

Centralised focus post restructuring to steer path...

About the stock: Motherson Sumi (MSSL) (now Samvardhana Motherson International Ltd i.e. SAMIL) primarily serves the global PV industry with wiring harnesses, vision systems (mirrors) & plastic body parts as key product lines.

- History of successful turnarounds in acquisitions and inorganic-led growth
- SMRPBV order book was at ₹16.1 billion as of FY22

Q4FY22 Results: The company posted a steady performance in Q4FY22.

- Consolidated net sales (excluding DWH) were at ₹ 17,184 crore, up 7% QoQ
- EBITDA margins remained were up 35 bps QoQ at 7.1%
- Consequent consolidated PAT was at ₹ 130 crore, down 42% QoQ

What should investors do? MSSL's stock price has been under pressure in the recent past amid concerns over demand, supply disruptions at its overseas markets.

- We maintain **HOLD** rating on the stock amid volatile demand prospects as well as pressure on margins amid elevated costs (RM, energy, labour)

Target Price and Valuation: Introducing FY24, we now value the entity post-merger of erstwhile SAMIL into MSSL and demerger of DWH into separate entity at ₹ 140/share i.e. 25x P/E on FY24E EPS of ₹ 5.7 (earlier TP at ₹ 185).

Key triggers for future price performance:

- Backed by a revival of worldwide OEM client volumes, steady order-book and EV neutral product profile, we expect 5% net sales CAGR over FY22-24E. FY22 numbers are skewed as it includes 9MFY22 numbers of DWH
- Healthy share of EVs in order book (~27% in SMRBV order-book)
- Simplified organisational structure with higher capacity utilisation, operating leverage, revival in foreign operations, margins are seen at 9% in FY24E. Hence, RoCE is seen entering the double digit lane, going forward

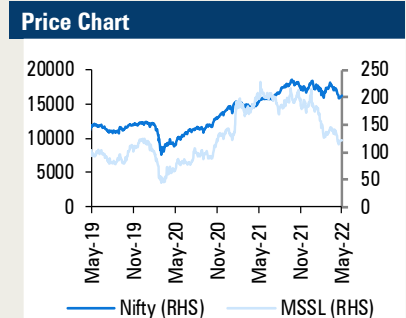
Alternate Stock Idea: Besides MSSL, in our ancillary coverage we like Apollo Tyres.

- India CV revival beneficiary focused on debt reduction, higher return ratios
- BUY with a target price of ₹ 250



Particulars	
Particular	₹ crore
Market Capitalization	56,470
Total Debt (FY22P)	12,761
Cash & Invsts (FY22P)	4,999
EV (₹ Crore)	64,232
52 week H/L (₹)	218 / 113
Equity capital	₹ 451.8 Crore
Face value	₹ 1

Shareholding pattern				
	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	61.7	61.7	61.7	68.2
FII	16.9	16.4	16.4	9.8
DII	13.0	13.6	13.9	10.5
Other	8.4	8.2	8.0	11.5



Recent event & key risks

- Posted steady Q4FY22 results
- Key Risk:** (i) Higher than expected operating leverage benefits over FY22-24E, (ii) slower than anticipated sales recovery in overseas markets

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Raghendra Goyal
raghendra.goyal@icicisecurities.com

Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22P	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	63,522.9	63,536.9	61,462.9	67,509.7	9.7%	70,201.2	74,447.5	5.0%
EBITDA	5,348.4	5,201.4	4,840.2	4,960.7	3.0%	5,296.5	6,733.0	16.5%
EBITDA Margins (%)	8.4	8.2	7.9	7.3		7.5	9.0	
Net Profit	1,613.2	1,170.1	1,039.9	873.3	-10.9%	1,506.3	2,579.5	71.9%
EPS (₹)	5.1	3.7	3.3	1.9		3.3	5.7	
P/E	24.5	33.7	38.0	64.7		37.5	21.9	
RoNW (%)	14.7	10.4	8.8	4.4		7.0	11.1	
RoCE (%)	12.4	9.0	6.7	5.4		6.6	10.6	

Source: Company, ICICI Direct Research; Pl note FY22 figures contains figures of DWH business for 9MFY22 and are not comparable on YoY basis

Key takeaways of recent quarter & presentation highlights...

