

November 8, 2022

Q2FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,600		1,590	
Sales (Rs. m)	1,05,950	1,14,926	1,00,907	1,08,604
% Chng.	5.0	5.8		
EBITDA (Rs. m)	15,463	17,459	15,094	16,804
% Chng.	2.4	3.9		
EPS (Rs.)	56.7	66.4	54.7	63.0
% Chng.	3.6	5.3		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	75,491	92,160	1,05,950	1,14,926
EBITDA (Rs. m)	9,646	11,534	15,463	17,459
Margin (%)	12.8	12.5	14.6	15.2
PAT (Rs. m)	4,854	5,808	7,977	9,334
EPS (Rs.)	34.5	41.3	56.7	66.4
Gr. (%)	(8.2)	19.7	37.3	17.0
DPS (Rs.)	6.3	6.0	6.8	6.8
Yield (%)	0.4	0.4	0.5	0.5
RoE (%)	13.0	13.9	16.7	16.9
RoCE (%)	14.0	16.0	19.7	20.1
EV/Sales (x)	2.5	2.1	1.7	1.5
EV/EBITDA (x)	19.9	16.4	11.9	10.1
PE (x)	40.4	33.8	24.6	21.0
P/BV (x)	5.0	4.4	3.8	3.3

Key Data

ENDU.BO | ENDU IN

52-W High / Low	Rs.1,989 / Rs.1,047
Sensex / Nifty	61,185 / 18,203
Market Cap	Rs.196bn / \$ 2,394m
Shares Outstanding	141m
3M Avg. Daily Value	Rs.156.31m

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	2.5	12.4	(26.7)
Relative	(2.5)	0.7	(28.1)

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Cost pressures in EU operations hurt margins

Quick Pointers:

- Won new business worth ~Rs 6.9bn/EUR 42mn for India/Europe in 1HFY23.
- Consolidated EBITDA margin at 11.5% (+20 QoQ, PLe: 12.2%) impacted by higher energy costs at EU operations.

Endurance's 2QFY23 consolidated EBITDA margin came in at 11.5% (+20bps QoQ) vs our estimates of 12.2%, impacted by energy cost pressures in EU operations (subsidiaries EBITDA margin contracted 450bps QoQ). Management expects cost pressures to ease from 3Q with government measures and cost pass-ons. India business performance, on the other hand, was highly encouraging (EBITDA margin expansion of 140bps QoQ) led by healthy demand scenario. Simultaneously, driveshaft supplies started for Bajaj Auto along with orders from M&M and TVS. The company also plans to ramp-up ABS production to 1.2mn by 2H-2024 from 400k currently.

We believe Endurance will continue to outperform the industry given (1) expectations of 2W demand improvement 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 and (5) increasing share of after-markets and exports. Maintain 'BUY' with revised TP of Rs 1,600 at 26x Sep-24E EPS (27x earlier; to factor in near-term distress in the EU business).

2QFY23 performance: (1) Consolidated: Revenue at Rs 23.6bn grew 12% QoQ, largely led by healthy demand scenario in the domestic markets. Adverse commodity cost pressures in European operations impacted margin expansion. Gross margins contracted 190bps QoQ. EBITDA margin came in at 11.5% (+20bps QoQ). PAT came in at Rs 1.3bn, +11/18% YoY/QoQ. (2) India business: Revenue grew 18% QoQ to Rs 19bn. EBITDA margin expanded 140 bps to 12.2%. PAT grew 7% YoY to Rs 1.3bn. (3) Subsidiaries: Revenue (19.3% of consolidated revenue vs 23.5% sequentially) declined 9% QoQ. EBITDA margin contracted 450bps QoQ to 8.7% owing to energy cost pressures (gross margins contracted 420bps QoQ) and loss at Maxwell (Rs 61.5mn).

Key takeaways: (1) Order wins: In 1HFY23, India business won orders worth Rs 6.9bn (excl Bajaj) from HMSI, Hero Motocorp, Ather, Hero Electric and Tata Motors. Europe has received EUR 42mn worth of orders from Porsche, Daimler, Stellantis vs Rs 71mn in FY22. Order wins have been aggressive at both Indian and EU operations. Due to increased orders from Bajaj, Yamaha, TVS and Hero Electric, for alloy wheels, its new plant in Chakan started in Jul-22. (2) Ramping-up ABS supplies: Endurance has started supplying ABS to Bajaj Auto and RE in FY22. It is now in process of getting of dual-channel ABS cleared by end of Dec-22. It is scaling up additional assembly lines for 200k ABS assemblies to existing 400k, which will give total capacity of 600k. Also, its plans to double this capacity to 1.2mn by 2H-2024. (3) Healthy order book for EV business: In the EV space the company has orders worth ~Rs 6,091mn till date (includes Rs 1.2mn order from Hero Electric for

BMS and suspension in Nov-22; Rs 2,168 in 1H). (4) Input cost pressure at the EU business: Subsidiaries gross margins contracted by 420bps in 2Q, largely led by energy cost pressures at the EU operations. Management highlighted that considering government measures, margins should slightly improve in 3Q, along with price increase for large customers from Jan-23 onwards. Energy cost impact in 1HFY23 is EUR 3.6mn (EUR 1.7mn in 2Q).

