

Samvardhana Motherson International

Refer to important disclosures at the end of this report

Robust revenue and profitability prospects ahead

- We attended Samvardhana Motherson International's (SAMIL's) analyst meet, where Management re-iterated its aspirational target to increase revenue to USD36bn in FY25 from USD10bn in FY22, driven by both organic growth and acquisitions.
- Company expects robust organic growth over FY22-25E, owing to pick-up in underlying industry, better content per vehicle (CPV) and revenue surge in nascent segments. CPV is expected to notably increase due to premiumization/electrification.
- Management is evaluating multiple-acquisition opportunities, with an aim to increase revenues by +USD15bn. These acquisitions could require +USD2bn, which is expected to be funded through debt and internal accruals.
- We retain a constructive view on expectations of an industry-upcycle and better wallet-share. We reaffirm BUY, with SOTP-based TP of Rs94, based on our Dec-24 estimates.

Key takeaways from Analyst Meet

- Management has retained revenue target of USD36bn in FY25 vs. USD10bn in FY22 and USD12bn in FY23 (annualized). The target is expected to be achieved on the back of organic and inorganic growth.
- Organic growth is likely to be supported by: i) growth in the underlying industry buoyed by pent-up demand and ramp-up in production owing to better chip supplies (Exhibit 1); ii) growth in CPV, owing to premiumization, with increasing share of UVs and top-end variants (Exhibits 2-5); iii) Increase in CPV, owing to EV transition (Exhibits 6-7); and iv) robust growth in nascent segments, such as aerospace, logistics, healthcare and IT/industrial solutions.
- SAMIL's largest subsidiary SMR PBV has a pending order-book of EUR18.2bn, with 37% share of EV programs.
- In the aerospace division, Company has booked orders worth USD400mn, to be executed over 5-7 years.
- In the logistics division, the company has <1% share in new-car transportation which is expected to improve ahead. In addition, incremental revenue of +USD150mn is expected due to packaging services to group companies.
- In the IT division, the company expects robust growth as a result of client additions and growth in captive requirements.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 9\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	573,699	635,360	714,218	803,032	891,414
EBITDA	43,590	44,614	54,031	72,399	87,546
EBITDA Margin (%)	7.6	7.0	7.6	9.0	9.8
APAT	11,014	7,934	13,822	26,932	35,316
EPS (Rs)	1.6	1.2	2.0	4.0	5.2
EPS (% chg)	NM	(28.0)	74.2	94.9	31.1
ROE (%)	10.4	5.1	6.6	12.1	14.4
P/E (x)	45.6	63.3	36.3	18.6	14.2
EV/EBITDA (x)	13.3	13.5	11.1	7.9	6.2
P/BV (x)	4.7	2.5	2.3	2.2	2.0

Source: Company, Emkay Research

CMP	Target Price
Rs 74 as of (December 4, 2022)	Rs 94 (■) 12 months
Rating	Upside
BUY (■)	27.4 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	-/
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	2.0	4.0
Consensus	2.4	4.4
Mean Consensus TP (12M)	Rs 90	

Stock Details

Bloomberg Code	MOTHERSO IN
Face Value (Rs)	1
Shares outstanding (mn)	6,776
52 Week H/L	145 / 62
M Cap (Rs bn/USD bn)	502 / 6.17
Daily Avg Volume (nos.)	17,782,370
Daily Avg Turnover (USD mn)	15.5

Shareholding Pattern Sep '22

Promoters	68.2%
FII's	8.8%
DII's	10.6%
Public and Others	12.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	15	(12)	(14)	(40)
Rel. to Nifty	11	(17)	(23)	(44)

Relative price trend



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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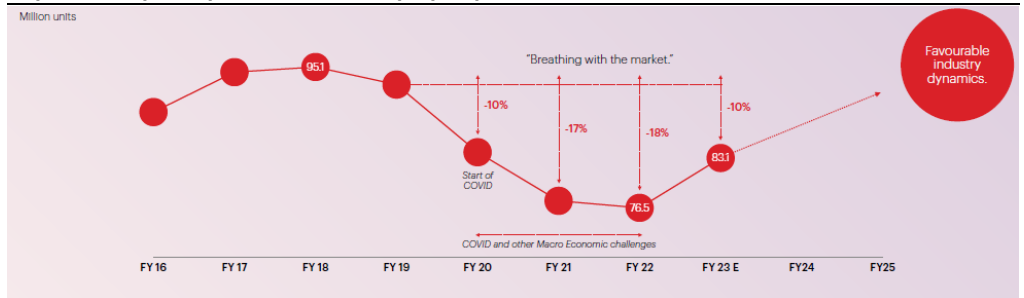
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Key takeaways from Analyst Meet (continued)

