

Export near-term concern persist

CMP: INR 1,394

Rating: Hold

Target Price: INR 1,511

Stock Info

BSE 543358

NSE SANSERA

Bloomberg SANSERA IN

Sector Automobile & Ancillaries

Face Value (INR) 2

Equity Capital (INR Mn) 110

Mkt Cap (INR Mn) 75,660

52w H/L (INR) 1479 / 820

Avg Yearly Vol (in 000') 17.81

Shareholding Pattern %

(As on March, 2024)

Promoters 34.79

DIIs 34.67

FIIs 15.56

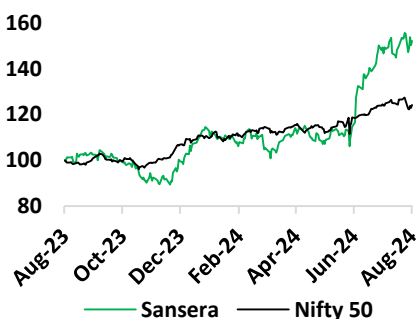
Others 24.98

Stock Performance (%) 1m 3m 12m

Sansera 1.24 38.85 51.19

Nifty -0.18 9.35 24.23

Sansera Vs Nifty



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Sansera engineering reported below estimate numbers in Q1FY25. Consolidated revenue from operations grew by +12.7% YoY/-0.3% QoQ stood at INR 7,438 mn in Q1FY25 below our estimate of INR 8,238 mn. EBITDA for the quarter stood at INR 1,275 Mn against our estimate of INR 1,442 Mn registered growth of 11.5% YoY/ +0.4% QoQ. The company's EBITDA margin is down by 18bps YoY/+11bps QoQ to 17.14%. (Our estimate of Margin is 17.5%). Net profit grew by 11.2% YoY/up 9.1% QoQ of INR 502 Mn in Q1FY25 below our estimate of INR 590 Mn.

Investment Rationale

Strong order book from Aerospace & Defence segment: The number of LOIs at the beginning of the year has shifted to mass production, and Q2FY25 will add significant business from the Sweden subsidiary. The company is seeing good order inflows in aerospace and defense, including new segments such as ultra-high precision component machining for semiconductor manufacturing. The company expects to end FY25 on a strong note. The company expects 30%-35% growth in aerospace revenue (3.7% revenue mix) for the current year, down from an initial expectation of 40%-50% growth

Strategic Shifts: Aluminum Dominance and Evolving Electric Vehicle Landscape: Fueling Premium Models and Light-weighting Trend. In FY25 will see significant additions to capacities in light-weighting and aluminum components, which replace steel forgings to meet demand from premium, EV, and hybrid vehicles. These components can potentially increase revenue per vehicle by 4-5x and present large export opportunities. Sansara's diverse and evolving product portfolio has been the cornerstone of its growth, aiming to establish a strong presence in emerging business segments.

Steady Margins led by international business: EBITDA margin remained stable at 17%, despite increased expenses and an increase in capacity utilization, and the company will continue to focus on cost optimization strategies. International business led margin steady with Sweden decline 20% which contribute 5% to total international revenue. The Sweden operation has acquired new business, including a larger connecting rod project and automation, which will reduce the need for human resources. A customer's alternate supplier has stopped supplying, leading to better pricing. So, margins expected to improve in Q1FY26 12-13% EBITDA margin from FY26.

Outlook and valuation

We are projecting a revenue CAGR of 19.3% over FY24-FY27E and an EBITDA margin of 17.5% in FY27E, driving an EPS CAGR of ~24%. We also anticipate ROE/ROCE pre-tax to increase from 14%/12% in FY24 to ~16%/14% by FY27E. Considering the decent growth and ROE/ROCE expansion.

We value SEL at 23x FY27E EPS (~INR 66) to arrive at a target price of INR 1,511(Earlier TP INR 1,336). However, we believe the current valuation at 21x FY27E EPS is expensive due to the recent 40% increase within six months and near-term concerns in international markets (contributing 32.4%), particularly in Sweden, Europe, and the US. **We downgrade our rating to Hold from a Buy earlier on the stock.**

Exhibit 1 : Financial Performance

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoCE (%)	P/E (x)
FY24	28,114	4,799	1,858	34.8	17.1%	11.83%	40.0
FY25E	33,405	5,737	2,447	46.0	17.2%	13.00%	30.3
FY26E	39,771	6,971	2,960	55.5	17.5%	13.90%	25.1
FY27E	47,725	8,357	3,504	65.7	17.5%	14.30%	21.2

