



Endurance Technologies Limited  
Q3FY18 Results Conference Call

**February 15, 2018**



Analyst: Mr. Ashish Nigam – **Axis Capital Limited**

Management: Mr. Anurang Jain – Managing Director – **Endurance Technologies Limited**  
Mr. Satrajit Ray – Director & Group CFO – **Endurance Technologies Limited**  
Mr. Ramesh Gehaney – Director & COO – Indian Operations - **Endurance Technologies Limited**  
Mr. Massimo Venuti – Director & CEO, - **Endurance Overseas**  
Mr. Raj Mundra – Treasurer and Head IR - **Endurance Technologies Limited**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Endurance Technologies Q3FY18 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 you may signal an operator by pressing '\*' then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Ashish Nigam of Axis Capital Limited. Thank you and over to you, Sir.

**Ashish Nigam:** Thank you Bikram. Good morning everyone. Welcome to the Q3 FY18 Results Conference Call of Endurance Technologies. From the management team we have with us Mr. Anurang Jain – Managing Director, Mr. Satrajit Ray – Director & Group CFO, Mr. Ramesh Gehaney – Director & COO, Mr. Massimo Venuti – Director & CEO – Endurance Overseas and Mr. Raj Mundra – Treasurer & Head- Investor Relations. I will now hand over the call to Mr. Jain for his opening remarks, post which we can have Q&A. Over to you Anurang.

**Anurang Jain:** Thank you Ashish. Good morning to everyone. I am Anurang Jain – Managing Director of Endurance. I would like to share details of how we have done in the third quarter of 2017-18.

In India the third quarter of 2017-18 has been good for the two-wheeler industry. As per the SIAM data, the two-wheeler industry sales grew by 16.6% compared to the quarter 3 of the previous financial year. Scooters production grew by 20.4% and motorcycles grew by 16.7%. It is interesting to note that motorcycles also grew well at 16.7% against the 20.4% scooter growth.

In Europe, in quarter 3, in spite of a 2.4% growth in the European Union Automotive Sales, our European operations have posted a total income growth of 8.9% in quarter 3.

On the financials, I will now briefly talk to you about the third quarter of 2017-18 and then about the first nine months of 2017-18.

During the quarter 3, as compared to previous year same quarter, our consolidated total net income grew by 19.8% from Rs. 13,263 million to Rs. 15,893 million. Consolidated EBITDA grew by 25.6% from Rs. 1842 million to Rs. 2313 million. Consolidated EBITDA margin percentage improved from 13.9% to 14.6%. The profit after tax was Rs. 782 million at 4.9% after considering the one-time payout towards the Takve plant Voluntary Separation Scheme (VSS), amount being Rs. 269 million. Without this payout, the profit after tax would have been Rs. 958 million at 6% with a profit after tax growth of 29% over the previous year.

During quarter 3, the standalone total income grew by 25% from Rs. 8952 million to Rs. 11199 million. Standalone EBITDA grew by 37.6% from Rs. 1069 million to Rs. 1471 million with



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an increased EBITDA margin percentage of 13.1% which is an increase from 11.9% in quarter 3 of the previous year. Standalone profit after tax was at Rs. 487 million at 4.4% after considering a one-time VSS amount of Rs. 269 million. Without this payment the profit after tax would have been Rs. 663 million at 5.9% with a profit after tax growth of 40%.

I will now brief you on the financials of the first nine months of 2017-18:

During the first nine months of 2017-18 as compared to the previous year, our consolidated total income grew by 12.9% from Rs. 42278 million to Rs. 47722 million. Consolidated EBITDA grew by 17.2% from Rs. 5857 million to Rs. 6863 million. Consolidate EBITDA margin percentage improved from 13.9% to 14.4% and the profit after tax margin was Rs. 2744 million at 5.7% after considering the one-time cost of Rs. 269 million towards that Takve plant voluntary separation scheme for workers. Without this payment the profit after tax would be Rs. 2920 million at 6.1% with a profit after tax growth of 18.3%.

