



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Endurance Tech Q3FY24 consolidated revenues came in at ₹2561.10 Cr, up 22.23% YoY and up +0.63% QoQ.
- Op Profit for Q3FY24 stood at ₹299.00 Cr, up 24.84% YoY and down -6.07% QoQ.
- Op margins for Q3FY24 came at 11.67%, +24 bps YoY and -84 bps QoQ.
- PAT for Q3FY24 stood at ₹152.27 Cr, up 40.70% YoY and down -1.47% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Targets to increase 4W revenue contribution from 26% to 45% by FY30
- Co will continue to focus on emerging technologies to grow its portfolio through both organic and inorganic route.

### 3. SEGMENTAL ANALYSIS:

- 9MFY24 Entity Mix: India (76.4%), Europe (22.9%), Maxwell (0.7%).
- 9MFY24 Product Mix: Die Casting (43.3%), Suspension (25.9%), Disc Brake (11%), Alloy Wheel (7.6%), After Market (4.3%), Transmission (4.7%), Others (3.2%).
- 9MFY24 Vehicle Mix: Motorcycle (55.3%), Scooter (8.3%), 3 Wheeler (8.1%), 4 Wheeler (25.9%), Others (2.4%)

### 4. CONCALL SUMMARY

- Co reported 25% YoY revenue growth compared with 16% YoY growth in total vehicles led by the execution of its order backlog in brakes, suspension, casting, and alloy wheels.
- India Order wins of Rs 9.41b in 9MFY24 (vs Rs7.77b in 1HFY24, Rs 9.35b in FY23). These orders would peak in FY26
- Orders – Won EUR29m in 9MFY24 (vs EUR19.7m in 1HFY24 and EUR84m in FY23).
- Forging capacity at Waluj expanded to 1250 tpa in FY24. Addition of another new press shall take the capacity to 1750 tpa in Q1FY25.
- ABS capacity increased from 400,000 to 640,000 units per annum. Alloy wheel capacity to increase from 4.5 to 5.5 mn wheels per annum by Q1 FY25.
- Commenced commercial production of Battery Management Systems for Maxwell at Surface Mounting Technology line at Waluj in Feb-24.
- Established new assembly line for scooter suspensions in Waluj, for Japanese OEM.
- 27 new patents approvals received taking the total to 59. 15 new design registrations approvals received taking the total to 39.
- New machining and assembly lines at Chivasso, Italy to produce transmission housings for an European OEM. Production to commence by Q1 and peak in Q4FY25.

### 5. VALUATION AND OUTLOOK:

Endurance tech has a very strong positioning in 2W market. We believe co is a very good proxy for Indian 2W industry.

We believe Co will outperform Indian 2W industry led by strong order wins both in Europe as well as India.

We reiterate a “BUY” rating on the stock and value the stock at 37x FY25E earnings to arrive at the target of ₹2219.

## RECOMMENDATION - BUY

CMP – 1922

TARGET – 2219 (15%)

Industry	Auto Ancillary
NSE CODE	ENDURANCE
BSE CODE	540153
Market Cap (₹ Cr)	26732.27
Shares Outstanding (in Cr)	14.07
52 wk High/Low (₹)	2318.8 / 1220.05
P/E	44.05
P/BV	5.64
Face Value (₹)	10.00
Book Value (₹)	337.23
EPS (FY23) (₹)	34.09
Dividend Yield (%)	0.56
Debt / Equity	0.11
Interest Coverage	31.58

## SHAREHOLDING PATTERN

	Dec 23	Sep 23	Jun 23
Promoters	75.00	75.00	75.00
MF/ DII	8.72	8.75	9.00
FII/FPI	7.82	8.31	7.34
Retail & Others	1.77	1.79	1.74
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
<b>Crore</b>			
Sales	8804	10219	11752
Sales Gr. (%)	16.62	16.08	15
EBITDA	7768	8949	10166
EBITDA %	12%	12.4%	13.5%
PAT	480	642	846
EPS (₹)	34.09	45.56	59.98
EPS Gr. (%)	4.09	33.66	31.63
<b>Ratios</b>			
RoE (%)	11.51	14.1	16.2
RoCE (%)	14.06	14.6	15.2
<b>Valuation</b>			
P/E (x)	36.41	42.18	32.04

