

Endurance Technologies

Estimate changes



TP change



Rating change



Bloomberg	ENDU IN
Equity Shares (m)	141
M.Cap.(INRb)/(USD\$)	231.5 / 2.8
52-Week Range (INR)	1749 / 1172
1, 6, 12 Rel. Per (%)	-3/11/6
12M Avg Val (INR M)	118

Financials & Valuations (INR b)

INR Billion	FY23	FY24E	FY25E
Sales	88.0	102.9	115.3
EBITDA	10.4	14.0	16.5
Adj. PAT	4.9	7.3	8.8
EPS (Rs)	34.7	52.1	62.6
EPS Growth (%)	0.4	50.4	20.0
BV/Share (INR)	313.7	357.8	411.4

Ratios

Net Debt/Equity	-0.1	-0.1	-0.2
RoE (%)	11.7	15.5	16.3
RoCE (%)	10.9	14.4	15.2
Payout (%)	20.5	15.3	14.4

Valuations

P/E (x)	47.5	31.6	26.3
P/BV (x)	5.2	4.6	4.0
Div. Yield (%)	0.4	0.5	0.5
FCF Yield (%)	1.0	0.4	2.5

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	75.0	75.0	75.0
DII	15.7	15.3	12.8
FII	7.8	8.0	10.6
Others	1.5	1.6	1.6

FII Includes depository receipts

CMP: INR1,646

TP: INR2,050 (+25%)

Buy

In-line earnings; margin gain in SA business boosts profitability

Demand outlook for EU continues to be challenging

- ENDU reported an in-line performance in 1QFY24. Consolidated EBITDA margin hit a seven-quarter high of 13.1% (+30bp QoQ), driven by margin expansion in SA operations by 70bp QoQ to 13.1%. EU remained weak. We expect margin to improve further amid stable domestic demand, a ramp-up in new orders and energy cost pass-through arrangements in EU.
- We largely maintain our FY24/FY25 EPS estimates. Retain **BUY** with a TP of INR2,050 per share (30x Sep'25E EPS).

Won new orders worth INR3.07b/EUR16.9m in India/EU during 1Q

- 1QFY24 consol. revenues grew by 16% YoY (+10% QoQ) to INR24.5b (est. INR24.3b). EBITDA improved 34% YoY (+13% QoQ) to INR3.2b (in line) and adj. PAT improved 47% YoY (+20% QoQ) to INR1.6b (est. INR1.7b).
- India business:
 - Revenues grew 13% YoY to INR18.25b (in line) vs. flat YoY sales for the underlying 2W industry.
 - EBITDA margins at 12.6% (in line) improved 180bp YoY (+70bp QoQ).
 - Adj. PAT grew 47% YoY (+25% QoQ) to INR1.3b (in line).
- EU businesses:
 - EU revenues grew 12.6% YoY to EUR68.8m (in line) vs. 18% growth in EU new car registrations. Certain OEMs recorded single-digit growth.
 - EU margins have recovered on the back of falling energy prices and higher volumes to 16.1% (+240bp YoY).
- Consol. net cash stood at INR5.09b as of 1QFY24.

Highlights from the management commentary

- **India-** The company has won new orders worth INR3.07b from OEMs (other than Bajaj). It has INR24.9b worth of requests from OEMs. Also, it has cumulative EV orders of INR6b, including orders from Bajaj Auto. The company has added HMSI as a customer for front fork.
- **Content/vehicle in new 2W launches-** Triumph- Content per vehicle of INR28k and revenue of INR3.3b based on 120k peak annual volumes; HD-Content per vehicle of INR10k and revenue of INR0.85b based on 120k peak annual volumes. Content in Chetak is INR10k per vehicle.
- **Europe-** 1Q sales grew 12.6% YoY in EURO terms. Demand is very weak due to high inflation and interest rate. It won new orders worth EUR17m, including a key order from VW for EV motor cover.
- **Maxwell-** Trial production commenced for BMS boards at Waluj. It would generate peak revenues of INR800m and is part of the standalone entity. In the last two years, the company has booked orders with annual sales of INR3.4b, which is expected to peak in FY26.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- ENDU is the best proxy play for the Indian 2W industry, with scope to increase content, led by technological changes and new products. Coupled with its knowledge of aluminum die-casting in the EU, there is scope to increase the contribution of the PV segment.
- The stock trades at 31.6x/26.3x at FY24E/FY25E consolidated EPS. We maintain our **BUY** rating with a TP of INR2,050 per share (30x Sep'25E consolidated EPS).

