

Retail Equity Research Samvardhana Motherson International Ltd

Auto Ancillary

BSE CODE: 517334

NSE CODE: MOTHERSON

Bloomberg CODE: MOTHERSO:IN

SENSEX: 65,628

BUY

12 Months Investment Period

Rating as per Large Cap

CMP Rs. 102

TARGET Rs. 116

RETURN 14% 

(Closing: 04-09-23)

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Strong revenue growth; M&As to add value

Samvardhana Motherson International Limited (SMIL) manufactures and distributes automotive parts. It has products such as HVAC systems, air intake manifolds, highway vehicle cabins, air compressors and pedal box assembly.

- In Q1FY24, consolidated revenue rose 27.2% YoY to Rs. 22,462cr (flat sequentially) driven by increased production volume and stellar performance across divisions.
- EBITDA surged 68.3% YoY to Rs. 1,978cr, with a 210bps YoY improvement in EBITDA margin to 8.8%.
- SMIL showcased impressive revenue growth and improved margins owing to operational efficiency and strong performance across divisions. In our view, the company has a promising outlook because of factors such as premiumisation, acquisitions, continued customer support, restructuring efforts and a stable macroeconomic environment. Hence, we upgrade our rating to BUY on the stock with a revised target price of Rs. 116 based on 19x FY25E adjusted EPS.

Impressive growth across business sectors.

In Q1FY24, SMIL's revenue increased 27.2% YoY to Rs. 22,462cr driven by robust automotive production volume and strong performance across business divisions. China played a leading role in the growth, while other key regions — Europe, North America and India — remained stable QoQ. The modules & polymer business revenue increased by a significant 27.1% YoY to Rs. 11,978cr, while the wiring harness division grew by 24.8% YoY to Rs. 7,633cr. The vision systems, too, witnessed a substantial 32.3% YoY growth to Rs. 4,615cr. Emerging businesses grew 11.9% YoY to Rs. 1,812cr. The company has been actively making new acquisitions and successfully closed seven of them since April 2023. These acquisitions are expected to generate annual gross revenue of ~\$4.9bn or net revenue of ~\$1.1bn in the upcoming quarters. Two of these recent acquisitions added only Rs. 26cr to the overall revenue, showcasing exceptional organic growth during the quarter.

Lower input costs boosted margins.

In Q1FY24, SMIL's EBITDA grew a significant 68.3% YoY to Rs. 1,978cr. Additionally, the EBITDA margin widened 210bps YoY to 8.8%. The improvements are attributable to factors such as premiumisation, operational efficiency and a decline in material and energy costs. As a result, the PAT saw an impressive 325.5% YoY to Rs. 601cr.

Key concall highlights

- SMIL expects pending acquisitions of Cirma, Yachiyo, and DR. Schneider to add \$1.4bn in revenue next fiscal year.
- The company expects the capex to be about Rs. 3,300cr, but it could review this in the upcoming quarters as the acquisitions progress.

Valuation

SMIL is well-positioned to benefit from premiumisation, increased operational efficiency, lower commodity costs and a stable macroeconomic environment. Furthermore, its recent and pending acquisitions are expected to have a positive long-term effect on the revenue and expansion. The continuing customer support, technological changes in the automotive industry, moderate price hikes to pass on inflation and restructuring of less efficient divisions should further contribute to its growth. Hence, we upgrade our rating on the stock to BUY from HOLD with a target price of Rs. 116 based on 19x FY25E adjusted EPS.

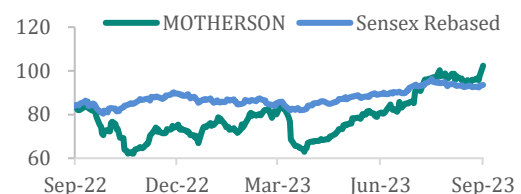
Company Data

Market Cap (cr)	Rs. 69,370
Enterprise Value (cr)	Rs. 79,767
Outstanding Shares (cr)	677.6
Free Float	35.0%
Dividend Yield	0.6%
52 week high	Rs. 104
52 week low	Rs. 62
6m average volume (lacs)	10.8
Beta	1.2
Face value	Rs. 1

Shareholding %	Q3FY23	Q4FY23	Q1FY24
Promoters	68.2	64.8	64.8
FII's	8.2	10.9	10.8
MFs/Insti	12.0	14.8	15.2
Public	11.1	9.1	8.8
Others	0.5	0.5	0.5
Total	100.0	100.0	100.0
Promoters' pledge	1.1	1.2	1.9

