

# Samvardhana Moterson International

Refer to important disclosures at the end of this report

## SAS acquisition – Ticking the right boxes

**SAMIL's announcement of 100% acquisition of SAS Autosystemtechnik GmbH (SAS) at EV of EUR540mn (refer: [press release](#), [Company presentation](#)) entails an all-round strategic fit providing entry into the new product segment (cockpit module assembly) with global leadership position (~20% share), meaningful acquisition size (~10% addition to consol. revenue), headroom for organic growth/synergy benefits through backward integration (~10% revenue upside on in-sourcing), significant EV exposure (~50% vs ~6% for SAMIL; meaningful exposure to leading US EV OEM which contributes 1/3rd of revenues), better margin/return-ratio profile, EPS accretive and reasonable valuation (5.2x CY22 EV/EBITDA; Faurecia acquired 100% stake at EUR450m in 2019). This would fast-track SAMIL's efforts towards achieving its 2025 vision (refer our [report](#)).**

**We retain BUY on SAMIL, with SOTP-based TP of Rs101/share (Rs97 earlier), based on FY25 estimates. The increase in TP is led by change of 3%/6% on FY24E/25E EPS, on incorporation of SAS financials (on pro-forma basis).**

SMRPBV (SAMIL's wholly-owned subsidiary) is set to acquire 100% stake in SAS Autosystemtechnik GmbH (SAS) at EV of EUR540mn. SAS is a leading global provider of cockpit module assembly for the automotive industry, with expertise in Just-in-time/Just-in-sequence. Major modules entail console, cockpit and door panel, wherein SAS assembles the module by integrating sub-systems.

**This is a major acquisition for SAMIL in five years and would support Company's vision-2025 target of achieving USD36bn revenue. The acquisition would increase customer proximity, improve competency in module assembly, see rise in content per vehicle (in-sourcing for existing products and open new growth areas in vehicle electronics for the future) and increase EV exposure.**

SAS has market-share of ~20% in cockpit module assembly; it is the leading global provider of cockpit module assembly for the automotive industry. Major modules are console, cockpit, door panel, rear hatch, headliner, cooling module, front cradle and front-end module. Company has 24 manufacturing plants and 2 headquarters, with presence in 12 countries.

SAS's CY22 net revenue stands at EUR896mn and EBITDA at EUR103mn (11.5% margin). Region-wise, revenue contribution includes 60% from Europe, 31% from Americas and 9% from China. Favourable exposure to the premium-vehicle segment, and EV programs constitute almost half of net revenue.

Gross revenue (including OEM-nominated, pass-through products) is EUR4.4bn. Of the outsource revenue, about ~20% comprises SAMIL's existing products/capabilities (polymer modules, wiring harness, metal parts) and is an opportunity to in-source going ahead (as done with other acquisitions) on new product developments. Also, vehicle electronics (~50% of revenue) is an avenue for SAMIL's future growth and diversification.

SAMIL has a strong order book with cumulative revenue visibility of ~EUR3bn for next 3 years. Management targets 40% ROCE for SAS, given the higher growth and profitability together with relatively asset-light nature of the business. The acquisition is expected to close by Q2FY24. We expect SAMIL's net debt to increase post acquisition, from Rs84bn in Dec-22 to Rs98bn in FY24E (0.52x net debt/equity). We believe SAMIL will register a healthy operating cashflow of Rs63bn/year over FY23-25E, to support debt reduction going ahead.

SAS capex requirement is low as it mainly assembly operations and most of the capex is complete for current orders. Expect annual capex at EUR 30-45mn per year. Expect no major increase in working capital.

### Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	573,699	635,360	775,906	924,520	1,025,178
EBITDA	43,590	44,614	57,872	81,890	99,895
EBITDA Margin (%)	7.6	7.0	7.5	8.9	9.7
APAT	11,014	7,934	14,912	28,180	37,323
EPS (Rs)	1.6	1.2	2.2	4.2	5.5
EPS (% chg)	7.0	(28.0)	88.0	89.0	32.4
ROE (%)	10.4	5.1	7.1	12.6	15.1
P/E (x)	50.4	69.9	37.2	19.7	14.9
EV/EBITDA (x)	14.5	14.7	11.3	8.3	6.5
P/BV (x)	5.2	2.7	2.6	2.4	2.1

Source: Company, Emkay Research. [eam.emkay@whitemarquesolutions.com](mailto:eam.emkay@whitemarquesolutions.com) use and downloaded at 02/21/2023 02:08 PM

