ArihantCapital
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Q3FY25 - Result Update
11th Feb 2025

Sansera Engineering Ltd

Export near-term concern persist

CMP: INR 1,170

Rating: Accumulate

Target Price: INR 1,320

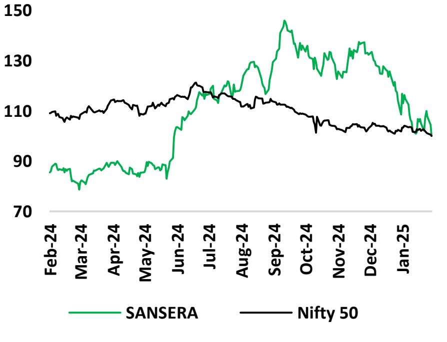
Stock Info	
BSE	543358
NSE	SANSERA
Bloomberg	SANSERA IN
Sector	Automobile & Ancillaries
Face Value (INR)	2
Equity Capital (INR Mn)	110
Mkt Cap (INR Mn)	72,603
52w H/L (INR)	1758 /901

Shareholding Pattern %
(As on Dec, 2024)

Promoters	30.33
DIIs	37.53
FIIs	20.54
Others	11.59

Stock Performance (%)	1m	3m	12m
Sansera	-13.4	-23.1	17.1
Nifty	-1.76	-4.65	5.67

Sansera Vs Nifty



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Sansera engineering Ltd (SEL) reported Top line below estimate; stable margin and higher PAT due to lower interest costs and increased other income. Consolidated revenue from operations grew by +2.1% YoY/down 4.7% QoQ stood at INR 7278, mn in Q3FY25 below our estimate of INR 7550 mn. EBITDA for the quarter stood at INR 1270 Mn below our estimate of INR 1,288 Mn registered growth of 5.3% YoY/ down by 4.7% QoQ. The company's EBITDA margin is up by 52bps YoY/+2bps QoQ to 17.5%. (Our estimate of Margin is 17.1%). Expansion in margin led by lower RM cost down by ~4.5% QoQ/ flat YoY. Net profit grew by 14.5% YoY/up 8.3% QoQ of INR 559 Mn in Q3FY25 above our estimate of INR 544 Mn. Increase in profit led by lower finance cost ~21% QoQ & higher other income ~58% QoQ.

Investment Rationale

QIP proceeds help in debt reduction: Raised INR 12000 Mn through a QIP, significantly strengthening its financial position. Of this amount, INR 7000 Mn was allocated to debt repayment, INR 2000 Mn towards capital expenditure INR 1000 Mn for acquiring a new land parcel and INR 1000 Mn for new machinery and equipment while INR 250 Mn was used for QIP-related expenses. The remaining INR 2750 Mn is yet to be allocated but is expected to support growth capex and developmental initiatives. As a result of this infusion, the company's balance sheet has improved, now reflecting a net cash-positive position of INR 1500 Mn. Additionally, the reduction in debt has lowered interest costs, with the full impact expected to be visible in Q4 results. The strengthened financial position has provided the company with greater flexibility to invest in growth areas such as aerospace, defense, and semiconductors.

Strong traction in non-auto led by new segments: The company secured its first semiconductor order from a global wafer fabrication leader, worth $12 million annually, with potential to reach $30 mn in three years. Their total semiconductor order book now stands at $17 mn, and they are setting up a Class 1000 cleanroom facility. For FY2025, they expect INR 600 Mn ($7-8 mn) in revenue from this segment, which falls under the "non-auto" category. This strategic diversification offers higher margins and asset turns, though growth projections remain cautious due to long qualification cycles.

Aerospace start picking up in Q4FY25 led by strong order book: The aerospace business sales of INR 269 Mn in Q3FY25, with a temporary decline due to labor issues at a key customer, which were resolved by early November. The company expects strong momentum in aerospace from Q4FY25 onwards, supported by an expanded customer base, including a large European player and Airbus as direct customers. The combined order book for aerospace, defense, and semiconductors stands at INR 6000 Mn, with FY25 revenue expected to reach INR 1350-1400 Mn and a target of INR 3000 Mn in FY26, driven by a 50% CAGR in aerospace. To support this growth, the company has invested in high-precision machining capabilities and sees aerospace as a key strategic focus for future expansion.

