

Strong EBITDA Margins in Q4FY24; Capex & Diversified Business to Drive Growth
Est. Vs. Actual for Q4FY24: Revenue – **BEAT**; EBITDA – **BEAT**; PAT – **MISS**
Change in Estimates post Q4FY24
FY25E/FY26E: Revenue:1%/1%; EBITDA:1.5%/2.1; PAT:-12.7%/-3.7%.

Recommendation Rationale

- **Diversifying Revenue Profile:** The company has a wide portfolio of products across 80+ product families catering to 95 auto and non-auto customers across 26 countries. For FY24, the share of Auto ICE components has reduced to 75% (from 83% in FY22), while Non-Auto & Tech Agnostic/Aerospace has increased to 20%/5% (from 14%/3% in FY22) respectively. With new orders received being skewed towards Auto-Tech Agnostic and xEV, and Non-Auto (mainly Aerospace) segments, we believe the company is making strides towards its 60:20:20 vision of revenue contribution from Auto-ICE, Auto Tech Agnostic & xEV, Non-Auto.
- **Annual Capex to drive Growth:** As of Mar'24, the company's new orders had a peak annual revenue rate of Rs 1,592 Cr, with approximately 51% of this share coming from non-Auto ICE segments. The company has incurred a capex of Rs 340 Cr in FY24 (largely towards the 4,000-ton press at Sansera Plant 11, Bidadi) and on the back of strong order books has a planned capex of Rs 400 Cr in FY25; followed by Rs 350 Cr in FY26. The future capex is mainly towards Tech Agnostic EV and Non-Auto products.
- **Strong EBITDA/PAT Growth:** We expect the company to post EBITDA/PAT growth of ~20.8%/29.4% CAGR over FY24-26E on account of the sales mix tilting towards non-Auto ICE components, fungible production lines, growth in exports business, and recovery in Sweden operations led by improved operational efficiency. This gives us confidence that the company's consolidated EBITDA margins will accelerate towards its target of ~18% by FY26E from around 16% in FY23, and its ROE will improve to ~18.4% by FY26E from 13.3% in FY23.

Company Outlook & Guidance: The Indian automotive industry is propelling manufacturing growth and emerging as a significant exporter, creating heightened opportunities for the auto-component sector. The management expects to grow an additional 10% to the average industry in the coming years with 40% YoY growth in Aerospace/Tech Agnostic and 100% growth in the EV business.

Current Valuation: 22x PE FY26EPS (earlier 20x).

Current TP: Rs 1,270/share (earlier Rs 1,220/share).

Recommendation: We maintain a BUY rating and continue to confidently award a Forward PE multiple of 22x on FY26 EPS to arrive at our TP of Rs 1,270/share.

Financial Performance

Revenue/EBITDA of Sansera Engineering Ltd. slightly beat our estimates by ~3.2%/2.6%, while PAT missed our estimates by 10%. Revenue stood at Rs 746 Cr, up ~21%/5% YoY/QoQ. The reported EBITDA of Rs 124 Cr was up ~32%/5% YoY/QoQ, with EBITDA Margins at 17%, up 149bps YoY (but down 10bps QoQ). The company's PAT stood at Rs 46 Cr, up ~31% YoY (down 4% QoQ). This 10% miss from our estimates was on account of lower other income, notional forex loss, and higher interest expenses than in prior periods.

Outlook

In light of attributes such as a) Higher sales mix in Non-Auto ICE components driven by strong order books, b) Higher exports, c) The management's focus on improving margin trends, d) The company's capability to generate strong operating cash flows, and e) Capacity expansion plans, we believe the stock is currently trading at a reasonable forward PE multiple of 18x (based on our FY26 EPS estimates). We expect Revenue/EBITDA/PAT to grow at a 16.6%/20.8%/29.4% CAGR over FY24-26E.

