

# Samvardhana Motherson (MOTHERSO)

## Inorganic levers to cushion base volumes

### View – Structurally well placed; Global LV production moderate further

Samvardhana Motherson (MOTHERSON) 2QFY25 missed our/street EBITDA estimates by ~11%/14%, led by weak revenue print (~4% miss) due to moderating global LV demand coincided with low production activity due to summer holidays. Weak gross margins at 45.8% (est 46.4%-60bp QoQ) led consol margins at 8.8% (+40bp YoY/ -80bp QoQ, est 9.5%). Underlying revenue growth of ~18% YoY in 2QFY25 was led by combination of organic and inorganic (~Rs62b contribution in 2Q vs Rs18.5b in YoY), significantly outpacing ~5% decline in global light vehicle (LV) volumes. All the sub segments grew by low single to double digit led by combination of content increase and integration of acquisitions such as Yachiyo, Ichikoh, AD industries and Dr. Schneider 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 12.7%/17.5%/29.3% over FY24-27E and cushion near-term challenges in organic business. Margins are likely to expand to ~10.6% by FY27E (v/s 7.9% in FY23 and 9.4% in FY24) led by ready capacity to execute healthy orders. Led by weak global light vehicles (LV) growth outlook and resultant impact on margins, we cut FY26/FY27 EPS by 5-6%. Maintain BUY with revised TP of Rs199 (earlier Rs208), valuing co at 25x FY27 consol EPS (unchanged). MOTHERSO trades at 25.4x/20.8x FY26/27 consol EPS.

### Result Highlights – Weak revenues drive EBITDA miss

- Consol revenues grew 18.2% YoY (-3.7% QoQ) at Rs278.1b (est Rs289.9b). Segmentally, WH revenues grew 4.1% YoY, Module +27.4% YoY, Vision at +2.5% YoY and emerging business grew 43.4% in INR terms. This is against ~5% de-growth in global LV with the ~6%/7% decline in NA/Europe.
- Consol EBITDA grew 23.1% YoY/-11.8% QoQ to ~Rs24.5b (est at Rs27.4b) led by 250bp YoY (-60bp QoQ) expansion in gross margins at 45.8% (est 46.4%). Consequently, margins expanded 40bp YoY (-80bp QoQ) at 8.8% (est 9.5%).
- EBIT margins of key business – WH at 11.2% (vs 10.6% YoY), SMP at 7.4% (vs 7.1% YoY), SMR at 9.2% (vs 9.2% YoY), emerging biz at 13.3% (vs 12.4% YoY).
- Adj. PAT grew 1.7x YoY (-11.5% QoQ) at ~Rs8.94b (est ~Rs9.6b). **Consol net debt at Rs104.9b as of 2QFY25** (vs Rs133b in June'24, Rs103.7b in Mar'24). Capex spends at Rs9.46b/Rs20.24b in 2QFY25/1HFY25 (v/s Rs40b in FY24)

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	278,119	289,901	286,562	-4.1	-2.9	Weak revenues print in key businesses drive EBITDA miss.
EBITDA	24,479	27,403	28,443	-10.7	-13.9	
EBITDA margins %	8.8	9.5	9.9	-70bp	-110bp	
Adjusted PAT	8,797	9,569	9,349	-8.1	-5.9	

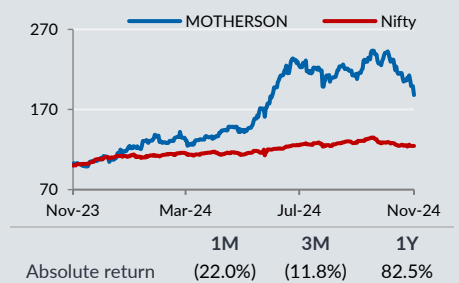
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 165
Target Price	: Rs 199
Potential Return	: +20.4%

