

Q4FY22 Result Highlights

- **Strong QoQ considering muted domestic demand for 2Ws and higher energy costs in EU** – Endurance Q4FY22 consolidated revenues declined ~3%YoY but grew 10%QoQ to ₹20.8bn with standalone Revenue/EBITDA at ₹15.5bn/~₹2bn (+4.4% QoQ/~`3% YoY) aided by higher contribution margin of 130bp QoQ as European sales grew 31% QoQ to ₹5.2bn driven by commodity cost inflation pass-through helped overcome higher power cost pressure on EBITDA margin. The management indicated that aluminium cost inflation pass-through helped in a 31% QoQ sales growth, but power cost spike could not be passed on to customers. In the EU business, Aluminum cost is reset every quarter and energy price inflation pass through is being negotiated. It has received energy price pass-through so far for only 5% of business and discussions are in progress with others. Aluminum die-castings value-add is higher in EVs as against ICE. In e-2Ws, there are more numbers of castings (nine v/s seven in ICE) with lower weight but higher value add. In 3Ws, there are 11 castings in EVs v/s 7 in ICE 3Ws with higher value add. It has started supplies to Chetak and will soon start supplies to the e-3W of Bajaj. Anti-lock brake system (ABS) ramp-up has been slow due to semiconductor shortage, as it reached only 50% of capacity and there is a plan to fully utilize capacity by Sep'22. For drive shafts, it plans to win orders from TVS Motor and M&M three-wheeler or 3W division soon. On Maxwell acquisition, management feels it will help Endurance expand into making electronic parts required for 2W and 4W. The Board declared a final dividend of ₹6.25/share (F.V. `10/-) for FY22.
- **Acquisition of Maxwell Energy System** – Endurance Technologies has signed a Share Subscription and Purchase Agreement to acquire 100% of Maxwell Energy Systems Private Limited (Maxwell) in a phased manner for an aggregate maximum price of ₹3,080m. It is an all-cash deal, with ₹1,350mn to be paid upfront for a 51% stake, and the transaction is expected to be completed by Q1FY23. A maximum of ₹1,730mn would be paid for the remaining 49% stake over five years, linked to the achievement of projected financial results from FY23-27. Maxwell is in the business of embedded electronics, particularly in battery management system for vehicles including electric vehicles (EV), and for stationary storage systems. Till date, the company has supplied over 65,000 smart Battery Management System (BMS) to clients. It has an order pipeline worth ₹1,500mn and expects revenue of ₹400m in FY23. Its orders are split between India and Europe, with 70% of the order pipeline relating to 2W and 3W. Maxwell management commented that the company's strong point is that its products have been tailored to Indian roads and conditions. It has a platform-based approach where it can make products easily across automotive categories. Maxwell has a team of more than 100 employees in its R&D division, which enables it to reach the market faster. It believes that lower lead time is in vogue as clients do not want to miss out on the high-growth EV segment. It has 260 configurable parameters in each BMS, which enables it to be used across battery chemistries and applications. It has gone through overcoming the entry barrier phase after doing 1.5 years of rigorous testing with clients and is working with the top-5 battery pack makers in India along with some of the world's largest 2W and 3W OEMs. The next component it is targeting is the telematics controller, which has become an important component for new-age vehicles, for data collection

Important Statistics

MCAP (₹ bn)	183.4
52 Week H/L (₹)	1,981/1,048
NSE Code	ENDURANCE
BSE Code	542216

Shareholding Pattern	Mar'22(%)
Promoter	75.0
DII	15.9
FII	7.2
Public & Others	1.9

Financials

Particulars	(₹ mn)			
	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 (₹)	6.25	4.0	4.0	6.25
RoE (%)	19.3	18.8	14.6	13.0
RoCE (%)	20.1	19.5	17.0	11.8
P/E (x)	37.1	32.4	35.3	39.8
EV/EBITDA (x)	16.4	16.4	17.6	19.0
P/BV (x)	7.2	6.1	5.2	4.7

Source: Company, Way2Wealth

and analysis. It is also in the process of developing high-voltage BMS for 4W, bus and truck applications. Plans to manufacture BMS at Waluj, where it would enjoy 100% capital subsidy payable over seven years.

