

August 12, 2021

## Q1FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,832		1,772	
Sales (Rs. m)	83,413	99,889	84,345	98,365
% Chng.	(1.1)	1.5		
EBITDA (Rs. m)	13,375	17,129	13,872	16,839
% Chng.	(3.6)	1.7		
EPS (Rs.)	47.3	64.3	48.9	63.3
% Chng.	(3.3)	1.5		

### Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	69,177	64,956	83,413	99,889
EBITDA (Rs. m)	11,308	9,888	13,375	17,129
Margin (%)	16.3	15.2	16.0	17.1
PAT (Rs. m)	5,655	4,973	6,652	9,039
EPS (Rs.)	40.2	35.4	47.3	64.3
Gr. (%)	11.1	(12.1)	33.8	35.9
DPS (Rs.)	6.6	6.0	6.5	7.0
Yield (%)	0.4	0.3	0.4	0.4
RoE (%)	20.3	15.4	17.9	20.6
RoCE (%)	21.5	15.9	21.2	25.4
EV/Sales (x)	3.5	3.7	2.8	2.2
EV/EBITDA (x)	21.1	24.1	17.4	13.1
PE (x)	42.7	48.6	36.3	26.7
P/BV (x)	8.0	7.0	6.0	5.0

### Key Data

ENDU.BO | ENDU IN

52-W High / Low	Rs.1,830 / Rs.926
Sensex / Nifty	54,844 / 16,364
Market Cap	Rs.241bn/ \$ 3,251m
Shares Outstanding	141m
3M Avg. Daily Value	Rs.397.73m

### Shareholding Pattern (%)

Promoter's	75.00
Foreign	8.34
Domestic Institution	15.17
Public & Others	1.49
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	7.6	16.1	74.2
Relative	2.7	9.1	21.9

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## Long Runway for Growth

### Quick Pointers:

- Won new business worth ~Rs 514m/Euro 7.13m in India/Europe.
- ABS supply to start from next month; Market opportunity stands at ~3.5mn units/year.

**ENDU's 1QFY22 S/A revenues declined 28% QoQ at Rs11.5b (PLe: 12.5b) against 2W industry decline of 35%, led by higher share of Bajaj Auto. Europe business revenue grew 105%YoY at Euro 63.2mn. New business win remained strong in India (Rs 514mn) and EU business (Euro 7.13mn). We believe ENDU will continue to outperform industry led by i) Addition of new products (ABS to start from next month, Tyre Trading, EV and Hybrid products) ii) Increasing share value added products like disk brakes and alloy wheels iii) Ability to add new customer and increase penetration with existing customers and iv) Increasing share of AM & Exports. We further believe operating leverage benefits, backward integration and mix improvement will aide margins going ahead. We tweak FY22/23 EPS by -3%/ +1.5% and downgrade to 'ACCUMULATE' after recent run-up in the stock with revised TP of Rs1,832 (v/s Rs1,772) based on 28x (unchanged) JUNE'23 EPS.**

### 1QFY22 results impacted by higher fixed costs and lower scale of operations-

Endu consol revenue declined 21% QoQ at Rs 16.9bn (PLe Rs18.5b) led by 28% QoQ decline in India and +1% QoQ growth in SA/Europe revenues, outpacing underlying industry growth in both regions. The company reported 26% QoQ decline in EBITDA at Rs2.4b (PLe Rs2.7b), led by higher fixed cost and negative operating leverage. Consol Gross Margins expanded 350 bps QoQ, largely led by inventory gains in EU operations.

**Adj. PAT came in higher at Rs1.28b (-32% QoQ, PLe 1.18b)** Adj. PAT was supported by higher other income and lower tax rate. Company incurred one off expense of Rs 314.5mn towards voluntary separation scheme for Chakan plant employees. While Maharashtra state Govt. incentive stood at Rs 287.8m

**Call takeaways: 1) Capacity addition at Waluj-** Increasing disc brake assembly capacities to 570k sets/month from 285k production to start from this month and disk capacity to 675k sets/month (from 375k). **3) Setting up low pressure die casting plant with capacity of 720k/annum (from Q2FY22).** **4) Increasing alloy wheel capacities** in Chakan from 240k/month to 320k/month from Q3FY22. **5) ABS production to start from September with initial full capacity of 200k to be achieved by Mar'23.** **6)** Aftermarket revenue at 627m, Export stood at Rs 361m targets export revenue of Rs 2.5b. **7) Visible growth in EV/hybrid segment,** given business of Eur120mn (~Eur30mn of EV and rest Hybrid) won over last 2 years. Total business won worth was Rs514m in India and Eur7.13m in Europe in 1QFY22.

