

ENDURANCE TECHNOLOGIES LIMITED

Capacity ramp up, new products, Maxwell to drive growth

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Endurance Technologies (Endurance) delivered an in-line operational performance in Q3 FY25, with better results from European operations offsetting weaker-than-anticipated Indian performance. However, its strong order book and continued expansion across product categories, both organically and inorganically, positions Endurance well for stable growth in both regions. The company's Q3FY25 consolidated revenue/EBITDA/PAT grew ~12%/25%/21% yoy to ₹28.6bn/3.7bn/1.8bn. 9MFY25 revenue/EBITDA/PAT grew 14%/20%/26% yoy. Standalone revenues grew by 9% yoy as compared to industry growth of 7% in the quarter, while the subsidiaries grew strongly by ~20%. Europe business revenue grew ~22% yoy in Rupee terms and ~21% in EURO terms (vs. new car registration growth of 1.3%) on the back of its strong order wins. Maxwell reported revenue growth of 37% yoy to ₹260m in Q3FY25. Aftermarket sales in India stood at ₹3.5m vs. ₹3.3m yoy.

EBITDA margin expanded 130bps YoY (-10bps qoq) to 13%. Standalone EBITDA expanded 90bps yoy to 12.5%. EBITDA margin for EU business improved 70bps yoy to 16.2%. The same for Maxwell business improved ~110bps yoy to 13.7% in Q3FY25. While operating performance was in line, lower other income and higher tax led to a PAT coming at ₹1.8bn (+21% up yoy).

New Order wins picking up in India

The standalone business has won orders worth ₹4.7 bn from OEMs in Q3FY25 versus ₹1.2 bn in Q2FY25 and ₹1.6 bn in Q3FY24. Over the past five years, the company has cumulative order wins of ₹42.7 bn (₹33.4 bn of new orders and ₹9.3 bn of replacement orders) and it expects to reach its peak revenues (new order wins) by FY27E. The company's order book in the EV segment stands at ₹9.6 bn. The EV order win momentum picked up during the quarter, with order wins worth ₹2.4 bn versus order wins of ₹0.4 bn in Q2 FY25, against ₹0.6 bn in Q3 FY24. EV orders form 49% of the total order book in 9MFY25 versus 8% of the total order book in FY2024. In addition, the company signed a technical agreement with a Korean company to manufacture suspensions and struts for the 4W segment. While the company will divulge details in the coming quarters, the company believes it remains an attractive space given that the competitive intensity is limited and is among the top players in most of the products it manufactures.

Key Financials	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Total sales(₹ bn)	88.0	102.4	114.1	127.3	140.4
EBITDA margins(%)	11.8%	13.0%	13.4%	13.6%	13.9%
PAT margins(%)	5.4%	6.6%	7.2%	7.5%	7.9%
EPS	34.8	48.4	58.1	67.8	78.5
P/E	54.4	38.3	31.9	27.4	23.6
P/BV	5.9	5.2	4.6	4.1	3.6
EV/EBITDA	25.2	19.6	16.9	14.6	12.8
ROE%	10.9%	13.7%	14.5%	14.8%	15.1%
ROCE%	12.6%	15.1%	16.2%	16.8%	17.1%

BUY

Current Market Price (₹)	1,858
12M Price Target (₹)	2,278
Potential upside (%)	23

Stock Data

Sector :	Auto Components
FV (₹) :	10
Total Market Cap (₹ bn) :	258
Free Float Market Cap (₹ bn) :	64
52-Week High / Low (₹) :	3,061 / 1,716
BSE Code / NSE Symbol :	ENDURANCE / 540153
Bloomberg :	ENDU IN

Shareholding Pattern

(%)	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	75.00	75.00	75.00	75.00
FPIs	11.50	9.54	8.66	7.79
MFs	7.09	7.93	8.56	8.49
Insurance	4.28	4.81	5.04	6.29
Others	2.13	2.72	2.74	2.43

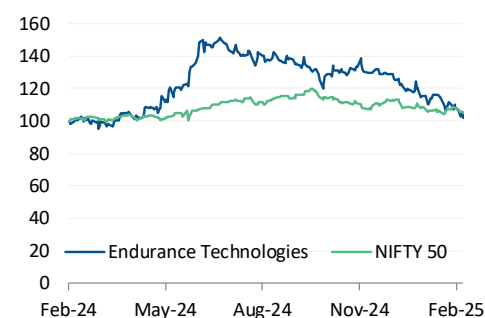
Source: BSE

Price Performance

(%)	1M	3M	6M	1YR
Endurance	-8.4%	-21.8%	-25.2%	2.2%
Nifty 50	-1.1%	-2.6%	-5.0%	5.0%

* To date / current date : February 14, 2025

Endurance vs Nifty 50



Europe shines with Maxwell at the helm

In the European business, the company has won cumulative orders worth EURO244 mn, out of which EURO94 mn (34%) are from EV applications and EURO109 mn (45%) are from hybrid applications over the past five years. Order win in the Europe business stood at EURO12 mn in Q3FY25 versus EURO9 mn in Q3FY24, mainly driven by large order wins from the Volkswagen Group and BMW for hybrid applications.

