

August 14, 2024

RESULT REPORT Q1 FY25 | Sector: Automobile

Endurance Technologies

Mixed bag led by weak S/A, muted order wins

Valuation and View – Order intake in Europe weakest of recent times

Endurance (ENDU) 1QFY25 consol results were weaker than estimates as margins in India business (adjusted for MH incentive) at 12% (+100bp/-60bp YoY/QoQ, est 13%) and Europe business at 16.5% (vs 17.8% QoQ). New order wins pace moderated in 1QFY25 especially for Europe with SA/EUR orders at ~Rs1.84b/EUR3.1m (vs ~Rs12b/EUR31m in FY24 and Rs9.35b/EUR83m in FY23). ENDU's EV specific orders is muted with cumulative order of ~Rs8.42b (including BJAUT). The management reiterated key focus areas for the growth ahead would be, 1) to increase 4W share in consol business from 25% to 45% by FY30, 2) increase share of business in premium 2Ws for ABS, suspension and clutch assemblies, 3) deeper penetrate EV OEMs, 4) focus on non-Auto for large opportunities in Aluminium castings and 5) ~10% of India sales from aftermarket by FY28 (vs ~6% currently).

We continue to believe ENDU should outperform the industry driven by, 1) new order wins and fast ramp up over FY25-27E for the proprietary products, 2) increasing share of higher margins business such as Disc brakes, ABS, Alloy wheels and structural castings. However, focus on Aluminium castings (for non-auto) may partially dilute margins. Our FY25/26 consol EPS largely unchanged as we factor in fast order ramp-up. However, valuations at 39x/30.9x FY25E/26E consol EPS do limit the upside, resulting in maintain the stock to ADD with revised TP of Rs2,814 (unchanged) as we value co at 35x to Mar'26 consol EPS (unchanged). We build in healthy revenue/EBITDA/Adj.PAT CAGR of 16%/23.4%/29% over FY24-26E.

Result highlights – Operationally weak

- Adj for MH state incentive in S/A, consol revenues grew 16% YoY (+6% QoQ) at Rs28b (est Rs27.9b). S/A revenues grew ~17% YoY (+3% QoQ) at Rs21b (est Rs21.8b). MH state incentives of Rs228m in 1QFY25. EU revenues grew 17.2/16.8% INR/EUR terms (v/s EU car registrations growth ay 4.6%). Maxwell revenues declined to Rs30m (v/s Rs160m YoY) led by decline in volumes from key customer ramp-up expected in Jul'24
- Consol gross margins came in line at 42% (+200bp YoY/flat QoQ, est 42.1%). Consol EBITDA grew 22.3% YoY (+0.6% QoQ) at Rs3.5b (est ~Rs3.8b) leading to margins expanding by 60bp YoY (-70bp QoQ) at 12.5% (est 13.5%).
- Segmental margins - S/A at 12% (+100bp YoY/-60bp QoQ, est 13%), EUR at 16.5% (+40bp YoY) led by decline in electricity/gas cost by 18%/16% YoY, Maxwell EBITDA loss at Rs42m (v/s loss of Rs28m). Weak operating performance restricted Adj.PAT growth to ~35% YoY (+4% QoQ) at Rs1.87b (est Rs1.95b).

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	28,027	27,932	27,953	0.3	0.3	
EBITDA	3,513	3,777	3,859	-7.0	-9.0	Operating performance weaker than expected
EBITDA margins %	12.5	13.5	13.8	-100bp	-130bp	
Adjusted PAT	1,865	1,952	2,012	-4.5	-7.3	

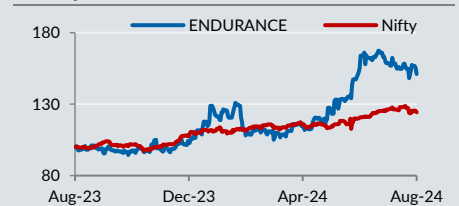
Source: Company, YES Secs

Reco	: ADD
CMP	: Rs 2,485
Target Price	: Rs 2,814
Potential Return	: +13.3%

Stock data (as on Aug 14, 2024)

