JM FINANCIAL

Samvardhana Motherson International | BUY

Decent Qtr; Consumer Electronics/Aerospace to pick pace

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In 2QFY25, SAMIL reported consol. EBITDA margin improvement of 80bps YoY to c.8.8%. Demand environment for light vehicles (LV) remains muted. Premiumisation and hybridisation continues to drive content per vehicle growth owing to SAMIL's powertrain-agnostic product portfolio. Recent acquisitions have started reflecting favourably on overall performance. The company indicated of a healthy acquisition pipeline going forward. Non-automotive business (led by Consumer Electronics and Aerospace) is also expected to pick pace going forward. Net debt / EBITDA (1.0x) stands at comfortable level. We believe the company with its global presence, an expanding product portfolio and a wide customer base presents a multi-year growth opportunity. We expect revenue/EPS CAGR of 16%/35% over FY24-27E. Stock trades at an attractive ~16x FY27e EPS. We maintain BUY rating with a Mar'26 TP of INR 210 (20x FY27e EPS). Recovery in global LV demand remains a key monitorable.

- **2QFY25 – Margin below JMFe:** SAMIL reported consol. net sales of INR 278.1bn (+19% YoY, -4% QoQ), 3% below JMFe. EBITDA stood at INR 24.5bn (+30%YoY, -12% QoQ), 13% below JMFe. Reported EBITDA margin stood at 8.8% (+80bps YoY & -80bps QoQ), 90bps below JMFe. Margin for Wiring Harness, Modules & Polymer, Vision Systems, Integrated Assemblies, Emerging businesses improved YoY by +60bps / +30bps / +10bps / +170bps / +90bps to 11.2% / 7.4% / 9.2% / 11.9% / 13.3%. Consol. adj. PAT for 2Q was INR 8.8bn (+62% YoY, -12% QoQ) vs. JMFe of ~INR 9.3bn.
- **Demand and margin outlook:** Global light vehicle (LV) sales declined 5% YoY at 21.4mn units during 2Q. While LV vols. in India remained flat, EU / NA / China witnessed a YoY decline of 7% / 6% / 4% due to lower than anticipated demand for EV platforms and delay in new launches. Strong growth in Hybrids and steady momentum of SUVs (partially offset by EV slowdown) continues to benefit SAMIL favourably from content growth perspective. The company indicated that it has a total booked business of USD 87.7bn (+USD 3.8bn over Mar'24) in the automotive segment. Of this, 24% is from EVs. The company remains well-positioned owing to its powertrain agnostic product portfolio (witnessing extension in life for ICE programs/platform across EU and NA). In respect of margins - 80bps YoY margin improvement during 2Q was led by favourable business mix and better cost efficiencies. Company indicated that while copper prices softened in 2Q, the prices have started to increase in 3Q. The company also indicated of upfronting of inflationary costs during 1H and expects pass-through to OEM to reflect during 2H.
- **Update on acquisitions:** Inorganic revenue / EBITDA for 2QFY25 stood at INR c.62bn / INR 5.9bn (EBITDA margin at 9.5%). Sequential drop in EBITDA margins (-150bps QoQ) was owing to seasonality, summer shutdown in EU, and erratic EV production schedule. SAMIL completed all the acquisitions announced so far (integration underway) and indicated of healthy acquisition pipeline.
- **Non-automotive segment:** Currently non-automotive business is operating at a revenue run-rate of INR 30bn p.a. With respect to consumer electronic business (JV with BIEL Crystal), 1st batch of products were delivered with mass production starting in Nov'24. Further, SAMIL indicated of strong order book for its Aerospace business and expects robust growth going ahead (integration of AD industries is on track).

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	210
Upside/(Downside)	26.5%
Previous Price Target	200
Change	5.0%

Key Data – MOTHERSO IN

Current Market Price	INR166
Market cap (bn)	INR1,168.3/US$13.8
Free Float	42%
Shares in issue (mn)	6,776.4
Diluted share (mn)	7,036.3
3-mon avg daily val (mn)	INR3,664.4/US$43.4
52-week range	217/87
Sensex/Nifty	78,675/23,883
INR/US$	84.4

Price Performance

%	1M	6M	12M
Absolute	-22.0	30.1	82.5
Relative*	-19.3	20.2	51.3

* To the BSE Sensex

Financial Summary (INR mn)

