

Robust order book and diversification to drive growth



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%

Q2FY25 Result: Sansera Engineering reported steady performance in Q2FY25. On the consolidated basis, total operating income for the quarter stood at ₹ 763 crore (up 10% YoY) with EBITDA at ₹133 crore and corresponding EBITDA margins at 17.4% (up 30 bps QoQ). PAT in Q2FY25 came in at ₹50.7 crore (up ~8% YoY). Revenue from domestic segment grew by 8% YoY while international operation staged a growth of 15% YoY in this quarter.

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 ~₹2,000 crores as of H1FY25, with 51% orders from emerging and margin accretive segments (Non-auto and Auto Tech Agnostic & xEV). Notably, ~60% 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 17% revenue CAGR over FY24-27E, potentially reaching to ~₹ 4,500 crore by FY27E.
- **Diversification in progress, auto tech & non-auto domains to outgrow:** As of H1FY25, SEL derives ~73% of its revenue from Auto-ICE segment while it realises balance ~16% 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. The management aims to grow the non-auto segment (defence, aerospace & semiconductors) with a CAGR of 35%-40%. SEL is making tangible progress by winning new orders in this direction.

Rating and Target Price

- With robust order book backed high double-digit growth on the anvil, we have a positive view on Sansera amid structural positives being net debt free b/s & healthy double-digit margins and return ratios profile. We retain our **BUY** rating on SEL, valuing it at **₹ 2,000** i.e., 26x PE on FY27E.

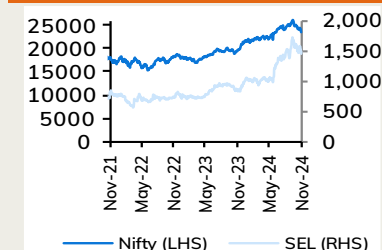
Particulars

Particulars	₹ crore
Market capitalisation	9,109
Total Debt (FY24)	801
Cash & Investment (FY24)	64
EV (₹ crore)	9,846
52 week H/L (₹)	1,758 / 825
Equity capital (₹ crore)	12.3
Face value (₹)	2.0

Shareholding pattern

	Mar-24	Jun-24	Sep-24	Oct-24
Promoter	35.0	34.8	34.8	30.4
FII	22.1	15.6	19.5	18.5
DII	28.6	34.7	32.5	39.6
Other	14.3	15.0	13.2	11.5

Price Chart



Recent event & key risks

- Raises Equity in the form QIP amounting to ₹1200 crores.
- Key Risk: (i) slower than built in sales growth amid geopolitical tensions (export) (ii) lower than anticipated gains in margins.

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Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Net Sales	1,457	1,549	1,989	2,346	2,811	11.6%	3,174	3,729	4,500	17.0%
EBITDA	225	272	334	385	480	10.7%	561	690	877	22.3%
EBITDA Margins (%)	15.4	17.6	16.8	16.4	17.1		17.7	18.5	19.5	
Net Profit	80	108	130	146	186	14.1%	253	355	471	36.4%
EPS (₹)	15.4	20.7	25.0	27.6	34.6		41.2	57.9	76.8	
P/E	96.4	71.7	59.4	53.8	42.9		36.0	25.7	19.3	
RoNW (%)	10.5	12.3	12.7	12.5	13.8		9.1	11.4	13.3	
RoCE (%)	8.2	10.5	11.3	12.2	14.0		12.3	14.1	16.6	

Key Takeaways of Recent Quarter

Q2FY25 Results: Reported Steady Performance

- On the consolidated basis, the total revenues basis for the quarter stood at ₹ 763 crore (up 10% YoY). Revenue from domestic segment grew by 8% YoY whereas international segment staged at growth of 15% YoY
- Auto ICE segment reported a ~9% YoY growth driven by two-wheeler segment, which has grown ~21% YoY in this quarter. Non-Auto Sector reported a decline of 20% YoY, primarily due to weak performance in off-road and agriculture segment. Emerging Segments (Tech Agnostic, xEV): reported a sharp growth of 53% YoY, propelled by ramped up of large orders, particularly from North America.
- Reported consolidated EBITDA stood at ₹133 crore and corresponding EBITDA margins at 17.4%, up 30 bps QoQ. PAT in Q2FY25 came in at ₹51 crore, up ~8% YoY. Net debt for the quarter stood at ~₹ 880 crores as of Sept'24. Capex for H1FY25 stood at ~₹ 294 crores.