Nifty	24,144
52 Week h/l (Rs)	3,061 / 1,540
Market cap (Rs/USD mn)	3,85,500 / 4,272
Outstanding Shares (mn)	141
6m Avg t/o (Rs mn):	338
Div yield (%):	0.3
Bloomberg code:	ENDU IN
NSE code:	ENDURANCE

Stock performance



	1M	3M	1Y
Absolute return	(4.8%)	+22.7%	+50.5%

Shareholding pattern (As of Jun'24)

Promoter	75.0%
FII+DII	23.0%
Others	2.0%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	2,814	2,814

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	63.7	80.4
EPS (Old)	63.7	80.4
% change	-	-

Financial Summary- Consolidated

Y/E Mar (Rs b)	FY24	FY25E	FY26E
Sales	102.4	120.2	137.6
EBITDA	13.3	16.7	20.2
Adj. PAT	6.8	9.0	11.3
EPS (Rs)	48.4	63.7	80.4
EPS Growth (%)	39.6	31.7	26.2
BV/Share (INR)	353.9	407.9	476.1
RoE (%)	14.5	16.7	18.2
RoCE (%)	16.0	19.0	21.3
Payout (%)	17.6	15.2	15.2
P/E (x)	51.4	39.0	30.9
EV/EBITDA (x)	26.5	20.9	17.0
EV/Sales (x)	3.4	2.9	2.5

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Exhibit 2: Quarterly snapshot

Y/e Mar (Rs mn)	Q1FY25	Q1FY24	YoY chg	Q4FY24	QoQ chg	FY24	FY23
Net Revenues	28,027	24,159	16.0	26,445	6.0	101,417	87,411
Raw Materials	16,260	14,485	12.3	15,313	6.2	60,506	53,295
% of Net Sales	58.0%	60.0%		57.9%		59.7%	61.0%
Gross Margins %	42.0%	40.0%		42.1%		40.3%	39.0%
Personnel	2,502	2,187	14.4	2,268	10.3	8,799	7,636
% of Net Sales	8.9%	9.1%		8.6%		8.7%	8.7%
Manufacturing & Other Exp	5,753	4,615	24.7	5,373	7.1	19,824	16,747
% of Net Sales	20.5%	19.1%		20.3%		19.5%	19.2%
Total Expenditure	24,514	21,287	15.2	22,954	6.8	89,129	77,678
EBITDA	3,513	2,872	22.3	3,491	0.6	12,288	9,733
EBITDA Margin (%)	12.5%	11.9%		13.2%		12.1%	11.1%
Depreciation	1,288	1,129	14.0	1,282	0.4	4,740	4,216
EBIT	2,225	1,743	27.7	2,209	0.7	7,548	5,518
Interest Expenses	112	90	24.7	129	-12.9	427	206
Non-operating income	339	166	104.3	265	27.7	856	454
Extraordinary Expenses	228	340		403	-43.4	992	483
PBT	2,680	2,159	24.1	2,748	-2.5	8,969	6,249
Tax-Total	641	524	22.3	647	-0.8	2,165	1,497
Tax Rate (%) - Total	23.9%	24.3%		23.5%		2.1%	1.7%
Reported PAT	2,039	1,635	24.7	2,102	-3.0	6,805	4,752
Minority Interest	(228)	(340)		(403)		(589)	(483)
Profit after MI	1,811	1,295	39.8	1,699	6.6	4,114	2,908
Adj. PAT	1,865	1,377	35.4	1,793	4.0	6,052	4,386
PAT Margin	6.7%	5.7%		6.8%		6.0%	5.0%

