

Favorable business conditions are now aligned harmoniously.

CMP: INR 828

Rating: Buy

Target Price: 1,040

Stock Info

| | |
|--------------------------|--------------------------|
| BSE | 543358 |
| NSE | SANSERA |
| Bloomberg | SANSERA IN |
| Sector | Automobile & Ancillaries |
| Face Value (INR) | 2 |
| Equity Capital (INR Mn) | 106 |
| Mkt Cap (INR Mn) | 43,666 |
| 52w H/L (INR) | 842/642 |
| Avg Yearly Vol (in 000') | 64 |

Shareholding Pattern %

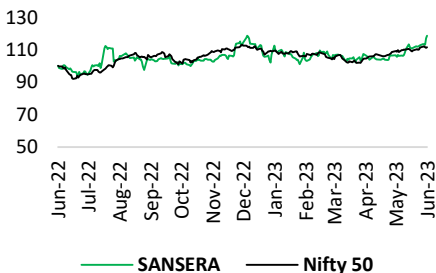
(As on March, 2023)

| | |
|-----------|-------|
| Promoters | 35.49 |
| DII's | 17.00 |
| FII's | 38.10 |
| Others | 9.41 |

Stock Performance (%)

| | 1m | 3m | 12m |
|---------|-------|------|------|
| SANSERA | 11.2 | 11.9 | 18.5 |
| Nifty | -2.13 | 7.0 | 11.4 |

SANSERA Vs Nifty



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Sansera Engineering Limited (SANSERA) is an engineering-led integrated manufacturer of complex and critical precision forged and machined components catering to OEMs globally. i) The company has strong capabilities for machine and forging precision components with connecting rods, rocker arms, and gear shifter forks as key products; ii) ability to consistently deliver better than industry growth and diversify business without any large-ticket M&A; iii) The company has a strong product pipeline with order book at peak annual revenues of INR 13.3bn, with mix improving towards high-margin non-auto segments; and iv) opportunity to improve kit value with existing customers (EV model kit value/unit is 10-20% higher than ICE).

Investment Rationale

Strong growth momentum amidst urgent efforts to diversify business:

The company's key component-products are connecting rods, rocker arms, crankshafts, gear and shift fork. used in engine and transmission systems. Approximately 78% (FY23) of its revenues currently come from ICE-driven vehicle parts. Close to ~35-40% of its overall revenues are from ICE 2W parts, which we believe will be attributed to EV transition in the coming years, thus pushing Sansera's readiness to cater to e-2Ws. With hardly ~10-12% of its ICE 2W revenues coming from scooters, we believe Sansera will have enough time to face the e-2W transformation wave in India. Company is already having a revenue mix of ~10% and ~12% from EVs and non-auto space, and is aiming to ramp them up to ~20% and ~20% by FY26E, to further diversify business risks.

Opportunity in the non-automotive sector is being driven by favorable prospects in the aviation industry, particularly related to new aircraft:

The company collaborates with Boeing and Airbus directly and through their suppliers, providing visibility in the aerospace industry, thus benefiting from new plane orders by Air India. With a clear understanding of customer requirements for the next year and a strong order book, they anticipate a significant recovery. The company also focuses on defense programs and benefits from opportunities in various sectors created by the Government of India's initiatives. Overall, they aim to achieve a revenue of 200 crores within the next few years in the aerospace and defense sectors. The strategic investment in MMRFIC will help Sansera enter into high-technology space and have access to a strong R&D engineering team which can address SEL priority segment like defense and aerospace.

Healthy order book of the new business: Order book of new business with an annual peak revenue stood at INR13.3 (post the reset) bn with auto ICE contributing to INR5.5 bn, which is about 41% of the total order book. Auto tech agnostic and xEV adding to 4.3 bn, which is about 33% of the total order book. The company aluminum forged and machine components continue to see a very healthy traction. Going forward the growth will come on both auto and non-auto sectors. Along with recovery in International market.

Outlook and valuation

Anticipating a stronger performance in the FY24, we expect to benefit from the recovery of exports, robust growth in the aerospace sector, and a favorable performance in the passenger vehicle segment. Additionally, we foresee the recovery of key clients, particularly Bajaj Auto, in terms of exports. The order book, valued at INR 13.3 bn, primarily consists of technology-agnostic, electric vehicle (EV), and non-automotive projects. The company plans to invest INR 2.50 billion in non-automotive and non-ICE initiatives, with a focus on achieving a projected CAGR of ~36% in earnings from FY23 to FY26. The company is actively involved in the non-automotive sector, maintaining relationship with Boeing and serving as a Tier 1- Tier 2 supplier to Airbus, thus benefiting from new plane orders by Air India. We expect positive outcomes from offset clause opportunities in new planes, while revenue growth in FY24-25 will be driven by the expansion of aluminium forging. Moreover, we anticipate an expansion of 263 bps in EBITDA margins, attributing it to a higher proportion of high-margin aerospace/defense business and a more favorable export mix. **We value the stock on a P/E (x) multiple of 15x its FY26E earnings of INR 69.3 EPS to arrive target price of INR 1,040 with a Buy rating on the stock.**

Investment Rationale

Consolidated and strengthen global market share in the existing automotive product portfolio:

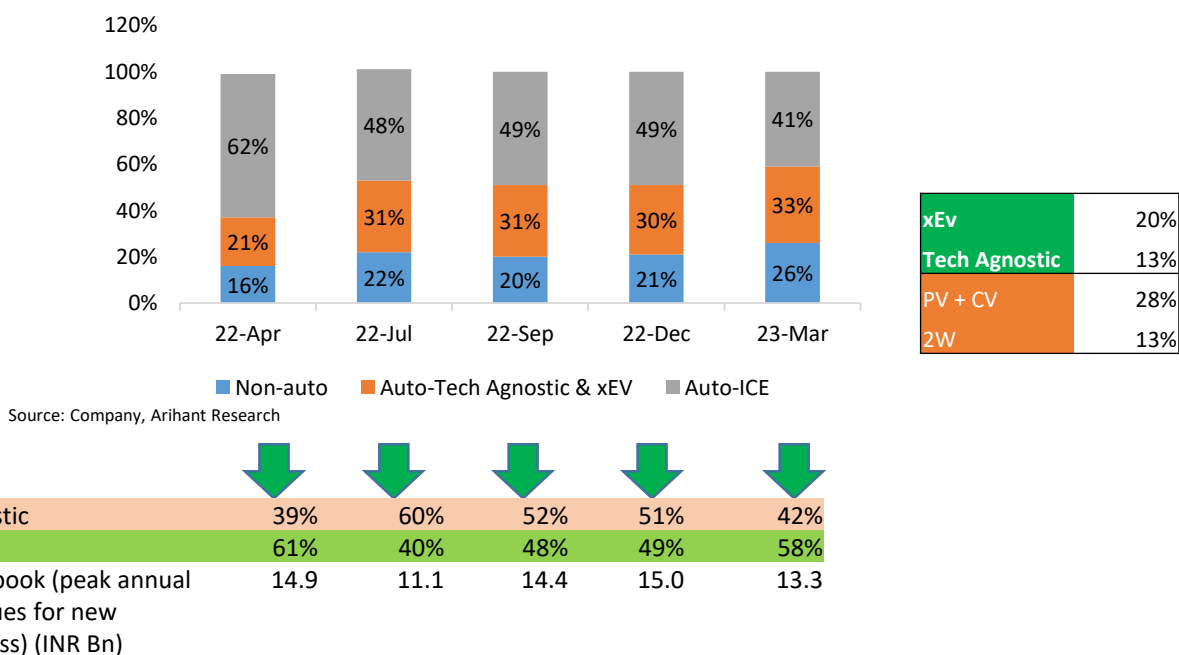
As OEMs focus their resources on the final assembly of vehicles, they are increasingly looking to external suppliers for content that they have previously produced in-house. This trend is underpinned by OEMs’ growth outside their home markets, consumer expectations with regard to product complexity and feature integration and an increased focus on safety and the environment. Accordingly, Sansera intends to take advantage of this outsourcing trend that has led to an increase in OEM dependency on suppliers that are capable of managing complex component production while maintaining high quality standards across multiple geographies. Further, the Company intends to focus on consolidating its leading market share, both globally and in India across its existing product portfolio. **The Company’s long-standing experience in supplying most complex and critical engine and transmission components, positions it well to diversify into other segments such as suspension, braking, steering, chassis and other systems within the Automotive sector.** The Company’s recent foray into suspension products such as stem component and scale up of this business over the last couple of years further corroborates its ability to continually diversify Sansera’s business

Currently, the overall industry is still at a very nascent stage and it is developing at a very rapid pace. EV penetration in India as per various surveys are just about 2.6% of the total automotive market and government of India is targeting between ~27-32% of EV penetration by 2028. **Sansera has already secured business from traditional OEMs and new age start-ups in the EV two-wheeler space.**

Healthy order book of the new business: Order book of new business with an annual peak revenue stood at INR13.3 (post the reset) bn with auto ICE contributing to INR5.5 bn, which is about 41% of the total order book. Auto tech agnostic and xEV adding to 4.3 bn, which is about 33% of the total order book.

In aluminum forged components, they have about 58 component orders from 13 different customers. And non-auto accounts for about 3.5 bn of the order book, which constitute about 26% aluminum forged and machine components continue to see a very healthy traction. Going forward the growth will come on both auto and non-auto sectors. International order book is also expanding as a result of the momentum in our aerospace and defense division. The company has matured business from Tata Motors, which they had added towards the H2FY23 and a better export mix, the passenger vehicle returns would be quite healthy this year.

Exhibit 1: Order book (peak annual revenues for new business)



The non-automotive sector is presenting promising opportunities, especially in the aviation industry with a focus on new aircraft:

The company collaborates directly with Boeing and Airbus, as well as their suppliers, providing them with visibility in the aerospace industry. With a clear understanding of customer requirements and a strong order book, they foresee a significant recovery. The company also prioritizes defense programs and benefits from opportunities created by the Government of India's initiatives. Their goal is to achieve a revenue of 200 crores within the next few years in the aerospace and defense sectors. Air India, owned by Tata Group, recently placed substantial orders for aircraft with both Airbus and Boeing, emphasizing India's involvement in aircraft manufacturing. Sources significant parts and engineering services from Indian suppliers, contributing to the growth of the industry.

The company has a very good client base on aerospace, so they would work with them to find out a collaboration between existing customers and MMRFC. And also see potential going forward because most of the automobile companies are also working on radar with vision for the future generation of autonomous driving. So, the company is very excited about this collaboration, and with Sansera's management capabilities and wide network of customer base, we expect that this collaboration would be very fruitful for the Sansera.

Additionally, the strategic investment in MMRFC will enable Sansera to enter the high-technology space and access a strong R&D engineering team, benefiting their defense and aerospace priorities. The company expects MMRFC to generate meaningful revenues within 18 to 24 months, ensuring future order and revenue visibility from Airbus and the defense sector as SEL is a leading supplier to Airbus and Boeing. We expect positive outcomes from offset clause opportunities in new planes.

| Model | Order size (Nos) | Avg list Price (\$mn) | Total List Price (\$ mn) |
|---------------------|------------------|-----------------------|--------------------------|
| 737 Max* | 190 | 128.25 | 24367.5 |
| 787-9 | 20 | 292.5 | 5850 |
| 777-9 | 10 | 442.2 | 4422 |
| Total Boeing | 220 | | 34639.5 |
| A320neo | 140 | 110.6 | 15484 |
| A321 neo | 70 | 129.5 | 9065 |
| A350-1000 | 34 | 366.5 | 12461 |
| A350-900 | 6 | 317.4 | 1904.4 |
| Total (Airbus) | 250 | | 38914.4 |
| Grand Total | 470 | | \$73.55 Bn |

Source: Arian Research

The list price for 737 MAX aircraft is based on average of list prices of two variants of two variants- Max – 8 and MAX -10 that are part of the Air India order order. The split between the two variants is not available.

**Computation based on list prices. Usually in large orders, significant discounts are offered by manufactures

AI's current fleet is estimated at 140-strong, with the majority being narrow-body planes. AI largely depends on Airbus planes for domestic operations, while its wide-body fleet comprises Boeing aircraft. Air India Express operates only Boeing narrow-body planes.

Investment Rationale

Diversification into non-automotive businesses and expand addressable market :

With a track record of developing complex and critical precision engineered components for the Automotive sector over multiple decades, the Company believes its manufacturing capabilities can be extended to manufacture precision components for several Non-Automotive segments, such as aerospace, off-road, agriculture and engineering and capital goods. ***Sansera recently developed and started supplying components for several new nonautomotive applications such as defence. Further, its existing key product families in the Automotive sector have multiple applications across various Non Automotive sectors.*** Within the Non-Automotive segment, the Company primarily focuses on manufacturing precision engineered components that require complex engineering capabilities, resulting in high value addition. Non-automotive segment grew by 50% in the Q4FY23. Talking about the sale mix, as guided previously, they crossed 900 mn milestone for aerospace and defense business in FY23. In Q4FY23, it contributed about 4.9% of sales, registering a strong 76% YoY growth in the Q4FY23. New facility which is now fully functional, they expect a stronger growth in the coming year. Off-road sales were in a region of 4.7%. Demand is coming very strongly for this segment as well. Agriculture accounted for 2.5% of the top line and remaining 1.8% of the top line came for a few other segments. With all the above put together, non-auto segment contributed to 14% of sales.

Retain and strengthen technological leadership through continued focus on the engineering capabilities: Sansera's customer demands for higher performance and top quality products is growing. In response to this, the Company placed emphasis on continually improving its design and engineering capabilities so that the Company can focus on providing high value-added and technology-driven components, expecting it to present the Company with opportunities to capture shifts in customer preferences as well as evolving regulatory requirements, such as heightened emissions control standards. Further, this would increase opportunities for the Company to become a preferred supplier to its customers, thus giving the opportunity to consolidate business' position with its customers. Leveraging its years of engineering know how in product design, validation through simulation, testing and manufacturing engineering, Sansera is developing ***(i) complex machined drivetrain components for hybrid transmission systems in Passenger Vehicles; (ii) intricately shaped aluminium forged and machined components for ICE and electric 2Ws; (iii) gear shifter forks with moly coating (for high wear resistance) and case carburised split connecting rods for super premium motorcycles for multiple global OEMs, (iv) complex profile steel forged & precision machined parts for suspension and chassis application for e-2Ws, (v) steel forged, machined and assembled side crank for bicycle application and (vi) wide variety of precision parts for applications in the defence sector such as military variant light utility helicopters, anti sub-marine rockets, multi surveillance radar applications etc.*** Further, its machine building, automation and advanced engineering capabilities enables it to de-risk its business against product obsolescence and reconfigure machines to suit new products in various verticals.

Pick up in export and international business led by better demand: In FY23, India contributed 72% to total product sales, followed by Europe at 17%, US customers at 7%, and other foreign countries at 4%. There are positive signs of recovery in both exports and international business for the company's Swedish subsidiaries. The export segment is rebounding strongly, outpacing domestic sales, and this trend is supported by the company's successful order wins, indicating a favorable export mix. Looking ahead to FY24, it is expected that the company will reach a range of 32.5% to 33% in terms of exports, resulting in improved margins due to higher gross and EBITDA margins associated with exports. Overall, a projected improvement of about 50 to 55 basis points is anticipated in FY24, driven by a better export mix.