During the first nine months of 2017-18 our standalone total income grew by 15.4% from Rs. 29287 million to Rs. 33803 million. Standalone EBITDA grew by 20.8% from Rs. 3662 million to Rs. 4423 million with an increased EBITDA margin from 12.5% in the previous year to 13.1%. The profit after tax was at Rs. 1897 million at 5.6% after considering Rs. 269 million amount towards the VSS. Without this payout our profit after tax would be Rs. 2073 million at 6.1% and a profit after tax growth of 22.7%.

The detailed financials are available with the stock exchanges and on the Endurance website.

In the first nine months of 2017-18:

- 71% of our consolidated total income including other income came from Indian operations and the balance 29% came from our European operations. Our Indian operations grew 15.4% while our European operations grew 7.1% in rupee terms and 7.3% in Euro terms.
- Bajaj Auto share of business on consolidated sales in the first nine months was at 35% down from 38% in the first nine months of the previous year.
- In India there was a sizeable growth in business with HMSI or Honda two-wheelers by 39%, Royal Enfield by 25%, Hero MotoCorp by 96% and Yamaha India by 26%. Our top five clients in India are Bajaj Auto, HMSI or Hondo 2-wheelers, Royal Enfield, Hero MotoCorp and Yamaha India.
- In Europe, in Euro terms, we grew 18.3% with Volkswagen Group including Porsche and Audi, 14.7% with Daimler and 72% with BMW. Our most recent order wins are from Daimler, Porsche and Fiat Chrysler. Our top five clients in Europe are Fiat



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Chrysler, Daimler, the Volkswagen group, BMW and Opel which has now been acquired by Peugeot from General Motors.

- Our Aftermarket sales in India grew from Rs. 154 crores or Rs. 1544 million to Rs. 1667 million in the first nine months. This included both the domestic and export sales. Our domestic aftermarket sales grew by 22% which is a reflection of the market favoring organized players like Endurance post the GST.
- Exports from India grew from Rs. 1227 million to Rs. 1390 million. Our exports mainly comprise of exports of aluminum die casting, front forks and shock absorbers and our aftermarket exports to 23 countries.

I would now like to brief you about certain important key highlights at Endurance:

1. I am extremely happy to inform you that Endurance won the first prize for the year 2017 for its energy conservation efforts and the National Energy Conservation Award was given by the President of India.
2. I am also very happy to inform you that HMSI (Honda 2 wheelers) have given us the letter of intent for supply of scooter front forks which will reach a volume of 2.67 million front fork sets for financial year 2020-21. This LOI is to supply to all the four plants of Honda and as mentioned earlier this will replace the front shock absorbers in Honda scooters. With these orders we will be setting up a new plant at Narsapur in Karnataka which is next to Honda's third plant and this will be operational by third quarter of 2018-19. But the regular supplies will only start in 2019-20. These scooter front forks supplies will be for our existing Sanand plant where the capacity will be increased and at this new plant in Narsapur. From 2019-20 onwards both these two plants will supply to the all four plants of Honda.
3. I am also pleased to inform you that we have received the letter of intent for supply of aluminum high pressure and gravity die casting parts for Hero MotoCorp's requirement for their Halol plant. We will start the supplies of this die casting from this month onwards and will gradually ramp up the volumes. This is also a new and a large order.

I would like to update you now on the new plant at Halol, where we will be starting operations by end of April or May 2018 for supplying front fork and shock absorbers to Hero Motors Halol plant. To start with, this plant will cater to Hero's 4000 vehicles per day requirements of both scooters and motorcycles and capacity will be further increased as per the volume requirement as Hero's Halol plant.

As informed earlier by us, at present we are already supplying these suspension parts from Aurangabad plant to Hero's Halol plant.

4. In the last quarter I had mentioned to you that I had received an export order for inverted front forks and mono shocks directly from KTM for their 390 cc to 790 cc KTM and Husqvarna motorcycles. I am happy to inform you that the volume for 2017-18 was at 25,000 sets of front forks and shock absorbers and now we have received a further order of 37,000 sets of



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front forks and shock absorbers for 2018-19. This is an extremely prestigious and an important order for us.

