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Q4FY23 result review,  
price target revision and  
earnings revision

## Automobiles

Target price: Rs95

### Earnings revision

| (%)    | FY24E  | FY25E |
|--------|--------|-------|
| Sales  | ↓ 0.6  | ↓ 0.6 |
| EBITDA | ↓ 1.7  | ↑ 0.7 |
| EPS    | ↓ 11.3 | ↓ 8.6 |

### Target price revision

Rs95 from Rs110

### Shareholding pattern

|                         | Sep '22 | Dec '22 | Mar '23 |
|-------------------------|---------|---------|---------|
| Promoters               | 68.2    | 68.2    | 64.8    |
| Institutional investors | 20.0    | 20.2    | 25.7    |
| MFs and others          | 7.8     | 8.9     | 11.4    |
| FIs/Banks               | 2.6     | 3.1     | 3.1     |
| FIs                     | 9.6     | 8.2     | 11.2    |
| Others                  | 11.8    | 11.6    | 9.5     |

Source: BSE

### ESG disclosure score

| Year             | 2021        | 2022        | Chg        |
|------------------|-------------|-------------|------------|
| <b>ESG score</b> | <b>31.1</b> | <b>40.6</b> | <b>9.5</b> |
| Environment      | 2.4         | 17.3        | 14.8       |
| Social           | 12.0        | 25.7        | 13.7       |
| Governance       | 78.6        | 78.6        | 0.0        |

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

# Samvardhana Motherson International BUY

Maintained

Rs81

## Robust all-round show

Samvardhana Motherson International's (SAMIL) Q4FY23 EBITDA margin at 9% is up 120bps QoQ, and is higher than the consensus estimate of 8.1%. This was driven by gradual recovery in the gross margin (GM), operating leverage benefits and partial cost pass-through to customers. SAMIL reported its all-time-high quarterly revenue at Rs225bn with volume improvement in EU, North America and India outpacing China volume decline. With continued focus on EV solutions, EVs now account for 39% of SAMIL's orderbook vs 27% at FY22-end. Revenue growth of ~31% was driven by ~20-25% growth in EUR-denominated revenue, favourable EUR/INR move and inorganic revenue addition. EBITDAM improvement of ~200bps YoY to 9% was driven entirely by GM improvement as fixed costs remained elevated due to wage and power cost inflation. Management expects capex for FY24 to be higher at ~Rs30bn (vs ~Rs22bn in FY23) – to support growth mainly in India market with 6 new facilities and other emerging businesses. With easing chip supply situation, input costs cooling off, and gradual cost pass-through we expect SAMIL's EBITDA to register a CAGR of 19% for the period FY23-FY25E. Maintain BUY on the stock with a revised DCF-based target price of Rs95 (earlier: Rs110), implying 19x FY25E earnings. The cut in target price results from factoring-in of the higher capex outgo and slight moderation in our growth estimates.

### SAMIL Q4FY23 result: Key highlights and our views:

- ▶ Revenue growth at ~31% YoY in INR terms was driven by: 1) around 20-25% of revenue being in EUR terms (for wiring harness, polymer and vision system businesses), 2) around 8% of revenues attributable to favourable currency moves, and 3) rest from small-ticket acquisitions. Robust demand from North American OHT, agri and CV markets, other than improving car production across key markets (led by improving supply chain conditions) helped SAMIL report ~20-25% growth in EUR terms. With orderbooks at ~EUR20bn (~39% of it from EVs) under SMRPBV and ~US\$70bn of booked business (lifetime sales of business under production and planned but yet-to-start production) for SAMIL as a whole, continue to give visibility to revenue growth ahead. We are building-in organic EUR revenue CAGR of ~10% in FY23-FY25E. Developing markets contributed ~50% of revenue in FY23 and, we believe, the continued trend of premiumisation and electrification in these markets would continue to add to value growth for SAMIL going ahead, over and above the volume growth.
- ▶ In terms of EBITDAM, the ~200bps YoY improvement to 9% was driven purely by gross margin expansion on back of falling commodity prices. Going ahead, SAMIL will benefit from the favourable moves in power and logistics costs combating the adverse wage inflationary conditions. Reported EBITDA included Rs350mn of one-off gain led by write-back of provision w.r.t. a litigation expense. In terms of segmental margins, we believe, vision system at ~13% and wiring harness at ~9.5% have limited upside from current levels, leaving polymer margin (currently at ~7%) the sole area in which SAMIL can push profitability up. We are building-in a sustainable consolidated EBITDAM of ~8.8% for SAMIL in FY24E-FY25E.

