



India

ADD (previously HOLD)

Consensus ratings*: Buy 16 Hold 3 Sell 3

Current price: Rs126
 Target price: ▼ Rs152
 Previous target: Rs173
 Up/downside: 20.6%
 InCred Research / Consensus: -16.7%

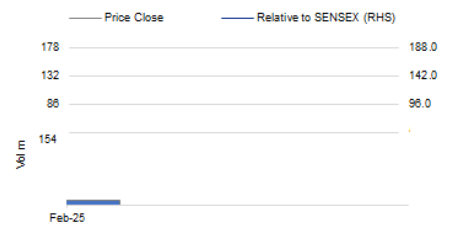
Reuters: MOSS.NS
 Bloomberg: MOTHERSO IN
 Market cap: US\$10,227m
 Rs888,023m
 Average daily turnover: US\$36.1m
 Rs3137.8m

Current shares o/s: 7,116.1m
 Free float: 39.7%

*Source: Bloomberg

Key changes in this note

- FY25F-27F sales cut by 4-5%.
- FY25F-27F EBITDA cut by 2%.
- FY25F-27F EPS cut by 4-6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(13.3)	(23.7)	10.7
Relative (%)	(12.7)	(22.0)	4.7

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

Sales growth slowdown is temporary

- Normalized 3Q PAT grew by 20% yoy and 18% qoq to Rs8.8bn, 5% below our estimate, due to weak sales growth (8% yoy) and higher interest costs.
- Cut our sales estimates by 4-5% due to a double-digit dip in developed markets but with the foray into consumer electronics, sharp revenue growth is likely.
- Steep stock price decline factors in tariff war fears. Upgrade its rating to ADD.

Sales performance disappoints in 3QFY25

Samvardhana Motherson International or SAMIL's 3QFY25 EBITDA growth of 10% qoq to Rs26.9bn was below our estimate (2%) but beat Bloomberg (BB) consensus estimate (4%). Sales decline in wiring (-4% qoq) and vision system (-2% qoq) divisions led to revenue miss of 9% vs. our estimate. The EBITDA margin at 9.7% was up 49bp yoy and 91bp qoq, mainly driven by the rise in inventory (4% of sales). The EBITDA margin improved for modules (+56bp qoq) and wiring harness (+61bp qoq). Normalized PAT grew by 18% qoq to Rs8.8bn, 5% below our/BB consensus estimates.

Management conference-call highlights

Management cut its capex guidance by 10% for FY25F to Rs45bn due to slowdown in the global premium car segment in developed nations. In 3Q, it made two acquisitions and formed two new joint ventures. With global tensions easing, management expects reduced supply chain disruptions, leading to a lower working capital requirement.

PAT cut by 4-6% for FY25F-27F

The slowdown in developed markets, especially Europe, impacting SAMIL's revenue growth, despite new M&As is a disappointment, leading us to cut FY25F-26F sales by 4-5%. Strong EBITDA margin improvement in 3Q limits the EBITDA cut to ~2% for FY25F-27F. However, the slower-than-expected interest costs reduction leads to PAT cut of 4-6% for FY25F-27F. Building in equity dilution from the recent qualified institutional placement or QIP of shares and compulsorily convertible debentures or CCDs, the EPS cut stands at ~10% for FY25F-27F.

