

Sansera Engineering Ltd

Expensive valuation with lowered promoter holding post IPO



VENTURA

Kyon ki bhaiya, sabse bada rupaiya.

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Not Rated @ Upper Price Band of INR 744

Expensive valuation with lowered promoter holding post IPO

Sansera Engineering Ltd (SANSERA), incorporated in 1981, is one of India's leading manufacturers of complex and critical precision engineered components catering largely to the automotive segment. Recently SANSERA has received a large number of LOI from the non-automotive segment which should help broad-based revenue streams thereby reducing sectoral concentration risks.

In the automotive space, the company manufactures a wide range of precision-forged, machined components and assemblies which are critical for the 2W, PV and CV segments, while in the non-automotive space, it manufactures precision components for aerospace, off-road, agriculture and other segments. Revenue contribution from the automotive segment is 85-90% and from the non-automotive segment, it is 10-15%. The domestic business contributes 65% of the revenue, while the remaining 35% comes from exports.

SANSERA has 15 manufacturing plants across India of which 9 are in Bangalore. It is the largest supplier of connecting rods, rocker arms and gear shifters in India, while it is among the top 10 suppliers of connecting rods globally. In the 2W space, they have OEM relationships spanning over 20 years with **Honda India**, 25 years with **Bajaj Auto** and 20 years with **Yamaha India**, while in the PV vertical, they have relations spanning over 30 years with **Maruti Suzuki** and 10 years with **Chrysler Automobiles**.

The upcoming OFS for a total amount of INR 1,283 cr, comprising of 1.72 cr shares priced at INR 744 per share, represents 33.6% of paid-up capital. Post the OFS the promoter's holding would stand reduced to 36.6%. The other existing investors participating in the OFS are Client Ebene Ltd and CVCIGP II Employee Eben Ltd.

In our opinion the OFS pricing of INR 744 per share (23.1X FY24 P/E) is expensive and the reduced promoter equity post listing lowers the comfort.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY20	1,457.2	224.7	79.9	15.4	5.5	15.6	149.5	10.4	6.8	47.8	5.0	19.9
FY21	1,549.2	272.1	109.9	17.6	7.1	21.4	170.9	12.5	9.3	34.8	4.4	16.2
FY22E	1,781.7	308.1	122.9	17.3	6.9	23.9	194.9	12.3	9.0	31.1	3.8	14.3
FY23E	2,040.0	352.1	141.0	17.3	6.9	27.5	222.3	12.3	9.3	27.1	3.3	12.6
FY24E	2,325.6	406.4	165.8	17.5	7.1	32.3	254.6	12.7	9.9	23.1	2.9	10.9

Industry	Auto/Industrial Ancillary
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Issue Details

Listing	BSE & NSE
Open Date	14 th Sept 2021
Close Date	16 th Sept 2021
Price Band	INR 734-744
Market Lot	20 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	100%
Fresh Issue	0%
Issue Size	INR 1,283 cr
Total no of shares	17,244,328
QIB Share (%)	≥ 50%
Non Inst Share (%)	≤ 15%
Retail Share (%)	≤ 35%

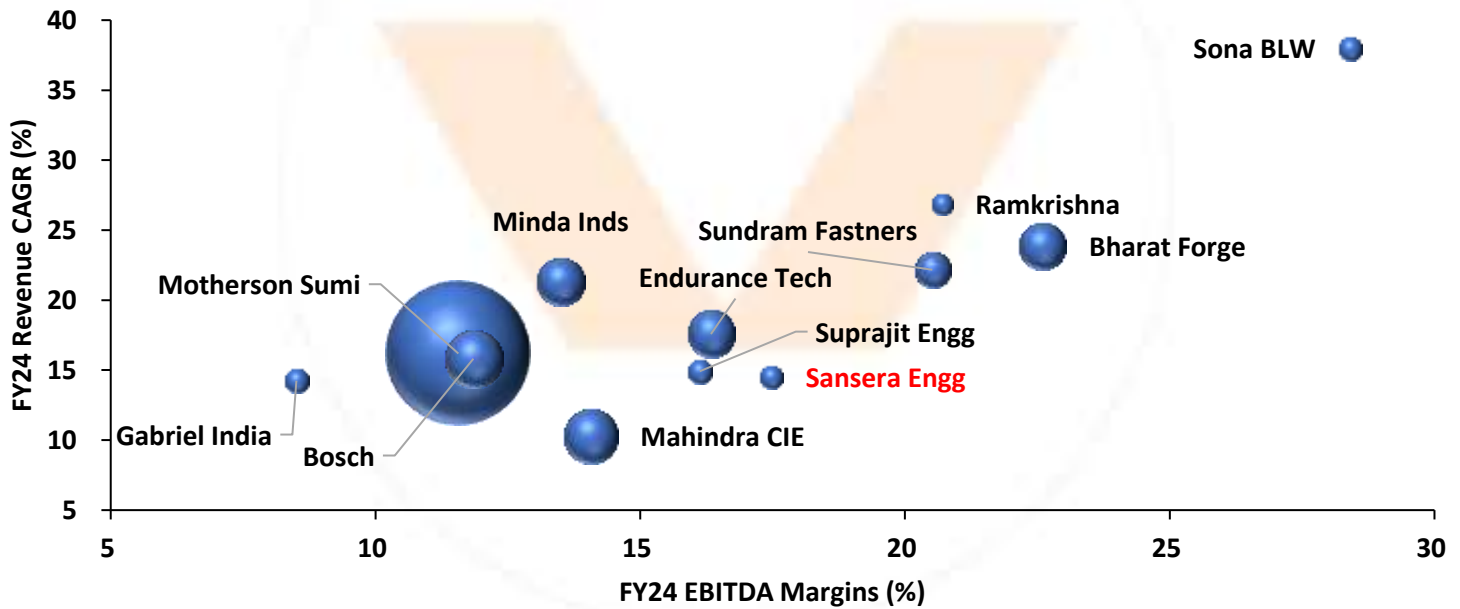
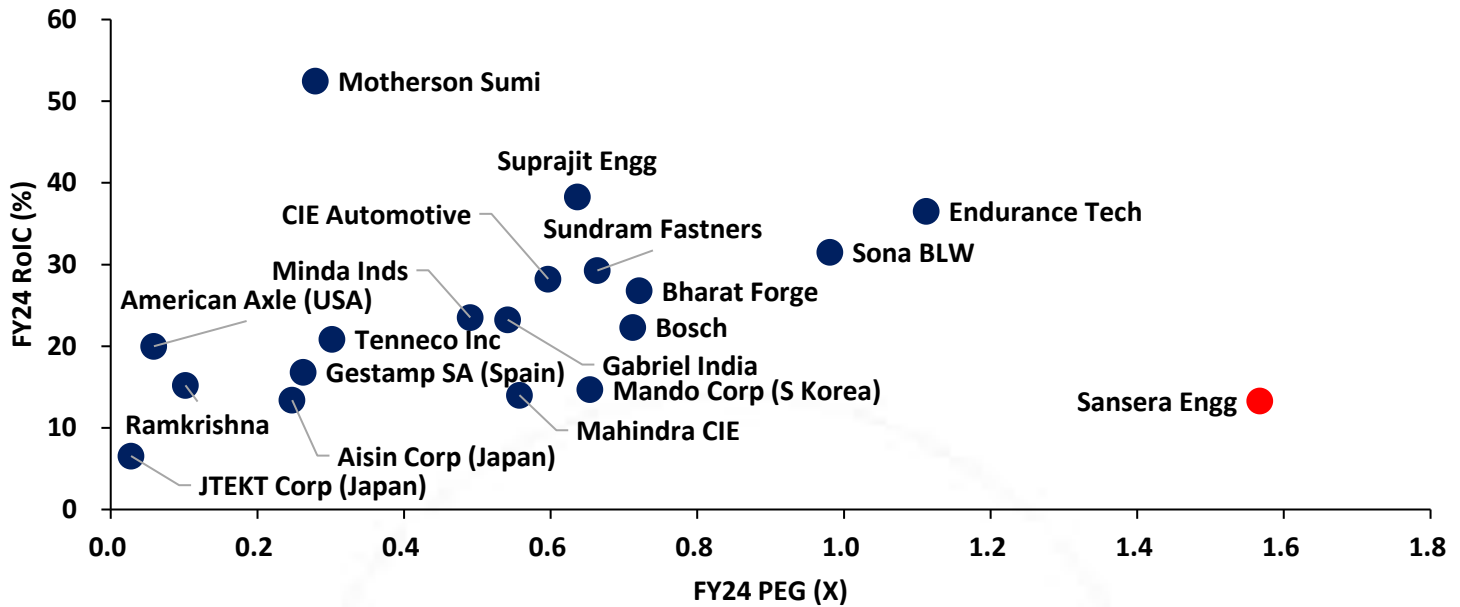
Shareholding (%)	Pre (%)	Post (%)
Promoter	43.91	36.56
Institution	56.09	51.53
Public	0.00	11.91
TOTAL	100	100