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	7,77,381	9,75,367	12,10,473	13,43,692	14,85,932
Sales Growth (%)	24.6	25.5	24.1	11.0	10.6
EBITDA	62,952	92,866	1,20,712	1,42,652	1,62,878
EBITDA Margin (%)	8.0	9.4	9.9	10.5	10.8
Adjusted Net Profit	15,951	29,661	45,104	59,488	73,549
Diluted EPS (INR)	2.4	4.4	6.4	8.5	10.5
Diluted EPS Growth (%)	73.0	86.0	46.5	31.9	23.6
ROIC (%)	8.6	13.9	15.8	20.6	26.3
ROE (%)	7.4	12.2	14.7	15.5	16.3
P/E (x)	70.5	37.9	25.9	19.6	15.9
P/B (x)	5.0	4.3	3.3	2.8	2.4
EV/EBITDA (x)	19.6	13.7	10.2	8.3	6.9
Dividend Yield (%)	0.4	0.4	0.5	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 12/Nov/2024

- Other highlights: **1)** Consolidated net debt decreased from INR 133.7bn (Jun'24) to INR 105bn (Sep'24). Net Debt/EBITDA stood at 1x vs. 1.5x QoQ. SAMIL plans to use the proceeds of QIP/CCPS to repay debt during 3Q. **2)** FY25 capex guidance stands at INR 50bn (+/-5%) towards 19 green field plants (incl. 7 for non-auto biz.) – 13 in India, 4 in China, 1 each in Poland and Mexico. Of these, 5 have operationalized during 2Q and expect majority of these plants to be operational during 2HFY25/FY26. **3)** Working capital has increase during 1H due to inventory build-up (cautious approach to avoid disruption). However, the company expects working capital to normalise during 2HFY25.

Exhibit 1. Quarterly financial result (consolidated)

(INR mn)	2QFY25	2QFY24	% YoY	1QFY25	% QoQ	2QFY25E	% A/E
Sales	**278,119**	**234,738**	**18.5**	**288,680**	**-3.7**	**287,857**	**-3.4**
RM	150,818	133,407	13.1	154,747	-2.5	153,428	-1.7
As a % of sales	54.2	56.8	-260bps	53.6	60bps	53.3	90bps
Employee Exp	68,835	54,688	25.9	71,704	-4.0	72,421	-5.0
As a % of sales	24.8	23.3	150bps	24.8	-10bps	25.2	-40bps
Other Costs	33,987	27,755	22.5	34,475	-1.4	33,967	0.1
As a % of sales	12.2	11.8	40bps	11.9	30bps	11.8	40bps
Expenditure	253,639	215,850	17.5	260,927	-2.8	259,816	-2.4
EBITDA	**24,479**	**18,888**	**29.6**	**27,753**	**-11.8**	**28,041**	**-12.7**
EBITDA Margin	**8.8**	**8.0**	**80bps**	**9.6**	**-80bps**	**9.7**	**-90bps**
Other Income	2,592	1,654	56.8	709	265.7	1,500	72.8
Interest	5,462	4,879	11.9	4,445	22.9	4,350	25.6
Depreciation	11,028	8,674	27.1	10,646	3.6	10,800	2.1
PBT	10,582	6,989	51.4	13,371	-20.9	14,391	-26.5
Tax	2,936	2,292	28.1	3,480	-15.6	3,742	-21.5
Tax rate (%)	27.7	32.8		26.0		26.0	
PAT (Adjusted, Post MI)	**8,797**	**5,436**	**61.9**	**9,942**	**-11.5**	**10,699**	**-17.8**
PAT Margin	**3.2**	**2.3**	**80bps**	**3.4**	**-30bps**	**3.7**	**-60bps**

Source: Company, JM Financial

Exhibit 2. Segment performance

Particulars	2QFY25	2QFY24	% YoY	1QFY25	% QoQ
Wiring harness (INR mn)					
Sales	81,112	77,631	4.5%	83,265	-2.6%
EBITDA	9,078	8,256	10.0%	9,745	-6.8%
EBITDA Margin	11.2	10.6	60bps	11.7	-50bps
Modules and polymer products (INR mn)					
Sales	146,404	114,771	27.6%	151,928	-3.6%
EBITDA	10,905	8,149	33.8%	13,169	-17.2%
EBITDA Margin	7.4	7.1	30bps	8.7	-120bps
Vision systems (INR mn)					
Sales	48,075	46,892	2.5%	49,970	-3.8%
EBITDA	4,438	4,301	3.2%	4,739	-6.3%
EBITDA Margin	9.2	9.2	10bps	9.5	-30bps
Integrated assemblies (INR mn)					
Sales	25,277	16,195	56.1%	25,227	0.2%
EBITDA	3,014	1,652	82.5%	2,562	17.6%
EBITDA Margin	11.9	10.2	170bps	10.2	180bps
Others (Lighting, Aerospace, Industrial) (INR mn)					
Sales	29,051	20,222	43.7%	25,913	12.1%
EBITDA	3,867	2,507	54.3%	3,165	22.2%
EBITDA Margin	13.3	12.4	90bps	12.2	110bps

