

11 February 2025

Sansera Engineering

Muted Q3 results; positive over the medium term, retaining a Buy

Rating: **Buy**

Target Price: Rs.1,600

Share Price: Rs.1,166

Broadly in line with our estimate, Sansera's Q3 consolidated EBITDA grew 5% y/y to Rs1.27bn. We expect its outperformance to continue, thanks to greater focus on xEV (drivetrain), tech-agnostic (aluminium forgings) and non-auto (aerospace, Defence, semiconductor) components. We expect >30% revenue share from xEV, tech-agnostic and non-auto categories by FY27. We expect the EBITDA margin to rise ~50bps p.a., led by greater scale, Sweden subsidiary's improved margins and a better export-tech-agnostic mix. We maintain a Buy at a lower TP of Rs1,600 (earlier Rs1,850), 25x FY27e EPS (25x FY27e).

EBITDA in line with estimates. Q3 consolidated revenue grew 2% y/y to Rs7.28bn, below our estimated Rs7.54bn on less-than-expected export revenue. In Q3, India rose 4% y/y, Europe came flat and others 96%; the US fell 28%. Segment-wise, auto-ICE was flat (weak PV) and auto tech-agnostic/xEV up 10%; non-auto dipped 7% (weak aerospace and off-road). EBITDA grew 5% y/y to Rs1.27bn, broadly in line with our estimated Rs1.3bn. The EBITDA margin expanded 50bps y/y (but q/q flat) to 17.5%. Standalone EBITDA margin fell 120bps y/y, 90bps q/q to 16.7%. Subsidiary's (consolidated - standalone) EBITDA grew 244% y/y, 93% q/q to Rs194m. Interest cost grew 4% y/y, but dipped 21% q/q, to Rs182m on debt repayment (QIP inflows). The tax rate was lower at 21.8% vs. 27.4% a year ago on Sweden subsidiary's higher profits. Overall, PAT grew 16% y/y to Rs557m, above AR of Rs504m, mainly due to the less-than-expected tax rate.

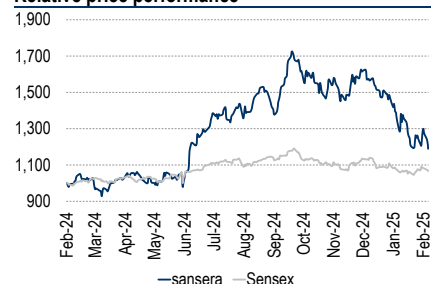
Valuation. We expect a strong, 33%, EPS CAGR over FY25-27, driven by a 16% revenue CAGR and a 110bp EBITDA-margin expansion. Our FY25-27e EPS are ~11-15% lower, owing to slower-than-expected revenue/EBITDA growth. We retain a Buy at a lower TP of Rs1,600, 25x FY27e EPS (earlier Rs1,850, 25x FY27e). **Key risks:** Less-than-expected growth in underlying segments, delays in order execution, adverse commodity/forex movements.

Key data	SANSERA IN / SASE.BO
52-week high / low	Rs1758 / 900
Sensex / Nifty	76889 / 23236
3-m average volume	\$2.1m
Market cap	Rs.74bn / \$848.7m
Shares outstanding	62m

Shareholding pattern (%)	Dec'24	Sept'24	Jun'24
Promoters	30.3	30.4	34.8
- of which, Pledged	-	-	-
Free float	69.7	69.6	65.2
- Foreign institutions	20.5	18.5	15.6
- Domestic institutions	37.5	39.6	34.7
- Public	11.6	11.5	14.9

Estimates revision (%)	FY25e	FY26e	FY27e
Sales	-3.9	-4.5	-6.1
EBITDA	-4.7	-5.8	-7.9
PAT	-14.9	-10.7	-12.4