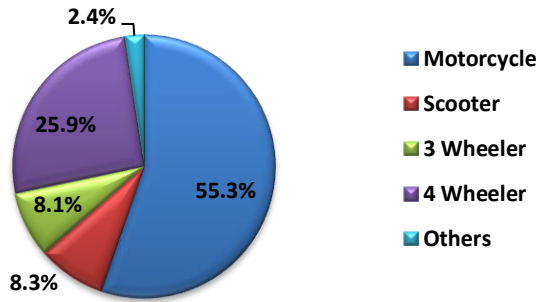
## Historical & Industrial Val Ratios

Historical P/E	31.42
Industry P/E	47.37
Historical P/B	4.56
Industry P/B	4.25

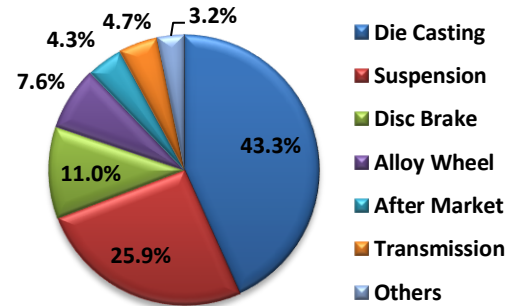


## REVENUE SPLIT (9M FY24)

**Vehicle Mix (9M FY24)**



**Product Mix (9M FY24)**



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23				FY24				FY23	FY24E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E*		
<b>Net sales</b>	<b>2,114</b>	<b>2,361</b>	<b>2,095</b>	<b>2,234</b>	<b>2,450</b>	<b>2,545</b>	<b>2,561</b>	<b>2,663</b>	<b>8,804</b>	<b>10,219</b>
YoY change (%)	24.81%	25.06%	10.91%	7.48%	15.90%	7.81%	22.23%	19.22%	16.62%	16.08%
<b>Total Expenditures</b>	<b>1,874</b>	<b>2,089</b>	<b>1,856</b>	<b>1,949</b>	<b>2,129</b>	<b>2,227</b>	<b>2,262</b>	<b>2,331</b>	<b>7,768</b>	<b>8,949</b>
<b>EBITDA</b>	<b>240</b>	<b>272</b>	<b>240</b>	<b>285</b>	<b>321</b>	<b>318</b>	<b>299</b>	<b>333</b>	<b>1,036</b>	<b>1,271</b>
Margins (%)	<b>11%</b>	<b>12%</b>	<b>11%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>12%</b>	<b>13%</b>	12%	12.4%
Other income	-6	8	12	21	17	16	27	22	35	82
Interest	2	6	5	8	9	10	11	11	21	41
Depreciation	99	99	102	122	113	118	114	116	422	461
<b>PBT</b>	<b>133</b>	<b>175</b>	<b>145</b>	<b>177</b>	<b>216</b>	<b>206</b>	<b>201</b>	<b>228</b>	<b>629</b>	<b>851</b>
Rate (%)	22%	25%	25%	23%	24%	25%	24%	25%	24%	25%
<b>Adjusted PAT</b>	<b>103</b>	<b>131</b>	<b>108</b>	<b>136</b>	<b>164</b>	<b>155</b>	<b>152</b>	<b>171</b>	<b>480</b>	<b>642</b>
<b>EPS in Rs</b>	<b>7.35</b>	<b>9.35</b>	<b>7.69</b>	<b>9.7</b>	<b>11.62</b>	<b>10.99</b>	<b>10.83</b>	<b>12.12</b>	<b>34.09</b>	<b>45.56</b>