Source: Arihant Research, Company Filings

Exhibit 2 : Q1FY25 - Quarterly Performance (Consolidated)

Quarterly Results					
Consolidated (INRm)	Q1FY25	Q4FY24	Q1FY24	QoQ%	YoY%
Net Sales	7,439	7,458	6,601	-0.3%	12.7%
Cost of material consumed	3,318	3,120	3,084	6.4%	7.6%
Changes in inventories	(276)	73	(190)	-	-
COGS	3,042	3,193	2,894	-4.7%	5.1%
GP	4,397	4,265	3,706	3.1%	18.6%
Employees benefits expense	1,068	999	910	6.9%	17.4%
Other expenditure	2,054	1,996	1,653	2.9%	24.3%
EBITDA	1,275	1,270	1,144	0.4%	11.5%
Depreciation	400	397	349	0.6%	14.6%
EBIT	876	873	795	0.3%	10.2%
Other Income	4.0	(2.9)	4	-235.8%	-6.6%
Finance costs	193	225	189	-14.6%	1.8%
PBT	687	645	610	6.5%	12.7%
Current Tax	174	221	141	-21.1%	23.3%
Deferred tax	10	(37)	17	-	-
Tax	185	185	158	0.1%	16.8%
Adjusted PAT	502	460	452	9.1%	11.2%
Non-controlling interests	5.7	4.0	4.5	40.4%	24.7%
Reported PAT	496.6	456.3	447.2	8.8%	11.1%
EPS	9.2	8.6	8.4	7.4%	9.6%
Margins					
	Q1FY25	Q4FY24	Q1FY24	QoQ%	YoY%
Gross margins	40.9%	42.8%	43.8%	-192Bps	-296Bps
EBITDA	17.14%	17.03%	17.32%	11Bps	-18Bps
Adjusted PAT	6.75%	6.17%	6.8%	58Bps	-9Bps
Tax Rate	26.89%	28.63%	25.9%	-174Bps	96Bps
Cost Analysis					
RM/Net Sales	44.61%	41.83%	46.72%	278Bps	-211Bps
Other Exp/Net Sales	27.61%	26.75%	25.04%	85Bps	257Bps
Staff cost/Net sales	14.36%	13.40%	13.79%	96Bps	57Bps

Source: Arihant Research, Company Filings

By Geographies- Sales mix (%)	Q1FY25	Q4FY24	Q3FY24	Q4FY23	FY24	FY23
India	67.60%	66.80%	68.30%	68.30%	68.70%	71.60%
Europe	19.60%	19.70%	18.10%	18.10%	18.30%	17.60%
USA	10.10%	9.90%	11.00%	11.00%	9.90%	7.20%
Other Foreign Countries	2.70%	3.60%	2.60%	2.60%	3.10%	3.60%
International	32.40%	33.20%	31.70%	31.70%	31.30%	28.40%
Exports from India	27.40%	28.10%	25.00%	25.00%	23.10%	21.70%
Sweden Sales	5.00%	5.10%	6.70%	6.70%	5.60%	6.70%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Arihant Research, Company Filings