Consolidated - Quarterly

Y/E March	FY23				FY24E				FY23	FY24E	FY24E
INR m	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Sales	21,138	23,606	20,952	22,343	24,500	26,698	25,129	26,551	88,040	1,02,877	24,288
YoY Change (%)	24.8	25.1	10.9	7.5	15.9	13.1	19.9	18.8	16.6	16.9	14.9
RM Cost (% of sales)	60.4	62.3	59.9	59.3	59.1	59.9	59.7	59.3	60.5	59.5	58.7
Staff Cost (% of sales)	8.8	7.4	9.2	9.4	8.9	7.0	8.2	7.4	8.7	7.9	7.9
Other Exp. (% of sales)	19.4	18.8	19.4	18.5	18.8	18.7	18.4	19.1	19.0	19.0	19.0
EBITDA	2,398	2,716	2,395	2,854	3,213	3,675	3,337	3,765	10,363	13,989	3,236
Margins (%)	11.3	11.5	11.4	12.8	13.1	13.8	13.3	14.2	11.8	13.6	13.3
Depreciation	991	993	1,016	1,216	1,129	1,120	1,160	1,247	4,216	4,657	1,095
Interest	19	61	46	80	90	58	55	27	206	230	56
Other Income	47	84	115	208	166	135	150	139	454	590	120
PBT before EO expense	1,434	1,747	1,448	1,767	2,159	2,632	2,272	2,630	6,395	9,693	2,205
Exceptional Item	103	0	0	0	0	0	0	0	103	0	0
PBT after EO	1,331	1,747	1,448	1,767	2,159	2,632	2,272	2,630	6,293	9,693	2,205
Eff. Tax Rate (%)	22.3	24.7	25.3	22.8	24.3	24.5	24.3	24.2	23.8	24.3	24.0
Rep. PAT	1,034	1,315	1,082	1,365	1,635	1,987	1,719	1,993	4,796	7,334	1,677
Adj. PAT	1,112	1,315	1,082	1,365	1,635	1,987	1,719	1,993	4,875	7,334	1,677
YoY Change (%)	-8.3	-1.4	14.4	0.2	47.0	51.1	58.9	46.0	0.4	50.4	50.7

Standalone Performance

Y/E March	FY23				FY24E				FY23	FY24E	FY24E
INR m	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Sales	16,161	19,054	15,968	16,492	18,254	20,960	19,161	20,186	67,675	78,560	18,100
YoY Change (%)	40.3	26.9	7.2	6.1	13.0	10.0	20.0	22.4	18.8	16.1	12.0
RM Cost (% of sales)	67.7	67.4	66.6	66.1	66.0	66.0	66.6	66.6	67.0	66.3	66.0
Staff Cost (% of sales)	5.1	4.1	4.9	5.1	5.0	4.3	4.7	4.5	4.8	4.6	4.8
Other Expenses (% of sales)	16.4	16.3	17.3	17.0	16.4	16.0	16.0	15.8	16.7	16.1	16.5
EBITDA	1,742	2,319	1,777	1,955	2,302	2,864	2,425	2,628	7,792	10,219	2,306
Margins (%)	10.8	12.2	11.1	11.9	12.6	13.7	12.7	13.0	11.5	13.0	12.7
Depreciation	571	595	603	638	643	650	660	665	2,407	2,618	645
Interest	8	14	13	8	10	8	7	8	43	33	6
Other Income	40	59	80	103	107	80	90	79	282	356	70
PBT before EO expense	1,203	1,769	1,240	1,413	1,756	2,286	1,848	2,034	5,625	7,924	1,725
Tax Rate (%)	26.5	25.8	25.6	26.0	25.6	25.2	25.2	24.8	25.9	25.2	25.1
Reported PAT	809	1,313	922	1,045	1,305	1,710	1,383	1,530	4,089	5,928	1,293
Adj. PAT	885	1,313	922	1,045	1,305	1,710	1,383	1,530	4,165	5,928	1,293
YoY Change (%)	10.6	7.3	5.0	-8.9	47.4	30.3	50.0	46.4	2.8	42.3	46.0
Margins (%)	5.5	6.9	5.8	6.3	7.2	8.2	7.2	7.6	6.2	7.5	7.1

