

India

ADD (no change)

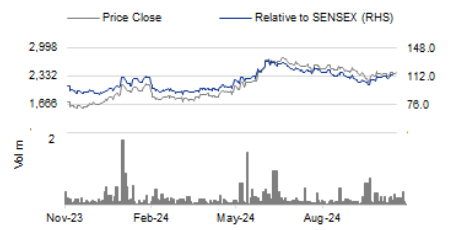
Consensus ratings*: Buy 9 Hold 3 Sell 6

Current price:	Rs2,425
Target price:	Rs2,832
Previous target:	Rs2,884
Up/downside:	16.8%
InCred Research / Consensus:	16.8%
Reuters:	
Bloomberg:	ENDU IN
Market cap:	US\$4,698m Rs341,129m
Average daily turnover:	US\$5.7m Rs412.9m
Current shares o/s:	140.7m
Free float:	25.0%

*Source: Bloomberg

Key changes in this note

- Sales cut by ~3% for FY25F-27F.
- FY25F-27F EBITDA cut by 4-5%.
- FY25F-27F EPS cut by 4-8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.2	(4.4)	41.1
Relative (%)	13.3	(4.4)	15.2

Major shareholders	% held
Promoter and Promoter group	75.0
LIC	4.3
UTI Mutual Fund	2.2

Research Analyst(s)



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Endurance Technologies Ltd

New order wins & capacity plans impress

- 2Q EPS was flat qoq but up 31% yoy at Rs14.4, in line with the Bloomberg consensus estimate but missed our estimate. Sales miss disappoints.
- Considering Europe car sales weakness, we cut FY25F-27F EBITDA by 4-5%.
- Retain ADD rating, as the valuation eased below the five-year mean level. New component order wins and capacity plan provides medium-term sales visibility.

Flat qoq PAT in 2QFY25

Endurance Technologies' 2QFY25 consolidated EBITDA rose by 20% yoy and 2% qoq to Rs3.8bn, 8% below our estimate, but in line with the Bloomberg consensus estimate. Sales miss was driven by domestic as well as overseas businesses. The EBITDA margin dipped by 12bp qoq but rose by 60bp yoy to 13.1%. The rise in interest costs disappointed, leading to PAT growth of 31% yoy and flat qoq at Rs2bn, which was 12% below our estimate but in line with the Bloomberg consensus estimate.

Management conference-call highlights

Management gave guidance of new capacity in aluminium alloy wheels and car driveline parts in CY25F, supported by strong client orders. The three-wheeler or 3W transmission component capacity has been fully utilized and the company plans to expand it after getting two new clients. The European plant has won a new order for BMW E-axle and specialty plastic parts for Volkswagen. With strong demand for two-wheeler components and new order wins, management reiterated double-digit sales momentum. As regards global expansion, the company is looking at expansion through the M&A route.

FY25F-27F EPS cut by 4-8%

The slower-than-expected sales growth from new order wins and weakness in European car sales led us to cut net sales estimates by around 3% for FY25F-27F. With rising aluminum costs impacting 2Q EBITDA margin, we have cut our EBITDA margin estimates by 20-40bp for FY25F-27F, leading to EBITDA cut of 4-5%. Incorporating prolonged higher interest costs of subsidiaries, our PAT estimates have been cut by 4-8% for FY25F-27F.

