

India

August 11, 2023 - 1:41 PM

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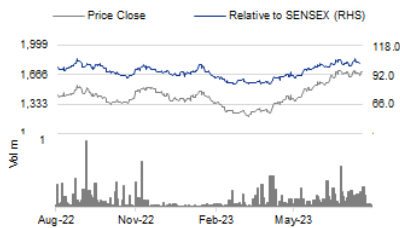
Consensus ratings*: Buy 18 Hold 0 Sell 2

Current price:	Rs1,700
Target price:	Rs1,647
Previous target:	Rs1,647
Up/downside:	-3.1%
InCred Research / Consensus:	-1.0%
Reuters:	ENDU.NS
Bloomberg:	ENDU IN
Market cap:	US\$2,891m Rs239,106m
Average daily turnover:	US\$1.6m Rs128.2m
Current shares o/s:	140.7m
Free float:	25.0%

*Source: Bloomberg

Key financial forecast

	Mar-24F	Mar-25F	Mar-26F
Net Profit (Rsm)	7,079	8,851	10,537
Core EPS (Rs)	50.32	62.92	74.91
Core EPS Growth	46.0%	25.0%	19.1%
FD Core P/E	33.78	27.02	22.69
Recurring ROE	15.1%	16.6%	17.2%
P/BV (x)	4.80	4.20	3.65
DPS (Rs)	9.00	11.00	13.00
Dividend Yield	0.60%	0.71%	0.83%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	(0.2)	21.3	20.1
Relative (%)	(0.3)	14.4	8.5

Major shareholders	% held
Promoter and Promoter group	75.0
LIC	5.0
UTI Mutual Fund	3.1

Analyst(s)

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Endurance Technologies Ltd

In-line 1Q; new order wins are impressive

- 1Q EBITDA growth of 12% qoq to Rs3.2bn is in line with our/ Bloomberg consensus estimates. Higher tax provision led to a 5% EPS miss at Rs11.6.
- With 1Q EPS forming 23% of our FY24F estimate and qoq stability in the performance of its subsidiaries, we maintain our FY24F-25F estimates.
- With a forward P/E valuation just above the five-year mean and easing aluminium alloy cost benefits ahead, we retain our ADD rating on the stock.

In-line 1QFY24 performance

- Standalone EBITDA rose by 32% yoy and 18% qoq to Rs2.3bn, driven by a 75bp qoq margin expansion and a 11% qoq sales growth, registering a 2% miss vs. our estimate.
- Higher tax provision led to a 5% miss vs. our estimate on standalone PAT at Rs1.3bn.
- The subsidiaries' EBITDA performance was flattish qoq at Rs911m, driven by a 7% qoq rise in sales.
- The consolidated entity's EBITDA rose by 13% qoq to Rs3.2bn, driven by a 30bp qoq EBITDA margin expansion, in line with our estimate.
- The consolidated entity's PAT growth of 23% qoq to Rs1.6bn is 5% below our estimate, as the tax provision expanded by 350bp yoy to 24.3%.

Management conference-call highlights

- Aluminum alloy prices have been down 7% since Jul 2023, which should help the EBITDA margin.
- The company has won large orders for supplying components to Bajaj-Triumph and Hero-Harley bikes, which can lead to Rs4bn in peak sales.
- The dual channel ABS testing is taking time and may be ramped up in the Dec quarter. The BMS assembly line to start production for Maxwell in the coming month, which has a sales potential of Rs800m per annum.
- The European operations posted a 12% sales growth in constant currency or CC terms and a 16% EBITDA margin.
- The capex plan is Rs3.5bn for the standalone entity and €60m for the European operations in FY24F.

