

Endurance Technologies

06 July 2020

Reuters: ENDU.BO; Bloomberg: ENDU IN

2W recovery and increasing content to beat the slump

We initiate coverage on Endurance Technologies (ENDU) with a Buy rating and a target price of Rs1,110, which gives an upside of 27% from the last closing price. It is the largest aluminum die casting manufacturer in India and one of the leading automotive component manufacturers in suspension, transmission and braking systems. It also has operations in Europe, which contributed 28.6% to the consolidated revenue in FY20. We expect ENDU to perform better in the current COVID times mainly on the back of (a) its ability to win new orders in both India and Europe (b) its plan to launch new value and margin accretive products like brakes, clutches and inverted front forks for the 200cc+ motorcycle segment; Paper base clutches and CVT systems for scooters; ABS, fully finished castings, aluminum forging etc (c) execution of strong order book from new customers like Hyundai & Kia (Rs2.79bn), TVS Motor, Volkswagen, HMSI and Hero MotoCorp and (d) strong balance sheet with zero net debt. In the last 5 years, its revenue/PAT has grown at 7%/17% CAGR and its EBITDA margin has improved by 400bps. This performance has been driven by high growth of its customers (Bajaj Auto in FY19, Royal Enfield in FY16-18) and increase in the share of business from OEMs (Hero MotoCorp, Volkswagen, HMSI, Daimler, BMW etc). As a result, the company has consistently outperformed the underlying industries in both India and Europe. We believe that the company will continue to outperform the industry for the reasons mentioned above and expect its revenue to grow at 7% CAGR during FY20-22E. We expect EBITDA margin to improve by 50bps over FY20-22E, driven by better operating performance. Our PAT growth estimate for FY20-22E is 10% CAGR. ENDU's average one year forward PER since the IPO has been 30x. It is currently trading at 18.2x FY22E earnings estimate. We value the stock at 23x given the slower growth estimate vs last 5 years. This is in line with other quality names in the segment.

India business to stay strong with stable customers and new orders: We expect its key domestic clients – Bajaj Auto, Royal Enfield and Hero MotoCorp to come back stronger from COVID-19 setbacks. This is almost 66% of the domestic business. Also, the company has been gaining wallet share with customers other than Bajaj. In FY20, there was sizable growth in business mainly from Hero MotoCorp by 9%. It is also increasing the business with Hyundai and Kia Motors. The company has already received Rs2,790mn per annum of business, which will see peak sales in 2021-22. Its next year's plan is to reach Rs1,500mn per annum from this business. At HMSI, the 2.76mn scooter front fork and similar level of shock absorbers have now achieved peak sales from Feb'20 and this will be at Rs250mn per month or Rs3,000mn per annum. With this, business from HMSI increased in FY20 and its contribution to the standalone revenue improved from 8% to 13% YoY. The company is going to increase business with TVS for two and three-wheeler brake assemblies, front forks and shock absorbers and also has RFQs for clutch assemblies. Supply of combine braking system to TVS will start in 2QFY21. Overall, in the last two years, ENDU has won Rs15bn worth of new orders in India.

New technology, EVs and increase in aluminum content to drive Europe business: ENDU's strategy in Europe is to expand its presence in transmission and body parts with high level of automation with focus on German clients. ENDU has benefited from the regulations pertaining to emissions and fuel economy, which are driving the shift towards light weight materials such as aluminum, magnesium and high-strength steel from traditional materials like steel. According to a study conducted by Drucker for the European Aluminum Association, average aluminum content in passenger vehicles in Europe has risen to ~179 kgs per vehicle in 2019 from 150 kgs per vehicle in 2016. This is expected to increase further to ~200 kgs per vehicle by CY2025E. Battery Electric Vehicles (BEV) have significantly higher aluminum content than their ICE variants, primarily due to the aluminum used for the Battery Box, which further increases for Hybrids (HEV) and Plug-in Hybrid Electric Vehicles (PHEV) due to double powertrain components. In the last 2 years, the company has won Euro110mn of business for electric and hybrid cars, which has started in FY20 and will reach peak in FY23. Out of the new business won, Euro30mn is for electric cars manufactured by Audi and Porsche and Euro80mn is for hybrid cars made by Volkswagen, Daimler, BMW, Fiat Chrysler and Maserati. A further order of Euro45mn is being discussed with VW.

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	63,514	75,105	69,177	61,870	79,557
% Growth	13.6	18.2	(7.9)	(10.6)	28.6
EBITDA	9,279	11,288	11,308	9,590	13,366
EBITDA margin (%)	14.6	15.0	16.3	15.5	16.8
Adj PAT	4,176	5,158	5,655	4,132	6,794
EPS (Rs)	29.7	36.7	40.2	29.4	48.3
EPS growth (%)	26.4	23.5	9.6	(26.9)	64.4
P/E (x)	29.6	23.9	21.8	29.9	18.2
EV/Sales (x)	1.9	1.6	1.7	1.9	1.4
EV/EBITDA (x)	13.3	10.9	10.7	12.3	8.4
P/BV	5.7	4.8	4.1	3.7	3.1
Dividend yield (%)	0.5	0.6	0.6	0.3	0.7
RoCE (%)	23.1	25.1	21.6	14.5	20.6
RoE (%)	19.2	20.1	18.8	12.3	17.2

Source: Company, Nirmal Bang Institutional Equities Research

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BUY

Sector: Automobile

CMP: Rs877

Target Price: Rs1,110

Upside: 27%

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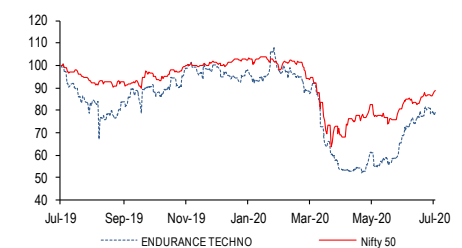
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Key Data

Current Shares O/S (Mn)	140.7
Mkt Cap (Rsbn/US\$bn)	123.4/1.7
52 Wk H / L (Rs)	1,205/562
Daily Vol. (3M NSE Avg.)	327,894

Share holding (%)	4QFY20	3QFY20	2QFY20
Promoter	75.0	75.0	75.0
Public	25.0	25.0	25.0
Others	-	-	-

One -Year Indexed Stock Performance



Price Performance (%)

	1 M	6 M	1 Yr
Endurance Tech.	9.4	(17.0)	(19.9)
Nifty Index	5.4	(13.2)	(11.0)

Source: Bloomberg

Valuation/stock price performance

ENDU IPO was listed on 19th October 2016 and since then its average one-year forward price to earnings ratio is 30 times. This is on the back of consistent outperformance over the underlying industries along with improvement in operating performance. In the last 5 years, the company's revenue/PAT have grown at 7%/17% CAGR and EBITDA margin has improved by 400bps. This performance has been driven by high growth of its customers (Bajaj Auto in FY19, Royal Enfield in FY16-18) and increase in the share of business from OEMs (Hero MotoCorp, Volkswagen, HMTI, Daimler, BMW etc). Further, ENDU has a strong balance sheet and negligible net debt. The company is well managed by its founder and promoter Mr. Anurag Jain. We expect the company to gain more wallet share from existing customers with the introduction of new products – brakes, clutches and inverted front forks for 200cc+ motorcycle segment; Paper base clutch and CVT systems for scooters; ABS, fully finished castings, aluminum forging etc. The company has a strong order book to sustain near term growth. We expect its revenue to grow at 7% CAGR over FY20-22E and PAT to grow at 10% CAGR for the same period. We value the stock at 23x FY22E consolidated EPS and arrive at our target price of Rs1,110.

Exhibit 1: Peer valuation

Company	CMP	M-cap	CAGR FY20E-FY22			P/E (X)			EV/EBITDA (X)			ROE (%)		
	(Rs)	(US\$mn)	Sales	EBITDA	EPS	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Endurance*	877	1,646	7.2%	8.7%	9.6%	21.8	29.9	18.2	10.7	12.3	8.4	18.8	12.3	17.2
Bosch	11,777	4,631	4.7%	18.9%	5.5%	28.6	33.4	25.7	20.9	26.1	19.8	7.1	11.2	12.9
Bharat Forge	359	2,227	2.3%	20.2%	32.6%	41.6	62.1	23.5	17.1	21.6	13.2	6.6	4.8	11.5
Gabriel India	94	180	-7.5%	-3.0%	-9.5%	16.0	21.3	19.5	9.2	10.7	9.8	13.6	9.1	9.6
Motherson Sumi	98	4,130	4.0%	24.7%	25.3%	26.5	30.6	16.9	8.2	9.2	6.7	10.5	8.2	14.6
Minda Inds	286	1,000	14.3%	18.9%	47.8%	26.3	31.7	22.2	13.7	12.5	9.7	8.8	10.8	14.9
Minda Corp	71	214	7.7%	8.3%	14.0%	12.0	11.8	9.2	6.4	6.6	5.5	11.2	11.5	11.9

Source: Bloomberg, *Nirmal Bang Institutional Equities estimates

Exhibit 2: One-year forward P/E band



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Covid-19 Impact

In March this year, with growing number of COVID-19 cases in the country, ENDU took a voluntary decision to suspend manufacturing at its Maharashtra and Uttarakhand plants from 23rd of that month. Eventually, on 25th March, the government announced a nationwide lockdown and hence all operations in India got temporarily suspended. ENDU has 17 plants in India. The company has operating subsidiaries in Italy and Germany, which also got impacted by the COVID-19 outbreak. This was mainly as the OEM customers in Europe were operating at scale down levels and the Italian government directed to suspend industrial activities. ENDU has 3 plants in Germany and 7 plants in Italy.

After requisite directives, company started resuming operations from 21st April onwards in Pantnagar plant followed by Waluj from 25th April. Other Indian plants resumed operations post permissions from authorities between 6th and 11th May. Similarly, Italian plants resumed operations between 4th and 11th May the government relaxed lockdown directives. All the plants shall gradually ramp up operations to align with the offtake from their respective OEM customers.

During the lockdown, Endurance made two acquisitions

During the COVID-19 lockdown, while most businesses were trying to manage their cash flows and protect their profits, ENDU was out shopping. It made two acquisitions during this period.

First, on 15th April, ENDU bought a controlling equity stake of 99% in Adler SpA for Euro 3.5mn. Adler is a leader in systems solutions for clutches, gears and friction plates with niche in R&D, engineering services and product development for OEM customers in Europe. Its new product technologies / technical strength would be important for the company. The acquisition of controlling stake in Adler gives ENDU total access to its technical know-how and intellectual property rights. This acquisition would also provide future growth opportunities for the domestic market in India and for export opportunities. Adler has a manufacturing plant located in Rovereto, Italy. It recorded revenue (in local GAAP) of around Euro 6.4mn in CY19.

Second, on 22nd May, ENDU bought a 100% stake in Grimeca Srl, an Italian advanced service company involved in designing and developing new braking products for motorcycles and light vehicles, including 'co-design' with OEM customers. The acquisition has been completed for a consideration of Euro 2.25mn, which includes Euro 0.9mn for the 100% stake in Grimeca and Euro 1.35mn for technical know-how, intellectual property rights of braking systems and chassis components and the "G Grimeca" brand. Grimeca has been a technology provider for braking solutions to the company since 2015. This strategic acquisition aims to strengthen the company's technological prowess in the area of braking systems and is expected to provide impetus to the growth opportunities for the company's braking business in both domestic and export markets.

With the help of these two acquisitions ENDU is planning to enter the 200cc+ motorcycles segment. These two companies are already having good technologies for the higher segment bikes. It makes it easier for ENDU to enter the large bike business for clutches and brakes in both Indian and European markets. This is part of the strategy where ENDU is focusing on a more value-added and profitable product mix in its future business.

Well equipped for a stronger recovery

Diverse Product offering

Indian Business: ENDU is a Tier-1 supplier of four key components to two-wheelers (2Ws), three-wheelers (3Ws) and four-wheelers (4Ws): (1) aluminum die-casting and machining, (2) suspension components such as shock-absorbers & inverted forks, (3) transmission components such as clutch assemblies, friction plates & continuous variable transmission (CVT) systems and (4) braking components such as disc & drum brake assemblies, rotary discs & brake pads. Over the years, it has diversified itself into proprietary business which has grown faster than non-proprietary casting business and has benefited in terms of margins.

