

Samvardhana Motherson

Estimate changes	↔
TP change	↔
Rating change	↔

CMP: INR82

TP: INR100 (+24%)

Buy

Strong performance across businesses

Raises capex to cater to growth in India; SMRPBV order book at EUR19.7b

- MOTHERSO's 4QFY23 performance significantly beat our estimates, driven by improving supplies across key markets, resulting in margin gains across businesses. MOTHERSO will continue to benefit substantially from easing supply-side issues and receding cost headwinds, leading to strong growth and balance sheet deleverage.
- We maintain our FY24/FY25 EPS estimates and our **BUY** rating with a TP of INR100 (premised on Mar'25E SOTP).

Strong recovery in revenue drives margin gains

- **Consolidated business performance:** Revenue grew 31% YoY to INR224.8b (est. INR215.2b). EBITDA increased 65% YoY to INR20.2b (est. INR16.5b) and adj. PAT jumped 3.6x YoY to INR6.5b (est. INR4.6b). FY23 revenue/EBITDA/PAT grew 22%/25%/90% YoY.
- Strong revenue growth was driven by easing supplies across markets and healthy demand. Margin recovery was driven by a decline in energy prices, partial pass-through of inflationary pressures and operating leverage.
- **Wiring harness:** Revenue grew 26% YoY to INR74.7b (est. INR69.1b). EBITDA margin expanded 20bp YoY (+100bp QoQ) to 9.6% (est. 9%).
- **Modules & Polymer:** Revenue grew 31% YoY to INR121.1b (est. INR114.8b). EBITDA margin gained 140bp YoY (+60bp QoQ) to 7.2% (est. 6.5%).
- **Vision system:** Revenue rose 26% YoY to INR45.95b (est. INR46.6b) and EBITDA margin grew 390bp YoY (+320bp QoQ) to 13.2% (est. 10.8%).
- Other businesses grew 22% YoY to ~INR18.2b (est. INR17.3b) and EBITDA margin expanded 200bp YoY (+150bps QoQ) to 12.9% (est. 10.9%).
- FY23 FCFE stood at INR24.6b (v/s INR264m in FY22), led by improved CFO (INR46.4b v/s INR24.6b in FY22) and lower capex (INR21.8b v/s INR24.4b in FY22).
- The board has declared a final dividend of INR0.65/share in FY23 (similar to FY22 levels).

Highlights from the management commentary

- PV production in developed markets was 20% below pre-Covid levels, implying limited downside due to macro uncertainties. Emerging markets are back to the pre-Covid level.
- SMRPBV's net order book increased to EUR19.7b (v/s EUR18.2b in 2QFY23 and EUR16.1b in 4QFY22), with EVs accounting for 39% of orders.
- Capex of FY24 is expected to be INR30b (v/s INR21.8b in FY23) to support growth, especially in the Indian market. It is investing in seven greenfield plants (six in India and three for emerging businesses).
- Net debt (ex lease liabilities) was down INR10b QoQ to INR74.7b. It expects further moderation in working capital, as supply chain improves.

Valuation and view

- The stock trades at reasonable valuations of 20.7x/16.8x FY24E/FY25E consolidated EPS. With high operating leverage, reasonable financial gearing and no risk of EVs, MOTHERSO is our preferred pick in the auto component industry. We reiterate our BUY rating with a TP of INR100 (Mar'25E based on SOTP).

Bloomberg	MOTHERSO IN
Equity Shares (m)	6776
M.Cap.(INRb)/(USDb)	547.4 / 6.6
52-Week Range (INR)	92 / 62
1, 6, 12 Rel. Per (%)	9/10/-16
12M Avg Val (INR M)	1210

MOTHERSO: Financials & Valuations

Y/E March	2023	2024E	2025E
Sales	787.0	893.0	933.7
EBITDA	62.1	79.1	88.0
Adj. PAT	15.7	26.8	33.1
EPS (INR)	2.3	4.0	4.9
EPS Growth (%)	90.0	71.1	23.4
BV/Share (INR)	33.1	35.9	39.3

Ratios

Net D:E	0.3	0.2	0.1
RoE (%)	7.3	11.5	13.0
RoCE (%)	6.7	9.3	10.4
Payout (%)	29.5	30.0	30.0

Valuations

P/E (x)	35.4	20.7	16.8
P/BV (x)	2.5	2.3	2.1
Div. Yield (%)	0.8	1.5	1.8
FCF Yield (%)	4.4	4.5	8.8

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	64.8	68.2	68.2
DII	14.8	12.0	10.5
FII	10.9	8.2	9.8
Others	9.6	11.6	11.5

FII Includes depository receipts

Quarterly performance (Consol.)