Exhibit 1: Q2FY23 Result Overview – Consolidated (Rs mn)

Y/e March	2QFY23	2QFY22	YoY gr. (%)	1QFY23	QoQ gr. (%)	1HFY23	1HFY22	YoY gr. (%)
Net Revenues	23,606	18,876	25.1	21,138	11.7	44,745	35,812	24.9
Raw Materials	14,707	11,058	33.0	12,775	15.1	27,482	20,166	36.3
<i>% of Net Sales</i>	<i>62.3</i>	<i>58.6</i>		<i>60.4</i>		<i>61.4</i>	<i>56.3</i>	
Personnel	1,742	1,648	5.7	1,870	(6.8)	3,612	3,591	0.6
<i>% of Net Sales</i>	<i>7.4</i>	<i>8.7</i>		<i>8.8</i>		<i>8.1</i>	<i>10.0</i>	
Manufacturing & Other Exp	4,441	3,569	24.4	4,096	8.4	8,537	7,013	21.7
<i>% of Net Sales</i>	<i>18.8</i>	<i>18.9</i>		<i>19.4</i>		<i>19.1</i>	<i>19.6</i>	
Total Expenditure	20,890	16,276	28.4	18,741	11.5	39,631	30,769	28.8
EBITDA	2,716	2,600	4.5	2,398	13.3	5,114	5,043	1.4
<i>EBITDA Margin (%)</i>	<i>11.5</i>	<i>13.8</i>		<i>11.3</i>		<i>11.4</i>	<i>14.1</i>	
Depreciation	993	940	5.6	991	0.1	1,984	1,923	3.2
EBIT	1,723	1,660	3.8	1,406	22.6	3,129	3,120	0.3
Interest Expenses	61	18	239.7	19	218.5	80	33	146.2
Non-operating income	84	82	2.8	47	80.2	131	209	(37.3)
Extraordinary items	-	-		(103)		(103)	(315)	
PBT	1,747	1,724	1.3	1,331	31.2	3,077	2,982	3.2
Tax-Total	432	391	10.5	297	45.3	729	683	6.6
<i>Tax Rate (%) - Total</i>	<i>24.7</i>	<i>22.7</i>	<i>9.0</i>	<i>22.3</i>		<i>23.7</i>	<i>22.9</i>	<i>3.3</i>
Reported PAT	1,315	1,333	(1.4)	1,034	27.2	2,349	2,299	2.2
Adj. PAT	1,315	1,333	(1.4)	1,114	18.1	2,427	2,541	(4.5)
<i>PAT Margin</i>	<i>5.6</i>	<i>7.1</i>		<i>5.3</i>		<i>5.4</i>	<i>7.1</i>	

Source: Company, PL

Exhibit 2: Q2FY23 Result Overview – Standalone (Rs mn)

