



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Sansera Q1 FY24 consolidated revenues came in at ₹660.06 Cr, up 24.02% YoY and up 7.05% QoQ.
- Op EBITDA for Q1FY24 stood at ₹114.35 Cr, up 25% YoY and up 21.45% QoQ.
- Op EBITDA margins for Q1FY24 came at 17.32%, +13 bps YoY and +205 bps QoQ.
- PAT for Q1FY24 stood at ₹45.17 Cr, up 29.86% YoY and up 27.53% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Management mentioned that they have companywide objective set at 20-20-20, which is 20% growth, 20% EBITDA, 20 ROCE.
- Co aims to reach 60% revenue from Auto Ice and 40% revenue from xEV, Tech Agnostic and non-auto in next three years.

### 3. SEGMENTAL ANALYSIS:

- Q1FY24 Segment Mix: Auto – ICE (76.4%), Auto-Tech Agnostic & xEV (11.9%), Non-Auto (11.7%)
- Q1FY24 Geographic Mix: India (68.4%), Europe (19.5%), USA (9.0%), Other Foreign Countries (3.1%)

### 4. CONCALL SUMMARY

- Revenue for Q1FY24 grew 24% YoY and 7% QoQ majorly driven ~35% growth in international business and ~20% growth in domestic business.
- EBITDA% up by 205 bps QoQ mainly led by improved export mix.
- Order book stands at Rs 17 Bn in which 30% comprises of Auto-Tech Agnostic & xEV
- New orders coming from Tata Motors, Royal Enfield and TVS continues to drive the domestic growth.
- Co is targeting export mix of 40% as compared to 30% export mix currently.
- Co is witnessing rising orderbook EVs, aerospace, aluminium forging and industrials.
- Company raised the FY24 Capex guidance to 300 Cr from 250 Cr.

### 5. VALUATION AND OUTLOOK:

Robust demand environment and healthy order book would drive Sansera's next phase of growth. We believe company would perform well in medium to long term led by strong order book, increasing revenues from xEV, diversifying into other segments such as aerospace & industrials, CAPEX plans for capacity expansion, margin expansion from better export mix.

We initiate "BUY" rating on the stock and value the stock at 19.1x FY25E earnings to arrive at the target of ₹1051.

## RECOMMENDATION - BUY

CMP – 914

TARGET – 1051 (15%)

Industry	Auto Ancillary
NSE CODE	SANSERA
BSE CODE	543358
Market Cap (₹ Cr)	4927.12
Shares Outstanding (in Cr)	5.33
52 wk High/Low (₹)	998.2 / 682.5
P/E	31.38
P/BV	4.12
Face Value (₹)	2.00
Book Value (₹)	223.83
EPS (FY23) (₹)	27.62
Dividend Yield (%)	0.34
Debt / Equity	0.62
Interest Coverage	4.18

## SHAREHOLDING PATTERN

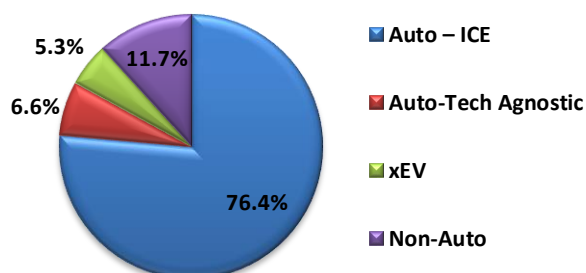
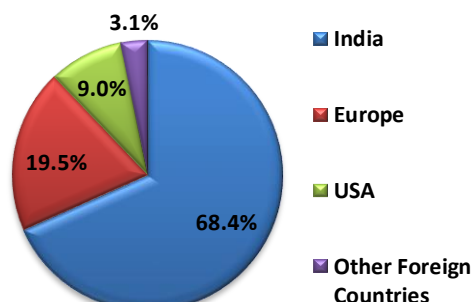
	Sep 23	Jun 23	Mar 23
Promoters	35.23	35.23	35.49
MF/ DII	17.76	17.90	11.39
FII/FPI	15.02	16.36	9.94
Retail & Others	10.65	10.13	9.39
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
<b>Crore</b>			
Sales	2338.30	2759.19	3311.03
Sales Gr. (%)	17.56	18.00	20.00
EBITDA	379.51	482.86	612.54
EBITDA %	16.99	17.50	18.50
PAT	148.34	207.91	291.22
EPS (₹)	27.62	39.30	55.05
EPS Gr. (%)	10.43	42.30	40.07
<b>Ratios</b>			
RoE (%)	13.80	16.34	19.14
RoCE (%)	15.86	18.50	20.80
<b>Valuation</b>			
P/E (x)	33.09	23.25	16.60