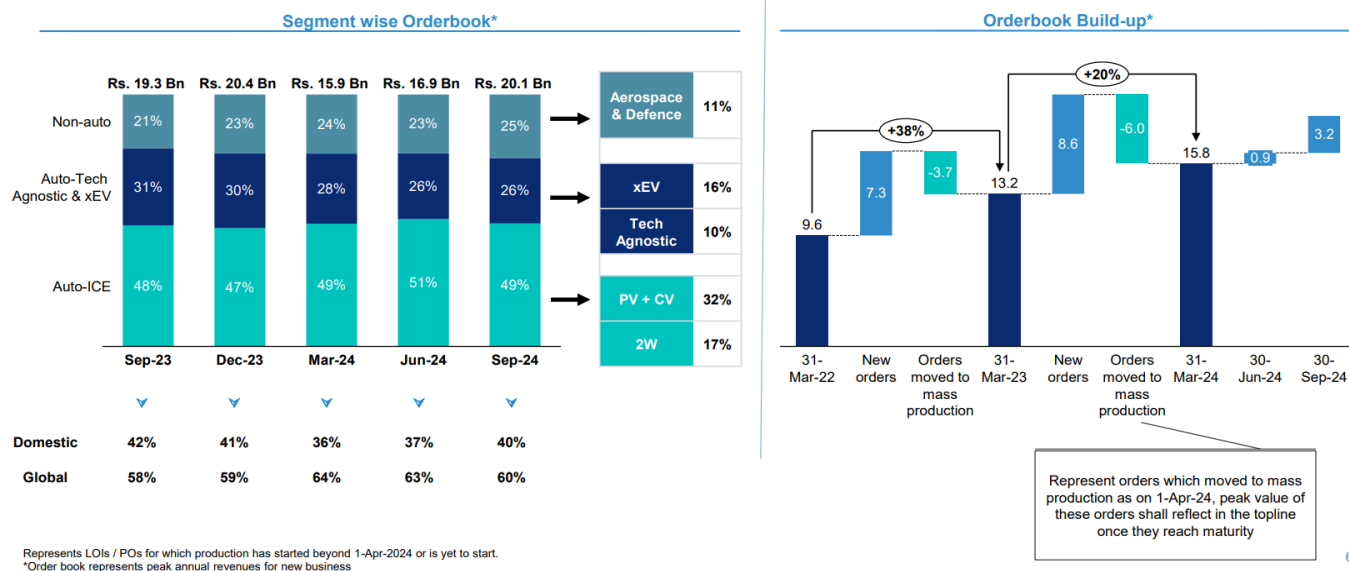
Q2FY25 Earnings Conference Call Highlights:

- **Order Book:** As of 30th Sept,'24, Order book stands at ~₹ 2,000 crore, with more than 50% of orders from non-auto, tech-agnostic, and xEV. Notably, ~60% of order book is coming from the international markets. Within ₹ 500 crores order book from non-auto, 30% to 35% of order book comprises of aerospace segment. Order book for aluminium forging segment stands at ₹ 350 cores and expects to execute 80%-85% of these in FY26.
- **Capacity Expansion:** SEL has signed a letter of allotment for 55-acre land parcel in Karnataka (looking to set up a greenfield facility). Over 60% of new Capex has been allocated towards Tech Agnostic and Non-Auto components. Other key expansion includes a special process plant for aerospace and a new facility in Sweden to support automation and new orders. Additionally, it also plans to invest in warm and hot forging capabilities, particularly in Aluminium components for EVs and high-performance applications.
- **Capex:** Total Capex for FY25 remains within previously guided range of INR 425-450 crore, excluding additional investments in new land parcels.
- **QIP Utilization:** Out of ₹ 1,200 crores raised from the recent QIP, SEL plans to utilized ₹ 700 crore to reduce debt thereby aiming to save approximately INR 55 crore annually in interest expenses. Remaining will be utilized for capacity expansion with one of the company's plans is setting up a small assembly plant in USA.
- **Swedish Operations:** SEL Swedish facility reported a 6.7% EBITDA margin in Q2FY25 and expects to sustain 10-12% margins by the end of FY25. This margin expansion will be supported by price adjustments, new orders, and automation projects.
- **Strategic Investments:** SEL recently entered the semiconductor equipment space and signed an MOU with Dynamic Technologies for aerospace components, targeting Airbus A220 parts. Additionally, the MOU with Dynamic Technologies is expected to yield ₹ 53 crore annually from Airbus A220 parts and may expand into further aerospace opportunities.
- **Guidance:** SEL remains committed to outperform the industry growth by 8% -10%. With diversification strategy towards higher product mix, cost optimization initiatives, and higher capacity utilization, will help in expanding the margins going forward. Moreover, SEL expects non-auto segment to grow 35% to 40% CAGR over the next two to three years, with aerospace and defense space expects to grow at a CAGR of 40% to 50% in this period. Additionally, agriculture sector is poised for recovery due to favourable monsoon conditions, while the aerospace sector should see renewed momentum following production backlogs from a key customer.

