

16th August 2023

₹1,649.90/-

View – ACCUMULATE

Q1FY24 Result Highlights

- **Standalone business Revenue/EBITDA/PAT grew 13%/32.1%/61.3% YoY due volume uptick, new orders wins and improvement in realisation** – Endurance Q1FY24 standalone Revenue/EBITDA/PAT grew 13%/32.1%/61.3% YoY to ₹18.3bn/₹2.3bn/₹1.3bn due to uptick in volumes of Bajaj Auto, ramp-up of new order wins and improvement in realisations due to increase in mix of higher cc motorcycles in Q1FY24. In Q1FY24, standalone revenues grew higher than the domestic blended automotive volume production growth mainly because of ramping up of new order wins and increasing content per vehicle. Consolidated revenues grew ~16% YoY and ~10% QoQ to ₹24.5bn with EBITDA at ₹3.21bn (+34% YoY and ~+13% QoQ) delivering margin 13.1% (+177 bps YoY and +34 bps QoQ) and Net profit at ₹1.64bn(+58% YoY and ~+20% QoQ).

Standalone total income break-up by product in Q1FY24 over Q1FY23 – Suspension – 32.3% (36.9%), Die casting – 30.1% (30.4%), Disc Brake – 14.4% (10.7%), Alloy wheel – 10.4% (8.6%), Aftermarket – 5% (5.9%), Transmission – 5.4% (5.6%) and others – 2.4% (1.9%).

Standalone total income break-up by vehicle type in Q1FY24 over Q1FY23 – Motorcycle – 69.9% (73.3%), Scooter – 9.2% (8.8%), 3-Wheeler – 9.6% (8.9%), 4-Wheeler – 7.2% (6.9%), and others – 4.1% (2.1%).

The company was able to improve its total share of sales in standalone 4W business to 7.2% in Q1FY24 from 6.9% in Q1FY23. The company continues to strengthen its 4W business with orders lined up from Hyundai-Kia, M&M, Tata and Maruti

The income during the quarter also includes ₹340.2mn of incentive received from Maharashtra mega project. The company highlighted that similar kind of revenue can be expected in the coming quarters and incentives will be trimmed down by half from FY25. Also, the company is planning to apply for a new scheme, which is applicable for a period of 2019-24. The company will apply in Q1FY25 or Q4FY24 to avail the incentives under the new scheme.

- **Europe business profits improve even as uncertainties remains** – Europe business reported revenues of EUR 68.8 mn (+12.6% YoY) mainly due to 18% YoY growth in EU PV sales, partly offset by lower realisations due to pass-through of softening energy costs. EBITDA margin expanded by 142 bps on a YoY to 14.6% basis mainly led by lower electricity and gas prices and operating leverage benefits. However, the margins declined by 78 bps sequentially due to higher other expenses and one-time government subsidy received during the previous quarter. The company highlighted that volume recovery remains uncertain for the next two quarters owing to inflationary pressures and high interest rates, post which the company expects recovery in production volumes.
- **Aftermarket segment revenues declined by 4.3% YoY to ₹922 mn in Q1FY24** from ₹962 mn in Q1FY23. Export revenues improved by 31% yoy to ₹531 mn in Q1FY24 mainly on account of strong recovery in exports to the UK, Italy including Case New Holland, Austria, China, and Southeast Asia. The company is currently serving 31 countries in the aftermarket segment and forayed into Turkey market where the supplies will commence from Aug'23.

Important Statistics

MCAP (₹ bn)	231.2
52 Week H/L (₹)	1,749/1,172
NSE Code	ENDURANCE
BSE Code	540153

Shareholding Pattern	Jun'23 (%)
Promoter	75.0
DII	15.9
FII	7.3
Public & Others	1.8

Financials

	(₹ mn)		
Particulars	FY20	FY21	FY22
Revenues	69,177	65,470	75,491
EBITDA	11,308	10,402	9,646
EBITDA Margin (%)	16.3	15.9	12.8
Net Profit	5,655	5,196	4,607
EPS (₹)	40.2	36.9	32.8
DPS (₹)	5.5	6.0	6.25
RoE (%)	18.8	14.6	13.8
RoCE (%)	19.5	17.0	11.8
P/E (x)	40.9	44.5	50.2
EV/EBITDA (x)	20.6	22.2	24.0
P/BV (x)	7.7	6.5	5.9

