

# SANSERA ENGINEERING LIMITED

Beat on topline and margins, growth pinned down on multiple growth drivers

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We witnessed a strong performance in Q4 for the company, wherein the top line grew by 21% on consol basis, which was mainly driven by the Tech Agnostic, x-EV and Non Auto business. FY24 sales grew by 20% wherein the Motorcycle business grew by ~25%, PV grew by about 22%, tech Agnostic posted 40%+ sales growth, while xEV, Aerospace and OTR excelled by more than 50%, 23% and 60% respectively. Scooters, Agri, CV and Industrials posted a muted growth on the other hand. EBITDA grew by 35% yoy and 5.2% qoq at ₹1.27 bn, while margins came at 17%, up from 15.3% yoy and 10 bps up qoq on better product mix tilted towards exports (32% of topline) and & auto - ICE (25%) and operating leverage along with fall in RM prices. PAT was reported at ₹460 mn, a growth of ~30% yoy, but a fall of 5.1% qoq. The yoy growth came despite a 14.3% hike in depreciation led by new plant commencement, lower other income and increased interest expenses on debt raised last quarter.

## Diversification remains key to further success

The company has a wide portfolio of products across 80+product families catering to 95 auto and non-auto customers across 26 countries. For FY24, the share of Auto ICE components has reduced to 75% (from 83% in FY22), while Non-Auto & Tech Agnostic/Aerospace has increased to 20%/5% (from 14%/3% in FY22) respectively. With new orders received being skewed towards Auto-Tech Agnostic and xEV, and Non-Auto (mainly Aerospace) segments, we believe the company is making strides towards its 60:20:20 vision of revenue contribution from Auto-ICE, Auto Tech Agnostic & xEV, Non-Auto. The company's order book of ₹15.9 bn has an increased 28% and 24% share of Tech Agnostic & xEV and Non Auto domains. Increasing focus on non-ICE Auto business should definitely aid the company to de-risk their business and diversify it to achieve advantages of multiple industries.

## Enhanced Capex outlay to drive Growth

As of Mar'24, the company's new orders had a peak annual revenue rate of ₹15.9 bn (current orderbook), with approximately 51% of this share coming from non-Auto ICE segments. The company has incurred a capex of ₹3.4bn in FY24 (largely towards the 4,000-ton press at Sansera Plant 11, Bidadi) and on the back of strong order books has a planned capex of ₹4bn in FY25; followed by ₹3.5bn in FY26. This will aid Sansera in moving to the higher engine non-automotive category (18 to 20-litre engines), with components that will cater to customers like Cummins, JTV, Kohler, Lieber, and CNH. The future capex is mainly towards Tech Agnostic EV and Non-Auto products.

Key Financials	FY 23	FY 24	FY 25E	FY 26E
Total sales (₹ bn)	23.5	28.1	33.3	39.6
EBITDA margins (%)	16.4%	17.1%	17.7%	18.3%
PAT margins (%)	6.3%	6.7%	8.0%	8.8%
EPS (₹)	27.6	35.5	50.3	65.8
P/E (x)	38.3	29.9	21.1	16.1
P/BV (x)	4.7	4.1	3.5	2.9
EV/EBITDA (x)	15.1	12.1	9.8	7.9
ROE (%)	16.2%	18.8%	22.9%	25.5%
ROCE (%)	15.5%	18.2%	19.7%	21.2%
Net debt/equity	0.55	0.54	0.44	0.34

Rating	BUY
Current Market Price (₹)	1,060
12M Price Target (₹)	1,251
Potential upside (%)	18

## Stock Data

Sector :	Automobile & Auto Components
FV (₹) :	2
Total Market Cap (₹ bn) :	57
Free Float Market Cap (₹ bn) :	30
52-Week High / Low (₹) :	1,114 / 752
BSE Code / NSE Symbol	543358 / SANSERA
Bloomberg :	SANSERA IN

## Shareholding Pattern

(%)	Mar-24	Dec-23	Sep-23	Jun-23
Promoter	35.03	35.05	35.23	35.23
FPI's & FI's	22.12	22.73	29.00	30.34
MFs	17.56	18.22	17.76	17.90
Insurance	9.34	8.61	6.01	6.17
Others	15.95	15.39	12.00	10.36

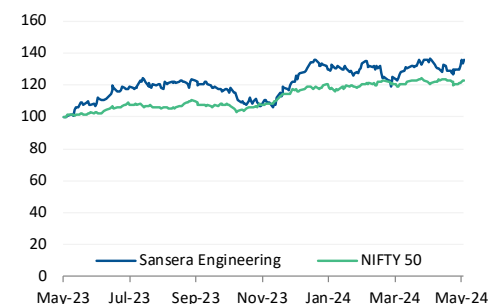
Source: BSE

## Price Performance

(%)	1M	3M	6M	12M
Sansera	-0.3%	2.1%	27.6%	36.2%
Nifty 50	2.3%	2.1%	14.0%	22.6%

\* To date / current date : May 18, 2024

## Sansera vs Nifty 50



**Slowness in Aerospace temporary; growth to comeback from the current quarter**

The management reported that aerospace and defense collectively contributed around 4.3% to Q4 performance, with growth in the segment falling below earlier expectations due to delays in a large customer order. The sales mix in aerospace includes various components such as seating parts, aerostructure parts, door assemblies, lighting components, cargo handling systems, and parts for actuation and engine systems. Triumph Aerospace has been added as a client in the Aerospace Division.