Within Europe, Maxwell has booked new orders worth ₹2.5 bn over the past three years, which is expected to peak in FY27E. The orderbook number has been revised downwards to ₹2.5 bn (₹2.8 bn earlier) in anticipation of low probability of scaling up the production volumes by select new age OEMs. The company has ₹1.2 bn worth of request for quotes under discussion with various customers. The company has commenced supplies to Hero MotoCorp (₹1 bn order win). In addition, the company has won the first order for motor controller unit supply, which is expected to have an annual peak revenue potential of ₹340 mn, which is likely to commence from Q4FY25E. The company has received LOI from Govecs, a large European electric 2W OEM, with an opportunity of ₹130 mn annual revenue at peak and the business is expected to commence from Q3 FY25E. Also, the company won new orders for BMS from non-automotive applications such as boats and all-terrain vehicles (ATVs) with a peak revenue potential of ₹110 mn with SOP likely to commence from Q1FY26E. Maxwell revenues during the quarter stood at ₹260 mn, a growth of 37% on a yoy basis in Q3FY25, driven by the ramp-up of volumes by key customers and launch of mass market EV scooters.

Quarterly Financial Snapshot (Standalone)

YE Mar (₹ mn)	Q3 FY25	Q2 FY25	% QoQ	Q3 FY24	% YoY
Net sales	21,773	22,995	-5.3%	19,933	9.2%
Raw material costs	14,144	14,982	-5.6%	13,214	7.0%
Employee costs	1,092	1,075	1.6%	957	14.2%
Other expenses	3,807	3,954	-3.7%	3,452	10.3%
EBITDA	2,729	2,984	-8.6%	2,310	18.1%
EBITDA margins %	12.5%	13.0%	(50 bps)	11.6%	90 bps
Other income	144	176	-18.5%	136	5.6%
Depreciation	735	727	1.1%	658	11.6%
Interest expenses	7	5	49.5%	5	30.7%
PBT	2,131	2,429	-12.3%	1,782	19.6%
Tax	562	581	-3.2%	459	22.5%
Adj. PAT	1,569	1,848	-15.1%	1,323	18.6%
Adj EPS	11.15	13.14	-15.1%	9.41	18.6%
Exceptional items	-	-	-	-	-
Reported PAT	1,569	1,848	-15.1%	1,323	18.6%

Source: Company, LKP Research

Quarterly Financial Snapshot (Consolidated)

YE Mar (₹ mn)	Q3 FY25	Q2 FY25	% QoQ	Q3 FY24	% YoY
Net sales	28,592	29,127	-1.8%	25,611	11.6%
Raw material costs	16,320	16,832	-3.0%	15,392	6.0%
Employee costs	2,515	2,419	4.0%	2,220	13.3%
Other expenses	6,031	6,056	-0.4%	5,010	20.4%
EBITDA	3,725	3,820	-2.5%	2,989	24.6%
EBITDA margins %	13.0%	13.1%	(10 bps)	11.7%	130 bps
Other income	219	265	-17.3%	270	-18.6%
Depreciation	1,364	1,311	4.0%	1,144	19.2%
Interest expenses	115	116	-0.9%	109	5.1%
PBT	2,466	2,658	-7.2%	2,005	23.0%
Tax	622	628	-0.9%	483	28.7%
Adj. PAT	1,844	2,030	-9.2%	1,522	21.1%
Adj EPS	13	14	-9.2%	11	21.1%
Exceptional items	0	0	N/A	0	N/A
Reported PAT	1,844	2,030	-9.2%	1,522	21.1%

