

India

May 02, 2025 - 4:41 PM

ADD (no change)

Consensus ratings*: Buy 8 Hold 1 Sell 1

Current price:	Rs3,473
Target price:	Rs3,773
Previous target:	Rs3,773
Up/downside:	8.6%
InCred Research / Consensus:	0.0%
Reuters:	SCHE.BO
Bloomberg:	SCHFL IN
Market cap:	US\$6,424m Rs542,827m
Average daily turnover:	US\$3.1m Rs260.5m
Current shares o/s:	156.3m
Free float:	25.9%

*Source: Bloomberg

Key financial forecast

	Dec-25F	Dec-26F	Dec-27F
Net Profit (Rsm)	11,270	12,792	14,055
Core EPS (Rs)	72.10	81.84	89.92
Core EPS Growth	15.3%	13.5%	9.9%
FD Core P/E	48.17	42.43	38.62
Recurring ROE	20.0%	20.3%	20.0%
P/BV (x)	9.13	8.19	7.29
DPS (Rs)	33.00	38.00	38.00
Dividend Yield	0.95%	1.09%	1.09%



Price performance	1M	3M	12M
Absolute (%)	6.7	1.3	(5.9)
Relative (%)	1.9	(2.2)	(12.5)

Major shareholders	% held
Promoter	74.1
Kotak Mutual Fund	3.4
SBI Mutual Fund	2.2

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Schaeffler India Ltd

Strong start to CY25

- 1QCY25 EPS growth of 15% yoy to Rs16 was driven by good sales momentum of 16% and EBITDA margin expansion of 50bp.
- Improvement in exports, FCF and commencement of E-axle production augur well to achieve our CY25F expectations.
- Retain ADD rating as the forward P/E valuation eased to 10-year mean level.

EBITDA beat supported by strong exports

- Schaeffler India's 1QCY25 revenue rose by 16% yoy and 2% qoq, leading to a marginal beat of 2% vs. the Bloomberg or BB consensus estimate.
- EBITDA saw a 4% beat vs. the BB consensus estimate for the quarter, up 19% yoy and 6% qoq, driven by the strong performance of aftermarket and export divisions.
- Lower raw material costs, as a proportion of sales, at 160bp qoq led to the EBITDA margin expansion of 73bp yoy and 46bp qoq, a 40bp beat vs. the BB estimate.
- The 6% qoq growth in depreciation and lower other income (-57%) led to PAT decline of 10% qoq; however, it was up 15% yoy.
- Free cash flow stood at Rs2,370m, up from Rs1,630m in 4QCY24. The improvement was driven by disciplined working capital management and controlled capex.