Forward valuation eases below the five-year mean level

The stock price correction in recent months has the company's valuation easing below the five-year mean level on P/E and EV/EBITDA basis (Figs. 10 & 11). With new order wins and 2W demand tailwinds aiding the strong profit momentum, we reiterate our ADD rating on the stock with a marginally lower target price of Rs2,832 (Rs2,884 earlier), at target EV/EBITDA of 18x one-year forward. Key downside risks are a prolonged slowdown in Europe and new India expansion plan impacting profitability.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	88,041	102,209	120,236	140,791	159,952
Operating EBITDA (Rsm)	10,363	13,080	16,093	19,681	21,949
Net Profit (Rsm)	4,796	6,805	9,071	11,799	13,460
Core EPS (Rs)	34.5	47.3	64.5	83.9	95.7
Core EPS Growth	(10.2%)	37.2%	36.3%	30.1%	14.1%
FD Core P/E (x)	71.13	50.13	37.60	28.91	25.34
DPS (Rs)	7.0	9.0	12.0	14.0	15.0
Dividend Yield	0.34%	0.42%	0.54%	0.62%	0.67%
EV/EBITDA (x)	33.11	26.26	20.82	16.83	14.83
P/FCFE (x)	2,278.06	42.54	117.76	70.68	48.75
Net Gearing	4.4%	4.7%	(10.8%)	(14.8%)	(20.0%)
P/BV (x)	7.73	6.85	5.98	5.12	4.38
ROE	11.6%	14.2%	17.0%	19.1%	18.6%
% Change In Core EPS Estimates			(5.19%)	(2.65%)	(2.45%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

New order wins and capacity growth impress

Management conference-call highlights➤

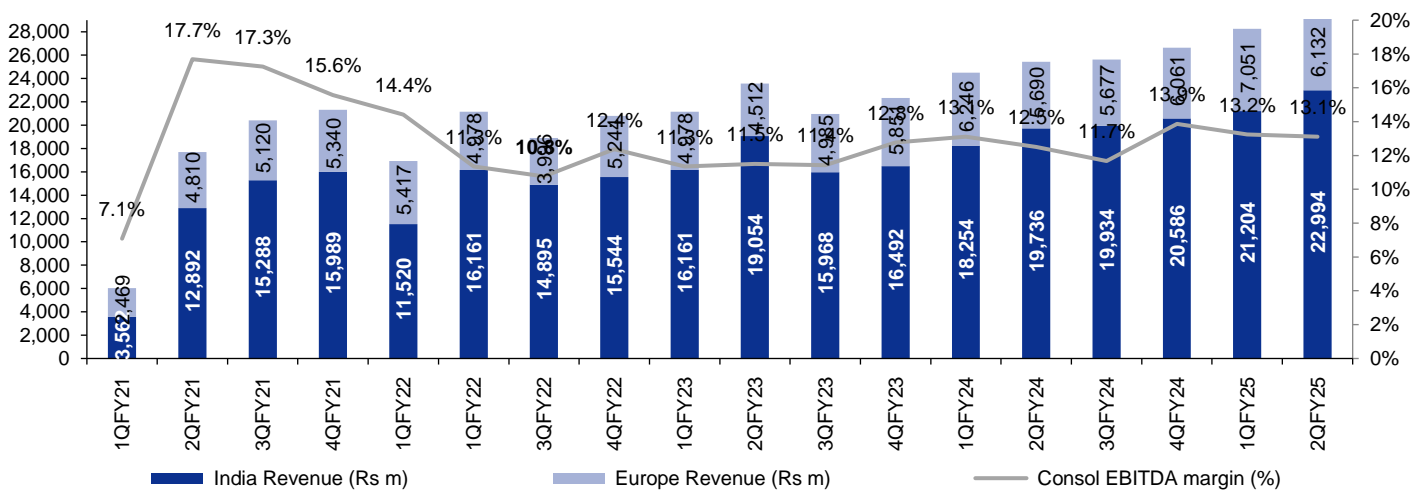
- **Order book:** In 1HFY25, the company had Rs3.08bn of non-Bajaj Auto orders, most of which were new orders, with Rs334m of these orders being of replacement nature. With these, new orders booked over the last 4.5 years have reached Rs29.3bn, and are set to peak in FY27F. The major orders comprise supply of brakes for Hero MotorCorp, CBS (combined braking system), battery parts for Ather Energy, and supply of aluminium castings for Generac USA's stationary engines.
- **Europe business:** The plan is to continue growing the Europe business, led by the focus on four-wheeler parts, both organically and through M&A. In 1HFY25, the company won orders worth EUR23.6m, which includes supply of machine castings for BMW EV's transmission system worth EUR10.5m and assemblies for Volkswagen EV castings worth EUR7.6m and also orders worth EUR1m for finished aluminum castings from a non-automotive client.
- **Suspension segment:** The suspension plants are running at full capacity, with Sanand and Halol plants being almost fully utilized. At Waluj, the company is expanding further to execute a large suspension order for Suzuki scooters worth Rs1.65bn per annum. The SOP (Standard Operating Procedure) has been planned from Jan 2025F. Last year, the design and development team of Endurance Technologies successfully developed a 48-millimeter diameter inverted front fork for a major European client. The company is engaging other levers of value engineering, right sourcing and process innovation to lower costs and remain competitive.
- **Braking segment:** The total income from braking business doubled in two years, from Rs5.9bn in FY22 to Rs11.6bn in FY24. Due to high demand, the company has set up a second brake factory in the Waluj industrial area. The two-channel ABS is at an advanced stage, which is expected to start SOP in 4QFY25F. Improving product offerings and their applicability to the premium two-wheeler segment. Launched Cremeca brand brake in this segment.
- **Transmission product segment:** Several OEMs are upgrading their clutch technologies to the assist-and-slip technology, which is of higher value and leads to profitable growth. For assistant slip clutches, the company is offering technology from European subsidiary Adler, with localization of parts in India. The SOP for this will start in 4QFY25F.
- **Transmission drive shaft business:** At Waluj plant, the capacity is being fully utilized. Currently, it supplies to three OEMs in the three-wheeler segment and is targeting orders from two more OEMs.
- **Machined aluminium die-casting business:** Continues being a leader in the space and is constructing a new building in Chakan to cater to four four-wheeler machine castings requirement. Also, it has put into service an unmanned machining line for a four-wheeler application.
- **Electronics:** This segment is gaining traction and the quarter witnessed certain turnaround events.
- **Battery management system:** A key OEM client has picked up steam, leading to significantly improved financials for subsidiary Maxwell and better use of the surface-mounted technology line which the company has set up at its Waluj plant.
- **4W parts business:** The aim is to increase four-wheeler parts' share of the business from 25% to 45% by FY30F. For this purpose, it is targeting driveline component production in CY25F.
- **Capex:** For aluminium forgings the capex till date is Rs630m and for drive shaft its Rs400m.