EU Subs (Derived)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E
EUR m	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Sales	61	57	60	67	69	63	65	68	245	265	68
YoY Change (%)	-1.9	25.8	26.3	7.4	12.6	10.5	8.2	1.3	12.7	7.9	11.3
EBITDA	8.4	6.6	8.6	12.0	11.1	9.3	10.4	12.3	35.6	43.1	11
Margins (%)	13.7	11.6	14.3	17.8	16.1	14.7	16.0	18.0	14.5	16.3	15.8



Highlights from the management commentary

India business

- New orders- The company has won new orders worth INR3.07b from OEMs (other than Bajaj). It has INR24.9b worth of requests from OEMs.
- EV orders- Cumulative orders of INR6b (including Bajaj Auto). The company has added HMSI as a customer for front fork.
- Since FY20, ENDU has won INR31.9b of business, of which ~INR24.1b (76%) is new business and the balance is replacement. The new business is expected to peak in FY25-26, which is mainly for suspension, castings and brick assemblies.
- New businesses to start in FY24: TVS - INR4.4m (suspension) by 3Q, RE - INR395m (alloy wheels) by 3Q, Hero electric - INR489m from Sep'23, Okinawa - INR273m by 4QFY24, Greaves Electric - INR194m (suspension) and INR290m (brake business) from Sep'23.
- Aftermarket sales stood at INR922m (vs. INR963m in 1QFY23). Revenue declined due to lower sales in the domestic market.
- Content in new 2W launches: Triumph – content per vehicle of INR28k and revenue of INR3.3b based on 120k peak annual volumes; HD - content per vehicle of INR10k and revenue of INR0.85b based on 120k peak annual volumes. Content in Chetak is INR10k/vehicle.
- ABS: Started supplies to BJAUT and RE and already at 400k/annum run-rate. Added 200k capacity and 1.2m by 2HFY25. Dual-channel ABS testing has taken longer time and expects supplies from end of 3QFY24.

EU business

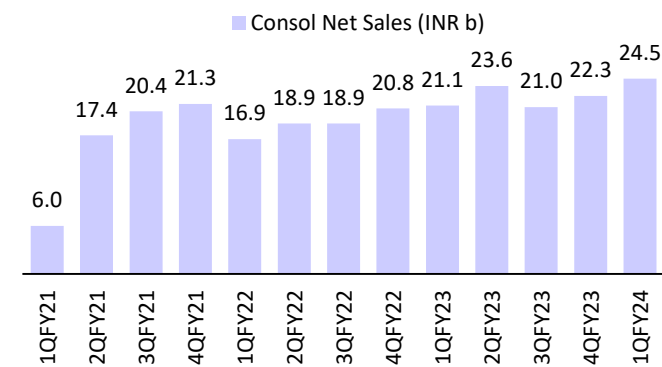
- Demand: While most countries in the EU reported double-digit growth, it was not seen across major OEMs. Certain key customers reported low/mid-single digit growth. Against this backdrop, 1Q sales grew 12.6% YoY in EURO terms. Demand is very weak due to high inflation and interest rate. Expects production to go down vs. registrations.
- Won new orders worth EUR17m in 1Q, including a key order from VW for EV motor cover.
- Out of EUR237m of cumulative orders won in the last five years, orders worth EUR86m (36%) are for EV applications and EUR112m (47%) for Hybrid Applications. ICE end-use accounted for 45% of Endurance Europe revenues in FY23, which is expected to reduce to 22% in FY27.