Exhibit 2: Marque Client

| Name or Description of the Customer | Minimum number of fiscal years of customer relationship |
|---|---|
| Maruti Suzuki India Ltd. | 34 |
| Bajaj Auto Limited | 25 |
| Tata Motors | |
| India Yamaha Motor | 24 |
| Honda Motorcycle & Scooter India Pvt. Ltd | 21 |
| CNHi | 14 |
| European 2W OEM | 13 |
| Honda Cars India Ltd. | 13 |
| Stellantis N.V. | 13 |
| Raytheon (Collins/Goodrich) | 12 |
| One of the leading North American PV OEMs | 12 |
| Polaris Industries Inc | 11 |
| Royal Enfield Motorcycles Limited | 10 |
| Subsidiary of one of the leading European suppliers of fuel injection systems | 8 |
| Triumph Motorcycles | 8 |
| Daimler India Commercial Vehicles Private Limited | 7 |
| Toyota Kirloskar Motor Pvt. Ltd. | 6 |
| Hero Motocorp Ltd. | 5 |
| RK Thailand | 5 |
| One of the leading Swedish OEMs | 4 |
| Global Tier 1 supplier | 4 |

Source: Company, Arihant Research

Over the years, diversified product portfolio customers and markets have been strong suit and this has helped to deliver a healthy performance once again. Customers continue to appreciate efforts and ***the company has been recently awarded for excellent supplier performance from Boeing one of company key customers in the aerospace segment.***

Exhibit 3: Revenue Model total customer wise

| | FY19 | | FY20 | | FY21 | | FY22 | | FY23 | |
|--------------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|
| | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products |
| Customer 1 | 3,468 | 23.0% | 3,075 | 22.0% | 3,023 | 21.0% | 3,079 | 16.6% | 3,105 | 14.3% |
| Customer 2 | 1,871 | 12.0% | 1,917 | 14.0% | 2,039 | 14.0% | 2,203 | 11.9% | 2,746 | 12.6% |
| Customer 3 | 1,408 | 9.0% | 1,313 | 9.0% | 1,486 | 10.0% | 1,898 | 10.2% | 2,580 | 11.9% |
| Customer 4 | 1,578 | 10.0% | 1,319 | 9.0% | 1,309 | 9.0% | 1,566 | 8.4% | 1,345 | 6.2% |
| Customer 5 | 840 | 6.0% | 659 | 5.0% | 770 | 5.0% | 1,270 | 6.8% | 1,265 | 5.8% |
| Total Top 5 customers | 9,164 | 60.0% | 8,283 | 59.0% | 8,626 | 59.0% | 10,016 | 53.9% | 11,041 | 50.8% |
| Others | 6,106 | 40.0% | 5,647 | 40.5% | 5,943 | 40.8% | 8,561 | 46.1% | 10,699 | 49.2% |
| Revenue from Sale of Products | 15,270 | 100% | 13,930 | 100% | 14,569 | 100% | 18,577 | 100% | 21,739 | 100.0% |

Source: Company, Arihant Research

Long standing relationships with well known Indian and global OEM Customers : The company has a diversified and increasing customer base. Within India, Sansera customers include nine of the top 10 two-wheeler OEMs and the leading passenger vehicle OEM based on production volume for Fiscal 2021. Globally, the company customers include six out of top 10 global Light Vehicle OEMs and three of the top 10 global MHCV OEMs based on production volumes for CY 2020. The company was suppliers to 71 customers during Fiscal 2021 as compared to 64 during Fiscal 2019 and are continuously pursuing new customer relationships. The company added a new customer during the FY22, which got matured volumes during FY23.

China+1 & Europe+1 policy of some of customers where the company had secured big business in the past has now started maturing into full volume. Also, a couple of the customers are transitioning into the new engine and are relying more outsource partner leading to a higher share of business with them.

Diversify product mix to cater to EV demand: The company is in the process of developing multiple technology-driven systems and components to cater to growing opportunities in electrification of vehicles. It has commissioned a dedicated facility for hybrid and electric components and started supplies during 2021-22. Currently, the Company has orders from one of existing European premium 2W OEM for Aluminum parts Consolidation continues with another European Premium 2W OEM for Aluminum parts. Going forward, Expected to grow rapidly with the successful adoption of Evs and high focus on light weighting.

Sansera’s ability is to make precision components. EV requires a lot of precision components. Content per vehicle is higher than ICE. Aluminum forging has better strength than Aluminium dies casting. Sansera is present in this segment as well. This coupled with its machine-building capabilities and other things, Sansera has been able to grow strong in the EV space.

The company derive revenue from multiple segments within the automotive sector, including the two-wheeler, passenger vehicle and commercial vehicle verticals. Within the non-automotive sector, SEL manufacture and supply a wide range of precision components for the aerospace, off-road, agriculture and other segments, including engineering and capital goods. The tables below set out the revenues generated from various end-use segments and as a percentage of our revenue from sale of products.

Exhibit 4: Revenue Model Segments wise

| Products | FY19 | | FY20 | | FY21 | | FY22 | | FY23 | |
|-------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|
| | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products |
| Connecting rods | 5867 | 38.40% | 5213 | 37.40% | 5779 | 39.70% | 7952 | 42.8% | 8434 | 38.8% |
| Rocker arms | 2999 | 19.60% | 2900 | 20.80% | 2836 | 19.50% | 3384 | 18.2% | 3510 | 16.1% |
| Crank shaft assembly | 2878 | 18.90% | 2531 | 18.20% | 2510 | 17.20% | 2983 | 16.1% | 3859 | 17.8% |
| Gear shifter forks | 1278 | 8.40% | 1004 | 7.20% | 959 | 6.60% | 988 | 5.3% | 1123 | 5.2% |
| Stem comp | - | 0.00% | 144 | 1.00% | 551 | 3.80% | 639 | 3.4% | 908 | 4.2% |
| Aerospace products | 675 | 4.40% | 814 | 5.80% | 548 | 3.80% | 588 | 3.2% | 915 | 4.2% |
| Integral crankshaft | 51 | 0.30% | 139 | 1.00% | 148 | 1.00% | 249 | 1.3% | 332 | 1.5% |
| Others | 1521 | 10.00% | 1184 | 8.50% | 1239 | 8.50% | 1793 | 9.7% | 2657 | 12.2% |
| Revenue from Sale of Products | 15270 | 100.00% | 13930 | 100.00% | 14569 | 100.00% | 18577 | 100.0% | 21738 | 100.0% |

Source: Company, Aриhant Research

The company expanding export with aim to reduce import on geographical spread: The company's main goal is to boost export earnings. Sales revenues are spread across different regions, with Europe, the USA, and other foreign countries contributing 17%, 7%, and 4% of the company's product sales revenue in FY23, respectively. Meanwhile, India accounts for 72% of the revenue during FY23.

The following table sets out revenue from sale of products by geographical spread for the fiscal years indicated:

Exhibit 5: Revenue Model Geography wise

| | FY19 | | FY20 | | FY21 | | FY22 | | FY23 | |
|-------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|
| | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products |
| India | 10536 | 69.00% | 9665 | 69.40% | 9467 | 65.00% | 11702 | 63.00% | 15564 | 71.60% |
| Europe (A) | 3683 | 24.10% | 3266 | 23.50% | 3641 | 25.00% | 4405 | 23.70% | 3829 | 17.60% |
| USA (B) | 902 | 5.90% | 710 | 5.10% | 1013 | 7.00% | 1748 | 9.40% | 1563 | 7.20% |
| Other foreign countries (c) | 149 | 1.00% | 289 | 2.10% | 449 | 3.10% | 722 | 3.90% | 784 | 3.60% |
| Export | 4734 | 31.00% | 4266 | 30.60% | 5102 | 35.00% | 6875 | 37.00% | 6176 | 28.40% |
| Total | 15270 | 100.00% | 13930 | 100.00% | 14569 | 100.00% | 18577 | 100.00% | 21740 | 100.00% |
| India | 10536 | 69.00% | 9665 | 69.40% | 9467 | 65.00% | 11702 | 63.00% | 15564 | 72.00% |
| Exports from India | 3084 | 20.20% | 2871 | 20.60% | 3720 | 25.50% | 5223 | 28.10% | 4721 | 21.70% |
| Sweden Sales | 1650 | 10.80% | 1395 | 10.00% | 1382 | 9.50% | 1652 | 9.00% | 1454 | 6.70% |
| Total | 15270 | 100% | 13931 | 100.00% | 14569 | 100% | 18577 | 100% | 21739 | 100% |

Source: Company, Aриhant Research

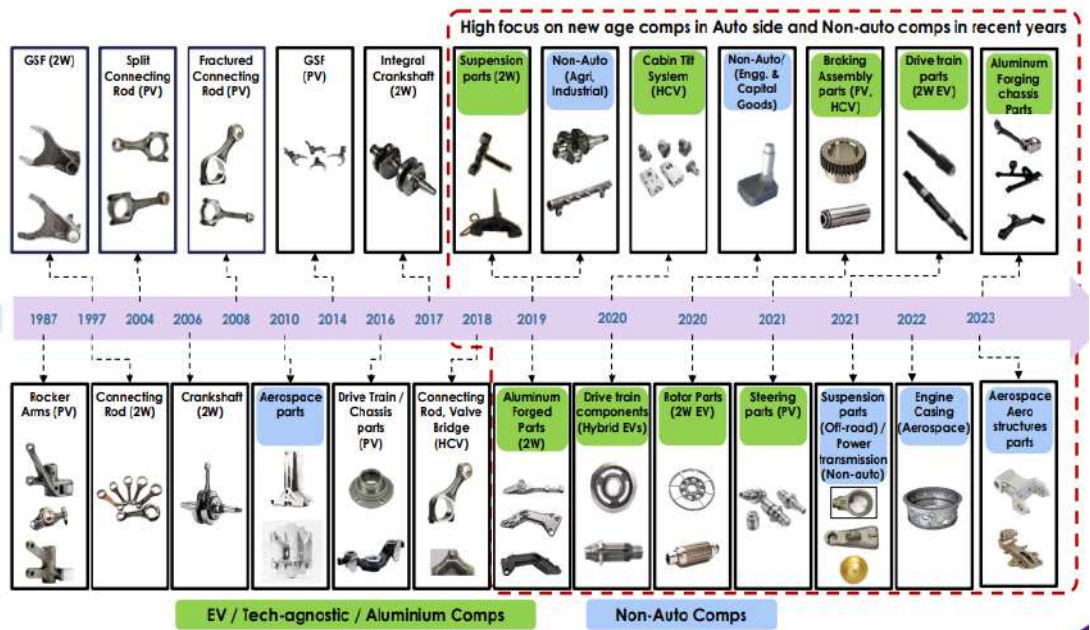
Exhibit 6: The company leveraged its existing capabilities to manufacture precision components for several nonautomotive sectors and established its presence in the aerospace, off-road and agriculture sectors.

| Products | FY19 | | FY20 | | FY21 | | FY22 | | FY23 | |
|-------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|
| | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products | Revenue (INR Mn) | % of Revenue from sale of Products |
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| Revenue from Sale of Products | 15270 | 100.00% | 13930 | 100.00% | 14569 | 100.00% | 18577 | 100.0% | 21738 | 100.0% |

Source: Company, Aриhant Research

Sansera has strong capabilities in design and engineering, machine building and automation resulting in continuous new product development and improved productivity, with compatible of equipment, machinery and production lines across products and sectors. These efficiencies has helped the company diversify its business into aluminium forged components and non-auto segments of aerospace, off-road, etc.

Exhibit 7: Key Products



Source: Company, Arihant Research

Design and engineering capabilities: Sansera’s design and engineering capabilities comprise product, process, machine, fixture and cutting tool design as well as advanced engineering capabilities, which have enabled to support customers through concurrent development of critical products and further strengthened relationships. Examples include (i) high performance diamond-like carbon (“DLC”) coated rocker arms for reputed two-wheeler OEMs in the United States and Europe and for a leading European sports car OEM; (ii) precise and complex profile connecting rods for multiple global passenger vehicle OEMs; and (iii) braking system parts with critical profile resulting in import substitution, for a leading Indian passenger vehicle OEM.

Specific examples of proto parts development include: (i) medical implants for a leading U.S. customer; (ii) clutch assembly component for a leading global battery electric vehicle (“BEV”) OEM; and (iii) machined engine casings for aircraft engines.

Machine building capabilities: The company possess integrated machine building capabilities with special purpose machines being manufactured in-house. The computer numerical control (“CNC”) special purpose machines (“SPM”) are built in a separate dedicated facility, which employed 40 personnel as of March 31st FY23 and manufactured 1000+ machines till date.

Automation/ Engineering capabilities: The company has a 406 Dedicated engineers team supporting automotive, aerospace, machine building, automation & technical functions. Automated fracture and bolt assembly cells. Robotic final inspection cells and 180 Robots installed across all facilities which helps in consistent in product quality, Increased Productivity and better cost control.

Fungibility of production lines: The production line configurations are flexible, allowing to interchange capacity and product mix between all the product categories within and across automotive and non-automotive sectors based on customers. This optimizes the machine productivity and operational efficiency and de-risk the business model.

Sansera has strong wide range of product offerings

Sansera has a track record of developing complex and critical precision engineered components for the automotive sector over multiple decades. Most of the products are sold directly to OEMs in finished (forged and machined) condition, resulting in significant value addition by the company

Exhibit 8: Sansera has a track record of developing complex and critical precision engineered components for the automotive sector over multiple decades. Majority of the products are sold directly to OEMs in finished (forged and machined) condition, resulting in significant value addition by the company

| | Two - Wheelers | | | Passenger Vehicles | | Commercial Vehicles | | |
|--|--|--|--|---|--|--|---|--|
| Product Offerings |  Roller RA |  Integral CR |  Crankshaft |  Fractured CR |  Split CR |  Fractured CR |  Split CR |  Gear Shifter Fork |
| |  Integral Crankshaft |  GSF |  Balance Shaft |  Rocker Arm [DLC] |  Gear Shifter Fork | | | |
| Sales Mix FY22 | Motorcycles 36.5% | | Scooters 6.7% | 26.5% | | 12.9% | | |
| FY23 | 35.5% | | 7.9% | 22.8% | | 10.9% | | |
| Key Customers (Indian and Global) | Indian › 9 out of Top 10 Two Wheeler OEMs | | Global › European, US and Japanese premium Two-Wheeler OEMs | Indian › Major Japanese and European PV OEMs › Indian multinational automotive manufacturing company | Global › Leading North American and European PV OEMs › Global Tier 1 Supplier | Indian › Leading Indian and European OEMs › Global supplier of actuation and motion control systems | | Global › Leading European, Japanese and US OEMs › Global suppliers of braking systems |

Source: Company, Arianth Research

Exhibit 9: Over the years, the company leveraged its existing capabilities to manufacture precision components for several nonautomotive sectors and established its presence in the aerospace, off-road and agriculture sectors

| | Aerospace & Defence | | Off-road | | Agriculture | | Others | |
|--|--|--|--|--|---|--|--|--|
| Product Offerings |  Seating parts | |  Fractured Split Gear Shifter Fork | |  Fractured CR Cam Shaft | |  Fractured CR Split CR | |
| |  Aerostructure Parts Door assembly | |  Crankshaft Rocker Arms | |  Pump Barrel | |  Integral Crankshaft [Stationary Engine] Crankshaft Pump Barrel | |
| Sales Mix FY22 | 3.2% | | 3.1% | | 2.8% | | 1.4% | |
| FY23 | 4.2% | | 3.2% | | 3.1% | | 1.5% | |
| Key Customers (Indian and Global) | Indian › Leading Indian Tier 1 supplier | Global › Global Tier 1 suppliers › Global European aircraft OEM › Global North American aircraft OEM | › Global Recreational Vehicle OEM | | › Indian arm of a global supplier of fuel injection systems › Indian arm of a global engine-based fuel and air management systems manufacturer | | › Global OEM of Earth Moving Equipment › Indian arm of a global manufacturing and supply chain management co. › Subsidiary of a leading global power tools manufacturer › Global marine engine manufacturer | |

Source: Company, Arianth Research

As per the comparison with other player in the industry Sansera Engineering has presence most of the segments.

