

Strong Financials & Robust Order Book to Support Future Growth

Est. Vs. Actual for Q3FY25: Revenue – MISS; EBITDA – MISS ; PAT – MISS

Change in Estimates post Q3FY25

FY25E/FY26E: Revenue: -7.5%/-7%; EBITDA: -9%/-7%; PAT: -8.1%/-8.8%.

Recommendation Rationale

- **Robust Order Book:** Sansera has a strong order book, with annual peak revenues of Rs 2,201 Cr, 55% of which come from the Non-Auto, Auto Tech Agnostic, and EV segments. Its non-automotive business is experiencing strong growth, with a total order book of Rs 600 Cr spread across semiconductors, EMS, aerospace, and defence. The company expects to execute 50% of its non-automotive order book by FY26, driven by increased activity in semiconductor and defence projects.
- **Strong Financials to Support Growth:** In Q3FY25, Sansera raised Rs 1,200 Cr through a QIP to support its strong order book and expansion plans. Of this, Rs 700 Cr was used to retire debt, reducing gross debt to Rs 350 Cr as of December 2024. The company allocated Rs 200 Cr for capex, Rs 100 Cr for land acquisition, and Rs 100 Cr for advanced manufacturing equipment. The remaining Rs 300 Cr includes Rs 25 Cr for QIP-related expenses and the allocation of Rs 275 Cr will be finalised in the coming weeks, focusing on growth capex and other developmental costs.
- **EBITDA Margins:** We expect the company to deliver margins of 17-18% in FY25/26/27E, with projected EBITDA/PAT growth of approximately 15%/22% CAGR over FY24-27E. This growth is expected to be driven by a shift in the sales mix towards non-Auto ICE components, higher capacity utilisation, expansion in the export business, volume growth, and a recovery in Swedish operations.

Sector Outlook: Positive

Company Outlook & Guidance: The company is driving manufacturing growth and strengthening its position as a key exporter, creating more opportunities within the auto-component sector. It has visible growth in xEV, Tech Agnostic, and Non-Auto products, supported by a strong order book and an increasing contribution to overall sales.

Current Valuation: 25x PE FY27EPS (unchanged).

Current TP: Rs 1,430/share (earlier Rs 1,780/share).

Recommendation: We maintain our **BUY** rating on the stock.

Financial Performance

Sansera's Revenue/EBITDA/PAT missed both our and consensus estimates. Consolidated revenue (7.9% miss) grew 5% YoY. EBITDA (7.1% miss) up 7.9% YoY, primarily due to lower raw material and other expenses. EBITDA margin stood at 17.5%, up 50 bps YoY, largely in line with expectations. PAT (4.1% miss), grew 17.6% YoY, driven by higher other income and lower interest expenses.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	728	-4.7%	5.0%	790	-7.9%
EBITDA	127	-4.5%	7.9%	137	-7.1%
EBITDA Margin	17.5%	2 bps	46 bps	17.3%	16 bps
Net Profit	56	7.6%	17.6%	58	-4.1%
EPS (Rs)	9.4	0.0%	6.5%	10.5	-10.9%

Source: Company, Axis Securities Research

(CMP as of 11th February 2025)

CMP (Rs)	1,164
Upside /Downside (%)	23%
High/Low (Rs)	1,757/901
Market cap (Cr)	7,206
Avg. daily vol. (6m) Shrs.	146,962
No. of shares (Cr)	6.19

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	34.78	34.78	30.33
FII's	15.56	19.51	20.54
MFs/UTI	23.80	22.64	26.84
Fin Inst./Banks	0.00	0.00	0.00
Others	25.86	23.07	22.29

