

CMP: ₹ 1,275

Target: ₹ 1,570 (23%)

Target Period: 12 months

BUY

June 27, 2024

## Upgrading forward estimates, retain positive stance...

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

**PE funds makes a complete exit, stake bought by marquee institutions:** PE funds invested in Sansera Engineering i.e. Client Ebene Ltd and CVCIGP li Employees Ebene have sold their ~12% stake in the company via block deal mechanism on stock exchanges on 19th June 2024. The aforesaid PE funds stake in Sansera at the time of listing was ~29% with it offloading ~16% in last fiscal year. With this present stake sale, their holding in the company stands nil and removes an overhand on the stock. The stake sale was bought by marquee institutional investors which includes domestic mutual funds, insurance companies and FPI's.

### Investment Rationale: Broadly remains unchanged

- Robust orderbook to ensure healthy double-digit growth:** Sansera Engineering is a leading auto component player manufacturing precision forged components like 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 also realises significant sales from international markets with exports share in total revenue up from ~22% in FY23 to ~25% as of FY24. Importantly, global constitutes ~64% of its pending orderbook as of FY24 (peak annual revenue of ~₹ 1,600 crore). Thus, with proven capabilities & capacities in place, SEL is well transforming itself to be a precision engineering company on global scale. We bake in 15% revenue CAGR over FY24-26E to ~₹ 3,700 crore by FY26E.
- Derisking efforts underway, auto tech & non-auto domains to outgrow:** As of FY24, SEL realises ~76% of its sales from Auto-ICE segment which is susceptible to EV risk (scooter segment exposure at 6%; real EV risk) while it realises rest ~12% of sales each from Auto Tech Agnostic & EV segment and non-auto segment. Sensing relatively higher ICE exposure, SEL is consciously working on de-risking itself with target to reduce auto-ICE share of sales to 60% of sales and augment share of tech agnostic-auto and non-auto share of sales to 20% each in years to come. SEL is making tangible progress on this front and is winning new orders in this direction.

### Rating and Target Price

- We have upgraded our forward estimates especially on the margins front by 50 bps for FY25E and 100 bps for FY26E. We continue to have a positive view on Sansera primarily tracking robust order book, healthy RoCE profile and B/S. We assign **BUY** rating, valuing it at ₹ 1,570 i.e. 26x PE on FY26E.

### Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	FY24P	5 year CAGR (FY19-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	1,457.2	1,549.3	1,989.0	2,346.0	2,811.5	11.6%	3,239.2	3,723.1	15.1%
EBITDA	224.7	272.1	333.6	384.7	479.9	10.7%	581.4	707.4	21.4%
EBITDA Margins (%)	15.4	17.6	16.8	16.4	17.1		18.0	19.0	
Net Profit	80.3	108.0	130.4	146.2	184.8	13.9%	235.1	323.6	32.3%
EPS (₹)	15.4	20.7	25.0	27.6	34.5		43.9	60.4	
P/E	82.8	61.6	51.0	46.2	37.0		29.1	21.1	
RoNW (%)	10.5	12.3	12.7	12.5	13.7		15.0	17.4	
RoCE (%)	8.2	10.5	11.3	12.2	14.0		15.1	17.5	

Source: Company, ICICI Direct Research

**SANSERA**  
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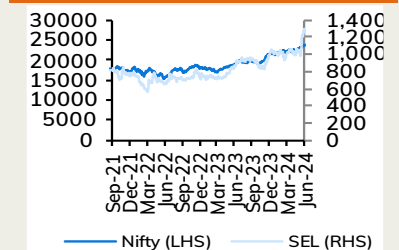
### Particulars

Particulars	₹ crore
Market capitalisation	6,749
Total Debt (FY24P)	801
Cash & Investment (FY24P)	64
EV (₹ crore)	7,486
52 week H/L (₹)	1,345 / 820
Equity capital (₹ crore)	10.7
Face value (₹)	2.0

### Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoter	35.2	35.2	35.1	35.0
FII	30.3	29.0	22.7	22.1
DII	24.3	25.1	28.2	28.6
Other	10.1	10.7	14.0	14.3

### Price Chart



### Recent event & key risks

- PE fund makes a complete exit, removes overhang on the stock
- Key Risk: (i) slower than built in sales growth amid geopolitical issues hampering exports, (ii) pressure on margins amid volatile commodity cost (metals)

