

Healthy results, on well charted growth trajectory...

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%

Q4FY24 Results: Total revenues on consolidated basis for the quarter stood at ₹ 746 crore (up 21% YoY) with EBITDA at ₹127 crore and corresponding EBITDA margins at 17.0% (up 10 bps QoQ). PAT in Q4FY24 came in at ₹46.4 crore (up 31% YoY). For FY24, it reported a topline of ₹ 2,812 crore (up 20% YoY), EBITDA of ₹ 480 crore with corresponding margins at 17.1% and PAT of ₹ 185 crore (up 26% YoY).

Investment Rationale:

- Stepping up export amid robust orderbook, eyeing double digit growth:** Sansera Engineering is a leading auto component player manufacturing precision forged components like connecting rods, rocker arm, crankshaft, etc. in the Auto ICE domain; suspension parts, braking system components and aluminium forged components in the Auto Tech agnostic domain, drive train components in the EV domain and structured parts in the non-auto space (Aerospace, Defence, Off-Road segment, others). 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 end (peak annual revenue of ~₹ 1,600 crore), up from ~58% as of FY23. Thus, with proven capabilities and capacities in place, SEL is well transforming itself to be a precision engineering company on a global scale and stands to benefit from global manufacturing de-risking strategies of global giants as they move towards India for manufacturing prowess. On domestic front, SEL aims to outgrow domestic market by 10%. With levers for growth, we bake in ~15% revenue CAGR at SEL 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% 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 a positive view on Sansera Engineering primarily tracking robust order book, strong export order wins, healthy RoCE profile and B.S. We assign **BUY** rating on the stock valuing it at ₹ 1,285 i.e. 24x PE on FY26E.

Key Financial Summary

Key Financials (₹ crore)	FY19	FY20	FY21	FY22	FY23	FY24P	5 year CAGR (FY19-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	1,624.4	1,457.2	1,549.3	1,989.0	2,346.0	2,811.5	11.6%	3,226.4	3,708.4	14.8%
EBITDA	289.1	224.7	272.1	333.6	384.7	479.9	10.7%	563.0	667.5	17.9%
EBITDA Margins (%)	17.8	15.4	17.6	16.8	16.4	17.1		17.5	18.0	
Net Profit	96.2	80.3	108.0	130.4	146.2	184.8	13.9%	217.8	287.1	24.7%
EPS (₹)	18.4	15.4	20.7	25.0	27.6	34.5		40.6	53.6	
P/E	55.8	66.9	49.7	41.2	37.3	29.9		25.4	19.2	
RoNW (%)	15.2	10.5	12.3	12.7	12.5	13.7		14.1	15.9	
RoCE (%)	14.3	8.2	10.5	11.3	12.2	14.0		14.5	16.2	

Source: Company, ICICI Direct Research

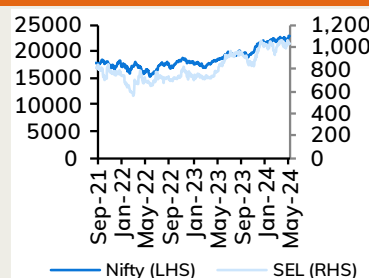
Particulars

Particulars	₹ crore
Market capitalisation	5,452
Total Debt (FY24P)	801
Cash & Investment (FY24P)	64
EV (₹ crore)	6,189
52 week H/L (₹)	1,114 / 760
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