Figure 1: Results comparison

Y/E Mar (Rs m)	2QFY25	2QFY24	yoy % chg	1QFY25	qoq % chg	1HFY25	1HFY24	yoy % chg	Comments for the quarter
Revenue	29,127	25,450	14.4	28,255	3.1	57,382	49,950	14.9	5% below our estimate.
Raw material costs	16,832	15,317	9.9	16,260	3.5	33,092	29,802	11.0	
RM costs as a % of revenue	57.8	60.2	(239.7)	57.5	24.1	57.7	59.7	(199.5)	97bp below our estimate.
EBITDA	3,820	3,183	20.0	3,741	2.1	7,561	6,396	18.2	8% below our estimate.
EBITDA margin (%)	13.1	12.5	60.7	13.2	(12.5)	13.2	12.8	37.2	40bp below our estimate.
Depreciation & amortization	1,311	1,184	10.8	1,288	1.9	2,599	2,313	12.3	In line with our estimate.
EBIT	2,508	1,999	25.5	2,453	2.3	4,962	4,082	21.5	
Interest expenses	116	98	18.1	112	3.2	228	188	21.3	
Other income	265	155	70.8	339	(21.7)	604	321	88.1	36% above our estimate.
Pre-tax profit	2,658	2,056	29.3	2,680	(0.8)	5,337	4,215	26.6	12% below our estimate.
Tax	628	511	23.0	641	(2.1)	1,269	1,035	22.7	
Tax rate (%)	23.6	24.8	(120)	23.9	(30)	23.8	24.5	(77)	
Normalized net profit	2,030	1,546	31.3	2,039	(0.4)	4,068	3,181	27.9	12% above our estimate.
Exceptional items	-	-	-	-	nm	-	-	nm	-
Reported net profit	2,030	1,546	31.3	2,039	(0.4)	4,068	3,181	27.9	
Normalized EPS (Rs)	14.4	11.0	31.3	14.5	(0.4)	28.9	22.6	27.9	

