

India

ADD (no change)

Consensus ratings*: Buy 22 Hold 2 Sell 3

Current price:	Rs99
Target price:	Rs115
Previous target:	Rs118
Up/downside:	16.2%
InCred Research / Consensus:	4.4%
Reuters:	MOSS.NS
Bloomberg:	MOTHERSO IN
Market cap:	US\$11,786m
	Rs1,040,315m
Average daily turnover:	US\$23.4m
	Rs2067.2m
Current shares o/s:	10,674.1m
Free float:	39.7%

*Source: Bloomberg

Key changes in this note

- FY26F-27F EBITDA cut by 1-2%.
- FY26F-27F EPS cut by 4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.8	(6.1)	(21.3)
Relative (%)	6.5	(4.2)	(20.5)

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 ambition at a new high

- The company's five-year plan gives visibility on its ambition to quadruple sales by addressing the white spaces of geography and products via M&A activity.
- However, policy risk in its second-largest revenue geography of the US and weakness in profit margin leads to our EPS cut of 4%.
- With improved net debt/EBITDA, the company is better placed to go for M&A activity now. Maintain ADD rating with a marginally lower target price of Rs115.

The plan to quadruple sales in next five years looks ambitious

Samvardhana Motherson International or SAMIL's plan to quadruple sales in the next five years (32% CAGR) on a larger base looks stretched, while the actual delivery saw sales doubling every five years in the recent decade (Fig. 1). However, the low net debt/EBITDA ratio provides headroom for large M&A deals vs. our organic CAGR estimate of 14% for FY25-27F. Management lists white spaces, such as Korea & China geography expansion and new product penetration in the US and Europe OEMs (Fig. 3). Full product assembly capability across industries is the medium-term ambition to gain scale and chase sales.

On a gradual RoCE improvement path

Management sees the opportunity to turn around 70 loss-making units, which can add Rs11bn EBITDA in the coming years. New product display in aerospace and medical equipment segments (Fig. 8) provides hope to scale up along with a superior EBITDA margin and RoCE. The other levers that are planned to be used are reconfiguring the existing machinery, extending its life span, cut working capital requirement, and co-develop products and processes with local employees. We feel RoCE can be a better driver for shareholder value creation at this juncture.

We cut FY26F-27F EPS by 4% because of weak 1QFY26 results

The weak 1QFY26 performance was disappointing, as consolidated EBITDA dipping 14% yoy to Rs24.6bn was 14% below our estimate. Considering the car demand challenges in its second-largest market of the US due to a spike in tariff, we have cut PAT by 4% for FY26F-27F.

Maintain ADD rating because of resilient business model

Considering SAMIL's geographically diversified business model of local-for-local supply, which is helping amid the current tariff imbroglio, we maintain ADD rating on SAMIL with a marginally lower sum-of-the-parts or SOTP-based target price of Rs115 (Rs118 earlier). M&A activity in new high-growth verticals or order wins will be key drivers to watch out for. Key downside risks are a recession in developed markets and currency volatility.

Financial Summary	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	787,007	986,917	1,136,626	1,316,148	1,483,897
Operating EBITDA (Rsm)	62,077	90,486	105,519	116,019	135,691
Net Profit (Rsm)	23,234	22,342	35,370	41,743	54,545
Core EPS (Rs)	1.5	2.7	3.4	3.9	5.1
Core EPS Growth	186.0%	79.1%	28.5%	13.7%	30.7%
FD Core P/E (x)	45.28	47.09	29.75	25.21	19.29
DPS (Rs)	0.5	0.8	0.9	1.0	1.5
Dividend Yield	0.34%	0.81%	0.86%	1.01%	1.52%
EV/EBITDA (x)	17.45	12.28	10.35	8.98	7.46
P/FCFE (x)	(636.85)	(166.32)	(21.92)	26.82	6.82
Net Gearing	30.6%	36.7%	22.5%	10.9%	6.7%
P/BV (x)	4.69	4.02	3.02	2.66	2.43
ROE	7.4%	11.8%	12.0%	11.2%	13.2%
% Change In Core EPS Estimates				(4.16%)	(3.70%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Sales ambition at a new high