- **Business orders** – In India, in FY22, the company won new business orders worth ₹7,415mn from OEMs other than Bajaj Auto from HMSI, TVS, Hero MotoCorp, and Royal Enfield. The above orders include ₹1,595mn relating to EVs, especially ₹530mn from Ather for brakes and ₹700mn from Polarity Smart Bikes for brake and suspension. The new order wins also include a ₹1,200mn order for non-autocastings like that used in gensets and in 5G for telecom, which should begin execution in FY23. The request for quotes (RFQ) from OEMs stands at ₹20,380mn. In FY22, in Europe, the company has also won orders worth €71.4mn from Porsche, Daimler, CNH, BMW, and Stellantis. It has also won a €40mn order for transmission housing for mild and full hybrid from Stellantis, which would commence from 2HFY23.
- **The ABS business was impacted due to the shortage of semiconductor chips used in the ECU unit.** ABS supplies to RE have started from Feb'22 along with Bajaj Auto. It targets to increase the business in the 150cc+ category and has started supplying to Bajaj Auto and Royal Enfield. The target for ABS is to reach 400,000 assemblies p.a. by Sep'22, while it has crossed the halfway mark now. Competition is mostly from Bosch, with the domestic market size being 3-3.5mn assemblies p.a.
- **Foray into new product segment with launch of drive shaft** – The company has added drive shaft as a new product vertical for 3W and 4W. Management believes that it is a high-technology proprietary product that enjoys lucrative margins and low competition in India. The main competitors are GKN Driveline and Nexteer Automotive. The segment has a market size of ₹20bn p.a. for 3W and 4W applications in India, and the company plans to start the business with Bajaj Auto by Jul'22, delivering the product from a new plant set up in Aurangabad, Maharashtra. It is also at an advanced stage for orders from TVS for 3W and from Mahindra & Mahindra or M&M for 3W (including EV application). The company is confident of doing better than its competitors on the back of shorter development time, competitive pricing, world class manufacturing and a strong supply chain.
- **Increase in capacity of disc brakes to 675,000 units per month** – The disc brake business is growing with the addition of new business from Bajaj Auto, TVS, Royal Enfield, Yamaha, Hero MotoCorp, and HMSI. The capacity is being increased from 285,000 units to 570,000 units per month. It has set up a second brake plant at Waluj, and the total capacity should touch 470,000 units per month by Oct'22. The disc capacity is being increased from 375,000 units to 675,000 units per month. Due to increase in orders from Bajaj Auto and Yamaha India, and a new ₹1,446mn alloy wheel order from TVS, the company has added a new plant at Chakan to help increase supplies from 240,000 to 320,000 alloy wheels a month. It will start operations in May'22. Supplies to TVS will start in Jun'22. It has also won a front alloy wheel ring order from Hero Electric, for which supplies will start in FY23. The volume is expected to increase to 1.2mn wheels p.a. by FY27, with a sales value of ~₹1,350mn p.a. Endurance has forayed into two backward integration areas, which are import substitutes. As regards aluminium forgings for inverted front forks, supplies have started from the Aurangabad plant from Apr'22 for Bajaj Auto and direct exports to KTM.

Supply of wire hoses for ABS applications in the mid- and high-end bikes have already started in Jun'21 from Aurangabad plant. After-market sales in FY22 grew by 35% YoY to ₹4,212m, forming 7.36% of standalone revenue. Endurance is exporting its products to 30 countries and plans to add four more in FY23. Export sales from India standalone business in FY22 grew 22% YoY to ₹2,241mn. They mainly included machine aluminium castings and after-market export products.

