

November 8, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		ACCUMULATE	
Target Price	2,835		2,569	
Sales (Rs. m)	1,41,944	1,66,636	1,45,539	1,69,218
% Chng.	(2.5)	(1.5)		
EBITDA (Rs. m)	20,102	24,571	20,849	25,181
% Chng.	(3.6)	(2.4)		
EPS (Rs.)	80.8	102.1	84.7	105.6
% Chng.	(4.6)	(3.3)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,02,409	1,19,742	1,41,944	1,66,636
EBITDA (Rs. m)	13,280	16,165	20,102	24,571
Margin (%)	13.0	13.5	14.2	14.7
PAT (Rs. m)	6,805	8,803	11,363	14,362
EPS (Rs.)	48.4	62.6	80.8	102.1
Gr. (%)	39.6	29.4	29.1	26.4
DPS (Rs.)	8.5	12.0	16.0	20.0
Yield (%)	0.3	0.5	0.7	0.8
RoE (%)	14.5	16.5	18.5	20.0
RoCE (%)	16.0	17.9	20.9	23.0
EV/Sales (x)	3.3	2.8	2.3	2.0
EV/EBITDA (x)	25.4	20.8	16.6	13.4
PE (x)	50.4	38.9	30.2	23.9
P/BV (x)	6.9	6.0	5.2	4.4

Key Data

ENDU.BO | ENDU IN

52-W High / Low	Rs.3,061 / Rs.1,565
Sensex / Nifty	79,542 / 24,199
Market Cap	Rs.343bn / \$ 4,063m
Shares Outstanding	141m
3M Avg. Daily Value	Rs.348.14m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	9.53
Domestic Institution	13.57
Public & Others	1.90
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.7	28.2	41.8
Relative	13.8	18.5	15.8

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Mix diversification to drive growth

Quick Pointers:

- Aims to increase alloy wheel market share from 13.3% to 25% in next few years
- Diversification towards 4W products to drive revenue/margin expansion

We upgrade our rating from "ACCUMULATE" to "BUY" given the healthy order book, capacity expansion and diversification benefits across categories. ENDU's consolidated revenue for Q2FY25 grew by 14.4% YoY, in line with consensus /PLe. The growth in revenue was aided by healthy volume growth in the domestic 2W industry and decent Europe business in a tepid environment. EBITDA grew by 20% YoY while margin expanded by 61bps YoY to 13.1%. The margin performance was marginally lower than consensus/PLe due to rise in other expenses. Decent overall performance enabled it's PAT to increase by 31.3% YoY.

We envisage ENDU to deliver healthy revenue growth CAGR of 17.6% which shall be driven by capacity expansion in different category of its businesses, healthy order book in ICE and EV business and diversification benefits across categories. Additionally, the company is the process of entering into drivetrain products for 4W which shall add further lever to its growth. Factoring this, we estimate its EBITDA/EPS to grow at a CAGR of 22.8%/28.3% over FY24-27E and assign 'BUY' with a TP of Rs2,835 (earlier Rs2,569), valuing it at 31x on its Sept'26 EPS.

Double-digit growth across categories: Q2FY25 standalone revenue increased by 16.5% YoY to Rs23bn, aided by healthy growth in the 2W industry. In terms of key products revenue, Suspension increased by 21.6% YoY to Rs7.8bn, Disc Brake grew by 23.8% YoY to Rs3.5bn, Die Casting grew by 13.1% YoY to Rs6.8bn whereas After Market revenue declined by 4.5% YoY to Rs1.2bn. EBITDA was reported at Rs3bn, up by 20.5% YoY, while margin expanded by 43bps YoY to 13%. Despite healthy topline growth, expansion in EBITDA was suppressed by higher other expenses (up 43bps YoY) in proportion to sales. PAT increased by 29.7% YoY to Rs1.8bn.

Healthy growth in European business in a tepid environment: Its Europe operations revenue increased by 9.2% YoY to Rs6.2bn. EBITDA grew by 17.9% YoY to Rs990mn with a margin of 16%. Despite a decline EU car registration, ENDU reported healthy growth aided by product development, quality and competitive pricing.