Source: Company, LKP Research

Capacity ramp-up shall contribute well to drive numbers

The company is planning to increase alloy wheel capacity from current 5.5 mn wheels per annum to 9.8 mn wheels per annum by Q3FY26E, by setting up a new Greenfield capacity in Chhatrapati Sambhaji Nagar with a capex of ₹3 bn. The company is poised to improve the capacity utilization to >90% in two years post commissioning, as it received firm orders from six of top seven 2W OEMs for supply of alloy wheels. The company is setting up plant in Sambhaji Nagar, which will be focussed on machined castings for 4W and non-automotive applications. In the company's alloy wheels project at AURIC Bidkin, majority of the planned capacity is booked by orders and nominations from OEM customers. Both these projects are expected to begin production in H1 FY26E. The company is planning to increase Waluj ABS capacity by 240k for dual channel ABS from 400k (single channel) and is expected to reach the full potential of 640k units per annum by Q4FY25E. The company aims to further increase the ABS capacity to 1.2 mn units per annum by FY26E and also the company is in the process of developing high performance braking systems for >350 cc motorcycles, which is likely to commence production by the end of FY26E. Also, the company plans to set up Greenfield project at Aurangabad Industrial City (AURIC). The manufacturing facility shall produce aluminum die casting parts for automotive (ICE and EV) and non-automotive segments (900 MT casting parts per month), with value-added processes like machining, assemblies, friction stir welding and surface treatments. The start of production is envisaged in Q2FY26E and further expansion to reach peak capacity by March 2028. The company has earmarked capex of ₹4 bn, which will be funded through internal accruals. The new plant has already won orders from two OEMs for a peak annual sale of ~₹2.2 bn.

PV focus to increase both organically and inorganically

The company aims to improve the salience of the PV business to 45% by 2030E from current 25%, led by growth in (1) Aluminum castings, forgings on the back of growing demand for light weight solutions and (2) Foraying into PV suspension, braking and alloy wheel business through acquisitions and JVs. Also, the company strives to improve the contribution from 2W premium segment (>150cc) with all the customers in brake assemblies, ABS, suspension and clutch assemblies with upgraded product technologies and processes.

In a bid to increase its PV segment exposure, Endurance Overseas has signed a Share Purchase Agreement for acquisition of 60% stake in Stöferle Automotive GmbH and Stöferle GmbH, Germany for a cash consideration of EURO37.5 mn. Stöferle Automotive GmbH and Stöferle GmbH are in the business of manufacturing of machined aluminium die castings for engine and transmission components of automotive industry and production of CNC machines for captive use. On an annualized basis, the company has net revenues of EURO80 mn with EBITDA of EURO15-16 mn (~18% EBITDA margin).

Outlook and Valuation

Endurance posted decent set of numbers in Q3 especially in the European business, bucking the trend of the industry there. The company has been always focusing on catering to all the major 2W OEMs in India and has been maintaining a top share in the products which it manufactures. The company is now focusing on increasing the 4W revenue contribution to 45% by FY30 from 25%, and this will remain a key growth driver in the coming years. A sustained recovery in underlying 2W demand, expanding its capacities according to clients' needs, a strong focus on ramping up its presence in the PV segment and a strong order backlog in Europe in FY25 are the potential catalysts for the stock.

The stock trades at 24x FY27E consolidated EPS and does not reflect its strong order book across businesses, consistent outperformance and superior financials. We therefore reiterate our BUY rating with a TP of ₹2,278 (based on 29x FY 27E consolidated EPS) and an upside of 23% post recent correction in the stock price.

Income Statement

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Total Revenues	88,040	1,02,409	1,14,070	1,27,327	1,40,431
Raw Material Cost	53,295	60,506	67,388	75,702	83,631
Employee Cost	7,636	8,799	9,545	10,361	11,154
Other Exp	16,747	19,824	21,839	23,885	26,084
EBITDA	10,362	13,280	15,298	17,379	19,561
<i>EBITDA Margin(%)</i>	<i>11.8%</i>	<i>13.0%</i>	<i>13.4%</i>	<i>13.6%</i>	<i>13.9%</i>
Other Income	455	856	720	840	950
Depreciation	4,216	4,740	4,959	5,328	5,628
EBIT	6,146	8,540	10,339	12,051	13,934
<i>EBIT Margin(%)</i>	<i>7.0%</i>	<i>8.3%</i>	<i>9.1%</i>	<i>9.5%</i>	<i>9.9%</i>
Interest	206	427	305	320	335
PBT	6,395	8,970	10,754	12,571	14,549
<i>PBT Margin(%)</i>	<i>7.3%</i>	<i>8.8%</i>	<i>9.4%</i>	<i>9.9%</i>	<i>10.4%</i>
Tax	1,497	2,164	2,582	3,040	3,500
PAT	4,899	6,806	8,172	9,531	11,048
<i>PAT Margins (%)</i>	<i>5.6%</i>	<i>6.6%</i>	<i>7.2%</i>	<i>7.5%</i>	<i>7.9%</i>
Exceptional items	103	0	0	0	0
Adj PAT	4,796	6,806	8,172	9,531	11,048
<i>Adj PAT Margins (%)</i>	<i>5.4%</i>	<i>6.6%</i>	<i>7.2%</i>	<i>7.5%</i>	<i>7.9%</i>

