



Endurance Technologies Limited Q2 FY25 Earnings Conference Call

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MODERATOR: **MR. NISHIT JALAN – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Endurance Technologies Limited Q2 FY25 Earnings Conference Call hosted by Axis Capital Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishit Jalan from Axis Capital. Thank you, and over to you, sir.

Nishit Jalan: Thank you, Del. Good afternoon, everyone. Welcome to Q2 FY25 Post Results Conference Call of Endurance Technologies.

We are pleased to host the entire Management Team of Endurance. We have with us, Mr. Anurang Jain – Managing Director, Mr. Massimo Venuti – Director & CEO, Endurance Overseas, Mr. Rajendra Abhange – Director & COO, Mr. Raja Gopal Sastry – Group CFO and Mr. Raj Mundra – Treasurer and Head- Investor Relations.

I will hand over the call to Mr. Anurang Jain for his opening comments, post which we can have the Q&A. Over to you, Anurang.

Anurang Jain: Thanks a lot. Good morning to everyone. We thank you for joining us and appreciate your time and interest in our Company.

You may have seen from our financials that we had a fairly strong Q2. India is expected to post a GDP growth of over 7% in FY25 on a strong base of 8.2% growth in FY 24.

For Q2, Indian 2W numbers were strong, but 4W numbers both in India and Europe were not. The Q2 volumes sold by Indian OEMs rose 13% year-on-year for 2W with scooter growth at 17% and motorcycle growth at 11%. 3W sales grew by 5%. On the other hand, the commercial vehicle volumes fell 9% and passenger vehicle volumes saw a drop of 1%.

I would now like to highlight the progress on a few strategic and operational actions taken, which have a strong bearing on our short, medium, and long-term performance. To begin with, I will explain our recent expansions taken up:

- a. We had mentioned that we are constructing a factory in the AURIC Shendra industrial area, focused on 4W and non-auto machined aluminum castings. The construction is progressing well. There is a very good interest from 4W OEMs, both in domestic and export markets and a few non-auto plants. This is evident from the large quantum of customer pre-qualifications and requests for quotes and our initial order intake. This progress makes us confident of meeting our business plan for the investment we are doing.

- b. You would have also noted our recent announcement on the new factory to manufacture two-wheeler alloy wheels in the AURIC Bidkin Industrial Area. That is also in Aurangabad. We are particularly excited about this project due to the success of our alloy wheel plant in Chakan, where we have seen profitable growth with volumes growing almost five-fold in the last five years. This project will double our volumes from existing volumes at our Chakan alloy wheel plant. Moreover, with key learnings and targeted operational improvements, including automation in the new AURIC Bidkin factory, we are expecting a good profitable growth.

It is important to note that only half of the 30 acre AURIC Bidkin industrial land will be used for this two-wheeler alloy wheel project, and the rest will give us headroom for expansion. It is encouraging for us to see that automotive companies like Toyota, JSW and Ather Energy are setting up green field plants also at the AURIC Bidkin industrial area.

On Electric Vehicles, I would like to mention that as far as sales to electric vehicle two-wheelers are concerned, in Q2 of FY25, it has almost doubled to Rs. 739 million over Q1 of this financial year which was at Rs. 391 million. Our CAGR growth in the last 3.5 years is 236% as compared to the electric two-wheeler industry 3.5-year growth of 147%. This is as per the Vahan data. This growth in our sales is across all our product segments including suspension, aluminum castings, braking as well as alloy wheels.

I will now speak on some important operational topics.

1. First, I would like to speak on suspensions. In the past, we have mentioned about some of our suspension plants not running to full capacity. With higher sales to our anchor OEMs in these plants and fresh orders for other models from various OEMs, the capacity being used is rapidly increasing. At our Sanand and Halol plants, capacity is being almost fully used.

At Waluj, our plant capacity is being fully used, and now we are further expanding to service a large suspension order for Suzuki scooters of Rs. 1,650 million per annum. The SOP is planned from January 2025. The best Industry 4.0 tools are being deployed in these assembly lines.

Last year, the design and development team of Endurance successfully applied the 48 mm diameter inverted front fork for a major European client. This is the largest diameter front fork being used worldwide and help us in our future growth.

In our suspension business, we continue to undertake various projects to help in our profitable growth. We have spoken to you in the past about our backward integration through aluminum forgings. We are also engaging other levers as value engineering, right sourcing and process innovation to lower our cost and remain competitive.

2. Now moving on to our braking segment, which shows a robust improvement in every dimension, namely scale, operational parameters, cost competitiveness, order acquisition from multiple OEMs and increase in our share of business. These are our key strategic strengths.