Valuation & Recommendation

Keeping in view the above factors, we maintain our BUY rating and confidently award a Forward PE multiple of 22x on FY26 EPS to arrive at our TP of Rs 1,270. The TP implies an upside of 22% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	746	4.7%	20.6%	723	3.2%
EBITDA	127	5.3%	32.1%	124	2.6%
EBITDA Margin	17.0%	10 bps	149 bps	17.1%	-11 bps
Net Profit	46	-3.9%	31.2%	52	-10.0%
EPS (Rs)	8.6	-4.3%	29.5%	9.8	-12.2%

Source: Company, Axis Securities

(CMP as of 17th May 2024)

CMP (Rs)	1,043
Upside /Downside (%)	23%
High/Low (Rs)	1,110/753
Market cap (Cr)	5,592
Avg. daily vol. (6m)Shrs.	1,60,516
No. of shares (Cr)	5.36

Shareholding (%)

	Sep-23	Dec-23	Mar-23
Promoter	35.23	35.05	35.03
FII's	29.00	22.73	22.11
MFs / UTI	17.76	18.22	17.56
Fin Inst./Banks	0.00	0.00	0.00
Others	18.01	24.00	25.30

Financial & Valuation

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	2,811	3,295	3,823
EBITDA	480	580	700
Net Profit	188	215	314
EPS (Rs.)	34.8	39.5	57.8
PER (x)	29.2	26.4	18.1
EV/EBITDA (x)	13.2	11.1	9.0
P/BV	4.0	3.6	3.0
RoE (%)	14.77%	14.72%	18.39%

Change in Estimates (%)

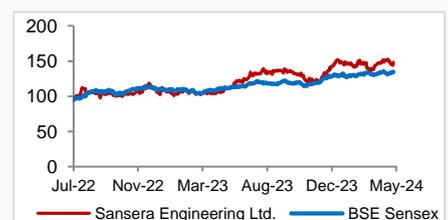
Y/E Mar	FY24	FY25E	FY26E
Sales	1.3%	0.9%	1.0%
EBITDA	-0.7%	1.5%	2.1%
PAT	-6.7%	-12.7%	-3.7%

ESG disclosure Score**

Environmental Disclosure	NA
Social Disclosure Score	NA
Governance Disclosure Score	NA
Total ESG Disclosure Score	NA
Sector Average	46.4

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly, and does not measure the company's performance on any data point. All scores are based on 2022 disclosures, Sector average is for NSE500 companies

Relative performance


Source: Ace Equity, AxisSecurities.

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Key Concall Highlights

- Q4FY24 Aerospace and Defence Performance:** The management reported that aerospace and defence collectively contributed around 4.3% to Q4 performance, with growth in the segment falling below earlier expectations due to delays in a large customer order. The sales mix in aerospace includes various components such as seating parts, aerostructure parts, door assemblies, lighting components, cargo handling systems, and parts for actuation and engine systems. Triumph Aerospace has been added as a client in the Aerospace Division.
- Capex:** The company has incurred Rs 340 Cr capex in FY24 and plans to further invest Rs 400 Cr in FY25; followed by Rs 350 Cr in FY26 (bulk of the investment towards forging and machining; and a new forging facility). The management informed that the commissioning of a 4,000-ton press is expected to start in H1FY25. This will aid Sansera in moving to the higher engine non-automotive category (18 to 20-litre engines), with components that will cater to customers like Cummins, JTV, Kohler, Lieber, and CNH.
- Net Debt:** The Net debt for the company stood at Rs 740 Cr as of Mar'24. On a consolidated level net debt to equity is 0.54 as of Mar' 24.