- Posted healthy Q4FY24 results
- 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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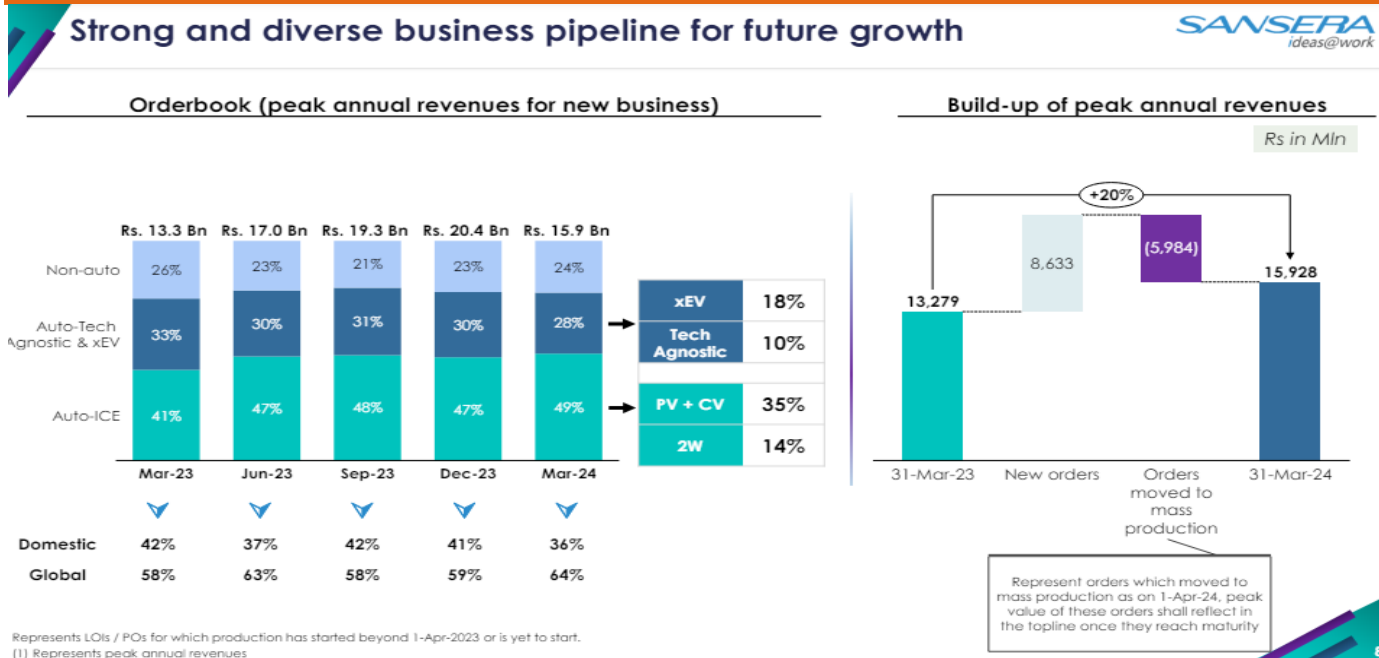
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Q4FY24 Earnings Conference Call highlights

- **Auto segment:** The Auto ICE segment grew by 17.7% YoY, driven by new client additions and expansion in the share of existing customers such as Jazz, Maruti, Tata Motors, General Motors, and TVS Motors. Within this segment, SEL sales has grown by ~20% both in Motorcycle and PV category, which are the largest end markets for the company in ICE space.
- **Electric Vehicle:** The Electric Vehicle segment at SEL has grown by more than 50% to ₹124 crore in FY24. It has added a new Japanese customer based 2-wheeler manufacturer. It expects to double the revenue in FY25 owing to commercialization of EV components to North America and the commissioning new components for existing two-wheeler customers.
- **Non -auto:** This segment revenues grew 25% YoY to ₹ 324 crore in FY24. Aerospace revenues grew 19% YoY to ₹ 109 crore, marginally short of expectations. In the **Aerospace**, SEL is increasing its product portfolio by adding new customers such as the Triumph and Saab in the aerospace segment. Some new programs were postponed due to the regulatory approvals for the OEMs last year, resulting in a shift in order books to subsequent quarters. It will be adding a special processing facility to the existing machining facility, which will be fully utilized and generate revenue of ₹350 to ₹400 crore by FY27.
- **Order Book:** The order book for new business stands at ~₹1,600 crores with ~52% of orders are from emerging business- Non-Auto, Auto tech agnostic, and EV. This orderbook is expected to reach its peak annual revenue in the next 3 years. SEL has won ₹75 crore worth of orders from Ford Motor for the Auto PV segment. Moreover, it has received ₹30 crore worth of orders from aerospace segment.
- **Capacity Expansion:** SEL is expected to commission 4000 tons new press line by H1 FY25. It will also add two presses of 2500 tons and 1500 tons to increase the capacities for larger engine category components. Moreover, it will have capacity additions in aluminium forged components replacing steel forging components to achieve light weighting requirements.
- **Capex:** The capex for FY24 stood at ~₹340 crore, including 70% in plant and equipment segment, 15% in land and building facility expansion, and the remaining 15% for maintenance capex. SEL has planned a capex of ₹400 crore in FY25, thereafter normalizing it in the range of ₹300 to ₹350 crores in FY26. It will invest about 40% in tech agnostic and non-automotive segments, thereby investing into Aluminium forging lines
- **International Operation:** Sweden operations reported 11% YoY growth in revenues, 6.4% EBITDA margins in FY24 and expects flat margins in FY25. SEL is investing about ₹15 to ₹16 crore in the automation process in FY25, thereby targeting EBITDA margins of 10% to 11% in FY26. Sweden business represents 6% of total sales while rest 26% of international business is exports from India. Total international sales are ~32%.
- **Guidance and Others:** SEL aims to maintain its revenue growth trajectory of ~20% going forward. It expects 40% to 50% growth in non-auto and tech agnostic space in the same period. Additionally, it is currently operating at ~70% utilisation levels. At the peak utilization of ~80%- 85%, it will able to generate ₹900 crore of revenue per quarter. It aims for revenue contribution from non-auto, tech agnostic components, and xEVs to increase from 24% in FY24 to 40% in the coming years. Notably, it also informed that the operating cashflow as a percentage of EBITDA improved from 67% to 78%; indicating better CFO generation at the company.