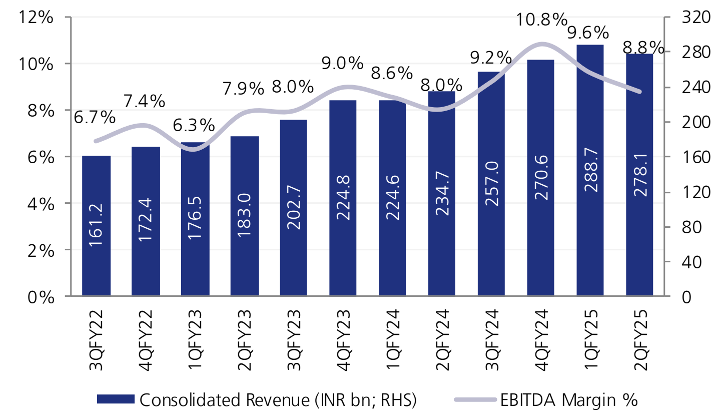
Source: JM Financial, Company

Exhibit 3. Quarterly financial result (standalone)

(INR mn)	2QFY25	2QFY24	% YoY	1QFY25	% QoQ	2QFY25E	% A/E
Sales	25,738	23,122	11.3	24,830	3.7	25,362	1.5
RM	16,456	14,869	10.7	15,208	8.2	15,471	6.4
As a % of sales	63.9	64.3	-40bps	61.3	270bps	61.0	290bps
Employee Exp	2,823	2,596	8.8	2,817	0.2	2,917	-3.2
As a % of sales	11.0	11.2	-30bps	11.3	-40bps	11.5	-50bps
Other Costs	3,418	2,741	24.7	3,227	5.9	3,297	3.7
As a % of sales	13.3	11.9	140bps	13.0	30bps	13.0	30bps
Expenditure	22,697	20,206	12.3	21,252	6.8	21,684	4.7
EBITDA	**3,041**	**2,916**	**4.3**	**3,578**	**-15.0**	**3,677**	**-17.3**
EBITDA Margin	**11.8**	**12.6**	**-80bps**	**14.4**	**-260bps**	**14.5**	**-270bps**
PAT (Adjusted)	**6,420**	**2,494**	**157.4**	**1,680**	**282.3**	**2,664**	**141.0**
PAT Margin	**24.9**	**10.8**	**1420bps**	**6.8**	**1820bps**	**10.5**	**1440bps**