### Stock data (as on Nov 12, 2024)

Nifty	23,883
52 Week h/l (Rs)	217 / 87
Market cap (Rs/USD mn)	12,30,085 / 14,582
Outstanding Shares (mn)	7,036
6m Avg t/o (Rs mn):	3,743
Div yield (%):	0.4
Bloomberg code:	MOTHERSO IN
NSE code:	MOTHERSON

### Stock performance



### Shareholding pattern (As of Sep'24)

Promoter	58.1%
FII+DII	33.4%
Others	8.5%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	199	208

### Δ in earnings estimates

	FY26E	FY27E
EPS (New)	6.5	7.9
EPS (Old)	6.9	8.3
% change	(5.9%)	(4.5%)

### Financial Summary

INR bn	FY25E	FY26E	FY27E
Sales	1,151	1,295	1,415
EBITDA	116	135	150
Adj. PAT	34	44	54
EPS (Rs)	5.0	6.5	7.9
EPS Growth (%)	35.2	30.7	22.4
BV/Share (Rs)	21.5	24.5	28.0
RoE (%)	12.2	14.1	15.1
RoCE (%)	12.3	13.7	14.4
Payout (%)	10.0	10.0	10.0
P/E (x)	33.2	25.4	20.8
P/BV (x)	7.7	6.7	5.9
EV/EBITDA (x)	5.9	4.8	4.0
EV/Sales (x)	0.6	0.5	0.4

### DEEP SHAH

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## Exhibit 2: Quarterly snapshot

Y/e Mar (Rs m)	Q2FY25	Q2FY24	YoY chg	Q1FY25	QoQ chg	1HFY25	1HFY24	YoY chg
<b>Net Revenues</b>	<b>278,119</b>	<b>235,275</b>	<b>18.2</b>	<b>288,680</b>	<b>(3.7)</b>	<b>566,798</b>	<b>459,896</b>	<b>23.2</b>
Raw Materials	150,818	133,407	13.1	154,747	(2.5)	305,565	260,417	17.3
% of Net Sales	54.2%	56.7%		53.6%		53.9%	56.6%	
Personnel	68,835	54,688	25.9	71,704	(4.0)	140,539	107,857	30.3
% of Net Sales	24.8%	23.2%		24.8%		24.8%	23.5%	
Manufacturing & Other Exp	33,987	27,302	24.5	34,475	(1.4)	68,462	52,499	30.4
% of Net Sales	12.2%	11.6%		11.9%		12.1%	11.4%	
Total Expenditure	253,639	215,397	17.8	260,927	(2.8)	514,566	420,772	22.3
<b>EBITDA</b>	<b>24,479</b>	<b>19,878</b>	<b>23.1</b>	<b>27,753</b>	<b>(11.8)</b>	<b>52,232</b>	<b>39,124</b>	<b>33.5</b>
<b>EBITDA Margin (%)</b>	<b>8.8%</b>	<b>8.4%</b>		<b>9.6%</b>		<b>9.2%</b>	<b>8.5%</b>	
Depreciation	11,028	8,674	27.1	10,646	3.6	21,674	17,063	27.0
<b>EBIT</b>	<b>13,451</b>	<b>11,204</b>	<b>20.1</b>	<b>17,107</b>	<b>(21.4)</b>	<b>30,558</b>	<b>22,061</b>	<b>38.5</b>
Interest Expenses	5,462	4,879	11.9	4,445	22.9	9,906	7,406	33.8
Non-operating income	2,592	664	290.4	709	265.7	3,301	1,193	176.7
Extraordinary Expenses	-	(2,494)		-		0	(2,494)	
<b>PBT</b>	<b>10,582</b>	<b>6,989</b>	<b>51.4</b>	<b>13,371</b>	<b>(20.9)</b>	<b>23,953</b>	<b>15,849</b>	<b>51.1</b>
Tax Rate (%) - Total	27.7%	51.0%		26.0%		26.8%	30.9%	(13.4)
Reported PAT	7,646	4,697	62.8	9,891	(22.7)	17,537	10,947	60.2
Minority Interest	(1,152)	188	(713.9)	(51)		(1,202)	429	(380.2)
<b>Adj. PAT</b>	<b>8,797</b>	<b>3,238</b>	<b>171.7</b>	<b>9,942</b>	<b>(11.5)</b>	<b>18,739</b>	<b>9,247</b>	<b>102.7</b>
<b>PAT Margin</b>	<b>3.2%</b>	<b>1.4%</b>		<b>3.4%</b>		<b>3.3%</b>	<b>2.0%</b>	
<b>Segmental Information (Rs m)</b>								
<b>Wiring Harness</b>								
Revenue	81,112	77,906	4.1	83,265	(2.6)	164,377	154,295	6.5
EBITDA	9,078	8,256	10.0	9,745	(6.8)	18,823	16,041	17.3
EBITDA %	11.2%	10.6%		11.7%		11.5%	10.4%	
<b>Modules &amp; Polymer Products</b>								
Revenue	146,404	114,909	27.4	151,928	(3.6)	298,332	234,687	27.1
EBITDA	10,905	8,149	33.8	13,169	(17.2)	24,074	17,127	40.6
EBITDA %	7.4%	7.1%		8.7%		8.1%	7.3%	
<b>Vision Systems</b>								
Revenue	48,075	46,892	2.5	49,970	(3.8)	98,045	93,043	5.4
EBITDA	4,438	4,301	3.2	4,739	(6.3)	9,178	8,624	6.4
EBITDA %	9.2%	9.2%		9.5%		9.4%	9.3%	
<b>Intergrated Assemblies</b>								
Revenue	25,277	16,508	53.1	25,227	0.2	50,504	N/A	
EBITDA	3,014	1,652	82.5	2,562	17.6	5,576		
EBITDA %	11.9%			10.2%		11.0%		
<b>Emerging Business</b>								
Revenue	29,051	20,259	43.4	25,913	12.1	54,964	38,375	43.2
EBITDA	3,867	2,507	54.3	3,165	22.2	7,032	4,546	54.7
EBITDA %	13.3%	12.4%		12.2%		12.8%	11.8%	