The total income from our braking business doubled in just 2 years, from Rs. 5,950 million in FY22 to Rs. 11,610 million in FY24. The higher demand made us set up a second brakes factory at the Waluj industrial area. The new factory has now reached close to peak volumes within 2 years of SOP, and now we are undergoing a further expansion.

Since we began the manufacture and sale of the single-channel ABS in September 2021, we have around 700,000 numbers of such ABS ensuring rider safety on the roads. The two-channel ABS is also at an advanced stage and is expected to start SOP in Q4 of this financial year.

The manufacturing of brake systems and disc brakes is constantly being upgraded to improve our cost competitiveness, improving the product offering and its applicability to the premium segment two wheelers. Some of the recent improvements are advanced heat treatment for brake discs, in-house manufacturing of ABS valves as well as stainless-steel braided hoses. Both of these are imposed substitutions. Launch of our Grimeca brand brakes in the premium segment of two wheelers is another important development.

Our technical capabilities are constantly being improved with enhanced R&D, calibration and testing. Experts in braking were engaged, among other things, in the development of the ABS ECU which is the Electronic Control Unit for in-house manufacturing. Importantly, advanced braking system development activity has been started jointly with one of our European OEM clients which will help us to offer the best technology in braking systems both to Indian as well as our overseas OEM clients.

Also for enhancing our brakes steel braided hoses technology, we are setting up a facility for the same in-house at our second Waluj brakes plant which will give us additional brake assembly orders for exports and for Indian OEM requirements and this is expected to go into SOP in January, 2025.

3. In the transmission product segment, several OEMs are upgrading their clutch technologies to the assist and slip technology, which is of higher value add and will contribute to our profitable growth. For the assist and slip clutches, we are offering technology from our European subsidiary Adler with localization of the parts in India. This SOP will start in Q4 of this financial year.

As far as our transmission drive shaft business is concerned, at Waluj, the capacity is now being fully used. We at present manufacture for three 3W OEMs and are targeting orders from two more OEM clients.

4. We continue to maintain being a leader in the machined aluminum die casting business. In our Chakan castings plant, we are constructing a new building to cater to 4W machined casting requirement. Here we will see improved quality standards and cost optimization because of automation. We have also put an unmanned machining line for a four-wheeler application. An exercise of improving processes using TPM philosophy and other productivity tools is underway, and we are already seeing operational efficiency improvements.

5. Our strategic venture into electronics is slowly gaining traction, and this quarter witnessed certain turnaround events. Our Battery Management System offtake by a key OEM client has picked up leading to a significantly improved financials for our subsidiary Maxwell and better use of our surface mounted technology line that we have set up for BMS at our Waluj plant. Further, our pursuit for electronics business other than BMS is also progressing well.

I will now touch upon our order intake, which was part of our presentation that was uploaded last evening.

- a. Our order wins and request for quotes where we are targeting new business is a testimony to our market leadership and ability to increase our content per vehicle in several models across OEMs.

In the last six months, we have won Rs. 3,082 million non-Bajaj orders, bulk of which are new orders. Only Rs. 334 million of these orders are of a replacement nature. With this, the new orders booked over the last 4.5 years has reached Rs. 29,268 million, which would reach peak in FY27. These orders involve diversification of our customer portfolio and expansion of our share of business with all the OEMs across our product range.

- b. The major orders won till date in this financial year are for the Hero MotoCorp brakes business, TVS brakes business, Ather Energy battery part aluminum casting business and Generac USA aluminum casting business for their stationary engines.
- c. We are in the process of submitting our quotations for business totaling Rs. 22,153 million.
- d. In Q2, Bajaj Auto has shown a healthy growth in volumes both in 2W and 3W, and we also had a good growth in our sales, aided by premium product mix specially in the areas of suspension and braking.

Coming to our focus on ESG, Endurance is striving for being carbon neutral through solar and wind power and driving tree plantations.

- a. We are also seeing increased use of natural gas and LPG in lieu of diesel and furnace oil. We have reached a carbon neutral percentage of 35% in FY24; we have seen further improvement in FY25 and our aspiration is to reach a carbon neutral percentage of more than 50% by FY30.
- b. We are also focusing on lowering hazardous waste generation, achieving zero waste to landfill, improving water recovery percentage and lowering resource consumption per unit of sales, not only in our plants but also in our value chain.
- c. On the social front, our focus and emphasis is on human capital management, labor practices, health and safety and talent diversity.