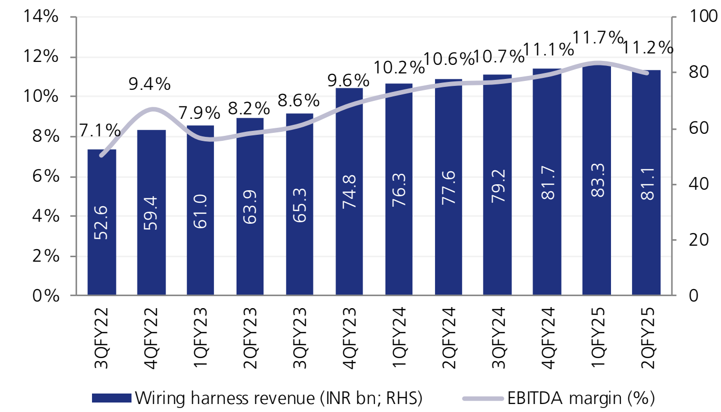
Source: Company, JM Financial

Exhibit 4. Consolidated performance



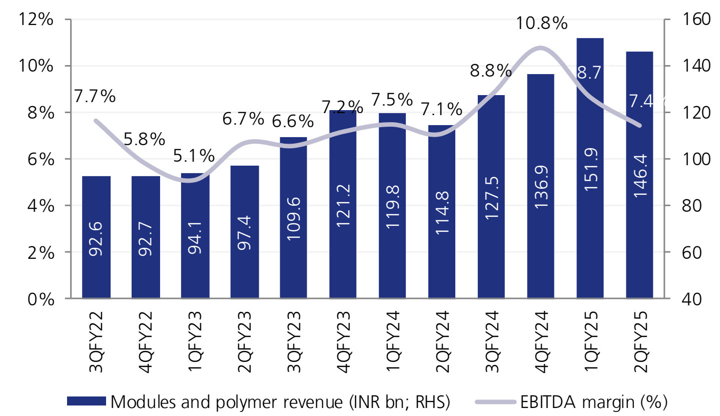
Source: Company, JM Financial

Exhibit 5. Wiring harness – Revenue & EBITDA trend



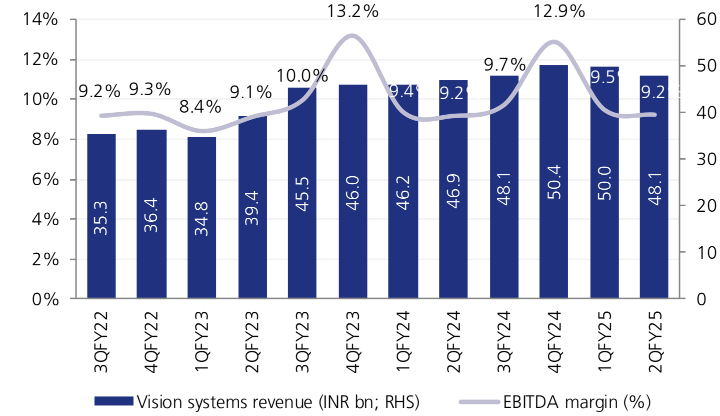
Source: Company, JM Financial

Exhibit 6. Modules and Polymer - Revenue & EBITDA trend



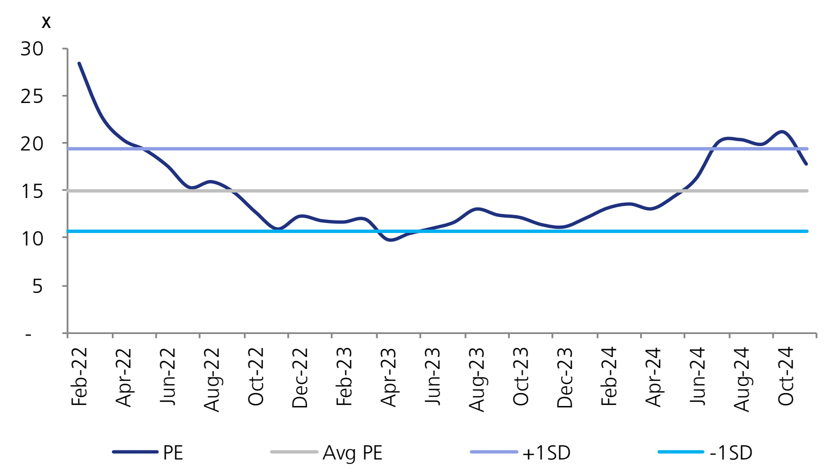
Source: Company, JM Financial

Exhibit 7. Vision Systems - Revenue & EBITDA trend



Source: Company, JM Financial

Exhibit 8. 1-year forward PE chart



Source: Bloomberg, JM Financial

Exhibit 9. SAMIL – change in estimates

	New assumption			Old assumption			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	1,223,178	1,357,668	1,501,305	1,226,554	1,361,990	1,503,361	0%	0%	0%
EBITDA (INR mn)	120,712	142,652	162,878	124,972	144,879	163,019	-3%	-2%	0%
EBITDAM (%)	9.9%	10.5%	10.8%	10.2%	10.6%	10.8%	-30bps	-10bps	-0bps
PAT (INR mn)	45,104	59,488	73,549	46,737	60,464	73,529	-3.5%	-1.6%	0.0%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	7,77,381	9,75,367	12,10,473	13,43,692	14,85,932
Sales Growth	24.6%	25.5%	24.1%	11.0%	10.6%
Other Operating Income	10,500	11,550	12,705	13,976	15,373
Total Revenue	**7,87,881**	**9,86,917**	**12,23,178**	**13,57,668**	**15,01,305**
Cost of Goods Sold/Op. Exp	4,53,174	5,44,147	6,55,623	7,24,995	7,98,694
Personnel Cost	1,79,314	2,35,385	3,01,293	3,31,422	3,64,564
Other Expenses	92,442	1,14,519	1,45,550	1,58,599	1,75,169
EBITDA	**62,952**	**92,866**	**1,20,712**	**1,42,652**	**1,62,878**
EBITDA Margin	8.0%	9.4%	9.9%	10.5%	10.8%
EBITDA Growth	34.0%	47.5%	30.0%	18.2%	14.2%
Depn. & Amort.	31,358	38,105	43,900	47,695	50,511
EBIT	31,593	54,761	76,812	94,958	1,12,367
Other Income	1,696	1,876	4,064	2,809	3,161
Finance Cost	7,809	18,112	16,934	14,937	13,137
PBT before Excep. & Forex	25,480	38,525	63,943	82,829	1,02,390
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	25,480	38,525	63,943	82,829	1,02,390
Taxes	7,352	8,206	18,543	23,192	28,669
Extraordinary Inc./Loss(-)	-995	-2,499	0	0	0
Assoc. Profit/Min. Int.(-)	1,303	5,409	7,897	9,271	10,662
Reported Net Profit	14,956	27,162	45,105	59,489	73,550
Adjusted Net Profit	**15,951**	**29,661**	**45,104**	**59,488**	**73,549**
Net Margin	2.0%	3.0%	3.7%	4.4%	4.9%
Diluted Share Cap. (mn)	6,776.4	6,776.4	7,036.3	7,036.3	7,036.3
Diluted EPS (INR)	**2.4**	**4.4**	**6.4**	**8.5**	**10.5**
Diluted EPS Growth	73.0%	86.0%	46.5%	31.9%	23.6%
Total Dividend + Tax	4,405	4,405	5,277	5,277	5,981
Dividend Per Share (INR)	0.7	0.7	0.8	0.8	0.9

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Shareholders' Fund	2,24,515	2,61,549	3,53,713	4,13,201	4,86,750