| Market Cap               | Rs547bn/US\$6.6bn | Year to Mar (Std)       | FY22   | FY23  | FY24E | FY25E |
|--------------------------|-------------------|-------------------------|--------|-------|-------|-------|
| Bloomberg                | MOTHERSO IN       | Revenue (Rs bn)         | 635.4  | 787.0 | 906.3 | 981.5 |
| Shares Outstanding (mn)  | 6,776.4           | Rec. Net Income (Rs bn) | 8.5    | 14.7  | 26.9  | 31.2  |
| 52-week Range (Rs)       | 90/62             | Rec. EPS (Rs)           | 1.4    | 2.5   | 4.2   | 4.9   |
| Free Float (%)           | 35.2              | % Chg YoY               | (18.5) | 73.7  | 71.7  | 16.0  |
| FII (%)                  | 11.2              | P/E (x)                 | 57.6   | 33.1  | 19.3  | 16.6  |
| Daily Volume (US\$/'000) | 15,993            | CEPS (Rs)               | 6.0    | 7.3   | 9.7   | 10.8  |
| Absolute Return 3m (%)   | (2.1)             | EV/E (x)                | 13.4   | 9.6   | 7.5   | 6.7   |
| Absolute Return 12m (%)  | (0.7)             | Dividend Yield (%)      | 0.6    | 0.8   | 1.6   | 1.7   |
| Sensex Return 3m (%)     | 5.4               | RoCE (%)                | 3.3    | 6.5   | 8.9   | 9.6   |
| Sensex Return 12m (%)    | 16.6              | RoE (%)                 | 4.4    | 7.0   | 11.0  | 11.7  |

Please refer to important disclosures at the end of this report

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- We expect SAMIL to become net-debt-free by FY25E with equity base of ~Rs265bn on books (not factoring-in Systemstechnik). This would easily give SAMIL scope for adding debt of US2bn-2.5bn for acquisitions and keep leverage on books under control. At 1.5-2x asset turns, we believe, SAMIL can add ~US\$3bn-4bn of inorganic revenue over and above our estimated organic revenue of ~US\$13bn by FY25E, taking overall revenue potential to ~US\$16bn-17bn. For the organic business, SAMIL is aiming at Rs30bn of capex in FY24, higher than the Rs22bn in FY23, in order to expand capacities in tandem with rising orderbook.

