

**CMP: INR 1,060**

**Rating: Buy**

**Target Price: INR 1,336**

**Stock Info**

BSE	543358
NSE	SANSERA
Bloomberg	SANSERA IN
Sector	Automobile & Ancillaries
Face Value (INR)	2
Equity Capital (INR Mn)	107
Mkt Cap (INR Mn)	56,752
52w H/L (INR)	1114/752
Avg Yearly Vol (in 000')	152

**Shareholding Pattern %**

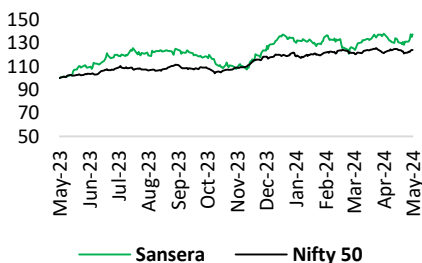
(As on March, 2024)

Promoters	35.23
DII's	25.11
FII's	29.00
Others	10.66

**Stock Performance (%)** 1m 3m 12m

Sansera	-0.3	2.1	37.5
Nifty	2.3	2.09	14.04

**Sansera Vs Nifty**



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Sansera engineering reported Strong top line and margin expansion; Bottom line impacted due to higher other expenses. Consolidated revenue from operations grew by +21% YoY/4.7% QoQ stood at INR 7,458 mn in Q4FY24 above our estimate of INR 7,235 mn led by growth in the Domestic & international business. EBITDA for the quarter stood at INR 1,270 Mn against our estimate of INR 1,230 Mn registered growth of 32.1% YoY/ 5.3% QoQ. The company's EBITDA margin expanded by 149 bps YoY/+10bps QoQ to 17.03%. (Our estimate of Margin is 17.0%) Net profit grew by 29.8% YoY/down 5.8% QoQ of INR 456 mn in Q4FY24 below our estimate of INR 495 Mn. (Foreign exchange loss of INR -9.64 Mn resulted in other income in the negative of INR 2.9 Mn). Company has recommended a final dividend of INR 3 per equity share.

**Investment Rationale**

**Strong order backlog driven by Auto & non auto segments:** The company is growing fast, with many orders for new components, larger engines, and special products. This year, significant investment is planned, including a 4000-ton and a 2500-ton press, Capex INR 4000 Mn. In FY25, Capex should to normalize to INR 3000 to 3500 Mn, depending on orders. The strong order book, including INR 1500 Mn from Ford and Triumph, is driving 40-45% revenue growth domestically and internationally, with notable momentum in Aerospace and CV sectors, including a Tata Motors program in North and Latin America.

**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.

**Robust International Growth Boosts Margins and Expands OEM Supplies:** International business led margin growth with Sweden contributing 6% to total international revenue; India's 26% high-margin exports accelerate. The company now supplies full crankshaft assemblies for both Indian and international OEMs, eyeing a pivotal role as an aerospace subsystem supplier.

**Outlook and valuation**

We believe in strong double-digit growth in two-wheeler segment and tech-agnostic products towards higher cc. FY25 sees an upswing in Aerospace and Defence. New capacity expansion targets 40-50% growth in aerospace and ~40% in tech-agnostic components, resulting in overall 40% growth. Aim to maintain EBITDA margin of 17-19%, driven by strong order book for new-gen products and higher cc engines. Sansera poised for 2x industry growth, with 50% from new components and 50% from industry expansion. We value the stock on a P/E (x) multiple of 13x to its FY27E earnings of INR 95.4 EPS to arrive target price of INR 1,336 and continue maintaining our Buy rating 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%	30.4
FY25E	35,087	6,148	2,621	49.2	17.5%	14.16%	21.5
FY26E	45,218	8,155	3,733	70.0	18.0%	16.54%	15.2
FY27E	58,748	10,932	5,097	95.4	18.6%	18.94%	11.1

