

# Retail Equity Research

## Endurance Technologies Limited

Auto Ancillary

BSE CODE: 540153

NSE CODE: ENDURANCE

Bloomberg CODE: ENDU:IN

SENSEX: 65,252

**Accumulate**

12 Months Investment Period Rating as per Mid Cap  
CMP Rs. 1,652 TARGET Rs. 1,872 RETURN 13% ↑  
(Closing: 24-08-23)

KEY CHANGES:

TARGET ↑

RATING ↓

EARNINGS ↑

### Key order wins bolster outlook

Endurance Technologies Ltd. is one of India's leading automotive component manufacturers, with operations in the country and Europe. It mainly caters to domestic two- and three-wheeler OEMs and supplies aluminium casting products to four-wheeler OEMs in Europe.

- The company's consolidated revenue grew 15.9% YoY to Rs. 2,450cr in Q1FY24, thanks to increased domestic vehicle sales and new-car registrations in Europe.
- EBITDA increased 38.2% YoY to Rs. 338cr, and margin expanded 220 bps YoY to 13.8%.
- A robust order pipeline, new business wins, a strong technical alliance with Maxwell in the electric vehicle market, softening material costs, and continued capacity expansion should drive the company's earnings performance in the future. Some of the new business wins are expected to start contributing to revenue growth in the near term. Hence, we recommend Accumulate rating on the stock with a target price of Rs. 1,872 based on a multiple of 27x FY25E adjusted earnings per share.

### Domestic and EU markets drove topline growth

In Q1FY24, Endurance reported a 15.9% YoY increase in revenue to Rs. 2,450cr, led by solid sales from the Indian (~75% of sales) and European segments. Revenue from Indian operations rose 13.3% YoY to Rs. 1,836cr, higher than the 2.7% YoY increase in domestic industry sales volume. The European segment experienced a significant 22.4% YoY increase (in INR terms) to Rs. 615cr, and new-car registrations rose 17.9%. A few new business wins, including the TVS suspension business (Rs. 40.4cr), the Royal Enfield Alloy Wheel business (Rs. 39.5cr), the Hero Electric suspension business (Rs. 48.9cr), and the CBS brake business from Okinawa (Rs. 27.3cr) are expected to boost revenue in FY24. Additionally, the company anticipates that its cumulative orders should contribute to peak sales in FY25 and FY26.

### Reduced material costs to improve margin

EBITDA stood at Rs. 338cr (up 38.2% YoY) in Q1FY24, and margin expanded 220 bps YoY to 13.8%. Management has highlighted that the price of raw materials such as aluminium alloy has been on a downtrend since July. As a result, the margin is expected to improve from Q2FY24 onwards. Adjusted PAT rose 58.1% YoY to Rs. 164cr.

### Key concall highlights

- In Q1FY24, Endurance raised its stake in Maxwell Energy Systems Private Limited (Maxwell) to 56% from 51% for ~Rs. 7cr and plans to increase it to 100% in the next four years. Maxwell received new orders for battery management systems (BMS) worth Rs. 129cr in FY23 and Rs. 60cr so far in FY24.
- The company has won about Rs. 3,194cr of business in India since FY20. About 76% of this is new business, and the remaining is replacement business. The company expects sales to reach their peak in FY25 and FY26, thanks in large part to orders for castings, suspensions, and brake assemblies.
- The company has won new orders totalling Rs. 307cr from OEMs other than Bajaj Auto in India, so far in FY24.

### Valuation

Endurance reported a healthy performance in Q1FY24. A robust order pipeline, new business wins, continued capacity expansion and a technical alliance with Maxwell in the EV space remain key growth drivers for the company in the future. Further, management expects certain new business wins to start generating revenue and supporting its expansion in FY24. Therefore, we recommend Accumulate rating on the stock with a revised target price of Rs. 1,872 based on a target multiple of 27x FY25E adjusted EPS.

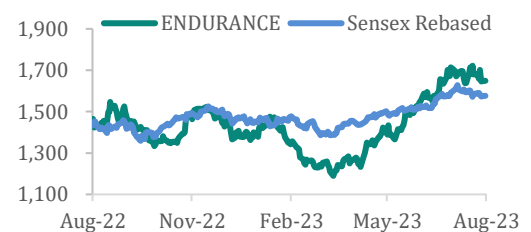
### Company Data

Market Cap (cr)	Rs. 23,123
Enterprise Value (cr)	Rs. 22,778
Outstanding Shares (cr)	14.1
Free Float	25.0%
Dividend Yield	0.4%
52-week High	Rs. 1,749
52-week Low	Rs. 1,172
6m Average Volume	4,606
Beta	0.3
Face Value	Rs. 10

Shareholding %	Q3FY23	Q4FY23	Q1FY24
Promoters	75.0	75.0	75.0
FII's	7.7	7.7	7.3
MFs/Insti	15.5	15.5	15.9
Public	1.8	1.7	1.7
Others	0.1	0.1	0.1
Total	100.0	100.0	100.0
Promoters' Pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	15.6%	19.0%	9.6%
Absolute Sensex	5.8%	6.9%	9.5%
Relative Return*	9.8%	12.2%	0.1%