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

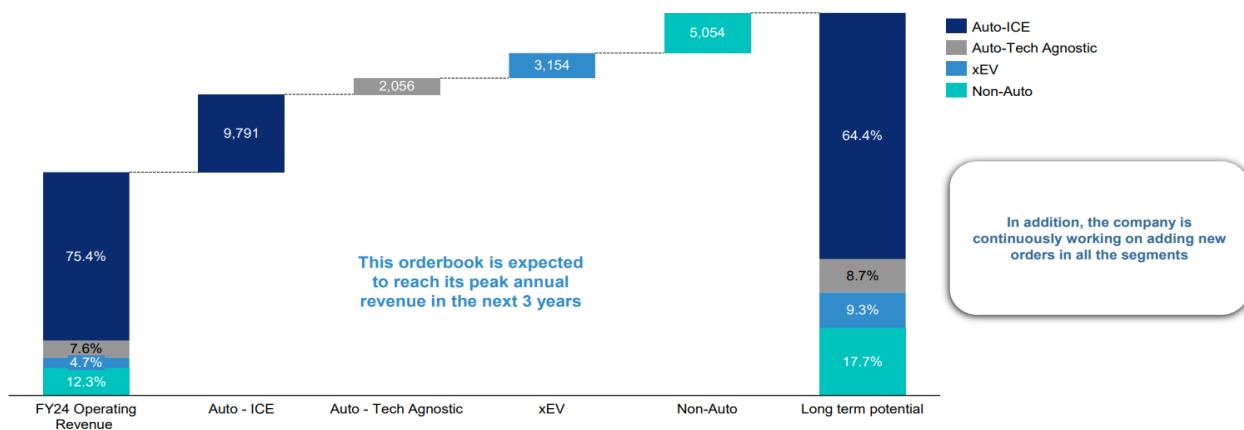


Source: Company, ICICI Direct Research

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

388 LOIs/Purchase Orders from 84 customers in the auto and 53 customers in the non-auto sector

INR in Mn



Source: Company, ICICI Direct Research

Exhibit 3: Share of Sales across geographies

Sales mix (%)	Q2FY25	Q2FY24	Q1FY25	H1FY25	H1FY24	FY24
India	69.9%	71.3%	67.6%	68.8%	69.9%	68.7%
Europe	17.8%	16.4%	19.6%	18.7%	17.9%	18.4%
USA	8.3%	9.5%	10.1%	9.2%	9.2%	9.9%
Other Foreign Countries	4.0%	2.8%	2.7%	3.3%	3.0%	3.0%
International	30.1%	28.7%	32.4%	31.2%	30.1%	31.3%
Exports from India	25.5%	23.1%	27.4%	26.3%	23.7%	25.2%
Sweden Sales	4.6%	5.6%	5.0%	4.8%	6.4%	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	2,811	3,174	3,729	4,500	
Other Operating Income	0	0	0	0	
Total Operating Income	2,811	3,174	3,729	4,500	
Growth (%)	19.8	12.9	17.5	20.7	
Raw Material Expenses	1,218	1,300	1,529	1,845	
Employee Expenses	380	442	503	562	
Other Operating Expense	734	872	1,007	1,215	
Total Operating Expenditure	2,332	2,613	3,039	3,622	
EBITDA	480	561	690	877	
Growth (%)	24.7	16.8	23.0	27.2	
Depreciation	149	180	214	244	
Interest	77	51	10	9	
Other Income	2	16	15	13	
PBT	256	346	480	637	
Exceptional Item & MI	1.3	3.1	3.0	3.3	
Total Tax	69	90	122	162	
PAT	186	253	355	471	
Growth (%)	27.0	36.2	40.3	32.8	
EPS (₹)	34.6	41.2	57.9	76.8	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement		₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E	
Profit after Tax	186	253	355	471	
Add: Depreciation	149	180	214	244	
(Inc)/dec in Current Assets	-84	-120	-177	-246	
Inc/(dec) in CL and Provisions	61	45	83	115	
Others	77	51	10	9	
CF from operating activities	389	409	485	594	
(Inc)/dec in Investments	-30	-305	215	60	
(Inc)/dec in Fixed Assets	-348	-500	-600	-600	
Others	-15	3	3	0	
CF from investing activities	-393	-802	-382	-540	
Issue/(Buy back) of Equity	0	2	0	0	
Inc/(dec) in loan funds	89	-700	-50	0	
Dividend & interest	-93	-74	-41	-49	
Inc/(dec) in Share Cap	0	0	0	0	
Others	10	1,198	0	0	
CF from financing activities	6	426	-91	-49	
Net Cash flow	1	33	12	5	
Opening Cash	62	63	96	108	
Closing Cash	63	96	108	112	

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	1,337	2,765	3,089	3,521	
Total Shareholders funds	1,347	2,777	3,102	3,533	
Total Debt	801	101	51	51	
Deferred Tax Liability	69	69	69	69	
Minority Interest / Others	145	153	161	166	
Total Liabilities	2,363	3,101	3,383	3,819	
Assets					
Gross Block	2,303	2,836	3,286	3,686	
Less: Acc Depreciation	756	936	1,150	1,394	
Net Block	1,547	1,900	2,136	2,292	
Capital WIP	84	50	200	400	
Total Fixed Assets	1,630	1,950	2,336	2,692	
Investments	78	383	168	108	
Inventory	419	478	562	678	
Debtors	462	522	613	740	
Loans and Advances	4	5	6	7	
Other Current Assets	52	52	54	56	
Cash	63	96	108	112	
Total Current Assets	1,000	1,153	1,342	1,593	
Current Liabilities	356	391	460	555	
Provisions	4	5	6	7	
Current Liabilities & Prov	430	475	558	673	
Net Current Assets	570	678	785	920	
Others Assets	84	89	94	99	
Application of Funds	2,363	3,101	3,383	3,819	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY24	FY25E	FY26E	FY27E	
Per share data (₹)					
EPS	34.6	41.2	57.9	76.8	
Cash EPS	62.5	70.6	92.8	116.6	
BV	251.3	452.8	505.7	576.0	
DPS	3.0	3.8	5.0	6.5	
Cash Per Share	11.7	15.6	17.6	18.3	
Operating Ratios (%)					
EBITDA Margin	17.1	17.7	18.5	19.5	
PAT Margin	6.6	8.0	9.5	10.5	
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	9.1	11.4	13.3	
RoCE	14.0	12.3	14.1	16.6	
RoIC	14.9	14.3	15.9	19.2	
Valuation Ratios (x)					
P/E	42.9	36.0	25.7	19.3	
EV / EBITDA	20.5	15.7	13.0	10.3	
EV / Net Sales	3.5	2.8	2.4	2.0	
Market Cap / Sales	3.2	2.9	2.4	2.0	
Price to Book Value	5.9	3.3	2.9	2.6	
Solvency Ratios					
Debt/EBITDA	1.7	0.2	0.1	0.1	
Debt / Equity	0.6	0.0	0.0	0.0	
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

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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