

Sansera Engineering

BUY

Precision and Profits: capitalizing on diversification and exports

Summary

We initiate coverage on Sansera Engineering (SANSERA) with a BUY rating and a TP of Rs 1,625/share. SANSERA, an engineering-led manufacturer of precision components, is set for impressive growth. We project a 37% CAGR in non-ICE (non-internal combustion engine) sales from FY24 to FY27E, far outpacing Auto-ICE sales growth. Expansion into high-margin export markets (low to mid-20s margin) will further boost profitability and EPS. With a robust order book of Rs 15.9bn dominated by non-ICE and export, SANSERA has strong revenue visibility. We expect revenue and PAT CAGR of 17% and 35% respectively over FY24-27E, positioning SANSERA to outperform industry growth.

Key Highlights and Investment Rationale

- Diversification to boost growth, mitigate risks:** SANSERA's strategic diversification is fueling rapid growth, outpacing the auto industry. By leveraging its core precision manufacturing tech, it is expanding into high-growth sectors, driving growth and mitigating cyclicality and EV (electric vehicle) risks, helping it to continue outperforming the industry.
- Strong order book ensures growth:** With a robust order book of Rs 15.9bn at FY24's end, SANSERA is well-positioned for sustained sales growth. It has seen strong influx of RFQs, translating into order book which needs to be executed over next 3 years, underscoring its promising financial trajectory.
- Attractive valuation and growth potential:** Trading at a ~21x FY26E PE, SANSERA offers a ~39% discount to its peers despite its superior growth profile. As it progresses with diversification and margin improvements, we see further upside potential. We value SANSERA at 23x PE on Jun-26E EPS (~34% discount to peers) and arrive at a TP of Rs 1,625/share. Initiate with a BUY.

TP	Rs1,625
CMP	Rs1,370
Potential upside	19%
Previous Rating	--

Price Performance (%)			
	-1m	-3m	-12m
Absolute	29.2	33.3	48.9
Rel to Sensex	24.9	25.6	26.5

V/s Consensus		
EPS (Rs)	FY25E	FY26E
IDBI Capital	51	66
Consensus	48	63
% difference	6.3	4.8

Key Stock Data	
Bloomberg / Reuters	SANSERA IN/SASE.BO
Sector	Auto Components
Shares o/s (mn)	54
Market cap. (Rs mn)	73,951
3-m daily average value (Rs mn)	24.1
52-week high / low	Rs1,405 / 821
Sensex / Nifty	79,960 / 24,321

Shareholding Pattern (%)	
Promoters	35.0
FII	10.5
DII	26.9
Public	27.6

Financial snapshot

Year	FY23	FY24	FY25E	FY26E	FY27E
Revenue	21,739	28,114	31,452	36,718	42,223
Change (yoy, %)	17	29	12	17	15
EBITDA	3,795	4,799	6,009	7,302	8,769
Change (yoy, %)	13	26	25	22	20
EBITDA Margin(%)	17.5	17.1	19.1	19.9	20.8
Adj.PAT	1,462	1,852	2,728	3,529	4,555
EPS (Rs)	28	35	51	66	85
Change (yoy, %)	10.4	25.0	47.3	29	29
PE(x)	49.6	39.6	26.9	21	16
Dividend Yield (%)	0.1	0.2	0.3	0	1
EV/EBITDA (x)	19.6	15.7	12.7	10.3	8.4
RoE (%)	13.3	14.7	18.5	20	22
RoCE (%)	15.9	19.0	22	24	26

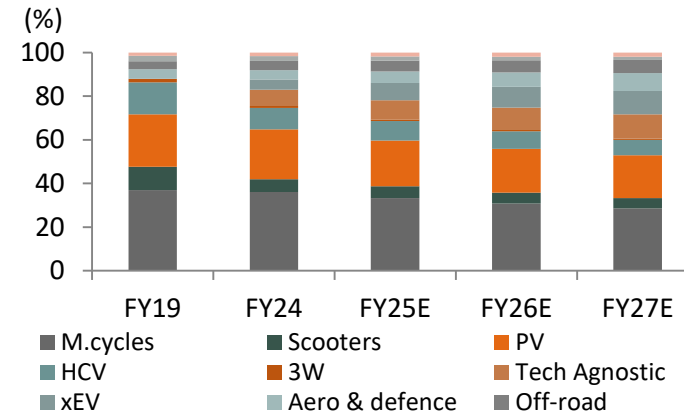
Source: IDBI Capital Research

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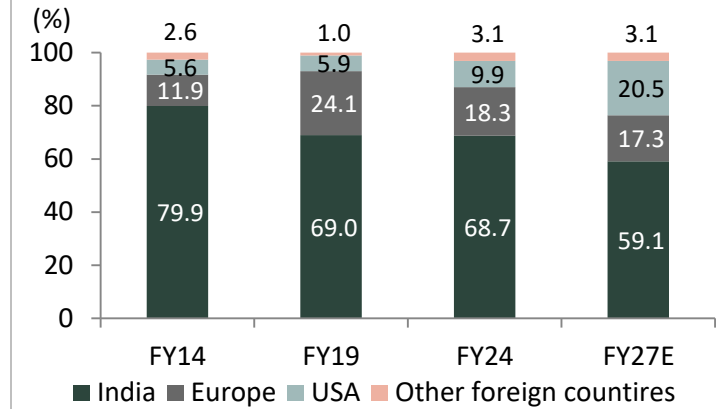
Story in charts

Exhibit 1: Portfolio mix change over the years



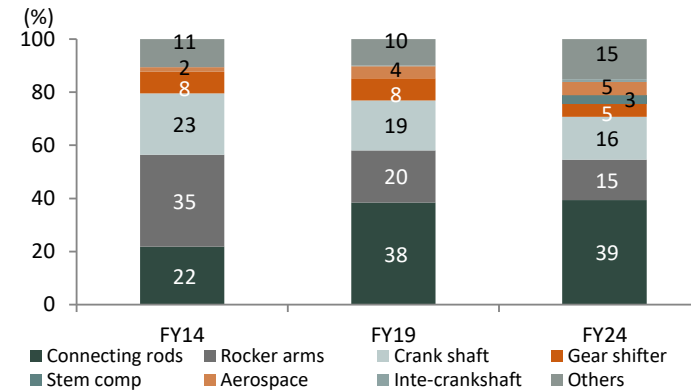
Source: Sansera Engineering, IDBI Capital Research

Exhibit 2: Geography mix change over the years



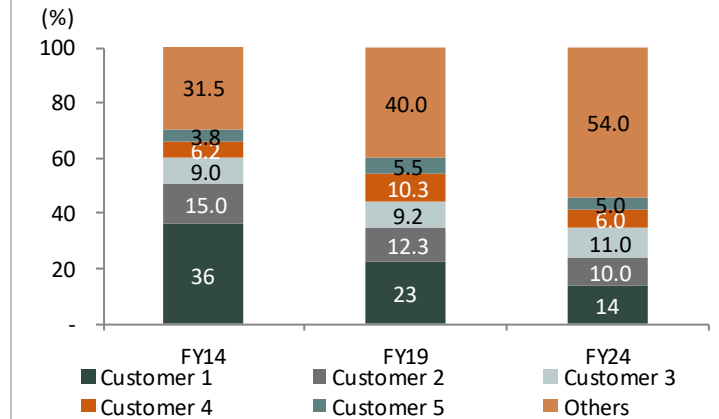
Source: Sansera Engineering, IDBI Capital Research

Exhibit 3: Product mix change over the years



Source: Sansera Engineering, IDBI Capital Research

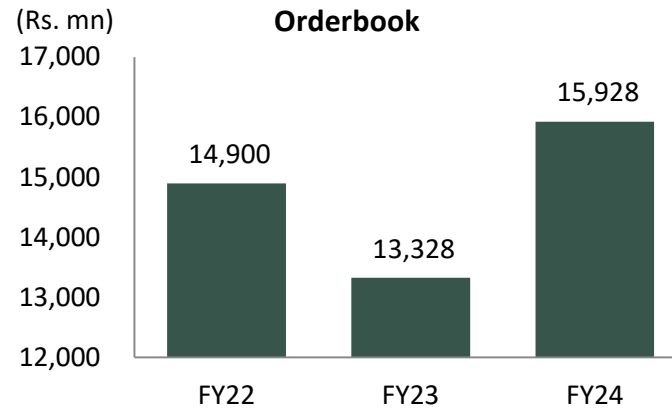
Exhibit 4: Customer mix change over the years



Source: Sansera Engineering, IDBI Capital Research

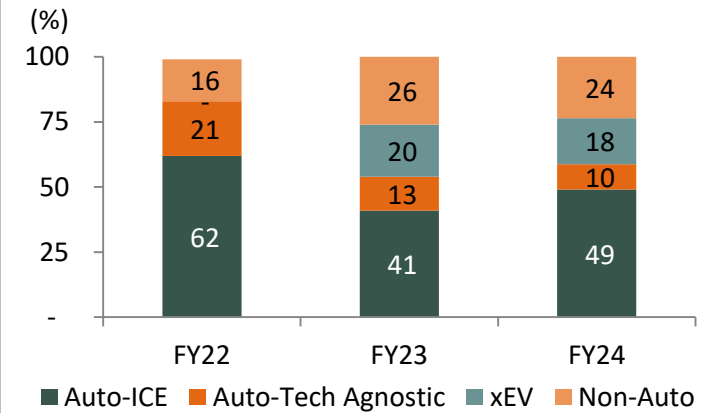
Story in charts continued...

Exhibit 5: Order book summary and execution chart



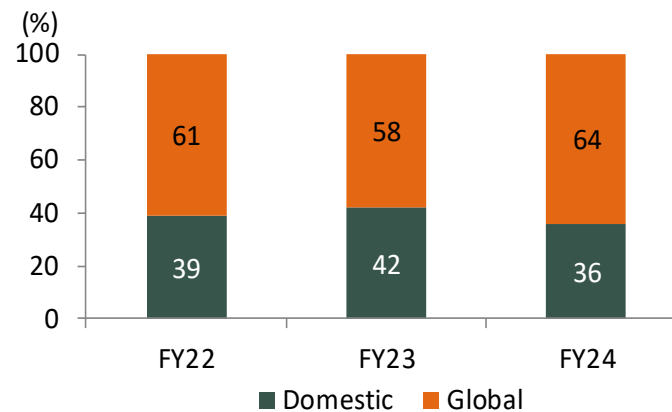
Source: Sansera Engineering, IDBI Capital Research

Exhibit 6: Order book by end-markets (\$ bn)



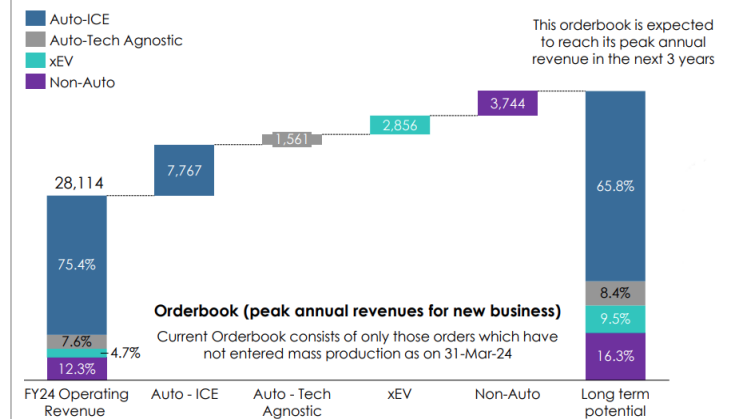
Source: Sansera Engineering, IDBI Capital Research