Weak performance from Maxwell entity: Revenue from Maxwell increased by 11.8% YoY to Rs 0.2bn, driven by ramp-up in volume from its key OEM customers. Going ahead, the management remains optimistic on delivering healthy growth driven by healthy orderbook.

Exhibit 1: Q2FY25 Result Overview – Consolidated (Rs mn) – Higher other exp. led to subdued operational performance

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	% Var.	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Revenues	29,127	25,450	14.4	26,693	9.1	28,255	3.1	57,382	49,950	14.9
Raw Materials	16,832	15,317	9.9	16,058	4.8	16,260	3.5	33,092	29,802	11.0
% of Net Sales	57.8	60.2		60.2		57.5		57.7	59.7	
Personnel	2,419	2,124	13.9	2,268	6.7	2,502	(3.3)	4,921	4,311	14.1
% of Net Sales	8.3	8.3		8.5		8.9		8.6	8.6	
Manufacturing & Other Exp	6,056	4,826	25.5	5,098	18.8	5,753	5.3	11,809	9,441	25.1
% of Net Sales	20.8	19.0		19.1		20.4		20.6	18.9	
Total Expenditure	25,307	22,267	13.7	23,423	8.0	24,514	3.2	49,821	43,554	14.4
EBITDA	3,820	3,183	20.0	3,270	16.8	3,741	2.1	7,561	6,396	18.2
EBITDA Margin (%)	13.1	12.5		12.3		13.2		13.2	12.8	
Depreciation	1,311	1,184	10.8	1,163	12.8	1,288	1.9	2,599	2,313	12.3
EBIT	2,509	1,999	25.5	2,107	19.0	2,453	2.3	4,962	4,082	21.5
Interest Expenses	116	98	18.1	91	27.2	112	3.2	228	188	21.3
Non-operating income	265	155	70.8	257	3.0	339	(21.7)	604	321	88.1
Extraordinary items	-	-		-		-		-	-	
PBT	2,658	2,056	29.3	2,274	16.9	2,680	(0.8)	5,337	4,215	26.6
Tax-Total	628	511	23.0	521	20.6	641	(2.1)	1,269	1,035	22.7
Tax Rate (%) - Total	23.6	24.8	(4.8)	22.9	3.2	23.9		23.8	24.5	(3.1)
Reported PAT	2,030	1,546	31.3	1,753	15.8	2,039	(0.4)	4,068	3,181	27.9
PAT Margin	7.0	6.1		6.6		7.2		7.1	6.4	

Source: Company, PL

Exhibit 2: Q2FY25 Result Overview – Standalone (Rs mn) – Rev. up by 16.2% YoY aided by healthy growth in 2W industry

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	% Var.	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Revenues	22,995	19,736	16.5	20,706	11.1	21,204	8.4	44,199	37,990	16.3
Raw Materials	14,982	13,000	15.2	13,641	9.8	13,700	9.4	28,681	25,041	14.5
% of Net Sales	65.2	65.9		65.9		64.6		64.9	65.9	
Personnel	1,075	952	12.9	993	8.2	1,077	(0.2)	2,152	1,864	15.5
% of Net Sales	4.7	4.8		4.8		5.1		4.9	4.9	
Manufacturing & Other Exp	3,954	3,306	19.6	3,530	12.0	3,686	7.3	7,640	6,306	21.1
% of Net Sales	17.2	16.8		17.0		17.4		17.3	16.6	
Total Expenditure	20,010	17,259	15.9	18,164	10.2	18,462	8.4	38,472	33,211	15.8
EBITDA	2,984	2,478	20.5	2,542	17.4	2,742	8.8	5,727	4,779	19.8
EBITDA Margin (%)	13.0	12.6		12.3		12.9		13.0	12.6	
Depreciation	727	651	11.7	660	10.1	692	5.0	1,419	1,294	9.7
EBIT	2,257	1,827	23.6	1,882	19.9	2,050	10.1	4,307	3,486	23.6
Interest Expenses	5	9	(49.5)	15	(68.4)	7	(30.5)	12	20	(41.3)
Non-operating income	176	107	65.0	131	35.0	142	24.0	318	214	48.8
Extraordinary items	-	-		-		-		-	-	
PBT	2,429	1,924	26.2	1,997	21.6	2,185	11.2	4,614	3,680	25.4
Tax-Total	581	499	16.5	465	24.9	557	4.3	1,137	949	19.9
Tax Rate (%) - Total	23.9	25.9	(7.7)	23.3	2.7	25.5		24.6	25.8	(4.4)
Reported PAT	1,848	1,425	29.7	1,533	20.6	1,629	13.5	3,477	2,731	27.3
PAT Margin	8.0	7.2		7.4		7.7		7.9	7.2	

