



India

HOLD (previously ADD)

Consensus ratings*: Buy 19 Hold 1 Sell 3

Current price:	Rs181
Target price:	Rs190
Previous target:	Rs177
Up/downside:	5.0%
InCred Research / Consensus:	9.1%

Reuters:	
Bloomberg:	MOTHERSO IN
Market cap:	US\$16,863m
	Rs1,224,499m
Average daily turnover:	US\$55.3m
	Rs4015.2m
Current shares o/s:	6,776.4m
Free float:	39.7%

*Source: Bloomberg

Key changes in this note

- FY25F-26F EBITDA raised by 4-5%.
- FY25F-26F PAT raised by 2%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(8.2)	44.5	85.0
Relative (%)	(6.4)	33.8	53.3

Major shareholders	% held
Sehgal family	50.6
Sumitomo Wiring Systems Ltd	9.7
ICICI Prudential Fund	4.0

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Samvardhana Motherson International Ltd

Good start but challenges galore

- SAMIL's 1Q EPS growth of 67% yoy & 14% qoq to Rs1.5 was sharply above our/ Bloomberg consensus estimates. Emerging businesses are impressive.
- However, the spike in net debt (30% qoq) and global automobile demand challenges limit our FY25F-26F EBITDA upgrade to 4-5%.
- Considering global operation challenges amid volatile currency & demand scenario, we downgrade our rating to HOLD with a SOTP-based TP of Rs190.

Strong 1Q EBITDA margin performance is impressive

Samvardhana Motherson International or SAMIL consol. entity's 1QFY25 EBITDA grew 44% yoy & 4% qoq to Rs27.8bn, beating our estimate (10%) & Bloomberg or BB consensus estimate (5%). The EBITDA margin was at 9.6%, +105bp yoy but -32bp qoq. The EBITDA margin growth in modules & emerging businesses helped overcome the shortfall in vision & wiring harness business (Fig. 4). Normalized PAT saw a small growth of 14% qoq to Rs9.9bn. Payment for buyouts and logistic challenges led to the rise in net debt.

Management conference-call highlights

Management announced the entry of SAMIL into the consumer electronic business through a joint venture, with a capex of Rs26bn spread over the coming years. SAMIL has started component assembly operations and plans to start making glass for smart phones in 2HFY25F as a part of its plan to increase non-automotive business from 9% of sales currently to 25% in the coming years. Management gave guidance of a softer 2QFY25F, considering the seasonality and demand weakness in electric vehicles and premium vehicles. Net debt spiked led by the payments for acquisitions and for meeting working capital requirement.

EPS upgrade by around 2% for FY25F-26F

The momentum in integrated assemblies, modules & emerging businesses was impressive, leading to around 1% sales upgrade for FY25F-26F, despite demand challenges in the global automotive segment. Considering the strong 1Q beat in EBITDA margin, we raise our EBITDA estimates by 4-5% for FY25F-26F. However, rising debt & interest costs limit the EPS upgrade to just 2%.

Downgrade to HOLD rating because of a challenging environment

We roll forward our SOTP-based target price to Rs190 (Rs177 earlier) to reflect the mark-to-market holding in Motherson Sumi Wiring at Rs12.2/share and the rise in consol. EPS. However, considering the rising risk from global demand weakness (Figs. 7 & 8), currency volatility on its global distributed manufacturing, and geopolitical tensions, we downgrade our rating on SAMIL to HOLD (from an ADD earlier). Key upside risks: Better-than-expected new acquisitions and improvement in RoCE. Downside risks: Currency volatility and margin pressure.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	787,007	984,947	1,235,674	1,407,269	1,568,609
Operating EBITDA (Rsm)	62,077	88,516	113,585	135,151	154,214
Net Profit (Rsm)	23,234	20,371	40,194	52,561	66,012
Core EPS (Rs)	2.4	3.9	5.9	7.8	9.7
Core EPS Growth	186.0%	66.8%	51.1%	30.8%	25.6%
FD Core P/E (x)	52.70	60.11	30.46	23.30	18.55
DPS (Rs)	0.5	0.8	1.3	1.8	2.2
Dividend Yield	0.30%	0.44%	0.69%	1.00%	1.22%
EV/EBITDA (x)	20.23	14.50	11.46	9.27	7.88
P/FCFE (x)	(741.17)	34.92	(29.12)	60.49	37.65
Net Gearing	30.6%	36.7%	44.0%	28.2%	18.7%
P/BV (x)	5.45	4.68	4.18	3.67	3.18
ROE	7.4%	10.9%	14.5%	16.8%	18.4%
% Change In Core EPS Estimates			2.33%	2.19%	1.15%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Good start but challenges galore