Exhibit 7: Order book by geography



Source: Sansera Engineering, IDBI Capital Research

Exhibit 8: Current order book is expected to peak by FY27E



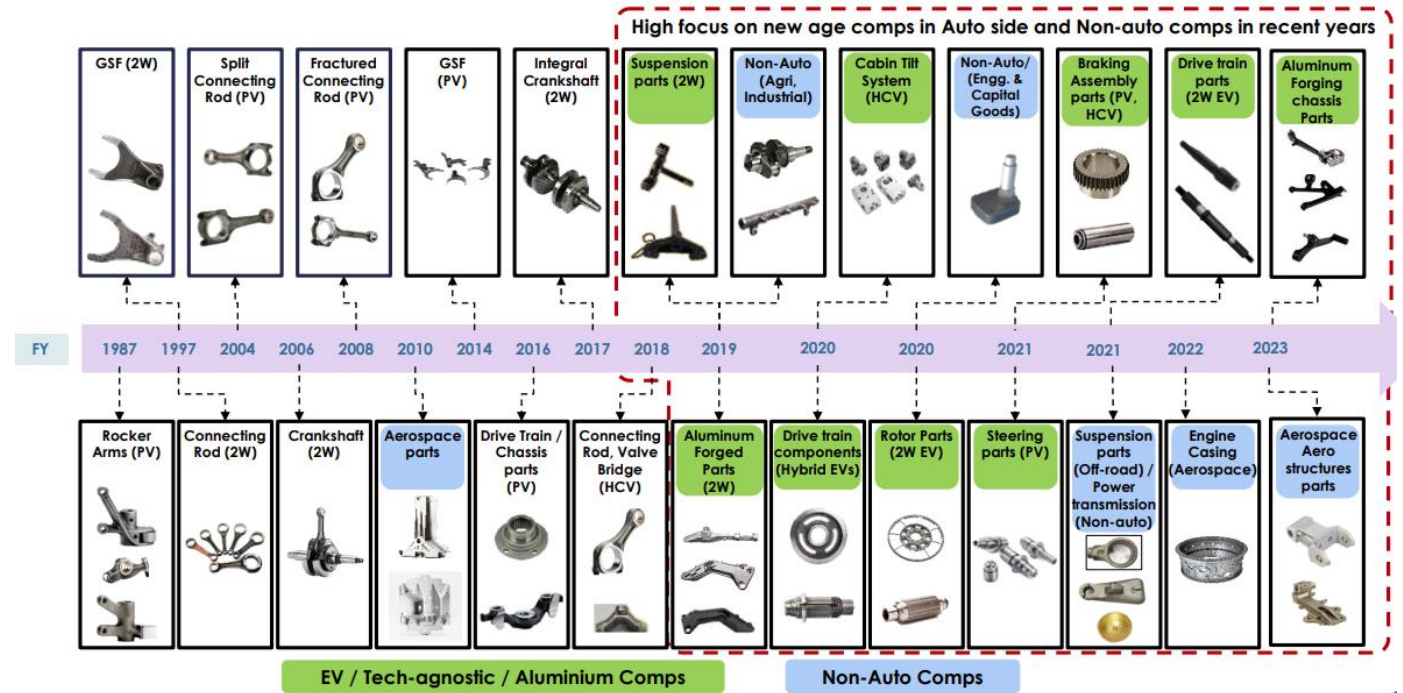
Source: Sansera Engineering, IDBI Capital Research

Investment theses

- Strong premiumisation and diversification focus to help outperform the industry growth

Sansera Engineering is strategically implementing a comprehensive plan to premiumise its portfolio. This plan includes investments in advanced manufacturing technologies, expanding the product portfolio, collaborating with premium OEMs, and enhancing its market presence globally.

Exhibit 9: SANSERA’S product evolution over the years



Source: Sansera Engineering, IDBI Capital Research

Increased demand for precision components:

Increased demand for premium vehicles have led to increased requirement for high-quality, precision-engineered components. SANSERA's expertise in producing critical components such as connecting rods and rocker arms positions it well to cater to this demand. This has increased content per vehicle from existing customer, helped in acquiring new customers and it has also helped the company to diversify the revenues.

Focus on partnership with premium OEMs:

SANSERA has established relationships with leading OEMs in the premium segment, including collaborations with brands like BMW and Harley Davidson. It has been involved with premium motorcycle models, including the TVS-BMW program and Triumph-Bajaj models. Royal Enfield is also one of the major customers of SANSERA. This focus has well placed SANSERA in riding the premiumisation trend. SANSERA has also increased focus on PV industry which again will help it diversify from traditional 2W dominance and also somewhat shield or delay the impact from EVs.

Focus on segments where average content is much higher:

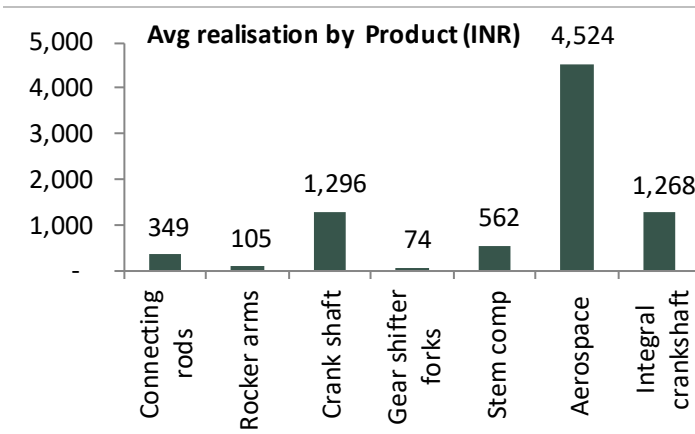
Sansera Engineering has significantly increased its focus on segments where the average content per vehicle is much higher.

Auto-ICE Segment: Within this the growth in the two-wheeler components is driven by premium motorcycle models like Royal Enfield, TVS-BMW, Harley Hero, and Triumph Bajaj. This focus on premium models results in higher average content per vehicle. The company has also developed aluminum forged and machined components for suspension and chassis systems, contributing significantly to the premiumization trend. These components are particularly important for high-end and utility vehicles, reflecting SANSERA's capability to supply technologically advanced products.

Non-Auto Segment: This segment includes aerospace and defence, off-road vehicles, and agriculture. The aerospace and defence segment, in particular, has seen good traction with components like seating parts, aerostructure parts, door assemblies, and engine systems. The off-road segment, including components for construction and agriculture equipment, is expected to contribute significantly to revenue.

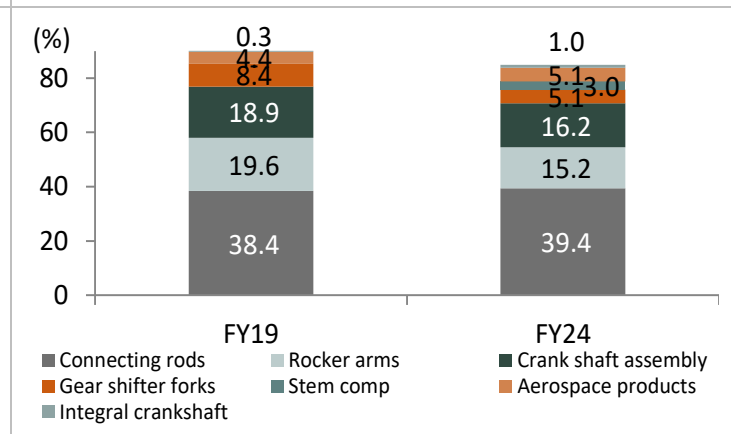
Tech Agnostic and xEV Products: SANSERA's focus on tech agnostic components, particularly on aluminum components due to the growing requirements of light-weighting, has led to an increase in average content per vehicle. The contribution from xEV products has also been noteworthy, with new orders from American multinational automotive EV customers expected to enhance revenues.

Exhibit 10: Average realization is highest for Aerospace and Crank Shaft Assemblies



Source: Sansera Engineering, IDBI Capital Research

Exhibit 11: SANSERA has been increasing share of components with higher realization like Aerospace

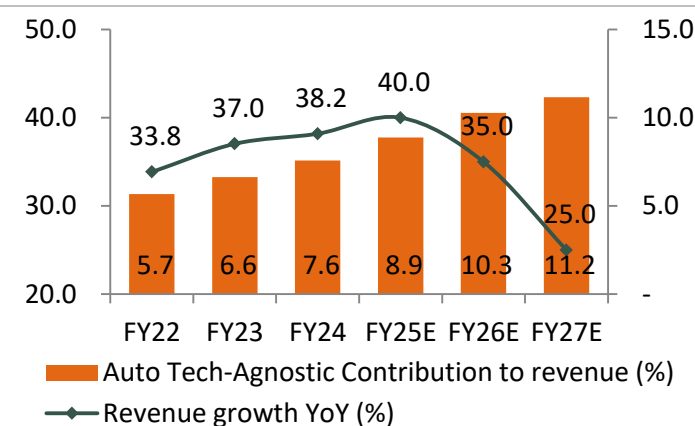


Source: Sansera Engineering, IDBI Capital Research

■ **Auto Tech-Agnostic and xEV – to drive future growth**

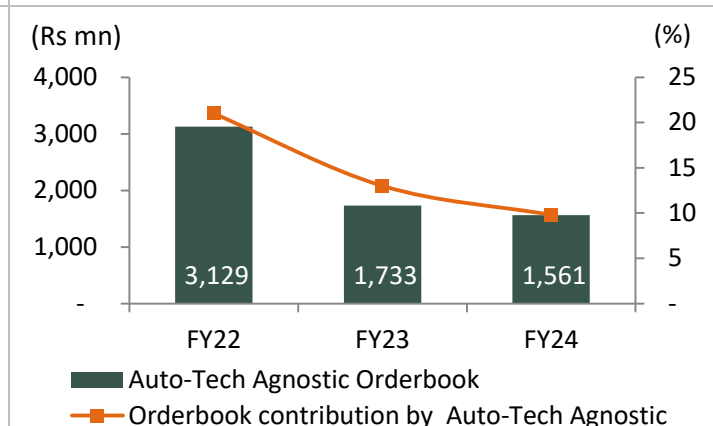
Auto Tech-agnostic segment has shown significant growth of ~60% over FY21-FY24. This segment focuses on components that are independent of the type of powertrain, catering to both ICE and EV markets. Tech-Agnostic and xEV have been a key focus area for SANSERA in the past few years. And it continues to accelerate the segment’s growth leveraging its partnership with well-known domestic as well as global customers. For Future growth SANSERA is focusing on leveraging its existing capabilities in tech agnostic products especially aluminium forged components and strengthen its xEV business. SANSERA has increased its long-term sales contribution target to 20% from xEV and Tech-Agnostic products from 15% earlier guidance given robust traction for its products. We expect the segment to grow by ~42% over FY24-FY27E.

Exhibit 12: Auto Tech Agnostic segment contribution and growth



Source: Sansera Engineering, IDBI Capital Research

Exhibit 13: Order book of Auto Tech-Agnostic



Source: Sansera Engineering, IDBI Capital Research

SANSERA is actively working on several key areas to improve its revenues from the Auto tech-agnostic segment. These initiatives are focused on innovation, market expansion, and operational efficiency.

- Developing components using advanced materials like aluminum and composites, which are critical for producing lightweight and high-strength parts that are essential for both ICE and EV vehicles.

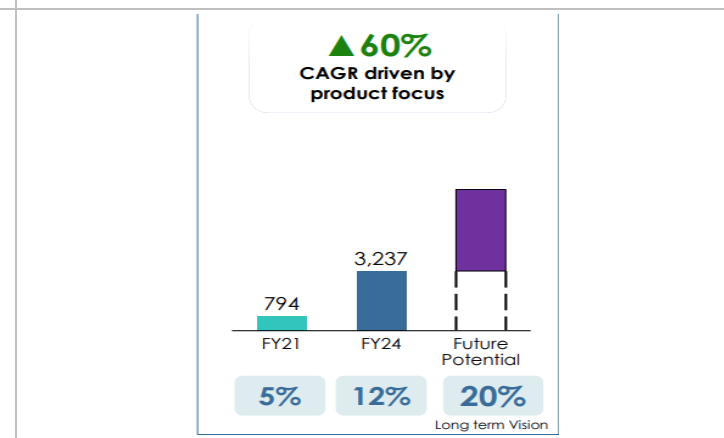
- Expanding product portfolio to include new, high-value tech-agnostic components like parts for premium vehicles, high-performance motorcycles, and EVs.
- Expanding presence in key international markets, including North America and Europe, where there is a high demand for tech-agnostic components. This is also increasing the overall export revenue share for SANSERA.

Exhibit 14: Auto Tech Agnostic segment product and customers

	Tech-Agnostic		
	2W / e-2W	PV / Hybrid / B-EV	CV
Product Offerings	Suspension Parts Stem Comp Steering Aluminium forged parts	Steering Parts Tow Hook Braking System Component	Chassis Components (Cabin Tilt System) Braking System Components Integral Crankshaft (Braking System)
Sales Mix FY24	7.6%		
Q4 FY24	8.4%		
Key Customers (Indian and Global)	European premium 2W OEMs	Leading European PV OEM	Leading Europe & US Based Tier 1 Customer

Source: Sansera Engineering, IDBI Capital Research

Exhibit 15: Future target to increase contribution to 20% of product sales from Auto Tech Agnostic



Source: Sansera Engineering, IDBI Capital Research

SANSERA is focusing on several strategic areas to enhance its revenues from the xEV (electric vehicle) segment. These initiatives aim to leverage new market opportunities and enhance product offerings. It is working on multiple product categories leveraging its existing expertise. SANSERA endeavors to be ahead of the curve in the EV space with a clear emphasis and focus on development of a new mobility world.