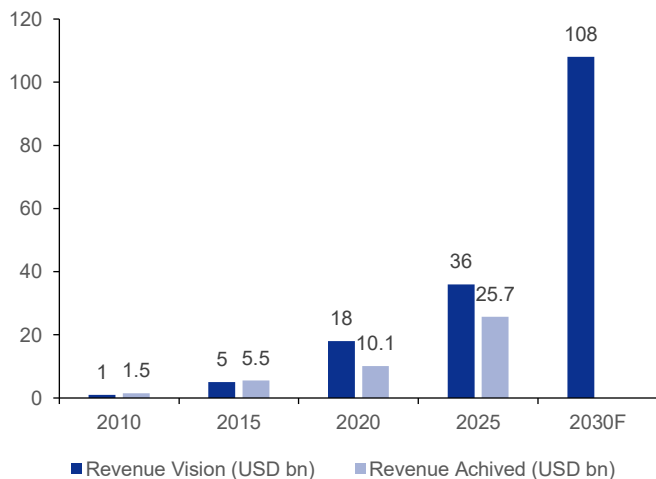
Analyst Day - Key highlights➤

- **2030 outlook:** Management has set a target of reaching a topline of US\$108bn by 2030F, up from US\$25bn in 2025F, while delivering a 40% RoCE. SAMIL will focus on local sourcing, production, and supply to ensure supply chain stability. The company also aims to keep revenue contribution from any single customer, country, or product below 10%.
- **RoCE improvement plan** – Management sees an opportunity to turn around 70 loss-making units, which can add Rs11bn in EBITDA in the coming years. The other levers are reconfiguring existing machinery, extend their life span, cut working capital requirement, and co-develop products and processes with local employees.
- **Global light vehicle production trend:** Over the last five years, the global light vehicle industry has lost nearly 60m units, compared to 2020 projection. Automotive production volume remained under pressure during the first half of SAMIL's Vision 2025 plan and has not fully recovered. Despite this, SAMIL has not altered its long-term target, remaining confident of an eventual rebound in global automobile production.
- **Operational turnaround in the last five years:** In FY20, the company had 46 EBITDA-negative entities; by FY25, this number reduced to 10. Out of these, 26 businesses turned EBITDA-positive, 5 turned EBITDA-positive but remained EBIT-negative, and 5 were restructured. The company's fixed asset turnover ratio improved from 4x to 7x, supported by efficiency gains and disciplined capital allocation. Over the five years, SAMIL has invested ~Rs150bn.
- **Financial performance:** While the global automotive industry's performance remained largely flat, SAMIL outperformed with a 2.5x topline growth in the past five years, driven by a mix of organic expansion and acquisitions. Profitability improved sharply, with EBIT tripling and PAT expanding 5x.
- **Greenfield expansion:** SAMIL has invested heavily in 37 new greenfield facilities in the last five years, of which 36 were in emerging markets. India accounted for 23, followed by China (7) and others (6). With these additions, SAMIL now operates 425 facilities globally, with most of the capex directed towards land and machinery to secure long-term cost competitiveness.
- **Acquisitions:** The company completed 23 acquisitions in the last five years. Most of the new facilities are in Europe (28 facilities), followed by India (21 facilities), with APAC and the Americas adding 19 facilities each.
- **Product diversification:** SAMIL enhanced its product portfolio by entering new categories. Contributions from integrated assembly (8% of mix) and climate systems (4%) scaled up meaningfully. The company has also entered the aerospace domain, manufacturing aircraft engine parts (1% mix) and aircraft structural parts (0.4% mix).
- **Customer diversification:** The company has successfully delivered on its target of limiting the dependence on any one customer, ensuring no single customer contributes more than 10% of its revenue. Over the last five years, 40+ customer groups were added, with more than half coming from new industries.
- **Non-automotive business:** Non-auto revenue contributed 5% to total revenue (Rs58bn) in FY25, with aerospace, logistics, health & medical, and IT accounting for 55% of this segment. This business is expected to grow steadily as diversification initiatives mature and new partnerships materialize.
- **Aerospace segment:** The aerospace business presents a 1m component opportunity, but SAMIL currently produces only 60,000 units. The segment generated US\$250m revenue in FY25, with the production centered in France. Plans are underway to transfer technology to India to benefit from cost

advantage. Additionally, SAMIL is exploring European acquisitions to gain an entry into more complex aerospace products. The company has also signed its first two maintenance contracts to supply aftermarket parts.