Exhibit 1: Oder Book: Peak Annual Revenues- New

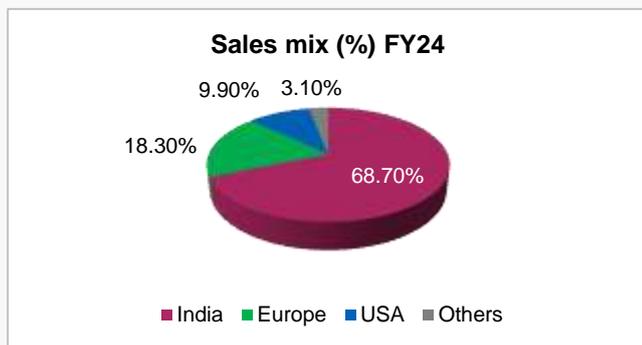


Source: Company

Exhibit 2: Visible Growth in Revenue from the xEV segment



Exhibit 3: FY24: Geography-Wise Revenue Mix



Source: Company

Exhibit 4: FY24: End User Segment-Wise Revenue

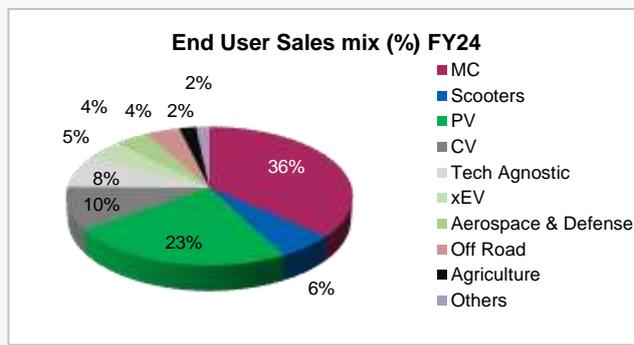
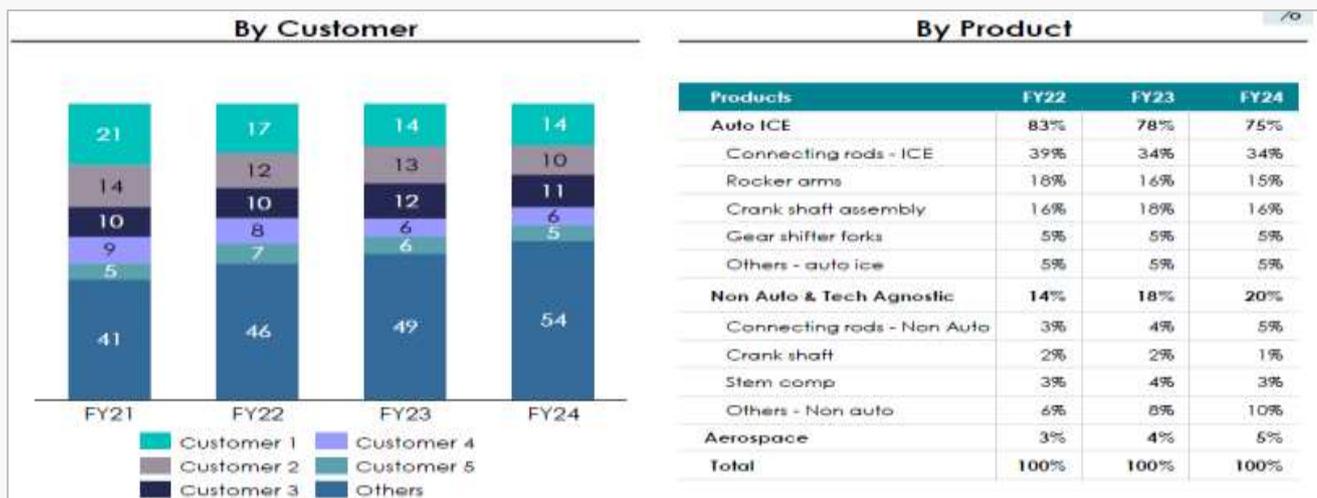


Exhibit 5: Diverse Revenue Profile


Source: Company

Key Risks to our Estimates and TP

- Agriculture domestic demand to be monitored.
- Slower-than-expected recovery in the EU and North America.
- Delay in the SOPs for various orders received.

Change in Estimates

	Revised			Old			% Change		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Sales	2,811	3,295	3,823	2,775	3,264	3,785	1.3%	0.9%	1.0%
EBITDA	480	580	700	483	571	685	-0.7%	1.5%	2.1%
PAT	188	215	314	201	246	326	-6.7%	-12.7%	-3.7%

Source: Company, Axis Securities

Q4FY24 Results Review

Consolidated (Rs Cr)	Q4FY24	Axis Sec Estimates	Axis Sec Var (%)	Q3FY24	QoQ growth (%)	Q4FY23	YoY growth (%)
Net Sales	746	723	3.2%	713	4.7%	619	20.6%
Expenditure							
Net Raw Material	319	313	2.2%	309	3.4%	276	15.8%
Personnel	100	96	4.6%	95	4.8%	84	18.7%
Other Exp	200	191	4.6%	188	6.3%	163	22.8%
Total Expenditure	619	599	3.3%	592	4.5%	522	18.4%
EBIDTA	127	124	2.6%	121	5.3%	96	32.1%
EBITDA Margins	17.0%	17.1%	-11	16.9%	10	15.5%	149
Oth. Inc.	-0.3	2	NA	1	NA	4	NA
Interest Expense	23	18	25.8%	18	28.6%	17	30.4%
Depreciation	40	37	7.3%	38	4.9%	35	14.3%
Share of P/L from Associates	-	-	NA	-	NA	-	NA
Exceptional Item	64	67	-3.7%	67	-3.2%	49	32.7%
PBT	0.5	-	NA	-	NA	-	NA
Tax	19	15	20.8%	18	1.6%	13	40.6%
Reported PAT	46	52	-10.0%	48	-3.9%	35	31.2%
Reported EPS (Rs.)	8.6	9.8	-12.2%	9.0	-4.3%	6.6	29.5%
	Q4FY24	Axis Estimates	Bps Change	Q3FY24	Bps Change	Q4FY23	Bps Change
Gross Profit (Rs cr.)	427	410	4.0%	404	5.6%	343	24.4%
Gross Profit (%)	57.2%	56.8%	44	56.7%	53	55.4%	175
RM as % of Sales	42.8%	43.2%	-44	43.3%	-53	44.6%	-175
Staff costs as % of Sales	13.4%	13.2%	18	13.4%	1	13.6%	-22
OthExp as % of Sales	26.8%	26.4%	35	26.3%	42	26.3%	48
Tax as a % of PBT	28.7%	22.9%	582	27.4%	135	27.1%	161
Reported Net Profit (%)	6.23%	7.14%	-91	6.79%	-56	5.73%	50