Upgrade to ADD rating, but with a lower target price of Rs152

The sharp 40% stock price correction from its historic peak, we feel, factors in the worst of tariff war concerns. With the US easing its tariff stance, we feel that SAMIL, having a global presence, is better positioned to hand-hold its customers for local-local manufacturing with limited supply chain disruption. With 14 plants to be commissioned in the next six quarters and an improved appetite for acquisitions (net D:EBITDA ratio easing to 0.9x), we upgrade our rating on SAMIL to ADD (from HOLD) but with a lower SOTP-based target price of Rs152 (Rs173 earlier). Key downside risk is the prolonged tariff and geopolitical tensions impacting sales performance.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	787,007	984,947	1,155,113	1,325,590	1,486,107
Operating EBITDA (Rsm)	62,077	88,516	107,725	126,747	144,075
Net Profit (Rsm)	23,234	20,371	34,878	46,040	57,592
Core EPS (Rs)	2.2	3.7	4.9	6.5	8.1
Core EPS Growth	186.0%	66.8%	31.1%	32.0%	25.1%
FD Core P/E (x)	38.66	44.09	25.75	19.51	15.59
DPS (Rs)	0.5	0.8	1.2	1.6	2.0
Dividend Yield	0.40%	0.60%	0.94%	1.27%	1.58%
EV/EBITDA (x)	14.97	10.81	8.61	7.01	5.95
P/FCFE (x)	(543.62)	31.74	(9.83)	44.48	42.23
Net Gearing	30.6%	36.7%	25.2%	16.6%	12.5%
P/BV (x)	4.00	3.43	2.66	2.32	2.09
ROE	7.4%	10.9%	11.6%	12.7%	14.1%
% Change In Core EPS Estimates			(9.53%)	(9.01%)	(10.64%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Sales growth slowdown is temporary

Management conference-call highlights >

- **Automotive industry:** Management indicated that premium car makers are recalibrating their alternate fuel vehicle strategy. While mass car makers continue to see momentum in electric vehicle or EV and hybrid cars, this transition is unlikely to impact SAMIL as 90% of its portfolio is agnostic. During the quarter, global passenger vehicle or PV volume remained flattish while commercial vehicle or CV volume declined yoy. The decline in PV volume in Europe and North America was offset mainly by growth in China and India.
- **Outlook:** Macroeconomic indicators remain largely stable. Volatility in commodity and energy prices in Europe continues; however, the supply chain environment has seen an improvement. During the quarter, the shipping container crisis has eased, which is likely to improve the working capital cycle.
- **Financial performance:** Consolidated EBITDA margin grew by 91bp qoq and 49bp yoy on the back of cost-saving initiatives, localization efforts and pass-through of elevated costs to customers. Interest costs during the quarter were elevated due to a Rs350-400m forex loss, and accrual of cumulative debenture and QIP activities, but they are likely to decline by 50-75bp in 4QFY25F.
- **Capex guidance:** Management has further reduced its capex guidance by Rs5bn to Rs45bn +/- 5%. The change in capex is largely attributed to aligning with evolving market dynamics in the automotive segment while non-auto capex continues as per its plan.
- **M&A:** SAMIL announced two new acquisitions during 3Q - Atsumitec (with FY24 revenue of US\$412m) and Baldi Auto - to enable further diversification and vertical integration. The company has formed two new joint ventures with Sanko, Japan and Matsui Manufacturing Company, Japan, in packaging business (logistics solutions business division) and process segment (industrial automation), respectively.
- **Greenfield projects:** During the quarter, two greenfield projects commenced operations (consumer electronics and precision metals) and six new greenfield projects are expected to come on stream in the next two quarters.
- **Consumer electronics plant:** During the quarter, the first plant (consumer electronics) started operations, and currently it is in ramp-up mode. The second plant is likely to start operations in 2QFY26F followed by the third plant in FY27F. Management's plan is to incur a total capex of Rs26bn, out of which Rs7-8bn has already been incurred.
- **Emerging businesses:** The sequential revenue dip was due to the decline in India CV and heavy equipment segments. The acquisition of Atsumitec will benefit SAMIL as there will be expansion of its share of the business with Japanese OEMs,
- **Aerospace:** SAMIL has become a tier-1 supplier for Airbus commercial aircraft; however, it is already a tier-1 supplier for Airbus helicopters and Airbus defence and space divisions. Revenue is likely to flow in from 1QFY26F, and currently it has a large order book from two major customers.

