

1<sup>st</sup> September, 2023

Samvardhana Motherson International Ltd. – BUY

**CMP** : Rs. 97.90  
**Target Price** : Rs. 123  
**Upside** : 25 %+  
**Stop Loss** : Rs. 78.0 (Closing basis)

## Investment Thesis

- **Exciting times ahead with recent acquisition:** Samvardhana Motherson International Ltd (SAMIL) has made six strategic acquisitions since April'23, with three already finalized, with combined annual revenue of US\$1.5bn.
  - Dr. Schneider group: SAMIL has recently acquired the automotive interior business of Dr. Schneider Group, a renowned manufacturer of high-quality interior components for premium OEMs. Dr. Schneider Group had filed for insolvency, but had reported an impressive revenue of Eur 472mn in CY22. SAMIL has acquired the business for an enterprise value of Eur 118.3mn, thereby consolidating its position in the interior polymer industry.
  - Yachiyo's (4W) business: SAMIL recently made an announcement regarding its acquisition of Japan-based-auto-part maker Yachiyo's (4W) business from Honda Motors. This strategic move is aimed at tapping into the rapidly growing sunroof market. The acquisition will result in SAMIL possessing an 81% stake in Yachiyo's (4W) business, while Honda will retain a 19% stake in the company. The total value of this transaction stands at US\$158.54mn according to regulatory filing.
  - Prysm Systems: SAMIL has recently signed a deal to invest US\$14mn in Prysm Systems, a company that specializes in creating large-format touch-enabled display screens integrated with collaborative software. In the last twelve months, Prysm has achieved a turnover of US\$6.15mn, as of December 31, 2022.
- **Diversification strategy ensures revenue stability:** SAMIL has realigned its strategy to 3CX10 meaning that exposures to any country, component or customer should not be more than 10% of total revenue by 2025.
- **Unlocking growth opportunities and optimizing product mix:** For FY24, SAMIL forecasted an increase in CAPEX of up to Rs.3,300Cr. due to a surge in demand from both existing and new inorganic businesses. The company's growth and product mix will be further bolstered by clients' inclination towards premium and SUVs as opposed to hatchbacks.
- **Revolutionizing the game:** New emerging businesses like Elastomer, Lighting & Electronics and Precision Metals along with the new non-automotive verticals of Aerospace, Healthcare, Logistics solutions and Technology & Industrial Solutions and Services grew by 17% YoY in Q1FY24 and are now contributing 9% to top-line.

## Financials

- SAMIL's consolidated revenue from operations for Q1FY24 was at Rs.22,462.18Cr., up by 27.23% on a YoY basis and was flat on QoQ basis.

Particulars	FY20	FY21	FY22	FY23	FY24E
Revenue (Rs. in Crs.)	60,729	57,370	63,774	78,701	95,228
EBITDA (Rs. in Crs.)	4,654	4,359	4,699	6,208	7,618
PAT (Rs. in Crs.)	1,170	1,039	874	1,496	2,354
Adj. EPS (Rs.)	2.47	2.19	1.29	2.21	3.47
PE Multiple (x)	16.48	61.25	72.05	30.39	34.55
RoE (%)	8.41	10.43	4.93	7.76	9.49

Stock Data	
Market Cap (Rs. Crs)	66,172
Market Cap (\$ Mn)	7,999
Shares O/S (in Mn)	6,776
Avg. Volume (3 month)	1,33,67,490
52-Week Range (Rs.)	103 / 62

Shareholding Pattern	
Promoters	64.77
FII's	10.83
Institutions	15.12
Others (incl. body corporate)	9.28

Key Ratios	
Div Yield	0.7%
TTM PE	42.3x
ROE	7.20%
TTM EPS (Rs.)	2.89/-

Stock Performance			
Performance (%)	1M	6M	1Yr
ABSOLUTE	(0.4%)	18.6%	14.4%
NIFTYMIDCAP	(0.3%)	(4.4%)	(3.8%)



- In Q1FY24, SAMIL's EBITDA came in at Rs.1,924Cr., up by 72.15% YoY and moderated by 4.74% QoQ. EBITDA margin expanded by 224 bps YoY to 8.57% in Q1FY24. Adjusted PAT grew by 3.25x YoY to Rs.600.87Cr.
- Its polymer business grew by 27% YoY to Rs.11,978Cr., and EBITDA margins improved 240bps YoY / 30bps QoQ to 7.5%. The wiring harness business grew by 25% YoY to Rs.7,633Cr. and EBITDA margins improved by 230bps YoY / 60bps QoQ to 10.2%.
- On full-year basis, in FY23, SAMIL revenue from operations grew by 23.41% YoY to Rs.78,701Cr. whereas EBITDA was at Rs.6,208Cr., up by 32.10% YoY and margins were at 7.89%. PAT came in at Rs.1,496Cr., up by 71.15% with EPS pegged at Rs.2.21/share.

