

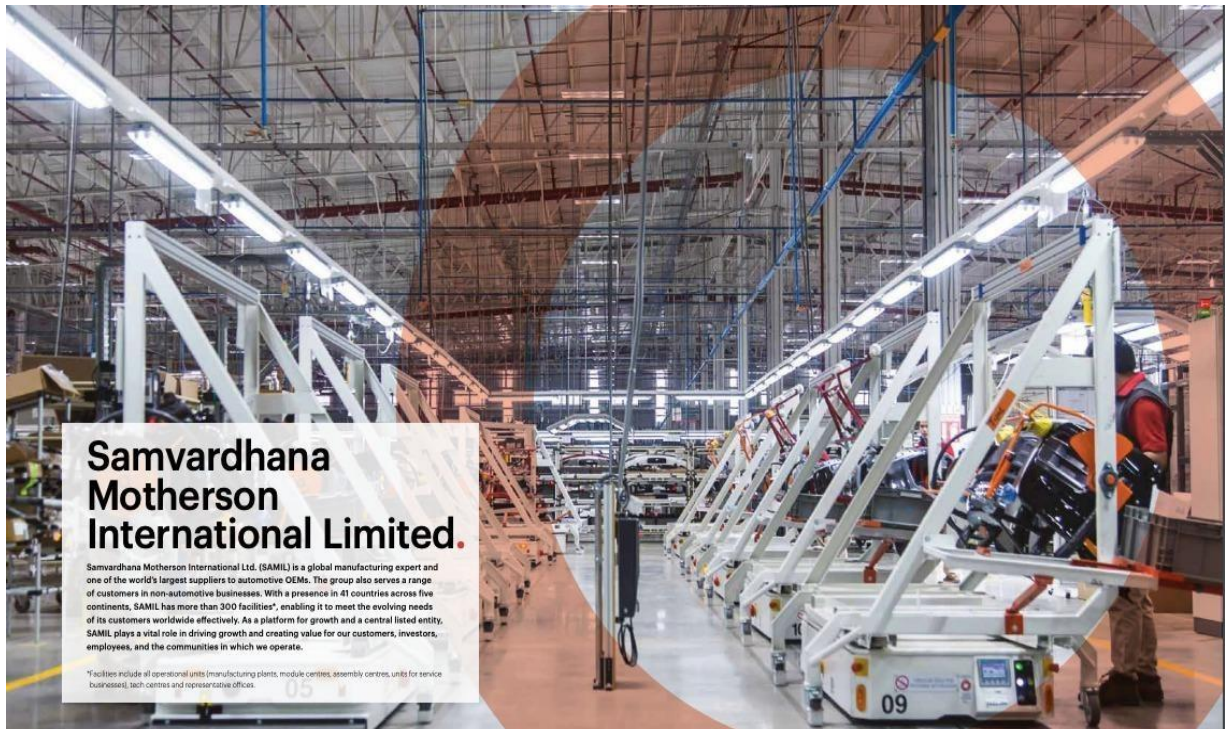


REPORT BY RIYA GAWANDE

ABOUT THE COMPANY

Samvardhana Motherson International Ltd (SAMIL), formerly known as Motherson Sumi Systems Ltd, is a prominent Indian multinational company headquartered in Noida, India. It's a major player in the automotive component manufacturing industry, supplying critical parts to car manufacturers worldwide.