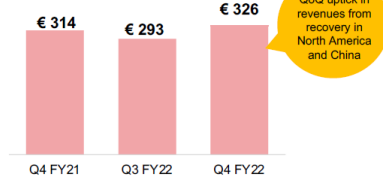
Q4FY22 Results:

- Consolidated revenues (excluding DWH) for the quarter were at ₹ 17,184 crore, up 7% QoQ
- EBITDA, on a consolidated basis, was at ₹ 1,211 crore with associated EBITDA margins at 7.1%, up 35 bps QoQ
- Standalone business (excluding DWH) grew 23% QoQ to ₹ 1,630 crore with consequent EBITDA margins at 13.2%, up 320 bps QoQ (includes service fee from DWH operations for 9MFY22)
- The performance of overseas subsidiaries was, however, muted on the margins front. SMR reported revenues of € 359 million, up 7% QoQ while SMP reported revenues of € 967 million, flat QoQ. EBITDA margins in SMR & SMP were at 8.8% (down 30 bps QoQ) & 4.7% (down 230 bps QoQ) respectively. The operations at SMP & SMR were impacted on account of higher RM, energy costs as well as higher labour costs
- Consolidated PAT (excluding DWH) were at ₹ 130 crore, down 42% QoQ, impacted by exceptional costs item as well as higher effective tax rate

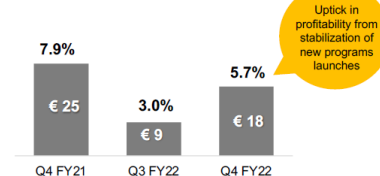
Exhibit 1: PKC operational performance snapshot

PKC (In Euro Terms) : Q4FY21 vs Q3FY22 vs Q4FY22.

Revenues.

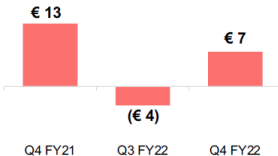


EBITDA.

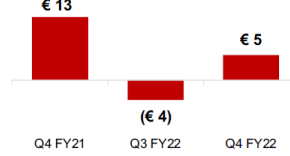


PBT.

(before exceptional items and share of associates)



PAT (Concern Share).

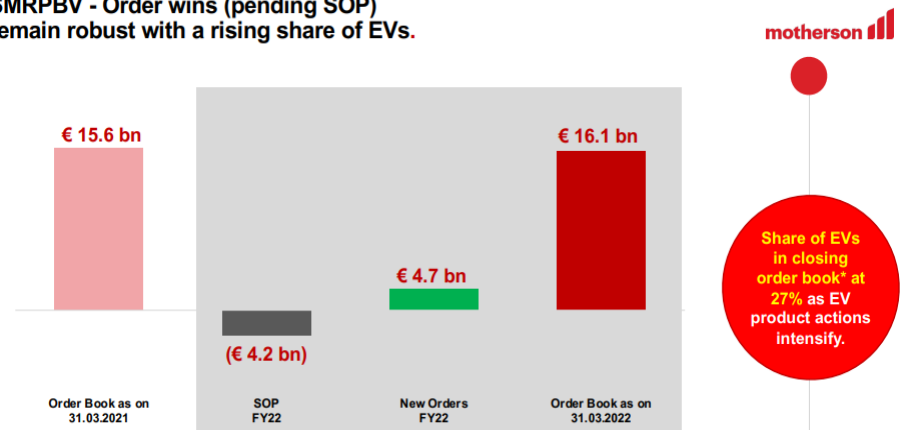


Source: Company, ICICI Direct Research

PKC supported consolidated rise in margin on QoQ basis. Improved performance at PKC was the key silver lining at its overseas operations

Exhibit 2: Order book trajectory at SMPBV

SMRPBV - Order wins (pending SOP) remain robust with a rising share of EVs.



