

May 23, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	1,700		1,690	
Sales (Rs. m)	88,283	1,01,144	88,193	1,02,391
% Chng.	0.1	(1.2)		
EBITDA (Rs. m)	12,527	15,455	12,614	15,465
% Chng.	(0.7)	(0.1)		
EPS (Rs.)	43.6	56.7	42.2	56.3
% Chng.	3.3	0.6		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	65,470	75,491	88,283	1,01,144
EBITDA (Rs. m)	10,402	9,646	12,527	15,455
Margin (%)	15.9	12.8	14.2	15.3
PAT (Rs. m)	5,286	4,854	6,136	7,972
EPS (Rs.)	37.6	34.5	43.6	56.7
Gr. (%)	(6.5)	(8.2)	26.4	29.9
DPS (Rs.)	6.0	6.3	6.0	6.8
Yield (%)	0.5	0.5	0.5	0.5
RoE (%)	16.1	13.0	14.7	16.6
RoCE (%)	17.0	14.0	17.0	19.5
EV/Sales (x)	2.6	2.3	1.9	1.6
EV/EBITDA (x)	16.3	17.7	13.4	10.5
PE (x)	33.1	36.1	28.5	22.0
P/BV (x)	4.9	4.5	3.9	3.4

Key Data

ENDU.BO | ENDU IN

52-W High / Low	Rs.1,989 / Rs.1,047
Sensex / Nifty	54,326 / 16,266
Market Cap	Rs.175bn/ \$ 2,258m
Shares Outstanding	141m
3M Avg. Daily Value	Rs.280.94m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	7.22
Domestic Institution	15.87
Public & Others	1.91
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.4	(28.9)	(11.0)
Relative	12.7	(22.0)	(18.8)

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New products to drive growth

Quick Pointers:

- Won new business worth ~Rs 7.45bn/EUR 71mn for India/Europe in FY22.
- Entry into E-powertrain segment through 100% acquisition of Maxwell for BMS, embedded electronics etc.

Endurance's 4QFY22 EBITDA margin in India (12.7%, +150 bps QoQ) and Europe (11.5%, +210 bps QoQ) surprised positively. Company announced its entry into electronics business through 100% acquisition of Maxwell Energy for BMS, telematics etc. Its supplies of driveshafts for Bajaj should commence in coming months, along with 3Ws and LCVs. Further, ramping up of ABS supplies (as the chip supply issues ease out) will aid revenues. In India, Endurance has a total order book of Rs 7.45mn. However, there remains pressure on EU operations due to semi-conductor shortages, soaring energy prices and other supply chain issues.

We believe Endurance will continue to outperform the industry led by (1) expectations of improvement in 2W demand over FY23 (after two weak years), (2) addition of new and value added products (ABS supply ramp-up over FY23, driveshafts, non-automotive castings etc.), (3) ramp-up in EV products (EV order book of ~Rs 3bn incl. Maxwell) and (5) increasing share of after markets and exports. Maintain 'BUY' with a target price of Rs 1,700 at 30x FY24E EPS (in line with its long-term trading average).

4QFY22 performance: (1) Consolidated: Revenue at Rs 20.78bn grew 10% QoQ largely led by price pass-ons in European operations. EBITDA margin at 12.4% expanded 160bps QoQ. **(2) India business:** Revenue grew 4% QoQ (-3% YoY) to Rs 15.5bn. EBITDA margin came in at 12.7% (+155bps QoQ, -215bps YoY). **(3) European operation:** Revenue (25% of the consolidated revenue) declined 2% YoY (+3% in EUR terms) vs a decline of 10.8% for the industry. EBITDA margin at 11.5% (+210bps QoQ).

Key takeaways: (1) Order wins: In FY22, India business won orders of Rs 7.45bn (excl Bajaj) from HMSI, TVS, Hero and RE; this included EV orders worth Rs 1.6bn (Rs 530mn from Ather and Rs 700mn from Polarity). Rs 1.2bn for non-automotive casting business (gensets, telecom). For EU market, EUR 71mn worth of orders won from Porsche, Daimler, Stellantis in FY22. **(2) Maxwell acquisition – Entry into electronics business:** Endurance to acquire 100% stake in Maxwell Energy for BMS and embedded power electronics. 51% stake for Rs.1,350mn is expected to conclude during 1QFY23. Balance 49% in a phased manner, spread over 5 years (annual variable pay-out of up to Rs. 1,730mn linked to performance of Maxwell). It has a strong order book of over Rs 1.5bn (50:50 for India and Europe) from key customers, including one of India's leading 2W OEMs/multiple new-age OEMs and leading battery pack makers. Rs 400mn worth of revenue is expected in FY23. **(3) Waluj plant operation commenced:** Driveshaft plant in Waluj, Aurangabad has started operations and supplies to Bajaj should begin in the coming month. It is also developing driveshafts for Mahindra's Alpha e-3W. **(4) New capacities:** Alloy wheel capacities expansion in Chakan from 240k/month to 320k/month; the plant will start operations in May-22 and supplies will begin from Jun-22. **(5) Ramping up ABS supplies:** In FY22, Endurance has started supplying ABS to Bajaj and RE. It expects to ramp up supplies to 400kunits p.a. by Mar-23, as chip supplies improves.

