

Issue Details

Issue Size	Rs. 1,265 Crore – Rs. 1,283 Crore	Price Band:	Rs.734 – Rs.744
IPO Date:	14 th Sept 2021 to 16 th Sept 2021	Offer Ratio:	QIB: 50%, NII: 15%, Retail: 35%
Bid Lot:	20 Equity Shares and in multiples thereof		

Company Profile

Sansera Engineering Limited is an engineering-led manufacturer of complex and critical precision engineered components across automotive and non-automotive sectors. Within the automotive sector, the company manufacture and supply a wide range of precision forged and machined components and assemblies, such as connecting rod, rocker arm, crankshaft, gear shifter fork, stem comp, and aluminium forged parts, that are critical for engine, transmission, suspension, braking, chassis and other systems for the two wheeler, passenger vehicle and commercial vehicle verticals. Within the non-automotive sector, the company manufacture and supply a wide range of precision components for the aerospace, off-road, agriculture and other segments, including engineering and capital goods. The company supply most of their products directly to OEMs in finished (forged and machined) condition, resulting in significant value addition by them. The company was incorporated on December 15, 1981.

The company is one of the top 10 global suppliers of connecting rods within the light vehicle segment (passenger vehicles with gross vehicle weight of 3.5 tonnes or less, “Light Vehicle”) and one of top 10 global suppliers of connecting rods within the commercial vehicle (“CV”) segment for CY 2020. (Source: The Ricardo Report). Within India, the company is one of the leading manufacturers of (i) connecting rods, crankshafts, rocker arms and gear shifter forks for two-wheelers and (ii) connecting rods and rocker arms for passenger vehicles. Specifically, the company is the largest supplier of connecting rods and rocker arms to passenger vehicle OEMs in India. (Source: the CRISIL Report). As of April 30, 2021, the company had 16 manufacturing facilities, of which 15 are in India in the states of Karnataka (Bengaluru, Bidadi, Tumkur), Haryana (Manesar), Maharashtra (Chakan), Uttarakhand (Pantnagar) and Gujarat (Mehsana), and one facility is in Trollhattan, Sweden.

The company is a technology driven company with a strong focus on design, engineering, machine building and automation capabilities. As of July 31, 2021, the company had built over 900 computer numerical control special purpose machines, which are deployed across their manufacturing facilities. The company’s recently developed products include (i) suspension, rotor and aluminium forged components for internal combustion engines (“ICE”) and electric two-wheelers (“e-2W”), (ii) steering system components and drive train parts for ICE and hybrid passenger vehicles, (iii) cabin tilt system components and braking system parts for CVs, (iv) suspension components for off-road vehicles, (v) common rail systems for agriculture and (vi) components for industrial engines within other non-automotive sectors. The company also has an active pipeline of products under development, including (i) suspension and drive train components for electric two-wheelers, (ii) braking system components for passenger vehicles, (iii) machined engine casings for aerospace and (iv) components for power transmission within non-automotive applications.

Competitive Strengths

- A leading supplier of complex and high-quality precision engineered components that is gaining market share across automotive and non-automotive sectors
- Well diversified business model
- Strong capabilities in design and engineering, machine building and automation resulting in continuous new product development and improved productivity, with fungibility of equipment, machinery and production lines across product families and sectors
- Long-standing relationships with well-known Indian and global OEM customers
- Financial performance that has outperformed the industry trends, with industry leading metrics
- Skilled and experienced board of directors and management team, with an employee culture that emphasises teamwork and collaboration across functions

Object of the Offer

The company will not directly receive any proceeds from the Offer (the "Offer Proceeds") and all the Offer Proceeds will be received by the Selling Shareholders, in proportion to the Offered Shares sold by the respective Selling Shareholders as part of the Offer.