Source: Arihant Research, Company Filings

## Exhibit 2 : Q4FY24 - Quarterly Performance (Consolidated)

Quarterly Results					
Consolidated (INRm)	Q4FY24	Q3FY24	Q4FY23	QoQ%	YoY%
Net Sales	7,458	7,126	6,186	4.7%	20.6%
Cost of material consumed	3,120	3,138	2,698	-0.6%	15.6%
Changes in inventories	73	(50)	58	-	-
COGS	3,193	3,089	2,757	3.4%	15.8%
GP	4,265	4,038	3,429	5.6%	24.4%
Employees benefits expense	999	954	842	4.8%	18.7%
Other expenditure	1,996	1,877	1,625	6.3%	22.8%
EBITDA	1,270	1,207	962	5.3%	32.1%
Depreciation	397	378	347	4.9%	14.3%
EBIT	873	829	614	5.4%	42.2%
Other Income	(2.9)	13	45	-	-
Finance costs	225	175	173	28.6%	30.4%
PBT	645	666	486	-3.2%	32.7%
Current Tax	221	180	112	22.9%	97.8%
Deferred tax	(37)	(2)	20	-	-
Tax	185	178	132	3.8%	40.1%
Adjusted PAT	460	488	354	-5.7%	30.0%
Non-controlling interests	4.0	3.7	2.8	8.9%	45.5%
Reported PAT	456.3	484.6	351.4	-5.8%	29.8%
EPS	8.6	9.0	6.6	-4.3%	29.5%
Margins	Q4FY24	Q3FY24	Q4FY23	QoQ%	YoY%
Gross margins	42.8%	43.3%	44.6%	-53Bps	-175Bps
EBITDA	17.03%	16.94%	15.55%	10Bps	149Bps
Adjusted PAT	6.17%	6.85%	5.73%	-68Bps	45Bps
Tax Rate	28.63%	26.70%	27.12%	192Bps	151Bps
Effective Tax Rate	28.63%	26.70%	27.12%	192Bps	151Bps
Cost Analysis					
RM/Net Sales	41.83%	44.03%	43.62%	-221Bps	-179Bps
Other Exp/Net Sales	26.75%	26.34%	26.28%	42Bps	48Bps
Staff cost/Net sales	13.40%	13.39%	13.62%	1Bps	-22Bps

Source: Arihant Research, Company Filings

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

Source: Arihant Research, Company Filings

**Sansera Engineering Q4FY24-Conference Call Highlights**

**Maintaining an EBITDA margin target of 17-19%, expecting 40-50% growth in aerospace and ~40% growth in tech-agnostic components, leading to an overall 40% growth in both segments, led by the strong order book for new generation products and higher engine cc.**

**Margin**

Margin expansion led by the product mix, manufacturing efficiency, ongoing cost improvement projects, and operating leverage from increased volume, with the Q4FY24 seeing slightly higher freight costs due to the Red Sea crisis, along with other minor expenses.

**EV**

Company has a diverse customer lineup, including premium 2w and PV manufacturers globally, with EV segment revenue reaching INR 1243Mn, up 52%, driven by a major North American customer's order commercialization.

**Finance cost**

The finance cost increased to INR 225 Mn largely due to higher levels of debt.

**Forex gain/loss**

The foreign exchange gain/loss consists of realized gains on completed transactions and MTM measurement of open exposures, such as outstanding receivables, payables, or forward contracts. Towards the end of this year, the company experienced a temporary negative impact due to MTM, which is a notional loss that will reset over time.

**Order book**

The order book remains to be strong led to strong revenue growth 40-45% in both domestic and International. Expecting good year for the Aerospace and CV.

INR 1500 Mn of orders were added, with significant wins from Ford Motor Company and Triumph.

Aerospace/Collins, including a connecting Rod program with Tata Motors, indicating momentum in both North America and Latin America, with accelerated discussions due to regional challenges like floods.

LOI of INR 6000 Mn

Secured component business from Japanese-based 2w manufacturers for whom the new EV will be launched, anticipating revenue doubling from xEV components FY25 due to commercialization efforts in North America and introduction of newer components to existing 2w market customers, alongside ongoing development of interesting RFQs for overseas customers.