Source- Company, YES Sec

KEY CON-CALL HIGHLIGHTS

India (Standalone business) and Maxwell

- **Order wins of Rs1.843b in 1QFY25 (vs Rs11.99b in FY24)** other than BJAUT (TVS, HMCL, MM, Kawasaki, Piaggio and TTMT) with aggregate orders at Rs36.8b with peak revenue expected in FY27E. Of the ~Rs37b, ~Rs28.4b is new business and Rs8.41b of replacement business.
 - **India order wins of ~Rs36.7b since FY21** (Rs28.4b is new business and Rs8.41b of replacement business) where peak sales expected in FY27E, mainly for casting, suspension and braking systems in India. Co is discussing RFQs worth ~Rs17.71b from various OEMs.
 - In a process to acquire new business for PV and non-auto for Auric project.
 - **TVS business wins of Rs5,389m** till date for brakes, Aluminium alloy wheels and suspension to peak in FY26E.
 - **EV orders wins at Rs1.061b in 1QFY25** (v/s Rs5.3b in FY24, Rs3.8b in FY23) with cumulative orders book at Rs8.421b (from HMSI, Ather, BJAUT, HMCL, M&M, TTMT, TVS and Aptiv). This would exclude Maxwell orders of Rs4.242b
 - **New order wins in 1QFY25 include** - 1) EV orders wins at Rs1,061m includes Rs795m orders from M&M for EV 3W. 2) HMSI - Rs300m suspension order for new 160cc MC. 3) HMSI and HMCL - Rs250m orders for brake assembly. 4) Japanese OEM - Rs87m casting order. 5) TVS - Rs68m for EV 3W suspension, brakes and drive shafts.
 - **Key orders SOPs in FY25** - TVS - Rs719m (Rs309m Inverted FF, rear mono shocks and Rs404m TVS Raider FF and RS SOP by Aug'24), 2) HMCL - Rs1,750m (include IFF Rs240m - SOP by June'24, brake assembly of Rs263m SOP started in Apr'24 and Rs1247m front/rear shock started), 3) Suzuki - Rs253m new scooter FF in addition to Rs1,400m order won in FY24 (SOP of by 3QFY25), 4) HMSI - Rs294m order for brake assembly (SOP by 3QFY25), 5) Royal Enfield - Rs961m alloy wheel (SOP started in Apr'24), 6) TTMT - Rs1,026m for Punch powertrain Aluminum casting business (Rs582m SOP started for first project) and Rs444m second project SOP by 3QFY25. 7) KTM Austria - 35 dia air suspension supply by 3QFY25 worth Rs400m pa, 8) Hyundai - Rs876m aluminium casting SOP by 3QFY27, 9) HMSI - 2 new business in 4QFY24 of which one for 100cc MC FF for Rs343m (SOP Feb'25) and EV Scooter FF/RS SOP by 4QFY26, 10) For EVs ramping up aluminium casting to 240k sets per annum for battery packs and housing with total value of Rs1b per annum (SOP started and peak revenue by FY25). 11) EV 3W - new orders for case transmission and battery housings Rs250m per annum and peak in FY26.
- **MH state incentives were booked at Rs228m** (vs Rs203m in 4QFY24, nil in 3QFY24 and Rs2.48b 2QFY24) and Rs792.35m in FY24. Expect FY25 incentives at Rs300m (under 2013-2019 scheme). Additionally (2019-2024) incentives for 2019-2024 schemes will be available depending upon approvals by the government.
- **PV segment revenues declined** to Rs5.1b in FY24 (vs Rs6b in FY23). 1QFY25 revenues too declined ~3, this is led by decline in exports to Ford Getrag due to slowdown in Europe. Expect the drag to continue in 2QFY25.
- **CNG** - Supplying all the ENDU products to the vehicle. As such there is no change in content from CNG to petrol.
- **Maxwell** - Have won ~Rs4.24b orders since FY22 with peak revenues expected in FY27.
 - Order won of in Rs457m for BMS in 1QFY25 (vs Rs793m in FY24 and Rs1.193b in FY23). RFQ of ~Rs1b is perceived.