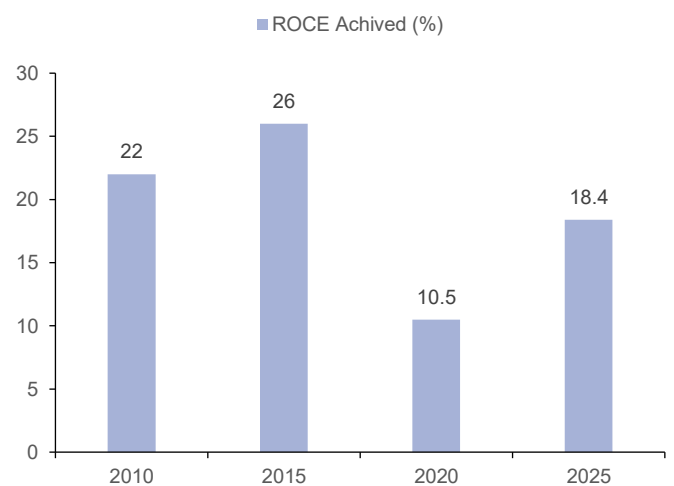
- **Consumer electronics:** This segment has grown 8–10x over the last four-to-five years, delivering profitability from Day-1. SAMIL has showcased its largest consumer electronics factory and aims to increase value addition through content expansion, design, and development of new products.
- **India market:** India remains a core growth driver, with revenue expanding 2.7x in five years to reach Rs262bn in FY25 (from Rs99bn in FY20). SAMIL operates 160+ facilities across India, with a strong focus on localization and customer proximity. Going ahead, a major share of growth capex will be directed to India, given its large market potential and cost competitiveness.
- **US market & tariffs:** Management expects no material impact from US tariffs as SAMIL follows a local sourcing and production model. In fact, intensification of tariffs may open opportunities for SAMIL's US-based operations. Risks around currency volatility and business cycles remain, but management sees the US footprint as well-positioned.
- **Japan market:** Deepened partnerships in Japan, including a 2023 global tie-up with Yachiyo for sun-roofs and fuel tanks, and a 2024 partnership with Atsumitec for machined parts catering to both two-wheelers and four-wheelers.
- **China market:** Revenue from China grew at a 20% CAGR over the last five years, reaching Rs140bn in FY25. The company supplies to 7 of the top 10 local new energy vehicle or NEV players, reflecting strong positioning in a fast-growing market. The company's China operations comprise 33 facilities, 5 product lines, and 5 joint ventures or JVs, reinforcing its scale and market relevance.

Figure 1: Sales targets lose relevance, as SAMIL missed them by a huge margin in last two five-year plans