5. Our 29-acre test track will be ready by April 2018 and as mentioned earlier will help Endurance to test its products on the vehicles to help give “first time right” products to its clients. At present, a Japanese test ride expert and an advisor to us is not only helping train our vehicle test riders but also helping Endurance in setting up the administration system and the control of this 29-acre test track.
6. Our ABS brakes tie-up with BWI, USA is also progressing well. Both the Endurance and BWI teams are targeting to give tested samples to our clients by July-August 2018. The ABS supplier base in India and overseas for the ABS system has been finalized along with the process flowchart and equipment required for the same. Our target is to be ready by January-February 2019.
7. We also wanted to let you know that we have successfully and peacefully completed the VSS for 158 workers at the Takve plant. This business has been consolidated largely with our die casting plants in Chakan which will help us in improving our profit margins and become more immune to low volume risk due to better economies of scale. We, at Endurance, will continue to focus to consolidate our plants to increase our profit margins in future.

We will also continue to focus on growing business in all our four product segments with our existing clients and also adding new clients. Also we are focusing on increasing the aftermarket export business in India and looking at organic and inorganic opportunities in both India and Europe.

With these opening remarks I would like to invite questions from everyone. Thank you.

**Moderator** Thank you sir. Ladies and gentlemen, we will now begin with the question and answer session. We have our first question from the line of Jinesh Gandhi from Motilal Oswal Securities Limited. Please go ahead.

**Jinesh Gandhi:** Hi sir, just one clarification on the HMSI LOI for front forks. Is it to reach 2.76 million by FY 21?

**Anurang Jain:** Yes, our share will be 2.76 million front forks which will happen 100% by 2021. Mass production will start from 2019-20 onwards and gradually it will go to 100% by 2021. This will replace the front shock absorbers in Honda.

**Jinesh Gandhi:** And we are not supplying front shock absorbers to Honda currently?

**Anurang Jain:** Right now we are supplying front shock absorbers so that will be replaced by the front forks.



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- Jinesh Gandhi:** Understood. Any sense on size of this opportunity?
- Anurang Jain:** It is a large order as telescopic front forks are a high-value item. So it is a very large opportunity with a very large share of business for all four Honda's plants, which will be supplied from our new plant in Karnataka and our existing Sanand plant, Gujarat.
- Jinesh Gandhi:** And what would be our Capex for this new Karnataka plant?
- Anurang Jain:** I do not have the Capex right now off hand because the workings are still in process. I can only tell you the building construction has started out there and we are in a process of finalizing the plant and equipment. We may start with some shock absorber supplies from this plant in the next financial year from October but largely the front fork and shock absorbers for scooters will only start in 2019-20. As we are still in the process of finalizing various types of plant and machinery, I do not have a figure right now. But, like I have said in the past, we are highly focused on margins and ROCE. We will make sure that the capex is optimized and that ROCE is not getting affected.
- Jinesh Gandhi:** My second question pertains to the Raw Material cost in this quarter. We have seen a reduction in the RM cost as a percentage of sales both for our India and European business. So anything to highlight there? Is it just a mix related change or there are some other impacts too?
- Anurang Jain:** As you know, we have a quarterly or a six-monthly pass-on to our customers for all the RM cost changes. And of course, there is a lot of effort being made to lower the RM costs. Further, I would say the product mix also makes a difference. So it is a combination of product mix, our efforts to lower our RM costs with our suppliers and commodity prices. I mentioned earlier we have an Endurance Vendors Association, for the last 10 years. We work very closely with our vendors, most of which are lifetime source suppliers to us and we work together to see how it can be a win-win situation where we give them more and more volumes every year and they give us better prices every year. So it is a combination of all these factors.
- Jinesh Gandhi:** And in Europe would there also be some implications of tools and dies revenues?
- Anurang Jain:** Yes, so that is included but I can request Mr. Massimo Venuti to shed more light on this question.
- Massimo Venuti:** In Europe, we have increased our Total Income in the third quarter by 3.8% in Euro terms. Without considering incomes from tooling and other incomes, the increase was 3.1%. So 0.7% is from tooling and other incomes. Year-to-date nine months - we grew 7.3% in Euro terms; without toolings and other incomes, the increase was 4.5%. The timing of tooling incomes

depends upon factors such as start of production of new parts, schedule of customers' production and tooling modification needs.

