

## *Tech led innovations to drive growth*

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# Endurance Technologies (ENDU IN)

## Company Initiation

Rating: BUY | CMP: Rs1,241 | TP: Rs1,478

### Tech led innovations to drive growth

We initiate coverage on Endurance Technologies (ENDU) with BUY rating and a target price of Rs1,478 (24x Mar23 EPS). ENDU is structurally placed to benefit from 1) global automotive trend of light weighting vehicles (will drive die-casting business), 2) machined and EV/hybrids in Europe (de-risk its business model), 3) dominant position in suspension of 2W/3W segments and 4) huge potential in nascent but technology enabled businesses such as transmission, brakes and after-market. ENDU's strong focus is to drive content increase in its core castings business (100% machining), suspension business (premiumisation of 2Ws) and to build new product portfolio in its nascent businesses. We believe the stock is attractive given (i) outperformance in medium-to-long term led by deeper client-penetration levels, (ii) significant market share gains with new products/technologies such as ABS and (iii) new order wins for EV/hybrid segment in Europe.

We believe market share gains in each segment and rising domestic penetration should drive revenue/EBITDA/PAT CAGR of 8.3%/11.4%/15.3% over FY20-23. We value the stock at 24x Mar23 earnings to arrive at a target price of INR1,478. We initiate coverage with BUY rating.

### Investment Arguments

#### Light weighting to drive growth of die-casting business – A structural trend:

ENDU is a largest die-casting components manufacturer for domestic 2Ws (increasing presence in PVs too) and remains prime beneficiary of this structural trend called 'reducing vehicular curb weight through increased use of aluminum'. Since past 3-5 years aluminum content in 2W segment rapidly increased to ~30%, while for 3W and PV it still remains at ~18-20%. This can gradually move up by another 8-10% in coming 4-5 years, along with increased demand for structured products. ENDU is well placed to drive growth of die-casting business given 1) strong brand recall 2) large distribution network, operational from strategically located manufacturing facilities and 3) is first to develop innovative products such as swing arm for KTM and head mount for 2Ws that reduces weight by 20-30%.

#### European business- High focus on machine and EV/hybrids to drive growth:

ENDU's European business has outperformed the industry since past 3-4 years (Revenue/EBITDA/PAT CAGR of 5%/10.9%/8.2% over FY17-20) aided by organic growth as well as supplier acquisitions. ENDU's strategy in Europe is mainly focused on 1) Growing its share of value-added products by increasing full machining of castings and sub-assemblies (current share of machining in Europe is ~55% but targets for 100% by FY23) and 2) Securing significant orders from EV/hybrid cars business, expected to reach peak volumes by FY22-23 (in 1HFY21 ENDU secured new business worth Eur10.8m from Audi, Maserati and Fiat Chrysler likely to start from FY2021). We believe margins in the European business may gradually inch upwards driven by increase in capacity utilization, mix improvement and cost rationalization.

### Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	69,177	64,602	74,534	87,836
EBITDA (Rs. m)	11,308	9,867	12,542	15,623
Margin (%)	16.3	15.3	16.8	17.8
PAT (Rs. m)	5,655	4,437	6,493	8,664
EPS (Rs.)	40.2	31.5	46.2	61.6
Gr. (%)	11.1	(21.5)	46.3	33.4
DPS (Rs.)	5.5	7.9	11.5	15.4
Yield (%)	0.4	0.6	0.9	1.2
RoE (%)	20.3	14.0	18.1	20.9
RoCE (%)	21.5	15.2	20.8	24.9
EV/Sales (x)	2.5	2.6	2.2	1.8
EV/EBITDA (x)	15.2	17.0	12.9	9.9
PE (x)	30.9	39.3	26.9	20.1
P/BV (x)	5.8	5.2	4.6	3.9

### Key Data

ENDU.BO | ENDU IN

52-W High / Low	Rs. 1,250 / Rs. 562
Sensex / Nifty	46,974 / 13,749
Market Cap	Rs. 175 bn/ \$ 2,373 m
Shares Outstanding	141m
3M Avg. Daily Value	Rs. 300.88m

### Shareholding Pattern (%)

Promoter's	75.00
Foreign	11.59
Domestic Institution	11.91
Public & Others	1.50
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	9.3	37.0	21.0
Relative	3.6	1.7	6.8

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**Suspension (~28% of consol sales)- Highest dominance in 2W/3W segment:**

ENDU is a leader in suspension business with ~1/3<sup>rd</sup> market share in 2W segment and ~50-80% wallet share from Bajaj & Royal Enfield. We believe deeper penetration with HMCL and HMSI (especially in northern plants) will help drive 9% CAGR revenue over FY20-23. Other players like Munjal Showa (HMCL) and Showa India (HMSI) are already largest supplier for their North India plants. However, limited presence in western and southern plants creates more business for ENDU and Gabriel. We expect premium motorcycle segment to grow at 8-10% CAGR over FY20-24 following 1) Inverted or USD (up-side down) forks used in premium motorcycles having content increase of Rs6k-7.2k per vehicle 2) Similarly deeper penetration of telescopic forks in scooters have value increase of Rs450-500/scooter. Given current penetration of both these technologies at ~2% and ~52% respectively, we believe there is a huge scope for growth.

**Nascent business (Transmission, Brakes & Aftermarket) - An opportunity galore!**

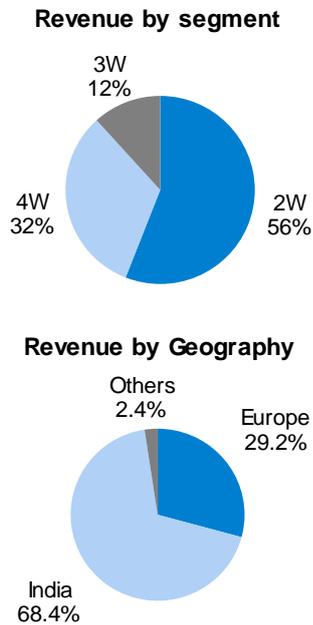
- **Transmission (~7% of sales)- Increasing inroads with new customer to drive sales:** ENDU is majorly supplying clutch assemblies and friction plates to Bajaj Auto and RE. It is aggressively pursuing breakthrough with key OEMs like HMSI, HMCL and TVS for clutch assemblies and CVTs requirements.
- **Brakes (~7% of sales)- Foraying into ABS and expect supply to begin from 4QFY21:** With the presence of established players like Bosch and Continental (~75% of the ABS market cumulatively) along with Nissin Brakes (Honda company), ABS market is highly fragmented. Bosch and continental together account for ~3/4th of market share with highly localized operations. ENDU is expected to commence with single channel ABS by 4QFY21E, using capacities of 400k assemblies per annum.
- **After market (~3% of sales)- New product introduction and brand leverage to drive growth:** To leverage brand and deepen its products penetration, ENDU is expected to launch new products. It will also do trading of 2W/3W auto components which are not currently manufactured by ENDU.

**Initiate with BUY, estimate PAT CAGR of 15.3% over FY20-23:**

- We estimate consolidated revenue/ EBITDA/PAT CAGR of 8.3%/11.4%/15.3% over FY20-23 backed by content increase, backward integration and operating leverage. We estimate ~100bp margins contraction in FY21 but expanding 150bp/100bp in FY22/23. We estimate PAT increase at CAGR of ~15.3%.
- We expect margins of the India business to improve by ~120bp from FY20 to FY23 (on the back of increasing capacity utilization and higher share of the value added business). Margins of the Europe business should also improve by ~270bp from 19.6% to 22.3% over FY20-23 (led by shift towards more complex fully machined castings and plant consolidation).
- ENDU saw sharp re-rating in last couple of years due to sustained above industry performance and new order wins both at domestic and European business. ENDU reported PAT CAGR of 19.6% in the past 3 years which is better than peers led by higher sales in non-die casting business. ENDU currently trades at 26.9/20.1x FY22/23 EPS (v/s 33x long period average).

## Endurance – Diversifying beyond core

**Exhibit 1: Consolidated Revenue Split FY20**

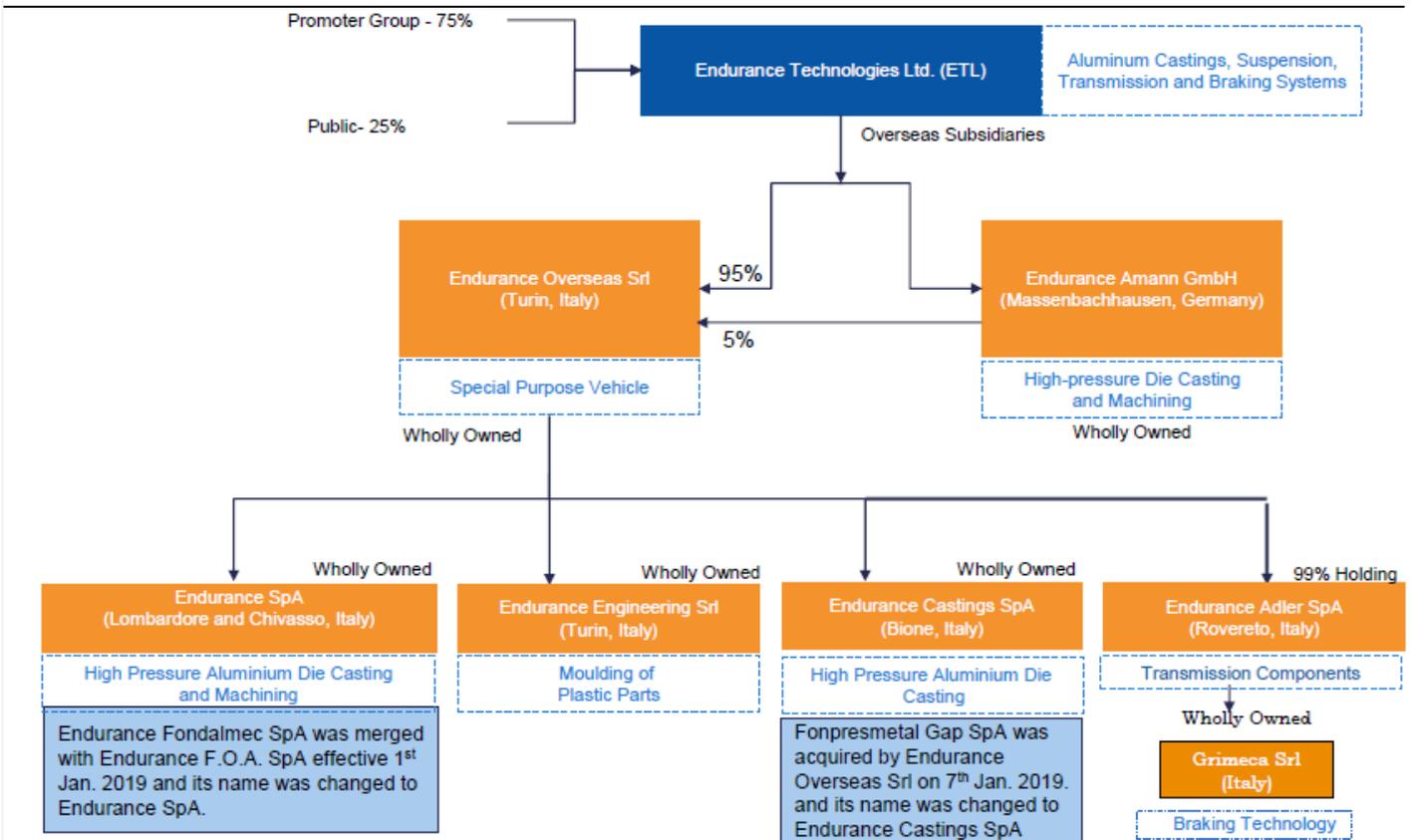


Source: Company, PL

- Endurance Technologies (ENDU) is one of the largest auto component manufacturer in India which offers complete solutions from designing to after sale service. The company started operations in 1985 with supplies of high pressure die-casting to Bajaj Auto and then scaled up its customer base with other leading OEMs.
- Today, it is tier-1 supplier for diverse range of technology intensive products like 2W, 3W, 4W OEMs in India and overseas. It has market share of ~40% in 2W front forks, ~36% in shock absorbers, ~14% in clutch assemblies and ~27% in brake systems.
- It operates from 27 strategically located manufacturing facilities with 17 manufacturing plants in India and 10 in Europe.
- In the aftermarket segment, company has its distribution network spread across 28 countries. This network spans to 335 dealers in India and 40 distributors overseas. In FY21 the company plans to foray into 3 more countries and add at least 35-40 new dealers.

