

Samvardhana Motherson (MOTHERSO)

Inorganic levers to cushion moderating volumes

View – Structurally well placed yet global LV start to moderate

Samvardhana Motherson (MOTHERSON) 1QFY25 exceeded our EBITDA estimates by ~7% (in-line to street), led by steady margins across verticals (adjusted for one-offs of Rs2.7b reported in 4QFY24). This led to reported consol margins at 9.6% (+100bp YoY/ -120bp QoQ, est 9.4%). Underlying revenue growth of ~28.5% YoY in 1QFY25 was led by combination of organic and inorganic (Rs62.5b contribution in 1Q vs Rs280.5b in FY24), significantly outpacing flat global light vehicle (LV) volumes. All the sub segments grew by high single to healthy double digit led by combination of content increase and integration of acquisitions such as Yachiyo 4W, Ichikoh, AD industries (2 months consolidated) etc. among key ones. However, co did indicated challenges such as, 1) soft production expected in Europe (LV and CV) and NA (CV) and delay in EV launches in Europe impacting production (negated by extended life of ICE platforms bode well for tech agnostic approach) to weigh on growth ahead.

We believe, meaningful contribution from recent acquisitions have started to kick in which should drive revenue/EBITDA/Adj.PAT CAGR of 14.6%/18.8%/31.3% over FY24-27E and cushion cyclical. Margins are likely to expand to ~10.5% by FY27E (v/s 7.9% in FY23 and 9.4% in FY24) led by ready capacity to execute healthy orders. Led by decline in global light vehicles (LV) growth outlook and resultant impact on margins, we cut FY25/FY26 EPS by 6.5-10%. Maintain BUY with revised TP of Rs208 (earlier Rs224), valuing co at 25x FY27 consol EPS (unchanged). MOTHERSO trades at 30.9x/24.7x FY25/26 consol EPS.

Result Highlights – Steady execution across business verticals

- Consol revenues grew 28.5% YoY (+7.5% QoQ) at Rs288.7b (est ~Rs276.7b). Segmentally, wiring harness revenues grew 9.1% YoY, SMP +26.8% YoY, SMR at +8.3% YoY and emerging business grew ~43% in INR terms. This is against flat growth in light vehicles production globally while the same for NA/Europe were at +1%/-5%. Inorganic (acquired) business contributed Rs62.5b with EBITDA of Rs6.9b implying margins of 11%.
- Consol EBITDA grew ~44% YoY/ +1.4% QoQ to Rs27.8b (est at Rs26b) led by 290bp YoY (-60bp QoQ) expansion in gross margins at 46.4% (est 46.9%). Consequently, margins expanded 100bp YoY (-60bp QoQ) at 9.6% (est 9.4%).
- EBIT margins of key business** – WH at 11.7% (vs 10.2% YoY), SMP at 8.7% (vs 7.5% YoY), SMR at 9.5% (vs 9.4% YoY), emerging biz at 12.2% (vs 11.3% YoY).
- Consequently Adj. PAT grew ~65.5% YoY (-15.3% QoQ) at Rs9.94b (est Rs8b, cons Rs9.3b). **Consol net debt at Rs133b as of 1QFY25** (vs Rs103.7b in Mar'24). QoQ increase in the debt was due to Rs17.5b impact of M&A closure.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	288,680	276,671	283,814	4.3	1.7	Underlying profitability healthy even after adjusted for one-offs gains of Rs2.7b
EBITDA	27,753	26,007	27,610	6.7	0.5	
EBITDA margins %	9.6	9.4	9.7	20bp	-10bp	
Adjusted PAT	9,942	8,018	9,327	24.0	6.6	

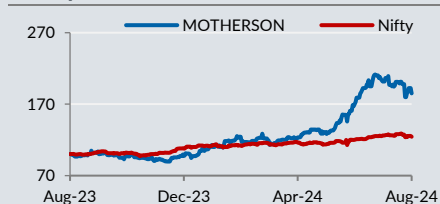
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 181
Target Price	: Rs 208
Potential Return	: +15.1%

Stock data (as on August 13, 2024)