Share Capital	6,776	6,776	7,036	7,036	7,036
Reserves & Surplus	2,17,739	2,54,773	3,46,677	4,06,165	4,79,714
Preference Share Capital	0	0	0	0	0
Minority Interest	19,254	20,606	20,606	20,606	20,606
Total Loans	1,37,923	1,99,218	1,99,218	1,74,218	1,54,218
Def. Tax Liab. / Assets (-)	-8,428	-12,308	-12,308	-12,308	-12,308
Total - Equity & Liab.	**3,73,264**	**4,69,066**	**5,61,230**	**5,95,718**	**6,49,267**
Net Fixed Assets	2,46,248	3,26,192	3,31,482	3,19,343	3,05,811
Gross Fixed Assets	3,45,561	4,25,419	4,79,725	5,13,914	5,49,471
Intangible Assets	51,407	79,513	79,513	79,513	79,513
Less: Depn. & Amort.	1,64,941	2,03,046	2,46,946	2,94,641	3,45,151
Capital WIP	14,222	24,306	19,189	20,557	21,979
Investments	62,899	65,215	1,12,375	1,54,475	1,96,575
Current Assets	2,95,726	4,38,065	5,56,592	6,15,592	7,00,652
Inventories	78,228	91,386	1,07,774	1,19,177	1,31,292
Sundry Debtors	98,379	1,71,943	2,17,826	2,41,776	2,67,356
Cash & Bank Balances	46,987	69,858	1,17,723	1,32,309	1,69,887
Loans & Advances	72,133	1,04,878	1,13,269	1,22,330	1,32,116
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	2,31,608	3,60,405	4,39,218	4,93,693	5,53,771
Current Liabilities	1,41,363	2,26,172	2,84,850	3,16,169	3,49,619
Provisions & Others	90,245	1,34,233	1,54,368	1,77,524	2,04,152
Net Current Assets	64,118	77,659	1,17,374	1,21,900	1,46,881
Total – Assets	**3,73,264**	**4,69,066**	**5,61,230**	**5,95,718**	**6,49,267**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profit before Tax	25,043	40,900	67,744	87,390	1,07,635
Depn. & Amort.	31,358	38,105	43,900	47,695	50,511
Net Interest Exp. / Inc. (-)	7,809	18,112	16,934	14,937	13,137
Inc (-) / Dec in WCap.	-2,332	9,330	8,151	10,060	12,598
Others	-1,244	-4,180	-4,095	-4,710	-5,416
Taxes Paid	-7,352	-8,206	-18,543	-23,192	-28,669
Operating Cash Flow	**53,283**	**94,061**	**1,14,089**	**1,32,180**	**1,49,796**
Capex	-50,397	-1,18,049	-49,189	-35,557	-36,979
Free Cash Flow	2,886	-23,988	64,900	96,624	1,12,817
Inc (-) / Dec in Investments	1,719	-2,316	-47,160	-42,100	-42,100
Others	-7,809	-18,112	-16,934	-14,937	-13,137
Investing Cash Flow	**-56,488**	**-1,38,477**	**-1,13,283**	**-92,594**	**-92,216**
Inc / Dec (-) in Capital	2,259	0	260	0	0
Dividend + Tax thereon	-4,405	-4,405	-5,277	-5,277	-5,981
Inc / Dec (-) in Loans	-3,374	61,295	0	-25,000	-20,000
Others	5,718	10,396	52,076	5,276	5,980
Financing Cash Flow	**198**	**67,287**	**47,059**	**-25,001**	**-20,001**
Inc / Dec (-) in Cash	**-3,007**	**22,871**	**47,866**	**14,585**	**37,579**
Opening Cash Balance	49,994	46,987	69,858	1,17,723	1,32,309
Closing Cash Balance	46,987	69,858	1,17,723	1,32,309	1,69,887

