

Exide Industries Ltd

Business model to strengthen, earnings to soar

Exide Industries is a leading producer of storage batteries in India. It manufactures a wide range of storage batteries ranging from 2.5 Ah to 20,400 Ah capacities, covering a broad spectrum of applications. Exide has ~70% market share in both the OEM and (organised) replacement automotive segment and enjoys a firm footing in the industrial segment as well.

Expect 21% revenue CAGR in FY10-FY12: Exide is a play on India's underpenetrated automobile industry that is set to record double-digit CAGR going forward. Surging OEM demand and strong sales in the past decade (replacement demand) are set to drive 22% revenue CAGR in the company's automotive division over FY10-FY12. Also, increasing usage of inverters, higher penetration of computers (leading to higher UPS demand) and addition of telecom towers (replacement demand) would lead to 20% revenue CAGR in its industrial division.

Pricing power, higher sourcing from smelters to help sustain margins: Exide's current margins, at ~23% (higher 700 bps over last year), are sustainable because of two reasons: (a) Even after the correction in lead prices, the price hikes taken in the replacement market have not been rolled back; (b) Sourcing of lead from the smelters is set to increase to 70% of total requirement (from 40% in FY10) aiding in more stable and cheaper procurement of lead.

Growth outlook: The company's strong pricing power and brand recall enables it to easily pass on any increase in lead prices to its end users. Through its ~41,000 retail outlets, the company now repurchases used batteries, thus cutting-off lead supplies from the unorganised market and reducing volatility in lead procurement. Recommend it for investment purpose. Buy.

CMP	RATING
Rs 167	BUY

Company Data

Market cap (Rs mn)	139,400
Outstanding equity shares (mn)	850
Free float (%)	54
Dividend yield (%)	0.6
52-week high/low (Rs)	170.90/88.25



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