September 24, 2024

Endurance Technologies Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Fund-based/ Non-fund based limits	22.00	22.00	[ICRA]AA+(Stable)/[ICRA]A1+; reaffirmed
Commercial Paper	100.00	100.00	[ICRA]A1+; reaffirmed
Total	**122.00**	**122.00**	

**Instrument details are provided in Annexure-1*

Rationale

The reaffirmed ratings continue to take into account Endurance Technologies Limited's (Endurance's) robust position as one of the largest Indian automotive component manufacturers with a strong clientele. Its client base spans almost all major two-wheeler (2W) original equipment manufacturers (OEMs) in the domestic market and reputed four-wheeler (4W) OEMs, such as Stellantis NV (Stellantis), Volkswagen AG and Daimler AG, in the European market. The ratings also factor in its diversified product offerings across aluminium diecasting, suspension, transmission and braking components. The company is also eyeing for segmental diversification through aluminium forgings, driveshaft manufacturing and battery management systems (BMS) and increasing its focus on the EV market, the Indian 4W market and the aftermarket segments.

Further, the ratings also reflect Endurance's strong financial risk profile as evidenced by its low leverage and strong debt coverage indicators, which is likely to sustain in the near-to-medium term on account of limited dependence on external borrowings. The company continued to report a negative net debt position on a consolidated basis in FY2024, which is expected to continue going forward. Endurance's liquidity position remains strong, supported by cash and investments of ~Rs. 1,270 crore on the consolidated level and healthy quantum of undrawn bank lines which stood at upward of Rs. 200 crore as of March 2024. ICRA expects Endurance's revenues to register healthy growth over the medium term, supported by the ramp-up in new orders as well as efforts to diversify its clientele and product offerings. The increasing traction witnessed in the aftermarket segment and the non-automotive segment should also aid in revenue expansion and diversification going forward.

The ratings are, however, partially offset by client concentration risks with respect to Bajaj Auto Limited (BAL) in the domestic market (although the concentration is reducing gradually) and inherent risks associated with the cyclicality in the automotive market, given its limited (although increasing) presence in the aftermarket segment. Efforts undertaken by the company towards backward integration and product-mix improvement are expected to support it in maintaining a stable and enhanced margin profile over the medium-to-long term. While the increasing global thrust towards electric vehicles (EV) could pose a challenge to the company's transmission products in the long term, comfort is drawn from Endurance's success in winning business for component supplies to EV/hybrid vehicles in Europe and India, coupled with strong research and development (R&D) capabilities. Accordingly, ICRA expects Endurance to gradually shift its product offerings to suit the underlying industry demand trends and minimise any adverse impact on the company's cash flows over the medium term.

Endurance has also undertaken investments, such as Maxwell Energy Systems Private Limited (Maxwell), which supplies BMS for the EV segment. ICRA also notes the acquisition of Ingenia Automation Srl (Ingenia) by Endurance through its wholly-owned subsidiary – Endurance Overseas Srl, in May 2024. The acquisition of Ingenia is expected to aid Endurance in setting up high-efficiency new production lines across its plants in Europe. Overall, ICRA expects the company to have both organic and inorganic growth over the medium term to gain access to new customers, products and technologies.

The Stable outlook on the long-term rating of Endurance reflects ICRA's expectations that the company will continue to benefit from its well-established track record across various business verticals within the automotive space, both in India and Europe.

It is also expected to maintain a comfortable financial risk profile with limited reliance on external borrowings, strong coverage indicators and a strong liquidity profile, supported by healthy accruals from operations.

Key rating drivers and their description

Credit strengths

Among the largest Indian auto component manufacturers with strong relationships with reputed automotive OEMs; healthy wallet share with key customers – Endurance is among the largest automotive component manufacturers in India, with revenues to the tune of Rs. 10,240 crore at the consolidated level in FY2024. Its Indian operations generated 77% of its total revenues in FY2024 (75% in Q1 FY2025), while its European business contributed the rest. At present, Endurance supplies to all major 2W OEMs in India and is a key supplier to BAL, Honda Motorcycle & Scooters India Limited (HMSI), Eicher Motors Limited (Eicher), and Hero MotoCorp Limited (HMCL), TVS Motor Company Limited (TVS), Hyundai Motor India Limited (Hyundai) and Kia India Private Limited (Kia). In Europe, Endurance's key clientele includes Volkswagen AG, Stellantis, and Daimler AG. The company has benefited from its established relationships with these OEMs and has over the years focussed on improving the content per vehicle and wallet share with these OEMs, lending revenue visibility as well as improving growth prospects.

Diversified product mix with presence across aluminium die casting, suspension, braking and transmission segments – In India, Endurance has a leading market share in the supply of aluminium die casting components, and is also among the top suppliers of suspension, transmission and braking products in the domestic 2W auto-component market. In addition to its four main product segments, the company has recently ventured into newer product segments such as aluminium forgings and driveshafts, which would offer further diversification benefits. Further, it has also made inorganic investments aimed at improving its technological capabilities for transmission and brakes, growing its presence in aftermarket while also aligning its business with the emerging EV environment through the BMS offering. Even in terms of automotive segments catered, Endurance has a diversified exposure, with Indian operations catering to 2W, 3W and passenger vehicle (PV) segments, while in Europe, it derives most of its revenue from PVs and has recently focussed on the 2W market. Revenues from non-automotive applications, although limited at present, are expected to increase gradually going forward, offering further diversification to Endurance's revenue base over the medium-to-long term.