Valuation and Comparable Metric of Domestic and Global Precision & Forging Companies

Data is in USD million			P/E Ratio			P/BV Ratio			EV/EBITDA			RoE (%)			RoIC (%)			Sales				EBITDA Margin (%)				Net Margin (%)			
Company Name	Mkt Cap	Price	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Domestic Peers																													
Sanseera Engineering Ltd	509.7	9.9	31.1	27.1	23.1	3.8	3.3	2.9	14.3	12.6	10.9	12.3	12.3	12.7	12.0	12.4	13.3	206.6	237.6	272.0	310.1	17.6	17.3	17.3	17.5	7.1	6.9	6.9	7.1
Endurance Technologies Ltd	3,058.6	21.7	32.8	25.7	24.2	5.5	4.7	4.1	16.4	13.2	12.0	16.7	18.1	16.9	27.8	33.8	36.5	863.0	1,106.6	1,283.4	1,402.8	16.2	16.2	16.8	16.3	8.1	8.4	9.3	9.0
Minda Industries Ltd	2,736.9	9.6	51.9	33.6	26.7	6.2	5.3	4.4	21.0	15.9	13.0	12.0	15.7	16.5	15.2	20.3	23.5	858.7	1,094.1	1,323.6	1,534.6	11.4	12.3	13.2	13.5	3.2	4.8	6.2	6.7
Sundram Fastners Ltd	2,562.5	12.2	35.2	27.1	22.2	6.7	5.6	4.7	21.6	17.1	14.3	19.1	20.5	21.0	23.0	27.5	29.3	477.8	636.9	750.0	871.2	18.7	19.2	20.2	20.5	10.1	11.4	12.6	13.2
Suprajit Engineering Ltd	583.4	4.2	23.8	18.1	15.7	4.0	3.4	3.0	14.3	11.0	9.4	16.8	18.8	18.9	26.7	33.0	38.3	220.3	257.3	302.7	334.4	14.5	15.1	16.1	16.1	8.7	9.5	10.6	11.1
Bharat Forge Ltd	4,899.1	10.5	39.5	26.8	23.9	5.8	5.0	4.3	20.6	15.4	12.9	14.8	18.5	18.2	15.0	21.4	26.8	853.6	1,223.9	1,479.8	1,621.4	13.6	20.3	22.0	22.6	10.2	10.1	12.3	12.6
Motherson Sumi Systems Ltd	9,131.8	2.9	30.0	20.0	16.4	4.9	4.1	3.4	9.8	7.1	5.8	16.2	20.7	20.8	25.3	42.7	52.5	7,672.7	9,679.9	11,024.4	12,034.2	7.7	9.9	11.3	11.6	1.8	3.1	4.1	4.6
Mahindra CIE Automotive Ltd	1,220.4	3.2	13.8	12.3	11.1	1.6	1.4	1.2	7.4	6.7	6.1	11.3	11.1	11.1	14.7	13.9	14.0	1,117.2	1,241.0	1,362.3	1,498.6	13.3	14.0	14.1	14.1	5.7	7.1	7.3	7.3
Gabriel India Ltd	278.0	1.9	22.0	17.4	15.8	2.7	2.4	2.1	11.7	9.2	8.4	12.1	13.5	13.5	20.2	24.1	23.2	229.0	274.9	310.4	341.5	6.0	7.6	8.5	8.5	3.5	4.6	5.1	5.1
Bosch Ltd	5,747.3	194.9	35.2	25.7	30.4	4.0	3.6	3.5	23.9	17.0	20.7	11.4	13.9	11.5	24.3	30.1	22.3	1,277.6	1,612.0	1,902.5	1,984.9	12.3	12.9	15.0	11.8	5.1	10.1	11.7	9.5
Ramkrishna Forgings Ltd	431.2	13.5	19.6	14.9	13.1	3.1	2.7	2.2	10.1	8.7	8.0	16.0	17.7	16.9	12.0	14.0	15.2	173.6	261.7	309.6	354.7	17.3	22.3	22.0	20.7	1.6	8.4	9.3	9.3
Sona BLW Precision Forgings Ltd	4,366.9	7.5	91.7	61.0	46.8	17.1	14.0	11.2	51.0	35.1	27.8	18.7	22.9	24.0	22.6	29.3	31.5	211.0	307.7	438.7	554.4	28.1	28.1	28.5	28.4	13.7	15.5	16.3	16.8
Global Peers																													
CIE Automotive SA (Spain)	3,424.3	27.9	8.9	8.2	7.5	2.6	2.2	2.1	6.1	5.4	4.6	29.5	26.5	27.7	21.5	23.0	28.2	3,914.1	4,313.1	4,532.4	4,739.1	17.8	18.4	18.7	18.8	8.2	8.9	9.2	9.7
Tenneco Inc (USA)	1,141.3	13.4	2.6	2.6	3.0	1.6	0.8	0.8	3.5	2.6	2.7	61.0	30.2	25.7	19.3	22.4	20.8	18,347.4	19,220.0	19,234.3	19,253.0	7.8	8.2	8.7	8.4	1.6	2.2	2.3	2.0
JTEKT Corporation (Japan)	3,091.8	9.0	10.1	7.7	7.7	0.6	0.6	0.5	4.8	4.7	4.3	5.8	7.2	6.9	7.6	8.9	6.6	11,756.4	13,208.8	13,996.7	13,788.7	6.1	8.2	8.8	8.9	0.1	2.3	2.9	2.9
Mando Corp (S Korea)	2,448.9	52.2	11.5	10.5	8.7	1.4	1.3	1.1	5.4	4.8	4.5	12.3	12.1	12.8	13.1	14.7	14.7	5,438.9	5,896.0	6,116.8	6,146.3	9.9	10.1	10.1	10.5	3.5	3.6	3.8	4.6
Aisin Corp (Japan)	11,631.2	39.5	7.6	6.5	6.1	0.7	0.6	0.6	3.2	2.8	2.5	9.3	9.9	9.9	11.5	12.9	13.4	33,259.3	36,431.1	39,056.9	40,687.0	11.3	12.2	12.5	12.6	3.0	4.2	4.6	4.7
Gestamp Automocion SA (Spain)	2,528.6	4.4	7.7	6.6	6.3	1.1	1.0	0.9	3.5	3.1	2.9	14.5	14.8	14.8	15.0	16.4	16.8	10,094.4	11,168.6	11,828.2	12,419.6	12.3	12.9	13.1	13.1	2.1	3.0	3.2	3.2
American Axle (USA)	936.3	8.2	3.4	3.2	2.1	1.3	0.9	0.6	3.0	2.6	2.0	38.0	29.1	30.3	18.1	18.3	20.0	5,433.1	5,938.9	5,828.7	5,934.0	17.0	17.0	16.7	17.1	3.2	4.7	5.0	7.4