Battery Components: Developing advanced battery housings, thermal management systems, and battery modules to ensure safety, efficiency, and longevity of EV batteries.

Electric Drivetrain Parts: Focusing on the production of essential electric drivetrain components such as electric motors, inverters, and power electronics to improve the performance and efficiency of EVs.

Lightweight and High-Strength Materials: Utilizing lightweight materials such as aluminum and composites to produce components that enhance vehicle range and performance without compromising on strength.

Global Market Penetration: Expanding into key international markets with high EV adoption rates, such as North America, Europe, and China, to increase market share and revenue.

Advanced Production Facilities: Setting up new manufacturing lines and upgrading existing ones with advanced technologies tailored for EV components.

Order wins in the xEV segment

Major OEM Contracts:

Tesla: SANSERA secured a significant contract with Tesla to supply battery housing components and thermal management systems, essential for the Model 3 and Model Y production lines. This contract marks a substantial entry into the high-volume EV market.

General Motors: SANSERA won an order from General Motors to provide electric drivetrain parts, including inverters and power electronics, for their upcoming fleet of electric trucks and SUVs.

Toyota Motors: SANSERA is supplying parts to the global and domestic platforms of Toyota for their hybrid vehicles, which have content in the range of Rs 8k-10k per vehicle.

European Market Penetration:

Volkswagen Group: A multi-year agreement with Volkswagen to supply lightweight aluminum components for their ID.4 and ID.3 electric models. This partnership underscores SANSERA's ability to meet stringent quality and performance standards required by European automakers.

Renault-Nissan-Mitsubishi Alliance: SANSERA secured an order to develop and supply key components for the alliance's new electric vehicle platforms, focusing on lightweighting and efficiency.

Asian Market Expansion:

BYD: In China, SANSERA has entered into an agreement with BYD to supply electric motor components and battery casings for their extensive range of electric vehicles, including buses and passenger cars.

Tata Motors: A strategic order from Tata Motors for the supply of electric drivetrains and battery components for their expanding lineup of electric vehicles in India.

Strategic Partnerships and Joint Ventures:

Joint Venture with EV Tech Startup: SANSERA has formed a joint venture with a leading EV technology startup to co-develop advanced power electronics and control systems for electric vehicles. This partnership aims to leverage SANSERA's manufacturing expertise and the startup's innovative technologies.

Export Orders and Global Distribution:

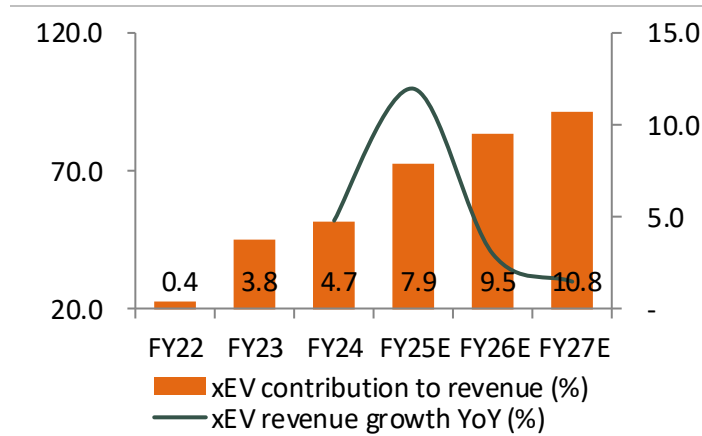
North America: Significant export orders from North American EV startups, focusing on niche electric vehicles like electric trucks and performance cars. SANSERA's advanced manufacturing capabilities have positioned it as a key supplier in this rapidly growing market.

Europe: Expanding export orders from established European brands as well as new entrants in the EV market. SANSERA's components are now part of several high-profile electric vehicle models launched in Europe.

xEV components demand a higher level of precision and are predominantly made of aluminum to ensure they remain lightweight. As a result, content value per vehicle for EVs is ~10% higher than that of traditional ICE components, enhancing revenue and helping margins.

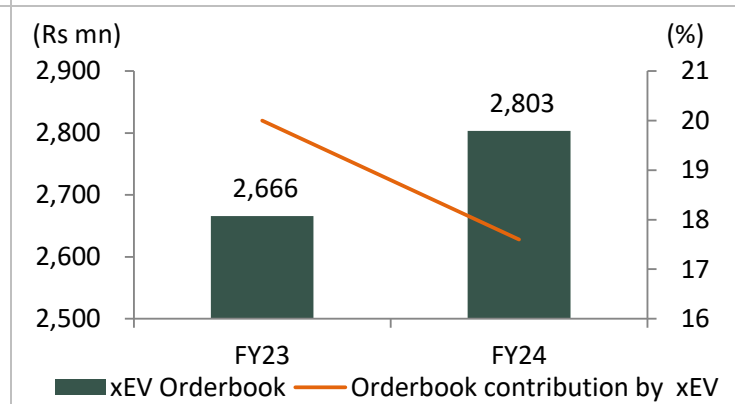
We anticipate the xEV and auto tech-agnostic segments to achieve a CAGR of about 54% and 28% respectively from FY24 to FY27E, driven by a robust order book of approximately Rs 4.5bn as of Mar-24. SANSERA is consistently expanding its product portfolio, contributing to an increase in content value and we see the order book in this segment to grow at an accelerated pace. Auto tech-agnostic and xEV has higher margins compared to the ICE segment, in our view, attributed to the increased use of aluminum, which necessitates greater precision and specialization.

Exhibit 16: xEV segment contribution and growth



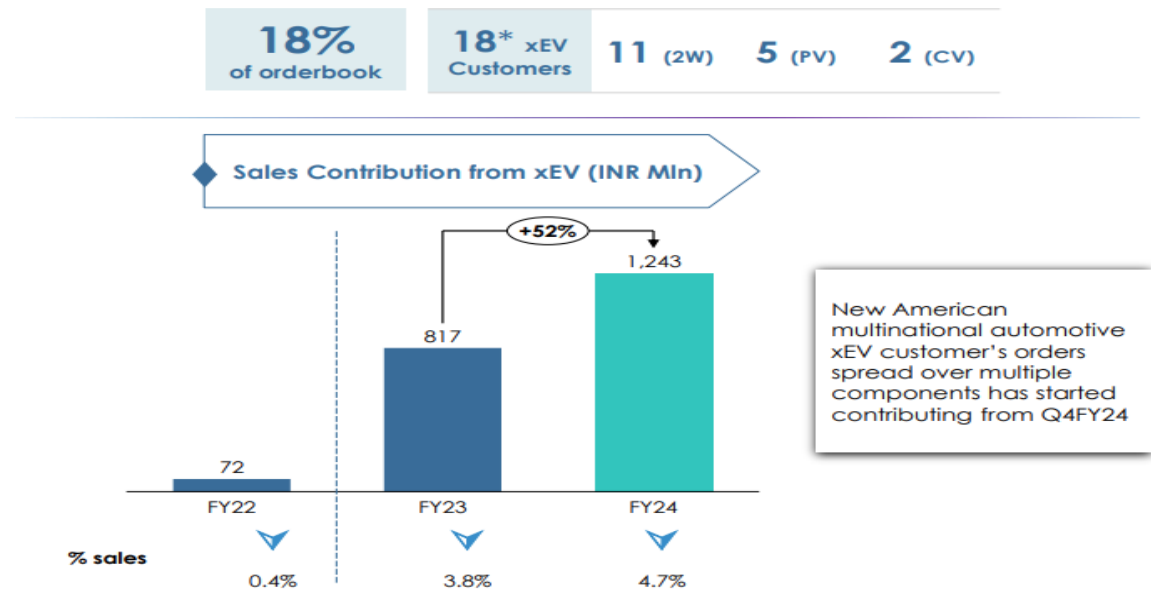
Source: Sansera Engineering, IDBI Capital Research

Exhibit 17: Order book of xEV



Source: Sansera Engineering, IDBI Capital Research

Exhibit 18: Visible growth in the revenue contribution from xEV segment

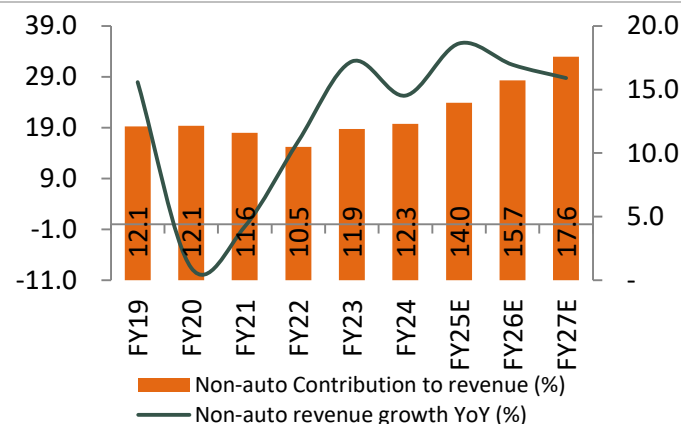


Source: Sansera Engineering, IDBI Capital Research

■ **Diversification into non-auto – to continue to aid growth and margins**

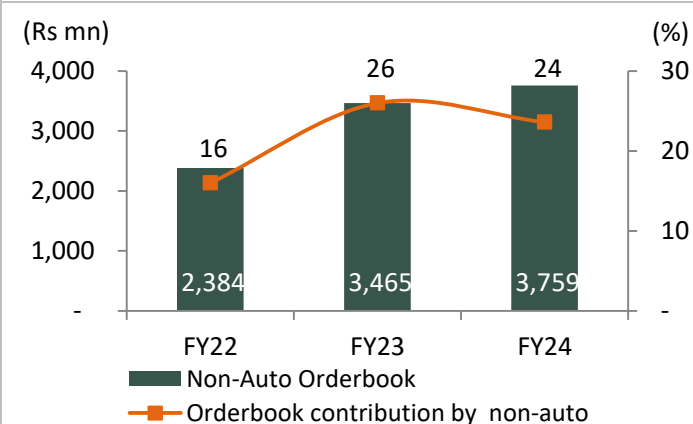
Sansera Engineering has strategically diversified into the non-auto segment, which includes aerospace and defence, medical devices, industrial machinery, and agricultural equipment. This diversification reduces dependency on the automotive sector and leverages high-margin opportunities in these specialized markets. The non-auto segment has been a significant driver of revenue growth for SANSERA, with increasing contributions to its overall financial performance. The non-auto segments typically offer higher margins compared to the automotive sector due to the specialized nature of the components produced and the advanced technological requirements, contributing positively to SANSERA’s overall financial performance. Non-auto segment is poised for strong growth helped by better operating environment, strong order book (Rs 3.8bn) and continues flow of export and domestic orders. We expect the non-auto segment revenue to grow at ~32% CAGR over FY24-27E, with aerospace and defence expected to outperform with ~47% growth. The non-auto business also has better EBITDA margin compared to the auto segment, thereby improving the overall margin profile of the company.

