

19th May 2023

CMP – ₹1,410.5/-

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Q4FY23 Result Highlights

➤ Received RFQ worth ₹26bn from various OEMs in India and abroad

– Endurance Q4FY23 consolidated revenues grew 7.5% YoY and 6.6% QoQ to ₹22.34bn with standalone Revenue/EBITDA at ₹16.5bn/₹1.95bn (+10% YoY/-0.7% YoY) with Europe's revenue grew 11.6% YoY and 17.4% QoQ to ₹5.851mn aided by good order execution, Italian government incentives and operating leverage. The EBITDA margins at the domestic level was +73 bps QoQ as the positive impact of RM cost was seen in the quarter and also due to firmness in the domestic 2W volumes. The company won several orders during FY23 and has also received RFQs worth ₹26 bn from various OEMs in India and abroad. ₹9.35bn worth new orders were won in FY23 excluding orders from Bajaj Auto. Out of cumulative ₹21bn new business won, the company catered ₹4.21bn in FY23, while order pipeline of ₹6.92 bn would be addressed in FY24 and ₹9.73 bn would be completed in FY25-26. Apart from this, the company has started work on new order worth ₹1.2 bn from Hero Electric for BMS (Battery Management Services) under its EV portfolio in Apr'23. The other major order wins mainly consist orders from HMSI (Rear shock absorbers), HMCL (Castings and front forks), Aether Energy (Battery box housing, suspensions, aluminium castings), Hero Electric (Alloy wheels, suspensions), Okinawa (brakes), Greaves Electric Ampere (brakes), Suzuki (front forks), Tata Motors & Yamaha (suspensions), TVS (Brakes, inverted front forks), KTM (air suspension forks) & RE (castings & ABS). The total order wins by the company in the EV space was at ₹3.8 bn FY23 (42% of total order book), which includes ₹1.24 bn from Bajaj Auto and rest from Aether Energy, Hero Electric, Mahindra Electric, TVS, Tata Motors, Ampere, Okinawa and a new entrant Bounce.

As per the management, the company will focus on developing value added products, which include brake and clutch assembly for +200cc motorcycles along with ABS, paper based clutches, inverted front forks and fully machined & semi-finished castings. The company supplies ABS assemblies to Bajaj Auto & Royal Enfield and has reached peak production of 400K this month, while with increasing demand, the company shall take it up to 600K units by end of this fiscal and 1.2 mn units per annum by 2HFY25. As a value added product, the company started manufacturing Valves for ABS from Mar'23 which is considered to be a high margin business. Also the Dual channel ABS supply shall start in Q1FY24 (>30% of current ABS production).

➤ Company is in advanced talks with HMCL for Continuous Variable Transmission (CVT) and expects to start supply from Q1FY24 onwards.

The company is also looking to supply suspension and braking solutions for e-bicycle business. It has started supplies of a new product – "Driveshafts" at their Waluj plant for OEMs such as M&M, TVS and Bajaj Auto after the commercial production commenced in Jul'22. The company expanding its Alloy wheels capacity from 2.8 mn units to 4.5 mn units to supply Bajaj Auto, Yamaha, TVS and Hero Electric. Furthermore, in order to supply Disc Brake assemblies to HMSI new business, the company has started their second plant at Waluj, Aurangabad. The company has also ramped up its production to supply inverted front forks to KTM, HMSI, HMCL and Honda 2-wheelers. The company has won an order worth ₹2.5 bn from Hyundai Kia to supply castings for which the production is ramped up at

Important Statistics

MCAP (₹ bn)	198.4
52 Week H/L (₹)	1,563/1,095
NSE Code	ENDURANCE
BSE Code	540153

Shareholding Pattern	Mar'23 (%)
Promoter	75.0
DII	15.5
FII	7.7
Public & Others	1.8

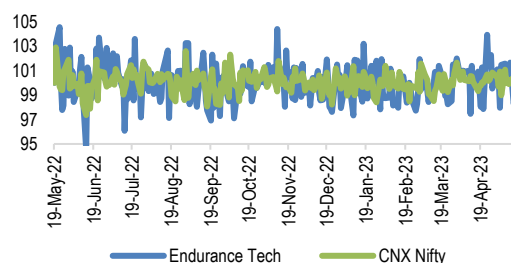
Financials

Particulars	FY19	FY20	FY21	FY22
Revenues	75,105	69,177	65,470	75,491
EBITDA	11,288	11,308	10,402	9,646
EBITDA Margin (%)	15.0	16.3	15.9	12.8
Net Profit	5,158	5,655	5,196	4,607
EPS (₹)	35.2	40.2	36.9	32.8
DPS (₹)	5.5	5.5	6.0	6.25
RoE (%)	19.3	18.8	14.6	13.8
RoCE (%)	20.1	19.5	17.0	11.8
P/E (x)	40.1	35.1	38.2	43.1
EV/EBITDA (x)	17.8	17.7	19.1	20.6
P/BV (x)	7.7	6.6	5.6	5.1

