


Capacity Expansion Backed by Orders to Drive Topline & EBITDA Margins
Est. Vs. Actual for Q3FY25: Revenue – **INLINE**; EBITDA – **INLINE**; PAT – **MISS**
Change in Estimates post Q3FY25
FY25E/FY26E: Revenue: -1.7%/-1.7%; EBITDA: 1.4%/-0.7%; PAT: 6%/-5.8%

Recommendation Rationale

- **Strong Order Wins:** As of Dec'24, the company has accumulated new business orders worth ~Rs 3,341 Cr over the last five years, along with cumulative replacement orders of Rs 932 Cr in India. This includes an order backlog of Rs 960 Cr in the Indian EV segment, including Bajaj. In Europe, Endurance has secured €244 Mn in orders as of Dec'24, representing the last five years' cumulative value. Of this, €94 Mn (39%) is for EV applications, while €109 Mn (45%) is for Hybrid applications.
- **Capex and Capacity Expansion Plans:** In 9MFY25, the company incurred Rs 366 Cr as Capex for its Indian standalone operations across all segments. In Europe, Endurance invested €38.5 Mn to support new orders from customers, including the VW Group and Stellantis. With Rs 690 Cr in positive cash, the company's growth plans are expected to be largely self-funded.
- **EBITDA Margins:** With the anticipated growth in 2W industry volumes, a focus on product premiumization, and a strategic shift towards 4W, the company is expected to witness an improvement in EBITDA margins. Accordingly, we project consolidated EBITDA margins in the range of 13-14% for FY26/27E.

Company Outlook: We view Endurance favourably as an auto sector investment, primarily due to its strong EV product portfolio, robust order book, and capacity expansion projects.

Current Valuation: 29x FY27 EPS (earlier 30x FY27 EPS)

Current TP: Rs 2,140/share (Earlier TP: Rs 2,520/share)

Recommendation: We upgrade our rating from **HOLD** to **BUY** after the recent correction in the stock prices.

Financial Performance: Endurance's consolidated Revenue/EBITDA were largely in line with estimates, while PAT missed expectations by 5%. Consolidated revenue grew by ~12% YoY, driven by 9% YoY growth in domestic sales and 20% growth in subsidiaries, despite weakness in EU passenger car registrations. EBITDA grew by 25% YoY (-2% QoQ), with EBITDA margins at 13%, up 135 bps YoY (flat QoQ). Adjusted PAT grew by 21% YoY (-9% QoQ), with no recognition of State incentives in Q3 (a Rs 13 Cr incentive from the Maharashtra State Megaproject was accounted for in Q2FY25).

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	2,859	-1.84%	11.64%	2,925	-2.3%
EBITDA	373	-2.5%	24.6%	370	0.7%
EBITDA Margin	13.0%	-8.54	135	12.6%	38
Adj Net Profit	184	-9.2%	21.1%	194	-5.0%
EPS (Rs)	13.11	-9.2%	21.1%	13.80	-5.0%

Source: Company, Axis Securities Research

 (CMP as of 13th February, 2025)

CMP (Rs)	1,914
Upside /Downside (%)	12%
High/Low (Rs)	3,059/1,718
Market cap (Cr)	26,928
Avg. daily vol. (6m) Shrs.	141,607
No. of shares (Cr)	14.07

Shareholding (%)

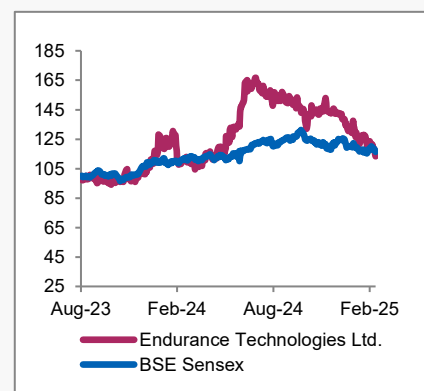
	Jun-24	Sep-24	Dec-24
Promoter	75.0	75.0	75.0
FIIs	8.7	9.5	11.5
MFs / UTI	8.6	7.9	7.1
Banks / FIIs	0.0	0.0	0.0
Others	7.8	7.5	6.4

Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	11,504	12,874	14,140
EBITDA	1,508	1,802	1,996
Net Profit	784	916	1,046
EPS (Rs)	55.8	65.1	74.4
PER (x)	34.3	29.4	25.7
EV/EBITDA (x)	17.4	13.9	12.4
P/BV (x)	4.7	4.0	3.5
ROE (%)	14.6	14.7	14.5

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	-1.7%	-1.7%	-1.7%
EBITDA	1.4%	-0.7%	-2.8%
PAT	6.0%	-5.8%	-11.4%

Relative Performance


Source: Ace Equity, AxisSecurities.

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Outlook

Endurance is focused on building long-term capacities to meet industry demand and enhancing the utilization of existing facilities. The company aims to increase: 1. Its targeted share of the 4W business; 2. Its share of business across key customers in premium bikes (>150cc) across product lines; 3. Its share of advanced electronics or embedded electronics business by becoming a key player in the BMS and new electronic products needed for EV applications; 4. Its share of non-automotive business, which holds significant opportunities, especially in aluminum castings. The benefits from these initiatives are expected to materialize in H2FY26 and beyond. We forecast consolidated Revenue/EBITDA/PAT CAGR of 11%/15%/16% over FY24-27E.

Valuation & Recommendation

We have revised our earnings estimates downward by 5-10% for FY26/27E, primarily due to the slower-than-anticipated ramp-up of the EV business (2W and PV) in India and the EU. Despite this, Endurance maintains a strong balance sheet and a proven ability to execute large deals, which supports positive sentiment in the long term. We hence value the stock at a PE of 29x FY27E (earlier 30x FY27E), leading to a revised target price of Rs 2,140/share (down from Rs 2,520/share). Given the 12% upside potential and reasonable valuations post the recent correction in stock prices, **we upgrade our rating on the stock from HOLD to BUY. A Staggered Buy Approach strategy is recommended for this stock from a long-term perspective.**

Key Concall Takeaways

- **Consolidated revenue split: By Geography:** In 9MFY25, 76.1% of revenue came from India, 23.4% from Europe, and 0.6% from Maxwell. By Product: The majority, 25.9%/42.8%, came from suspension and die casting respectively, followed by 11.7% from disc brakes, 7.7% from alloy wheels, 4.9% from aftermarket, 4.2% from transmission, and 2.9% from others. **By Vehicle type:** 55.6% from motorcycles, 9.2% from scooters, 8.1% from 3W, 25.5% from 4Ws, and 1.5% from others. HMSI, RE, TVS, and Bajaj Auto continue to be the key clients in the standalone Indian business, accounting for 50% of total consolidated revenue.
- **Indian Business:** In Q3FY25, revenue from Indian operations stood at Rs 2,192 Cr (vs Rs 2,007 Cr in Q3FY24). The standalone business registered 9.2% YoY growth compared to the 2W industry's sales volume growth of 7%. EBITDA grew 17.4% YoY to Rs 287 Cr, with margins at 13.1% (up ~90 bps YoY). The company booked no incentives in Q3FY25, compared to incentives worth Rs 35.9 Cr in H1FY25.
- **European Business:** In Q3FY25, revenue from the Europe business grew by 21.8% YoY (in Rs terms) to Rs 692 Cr. EBITDA stood at Rs 112 Cr (up 27.4% YoY), with an EBITDA margin of 16.2% (up 70 bps YoY). These numbers are despite a slowed 1.3% YoY growth in new car registrations in the EU. Currently, ICE end-use contributes 50% of the European revenue.
- **New Order wins:** Endurance reported strong order inflows in Q3FY25, with total new order wins reaching Rs 780.6 Cr (excluding Bajaj Auto). Of this, Rs 377.9 Cr came from aluminum casting, Rs 171 Cr from braking systems, Rs 143 Cr from suspension, Rs 52.4 Cr from clutches, and Rs 45 Cr from drive shafts. 50% of the new orders were for electric vehicles, and 40% were for four-wheelers, indicating a strategic push toward high-growth segments. The company's European subsidiaries secured €12.4 million in new orders, including significant wins from Volkswagen and BMW in the hybrid vehicle segment. With additional RFQs worth Rs 320 Cr in process across all product segments, the company is well-positioned for continued growth.
- **Stöferle:** Endurance acquired a 60% stake in Stöferle in Germany. Stöferle has a revenue of €80 million with an EBITDA margin of 18-20%, and specializes in high-precision machining for transmission components, being a key supplier to major German OEMs. The acquisition strengthens Endurance's position as a sole supplier, enhancing supply chain synergies and boosting margins. Stöferle's in-house machine manufacturing improves production efficiency and reduces costs, positioning Endurance for long-term profitability in the European auto market despite macroeconomic challenges.