We are happy to induct in the Board of Directors of Endurance and its two direct subsidiaries in Europe, Mr. Alfredo Altavilla. He is an Independent Director. He is an industry stalwart with a commendable track record serving in senior roles including Board seats in global automotive companies such as Ferrari, Teksid and Chrysler. I also take this opportunity to thank our earlier Independent Director Mr. Roberto Testore for his contribution to Endurance in his role as an Independent Director.

Endurance Technologies has been recognized by its OEM clients, its customers and industry forums with several awards and recognitions. Some of them are the 'Best Delivery Management Award' from Honda Motorcycles and Scooters India in 2024, 'Persisting Affiliation Award' from Piaggio in 2024, the 'VA/VE Award' from Royal Enfield in 2024 and the 'Ford Q1 certification' for the die casting and machining plant at Chakan in 2024.

We are also making good progress on executing our strategy for growth which focuses on:

- a) to further strengthen our presence as a 2W Tier 1 supplier, which at present is our core business in India, by supplying multiple products to all OEMs with high share of business. Also by improving the product mix by providing more high value parts in this space, for example, paper-based clutch assemblies, the new assist and slip clutch assemblies, inverted front forks, rear monoshocks, single channel and dual channel ABS, machined castings, structural parts, and components for premium 2W.
- b) to increase our 4W share of business from existing percentage of 25% to 45% by FY 30.
 - I spoke to you earlier about the progress of our 4W marketing team which has made progress on the new orders and RFQs for our AURIC Shendra aluminum machined casting plant.
 - We are also targeting entering into the 4W drive train products.
 - We are expanding our aluminum forging unit where we will target more four-wheeler business. In view of products required by 4W OEMs, we are adding advanced friction welding technology in our aluminum forging plant. This is to supply to our 4W OEMs.
 - For products such as suspension, brakes, alloy wheels, we are a leader in the 2W space. Our pursuit is to offer technology-intensive products now to the 4W OEMs through technology agreements or through M&A or through joint ventures, which is progressing well.
 - Our aim is to continue to grow our Europe business, which in any case focuses on 4W, both organically and through M&A.
- c) In aftermarket, our focus is on further growing our distribution network, reaching out to retailers and mechanics with use of digital technologies, excelling in order fulfillment and lowering the proliferation of spurious parts. We have also expanded to vehicle models where we do not serve the OEMs. Our success in these products puts us in the position of a ready-choice supplier for these OEMs. In the export markets, we aim to add new countries, expand our dealer network, target growth in each country for each product segment, and expand the product offering.

In Europe, we intend to grow our aftermarket business in the two-wheeler space with our subsidiary companies Adler, Frenotecnica, and New Fren.

- d) We will keep an eye on the pace of electrification in different vehicle segments and different markets. Our strategy is to ensure good order intake for the EV and hybrid segments, particularly in the areas where electrification is rapid.
- e) Finally, we are invested in electronics through our acquisition of Maxwell and our investment in the surface mounted technology line in Waluj plant and for our ABS electronic control unit requirement.

We also have electronically controlled damping in our suspensions. With greater use of electronics in our existing and future products, we will continue to invest in and launch new electronic applications.

In Europe, in the first half of FY25, we won orders for peak annual sales of €23.6 million. This includes machined castings for the BMW EV transmission of €10.5 million and assemblies for the Volkswagen EV castings of €7.6 million. Further, we have won orders for €1 million of finished aluminum castings from a non-automotive customer.

Our European business has stood strong in spite of headwinds in the form of pandemic induced lockdowns, extremely high energy prices, and low vehicle sale volumes due to demand or supply chain issues. Our focus on serving the OEM customers through product development, quality, competitive pricing, and professional service has been unwavering. Internally, we are focused on making ourselves financially stronger and more diverse. Our OEM customers see this as a strength for their supply chain. With new orders and increasing market share, Endurance's Europe business is well placed in terms of combating the adverse market conditions.

Now coming to the Financials:

The quarterly information has been uploaded at the stock exchanges last evening along with our presentation explaining the numbers:

I will, however, describe a few key data points. The quarter witnessed a strong performance on all parameters. Our standalone and consolidated total income grew to Rs. 23.2 billion and Rs. 29.4 billion respectively, which is a 16.8% and a 14.8% year-on-year growth. Our standalone and consolidated net profits grew to Rs. 1.85 billion and Rs. 2.03 billion respectively, which is a 29.7% and 31.3% year-on-year growth. Our profit after tax percentage growth, which is twice the total income growth, reflects a healthy expansion of margins. It is important to note that our European subsidiaries in Euro terms achieved a total income growth of 6.5% and net profit growth of 12.8% versus the same quarter last year, which is commendable given the market scenario in Europe.

