

## India

May 02, 2025 - 4:41 PM

## ADD (no change)

Consensus ratings\*: Buy 8 Hold 1 Sell 1

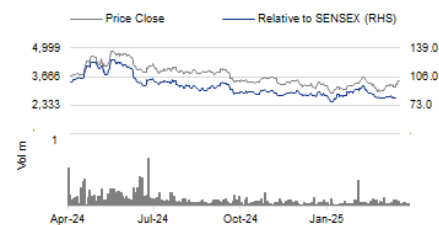
Current price: Rs3,473  
 Target price: ▶ Rs3,773  
 Previous target: Rs3,773  
 Up/downside: 8.6%  
 InCred Research / Consensus: 0.0%

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%



SOURCE: BLOOMBERG

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

## Research Analyst(s)

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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.

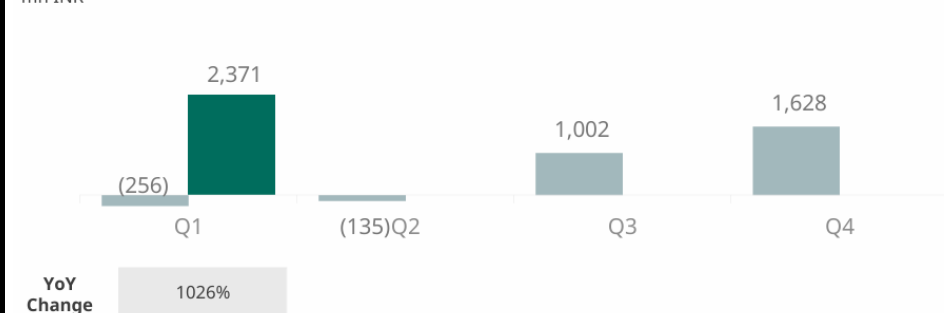
## Valuation remains at mean level; maintain ADD rating

- 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)

## Free Cash Flow

mn INR



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 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
<b>Total Revenue</b>	<b>21,744</b>	<b>18,731</b>	<b>16.1%</b>	<b>21,361</b>	<b>1.8%</b>	2% above Bloomberg estimate.
<b>Less:</b>						
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%	
<b>Total Expenditure</b>	<b>17,816</b>	<b>15,433</b>	<b>15.4%</b>	<b>17,657</b>	<b>0.9%</b>	
<b>EBITDA</b>	<b>3,928</b>	<b>3,299</b>	<b>19.1%</b>	<b>3,704</b>	<b>6.1%</b>	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%	
<b>EBIT</b>	<b>3,097</b>	<b>2,674</b>	<b>15.8%</b>	<b>2,923</b>	<b>6.0%</b>	
Interest Paid	16	8	85.7%	9	79.3%	
Non-operating Income	336	311	7.7%	781	(57.1%)	
Extraordinary Expenses	0	0		0		
<b>Profit Before Tax</b>	<b>3,417</b>	<b>2,977</b>	<b>14.8%</b>	<b>3,695</b>	<b>(7.5%)</b>	
Less: Total Tax	901	780	15.6%	889	1.3%	
<b>Profit After Tax</b>	<b>2,516</b>	<b>2,197</b>	<b>14.5%</b>	<b>2,806</b>	<b>(10.3%)</b>	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%)	

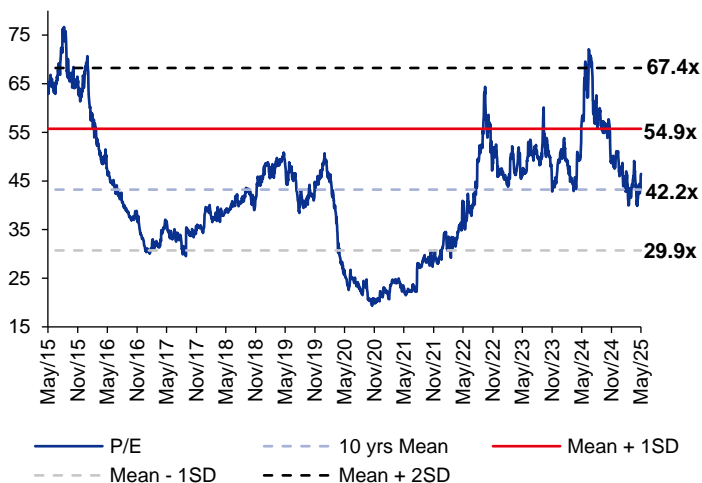
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**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%
<b>Total</b>	<b>21,744</b>	<b>18,731</b>	<b>16.1%</b>	<b>21,361</b>	<b>1.8%</b>
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