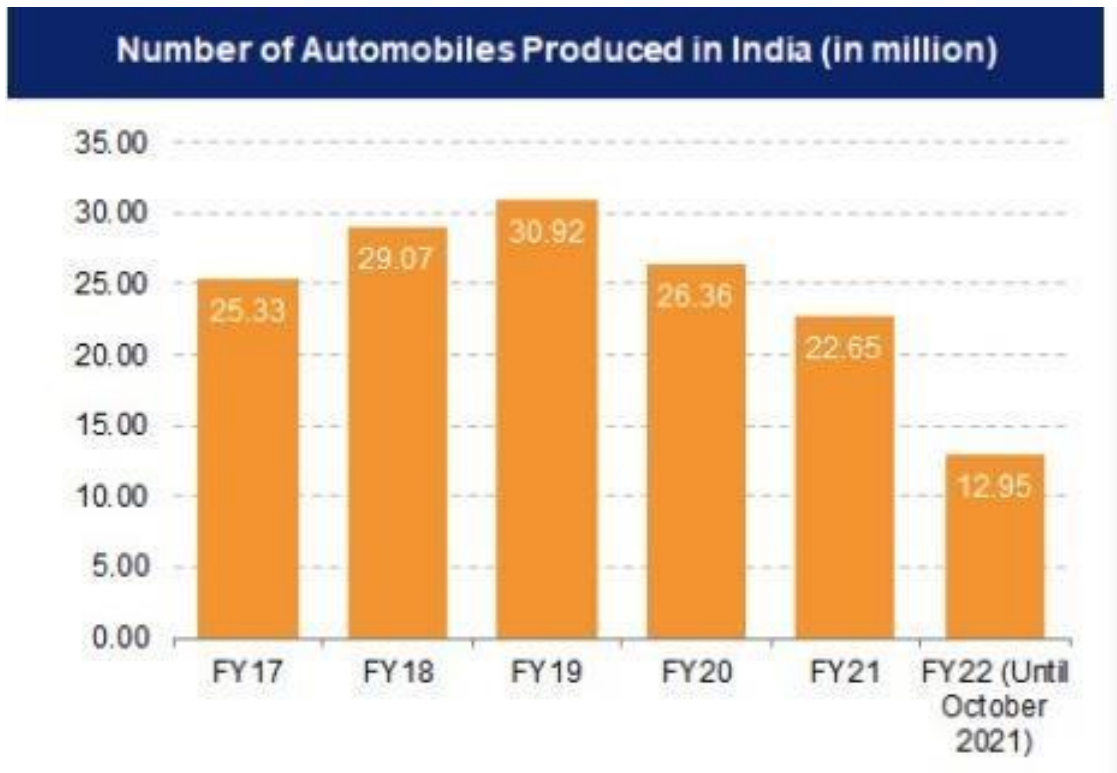
It makes wiring harness plastic components and rearview mirrors for passenger cars. The company was established in 1986 as a joint venture with the Sumitomo group of Japan



The products manufactured by Samvardhana Motherson Group comprises wiring harnesses (electrical distribution systems), rearview mirrors, moulded plastic parts including car interior and exterior parts, bumpers, dashboards and door trims, complete polymer modules, rubber components for automotive and industrial applications, high precision machined metal parts and injection moulding tool

INDUSTRY OVERVIEW:

The automobile industry is a massive global enterprise encompassing a vast network of companies involved in everything from designing and manufacturing motor vehicles to selling, repairing, and even modifying them. It's one of the world's largest industries by revenue, playing a significant role in many countries' economies.



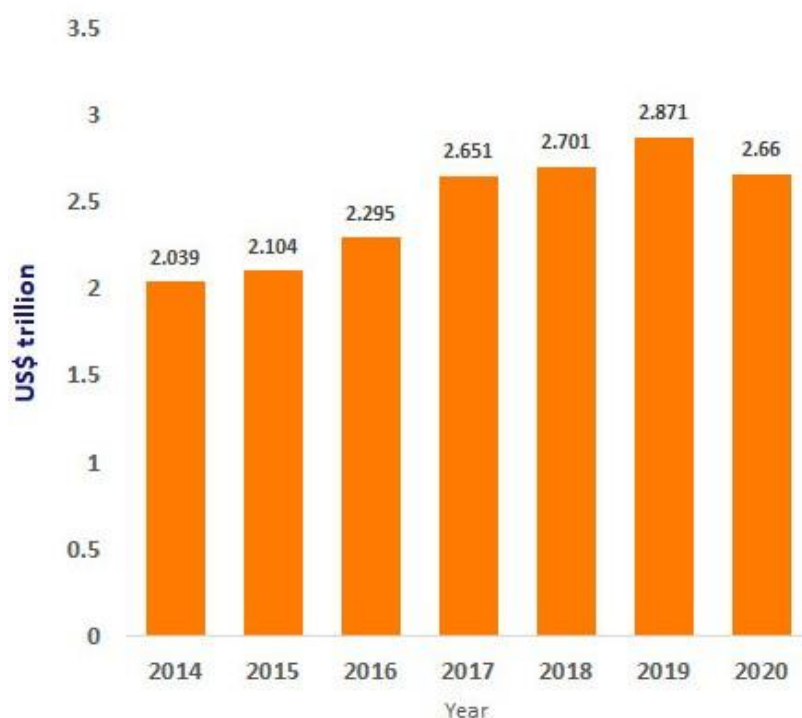
The Indian automobile industry has historically been a good indicator of how well the economy is doing, as the automobile sector plays a key role in both macroeconomic expansion and technological advancement. The two-wheelers segment dominates the market in terms of volume, owing to a growing middle class and a huge percentage of India's population being young. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of the sector. The rising logistics and passenger transportation industries are driving up demand for commercial vehicles. Future market growth is anticipated to be fueled by new trends including the electrification of vehicles, particularly three-wheelers and small passenger automobiles.