Nifty	24,139
52 Week h/l (Rs)	209 / 87
Market cap (Rs/USD mn)	12,75,390 / 15,197
Outstanding Shares (mn)	6,776
6m Avg t/o (Rs mn):	3,178
Div yield (%):	0.4
Bloomberg code:	MOTHERSO IN
NSE code:	MOTHERSON

Stock performance



	1M	3M	1Y
Absolute return	(8.2%)	44.5%	85.0%

Shareholding pattern (As of June'24)

Promoter	60.4%
FII+DII	31.0%
Others	8.6%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	208	224

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	5.8	7.3
EPS (Old)	6.3	8.1
% change	(6.5%)	(9.8%)

Financial Summary

INR bn	2024	2025E	2026E
Sales	987	1,199	1,357
EBITDA	92	121	141
Adj. PAT	24	39	49
EPS (Rs)	3.7	5.8	7.3
EPS Growth (%)	60.4	59.2	25.0
BV/Share (Rs)	19.3	21.9	25.2
RoE (%)	10.2	14.2	15.5
RoCE (%)	10.7	13.0	14.3
Payout (%)	10.9	10.0	10.0
P/E (x)	49.2	30.9	24.7
P/BV (x)	9.4	8.2	7.2
EV/EBITDA (x)	7.5	6.0	4.9
EV/Sales (x)	0.7	0.6	0.5

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Exhibit 2: Quarterly snapshot

Y/e Mar (Rs mn)	Q1FY25	Q1FY24	YoY chg	Q4FY24	QoQ chg	FY24	FY23	YoY chg
Net Revenues	288,680	224,622	28.5	270,582	6.7%	986,918	786,610	25.5
Raw Materials	154,747	127,010	21.8	142,238	8.8%	544,147	453,174	20.1
% of Net Sales	53.6%	56.5%		52.6%		55.1%	57.6%	
Personnel	71,704	53,169	34.9	66,869	7.2%	235,385	179,314	31.3
% of Net Sales	24.8%	23.7%		24.7%		23.9%	22.8%	
Manufacturing & Other Exp	34,475	25,197	36.8	32,129	7.3%	116,209	92,541	25.6
% of Net Sales	11.9%	11.2%		11.9%		11.8%	11.8%	
Total Expenditure	260,927	205,376	27.0	241,237	8.2%	895,741	725,029	23.5
EBITDA	27,753	19,246	44.2	29,346	-5.4%	91,176	61,582	48.1
EBITDA Margin (%)	9.6%	8.6%		10.8%		9.2%	7.8%	
Depreciation	10,646	8,389	26.9	10,878	-2.1%	38,105	31,358	21.5
EBIT	17,107	10,857	57.6	18,467	-7.4%	53,071	30,223	75.6
Interest Expenses	4,445	2,526	75.9	4,504	-1.3%	16,812	7,809	115.3
Non-operating income	709	529	34.0	836	-15.2%	3,566	3,066	16.3
Extraordinary Expenses	-	-	-	4.10	(1.00)	(2,481)	(995)	149.5
PBT	13,371	8,860	50.9	14,800	-9.6%	39,825	25,480	56.3
Tax-Total	3,480	2,610	33.4	1,129	208.3%	8,206	7,351	11.6
Tax Rate (%) - Total	26.0%	29.5%		7.6%		20.6%	28.9%	(28.6)
Reported PAT	9,891	6,250	58.3	13,671	-27.6%	31,619	18,128	74.4
Minority Interest	(51)	241	(120.9)	(43)		658	2,178	(69.8)
Profit after MI	9,942	6,009	65.5	13,714	-27.5%	29,977	15,586	92.3
Adj. PAT	9,942	6,009	65.5	13,714	-27.5%	29,977	15,586	92.3
PAT Margin	0.6%	2.1%		5.1%		3.0%	2.0%	