## Corporate Structure

**Exhibit 2: Endurance- Group Corporate Structure**

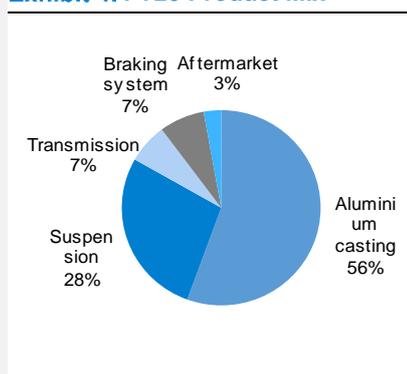


Source: Company

**Exhibit 3: Endurance-key products and segments served**

	Suspension	Die-castings		Transmission	Brakes
		India	Europe		
<b>Key segments served</b>	2W, 3W, PV	2W, 3W	PV	2W, 3W	2W
<b>% of consol topline in FY20</b>	27.7	26.3	29.2	6.6	7.4
<b>Key customers</b>	Bajaj Auto, Honda 2W, Royal Enfield, Hero MotoCorp	Bajaj Auto, Royal Enfield, Yamaha	Hyundai/Kia, VW and Daimler	Bajaj Auto, Royal Enfield	Bajaj Auto, Royal Enfield, TVSL and Honda 2W
<b>Key competition</b>	Gabriel, Showa India, Munjal Showa	Rico Auto, Rockman Ind, Sundaram clayton, Aurangabad electricals	Nemak, GF, Ryobi	Clutch India, Excedy	Continental and Brembo
<b>Growth opportunities</b>	Shift to inverted front forks /mono shocks in motorcycles and front forks in scooters from traditional shocks. Increasing orders from HMCL and HMSI.	Light weighting, shift from fabricated to structured products in 2Ws and PVs. Order ramp-up at Hyundai and Kia.	High end die castings with Machining. Inorganic acquisitions.	Value added products like CVTs, paper based clutch assemblies. Expansion beyond Baja Auto and HMSI for growth.	Value added products like disc brake (v/s drum), ABS. Grab more wallet share within customers.
<b>ENDU market share (%)</b>	~30-33%	~30-31%	~10-12%	~14% of clutch assemblies	~22-25% in disc brake

Source: Company, PL

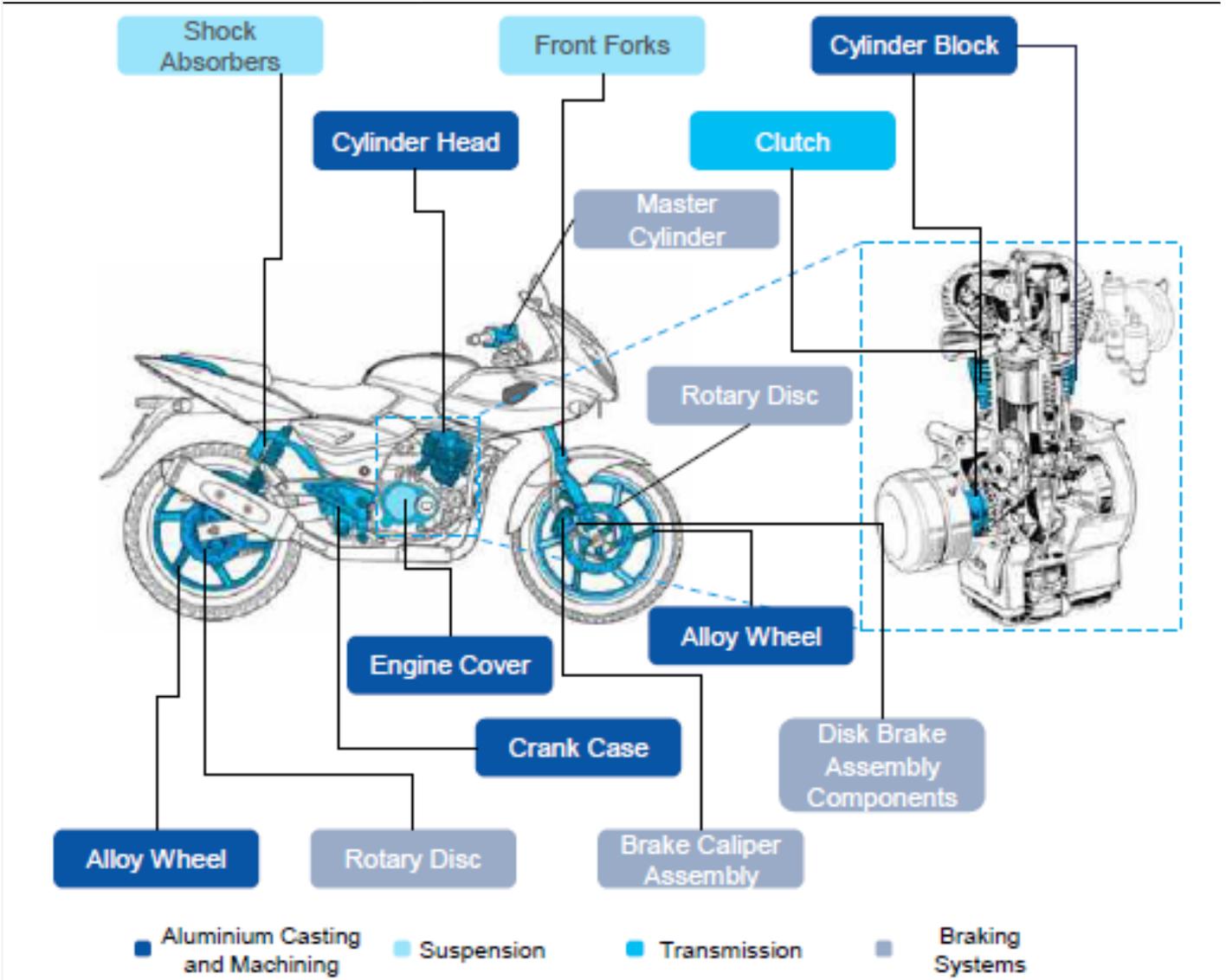
**Exhibit 4: FY20 Product Mix**


Source: Company, PL

### Rich product portfolio for 2W, 3W and PV segments

- Aluminium die-casting-** ENDU is the largest aluminium die casting manufacturer in India with market leadership in 2W, 3W and 4W. It is involved in designing, development and manufacturing of high pressure, low pressure, and gravity die-casting products for Indian and overseas OEMs.
- Suspension-** The company manufactures products like shock absorbers for 2W and 3W, front forks and hydraulic dampers. It is the only Indian company to design, develop and manufacture adjustable & non-adjustable damping force inverted front forks and mono shock absorbers.
- Transmission-** ENDU is a well-established player in transmission systems for 2W/3W. It manufactures products such as clutch assemblies, cork/paper friction plates and CVT for 2W/3W.
- Braking system-** ENDU is a leading player in high performance braking solutions for 2W/3W. It's product portfolio includes Disk brake, ABS, CBS, Tandem master cylinder and Hydraulic drum brake.

Exhibit 5: Diverse product portfolio for 2W segment



Source: Company

Exhibit 6: Key products for 3W segment



Source: Company

Exhibit 7: Key products for 4W segment



Source: Company

Exhibit 8: Tier 1 supplier of tech intensive products for 2W, 3W and PV OEMs in India

**ALUMINIUM DIE CASTING PRODUCTS**

- HPDC - High Pressure Die Casting
- LPDC - Low Pressure Die Casting
- GDC - Gravity Die Casting
- Machining



**SUSPENSIONS**

- Shock absorbers – (hydraulic, mono & oleo pneumatic)
- Front forks – (Conventional & inverted)



**TRANSMISSIONS**

- Clutch assemblies
- Friction plates (cork /paper)
- Continuous Variable Transmissions (CVT)



**BRAKING SYSTEMS**

- Tandem Master Cylinder assemblies
- Hydraulic disc brake assemblies
- Hydraulic drum brake assemblies
- Rotary discs



Source: Company, PL

## Story in Charts

### Exhibit 9: Competitive positioning vs domestic peers - ENDU stands tall

Company	R&D (% of sales)	RoCE (%)	EBITDA (%)	Asset Turns (x)	Structural factors led innovation	EV led risk on business	Competitive advantage	Key products
Endurance	1.1	21.7	17.0	1.4	High	Low	Moderate	Die casting, Transmission, Suspension and Braking systems
Minda Ind	2.3	11.9	12.1	1.2	Moderate	Low	High	Switch, Light, Horns, Alloy-wheels, Seats, Sensors
Motherson	0.4	12.1	8.6	1.5	Moderate	Low	Moderate	Wiring harness, Plastics (interior/exterior), Mirrors
Bosch	5.0	10.0	20.4	0.8	High	High	High	Fuel injection systems and EV components
Bharat Forge	1.0	7.1	16.1	0.7	Moderate	High	High	CV and PV forging components and industrial forging components
Exide*	0.3	17.0	10.5	0.6	Moderate	High	Moderate	Lead acid batteries - auto and non auto applications
Suprajit Engg	0.3	13.1	15.4	1.0	Moderate	Low	High	2W cables and Halogen lights
MRF	0.7	12.7	16.7	0.9	Moderate	Low	High	Automotive tyres
Sudram Fasteners	0.6	15.7	16.7	1.0	Moderate	Moderate	High	Fasteners - Auto and non-auto applications
Varroc	3.5	3.1	8.3	1.2	Moderate	Low	Moderate	Lightings, 2W plastics, electrical and metal parts

Source: Capitaline \*R&D expenditure as of 2019

### Exhibit 10: Entry of new customers to drive growth

OEMs	FY20 sales (Rs m)	FY22 sales (Rs m) expectations	Growth (%)	Key drivers
Honda 2W	6,080	9,000	48.0	Brakes, inverted front forks and scooter suspension parts
Hero MotoCorp	2,100	3,500	66.7	New orders for brakes and front forks for Gujarat plant
Yamaha	2,070	2,500	20.8	Alloy Wheels and brake assemblies
TVS	Nil	1,650	NA	Brakes and front fork for 2W and 3W
Hyundai and Kia	Negligible	3,070	NA	Machine castings

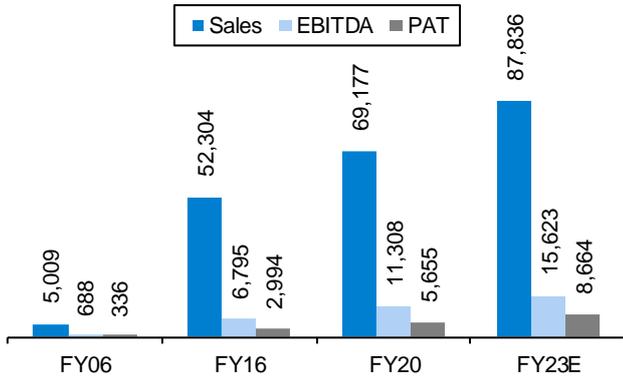
Source: Capitaline

### Exhibit 11: Gradual decline in die casting revenue mix

Segmental Growth (INR m)	FY20	FY21E	FY22E	FY23E
Aluminium die casting and machining	38	34	38	42
% YoY	-14	-10	11	11
% Mix	56	54	52	49
Suspension	19	17	20	24
% YoY	-2	-8	15	22
% Mix	28	27	27	28
Transmission	4	5	6	7
% YoY	-3	4	20	22
% Mix	7	7	8	8
Braking Systems	5	5	7	10
% YoY	23	4	40	40
% Mix	7	8	10	12
Aftermarket	2	2	2	3
% YoY	-33	4	20	15
% Mix	3	3	3	3

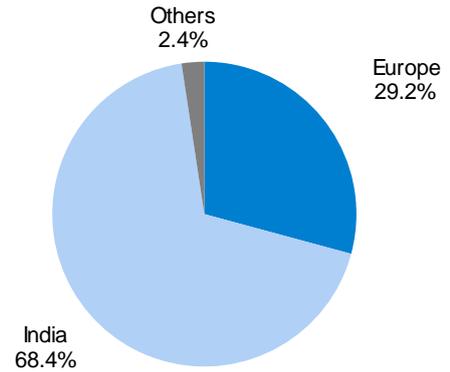
Source: Company, PL

Exhibit 12: Consol Revenues/EBITDA/PAT (Rs m)



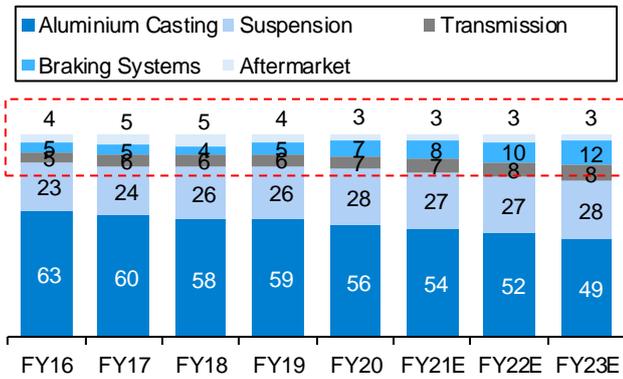
Source: Company, PL

Exhibit 13: India accounts for major chunk of revenues



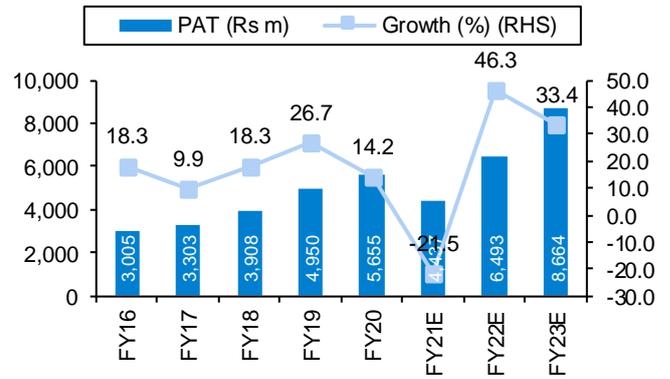
Source: Company, PL

Exhibit 14: Share (%) of tech-led products increasing...