Exhibit 1: Q4FY22 Result Overview – Consolidated (Rs mn)

Y/e March	4QFY22	4QFY21	YoY gr. (%)	3QFY22	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
Net Revenues	20,788	21,329	(2.5)	18,891	10.0	75,491	65,470	15.3
Raw Materials	12,554	12,222	2.7	11,482	9.3	44,201	35,706	23.8
<i>% of Net Sales</i>	<i>60.4</i>	<i>57.3</i>		<i>60.8</i>		<i>58.6</i>	<i>54.5</i>	
Personnel	1,684	1,934	(13.0)	1,669	0.9	6,944	6,761	2.7
<i>% of Net Sales</i>	<i>8.1</i>	<i>9.1</i>		<i>8.8</i>		<i>9.2</i>	<i>10.3</i>	
Manufacturing & Other Exp	3,979	3,851	3.3	3,708	7.3	14,700	12,602	16.6
<i>% of Net Sales</i>	<i>19.1</i>	<i>18.1</i>		<i>19.6</i>		<i>19.5</i>	<i>19.2</i>	
Total Expenditure	18,217	18,007	1.2	16,859	8.1	65,845	55,068	19.6
EBITDA	2,571	3,322	(22.6)	2,032	26.5	9,646	10,402	(7.3)
<i>EBITDA Margin (%)</i>	<i>12.4</i>	<i>15.6</i>		<i>10.8</i>		<i>12.8</i>	<i>15.9</i>	
Depreciation	981	1,118	(12.3)	914	7.4	3,817	3,991	(4.4)
EBIT	1,590	2,204	(27.8)	1,119	42.2	5,829	6,411	(9.1)
Interest Expenses	17	19	(8.7)	14	21.6	64	138	(53.8)
Non-operating income	127	69	84.5	75	69.8	410	307	33.6
Extraordinary items	-	-		-		315	112	
PBT	1,700	2,254	(24.6)	1,179	44.2	6,490	6,693	(3.0)
Tax-Total	338	381	(11.2)	233	45.2	1,254	1,272	(1.4)
<i>Tax Rate (%) - Total</i>	<i>19.9</i>	<i>16.9</i>	<i>17.7</i>	<i>19.8</i>		<i>19.3</i>	<i>19.0</i>	<i>1.7</i>
Reported PAT	1,362	1,873	(27.3)	946	43.9	5,236	5,420	(3.4)
Adj. PAT	1,362	1,873	(27.3)	946	43.9	4,982	5,329	(6.5)
<i>PAT Margin (%)</i>	<i>6.6</i>	<i>8.8</i>		<i>5.0</i>		<i>6.6</i>	<i>8.1</i>	

Source: Company, PL

Exhibit 2: Q4FY22 Result Overview – Standalone (Rs mn)