India enjoys a strong position in the global heavy vehicles market as it is the largest tractor producer, second-largest bus manufacturer, and third-largest heavy truck manufacturer in the world. India's annual production of automobiles in FY22 was 22.93 million vehicles. India has a strong market in terms of domestic demand and exports. In November 2023, total passenger vehicle sales reached 3,34,130*. Sales of Passenger Vehicles in November 2023 have been the highest, with a marginal growth of 3.7%, compared to November 2022. In FY23, total automobile exports from India stood at 47,61,487.

INDIAN ECONOMY OVERVIEW:

India's nominal gross domestic product (GDP) at current prices is estimated to be at Rs. 296.58 trillion (US\$ 3.56 trillion) in 2023-24. Additionally, the Nominal GDP at current prices in Q2 of 2023-24 was Rs. 71.66 trillion (US\$ 861.2 billion), as against Rs. 65.67 trillion (US\$ 789.2 billion) in 2022-23, estimating a growth of 9.1%. As of 03rd October 2023, India is home to 111 unicorns with a total valuation of US\$ 349.67 Billion. Out of the total number of unicorns, 45 unicorns with a total valuation of US\$ 102.30 Billion were born in 2021 and 22 unicorns with a total valuation of \$ 29.20 Billion were born in 2022. India presently has the third-largest unicorn base in the world. The government is also focusing on renewable sources by achieving 40% of its energy from non-fossil sources by 2030. India is committed to achieving the country's ambition of Net Zero Emissions by 2070 through a five-pronged strategy, 'Panchamrit'. Moreover, India ranked 3rd in the renewable energy country attractive index.

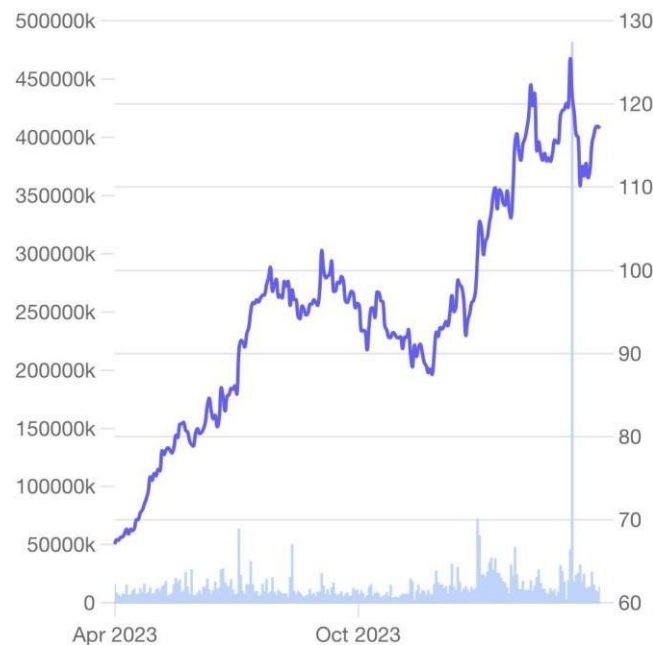
India's Gross Domestic Production



Exports fared remarkably well during the pandemic and aided recovery when all other growth engines were losing steam in terms of their contribution to GDP. Going forward, the contribution of merchandise exports may waver as several of India's trade partners witness an economic slowdown. According to Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles Mr. Piyush Goyal, Indian exports are expected to reach US\$ 1 trillion by 2030.

COMPANY BACKGROUND:

Samvardhana Motherson International Ltd (formerly Motherson Sumi Systems Ltd), often referred to as Samvardhana Motherson, is a major Indian multinational company in the automotive component sector.



