



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Endurance Technologies Ltd Q3 FY22 consolidated revenues came in at ₹1889 Cr, down 7.45% YoY and up 0.05% QoQ.
- Op Profit for Q3FY22 stood at ₹203 Cr, down 42.3% YoY and down 21.9% QoQ.
- Op margins for Q3FY22 came at 11.15%, -28 bps YoY and -639 bps QoQ.
- PAT for Q3FY22 stood at ₹95 Cr, down 50.2% YoY and down 29.02% QoQ.

2. MANAGEMENT COMMENTARY:

- Management expects domestic product mix and pass through of commodity prices to improve in coming quarters.
- Management also expects margins to improve in Q4FY22 led by improvement in product mix and stability in RM prices.
- Through the acquisition of Veicoli Srl, management expects to expand their innovative solutions offerings in mobility sector in Europe.
- Apart from infrastructure creation in Aurangabad, company also added manufacturing / integration facilities in Pantnagar and Chennai.

3. SEGMENTAL ANALYSIS:

- In Q3FY22, Indian business contributes ~79% of total revenues and was 1% lower YoY.
- In Q3FY22, European Business contributes ~21% of total revenues and declined 22% YoY.

4. CONCALL SUMMARY

- Company secured new order wins worth Rs 5.8 Bn in 9MFY22 from Hero MotoCorp, Royal Enfield, Bajaj, Ather and HMSI.
- Focusing on increasing EV penetration in 2W/3W space and won orders worth Rs 1.4 Bn in EV space in 9MFY22.
- Company is increasing the disk brake assembly capacities to 570 K sets/month (from 285 K) and disk capacities to 675 K sets/month (from 375 K) at their Waluj Plant.
- Increasing alloy wheel capacities to 320 K/month (from 240 K) at their Chakan Plant.
- Started ABS supplies to Bajaj and Royal Enfield and expects this supply to ramp up to 4 lac units per annum by Sep, 2022.
- Added new product vertical of driveshaft during the quarter and will be supplying to 3W and 4W OEMs.

5. OTHER DEVELOPMENTS:

- During the quarter, Company acquired 100% stake in Veicoli Srl, Italy. Veicoli enables fleet operators to increase route efficiency, enhance safety, optimise maintenance activity and reduce fuel costs

6. VALUATION AND OUTLOOK:

Endurance technology has strong positioning in Indian 2W segment. The company is also targeting to increase their capacity in various segments like disk brakes & alloy wheels which would help them to capture import substitute opportunities as well as gain their market share in these segments. Driven by new customer wins and increasing EV penetration, we believe Endurance Technologies is the best bet for the revival in Indian 2W space.

We initiate a "BUY" rating on the stock and value the stock at 26.0x FY23E earnings to arrive at the target of ₹1342.

RECOMMENDATION - BUY

CMP – 1166

TARGET – 1342 (15%)

Industry	Auto Ancillary
NSE CODE	ENDURANCE
BSE CODE	540153
Market Cap (₹ Cr)	16412.54
Shares Outstanding (in Cr)	14.07
52 wk High/Low (₹)	1989 / 1083.05
P/E	32.02
P/BV	4.32
Face Value (₹)	10.00
Book Value (₹)	269.88
EPS (FY21) (₹)	36.95
Dividend Yield (%)	0.41
Debt / Equity	0.18
Interest Coverage	48.01