Particulars	FY23	FY24E	FY25E
Revenues	88,040	100,527	123,071
EBITDA	10,363	13,491	16,162
EBITDA Margin (%)	11.8	13.4	13.1
Net Profit	4,796	7,018	9,179
EPS (₹)	34.1	50.3	67.8
DPS (₹)	7.0	7.5	8.0
RoE (%)	10.9	14.0	16.2
RoCE (%)	12.6	17.0	18.4
P/E (x)	48.2	32.9	25.2
EV/EBITDA (x)	22.7	19.6	16.4
P/BV (x)	5.2	4.7	4.1

Source: Company, Way2Wealth

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- **Order wining streak continues from OEMs in Q1FY24** – The standalone business won orders worth ₹3 bn from OEMs other than Bajaj Auto in Q1FY24. Key order wins include (1) ₹395 mn for alloy wheels from Royal Enfield, (2) ₹489 mn for suspension from Hero Electric, (3) ₹484 mn for suspension and braking system from Greaves Electric and (4) ₹1.3 bn for front pocket shock absorbers from Hero MotoCorp. Over the past four years, the company has cumulative order wins of ₹31.9 bn (₹24.1 bn of new orders and ₹7.8 bn of replacement orders— excluding Bajaj Auto), which the company expects to reach its peak revenues (new order wins) by FY26. Over the past four years, the company has won ₹4 bn from TVS Motor for suspensions, brakes and alloy wheels and ₹3.7 bn for 4W machined castings taking the peak revenues from TVS business to ₹5 bn.

The company's order book in EV book stands at ₹3.8 bn (42% of total order book in FY23)—15 EV programs from 11 customers. The company has won (1) EV suspension orders from Hero Electric and Greaves and (2) EV CBS orders from Okinawa and Greaves. In European business, the company has won cumulative orders worth EUR 237mn out of which EUR 86mn (36%) are from EV applications and EUR 112mn (47%) are from hybrid applications over the past four years. The company highlighted that Europe business derived 45% of the revenues from ICE end-use applications in FY23, which it expects to come down to 22% in FY27. The key order win during the quarter in EU business include supplying of aluminum portions, which will be used in battery assembly housings from JLR with an order value of ₹240 mn.

- **Maxwell has booked new orders worth ₹596 mn in Q1FY24 taking the cumulative order wins to ₹3.5 in the past two years**, which is expected to peak in FY26. The company has ₹1.2 bn worth of request for quotes under discussion with various customers. The company has commenced supplies to Hero MotoCorp (₹1 bn order win). The company has also received LOI from Hero Electric (order win of ₹0.7 bn) with expected SOP of Q2FY24. Also, the company has also received LOI from Ampere (order win of ₹0.5 bn) with production expected to start from Q3FY24. The company will commence operations from the next month and expects the revenue for the BMS to peak around ₹800 mn in FY26, whereas the EV battery pack and housing segment is likely to achieve a peak revenue of ₹1 bn per annum in FY25. Also, the company has acquired additional 5% equity stake in its subsidiary, Maxwell Energy Systems, thereby increasing its shareholding to 56% on 17 July 2023 at a cash consideration of ₹69.4 mn.
- **The company will focus on developing value add products**, which includes brake and clutch assembly for +200cc motorcycles, ABS for +125cc motorcycles, paper-based clutches, CVT or automatic clutch for scooters, advanced electronics and fully machined & semi-finished castings for 2W, 3W EV OEMs. The company received additional ₹1.3 bn order from Hero MotoCorp for supply of front pocket shock absorbers and the company started supplying the order from Jun'23. The company commenced ABS supplies to Bajaj Auto and Royal Enfield and reached an annual run-rate of 400k units. The company has ramped up ABS annual capacity to 600k units and further expected to increase it to 1.2mn units by 2HFY25. The company also expects clearance of dual-channel ABS by end of Q3FY24 from both Royal Enfield and Baja Auto. Also, the company is targeting to vertically

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integrate to manufacture ABS valve, steel grade hoses, etc. in house to gain better control over the supply chain and improve the margins further. The company indicated that it currently commands a market share of 11- 13% in domestic ABS market, which has a market size of 3-3.5 mn ABS units per annum. The company will commence supply of alloy wheels to Royal Enfield from Q3FY24 and accordingly expects to ramp up its alloy wheel plant from 375k units to 420k units monthly.