### Key Performance Indicators

RM Cost (% of Sales)	60.4	62.3	59.9	59.3	59.1	60.2	60.1		60.5	
Staff Cost (% of Sales)	8.8	7.4	9.2	9.4	8.9	8.3	8.7		8.7	
Other Costs (% of Sales)	19.4	18.8	19.4	18.5	18.8	19.0	19.6		19.0	
EBITDA Margin (%)	11.3	11.5	11.4	12.8	13.1	12.5	11.7		11.8	
PAT Margin (%)	4.87	5.55	5.16	6.09	6.69	6.09	5.94		5.45	

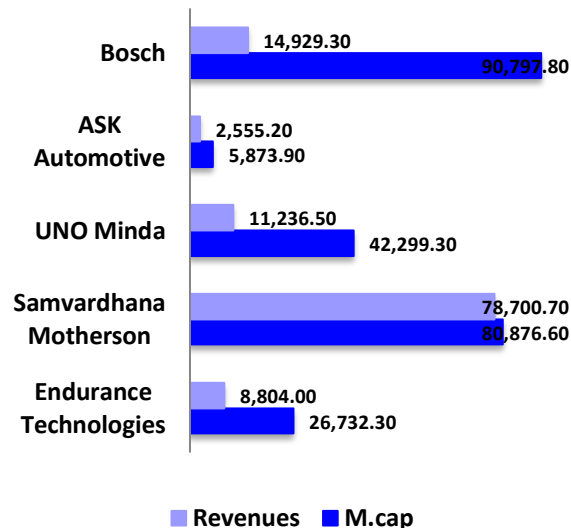
Source: Company, Hem Securities Research.



## INDUSTRY OVERVIEW

- The Indian automotive industry is worth more than USD 222 billion, contributing 8% to total export, 7.1% to GDP and 49% to manufacturing GDP
- As per government estimates, the Indian automobile sector is set to become the third largest in the world by 2030
- India is the fourth largest producer of automobiles in the world, with an average annual production of 25+ million motor vehicles
- Two-wheelers (2W) and passenger cars dominate the market, with 76% and 17.4% market share respectively
- The growing presence of global automobile OEMs in the Indian auto components industry has significantly increased the localisation of their components in the country.
- The component industry body is bullish about rising investments in the electrification space, with suppliers intensifying capex towards localisation of EV products, as well as developing the entire EV ecosystem
- The government's push, in the form of automotive PLI schemes to drive Indian manufacturers towards increased localisation of advanced automotive technologies is going to deliver strong growth in this space.
- Leading players in Indian Auto Ancillary Industry includes