Source: Ventura Research & Bloomberg

Expensive Valuations and Low Return Ratios



Source: Ventura Research, ACE Equity & Bloomberg

Financial Analysis and Projections

During FY19-21, SANSERA’s revenue and EBITDA declined at a CAGR of 2.3% (to INR 1,549 cr) and 3.0% (to INR 272), respectively, while PAT grew at a CAGR of 5.8% to INR 110 cr. EBITDA margins slipped by 23bps to 17.6%, while PAT margins improved by 105bps to 7.1%. Subsequently, return ratios RoE and RoIC contracted to 12.5% (-180bps) and 9.3% (-189bps), respectively. Net Debt to Equity in FY21 stood at 0.7X (1.0X in FY19)

Financial Summary

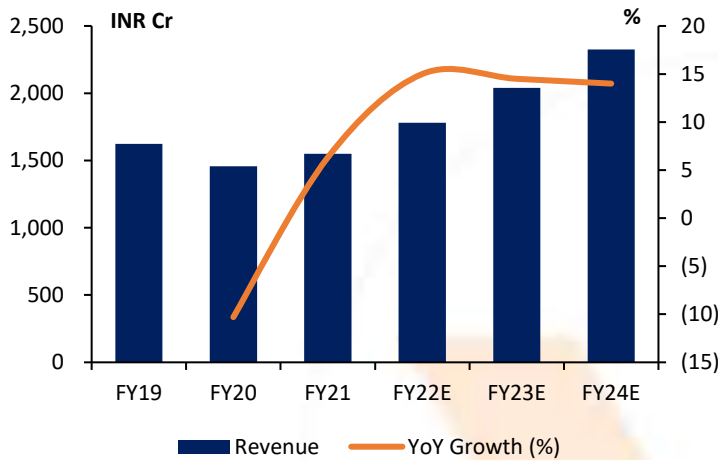
Figures in INR Cr	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue by Business Segment						
Automotive Revenue	1,342.1	1,224.0	1,288.6	1,457.6	1,630.6	1,815.2
<i>YoY Growth (%)</i>		<i>(8.8)</i>	<i>5.3</i>	<i>13.1</i>	<i>11.9</i>	<i>11.3</i>
Non Automotive Revenue	184.9	169.1	168.3	217.8	287.8	371.8
<i>YoY Growth (%)</i>		<i>(8.6)</i>	<i>(0.5)</i>	<i>29.5</i>	<i>32.1</i>	<i>29.2</i>
Revenue by Geography						
Domestic Revenue	1,053.6	966.5	946.7	1,063.2	1,186.7	1,316.3
<i>YoY Growth (%)</i>		<i>(8.3)</i>	<i>(2.0)</i>	<i>12.3</i>	<i>11.6</i>	<i>10.9</i>
Export/Overseas Revenue	473.4	426.6	510.2	612.3	731.6	870.7
<i>YoY Growth (%)</i>		<i>(9.9)</i>	<i>19.6</i>	<i>20.0</i>	<i>19.5</i>	<i>19.0</i>
Other Operating Revenue	97.4	64.1	92.4	106.2	121.6	138.7
Revenue	1,624.4	1,457.2	1,549.3	1,781.7	2,040.0	2,325.6
<i>YoY Growth (%)</i>		<i>(10.3)</i>	<i>6.3</i>	<i>15.0</i>	<i>14.5</i>	<i>14.0</i>
Total Raw Material Cost	855.9	757.4	797.0	917.6	1,050.6	1,197.7
Power and fuel	84.1	75.1	67.1	77.1	88.3	100.7
Conversion Charges	46.9	48.7	52.6	60.5	69.3	79.0
Employee benefit expenses	217.4	213.4	213.8	249.1	286.9	323.2
Other expenses	131.0	137.9	146.7	169.3	192.8	218.6
EBITDA	289.1	224.7	272.1	308.1	352.1	406.4
<i>EBITDA Margin (%)</i>	<i>17.8</i>	<i>15.4</i>	<i>17.6</i>	<i>17.3</i>	<i>17.3</i>	<i>17.5</i>
PAT	98.1	79.9	109.9	122.9	141.0	165.8
<i>PAT Margin (%)</i>	<i>6.0</i>	<i>5.5</i>	<i>7.1</i>	<i>6.9</i>	<i>6.9</i>	<i>7.1</i>
Shareholders' Fund						
Shareholders' Fund	685.4	768.2	878.2	1,001.2	1,142.2	1,308.0
<i>Return on Equity (%)</i>	<i>14.3</i>	<i>10.4</i>	<i>12.5</i>	<i>12.3</i>	<i>12.3</i>	<i>12.7</i>
Capital Employed	1,370.0	1,493.5	1,518.6	1,631.3	1,814.3	2,027.4
<i>Return on Capital Employed (%)</i>	<i>10.9</i>	<i>6.4</i>	<i>8.9</i>	<i>8.7</i>	<i>8.9</i>	<i>9.3</i>
Invested Capital	1,337.8	1,421.5	1,452.9	1,574.9	1,745.8	1,906.0
<i>Return on Invested Capital (%)</i>	<i>11.2</i>	<i>6.8</i>	<i>9.3</i>	<i>9.0</i>	<i>9.3</i>	<i>9.9</i>
Cash Flow from Operations	218.5	241.2	256.0	229.9	263.6	305.5
Cash Flow from Investing	(237.7)	(177.1)	(139.5)	(194.0)	(254.9)	(255.4)
Cash Flow from Financing	14.5	(28.9)	(139.2)	(49.6)	(1.4)	(2.5)
Net Cash Flow	(4.8)	35.2	(22.6)	(13.7)	7.3	47.5
Free Cash Flow	(19.6)	67.2	122.1	(20.1)	13.6	55.5
Total Debt	684.6	725.3	640.4	630.1	672.1	719.4
Net Debt	652.4	653.3	574.7	573.7	603.6	597.9
Net Debt to Equity (X)	1.0	0.9	0.7	0.6	0.5	0.5
Net Debt to EBITDA (X)	2.3	2.9	2.1	1.9	1.7	1.5

