

August 15, 2024

Q1FY25 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		HOLD	
Target Price	2,696		2,664	
Sales (Rs. m)	1,23,508	1,50,846	1,22,995	1,48,185
% Chng.	0.4	1.8		
EBITDA (Rs. m)	17,288	22,191	17,349	21,957
% Chng.	(0.4)	1.1		
EPS (Rs.)	67.8	93.0	68.4	91.8
% Chng.	(0.9)	1.2		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	88,040	1,02,409	1,23,508	1,50,846
EBITDA (Rs. m)	10,363	13,280	17,288	22,191
Margin (%)	11.8	13.0	14.0	14.7
PAT (Rs. m)	4,874	6,805	9,538	13,079
EPS (Rs.)	34.7	48.4	67.8	93.0
Gr. (%)	0.4	39.6	40.2	37.1
DPS (Rs.)	6.0	8.5	12.0	16.0
Yield (%)	0.2	0.3	0.5	0.6
RoE (%)	11.7	14.5	17.8	20.7
RoCE (%)	13.3	16.0	19.7	23.4
EV/Sales (x)	3.9	3.4	2.8	2.2
EV/EBITDA (x)	33.2	25.9	19.7	15.0
PE (x)	71.5	51.2	36.5	26.7
P/BV (x)	7.9	7.0	6.0	5.1

Key Data

ENDU.BO | ENDU IN

52-W High / Low	Rs.3,061 / Rs.1,525
Sensex / Nifty	79,106 / 24,144
Market Cap	Rs.349bn/ \$ 4,152m
Shares Outstanding	141m
3M Avg. Daily Value	Rs.456.34m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	7.79
Domestic Institution	15.44
Public & Others	1.77
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.9)	36.4	50.2
Relative	(3.2)	23.8	24.2

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Endurance Technologies (ENDU IN)

Rating: ACCUMULATE | CMP: Rs2,478 | TP: Rs2,696

Healthy order book to drive growth

Quick Pointers:

- Healthy orders across product portfolio
- Targeting strong growth in aftermarket business with exports to ~37 countries

We increase our estimates by 1-2% over the forecast period and upgrade our rating from "HOLD" to "ACCUMULATE" given the recent correction in stock price. ENDU's consolidated revenue for Q1FY25 grew by 15.3% YoY, in line with consensus estimates, but marginally lower than PLe. EBITDA grew by 16.4% YoY, while margin remained flat at 13.2%, mainly due to higher other expenses in proportion to sales. Subdued performance on the operational front was offset by 2x growth in other income, which led PAT to increase by 24.7% over last year. With a healthy order book, RFQs across business divisions and diversification, the management remains optimistic on its growth prospects.

ENDU shall witness steady growth on the back of 1) a healthy order book with addition of new customers, 2) volume and revenue growth led by double-digit growth in 2W industry, 3) focus on increasing sales of after-market products, 4) expansion of its product portfolio, especially in premium segment, which could result in diversification benefits. Factoring this, we estimate its revenue/EBITDA/EPS to grow at a CAGR of 21%/29%/39% over FY24-26E and assign 'ACCUMULATE' with a TP of Rs2,696 (earlier Rs2,664), valuing it at 29x on its FY26E EPS.

Standalone revenue driven by healthy growth in 2W industry: Its Q1FY25 standalone revenue increased by 16.2% YoY to Rs21.2bn (including the incentive of Rs228mn for Maharashtra state mega project). In terms of products, Suspension revenue increased by 25.2% YoY to Rs7.4bn, Disc Brake grew by 23.4% YoY to Rs3.2bn, Die Casting grew by 15% YoY to Rs6.3bn and After Market revenue increased by 16.2% YoY to Rs1.1bn. EBITDA was reported at Rs2.7bn, up by 19.1% YoY, while margin expanded by 30bps YoY to 12.9%. The growth in EBITDA was suppressed by higher other expenses (up 100bps YoY) in proportion to sales.

Growth in Europe business aided by higher volume: Its Europe operations revenue increased by 17.2% YoY to Rs7.21bn. EBITDA grew by 20.7% YoY to Rs1.2bn with a margin of 16.5%, which expanded by 40bps YoY. The growth was mainly aided by higher volume as well as lower electricity and gas price in Europe as compared to last year.

Weak performance from Maxwell entity: Revenue from Maxwell declined significantly from Rs160mn in Q1FY24 to Rs30mn in Q1FY25. The de-growth was mainly led by global slowdown in the EV sales. However, the company indicated its key customers have started to ramp up productions, which could result in gradual recovery in the upcoming quarters.