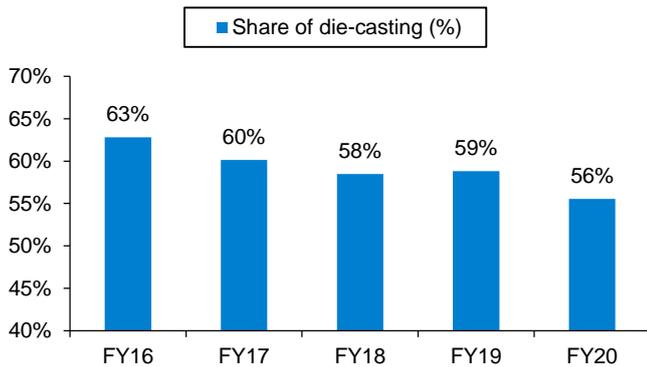
Source: Company, PL

Exhibit 15: ...to drive profitable growth for ENDU



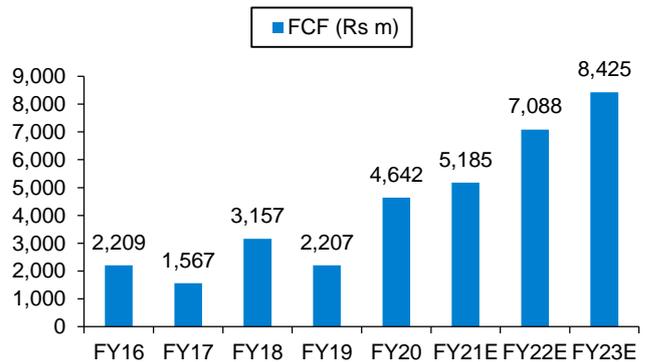
Source: Company, PL

Exhibit 16: Gradual decline in the share of die-casting



Source: Company, PL

Exhibit 17: FCF to grow by ~22% CAGR over FY20-23



Source: Company, PL

## Light weighting - A structural trend to drive die-casting business

### Key pointers

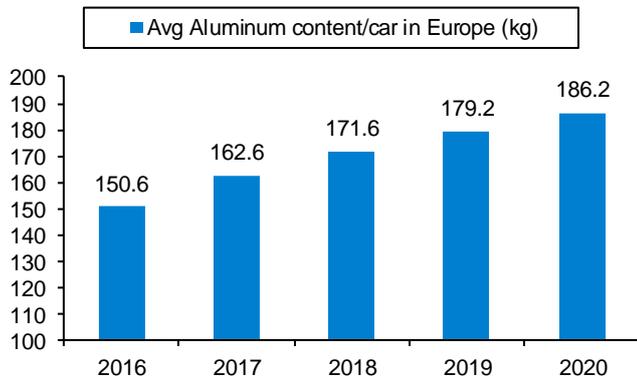
- **Light weighting will drive die-casting business** both in 2W and 4W segments. In 2Ws, led by alloy wheels due to premiumization and in 4Ws due to stringent emissions norms.
- **Moving beyond 2Ws in domestic die-casting business:** ENDU has made breakthroughs with Kia and Hyundai to drive growth over medium term. It has already received business of Rs2.8b per annum, which should peak sales by FY22.
- **Highly competitive industry:** The aluminium die casting industry in India is extremely fragmented. With large players in 4W die casting segment and recent entry of formidable players like Bharat Forge, Rockman Industries etc. ENDU is set to face intense competition, hereafter.
- **European business- focus on machined castings:** Built through a series of acquisitions, ENDU's EU aluminium die casting operations are characterized by high presence in engine and transmission components, which requires high level of machining.

Our interaction with ENDU's R&D team indicate- After focusing on light weighting, aluminum content in 2W segment increased steadily to ~30% while the same for 3W and PV remained at ~15-18%. This can move up in a quest for further light weighting by OEMs and would benefit die casting business growth.

Globally the automobile industry has largest share of aluminum consumption i.e. ~35%. While the share of automobile industry in domestic aluminum consumption has steadily increased from ~16% in FY09 to ~25% in FY18, the same is still lower than global average.

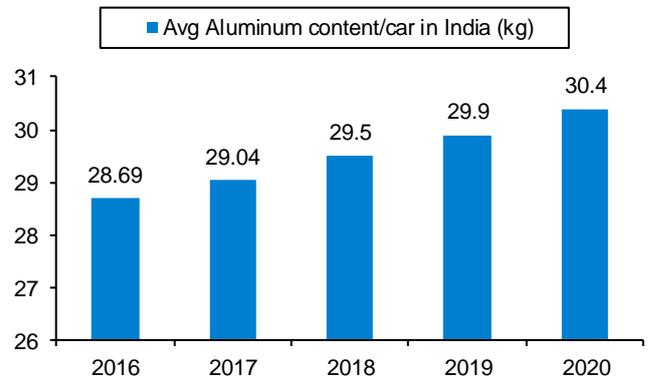
Analysis of aluminum content in European PV industry indicates an increase from average ~151kg/vehicle in 2016 to ~179kg/vehicle 2019. In India, PV OEMs too are increasingly adopting aluminium die cast components to lighten weight of vehicles- a trend that would accelerate with adoption of more stringent emission norms like CAFÉ (corporate average fuel efficiency) and RDE (real drive emissions) from 2022/2023.

**Exhibit 18: Gradual increase in aluminium content in European PV industry**



Source: Company, PL

**Exhibit 19: Slow rise in aluminium content/car in Indian PV industry too**



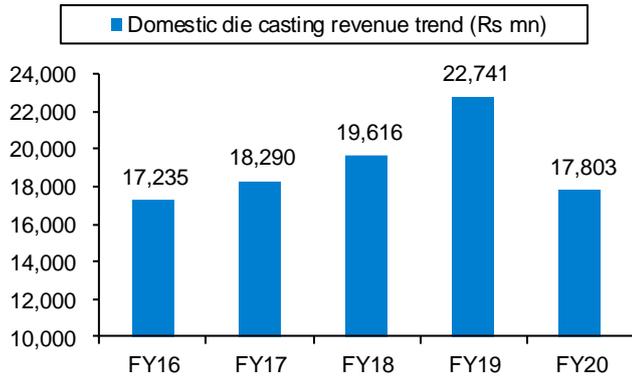
Source: Company, PL

### Breakthrough orders from Hyundai/Kia to help grow beyond 2Ws

ENDU's domestic die-casting revenues increased at ~9.7% CAGR over FY16-19, outperforming domestic 2W industry growth of 8.7% CAGR over the same time, led by steady aluminum content increase in 2Ws. However, it declined sharply by 22% in FY20 due to fall in 2Ws sales led by financing and change in emission norms.

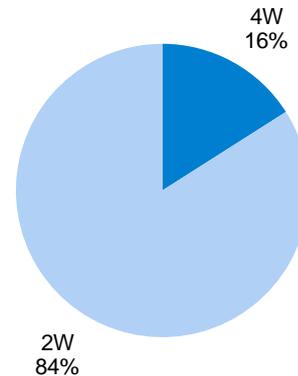
- Currently, 2Ws account for more than 3/4<sup>th</sup> of the segmental revenues while balance is contributed by PVs.
- **We expect PV share to increase gradually led by breakthrough orders from Hyundai and Kia (worth Rs2.8b) for die-casting products.** Incremental orders in 4W segment are primarily for machined die cast products in engine and transmission space. Hence, expect the overall machining mix to trend upwards from FY22/23E (which we believe currently is 50-55%), aiding segmental margins.
- ENDU Vallam for supplying machined aluminum castings is expected to get commissioned in Dec-2020 in order to meet requirements of Hyundai, Kia and Royal Enfield.

**Exhibit 20: Domestic die casting revenues trend**



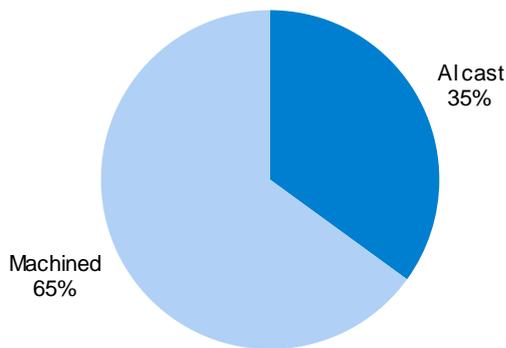
Source: Company, PL

**Exhibit 21: FY20 Revenue split- domestic die-casting**



Source: Company, PL

**Exhibit 22: Domestic die casting machining split**



Source: Company, PL

**Exhibit 23: Key product offerings in 2W and PVs**

2W	4W
Swing Arms	Clutch/Transmissions
Rear Arms	Clutch Housings
Alloy Wheels	Gear Box Housings
Crank Cases	Thermo Housings
Cylinder Blocks	Water Inlets
Cylinder Head Covers	Cam Carriers
Transmission Covers	Oil Sumps

Source: Company, PL

### Die-casting segment highly fragmented with presence of key players

The aluminum die casting industry in India is fragmented with presence of large players in the 2W die casting segment. Recent entry of players like Bharat Forge would pose intense competition in PV segment. However due to COVID impact, BHFC has delayed its Nellore facility by 4-5 months. Rockman-Hero group (revenue Rs22.6b), Sundaram clayton (revenue Rs13.2b), Sun beam (revenue Rs12.9b) and Rico Auto (revenue Rs11.9b) are the largest peers in the segment.

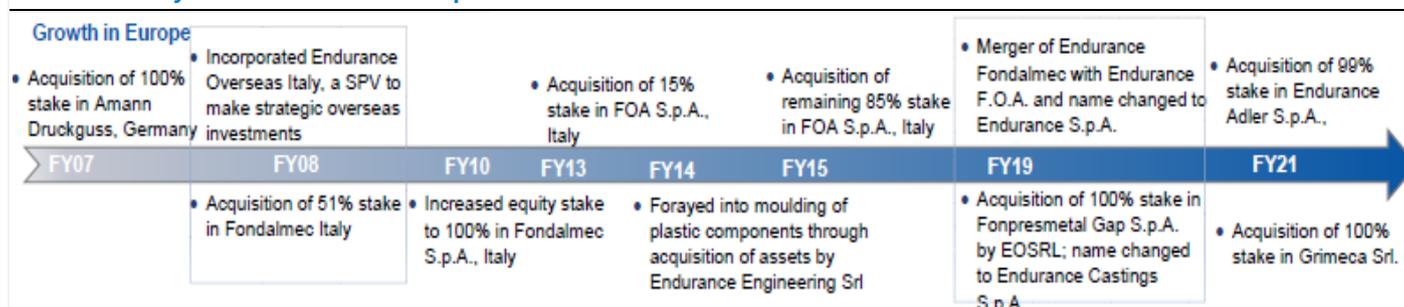
**Exhibit 24: Key competitive landscape**

Company	Segment presence	Key customers	Revenue (Rs m)	EBITDA (%)	Remarks
Aurangabad Electricals*	2W	Bajaj Auto	8,558	11	Acquired by MACA in FY19
Rockman** (Hero group)	2W	Hero MotoCorp	22,643	12	~90% of revenue from HMCL
Sundaram Clayton	2W and PV	TVSL, Hyundai	13,243	18	TVS group co
Rico Auto	2W and PV	MSIL and Hero	11,927	6	Key player in 2W alloy wheel with capacity of ~4mn units
Sun-Beam**	2W and PV	MSIL and Hero	12,918	9	Key presence in PV die-casting
Jaya Hind*	2W and PV	MSIL and Hero	5,958	37	Key presence in PV die-casting
Nemak	PV	Local subs of global PV OEMs	2,469	13	Key presence in PV die-casting

Source: Company, PL \*FY19 \*\*FY18

**Europe – Focus on machining and EVs to drive growth**

ENDU entered European business with the acquisition of Endurance Amann (German subsidiary) in FY07 and the acquisition of Endurance Fondalmecc (Italian subsidiary, now merged into Endurance SpA) in FY08. Over the years, ENDU adopted both organic and inorganic strategy to expand its European business. Its operations in Europe comprise of seven plants in Italy- owned by subsidiaries like Endurance SpA, Endurance Engineering Srl, Endurance Castings SpA and Endurance Adler SpA and three plants in Germany- owned by subsidiary Endurance Amann GmbH.