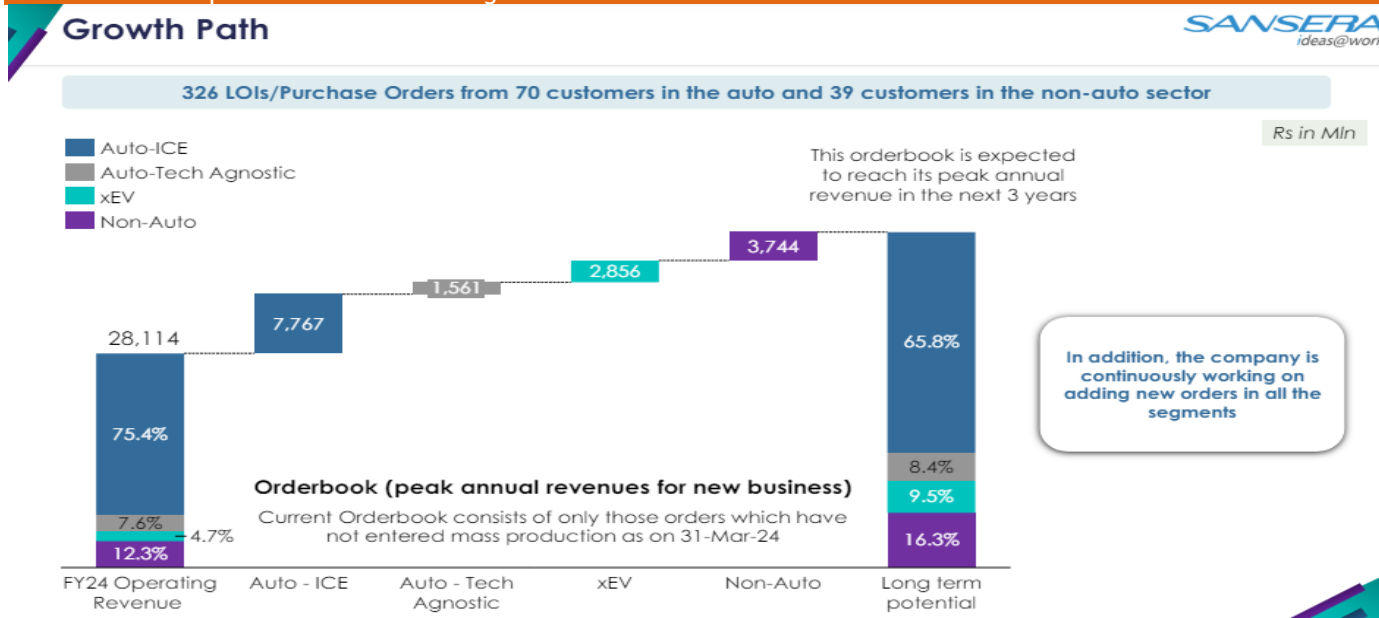
Key Charts from PPT

Exhibit 1: Peak annual revenue – orderbook trend



Source: Company, ICICI Direct Research

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



Source: Company, ICICI Direct Research

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%
International	33.2%	31.6%	31.7%	31.3%	28.4%
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%
TOTAL	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)	FY23	FY24P	FY25E	FY26E	
Net Sales	2346.0	2811.5	3226.4	3708.4	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	2,346.0	2,811.5	3,226.4	3,708.4	
Growth (%)	17.9	19.8	14.8	14.9	
Raw Material Expenses	1,017.5	1,217.6	1,387.4	1,594.6	
Employee Expenses	318.0	379.7	427.5	482.1	
Other Operating Expense	625.9	734.3	848.5	964.2	
Total Operating Expenditure	1,961.3	2,331.6	2,663.4	3,040.9	
EBITDA	384.7	479.9	563.0	667.5	
Growth (%)	15.3	24.7	17.3	18.6	
Depreciation	130.1	149.5	176.4	202.0	
Interest	61.5	77.0	90.1	74.8	
Other Income	10.1	2.4	2.5	3.0	
PBT	203.2	255.8	299.1	393.6	
Exceptional Item & MI	2.2	2.3	2.0	2.2	
Total Tax	54.9	68.8	79.3	104.3	
PAT	146.2	184.8	217.8	287.1	
Growth (%)	12.1	26.4	17.9	31.8	
EPS (₹)	27.6	34.5	40.6	53.6	

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	217.8	287.1	
Add: Depreciation	130.1	149.5	176.4	202.0	
(Inc)/dec in Current Assets	-107.9	-84.3	-137.3	-153.1	
Inc/(dec) in CL and Provisions	34.8	60.7	52.8	72.1	
Others	61.5	77.0	90.1	74.8	
CF from operating activities	264.7	387.6	399.9	483.0	
(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	
CF from investing activities	-257.2	-393.0	-403.5	-303.3	
Issue/(Buy back) of Equity	0.2	0.1	0.0	0.0	
Inc/(dec) in loan funds	67.0	89.0	100.0	-70.0	
Dividend & interest	-74.8	-93.1	-110.2	-101.6	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	11.4	10.7	0.0	0.0	
CF from financing activities	3.7	6.7	-10.2	-171.6	
Net Cash flow	11.3	1.3	-13.9	8.0	
Opening Cash	50.3	61.6	62.9	49.0	