View

ENDURANCE is likely to continue to outperform the industry led by improvement in 2W demand in FY24 after two weak years, and thereon led by strong underlying trends for premiumisation. The company has >53% exposure in 2W business and we expect overall two-wheeler industry volumes to recover gradually given continued increase in cost of ownership and inflationary pressures across various geographies. The gradual recovery in domestic 2W segment volumes is owing to weak rural demand. We expect export 2W segment volumes to pick up from 2HFY24 onward, which augurs well for the company. Higher operating leverage stemming from higher demand from 2Ws should lead to better margin performance in future quarters. Also, rapid pick-up in electrification trends in the EU and limited order wins and slow pace of order ramp-up from the BEV segment remain an area of concern given >40% of subsidiaries' revenues are derived from engine components. The array of acquisitions in Europe should enhance the company business in that region. Considering Endurance's size and strong market share in its operating segments, the stock should command a premium to its domestic peers. **Hence, we continue to view it as an ACCUMULATE stock trading at P/E 25.2x FY25E EPS of ₹65.3.**

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FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ(%)	FY23	FY22	YoY(%)
Revenue	24,499.6	21,138.3	15.9	22,343.4	9.7	88,040.5	75,491.4	16.6
Matl Cost	14,348.9	13,171.7	8.9	12,876.4	11.4	53,201.9	44,284.3	20.1
Purchases	299.9	373.1	(19.6)	118.8	152.4	1,039.7	863.8	20.4
Stock Changes	(163.8)	(770.0)	(78.7)	261.8	(162.6)	(946.4)	(946.6)	(0.0)
Employee Exps	2,187.3	1,870.0	17.0	2,091.5	4.6	7,636.1	6,943.6	10.0
Other Exps	4,614.7	4,095.9	12.7	4,141.0	11.4	16,746.5	14,700.0	13.9
EBITDA	3,212.6	2,397.6	34.0	2,853.9	12.6	10,362.7	9,646.4	7.4
EBITDA Margin (%)	13.1	11.3	177	12.8	34	11.8	12.8	(101)
Other Income	165.9	46.8	254.7	208.2	(20.3)	454.3	410.4	10.7
Depreciation	1,129.4	991.5	13.9	1,215.6	(7.1)	4,215.8	3,817.3	10.4
Finance Cost	90.1	19.2	369.8	79.8	12.9	205.8	63.5	223.8
PBT	2,159.0	1,433.7	(50.6)	1,766.7	22.2	6,395.4	6,176.0	(3.6)
Tax	524.0	297.0	(76.4)	402.1	30.3	1,496.8	1,254.4	(19.3)
Exceptional Item	-	102.9	(100.0)	-	-	102.9	314.5	(67.3)
Minority Interest -Profit/(Loss)	-	-	-	-	-	-	-	-
Net Profit	1,635.0	1,033.9	58.1	1,364.7	19.8	4,795.8	4,607.1	4.1
Adjus Profit	1,635.0	1,136.7	43.8	1,364.7	19.8	4,898.6	4,921.6	(0.5)
EPS (₹)	11.6	7.3	58.1	9.7	19.8	34.1	32.8	4.1
As % of Sales			BPS		BPS			BPS
Raw Matl Cost	59.3	60.4	(106)	59.3	(60)	60.5	58.6	198
Employee Exps	9.4	8.1	126	9.4	14	8.7	9.2	(52)
Other Exps	18.5	19.1	(61)	18.5	(88)	19.0	19.5	(45)

Source: Company, Way2Wealth

(₹ mn)