**Table 1: Q4FY23 result review (consolidated)***(Rs mn, year ending March 31)*

|  | 4QFY23          | 4QFY22          | YoY            | 3QFY23          | QoQ            |
|--|-----------------|-----------------|----------------|-----------------|----------------|
| <b>Net Sales</b>                       | <b>2,24,769</b> | <b>1,71,848</b> | <b>31%</b>     | <b>2,02,262</b> | <b>11%</b>     |
| Cost of Materials                      | 1,27,124        | 1,00,328        | 27%            | 1,15,328        | 10%            |
| As % of sales                          | 56.6%           | 58.4%           | -182 bps       | 57.0%           | -46 bps        |
| <b>Gross profit</b>                    | <b>97,645</b>   | <b>71,521</b>   | <b>37%</b>     | <b>86,934</b>   | <b>12%</b>     |
| <b>Gross margin</b>                    | <b>43.4%</b>    | <b>41.6%</b>    | <b>182 bps</b> | <b>43.0%</b>    | <b>46 bps</b>  |
| Employees Cost                         | 49,620          | 40,592          | 22%            | 45,966          | 8%             |
| As % of sales                          | 22.1%           | 23.6%           | -154 bps       | 22.7%           | -65 bps        |
| Other expenditure                      | 27,820          | 18,821          | 48%            | 25,215          | 10%            |
| As % of sales                          | 12.4%           | 11.0%           | 142 bps        | 12.5%           | -9 bps         |
| <b>EBITDA</b>                          | <b>20,205</b>   | <b>12,108</b>   | <b>67%</b>     | <b>15,753</b>   | <b>28%</b>     |
| <b>EBITDA margin</b>                   | <b>9.0%</b>     | <b>7.0%</b>     | <b>194 bps</b> | <b>7.8%</b>     | <b>120 bps</b> |
| Depreciation & Amortisation            | 8,397           | 7,362           | 14%            | 8,150           | 3%             |
| <b>EBIT</b>                            | <b>11,808</b>   | <b>4,746</b>    | <b>149%</b>    | <b>7,603</b>    | <b>55%</b>     |
| <b>EBIT margin</b>                     | <b>5.3%</b>     | <b>2.8%</b>     | <b>249 bps</b> | <b>3.8%</b>     | <b>149 bps</b> |
| Other Income                           | 751             | 1,412           | -47%           | 1,221           | -39%           |
| Interest                               | 2,784           | 1,612           | 73%            | 1,494           | 86%            |
| <b>PBT</b>                             | <b>9,774</b>    | <b>4,547</b>    | <b>115%</b>    | <b>7,330</b>    | <b>33%</b>     |
| Tax                                    | 2,444           | 1,137           | 115%           | 1,832           | 33%            |
| MI/share of Associates                 | (244)           | (196)           | N.M.           | (141)           | N.M.           |
| Reported PAT after minority/associates | 6,991           | 1,216           | 475%           | 5,008           | 40%            |
| <b>Adj PAT</b>                         | <b>7,087</b>    | <b>3,214</b>    | <b>120%</b>    | <b>5,357</b>    | <b>32%</b>     |

Source: Company data, I-Sec research; As per SEBI format

**Table 2: Results of key divisions***(Rs mn, year ending March 31)*

|                          | 4QFY23   | 4QFY22 | YoY     | 3QFY23   | QoQ     |
|--------------------------|----------|--------|---------|----------|---------|
| <b>Revenue</b>           |          |        |         |          |         |
| Wiring Harness           | 74,722   | 59,570 | 25.4%   | 65,170   | 14.7%   |
| Modules & Polymer        | 1,21,145 | 92,540 | 30.9%   | 1,09,445 | 10.7%   |
| Vision Systems           | 45,954   | 36,390 | 26.3%   | 45,430   | 1.2%    |
| <b>EBITDA margin (%)</b> |          |        |         |          |         |
| Wiring Harness           | 9.6%     | 9.3%   | 23 bps  | 8.6%     | 99 bps  |
| Modules & Polymer        | 7.2%     | 5.8%   | 137 bps | 6.6%     | 61 bps  |
| Vision Systems           | 13.2%    | 9.3%   | 388 bps | 10.0%    | 322 bps |

Source: Company data, I-Sec research

**Table 3: SAMIL standalone snapshot**

| Standalone (Rs mn)   | 4QFY23       | 4QFY22       | YoY             | 3QFY23       | QoQ             |
|----------------------|--------------|--------------|-----------------|--------------|-----------------|
| Net Sales            | 20,294       | 16,114       | 26%             | 17,863       | 14%             |
| EBITDA               | 2,064        | 2,157        | -4%             | 2,034        | 1%              |
| <b>EBITDA margin</b> | <b>10.2%</b> | <b>13.4%</b> | <b>-321 bps</b> | <b>11.4%</b> | <b>-121 bps</b> |
| PAT                  | 934          | 3,658        | -74%            | 2,747        | -66%            |