Y/e March	2QFY23	2QFY22	YoY gr. (%)	1QFY23	QoQ gr. (%)	1HFY23	1HFY22	YoY gr. (%)
Net Revenues	19,054	15,012	26.9	16,161	17.9	35,215	26,532	32.7
Raw Materials	12,845	9,754	31.7	10,947	17.3	23,792	17,083	39.3
<i>% of Net Sales</i>	<i>67.4</i>	<i>65.0</i>		<i>67.7</i>		<i>67.6</i>	<i>64.4</i>	
Personnel	790	712	10.9	820	(3.6)	1,610	1,480	8.8
<i>% of Net Sales</i>	<i>4.1</i>	<i>4.7</i>		<i>5.1</i>		<i>4.6</i>	<i>5.6</i>	
Manufacturing & Other Exp	3,100	2,421	28.1	2,651	16.9	5,751	4,306	33.6
<i>% of Net Sales</i>	<i>16.3</i>	<i>16.1</i>		<i>16.4</i>		<i>16.3</i>	<i>16.2</i>	
Total Expenditure	16,736	12,887	29.9	14,419	16.1	31,154	22,869	36.2
EBITDA	2,319	2,125	9.1	1,742	33.1	4,061	3,663	10.9
<i>EBITDA Margin (%)</i>	<i>12.2</i>	<i>14.2</i>		<i>10.8</i>		<i>11.5</i>	<i>13.8</i>	
Depreciation	595	513	15.9	571	4.2	1,166	1,015	14.9
EBIT	1,724	1,611	7.0	1,171	47.2	2,894	2,648	9.3
Interest Expenses	14	5	169.3	8	82.6	21	9	149.7
Non-operating income	59	45	30.4	40	46.7	99	103	(4.3)
Extraordinary items	-	-		(103)		(103)	(315)	
PBT	1,769	1,651	7.1	1,101	60.7	2,869	2,428	18.2
Tax-Total	456	428	6.6	291	56.5	747	637	17.4
<i>Tax Rate (%) - Total</i>	<i>25.8</i>	<i>25.9</i>	<i>(0.5)</i>	<i>26.5</i>		<i>26.0</i>	<i>26.2</i>	<i>(0.7)</i>
Reported PAT	1,313	1,224	7.3	809	62.2	2,122	1,792	18.4
Adj. PAT	1,313	1,224	7.3	885	48.3	2,198	2,024	8.6
<i>PAT Margin</i>	<i>6.9</i>	<i>8.2</i>		<i>5.5</i>		<i>6.2</i>	<i>7.6</i>	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	75,491	92,160	1,05,950	1,14,926
YoY gr. (%)	15.3	22.1	15.0	8.5
Cost of Goods Sold	44,201	55,846	63,637	68,366
Gross Profit	31,290	36,314	42,314	46,560
Margin (%)	41.4	39.4	39.9	40.5
Employee Cost	6,944	7,484	8,017	8,647
Other Expenses	14,700	17,296	18,833	20,453
EBITDA	9,646	11,534	15,463	17,459
YoY gr. (%)	(7.3)	19.6	34.1	12.9
Margin (%)	12.8	12.5	14.6	15.2
Depreciation and Amortization	3,817	4,158	5,218	5,438
EBIT	5,829	7,376	10,245	12,022
Margin (%)	7.7	8.0	9.7	10.5
Net Interest	64	152	132	120
Other Income	410	418	451	512
Profit Before Tax	5,861	7,643	10,565	12,413
Margin (%)	7.8	8.3	10.0	10.8
Total Tax	1,254	1,834	2,588	3,078
Effective tax rate (%)	21.4	24.0	24.5	24.8
Profit after tax	4,607	5,808	7,977	9,334
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,854	5,808	7,977	9,334
YoY gr. (%)	(8.2)	19.7	37.3	17.0
Margin (%)	6.4	6.3	7.5	8.1
Extra Ord. Income / (Exp)	(247)	-	-	-
Reported PAT	4,607	5,808	7,977	9,334
YoY gr. (%)	(11.3)	26.1	37.3	17.0
Margin (%)	6.1	6.3	7.5	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,607	5,808	7,977	9,334
Equity Shares O/s (m)	141	141	141	141
EPS (Rs)	34.5	41.3	56.7	66.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	48,975	54,975	60,975	66,975
Tangibles	48,975	54,975	60,975	66,975
Intangibles	-	-	-	-
Acc: Dep / Amortization	23,585	27,743	32,961	38,399
Tangibles	23,585	27,743	32,961	38,399
Intangibles	-	-	-	-
Net fixed assets	25,390	27,232	28,014	28,576
Tangibles	25,390	27,232	28,014	28,576
Intangibles	-	-	-	-
Capital Work In Progress	1,193	1,217	1,241	1,266
Goodwill	1,757	1,792	1,828	1,864
Non-Current Investments	12	12	12	13
Net Deferred tax assets	745	760	775	791
Other Non-Current Assets	979	999	1,019	1,039
Current Assets				
Investments	4,856	4,953	5,052	5,153
Inventories	7,011	8,613	9,902	10,740
Trade receivables	9,704	14,653	16,846	18,273
Cash & Bank Balance	4,026	6,048	11,371	18,544
Other Current Assets	2,896	2,954	3,013	3,073
Total Assets	58,570	69,234	79,074	89,333
Equity				
Equity Share Capital	1,407	1,407	1,407	1,407
Other Equity	37,793	42,758	49,785	58,170
Total Networkth	39,200	44,164	51,191	59,576
Non-Current Liabilities				
Long Term borrowings	2,099	2,120	2,141	2,163
Provisions	874	891	909	927
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,197	2,241	2,286	2,332
Trade payables	12,413	17,995	20,687	22,440
Other current liabilities	1,786	1,822	1,858	1,896
Total Equity & Liabilities	58,570	69,234	79,074	89,333

