
Margin (%)	8.6	8.3	8.5	8.7
Extra Ord. Income / (Exp)	(217)	-	-	-
Reported PAT	8,265	8,524	9,606	10,600
YoY gr. (%)	(2.1)	3.1	12.7	10.3
Margin (%)	8.4	8.3	8.5	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,265	8,524	9,606	10,600
Equity Shares O/s (m)	850	850	850	850
EPS (Rs)	9.9	10.0	11.3	12.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	36,459	41,228	44,728	46,728
Tangibles	36,459	41,228	44,728	46,728
Intangibles	-	-	-	-
Acc: Dep / Amortization	12,723	16,529	20,730	25,061
Tangibles	12,723	16,529	20,730	25,061
Intangibles	-	-	-	-
Net fixed assets	23,736	24,699	23,998	21,667
Tangibles	23,736	24,699	23,998	21,667
Intangibles	-	-	-	-
Capital Work In Progress	2,969	2,000	2,000	2,000
Goodwill	-	-	-	-
Non-Current Investments	20,521	20,521	20,521	20,521
Net Deferred tax assets	(1,019)	(1,019)	(1,019)	(1,019)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	187	1,187	2,187	3,187
Inventories	21,923	22,718	25,060	27,004
Trade receivables	8,154	11,194	12,348	14,969
Cash & Bank Balance	1,546	3,516	6,878	11,075
Other Current Assets	3,064	3,175	3,502	3,774
Total Assets	82,421	89,344	96,861	1,04,594
Equity				
Equity Share Capital	850	850	850	850
Other Equity	62,111	66,810	72,167	78,092
Total Network	62,961	67,660	73,017	78,942
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10,309	10,683	11,785	9,979
Other current liabilities	8,132	9,982	11,041	14,654
Total Equity & Liabilities	82,421	89,344	96,861	1,04,594

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	10,352	10,754	12,149	13,292
Add. Depreciation	3,626	3,806	4,202	4,331
Add. Interest	(372)	565	605	791
Less Financial Other Income	650	565	605	791
Add. Other	(4,130)	1	1	1
Op. profit before WC changes	9,476	15,126	16,956	18,415
Net Changes-WC	2,155	(1,734)	(1,696)	(3,058)
Direct tax	(2,494)	(2,692)	(3,034)	(3,347)
Net cash from Op. activities	9,137	10,700	12,227	12,010
Capital expenditures	(4,646)	(3,800)	(3,500)	(2,000)
Interest / Dividend Income	-	-	-	-
Others	1,397	(1,000)	(1,000)	(1,000)
Net Cash from Inv. activities	(3,249)	(4,800)	(4,500)	(3,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(30)	-	-	-
Dividend paid	(4,889)	(3,825)	(4,250)	(4,675)
Interest paid	(70)	(103)	(114)	(136)
Others	-	-	-	-
Net cash from Fin. activities	(4,989)	(3,928)	(4,364)	(4,811)
Net change in cash	900	1,971	3,363	4,198
Free Cash Flow	4,492	6,900	8,727	10,010

Source: Company Data, PL Research

Key Financial Metrics

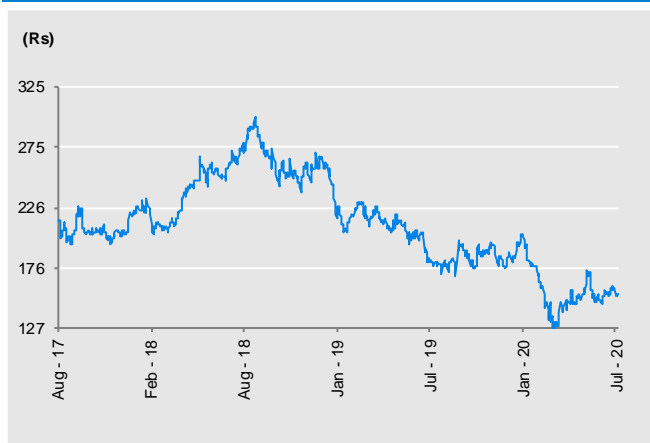
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	9.9	10.0	11.3	12.5
CEPS	14.2	14.5	16.2	17.6
BVPS	74.1	79.6	85.9	92.9
FCF	5.3	8.1	10.3	11.8
DPS	4.1	4.5	5.0	5.5
Return Ratio(%)				
RoCE	16.3	16.5	17.3	17.5
ROIC	13.4	13.5	15.1	16.4
RoE	13.7	13.1	13.7	14.0
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	73	83	83	96
Valuation(x)				
PER	15.6	15.4	13.7	12.4
P/B	2.1	1.9	1.8	1.7
P/CEPS	10.9	10.7	9.5	8.8
EV/EBITDA	9.5	8.7	7.5	6.6
EV/Sales	1.3	1.2	1.1	1.0
Dividend Yield (%)	2.7	2.9	3.2	3.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	26,109	24,115	20,551	15,476
YoY gr. (%)	(4.0)	(3.4)	(20.9)	(44.3)
Raw Material Expenses	16,649	15,392	12,703	10,642
Gross Profit	9,459	8,723	7,848	4,834
Margin (%)	36.2	36.2	38.2	31.2
EBITDA	3,672	3,198	2,702	1,485
YoY gr. (%)	10.4	2.3	(27.6)	(63.6)
Margin (%)	14.1	13.3	13.1	9.6
Depreciation / Depletion	898	925	939	914
EBIT	2,774	2,273	1,764	571
Margin (%)	10.6	9.4	8.6	3.7
Net Interest	18	21	37	14
Other Income	56	251	169	70
Profit before Tax	2,812	2,286	1,895	627
Margin (%)	10.8	9.5	9.2	4.1
Total Tax	439	326	215	188
Effective tax rate (%)	15.6	14.3	11.4	29.9
Profit after Tax	2,373	1,959	1,680	440
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,373	2,145	1,680	440
YoY gr. (%)	24.4	38.4	(20.3)	(80.4)
Margin (%)	9.1	8.9	8.2	2.8
Extra Ord. Income / (Exp)	-	(217)	-	-
Reported PAT	2,373	1,959	1,680	440
YoY gr. (%)	(11.6)	26.4	(20.3)	(80.4)
Margin (%)	9.1	8.1	8.2	2.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,373	1,959	1,680	440
Avg. Shares O/s (m)	850	850	850	850
EPS (Rs)	2.8	2.5	2.0	0.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jul-20	Accumulate	177	155
2	06-Jun-20	Accumulate	179	173
3	09-Apr-20	Accumulate	167	148
4	04-Feb-20	Accumulate	214	188
5	03-Jan-20	Accumulate	214	184
6	06-Nov-19	Accumulate	218	186
7	03-Oct-19	Accumulate	209	196
8	05-Aug-19	Accumulate	209	181

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	59	51
2	Bajaj Auto	Hold	2,713	2,985
3	Bharat Forge	Hold	347	355
4	CEAT	Accumulate	951	845
5	Eicher Motors	BUY	20,852	19,465
6	Exide Industries	Accumulate	177	155
7	Hero Motocorp	Accumulate	2,855	2,681
8	Mahindra & Mahindra	Hold	531	545
9	Maruti Suzuki	BUY	6,858	6,192
10	Motherson Sumi Systems	BUY	116	96
11	Tata Motors	Hold	108	105
12	TVS Motors	Sell	365	402

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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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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