Source- Company, YES Sec

KEY CON-CALL HIGHLIGHTS

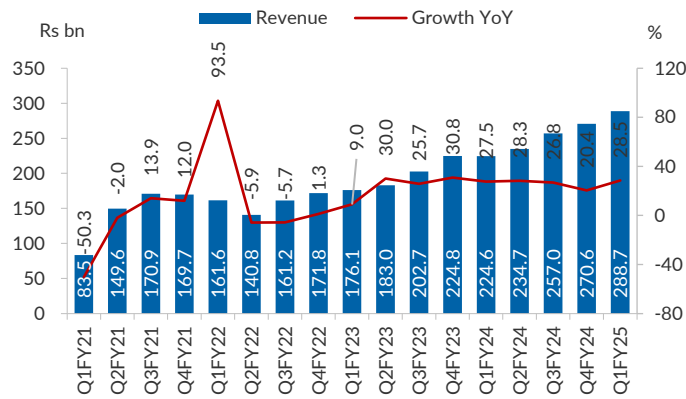
- **Outlook** - Macro factors remain stabilized at broader levels, though some regional challenges persist.
 - Global light vehicle production volume growth remained flat YoY while the same for Europe/NA/China/India were at -5%/+1%/+8%/+5% YoY.
 - **Co indicated, softness visible in production volumes mainly in Europe** (LVs and CVs) and in North America (CVs).
 - **Delay in EV launches impacting production volumes in Europe** - EV production growth slowing down; Platform life extensions of ICE programs across Europe and NA. **BEV account for ~9% of revenues.**
 - **Expect light vehicle production to remain flat or can see slight decline in CY24.**
- **Inorganic contribution** - Inorganic (acquired) business contributed Rs62.5b with EBITDA of Rs6.9b implying margins of 11%. Co indicated all the announced acquisitions factored in fully except AD industries which is considered for ~2 months for the quarter.
- **Ex of inorganic contribution**, organic growth was flat YoY is influenced by new launches being deferred. But seeing, higher content/vehicle to drive growth for the base business.
- **Segmental growth highlights** -
 - **Wiring harness** - Strong revenues supported by increased intake from truck OEMs in North and South America, strong growth in Indian market supported by increased content/vehicle. Have also consolidated Lumen acquisition in the divisional numbers.
 - **Modules and polymers** - Revenue growth was supported by mix and content growth due to premiumization. Integration of Yachiyo 4W business with full impact in 1QFY25. Furthermore, Dr. Schineder business was not there in 1QFY24. **This was partly offset by the decline in production volumes in Europe mainly due to delay in EV launches.**
 - **Vision systems revenue growth was led by volume growth in China and Ichikoh's consolidation** which was not there in base quarter.
 - **Integrated assemblies** - 3 new greenfield are set-up to support customers in China (2 facilities) and Mexico (1 plant), with an SOP by 4QFY25. However, muted EV growth is impacting revenues.
 - **Aerospace** - With AD industries acquisition, expanded presence in France, Morocco and Tunisia. 2 facilities in India supporting new product lines and vertical integration to come onstream in H2 FY25. **Revenues of ~Rs3b in 1QFY25 and expect significant ramp-up to come though over rest of FY25/26 backed by new capacities. Seeing some slowdown on international side but India is still seeing a buoyant demand.**
 - **Consumer electronics** - Initial investment envisaged at ~Rs26b expected over a period of time. SOP by Sep-Oct'24 and ramp-up in FY26E. The investments is including for JV (Glass - BIEL Crystals) and other business at co level. Focusing on highly engineered products and expect all the consumer electrics co would be relevant customer base. Also want to capitalize on electronic manufacturing opportunity that is coming to India. There will be line by line consolidation.
- **Net debt (excluding lease liability) increased to ~Rs133.7b (vs ~Rs103.7b in Mar'24 and Rs134b in Sep'24).** Leverage ratio moderated to 1.5x (vs 1.4x in Mar'24 and ~1.9x in Sep'23).
 - Expansion in working capital was also seen on account of red sea crisis and volatility in customer production schedules which is expected to normalize in 2HFY25E.

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- Would like to deleverage in rest of FY25E with Sojits payout of Rs2.5b expected in 2QFY25E.
- **Capex for 1QFY25 at Rs10.78b** (Rs40.1b in FY24 and Rs21.8b in FY23). Of 18 greenfield 2 have been operationalized while in process to adding 1 new plant in Mexico. ~7 greenfield for Non-auto indicate focus on diversification. Capex guidance at ~Rs50b (plus minus 10%) for FY25E, covering auto and non-auto expansion.
- **Seeing some RM softening** for copper ahead which has been inflationary in recent times.
 - Gross margins expansion was led by product mix (integrated assembly as it have RM/sales), repricing form customers (as base year had higher cost of electricity) and lag benefit of RM pass through benefits.
- Consol ROCE at ~18%.
- **Fund raise enabling resolution** – comfortable with debt covenants to meet organic growth and the enabling resolutions is largely for inorganic opportunity.