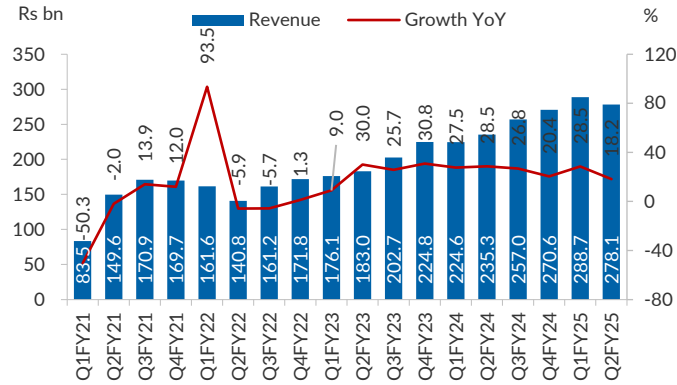
Source- Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- **Outlook** - Macro factors subdued at broader levels, though platform mix continues to improve
  - Global light vehicle production volume declined ~5% YoY while the same for Europe/NA/China/India were at -7%/-6%/flat/-4% YoY.
  - Europe is seeing a delay in EV launch, China – split in consumer preference for home grown and international players. Overall seeing production cuts by global OEMs.
- **RM** – energy prices are on increasing trajectory while seeing RM inflation in copper.
- **Inorganic contribution** - Revenues from acquired assets at Rs61.99b in 2QFY25 (vs Rs18.51b in 2QFY24 and Rs62.5b QoQ). Muted QoQ revenues explained by summer production shut down. EBITDA of acquired business is Rs5.9b in 2QFY25 (vs Rs1.8b in 2QFY24 and Rs6.9b in 1QFY25).
- **Organic contribution** - Organic growth was at 4-5% vs underlying industry. Seeing, higher content/vehicle to drive growth for the base business.
- **Order book** - Automotive booked business of USD 87.7b with share of EVs ~24% (vs USD77.3b YoY, USD83.9b Mar'24). Large part of automotive booked business expected to be realized over 5-6 years.
- **Greenfield** - 5 of 19 greenfield is operational and 8 out of balance 14 SOP expected in 2HFY25.
- **Capex guidance maintained** at ~Rs50b plus minus ~5% (vs Rs50b plus minus 10% indicated earlier).
- **Net debt (excluding CC of ~Rs15b) declined to Rs104.9b (vs Rs133.7b in Jun'24)**. Expect to utilize QIP proceeds towards debt repayment over Oct and Nov. Expect WC to also come down as 2H as 2Q is seasonally peak working capital period.
  - Leverage expected at net debt/EBITDA of 0.5-0.75x (vs 1x now) by Mar'25.
- **Consumer electronics** – First batch of customer delivered in early Nov'24 and in process of further ramp-up/mass production in second half of Nov'24.
- **Aerospace** – ~16 facilities operational with strong poisoning in structural metallic to engine parts.
- **Non-auto** business is already at revenue run rate of ~Rs30b per annum. 2QFY25 revenues at Rs7.6b (vs Rs6.65b in 1QFY25 and Rs3.57b in 2QFY24).
- **Segmental highlights**
  - **Wiring harness** - Revenue growth (on YoY basis) despite softening of CV production volumes in North America, Europe and China. Strong operational performance driven by cost control actions.
  - **Modules and polymers** – YoY growth was led by full impact of acquisitions (Dr. Schneider and Yachiyo) while organic business flat as volumes degrowth across key geographies was offset by higher engineering sales.
  - **Vision systems** - Revenue growth (on YoY basis) on account of China and South Asia partially offset with lower volumes in North America.