Figure 1: Results comparison

Y/E Mar (Rs m)	3QFY25	3QFY24	yoy % chg	2QFY25	qoq % chg	9MFY25	9MFY24	yoy % chg	Comments for the quarter
Revenue	2,76,659	2,56,976	7.7	2,78,119	(0.5)	8,43,457	7,16,335	17.7	9% below our estimate.
Operating expenses	2,49,801	2,33,280	7.1	2,53,639	(1.5)	7,64,367	6,54,258	16.8	-
EBITDA	26,858	23,696	13.3	24,479	9.7	79,090	62,077	27.4	1% below our estimate.
EBITDA margin (%)	9.7	9.2	49	8.8	91	9.4	8.7	71	71bp above our estimate.
Depreciation & amortization	11,124	10,164	9.4	11,028	0.9	32,798	31,358	4.6	3% below our estimate.
EBIT	15,734	13,532	16.3	13,451	17.0	46,293	30,719	50.7	-
Interest expenses	4,661	4,293	8.6	5,462	(14.7)	14,568	7,809	86.5	11% above our estimate.
Other income	1,112	547	103.3	812	36.9	2,633	2,570	2.4	-
Pre-tax profit	12,185	9,787	24.5	8,802	38.4	34,358	25,480	34.8	In line with our estimate.
Tax	3,373	2,176	55.0	2,486	35.7	9,339	7,352	27.0	-
Tax rate (%)	27.7	22.2	545	28.2	(2)	27.2	28.9	(167.0)	-
Net profit before minority interest	8,812	7,611	15.8	6,316	39.5	25,019	18,129	38.0	-
Share of profit/(loss) of associates	1,032	641	60.9	1,842	(44.0)	3,955	(438)	1003.9	-
Minority interest	1,057	913	-	691	53.1	2,778	1,740	59.6	-
Normalized net profit	8,786	7,338	19.7	7,467	17.7	26,195	15,951	64.2	5% below our estimate.
Exceptional items	-	(1,919)	nm	1,330	nm	1,330	(995)	nm	-
Reported net profit	8,786	5,420	62.1	8,797	(0.1)	27,525	21,245	29.6	-

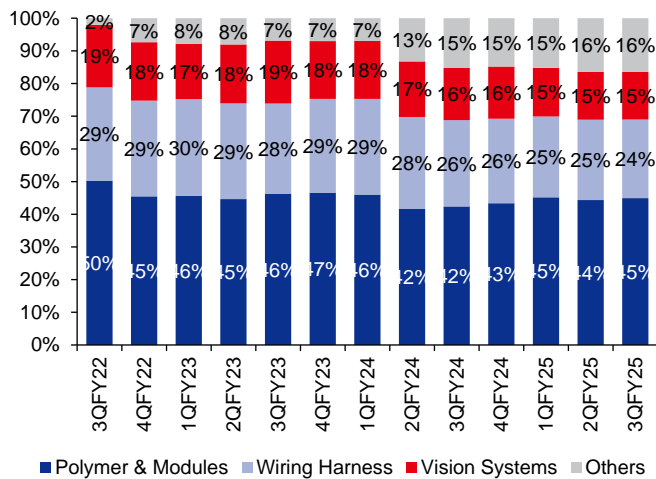
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Divisional consolidated quarterly financials

Rs m	3QFY25	3QFY24	yoy % chg	2QFY25	qoq % chg	9MFY25	9MFY24	yoy % chg
Revenue								
Modules & Polymer Products	1,46,136	1,27,534	14.6%	1,46,404	-0.2%	4,44,468	3,62,083	22.8%
Wiring Harness	78,293	79,331	-1.3%	81,112	-3.5%	2,42,670	2,33,289	4.0%
Vision Systems	47,295	48,067	-1.6%	48,075	-1.6%	1,45,339	1,41,110	3.0%
Others	53,537	45,812	16.9%	54,327	-1.5%	1,59,004	1,00,345	58.5%
EBITDA margin %								
Modules & Polymer Products	8.0%	8.8%	(75)	7.4%	56	8.0%	7.8%	23
Wiring Harness	11.8%	10.7%	107	11.2%	61	11.6%	10.5%	104
Vision Systems	9.2%	9.7%	(49)	9.2%	(1)	9.3%	9.4%	(10)
Others	13.3%	12.5%	79	12.7%	65	12.4%	11.9%	52

