

Q2FY22 Result Highlights

- **European Subsidiary impacted Q2FY22 performance** – Endurance Q2FY22 consolidated revenues grew 6.6%YoY/11.4%QoQ to ₹18.87bn enabled by 16.4% YoY/30.3% QoQ growth in standalone operation to ₹15.01bn mainly led by increase in production volumes of the 2W segment. The 2W industry declined 4.5% yoy in Q2FY22 as per SIAM data. The shortage of ABS electronic control units (ECUs) impacted the production of 150+cc motorcycles and lower demand from rural markets impacted the demand for entry-level bikes. On a YoY basis, the company outperformed the 2W industry growth led by new order wins in disc brake, alloy wheel and casting products in both 2W and PV businesses. The company received incentive of ₹302.6mn under the Package Scheme of Incentives 2013, Government of Maharashtra. Aftermarket revenues were 7.3% of standalone revenues in Q2FY22. In aftermarket, the company supplies to 30 countries and will add four more countries during the year. Exports revenue in 2QFY22 was ₹517mn (₹427mn YoY). There is an overlap of aftermarket and export revenues of about ₹25-30mn. Europe Q2FY22 financials: Revenue was €43.5mn, EBITDA €6.3mn (13.8% margin) and PAT €1.6mn (3.4% margin). In Q2FY21, Revenue was €56.3mn, EBITDA €9.8mn (17.4% margin) and PAT €3.8mn (6.8% margin). The European business was impacted by due to supply-chain constraints of semiconductor leading to lower original equipment manufacturer (OEM) production leading to ~20% YoY decline in revenues. As per the management the company reduced employee costs QoQ in Europe by lowering its dependence on leasing contractors and instead depending on in-house payroll employees. Oct'21 continued to be subdued at ~30% lower new car registrations in Europe and the management expects recovery between Nov'21 and Jan'22. The standalone EBITDA grew 38.1% QoQ to ₹2.1bn due to new order supplies and commodity cost inflation aiding the 80bp QoQ rise in EBITDA margin to 14.2%. Consolidated EBITDA margin came in at 13.8% (-392 bps YoY, -65 bps QoQ), due to lower-than-expected gross margins in India & European businesses and higher-than-other expenses in EU operations. As per the management the increase in raw material cost was mainly due to aluminium alloy and steel price increases. Though steel prices have been stabilising, aluminium alloy prices have moved higher. If not for the raw material cost inflation, the Europe segment's EBITDA margins would have been 100bps higher at 14.8%. Consolidated reported net profit came in at ₹1.3 bn (-20% YoY/+4.2% QoQ). The company will incur capex of ₹ 25-30 mn in overseas operations in FY22, is actively looking for organic as well as inorganic opportunities for newer products and the company has target to reach 10% of the total revenues in the automotive aftermarket division.
- **Order-book continues to remain strong** – Company on consolidated basis won new orders worth ~₹2.4 bn in Q2FY22 from HMCL, Tata Motors, Hyundai, New Holland and other OEMs. The company has also received quotes worth ₹19.9 bn with various OEMs. The company will focus on developing value-add products, which includes brake and clutch assembly for 200cc+ motorcycles, ABS, paper base clutches, inverted front forks and fully machined & semi-finished castings. The company has also entered the non-automotive segment and has won orders worth ₹1.1bn for providing casting products to gensets and telecom companies (will commence supplies from Mar'22 onwards). During Sep'21, the company commenced ABS supplies to Bajaj Auto and expects to reach its peak annual capacity of 400,000 units by Jul'22/Aug'22. It is negotiating with new clients for aluminum alloy order wins. It received its first order, for brake systems,

Important Statistics

MCAP (₹ bn)	253.4
52 Week H/L (₹)	1981/1022
NSE Code	ENDURANCE
BSE Code	542216

Shareholding pattern	Sep'21 (%)
Promoter	75.0
DII	15.4
FII	8.0
Public & Others	1.6

Financials

Particulars	(₹ mn)			
	FY19	FY20	FY21	1HFY22
Revenues	75,105	69,177	65,470	35,812
EBITDA	11,288	11,308	10,402	5,043
EBITDA Margin (%)	15.0	16.3	15.9	14.1
Net Profit	5,158	5,655	5,196	2,299
EPS (₹)	35.2	40.2	36.9	16.3
DPS (₹)	6.25	4.0	4.0	
RoE (%)	21.8	20.3	14.9	
RoCE (%)	17.4	16.4	17.0	
P/E (x)	51.2	44.8	48.8	
EV/EBITDA (x)	22.6	22.6	24.4	
P/BV (x)	9.9	8.4	7.1	

Source: Company Filing, Way2wealth Research

from a Born E2W company. It is negotiating with new clients for aluminum alloy order wins. It received its first order, for brake systems, from a Born E2W company. The company is also working on developing two new products (EV agnostic) and will share the details of the same at the relevant time. For the Europe business, it won orders worth €10.03mn from the likes of Porsche, Daimler, New Holland and Stellantis. It has won electric vehicle (EV) orders worth €130mn over the last three years. Execution started in FY21 and is expected to reach peak value in FY27. Of this, €35mn is for pure electric vehicles for Porsche and Audi, while the remaining is for hybrids for Volkswagen, Daimler, BMW, Stellantis and Maserati.