Outlook and valuation

We are projecting a revenue CAGR of 15.4% over FY24-FY27E and an EBITDA margin of 17.95% in FY27E, driving an EPS CAGR of ~27%. We also anticipate ROE/ROCE pre-tax to increase from 14%/12% in FY24 to ~15.6%/14.4% by FY27E. Considering the decent growth and ROE/ROCE expansion.

We value SEL at 21x FY27E EPS (~INR 63) to arrive at a target price of INR 1,320. However, Issue in Export for Europe as well as uncertainty from the US led by weak PV demand (contributing 31%), particularly in Sweden, Europe, and the US but newer segment expects to contribute 40% of revenue in the next 3 years currently 26%. **We have maintain our rating to an Accumulate on the stock**

Exhibit 2 : Q3FY25 - Quarterly Performance (Consolidated)

Consolidated (INRm)	Q3FY25	Q2FY25	Q3FY24	QoQ%	YoY%
Net Sales	7,278	7,634	7,126	-4.7%	2.1%
Cost of material consumed	3,136	3,283	3,138	-4.5%	-0.1%
Changes in inventories	(225)	(159)	(50)	41.7%	354.3%
COGS	2,911	3,124	3,089	-6.8%	-5.7%
GP	4,367	4,510	4,038	-3.2%	8.1%
Employees benefits expense	1,115	1,101	954	1.3%	16.9%
Other expenditure	1,981	2,078	1,877	-4.7%	5.6%
EBITDA	1,271	1,331	1,207	-4.5%	5.3%
Depreciation	445	425	378	4.5%	17.5%
EBIT	826	906	829	-8.8%	-0.3%
Other Income	60.9	38.6	13	57.6%	365.4%
Finance costs	182	230	175	-20.9%	3.6%
PBT	705	715	666	-1.3%	5.8%
Share of uet profit of associates accounted for using the equity method, met of ax	8	(3)			
Current Tax	93	180	180	-48.1%	-48.1%
Deferred tax	60	15	(2)		
Tax	154	195	178	-21.2%	-13.5%
Adjusted PAT	559	516	488	8.3%	14.5%
Non-controling interests	2.5	9.6	3.7	-74.0%	-32.4%
Reported PAT	556.6	506.5	484.6	9.9%	14.9%
EPS	9.9	9.4	9.0	5.7%	10.2%
Margins	**Q3FY25**	**Q2FY25**	**Q3FY24**	**QoQ%**	**YoY%**
Gross margins	40.0%	40.9%	43.3%	-92Bps	-334Bps
EBITDA	17.46%	17.44%	16.94%	2Bps	52Bps
Adjusted PAT	7.68%	6.76%	6.85%	92Bps	83Bps
Tax Rate	21.82%	27.32%	26.70%	-551Bps	-489Bps
Cost Analysis					
RM/Net Sales	43.09%	43.00%	44.03%	9Bps	-95Bps
Other Exp/Net Sales	27.22%	27.22%	26.34%	0Bps	88Bps
Staff cost/Net sales	15.32%	14.42%	13.39%	90Bps	194Bps

Source: Arihant Research, Company Filings

By Geographies- Sales mix (%)	Q3FY25	Q2FY25	Q1FY25	Q4FY24	Q3FY24	Q4FY23	9MFY25	FY24	FY23
India	**69.50%**	**69.90%**	**67.60%**	**66.80%**	**68.30%**	**68.30%**	**69.00%**	**68.70%**	**71.60%**
Europe	17.70%	17.80%	19.60%	19.70%	18.10%	18.10%	18.40%	18.30%	17.60%
USA	7.80%	8.30%	10.10%	9.90%	11.00%	11.00%	8.70%	9.90%	7.20%
Other Foreign Countries	5.00%	2.60%	2.70%	3.60%	2.60%	2.60%	3.90%	3.10%	3.60%
International	**30.50%**	**30.10%**	**32.40%**	**33.20%**	**31.70%**	**31.70%**	**31.00%**	**31.30%**	**28.40%**
Exports from India	24.00%	25.50%	27.40%	28.10%	25.00%	25.00%	25.60%	23.10%	21.70%
Sweden Sales	6.50%	4.60%	5.00%	5.10%	6.70%	6.70%	5.40%	5.60%	6.70%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Arihant Research, Company Filings

