

Sansera Engineering

BUY

Choice

Sansera reported mix set of performance in Q4FY24. Total revenue for quarter under review grew by 21% YoY basis to Rs. 7.46bn vs est of Rs.7.29bn, led by better growth in 2W segments and higher premium content in the MC segment. Operating profit for the quarter jumped by 32% YoY/+5.3% QoQ to Rs.1.27bn vs est of Rs.1.26bn and margin expanded by 149bps YoY to 17% vs est. of 17.3%. PAT for the quarter increased by 31.2% to Rs.461mn vs our estimates of Rs.502mn. On Full year basis, Top line grew by 20% to Rs.28.11bn, EBDITA jumped by 24.7% to Rs.4.8bn. PAT grew by 27% to Rs.1.85bn. We expect SEL's Revenue/EBIDTA/PAT to grow by 18%/23%/26% CAGR over FY24-26.

- Management expects going forward Non-auto share to be around 20% and XEV and tech-agnostic to be around 20% to meet this target company has planed a capex of around Rs.400cr in FY25 and post that around Rs.300-350cr which can be managed by internal accrual.
- Embracing Light-Weighting, Premiumization, and Diversification:** Management is confident to outperform the industry by over 10% driven by light-weighting and premiumization and addition of new capacity. SEL is looking to add more press machines in 2500-3500 tonnage segment for bigger engine parts. This expansion will help to mfg. more aluminium forge product which is 3-4x of steel parts. In the 2W segments, the premiumization trend continues support the industry leading growth. The new capex is largely directed towards light-weighting products, supporting SEL's expectation for better-than-industry growth. Additionally, the non-automotive segment will diversify SEL's product portfolio. Future expansion is focused on the non-automotive segment, with increased capex guidance for FY25 aimed at capacity expansion, line balancing, and facility build-up. The company has also realigned its vision, raising long-term sales contribution targets for xEV and tech-agnostic products from 15% to 20%. 60% of sales will come from auto ICE, while 20% each will come from non-auto and xEV and tech-agnostic portfolios.
- Outlook & Valuation:** Given the industry's shift towards higher CC segments from lower 2W and the integration of more premium components with lightweight materials, SEL is undergoing a transformation from an automotive to a non-automotive and xEV-agnostic products supplier by its ability to adapt to these changes. In the medium to long term, we anticipate substantial revenue growth for SEL driven by: 1) an increasing proportion of revenue from non-automotive segment; 2) securing new orders for engine-agnostic components; 3) an increase in the share of aluminum components; and 4) a recovery in the export business, which will contribute to margin expansion in the coming quarters. We expect revenue/EBIDTA/PAT to grow at a CAGR of 18%/23%/26% over FY24-26E and value the stock based on 22x FY26E EPS and arrive at the TP of Rs.1205 and assign BUY rating.

Quarterly performance

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Net Sales	7,458	6,186	20.6	7,126	4.7
Material Expenses	3,193	2,757	15.8	3,089	3.4
Gross Profit	4,265	3,429	24.4	4,038	5.6
Employee Expenses	999	842	18.7	954	4.8
Other Operating Expenses	1,996	1,625	22.8	1,877	6.3
EBITDA	1,270	962	32.1	1,207	5.3
Depreciation	397	347	14.3	378	4.9
EBIT	873	614	42.2	829	5.4
Interest Cost	225	173	30.4	175	28.6
PBT	645	486	32.7	666	(3.2)
RPAT	465	354	31.3	484	(3.8)
APAT	461	351	31.2	480	(3.9)
Adj EPS (Rs)	8.6	6.6	29.5	9.1	(5.2)

Margin Analysis	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)
Gross Margin (%)	57.2	55.4	175	56.7	53
Employee Exp. % of Sales	13.4	13.6	(22)	13.4	1
Other Op. Exp % of Sales	26.8	26.3	48	26.3	42
EBITDA Margin (%)	17.0	15.5	149	16.9	10
Tax Rate (%)	28.7	27.1	161	27.4	135
APAT Margin (%)	6.2	5.7	50	6.7	(55)