Source: Company data, I-Sec research; As per SEBI format

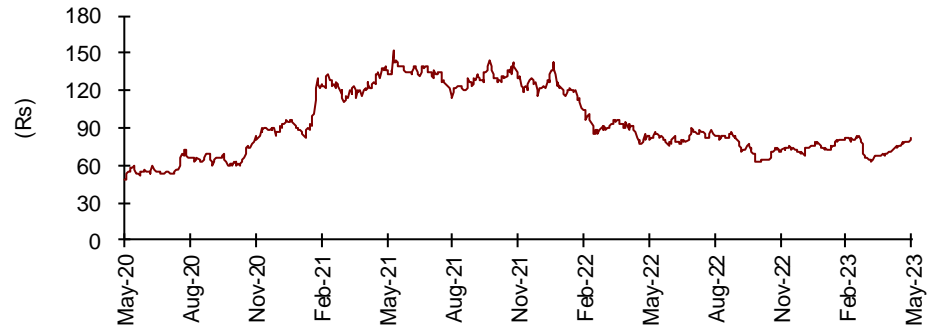
**Table 4: Estimates revision (consolidated)***(year ending March 31)*

|                   | FY24E    |      |         | FY25E    |      |         |
|-------------------|----------|------|---------|----------|------|---------|
|                   | Previous | New  | Chg (%) | Previous | New  | Chg (%) |
| Revenue (Rs bn)   | 911      | 906  | -0.6%   | 987      | 981  | -0.6%   |
| EBITDA (Rs bn)    | 81       | 80   | -1.7%   | 88       | 89   | 0.7%    |
| EBITDA margin (%) | 8.9%     | 8.8% | -10 bps | 8.9%     | 9.0% | 11 bps  |
| PAT (Rs bn)       | 30       | 27   | -11.3%  | 34       | 31   | -8.6%   |
| EPS (Rs)          | 4.8      | 4.2  | -11.3%  | 5.4      | 4.9  | -8.6%   |

Source: I-Sec research

**Downside risks:** Other than potential resumption of commodity inflation impacting gross margin, any continued demand-supply shock can delay improvement in revenue growth and profitability for SAMIL.

**Price chart**



Source: Bloomberg

## Financial summary (consolidated)

**Table 5: Profit and Loss statement**
*(Rs mn, year ending March 31)*

|  | FY22            | FY23            | FY24E           | FY25E           |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>Net Sales</b>                       | <b>6,35,360</b> | <b>7,87,007</b> | <b>9,06,289</b> | <b>9,81,486</b> |
| Raw material expenditure               | 3,67,363        | 4,53,174        | 5,18,186        | 5,69,116        |
| Staff cost                             | 1,53,746        | 1,79,314        | 2,08,446        | 2,15,927        |
| Other expenses                         | 69,637          | 92,442          | 99,837          | 1,07,824        |
| Operating expenditure                  | 5,90,746        | 7,24,929        | 8,26,470        | 8,92,867        |
| <b>EBITDA</b>                          | <b>44,614</b>   | <b>62,077</b>   | <b>79,819</b>   | <b>88,619</b>   |
| EBITDA Margin (%)                      | 7.0%            | 7.9%            | 8.8%            | 9.0%            |
| Depreciation                           | 29,582          | 31,358          | 34,648          | 37,350          |
| <b>EBIT</b>                            | <b>15,032</b>   | <b>30,719</b>   | <b>45,171</b>   | <b>51,269</b>   |
| Interest expenditure                   | 5,426           | 7,809           | 7,000           | 7,000           |
| Non-operating income                   | 4,957           | 2,570           | 3,084           | 3,701           |
| <b>Adj. PBT</b>                        | <b>14,562</b>   | <b>25,480</b>   | <b>41,256</b>   | <b>47,971</b>   |
| Tax                                    | 6,275           | 7,650           | 12,377          | 14,391          |
| <b>Adj. PAT</b>                        | <b>8,287</b>    | <b>17,830</b>   | <b>28,879</b>   | <b>33,580</b>   |
| <b>Discontinued PAT</b>                | <b>3,642</b>    | -               | -               | -               |
| <b>Adj. PAT (cont. + discontinued)</b> | <b>11,929</b>   | <b>17,830</b>   | <b>28,879</b>   | <b>33,580</b>   |
| Minority Interest/Share of JVs         | 2,917           | 2,178           | 2,000           | 2,400           |
| <b>Adj. consol PAT after MI</b>        | <b>9,012</b>    | <b>15,652</b>   | <b>26,879</b>   | <b>31,180</b>   |
| Exceptionals                           | 481             | 995             | -               | -               |
| <b>Reported PAT after MI</b>           | <b>8,531</b>    | <b>14,657</b>   | <b>26,879</b>   | <b>31,180</b>   |