Sansera Engineering- Q3FY25 Concall KTAs

Decent Commentary

Aim for high-teens revenue growth over the next 3 years, with a long-term target of 20% EBITDA margin and improved return on capital. They expect to reach 50,000 Mn revenue by FY28. Target 50% execution of their 6000 Mn order book in aerospace, defense, and semiconductors in FY26. Newer segment expects to contribute 40% of revenue in the next 3 years, up from 26% currently.

•Q3FY25 generally weak performance despite Sansara posted better numbers. Issue in Export for Europe as well as uncertainty from the US led by weak PV demand. Much stronger in the coming quarter with new orders from customers, optimistic for the coming years.
•40% of the business comes from non-auto, XUV, and tech AC. The current order book has almost reached 38% growth in the last three years. Export business margin accretive. Aero, defence, INR 6000 Mn order book is annualized at full potential and the contract is already secured, but challenges remain in the number of product developments. 50% of the order will be executed in FY26 and by FY27 INR 7000 Mn will be executed. It will be negative if developed products are delayed in production due to customer orders being postponed by 6 months to 1 year.
•A new product started production as a single source, with a lot of engagement with existing customers, renewal with multi-fuel and ICE engines, and multiple discussions for traditional products. Looking for opportunities from NA. Tariff decisions will wait until March to get more clarity, avoiding any comments for now.
•Greenfield facility with an overall 1.3-1.4x asset turnover. The order book is INR 22 Bn, including this year, ensuring smooth execution. Aerospace infrastructure is already created, with high turnover expected. INR 1100-1200 Mn investing in machining alone, with an asset turnover of >2x, and 1.3-1.4x is the right mix to look at. YTD capex is INR 360 Cr. INR 425-450 Cr capex, but not inclusive of new land (55 acres for the new EV government of Karnataka). Newer facility included at INR 550 Cr. 50% of the INR 6000 Mn order is for aero, defence, and semiconductors. Semiconductor estimated at INR 60 Cr this year, but the potential is much higher, with a $17 Mn order and one more order. FY26 – INR 3000 Mn (aero, defence, and semiconductor). FY25 – INR 1400 Cr (INR 1000Mn from semiconductors and a big contribution from aerospace).. Aerospace will grow in next few years at a 50% CAGR.
•Export and PV were muted, and aerospace was muted as expected. Airbus added as a customer, making the right investment in this area. Not much investment in the ICE business. Various manufacturing facilities and existing capacities are being worked on. All newer investments in non-automotive ROCE & margin are much higher compared to traditional businesses, with an initial learning phase. Capex ahead by 3-4 quarters, with gradual upscaling in the coming years.
•Won a significant order from a global leader in semiconductor wafer fabrication equipment, marking their entry into this high-growth sector. They expect this business to grow meaningfully in the next 3 years.
• Fixed assets with a 2.2-2.0 asset turnover. The international business accounts for 51% of the revenue mix. 68% of the order book for international business should move to 35-40% of the business from Sweden and export from India. If domestic performance is strong, 65% will come from domestic markets.
•Employee costs will be a big variable. Long-term and medium-term focus is very clear. High precision, aluminum forging, and aerospace are high-skilled areas and manpower cannot be reduced. This is done with a long-term strategy in mind.
•Expects the international business (including Sweden) to grow to 35-40% of total revenue over the next 3-4 years.
•Post-QIP INR 4,969 Mn balance sheet, well-balanced to use the capabilities. Domestic demand remains moderate, January started on a positive note, and the outlook is optimistic. OB2 Phase B norms remain stable. Inventory correction is ongoing. Slow growth in key NA markets, which contribute to 1/3rd of the revenue.
•Q3FY25 Tech Agnostic grew by 24.2%, and the long-term outlook remains strong. 0.2% (YoY) de-growth in Auto ICE primarily due to a slowdown in the PV space. Nevertheless, healthy growth was witnessed in the 2W business at 9.5% (YoY), primarily driven by strong order execution in the xEV segment. 6.6% (YoY) de-growth in the non-auto space, mainly due to the subdued performance of off-road and aerospace businesses. Non-auto declined by 6.6%, led by off-road, but added one of the largest aerospace giants as a direct customer. Signed an LOI for the supply of semiconductor equipment parts with a global leader in wafer-fabrication equipment manufacturing. This large order opens up another dimension of opportunities in this fast-growing space.
•Rural demand: INR 177 Mn in agri driven by healthy rural demand for tractors. Auto ICE business muted, long-term positive on the 2W business, and softness in export business in the December quarter. Some positive recovery in newer projects for newer models in both domestic and export markets. 3W grew by 10.4% YoY. CV grew by 10.5% YoY, driven by 4% from new order wins.
•order book for new business, with an annual peak revenue at INR 22.0 bn (Auto-ICE - 45%, Tech Agnostic & xEV - 25%, and Non-Auto - 30%), 60% coming from international business.
•Semiconductor business focused on consumer technology and artificial intelligence for EVs, in line with diversification. Closely monitoring global OEMs for semiconductor fabrication. A large order received and the first-ever order in this fast-growing space.
•MMFIC performing well, further investing in the company. Making strides in defence, developing 200 satellites on station and multiple government projects worth up to INR 100 Mn. March marks two years and a 35% holding, with plans to increase to 51%. Promoters also have a strong interest and are holding a good stake. They have a very strong development program with a ₹100 Cr order backlog and meaningful growth expected in the coming years. Future outlook in line with Sansera's expectations. Aerospace installation planned for Aero India 2025. Radar-1 under evaluation, with mass production field trials expected in the next quarter.