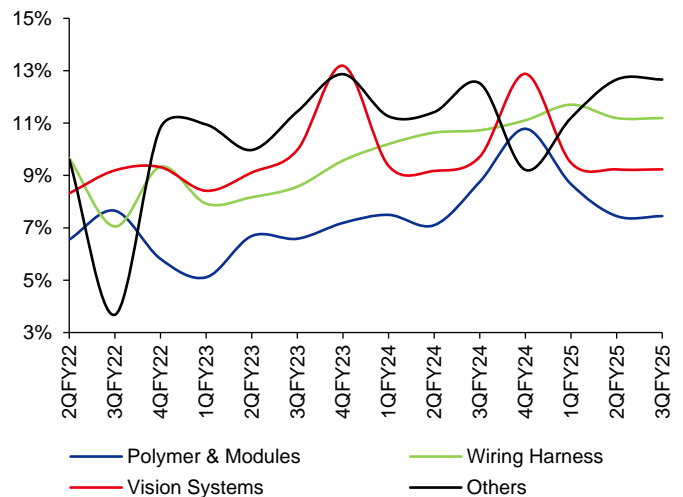
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Divisional revenue share trend (%)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: EBITDA margin trend across divisions



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Recent qualified institutional placement or QIP of shares eased net debt

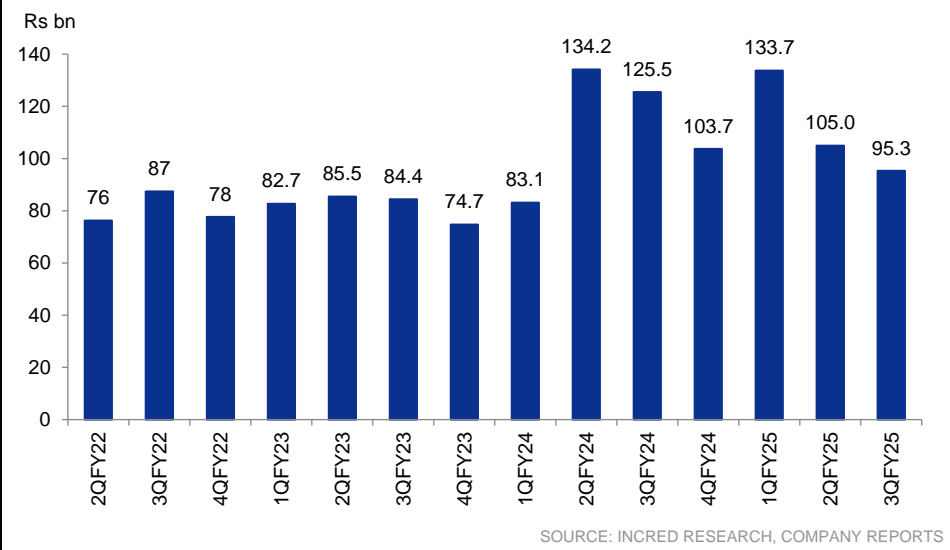


Figure 6: Macroeconomic indicators remain largely stable but volatility in commodity prices, including energy prices in Europe, continues although there is an improvement in the supply chain