Particulars	FY23P	FY24E	FY25E
Revenues	88,040	107,744	125,450
EBITDA	10,363	13,572	17,119
EBITDA Margin (%)	11.8	12.6	13.6
Net Profit	4,796	7,079	9,542
EPS (₹)	34.1	50.3	67.8
DPS (₹)	7.0	7.5	8.0
RoE (%)	10.9	14.1	16.4
RoCE (%)	12.6	16.3	19.2
P/E (x)	41.4	28.0	20.8
EV/EBITDA (x)	19.6	14.4	11.2
P/BV (x)	4.5	4.1	3.5

Source: Company, Way2Wealth

Relative Performance



Source: Company, Way2Wealth

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their Vallam plant. Such a strong portfolio of orders and products will surely ensure strong growth visibility for the company in ensuing years.

➤ **On the EV side of the business, the domestic EV order book till date stands at ₹6bn from Hero Electric, Aether, Mahindra Electric etc.**

which now contributes significantly to the total order book (42% in FY23) and shall drive the financials going forward. The company has won orders worth ~₹3.8 bn from EV players in FY23 mainly for suspension, brakes, Aluminium castings and also for Battery packs and BMS which will start production in Q1FY24 and shall peak by FY24. In Europe, the company won orders worth €83.87 mn during the fiscal, out of which 49% was for hybrid technology, while 32% was for EV and 16% for ICE. The orders mainly came from VW, Daimler and Stelantis. Cumulative orders won in the last 4 years were at €220 mn.

➤ **Inorganic expansion to provide incremental business in Europe –**

Company reported strong margin performance in Europe in Q4FY23 on the back of Italian Government incentive (45% of the incremental energy costs) and customers support by absorbing 50% of the change in the energy costs. In order to strengthen its continental business the company has added to its acquisition kitty several companies in the last couple of years, which are all perfect strategic fits. The latest was the one from Italy New Fren Srl in Nov'22, which is into brake discs, centrifugal clutches, and brake shoes for 2Ws. Earlier in Q2FY23 the company had acquired another Italian company Frenotechnica which is into braking systems. This was preceded by Maxwell earlier and Adler & Grimeca in FY22. These acquired companies should provide synergetic benefits in Europe and contribute meaningfully to their market share and European financials.

Maxwell, the biggest acquisition out of the above, now contributes 0.2% of the consolidated business and has great potential to rapidly increase its contribution. The company reported ₹180 mn of topline and ₹119 mn of EBITDA losses during FY23. Its order book in the last two years is ₹3.3 bn. This company has already commenced supply to Hero Electric worth ₹1bn. ₹0.5bn orders are also won from Ampere whose production shall start from Q3FY24. With a good order flow, we expect the company to reduce losses in net 1-2 years and report profitable growth.

➤ **No major margin impact to be seen in the European business –**

There was sharp growth in European margins at 15.4% in Q4FY23 +387 bps YoY & 296 bps QoQ, while the domestic margins also grew sequentially. From Q3FY23, the energy costs in Europe have shown softening and the company is taking price hikes there. Though the energy cost incentives are reduced to 20% from 45% from Apr'23 by the Italian government, energy costs are also falling at a good pace in line with this. Therefore, less likely to see a major negative impact on European margins as business orders and volumes expand, thus offering operating leverage there. In India, steel (32% of RM costs) and aluminium (51%) are firming up once again, which would have a tad bit impact on margins in FY24. Management does not expect aluminium tailwinds to further continue. However, superior product mix, better pricing scenario, new business wins, prudent cost management, higher utilization levels leading to better operating leverage should augur well for margins.