- **Plant update - (1) Waluj plant** – The company will increase its disc production capability to 675,000 units per month (+90% from existing capacity) and disc brake assembly to 570,000 units per month (from 285,000 units currently). The capacity will commence operations from Nov'21 and will reach its peak capacity by Mar'22, (2) the company has set up capacity to produce 720,000 units annually of cylindrical die casting part (supplies started from September 2021 onwards) and (3) the company will increase its alloy plant production capacity to 160,000 sets per month (from 120,000 sets per month) in Chakan plant and will commence its operations from Q3FY22 onwards led by new order wins from Bajaj Auto and Yamaha.
- **Business goals** – The company wants to provide products that have higher value addition, like supplying braking systems and casting products to electric 2W and 3W OEMs. Also, it wants to focus on products such as ABS (started from Sep'21) and clutch assemblies (to commence from Q1FY23) for 200+cc motorcycles, paper-based clutch assemblies (replacing fork based) for motorcycles, continuously variable transmission (CVT) and automatic clutch for scooters, inverted front forks and rear monoshock absorbers for 200+cc motorcycles, semi- and fully-machined castings (instead of raw castings) for 2W, 3W and 4W. It also mentioned that it has been in talks for the past 9-12 months regarding an inorganic opportunity.
- **Electric vehicle parts supply plans** – The company aims to sell brake assemblies, suspension and castings to EV OEMs as is actively engaged in the EV space in both 2W and 3W segments. The company is already supplying to Bajaj Chetak and M&M three-wheeler and expects to win order from TVS Motor as well. It is also engaged with OEMs like Ola, Ampere, Okinawa, Ultraviolet, Ather, Hero Electric, etc. It has won a brakes system order from Ather worth ₹500mn p.a. which it expects to start supplying from Q1FY23. Management indicated that the value addition in EV products is higher than ICE, though the weight is lesser. It has already started supplying to Bajaj Chetak and is about to start supply to electric 3Ws soon

View

The company will continue to outperform the two-wheeler industry in the domestic market and the PV industry in European markets led by strong order-wins across OEMs in both Indian and overseas markets. Disc brakes, alloy wheels and ABS along with foray into non-auto and EV segments should drive strong revenue growth over the coming years. With the ramp-up of high entry barrier components production in the coming months and EV maker order wins expanding its addressable market, we feel rich valuations are justified. The key downside risks are European production challenges and commodity cost inflation impacting profitability. Hence, **we continue to view it as an ACCUMULATE stock trading at P/E 32.6x FY23E EPS of ₹55.3.**

Financial Performance

(₹ mn)

Particulars	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	1HFY22	1HFY21	YoY (%)
Revenue	18,875.5	17,701.5	6.6	16,936.7	11.4	35,812.2	23,732.6	50.9
Matl Cost	11,116.5	9,087.9	22.3	9,430.3	17.9	20,546.8	11,963.3	71.7
Purchases	97.2	269.8	(64.0)	329.1	(70.5)	426.3	338.9	25.8
Stock Changes	(155.5)	205.2	(175.8)	(651.9)	(76.1)	(807.5)	150.1	(637.9)
Employee Exps	1,648.3	1,681.0	(1.9)	1,942.3	(15.1)	3,590.6	3,001.0	19.6
Other Exps	3,569.2	3,325.8	7.3	3,443.8	3.6	7,013.0	4,720.3	48.6
EBITDA	2,599.9	3,131.8	(17.0)	2,443.1	6.4	5,043.0	3,559.1	41.7
EBITDA Margin (%)	13.8	17.7	(392)	14.4	(65)	14.1	15.0	(91)
Other Income	82.0	71.5	14.7	126.9	(35.4)	208.9	180.0	16.0
Depreciation	939.9	973.1	(3.4)	982.7	(4.3)	1,922.6	1,828.6	5.1
Finance Cost	18.0	35.0	(48.7)	14.6	23.0	32.6	76.6	(57.4)
PBT	1,724.0	2,195.1	21.5	1,572.7	9.6	3,296.7	1,833.9	79.8
Tax	390.7	523.5	25.4	292.7	33.5	683.4	411.6	66.0
Exceptional Item	-	-	NA	(314.5)	(100.0)	(314.5)	-	NA
Minority Interest -Profit/(Loss)	(0.0)	(0.1)	(80.0)	(0.0)	-	(0.0)	(0.3)	(93.3)
Net Profit	1,333.3	1,671.6	20.2	965.6	38.1	16.3	1,422.6	61.6
Adjus Profit	1,333.3	1,671.6	20.2	1,280.1	4.2		1,422.6	83.7
EPS (₹)	9.5	11.9	20.2	6.9	38.1	56.3	10.1	61.6
As % of Sales			BPS		BPS			BPS
Raw Matl Cost	58.6	54.0	456	53.8	481		52.5	384
Employee Exps	8.7	9.5	(76)	11.5	(274)	10.0	12.6	(262)
Other Exps	18.9	18.8	12	20.3	(142)	19.6	19.9	(31)