Management conference-call highlights➤

- **Financial performance:** Revenue in 1QFY25 was up 29% yoy and 8% qoq amid the muted industry volume growth. The EBITDA margin stood at 9.6%, up 105bp qoq, on the back of scale benefits and margin-accretive M&As. Global light vehicle production volume growth remained flat yoy.
- **Costs front:** Raw material costs, as a percentage of sales, witnessed a decline as the business mix changed during the quarter, mainly due to a higher contribution from integrated assemblies. Elevated power costs have softened and been covered by price hikes. The company witnessed a sharp increase in container costs and transit time due to the Red Sea crisis leading to inventory build-up while copper prices rose 16% qoq in 1QFY25.
- **Capex:** Incurred a capex of Rs10.8bn in 1QFY25. SAMIL's greenfield investments are on track and two facilities commenced production (from the earlier announced 18 facilities). Capex in FY25F stands at Rs50bn, with a variation buffer of ~10%.
- **M&A:** 1QFY25 includes the revenue from acquired assets of Rs62.48bn and EBITDA of Rs.6.88bn (all the announced acquisitions factored in fully, except AD Industries, in whose case it was consolidated for two months during the quarter).
- **EV business:** It contributed 9% to total revenue. In developed markets, especially in Europe, the delay in EV launches impacted production volume. However, management feels the momentum in the automotive business will be maintained by driving its dynamic mix comprising EV, ICE and hybrid vehicle businesses.
- **Non-automotive business:** SAMIL aims to have 25% of its revenue mix from non-automotive businesses over a longer period versus 9% currently.
- **Consumer electronics business:** SAMIL has planned an investment of ~Rs26bn over a couple of years and the production is likely to commence in 3QFY25F. The project involves both - JV with BIEL Crystal and electronics assembly services for customers. The JV formed is for glass products which is used in several electronics equipment. There could be some investment outside the JV as well. SAMIL targets a 40% RoCE from this business going ahead. The accounting for the JV with BIEL will happen via 'line by line' accounting.
- **Aerospace business:** The order book of the aerospace business is spread over 10 years, and the company expects a significant ramp-up of the same going ahead by adding capacities.
- **Debt profile:** Net debt stood at Rs133.7bn. Management stated that there are no significant payments pending with respect to the earlier acquisitions and hence, should aid in deleveraging the balance sheet. Around Rs2.4bn payment for a new acquisition (Motherhood Auto Solutions or MASL) is due.

Figure 1: Results comparison

Y/E Mar (Rs m)	1QFY25	1QFY24	yoy % chg	4QFY24	qoq % chg	Comments for the quarter
Revenue	2,88,680	2,24,622	28.5	2,68,612	7.5	3% above our estimate.
Operating expenses	2,60,927	2,05,376	27.0	2,41,927	7.9	-
EBITDA	27,753	19,246	44.2	26,686	4.0	10% above our estimate.
EBITDA margin (%)	9.6	8.6	105	9.9	(32)	62bp above our estimate.
Depn & amort.	10,646	8,389	26.9	10,878	(2.1)	In line with our estimate.
EBIT	17,107	10,857	57.6	15,807	8.2	
Interest expense	4,445	2,526	75.9	4,504	(1.3)	14% above our estimate.
Other Income	709	529	34.0	836	(15.2)	-
Pretax profit	13,371	8,860	50.9	12,140	10.1	17% above our estimate.
Tax	3,480	2,610	33.4	3,439	1.2	
Tax rate (%)	26.0	29.5	(343)	28.3	(8)	
Net profit before minority interest	9,891	6,250	58.3	8,701	13.7	
Share of profit /(loss) of Associates	-	231	(100.0)	-	#DIV/0!	
Minority Interest	(1,081)	-	-	(765)	41.2	
Normalised Net profit	10,972	6,481	69.3	9,466	15.9	15% above our estimate.
Exceptionals	-	-	nm	4,974	nm	-
Reported net profit	10,972	6,481	69.3	14,440	(24.0)	-