## KEY PLAYERS in Auto Ancillary Space



## PEER PERFORMANCE

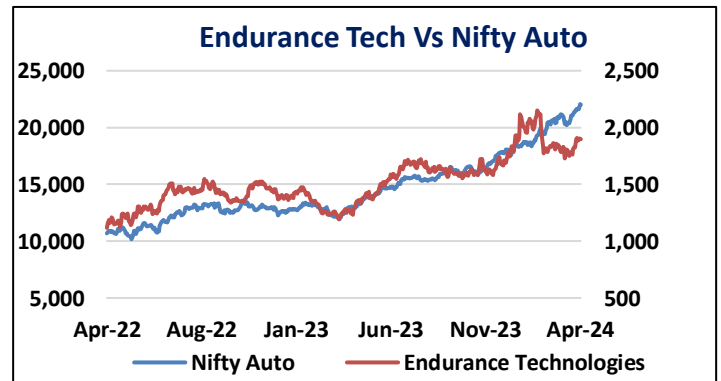
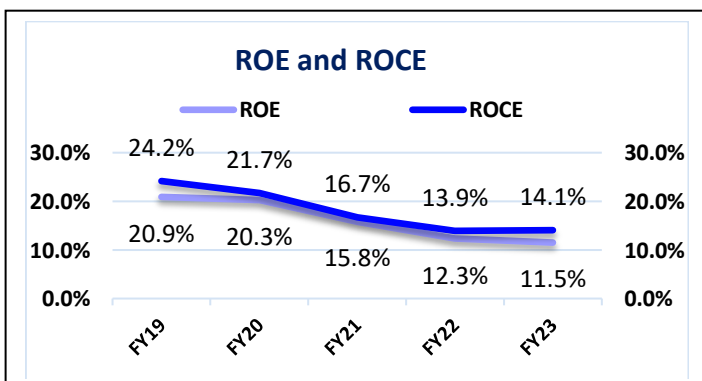
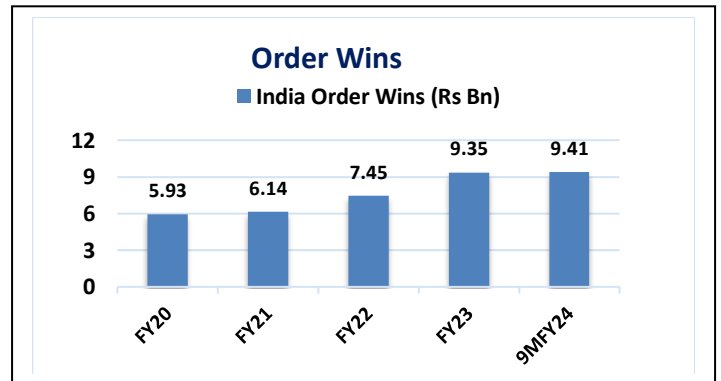
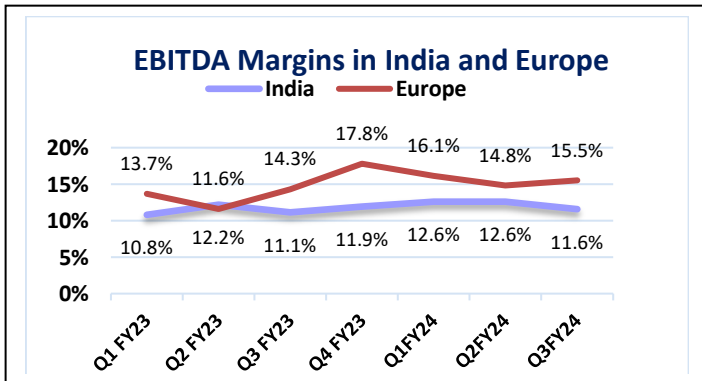
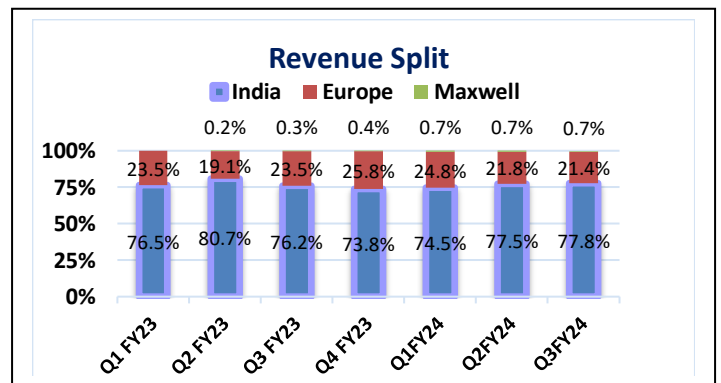
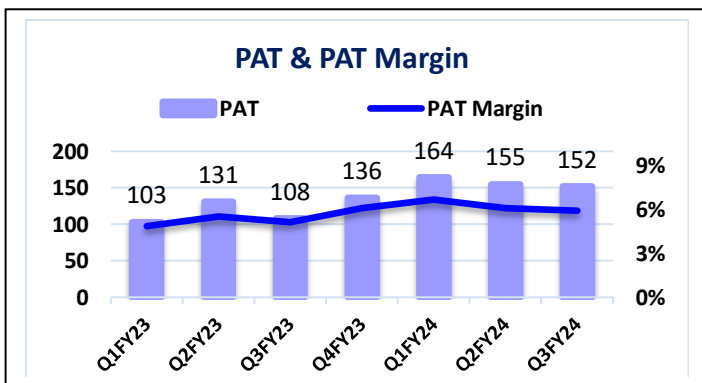
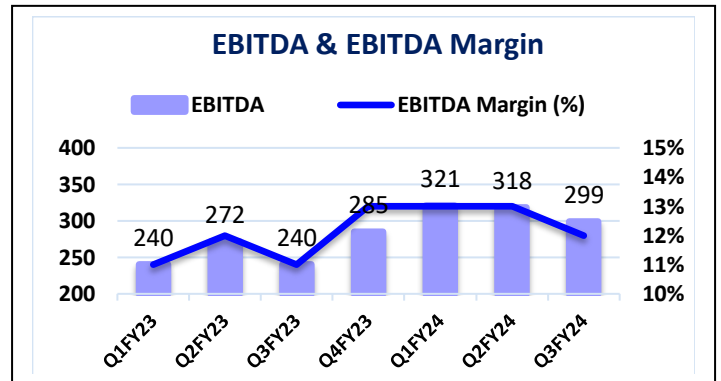
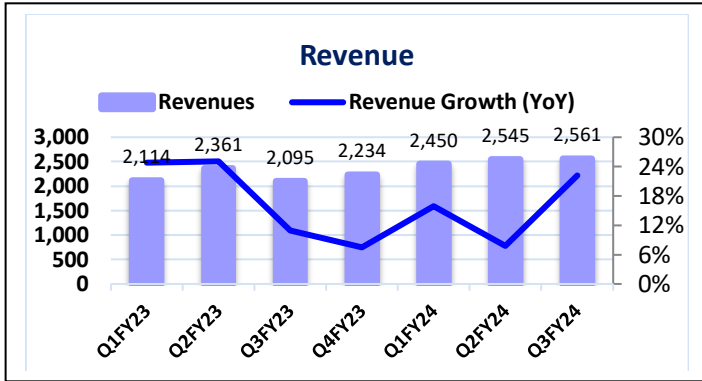
(₹ Cr)

