

CMP: INR 125

Rating: BUY

TP: INR 203

Stock Info

BSE	517734
NSE	MOTHERSON
Bloomberg	MSS:IN
Reuters	SAMD.NS
Sector	Auto Ancillary
Face Value (INR)	1
Equity Cap (INR Mn)	6776
Mkt Cap (INR Mn)	8,79,190
52w H/L (INR)	96 / 217
Avg Yearly Volume (in 000')	157

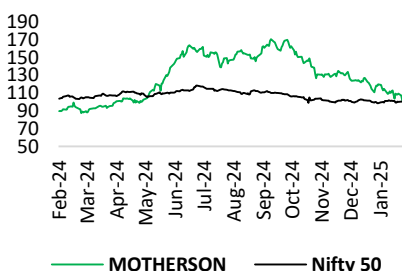
Shareholding Pattern %

(As on Dec, 2024)

Promoters	58.13
FII	14.31
DII	19.15
Public & Others	8.40

Stock Performance (%)	1m	3m	12m
Motherson	-18.4	-25.4	8.0
Nifty 50	-9.0	-0.9	9.9

Motherson Vs Nifty 50



Samvardhana Motherson International Ltd (SMIL) reported strong Q3FY25 numbers with revenue at INR 2,76,659 Mn (up by 7.66% YoY and down by 0.52% QoQ), above our estimate of INR 2,73,697 Mn. Gross profit stood at INR 1,30,322 Mn (up by 12.85% YoY and 2.37% QoQ), above our estimate of INR 1,23,819 Mn. Gross margins increased by 217 bps YoY and 133 bps QoQ to 47.1%, above our estimate of 45.2%. EBITDA stood at INR 26,858 Mn (up by 13.34% YoY and 9.72% QoQ) above our estimate of INR 26,059 Mn. EBITDA margin increased by 49 bps YoY and 91 bps QoQ to 9.71%, due to decline in RM cost, above our estimate of 9.52%. PAT stood at INR 9,844 Mn (up by 55.43% YoY and 3.7% QoQ), above our estimate of INR 8,295 Mn. PAT margin expanded by 109 bps YoY and 15 bps QoQ to 3.56% in Q3FY25, compared to 3.41% in Q2FY25.2 new acquisitions were announced during Q3: Atsumitech and Baldi Auto, aimed at enabling further diversification and vertical integration. The first plant for the Consumer Electronics business became operational in Q3 FY 2025 and is currently in the ramp-up phase. Additionally, two more plants for the Consumer Electronics business are on track for SOPs in FY 2026 and FY 2027.

Margin expansion led by cost optimization and operational improvement: EBITDA margin was 10%, led by focus on operational and cost control measures. In the wiring harness business, there was margin expansion despite weak revenue due to optimization efforts across regions Improved human resource utilization, Insourcing of some operations, Favorable product and geographic mix. Vision systems business saw some impact from unfavorable platform and geographic mix changes, but this is expected to stabilize in coming quarters. For the consumer electronics business, management expects it to be margin accretive compared to the company average. Atsumitech acquisition is described as having a "healthy margin profile" of about 8% based on FY24 numbers. Overall, the company emphasized its focus on operational improvements and cost control to maintain margins in a challenging environment. The diversified business model is helping offset pressures in some segments. The company is working to improve profitability across businesses.

Strong growth expected in consumer electronics by Q4FY25: Q3FY25, the company operationalized its first plant for the consumer electronics business in Chennai, marking a significant step in its diversification beyond the automotive sector. The initial batch of deliveries from this plant was made in November, with production scaling up substantially in January. This facility, which started as a smaller prototyping unit, is part of a broader expansion plan that includes two more plants set to launch next year the second facility will also come up by quarter two of next year and then the larger one will come in beginning of FY27. The company has earmarked a total capital expenditure of around INR 26000 Mn across three phases for this segment. A JV partner has received approval to invest an equity stake ranging from 10% to 49%. The company is engaged in electronics manufacturing. They anticipate that the consumer electronics business will be margin accretive compared to their overall operations, strengthening their position in non-automotive sectors.