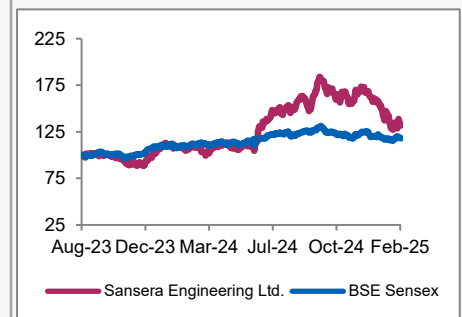
Financial & Valuation

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	3,016	3,481	4,035
EBITDA	522	616	738
Net Profit	217	258	343
EPS (Rs.)	35.3	41.2	54.9
PER (x)	33.0	28.3	21.2
EV/EBITDA (x)	15.0	12.7	10.4
P/BV	4.5	4.0	3.4
RoE (%)	14.86%	15.32%	17.54%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	-7.5%	-7.0%	-6.5%
EBITDA	-9.0%	-7.0%	-6.5%
PAT	-8.1%	-8.8%	-7.8%

Relative Performance



Source: Ace Equity, AxisSecurities Research.

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Outlook

Given factors such as a) a higher sales mix in Non-Auto ICE components, b) increased international business (exports), c) a focused approach on improving margin trends, d) the company's strong ability to generate operating cash flows and e) capacity expansion plans, we expect Revenue, EBITDA, and PAT to grow at CAGRs of 13%, 15%, and 22%, respectively, over FY24-27E.

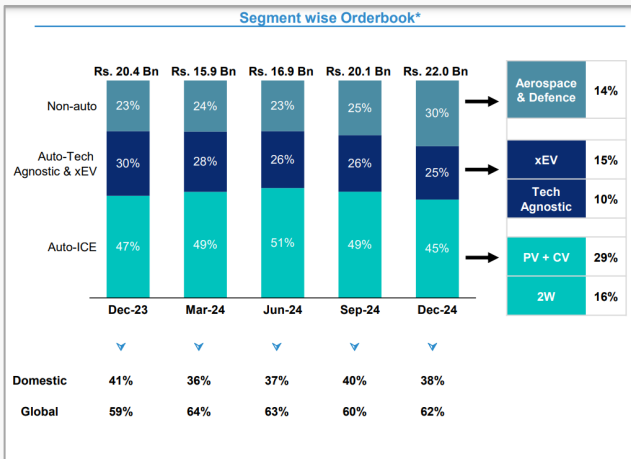
Valuation & Recommendation

Due to a slower-than-expected recovery in the EU and North America; and a slowdown in the Auto segment, we have revised our earnings estimates downward. However, given Sansera's 40 years of expertise, diversified business model, strong engineering capabilities, **we maintain our BUY rating. We assign a 12-month forward PE multiple of 25x on FY27 EPS (unchanged) to arrive at a TP of Rs 1,430, implying an upside of 23% from the CMP.**

Key Concall Highlights

- **Growth Outlook Across Geographies:** International business contributed 31% to total revenue, with Sansera targeting an increase to 35-40% over the next few years. Europe and North America remain key growth markets, with North America accounting for one-third of the company's exports. Despite temporary demand weakness in the US and Europe, the company sees long-term growth opportunities, particularly through new multi-fuel and hybrid engine programs. Sansera is also evaluating the establishment of a US-based assembly facility to mitigate tariff risks.
- **MMRFIC:** MMRFIC focuses on advanced radar systems, satellite communication equipment, and high-frequency amplifiers. It has built an order backlog exceeding Rs 100 Cr, driven by projects with ISRO, DRDO, and the Indian Army. The company has secured multiple government grants under the iDEX initiative, including a Rs 10 Cr iDEX Prime 1 grant for a 200-watt solid-state power amplifier, two Rs 1.5 Cr iDEX Disk 2 grants for electronic warfare systems, and a Rs 7 Cr TDF grant for next-gen defense communication solutions.
- **Capex:** The company has incurred Rs 370 Cr in capex in FY25 and expects to close the year at Rs 425-450 Cr. This includes acquiring a 55-acre land parcel in Karnataka's EV manufacturing hub near Toyota's facility. The company estimates an asset turnover of 1.3x to 1.4x, with investments in aerospace machining expected to exceed 2.0x due to higher-margin precision engineering work.
- **Employee Expenses:** Employee expenses increased 19.4% YoY as the company focuses on building a highly skilled workforce in high-precision machining segments. Significant investments are being made in aerospace, defense, aluminium machining, and aluminium forging to meet the growing complexity of its product portfolio. Expansion into semiconductors and EMS has also necessitated specialized talent acquisition, ensuring compliance with stringent global manufacturing standards.
- **Supplying Components for Wafer Fabrication Equipment Plant:** To support its semiconductor component business, the company is setting up a cleanroom manufacturing facility (Class 1000 standard) at its Plant 9 facility. This facility will produce high-precision machined parts for wafer fabrication equipment used in semiconductor manufacturing, marking its entry into a fast-growing, high-margin industry. Additionally, the company secured a \$12 million per year order from a global wafer fabrication equipment leader and expects annual revenue from this segment to scale up to \$30 million over the next three years.
- **India-Europe Split:** The company's revenue mix is shifting towards international markets, with exports contributing 31% of total revenue. Sansera expects this to rise to 35-40% in the coming years, driven by growth in aerospace, semiconductor, and xEV components. Despite temporary weakness in European auto demand, the company remains optimistic about long-term growth, particularly in defense and high-tech manufacturing.