Source: Company data, I-Sec research

**Table 6: Balance sheet**
*(Rs mn, year ending March 31)*

|                           | FY22            | FY23            | FY24E           | FY25E           |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| Shareholders' equity      | 4,518           | 6,325           | 6,325           | 6,325           |
| Reserves & surplus        | 2,01,365        | 2,18,191        | 2,37,006        | 2,59,316        |
| <b>Total network</b>      | <b>2,05,883</b> | <b>2,24,516</b> | <b>2,43,331</b> | <b>2,65,640</b> |
| <b>Minority Interest</b>  | <b>17,763</b>   | <b>19,254</b>   | <b>21,254</b>   | <b>23,654</b>   |
| Debt                      | 1,27,609        | 1,21,657        | 1,21,657        | 1,21,657        |
| Deferred tax liability    | (8,322)         | (8,428)         | (8,428)         | (8,428)         |
| <b>Total liabilities</b>  | <b>3,42,932</b> | <b>3,56,998</b> | <b>3,77,814</b> | <b>4,02,523</b> |
| Gross block               | 3,59,032        | 4,07,746        | 4,39,467        | 4,73,819        |
| Net block                 | 2,14,113        | 2,31,469        | 2,28,541        | 2,25,543        |
| CWIP                      | 13,097          | 14,779          | 14,779          | 14,779          |
| Investments (non-current) | 64,617          | 62,899          | 62,899          | 62,899          |
| Cash & equivalents        | 49,994          | 46,987          | 81,252          | 1,09,783        |
| Debtors                   | 80,247          | 98,379          | 99,319          | 1,07,560        |
| Inventory                 | 64,417          | 78,228          | 79,455          | 86,048          |
| Loans & advances          | 62,449          | 72,133          | 87,179          | 94,390          |
| Total current assets      | 2,57,107        | 2,95,726        | 3,47,206        | 3,97,782        |
| Current liabilities       | 1,94,373        | 2,37,248        | 2,60,713        | 2,82,345        |
| Provisions                | 11,629          | 10,627          | 14,898          | 16,134          |
| Total current liabilities | 2,06,002        | 2,47,875        | 2,75,611        | 2,98,479        |
| <b>Net current assets</b> | <b>51,105</b>   | <b>47,852</b>   | <b>71,595</b>   | <b>99,302</b>   |
| <b>Total assets</b>       | <b>3,42,932</b> | <b>3,56,998</b> | <b>3,77,814</b> | <b>4,02,523</b> |

Source: Company data, I-Sec research

**Table 7: 5-stage DuPont trends**
*(year ending March 31)*

| All figures in %                         | FY22  | FY23  | FY24E | FY25E |
|--|-------|-------|-------|-------|
| Tax Burden (Adjusted PAT/PBT)            | 58.6  | 57.5  | 65.2  | 65.0  |
| Interest Burden (PBT/EBIT)               | 96.9  | 82.9  | 91.3  | 93.6  |
| EBIT Margin (EBIT/Sales)                 | 2.4   | 3.9   | 5.0   | 5.2   |
| Asset Turnover (Sales/Total Assets)      | 185.3 | 220.5 | 239.9 | 243.8 |
| Financial Leverage (Total Assets/Equity) | 1.7   | 1.6   | 1.6   | 1.5   |
| ROE                                      | 4.4   | 7.0   | 11.0  | 11.7  |