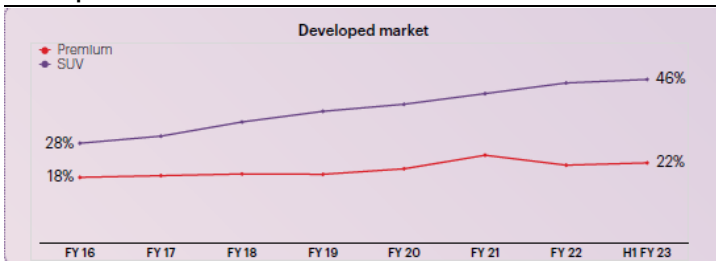
- **Inorganic efforts:** Pre-requisites for the acquisitions include: 1) customer support, 2) attractive valuations, and 3) potential for pre-tax ROCE improvement to 40%. Over the past 2.5 years, SAMIL has announced seven acquisitions, with more acquisitions expected in future. SAMIL plans acquiring companies with aggregate revenue of +USD15bn, if they meet the pre-requisites. It would fund such acquisitions through debt and internal accruals.
- SAMIL continues to work towards diversification, wherein it targets reducing customer, component & country dependence to less than 10% (3CX10 policy; Exhibits 8-10).
- Aspirational ROCE target stands at 40% for FY25 vs. 7% in FY22 and 8% in FY23 (annualized). ROCE stands at 18% in FY22 and 19% in FY23 (annualized), after excluding new sites and acquisitions. ROCE expansion is expected to be driven by: 1) completion of capex cycle, 2) improvement in working capital, 3) turnaround in loss-making units (mostly new plants/acquisitions), 4) achieving manufacturing-cost reduction, along with digitization efforts, and 5) positive operating leverage.
- Dividend payout target remains at 40% for FY25.

Exhibit 1: Global light-vehicle production reached a trough in FY22; Going forward, upcycle is expected on pent-up demand and ramp-up in production



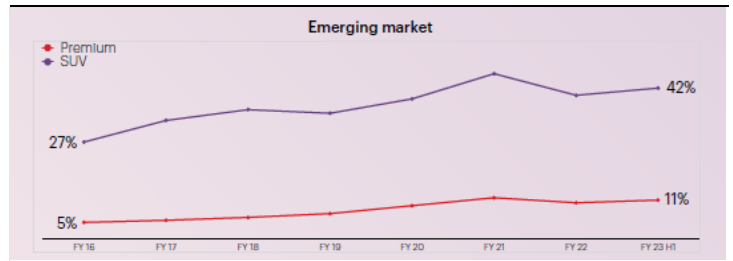
Source: S&P Mobility

Exhibit 2: Premiumization: Share of premium vehicles increasing in developed markets...



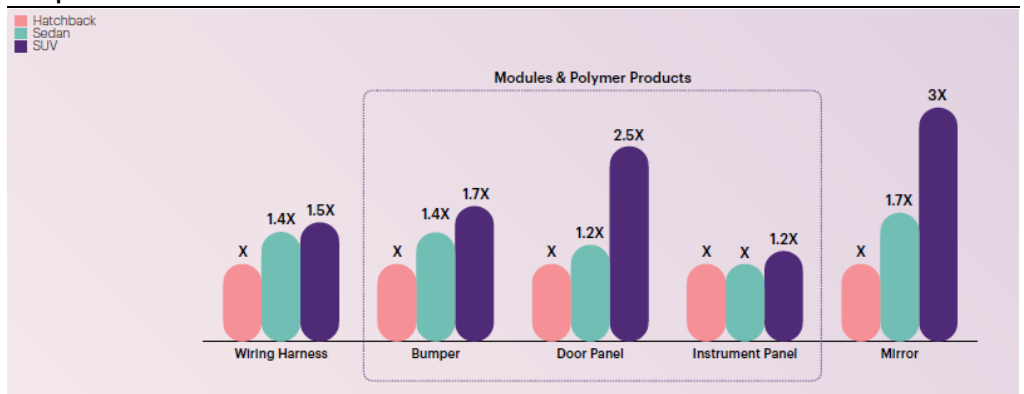
Note: Developed markets considered are EU and North America
Source: S&P Mobility

