

CMP: ₹ 110

Target: ₹ NA (NA)

Target Period: 12 months

September 29, 2022

DROPPING COVERAGE

Macro uncertainty prevails, better switch to MSWIL...

About the stock: Samvardhana Motherson International (SAMIL) (erstwhile Motherson Sumi) primarily serves the global PV industry with wiring harnesses, vision systems (mirrors) and 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

Key highlight:

- SAMIL, in the recent past, informed exchanges about its mirror business under SMR entering into a share purchase agreement with Ichikoh Industries, Japan for acquiring its mirror business involving three plants in Japan and China largely serving Japanese OEMs
- It is being acquired at an EV of ~₹ 300 crore for a business realising ~₹ 900 crore sales and ~₹ 75 crore EBITDA i.e. at a valuation of ~4x EV/EBITDA and ~0.3x P/S. We believe the acquisition has been executed at a healthy valuation and should be accretive for SAMIL. However, the size of the acquisition is small within the broader scheme of things at Motherson

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

- Given the macro uncertainty in global markets vis-à-vis a more stable demand environment domestically, we are dropping coverage on SAMIL (which is a play on a recovery in global automobile space) and would advise investors to switch their holding to Motherson Sumi Wiring India (MSWIL)
- MSWIL is a leading, full-system wiring harness solutions provider in India catering to all major OEMs. It is indeed a good proxy to the domestic automobile space with superlative return ratio profile (RoCE ~50%) and structural levels for long term secular growth rate given the content/vehicle increase due to rise in electronic content in vehicles as well as electrification
- Key saviour for SAMIL in these turbulent times is its largely powertrain agnostic product profile (wiring harness, mirrors, plastic body parts, etc), which is largely immune to EV risk and outsized operating leverage gains as and when its overseas greenfield plants start hitting peak utilisation levels

Key triggers for future price performance:

- With a revival in OEM volumes and steady order-book, we expect 4.4% net sales CAGR over FY22-24E. Margins are seen at 8.6% in FY24E

Alternate Stock Idea: Leaving aside SAMIL, in the ancillary space we like MSWIL.

- Structural levers for long term secular growth coupled with high RoCE
- BUY with a target price of ₹ 105 i.e. 42x P/E on FY24-25E average EPS



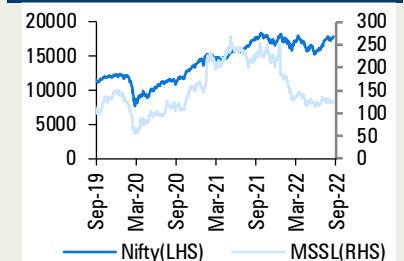
Particulars

Particular	₹ crore
Market Capitalization	49,694
Total Debt (FY22P)	12,761
Cash & Invsts (FY22P)	4,999
EV (₹ Crore)	57,455
52 week H/L (₹)	211 / 106
Equity capital	₹ 451.8 Crore
Face value	₹ 1

Shareholding pattern

	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	61.7	61.7	68.2	68.2
FII	16.4	16.4	9.8	9.5
DII	13.6	13.9	10.5	10.5
Other	8.2	8.0	11.5	11.9

Price Chart



Recent event & key risks

- Fixes October 5, 2022 as record for bonus issue (1:2)
- Key Risk:** (i) Higher than expected operating leverage benefits over FY22-24E, (ii) higher than anticipated sales recovery in the overseas markets

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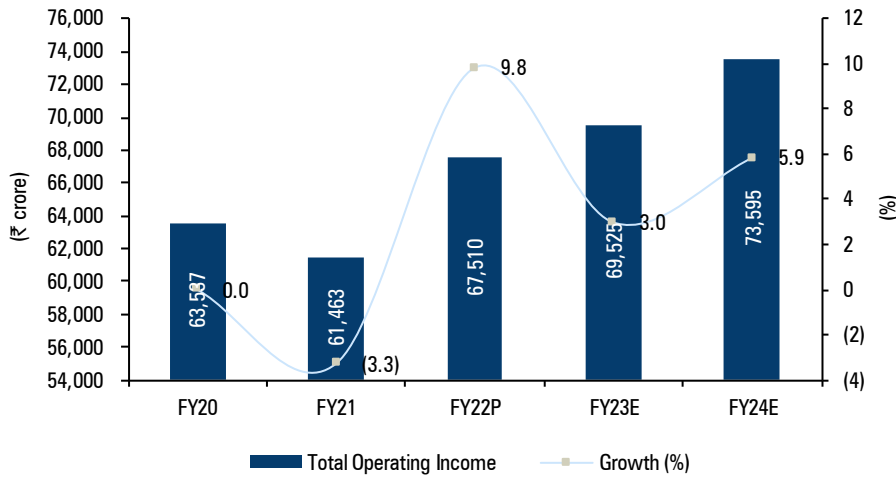
Key Financial Summary

