Sansera Engineering Ltd.

BP WEALTH

Management Meet Note **11th July 2025**

Strategic shift in vertical to unlock higher potential

We recently met the management of Sansera Engineering Limited (SEL) with a view to gain greater insights of its business. SEL is a technology driven manufacturer of complex and critical high-precision iron and aluminium components for automotive and non- automotive sectors. It is the largest supplier of Connecting Rods, Rocker Arms and Gear Shifter Forks for the 2W segment and the largest supplier of Connecting Rods and Rocker arms for LMVs in India. Furthermore, the company is among the top ten suppliers of Connecting Rod across international markets. With a strong presence in the high precision IC engine components, it has been able to extend its design and engineering capabilities to cater to fast-growing areas like EV, Defence, Aerospace, etc. Sansera has 17 integrated manufacturing facilities (16 in India and 1 in Sweden) and has evolved organically by supplying premium quality components to Auto ICE, Tech Agnostic, xEV, and Non-Auto OEMs in the domestic and global markets.

Following are the key takeaways from the interaction:

Multi-vertical evolution unlocks sustainable and robust growth pathways

SEL is undergoing a strategic transformation aimed at reducing its dependence on the traditional Auto ICE segment and expanding into high-growth, margin-accretive sectors such as Agnostics, electric vehicles (xEV), aerospace, defense, and semiconductors. While Auto ICE still contributes ~74% of revenues as of FY25, the company has already established a strong foundation in emerging verticals, with non-ICE segments like xEV, tech-agnostic, and ADS (Aerospace, Defense, Semiconductor) contributing over 25% of the topline and steadily rising. This diversification enables the company to tap into structurally sound and globally scalable markets. The ADS business, in particular, grew 13% YoY and is expected to double in FY26, aided by new aerospace OEM additions and flowing semiconductors revenues. Similarly, the Aluminum forging business, backed by robust Rs. 500 crores order book, has moved past its initial learning curve and is poised for margin-accretive growth. By aligning over 60% of its future capex toward new-age verticals and leveraging its global client relationships, Sansera is positioning itself as a full-spectrum precision engineering partner. This diversified revenue model not only derisks the business from cyclical domestic auto trends but also enhances long-term visibility, pricing power, and profitability.

Margin accretion driven by a purposeful shift in business mix

SEL stands at a structural margin inflection point, supported by a purposeful shift in its business mix, operational maturity in high-tech verticals, and disciplined capital allocation. Despite macro challenges, the company delivered a healthy 17.1% EBITDA margin in FY25, showcasing resilience in its core operations. Going forward, we believe **Sansera is well-positioned to expand margins through the following levers:**

Product mix shift towards premium, non-auto segments

The company is transitioning from a combustion-engine-heavy portfolio to high-value precision components in xEV, aerospace, defense, and semiconductors. These segments are structurally more margin accretive given their export oriented nature and higher precision requirements.

Streamlining of forging operations

FY25 marked the end of the learning curve in Sansera's aluminum forging line for EV customers. The company has now entered a phase of operational stabilization and productivity gains in this segment, which should help recover initial inefficiencies.

The following levers coupled with prudent operational efficiencies will enable the company to scale its operating margins from 17% to ~20% in 3-4 years, exhibiting an incremental gain of 50 bps annually.

Prudent shift in order book improves earnings quality

Sansera Engineering is deliberately reengineering its order book to reflect a structurally stronger and more robust business model. From a legacy portfolio dominated by ICE auto components, the company has strategically pivoted toward high-growth verticals, (xEV, tech-agnostic, aerospace, defense, and semiconductors). As of FY25, over 60% of the Rs. 18,511 million order book is export-linked, and a significant 28% is attributed to the ADS segment, up from single digits just a few years ago. This transition reflects a purposeful attempt to increase business visibility, reduce cyclicality, and improve long-term profitability. The shift toward longer-cycle, technically demanding segments helps de-risk the portfolio from domestic demand fluctuations, particularly in auto ICE. Moreover, these