Exhibit 10: Player presence across industries

| Company | Automotive | Defence | Engineering & Capital goods | Aircraft | Power | Others |
|---------------------------|------------|---------|-----------------------------|----------|-------|--------|
| Sansera Engineering | ✓ | | ✓ | ✓ | | ✓ |
| Aequs | | | | | | |
| Alpha Design Technologies | | ✓ | | | | ✓ |
| CIM Tools | | ✓ | | ✓ | | |
| Dynatomic Technologies | ✓ | ✓ | ✓ | ✓ | | ✓ |
| Godrej & Boyce | | ✓ | ✓ | ✓ | ✓ | |
| L&T | | ✓ | | | ✓ | ✓ |
| Mahindra Defence Systems | | ✓ | | | | |
| MTAR Technologies | | ✓ | | | ✓ | |
| PMI Engineering Exports | | ✓ | | ✓ | | |
| Schaeffler India | ✓ | | | | | |
| Shanti Gears | ✓ | | | | ✓ | ✓ |
| Sika Interplant Systems | ✓ | ✓ | | | | |
| SKF India | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Timken India | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Vem Technologies | | ✓ | | | | |

Source: Company, Aриhant Research

Exhibit 11: The company face competition, both domestically and internationally, in relation to specific products and our product ranges. The following table indicates our key competitors in the domestic market and the product families that they compete in.

| Product Family | Segment/Vertical | Key Competitors |
|--------------------|-------------------|--|
| Connecting rods | Two-wheeler | Bajaj Motors, Musashi |
| | Passenger vehicle | Amul Industries, Magal Tech |
| Rocker arms | Two-wheeler | Bajaj Motors, FIE Group |
| | Passenger vehicle | Micro Turner, Schaeffler Indi |
| Crankshafts | Two-wheeler | Kay Jay Forge, Laxmi-Agni |
| Gear shifter forks | Two-wheeler | Bajaj Motors, FIE Group |
| | Passenger vehicle | Kalyani Forge, Micro Turner, RICO Auto |
| Stem comp | Two-wheeler | Bajaj Motors, Endurance Technologies, Modern Automotive |
| Aerospace | Aerospace | Aequs, CIM Tools, Dynatomic, Godrej & Boyce, PMI Engineering Exports |

Source: Company, Aриhant Research, CRISIL Research

While the precision components manufacturing industry is extremely competitive, The company believe that there core expertise in all aspects of design and engineering, Sansera diversified portfolio of products, the company ability to meet customers' varying requirements, and the long-standing relationships that the company has built with well-known Indian and global OEM customers differentiate Sansera from the competitors. Sansera also believe that there are a number of barriers to entry into the market, including precision components manufacturing being a capital-intensive business and involving complex technology, machinery and systems.

Outlook and valuation

Going forward, we believe that the company performance will be even better than the FY23 in FY24 led by exports is coming back to normalcy, and the Aerospace is doing well, the passenger vehicle segment is doing relatively well. Also, the company is an overall benefit of PLI Scheme because presence is there across all the sectors, across CV, PV, and two wheelers, everywhere. They are catering to multiple segments and industries which makes it a promising company.

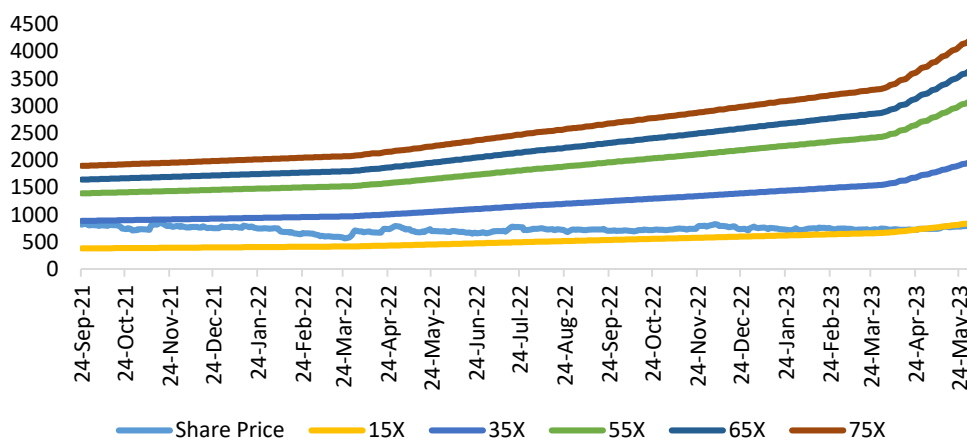
The strategic investment in MMRFIC will help Sansera enter into high-technology space and have access to a strong R&D engineering team which can address their priority segment like defense and aerospace. The company expect that MMRFIC would start generating meaningful revenues between 18 months and 24 months

The company has a very good client base on aerospace, so they would work with them to find out a collaboration between existing customers and MMRFIC. And also see potential going forward because most of the automobile companies are also working on radar with vision for the future generation of autonomous driving. So, the company is very excited about this collaboration, and with Sansera's management capabilities and wide network of customer base, we expect that this collaboration would be very fruitful for the Sansera.

The strategic investment in MMRFIC will help Sansera enter into high-technology space and have access to a strong R&D engineering team which can address priority segment like defense and aerospace.

Anticipating a stronger performance in the FY24, we expects to benefit from the recovery of exports, robust growth in the aerospace sector, and a favorable performance in the passenger vehicle segment. Additionally, we foresee the recovery of key clients, particularly Bajaj Auto, in terms of exports. The order book, valued at INR 13.3 bn, primarily consists of technology-agnostic, electric vehicle (EV), and non-automotive projects. The company plans to invest INR 2.50 billion in non-automotive and non-ICE initiatives, with a focus on achieving a projected CAGR of ~36% in earnings from FY23 to FY26. The company is actively involved in the non-automotive sector, maintaining a relationship with Boeing and serving as a tier 2 supplier to Airbus. We expects positive outcomes from offset clause opportunities in new planes, while revenue growth in FY24-25 will be driven by the expansion of aluminium forging. Moreover, we anticipates an expansion of 263 bps in EBITDA margins, attributing it to a higher proportion of high-margin aerospace/defense business and a more favorable export mix. **We value the stock on a P/E (x) multiple of 15x its FY26E earnings of INR 69.3 EPS to arrive target price of INR 1,040 with a Buy rating on the stock.**

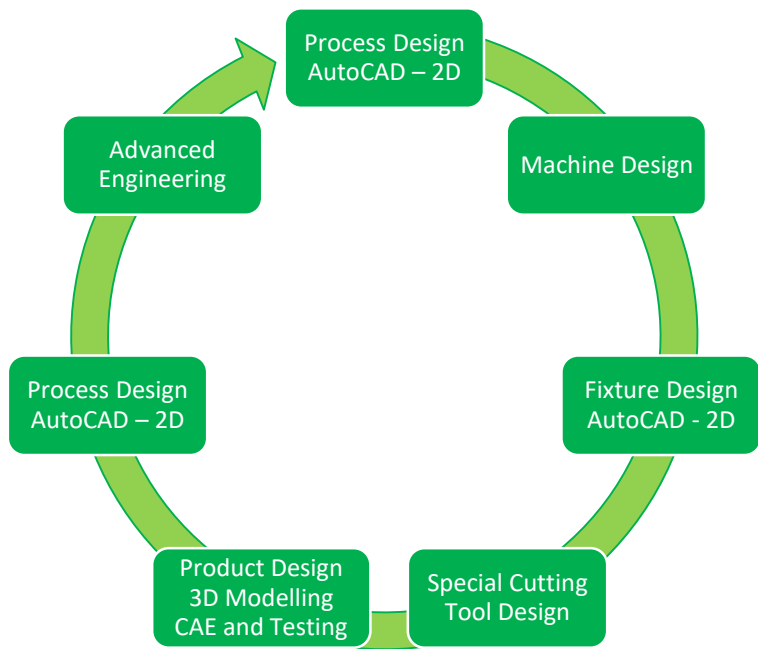
P/E Band Chart



Source: Company, Arihant Research

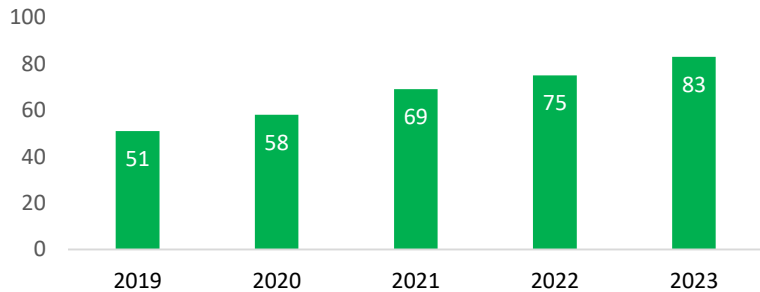
About Company

Exhibit 12: Concurrent Engineering and Design capabilities



Source: Company, Arihant Research

Product Family Supplied



Source: Company, Arihant Research

Auto Segments

Two-wheelers

The company is contributing 37.3% of its revenue from the Motorcycle & 10% in Scooters of two wheelers and supply Rocker Arm, Connecting Rod, Crankshaft, Gear Shifter Fork, Stem Comp (Suspension) and Aluminium Forged Comp. (Chassis). In India, the company supplying to 9 out of 10 two wheeler OEMs and Global European, US and Japanese premium two-wheeler OEMs.

Key Customers for 2w

Indian 9 out of Top 10 Two Wheeler OEMs

Global European, US and Japanese premium Two Wheeler OEMs



Source: Company, Arihant Research

Auto Segment

Key Customers for PV

Indian› Major Japanese and European PV OEMs

›Indian multinational automotive manufacturing company

Global› Leading North American and European PV OEMs

›Global Tier 1 Supplier

Passenger vehicle

The company is contributing 26% of its revenue from Passenger Vehicle . The major product that the company is serving are Connecting Rod, Rocker Arm (Diamond like Carbon Coating), Gear Shifter Fork, Attachment Lower Ball Joint, End RR and Towing Hook. The key customer are Leading Indian PV OEM in India and Leading North American and European PV OEMs in global.



Source: Company, Arihant Research

Commercial Vehicles

The company generates 10.9% of its revenue from the commercial vehicle sector. Its primary products include Fractured Connecting Rods, Gear Shifter Forks, Integra, Crankshafts (Braking System), and Cabin Tilt System Components (Chassis).



Source: Company, Arihant Research

Key Customers for Commercial Vehicle

Indian› Leading Indian and European OEMs, Global supplier of actuation and motion control systems .

Global› Leading European, Japanese and US OEMs , Global suppliers of braking systems.

Exhibit 13: Growth estimates for Automotive segment

| Sales Mix | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Particulars | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
| Automotive Segments | 13,421 | 12,240 | 12,092 | 15,494 | 16,895 | 17,740 | 19,159 | 20,883 |
| Growth YoY | | -9% | -1% | 15% | 15% | 5% | 8% | 9% |
| Two Wheelers | 7,268 | 7,007 | 6,662 | 8,034 | 9,428 | 9,899 | 10,592 | 11,652 |
| Growth YoY | | -4% | -5% | 21% | 17% | 5% | 7% | 10% |
| Passenger Vehicle | 3,672 | 3,244 | 3,415 | 4,914 | 4,965 | 5,213 | 5,526 | 5,968 |
| Growth YoY | | -12% | 5% | 30% | 23% | 5% | 6% | 8% |
| Commercial Vehicles | 2,255 | 1,809 | 1,899 | 2,397 | 2,362 | 2,598 | 2,884 | 3,230 |
| Growth YoY | | -20% | 5% | 30% | 5% | 10% | 11% | 12% |
| Three Wheelers | 226 | 179 | 116 | 149 | 139 | 146 | 153 | 161 |
| Growth YoY | | -21% | -35% | 28% | -7% | 5% | 5% | 5% |
| | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
| Automotive - Tech Agnostic & xEV | | 193 | 699 | 1125 | 2260 | 2486 | 2732 | 3006 |
| | | | 262% | 61% | 101% | 15% | 15% | 15% |
| Auto-Tech Agnostic | | | | 1053 | 1443 | 1587 | 1762 | 1938 |
| | | | | | 37% | 10% | 11% | 10% |
| xEV | | | | 72 | 817 | 899 | 971 | 1068 |
| | | | | | 1035% | 10% | 8% | 10% |
| Non-Auto | | | 1683 | 1958 | 2585 | 2844 | 3156 | 3535 |
| | | | | 16% | 32% | 10% | 11% | 12% |

Source: Company, Arihant Research

Auto Segment

Non-Auto Segment

Aerospace



The company is contributing 4.9% in Aerospace. The major products that the company is serving are Speciality Seating, Aero structure, Equipment Housings Cargo Systems, Actuation parts, Lighting parts, Engine Casing, Landing Gear Components. The Key leading Indian tier 1 supplier and Global tier 1 suppliers, global European aircraft OEM and Global North American OEM.



Source: Company, Arihant Research

Key Customers for Aerospace

Indian > Leading Indian Tier 1 supplier

Global > Global Tier 1 suppliers, Global European aircraft OEM and Global North American aircraft OEM

New plant in Aerospace: The company has completed the construction of new Aerospace and defence plant in Bengaluru. The new facility which is now fully functional, expect a stronger growth in the coming year. Off-road sales were in a region of 4.7%. Demand is coming very strongly for this segment as well. Agriculture accounted for 2.5% of the top line and remaining 1.8% of the top line came for a few other segments. With all the above put together, non-auto segment contributed to 11.10% of sales.

Non-Auto Segment

Off-road



The company is contributing 3.2% of its revenue from the off-road. The major products Connecting Rod, Split, Gear Shifter Fork, Crankshaft and Rocker Arms. Key customers, Global Recreational Vehicle OEM.