**Exhibit 25: Key milestones of the European business**


Source: Company, PL

**Exhibit 26: Financial Performance of key European subsidiaries**

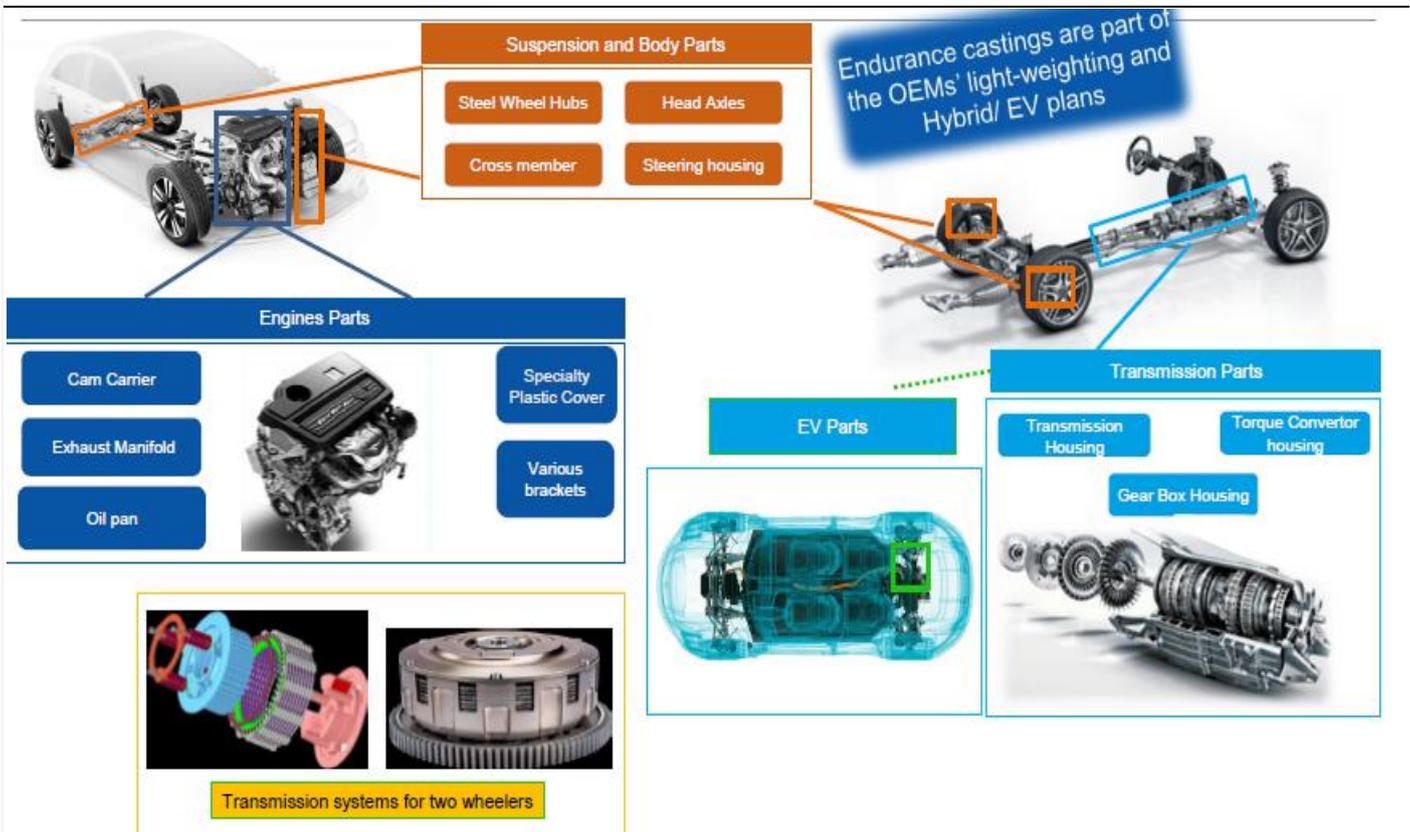
Subsidiary	Key segments	Revenues (Rs mn)	PAT (Rs mn)
Endurance Amann GmbH	HPDC and Machining	3,832	128
Endurance Overseas Srl	NA	841	291
Endurance Castings SpA	HPDC and Machining	2560	145
Endurance Engineering Srl	Plastic components	1143	101
Endurance FOA SpA	Diecasting and Machining	NA	NA
Endurance Fondalmecc SpA	Machining	NA	NA
Endurance SpA	HPDC and Machining	13,436	996

Source: Company, PL

### Growth enablers for European business

- High entry barrier led by product complexity-** ENDU's European business primarily manufactures complex, highly machined aluminum die castings for the passenger car industry. Its strategy in Europe is focused on growing the share of value-added products.
- European PV industry witnessing higher adoption of aluminum content-** ENDU gets ~90% of its revenue from engine and transmission components. With the growing penetration of EVs, content of these components is expected to increase. Aluminum content in European PV industry has increased from average ~151kg/vehicle in 2016 to ~179kg/vehicle in 2019. In India, PV OEMs too are increasingly adopting aluminium die cast components to lighten weight of vehicles.
- Europe die-casting segment too is highly fragmented likewise India-** The aluminum die casting industry in Europe too is fragmented with presence of large players in the 4W die casting segment.
- Expanding client beyond FCA group-** In European operations, ENDU has been able to de-risk away from Fiat. The company won several orders for electric/hybrid car applications in last two years. Thereby revenue contribution of FCA reduced from 70% to 27% currently.
- Healthy financial profile of European business-** We expect ENDU's European subsidiaries to record steady revenue CAGR of 4% over FY20-23E. Margins too will likely increase further to 22% by FY23 (v/s 20% in FY20).

Exhibit 27: ENDU supplies tech intensive products to PV OEMs in Europe currently with major chunk in machined content



Source: Company, PL

## High entry barriers led by product complexity

- ENDU's European business primarily manufactures complex, highly machined aluminum die castings for passenger car industry. Its top 5 customers in Europe are Volkswagen group, Fiat Chrysler group, Daimler, BMW and Peugeot.
- Its strategy in Europe is focused on growing the share of value-added products by (a) increasing full machining of castings and sub-assemblies and (b) adding products such as structural parts, large & complex engine and transmission castings.
- ENDU gained entry in Europe on the back of acquisitions, the major ones being (a) Endurance FOA SpA, which produces large and complex aluminum casting, and (b) the asset acquisition of Grana's business division, which is engaged in production of engineering molded plastic components.

Exhibit 28: Key die-casting and machining products manufactured in Europe

**ALUMINIUM DIE CASTING AND MACHINING**

**Suspension and Body Parts**

- Steel Wheel hubs
- Head Axles
- Cross member
- Steering housing

**Engine Parts**

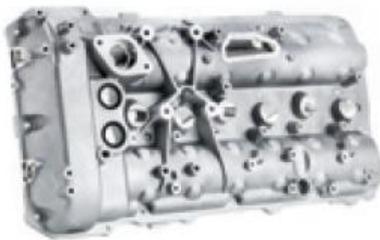
- Cam carrier
- Exhaust manifold
- Oil pan
- Various brackets

**Transmission Parts**

- Transmission housing
- Gear Box housing
- Torque Converter housing
- Housings, Oil Modules for Electric Vehicles

**OTHER BUSINESSES**

- Transmission Systems for Two-wheelers
- Speciality plastic components, including engine covers



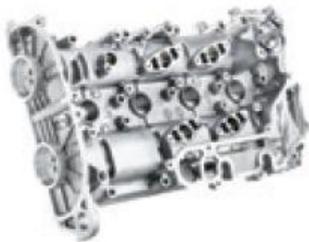
Engine cover



Differential case



Twin Air front cover



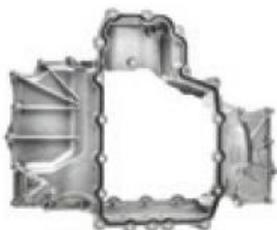
Cam carrier with bearing frame



Clutch Housing



Clutch Housing



Upper oil pan

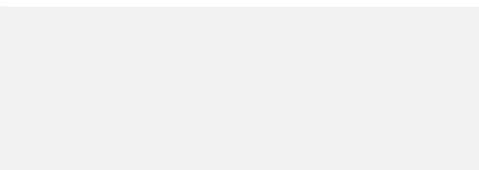


Flange Mission



Oil Pan

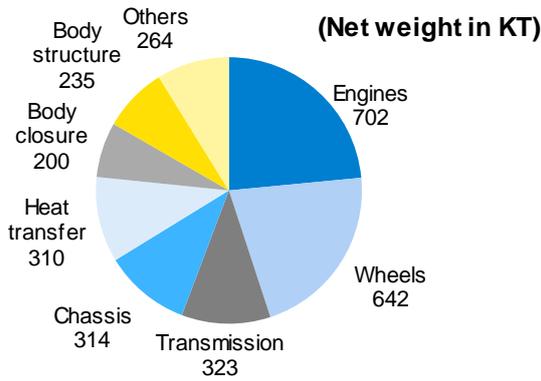
Source: Company, PL



### European PV industry observed higher adoption of aluminum content

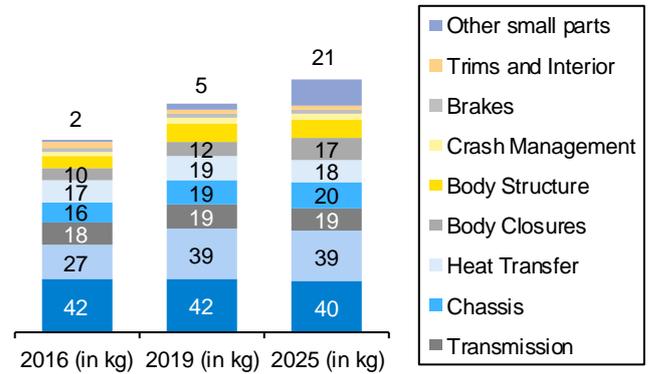
- A closer look at European PV industry indicates significant shift to aluminum content across sub segments. Over last five years, an increase of ~9%/1% in aluminum content was seen in engine and transmission components.
- ENDU gets ~90% of its revenue from engine and transmission components with growing penetration of EVs, the content of these components is expected to tilt in favor of battery boxes and other EV components such as body closures.