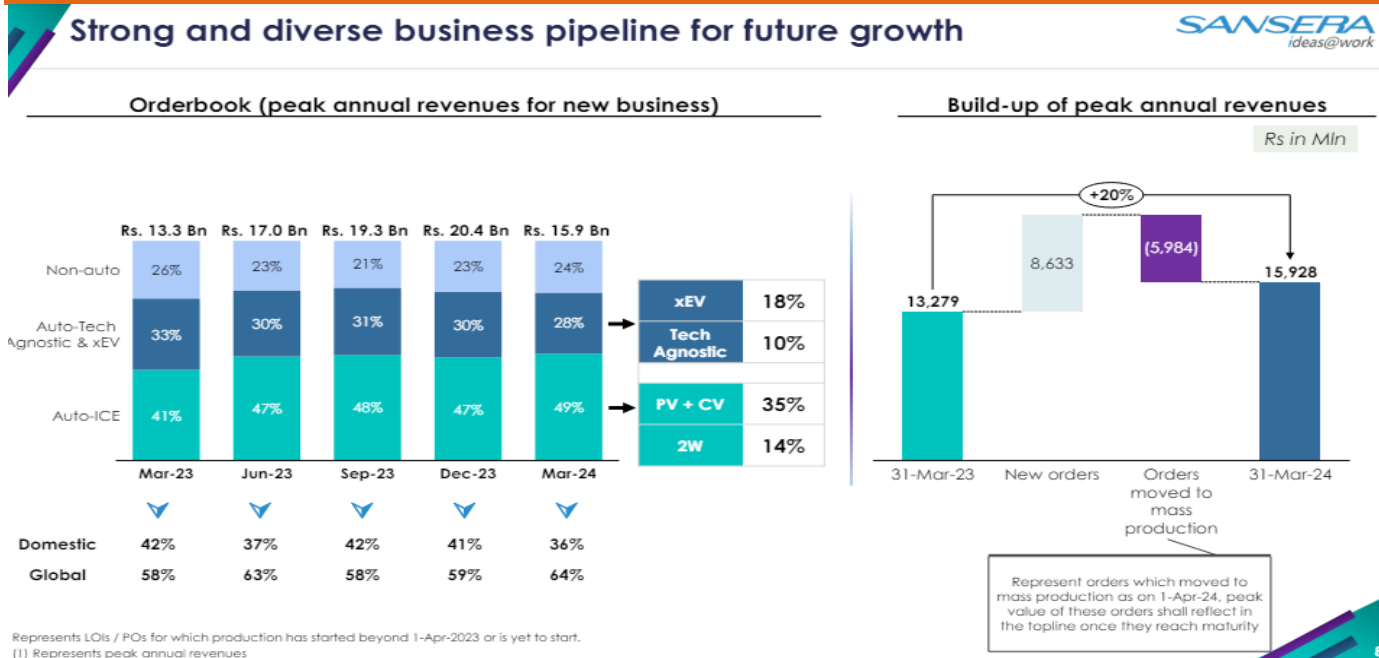
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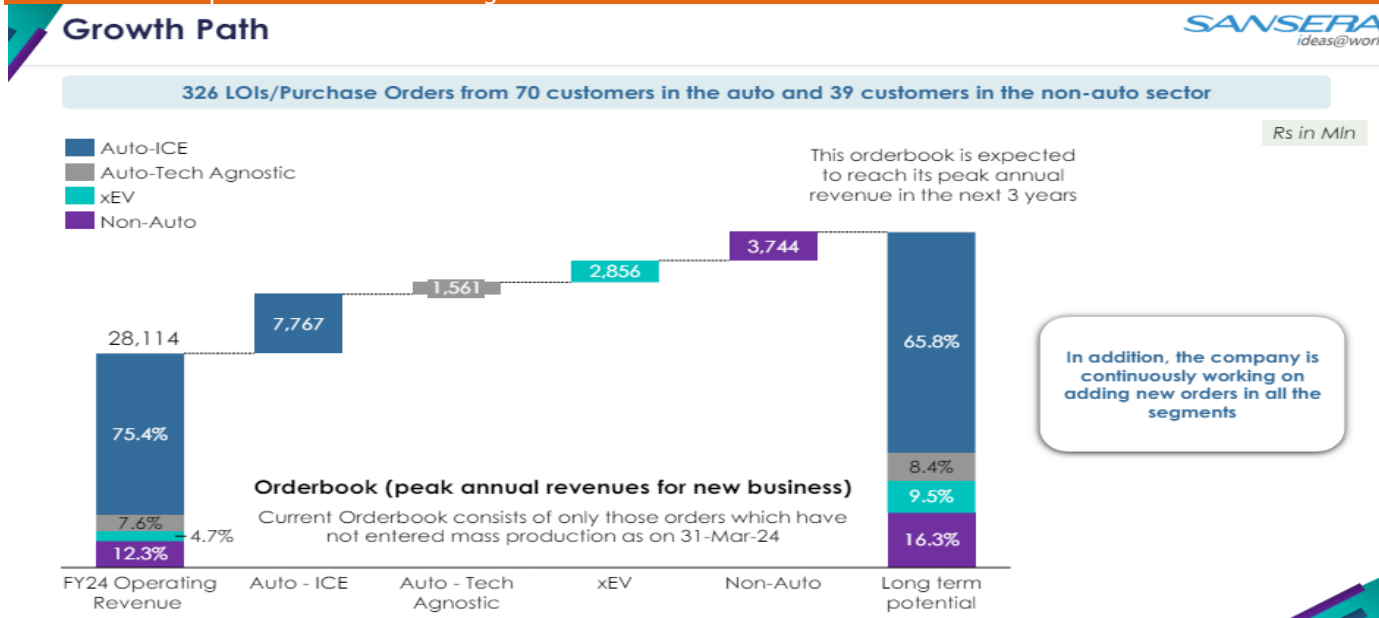
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## Key Charts from PPT (Q4FY24)