Source: Company, Arihant Research

Key Customers for off-road

Global Recreational Vehicle OEM

Agriculture

The company is contributing 3.1% of its revenue from the Agriculture. The major product that the company is serving are Fractured CR, Cam Shaft, Pump Barrel. The key customer are Indian arm of a global supplier of fuel injection systems Indian arm of a global engine based fuel and air management systems manufacturer



Source: Company, Arihant Research

Key Customers for Agriculture

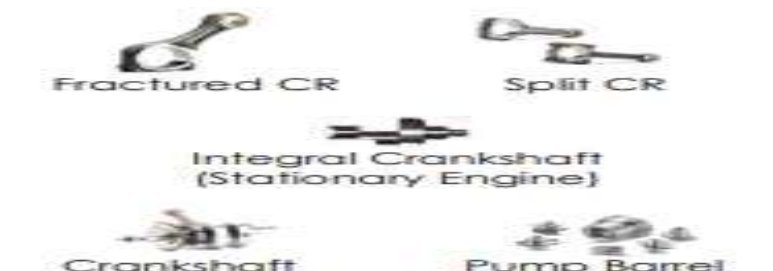
- ›Indian arm of a global supplier of fuel injection systems
- ›Indian arm of a global engine-based fuel and air management systems manufacturer



Source: Company, Arihant Research

Others

The company is contributing 3.1% of its revenue from the Agriculture . The major product that the company is serving are Fractured CR, Cam Shaft, Pump Barrel. The key customer are Indian arm of a global supplier of fuel injection systems Indian arm of a global engine based fuel and air management systems manufacturer



Source: Company, Arihant Research

Key Customers for Others

- ›Global OEM of Earth Moving Equipment
- ›Indian arm of a global manufacturing and supply chain management co.
- ›Subsidiary of a leading global power tools manufacturer
- ›Global marine engine manufacturer

Exhibit 14: Growth estimates for Non-automotive segment

| End-Use Segments-Growth estimates for Non-automotive | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| Particulars | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
| Non- Automotive segment | 1,849 | 1,691 | 1,683 | 1,958 | 2,585 | 2,844 | 3,156 | 3,535 |
| Growth YoY | | -9% | 0% | 16% | 32% | 10% | 11% | 12% |
| Aerospace & Defense | 675 | 814 | 548 | 588 | 915 | 961 | 1,038 | 1,141 |
| Growth YoY | | 21% | -33% | 2% | 76% | 5% | 8% | 10% |
| Off-road | 555 | 415 | 608 | 576 | 686 | 720 | 792 | 872 |
| Growth YoY | | -25% | 47% | 46% | 16% | 5% | 10% | 10% |
| Agriculture | 391 | 300 | 361 | 528 | 665 | 698 | 768 | 845 |
| Growth YoY | | -23% | 20% | 10% | 9% | 5% | 10% | 10% |
| Others | 228 | 163 | 166 | 266 | 318 | 343 | 378 | 416 |
| Growth YoY | | -29% | 2% | 60% | 10% | 8% | 10% | 10% |

Source: Company, Arihant Research

Industry overview-Story in charts

**Exhibit 15: Two-wheeler sales projected to grow in double digits this fiscal
But will remain below pre-pandemic highs**

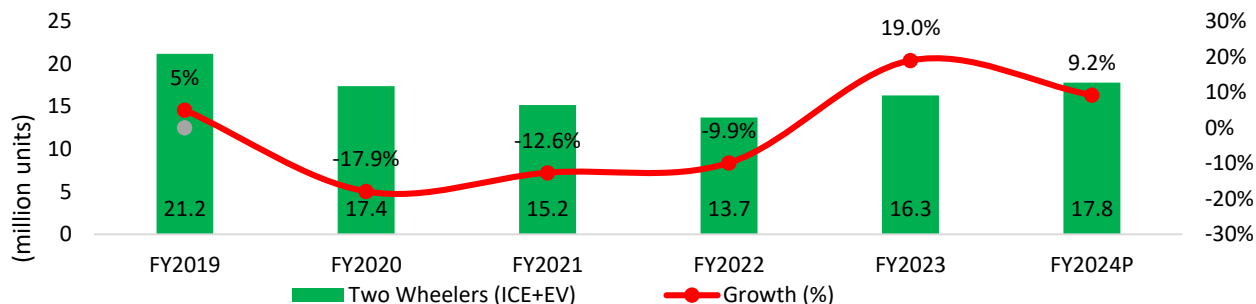


Exhibit 16: Overall volume trend

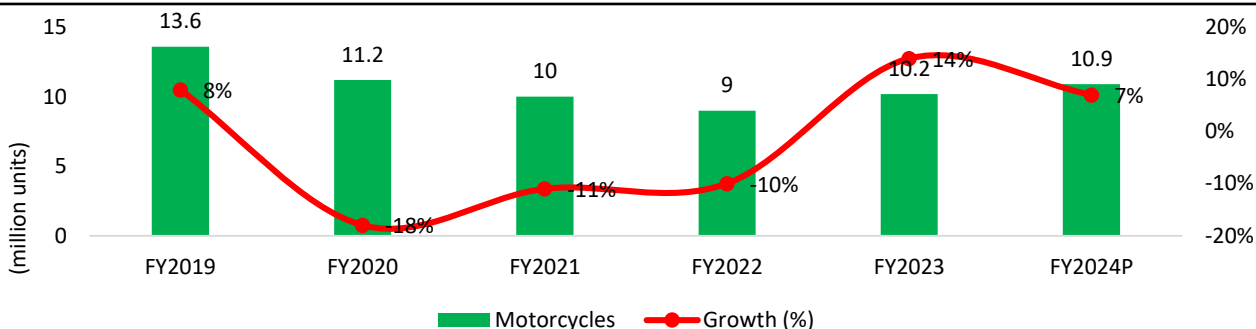


Exhibit 17: Scooters (ICE+EV)

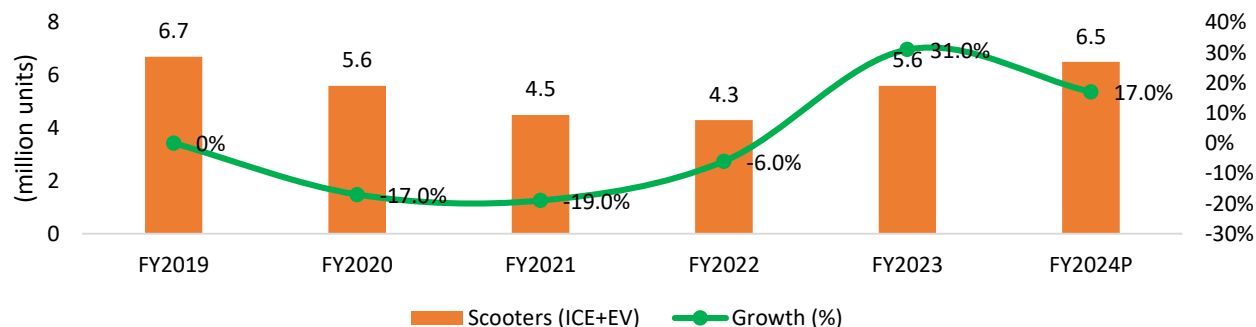
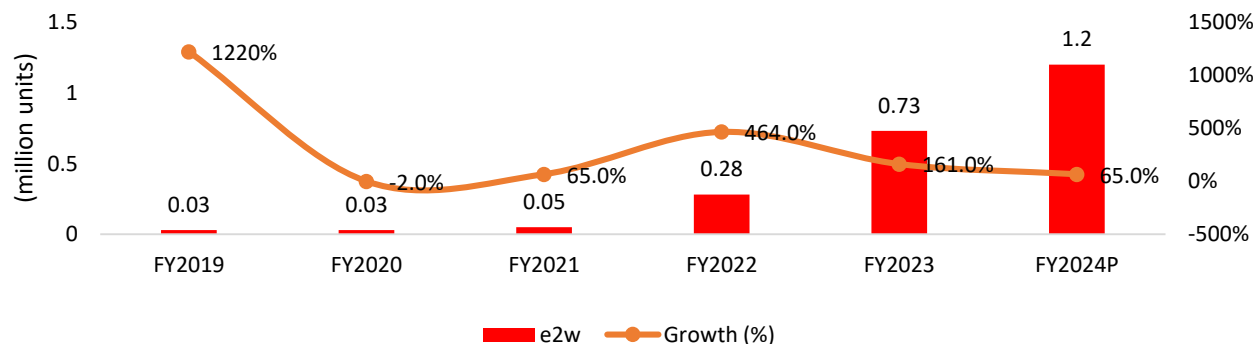


Exhibit 18: Trend in E2w



Source: Company, Arihant Research, Crisil

Story in charts

Exhibit 19: 2W sector witnessed major price hikes from 2018 to 2023 on account of regulatory changes and rise in commodity prices

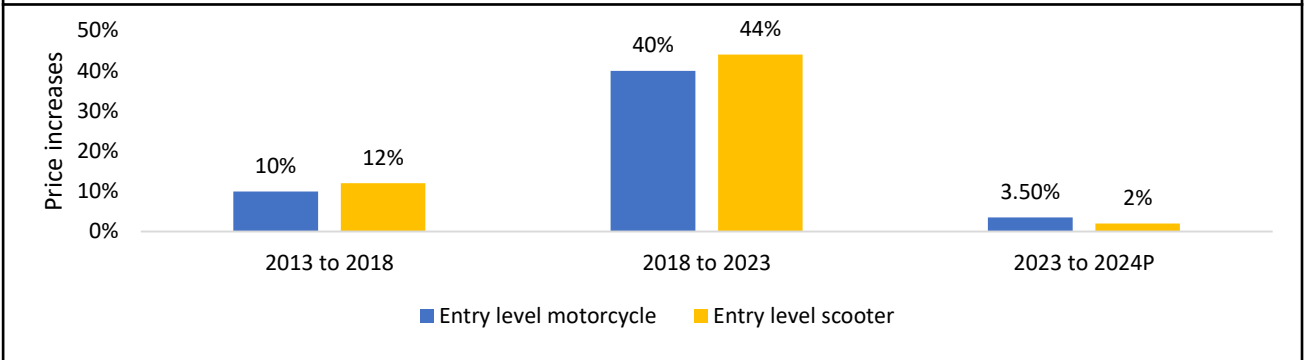


Exhibit 20: TCO to record modest rise this fiscal

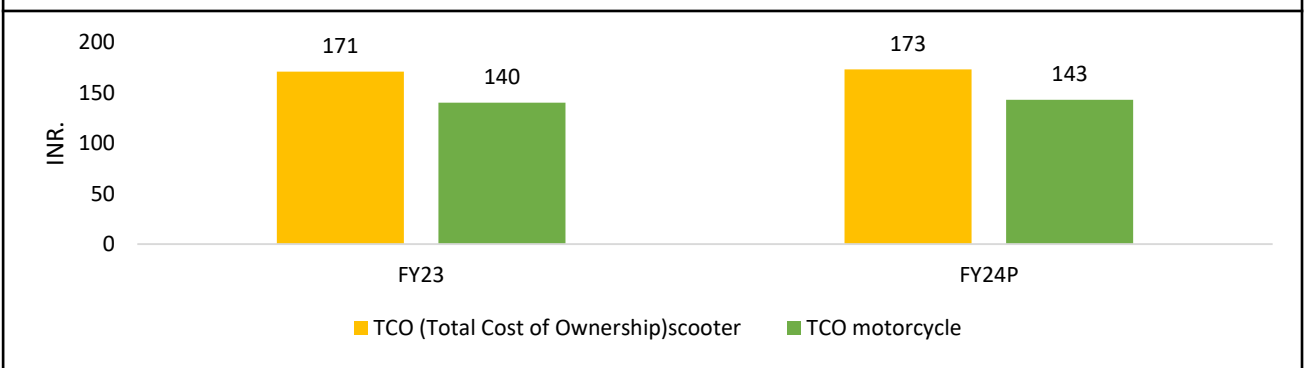
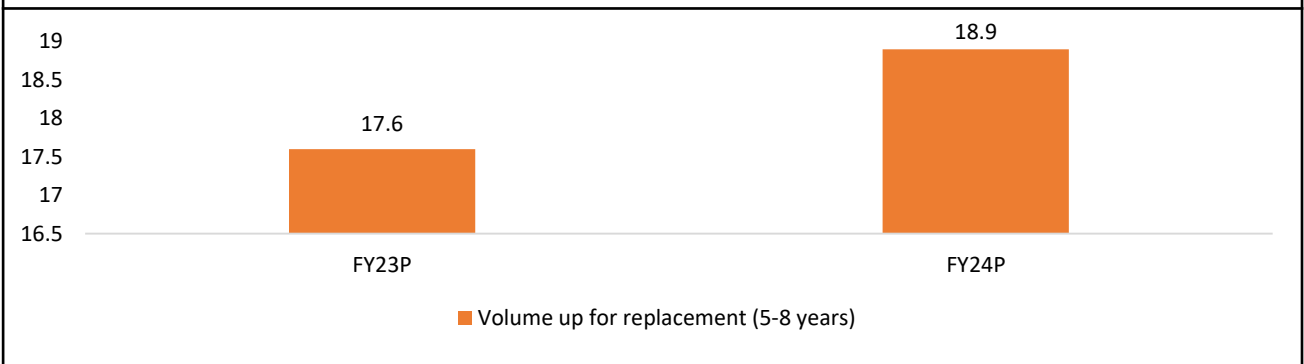


Exhibit 21: Replacement demand to aid recovery of 2W market in the short term



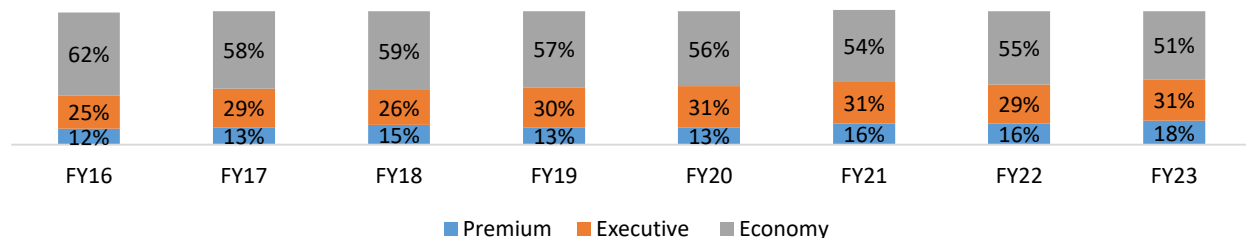
Source: Company, Aриhant Research, Crisil

Value of kharif and rabi crops to grow at a slower pace this fiscal

- India received 41% above normal rainfall during March 1 to April 2, 2023, which had an adverse impact on rabi crop yields.
- Government procurement target for wheat is 20-23% lower than in the prior 2- year period.

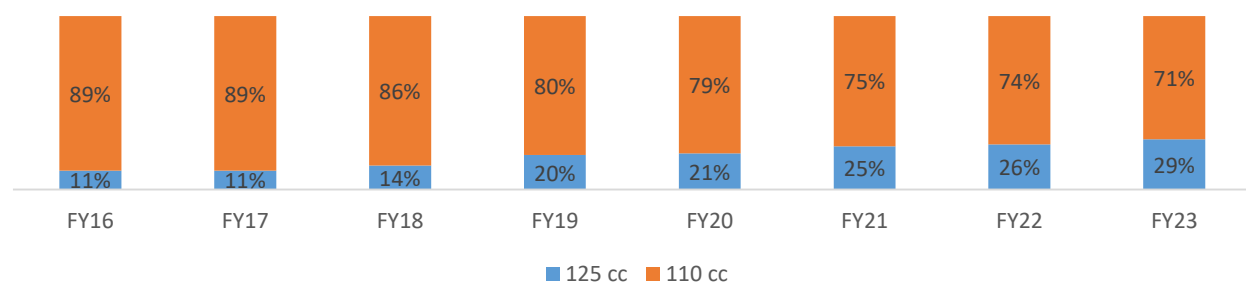
Story in charts

Exhibit 22: Share of premium motorcycles 2.5x over FY14 levels



- Share of premium motorcycles increased from 12% in fiscal 2016 to 18% in fiscal 2023 as consumer preferences are changing to higher priced bikes.
- OEMs are also focusing on launching more models in higher priced segment.
- There have been significant price hikes of 6-8% in fiscal 2023 in economy segment leading to entry level bikes getting more expensive.
- Share of economy segment came down from 62% in fiscal 2016 to 51% in fiscal 2023.