Exhibit 3: ...as well as in emerging markets



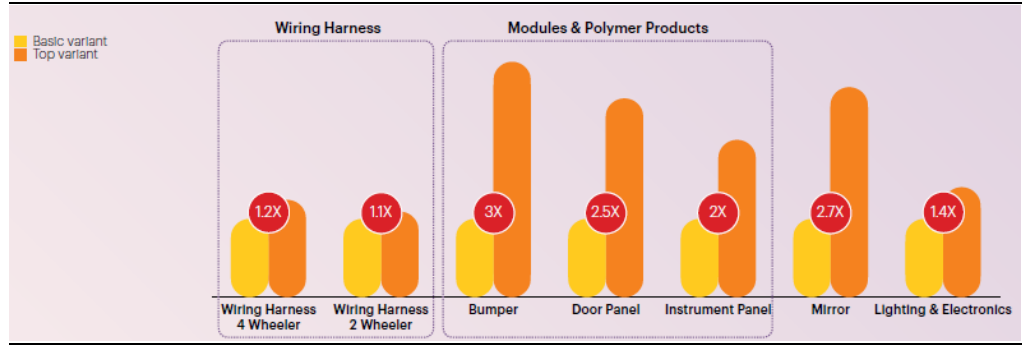
Note: Emerging markets include India and China
Source: S&P Mobility

Exhibit 4: Premiumization with increasing share of UVs: Content per vehicle is higher in UVs in comparison with Sedans and Hatchbacks



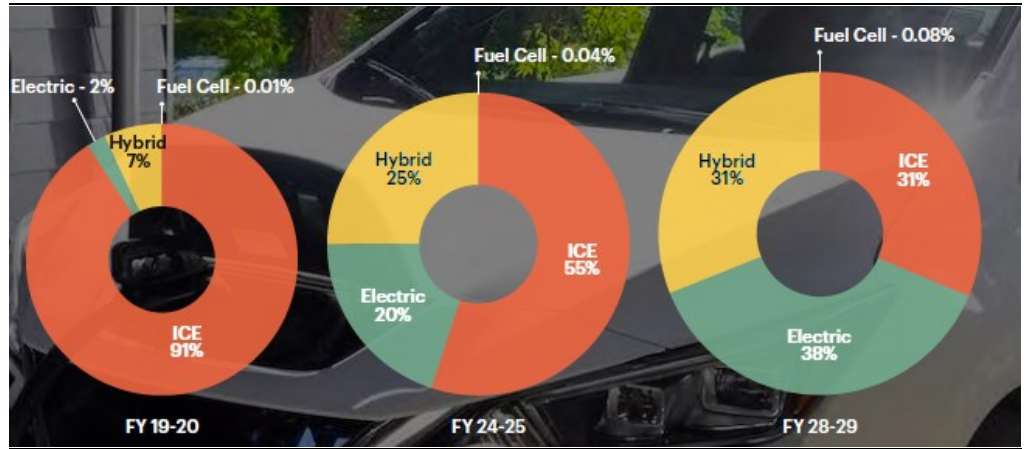
Source: Company

Exhibit 5: Premiumization with better variant mix: Content per vehicle is higher for top-end variants



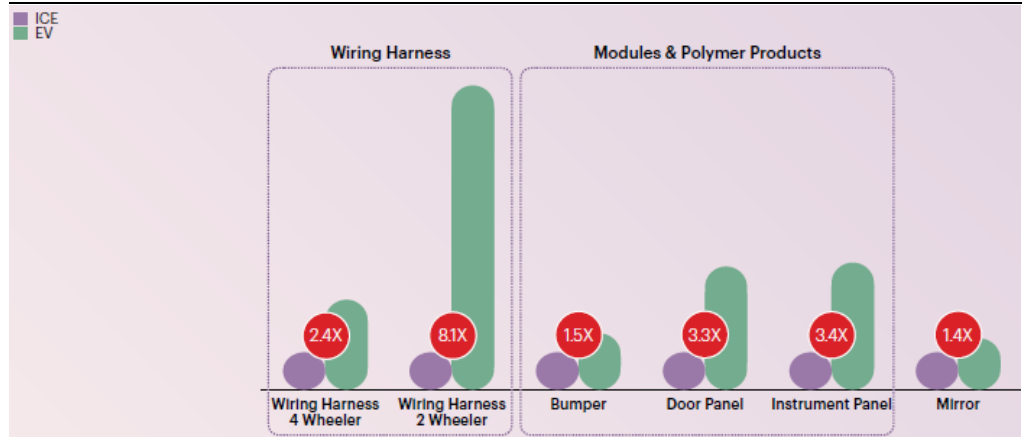
Source: Company

Exhibit 6: EV transition in global light vehicles: EV share expected to increase to 20% in FY25 and 38% in FY29



