

Samvardhana Motherson International

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Q3 EBITDA in line with estimates; sales ramp-up, cost pass-through to aid growth

- For Q3FY23, SMIL's consol. revenue grew by 25% YoY to Rs202.3bn, above our estimates due to better revenues in SMRPBV and the standalone divisions. Consol. EBITDA grew by 46% YoY to Rs15.8bn, in line with our estimates. Management expects margin expansion ahead, on cost pass-through, energy cost deflation and better scale. We expect 10% revenue CAGR over FY23-25E, driven by the industry upcycle across regions and better wallet share due to premiumization/electrification. We expect EBITDA margin to expand, from 7.5% in FY23E to 9.6% in FY25E, driven by better scale, improved net pricing and cost savings. We retain BUY on the stock, with SOTP-based TP of Rs97/share (Rs94 earlier), based on FY25 estimates (Dec-24E earlier). Our target P/E for the standalone operations stands at 30x, for Motherson Wiring at 34x, and for SMRPBV at 15x, based on DCF valuation. Key downside risks: Demand contraction in target markets, weak performance of large clients, and adverse commodity/currency rates.
- Q3 EBITDA in line with estimates:** Consol. revenues grew by 25% YoY to Rs202.3bn (Emkay est.: Rs193.3bn), above our estimates owing to better revenues in SMRPBV and the standalone divisions. Consol. EBITDA grew by 46% to Rs15.8bn, broadly in line with our estimates. EBITDA margin expanded by 110bps to 7.8%. Overall, consol. PAT grew by 388% to Rs4.5bn (Emkay est.: Rs4.5bn), meeting our estimates. **SMRPBV revenues beat our estimates, but EBITDA was below our forecast due to higher energy cost** – Revenue grew by 23% YoY to Rs138bn and EBITDA grew by 14% to Rs9.2bn. **Standalone results above estimates** – Revenue grew 36% to Rs18bn and EBITDA grew 54% to Rs2.03bn. **What we liked:** Strong revenue & earnings performance in Q3 and expectations of further improvement ahead. **What we did not like:** Energy costs increased in Q3 which should, however, reduce ahead on decline in spot prices.
- Earnings-Call KTAs:** 1) Q3FY23 industry production volumes for global light vehicles grew by 2% YoY and that for commercial vehicles declined by 6%. Management expects further improvement in industry production due to better supplies, though the pace of improvement is uncertain. 2) Revenues should improve ahead, with execution of the pending order-book. EV share in revenue stands at ~6% currently which is expected to see further increase. 3) Profitability is expected to improve ahead, on reduction in energy costs and receipt of pass-through of inflation from customers. Reduction in crude prices could lead to lower input costs in the Modules division with a lag. 4) FY23 capex could be in the Rs22.5-25bn range. 5) Net debt (excluding lease liability) reduced to Rs84.4bn in Dec-22 vs Rs85.5bn in Sep-22. Further reduction in net debt is expected ahead, on decrease in working capital.

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	573,699	635,360	775,906	880,040	935,219
EBITDA	43,590	44,614	57,872	76,881	89,417
EBITDA Margin (%)	7.6	7.0	7.5	8.7	9.6
APAT	11,014	7,934	14,912	27,352	35,215
EPS (Rs)	1.6	1.2	2.2	4.0	5.2
EPS (% chg)	0.0	(28.0)	88.0	83.4	28.7
ROE (%)	10.4	5.1	7.1	12.2	14.3
P/E (x)	49.7	69.0	36.7	20.0	15.5
EV/EBITDA (x)	14.4	14.5	11.1	8.1	6.6
P/BV (x)	5.2	2.7	2.5	2.3	2.1

Source: Company, Emkay Research

CMP	Target Price
Rs 81 as of (February 8, 2023)	Rs 97 (▲) 12 months
Rating	Upside
BUY (■)	19.8 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	4.3/0.0
Target Price change (%)	2.9
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	2.2	4.0
Consensus	2.2	4.2
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	123 / 62
M Cap (Rs bn/USD bn)	547 / 6.63
Daily Avg Volume (nos.)	16,933,690
Daily Avg Turnover (USD mn)	15.0

Shareholding Pattern Dec '22

Promoters	68.2%
FIIIs	8.2%
DIIIs	12.0%
Public and Others	11.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	21	(6)	(32)
Rel. to Nifty	7	24	(8)	(34)

Relative price trend



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Exhibit 1: Key revenue assumptions; expect revenue CAGR of 10% over FY23-25E

