BUY (Maintained)

CMP: **INR 1,059** Target Price: **INR 1,279 (INR 1,276)** ▲ 21%

ICICI Securities

ICICI Securities Limited is the author and distributor of this report

17 May 2024

India | Equity research | Q4FY24 results review

Sansera Engineering

Auto Ancillaries

Steady performance; growth drivers remain favourable

Sansera Engineering's (SEL) EBITDAM was flat QoQ at 17%, despite the Red Sea disruption adversely impacting supply chain costs. SEl's order book stands at INR 15.9bn, with ~52% from tech-agnostic/EV/non-auto segments; most orders are likely to mature around FY27. SEL expects a revenue boost from a recovery in exports, premiumisation in 2Ws and rising scale of aluminium forging/aerospace segment in coming quarters. It is confident of ~40–50% growth in the aerospace segment in FY25 (INR 1.1bn revenue in FY24), and ~50% growth for the next two–three years henceforth, using its newly-added facility. We factor in EBITDAM of ~18% for FY25/26E led by improving mix and scale. Maintain **BUY** with a DCF-based revised TP of INR 1,279 (earlier: INR 1,276), implying 24x FY26E earnings.

Conference call takeaways, and our views

- SEL registered a record revenue of INR 7.5bn in Q4FY24, +21% YoY/+5% QoQ. Revenue growth of 21% YoY was driven by 29%/20% growth in international/domestic businesses, with growth across segments. Auto-ICE segment was up 22% YoY, driven by growth in 2W/PV segments. 2W segment saw strong growth driven by SEL's increasing share in premium models. Aerospace and defence segments contributed 4.3% of revenue in Q4FY24, lower-than-expected due to delays in a large order offtake from the customer's end. Revenues for xEV are at 4.7% of total, and SEL expects this to double in FY25 driven by: 1) commercialisation of EV components to North America; and 2) a new order for an existing 2W customer. As SEL witnesses rising premiumisation in domestic 2Ws, recovery in exports demand of domestic OEMs, revival in e2W industry volume along with rising scale in aluminum forging/ aerospace segment, we see the company delivering ~17% revenue growth in FY24-26E. SEL aims to surpass industry growth by 10% for the next few years and deliver INR 9bn per quarter in revenue going ahead, from its current INR 7.5bn level.
- EBITDAM was flat QoQ at 17%, up ~150bps YoY driven by operating leverage and stronger growth in the international business, despite impact of Red Sea crisis, affecting supply chain costs. EBITDAM for its Sweden business was ~6% in FY24 – expected to be at similar levels in FY25. Margin in Sweden is expected to rise to ~11% by FY26 with higher volumes and operational restructuring. To cater to new orders, SEL is targeting capex of INR 4bn in FY25.

Basudeb Banerjee
basudeb.banerjee@icicisecurities.com
+91 22 6807 7260
Vishakha Maliwal
vishakha.maliwal@icicisecurities.com

Market Data

Market Cap (INR)	57bn
Market Cap (USD)	680mn
Bloomberg Code	SANSERA IN
Reuters Code	SASE BO
52-week Range (INR)	1,095 /752
Free Float (%)	53.0
ADTV-3M (mn) (USD)	1.4

Price Performance (%)	3m	6m	12m
Absolute	2.0	27.1	36.7
Relative to Sensex	0.3	15.5	17.8

Financial summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	23,460	28,114	33,133	38,695
EBITDA	3,847	4,798	5,870	6,939
EBITDA %	16.4	17.1	17.7	17.9
Net Profit	1,462	2,109	2,709	2,972
EPS (INR)	28.4	36.1	47.4	53.7
EPS % Chg YoY	12.0	27.1	31.2	13.3
P/E (x)	37.2	29.3	22.3	19.7
EV/EBITDA (x)	15.8	12.8	10.7	9.0
RoCE (%)	10.9	12.1	13.1	13.4
RoE (%)	15.1	11.1	13.1	13.7

Earnings Revisions (%)	FY25E	FY26E
Revenue	0.0	6.4
EBITDA	0.0	8.1
EPS	2.0	6.5

Previous Reports

13-02-2024: Q3FY24 results review
09-11-2023: Q2FY24 results review

Exhibit 1: Q4FY24 result review (consolidated)

