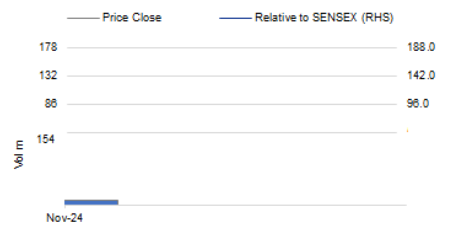


India
HOLD (no change)

Consensus ratings*: Buy 18 Hold 2 Sell 2	
Current price:	Rs166
Target price:	Rs173
Previous target:	Rs190
Up/downside:	4.2%
InCred Research / Consensus:	-12.7%
Reuters:	MOSS.NS
Bloomberg:	MOTHERSO IN
Market cap:	US\$13,843m
	Rs1,168,270m
Average daily turnover:	US\$51.3m
	Rs4329.8m
Current shares o/s:	6,776.4m
Free float:	39.7%
*Source: Bloomberg	

Key changes in this note

- FY25F-27F sales cut by around 2%.
- FY25F-27F EBITDA cut by 4%.
- FY25F-27F EPS cut by 7-9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(22.0)	(11.8)	82.5
Relative (%)	(19.3)	(11.5)	50.6

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

Research Analyst(s)



Pramod AMTHE
 T (91) 22 4161 1541
 E pramod.amthe@incredresearch.com
Ravi GUPTA
 T (91) 02241611552
 E ravi.gupta@incredresearch.com

Samvardhana Motherson International Ltd

Profits weaken; balance sheet strengthens

- 2Q normalized EPS dip of 25% qoq to Rs1.1 was a big miss to our/Bloomberg consensus estimates due to a 12% miss in EBITDA & higher interest costs.
- Recent QIP fund-raising of Rs6.6bn should help address debt & interest costs, but subdued Europe sales are a cause of concern. We cut EPS by 7-9%.
- Maintain our HOLD rating as short-term macroeconomic weakness to impact EPS, while a strong balance sheet can lead to a bigger M&A opportunity.

2Q EPS disappoints; net debt easing provides comfort

Samvardhana Motherson International or SAMIL's 2Q EBITDA dip of 12% qoq to Rs24.5bn was sharply below our estimate (12%) & Bloomberg (BB) consensus estimate (14%). Slow sales growth in wiring and vision systems divisions led to EBITDA miss. Emerging business EBITDA growth of 22% qoq was impressive. The EBITDA margin at 8.8% was up 76bp yoy but down by 81bp qoq. There was an 80bp miss vs. InCred estimate of 9.6%. The EBITDA margin corrected sharply for modules (-122bp qoq) and wiring harness (-51bp qoq). Interest expenses rose by 23% qoq to Rs5.5bn, 30% above the InCred estimate. Normalized PAT drop of 25% qoq to Rs74.7bn was a big 20+% miss to our/BB consensus estimates. QIP fund-raising of Rs64.4bn helped ease net debt by 22% qoq to Rs105bn.

Management conference-call highlights

Despite industry decline, the organic business witnessed ~4-5% growth over the market. During 1HFY25, total capex was Rs20.24bn, with the guidance reduced to Rs50bn (+/- 5%) from (+/- 10%), despite the addition of Yachiyo, ADI and Lumen. As many as 8 out of the remaining 14 greenfield facilities are expected to come on stream in 2HFY25F.

FY25F-27F EBITDA cut by around 4%

Considering the double-digit decline in Europe sales volume since Aug 2024 and guidance cut by European car makers during the Sep 2024 quarter results, we have cut FY25F-27F sales estimates by around 2%. Building in weakness in the profitability of modules and wiring divisions, we have cut FY25-27F EBITDA by 4%. Elevated interest expenses in the short term and equity fund raising-led dilution led to our EPS cut of 7-9% for FY25F-27F.