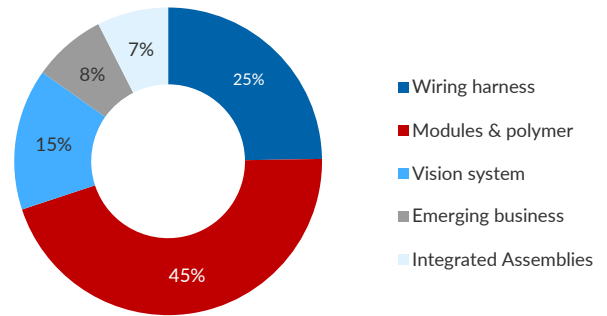
CHARTS

Exhibit 1: Consol revenue grew by 28.5% YoY



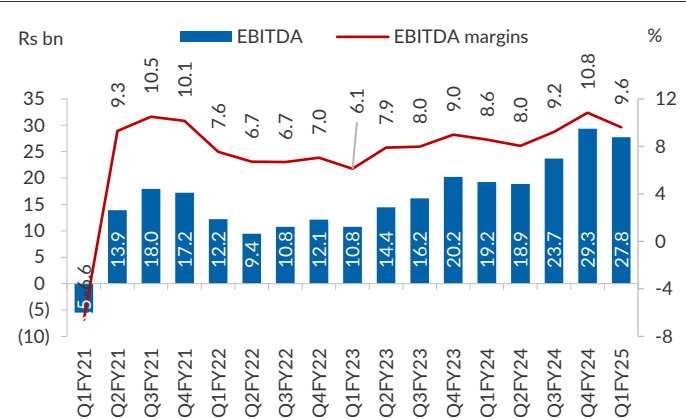
Source: Company, YES Sec

Exhibit 2: Revenue mix for 1QFY25



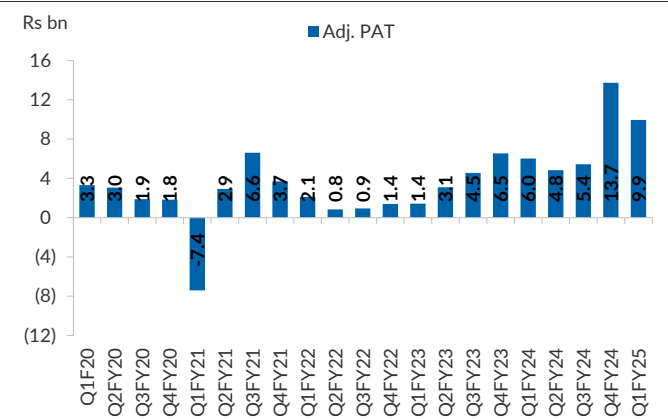
Source: Company, YES Sec

Exhibit 3: Consol EBITDAM expanded 100bp YoY



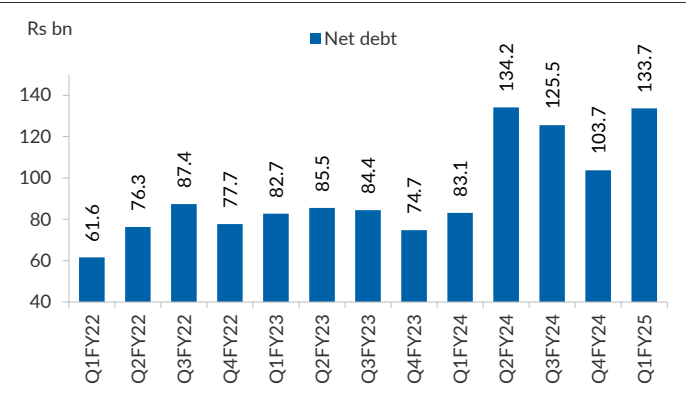
Source: Company, YES Sec

Exhibit 4: Adj. PAT grew 65.5% YoY



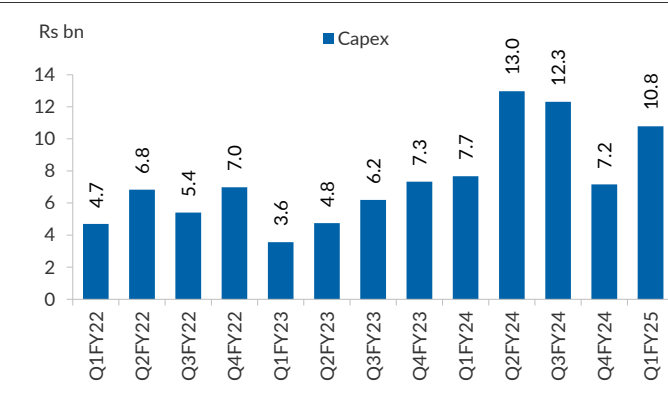
Source: Company, YES Sec

Exhibit 5: Net debt increased led by higher WC, M&A



Source: Company, YES Sec

Exhibit 6: Capex increased QoQ at ~Rs10.8b



Source: Company, YES Sec

FINANCIALS

Exhibit 7: Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	3,158	4,518	6,776	6,776	6,776	6,776	6,776
Eq. Share Warrants & App. Money	26,303	26,303	26,303	26,303	26,303	26,303	26,303
Preference Capital	-	-	-	-	-	-	-
Total Reserves	96,145	175,062	191,436	228,470	264,116	308,674	359,408
Net Worth	125,606	205,882	224,515	261,549	297,195	341,753	392,488
Minority Interest	40,233	17,763	19,254	20,606	35,844	54,554	75,356
Total Loans	119,295	141,360	137,923	199,218	193,218	190,218	187,218
Deferred Tax Liabilities	(10,224)	(13,767)	(12,265)	(15,668)	(15,668)	(15,668)	(15,668)
Capital Employed	274,910	351,238	369,427	465,706	510,590	570,858	639,394