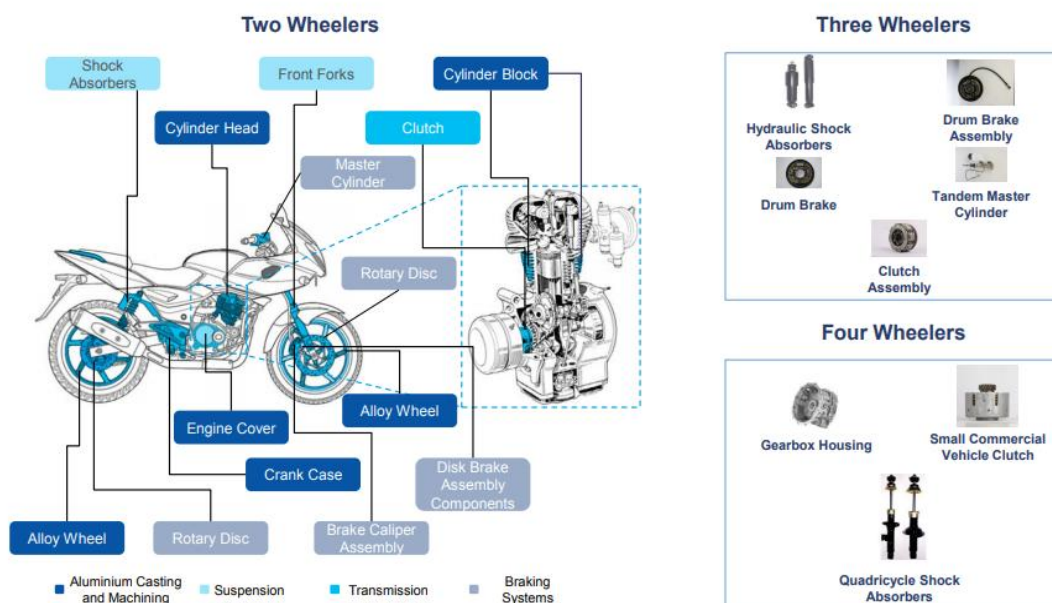
Exhibit 3: Diverse product offering in India

Particulars	Aluminum Casting (Incl. Alloy wheels)	Suspensions	Transmissions	Braking systems
Segments covered	2Ws, 3Ws, and 4Ws	2Ws, 3Ws, and Quadricycles	2Ws, 3Ws, Quadricycles & Small CVs	2Ws and 3Ws
Key Products	Crank cases, Cylinder blocks & head covers, Swing arms, alloy Wheels, Magneto Side etc	Shock absorbers & Front forks	Clutch assemblies for Motorcycles/3Ws/Small CVs, CVT for scooters, Friction plates	Rotary Discs, Disc brakes assemblies for 2W, Tandem Master Cylinder assemblies, Drum brakes for 3Ws
Technical agreements	No technical tie-up	WP Performance Systems GmbH for suspension components	Adler SpA for transmission products. Adler was acquired by Endurance in Apr'20	Grimeca for combined brake system & BWI (USA) for Anti-lock braking system (ABS)
Key customers	Bajaj, Royal Enfield, Honda, Hero, Yamaha, Hyundai, Kia, Maruti,	Bajaj, Royal Enfield, Honda, Hero	Bajaj, Royal Enfield, Honda, Yamaha	Bajaj, Royal Enfield, Honda, TVS
Key Competitors	Rockman, Sundaram Clayton, Rico, Enkei Wheels	Gabriel and Munjal Showa	FCC Clutch and Exedy India	Brembo and Nissin

Source: Company AR, Prospectus, Nirmal Bang Institutional Equities Research

Exhibit 4: Tier 1 Supplier of Diverse Product Offerings to Indian OEMs

Endurance supplies a diverse range of technology-intensive products to 2W / 3W / 4W OEMs



Source: Company presentation, Nirmal Bang Institutional Equities Research

European Business: ENDU's European business is primarily to manufacture complex, highly machined aluminum die castings for the passenger car industry. This includes Suspension & body parts, Engine parts and Transmission parts. Its top 5 customers in Europe are Volkswagen group (including Porsche and Audi), Fiat Chrysler group, Daimler, BMW and Opel (now part of Peugeot).

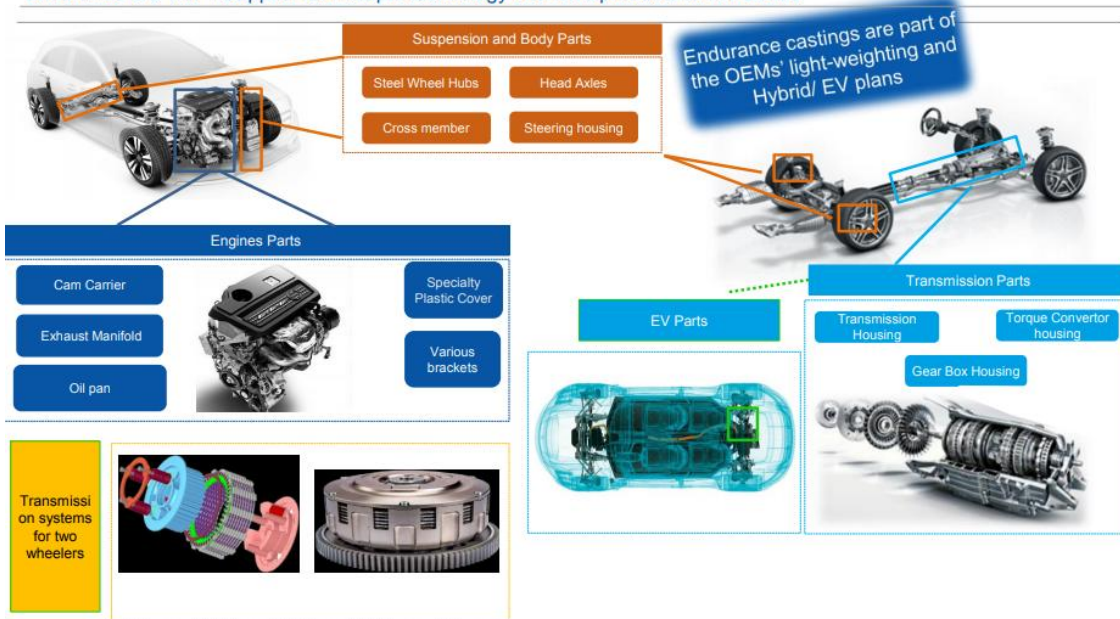
Exhibit 5: Product portfolio – European business

	Suspension & Body Parts	Engines Parts	Transmission Parts
Aluminum Die Casting and Machining	• Steel Wheel Hubs	• Cam Carrier	• Transmission Housing
	• Head Axles	• Exhaust Manifold	• Gear Box Housing
	• Cross Member	• Oil Pan	• Torque Converter Housing
	• Steering Housing	• Specialty Plastic	• EV Parts
		• Various brackets	

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Tier 1 Supplier for technology intensive product to European 4W OEMs

Endurance is a Tier 1 Supplier for multiple technology intensive products to 4W OEMs

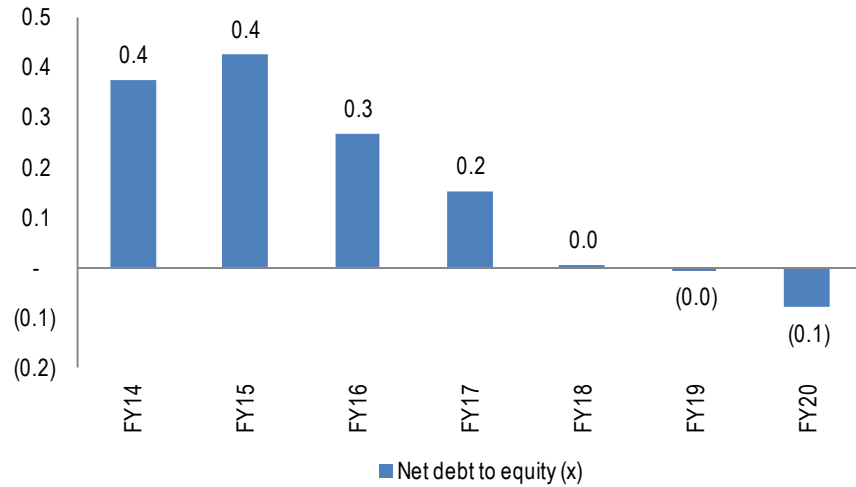


Source: Company presentation, Nirmal Bang Institutional Equities Research

Strong balance sheet and cash position

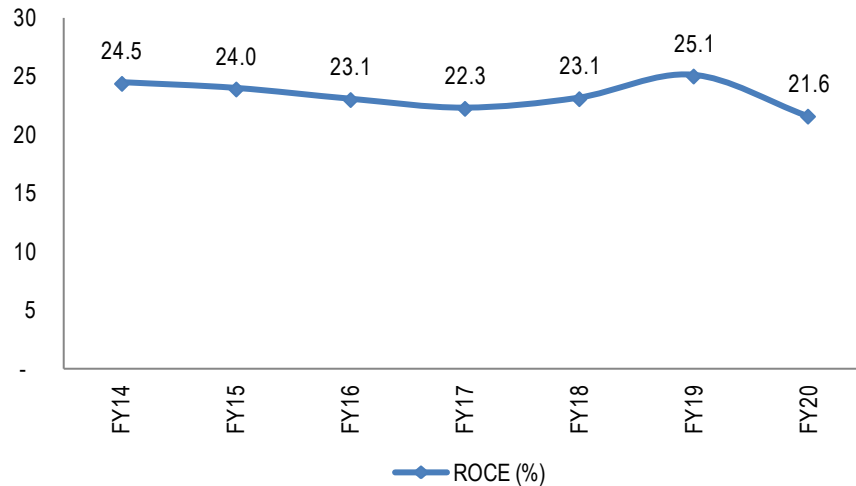
ENDU's consolidated net debt at the end of FY20 was nil for the first time and was down from Rs1.58bn YoY. The company had a positive consolidated cash position of Rs361mn and standalone cash of Rs100mn. The company's asset turnover was almost 2x. The company's return ratios are one of the best in the industry.

Exhibit 7: ENDU is currently a zero net debt company



Source: Company, Nirmal Bang Institutional Equities Research

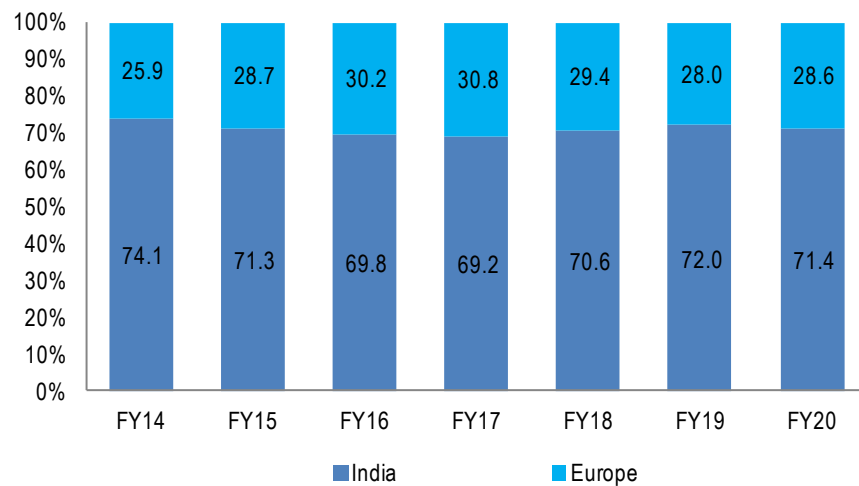
Exhibit 8: ENDU has a track record of higher returns



Source: Company, Nirmal Bang Institutional Equities Research

Strong customer mix

Exhibit 9: Revenue by geography - trend



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Key customers and revenue mix