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E	
Revenues						CAGR FY23-25E (%)
Standalone (excl MSUMI)	36,692	53,448	70,502	80,222	89,592	13
SMRPBV	420,788	437,556	525,314	604,981	642,953	11
PKC	89,804	106,085	118,799	128,182	129,777	5
Others	47,676	50,334	69,129	75,545	82,345	9
Less intersegmental	(12,710)	(12,062)	(7,837)	(8,889)	(9,447)	
Total	582,250	635,360	775,906	880,040	935,219	10
EBITDA						CAGR FY23-25E (%)
Standalone	4,406	6,018	7,614	9,001	11,145	21
SMRPBV	28,421	29,725	35,116	50,961	60,376	31
PKC	5,889	4,417	5,940	8,716	8,955	23
Others	5,867	4,454	9,202	8,203	8,941	(1)
Total	44,583	44,614	57,872	76,881	89,417	24
EBITDA margin (%)						FY23-25E chg (bps)
Standalone	12.0	11.3	10.8	11.2	12.4	7
SMRPBV	6.8	6.8	6.7	8.4	9.4	19
PKC	6.6	4.2	5.0	6.8	6.9	17
Others	12.3	8.8	13.3	10.9	10.9	(10)
Total	7.7	7.0	7.5	8.7	9.6	13

Source: Company, Emkay Research

Exhibit 2: Changes in estimates

Rs mn	FY23E				FY24E				FY25E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenues	745,294	775,906	4	22	845,949	880,040	4	13	917,632	935,219	2	6
EBITDA	56,418	57,872	3	30	75,845	76,881	1	33	89,800	89,417	-0	16
Margin (%)	7.6	7.5	-11 bps	44 bps	9.0	8.7	-23 bps	128 bps	9.8	9.6	-23 bps	83 bps
APAT	14,304	14,912	4	167	27,344	27,352	0	83	35,109	35,215	0	29
EPS (Rs)	2.1	2.2	4	78	4.0	4.0	0	83	5.2	5.2	0	29

Source: Company, Emkay Research

Exhibit 3: Actual vs. Estimates (Q3FY23)

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	202,262	193,269	193,851	4.7	4.3	Above estimates, due to better revenues in SMRPBV and standalone divisions
EBITDA	15,753	15,674	15,709	0.5	0.3	In line with estimates
EBITDA Margin (%)	7.8	8.1	8.1	(32) bps	(32) bps	
Adjusted net profit	4,549	4,455	4,753	2.1	(4.3)	Broadly in line with our estimates

Source: Bloomberg, Company, Emkay Research

Exhibit 4: Quarterly performance

Rs mn	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)	FY23 YTD	FY22 YTD	YoY (%)
Revenue	161,175	171,848	176,147	182,608	202,262	25.5	10.8	561,017	302,337	85.6
Expenditure	150,410	159,741	165,379	168,577	186,509	24.0	10.6	520,465	280,700	85.4
as % of sales	93.3	93.0	93.9	92.3	92.2			92.8	92.8	
Consumption of RM	94,194	100,328	103,550	107,173	115,328	22.4	7.6	326,050	172,841	88.6
as % of sales	58.4	58.4	58.8	58.7	57.0			58.1	57.2	
Employee Cost	38,457	40,592	42,725	41,002	45,966	19.5	12.1	129,694	74,697	73.6
as % of sales	23.9	23.6	24.3	22.5	22.7			23.1	24.7	
Other expenditure	17,759	18,821	19,104	20,402	25,215	42.0	23.6	64,721	33,162	95.2
as % of sales	11.0	11.0	10.8	11.2	12.5			11.5	11.0	
EBITDA	10,765	12,108	10,768	14,031	15,753	46.3	12.3	40,552	21,637	87.4
EBITDA margin (%)	6.7	7.0	6.1	7.7	7.8			7.2	7.2	
Depreciation	7,334	7,362	7,324	7,487	8,150	11.1	8.9	22,961	14,886	54.2
EBIT	3,431	4,746	3,444	6,544	7,603	121.6	16.2	17,591	6,751	160.6
Other Income	1,227	1,412	978	940	1,221	(0.5)	29.8	3,140	2,419	29.8
Interest	1,294	1,612	1,694	1,837	1,494	15.5	(18.7)	5,025	2,521	99.3
PBT	3,364	4,547	2,729	5,647	7,330	117.9	29.8	15,706	6,650	136.2
Total Tax	1,010	2,674	928	1,914	2,172	115.1	13.5	5,013	2,404	108.5
Adjusted PAT	2,354	1,873	1,801	3,733	5,158	119.1	38.2	10,692	4,246	151.8
(Profit)/loss from JV's/Ass/MI	1,422	196	389	485	609	(57.2)	25.5	1,483	1,300	
Adj. PAT after MI	932	1,677	1,412	3,248	4,549	388.2	40.1	9,209	2,946	212.6
Extra ordinary items	-	(461)	-	(784)	(10)			(794)	(5)	
Reported PAT	932	1,216	1,412	2,464	4,539	387.1	84.2	8,416	2,942	186.1
Adjusted EPS (Rs)	0.1	0.2	0.2	0.5	0.7	388.2	40.1	1.4	0.4	212.6