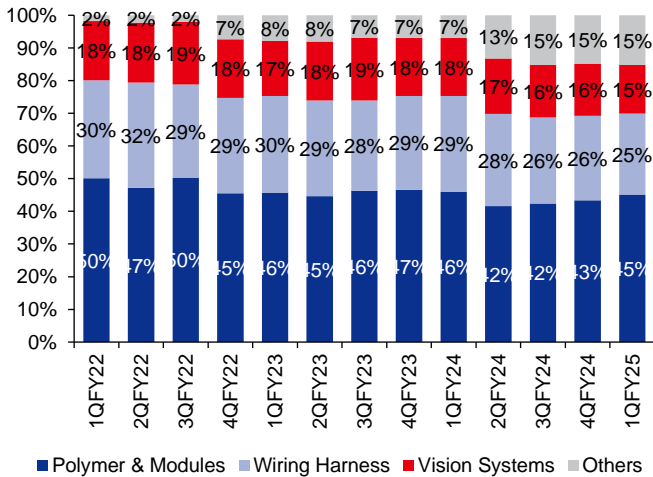
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Divisional consolidated quarterly financials

Rs m	1QFY25	1QFY24	yoy % chg	4QFY24	qoq % chg
Revenue					
Modules & Polymer Products	1,51,928	1,19,778	26.8%	1,36,889	11.0%
Wiring Harness	83,265	76,327	9.1%	81,680	1.9%
Vision Systems	49,970	46,152	8.3%	50,379	-0.8%
Others	51,140	18,116	182.3%	46,675	9.6%
EBITDA margin %					
Modules & Polymer Products	8.7%	7.5%	117	10.8%	(211)
Wiring Harness	11.7%	10.2%	150	11.1%	60
Vision Systems	9.5%	9.4%	12	12.9%	(340)
Others	11.2%	11.3%	(6)	9.2%	199

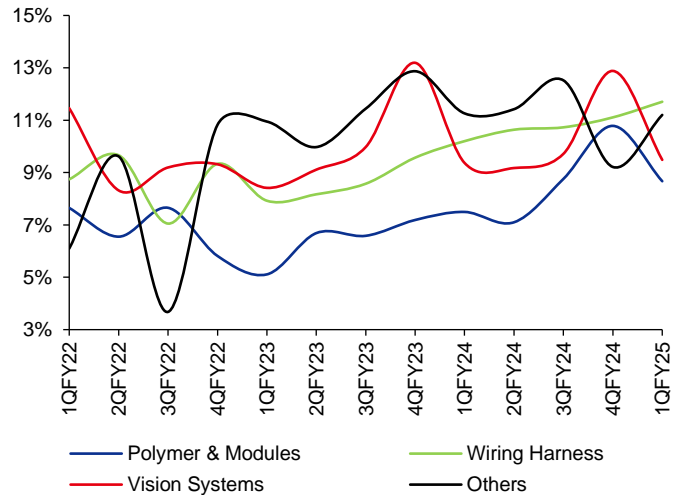
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Consolidated entity's divisional revenue share (%) trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: EBITDA margin decline in vision and polymer & modules businesses



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Net debt spike is a cause for concern