Financial profile characterised by healthy capital structure and strong liquidity profile – Endurance's financial profile is characterised by a low gearing of 0.2 times, a negative net debt position and a comfortable total debt to OPBDITA ratio of 0.6 times at the consolidated level, as on March 31, 2024. Aided by a stable business performance in India and Europe operations, the company has posted a steady consolidated revenue growth momentum over the years, as reflected by a decent CAGR of 16% over the past three years. While the company historically maintained operating profit margin (OPM) at 15-16%, the profitability was somewhat impacted in FY2022-FY2023 due to the pandemic-induced disruptions and input cost inflation. The company subsequently reported a recovery in profitability in FY2024 and Q1 FY2025, aided by the corrective measures undertaken by Endurance and favourable input costs. ICRA expects the sustenance of revenue growth momentum, coupled with a gradual improvement in margins, going forward. Coverage metrics are also expected to demonstrate a gradual improvement driven by comfortable profitability and containment of finance costs going forward. Further, the company's working capital intensity has remained moderate at ~7-8% at the consolidated level over the past few fiscals, backed by prudent working capital management. The company's liquidity profile remains strong, with consolidated cash and investments of over Rs. 1,270 crore as on March 31, 2024, and a healthy quantum of unutilised working capital limits. While the company would continue to invest in capacity enhancements as per requirements, both in its Indian and European operations, the same is expected to be primarily funded from internal accruals, minimising its dependence on external borrowings and supporting its capital structure going forward.

Credit challenges

High, albeit reducing, customer concentration in the domestic market – Even though Endurance supplies to several 2W OEMs in India, BAL continues to be the mainstay of the company's revenues, constituting 39% of consolidated revenues and 51% of standalone revenues in FY2024. However, the share of revenues from BAL has reduced over the years from the highs of 55-60% (of standalone operations) in the past through diversification initiatives undertaken by the company. Conversely, in Europe, the company diversified its customer base with order wins from Volkswagen and Daimler, thus reducing the revenue share of Stellantis (in Europe business) from the highs of 56% in FY2017 to 24% in FY2024. Moreover, Endurance's efforts to win new orders from customers other than BAL, along with new ventures such as driveshaft manufacturing, aluminium forgings, non-automotive castings and others are expected to help reduce the overall exposure towards these select key clients to a large extent.

Exposure to cyclicality and volatilities of domestic and overseas automotive markets – While Endurance benefits from presence across different products and geographies, its business operations are still exposed to inherent risks associated with the cyclical nature of the automotive industry. The company also has a presence in the aftermarket segment, which constitutes a modest 5-6% of consolidated sales at present. The increasing focus on improving aftermarket presence in India and Europe, as articulated by the management, could aid in the insulation of revenues against the cyclicality in the Indian and European automotive industries while also improving the company's overall profitability. Further, active efforts undertaken by the company to increase the revenue share from non-automotive applications, albeit in a gradual fashion, should provide some comfort against the cyclicality and volatilities associated with the automotive sector. While few of the components supplied by Endurance (particularly transmission products) face the risk of obsolescence amid an increasing trend of electrification of vehicles in the automotive industry, ICRA takes note of the active efforts by the company to suit its product offerings with the emerging technologies in the automotive segment, protecting its cashflows against any shift in powertrain technologies across the industry in coming years.

Environmental and Social Risks

Environmental considerations: Due to increasing preference for more environment friendly EVs over internal combustion engine (ICE) vehicles, Endurance may face obsolescence of certain products from its portfolio, mainly the products related to engine and transmission systems, which are required in an ICE vehicle but not in an EV. As a result, a part of Endurance's product portfolio remains exposed to the risk of increasing electrification in the automotive sector. However, with the company actively seeking opportunities to supply products to OEMs in the EV space, and most of its products being powertrain-agnostic, the risk is mitigated to a large extent. Moreover, electrification in the automotive sector is expected to be a gradual phenomenon, which should provide enough time for auto component manufacturers to strategise accordingly.

Social considerations: Endurance, like most automotive component suppliers, has a healthy dependence on human capital; as such retaining human capital, maintaining healthy employee relations as well as supplier ecosystem remain essential for disruption-free operations for the entity. The entity has been undertaking initiatives to support its vendors in the entire supply chain; it also procures goods and services from the MSME sector. Another social risk that Endurance encounters, like other auto-ancillaries, pertains to product safety and quality, wherein instances of product recalls and high warranty costs may not only lead to a financial implication but could also harm the reputation and create a more long-lasting adverse impact. In this regard, Endurance's strong track record in catering to leading automotive manufacturers underscores its ability to mitigate these risks to an extent. Endurance recognises the role of quality in maintaining and growing its market share and focuses on improving quality to reduce rejections, save costs and safeguard its reputation.