Macroeconomic challenges lead us to maintain our HOLD rating

The prolonged slowdown in Europe and policy risk from US manufacturing makes the macroeconomic situation challenging for SAMIL. With currency volatility on its global distributed manufacturing, as well as geopolitical tensions, we maintain our REDUCE rating on SAMIL with a lower SOTP-based target price of Rs173 (Rs190 earlier) to factor in equity dilution. However, net debt comfort improving the M&A opportunity in the medium term may limit the downside in the stock price. Upside risks: Better-than-expected new acquisitions and improvement in RoCE. Downside risk: Delay in commissioning of greenfield plants.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	787,007	984,947	1,219,614	1,376,889	1,545,963
Operating EBITDA (Rsm)	62,077	88,516	109,321	129,162	147,589
Net Profit (Rsm)	23,234	20,371	36,714	48,182	61,371
Core EPS (Rs)	2.4	3.9	5.4	7.1	9.1
Core EPS Growth	186.0%	66.8%	38.0%	31.2%	27.4%
FD Core P/E (x)	48.43	55.23	30.65	23.35	18.33
DPS (Rs)	0.5	0.8	1.2	1.6	2.0
Dividend Yield	0.32%	0.48%	0.75%	1.00%	1.25%
EV/EBITDA (x)	18.62	13.38	10.51	8.59	7.28
P/FCFE (x)	(193.88)	4.56	7.53	4.19	9.54
Net Gearing	30.6%	36.7%	23.7%	14.4%	8.3%
P/BV (x)	5.01	4.30	3.32	2.99	2.66
ROE	7.4%	10.9%	12.2%	13.5%	15.4%
% Change In Core EPS Estimates			(8.66%)	(8.33%)	(7.03%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profits weaken; balance sheet strengthens

Management conference-call highlights ►

- Outlook:** 2Q is a seasonally weak quarter due to plant shutdowns in Europe. Global automotive production declined by 5% yoy, as Europe is facing a delay in new launches due to weak demand. In China, there is a shift in interest to regional players from international players. Globally, EVs are not growing, as anticipated, except in China. Logistics and supply challenges led to an increase in the inventory level and working capital requirement.
- Costs front:** Interest and inflation have stabilized, while copper prices saw an uptick. Energy costs in Europe are on an upward trajectory.
- Financial performance:** Revenue from acquired assets stood at Rs62bn in 2QFY25 vs. Rs18.51bn in 2QFY24, despite industry decline, and the organic business witnessing ~4-5% growth over market growth.
- Automotive business:** The automotive order book stands at US\$87.7bn, which the company targets to execute in the next five-to-six years. The share of electric vehicles or EVs was ~24% in the total order book.
- International business:** European car market demand remains subdued as seen by the delay in EV (car) production. The Chinese market saw a low single-digit decline in production volume in commercial vehicle and passenger vehicle segments.
- Capex:** During 1HFY25, total capex was Rs20.24bn, with the capex guidance reduced to Rs50bn (+/- 5%) from (+/- 10%), despite the addition of Yachiyo, ADI and Lumen. 8 facilities out of the remaining 14 are expected to come on stream in 2HFY25F.
- Fund-raising & net debt:** Out of Rs 64.38bn raised (equity + CCD), ~Rs60bn was utilized till 12 Nov 2024 for repayment of debt and general corporate purposes. The remaining proceeds will be used to repay debt, as per upcoming maturities. The net debt-to-EBITDA ratio was at 1x in 2Q. Management's endeavour is to achieve 0.5-0.75x by the end of FY25F.
- Non-automotive business:** This business has an annual run-rate of Rs30bn, while the consumer electronics business is yet to ramp up.
- Aerospace business:** Has a footprint across four countries with 16 facilities and a mix of best-cost and near-shore presence.
- Consumer electronics:** The first batch of products delivered in early Nov 2024. Mass production to start in second half of the month.
- Logistics solutions:** A new joint venture has been formed in Japan, with the existing partner, Hamakyorex, to focus on core logistics services such as 3PL, EXIM, packaging and warehousing to various industries in Japan.