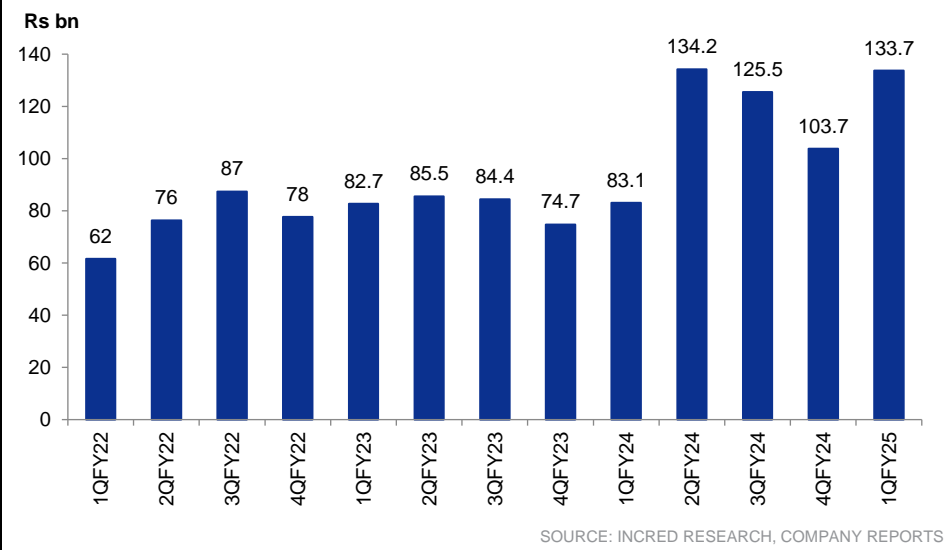


Figure 6: Commodity and container prices are showing an upward trend

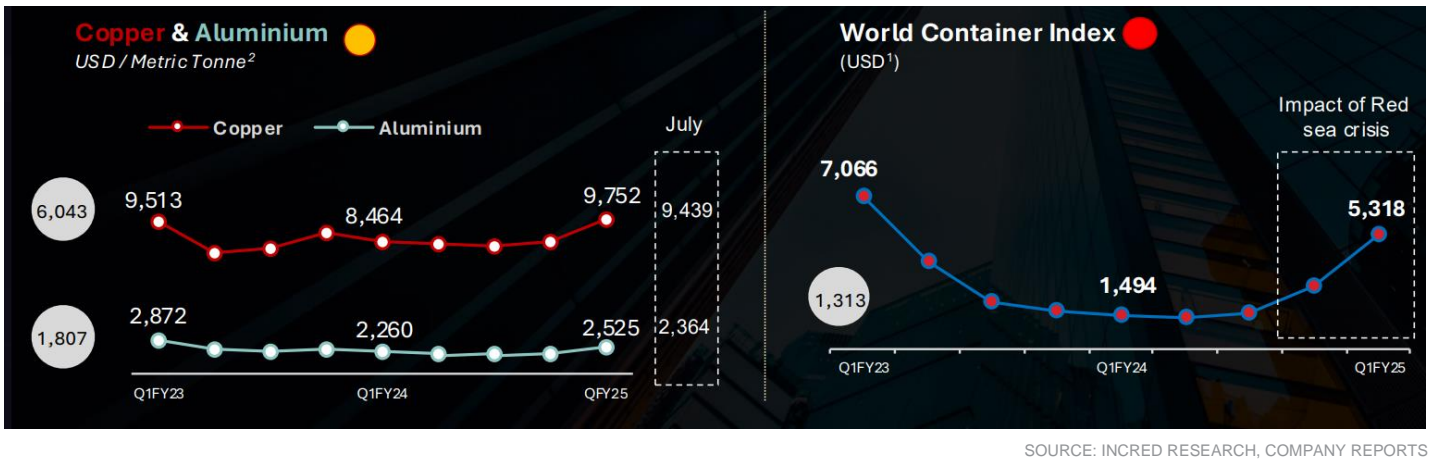


Figure 7: In Jun 2024, EU car registrations increased by 4.3% yoy

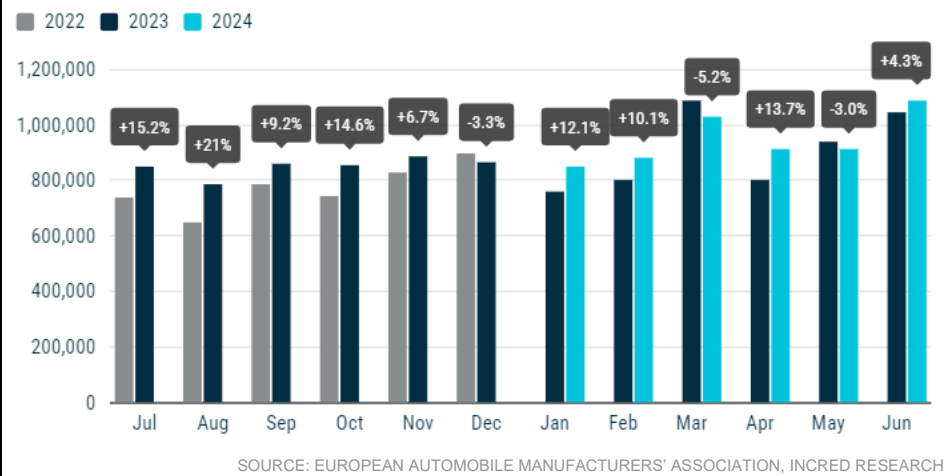
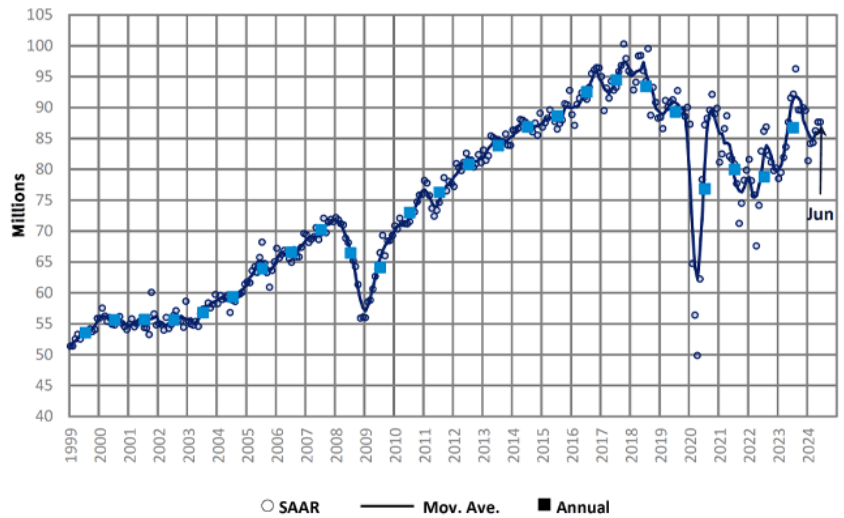


Figure 8: Global light vehicle sales update (Jun 2024)



SOURCE: MARKLINES, INCRED RESEARCH

Figure 9: Key assumptions

Standalone	FY22A	FY23A	FY24A	FY25F	FY26F	FY27F
Revenue (Rs m)	53,448	70,539	84,487	98,448	1,14,778	1,33,888
EBITDA (Rs m)	6,018	8,500	11,828	14,669	17,102	19,949
Adj. PAT (Rs m)	8,477	9,726	12,097	14,564	16,662	20,618
Adj. EPS (Rs)	1.3	1.4	1.8	2.1	2.5	3.0
EBITDA margin (%)	11.3%	12.1%	14.0%	14.9%	14.9%	14.9%
PAT margin (%)	15.9%	13.8%	14.3%	14.8%	14.5%	15.4%