**Exhibit 1: Q1FY22 Result Overview – Consolidated (Rs mn)**

Y/e March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY21	FY20	YoY gr. (%)
<b>Net Revenues</b>	<b>16,937</b>	<b>6,031</b>	<b>180.8</b>	<b>21,329</b>	<b>64,956</b>	<b>68,705</b>	<b>(5.5)</b>
Raw Materials	9,107	2,889	215.2	12,222	35,706	37,352	(4.4)
<i>% of Net Sales</i>	<i>53.8</i>	<i>47.9</i>		<i>57.3</i>	<i>55.0</i>	<i>54.4</i>	
Personnel	1,942	1,320	47.2	1,934	6,761	6,773	(0.2)
<i>% of Net Sales</i>	<i>11.5</i>	<i>21.9</i>		<i>9.1</i>	<i>10.4</i>	<i>9.9</i>	
Manufacturing & Other Exp	3,444	1,394	147.0	3,851	12,602	13,744	(8.3)
<i>% of Net Sales</i>	<i>20.3</i>	<i>23.1</i>		<i>18.1</i>	<i>19.4</i>	<i>20.0</i>	
Total Expenditure	14,494	5,604	158.6	18,007	55,068	57,869	(4.8)
<b>EBITDA</b>	<b>2,443</b>	<b>427</b>	<b>471.8</b>	<b>3,322</b>	<b>9,888</b>	<b>10,835</b>	<b>(8.7)</b>
<i>EBITDA Margin (%)</i>	<i>14.4</i>	<i>7.1</i>		<i>15.6</i>	<i>15.2</i>	<i>15.8</i>	
Depreciation	983	856	14.9	1,118	3,991	4,143	(3.7)
<b>EBIT</b>	<b>1,460</b>	<b>(428)</b>	<b>(441.0)</b>	<b>2,204</b>	<b>5,897</b>	<b>6,693</b>	<b>(11.9)</b>
Interest Expenses	15	42	(64.8)	19	138	175	(21.6)
Non-operating income	127	109	16.9	69	307	476	(35.5)
Extraordinary Expenses	(315)	0	#DIV/0!	0	272	321	
<b>PBT</b>	<b>1,573</b>	<b>(361)</b>	<b>(535.4)</b>	<b>2,254</b>	<b>6,066</b>	<b>6,993</b>	<b>(13.3)</b>
Tax-Total	293	(112)	(361.5)	381	1,143	1,659	(31.1)
<i>Tax Rate (%) - Total</i>	<i>18.6</i>	<i>31.0</i>		<i>16.9</i>	<i>1.8</i>	<i>2.4</i>	
<b>Reported PAT</b>	<b>1,280</b>	<b>(249)</b>	<b>(614.0)</b>	<b>1,873</b>	<b>4,924</b>	<b>5,334</b>	<b>(7.7)</b>
<b>Profit after MI</b>	<b>1,280</b>	<b>(249)</b>	<b>(613.5)</b>	<b>1,873</b>	<b>4,923</b>	<b>5,334</b>	<b>(7.7)</b>
<b>Adj. PAT</b>	<b>1,280</b>	<b>(249)</b>	<b>(613.5)</b>	<b>1,873</b>	<b>4,923</b>	<b>5,334</b>	<b>(7.7)</b>

