SANSERA ENGINEERING LIMITED

Modest Q3, outlook remains positive

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We witnessed a modest performance in Q3 FY25 for the company, wherein the top line grew by 2.1% on consol basis, which was mainly driven by the Tech Agnostic, x-EV and the 2W ICE business. In Q3, the ICE Auto segment sales reported 0.2% yoy de-growth led by weak performance at PV and CV segments, which was somewhat offset by the strong two wheeler performance. During 9M FY25, sales were mainly driven by 2W ICE business wherein motorcycles grew by 12%, while scooters reported a 28.6% yoy growth. While, on the other hand, PV segment was weak as it de-grew by 11.5% during 9M, Tech Agnostic and xEV posted a whopping 34.4% and 43.8% growth respectively. In 9M FY25, within Non-Auto, sales we witnessed a strong Agri (7.8%) and Industrials (14.6%) segments growth, while Aerospace business posted muted performance as it showed a flattish growth yoy along with OTR segment which also decreased by 22%. Q3 EBITDA grew by 5.2% yoy and dipped by 4.5% qoq at ₹1.27 bn, while margins came at 17.5%, up from 17.4% qoq and 60 bps up yoy on better product mix tilted towards exports (24% of topline), prudent cost control measures and operating leverage along with benign RM prices. PAT was reported at ₹551 mn, a growth of 13.8% yoy, and 6.1% qoq. The yoy growth came despite a 17.5% yoy hike in depreciation led by new plant commencement. Higher other income also assisted the PAT growth.

Two wheelers and Non ICE segments to majorly support volume growth

Sansera's 2W ICE segment growth was mainly driven by the growth in the underlying 2W segment on premiumization happening there and continuation of meaningful orders from existing clients like TVS, Bajaj Auto and HMSI. On the PV side, weakness in the domestic and exports markets led to 11.5% decline, however, new launches and new client additions shall lead to recovery in PV segment numbers. With proliferation of EV industry globally, we expect the superlative performance of Tech Agnostic and xEV segments to continue and report ~30-40% growth in these segments. In Q3, the company added a North American multinational automotive x-EV customer, which would ensure the buoyancy in thie segment to stay for a long time.

On the Non-Auto side, delay of orders and slowdown in execution of aerospace orders led to a weak performance. However, onboarding of a big customer in Aerospace segment and expansion into semi-conductor equipment manufacturing space shall provide a fillip to the non auto business. Strength in the Agri sales on the back of good monsoons and traction in the Industrials segments should augur well for the Non Auto segment.

Key Financials	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Total sales (Rs bn)	23.5	28.1	30.4	33.7	37.4
EBITDA margins (%)	16.4%	17.1%	16.6%	17.1%	17.7%
PAT margins (%)	6.3%	6.7%	6.8%	7.6%	8.4%
EPS (Rs)	27.6	35.5	39.3	48.3	59.6
P/E (x)	42.3	32.9	29.7	24.1	19.6
P/BV (x)	5.2	4.5	4.0	3.4	3.0
EV/EBITDA (x)	16.6	13.3	12.6	10.9	9.3
ROE (%)	16.2%	18.8%	19.6%	20.7%	21.4%
ROCE (%)	15.5%	18.2%	16.7%	17.6%	18.5%
Net debt/equity (x)	0.55	0.54	0.46	0.35	0.23

BUY	
Current Market Price (₹)	1,166
12M Price Target (₹)	1,431
Potential upside (%)	23

Stock Data	
Sector :	Automobile & Auto Components
FV (₹) :	2
Total Market Cap (₹ bn) :	72
Free Float Market Cap (₹ bn) :	50
52-Week High / Low (₹) :	1,758 / 900
BSE Code / NSE Symbol	543358 / SANSERA
Bloomberg :	SANSERA IN

Shareholding Pattern

(%)	Dec-24	Oct-24	Jun-24	Mar-24
Promoter	30.33	30.43	34.78	35.03
FPI's & FI's	20.54	18.47	15.55	22.12
MFs	26.84	27.81	23.80	17.56
AIF's	4.24	4.16	1.53	1.66
Insurance	6.45	7.60	9.34	9.34
Others	11.60	11.53	15.00	14.29

