

17 July 2012

## Exide Industries

*High input costs and other expenses hit 1QFY13 margin, Hold*

Rating: **Hold**

Target Price: ₹149

Share Price: ₹132

Falling lead prices and a better replacement mix led to Exide's qoq EBITDA margin improvement to 15.6% on 1QFY13 net sales that grew 24.9% yoy. Rupee depreciation limited the benefit to margins as a result of lower lead prices yoy. Management has guided to EBITDA margins of ~16-18% in FY13 due to correcting lead prices and less forex volatility. We retain a Hold.

- Two-wheeler battery and inverter volumes fuel sales.** Exide's 1QFY13 net sales grew 24.9% yoy (7.3% qoq) to ₹15.5bn, led by good continuing growth in two-wheeler batteries (up 28% yoy) and the newly-launched integrated inverters. EBITDA was up 11.2% yoy to ₹2.43bn. The margin fell 193bps yoy as raw material-to-sales, at 65.1%, was up 129bps yoy. Other-expenses-to-sales at 13.8%, up 101bps yoy, also hit margins. ₹103.1m in exchange losses have been adjusted from 'other expenses'. Adj. profit fell 0.6% yoy but was up 15.5% qoq to ₹1.59bn.
- Ahead, management expects margins to be 16-18%.** In 1QFY13 lead prices fell ~22.3% yoy (4.2% qoq). Softer prices in international markets could have been negated by the rupee depreciation. The impact of the lead-price correction has yet to trickle down completely to the EBITDA margin that should improve on lower lead prices and less forex volatility. Ahead, management guides to an EBITDA margin of ~16-18%
- Replacement demand and inverters to drive growth.** Management expects two-wheeler battery volumes to be encouraging, mainly from replacement demand. In the industrial-battery segment, UPS and inverters are expected to generate good volumes. These segments should help the company maintain its overall market share.
- Valuation.** At our target of ₹149, the stock would trade at 14.3x FY14 EPS. It now trades at 12.7x FY14e. **Risks. Downside:** weakness in industrial demand; forex volatility. **Upside:** lower lead prices.

Key data	EXID IN / EXID.BO
52-week high / low	₹175 / ₹99
Sensex / Nifty	17105 / 5193
3-m average volume	US\$2.8m
Market cap	₹112.8bn / US\$2.1bn
Shares outstanding	850m

Shareholding pattern (%)	Mar '12	Dec '11	Sep '11
Promoters	46.0	46.0	46.0
- of which, Pledged	-	-	-
Free Float	54.0	54.0	54.0
- Foreign Institutions	18.1	18.8	17.1
- Domestic Institutions	13.3	13.5	15.0
- Public	22.6	21.7	21.9

Financials (YE: Mar)	FY13e	FY14e
Sales (₹m)	60,281	71,321
Net profit (₹m)	7,297	8,846
EPS (₹)	8.6	10.4
Growth (%)	58.2	21.2
PE (x)	15.4	12.7
PBV (x)	3.1	2.6
RoE (%)	20.1	20.3
RoCE (%)	28.1	28.5
Dividend yield (%)	1.3	1.5
Net gearing (%)	12.5	8.4

Source: Anand Rathi Research

Quarterly results (YE: Mar)	1QFY12	1QFY13	% yoy	FY11	FY12	% yoy
Sales (₹m)	12,443	15,536	24.9	45,775	51,110	11.7
EBITDA (₹m)	2,187	2,431	11.2	8,873	6,879	(22.5)
EBITDA margin (%)	17.6	15.6	(193)bps	19.4	13.5	(593)bps
Interest (₹m)	14	14	(4.2)	57	53	(7.7)
Depreciation (₹m)	237	276	16.5	835	1,007	20.6
Other income (₹m)	308	147	(52.1)	799	633	(20.8)
Extraordinary income (₹m)	39	(103)	(367.1)	623	0	(100)
PBT (₹m)	2,282	2,185	(4.2)	9,404	6,452	(31.4)
Tax (₹m)	650	665	2.4	2,740	1,840	(32.8)
Adj. PAT (₹m)	1,605	1,595	(0.6)	6,090	4,612	(24.3)