Source: Company, PL

Conference Call Highlights:

Domestic and International business update:

- The company's alloy wheel market share is currently 13.3% and it aims to increase it to 25% in the next few years.
- The company is developing a two-channel ABS, with production expected to begin in Q4FY25.
- Despite a decline in European car sales and a sluggish demand environment, the company managed to gain market share from its competitors which is currently at ~6.4%.
- It's in the process of expanding its distribution network in domestic as well as international market to drive its after-market sales. It aims to increase the penetration of after-market sales from 5.2% to 10% by FY28.

Capacity expansion and Capex:

- With rising demand for assist and slip-clutches in 2Ws, the company is further expanding its capacity and improving the products to drive growth.
- ENDU has spent Rs 630mn towards aluminum forging and Rs 400mn towards drive shaft.
- The company foresees huge opportunity for Aluminum casting due to its usage in multiple categories such as EVs, Hybrid and ICE vehicles. It is in the process to expand its capacity in the Aluminum casting business to complement growth.
- The company continues to expand its aftermarket business in Europe and plans further growth through acquisitions and joint ventures.
- A new alloy wheel plant is being set up which shall double its volumes from the existing Chakan plant, with automation and efficiency improvements.

Order Book:

- The company has secured orders for large aluminum die-casting parts for 4W, which will help in driving growth in the segment.
- The company won orders for peak annual sales of EUR 10.5mn for machine castings for the BMW EV transmission and EUR 7.6mn for assemblies for the Volkswagen EV castings in Europe.
- It has received order for large aluminum die-casting components of various types and is in process to add further orders in the 4W business. These orders are expected to significantly contribute to the growth of their 4W business.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,02,409	1,19,742	1,41,944	1,66,636
YoY gr. (%)	16.3	16.9	18.5	17.4
Cost of Goods Sold	60,506	71,139	84,161	98,359
Gross Profit	41,903	48,603	57,784	68,277
Margin (%)	40.9	40.6	40.7	41.0
Employee Cost	8,799	9,864	11,341	13,069
Other Expenses	19,824	22,574	26,341	30,637
EBITDA	13,280	16,165	20,102	24,571
YoY gr. (%)	28.2	21.7	24.4	22.2
Margin (%)	13.0	13.5	14.2	14.7
Depreciation and Amortization	4,740	5,217	5,704	6,414
EBIT	8,540	10,948	14,398	18,157
Margin (%)	8.3	9.1	10.1	10.9
Net Interest	427	559	548	521
Other Income	856	1,193	1,102	1,261
Profit Before Tax	8,970	11,582	14,951	18,897
Margin (%)	8.8	9.7	10.5	11.3
Total Tax	2,165	2,780	3,588	4,535
Effective tax rate (%)	24.1	24.0	24.0	24.0
Profit after tax	6,805	8,803	11,363	14,362
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,805	8,803	11,363	14,362
YoY gr. (%)	39.6	29.4	29.1	26.4
Margin (%)	6.6	7.4	8.0	8.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,805	8,803	11,363	14,362
YoY gr. (%)	41.9	29.4	29.1	26.4
Margin (%)	6.6	7.4	8.0	8.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,805	8,803	11,363	14,362
Equity Shares O/s (m)	141	141	141	141
EPS (Rs)	48.4	62.6	80.8	102.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	63,634	70,134	78,634	88,634
Tangibles	63,634	70,134	78,634	88,634
Intangibles	-	-	-	-
Acc: Dep / Amortization	31,254	36,471	42,175	48,589
Tangibles	31,254	36,471	42,175	48,589
Intangibles	-	-	-	-
Net fixed assets	32,379	33,662	36,458	40,045
Tangibles	32,379	33,662	36,458	40,045
Intangibles	-	-	-	-
Capital Work In Progress	1,593	1,752	1,927	2,120
Goodwill	3,923	4,119	4,325	4,974
Non-Current Investments	275	317	364	419
Net Deferred tax assets	638	651	664	677
Other Non-Current Assets	2,110	2,321	2,670	3,070
Current Assets				
Investments	7,651	8,798	10,558	12,670
Inventories	8,722	11,154	14,000	16,892
Trade receivables	12,624	15,747	18,667	22,142
Cash & Bank Balance	5,047	5,716	6,224	7,123
Other Current Assets	3,750	4,125	4,744	5,456
Total Assets	78,713	88,363	1,00,601	1,15,586
Equity				
Equity Share Capital	1,407	1,407	1,407	1,407
Other Equity	48,368	55,482	64,595	76,143
Total Networth	49,774	56,889	66,001	77,550
Non-Current Liabilities				
Long Term borrowings	4,967	5,017	4,766	4,528
Provisions	846	863	881	898
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,686	2,740	2,603	2,473
Trade payables	16,045	18,371	21,778	25,794
Other current liabilities	4,394	4,482	4,571	4,343
Total Equity & Liabilities	78,713	88,363	1,00,601	1,15,586