Exhibit 19: Non-auto segment contribution and growth



Source: Sansera Engineering, IDBI Capital Research

Exhibit 20: Order book of Non-Auto



Source: Sansera Engineering, IDBI Capital Research

Exhibit 21: Wide range of product offerings: Non-Auto

Over the years, the company leveraged its existing capabilities to manufacture precision components for several non-automotive sectors and established its presence in the aerospace, off-road and agriculture sectors

	Aerospace & Defence	Off-road	Agriculture	Others	
Product Offerings	<p>Seating parts Aerostructure Parts Door assembly Lighting parts Cargo systems</p>	<p>Fractured Split Gear Shifter Fork Crankshaft Rocker Arms</p>	<p>Fractured CR Cam Shaft Pump Barrel</p>	<p>Fractured CR Split CR Integral Crankshaft (Stationary Engine) Crankshaft Pump Barrel</p>	
Sales Mix FY24	4.2%	4.3%	2.1%	1.7%	
Q4 FY24	4.3%	4.3%	2.0%	2.0%	
Key Customers (Indian and Global)	Indian › Leading Indian Tier 1 supplier	Global › Global Tier 1 suppliers › Global European aircraft OEM › Global North American aircraft OEM	› Global Recreational Vehicle OEM	› Indian arm of a global supplier of fuel injection systems › Indian arm of a global engine-based fuel and air management systems manufacturer	› Global OEM of Earth Moving Equipment › Indian arm of a global manufacturing and supply chain management co. › Subsidiary of a leading global power tools manufacturer › Global marine engine manufacturer

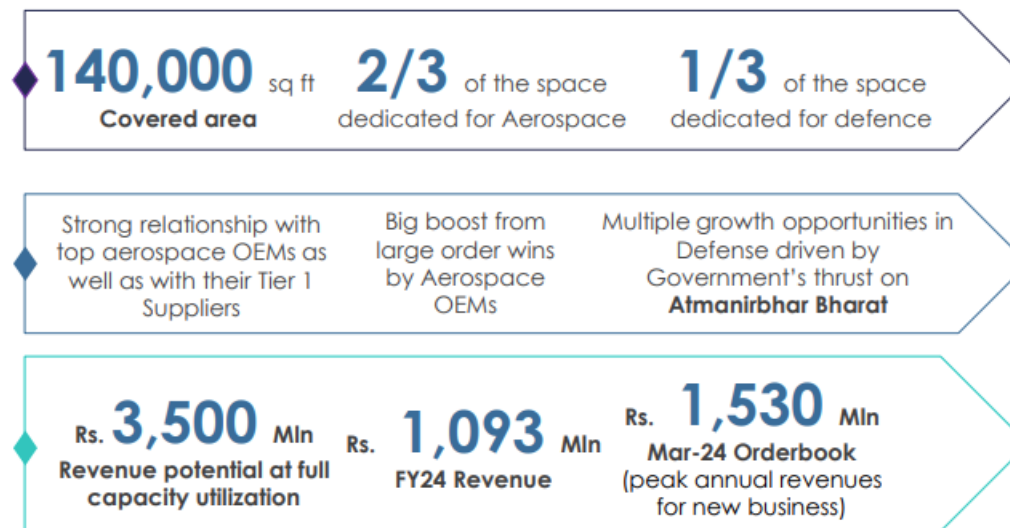
Source: Sansera Engineering, IDBI Capital Research

Aerospace and Defence segment – Major component in the non-auto segment

SANSERA has strategically diversified into the aerospace and defence sector, capitalizing on the growing demand for indigenously produced high-precision components.

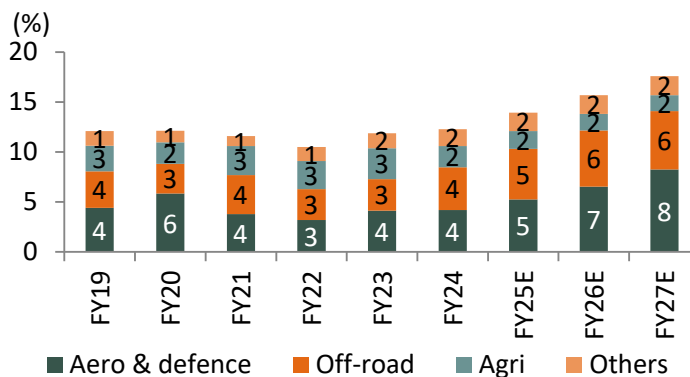
It offers high-precision machined components, complex assemblies and sub-assemblies for aircraft and defence-specific components catering to various military applications. These components require advanced manufacturing processes including CNC machining, forging, and precision engineering and should comply with stringent quality and safety standards required by the aerospace and defence industry.

Exhibit 22: Ready Infrastructure to capture the new opportunities



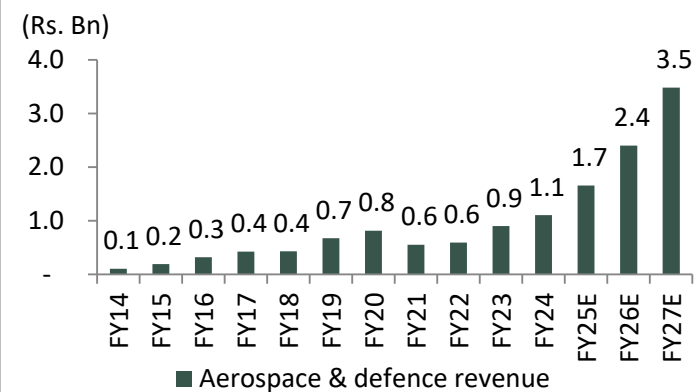
Source: Sansera Engineering, IDBI Capital Research

Exhibit 23: Aerospace segment to drive non-auto segment growth



Source: Sansera Engineering, IDBI Capital Research

Exhibit 24: Aerospace revenue growth to accelerate going ahead



Source: Sansera Engineering, IDBI Capital Research

Key drivers for the non-auto segment:

- **Technological innovation:** Advanced manufacturing processes and precision engineering capabilities drive growth by meeting the high standards required in non-auto industries.
- **Strategic partnerships:** Collaborations with leading companies in non-auto sectors enhance market reach and technological expertise.
- **Increasing demand:** Growing needs in sectors such as healthcare, aerospace, and agriculture provide a steady demand for high-precision components.

Strategy for growth for the non-auto segment:

- **Product diversification:** Continuously expanding the product portfolio to include high-value, high-precision components for various non-auto sectors.
- **Market expansion:** Targeting global markets and emerging economies to increase market share in non-auto segments.
- **R&D investment:** Investing in research and development to innovate and improve product offerings, ensuring they meet the evolving needs of non-auto industries.

Major order wins in the segment:

- **Aerospace and defence**
 - **Airbus:** SANSERA secured a multi-year contract with Airbus to supply precision-engineered components for their aircraft. The contract is valued at approximately USD20mn.
 - **DRDO (Defence Research and Development Organization):** A significant order to supply critical components for defence projects, valued at Rs 1.5bn.

■ Medical devices

- **Medtronic:** An order to manufacture high-precision components for Medtronic's medical devices, valued at USD10mn.
- **Siemens Healthineers:** A partnership to supply components for diagnostic equipment, with an initial order value of EUR5mn.

■ Industrial machinery

- **Siemens:** SANSERA won an order to produce components for Siemens' industrial machinery division, valued at EUR8mn.
- **General Electric (GE):** A contract to supply parts for GE's manufacturing equipment, valued at USD12mn.

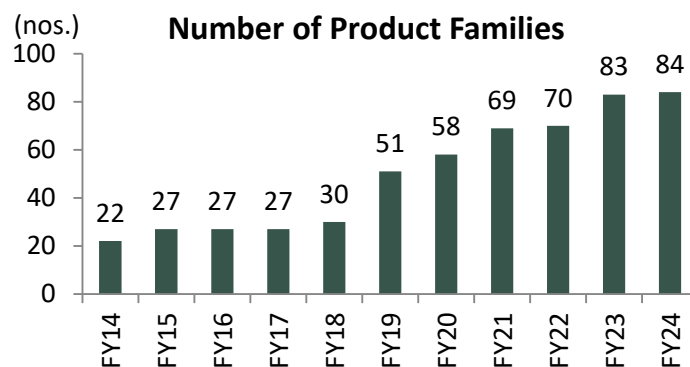
■ Agricultural equipment

- **John Deere:** An order to supply precision components for John Deere's agricultural machinery, valued at USD15mn.
- **Mahindra & Mahindra:** A significant contract to produce parts for their range of tractors and farm equipment, valued at Rs 1bn.

■ **Strong client relationship and product innovation underscores SANSERA’s growth trajectory**

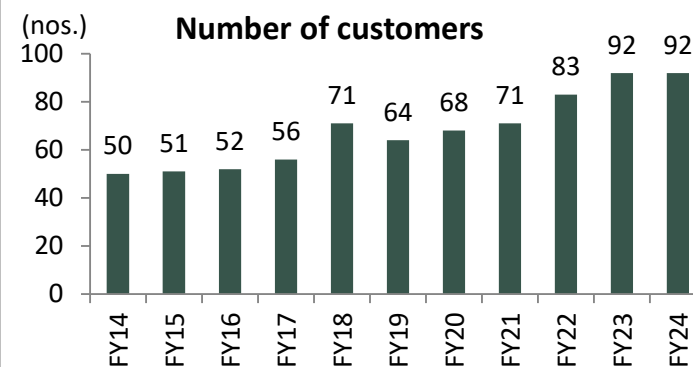
Sansera Engineering has built robust client relationships across various industry segments, driving sustained growth and market presence. A cornerstone of SANSERA’s success is its enduring partnerships with major OEMs and Tier-1 suppliers, having never lost a customer. In the automotive sector, SANSERA has strong ties with BMW, Honda, Harley Davidson, Bajaj, HMSI, and Yamaha. Its 35-year relationship with Maruti in the passenger vehicle (PV) sector and recent supply of connecting rods to Tata Motors highlights its long-term partnerships.

Exhibit 25: Product diversification efforts accelerated post-FY19; saw 2.8x increase in next 6 years



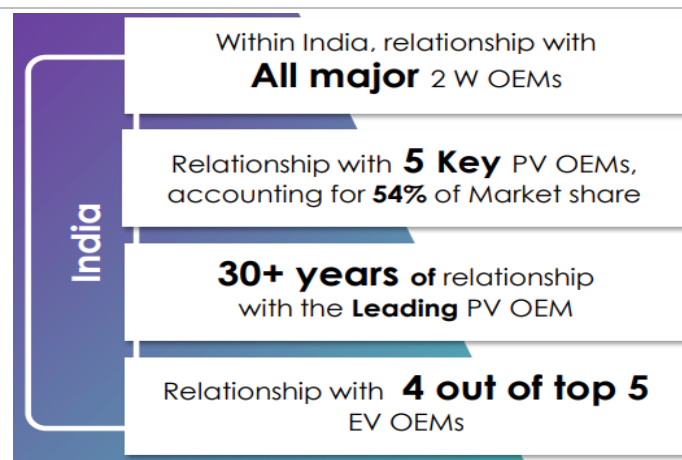
Source: Sansera Engineering, IDBI Capital Research

Exhibit 26: Customer expansion started from FY22 onwards



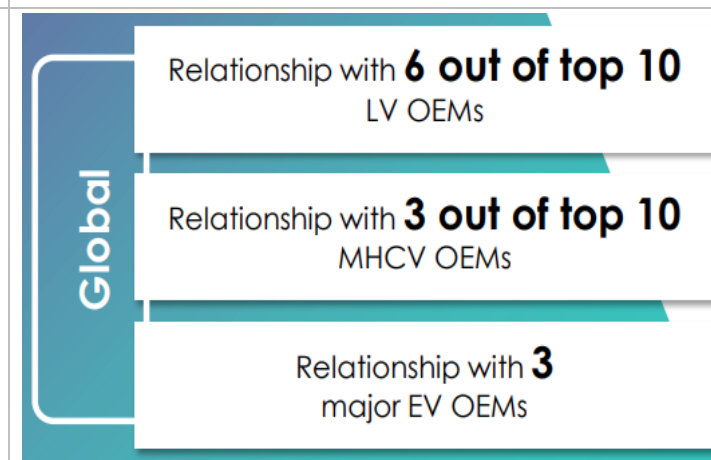
Source: Sansera Engineering, IDBI Capital Research

Exhibit 27: Well entrenched customer relationships across segments, including with new-age EV OEMs



Source: Sansera Engineering, IDBI Capital Research

Exhibit 28: Strong and longstanding global relationships with top OEMs



Source: Sansera Engineering, IDBI Capital Research

In the non-auto segment, SANSERA secured a multi-year USD20mn contract with Airbus in 2022, positioning it as a key supplier of precision-engineered aircraft components. Additionally, a 2021 partnership with DRDO, valued at Rs1.5bn, underscores its expertise in defence components.