Source: Company Reports

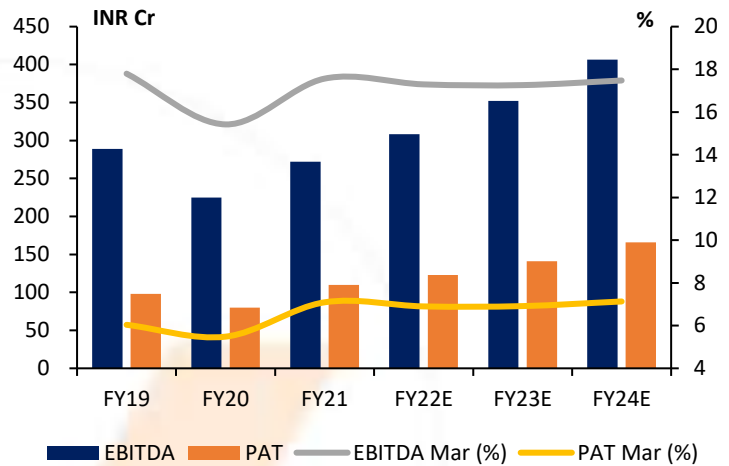
Over the period of FY21-24E, we expect SANSERA’s revenue to grow at a CAGR of 9.5% to INR 2,034 cr, while EBITDA and PAT are estimated to deliver faster CAGR of 11.4% (to INR 376 cr) and 14.7% (to INR 166 cr), respectively. Similarly, EBITDA and PAT margins are expected to improve by 94bps (to 18.5%) and 107bps (to 8.2%), respectively, by FY24. This will lead to an improvement in RoE to 12.6% (+11bps) and 10.9% (+163bps), respectively, by FY24. Net Debt to Equity is further expected to moderate to 0.5X from the current levels.

SANSERA’s Financial Performance

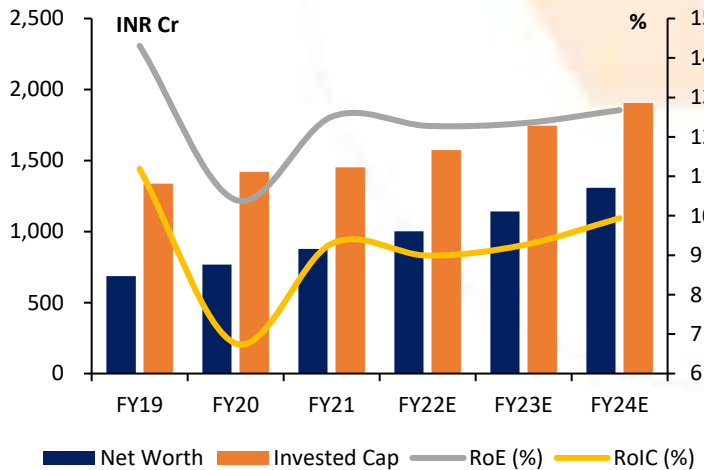
Revenue is expected grow in the mid teens



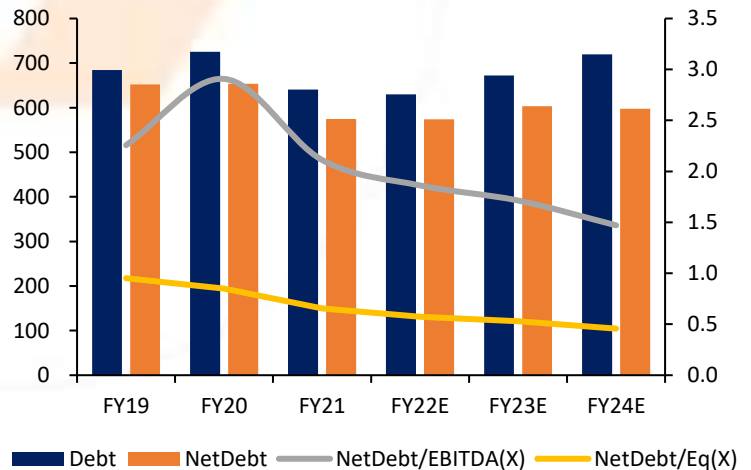
Margins to remain stable at current levels



Return ratios to follow profitability



Debt levels to remain elevated



Source: Company Reports

The domestic business contributes 65% of the revenue, while the remaining 35% comes from exports. Increasing contribution from exports could help augment margins as well as diversify the revenue base.

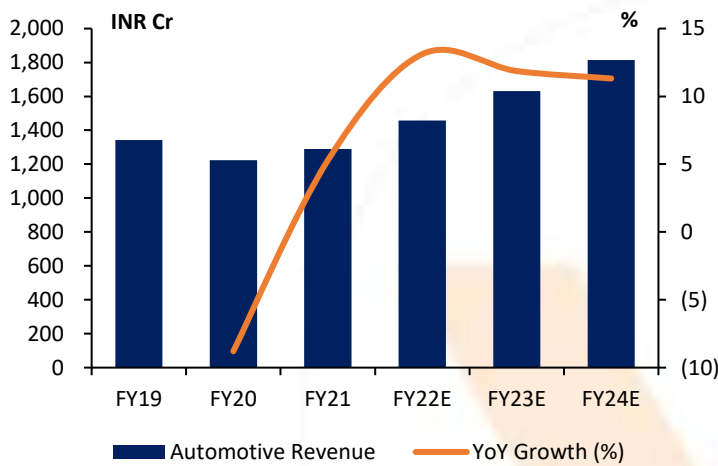
We expect exports revenue to grow at a CAGR of 19.5% to INR 871 cr and the domestic business to grow at a CAGR of 11.6% to INR 1,316 cr by FY24.