**Jinesh Gandhi:** Understood. Continuing on European operations - there has been almost 28% YoY increase in other expenses. Is there any one-off expenses or is it a continuing increase in other expenses?

**Massimo Venuti:** Total Expenses as % of Incomes follows a good trend. Within the total expenses, 'Other Expenses' increase can be ascribed to the flexibility that we keep in 'make or buy', processing charges and labour charges etc. Also, as you know, we started a new plant in Germany in the March 2017 quarter.

**Moderator:** We have the next question from the line of Jamshed Dadabhoy from Citibank. Please go ahead.

**Jamshed Dadabhoy:** Just wanted to check you mentioned that the recurring profit after adjusting for the VRS is Rs. 958 million for the quarter?

**Anurang Jain:** You are talking about Quarter 3?

**Jamshed Dadabhoy:** Yeah.

**Anurang Jain:** You are talking about the consolidated?

**Jamshed Dadabhoy:** Yeah. So you mentioned Rs. 958 million.

**Anurang Jain:** Yes, that is after adjusting the one timer because of the Takve plant consolidation.

**Jamshed Dadabhoy:** Is there any tax element or tax expense attached to that item?

**Satrajit Ray:** The tax element is there. For VRS, you get 20% tax break every year over 5 years, so that tax impact (on current and deferred tax) has been adjusted when Rs. 958 million has been calculated.

**Jamshed Dadabhoy:** Okay, got it. And on this KTM order that you mentioned for 37,000 sets this will be included as part of Bajaj Revenues, right?

**Anurang Jain:** No, this is directly to KTM.

**Jamshed Dadabhoy:** Okay, so it is a separate thing.

**Anurang Jain:** It will be a sale to KTM for their KTM and Husqvarna bikes. This order just came in 6 months ago and I think it is perhaps because we have a 10-year old relationship with WP which makes



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shock absorbers and front forks and also have a strong relationship with KTM because of Bajaj Auto. Over the years, they have got a lot of confidence in our quality and that is how these orders came in. We are very happy to get these orders because they are large orders, very high-value orders.

**Jamshed Dadabhoy:** And on this Hero die casting orders which will start at Halol - from this month or next month?

**Anurang Jain:** See, it will start from Sanand, not from Halol. We are expanding our Sanand facility for this. At Sanand plant where we already have die casting facilities, we will expand and try and get economies of scale. Supply to Halol will start from this month and then grow up to the full order volumes by, I think, 2018-19.

**Jamshed Dadabhoy:** Okay, and by end of FY 2018-19, that would be for around 6700 vehicles a day?

**Anurang Jain:** No, I do not think they will cross 4000 vehicles from what I know. From, I think, 1900 vehicles level and they may reach around 6200, but we are not very clear on that. So we will see how it goes. Right now, our capacity is for 4000 vehicles only.

**Jamshed Dadabhoy:** And any change to the CAPEX plan, given that Narsapur is coming in and you might have some new orders and things?

**Anurang Jain:** It is within that Rs. 2750 million per year in India that I have quoted in the past. We will be doing all the ABS tie-up, the new plant, all are expansions within that.

**Moderator:** We have the next question from the line of Ameen Pirani from Deutsche Bank. Please go ahead.

**Ameen Pirani:** I just had a clarification on the HMSI order that you mentioned. You are already supplying the front shock absorbers. So these front forks, it is more like a replacement of the revenue that you are already getting?

**Anurang Jain:** Normally, the ratio of the front fork to a shock absorber is in the range of 2.5:1 to .5:1. For us, it is not only a replacement, it is also an addition apart from replacement. Because the new SOB for front forks is very high. The SOB given to us is very high. I have told you that our supplies will be 2.67 million units. You can forecast what HMSI will do in that year. So I have already given you enough information on SOB.

**Jamshed Dadabhoy:** So the share of business is anyways high compared to the shock absorbers and then there is a value differences in it?