Gross Block	298,537	328,707	377,528	385,918	427,500	479,630	532,251
Less: Accum. Deprn.	123,544	153,581	188,778	226,883	266,300	307,996	352,038
Net Fixed Assets	174,993	175,126	188,750	159,035	161,200	171,634	180,212
Goodwill	24,718	33,743	37,726	57,501	58,076	58,657	59,243
Capital WIP	8,769	13,097	14,779	24,978	24,978	24,978	24,978
Total Investments	1,288	1,958	1,811	2,153	2,218	2,285	2,353
Curr. Assets, Loans&Adv.	178,717	194,908	227,640	350,435	341,545	420,153	503,167
Inventory	49,956	64,417	78,228	91,386	101,862	115,242	126,026
Account Receivables	56,931	65,731	85,135	156,371	147,864	167,287	182,941
Cash and Bank Balance	59,062	49,994	46,987	69,858	35,557	73,970	124,590
Loans and Advances	12,768	14,766	17,291	32,821	56,263	63,654	69,611
Curr. Liability & Prov.	195,715	197,695	236,825	368,844	317,874	347,296	371,007
Account Payables	111,407	113,603	141,363	226,172	253,313	283,710	317,755
Other Current Liabilities	77,860	77,929	89,992	131,036	54,167	51,826	40,392
Provisions	6,449	6,163	5,471	11,636	10,394	11,760	12,860
Net Current Assets	(16,998)	(2,787)	(9,185)	(18,409)	23,671	72,857	132,160
Misc Expenditure	82,142	130,102	135,546	240,448	240,448	240,448	240,448
Appl. of Funds	274,910	351,238	369,427	465,706	510,590	570,858	639,394