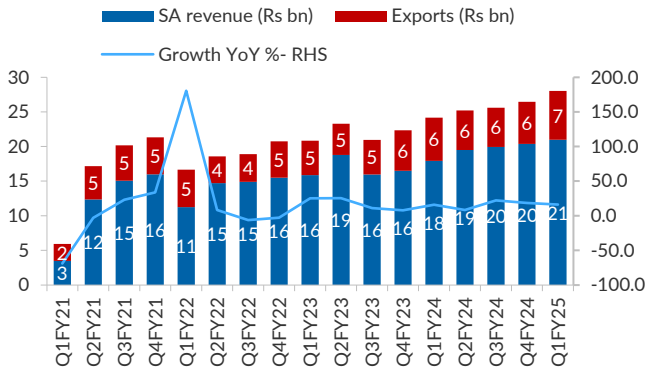
- Order won of Rs344m for motor control units (MCU) with SOP by Mar'25. Main line of the business will continue to be BMS.
- **Maxwell financials performance** – Maxwell 1QFY24 revenues at Rs30m (vs Rs160m YoY), EBITDA loss of Rs42m (vs loss of Rs28m YoY).
- HMCL is the large customer as of today.
- **Capacity expansion**
 - **Greenfield capacity for aluminum die casting** parts for auto (ICE and EV) and non-auto at capex of ~Rs4.09b for proposed capacity of ~900MT casting parts/month. Commercial production by 1QFY26 against the order received and revenues of >Rs5b per annum. Total capacity (excl alloy wheels) would be 100000MT per annum.
 - **Disc brake** – second plant at Waluj started SOP in FY24. From Apr'24 started supplies to HMCL and expect HMSI supply to start by 3QFY25. Disc brake volumes increased to 6.2m per annum and braker disc to 8.1m units per annum. 3W brake assemblies volume to increase to ~1m units per annum.
 - **ABS** – current run-rate at ~400k assemblies per annum (single channel). Scaled up additional assembly by 240k (for dual channel SOP by Sep'24) to total 640k further will be increased to ~1.2m by 2HFY26. Also engaging with other OEMs for further orders.
 - **Alloy wheels** – Added new plant in Chakan. Expanding the capacity to 5.5m wheels per annum at Chakan. SOP for RE started from Apr'24 and TVS by end of 1QFY25.
 - **Aluminum forgings** expansion is largely for internal consumption as backward integration projects not from the cost competitive perspective but also from de-risking of imports. Products such as Axle clamps for inverted FF, hydraulic adjuster for aluminium forgings. Getting RFQs from PV OEM beyond JLR and 2W segment.
- **1QFY25 Aftermarket sales grew by 14.9%** from Rs922.3m to Rs1.06b (vs Rs4.3b in FY24). Exporting to 37 countries (+3 countries such as Costa Rica to 34 countries in FY24). Expect healthy growth to continue in FY25E.
- **1QFY25 capex** – S/A at Rs717m (vs Rs3.8b in FY24) of which ~75% was for growth including plant and machinery. **Expect S/A capex at ~Rs4b for FY25E.**
- Concol net cash Rs6,127m (vs Rs5.044b in FY24). SA net cash of Rs5,818m.
- **Strategic focus areas ahead**
 - 4W share in consol business to increase from 25% now to 45% by FY30 led by Alu castings, forging and proprietary products through JV and acquisitions.
 - Increase share of business in premium bikes (>125cc) for ABS, Suspension, alloy wheels and clutch assemblies.
 - EV – existing and new products by increase in embedded electronics products.
 - Non-Auto – for large opportunities Alu castings. Building teams and new plant currently with SOP by FY26E for both non-auto and PV segments.
 - ~10% of India sales from Aftermarket by FY28.
- Industry segmental volumes in 1QFY25 – 2W +19.8% YoY within which Scooters grew 27.9% while MC grew 16.5%. Overall Auto grew 16.3%.

Europe

- **Orders** – Won EUR3.1m in 1QFY25 (vs EUR31m in FY24 and EUR84m in FY23). These orders are mainly from VW (EV motor cover) and Mercedes (clutch housing for hybrid vehicle).
 - Have won first order from VW for speciality plastics components for hybrid vehicle. There is no change in technology of order won vs products supplied to other OEMs. Order won to ENDU as competition facing financial pressure. Overall contribution from the business is EUR10-15m per annum.
 - In last 27 months of EUR180m order won, EUR61m orders are for BEV and EUR37m are for hybrids. CY24 BEV/hybrids penetration in Europe at 13%/36%.
 - Have acquired EUR211m orders in past 5 years (~EUR178 new orders and EUR33 replacement orders).
- **Energy prices** – Electricity/Gas prices have declined 18%/16% YoY but are still higher by 1.2x/1.53x vs FY21.
- **Capex spends in 1QFY25 at EUR8.8m (vs EUR51.6m in FY24)** for production capacity expansion to cater to new orders from customers including VW group (including Porsche and Audi), Stellantis and Merc. **Expect FY25 capex at EUR40m.**
- **Europe financial performance 1QFY25 –**
 - Revenues at EUR80.8m (+16.8% YoY), EBITDA at EUR13.3m (v/s EUR11.1m YoY, +20.2% YoY), margin at 16.5% and PAT at EUR4.9m (v/s EUR4.2m YoY, +15.7% YoY).
 - Strong growth in revenues is explained by underlying strong growth and tooling revenues as RM impact were stable.
- **EU new car registrations grew 4.6% YoY** where as ENDU's revenues grew by 16.8% in EUR terms and 17.2% in EUR terms.