Liquidity position: Strong

The company's liquidity profile is strong, supported by the sizeable cash and investments of ~Rs. 1,270 crore (consolidated) and buffer of upward of Rs. 200 crore (standalone) in the form of undrawn bank lines as of March 2024. Its liquidity profile is further enhanced by the healthy cash generation of ~Rs. 800-1,000 crore per annum at a consolidated level. Against these, the company plans for a capex of ~Rs. 600-800 crore annually and has annual debt repayment obligations of Rs. 200-300 crore in FY2025-FY2026.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings, or the outlook could be revised to positive if the company demonstrates significant enhancement in scale of operations and return indicators, and there is substantial diversification in customer profile and improvement in aftermarket presence.

Negative factors – Any large debt-funded acquisition or capacity expansion, impacting the financial profile of Endurance such that net debt/OPBIDTA remains above 1.5 times on a sustained basis. Deterioration in the performance of the principal customer and subsequent impact on Endurance's turnover and profitability indicators.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Endurance Technologies Limited. Subsidiary details are enlisted in Annexure-II.

About the company

Endurance is among the largest auto component companies in India, present across aluminium die-cast components, suspension, transmission and braking components. The company was started as a captive supplier of components to BAL, and over the years, has gained scale by diversifying into various other product segments and adding new clients. At present, Endurance is engaged in the manufacturing of die castings as well as braking, transmission, and suspension systems for OEMs, predominantly in the 2W, 3W and PV segments.

The company has set up its own R&D setup, duly approved by the Department of Scientific & Industrial Research (DSIR) for each of the segments, enabling it to gain business and remain a preferred supplier with many of its client OEMs. The company also has a strong aftermarket business with 34 overseas distributors (in 34 countries), and 444 distributors in India. Through the acquisition of Maxwell, Endurance has ventured into the embedded electronics space, with BMS as the current flagship product. Outside India, the company has grown via acquisitions in the castings business, primarily in the European markets. Endurance enjoys strong relationships with the Stellantis Group and the Volkswagen (VW) Group, each accounting for ~25-30% of its European revenues. In Europe, Endurance manufactures components used in the engine and transmission, as well as EV and hybrid applications, and supplies the products in a fully-machined form to its customers – primarily in the PV segment.

The two-wheeler (2W) business remains a key revenue contributor. India business contributes ~75-77% of the consolidated revenue, wherein ~80-85% of India business is from 2Ws, and the rest from 3Ws, PVs and commercial vehicles (CVs). BAL remains the main customer for the company, accounting for 39% of the consolidated revenues in FY2024. In recent years, the company has also strengthened its relationship with other major OEMs, and the same is reflected in reduced reliance on revenues from BAL.

Key financial indicators

Endurance (Consolidated)	FY2023	FY2024	Q1 FY2025*
Operating Income (Rs. crore)	8,804.0	10,240.9	2,825.5
PAT (Rs. crore)	476.3	668.0	203.9
OPBDIT/OI (%)	11.8%	13.0%	13.2%
PAT/OI (%)	5.4%	6.5%	7.2%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.6	NA
Total Debt/OPBDIT (times)	0.5	0.6	NA
Interest Coverage (times)	50.4	31.1	33.3

*Source: Endurance, ICRA Research; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *unaudited; NA: Not available; PAT is exclusive of prior-period adjustments*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				24-Sep-24	27-Sep-23	26-Sep-22	30-Sep-21
1	Fund based / Non fund based limits	Long-term / Short-term	22.0	**[ICRA]AA+ (Stable)/ [ICRA]A1+**	**[ICRA]AA+ (Stable)/ [ICRA]A1+**	**[ICRA]AA+ (Stable)/ [ICRA]A1+**	**[ICRA]AA+ (Stable)/ [ICRA]A1+**
2	Commercial Paper	Short-term	100.0	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term / Short term, Fund based / Non fund based limits	Simple
Commercial Paper	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: Click Here

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long term / Short term, Fund based / Non fund based limits	NA	NA	NA	22.0	[ICRA]AA+(Stable)/ [ICRA]A1+
NA*	Commercial Paper	NA	NA	NA	100.0	[ICRA]A1+

Source: *Company; *not yet placed*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-II: List of entities considered for consolidated analysis

Company Name	Endurance Ownership	Consolidation Approach
Endurance GmbH	100.00%	Full Consolidation
Endurance Overseas Srl	100.00%	Full Consolidation
Endurance SpA	100.00%	Full Consolidation
Endurance Castings SpA	100.00%	Full Consolidation
Endurance Engineering Srl	100.00%	Full Consolidation
Endurance Adler SpA	100.00%	Full Consolidation
Veicoli Srl, Italy	100.00%	Full Consolidation
Frenotecnica Srl	100.00%	Full Consolidation
New Fren Srl	100.00%	Full Consolidation
GDS Sarl	100.00%	Full Consolidation
Maxwell Energy Systems Private Limited	56.00%	Full Consolidation

Source: *Endurance Annual Report*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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