

BATTERIES

SECTOR OVERVIEW

February 2019



INTRODUCTION

B A T T E R Y

- Dominated by a few large players and some have very deep rooted penetration in the market e.g. EXIDE and Atlas.
- Some new players have invested a sizeable amount of equity in to the battery industry e.g. Treet Corp (Daewoo).
- Major demand drivers for batteries are Automobiles and UPS backup (a segment which has seen a decline and is susceptible to power demand and supply dynamics).
- Major derivative of profitability is the cost of raw material – lead – which is predominantly imported from the international market having a direct linkage to the exchange rate.
- Since 2016 price of lead has been increasing, though it saw a slight dip lightly, but given the exchange rate scenario cost pressures are expected to persist.
- Because of competition and despite the rise in the cost of production, the players were not able to pass on the impact of rise in cost.

INTERNATIONAL PRICES OF LEAD



- Prices have been on a rising trend since 2016
- Prices have fluctuated between ~\$1000 to ~\$2550 (USD/tonne) during the last 10 years

MAJOR PLAYERS IN THE BATTERY INDUSTRY

Players

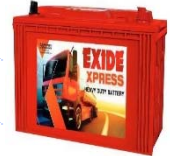
- Atlas Batteries Ltd.
- Exide Battery Ltd.
- Osaka Batteries / Volta Batteries
- Daewoo Batteries
- Phoenix Batteries
- Bridge Power Batteries
- Millat Batteries

Bigger Players Production

- Estimated 250,000-220,000 per month

Smaller Players Production

- Estimated 100,000 per month





CONSTRUCTION | PEER COMPARISON

	Exide Battery		Atlas Battery	
Segments				
Financial Indicators	9MFY19(Dec-18)	FY18(Mar-18)	3MFY19(Sep-18)	FY18(Jun-18)
Revenue (PKR mln)	6,763	12,301	2,983	18,333
GP Margin (%)	10%	11%	1.5%	11%
Net Profit (PKR mln)	(402)	22	(230)	591
Net Profit Margin (%)	-6%	0.18%	-7.7%	3.2%
Borrowing ST (PKR mln)	4,724	4,575	2,330	2,460
Borrowing LT (PKR mln)	10	10	0	0
Borrowing Total (PKR mln)	4,734	4,585	2,330	2,460

USES OF BATTERIES

B A T T E R Y

- Automobile (directly linked with the level of economic activity and interest rate environment)
- UPS (inversely linked to the energy supply situation)
- Solar panel



TYPES OF BATTERIES

BATTERY

- ◆ Lead-acid battery (This is were the leading players have been operating)
- ◆ Lithium-ion battery
- ◆ Nickel-metal hydride battery

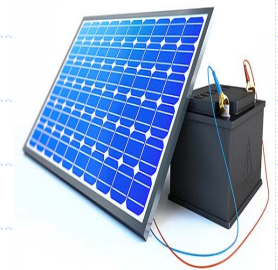


OPPORTUNITIES AND THREATS

OUTLOOK | NEGATIVE

B A T T E R Y

- Decline of power outages
- Increased competition given new capacities
- Rising cost of lead
- Deteriorated profit margins / listed companies booked losses.
- + China–Pakistan Economic Corridor(CPEC)
- + Rise in power demand
- + Increase demand of automobile
(especially in cars & trucks)
- + Usage of solar energy





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Analysts	Farheen Farooq <i>Senior Financial Analyst</i> farheen.farooq@pacra.com	Jhangeer Hanif <i>Unit Head – Ratings</i> jhangeer@pacra.com
Contact Number: +92 42 3586 9504		

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