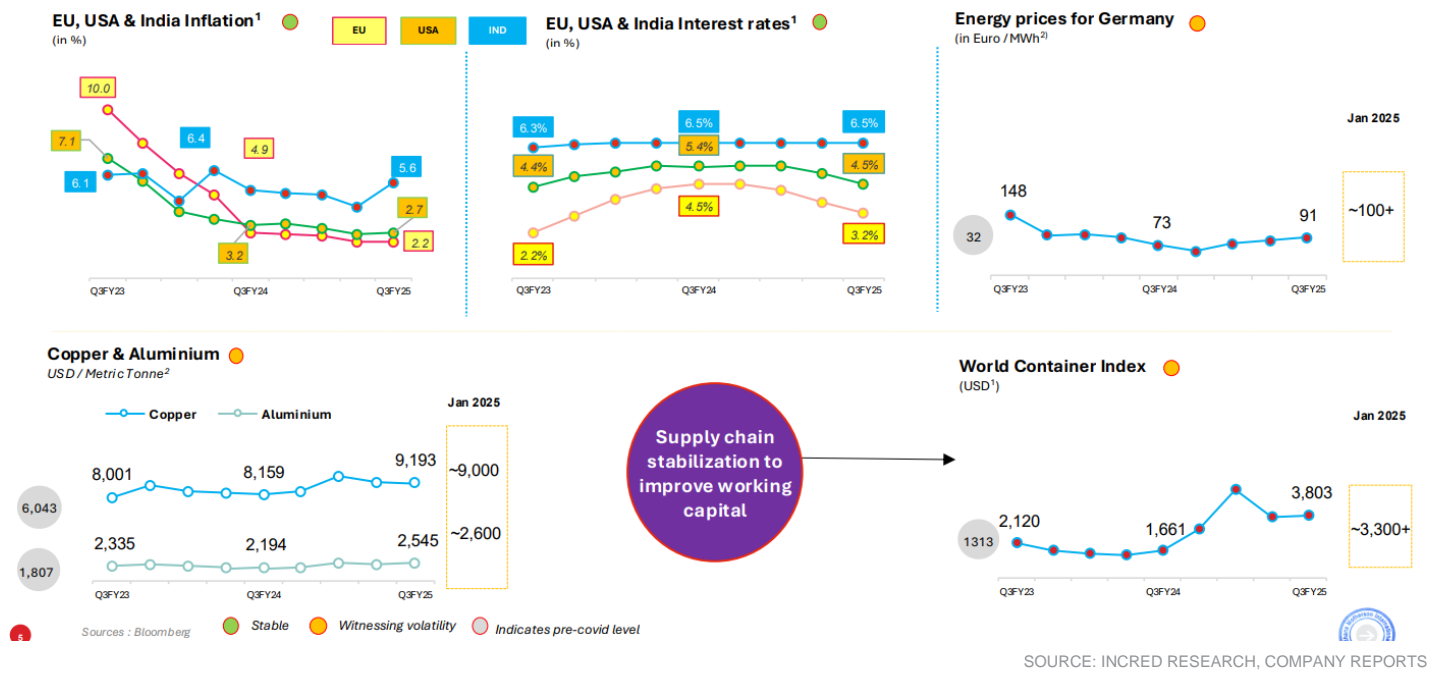


Figure 7: In the Dec 2024 quarter, new EU car registrations saw single-digit growth