Source: Company, PL

**Exhibit 2: Q1FY22 Result Overview – Standalone (Rs mn)**

Y/e March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY21	FY20	YoY gr. (%)
<b>Net Revenues</b>	<b>11,520</b>	<b>3,562</b>	<b>223.4</b>	<b>15,989</b>	<b>47,216</b>	<b>48,913</b>	<b>(3.5)</b>
<b>Raw Materials</b>	<b>7,329</b>	<b>2,163</b>	<b>238.8</b>	<b>10,297</b>	<b>29,694</b>	<b>30,473</b>	<b>(2.6)</b>
<i>% of Net Sales</i>	<i>63.6</i>	<i>60.7</i>		<i>64.4</i>	<i>62.9</i>	<i>62.3</i>	
Personnel	767	670	14.5	744	2,866	2,961	(3.2)
<i>% of Net Sales</i>	<i>6.7</i>	<i>18.8</i>		<i>4.7</i>	<i>6.1</i>	<i>6.1</i>	
Manufacturing & Other Exp	1,886	703	168.2	2,580	7,855	8,528	(7.9)
<i>% of Net Sales</i>	<i>16.4</i>	<i>19.7</i>		<i>16.1</i>	<i>16.6</i>	<i>17.4</i>	
Total Expenditure	9,982	3,536	182.3	13,621	40,414	41,963	(3.7)
<b>EBITDA</b>	<b>1,538</b>	<b>26</b>	<b>5,882.4</b>	<b>2,367</b>	<b>6,802</b>	<b>6,951</b>	<b>(2.1)</b>
<i>EBITDA Margin (%)</i>	<i>13.4</i>	<i>0.7</i>		<i>14.8</i>	<i>14.4</i>	<i>14.2</i>	
Depreciation	502	465	7.9	504	2,034	1,992	2.1
<b>EBIT</b>	<b>1,036</b>	<b>(439)</b>	<b>(336.0)</b>	<b>1,864</b>	<b>4,768</b>	<b>4,958</b>	<b>(3.8)</b>
Interest Expenses	3	20	(83.1)	3	48	108	(55.6)
Non-operating income	58	42	40.1	27	136	362	(62.5)
Extraordinary Expenses	(315)	0	#DIV/0!	0	272	310	
<b>PBT</b>	<b>1,091</b>	<b>(418)</b>	<b>(361.1)</b>	<b>1,887</b>	<b>4,855</b>	<b>5,212</b>	<b>(6.8)</b>
Tax-Total	209	(99)	(310.2)	496	1,205	1,245	(3.2)
<i>Tax Rate (%) - Total</i>	<i>19.1</i>	<i>23.8</i>		<i>26.3</i>	<i>2.6</i>	<i>2.5</i>	
<b>Reported PAT</b>	<b>568</b>	<b>(319)</b>	<b>(278.3)</b>	<b>1,391</b>	<b>3,922</b>	<b>4,277</b>	<b>(8.3)</b>
<b>Profit after MI</b>	<b>568</b>	<b>(319)</b>	<b>(278.2)</b>	<b>1,391</b>	<b>3,922</b>	<b>4,277</b>	<b>(8.3)</b>
<b>Adj. PAT</b>	<b>568</b>	<b>(319)</b>	<b>(278.2)</b>	<b>1,391</b>	<b>3,922</b>	<b>4,277</b>	<b>(8.3)</b>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>69,177</b>	<b>64,956</b>	<b>83,413</b>	<b>99,889</b>
YoY gr. (%)	(7.9)	(6.1)	28.4	19.8
Cost of Goods Sold	37,352	35,706	45,895	55,176
Gross Profit	31,825	29,251	37,517	44,713
Margin (%)	46.0	45.0	45.0	44.8
Employee Cost	6,773	6,761	8,270	9,373
Other Expenses	13,744	12,602	15,872	18,212
<b>EBITDA</b>	<b>11,308</b>	<b>9,888</b>	<b>13,375</b>	<b>17,129</b>
YoY gr. (%)	0.2	(12.6)	35.3	28.1
Margin (%)	16.3	15.2	16.0	17.1
Depreciation and Amortization	4,143	3,991	4,733	5,379
<b>EBIT</b>	<b>7,165</b>	<b>5,897</b>	<b>8,642</b>	<b>11,749</b>
Margin (%)	10.4	9.1	10.4	11.8
Net Interest	175	138	128	142
Other Income	476	307	424	639
<b>Profit Before Tax</b>	<b>7,465</b>	<b>6,339</b>	<b>8,623</b>	<b>12,247</b>
Margin (%)	10.8	9.8	10.3	12.3
Total Tax	1,810	1,143	2,205	3,207
Effective tax rate (%)	24.2	18.0	25.6	26.2
<b>Profit after tax</b>	<b>5,655</b>	<b>5,196</b>	<b>6,418</b>	<b>9,039</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>5,655</b>	<b>4,973</b>	<b>6,652</b>	<b>9,039</b>
YoY gr. (%)	11.1	(12.1)	33.8	35.9
Margin (%)	8.2	7.7	8.0	9.0
Extra Ord. Income / (Exp)	-	223	(234)	-
<b>Reported PAT</b>	<b>5,655</b>	<b>5,196</b>	<b>6,418</b>	<b>9,039</b>
YoY gr. (%)	14.2	(8.1)	23.5	40.8
Margin (%)	8.2	8.0	7.7	9.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,655	5,196	6,418	9,039
<b>Equity Shares O/s (m)</b>	<b>141</b>	<b>141</b>	<b>141</b>	<b>141</b>
<b>EPS (Rs)</b>	<b>40.2</b>	<b>35.4</b>	<b>47.3</b>	<b>64.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>40,810</b>	<b>44,649</b>	<b>50,249</b>	<b>55,549</b>
Tangibles	40,810	44,649	50,249	55,549
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>16,371</b>	<b>20,363</b>	<b>25,096</b>	<b>30,475</b>
Tangibles	16,371	20,363	25,096	30,475
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>24,439</b>	<b>24,286</b>	<b>25,153</b>	<b>25,074</b>
Tangibles	24,439	24,286	25,153	25,074
Intangibles	-	-	-	-
Capital Work In Progress	1,260	962	562	462
Goodwill	-	-	-	-
Non-Current Investments	12	12	12	12
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	3,513	3,284	3,284	3,284
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	5,501	6,118	6,520	7,476
Trade receivables	6,727	10,410	11,112	12,300
Cash & Bank Balance	7,858	7,819	11,528	19,320
Other Current Assets	1,369	2,786	2,973	3,323
<b>Total Assets</b>	<b>50,699</b>	<b>55,729</b>	<b>61,199</b>	<b>71,317</b>
<b>Equity</b>				
Equity Share Capital	1,407	1,407	1,407	1,407
Other Equity	28,654	33,006	38,509	46,564
<b>Total Network</b>	<b>30,060</b>	<b>34,412</b>	<b>39,916</b>	<b>47,971</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	4,021	3,792	2,792	1,792
Provisions	3,521	3,463	3,718	4,502
Other non current liabilities	974	829	829	829
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,461	450	50	50
Trade payables	10,662	12,783	13,608	15,888
Other current liabilities	-	-	-	-
<b>Total Equity &amp; Liabilities</b>	<b>50,699</b>	<b>55,729</b>	<b>60,913</b>	<b>71,031</b>