Source: Company, Emkay Research

Exhibit 5: Standalone

Rs mn	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	% YoY	% QoQ
Sales	13,214	16,306	16,182	18,107	17,999	36.2	(0.6)
EBITDA	1,320	2,157	1,440	2,065	2,034	54.0	(1.5)
<i>EBITDA margins (%)</i>	<i>10.0</i>	<i>13.2</i>	<i>8.9</i>	<i>11.4</i>	<i>11.3</i>	<i>131 bps</i>	<i>(11) bps</i>
Reported PAT	564	3,973	1,200	2,139	3,336	18.0	(46.2)
Adj. PAT	564	4,448	1,200	2,139	3,336	491.1	56.0

Source: Company, Emkay Research

Exhibit 6: SMR

Rs mn	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	% YoY	% QoQ
Sales (EUR mn)	335	359	374	396	440	31.3	11.1
Sales	28,703	30,289	30,732	31,807	37,699	31.3	18.5
EBITDA	2,570	2,700	2,465	2,811	4,027	56.7	43.2
<i>EBITDA margins (%)</i>	<i>9.0</i>	<i>8.9</i>	<i>8.0</i>	<i>8.8</i>	<i>10.7</i>	<i>173 bps</i>	<i>184 bps</i>

Source: Company, Emkay Research

Exhibit 7: SMP

Rs mn	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	% YoY	% QoQ
Sales (EUR mn)	975	967	1,040	1,081	1,172	20.2	8.4
Sales	83,538	81,586	85,457	86,826	100,417	20.2	15.7
Adj EBITDA	5,912	3,797	4,273	4,980	5,655	(4.3)	13.6
<i>Adj EBITDA margins (%)</i>	<i>7.1</i>	<i>4.7</i>	<i>5.0</i>	<i>5.7</i>	<i>5.6</i>	<i>(145) bps</i>	<i>(10) bps</i>

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	573,699	635,360	775,906	880,040	935,219
Expenditure	530,109	590,746	718,035	803,159	845,802
EBITDA	43,590	44,614	57,872	76,881	89,417
Depreciation	29,261	29,582	30,969	32,730	34,429
EBIT	14,329	15,032	26,903	44,151	54,988
Other Income	2,293	3,672	4,081	4,411	4,642
Interest expenses	5,115	5,426	6,600	6,708	6,467
PBT	15,903	18,123	24,384	41,854	53,163
Tax	435	7,272	7,439	12,020	15,118
Extraordinary Items	(623)	805	0	0	0
Minority Int./Income from Assoc.	(4,454)	(2,917)	(2,033)	(2,483)	(2,830)
Reported Net Income	10,391	8,738	14,912	27,352	35,215
Adjusted PAT	11,014	7,934	14,912	27,352	35,215

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	209,545	228,418	252,364
Net worth	125,606	205,883	216,321	235,194	259,140
Minority Interest	40,233	17,763	19,592	22,731	26,718
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	347,312	363,324	381,258
Net block	199,710	208,869	197,231	185,771	173,942
Investment	9,747	69,859	69,859	69,859	69,859
Current Assets	234,610	257,107	274,845	327,072	367,081
Cash & bank balance	59,062	49,994	21,930	40,214	62,236
Other Current Assets	52,999	62,124	75,866	86,048	91,443
Current liabilities & Provision	173,983	181,760	207,720	232,475	242,721
Net current assets	60,628	75,347	67,125	94,597	124,360
Misc. exp	17,790	0	0	0	0
Total Assets	296,643	367,172	347,312	363,324	381,258

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	13,836	14,131	20,303	37,443	48,521
Other Non-Cash items	0	0	0	0	0
Chg in working cap	6,432	(20,785)	(20,868)	(9,188)	(7,740)
Operating Cashflow	48,218	19,670	27,532	53,190	63,729
Capital expenditure	(19,325)	(24,363)	(19,331)	(21,270)	(22,600)
Free Cash Flow	28,894	(4,693)	8,201	31,920	41,129
Investments	(45)	(1,204)	0	0	0
Other Investing Cash Flow	436	2,448	0	0	0
Investing Cashflow	(16,641)	(18,162)	(15,250)	(16,859)	(17,958)
Equity Capital Raised	37	0	0	0	0
Loans Taken / (Repaid)	(11,324)	2,456	(29,273)	(2,861)	(6,013)
Dividend paid (incl tax)	(1,612)	(6,457)	(4,474)	(8,479)	(11,269)
Other Financing Cash Flow	(4,264)	(1,047)	0	0	0
Financing Cashflow	(21,305)	(10,576)	(40,346)	(18,048)	(23,749)
Net chg in cash	10,273	(9,068)	(28,064)	18,284	22,022
Opening cash position	48,789	59,062	49,994	21,930	40,214
Closing cash position	59,062	49,994	21,930	40,214	62,236

