

Endurance Technologies

Focus on profitability; priced-in

The India business revenue grew 16% YoY, led by growth in 2W business. Europe business reported 17% growth, led by the sale of toolings for new orders books coupled with growth from the sale of machine components. Notwithstanding the slowdown in EVs and recessionary trends in Europe, Endurance aims to be a significant player in the battery management systems and electronic products required for EVs. In India, the emphasis is on enhancing profits and product mix, which is what Endurance hopes to do by growing its 4W business share from 25% to 45% by FY30. This will be driven by aluminum castings and forgings, which are increasingly being used for light weighting. Additionally, Endurance aims to increase the share of business for premium bikes in the 250cc and above categories for brake assemblies and ABS suspension. While we have factored in most of the key positives, the valuation at 37x FY26E earnings appears expensive. We maintain SELL with a TP of INR 1,727, valued at 25x Jun-26 EPS.

- Q1 performance above our estimates:** Endurance's Q1 consolidated revenue at INR 28.3bn came in higher than our estimate of INR 27bn. The revenue beat was led by the India business, which grew 16% YoY. EBITDA margin expanded 10bps YoY to 13.2% due to lower RM prices.
- Call takeaways:** (1) New business won in Q1 stands at INR1.84bn from non-Bajaj customers, which includes INR 1bn worth of EV business. EV orders are from M&M (e-3W), HMSI (1600cc motorcycle), Hero MotoCorp, and TVS. (2) The order wins from FY21 total INR 36.7bn, of which INR 28.4bn is new business and INR 8.4bn is replacement business. Of the INR 28.4bn new business, INR 24.4bn will reach peak sales by FY27 and is for suspension, castings and brakes. (3) TVS business won worth INR 5.4bn for brakes, aluminum alloy wheels, and suspension is expected to reach peak sales in FY26. (4) The shareholding in Maxwell Energy has increased from 56% to 61.5% in July 2024. Maxwell is in the business of battery management systems for 2W EVs and battery packs. The pipeline of INR 1bn worth of RFQs gives management the confidence to achieve its revenue target of INR 2.5bn by FY27. Maxwell won an order worth INR 344mn for motor control units with SOP expected in Mar-25. (5) It has to date won INR 8.4bn (INR 7.14bn as of FY24) worth of EV business from Ather, Bajaj, Hero Electric, Greaves Cotton, Bounce and Aptiv. Endurance is adding capacity for EV scooters and 3W casting. (4) In Europe, the business won worth Euro 3.1mn in Q1, including the first Volkswagen business win for a specialty plastic component for a hybrid EV. (5) The impact of the slowdown in EVs in international markets is expected to be mitigated by the existing ICE segment order.

Quarterly/annual financial summary

YE Mar (INR mn)	Q1 FY25	Q1 FY24	YoY (%)	Q4 FY24	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	28,255	24,500	15.3	26,848	5.2	102,409	115,811	130,528	145,891
EBITDA	3,741	3,213	16.4	3,894	-3.9	13,280	15,899	18,113	19,889
APAT	2,039	1,635	24.7	2,102	-3.0	6,805	8,271	9,511	10,344
Diluted EPS (INR)	14.5	11.6	24.7	14.94	-3.0	48.4	58.8	67.6	73.5
P/E (x)						51.2	42.1	36.7	33.7
EV / EBITDA (x)						25.8	21.6	18.9	17.0
RoCE (%)						14.5	15.6	15.8	15.1

Source: Company, HSIE Research

SELL

CMP (as on 14 Aug 2024) INR 2,483

Target Price INR 1,727

NIFTY 24,144

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 1,712	INR 1,727
	FY25E	FY26E
EPS %	1.4	0.9

KEY STOCK DATA

Bloomberg code	ENDU IN
No. of Shares (mn)	141
MCap (INR bn) / (\$ mn)	349/4,162
6m avg traded value (INR mn)	339
52 Week high / low	INR 3,061/1,525

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	22.7	36.6	50.5
Relative (%)	14.5	26.5	29.5

SHAREHOLDING PATTERN (%)

	Mar-24	Jun-24
Promoters	75.00	75.00
FIs & Local MFs	15.4	14.35
FPIs	7.79	8.66
Public & Others	1.77	1.99
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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