Source: Company Data, PL Research

## Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	7,465	6,066	8,938	12,247
Add. Depreciation	4,143	3,991	4,733	5,379
Add. Interest	-	-	-	-
Less Financial Other Income	476	307	424	639
Add. Other	224	272	(315)	-
Op. profit before WC changes	11,832	10,330	13,356	17,626
Net Changes-WC	538	(3,149)	(213)	558
Direct tax	(2,256)	(1,143)	(2,205)	(3,207)
<b>Net cash from Op. activities</b>	<b>10,114</b>	<b>6,038</b>	<b>10,938</b>	<b>14,977</b>
Capital expenditures	(5,472)	(3,311)	(5,200)	(5,200)
Interest / Dividend Income	-	-	-	-
Others	(1,234)	0	-	-
<b>Net Cash from Invst. activities</b>	<b>(6,706)</b>	<b>(3,311)</b>	<b>(5,200)</b>	<b>(5,200)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(472)	(1,240)	(1,400)	(1,000)
Dividend paid	-	-	-	-
Interest paid	-	-	-	-
Others	(2,105)	(989)	(914)	(985)
<b>Net cash from Fin. activities</b>	<b>(2,576)</b>	<b>(2,229)</b>	<b>(2,314)</b>	<b>(1,985)</b>
<b>Net change in cash</b>	<b>832</b>	<b>498</b>	<b>3,423</b>	<b>7,792</b>
Free Cash Flow	4,642	2,727	5,738	9,777