Source: Company, Anand Rathi Research

Anand Rathi Share and Stock Brokers Limited does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Disclosures and analyst certifications are located in Appendix 1

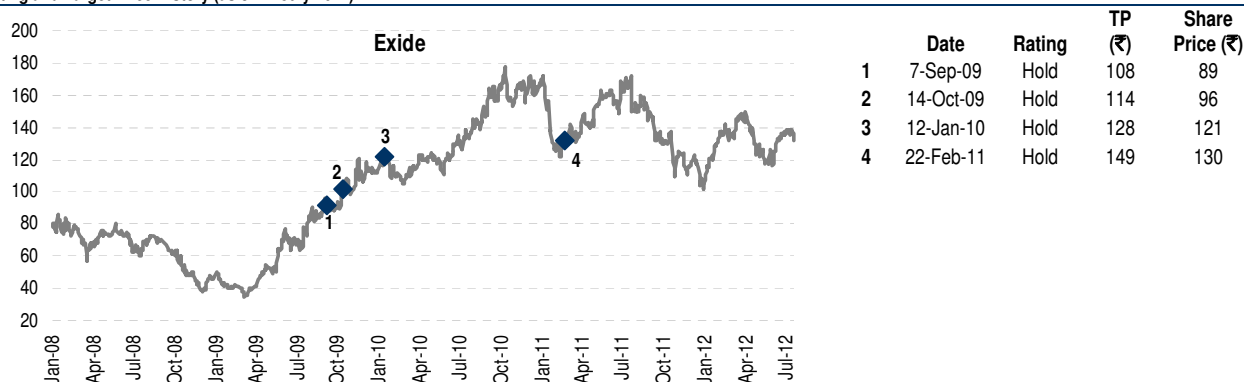
## Appendix 1

### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

### Important Disclosures on subject companies

#### Rating and Target Price History (as of 17 July 2012)



The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below.

#### Ratings Guide

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>20%	5-20%	<5%
Mid/Small Caps (<US\$1bn)	>30%	10-30%	<10%

#### Anand Rathi Research Ratings Distribution (as of 09 May 2012)

	Buy	Hold	Sell
Anand Rathi Research stock coverage (121)	73%	14%	13%
% who are investment banking clients	6%	6%	0%

### Other Disclosures

This report has been issued by Anand Rathi Share & Stock Brokers Limited (ARSSBL), which is regulated by SEBI.

The information herein was obtained from various sources; we do not guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities ("related investments"). ARFSL and its affiliates may trade for their own accounts as market maker / jobber and/or arbitrageur in any securities of this issuer(s) or in related investments, and may be on the opposite side of public orders. ARSSBL, its affiliates, directors, officers, and employees may have a long or short position in any securities of this issuer(s) or in related investments. ARSSBL or its affiliates may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. This research report is prepared for private circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Past performance is not necessarily a guide to future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report.

This document is intended only for professional investors as defined under the relevant laws of Hong Kong and is not intended for the public in Hong Kong. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. No action has been taken in Hong Kong to permit the distribution of this document. This document is distributed on a confidential basis. This document may not be reproduced in any form or transmitted to any person other than the person to whom it is addressed.

If this report is made available in Hong Kong by, or on behalf of, Anand Rathi Financial Services (HK) Limited., it is attributable to Anand Rathi Financial Services (HK) Limited., Unit 1211, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. Anand Rathi Financial Services (HK) Limited. is regulated by the Hong Kong Securities and Futures Commission.

Anand Rathi Financial Services Limited and Anand Rathi Share & Stock Brokers Limited are members of The Bombay Stock Exchange Limited, and the National Stock Exchange of India.

© 2012 Anand Rathi Share & Stock Brokers Limited. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Anand Rathi Financial Services Limited.

Additional information on recommended securities/instruments is available on request.