Financials (Restated Consolidated)

Particulars (Rs. In Million)	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Equity Share Capital	93.87	93.87	93.87
Other Equity	8,583.55	7,482.91	6,654.95
Net Worth	8,774.25	7,673.61	6,845.65
Total Borrowings*	5,497.49	6,367.77	5,953.63
Revenue from Operations	15,492.71	14,571.70	16,244.30
EBITDA [#]	2,952.14	2,406.66	2,919.86
Profit Before Tax	1,461.45	886.76	1,649.51
Net Profit for the year	1,098.60	799.05	980.64

* Total Borrowings is calculated as the sum of (i) current borrowings, (ii) non-current borrowings, (iii) current maturities of non-current borrowings and (iv) accrued interest

[#] EBITDA is calculated as the sum of (i) Profit for the year, (ii) Total tax expenses, (iii) Depreciation and amortisation expense and (iv) Finance costs

Comparison with peers

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Sansera Engineering Limited *	2	21.02**	12.31	166.96##	-
Listed Peers					
Endurance Technologies Limited	10	36.95	14.59	253.2	43.1
Minda Industries Limited	2	7.73	9.69	94.3	95.7
Sundaram Fasteners Limited	1	17.10	15.38	112.2	45.9
Suprajit Engineering Limited	1	10.20	14.42	70.8	34.2
Bharat Forge Limited	2	-2.71	-2.33	116.9	NA
Motherson Sumi Systems Limited	1	3.29	9.46	52.5	65.1
Mahindra CIE Automotive Limited (5)	10	2.80	2.00	129.5	87.8

Notes:

** Basic EPS is calculated as Profit for the year attributable to owners of the company divided by the weighted average number of basic equity shares outstanding during the year

Indicates Diluted Net Asset Value per share which is calculated as Net worth divided by the weighted average number of diluted equity shares outstanding during the year.

^ Return on Net worth is calculated as Profit attributable to owners of the company divided by Net worth. Net worth is calculated as Total equity attributable to owners of the company less Capital reserve

Source: All the financial information for listed industry peer mentioned above is on a consolidated basis and is sourced from the annual report of the company for the year ended March 31, 2021.

- (1) P/E Ratio has been computed based on the closing market price of equity shares on BSE on August 19, 2021 divided by Basic EPS.
- (2) RONW is computed as net profit after tax (including profit attributable to non-controlling interest) divided by closing net worth
- (3) Net worth has been computed as sum of paid-up share capital and other equity
- (4) NAV is computed as the closing net worth divided by the closing outstanding number of equity shares
- (5) Numbers for Mahindra CIE Automotive Limited are as of December 31, 2020

Key Risk Factors

- The COVID-19 pandemic has had, and the company expect it to continue to have, a material adverse effect on their business, financial condition, results of operation and cash flows.
- A decline in the financial condition and results of operations of the company's customers could have material adverse effect on their business, results of operations and cash flows.
- The company's business subjects them to risks in multiple countries.
- The company is dependent on third parties for the transportation and timely delivery of their products to customers.
- The company depend on third parties with whom they do not have long-term supply contracts for the supply of raw materials. A loss of suppliers or interruptions in the delivery of raw materials or volatility in the prices of raw materials on which they rely may have a material adverse effect on their business and results of operations.
- The company depends on their senior management team and other personnel with technical expertise, and if the company is unable to recruit and retain qualified and skilled personnel, their business and their ability to operate or grow their business may be adversely affected.
- The company derives a substantial portion of their revenue from its key product families, especially connecting rods, and if these products become obsolete it would have a material adverse effect on their business, financial condition, results of operations and cash flows.
- There are outstanding legal proceedings involving the Company and one of its Subsidiaries.
- The company is exposed to risks associated with foreign exchange rate fluctuations.
- A substantial portion of the company's assets are hypothecated or mortgaged in favour of lenders as security for some of their fund-based and non-fund-based borrowings. The company's lenders may enforce the security in the event of their failure to service its debt obligations which may adversely affect their business, financial condition and results of operations.
- The company's promoters will continue to retain a large shareholding in the company after the Offer, which will allow them to exercise significant influence over the company.
- The company has entered into related party transactions aggregating to ₹64.10 million, ₹94.62 million and ₹236.73 million for Fiscals 2021, 2020 and 2019, respectively. The company will continue to enter into such transactions and there can be no assurance that they could not have achieved more favourable terms had such transactions not been entered into with related parties.
- Any realisation of the company's contingent liabilities may adversely affect their financial condition, results of operations and cash flows.
- Sansera Sweden, the Company's indirect subsidiary, has availed an unsecured loan from Sansera Mauritius, the Company's direct subsidiary, which can be recalled at any time.
- Fluctuations in the exchange rate between the Rupee and other currencies could have an adverse effect on the value of the Equity Shares in those currencies, independent of the company's results of operations.

(Please refer the entire list of risk factors given in section II (page 22 onwards) given in RHP)

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