### Exhibit 1: Peak annual revenue – orderbook trend



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



### Exhibit 3: Share of Sales across geographies

Sales mix (%)	Q4FY24	Q4FY23	Q3FY24	FY24	FY23
India	66.8%	68.4%	68.3%	68.7%	71.6%
Europe	19.7%	18.6%	18.1%	18.3%	17.6%
USA	9.9%	9.1%	11.0%	9.9%	7.2%
Other Foreign Countries	3.6%	3.9%	2.6%	3.1%	3.6%
<b>International</b>	<b>33.2%</b>	<b>31.6%</b>	<b>31.7%</b>	<b>31.3%</b>	<b>28.4%</b>
Exports from India	28.1%	23.6%	25.0%	25.2%	21.7%
Sweden Sales	5.1%	8.0%	6.7%	6.1%	6.7%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 4: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Net Sales	2346.0	2811.5	3239.2	3723.1	
Other Operating Income	0.0	0.0	0.0	0.0	
<b>Total Operating Income</b>	<b>2,346.0</b>	<b>2,811.5</b>	<b>3,239.2</b>	<b>3,723.1</b>	
Growth (%)	17.9	19.8	15.2	14.9	
Raw Material Expenses	1,017.5	1,217.6	1,386.4	1,582.3	
Employee Expenses	318.0	379.7	429.2	484.0	
Other Operating Expense	625.9	734.3	842.2	949.4	
<b>Total Operating Expenditure</b>	<b>1,961.3</b>	<b>2,331.6</b>	<b>2,657.8</b>	<b>3,015.7</b>	
<b>EBITDA</b>	<b>384.7</b>	<b>479.9</b>	<b>581.4</b>	<b>707.4</b>	
Growth (%)	15.3	24.7	21.2	21.7	
Depreciation	130.1	149.5	176.4	202.0	
Interest	61.5	77.0	90.1	72.1	
Other Income	10.1	2.4	3.3	4.0	
<b>PBT</b>	<b>203.2</b>	<b>255.8</b>	<b>318.2</b>	<b>437.3</b>	
Exceptional Item & MI	2.2	2.3	2.0	2.2	
Total Tax	54.9	68.8	81.2	111.5	
<b>PAT</b>	<b>146.2</b>	<b>184.8</b>	<b>235.1</b>	<b>323.6</b>	
Growth (%)	12.1	26.4	27.3	37.6	
<b>EPS (₹)</b>	<b>27.6</b>	<b>34.5</b>	<b>43.9</b>	<b>60.4</b>	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Profit after Tax	146.2	184.8	235.1	323.6	
Add: Depreciation	130.1	149.5	176.4	202.0	
(Inc)/dec in Current Assets	-107.9	-84.3	-141.5	-153.7	
Inc/(dec) in CL and Provisions	34.8	60.7	54.7	72.4	
Others	61.5	77.0	90.1	72.1	
<b>CF from operating activities</b>	<b>264.7</b>	<b>387.6</b>	<b>414.8</b>	<b>516.4</b>	
(Inc)/dec in Investments	-0.1	-30.4	-5.5	-5.5	
(Inc)/dec in Fixed Assets	-238.0	-347.6	-400.0	-300.0	
Others	-19.1	-15.0	2.0	2.2	
<b>CF from investing activities</b>	<b>-257.2</b>	<b>-393.0</b>	<b>-403.5</b>	<b>-303.3</b>	
Issue/(Buy back) of Equity	0.2	0.1	0.0	0.0	
Inc/(dec) in loan funds	67.0	89.0	100.0	-100.0	
Dividend & interest	-74.8	-93.1	-110.2	-98.9	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	11.4	10.7	0.0	0.0	
<b>CF from financing activities</b>	<b>3.7</b>	<b>6.7</b>	<b>-10.2</b>	<b>-198.9</b>	
<b>Net Cash flow</b>	<b>11.3</b>	<b>1.3</b>	<b>1.0</b>	<b>14.1</b>	
Opening Cash	50.3	61.6	62.9	64.0	