**MMRFIC**

Completed investment in MMRFIC of INR 200 Mn in Q4FY24.

Invested in a renewable energy project in Q4FY24 which will help them to improve overall green power - MMRFIC investment with HAL, DRDO, and other government agencies. It is part partial contribution that has come in FY24 and would be a contribution in FY25-FY26.

**Capex**

Capex for new-generation components and higher CC engines includes adding 4000-ton and 2500-ton presses, amounting to INR 4000 Mn in FY25 but is expected to return to a normal range of INR 3000-3500 Mn in FY26, funded through cash flow and a slight increase in debt while maintaining flexibility for further funding if necessary.

26% capacity has been allocated to PVs and CVs in auto ICE, 40% to tech-agnostic and non-auto components, and 15% to high-end premium 2w legacy components, with new investments primarily targeting higher category engine components like industrial engines, agriculture, and heavy commercial vehicles.

**Utilization**

2w growth normalizing, while 40-45% of the investments target tech-agnostic and non-auto segments, including aluminum forging, machining, aerospace, and defense, and company has secured a new INR 750 Mn order from Ford, with continued investment in PVs, heavy engines, and new generation components.

**PV:** The company should be able to generate a revenue of INR 9000 Mn per quarter on a peak utilization basis.

**Segment**

Auto ICE is at 76% of the business, while non-auto, XEV, and tech-agnostic components stand at 24%, rising to 26% in the Q4FY24; Target for 40% revenue from these segments, supported by a robust order book and strong order wins.

**International**

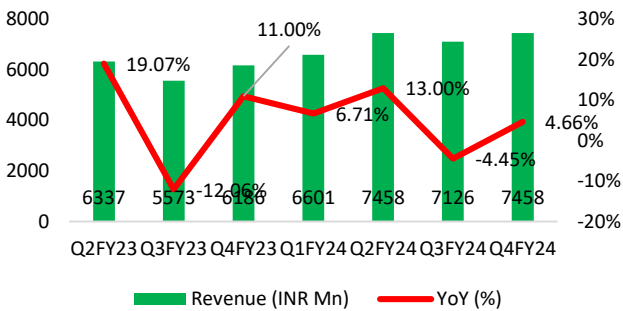
Sweden represents a small portion of the international business, which is 32% of total revenue, with Sweden contributing just 6%; exports from India account for 26% of total revenue and have the highest margin ratio, positively impacting overall performance.

**Newer Components**

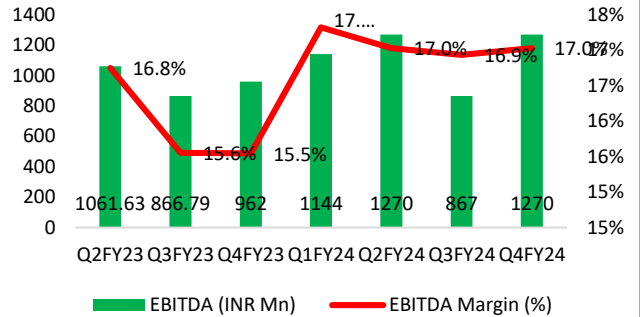
Newer components are co-designed or designed from a statement of requirements, validated through finite element analysis and in-house testing, with a focus on transitioning towards full system assembly in automotive and subsystem suppliers in aerospace.