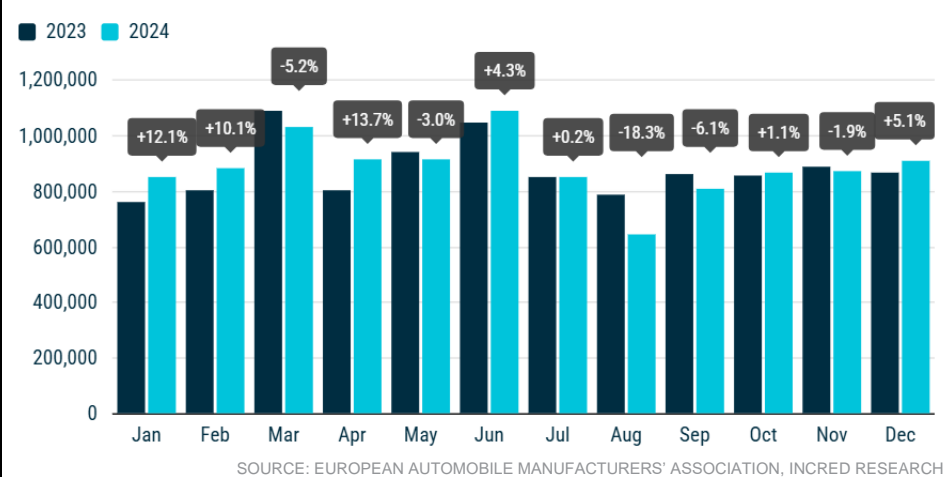


Figure 8: Upcoming facilities at various stages of completion

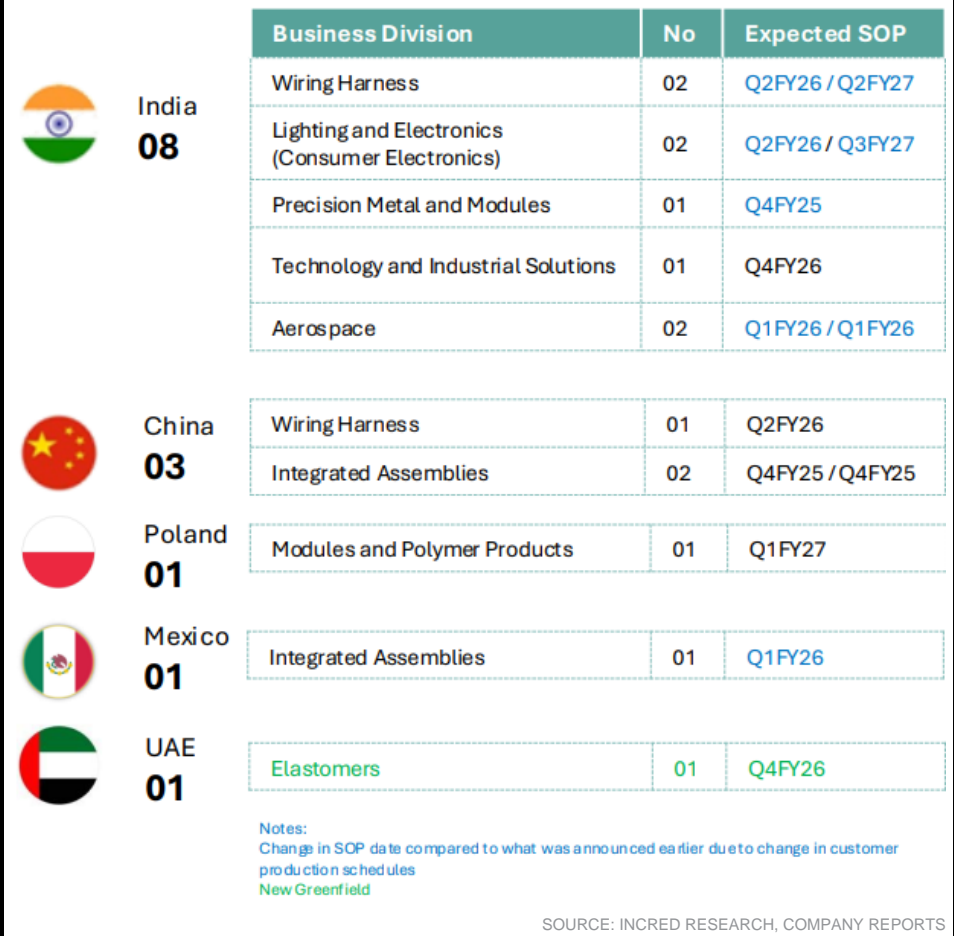


Figure 9: Global light vehicle sales update (Dec 2024)