Particulars	Peer Companies				
	Endurance Technologies Ltd.	Samvardhana Motherson International Ltd.	UNO Minda Ltd.	ASK Automotive Ltd.	Bosch Ltd.
Market Cap	26,732.3	80,876.6	42,299.3	5,873.9	90,797.8
Net Sales	8,804.0	78,700.7	11,236.5	2,555.2	14,929.3
EBITDA	1,036.3	6,207.7	1,242.0	231.7	1,802.9
PAT	479.6	1,495.6	653.6	123.0	1,425.5
EPS(₹)	34.1	2.2	11.4	6.2	483.2
EBITDA MARGIN %	12.2	8.2	11.5	9.6	15.3
PAT MARGIN %	5.4	2.1	6.2	4.8	9.5
ROCE %	14.1	9.4	19.9	20.6	17.5
ROE %	11.5	7.8	18.5	19.3	13.1
P/E TTM	44.1	40.5	54.7	47.8	39.0
P/B TTM	5.6	3.5	9.2	3.7	7.5
EV/EBITDA	20.9	12.1	26.5	27.2	32.0
Dividend Yield %	0.4	0.5	0.2	-	1.6
MCap/ Sales TTM	2.7	0.9	3.2	2.3	5.5

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Leading 2W auto ancillary player.
- One of the best proxy to play India 2W opportunity.
- Co has strong order wins and is expected to outperform 2W industry in India.
- Co is also ready for EV trend through Maxwell which is strongly focusing on BMS.
- Co has a diverse revenue profile in terms of geography, products and vehicle.
- Improving capacity utilization in ABS, disc brakes, aluminium forging, inverted forks, and other facilities will lead to an improvement in EBITDA margins.
- Wallet share of customers is continuously increasing.
- Co is also continuously expanding its product capacities.
- Co offers strong management with huge experience of their respective industries and products.
- Co will continue to focus on emerging technologies to grow its portfolio through both organic and inorganic route.