Maxwell

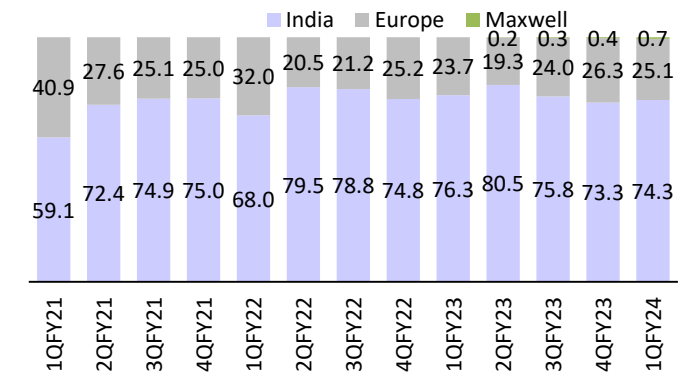
- Trial production commenced for BMS boards at Waluj. It would generate peak revenues of INR800m and is in the standalone entity.
- In the last two years, the company has booked orders with annual sales of INR3.4b, which is expected to peak in FY26.

Others

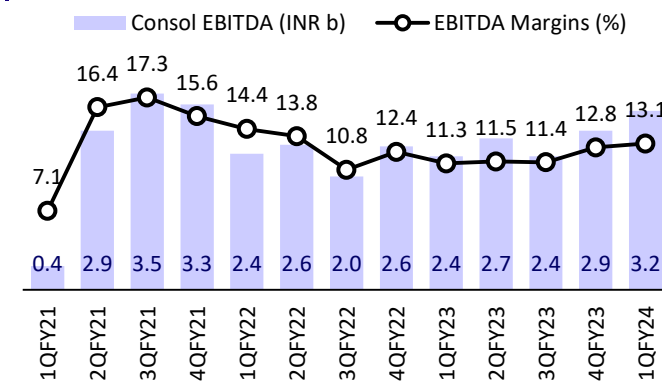
- The consol net cash balance as of 1QFY24 stood at INR5.09b.
- Incurred capex of INR1.6b in 1QFY24, including EUR10m of Europe capex
- Capex guidance: India at INR325-350cr p.a and EU will EUR60m for EV capacity. EUR60m is not steady state capex. It is one-off for large capacity addition for EV products. Steady state is EUR30m.

Exhibit 1: Trend in consolidated revenue

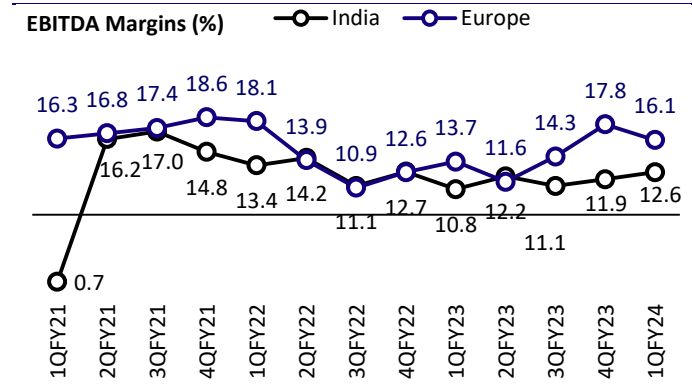
Source: Company, MOFSL

Exhibit 2: Revenue split in India, Europe and Maxwell (as a percentage of total)