Source: Company Data, PL Research

## Key Financial Metrics

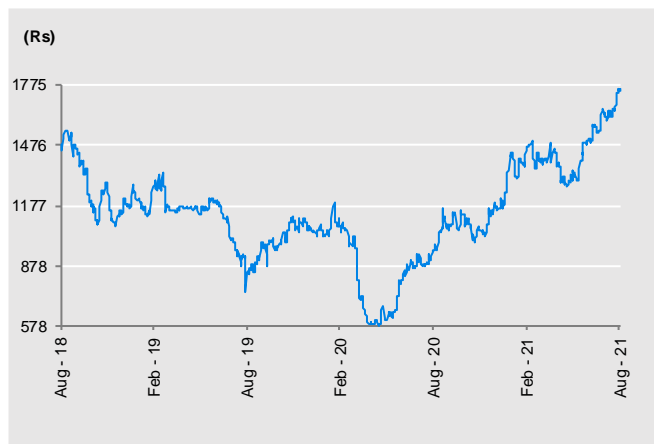
Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	40.2	35.4	47.3	64.3
CEPS	69.7	63.7	80.9	102.5
BVPS	213.7	244.6	283.8	341.0
FCF	33.0	19.4	40.8	69.5
DPS	6.6	6.0	6.5	7.0
<b>Return Ratio(%)</b>				
RoCE	21.5	15.9	21.2	25.4
ROIC	22.1	17.6	22.0	30.9
RoE	20.3	15.4	17.9	20.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.4)
Net Working Capital (Days)	8	21	18	14
<b>Valuation(x)</b>				
PER	42.7	48.6	36.3	26.7
P/B	8.0	7.0	6.0	5.0
P/CEPS	24.6	26.9	21.2	16.7
EV/EBITDA	21.1	24.1	17.4	13.1
EV/Sales	3.5	3.7	2.8	2.2
Dividend Yield (%)	0.4	0.3	0.4	0.4

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Net Revenue</b>	<b>17,422</b>	<b>20,174</b>	<b>21,329</b>	<b>16,937</b>
YoY gr. (%)	-	-	-	-
Raw Material Expenses	9,563	11,031	12,222	9,107
Gross Profit	7,859	9,143	9,107	7,829
Margin (%)	45.1	45.3	42.7	46.2
<b>EBITDA</b>	<b>2,852</b>	<b>3,287</b>	<b>3,322</b>	<b>2,443</b>
YoY gr. (%)	(2.0)	26.2	39.7	471.8
Margin (%)	16.4	16.3	15.6	14.4
Depreciation / Depletion	973	1,045	1,118	983
<b>EBIT</b>	<b>1,879</b>	<b>2,243</b>	<b>2,204</b>	<b>1,460</b>
Margin (%)	10.8	11.1	10.3	8.6
Net Interest	35	42	19	15
Other Income	71	58	69	127
<b>Profit before Tax</b>	<b>2,125</b>	<b>2,321</b>	<b>2,254</b>	<b>1,258</b>
Margin (%)	12.2	11.5	10.6	7.4
Total Tax	453	421	381	293
Effective tax rate (%)	21.3	18.1	16.9	23.3
<b>Profit after Tax</b>	<b>1,672</b>	<b>1,901</b>	<b>1,873</b>	<b>966</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,507</b>	<b>1,849</b>	<b>1,873</b>	<b>1,207</b>
YoY gr. (%)	(10.9)	49.1	75.3	(583.6)
Margin (%)	8.6	9.2	8.8	7.1
Extra Ord. Income / (Exp)	165	52	-	(241)
<b>Reported PAT</b>	<b>1,672</b>	<b>1,901</b>	<b>1,873</b>	<b>966</b>
YoY gr. (%)	(1.1)	53.2	75.3	(486.9)
Margin (%)	9.6	9.4	8.8	5.7
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,672</b>	<b>1,901</b>	<b>1,873</b>	<b>966</b>
Avg. Shares O/s (m)	141	141	141	141
<b>EPS (Rs)</b>	<b>10.7</b>	<b>13.1</b>	<b>13.3</b>	<b>8.6</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-21	BUY	1,772	1,635
2	20-May-21	BUY	1,615	1,396
3	07-Apr-21	BUY	1,605	1,369
4	10-Feb-21	BUY	1,662	1,483
5	11-Jan-21	BUY	1,540	1,412
6	28-Dec-20	BUY	1,478	1,241

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	153	122
2	Bajaj Auto	Hold	3,919	3,853
3	Bharat Forge	UR	-	767
4	CEAT	Hold	1,383	1,367
5	Eicher Motors	Accumulate	2,774	2,711
6	Endurance Technologies	BUY	1,772	1,635
7	Exide Industries	BUY	191	179
8	Hero Motocorp	Accumulate	3,516	2,919
9	Mahindra & Mahindra	BUY	961	758
10	Maruti Suzuki	Accumulate	7,684	7,165
11	Motherson Sumi Systems	BUY	249	207
12	Tata Motors	Reduce	255	317
13	TVS Motors	BUY	669	562

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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