Story in charts (INR in Mn)

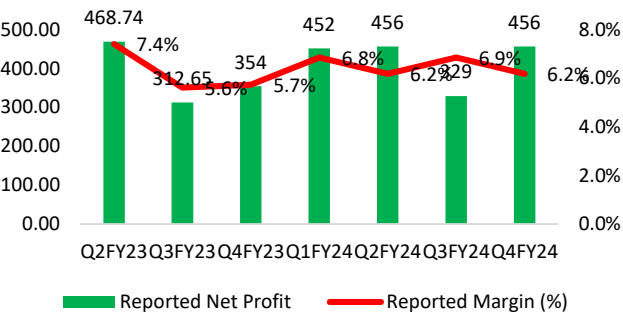
**Exhibit 4: Revenue growth led by healthy growth in domestic and international business**



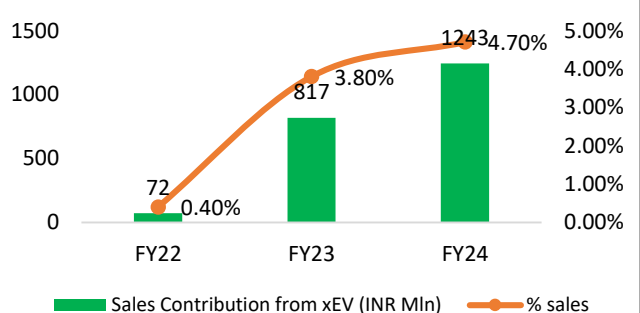
**Exhibit 5: Margins to improve in coming 2 years led by better export**



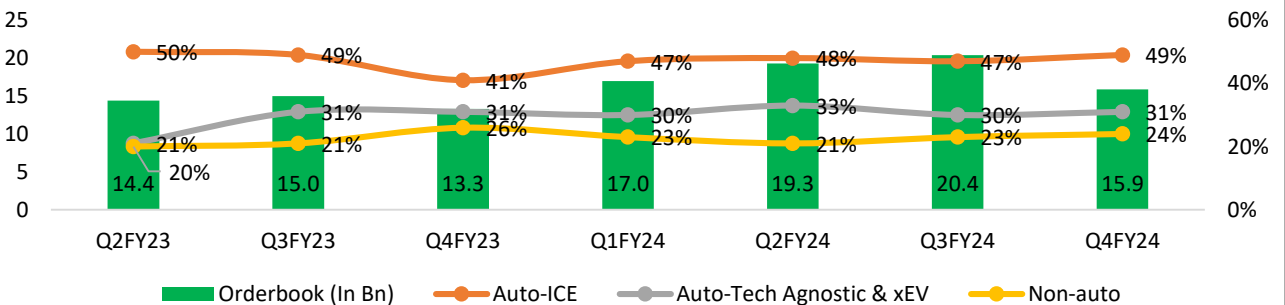
**Exhibit 6: Strong profit growth to be seen on back of strong order book**



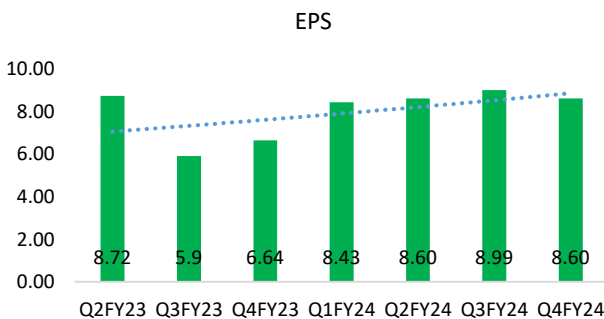
**Exhibit 6: Visible growth in the revenue contribution from xEV segment**



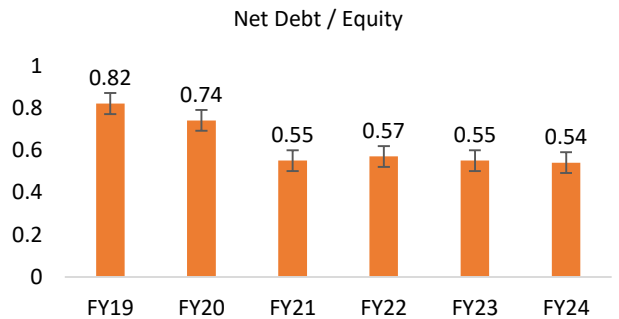
**Exhibit 7: Strong Orderbook driven by both International & Domestic**