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	8,970	11,582	14,951	18,897
Add. Depreciation	4,740	5,217	5,704	6,414
Add. Interest	427	559	548	521
Less Financial Other Income	856	1,193	1,102	1,261
Add. Other	(856)	(1,193)	(1,102)	(1,261)
Op. profit before WC changes	13,280	16,165	20,102	24,571
Net Changes-WC	16	(3,499)	(2,871)	(3,273)
Direct tax	(2,088)	(2,793)	(3,601)	(4,549)
Net cash from Op. activities	11,208	9,874	13,629	16,749
Capital expenditures	(9,497)	(6,855)	(8,881)	(10,841)
Interest / Dividend Income	-	-	-	-
Others	719	941	706	805
Net Cash from Invst. activities	(8,778)	(5,915)	(8,175)	(10,036)
Issue of share cap. / premium	44	-	-	-
Debt changes	2,506	103	(388)	(368)
Dividend paid	(1,196)	(1,688)	(2,251)	(2,813)
Interest paid	(427)	(559)	(548)	(521)
Others	-	-	-	-
Net cash from Fin. activities	928	(2,143)	(3,187)	(3,703)
Net change in cash	3,357	1,816	2,268	3,011
Free Cash Flow	1,710	3,019	4,748	5,908

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	48.4	62.6	80.8	102.1
CEPS	82.1	99.7	121.3	147.7
BVPS	353.9	404.4	469.2	551.3
FCF	12.2	21.5	33.8	42.0
DPS	8.5	12.0	16.0	20.0
Return Ratio(%)				
RoCE	16.0	17.9	20.9	23.0
ROIC	16.7	19.1	22.2	24.8
RoE	14.5	16.5	18.5	20.0
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	19	26	28	29
Valuation(x)				
PER	50.4	38.9	30.2	23.9
P/B	6.9	6.0	5.2	4.4
P/CEPS	29.7	24.5	20.1	16.5
EV/EBITDA	25.4	20.8	16.6	13.4
EV/Sales	3.3	2.8	2.3	2.0
Dividend Yield (%)	0.3	0.5	0.7	0.8