Source: Company, YES Sec

Exhibit 8: Income statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	573,699	637,740	787,007	986,917	1,199,338	1,356,882	1,483,853
Change (%)	(5.5)	11.2	23.4	25.4	21.5	13.1	9.4
Raw Materials	325,979	367,363	453,174	544,147	672,009	747,293	790,599
Employees Cost	140,996	153,746	179,314	235,385	273,046	316,734	367,411
Other Expenses	63,135	69,637	92,442	114,519	132,736	151,249	170,315
Total Expenditure	530,109	590,746	724,929	894,051	1,077,791	1,215,276	1,328,325
% of Sales	92.4	92.6	92.1	90.6	89.9	89.6	89.5
EBITDA	43,590	46,994	62,077	92,866	121,546	141,606	155,528
Margin (%)	7.6	7.4	7.9	9.4	10.1	10.4	10.5
Depreciation	29,261	29,582	31,358	38,105	39,417	41,695	44,043
EBIT	14,329	17,412	30,719	54,761	82,129	99,911	111,485
Intrest Charges	5,115	5,426	7,809	18,112	8,017	8,079	8,012
Other Income	2,293	4,957	2,570	1,876	3,534	4,241	5,089
PBT bef. EO Exp.	11,508	16,942	25,480	38,525	77,646	96,073	108,561
EO Items	226	(321)	(1,432)	(123)	-	-	-
PBT after EO Exp.	11,734	16,622	24,048	38,402	77,646	96,073	108,561
Total Tax	(693)	6,068	7,352	8,206	20,188	24,979	28,226
Tax Rate (%)	(5.9)	36.5	30.6	21.4	26.0	26.0	26.0
Minority Interest	4,454	2,917	2,178	5,409	17,851	21,585	23,964
Reported PAT	7,973	7,636	14,518	24,786	39,607	49,509	56,371
Adjusted PAT	7,734	7,840	15,513	24,883	39,607	49,509	56,371
Change (%)	(7.3)	1.4	97.9	60.4	59.2	25.0	13.9
Margin (%)	1.3	1.2	2.0	2.5	3.3	3.6	3.8

Source: Company, YES Sec

Exhibit 9: Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	16,129	19,088	24,048	38,402	77,646	96,073	108,561
Depreciation	29,764	29,964	31,358	38,105	39,417	41,695	44,043
Interest & Finance Charges	4,544	4,346	7,106	16,629	8,017	8,079	8,012
Direct Taxes Paid	(5,600)	(8,324)	(8,535)	(14,353)	(20,188)	(24,979)	(28,226)
(Inc)/Dec in WC	6,432	(20,785)	(6,846)	(674)	(76,381)	(10,773)	(8,683)
CF from Operations	51,268	24,288	47,132	78,109	28,511	110,095	123,708
Others	(757)	339	(701)	(2,419)	(2,613)	(2,875)	(3,162)
CF from Operating incl EO	50,512	24,627	46,431	75,689	25,898	107,220	120,546
(Inc)/Dec in FA	(19,325)	(24,363)	(21,829)	(40,101)	(42,156)	(52,711)	(53,208)
Free Cash Flow	31,187	264	24,602	35,589	(16,259)	54,510	67,338
(Pur)/Sale of Investments	(73)	136	(279)	(1,958)	(65)	(67)	(69)
Others	464	1,109	(341)	108,677	-	-	-
CF from Investments	(18,934)	(23,119)	(22,449)	66,618	(42,221)	(52,777)	(53,276)
Issue of Shares	-	-	-	-	0	-	-
Inc/(Dec) in Debt	(4,894)	2,456	(10,561)	76,742	(6,000)	(3,000)	(3,000)
Interest Paid	(4,141)	(5,528)	(8,083)	(15,096)	(8,017)	(8,079)	(8,012)
Dividend Paid	(1,612)	(6,457)	(3,308)	(2,700)	(3,961)	(4,951)	(5,637)
Others	(10,328)	(2,644)	(5,389)	(46,138)	-	-	-
CF from Fin. Activity	(20,975)	(12,173)	(27,341)	12,807	(17,978)	(16,030)	(16,649)
Inc/Dec of Cash	10,603	(10,665)	(3,360)	155,114	(34,301)	38,413	50,620
Opening Balance	48,789	59,062	49,994	46,987	69,858	35,557	73,970
Closing Balance	59,392	48,397	46,635	202,101	35,557	73,970	124,590

