

May 18, 2023

Q4FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,670		1,570	
Sales (Rs. m)	1,03,571	1,16,269	1,01,563	1,13,396
% Chng.	2.0	2.5		
EBITDA (Rs. m)	13,959	16,904	13,423	16,129
% Chng.	4.0	4.8		
EPS (Rs.)	53.2	66.8	50.5	62.8
% Chng.	5.4	6.4		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	75,491	88,040	1,03,571	1,16,269
EBITDA (Rs. m)	9,646	10,363	13,959	16,904
Margin (%)	12.8	11.8	13.5	14.5
PAT (Rs. m)	4,854	4,874	7,485	9,396
EPS (Rs.)	34.5	34.7	53.2	66.8
Gr. (%)	(8.2)	0.4	53.6	25.5
DPS (Rs.)	6.3	6.0	6.8	6.8
Yield (%)	0.5	0.4	0.5	0.5
RoE (%)	13.0	11.7	15.8	17.1
RoCE (%)	14.0	13.3	17.8	19.7
EV/Sales (x)	2.5	2.2	1.8	1.5
EV/EBITDA (x)	19.7	18.4	13.3	10.6
PE (x)	40.1	40.0	26.0	20.7
P/BV (x)	5.0	4.4	3.8	3.3

Key Data

ENDU.BO | ENDU IN

52-W High / Low	Rs.1,565 / Rs.1,172
Sensex / Nifty	61,432 / 18,130
Market Cap	Rs.195bn/ \$ 2,358m
Shares Outstanding	141m
3M Avg. Daily Value	Rs.89.41m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	7.65
Domestic Institution	15.54
Public & Others	1.81
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.0	(8.1)	11.1
Relative	6.0	(7.8)	(1.9)

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Endurance Technologies (ENDU IN)

Rating: BUY | CMP: Rs1,385 | TP: Rs1,670

Topline and margin improvement to continue

Quick Pointers:

- Won new business worth Rs 9.4bn/EUR 84mn for India/Europe in FY23.
- Overseas margin seasonally strong, lower energy price to help gain in FY24.

Endurance Technologies (ENDU) 4QFY23 consolidated EBITDA margin came in at 12.8% (c130bps QoQ) vs PLe of 12.3%, as margins at subsidiaries (+c300bps QoQ) benefited from lower energy costs. Going ahead, we expect domestic 2W demand to grow. While sentiments in Europe remain weak given inflation and high interest rates, however, retail sales showed strong growth on a low base, which we see continuing. Furthermore, production with new capacities for Dual-channel ABS will start by 1QFY24 end and further ramp-up by 2HCY24.

We believe that ENDU will continue outperform the industry volume growth given (1) expectations of 2W demand improvement, (2) addition of new and value added products (ABS supply ramp-up over FY24-25, driveshafts, non-automotive castings etc.), (3) ramp-up in EV offering to aid revenue growth and (4) increasing share of after-markets and exports. We increase our FY24/25E EPS estimate by 5-6% as we marginally increase our EBITDA margin by c30bps in FY24/FY25 each to factor in 4Q results and management commentary. Maintain 'BUY' with revised TP of Rs 1,670 (Rs 1,570 earlier) at 25x Mar-25E EPS.

Good performance at Europe subsidiaries; standalone in-line: (1) Consolidated: Revenue at Rs 22bn increased by 6.6% QoQ was above PLe and largely in-line with BBG estimates (BBGe) led by OEM volume growth and higher metal price pass through. EBITDA margin at 12.8% expanded QoQ by 134bps and was higher than PLe and BBGe, led by higher margins at Europe subsidiaries and compensation for higher energy costs. PAT at Rs 1.3bn grew by 26.1% QoQ and was higher than PLe on EBITDA beat, higher other income partially offset by higher depreciation and interest costs. **Standalone:** Revenue at Rs 16.5bn increased by 3.3% QoQ was c1.5% above PLe led by improvement in mix. EBITDA margin at 11.9% expanded QoQ by 33.4% and was in-line with PLe. **Other Subsidiaries:** Revenue at Rs c6bn increased 17.4% QoQ and was 11% above PLe led higher volumes and metal price pass through. EBITDA margin at 15.4% expanded QoQ by 300bp due to seasonality, improvement in volumes and compensation for higher energy costs.