Figure 1: Results comparison

Y/E Mar (Rs m)	2QFY25	2QFY24	yoy % chg	1QFY25	qoq % chg	1HFY25	1HFY24	yoy % chg	Comments for the quarter
Revenue	2,78,119	2,34,738	18.5	2,88,680	(3.7)	9,84,947	7,87,007	25.2	4% below our estimate.
Operating expenses	2,53,639	2,15,850	17.5	2,60,927	(2.8)	8,96,431	7,24,929	23.7	-
EBITDA	24,479	18,888	29.6	27,753	(11.8)	88,516	62,077	42.6	12% below our estimate.
EBITDA margin (%)	8.8	8.0	76	9.6	(81)	9.0	7.9	110	80bp below our estimate.
Depreciation & amortization	11,028	8,674	27.1	10,646	3.6	38,105	31,358	21.5	In line with our estimate.
EBIT	13,451	10,215	31.7	17,107	(21.4)	50,411	30,719	64.1	-
Interest expenses	5,462	3,579	52.6	4,445	22.9	14,902	7,809	90.8	30% above our estimate.
Other income	812	354	129.7	709	14.6	2,266	2,570	(11.9)	-
Pre-tax profit	8,802	6,989	25.9	13,371	(34.2)	37,775	25,480	48.3	33% below our estimate.
Tax	2,486	2,292	8.5	3,480	(28.6)	10,516	7,352	43.0	-
Tax rate (%)	28.2	32.8	(455)	26.0	9	27.8	28.9	(101.3)	-
Net profit before minority interest	6,316	4,697	34.5	9,891	(36.1)	27,258	18,129	50.4	-
Share of profit /loss) of associates	1,842	738	149.5	1,081	70.5	2,376	(438)	643.0	-
Minority interest	691	-	-	1,030	(32.9)	3,034	1,740	74.3	-
Normalized net profit	7,467	5,435	37.4	9,942	(24.9)	26,600	15,951	66.8	11% below our estimate.
Exceptional items	1,330	(2,484)	nm	-	nm	572	(995)	nm	-
Reported net profit	8,797	2,951	198.1	9,942	(11.5)	21,514	21,245	1.3	-

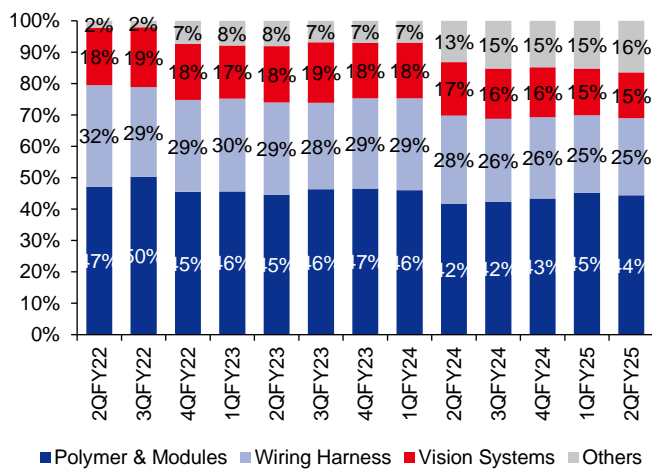
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Divisional consolidated quarterly financials

Rs m	2QFY25	2QFY24	yoy % chg	1QFY25	qoq % chg	1HFY25	1HFY24	yoy % chg
Revenue								
Modules & Polymer Products	1,46,404	1,14,771	27.6%	1,51,928	-3.6%	4,99,118	4,22,557	18.1%
Wiring Harness	81,112	77,631	4.5%	83,265	-2.6%	3,15,137	2,65,013	18.9%
Vision Systems	48,075	46,892	2.5%	49,970	-3.8%	1,91,489	1,65,688	15.6%
Others	54,327	36,417	49.2%	51,140	6.2%	1,47,168	68,269	115.6%
EBITDA margin %								
Modules & Polymer Products	7.4%	7.1%	35	8.7%	(122)	8.6%	6.4%	218
Wiring Harness	11.2%	10.6%	56	11.7%	(51)	10.7%	8.6%	207
Vision Systems	9.2%	9.2%	6	9.5%	(25)	10.3%	10.3%	0
Others	12.7%	11.4%	125	11.2%	146	12.8%	11.3%	152

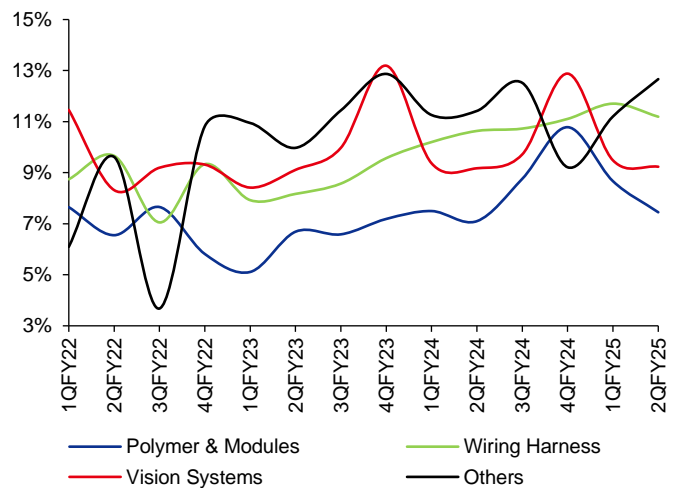
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Divisional revenue share trend (%)