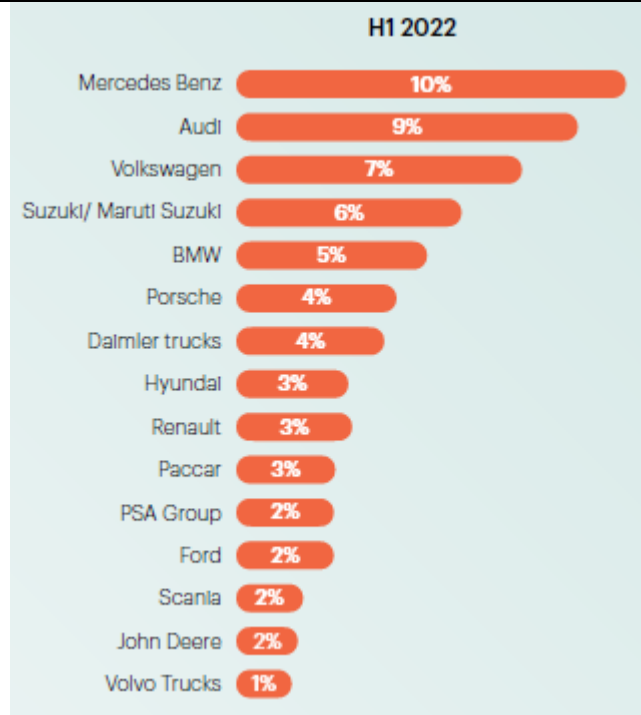
Note: Hybrid includes mild, strong and plug-in hybrids; Source: S&P Mobility

Exhibit 7: EV transition: Content per vehicle to increase across segments



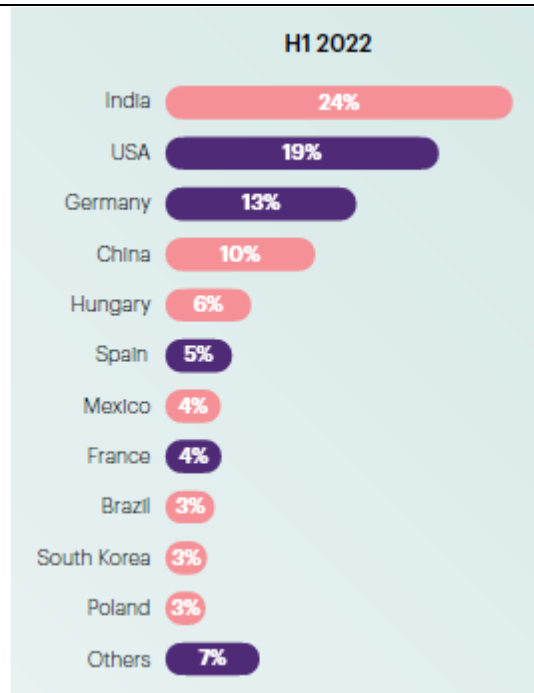
Source: Company

Exhibit 8: Customer mix: Diversified base with customer dependence at 10% or lower



