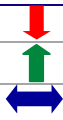


Samvardhana Motherson

Estimate changes

TP change

Rating change



CMP: INR114

TP: INR130 (+14%)

Buy

High depreciation, interest costs dent PAT

Debt declined QoQ despite the completion of new acquisitions

- Samvardhana Motherson (MOTHERSO) in 3Q reported an in-line operating performance, but higher depreciation/interest costs decreased overall PAT.
- The next two quarters would be transitory because of the ongoing consolidation of four other businesses during 4QFY24 to 1QFY25. We reduce our FY24E/FY25E EPS by 17%/4% to factor in higher depreciation and interest costs due to the recent acquisitions.
- The stock trades at reasonable valuations of 29.9x/21.3x FY24E/FY25E consolidated EPS. Maintain **BUY** with a TP of INR130, based on Mar'26E SoTP (including INR8/share for the recent acquisitions).

Recent acquisitions aid overall profitability

- Consolidated business performance:** Consol. revenue/EBITDA/adj. PAT grew 27%/47%/19% YoY to INR257b/INR23.7b/INR5.4b (vs. est. INR253.6b/INR23.5b/INR8.6b). EBITDA margin came in line with our estimate at 9.2%, up 120bp YoY. However, higher interest and depreciation costs limited PAT growth at 19% YoY. 9MFY24 revenues/EBITDA/adj.PAT grew 27.5%/49.5%/74.9% YoY.
- Wiring harness business** grew 21.5% YoY to INR79.3b (vs. est. INR77.4b) and EBITDA margin improved 210bp YoY to 10.7% (vs. est.10.5%).
- Modules & Polymer business** revenue grew 16% YoY to INR127.5b (vs. est. INR122.2b) and EBITDA margin improved 220bp YoY to 8.8% (vs. est. 7.8%). Revenue growth of organic business was muted for the quarter due to the model mix not going as planned by OEMs.
- Vision system revenue** grew 6% YoY to INR48.1b (vs. est. INR49.9b) and EBITDA margin contracted 30bp YoY to 9.7% (vs. est. 10.7%). Revenue growth of organic business was muted for the quarter due to the loss of production caused by the UAW strike.
- Emerging business** grew 20% YoY to ~INR19.6b (vs. est. INR21.7b) and EBITDA margin expanded 140bp YoY to 12.8% (vs. est. 12%). Integrated assemblies reported revenue of INR26.2b (vs. est. INR22.45b) and EBITDA margin of 12.3% (vs. est. 10.8%).
- Net debt (excluding lease liabilities) declined QoQ** to INR125.5b from INR134.2b in 3QFY24.

Highlights from the management commentary

- 3QFY24 performance-** Global automotive PV volumes remained positive overall. Production grew YoY across geographies.
- Contribution from acquisitions:** 3QFY24 revenues/EBITDA of INR257b/INR23.7b included INR39.9b/INR4.1b of revenues/EBITDA from acquired assets (vs. INR18.25b/INR1.8b in 2QFY24).
- Recent acquisitions of Yachio/Cirma/ADI group/Lumen** are expected to yield EUR1.2-1.3b in revenues in FY25. Depreciation costs are also expected to remain high for the next 3-4 years due to the acquisitions.

Bloomberg	MOTHERSO IN
Equity Shares (m)	6776
M.Cap.(INRb)/(USD\$b)	775.2 / 9.3
52-Week Range (INR)	123 / 62
1, 6, 12 Rel. Per (%)	8/6/22
12M Avg Val (INR M)	1365

MOTHERSO: Financials & Valuations

Y?E March	2023	2024E	2025E
Sales	787	979	1,065
EBITDA	62.1	87.6	98.0
Adj. PAT	15.7	24.0	33.6
EPS (Rs)	2.3	3.5	5.0
EPS Growth (%)	90.0	53.4	39.9
BV/Share (Rs)	33.1	35.7	39.2
Ratios			
Net D:E	0.3	0.5	0.3
RoE (%)	7.3	10.3	13.2
RoCE (%)	6.7	9.4	10.0
Payout (%)	29.5	30.0	30.0
Valuations			
P/E (x)	45.8	29.9	21.3
P/BV (x)	3.2	3.0	2.7
Div. Yield (%)	0.6	0.9	1.4
FCF Yield (%)	3.4	0.1	11.9

