

Not Rated

Sansera Engineering

Emkay[®]

Your success is our success

Strong foundation in place for 20% sales CAGR, 20% RoCE

Auto & Auto Ancillaries ▶ Visit Note ▶ September 14, 2023

TARGET PRICE (Rs): NR

We interacted with the management of Sansera Engineering and visited the company's Forgings as well as Aerospace & Defence plants in Bengaluru. By leveraging the advantages (of cost, time-to-market and agility) afforded by its end-to-end integrated engineering capabilities, Sansera expects to benefit from increased outsourcing across its traditional as well as newer product lines to clock ~20% revenue CAGR in coming years (2x the underlying industry); this would help execute its strong order book (peak annual revenue run-rate of Rs17bn to be achieved in 3 years, majorly driven by tech agnostic/EV and non-Auto segments), with EBITDA margin also expected to touch 20% by FY27 (vs ~16% in FY23). Based on Mgmt's growth & profitability estimates, Sansera currently trades at ~7.5x FY26E EV/EBITDA (~60% discount to BHFC).

Sansera Engineering: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22	FY23
Revenue	16,244	14,572	15,493	19,890	23,460
EBITDA	2,756	2,247	2,721	3,336	3,848
Adj. PAT	981	799	1,080	1,304	1,462
Adj. EPS (Rs)	9.9	8.0	23.0	25.0	27.6
EBITDA margin (%)	17.0	15.4	17.6	16.8	16.4
EBITDA growth (%)	NA	(18.5)	21.1	22.6	15.3
Adj. EPS growth (%)	NA	(18.5)	186.2	8.8	10.4
RoE (%)	NA	11.0	13.1	13.7	13.3
RoIC (pre-tax, %)	NA	6.8	8.6	9.8	10.2
P/E (x)	94.1	115.5	40.4	37.1	33.6
EV/EBITDA (x)	35.6	43.5	17.7	16.3	14.4
P/B (x)	13.5	12.0	5.0	4.7	4.2
RoCE (pre-tax, %)	NA	9.8	12.3	13.3	13.6

Source: Company, Emkay Research

Higher outsourcing, vendor consolidation to drive growth in Auto-ICE

Sansera aims to leverage time-to-market and cost-based advantages afforded by its control over the entire value chain for availing opportunities arising from: i) higher outsourcing by OEMs (incl. under 'China +1'/'Europe +1'); ii) faster vendor consolidation — to emerge as the 'last man standing' in its traditional portfolio of connecting rods, rocker arms and crankshafts — translating into strengthened positioning (targets ~10% global connecting rod mkt share ahead vs 2-3% as of CY20) and higher profitability.

Non-ICE, Non-Auto to contribute 40% of sales in FY26 vs. 23% in FY23

Sansera expects the 'Auto-tech agnostic/xEV' and 'Non-Auto' segments to contribute ~20% each to FY26 sales (vs ~10%/~12%, resp. in FY23), driven by: i) contribution upturn from aluminium forgings (to ~10% of revenue in 5 years vs. the low single-digit now), amid increasing sourcing by global OEMs for electrification/lightweighting; Sansera has order wins from the likes of Tesla, BMW and JLR; ii) >50% revenue CAGR from the FY23 base (Rs0.9bn) in Aerospace, riding on greater sourcing by global aerospace giants (incl. for higher value-additive parts), in tandem with Company's cost-competitiveness (~20% cost advantage vs. global competition) and attempts to move up the value chain (currently supplies parts with kit value of up to USD2,000); iii) indigenization initiative in Defence. The combined order book for Aerospace and Defence stands at ~Rs1bn.

Guides for 20% revenue CAGR, 20% EBITDA margin and 20% RoCE

Sansera aims for 20% revenue CAGR (growing at 2x the underlying industry), on a strong order book, addition of newer customers/technologies, and higher content per vehicle. Company targets 20% margin by FY27 on the back of revenue growth, better mix (63% order book from exports; exports typically have ~600bps higher margin) and higher utilization levels (2W utilization now at 60-65%). RoCE is expected to improve to 20% in coming years vs. ~14% as of FY23. Based on Management's growth and profitability estimates, Sansera trades at ~7.5x FY26E EV/EBITDA.

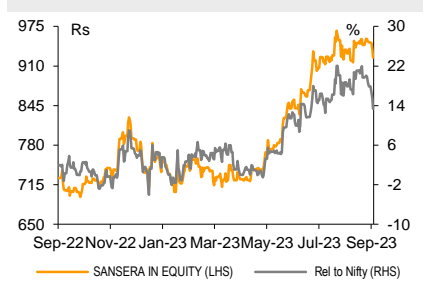
Target Price – 12M	NA
Change in TP (%)	NA
Current Reco.	Not Rated
Previous Reco.	Not Rated
Upside/(Downside) (%)	NR
CMP (13-Sep-23) (Rs)	924.0

Stock Data	Ticker
52-week High (Rs)	998
52-week Low (Rs)	673
Shares outstanding (mn)	53.3
Market-cap (Rs bn)	49
Market-cap (USD mn)	594
Net-debt, FY22E (Rs mn)	5,635
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	164.2
ADTV-3M (USD mn)	2.0
Free float (%)	64.8
Nifty-50	20,070
INR/USD	83.0
Shareholding, Jun-23	
Promoters (%)	35.2
FPIs/MFs (%)	30.3/24.3

Price Performance

(%)	1M	3M	12M
Absolute	(1.4)	8.2	27.2
Rel. to Nifty	(4.5)	0.9	14.5

1-Year share price trend (Rs)



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Exhibit 1: Segment-wise summary