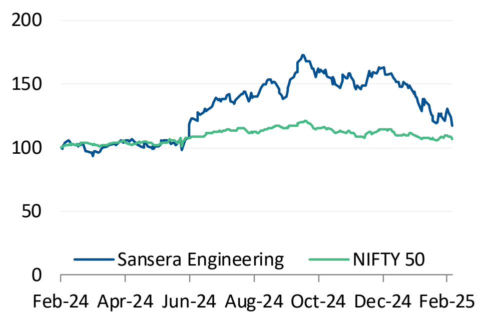
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
Sansera	-13.5%	-23.2%	-16.3%	16.8%
Nifty 50	-1.5%	-4.4%	-5.3%	6.7%

** To date / current date : February 11, 2025*

Sansera vs Nifty 50



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The company's order book of ₹21.9 bn was a result of an addition of ₹2 bn in Q3 on the back of higher Tech Agnostic and x-EV orders. The semiconductor order should start adding to the topline from Q1 FY26. In Q2 FY 25 call, Sansera announced that they have signed and MoU with Dynamite Technologies for supplying Aerospace parts, which would add ~₹ 530 mn annually to the topline, starting production from Q1 FY26. Therefore, we believe that the topline growth for the company should be well bolstered over the next couple of years despite current slowdown in the PV segment.

Profitability to be driven by better product mix

We expect the company to post EBITDA/PAT growth of ~10%/12% CAGR over FY24-27E on account of the sales mix tilting towards Tech Agnostic/xEV & non- Auto ICE components, fungible production lines, higher contribution of exports business in order book (62%), and recovery in Sweden operations led by higher volumes, improved operational efficiency and automation. This gives us confidence that the company's consolidated EBITDA margins will improve from current levels.

Quarterly Consolidated

YE Mar (₹ mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Total Income	7,278	7,634	-4.7%	7,126	2.1%
RM cost	6,007	6,303	-4.7%	5,918	1.5%
Employee cost	1,115	1,101	1.3%	954	16.9%
Other expenses	1,981	2,078	-4.7%	1,876	5.6%
EBITDA	1,271	1,331	-4.5%	1,208	5.2%
EBITDA Margins %	*17.5%*	*17.4%*	*10 bps*	*16.9%*	*60 bps*
Other income	61	39	57.6%	13	365.4%
Depreciation	445	425	4.5%	378	17.5%
Interest	182	230	-20.9%	175	3.6%
PBT	705	715	-1.3%	667	5.7%
Tax	154	195	-21.2%	182	-15.7%
Adj PAT	551	519	6.1%	485	13.8%
Adj PAT Margins%	*7.6%*	*6.8%*	*80 bps*	*6.8%*	*80 bps*
Exceptional items	-	-	N/A	-	N/A
Reported PAT	551	519	6.1%	485	13.8%

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, though in the short term, the sector is going through challenging times. The management expects to grow an additional 8-10% to the average industry on the Auto side of business in the coming years while 35-40% yoy growth in Non-Auto as diversification remains the key to success of Sansera.

Driven by factors such as a) Higher sales mix in Tech Agnostic/xEV and Non Auto side on the back of strong order book, b) Higher exports (62% of growing order book), c) The management's focus on improving margin profile, d) The company's capability to generate strong operating cash flows e) Capacity expansion plans (Karnataka and Pantnagar) f). Debt reduction and thereby reducing the interest costs g). Addition of new clients and business line, we believe the stock is currently trading at a reasonable forward PE multiple of 19.6x (based on our FY27 EPS estimates) post correction. We expect Revenue/EBITDA/PAT to grow at a 10%/12%/18% CAGR over FY24-27E.

Keeping in view the above factors, we maintain our BUY rating post pruning down the FY25E and FY 26E estimates to adjust the slowdown in PVs and Aerospace businesses and introducing FY 27E numbers. We assign a P/E multiple of 24x on FY27E EPS to arrive at our TP of ₹1,431, with an upside potential of 23%.