* Order book is lifetime sales of awarded programs which are yet to start production. Revenues are a function of execution of order book and net increase/decrease of ongoing programs.

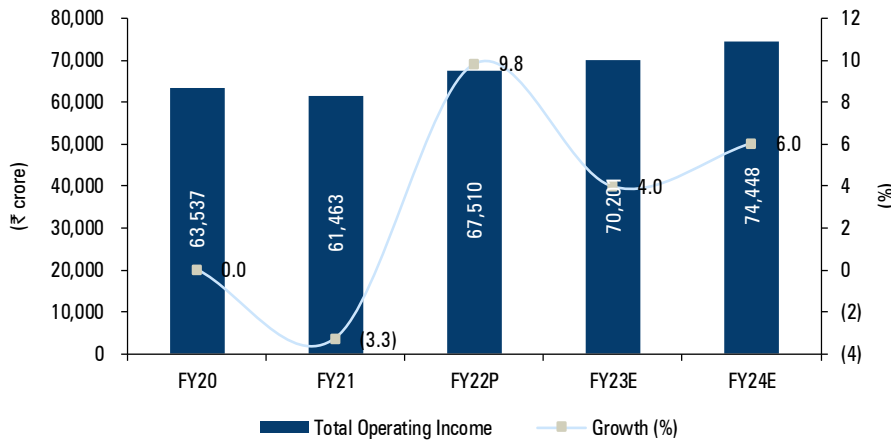
Note:
1. Order book includes JVs which are unconsolidated.
2. EV order book includes only pure EV programs and not electric versions of multi powertrain vehicles

Source: Company, ICICI Direct Research

Share of revenues from only EV programmes increased from ~3.5% in 9MFY22 to >4% in FY22 with SMRPBV order-book comprising ~27% supplies to EV models

Financial story in charts

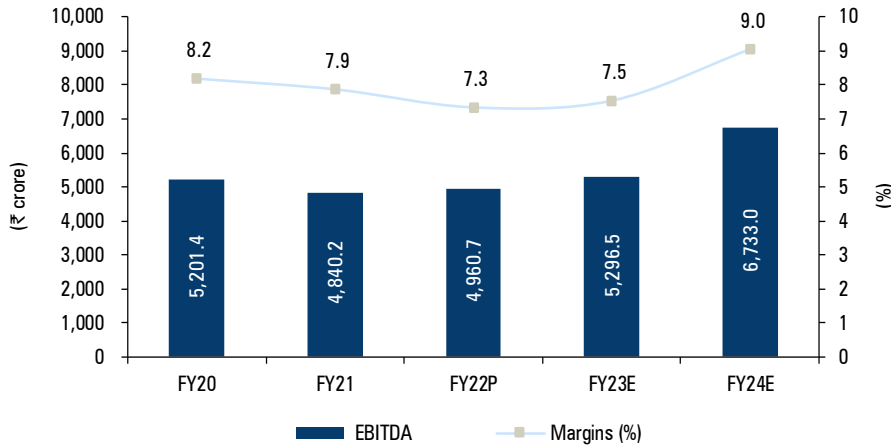
Exhibit 3: Topline trend



We expect sales to grow at 5% CAGR in FY22-24E to ₹ 74,448 crore

Source: Company, ICICI Direct Research; PI note FY22 figures contains figures of DWH business for 9MFY22 and are not comparable on YoY basis.