Outlook and Valuation:

The company is well-positioned to sustain its growth due to its diversified business model, focusing on the 3CX10 principle, which reduces dependency on any single market or customer. The company continues to thrive in key sectors, including exterior rear-view mirrors, PV wiring harnesses in India, and CV wiring harnesses in North America and Europe, while also benefiting from strong demand in luxury OEMs and shock absorber exports. With the rising trends of premiumization and the EV transition, MSSL stands to gain significantly from increasing content per vehicle, particularly in wiring harnesses, bumpers, and door panels. We estimate ~19% EBITDA CAGR FY25-27e driven by consumer electronics which is expected to recover in Q4FY25. EPS growth is higher ~32% CAGR due to net debt to EBITDA ratio stood at 0.9x and it reduced mainly due to the QIP proceeds. However, the full impact of interest cost reduction is expected to be visible from Q4FY25 onwards. The stock has corrected ~42% from the peak. **Given its strong order book, and market trends, SMIL is well-positioned to outperform global automobile sales in the years ahead. We have a BUY rating on the stock with a TP of INR 203 (Based on PE of 21x to its FY27e EPS of INR 9.6).**

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(INR Mn)	Year-end March						
	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	EV/EBITDA	P/E (x)
FY22	6,35,361	44,615	8,174	1.8	7.0%	20.7	69.1
FY23	7,87,007	62,077	16,696	2.2	7.9%	14.8	56.6
FY24	9,86,918	91,176	30,195	4.5	9.2%	10.4	28.1
FY25E	11,32,855	1,08,259	40,809	6.0	9.6%	8.7	20.8
FY26E	12,84,296	1,27,866	50,962	7.5	10.0%	7.8	16.6
FY27E	14,59,525	1,54,066	65,063	9.6	10.6%	6.6	13.0

Source: Arihant Research, Company Filings

Samvardhana Motherson International-Concall Highlights

Aims to move up the value chain by targeting higher-value businesses. The emerging markets portfolio is expected to be the fastest-growing segment.

Capex guidance for FY25 has been significantly reduced to ~INR 4500Mn due to slowdowns in the European and US markets. Targeting a 26% + YoY growth for FY26.

Net debt to EBITDA ratio stood at 0.9x, primarily reducing due to QIP proceeds. The full impact of interest cost reduction is expected to be visible from Q4FY25 onwards. Net debt decreased by ~INR 10bn QoQ (~9%) in Q3

Revenue for the wiring harness segment stood at INR 78,290 Mn, compared to INR 79,160 Mn in Q3FY24. EBITDA margins expanded by 100 bps YoY despite a decline in revenue, attributed to optimization and improvement in resources and facilities.

Revenue for modules & polymer products in Q3FY25 reached INR 14,6140 Mn, marking a 14.6% YoY increase.

Revenue from vision systems stood at INR 47,290 Mn, declining by 1.6% YoY due to an unfavorable platform and geographical mix. Increased volumes from China partially offset slowdowns in Europe and the US. Uncertainty in new platform introductions and model launches, with delays in production and lower-than-expected launch volumes impacting operations. The company is closely working with customers to navigate these changes.

Revenue for integrated assemblies in Q3FY25 was INR 26,600 Mn, compared to INR 25,920 Mn in Q3FY24. The company is actively working towards establishing itself as a tier 1 supplier in this vertical and anticipates significant growth potential.

Revenue from emerging business grew by 37.5% YoY to INR 26,930 Mn driven primarily by the aerospace segment. The Indian automotive segment, especially CV, experienced a slight decline, affecting revenue.

Consumer electronics is expected to grow significantly and become a major growth driver.

The company operationalized two new greenfield plants in consumer electronics and precision metals & modules, marking a significant entry into the non-automotive sector. Plans to leverage the Atsumitech acquisition by cross-selling to Japanese OEMs.