SMRP BV (SMR+SMP+ Reydel)	FY22A	FY23A	FY24A	FY25F	FY26F	FY27F
Revenue (EUR m)	5,053	6,251	7,255	8,213	9,057	9,989
Revenue (Rs m)	4,37,404	5,25,118	6,16,688	6,98,113	7,69,877	8,49,033
EBITDA (Rs m)	29,265	35,308	48,334	56,999	64,132	70,777
Adj. PAT (Rs m)	3,762	7,781	13,609	19,129	24,594	32,884
EBITDA margin (%)	6.7%	6.7%	7.8%	8.2%	8.3%	8.3%
PAT margin (%)	0.9%	1.5%	2.2%	2.7%	3.2%	3.9%

PKC	FY22A	FY23A	FY24A	FY25F	FY26F	FY27F
Revenue (EUR m)	1,225	1,397	1,536	1,690	1,859	2,045
Revenue (Rs m)	1,06,048	1,17,306	1,30,573	1,43,630	1,57,993	1,73,792
EBITDA (Rs m)	4,415	7,508	10,185	11,203	12,323	13,556
Adj. PAT (Rs m)	(601)	2,251	3,967	4,410	4,905	5,455
EBITDA margin (%)	4.2%	6.4%	7.8%	7.8%	7.8%	7.8%
PAT margin (%)	-0.6%	1.9%	3.0%	3.1%	3.1%	3.1%