Exhibit 23: Share of higher priced 125cc scooters increases in FY23 due to changing consumer preference



Source: Company, Arihant Research, Crisil

- Share of 125 cc scooters increased from 11% in fiscal 2016 to 29% in YTD fiscal 2023 as there have been many model launches in 125 cc scooter segment
- OEMs have been pushing higher priced scooters as consumers are preferring to spend on higher priced scooters.

Story in charts

Exhibit 24: Economy motorcycles – Bajaj auto loses market share to Hero due to increased Splendor sales

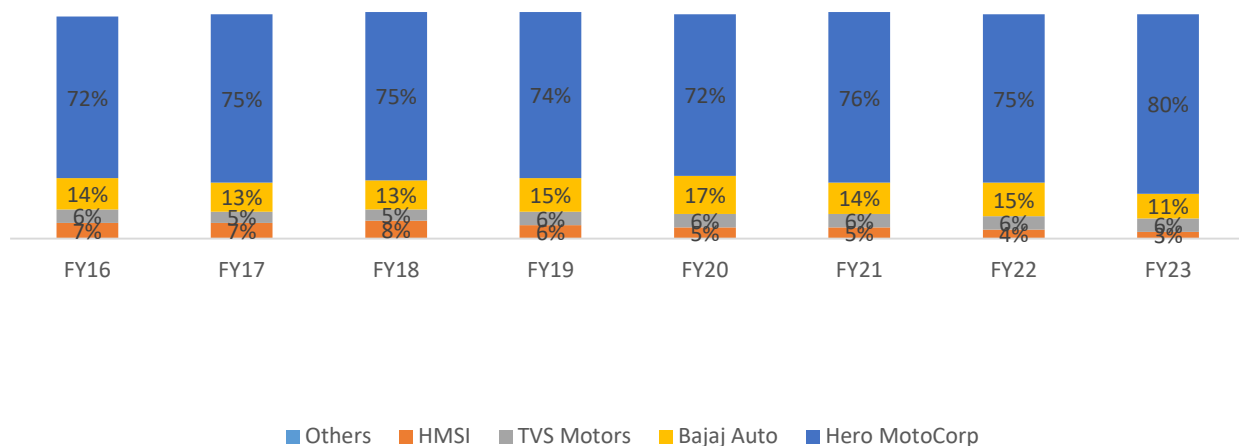


Exhibit 25: Executive motorcycles –Honda loses market share to Bajaj and TVS due to reduced share of CB shine

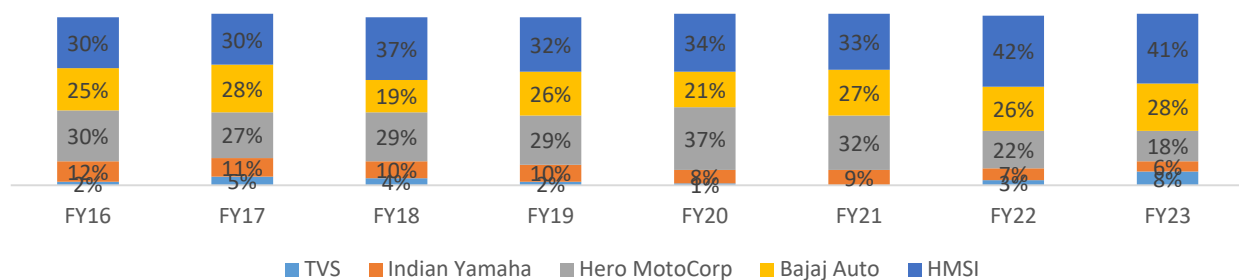
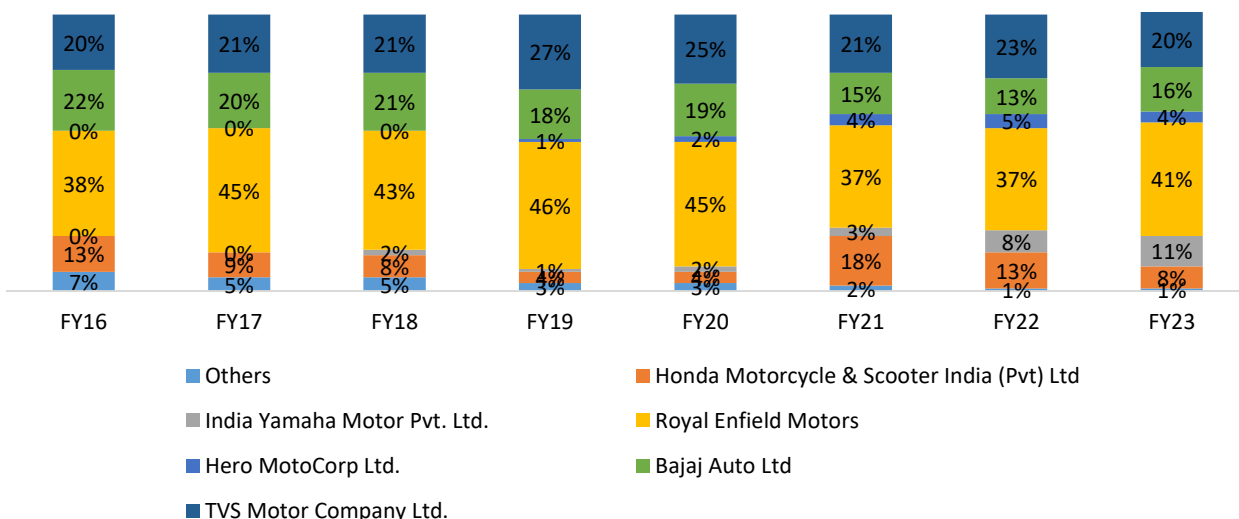


Exhibit 26: Premium motorcycles - TVS and HMSI lose market share to Royal Enfield due to boost in Hunter 350 and Meteor 350 sales



Source: Company, Arihant Research, Crisil

Story in charts

Exhibit 27: Two-wheelers costing >90k contributing to 13% of total sales in FY18 increased to 19% in FY23
Costlier two-wheeler models grew at a faster pace

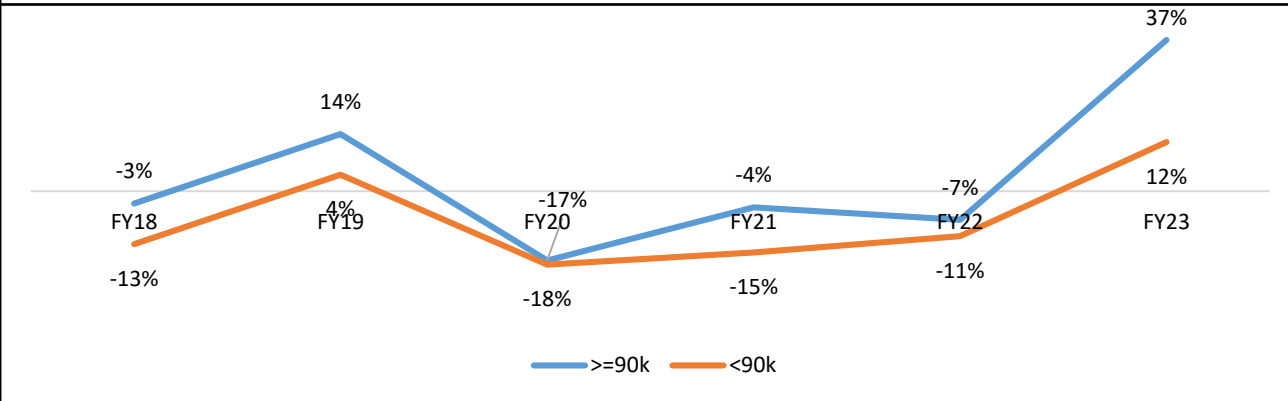


Exhibit 28: Number of models launched in more than 90k segment motorcycles increased over time

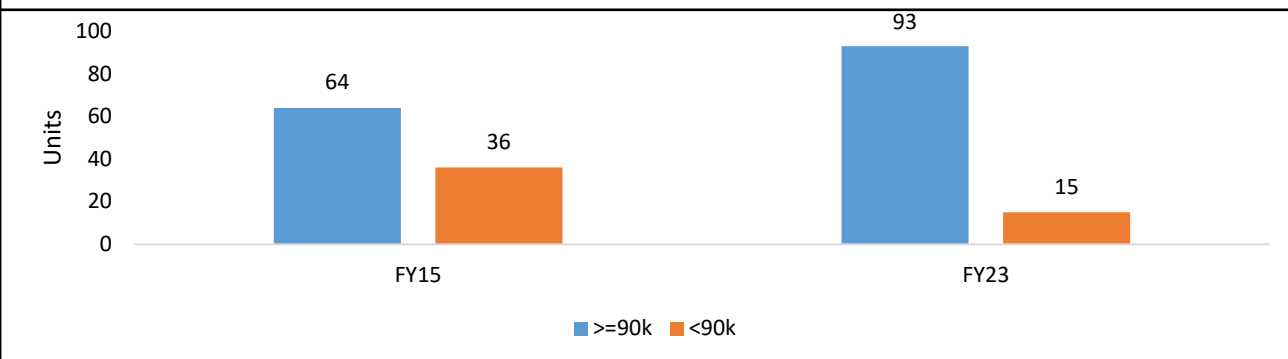
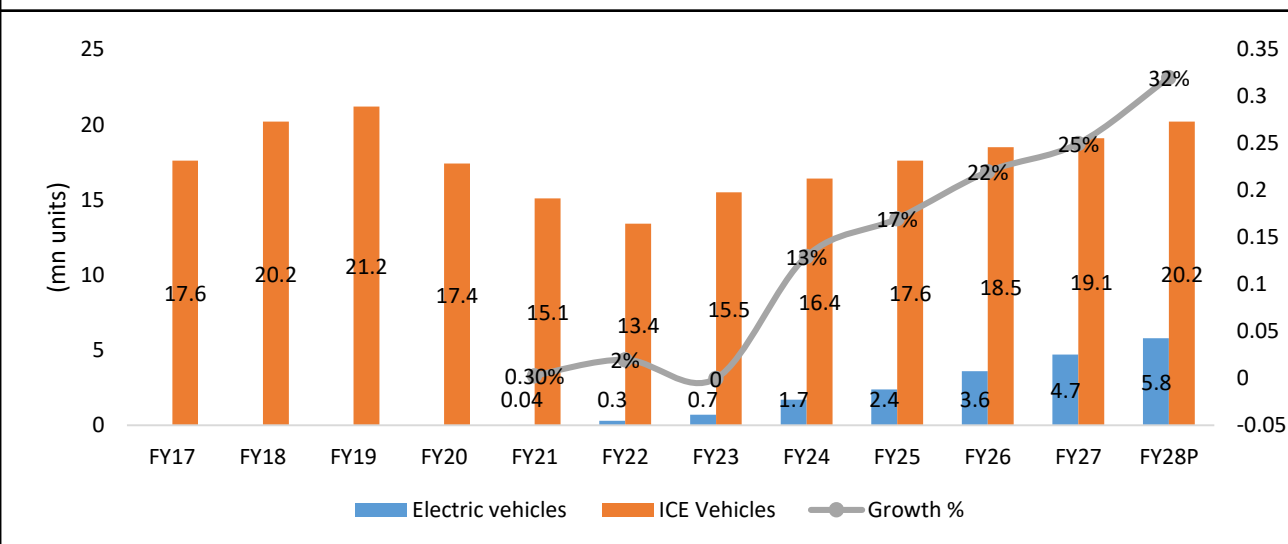


Exhibit 29: Electric vehicles (EVs) to grow at near 10x rates of ICE on a low base



Source: Company, Arianth Research, Crisil

- Demand improved in FY23 on a low base due to better income sentiments, improvement in rural demand and increasing EV penetration.
- OEMs’ keenness to launch affordable yet reliable EVs, high petrol price to drive demand for EVs going forward.
- Adoption of electric two-wheelers in the next five years to be driven by initiatives such as the government’s production-linked incentives (PLI) scheme, FAME-II subsidies, state governments’ EV incentives, falling battery prices and new model launches.
- The PLI scheme to encourage traditional OEMs to focus on electric two-wheelers in the coming years.