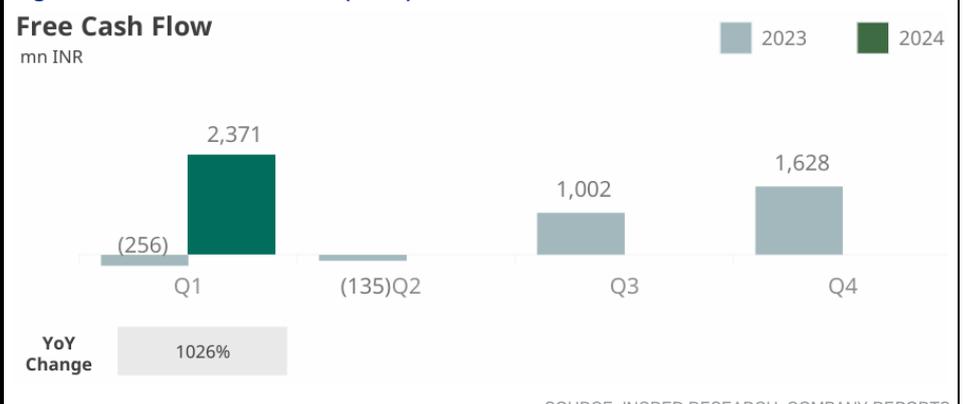
Management conference-call highlights

- Management has shifted its focus to capital efficiency and capacity utilization, as quarterly capex stood at Rs 825m, down 50% yoy, following Rs17-18bn of heavy investments made over the past three years.
- Exports rebounded sharply, up 20% qoq and 23.2% yoy, driven by strong demand for industrial bearings from Asia-Pacific and new European markets.
- The company has commenced series production of e-axles, a part of a lifetime order valued at ~EUR 300m. Also engaged in hybrid vehicle components and electric vehicle or EV parts.
- The automotive technologies business posted a 7% qoq growth, driven by clutch systems (commercial vehicle and heavy-duty segments).
- The aftermarket business branded, as Vehicle Lifetime Solutions (VLS), recorded a minor dip sequentially due to seasonality, but has introduced new products including steering kits and brake fluids.
- The share of localization increased to 76%, achieved through the relocation of production lines from Europe to India, primarily to meet domestic demand.

Valuation remains at mean level; maintain ADD rating

- The stock price correction improves forward P/E valuation to close to 10-year mean levels of P/E and P/BV. We build in 16% EPS growth for the remaining nine-month period of CY25F, driven by 14% sales growth, which we feel is achievable. Maintain our ADD rating on the stock.

Figure 1: Free cash flow trend (Rs.m)



Strong start to CY25

Figure 2: Quarterly results comparison for the standalone entity

Y/E Dec (Rs m)	1QCY25	1QCY24	yoy % chg	4QCY24	qoq % chg	Comments for the quarter
Total Revenue	21,744	18,731	16.1%	21,361	1.8%	2% above Bloomberg estimate.
Less:						
Net Raw Materials Consumed	13,479	11,640	15.8%	13,583	(0.8%)	
Other Expenses	2,989	2,527	18.3%	2,800	6.8%	
Personnel Costs	1,347	1,266	6.4%	1,275	5.7%	
Total Expenditure	17,816	15,433	15.4%	17,657	0.9%	
EBITDA	3,928	3,299	19.1%	3,704	6.1%	4% above Bloomberg estimate.
EBITDA Margin	18.1%	17.6%	46	17.3%	73	40bp above Bloomberg estimate.
Depreciation	831	625	33.0%	781	6.4%	
EBIT	3,097	2,674	15.8%	2,923	6.0%	
Interest Paid	16	8	85.7%	9	79.3%	
Non-operating Income	336	311	7.7%	781	(57.1%)	
Extraordinary Expenses	0	0		0		
Profit Before Tax	3,417	2,977	14.8%	3,695	(7.5%)	
Less: Total Tax	901	780	15.6%	889	1.3%	
Profit After Tax	2,516	2,197	14.5%	2,806	(10.3%)	3% above Bloomberg estimate.
Profit After Tax Excl. extra-ordinaries	2,516	2,197	14.5%	2,806	(10.3%)	
Reported EPS-Diluted (Rs.)	16.1	14.1	14.5%	18.0	(10.3%)	

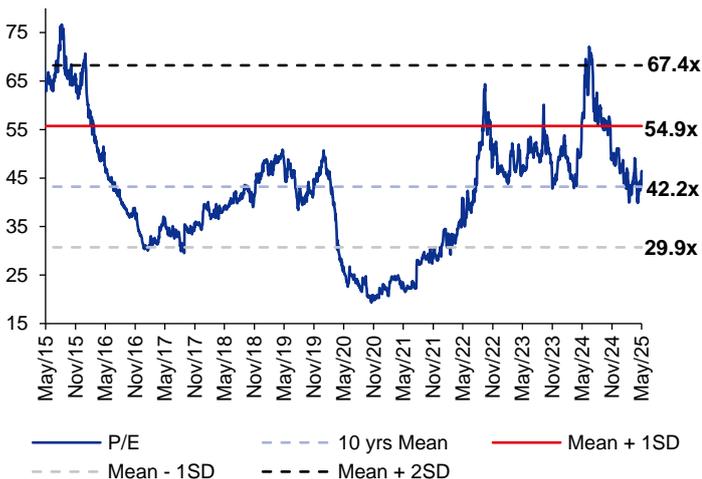
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Division-wise performance for the consolidated entity