Price Performance	3 Month	6 Month	1 Year
Absolute Return	27.4%	27.9%	22.1%
Absolute Sensex	4.9%	9.7%	11.6%
Relative Return*	22.5%	18.1%	10.5%

*over or under performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	78,701	95,961	111,589
Growth (%)	23.4	21.9	16.3
EBITDA	6,465	8,500	10,047
EBITDA Margin (%)	8.2	8.9	9.0
Adj. PAT	1,595	3,030	4,122
Growth (%)	73.0	89.9	36.0
Adj. EPS	2.2	4.5	6.1
Growth (%)	33.6	89.9	36.0
P/E	30.4	22.9	16.8
P/B	2.0	2.8	2.5
EV/EBITDA	8.8	9.4	7.8
ROE (%)	7.4	13.0	15.6
D/E	0.6	0.5	0.4

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q1FY24	Q1FY23	YoY Growth %	Q4FY23	QoQ Growth %
Revenue	22,462	17,654	27.2	22,477	(0.1)
EBITDA	1,978	1,175	68.3	2,096	(5.6)
EBITDA margins	8.8	6.7	210bps	9.3	(50bps)
Depreciation	839	732	14.5	840	(0.1)
EBIT	1,139	442	157.4	1,256	(9.3)
Interest	253	169	49.1	278	(9.3)
Other Income	-	0	n.m.	(0)	n.m.
Exceptional Items	-	-	-	(0)	n.m.
Share of profit from Associate	23	1	n.m.	(24)	n.m.
PBT	909	274	231.4	953	(4.6)
Tax	261	93	181.4	254	2.8
Reported PAT	648	182	257	699	-7
Minority Interest	47	40	17.2	45	4.7
PAT att. to shareholders	601	141	325.5	654	(8.1)
Adjustments	-	-	-	0	n.m.
Adj. PAT	601	141	325.5	654	(8.1)
No. of shares	678	678	-	678	-
Adj. EPS (Rs.)	0.9	0.2	325.5	1.0	(8.1)

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	88,561	96,202	95,961	111,589	8.4	16
EBITDA	8,071	9,160	8,500	10,047	5.3	9.7
Margins (%)	9.1	9.5	8.9	9.0	(20bps)	(50bps)
Adj. PAT	2,834	3,493	3,030	4,122	6.9	17.0
Adj. EPS	4.2	5.2	4.5	6.1	7.1	15.4

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	56,416	63,774	78,701	95,961	111,589
% change	(5.7)	13.0	23.4	21.9	16.3
EBITDA	4,409	4,995	6,465	8,500	10,047
% change	10.5	18.6	29.9	34.4	22.7
Depreciation	2,976	2,996	3,136	3,448	3,601
EBIT	1,433	1,999	3,329	5,052	6,445
Interest	511	543	781	775	644
Other Income	252	(32)	(143)	44	46
PBT	1,173	1,424	2,405	4,320	5,847
% change	(27.7)	21.4	68.9	79.7	35.3
Tax	(69)	607	735	1,080	1,462
Tax Rate (%)	(5.9)	42.6	30.6	25.0	25.0
Reported PAT	1,243	817	1,670	3,240	4,385
PAT att. to common shareholders	1,039	874	1,496	3,030	4,122
Adj*	62	48	99	-	-
Adj PAT	1,101	922	1,595	3,030	4,122
% change	(5.9)	(16.3)	73.0	89.9	36.0
No. of shares (cr)	315.8	523.3	677.6	677.6	677.6
Adj EPS (Rs.)	3.3	1.7	2.2	4.5	6.1
% change	(5.9)	(49.5)	33.6	89.9	36.0
DPS (Rs.)	1.5	0.7	0.7	0.9	1.2
CEPS (Rs.)	12.9	7.5	7.0	9.6	11.4