Now with these opening remarks, I would now like to invite questions from all of you. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Can you provide some more details on how do you see the revenue ramp up for the new AURIC plant? Any details on what kind of products we are targeting? For the four wheeler segment you mentioned about the drivetrain products and aluminum forging opportunities. Can you share more how do you see the revenue projection for these new products?

Anurang Jain: The first project we had announced was for the four-wheeler aluminum machined castings as well as the non-auto aluminum machined castings, which is in the AURIC Shendra area at Chhatrapati Sambhaji Nagar. Here, already the construction has started and we are targeting that by Q2 of next financial year, we are able to manufacture aluminum die castings with machining for both overseas as well as Indian OEM clients and non-auto clients. I am not allowed to give the names of the OEM customers to you because there are some NDAs we have signed. But we are at a very good stage of having won certain orders, and some other orders are in progress. That's why I said that we are quite confident that we will meet our business plan in the next three years. Sales will start from the next financial year, which is Q2 of FY26.

So, I will not be able to throw much light on the customers, but the product is large machined aluminum die casting parts of various types. It's for automotive, four-wheeler, as well as for non-automotive. And this is our focus as it leads to four-wheeler business growth.

As far as the second project is concerned, which is on the two-wheeler alloy wheels at AURIC Bidkin. We have a capacity of 5.5 million alloy wheels in our Chakan plant in Pune. And there's a huge demand for these products, and that's why we are putting up another plant of about 4.5 million wheels per annum. And this plant is going to start in September 2025. So, there are two plants which will really add to our profitable growth. And it will also increase our sales quite substantially.

Now, coming to the next part of your question... we started aluminum forgings as a backward integration project for inverted front forks. It's been a game changer. Also, for the rear mono shocks, you have a hydraulic preload adjuster casting. These are import substitutes. Once we started this forging facility, we are finding a lot of interest from the four-wheeler OEMs also both for India as well as export. There are requirements from two-wheeler OEMs also. So, this forging plant in Chhatrapati Sambhaji Nagar is rapidly expanding.

And we also won some orders but I will not share the details of the customer\.

As far as the drivetrain is concerned, I will request Mr. Rajendra Abhange, our Director and COO, to speak a few words on that.

Rajendra Abhange: So, first of all, thanks for asking more information about our journey into four-wheelers, specifically the drivetrain products. You see, drivetrain is considered to be one of the most critical components

of any four-wheeler. And we have chosen to be in this space, taking into account that we have good experience already in two-wheelers and three-wheelers.

In three-wheelers, we already make these kinds of products. Without mentioning the name of the customer and without mentioning the exact product, I can only tell you that we are in very advanced stages of introducing these kind of products for 4W, and target is to launch early next year. So, all the CAPEX and everything in terms of planning is in the pipeline, and once the SOP and LOIs are on place, we will make it public, probably next quarter. So, it's not just one product in the drivetrain, there are multiple products which also involves high-precision mechanical components as well as electronic components, which has got programs and the software inbuilt into it. These products are for the modern generation four-wheelers which are being produced in India.

Mumuksh Mandlesha: What kind of CAPEX are we doing for this aluminum forging and the drive train products?

Anurang Jain: CAPEX for aluminum forging, which is done till date is Rs. 63 crores and for drive shaft, it's Rs. 40 crores till date.

Mumuksh Mandlesha: On the alloy wheel how do you see capacity utilization happening in the new plant - any color on the new customer wins we have including the EV customers?

Anurang Jain: In fact, as far as two-wheeler alloy wheels are concerned, the pressure to supply is tremendous and that's why there's a gun pointing at our head - I will just put it that way. So, to answer your question, capacity will be fully used. Ramp-up will be very, very fast from September 25 onwards. In fact, the pressure is very high. We will be serving existing as well as new customers for alloy wheels. I can't give you the names, but it will be to new customers also including for EV customers, as far as the alloy wheels are concerned. We will reach full capacity utilization in the second year.

Mumuksh Mandlesha: In terms of market share for this segment, do you see that has increased with the new order win?

Anurang Jain: If you see our alloy wheel market share, it is 13.3%. And this will take us to ~25%.. It depends on how much growth will be there in the two-wheeler industry. So, I can say based on the existing volume that 13.3% will become 25% with the new plant coming up.

Mumuksh Mandlesha: On the financial side., aluminum prices have increased in recent quarters. Is there any impact in Q2 and just want to understand generally what is the pass-through like for the aluminum prices? Secondly, on the incentive part, what is the incentive expected for the second half?

Anurang Jain: I will request our group CFO – Mr. Raja Sastry to speak on this, but just to answer one question, the aluminum increase or decrease is a pass through 100%.

