

Diversification led robust growth outlook...

About the stock: Sansera Engineering (SEL), est. in 1981, is a Bengaluru based, engineering led, integrated manufacturer of critical precision forged components (engine, non-engine) for end application, predominantly in auto domain.

- FY24 sales: Auto ICE~76%; non-auto~12%; Tech agnostic & EVs~12%
- FY24 geography mix: India ~69%; Europe ~18%; US ~10%; Others ~3%

Q3FY25 Result: Sansera Engineering reported steady performance in Q3FY25. On the consolidated basis, total operating income for the quarter stood at ₹ 728 crore (up 2% YoY) with EBITDA at ₹127 crore and corresponding EBITDA margins at 17.5% (up 10 bps QoQ). PAT in Q3FY25 came in at ₹56 crore (up ~16% YoY). Sales mix for Q3FY25: 76% - Auto-ICE, 13% - Auto-tech & xEVs & 11% from non-auto.

Investment Rationale

- Robust orderbook to drive healthy double-digit growth:** Sansera Engineering is a prominent player in the auto component sector specializing in the production of precision forged parts such as connecting rods, rocker arm, crankshaft, etc. in Auto ICE domain; suspension parts, braking components and aluminium forged components in Auto Tech agnostic domain, drive train components in EV domain and structured parts in non-auto space (Aerospace, Defence, Off-Road segment, etc.). SEL boast robust orderbook of ~₹2,200 crores as of 9MFY25, with 55% orders from emerging and margin accretive segments (Non-auto and Auto Tech Agnostic & xEVs). Notably, ~62% of these orderbook are from international market. Thus, with proven capabilities & capacities in place, SEL is strategically positioned to evolve into a globally recognized precision engineering company. We have baked in 14.3% revenue CAGR over FY24-27E, with sales potentially reaching to ~₹ 4,200 crore by FY27E.
- Diversification in progress, targeting 20% EBITDA margins:** As of 9MFY25, SEL derives ~74% of its revenue from Auto-ICE segment while it realises balance ~15% of sales from Auto Tech Agnostic & EV segment and ~11% from non-auto segment. Sensing relatively higher ICE exposure, SEL is proactively implementing a strategy to diversify its revenue stream by reducing auto-ICE share of sales to 60% and augment share of tech agnostic-auto and non-auto share of sales to 20% each in years to come. SEL is also aiming to improve to improve EBITDA margins by 0.5% annually, with a medium-term goal of reaching 20% EBITDA margins.

Rating and Target Price

- With active expansion in non-auto space, robust order book and de-leveraged B/S, we have a positive view on Sansera amid structural positives being healthy double-digit margins and return ratios profile. We retain our **BUY** rating on SEL, valuing it at ₹ 1,620 i.e., 24x PE on FY27E.

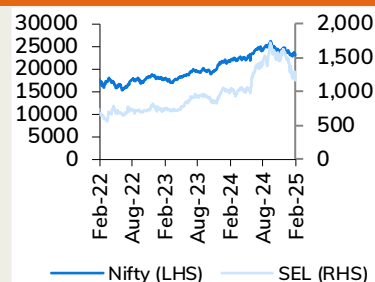
Particulars

Particulars	₹ crore
Market capitalisation	7,238
Total Debt (FY24)	801
Cash & Investment (FY24)	64
EV (₹ crore)	7,975
52 week H/L (₹)	1,758 / 900
Equity capital (₹ crore)	12.3
Face value (₹)	2.0

Shareholding pattern

	Mar-24	Jun-24	Sep-24	Dec-24
Promoter	35.0	34.8	34.8	30.3
FII	22.1	15.6	19.5	20.5
DII	28.6	34.7	32.5	37.5
Other	14.3	15.0	13.2	11.6

Price Chart



Recent event & key risks

- Q3FY25 EBITDA margins at 17.5%. Guided for 20% ROCE
- Key Risk: (i) delay in execution of orderbook amid geopolitical tensions (export) (ii) lower than anticipated gains in margins.