Consolidated	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY	QoQ	FY23	FY22	YoY
	FY20	FY20	FY20	FY21	FY21	FY21	FY21	FY22	FY22	FY22	FY22	FY23	FY23	FY23	FY23	FY24	(%)	(%)			
Revenue	17,713	16,405	16,038	6,031	17,701	20,409	21,329	16,937	18,876	18,891	20,788	21,138	23,606	20,952	22,343	24,500	15.9	9.7	88,040	75,492	16.6
EBITDA	2,911	2,605	2,449	427	3,132	3,521	3,322	2,443	2,600	2,032	2,571	2,398	2,716	2,395	2,854	3,213	34.0	12.6	10,363	9,646	7.4
EBITDA Margin (%)	16.4	15.9	15.3	7.1	17.7	17.3	15.6	14.4	13.8	10.8	12.4	11.3	11.5	11.4	12.8	13.1	177	34	11.8	12.8	
Net Profit	1,691	1,240	1,122	(249.0)	1,672	1,901	1,874	966	1,333	946	1,362	1,034	1,315	1,082	1,365	1,635	58.1	19.8	4,796	4,607	4.1

Source: Company, Way2Wealth

(₹ mn)

Particulars	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
INDIA																					
Revenue	12,920	11,610	11,314	3,562	12,892	15,288	15,989	11,520	15,012	14,895	15,544	16,161	19,054	15,968	16,492	18,254	13.0	10.7	67,675	56,971	18.8
EBITDA	1,964	1,638	1,437	25	2,322	2,601	2,367	1,538	2,125	1,655	1,968	1,742	2,319	1,777	1,955	2,302	32.1	17.7	7,792	7,287	6.9
EBITDA Margin (%)	15.2	14.1	12.7	0.7	18.0	17.0	14.8	13.4	14.2	11.1	12.7	10.8	12.2	11.1	11.9	12.6	183	76	11.5	12.8	
EUROPE																					
Revenue	4,792	4,795	4,724	2,469	4,809	5,121	5,340	5,417	3,864	3,996	5,244	4,978	4,552	4,985	5,851	6,246	25.5	6.7	20,365	18,521	10.0
EBITDA	944	969	1,016	402	810	920	955	905	475	377	603	656	397	618	899	911	39.0	1.3	2,570	2,359	8.9
EBITDA Margin (%)	19.7	20.2	21.5	16.3	16.8	18.0	17.9	16.7	12.3	9.4	11.5	13.2	8.7	12.4	15.4	14.6	142	(78)	12.6	12.7	

Source: Company, Way2Wealth

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FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
India	44,900	54,195	49,386	47,730	56,971	67,675	76,843	96,208
YoY Growth (%)	12.8	20.7	(8.9)	(3.4)	19.4	18.8	13.5	25.2
Europe	19,893	20,910	19,791	17,740	18,521	20,365	23,684	26,863
YoY Growth (%)	16.3	5.1	(5.4)	(10.4)	4.4	10.0	16.3	13.4
Revenue	64,793	75,105	69,177	65,470	75,491	88,040	100,527	123,071
YoY Growth (%)	15.9	15.9	(7.9)	(5.4)	15.3	16.6	14.2	22.4
EBITDA	9,279	11,288	11,308	10,402	9,646	10,363	13,491	16,162
EBITDA Margin (%)	14.3	15.0	16.3	15.9	12.8	11.8	13.4	13.1
Net Profit	3,908	4,950	5,655	5,196	4,607	4,796	7,018	9,179
EPS ₹	27.8	35.2	40.2	36.9	32.8	34.1	49.9	65.3
DPS ₹	4.0	5.5	5.5	6.0	6.3	7.0	7.5	8.0
P/E (x)	59.2	46.7	40.9	44.5	50.2	48.2	32.9	25.2
EV/EBITDA (x)	25.6	20.7	20.6	22.2	24.0	22.7	19.6	16.4
P/BV (x)	10.7	9.0	7.7	6.5	5.9	5.2	4.7	4.1
Net Debt/Equity (x)	0.3	0.1	0.1	(0.0)	0.01	0.1	0.1	0.1
RoE (%)	18.0	19.3	18.8	14.6	13.8	10.9	14.0	16.2
RoCE (%)	23.5	25.1	20.4	15.9	13.9	12.6	17.0	18.4
FCF	3,157	2,220	4,943	3,270	2,125	2,257	2,937	6,116
Cash Balances	2,199	5,027	5,379	6,209	4,026	2,877	4,728	8,691

Source: Company, Way2Wealth

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Disclosure of Interest Statement Endurance Technologies Ltd. as on 16 August 2023

Name of the Security	Endurance Technologies Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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