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	7.6	7.0	7.5	8.7	9.6
EBIT Margin	2.5	2.4	3.5	5.0	5.9
Effective Tax Rate	2.7	40.1	30.5	28.7	28.4
Net Margin	2.7	1.7	2.2	3.4	4.1
ROCE	5.8	3.5	6.1	9.8	11.5
ROE	10.4	5.1	7.1	12.2	14.3
RoIC	6.1	3.8	7.4	12.4	15.7

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	1.6	1.2	2.2	4.0	5.2
CEPS	5.9	5.5	6.8	8.9	10.3
BVPS	15.7	30.1	31.7	34.5	38.0
DPS	1.5	0.7	0.7	1.3	1.7

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	49.7	69.0	36.7	20.0	15.5
P/CEPS	13.6	14.6	11.9	9.1	7.9
P/BV	5.2	2.7	2.5	2.3	2.1
EV / Sales	1.1	1.0	0.8	0.7	0.6
EV / EBITDA	14.4	14.5	11.1	8.1	6.6
Dividend Yield (%)	1.9	0.8	0.8	1.5	2.1

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	1.7	1.0	0.5
Working Cap Cycle (days)	1.0	14.6	21.3	22.6	24.2

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	0.0	10.7	22.1	13.4	6.3
EBITDA	0.0	2.3	29.7	32.8	16.3
EBIT	0.0	4.9	79.0	64.1	24.5
PAT	0.0	(15.9)	70.7	83.4	28.7

Quarterly (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Revenue	161,175	171,848	176,147	182,608	202,262
EBITDA	10,765	12,108	10,768	14,031	15,753
EBITDA Margin (%)	6.7	7.0	6.1	7.7	7.8
PAT	932	1,677	1,412	3,248	4,549
EPS (Rs)	0.1	0.2	0.2	0.5	0.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-22	Jun-22	Sep-22	Oct-22	Dec-22
Promoters	68.2	68.2	68.2	68.2	68.2
FIIIs	9.8	9.5	8.8	8.6	8.2
DIIs	10.5	10.5	10.6	10.7	12.0
Public and Others	11.5	11.9	12.5	12.6	11.6

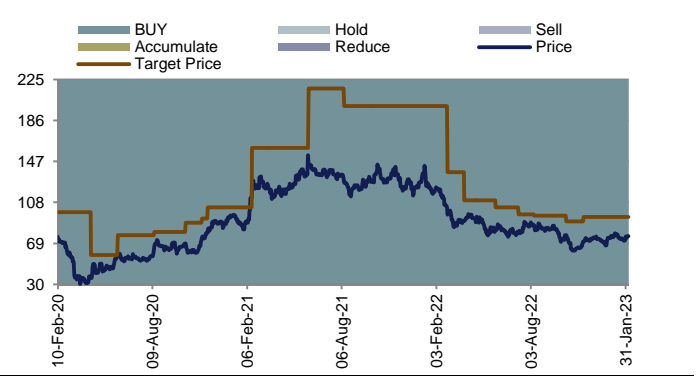
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
05-Feb-23	76	94	12m	Buy	Raghunandhan NL
06-Jan-23	75	94	12m	Buy	Raghunandhan NL
04-Dec-22	74	94	12m	Buy	Raghunandhan NL
11-Nov-22	71	94	12m	Buy	Raghunandhan NL
09-Oct-22	77	90	12m	Buy	Raghunandhan NL
09-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
06-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
09-Jan-22	136	200	12m	Buy	Raghunandhan NL
13-Nov-21	139	200	12m	Buy	Raghunandhan NL
08-Oct-21	135	200	12m	Buy	Raghunandhan NL
10-Aug-21	127	200	12m	Buy	Raghunandhan NL
02-Jul-21	139	217	12m	Buy	Raghunandhan NL
18-Jun-21	135	217	12m	Buy	Raghunandhan NL
03-Jun-21	142	217	12m	Buy	Raghunandhan NL
01-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
05-Jul-20	56	77	12m	Buy	Raghunandhan NL
29-Jun-20	54	77	12m	Buy	Raghunandhan NL
03-Jun-20	57	77	12m	Buy	Raghunandhan NL
04-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

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

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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