Source: Company, Way2Wealth

(₹ mn)

Consolidated	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	YoY (%)	QoQ (%)	H1 FY22	H1 FY21	YoY (%)
Revenue	18,619	17,713	16,405	16,038	6,031	17,701	20,409	21,329	16,937	18,876	6.6	11.4	35,812	23,733	50.9
EBITDA	2,941	2,911	2,605	2,449	427	3,132	3,521	3,322	2,443	2,600	(17.0)	6.4	5,043	3,559	41.7
EBITDA Margin (%)	15.8	16.4	15.9	15.3	7.1	17.7	17.3	15.6	14.4	13.8			14.1	15.0	
Net Profit	1,298	1,691	1,240	1,122	(249.0)	1,672	1,901	1,874	966	1,333	(20.3)	38.1	2,299	1,423	61.6

Source: Company, Way2Wealth

(₹ mn)

Particulars	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	YoY (%)	QoQ (%)	1H FY22	1H FY21	YoY (%)
INDIA															
Revenue	13,139	12,920	11,610	11,314	3,562	12,892	15,288	15,989	11,520	15,012	16.4	30.3	26,532	16,454	61.3
EBITDA	1,984	1,964	1,638	1,437	25	2,322	2,601	2,367	1,538	2,125	(8.5)	38.1	3,663	2,348	56.0
EBITDA Margin (%)	15.1	15.2	14.1	12.7	0.7	18.0	17.0	14.8	13.4	14.2			13.8	14.3	
EUROPE															
Revenue	5,480	4,792	4,795	4,724	2,469	4,809	5,121	5,340	5,417	3,864	(19.7)	(28.7)	9,281	7,279	27.5
EBITDA	959	944	969	1,016	402	810	920	955	905	475	(41.3)	(47.5)	1,380	1,211	13.9
EBITDA Margin (%)	17.5	19.7	20.2	21.5	16.3	16.8	18.0	17.9	16.7	12.3			14.9	16.6	

Source: Company, Way2Wealth

Past Performance & Future Forecasting

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22E	FY23E
<i>India</i>	44,900	54,195	49,386	47,730	57,857	67,865
<i>YoY Growth (%)</i>	12.8	20.7	(8.9)	(3.4)	21.2	17.3
<i>Europe</i>	19,893	20,910	19,791	17,740	18,301	21,180
<i>YoY Growth (%)</i>	16.3	5.1	(5.4)	(10.4)	3.2	15.7
Revenue	64,793	75,105	69,177	65,470	76,158	89,045
<i>YoY Growth (%)</i>	15.9	15.9	(7.9)	(5.4)	16.3	16.9
EBITDA	9,279	11,288	11,308	10,402	12,160	14,945
<i>EBITDA Margin (%)</i>	14.3	15.0	16.3	15.9	16.0	16.8
Net Profit	3,908	4,950	5,655	5,196	5,436	7,781
EPS ₹	27.8	35.2	40.2	36.9	38.6	55.3
DPS ₹	4.0	6.3	4.0	4.0	5.0	5.5
P/E (x)	64.8	51.2	44.8	48.8	46.6	32.6
EV/EBITDA (x)	27.9	22.6	22.6	24.4	21.3	17.2
P/BV (x)	11.7	9.9	8.4	7.1	6.3	5.1
Net Debt/Equity (x)	0.3	0.1	0.1	(0.0)	(0.1)	(0.2)
RoE (%)	18.0	19.3	18.8	14.6	14.8	16.5
RoCE (%)	18.3	20.1	19.5	17.0	18.1	21.8

Source: Company, Way2Wealth

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Name of the Security	Endurance Technologies Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	
Conflict of Interest	No
Receipt of Compensation	No
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