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	23,460	28,114	30,100	35,387	40,167
Net profit (Rs m)	1,462	1,858	2,225	3,301	3,923
EPS (Rs)	27.6	34.6	36.1	53.5	63.6
Growth (%)	10	25	4	48	19
P/E (x)	42.2	33.7	32.3	21.8	18.3
EV / EBITDA (x)	17.9	14.6	11.4	9.5	8.2
P/BV (x)	5.4	4.6	2.3	2.1	1.9
RoE (%)	13.3	14.8	10.9	11.4	12.2
RoCE (%)	10.0	11.3	10.0	10.6	11.3
Dividend yield (%)	0.2	0.3	0.3	0.5	0.8
Net debt / equity (x)	0.5	0.5	-0.1	-0.1	-0.0

Source: Company, Anand Rathi Research

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Quick Glance – Financials and Valuations (Consol)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues	23,460	28,114	30,100	35,387	40,167
Growth (%)	17.4	19.8	7.1	17.6	13.5
Raw material	10,978	12,175	12,221	14,261	16,067
Employee & other expenses	8,634	11,140	12,635	14,748	16,659
EBITDA	3,847	4,799	5,245	6,378	7,441
EBITDA margins (%)	16.4	17.1	17.4	18.0	18.5
- Depreciation	1,301	1,495	1,729	1,977	2,237
Other income	101	24	190	380	399
Interest expenses	615	770	720	386	386
PBT	2,032	2,558	2,986	4,395	5,217
Effective tax rates (%)	27	27	25	25	25
+ Associates / (Minorities)	-21	-13	-14	5	11
Adjusted income	1,462	1,858	2,225	3,301	3,923
Extraordinary items	-	-	-	-	-
Net income	1,462	1,858	2,225	3,301	3,923
WANS	53	54	62	62	62
FDEPS (Rs)	27.6	34.6	36.1	53.5	63.6
Growth (%)	10	25	4	48	19

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	2,032	2,563	2,993	4,426	5,253
+ Non-cash items	1,916	2,265	2,449	2,363	2,623
Oper. prof. before WC	3,948	4,828	5,442	6,789	7,876
- Incr. / (decr.) in WC	765	396	-30	915	826
Others incl. taxes	619	689	768	1,125	1,330
Operating cash-flow	2,564	3,743	4,705	4,749	5,720
- Capex (tang. + intang.)	2,425	3,386	5,500	5,000	5,000
Free cash-flow	139	357	-795	-251	720
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	105	133	216	330	588
+ Equity raised	-	32	12,001	0	-0
+ Debt raised	672	893	-4,500	-	-
- Fin. investments	-16	-13	50	50	50
- Misc. (CFI + CFF)	609	1,148	699	360	360
Net cash-flow	113	13	5,741	-991	-279

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

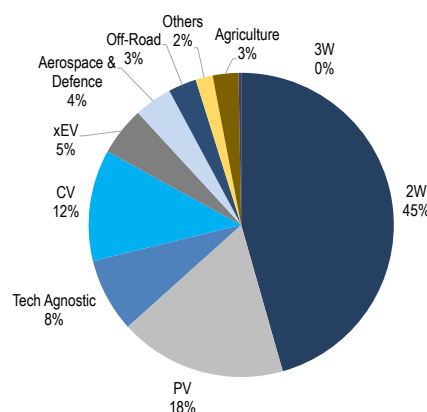
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	106	107	123	123	123
Net worth	11,679	13,474	27,484	30,455	33,790
Debt	7,121	8,011	3,511	3,511	3,511
Minority interest	140	159	181	207	232
DTL / (Assets)	689	692	692	692	692
Capital employed	19,629	22,337	31,868	34,865	38,225
Net tangible assets	12,691	14,625	18,396	21,419	24,182
Net intangible assets	1,245	1,215	1,215	1,215	1,215
CWIP (tang. & intang.)	757	835	835	835	835
Investments (strategic)	105	400	450	500	550
Investments (financial)	7	10	10	10	10
Current assets (excl. cash)	9,208	10,212	8,170	9,344	10,398
Cash	616	630	6,371	5,379	5,100
Current liabilities	4,999	5,591	3,580	3,838	4,066
Working capital	4,209	4,621	4,591	5,506	6,332
Capital deployed	19,629	22,337	31,868	34,865	38,225