- **4W Suspension:** Endurance entered into a technical assistance agreement with a leading Korean OEM to develop and manufacture four-wheeler suspension systems. The company aims to expand into a high-value segment where Indian competition is limited. The agreement includes full technology transfer, enabling Endurance to produce advanced shock absorbers and struts engineered for both Indian and global markets. The company is actively engaging with OEMs, with multiple RFQs under review. A greenfield manufacturing facility is planned. Endurance aims to become a second-source supplier initially, with the potential to secure primary supplier positions for future vehicle platforms.
- **Maxwell Energy:** In 9MFY25, the company increased its stake in Maxwell to 61.5%. Orders booked in the last 3 years have Rs 250 Cr of peak annual sales (value excludes orders won where the current outlook of sales is very low). The company entered SOP for Piaggio 3W; peak annual business potential is Rs 20 Cr, and for a new Tractor project in the OffHighway category for Montra, the peak business potential is Rs 10 Cr. Its LOI for Govecs (a large 2W OEM from the EU), with Rs 10 Cr as peak annual revenue, is starting business from Q4FY25. Maxwell's EBITDA loss stood at Rs 0.9 Cr for Q3FY25 (vs Rs 3.4 Cr loss in Q3FY24).
- **Aluminum Castings:** AURIC Shendra plant, set to begin operations in June 2025, will enhance capacity with advanced die-casting and machining for the EV and premium segments. The company secured Rs 377.9 Cr in new aluminum casting orders in Q3FY25, including Rs 150 Cr for exports and Rs 73 Cr for Mahindra E-Axle casting.
- **R&D Facility:** The company is launching a "G45" R&D center by March-April 2025, supporting 220 engineers. It will house testing, NVH, metallurgy, and ride-handling labs, enhancing Endurance's suspension and braking products for OEMs.

Key Risks to Our Estimates and TP

- Macroeconomic headwinds especially in the EU and Middle East.
- Lower-than-expected demand growth in the 2W segment in India.

Change in Estimates

	Revised Estimates			Earlier estimates			Change in Estimates		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenues	11,504	12,874	14,140	11,705	13,099	14,386	-1.7%	-1.7%	-1.7%
EBITDA	1,508	1,802	1,996	1,487	1,815	2,054	1.4%	-0.7%	-2.8%
PAT	784	916	1,046	740	973	1,181	6.0%	-5.9%	-11.4%