Source: Company, MOFSL

Exhibit 3: Trend in consolidated EBITDA margin

Source: Company, MOFSL

Exhibit 4: EBITDA margin trend in India and Europe

Source: Company, MOFSL

Valuation and view

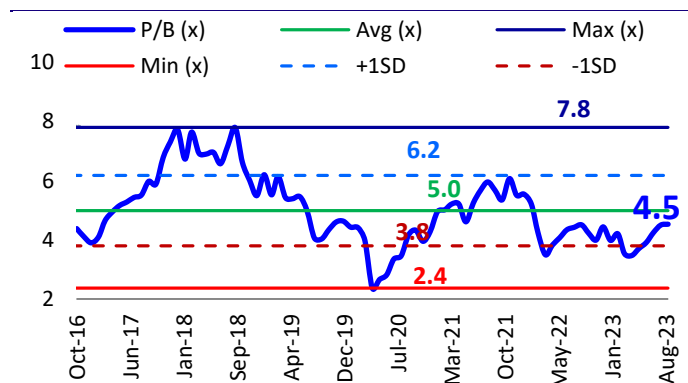
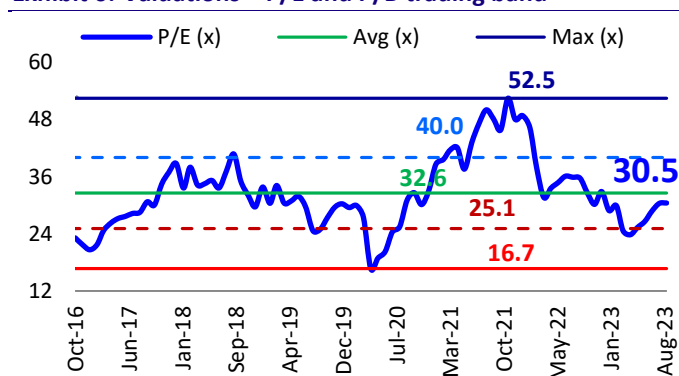
- Given ENDU's strong positioning in the 2W segment, it is the best proxy to play the India 2W opportunity, keeping in mind the underlying trends of premiumization and an uptrend in scooters. Driven by new customer wins (won orders worth INR31.9b since FY20, including new orders worth INR24.1b) and technology-led increase in content, we estimate ENDU to outperform the underlying 2W industry in India.
- 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 that boasts a truly diversified revenue base, both in terms of product lines as well as customer base, but still offers a consistently respectable RoE. At the helm is a proven management, as evidenced in the sustained profitable growth while entering new segments and significant market share gains.
- Given ENDU's strong business franchisee and strong management, the stock should continue to command 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. We largely maintain our FY24/25 EPS estimates. We estimate a consolidated revenue/EBITDA/ PAT CAGR of ~14%/26%/34% over FY23-25, with scope for a surprise from the gradual recovery in underlying industries (domestic 2W and European PV), content increase in the Suspension and Braking business, and an improving margin trajectory. The stock trades at 31.6x/26.3x at FY24/FY25E

consolidated EPS. Recovery in underlying 2W demand, improvement in EU business from 2HFY24, and the possibility of new product technology are potential catalysts for the stock. Maintain our **BUY** rating with a TP of INR2,050/share (30x Sep'25E EPS).

Exhibit 5: Revised estimates (consolidated)

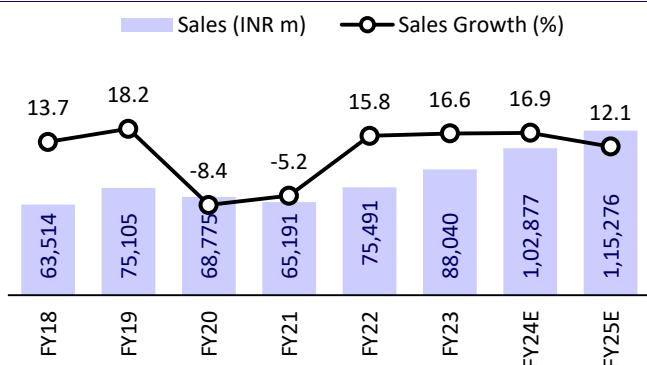
(INR M)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,02,877	1,02,542	0.3	1,15,276	1,13,388	1.7
EBITDA (%)	13.6	13.7	-10bp	14.3	14.5	-20bp
Net Profit	7,334	7,323	0.2	8,800	9,030	-2.5
EPS (INR)	52.1	52.1	0.2	62.6	64.2	-2.5