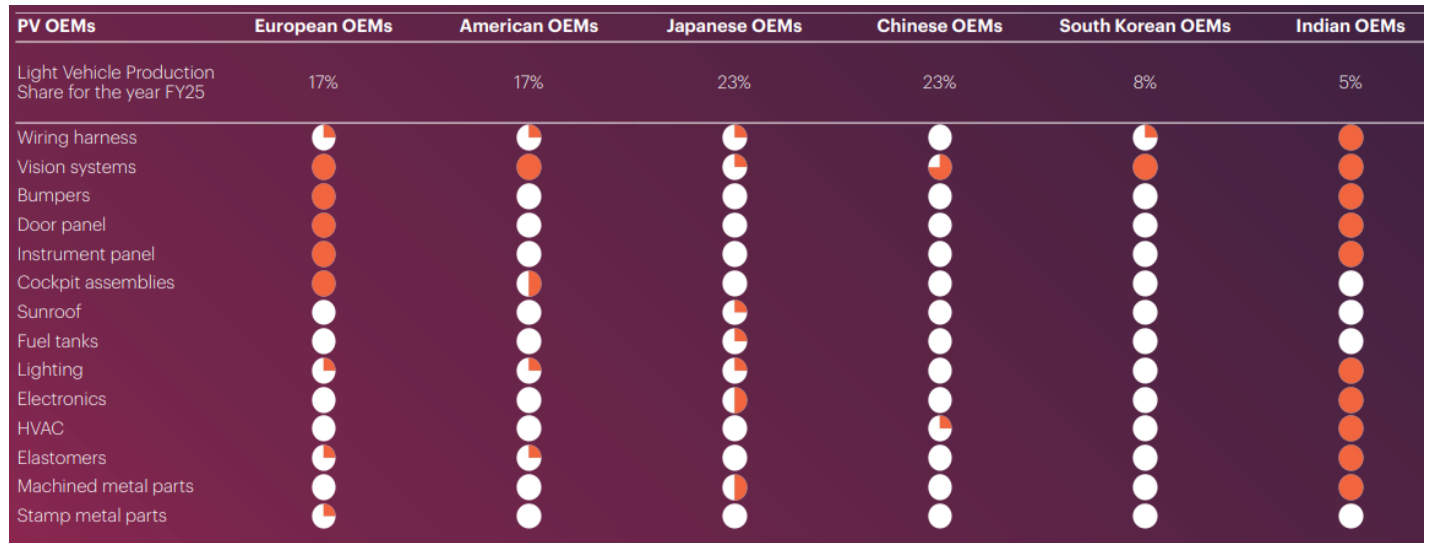


SOURCE: INCRED RESEARCH, COMPANY REPORTS

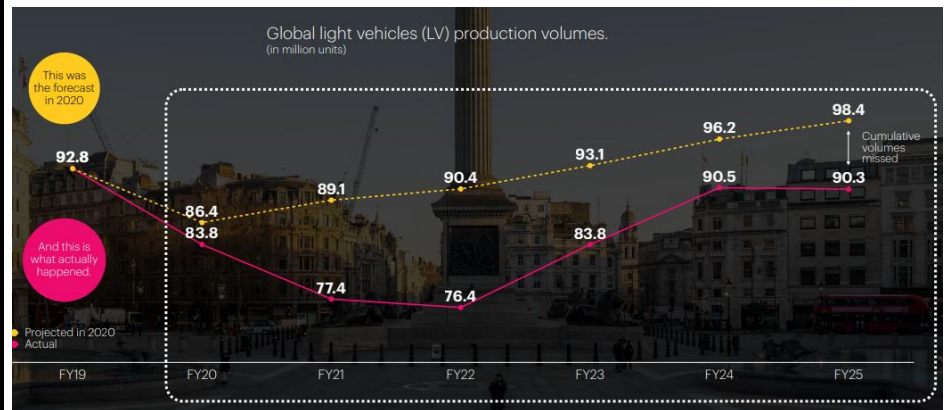
Figure 2: RoCE delivery improves, but substantially below the 40% target



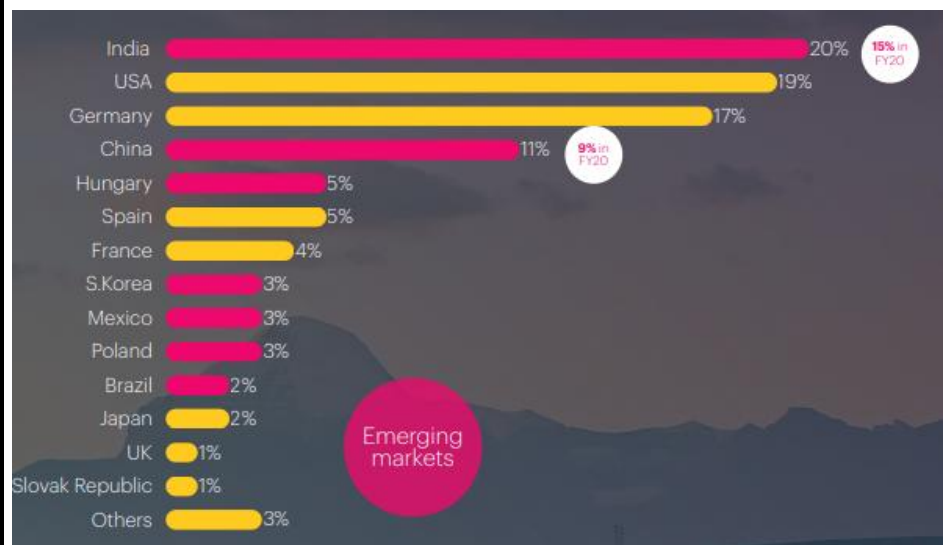
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: White space opportunities in global automotive industry

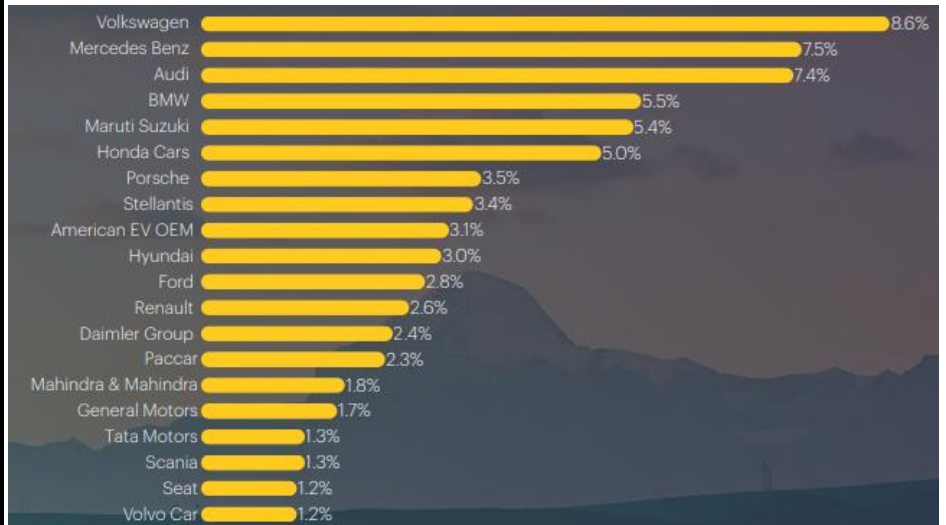
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Cumulative global car production volume lost ~60m units vs. 2020 projection