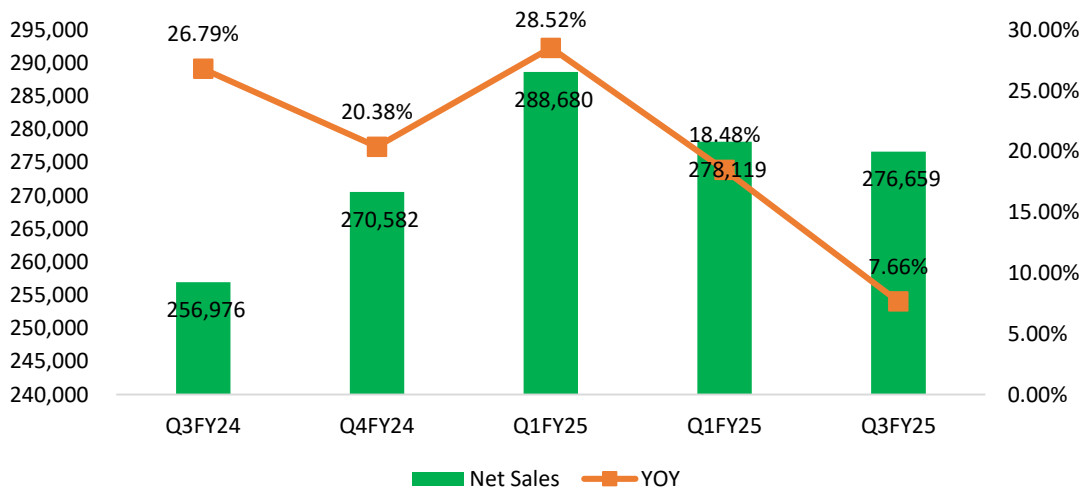
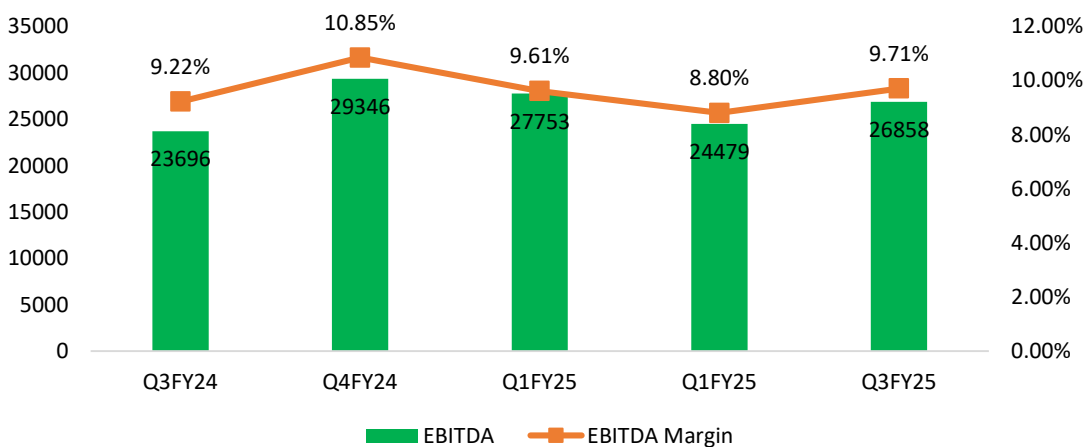
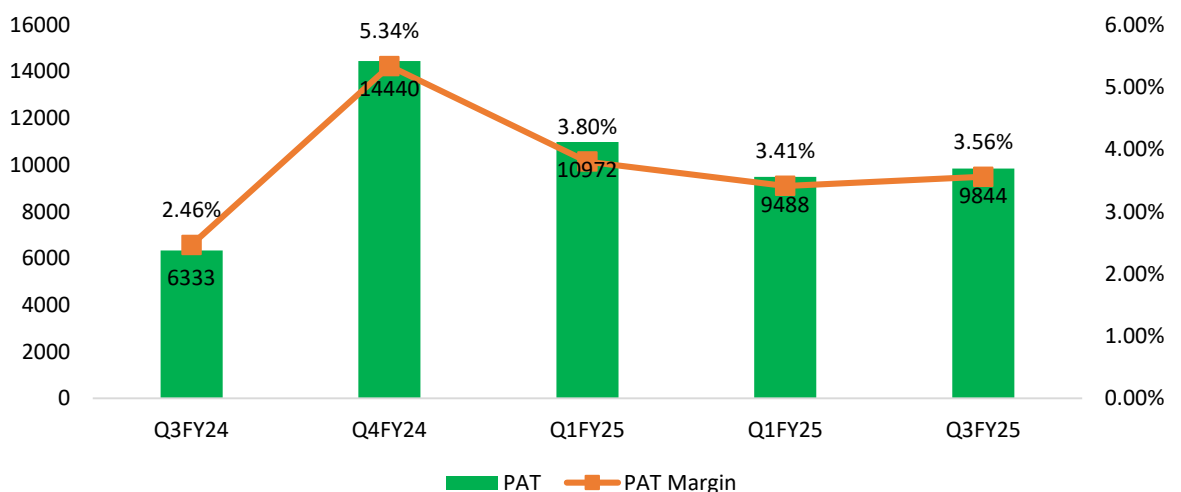
The company's globally local strategy involves setting up manufacturing plants close to customers, allowing it to cater to specific needs while efficiently managing international trade and production complexities.