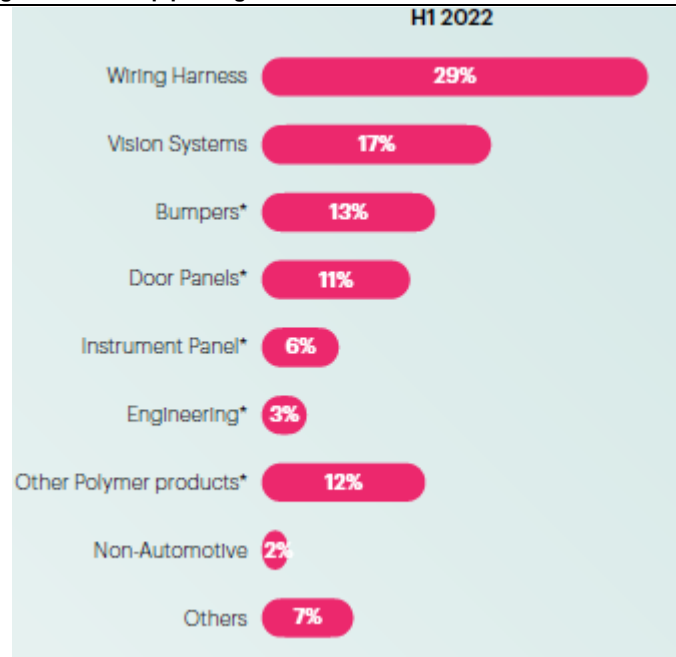
Source: Company

Exhibit 9: Country mix: Focus remains on improving diversification; aspirational target is a 10% cap per country



Source: Company

Exhibit 10: Component/ Segment mix: Focus remains on improving diversification, and aspirational target is a 10% cap per segment



Source: Company

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	573,699	635,360	714,218	803,032	891,414
Expenditure	530,109	590,746	660,187	730,633	803,868
EBITDA	43,590	44,614	54,031	72,399	87,546
Depreciation	29,261	29,582	29,871	31,067	32,999
EBIT	14,329	15,032	24,160	41,332	54,546
Other Income	2,293	3,672	4,160	4,482	4,704
Interest expenses	5,115	5,426	6,678	6,170	6,014
PBT	15,903	18,123	21,642	39,644	53,236
Tax	435	7,272	5,955	10,224	14,506
Extraordinary Items	(623)	805	0	0	0
Minority Int./Income from Assoc.	(4,454)	(2,917)	(1,866)	(2,487)	(3,414)
Reported Net Income	10,391	8,738	13,822	26,932	35,316
Adjusted PAT	11,014	7,934	13,822	26,932	35,316

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	3,158	4,518	6,776	6,776	6,776
Reserves & surplus	122,448	201,365	208,781	227,365	251,380
Net worth	125,606	205,883	215,558	234,141	258,156
Minority Interest	40,233	17,763	19,927	23,892	29,215
Loan Funds	137,665	151,849	119,722	113,722	103,722
Net deferred tax liability	(6,861)	(8,322)	(8,322)	(8,322)	(8,322)
Total Liabilities	296,643	367,172	346,884	363,432	382,770
Net block	199,710	208,869	197,938	187,421	176,451
Investment	9,747	69,859	69,859	69,859	69,859
Current Assets	234,610	257,107	256,189	304,079	354,122
Cash & bank balance	59,062	49,994	23,382	42,322	63,556
Other Current Assets	52,999	62,124	69,834	78,518	87,160
Current liabilities & Provision	173,983	181,760	190,198	211,024	230,759
Net current assets	60,628	75,347	65,991	93,055	123,363
Misc. exp	17,790	0	0	0	0
Total Assets	296,643	367,172	346,884	363,432	382,770

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	13,836	14,131	17,482	35,162	48,532
Other Non-Cash items	0	0	0	0	0
Chg in working cap	6,432	(20,785)	(18,281)	(8,124)	(9,074)
Operating Cashflow	48,218	19,670	27,930	51,564	60,552
Capital expenditure	(19,325)	(24,363)	(18,940)	(20,550)	(22,030)
Free Cash Flow	28,894	(4,693)	8,990	31,014	38,522
Investments	(45)	(1,204)	0	0	0
Other Investing Cash Flow	436	2,448	0	0	0
Investing Cashflow	(16,641)	(18,162)	(14,780)	(16,068)	(17,326)
Equity Capital Raised	37	0	0	0	0
Loans Taken / (Repaid)	(11,324)	2,456	(28,938)	(2,036)	(4,676)
Dividend paid (incl tax)	(1,612)	(6,457)	(4,146)	(8,349)	(11,301)
Other Financing Cash Flow	(4,264)	(1,047)	0	0	0
Financing Cashflow	(21,305)	(10,576)	(39,762)	(16,555)	(21,992)
Net chg in cash	10,273	(9,068)	(26,612)	18,941	21,234
Opening cash position	48,789	59,062	49,994	23,382	42,322
Closing cash position	59,062	49,994	23,382	42,322	63,556