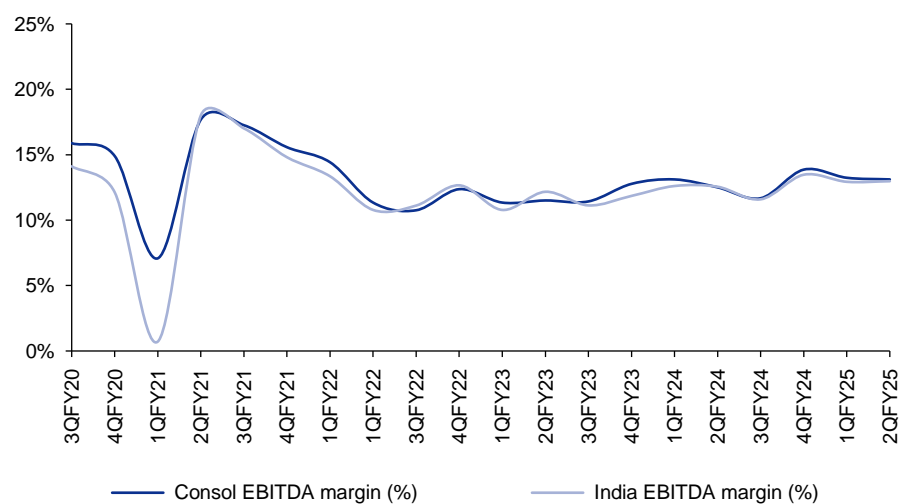
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Consolidated entity's sales and EBITDA margin improve



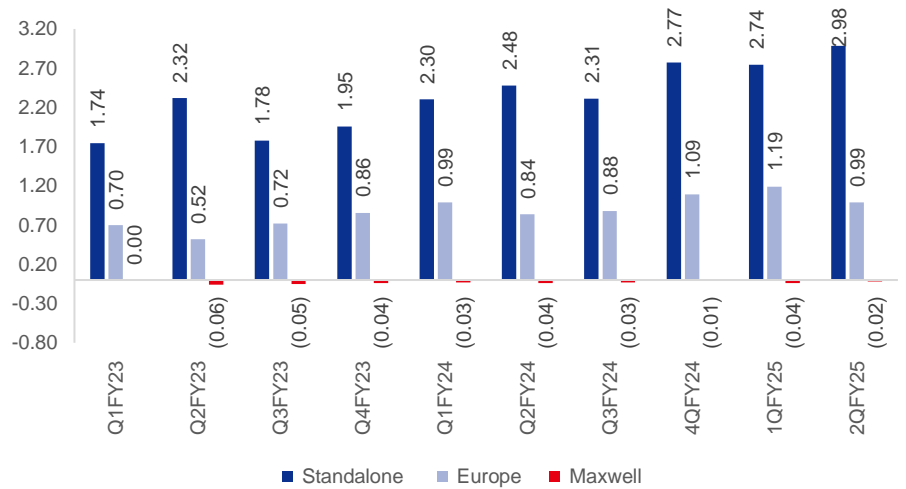
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: EBITDA margin profile of Indian and European operations is steady