Origins: Founded in 1986 as a joint venture between Samvardhana Motherson Group (India) and Sumitomo Wiring Systems (Japan) [India Infoline].

Initial Focus: Primarily manufactured wiring harnesses, a network of cables that connects various electrical components in a vehicle [Wikipedia].

Early Growth: Expanded into plastic components and rearview mirrors for passenger cars, establishing itself as a key supplier for major automakers [Wikipedia].

Key Milestones:

Listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in 1993 [India Infoline].

Became a major player through strategic acquisitions, increasing its product portfolio and global footprint [Motherson Group].

Rebranded to Samvardhana Motherson International Ltd in 2021 [Motherson Group].

Current Status: A global leader in automotive component manufacturing, with a presence in over 41 countries [Motherson Group]

PRODUCT PORTFOLIO

Business divisions built towards growth.



01 Wiring Harness
The Wiring Harness division of Motherson is a full-service system supplier with complete in-house design, development and manufacturing capability. It is one of the most vertically integrated business divisions with a product range promoting technological advancement across the automotive and non-automotive sectors it supplies to.

02 Vision Systems
Motherson is one of the leading global suppliers of vision systems to the automotive industry, and the product range includes interior mirrors, exterior mirrors and camera-based detection, which it supplies to almost all major OEMs. Vision Systems is aided by strong vertical integration and provides full-service solutions to its customers.

03 Modular & Polymer Product
The division encompasses the largest business line in Motherson. It develops and produces a highly diversified product range from simple plastic parts to highly integrated systems and modules, supplying to OEMs globally. The group also exhibits capabilities in mould design and tooling.

04 Emerging Businesses
The division encompasses a wide range of elastomer-based solutions and products to a spectrum of industries, including automotive, medical, home appliances and general industrial applications. The in-house rubber mixing facilities guarantee extensive technical capabilities in the formulation and development of rubber compounds.

Elastomers

The Elastomers division supplies a wide range of elastomer-based solutions and products to a spectrum of industries, including automotive, medical, home appliances and general industrial applications. The in-house rubber mixing facilities guarantee extensive technical capabilities in the formulation and development of rubber compounds.

Lighting & Electronics

The division consists of a spectrum of businesses that focus on OEM supplies and also do business through direct channels. The product portfolio includes exterior lighting and electronics, passenger car HVAC & compressors, body control module, struts, shock absorbers and products for backward integration. The division also engages in the area of direct B2B supply.

Precision Metals & Modules

The division is a full system solutions provider for any metal processing, including integration of higher level assembly. It offers an array of products in precision machining, modules like cabins for off-highway vehicles and HVAC systems, body parts, and process equipment to a wide spectrum of industries.

Technology & Industrial Solutions

The division focuses on technology, engineering, and manufacturing solutions. It secures the digital foundation of the group's global operations. It also caters to external clients from different industries globally. This division has a futuristic approach to understanding industry trends and providing solutions. The division has also forayed into telematics.



Aerospace

The Aerospace division of Motherson brings the current capabilities of the group in areas such as wiring harnesses and plastics – into the aerospace industry by providing integrated solutions. The division is simultaneously engaged in developing new products in order to increase its foothold in this segment.

Logistics Solutions

The Logistics Solutions division of Motherson aims to bring in efficiency, technology and specialisation in the automotive supply chain. It deals with the logistics of finished vehicles in both the group's internal supply chain as well as for external customers.

Health & Medical

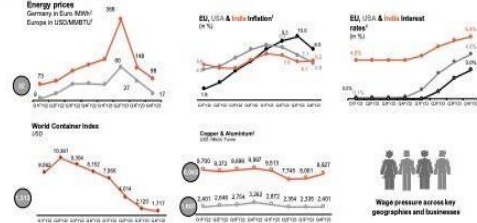
The division is driven by its purpose of positively impacting lives globally by helping people become healthy and stay healthy. The division works towards realising this by providing products, solutions and services that help people manage and improve their health and enable people to access affordable care of the highest quality.

Services

The division consists of businesses that engage in direct sales and services to end customers and support their manufacturing operations. The business portfolio includes an industrial park, manufacturing engineering, consultation, project management and turnkey supply to the automotive industry.