(INR mn, year ending Mar 31)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Total operating income	**7,458**	**6,186**	**20.6**	**7,126**	**5**
Raw material costs	3,193	2,757	16	3,089	3
As a % of sales	42.8%	44.6%	-175 bps	43.3%	-53 bps
Gross Profit	**4,265**	**3,429**	**24**	**4,038**	6
Gross margin (%)	**57.2%**	**55.4%**	**175 bps**	**56.7%**	**53 bps**
Employee costs	999	842	19	954	5
As a % of sales	13.4%	13.6%	-22 bps	13.4%	1 bps
Other expenditures	1,996	1,625	23	1,877	6
As a % of sales	26.8%	26.3%	48 bps	26.3%	42 bps
Total operating expenses	6,188	5,224	18	5,919	5
EBITDA	**1,270**	**962**	**32**	**1,207**	**5**
EBITDA margin (%)	**17.0%**	**15.5%**	**149 bps**	**16.9%**	**10 bps**
Depreciation & Amortization	397	347	14	378	5
Other income	-3	45	-107	13	-122
Interest costs	225	173	30	175	29
PBT	**645**	**486**	**33**	**666**	**-3**
Taxes	185	132	41	182	2
PAT before MI/JV	**465**	**354**	**31**	**484**	**-4**
Minority Interest	4	3	45	4	9
PAT	**461**	**351**	**31**	**480**	**-4**

Source: I-Sec research, Company data

Exhibit 2: Assumptions

(INR mn, year ending Mar)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue	14,572	15,493	19,890	23,383	28,114	33,133	38,695
Auto	12,240	12,886	17,850	20,811	24,767	28,730	33,326
Non-Auto	1,691	1,685	2,128	2,806	3,450	4,403	5,368
EBITDA	2,247	2,721	3,336	3,770	4,798	5,870	6,939
EBITDA Margin (%)	15.4%	17.6%	16.8%	16.1%	17.1%	17.7%	17.9%
PAT	803	1,080	1,305	1,462	1,857	2,438	2,761
Capex/Sales	9.3%	9.7%	11.3%	12.6%	12.2%	12.1%	9.0%
FCF	611	1,258	-792	148	270	-340	1,289

Source: Company data, I-Sec research

Exhibit 3: Estimates revision

	FY25E			FY26E		
	Old	Revised	% change	Old	Revised	% change
Revenue (INR mn)	33,133	33,133	0.0%	36,363	38,695	6.4%
EBITDA (INR mn)	5,870	5,870	0.0%	6,417	6,939	8.1%
EBITDA margin (%)	17.7%	17.7%	-	17.6%	17.9%	28
PAT (INR mn)	2,389	2,438	2.0%	2,594	2,761	6.5%
EPS (INR)	46.5	47.4	2.0%	50.5	53.7	6.5%

Source: I-Sec research, Company data

Key risks

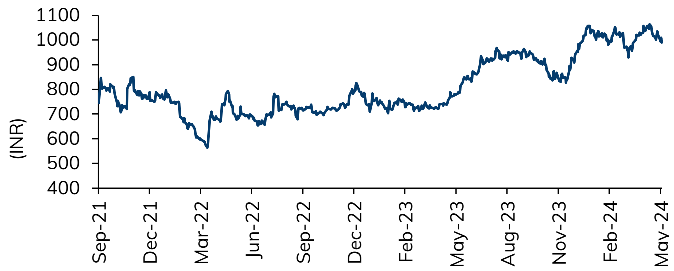
- Slower-than-expected growth of domestic 2W market in FY25.
- Faster-than-expected adoption of e-motorcycles in India.
- Slower-than-expected revival in exports and aerospace revenue in FY25.

Exhibit 4: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	35.2	35.1	35.0
Institutional investors	54.1	51.0	50.7
MFs and other	17.8	18.2	17.6
FIs/Banks	6.0	8.6	9.3
FIIs	30.4	24.2	23.8
Others	10.7	13.9	14.3

Source: Bloomberg, I-Sec research

Exhibit 5: Price chart



Source: Bloom berg, I-Sec research

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	23,460	28,114	33,133	38,695
Operating Expenses	**9,438**	**11,140**	**13,016**	**15,059**
EBITDA	3,847	4,798	5,870	6,939
EBITDA Margin (%)	**16.4**	**17.1**	**17.7**	**17.9**
Depreciation & Amortization	**1,301**	**1,495**	**1,760**	**2,228**
EBIT	2,546	3,303	4,110	4,711
Interest expenditure	615	770	772	925
Other Non-operating Income	101	24	25	25
Recurring PBT	2,032	2,558	3,363	3,811
Profit / Loss from Associates	**21**	**18**	**22**	**25**
Less: Taxes	549	687	904	1,024
PAT	1,483	1,875	2,459	2,786
Less: Minority Interest	21	20	22	25
Extraordinaries (Net)	-	5	-	-
Net Income (Reported)	1,462	2,109	2,709	2,972
Net Income (Adjusted)	1,462	2,109	2,709	2,972