Sector Outlook	Positive

Stock

CMP (Rs.)	1,355
NSE Symbol	SANSERA
BSE Code	543358
Bloomberg	SANSERA IN
Reuters	SASE.BO

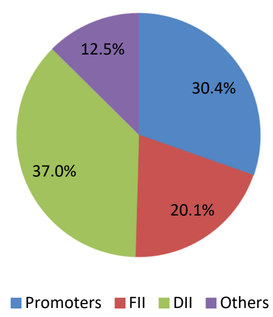
Key Data

Nifty	25,150
52WeekH/L(INR)	1,758 / 972
O/s Shares (Mn)	62
Market Cap (INR bn)	85.8
Face Value (INR)	2

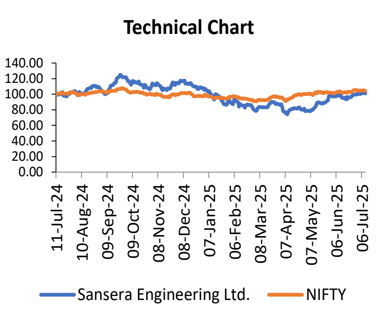
Average volume

3 months	107,740
6 months	110,140
1 year	138,760

Share Holding Pattern (%)



Relative Price Chart



Research Analyst
Sagar Shetty
sagar.shetty@bpwealth.com
022-61596158

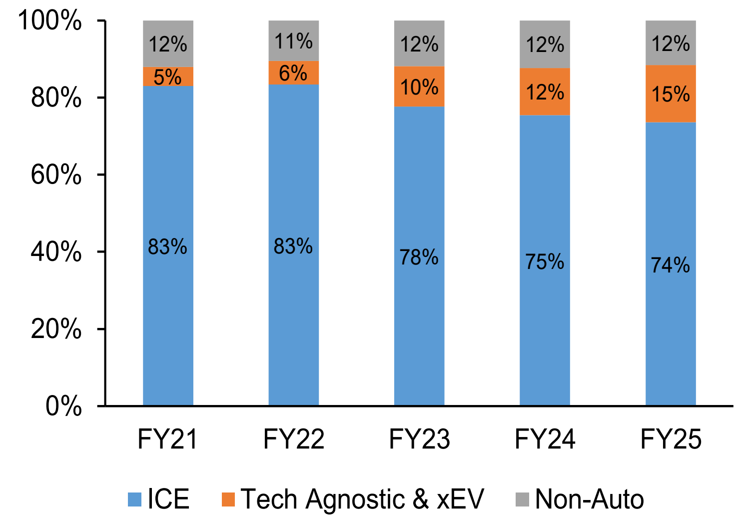
segments typically carry higher value-add per unit, contributing positively to blended margins. The company's capex and resource allocation including a cleanroom for semicon and a special process facility for aerospace are clearly aligned to deliver on this evolving order book profile.