Source: Company, Emkay Research

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SKey Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	7.6	7.0	7.6	9.0	9.8
EBIT Margin	2.5	2.4	3.4	5.1	6.1
Effective Tax Rate	2.7	40.1	27.5	25.8	27.2
Net Margin	2.7	1.7	2.2	3.7	4.3
ROCE	5.8	3.5	5.8	9.6	11.6
ROE	10.4	5.1	6.6	12.1	14.4
RoIC	6.1	3.8	7.0	12.2	15.9

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	1.6	1.2	2.0	4.0	5.2
CEPS	5.9	5.5	6.4	8.6	10.1
BVPS	15.7	30.1	31.6	34.3	37.9
DPS	1.5	0.7	0.6	1.2	1.7

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	45.6	63.3	36.3	18.6	14.2
P/CEPS	11.9	12.7	10.9	8.2	7.0
P/BV	4.7	2.5	2.3	2.2	2.0
EV / Sales	1.0	1.0	0.8	0.7	0.6
EV / EBITDA	13.3	13.5	11.1	7.9	6.2
Dividend Yield (%)	2.0	0.9	0.8	1.7	2.3

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	0.7	0.5	0.5	0.3	0.2
Net Debt/EBIDTA	1.8	2.3	1.8	1.0	0.5
Working Cap Cycle (days)	1.0	14.6	21.8	23.1	24.5

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	NM	10.7	12.4	12.4	11.0
EBITDA	NM	2.3	21.1	34.0	20.9
EBIT	NM	4.9	60.7	71.1	32.0
PAT	NM	(15.9)	58.2	94.9	31.1

Quarterly (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Revenue	140,764	161,175	171,848	176,147	182,608
EBITDA	9,438	10,765	12,108	10,768	14,031
EBITDA Margin (%)	6.7	6.7	7.0	6.1	7.7
PAT	834	932	1,677	1,412	3,248
EPS (Rs)	0.1	0.1	0.2	0.2	0.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-21	Mar-22	Mar-22	Jun-22	Sep-22
Promoters	61.7	68.2	68.2	68.2	68.2
FIIIs	16.4	9.8	10.8	9.5	8.8
DIIIs	13.9	10.5	9.9	10.5	10.6
Public and Others	8.0	11.5	11.1	11.9	12.5

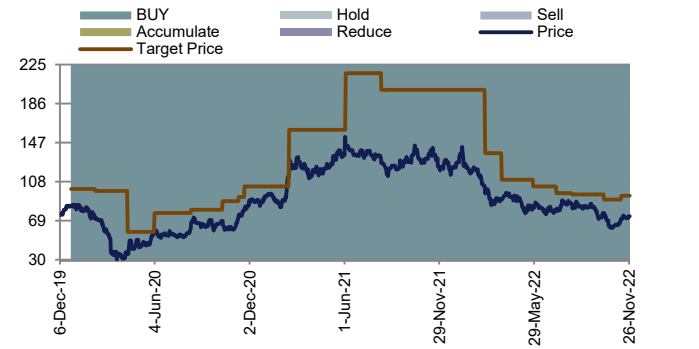
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
11-Nov-22	71	94	12m	Buy	Raghunandhan NL
9-Oct-22	77	90	12m	Buy	Raghunandhan NL
9-Aug-22	86	95	12m	Buy	Raghunandhan NL
10-Jul-22	79	97	12m	Buy	Raghunandhan NL
27-May-22	82	103	12m	Buy	Raghunandhan NL
6-Apr-22	96	110	12m	Buy	Raghunandhan NL
28-Mar-22	90	110	12m	Buy	Raghunandhan NL
24-Feb-22	96	137	12m	Buy	Raghunandhan NL
9-Jan-22	136	200	12m	Buy	Raghunandhan NL
13-Nov-21	139	200	12m	Buy	Raghunandhan NL
8-Oct-21	135	200	12m	Buy	Raghunandhan NL
10-Aug-21	127	200	12m	Buy	Raghunandhan NL
2-Jul-21	139	217	12m	Buy	Raghunandhan NL
18-Jun-21	135	217	12m	Buy	Raghunandhan NL
3-Jun-21	142	217	12m	Buy	Raghunandhan NL
1-Jun-21	135	160	12m	Buy	Raghunandhan NL
30-May-21	134	160	12m	Buy	Raghunandhan NL
15-Feb-21	120	160	12m	Buy	Raghunandhan NL
22-Nov-20	79	103	12m	Buy	Raghunandhan NL
11-Nov-20	75	93	12m	Buy	Raghunandhan NL
11-Oct-20	69	89	12m	Buy	Raghunandhan NL
28-Sep-20	64	80	12m	Buy	Raghunandhan NL
12-Aug-20	66	80	12m	Buy	Raghunandhan NL
5-Jul-20	56	77	12m	Buy	Raghunandhan NL
29-Jun-20	54	77	12m	Buy	Raghunandhan NL
3-Jun-20	57	77	12m	Buy	Raghunandhan NL
4-May-20	44	58	12m	Buy	Raghunandhan NL
13-Apr-20	36	58	12m	Buy	Raghunandhan NL
27-Feb-20	62	99	12m	Buy	Raghunandhan NL
14-Feb-20	70	99	12m	Buy	Raghunandhan NL
11-Feb-20	71	99	12m	Buy	Raghunandhan NL
27-Dec-19	84	101	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



