

Sansera Engineering (SANSERA)

Auto Ancillaries | 1QFY25 Result Update

BUY

CMP: Rs1,392 | Target Price (TP): Rs1,700 | Upside: 22%

August 11, 2024

On-track to achieve strong growth

Key Points

- **1QFY25 performance update:** Sansera Engineering (SANSERA) posted its highest ever consolidated revenue in 1QFY25 at ~Rs7.44bn, up ~13%/flat YoY/QoQ. Consolidated gross margin stood at 41.8% up by ~190bps YoY. EBITDA stood at ~Rs1.28bn and margin came in at 17.1%. GM expansion was offset by higher other expenses due to an increase in global freight rates and higher staff costs due to annual hikes incorporated in the quarter.
- **New Age businesses posting strong growth:** As highlighted in our [IC](#) note the new age businesses including Tech Agnostic, X-EV and Non-Auto posted a combined growth of 34% YoY. Tech Agnostic grew 68%, X-EV 29% and Non-Auto 16.5% slightly constrained by the weak growth in the Agri segment. The Aerospace segment grew by 28% YoY. Going ahead, the company remains optimistic about ~40-50% growth in Aerospace over the next 2-3 years.
- **Auto ICE business outlook remains strong despite relatively weak 1QFY25:** Auto ICE grew by ~7.2% in 1QFY25 slightly impacted by 20%+ decline in its Swedish operation. However, the addition of new components, new customers, increasing wallet share with existing ones and strong growth in 2Ws (42% revenue share) should drive growth going ahead.
- **Orderbook looks promising:** Orderbook at the end of June'24 stood at Rs 16.9bn of which 63% came from the international business and 37% from domestic. Increasing share of exports and non-ICE business will further support margin improvement.
- **Investing in growth:** The company has revised the capex estimate to Rs 4.5bn from 4bn or FY25. Of which 40-45% is expected to go towards tech-agnostic and non-automotive segments. The company is looking to add a special process facility to the aerospace machining facility. It is also looking to acquire 55acres of land for a greenfield capacity. Current capacity utilization stands at 65-70% while the peak achievable capacity utilization is ~80%.
- **Focus shifting from EVs to ICE globally should benefit SEL in long run:** The management said that there is some shift in focus towards ICE as against the recent narrative that it was shifting towards EVs and away from ICE. As the majority of the revenue for SEL still comes from ICE (~72%) and shifting focus towards ICE is going to benefit SEL.

Valuation and View: We remain positive on the stock led by robust overall growth outlook driven by Tech-agnostic & xEV and Aerospace segments where we expect the business to grow at ~40%-50% CAGR, driven by a robust order book of ~Rs10bn. Apart from the above key growth drivers, traditional business revenue is also expected to grow by ~8%-15%, driven by the premiumization trend and market share gains. Improvement in product mix (led by a higher share of Tech-agnostic and Aerospace products) will lead to ~110bps improvement in margin from 17.1% in FY24. Overall, we expect EPS to grow at 33% CAGR over FY24-FY27E. To factor in SEL's superior growth prospects and its robust operating capabilities, we value the business at PE of 20x Sept'26 EPS to arrive at the TP of Rs1,700. We marginally tweak our FY26/27 EPS estimates due to better margin prospects.

Est Change	UW
TP Change	UW
Rating Change	No change

Company Data and Valuation Summary

Reuters	SASE.BO
Bloomberg	SANSERA IN
Market Cap (Rsbn / US\$m)	75.3 / 898.9
52 Wk H / L (Rs)	1,479 / 821
ADTV-3M (mn) (Rs / US\$)	376.9 / 4.5
Stock performance (%) 1M/6M/1yr	0.8 / 40.1 / 50.6
Nifty 50 performance (%) 1M/6M/1yr	0.2 / 9.7 / 24.7