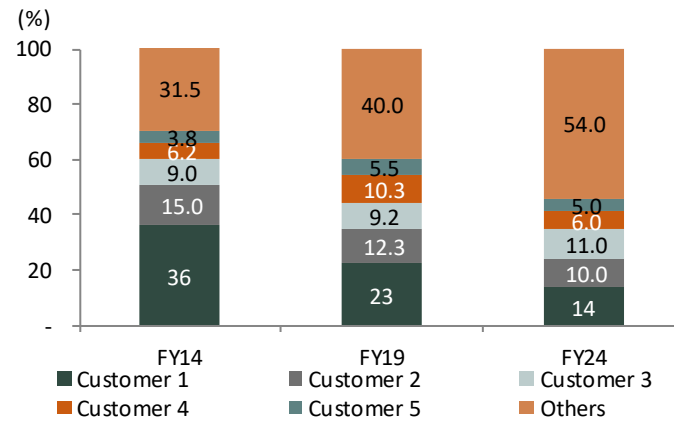
SANSERA also has strong relationships in industrial machinery and medical devices. In 2022, it secured an EUR8mn contract with Siemens, and a USD10mn partnership with Medtronic in 2023, reflecting its capability to produce high-precision components for these sectors.

On the export front, SANSERA supplies to FCA, Stellantis, CNH, General Motors, Toyota, and began supplying to Tesla in FY24. The company is optimistic about further business, especially with Tesla’s plans to enter the Indian market. Over 60% of its top 20 clients have been with SANSERA for over a decade, serving approximately 96 auto and non-auto clients across 27 countries.

SANSERA has expanded its product offerings by adding new components and cross-selling to existing clients. For example, its relationship with Maruti began with Rocker Arms and expanded to multiple components. Bajaj Auto's revenue contribution decreased from 23% in FY19 to 14%, reflecting a

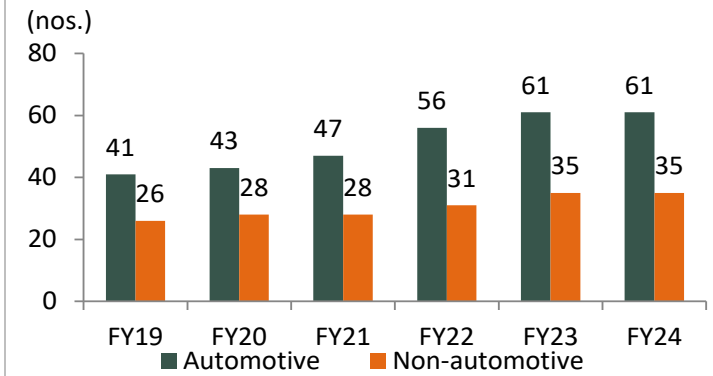
diversified client base. SANSERA’s top-5 client revenue contribution dropped from 60% in FY19 to 51% in FY23, showcasing an expanding portfolio.

Exhibit 29: Customer mix change over the years



Source: Sansera Engineering, IDBI Capital Research

Exhibit 30: Increase in both automotive and non-automotive customers



Source: Sansera Engineering, IDBI Capital Research

Exhibit 31: Strong focus on customer satisfaction and innovation has helped to maintain lasting relationship



Longstanding relationships

Continuous new customer addition

Longevity of relationship with top 20 customers

Source: Sansera Engineering, IDBI Capital Research

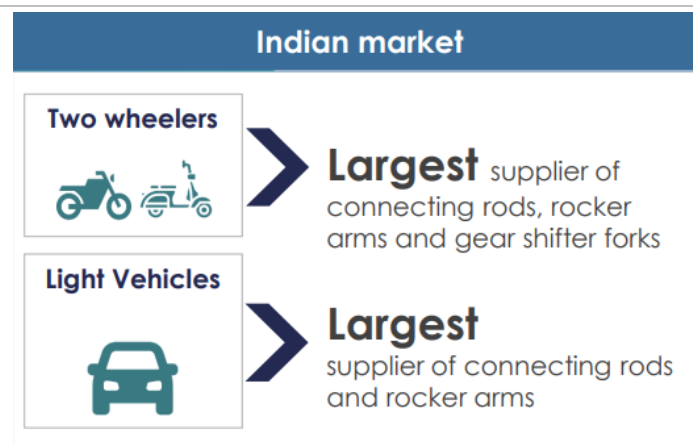
■ **Auto ICE - benefiting from higher focus on PVs and exports**

Multiple macro and micro trends are helping the legacy business of SANSERA along with the company’s efforts to continuously innovate in its core segments across various segments in the automotive industry, acquiring new customers, expanding geographical reach. SANSERA plans to consolidate and strengthen its global market share in its existing portfolios. SANSERA focuses on providing high value-added and technology-driven components to capture shifts in customer preferences as well as evolving regulatory requirements and emission norms.

Key industry trends witnessed around the globe:

- Faster engine upgrades
- Rising outsourcing trend from OEMs and creating dependency for supply
- China+1 and Europe +1 themes in play
- High focus on light weighting

Exhibit 32: SANSERA plans to solidify its leadership position in the domestic market



Source: Sansera Engineering, IDBI Capital Research

Exhibit 33: SANSERA plans to enhance its exports benefitting from key industry trends noted above



Source: Sansera Engineering, IDBI Capital Research

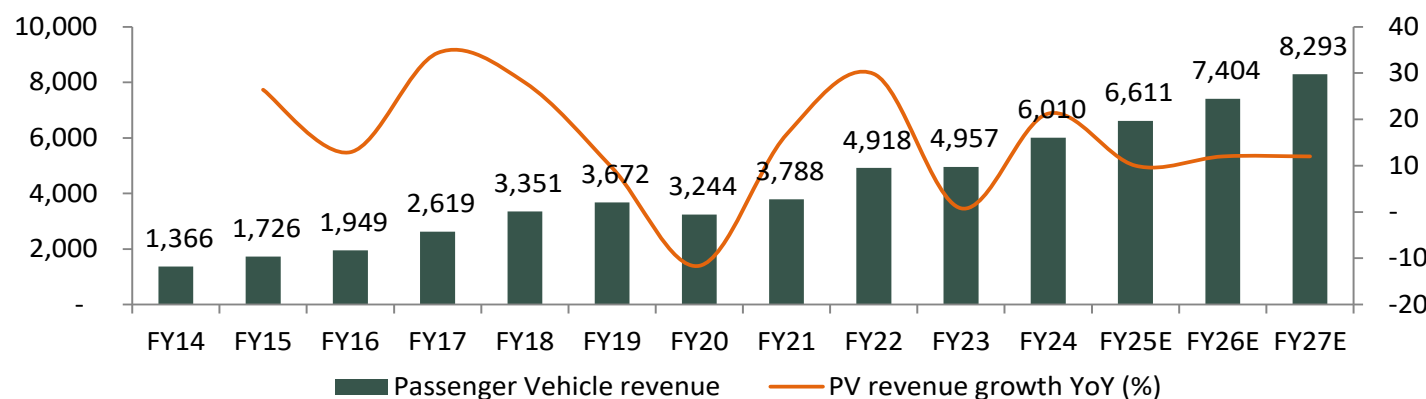
Passenger Vehicle segment to continue to grow led by new business, premiumisation

Sansera Engineering has shown significant progress in its passenger vehicle segment, marked by robust sales growth, strategic customer additions, and technological advancements. The company's focus on expanding its product portfolio and readiness for future automotive trends positions it well for sustained growth. The positive market dynamics, supported by governmental initiatives and rising consumer demand, further bolster the company's growth prospects in the passenger vehicle segment. SANSERA is a leading player and the largest supplier of connecting rods and rocker arms, which is supplied to key PV OEMs. SANSERA added Tata Motors as a new customer, which has been a valuable partnership. Additionally, the company increased its share of business with Maruti Suzuki, one of its oldest customers.

The company is enhancing its capacity to support growing demand, which includes an increased number of RFQs (Request for Quotations) and securing new business deals. Global market optimism, driven by increased demand for high-end PVs, urbanization, and infrastructure spending, is expected to further fuel growth.

SANSERA is investing heavily in technology, particularly in the development of aluminum components aimed at light-weighting and premiumization of PVs. Its efforts to penetrate new geographical markets and the increasing acceptance of India-made vehicles globally are key drivers for the long-term growth of PV segment.

Exhibit 34: PV revenue to outperform 2W revenue led by new orders, slower EV transition and new customer additions



Source: Sansera Engineering, IDBI Capital Research

■ **SANSERA's engineering excellence and strategic backward integration: A preferred supplier's edge**

Sansera Engineering stands out as a preferred supplier due to its robust engineering capabilities and strategic backward integration. The company excels in various aspects of the product development cycle, including design, engineering, forging, machining, and testing. These competencies are crucial for manufacturing precision-engineered components with assured quality. SANSERA's advanced capabilities not only streamline and enhance the product development process but also enable early client engagement from the conceptualization stage. This approach has been instrumental in building and sustaining long-term relationships with Original Equipment Manufacturers (OEMs).

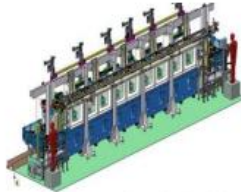
SANSERA's unique strength lies in its integrated machine-building capabilities. The company manufactures its own special-purpose machines and CNC machines, tailored specifically to meet its production requirements. To date, SANSERA has produced over 1,050 CNC machines in-house, including 75 machines in FY23 alone. This self-reliance results in significant cost savings—approximately 15% compared to purchasing from Japanese and German manufacturers—and enhances operational efficiency and flexibility.

The ability to construct machines in-house allows SANSERA to easily adjust its capacity and product mix across various categories, thereby optimizing machine productivity and operational efficiency. A notable example of this flexibility is from FY21, when the company shifted production lines from its aerospace division to its automotive division to address fluctuating demand in the aerospace sector. This strategic shift improved capacity utilization and overall efficiency.


SANSERA's commitment to research and development is evident in its substantial investment in R&D and product development. The company employs a dedicated team of 506 engineers, focusing on automotive, aerospace, machine building, automation, and technical functions. This team has more than doubled in size from 201 engineers in FY21 to 506 in FY23, reflecting SANSERA's strategic shift towards non-automotive, tech-agnostic, and xEV segments, in addition to ongoing product development in the automotive space.

Overall, SANSERA's engineering excellence and backward integration significantly contribute to its reputation as a reliable and efficient supplier, capable of meeting diverse and evolving client needs.

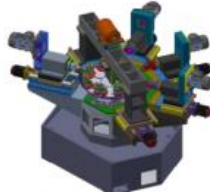
Exhibit 35: In house machine building capabilities




Automated Cells




Vertical honing machines



Double disc grinding machines



8 station special propose machines



Rough Boring Machine

Highlights

- › **1,100+** CNC Machines built in-house
- › **73** machines manufactured in 2023-24
- › **54** dedicated personnel in machine building division

Outcomes

- › Capital and operating efficiency
- › Reduced reliance on third party suppliers
- › High responsiveness to customer needs

Automation Capabilities

Highlights

- › **48** Dedicated personnel in the automation division
- › Automated fracture and bolt assembly cells
- › Robotic final inspection cells
- › **196** Robots installed across all facilities

Outcomes

- › Increased Productivity
- › Increased Cost Control
- › Consistent Product Quality

Source: Sansera Engineering, IDBI Capital Research

■ SANSERA's stake purchase in MMRFIC to drive innovation and market expansion

Sansera Engineering has acquired a 21% stake in MMRFIC with an Rs 200mn investment in FY23. This strategic move aligns with SANSERA's vision to diversify its product portfolio, expand technological capabilities, and enhance its presence in high-growth markets. The acquisition is expected to drive innovation, access cutting-edge technologies, and open new revenue streams.

MMRFIC specializes in advanced ICs and SoCs for telecommunications, automotive, aerospace, and defence. Notably, MMRFIC has delivered AI-enabled radars for object identification in defence and IoT health-monitoring products in healthcare.

MMRFIC is setting up an Rs 2bn R&D plant in Bengaluru, focusing on RF and microwave technologies for defence, space, and telecommunications. This facility will enhance MMRFIC's market position and create around 500 high-tech jobs. This move takes MMRFIC towards becoming a key player in the semiconductor value chain going forward.

The collaboration between SANSERA and MMRFIC will drive innovation, create new revenue streams, and enhance SANSERA's competitive edge in automotive and electronics.

Strategic Rationale and Synergies

Diversification of product portfolio:

- **Expansion into electronics:** The acquisition allows SANSERA to diversify beyond its traditional automotive component manufacturing into the high-growth electronics sector. Integrated circuits are essential components in modern vehicles, especially with the rise of connected and autonomous vehicle technologies.
- **Broader market reach:** With MMRFIC's expertise, SANSERA can tap into new markets such as telecommunications, aerospace, and defence, reducing its **dependency on the automotive industry**.