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin	2.0%	3.0%	3.7%	4.4%	4.9%
Asset Turnover (x)	1.3	1.4	1.3	1.3	1.3
Leverage Factor (x)	2.7	3.0	3.0	2.8	2.6
RoE	7.4%	12.2%	14.7%	15.5%	16.3%

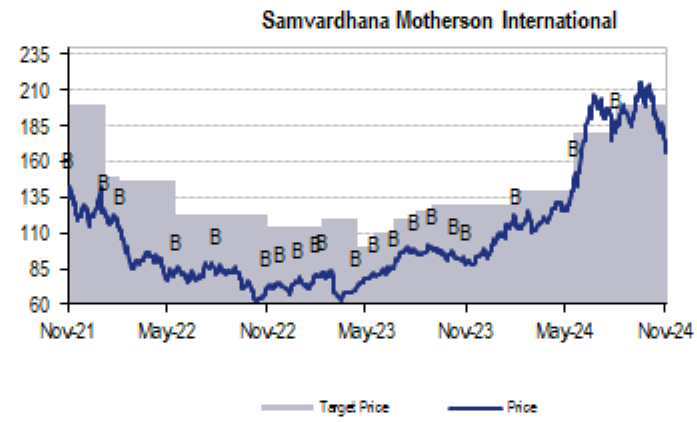
Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)	33.1	38.6	50.3	58.7	69.2
ROIC	8.6%	13.9%	15.8%	20.6%	26.3%
ROE	7.4%	12.2%	14.7%	15.5%	16.3%
Net Debt/Equity (x)	0.4	0.5	0.2	0.1	0.0
P/E (x)	70.5	37.9	25.9	19.6	15.9
P/B (x)	5.0	4.3	3.3	2.8	2.4
EV/EBITDA (x)	19.6	13.7	10.2	8.3	6.9
EV/Sales (x)	1.6	1.3	1.0	0.9	0.8
Debtor days	46	64	65	65	65
Inventory days	36	34	32	32	32
Creditor days	71	92	94	95	95

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
12-Nov-21	Buy	200	
16-Jan-22	Buy	150	-25.0
13-Feb-22	Buy	147	-2.2
27-May-22	Buy	123	-15.9
9-Aug-22	Buy	123	0.0
10-Nov-22	Buy	115	-6.8
4-Dec-22	Buy	115	0.0
9-Jan-23	Buy	115	0.0
8-Feb-23	Buy	115	0.0
20-Feb-23	Buy	120	4.3
24-Apr-23	Buy	100	-16.7
27-May-23	Buy	110	10.0
4-Jul-23	Buy	120	9.1
10-Aug-23	Buy	125	4.2
10-Sep-23	Buy	130	4.0
22-Oct-23	Buy	130	0.0
10-Nov-23	Buy	130	0.0
12-Feb-24	Buy	140	7.7
29-May-24	Buy	180	28.6
13-Aug-24	Buy	200	11.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
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