Y/e March	4QFY22	4QFY21	YoY gr. (%)	3QFY22	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
Net Revenues	15,544	15,989	(2.8)	14,895	4.4	56,971	47,730	19.4
Raw Materials	10,370	10,297	0.7	10,130	2.4	37,583	29,694	26.6
<i>% of Net Sales</i>	<i>66.7</i>	<i>64.4</i>		<i>68.0</i>		<i>66.0</i>	<i>62.2</i>	
Personnel	708	744	(4.8)	715	(1.0)	2,903	2,866	1.3
<i>% of Net Sales</i>	<i>4.6</i>	<i>4.7</i>		<i>4.8</i>		<i>5.1</i>	<i>6.0</i>	
Manufacturing & Other Exp	2,497	2,580	(3.2)	2,394	4.3	9,198	7,855	17.1
<i>% of Net Sales</i>	<i>16.1</i>	<i>16.1</i>		<i>16.1</i>		<i>16.1</i>	<i>16.5</i>	
Total Expenditure	13,576	13,621	(0.3)	13,240	2.5	49,684	40,414	22.9
EBITDA	1,968	2,367	(16.9)	1,655	18.9	7,287	7,316	(0.4)
<i>EBITDA Margin (%)</i>	<i>12.7</i>	<i>14.8</i>		<i>11.1</i>		<i>12.8</i>	<i>15.3</i>	
Depreciation	519	504	3.0	504	3.0	2,037	2,034	0.2
EBIT	1,450	1,864	(22.2)	1,152	25.8	5,249	5,282	(0.6)
Interest Expenses	4	3	19.0	6	(26.4)	18	48	(62.1)
Non-operating income	96	27	260.8	44	118.9	244	136	80.0
Extraordinary items	-	-		-		(315)	(112)	
PBT	1,542	1,887	(18.3)	1,190	29.5	5,160	5,257	(1.8)
Tax-Total	395	496	(20.4)	312	26.5	1,343	1,335	0.6
<i>Tax Rate (%) - Total</i>	<i>25.6</i>	<i>26.3</i>	<i>(2.6)</i>	<i>26.2</i>		<i>26.0</i>	<i>25.4</i>	<i>2.5</i>
Reported PAT	1,147	1,391	(17.5)	878	30.6	3,817	3,922	(2.7)
Adj. PAT	1,147	1,391	(17.5)	878	30.6	4,050	4,006	1.1
<i>PAT Margin (%)</i>	<i>7.4</i>	<i>8.7</i>		<i>5.9</i>		<i>7.1</i>	<i>8.4</i>	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	65,470	75,491	88,283	1,01,144
YoY gr. (%)	(5.4)	15.3	16.9	14.6
Cost of Goods Sold	35,706	44,201	51,781	59,383
Gross Profit	29,765	31,290	36,502	41,761
Margin (%)	45.5	41.4	41.3	41.3
Employee Cost	6,761	6,944	7,547	7,990
Other Expenses	12,602	14,700	16,428	18,317
EBITDA	10,402	9,646	12,527	15,455
YoY gr. (%)	(8.0)	(7.3)	29.9	23.4
Margin (%)	15.9	12.8	14.2	15.3
Depreciation and Amortization	3,991	3,817	4,678	5,218
EBIT	6,411	5,829	7,849	10,237
Margin (%)	9.8	7.7	8.9	10.1
Net Interest	138	64	87	88
Other Income	307	410	418	451
Profit Before Tax	6,468	5,861	8,181	10,601
Margin (%)	9.9	7.8	9.3	10.5
Total Tax	1,272	1,254	2,045	2,629
Effective tax rate (%)	19.7	21.4	25.0	24.8
Profit after tax	5,196	4,607	6,136	7,972
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,286	4,854	6,136	7,972
YoY gr. (%)	(6.5)	(8.2)	26.4	29.9
Margin (%)	8.1	6.4	6.9	7.9
Extra Ord. Income / (Exp)	(90)	(247)	-	-
Reported PAT	5,196	4,607	6,136	7,972
YoY gr. (%)	(8.1)	(11.3)	33.2	29.9
Margin (%)	7.9	6.1	6.9	7.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,196	4,607	6,136	7,972
Equity Shares O/s (m)	141	141	141	141
EPS (Rs)	37.6	34.5	43.6	56.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	44,054	48,975	54,975	60,975
Tangibles	44,054	48,975	54,975	60,975
Intangibles	-	-	-	-
Acc: Dep / Amortization	19,768	23,585	28,263	33,481
Tangibles	19,768	23,585	28,263	33,481
Intangibles	-	-	-	-
Net fixed assets	24,286	25,390	26,712	27,494
Tangibles	24,286	25,390	26,712	27,494
Intangibles	-	-	-	-
Capital Work In Progress	962	1,193	1,217	1,241
Goodwill	1,740	1,757	1,792	1,828
Non-Current Investments	12	12	12	12
Net Deferred tax assets	597	745	760	775
Other Non-Current Assets	832	979	999	1,019
Current Assets				
Investments	4,431	4,856	4,953	5,052
Inventories	6,118	7,011	8,250	9,452
Trade receivables	10,410	9,704	14,037	16,082
Cash & Bank Balance	5,133	4,026	7,117	12,488
Other Current Assets	2,949	2,896	2,954	3,013
Total Assets	57,470	58,570	68,804	78,457
Equity				
Equity Share Capital	1,407	1,407	1,407	1,407
Other Equity	34,215	37,793	43,085	50,107
Total Networkth	35,621	39,200	44,492	51,514
Non-Current Liabilities				
Long Term borrowings	3,792	2,099	2,120	2,141
Provisions	462	874	891	909
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	450	2,197	2,241	2,286
Trade payables	12,783	12,413	17,238	19,749
Other current liabilities	4,362	1,786	1,822	1,858
Total Equity & Liabilities	57,470	58,570	68,804	78,457