Exhibit 29: Aluminum content by component group



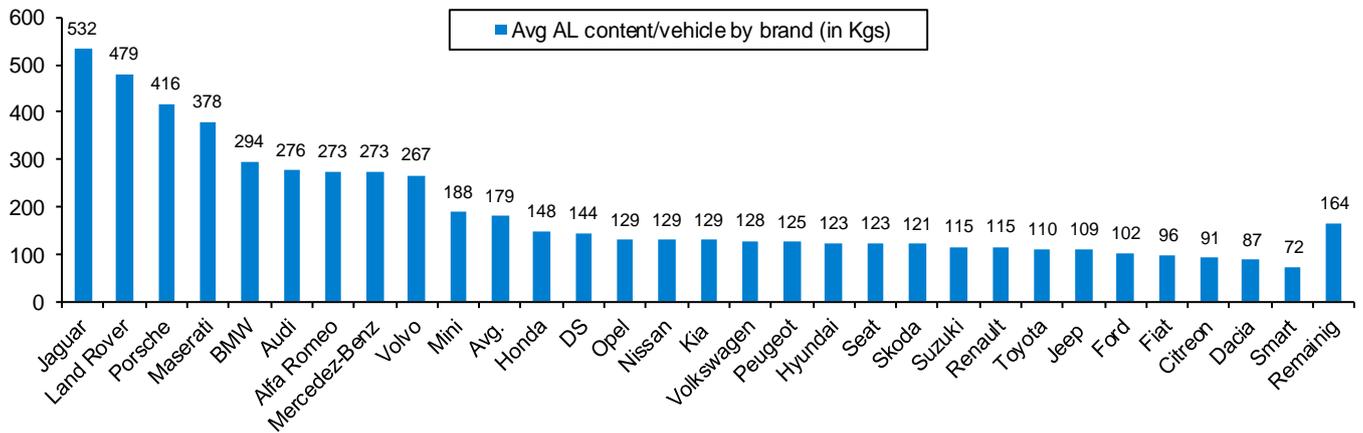
Source: Industry, PL

Exhibit 30: Aluminum content by product group



Source: Industry, PL

Exhibit 31: Aluminum content in key Endurance customers (Net weight in KG)



Source: Industry, PL

### Europe die-casting segment too highly fragmented, likewise India

The aluminum die casting industry in Europe too is fragmented with presence of large players in the 4W die casting segment. ENDU is competing with key players like GF, Nemak and Ryobi die castings.

Exhibit 32: Key competitive landscape

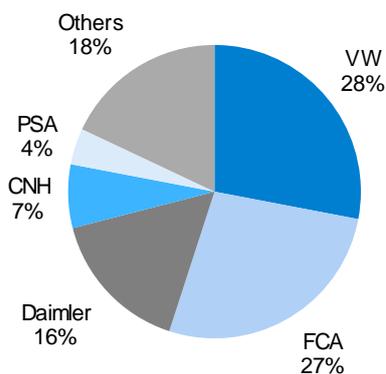
Company	Segment presence	Key customers	Geographic presence	Revenue (Rs m)	EBITDA (%)
George Fischer (FY19)	Auto, OH and industrial	Audi, VW, GM, Toyota	Europe, USA and China	3,01,481	10
Ryonbi Die Casting (FY19)	High pressure die casting for Auto	Honda, Hino and Daihatsu	Japan, USA, Europe and China	14,648	13
Nemak (FY18)	High pressure die casting for Auto	Ford, FCA, GM, VW group	Global player	3,28,500	16

Source: Company, PL

### Expanding client base beyond FCA group

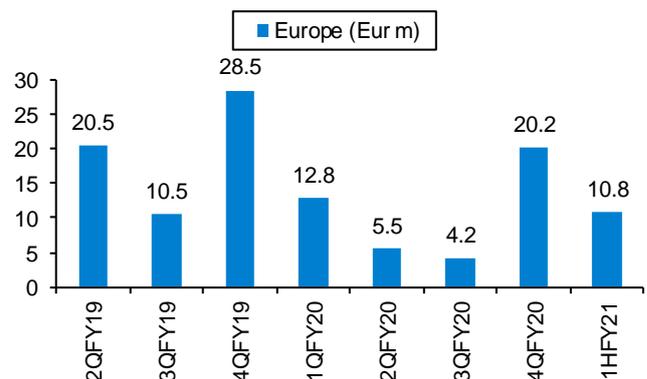
- Backward integration by acquiring its existing vendors (Fonpresmetal, acquired in FY19 was an existing vendor of Endurance) and technology partners (Adler, technology partner for transmission products since 2013 and Grimeca, technology partners for braking solutions since 2015) has enabled diversification of products, addition of new customers and increased share with existing customers.
- In Europe ENDU has been able to de-risk away from Fiat due to orders worth EUR110m for electric and hybrid car applications (since past 2 years) thereby reducing revenue contribution of FCA from 70% to 27% currently. VW group is now the largest contributor to sales at 28% and Daimler is ~16%.

Exhibit 33: Diversified customer base in Europe



Source: Company, PL

Exhibit 34: New order win helps drive consistent growth

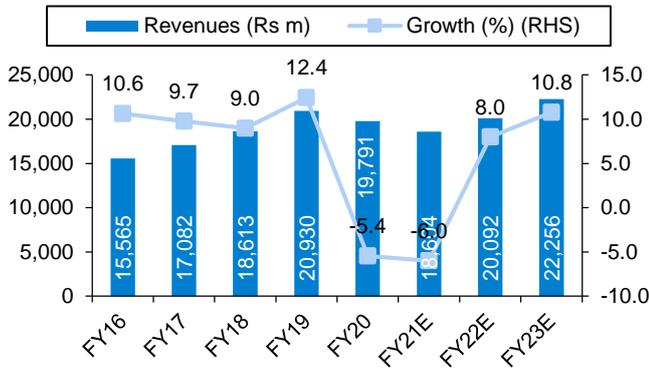


Source: Company, PL

### Healthy financial profile of European business

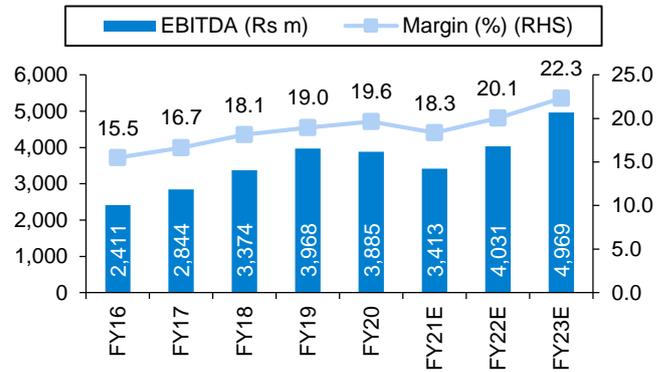
- We expect ENDU's European subsidiaries to record steady revenue CAGR of 4% over FY20-23E on the back of increased business from non-FCA customers such as Daimler and VW group and widening of product offerings beyond casting products.
- Margins in the European business will likely increase further to 22% by FY23 (v/s 20% in FY20), driven by focus on profitable orders and continued rationalization of overall cost control initiatives.
- However, 2HFY21 margins to remain in the range of ~17-17.5% led by product mix impact (higher sales to EV/hybrids). The consolidation of foundry business from two plants to one plant in Italy will lead to a saving of EUR 600,000 per annum, which should partially help offset product mix impact.

Exhibit 35: Europe revenue outperform industry growth



Source: Company, PL

Exhibit 36: Machined components to drive mix/margins



Source: Company, PL

## Suspension- Strong dominance in 2W/3Ws

Suspension accounts for 27.7% of consol revenues (Rs18.7b) with 11% CAGR over FY16-20. ENDU currently accounts for ~1/3<sup>rd</sup> of the market and manufactures both front and rear suspension components. For front suspension it has conventional telescopic forks, upside down forks (USD) for motorcycles while for scooters it has telescopic forks. On the rear suspension side, it manufactures twin shock and mono shock absorbers.

*Gabriel has 60-65% market share with TVS while ENDU has managed a breakthrough with TVS.*

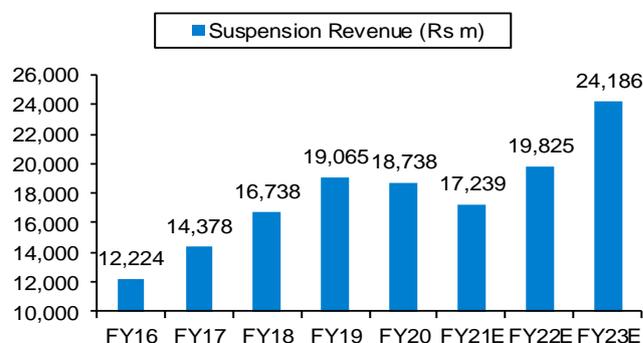
**Aiming to grow beyond Bajaj and Royal Enfield:** Bajaj Auto and RE are the major customers for ENDU in suspension products with wallet share as high as 50-80%. ENDU has aggressively breakthrough with key OEMs like HMSI (wallet share 20%), HMCL (wallet share ~12%) and TVS (very recent foray).

**Exhibit 37: Suspension segment - Key products**

Segment	Products
2W (Entry)	Mono shock absorbers
2W (Moped)	Front fork assemblies
2W (premium)	Inverted forks, gas charged shocks front forks
2W (EV)	Shock absorbers
3W	Hydraulic shock absorbers

Source: Company, PL

**Exhibit 38: Suspension- Expect ~9% CAGR over FY20-23**



Source: Company, PL

*ENDU has ~60% of wallet share with Bajaj followed by Gabriel at ~20%.*

### ENDU and Gabriel fight for wallet share, others have restricted presence:

While ENDU and Gabriel together control ~58% of 2W suspension market, competition from Munjal Showa and Showa India is restricted to HMCL and HMSI only. While they are largest supplier to Northern plants, their presence in western and southern plants is limited, which thereby generates more business for ENDU and Gabriel. We believe any breakthrough orders for Northern plant from HMCL and HMSI can act as huge growth enablers for ENDU, going forward.

**Exhibit 39: Competitive landscape**

Company (S/A)	Revenue (In m)	EBITDA (%)	Key segments	Key customer
Gabriel India	18,699	7.9	2W, PV, CV	TVS, AL
Munjal Showa	12,882	6.2	2W	HMCL
Showa India (FY19)	4,223	8.5	2W, PV, 3W	HMSI

Source: PL

*The growing trend of inverted front forks in premium motorcycles will enable ENDU gain further inroads across with 2W OEMs particularly with KTM*

### Premiumization of motorcycles and scooter transiting to front forks are key content drivers:

Increase in content of suspension segment can be driven by premiumization of motorcycles. We expect premium motorcycle segment to grow at 8-10% CAGR over FY20-24. Inverted or USD forks are currently used in premium motorcycles which have content increase of Rs6k-7.2k per vehicle. Similarly, OEMs are increasingly adopting telescopic forks in scooters which have value content increase of Rs450-500/scooter. There is a huge scope for growth as current penetration of both these technologies are ~2% and ~52% respectively.

## Nascent businesses – an opportunity galore

Nascent businesses of ENDU consist of: Transmission (~7% of sales), brakes (~7% of sales) and aftermarket (~3% of sales) each having huge growth potential. Together these business have grown by ~12% CAGR over FY16-20. We expect another ~20% growth over FY20-23 with share in consol revenue increasing to ~23% (v/s ~17% in FY20).

### Transmission – ENDU has a lion's share in this segment

Transmission segment accounts for 6.6% of consol revenues and has grown at CAGR of 12% over FY16-20 to Rs4.4b. ENDU currently manufactures clutch assemblies, friction plates for 2Ws (from 100-500cc motorcycles and scooters), 3Ws and 4Ws (SCVs and Quadricycles) and CVTs (continues variable transmission) for scooters. Increase in the adoption of paper based clutch friction discs (v/s cork based friction discs) and penetration of CVTs with key OEMs are the main growth drivers for this segment.

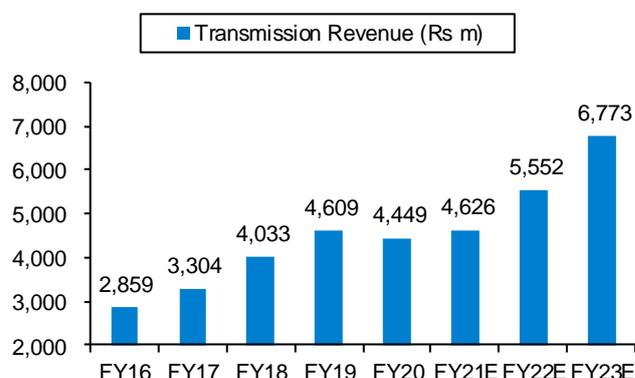
**New customers to drive sales:** Currently ENDU is majorly supplying clutch assemblies and friction plates to Bajaj Auto and RE. It is aggressively pursuing breakthrough with key OEMs like HMSI, HMCL and TVS for clutch assemblies and CVT requirements. ENDU closely competes with FCC clutch (largely 2W focused) and Exedy (having diverse presence in 4W/2W OEMs). New customers can drive sales.

**Exhibit 40: Transmission Segment - Key products**

Segment	Products
2W	Clutch assemblies, CVTs and friction plates
3W	Clutch assemblies and friction plates
4W	Clutch assemblies and friction plates

Source: Company, PL

**Exhibit 41: Transmission- Expect ~15% CAGR over FY20-23**



Source: Company, PL

**Exhibit 42: Competitive landscape - ENDU has a lion's share in transmission**

Company	Revenue (In mn)	EBITDA (In mn)	Key segments	Key customer
Exedy India (FY16)	3,211	91	4W, 3W, 2W	MSIL, BJAUT, HMCL
FCC (FY15)	10,797	1153	2W, 4W	HMSI, HMCL
Endurance (FY20)	69,177	11,308	2W, 3W, 4W	BJAUT, TVS, FCA

Source: PL

**Content increase to drive structural growth:** Increase in content to be led by premiumization of motorcycles & scooters transitioning to paper based clutch friction discs (v/s cork based friction discs) and penetration of CVTs can drive structural growth for the segment.