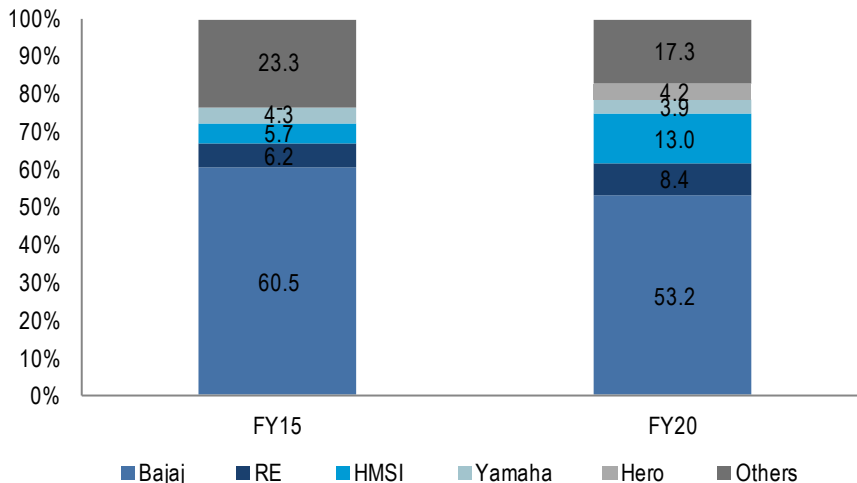
	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Key customers - % of domestic revenue							
Bajaj Auto	64.8	60.5	58.5	53.6	49.1	52.4	53.2
Royal Enfield	4.4	6.2	8.5	10.4	11.3	10.8	8.4
Honda Motorcycle	6.4	5.7	8.3	10.2	12.7	8.0	13.0
Hero MotoCorp	-	-	-	1.8	2.8	3.5	4.2
Others*	24.4	27.6	24.7	23.9	24.1	25.2	21.2
Key customers - YoY growth (%)							
Bajaj Auto	-	4.9	0.7	(2.8)	5.9	29.0	(7.5)
Royal Enfield	-	58.6	42.1	30.0	26.0	15.6	(29.4)
Honda Motorcycle	-	-	52.7	30.0	44.0	(24.2)	48.1
Hero MotoCorp	-	n.a.	n.a.	n.a.	77.9	49.8	9.0
Others*	-	27.2	(6.6)	2.6	16.4	26.3	(23.4)
Key customers - % of Europe revenue							
FCA	54.1	49.5	50.6	51.0	47.4	46.4	27.0
VW Group (incl Porche)	n.a.	n.a.	n.a.	n.a.	13.6	20.7	28.0
Daimler	n.a.	n.a.	n.a.	n.a.	17.0	19.7	16.1
Others*	45.9	50.5	49.4	49.0	22.0	13.2	28.9
Key customers - YoY growth (%)							
FCA	-	18.4	14.8	9.9	0.4	10.4	(45.3)
VW Group (incl Porche)	-	n.a.	n.a.	n.a.	n.a.	71.6	26.9
Daimler	-	n.a.	n.a.	n.a.	n.a.	30.2	(23.1)
Others*	-	42.1	9.8	8.4	n.a.	(32.3)	106.3

Source: Company, Nirmal Bang Institutional Equities Research; *Others - balancing figure

Business outlook: India Business

In India, ENDU is a tier 1 supplier of diverse range of technology-intensive products to 2W / 3W / PV/CV OEMs. Its key products are - alloy wheels for motorcycles, suspensions for 2W and quadricycles, clutch assemblies for 2Ws and 3W and CVT for scooters, disc brakes and aftermarket services. In FY20, the India business contributed 71.4% to the consolidated revenue. Its biggest client – Bajaj Auto constitutes almost 53% of the India business in FY19, followed by Royal Enfield at 8.4% and HMSI at 13%.

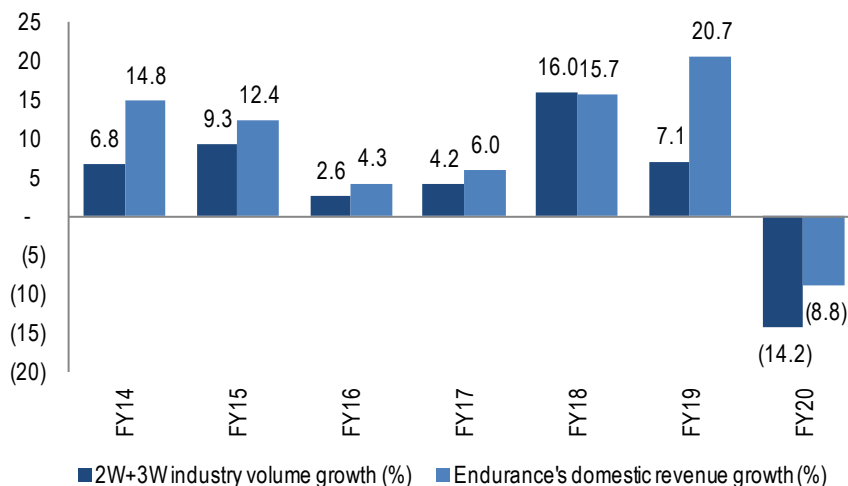
Exhibit 11: Share of business from Bajaj is coming down, others going up



Source: Company, Nirmal Bang Institutional Equities Research

ENDU has consistently outperformed industry growth on the back of new order wins and increase in content per vehicle. For instance, sales to Hero MotoCorp formed 2.8% of FY18 revenue, which grew by 53% and 9% YoY in FY19 and FY20, respectively whereas the standalone business was up 21% and -7.8% YoY in the same period. Hero Motocorp is now 4.2% of India revenue.

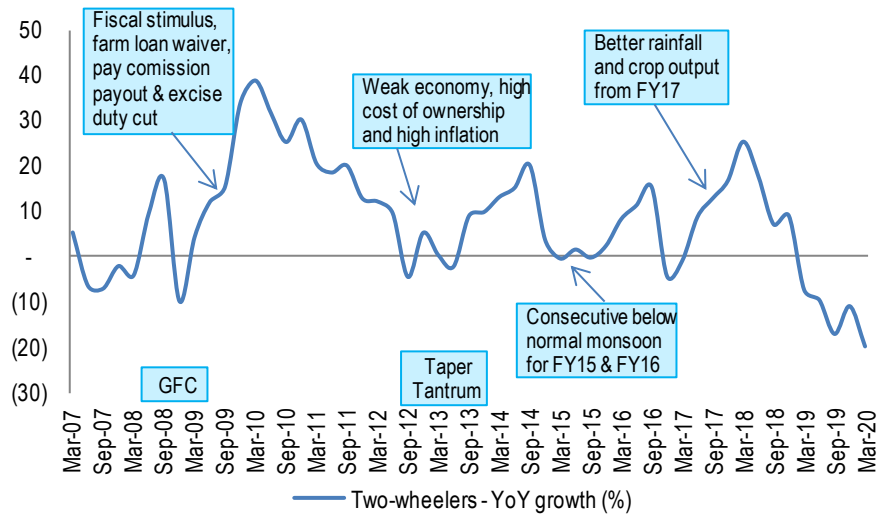
Exhibit 12: ENDU has consistently outperformed the underlying industry



Source: Company, Crisil, Nirmal Bang Institutional Equities Research

India 2W industry: current trends in favor of ENDU customers

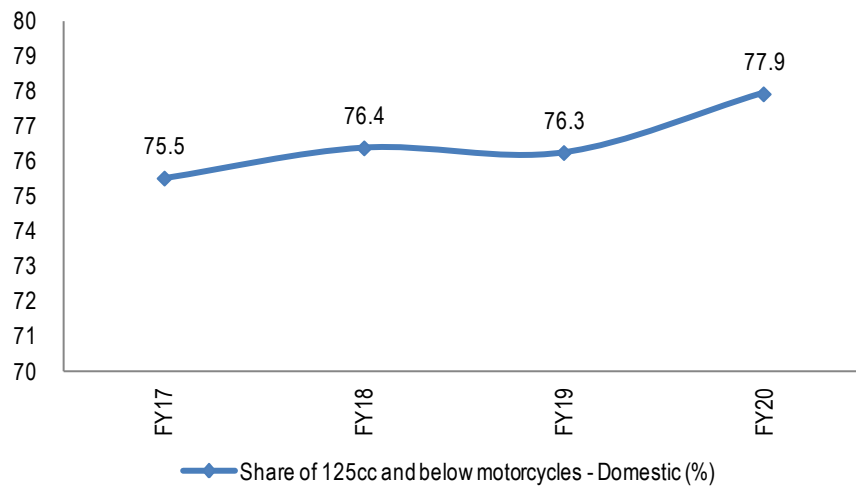
Exhibit 13: Long term trend in India 2W industry



Source: Crisil, Nirmal Bang Institutional Equities Research

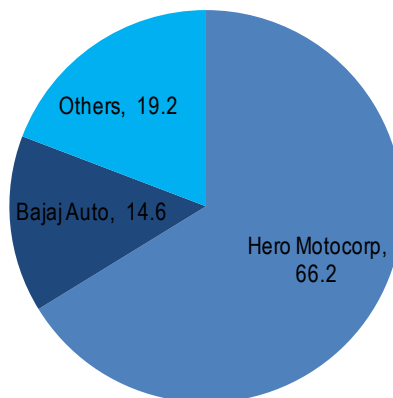
1. We see shift towards personal mobility keeping the economy and sentiments in mind. Most of this demand will be in motorcycles and that too in the commuter segment, i.e. 100-125cc. This segment has already been gaining share in the last few years, owing to rising acquisition prices for various reasons – insurance costs, safety regulation etc. This segment has reached 50.2% share in 2Ws with a gain of 130bps YoY and 260bps in the last 4 years. With prices increasing further due to BS6 emission norms and the current slowdown scenario, we see further downgrading or shift towards 100-125cc segment happening in the medium term. This is poised to benefit Hero MotoCorp and Bajaj Auto.

Exhibit 14: Increasing Share of >=125cc motorcycles aides Hero MotoCorp



Source: Crisil, Nirmal Bang Institutional Equities Research

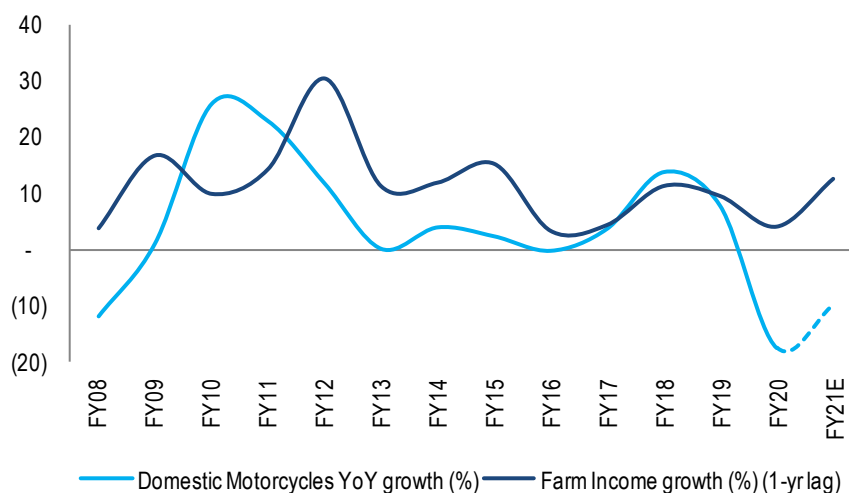
Exhibit 15: Hero and Bajaj dominate the >=125cc motorcycle segment in FY20



Source: Crisil, Nirmal Bang Institutional Equities Research

- Rural would be better than urban. Taking all the cues so far, we think rural India is better placed in terms of the virus severity. Although risk remains in the form of reverse migration. Farm income is improving due to better Rabi output, better yields and normal monsoon forecast. Another metric to support this is tractor sales data which indicates a revival. Since rural India is more inclined towards motorcycles, we see the share of this segment increasing in 2Ws.

