

### Beat estimates, set to make a comeback

- Exide has displayed a decent operating performance in a relatively challenging environment led by cost control measures. The net revenue was Rs.15.47bn, down 44% YoY in 1Q, due to weak demand from auto OEMs and industrial batteries, impacted by lockdown. EBITDA beat estimates, stood at Rs.1.48bn (vs est. Rs.774mn) with margin of 9.6%, (-356bps QoQ)
- Although in last two quarters Exide has underperformed Amara Raja(AMRJ), we expect Exide to make a strong comeback primarily 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.
- The key near to medium term tailwinds for Exide includes – 1) Strong pickup in replacement demand and change in rural vs urban sales mix, (where Exide's presence is better than AMRJ), 2) improved traction for batteries in tractor segment, 3) rising demand for home inverters led by WFH culture and 4) manufacturing units spread out would play as a strength in solid end to end supply chains and to cope with the disruption from Covid-19 pandemic.
- Lead batteries prices are also firm; companies have not taken any price cut in the replacement market despite fall in RM prices. Altogether, we expect subdued lead prices, firm pricing environment and favorable product mix would lead to revival in EBITDA margins starting from 2HFY21. Moreover, demand recovery in OEMs and Industrial segments shall also benefit bottom-line. We Change our rating from Reduce to BUY with SOTP-based TP of Rs.188 (16x FY23E EPS + 1x Inv. (Rs.20) for insurance business).

### Sharp revival likely from 2HFY21

Our channel checks indicate strong uptick in demand in the replacement battery segment after the lockdown was lifted. There is a reasonable traction in tractors, inverter, 2W, and 4W Batteries. Both companies (AMRJ and Exide) are making their best efforts to remove (Cont...)

### Q1FY21 (Standalone) Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	15,476	27,793	(44.3)	20,551	(24.7)
Total Expense	13,992	23,715	(41.0)	17,849	(21.6)
EBITDA	1,485	4,077	(63.6)	2,702	(45.1)
Depreciation	914	864	5.7	939	(2.7)
EBIT	571	3,213	(82.2)	1,764	(67.6)
Other Income	70	164	(57.1)	169	(58.2)
Interest	14	18	(21.2)	37	(61.8)
EBT	627	3,359	(81.3)	1,895	(66.9)
Tax	188	1,116	(83.2)	215	(12.8)
RPAT	440	2,243	(80.4)	1,680	(73.8)
APAT	440	2,243	(80.4)	1,680	(73.8)
			(bps)		(bps)
Gross Margin (%)	31.2	35.5	(429)	38.2	(695)
EBITDA Margin (%)	9.6	14.7	(508)	13.1	(356)
NPM (%)	2.8	8.1	(523)	8.2	(534)
Tax Rate (%)	29.9	33.2	(329)	11.4	1857
EBIT Margin (%)	3.7	11.6	(787)	8.6	(489)

CMP	Rs 155
Target / Upside	Rs 188 / 22%
BSE Sensex	36,977
NSE Nifty	10,892

### Scrip Details

Equity / FV	Rs 850mn / Rs 1
Market Cap	Rs 131bn
	USD 2bn
52-week High/Low	Rs 209/Rs 125
Avg. Volume (no)	35,03,040
NSE Symbol	EXIDEIND
Bloomberg Code	EXID IN

### Shareholding Pattern Jun'20(%)

Promoters	46.0
MF/Banks/FIs	22.9
FIIIs	9.6
Public / Others	21.5

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	22.7	16.3	14.7
EV/EBITDA	11.8	9.1	8.0
ROE (%)	9.0	11.9	12.4
RoACE (%)	8.9	11.8	12.2

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	86,529	1,00,795	1,10,037
EBITDA	11,026	14,211	15,799
PAT	5,781	8,053	8,962
EPS (Rs.)	6.8	9.5	10.5

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bottlenecks in the production/ supply chain in order to accelerate dispatches. We also picture a gradual recovery in the Industrial segment led by sectors including telecom towers, railways and heavy industries, while e-rickshaws, motive power and solar applications are some of the new growth drivers for medium to long term.

### Stable pricing and low inventory

Despite the sharp fall in lead prices, pricing remains firm as a result of demand-supply mismatch. In addition, post COVID-19, the unorganized players are likely to find it a challenge to source lead, a key raw material, as there is no inventory of used batteries in the market. This will have a positive impact on the organized companies. We expect a surge in demand as channel inventory is lower than the same period last year. We expect benign lead prices, firm pricing environment and favorable product mix would lead to revival in EBITDA margins starting from 2HFY21.