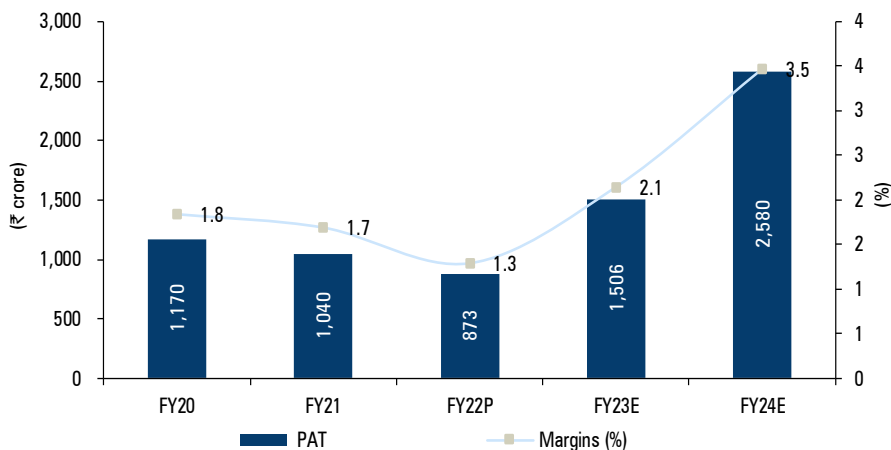
Exhibit 4: EBITDA and EBITDA margin trend



We build in 7.5% & 9% as EBITDA margins in FY23E and FY24E, respectively

Source: Company, ICICI Direct Research; PI note FY22 figures contains figures of DWH business for 9MFY22 and are not comparable on YoY basis.

Exhibit 5: Profitability trend



PAT is expected to grow to ₹ 2,580 crore by FY24E

Source: Company, ICICI Direct Research; PI note FY22 figures contains figures of DWH business for 9MFY22 and are not comparable on YoY basis.

Financial Summary

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
Total operating Income	61,462.9	67,509.7	70,201.2	74,447.5
Growth (%)	-3.3	9.8	4.0	6.0
Raw Material Expenses	34,769.2	39,132.9	41,375.9	43,792.7
Employee Expenses	14,891.4	15,967.6	16,205.6	16,787.2
Other expenses	6,962.0	7,448.5	7,323.1	7,134.6
Total Operating Expenditure	56,622.6	62,549.1	64,904.6	67,714.5
EBITDA	4,840.2	4,960.7	5,296.5	6,733.0
Growth (%)	-6.9	2.5	6.8	27.1
Depreciation	2,986.5	3,029.3	3,088.9	3,238.5
Interest	519.0	542.6	563.0	425.5
Other Income	254.3	526.6	303.7	314.1
PBT	1,589.0	1,915.4	1,948.4	3,383.1
Total Tax	41.4	702.2	491.0	852.5
Minority Interest	530.3	307.7	20.0	24.0
Profit from Associates	84.8	16.0	69.0	18.2
Reported PAT	1,039.9	873.3	1,506.3	2,579.5
Growth (%)	-11.1	-16.0	72.5	71.2
EPS (₹)	3.3	1.9	3.3	5.7

Source: Company, ICICI Direct Research*

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
Profit after Tax	1,039.9	873.3	1,506.3	2,579.5
Add: Depreciation	2,986.5	3,029.3	3,088.9	3,238.5
(Inc)/dec in Current Assets	-1,628.2	-1,454.5	819.6	-1,103.9
Inc/(dec) in CL and Provisions	1,873.4	89.9	433.7	1,116.5
CF from operating activities	4,271.6	2,538.0	5,848.5	5,830.7
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-2,550.3	-3,776.3	-2,200.0	-2,200.0
Others	153.2	-8,920.6	-66.3	-54.4
CF from investing activities	(2,397.1)	(12,696.9)	(2,266.3)	(2,254.4)
Issue/(Buy back) of Equity	0.0	136.0	0.0	0.0
Inc/(dec) in loan funds	-1,106.9	2,097.7	-3,000.0	-2,500.0
Dividend paid & dividend tax	-473.7	-293.6	-519.5	-903.5
Inc/(dec) in Sec. premium	733.4	7,312.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
CF from financing activities	(847.2)	9,252.0	(3,519.5)	(3,403.5)
Net Cash flow	1,027.3	-906.9	62.7	172.8
Opening Cash	4,878.9	5,906.2	4,999.3	5,062.0
Closing Cash	5,906.2	4,999.3	5,062.0	5,234.8