SHAREHOLDING PATTERN

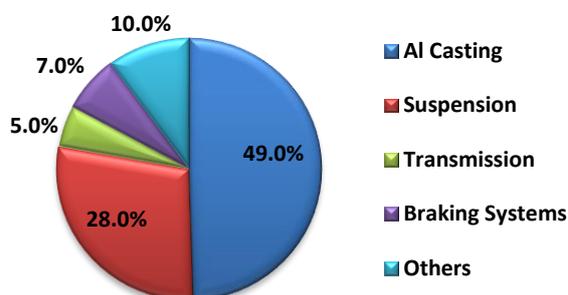
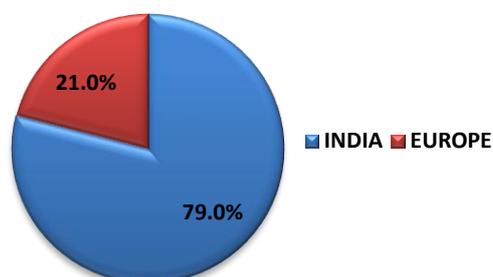
	Dec 21	Sep 21	Jun 21
Promoters	75.00	75.00	75.00
MF/ DII	8.23	8.56	9.40
FII/FPI	7.82	8.03	8.34
Retail & Others	1.52	1.64	1.50
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2021A	2022E	2023E
Crore			
Sales	6547.02	7436.00	8923.20
Sales Gr. (%)	-5.36	13.58	20.00
EBITDA	1040.21	982.00	1338.48
EBITDA %	16.28	13.21	15.00
PAT	519.71	473.00	726.39
EPS (₹)	36.95	33.63	51.63
EPS Gr. (%)	-8.10	-8.99	53.51
BV/Sh. (₹)	253.24	276.10	322.20
Ratios			
RoE (%)	15.82	12.50	16.20
RoCE (%)	16.60	12.90	16.80
Valuation			
P/E (x)	39.34	35.00	26.00
P/BV (x)	5.74	5.4	4.8

Historical & Industrial Val Ratios

Historical P/E	33.05
Industry P/E	37.45
Historical P/B	5.86
Industry P/B	3.45

REVENUE SPLIT
Segmental Mix (FY21)

Geography Mix (Q3 FY22)

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY21				FY22				FY21	FY22E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E*		
Net sales	603	1,770	2,041	2,133	1,694	1,888	1,889	1,965	6,544	7,436
YoY change (%)	-68.41%	-0.06%	24.40%	33.58%	180.82%	6.63%	-7.44%	-7.90%	-5.36%	13.6%
Total Expenditures	560	1,457	1,689	1,801	1,449	1,628	1,686	1,689	5,504	6,454
EBITDA	43	313	352	332	244	260	203	275	1,040	982
Margins (%)	7%	18%	17%	16%	14%	14%	11%	14%	16%	13%
Depreciation	86	97	104	112	98	94	91	91	399	374
Interest	4	4	4	2	1	2	1	1	14	5
Other income	11	7	-5	7	-19	8	7	7	19	3
PBT	-36	220	238	225	126	172	118	190	647	606
Rate (%)	31%	24%	20%	17%	23%	23%	20%	22%	20%	22%
Adjusted PAT	-25	167	190	187	97	133	95	148	520	473
EPS in Rs	-1.77	11.88	13.51	13.32	6.86	9.48	6.73	10.53	36.95	33.63

Key Performance Indicators

RM Cost (% of Sales)	48	54	54	57	54	59	61		55	
Staff Cost (% of Sales)	22	10	9	9	11	9	9		10	
Other Costs (% of Sales)	30	36	37	34	35	32	30		35	
EBITDA Margin (%)	7	18	17	16	14	14	11		16	
PAT Margin (%)	-4	9	9	9	6	7	5		8	

Source: Company, Hem Securities Research.

***Insights into the assumptions:**

- We expect revenues to increase by QoQ in Q4FY22 led by new order wins and increase in capacities.
- We also believe that operating margins would improve from current levels led by improvement in product mix and pass through of commodity costs.

INDUSTRY OVERVIEW

The auto-parts industry in India is growing over last few years by a CAGR of 6% over FY16 to FY20 to reach USD 49.3 B in FY21. This industry accounts for almost 2.3% of India's GDP and employs around 1.5 million people directly and indirectly. Around 51% revenue of the industry comes from OEM supplies, 20% revenue comes from aftermarket sales and 29% revenue comes from exports. Some of key players of this industry includes Mitherson Sumi, Minda Industries, Endurance Technologies, Bosch and Varroc Engineering.