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	6,468	5,861	8,181	10,601
Add. Depreciation	3,991	3,817	4,678	5,218
Add. Interest	138	64	87	88
Less Financial Other Income	307	410	418	451
Add. Other	(195)	(96)	(418)	(451)
Op. profit before WC changes	10,402	9,646	12,527	15,455
Net Changes-WC	(3,331)	(2,667)	(753)	(740)
Direct tax	(1,628)	(1,402)	(2,060)	(2,644)
Net cash from Op. activities	5,444	5,577	9,714	12,070
Capital expenditures	(3,656)	(5,170)	(6,059)	(6,060)
Interest / Dividend Income	-	-	-	-
Others	932	(52)	398	431
Net Cash from Inv. activities	(2,724)	(5,222)	(5,661)	(5,629)
Issue of share cap. / premium	1,209	(149)	-	-
Debt changes	(1,240)	54	65	66
Dividend paid	(844)	(879)	(844)	(949)
Interest paid	(138)	(64)	(87)	(88)
Others	-	-	-	-
Net cash from Fin. activities	(1,013)	(1,038)	(866)	(971)
Net change in cash	1,707	(682)	3,188	5,470
Free Cash Flow	1,788	407	3,655	6,010

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	37.6	34.5	43.6	56.7
CEPS	66.0	61.6	76.9	93.8
BVPS	253.2	278.7	316.3	366.2
FCF	12.7	2.9	26.0	42.7
DPS	6.0	6.3	6.0	6.8
Return Ratio(%)				
RoCE	17.0	14.0	17.0	19.5
ROIC	19.2	15.0	17.6	22.3
RoE	16.1	13.0	14.7	16.6
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	21	21	21	21
Valuation(x)				
PER	33.1	36.1	28.5	22.0
P/B	4.9	4.5	3.9	3.4
P/CEPS	18.9	20.2	16.2	13.3
EV/EBITDA	16.3	17.7	13.4	10.5
EV/Sales	2.6	2.3	1.9	1.6
Dividend Yield (%)	0.5	0.5	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	16,937	18,876	18,891	20,788
YoY gr. (%)	-	-	-	-
Raw Material Expenses	9,107	11,058	11,482	12,554
Gross Profit	7,829	7,817	7,409	8,234
Margin (%)	46.2	41.4	39.2	39.6
EBITDA	2,443	2,600	2,032	2,571
YoY gr. (%)	471.8	(17.0)	(42.3)	(22.6)
Margin (%)	14.4	13.8	10.8	12.4
Depreciation / Depletion	983	940	914	981
EBIT	1,460	1,660	1,119	1,590
Margin (%)	8.6	8.8	5.9	7.6
Net Interest	15	18	14	17
Other Income	127	82	75	127
Profit before Tax	1,887	1,724	1,179	1,700
Margin (%)	11.1	9.1	6.2	8.2
Total Tax	293	391	233	338
Effective tax rate (%)	15.5	22.7	19.8	19.9
Profit after Tax	1,595	1,333	946	1,362
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,329	1,333	946	1,362
YoY gr. (%)	(633.0)	(20.2)	(53.5)	(27.3)
Margin (%)	7.8	7.1	5.0	6.6
Extra Ord. Income / (Exp)	266	-	-	-
Reported PAT	1,595	1,333	946	1,362
YoY gr. (%)	(739.6)	(20.2)	(55.5)	(27.3)
Margin (%)	9.4	7.1	5.0	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,595	1,333	946	1,362
Avg. Shares O/s (m)	141	141	141	141
EPS (Rs)	9.4	9.5	6.7	9.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-22	BUY	1,690	1,204
2	10-Feb-22	BUY	1,919	1,462
3	12-Jan-22	BUY	1,981	1,625
4	13-Nov-21	Accumulate	1,989	1,818
5	07-Oct-21	BUY	1,844	1,605
6	12-Aug-21	BUY	1,832	1,716
7	07-Jul-21	BUY	1,772	1,635

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	170	131
2	Bajaj Auto	Accumulate	4,120	3,834
3	Bharat Forge	BUY	900	663
4	CEAT	UR	-	1,108
5	Eicher Motors	BUY	2,950	2,433
6	Endurance Technologies	BUY	1,690	1,204
7	Exide Industries	BUY	218	161
8	Hero Motocorp	BUY	3,150	2,410
9	Mahindra & Mahindra	BUY	1,042	857
10	Maruti Suzuki	BUY	9,000	7,718
11	Tata Motors	BUY	600	372
12	TVS Motors	BUY	795	630

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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