

Endurance Technologies

Encouraging outlook; new products to drive sales

Endurance continues to expand into new segments as the company will commence ABS orders in 1QFY22 and its CBS facility will be commissioned shortly. It is winning orders from new customers (TVS) and is expanding with HMSI, Hero, etc. We reiterate BUY. We have a target price of Rs 1,270 at 28x Sep-22E EPS (our estimates are changed marginally by 1% over FY22/23E). Key risks: slower-than-expected industry recovery.

- **2QFY21 financials: Standalone:** Revenue at Rs 12.8bn, flat YoY, was above our estimates. EBITDA margin surprised at 18% and expanded 280bps YoY, owing to improved operating leverage. PAT came in at Rs 1.3bn (-1.6% YoY). **Consolidated:** Consolidated revenue at Rs 17.7bn was flat YoY. EBITDA margin at 17.7% expanded 125bps YoY. PAT at Rs 1.67bn declined 1.1% YoY. **Europe operations:** Revenue came in at Rs 4.8bn (flat YoY). Margin at 16.8% was up 50bps QoQ but lower 290bps YoY due to a change in product mix and higher raw material costs. It contributed 27% to consolidated revenues.
- **Concall and other highlights: (1) Encouraging order book:** RFQs stood at Rs 12.3bn at the end of 2Q. The management expects growth momentum to sustain in the near term as OEM orders are encouraging and the company is gaining new business. In 1HFY21, it received Rs 3.6bn of new order wins from HMSI, Hero, Yamaha, Suzuki, and TVS. Its new client, TVS, has awarded Rs 1.96bn worth of brake and suspension business for 2Ws/3Ws. Vallum plant will commence shortly and supply to Hyundai/Kia and Enfield. **(2) Expansion in various segments:** Endurance is setting up a capacity of 600k p.a. of CBS brakes in Pantnagar, Uttarakhand, which is expected to start operations shortly. Endurance is in advance stages of clearance for its ABS brake assemblies and has already been allotted business which should start in 1QFY22. **(3) Market share gains:** In 2Q, revenues from Yamaha/HMSI/ Suzuki/Tata grew by ~14/19/29/39% YoY. Management expects HMSI/ Yamaha/Hero's revenues to grow 1.2-1.5x by FY22 from FY20 base, as the company gains a further foothold with these companies. Share of business from Bajaj decreased by 3% due to ramp-up from other OEMs.

Financial Summary (Consolidated)

YEMar (Rs mn)	2Q FY21	2Q FY20	YoY (%)	1Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	17,701	17,713	(0.1)	6,031	193.5	75,105	69,177	59,818	68,401	78,574
EBITDA	3,132	2,911	7.6	427	633.0	11,288	11,308	9,006	11,457	13,303
APAT	1,672	1,691	(1.1)	(249)	NA	5,158	5,655	4,138	5,775	6,962
Adj. EPS (Rs)	11.9	12.0	(1.1)	(1.8)	NA	36.7	40.2	29.4	41.1	49.5
APAT Growth (%)						23.5	9.6	(26.8)	39.6	20.6
P/E (x)						28.8	26.3	35.9	25.7	21.3
RoE (%)						21.8	20.3	13.1	16.2	17.0

Source: Company, HSIE Research

Change in estimates

Rs mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	59,818	68,401	78,574	59,818	68,401	78,574	-	-	-
EBITDA	9,006	11,457	13,303	8,614	11,457	13,303	5	-	-
EBITDA margin (%)	15.1	16.7	16.9	14.4	16.7	16.9	66 bps	0 bps	0 bps
PAT	4,138	5,775	6,962	3,850	5,745	6,924	7	1	1
EPS	29.4	41.1	49.5	27.4	40.8	49.2	7	1	1

Source: Company, HSIE Research

BUY

CMP (as on 11 Nov 2020)	Rs 1,057
Target Price	Rs 1,270
NIFTY	12,749

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 1,260	Rs 1,270
EPS %	FY21E	FY22E
	7%	1%

KEY STOCK DATA

Bloomberg code	ENDU IN
No. of Shares (mn)	141
MCap (Rs bn) / (\$ mn)	149/1,999
6m avg traded value (Rs mn)	119
52 Week high / low	Rs 1,205/562

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	7.3	69.0	(3.9)
Relative (%)	(6.2)	30.9	(11.9)

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	75.0	75.0
FIs & Local MFs	11.6	11.9
FPIs	11.8	11.6
Public & Others	1.6	1.5
Pledged Shares	0.0	0.0

Source : BSE

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