- **Major orders to commence work in FY24** – Suspension business worth ₹402 mn for TVS to commence from Nov'23 at Kolar plant in Karnataka. TVS's inverted front fork order of ₹212 mn to start from Q1FY24. For client Hero Electric suspension business worth ₹489 mn to start at Halol plant at Gujarat in Jun'23. Apart from this, Assembly line for BMS for the same company to start from Jul'23. Peak value will be ₹800 per annum. Won Brakes deal from Okinawa for ₹273 mn. It will be manufactured at Waluj plant from Oct'23. Business worth ₹155 mn was won during Q4FY23 from Greaves Electric Ampere. It will be manufactured at Kolar plant from Aug'23. Also the same company offered business worth ₹290 mn for brakes to be made from Waluj, Aurangabad. ₹150 mn worth order win happened from Aether Energy during the quarter. Production from Jun'23. Also for the same company, fully machined 5 channel aluminium casting plant producing 200K units per annum will be initiated at Vallam plant. To peak in FY24. Big order win worth ₹1.2 bn from Hero Motocorp was initiated at Halol plant from Apr'23. New Air suspension forks assembly line shall be installed for KTM by FY24 end. Value will be ₹400 mn per annum. 240K battery packs capacity & EV aluminium castings worth ₹400 mn to start this year and peak in FY25. Aluminium forging plant to expand its capacity at Waluj plant from 280K to 600K units. Starting from FY24, it shall peak in FY25 at a value of ₹750 mn. A big order was won from Suzuki Motors worth ₹1.39 bn for front forks. The company is separately installing 1mn capacity for the same, which would commence operations from next fiscal. Disc brake assembly second plant at Waluj has started to expand its capacity to 6.2mn p.a. and brake disc assembly to expand upto 8.1mn p.a. The clients for this business are Bajaj Auto, RE, Yamaha, HMSI, HMCL, Aether and TVS.

View

The company is likely to continue to outperform the industry led by Improvement in 2W demand in FY24 after two weak years, and thereon led by strong underlying trends for scooterisation and premiumisation; addition of new and value added products like ABS supply ramp-up over FY23 aided by valves business, driveshafts for Bajaj including LCVs and 3Ws, entry into crankshaft business, non-automotive castings, alloy wheels, disc brakes, front and inverted forks etc.; ramp-up in EV products (EV order book of ~₹6bn excl. Maxwell) and increasing share of after markets and exports (though temporarily subdued). Furthermore, as the chip supply issue is negligible now, ABS supplies should ramp-up leading to higher revenues for the company. In India, rising order book should take care of the little pressure seen in the EU operations including chip shortage there, higher power costs (though they are falling now), recession and other supply chain issues. However, with the main inhibitor of profitable growth in EU; the energy costs which are softening from Q3FY23, we are likely to see surge in margins there as well. The array of acquisitions in Europe should enhance the company business in that region. Higher operating leverage stemming from higher demand from 2Ws should lead to better margin performance in future quarters. Considering Endurance's size and strong market share in its operating segments, the stock should command a premium to its domestic peers. **Hence, we continue to view it as an ACCUMULATE stock trading at P/E 20.8x FY25E EPS of ₹67.8.**

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FINANCIAL PERFORMANCE

(₹ mn)								
Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ(%)	FY23	FY22	YoY(%)
Revenue	22,343.4	20,788.0	7.5	20,952.5	6.6	88,040.5	75,491.4	16.6
Matl Cost	12,876.4	12,305.6	4.6	12,651.8	1.8	53,201.9	44,284.3	20.1
Purchases	118.8	199.5	(40.5)	313.4	(62.1)	1,039.7	863.8	20.4
Stock Changes	261.8	48.4	440.9	(408.7)	(164.1)	(946.4)	(946.6)	(0.0)
Employee Exps	2,091.5	1,683.7	24.2	1,932.4	8.2	7,636.1	6,943.6	10.0
Other Exps	4,141.0	3,979.5	4.1	4,068.3	1.8	16,746.5	14,700.0	13.9
EBITDA	2,853.9	2,571.3	11.0	2,395.2	19.2	10,362.7	9,646.4	7.4
EBITDA Margin (%)	12.8	12.4	40	11.4	134	11.8	12.8	(101)
Other Income	208.2	126.8	64.2	115.1	80.9	454.3	410.4	10.7
Depreciation	1,215.6	981.1	23.9	1,016.1	19.6	4,215.8	3,817.3	10.4
Finance Cost	79.8	17.0	369.5	45.8	74.2	205.8	63.5	223.8
PBT	1,766.7	1,700.0	(3.9)	1,448.4	22.0	6,395.4	6,176.0	(3.6)
Tax	402.1	338.1	(18.9)	366.1	9.8	1,496.8	1,254.4	(19.3)
Exceptional Item	-	-	-	-	-	(102.9)	(314.5)	(67.3)
Minority Interest -Profit/(Loss)	-	(0.0)	(100.0)	-	-	-	-	-
Net Profit	1,364.7	1,361.9	0.2	1,082.3	26.1	4,795.8	4,607.1	4.1
Adjus Profit	1,364.7	1,361.9	0.2	1,082.3	26.1	4,692.9	4,921.6	(4.6)
EPS (₹)	9.7	9.7	0.2	7.7	26.1	34.1	32.8	4.1
As % of Sales	BPS		BPS		BPS		BPS	
Raw Matl Cost	59.3	60.4	(106)	59.9	(60)	60.5	58.6	198
Employee Exps	9.4	8.1	126	9.2	14	8.7	9.2	(52)
Other Exps	18.5	19.1	(61)	19.4	(88)	19.0	19.5	(45)