Maintain our FY24F EPS estimate and target price

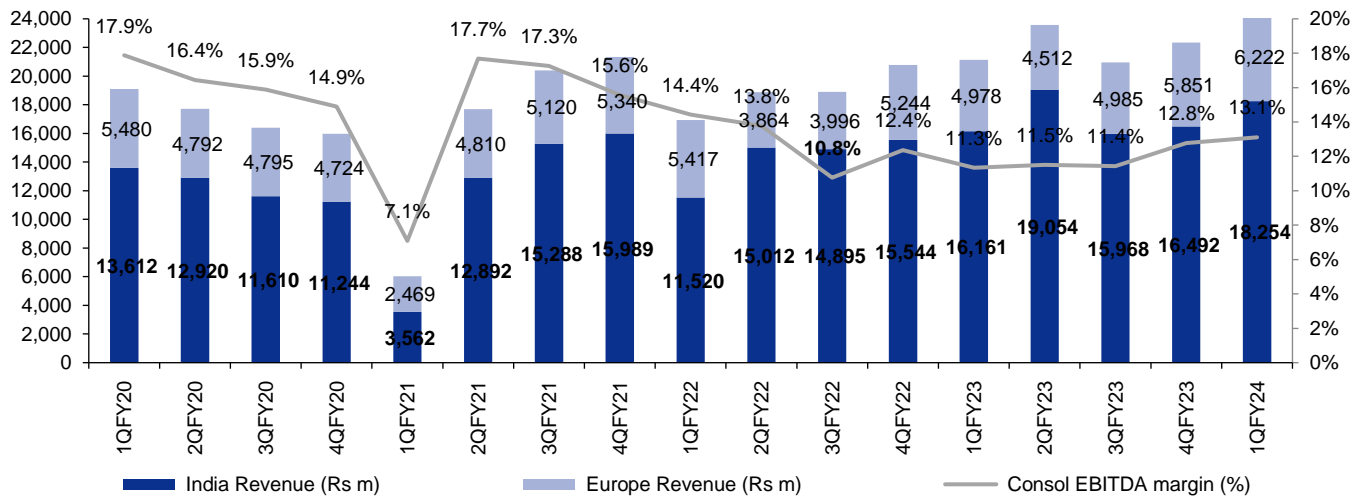
- With the two-wheeler or 2W industry sales volume improving and the new program ramp-up in the coming quarters, we maintain our FY24F EPS as 1Q accounted for 23% of our FY24F estimate. Easing raw material prices may provide an upside.
- With the forward P/E and EV/EBITDA valuations just above the five-year mean levels, we reiterate our ADD rating on the stock.

Figure 1: Results comparison summary

FYE Jun (Rs m)	1QFY24	1QFY23	yoy % chg	4QFY23	qoq % chg	Comments for the quarter
Revenue	24,500	21,138	15.9	22,343	9.7	In line with our estimate.
Raw Materials	14,485	12,775	13.4	13,257	9.3	
RM as % of revenue	59.1	60.4	(131.1)	59.3	(20.9)	In line with our estimate.
EBITDA	3,213	2,398	34.0	2,854	12.6	1% below our estimate.
EBITDA margin (%)	13.1	11.3	177.0	12.8	34.0	13bp below our estimate.
Depn & amort.	1,129	991	13.9	1,216	(7.1)	3% above our estimate.
EBIT	2,083	1,406	48.2	1,638	27.2	
Interest expense	90	19	369.8	80	12.9	
Other income	166	47	254.7	208	(20.3)	70% above our estimate.
Pre-tax profit	2,159	1,434	50.6	1,767	22.2	3% below our estimate.
Tax	524	297	76.4	435	20.5	
Tax rate (%)	24.3	20.7	356	24.6	(34)	
Normalised Net profit	1,635	1,137	43.8	1,332	22.7	5% below our estimate.
Exceptionals	-	(103)	-	33	nm	-
Reported net profit	1,635	1,034	58.1	1,365	19.8	
Normalised EPS (Rs)	11.6	8.1	43.8	9.5	22.7	