(INR m)

Y/E March	FY22				FY23				FY22	FY23	4Q
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Net Sales	1,64,080	1,44,150	1,64,350	1,71,610	1,76,147	1,82,608	2,02,672	2,24,769	6,44,200	7,87,007	2,15,252
YoY Change (%)	0.0	0.0	0.0	0.0	7.4	26.7	23.3	31.0	10.6	22.2	25.4
RM Cost (% of sales)	0.0	0.0	0.0	0.0	58.8	58.7	56.9	56.6	0.0	57.6	0.0
Staff Cost (% of sales)	0.0	0.0	0.0	0.0	24.3	22.5	22.7	22.1	0.0	22.8	0.0
Other Exp (% of sales)	91.7	92.5	92.5	92.9	10.8	11.2	12.4	12.4	92.4	11.7	92.3
EBITDA	13,670	10,820	12,320	12,220	10,768	14,031	16,163	20,205	49,030	62,077	16,479
Margins (%)	8.3	7.5	7.5	7.1	6.1	7.7	8.0	9.0	7.6	7.9	7.7
Depreciation	7,780	7,640	7,600	7,370	7,324	7,487	8,150	8,397	30,390	31,358	8,216
Interest	1,208	1,313	1,294	1,612	1,694	1,837	1,494	2,784	5,426	7,809	1,775
Other income	1,548	871	1,227	1,412	978	940	811	751	4,957	2,570	860
PBT after EO Expense	6,225	2,738	4,653	4,175	2,729	4,663	7,320	9,773	17,690	24,485	7,348
Tax Rate (%)	173.4	350.5	212.8	228.1	34.0	30.3	29.6	26.0	57.3	28.9	30.6
Min. Int & Share of profit	70	-630	80	190	389	485	609	695	-290	2,178	517
Reported PAT	3,140	1,410	2,270	1,220	1,412	2,464	4,539	6,540	8,040	14,956	4,585
Adj PAT	3,142	1,410	2,270	1,415	1,412	3,153	4,546	6,540	8,237	15,652	4,585
YoY Change (%)	-142.4	-51.7	-65.6	-74.0	-55.1	123.6	100.3	362.1	-22.2	90.0	224.7

E: MOFSL Estimates

Key Performance Indicators

(INR M)

Y/E March	FY22				FY23				FY22	FY23	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Business Wise Revenues (INR m)											
Wiring harness	54,680	52,590	52,560	59,383	60,960	63,940	65,301	74,722	219,700	265,013	69,127
Modules & Polymer products	91,270	76,790	92,600	92,661	94,130	97,440	1,09,565	1,21,145	353,200	422,557	114,835
Vision systems	32,990	29,820	35,280	36,422	34,820	39,360	45,465	45,954	134,480	165,688	46,638
Others	3,280	3,640	3,710	14,994	16,170	17,530	16,281	18,243	25,600	68,269	17,344
Less: Inter-segment	3,330	3,120	3,400	5,214	5,400	5,410	6,552	6,657	15,070	24,017	5,345
Less: Revenues of Associates/JVs	10,390	9,540	9,770	25,831	24,530	30,250	27,387	28,638	55,597	110,503	27,349
Net Revenues	1,68,500	1,50,180	1,70,980	1,72,414	1,76,150	1,82,610	2,02,672	2,24,769	662,313	787,007	215,249
Business Wise EBITDA Margins (%)											
Wiring harness	8.7	9.7	7.1	9.4	7.9	8.2	8.6	9.6	8.7	8.6	9.0
Modules & Polymer products	7.6	6.6	7.7	5.8	5.1	6.2	6.6	7.2	6.9	6.4	6.5
Vision systems	11.5	8.3	9.2	9.3	8.4	9.1	10.0	13.2	9.6	10.3	10.8
Others	6.1	9.6	3.8	10.9	10.9	10.0	11.4	12.9	9.0	11.3	10.9
Consol EBITDA Margins (%)	8.7	8.0	8.1	7.5	6.5	7.9	8.3	9.2	8.1	8.1	7.9