Similarly, the company is diversifying its product offerings by reducing dependency on the automotive segment and ramping up its non-automotive division. The automotive segment contributes 80-85% to the overall revenue. SANSERA is expected to incur a capex of INR 750-800 cr during FY21-24 for capacity expansion and new product developments in the non-automotive space.

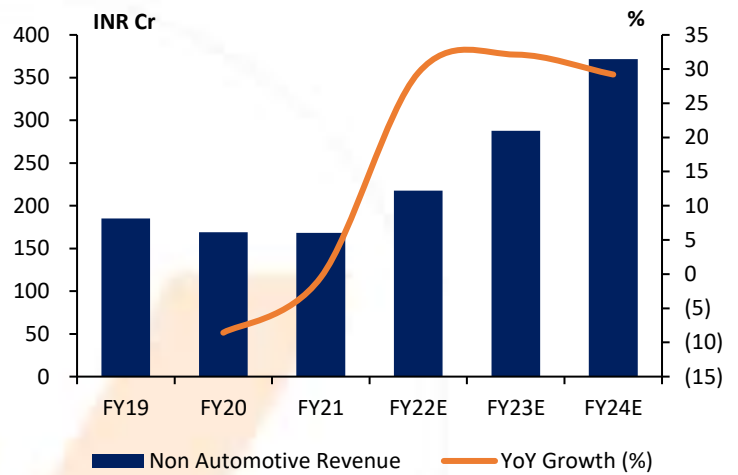
We expect non-automotive revenues to grow at a CAGR of 30.2% to INR 372 cr, while the automotive segment is estimated to clock a CAGR growth of 12.1% to INR 1,815 cr by FY24.

SANSERA's Segmental Performance

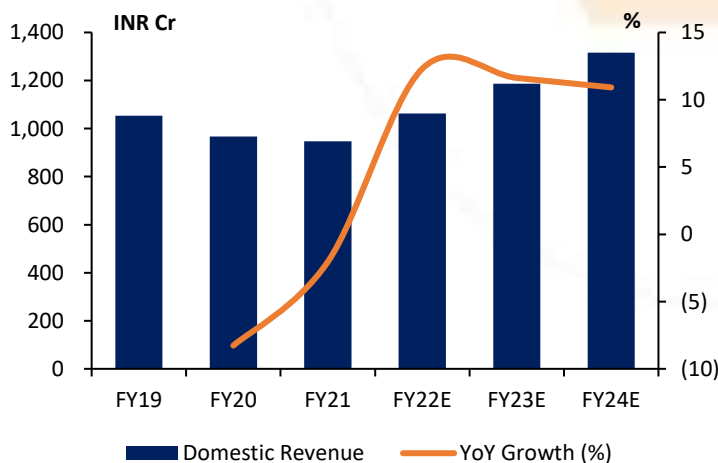
Automotive segment to witness gradual growth



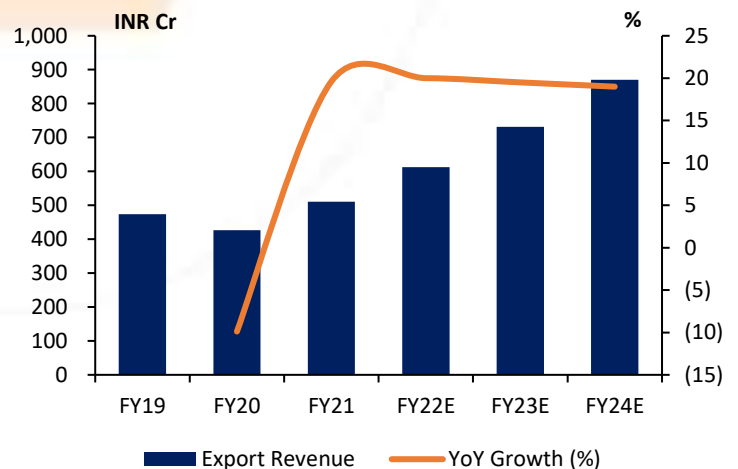
Expansion in non automotive to drive growth



Domestic revenue to follow automotive growth



Focus on overseas market to drive exports



















Source: Company Reports & Ventura Research

Key Growth Drivers

Leading supplier of complex and high-quality precision engineered components across the automotive sector

Precision components such as connecting rods, crankshafts and rocker arms are manufactured using complex engineering processes. SANSERA is one of the largest suppliers of connecting rods, rocker arms and gear shift forks to 2W and PV segments globally (largest in India).

Leading supplier of complex & high-quality precision engineered components to leading auto OEMs												
Segments	Two-wheelers ¹		Passenger vehicles		Commercial vehicles							
Product Offerings												
												
Key Customers (Indian and Global)	Indian <ul style="list-style-type: none"> Bajaj HMSI TVS Motor Royal Enfield Yamaha Motor India Hero MotoCorp 		Global <ul style="list-style-type: none"> KTM Triumph US 2W OEM German 2W OEM European 2W OEM Japanese 2W OEM 		Indian <ul style="list-style-type: none"> Maruti Suzuki Honda Cars India Toyota Kirloskar Volkswagen India 		Global <ul style="list-style-type: none"> Stellantis Leading North American PV OEM Global Tier 1 Supplier Premium European OEM 		Indian <ul style="list-style-type: none"> Leading Indian OEM Daimler India Engineered Components and Systems India 		Global <ul style="list-style-type: none"> Leading Swedish OEM CNH Leading European OEMs Leading Japanese OEM Leading US OEM Global suppliers of braking systems 	

Source: Company Reports

Due to its wide product range of complex high-quality precision components, it has developed a strong B2B relationship with leading auto OEMs. Within India, 9 of the Top 10 2W and PV OEMs are sourcing precision components from SANSERA. Globally, 6 out of the Top 10 global LCV and 3 out of the Top 10 M&HCV manufacturers are SANSERA customers.

Diversification into the Non-Automotive segments to de-risk the business model

To de-risk its business model and reduce its concentration on the automotive space, the company entered the non-automotive space. Its existing products, such as connecting rods, rocker arms and crankshafts, find application in the segments of off-road, agriculture, engineering and capital goods, marine and others.