**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	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenues</b>	19,890	23,460	28,114	35,087	45,218	58,748
<i>Change (%)</i>	28.4%	17.9%	19.8%	24.8%	28.9%	29.9%
Cost of Goods Sold (COGS)	11,896	10,175	12,175	15,485	20,424	26,103
<b>Gross Profit</b>	<b>7,994</b>	<b>13,286</b>	<b>15,939</b>	<b>19,602</b>	<b>24,794</b>	<b>32,646</b>
Employee costs	2,774	3,180	3,798	4,561	6,130	8,599
Other expenses	1,885	6,259	7,343	8,893	10,509	13,115
<b>Total Expenses</b>	<b>16,554</b>	<b>19,613</b>	<b>23,316</b>	<b>28,939</b>	<b>37,063</b>	<b>47,817</b>
<b>EBITDA</b>	<b>3,336</b>	<b>3,848</b>	<b>4,799</b>	<b>6,148</b>	<b>8,155</b>	<b>10,932</b>
<b>EBITDA Margin</b>	<b>16.77%</b>	<b>16.40%</b>	<b>17.07%</b>	<b>17.52%</b>	<b>18.03%</b>	<b>18.61%</b>
Depreciation	1,197	1,301	1,495	1,785	2,209	2,801
<b>EBIT</b>	<b>2,139</b>	<b>2,547</b>	<b>3,304</b>	<b>4,363</b>	<b>5,946</b>	<b>8,131</b>
Interest	510	615	770	783	855	926
Other Income	155	101	24	35	45	59
<b>PBT</b>	<b>1,784</b>	<b>2,032</b>	<b>2,558</b>	<b>3,614</b>	<b>5,136</b>	<b>7,264</b>
Exceptional Items	-	-	-	-	-	-
<b>PBT after exceptional Items</b>	<b>1,784</b>	<b>2,032</b>	<b>2,558</b>	<b>3,614</b>	<b>5,136</b>	<b>7,264</b>
Tax	465	549	687	976	1,385	2,149
<i>Rate (%)</i>	26.1%	27.0%	26.9%	27.0%	27.0%	29.6%
<b>PAT</b>	<b>1,305</b>	<b>1,462</b>	<b>1,858</b>	<b>2,621</b>	<b>3,733</b>	<b>5,097</b>
<b>PAT Margin (%)</b>	<b>6.6%</b>	<b>6.2%</b>	<b>6.6%</b>	<b>7.5%</b>	<b>8.3%</b>	<b>8.7%</b>

## Balance Sheet Consolidated (INR Mn)

Year End-March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Sources of Funds</b>						
Share Capital	104	106	107	107	107	107
Reserves & Surplus	10,130	11,573	13,367	15,987	19,720	24,818
(b) Instruments entirely equity in nature	-	-	-	-	-	-
(d) non-controlling interest	119	140	159	-	-	-
<b>Net Worth</b>	<b>10,353</b>	<b>11,820</b>	<b>13,633</b>	<b>16,094</b>	<b>19,828</b>	<b>24,925</b>
<b>Loan Funds</b>	<b>6,451</b>	<b>7,121</b>	<b>8,011</b>	<b>7,121</b>	<b>7,121</b>	<b>7,121</b>
MI, Deferred Tax & other Liabilities	642	689	692	692	692	692
<b>Total Equity and Liabilities</b>	<b>22,210</b>	<b>24,629</b>	<b>27,927</b>	<b>30,814</b>	<b>35,955</b>	<b>42,931</b>
<b>Application of Funds</b>						
Gross Block	15,571	18,522	21,951	25,951	29,451	32,951
Less: Depreciation	4,530	5,831	7,326	9,111	11,320	14,121
Net Block	11,041	12,691	14,625	16,840	18,131	18,830
CWIP	1,224	757	835	835	835	835
Other Non-current Assets	209	314	456	456	456	456
Other Current Assets	347.2	263.0	440.9	440.9	440.9	440.9
<b>Net Fixed Assets</b>	<b>12,822</b>	<b>14,024</b>	<b>16,357</b>	<b>18,572</b>	<b>19,863</b>	<b>20,562</b>
<b>Investments</b>	<b>105</b>	<b>105</b>	<b>195</b>	<b>195</b>	<b>195</b>	<b>195</b>
Debtors	4,086	4,327	4,622	4,873	6,280	8,159
Inventories	2,776	3,710	4,189	4,806	6,194	8,048
Cash & Bank Balance	383	496	486	589	1,643	4,187
Loans & Advances & other CA	217	198	96	96	96	96
<b>Total Current Assets</b>	<b>7,945</b>	<b>9,144</b>	<b>9,995</b>	<b>10,966</b>	<b>14,815</b>	<b>21,092</b>
Current Liabilities	7,377	8,152	9,765	10,076	11,484	13,363
Provisions	193	55	43	43	43	43
<b>Net Current Assets</b>	<b>568</b>	<b>992</b>	<b>230</b>	<b>889</b>	<b>3,331</b>	<b>7,729</b>
<b>Total Assets</b>	<b>22,210</b>	<b>24,629</b>	<b>27,927</b>	<b>30,814</b>	<b>35,955</b>	<b>42,931</b>