**Backward integration of import substitute to build competitive strength**

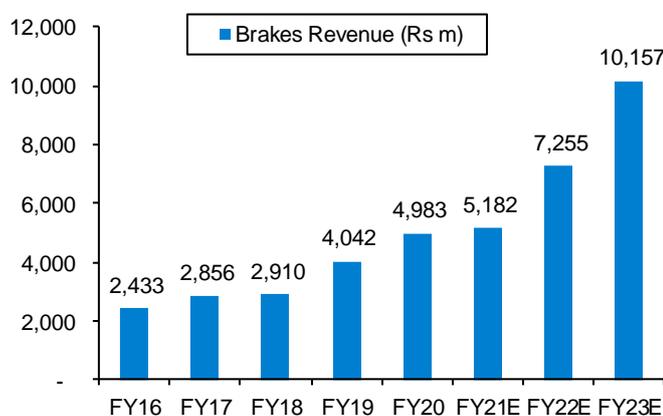
- **Backward integration in to Aluminum forging:** As a part of a backward integration, ENDU is venturing into aluminium forging business to make axle clamps and other forgings required for producing inverted front forks, aimed at replacing imported forgings.
- The company has signed a technical collaboration with FGM in Italy for the same. Going forward, it will also offer its aluminium forged products to OEMs, including EVs and various other high-end applications. The forgings facility in Aurangabad is expected to begin production in April, 2021.

**Brakes – competing along MNCs, ABS foray growth plus**

Brakes is a nascent segment (~7.4% consol revenue contribution) but would add significantly to growth trajectory in the medium to long term. Brakes division has seen strong growth in FY20 on the back of ABS regulations, necessitating a shift to disc brakes. ENDU has expanded manufacturing capacities to cater towards this demand, especially in 2W segment for rotary discs and disc brakes assemblies. ENDU will foray into ABS manufacturing in collaboration with BWI, USA and expects to commence supplies from 4QFY21E.

**Healthy growth in FY20 led by change in regulations:** Brakes segment revenues grew at CAGR of 20.4% over FY16-20. The growth is highly back ended due to change in regulations of ABS/CBS. ABS was made mandatory on 2W with an engine capacity of >125cc from Apr 2019. ABS necessitates a shift to disc brakes, thereby helping ENDU’s revenue growth in this segment. Also, OEMs like BJAUT too are moving to disc brakes even for CBS equipped 2Ws. This would result in content increase of ~Rs1-1.3k per unit.

**Exhibit 43: Brakes- Expect ~27% CAGR over FY20-23**



Source: Company, PL

**Exhibit 44: Key products under the brakes segment – ABS foray by 4QFY21**

Segment	Products
2W	Disc brake assemblies, rotary discs and brake pads ABS foray by 4QFY21 - Bajaj Auto
3W	Drum brake assemblies, Tandem Master Cylinder sub-assemblies, Asbestos free brake shoes

Source: Company, PL

**ENDU is foraying in to ABS and expect supply to begin 4QFY21:** With presence of established players like Bosch and Continental (~75% of the ABS market cumulatively), along with Nissin Brakes (Honda company), ABS market is highly fragmented. Bosch and continental together account for ~3/4<sup>th</sup> of market share with highly localized operations. ENDU is expected to commence with single channel ABS by 4QFY21E, with capacities of 400k assemblies per annum.

**Exhibit 45: Models with double and single channel ABS**

Brand/ Model	Company	Spec	Average monthly sales (units)
Classic 350	RE	Dual channel	33,000
Pulsar 150	BJAUT	Single channel	42000
Apache 160RTR	TVSL	Dual channel	31000
FZ	Yamaha	Single channel	15,000
Xtreme 160	HMCL	Single channel	12000
Hornet 2.0	HMSI	Single channel	400

Source: PL

**Timely capacity additions to ensure growth even going forward:** ENDU has expanded capacities from 185k per month (both front and rear) in FY18 to 275k per month in FY19. Currently, its capacities stand at ~300k per month. Further, its focus on rear disc brakes in addition to front disk brakes should also drive content and growth. Increased orders aimed at brakes assembly for 2W/3W should aid growth.

**Exhibit 46: Competitive landscape - Brake business**

Company	Key segments	Key customers	Market share
Brembo brake India	CBS, ABS, Disc Brakes	All major OEMs	>50% market share in disc brakes
Nissin Brakes India	CBS, ABS	HMSI, Yamaha	~10-12% share in ABS
Chassis Brakes	CBS, Disc	Major 2W OEMS	~8-10% market share
Bosch chassis	ABS	RE, BJAUT	>50% share in ABS
Endurance	CBS, ABS, Disc	BJAUT, RE, Yamaha	ABS foray by 4QFY21, ~20% MS in disc

Source: Industry, PL

**Disc brakes – Brembo and ENDU controls more than 2/3<sup>rd</sup> of share:** Brembo is a market Leader in disc brakes segment with ~50% market share supplying to key OEMs like BJAUT, HMCL and RE. However, ENDU is the second largest player and accounts for ~20% of market share with legacy business BJAUT and RE and recent entry of HMSI and TVS. By way of premiumization of 2Ws, there is significant potential for motorcycle and scooters to move to disc brakes from drum brakes.

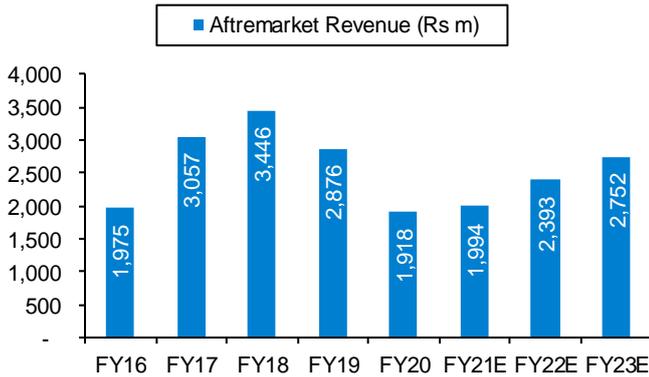
**The second backward integrated product is wire-braided hoses** required for ABS brakes, the production of which will start by end of current fiscal. Transmission segment accounts for 6.6% of consol revenues and has grown at CAGR of 12% over FY16-20 to Rs4.4b. ENDU currently manufactures clutch assemblies, friction plates for 2Ws (from 100-500cc motorcycles and scooters)

### Aftermarket – expanding brand ENDU in B2C segment

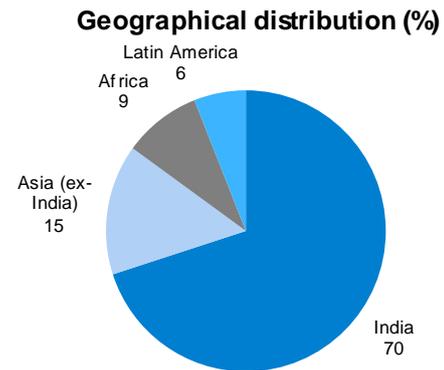
Replacement accounts for ~2.8% of sales, grown at 1.9% CAGR over FY15-20 to Rs1.9b. While the business is small, ENDU aims to grow multifold. ~70% of aftermarket revenues are contributed by domestic markets while overseas account for 30% (Asia 15%, Africa 9% and Latin America 6%) with presence in ~28 countries. We expect exports to grow at CAGR of 35-40% over FY21-23E.

Exhibit 47: Aftermarket- Expect ~13% CAGR over FY20-23

Exhibit 48: India accounts for 70% of aftermarket sales



Source: Company, PL



Source: Company, PL

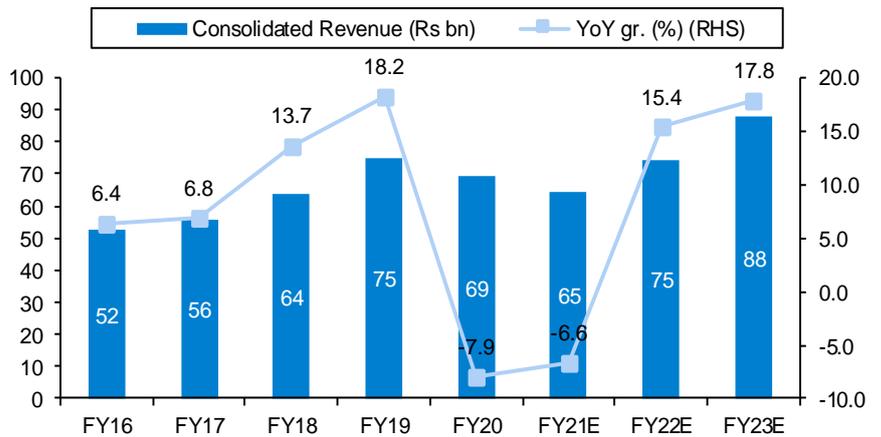
**New product introduction and expanding dealer network to drive domestic sales:** To leverage the brand and to deepen its products penetration, ENDU launched new products in domestic market. At the same time, it will also do trading of 2W and 3W auto components, especially for the components which ENDU does not manufacturing currently. Further it aims to expand India/exports dealers count from 335/40 countries in FY20 with focus to grow in key states like UP, Gujarat, Telangana, Andhra Pradesh, Tamil Nadu and Rajasthan. In FY21 ENDU plans to foray in 3 more countries with at least 35-40 new dealers.

## Financials

### EBIDTA and PAT CAGR of 11.4% and 15.3% in FY20-23E

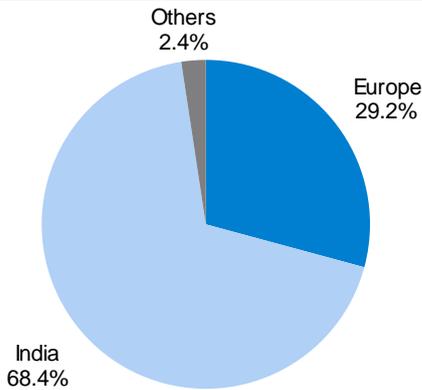
We estimate consolidated revenue/EBITDA/PAT CAGR of 8.3%/11.4%/15.3% over FY20-23 led by margin expansions backed by content increase, backward integration and operating leverage. We estimate ~100bp margins contraction in FY21 but expanding 150bp/100bp in FY22/23. We estimate PAT increase at CAGR of ~15.3%.

Exhibit 49: Consolidated revenue growth to see sharp recovery



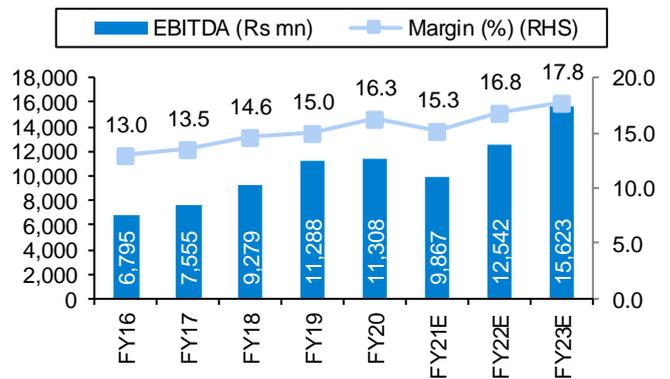
Source: Company, PL

Exhibit 50: FY20 consol revenue break-up



Source: Company, PL

Exhibit 51: EBITDA to grow 11.4% CAGR for FY20-23

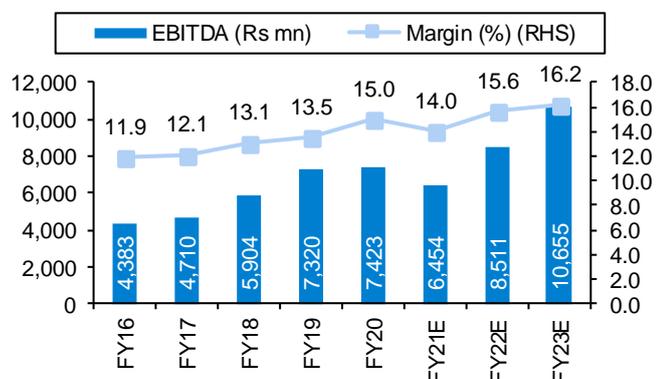


Source: Company, PL

### Margins drivers in place for both the business

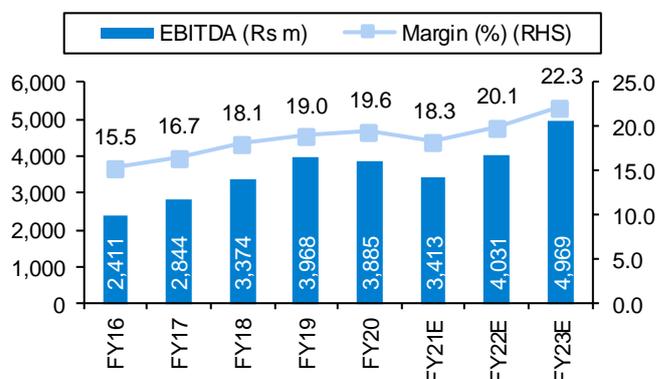
- We expect improvement in ENDU's consolidated margins due to increase in capacity utilization and gradual increase in share of value added products.
- Margins of the India business are expected to improve by ~120bp from FY20 to FY23 (on the back of increasing capacity utilization and higher share of value added business). Margins of the Europe business should also improve by ~270bp from 19.6% to 22.3% over FY20-23 (led by shift towards more complex fully machined castings).
- With a topline growth of 8.3% CAGR over FY20-23 and margin expansion of ~150bp to 17.8% by FY23, we expect a CAGR of 15.3% in consolidated PAT over FY20-23.