Exhibit 6: Valuations – P/E and P/B trading band



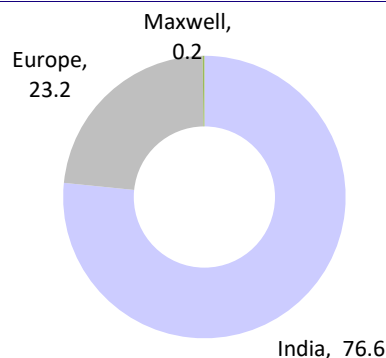
Story in charts

Exhibit 1: Trend in consolidated sales



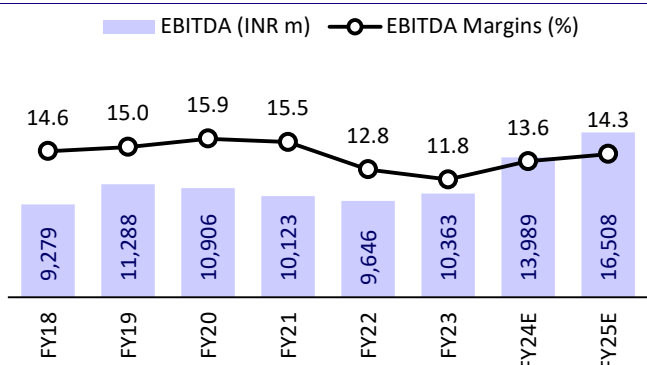
Source: Company, MOFSL

Exhibit 2: Sales break-up in FY23



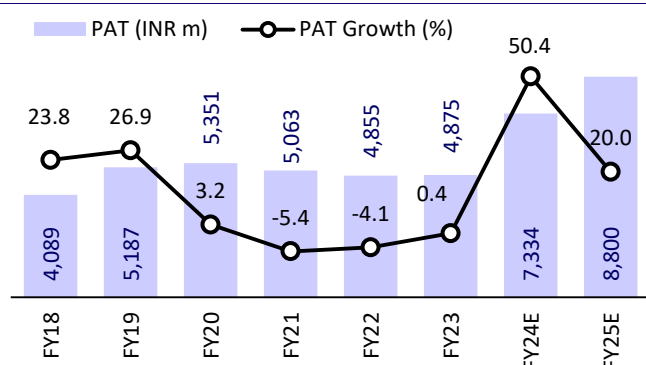
Source: Company, MOFSL

Exhibit 3: Trend in EBITDA and EBITDA margin



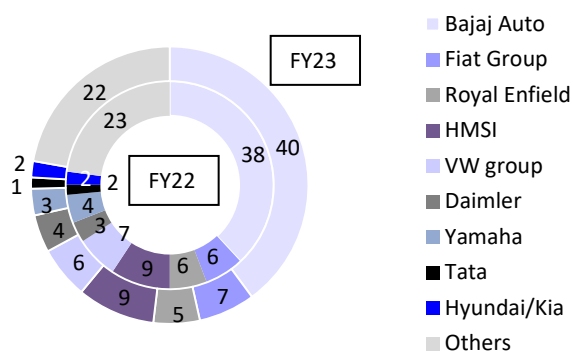
Source: Company, MOFSL

Exhibit 4: Trend in consolidated PAT



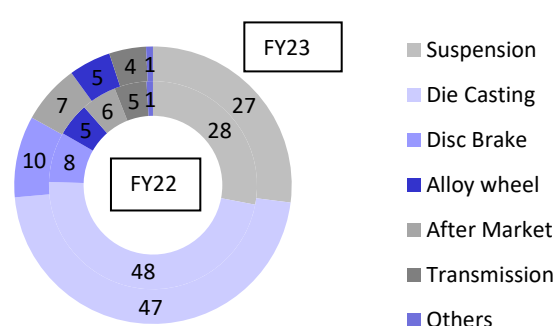
Source: Company, MOFSL

Exhibit 5: Customer-wise break up (%)



Source: Company presentation, MOFSL

Exhibit 6: Segment wise break up (% consolidated)