Exhibit 1: Oder Book: Peak Annual Revenues- New



Source: Company

Exhibit 2: Visible Growth in Revenue from the xEV segment

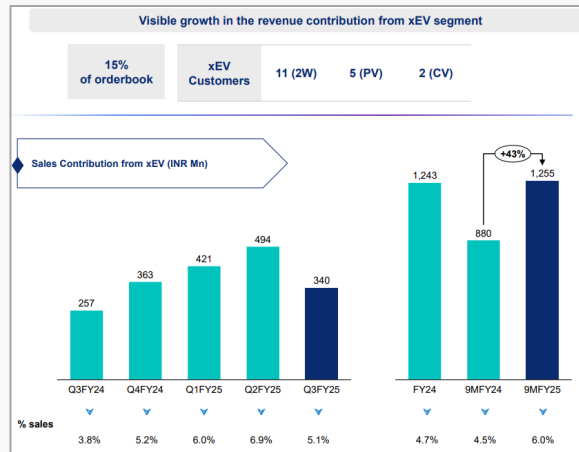
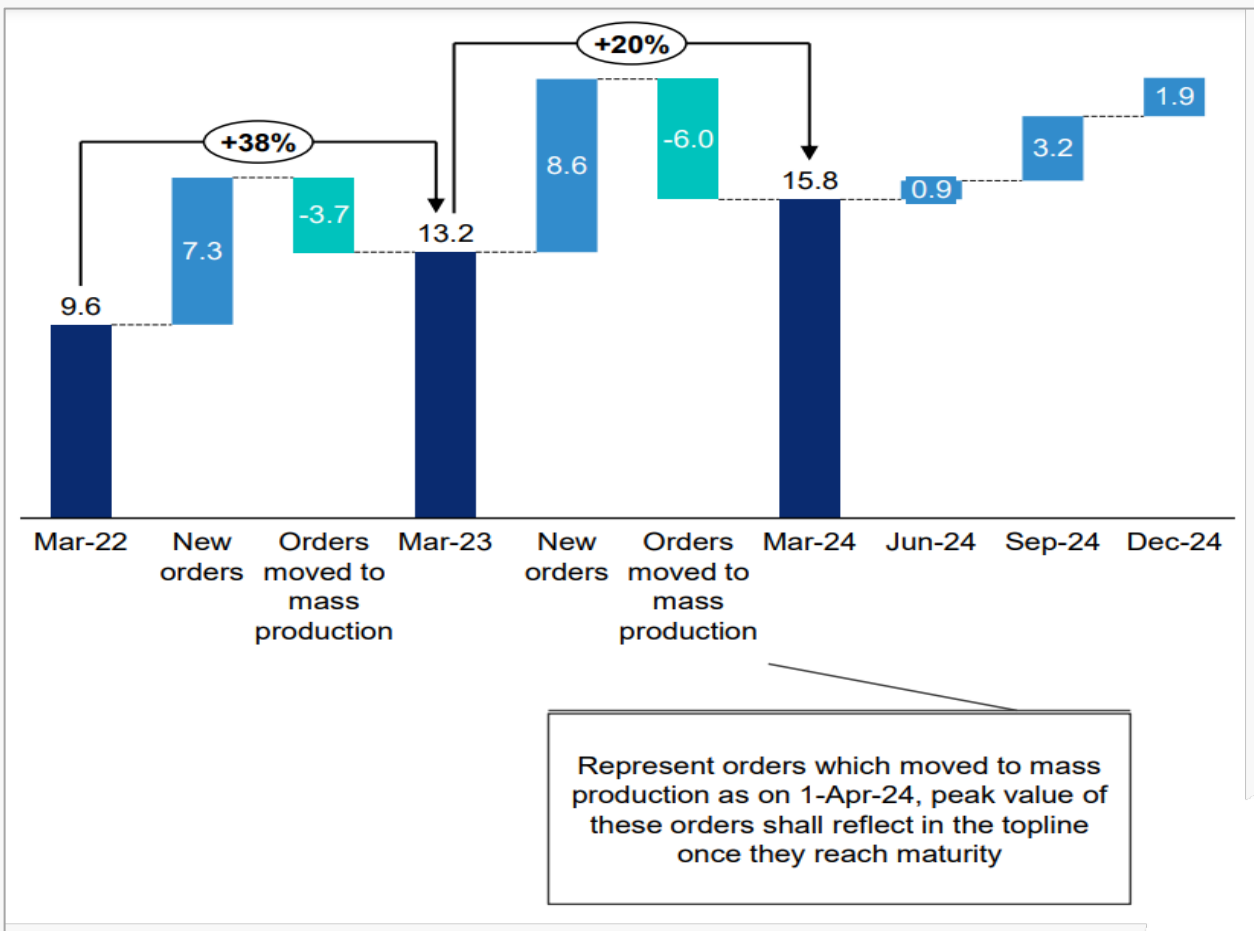