## Historical & Industrial Val Ratios

Historical P/E	27.04
Industry P/E	44.43
Historical P/B	3.48
Industry P/B	3.75

**REVENUE SPLIT (Q1 FY24)**
**Segmental Mix (Q1 FY24)**

**Geography Mix (Q1 FY24)**

**QUARTERLY PERFORMANCE (CONSOLIDATED)**

(₹ Cr)

Y/E March	FY22		FY23				FY24		FY23	FY24E*
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2E*		
<b>Net sales</b>	<b>485</b>	<b>574</b>	<b>532</b>	<b>634</b>	<b>557</b>	<b>619</b>	<b>660</b>	<b>693</b>	<b>2,338</b>	<b>2,759</b>
YoY change (%)	-1.35%	18.29%	36.63%	17.41%	14.80%	7.71%	24.02%	9.31%	17.56%	18%
<b>Total Expenditures</b>	<b>411</b>	<b>481</b>	<b>441</b>	<b>528</b>	<b>471</b>	<b>522</b>	<b>546</b>	<b>574</b>	<b>1,959</b>	<b>2,276</b>
<b>EBITDA</b>	<b>75</b>	<b>94</b>	<b>91</b>	<b>106</b>	<b>87</b>	<b>96</b>	<b>114</b>	<b>119</b>	<b>380</b>	<b>483</b>
Margins (%)	15%	16%	17%	17%	16%	16%	17%	17%	16%	17.5%
Other income	1	6	1	2	7	4	0	7	18	20
Interest	13	15	14	14	16	17	19	19	64	64
Depreciation	31	33	31	32	33	35	35	40	130	158
<b>PBT</b>	<b>32</b>	<b>53</b>	<b>48</b>	<b>63</b>	<b>44</b>	<b>49</b>	<b>61</b>	<b>67</b>	<b>203</b>	<b>281</b>
Rate (%)	25%	29%	27%	25%	29%	27%	26%	26%	27%	26%
<b>Adjusted PAT</b>	<b>24</b>	<b>37</b>	<b>35</b>	<b>47</b>	<b>31</b>	<b>35</b>	<b>45</b>	<b>50</b>	<b>148</b>	<b>208</b>
<b>EPS in Rs</b>	<b>4.48</b>	<b>7.17</b>	<b>6.48</b>	<b>8.68</b>	<b>5.87</b>	<b>6.64</b>	<b>8.45</b>	<b>9.40</b>	<b>27.62</b>	<b>39.30</b>