Story in charts

Exhibit 30: Export realization on upswing on account of product mix changes

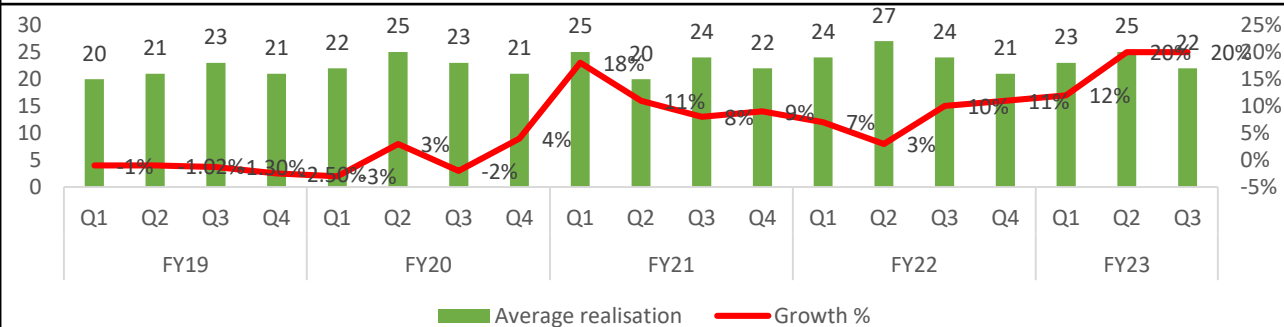


Exhibit 31: Utilization in FY24 unlikely to reach highs of FY18-19

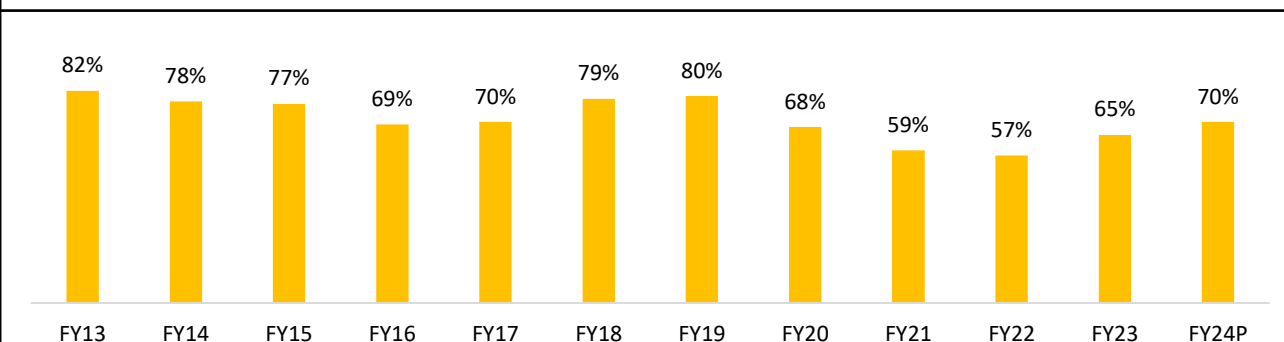


Exhibit 32: Operating margin to improve in FY24 due to improved demand

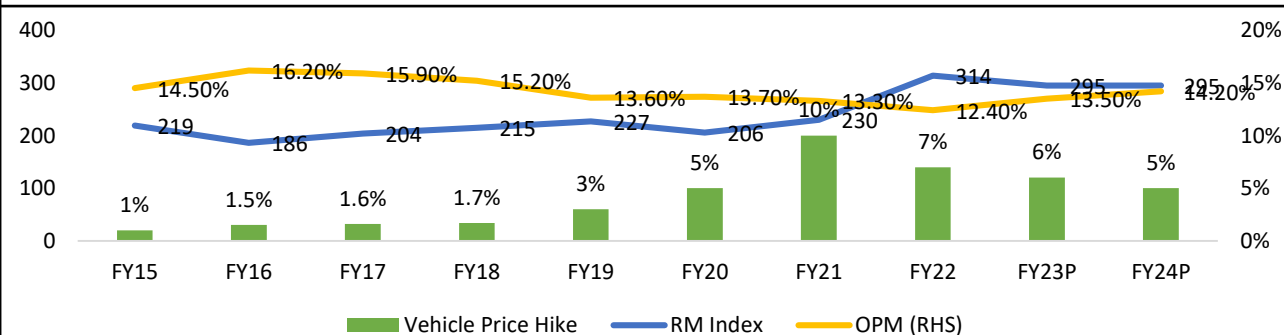
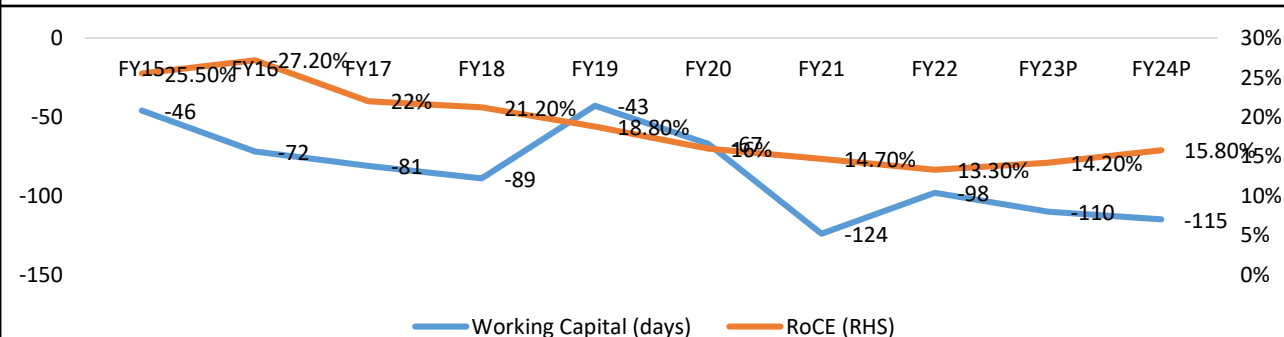


Exhibit 33: Better working capital cycle in FY23 and FY24 as payment, receivables normalise



Source: Company, Arihant Research, Crisil

Story in charts- Passenger Vehicles

Exhibit 34: Utilization in FY24 unlikely to reach highs of FY18-19

| | FY22 A | | FY23 | | FY24 P | |
|--------------------|--------|--------|--------|--------|------------|-----------|
| | Units | Growth | Units | Growth | Growth (%) | |
| | ('000) | (%) | ('000) | (%) | Revised | Previous |
| Passenger vehicles | 3,069 | 13 | 3,891 | 27 | 6-8 | 8-10 |
| Passenger cars | 1,467 | -5 | 1,747 | 19 | (1)-1 | 4-6 |
| Small cars | 1,379 | -6 | 1,635 | 19 | (1)-1 | 4-6 |
| Large cars | 89 | 16 | 112 | 27 | (8)-(6) | 1-3 |
| UVs & vans | 1,602 | 37 | 2,144 | 34 | 11-13 | 11-13 |
| Utility vehicles | 1,489 | 40 | 2,005 | 35 | 12-14 | 13-15 |
| Vans | 113 | 4 | 139 | 13 | 7-9 | (20)-(18) |

Exhibit 35: Capacity expansion coupled with moderation in sales to cause slight decline in utilization levels

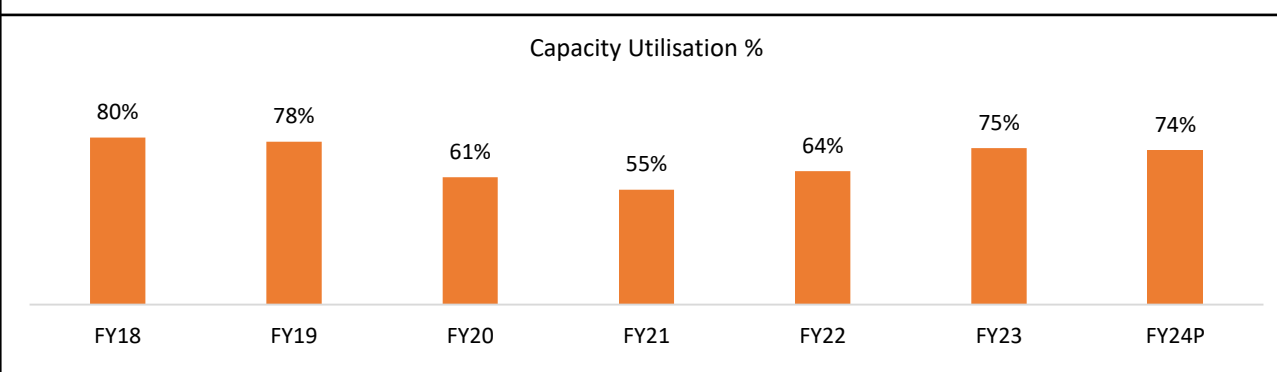


Exhibit 36: Increase in revenue coupled with decline in raw material prices to improve margins in Fiscal 2024

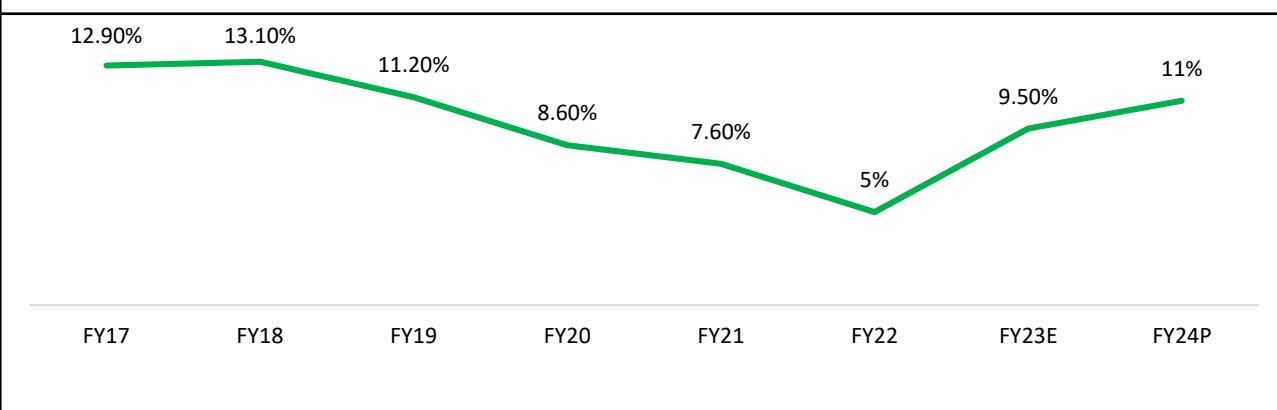
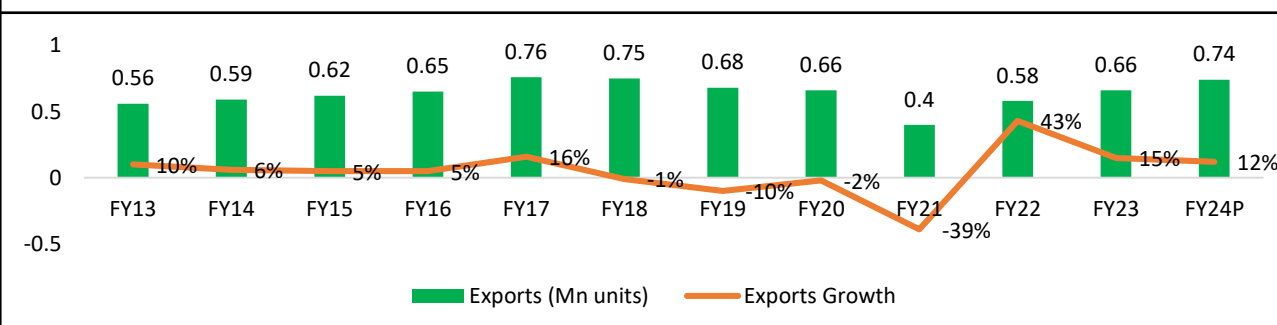


Exhibit 37: Exports expected to grow by 11-13% due to high demand for entry level cars in FY24



Source: Company, Arihant Research, Crisil

About Company

Exhibit 38: Revenue Mix

Prominent player with longstanding OEM relationships

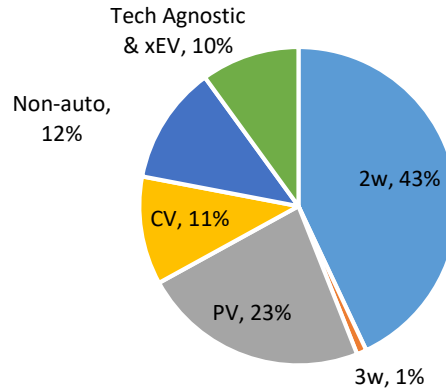


Exhibit 39: Revenue mix by geography

Emerging player working with marquee names in the Industry

Non-Auto With addition of new facility, focused to grow aerospace & defence business at a faster clip. Strong relationships with major A&D players

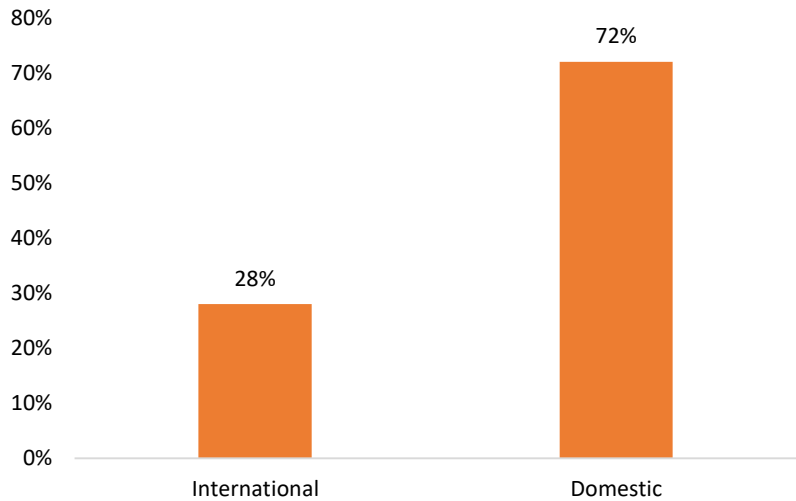
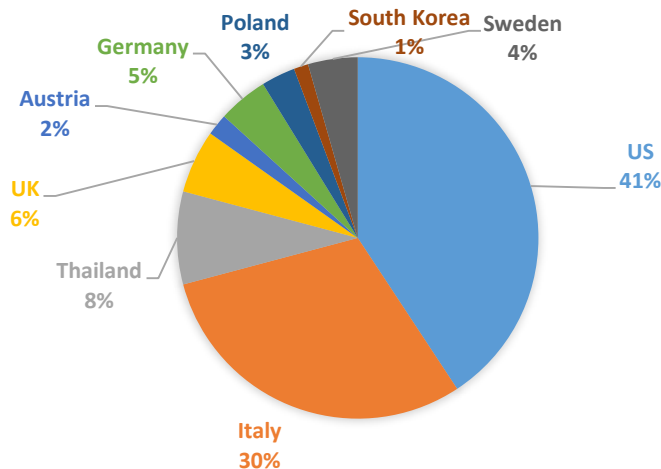


Exhibit 40: Major exports

The company major exports are from US, Italy, Thailand and UK.



Source: Arihant Research

Exhibit 41: Shareholders Pattern

| Shareholder's Name | Shareholders more than 1% | | |
|---|---------------------------|--------|--------|
| | Sep-22 | Dec-22 | Mar-23 |
| Sekhar Vasan | 19.37 | 19.37 | 19.36 |
| Client Ebene Limited | 18.06 | 18.06 | 18.05 |
| Cvcigp li Employee Ebene Limited | 10.12 | 10.12 | 10.11 |
| Axis Mutual Fund Trustee Limited A/C | | | |
| Axis Mutual Fund A/C Axis Small Cap Fund | 5.86 | 5.81 | 5.74 |
| Unni Rajagopal K | 5.38 | 5.38 | 5.38 |
| Fatheraj Singhvi | 5.28 | 5.28 | 5.28 |
| Kotak Small Cap Fund | 4.05 | 4.61 | 4.61 |
| Devappa Devaraj | 4.11 | 4.11 | 4.11 |
| Icici Prudential Life Insurance Company Limited | 3.41 | 3.82 | 3.89 |
| Government Of Singapore | 4.94 | 4.19 | 3.76 |
| Sbi Life Insurance Co. Ltd | 1.41 | 1.41 | 1.56 |
| Abu Dhabi Investment Authority - Stable | 1.29 | 1.29 | 1.38 |
| Kotak Funds - India Midcap Fund | -- | 1.32 | 1.32 |
| D Devaraj Huf | 1.26 | 1.26 | 1.26 |
| Iifl Focused Equity Fund | 1.04 | 1.04 | 1.04 |
| Fund houses invested in the stock | | | |
| Fund | Sep-22 | Dec-22 | Mar-23 |
| Axis Mutual Fund | 5.863 | 5.775 | 5.739 |
| Kotak Mahindra Mutual Fund | 4.157 | 4.61 | 4.608 |
| IIFL Mutual Fund | 1.042 | 1.042 | 1.042 |