BUSINESS ENVIRONMENT:

Business Environment¹



Automotive Industry Outlook

The automotive Light Vehicle production in FY23 clocked in at ~83.5 Mn with normalizing supply chains representing a growth of 9% over the corresponding previous year. While the industry is on the path to recovery, Automotive production is still approximately 10 - 15% behind pre-covid levels.

Global Light Vehicle Production (Units in Millions)²



Global Light Vehicle Production by Key Regions (Units in Million)³

Region	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Europe	21.8	20.2	16.6	15.1	16.5
North America	16.8	15.9	12.9	13.0	14.6
India	4.7	3.9	3.5	4.2	5.2
China	26.1	21.9	26.2	25.2	25.9
Others	23.4	21.9	18.2	19	21.3
Global	92.8	83.8	77.4	76.5	83.5

Automotive production for light vehicles in all the key geographies have recovered over the last financial year mainly led by North America (YoY 12.3%), Europe (YoY 9.9%) and India (YoY 23.8%) supported by economic growth and robust consumer demand. While there was growth in China (YoY 2.8%) it remained subdued due to resurgence of covid in certain regions during the second half of the year.

Indian Automotive Production - 2W, Passenger Vehicles & Commercial Vehicles (Units in Thousands)⁴

Category	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Passenger Vehicle	4,028	3,425	3,062	3,651	4,575
Three Wheelers	1,269	1,133	614	759	859
Two Wheelers	24,500	21,033	18,350	17,714	19,459

Global Medium and Heavy Commercial Vehicles (MHCV) Production (Units in Thousands)



Global Medium and Heavy Commercial Vehicles (MHCV) Production Highlights (Units)⁵

Category	FY2019/20	FY2020/21	FY2021/22	FY2022/23
Heavy Truck	316,816	222,161	269,501	330,977
Medium Truck	283,970	237,773	248,207	261,743
North America	600,786	459,934	518,708	592,720
Heavy Truck	425,072	377,671	435,221	463,722
Medium Truck	78,662	76,505	75,680	77,063
Europe Total	565,106	502,813	562,605	593,452
Heavy Truck	89,535	77,498	125,616	123,528
Medium Truck	22,917	21,115	32,459	26,388
Brazil Total	139,979	116,219	177,481	161,732
Heavy Truck	1,142,193	1,906,097	1,024,654	630,884
Medium Truck	131,594	205,570	147,734	86,721
China Total	1,402,025	2,217,665	1,267,382	808,248
Others	603,590	487,829	666,700	731,500
Global Heavy Duty & Medium Duty Trucks	3,094,349	3,612,219	3,028,772	2,732,526

SAMIL GLOBAL FOOTPRINTS



The Company continues to focus on financial discipline, Net debt for the year ended 31st March 2023 was INR 91,005 Mn (including lease liabilities INR 16,266 Mn) with a Net Debt to EBITDA ratio of 1.4x in comparison to 31st March 2022 with Net Debt of INR 91,372 Mn (including lease liabilities of INR 13,688 Mn) with Net Debt to EBITDA ratio of 1.9x. The Company has significantly deleveraged over the last six quarters, despite having a challenging business environment, unfavorable foreign exchange movement and continued levels of higher inventory on account of carrying safety stock for customers due to supply chain issues and volatility in customer production schedules. The decline in net debt is partially offset by unfavorable foreign exchange movement.

Category	Domestic Ratings (SAMIL)		
	ICRA	CRISIL	India Research & Ratings
Short Term Rating	-	A1+	-
Long Term Rating	-	AA+ / Stable	AAA / Stable
Commercial Papers	A1+	-	A1+
Non-Convertible Debenture	-	-	AAA / Stable
Issuer Rating	-	-	AAA / Stable
Corporate Credit Rating	-	AA+ / Stable	-

Category	International Ratings		
	S&P	Fitch	Moody's
Issuer Credit Rating (SMRP B.V)	BB/Stable	BB/Stable	-
Senior Secured Bonds (SMRP B.V)	BB	BB+	
Corporate Family Rating (SAMIL)	-	-	Ba1/Stable

KEY RATIOS - OBSERVATION

PROFITABILITY

EBITDA MARGIN:

- Upward Trend: EBITDA margin has been on an upward trend recently.
 - Q4 FY23: 7.89% (Core EBITDA Margin)
 - FY23: 8.09% (This is the highest in the last 5 years)
 - H1 FY24: ~6.5% (There's a dip in H1 likely due to cost pressures)

Historical Performance:

- Mar 2020: 8.72% (Highest in last 5 years)
- Mar 2019: 8.42%

Analysis:

- The recent improvement in EBITDA margin is positive and indicates the company's profitability is increasing.
- However, the dip in H1 FY24 suggests cost pressures from energy and materials might be impacting margins.
- Analysts expect margin normalization to drive EPS growth going forward.
- The company is working on cost reduction measures to counter the headwinds.