Shareholding	3QFY24	4QFY24	1QFY25
Promoters	35.1	35.0	34.8
DII's	39.9	40.3	34.7
FII's	11.1	10.5	15.6
Others	14.0	14.2	14.9
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
Revenue	28,114	33,189	39,307	44,856
% growth	20.2	18.0	18.4	14.1
Gross margin (%)	40.0	41.0	41.0	41.0
EBITDA	4,799	5,874	7,154	8,298
EBITDA margin (%)	17.1	17.7	18.2	18.5
% growth	27.3	22.4	21.8	16.0
Reported PAT	1,875	2,764	3,724	4,493
Adjusted PAT	1,854	2,742	3,703	4,472
APAT margin (%)	6.6	8.2	9.4	9.9
% growth	26.8	47.9	35.0	20.8
EPS	35.0	51.8	70.0	84.5
RoE (%)	14.7	18.5	20.5	20.2
RoCE (%)	15.9	19.5	22.1	22.7
P/E (x)	39.8	26.9	19.9	16.5
EV/EBITDA (x)	17.1	13.8	11.3	9.5

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

[Key Links- 1QFY25 Investor Presentation](#) | [Initiating Coverage Report](#)

Please refer to the disclaimer towards the end of the document.

Exhibit 1. 1QFY25 performance

Particulars (Rsmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E	3Q25E	4Q25E	FY24	FY25E
Net Sales	6,601	6,929	7,126	7,458	7,439	7,968	8,908	8,873	28,114	33,189
YoY Change (%)	24	9	28	21	13	15	25	19	20	18
Gross Profit	2,633	2,774	2,859	2,970	3,109	3,267	3,652	3,579	11,237	13,607
Margin (%)	39.9	40.0	40.1	39.8	41.8	41.0	41.0	40.3	40.0	41.0
EBITDA	1,143	1,178	1,207	1,270	1,275	1,474	1,648	1,477	4,799	5,874
YoY Change (%)	25	11	39	32	12	25	37	16	27	22
Margin (%)	17.3	17.0	16.9	17.0	17.1	18.5	18.5	16.6	17.1	17.7
Depreciation	349	371	378	397	400	398	445	263	1,495	1,507
Interest	189	180	175	225	193	199	223	284	770	898
Other income	4	10	13	(3)	3	32	36	155	24	225
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT (bei)	610	637	666	644	686	908	1,016	1,085	2,558	3,695
PBT	610	637	666	644	686	908	1,016	1,085	2,558	3,695
Tax	158	162	182	185	185	232	259	256	687	931
ETR (%)	25.9	25.4	27.4	28.8	26.9	25.5	25.5	23.6	26.9	25.2
Reported PAT	447	475	484	464	501	677	757	829	1,870	2,764
Adj. PAT	456	475	484	464	501	677	757	829	1,870	2,764
YoY Change (%)	31	4	56	32	12	42	56	79	26	48
Adj. EPS	8.6	9.0	9.1	8.8	9.5	12.8	14.3	15.7	35.4	52.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Change in our estimates

(in Rsmn)	New estimates				Old estimates				% Change			
	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Net Revenue	28,114	33,189	39,307	44,856	28,114	33,189	39,307	44,856	0.0	0.0	0.0	0.0
EBITDA	4,799	5,874	7,154	8,298	4,799	5,874	7,075	8,164	0.0	0.0	1.1	1.6
EBITDA (%)	17.1	17.7	18.2	18.5	17.1	17.7	18.0	18.2	-	-	-	-
PAT	1,875	2,764	3,724	4,493	1,875	2,764	3,665	4,393	0.0	0.0	1.6	2.3
EPS (Rs)	35.0	51.8	70.0	84.5	35.0	51.8	68.9	82.6	0.0	0.0	1.6	2.3

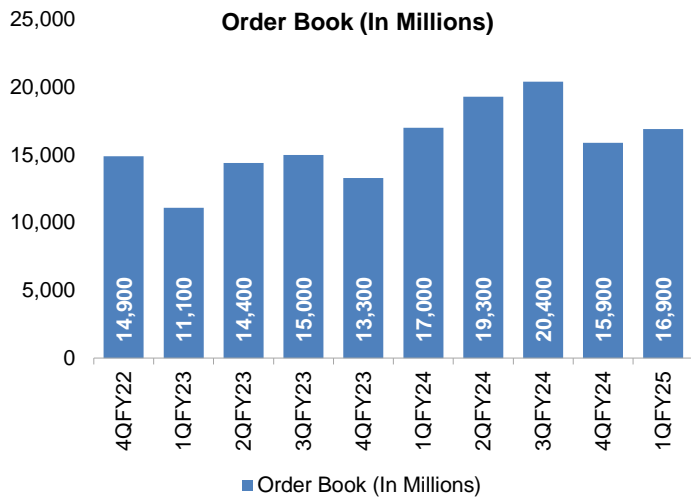
Source: Nirmal Bang Institutional Equities Research