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	64.8	64.8	68.2
DII	15.4	15.0	12.0
FII	10.8	11.4	8.2
Others	9.1	9.2	11.6

FII Includes depository receipts

Amber Shukla - Research analyst (Amber.Shukla@MotilalOswal.com)

Aniket Desai - Research analyst (Aniket.Desai@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

The stock trades at reasonable valuations of 29.9x/21.3x FY24E/FY25E consolidated EPS. Our positive view on MOTHERSO remains intact based on an industry recovery, execution of a strong order book for SMRPBV, receding cost inflation, and capacities in place for growth. **We reiterate our BUY rating with a TP of INR130, based on Mar'26E SOTP and INR8/share for recent acquisitions.**

Quarterly performance (Consol.) (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Net Sales	176,545	182,608	202,672	224,769	224,622	234,738	256,976	262,735	787,007	979,070	253,565
YoY Change (%)	7.6	26.7	23.3	31.0	27.2	28.5	26.8	16.9	22.2	24.4	25.1
EBITDA	11,166	14,031	16,163	20,205	19,246	18,888	23,696	25,786	62,077	87,616	23,531
Margins (%)	6.3	7.7	8.0	9.0	8.6	8.0	9.2	9.8	7.9	8.9	9.3
Depreciation	7,324	7,487	8,150	8,397	8,389	8,674	10,164	9,632	31,358	36,858	8,850
Interest	1,694	1,837	1,494	2,784	2,526	4,879	6,203	5,991	7,809	19,599	3,250
Other income	581	940	811	751	529	1,654	547	1,070	2,570	3,800	1,000
PBT after EO Expense	2,729	4,663	7,320	9,773	8,860	4,495	7,868	11,233	24,485	32,456	12,431
Tax Rate (%)	34.0	30.3	29.6	26.0	29.5	32.8	27.6	29.5	28.9	29.7	30.0
Min. Int & Share of profit	389	485	609	695	241	188	272	-142	2,178	559	106
Reported PAT	1,412	2,464	4,539	6,540	6,009	2,015	5,420	8,067	14,956	21,511	8,595
Adj PAT	1,412	3,153	4,546	6,540	6,009	4,509	5,420	8,067	15,652	24,005	8,595
YoY Change (%)	-55.1	123.6	100.3	362.1	325.5	43.0	19.2	23.3	90.0	53.4	89.1

E: MOFSL Estimates

Key Performance Indicators

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q
Business Wise Revenues											
Wiring harness	61,160	63,830	65,301	74,722	76,330	77,630	79,330	75,583	265,013	308,873	77,363
Modules & Polymer products	94,270	97,580	109,565	121,145	119,780	114,770	127,530	123,881	422,557	485,961	122,183
Vision systems	34,880	39,400	45,465	45,954	46,150	46,890	48,070	54,147	1,65,688	1,95,257	49,887
Integrated assemblies						16,190	26,230	26,820		69,240	22,453
Emerging businesses	16,190	17,550	16,281	18,243	18,120	20,220	19,580	23,763	68,269	81,683	21,737
Less: Inter-segment	5,410	5,420	6,552	6,657	6,980	7,930	7,940	9,303	24,017	32,153	8,326
Less: Revenues of Associates/JVs	24,550	29,920	27,387	28,638	28,780	33,030	35,820	32,166	1,10,503	1,29,796	31,731
Net Revenues	176,540	183,020	202,672	224,769	224,620	234,740	256,980	262,724	787,007	979,064	253,565
Business Wise PBITDA Margins (%)											
Wiring harness	7.9	8.2	8.6	9.6	10.2	10.6	10.7	9.6	8.6	10.3	10.5
Modules & Polymer products	5.1	6.7	6.6	7.2	7.5	7.1	8.8	7.3	6.4	7.7	7.8
Vision systems	8.4	9.1	10.0	13.2	9.4	9.2	9.7	11.1	10.3	9.9	10.7
Integrated assemblies						10.2	12.3	11.3		11.4	10.8
Emerging businesses	10.9	10.0	11.4	12.9	11.3	12.4	12.8	11.5	11.3	12.0	12.0
Consol EBITDA Margins (%)	6.5	8.2	8.3	9.2	8.6	8.5	9.3	10.1	8.1	9.2	9.5

