

14th India Investor Conference

Having met with management today at our 14th Annual India Investor Conference in New Delhi, these are some of our takeaways...

Demand outstripping supply

Exide management is seeing retail demand for its lead acid battery growing at more than 18%. Company is stretching its capacity to meet such demand growth to accelerate along with stronger GDP growth in India.

High margin to sustain

According to the company current profit margin though quite high compared to historical average, is sustainable. Company is not ruling out the possibility of a moderate decline in margin at EBITDA level. However, net profit margin is sustainable and revenue growth is likely to be stronger going forward. Sustained net margin and stronger revenue growth could help Exide achieve 20%+ EPS growth in FY11e.

New growth driver attractive

Exide has identified a host of new growth opportunities and investment plans including (1) battery driven bicycles and motorcycles (2) battery for solar power (3) Lithium battery (4) lead smelter capacity in Middle East and Eastern Europe, (5) expansion of Sri Lanka battery business that will have tax advantage and can export and (6) new greenfield battery plant.

Estimates (Mar)

(Rs)	2008A	2009A	2010E	2011E	2012E
Net Income (Adjusted - mn)	2,597	2,911	5,732	6,961	7,970
EPS	3.25	3.64	7.16	8.70	9.96
EPS Change (YoY)	55.1%	12.1%	96.9%	21.5%	14.5%
Dividend / Share	0.400	0.600	1.00	1.25	1.50
Free Cash Flow / Share	(1.61)	1.61	7.17	5.96	8.36

Valuation (Mar)

	2008A	2009A	2010E	2011E	2012E
P/E	33.74x	30.11x	15.29x	12.59x	11.00x
Dividend Yield	0.365%	0.548%	0.913%	1.14%	1.37%
EV / EBITDA*	18.27x	15.42x	9.38x	8.06x	7.09x
Free Cash Flow Yield*	-1.47%	1.47%	6.55%	5.44%	7.63%

* For full definitions of *iQmethod*SM measures, see page 5.

Equity | India | Auto Parts
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Bank of America
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Stock Data

Price	Rs109.55
Price Objective	Rs142.00
Date Established	11-Jan-2010
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs34.30-Rs128.15
Mrkt Val / Shares Out (mn)	US\$1,878 / 800.0
Average Daily Volume	1,790,484
BofAML Ticker / Exchange	XEDRF / BSE
Bloomberg / Reuters	EXID IN / EXID.BO
ROE (2010E)	46.5%
Net Dbt to Eqty (Mar-2009A)	31.9%
Est. 5-Yr EPS / DPS Growth	NA / NA
Free Float	51.1%

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Refer to important disclosures on page 5 to 7. Analyst Certification on Page 3. Price Objective Basis/Risk on page 3.

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10 February 2010

iQprofileSM Exide Industries Ltd.

Key Income Statement Data (Mar)	2008A	2009A	2010E	2011E	2012E
(Rs Millions)					
Sales	29,798	34,049	38,852	46,815	54,047
Gross Profit	10,294	12,498	17,183	19,743	22,915
Sell General & Admin Expense	(1,718)	(2,011)	(2,312)	(2,729)	(3,220)
Operating Profit	4,229	5,052	8,731	10,255	11,678
Net Interest & Other Income	(330)	(529)	(1)	187	278
Associates	0	0	0	0	0
Pretax Income	3,899	4,523	8,730	10,442	11,956
Tax (expense) / Benefit	(1,282)	(1,579)	(2,968)	(3,446)	(3,945)
Net Income (Adjusted)	2,597	2,911	5,732	6,961	7,970
Average Fully Diluted Shares Outstanding	800	800	800	800	800

Key Cash Flow Statement Data

Net Income	2,597	2,911	5,732	6,961	7,970
Depreciation & Amortization	640	720	755	783	867
Change in Working Capital	(1,556)	507	302	(1,465)	(358)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(943)	(786)	30	35	(243)
Cash Flow from Operations	739	3,351	6,819	6,314	8,236
Capital Expenditure	(2,024)	(2,061)	(1,079)	(1,545)	(1,545)
(Acquisition) / Disposal of Investments	(179)	356	(1,799)	(200)	0
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	(2,204)	(1,705)	(2,878)	(1,745)	(1,545)
Shares Issue / (Repurchase)	1,486	0	0	0	0
Cost of Dividends Paid	(375)	(564)	(936)	(1,170)	(1,404)
Cash Flow from Financing	1,111	(564)	(936)	(1,170)	(1,404)
Free Cash Flow	(1,285)	1,290	5,740	4,769	6,691
Net Debt	3,684	3,221	700	700	700
Change in Net Debt	NA	NA	NA	NA	NA

Key Balance Sheet Data

Property, Plant & Equipment	6,593	7,934	8,258	9,020	9,698
Other Non-Current Assets	2,558	2,756	5,039	8,638	13,926
Trade Receivables	2,918	2,657	2,874	3,463	3,998
Cash & Equivalents	77	390	200	200	200
Other Current Assets	6,873	5,716	6,387	8,978	10,365
Total Assets	19,018	19,453	22,758	30,299	38,186
Long-Term Debt	3,761	3,610	900	900	900
Other Non-Current Liabilities	496	432	432	432	432
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	6,215	5,304	6,493	8,209	9,773
Total Liabilities	10,472	9,346	7,825	9,540	11,105
Total Equity	8,547	10,107	14,933	20,759	27,365
Total Equity & Liabilities	19,018	19,453	22,758	30,299	38,470

iQmethodSM - Bus Performance*

Return On Capital Employed	25.3%	24.4%	37.9%	35.8%	31.0%
Return On Equity	36.6%	31.6%	46.5%	39.5%	33.5%
Operating Margin	14.2%	14.8%	22.5%	21.9%	21.6%
EBITDA Margin	16.3%	16.9%	24.4%	23.6%	23.2%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	0.3x	1.2x	1.2x	0.9x	1.0x
Asset Replacement Ratio	3.2x	2.9x	1.4x	2.0x	1.8x
Tax Rate (Reported)	32.9%	34.9%	34.0%	33.0%	33.0%
Net Debt-to-Equity Ratio	43.1%	31.9%	4.7%	3.4%	2.6%
Interest Cover	10.3x	8.6x	NM	NM	NM

Key Metrics

* For full definitions of iQmethodSM measures, see page 5.