Conference call key takeaways

- **Demand:** In domestic, the company had higher 2W segment sales driven by better motorcycle volumes and premiumization, even though it reduced considerable business with one customer in the EV 2W segment. In the PV segment SUVs continue to do well while compact cars have been weak.
- **Segmental performance:** Non-auto, tech-agnostic & xEV were cumulatively up 34% YoY. Auto tech-agnostic was up 68%. xEV was up 29%. Non-auto business grew 16%. All non-auto sub-segments apart from agriculture, saw strong double digit growth. Aerospace and Defence grew 28% despite delays in orders from a key customer. Added clients like Triumph and Saab in the segment. Sansera expects industrial and marine engines to be a meaningful contributor over time with traction seen industry-wide.
- **Vehicle sales mix in ICE segment:** Motorcycles: 36%, Scooters: 6%, PV: 23% and CV: 10%.
- **Capacity & Capex plans:** Capacity utilization stood at 65-70%. INR 4.5bn brownfield expansion in its existing facility, out of which 40-45% is expected to go towards tech-agnostic & non-auto. Also signed MoU with Government of Karnataka for Greenfield expansion with the acquisition of 55 acres land.
- **Margins:** Gross margin performance improved ~2% due to the shift in product mix, from 39.9% to 41.8% YoY. There was normal increase in staff costs due to yearly hikes taken. Other expenses component increased primarily due to the increase in freight costs due to logistic issues faced industry wide. Margins are expected to improve for the Swedish subsidiary due to a new customer acquired at a favourable pricing. 12-13% EBITDA margins are expected with 2 engine programs starting from the 36th week of CY2025 and 3QFY25, along with the automation of the assembly line lowering manpower costs.
- **MMRFIC:** Apart from automotive radar, there is a lot of interest in defence surveillance and space. All modules have been certified and now in the phase of integration and field testing. MMRFIC is also working with multiple agencies in the areas of surveillance to detect any intrusions in the foliage. The business has a robust product portfolio lined up in with their space programs. Blended EBITDA potential for the business is upwards of 50%. Sansera's contribution to seeker radars will be the mechanical elements like antennas, chassis, gimbals, etc.
- **Exports:** While the Sweden subsidiary declined ~20%, the international order book was at ~INR10.65bn contributing 63% of the entire order book for the quarter. While international demand is worrisome in the near term due to overall industry woes, customer wins for the Swedish subsidiary due to other suppliers going out of business benefitted Sansera. Higher international freight costs impacted the international business overall.