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	9,831	10,852	12,399	14,595
of which cash & cash eqv.	616	630	115	249
Total Current Liabilities & Provisions	4,078	4,695	5,425	6,336
Net Current Assets	**5,753**	**6,157**	**6,973**	**8,259**
Investments	105	400	400	400
Net Fixed Assets	12,691	14,625	16,865	18,137
ROU Assets	-	-	-	-
Capital Work-in-Progress	757	835	835	835
Total Intangible Assets	1,245	1,215	1,215	1,215
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	**20,551**	**23,232**	**26,289**	**28,846**
Liabilities				
Borrowings	7,121	8,011	8,811	8,811
Deferred Tax Liability	689	692	692	692
Provisions	-	-	-	-
Other Liabilities	921	896	896	896
Equity Share Capital	106	107	107	107
Reserves & Surplus	11,573	13,367	15,602	18,134
Total Net Worth	**11,679**	**13,474**	**15,709**	**18,241**
Minority Interest	140	159	181	206
Total Liabilities	**20,551**	**23,232**	**26,289**	**28,846**

Source Company data, I-Sec research

Exhibit 8: Quarterly trend

(%, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net sales	6,601	6,929	7,126	7,458
% growth (YoY)	24.4	9.3	27.3	20.6
EBITDA	1,144	1,178	1,207	1,270
Margin	17.3	17.0	16.9	17.0
Other income	4	10	13	(3)
Net profit	447	470	480	461

Source Company data, I-Sec research

Exhibit 9: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	**2,522**	**3,747**	**3,659**	**4,789**
Working Capital Changes	510	1,191	296	978
Capital Commitments	(2,375)	(3,772)	(4,000)	(3,500)
Free Cashflow	**147**	**270**	**(341)**	**1,289**
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	**(2,375)**	**(3,772)**	**(4,000)**	**(3,500)**
Issue of Share Capital	111	80	(22)	(25)
Interest Cost	(615)	(770)	(772)	(925)
Inc (Dec) in Borrowings	670	890	800	-
Dividend paid	(128)	(154)	(202)	(229)
Others	(71)	(7)	22	25
Cash flow from Financing Activities	**(34)**	**39**	**(174)**	**(1,154)**
Chg. in Cash & Bank balance	113	13	(515)	134
Closing cash & balance	616	629	115	249

Source Company data, I-Sec research

Exhibit 10: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	28.4	36.1	47.4	53.7
Adjusted EPS (Diluted)	28.4	36.1	47.4	53.7
Cash EPS	53.8	65.2	81.7	97.1
Dividend per share (DPS)	2.5	3.0	3.9	4.5
Book Value per share (BV)	227.3	262.3	305.8	355.0
Dividend Payout (%)	8.8	8.3	8.3	8.3
Growth (%)				
Net Sales	17.9	19.8	17.9	16.8
EBITDA	15.3	24.7	22.3	18.2
EPS (INR)	12.0	27.1	31.2	13.3
Valuation Ratios (x)				
P/E	37.2	29.3	22.3	19.7
P/CEPS	19.7	16.2	13.0	10.9
P/BV	4.7	4.0	3.5	3.0
EV / EBITDA	15.8	12.8	10.7	9.0
EV / Sales	2.6	2.2	1.9	1.6
Profitability Ratios				
Gross Profit Margins (%)	56.6	56.7	57.0	56.8
EBITDA Margins (%)	16.4	17.1	17.7	17.9
EBIT Margins (%)	10.9	11.7	12.4	12.2
Net Profit Margins (%)	6.2	6.6	7.4	7.1
RoCE (%)	10.9	12.1	13.1	13.4
RoE (%)	15.1	11.1	13.1	13.7
Dividend Yield (%)	0.2	0.3	0.4	0.4
Operating Ratios				
Fixed Asset Turnover (x)	1.7	1.8	1.9	2.0
Inventory Turnover Days	58	54	55	55
Receivables Days	67	60	62	62
Payables Days	46	46	45	45
Effective Tax Rate (%)	27.0	26.8	26.9	26.9
Net Debt / Equity (x)	0.5	0.5	0.5	0.4
Net Debt / EBITDA (x)	1.7	1.5	1.4	1.2

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Basudeb Banerjee, MBA (Finance); Vishakha Maliwal, MBA (Finance); authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122