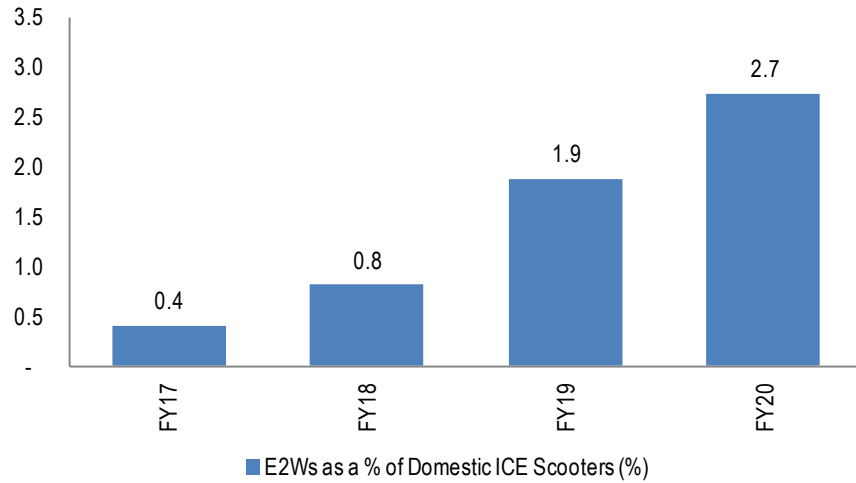
Exhibit 16: Motorcycle sales have high correlation with farm income



Source: Crisil, Nirmal Bang Institutional Equities Research

- Conversion of ICE scooters to electric will continue post normalcy. Share of EV in Scooter has been 0.8%, 1.9% and 2.7% in the last 3 years and we see this trend continuing. Growth of scooters share in 2Ws has already stalled. ENDU has already started supplying components for Bajaj Auto's electric scooter Chetak, which has received an overwhelming response. Most of the products that the company offers would continue to be used if the industry turns into electric, except clutches which is only 8% of the company's sales.

Exhibit 17: ICE scooters are getting converted to electric



Source: SMEV, Crisil, Nirmal Bang Institutional Equities Research

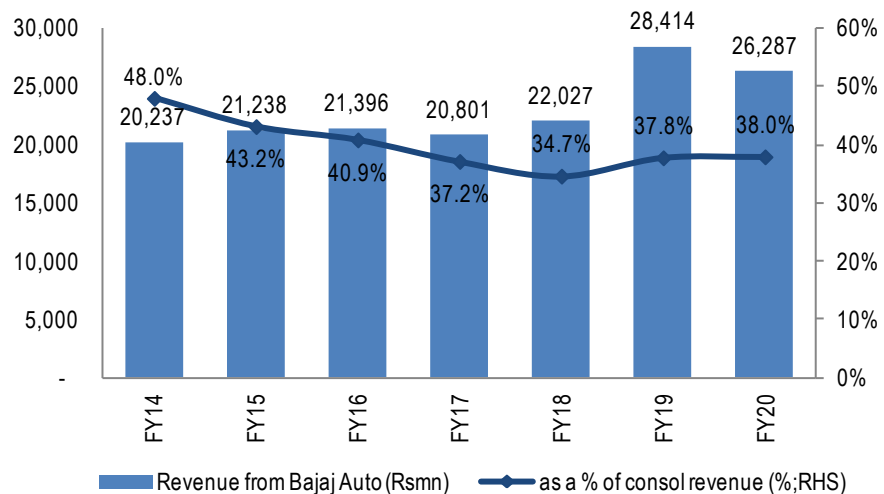
- Export demand could remain buoyant as oil price is back to US\$39-40 and is expected to be there for the rest of the year. Secondly, USD rate is favourable at 75-76 and lastly, Covid-19 is less severe in the key export market of Africa with lower number of cases and deaths. This is the main reason why no major lockdown was implemented in the continent.

Key Players to do well

Bajaj Auto

Bajaj Auto is the largest customer for ENDU with consolidated revenue share of ~38%. We are positive on Bajaj Auto's performance in the medium term and expect a faster recovery from COVID-19 related shortcomings, driven by (a) its diverse product offering – Motorcycles, Three Wheelers, Electric Scooter and Quadricycle (b) it is the biggest exporter of 2Ws and 3Ws from India and export volume is ~47% of its total sales. Also, we expect export demand to remain strong owing to reasons stated in the previous section. (c) its strategy to sustain in a slowing demand environment by introducing stripped-down and lower priced variants of its key models like CT100b and Pulsar 125, which has helped it to gain market share in FY20.

Exhibit 18: Contribution of Bajaj Auto revenues



Source: Company, Nirmal Bang Institutional Equities Research

Royal Enfield

Royal Enfield's (RE) sales contribution was ~6% in FY20 consolidated revenue. We believe that RE's focus on network expansion and improving product accessibility can be a long-term growth enabler, especially in a challenging environment. RE has over 600 studio stores in tier 2 & 3 towns and plans to expand it further. Studio stores have low cost operating model and have lower breakeven point. Expected recovery in the rural economy will support demand from studio stores. We expect this to boost the spares & services revenue as well. The company is also focusing on improving accessibility by way of strip down variants, new colour options and has a long new launch pipeline, thereby giving customers more choices. Current channel inventory remains very low. RE's new platform launch has been delayed to 2QFY21 and has lined up practically a new product each quarter for the next 2-3 years, which will be in its current mid-segment category.

We expect the exports momentum to continue as 650 Twins have been very well received internationally. Given the opportunity size, RE is looking to expand the distribution reach internationally, which will continue to drive the volume momentum depending on the revival in export markets.

Hero MotoCorp

Sales to Hero MotoCorp contributed ~3% to ENDUs consolidated revenue in FY20. We expect Hero to be the prime beneficiary of the upcoming trends in the industry i.e. (a) Rural revival (b) downtrading and (c) shift towards personal mobility given the fear psychosis due to Covid-19. These trends are discussed in detail in the section above.

Exhibit 19: Commentaries of domestic players on current demand scenario

OEMs / Industry body	Commentaries
Bajaj Auto	On 2Ws: Expect that June should be almost back to 80% of a normal June with the second half of June at an almost 90% normal level. There is a large component of pent up demand that is driving current sales. Overall Demand is expected to pick up from 3QFY21 i.e. around festive season onwards. Shift away from public and shared mobility towards personal mobility and expected rural recovery (on the back of bumper rabi and normal monsoon expectation) will be the tailwinds going forward. However, remain cautious given dent in the purchasing power due to covid-19 lockdown and job losses and weak sentiment due to future uncertainty. On 3Ws: This segment is struggling and may take time to pickup in domestic market. Export markets are expected to return faster to normalcy.
Royal Enfield	Witnessing strong initial interest from customers since easing of lockdown. RE's bookings have reached pre-covid levels at dealerships reopened. However, it would be difficult to forecast volume as it is facing supply side challenges & might take some time to pick up.
Hero MotoCorp	Retail sales have reached 70-80% of normal level, driven by demand in the semi-urban and rural markets which have shown good pick-up in demand on the back of improved farm income (due to bumper rabi crop). Normal monsoon prediction will further support rural sentiments. However, it will difficult to predict volumes as it is too early call out initial pick-up in demand as a trend as purchasing power is dented at lower end of pyramid.
Honda Motorcycles	Two-wheeler segment may see double digit sales dip this fiscal maybe we can see some growth in next fiscal because the base itself will be much lower. Product enquiry is increasing, after sales load is increasing, new customers have started coming into the workshops, in the long term need to see how it will pan out.
SIAM	The automobile industry will see a decline of about 25 to 45%, which is like going back a decade, said Rajan Wadhwa, President, SIAM. This year is going to be really difficult for the auto sector to even perform at last year's levels. 50 to 60% capacity utilisation is the figure looming ahead. Preference for personal mobility will increase along with a growth in demand for LCVs (e-commerce) and two-wheelers (delivery purposes). Seeing green shoots in the rural market is expected, which will further impact the tractor and two-wheeler industry.
CRISIL	Sales of two-wheelers are expected to decline 21-23 % for full fiscal. According to Crisil Research, what started as a supply-side pain has quickly engulfed the demand side too, with job loss and pay cut fear dampening consumer sentiment. A recovery in demand is expected only from the festival season in the third quarter of this fiscal, and largely for two-wheelers and tractors, which have a higher rural share.

Source: Industry News, Nirmal Bang Institutional Equities Research

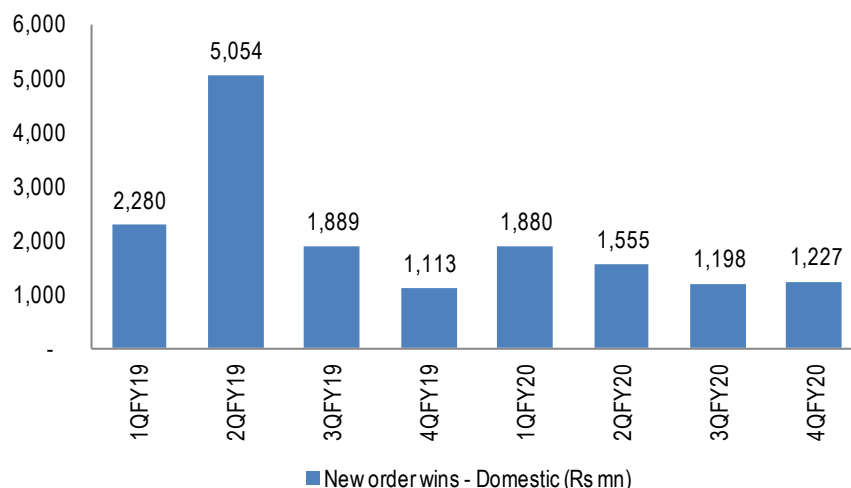
Outlook for India Business

As stated above, we expect its key domestic clients – Bajaj Auto, Royal Enfield and Hero MotoCorp to come back stronger from COVID-19 setbacks. This is almost 65% of the domestic business. The company has been gaining wallet share with customers other than Bajaj. This will help it to reduce Bajaj's share of revenue. In FY20, there was sizable growth in business mainly with Hero MotoCorp by 9%. As Hero's Halol plant ramps up, supply from ENDU will also increase. The company has tested disc brakes for Hero and will soon start supplies. Further, it hopes to supply clutches and CVTs as well in the future.

It is also increasing the business with Hyundai and Kia Motors. The company has already received Rs2,790mn per annum of business, which will see peak sales in 2021-22. Its next year's plan is to reach Rs1,500mn per annum of this business. At HMSI, the 2.76mn scooter front fork and similar level of shock absorbers have now achieved peak sales from Feb'20. This will be at Rs250mn per month or Rs3,000mn per annum.

In FY20, Rs5,860mn of new business was won from OEMs, which included HMSI, Royal Enfield, Hero MotoCorp, Hyundai, Kia and new OEM client TVS. Half of this business will be starting from 2QFY21. This includes new product platforms and replacement business. The company is going to increase business with TVS for two and three-wheeler brake assemblies, front forks and shock absorbers. It also has RFQs for clutch assemblies.

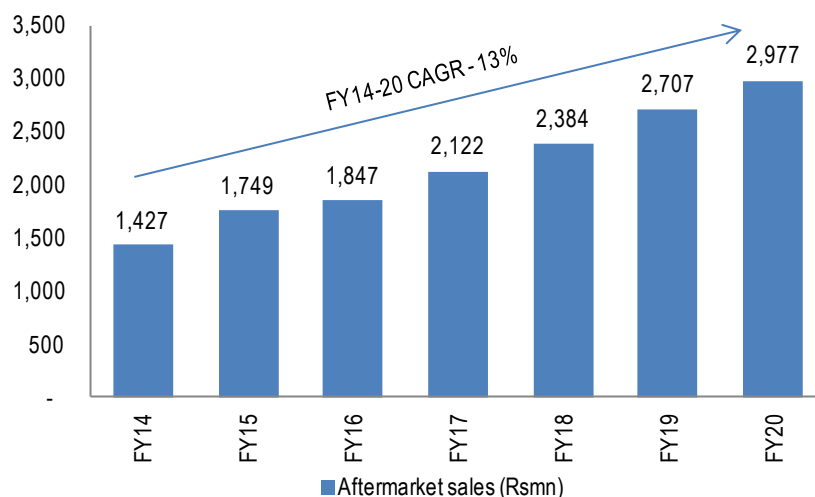
Exhibit 20: New order wins in India



Source: Company, Nirmal Bang Institutional Equities Research

In FY20, aftermarket sales in India grew by 10% to Rs2,977mn, which included both the domestic and export sales. ENDU wants to drive this business further with the introduction of new products, trading of 2W auto parts not manufactured by it, focus on key markets like Maharashtra, Uttar Pradesh, Gujarat, Tamil Nadu and Rajasthan and by entering new countries every year in line with OEMs

Exhibit 21: Aftermarket sales trend



Source: Company, Nirmal Bang Institutional Equities Research

Europe Business

European business overview

ENDU entered Europe's auto components industry with the acquisition of Endurance Amann (German subsidiary) in FY07 and the acquisition of Endurance Fondalmec (Italian subsidiary, now merged into Endurance SpA) in FY08. Over the years, ENDU has adopted both organic and inorganic strategy to expand its European business. Its operations in Europe comprises seven plants in Italy – owned by its subsidiaries Endurance SpA, Endurance Engineering Srl, Endurance Castings SpA and Endurance Adler SpA and three plants in Germany – owned by its subsidiary Endurance Amann GmbH.