Quarterly Results					
Consolidated (INRm)	Q3FY25	Q1FY25	Q3FY24	QoQ%	YoY%
Net Sales	276659.20	278118.60	256975.60	-0.5%	7.7%
Material Cost	156640.10	150241.40	142681.10	4.3%	9.8%
Change in Inventory	-10303.30	576.20	-1188.90	-1888.1%	766.6%
Gross Profit	130322.40	127301.00	115483.40	2.4%	12.8%
Gross Margin %	47%	46%	45%	133.36bps	216.63bps
Employees benefits expense	71170.90	68834.50	60659.10	3.4%	17.3%
Other Expenses	32293.50	33987.10	31128.30	-5.0%	3.7%
EBITDA	26858.00	24479.40	23696.00	9.7%	13.3%
EBITDA margin %	9.71%	8.80%	9.22%	90.62bps	48.69bps
Depreciation	11123.60	11028.40	10163.80	0.9%	9.4%
EBIT	15734.40	13451.00	13532.20	17.0%	16.3%
EBIT Margin %	5.69%	4.84%	5.27%	85.09	42.13
[b] Other income	1112.00	2592.40	1653.70	-57.1%	-32.8%
[f] Finance costs	4661.30	5461.60	6202.60	-14.7%	-24.8%
PBT	12185.10	10581.80	7868.00	15.2%	54.9%
Tax-Total	3373.20	2936.00	2176.00	14.9%	55.0%
Tax Rate (%) - Total	0.28	0.28	0.28	-6.28bps	2.67bps
Reported Net Profit	9843.50	9488.10	6333.00	3.7%	55.4%
PAT Margin %	3.56%	3.41%	2.46%	14.65bps	109.36bps
Reported EPS (INR)	1.45	1.40	0.93	3.7%	55.4%

Margins	Q3FY25	Q2FY25	Q3FY24	YoY (bps)	QoQ (bps)
Cost Analysis					
RMC/Sales (%)	54.23	53.61	56.83	62.26	-260.44
Employee exp/Sales (%)	25.73	24.75	23.61	97.51	212.01
Other exp/Sales (%)	11.67	12.22	12.11	-54.77	-44.07

Source: Arianth Research, Company Filings

Key Charts

Exhibit: Revenue and YoY growth decline led by issue in Europe**Exhibit: EBITDA margins expanded by 100 bps YoY despite a decline in revenue, attributed to optimization and improvement in resources and facilities.****Exhibit: PAT and PAT Margin (%) Trend**

Source: Arihant Research, Company Filings

Key Charts

EPS

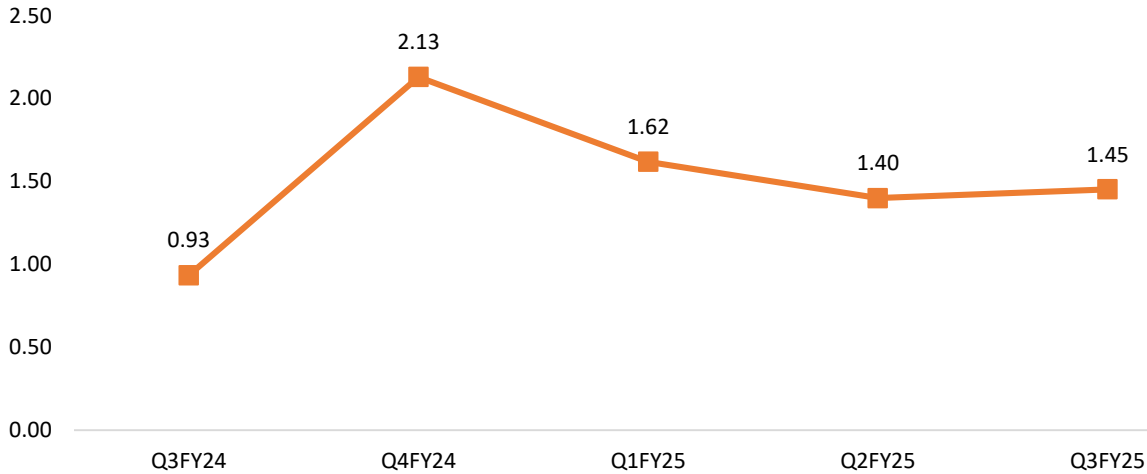


Exhibit: Revenue from emerging business grew by 37.5% YoY to INR 26,930 Mn driven primarily by the aerospace segment.

