

# Endurance Technologies

## Import substitution to drive outperformance

3Q revenues (+24% YoY/15% QoQ) and margins at 17.3% were above estimates as the parts supplier continues to grow ahead of industry, driven by new order wins. Further margins from the castings segment are scaling up due to increased share of machining and addition of 4W customers (Kia). New order wins stand at Rs.4.4b in FY21YTD (~10% of current sales) and the company has RFQs of Rs.11.5bn (of which at least 1/3rd should be converted) as Endurance continues to win orders in the brakes segment. We raise estimates by 13% over FY22-23E to factor in the improved performance and set a Mar'22 TP of Rs.1,680. We value the stock at 30x PE (from 28x earlier) to factor in a strong order book and resilient business model.

- 3QFY21 financials: Standalone results surprised as revenue came in higher** at Rs 15.2bn (+32% YoY) and EBITDA margins were at 17% (expanded +290bp YoY, -100bp QoQ). **Consolidated:** Consolidated revenues were healthy at Rs 20.4bn (+24% YoY, +15% QoQ), while EBITDA margin at 17.3% were higher 140bp YoY, (-40bp QoQ). PAT at Rs 2bn was up 62% YoY, 20% QoQ. European operations contributed ~25% of revenues in 3Q.
- Concall highlights: (1) Capacity expansion:** The company is expanding disc brake assembly capacity to 570K units p.m. (from 285K) and the disc capacity to 675K units p.m. (from 375K) in FY22E. Endurance is also expanding capacity of alloy wheels to 160K sets (up from 120K). The Vallum plant for castings has commenced operations this month. **(2) Import substitution:** The company gained new orders (Rs.4.4bn new order wins in 9MFY21) as OEMs are substituting imports – i.e. TVS has given ~Rs.2bn orders, largely for brakes (which were imported). These assemblies cost over Rs.1,000 per vehicle. The ABS brake assemblies business should start in 1QFY22. **(3) Margin expansion:** The management is guiding for higher margin band of 14.5-16% for the core India business as the casting segment profitability is scaling up **(4) Europe outlook:** While 4Q production will be impacted due to component shortages, the company has Euro120m order book from EVs/hybrids.

### Financial Summary (Consolidated)

YE Mar (Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY23E	FY23E
Net Sales	20,409	16,405	24.4	17,701	15.3	75,105	69,177	63,317	73,537	84,672
EBITDA	3,521	2,605	35.2	3,132	12.4	11,288	11,308	10,340	12,228	14,372
APAT	2,013	1,240	62.3	1,672	20.4	5,158	5,655	5,107	6,441	7,859
Adj. EPS (Rs)	14.3	8.8	62.3	11.9	20.4	36.7	40.2	36.3	45.8	55.9
APAT Growth(%)						23.5	9.6	(9.7)	26.1	22.0
P/E (x)						40.4	36.8	40.8	32.3	26.5
RoE (%)						21.8	20.3	15.9	17.5	18.3

Source: Company, HSIE Research

### Change in estimates

Rs mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	63,317	73,537	84,672	59,818	68,401	78,574	6	8	8
EBITDA	10,340	12,228	14,372	9,006	11,457	13,303	15	7	8
EBITDA margin (%)	16.3	16.6	17.0	15.1	16.7	16.9	127 bps	-12 bps	4 bps
PAT	5,107	6,441	7,859	4,138	5,775	6,962	23	12	13
EPS	36.3	45.8	55.9	29.4	41.1	49.5	23	12	13

Source: Company, HSIE Research

BUY

CMP (as on 10 Feb 2021)	Rs 1,483
Target Price	Rs 1,680
NIFTY	15,107

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 1,270	Rs 1,680
EPS %	FY21E 23%	FY22E 12%

### KEY STOCK DATA

Bloomberg code	ENDU IN
No. of Shares (mn)	141
MCap (Rs bn) / (\$ mn)	209/2,864
6m avg traded value (Rs mn)	173
52 Week high / low	Rs 1,492/562

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	41.9	53.5	41.6
Relative (%)	23.4	19.1	16.4

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	75.0	75.0
FIs & Local MFs	11.9	12.8
FPIs	11.6	10.6
Public & Others	1.6	1.5
Pledged Shares	0.0	0.0

Source : BSE

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