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Bhavish Doshi
bhavish.doshi@icicisecurities.com

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Net Sales	1,549.3	1,989.0	2,346.0	2,811.4	11.6%	3,030.9	3,565.9	4,200.4	14.3%
EBITDA	272.1	333.6	384.7	479.8	10.7%	530.4	641.9	787.6	18.0%
EBITDA Margins (%)	17.6	16.8	16.4	17.1		17.5	18.0	18.8	
Net Profit	108.0	130.4	146.2	185.7	14.1%	222.2	318.4	414.4	30.7%
EPS (₹)	20.7	25.0	27.6	34.6		36.2	51.9	67.6	
P/E	57.0	47.2	42.7	34.1		32.6	22.7	17.5	
RoNW (%)	12.3	12.7	12.5	13.8		8.1	10.5	12.2	
RoCE (%)	10.5	11.3	12.2	14.0		10.7	12.5	14.6	

Key Takeaways of Recent Quarter

Q3FY25 Earnings Conference Call Highlights:

- Order Book:** As of December 2024, orderbook stood at ₹22 billion, with over 60% of these orders coming from international markets. The company secured new orders worth ₹1.9 billion in the quarter, with significant contributions from the non-auto sector, aligning with its long-term diversification strategy. A major win includes an entry into the semiconductor manufacturing segment, where SEL will supply precision parts for wafer fabrication equipment.
- Capacity Expansion:** SEL is actively expanding its aerospace and semiconductor manufacturing capabilities. A major focus is on Plant 9, where aerospace, defence, and semiconductor production are consolidated. The company is also expanding its aluminium forging operations to cater to increased demand from the EV and hybrid vehicle markets. Additionally, a 55-acre land parcel has been acquired in Karnataka, strategically located near Toyota's facility and a proposed airport.
- Capex:** SEL has incurred a year-to-date Capex of ₹370 crore, with an expectation to close FY25 at around ₹450 crore. A significant portion of the Capex is directed toward the aerospace, semiconductor, and defence businesses, which offer higher asset turnover (2.0x-2.25x) compared to traditional auto segments (1.3x-1.4x). The FY26 Capex plan includes ₹110-120 crore for aerospace machining, expected to drive substantial future revenues.
- Swedish Operations:** The company took pricing actions in Sweden, which contributed to a lower tax rate for the quarter. The subsidiary is a key part of SEL international growth strategy.
- Margin and ROCE Guidance:** SEL is targeting gradual margin expansion, aiming to improve EBITDA margins by 0.5% annually, with a long-term goal of reaching 20% EBITDA margins. The company is also focused on ROCE improvement, targeting 20% pre-tax ROCE over the next few years. Growth in higher-margin sectors like aerospace, semiconductor, and defence is expected to drive profitability.
- US Market and Tariff Strategy:** SEL is evaluating a manufacturing facility in the US to counter potential tariff risks. The company remains cautious regarding trade policies and expects clarity by March 2025 before finalizing investment plans. Meanwhile, North America remains a key export market, contributing significantly to revenue.
- Debt and Financial Position:** SEL reduced ₹700 crore in debt using QIP proceeds, bringing gross debt to ₹350 crore as of December 2024. Net cash stands at ₹150 crore, ensuring a strong liquidity position for future investments.
- Outlook:** Going forward the company expects revenue to grow at a high CAGR of ~15-20% in FY26E led by semiconductor, aerospace, and EV businesses. SEL aims to have a revenue of ₹5,000 crore in FY28E driven by the ramp-up of new orders and expansion in non-auto sectors.

Semiconductor Business: SEL secured a \$12 million annual order (scaling to \$30 million over three years) from a global leader in semiconductor equipment manufacturing. FY26 semiconductor revenue is expected at ₹60 crore.