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Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 13 years of research experience. His team currently covers 17 stocks in the Indian Automobiles and Ancillaries space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Auto & Auto Ancillaries	4.91	4.91	0%	0	100.00	
Amara Raja Batteries	0.00	0.00	NA	0	0.00	0
Apollo Tyres	0.00	0.02	NA	2	0.40	0
Ashok Leyland	0.19	0.21	10%	2	4.32	0
Atul Auto	0.00	0.02	NA	2	0.50	0
Bajaj Auto	0.43	0.30	-31%	-14	6.06	0
Bharat Forge	0.20	0.20	0%	0	3.98	0
Eicher Motors	0.43	0.43	0%	0	8.79	0
Escorts	0.00	0.02	NA	2	0.41	0
Exide Industries	0.00	0.00	NA	0	0.00	0
Hero Motocorp	0.34	0.22	-33%	-11	4.56	0
Mahindra & Mahindra	1.12	1.13	2%	2	23.09	0
Maruti Suzuki India	1.07	1.09	2%	2	22.18	0
Minda Industries*	0.00	0.02	NA	2	0.48	0
Motherson Sumi Wiring India	0.00	0.02	NA	2	0.46	0
Samvardhana Motherson International	0.13	0.15	16%	2	2.99	0
Suprajit Engineering	0.00	0.02	NA	2	0.49	0
Tata Motors	0.69	0.71	1%	1	14.35	0
Tata Motors DVR*	0.10	0.11	10%	1	2.21	0
TVS Motor	0.22	0.23	8%	2	4.74	0
Cash	0.00	0.00	NA	0	0.0	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	1-Dec-21	1-Jun-22	1-Sep-22	1-Nov-22	1-Dec-22
EAP - Auto & Auto Ancillaries	100.0	129.3	139.9	161.2	162.5	158.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	128.2	139.6	160.6	161.9	157.5

*Performance measurement base date 1st April 2019

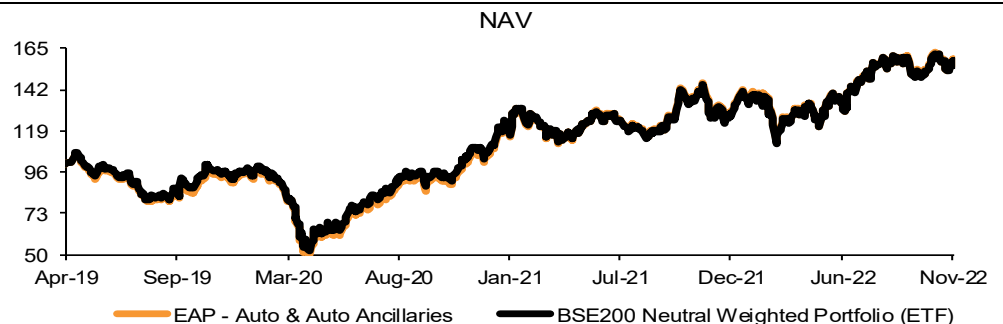
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	-2.6%	-1.8%	13.1%	22.5%
BSE200 Neutral Weighted Portfolio (ETF)	-2.7%	-1.9%	12.8%	22.8%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

This report is intended for gaurav.narkar@emkayglobal.com and is updated on regular intervals

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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Sources for all charts and tables are Emkay Research unless otherwise specified.

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