**Key Performance Indicators**

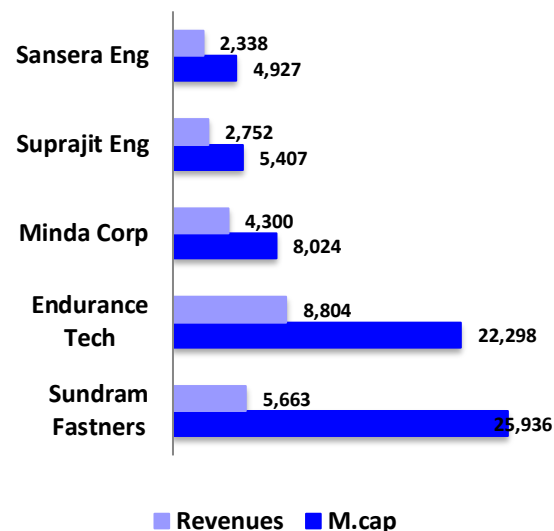
<b>% Sales from xEV</b>	0.4%	0.8%	1.9%	2.9%	4.8%	5.2%	5.3%		
<b>Order Book Rs Bn</b>		14.9	11.1	14.4	15.0	13.3	17.0		
<b>EBITDA%</b>	15.35	16.28	17.19	16.75	15.55	15.27	17.32		
<b>PAT%</b>	4.92	6.51	6.54	7.40	5.61	5.74	6.84		

Source: Company, Hem Securities Research.

## INDUSTRY OVERVIEW

- The contribution of automobile sector to the National GDP has grown to about 7.1% now from 2.8% in 1992-93
- Buoyed by the strong domestic market traction, India aims to double its auto industry size to 15 Lacs Cr. by the end of 2024.
- The domestic industry produced a total of 25.93 mn vehicles during the year 2022-23, as against 23.03 mn units during previous year registering a 12.6% growth aided by 20% expansion in domestic sales.
- Passenger vehicle exports increased by 15% from 0.58 mn to 6.63 mn units.
- The Indian electric vehicle market was valued at USD 7,025.56 mn in 2021, and is anticipated to reach USD 30,414.83 mn by 2027, registering a CAGR of 28.93% during the estimated period.
- The auto component industry is anticipated to incur a capex of over 20,000 crore in FY 2023-24, with incremental investments towards new product additions, product development for committed platforms, development of advanced technology and EV components
- Indian auto components industry is further going to be benefitted from the presence of numerous global players – planning to expand capacities in India
- Some of the key players in auto components) space includes Endurance Tech, Sansera Eng, Minda Corp, Sundram Fasteners, Suprajit Eng etc.