Note: Segmental EBITD margins include part of other income; E: MOFSL Estimates

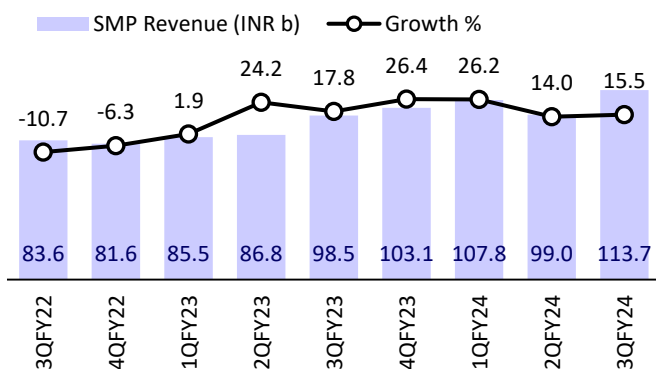


Highlights from the management commentary

- **3QFY24 performance**- Global automotive PV volumes remained positive overall. Production grew YoY across geographies.
- **Contribution from acquisitions:** 3QFY24 revenues/EBITDA of INR257b/INR23.7b included INR39.9b/INR4.1b of revenues/EBITDA from acquired assets (vs. INR18.25b/INR1.8b in 2QFY24).
- **Outlook:** Truck demand is softening in EU but remains strong in the US.
- **The devaluation of Argentina's currency (Argentina Peso/USD at 808 as of Dec'23 end vs. 203 as of Mar'23 end) affected the company's EBITDA/PAT.** It led to an impact of INR690m in other expenses (EBITDA margins would have been 2-3% higher) and INR1.2b loss in net monetary position (accounted in increased interest expenses) in subsidiaries. Discussions are going on with customers to address the currency devaluation situation.
- **Recent acquisitions of Yachio/Cirma/ADI group/Lumen** are expected to yield EUR1.2-1.3b in revenues in FY25. Depreciation costs are also expected to remain high for the next 3-4 years due to the acquisitions.
- **Finance costs would remain elevated** as loans with lower interest rates are getting refinanced at higher rates and the Argentina Peso devaluation led to a rise in interest costs. A EUR300m bond payout due in Jun'24 would be refinanced at a higher rate. However, the average yield on debt should decline.
- **Net debt-to-EBITDA ratio is at 1.7x** (vs. 1.9x at the end of Sep'23 vs. target of 1.6x at end of 4QFY24). Net debt declined by INR8.7b QoQ to INR12.55b despite M&A payouts of Dr. Schneider, Deltacarb, and SMAST.
- **Red Sea crisis:** The company has passed on the majority of freight costs to customers.
- Out of INR45b capex guidance for FY24, it has already spent INR33b in 9MFY24 (INR18b is growth capex, of which 50% is spent in India). To cater to the rising demand, the company is setting up 11 greenfield plants in India, which would be operational by FY25.
- **RoCE for 9MFY24 stood at 17%**, excluding the acquisitions and the greenfield plant (vs. 16% in 1HFY24 and 12% in FY23).