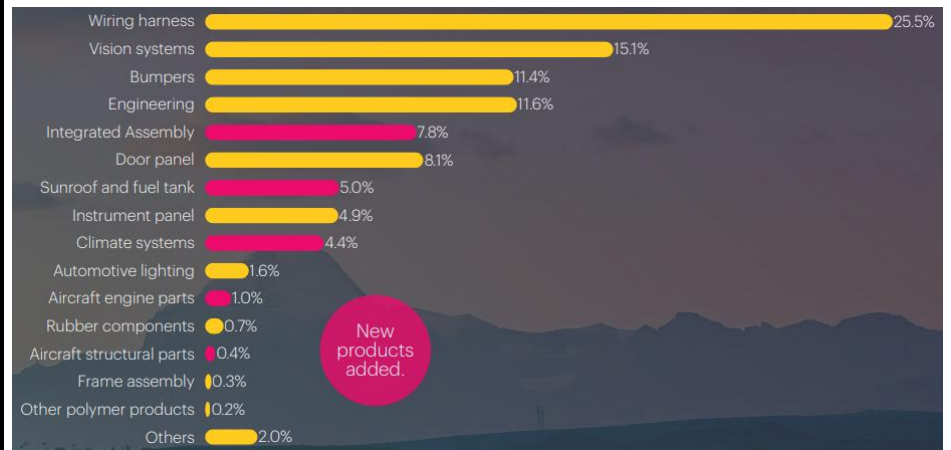
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: SAMIL's presence in emerging markets improves

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Achieves diversification target of not more than 10% revenue per customer

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Diversifies into several new components across industries

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Adds a range of new products across industries

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: End-to-end vertical integration and localization in wiring harness division

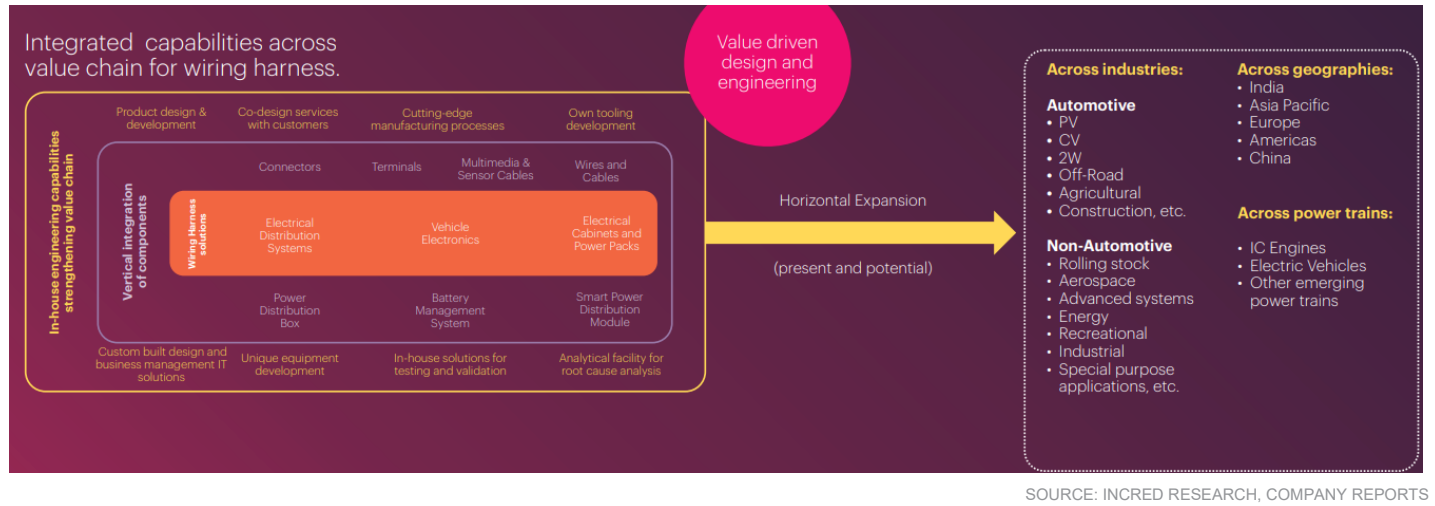
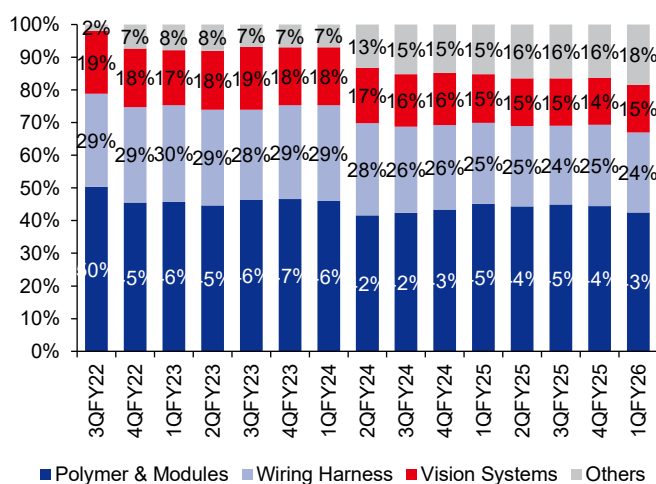