**Anurang Jain:** Absolutely.





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- Moderator:** We have the next question from the line of Rakesh Jain from Asit C. Mehta. Please go ahead.
- Rakesh Jain:** My first question is regarding three-wheelers business which we get from the Bajaj Auto, we see that the last quarter has been quite phenomenal for them. So how has our pie of business increased in three-wheelers with respect to that?
- Anurang Jain:** As we supply all our products to three-wheelers, for us it is a substantial increase. Whatever Bajaj does more, the maximum effect comes on Endurance. It can cut both ways. So three-wheelers have gone up almost 80%. We are seeing this trend for the last six months and to my understanding this will continue for the whole of next year also.
- Rakesh Jain:** Secondly if you can just give me clarification on the aftermarket sales number which you had mentioned in your remarks.
- Anurang Jain:** Okay, so up to quarter 3 in the aftermarket –the total figure was Rs. 1670 million.
- Rakesh Jain:** Versus?
- Anurang Jain:** Rs. 1540 million.
- Rakesh Jain:** And my next question is on the European business - we see that for quarter 3 the new car registration data says that all your top 4 clients have not registered a good growth while we have recorded 8.5-9% increase in sales. I understand that we are a small part of the car industry, but is sales growth because of the new orders which we are getting or by increasing share the business in the existing ones?
- Anurang Jain:** One way to grow is by participating in the industry growth. But we also grow by taking additional business, and increasing our share in existing business. That is why we have generally grown higher than what the OEMs grow. So like you said, it is from additional business and getting higher share of business. Like I mentioned, getting orders (such as the one million pieces order from Volkswagen which is their 100% requirement for the new cam carrier which we got last year) end us increasing our wallet share. Such growth is also a focus area for us.
- Rakesh Jain:** Last question is on the HMSI new order which we have got – From when will the supplies start?
- Anurang Jain:** The full-scale supplies will start from 2019-20 but in our plant we will start the shock absorber supplies sooner because they will like to do an audit by September 2018 itself. We will start



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supply of shock absorbers for the rear then, and the front shock absorbers - we will start from 2019-20 only.

- Rakesh Jain:** What would be the initial quantum you would penetrate with?
- Anurang Jain:** We do not have the figures but we will start in a gradual way. I can only say by end of 2019-20 it will reach 100%; and then 2020-21 onwards will be the full annual requirement.
- Rakesh Jain:** And anything on the VRS : will have additional expense in the next quarter or this is it?
- Anurang Jain:** No, we do not have any more expenses. Whatever we wrote off in the last quarter, the full Rs. 269 million - that was a one-time cost.
- Moderator:** We have the next question from the line of Sonal Gupta from UBS Securities. Please go ahead.
- Sonal Gupta:** What would be your share of your business right now on this shock absorber order?
- Anurang Jain:** I can only say we have the highest share of business compared to now and compared to the whole. You can just look at the figures. I have given you our figure - 2.76 million front forks from us to all the four plants. Now, you can forecast how many scooters they are going to sell by then.
- Sonal Gupta:** So sir could you share what is the Honda share of business for you now and for Royal Enfield?
- Anurang Jain:** HMSI is around 12.5% and Royal Enfield is 11.25% of our India Total Income. This is for the first 9 months.
- Sonal Gupta:** Sir, if you could just talk about the combi brake side - what is your expectation?
- Anurang Jain:** See one is a CBS and the other one is an ABS. CBS is applicable to 'up to 125 cc' vehicles. It is compulsory for new models from April of FY19 and all new vehicles from April of FY20 onwards. Now as far as combined braking systems are concerned, we have already given the pilot samples to our customers. For the new vehicles they will start from next financial year. But that is a lower value add order, I will be very open with you. So the main value is on the ABS, which will start from of FY20 for all the vehicles (we are not on the new models from April of FY19). So our ABS systems, I mean assuming everything goes smoothly, will only start from April 2019.
- Sonal Gupta:** All vehicles from April 2019, right.
- Anurang Jain:** We are targeting that April 2019 slot. I would say more in the first quarter of 2019-20.



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**Moderator:** We have the next question from the line of Mahesh Bendre from Karvy Institutional Equities. Please go ahead.

**Mahesh Bendre:** What could be the possible blended capacity utilization in our factories now?

**Anurang Jain:** Average would be more than 75%.

**Mahesh Bendre:** And sir commodity prices are moving up, I mean all the OEMs are showing concerns about the margin pressure they are going to face because of the sharp rise in raw material prices. So in this kind of scenario the vendors like us, how are we placed in terms of maintaining our margins?