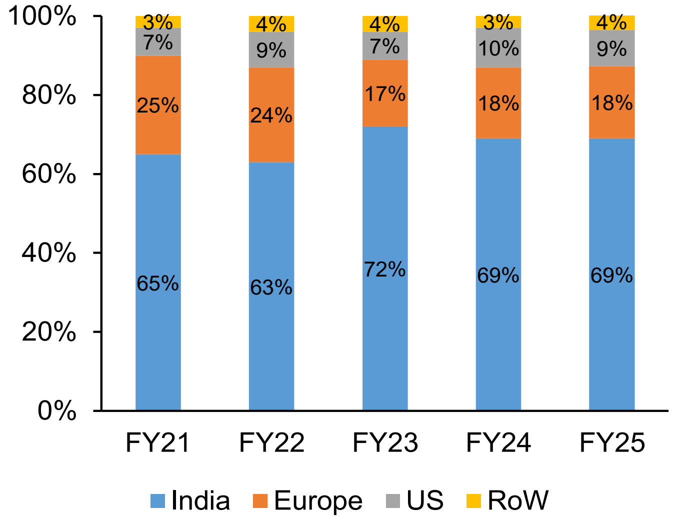
Valuation & Outlook

Sansera Engineering is steadily transitioning from a traditional auto-component supplier to a multi-vertical precision engineering company with exposure to high-growth sectors, underpinned by a strategically shifting order book concentration. The company has consciously pivoted away from its ICE-heavy base, with a growing share of revenues and capex now aligned to xEV, ADS and Agnostics, all of which offer higher value-addition, improved order cycles, accretive margin and a defensive edge to the revenue. On the financial front, the company boasts a 3-year CAGR Revenue/EBITDA/PAT growth rate of 14.9%/15.5%/18.0%, highlighting robust growth and profitability, underpinned by a strong order book, increasing share of high-margin segments and consistent cost discipline. The company's diversification efforts not only de-risks the company's end-market exposure but also enhances revenue visibility and improves earnings quality. With strong execution, prudent capital allocation, and rising contribution from structurally robust verticals, SEL is well-placed to deliver sustainable growth and margin expansion over the medium term. **We, thus, expect Sansera Engineering to generate sustained growth and profitability over the long term, and is trading at a PE of 27.8x on FY26e EPS estimates.**

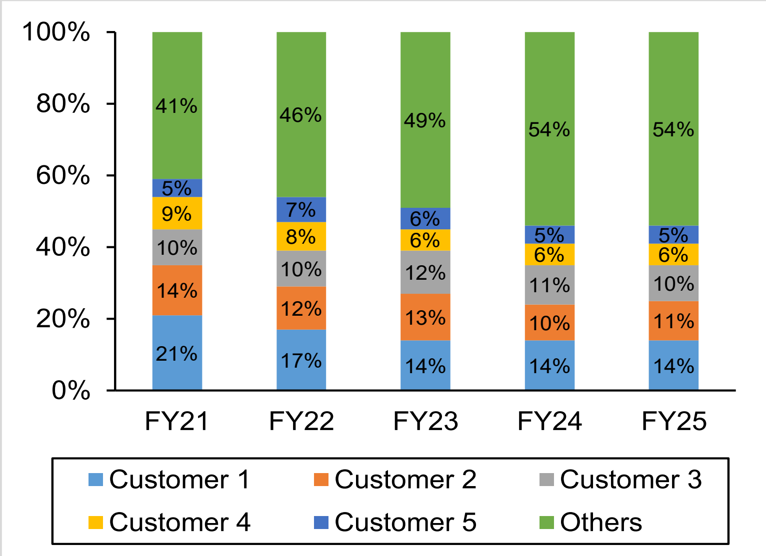
Sansera Engineering Ltd.