Exhibit 1: Q1FY25 Result Overview – Consolidated (Rs mn) – Higher other exp. led to subdued operational performance

Y/e March	Q1FY25	Q1FY24	YoY gr. (%)	Q1FY25E	Var (%)	Q4FY24	QoQ gr. (%)	FY25E	FY24	YoY gr. (%)
Net Revenues	28,255	24,500	15.3	26,693	5.9	26,848	5.2	1,23,508	1,02,409	20.6
Raw Materials	16,260	14,485	12.3	16,058	1.3	15,313	6.2	73,523	60,506	21.5
<i>% of Net Sales</i>	<i>57.5</i>	<i>59.1</i>		<i>60.2</i>		<i>57.0</i>		<i>59.5</i>	<i>59.1</i>	
Personnel	2,502	2,187	14.4	2,268	10.3	2,268	10.3	9,713	8,799	10.4
<i>% of Net Sales</i>	<i>8.9</i>	<i>8.9</i>		<i>8.5</i>		<i>8.4</i>		<i>7.9</i>	<i>8.6</i>	
Manufacturing & Other Exp	5,753	4,615	24.7	5,098	12.9	5,373	7.1	22,984	19,824	15.9
<i>% of Net Sales</i>	<i>20.4</i>	<i>18.8</i>		<i>19.1</i>		<i>20.0</i>		<i>18.6</i>	<i>19.4</i>	
Total Expenditure	24,514	21,287	15.2	23,423	4.7	22,954	6.8	1,06,220	89,129	19.2
EBITDA	3,741	3,213	16.4	3,270	14.4	3,894	(3.9)	17,288	13,280	30.2
<i>EBITDA Margin (%)</i>	<i>13.2</i>	<i>13.1</i>		<i>12.3</i>		<i>14.5</i>		<i>14.0</i>	<i>13.0</i>	
Depreciation	1,288	1,129	14.0	1,163	10.7	1,282	0.4	5,217	4,740	10.1
EBIT	2,453	2,083	17.8	2,107	16.4	2,612	(6.1)	12,071	8,540	41.4
Interest Expenses	112	90	24.7	91	23.2	129	(12.9)	559	427	31.0
Non-operating income	339	166	104.3	257	31.6	265	27.7	874	856	2.1
Extraordinary items	-	-		-		-		-	-	
PBT	2,680	2,159	24.1	2,274	17.9	2,748	(2.5)	12,387	8,969	38.1
Tax-Total	641	524	22.3	521	23.1	647	(0.8)	2,849	2,165	31.6
<i>Tax Rate (%) - Total</i>	<i>23.9</i>	<i>24.3</i>	<i>(1.4)</i>	<i>22.9</i>	<i>4.4</i>	<i>23.5</i>		<i>23.0</i>	<i>24.1</i>	<i>(4.7)</i>
Reported PAT	2,039	1,635	24.7	1,753	16.3	2,102	(3.0)	9,538	6,805	40.2
Adj. PAT	2,039	1,635	24.7	1,753	16.3	2,102	(3.0)	9,538	6,805	40.2
<i>PAT Margin</i>		<i>7.2</i>	<i>6.7</i>		<i>6.6</i>		<i>7.8</i>	<i>7.7</i>	<i>6.6</i>	

Source: Company, PL

Exhibit 2: Q1FY25 Result Overview – Standalone (Rs mn) – Rev. up by 16.2% YoY due to healthy growth in 2W industry