Figure 10: Full product assembly across products is the medium-term target

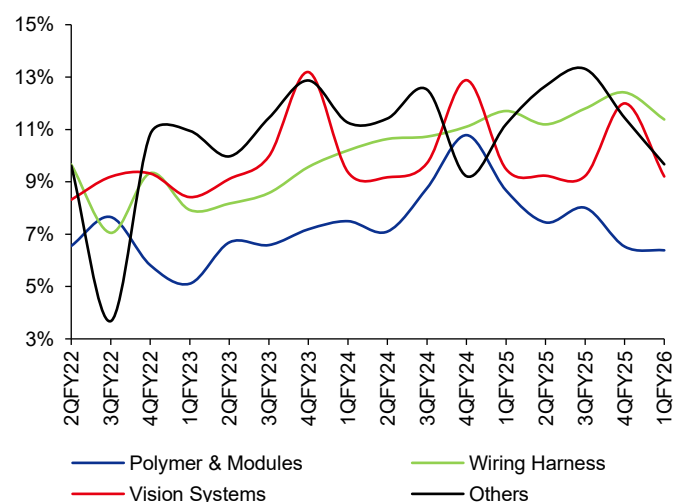


Figure 11: Division-wise revenue share trend (%)



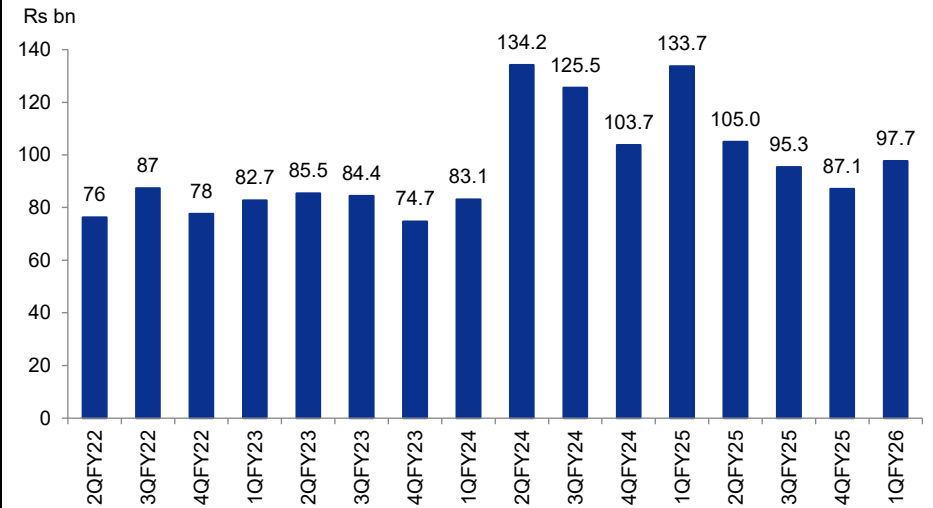
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: EBITDA margin trend across divisions