Well diversified product portfolio in the non-automotive space

Segments	 Aerospace	 Off-road	 Agriculture	 Others
Product Offerings	 Speciality Seating  Aerostructure  Equipment-Housings  Cargo Systems  Actuation parts  Lighting parts	 Fractured  Split  Gear Shifter Fork  Crankshaft  Rocker Arms	 Fractured CR  Cam Shaft  Pump Barrel	 Fractured CR  Split CR  Integral Crankshaft (Stationary Engine)  Crankshaft  Pump Barrel
Key Customers (Indian and Global)	Indian <ul style="list-style-type: none"> Leading Indian Tier 1 supplier AAI 	Global <ul style="list-style-type: none"> Collins Aerospace SAAB Global North American aircraft OEM Global Tier 1 suppliers 	<ul style="list-style-type: none"> Polaris 	<ul style="list-style-type: none"> JCB Indian arm of a global manufacturing and supply chain management co. Subsidiary of a leading global power tools manufacturer Global marine engine manufacturer 

Source: Company Reports

SENSERA’s production line configurations are flexible, allowing it to interchange capacity and product mix between all product categories. It enables the company to offer a diverse range of products and services to its customers. This optimizes machine productivity and operational efficiency.

Focus on Operational Efficiencies to Improve Business Performance

Due to its strong engineering capabilities, SANSERA has significantly improved its operational efficiency and integrated its manufacturing processes. The management has taken several steps towards cost reduction and flexible operations

- Integrated and flexible operations help the company to respond quickly and efficiently to any customer requirements or changes in product specifications without needing to depend on any external vendors.
- Ability to design and build computer numerical control special purpose machines saves operational and capital expenditure through savings in capital cost, footprint, power and maintenance costs, etc.
- Implemented TPM (Total Productive Maintenance) methodology on the shop floor to balance line output, inventory management, rejection control, etc.
- Implemented several automation projects in-house, including pick and place systems, material handling gantries, machine tending robots, automated assembly and automated inspection cells.

Continuous Innovation and Engineering Capabilities

Advancement and continuous upgradation in technology has increased customers' demand for higher performance and top-quality products. As a result, SENSERA has recently developed

- Complex machined drive train components for hybrid transmission systems in passenger vehicles
- Intricately shaped aluminium forged and machined components for ICE and electric two-wheeler
- Multiple complex and high precision finger followers with diamond-like coating for two-wheeler and passenger vehicles
- Gear shifter forks with moly coating (for high wear resistance) and case carburised split connecting rods for super premium motorcycles for multiple global OEMs

SENSERA's machine building, automation and advanced engineering capabilities enable it to de-risk its business against product obsolescence and reconfigure machines to suit new products in various verticals.

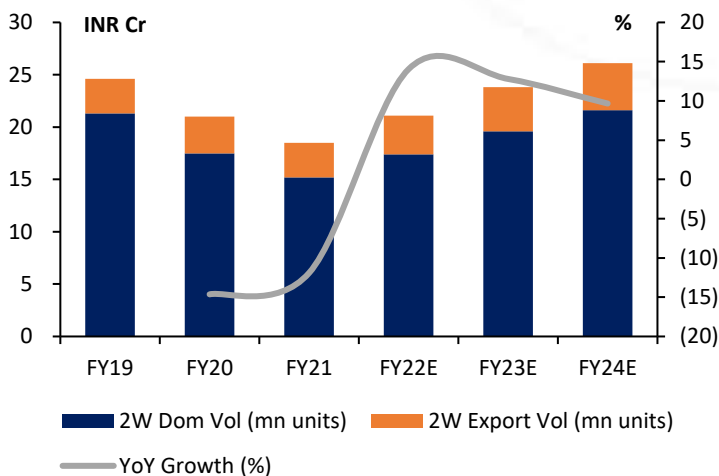
Growth in Precision Component Industry

The precision engineering industry is expected to benefit from supportive government policies for manufacturing and engineering sectors, such as PLI, RoDTEP, etc. Further, growth in the machinery and equipment industry and rising penetration of high technology machinery for manufacturing would contribute towards the industry's growth.

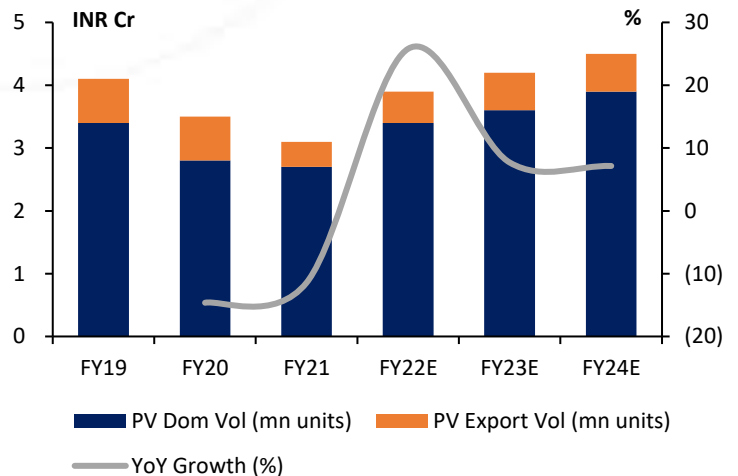
Automotive segments have the largest share in precision engineering, followed by defence and engineering capital goods. Growth in domestic auto components and export demand, and indigenous manufacturing in the defence segment would aid the industry's growth.