Source: Company Data, PL Research

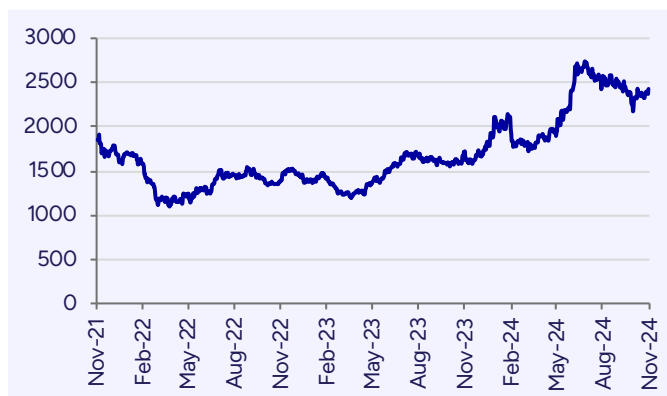
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	25,611	26,848	28,255	29,127
YoY gr. (%)	-	-	-	-
Raw Material Expenses	15,391	15,313	16,260	16,832
Gross Profit	10,220	11,535	11,995	12,295
Margin (%)	39.9	43.0	42.5	42.2
EBITDA	2,990	3,894	3,741	3,820
YoY gr. (%)	24.8	36.4	16.4	20.0
Margin (%)	11.7	14.5	13.2	13.1
Depreciation / Depletion	1,144	1,282	1,288	1,311
EBIT	1,846	2,612	2,453	2,509
Margin (%)	7.2	9.7	8.7	8.6
Net Interest	109	129	112	116
Other Income	270	265	339	265
Profit before Tax	2,006	2,748	2,680	2,658
Margin (%)	7.8	10.2	9.5	9.1
Total Tax	483	647	641	628
Effective tax rate (%)	24.1	23.5	23.9	23.6
Profit after Tax	1,523	2,102	2,039	2,030
Minority interest	1	2	2	2
Share Profit from Associates	1	2	2	2
Adjusted PAT	1,523	2,102	2,039	2,030
YoY gr. (%)	40.7	54.0	24.7	31.3
Margin (%)	5.9	7.8	7.2	7.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,523	2,102	2,039	2,030
YoY gr. (%)	40.7	54.0	24.7	31.3
Margin (%)	5.9	7.8	7.2	7.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,523	2,102	2,039	2,030
Avg. Shares O/s (m)	141	141	141	141
EPS (Rs)	10.8	14.9	14.5	14.4

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	2,569	2,182
2	15-Aug-24	Accumulate	2,696	2,478
3	08-Jul-24	Hold	2,664	2,735
4	17-May-24	Accumulate	2,346	2,168
5	08-Apr-24	Hold	1,980	1,900
6	07-Feb-24	Hold	2,000	1,983
7	08-Jan-24	Hold	1,975	2,095
8	09-Nov-23	Accumulate	1,755	1,624

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	512	551
2	Ashok Leyland	Accumulate	257	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Hold	316	310
6	Bharti Airtel	Accumulate	1,782	1,637
7	CEAT	Hold	3,063	2,973
8	Clean Science and Technology	Hold	1,561	1,579
9	Deepak Nitrite	Reduce	2,582	3,000
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	Accumulate	2,569	2,182
13	Exide Industries	Hold	520	481
14	Fine Organic Industries	Accumulate	5,568	5,142
15	GAIL (India)	Hold	204	209
16	Gujarat Fluorochemicals	Reduce	3,770	4,158
17	Gujarat Gas	Hold	646	596
18	Gujarat State Petronet	Hold	422	411
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Accumulate	412	372
21	Indian Oil Corporation	Hold	156	147
22	Indraprastha Gas	Hold	402	417
23	Jubilant Ingrevia	Hold	695	682
24	Laxmi Organic Industries	Reduce	240	270
25	Mahanagar Gas	Accumulate	1,627	1,497
26	Mahindra & Mahindra	BUY	3,458	3,060
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	14,586	11,046
29	Navin Fluorine International	Accumulate	3,523	3,307

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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