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Net debt declines



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Key assumptions

Divisional Revenue (Rs m)	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F
Modules & Polymer Products	3,53,200	4,22,557	4,99,118	5,98,059	6,75,807	7,56,903	8,32,594
Growth (%)		20%	18%	20%	13%	12%	10%
Wiring Harness	2,19,400	2,65,013	3,15,137	3,28,612	3,51,614	3,69,195	4,02,423
Growth (%)		21%	19%	4%	7%	5%	9%
Vision Systems	1,34,480	1,65,688	1,91,489	1,95,057	2,14,563	2,31,728	2,45,632
Growth (%)		23%	16%	2%	10%	8%	6%
Others	25,600	68,269	1,49,138	2,15,271	3,15,127	4,09,665	5,12,081
Growth (%)		167%	118%	44%	46%	30%	25%
Total	6,35,360	7,87,007	9,86,917	11,36,626	13,16,148	14,83,897	16,71,262
Growth (%)		24%	25%	15%	16%	13%	13%

EBITDA (Rs m)	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F
Modules & Polymer Products	24,480	27,239	43,055	48,443	50,686	59,038	66,608
EBITDA Margin (%)	7%	6%	9%	8%	8%	8%	8%
Wiring Harness	19,130	22,785	33,621	38,119	40,436	42,827	47,486
EBITDA Margin (%)	9%	9%	11%	12%	12%	12%	12%
Vision Systems	12,890	17,110	19,783	18,530	21,456	23,868	25,300
EBITDA Margin (%)	10%	10%	10%	10%	10%	10%	10%
Others	2,310	7,728	18,894	26,478	37,815	50,389	64,010
EBITDA Margin (%)	9%	11%	13%	12%	12%	12%	13%
Total EBITDA	44,614	62,077	90,486	1,05,519	1,16,019	1,35,691	1,57,699
EBITDA Margin (%)	7%	8%	9%	9%	9%	9%	9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Our earnings revision summary

Consolidated	FY26F		FY27F	
	Old	New	Old	New
Net sales (Rs m)	13,03,026	13,16,148	14,74,170	14,83,897
change (%)		1.0%		0.7%
EBITDA (Rs m)	1,18,016	1,16,019	1,37,001	1,35,691
change (%)		-1.7%		-1.0%
EBITDA margin (%)	9.1%	8.8%	9.3%	9.1%
change (bp)		-24		-15
PAT (Rs m)	43,553	41,743	56,642	54,545
change (%)		-4.2%		-3.7%

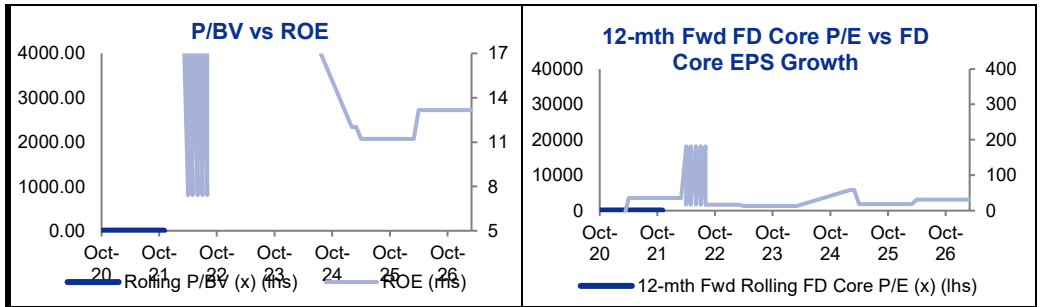
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Sum-of-the-parts or SOTP-based target price

	EBITDA (Rs m)	Multiple (x)	Value (Rs m)	Per share (Rs)
Consolidated EBITDA	1,44,422	8	11,55,379	108.2
MSWIL (33% stake)			83,056	7.8
Less: Consol. net debt			12,101	1.1
Target value/price			12,26,334	115

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	787,007	986,917	1,136,626	1,316,148	1,483,897
Gross Profit	333,833	442,770	526,104	579,105	652,915
Operating EBITDA	62,077	90,486	105,519	116,019	135,691
Depreciation And Amortisation	(31,358)	(38,105)	(44,934)	(51,225)	(57,884)
Operating EBIT	30,719	52,381	60,585	64,794	77,807
Financial Income/(Expense)	(7,809)	(14,902)	(18,824)	(16,391)	(13,805)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,570	2,266	3,797	4,670	5,371
Profit Before Tax (pre-EI)	25,480	39,745	45,558	53,074	69,373
Exceptional Items					
Pre-tax Profit	25,480	39,745	45,558	53,074	69,373
Taxation	(7,352)	(10,516)	(10,706)	(13,799)	(18,037)
Exceptional Income - post-tax	7,284	(6,229)	(1,330)		
Profit After Tax	25,412	23,000	33,522	39,274	51,336
Minority Interests	(1,740)	(3,034)	(3,427)	(4,284)	(5,569)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(438)	2,376	5,275	6,752	8,778
Net Profit	23,234	22,342	35,370	41,743	54,545
Recurring Net Profit	15,951	28,571	36,700	41,743	54,545
Fully Diluted Recurring Net Profit	15,951	28,571	36,700	41,743	54,545