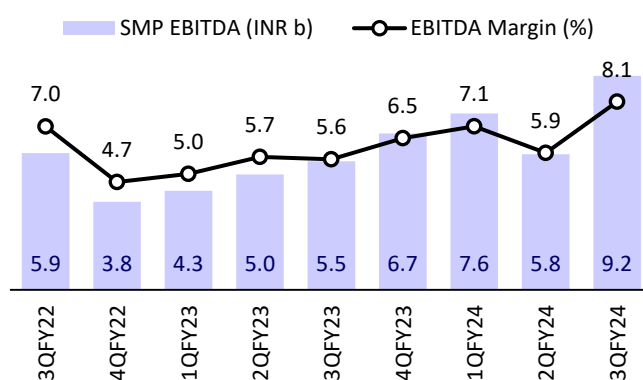
Key exhibits

Exhibit 1: Trends in SMP revenue and growth



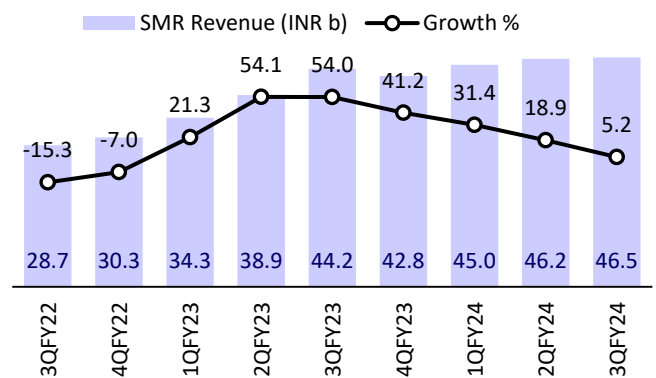
Source: Company, MOFSL

Exhibit 2: SMP EBITDA and EBITDA margin



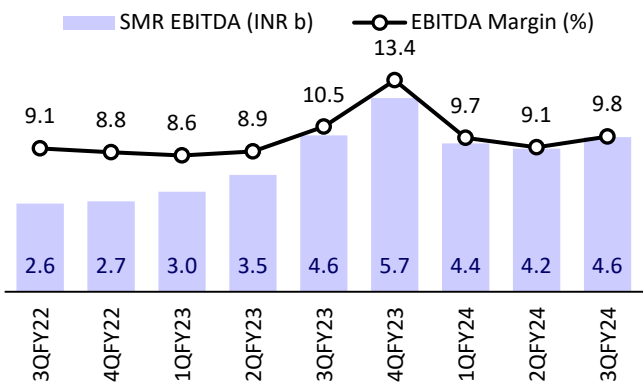
Source: Company, MOFSL

Exhibit 3: SMR revenue and growth trends



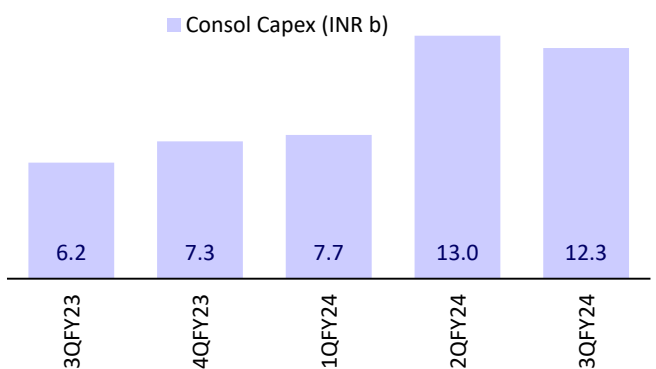
Source: Company, MOFSL

Exhibit 4: SMR EBITDA and EBITDA margin



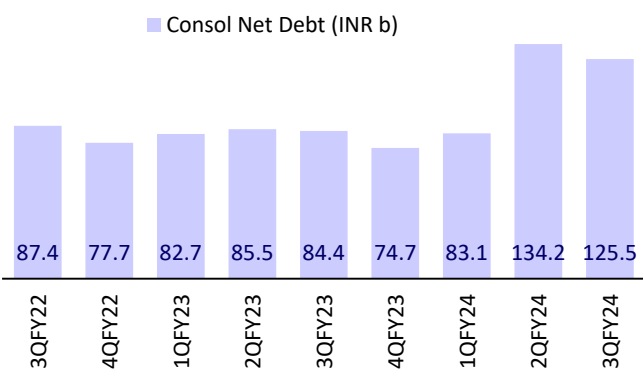
Source: Company, MOFSL

Exhibit 5: Trend in Capex (INR b)