Sansera Engineering Q1FY25-Conference Call Highlights

- New product additions in FY24 are expected to drive moderate growth in FY25, with current customer discussions potentially resulting in 15-16% growth in FY26 and better growth in FY27.
- Q1FY25 had better results in India, driven primarily by a 19% growth in the 2W space and a combined 7% growth from other segments, supported by a good monsoon in rural areas. However, challenges with other customers and some softness in European PV customers negatively impacted results.
- Negative growth in the Sweden business (Down 20%) affected the international front.
- Margin improvements, structural implementations, and social efforts will help achieve better margins. Export grew ~28% in Aerospace, targeting 30-35% (expectation of 40-45%, tempered due to cautiousness from one customer in FY25). Exports from India in FY24 were INR 665 Cr in product sales (excluding Sweden operations), representing 27.5% of revenue.
- The company is looking at various segments, specifically aerospace, but nothing concrete is on the cards as of now.
- EBITDA margin remained stable at 17%, despite increased expenses and an increase in capacity utilization, and the company will continue to focus on cost optimization strategies.
- Auto Tech-Agnostic and xEV contributions have become more significant, with revenue reaching 16% in Q1FY25.
- There is strong traction in the industrial and marine sectors, with non-auto categories expected to see more growth in the coming year.
- New Products: The company is focused on adding new components and increasing its wallet share.
- Capacity Utilisation: Plant utilization is at 65-75%, with recapitalization expected to reach 80%.
- Greenfield capacity expansion: The Board has given approval for mid-FY26, with additions by FY27. The company signed an MoU with the Government of Karnataka to acquire 55 acres of industrial land in Harohalli, Ramanagara, Bengaluru, aligning with Sansera's long-term growth and expansion plans for both automotive and non-automotive sectors, including plans for greenfield capacity expansion.
- Capex of INR 4,500 Mn is planned, with 40-45% allocated to tech-agnostic non-automotive projects and expanding products in the lightweight chassis and component segment.
- Orderbook: The order book is strong in the long term across all segments, including the Sweden subsidiary and European markets, with good visibility and alignment with customer project timelines.
- Orderbook mix: Expected 63% of orders from international markets and 37% from domestic business.
- Aluminium: The company has made good progress in producing 1.5 Mn aluminium parts within two to three years, with margins expected to improve as the company continues to learn and optimize production.
- Aerospace & Defense: The number of LOIs at the beginning of the year has shifted to mass production, and Q2FY25 will add significant business from the Sweden subsidiary. The company is seeing good order inflows in aerospace and defense, including new segments such as ultra-high precision component machining for semiconductor manufacturing. The company expects to end FY25 on a strong note.
- EV Penetration There have been concerns about the rate of EV adoption in the Western markets, particularly in Europe and the US. The company has announced a focus on both EV and ICE, which is beneficial.
- Customers: The company continues to work with existing and new customers, gaining a larger share of the ICE market, although there has been a slight slowdown in quantities with no concern over the order book.
- The Sweden operation has acquired new business, including a larger connecting rod project and automation, which will reduce the need for human resources. A customer's alternate supplier has stopped supplying, leading to better pricing. While higher margins may not be reported in FY25, it bodes well for Q1FY26.
- 22-30% of revenue comes from international business, with diversification from automotive to non-automotive, driven by new customers and programs. Overall growth is expected to be 8-10%, higher than the industry average.
- EV growth was 30% in FY24, with continued growth expected in FY25-FY26.
- The company has started commercial production, showing strong growth prospects, with expectations of adding INR 1000 Mn to FY25 growth, and bringing in new customers. The company is working on XUVs and agnostic technology.
- Non-automotive business is currently smaller but is expected to grow by 40-50% over the next 2-3 years, with overall tech-agnostic growth of 40-50% YoY.
- The connecting rod and automotive ICE business are well-established and optimized, with higher margins expected.
- MMRFIC's radar business is showing significant growth potential across defense, surveillance, space, and automotive applications, with notable progress in the defense seeker radar program over the past four to five years, positively impacting EBITDA margins.

Story in charts (INR in Mn)

Exhibit 4: Revenue growth led by healthy growth in domestic and international business

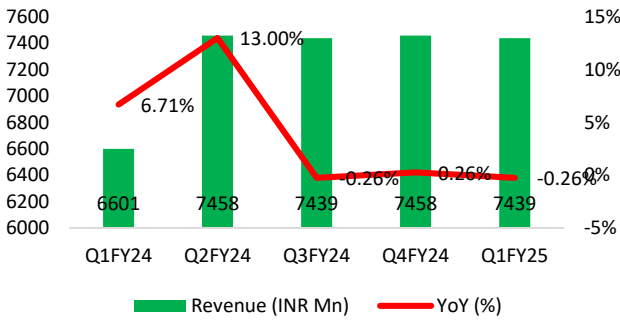


Exhibit 5: Margins to be steady in the coming years due to issue on the exports side