## RISK / NEGATIVE FACTORS:

- The Company is likely to get impacted in the event of a macro-economic slowdown or an auto industry specific downturn.
- Aluminium and steel are the major RM for the company. Rising prices of RM may affect their profitability.
- Over dependence on few customers like Bajaj, RE may lead to their business loss if these customers perform badly.
- Lucrative growth prospects of the Automobile and Auto components industries are always attracting new players to the market.

## COMPANY RECAP

- Incorporated in 1985 in Aurangabad, Maharashtra, ETL is a leading manufacturer and supplier of ADCC for automobiles. The company also manufactures suspension, transmission and braking products for mainly two- and three-wheeler OEMs in India.
- Derives nearly 77% of its revenue from the domestic market.
- The company supplies casting and machining products to leading four-wheeler OEMs in Europe and also cater to aftermarket for two-wheeler components.
- ETL has 31 plants across India, Germany, and Italy.
- Company is also equipped with an in-house tool room, a 29-acre proving ground, 5 DSIR approved R&D facilities in India, and 2 technical centers in Italy.
- Mr Anurang Jain, the promoter, along with his family members and /trusts, owns 75% of the company's equity capital; the remaining is held by the public.



## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement							(₹ Cr)	
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	
<b>Revenue from operations</b>	<b>7,510.50</b>	<b>6,917.71</b>	<b>6,547.02</b>	<b>7,549.14</b>	<b>8,804.05</b>	<b>10219.44</b>	<b>11752.36</b>	
Growth YoY (%)	18.25	-7.89	-5.36	15.31	16.62	16.08%	15.00%	
<b>Total Expenditure</b>	<b>6,381.72</b>	<b>5,786.94</b>	<b>5,522.76</b>	<b>6,584.50</b>	<b>7,767.78</b>	<b>8948.51</b>	<b>10165.79</b>	
(%) of sales	84.97	83.65	84.36	87.22	88.23	87.56%	86.50%	
<b>EBITDA</b>	<b>1,128.78</b>	<b>1,130.77</b>	<b>1,024.26</b>	<b>964.64</b>	<b>1,036.27</b>	<b>1270.93</b>	<b>1586.57</b>	
EBITDA Growth (%)	21.50	1.95	-9.12	-6.09	7.56	22.64%	24.84%	
EBITDA Margin (%)	15.32	16.95	16.28	13.26	12.23	12.44%	13.50%	
Depreciation	376.21	414.28	399.14	381.73	421.58	461	500	
<b>EBIT</b>	<b>758.81</b>	<b>764.09</b>	<b>660.56</b>	<b>592.50</b>	<b>649.83</b>	<b>809.93</b>	<b>1086.57</b>	
EBIT Growth (%)	25.87	0.69	-13.55	-10.30	9.68	24.64%	34.16%	
Net Interest Expenses	25.73	17.54	13.76	6.35	20.58	41	41	
Other Income	27.05	47.60	46.67	41.04	45.43	82	82	
<b>Earnings before Taxes</b>	<b>733.08</b>	<b>746.55</b>	<b>646.80</b>	<b>586.15</b>	<b>629.25</b>	<b>850.93</b>	<b>1127.57</b>	
EBT Margin (%)	9.72	10.74	9.83	7.73	7.12	8.33%	9.59%	
Tax-Total	238.07	181.01	127.23	125.44	149.68	24.56%	25.00%	
Rate of tax (%)	32.48	24.25	19.67	21.40	23.79	208.98	281.89	
<b>Net Profit</b>	<b>495.01</b>	<b>565.53</b>	<b>519.57</b>	<b>460.71</b>	<b>479.58</b>	<b>641.95</b>	<b>845.68</b>	
PAT Growth (%)	26.68	14.25	-8.13	-11.33	4.09	33.86%	31.74%	
PAT Margin (%)	6.56	8.14	7.90	6.07	5.42	6.3%	7.2%	
Minority Interest	0.00	0.00	0.14	0.00	0.00	0	0	
<b>Adjusted PAT</b>	<b>495.01</b>	<b>565.53</b>	<b>519.71</b>	<b>460.71</b>	<b>479.58</b>	<b>641.95</b>	<b>845.68</b>	
<b>EPS</b>	<b>35.19</b>	<b>40.20</b>	<b>36.95</b>	<b>32.75</b>	<b>34.09</b>	<b>45.56</b>	<b>59.98</b>	
EPS Growth (%)	26.68	14.25	-8.10	-11.35	4.09	33.66%	31.63%	