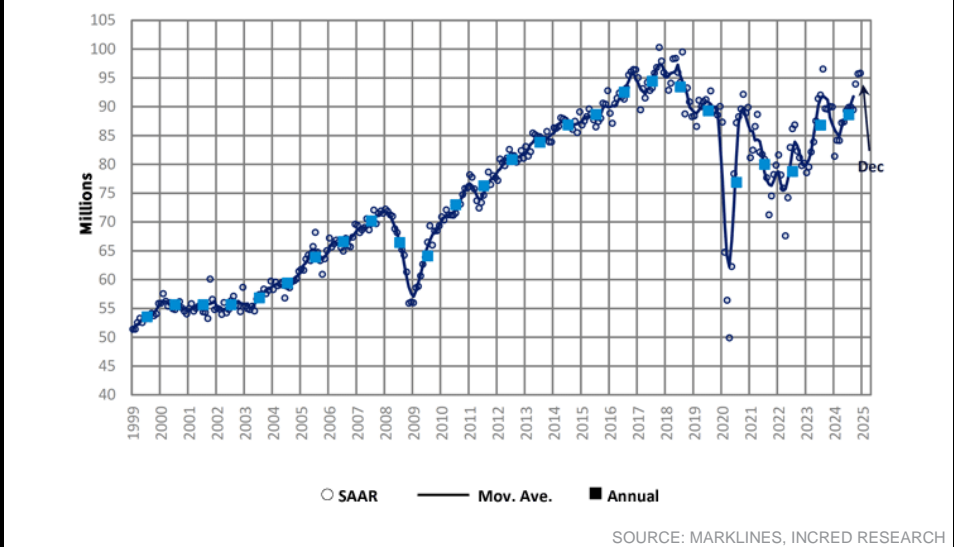


Figure 10: Key assumptions

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	FY24F	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	FY24F	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	FY24F	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	35,021	46,226	57,833
Adj. EPS (Rs)	1.2	2.4	3.9	5.0	6.5	8.1
EBITDA margin (%)	7.0%	7.6%	8.8%	9.1%	9.3%	9.3%
PAT margin (%)	1.3%	2.4%	3.1%	3.5%	4.2%	4.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Our earnings revision highlights

Consolidated	FY25F		FY26F		FY27F	
	Old	New	Old	New	Old	New
Net sales (Rs m)	12,19,614	11,55,113	13,76,889	13,25,590	15,45,963	14,86,107
change (%)		-5.3%		-3.7%		-3.9%
EBITDA (Rs m)	1,09,321	1,07,725	1,29,162	1,26,747	1,47,589	1,44,075
change (%)		-1.5%		-1.9%		-2.4%
EBITDA margin (%)	9.0%	9.3%	9.4%	9.6%	9.5%	9.7%
change (bp)		36		18		15
PAT (Rs m)	36,714	34,878	48,182	46,040	61,371	57,592
change (%)		-5.0%		-4.4%		-6.2%

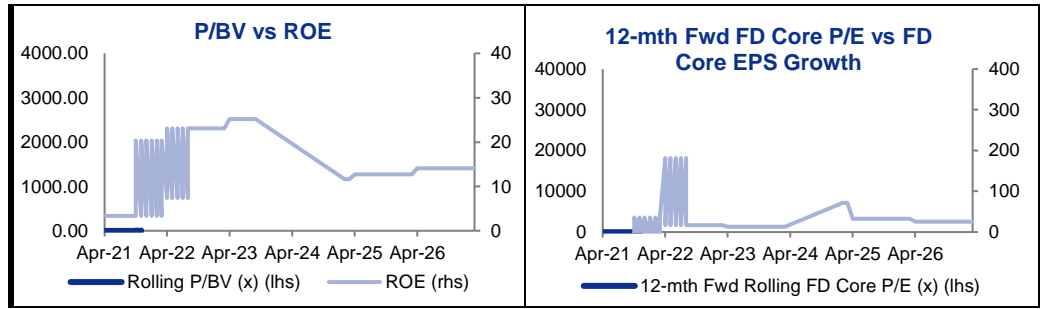
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Sum-of-the-parts or SOTP-based target price

	EBITDA (Rs m)	Multiple (x)	Value (Rs m)	Per share (Rs)
Consolidated EBITDA	1,42,129	7.5	10,65,967	149.8
MSWIL (33% stake)			57,274	8.0
Less: Consol Net debt			42,477	6.0
Target Value/ Price			10,80,764	152

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	787,007	984,947	1,155,113	1,325,590	1,486,107
Gross Profit	333,833	440,800	525,576	583,260	653,887
Operating EBITDA	62,077	88,516	107,725	126,747	144,075
Depreciation And Amortisation	(31,358)	(38,105)	(45,726)	(51,213)	(56,334)
Operating EBIT	30,719	50,411	61,999	75,534	87,741
Financial Income/(Expense)	(7,809)	(14,902)	(18,702)	(16,391)	(13,534)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,570	2,266	3,398	4,180	5,016
Profit Before Tax (pre-EI)	25,480	37,775	46,695	63,323	79,223
Exceptional Items					
Pre-tax Profit	25,480	37,775	46,695	63,323	79,223
Taxation	(7,352)	(10,516)	(11,674)	(17,097)	(21,390)
Exceptional Income - post-tax	7,284	(6,229)			
Profit After Tax	25,412	21,029	35,021	46,226	57,833
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	34,878	46,040	57,592
Recurring Net Profit	15,951	26,600	34,878	46,040	57,592
Fully Diluted Recurring Net Profit	15,951	26,600	34,878	46,040	57,592

