

Samvardhana Motherson International

Good performance in a weak market

SAMIL's Q2 revenue was marginally below our estimate, led by the modules and polymer products division. PAT at INR 8.8bn was higher than our estimates (INR 8.4bn) due to lower RM cost and higher other income. ROCE stood at 17.3% for Q2 and the company has 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 continues to focus on its diversification strategy with new products and increased customer penetration for certain customers. It 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. We maintain the price target of INR 218/sh based on 28x Sep-26 EPS. Maintain Add.

- Good performance in a weak market:** SAMIL Q2 revenue at INR 278bn was marginally below our estimate of INR 283bn. Copper prices up 10% YoY, down 6% QoQ. Gross margin expanded 261bps YoY to 45.8% due to a better product mix. EBITDA was INR 24.5bn (HSIE INR 25.3bn), while margin expanded 76bps YoY to 8.8%.
- Call takeaways:** (1) Wiring harness segment revenue grew 4.5% YoY despite softening of CV production volumes in North America, Europe, and China. Driven by cost control actions, margin improved 60bps to 11.2%. (2) The module and polymers business reported 28% YoY growth, driven by full impact of acquisitions (Dr Schneider and Yachiyo). Impact of higher engineering sales was offset by volume decline was witnessed across key geographies. Notwithstanding seasonal weakness and project ramp up in Europe, margin improved 30bps YoY to 7.4%. (3) Vision systems revenue grew 2.5% YoY on account of China and South Asia, partially offset by lower volumes in North America. YoY, margin maintained at 9.2% despite changing geographical mix. (4) Capex spent in 1H stood at INR 20bn. Considering margin conditions, management has revised guidance for FY25 from INR 50bn with a variance of 5% from earlier variance of 10%. (5) The net debt stood at INR 105bn compared to INR 134bn in Q1. Higher working capital requirements led to an increase in gross debt. QIP proceeds of INR 6bn was used to repay debt and for general corporate purposes. (6) 5 out of 19 greenfield capacity additions announced have started operations. 8 more facilities are expected to operationalize in H2FY25. (7) The consumer electronics plant has started commercial operations and delivered the first batch of products.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Sales	278,119	234,738	18.5	288,680	-3.7	986,917	1,156,775	1,266,192	1,389,853
EBITDA	24,479	18,888	29.6	27,753	-11.8	92,866	104,110	124,087	143,155
APAT	8,797	3,886	126.4	9,942	-11.5	28,911	31,370	46,010	58,676
Diluted EPS (INR)	1.3	0.6	116.2	1.47	-14.8	4.3	4.6	6.8	8.7
P/E (x)						38.4	35.4	24.2	18.9
EV / EBITDA (x)						11.1	9.9	8.2	6.9
RoCE (%)						11.9	11.6	15.6	17.8

Source: Company, HSIE Research

ADD

CMP (as on 12 Nov 2024)	INR 166
Target Price	INR 218
NIFTY	23,883

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 218	INR 218
EPS %	FY25E	FY26E
	-1.9%	-0.7%

KEY STOCK DATA

Bloomberg code	MOTHERSO IN
No. of Shares (mn)	7,036
MCap (INR bn) / (\$ mn)	1,168/13,843
6m avg traded value (INR mn)	4,330
52 Week high / low	INR 217/87

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.8)	30.1	82.5
Relative (%)	(10.6)	21.9	61.9

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	60.4	58.1
FIs & Local MFs	18.2	19.9
FPIs	12.9	13.5
Public & Others	8.5	8.5
Pledged Shares	1.2	1.4

Source : BSE

Pledged shares as % of total shares

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