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	2,346	2,811	3,295	3,823
Raw materials	1,017	1,218	1,400	1,621
Staff costs	318	380	445	509
Other expenses	626	734	870	994
Total expenses	196	233	272	312
EBITDA	385	480	580	700
Depreciation	130	149	208	217
EBIT	255	330	371	483
Other income	10	2	3	3
Interest expense	62	77	80	62
Share of Profit/loss from associates	-	1	-	-
Exceptional (expenses)/income	-	-	-	-
Profit before tax	203	256	294	424
Tax expense	55	69	79	110
Adjusted PAT	-	-	-	-
Reported PAT	148	188	215	314

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar	FY23	FY24	FY25E	FY26E
SHAREHOLDER'S FUNDS				
Equity Share Capital	11	11	11	11
Reserves and Surplus	1157	1337	1533	1828
Non-Controlling Interest	14	16	18	21
Total Shareholders Funds	1182	1363	1562	1860
NON-CURRENT LIABILITIES				
Long Term Borrowings	263	252	172	52
Long-Term Finance/Lease Liabilities	82	80	80	80
Long Term Provisions	3	3	3	3
Deferred Tax Liabilities	69	69	69	69
Other LT liabilities	49	50	50	50
Total Non-Current Liabilities	466	453	373	253
CURRENT LIABILITIES				
Short Term Borrowings	449	550	550	550
Short-Term Lease Liabilities	10	10	10	10
Trade Payables	293	356	433	503
Other Current Liabilities	64	61	61	61
Total Current Liabilities	815	977	1054	1124
Total Capital And Liabilities	2463	2793	2989	3236
ASSETS				
NON-CURRENT ASSETS				
Net Tangible Assets	1269	1463	1494	1517
Capital Work-In-Progress	76	84	144	204
Intangible Assets	124	121	121	121
Financial Assets	39	71	71	71
Other Non-Current Assets	40	54	54	54
Total Non-Current Assets	1548	1793	1885	1968
CURRENT ASSETS				
Inventories	371	419	487	566
Current Investments	1	1	1	1
Trade Receivables	433	462	524	608
Cash And Cash Equivalents	62	63	38	40
Other Current Assets	48	54	54	54
Total Current Assets	914	1000	1104	1269
TOTAL ASSETS	2463	2793	2989	3236

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY23	FY24	FY25E	FY26E
Cash flows from operating activities				
Profit before tax for the year	203	256	294	424
Finance costs	62	77	80	62
Depreciation and amortisation	130	149	208	217
Others	-56	-69	-79	-110
Cash Flow From operation before changes in WC	339	414	503	593
Change in operating assets and liabilities	-82	-40	-52	-93
Net cash generated by operating activities	256	374	451	500
Cash flows from investing activities				
Capex	-242	-339	-300	-300
Investments	-1	-31	-	-
Others	2	1	-	-
Net cash (used in)/generated by investing activities	-241	-368	-300	-300
Cash flows from financing activities				
Change in borrowing	60	80	-80	-120
Interest on borrowings	-56	-74	-80	-62
Other	-	-	-	-
Dividends paid(-)	-11	-13	-16	-16
Net cash used in financing activities	-6	-8	-176	-198
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	94	-20	-252	22
CCE at the beginning of the year	38	50	49	23
Effect of exchange differences on translation of foreign currency cash and cash equivalents	2	1	-	-
CCE at the end of the year	496	486	234	256