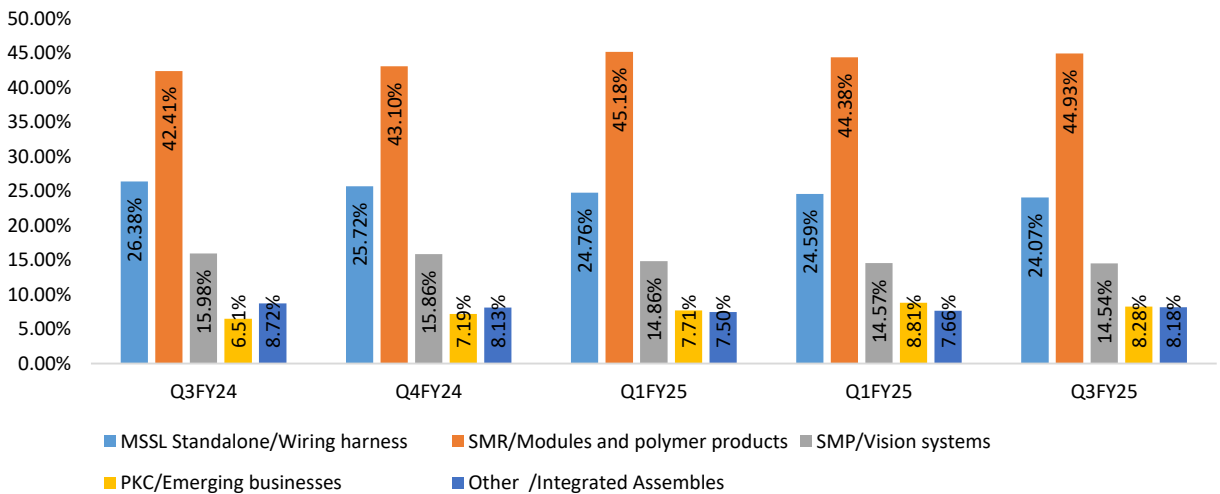
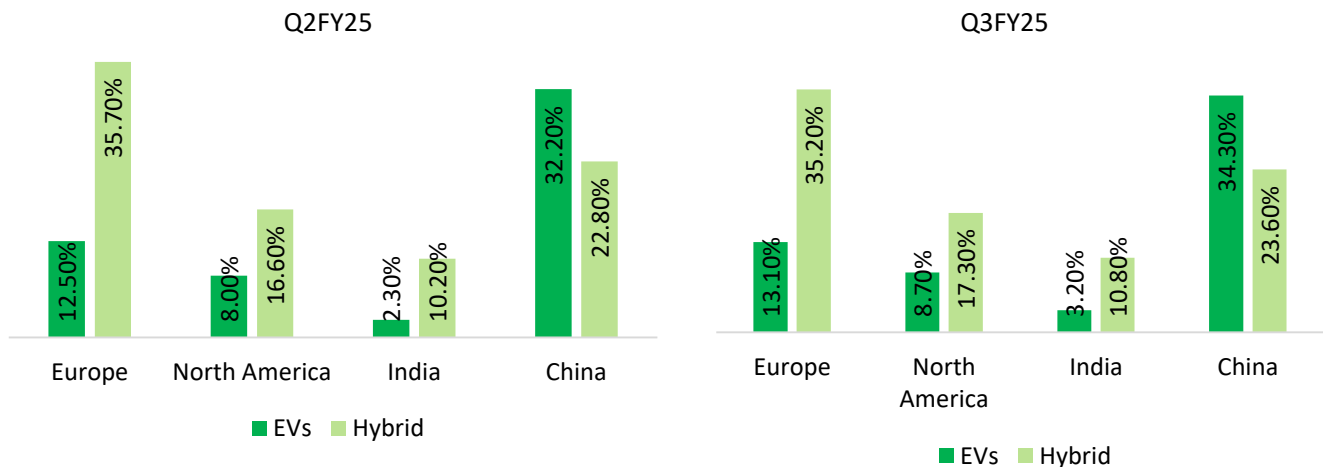