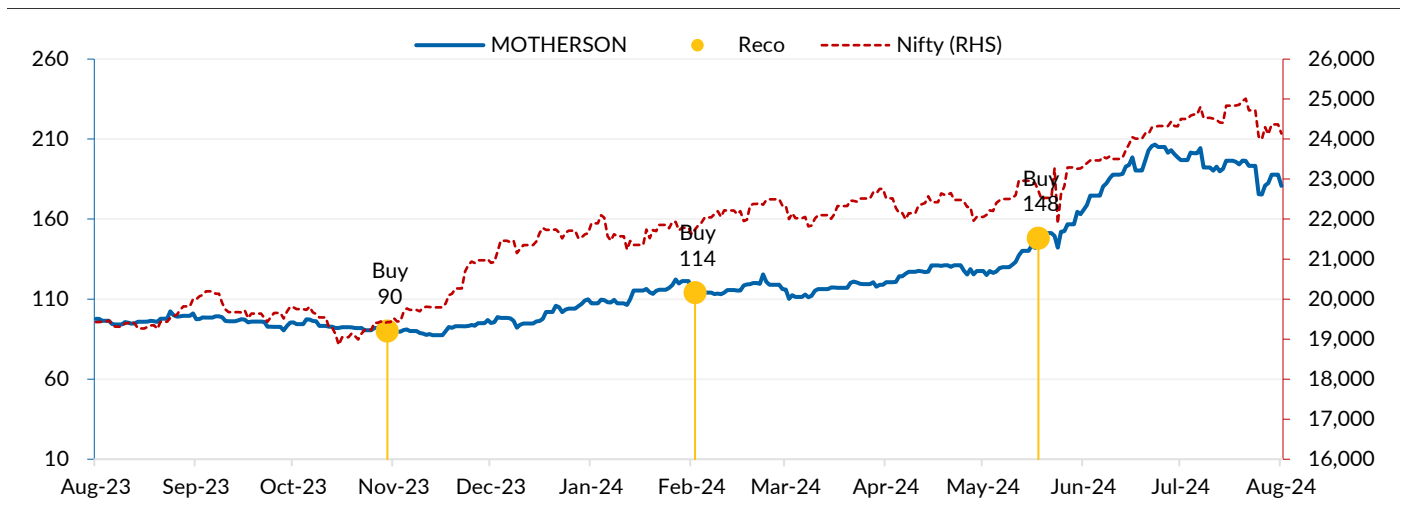
Source- Company, YES Sec

Exhibit 10: Growth and Ratio matrix

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	1.2	0.9	2.3	3.7	5.8	7.3	8.3
Cash EPS	4.3	3.1	2.7	3.8	4.9	5.6	6.2
BV/Share	19.9	22.8	16.6	19.3	21.9	25.2	29.0
DPS	0.8	0.7	0.6	0.9	1.3	1.6	1.8
Payout (%)	76.2	53.8	14.1	10.9	10.0	10.0	10.0
Valuation (x)							
P/E	147.6	208.3	79.0	49.2	30.9	24.7	21.7
P/BV	9.1	7.9	10.9	9.4	8.2	7.2	6.2
EV/Sales	1.1	1.0	0.8	0.7	0.6	0.5	0.4
EV/EBITDA	14.5	14.1	10.7	7.5	6.0	4.9	4.1
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.7	0.9	1.0
FCF per share	9.9	0.1	7.8	11.3	(5.1)	17.3	21.3
Return Ratios (%)							
RoE	6.5	4.7	7.2	10.2	14.2	15.5	15.4
RoCE (post-tax)	6.4	4.5	6.4	10.7	13.0	14.3	14.3
RoIC	7.2	4.5	7.2	12.8	14.9	16.1	17.2
Working Capital Ratios							
Fixed Asset Turnover (x)	1.9	1.9	2.1	2.6	2.8	2.8	2.8
Asset Turnover (x)	2.1	1.8	2.1	2.1	2.3	2.4	2.3
Inventory (Days)	31.8	36.9	36.3	33.8	31.0	31.0	31.0
Debtor (Days)	36.2	37.6	39.5	57.8	45.0	45.0	45.0
Creditor (Days)	70.9	65.0	65.6	83.6	77.1	76.3	78.2
Leverage Ratio (x)							
Current Ratio	0.9	1.0	1.0	1.0	1.1	1.2	1.4
Interest Cover Ratio	2.8	3.2	3.9	3.0	10.2	12.4	13.9
Net Debt/Equity	0.5	0.4	0.4	0.5	0.5	0.3	0.2

Source- Company, YES Sec

Recommendation Tracker



Source - YES Sec

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