Exhibit 22: European business timeline

	Timeline
FY07	Acquisition of 100% stake in Amann Druckguss, Germany
FY08	Incorporated Endurance Overseas Italy, a SPV to make strategic overseas investments
FY08	Acquisition of 51% stake in Fondalmec Italy
FY10	Increased equity stake to 100% in Fondalmec S.p.A., Italy
FY13	Acquisition of 15% stake in FOA S.p.A., Italy
FY14	Forayed into moulding of plastic components through acquisition of assets by Endurance Engineering Srl
FY15	Acquisition of remaining 85% stake in FOA S.p.A., Italy
FY19	Acquisition of 100% stake in Fonpresmetal Gap S.p.A. by EOSRL; name changed to Endurance Castings S.p.A.
FY19	Merger of Endurance Fondalmec with Endurance F.O.A. and name changed to Endurance S.p.A
FY21	Acquisition of 99% stake in Endurance Adler S.p.A and 100% stake in Grimeca Srl

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 23: Details of European subsidiaries

Subsidiaries / Step-down subsidiaries	Stake purchased & Year	Plant location & No of plants	Description
Endurance Fondalmec SpA (now merged into Endurance SpA)	FY07 (51%); FY10 (49%)	Lombardore, Italy (1)	Machining
Endurance Amann GmbH	FY07 (100%)	Massenbachhausen, Germany (3)	High – Pressure Casting, Machining
Endurance FOA SpA (now merged into Endurance SpA)	FY13 (15%); FY15 (85%)	Grugliasco, Italy (1); Chivasso, Italy (2)	High – Pressure Casting, Machining
Endurance Engineering Srl	FY15 (100%)	Torino, Italy (1)	Engineering Plastic Parts
Endurance Castings SpA (erstwhile Fonpresmetal GAP S.p.A)	FY19 (100%)	Bione, Italy (1)	High – Pressure Casting, Machining. Was a sourcing vendor highly complex aluminum die casting parts before acquisition.
Endurance Adler SpA	FY21 (99%)	Rovereto, Italy (1)	Transmission systems solutions for clutches, gears and friction plates. Adler was a technology partner since 2013.
Grimeca Srl	FY21 (100%)	Rovereto, Italy (n.a.)	Designing & development of braking products for 2Ws and light-vehicles. Grimeca was a technology provider since 2015

Source: Company, Nirmal Bang Institutional Equities Research

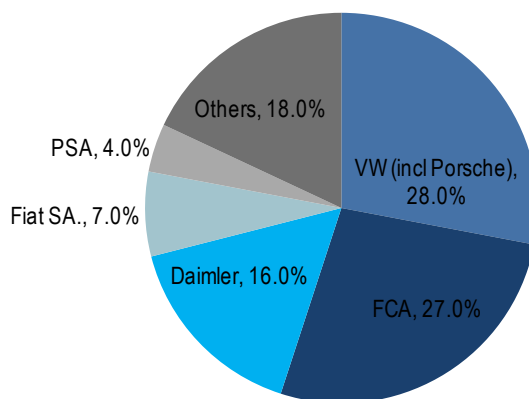
ENDU's European business primarily manufactures complex, highly machined aluminum die castings for the passenger car industry. Its top 5 customers in Europe are Volkswagen group (including Porsche and Audi), Fiat Chrysler group, Daimler, BMW and Opel (now part of Peugeot).

Exhibit 24: Product portfolio – European business

	Suspension & Body Parts	Engines Parts	Transmission Parts
Aluminum Die Casting and Machining	• Steel Wheel Hubs	• Cam Carrier	• Transmission Housing
	• Head Axles	• Exhaust Manifold	• Gear Box Housing
	• Cross Member	• Oil Pan	• Torque Converter Housing
	• Steering Housing	• Specialty Plastic	• EV Parts
		• Various brackets	

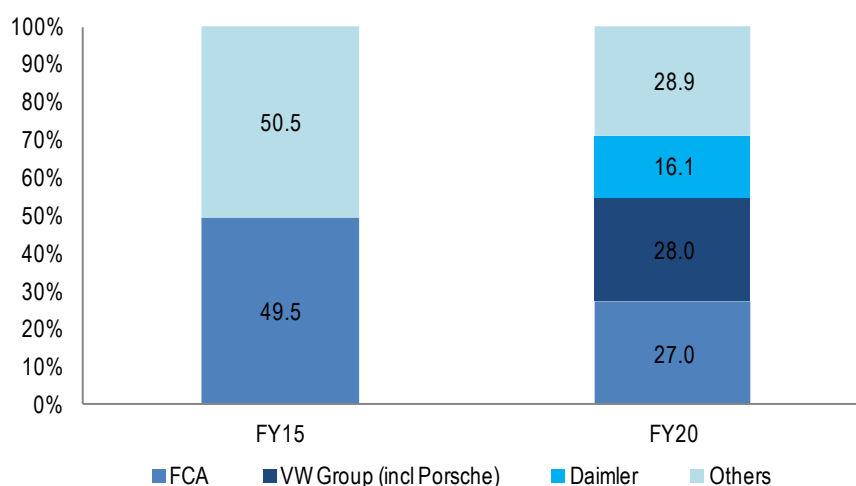
Source: Company presentation, Nirmal Bang Institutional Equities

Exhibit 25: Europe revenue mix in FY20



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 26: FCA's share in Europe business has been decreasing

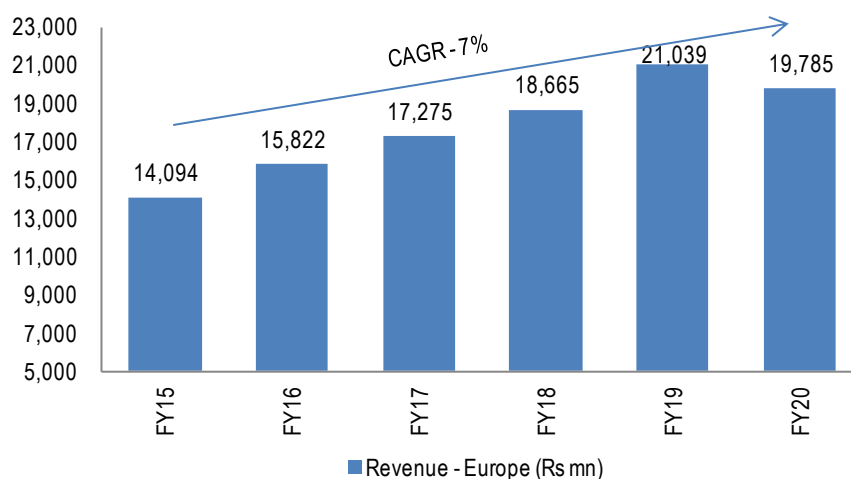


Source: Company, Nirmal Bang Institutional Equities Research

Strategy in Europe

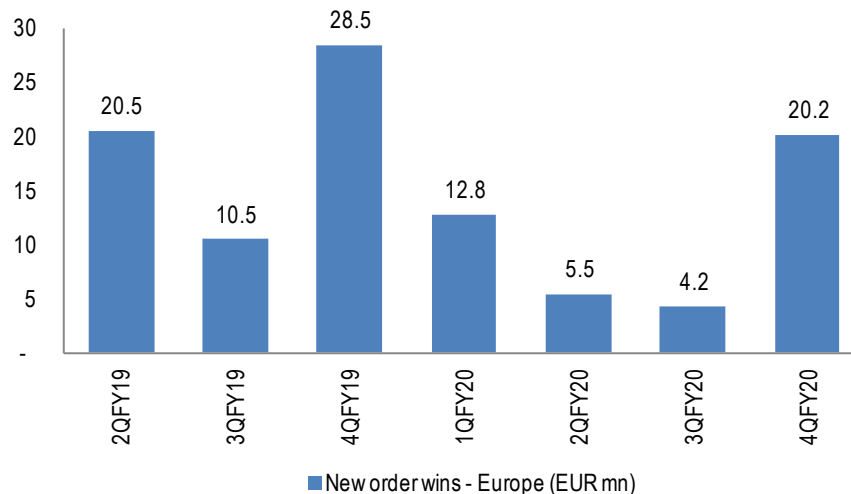
ENDU's strategy in Europe is to expand its presence in transmission and body parts with high level of automation with focus on German clients. It has benefited from the regulations pertaining to emissions and fuel economy, which is driving the shift towards light weight materials such as aluminum, magnesium and high-strength steel from traditional materials like steel. Strategic alliances and acquisitions have also been the key to its strategy to grow its European operations. Its focus on value added products by increasing full machining of castings and sub-assemblies and backward integration by acquiring its existing vendors (Fonpresmetal, acquired in FY19 was an existing vendor of Endurance) and technology partners (Adler, technology partner for transmission products since 2013 and Grimeca, technology partners for braking solutions since 2015) has enabled it to diversify its products, add new customers and increase the share with existing customers. This has helped ENDU to grow faster than the industry. Focus on adding value added products, driven by technology-based acquisition, in-sourcing of critical components, outsourcing of non-core operations and higher capacity utilization has improved margins over the years.

Exhibit 27: Europe business - Revenue trend



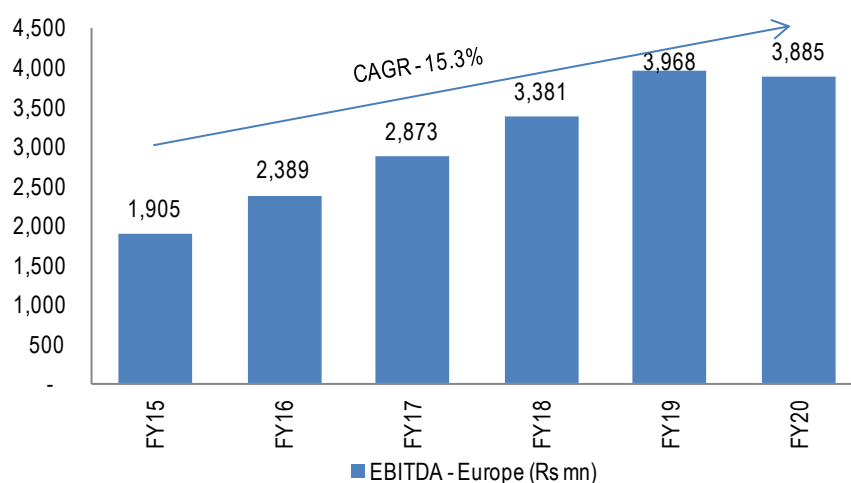
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 28: New order wins in Europe



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 29: Europe business EBITDA has grown at much faster rate due to value-add focus



Source: Company, Nirmal Bang Institutional Equities Research

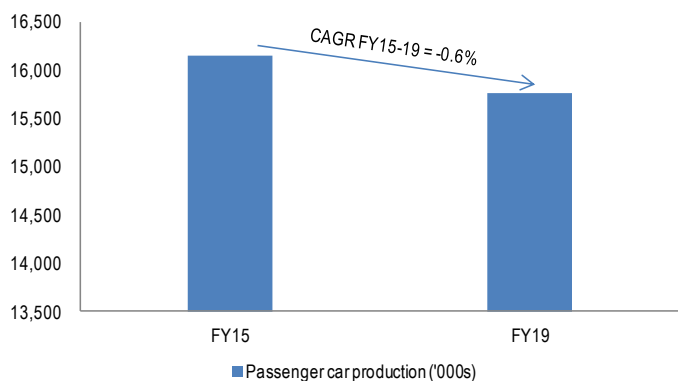
Shift towards higher Aluminum content to drive passenger car market in Europe; Faster shift towards BEV remains the structural risk.