Indian Automotive and Non-Automotive Demand to Pick-up

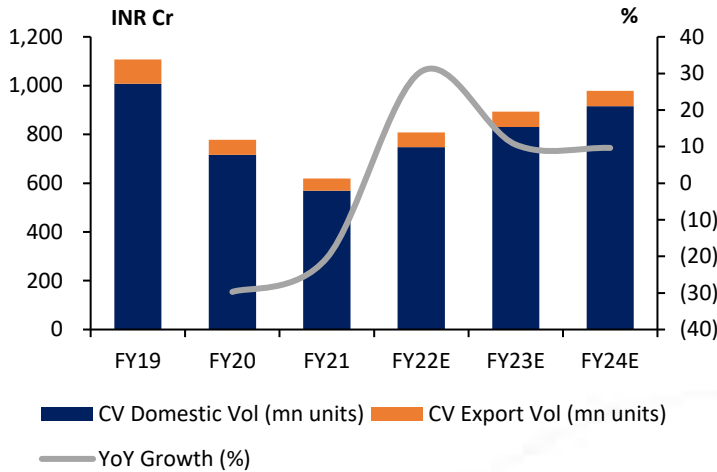
2W volumes to improve gradually



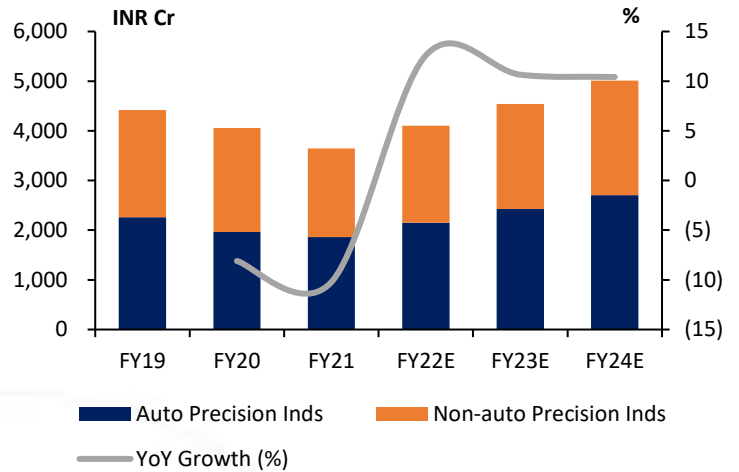
PV volumes to outperform 2W space



Rise in infra activities to drive CV volumes



Growth visibility for precision market is strong



Source: Company Reports

SANSERA has strong presence in key segments

Company Name	Automotive	Defence	Engineering & Capital Goods	Aircraft	Power	Others
Aeqs				✓		✓
Alpha Design Technologies		✓				
CIM Tools		✓		✓		
Dynamatic Technologies	✓	✓	✓	✓		✓
Godrej Boyce		✓	✓	✓	✓	
Larsen & Toubro		✓			✓	✓
Mahindra Defence Systems		✓				
MTAR Technologies		✓			✓	
PMI Engineering Exports		✓		✓		
Sansera Engineering	✓		✓	✓		✓
Schaeffler India	✓					
Shanti Gears	✓				✓	✓
Sika Interplant Systems	✓	✓				
SKF India	✓		✓	✓	✓	✓
Timken India	✓	✓	✓	✓	✓	✓
Vem Technologies		✓				

Source: Company Reports

Growth opportunities from China+1 and ‘Make in India’

India has emerged as a preferred trading partner, after China, for global MNCs, and is expected to accelerate maritime trade in the coming years. China+1 policy would directly benefit India due to its

- Location advantage
- Improving infrastructure
- Favorable government policies
- Cost competitive economics
- Engineering expertise

India’s Free Trade Agreement with 43 countries to benefit merchandize export

INDIA's Free Trade Agreements (FTA)

Proposed/Under consultation and study	13
Framework Agreement (FA) signed/FTA Under Negotiation	1
Under Negotiation	14
Signed but not yet In Effect	1
Signed and In Effect	14
TOTAL	43

Source: Asia Regional Integration Center

Countries that already have free trade agreements (FTAs) with India are more inclined towards the China+1 policy and are considering India as an alternative to China. This would lead to a significant increase in sourcing of engineering components from India by global OEMs.

Management Team

Key Person	Designation	Details
Mr Subramonia Sekhar Vasan	Chairman & MD	He has been associated with the company since its incorporation. He holds a bachelor's degree in technology from IIT, Madras and a PG diploma in management from IIM, Bangalore. He has over 39 years of professional experience.
Mr Fatheraj Singhvi	Joint MD	He is currently the chairman of Pillar 3 of ACMA overseeing the activities of ACT, ASDC, HR, YBLF. He has over 39 years of professional experience. He is a CA and is a member of the ICAI.
Mr B R Preetham	Chief Executive Officer	He has been associated with the company since Sept 1992. He holds a bachelor's degree in engineering from Bangalore University and has 28 years of experience.
Mr Vikas Goel	Chief Financial Officer	He has been associated with the company since July 2019. He is a fellow member of ICAI and associate member of ICWAI. He holds a bachelor's degree in commerce from University of Delhi and has over 16 years of experience.

Source: Company Reports

Key Risks & Concerns

- The automotive and industrial sectors have been cyclical in nature historically and SANSERA's sales are directly dependent on domestic and global economic performance.
- SANSERA derives 60% of its revenues from its Top 10 customers and hence loss of any single customer can significantly impact the business performance of the company.
- The development of technologically advanced products involves a lengthy and expensive process with uncertain timelines and outcomes. Inability or delay in innovating or developing technologically advanced products could adversely affect the business performance.

Issue Structure and Offer Details

The proposed issue size of SANSERA's Offer for Sale IPO is INR 1,283 cr. The price band for the issue is in the range of INR 734-744 and the bid lot is 20 shares and multiple thereof.

Issue Structure		
Category	No of Share Offered	Allocation
QIB	At least 85,58,604	At least 50% of public issue
Non Institutional Bidders	Not more than 25,67,582	Not more than 15% of public issue
Retail	Not more than 59,91,024	Not more than 35% of public issue
Employees	Not more than 1,27,118	Equity shares aggregating upto INR 9 cr

Number of shares based on higher price band of INR 744

Source: Company Reports

Shareholding Pattern		
Category	Pre Issue Holding (%)	Post Issue Holding (%)
Promoters & Promoter Group	43.91	36.56
Institution	56.09	51.53
Public	0.00	11.91
Total	100.00	100.00