Exhibit 52: S/A EBITDA to grow 13% CAGR over FY20-23



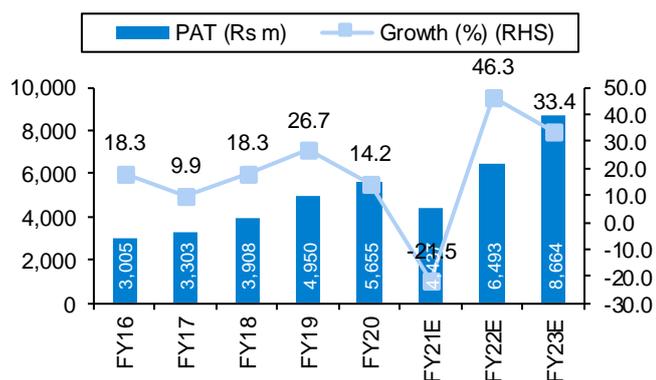
Source: Company, PL

Exhibit 53: Europe EBITDA to grow 8.5% CAGR for FY20-23



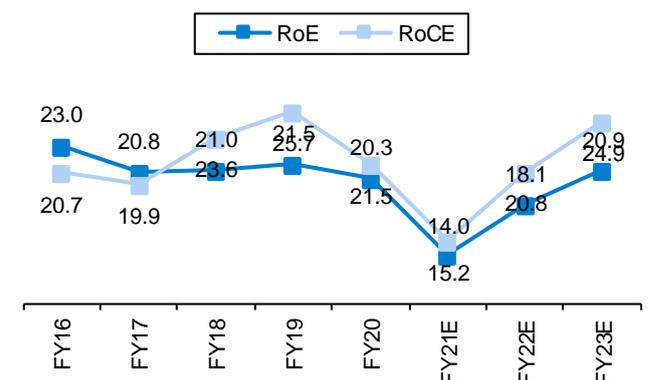
Source: Company, PL

Exhibit 54: Expect PAT CAGR of 15.3% over FY20-23



Source: Company, PL

Exhibit 55: To drive sharp recovery in return profile too



Source: Company, PL

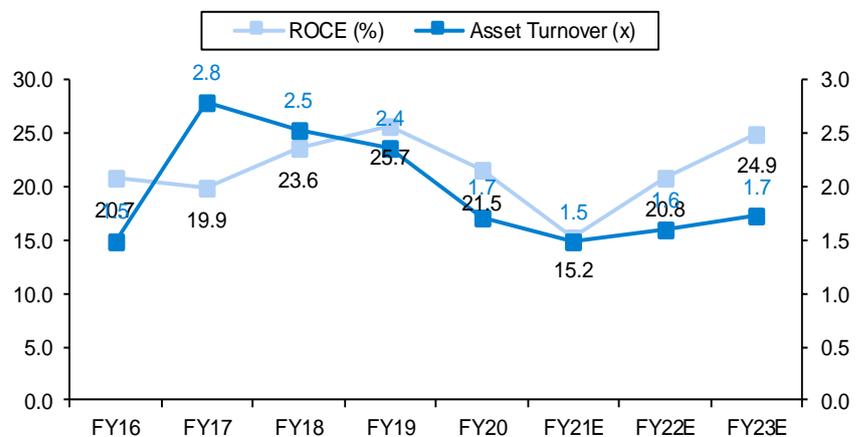
### Value added products to drive 120bps margin expansion over FY20-23:

ENDU's focus will be more on value added and a profitable product mix. These include the 200cc-plus motorcycle brakes and clutch assemblies, paper-based clutch assemblies for motorcycles, continuous variable transmissions or automatic clutches for scooters, anti-lock brake system for 150cc-plus motorcycles, inverted front forks and adjustable rear mono shock absorbers for 200cc-plus motorcycles,

front forks and shock absorbers for electric two-wheelers and three-wheelers and fully-finished machined castings for two, three and four-wheelers.

**Lower capex, higher margins to boost ROCE by 340bps to 24.9%:** ENDU's capex intensity is likely to taper off, as the bulk of its capex is front loaded. The company's India business is operating at a capacity utilization of ~70%, while European business has ~80% capacity utilization. We expect a significant improvement in ENDU's return ratios (up ~340bp to 24.9%), as its domestic business mix shifts in favor of the proprietary business, and its European business benefits from increased scale of operations and slight improvement in margins and asset turns.

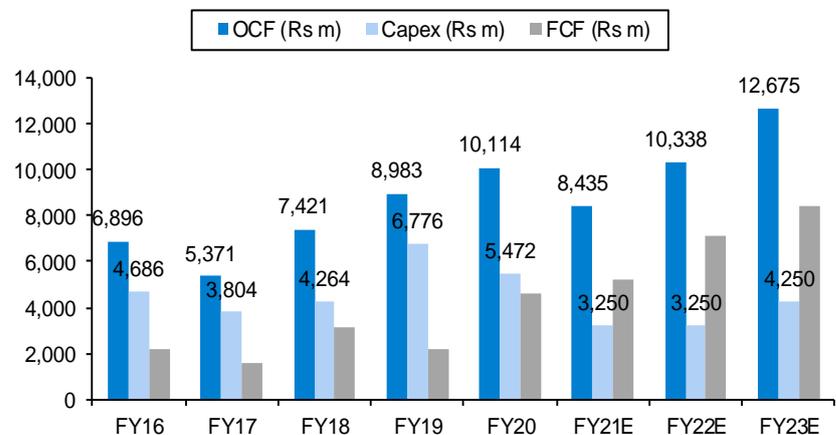
**Exhibit 56: Reducing capex and improving asset turns to drive return profile...**



Source: Company, PL

**Strong FCF generation with reduced capex intensity:** We expect ENDU to generate a CFO of INR31.4b over FY21-23 aided mainly by its strong working capital management despite increasing scale of operations. Given its reducing capex intensity, ENDU's FCF generation is likely to remain strong for FY21-23E at Rs20.7b (v/s Rs10b in FY18-20).

**Exhibit 57: Healthy FCF generation with reduced capex intensity**



Source: Company, PL

## Valuations: Earning upcycle, better RoCE to drive re-rating

ENDU trades at ~20.1x FY23e earnings. We believe the stock is attractive, considering- (i) expected growth outperformance in medium-to-long term led by deeper client-penetration levels, (ii) significant market penetration opportunities with new products/technologies such as ABS and (iii) new order wins in EV/hybrid segment in Europe. We initiate coverage on ENDU with a BUY rating and value the stock at 24x FY23e earnings to arrive at a target price of INR1,478.

### Overall low business risk v/s domestic and global peers

~65% of ENDU' EBITDA comes from India (mostly standalone) and the rest from global businesses; both driven by supplies to 2W (India) and PV (Europe) OEMs. India business operates at ~20% RoE and is a leading player in the domestic 2W suspension and die-casting business. In the global businesses, ENDU operates at ~21.5% RoCE (vs 8-10% for SMP). With benefit of a powertrain-agnostic product portfolio and scope to diversify into higher-growth/RoCE areas, ENDU is well-placed compared to peers.

### ENDU is our preferred pick among ancillaries

Due to ENDU's ability to grow earnings by ~18.4% CAGR for a decade (FY11-20) and maintaining net debt/equity below 0.1x and pre-tax RoCE of ~22% on average over last five years, the company is a good compounding play. Within the large/mid-cap auto ancillary space, we prefer ENDU (BUY Rs1478) given superior upside potential.

Exhibit 58: Domestic peer's comparison

	Sales growth (%)			PAT growth (%)			ROE (%)			P/E (x)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
ENDU	-6.6	15.4	17.8	-21.5	46.3	33.4	14.0	18.1	20.9	39.3	26.9	20.1
MSS	-1.7	17.8	11.5	-28.2	141.5	28.1	7.1	15.9	18.1	57.9	24.0	18.7
BHFC	-13.0	32.5	14.6	-41.7	293.4	24.7	4.5	16.4	17.7	102.4	26.0	20.9
Bosch	-6.3	18.8	8.1	-27.0	53.7	12.3	9.9	14.3	16.3	45.4	26.9	23.6
Minda Ind	-5.2	31.3	14.8	-21.5	183.4	30.8	5.6	14.1	16.1	95.6	33.6	25.7
Gabriel (S/A)	-23.4	23.9	NA	-42.6	74.4	NA	7.1	11.5	NA	29.9	17.2	NA
Varroc	-6.3	22.5	14.9	NM	NM	91.7	-7.5	8.0	13.6	NA	20.9	11.1
Lumax	-17.6	23.4	18.7	-75.9	286.0	41.2	3.8	13.9	17.4	75.5	19.4	13.7
Suprajit	-5.1	19.0	12.6	-19.2	54.6	20.9	11.8	16.2	17.2	25.5	16.4	13.4

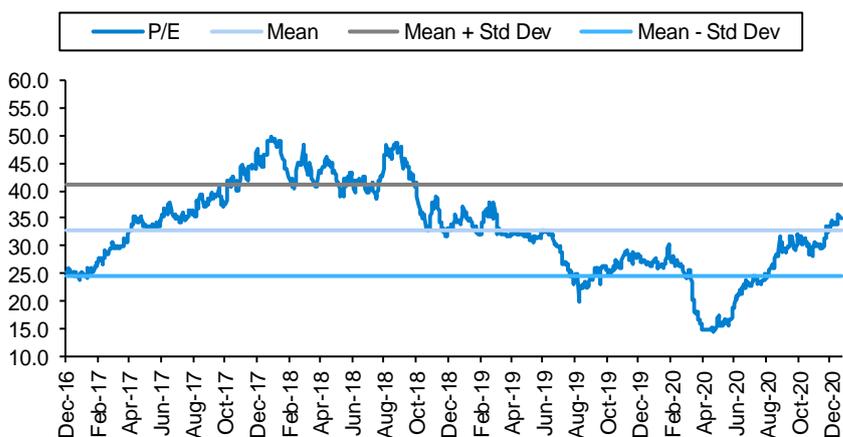
Source: PL, Bloomberg

**Exhibit 59: Global peer comparison**

	Sales growth (%)			PAT growth (%)			ROE (%)			P/E (x)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
ENDU	-6.6	15.4	17.8	-21.5	46.3	33.4	14.0	18.1	20.9	39.3	26.9	20.1
Exedy Corp	-13.5	14.4	6.5	-65.9	201.1	9.3	1.5	3.7	4.3	19.5	6.5	5.9
Brembo SPA*	-9.5	11.6	6.3	-43.7	49.8	19.8	8.9	11.7	13.2	29.0	19.4	16.1
CIE Automotive*	-21.0	17.4	8.9	-45.3	46.4	20.1	19.1	23.2	23.8	17.2	11.8	9.7
Mando corp*	-3.2	15.9	5.5	NM	NM	0.2	-0.5	12.1	12.6	NM	14.3	12.4
Borg warner*	-5.3	45.7	9.4	-39.6	73.5	22.6	9.3	15.6	17.2	16.3	10.4	8.4

