

Sansera Engineering

Non-auto business to drive growth

Consolidated EBITDA at INR 1.3bn was lower than our estimate of INR 1.5bn due to higher other expenses. Sansera plans to use the INR 12bn raised through QIP to repay debt and invest in significant capacity additions. The new orders won in Q2 stood at INR 3.2bn, with a significant increase in non-auto and 2W businesses. The order book stood at INR 20.1bn (vs INR 16.9bn at the end of Q1). 49% of the order book is attributed to Auto ICE, 26% to Auto-Tech agnostic and xEV, and 25% to non-auto. In the non-auto segment, Sansera expects 40-50% growth in aerospace division over the next 2-3 years. The EBITDA margin is expected to reach 20% driven by a) a better product mix (non-auto, exports), b) improvement in profitability of Sweden subsidiary, c) premiumisation in 2W sector, and d) operating leverage with better capacity utilization. Maintain BUY with a PT of INR 1,554 –valued at 20x Sept-26 earnings.

- Disappointing performance:** The consolidated revenue at INR 7.6bn (+10% YoY/+3% QoQ) was lower than our estimate of INR 8.2bn. EBITDA margin came in at 17.4% (+45bps YoY/+30bps QoQ). Higher debt and discontinuation of export credit led to higher finance cost. PAT at INR 506mn (+8% YoY/+2% QoQ) was lower than our estimate of INR 634mn.
- Call takeaways:** (1) It raised INR 12bn from QIP issue, of which INR 7bn will be used for debt repayment. The debt repayment is expected to be complete by Mar-end, resulting in annual interest cost saving of INR 550mn. (2) Gross margin expanded 240bps YoY (flat QoQ) due to evolved product mix and efficiency projects which are delivering benefits. Higher debt coupled with discontinuation of interest subvention on export credit resulted in higher finance cost (both QoQ and YoY). Management expects the impact to be offset as QIP proceeds will be used to repay debt. (3) The Auto-ICE segment grew 9% YoY, led by 2Ws (+21% YoY). PV segment (-8% YoY) was impacted by lower exports. (4) The tech agnostic & xEV revenue grew 53% YoY driven by ramped up order execution for a large EV customer. (5) Non-auto segment revenue declined 20% YoY due to weakness in off-road and agri business. While the key aerospace customer (Boeing) faced headwinds, recovery is expected in 2H post employee strikes ending. (6) In 1H, capex stood at INR 2.9bn and company maintained its capex guidance of INR 4.25-4.5bn capex guidance. In addition, it has signed a letter of allotment of 55 acres land in Karnataka. (7) Sansera has entered into a strategic MoU with Dynamic Technologies which will allow it to leverage its manufacturing and engineering expertise in producing high precision parts going into Airbus 220 aircraft door assemblies. (8) Sansera aims to spend more than 60% of its future capex on tech agnostic, xEV and non-auto segments.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	7,634	6,929	10.2	7,439	2.6	28,114	32,239	40,603	48,055
EBITDA	1,331	1,178	13.0	1,275	4.4	4,799	5,610	7,512	9,010
APAT	506	470	7.8	496	2.2	1,858	2,380	3,653	4,677
Diluted EPS (INR)	9.4	8.8	6.5	9.2	2.2	34.6	44.4	68.1	87.2
P/E (x)						42.7	33.4	21.7	17.0
EV / EBITDA (x)						18.1	15.8	11.8	9.6
RoCE (%)						14.8	16.4	21.3	22.4

Source: Company, HSIE Research

BUY

CMP (as on 12 Nov 2024)	INR 1,479
Target Price	INR 1,554
NIFTY	23,883

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,501	INR 1,554
EPS %	FY25E	FY26E
	-7.7	3.7

KEY STOCK DATA

Bloomberg code	SANSERA IN
No. of a Shares (mn)	62
MCap (INR bn) / (\$ mn)	91/1,082
6m avg traded value (INR mn)	310
52 Week high / low	INR 1,758/821

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.0	46.5	70.5
Relative (%)	7.3	38.2	49.9

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	34.8	30.4
FIs & Local MFs	34.7	39.6
FPIs	15.6	18.4
Public & Others	14.9	11.6
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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