**Anurang Jain:** See there are two parts. As I said the raw material prices (mainly steel and aluminum) are passed on to the customers every quarter or every six months depending on the terms with different customers. So steel and aluminum is normally always a pass on and also some other products. So we do not get affected much; but where the impact comes on us is on our EBITDA margin percentage. In the second and third quarter, our margins have been affected to the extent of at least 0.4% approximately. So in India, EBITDA margin was reported at 13.1% but if it was not for the raw materials price increase it may have been 13.5%. So the impact comes on us only on the percentage of the EBITDA margin not on the absolute amount of profits. So to answer your question, the only impact is the mathematical impact; otherwise it is a pass-on.

**Moderator:** We have the next question from the line of Pramod Amte from CIMB. Please go ahead.

**Pramod Amte:** You indicated that the CBSs is a low value item. Do you also supply CBS to scooters or is there a substantial technical difference between the CBS currently we use in scooters versus motor cycles?

**Anurang Jain:** Generally, scooters CBS is a mechanical arrangement. So that is even lower. What we are looking at Endurance is basically a hydraulic system. That is where you get a good value add. We are looking at hydraulic. Wherever we are supplying disc brakes, this actuating mechanism of a CBS will be added on. For example, if we supply to our customers our disc brake assemblies, we will now supply it with the CBS system. That is the way it is going to work. We will supply a hydraulic system, not a mechanical system but scooters generally have a mechanical system. They are lower cost.

**Pramod Amte:** And what is your assumption when you say low cost for scooters?



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**Anurang Jain:** I am not going to tell you the figures but the point is that the value add is much lower in CBS than the ABS system.

**Pramod Amte:** The reason why I was asking was the solutions which have been provided for CBS compliance in two wheelers seems to be much lower price now versus what we initially thought it may cost to start working with. If I am not wrong, some of the components displayed by your competitors in the Component Expo were priced in the region of around Rs. 200-300 per vehicle, which was much-much lower than initial thought of Rs. 1000 plus, that is one. Second, are these assumptions right? Third, do you think similar solutions can come through in ABS as we go forward, 1-2 years down the line so that the industry can easily comply and the market size of the opportunity can drastically change.

**Anurang Jain:** As far as the CBS is concerned, firstly Rs. 1000 was a very high figure. I do not know who mentioned such a high figure for a CBS system unless they were saying with the disc brake assembly, even then. With the disc brake assembly of course, the figure will be higher. But we must know if you saw a front-mechanical-rear-mechanical or a front-hydraulic-rear-mechanical or a front-and-rear-hydraulic-hydraulic. These are three types of CBS systems. Depending on the system, depending on the customers, these prices of Rs. 200-300 could be for the lower end for CBS without the full assembly. As far as the ABS is concerned, there is the Electronic & Hydraulic Control Unit. So price demanded will always be high, as that is a high value added item and that is a technology item. Not many people have this technology in the world for two wheelers, hardly 5 or 6 players. And according to me that will always remain high value. But having said that, the competition will be there; we would want to give the best prices to customers and meet the performance and quality requirements.

**Moderator:** We have the next question from the line of Jinesh Gandhi from Motilal Oswal Securities Ltd. Please go ahead.

**Jinesh Gandhi:** First question pertains to this VRS: so now that it is done, what kind of savings we expect on employee cost?

**Anurang Jain:** We do not share this kind of figures, but you can work out with 158 workers that we mentioned. Staff has also been downsized. So you can imagine the impact. There are two impacts which happen in our existing Chakan plant. One - all these people are not there for a similar business, and two - we get better economies of scale from the same plant as most of the fixed costs remain the same. So that was one of the reasons of doing this exercise and like I said in my opening remarks we will continue to focus on such opportunities which are available at Endurance because we are seeing it more for the long term. Because otherwise we would put too much of pressure on plants as volumes change and customers change. The



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production sites get more immune to such changes and we are looking at profitable growth every year.

**Jinesh Gandhi:** So did we see some savings in this quarter itself given that there is some reduction in staff cost?

**Anurang Jain:** I can only say that we are seeing the savings from January for sure.

**Jinesh Gandhi:** Second question pertains to scooters, where we are seeing increasing penetration of disc brakes in 125 cc. How are we positioned there; have we started getting any orders from scooters?