Source: Company, Arianth Research

Exhibit 42: Comparative Analysis

| Company | Revenue | | | EBITDA | | | PAT | | | EV/EBITDA | | |
|----------------------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|------------|
| | FY22 | FY23 | FY24E | FY22 | FY23 | FY24E | FY22 | FY23 | FY24E | FY22E | FY23E | FY24E |
| Sansera Engineering | 19,890 | 23,383 | 28,017 | 3,336 | 3,770 | 4,903 | 1,305 | 1,462 | 2,316 | 13.5 | 12.2 | 9.3 |
| Bharat Forge Ltd | 92,374 | 129,103 | 149,001 | 20,385 | 17,675 | 25,669 | 11,546 | 5,604 | 12,612 | 16.3 | 23.71 | 16.33 |
| Sundram Fasteners Ltd | 47,560 | 56,628 | 64,967 | 8,579 | 8,535 | 11,004 | 5,045 | 5,004 | 6,709 | 22.1 | 29.47 | 22.85 |
| UNO Minda Ltd | 82,245 | 112,365 | 133,415 | 8,960 | 12,420 | 15,962 | 3,456 | 6,536 | 8,563 | 33.4 | 27.41 | 21.33 |
| Minda Corp Ltd | 29,759 | 43001 | 50,068 | 2,946 | 4615 | 5,664 | 1,519 | 2845 | 2,996 | 16.6 | 16.04 | 13.07 |

| Company | P/BV | | | EPS | | | CMP INR | PE | | |
|----------------------------|------------|------------|------------|-----------|-----------|-----------|------------|-------------|-------------|-------------|
| | FY22 | FY23 | FY24E | FY22 | FY23 | FY24 | | FY22 | FY23 | FY24 |
| Sansera Engineering | 4.2 | 3.7 | 3.1 | 25 | 28 | 44 | 828 | 32.8 | 29.8 | 18.7 |
| Bharat Forge Ltd | 4.9 | 5.47 | 4.67 | 23.15 | 22.45 | 27.48 | 798 | 34.49 | 35.56 | 29.05 |
| Sundram Fasteners Ltd | 6.65 | 8.12 | 6.96 | 19.39 | 22.1 | 31.88 | 1133 | 58.43 | 51.27 | 35.54 |
| UNO Minda Ltd | 8.99 | 7.83 | 6.65 | 12.64 | 11.41 | 14.97 | 556 | 43.98 | 48.72 | 37.13 |
| Minda Corp Ltd | 3.75 | 4.41 | 3.68 | 6.7 | 11.9 | 13.02 | 294 | 43.90 | 24.71 | 22.59 |

Source: Company, Arianth Research

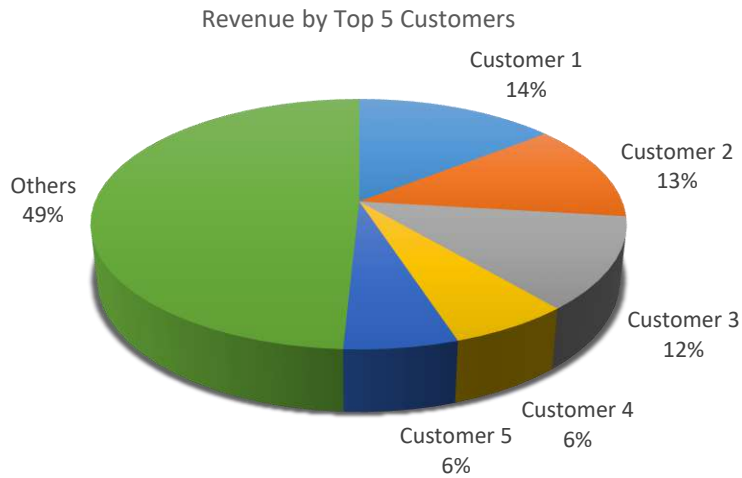
Why Sansera?

Sansera is confident about achieving an EBITDA Margin of 18-20% in the coming quarters, benefiting from scale, product mix, and commodity prices. The revival of aerospace and exports businesses will help boost margins, while recent capex investments are expected to improve RoCE to around 18%. Improved profitability will also enhance asset turnover and RoCE. have established a robust business that displays resilience. The current growth trend, driven by both domestic and export markets, along with the full operation of the new plants, indicates that FY24 will witness significant growth and improved margins due to better utilization.

Management Team

| | |
|---|---|
| <p>Mr S Sekhar Vasan, Chairman and MD</p> | <p>PGDM from IIM Bengaluru and Bachelor of Technology from IIT Madras. He has 39 years of experience in the field of manufacturing of precision products. He has been with Sansera since the incorporation.</p> |
| <p>Mr F R Singhvi, Joint MD</p> | <p>He has 39 years of professional experience. He has been associated with Sansera for over 15 years now and guides the automobile and aerospace business</p> |
| <p>B R Preetham, Group CEO</p> | <p>He is the responsible for supervising the affairs of the company and the Subsidiaries. He holds a Bachelor’s degree in engineering from Bangalore University. He has over 30 years of experience and has oversight across all areas of Company’s business including developing and maintaining relationships with companies and suppliers.</p> |
| <p>Mr. Vikas Goel, CFO</p> | <p>Vikas goel 30+ years of experience previously worked with Ingersoll-Rand, Stanley Black & Decker, Weir and Motherson Sumi Member of ICAI; Associate member of ICWAI; Bachelor of commerce from the University of Delhi</p> |
| <p>Praveen Chauhan, COO</p> | <p>36+ years of experience, ~18 years at Sansera Previously worked with Maruti Udyog Limited Diploma in Automobile Engineering from Board of Technical Education Delhi</p> |
| <p>Mr Raunak Gupta, Non-Executive, Nominee Director</p> | <p>PGDCM from IIM Calcutta and Bachelor of Technology from IIT Delhi. Currently, the Managing Director at The Rohatyn Group (TRG). He was previously associated with Citi Venture Capital International, Motilal Oswal, Rabo India and Infosys.</p> |
| <p>Mr Muthuswami Lakshminarayan, Non-Executive, Independent Director</p> | <p>Master’s Degree in Technology from IIT Bombay. He has previously been appointed as the MD at Bosch and Harman International.</p> |
| <p>Mrs. Revathy Ashok, Non-Executive, Independent Director</p> | <p>PGDM from IIM Bengaluru. He has previously been associated with Tishman Speyer & CFO of Syntel. She was awarded the ‘Faculty medal for Best Performance’-Habitat & Environmental Studies.</p> |
| <p>Mr Sylvain Bilaine, Non-Executive, Independent Director</p> | <p>Engineering Degree from National Higher College, Polytechnic National Institute of Grenoble. He was previously associated with Renault & founded SY.B Consulting. An Executive development from International Institute for Management Development in Switzerland.</p> |
| <p>Mr. Samir Purushottam Inamdar, Additional Director (Non-executive Independent Director)</p> | <p>PGDM from IIM Calcutta and Bachelor’s in Mechanical Engineering from Mumbai University. He has 40+ years of experience. He has previously been appointed as the President & CEO for major businesses of General Electric in South Asia, and as the CEO & Managing Director of Tyco Electronics in South Asia, for 11+ years</p> |

Exhibit 43: Revenue by Top 5 customers

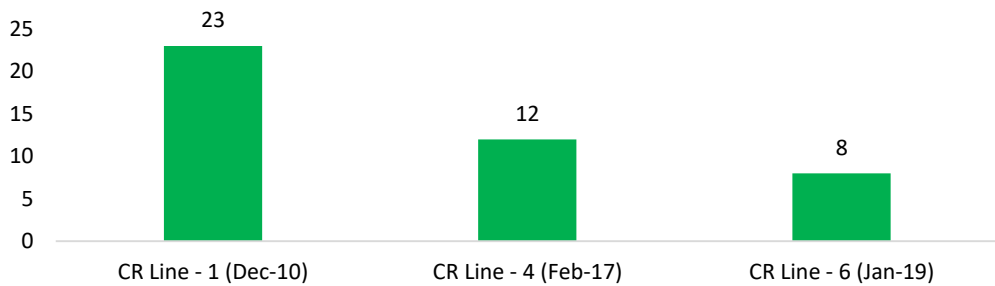


Source: Company, Arihant Research

Added two major customers in the FY23. With significant order flow from one of these customers it is now amongst top 5 customers › Strong order book and pipeline continues

Exhibit 44: Manpower / Shift (# / shift)

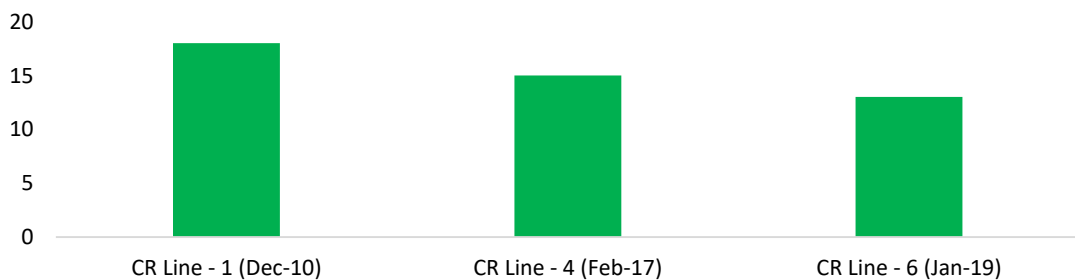
Interchangeable capacity and product mix across all products categories (auto and non-auto) optimizing productivity & efficiency



Source: Company, Arihant Research

Exhibit 45: “Takt” Time (seconds)

Designed and built automated gantry lines for suspension component - stem comp

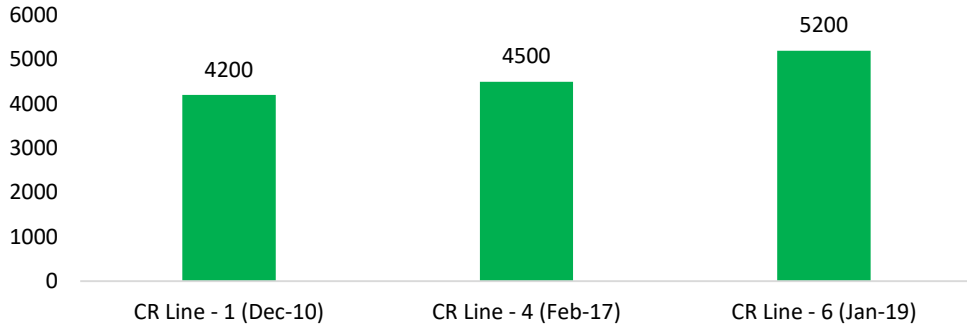


Note: 1. takt time – average time between the start of production of one piece and the start of production of the next piece.

Source: Company, Arihant Research

Exhibit 46: Output per day (# of pieces)

Plan to deploy the automation capabilities across other manufacturing lines



Source: Company, Arihant Research

Exhibit 47: Sansera has 16 plants under operation across India, 1 in Sweden and 1 under construction in India. All its facilities are located in close proximity to the client production facilities.

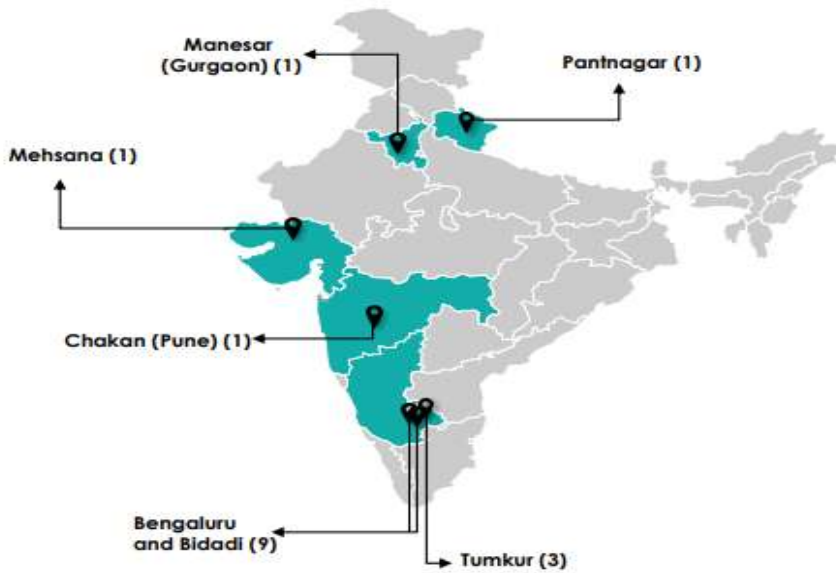
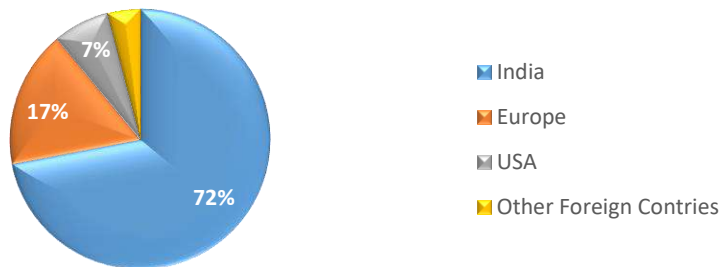
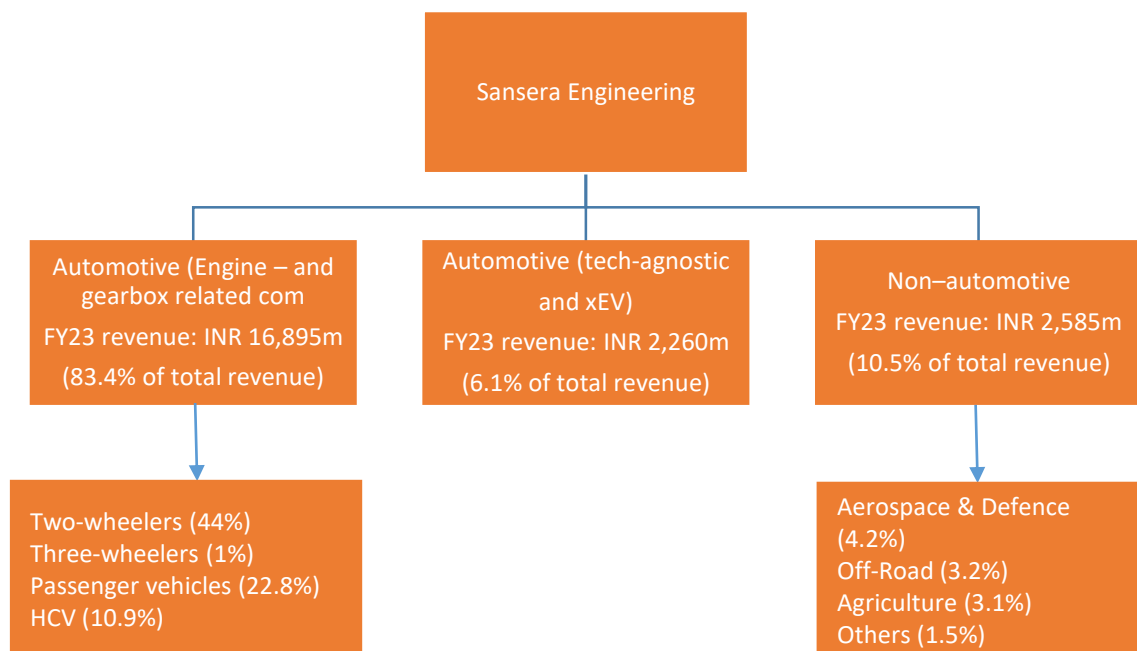


Exhibit 48: Region-wise Revenue Generation



Source: Company, Arihant Research

Business Overview

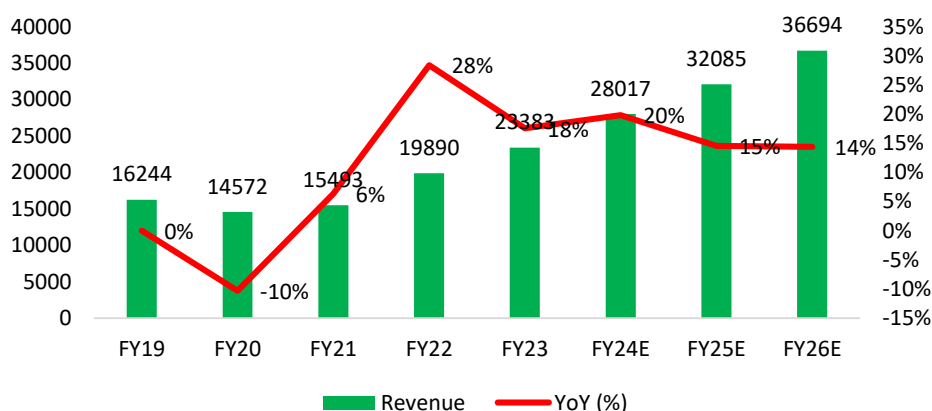


Source: Company, Arihant Research

Financial Analysis

The company's expects EVs to contribute around 12% of revenue in the next 2-3 years, with engine-agnostic auto products accounting for approximately 8% of revenue. The decline in exports revenue mix is projected to be reversed with a 40-50% growth in ex-India revenue in FY24, aiming to surpass a 35% revenue mix. Revenue in the aerospace segment is anticipated to reach INR 2.5 bn by FY25, while the expansion in aluminium forging will drive revenue growth in FY24-25.