Source: Company, MOFSL

Exhibit 6: Trend in Net Debt (excl. lease liabilities, INR b)



Source: Company, MOFSL

Valuation and view

- **On the right side of global Auto megatrends:** The global Auto industry is on the cusp of disruption, led by megatrends in the form of EVs, connect cars, self-driven cars, shared mobility, stricter emission norms, and platform and vendor consolidation. These trends have the potential to disrupt the Auto supply chain and challenge incumbents. With its diverse product base and market presence, MOTHERSO is set to leverage these trends to drive the next phase of growth.
- **Cyclical recovery in all key businesses:** All of MOTHERSO's key businesses are on the brink of a cyclical recovery, with India PVs, global PVs, and the US/EU CVs well placed for a revival. The company enjoys strong positioning in its respective product categories (either rank one or two), and hence will benefit from this cyclical recovery. It will drive operating leverage, mainly in its overseas businesses.
- **SMRPBV fully prepared for growth:** Growth in the order book lends us comfort for building in a faster recovery for SMRPBV. As of Sep'23, its net order book for automotive stood at USD77.3b (with 22% of orders accruing from BEVs). SMP offers revenue visibility, with orders on hand and ready capacity to execute those orders. We expect a ~7% revenue CAGR to EUR5.5b for SMP over FY23-26E, and EBITDA margin to expand by 2.7pp to ~8.5% by FY26E, driven by improving efficiency of new plants, cost absorption, and operating leverage. SMR remains the numero uno manufacturer of PV mirrors globally and has gained share across markets through continuous innovations. We expect revenue for SMR to grow at an 8% CAGR over FY23-26EE and EBITDA margin to see slight increase by 50bps to 11% by FY26E, led by absorption of cost inflation and operating leverage.
- **MSUMI's Wiring Harness business** is likely to grow faster than the PV industry, led by an increase in content (due to ongoing premiumization and electrification). It is estimated to clock a 15% CAGR over FY23-26. EBITDA margin is likely to expand by 250bp to 13.6% over the same period, led by the product mix and operating leverage, driving a PAT CAGR of 25%.
- **PKC – cyclical downturn ahead:** After benefitting from strong growth for Class 8 Trucks in the US, we expect a stable FY24 but expect a cyclical downturn in its biggest market (~45% of revenue) in FY25. PKC is highly focused on the world's largest Truck market (China), where it has three JVs targeting different customers. It entered the Rolling Stock business (~USD2b opportunity) in CY15. The company already has global partnerships with Bombardier since CY16, and is working with other OEMs to develop a global supply chain for electrical systems in rolling stocks. We expect flat revenue growth over FY23-26E, and expect its margin to be expand to 5.7% (vs. 4.2% in FY23), led by a ramp-up in new programs and cost absorption.
- **Valuation and view:** The next two quarters would be transitory because of the ongoing consolidation of four other businesses during 4QFY24 to 1QFY25. We reduce our FY24E/FY25E EPS estimates by 17%/4% to factor in higher depreciation/interest costs due to the recent acquisitions. The stock trades at reasonable valuations of 29.9x/21.3x FY24E/FY25E consolidated EPS. Our positive view on MOTHERSO remains intact based on an industry recovery, execution of a strong order book for SMRPBV, receding cost inflation, and

capacities in place for growth. Maintain **BUY** with a TP of INR130, based on Mar'26E SoTP and including INR8/share for the acquisitions.