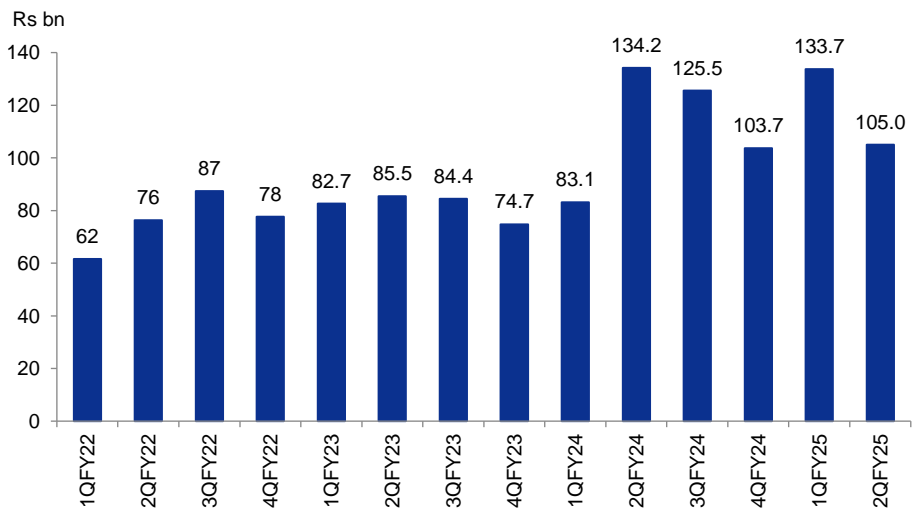
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: EBITDA margin decline in module and wiring divisions



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Mixed macroeconomic indicators - stable inflation and interest rates while volatility in commodities, energy and logistics costs