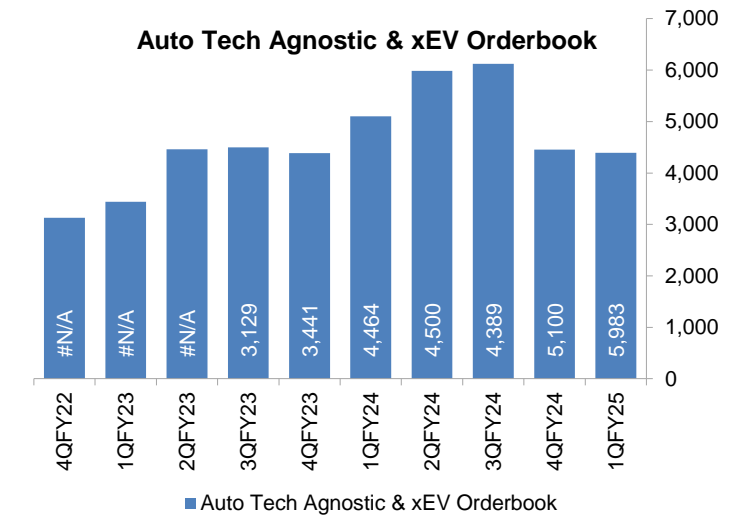
Story in charts

Exhibit 3: Overall Orderbook



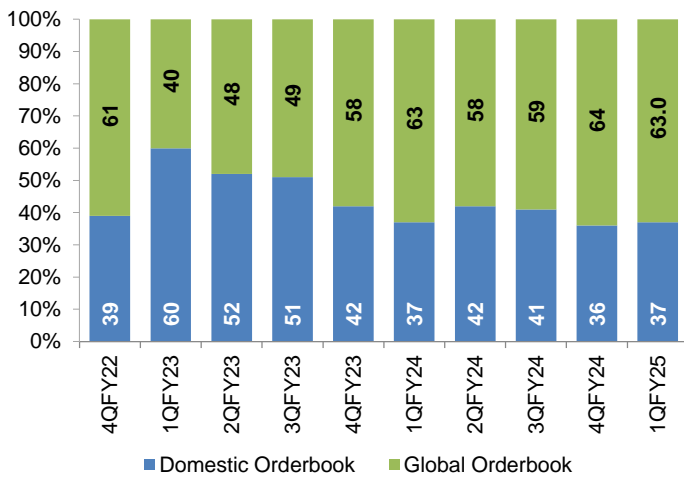
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Auto Tech Agnostic & xEV Orderbook



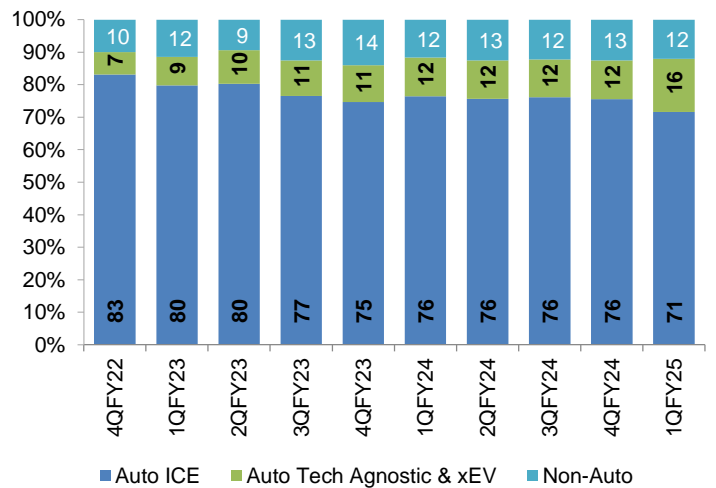
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Standalone revenue trend



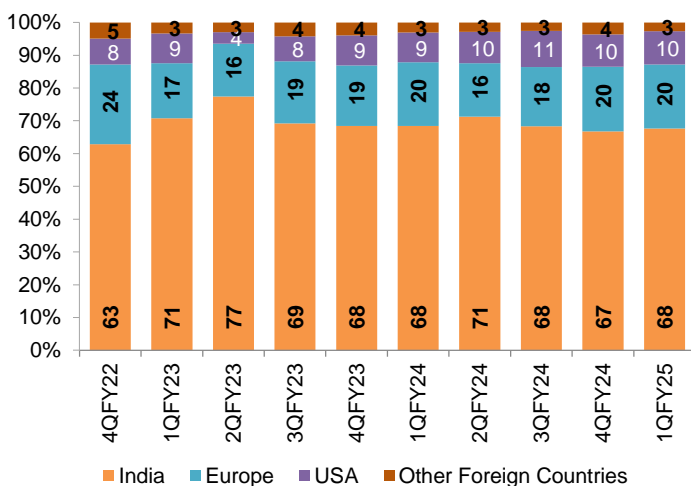
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Consolidated revenue trend