## KEY PLAYERS in Auto Components Space



## PEER PERFORMANCE

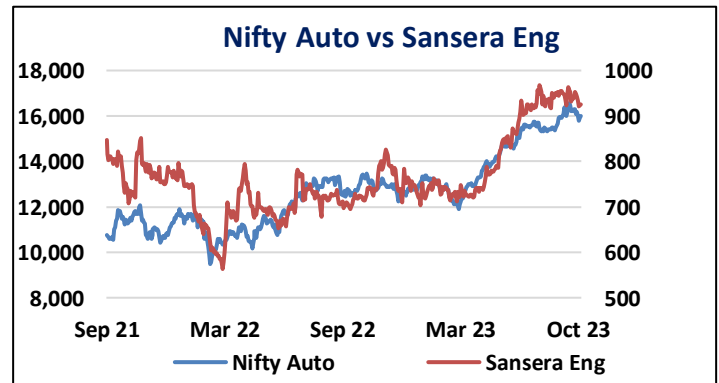
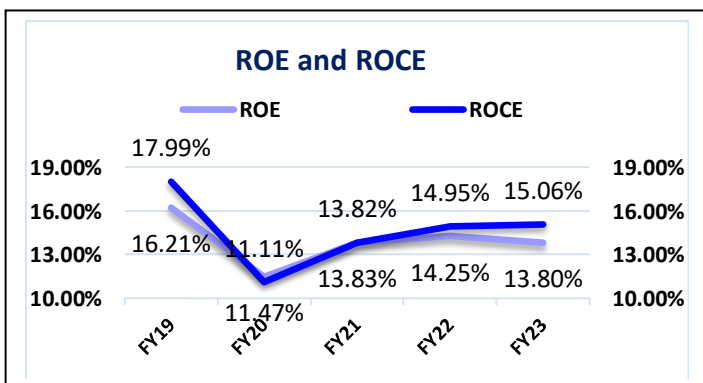
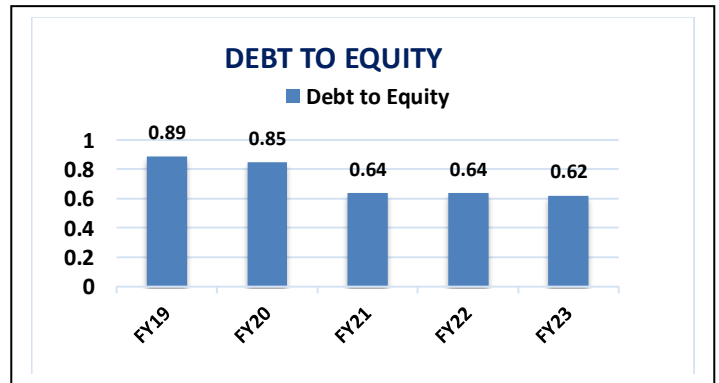
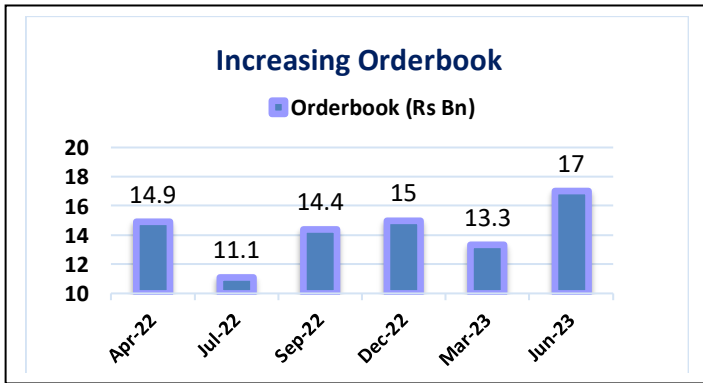
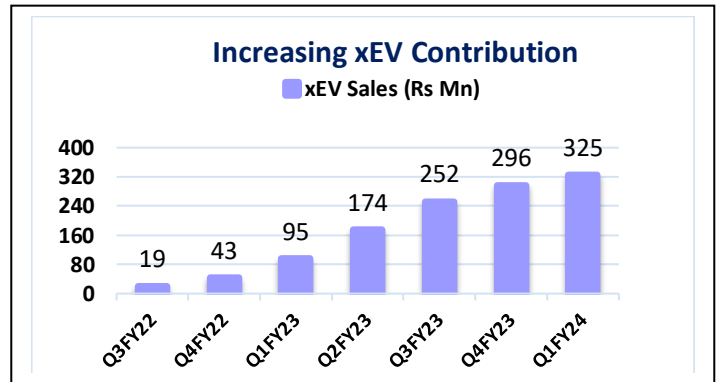
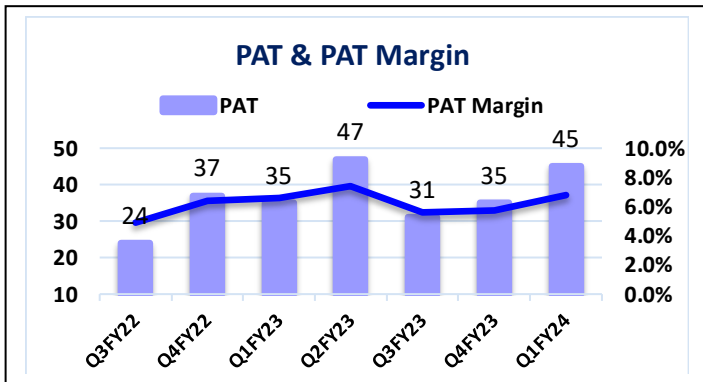
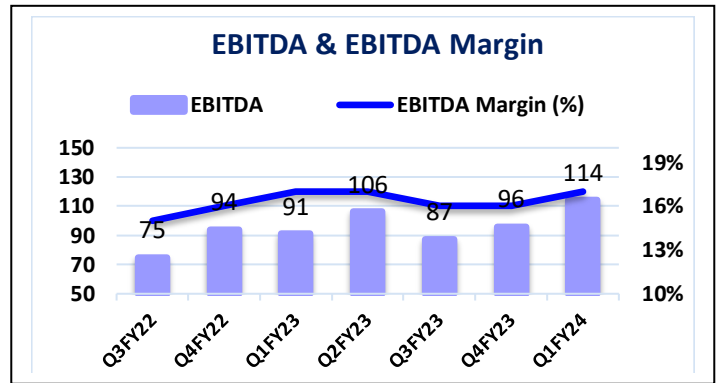
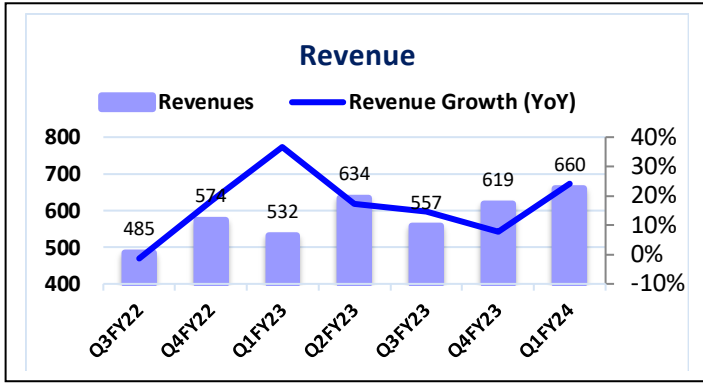
(₹ Cr)