Note: Segmental EBITD margins include part of other income; E: MOFSL Estimates



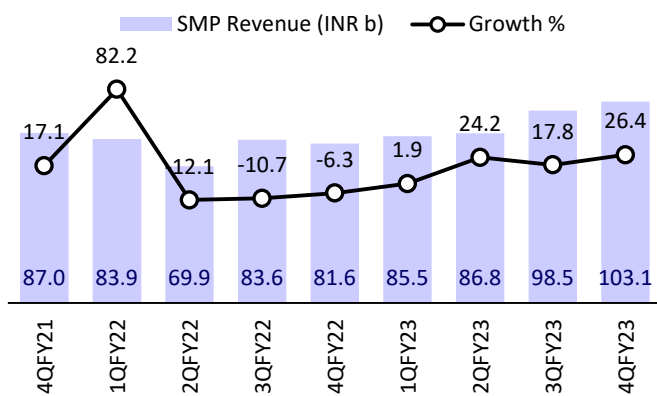
Highlights from the management commentary

- Developed markets production was 20% below the pre-Covid level, implying limited downside due to macro uncertainties. Emerging markets are back to the pre-Covid level.
- SMRPBV's net order book increased to EUR19.7b (v/s EUR18.2b in 2QFY23 and EUR16.1b in 4QFY22), with EVs accounting for 39% of orders.
- SAMIL's automotive division has booked business of USD29.6b (excl USD39.5b at SMRPBV) with a share of EVs at 20%. The average duration of these booked businesses is 5-6 years.
- Capex in FY24 is expected to be INR30b (v/s INR21.8b in FY23) to support growth, especially in the Indian market. It is investing in seven greenfield plants (six in India and three for emerging businesses).
- Net debt (ex lease liabilities) was down INR10b QoQ to INR74.7b. It expects further moderation in working capital, as supply chain improves.
- Supplies to EVs were 7%/6% in 4Q/FY23.

- Energy prices were stable at the end of 4QFY23 but 3-3.5x higher than the pre-Covid level. It has been able to share an elevated cost structure with customers.
- The company witnessed improvement in production across key geographies. China volumes declined due to extended New Year holidays post Covid.
- **Wiring harness:** Revenue growth was driven by 1) good demand for agri-equipment and off-highway in North America, 2) sustained demand for heavy duty trucks in North America and Europe, and 3) PV growth in the Indian market.
- **Modules and Polymer products:** Revenue growth was driven by improved volumes in Europe and North America due to easing supply chain. Margins improved on account of 1) softening in energy prices, though still remain elevated, and 2) volatility in commodities and general inflationary pressure.
- **Vision System** sustained revenue QoQ, as a decline in volumes in China was offset by a recovery in Europe. Margin recovery was driven by higher operating leverage, efficiency improvements and partial pass-through of cost inflation.