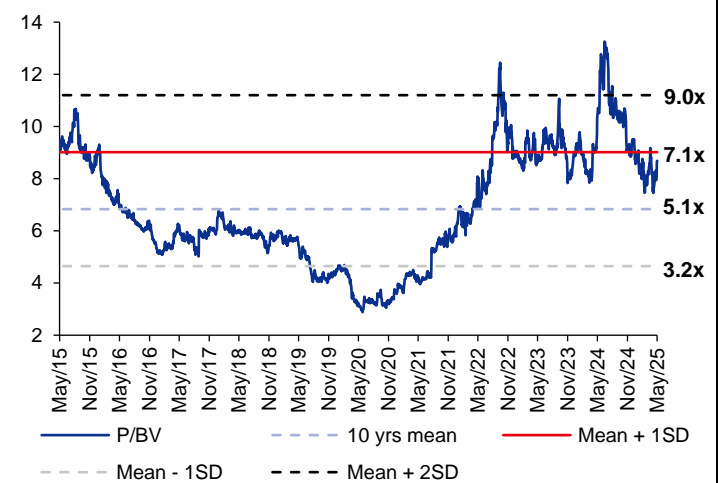
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

### 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				
<b>Total Current Assets</b>	<b>41,126</b>	<b>49,414</b>	<b>57,244</b>	<b>64,956</b>
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
<b>Total Non-current Assets</b>	<b>27,704</b>	<b>28,366</b>	<b>30,399</b>	<b>32,353</b>
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
<b>Total Current Liabilities</b>	<b>15,485</b>	<b>18,324</b>	<b>21,334</b>	<b>22,885</b>
Total Long-term Debt				
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
<b>Total Non-current Liabilities</b>				
Total Provisions				
<b>Total Liabilities</b>	<b>15,485</b>	<b>18,324</b>	<b>21,334</b>	<b>22,885</b>
Shareholders Equity	53,344	59,456	66,309	74,425
Minority Interests				
<b>Total Equity</b>	<b>53,344</b>	<b>59,456</b>	<b>66,309</b>	<b>74,425</b>

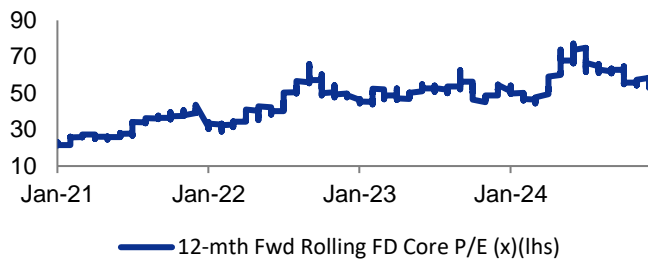
### Cash Flow

(Rs mn)	Dec-24A	Dec-25F	Dec-26F	Dec-27F
<b>EBITDA</b>	<b>14,678</b>	<b>17,216</b>	<b>19,509</b>	<b>21,500</b>
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)
<b>Cashflow From Operations</b>	<b>7,208</b>	<b>9,276</b>	<b>12,234</b>	<b>12,271</b>
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
<b>Cash Flow From Investing</b>	<b>(5,974)</b>	<b>57</b>	<b>(3,471)</b>	<b>(3,787)</b>
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
<b>Cash Flow From Financing</b>	<b>(4,341)</b>	<b>(5,128)</b>	<b>(5,910)</b>	<b>(5,910)</b>
Total Cash Generated	(3,108)	4,205	2,854	2,574
<b>Free Cashflow To Equity</b>	<b>1,234</b>	<b>9,333</b>	<b>8,763</b>	<b>8,484</b>
<b>Free Cashflow To Firm</b>	<b>1,269</b>	<b>9,363</b>	<b>8,793</b>	<b>8,514</b>

### 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.