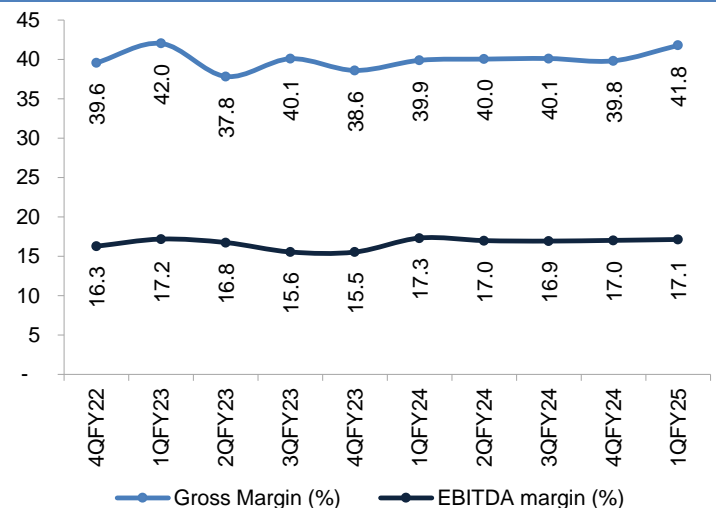
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Gross & EBITDA margin trend



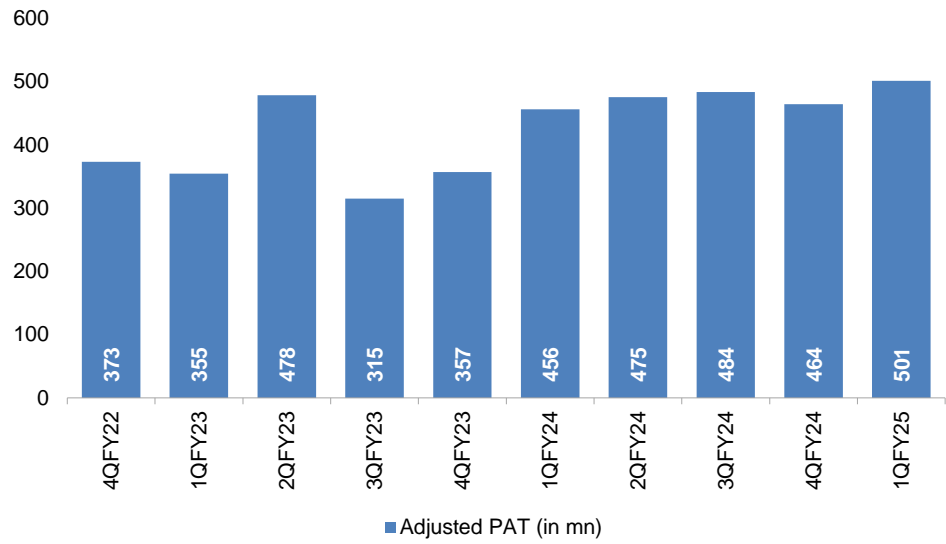
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Consolidated Adjusted PAT trend



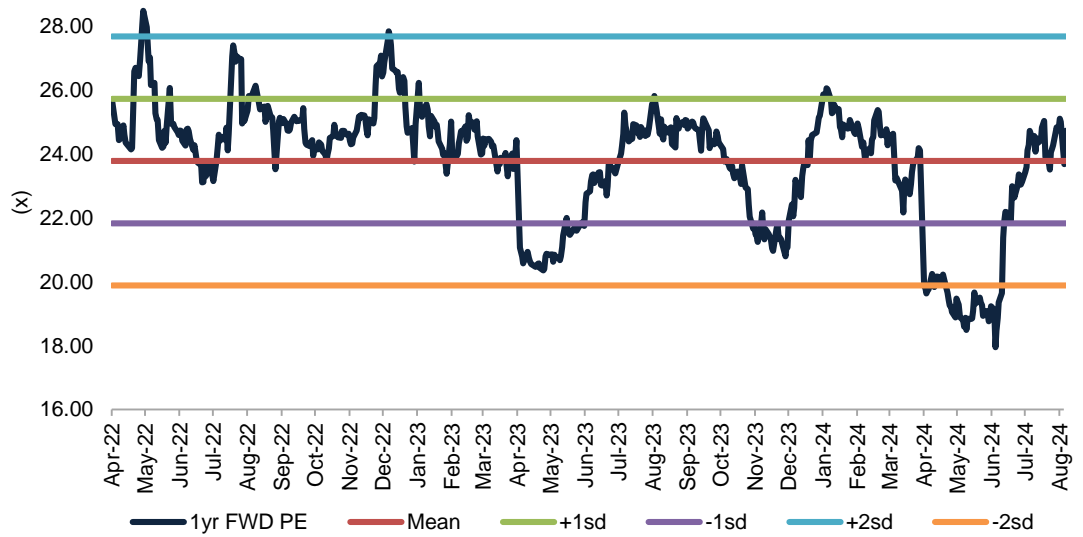
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Adjusted PAT (in mn)