Source: Company, CEBPL

May 18, 2024	
CMP (Rs)	1,048
Target Price (Rs)	1,205
Potential Upside (%)	15

Company Info

BB Code	SANSERA IN EQUITY
ISIN	INE953001021
Face Value (Rs.)	2.0
52 Week High (Rs.)	1095
52 Week Low (Rs.)	752
Mkt Cap (Rs bn.)	56.2
Mkt Cap (\$ bn.)	0.67
Shares o/s (Mn.)/F.F(%)	53.6/51
Adj. TTM EPS (Rs)	35.0
FY26E EPS (Rs)	54.8

Shareholding Pattern (%)

	Mar-24	Dec-23	Sept-23
Promoters	35.04	35.05	35.22
FII's	22.11	22.73	29.00
DII's	28.56	28.22	25.11
Public	14.29	14.00	10.67

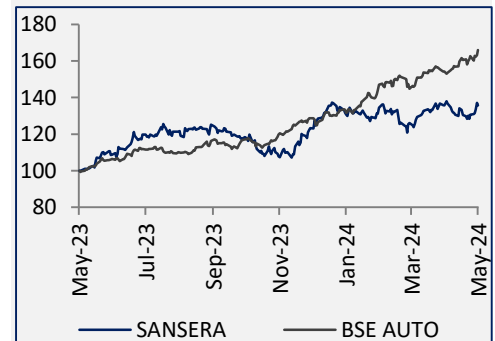
Relative Performance (%)

YTD	3M	6M	1Y
BSE AUTO	13.0	38.7	66.0
SANSERA	0.93	25.9	35.8

Year end March (INR bn)

Particular	FY24	FY25E	FY26E
Revenue	28.1	33.5	39.1
Gross Profit	15.9	18.6	21.8
EBITDA	4.8	6.0	7.2
EBITDA (%)	17.1	18.0	18.5
EPS (INR)	34.7	42.1	54.8

Rebased Price Performance



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CEBPL Estimates vs Actual

Particulars (Rs.mn)	Actual	CEBPL Est.	Deviation (%)
Revenue	7,458	7,287	2
EBIDTA	1,270	1,257	1
EBIDTA Margin (%)	17.0	17.3	(22)bps
PAT	461	502	(8)

Source: Company, CEBPL

Changes in Estimates

Income Statement (INR Mn.)	FY25E			FY26E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	33,481	32,345	4	39,052	36,738	6
EBITDA	6,027	5,822	4	7,225	6,797	6
EBITDA margin(%)	18.0	18.0	0bps	18.5	18.5	0bps
APAT	2,246	2,597	(14)	2,920	3,219	(9)
EPS	42.1	48.7	(14)	54.8	60.4	(9)