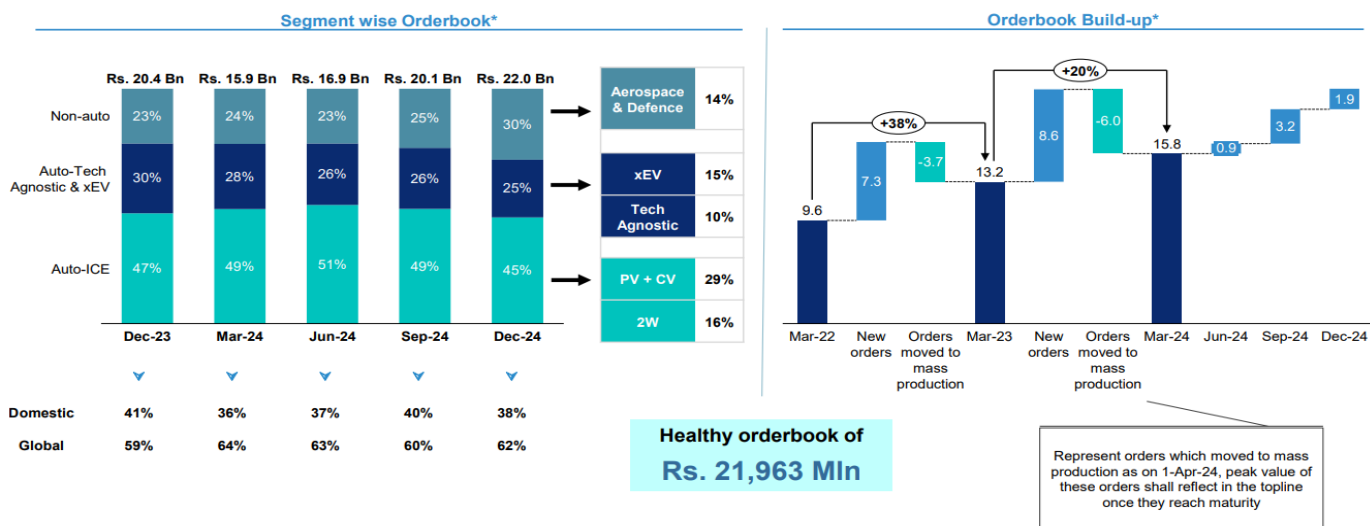
Aerospace & Defence: The order book stands at ₹600 crore, with expectations to execute 50% (~₹300 crore) in FY26. Major defence contracts and direct supplier status to Airbus strengthen long-term prospects.

EV and Tech Agnostic Products: The xEVs segment grew 30% YoY, with a robust order book of ₹535 crore, driven by aluminium forging and powertrain components.

Key Charts from PPT

Exhibit 1: Segment wise orderbook

Expanding product portfolio and customer base with a focus on capitalizing on the high-growth emerging segments



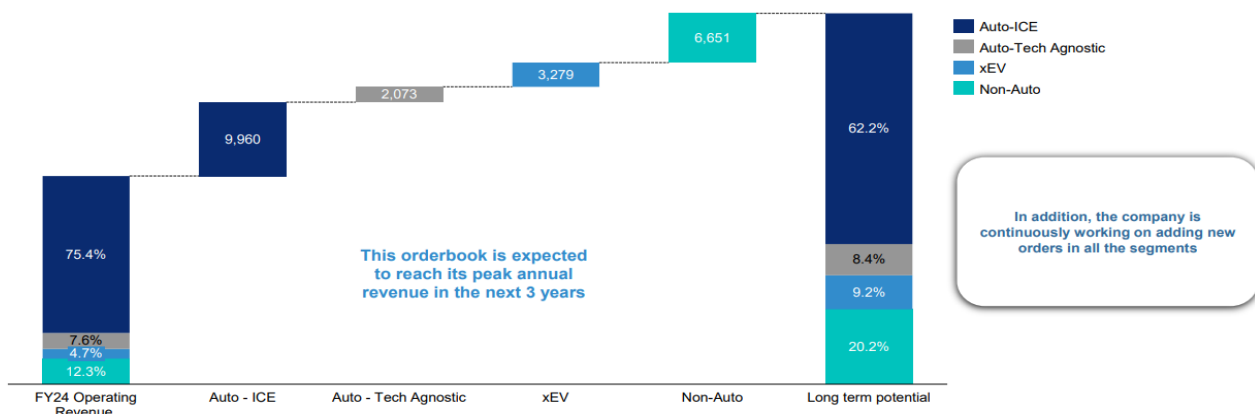
Represents LOIs / POs for which production has started beyond 1-Apr-2024 or is yet to start.
*Order book represents peak annual revenues for new business