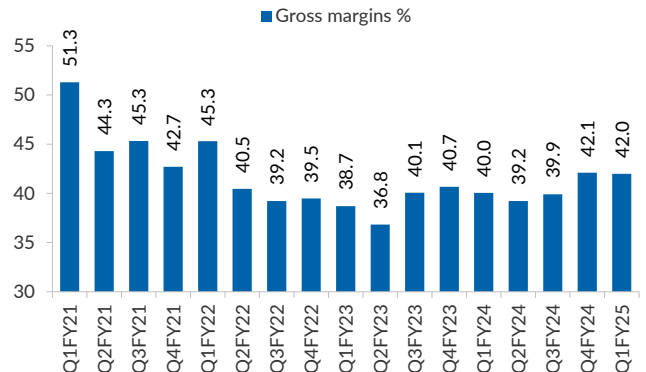
CHARTS

Exhibit 1: SA/EUR continue to outperform industry



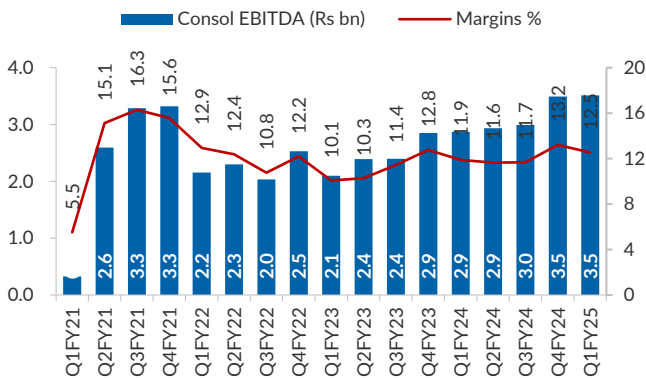
Source: Company, YES Sec

Exhibit 2: Gross margins largely flat QoQ



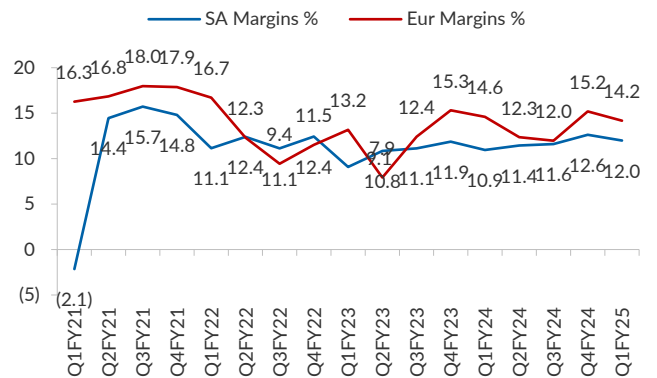
Source: Company, YES Sec

Exhibit 3: EBITDAM contracted 70bp QoQ at 12.5%



Source: Company, YES Sec

Exhibit 4: Trend in S/A and Europe business margins



Source: Company, YES Sec

FINANCIALS

Exhibit 5: Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	1,407	1,407	1,407	1,407	1,407	1,407
Preference Capital	-	-	-	-	-	-
Total Reserves	34,215	37,793	42,715	48,368	55,967	65,559
Net Worth	35,621	39,200	44,121	49,774	57,373	66,965
Minority Interest	0	0	0	0	0	0
Total Loans	6,411	4,296	5,148	7,653	6,653	5,653
Deferred Tax Liabilities	5	6	5	144	144	144
Capital Employed	42,038	43,503	49,274	57,572	64,171	72,763
Gross Block	44,054	48,000	54,043	63,116	69,116	75,116
Less: Accum. Deprn.	19,768	22,610	26,514	30,736	35,941	41,617
Net Fixed Assets	24,286	25,390	27,528	32,379	33,174	33,499
Goodwill on Consolidation	1,740	1,757	3,900	3,923	3,923	3,923
Capital WIP	962	1,193	1,709	1,593	1,593	1,593
Total Investments	4,443	4,868	6,718	7,926	8,718	9,590
Curr. Assets, Loans&Adv.	26,045	25,368	28,169	33,036	41,737	52,756
Inventory	6,118	7,011	8,206	8,722	13,168	15,079
Account Receivables	10,410	9,704	11,620	12,624	14,812	16,961
Cash and Bank Balance	5,133	4,026	2,877	5,047	5,963	11,791
Loans and Advances	4,383	4,627	5,465	6,643	7,795	8,926
Curr. Liability & Prov.	15,438	15,074	18,750	21,285	24,974	28,597
Account Payables	12,783	12,413	14,257	16,045	18,826	21,557
Other Current Liabilities	1,622	1,786	3,520	4,394	5,155	5,903
Provisions	1,032	874	973	846	993	1,137
Net Current Assets	10,607	10,295	9,418	11,751	16,763	24,158
Appl. of Funds	42,037	43,502	49,274	57,572	64,171	72,763

Source: Company, YES Sec

Exhibit 6: Income statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	65,470	75,491	88,040	102,409	120,158	137,592