Consolidated	FY22A	FY23A	FY24A	FY25F	FY26F	FY27F
Revenue (Rs m)	6,35,360	7,56,039	8,79,131	9,92,312	10,99,981	12,19,780
EBITDA (Rs m)	44,614	57,346	77,455	90,689	1,02,157	1,13,742
Adj. PAT (Rs m)	8,494	18,129	27,258	40,337	52,747	66,253
Adj. EPS (Rs)	1.2	2.4	3.9	5.9	7.8	9.7
EBITDA margin (%)	7.0%	7.6%	8.8%	9.1%	9.3%	9.3%
PAT margin (%)	1.3%	2.4%	3.1%	4.1%	4.8%	5.4%

SOURCE: MARKLINES, INCRED RESEARCH

Figure 10: Our earnings revision highlights

Consolidated	FY25F		FY26F	
	Old	New	Old	New
Net sales (Rs m)	12,17,627	12,35,674	13,93,589	14,07,269
change (%)		1.5%		1.0%
EBITDA (Rs m)	1,08,344	1,13,585	1,29,606	1,35,151
change (%)		4.8%		4.3%
PAT (Rs m)	39,279	40,194	51,433	52,561
change (%)		2.3%		2.2%

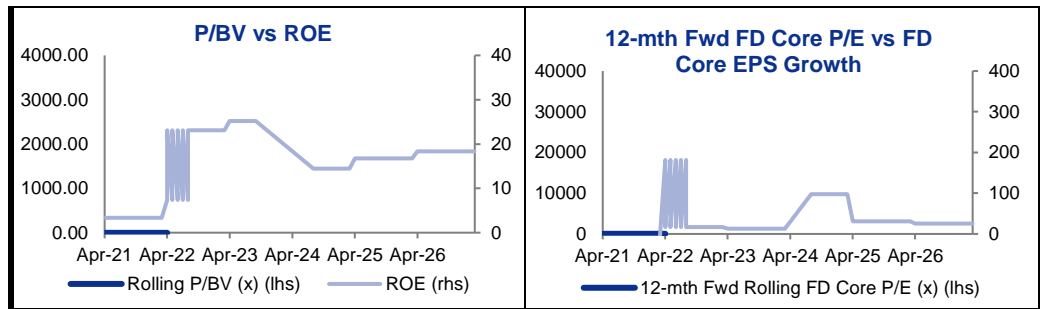
SOURCE: MARKLINES, INCRED RESEARCH

Figure 11: Sum-of-the-parts or SOTP-based target price

	EBITDA (Rs m)	Multiple (x)	Value (Rs m)	Per share (Rs)
Consolidated EBITDA	1,42,254	9	12,80,287	188.9
MSWIL (33% stake)			82,660	12.2
Less: Consol. net debt			77,596	11.5
Target value/ price			12,85,352	190

SOURCE: MARKLINES, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	787,007	984,947	1,235,674	1,407,269	1,568,609
Gross Profit	333,833	440,800	543,697	619,198	690,188
Operating EBITDA	62,077	88,516	113,585	135,151	154,214
Depreciation And Amortisation	(31,358)	(38,105)	(44,964)	(50,360)	(55,396)
Operating EBIT	30,719	50,411	68,621	84,792	98,818
Financial Income/(Expense)	(7,809)	(14,902)	(17,512)	(15,610)	(11,504)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,570	2,266	2,673	3,074	3,443
Profit Before Tax (pre-EI)	25,480	37,775	53,782	72,256	90,758
Exceptional Items					
Pre-tax Profit	25,480	37,775	53,782	72,256	90,758
Taxation	(7,352)	(10,516)	(13,446)	(19,509)	(24,505)
Exceptional Income - post-tax	7,284	(6,229)			
Profit After Tax	25,412	21,029	40,337	52,747	66,253
Minority Interests	(1,740)	(3,034)	(3,944)	(5,127)	(6,665)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(438)	2,376	3,801	4,941	6,424
Net Profit	23,234	20,371	40,194	52,561	66,012
Recurring Net Profit	15,951	26,600	40,194	52,561	66,012
Fully Diluted Recurring Net Profit	15,951	26,600	40,194	52,561	66,012