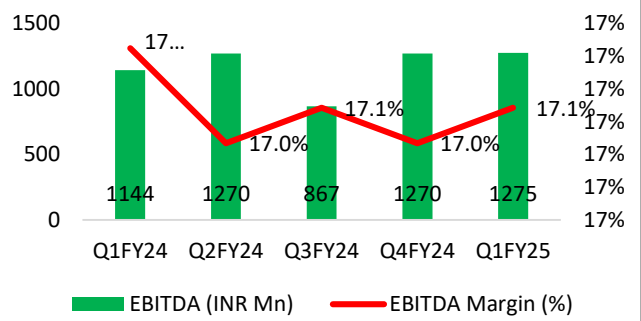


Exhibit 6: Strong profit growth to be seen on back of strong order book

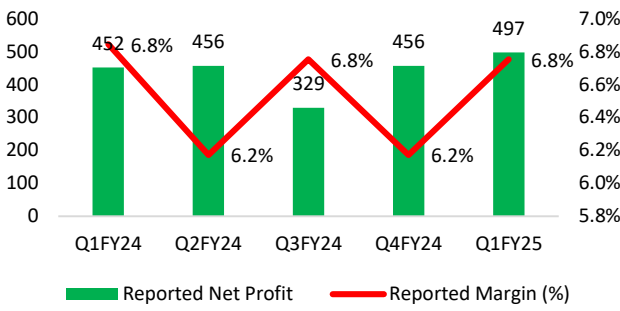


Exhibit 6: Visible growth in the revenue contribution from xEV segment

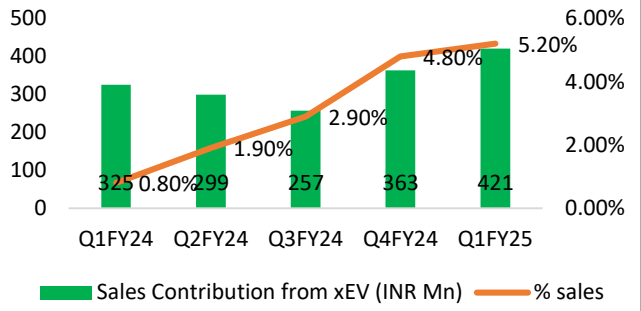


Exhibit 7: Strong Orderbook driven by both Domestic

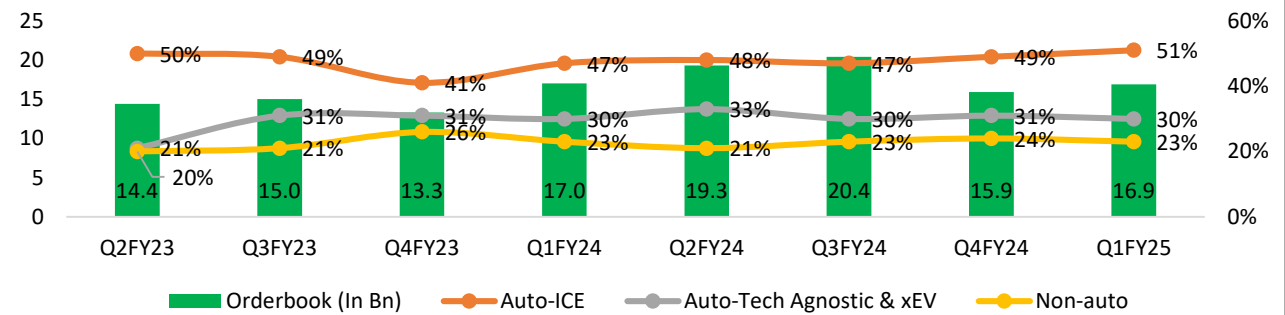


Exhibit 8: Improving earning trends

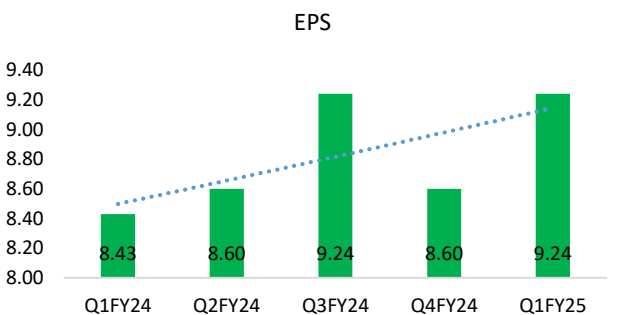
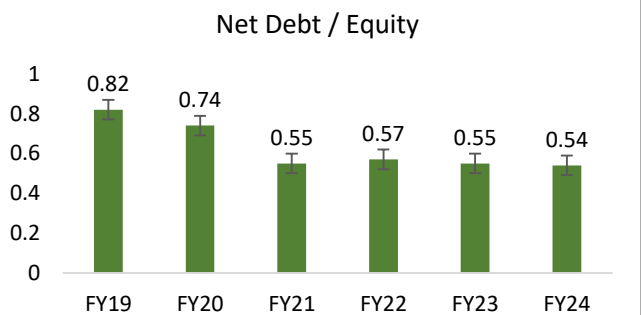


Exhibit 9: Continue improvement in the Net Debt/Equity



Source: Company, Arianth Research

Key Financials

Income Statement Consolidated (INR Mn)