Exhibit: Platform mix continuously evolving with growth in EVs and Hybrids



Source: Arihant Research, Company Filings

Key Financials

Income statement (INR Mn)					
Year End-March	FY23	FY24	FY25E	FY26E	FY27E
Gross Sales	7,87,007	9,86,918	11,32,855	12,84,296	14,59,525
Net Sales	7,87,007	9,86,918	11,32,855	12,84,296	14,59,525
YoY (%)	23.87%	25.40%	14.79%	13.37%	13.64%
Adjusted COGS	4,53,174	5,44,147	6,02,584	6,78,006	7,61,763
YoY (%)	23.36%	20.07%	10.74%	12.52%	12.35%
Personnel/ Employee benefit expenses	1,79,314	2,35,385	2,85,437	3,23,594	3,67,744
YoY (%)	16.63%	31.27%	21.26%	13.37%	13.64%
Manufacturing & Other Expenses	92,442	1,16,209	1,36,575	1,54,830	1,75,952
YoY (%)	32.75%	25.71%	17.52%	13.37%	13.64%
Total Expenditure	7,24,929	8,95,741	10,24,595	11,56,430	13,05,458
YoY (%)	39.14%	46.88%	18.74%	18.11%	20.49%
EBITDA	62,077	91,176	1,08,259	1,27,866	1,54,066
YoY (%)	39.14%	46.88%	18.74%	18.11%	20.49%
EBITDA Margin (%)	7.89%	9.24%	9.56%	9.96%	10.56%
Depreciation	31,358	38,105	44,559	53,601	59,730
% of Gross Block	9.10%	9.86%	9.66%	9.68%	9.53%
EBIT	30,719	53,071	63,701	74,265	94,336
EBIT Margin (%)	3.90%	5.38%	5.62%	5.78%	6.46%
Interest Expenses	7,809	18,112	19,779	18,729	21,564
Non-operating/ Other income	2,570	3,566	5,307	6,017	6,839
PBT	24,048	38,401	54,002	66,966	85,761
Tax-Total	7,352	8,206	13,193	16,004	20,699
Adj. Net Profit	16,696	30,195	40,809	50,962	65,063
Reported Profit	16,696	30,195	40,809	50,962	65,063
PAT Margin	2.12%	3.06%	3.60%	3.97%	4.46%
Shares o/s/ paid up equity sh capital	6,776	6,776	6,776	6,776	6,776
Adj EPS	2.21	4.46	6.02	7.52	9.60
Dividend payment	6,457	10,165	13,553	16,941	23,717
Dividend payout (%)	38.67%	33.66%	33.21%	33.24%	36.45%
Retained earnings	10,239	20,030	27,256	34,021	41,345

Cash Flow Statement (INR Mn)					
Year End-March	FY23	FY24	FY25E	FY26E	FY27E
Profit After tax	16,696	30,195	40,809	50,962	65,063
Adjustments: Add					
Depreciation and amortisation	31,358	38,105	44,559	53,601	59,730
Interest adjustment	5,239	14,547	14,472	12,711	14,725
Change in assets and liabilities	46,837	72,682	86,286	1,00,333	1,15,801
Inventories	-13,811	-13,158	-3,509	-11,878	-13,190
Trade receivables	-18,132	-73,564	46,199	-16,233	-18,685
Trade payables	27,760	84,809	-35,165	21,558	26,085
Other Liabilities and provisions	14,313	94,356	2,695	3,384	4,108
Other Assets	-13,564	-33,823	-16,769	-21,357	-25,900
Taxes	1,070	1,014	0	0	0
Net cash from operating activities	44,473	1,32,315	79,736	75,807	88,220
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-50,449	-1,17,934	-58,163	-1,08,592	-99,293
Net Sale/(Purchase) of investments	4,289	1,250	-4,365	-1,509	-9,302
Others	2,760	-3,798	-3,444	-4,132	-5,003
Net cash (used) in investing activities	-43,349	-1,20,597	-65,857	-1,14,234	-1,13,599
Interest expense	-12,800	-31,103	-3,842	891	3,158
Dividend paid	-3,308	-6,457	-13,553	-16,941	-23,717
Other financing activities	-9,181	-35,321	-13,553	-16,941	-23,717
Net cash (used) in financing activities	-4,132	11,154	-3,638	1,115	3,404
Closing Balance	46,987	69,858	80,099	42,787	20,812
FCF	1,922	62,925	26,353	-21,487	8,520
Capex (% of sales)	34,742	45,000	50,978	64,215	65,679