### Balance Sheet

Y/E March	2019	2020	2021	2022	2023
Equity Capital	141	141	141	141	141
Reserves	2,424	2,865	3,421	3,779	4,271
Preference Capital	0	0	0	0	0
Borrowings	730	750	641	430	515
Other Liabilities	1,475	1,306	1,544	1,507	1,875
<b>Total Liabilities &amp; Equity</b>	<b>4,770</b>	<b>5,062</b>	<b>5,747</b>	<b>5,857</b>	<b>6,802</b>
Fixed Assets	2,163	2,606	2,603	2,715	3,143
CWIP	118	126	96	119	171
Investments	36	166	444	487	672
Other Assets	2,453	2,164	2,604	2,536	2,816
<b>Total Assets</b>	<b>4,770</b>	<b>5,062</b>	<b>5,747</b>	<b>5,857</b>	<b>6,802</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	6.56	8.14	7.90	6.07	5.42
EBITDA margin (%)	15.32	16.95	16.28	13.26	12.23
EBIT margin (%)	10.06	10.99	10.04	7.81	7.35
ROE (%)	20.90	20.30	15.82	12.31	11.51
ROCE (%)	24.16	21.67	16.65	13.92	14.06
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	96.59	109.43	119.84	104.03	91.33
Inventory (Days)	25.01	28.62	32.23	31.59	31.40
Receivables (Days)	45.82	41.96	47.54	48.39	44.00
Current Ratio (x)	1.21	1.37	1.68	1.72	1.65
<b>Valuations Ratios</b>					
EV/sales (x)	2.20	1.24	3.14	2.04	2.01
EV/EBITDA (x)	14.28	7.27	19.19	15.35	16.34
P/E (x)	32.95	14.91	39.34	33.48	36.41
P/BV (x)	6.36	2.81	5.74	3.93	3.96
Dividend Yield (%)	0.47	0.92	0.41	0.57	0.56
Return on Assets (%)	10.90	11.55	9.69	8.03	7.67
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.28	0.25	0.17	0.11	0.11

<b>Cash Flow Statement</b>					
<b>Y/E March</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>CF from Operating activities (A)</b>	<b>898</b>	<b>1,011</b>	<b>621</b>	<b>742</b>	<b>862</b>
<b>CF from Investing Activities (B)</b>	<b>-696</b>	<b>-671</b>	<b>-586</b>	<b>-550</b>	<b>-905</b>
<b>CF from Financing Activities (C)</b>	<b>-167</b>	<b>-258</b>	<b>-143</b>	<b>-302</b>	<b>-72</b>
Net Cash Flow	35	83	-108	-111	-115
Add: Opening Bal.	503	538	5	1	10
<b>Closing Balance</b>	<b>538</b>	<b>621</b>	<b>-108</b>	<b>-111</b>	<b>-115</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
10 April 2024	Buy	2219

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