Source: Company, CEBPL

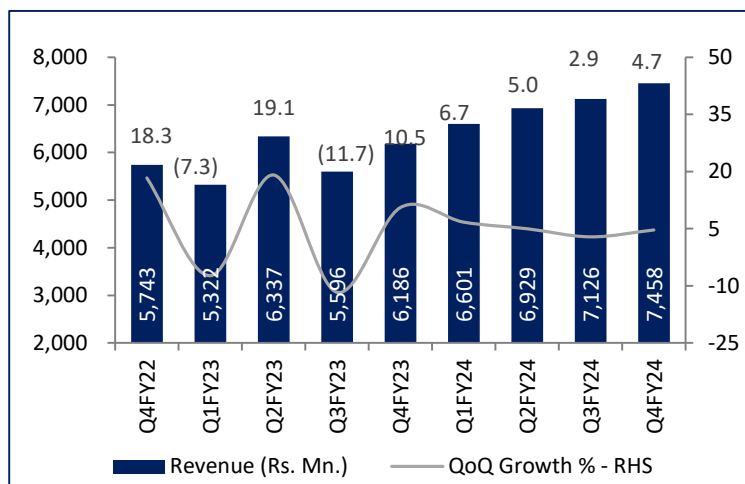
Management Call - Highlights

- The 2W-scooter market experienced a decline during the year due to the transition to electric vehicles (EV).
- Annual peak revenue stood at Rs. 3.9 billion. Capex in FY24 amounted to 4000 MT, with additional press machines of 2500/3300 MT for larger engine parts. This expansion will facilitate the manufacturing of more aluminium forged products, which have a value 3-4 times higher than steel parts.
- Due to a better mix, the company saw improvements.
- Net debt stood at Rs. 7.4 billion, Capex was Rs. 3.14 billion, and ROCE improved from 15.2% to 16.9%.
- The aerospace segment is largely dependent on North American clients, comprising 65-70% of the total aerospace segment. Due to a shift in the program schedule, performance in FY24 was impacted. However, management expects growth of 40-45% in FY25. The revenue potential for the new facility is around Rs. 340-350 crore. Additionally, the company has a special process machine to execute in-house instead of outsourcing. Capex allocation is 40% to Auto agnostics.
- The defence segment is working with Indian players and a few foreign clients.
- Product mix improvements helped margin expansion and operating efficiency. The Red Sea impacted margins partially, but management expects margins to remain at similar levels.
- Higher CC engines and new generation components led to a Capex of around Rs. 400 crore. Going forward, it will be in the range of Rs. 300-350 crore.
- Auto ICE is projected to comprise around 60%, with the rest from Non-auto sectors. Management expects to outpace industry growth by 10%.
- Non-Auto ICE currently stands at around 26%. Moving forward, XEV, Non-auto, and tech-agnostic segments are expected to reach around 40%. The company has expanded its aluminium forging machining line, aerospace, and defence capabilities. A new PV customer was added in Q4, and the company now supplies connecting rods to MSIL. The Non-auto segment could grow by 40% in FY25.

Management Call – Highlights(contd.)

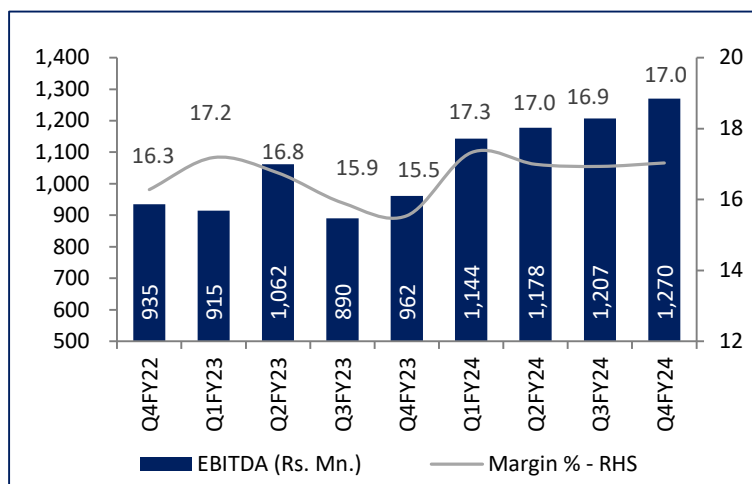
- Other expenditures increased due to investments in renewable energy.