Technological enhancement

- Innovation and R&D: MMRFIC's advanced R&D capabilities in integrated circuits and signal processing will enhance SANSERA's technological prowess. This synergy is expected to foster innovation and accelerate the development of new, high-tech products.
- Access to cutting-edge IC technology will provide SANSERA with a competitive edge, enabling the company to offer more sophisticated and integrated solutions to its customers.

Market Expansion

- Entry into high-growth segments: The acquisition positions SANSERA in high-growth segments such as connected vehicles, IoT (Internet of Things), and smart devices, all of which rely heavily on advanced IC technology.
- MMRFIC's global market presence complements SANSERA's existing footprint, facilitating entry into new geographical markets and expanding its international reach.

Future Outlook

Innovation and product development

- SANSERA and MMRFIC will collaborate on joint development projects, focusing on next-generation automotive electronics, smart sensors, and connectivity solutions.
- The combined expertise will enable the development of innovative products that meet the evolving needs of customers in various sectors.

Strategic partnerships

- Collaborations and alliances: The acquisition opens doors for strategic collaborations with other technology providers, enhancing SANSERA's position in the value chain.
- Customer base expansion: The enhanced product portfolio and technological capabilities will attract new customers across different industries.

Market leadership

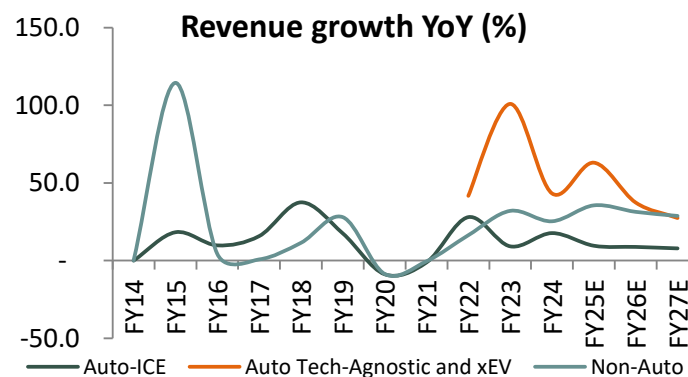
- With MMRFIC's technology, SANSERA aims to become a leader in automotive electronics, particularly in the growing segments of electric and autonomous vehicles.
- The acquisition will facilitate SANSERA's expansion into sectors such as aerospace, defence, and telecommunications, establishing it as a diversified technology provider.

Financial Analysis

Revenue growth to be driven by non-Auto and Auto tech-agnostic & xEV

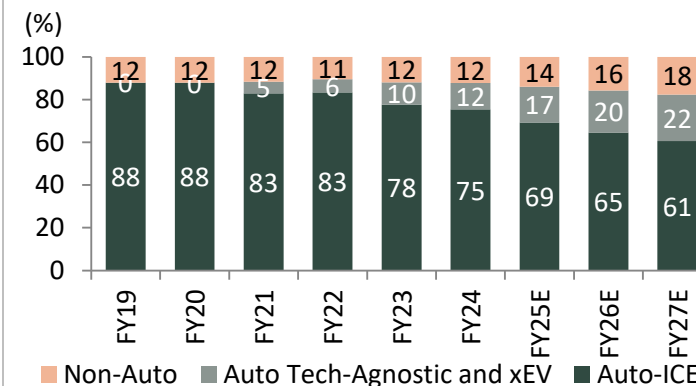
SANSERA’s revenue grew by ~22% over FY21-FY24 CAGR, driven by growth across segments (Auto-ICE: ~18%; Auto Tech-Agnostic and xEV: ~60%; Non-Auto: ~24%). SANSERA has been diversifying into multiple segments with increased focus on higher growth areas and non-auto segments. We see this strategy helping the company grow at a much faster rate than the industry. We see focus segments (Auto Tech-Agnostic and xEV and Non-Auto) growing at a much faster rate of ~37% while Auto-ICE growth coming at ~9% over FY24-FY27E. The contribution from Auto-ICE is expected to come down from ~75% in FY24 to ~61% in FY27. We see strong order book and high growth in Auto Tech-Agnostic and xEV and Non-Auto to drive overall revenue growth by ~17% over FY24-FY27E.

Exhibit 36: Auto Tech-Agnostic and xEV and Non-Auto to drive future outperformance



Source: Sansera Engineering, IDBI Capital Research

Exhibit 37: Contribution from diversified products



Source: Sansera Engineering, IDBI Capital Research

EBITDA margins to improve helped by increase in scale, product and geography mix improvement

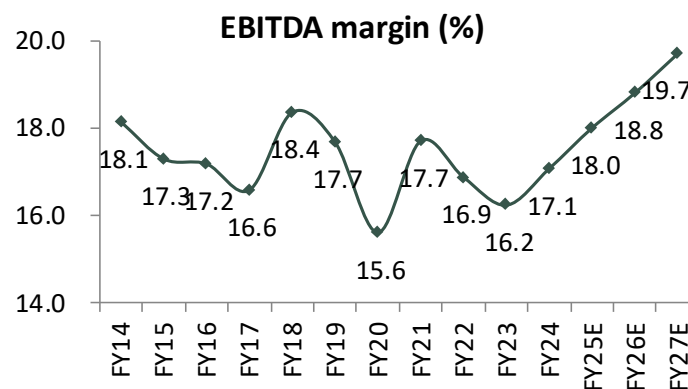
Over the last 10 years, SANSERA’s EBITDA margins have largely remained range bound in the range of 16-18%. The company plans to break-out from this range and is aiming to increase EBITDA margins upto 20%

in the medium term. Over the last two and a half years, there has been more than a 60% increase in raw material costs, resulting in an optical impact of almost 2.5% to 2.75% on margins. The company expects the impact of commodity price stabilization to continue, with no further immediate reductions indicated. Any future improvement in margins is expected to come from changes in product mix and increased exports.

Based on our calculation SANSERA’s export margins are higher by 8-10% compared to the domestic business margin, it should provide a substantial delta to margins as the new export tilted order book gets executed (64% of order-book is from exports).

We expect EBITDA margin to improve by 260 bps over FY24-FY27E from the current 17.1% in FY24.

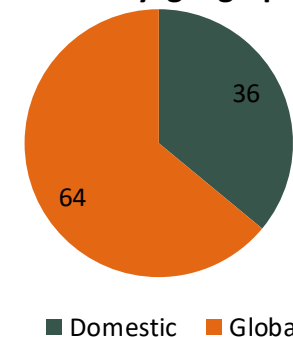
Exhibit 38: Auto Tech-Agnostic and xEV and Non-Auto to drive future outperformance



Source: Sansera Engineering, IDBI Capital Research

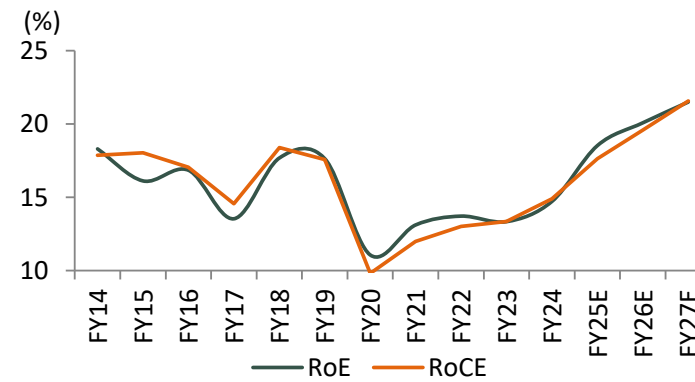
Exhibit 39: Order book more focused on exports market

Orderbook by geography



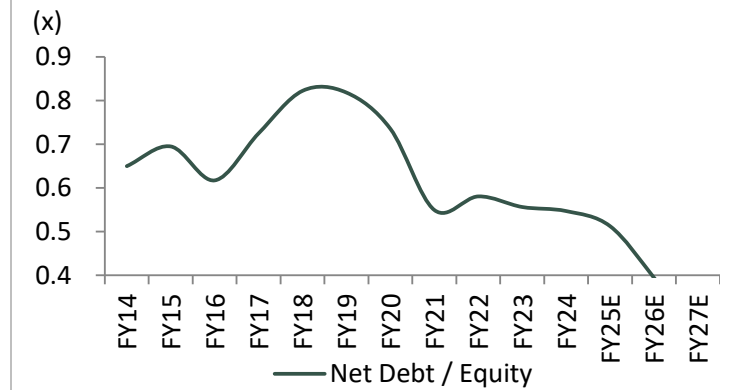
Source: Sansera Engineering, IDBI Capital Research

Exhibit 40: With utilization expected to increase ROCE and ROE are expected to see an uplift



Source: Sansera Engineering, IDBI Capital Research

Exhibit 41: Net debt to equity expected to come down



Source: Sansera Engineering, IDBI Capital Research

Valuation and Outlook

We initiate coverage on SANSERA with a BUY rating, anticipating the company to outperform the broader market growth. The following positive factors are expected to drive SANSERA's progress:

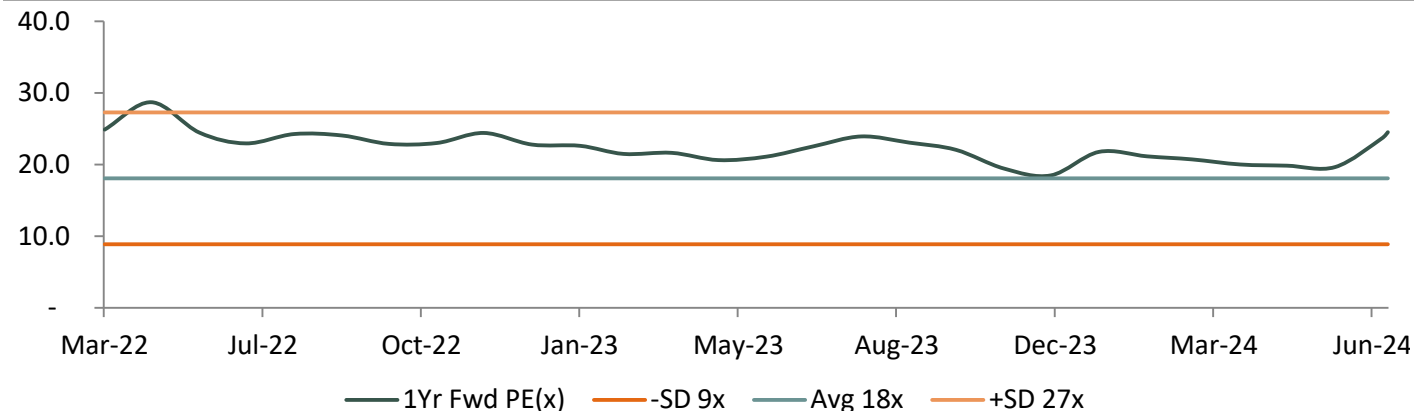
Accelerated growth in the Auto tech-agnostic & xEV segments and Non-Auto segments (particularly driven by aerospace) is expected. We project these segments to grow at approximately 42% and 32% CAGR over FY24-FY27E, supported by a strong order book of ~Rs 15.9bn.

Revenue from ICE Auto segment is expected to grow at ~8.7% CAGR over FY24-FY27E. This growth is driven by the premiumization trend, new customer acquisitions, increased content per vehicle, and market share gain.

A higher mix of tech-agnostic and non-auto, along with an increase in export share, is expected to drive a margin expansion of ~260bp over FY24-FY27E and expect EPS to grow at a ~36% CAGR over FY24-FY27E.

Considering SANSERA's superior growth prospects and strong operating capabilities, we value the business at a P/E of 23x Jun-26E EPS to arrive at a TP of Rs 1,625. The stock currently trades at a P/E of ~21x FY26E ICMS EPS, >40% discount to its average peers P/E of ~36x. Therefore, we initiate coverage on SANSERA with a BUY recommendation at a target price (TP) of Rs 1,625 per share.