### Exhibit 1: Actual vs DART Estimates

Particulars (Rs mn)	Actual	DART Est	Var (%)	Remarks
Sales	15,476	11,673	33	Better than expected demand in replacement market and in UPS batteries segment.
EBIDTA	1,485	774	92	
EBIDTA Margin (%)	9.6	6.6	296(bps)	
APAT	440	(75)	-	

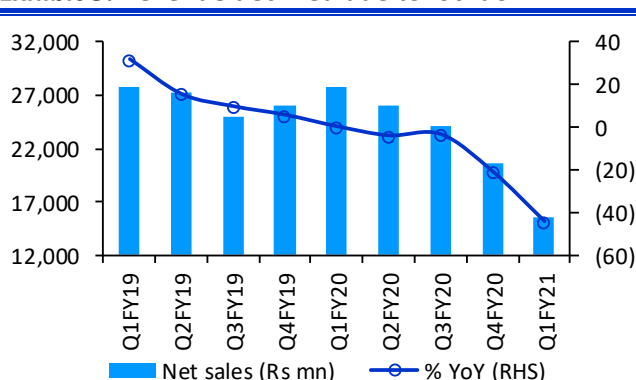
Source: DART, Company

### Exhibit 2: Change in Estimates

₹ Mn	FY21E			FY22E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	86,529	94,314	(8.3)	1,00,795	1,04,725	(3.8)
EBITDA	11,026	12,767	(13.6)	14,211	14,732	(3.5)
EBITDA Margin (%)	12.74	13.54	(79bps)	14.10	14.07	3bps
PAT	5,781	7,016	(17.6)	8,053	8,215	(2.0)
EPS (₹)	6.8	8.25	(17.6)	9.47	9.66	(2.0)