Key Ratios

YE Mar	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data (₹)					
Adj. EPS	34.8	48.4	58.1	67.8	78.5
CEPS	64.1	82.1	93.4	105.6	118.6
BVPS	313.7	353.9	401.3	456.7	520.9
DPS	6.2	8.9	10.6	12.4	14.4
Growth Ratios(%)					
Total revenues	16.6%	16.3%	11.4%	11.6%	10.3%
EBITDA	7.4%	28.2%	15.2%	13.6%	12.6%
PAT	-0.5%	38.9%	20.1%	16.6%	15.9%
EPS Growth	-0.5%	38.9%	20.1%	16.6%	15.9%
Valuation Ratios (X)					
PE	54.4	38.3	31.9	27.4	23.6
P/CEPS	29.0	22.6	19.9	17.6	15.6
P/BV	5.9	5.2	4.6	4.1	3.6
EV/Sales	3.0	2.5	2.3	2.0	1.8
EV/EBITDA	25.2	19.6	16.9	14.6	12.8
Operating Ratios (Days)					
Inventory days	56.2	54.0	53.0	52.0	52.0
Receivable Days	48.2	47.0	47.0	48.0	49.0
Payables day	59.1	57.0	55.0	53.0	52.0
Net Debt/Equity (x)	0.06	0.10	0.09	0.09	0.09
Profitability Ratios (%)					
ROCE	12.6%	15.1%	16.2%	16.8%	17.1%
ROE	10.9%	13.7%	14.5%	14.8%	15.1%
Dividend payout	18.3%	18.3%	18.3%	18.3%	18.3%

Balance Sheet

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity and Liabilities					
Equity Share Capital	1,407	1,407	1,407	1,407	1,407
Reserves & Surplus	42,715	48,368	55,045	62,832	71,858
Total Networth	44,121	49,774	56,451	64,238	73,265
Total debt	2,781	4,803	5,303	5,803	6,303
Net Deferred Tax	5	144	144	144	144
Long term provisions	1,809	1,761	1,761	1,761	1,761
Current Liab & Prov					
Trade payables	14,257	16,045	17,189	18,489	20,007
Short term provisions	1,149	2,118	2,118	2,118	2,118
Other current liabilities	3,901	4,211	4,211	4,211	4,211
Total current liab & privs	19,307	22,374	23,518	24,818	26,336
Total Equity & Liabilities	68,024	78,857	87,178	96,765	1,07,809
Assets					
Net block	26,347	31,337	33,337	35,337	37,337
Capital WIP	1,684	1,567	1,867	2,167	2,467
Other non current assets	2,968	3,063	3,063	3,063	3,063
Total fixed assets	36,106	40,958	43,258	45,558	47,858
Cash and Bank	2,877	5,047	8,046	12,277	17,784
Inventories	8,206	8,722	9,785	10,785	11,915
Trade receivables	11,620	12,624	14,689	16,744	18,852
Loan, Advances & others	2,751	3,750	3,750	3,750	3,750
Other current assets	6,464	7,651	7,651	7,651	7,651
Total current Assets	31,918	37,794	43,920	51,207	59,952
Total Assets	68,024	78,857	87,178	96,765	1,07,809

Cash Flow

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	6,293	8,969	10,754	12,571	14,549
Depreciation	4,216	4,740	4,959	5,328	5,628
Interest	196	418	305	320	335
Chng in working capital	(413)	(803)	(1,984)	(1,756)	(1,720)
Tax paid	(1,849)	(2,194)	(2,582)	(3,040)	(3,500)
Other operating activities	0	(560)	0	0	0
Cash flow from operations (a)	8,619	10,571	12,100	13,095	12,664
Capital expenditure	(6,362)	(8,348)	(7,800)	(7,300)	(5,300)
Chng in investments	0	0	0	0	0
Other investing activities	21	31	0	0	0
Cash flow from investing (b)	(9,146)	(9,452)	(7,800)	(7,300)	(5,300)
Free cash flow (a+b)	(527)	1,119	4,300	5,795	7,364
Inc/dec in borrowings	282	2,513	500	500	500
Dividend paid (incl. tax)	(879)	(985)	(1,496)	(1,744)	(2,022)
Interest paid	(40)	(324)	(305)	(320)	(335)
Cash flow from financing (c)	(1,150)	2,170	2,999	4,231	5,507
Net chng in cash (a+b+c)	4,027	2,877	5,047	8,046	12,277
Closing cash & cash equivalents	2,877	5,047	8,046	12,277	17,784

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