Exhibit 42: One-year forward PER trend



Source: IDBI Capital Research

Exhibit 43: Peer valuation

Company	CMP (Rs)	Mcap (Rs Bn)	CAGR FY24-FY27E			PE (x)				EV/EBITDA (x)				RoE (%)			
			Sales	EBITDA	EPS	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Sansera Engineering	1,372	74,094	18.7	22.3	33.8	29.2	28.4	21.7	16.5	13.1	13.9	11.0	9.4	14.8	17.0	19.0	20.8
Bharat Forge	1,672	7,78,650	12.0	18.9	35.3	81.9	47.3	37.4	33.1	22.6	25.3	21.6	19.3	13.7	20.1	21.4	24.5
Endurance Technologies	2,695	3,79,129	14.7	18.2	23.3	55.7	42.6	34.1	29.7	19.0	22.7	19.0	17.1	14.5	16.7	18.3	18.2
Minda Corp	490	1,17,077	13.9	20.2	30.0	51.5	36.8	28.8	23.4	19.2	18.7	15.5	12.9	12.7	15.0	16.7	17.5
Uno Minda	1,128	6,47,627	18.7	21.6	25.7	73.4	59.8	48.4	36.9	25.9	34.5	28.9	23.3	19.4	19.5	20.0	20.3
Sundram Fasteners	1,408	2,95,903	14.4	19.9	23.6	56.7	41.9	33.6	30.0	26.6	26.4	21.9	19.8	16.2	18.9	20.2	27.4
Sona Blw Precision	676	3,96,213	27.0	27.3	32.5	79.9	55.3	42.1	32.9	46.2	33.8	26.6	21.5	20.9	23.7	25.6	26.6
Happy Forgings	1,281	1,20,709	18.8	19.5	18.0	33.2	38.4	30.5	29.1	21.7	24.8	20.3	18.3	18.8	18.0	19.3	17.9
Craftsman Automation	5,528	1,31,878	15.0	15.0	22.5	59.1	50.4	37.8	32.2	16.7	20.2	17.2	15.1	13.5	19.3	22.7	20.2
Median			14.9	19.7	24.7	57.9	44.9	35.7	31.1	22.2	25.0	20.9	18.8	15.4	19.1	20.1	20.3

Source: Bloomberg; IDBI Capital Research

Company overview

Sansera Engineering Limited is a leading player in the precision engineering sector, primarily catering to the automotive and aerospace industries. Founded in 1981, the company has established itself as a key supplier of high-quality, critical components, leveraging its extensive expertise in manufacturing and engineering. SANSERA's commitment to innovation, quality, and customer satisfaction has positioned it as a trusted partner for leading original equipment manufacturers (OEMs) globally.

■ Business Segments:

SANSERA operates across multiple business segments:

ICE Automotive Components: SANSERA produces a wide range of critical engine components such as connecting rods, rocker arms, and crankshafts. These components are essential for the functioning of internal combustion engines used in two-wheelers, passenger vehicles, and commercial vehicles. The company has longstanding relationships with major OEMs like Honda, Royal Enfield, TVS-BMW, Harley-Davidson, and Triumph Bajaj.

Tech Agnostic and EV Components: In response to the growing trend towards electric vehicles (EVs) and hybrid technologies, SANSERA has diversified its product portfolio to include tech-agnostic components that can be used across different vehicle technologies, as well as specific components for EVs. This includes parts like aluminum forged components and specialized machined parts for premium two-wheeler segments and new-generation passenger vehicles.

Aerospace and Defence: SANSERA manufactures high-precision components for aerospace and defence applications, including seating parts, aerostructure parts, door assemblies, lighting parts, and cargo handling systems. These components are critical for the safety and performance of aircraft and defence systems. The company's aerospace segment has seen significant growth, driven by its ability to meet stringent quality and performance standards required by aerospace OEMs.

Non-Automotive: The non-automotive segment encompasses components for agriculture, off-road vehicles, and industrial applications. SANSERA is leveraging its engineering expertise to expand into these areas, producing components that meet the demanding requirements of these industries. This includes parts for construction equipment, larger engines used in industrial applications, and specialized components for agriculture machinery.

Exhibit 44: Benefits of diversification strategy clearly visible in financials

Revenue mix by end-markets (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Auto-ICE	87.9	87.9	83.0	83.4	77.7	75.4	69.3	64.5	60.5
<i>Motorcycles</i>	37.0	38.5	36.0	36.5	35.5	36.1	33.3	30.8	28.7
<i>Scooters</i>	10.6	11.8	7.0	6.7	7.9	5.8	5.3	4.9	4.6
<i>PV</i>	24.0	23.3	26.0	26.5	22.8	22.8	21.0	20.2	19.6
<i>HCV</i>	14.8	13.0	13.0	12.9	10.9	9.9	8.9	8.0	7.1
<i>3W</i>	1.5	1.3	1.0	0.8	0.6	0.8	0.7	0.6	0.6
Auto Tech-Agnostic and xEV	-	-	5.4	6.1	10.4	12.3	16.8	19.7	21.9
<i>Auto-Tech Agnostic</i>	-	-	5.4	5.7	6.6	7.6	8.9	10.3	11.2
<i>xEV</i>	-	-	-	0.4	3.8	4.7	7.9	9.5	10.7
Non-Auto	12.1	12.1	11.6	10.5	11.9	12.3	14.0	15.7	17.6
<i>Aerospace & defence</i>	4.4	5.8	3.8	3.2	4.2	4.2	5.3	6.5	8.2
<i>Off-road</i>	3.6	3.0	3.9	3.1	3.2	4.3	5.0	5.6	5.9
<i>Agriculture</i>	2.6	2.2	2.9	2.8	3.1	2.1	1.8	1.6	1.6
<i>Non-Auto - Others</i>	1.5	1.2	1.0	1.4	1.5	1.7	1.9	1.9	1.9
Revenue by end-markets	94.0	95.6	94.0	93.3	93.0	93.8	94.2	94.5	94.8
Others	6.0	4.4	6.0	6.7	7.0	6.2	5.8	5.5	5.2

Source: Sansera Engineering, IDBI Capital Research

Exhibit 45: New product families helping grow faster than industry

Revenue by Product (Rs Mn)	FY19	FY20	FY21	FY22	FY23	FY24
Connecting rods	5,867	5,213	5,778	7,794	8,261	10,280
Rocker arms	2,999	2,900	2,837	3,340	3,478	3,954
Crank shaft assembly	2,878	2,531	2,510	2,969	3,913	4,218
Gear shifter forks	1,278	1,004	959	928	1,087	1,318
Stem comp	-	145	551	557	870	791
Aerospace products	675	814	548	557	870	1,318
Integral crankshaft	52	139	149	371	435	264
Others	1,521	1,184	1,238	2,041	2,826	3,954
Revenue from Sale of Products	15,270	13,930	14,569	18,558	21,739	26,096

Source: Sansera Engineering, IDBI Capital Research

Exhibit 46: Strong growth across region

Revenue by geography (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24
India	10,536	9,665	9,470	11,691	15,565	18,109
Europe	3,683	3,266	3,642	4,454	3,826	4,824
USA	902	710	1,020	1,670	1,565	2,610
Other foreign countires	149	289	437	742	783	817
International	4,734	4,266	5,099	6,866	6,174	8,251
Exports from India			3,788	5,196	4,717	6,643
Sweden sales			1,311	1,670	1,457	1,608
Total revenues	15,270	13,930	14,569	18,558	21,739	26,360

Source: Sansera Engineering, IDBI Capital Research

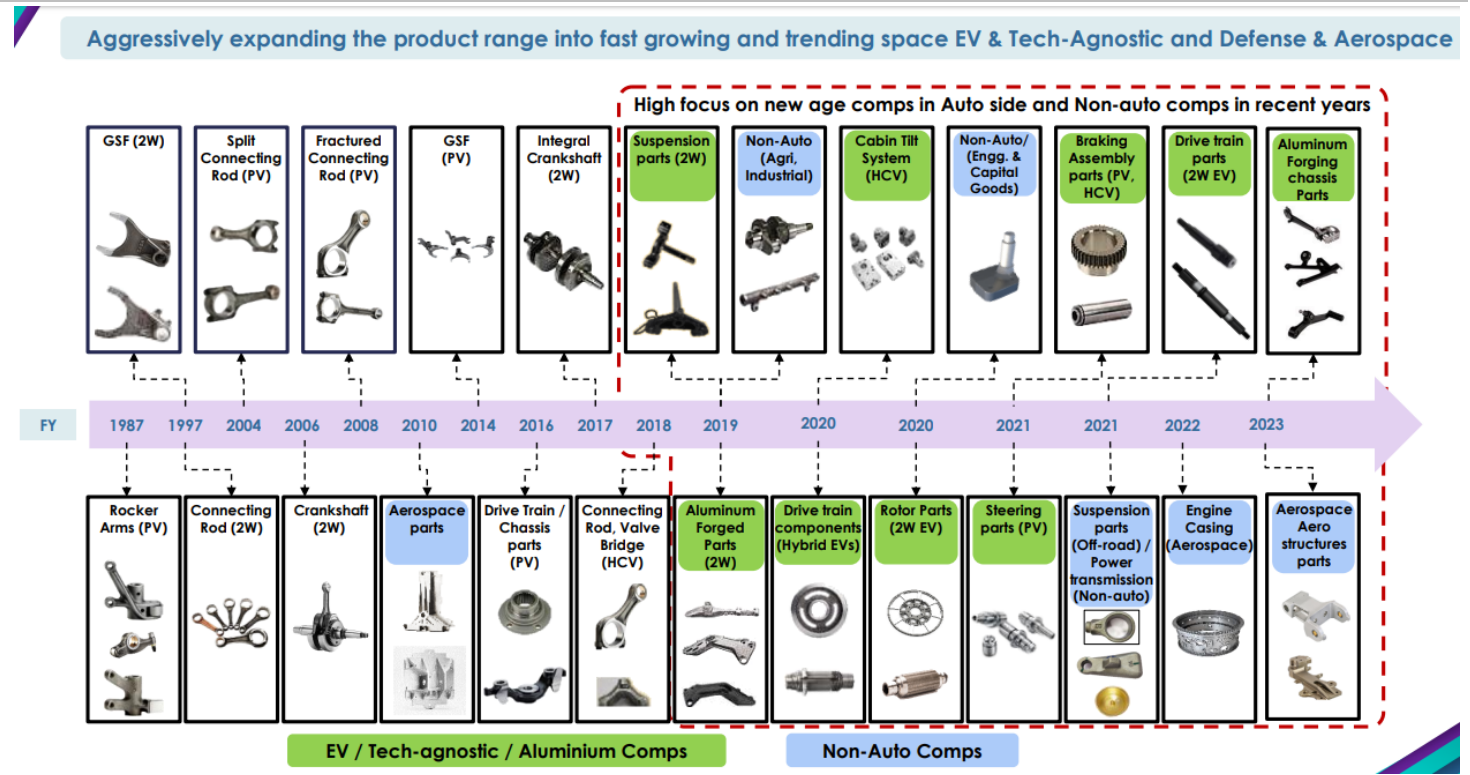
Exhibit 47: Major components manufactured by SANSERA

Products	Description	Competitors	Customers	Average Realization	Market Position
Connecting Rods (CR)	CRs are critical components in internal combustion engines, designed to connect the piston to the crankshaft, enabling the conversion of linear motion into rotational motion. These components are vital for the efficient operation of the engine, ensuring smooth and reliable performance.	Global: Linamar Corporation, Mahle GmbH, Bharat Forge, and Aichi Machine Industry Co., India: Endurance Technologies, Sundaram Clayton, and Minda Corporation	Domestic: Maruti Suzuki India, Bajaj Auto, and TVS Motor International: Honda Motor Co., Harley-Davidson, Inc., and Volkswagen Group.	2W CRs ranges from about Rs 100 to Rs 250 , depending on the engine size and material specification across motorcycles, scooters, and mopeds. For PV CRs, the average realization ranges from Rs 200 to Rs 900 .	SANSERA is a leading supplier of CRs in India, with a significant share in the global market. The company's focus on quality, innovation, and customer satisfaction has helped it establish strong relationships with major automotive OEMs.
Rocker Arms (AR)	RAs are critical components in the valve train of internal combustion engines. They serve as oscillating levers that convert the radial motion from the camshaft into linear motion, opening and closing the engine valves. The rocker arm is in continuous contact with the valve, producing significant friction. Therefore, materials used in their manufacture are selected for their ability to reduce noise, minimize weight, and enhance strength and efficiency.	Global: Schaeffler Group, Linamar Corporation, Mahle GmbH India: Bajaj Motors, FIE Group, Micro Turner, Schaeffler India.	Domestic: Bajaj Auto, TVS Motor, Maruti Suzuki India International: Honda Motor Co., Volkswagen Group, Harley-Davidson, Inc.	For 2W the realization for a pair of RAs ranges from Rs 135 to Rs 160 ; For higher-performing motorcycles, diamond-coated RAs are used, the average realization for such RAs being 2x to 2.5x higher than a basic RA; For PV the realization range varies between Rs 120 to Rs 300 .	SANSERA is one of the leading manufacturers and the largest supplier of rocker arms to 2W and PV OEMs in India. The company's focus on quality and technological advancement has allowed it to capture a significant share of the market.
Crankshaft Assemblies (CS)	CS' are critical components in an engine's assembly. They are connected to the pistons on one side and the flywheel on the other. The primary function of a crankshaft is to convert the reciprocating motion of the pistons into rotational motion for the flywheel, which is then connected to the axles to put the vehicle in motion.	India: Kay Jay Forge, Laxmi-Agni, SANSERA, Amtek Auto, Highway Cycles, Kalyani Forge, Modern Automotive, Bharat Forge, and Mahindra CIE. Global: Linamar Corporation, Mahle GmbH, American Axle & Manufacturing, ThyssenKrupp AG.	Domestic: Bajaj Auto, TVS Motor, Maruti Suzuki India International: Yamaha Motor Co., Harley-Davidson, Inc., Volkswagen Group.	Average realization from a 2W CS ranges from Rs 200 to Rs 600 ; For PV CS the average realization ranges from Rs 1,500 to Rs 9,000 .	SANSERA is one of the leading manufacturers of crankshaft assemblies in India, with a strong presence in the global market. The company has a well-established reputation for quality and reliability, which has helped it secure long-term contracts with major automotive OEMs.