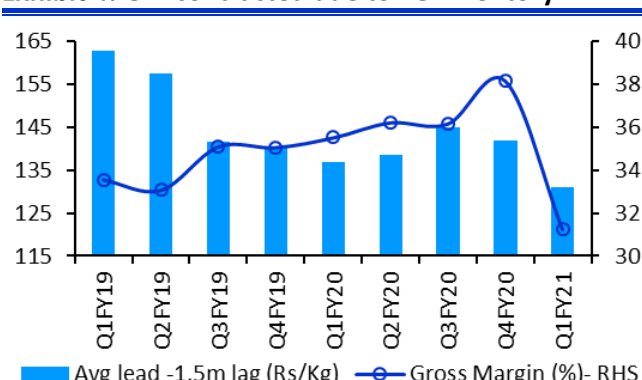
Source: DART, Company

### Exhibit 3: Revenue declined due to lockdown



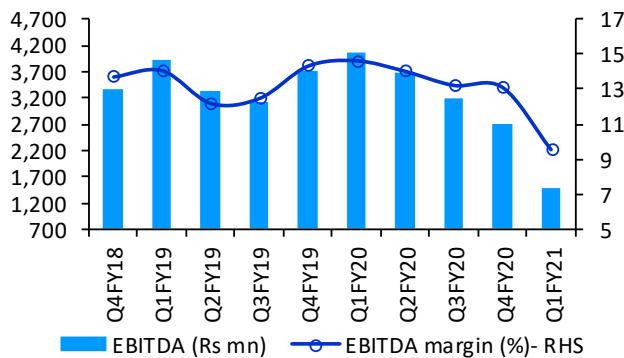
Source: Company, DART

### Exhibit 4: GM contracted due to FG inventory



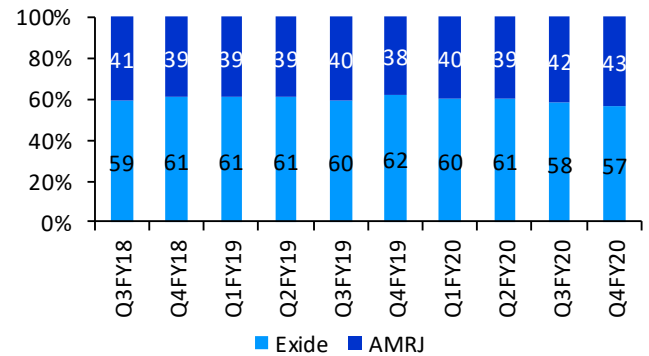
Source: Company, DART

**Exhibit 5: EBITDA margin declined YoY /QoQ due to negative operating leverage**



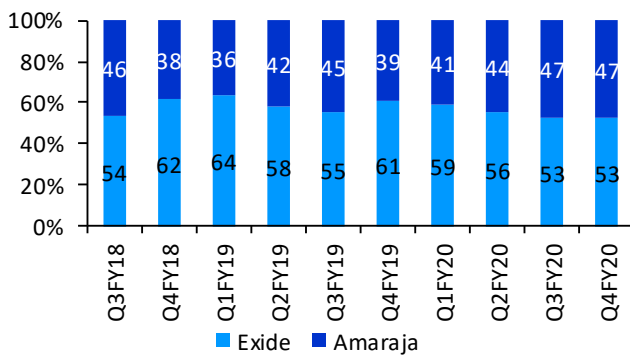
Source: Company, DART

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



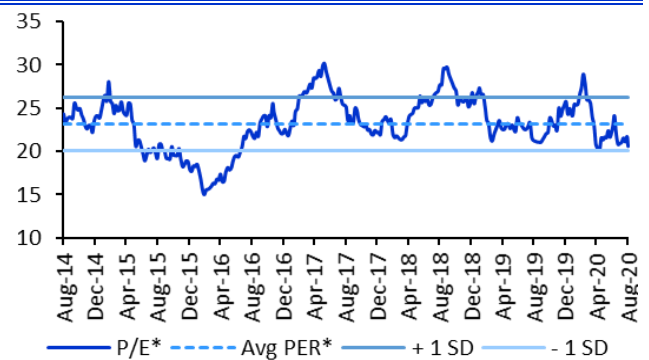
Source: Company, DART, \*Industry revenue = (AMRJ+ Exide Revenue)

**Exhibit 7: Exide vs AMRJ EBITDA share (%) (Industry EBITDA\*)**



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

**Exhibit 8: P/E Band at near historical low (1 yr fwd PE)**



Source: Company, DART

**Profit and Loss Account (Standalone)**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>98,567</b>	<b>86,529</b>	<b>1,00,795</b>	<b>1,10,037</b>
<b>Total Expense</b>	<b>84,917</b>	<b>75,503</b>	<b>86,584</b>	<b>94,237</b>
COGS	62,664	54,970	64,547	70,732
Employees Cost	6,664	6,397	6,909	7,600
Other expenses	15,589	14,135	15,128	15,905
<b>EBIDTA</b>	<b>13,650</b>	<b>11,026</b>	<b>14,211</b>	<b>15,799</b>
Depreciation	3,626	3,706	3,860	4,228
<b>EBIT</b>	<b>10,024</b>	<b>7,320</b>	<b>10,350</b>	<b>11,571</b>
Interest	94	61	61	61
Other Income	639	500	520	520
Exc. / E.O. items	(218)	0	0	0
<b>EBT</b>	<b>10,351</b>	<b>7,759</b>	<b>10,809</b>	<b>12,030</b>
Tax	2,097	1,979	2,756	3,068
RPAT	8,254	5,781	8,053	8,962
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>8,472</b>	<b>5,781</b>	<b>8,053</b>	<b>8,962</b>

**Balance Sheet (Standalone)**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	850	850	850	850
Minority Interest	0	0	0	0
Reserves & Surplus	62,111	64,381	68,924	74,376
<b>Net Worth</b>	<b>62,961</b>	<b>65,231</b>	<b>69,774</b>	<b>75,226</b>
Total Debt	280	0	0	0
Net Deferred Tax Liability	1,019	1,120	1,222	1,324
<b>Total Capital Employed</b>	<b>64,260</b>	<b>66,351</b>	<b>70,995</b>	<b>76,549</b>

**Applications of Funds**

Net Block	23,736	23,530	23,670	23,441
CWIP	2,969	2,969	3,469	3,969
Investments	20,521	26,521	28,521	28,521
<b>Current Assets, Loans &amp; Advances</b>	<b>35,197</b>	<b>31,066</b>	<b>34,968</b>	<b>41,582</b>
Inventories	21,923	17,780	19,331	21,103
Receivables	8,154	7,586	9,665	10,551
Cash and Bank Balances	1,733	1,312	1,584	5,540
Loans and Advances	0	0	0	0
Other Current Assets	3,387	4,388	4,388	4,388
<b>Less: Current Liabilities &amp; Provisions</b>	<b>18,163</b>	<b>17,735</b>	<b>19,632</b>	<b>20,964</b>
Payables	10,361	9,337	10,964	12,015
Other Current Liabilities	7,802	8,397	8,668	8,949
<i>sub total</i>				
Net Current Assets	17,034	13,331	15,336	20,618
<b>Total Assets</b>	<b>64,260</b>	<b>66,351</b>	<b>70,995</b>	<b>76,549</b>