Y/e March	1QFY25	1QFY24	YoY gr. (%)	Q1FY25E	Var (%)	Q4FY24	QoQ gr. (%)	FY25E	FY24	YoY gr. (%)
Net Revenues	21,204	18,254	16.2	20,706	2.4	20,786	2.0	98,151	78,710	24.7
Raw Materials	13,700	12,041	13.8	13,641	0.4	13,152	4.2	63,798	51,407	24.1
<i>% of Net Sales</i>	<i>64.6</i>	<i>66.0</i>		<i>65.9</i>		<i>63.3</i>		<i>65.0</i>	<i>65.3</i>	
Personnel	1,077	911	18.2	993	8.4	981	9.8	4,515	3,801	18.8
<i>% of Net Sales</i>	<i>5.1</i>	<i>5.0</i>		<i>4.8</i>		<i>4.7</i>		<i>4.6</i>	<i>4.8</i>	
Manufacturing & Other Exp	3,686	3,000	22.9	3,530	4.4	3,680	0.1	16,391	13,439	22.0
<i>% of Net Sales</i>	<i>17.4</i>	<i>16.4</i>		<i>17.0</i>		<i>17.7</i>		<i>16.7</i>	<i>17.1</i>	
Total Expenditure	18,462	15,952	15.7	18,164	1.6	17,813	3.6	84,704	68,647	23.4
EBITDA	2,742	2,302	19.1	2,542	7.9	2,973	(7.8)	13,447	10,063	33.6
<i>EBITDA Margin (%)</i>	<i>12.9</i>	<i>12.6</i>		<i>12.3</i>		<i>14.3</i>		<i>13.7</i>	<i>12.8</i>	
Depreciation	692	643	7.7	660	4.9	673	2.8	2,969	2,625	13.1
EBIT	2,050	1,659	23.6	1,882	8.9	2,300	(10.9)	10,478	7,438	40.9
Interest Expenses	7	10	(33.9)	15	(54.6)	5	51.4	21	30	(29.7)
Non-operating income	142	107	32.7	131	8.9	145	(1.9)	561	495	13.3
Extraordinary items	-	-		-		-		-	-	
PBT	2,185	1,756	24.5	1,997	9.4	2,440	(10.5)	11,017	7,903	39.4
Tax-Total	557	450	23.6	465	19.7	617	(9.8)	2,754	2,025	36.0
<i>Tax Rate (%) - Total</i>	<i>25.5</i>	<i>25.6</i>	<i>(0.7)</i>	<i>23.3</i>	<i>9.4</i>	<i>25.3</i>		<i>25.0</i>	<i>25.6</i>	<i>(2.4)</i>
Reported PAT	1,629	1,305	24.8	1,533	6.3	1,823	(10.7)	8,263	5,878	40.6
Adj. PAT	1,629	1,305	24.8	1,533	6.3	1,823	(10.7)	8,263	5,878	40.6
<i>PAT Margin</i>	<i>7.7</i>	<i>7.2</i>		<i>7.4</i>		<i>8.8</i>		<i>8.4</i>	<i>7.5</i>	

Source: Company, PL

Conference Call Highlights:

- The company is developing advanced product and process technologies to create high-performance braking systems designed for the 350cc and higher category motorcycles.
- It has won an order of Rs344mn for MCUs, for which SOPs will start from Mar'25.
- In Q1FY25, aftermarket revenue increased by 15% YoY to Rs1,060mn. It exports its aftermarket products to ~37 countries and aims to increase the contribution in standalone business to 10%.
- Till date, its Maxwell entity has won orders worth Rs4,242mn. The company believes it will be able to achieve Rs2,500mn sales from Maxwell entity by FY27.
- Maxwell entity has secured orders worth Rs457mn of battery management systems and has a further pipeline of RFQs worth Rs1bn.
- As part of diversification of business, it aims to increase the contribution of 4W business from 25% to 45% by FY30.
- The YTD order wins in the EV business stood at Rs8,421mn from marquee OEMs, including HMTI, Ather Energy, Bajaj Auto, Hero MotoCorp, Mahindra & Mahindra, Tata Motors, and TVS.
- The company aims to bolster the supply of ABS assemblies to 640,000 units by Q4FY25, and further increase to 1.2mn single- and dual-channel ABS assemblies by FY26.
- Total SOPs stand at ~Rs6,768mn, which are planned to be commissioned in several phases starting Q3FY25.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	88,040	1,02,409	1,23,508	1,50,846
YoY gr. (%)	16.6	16.3	20.6	22.1
Cost of Goods Sold	53,295	60,506	73,523	89,870
Gross Profit	34,745	41,903	49,986	60,976
Margin (%)	39.5	40.9	40.5	40.4
Employee Cost	7,636	8,799	9,713	11,381
Other Expenses	16,747	19,824	22,984	27,404
EBITDA	10,363	13,280	17,288	22,191
YoY gr. (%)	7.4	28.2	30.2	28.4
Margin (%)	11.8	13.0	14.0	14.7
Depreciation and Amortization	4,216	4,740	5,217	5,628
EBIT	6,147	8,540	12,071	16,563
Margin (%)	7.0	8.3	9.8	11.0
Net Interest	206	427	559	566
Other Income	454	856	874	989
Profit Before Tax	6,293	8,970	12,387	16,986
Margin (%)	7.1	8.8	10.0	11.3
Total Tax	1,497	2,165	2,849	3,907
Effective tax rate (%)	23.8	24.1	23.0	23.0
Profit after tax	4,796	6,805	9,538	13,079
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,874	6,805	9,538	13,079
YoY gr. (%)	0.4	39.6	40.2	37.1
Margin (%)	5.5	6.6	7.7	8.7
Extra Ord. Income / (Exp)	(78)	-	-	-
Reported PAT	4,796	6,805	9,538	13,079
YoY gr. (%)	4.1	41.9	40.2	37.1
Margin (%)	5.4	6.6	7.7	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,796	6,805	9,538	13,079
Equity Shares O/s (m)	141	141	141	141
EPS (Rs)	34.7	48.4	67.8	93.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	54,043	63,634	70,134	76,634
Tangibles	54,043	63,634	70,134	76,634
Intangibles	-	-	-	-
Acc: Dep / Amortization	26,514	31,254	36,471	42,099
Tangibles	26,514	31,254	36,471	42,099
Intangibles	-	-	-	-
Net fixed assets	27,528	32,379	33,662	34,535
Tangibles	27,528	32,379	33,662	34,535
Intangibles	-	-	-	-
Capital Work In Progress	1,709	1,593	1,752	1,927
Goodwill	3,900	3,923	4,001	4,081
Non-Current Investments	255	275	303	333
Net Deferred tax assets	715	638	651	664
Other Non-Current Assets	1,994	2,110	2,153	2,196
Current Assets				
Investments	6,464	7,651	8,416	9,257
Inventories	8,206	8,722	11,505	14,465
Trade receivables	11,620	12,624	16,242	19,837
Cash & Bank Balance	2,877	5,047	7,204	13,490
Other Current Assets	2,752	3,750	4,125	4,538
Total Assets	68,019	78,713	90,014	1,05,324
Equity				
Equity Share Capital	1,407	1,407	1,407	1,407
Other Equity	42,715	48,368	56,218	67,046
Total Network	44,121	49,774	57,624	68,453
Non-Current Liabilities				
Long Term borrowings	2,969	4,967	5,017	5,067
Provisions	973	846	863	881
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,179	2,686	2,740	2,795
Trade payables	14,257	16,045	19,288	23,557
Other current liabilities	3,520	4,394	4,482	4,571
Total Equity & Liabilities	68,019	78,713	90,014	1,05,324

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	6,293	8,970	12,387	16,986
Add. Depreciation	4,216	4,740	5,217	5,628
Add. Interest	206	427	559	566
Less Financial Other Income	454	856	874	989
Add. Other	(351)	(856)	(874)	(989)
Op. profit before WC changes	10,363	13,280	17,288	22,191
Net Changes-WC	710	16	(3,428)	(2,591)
Direct tax	(1,466)	(2,088)	(2,862)	(3,920)
Net cash from Op. activities	9,606	11,208	10,998	15,680
Capital expenditures	(9,013)	(9,497)	(6,738)	(6,755)
Interest / Dividend Income	-	-	-	-
Others	(906)	719	804	915
Net Cash from Invt. activities	(9,919)	(8,778)	(5,934)	(5,840)
Issue of share cap. / premium	970	44	-	-
Debt changes	852	2,506	103	105
Dividend paid	(844)	(1,196)	(1,688)	(2,251)
Interest paid	(206)	(427)	(559)	(566)
Others	-	-	-	-
Net cash from Fin. activities	771	928	(2,143)	(2,712)
Net change in cash	458	3,357	2,921	7,128
Free Cash Flow	593	1,710	4,260	8,925

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	34.7	48.4	67.8	93.0
CEPS	64.6	82.1	104.9	133.0
BVPS	313.7	353.9	409.7	486.6
FCF	4.2	12.2	30.3	63.4
DPS	6.0	8.5	12.0	16.0
Return Ratio(%)				
RoCE	13.3	16.0	19.7	23.4
ROIC	13.4	16.7	21.5	27.2
RoE	11.7	14.5	17.8	20.7
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	23	19	25	26
Valuation(x)				
PER	71.5	51.2	36.5	26.7
P/B	7.9	7.0	6.0	5.1
P/CEPS	38.3	30.2	23.6	18.6
EV/EBITDA	33.2	25.9	19.7	15.0
EV/Sales	3.9	3.4	2.8	2.2
Dividend Yield (%)	0.2	0.3	0.5	0.6