Products	Description	Competitors	Customers	Average Realization	Market Position
Gear Shifter Forks (GSF)	GSFs are essential components in manual transmissions used to engage and disengage gears to change gear ratios. These forks slide the gears into or out of engagement with other gears, enabling smooth shifting. They are predominantly used in vehicles with manual transmission and automated manual transmission (AMT), including 2Ws and PVs.	Domestic: 2Ws: Bajaj Motors, FIE Group PVs: Kalyani Forge, Micro Turner, RICO Auto International: SANSERA is the largest supplier of gear shifter forks to 2W OEMs in India.	Domestic: Bajaj Auto , TVS Motor, Maruti Suzuki India International: Yamaha Motor Co., , Harley-Davidson, Inc., Volkswagen Group.	For 2W GSFs average realization ranges from Rs 40 to Rs 100 , varying across motorcycles, scooters, and mopeds. For PVs GSF ranges from Rs 70 to Rs 120 per gear shifter fork.	SANSERA is a leading manufacturer and the largest supplier of gear shifter forks to 2W OEMs in India. The company's emphasis on quality and advanced manufacturing technologies has positioned it favorably in the competitive market.
Stem Comp (SC)	A stem component is an intermediate part of the front-fork assembly in a 2W. It connects with the handlebar at the top of the assembly and mates with suspension guides in the lower part of the assembly. The primary function of the stem comp is to withstand torsional stress and ensure seamless maneuverability of the front wheel. The stem comp typically consists of two parts: a bracket and a stem, which are welded together.	Domestic: Bajaj Motors, Endurance Technologies, Modern Automotives. International: SANSERA is one of the key players with a significant market presence.	Domestic: Bajaj Auto , TVS Motor, Hero MotoCorp, Honda Motorcycle & Scooter India International: Yamaha Motor Co., , Harley-Davidson, Inc.	The average realization from a 2W stem comp ranges from about Rs 200 to Rs 900 .	SANSERA is a leading manufacturer of stem comps in India, with a strong presence in the domestic and international markets. The company's focus on quality and technological advancement has helped it capture a significant share of the market.
Aerospace Products (AP)	SANSERA manufactures high-precision components for the aerospace sector, catering to both commercial and defence applications. The company started its aerospace operations in 2014 and has since expanded its product range to include components for actuation systems, engine, and landing gear systems. SANSERA supplies components such as machined engine casings, actuation components, and other critical parts used in aircraft.	Domestic: Aequs, CIM Tools, Dynamatic Technologies, Godrej & Boyce, PMI Engineering Exports. International: Various Tier 1 suppliers and global aerospace companies.	Domestic: A leading Indian Tier 1 supplier and other prominent aerospace companies. International: Collins Aerospace, SAAB, a major North American aircraft OEM, and other global Tier 1 suppliers.	Average realization for aerospace components varies significantly based on the complexity and precision required. Average realisation for SANSERA is Rs 4500 per unit	SANSERA has positioned itself as a key supplier of precision aerospace components in both the domestic and international markets and cater to both commercial aerospace and defence sectors with significant growth potential anticipated in the coming years. It has made investment in advanced manufacturing capabilities, including a dedicated aerospace facility in Bangalore.

Source: Bloomberg; IDBI Capital Research

Exhibit 48: Product portfolio transformation



Source: Sansera Engineering, IDBI Capital Research

Key Employees

Exhibit 49: Key management persons

Name	Designation	Details
Mr. S Sekhar Vasani	Chairman & MD	He has been a director since the company's incorporation. He holds a bachelor's degree from IIT Madras and a postgraduate diploma from IIM Bangalore. With over 39 years of professional experience, he brings extensive industry knowledge and leadership.
Mr. F R Singhvi	Jt. MD	He is the Chairman of Pillar 3 of ACMA, overseeing ACT, ASDC, HR, and YBLF activities. A Chartered Accountant and member of the Institute of Chartered Accountants of India, he has more than 39 years of experience, including a partnership at M/s. Singhvi, Dev & Unni from 1981 to 2006.
Mr. B R Preetham	Group CEO	He has been with the company since September 1992. He holds a bachelor's degree in Engineering from Bangalore University and has over 28 years of experience. He oversees the company's operations and maintains client and supplier relationships.
Mr. Vikas Goel	CFO	He is a Chartered Accountant and a member of the Institute of Chartered Accountants of India. He holds a bachelor's degree in Commerce from the University of Delhi and has over 19 years of experience, including roles at Ingersoll-Rand (India), Stanley Black & Decker, and Weir India.

Source: Sansera Engineering; IDBI Capital Research

Key risks

Slower-than-expected growth in exports revenues:

Exports segment is expected to be major driver for both top-line and margins. While we expect robust growth in the exports business in the forthcoming years, supported by an order book comprising approximately 60%, any slowdown in export markets could negatively impact the company's financials.

Sharp increase in EV Penetration in key segments:

Although SANSERA's current portfolio remains largely unaffected by the transition to EVs, as it has minimal exposure to the rapidly electrifying scooters and 3W segments, there is a potential risk. If the pace of EV adoption exceeds expectations in the motorcycle and PV segment, it could hamper the growth performance of SANSERA's auto segment.

Slowdown in the Indian Automotive market:

The majority of SANSERA's sales are derived from automobile products and any slowdown will have significant impact on SANSERA's financials. In the event of financial constraints, the company's ability to repay loans may be impacted. Consequently, the company is focused on leveraging its existing capabilities to manufacture precision components for various non-automotive sectors. It has successfully established its presence in the aerospace, off-road, and agriculture sectors.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	18,558	21,739	28,114	31,452	36,718	42,223
<i>Change (yoy,%)</i>	27.4	17	29	12	17	15
Operating expenses	(16,535)	(19,588)	(23,316)	(27,373)	(31,538)	(35,746)
EBITDA	3,355	3,795	4,799	6,009	7,302	8,769
<i>Change (yoy,%)</i>	22.3	13	26	25	22	20
<i>Margin (%)</i>	18.1	17.5	17.1	19.1	19.9	20.8
Depreciation	(1,197)	(1,301)	(1,495)	(1,743)	(1,989)	(2,117)
EBIT	2,158	2,494	3,304	4,265	5,313	6,653
Interest paid	(530)	(640)	(770)	(801)	(801)	(801)
Other income	155	178	24	134	141	148
Pre-tax profit	1,784	2,032	2,558	3,598	4,652	6,000
Tax	(465)	(549)	(687)	(846)	(1,093)	(1,410)
Effective tax rate (%)	26.1	27.0	26.9	23.5	23.5	23.5
Minority Interest	(14.4)	(21.5)	(18.9)	(25.0)	(30.0)	(35.0)
Net profit	1,305	1,462	1,852	2,728	3,529	4,555
Exceptional items	-	-	-	-	-	-
Adjusted net profit	1,305	1,462	1,852	2,728	3,529	4,555
<i>Change (yoy,%)</i>	20.8	12	27	47	29	29
EPS	25.0	27.6	34.5	50.9	65.8	85.0
Dividend per sh	-	2.0	2.5	4.4	6.0	10.0
<i>Dividend Payout (%)</i>	-	7.2	7.2	9	9	12

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Shareholders' funds	10,234	11,679	13,474	15,966	19,173	23,192
Share capital	104	106	107	107	107	107
Reserves & surplus	10,130	11,573	13,367	15,858	19,066	23,084
Total Debt	2,335	2,630	2,516	2,516	2,516	2,516
Other liabilities	2,220	2,083	2,013	2,038	2,064	2,091
Curr Liab & prov	7,377	8,152	9,765	10,447	11,154	11,889
Current liabilities	7,257	8,122	9,750	10,432	11,138	11,874
Provisions	120	31	16	16	16	16
Total liabilities	11,932	12,866	14,294	15,001	15,734	16,497
Total equity & liabilities	22,285	24,686	27,927	31,151	35,121	39,937
Net fixed assets	13,619	14,693	15,833	18,090	19,600	20,984
Investments	-	-	205	205	205	205
Other non-curr assets	722	849	1,894	2,010	2,126	2,244
Current assets	7,945	9,144	9,995	10,846	13,189	16,505
Inventories	2,776	3,710	4,189	4,974	5,787	6,633
Sundry Debtors	4,086	4,327	4,622	5,488	6,386	7,318
Cash & Liquid	503	616	630	(181)	441	1,967
Other Curr Assets	580	491	554	565	575	586
Total assets	22,285	24,686	27,927	31,151	35,121	39,937

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,784	2,032	2,558	3,598	4,652	6,000
Depreciation	1,076	1,163	1,495	1,743	1,989	2,117
Tax paid	(441)	(502)	(731)	(846)	(1,093)	(1,410)
Chg in working capital	(459)	(279)	1,007	(970)	(1,005)	(1,045)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	1,960	2,414	4,329	3,525	4,543	5,662
Capital expenditure	(2,820)	(2,237)	(2,635)	(4,000)	(3,500)	(3,500)
Chg in investments	-	-	(205)	-	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(2,820)	(2,237)	(2,840)	(4,000)	(3,500)	(3,500)
Equity raised/(repaid)	(95)	2	1	-	-	-
Debt raised/(repaid)	459	295	(114)	-	-	-
Dividend (incl. tax)	-	(105)	(133)	(236)	(322)	(536)
Chg in minorities	(0)	(0)	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	364	191	(246)	(236)	(322)	(536)
Net chg in cash (a+b+c)	(496)	368	1,242	(711)	721	1,625

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (Rs)	196.2	221	251	298	358	433
Adj EPS (Rs)	25.0	27.6	34.5	50.9	65.8	85.0
Adj EPS growth (%)	130.3	10	25	47	29	29
EBITDA margin (%)	18.1	17.5	17.1	19.1	19.9	20.8
Pre-tax margin (%)	9.6	9.3	9.1	11.4	12.7	14.2
Net Debt/Equity (x)	0.2	0.2	0.1	0.2	0.1	0.0
ROCE (%)	15.5	16	19	22	24	26
ROE (%)	13.7	13	15	19	20	22

DuPont Analysis

Asset turnover (x)	0.9	0.9	1.1	1.1	1.1	1.1
Leverage factor (x)	2.2	2.1	2.1	2.0	1.9	1.8
Net margin (%)	7.0	6.7	6.6	8.7	9.6	10.8

Working Capital & Liquidity ratio

Inventory days	55	62	54	58	58	57
Receivable days	80	73	60	64	63	63
Payable days	59	55	56	56	57	58

Valuations

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
PER (x)	54.7	49.6	39.6	26.9	20.8	16.1
Price/Book value (x)	7.0	6.2	5.4	4.6	3.8	3.2
EV/Net sales (x)	3.9	3.4	2.7	2.4	2.1	1.8
EV/EBITDA (x)	21.8	19.6	15.7	12.7	10.3	8.4
Dividend Yield (%)	0.0	0.1	0.2	0.3	0.4	0.7

Source: Sansera Engineering; IDBI Capital Research



Notes

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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