Segmental Analysis (Rs m)	1QCY25	1QCY24	yoy % chg	4QCY24	qoq % chg
Automotive Technologies	6,942	6,106	13.7%	6,495	6.9%
Automotive Aftermarket	3,191	2,524	26.5%	3,132	1.9%
Industrial	8,494	7,573	12.2%	9,136	(7.0%)
Exports & Others	3,117	2,529	23.2%	2,597	20.0%
Total	21,744	18,731	16.1%	21,361	1.8%
Sales Mix (%)	1QCY25	1QCY24	yoy bp chg	4QCY24	qoq bp chg
Automotive Technologies (%)	32%	33%	(67.1)	30%	151.6
Automotive Aftermarket (%)	15%	13%	120.3	15%	1.3
Industrial (%)	39%	40%	(136.5)	43%	(370.8)
Exports & Others (%)	14%	14%	83.3	12%	217.9

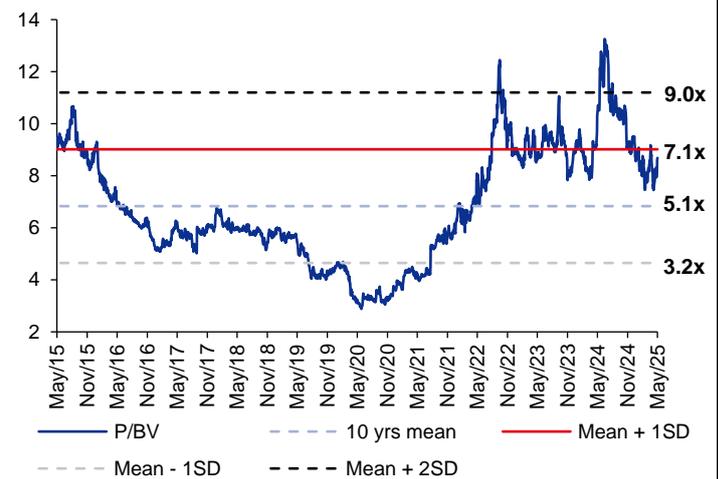
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: One-year forward P/E valuation eases to below the 10-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 5: P/BV valuation also eases close to 10-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Net Revenues	80,763	91,622	103,826	114,423
Gross Profit	30,658	34,780	39,413	43,436
Operating EBITDA	14,678	17,216	19,509	21,500
Depreciation And Amortisation	(2,688)	(3,365)	(3,770)	(4,242)
Operating EBIT	11,991	13,851	15,739	17,258
Financial Income/(Expense)	(35)	(30)	(30)	(30)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	1,219	1,366	1,529	1,713
Profit Before Tax (pre-EI)	13,175	15,186	17,238	18,941
Exceptional Items				
Pre-tax Profit	13,175	15,186	17,238	18,941
Taxation	(3,398)	(3,917)	(4,446)	(4,885)
Exceptional Income - post-tax				
Profit After Tax	9,777	11,270	12,792	14,055
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	9,777	11,270	12,792	14,055
Recurring Net Profit	9,777	11,270	12,792	14,055
Fully Diluted Recurring Net Profit	9,777	11,270	12,792	14,055