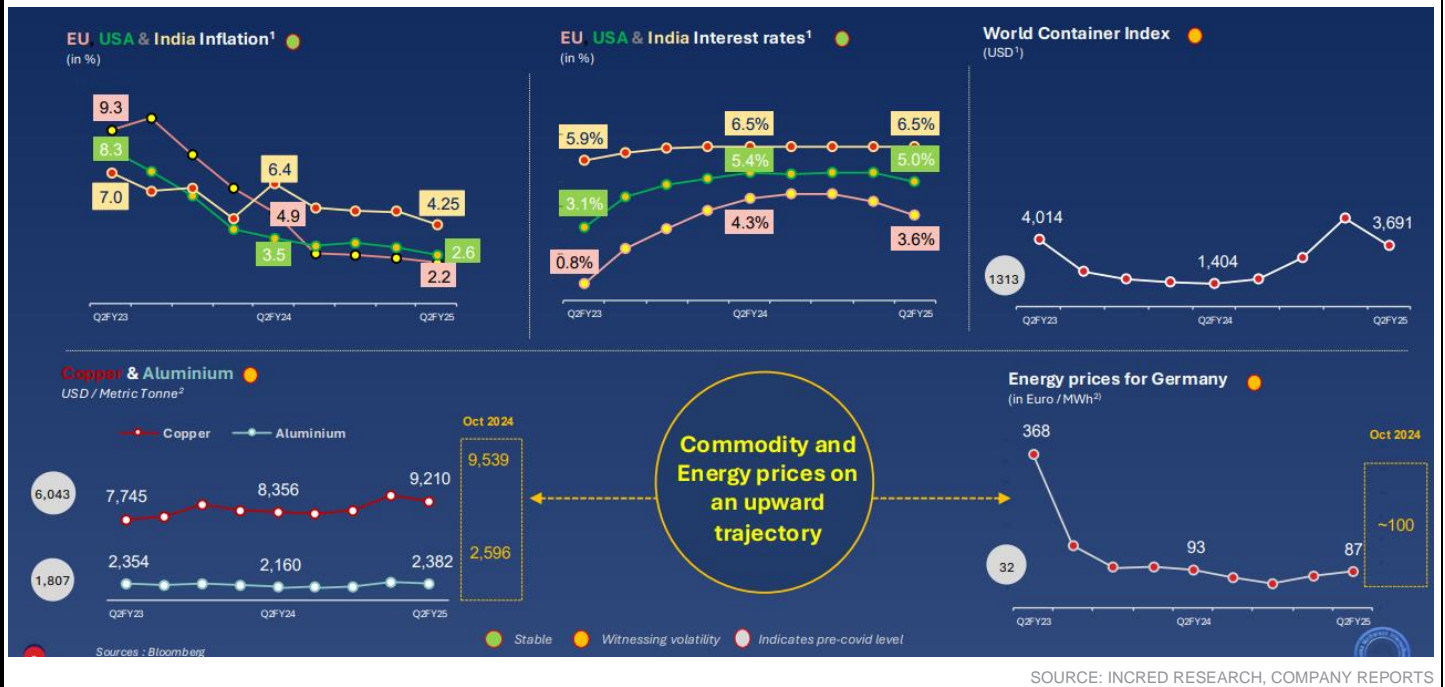


Figure 7: Volatility in OEMs' production impacts inventory days

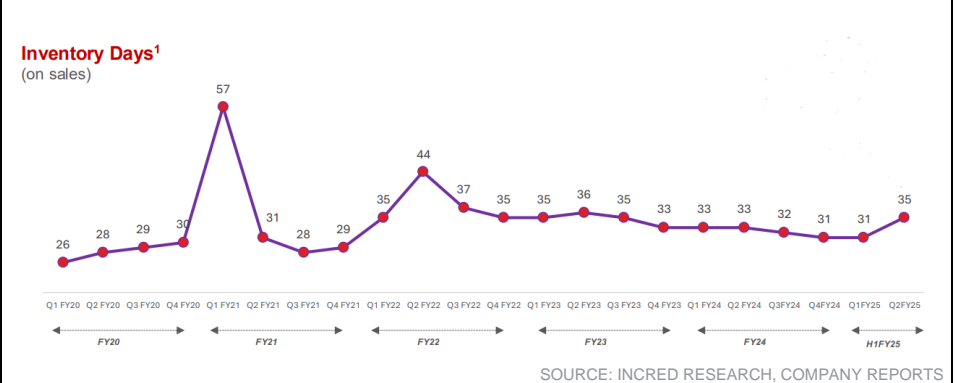


Figure 8: In Sep 2024, new EU car registrations continued their downward trajectory (-6.1%)

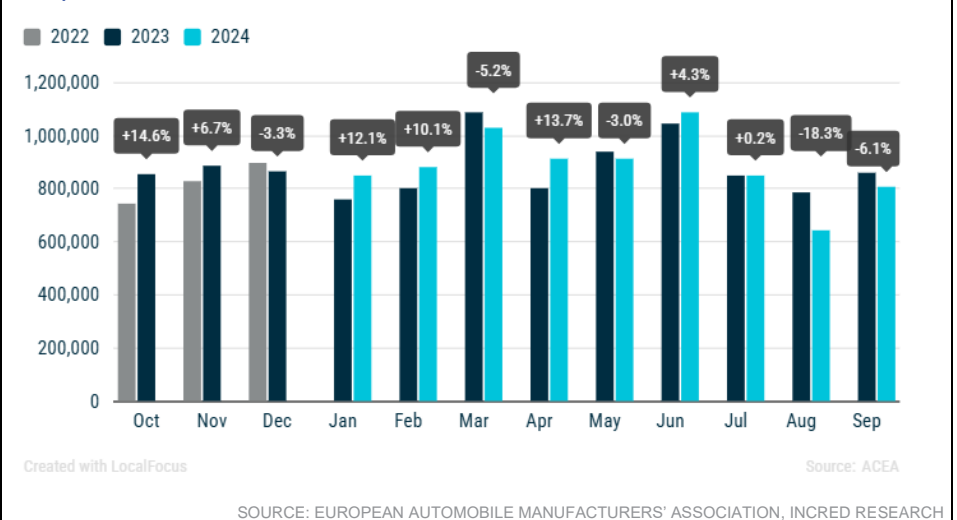
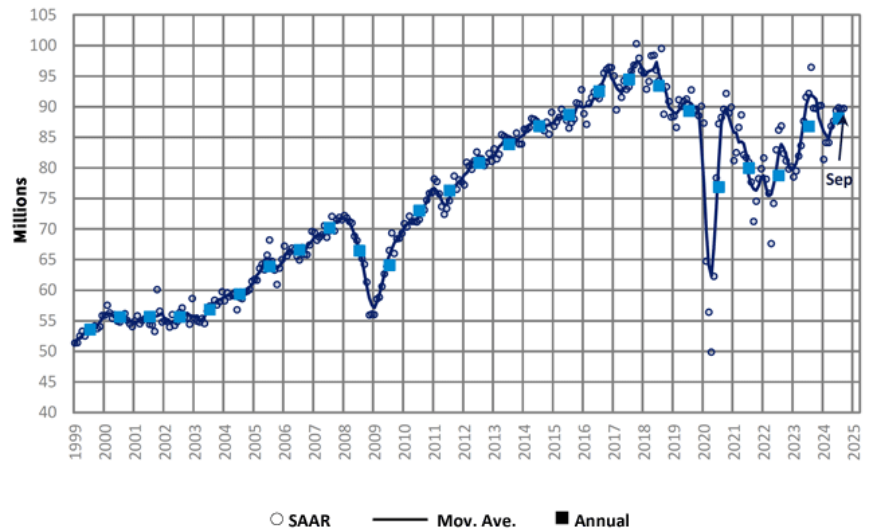