Raja Sastry: So, if you look at comparing the first half of this year versus the first half of last year, aluminum alloy rates have gone up from Rs. 200 to Rs. 213 on average. And we have passed on every rupee of this increase. We also had some marginal increase in steel and other products, but as per our contracts,

we have managed to pass on every single rupee of increase to our customer. Of course, it does have a contribution load as they call it because we get a rupee-to-rupee advantage and not the contribution out of that. However, from a compensation perspective, the compensation is complete, and we have booked all the compensation. And we have amended purchase orders for the same.

Mumuksh Mandlesha: Is there an impact of incentives in the current quarter?

Raja Sastry: Of the total of Rs. 447 crores which we had to book on the earlier 2013 Mega project incentives scheme, we still have another Rs. 8 crores to book. We have already received about Rs. 283 crores of cash, and we have another Rs. 164 crores to receive. So, the progress on the earlier Mega Project incentive is good. We already are in an advanced stage of filing our applications for the next 2019 Mega Project incentive scheme also. And the entitlement for this incentive is higher than the earlier one. And as we have more details, we will explain to you.

Moderator: Thank you. The next question is from the line of Aditya Jhawar from Investec. Please go ahead.

Aditya Jhawar: What is the expected contribution on aluminum alloy wheels – where your capacity is to increase to 9.8 million wheels per annum? and What would be the share of imported alloy wheels in India?

Anurang Jain: Aditya, we do not share the contribution figures. I can only say that it's an important part of sales growth and profitable growth, so I cannot give you the contribution there. It is sensitive.

Aditya Jhawar: And import share in India?

Anurang Jain: See, as far as I know, there would be very small pockets where certain customers are importing. But I think it's practically zero now as far as imports are concerned, it's all bought from Indian manufacturers or there are foreign players who have facilities in India. But as far as I can think, I have not heard of any imports now. I think it has practically stopped, but I could be wrong. I mean there could be few pockets where there is import. You see there is a BIS introduction in India as you might be aware - BIS or Bureau of Indian Standards. Imports are easily allowed, only if you are exporting the vehicle. I think in that context you can import some special alloy wheels, but now almost everything is localized.

Aditya Jhawar: On the profitability of the standalone operations. this time around, we saw a spike in OPEX -Other operating expenses., It increased 20% YoY to almost about Rs. 400 crores. So, is there anything that you would like to call out on this? Also, your margin expansion is largely driven by gross margin. We did not have a significant benefit of operating leverage despite a 16% topline growth. Is there anything that you would like to call out in OPEX, and how should we look at standalone margin in the medium to long term?

Raja Sastry: Aditya, good question. our standalone income went up by 16.8%. And if you look at our PAT, it has gone up by 29.7%. So, I would still say there is an expansion in margin. However, your question on the Other Expenses is correct. There has been an increase.

Our raw material cost has gone up by 15.2%. Other Expenses have gone up by 19.6%. We do have a pretty detailed analysis into why these expenses have gone up. There have been some special processes which we had to add to our production, like anodizing processes for specific customers. They were impacted by the minimum wage increase and certain other topics which increase our other expenses. However, there are quite a lot of initiatives underway in terms of improving our efficiencies.

The Managing Director mentioned about the TPM exercises in some of our plants and these are specifically aimed at improving our operational efficiency and better expansion of margin.

Aditya Jhawar:

Some of the items you mentioned are more part of COGS and employee cost. Now, one would expect that with the better utilization of some of our plants, especially the suspension plants, we could start seeing a slight better performance at EBITDA level, but EBITDA margin increased only by 40 basis point YoY and that was driven by gross margin. Is there anything one time that you would like to call out on, or is this the recurring run rate from here on. And when we have to look at margin from FY25 or FY26 perspective, what are the drivers of margin expansion? Or are there any headwinds because multiple factors will flow in regard to product mix change, Greenfield facilities coming on stream. And so if you would like to throw some light on how should we think about margin for the next 2 years?

Raja Sastry:

For the Greenfield projects which are being set up- I If you look at the Bidkin alloy wheel project, all the lessons which we have learned in our existing Chakan facilities are already implemented at a design stage. So, the aim of these new greenfield facilities is to be margin-accretive.

Second question was about headwinds because of different product mix. No, we only see tailwinds. That is the kind of order acquisition which we have in the proprietary range and also some of our better product range. So, we are only seeing that mix will be benefiting our margins. And the most important element is our targeted operational efficiencies and our ability to earn more margins So, overall, we only see good news as far as the margin expansion is concerned, unless something very untoward or something completely out of our control happens. But the aim and the trajectory from here on, we see a very strong performance from our side.