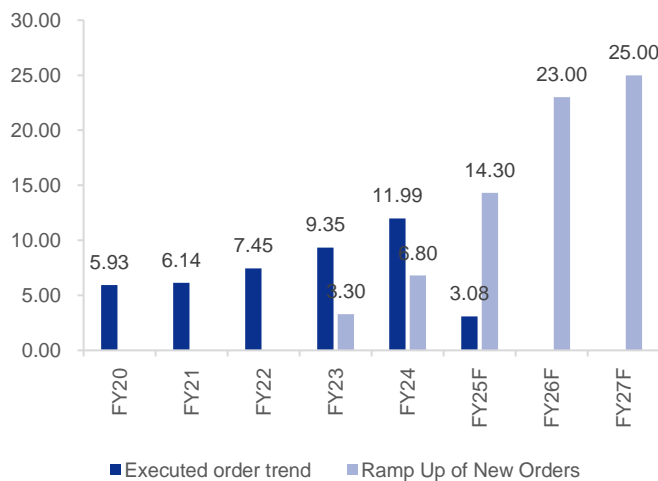
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: EBITDA trend across business segments (Rs bn)



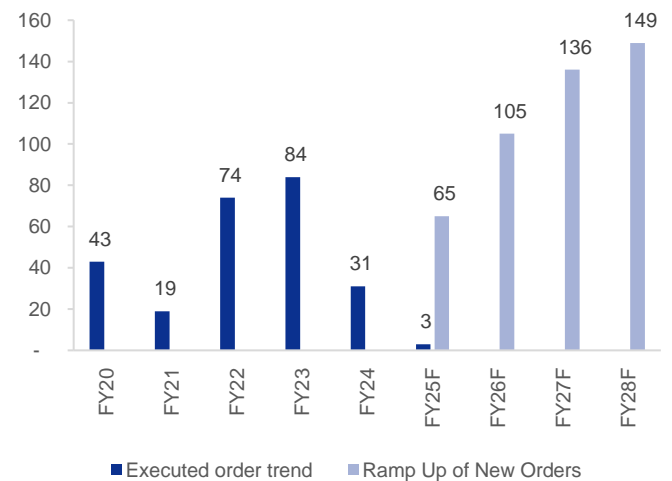
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: New order execution plan for standalone business (Rs bn)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: New order execution plan for European operations (euro m)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Our revised earnings estimates

Rs m	FY25F		FY26F		FY27F	
	Old	New	Old	New	Old	New
Consolidated						
Net sales	1,23,315	1,20,236	1,44,595	1,40,791	1,64,377	1,59,952
% change		-2.5%		-2.6%		-2.7%
EBITDA	17,011	16,093	20,521	19,681	22,914	21,949
% change		-5.4%		-4.1%		-4.2%
EBITDA margin	13.8%	13.4%	14.2%	14.0%	13.9%	13.7%
bp change		(41)		(21)		(22)
PAT	9,819	9,071	12,334	11,799	13,946	13,460
% change		-7.6%		-4.3%		-3.5%
EPS (Rs)	70	64	88	84	99	96
% change		-7.6%		-4.3%		-3.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Key assumptions

Segment-wise revenue (Rs m)	FY23	FY24A	FY25F	FY26F	FY27F
Shock absorbers	23,754	26,144	31,373	34,510	37,616
Disc brake assembly (incl. rotary disc)	8,324	11,541	16,157	21,489	26,862
Alloy wheels	6,023	7,694	8,771	10,525	12,104
Clutch and clutch parts	3,790	3,847	4,039	4,443	4,799
Aluminium die-casting parts	38,802	45,344	51,239	60,015	67,618
Other operating revenue	7,348	7,639	8,657	9,808	10,954
Consolidated revenue	88,041	1,02,209	1,20,236	1,40,791	1,59,952
growth yoy %	15.7%	16.1%	17.6%	17.1%	13.6%
Product segment mix %					
Shock absorbers	27.0%	25.6%	26.1%	24.5%	23.5%
Disc brake assembly (incl. rotary disc)	9.5%	11.3%	13.4%	15.3%	16.8%
Alloy wheels	6.8%	7.5%	7.3%	7.5%	7.6%
Clutch and clutch parts	4.3%	3.8%	3.4%	3.2%	3.0%
Aluminium die-casting parts	44.1%	44.4%	42.6%	42.6%	42.3%
Other operating revenue	8.3%	7.5%	7.2%	7.0%	6.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: EV/EBITDA-based target price