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	4,219	3,814	4,805	6,688	7,986
Non-cash adj.	898	97	(216)	(838)	(820)
Changes in W.C	(66)	(1,448)	53	278	(955)
C.F. Operation	5,051	2,463	4,643	6,129	6,212
Capital exp.	(1,932)	(2,436)	(2,183)	(3,317)	(3,301)
Change in inv.	(5)	(120)	(326)	(81)	(97)
Other invest.CF	44	245	264	74	78
C.F - Investment	(1,893)	(2,312)	(2,245)	(3,323)	(3,321)
Issue of equity	-	-	-	-	-
Issue/repay debt	(1,526)	(19)	(1,450)	(787)	(780)
Dividends paid	(161)	(646)	(331)	(606)	(824)
Other finance.CF	(410)	(553)	(954)	(775)	(644)
C.F - Finance	(2,097)	(1,217)	(2,734)	(2,168)	(2,249)
Chg. in cash	1,060	(1,067)	(336)	637	642
Closing cash	5,906	4,999	4,699	5,336	5,978

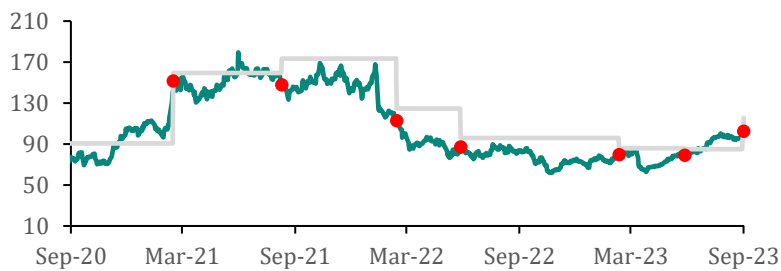
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	5,906	4,999	4,699	5,336	5,978
Accounts Receivable	5,693	6,573	8,513	10,076	12,275
Inventories	4,996	6,442	7,823	7,067	8,772
Other Cur. Assets	5,432	4,602	5,744	6,922	7,808
Investments	974	6,985	6,786	6,907	7,047
Gross Fixed Assets	24,055	26,554	28,736	32,053	35,354
Net Fixed Assets	15,812	16,128	17,563	17,573	17,337
CWIP	838	1,249	1,422	1,280	1,216
Intangible Assets	4,197	4,820	5,141	4,905	4,712
Def. Tax (Net)	1,022	1,377	1,227	1,652	2,224
Other Assets	3,214	3,096	2,934	2,703	2,510
Total Assets	48,085	56,270	61,852	64,421	69,879
Current Liabilities	17,611	17,663	21,547	22,218	24,837
Provisions	148	135	77	70	64
Debt Funds	12,537	14,611	14,384	13,597	12,817
Other Liabilities	1,205	1,497	1,467	1,524	1,589
Equity Capital	316	452	678	678	678
Reserves & Surplus	12,245	20,136	21,774	24,198	27,495
Shareholder's Fund	12,561	20,588	22,452	24,875	28,173
Minority Interest	4,023	1,776	1,925	2,136	2,399
Total Liabilities	48,085	56,270	61,852	64,421	69,879
BVPS (Rs.)	40	39	33	37	42

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return					
EBITDA margin (%)	7.8	7.8	8.2	8.9	9.0
EBIT margin (%)	2.5	3.1	4.2	5.3	5.8
Net profit mgn.(%)	1.8	1.4	1.9	3.2	3.7
ROE (%)	9.9	4.0	7.4	13.0	15.6
ROCE (%)	4.9	5.4	8.6	12.4	14.9
W.C & Liquidity					
Receivables (days)	36.8	37.6	39.5	38.3	40.2
Inventory (days)	55.9	64.0	63.0	47.5	51.1
Payables (days)	124.7	112.9	113.9	102.2	105.9
Current ratio (x)	1.0	1.0	1.0	1.0	1.1
Quick ratio (x)	0.5	0.5	0.5	0.5	0.6
Turnover & Leverage					
Gross asset T.O (x)	2.4	2.5	2.8	3.2	3.3
Total asset T.O (x)	1.2	1.2	1.3	1.5	1.7
Int. coverage ratio (x)	2.8	3.7	4.3	6.5	10.0
Adj. debt/equity (x)	0.8	0.7	0.6	0.5	0.4
Valuation					
EV/Sales (x)	0.9	0.9	0.7	0.8	0.7
EV/EBITDA (x)	12.0	12.0	8.8	9.4	7.8
P/E (x)	40.8	55.6	30.4	22.9	16.8
P/BV (x)	3.4	2.4	2.0	2.8	2.5

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
19-Aug-20	HOLD	91
17-Feb-21	BUY	159
13-Aug-21	BUY	174
16-Feb-22	HOLD	125
31-May-22	BUY	96
13-Feb-23	HOLD	86
31-May-23	HOLD	85
5-Sep-23	BUY	116

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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