Source: Company, ICICI Direct Research*

Exhibit 8: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
Liabilities				
Equity Capital	315.8	451.8	451.8	451.8
Reserve and Surplus	12,244.8	20,136.4	21,123.2	22,799.3
Total Shareholders funds	12,560.6	20,588.2	21,575.0	23,251.0
Total Debt	10,663.2	12,760.9	9,760.9	7,260.9
Deferred Tax Liability	336.3	544.5	566.2	600.5
Minority Interest / Others	4,023.3	1,776.3	1,796.3	1,820.3
Total Liabilities	30,149.7	38,244.8	36,376.0	35,772.2
Assets				
Gross Block	27,401.6	30,745.1	33,504.8	35,954.8
Less: Acc Depreciation	11,589.5	14,618.8	17,707.6	20,946.1
Net Block	15,812.1	16,126.3	15,797.2	15,008.7
Capital WIP	876.9	1,309.7	750.0	500.0
Total Fixed Assets	16,689.0	17,436.0	16,547.2	15,508.7
Investments	2,813.3	8,615.3	8,715.3	8,815.3
Goodwill	2471.8	3374.3	3374.3	3374.3
Inventory	4,995.6	6,441.7	5,770.0	6,119.0
Debtors	7,187.6	8,024.7	7,693.3	8,158.6
Loans and Advances	27.2	28.9	30.1	31.9
Other Current Assets	5,404.1	4,573.8	4,756.2	5,043.8
Cash	5,906.2	4,999.3	5,062.0	5,234.8
Total Current Assets	23,520.7	24,068.4	23,311.5	24,588.1
Creditors	11,140.7	11,360.3	11,539.9	12,237.9
Provisions	496.8	481.5	489.1	518.7
Other current liabilities	6298	6183	6430	6819
Total Current Liabilities	17,935.3	18,025.2	18,458.9	19,575.5
Net Current Assets	5,585.4	6,043.2	4,852.5	5,012.6
Other non-current Asset	1567.9	1399.3	1455.1	1543.1
Deferred Tax Asset	1,022.4	1,376.7	1,431.6	1,518.2
Application of Funds	30,149.7	38,244.8	36,376.0	35,772.2

Source: Company, ICICI Direct Research*

Exhibit 9: Key ratios				
(Year-end March)	FY21	FY22P	FY23E	FY24E
Per share data (₹)				
EPS	3.3	1.9	3.3	5.7
Cash EPS	12.8	8.6	10.2	12.9
BV	39.8	45.6	47.8	51.5
DPS	1.5	0.7	1.2	2.0
Cash Per Share	18.7	11.1	11.2	11.6
Operating Ratios				
EBITDA Margin (%)	7.9	7.3	7.5	9.0
PBIT / Net sales (%)	3.0	2.9	3.1	4.7
PAT Margin (%)	1.7	1.3	2.1	3.5
Inventory days	29.7	34.8	30.0	30.0
Debtor days	42.7	43.4	40.0	40.0
Creditor days	66.2	61.4	60.0	60.0
Return Ratios (%)				
RoE	8.8	4.4	7.0	11.1
RoCE	6.7	5.4	6.6	10.6
RoIC	8.9	6.6	7.9	12.8
Valuation Ratios (x)				
P/E	35.9	62.5	37.5	21.9
EV / EBITDA	12.6	12.9	11.5	8.7
EV / Net Sales	1.0	1.0	0.9	0.8
Market Cap / Sales	0.9	0.8	0.8	0.8
Price to Book Value	3.1	2.7	2.6	2.4
Solvency Ratios				
Debt/EBITDA	2.2	2.6	1.8	1.1
Debt / Equity	0.8	0.6	0.5	0.3
Current Ratio	1.0	1.1	1.0	1.0
Quick Ratio	0.7	0.7	0.7	0.7

Source: Company, ICICI Direct Research*

*Pl note FY22 figures contain figures of DWH business for 9MFY22 and are not comparable on YoY basis

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), and Raghvendra Goyal, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in a jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.