Aditya Jhawar:

On Europe, can you highlight on BMW order win for e-Axle. It's a big development. So, how is the commercialization of this plant? Also, at the new facility for transmission housing that we have made in Italy, where are we in terms of ramping up and, what would be the potential revenue and are we targeting new set of customers from this business line?

Massimo Venuti:

We closed an agreement with a new customer for us, AISIN – which is a company inside of Toyota Group. They took this important business for BMW, and we are their partner for the raw part and machining of this transmission component. This is a strategic project of BMW. They want to reach 500,000 parts per year starting from 2027. The start of production will be in 2026. And we will do the foundry and the machining activity in Germany.

Speaking about the second project - transmission for Punch and Stellantis. As you know, we acquired 850,000 parts per year business, two years ago. We started production in July of the previous financial year. We are now reaching 45,000 parts per month. We will reach 65,000 peak volume, starting from the second week of December of this financial year.

We are also discussing with the customer a possible increase of volume for this part. This is an absolutely strategic project for us, because these are machined parts, and so the added value is very high.

In our profit and loss statement for this quarter, you see an increase of the other expenses owing to outsourced people in the new plant, because we want to maintain the flexibility. This is the reason why there is an increase of other expenses and raw material costs. The total turnover of this project could be €70-€75 million and the peak of volume will be in February of the next year. Actual revenue will depend on the market, but as you know the current European market volumes are not encouraging.

Aditya Jhavar:

In this quarter, we did reasonably well despite a decline in registrations in Europe. We reported a strong growth of about 6%, but looking at the next few quarters and the interaction with customers, what is your sense in terms of overall industry growth in Europe in the second half of the year and what should be the number for Endurance?

Massimo Venuti:

So, the situation in Europe in this moment, frankly speaking, is not so good. But first of all, the situation of Endurance is completely different. The market (EU + UK) closed with a YOY reduction of registration of 6.4% in the previous quarter. And Endurance grew 6.4% YOY. So, it means that we are gaining market share from our competitors. And this is due to the fact that in the last five years, we acquired an unbelievable number of projects – new orders worth €160 million.

And we are benefiting from production in these new projects – particularly Punch/Stellantis project. If we exclude new projects, we have seen a reduction that everybody else is seeing in the market. With the start of production of the new project, we are growing in an important way. We closed Q2 in terms of turnover with €66.9 million compared €62.8 million in last year same quarter, with an increase of 6.4%. EBITDA grew 15.1% compared to the previous year we closed with 16% EBITDA margin or €10.7 million EBITDA in the Q2. The net result was €2.9 million, 4.3% with an increase of 14.7% compared to the previous year. Q2 in Europe is usually the lowest in terms of volume because we have August, and August is a month of holidays. And this is the reason Q2FY25 topline is lower than Q1FY25. Endurance is growing faster than the market. Also for the future I see this scenario and I repeat, I am really optimistic for Q3 and Q4 of this Financial Year.

Moderator:

Thank you. The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

Jinesh Gandhi:

First question is on the PV drivetrain business that you are talking about. Is this going to be through the aluminum die casting technology or we are looking beyond that and totally different products or

technologies which will be coming into that? We talked about electronics as well, but can you throw more light on that?

Rajendra Abhange: The drivetrain products are not the die-cast products which we are already into. We are already supplying to major OEMs in India and overseas. What we propose to enter into are proprietary products in nature, and they are engaged in transmitting the motion to the wheels. So, the castings are stationary components, but these are rotating components. And it has also got electronics inbuilt into it because the vehicles are getting smarter. So, we are offering a complete solution to the vehicle manufacturers.

Jinesh Gandhi: And this is developed in-house, or do we have a partnership with someone?

Rajendra Abhange: A part of it is in-house and part of it is going to be in partnership.

Jinesh Gandhi: With respect to the alloy wheel business - clearly there is a good amount of demand which is there, but there is a substantial amount of capacity addition happening, not just at Endurance, but other players as well. So, in that context, how should we think about the margins for aluminum alloy wheel business?

Anurang Jain: No, I don't see it will impact the margins. And I think the capacities which are coming up are in line with the LOIs which the customers are giving to different suppliers. Now, of course, it will depend upon how the two-wheeler industry grows. But there is also a use of alloy wheels in vehicles, where they were not being used. So, the demand is coming from the 2W market growth and also from substitution of the earlier steel wheels with aluminum alloy wheels.

And as far as margins are concerned, I don't see decline. I think industry has gone through a very turbulent time in the last 15 years, with the Chinese imports and I think the prices are quite well settled, very competitive and we don't see a change there.