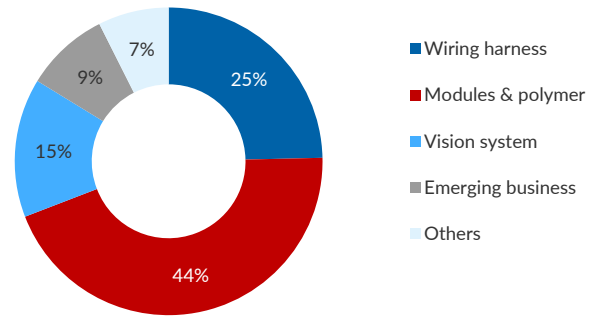
## CHARTS

**Exhibit 1: Consol revenue grew by 18.2% YoY**



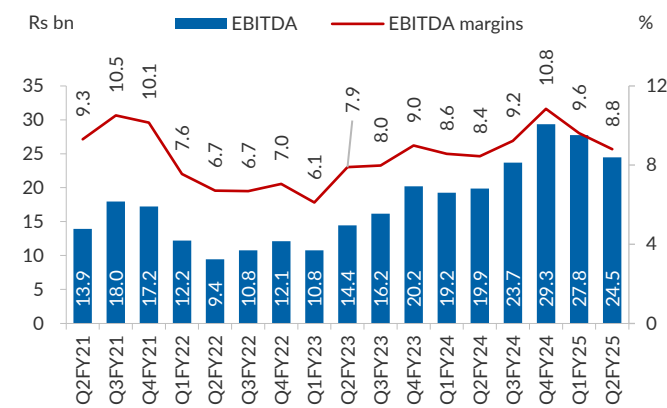
Source: Company, YES Sec

**Exhibit 2: Revenue mix for 2QFY25**



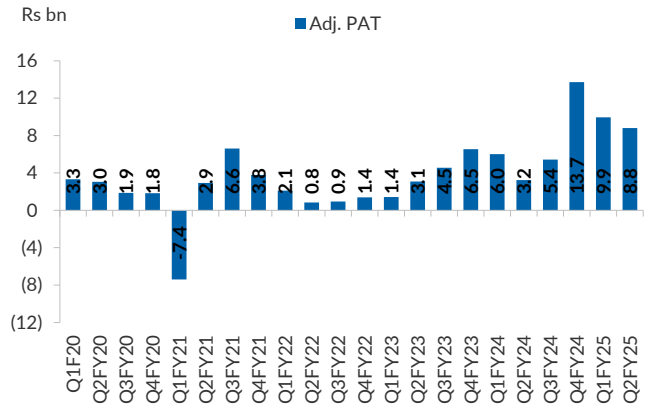
Source: Company, YES Sec

**Exhibit 3: Consol EBITDAM expanded 40bp YoY**



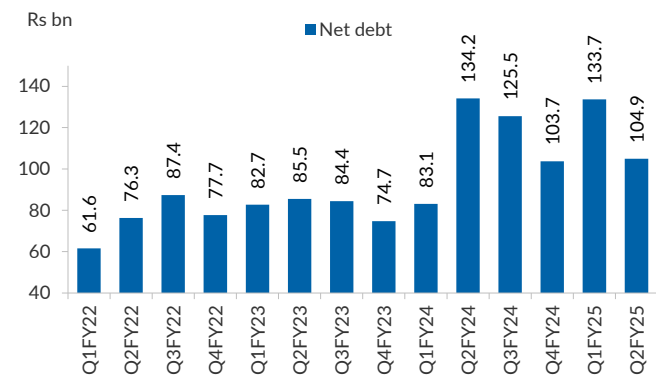
Source: Company, YES Sec

**Exhibit 4: Adj. PAT grew 1.7x YoY**



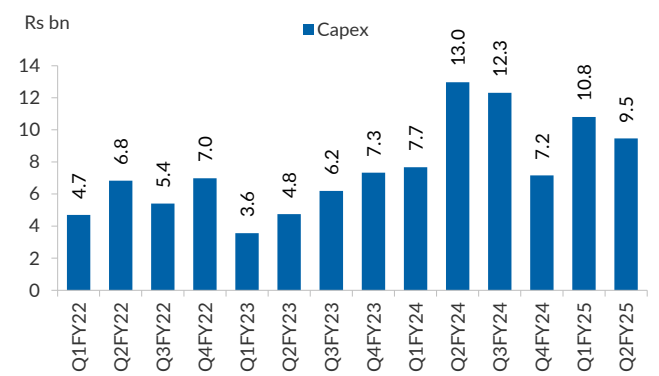
Source: Company, YES Sec

**Exhibit 5: Net debt declined to Rs104.9b in 2QFY25**



Source: Company, YES Sec

**Exhibit 6: Capex guidance maintained at Rs50b for FY25**



Source: Company, YES Sec

## CONSOLIDATED FINANCIALS

### Exhibit 7: Balance Sheet

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	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
Preference Capital	-	-	-	-	-	-
Total Reserves	175,062	191,436	228,470	258,749	298,323	346,774
<b>Net Worth</b>	<b>205,882</b>	<b>224,515</b>	<b>261,549</b>	<b>291,828</b>	<b>331,402</b>	<b>379,854</b>
Minority Interest	17,763	19,254	20,606	33,839	50,860	71,538
Total Loans	141,360	137,923	199,218	193,218	190,218	187,218
Deferred Tax Liabilities	(13,767)	(12,265)	(15,668)	(15,668)	(15,668)	(15,668)
<b>Capital Employed</b>	<b>351,238</b>	<b>369,427</b>	<b>465,706</b>	<b>503,218</b>	<b>556,813</b>	<b>622,943</b>
Gross Block	328,707	377,528	534,951	576,339	627,742	679,630
Less: Accum. Deprn.	153,581	188,778	297,074	336,347	377,527	419,025