Particulars	Sansera Engineering Ltd.	Endurance Technologies Ltd.	Minda Corporation Ltd.	Sundram Fasteners Ltd.	Suprajit Engineering Ltd.
Market Cap	4,927.1	22,297.9	8,023.5	25,936.1	5,407.2
Net Sales	2,338.3	8,804.0	4,300.1	5,662.8	2,752.4
EBITDA	379.5	1,036.3	463.1	853.5	312.6
PAT	146.2	479.6	284.5	494.7	152.1
EPS(₹)	27.6	34.1	11.9	23.5	11.0
EBITDA MARGIN %	17.0	12.2	10.9	15.9	12.8
PAT MARGIN %	6.3	5.4	6.7	8.8	5.5
ROCE %	15.1	14.1	17.6	19.7	15.7
ROE %	13.8	11.5	20.2	17.8	13.3
P/E TTM	31.4	41.3	29.1	53.3	34.3
P/B TTM	4.1	4.9	5.0	8.2	4.3
EV/EBITDA	14.1	18.8	17.3	30.0	16.5
Dividend Yield %	0.3	0.4	0.4	0.7	0.6
MCap/ Sales TTM	2.0	2.4	1.8	4.6	1.9

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Sansera has longstanding relationships with several renowned Indian and global original equipment manufacturers (OEMs).
- Company has shown strong growth and expansion in Operating Margins in Q1FY24.
- Margins are expected to improve led by rising mix of exports and aerospace.
- Co has strong order book of Rs 17 Bn.
- Co is witnessing rising orderbook EVs, aerospace, aluminium forging and industrials.
- Contribution from xEV is continuously increasing.
- The 4000 T new press would get operational from mid FY25.
- Co is targeting auto revenues to be at 60% in three years which will decrease sector specific risk and diversify its revenues.
- Net Debt to equity is expected to come down in coming quarters.
- Co is available at attractive valuation as compared to its peers.
- Majority of the senior management has been with the Company for more than 10 years and have led the expansion of Co's product families and customer base

## RISK / NEGATIVE FACTORS:

- The automotive sector is cyclical in nature and is also exposed to the near-term risk associated with the macro-economic headwinds in the overseas operations
- Sansera's major raw materials include steel and aluminum, which are highly volatile to external market factors. Any adverse increase in raw material prices may lead to a compression of margins
- Co is also exposed to forex risk as significant contribution comes from international business.
- More than 50% of revenues comes from Top 5 customers, so customer concentration risk also exists.