NET PROFIT MARGIN:

- Improvement: Net Profit Margin has shown improvement in FY23 compared to FY22.
 - FY23: 2.18%
 - FY22: 1.38%

Historical Performance (Past 5 Years):

- Mar 2019: 2.54% (Highest)
- Mar 2023: 2.18%
- Mar 2022: 1.38% (Lowest)

Analysis:

- While the Net Profit Margin has improved recently, it remains lower than the historical highs of around 2.5%.
- This suggests the company might still be struggling to efficiently convert revenue into profit.

Important Considerations:

- Net Profit Margin is influenced by various factors, including:
 - Revenue Growth
 - Operating Expenses
 - Non-Operating Expenses (e.g., interest payments)
- Since FY23 Net Profit increased significantly (104.3%) despite a slight dip in Operating Profit Margin (7.7% vs 7.3% in FY22), it suggests other factors like lower non-operating expenses might have contributed to the improvement in NPM.

ROE:

- Mixed Signal: ROE has shown some improvement but remains below historical averages.
 - FY23 (Estimated): 7.63%
 - FY22: 4.24% (Lowest in last 5 years)
 - Mar 2019: 14.71% (Highest in last 5 years)

Analysis:

- The recent increase in ROE is positive but indicates a need for further improvement.
- A low ROE suggests the company isn't generating enough profit from its shareholder equity.

Possible Reasons for Low ROE:

- Lower Profitability: As discussed earlier, Net Profit Margin remains lower than historical highs.
- High Debt Levels: High debt can increase liabilities and decrease shareholder equity, impacting ROE.

Positive Signs:

- The upward trend in ROE suggests the company might be on the right track.
- Analysts expect margin normalization to drive ROE growth in the future.

Further Considerations:

- It's important to compare Samvardhana Motherson's ROE with its industry average to get a better perspective.
- A DuPont ROE analysis can help break down the factors affecting ROE:
 - Profit Margin
 - Asset Turnover
 - Equity Multiplier (Financial Leverage)

LIQUIDITY

CURRENT RATIO

- Samvardhana Motherson's current ratio has been below 1 recently, raising some concerns.
 - FY23: 0.973
 - Sep-23 (Latest Quarter): 0.951

Interpretation:

- A current ratio below 1 indicates the company's current assets are not enough to cover its current liabilities.
- This could raise concerns about the company's ability to meet its short-term obligations.

Possible Reasons for Low Current Ratio:

- High Inventory Levels: High inventory levels can tie up cash, reducing current assets.
- Large Short-Term Debt: High short-term debt obligations can increase current liabilities.

SOLVENCY

NET DEBT TO EBITDA:

- Net Debt to EBITDA ratio has shown significant improvement recently.
 - FY23: 1.4x (This is the lowest in the last 5 years)
 - Sep-23 (Latest Quarter): 0.88x (Even lower than FY23)

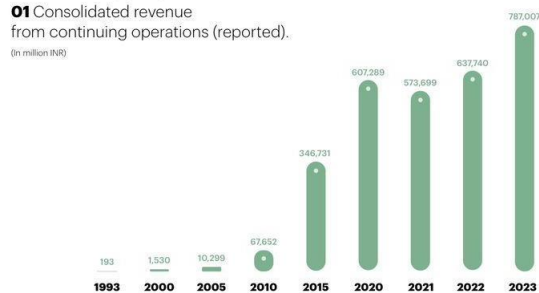
Interpretation:

- A lower Net Debt to EBITDA ratio indicates less leverage and a stronger ability to repay debt.
- Samvardhana Motherson's recent improvement suggests a healthier financial position.