- Total international revenue is around 26%, with 6% coming from Sweden.
- Utilization is expected to reach around 69-70%, with auto utilization around 80%. The potential peak revenue is around Rs. 900 crore quarterly.
- In the last 2 years, new capacity additions were approximately 40% in tech-agnostic and non-auto segments and 15% in traditional segments.
- The order book for Sweden includes a high-volume line initially for 100% Volvo, and now other lines are being automated with orders worth Rs. 200 crore. Real margin improvement is expected to happen in FY26, with margins around 5% in FY25 and approximately 11% in FY26.
- The debt-to-equity ratio stands at 0.54x, with expected improvements as new Capex will be funded from internal cash.
- The company received new orders worth Rs. 150 crore in Q4 FY24, with the largest share from Ford Motors. New orders were also won from Trans Aerospace and Tata Motors.
- North America revenue could cross around Rs. 100 crore in FY25.
- JV/Associate revenue started from the MMIS JV, with an expected revenue of around Rs. 20 crore in FY25.
- The company could acquire up to 51% with a capping of valuation and does not expect any new investments in FY25.
- Operating income (OI) was negative due to forex loss.
- The company delivered its highest-ever topline and EBITDA during FY24 and Q4 FY24, driven by broad-based growth across geographies.
- Domestic revenues grew by 16% in FY24 and 20% in Q4 FY24 on a YoY basis.
- International revenues grew by 34% in FY24 and 29% in Q4 FY24 on a YoY basis.
- Improvement in margins was mainly driven by stronger growth in the international business and operating efficiencies.
- The company recorded its highest-ever quarterly sales across key end-markets, including Auto-ICE, Auto-Tech Agnostic & xEV, and Non-Auto. Emerging Businesses (Non-Auto and Auto-Tech Agnostic & xEV) grew by 34% in FY24 and 27% in Q4 FY24.
- The contribution of the top 5 customers reduced from 51% in FY23 to 46% in FY24. Net debt as of March 2024 stood at Rs. 7.4 billion.
- The Board of Directors has recommended a dividend of Rs. 3.00 per equity share for FY24.