<b>CMP</b>	<b>Target Price</b>
<b>Rs 82</b> as of (February 20, 2023)	<b>Rs 101 (▲)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>BUY (■)</b>	<b>23.9 %</b>

### Change in Estimates

EPS Chg FY23E/FY24E (%)	-/3
Target Price change (%)	4.6
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	2.2	4.2
Consensus	2.4	4.4
Mean Consensus TP (12M)	Rs 93	

### Stock Details

Bloomberg Code	MOTHERSO IN
Face Value (Rs)	1
Shares outstanding (mn)	6,776
52 Week H/L	106 / 62
M Cap (Rs bn/USD bn)	555 / 6.70
Daily Avg Volume (nos.)	15,821,110
Daily Avg Turnover (USD mn)	14.2

### Shareholding Pattern Dec '22

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

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	12	13	(4)	(22)
<b>Rel. to Nifty</b>	13	16	(5)	(25)

### 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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**Exhibit 1: Key revenue assumptions; expect revenue CAGR of 15% over FY23-25E**

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E	
<b>Revenue</b>						<b>FY23-25E CAGR (%)</b>
Standalone (excl MSUMI)	36,692	53,448	70,502	80,222	89,592	13
SMRPBV (includes SAS from H2FY24)	420,788	437,556	525,314	649,910	733,820	18
Others	124,770	144,357	180,091	194,389	201,767	6
<b>Total</b>	<b>582,250</b>	<b>635,360</b>	<b>775,906</b>	<b>924,520</b>	<b>1,025,178</b>	<b>15</b>
<b>EBITDA</b>						<b>FY23-25E CAGR (%)</b>
Standalone	4,406	6,018	7,614	9,001	11,145	21
SMRPBV	28,421	29,725	35,116	56,078	71,176	42
Others	11,756	8,870	15,142	16,811	17,574	8
<b>Total</b>	<b>44,583</b>	<b>44,614</b>	<b>57,872</b>	<b>81,890</b>	<b>99,895</b>	<b>31</b>
<b>EBITDA margin (%)</b>						<b>FY23-25E chg (bps)</b>
Standalone	12.0	11.3	10.8	11.2	12.4	164
SMRPBV	6.8	6.8	6.7	8.6	9.7	301
Others	9.4	6.1	8.4	8.6	8.7	30
<b>Total</b>	<b>7.7</b>	<b>7.0</b>	<b>7.5</b>	<b>8.9</b>	<b>9.7</b>	<b>229</b>

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
Revenue	775,906	775,906	0	22	880,040	924,520	5	19	935,219	1,025,178	10	11
EBITDA	57,872	57,872	0	30	76,881	81,890	7	42	89,417	99,895	12	22
Margin (%)	7.5	7.5	0 bps	44 bps	8.7	8.9	12 bps	140 bps	9.6	9.7	18 bps	89 bps
APAT	14,912	14,912	0	167	27,352	28,180	3	89	35,215	37,323	6	32
EPS (Rs)	2.2	2.2	0	78	4.0	4.2	3	89	5.2	5.5	6	32

Source: Company, Emkay Research

**Exhibit 3: SAMIL (C) – SOTP-based valuation**

(Rs mn)				
<b>Division</b>	<b>Basis</b>	<b>Equity value</b>	<b>Equity value/share (Rs)</b>	<b>Contribution (%)</b>
Standalone	30x P/E	183,811	27	27
SMRPBV (includes SAS)	15x P/E	322,467	48	47
Others	15x P/E	101,855	15	15
MSUMI stake of 33.4% (Holdco discount at 20%)	34x P/E	79,089	12	12
<b>Total</b>		<b>687,221</b>	<b>101</b>	<b>100</b>

Source: Company, Emkay Research

**Exhibit 4: Global Peer Valuation**

Company	Mcap (USDmn)	P/E			EV/EBITDA			ROE (%)		
		CY21	CY22E	CY23E	CY21	CY22E	CY23E	CY21	CY22E	CY23E
Magna International	16,174	11.2	27.7	12.1	4.7	6.7	5.7	13.0	5.2	13.7
Valeo	5,482	26.1	24.3	11.9	3.6	3.7	3.2	5.1	5.5	11.2
Faurecia	4,201		25.0	8.2	3.9	4.1	3.3	(2.3)	3.4	6.3
Plastic Omnium	2,587	17.3	14.1	9.9	4.5	5.0	4.3	6.6	9.4	11.6
Ichikoh Industries	317	8.7	9.3	8.5	2.8	4.2	3.6	8.6	8.6	9.2
Gentex Corp	6,721	19.0	21.1	17.4	12.7			18.5	15.9	20.2
<b>Samvardhana Motherson</b>	<b>6,567</b>	<b>69.9</b>	<b>37.2</b>	<b>19.7</b>	<b>14.7</b>	<b>11.3</b>	<b>8.3</b>	<b>5.1</b>	<b>7.1</b>	<b>12.6</b>
<b>Average</b>		<b>25.4</b>	<b>22.7</b>	<b>12.5</b>	<b>6.7</b>	<b>5.8</b>	<b>4.7</b>	<b>7.8</b>	<b>7.9</b>	<b>12.1</b>