Segment	Products	% contribution			Growth drivers	Other comments
		To FY23 revenues	To Q1FY24 orderbook	To targeted revenues		
Auto-ICE		77%	47%	60%		
- 2Ws	Connecting rods, rocker arms, crankshafts	44%	12%		Greater outsourcing by OEMs, vendor consolidation	Targeting ~10% global connecting rod market share vs. low single digit currently
- 4Ws		33%	35%			
Auto-Tech agnostic, xEV		11%	30%	20%		
- Tech agnostic	Structural parts incl. aluminium for chassis/driveline/suspension/braking	7%	11%		Electrification and lightweighting	Bulk of these businesses are for exports - which typically enjoy ~10% higher value addition and upto ~6% higher margins
- xEV		4%	19%			
Non-Auto		12%	23%	20%		
- Aerospace & Defence	Aerostructure, seating, lighting, cargo	4%			Increasing aerospace outsourcing to India, defence indigenization	
- Off road	Connecting rods, crankshafts	3%				
- Agriculture	Connecting rods, Cam shafts	3%				
- Others	Connecting rods, crankshafts	2%				
















Source: Company, Emkay Research

Exhibit 2: Snapshot of the Auto-ICE segment

	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 FY23	Motorcycles 35.5%		Scooters 7.9%	22.8%		10.9%			
Q1 FY24	35.3%		5.7%	23.8%		10.9%			
Key Customers (Indian and Global)	Indian › All major 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

Exhibit 3: Snapshot of the Auto-Tech agnostic/EV segment

	Tech-Agnostic			xEV		
	2W / e-2W	PV / Hybrid / B-EV	CV	2W	PV	CV
Product Offerings	 Suspension Parts	 Steering Parts	 Chassis Components (Cabin Tilt System)	 Drive Train Part	 Drive Train Part	 Transmission Parts
	 Stem Comp Steering	 Tow Hook	 Braking System Components	 Rotar Parts	 Spring Bracket	 Differential Lock Hook
	 Aluminium forged parts	 Braking System Component	 Integral Crankshaft (Braking System)			
Sales Mix FY23	6.6%			3.8%		
Q1FY24	6.6%			5.3%		
Key Customers (Indian and Global)	› European premium 2W OEMs	› Leading European PV OEM	› Leading Europe & US Based Tier 1 Customer	› Leading Indian EV OEMs	› One of the leading Indian OEM	› Marquee North American EV OEM

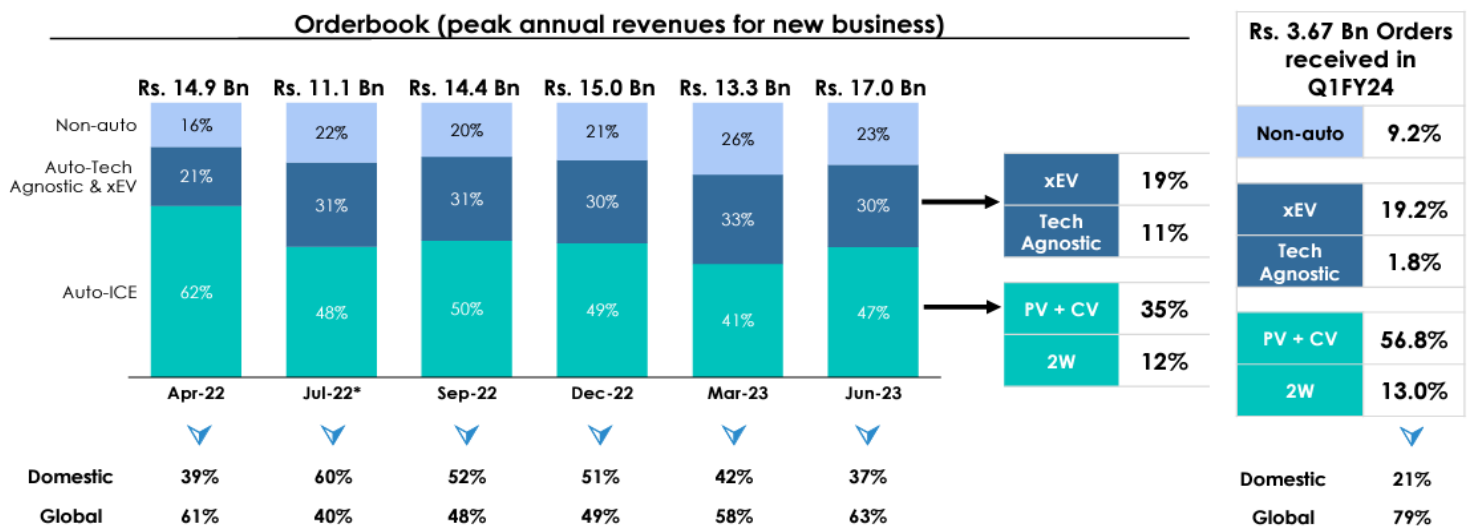
Source: Company

Exhibit 4: Snapshot of the Non-Auto segment

	Aerospace & Defence	Off-road	Agriculture	Others
Product Offerings	<p>Seating parts Aerostructure Parts Door assembly Lighting parts Cargo systems</p>	<p>Fractured Split Gear Shifter Fork Crankshaft Rocker Arms</p>	<p>Fractured CR Cam Shaft Pump Barrel</p>	<p>Fractured CR Split CR Integral Crankshaft (Stationary Engine) Crankshaft Pump Barrel</p>
Sales Mix FY23	4.2%	3.2%	3.1%	1.5%
Q1 FY24	3.2%	4.3%	2.7%	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

Exhibit 5: Present order book stands at ~Rs17bn, with ~53% contribution from the non-ICE, non-Auto segments



Source: Company

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