- **Plans to increase business from the 200cc+ motorcycle** – The 200cc+ motorcycle brake business has commenced from Oct'21 and in case of clutches it will start in 2HFY23. It plans to increase business from the 200cc+ motorcycle inverted front forks and adjustable rear mono shock absorbers. For this, it is collaborating with KTM AG and is working out a three-year plan. It will also be focusing on fully finished castings for 2W, 3W and 4W. It also targets paper-based clutch assemblies that would replace fork-based clutch assemblies in motorcycles, and continuously variable transmission (CVT) for automotive clutches of scooters for which it is in advanced stage discussions with Hero MotoCorp. It is also focusing on the E-bicycles segment, especially for suspension and brakes. It is already in advanced talks with certain OEMs
- **Maharashtra mega incentive update** – In Q4FY22, revenue from the Europe business grew 2% YoY to €62.6mn. EBITDA declined 31% YoY to €7.9mn, a margin of 12.6%. Management indicated that without aluminium and energy cost inflation, margins would have been 18.3% vs. 18.6% in Q4FY21. Net profit declined 51% YoY to €2.7mn. The company recorded ₹43.47mn as Maharashtra state mega incentive in Q4FY22, taking the total to ₹633.9mn in FY22. It has applied for the scheme for 2019-24 which will increase longevity of the incentives.

View

Given Endurance's strong positioning in the 2W segment, it is the best proxy to play the India 2W opportunity, keeping in mind the underlying trends of scooterisation and premiumisation. Driven by new customer wins and technology-led increase in content. The company offers strong management, a diverse revenue profile, improving technological content, increasing wallet share of customers, and financial discipline. It is one of the few auto ancillary companies in India to boast of a truly diversified revenue base, both in terms of product lines as well as customer base. The company a proven management, as evidenced in the sustained profitable growth while entering new segments and significant market share gains. The strength in the company's business franchisee and experienced management should help the stock to continue commanding premium valuation multiples in comparison to most domestic auto ancillary companies. In the latter, there are only a handful of high-quality, large-scale, multi-product auto component suppliers. Considering it's size and strong market share in its operating segments, **we continue to view it as an ACCUMULATE stock trading at P/E 18.7x FY24E EPS of ₹69.9.**

24th May 2022

CMP - ₹1,304/-

View - **ACCUMULATE**

Financial Performance

(₹ mn)

Particulars	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ(%)	FY22	FY21	YoY(%)
Revenue	20,788.0	21,329.0	(2.5)	18,891.2	10.0	75,491.4	65,470.2	15.3
Matl Cost	12,305.6	11,929.0	3.2	11,431.9	7.6	44,284.3	34,976.5	26.6
Purchases	199.5	243.9	(18.2)	238.0	(16.1)	863.8	896.2	(3.6)
Stock Changes	48.4	49.0	(1.3)	(187.6)	(125.8)	(946.6)	(167.1)	466.6
Employee Exps	1,683.7	1,934.4	(13.0)	1,669.3	0.9	6,943.6	6,760.6	2.7
Other Exps	3,979.5	3,850.9	3.3	3,707.5	7.3	14,700.0	12,601.9	16.6
EBITDA	2,571.3	3,321.8	(22.6)	2,032.1	26.5	9,646.4	10,402.1	(7.3)
EBITDA Margin (%)	12.4	15.6	(320)	10.8	161	12.8	15.9	(311)
Other Income	126.8	68.7	84.5	74.7	69.8	410.4	307.1	33.6
Depreciation	981.1	1,118.2	(12.3)	913.5	7.4	3,817.3	3,991.4	(4.4)
Finance Cost	17.0	18.6	(8.7)	14.0	21.6	63.5	137.6	(53.8)
PBT	1,700.0	2,253.7	24.6	1,179.3	44.2	6,176.0	6,580.3	(6.1)
Tax	338.1	380.7	11.2	232.9	45.2	1,254.4	1,272.3	(1.4)
Exceptional Item	-	-	-	-	-	314.5	112.3	180.2
Minority Interest -Profit/(Loss)	(0.0)	(1.0)	(99.0)	0.0	(133.3)	0.0	(1.4)	(101.5)
Net Profit	1,361.9	1,874.0	(27.3)	946.3	43.9	4,607.1	5,197.1	(11.4)
Adjus Profit	1,361.9	1,874.0	(27.3)	946.3	43.9	4,921.6	5,309.3	(7.3)
EPS (₹)	9.7	13.3	(27.3)	6.7	43.9	32.8	36.9	(11.4)
As % of Sales			BPS		BPS			BPS
Raw Matl Cost	60.4	57.3	309	60.8	(39)	58.6	54.5	401
Employee Exps	8.1	9.1	(97)	8.8	(74)	9.2	10.3	(113)
Other Exps	19.1	18.1	109	19.6	(48)	19.5	19.2	22