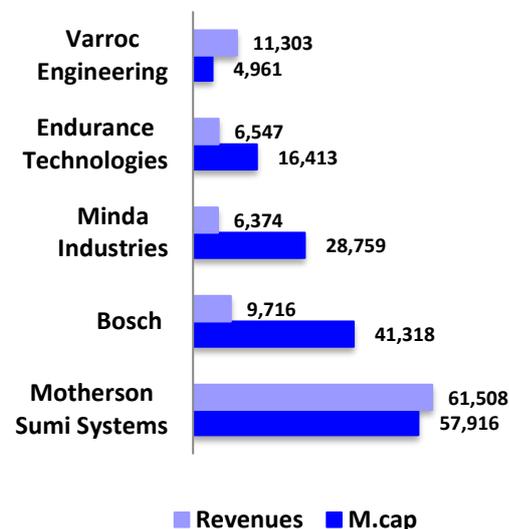
Some of the key government initiatives taken to boost this sector includes:

- Approved financial outlay of ₹ 57,042 crore over 5-year period under PLI scheme for automobile and auto components industry.
- 100% FDI allowed for auto components industry.
- Department of Heavy Industry announced the launch of public and shared mobility based on electric powertrain.

Some of the growth drivers for the auto components industry includes:

- India is geographically closed to key automobile market such as Middle East and European nations.
- India has a cost advantage as they are second largest steel producer.
- Favorable government regulations opens opportunity for many auto parts companies as a lot of new components are becoming mandatory with new regulations.