Source: Company presentation, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	63,514	75,105	68,775	65,191	75,491	88,040	1,02,877	1,15,276
Change (%)	13.7	18.2	-8.4	-5.2	15.8	16.6	16.9	12.1
Raw Materials	36,609	43,495	37,352	35,706	44,201	53,295	61,204	68,502
Employees Cost	5,809	6,527	6,773	6,761	6,944	7,636	8,102	8,616
Other Expenses	11,817	13,795	13,744	12,602	14,700	16,747	19,582	21,651
Total Expenditure	54,235	63,817	57,869	55,068	65,845	77,678	88,888	98,768
% of Sales	85.4	85.0	84.1	84.5	87.2	88.2	86.4	85.7
EBITDA	9,279	11,288	10,906	10,123	9,646	10,363	13,989	16,508
Margin (%)	14.6	15.0	15.9	15.5	12.8	11.8	13.6	14.3
Depreciation	3,216	3,762	4,143	3,991	3,817	4,216	4,657	5,518
EBIT	6,063	7,526	6,763	6,131	5,829	6,147	9,332	10,990
Int. and Finance Charges	235	257	175	138	64	206	230	230
Other Income	235	270	476	307	410	454	590	890
PBT bef. EO Exp.	6,062	7,539	7,064	6,301	6,176	6,395	9,693	11,650
EO Items	-269	92	402	167	-315	-103	0	0
PBT after EO Exp.	5,793	7,631	7,465	6,468	5,861	6,293	9,693	11,650
Total Tax	1,886	2,381	1,810	1,272	1,253	1,496	2,359	2,850
Tax Rate (%)	32.6	31.2	24.2	19.7	21.4	23.8	24.3	24.5
Minority Interest	0	0	0	-1	0	0	0	0
Reported PAT	3,908	5,250	5,655	5,197	4,608	4,796	7,334	8,800
Adjusted PAT	4,089	5,187	5,351	5,063	4,855	4,875	7,334	8,800
Change (%)	23.8	26.9	3.2	-5.4	-4.1	0.4	50.4	20.0
Margin (%)	6.4	6.9	7.8	7.8	6.4	5.5	7.1	7.6

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	1,407	1,407	1,407	1,407	1,407	1,407	1,407	1,407
Total Reserves	20,322	24,240	28,654	34,215	37,793	42,715	48,923	56,457
Net Worth	21,729	25,647	30,060	35,621	39,200	44,121	50,330	57,864
Total Loans	5,586	5,584	5,482	4,242	3,994	4,833	4,833	4,833
Deferred Tax Liabilities	17	161	79	5	6	5	5	5
Capital Employed	27,332	31,392	35,621	39,868	43,201	48,960	55,169	62,702
Gross Block	25,218	32,159	40,629	44,054	48,000	54,354	63,913	71,013
Less: Accum. Deprn.	8,286	12,048	16,190	19,768	22,610	26,826	31,482	37,001
Net Fixed Assets	16,932	20,112	24,439	24,286	25,390	27,528	32,430	34,012
Goodwill on Consolidation	1,577	1,520	1,624	1,740	1,757	3,900	3,900	3,900
Capital WIP	592	1,178	1,260	962	1,193	1,709	1,709	1,709
Total Investments	459	361	1,660	4,443	4,868	6,718	6,718	6,718
Curr. Assets, Loans&Adv.	23,852	24,690	21,716	26,045	25,368	28,169	32,688	41,325
Inventory	4,939	5,400	5,501	6,118	7,011	8,206	9,589	10,744
Account Receivables	9,688	9,251	6,727	10,410	9,704	11,620	13,579	15,215
Cash and Bank Balance	5,027	5,379	6,209	5,133	4,026	2,877	3,135	8,210
Loans and Advances	4,198	4,660	3,279	4,383	4,627	5,465	6,386	7,156
Curr. Liability & Prov.	16,081	16,468	15,078	17,607	15,375	19,065	22,278	24,963
Account Payables	11,284	11,735	10,662	12,783	12,413	14,257	16,660	18,668
Other Current Liabilities	4,409	3,783	3,305	3,791	2,088	3,835	4,481	5,021
Provisions	388	950	1,111	1,032	874	973	1,137	1,274
Net Current Assets	7,771	8,222	6,638	8,438	9,993	9,104	10,411	16,363
Appl. of Funds	27,332	31,392	35,621	39,868	43,201	48,960	55,169	62,702