**Anurang Jain:** Yes, those are opportunities which are also being talked with clients on the scooter front for the 125 cc for sure. Your information is right; for 125 cc scooters, it is happening.

**Jinesh Gandhi:** And are we supplying already to any of the scooters?

**Anurang Jain:** No, we are not. Those will come up not in the next financial year, but the one after.

**Jinesh Gandhi:** Similarly on autos, so we are seeing increasing noise about eAutos and some of your customers would have displayed eAutos in Auto Expo and working on it. Do we see any play in eAuto?

**Anurang Jain:** Yes, we are already a part of the program for Bajaj Autos e-vehicles. So we will be supplying our suspension, brakes and casting parts there for sure. So it will happen. There will be no clutch, so we cannot supply the clutch for electric vehicles. In Endurance, we are already in touch with a lot of the eElectric players in 2-wheelers, 3-wheelers. As far as overseas operation is concerned we already started getting orders for the electric vehicles. We had mentioned last time the Porsche Mission E order starting in 2020. We already got transmission orders for that electric vehicle. So we are in touch with our customers not to lose our opportunities there. Three of our four segments - brakes, suspensions and aluminum castings are immune to electric and hybrid vehicles in future.

**Jinesh Gandhi:** So transmission side there could be some risk?

**Anurang Jain:** Risk would be if all the motorcycles become electric. If that happens! But there are so many factors preventing that. I do not see a problem for our clutch business also.

**Jinesh Gandhi:** And sir any update on the CVT supplies to Honda and others?



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- Anurang Jain:** Honda of course, it is in process, the development is in process. Here is I think at a final stage of testing and we hope to start next financial year. More in the second half of the next financial year is what we are targeting for CVT.
- Jinesh Gandhi:** And for Honda will be later than that?
- Anurang Jain:** Honda will be later because it is still in development because they started a bit later.
- Moderator:** We have next question from the line of Sumit Mangal from Goldman Sachs. Please go ahead.
- Sumit Mangal:** One thing just wanted to understand - for front forks, for supply for 2020 and you already got the order, so I think so when ABS is about to start one year down the line what kind of visibility have we actually got for the ABS because OEMs may have more or less finalized the suppliers for the ABS also, Sir?
- Anurang Jain:** We are not going to be in the initial business which is starting in 2019. If you see all our proprietary segments from 1995-96 - we started shock absorbers and then front forks and then clutch assembly, CVT, brakes. We have always entered a bit late because ultimately, we have to meet the performance, quality and cost requirements of the customer. So we will enter late and we are in touch with the clients. We will meet these requirements, we will be in for sure - like we have done in the past 20 years.
- Sumit Mangal:** So currently we do not have a visibility but probably once we have a visibility...
- Anurang Jain:** No, we have a visibility with the customers but like I said it is dependent upon us meeting the performance, quality requirements and the initial price requirements of the customer. Obviously, without that you cannot get business. But of course we have some understanding and visibility, but I will not be able to say anything more to you on that.
- Moderator:** We have the next question from the line of Narottam Garg from CWC Advisors. Please go ahead.
- Narottam Garg:** Just want to understand for the brakes opportunity for CBS specifically, is my understanding correct that for bikes CBS would not work with the mechanical kind of system, it will require hydraulic at least on the front?
- Anurang Jain:** No, I think the lower CC could work with the mechanical.
- Narottam Garg:** Okay, so this is for the 100 cc bikes.