KEY PLAYERS in Auto Ancillary Space



PEER PERFORMANCE

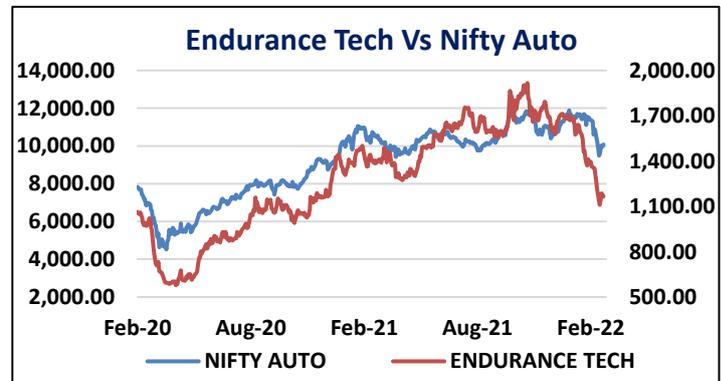
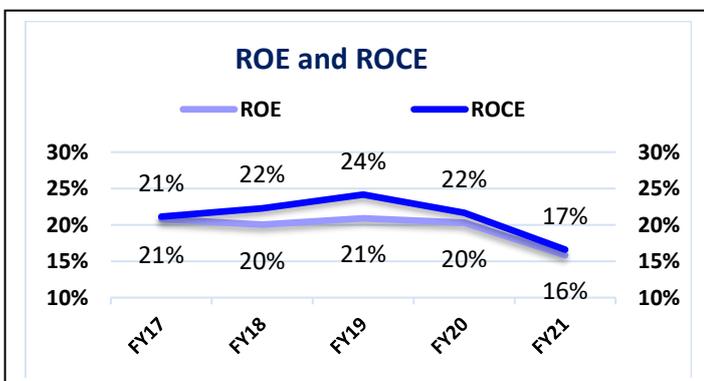
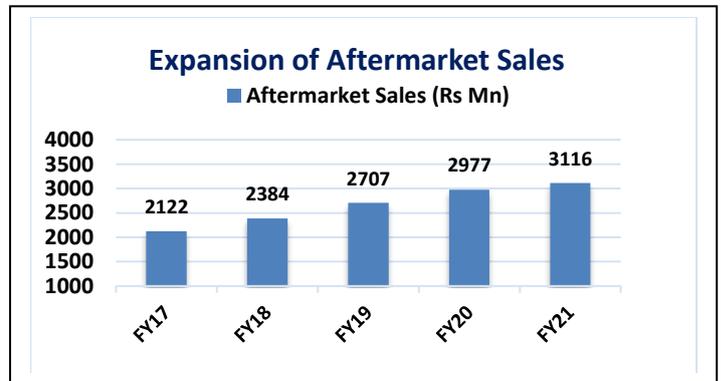
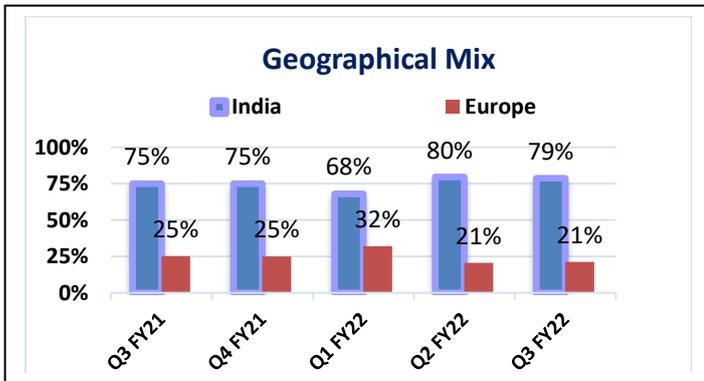
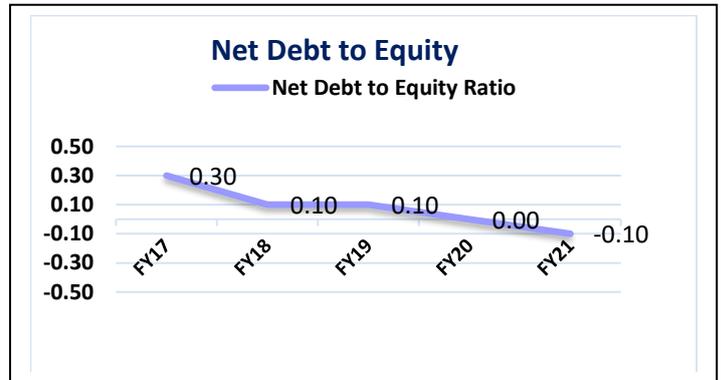
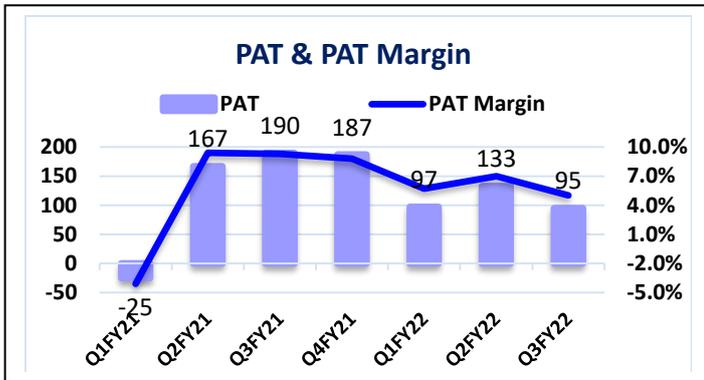
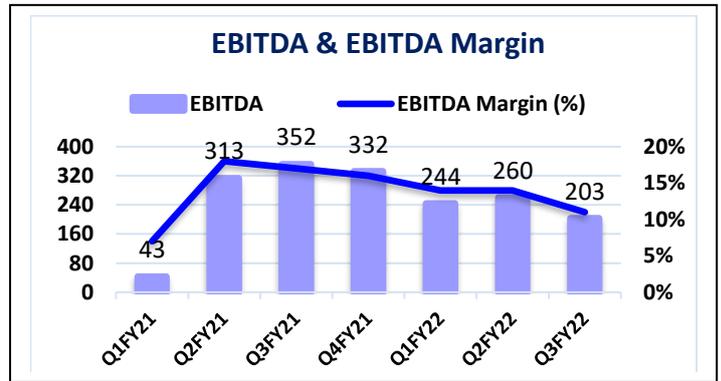
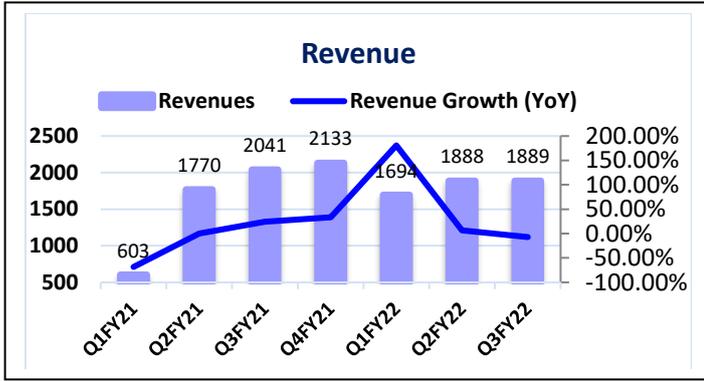
(₹ Cr)