Revenue Breakup	Geographical Split



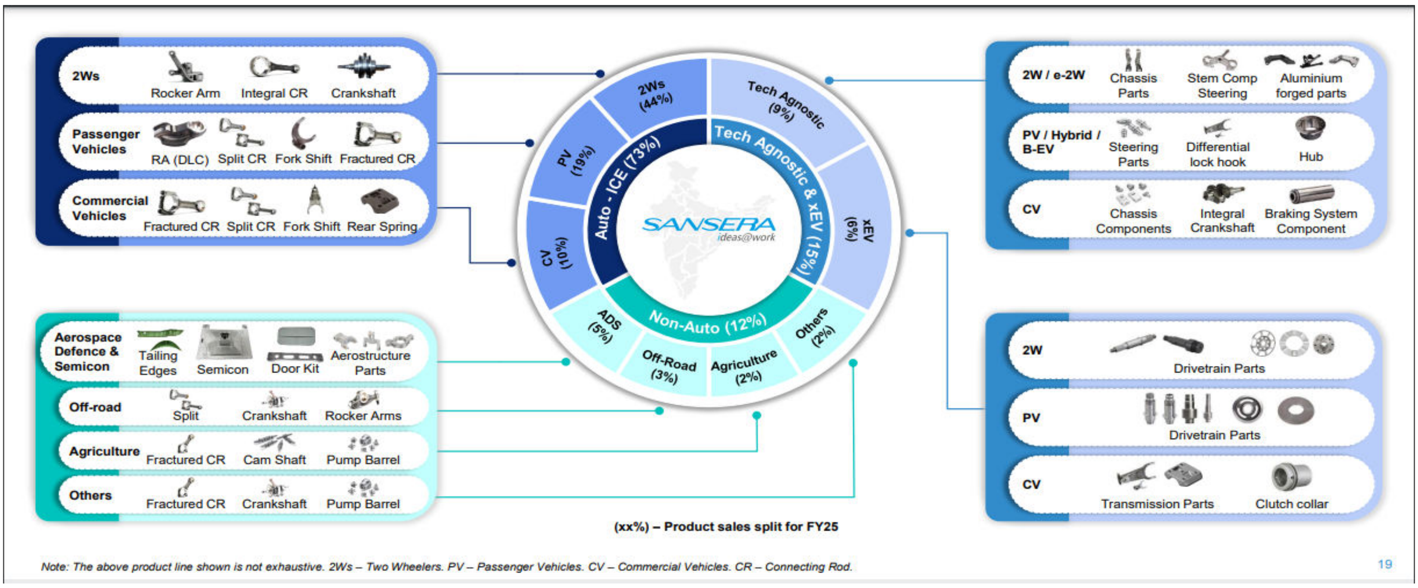


Client Mix



Product Mix

Products	FY22	FY23	FY24	FY25
Auto ICE	**83%**	**78%**	**75%**	**73%**
Connecting Rod-ICE	39%	34%	34%	32%
Rocker Arms	18%	16%	15%	16%
Crankshaft Assembly	16%	18%	16%	14%
Gear Shifter Forks	5%	5%	5%	5%
Others-ICE	5%	5%	5%	6%
Non Auto & Tech Agnostic	**14%**	**18%**	**20%**	**22%**
Connecting Rod-Non Auto	3%	4%	5%	4%
Crankshaft	2%	2%	1%	1%
Stem Comp	3%	4%	3%	4%
Others-Non Auto	6%	8%	10%	13%
Aerospace	**3%**	**4%**	**5%**	**5%**
Total	**100%**	**100%**	**100%**	**100%**