•Pre-tax target of 10% and post-tax target of 15%.
•QIP- INR 12000 Mn 7000 Mn was used to retire debt+ 2000 Mn is going towards capex (1000 Mn for new land parcel+ 1000 Mn for new machinery/equipment)+ 250 Mn was for QIP expenses+ 2750 Mn is yet to be allocated, but will likely go towards growth capex and developmental expenses.
•Gross debt stands at INR 3500 Mn, with some debt from subsidiaries and flagship company debt as longer-term debt. On a net basis, INR 1500 Mn in positive cash and negative net debt.
•FY28 revenue projected to cross INR 50,000 Mn under normal conditions.
•ROCE diversification involves some learning curves. Once stabilized, the new product will contribute to 50-60 bps improvement, with 20% margin expected in 2-3 years.

Story in charts (INR in Mn)

Exhibit 4: Revenue decline led by de-growth in domestic and international business

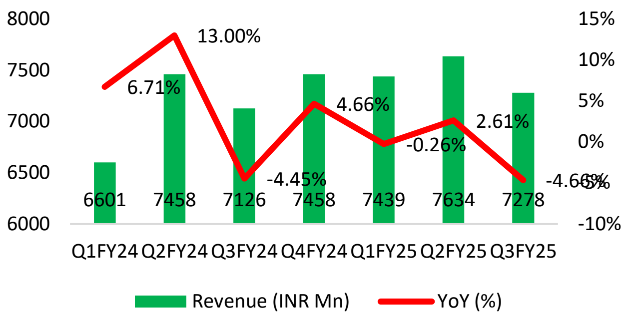


Exhibit 5: Stable margin due to softness in RM

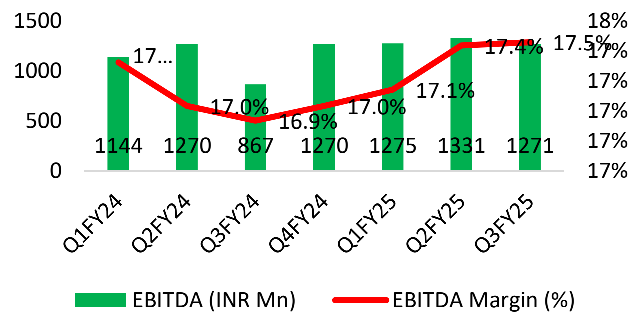


Exhibit 6: Strong profit growth to be seen on back of strong order book

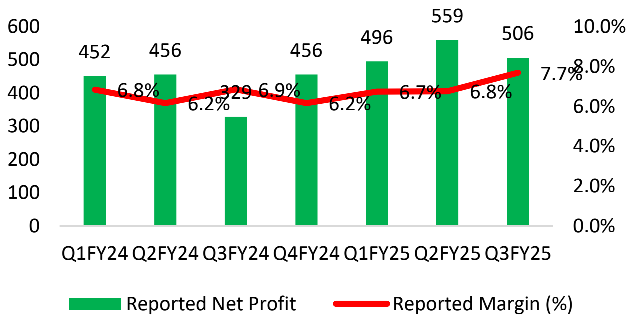


Exhibit 6: Visible growth in the revenue contribution from xEV segment

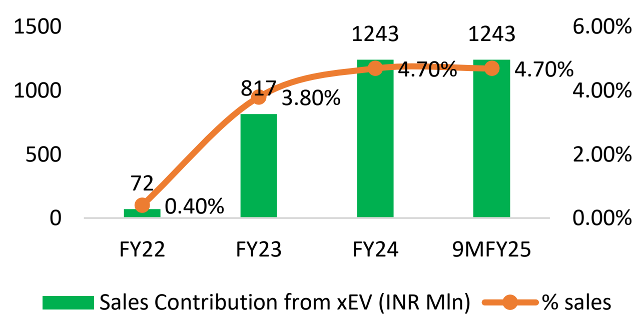


Exhibit 7: Strong Orderbook driven by both Domestic

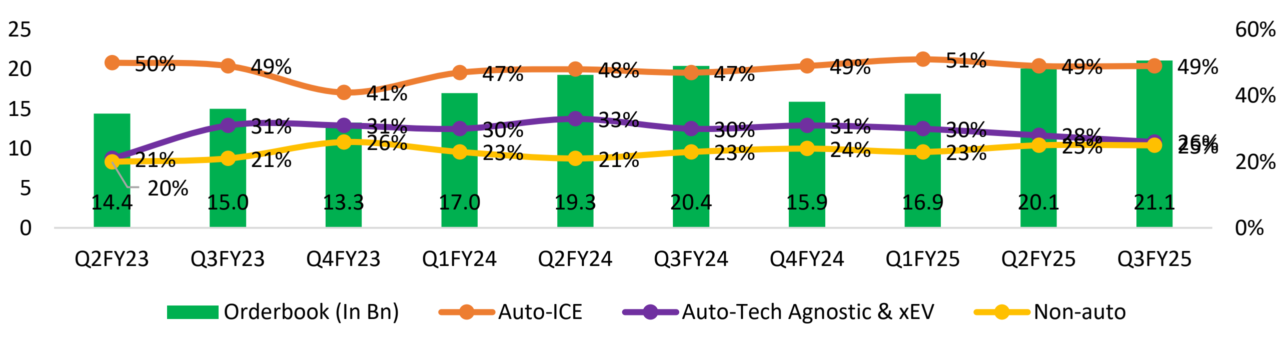


Exhibit 8: Improving earning trends

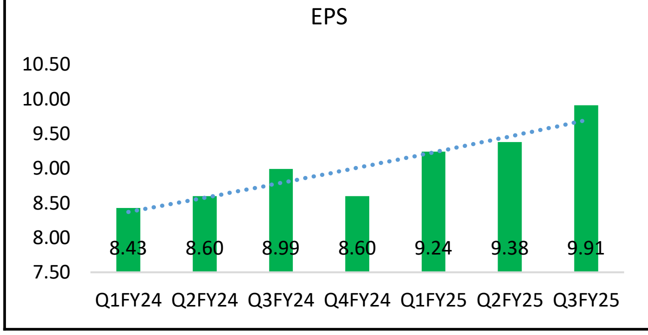
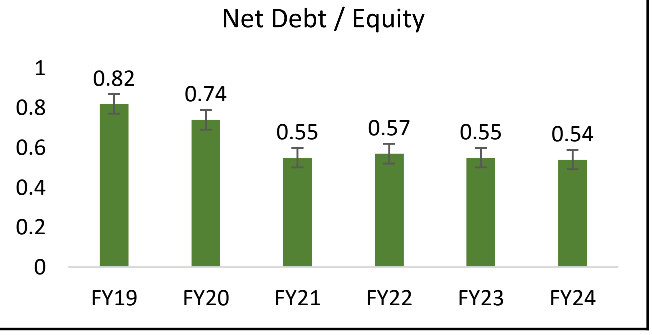