## COMPANY RECAP

- Sansera, headquartered in Bengaluru, is primarily engaged in the machining of precision engine forged components for 4Ws, 2Ws and components for the aerospace industry.
- The company also manufactures connecting rods for medium and heavy commercial vehicles (M&HCVs).
- Tech-Agnostic and xEV have been a key focus area for Sansera in the past few years.
- Revenue Mix: 72% Domestic and 28% International.
- Co has 17 integrated manufacturing facilities and 506 dedicated engineering team including aerospace, machine building & automation.
- Co has Long-standing relationship with customers including top domestic as well as international OEMs.
- The company primarily caters to OEMs such as Bajaj Auto Limited, Honda Motorcycle and Scooter India Limited, Maruti Suzuki India Limited, Honda Cars India Limited, India Yamaha Motor Private Limited and Royal Enfield.
- Sansera also exports components to reputed global OEMs such as Ducati Motor Holding S.P.A. (Italy), Fiat Powertrain (Italy), GM Daewoo Auto and Technology Co. (Korea), Harley-Davidson Motor Co. (USA), Polaris Industries Inc. (USA) and Piaggio (Italy).
- Majority of the senior management has been with the Company for more than 10 years and have led the expansion of Co's product families and customer base, resulting in business growth and diversification. Some of the senior management includes B R Preetham (Group CEO), Vikas Goel (CFO), Praveen Chauhan (COO), Satish Kumar (Head Business Development) etc.

## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2019	2020	2021	2022	2023	2024E	2025E
<b>Revenue from operations</b>	<b>1,624.43</b>	<b>1,457.17</b>	<b>1,549.27</b>	<b>1,989.03</b>	<b>2,338.30</b>	<b>2759.194</b>	<b>3311.033</b>
Growth YoY (%)	19.61	-10.30	6.32	28.39	17.56	18%	20%
<b>Total Expenditure</b>	<b>1,337.28</b>	<b>1,229.83</b>	<b>1,275.00</b>	<b>1,653.49</b>	<b>1,958.79</b>	<b>2276.34</b>	<b>2698.49</b>
(%) of sales	82.32	84.40	82.30	83.13	83.77	82.50%	81.50%
<b>EBITDA</b>	<b>287.15</b>	<b>227.34</b>	<b>274.28</b>	<b>335.55</b>	<b>379.51</b>	<b>482.86</b>	<b>612.54</b>
EBITDA Growth (%)	15.73	-19.84	22.22	18.05	13.18	27.2%	26.9%
EBITDA Margin (%)	18.69	16.70	19.19	17.65	16.99	17.5%	18.5%
Depreciation	70.49	93.90	101.68	119.70	130.08	157.9	175
<b>EBIT</b>	<b>217.38</b>	<b>149.41</b>	<b>195.69</b>	<b>231.34</b>	<b>267.24</b>	<b>324.96</b>	<b>437.54</b>
EBIT Growth (%)	14.83	-31.27	30.98	18.21	15.52	21.60%	34.65%
Net Interest Expenses	50.92	60.73	49.55	52.97	64.01	64	64
Other Income	16.38	15.97	23.09	15.49	17.81	20	20
<b>Earnings before Taxes</b>	<b>166.46</b>	<b>88.68</b>	<b>146.15</b>	<b>178.37</b>	<b>203.23</b>	<b>280.96</b>	<b>393.54</b>
EBT Margin (%)	10.25	6.09	9.43	8.97	8.69	10.18%	11.89%
Tax-Total	67.14	8.44	36.29	46.48	54.89	73.05	102.32
Rate of tax (%)	40.34	9.52	24.83	26.06	27.01	26%	26%
<b>Net Profit</b>	<b>99.31</b>	<b>80.24</b>	<b>109.86</b>	<b>131.89</b>	<b>148.34</b>	<b>207.91</b>	<b>291.22</b>
PAT Growth (%)	14.35	-19.21	36.92	20.05	12.47	40.16%	40.07%
PAT Margin (%)	6.11	5.51	7.09	6.63	6.34	7.54%	8.80%
Minority Interest	-1.85	0.41	-1.87	-1.44	-2.15	0	0
<b>Adjusted PAT</b>	<b>97.46</b>	<b>80.64</b>	<b>107.99</b>	<b>130.45</b>	<b>146.20</b>	<b>207.91</b>	<b>291.22</b>
<b>EPS</b>	<b>20.77</b>	<b>17.18</b>	<b>23.01</b>	<b>25.01</b>	<b>27.62</b>	<b>39.30</b>	<b>55.05</b>
EPS Growth (%)	0.00	0.00	33.91	8.71	10.43	42.30%	40.07%