1-year forward EBITDA (Rs m)	20,569
EV/EBITDA multiple (x)	18
EV (Rs m)	3,70,246
Net debt (Rs m)	(28,108)
No. of shares (m)	141
Target price (Rs)	2,832

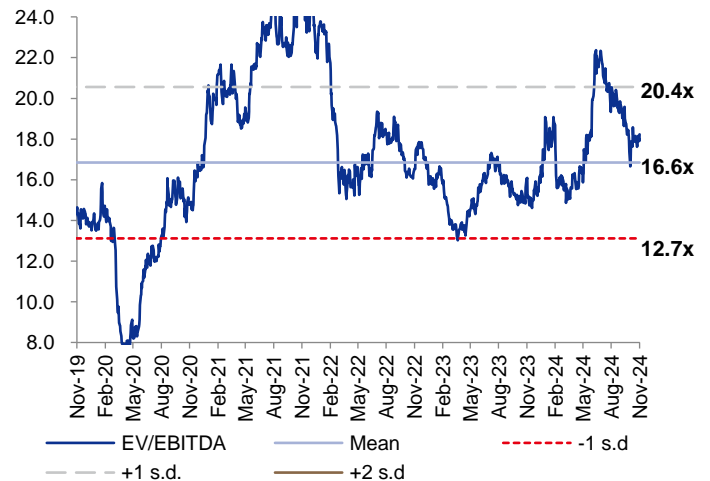
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Forward P/E valuation is below the five-year mean level



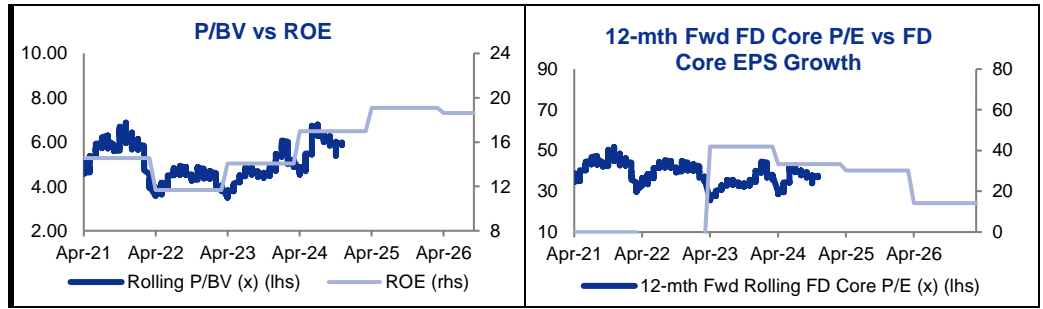
SOURCE: BLOOMBERG, COMPANY REPORTS

Figure 11: Forward EV/EBITDA valuation



SOURCE: BLOOMBERG, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	88,041	102,209	120,236	140,791	159,952
Gross Profit	34,746	41,703	50,259	57,724	65,261
Operating EBITDA	10,363	13,080	16,093	19,681	21,949
Depreciation And Amortisation	(4,216)	(4,740)	(5,261)	(5,682)	(6,137)
Operating EBIT	6,147	8,340	10,831	13,998	15,812
Financial Income/(Expense)	(206)	(427)	(400)	(250)	(100)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	454	856	1,199	1,378	1,544
Profit Before Tax (pre-EI)	6,396	8,769	11,630	15,127	17,256
Exceptional Items	(70)	200			
Pre-tax Profit	6,325	8,969	11,630	15,127	17,256
Taxation	(1,529)	(2,165)	(2,559)	(3,328)	(3,796)
Exceptional Income - post-tax					
Profit After Tax	4,796	6,805	9,071	11,799	13,460
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,796	6,805	9,071	11,799	13,460
Recurring Net Profit	4,849	6,653	9,071	11,799	13,460
Fully Diluted Recurring Net Profit	4,849	6,653	9,071	11,799	13,460