Exhibit 3: Strong and Diverse Business pipeline for future growth



Source: Company

Key Risks to Our Estimates and TP

We have Lowered FY27E earnings due to

- Slower than expected growth in the non-auto segment.
- Slower-than-expected recovery in the EU and North America.
- Delay in the SOPs for various orders received.

Change in Estimates

	Revised			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	3,016	3,481	4,035	3,258	3,743	4,317	-7.5%	-7.0%	-6.5%
EBITDA	522	616	738	573	663	790	-9.0%	-7.0%	-6.5%
PAT	217	258	343	236	282	372	-8.1%	-8.8%	-7.8%

Source: Company, Axis Securities Research

Q3FY25 Results Review

Consolidated (Rs Cr)	Q3FY25	Axis Estimates	% Variance	Q2FY25	% Change (QoQ)	Q2FY24	% Change (YoY)	Consensus Estimates	% Variance
Net Sales	728	790	-7.9%	763	-4.7%	693	5.0%	824.45	-11.72%
Expenditure									
Net Raw Material	291	328	-11.3%	312	-6.8%	300	-3.0%		
Personnel	112	112	-0.6%	110	1.3%	93	19.4%		
Other Exp	198	213	-7.2%	208	-4.7%	182	9.0%		
Total Expenditure	601	654	-8.1%	630	-4.7%	575	4.5%		
EBIDTA	127	137	-7.1%	133	-4.5%	118	7.9%	147.60	-13.91%
EBITDA Margins	17.5%	17.3%	16	17.4%	2	17.0%	46		
Oth. Inc.	6.1	1.2	421.5%	4	57.6%	1	518.0%		
Interest Expense	18	21	-14.1%	23	-20.9%	18	1.0%		
Depreciation	44	43	2.9%	43	4.5%	37	20.0%		
Exceptional Item	-	-	NA	-	NA	-	NA		
PBT	71	74	-4.1%	71	-1.3%	64	10.7%		
Share of Profit from Associates	0.8	-	NA	-	NA	-	NA		
Tax	15	15	1.1%	20	-21.2%	16	-4.8%		
Reported PAT	56	58	-4.1%	52	7.6%	48	17.6%	60.00	-6.81%
Reported EPS (Rs.)	9.4	10.5	-10.9%	9.4	0.0%	8.8	6.5%		
	Q3FY25	Axis Estimates	Bps Change	Q2FY25	Bps Change	Q2FY24	Bps Change		
Gross Profit (Rs cr.)	437	465	-6.0%	451	-3.2%	393	11.1%		
Gross Profit (%)	60.0%	57.5%	250	59.1%	92	56.7%	329		
RM as % of Sales	40.0%	42.5%	-250	40.9%	-92	43.3%	-329		
Staff costs as % of Sales	15.3%	13.5%	181	14.4%	90	13.5%	184		
Oth Exp as % of Sales	27.2%	26.4%	82	27.2%	0	26.2%	99		
Tax as a % of PBT	21.8%	27.3%	-546	27.3%	-551	25.4%	-355		
Reported Net Profit (%)	7.68%	7.16%	52	6.81%	88	6.86%	82		