Source: PL, Bloomberg

\*CY20/21/22

**Exhibit 60: Despite valuation rise, ENDU still at discount to historical band**


Source: PL, Bloomberg

**Exhibit 61: Board of Directors and Key Managerial Personnel**

Name	Designation
Anurag Jain	Managing Director
Satrajit Ray	Director and Group CFO
Ramesh Gehaney	Director and CEO

**Non-Executive Directors**

Naresh Chandra	Chairman
Partha Datta	Independent Director
Soumendra Basu	Independent Director
Roberto Testore	Independent Director
Anjali Seth	Independent Director
Falguni Nayar	Independent Director
Massimo Venuti	Non-Executive Director

**Key Managerial Personnel**

Sunil Lalai	CS and Executive VP- Legal
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Source: Company

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>69,177</b>	<b>64,602</b>	<b>74,534</b>	<b>87,836</b>
YoY gr. (%)	(7.9)	(6.6)	15.4	17.8
Cost of Goods Sold	37,352	34,755	40,554	48,232
Gross Profit	31,825	29,847	33,980	39,603
Margin (%)	46.0	46.2	45.6	45.1
Employee Cost	6,773	7,323	7,813	8,277
Other Expenses	13,744	12,657	13,625	15,703
<b>EBITDA</b>	<b>11,308</b>	<b>9,867</b>	<b>12,542</b>	<b>15,623</b>
YoY gr. (%)	0.2	(12.7)	27.1	24.6
Margin (%)	16.3	15.3	16.8	17.8
Depreciation and Amortization	4,143	4,353	4,400	4,666
<b>EBIT</b>	<b>7,165</b>	<b>5,514</b>	<b>8,141</b>	<b>10,957</b>
Margin (%)	10.4	8.5	10.9	12.5
Net Interest	175	115	66	48
Other Income	476	499	559	620
<b>Profit Before Tax</b>	<b>7,465</b>	<b>5,898</b>	<b>8,635</b>	<b>11,529</b>
Margin (%)	10.8	9.1	11.6	13.1
Total Tax	1,810	1,461	2,142	2,865
Effective tax rate (%)	24.2	24.8	24.8	24.9
<b>Profit after tax</b>	<b>5,655</b>	<b>4,437</b>	<b>6,493</b>	<b>8,664</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>5,655</b>	<b>4,437</b>	<b>6,493</b>	<b>8,664</b>
YoY gr. (%)	11.1	(21.5)	46.3	33.4
Margin (%)	8.2	6.9	8.7	9.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>5,655</b>	<b>4,437</b>	<b>6,493</b>	<b>8,664</b>
YoY gr. (%)	14.2	(21.5)	46.3	33.4
Margin (%)	8.2	6.9	8.7	9.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,655	4,437	6,493	8,664
<b>Equity Shares O/s (m)</b>	<b>141</b>	<b>141</b>	<b>141</b>	<b>141</b>
<b>EPS (Rs)</b>	<b>40.2</b>	<b>31.5</b>	<b>46.2</b>	<b>61.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>40,338</b>	<b>43,588</b>	<b>46,838</b>	<b>51,088</b>
Tangibles	40,338	43,588	46,838	51,088
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>15,899</b>	<b>20,252</b>	<b>24,652</b>	<b>29,318</b>
Tangibles	15,899	20,252	24,652	29,318
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>24,439</b>	<b>23,336</b>	<b>22,185</b>	<b>21,770</b>
Tangibles	24,439	23,336	22,185	21,770
Intangibles	-	-	-	-
Capital Work In Progress	1,260	1,260	1,260	1,260
Goodwill	1,624	1,624	1,624	1,624
Non-Current Investments	-	-	-	-
Net Deferred tax assets	(79)	(79)	(79)	(79)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	1,660	1,826	2,009	2,210
Inventories	5,501	5,137	5,927	6,985
Trade receivables	6,727	6,282	7,248	8,542
Cash & Bank Balance	6,209	8,499	13,774	19,405
Other Current Assets	-	-	-	-
<b>Total Assets</b>	<b>50,699</b>	<b>51,025</b>	<b>57,560</b>	<b>65,957</b>
<b>Equity</b>				
Equity Share Capital	1,407	1,407	1,407	1,407
Other Equity	28,654	31,982	36,851	43,349
<b>Total Networth</b>	<b>30,060</b>	<b>33,388</b>	<b>38,258</b>	<b>44,756</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	5,482	3,478	2,978	1,978
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10,662	9,957	11,488	13,538
Other current liabilities	4,416	4,124	4,758	5,607
<b>Total Equity &amp; Liabilities</b>	<b>50,699</b>	<b>51,025</b>	<b>57,560</b>	<b>65,957</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	7,465	5,898	8,635	11,529
Add. Depreciation	4,143	4,353	4,400	4,666
Add. Interest	169	(384)	(493)	(572)
Less Financial Other Income	476	499	559	620
Add. Other	54	-	-	-
Op. profit before WC changes	11,832	9,867	12,542	15,623
Net Changes-WC	538	28	(62)	(82)
Direct tax	(2,256)	(1,461)	(2,142)	(2,865)
<b>Net cash from Op. activities</b>	<b>10,114</b>	<b>8,435</b>	<b>10,338</b>	<b>12,675</b>
Capital expenditures	(5,472)	(3,250)	(3,250)	(4,250)
Interest / Dividend Income	8	-	-	-
Others	(1,243)	333	377	419
<b>Net Cash from Invt. activities</b>	<b>(6,706)</b>	<b>(2,917)</b>	<b>(2,873)</b>	<b>(3,831)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	187	(2,004)	(500)	(1,000)
Dividend paid	(1,865)	(1,109)	(1,623)	(2,166)
Interest paid	(169)	(115)	(66)	(48)
Others	(730)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(2,576)</b>	<b>(3,228)</b>	<b>(2,189)</b>	<b>(3,214)</b>
<b>Net change in cash</b>	<b>832</b>	<b>2,289</b>	<b>5,276</b>	<b>5,631</b>
Free Cash Flow	4,642	5,185	7,088	8,425

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	40.2	31.5	46.2	61.6
CEPS	69.7	62.5	77.4	94.8
BVPS	213.7	237.4	272.0	318.2
FCF	33.0	36.9	50.4	59.9
DPS	5.5	7.9	11.5	15.4
<b>Return Ratio(%)</b>				
RoCE	21.5	15.2	20.8	24.9
ROIC	22.1	16.1	24.9	36.1
RoE	20.3	14.0	18.1	20.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.3)	(0.4)
Net Working Capital (Days)	8	8	8	8
<b>Valuation(x)</b>				
PER	30.9	39.3	26.9	20.1
P/B	5.8	5.2	4.6	3.9
P/CEPS	17.8	19.9	16.0	13.1
EV/EBITDA	15.2	17.0	12.9	9.9
EV/Sales	2.5	2.6	2.2	1.8
Dividend Yield (%)	0.4	0.6	0.9	1.2

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
<b>Net Revenue</b>	<b>16,405</b>	<b>15,968</b>	<b>6,031</b>	<b>17,713</b>
YoY gr. (%)	(9.5)	(16.0)	(68.4)	-
Raw Material Expenses	8,765	8,664	2,889	9,570
Gross Profit	7,640	7,303	3,142	8,142
Margin (%)	46.6	45.7	52.1	46.0
<b>EBITDA</b>	<b>2,605</b>	<b>2,379</b>	<b>427</b>	<b>2,911</b>
YoY gr. (%)	3.0	(26.7)	(87.5)	-
Margin (%)	15.9	14.9	7.1	16.4
Depreciation / Depletion	1,000	1,230	855	986
<b>EBIT</b>	<b>1,605</b>	<b>1,149</b>	<b>(428)</b>	<b>1,925</b>
Margin (%)	9.8	7.2	(7.1)	10.9
Net Interest	43	26	42	49
Other Income	119	175	109	114
<b>Profit before Tax</b>	<b>1,681</b>	<b>1,298</b>	<b>(361)</b>	<b>1,991</b>
Margin (%)	10.2	8.1	(6.0)	11.2
Total Tax	441	229	(112)	300
Effective tax rate (%)	26.2	17.7	31.0	15.0
<b>Profit after Tax</b>	<b>1,240</b>	<b>1,069</b>	<b>(249)</b>	<b>1,691</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,240</b>	<b>1,069</b>	<b>(249)</b>	<b>1,691</b>
YoY gr. (%)	11.9	(28.1)	(115.0)	-
Margin (%)	7.6	6.7	(4.1)	9.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,240</b>	<b>1,069</b>	<b>(249)</b>	<b>1,691</b>
YoY gr. (%)	28.5	(28.1)	(115.0)	-
Margin (%)	7.6	6.7	(4.1)	9.5
<b>Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>1,240</b>	<b>1,069</b>	<b>(249)</b>	<b>1,691</b>
<b>Avg. Shares O/s (m)</b>	<b>141</b>	<b>141</b>	<b>141</b>	<b>141</b>
<b>EPS (Rs)</b>	<b>8.8</b>	<b>7.6</b>	<b>(1.8)</b>	<b>12.0</b>

Source: Company Data, PL Research

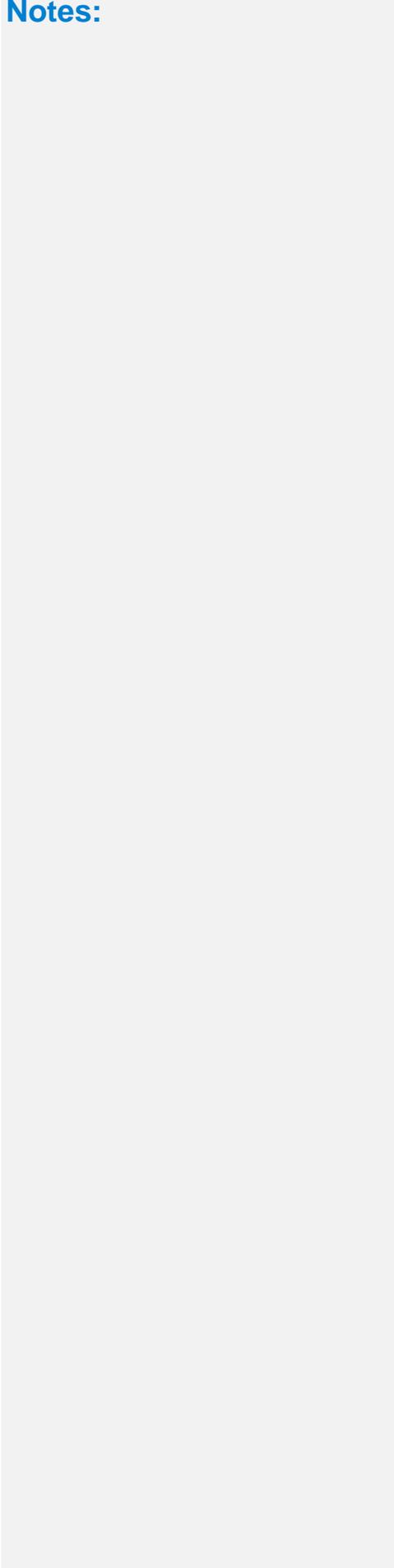


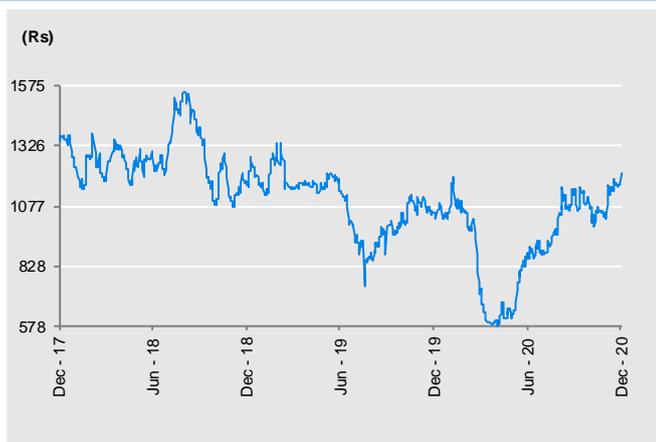
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**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
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**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	100	84
2	Bajaj Auto	Hold	3,108	3,006
3	Bharat Forge	Hold	439	500
4	CEAT	Accumulate	1,223	1,148
5	Eicher Motors	Accumulate	2,598	2,346
6	Exide Industries	BUY	234	194
7	Hero Motocorp	Accumulate	3,282	2,894
8	Mahindra & Mahindra	BUY	826	729
9	Maruti Suzuki	BUY	7,642	7,118
10	Motherson Sumi Systems	BUY	165	140
11	Tata Motors	Hold	146	136
12	TVS Motors	Sell	386	422

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<b>Buy</b>	: >15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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