Source: Company, Axis Securities Research

Q2FY25 Results Review

Consolidated (Rs Cr)	Q3FY24	Q2FY25	Axis Estimates	Q3FY25	% Change (YoY)	% Change (QoQ)	% Variance
Sales	2,561	2,913	2,925	2,859	11.6%	-1.8%	-2.3%
Expenditure							
Net Raw Material	1,493	1,646	1,653	1,619	8.4%	-1.7%	-2.1%
Personnel	222	242	262	252	13.3%	4.0%	-4.0%
Purchase of traded Goods	46	37	41	13	-71.5%	-64.2%	-67.7%
Other Exp.	501	606	600	603	20.4%	-0.4%	0.6%
Total Expenditure	2,262	2,531	2,555	2,487	9.9%	-1.7%	-2.7%
EBIDTA	299	382	370	373	24.6%	-2.5%	0.7%
<i>EBITDA Margin</i>	<i>11.7%</i>	<i>13.1%</i>	<i>12.6%</i>	<i>13.0%</i>	<i>135</i>	<i>-9</i>	<i>38</i>
Other Non-Op. Inc.	27	27	32	22	-18.6%	-17.3%	-32.4%
Interest	10.9	11.6	13.4	11.5	5.1%	-0.9%	-13.9%
Depreciation	114.4	131.1	133.6	136.4	19.2%	4.0%	2.1%
Exceptional Items	0.0	0.0	0.0	0.0	0.0%	0.0%	0.0%
PBT	200.6	265.8	255.4	246.6	22.9%	-7.2%	-3.4%
Tax	48	63	61	62	28.7%	-0.9%	1.5%
PAT	152	203	194	184	21.1%	-9.2%	-5.0%
Adj PAT	152	203	194	184	21.1%	-9.2%	-5.0%
EPS (Rs)	10.83	14.43	13.80	13.11	21.1%	-9.2%	-5.0%
Gross Margin (%)	41.7%	43.5%	43.4%	43.4%	167	-10	-2
Staff costs as % of Sales	8.7%	8.3%	9.1%	8.8%	13	49	-32
OthExp as % of Sales	19.6%	20.8%	20.5%	21.1%	153	30	59
Effective Tax Rate (%)	24.1%	23.6%	25.0%	25.2%	113	160	23

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net sales	10,241	11,504	12,874	14,140
Other operating income	0	0	0	0
Total income	10,241	11,504	12,874	14,140
Raw materials	6,930	7,615	8,564	9,457
Contribution (%)	32.3%	33.8%	33.5%	33.1%
Advt/Sales/Distrn O/H	1,982.4	2,379.8	2,509.2	2,686.5
EBIDTA	1,328	1,508	1,802	1,996
Other income	86	108	113	124
PBIDT	1,414	1,617	1,915	2,120
Depreciation	474	533	649	664
Interest & Fin Chg.	43	46	61	61
E/o income / (Expense)	0.0	0.0	0.0	0.0
Pre-tax profit	897	1,038	1,205	1,395
Tax provision	216	254	289	349
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	680	784	916	1,046

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Total assets	5,839	6,524	7,313	8,230
Gross block	6,072	6,492	6,912	7,332
Net Block	3,134	3,021	2,792	2,548
CWIP	264	400	400	1,200
Goodwill	392	392	392	392
Investments	993	993	993	993
Wkg. cap. (excl cash)	551	610	676	735
Cash / Bank balance	505	1,108	2,059	2,362
Misc. Assets	-	-	-	-
Capital employed	5,839	6,524	7,313	8,230
Equity capital	141	141	141	141
Reserves	4,837	5,502	6,293	7,212
Minority Interests	-	-	-	-
Borrowings	925	921	921	921
DefTax Liabilities	63.8	38.9	41.5	44.0

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Sources	1,212	1,218	1,438	1,581
Cash profit	1,197	1,363	1,621	1,764
(-) Dividends	120	120	120	120
Retained earnings	1,078	1,244	1,501	1,644
Issue of equity	0.0	0.0	0.0	0.0
Change in Oth. Reserves	4.2	0.0	0.0	0.0
Borrowings	248.0	(4.3)	0.0	0.0
Others	(118.0)	(20.9)	(63.4)	(63.4)
Applications	1,212	1,218	1,438	1,581
Capital expenditure	867.7	556.4	420.0	1220.0
Investments	120.7	0.0	0.0	0.0
Net current assets	6.4	58.4	66.7	58.2
Change in cash	217.0	603.6	950.9	302.3