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- Anurang Jain:** It depends on the client, it depends on the customers. Some people will put a front hydraulic rear mechanical on a 100-110 cc bike. Some may put only mechanical-mechanical, so it depends on them. Depends on what they are comfortable with.
- Narottam Garg:** And we are not interested in the mechanical-mechanical opportunity.
- Anurang Jain:** That is the lower end, we are only looking at hydraulic.
- Narottam Garg:** Okay, so for the hydraulic-mechanical and hydraulic-hydraulic opportunity, do you expect the OEMs, at least for their 125 cc (which is the executive segment), to go for that or is there a resistance even in that segment?
- Anurang Jain:** No, it is already happening and like I said we have already started supplying the pilot lots for our customers and it will start from next financial year when it is compulsory for the new vehicles.
- Narottam Garg:** Okay, so for the executive and for the premium segments we will be supplying the CBS brakes.
- Anurang Jain:** Yes.
- Narottam Garg:** And the ticket size there - the cost of disc brake plus the CBS which would be more than like Rs. 500, it would be like Rs. 700-800?
- Anurang Jain:** I will not comment on that.
- Narottam Garg:** But it will be on the higher range of that number that we are talking of?
- Anurang Jain:** It will be more than some mechanical system, of course.
- Narottam Garg:** And Sir, just wanted to get some sense of what share of orders in braking will you be getting at least for the Sanand and Halol plants for Honda and Hero - would that be a high share?
- Anurang Jain:** We are in touch. Right now, that is something I cannot tell you. It is still in process. A lot of work is happening there. I told you that a disc LOI has come to us last year and the disc will start with HMSI from the next quarter and slowly we will take it forward with the complete assembly. We are working with various clients.
- Moderator:** We have the next question from the line of Sonal Gupta from UBS Securities. Please go ahead.



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- Sonal Gupta:** Sir just clarifying on the CBS thing because you are saying that you are not interested in the low-end mechanical opportunity and you have also said that the lower cc motorcycles I guess the 100-110 cc will continue to probably remain mechanical-mechanical.
- Anurang Jain:** At least 100 cc. The 110 may be still hydraulic, I think. It depends on the customer.
- Sonal Gupta:** See anyway above 125 it is mandatory to be ABS, right? So then there is only a limited opportunity in hydraulic CBS, is that the way to look at it?
- Anurang Jain:** See it will also depend on how people progress into the 125 cc bikes also because if you see there is a trend - people going from 100 to 125 cc. So we will have to see how the market comes up. As far as we are concerned we are focusing on business which makes sense for us. We are hoping the volumes will increase because if you see the higher cc segments today, the 150 cc plus are anyway growing at a very fast pace and we are quite hopeful that even a 125 cc does well in future.
- Sonal Gupta:** Just to clarify so the disc brake systems have to be necessarily hydraulic or not?
- Anurang Jain:** Yes, they have to.
- Sonal Gupta:** But like you mentioned that even hydraulic CBS system would be under Rs. 1000 cost.
- Anurang Jain:** Of course, only the CBS actuating system will be much lower than Rs. 1000.
- Moderator:** We have the next question from the line of Ameen Pirani from Deutsche Bank. Please go ahead.
- Ameen Pirani:** Sir, just going back on these CBS solutions of mechanical-mechanical and hydraulic, so if at 100cc and even at 110cc it may be possible to do a mechanical-mechanical? I am just trying to understand what will drive the OEM on it? Is it just a cost thing in this case?
- Anurang Jain:** They have to meet the performance. If they can do it with mechanical, they will stick to mechanical-mechanical.
- Ameen Pirani:** Because cost wise it makes sense for them to do so?
- Anurang Jain:** No customer will like to increase the cost of the bike.
- Ameen Pirani:** I mean is there a possibility that hydraulic will have a better performance over a period of time, is there that kind of a consideration also?





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- Anurang Jain:** See hydraulic definitely will be better. Question is whether mechanical-mechanical meets the requirements or not. So I think there is a lot of work in process still going on. Some people are clear, some people are still not clear.
- Moderator:** We have the next question from Bharat Gianani from BNP Sharekhan. Please go ahead.
- Bharat Gianani:** I just have one question that as per the SEBI requirement you are required to take the shareholding to 75% vis-à-vis your current holding of 82.5%. So what is the timeline for that?
- Anurang Jain:** We have to do it by October 2019 – as of now, we have no intention of doing it early.
- Moderator:** Thank you sir. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Ashish Nigam of Axis Capital Limited for closing comments. Over to you sir.
- Ashish Nigam:** Thank you. On behalf of Axis Capital, I thank you all for joining the call today and thanks again to the Endurance management for giving us the opportunity to host the call. Have a good day everyone.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Axis Capital Limited. That concludes this conference call. Thank you for joining us and you may now disconnect your lines.