Particulars	Endurance Technologies Ltd.	Minda Industries Ltd.	Mitherson Sumi Systems Ltd.	Varroc Engineering Ltd.	Bosch Ltd.
Market Cap	16,412.5	28,759.1	57,915.8	4,961.0	41,317.6
Net Sales	6,547.0	6,373.7	61,508.1	11,302.8	9,716.2
EBITDA	1,040.2	725.0	4,771.0	396.8	1,112.2
PAT	519.7	206.6	1,039.2	-631.9	482.0
EPS(₹)	36.9	7.6	3.3	-41.4	163.4
EBITDA MARGIN %	16.3	12.1	8.2	4.6	17.1
PAT MARGIN %	7.9	3.5	2.4	-5.9	4.9
ROCE %	16.6	12.5	9.2	-5.9	6.1
ROE %	15.8	10.9	13.5	-22.0	5.0
P/E TTM	32.0	81.5	39.8	-	30.7
P/B TTM	4.3	8.8	4.9	2.2	4.0
EV/EBITDA	15.5	30.0	11.5	39.0	19.3
Dividend Yield %	0.5	0.1	1.2	-	0.8
MCap/ Sales TTM	2.2	3.5	0.9	0.4	3.5

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Expert management team and skilled workforce.
- Derisked portfolio – across geographies, products and customers.
- R&D prowess, with strong technology partnerships and test track for validation.
- Aftermarket network and brand strength.
- Strong OEM relationships.
- Very strong positioning in the 2W segment, best proxy to play for revival in India 2W sector.
- Company added drive shafts for 3Ws and PVs as a new product vertical. Total annual addressable size of drive shaft is ~Rs20b for 3Ws and 4Ws.
- Focusing on increasing EV penetration in 2W/3W space and won orders worth Rs 1.4 Bn in EV space in 9MFY22.
- Company is increasing the disk brake assembly capacities to 570 K sets/month (from 285 K) and disk capacities to 675 K sets/month (from 375 K) at their Waluj Plant.
- Increasing alloy wheel capacities to 320 K/month (from 240 K) at their Chakan Plant.

RISK / NEGATIVE FACTORS:

- The Company is likely to get impacted in the event of a macro-economic slowdown or an auto industry specific downturn.
- Aluminium and steel are the major RM for the company. Rising prices of RM may affect their profitability.
- Over dependence on few customers like Bajaj, RE may lead to their business loss if these customers perform badly.
- Company has a decent exposure to Europe and if COVID-19 situation worsens in Europe, it may affect their business
- Lucrative growth prospects of the Automobile and Auto components industries are always attracting new players to the market.

COMPANY RECAP

- Endurance is one of the leading automotive component manufacturers, having a diverse range of technology intensified products with operations in India and Europe (Italy and Germany).
- Endurance is a complete solutions provider, providing end to end services by engaging its customers from conception to end user delivery and also catering to the replacement market.
- In India, predominantly cater to two and three wheeler OEMs and products include aluminium castings, suspensions, transmission and braking systems. In Europe, predominantly cater to four wheeler OEMs and mainly supply aluminium casting products.
- Out of our 28 plants, 19 are in India, 3 are in Germany and 6 plants are in Italy.
- 14 designs registered and 19 patents granted.
- The Company also has four modern and advanced R&D facilities, approved by the Department of Scientific & Industrial Research (DSIR), located in Aurangabad and Pune, to steer its strong innovation focus
- Among the largest aluminium die casting units in India.
- Tier 1 supplier to major OEMs.
- Around 49% revenue comes from aluminium casting, 28% revenue comes from suspension, 5% revenue comes from transmission, 7% comes from braking and 10% comes from others.
- Around 73% revenue comes from India and ~27% revenue comes from Europe in FY21.
- Key customers of the company include Bajaj Auto, Honda 2W, Hero MotoCorp, Royal Enfield, Hyundai, Kia and Daimler

ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2017	2018	2019	2020	2021	2022E	2023E
Revenue from operations	5,590.87	6,351.38	7,510.50	6,917.71	6,547.02	7436	8923.2
Growth YoY (%)	6.89	13.60	18.25	-7.89	-5.36	13.58	20.00
Total Expenditure	4,832.54	5,423.60	6,381.72	5,786.94	5,506.81	6454	7584.72
(%) of sales	86.44	85.39	84.97	83.65	84.11	86.79	85.00
EBITDA	758.33	927.78	1,128.78	1,130.77	1,040.21	982	1338.48
EBITDA Growth (%)	10.52	20.82	21.50	1.95	-9.12	-5.60	36.30
EBITDA Margin (%)	13.14	14.33	15.32	16.95	16.28	13.21	15.00
Depreciation	290.51	321.59	376.21	414.28	399.14	374	392.7
EBIT	496.89	602.86	758.81	764.09	660.56	608	945.78
EBIT Growth (%)	5.88	21.33	25.87	0.69	-13.55	-7.96	55.56
Net Interest Expenses	32.25	23.52	25.73	17.54	13.76	5	5
Other Income	29.07	23.55	27.05	47.60	30.71	3	15
Earnings before Taxes	464.65	579.34	733.08	746.55	646.80	606	955.78
EBT Margin (%)	7.76	8.72	9.72	10.74	9.83	8.15	10.71
Tax-Total	134.34	188.58	238.07	181.01	127.23	133	229.38
Rate of tax (%)	28.91	32.55	32.48	24.25	19.67	21.95	24
Net Profit	330.31	390.76	495.01	565.53	519.57	473	726.39
PAT Growth (%)	9.94	18.30	26.68	14.25	-8.13	-8.96	53.57
PAT Margin (%)	5.51	5.88	6.56	8.14	7.90	6.36	8.14
Minority Interest	0.00	0.00	0.00	0.00	0.14	0	0
Adjusted PAT	330.31	390.76	495.01	565.53	519.71	473	726.39
EPS	23.48	27.78	35.19	40.20	36.95	33.63	51.63
EPS Growth (%)	0.00	18.30	26.68	14.25	-8.10	-8.99	53.51

Balance Sheet

Y/E March	2017	2018	2019	2020	2021
Share Capital	141	141	141	141	141
Reserves	1,589	2,032	2,424	2,865	3,421
Net Worth	1730	2173	2565	3006	3562
Borrowings	694	814	730	750	641
Other Liabilities	1,087	1,353	1,475	1,306	1,544
Total Liabilities & Equity	3,510	4,340	4,770	5,062	5,747
Fixed Assets	1,634	1,851	2,163	2,606	2,603
CWIP	44	59	118	126	96
Investments	33	46	36	166	444
Other Assets	1,800	2,383	2,453	2,164	2,604
Total Assets	3,510	4,340	4,770	5,062	5,747

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2017	2018	2019	2020	2021
Profitability and return ratios					
Net profit margin (%)	5.51	5.88	6.56	8.14	7.90
EBITDA margin (%)	13.14	14.33	15.32	16.95	16.28
EBIT margin (%)	8.29	9.08	10.06	10.99	10.04
ROE (%)	20.78	20.03	20.90	20.30	15.82
ROCE (%)	21.12	22.29	24.16	21.67	16.60
Working Capital & liquidity ratios					
Payables (Days)	90.65	99.40	96.59	109.43	119.84
Inventory (Days)	26.00	25.77	25.01	28.62	32.23
Receivables (Days)	41.23	47.53	45.82	41.96	47.54
Current Ratio (x)	1.14	1.22	1.21	1.37	1.69
Valuations Ratios					
EV/sales (x)	2.01	2.85	2.20	1.24	3.14
EV/EBITDA (x)	14.26	19.01	14.28	7.27	19.21
P/E (x)	32.55	45.48	32.95	14.91	39.34
P/BV (x)	6.22	8.18	6.36	2.81	5.74
Dividend Yield (%)	0.33	0.32	0.47	0.92	0.41
Leverage Ratio					
Debt/Equity (x)	0.40	0.37	0.28	0.25	0.18

Cash Flow Statement					
Y/E March	2017	2018	2019	2020	2021
CF from Operating activities (A)	537	742	898	1,011	621
CF from Investing Activities (B)	-361	-436	-696	-671	-586
CF from Financing Activities (C)	-122	-24	-167	-258	-143
Net Cash Flow	54	283	35	83	-108
Add: Opening Bal.	166	220	503	538	621
Closing Balance	220	503	538	621	513

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
14 Mar 2022	Buy	1342

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Name of the Research Analyst: ABHISHEK SHARDA

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SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.