<b>Net Fixed Assets</b>	<b>175,126</b>	<b>188,750</b>	<b>237,877</b>	<b>239,992</b>	<b>250,215</b>	<b>260,605</b>
Goodwill	33,743	37,726	57,501	58,076	58,657	59,243
Capital WIP	13,097	14,779	24,978	24,978	24,978	24,978
<b>Total Investments</b>	<b>1,958</b>	<b>1,811</b>	<b>2,153</b>	<b>2,218</b>	<b>2,285</b>	<b>2,353</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>194,908</b>	<b>227,640</b>	<b>350,435</b>	<b>325,212</b>	<b>394,880</b>	<b>472,217</b>
Inventory	64,417	78,228	91,386	97,764	110,017	120,137
Account Receivables	65,731	85,135	156,371	141,915	159,702	174,393
Cash and Bank Balance	49,994	46,987	69,858	31,533	64,393	111,329
Loans and Advances	14,766	17,291	32,821	54,000	60,768	66,358
<b>Curr. Liability &amp; Prov.</b>	<b>197,695</b>	<b>236,825</b>	<b>368,844</b>	<b>308,864</b>	<b>335,806</b>	<b>358,059</b>
Account Payables	113,603	141,363	226,172	253,313	283,710	317,755
Other Current Liabilities	77,929	89,992	131,036	45,575	40,870	28,044
Provisions	6,163	5,471	11,636	9,976	11,227	12,259
<b>Net Current Assets</b>	<b>(2,787)</b>	<b>(9,185)</b>	<b>(18,409)</b>	<b>16,348</b>	<b>59,074</b>	<b>114,158</b>
Misc Expenditure	130,102	135,546	161,606	161,606	161,606	161,606
<b>Appl. of Funds</b>	<b>351,238</b>	<b>369,427</b>	<b>465,706</b>	<b>503,218</b>	<b>556,813</b>	<b>622,943</b>

Source: Company, YES Sec

## Exhibit 8: Income statement

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	637,740	787,007	986,917	1,151,089	1,295,360	1,414,518