Closing Cash	61.6	62.9	49.0	57.1	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Liabilities					
Equity Capital	10.6	10.7	10.7	10.7	
Reserve and Surplus	1,157.3	1,336.7	1,534.4	1,794.8	
Total Shareholders funds	1,167.9	1,347.4	1,545.2	1,805.5	
Total Debt	712.1	801.1	901.1	831.1	
Deferred Tax Liability	68.9	69.2	69.2	69.2	
Minority Interest / Others	144.9	145.3	152.2	159.4	
Total Liabilities	2,093.8	2,363.0	2,667.7	2,865.2	
Assets					
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	
Total Fixed Assets	1,432.1	1,630.2	1,853.9	1,951.8	
Investments	48.3	78.4	83.9	89.4	
Inventory	371.0	418.9	486.2	558.8	
Debtors	432.7	462.2	530.4	609.6	
Loans and Advances	4.1	4.3	5.0	5.7	
Other Current Assets	45.2	51.9	53.1	53.6	
Cash	61.6	62.9	49.0	57.1	
Total Current Assets	914.6	1,000.3	1,123.7	1,284.8	
Current Liabilities	292.7	355.8	397.8	457.2	
Provisions	5.5	4.3	4.8	5.5	
Current Liabilities & Prov	369.1	429.7	482.5	554.6	
Net Current Assets	545.6	570.5	641.1	730.2	
Others Assets	67.8	83.9	88.9	93.9	
Application of Funds	2,093.8	2,363.0	2,667.7	2,865.2	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Per share data (₹)					
EPS	27.6	34.5	40.6	53.6	
Cash EPS	52.2	62.3	73.5	91.2	
BV	220.7	251.3	288.2	336.8	
DPS	2.5	3.0	3.8	5.0	
Cash Per Share	11.6	11.7	9.1	10.6	
Operating Ratios (%)					
EBITDA Margin	16.4	17.1	17.5	18.0	
PAT Margin	6.2	6.6	6.8	7.7	
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	
Return Ratios (%)					
RoE	12.5	13.7	14.1	15.9	
RoCE	12.2	14.0	14.5	16.2	
RoIC	13.0	14.9	15.1	16.9	
Valuation Ratios (x)					
P/E	37.3	29.9	25.4	19.2	
EV / EBITDA	15.9	12.9	11.2	9.3	
EV / Net Sales	2.6	2.2	2.0	1.7	
Market Cap / Sales	2.3	1.9	1.7	1.5	
Price to Book Value	4.7	4.1	3.6	3.1	
Solvency Ratios					
Debt/EBITDA	1.9	1.7	1.6	1.2	
Debt / Equity	0.6	0.6	0.6	0.5	
Current Ratio	2.9	2.6	2.7	2.7	
Quick Ratio	1.6	1.4	1.5	1.4	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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