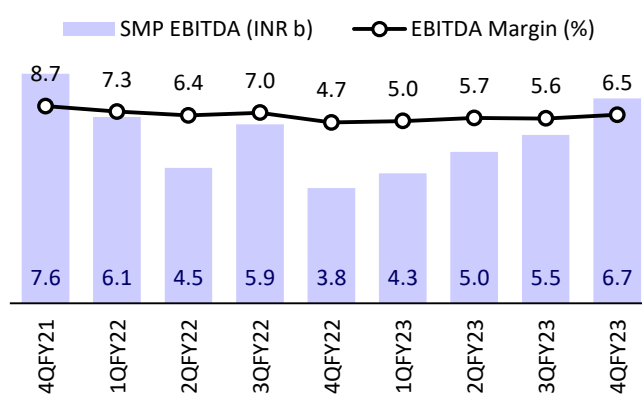
Key exhibits

Exhibit 1: Trends in SMP revenue and growth



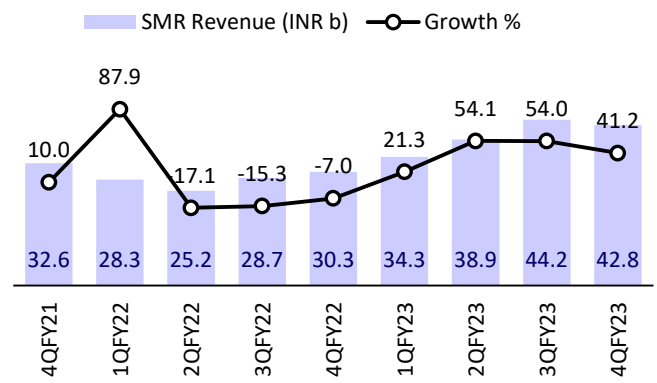
Source: Company, MOFSL

Exhibit 2: SMP EBITDA and EBITDA margin



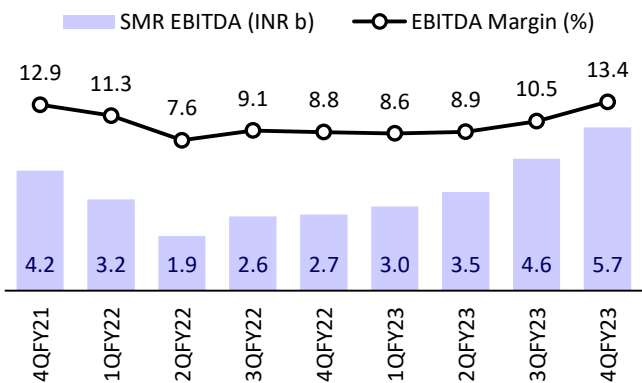
Source: Company, MOFSL

Exhibit 3: SMR revenue and growth trends



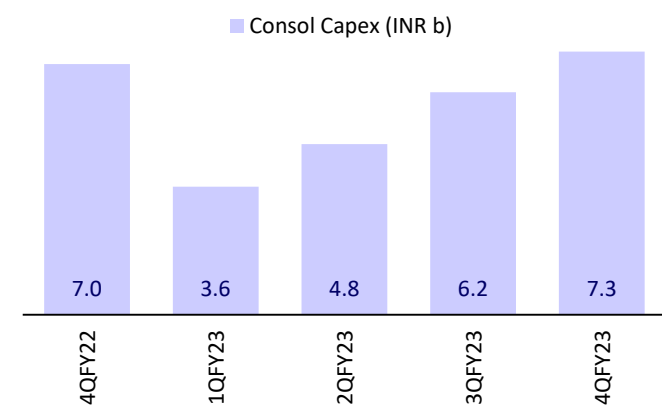
Source: Company, MOFSL

Exhibit 4: SMR EBITDA and EBITDA margin



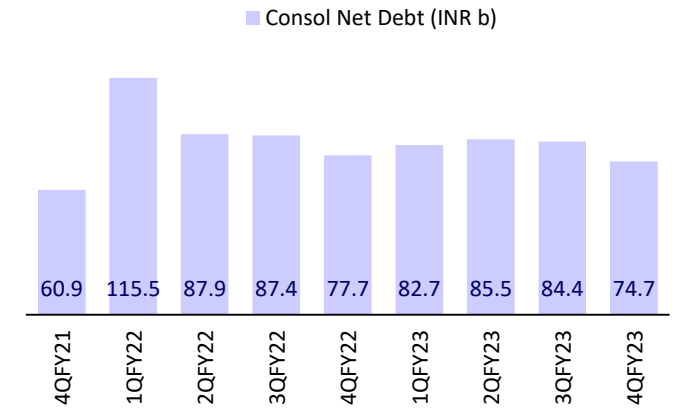
Source: Company, MOFSL

Exhibit 5: Trend in Capex (INR b)



Source: Company, MOFSL

Exhibit 6: Trend in Net Debt (excl. lease liabilities, INR b)



Source: Company, MOFSL

Valuation and view

- On the right side of global Auto megatrends:** The global Auto industry is on the cusp of disruption, led by megatrends in the form of EVs, connect cars, self-driven cars, shared mobility, stricter emission norms, and platform and vendor consolidation. These trends have the potential to disrupt the Auto supply chain and challenge incumbents. With its diverse product base and market presence, MOTHERSO is set to leverage these trends to drive the next phase of growth.
- Cyclical recovery in all key businesses:** All of MOTHERSO's key businesses are on the brink of a cyclical recovery, with India PVs, global PVs, and the US/EU CVs well placed for a revival. The company enjoys strong positioning in its respective product categories (either rank one or two), and hence will benefit from this cyclical recovery. It will drive operating leverage, mainly in its overseas businesses.
- SMRPBV fully prepared for growth:** Growth in the order book lends us comfort for building in a faster recovery for SMRPBV. As of Mar'23, its net order book stood at EUR19.7b (with 39% of orders accruing from BEVs). SMP offers revenue visibility, with orders on hand and ready capacity to execute those orders. We expect a ~5.5% revenue CAGR to EUR5b for SMP over FY23-25, and EBITDA margin to expand by 2.2pp to ~8% by FY25, driven by improving efficiency of new plants, cost absorption, and operating leverage. SMR remains the numero uno manufacturer of PV mirrors globally and has gained share across markets through continuous innovations. We expect revenue for SMR to recover at a 4.5% CAGR over FY23-25E and EBITDA margin to expand by 100bp to 11.5% by FY25E, led by absorption of cost inflation and operating leverage.
- MSUMI's Wiring Harness business** is likely to grow faster than the PV industry, led by an increase in content (due to ongoing premiumization and electrification). It is estimated to clock a 16% CAGR over FY23-25. EBITDA margin is likely to expand by 2.8pp to 13.9% over the same period, led by the product mix and operating leverage, driving a PAT CAGR of 35%.
- PKC – cyclical downturn ahead:** After benefitting from strong growth for Class 8 Trucks in the US, we expect a stable FY24 but expect a cyclical downturn in its biggest market (~45% of revenue) in FY25. PKC is highly focused on the world's largest Truck market (China), where it has three JVs targeting different customers. It entered the Rolling Stock business (~USD2b opportunity) in CY15.