Source: Company, BP Equities Research

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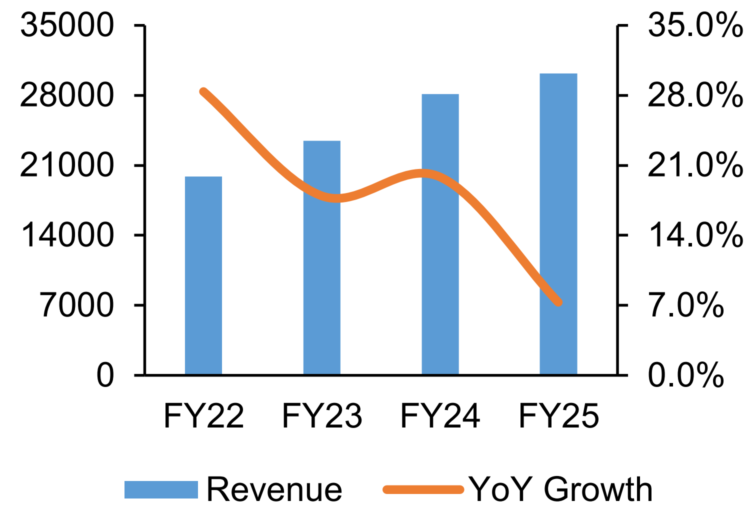
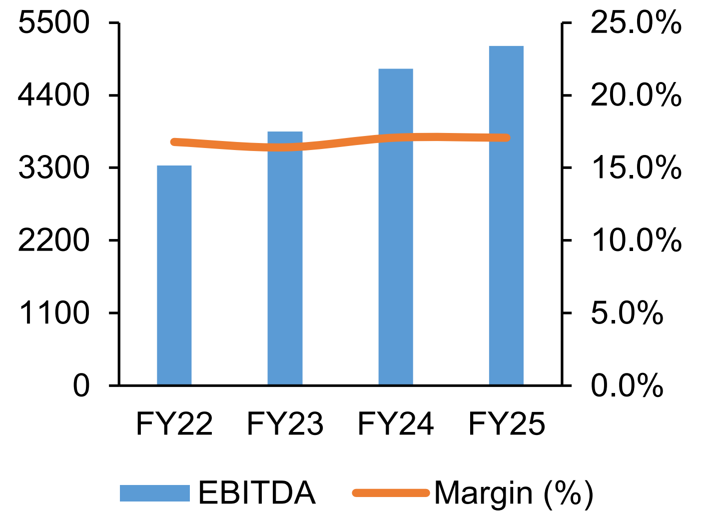
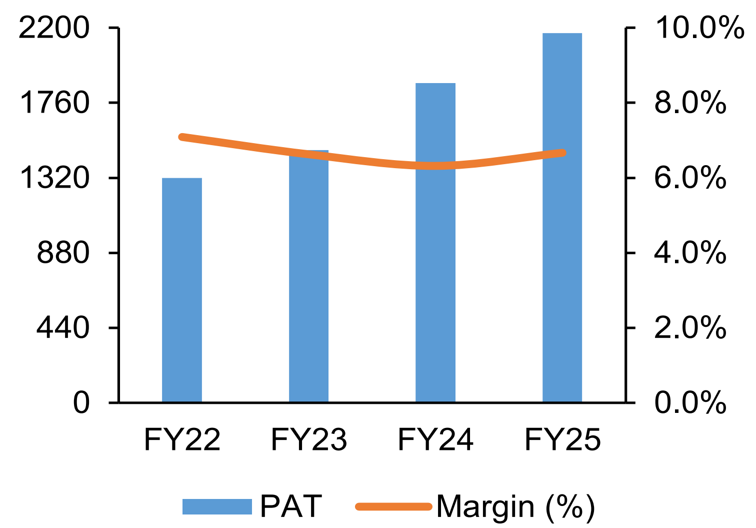
Steadying revenue growth