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	62,077	88,516	107,725	126,747	144,075
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(4,183)	35,244	37,156	15,823	(5,631)
(Incr)/Decr in Total Provisions	13,144	(77,335)	(111,848)	(117,000)	(92,400)
Other Non-Cash (Income)/Expense	4,897	2,199	12,308	9,973	7,453
Other Operating Cashflow					
Net Interest (Paid)/Received	(5,239)	(12,637)	(15,304)	(12,211)	(8,518)
Tax Paid	(9,402)	(12,627)	(14,008)	(20,263)	(25,351)
Cashflow From Operations	61,295	23,360	16,028	3,069	19,628
Capex	(50,397)	(118,049)	(118,000)	(60,000)	(65,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(6,598)	244,638	184,120	202,636	70,610
Cash Flow From Investing	(56,995)	126,589	66,120	142,636	5,610
Debt Raised/(repaid)	(5,952)	(121,657)	(173,513)	(125,513)	(3,972)
Proceeds From Issue Of Shares	2,259		64,376	15,000	
Shares Repurchased					
Dividends Paid	(3,614)	(5,421)	(8,444)	(11,386)	(14,232)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(7,307)	(127,078)	(117,581)	(121,899)	(18,204)
Total Cash Generated	(3,007)	22,871	(35,433)	23,807	7,034
Free Cashflow To Equity	(1,652)	28,292	(91,365)	20,192	21,267
Free Cashflow To Firm	12,109	164,851	100,850	162,096	38,772

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	34,425	53,895	54,641
Total Debtors	98,379	171,943	158,235	174,324	191,362
Inventories	78,228	91,386	110,764	123,480	138,432
Total Other Current Assets	42,956	56,788	59,000	60,000	63,000
Total Current Assets	266,549	389,974	362,424	411,699	447,435
Fixed Assets	246,248	326,192	398,466	407,253	415,919
Total Investments	62,899	65,215	86,735	108,419	135,524
Intangible Assets					
Total Other Non-Current Assets	42,821	68,837	65,746	66,746	69,746
Total Non-current Assets	351,968	460,243	550,948	582,419	621,189
Short-term Debt	8,000	8,000	5,000	3,000	3,000
Current Portion of Long-Term Debt	48,657	100,513	55,513	70,000	65,000
Total Creditors	141,363	226,172	253,175	261,486	285,007
Other Current Liabilities	93,312	136,637	140,000	155,000	160,000
Total Current Liabilities	291,332	471,322	453,688	489,486	513,007
Total Long-term Debt	65,000	65,000	65,000	50,000	45,000
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	65,000	65,000	65,000	50,000	45,000
Total Provisions	18,416	31,740	32,773	37,940	43,901
Total Liabilities	374,748	568,062	551,462	577,426	601,908
Shareholders Equity	224,515	261,549	337,360	387,015	430,374
Minority Interests	19,254	20,606	24,550	29,677	36,342
Total Equity	243,769	282,155	361,910	416,691	466,716

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	23.9%	25.2%	17.3%	14.8%	12.1%
Operating EBITDA Growth	39.1%	42.6%	21.7%	17.7%	13.7%
Operating EBITDA Margin	7.9%	9.0%	9.3%	9.6%	9.7%
Net Cash Per Share (Rs)	(10.49)	(14.57)	(12.80)	(9.71)	(8.20)
BVPS (Rs)	31.55	36.75	47.41	54.39	60.48
Gross Interest Cover	3.93	3.38	3.32	4.61	6.48
Effective Tax Rate	28.9%	27.8%	25.0%	27.0%	27.0%
Net Dividend Payout Ratio	22.7%	20.4%	24.2%	24.7%	24.7%
Accounts Receivables Days	41.42	50.09	52.17	45.78	44.91
Inventory Days	57.45	56.89	58.60	57.59	57.44
Accounts Payables Days	102.68	123.27	138.96	126.53	119.84
ROIC (%)	12.0%	18.4%	17.6%	18.9%	21.1%
ROCE (%)	8.4%	12.1%	12.9%	14.4%	15.2%
Return On Average Assets	4.3%	6.1%	6.5%	7.1%	7.5%

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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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.