Q3 FY25 Con-Call Highlights

- As of December 2024, the order book totalled ₹21.9 bn (7.8% up yoy), with emerging businesses (non-auto and auto-tech agnostic & xEV) contributing 55% and international markets accounting for 62%.
- Order book break-up : Auto-ICE (45%), Tech agnostic and x-EV (25%) and Non-Auto (30%)
- New orders amounting to ₹2 bn were secured during the quarter, driven by both auto and non-auto sectors.
- Management expects the Non-Auto segment to improve in the coming quarters, supported by a stronger monsoon and recent order wins, including a major stationary engine client and entry into semiconductor equipment manufacturing.
- The aerospace business anticipates a gradual recovery, supported by strong air traffic growth.
- The company is strengthening its professional team by making strategic senior leadership hires with extensive experience in the automotive and related industries.
- Capex in 9M FY 25 was at ₹3.62 bn, while consol capex for FY 25 will be at ₹5.5bn including the land parcel in Karnataka.
- The company aims to increase its EBITDA margins to 20% over the long term, but expects 50 bps growth in margin in FY 26E.
- On a 3 year basis, management expects Non-Auto and Tech Agnostic/x EV segments to contribute 38-40% to the topline from current 24%. Exports are also expected to contribute in the similar range.
- 50% of the order book for Aerospace, Defence and Semi-conductor will be executed in FY 26 which amounts to ₹3 bn. Sansera also expects to record ₹600 mn from this business in FY 26 , however believes that the potential for it is much higher with $17 mn of orderbook in this segment.
- Aerospace, defence and semi-conductor will contribute around ₹1.4 bn in FY 25, out of which ₹80-100 mn will come from the semi-con vertical.
- Management expects all the new Non-Auto businesses to achieve an Asset Turnover ratio at 2x, which would rise upto 2.2x on maturity.
- North America is posing lot of opportunities with changing global dynamics, while the company has added large European businesses as direct customers.

Income Statement

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Total Revenues	**23,460**	**28,114**	**30,405**	**33,728**	**37,431**
Raw Material Cost	10,175	12,175	12,978	14,236	15,718
Employee Cost	3,180	3,798	4,414	4,825	5,275
Other Exp	6,258	7,343	7,955	8,894	9,811
EBITDA	**6,258**	**7,343**	**7,955**	**8,894**	**9,811**
EBITDA Margin(%)	16.4%	17.1%	16.6%	17.1%	17.7%
Depreciation	1,301	1,495	1,676	1,788	1,877
EBIT	**2,547**	**3,304**	**3,380**	**3,985**	**4,750**
EBIT Margin(%)	10.9%	11.8%	11.1%	11.8%	12.7%
Other Income	101	24	152	165	168
Interest	615	770	743	719	687
PBT	**2,033**	**2,558**	**2,790**	**3,430**	**4,231**
PBT Margin(%)	8.7%	9.1%	9.2%	10.2%	11.3%
Tax	549	682	709	873	1,077
Adjusted PAT	**1,484**	**1,875**	**2,080**	**2,557**	**3,154**
APAT Margins (%)	6.3%	6.7%	6.8%	7.6%	8.4%
Exceptional items	0	0	0	0	0
PAT	**1,484**	**1,875**	**2,080**	**2,557**	**3,154**
PAT Margins (%)	6.3%	6.7%	6.8%	7.6%	8.4%