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	42.2	33.7	32.3	21.8	18.3
EV / EBITDA (x)	17.9	14.6	11.4	9.5	8.2
EV / Sales (x)	2.9	2.5	2.0	1.7	1.5
P/B (x)	5.4	4.6	2.3	2.1	1.9
RoE (%)	13.3	14.8	10.9	11.4	12.2
RoCE (%) - after tax	10.0	11.3	10.0	10.6	11.3
RoIC (%) - after tax	10.3	11.6	11.5	12.8	13.2
DPS (Rs)	2.4	3.0	3.5	5.3	9.5
Dividend yield (%)	0.2	0.3	0.3	0.5	0.8
Dividend payout (%)	8.5	8.7	9.7	10.0	15.0
Net debt / equity (x)	0.5	0.5	-0.1	-0.1	-0.0
Receivables (days)	67	60	60	60	60
Inventory (days)	58	54	54	54	54
Payables (days)	46	46	46	46	46
CFO : PAT %	175	202	211	144	146

Source: Company, Anand Rathi Research

Fig 6 – Segment-wise break-up (Q3 FY25)



Source: Company

Result highlights

Fig 7 – Quarterly performance (consolidated)

(Rs m)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Y/Y (%)	Q/Q (%)	FY25YTD	FY24YTD	Y/Y(%)
Revenue	7,126	7,458	7,439	7,634	7,278	2.1	(4.7)	22,351	20,656	8.2
Expenditure	5,919	6,188	6,164	6,303	6,007	1.5	(4.7)	18,474	17,128	7.9
as % of sales	83.1	83.0	82.9	82.6	82.5			82.7	82.9	
Cost of goods sold	3,089	3,193	3,042	3,124	2,911	(5.7)	(6.8)	9,077	8,982	1.1
as % of sales	43.3	42.8	40.9	40.9	40.0			40.6	43.5	
Employee cost	954	999	1,068	1,101	1,115	16.9	1.3	3,284	2,798	17.4
as % of sales	13.4	13.4	14.4	14.4	15.3			14.7	13.5	
Other expenditure	1,877	1,996	2,054	2,078	1,981	5.6	(4.7)	6,113	5,347	14.3
as % of sales	26.3	26.8	27.6	27.2	27.2			27.4	25.9	
EBITDA	1,207	1,270	1,275	1,331	1,271	5.3	(4.5)	3,877	3,528	9.9
Depreciation	378	397	400	425	445	17.5	4.5	1,270	1,098	15.7
EBIT	829	873	876	906	826	(0.3)	(8.8)	2,607	2,430	7.3
Other income	13	(3)	4	39	61	365	58	103	27	280.5
Interest	175	225	193	230	182	3.6	(20.9)	604	545	10.9
PBT	666	645	687	715	705	5.9	(1.3)	2,107	1,913	10.1
Total tax	182	185	185	195	154	(15.7)	(21.2)	534	502	6.3
Minority interest	4	4	6	10	3			18	14	
Share of profit from JV		5	-1	-3	8			4	0	
Adjusted PAT	480	461	496	506	557	16.0	9.9	1,559	1,397	11.6
Extraordinary items Loss/(Gain)	0	0	0	0	0			0	0	
Reported PAT	480	461	496	506	557	16.0	9.9	1,559	1,397	11.6
Adj. EPS (Rs)	9.0	8.6	9.2	9.4	10.3	15.1	9.9	28.9	26.2	10.4

Margins (%)						(bps)	(bps)			(bps)
Gross	56.7	57.2	59.1	59.1	60.0	334	92	59.4	56.5	288
EBIDTA	16.9	17.0	17.1	17.4	17.5	52	2	17.3	17.1	27
EBIT	11.6	11.7	11.8	11.9	11.3	(28)	(52)	11.7	11.8	(10)
PAT	6.7	6.2	6.7	6.6	7.6	91	101	7.0	6.8	21