Change (%)	(5.4)	15.3	16.6	16.3	17.3	14.5
Total Expenditure	55,068	65,845	77,678	89,129	103,413	117,383
% of Sales	84.1	87.2	88.2	87.0	86.1	85.3
EBITDA	10,402	9,646	10,363	13,280	16,745	20,209
Margin (%)	15.9	12.8	11.8	13.0	13.9	14.7
Depreciation	3,991	3,817	4,216	4,740	5,205	5,675
EBIT	6,411	5,829	6,147	8,540	11,540	14,533
Int. and Finance Charges	138	64	206	427	438	383
Other Income	307	410	454	856	870	955
PBT bef. EO Exp.	6,580	6,176	6,395	8,969	11,972	15,105
EO Items	(112)	(315)	(103)	-	-	-
PBT after EO Exp.	6,468	5,861	6,293	8,969	11,972	15,105
Total Tax	1,272	1,254	1,497	2,165	3,011	3,794
Tax Rate (%)	19.7	21.4	23.8	24.1	25	25
Minority Interest	(1)	-	-	-	-	-
Reported PAT	5,197	4,607	4,796	6,805	8,961	11,311
Adjusted PAT	5,287	4,854	4,874	6,805	8,961	11,311
Change (%)	(6.5)	(8.2)	0.4	39.6	31.7	26.2
Margin (%)	8.1	6.4	5.5	6.6	7.5	8.2

Source: Company, YES Sec

Exhibit 7: Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	6,468	5,861	6,293	8,969	11,972	15,105
Depreciation	3,991	3,817	4,216	4,740	5,205	5,675
Interest & Finance Charges	132	57	196	418	(432)	(572)
Direct Taxes Paid	(1,739)	(1,600)	(1,849)	(2,194)	(3,011)	(3,794)
(Inc)/Dec in WC	(2,695)	(398)	(415)	(803)	(4,096)	(1,567)
CF from Operations	6,157	7,737	8,441	11,131	9,638	14,847
Others	57	(322)	179	(560)	-	-
CF from Operating incl EO	6,215	7,416	8,620	10,571	9,638	14,847
(Inc)/Dec in FA	(3,114)	(5,195)	(6,216)	(8,201)	(6,000)	(6,000)
Free Cash Flow	3,101	2,220	2,404	2,370	3,638	8,847
(Pur)/Sale of Investments	0	(0)	(0)	(1)	(793)	(872)
CF from Investments	(5,906)	(5,513)	(9,147)	(9,452)	(5,923)	(5,917)
Issue of Shares	-	-	-	-	-	-
Inc/(Dec) in Debt	(921)	(1,828)	282	2,513	(1,000)	(1,000)
Interest Paid	(134)	(67)	(40)	(324)	(438)	(383)
Dividend Paid	(0)	(844)	(879)	(985)	(1,362)	(1,719)
CF from Fin. Activity	(1,430)	(3,020)	(719)	1,051	(2,800)	(3,102)
Inc/Dec of Cash	(1,122)	(1,117)	(1,246)	2,170	916	5,828
Opening Balance	6,255	5,144	4,123	2,877	5,047	5,962
Closing Balance	5,133	4,026	2,877	5,047	5,962	11,791