E – Estimates

### Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	36.4	36.5	36.0	35.7
EBIDTA Margin	13.8	12.7	14.1	14.4
EBIT Margin	10.2	8.5	10.3	10.5
Tax rate	20.3	25.5	25.5	25.5
Net Profit Margin	8.4	6.7	8.0	8.1
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	63.6	63.5	64.0	64.3
Employee	6.8	7.4	6.9	6.9
Other	15.8	16.3	15.0	14.5
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	106.6	120.0	169.7	189.7
Inventory days	81	75	70	70
Debtors days	30	32	35	35
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	38	39	40	40
Working Capital days	63	56	56	68
FA T/O	4.2	3.7	4.3	4.7
<b>(D) Measures of Investment</b>				
AEPS (Rs)	10.0	6.8	9.5	10.5
CEPS (Rs)	14.2	11.2	14.0	15.5
DPS (Rs)	4.1	3.5	3.5	3.5
Dividend Payout (%)	41.1	51.5	36.9	33.2
BVPS (Rs)	74.1	76.7	82.1	88.5
RoANW (%)	13.4	9.0	11.9	12.4
RoACE (%)	13.6	8.9	11.8	12.2
RoAIC (%)	16.6	11.5	15.4	16.5
<b>(E) Valuation Ratios</b>				
CMP (Rs)	155	155	155	155
P/E	15.5	22.7	16.3	14.7
Mcap (Rs Mn)	1,31,368	1,31,368	1,31,368	1,31,368
MCap/ Sales	1.3	1.5	1.3	1.2
EV	1,29,914	1,30,056	1,29,784	1,25,828
EV/Sales	1.3	1.5	1.3	1.1
EV/EBITDA	9.5	11.8	9.1	8.0
P/BV	2.1	2.0	1.9	1.7
Dividend Yield (%)	2.7	2.3	2.3	2.3
<b>(F) Growth Rate (%)</b>				
Revenue	(6.9)	(12.2)	16.5	9.2
EBITDA	(3.3)	(19.2)	28.9	11.2
EBIT	(8.7)	(27.0)	41.4	11.8
PBT	(16.4)	(25.0)	39.3	11.3
APAT	15.2	(31.8)	39.3	11.3
EPS	15.2	(31.8)	39.3	11.3

### Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	9,096	12,930	10,344	12,027
CFI	(4,578)	(13,500)	(10,500)	(8,500)
CFF	(3,926)	(3,852)	(3,572)	(3,572)
FCFF	4,287	9,430	5,844	7,527
Opening Cash	4,358	1,515	1,312	1,584
Closing Cash	1,515	1,312	1,584	5,540

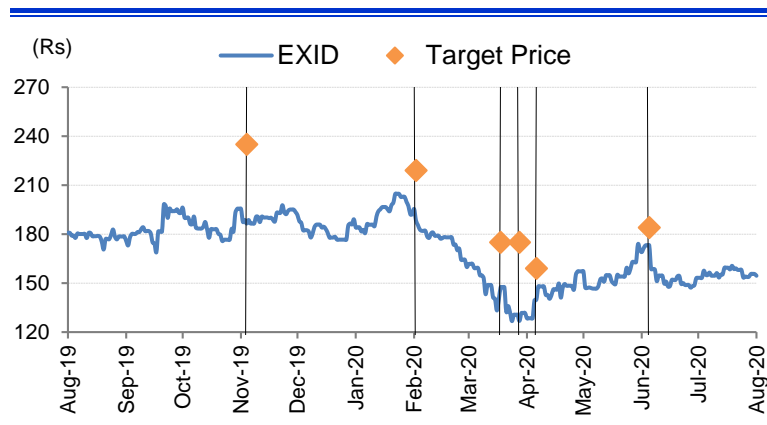
E – Estimates

### 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.)
Nov-19	Buy	235	186
Feb-20	Accumulate	219	188
Mar-20	Buy	175	148
Mar-20	Buy	175	127
Apr-20	Accumulate	159	140
Jun-20	Reduce	184	173

\*Price as on recommendation date

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