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	10,363	13,080	16,093	19,681	21,949
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,267)	267	(2,275)	(2,452)	(1,365)
(Incr)/Decr in Total Provisions	586	315	725	251	285
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	248	430	799	1,128	1,444
Tax Paid	(1,529)	(2,165)	(2,559)	(3,328)	(3,796)
Cashflow From Operations	8,401	11,927	12,783	15,280	18,517
Capex	(7,659)	(4,407)	(4,608)	(5,147)	(6,182)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1,430)	(2,065)	(4,278)	(4,306)	(4,337)
Cash Flow From Investing	(9,090)	(6,472)	(8,886)	(9,453)	(10,519)
Debt Raised/(repaid)	839	2,565	(1,000)	(1,000)	(1,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,144)	(1,425)	(1,847)	(2,128)	(2,269)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(305)	1,139	(2,847)	(3,128)	(3,269)
Total Cash Generated	(994)	6,594	1,050	2,698	4,729
Free Cashflow To Equity	150	8,020	2,897	4,827	6,998
Free Cashflow To Firm	(483)	5,882	4,297	6,077	8,098

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	2,877	5,047	12,542	15,240	19,968
Total Debtors	11,620	12,624	14,824	17,358	19,720
Inventories	8,206	8,722	11,200	12,729	14,461
Total Other Current Assets	4,753	5,861	5,963	6,470	7,006
Total Current Assets	27,456	32,253	44,529	51,796	61,157
Fixed Assets	27,883	27,527	27,266	27,083	27,447
Total Investments	6,718	7,926	11,926	15,926	19,926
Intangible Assets	3,900	3,923	3,531	3,178	2,860
Total Other Non-Current Assets	708	638	638	638	638
Total Non-current Assets	39,209	40,014	43,361	46,825	50,871
Short-term Debt	4,833	7,398	6,398	5,398	4,398
Current Portion of Long-Term Debt					
Total Creditors	14,257	16,045	18,447	20,058	22,788
Other Current Liabilities	3,835	4,649	5,114	5,472	5,855
Total Current Liabilities	22,925	28,092	29,959	30,928	33,041
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities					
Total Provisions	973	846	931	1,024	1,126
Total Liabilities	23,898	28,938	30,890	31,952	34,167
Shareholders Equity	44,121	49,774	56,999	66,669	77,860
Minority Interests					
Total Equity	44,121	49,774	56,999	66,669	77,860

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	15.7%	16.1%	17.6%	17.1%	13.6%
Operating EBITDA Growth	1.1%	26.2%	23.0%	22.3%	11.5%
Operating EBITDA Margin	11.8%	12.8%	13.4%	14.0%	13.7%
Net Cash Per Share (Rs)	(13.91)	(16.71)	43.68	69.97	110.69
BVPS (Rs)	313.67	353.86	405.22	473.96	553.52
Gross Interest Cover	29.88	19.55	27.08	55.99	158.12
Effective Tax Rate	24.2%	24.1%	22.0%	22.0%	22.0%
Net Dividend Payout Ratio	23.5%	21.6%	20.4%	18.0%	16.9%
Accounts Receivables Days	44.20	43.29	41.66	41.72	42.30
Inventory Days	52.11	51.06	51.96	52.57	52.40
Accounts Payables Days	91.33	91.40	89.95	84.60	82.58
ROIC (%)	13.3%	16.1%	21.9%	27.4%	29.4%
ROCE (%)	13.3%	15.7%	18.0%	20.7%	20.5%
Return On Average Assets	8.0%	10.0%	11.7%	12.9%	12.9%

Key Drivers					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Unit sales grth (% , main prod./serv.)	18.8%	16.0%	19.3%	18.2%	14.4%
Unit sales grth (% ,2ndary prod/serv)	15.7%	16.1%	17.6%	17.1%	13.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.