With customer orders coming back, the management expects this business to regularize once again from Q1. Management expects 40% growth in this business in coming years against 23% growth seen in FY24.

**Resilience in profitability to be seen going forward**

We expect the company to post EBITDA/PAT growth of ~18%/33% CAGR over FY24-26E on account of the sales mix tilting towards non- Auto ICE components, fungible production lines, growth in exports business, and recovery in Sweden operations led by improved operational efficiency. This gives us confidence that the company's consolidated EBITDA margins will accelerate above 18% by FY26E from around 17.1% in FY24, and its ROE will improve to ~25% by FY26E from 16% in FY23.

**Quarterly Consolidated**

YE Mar (₹ mn)	Q4 FY24	Q3 FY24	% qoq	Q4 FY23	% yoy
Total Income	7,458	7,126	4.7%	6,166	21.0%
RM cost	3,193	3,089	3.4%	2,757	15.8%
Employee cost	999	954	4.8%	842	18.7%
Other expenses	1,996	1,876	6.4%	1,625	22.8%
EBITDA	1,271	1,208	5.2%	942	35.0%
EBITDA Margins (%)	17.0%	16.9%	10 bps	15.3%	170 bps
Other income	(3)	13	-122.4%	65	-104.5%
Depreciation	397	378	4.9%	347	14.3%
Interest	225	175	28.6%	173	30.4%
PBT	645	667	-3.3%	486	32.8%
Tax	185	182	1.6%	132	40.6%
Adj PAT	460	485	-5.1%	354	29.8%
Adj PAT Margins (%)	6.2%	6.8%	-9.3%	5.7%	7.3%
Exceptional items	-	-	N/A	-	N/A
Reported PAT	460	460	0.0%	460	0.0%

Source: Company, LKP Research

### Outlook and Valuation

The Indian automotive industry is propelling manufacturing growth and emerging as a significant exporter, creating heightened opportunities for the auto-component sector. The management expects to grow an additional 10% to the average industry in the coming years with 40% yoy growth in Aerospace/Tech Agnostic and 100% growth in the EV business as diversification remains the key to success of Sansera.

Driven by factors such as a) Higher sales mix in Non-Auto ICE components on the back of strong order book, b) Higher exports, c) The management's focus on improving margin profile, d) The company's capability to generate strong operating cash flows, and e) Capacity expansion plans, we believe the stock is currently trading at a reasonable forward PE multiple of 16x (based on our FY26 EPS estimates). We expect Revenue/EBITDA/PAT to grow at a 19%/18%/33% CAGR over FY24-26E.

Keeping in view the above factors, we maintain our BUY rating and comfortably assign a forward P/E multiple of 19x on FY26 EPS to arrive at our TP of ₹1,251, with an upside potential of 18%.

## Income Statement

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E
<b>Total Revenues</b>	<b>23,460</b>	<b>28,114</b>	<b>33,337</b>	<b>39,584</b>
Raw Material Cost	10,175	12,175	14,424	17,021
Employee Cost	3,180	3,798	4,335	5,081
Other Exp	6,258	7,343	8,684	10,239
<b>EBITDA</b>	<b>6,258</b>	<b>7,343</b>	<b>8,684</b>	<b>10,239</b>
EBITDA Margin(%)	16.4%	17.1%	17.7%	18.3%
Depreciation	1,301	1,495	1,800	2,130
<b>EBIT</b>	<b>2,547</b>	<b>3,304</b>	<b>4,094</b>	<b>5,114</b>
EBIT Margin(%)	10.9%	11.8%	12.3%	12.9%
Other Income	101	24	220	235
Interest	615	770	764	704
<b>PBT</b>	<b>2,033</b>	<b>2,558</b>	<b>3,551</b>	<b>4,645</b>
PBT Margin(%)	8.7%	9.1%	10.7%	11.7%
Tax	549	682	890	1,165
<b>Adjusted PAT</b>	<b>1,484</b>	<b>1,875</b>	<b>2,661</b>	<b>3,480</b>
APAT Margins (%)	6.3%	6.7%	8.0%	8.8%
Exceptional items	0	0	0	0
<b>PAT</b>	<b>1,484</b>	<b>1,875</b>	<b>2,661</b>	<b>3,480</b>
PAT Margins (%)	6.3%	6.7%	8.0%	8.8%