Balance Sheet

(Rs mn)	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Cash And Equivalents	13,500	19,041	23,394	27,651
Total Debtors	12,929	14,308	15,645	16,928
Inventories	14,696	16,065	18,205	20,377
Total Other Current Assets				
Total Current Assets	41,126	49,414	57,244	64,956
Fixed Assets	22,674	20,618	21,848	23,105
Total Investments				
Intangible Assets	1,513	1,513	1,513	1,513
Total Other Non-Current Assets	3,517	6,236	7,038	7,735
Total Non-current Assets	27,704	28,366	30,399	32,353
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	11,281	13,806	16,214	17,242
Other Current Liabilities	4,204	4,518	5,120	5,643
Total Current Liabilities	15,485	18,324	21,334	22,885
Total Long-term Debt				
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities				
Total Provisions				
Total Liabilities	15,485	18,324	21,334	22,885
Shareholders Equity	53,344	59,456	66,309	74,425
Minority Interests				
Total Equity	53,344	59,456	66,309	74,425

Cash Flow

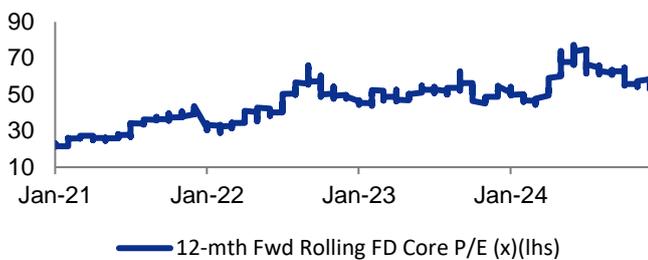
(Rs mn)	Dec-24A	Dec-25F	Dec-26F	Dec-27F
EBITDA	14,678	17,216	19,509	21,500
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(2,818)	(2,627)	(1,270)	(2,601)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(1,219)	(1,366)	(1,529)	(1,713)
Net Interest (Paid)/Received	(35)	(30)	(30)	(30)
Tax Paid	(3,398)	(3,917)	(4,446)	(4,885)
Cashflow From Operations	7,208	9,276	12,234	12,271
Capex	(7,193)	(1,309)	(5,000)	(5,500)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	1,219	1,366	1,529	1,713
Cash Flow From Investing	(5,974)	57	(3,471)	(3,787)
Debt Raised/(repaid)				
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(4,377)	(5,158)	(5,940)	(5,940)
Preferred Dividends				
Other Financing Cashflow	35	30	30	30
Cash Flow From Financing	(4,341)	(5,128)	(5,910)	(5,910)
Total Cash Generated	(3,108)	4,205	2,854	2,574
Free Cashflow To Equity	1,234	9,333	8,763	8,484
Free Cashflow To Firm	1,269	9,363	8,793	8,514

Key Ratios

	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue Growth	11.8%	13.4%	13.3%	10.2%
Operating EBITDA Growth	10.6%	17.3%	13.3%	10.2%
Operating EBITDA Margin	18.2%	18.8%	18.8%	18.8%
Net Cash Per Share (Rs)	86.37	121.82	149.67	176.91
BVPS (Rs)	341.29	380.39	424.23	476.15
Gross Interest Cover	341.61	461.69	524.63	575.25
Effective Tax Rate	25.8%	25.8%	25.8%	25.8%
Net Dividend Payout Ratio	44.8%	45.8%	46.4%	42.3%
Accounts Receivables Days	53.07	54.25	52.65	51.95
Inventory Days	101.45	98.77	97.10	99.19
Accounts Payables Days	(79.52)	(80.55)	(85.05)	(86.01)
ROIC (%)	30.1%	34.3%	36.7%	36.9%
ROCE (%)	23.7%	24.6%	25.0%	24.5%
Return On Average Assets	14.9%	15.4%	15.5%	15.2%

12-mth Fwd Rolling FD Core P/E

(x)



Key Drivers

	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Segmental Revenue	N/A	N/A	N/A	N/A
Automotive	38,057	42,943	(13)	17,939
Industrial	31,911	35,724	(23)	15,525
Exports	10,796	12,955	231	3,959
Total Revenue	80,763	91,622	N/A	37,618
yoy growth (%)	N/A	N/A	N/A	N/A
Automotive	2.1	12.8	1.1	N/A
Industrial	25.2	12.0	1.1	N/A
Exports	10.8	20.0	1.3	3,450.6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.