Source: Company, Way2Wealth

(₹ mn)																				
Consolidated	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	17,713	16,405	16,038	6,031	17,701	20,409	21,329	16,937	18,876	18,891	20,788	21,138	23,606	20,952	22,343	7.5	6.6	88,040	75,492	16.6
EBITDA	2,911	2,605	2,449	427	3,132	3,521	3,322	2,443	2,600	2,032	2,571	2,398	2,716	2,395	2,854	11.0	19.2	10,363	9,646	7.4
EBITDA Margin (%)	16.4	15.9	15.3	7.1	17.7	17.3	15.6	14.4	13.8	10.8	12.4	11.3	11.5	11.4	12.8			11.8	12.8	
Net Profit	1,691	1,240	1,122	(249.0)	1,672	1,901	1,874	966	1,333	946	1,362	1,034	1,315	1,082	1,365	0.2	26.1	4,796	4,607	4.1

Source: Company, Way2Wealth

(₹ mn)																				
Particulars	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
INDIA																				
Revenue	12,920	11,610	11,314	3,562	12,892	15,288	15,989	11,520	15,012	14,895	15,544	16,161	19,054	15,968	16,492	6.1	3.3	67,675	56,971	18.8
EBITDA	1,964	1,638	1,437	25	2,322	2,601	2,367	1,538	2,125	1,655	1,968	1,742	2,319	1,777	1,955	(0.7)	10.0	7,792	7,287	6.9
EBITDA Margin (%)	15.2	14.1	12.7	0.7	18.0	17.0	14.8	13.4	14.2	11.1	12.7	10.8	12.2	11.1	11.9			11.5	12.8	
EUROPE																				
Revenue	4,792	4,795	4,724	2,469	4,809	5,121	5,340	5,417	3,864	3,996	5,244	4,978	4,552	4,985	5,851	11.6	17.4	20,365	18,521	10.0
EBITDA	944	969	1,016	402	810	920	955	905	475	377	603	656	397	618	899	49.1	45.4	2,570	2,359	8.9
EBITDA Margin (%)	19.7	20.2	21.5	16.3	16.8	18.0	17.9	16.7	12.3	9.4	11.5	13.2	8.7	12.4	15.4			12.6	12.7	

Source: Company, Way2Wealth

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FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
India	44,900	54,195	49,386	47,730	56,971	67,675	83,769	96,478
YoY Growth (%)	12.8	20.7	(8.9)	(3.4)	19.4	18.8	23.8	15.2
Europe	19,893	20,910	19,791	17,740	18,521	20,365	23,975	28,972
YoY Growth (%)	16.3	5.1	(5.4)	(10.4)	4.4	10.0	17.7	20.8
Revenue	64,793	75,105	69,177	65,470	75,491	88,040	107,744	125,450
YoY Growth (%)	15.9	15.9	(7.9)	(5.4)	15.3	16.6	22.4	16.4
EBITDA	9,279	11,288	11,308	10,402	9,646	10,363	13,572	17,119
EBITDA Margin (%)	14.3	15.0	16.3	15.9	12.8	11.8	12.6	13.6
Net Profit	3,908	4,950	5,655	5,196	4,607	4,796	7,079	9,542
EPS ₹	27.8	35.2	40.2	36.9	32.8	34.1	50.3	67.8
DPS ₹	4.0	5.5	5.5	6.0	6.3	7.0	7.5	8.0
P/E (x)	50.8	40.1	35.1	38.2	43.1	41.4	28.0	20.8
EV/EBITDA (x)	22.0	17.8	17.7	19.1	20.6	19.6	14.4	11.2
P/BV (x)	9.2	7.7	6.6	5.6	5.1	4.5	4.1	3.5
Net Debt/Equity (x)	0.3	0.1	0.1	(0.0)	0.01	0.1	0.1	0.1
RoE (%)	18.0	19.3	18.8	14.6	13.8	10.9	14.1	16.4
RoCE (%)	18.3	20.1	19.5	17.0	11.8	12.6	16.3	19.2
FCF	3,157	2,220	4,943	3,270	2,125	2,257	2,632	5,964
Cash Balances	2,199	5,027	5,379	6,209	4,026	2,877	4,407	8,723

Source: Company, Way2Wealth

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Disclosure of Interest Statement Endurance Technologies Ltd. as on 19 May 2023

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	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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