Source: Company, Axis Securities

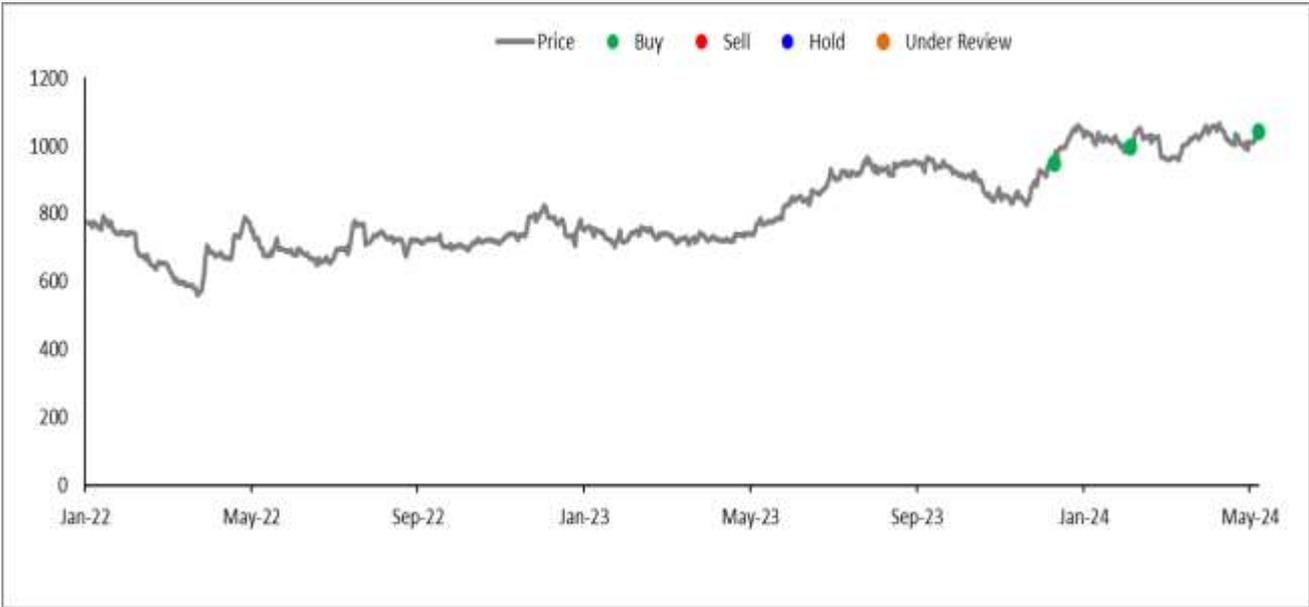
Ratio Analysis

(%)

Y/E Mar	FY23	FY24	FY25E	FY26E
Valuation Ratios				
PER	26.9	29.2	26.4	18.1
P/BV (x)	3.3	4.0	3.6	3.0
EV/Ebitda (x)	12.2	13.2	11.1	9.0
EV/Sales (x)	2.00	2.25	1.94	1.64
Dividend Yield %	0.33%	0.29%	0.29%	0.29%
Return Ratios				
ROE	13.34%	14.77%	14.72%	18.39%
ROCE	13.93%	16.05%	16.40%	19.92%
ROIC	18.43%	21.20%	21.71%	25.94%
Leverage Ratios				
Debt / equity (x)	0.72	0.69	0.55	0.40
Net debt/ Equity (x)	0.63	0.61	0.49	0.35
Net debt/Ebitda (x)	1.93	1.72	1.33	0.93
Operational Ratios				
Sales growth (% YoY)	17.9%	19.8%	17.2%	16.1%
EBITDA growth (% YoY)	15.3%	24.7%	20.8%	20.7%
Net Profit growth (% YoY)	12.5%	26.4%	14.5%	46.2%
EBITDA Margin %	16.40%	17.07%	17.59%	18.30%
Net profit Margin %	6.32%	6.67%	6.52%	8.21%
Efficiency Ratios				
Total Asset Turnover (x)	1.00	1.07	1.14	1.23
Sales/Net block(x)	1.98	2.06	2.23	2.54

Source: Company, Axis Securities

Sansera Engineering Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
18-Dec-23	BUY	1,210	Initiating Coverage
13-Feb-24	BUY	1,220	Result Update
18-May-24	BUY	1,270	Result Update

Source: Axis Securities

About the Analyst



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