The European automotive die casting industry has grown at CAGR of ~9% over 2015-19 from US\$8.5bn in 2015 to over US\$12bn in 2019 (source: Mordor Intelligence & industry news). According to a study conducted by Drucker for the European Aluminum Association, average aluminum content in passenger vehicles in Europe has risen to ~179 kgs per vehicle in 2019 from 150 kgs per vehicle in 2016, and is expected to increase further to ~200 kgs per vehicle by CY2025E (CAGR ~3.2% over 2016-25E), driven by (1) carmakers' preference for aluminum, due to its lightweight nature (making it more energy efficient) and (2) higher penetration of EVs in Europe.

Battery Electric Vehicles (BEV) have significantly higher aluminum content than their ICE variants, primarily due to the aluminum used for the Battery Box, which further increases for Hybrids (HEV) and Plug-in Hybrid Electric Vehicles (PHEV) due to double powertrain components. However, casting requirement reduces significantly for BEV, as the combustion engine and transmission components get replaced by electric powertrain in BEV, which has significantly lower casting requirement (for instance: combustion engine contains approximately 220 casted parts, but only about 25 are needed for an electrical drive). In 2019, BEV formed 2.3% of the new car registrations in Europe and has grown at CAGR of ~40% over 2015-19. Thus, faster growth of BEVs remains a risk to ENDU's business. However, HEV/PHEV, which formed 7.2% of new car registrations in Europe in 2019, has been growing at CAGR of ~36-40% over 2015-19 and will likely compensate for the decline in casting requirements in BEVs to some extent due to higher casting requirements in HEV/PHEV vis-à-vis ICE vehicles.

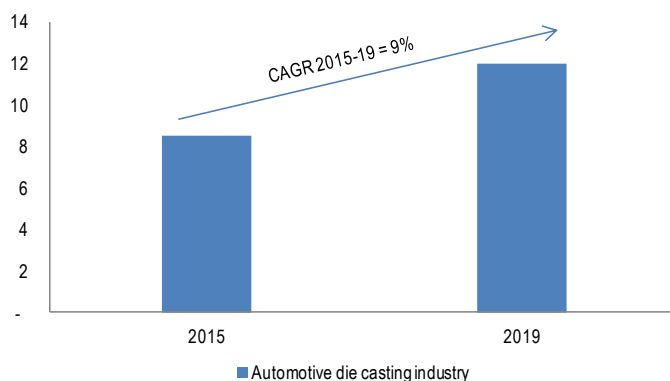
Over the last two years, EUR110mn new business acquired in Europe pertained to electrical and hybrid vehicles. ENDU has been following the new investments made by its OEM customers related to new technology (like EVs) and associates with them for supply of suspension products, die castings and braking systems. This allays our concern and we believe that ENDU will be able to penetrate into electric vehicles further and will be able to maintain or improve its market share.

Exhibit 30: European Passenger car production



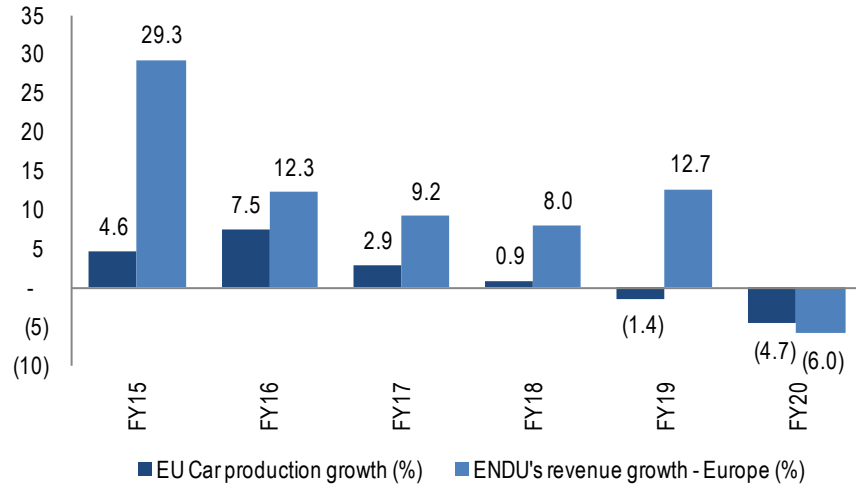
Source: ACEA, Nirmal Bang Institutional Equities

Exhibit 31: Value of European automotive die casting industry



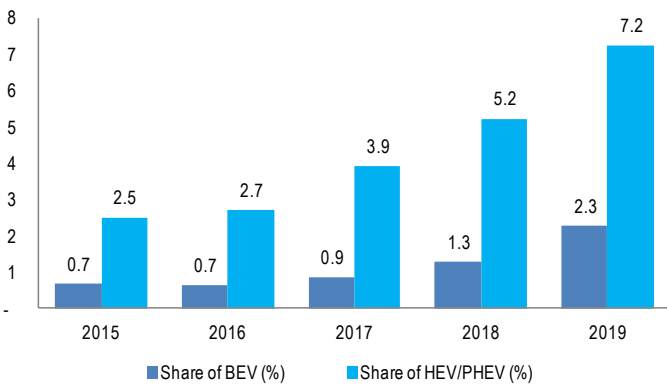
Source: Mordor Intelligence, industry, Nirmal Bang Institutional Equities

Exhibit 32: EU's car production growth vs ENDU's Europe revenue growth



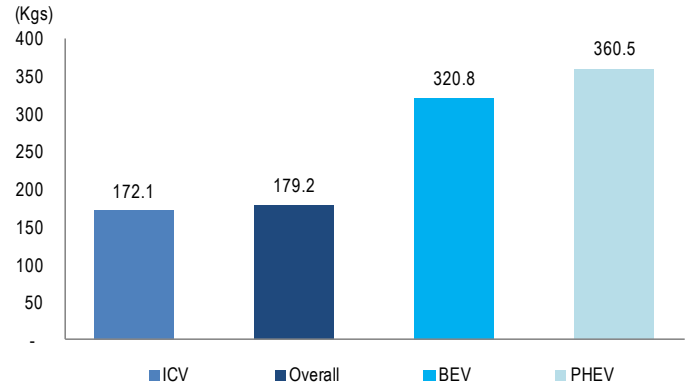
Source: Company, ACEA, Nirmal Bang Institutional Equities Research

Exhibit 33: Share of EV in new car registration – Europe



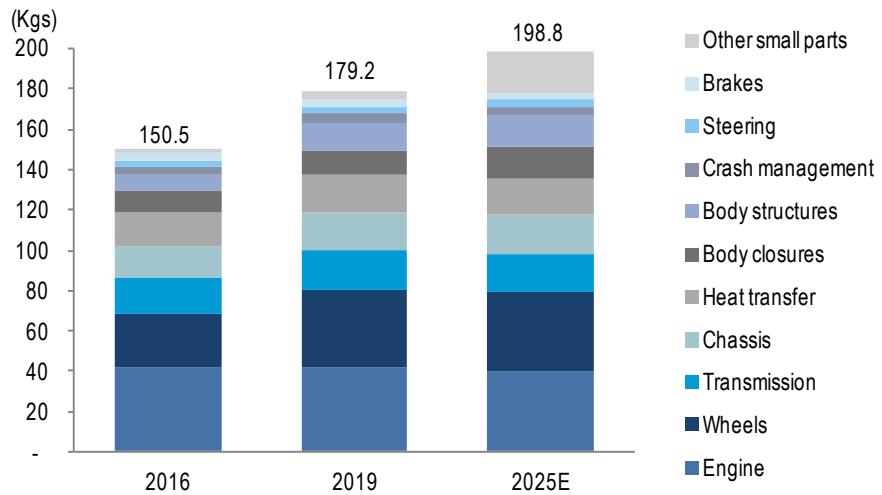
Source: ACEA, Nirmal Bang Institutional Equities

Exhibit 34: Average aluminum content per vehicle (kg)



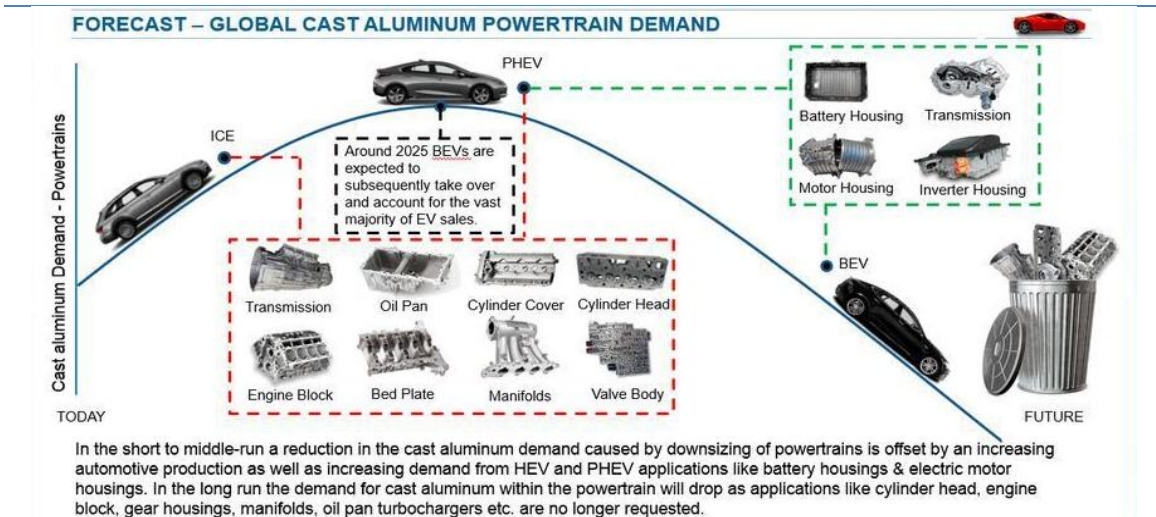
Source: DruckerFrontier, Nirmal Bang Institutional Equities

Exhibit 35: Avg. aluminum content evolution by component group (kg)



Source: DruckerFrontier, Nirmal Bang Institutional Equities

Exhibit 36: Aluminum casting demand by Powertrain



Source: AluMag, Nirmal Bang Institutional Equities

Covid Impact Update

The outbreak of Covid-19 impacted operations of ENDU's major OEM customers in Europe. Consequently, the operating subsidiaries in Italy and Germany were constrained to also scale down their operations to align with customer orders/off-take. ENDU temporarily suspended all the operating subsidiaries in Italy based on regulatory directions issued by the authorities in Italy.

All the operating subsidiaries in Italy resumed their plant operations from the 4th/11th May 2020. All the plants will be gradually ramped up to align with the offtake from their respective OEM customers.

The company indicated that it was too early to envisage the financial impact of temporary disruption of manufacturing operations and will be ascertained in the due course based on the culmination of Covid-19 outbreak.

Outlook

In 2019, Europe's new car registrations increased by 1.2% to 15.7mn units whereas car production declined by 5.3% to 15.8mn units due to adverse trade flows and inventory reductions caused by the announcement of significant changes to CO2 emissions based taxation for 2020. Outlook for 2020 has changed dramatically on account of the Covid-19 pandemic, which has impacted global demand, supply chains, labour markets, industrial production and international trade. According to the European Commission's latest forecast, EU GDP is set to contract by 7.4% in 2020 before growing by 6.1% in 2021. Moody's Investors Service expects the European economy to contract by 7.5% in 2020. Outlook for the European automotive industry for 2020 appears increasingly bleak due to the COVID-19 outbreak and the measures implemented to contain it, which will inevitably have a huge impact on EU car sales for 2020. Following is the outlook for the European passenger car industry by various agencies:

Exhibit 37: European car industry outlook by agencies

Agencies	2020
Moody's Investors Service	-30.0% (+7.5% growth in 2021)
LMC Automotive	-26.5%
IHS Markit	-24.6%

Source: Industry News, Nirmal Bang Institutional Equities

Exhibit 38: Commentaries/2020 guidance from Endurance's OEM customers has been similar

OEM clients	Commentaries / Guidance
FCA	PVs & LCVs - Withdrew guidance (earlier -3%).
Daimler	Cars, Vans & Trucks - Withdrew guidance (Significant decrease); (Earlier - Slight decrease)
Volkswagen group	Significantly below prior year (~15-20% decline)
BMW	Significant decrease in deliveries.
PSA	EU: -25%; China: -10%; Latin America: -25%; Russia: -20%.