Source: Company Data, PL Research

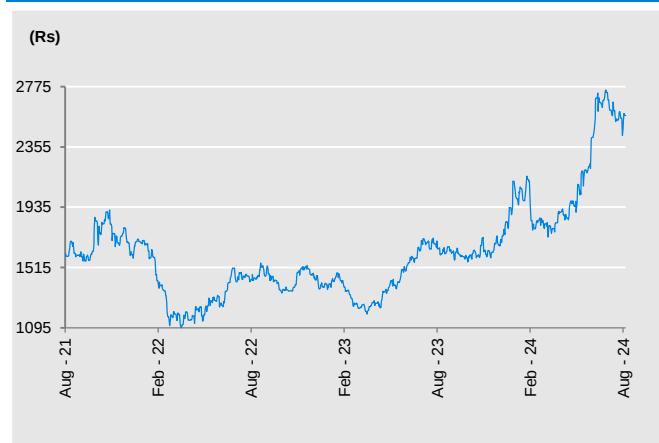
Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	25,450	25,611	26,848	28,255
YoY gr. (%)	-	-	-	-
Raw Material Expenses	15,317	15,391	15,313	16,260
Gross Profit	10,133	10,220	11,535	11,995
Margin (%)	39.8	39.9	43.0	42.5
EBITDA	3,183	2,990	3,894	3,741
YoY gr. (%)	17.2	24.8	36.4	16.4
Margin (%)	12.5	11.7	14.5	13.2
Depreciation / Depletion	1,184	1,144	1,282	1,288
EBIT	1,999	1,846	2,612	2,453
Margin (%)	7.9	7.2	9.7	8.7
Net Interest	98	109	129	112
Other Income	155	270	265	339
Profit before Tax	2,056	2,006	2,748	2,680
Margin (%)	8.1	7.8	10.2	9.5
Total Tax	511	483	647	641
Effective tax rate (%)	24.8	24.1	23.5	23.9
Profit after Tax	1,546	1,523	2,102	2,039
Minority interest	1	1	2	2
Share Profit from Associates	1	1	2	2
Adjusted PAT	1,546	1,523	2,102	2,039
YoY gr. (%)	17.5	40.7	54.0	24.7
Margin (%)	6.1	5.9	7.8	7.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,546	1,523	2,102	2,039
YoY gr. (%)	17.5	40.7	54.0	24.7
Margin (%)	6.1	5.9	7.8	7.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,546	1,523	2,102	2,039
Avg. Shares O/s (m)	141	141	141	141
EPS (Rs)	11.0	10.8	14.9	14.5

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	Hold	2,664	2,735
2	17-May-24	Accumulate	2,346	2,168
3	08-Apr-24	Hold	1,980	1,900
4	07-Feb-24	Hold	2,000	1,983
5	08-Jan-24	Hold	1,975	2,095
6	09-Nov-23	Accumulate	1,755	1,624
7	09-Oct-23	Accumulate	1,820	1,585

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	635	735
2	Ashok Leyland	Accumulate	261	246
3	Bajaj Auto	Accumulate	10,326	9,718
4	Bharat Forge	Accumulate	1,701	1,605
5	Bharat Petroleum Corporation	Reduce	269	302
6	Bharti Airtel	Accumulate	1,593	1,444
7	CEAT	Accumulate	2,992	2,667
8	Clean Science and Technology	Hold	1,516	1,562
9	Deepak Nitrite	Reduce	2,780	3,055
10	Divgi Torqtransfer Systems	Accumulate	734	665
11	Eicher Motors	BUY	5,335	4,577
12	Endurance Technologies	Hold	2,664	2,735
13	Exide Industries	Hold	559	532
14	Fine Organic Industries	Accumulate	6,172	5,535
15	GAIL (India)	Reduce	211	241
16	Gujarat Fluorochemicals	Reduce	2,907	3,330
17	Gujarat Gas	Accumulate	666	622
18	Gujarat State Petronet	BUY	417	336
19	Hero Motocorp	Accumulate	5,914	5,558
20	Hindustan Petroleum Corporation	Sell	340	396
21	Indian Oil Corporation	Sell	151	183
22	Indraprastha Gas	Sell	374	541
23	Jubilant Ingrevia	Hold	592	586
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,492	1,846
26	Mahindra & Mahindra	BUY	3,330	2,908
27	Mangalore Refinery & Petrochemicals	Sell	135	218
28	Maruti Suzuki	BUY	15,145	13,116
29	Navin Fluorine International	Accumulate	4,144	3,771

PL's Recommendation Nomenclature (Absolute Performance)

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



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