Source: Arihant Research, Company Filings

## Key Financials

Cash Flow Statement Consolidated (INR Mn)						
Year End-March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>PBT</b>	<b>1,784</b>	<b>2,032</b>	<b>2,563</b>	<b>3,614</b>	<b>5,136</b>	<b>7,264</b>
Cash From Operating Activities	2,560	2,131	2,564	3,743	5,542	5,315
Tax	-429	-556	-654	-976	-1,385	-2,149
Net Cash From Operations	2,131	2,564	3,743	5,542	5,315	6,876
<b>Capex</b>	<b>-2,668</b>	<b>-2,420</b>	<b>-3,356</b>	<b>-4,000</b>	<b>-3,500</b>	<b>-3,500</b>
Cash From Investing	-2,553	-2,409	-3,683	-4,000	-3,500	-3,500
Borrowings	6,451	7,121	8,011	7,121	7,121	7,121
<b>Finance cost paid</b>	<b>510</b>	<b>615</b>	<b>770</b>	<b>783</b>	<b>855</b>	<b>926</b>
Div. (incl. buyback & taxes)	0	-105	-133	-188	-188	-188
Cash From Financing	465	-62	-80	-1,440	-760	-832
<b>Net Increase/ Decrease in Cash</b>	<b>43</b>	<b>94</b>	<b>-20</b>	<b>102</b>	<b>1054</b>	<b>2544</b>
<b>Cash at the beginning of the year</b>	<b>365</b>	<b>383</b>	<b>496</b>	<b>486</b>	<b>589</b>	<b>1,643</b>
Cash at the end of the year	383	496	486	589	1,643	4,187

Key Ratios						
Year End-March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Per share (INR)</b>						
EPS	25.3	27.7	34.8	49.2	70.0	95.4
BVPS	199	223	254	300	370	465
<b>Valuation (x)</b>						
P/E	42.0	38.2	30.4	21.5	15.2	11.1
P/BV	5.3	4.7	4.2	3.5	2.9	2.3
<b>Return ratio (%)</b>						
EBIDTA Margin	16.77%	16.40%	17.07%	17.52%	18.03%	18.61%
PAT Margin	6.56%	6.23%	6.61%	7.47%	8.26%	8.68%
ROE - Pre tax	12.74%	12.55%	13.76%	16.39%	18.92%	20.52%
ROCE - Pre tax	9.63%	10.34%	11.83%	14.16%	16.54%	18.94%
<b>Leverage Ratio (%)</b>						
Total D/E	0.62	0.60	0.59	0.44	0.36	0.29
<b>Turnover Ratios</b>						
Asset Turnover (x)	2.5	2.6	2.8	3.2	3.1	2.8
Inventory Days	51	58	54	50	50	50
Receivable Days	75	67	60	50	50	50
Payable days	45	43	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%

Research Analyst Registration No.	Contact	Website	Email Id
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