The company already has global partnerships with Bombardier since CY16, and is working with other OEMs to develop a global supply chain for electrical systems in rolling stocks. We expect flat growth over FY23-25, and expect its margin to be stable at 4.5% (v/s 4.2% in FY23), led by a ramp-up in new programs and cost absorption.

- **Valuation and view:** We maintain our FY24E/FY25E EPS. Our positive view on MOTHERSO remains intact based on an industry recovery, execution of a strong order book for SMRPBV, receding cost inflation, and capacities in place for growth. MOTHERSO will benefit substantially from easing supply-side issues and receding cost headwinds, leading to strong growth and balance sheet deleverage. The stock trades at 20.7x/16.8x FY24E/FY25E consolidated EPS. We maintain our **BUY** rating with a TP of ~INR100 (premised on Mar'25E SoTP).

Exhibit 7: Revised forecast (consolidated)

(INR M)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	8,93,007	8,51,065	4.9	9,33,663	8,91,364	4.7
EBITDA	79,066	77,192	2.4	87,996	88,045	-0.1
EBITDA (%)	8.9	9.1	-20bp	9.4	9.9	-50bp
Adj. PAT	26,783	26,164	2.4	33,053	33,188	-0.4
EPS (INR)	4.0	3.9	2.4	4.9	4.9	-0.4

Source: Company, MOFSL

Exhibit 8: SOTP based Target Price of INR100 (Mar'25E) for SAMIL

Value (INR/sh)	Target PE (x)	FY24E	FY25E
	@ PE (x)		
Standalone	25	25	30
SMRPBV	15	32	43
PKC	15	5	1
Others	20	10	12
New businesses	15	0	2
MSWIL @ 20% HoldCo Discount	35	10	12
Total Equity Value		82	100
TP (INR/Sh)		82	100

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement					(INR Million)	
Y/E March	FY21	FY22	FY23	FY24E	FY25E	
Total Income from Operations	5,82,250	6,37,740	7,87,007	8,93,007	9,33,663	
Change (%)	-4.1	9.5	23.4	13.5	4.6	
EBITDA	46,880	46,994	62,077	79,066	87,996	
Margin (%)	8.1	7.4	7.9	8.9	9.4	
Depreciation	30,260	29,582	31,358	32,858	34,358	
EBIT	16,620	17,412	30,719	46,208	53,638	
Interest Charges		5,426	7,809	7,614	6,472	
PBT bef. EO Exp.	16,620	14,562	25,480	41,593	50,666	
Tax Rate (%)	33.6	43.1	30.0	32.0	32.0	
Minority Interest	440	-290	2,178	1,500	1,400	
Reported PAT	10,590	8,304	14,956	26,783	33,053	
Adjusted PAT	10,590	8,237	15,652	26,783	33,053	
Change (%)	30.8	-22.2	90.0	71.1	23.4	