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	Q3 FY22	Q4 FY22	YoY (%)	QoQ (%)	FY22	FY21	YoY (%)
Revenue	18,619	17,713	16,405	16,038	6,031	17,701	20,409	21,329	16,937	18,876	18,891	20,788	(2.5)	10.0	75,491	65,470	15.3
EBITDA	2,941	2,911	2,605	2,449	427	3,132	3,521	3,322	2,443	2,600	2,032	2,571	(22.6)	26.5	9,646	10,402	(7.3)
EBITDA Margin (%)	15.8	16.4	15.9	15.3	7.1	17.7	17.3	15.6	14.4	13.8	10.8	12.4			12.8	15.9	
Net Profit	1,298	1,691	1,240	1,122	(249.0)	1,672	1,901	1,874	966	1,333	946	1,362	(50.2)	43.9	4,607	3,323	(11.4)

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	Q3 FY22	Q4 FY22	YoY (%)	QoQ (%)	FY22	FY21	YoY (%)
INDIA																	
Revenue	13,139	12,920	11,610	11,314	3,562	12,892	15,288	15,989	11,520	15,012	14,895	15,544	(2.8)	4.4	56,971	47,730	19.4
EBITDA	1,984	1,964	1,638	1,437	25	2,322	2,601	2,367	1,538	2,125	1,655	1,968	(16.9)	18.9	7,287	7,316	(0.4)
EBITDA Margin (%)	15.1	15.2	14.1	12.7	0.7	18.0	17.0	14.8	13.4	14.2	11.1	12.7			12.8	15.3	7.5
EUROPE																	
Revenue	5,480	4,792	4,795	4,724	2,469	4,809	5,121	5,340	5,417	3,864	3,996	5,244	(1.8)	31.2	18,521	17,740	4.41
EBITDA	959	944	969	1,016	402	810	920	955	905	475	377	603	(36.8)	60.1	2,360	3,086	(23.5)
EBITDA Margin (%)	17.5	19.7	20.2	21.5	16.3	16.8	18.0	17.9	16.7	12.3	9.4	11.5			12.7	17.4	

Source: Company, Way2Wealth

24th May 2022

CMP – ₹1,304/-

 View – **ACCUMULATE**
Financials & Valuations

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22P	FY23E	FY24E
India	44,900	54,195	49,386	47,730	56,971	67,471	76,181
YoY Growth (%)	12.8	20.7	(8.9)	(3.4)	19.4	18.4	12.9
Europe	19,893	20,910	19,791	17,740	18,521	20,873	22,487
YoY Growth (%)	16.3	5.1	(5.4)	(10.4)	4.4	12.7	7.7
Revenue	64,793	75,105	69,177	65,470	75,491	87,808	98,668
YoY Growth (%)	15.9	15.9	(7.9)	(5.4)	15.3	16.3	12.4
EBITDA	9,279	11,288	11,308	10,402	9,646	12,578	16,816
EBITDA Margin (%)	14.3	15.0	16.3	15.9	12.8	14.3	17.0
Net Profit	3,908	4,950	5,655	5,196	4,607	6,788	9,826
EPS ₹	27.8	35.2	40.2	36.9	32.8	48.3	69.9
DPS ₹	4.0	6.3	4.0	4.0	6.3	7.0	7.5
P/E (x)	46.9	37.1	32.4	35.3	39.8	27.0	18.7
EV/EBITDA (x)	20.4	16.4	16.4	17.6	19.0	14.6	12.2
P/BV (x)	8.5	7.2	6.1	5.2	4.7	3.6	3.1
Net Debt/Equity (x)	0.3	0.1	0.1	(0.0)	0.01	(0.1)	(0.1)
RoE (%)	18.0	19.3	18.8	14.6	13.0	16.4	17.7
RoCE (%)	18.3	20.1	19.5	17.0	11.8	15.7	16.9
FCF	3,157	2,220	4,943	3,270	2,125	4,027	5,365
Cash Balances	2,199	5,027	5,379	6,209	4,026	6,810	10,091

Source: Company, Way2Wealth

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Disclosure of Interest Statement Endurance Technologies Ltd. as on 24th May 2022

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
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