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	62,077	90,486	105,519	116,019	135,691
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(4,183)	(47,175)	37,156	64,465	56,547
(Incr)/Decr in Total Provisions	13,144	56,665	(111,848)	(109,392)	(11,000)
Other Non-Cash (Income)/Expense	4,897	(1,949)	10,978	14,636	2,281
Other Operating Cashflow					
Net Interest (Paid)/Received	(5,239)	(12,637)	(15,027)	(11,721)	(8,434)
Tax Paid	(9,402)	(12,627)	(13,762)	(16,453)	(21,506)
Cashflow From Operations	61,295	72,764	13,016	57,555	153,580
Capex	(50,397)	(118,049)	(77,006)	(60,000)	(65,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(6,598)	47,616	189,500	188,104	63,215
Cash Flow From Investing	(56,995)	(70,433)	112,494	128,104	(1,785)
Debt Raised/(repaid)	(5,952)	(8,657)	(173,513)	(146,436)	2,513
Proceeds From Issue Of Shares	2,259		64,376	22,116	
Shares Repurchased					
Dividends Paid	(3,614)	(8,539)	(9,073)	(10,674)	(16,011)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(7,307)	(17,196)	(118,210)	(134,994)	(13,498)
Total Cash Generated	(3,007)	(14,865)	7,300	50,665	138,298
Free Cashflow To Equity	(1,652)	(6,326)	(48,003)	39,223	154,309
Free Cashflow To Firm	12,109	17,233	144,334	202,050	165,601

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	46,987	69,858	62,888	77,004	81,709
Total Debtors	98,379	171,943	193,284	209,141	223,601
Inventories	78,228	91,386	107,873	122,600	138,226
Total Other Current Assets	42,956	56,788	60,864	62,000	65,000
Total Current Assets	266,549	389,974	424,909	470,745	508,536
Fixed Assets	246,248	326,192	358,264	367,039	374,155
Total Investments	62,899	65,215	65,996	82,495	103,119
Intangible Assets					
Total Other Non-Current Assets	42,821	68,837	79,304	75,413	78,413
Total Non-current Assets	351,968	460,243	503,564	524,947	555,686
Short-term Debt	8,000	8,000	5,000	3,000	3,000
Current Portion of Long-Term Debt	48,657	100,513	76,436	70,000	65,000
Total Creditors	141,363	226,172	236,692	259,624	284,583
Other Current Liabilities	93,312	136,637	140,613	155,000	160,000
Total Current Liabilities	291,332	471,322	458,741	487,624	512,583
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	33,447	36,431	40,899
Total Liabilities	374,748	568,062	557,188	574,054	598,482
Shareholders Equity	224,515	261,549	348,803	394,872	433,406
Minority Interests	19,254	20,606	22,482	26,766	32,334
Total Equity	243,769	282,155	371,285	421,638	465,740

Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	23.9%	25.4%	15.2%	15.8%	12.7%
Operating EBITDA Growth	39.1%	45.8%	16.6%	10.0%	17.0%
Operating EBITDA Margin	7.9%	9.2%	9.3%	8.8%	9.1%
Net Cash Per Share (Rs)	(7.00)	(9.71)	(7.83)	(4.31)	(2.93)
BVPS (Rs)	21.03	24.50	32.68	36.99	40.60
Gross Interest Cover	3.93	3.52	3.22	3.95	5.64
Effective Tax Rate	28.9%	26.5%	23.5%	26.0%	26.0%
Net Dividend Payout Ratio	22.7%	29.9%	24.7%	25.6%	29.4%
Accounts Receivables Days	41.42	49.99	58.64	55.80	53.22
Inventory Days	57.45	56.89	59.56	57.07	57.28
Accounts Payables Days	102.68	123.27	138.36	122.89	119.52
ROIC (%)	12.0%	19.1%	17.2%	15.3%	18.5%
ROCE (%)	8.4%	12.6%	12.2%	11.9%	13.5%
Return On Average Assets	4.3%	6.3%	6.6%	6.5%	7.2%

Key Drivers

	Mar-23A	Mar-24A	Mar-25A	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.