Source: Company, Axis Securities Research

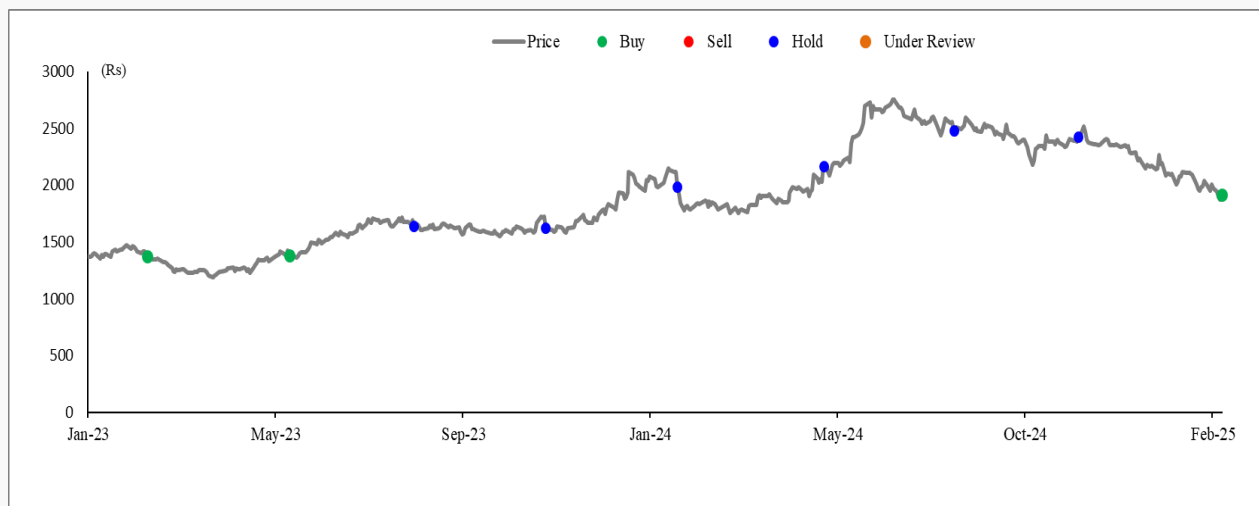
Ratio Analysis

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
Sales growth	16.3	12.3	11.9	9.8
EBITDA Margin %	13.0	13.1	14.0	14.1
Oper. profit growth	28.2	13.6	19.4	10.8
COGS / Net sales	67.7	66.2	66.5	66.9
Overheads/Net sales	19.4	20.7	19.5	19.0
Depreciation / G. block	7.8	8.2	9.4	9.1
Effective interest rate	6.7	6.0	8.0	8.0
Net wkg.cap / Net sales	0.1	0.1	0.0	0.0
Net sales / Gr block (x)	1.7	1.8	1.9	1.9
RoCE	18.1	18.3	18.9	19.3
Debt/equity (x)	0.15	0.13	0.12	0.10
Effective tax rate	24.1	24.4	24.0	25.0
RoE	14.3	14.6	14.9	14.9
Payout ratio (Div/NP)	17.6	15.2	13.1	11.5
EPS (Rs)	48.4	55.8	64.7	73.9
EPS Growth	41.9	15.3	16.1	14.1
CEPS (Rs)	82.1	93.7	110.9	121.0
DPS (Rs)	8.5	8.5	8.5	8.5

Source: Company, Axis Securities Research

ENDURANCE TECHNOLOGIES LTD Price Chart and Recommendation History



Source: Company, Axis Securities Research

Date	Reco	TP	Research
13-Feb-23	BUY	1,480	Result Update
19-May-23	BUY	1,570	Result Update
14-Aug-23	HOLD	1,660	Result Update
10-Nov-23	HOLD	1,700	Result Update
08-Feb-24	HOLD	2,060	Result Update
18-May-24	HOLD	2,080	Result Update
16-Aug-24	HOLD	2,391	Result Update
08-Nov-24	HOLD	2,520	Result Update
14-Feb-25	BUY	2,140	Result Update

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.