Revenue grew 4.7% QoQ



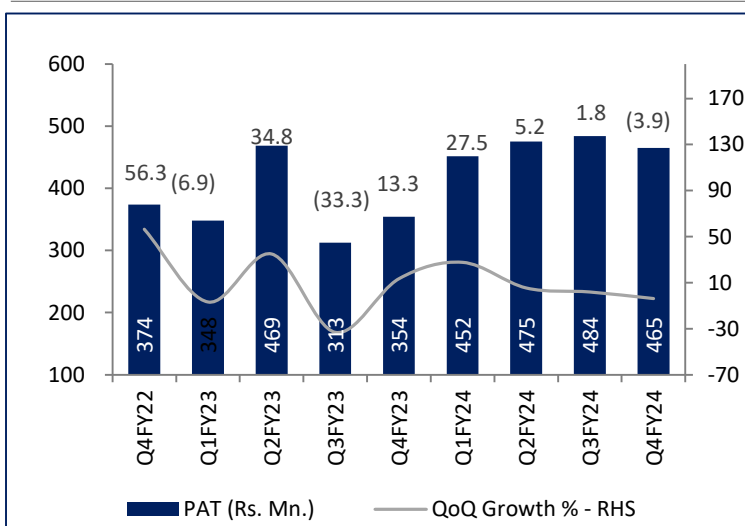
Source: Company, CEBPL

Margin (excluding other income) expanded 10bps QoQ



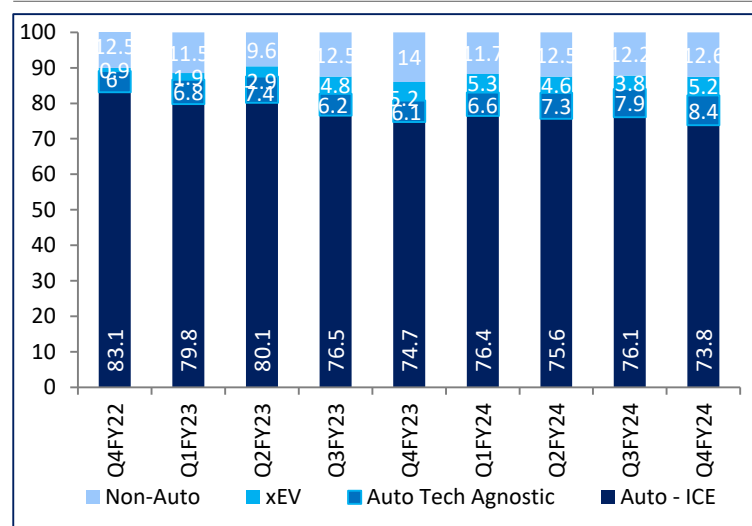
Source: Company, CEBPL

PAT jumped 31% YoY



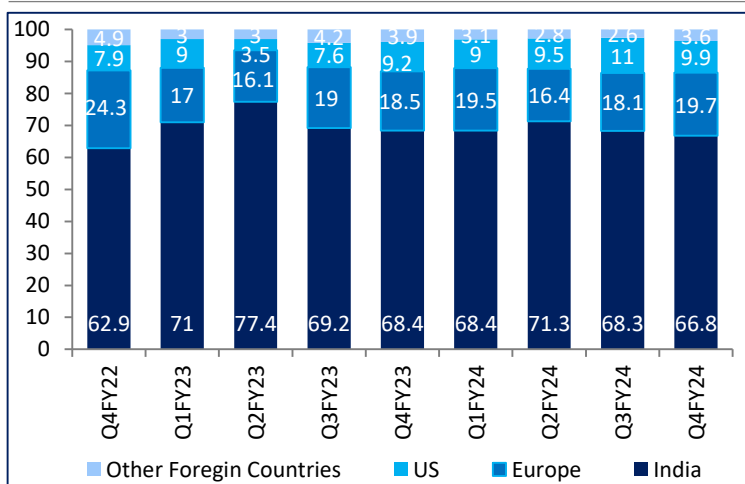
Source: Company, CEBPL

Segment Mix (%)



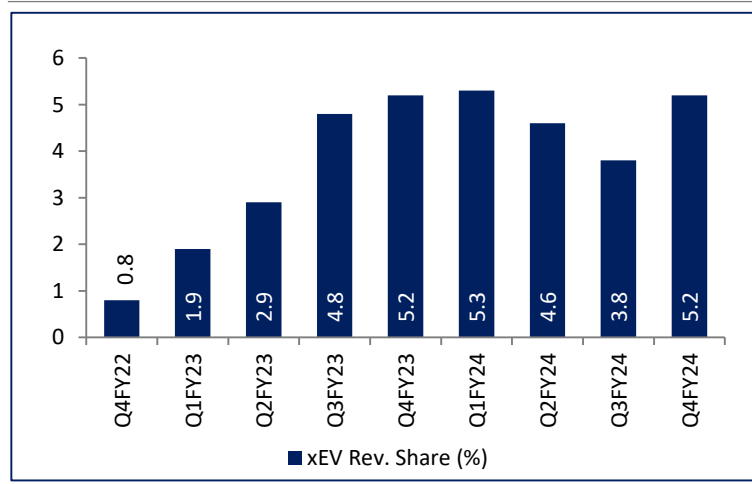
Source: Company, CEBPL

Geography Mix (%)