Jinesh Gandhi: With respect to ABS, how big is ABS business now, given that we are already supplying single channel ABS. Can you talk about the size of the business now and also the roadmap going forward on the dual channel ABS? Any order wins on that side?

Anurang Jain: Yes, see right now we are supplying at a run rate of 400,000 single channel ABS per annum. Additionally, we have a capacity of 240,000, which is for the dual channel, which is starting in Q4 of this financial year. And so right now you can say that the capacity which we will have is 640,000 in a market of maybe 3-3.5 million. So, we will slowly ramp-up based on our technical capabilities and competitive pricing. We will slowly scale the business up, partly with volume increases, partly from taking share from the competition, but that's our goal, to keep increasing this business by going step by step. So, the next step is to go into dual channel with 240,000 ABS' per annum.

Jinesh Gandhi: Right, and have you got orders for dual channel already or we are in process of getting orders there?

- Anurang Jain:** Dual channel product validation by customer is in process, so that's why I am telling you we should supply by Q4.
- Jinesh Gandhi:** And clarification on the incentive side. So, would it be fair to say that by the time this balance Rs. 8 crore of incentive on the old scheme gets recognized, probably in Q3 or early next year, and the new scheme becomes operational there will be gap in FY26 where incentives recording may not be material. Would that be fair understanding?
- Raja Sastry:** The applications have been made under the new scheme. We are waiting for the eligibility certificate and we will take it as it comes. So, our expectation is to make it happen as quickly as possible. But given that there are elements where we have to allow the administrative mechanism to work through its course, we will make more comments, or we will give a confirmation as and when it happens. But the efforts from our side for the eligibility, and all the collection and submission data have been completed. Once the administrative process takes its course, and then as quickly as eligibility happens, we will make a statement on that.
- Jinesh Gandhi:** Got it. And the last question on the European Business side. So, we have seen material divergence between how the EV business has been shaping up in the European market, the demand has been shaping up in the European market. And when we look at our order wins, almost 77% of our order wins are coming from EVs now as against much lower salient in the total order book. So, how do we balance out with respect to our CAPEX versus the order book built up towards EVs?
- Jinesh Gandhi:** The question for European businesses is that we are getting substantial orders for EVs. In the first half, 77% of orders came from EVs. Whereas the EV volumes in the markets are not growing or rather moderating materially.
- Massimo Venuti:** We acquired a lot of business in the last 4 years in electric, and market EV volumes are not doing well. One of the reasons why we are growing more than our competitors is that we are doing the same level of turnover with Internal Combustion Engine (ICE) as in the past, and we are increasing our revenues due to the start of production of the electric vehicles.
- Even if in this moment a lot of countries are reducing the incentive in the electrical vehicle, please consider that in Q1, and Q2 BEV and hybrids reached 50% of the market. So, it's absolutely interesting.
- In last financial year, Endurance Overseas crossed €62 million investment and in the first 6 months of this financial year we have invested €28 million with support of our customer. The major reason of our increase of turnover is higher market share but basically in the electrical vehicles.
- Jinesh Gandhi:** Would it be only in the existing aluminum die casting business or we are open to look at new areas beyond aluminum die casting in European market from M&A perspective?

- Massimo Venuti:** At this moment, we are seeing the market at 360 degrees. There are thousand and thousand opportunities. We are working in a tough way in this direction, and I hope to give you interesting news in the next conference. But we are working 360 degrees. A lot of companies are in financial problems. For Endurance, this is an opportunity because every day we are asked by our customers to consider partners and to support them for the future increase of our product lines in die casting, in machining, and also in other sectors.
- Moderator:** Thank you. The next question is from the line of Arvind Sharma from Citi Bank. Please go ahead.
- Arvind Sharma:** Sir, the first question is on the ramp up schedule that you have given in the presentation. A very strong ramp up experience in FY26, almost Rs. 23 billion. Would it be fair to assume this is driven by the expansion in the four-wheeler and non-autos? Or what would be the key drivers for this big ramp up in FY26?
- Anurang Jain:** See, the big drivers, one is of course on the 4W front which is the AURIC Shendra project, 4W and non-auto. That will be one driver. And there will be other drivers, one is the increase in the business we are getting on suspension, braking, as well as a 2W new alloy wheel plant, which is being set up. But I think it would be both on the 2W and 4W space.
- We are fully focused on reaching 45% of our group sales in FY30 from 4W. And there are a lot of efforts being made. We will start informing you as it happens. Mr. Rajendra Abhange – our Director, has already talked about it briefly. But what you see right now on our graph is a combination of 2W and 4W. In 2W, growth is largely from alloy wheel, suspension, transmission and braking. And on the four-wheeler, it is from the new drivetrain initiative and it will be from the 4W aluminum die casting and machining at AURIC Shendra as well as in our plant at Chakan, where a new building is coming up to cater to complex 4W casting requirements.
- Arvind Sharma:** Please share Europe revenue, EBITDA, and PAT in Euro terms, I missed that part.
- Massimo Venuti:** In Q2, €66.9 million total turnover, increase of 6.4% compared to the previous year. EBITDA, €10.7 million, 16%, with an increase of 15.1% compared to the previous year. Net result, €2.9 million, 4.3% with an increase of 13.7% compared to the previous year.
- Moderator:** Thank you. The next question is from the line of Pramod Amte from Incred Equities. Please go ahead.
- Pramod Amte:** You said you are entering into drivetrain components of 4W. How do you see the risk of EV and hybrids when you are entering this new stream of business?
- Rajendra Abhange :** Almost no risk, because EV penetration is still very small in four wheelers. Moreover, our planned drivetrain products are engine agnostic.