<b>Closing Cash</b>	<b>61.6</b>	<b>62.9</b>	<b>64.0</b>	<b>78.1</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
<b>Liabilities</b>					
Equity Capital	10.6	10.7	10.7	10.7	
Reserve and Surplus	1,157.3	1,336.7	1,551.7	1,848.5	
<b>Total Shareholders funds</b>	<b>1,167.9</b>	<b>1,347.4</b>	<b>1,562.4</b>	<b>1,859.2</b>	
Total Debt	712.1	801.1	901.1	801.1	
Deferred Tax Liability	68.9	69.2	69.2	69.2	
Minority Interest / Others	144.9	145.3	152.2	159.4	
<b>Total Liabilities</b>	<b>2,093.8</b>	<b>2,363.0</b>	<b>2,685.0</b>	<b>2,889.0</b>	
<b>Assets</b>					
Gross Block	1,963.0	2,302.8	2,736.3	3,036.3	
Less: Acc Depreciation	606.6	756.0	932.4	1,134.4	
Net Block	1,356.5	1,546.7	1,803.9	1,901.8	
Capital WIP	75.7	83.5	50.0	50.0	
<b>Total Fixed Assets</b>	<b>1,432.1</b>	<b>1,630.2</b>	<b>1,853.9</b>	<b>1,951.8</b>	
Investments	48.3	78.4	83.9	89.4	
Inventory	371.0	418.9	488.1	561.0	
Debtors	432.7	462.2	532.5	612.0	
Loans and Advances	4.1	4.3	5.0	5.7	
Other Current Assets	45.2	51.9	53.3	53.8	
<b>Cash</b>	<b>61.6</b>	<b>62.9</b>	<b>64.0</b>	<b>78.1</b>	
<b>Total Current Assets</b>	<b>914.6</b>	<b>1,000.3</b>	<b>1,142.9</b>	<b>1,310.7</b>	
Current Liabilities	292.7	355.8	399.4	459.0	
Provisions	5.5	4.3	4.8	5.6	
<b>Current Liabilities &amp; Prov</b>	<b>369.1</b>	<b>429.7</b>	<b>484.5</b>	<b>556.8</b>	
<b>Net Current Assets</b>	<b>545.6</b>	<b>570.5</b>	<b>658.4</b>	<b>753.9</b>	
Others Assets	67.8	83.9	88.9	93.9	
<b>Application of Funds</b>	<b>2,093.8</b>	<b>2,363.0</b>	<b>2,685.0</b>	<b>2,889.0</b>	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY23	FY24P	FY25E	FY26E	
<b>Per share data (₹)</b>					
EPS	27.6	34.5	43.9	60.4	
Cash EPS	52.2	62.3	76.7	98.0	
BV	220.7	251.3	291.4	346.8	
DPS	2.5	3.0	3.8	5.0	
Cash Per Share	11.6	11.7	11.9	14.6	
<b>Operating Ratios (%)</b>					
EBITDA Margin	16.4	17.1	18.0	19.0	
PAT Margin	6.2	6.6	7.3	8.7	
Inventory days	57.7	54.4	55.0	55.0	
Debtor days	67.3	60.0	60.0	60.0	
Creditor days	45.5	46.2	45.0	45.0	
<b>Return Ratios (%)</b>					
RoE	12.5	13.7	15.0	17.4	
RoCE	12.2	14.0	15.1	17.5	
RoC	13.0	14.9	15.8	18.3	
<b>Valuation Ratios (x)</b>					
P/E	46.2	37.0	29.1	21.1	
EV / EBITDA	19.2	15.6	13.0	10.6	
EV / Net Sales	3.2	2.7	2.3	2.0	
Market Cap / Sales	2.9	2.4	2.1	1.8	
Price to Book Value	5.8	5.1	4.4	3.7	
<b>Solvency Ratios</b>					
Debt/EBITDA	1.9	1.7	1.5	1.1	
Debt / Equity	0.6	0.6	0.6	0.4	
Current Ratio	2.9	2.6	2.7	2.7	
<b>Quick Ratio</b>	<b>1.6</b>	<b>1.4</b>	<b>1.5</b>	<b>1.4</b>	

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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