Exhibit 9: Reducing the debt on cards



Source: Company, Arihant Research

Key Financials

Income Statement Consolidated (INR Mn)				
Year End-March	**FY24**	**FY25E**	**FY26E**	**FY27E**
Revenues	28,114	31,221	36,017	41,560
Change (%)	19.8%	11.1%	15.4%	15.4%
Cost of Goods Sold (COGS)	12,175	12,763	15,864	18,042
Gross Profit	**15,939**	**18,459**	**20,153**	**23,518**
Employee costs	3,798	4,568	5,276	6,045
Other expenses	7,343	8,432	8,505	10,014
Total Expenses	**23,316**	**25,763**	**29,644**	**34,101**
EBITDA	**4,799**	**5,459**	**6,373**	**7,459**
EBITDA Margin	**17.07%**	**17.48%**	**17.69%**	**17.95%**
Depreciation	1,495	2,206	2,619	2,903
EBIT	**3304**	**3253**	**3754**	**4556**
Interest	770	630	463	404
Other Income	24	109	126	145
PBT	**2,558**	**2,732**	**3,417**	**4,298**
Exceptional Items	-	-	-	-
PBT after exceptional Items	**2,558**	**2,732**	**3,417**	**4,298**
Tax	687	643	720	903
Rate (%)	*26.9%*	*23.5%*	*21.1%*	*21.0%*
PAT	**1,858**	**2,071**	**2,678**	**3,376**
PAT Margin (%)	6.6%	6.6%	7.4%	8.1%

Balance Sheet Consolidated (INR Mn)				
Year End-March	**FY24**	**FY25E**	**FY26E**	**FY27E**
Sources of Funds				
Share Capital	107	108	108	108
Reserves & Surplus	13,367	15,437	18,116	21,492
(b) Instruments entirely equity in nature/Fund Raised	-	5,000.00	-	-
(d)non-controling intrest	159	159.24	159.24	159.24
Net Worth	**13,633**	**20,705**	**18,383**	**21,759**
Loan Funds	**8,011**	**350**	**579**	**808**
MI, Deferred Tax & other Liabilities	692	692	831	831
Total Equity and Liabilities	**27,927**	**28,699**	**28,514**	**31,577**
Application of Funds				
Gross Block	**21,951**	**25,951**	**29,101**	**32,251**
Less: Depreciation	**7,326**	**9,532**	**12,151**	**15,053**
Net Block	**14,625**	**16,419**	**16,950**	**17,198**
CWIP	**835**	**835**	**835**	**835**
Other Non-current Assets	**456**	**456**	**456**	**456**
Other Current Assets	**440.9**	**440.9**	**440.9**	**440.9**
Net Fixed Assets	**16,357**	**18,152**	**18,683**	**18,930**
Investments	**195**	**195**	**195**	**195**
Debtors	**4,622**	**3,903**	**3,802**	**5,080**
Inventories	**4,189**	**4,277**	**3,750**	**5,124**
Cash & Bank Balance	**486**	**393**	**306**	**470**
Loans & Advances & other CA	96	96	96	96
Total Current Assets	**9,995**	**9,270**	**8,555**	**11,371**
Current Liabilities	9,765	5,637	7,257	6,715
Provisions	43	43	43	43
Net Current Assets	**230**	**3,634**	**1,298**	**4,656**
Total Assets	**27,927**	**28,699**	**28,514**	**31,577**