Key takeaways: (1) In FY23, India business won Rs 9.4bn (excl Bajaj) worth orders of which Rs 3.8bn are for EVs from established OEMs. Europe business has received EUR84mn worth of orders, of which c81% is for xEVs. Out of these new orders, ENDU plans to execute Rs. 6.9bn in standalone and EUR65mn in Europe in FY24. It sees 2W industry growing in double digit in FY24. **(2)** On the EV side ENDU has received good response from major EV OEMs across divisions and has a cumulative order book of Rs. 6bn by FY23. It won 15 EV programs (vs 35 ICE programs) from 11 OEMs in FY23 and plans to build capacity for EV scooter casting, and focus on under-utilized plants to build EV related capacity. **(3)** ENDU's Europe new orders is expected to ramp-up faster than standalone, as EV transition is much faster in EU, however, this might also have impact on the ICE business there. ENDU is confident of improving its margins in FY24 in Europe given scale, lower energy prices and higher margin EV mix.

Exhibit 1: Q4FY23 Result Overview – Consolidated (Rs mn) – Margins expand QoQ by 134bps

Y/e Mar (Rs.mn)	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	9MFY22	YoY gr. (%)
Net Revenues	22,343	20,788	7.5	20,952	6.6	88,040	75,491	16.6
Raw Materials	13,257	12,554	5.6	12,557	5.6	53,295	44,201	20.6
<i>% of Net Sales</i>	<i>59.3</i>	<i>60.4</i>		<i>59.9</i>		<i>60.5</i>	<i>58.6</i>	
Personnel	2,091	1,684	24.2	1,932	8.2	7,636	6,944	10.0
<i>% of Net Sales</i>	<i>9.4</i>	<i>8.1</i>		<i>9.2</i>		<i>8.7</i>	<i>9.2</i>	
Manufacturing & Other Exp	4,141	3,979	4.1	4,068	1.8	16,747	14,700	13.9
<i>% of Net Sales</i>	<i>18.5</i>	<i>19.1</i>		<i>19.4</i>		<i>19.0</i>	<i>19.5</i>	
Total Expenditure	19,489	18,217	7.0	18,557	5.0	77,678	65,845	18.0
EBITDA	2,854	2,571	11.0	2,395	19.2	10,363	9,646	7.4
<i>EBITDA Margin (%)</i>	<i>12.8</i>	<i>12.4</i>		<i>11.4</i>		<i>11.8</i>	<i>12.8</i>	
Depreciation	1,216	981	23.9	1,016	19.6	4,216	3,817	10.4
EBIT	1,638	1,590	3.0	1,379	18.8	6,147	5,829	5.5
Interest Expenses	80	17	369.5	46	74.2	206	64	223.8
Non-operating income	208	127	64.2	115	80.9	454	410	10.7
Extraordinary items	-	-		-		(103)	(315)	
PBT	1,767	1,700	3.9	1,448	22.0	6,293	5,861	7.4
Tax-Total	402	338	18.9	366	9.8	1,497	1,254	19.3
<i>Tax Rate (%) - Total</i>	<i>22.8</i>	<i>19.9</i>	<i>14.4</i>	<i>25.3</i>		<i>23.8</i>	<i>21.4</i>	<i>11.1</i>
Reported PAT	1,365	1,362	0.2	1,082	26.1	4,796	4,607	4.1
Adj. PAT	1,365	1,362	0.2	1,082	26.1	4,874	4,854	0.4
<i>PAT Margin (%)</i>	<i>6.1</i>	<i>6.6</i>		<i>5.2</i>		<i>5.5</i>	<i>6.4</i>	

Source: Company, PL

Exhibit 2: Q4FY23 Result Overview – Standalone (Rs mn) – PAT increases by 13% QoQ

