Samvardhana Motherson International

Good performance in a weak market

SAMIL's Q1 revenue was above our estimate, led by the modules and polymer products division. PAT at INR 9.9bn was higher than our estimates (INR 7.9bn) due to lower RM cost and lower depreciation. While ROCE for Q1 was ~18%, SAMIL maintained its long-term aspiration of 40%. The global EV slowdown is not expected to materially impact SAMIL due to its policy of not having more than 10% exposure to a single component, country or customer. SAMIL is a beneficiary of the growth in hybrids and SUV production which require higher content per vehicle. With Europe and North America witnessing a slowdown in the EVs, SAMIL will remain insulated due to its powertrain agnostic approach. In addition, diversification to non-autos (defence and consumer electronics) is expected to drive significant revenue growth with order visibility for over 10 years. We revise the price target to INR 205/sh (earlier INR198), based on 28x Jun-26 EPS. Maintain Add.

- **All-round beat:** SAMIL's Q1 revenue at INR 288bn was above our estimate of INR 275bn. Copper prices were up 15% YoY and QoQ. Notwithstanding the higher copper prices, the gross margin expanded 294bps YoY to 46.4% due to a better product mix, repricing and pass-through of higher prices to customers. EBITDA was INR 27.8bn (HSIE INR 25.6bn) while margin expanded 105bps YoY to 9.6%.
- **Call takeaways**: (1) Wiring harness segment revenue grew 9% YoY due to increased offtake by truck OEMs in North and South America, and strong domestic demand. Insourcing coupled with op leverage led to margin improving to 11.7% (+150bps YoY). (2) The module and polymers business reported 27% YoY growth, led by a better mix, content increase due to premiumisation, and integration of the Yachiyo 4W business. Revenue growth was partly offset by a decline in volumes in Europe due to delays in EV launches. With synergy benefits, EBITDA margin expanded 118bps YoY to 8.7%. (3) For integrated assemblies, new capacities are being set up in China and Mexico, which are expected to commence production in Q4FY25. (4) Sluggishness in EVs with launches being postponed in Europe and North America is impacting revenue growth. (5) Capex stood at INR 10.8bn for 1Q and guidance for FY25 was maintained at INR 50bn. (6) The focus on debt reduction continues, with leverage stable QoQ at 1.5x. The net debt stood at INR 134bn compared to INR 104bn in Q4. The debt increase was due to increased working capital requirements and the closure of acquisitions. The working capital requirements are expected to normalise in H2FY25. (7) The consumer electronics vertical will require an investment of INR 26bn in phases. The greenfield capex is expected to commercialise in Q2FY25, with ramp-up expected in FY25.

Quarterly/annual financial summary

YE Mar (INR mn)	Q1 FY25	Q1 FY24	YoY (%)	Q4 FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	288,680	224,622	28.5	270,582	6.7	986,917	1,166,443	1,270,907	1,394,193
EBITDA	27,753	19,246	44.2	29,346	-5.4	92,866	104,980	124,549	143,602
APAT	9,942	6,009	65.5	13,715	-27.5	28,911	31,979	46,333	58,989
Diluted EPS (INR)	1.5	0.9	64.8	2.02	-27.5	4.3	4.7	6.8	8.7
P/E (x)						42.9	38.8	26.7	21.0
EV / EBITDA (x)						12.5	11.0	9.2	7.7
RoCE (%)						11.9	11.8	15.7	17.9

Source: Company, HSIE Research

ADD

CMP *(as on 13 Aug 2024)*	INR 183
Target Price	INR 205
NIFTY	24,139

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 198	INR 205
	FY25E	FY26E
EPS %	0.7%	3.1%

KEY STOCK DATA	
Bloomberg code	MOTHERSO IN
No. of Shares (mn)	6,776
MCap (INR bn) / ($ mn)	1,224/14,593
6m avg traded value (INR mn)	4,015
52 Week high / low	INR 209/87

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	44.5	56.5	85.0
Relative (%)	36.0	46.2	64.2

SHAREHOLDING PATTERN (%)	Mar-24	Jun-24
Promoters	60.4	60.4
FIs & Local MFs	18.3	18.2
FPIs	12.4	12.9
Public & Others	8.9	8.5
Pledged Shares	1.2	1.2

Source : BSE

Pledged shares as % of total shares

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