Figure 9: Global light vehicle sales update (Sep 2024)



SOURCE: MARKLINES, INCRED RESEARCH

Figure 10: Key assumptions

	FY22A	FY23A	FY24	FY25F	FY26F	FY27F
Standalone						
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)						
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						
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						
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	36,856	48,367	61,612
Adj. EPS (Rs)	1.2	2.4	3.9	5.2	6.8	8.7
EBITDA margin (%)	7.0%	7.6%	8.8%	9.1%	9.3%	9.3%
PAT margin (%)	1.3%	2.4%	3.1%	3.7%	4.4%	5.1%

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)	12,35,674	12,19,614	14,07,269	13,76,889	15,68,609	15,45,963
change (%)		-1.3%		-2.2%		-1.4%
EBITDA (Rs m)	1,13,585	1,09,321	1,35,151	1,29,162	1,54,214	1,47,589
change (%)		-3.8%		-4.4%		-4.3%
EBITDA margin (%)	9.2%	9.0%	9.6%	9.4%	9.8%	9.5%
change (bp)		-23		-22		-28
PAT (Rs m)	40,194	36,714	52,561	48,182	66,012	61,371
change (%)		-8.7%		-8.3%		-7.0%

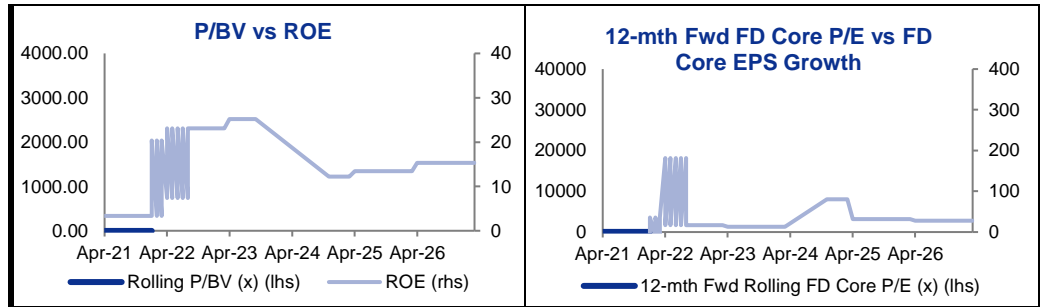
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

	EBITDA (Rs m)	Multiple (x)	Value (Rs m)	Per share (Rs)
Consolidated EBITDA	1,40,672	8	11,25,379	166.1
MSWIL (33% stake)			72,007	10.6
Less: Consol. net debt			27,175	4.0
Target value/price			11,70,211	173