Year End-March	FY24	FY25E	FY26E	FY27E
Revenues	28,114	33,405	39,771	47,725
<i>Change (%)</i>	19.8%	18.8%	19.1%	20.0%
Cost of Goods Sold (COGS)	12,175	14,334	18,292	22,258
Gross Profit	15,939	19,071	21,479	25,467
Employee costs	3,798	4,814	5,097	5,812
Other expenses	7,343	8,521	9,411	11,298
Total Expenses	23,316	27,668	32,800	39,368
EBITDA	4,799	5,737	6,971	8,357
EBITDA Margin	17.07%	17.17%	17.53%	17.51%
Depreciation	1,495	1,785	2,209	2,801
EBIT	3304	3951	4762	5556
Interest	770	783	855	926
Other Income	24	33	40	48
PBT	2,558	3,202	3,947	4,678
Exceptional Items	-	-	-	-
PBT after exceptional Items	2,558	3,202	3,947	4,678
Tax	687	737	969	1,157
<i>Rate (%)</i>	26.9%	25.0%	24.5%	24.7%
PAT	1,858	2,447	2,960	3,504
PAT Margin (%)	6.6%	7.3%	7.4%	7.3%

Balance Sheet Consolidated (INR Mn)

Year End-March	FY24	FY25E	FY26E	FY27E
Sources of Funds				
Share Capital	107	107	107	107
Reserves & Surplus	13,367	15,813	18,774	22,277
(b) Instruments entirely equity in nature	-	-	-	-
(d)non-controlling intrest	159	-	-	-
Net Worth	13,633	15,921	18,881	22,384
Loan Funds	8,011	7,121	7,121	7,121
MI, Deferred Tax & other Liabilities	692	692	692	692
Total Equity and Liabilities	27,927	30,407	34,251	38,860
Application of Funds				
Gross Block	21,951	25,951	29,451	32,951
Less: Depreciation	7,326	9,111	11,320	14,121
Net Block	14,625	16,840	18,131	18,830
CWIP	835	835	835	835
Other Non-current Assets	456	456	456	456
Other Current Assets	440.9	440.9	440.9	440.9
Net Fixed Assets	16,357	18,572	19,863	20,562
Investments	195	195	195	195
Debtors	4,622	4,640	5,524	6,628
Inventories	4,189	4,576	5,448	6,538
Cash & Bank Balance	486	645	1,442	3,157
Loans & Advances & other CA	96	96	96	96
Total Current Assets	9,995	10,558	13,111	17,020
Current Liabilities	9,765	9,843	10,727	11,832
Provisions	43	43	43	43
Net Current Assets	230	715	2,384	5,189
Total Assets	27,927	30,407	34,251	38,860

Source: Arihant Research, Company Filings

Key Financials

Cash Flow Statement Consolidated (INR Mn)				
Year End-March	FY24	FY25E	FY26E	FY27E
PBT	2,563	3,202	3,947	4,678
Cash From Operating Activities	2,564	3,743	5,599	5,057
Tax	(654)	(737)	(969)	(1,157)
Net Cash From Operations	3,743	5,599	5,057	6,046
Capex	(3,356)	(4,000)	(3,500)	(3,500)
Cash From Investing	(3,683)	(4,000)	(3,500)	(3,500)
Borrowings	8,011	7,121	7,121	7,121
Finance cost paid	770	783	855	926
Div. (incl. buyback & taxes)	(133)	(188)	(188)	(188)
Cash From Financing	(80)	(1,440)	(760)	(832)
Net Increase/ Decrease in Cash	-20	159	797	1715
Cash at the beginning of the year	496	486	645	1,442
Cash at the end of the year	486	645	1,442	3,157

Key Ratios				
Year End-March	FY24	FY25E	FY26E	FY27E
Per share (INR)				
EPS	34.8	46.0	55.5	65.7
BVPS	254	297	352	418
Valuation (x)				
P/E	40.0	30.3	25.1	21.2
P/BV	5.5	4.7	4.0	3.3
Return ratio (%)				
EBIDTA Margin	17.07%	17.17%	17.53%	17.51%
PAT Margin	6.61%	7.32%	7.44%	7.34%
ROE - Pre tax	13.76%	15.48%	15.77%	15.73%
ROCE - Pre tax	11.83%	13.00%	13.90%	14.30%
Leverage Ratio (%)				
Total D/E	0.59	0.45	0.38	0.32
Turnover Ratios				
Asset Turnover (x)	2.8	3.2	3.0	2.8
Inventory Days	54	50	50	50
Receivable Days	60	50	50	50
Payable days	42	50	50	50

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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