Source: Respective OEM presentation / Investor call, Nirmal Bang Institutional Equities

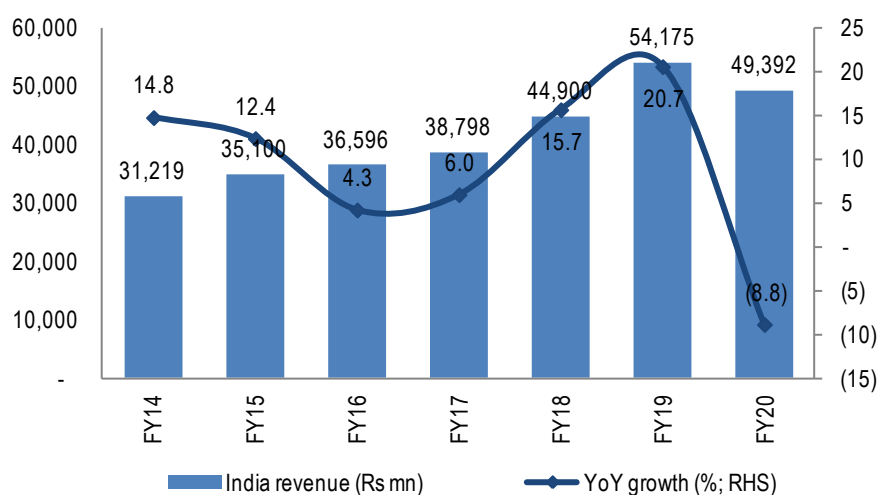
Future Growth Drivers

1. ENDU is working on entering new product areas of aluminum forgings. The company will start making axle clamps and other forgings required for the inverted front forks in-house. For this, it has signed a technical collaboration agreement with FGM in Italy. This project will help increase profit margin also on the inverted front forks and give a huge opportunity to ENDU to grow this aluminum forging proprietary business for not only the two and four wheeler aluminum forging requirements, but also for the electric vehicle requirements. The supplies were supposed to start from FY21.
2. It is increasing the supply of technology upgraded products, including paper based clutch assemblies, combined braking system up to 125 cc motorcycles, rear disc brakes, ABS for 150 cc and above two-wheelers, inverted front forks and advanced rear shock absorbers in high cc bikes with the help of KTM and fully machined castings for two-wheelers, three-wheelers and four-wheelers.
3. It is also increasing the business with Hyundai and Kia Motors. The company has already received Rs2,790mn per annum of business, which will see peak sales in 2021-22. Its next year's plan is to reach Rs1,500mn per annum of this business.
4. The company is going to increase business with TVS for two and three wheeler brake assemblies, front forks and shock absorbers. It also has RFQs for clutch assemblies.
5. The company's strengthening partnership with KTM Components will help in substantially increase the front forks and shock absorbers exports to KTM Europe and China plants with latest technologies, including electronic suspensions and suspensions for e-bikes and electric two wheelers. Talks for these projects are already on and sales are going to start very soon.
6. The company established aftermarket sales services in 2001 and has since grown the segment to include 2 distribution centres and 335 distributors in India. It directly and indirectly exports products to 25 countries outside of India. The aftermarket segment has grown in recent years, with net revenue from operations growing from Rs1,427.3 million in FY14 to Rs2,977 million in FY20, a CAGR of 13.0%. ENDU wants to drive this business further with the introduction of new products, trading of 2W auto parts not manufactured by it, focus on key markets like Maharashtra, Uttar Pradesh, Gujarat, Tamil Nadu and Rajasthan and by entering new countries every year in line with OEMs.

Financials

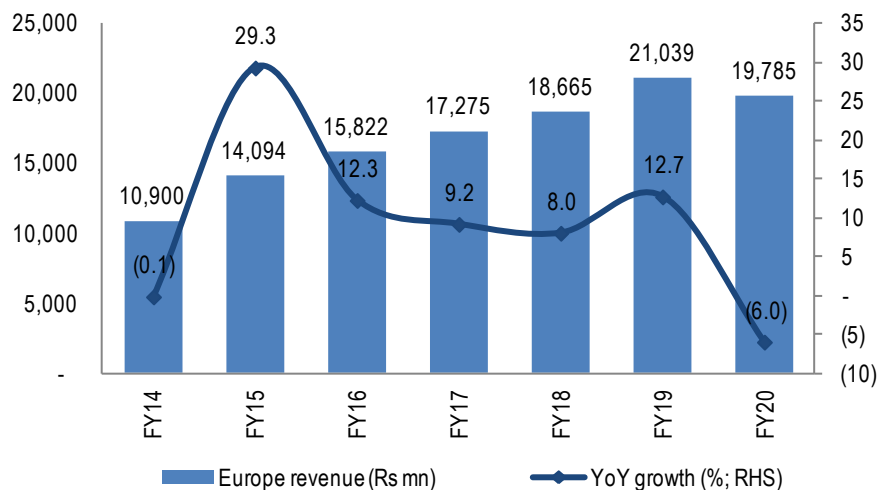
Over FY14-FY19, ENDU's revenue has grown at 12.3% CAGR, driven by new product launches and new order wins. In FY20, although revenues declined 7.9% YoY, but it was significantly better than the underlying industry decline in both India and Europe largely driven by new orders and increase in content per vehicle with existing customers. Going forward, we expect a strong revenue growth on the back of orders from TVS, KIA, VW, HMSI, KTM etc. The company is also entering into new business lines like aluminum forging and ABS. These will also support revenue growth in the medium term. In FY21, industry will largely be impacted by COVID-19 but we see resilience in demand from key customers like Bajaj Auto, FCA, Royal Enfield, Hero MotoCorp etc for the reasons discussed in the previous sections. We see strong recovery in the 2W industry in India towards the end of FY21, assuming the situation remains as is. In FY22, the full effect of revival will be seen and we see strong growth over a very low and incomparable base. ENDU has the advantage of new order wins and we expect it to outperform the industry growth going forward. Lockdown in European markets was on a moderate level and activities are starting to come back to normal. Government spending in these regions has also been good. Hence, FY21 is not expected to be bad. Overall, we expect a 7% and 10% CAGR in revenue and PAT respectively for FY20-22E.

Exhibit 39: India revenue trend



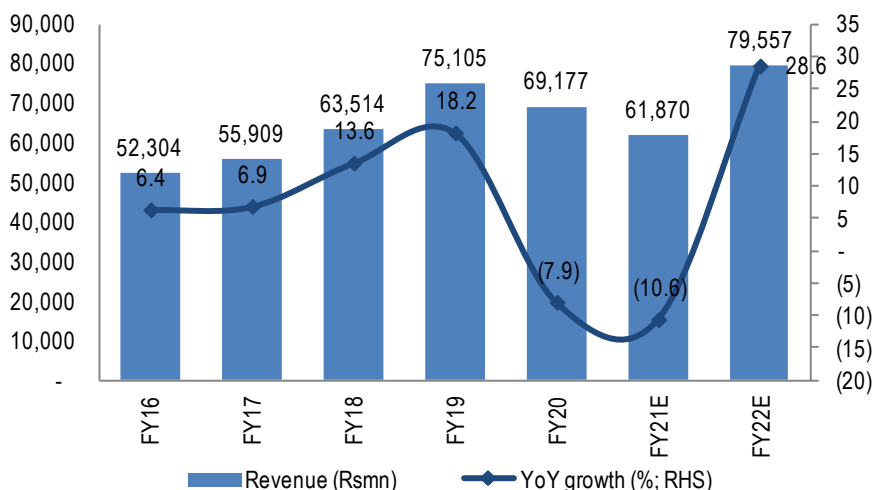
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 40: Europe revenue trend



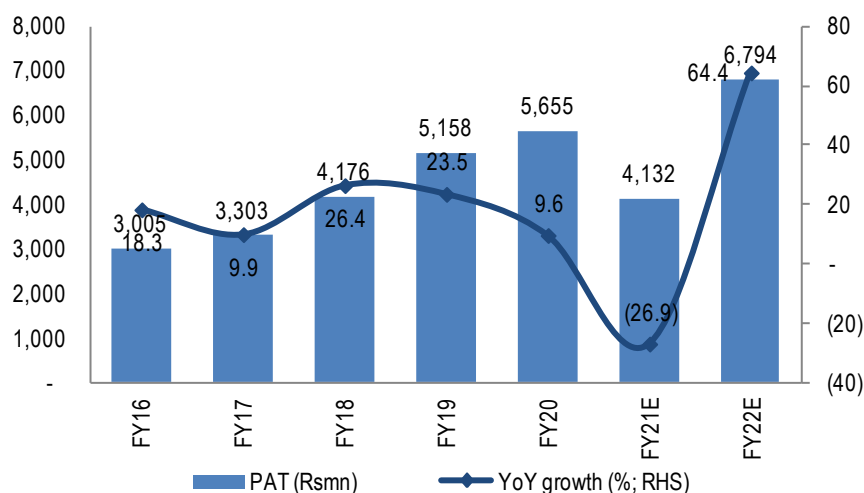
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 41: Consolidated Revenue and growth - FY16-22E



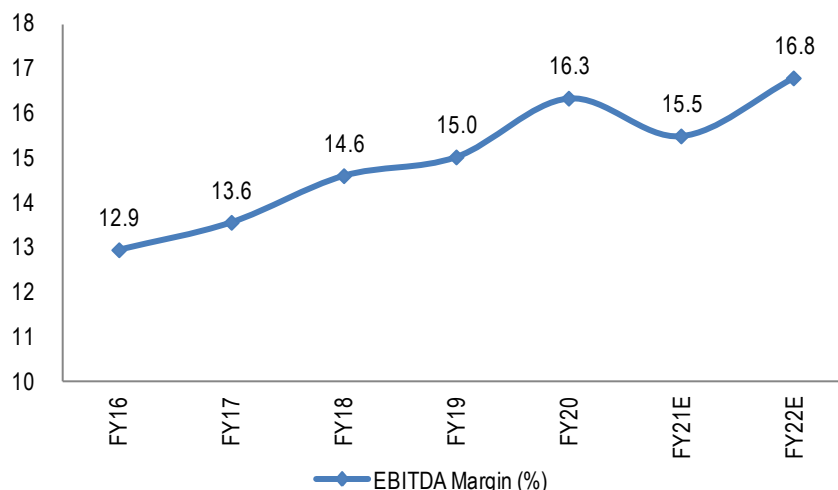
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 42: Consolidated PAT and growth - FY16-22E



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 43: Consolidated EBITDA Margin - FY16-22E



Source: Company, Nirmal Bang Institutional Equities Research

Valuation

ENDU IPO was listed on 19th October 2016 and since then its average one year forward price to earnings ratio is 30 times. This is on the back of consistent outperformance over the underlying industries along with improvement in operating performance. In the last 5 years, the company's revenue/PAT have grown at 7%/17% CAGR and EBITDA margin has improved by 400bps. This performance has been driven by high growth of its customers (Bajaj Auto in FY19, Royal Enfield in FY16-18) and increase in the share of business from OEMs (Hero MotoCorp, Volkswagen, HMSI, Daimler, BMW etc). Further, ENDU has a strong balance sheet and negligible net debt. The company is well managed by its founder and promoter Mr. Anurang Jain. We expect the company to gain more wallet share from existing customers with the introduction of new products – brakes, clutches and inverted front forks for 200cc+ motorcycle segment; Paper base clutch and CVT systems for scooters; ABS, fully finished castings, aluminum forging etc. The company has a strong order book to sustain near term growth. We expect its revenue to grow at 7% CAGR over FY20-22E and PAT to grow at 10% CAGR for the same period. We value the stock at 23x FY22E consolidated EPS and arrive at our target price of Rs1,110.