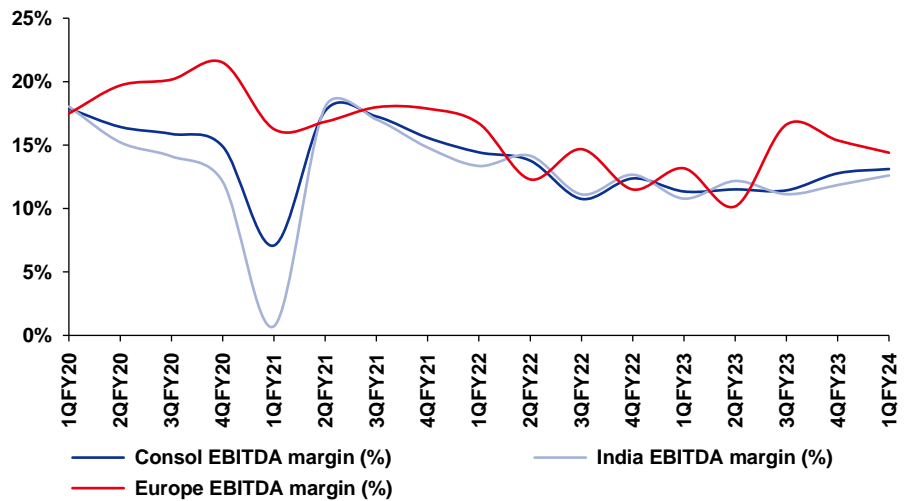
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: The consolidated entity's sales and EBITDA margin trend



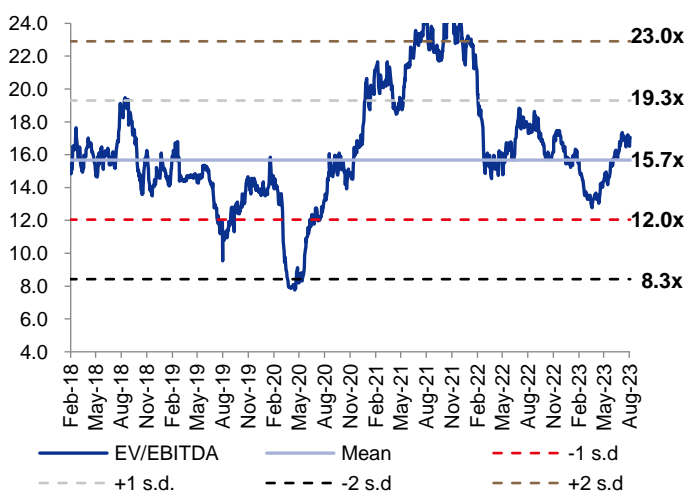
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: The EBITDA margin profile of India and subsidiaries' operations



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Forward EV/EBITDA valuation



SOURCE: INCRED RESEARCH, BLOOMBERG, COMPANY REPORTS

Figure 5: Forward P/E valuation



SOURCE: INCRED RESEARCH, BLOOMBERG, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	88,041	101,815	115,918	131,604
Gross Profit	34,746	41,540	47,526	54,221
Operating EBITDA	10,363	13,363	15,916	18,391
Depreciation And Amortisation	(4,216)	(4,637)	(5,008)	(5,409)
Operating EBIT	6,147	8,726	10,908	12,982
Financial Income/(Expense)	(206)	(150)	(120)	(100)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	454	499	559	626
Profit Before Tax (pre-EI)	6,396	9,075	11,347	13,509
Exceptional Items	(70)			
Pre-tax Profit	6,325	9,075	11,347	13,509
Taxation	(1,529)	(1,997)	(2,496)	(2,972)
Exceptional Income - post-tax				
Profit After Tax	4,796	7,079	8,851	10,537
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	4,796	7,079	8,851	10,537
Recurring Net Profit	4,849	7,079	8,851	10,537
Fully Diluted Recurring Net Profit	4,849	7,079	8,851	10,537