Change (%)	11.2	23.4	25.4	16.6	12.5	9.2
Raw Materials	367,363	453,174	544,147	631,422	694,397	727,173
Employees Cost	153,746	179,314	235,385	284,816	330,386	383,248
Other Expenses	69,637	92,442	114,519	119,140	136,073	153,630
<b>Total Expenditure</b>	<b>590,746</b>	<b>724,929</b>	<b>894,051</b>	<b>1,035,378</b>	<b>1,160,857</b>	<b>1,264,050</b>
% of Sales	92.6	92.1	90.6	89.9	89.6	89.4
<b>EBITDA</b>	<b>46,994</b>	<b>62,077</b>	<b>92,866</b>	<b>115,711</b>	<b>134,503</b>	<b>150,468</b>
Margin (%)	7.4	7.9	9.4	10.1	10.4	10.6
Depreciation	29,582	31,358	38,105	39,273	41,181	41,497
<b>EBIT</b>	<b>17,412</b>	<b>30,719</b>	<b>54,761</b>	<b>76,439</b>	<b>93,322</b>	<b>108,970</b>
Intrest Charges	5,426	7,809	18,112	13,544	11,835	9,797
Other Income	4,957	2,570	1,876	3,534	4,241	5,089
<b>PBT bef. EO Exp.</b>	<b>16,942</b>	<b>25,480</b>	<b>38,525</b>	<b>66,429</b>	<b>85,728</b>	<b>104,262</b>
EO Items	(321)	(1,432)	(123)	-	-	-
<b>PBT after EO Exp.</b>	<b>16,622</b>	<b>24,048</b>	<b>38,402</b>	<b>66,429</b>	<b>85,728</b>	<b>104,262</b>
Total Tax	6,068	7,352	8,206	16,939	21,861	26,587
Tax Rate (%)	36.5	30.6	21.4	25.5	25.5	25.5
Minority Interest	2,917	2,178	5,409	15,846	19,896	23,840
<b>Reported PAT</b>	<b>7,636</b>	<b>14,518</b>	<b>24,786</b>	<b>33,643</b>	<b>43,971</b>	<b>53,835</b>
<b>Adjusted PAT</b>	<b>7,840</b>	<b>15,513</b>	<b>24,883</b>	<b>33,643</b>	<b>43,971</b>	<b>53,835</b>
Change (%)	1.4	97.9	60.4	35.2	30.7	22.4
Margin (%)	1.2	2.0	2.5	2.9	3.4	3.8