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%	69,525.1	73,595.3	4.4%
EBITDA	5,348.4	5,201.4	4,840.2	4,960.7	3.0%	4,903.7	6,360.8	13.2%
EBITDA Margins (%)	8.4	8.2	7.9	7.3		7.1	8.6	
Net Profit	1,613.2	1,170.1	1,039.2	873.8	-10.9%	1,063.4	2,266.0	61.0%
EPS (₹)	5.1	3.7	3.3	1.9		2.4	5.0	
P/E	21.5	29.7	33.4	56.9		46.7	21.9	
RoNW (%)	14.7	10.4	8.8	4.4		5.0	9.9	
RoCE (%)	12.4	9.0	6.7	5.4		5.4	9.5	

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

Financial story in charts

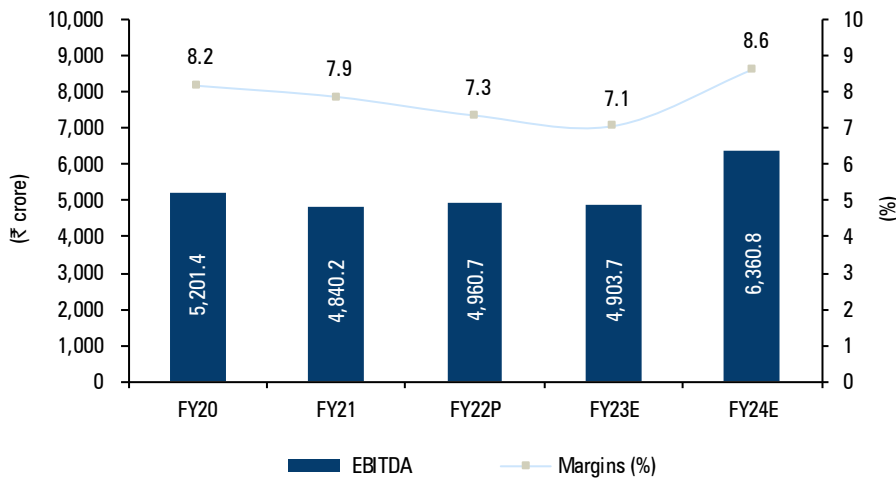
Exhibit 1: Topline trend



We expect sales to grow at 4.4% CAGR in FY22-24E to ₹ 73,595 crore

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

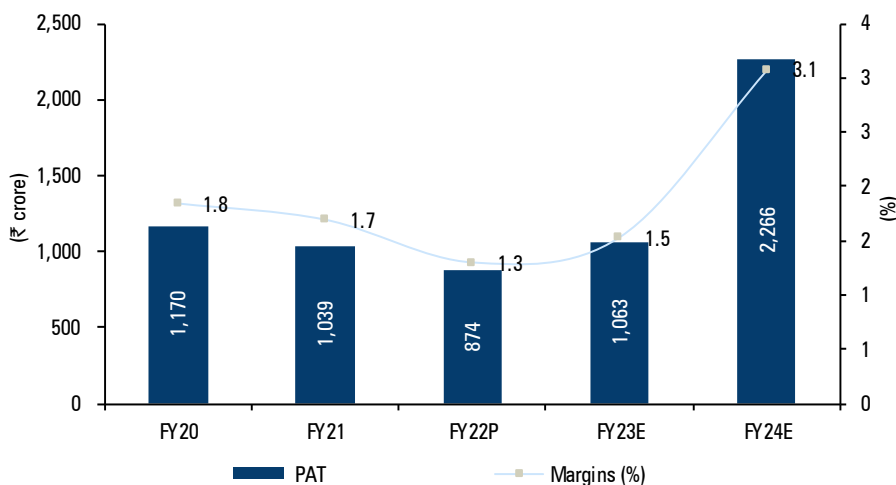
Exhibit 2: EBITDA and EBITDA margin trend



We build in 7.1% & 8.6% as EBITDA margins in FY23E and FY24E, respectively

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

Exhibit 3: Profitability trend



PAT is expected to grow to ₹ 2,266 crore by FY24E

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

Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
Total operating Income	61,462.9	67,509.7	69,525.1	73,595.3
Growth (%)	-3.3	9.8	3.0	5.9
Raw Material Expenses	34,769.2	39,132.9	40,972.0	43,249.0
Employee Expenses	14,891.4	15,967.6	16,568.2	16,939.2
Other expenses	6,962.0	7,448.5	7,081.2	7,046.3
Total Operating Expenditure	56,622.6	62,549.1	64,621.4	67,234.5
EBITDA	4,840.2	4,960.7	4,903.7	6,360.8
Growth (%)	-6.9	2.5	-1.1	29.7
Depreciation	2,986.5	3,029.3	3,059.1	3,201.4
Interest	519.0	542.6	633.1	495.6
Other Income	254.3	526.6	314.3	343.8
PBT	1,589.0	1,915.4	1,525.9	3,007.6
Total Tax	41.4	702.2	408.5	757.9
Minority Interest	530.3	307.7	175.3	200.0
Profit from Associates	84.8	16.0	121.4	54.1
Reported PAT	1,039.2	873.8	1,063.4	2,266.0
Growth (%)	-11.2	-15.9	21.7	113.1
EPS (₹)	3.3	1.9	2.4	5.0