\*Over- or under-performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	8,804	10,402	11,988
Growth (%)	16.6	18.2	15.3
EBITDA	1,082	1,470	1,799
EBITDA Margin (%)	12.3	14.1	15.0
Adj. PAT	490	750	975
Growth (%)	(0.5)	53.1	30.0
Adj. EPS	34.8	53.3	69.3
Growth (%)	(0.5)	53.1	30.0
P/E	46.1	30.1	23.2
P/B	5.1	4.5	3.8
EV/EBITDA	21.2	15.5	12.5
ROE (%)	10.9	14.9	16.6
D/E	0.1	0.1	0.1

## Quarterly Financials (Consolidated)

### Profit & Loss Account

	Q1FY24	Q1FY23	YoY Growth %	Q4FY23	QoQ Growth %
Revenue	2,450	2,114	15.9	2,234	9.7
<b>EBITDA</b>	<b>338</b>	<b>244</b>	<b>38.2</b>	<b>306</b>	<b>10.3</b>
EBITDA margins	13.8	11.6	220bps	13.7	10bps
Depreciation	113	99	13.9	122	(7.1)
<b>EBIT</b>	<b>225</b>	<b>145</b>	<b>54.8</b>	<b>185</b>	<b>21.8</b>
Interest	9	2	369.8	8	12.9
Other Income	(0)	-	n.m.	(0)	91.3
Exceptional Items	-	-	-	-	-
Share of profit from Associate	-	(10)	n.m.	-	-
<b>PBT</b>	<b>216</b>	<b>133</b>	<b>62.2</b>	<b>177</b>	<b>22.2</b>
Tax	52	30	76.4	40	30.3
<b>Reported PAT</b>	<b>164</b>	<b>103</b>	<b>58.1</b>	<b>136</b>	<b>19.8</b>
Minority Interest	-	-	-	-	-
<b>PAT att. to shareholders</b>	<b>164</b>	<b>103</b>	<b>58.1</b>	<b>136</b>	<b>19.8</b>
Adjustments	-	-	-	-	-
<b>Adj. PAT</b>	<b>164</b>	<b>103</b>	<b>58.1</b>	<b>136</b>	<b>19.8</b>
No. of shares	14.1	14.1	-	14.1	-
<b>Adj. EPS (Rs.)</b>	<b>11.6</b>	<b>7.3</b>	<b>58.1</b>	<b>9.7</b>	<b>19.8</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	10,389	11,947	10,402	11,988	0.1	0.3
EBITDA	1,385	1,660	1,470	1,799	6.1	8.4
Margins (%)	13.3	13.9	14.1	15.0	80bps	112bps
Adj. PAT	721	910	750	975	4.0	7.1
Adj. EPS	51.3	64.7	53.3	69.3	4.0	7.1

## PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Revenue</b>	<b>6,547</b>	<b>7,549</b>	<b>8,804</b>	<b>10,402</b>	<b>11,988</b>
% change	(5.4)	15.3	16.6	18.2	15.3
<b>EBITDA</b>	<b>1,071</b>	<b>1,006</b>	<b>1,082</b>	<b>1,470</b>	<b>1,799</b>
% change	(9.1)	(6.1)	7.6	35.9	22.4
Depreciation	399	382	422	450	480
<b>EBIT</b>	<b>672</b>	<b>624</b>	<b>660</b>	<b>1,019</b>	<b>1,319</b>
Interest	14	6	21	20	19
Other Income	(11)	(31)	(10)	0	(0)
<b>PBT</b>	<b>647</b>	<b>586</b>	<b>629</b>	<b>1,000</b>	<b>1,300</b>
% change	(13.4)	(9.4)	7.4	58.9	30.0
Tax	127	125	150	250	325
Tax Rate (%)	19.7	21.4	23.8	25.0	25.0
<b>Reported PAT</b>	<b>520</b>	<b>461</b>	<b>480</b>	<b>750</b>	<b>975</b>
<b>PAT att. to common shareholders</b>	<b>520</b>	<b>461</b>	<b>480</b>	<b>750</b>	<b>975</b>
Adj*	11	31	10	-	-
<b>Adj PAT</b>	<b>531</b>	<b>492</b>	<b>490</b>	<b>750</b>	<b>975</b>
% change	(6.1)	(7.3)	(0.5)	53.1	30.0
No. of shares (cr)	14.1	14.1	14.1	14.1	14.1
<b>Adj EPS (Rs.)</b>	<b>37.7</b>	<b>35.0</b>	<b>34.8</b>	<b>53.3</b>	<b>69.3</b>
% change	(6.1)	(7.3)	(0.5)	53.1	30.0
DPS (Rs.)	6.0	6.8	7.0	7.3	7.5

## CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Net inc. + Depn.</b>	<b>919</b>	<b>842</b>	<b>901</b>	<b>1,200</b>	<b>1,455</b>
Non-cash adj.	(80)	(49)	61	(35)	(7)
Changes in W.C	(217)	(52)	(100)	(211)	(201)
<b>C.F. Operation</b>	<b>621</b>	<b>742</b>	<b>862</b>	<b>954</b>	<b>1,247</b>
Capital exp.	(311)	(520)	(622)	(676)	(719)
Change in inv.	(282)	(32)	(295)	(47)	(47)
Other invest.CF	3	0	2	2	2
<b>C.F - Investment</b>	<b>(591)</b>	<b>(551)</b>	<b>(915)</b>	<b>(721)</b>	<b>(765)</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	(92)	(184)	28	(40)	(50)
Dividends paid	(0)	(84)	(88)	(102)	(106)
Other finance.CF	(51)	(34)	(12)	(4)	(4)
<b>C.F - Finance</b>	<b>(143)</b>	<b>(302)</b>	<b>(72)</b>	<b>(146)</b>	<b>(160)</b>
Chg. in cash	(112)	(112)	(125)	87	323
Closing cash	513	403	288	374	697

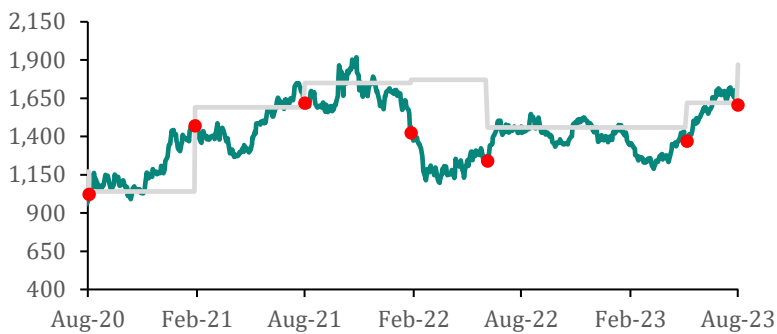
## BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	513	403	288	374	697
Accounts Receivable	1,041	970	1,162	1,404	1,654
Inventories	612	701	821	1,001	1,283
Other Cur. Assets	738	775	922	935	950
Investments	1	1	25	72	120
Gross Fixed Assets	4,277	4,646	5,182	5,858	6,577
Net Fixed Assets	2,351	2,456	2,635	2,857	3,093
CWIP	93	119	168	172	175
Intangible Assets	255	259	511	491	473
Def. Tax (Net)	60	75	72	65	58
Other Assets	83	98	199	209	219
<b>Total Assets</b>	<b>5,748</b>	<b>5,858</b>	<b>6,802</b>	<b>7,581</b>	<b>8,721</b>
Current Liabilities	1,486	1,452	1,726	1,931	2,279
Provisions	73	59	65	52	46
Debt Funds	626	426	600	560	510
Other Liabilities	1	1	1	1	2
Equity Capital	141	141	141	141	141
Reserves & Surplus	3,421	3,779	4,271	4,897	5,743
Shareholder's Fund	3,562	3,920	4,412	5,037	5,884
Minority Interest	0	-	-	-	-
<b>Total Liabilities</b>	<b>5,748</b>	<b>5,858</b>	<b>6,802</b>	<b>7,581</b>	<b>8,721</b>
<b>BVPS (Rs.)</b>	<b>253</b>	<b>279</b>	<b>314</b>	<b>358</b>	<b>418</b>

## RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	16.4	13.3	12.3	14.1	15.0
EBIT margin (%)	10.3	8.3	7.5	9.8	11.0
Net profit mgn.(%)	7.9	6.1	5.4	7.2	8.1
ROE (%)	14.6	11.8	10.9	14.9	16.6
ROCE (%)	16.0	14.4	13.2	18.2	20.6
<b>W.C &amp; Liquidity</b>					
Receivables (days)	58.0	46.9	48.2	49.3	50.4
Inventory (days)	62.5	57.9	56.2	60.2	64.6
Payables (days)	130.7	102.5	97.6	98.5	99.1
Current ratio (x)	1.7	1.7	1.7	1.7	1.8
Quick ratio (x)	1.2	1.1	1.1	1.1	1.2
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	0.9	0.9	1.0	1.1	1.2
Total asset T.O (x)	1.2	1.3	1.4	1.4	1.5
Int. coverage ratio (x)	48.8	98.2	32.1	52.1	71.0
Adj. debt/equity (x)	0.2	0.1	0.1	0.1	0.1
<b>Valuation</b>					
EV/Sales (x)	3.5	2.0	2.6	2.2	1.9
EV/EBITDA (x)	21.3	15.4	21.2	15.5	12.5
P/E (x)	42.7	31.3	46.1	30.1	23.2
P/BV (x)	6.4	3.9	5.1	4.5	3.8

## Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
12-Feb-20	HOLD	1,170
18-Aug-20	HOLD	1,040
12-Feb-21	HOLD	1,590
16-Aug-21	BUY	1,750
11-Feb-22	BUY	1,770
24-Aug-23	Accumulate	1,872

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.

**Accumulate:** Partial buying or to accumulate as CMP dips in the future.

**Hold:** Hold the stock with the expected target mentioned in the note.

**Reduce:** Reduce your exposure to the stock due to limited upside.

**Sell:** Exit from the stock.

**Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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