Source: Company, YES Sec

## Exhibit 9: Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	19,088	24,048	38,402	66,429	85,728	104,262
Depreciation	29,964	31,358	38,105	39,273	41,181	41,497
Interest & Finance Charges	4,346	7,106	16,629	13,544	11,835	9,797
Direct Taxes Paid	(8,324)	(8,535)	(14,353)	(16,939)	(21,861)	(26,587)
(Inc)/Dec in WC	(20,785)	(6,846)	(674)	(73,082)	(9,866)	(8,148)
<b>CF from Operations</b>	<b>24,288</b>	<b>47,132</b>	<b>78,109</b>	<b>29,224</b>	<b>107,017</b>	<b>120,821</b>
Others	339	(701)	(2,419)	(2,613)	(2,875)	(3,162)
<b>CF from Operating incl EO</b>	<b>24,627</b>	<b>46,431</b>	<b>75,689</b>	<b>26,611</b>	<b>104,143</b>	<b>117,659</b>
(Inc)/Dec in FA	(24,363)	(21,829)	(40,101)	(41,963)	(51,984)	(52,474)
<b>Free Cash Flow</b>	<b>264</b>	<b>24,602</b>	<b>35,589</b>	<b>(15,352)</b>	<b>52,159</b>	<b>65,185</b>
(Pur)/Sale of Investments	136	(279)	(1,958)	(65)	(67)	(69)
Others	1,109	(341)	108,677	-	-	-
<b>CF from Investments</b>	<b>(23,119)</b>	<b>(22,449)</b>	<b>66,618</b>	<b>(42,027)</b>	<b>(52,051)</b>	<b>(52,543)</b>
Issue of Shares	-	-	-	0	-	-
Inc/(Dec) in Debt	2,456	(10,561)	76,742	(6,000)	(3,000)	(3,000)
Interest Paid	(5,528)	(8,083)	(15,096)	(13,544)	(11,835)	(9,797)
Dividend Paid	(6,457)	(3,308)	(6,751)	(3,364)	(4,397)	(5,384)
Others	(2,644)	(5,389)	(5,723)	-	-	-
<b>CF from Fin. Activity</b>	<b>(12,173)</b>	<b>(27,341)</b>	<b>49,172</b>	<b>(22,908)</b>	<b>(19,232)</b>	<b>(18,181)</b>
<b>Inc/Dec of Cash</b>	<b>(10,665)</b>	<b>(3,360)</b>	<b>191,478</b>	<b>(38,325)</b>	<b>32,860</b>	<b>46,936</b>
Opening Balance	59,062	49,994	46,987	69,858	31,533	64,393
<b>Closing Balance</b>	<b>48,397</b>	<b>46,635</b>	<b>238,465</b>	<b>31,533</b>	<b>64,393</b>	<b>111,329</b>