Source: Company, ICICI Direct Research*

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
Profit after Tax	1,039.2	873.8	1,063.4	2,266.0
Add: Depreciation	2,986.5	3,029.3	3,059.1	3,201.4
(Inc)/dec in Current Assets	-1,628.2	-1,454.5	614.4	-677.1
Inc/(dec) in CL and Provisions	1,873.4	89.9	256.0	1,070.2
CF from operating activities	4,270.9	2,538.5	4,992.9	5,860.5
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-2,550.3	-3,776.3	-2,000.0	-2,200.0
Others	153.2	-8,920.5	85.6	120.7
CF from investing activities	(2,397.1)	(12,696.8)	(1,914.4)	(2,079.3)
Issue/(Buy back) of Equity	0.0	136.0	0.0	0.0
Inc/(dec) in loan funds	-1,106.9	2,097.7	-2,500.0	-2,500.0
Dividend paid & dividend tax	-473.7	-293.6	-338.8	-790.6
Inc/(dec) in Sec. premium	734.1	7,311.6	0.0	0.0
Others	0.0	0.0	0.0	0.0
CF from financing activities	(846.5)	9,251.6	(2,838.8)	(3,290.6)
Net Cash flow	1,027.3	-906.7	239.7	490.6
Opening Cash	4,878.9	5,906.2	4,999.5	5,239.1
Closing Cash	5,906.2	4,999.5	5,239.1	5,729.7

Source: Company, ICICI Direct Research*

Exhibit 6: 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	20,136.5	20,861.1	22,336.5
Total Shareholders funds	12,560.6	20,588.3	21,312.9	22,788.3
Total Debt	10,663.2	12,760.9	10,260.9	7,760.9
Deferred Tax Liability	336.3	544.5	560.8	593.6
Minority Interest / Others	4,023.3	1,776.3	1,951.6	2,151.6
Total Liabilities	30,149.7	38,244.9	36,738.0	36,101.4
Assets				
Gross Block	27,401.6	30,745.1	33,304.8	35,754.8
Less: Acc Depreciation	11,589.5	14,618.8	17,677.9	20,879.3
Net Block	15,812.1	16,126.3	15,626.9	14,875.5
Capital WIP	876.9	1,309.7	750.0	500.0
Total Fixed Assets	16,689.0	17,436.0	16,376.9	15,375.5
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	6,095.3	6,048.9
Debtors	7,187.6	8,024.7	7,619.2	8,065.2
Loans and Advances	27.2	28.9	29.8	31.5
Other Current Assets	5,404.1	4,573.8	4,710.3	4,986.1
Cash	5,906.2	4,999.5	5,239.1	5,729.7
Total Current Assets	23,520.7	24,068.5	23,693.8	24,861.5
Creditors	11,140.7	11,360.3	11,428.8	12,097.9
Provisions	496.8	481.5	484.4	512.8
Other current liabilities	6298	6183	6368	6741
Total Current Liabilities	17,935.3	18,025.2	18,281.2	19,351.4
Net Current Assets	5,585.4	6,043.3	5,412.6	5,510.1
Other non-current Asset	1567.9	1627.4	1675.9	1774.0
Deferred Tax Asset	1,022.4	1,148.6	1,182.9	1,252.1
Application of Funds	30,149.7	38,244.9	36,738.0	36,101.4

Source: Company, ICICI Direct Research*

Exhibit 7: Key ratios				
(Year-end March)	FY21	FY22P	FY23E	FY24E
Per share data (₹)				
EPS	3.3	1.9	2.4	5.0
Cash EPS	12.7	8.6	9.1	12.1
BV	39.8	45.6	47.2	50.4
DPS	1.5	0.7	0.8	1.8
Cash Per Share	18.7	11.1	11.6	12.7
Operating Ratios				
EBITDA Margin (%)	7.9	7.3	7.1	8.6
PBIT / Net sales (%)	3.0	2.9	2.7	4.3
PAT Margin (%)	1.7	1.3	1.5	3.1
Inventory days	29.7	34.8	32.0	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	5.0	9.9
RoCE	6.7	5.4	5.4	9.5
RoIC	8.9	6.6	6.6	11.7
Valuation Ratios (x)				
P/E	31.6	55.0	46.7	21.9
EV / EBITDA	11.2	11.6	11.2	8.1
EV / Net Sales	0.9	0.9	0.8	0.7
Market Cap / Sales	0.8	0.7	0.7	0.7
Price to Book Value	2.8	2.4	2.3	2.2
Solvency Ratios				
Debt/EBITDA	2.2	2.6	2.1	1.2
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*

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

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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