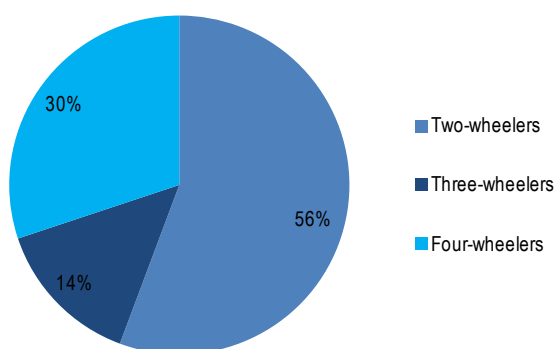
Risks to our rating

1. Second wave of COVID-19 infection: This can impact our underlying industry assumptions and hence will impact ENDU's performance.
2. High share of revenue comes from Bajaj Auto (~38%). Although the revenue share has come down over the years, but it is still at a high level.

Company Overview

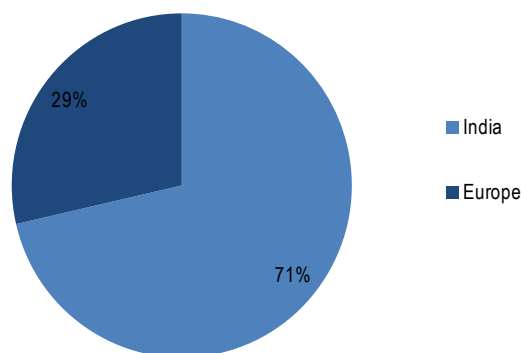
Established in 1993, Endurance Technologies is one of the largest two-wheeler and three-wheeler automotive component manufacturers in India. It is the largest aluminum die casting manufacturer (as per Aluminum Casters' Association of India) in India and one of the leading automotive component manufacturers in aluminum die casting (including alloy wheels), suspension, transmission and braking systems. It also has operations in Europe with highly automated manufacturing facilities in Italy and Germany. The company has 27 plants across India, Italy and Germany. From starting as an aluminum die casting company, it has diversified its presence in other segments by introducing suspension products in 1996, transmission products in 1998 and brake systems in 2004.

Exhibit 44: Revenue mix by Auto segments (FY20)



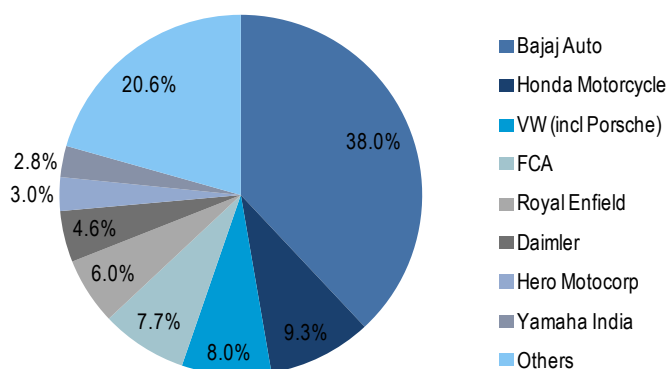
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 45: Geographical mix (FY20)



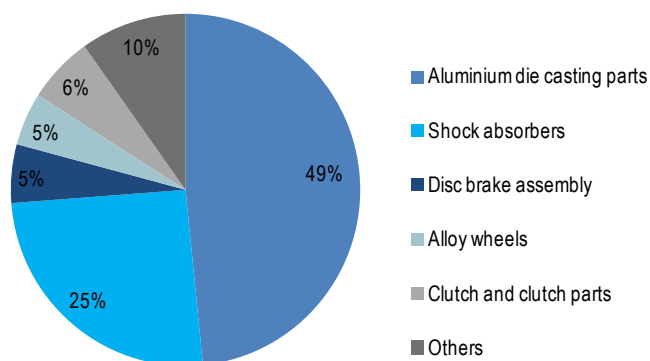
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 46: Revenue mix by OEMs (FY20)



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 47: Revenue mix by Products (FY19)

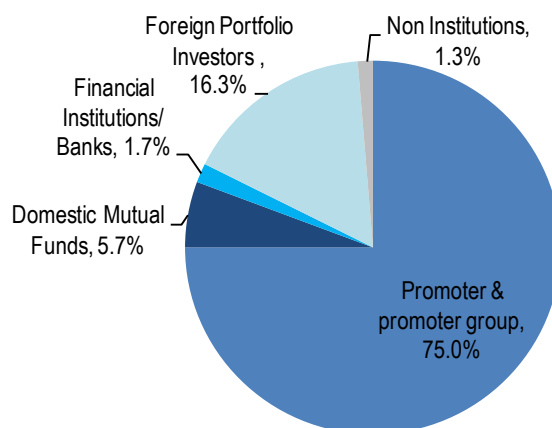


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 48: Key Management personnel

Name	Designation	Description
Anurang Jain	Managing Director	Mr. Anurang Jain is also the company founder and is responsible for the day-to-day operations of the business. He has over 30 years of experience in the automobile components industry and is associated with Endurance Technologies Limited, since 1999 as a Director and since 2006 as the Managing Director. He holds an MBA Degree from the University of Pittsburgh.
Ramesh Gehaney	Executive Director & COO	Mr. Ramesh Gehaney has been the Executive Director and COO since June 6, 2014 and is responsible for overseeing the entire manufacturing operations of Endurance Technologies Limited. He has over 32 years of experience, of which over 25 are in the automotive industry. He has been with Endurance Technologies Limited since July 23, 2004 and has served various positions over this period. He holds a Diploma in Mechanical Engineering from University of Delhi.
Satrajit Ray	Chief Financial Officer	Mr. Satrajit Ray, ACA has been Group Chief Financial Officer of Endurance Technologies Limited since April 12, 2010 and has been its Executive Director since June 6, 2014. Mr. Ray joined Endurance Technologies Limited on April 12, 2010. He qualified as a chartered accountant in 1984. Previously, he served as the Vice President of Finance, Aluminum Business of Hindalco Industries Ltd. and has also been the Chief Financial Officer of MIRC Electronics Limited and has an overall experience of over 32 years.
Mr. Massimo Venuti	CEO, Endurance Overseas	He has over 22 years of experience in the automotive industry and has been with Endurance Overseas since 2008. He previously was the CEO of Teksid Aluminum. He heads Endurance Overseas business.

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 49: ENDU shareholding – March 2020


Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 50: Top five institutional shareholders of Endurance Technologies

Name	Holding (%)
Nomura Holdings Inc	4.1
Axis Asset Management Co Ltd	3.7
Capital Group Cos Inc	3.6
UTI Asset Management Co Ltd	2.1
Republic of Singapore	1.8

Source: Bloomberg

Financials (Consolidated)
Exhibit 51: Income statement

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	63,514	75,105	69,177	61,870	79,557
% Growth	13.6	18.2	(7.9)	(10.6)	28.6
Raw material	36,609	43,495	37,352	34,028	43,359
Staff costs	5,809	6,527	6,773	5,878	7,319
Other expenses	11,817	13,795	13,744	12,374	15,514
Total expenses	54,235	63,817	57,869	52,280	66,192
EBITDA	9,279	11,288	11,308	9,590	13,366
% Growth	22.4	21.7	0.2	(15.2)	39.4
EBITDA margin (%)	14.6	15.0	16.3	15.5	16.8
Other income	235	270	476	420	420
Interest costs	235	257	175	150	160
Depreciation	3,216	3,762	4,143	4,350	4,567
Profit before tax (before exceptional items)	5,793	7,331	7,465	5,510	9,058
Exceptional items	269	208	-	-	-
Tax	1,886	2,381	1,810	1,377	2,265
Adj PAT	4,176	5,158	5,655	4,132	6,794
% Growth	26.4	23.5	9.6	(26.9)	64.4
Adj PAT margin (%)	6.6	6.9	8.2	6.7	8.5
EPS (Rs)	29.7	36.7	40.2	29.4	48.3
% Growth	26.4	23.5	9.6	(26.9)	64.4
DPS (Rs)	4.0	5.5	5.5	3.0	6.0
Payout (incl. div. tax) (%)	17.3	18.8	16.4	12.3	14.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 53: Balance sheet

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Share capital	1,407	1,407	1,407	1,407	1,407
Reserves	20,322	24,240	28,654	32,280	38,061
Net worth	21,729	25,647	30,060	33,686	39,467
Total debt	5,586	5,584	5,482	5,482	5,482
Deferred tax liability	(103)	(150)	(242)	(242)	(242)
Capital employed	27,212	31,081	35,300	38,926	44,707
Gross block	26,976	33,860	42,435	46,935	51,435
Depreciation	8,467	12,229	16,371	20,721	25,289
Net block	18,510	21,631	26,063	26,213	26,146
Capital work-in-progress	688	1,178	1,260	1,260	1,260
Investments	459	361	1,660	2,660	4,660
Inventories	4,939	5,400	5,501	4,920	6,326
Debtors	9,688	9,251	6,727	6,017	7,737
Cash	5,027	5,379	6,209	8,738	12,039
Loans & advances	2,065	2,065	1,385	1,593	1,832
Other current assets	1,918	2,283	1,573	1,809	2,080
Total current assets	23,636	24,379	21,396	23,076	30,014
Creditors	11,284	11,735	10,662	9,536	12,262
Other current liabilities & provisions	4,797	4,734	4,416	4,746	5,110
Total current liabilities	16,081	16,468	15,078	14,282	17,372
Net current assets	7,555	7,911	6,317	8,793	12,642
Application of funds	27,212	31,081	35,300	38,926	44,707

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 52: Cash flow

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
OP/(loss) before tax	6,063	7,526	7,165	5,240	8,798
Depreciation & amortization	235	270	476	420	420
Other income	3,216	3,762	4,143	4,350	4,567
(Inc.)/dec. in working capital	(1,807)	(2,428)	(1,902)	(1,377)	(2,265)
Direct taxes paid	440	(3)	2,424	52	(547)
Extra-ordinary Items	(269)	(208)	-	-	-
Cash flow from operations (after E/O)	7,878	8,919	12,305	8,685	10,974
Capital expenditure (-)	(5,638)	(7,374)	(8,656)	(4,500)	(4,500)
Net cash after capex	2,240	1,545	3,649	4,185	6,474
Other investing activities	(133)	98	(1,299)	(1,000)	(2,000)
Dividends paid (-)	(675)	(928)	(928)	(506)	(1,013)
Inc./(dec.) in total borrowings	193	(259)	(278)	(150)	(160)
Others	1,203	(103)	(313)	-	-
Cash from financial activities	720	(1,291)	(1,519)	(656)	(1,173)
Opening cash balance	2,199	5,027	5,379	6,209	8,738
Closing cash balance	5,027	5,379	6,209	8,738	12,039
Change in cash balance	2,828	352	831	2,528	3,301

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 54: Key ratios

Y/E March	FY18	FY19	FY20	FY21E	FY22E
Per share (Rs)					
EPS	29.7	36.7	40.2	29.4	48.3
EPS Growth (%)	26.4	23.5	9.6	(26.9)	64.4
Cash EPS	52.6	63.4	69.7	60.3	80.8
Book value per share	154.5	182.3	213.7	239.5	280.6
DPS	4.0	5.5	5.5	3.0	6.0
Payout (incl. div. tax) %	17.3	18.8	16.4	12.3	14.9
Valuation (x)					
P/E	29.6	23.9	21.8	29.9	18.2
Cash P/E	16.7	13.8	12.6	14.6	10.9
EV/Sales	13.3	10.9	10.7	12.3	8.4
EV/EBITDA	1.9	1.6	1.7	1.9	1.4
P/BV	5.7	4.8	4.1	3.7	3.1
Dividend yield (%)	0.5	0.6	0.6	0.3	0.7
Return ratios (%)					
RoCE	23.1	25.1	21.6	14.5	20.6
RoE	19.2	20.1	18.8	12.3	17.2
Profitability ratios (%)					
EBITDA margin	14.6	15.0	16.3	15.5	16.8
PAT margin	6.6	6.9	8.2	6.7	8.5
Turnover ratios					
Debtors (days)	56	45	35	35	35
Inventory (days)	28	26	29	29	29
Creditors (days)	65	57	56	56	56
Asset turnover (x)	2.3	2.4	2.0	1.6	1.8
Leverage Ratio					
Net Debt/equity (x)	0.0	(0.0)	(0.1)	(0.2)	(0.3)

Source: Company, Nirmal Bang Institutional Equities Research

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