Y/e Mar (Rs.mn)	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Revenues	16,492	15,544	6.1	15,968	3.3	67,675	56,971	18.8
Raw Materials	10,894	10,370	5.0	10,640	2.4	45,326	37,583	20.6
<i>% of Net Sales</i>	<i>66.1</i>	<i>66.7</i>		<i>66.6</i>		<i>67.0</i>	<i>66.0</i>	
Personnel	841	708	18.8	790	6.4	3,242	2,903	11.7
<i>% of Net Sales</i>	<i>5.1</i>	<i>4.6</i>		<i>4.9</i>		<i>4.8</i>	<i>5.1</i>	
Manufacturing & Other Exp	2,803	2,497	12.2	2,761	1.5	11,315	9,198	23.0
<i>% of Net Sales</i>	<i>17.0</i>	<i>16.1</i>		<i>17.3</i>		<i>16.7</i>	<i>16.1</i>	
Total Expenditure	14,537	13,576	7.1	14,191	2.4	59,883	49,684	20.5
EBITDA	1,955	1,968	(0.7)	1,777	10.0	7,792	7,287	6.9
<i>EBITDA Margin (%)</i>	<i>11.9</i>	<i>12.7</i>		<i>11.1</i>		<i>11.5</i>	<i>12.8</i>	
Depreciation	638	519	23.0	603	5.8	2,407	2,037	18.1
EBIT	1,317	1,450	(9.1)	1,174	12.2	5,385	5,249	2.6
Interest Expenses	8	4	93.6	13	(41.0)	43	18	134.6
Non-operating income	103	96	7.2	80	30.0	282	244	15.6
Extraordinary items	-	-		-		(103)	(315)	
PBT	1,413	1,542	(8.4)	1,240	13.9	5,522	5,160	7.0
Tax-Total	367	395	(6.9)	318	15.5	1,433	1,343	6.7
<i>Tax Rate (%) - Total</i>	<i>26.0</i>	<i>25.6</i>	<i>1.6</i>	<i>25.6</i>		<i>25.9</i>	<i>26.0</i>	<i>(0.3)</i>
Reported PAT	1,045	1,147	(8.9)	922	13.3	4,089	3,817	7.1
Adj. PAT	1,045	1,147	(8.9)	922	13.3	4,165	4,050	2.8
<i>PAT Margin</i>	<i>6.3</i>	<i>7.4</i>		<i>5.8</i>		<i>6.2</i>	<i>7.1</i>	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	75,491	88,040	1,03,571	1,16,269
YoY gr. (%)	15.3	16.6	17.6	12.3
Cost of Goods Sold	44,201	53,295	62,084	69,206
Gross Profit	31,290	34,745	41,487	47,063
Margin (%)	41.4	39.5	40.1	40.5
Employee Cost	6,944	7,636	8,515	9,381
Other Expenses	14,700	16,747	19,012	20,777
EBITDA	9,646	10,363	13,959	16,904
YoY gr. (%)	(7.3)	7.4	34.7	21.1
Margin (%)	12.8	11.8	13.5	14.5
Depreciation and Amortization	3,817	4,216	4,580	5,054
EBIT	5,829	6,147	9,379	11,850
Margin (%)	7.7	7.0	9.1	10.2
Net Interest	64	206	228	229
Other Income	410	454	570	581
Profit Before Tax	5,861	6,293	9,721	12,203
Margin (%)	7.8	7.1	9.4	10.5
Total Tax	1,254	1,497	2,236	2,807
Effective tax rate (%)	21.4	23.8	23.0	23.0
Profit after tax	4,607	4,796	7,485	9,396
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,854	4,874	7,485	9,396
YoY gr. (%)	(8.2)	0.4	53.6	25.5
Margin (%)	6.4	5.5	7.2	8.1
Extra Ord. Income / (Exp)	(247)	(78)	-	-
Reported PAT	4,607	4,796	7,485	9,396
YoY gr. (%)	(11.3)	4.1	56.1	25.5
Margin (%)	6.1	5.4	7.2	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,607	4,796	7,485	9,396
Equity Shares O/s (m)	141	141	141	141
EPS (Rs)	34.5	34.7	53.2	66.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	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	27,801	32,381	37,435
Tangibles	23,585	27,801	32,381	37,435
Intangibles	-	-	-	-
Net fixed assets	25,390	27,174	28,594	29,540
Tangibles	25,390	27,174	28,594	29,540
Intangibles	-	-	-	-
Capital Work In Progress	1,193	1,709	1,743	1,778
Goodwill	1,757	3,900	3,978	4,058
Non-Current Investments	12	255	260	265
Net Deferred tax assets	745	715	729	743
Other Non-Current Assets	979	1,994	2,034	2,074
Current Assets				
Investments	4,856	6,464	6,593	6,725
Inventories	7,011	8,206	9,619	10,799
Trade receivables	9,704	11,620	13,313	14,945
Cash & Bank Balance	4,026	2,877	7,822	14,402
Other Current Assets	2,896	2,752	2,807	2,863
Total Assets	58,570	67,665	77,492	88,193
Equity				
Equity Share Capital	1,407	1,407	1,407	1,407
Other Equity	37,793	42,715	49,250	57,697
Total Networth	39,200	44,121	50,657	59,104
Non-Current Liabilities				
Long Term borrowings	2,099	2,969	2,998	3,028
Provisions	874	973	992	1,012
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,197	2,179	2,222	2,267
Trade payables	12,413	14,257	17,031	19,119
Other current liabilities	1,786	3,520	3,591	3,663
Total Equity & Liabilities	58,570	68,019	77,492	88,193