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 10: 1-year forward P/E chart



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Consolidated Financials

Exhibit 11: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	23,383	28,114	33,189	39,307	44,856
Growth (%)	17.6	20.2	18.0	18.4	14.1
COGS	14,162	16,877	19,581	23,191	26,465
Gross Profit	9,221	11,237	13,607	16,116	18,391
Gross Margin (%)	39.4	40.0	41.0	41.0	41.0
Staff costs	3,180	3,798	4,580	5,306	5,966
Other expenses	2,272	2,641	3,153	3,656	4,127
Total expenditure	19,613	23,316	27,314	32,153	36,558
EBITDA	3,770	4,799	5,874	7,154	8,298
Growth (%)	13.0	27.3	22.4	21.8	16.0
EBITDA Margin (%)	16.1	17.1	17.7	18.2	18.5
Depreciation	1,301	1,495	1,507	1,571	1,751
EBIT	2,469	3,304	4,368	5,583	6,548
Other income	178	24	225	248	260
Interest costs	615	770	898	852	801
Exceptional Items	0	0	0	0	0
PBT	2,032	2,558	3,695	4,979	6,007
Tax	549	687	931	1,255	1,514
Effective tax rate (%)	27.0	26.9	25.2	25.2	25.2
Reported PAT	1,483	1,875	2,764	3,724	4,493
Adjusted PAT	1,462	1,854	2,742	3,703	4,472
Growth (%)	12.1	26.8	47.9	35.0	20.8
Adj. PAT Margin (%)	6.3	6.6	8.3	9.4	10.0
Adj. EPS (Rs)	27.6	35.0	51.8	70.0	84.5

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Equity	106	107	107	107	107
Reserves	11,573	13,367	16,109	19,812	24,284
Net worth	11,679	13,474	16,216	19,919	24,391
Minority Interest	140	159	159	159	159
Short-term Borrowings	4,491	5,495	5,195	4,895	4,595
Long-term Borrowings	2,630	2,516	2,416	2,316	2,116
Total Debt	7,121	8,011	7,611	7,211	6,711
Deferred tax liabilities	689	692	692	692	692
Capital Employed	19,629	22,337	24,679	27,982	31,954
Property, plant and equipment	12,691	14,625	15,690	17,119	18,369
Capital WIP	757	835	600	600	600
Intangible assets	1,245	1,215	1,215	1,215	1,215
Investments	112	411	411	411	411
Inventories	3,710	4,189	4,546	5,385	6,145
Cash & Bank	616	630	1,010	1,334	2,990
Loans/advances & other assets	1,171	1,401	1,471	1,541	1,611
Debtors	4,327	4,622	6,183	7,538	8,603
Total Current Assets	9,824	10,842	13,210	15,798	19,348
Creditors	2,927	3,558	4,274	4,846	5,530
Other current liabilities/provisions	2,072	2,033	2,173	2,315	2,459
Total current liabilities	4,999	5,591	6,447	7,161	7,989
Net current assets	4,825	5,251	6,763	8,637	11,359
Application of Funds	19,629	22,337	24,679	27,982	31,954

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Cash flow

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
EBIT	2,469	3,304	4,368	5,583	6,548
(Inc./)Dec in working capital	-1,108	-426	-1,512	-1,873	-2,723
Depreciation	1,301	1,495	1,507	1,571	1,751
Taxes paid	-502	-684	-931	-1,255	-1,514
Net cash from operations	2,160	3,689	3,431	4,026	4,062
Capital expenditure	-1,130	-3,078	-2,765	-3,000	-3,000
Net cash after capex	1,030	610	666	1,026	1,062
Other investing activities	-1	-299	0	0	0
Interest/Dividend received	178	24	225	248	260
Net cash after investing activities	1,207	336	891	1,274	1,322
Inc./(dec.) in debt	670	890	-400	-400	-500
Inc./(dec.) in share capital	23	20	0	0	0
Interest paid	-615	-770	-898	-852	-801
Dividend paid	-132	-159	-265	-265	-265
Cash from financial activities	-55	-19	-1,563	-1,517	-1,565
Others	168	32	1,943	1,841	3,221
Opening cash	503	616	630	1,010	1,334
Closing cash	616	630	1,010	1,334	2,990
Change in cash	113	13	380	324	1,656