## Key Business Highlights

- SAMIL is a leading supplier of auto components and systems in India and globally. The company has a strong presence in the global automotive market with operations in 41 countries. SAMIL serves its customers with multiple products and services through its eleven business divisions. The three major divisions are Wiring Harness, Vision Systems & Modules and Polymer Products which contribute more than ninety percent to the total revenues.
- In FY20, SAMIL had set an ambitious revenue target of US\$36bn and aim for an ROCE of 40% to be achieved by FY25E.
- SAMIL is targeting to achieve 75% revenue from automotive industry and 25% from new divisions.
- Strong revenue visibility as company is sitting on a healthy order book of US\$70bn which will be executed over 5 Years.
- SAMIL's top clients includes Mercedes Benz (10%), Audi (9%), Volkswagen (7%), Suzuki/Maruti (6%), BMW (5%), Porsche (5%) and many more.
- Company has 300 facilities located across 41 countries and it derived 78% of revenues in FY23 from its international operations.

## Valuation

SAMIL currently trades at 42.3x / 11.3x of trailing PE / EBITDA multiple as against its 3-year median PE / EBITDA multiple of 53.0x / 11.6x. We expect SAMIL's revenue to grow by 21% in FY24E driven by the recent acquisitions. Outlook on profitability remains sanguine. Hence, we assign a **BUY** rating for **SAMIL** with a **target price of Rs. 123**, translating an **upside of 25%+**.

## Risk & Concern

- Expensive acquisition can delay its target of ROCE and reducing debt to be achieved by FY25.
- Slowdown in the global automotive market may impact future growth of SAMIL.

## Graphs & Charts

Figure 1: Net Sales Trend (Rs. in Crs)

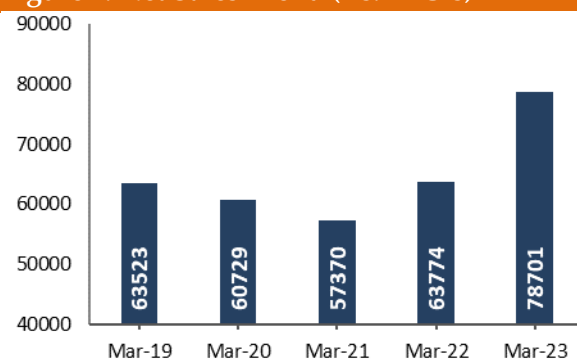


Figure 2: EBITDA & EBITDA Margin Trend

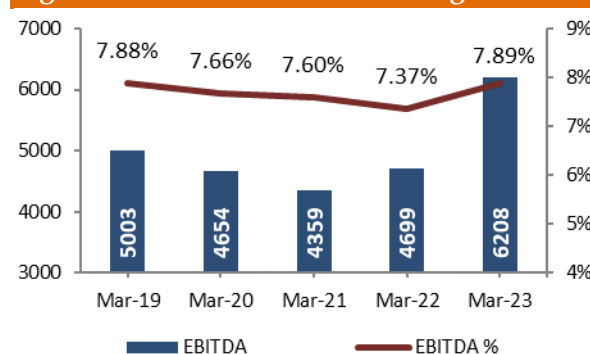


Figure 3: Geography-wise Revenue (FY23)

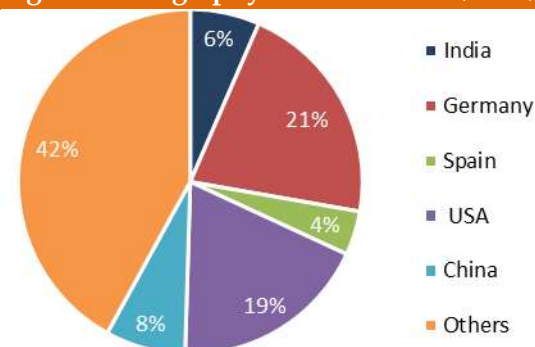
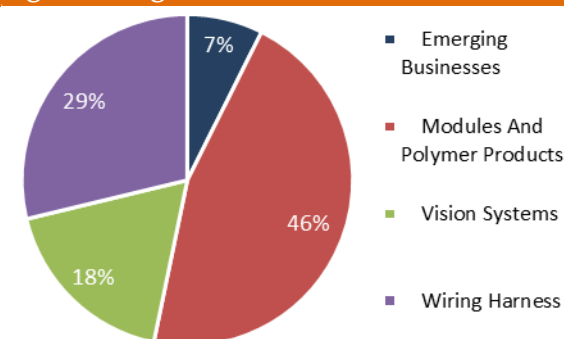


Figure 4: Segment-wise Revenue (FY23)



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