Source: Bloomberg, Emkay Research

## Key Financials (Consolidated)

### Income Statement

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>573,699</b>	<b>635,360</b>	<b>775,906</b>	<b>924,520</b>	<b>1,025,178</b>
<b>Expenditure</b>	<b>530,109</b>	<b>590,746</b>	<b>718,035</b>	<b>842,630</b>	<b>925,283</b>
<b>EBITDA</b>	<b>43,590</b>	<b>44,614</b>	<b>57,872</b>	<b>81,890</b>	<b>99,895</b>
Depreciation	29,261	29,582	30,969	34,856	38,559
<b>EBIT</b>	<b>14,329</b>	<b>15,032</b>	<b>26,903</b>	<b>47,034</b>	<b>61,336</b>
Other Income	2,293	3,672	4,081	4,411	4,642
Interest expenses	5,115	5,426	6,600	8,357	9,635
<b>PBT</b>	<b>15,903</b>	<b>18,123</b>	<b>24,384</b>	<b>43,089</b>	<b>56,343</b>
Tax	435	7,272	7,439	12,334	15,952
Extraordinary Items	(623)	805	0	0	0
Minority Int./Income from Assoc.	(4,454)	(2,917)	(2,033)	(2,575)	(3,068)
<b>Reported Net Income</b>	<b>10,391</b>	<b>8,738</b>	<b>14,912</b>	<b>28,180</b>	<b>37,323</b>
<b>Adjusted PAT</b>	<b>11,014</b>	<b>7,934</b>	<b>14,912</b>	<b>28,180</b>	<b>37,323</b>

### 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	228,989	254,369
<b>Net worth</b>	<b>125,606</b>	<b>205,883</b>	<b>216,321</b>	<b>235,765</b>	<b>261,145</b>
<b>Minority Interest</b>	<b>40,233</b>	<b>17,763</b>	<b>19,592</b>	<b>22,823</b>	<b>27,049</b>
<b>Loan Funds</b>	<b>137,665</b>	<b>151,849</b>	<b>119,722</b>	<b>161,782</b>	<b>151,782</b>
Net deferred tax liability	(6,861)	(8,322)	(8,322)	(8,322)	(8,322)
<b>Total Liabilities</b>	<b>296,643</b>	<b>367,172</b>	<b>347,312</b>	<b>412,048</b>	<b>431,653</b>
<b>Net block</b>	<b>199,710</b>	<b>208,869</b>	<b>197,231</b>	<b>233,485</b>	<b>221,126</b>
<b>Investment</b>	<b>9,747</b>	<b>69,859</b>	<b>69,859</b>	<b>69,859</b>	<b>69,859</b>
<b>Current Assets</b>	<b>234,610</b>	<b>257,107</b>	<b>274,845</b>	<b>340,472</b>	<b>394,858</b>
Cash & bank balance	59,062	49,994	21,930	39,115	60,690
Other Current Assets	52,999	62,124	75,866	90,397	100,239
<b>Current liabilities &amp; Provision</b>	<b>173,983</b>	<b>181,760</b>	<b>207,720</b>	<b>244,865</b>	<b>267,286</b>
<b>Net current assets</b>	<b>60,628</b>	<b>75,347</b>	<b>67,125</b>	<b>95,607</b>	<b>127,571</b>
Misc. exp	17,790	0	0	0	0
<b>Total Assets</b>	<b>296,643</b>	<b>367,172</b>	<b>347,312</b>	<b>412,048</b>	<b>431,653</b>

### Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>13,836</b>	<b>14,131</b>	<b>20,303</b>	<b>38,677</b>	<b>51,701</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	6,432	(20,785)	(20,868)	(11,297)	(10,389)
<b>Operating Cashflow</b>	<b>48,218</b>	<b>19,670</b>	<b>27,532</b>	<b>55,684</b>	<b>70,485</b>
Capital expenditure	(19,325)	(24,363)	(19,331)	(71,110)	(26,200)
<b>Free Cash Flow</b>	<b>28,894</b>	<b>(4,693)</b>	<b>8,201</b>	<b>(15,426)</b>	<b>44,285</b>
Investments	(45)	(1,204)	0	0	0
Other Investing Cash Flow	436	2,448	0	0	0
<b>Investing Cashflow</b>	<b>(16,641)</b>	<b>(18,162)</b>	<b>(15,250)</b>	<b>(66,699)</b>	<b>(21,558)</b>
Equity Capital Raised	37	0	0	0	0
Loans Taken / (Repaid)	(11,324)	2,456	(29,273)	45,292	(5,774)
Dividend paid (incl tax)	(1,612)	(6,457)	(4,474)	(8,736)	(11,943)
Other Financing Cash Flow	(4,264)	(1,047)	0	0	0
<b>Financing Cashflow</b>	<b>(21,305)</b>	<b>(10,576)</b>	<b>(40,346)</b>	<b>28,199</b>	<b>(27,352)</b>
<b>Net chg in cash</b>	<b>10,273</b>	<b>(9,068)</b>	<b>(28,064)</b>	<b>17,185</b>	<b>21,575</b>
Opening cash position	48,789	59,062	49,994	21,930	39,115
<b>Closing cash position</b>	<b>59,062</b>	<b>49,994</b>	<b>21,930</b>	<b>39,115</b>	<b>60,690</b>

Source: Company, Emkay Research

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### Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	7.6	7.0	7.5	8.9	9.7
EBIT Margin	2.5	2.4	3.5	5.1	6.0
Effective Tax Rate	2.7	40.1	30.5	28.6	28.3
Net Margin	2.7	1.7	2.2	3.3	3.9
ROCE	5.8	3.5	6.1	9.7	11.3
ROE	10.4	5.1	7.1	12.6	15.1
RoIC	6.1	3.8	7.4	12.0	14.6

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	1.6	1.2	2.2	4.2	5.5
CEPS	5.9	5.5	6.8	9.3	11.2
BVPS	15.7	30.1	31.7	34.5	38.3
DPS	1.5	0.7	0.7	1.3	1.8

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	50.4	69.9	37.2	19.7	14.9
P/CEPS	13.4	14.4	11.8	8.6	7.1
P/BV	5.2	2.7	2.6	2.4	2.1
EV / Sales	1.1	1.0	0.8	0.7	0.6
EV / EBITDA	14.5	14.7	11.3	8.3	6.5
Dividend Yield (%)	1.8	0.8	0.8	1.6	2.2

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	0.7	0.5	0.5	0.5	0.4
Net Debt/EBIDTA	1.8	2.3	1.7	1.5	0.9
Working Cap Cycle (days)	1.0	14.6	21.3	22.3	23.8

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	0.0	10.7	22.1	19.2	10.9
EBITDA	0.0	2.3	29.7	41.5	22.0
EBIT	0.0	4.9	79.0	74.8	30.4
PAT	0.0	(15.9)	70.7	89.0	32.4

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
<b>EBITDA Margin (%)</b>	<b>6.7</b>	<b>7.0</b>	<b>6.1</b>	<b>7.7</b>	<b>7.8</b>
PAT	932	1,677	1,412	3,248	4,549
<b>EPS (Rs)</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>0.7</b>

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
DIIIs	10.5	10.5	10.6	10.7	12.0
Public and Others	11.5	11.9	12.5	12.6	11.6

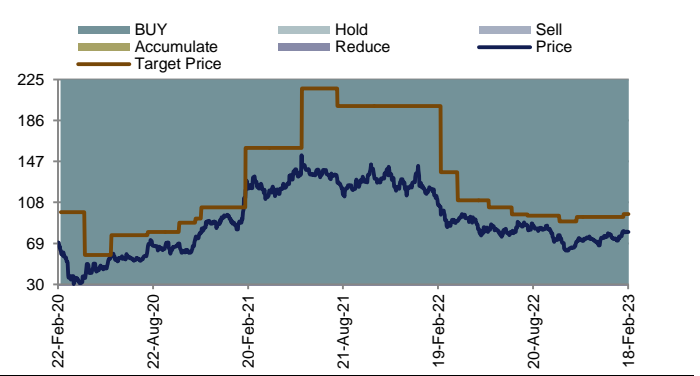
Source: Capitaline

**RECOMMENDATION HISTORY (Rs/share)**

Date	Closing Price	TP	Period (months)	Rating	Analyst
09-Feb-23	79	97	12m	Buy	Raghunandhan NL
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

Source: Company, Emkay Research

**RECOMMENDATION HISTORY (Rs/share)**



Source: Bloomberg, Company, Emkay Research

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