Balance sheet (INR Mn)					
Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds					
Equity Share Capital	6,776	6,776	6,776	6,776	6,776
Reserves & Surplus/ Other Equity	31,365	27,591	54,847	88,867	1,30,213
Networth	2,43,769	2,82,155	3,09,411	3,43,432	3,84,777
Unsecured Loans/ Borrowings/ Lease Liabilities	1,86,424	1,84,112	1,95,706	2,11,133	2,31,809
Other Liabilities	13,414	19,175	19,427	19,730	20,092
Total Liabilities	6,18,517	8,50,218	8,61,260	9,40,224	10,36,947
Total Funds Employed	11,37,441	15,49,577	15,55,927	16,94,401	18,63,238
Application of Funds					
Net Fixed Assets	-12,488	-14,222	-24,306	-26,737	-29,410
Capital WIP	14,222	24,306	26,737	29,410	32,351
Investments/ Notes/ Fair value measurement	1,811	2,153	2,369	2,606	2,866
Current assets	2,67,792	4,02,722	3,85,687	3,96,348	4,30,517
Inventory	78,228	91,386	94,895	1,06,773	1,19,963
Days	57	57	57	57	57
Debtors	85,135	1,56,371	1,08,615	1,23,135	1,39,935
Days	35	35	35	35	35
Other Current Assets	16,912	32,423	38,907	46,689	56,027
Cash and Cash equivalent	45,381	67,432	77,362	41,325	20,089
Current Liabilities/Provisions	2,75,154	4,17,204	3,85,256	4,10,745	4,41,514
Creditors / Trade Payables	1,41,363	2,26,172	1,91,007	2,12,565	2,38,650
Days	63	67	68	66	66
Liabilities	26,824	1,00,437	1,06,817	1,13,702	1,21,135
Net Current Assets	-7,362	-14,482	431	-14,398	-10,997
Total Asset	6,18,517	8,50,218	8,61,260	9,40,224	10,36,947
Total Capital Employed	6,25,879	8,64,700	8,60,829	9,54,621	10,47,944

Key Ratios					
Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Solvency Ratios					
Debt / Equity	0.50	0.61	0.58	0.55	0.51
Net Debt / Equity	0.31	0.37	0.32	0.42	0.46
Debt / EBITDA	1.96	1.90	1.66	1.46	1.27
Current Ratio	1.20	1.14	0.92	1.13	1.14
DuPont Analysis					
Sales/Assets	1.27	1.16	1.32	1.37	1.41
Assets/Equity	2.54	3.01	2.78	2.74	2.69
RoE	6.85%	10.70%	13.19%	14.84%	16.91%
Per share ratios					
Reported EPS	2.21	4.46	6.02	7.52	9.60
Dividend per share	0.95	1.50	2.00	2.50	3.50
BV per share	35.97	41.64	45.66	50.68	56.78
Cash per Share	6.70	9.95	11.42	6.10	2.96
Revenue per Share	116.14	145.64	167.18	189.52	215.38
Profitability ratios					
Net Profit Margin (PAT/Net sales)	1.29%	2.12%	3.06%	3.60%	3.97%
Gross Profit / Net Sales	42.42%	44.86%	46.81%	47.21%	47.81%
EBITDA / Net Sales	7.89%	9.24%	9.56%	9.96%	10.56%
EBIT / Net Sales	3.90%	5.38%	5.62%	5.78%	6.46%
ROCE (%)	8.95%	12.26%	13.38%	14.03%	15.84%
Activity ratios					
Inventory Days	57.45	57.48	57.48	57.48	57.48
Debtor Days	34.98	35.00	35.00	35.00	35.00
Creditor Days	62.99	67.24	67.81	66.41	66.06
Leverage ratios					
Interest coverage	3.93	2.93	3.22	3.97	4.37
Debt / Asset	0.20	0.20	0.21	0.20	0.19
Valuation ratios					
EV / EBITDA	14.85	10.43	8.75	7.75	6.64
PE (x)	56.64	28.05	20.76	16.62	13.02

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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