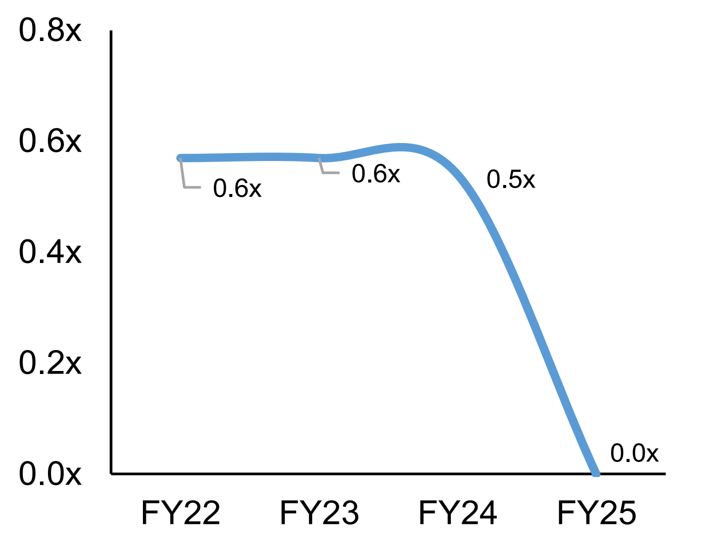
EBITDA margins shows resilience



Profitability remains sound



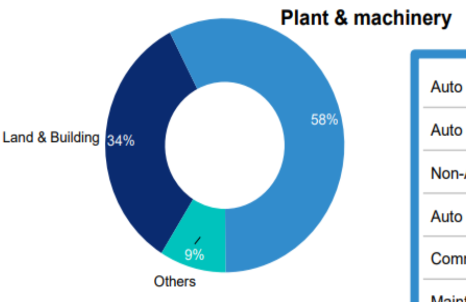
Strong Debt Management



Prudent capex allocation

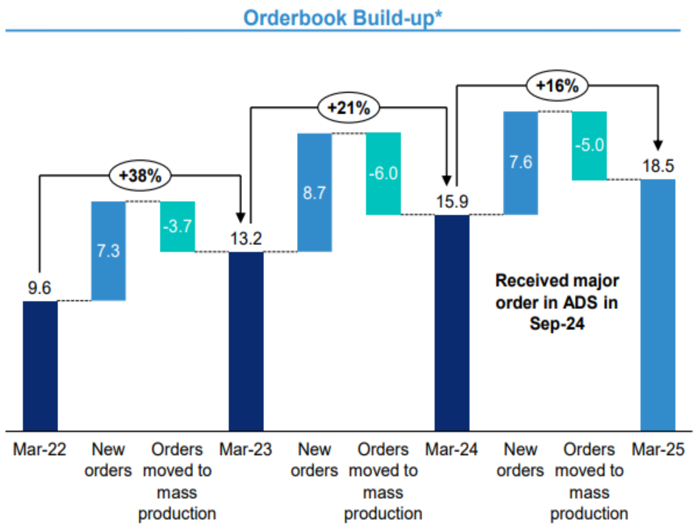
Capex Breakdown (FY25)

Total capex of
INR 5,911 Mn



Auto PV/CV	21%
Auto (tech agnostic +xEv)	18%
Non-Auto	5%
Auto 2W (Legacy comps)	5%
Common capex	23%
Maintenance	9%
CWIP	19%

Steady orderbook buildup



Source: Bloomberg, Company, BP Equities Research

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Key Financials						
YE March (INR. Mn)	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Revenue	**19,890**	**23,460**	**28,114**	**30,168**	**33,939**	**39,878**
Revenue Growth (Y-o-Y)	-	*17.9%*	*19.8%*	*7.3%*	*12.5%*	*17.5%*
EBITDA	**3,336**	**3,848**	**4,799**	**5,148**	**5,973**	**7,258**
EBITDA Growth (Y-o-Y)	-	*15.3%*	*24.7%*	*7.3%*	*16.0%*	*21.5%*
Net Profit	**1,319**	**1,483**	**1,875**	**2,169**	**3,088**	**4,068**
Net Profit Growth (Y-o-Y)	-	*12.5%*	*26.4%*	*15.6%*	*42.4%*	*31.7%*
Diluted EPS	**24.4**	**27.2**	**34.4**	**37.2**	**49.9**	**65.7**
Key Ratios						
EBITDA margin (%)	**16.8%**	**16.4%**	**17.1%**	**17.1%**	**17.6%**	**18.2%**
NPM (%)	6.6%	6.3%	6.7%	7.2%	9.1%	10.2%
RoE (%)	**12.7%**	**12.6%**	**13.8%**	**7.8%**	**10.1%**	**11.8%**
RoCE (%)	9.6%	10.8%	11.3%	10.4%	10.1%	10.4%
Valuation Ratios						
P/E (x)	**56.9x**	**51.0x**	**40.3x**	**37.3x**	**27.8x**	**21.1x**
EV/EBITDA	27.9x	24.3x	19.7x	17.4x	14.9x	12.1x
P/BV (x)	**8.3x**	**7.3x**	**6.3x**	**3.1x**	**2.8x**	**2.5x**
Market Cap. / Sales (x)	4.7x	4.0x	3.4x	3.0x	2.6x	2.2x

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Research Desk	Tel: +91 22 61596138
Institutional Sales Desk	Tel: +91 22 61596403/04

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Analyst (s) Certification:

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Corporate Office:
4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:
24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
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