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	5,861	6,293	9,721	12,203
Add. Depreciation	3,817	4,216	4,580	5,054
Add. Interest	64	206	228	229
Less Financial Other Income	410	454	570	581
Add. Other	(96)	(351)	(570)	(581)
Op. profit before WC changes	9,646	10,363	13,959	16,904
Net Changes-WC	(2,667)	710	(298)	(688)
Direct tax	(1,402)	(1,466)	(2,250)	(2,821)
Net cash from Op. activities	5,577	9,606	11,411	13,395
Capital expenditures	(5,170)	(9,013)	(5,758)	(6,114)
Interest / Dividend Income	-	-	-	-
Others	(52)	(906)	525	536
Net Cash from Invt. activities	(5,222)	(9,919)	(5,233)	(5,579)
Issue of share cap. / premium	(149)	970	-	-
Debt changes	54	852	73	74
Dividend paid	(879)	(844)	(949)	(949)
Interest paid	(64)	(206)	(228)	(229)
Others	-	-	-	-
Net cash from Fin. activities	(1,038)	771	(1,104)	(1,104)
Net change in cash	(682)	458	5,074	6,712
Free Cash Flow	407	593	5,653	7,281

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	34.5	34.7	53.2	66.8
CEPS	61.6	64.6	85.8	102.7
BVPS	278.7	313.7	360.1	420.2
FCF	2.9	4.2	40.2	51.8
DPS	6.3	6.0	6.8	6.8
Return Ratio(%)				
RoCE	14.0	13.3	17.8	19.7
ROIC	15.0	13.4	19.2	23.6
RoE	13.0	11.7	15.8	17.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	21	23	21	21
Valuation(x)				
PER	40.1	40.0	26.0	20.7
P/B	5.0	4.4	3.8	3.3
P/CEPS	22.5	21.4	16.1	13.5
EV/EBITDA	19.7	18.4	13.3	10.6
EV/Sales	2.5	2.2	1.8	1.5
Dividend Yield (%)	0.5	0.4	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	21,138	23,606	20,952	22,342
YoY gr. (%)	-	-	-	-
Raw Material Expenses	12,775	14,707	12,557	13,257
Gross Profit	8,363	8,899	8,396	9,085
Margin (%)	39.6	37.7	40.1	40.7
EBITDA	2,398	2,716	2,395	2,853
YoY gr. (%)	(1.9)	4.5	17.9	11.0
Margin (%)	11.3	11.5	11.4	12.8
Depreciation / Depletion	991	993	1,016	1,216
EBIT	1,406	1,723	1,379	1,637
Margin (%)	6.7	7.3	6.6	7.3
Net Interest	19	61	46	80
Other Income	47	84	115	208
Profit before Tax	1,537	1,747	1,448	1,766
Margin (%)	7.3	7.4	6.9	7.9
Total Tax	297	432	366	402
Effective tax rate (%)	19.3	24.7	25.3	22.8
Profit after Tax	1,240	1,315	1,082	1,364
Minority interest	-	-	-	1
Share Profit from Associates	-	-	-	1
Adjusted PAT	1,157	1,315	1,082	1,364
YoY gr. (%)	(13.0)	(1.4)	14.4	0.1
Margin (%)	5.5	5.6	5.2	6.1
Extra Ord. Income / (Exp)	83	-	-	-
Reported PAT	1,240	1,315	1,082	1,364
YoY gr. (%)	(22.3)	(1.4)	14.4	0.1
Margin (%)	5.9	5.6	5.2	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,240	1,315	1,082	1,364
Avg. Shares O/s (m)	141	141	141	141
EPS (Rs)	8.2	9.3	7.7	9.7

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	BUY	1,570	1,254
2	09-Feb-23	BUY	1,640	1,407
3	05-Jan-23	BUY	1,600	1,404
4	08-Nov-22	BUY	1,600	1,394
5	06-Oct-22	BUY	1,590	1,412
6	08-Jul-22	BUY	1,700	1,493
7	23-May-22	BUY	1,700	1,245

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	200	138
2	Bajaj Auto	Hold	4,130	4,342
3	Bharat Forge	BUY	940	760
4	CEAT	Accumulate	1,800	1,717
5	Eicher Motors	BUY	4,030	3,404
6	Endurance Technologies	BUY	1,570	1,254
7	Exide Industries	UR	-	185
8	Hero Motocorp	BUY	3,200	2,547
9	Mahindra & Mahindra	BUY	1,560	1,202
10	Maruti Suzuki	BUY	10,300	8,507
11	Tata Motors	BUY	605	516
12	TVS Motor Company	BUY	1,300	1,169

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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