Source: Company data, I-Sec research

**Table 8: Cashflow statement**
*(Rs mn, year ending March 31)*

|   | FY22            | FY23            | FY24E           | FY25E           |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>Operating cashflow before WC changes</b> | <b>43,181</b>   | <b>55,864</b>   | <b>70,527</b>   | <b>77,930</b>   |
| (Incr) / decr in net working capital        | (31,159)        | 246             | 10,522          | 824             |
| <b>Cashflow from operations</b>             | <b>12,022</b>   | <b>56,110</b>   | <b>81,049</b>   | <b>78,754</b>   |
| Capex (net)                                 | (47,032)        | (50,397)        | (31,720)        | (34,352)        |
| (Incr) / decrease in investments            | -               | -               | -               | -               |
| <b>Cashflow from investments</b>            | <b>(47,032)</b> | <b>(50,397)</b> | <b>(31,720)</b> | <b>(34,352)</b> |
| Net borrowings                              | 39,347          | (5,952)         | -               | -               |
| Interest paid                               | (5,426)         | (7,809)         | (7,000)         | (7,000)         |
| Dividend paid                               | (2,937)         | (4,111)         | (8,064)         | (8,870)         |
| Others                                      | (7,287)         | 10,110          | -               | -               |
| Issue of Equity                             | 1,360           | (1)             | -               | -               |
| <b>Cashflow from financing</b>              | <b>25,058</b>   | <b>(7,763)</b>  | <b>(15,064)</b> | <b>(15,870)</b> |
| Net change in cash                          | (9,952)         | (2,050)         | 34,265          | 28,532          |
| <b>Free cashflow</b>                        | <b>(35,010)</b> | <b>5,713</b>    | <b>49,329</b>   | <b>44,402</b>   |

Source: Company data, I-Sec research

**Table 9: Key ratios**
*(Year ending March 31)*

|  | FY22   | FY23 | FY24E | FY25E |
|--|--------|------|-------|-------|
| <b>Per Share Data (in Rs)</b>          |        |      |       |       |
| EPS (Rs)                               | 1.4    | 2.5  | 4.2   | 4.9   |
| Diluted EPS (Rs)                       | 1.4    | 2.5  | 4.2   | 4.9   |
| CEPS (Rs)                              | 6.0    | 7.3  | 9.7   | 10.8  |
| Dividend per share (Rs)                | 0.5    | 0.7  | 1.3   | 1.4   |
| Book value per share (Rs)              | 32.6   | 35.5 | 38.5  | 42.0  |
| <b>Growth Ratios (%)</b>               |        |      |       |       |
| Total Op. Income (Sales)               | 10.7   | 23.9 | 15.2  | 8.3   |
| EBITDA                                 | 2.3    | 39.1 | 28.6  | 11.0  |
| Net Income (Adjusted)                  | 38.7   | 4.1  | 5.8   | 6.5   |
| EPS (Adjusted)                         | (18.5) | 73.7 | 71.7  | 16.0  |
| Cash EPS                               | (4.0)  | 20.7 | 33.7  | 11.4  |
| BVPS (Adjusted)                        | 63.9   | 9.1  | 8.4   | 9.2   |
| <b>Valuation Ratios (x)</b>            |        |      |       |       |
| P/E (x)                                | 57.6   | 33.1 | 19.3  | 16.6  |
| P/BV (x)                               | 2.5    | 2.3  | 2.1   | 2.0   |
| EV/Sales (x)                           | 0.9    | 0.8  | 0.7   | 0.6   |
| EV/EBITDA (x)                          | 13.4   | 9.6  | 7.5   | 6.7   |
| <b>Return/Profitability Ratios (%)</b> |        |      |       |       |
| EBITDA Margin                          | 7.0    | 7.9  | 8.8   | 9.0   |
| Net Income Margin (Adjusted)           | 1.4    | 2.0  | 3.0   | 3.2   |
| RoCE                                   | 3.3    | 6.5  | 8.9   | 9.6   |
| RoNW                                   | 4.4    | 7.0  | 11.0  | 11.7  |
| Dividend Payout Ratio                  | 32.6   | 26.3 | 30.0  | 28.4  |
| Dividend Yield                         | 0.6    | 0.8  | 1.6   | 1.7   |
| <b>Solvency/Wkg. Cap. Ratios (x)</b>   |        |      |       |       |
| Net D/E                                | 0.4    | 0.3  | 0.2   | 0.0   |
| Debt/EBITDA                            | 2.9    | 2.0  | 1.5   | 1.4   |
| EBIT/Interest                          | 2.8    | 3.9  | 6.5   | 7.3   |
| Inventory (days)                       | 33     | 33   | 32    | 32    |
| Receivables (days)                     | 44     | 41   | 40    | 40    |
| Payables (days)                        | 117    | 100  | 105   | 105   |

Source: Company data, I-Sec research

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