Exhibit 7: Our revised estimates (consolidated)

(INR M)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	9,79,070	9,71,808	0.7	10,65,165	10,54,945	1.0
EBITDA	87,616	87,431	0.2	97,959	96,741	1.3
EBITDA (%)	8.9	9.0	0bp	9.2	9.2	0bp
Adj. PAT	24,005	29,035	-17.3	33,583	34,848	-3.6
EPS (INR)	3.5	4.3	-17.3	5.0	5.1	-3.6

Source: Company, MOFSL

Exhibit 8: SOTP-based TP of INR130 (Mar'26E)

	Target PE (x)	FY24E	FY25E	FY26E
Value (INR/sh)	@ PE (x)			
Standalone	25	26	31	35
SMRPBV	15	42	56	75
PKC	15	8	5	5
Others	20	-24	-9	-9
New businesses	15	0	2	3
MSWIL @ 20% HoldCo Discount	35	9	12	13
Value of recent acquisitions		8	8	8
Total Equity Value		69	104	130
TP (INR/Sh)		69	104	130
Dec-25 TP		130		

Financials and valuations

Consolidated - Income Statement						(INR Million)
Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	5,82,250	6,37,740	7,87,007	9,79,070	10,65,165	11,53,710
Change (%)	-4.1	9.5	23.4	24.4	8.8	8.3
EBITDA	46,880	46,994	62,077	87,616	97,959	1,13,392
Margin (%)	8.1	7.4	7.9	8.9	9.2	9.8
Depreciation	30,260	29,582	31,358	36,858	40,058	43,258
EBIT	16,620	17,412	30,719	50,758	57,900	70,133
Interest Charges		5,426	7,809	19,599	13,733	11,873
PBT bef. EO Exp.	16,620	14,562	25,480	34,959	48,168	62,261
Tax Rate (%)	33.6	43.1	30.0	32.0	30.0	30.0
Minority Interest	440	-290	2,178	559	134	-97
Reported PAT	10,590	8,304	14,956	21,511	33,583	43,680
Adjusted PAT	10,590	8,237	15,652	24,005	33,583	43,680
Change (%)	30.8	-22.2	90.0	53.4	39.9	30.1

Consolidated - Balance Sheet						(INR Million)
Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	4,518	4,518	6,776	6,776	6,776	6,776
Total Reserves	1,21,088	2,01,365	2,17,739	2,35,291	2,58,799	2,89,375
Net Worth	1,25,606	2,05,882	2,24,515	2,42,067	2,65,576	2,96,151
Minority Interest	40,233	17,763	19,254	21,654	24,254	27,054
Total Loans	1,07,580	1,27,609	1,21,657	1,91,657	1,51,657	1,45,157
Deferred Tax Liabilities	-10,224	-11,486	-13,645	-13,645	-13,645	-13,645
Capital Employed	2,63,195	3,39,768	3,51,781	4,41,733	4,27,841	4,54,717
Net Fixed Assets	1,92,782	1,75,128	1,88,750	2,04,670	2,10,111	2,09,853
Goodwill	24,718	33,743	37,726	58,036	58,036	58,036
Capital WIP	8,769	13,097	14,779	10,000	7,500	7,500
Total Investments	2,581	7,212	6,834	26,834	26,834	26,834
Curr. Assets, Loans&Adv.	1,78,716	1,94,908	2,27,640	2,57,110	2,66,463	2,95,011
Inventory	49,956	64,417	78,228	93,883	96,303	1,04,308
Account Receivables	56,931	65,731	85,135	1,07,295	1,02,139	1,10,630
Cash and Bank Balance	59,062	49,994	46,987	34,033	45,643	55,834
Loans and Advances	12,768	14,766	17,291	21,898	22,378	24,239
Curr. Liability & Prov.	2,07,430	2,11,447	2,53,091	2,64,061	2,90,247	3,11,661
Account Payables	1,11,407	1,24,775	1,41,363	1,58,326	1,77,326	1,98,605
Other Current Liabilities	89,575	81,567	1,06,258	96,955	1,03,370	1,02,712
Provisions	6,449	5,104	5,471	8,779	9,551	10,345
Net Current Assets	-28,714	-16,538	-25,451	-6,951	-23,784	-16,650
Other non-current asset	63,060	1,27,126	1,29,145	1,49,145	1,49,145	1,69,145
Appl. of Funds	2,63,195	3,39,768	3,51,781	4,41,733	4,27,841	4,54,717