Source: Company

Earnings call highlights

- **Demand outlook.** Domestic market outlook remains positive. Some inventory correction is expected due to OBD 2B norms. North America could present a meaningful opportunity with changing global dynamics. Consolidated revenue targeted to grow at a high-teen CAGR over three years with revenue over Rs50bn by FY28. The company targets to improve EBITDA margins by 50bps per year.
- **Aerospace.** Added a new direct customer, Airbus. The company expects a notable change in growth momentum from Q4 FY25.
- **Aerospace/Defence/semiconductor** (unit 9) annual orderbook at ~Rs6bn. ~Rs3bn of order execution is expected by FY26 (FY25 revenue likely at Rs1.4bn, includes Rs100m from semiconductors and Rs1.3bn from aerospace/Defence). The key risk to order execution is delay in development of a high number of products, which can slower order execution.
- **xEV/tech-agnostic** annual orders at Rs5.352bn, including a major portion from aluminium-forged products.
- **Semiconductor.** Precision parts won from a global wafer fabrication equipment player (machine manufacturer for etching and deposition). Current revenue at Rs100m in FY25. New annual order size is \$17m and with further LOIs, it has the potential to go up to \$30m in three years. It has a good margin profile.
- **Q3 revenue** growth was muted due to a weak US PV/off-road market (before elections) and Europe. **EBITDA margins** were maintained due to the better mix and certain price actions.
- **Q3 FY25 revenue.** Tech agnostic/xEV grew 10% y/y. xEV business grew >30% y/y. The non-auto sector declined 7% y/y due to some softness in off-road (Rs203m), aerospace (Rs269m) and labour issues (key OEM issue resolved from Nov'24). Agriculture grew 65% y/y, 75% q/q to Rs177m, driven by tractor demand. Auto ICE remained muted y/y at Rs5.1bn. 2W grew 7% y/y, with scooter growth at 21%. PV fell 19% y/y due to inventory pile-up and softness in exports (recovery is expected, with launches). 3W rose 10% y/y and CV, 11% y/y.
- **MMRFIC.** Awarded government grants of ~Rs200m to develop multiple iDEX programs. Orderbook at Rs1bn. Radar 1 is under field testing and is expected to be complete in two quarters, with potential demand for 150-200 radars per year. The current holding in MMRFIC is at 35-36% and can be increased to 51% ahead.
- **Capex.** Current business' asset turn is 1.2-1.5x and emerging business' 2-2.5x. FY25 capex is expected at ~Rs5.5bn (incl. Rs1bn for a 55-acre land in Karnataka). Investment in aerospace at Rs1-1.1bn for the machining facility in FY25. Capex of Rs13bn-14bn is expected over three years to meet new order requirements.
- **QIP.** Of Rs12bn raised, Rs7bn is for repayment of debt, Rs2bn for capex (Rs1bn for land, Rs1bn for new machine equipment), Rs250m for QIP expenses and Rs2.75bn towards other development expenses.
- **Net debt** was Rs1.5bn and gross debt was Rs3.5bn as of Dec'24 vs. net debt of Rs8.8bn in Sep'24. Interest cost reduced q/q due to debt

reduction from funding received through the QIP process; more reduction in interest cost is expected in Q4 FY25.

- **The tax rate** was lower in Q3 because of higher profitability for Sweden subsidiary (price hikes). Tax rate of ~25% is expected for FY25.