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net sales	2,811	3,016	3,481	4,035
Raw materials	1,218	1,227	1,497	1,711
Staff costs	380	452	463	537
Other expenses	734	814	905	1,049
Total expenses	233	249	286	330
EBITDA	480	522	616	738
Depreciation	149	173	212	230
EBIT	330	349	404	508
Other income	2	15	13	14
Interest expense	77	76	72	61
Share of Profit/loss from associates	1	-	-	-
Exceptional (expenses)/income	-	-	-	-
Profit before tax	256	288	345	461
Tax expense	69	72	90	120
Adjusted PAT	-	-	-	1
Reported PAT	188	217	258	343

Source: Company, Axis Securities Research.

Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
SHAREHOLDER'S FUNDS				
Equity Share Capital	11	11	11	11
Reserves and Surplus	1337	1536	1772	2081
Non-Controlling Interest	16	18	20	24
Total Shareholders Funds	1363	1564	1804	2116
NON-CURRENT LIABILITIES				
Long Term Borrowings	252	262	172	52
Long-Term Finance/Lease Liabilities	80	80	80	80
Long Term Provisions	3	3	3	3
Deferred Tax Liabilities	69	69	69	69
Other LT liabilities	50	50	50	50
Total Non-Current Liabilities	453	463	373	253
CURRENT LIABILITIES				
Short Term Borrowings	550	550	550	550
Short-Term Lease Liabilities	10	10	10	10
Trade Payables	356	397	458	531
Other Current Liabilities	61	61	61	61
Total Current Liabilities	977	1017	1079	1151
Total Capital And Liabilities	2793	3045	3255	3520
ASSETS				
NON-CURRENT ASSETS				
Net Tangible Assets	1463	1486	1473	1483
Capital Work-In-Progress	84	133	183	243
Intangible Assets	121	121	121	121
Financial Assets	71	71	71	71
Other Non-Current Assets	54	54	54	54
Total Non-Current Assets	1793	1865	1903	1973
CURRENT ASSETS				
Inventories	419	446	515	597
Current Investments	1	1	1	1
Trade Receivables	462	479	553	641
Cash And Cash Equivalents	63	198	228	253
Other Current Assets	54	54	54	54
Total Current Assets	1000	1179	1352	1547
TOTAL ASSETS	2793	3045	3255	3520

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Cash flows from operating activities				
Profit before tax for the year	256	289	347	463
Finance costs	77	76	72	61
Depreciation and amortization	149	173	212	230
Others	-69	-72	-90	-120
Cash Flow From operation before changes in WC	414	466	542	634
Change in operating assets and liabilities	-40	-3	-82	-97
Net cash generated by operating activities	374	462	460	537
Cash flows from investing activities				
Capex	-339	-245	-250	-300
Investments	-31	-	-	-
Others	1	-	-	-
Net cash (used in)/generated by investing activities	-368	-245	-250	-300
Cash flows from financing activities				
Change in borrowing	80	10	-90	-120
Interest on borrowings	-74	-76	-72	-61
Other	-	-	-	1
Dividends paid(-)	-13	-16	-18	-31
Net cash used in financing activities	-8	-82	-180	-211
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	-20	1,355	298	252
CCE at the beginning of the year	50	49	184	214
Effect of exchange differences on translation of foreign currency cash and cash equivalents	1	-	-	-
CCE at the end of the year	486	1,841	2,139	2,392