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	62,077	88,516	113,585	135,151	154,214
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(4,183)	35,244	37,156	27,083	(34,237)
(Incr)/Decr in Total Provisions	13,144	(77,335)	(111,848)	(129,000)	(92,400)
Other Non-Cash (Income)/Expense	4,897	2,199	12,308	9,619	6,652
Other Operating Cashflow					
Net Interest (Paid)/Received	(5,239)	(12,637)	(14,839)	(12,536)	(8,061)
Tax Paid	(9,402)	(12,627)	(16,135)	(23,122)	(29,043)
Cashflow From Operations	61,295	23,360	20,227	7,195	(2,875)
Capex	(50,397)	(118,049)	(130,000)	(60,000)	(65,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(6,598)	251,415	241,241	233,049	104,367
Cash Flow From Investing	(56,995)	133,365	111,241	173,049	39,367
Debt Raised/(repaid)	(5,952)	(121,657)	(173,513)	(160,000)	(3,972)
Proceeds From Issue Of Shares	2,259	(6,776)	(6,776)	(6,776)	(3,619)
Shares Repurchased					
Dividends Paid	(3,614)	(5,421)	(8,471)	(12,198)	(14,908)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(7,307)	(133,854)	(188,760)	(178,974)	(22,498)
Total Cash Generated	(3,007)	22,871	(57,291)	1,271	13,994
Free Cashflow To Equity	(1,652)	35,069	(42,044)	20,244	32,521
Free Cashflow To Firm	12,109	171,628	148,981	195,855	47,996

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	46,987	69,858	20,157	20,645	34,052
Total Debtors	98,379	171,943	186,197	185,065	201,985
Inventories	78,228	91,386	111,718	123,377	137,522
Total Other Current Assets	42,956	56,788	52,000	60,000	63,000
Total Current Assets	266,549	389,974	370,073	389,088	436,559
Fixed Assets	246,248	326,192	411,228	420,869	430,473
Total Investments	62,899	65,215	86,735	104,082	124,899
Intangible Assets					
Total Other Non-Current Assets	42,821	68,837	63,746	66,746	69,746
Total Non-current Assets	351,968	460,243	561,710	591,697	625,118
Short-term Debt	8,000	8,000	5,000	3,000	3,000
Current Portion of Long-Term Debt	48,657	100,513	95,000	70,000	65,000
Total Creditors	141,363	226,172	270,833	300,731	322,317
Other Current Liabilities	93,312	136,637	150,000	155,000	160,000
Total Current Liabilities	291,332	471,322	520,833	528,731	550,317
Total Long-term Debt	65,000	65,000	60,000	50,000	45,000
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	65,000	65,000	60,000	50,000	45,000
Total Provisions	18,416	31,740	33,128	38,741	45,278
Total Liabilities	374,748	568,062	613,960	617,472	640,595
Shareholders Equity	224,515	261,549	293,273	333,636	384,740
Minority Interests	19,254	20,606	24,550	29,677	36,342
Total Equity	243,769	282,155	317,822	363,313	421,082

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	23.9%	25.2%	25.5%	13.9%	11.5%
Operating EBITDA Growth	39.1%	42.6%	28.3%	19.0%	14.1%
Operating EBITDA Margin	7.9%	9.0%	9.2%	9.6%	9.8%
Net Cash Per Share (Rs)	(11.02)	(15.30)	(20.64)	(15.10)	(11.65)
BVPS (Rs)	33.13	38.60	43.28	49.24	56.78
Gross Interest Cover	3.93	3.38	3.92	5.43	8.59
Effective Tax Rate	28.9%	27.8%	25.0%	27.0%	27.0%
Net Dividend Payout Ratio	22.7%	20.4%	21.1%	23.2%	22.6%
Accounts Receivables Days	41.42	50.09	52.89	48.15	45.03
Inventory Days	57.45	56.89	53.57	54.44	54.20
Accounts Payables Days	102.68	123.27	131.08	132.36	129.44
ROIC (%)	12.0%	18.4%	19.5%	21.0%	24.7%
ROCE (%)	8.4%	12.1%	14.4%	17.1%	18.7%
Return On Average Assets	4.3%	6.1%	6.9%	7.7%	8.2%

Key Drivers

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
ASP (% chg, main prod./serv.)	32.0%	19.8%	16.5%	16.6%	16.6%
ASP (% chg, 2ndary prod./serv.)	23.7%	16.1%	13.2%	10.3%	10.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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