Pramod Amte: How do you see this BMW e-Axle components versus what you were already doing for the other car makers, one. Second, with regard to specialty plastics, is it a new avenue you are trying to look at as a business opportunity in the car space?

Massimo Venuti: So, regarding the first question, we are producing similar parts for other customers, axle parts and transmission for Volkswagen and Mercedes, and so we don't see a particular problem. The strategic reason for this acquisition is due to the new customer, AISIN, as I told you before, is part of Toyota Group, and we are discussing other opportunities. This is the reason why it's absolutely strategic.

But speaking about the complexity of the part, we don't see particular problem because we will produce this component with existing technology in terms of foundry, high level of automation as in the last 20 projects in Endurance Overseas in Europe and with the same machine in our machine plant. So, no particular issue compared to the existing product that we are producing.

Pramod Amte: So, you also talked about the specialty plastic product win for **Volkswagen**. So, I wanted to ask you, is it a big opportunity for the Endurance Group to enter into this new area?

Massimo Venuti: Correct. As you know, we have Endurance Engineering that is our division of injection molding plastic components. The importance of this acquisition is that it's the first order acquisition with Volkswagen Group as Tier1. As you know, in the past in Endurance Engineering, we grew in an important way, thanks to the reverse engineering from aluminum component to plastic. And why strategic? Because unfortunately, in the plastic component industry in this moment, there is a lot of production capacity free in the market, a lot of companies with financial problems, for this reason the customer is considering the opportunity to start in production with a new strong supplier like us. For this reason, I presume that if we are able, as I am sure, to respect the quality and the due date for the start of production, we could be involved in other future projects in the plastic with the Volkswagen Group, with Porsche, with Audi, with Skoda, with all the brands that we are serving for aluminum die casting.

Moderator: Thank you. The next question is on the line of Divy Agarwal from Ficom Family Office. Please go ahead.

Divy Agarwal: So, I just wanted to know about your outlook on the entire aluminum casting sector and your current market share if you can share it. And secondly, we are right now reading the articles of the auto dealers having inventory of around Rs. 80,000 crores. So, do you see any risk of delaying the offtakes of any aluminum casting products and any risk to the entire aluminum casting sector?

Anurang Jain: No, as far as the stocks of the 4W passenger cars are concerned, I can only answer for ourselves. We have not got any indication as such that there would be any impact on our sales or on our business. So, I will not be able to tell you in general about the overall sector in India and the impact it will have. But we are not seeing much of an impact in India because in India, as you know, almost 80% of our sales is for 2W. So, we are not seeing that kind of impact in our business in India.

As far as the aluminum casting, you asked me what would be our share of business. We don't have data for market share in aluminum casting. We have a capacity of 100,000 metric tons per annum in our various plants, and which is largely used. And because you have so many number of players into smaller aluminum castings, different types of casting, low pressure, gravity, high pressure castings, it is very difficult to calculate a market share. There is no industry body, which is giving these figures to us. For us, aluminum as a metal, whether it's casting or forging is a huge opportunity because it is used more in EVs and hybrids in addition to traditional ICE usage. So, we are a very good space, and we are taking the opportunities where there is profitable growth. As far as aluminum casting is concerned, we are leaders because we have expertise, we have our own engineering, we have our own tool room, so we are very competitive. And we have the technology edge that we have used in the past, to give customers an advantage by converting gravity die casting into high pressure die casting, low pressure die casting into high pressure. So, we have a lot of expertise and a lot of experience over the last 30 years in this space. So, I would say as far as aluminum die casting is concerned, we are in a very good space for the future.

Moderator:

Thank you. Ladies and gentlemen that was the last question for today.