### Balance Sheet

Y/E March	2019	2020	2021	2022	2023
Share Capital	9	9	9	10	11
Reserves	676	759	869	1,013	1,157
<b>Net Worth</b>	<b>685</b>	<b>768</b>	<b>878</b>	<b>1023</b>	<b>1168</b>
Borrowings	685	725	640	746	804
Other Liabilities	376	336	410	451	491
<b>Total Liabilities &amp; Equity</b>	<b>1,745</b>	<b>1,829</b>	<b>1,929</b>	<b>2,221</b>	<b>2,463</b>
Fixed Assets	1,014	1,064	1,127	1,239	1,394
CWIP	49	68	60	122	76
Investments	1	4	4	11	11
Other Assets	682	693	737	848	982
<b>Total Assets</b>	<b>1,745</b>	<b>1,829</b>	<b>1,929</b>	<b>2,221</b>	<b>2,463</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	6.11	5.51	7.09	6.63	6.34
EBITDA margin (%)	18.69	16.70	19.19	17.65	16.99
EBIT margin (%)	13.38	10.25	12.63	11.63	11.43
ROE (%)	16.21	11.47	13.83	14.25	13.80
ROCE (%)	17.99	11.11	13.82	14.95	15.06
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	74.65	84.64	101.02	103.98	100.08
Inventory (Days)	50.73	60.41	57.42	48.28	50.62
Receivables (Days)	60.03	66.42	67.39	66.20	65.66
Current Ratio (x)	1.01	0.93	1.05	1.08	1.12
<b>Valuations Ratios</b>					
EV/sales (x)	0.36	0.40	0.32	2.08	1.96
EV/EBITDA (x)	1.92	2.40	1.69	11.77	11.56
P/E (x)	0.00	0.00	0.00	27.11	26.97
P/BV (x)	0.00	0.00	0.00	3.53	3.43
Dividend Yield (%)	0.00	0.00	0.00	0.29	0.34
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.89	0.85	0.64	0.64	0.62

<b>Cash Flow Statement</b>					
<b>Y/E March</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>CF from Operating activities (A)</b>	<b>218</b>	<b>241</b>	<b>256</b>	<b>213</b>	<b>256</b>
<b>CF from Investing Activities (B)</b>	<b>-243</b>	<b>-176</b>	<b>-140</b>	<b>-258</b>	<b>-239</b>
<b>CF from Financing Activities (C)</b>	<b>14</b>	<b>-29</b>	<b>-139</b>	<b>47</b>	<b>-6</b>
Net Cash Flow	-10	36	-24	2	11
Add: Opening Bal.	34	24	60	37	38
<b>Closing Balance</b>	<b>24</b>	<b>60</b>	<b>37</b>	<b>38</b>	<b>50</b>

Source: Company, Hem Securities Research.





## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
9 Oct 2023	Buy	1051

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