Balance Sheet

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	2,877	4,043	6,262	9,599
Total Debtors	11,620	12,831	14,291	16,225
Inventories	8,206	9,763	10,798	11,898
Total Other Current Assets	4,753	4,756	4,681	5,129
Total Current Assets	27,456	31,393	36,032	42,852
Fixed Assets	27,883	27,746	27,737	26,328
Total Investments	6,718	11,718	15,718	19,718
Intangible Assets	3,900	3,510	3,159	2,843
Total Other Non-Current Assets	708	708	708	708
Total Non-current Assets	39,209	43,682	47,322	49,598
Short-term Debt	4,833	3,833	2,833	1,833
Current Portion of Long-Term Debt				
Total Creditors	14,257	16,179	17,785	18,749
Other Current Liabilities	3,835	4,218	4,640	5,104
Total Current Liabilities	22,925	24,230	25,258	25,686
Total Long-term Debt				
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities	973	1,070	1,177	1,295
Total Provisions	973	1,070	1,177	1,295
Total Liabilities	23,898	25,300	26,435	26,981
Shareholders Equity	44,121	49,775	56,919	65,469
Minority Interests				
Total Equity	44,121	49,775	56,919	65,469

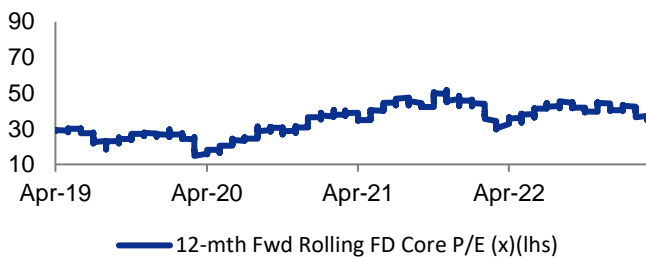
Cash Flow

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	10,363	13,363	15,916	18,391
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(1,267)	(847)	(889)	(2,070)
(Incr)/Decr in Total Provisions	586	683	829	382
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	248	349	439	526
Tax Paid	(1,529)	(1,997)	(2,496)	(2,972)
Cashflow From Operations	8,401	11,552	13,799	14,258
Capex	(7,659)	(4,110)	(4,649)	(3,684)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(1,430)	(5,205)	(4,226)	(4,248)
Cash Flow From Investing	(9,090)	(9,315)	(8,875)	(7,932)
Debt Raised/(repaid)	839	(1,000)	(1,000)	(1,000)
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(1,144)	(1,425)	(1,706)	(1,988)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	(305)	(2,425)	(2,706)	(2,988)
Total Cash Generated	(994)	(188)	2,218	3,338
Free Cashflow To Equity	150	1,237	3,925	5,325
Free Cashflow To Firm	(483)	2,387	5,045	6,425

Key Ratios

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	15.7%	15.6%	13.9%	13.5%
Operating EBITDA Growth	1.1%	28.9%	19.1%	15.6%
Operating EBITDA Margin	11.8%	13.1%	13.7%	14.0%
Net Cash Per Share (Rs)	(13.91)	1.49	24.37	55.21
BVPS (Rs)	313.67	353.86	404.65	465.43
Gross Interest Cover	29.88	58.17	90.90	129.82
Effective Tax Rate	24.2%	22.0%	22.0%	22.0%
Net Dividend Payout Ratio	23.5%	20.1%	19.3%	18.9%
Accounts Receivables Days	44.20	43.83	42.70	42.32
Inventory Days	52.11	54.41	54.87	53.53
Accounts Payables Days	91.33	92.16	90.63	86.16
ROIC (%)	13.3%	17.5%	21.9%	26.0%
ROCE (%)	13.3%	17.0%	19.2%	20.4%
Return On Average Assets	8.0%	10.2%	11.3%	12.1%

12-mth Fwd Rolling FD Core P/E (x)



Key Drivers

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Unit sales grth (% main prod./serv.)	18.8%	16.9%	14.7%	14.0%
Unit sales grth (% 2ndary prod/serv)	15.7%	15.6%	13.9%	13.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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