Consolidated - Balance Sheet					(INR Million)	
Y/E March	FY21	FY22	FY23	FY24E	FY25E	
Equity Share Capital	4,518	4,518	6,776	6,776	6,776	
Total Reserves	1,21,088	2,01,365	2,17,739	2,36,487	2,59,624	
Net Worth	1,25,606	2,05,882	2,24,515	2,43,264	2,66,401	
Minority Interest	40,233	17,763	19,254	21,254	23,454	
Total Loans	1,07,580	1,27,609	1,21,657	1,13,157	1,06,657	
Deferred Tax Liabilities	-10,224	-11,486	-13,645	-13,645	-13,645	
Capital Employed	2,63,195	3,39,768	3,51,781	3,64,030	3,82,867	
Net Fixed Assets	1,92,782	1,75,128	1,88,750	1,91,670	1,85,311	
Goodwill	24,718	33,743	37,726	37,726	37,726	
Capital WIP	8,769	13,097	14,779	7,000	7,000	
Total Investments	2,581	7,212	6,834	6,834	6,834	
Curr. Assets, Loans&Adv.	1,78,716	1,94,908	2,27,640	2,35,374	2,70,179	
Inventory	49,956	64,417	78,228	80,738	84,413	
Account Receivables	56,931	65,731	85,135	85,631	89,529	
Cash and Bank Balance	59,062	49,994	46,987	49,033	76,621	
Loans and Advances	12,768	14,766	17,291	19,973	19,616	
Curr. Liability & Prov.	2,07,430	2,11,447	2,53,091	2,43,718	2,53,328	
Account Payables	1,11,407	1,24,775	1,41,363	1,58,326	1,77,326	
Other Current Liabilities	89,575	81,567	1,06,258	77,385	67,631	
Provisions	6,449	5,104	5,471	8,007	8,372	
Net Current Assets	-28,714	-16,538	-25,451	-8,344	16,851	
Other non-current asset	63,060	1,27,126	1,29,145	1,29,145	1,29,145	
Appl. of Funds	2,63,195	3,39,768	3,51,781	3,64,030	3,82,867	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)					
EPS	1.6	1.2	2.3	4.0	4.9
BV/Share	18.5	30.4	33.1	35.9	39.3
DPS	1.0	0.4	0.7	1.2	1.5
Payout (%)	64.0	35.4	29.5	30.0	30.0
Valuation (x)					
P/E	52.3	67.2	35.4	20.7	16.8
P/BV	4.4	2.7	2.5	2.3	2.1
EV/Sales	0.7	0.7	0.8	0.7	0.6
EV/EBITDA	8.3	9.2	9.6	7.3	6.2
Dividend Yield (%)	1.2	0.5	0.8	1.5	1.8
FCF per share (Eco. Int. basis)	4.6	0.0	3.6	3.7	7.2
Return Ratios (%)					
RoE	8.9	5.0	7.3	11.5	13.0
RoCE (post-tax)	4.2	3.8	6.7	9.3	10.4
RoIC	5.6	4.3	7.8	10.8	12.3
Working Capital Ratios					
Fixed Asset Turnover (x)	2.4	2.4	2.5	2.6	2.5
Asset Turnover (x)	2.2	1.9	2.2	2.5	2.4
Inventory (Days)	31	37	36	33	33
Debtor (Days)	36	38	39	35	35
Creditor (Days)	70	71	66	65	69
Leverage Ratio (x)					
Current Ratio	0.9	0.9	0.9	1.0	1.1
Interest Cover Ratio	NA	3.2	3.9	6.1	8.3
Net Debt/Equity	0.4	0.3	0.3	0.2	0.1

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	16,129	19,088	24,048	41,593	50,666
Depreciation	29,764	29,964	31,358	32,858	34,358
Interest & Finance Charges	4,544	4,346	7,809	7,614	6,472
Direct Taxes Paid	-5,600	-8,324	-8,535	-13,310	-16,213
(Inc)/Dec in WC	6,432	-20,797	-6,846	-15,061	2,393
Others	-757	351	-1,405	500	800
CF from Operating incl EO	50,512	24,627	46,431	54,195	78,476
(Inc)/Dec in FA	-19,325	-24,363	-21,829	-29,055	-29,946
Free Cash Flow	31,187	264	24,602	25,140	48,530
(Pur)/Sale of Investments	-45	-123	-279	0	0
Others	436	1,367	-340	0	0
CF from Investments	-18,934	-23,119	-22,448	-29,055	-29,946
Issue of Shares	0	0	-1,453	0	0
Inc/(Dec) in Debt	-11,324	2,456	-10,562	-8,500	-6,500
Interest Paid	-4,141	-5,528	-8,083	-7,614	-6,472
Dividend Paid	-1,576	-6,457	-3,308	-8,035	-9,916
Others	-3,859	-2,570	-3,936	0	0
CF from Fin. Activity	-20,900	-12,099	-27,342	-24,149	-22,888
Inc/Dec of Cash	10,678	-10,591	-3,359	991	25,642
Opening Balance	48,688	59,367	48,775	45,416	46,407
Closing Balance	59,367	48,775	45,416	46,407	72,049

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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