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Key ratios

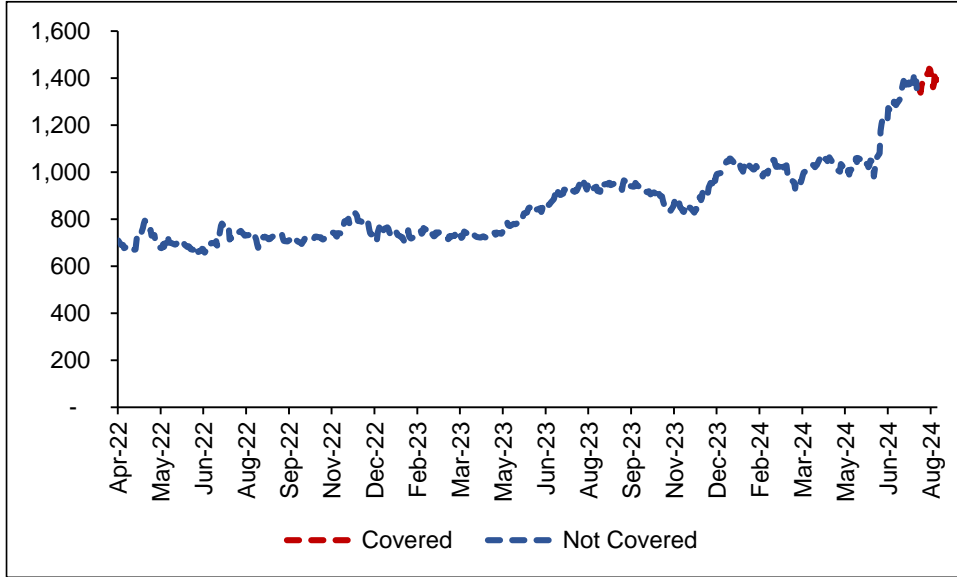
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Per share (Rs)					
Adj. EPS	27.6	35.0	51.8	70.0	84.5
BVPS	218	251	302	372	455
Valuation (x)					
P/E	50.4	39.8	26.9	19.9	16.5
P/sales	3.2	2.7	2.3	1.9	1.7
P/BV	6.4	5.5	4.6	3.8	3.1
EV/EBITDA	21.5	17.1	13.8	11.3	9.5
EV/sales	3.5	2.9	2.5	2.1	1.7
Return ratios (%)					
RoE	13.3	14.7	18.5	20.5	20.2
RoCE	14.3	15.9	19.5	22.1	22.7
Post Tax RoIC	10.2	11.4	14.8	16.6	17.8
Turnover ratio					
Asset turnover ratio (x)	1.3	1.4	1.5	1.6	1.6
Inventory days	51	51	50	50	50
Payable days	44	42	47	45	45
Debtor days	66	58	68	70	70
Cash Conversion Cycle	73	67	71	75	75
Solvency ratios (x)					
Net debt-equity	0.6	0.5	0.4	0.3	0.2
Growth (%)					
Sales	17.6	20.2	18.0	18.4	14.1
EBITDA	13.0	27.3	22.4	21.8	16.0
APAT	12.1	26.8	47.9	35.0	20.8

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
22 July 2024	Buy	1,345	1,667
11 August 2024	Buy	1,392	1,700

Rating track graph



DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, Varun Baxi, the author(s) of this report, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

*"Registration granted by SEBI and certification from NISM in no way guarantee the performance of the intermediary or provide any assurance of returns to investors." . .

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
 Nr. Peninsula Corporate Park,
 Lower Parel (W), Mumbai-400013.
 Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010