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)						
EPS	1.6	1.2	2.3	3.5	5.0	6.4
BV/Share	18.5	30.4	33.1	35.7	39.2	43.7
DPS	1.0	0.4	0.7	1.0	1.5	1.9
Payout (%)	64.0	35.4	29.5	30.0	30.0	30.0
Valuation (x)						
P/E	67.7	87.0	45.8	29.9	21.3	16.4
P/BV	5.7	3.5	3.2	3.0	2.7	2.4
EV/Sales	0.9	0.8	1.0	0.9	0.7	0.7
EV/EBITDA	10.4	11.5	12.1	9.4	7.9	6.7
Dividend Yield (%)	0.9	0.4	0.6	0.9	1.4	1.8
FCF per share (Eco. Int. basis)	4.6	0.0	3.6	0.1	12.5	11.1
Return Ratios (%)						
RoE	8.9	5.0	7.3	10.3	13.2	15.6
RoCE (post-tax)	4.2	3.8	6.7	9.4	10.0	11.8
RoIC	5.6	4.3	7.8	10.6	11.3	13.8
Working Capital Ratios						
Fixed Asset Turnover (x)	2.4	2.4	2.5	2.8	2.8	2.9
Asset Turnover (x)	2.2	1.9	2.2	2.2	2.5	2.5
Inventory (Days)	31	37	36	35	33	33
Debtor (Days)	36	38	39	40	35	35
Creditor (Days)	70	71	66	59	61	63
Leverage Ratio (x)						
Current Ratio	0.9	0.9	0.9	1.0	0.9	0.9
Interest Cover Ratio	NA	3.2	3.9	2.6	4.2	5.9
Net Debt/Equity	0.4	0.3	0.3	0.5	0.3	0.2

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	16,129	19,088	24,048	32,456	48,168	62,261
Depreciation	29,764	29,964	31,358	36,858	40,058	43,258
Interest & Finance Charges	4,544	4,346	7,809	19,599	13,733	11,873
Direct Taxes Paid	-5,600	-8,324	-8,535	-10,386	-14,450	-18,678
(Inc)/Dec in WC	6,432	-20,797	-6,846	-31,454	28,443	3,058
Others	-757	351	-1,405	1,841	2,466	2,897
CF from Operating incl EO	50,512	24,627	46,431	48,915	1,18,417	1,04,668
(Inc)/Dec in FA	-19,325	-24,363	-21,829	-48,000	-33,455	-29,390
Free Cash Flow	31,187	264	24,602	915	84,961	75,279
(Pur)/Sale of Investments	-45	-123	-279	-20,000	0	0
Others	436	1,367	-340	0	0	0
CF from Investments	-18,934	-23,119	-22,448	-68,000	-33,455	-29,390
Issue of Shares	0	0	-1,453	0	0	0
Inc/(Dec) in Debt	-11,324	2,456	-10,562	70,000	-40,000	-6,500
Interest Paid	-4,141	-5,528	-8,083	-19,599	-13,733	-11,873
Dividend Paid	-1,576	-6,457	-3,308	-6,453	-10,075	-13,104
Others	-3,859	-2,570	-3,936	0	0	0
CF from Fin. Activity	-20,900	-12,099	-27,342	43,948	-63,808	-31,476
Inc/Dec of Cash	10,678	-10,591	-3,359	24,862	21,154	43,802
Opening Balance	48,688	59,367	48,775	45,416	70,279	91,432
Closing Balance	59,367	48,775	45,416	70,279	91,432	1,35,235

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BUY	>=15%
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UNDER REVIEW	Rating may undergo a change
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