

Company Overview

Incorporated in 1981, Sansera manufactures complex and critical precision engineered components and caters across automotive and non-automotive sectors. The company manufactures and supplies a wide range of precision forged and machined components and assemblies which are critical for the two-wheeler, passenger vehicle, and commercial vehicle verticals for the automotive sector. For the non-automotive sector, the company manufactures and supplies a wide range of precision components for aerospace, off-road, agriculture, and other segments. The company mostly supplies forged & machined products to OEM's. For FY21, the Automotive sector contributed 88.45% and non-automotive 11.45% of the revenue. In the 2-wheeler vertical, they have relationships spanning over 20 years with Honda Motorcycle and Scooter India Pvt Ltd ("HMSI"), 25 fiscal years with Bajaj and over 20 years with Yamaha, the second, third and fifth largest 2-wheeler Indian OEMs in terms of domestic production volume for Fiscal 2021, respectively. The company derives around 65% of its revenue from India and the rest 35% from other countries. Sansera is one of the major suppliers of connecting rods globally. As of July 31, 2021, they had 16 manufacturing facilities, of which 15 are in India and 1 facility in Sweden.

Objects of the issue

The IPO consists entirely of offer for sale:

- ⇒ To carry out the offer for sale of equity shares by the selling shareholders and promoters
- ⇒ To achieve the benefits of listing the equity shares on the stock exchanges

Investment Rationale

Well diversified business model

Sansera's business model is well diversified across customer base, product portfolio and geographies. Within India, their customers include nine of the top 10 two-wheeler OEMs and the leading passenger vehicle OEM, whereas globally, their customers include six out of top 10 global Light Vehicle OEMs. They were suppliers to 71 customers during Fiscal 2021 as compared to 64 during Fiscal 2019 and are continuously expanding their customer base. From a product perspective, Sansera manufactures a range of components for multiple end applications across both automotive (2-wheelers, passenger vehicles, commercial vehicles) as well as nonautomotive (off-road, agriculture, engineering and capital goods, marine and others) sectors. The company focuses on increasing their export revenues with a view to reduce dependence on the Indian market. Their revenues from sale of products are geographically diversified with Europe, USA and other foreign countries accounting for 35.02%, 30.62% and 31% of their revenue from sale of products in Fiscals 2021, 2020 and 2019, respectively.

Advanced design engineering and machine building capabilities which provides an edge over their peers

The company possess advanced design and engineering capabilities that enable them to design new products from statements of requirements and increased opportunities for them to secure higher value-added business with their customers. It helps them deepen customer relationships through cost optimisation and reductions in development and testing time. The company also possess integrated machine building capabilities with special purpose machines being manufactured in-house which give them an edge over their peers by deriving competitive benefits.

Valuation and Outlook

Sansera Engineering is one of the top 10 global suppliers of connecting rods within the Light Vehicle segment and Commercial Vehicle segment for CY 2020. The company has strong relationships with respected Indian and Global OEM's. They have a well-diversified portfolio of segments, products, customers and geography. On the valuation front, the issue is priced at P/E of 36.2x based on FY21 earnings, diluted equity shares and upper price band which is fairly priced when compared to its listed industry peers (i.e, Endurance Technologies-43.3x, Minda Industries-91.6x, Sundram Fasteners-50.4x, Suprajit Engineering-30.7x and Motherson Sumi-64.1x). Considering the strong product portfolio, advanced manufacturing capabilities and robust track record, we give a "SUBSCRIBE" rating for the long term.

Issue Details

Offer Period	14 th Sept - 16 th Sept, 2021
Price Band	INR.734 to INR.744
Bid Lot	20
Listing	BSE&NSE
Issue Size (no. of shares in mn)	17.24
Issue Size (INR. in bn)	12.83
Face Value	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	ICICI Securities, IIFL Securities, Nomura Financial
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Registrar	Link Intime India Pvt. Ltd.
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Particulars Pre Issue % Post Issue %

Promoter	43.91%	36.56%
Public	56.09%	63.44%
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY19	FY20	FY21
Revenue			
Revenue From Operations	16,244	14,572	15,493
Total Revenue	16,244	14,572	15,493
Expenses			
Cost of Raw Materials Consumed	7,220	6,282	6,678
Changes in Inventory of Finished Goods and Work in Progress	(167)	(19)	(44)
Conversion Charges	469	487	526
Consumption of Stores and Spares	1,506	1,311	1,336
Power and Fuel	841	751	671
Employee Benefit Expenses	2,174	2,134	2,138
Other Expenses	1,310	1,379	1,467
Total Operating Expenses	13,353	12,325	12,772
EBITDA	2,891	2,247	2,721
Depreciation and Amortisation Expense	758	939	1,017
Other Income	164	160	231
EBIT	2,297	1,468	1,935
Finance Costs	513	581	474
Profit Before Exceptional Items and Tax	1,784	887	1,461
Exceptional Items	135	-	-
Profit Before Tax	1,650	887	1,461
Current Tax	493	235	304
Deferred Tax	176	(147)	59
Total Tax	669	88	363
Profit After Tax	981	799	1,099
Diluted EPS	18	15	21

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21
Cash Flow from operating activities	2,185	2,412	2,560
Cash flow from investing activities	(2,376)	(1,771)	(1,395)
Cash flow from financing activities	145	(289)	(1,392)
Net increase/(decrease) in cash and cash equivalents	(47)	352	(226)
Cash and cash equivalents at the beginning of the period	343	239	600
Cash and cash equivalents at the end of the period	239	600	365

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21
Equity			
Share Capital	94	94	94
Instrument Entirely Equity in Nature	105	105	105
Other Equity	6,655	7,483	8,584
Equity Attributable Owners of the Company	6,854	7,682	8,782
Non Controlling Interest	91	87	105
Net worth	6,945	7,769	8,887
Non-Current Borrowings	2,134	1,718	1,877
Lease Liabilities	806	789	810
Non-Current Provisions	86	127	152
Other Non-Current Liabilities	1,201	989	1,085
Total Non-Current Liabilities	4,227	3,623	3,924
Current Borrowings	3,043	3,554	2,552
Lease Liabilities	86	97	111
Trade Payables	1,866	1,729	2,270
Other Financial Liabilities	1,002	1,218	1,237
Current Provisions	65	99	99
Other Current Liabilities	220	194	208
Total Current Liabilities	6,283	6,891	6,478
Total Equity & Liabilities	17,455	18,282	19,289
Assets			
Property, Plant & Equipment	8,891	9,421	10,000
Capital Work in Progress	489	683	604
Right-Of-Use-Asset	897	873	892
Goodwill	324	324	358
Other Intangible Assets	33	26	19
Financial Assets	292	339	336
Other Non-Current Assets	290	234	252
Total Non-Current Assets	11,214	11,900	12,462
Inventories	2,435	2,389	2,486
Investments	5	4	6
Trade Receivables	2,712	2,591	3,130
Cash and Cash Equivalents	239	600	365
Other Bank Balances	77	116	286
Other Financial Assets	256	236	223
Other Current Assets	516	446	332
Total Current Assets	6,241	6,383	6,827
Net Current Assets	(42)	(508)	350
Total Assets	17,455	18,282	19,289

Source: RHP, BP Equities Research

Key Risks

- ⇒ 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.
- ⇒ 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 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.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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