E: MOFSL Estimates

Financials and valuations

Ratios	(INR Million)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	29.1	36.9	38.0	36.0	34.5	34.7	52.1	62.6
BV/Share	154.5	182.3	213.7	253.2	278.7	313.7	357.8	411.4
DPS	4.0	5.5	5.5	6.0	6.3	7.0	8.0	9.0
Payout (%)	17.3	17.7	16.5	16.2	19.1	20.5	15.3	14.4
Valuation (x)								
P/E	56.6	44.6	43.3	45.7	47.7	47.5	31.6	26.3
P/BV	10.7	9.0	7.7	6.5	5.9	5.2	4.6	4.0
EV/Sales	3.7	3.1	3.4	3.5	3.1	2.7	2.3	2.0
EV/EBITDA	25.0	20.5	21.2	22.8	24.0	22.5	16.7	13.8
Dividend Yield (%)	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.5
FCF per share	22.4	15.7	33.0	22.0	15.8	17.1	7.3	40.4
Return Ratios (%)								
RoE	21.0	21.9	19.2	15.4	13.0	11.7	15.5	16.3
RoCE	16.5	18.3	16.4	13.7	11.8	10.9	14.4	15.2
RoIC	19.4	22.6	20.1	17.6	14.7	13.2	17.4	18.5
Working Capital Ratios								
Fixed Asset Turnover (x)	2.5	2.3	1.7	1.5	1.6	1.6	1.6	1.6
Asset Turnover (x)	2.3	2.4	1.9	1.6	1.7	1.8	1.9	1.8
Inventory (Days)	28	26	29	34	34	34	34	34
Debtor (Days)	56	45	36	58	47	48	48	48
Creditor (Days)	65	57	57	72	60	59	59	59
Leverage Ratio (x)								
Net Debt/Equity	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2

Consolidated - Cash Flow Statement	(INR Million)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	5,793	7,331	7,466	6,468	5,861	6,293	9,693	11,650
Depreciation	3,216	3,762	4,143	3,991	3,817	4,216	4,657	5,518
Interest & Finance Charges	215	233	169	132	57	196	-360	-660
Direct Taxes Paid	-2,095	-2,337	-2,256	-1,739	-1,600	-1,849	-2,359	-2,850
(Inc)/Dec in WC	-18	305	538	-2,695	-398	-415	-1,049	-877
CF from Operations	7,111	9,294	10,060	6,157	7,737	8,441	10,581	12,780
Others	310	-310	54	57	-322	179	0	0
CF from Operating incl EO	7,421	8,983	10,114	6,215	7,416	8,620	10,581	12,780
(Inc)/Dec in FA	-4,264	-6,776	-5,472	-3,114	-5,195	-6,216	-9,558	-7,100
Free Cash Flow	3,157	2,207	4,642	3,101	2,220	2,404	1,022	5,680
(Pur)/Sale of Investments	-104	137	-1,243	-2,739	-262	-1,746	0	0
CF from Investments	-4,355	-7,252	-6,706	-5,906	-5,502	-9,051	-8,968	-6,210
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	396	-762	-542	-1,296	-1,838	282	0	0
Interest Paid	-208	-233	-169	-134	-67	-40	-230	-230
Dividend Paid	-423	-678	-1,865	0	-844	-879	-1,125	-1,266
CF from Fin. Activity	-236	-1,380	-2,576	-1,384	-3,020	-719	-1,355	-1,496
Inc/Dec of Cash	2,830	352	832	-1,076	-1,107	-1,149	257	5,075
Opening Balance	2,196	5,026	5,377	6,209	5,133	4,026	2,877	3,134
Closing Balance	5,026	5,377	6,209	5,133	4,026	2,877	3,134	8,209

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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