## Key Ratios

YE Mar	FY 23	FY 24	FY 25E	FY 26E
<b>Per Share Data (₹)</b>				
Adj. EPS	27.6	35.5	50.3	65.8
CEPS	52.6	63.7	84.3	106.0
BVPS	223.4	257.7	304.5	365.6
DPS	0.0	0.0	2.0	2.5
<b>Growth Ratios(%)</b>				
Total revenues	17.9%	19.8%	18.6%	18.7%
EBITDA	14.7%	24.7%	22.8%	22.9%
EBIT	18.0%	29.7%	23.9%	24.9%
PAT	12.5%	26.4%	41.9%	30.8%
<b>Valuation Ratios (X)</b>				
PE	38.3	29.9	21.1	16.1
P/CEPS	20.1	16.6	12.6	10.0
P/BV	4.7	4.1	3.5	2.9
EV/Sales	2.5	2.1	1.7	1.5
EV/EBITDA	15.1	12.1	9.8	7.9
<b>Operating Ratios (Days)</b>				
Inventory days	133.1	125.6	124.0	122.0
Receivable Days	67.3	60.0	58.0	57.0
Payables day	45.5	46.2	42.0	40.0
Net Debt/Equity (x)	0.55	0.54	0.44	0.34
<b>Profitability Ratios (%)</b>				
ROCE	15.5%	18.2%	19.7%	21.2%
ROE	16.2%	18.8%	22.9%	25.5%
Dividend payout ratio (%)	0.0%	0.0%	4.0%	3.8%
Dividend yield(%)	0.0	0.0	0.0	0.0

## Balance Sheet

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E
<b>Equity and Liabilities</b>				
Equity Share Capital	106	107	107	107
Reserves & Surplus	11,713	13,525	15,999	19,236
<b>Total Network</b>	<b>11,819</b>	<b>13,632</b>	<b>16,106</b>	<b>19,343</b>
Total debt	2,630	2,516	2,616	2,716
Deferred tax assets/liabilities	689	693	693	693
Other non current liabilities	1,338	1,323	1,320	1,320
<b>Total non-current liab &amp; provs</b>	<b>4,656</b>	<b>4,531</b>	<b>4,628</b>	<b>4,728</b>
<b>Current Liabilities</b>				
Trade payables	2,927	3,557	3,836	4,338
Short term provs+ borrowings	4,521	5,551	5,351	5,151
Other current liabilities	704	656	656	656
<b>Total current liab and provs</b>	<b>8,152</b>	<b>9,764</b>	<b>9,843</b>	<b>10,145</b>
<b>Total Equity &amp; Liabilities</b>	<b>24,627</b>	<b>27,928</b>	<b>30,578</b>	<b>34,216</b>
<b>Assets</b>				
Net block	13,936	15,839	16,739	18,109
Capital WIP	757	835	985	1,185
Other non current assets	792	1,259	1,259	1,259
<b>Total fixed assets</b>	<b>15,484</b>	<b>17,932</b>	<b>18,982</b>	<b>20,553</b>
Cash and cash equivalents	616	630	844	1,239
Inventories	3,710	4,189	5,297	6,182
Trade receivables	4,327	4,622	4,900	5,689
Other current assets	490	554	554	554
<b>Total current Assets</b>	<b>9,143</b>	<b>9,995</b>	<b>11,596</b>	<b>13,664</b>
<b>Total Assets</b>	<b>24,627</b>	<b>27,928</b>	<b>30,578</b>	<b>34,216</b>

## Cash Flow

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E
PBT	2,032	2,562	3,551	4,645
Depreciation	1,301	1,495	1,800	2,130
Interest	615	770	764	704
Chng in working capital	-824	-396	-1,107	-1,171
Tax paid	-556	-654	-890	-1,165
Other operating activities	-5	-34	-	-
<b>Cash flow from operations (a)</b>	<b>2,564</b>	<b>3,743</b>	<b>4,117</b>	<b>5,142</b>
Capital expenditure	-2,432	-3,373	-2,850	-3,700
Chng in investments	7	-	-	-
Other investing activities	16	-275	-	-
<b>Cash flow from investing (b)</b>	<b>-2,409</b>	<b>-3,683</b>	<b>-2,850</b>	<b>-3,700</b>
<b>Free cash flow (a+b)</b>	<b>155</b>	<b>60</b>	<b>1,267</b>	<b>1,442</b>
Inc/dec in borrowings	672	-237	-100	-100
Dividend paid (incl. tax)	-105	-133	-186	-244
Interest paid	-557	-743	-764	-704
Other financing activities	47	32	-	-
<b>Cash flow from financing (c)</b>	<b>-62</b>	<b>-79</b>	<b>-909</b>	<b>-1,047</b>
<b>Net chng in cash (a+b+c)</b>	<b>93</b>	<b>-19</b>	<b>358</b>	<b>394</b>
Opening cash and equivalents	383	495	486	844
Effect of forex	18	10	-	-
<b>Closing cash &amp; cash equivalents</b>	<b>495</b>	<b>486</b>	<b>844</b>	<b>1,239</b>

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