Source: Company, ICICI Direct Research

Exhibit 2: Growth path – as the orderbook goes into execution

411 LOIs/Purchase Orders from 72 customers in the auto and 52 customers in the non-auto sector

INR in Mn



Source: Company, ICICI Direct Research

Exhibit 3: Share of Sales across geographies

Sales mix (%)	Q3FY25	Q3FY24	Q2FY25	9MFY25	9MFY24	FY24
India	69.5%	68.3%	69.9%	69.0%	69.3%	68.7%
Europe	17.7%	18.1%	17.8%	18.4%	18.0%	18.4%
USA	7.8%	11.0%	8.3%	8.7%	9.8%	9.9%
Other Foreign Countries	5.0%	2.6%	4.0%	3.9%	2.9%	3.0%
International	30.5%	31.7%	30.1%	31.0%	30.7%	31.3%
Exports from India	24.0%	25.0%	25.5%	25.6%	24.2%	25.2%
Sweden Sales	6.5%	6.7%	4.6%	5.4%	6.5%	6.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement					₹ crore
(Year-end March)	FY24	FY25E	FY26E	FY27E	
Net Sales	2811.4	3030.9	3565.9	4200.4	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	2,811.4	3,030.9	3,565.9	4,200.4	
Growth (%)	19.8	7.8	17.7	17.8	
Raw Material Expenses	1,217.6	1,227.5	1,444.2	1,690.7	
Employee Expenses	379.8	439.5	499.2	567.1	
Other Operating Expense	734.3	833.5	980.6	1,155.1	
Total Operating Expenditure	2,331.6	2,500.5	2,924.0	3,412.8	
EBITDA	479.8	530.4	641.9	787.6	
Growth (%)	24.7	10.5	21.0	22.7	
Depreciation	149.5	175.1	202.2	228.2	
Interest	77.0	72.0	36.1	22.6	
Other Income	2.4	17.6	26.8	22.7	
PBT	255.8	300.9	430.3	559.4	
Exceptional Item & MI	1.3	2.0	2.2	2.4	
Total Tax	68.8	76.7	109.7	142.6	
PAT	185.7	222.2	318.4	414.4	
Growth (%)	27.0	19.6	43.3	30.1	
EPS (₹)	34.6	36.2	51.9	67.6	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
(Year-end March)	FY24	FY25E	FY26E	FY27E	
Profit after Tax	185.7	222.2	318.4	414.4	
Add: Depreciation	149.5	175.1	202.2	228.2	
(Inc)/dec in Current Assets	-84.3	-72.2	-171.0	-201.7	
Inc/(dec) in CL and Provisions	60.7	23.6	80.0	94.9	
Others	77.0	72.0	36.1	22.6	
CF from operating activities	388.5	420.7	465.7	558.4	
(Inc)/dec in Investments	-30.4	-505.0	215.0	55.0	
(Inc)/dec in Fixed Assets	-347.6	-550.0	-500.0	-500.0	
Others	-15.0	2.0	2.2	0.0	
CF from investing activities	-393.0	-1,053.0	-282.8	-445.0	
Issue/(Buy back) of Equity	0.1	1.5	0.0	0.0	
Inc/(dec) in loan funds	89.0	-450.0	-100.0	-50.0	
Dividend & interest	-93.1	-95.0	-66.8	-62.5	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	9.7	1,198.5	0.0	0.0	
CF from financing activities	5.7	655.0	-166.8	-112.5	
Net Cash flow	1.3	22.7	16.1	1.0	
Opening Cash	61.6	62.9	85.6	101.7	
Closing Cash	62.9	85.6	101.7	102.6	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet					₹ crore
(Year-end March)	FY24	FY25E	FY26E	FY27E	
Liabilities					
Equity Capital	10.7	12.3	12.3	12.3	
Reserve and Surplus	1,336.7	2,734.3	3,022.0	3,396.5	
Total Shareholders funds	1,347.4	2,746.6	3,034.3	3,408.8	
