

# Exide Industries Ltd.

Lower demand across the industries resulted in bad performance...



<b>CMP :</b>	Rs. 121	<b>TARGET :</b>	(Not Rated)
<b>SENSEX :</b>	16822	<b>RECOMMENDATION :</b>	(Not Rated)

## KEY DATA

Bloomberg Code :	EXID IN
Reuters Code :	EXID.BO
BSE Code :	500086
NSE Code :	EXIDEIND
52-Week Range(H/L) :	176 / 112
Market Cap (Rs mn) :	102,120
Shares O/S (mn) :	850
Free Float (mn) :	459.0
3m Avg. Volume :	2.1
Face Value :	1

## COMMENTS

### REVENUE

Net Sales for the quarter stood at INR 11761 mn (up 4.3% YoY & down 5.5% QoQ) due to slower demand from auto & industrial sector. Sales from auto batteries was lowered by 6% YoY due to lower demand from major OEMs (Production constraint at Maruti Suzuki) and replacement battery (meltdown in 2009). Sales from industrial battery reduced by 5% YoY due to weaker demand in infra & telecom etc. setcor. Depreciation of the rupee also fuels the lower earnings for the company.

### EBITDA

Operating profit for the quarter stood at INR 903 mn (down by 63% YoY and 59% QoQ). OPM at 7.7% is substantially lower by 1410 bps, on account of drastic increase in RMC/Net Sales due to stock adjustment. Other expenses/Net Sales have also increased substantially by 153.6 bps YoY & 175.6 bps QoQ to 14.6. However Employee cost/Net Sales were marginally down by 38 bps YoY & 30 bps QoQ. Positive impact of weakening in commodity prices will come from Q3 FY12 onwards.

### NET PROFIT

Net profit the quarter stood at INR 512 mn (down 76% YoY and 68.7% QoQ). NPM at 4.3% is down by 1350 bps YoY and 850 bps QoQ. Lower demand across the industry (except from 2W) has resulted in overall bad performance for the quarter. Tax rate for the quarter were higher at 32.4% Vs 26.7% in last quarter. We expect replacement demand to fuel the growth in coming years.

Financials (INR Mn)	Mar-10	Mar-11	JHP Est Mar-12'e
Net sales	37,978	45,775	50,353
<b>Operating Profit</b>	<b>8,932</b>	<b>9,027</b>	<b>7,654</b>
Operating margins (%)	23.5	19.7	15.2
<b>PAT</b>	<b>5,371</b>	<b>6,664</b>	<b>5,639</b>
PAT margins (%)	14.1	14.6	11.2
EPS (INR)	6.3	7.8	6.6
<b>Key Ratio (x / %)</b>			
PER (x)	19.3	19.1	18.3
P/B (x)	0.5	0.5	0.3
EV/ EBITDA (x)	11.8	12.8	13.5
Dividend Yield (%)	0.8	1.0	0.7
ROCE (%)	36.0	34.5	22.0
ROE (%)	24.5	24.5	19.1

## VALUATION & RECOMMENDATION

Exide currently trades at 18.3x its FY12 earning. Strong capacity expansion & continues increasing usage from captive smelter and higher replacement demand expected in FY12-13 are positive triggers for the company. However we remain cautious on the stock due to lower than estimated result in Q2 FY12.

QUARTERLY FLASH

Quarterly Performance (INR MN)	Q2FY12	Q2FY11	YoY Chg (% / bps)	Q1FY12	QoQ Chg (% / bps)	6M FY12	6M FY11	YoY Chg (% / bps)
<b>Net Sales</b>	<b>11,761</b>	<b>11,272</b>	<b>4.3</b>	<b>12,444</b>	<b>-5.5</b>	<b>24,205</b>	<b>22,793</b>	<b>6.2</b>
- Operating expenses	10,858	8,817	23.1	10,222	6.2	21,080	17,706	19.1
<b>Operating profit</b>	<b>903</b>	<b>2,455</b>	<b>-63.2</b>	<b>2,223</b>	<b>-59.4</b>	<b>3,125</b>	<b>5,087</b>	<b>-38.6</b>
Operating margin (%)	7.7	21.8	-1410	17.9	-1018	12.9	22.3	-941
+ Other income	79	660	-88	308	-74	387	722	-46
<b>EBITDA</b>	<b>982</b>	<b>3,115</b>	<b>-68.5</b>	<b>2,530</b>	<b>-61.2</b>	<b>3,512</b>	<b>5,809</b>	<b>-39.5</b>
EBITDA margin (%)	8.3	26.1	-1780	19.8	-1150	14.3	24.7	-1040
- Depreciation	247	201	22.5	237	4.1	484	396	22
- Interest expense	16	17	-4.7	11	42.5	27	30	-10
<b>PBT</b>	<b>719</b>	<b>2,897</b>	<b>-75.2</b>	<b>2,282</b>	<b>-68.5</b>	<b>3,001</b>	<b>5,383</b>	<b>-44.2</b>
- Taxes	208	768	-73.0	650	-68.1	858	1,600	-46
PAT	512	2,129	-76.0	1,632	-68.7	2,144	3,783	-43
Net Profit Margin (%)	4.3	17.8	-1350	12.8	-850	8.7	16.1	-740
EPS (INR)	0.6	2.5	-76.1	1.9	-68.8	2.5	4.5	-43.5

**Disclaimer:** This note is to be read in conjunction with the disclaimer note as mentioned in the mail.

**Recommendation Guide:** Buy >30%; Outperformer (OP): 20 to 30%; Market Performer (MP): 10 to 20%; Under-Performer (UP): 0 to 10%; Sell: <0%; Not Rated (NR)