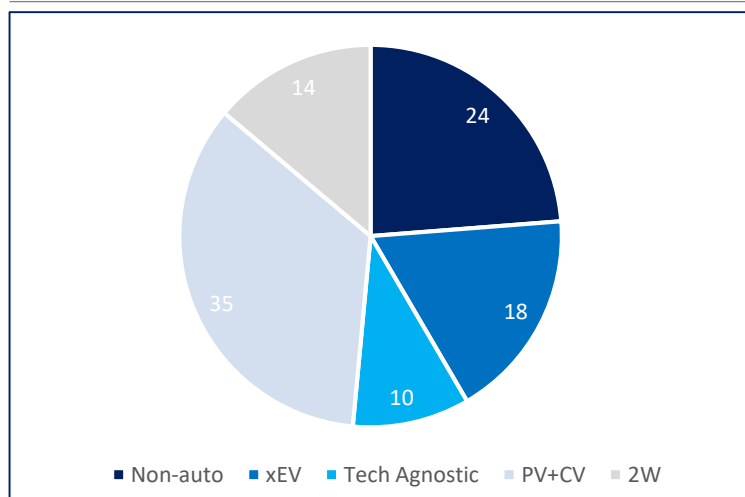
Source: Company, CEBPL

XEV Revenue Share



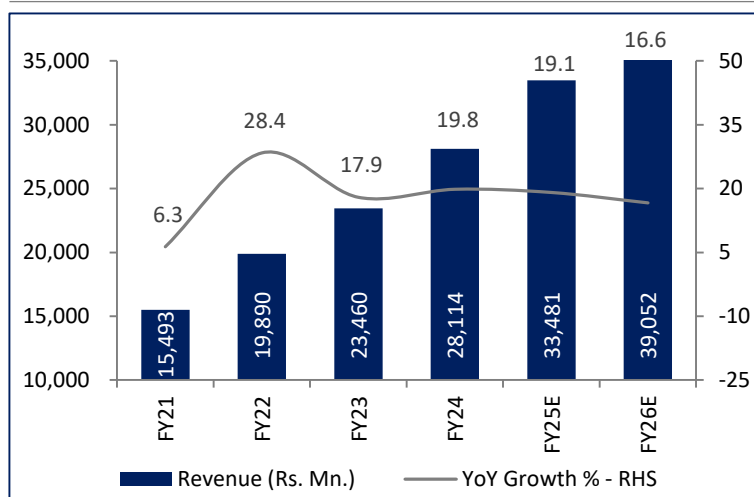
Source: Company, CEBPL

Rs.15.9bn Order Book Share (%) as on 31st Mar'24



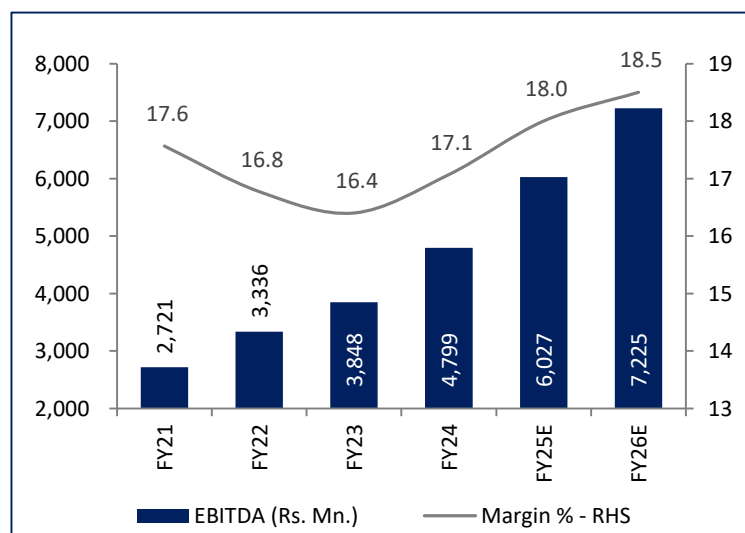
Source: Company, CEBPL

Revenue to grow on healthy order book



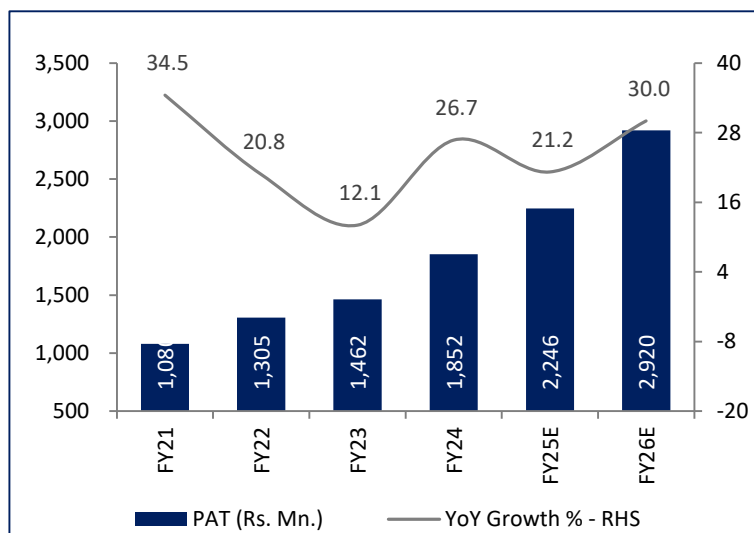
Source: Company, CEBPL

EBITDA (Rs. Mn) and Margin Trend



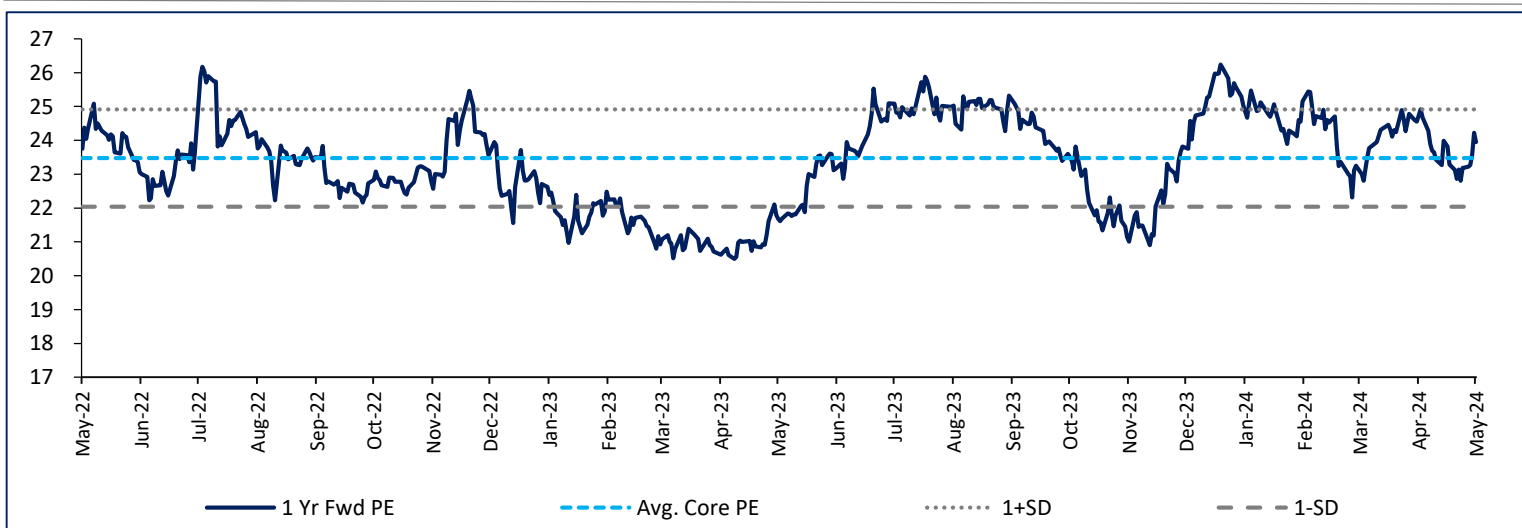
Source: Company, CEBPL

PAT (Rs. Mn.) Annual Trend



Source: Company, CEBPL

1 Year Forward PE (x) band



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Revenue	19,890	23,460	28,114	33,481	39,052
YoY growth (%)	28.4	17.9	19.8	19.1	16.6
Gross profit	11,249	13,286	15,939	18,582	21,791
EBITDA	3,336	3,848	4,799	6,027	7,225
YoY growth (%)	22.6	15.3	24.7	25.6	19.9
EBITDA Margin (%)	16.8	16.4	17.1	18.0	18.5
Depreciation	1,197	1,301	1,495	1,902	2,173
EBIT	2,139	2,547	3,304	4,124	5,052
Interest expense	510	615	770	1,081	1,091
Other Income	155	101	24	28	32