Total Debt	801.1	351.1	251.1	201.1	
Deferred Tax Liability	69.2	69.2	69.2	69.2	
Minority Interest / Others	145.3	152.2	159.4	164.4	
Total Liabilities	2,363.0	3,319.1	3,514.0	3,843.5	
Assets					
Gross Block	2,302.8	2,886.3	3,336.3	3,686.3	
Less: Acc Depreciation	756.0	931.2	1,133.4	1,361.6	
Net Block	1,546.7	1,955.1	2,202.9	2,324.6	
Capital WIP	83.5	50.0	100.0	250.0	
Total Fixed Assets	1,630.2	2,005.1	2,302.9	2,574.6	
Investments	78.4	583.4	368.4	313.4	
Inventory	418.9	456.7	537.3	632.9	
Debtors	462.2	498.2	586.2	690.5	
Loans and Advances	4.3	4.7	5.5	6.5	
Other Current Assets	51.9	49.9	51.6	52.3	
Cash	62.9	85.6	101.7	102.6	
Total Current Assets	1,000.2	1,095.1	1,282.2	1,484.8	
Current Liabilities	355.8	373.7	439.6	517.9	
Provisions	4.3	4.5	5.3	6.3	
Current Liabilities & Prov	429.7	453.3	533.3	628.2	
Net Current Assets	570.5	641.8	748.9	856.6	
Others Assets	83.9	88.9	93.9	98.9	
Application of Funds	2,363.0	3,319.1	3,514.0	3,843.5	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY24	FY25E	FY26E	FY27E
Per share data (₹)				
EPS	34.6	36.2	51.9	67.6
Cash EPS	62.5	64.8	84.9	104.8
BV	251.3	447.8	494.7	555.7
DPS	3.0	3.8	5.0	6.5
Cash Per Share	11.7	14.0	16.6	16.7
Operating Ratios (%)				
EBITDA Margin	17.1	17.5	18.0	18.8
PAT Margin	6.6	7.3	8.9	9.9
Inventory days	54.4	55.0	55.0	55.0
Debtor days	60.0	60.0	60.0	60.0
Creditor days	46.2	45.0	45.0	45.0
Return Ratios (%)				
RoE	13.8	8.1	10.5	12.2
RoCE	14.0	10.7	12.5	14.6
RoIC	14.9	13.2	14.5	17.1
Valuation Ratios (x)				
P/E	34.1	32.6	22.7	17.5
EV / EBITDA	16.6	13.2	11.1	9.0
EV / Net Sales	2.8	2.3	2.0	1.7
Market Cap / Sales	2.6	2.4	2.0	1.7
Price to Book Value	4.7	2.6	2.4	2.1
Solvency Ratios				
Debt/EBITDA	1.7	0.7	0.4	0.3
Debt / Equity	0.6	0.1	0.1	0.1
Current Ratio	2.6	2.7	2.7	2.6
Quick Ratio	1.4	1.5	1.4	1.4

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), Bhavish Doshi, MBA, Research Analysts, 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. 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. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. 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. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. 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.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

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

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

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 Retail 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 Institutional 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 a 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 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.