Valuation

New orders to diversify revenue stream. We expect revenue to clock a 16% CAGR over FY25-27, led by 38% growth in non-auto, 28% in xEV, 21% in tech-agnostic, and 10% in auto ICE. The robust Rs22bn orderbook is comprised of PVs + CVs (29%), 2Ws (16%), non-auto (16%), xEV (15%), aerospace/Defence (14%) and tech-agnostic (10%). **We expect the company's outperformance to continue, thanks to greater focus on xEV (drivetrain), tech-agnostic (aluminium forgings) and non-auto (aerospace, semiconductor, Defence) components.**

Better mix, Sweden subsidiary's margin expansion and operating scale to aid margins. We expect the EBITDA margin to expand from 17.4% in FY25 to 18.5% in FY27. The net-cash position would continue ahead, supported by the recent QIP fund raise.

View, Valuations. We expect a 33% EPS CAGR over FY25-27, driven by a 16% revenue CAGR and a 110bp EBITDA-margin expansion. The outperformance would continue, with a higher wallet-share and sharper focus on aerospace, xEV and tech-agnostic-specific components. An increase in the non-ICE share would drive multiple re-rating as terminal growth assurance improves. We recommend a Buy, at a TP of Rs1,600, 25x FY27e EPS.

Fig 8 – Key assumption

(Rs m)	FY23	FY24	FY25e	FY26e	FY27e	CAGR FY25-27e
Auto ICE	18,205	21,198	22,194	24,494	26,852	10
Y/Y change, %	17	16	5	10	10	
Tech-agnostic	1,548	2,137	2,690	3,261	3,918	21
Y/Y change, %	46	38	26	21	20	
xEV	891	1,321	1,853	2,492	3,024	28
Y/Y change, %	1098	48	40	34	21	
Non-auto	2,815	3,458	3,363	5,140	6,373	38
Y/Y change, %	44	23	-3	53	24	
Revenues	23,460	28,114	30,100	35,387	40,167	16
Y/Y change, %	17	20	7	18	14	

Source: Company

Fig 9 – Change in estimates

(Rs m)	Old			Revised			Change (%)		
	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Revenue	31,325	37,040	42,789	30,100	35,387	40,167	-3.9	-4.5	-6.1
EBITDA	5,505	6,769	8,076	5,245	6,378	7,441	-4.7	-5.8	-7.9
% of revenue	17.6	18.3	18.9	17.4	18.0	18.5			
Adj. PAT	2,615	3,695	4,476	2,225	3,301	3,923	-14.9	-10.7	-12.4
EPS (Rs)	42.4	59.9	72.5	36.1	53.5	63.6	-14.9	-10.7	-12.4

Source: Anand Rath Research

Risks

- Less-than-anticipated growth in underlying segments.
- Delay in executing new orders.
- Adverse commodity/forex movements.

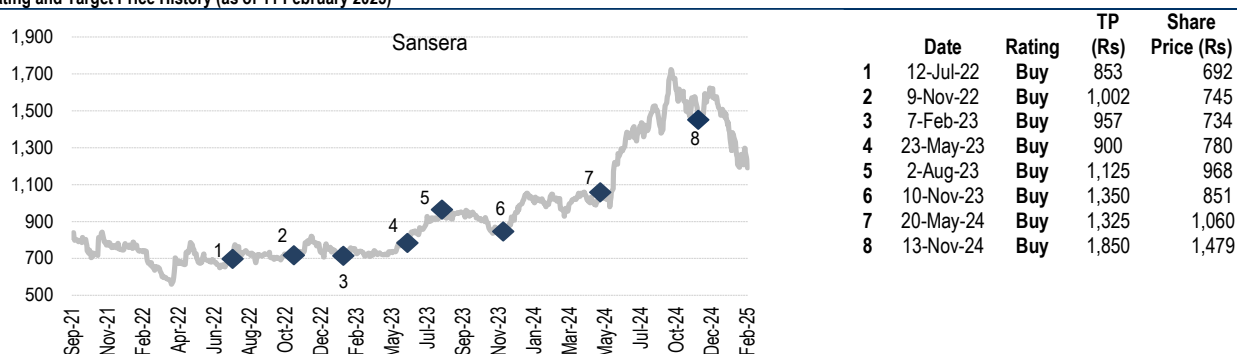
Appendix

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