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	5,861	7,643	10,565	12,413
Add. Depreciation	3,817	4,158	5,218	5,438
Add. Interest	64	152	132	120
Less Financial Other Income	410	418	451	512
Add. Other	(96)	(418)	(451)	(512)
Op. profit before WC changes	9,646	11,534	15,463	17,459
Net Changes-WC	(2,667)	(975)	(794)	(518)
Direct tax	(1,402)	(1,849)	(2,604)	(3,094)
Net cash from Op. activities	5,577	8,710	12,066	13,847
Capital expenditures	(5,170)	(6,059)	(6,060)	(6,061)
Interest / Dividend Income	-	-	-	-
Others	(52)	398	431	491
Net Cash from Inv. activities	(5,222)	(5,661)	(5,629)	(5,570)
Issue of share cap. / premium	(149)	-	-	-
Debt changes	54	65	66	67
Dividend paid	(879)	(844)	(949)	(949)
Interest paid	(64)	(152)	(132)	(120)
Others	-	-	-	-
Net cash from Fin. activities	(1,038)	(931)	(1,015)	(1,003)
Net change in cash	(682)	2,119	5,422	7,274
Free Cash Flow	407	2,651	6,006	7,786

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	34.5	41.3	56.7	66.4
CEPS	61.6	70.9	93.8	105.0
BVPS	278.7	314.0	363.9	423.5
FCF	2.9	18.8	42.7	55.4
DPS	6.3	6.0	6.8	6.8
Return Ratio(%)				
RoCE	14.0	16.0	19.7	20.1
ROIC	15.0	16.5	21.9	25.2
RoE	13.0	13.9	16.7	16.9
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	21	21	21	21
Valuation(x)				
PER	40.4	33.8	24.6	21.0
P/B	5.0	4.4	3.8	3.3
P/CEPS	22.6	19.7	14.9	13.3
EV/EBITDA	19.9	16.4	11.9	10.1
EV/Sales	2.5	2.1	1.7	1.5
Dividend Yield (%)	0.4	0.4	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	18,891	20,788	21,138	23,606
YoY gr. (%)	-	-	-	-
Raw Material Expenses	11,482	12,554	12,775	14,707
Gross Profit	7,409	8,234	8,363	8,899
Margin (%)	39.2	39.6	39.6	37.7
EBITDA	2,032	2,571	2,398	2,716
YoY gr. (%)	(42.3)	(22.6)	(1.9)	4.5
Margin (%)	10.8	12.4	11.3	11.5
Depreciation / Depletion	914	981	991	993
EBIT	1,119	1,590	1,406	1,723
Margin (%)	5.9	7.6	6.7	7.3
Net Interest	14	17	19	61
Other Income	75	127	47	84
Profit before Tax	1,179	1,700	1,537	1,747
Margin (%)	6.2	8.2	7.3	7.4
Total Tax	233	338	297	432
Effective tax rate (%)	19.8	19.9	19.3	24.7
Profit after Tax	946	1,362	1,240	1,315
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	946	1,362	1,157	1,315
YoY gr. (%)	(53.5)	(27.3)	(13.0)	(1.4)
Margin (%)	5.0	6.6	5.5	5.6
Extra Ord. Income / (Exp)	-	-	83	-
Reported PAT	946	1,362	1,240	1,315
YoY gr. (%)	(55.5)	(27.3)	(22.3)	(1.4)
Margin (%)	5.0	6.6	5.9	5.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	946	1,362	1,240	1,315
Avg. Shares O/s (m)	141	141	141	141
EPS (Rs)	6.7	9.7	8.2	9.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	BUY	1,590	1,412
2	08-Jul-22	BUY	1,700	1,493
3	23-May-22	BUY	1,700	1,245
4	11-Apr-22	BUY	1,690	1,204
5	10-Feb-22	BUY	1,919	1,462
6	12-Jan-22	BUY	1,981	1,625
7	13-Nov-21	Accumulate	1,989	1,818

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	200	156
2	Bajaj Auto	Hold	3,865	3,571
3	Bharat Forge	BUY	875	707
4	CEAT	Accumulate	1,700	1,561
5	Eicher Motors	BUY	4,225	3,548
6	Endurance Technologies	BUY	1,590	1,412
7	Exide Industries	UR	-	157
8	Hero Motocorp	BUY	3,175	2,598
9	InterGlobe Aviation	Accumulate	2,015	1,798
10	Mahindra & Mahindra	BUY	1,500	1,262
11	Maruti Suzuki	BUY	10,230	9,493
12	Tata Motors	BUY	570	408
13	TVS Motors	BUY	1,275	1,114

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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