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	1,219,614	1,376,889	1,545,963
Gross Profit	333,833	440,800	536,630	605,831	680,224
Operating EBITDA	62,077	88,516	109,321	129,162	147,589
Depreciation And Amortisation	(31,358)	(38,105)	(45,726)	(51,213)	(56,334)
Operating EBIT	30,719	50,411	63,595	77,949	91,255
Financial Income/(Expense)	(7,809)	(14,902)	(17,512)	(15,454)	(11,369)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,570	2,266	3,059	3,762	4,514
Profit Before Tax (pre-EI)	25,480	37,775	49,142	66,256	84,400
Exceptional Items					
Pre-tax Profit	25,480	37,775	49,142	66,256	84,400
Taxation	(7,352)	(10,516)	(12,285)	(17,889)	(22,788)
Exceptional Income - post-tax	7,284	(6,229)			
Profit After Tax	25,412	21,029	36,856	48,367	61,612
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	36,714	48,182	61,371
Recurring Net Profit	15,951	26,600	36,714	48,182	61,371
Fully Diluted Recurring Net Profit	15,951	26,600	36,714	48,182	61,371

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	62,077	88,516	109,321	129,162	147,589
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(4,183)	35,244	37,156	20,048	(34,404)
(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	9,851	7,184
Other Operating Cashflow					
Net Interest (Paid)/Received	(5,239)	(12,637)	(14,454)	(11,692)	(6,854)
Tax Paid	(9,402)	(12,627)	(14,743)	(21,202)	(27,008)
Cashflow From Operations	61,295	23,360	17,741	(2,834)	(5,894)
Capex	(50,397)	(118,049)	(130,000)	(60,000)	(65,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(10,749)	462,974	435,206	451,741	192,845
Cash Flow From Investing	(61,146)	344,924	305,206	391,741	127,845
Debt Raised/(repaid)	(5,952)	(121,657)	(173,513)	(120,513)	(3,972)
Proceeds From Issue Of Shares	2,259		64,376		
Shares Repurchased					
Dividends Paid	(3,614)	(5,421)	(8,444)	(11,258)	(14,073)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(7,307)	(127,078)	(117,581)	(131,771)	(18,044)
Total Cash Generated	(7,159)	241,207	205,367	257,136	103,908
Free Cashflow To Equity	(5,803)	246,628	149,434	268,394	117,980
Free Cashflow To Firm	7,958	383,187	340,459	404,361	133,320

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	34,157	64,378	74,682
Total Debtors	98,379	171,943	183,778	181,070	199,069
Inventories	78,228	91,386	110,267	120,714	135,536
Total Other Current Assets	42,956	56,788	52,000	60,000	63,000
Total Current Assets	266,549	389,974	380,202	426,162	472,288
Fixed Assets	246,248	326,192	410,466	419,253	427,919
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	560,948	590,082	622,564
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	273,996	294,239	317,664
Other Current Liabilities	93,312	136,637	150,000	155,000	160,000
Total Current Liabilities	291,332	471,322	484,509	522,239	545,664
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	32,896	38,209	44,429
Total Liabilities	374,748	568,062	577,404	610,448	635,092
Shareholders Equity	224,515	261,549	339,195	376,119	423,417
Minority Interests	19,254	20,606	24,550	29,677	36,342
Total Equity	243,769	282,155	363,745	405,795	459,759

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	23.9%	25.2%	23.8%	12.9%	12.3%
Operating EBITDA Growth	39.1%	42.6%	23.5%	18.1%	14.3%
Operating EBITDA Margin	7.9%	9.0%	9.0%	9.4%	9.5%
Net Cash Per Share (Rs)	(11.02)	(15.30)	(12.74)	(8.65)	(5.65)
BVPS (Rs)	33.13	38.60	50.06	55.50	62.48
Gross Interest Cover	3.93	3.38	3.63	5.04	8.03
Effective Tax Rate	28.9%	27.8%	25.0%	27.0%	27.0%
Net Dividend Payout Ratio	22.7%	20.4%	23.0%	23.4%	22.9%
Accounts Receivables Days	41.42	50.09	53.23	48.36	44.88
Inventory Days	57.45	56.89	53.88	54.67	54.02
Accounts Payables Days	102.68	123.27	133.65	134.49	128.99
ROIC (%)	12.0%	18.4%	18.0%	19.7%	22.9%
ROCE (%)	8.4%	12.1%	13.3%	15.0%	16.1%
Return On Average Assets	4.3%	6.1%	6.5%	7.0%	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.