Cash Flow Statement Consolidated (INR Mn)				
Year End-March	**FY24**	**FY25E**	**FY26E**	**FY27E**
PBT	**2,563**	**2,732**	**3,417**	**4,298**
Cash From Operating Activities	2,564	3,743	6,843	8,450
Tax	(654)	(643)	(720)	(903)
Net Cash From Operations	3,743	6,843	8,450	3,915
Capex	**(3,356)**	**(4,000)**	**(3,150)**	**(3,150)**
Cash From Investing	(3,683)	(4,000)	(3,150)	(3,150)
Borrowings	8,011	350	579	808
Finance cost paid	**770**	**630**	**463**	**404**
Div. (incl. buyback & taxes)	**(133)**	**(189)**	**(189)**	**(189)**
Cash From Financing	(80)	(2,936)	(5,388)	(601)
Net Increase/ Decrease in Cash	**-20**	**-93**	**-88**	**164**
Cash at the beginning of the year	**496**	**486**	**393**	**306**
Cash at the end of the year	486	393	306	470

Key Ratios				
Year End-March	**FY24**	**FY25E**	**FY26E**	**FY27E**
Per share (INR)				
EPS	34.8	39.0	49.9	62.9
BVPS	254	383	340	403
Valuation (x)				
P/E	33.6	30.0	23.4	18.6
P/BV	4.6	3.1	3.4	2.9
Return ratio (%)				
EBIDTA Margin	17.07%	17.48%	17.69%	17.95%
PAT Margin	6.61%	6.63%	7.44%	8.12%
ROE - Pre tax	13.76%	10.09%	14.67%	15.60%
ROCE - Pre tax	11.83%	11.33%	13.16%	14.43%
Leverage Ratio (%)				
Total D/E	0.59	0.02	0.03	0.04
Turnover Ratios				
Asset Turnover (x)	2.8	3.4	4.2	3.7
Inventory Days	54	50	38	45
Receivable Days	60	45	38	44
Payable days	42	56	64	50

Source: Arihant Research, Company Filings

Key Financials

Cash Flow Statement Consolidated (INR Mn)				
Year End-March	FY24	FY25E	FY26E	FY27E
PBT	**2,563**	**3,202**	**3,947**	**4,678**
Cash From Operating Activities	2,564	3,743	5,599	5,057
Tax	(654)	(737)	(969)	(1,157)
Net Cash From Operations	3,743	5,599	5,057	6,046
Capex	**(3,356)**	**(4,000)**	**(3,500)**	**(3,500)**
Cash From Investing	(3,683)	(4,000)	(3,500)	(3,500)
Borrowings	8,011	7,121	7,121	7,121
Finance cost paid	**770**	**783**	**855**	**926**
Div. (incl. buyback & taxes)	**(133)**	**(188)**	**(188)**	**(188)**
Cash From Financing	(80)	(1,440)	(760)	(832)
Net Increase/ Decrease in Cash	**-20**	**159**	**797**	**1715**
Cash at the beginning of the year	**496**	**486**	**645**	**1,442**
Cash at the end of the year	486	645	1,442	3,157

Key Ratios				
Year End-March	FY24	FY25E	FY26E	FY27E
Per share (INR)				
EPS	34.8	46.0	55.5	65.7
BVPS	254	297	352	418
Valuation (x)				
P/E	40.0	30.3	25.1	21.2
P/BV	5.5	4.7	4.0	3.3
Return ratio (%)				
EBIDTA Margin	17.07%	17.17%	17.53%	17.51%
PAT Margin	6.61%	7.32%	7.44%	7.34%
ROE - Pre tax	13.76%	15.48%	15.77%	15.73%
ROCE - Pre tax	11.83%	13.00%	13.90%	14.30%
Leverage Ratio (%)				
Total D/E	0.59	0.45	0.38	0.32
Turnover Ratios				
Asset Turnover (x)	2.8	3.2	3.0	2.8
Inventory Days	54	50	50	50
Receivable Days	60	50	50	50
Payable days	42	50	50	50

Source: Arihant Research, Company Filings

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Fax: (91-22) 42254880	

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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