Key Ratios

YE Mar	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Per Share Data (Rs)					
Adj. EPS	27.6	35.5	39.3	48.3	59.6
CEPS	52.6	63.7	71.0	82.1	95.1
BVPS	223.4	257.7	294.3	339.2	394.7
DPS	0.0	0.0	2.0	2.5	2.8
Growth Ratios(%)					
Total revenues	17.9%	19.8%	8.1%	10.9%	11.0%
EBITDA	14.7%	24.7%	5.4%	14.2%	14.8%
EBIT	18.0%	29.7%	2.3%	17.9%	19.2%
PAT	12.5%	26.4%	10.9%	22.9%	23.4%
Valuation Ratios (X)					
PE	42.3	32.9	29.7	24.1	19.6
P/CEPS	22.2	18.3	16.4	14.2	12.3
P/BV	5.2	4.5	4.0	3.4	3.0
EV/Sales	2.7	2.3	2.1	1.9	1.6
EV/EBITDA	16.6	13.3	12.6	10.9	9.3
Operating Ratios (Days)					
Inventory days	133.1	125.6	124.0	128.0	130.0
Recievable Days	67.3	60.0	58.0	57.0	55.0
Payables day	45.5	46.2	42.0	40.0	38.0
Net Debt/Equity (x)	0.55	0.54	0.46	0.35	0.23
Profitability Ratios (%)					
ROCE	15.5%	18.2%	16.7%	17.6%	18.5%
ROE	16.2%	18.8%	19.6%	20.7%	21.4%
Dividend payout ratio (%)	0.0%	0.0%	5.1%	5.2%	4.6%
Dividend yield(%)	0.0	0.0	0.0	0.0	0.0

Balance Sheet

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Equity and Liabilities					
Equity Share Capital	106	107	107	107	107
Reserves & Surplus	11,713	13,525	15,460	17,838	20,771
Total Networth	**11,819**	**13,632**	**15,567**	**17,945**	**20,878**
Total debt	2,630	2,516	2,616	2,716	2,816
Deferred tax assets/liabilities	689	693	693	693	693
Other non curent liabilities	1,338	1,323	1,320	1,320	1,320
Total non-current liab & provs	**4,656**	**4,531**	**4,628**	**4,728**	**4,828**
Current Liabilities					
Trade payables	2,927	3,557	3,499	3,696	3,897
Short term provs+ borrowings	4,521	5,551	5,351	5,151	4,951
Other current liabilities	704	656	656	656	656
Total current liab and provs	**8,152**	**9,764**	**9,506**	**9,503**	**9,504**
Total Equity & Liabilities	**24,627**	**27,928**	**29,701**	**32,176**	**35,211**
Assets					
Net block	13,936	15,839	16,862	17,374	17,797
Capital WIP	757	835	985	1,185	1,385
Other non current assets	792	1,259	1,259	1,259	1,259
Total fixed assets	**15,484**	**17,932**	**19,106**	**19,817**	**20,440**
Cash and cash equivalents	616	630	800	1,546	2,978
Inventories	3,710	4,189	4,831	5,267	5,640
Trade receivables	4,327	4,622	4,409	4,992	5,598
Other current assets	490	554	554	554	554
Total current Assets	**9,143**	**9,995**	**10,595**	**12,359**	**14,771**
Total Assets	**24,627**	**27,928**	**29,701**	**32,176**	**35,211**

Cash Flow

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
PBT	2,032	2,562	2,790	3,430	4,231
Depreciation	1,301	1,495	1,676	1,788	1,877
Interest	615	770	743	719	687
Chng in working capital	-824	-396	-488	-821	-779
Tax paid	-556	-654	-709	-873	-1,077
Other operating activities	-5	-34	-	-	-
Cash flow from operations (a)	**2,564**	**3,743**	**4,011**	**4,244**	**4,940**
Capital expenditure	-2,432	-3,373	-2,850	-2,500	-2,500
Chng in investments	7	-	-	-	-
Other investing activities	16	-275	-	-	-
Cash flow from investing (b)	**-2,409**	**-3,683**	**-2,850**	**-2,500**	**-2,500**
Free cash flow (a+b)	**155**	**60**	**1,161**	**1,744**	**2,440**
Inc/dec in borrowings	672	-237	-100	-100	-100
Dividend paid (incl. tax)	-105	-133	-146	-179	-221
Interest paid	-557	-743	-743	-719	-687
Other financing activities	47	32	-	-	-
Cash flow from financing (c)	**-62**	**-79**	**-847**	**-998**	**-1,008**
Net chng in cash (a+b+c)	**93**	**-19**	**314**	**745**	**1,432**
Opening cash and equivalents	383	495	486	800	1,546
Effect of forex	18	10	-	-	-
Closing cash & cash equivalents	**495**	**486**	**800**	**1,546**	**2,978**

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