RPAT	1,319	1,483	1,870	2,246	2,920
Adjusted PAT	1,305	1,462	1,852	2,246	2,920
YoY growth (%)	20.8	12.1	26.7	21.2	30.0
EPS (Rs)	25	28	35	42	55
NOPAT	1,582	1,859	2,416	3,016	3,694

Balance sheet (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Net worth	10,234	11,679	13,474	15,598	18,397
Minority Interest	119	140	159	159	159
Deferred tax	642	689	692	692	692
Total debt	7,465	8,042	8,907	10,807	10,907
Other liabilities & provisions	712	542	540	540	540
Total Net Worth & liabilities	19,171	21,093	23,772	27,796	30,696
Net Fixed Assets	12,394	13,936	15,840	17,937	18,965
Capital Work in progress	1,224	757	835	835	835
Investments	105	105	400	400	400
Cash & bank balance	509	623	640	345	739
Loans & Advances & other assets	536	687	857	943	1,037
Net Current Assets	4,912	5,608	5,840	7,680	9,458
Total Assets	19,171	21,093	23,772	27,796	30,696
Capital Employed	17,698	19,722	22,381	26,404	29,304
Invested Capital	17,308	19,239	21,900	26,218	28,724
Net Debt	6,955	7,419	8,267	10,462	10,167
FCFF	(693)	197	263	(992)	1,506