Source: Company Reports

Financial Analysis & Projections

Figures in INR Crores	FY20	FY21	FY22E	FY23E	FY24E	Figures in INR Crores	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Per Share Data (Rs) & Yield (%)					
Revenue	1,457.2	1,549.3	1,781.7	2,040.0	2,325.6	Adjusted EPS	15.6	21.4	23.9	27.5	32.3
<i>YoY Growth (%)</i>	<i>(10.3)</i>	<i>6.3</i>	<i>15.0</i>	<i>14.5</i>	<i>14.0</i>	Adjusted Cash EPS	33.8	41.2	47.1	54.0	62.1
Raw Material Cost	757.4	797.0	917.6	1,050.6	1,197.7	Adjusted BVPS	149.5	170.9	194.9	222.3	254.6
<i>YoY Growth (%)</i>	<i>(11.5)</i>	<i>5.2</i>	<i>15.1</i>	<i>14.5</i>	<i>14.0</i>	CFO per share	46.9	49.8	44.7	51.3	59.5
Employee Cost	213.4	213.8	249.1	286.9	323.2	CFO Yield	6.3	6.7	6.0	6.9	8.0
<i>YoY Growth (%)</i>	<i>(1.8)</i>	<i>0.2</i>	<i>16.5</i>	<i>15.2</i>	<i>12.7</i>	FCF per share	13.1	23.8	(3.9)	2.6	10.8
Power & Fuel Cost	75.1	67.1	77.1	88.3	100.7	FCF Yield	1.8	3.2	(0.5)	0.4	1.5
<i>YoY Growth (%)</i>	<i>(10.8)</i>	<i>(10.6)</i>	<i>15.0</i>	<i>14.5</i>	<i>14.0</i>	Solvency Ratio (X)					
Conversion Charges	48.7	52.6	60.5	69.3	79.0	Total Debt to Equity	0.9	0.7	0.6	0.6	0.5
<i>YoY Growth (%)</i>	<i>3.8</i>	<i>8.1</i>	<i>15.0</i>	<i>14.5</i>	<i>14.0</i>	Net Debt to Equity	0.9	0.7	0.6	0.5	0.5
Other Expenses	137.9	146.7	169.3	192.8	218.6	Net Debt to EBITDA	2.9	2.1	1.9	1.7	1.5
<i>YoY Growth (%)</i>	<i>5.3</i>	<i>6.3</i>	<i>15.4</i>	<i>13.9</i>	<i>13.4</i>	Interest Coverage	2.3	3.6	4.8	5.0	5.1
EBITDA	224.7	272.1	308.1	352.1	406.4	Return Ratios (%)					
<i>YoY Growth (%)</i>	<i>(22.3)</i>	<i>21.1</i>	<i>13.2</i>	<i>14.3</i>	<i>15.4</i>	Return on Equity	10.4	12.5	12.3	12.3	12.7
<i>Margin (%)</i>	<i>15.4</i>	<i>17.6</i>	<i>17.3</i>	<i>17.3</i>	<i>17.5</i>	Return on Capital Employed	6.4	8.9	8.7	8.9	9.3
Depreciation	93.9	101.7	118.9	136.2	153.3	Return on Invested Capital	6.8	9.3	9.0	9.3	9.9
EBIT	130.8	170.4	189.2	216.0	253.2	Working Capital Ratios					
<i>YoY Growth (%)</i>	<i>(38.7)</i>	<i>30.3</i>	<i>11.0</i>	<i>14.1</i>	<i>17.2</i>	Inventory Days	60	59	59	59	59
<i>Margin (%)</i>	<i>9.0</i>	<i>11.0</i>	<i>10.6</i>	<i>10.6</i>	<i>10.9</i>	Receivable Days	65	74	74	74	74
Other Income	16.0	23.1	14.4	15.9	18.2	Payable Days	43	53	53	53	53
Finance Cost	58.1	47.4	39.4	43.4	49.8	Net Working Capital Days	81	79	79	79	79
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Net Working Capital to Sales (%)	22.3	21.6	21.6	21.6	21.6
PBT	88.7	146.1	164.3	188.5	221.6	Valuation (X)					
<i>YoY Growth (%)</i>	<i>(46.2)</i>	<i>64.8</i>	<i>12.4</i>	<i>14.7</i>	<i>17.6</i>	P/E Ratio	47.8	34.8	31.1	27.1	23.1
<i>Margin (%)</i>	<i>6.1</i>	<i>9.4</i>	<i>9.2</i>	<i>9.2</i>	<i>9.5</i>	P/S Ratio	2.6	2.5	2.1	1.9	1.6
Reported Tax	8.8	36.3	41.3	47.4	55.8	P/BV Ratio	5.0	4.4	3.8	3.3	2.9
PAT	79.9	109.9	122.9	141.0	165.8	EV/EBITDA	19.9	16.2	14.3	12.6	10.9
<i>YoY Growth (%)</i>	<i>(18.5)</i>	<i>37.5</i>	<i>11.9</i>	<i>14.7</i>	<i>17.6</i>	EV/Sales	3.1	2.8	2.5	2.2	1.9
<i>Margin (%)</i>	<i>5.5</i>	<i>7.1</i>	<i>6.9</i>	<i>6.9</i>	<i>7.1</i>	Cash Flow Statement					
Balance Sheet						Profit Before Tax	88.7	146.1	164.3	188.5	221.6
Share Capital	9.4	9.4	10.3	10.3	10.3	Adjustments	158.3	155.5	157.1	178.3	201.3
Total Reserves	758.8	868.9	990.9	1,131.9	1,297.7	Change in Working Capital	3.0	(9.4)	(50.2)	(55.8)	(61.7)
Shareholders' Fund	768.2	878.2	1,001.2	1,142.2	1,308.0	Less: Tax Paid	(8.8)	(36.3)	(41.3)	(47.4)	(55.8)
LT Borrowings	171.8	187.7	200.0	200.0	200.0	Cash Flow from Operations	241.2	256.0	229.9	263.6	305.5
LT Lease Liabilities	78.9	81.0	73.8	66.6	59.4	Net Capital Expenditure	(174.0)	(134.0)	(250.0)	(250.0)	(250.0)
Other LT Financial Liabilities	1.1	0.0	0.0	0.0	0.0	Change in Investments	(3.1)	(5.5)	56.0	(4.9)	(5.4)
LT Provisions	12.7	15.2	17.7	20.4	23.0	Cash Flow from Investing	(177.1)	(139.5)	(194.0)	(254.9)	(255.4)
Deferred Tax Liabilities	55.2	61.8	59.8	57.8	55.8	Change in Borrowings	41.4	(88.5)	(2.0)	50.2	55.5
Other Non Current Liabilities	42.6	46.7	53.7	61.5	70.1	Less: Finance Cost	(58.1)	(47.4)	(39.4)	(43.4)	(49.8)
Total Liabilities	1,130.5	1,270.6	1,406.2	1,548.5	1,716.2	Proceeds from Equity	0.0	0.0	0.0	0.0	0.0
Net Block	942.1	1,000.0	1,139.7	1,262.2	1,367.4	Divided Paid (incl Tax)	0.0	0.0	0.0	0.0	0.0
Capital WIP	68.3	60.4	0.0	0.0	0.0	Payment of Lease Liabilities	(5.7)	(6.1)	(8.2)	(8.2)	(8.2)
Goodwill & Other Intangibles	34.9	37.8	37.1	36.4	35.8	Cash Flow from Financing	(28.9)	(139.2)	(49.6)	(1.4)	(2.5)
Right of use assets	87.3	89.2	81.3	73.3	65.4	Net Cash Flow	35.2	(22.6)	(13.7)	7.3	47.5
Non Current Investments	3.7	3.7	3.7	3.7	3.7	FOREX Effect	0.9	(0.9)	0.0	0.0	0.0
LT Loans & Advances	26.7	28.5	32.7	37.5	42.7	Opening Balance of Cash	23.9	60.0	36.5	22.8	30.1
Other LT Financial Assets	3.5	1.4	1.6	1.9	2.1	Closing Balance of Cash	60.0	36.5	22.8	30.1	77.6
Non Current Tax Assets	2.9	2.7	2.7	2.7	2.7						
Other Non Current Assets	20.5	22.5	25.8	29.6	33.7						
Net Current Assets	(59.5)	24.5	81.5	101.2	162.6						
Total Assets	1,130.5	1,270.6	1,406.2	1,548.5	1,716.2						

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