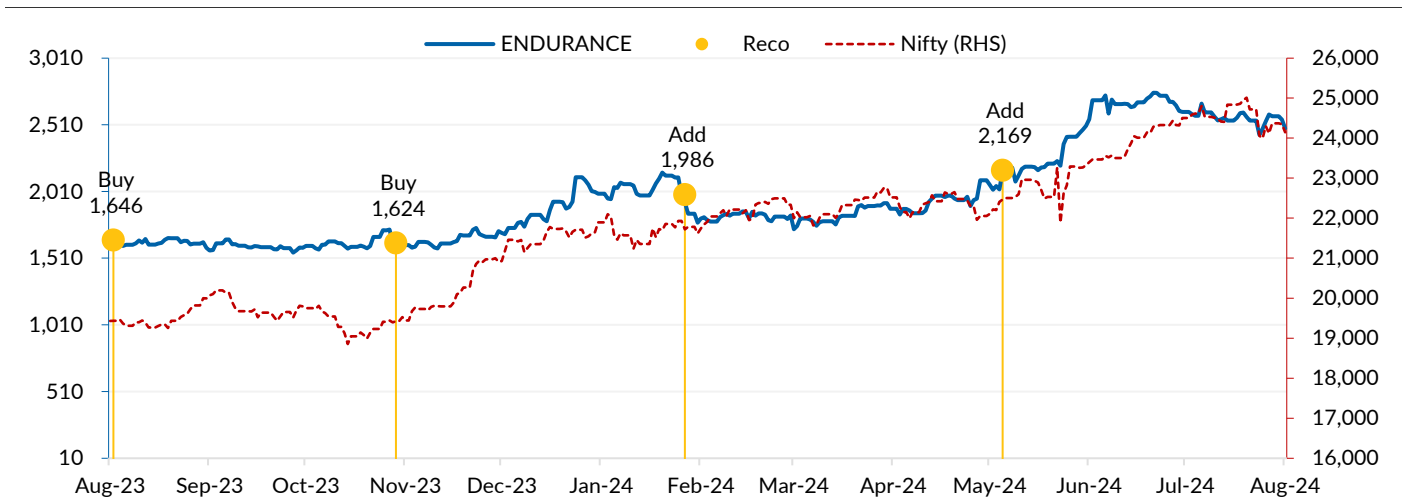
Source- Company, YES Sec

Exhibit 8: Growth and Ratio matrix

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)						
EPS	37.6	34.5	34.7	48.4	63.7	80.4
Cash EPS	66.0	61.6	64.6	82.1	100.7	120.8
BV/Share	253.2	278.7	313.7	353.9	407.9	476.1
DPS	6.0	6.3	7.0	8.5	9.7	12.2
Payout (%)	16.2	19.1	20.5	17.6	15.2	15.2
Valuation (x)						
P/E	66.1	72.0	71.7	51.4	39.0	30.9
Cash P/E	37.7	40.3	38.5	30.3	24.7	20.6
P/BV	9.8	8.9	7.9	7.0	6.1	5.2
EV/Sales	5.4	4.6	4.0	3.4	2.9	2.5
EV/EBITDA	33.7	36.3	34.0	26.5	20.9	17.0
FCF per share	22.0	15.8	17.1	16.8	25.9	62.9
Return Ratios (%)						
RoE	16.1	13.0	11.7	14.5	16.7	18.2
RoCE	16.5	13.6	13.3	16.0	19.0	21.3
RoIC	17.8	14.1	13.1	16.0	19.0	22.3
Working Capital Ratios						
Asset Turnover (x)	1.5	1.6	1.6	1.6	1.7	1.8
Inventory (Days)	34.1	33.9	34.0	31.1	40.0	40.0
Debtor (Days)	58.0	46.9	48.2	45.0	45.0	45.0
Creditor (Days)	71.3	60.0	59.1	57.2	57.2	57.2
Leverage Ratio (x)						
Net Debt/Equity	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)

Source- Company, YES Sec

Recommendation Tracker



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