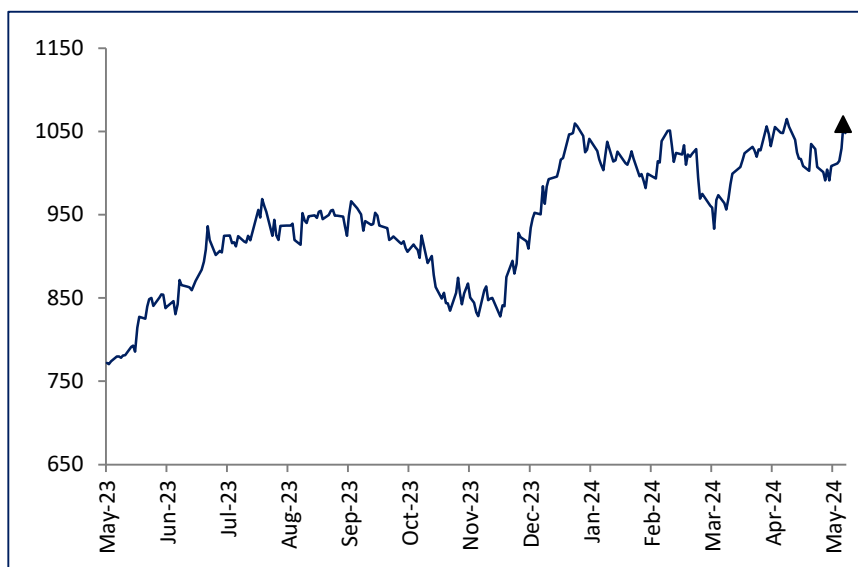
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
CFO	1,978	2,572	3,740	3,008	4,706
Capex	(2,670)	(2,375)	(3,477)	(4,000)	(3,200)
FCF	(693)	197	263	(992)	1,506
CFI	(2,553)	(2,409)	(3,683)	(4,000)	(3,200)
CFF	39	(586)	(459)	272	(1,537)

Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E
Margin ratios (%)					
EBITDA Margin	16.8	16.4	17.1	18.0	18.5
PAT Margin	6.6	6.2	6.6	6.7	7.5
Performance Ratios (%)					
OCF/EBITDA (X)	0.6	0.7	0.8	0.5	0.7
OCF/IC	11.4	13.4	17.1	11.5	16.4
RoE	12.7	12.5	13.7	14.4	15.9
ROCE	12.1	12.9	14.8	15.6	17.2
RoIC(Post tax)	10.8	10.7	12.6	13.8	14.1
ROIC(Pre tax)	14.6	14.7	17.2	18.8	19.3
Turnover Ratios (days)					
Inventory	51	58	54	59	60
Debtors	75	67	60	71	72
Payables	49	46	46	50	51
Cash Conversion Cycle	81	78	68	80	81
Financial Stability ratios (x)					
Net debt to Equity	0.7	0.6	0.6	0.7	0.6
Net debt to EBITDA	2.1	1.9	1.7	1.7	1.4
Interest Cover	4.2	4.1	4.3	3.8	4.6
Valuation metrics					
Fully diluted shares (mn)	52	53	53	53	53
Price (Rs)	1048	1048	1048	1048	1048
Market Cap (Rs. Mn)	54,659	55,471	55,885	55,885	55,885
PE (x)	42	38	30	25	19
EV (Rs.mn)	61,734	63,030	64,311	66,505	66,211
EV/EBITDA (x)	19	16	13	11	9
Book value (Rs/share)	196	221	253	293	345
Price to BV (x)	5.3	4.7	4.1	3.6	3.0
EV/OCF (x)	31	25	17	22	14

Source: Company, CEBPL

Historical recommendations and target price: Sansera Engineering



Sansera Engineering

1.	06-03-2023	OUTPERFORM,	Target Price 940
2.	23-05-2023	OUTPERFORM,	Target Price 958
3.	02-08-2023	ADD,	Target Price 1,064
4.	10-11-2023	OUTPERFORM,	Target Price 1,030
5.	14-02-2024	OUTPERFORM,	Target Price 1,200
6.	18-05-2024	BUY,	Target Price 1,205

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BUY	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
REDUCE	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
SELL	The security expected to show Below 0% next 12 months

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