Source: Company, Axis Securities Research

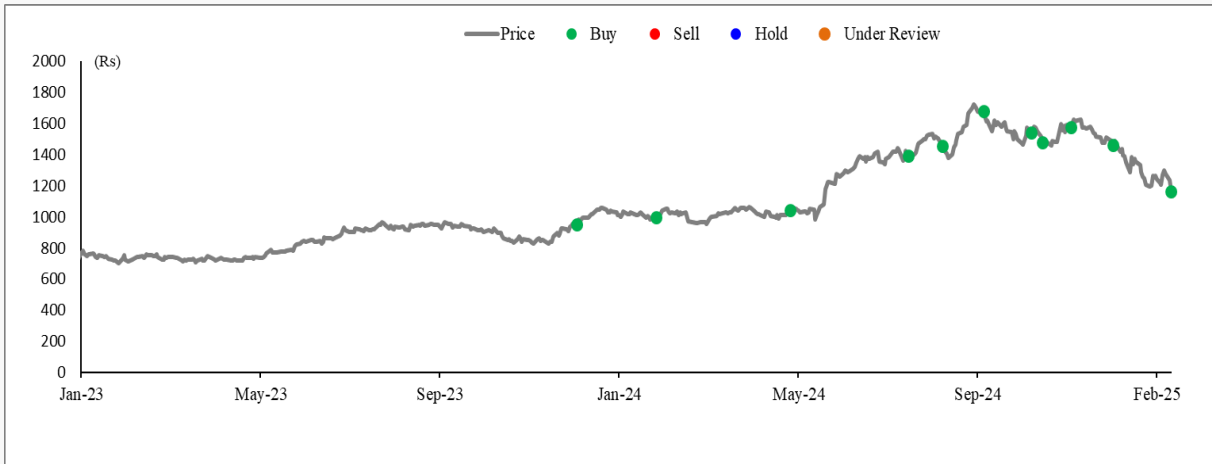
Ratio Analysis

(%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Valuation Ratios				
PER	29.2	33.0	28.3	21.2
P/BV (x)	4.0	4.5	4.0	3.4
EV/Ebitda (x)	13.2	15.0	12.7	10.4
EV/Sales (x)	2.25	2.59	2.24	1.90
Dividend Yield %	0.29%	0.26%	0.43%	0.52%
Return Ratios				
ROE	14.77%	14.86%	15.32%	17.54%
ROCE	16.05%	15.65%	17.37%	20.58%
ROIC	21.20%	20.00%	20.94%	24.11%
Leverage Ratios				
Debt/equity (x)	0.69	0.61	0.48	0.35
Net debt/ Equity (x)	0.61	0.45	0.32	0.21
Net debt/EBITDA (x)	1.72	1.35	0.95	0.59
Operational Ratios				
Sales growth (% YoY)	19.8%	7.3%	15.4%	15.9%
EBITDA growth (% YoY)	24.7%	8.7%	18.1%	19.8%
Net Profit growth (% YoY)	26.4%	15.8%	18.6%	33.2%
EBITDA Margin %	17.07%	17.30%	17.70%	18.30%
Net profit Margin %	6.67%	7.20%	7.40%	8.50%
Efficiency Ratios				
Total Asset Turnover (x)	1.07	1.03	1.11	1.19
Sales/Net block(x)	2.06	2.05	2.35	2.73

Source: Company, Axis Securities Research

Sansera Engineering Price Chart and Recommendation History



Date	Reco	TP	Research
18-Dec-23	BUY	1,200	Initiating Coverage
13-Feb-24	BUY	1,200	Result Update
18-May-24	BUY	1,270	Result Update
12-Aug-24	BUY	1,580	Result Update
02-Sep-24	BUY	1,580	Top Picks
01-Oct-24	BUY	1,875	Top Picks
04-Nov-24	BUY	1,875	Top Picks
13-Nov-24	BUY	1,710	Result Update
02-Dec-24	BUY	1,780	Top Picks
01-Jan-25	BUY	1,780	Top Picks
12-Feb-25	BUY	1,430	Result Update

Source: Axis Securities Research

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Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.