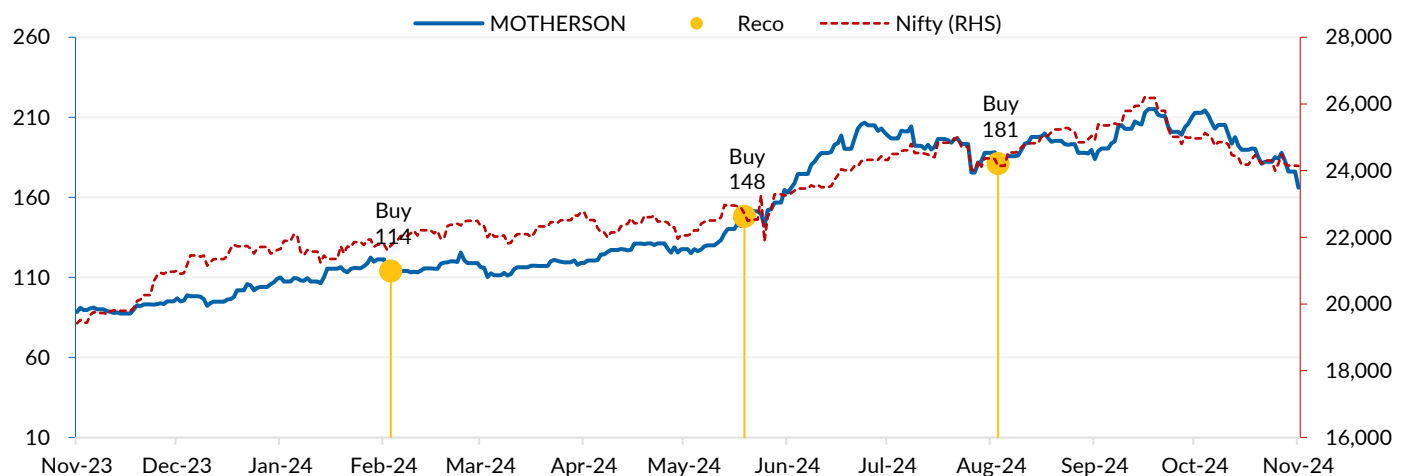
Source- Company, YES Sec

**Exhibit 10: Growth and Ratio matrix**

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>						
EPS	0.9	2.3	3.7	5.0	6.5	7.9
Cash EPS	3.1	2.4	3.5	4.5	5.2	5.9
BV/Share	22.8	16.6	19.3	21.5	24.5	28.0
DPS	0.7	0.6	0.9	1.1	1.4	1.7
Payout (%)	53.8	14.1	10.9	10.0	10.0	10.0
<b>Valuation (x)</b>						
P/E	190.2	72.1	44.9	33.2	25.4	20.8
P/BV	7.2	10.0	8.5	7.7	6.7	5.9
EV/Sales	1.0	0.8	0.7	0.6	0.5	0.4
EV/EBITDA	13.0	9.9	7.0	5.9	4.8	4.0
Dividend Yield (%)	0.4	0.4	0.5	0.6	0.8	1.0
FCF per share	0.1	7.8	11.3	(4.9)	16.5	20.6
<b>Return Ratios (%)</b>						
RoE	4.7	7.2	10.2	12.2	14.1	15.1
RoCE (post-tax)	4.5	6.4	10.7	12.3	13.7	14.4
RoIC	4.5	7.2	12.8	14.0	15.3	17.1
<b>Working Capital Ratios</b>						
Fixed Asset Turnover (x)	1.9	2.1	1.8	2.0	2.1	2.1
Asset Turnover (x)	1.8	2.1	2.1	2.3	2.3	2.3
Inventory (Days)	36.9	36.3	33.8	31.0	31.0	31.0
Debtor (Days)	37.6	39.5	57.8	45.0	45.0	45.0
Creditor (Days)	65.0	65.6	83.6	80.3	79.9	82.0
<b>Leverage Ratio (x)</b>						
Current Ratio	1.0	1.0	1.0	1.1	1.2	1.3
Interest Cover Ratio	3.2	3.9	3.0	5.6	7.9	11.1
Net Debt/Equity	0.4	0.4	0.5	0.5	0.4	0.2

Source- Company, YES Sec

## Recommendation Tracker



Source - YES Sec



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