Company Description

Exide Industries is the largest manufacturer of lead acid storage batteries in India with 25% revenue share. It dominates the branded automotive battery market with over 72% market share. and industrial battery market with nearly 45% market share. Exide has manufacturing presence in India, Srilanka, UK, Singapore and Australia. It also has 50% stake in ING Vysya Life Insurance Co.

Investment Thesis

Exide, India's largest automotive and industrial battery company, is a key beneficiary of the rising demand for branded lead acid batteries, driven by stricter rules on lead usage. We expect it to benefit from the sharp decline in lead price on the back of declining demand and rising supply globally.

Stock Data

Price to Book Value 6.0x

Price objective basis & risk

Exide Indus Ltd (XEDRF)

Our price objective of Rs142 for Exide is based on sum-of-the-parts value including Rs131 for its lead acid battery business and Rs11 for its 50% stake in ING Vysya Life Insurance. We have valued its battery business at Rs131 per share assuming that it will trade at a PE of 15x FY11E, similar to one year forward PE auto OEM as the company's retail sales now forms bulk of profit. We have valued the life insurance business at Rs11 per share, based on 13x FY11E NBAP. Value of life insurance business arrived above is also at an implied valuation of 1.5x the amount invested by Exide by end FY09. Key risk for Exide is sharp increase in cost of lead and increase in competition.

Analyst Certification

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India - General Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
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	Balrampur Chini	BMPRF	BRCM IN	Sanjaya Satapathy
	Brigade Enterprises	XBDGF	BRGD IN	Gagan Agarwal
	Chambal Fertilisers & Chemicals	CHBZF	CHMB IN	Prasad Deshmukh
	Container Corp	CIDFF	CCRI IN	Sanjaya Satapathy
	Cummins India	CUIDF	KKC IN	Sanjaya Satapathy
	DLF Limited	XVDUF	DLFU IN	Unmesh Sharma, CFA
	Exide Indus Ltd	XEDRF	EXID IN	Sanjaya Satapathy

10 February 2010

India - General Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
	Housing Development and Infrastructure	XGHSF	HDIL IN	Unmesh Sharma, CFA
	Indiabulls Real Estate Ltd	IBELF	IBREL IN	Unmesh Sharma, CFA
	Jet Airways	JTAIF	JETIN IN	Anand Kumar
	Motherson Sumi	XMSUF	MSS IN	Sanjaya Satapathy
	Puravankara Projects Ltd	XPJVF	PVKP IN	Unmesh Sharma, CFA
	Renuka Sugars	SRNKF	SHRS IN	Sanjaya Satapathy
	Sobha Developers	SBDRF	SOBHA IN	Unmesh Sharma, CFA
	Triveni Engg	TVIEF	TRE IN	Sanjaya Satapathy
	Voltas	VTSJF	VOLT IN	Sanjaya Satapathy
NEUTRAL				
	Aditya Birla Nu	ADYAF	ABNL IN	Reena Verma Bhasin, CFA
	Jain Irrigation Systems Ltd	JNIDF	JI IN	Prasad Deshmukh
	Shree Cements	SREEF	SRCM IN	Reena Verma Bhasin, CFA
	Unitech Ltd	UTKIF	UT IN	Unmesh Sharma, CFA
UNDERPERFORM				
	Ambuja Cements	AMBUF	ACEM IN	Reena Verma Bhasin, CFA
	Assoc. Cement	ADCLF	ACC IN	Reena Verma Bhasin, CFA
	India Cements	INIAF	ICEM IN	Reena Verma Bhasin, CFA
	India Cements -G	IAMZY	ICEM LX	Reena Verma Bhasin, CFA
	Nagarjuna Fertilizers & Chemicals Ltd	NFACF	NFCL IN	Prasad Deshmukh
	Tata Chemicals Ltd	TTCXF	TTCH IN	Prasad Deshmukh
RSTR				
	Grasim	GRSJF	GRASIM IN	Reena Verma Bhasin, CFA
	Grasim -G	GRSJY	GRAS LX	Reena Verma Bhasin, CFA
	SpiceJet Ltd	MDLFF	SJET IN	Anand Kumar
	UltraTech Cemen	XDJNF	UTCEN IN	Reena Verma Bhasin, CFA
RVW				
	APIL	ANSFF	APIL IN	Gagan Agarwal
	Omaxe Limited	XOMXF	OAXE IN	Gagan Agarwal

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Amortization Net Income	Amortization Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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XEDRF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of January 31, 2010 or such later date as indicated.

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Investment Rating Distribution: Autos Group (as of 01 Jan 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	45	59.21%	Buy	26	70.27%
Neutral	17	22.37%	Neutral	8	61.54%
Sell	14	18.42%	Sell	9	75.00%

Investment Rating Distribution: Global Group (as of 01 Jan 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1699	50.78%	Buy	904	58.82%
Neutral	841	25.13%	Neutral	491	65.03%
Sell	806	24.09%	Sell	368	49.80%

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10 February 2010

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