Exhibit 49: Revenue (In INR Mn) and growth

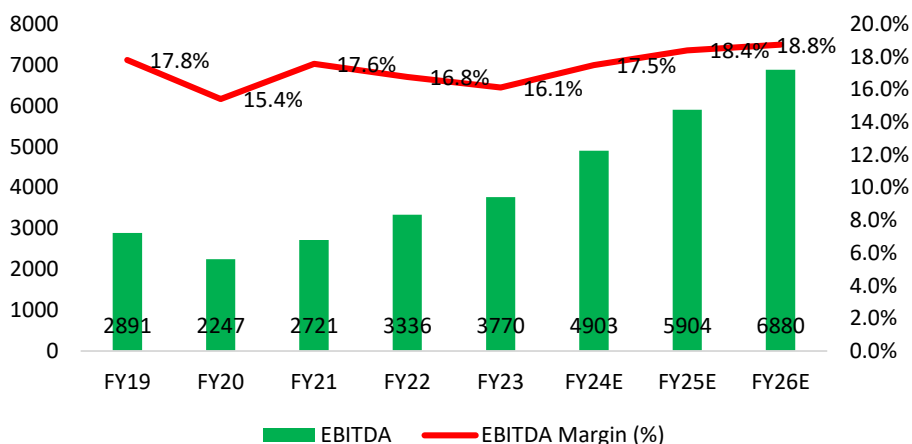


Source: Company, Arihant Research

Operating performance

Sansera is about to enter a phase where key business drivers such as the domestic two-wheeler market, exports, and the aerospace segment are expected to align favorably. This alignment, combined with an improved margin outlook driven by enhanced product mix and scale, will contribute to the company's overall positive prospects.

Exhibit 50: EBITDA (In INR Mn) and Margin

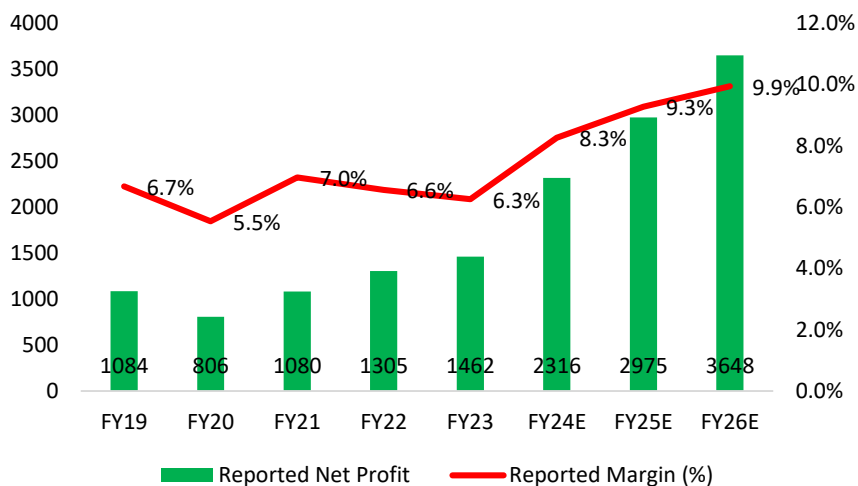


Source: Company, Aриhant Research

Strong profit growth going ahead

With the revival of exports and sustained growth across segments and geographical areas, we are optimistic about experiencing improved profit growth in the foreseeable future. The combination of expanding markets and a diverse customer base will contribute to positive outlook. We expect this trend to drive profitability and enhance financial performance in the coming periods.

Exhibit 51: Reported PAT (In INR Mn) and Margin will grow led by better product mix

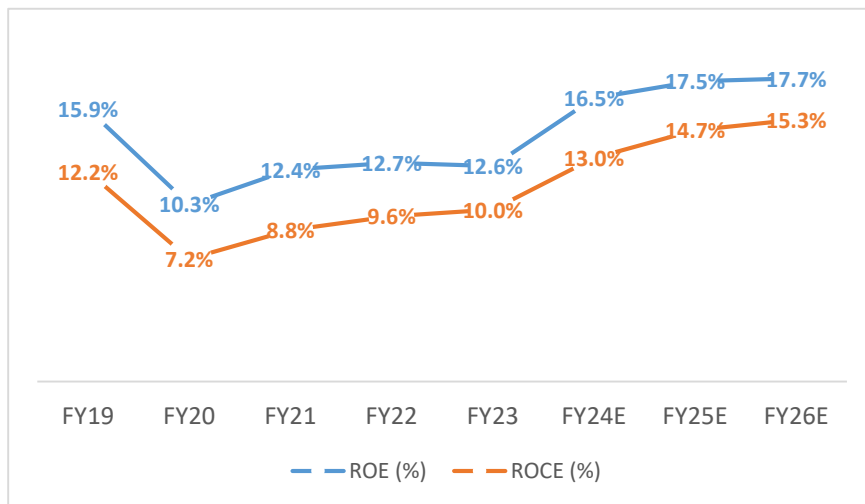


Source: Company, Aриhant Research

Return Ratio

Capex for FY23 stood at INR2,440 mn. This was mainly to enhance the technological upgradation and add production lines to support growth in the non-ICE segments. With the expected growth and lower CAPEX INR ~2500 Mn. The company has started construction of a new aluminium machining parts facility at existing plant 11 in Bidadi. This is a Brownfield expansion project, which is expected to get completed by the end of this year and it will help further improve presence in the tech agnostic and xEV segment. So, we expect better ROCE/ROE going forward.

Exhibit 52: Return ratio expected to grow better in FY26E

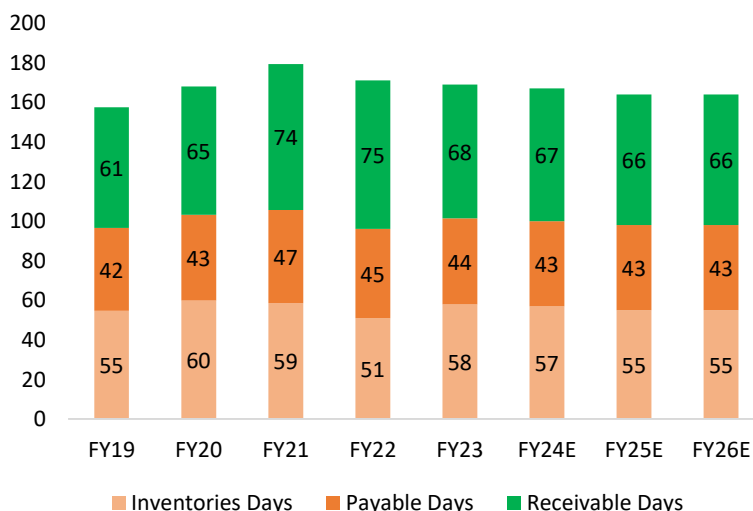


Source: Company, Aриhant Research

Working Capital

We expect a steady cash conversion cycle over FY23-25E. Inventory days are expected to normalize given that supply constrain ease in near term but there are couple of factors- 1) Macro economic uncertainty. 2) Delay in execution of new orders.

Exhibit 53: healthy cash conversion



Source: Company, Aриhant Research

| Income Statement Consolidated (INR Mn) | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Year End-March | FY22 | FY23 | FY24E | FY25E | FY26E |
| Revenues | 19,890 | 23,383 | 28,017 | 32,085 | 36,694 |
| <i>Change (%)</i> | 28.4% | 17.6% | 19.8% | 14.5% | 14.4% |
| Cost of Goods Sold (COGS) | 11,896 | 14,162 | 16,530 | 18,930 | 21,650 |
| Gross Profit | 7,994 | 9,221 | 11,487 | 13,155 | 15,045 |
| Employee costs | 2,774 | 3,180 | 3,502 | 4,043 | 4,568 |
| Other expenses | 1,885 | 2,272 | 3,082 | 3,208 | 3,596 |
| Total Expenses | 16,554 | 19,613 | 23,114 | 26,181 | 29,814 |
| EBITDA | 3,336 | 3,770 | 4,903 | 5,904 | 6,880 |
| | 16.77 | 16.12 | 17.50 | 18.40 | 18.75 |
| EBITDA Margin | % | % | % | % | % |
| Depreciation | 1,197 | 1,301 | 1,337 | 1,384 | 1,534 |
| EBIT | 2139 | 2469 | 3566 | 4519 | 5346 |
| Interest | 510 | 615 | 635 | 666 | 677 |
| Other Income | 155 | 178 | 185 | 196 | 224 |
| PBT | 1,784 | 2,032 | 3,116 | 4,049 | 4,893 |
| Exceptional Items | - | - | - | - | - |
| PBT after exceptional Items | 1,784 | 2,032 | 3,116 | 4,049 | 4,893 |
| Tax | 465 | 549 | 779 | 1,053 | 1,223 |
| <i>Rate (%)</i> | 26.1% | 26.0% | 26.0% | 26.0% | 26.0% |
| PAT | 1,305 | 1,462 | 2,316 | 2,975 | 3,648 |
| PAT Margin (%) | 6.6% | 6.3% | 8.3% | 9.3% | 9.9% |

| Balance Sheet Consolidated (INR Mn) | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Year End-March | FY22 | FY23 | FY24E | FY25E | FY26E |
| Sources of Funds | | | | | |
| Share Capital | 104 | 106 | 106 | 106 | 106 |
| Reserves & Surplus | 10,130 | 11,573 | 13,907 | 16,882 | 20,531 |
| (b) Instruments entirely equity in nature | - | - | - | - | - |
| (d) non-controlling interest | 119 | 140 | 140 | 140 | 140 |
| Net Worth | 10,353 | 11,820 | 14,153 | 17,128 | 20,777 |
| Loan Funds | 6,451 | 7,121 | 7,121 | 7,121 | 7,121 |
| MI, Deferred Tax & other Liabilities | 642 | 689 | 689 | 689 | 689 |
| Total Equity and Liabilities | 22,210 | 24,629 | 27,382 | 30,843 | 35,042 |
| Application of Funds | | | | | |
| Gross Block | 15,571 | 18,071 | 20,571 | 23,071 | 25,571 |
| Less: Depreciation | 4,530 | 5,614 | 6,952 | 8,336 | 9,870 |
| Net Block | 11,041 | 12,457 | 13,619 | 14,735 | 15,701 |
| CWIP | 1,224 | 757 | 757 | 757 | 757 |
| Other Non-current Assets | 209 | 314 | 314 | 314 | 314 |
| Other Current Assets | 347.2 | 263.0 | 263.0 | 263.0 | 263.0 |
| Net Fixed Assets | 12,822 | 13,790 | 14,953 | 16,068 | 17,034 |
| Investments | 105 | 105 | 105 | 105 | 105 |
| Debtors | 4,086 | 4,327 | 5,214 | 5,882 | 6,727 |
| Inventories | 2,776 | 3,710 | 4,375 | 4,835 | 5,529 |
| Cash & Bank Balance | 383 | 496 | 769 | 1,987 | 3,680 |
| Loans & Advances & other CA | 217 | 198 | 198 | 198 | 198 |
| Total Current Assets | 7,945 | 9,144 | 10,970 | 13,315 | 16,548 |
| Current Liabilities | 7,377 | 8,152 | 8,572 | 9,058 | 9,609 |
| Provisions | 193 | 55 | 55 | 55 | 55 |
| Net Current Assets | 568 | 992 | 2,398 | 4,257 | 6,940 |
| Total Assets | 22,210 | 24,629 | 27,382 | 30,843 | 35,042 |

| Cash Flow Statement Consolidated (INR Mn) | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| Year End-March | FY22 | FY23 | FY24E | FY25E | FY26E |
| PBT | 1,784 | 2,032 | 3,116 | 4,049 | 4,893 |
| Cash From Operating Activities | 2,560 | 2,131 | 2,564 | 3,418 | 4,647 |
| Tax | (429) | (556) | (779) | (1,053) | (1,223) |
| Net Cash From Operations | 2,131 | 2,564 | 3,418 | 4,647 | 5,134 |
| Capex | (2,668) | (2,420) | (2,500) | (2,500) | (2,500) |
| Cash From Investing | (2,553) | (2,409) | (2,500) | (2,500) | (2,500) |
| Borrowings | 6,451 | 7,121 | 7,121 | 7,121 | 7,121 |
| Finance cost paid | 510 | 615 | 635 | 666 | 677 |
| Div. (incl. buyback & taxes) | 0 | (105) | (159) | (185) | (212) |
| Cash From Financing | 465 | (62) | (645) | (930) | (940) |
| Net Increase/ Decrease in Cash | 43 | 94 | 273 | 1218 | 1694 |
| Cash at the beginning of the year | 365 | 383 | 496 | 769 | 1,987 |
| Cash at the end of the year | 383 | 496 | 769 | 1,987 | 3,680 |

| Key Ratios | | | | | |
|---------------------------|--------|--------|--------|--------|--------|
| Year End-March | FY22 | FY23 | FY24E | FY25E | FY26E |
| Per share (INR) | | | | | |
| EPS | 25.3 | 27.7 | 44.2 | 56.6 | 69.3 |
| BVPS | 199 | 223 | 267 | 324 | 393 |
| Valuation (x) | | | | | |
| P/E | 32.8 | 29.8 | 18.7 | 14.6 | 11.9 |
| P/BV | 4.2 | 3.7 | 3.1 | 2.6 | 2.1 |
| Return ratio (%) | | | | | |
| EBITDA Margin | 16.77% | 16.12% | 17.50% | 18.40% | 18.75% |
| PAT Margin | 6.56% | 6.25% | 8.27% | 9.27% | 9.94% |
| ROE - Pre tax | 12.74% | 12.55% | 16.51% | 17.49% | 17.66% |
| ROCE - Pre tax | 9.63% | 10.03% | 13.02% | 14.65% | 15.26% |
| Leverage Ratio (%) | | | | | |
| Total D/E | 0.62 | 0.60 | 0.50 | 0.42 | 0.34 |
| Turnover Ratios | | | | | |
| Asset Turnover (x) | 2.5 | 2.6 | 2.6 | 2.4 | 2.2 |
| Inventory Days | 51 | 58 | 57 | 55 | 55 |
| Receivable Days | 75 | 68 | 67 | 66 | 66 |
| Payable days | 45 | 44 | 43 | 43 | 43 |

Source: Company, Arianth Research

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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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