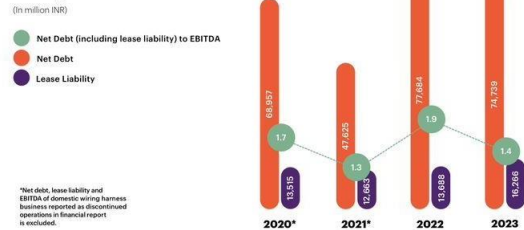
FINANCIAL OVERVIEW :

SAMIL (formerly MSSL) numbers.

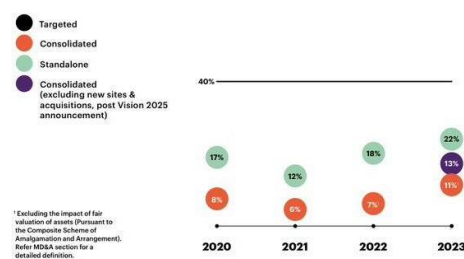
01 Consolidated revenue from continuing operations (reported).
(In million INR)



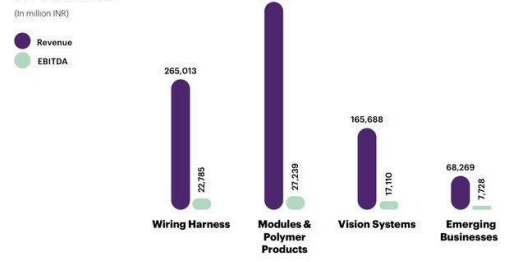
03 Net Debt, Lease Liability and Net Debt (including lease liability) to EBITDA.
(In million INR)



02 Return on Average Capital Employed (ROACE) from continued operations.



04 Revenue, EBITDA in FY 2022-23.
(In million INR)



FINANCIALS

Figures in INR Million

Financial Position	31-Mar 22	31-Mar-23	% change
Property, plant, and equipment	145,252	156,445	7.7%
Right-to-use assets	16,031	19,181	19.7%
Capital work-in-progress	12,488	14,222	13.9%
Investment properties	5,241	4,993	-4.7%
Goodwill	33,743	37,726	11.8%
Other intangible assets (including intangible assets under development)	14,454	13,681	-5.4%
Other assets			
- Inventories	64,417	78,228	21.4%
- Trade receivables	80,247	98,379	22.6%
- Cash & bank balances	49,994	46,987	-6.0%
- Other assets	140,834	148,676	5.6%
Total assets	562,701	618,517	9.9%
Liabilities of continuing operations (other than borrowings and lease liabilities)	197,758	236,825	19.8%
Net assets	364,943	381,692	4.6%
Source of funding:			
Net worth	204,220	222,852	9.1%
Reserve on amalgamation	1,663	1,663	-
Non-controlling interests	17,763	19,254	8.4%
Loans outstanding:			
- Long-term loans payable within one year	10,551	33,345	216.0%
- Short-term loans (other than payable within one year)	32,051	22,130	-31.0%
- Long-term loans	85,007	66,183	-22.1%
- Lease liabilities	13,688	16,266	18.8%
Total loans including lease liabilities	141,297	137,924	-2.4%
Cash & bank balance (excluding unpaid dividend)	49,925	46,919	-6.0%
Loans (net of cash and bank balances)	91,372	91,005	-0.4%
Net Debt (excluding lease liabilities)	77,684	74,739	-3.8%

CASH FLOW

Figures in INR Million

Consolidated Cash Flow (Including discontinuing operations till effective date of composite scheme of arrangement)	FY2021-22	FY2022-23
Cash flow from operations	32,951	54,965
Taxes paid	(8,324)	(8,535)
Cash flow from operating activities	24,627	46,430
Capital Expenditure (net of disposals)	(24,363)	(21,828)
Proceeds from sale / (payment for purchase) of investments (net)	135	(279)
Consideration paid on acquisition of subsidiaries net of cash balance acquired	(1,081)	(2,592)
Dividend received	793	1,982
Interest received	1,157	690
Cash flow from other investing activities	240	(422)
Cash flow from Investing activities	(23,119)	(22,448)
Proceeds & (repayments) of borrowings	2,456	(10,562)
Dividend paid	(6,457)	(3,308)
Interest paid	(5,528)	(8,083)
Cash flow from other financing activities	(2,645)	(5,389)
Cash flow from Financing activities	(12,174)	(27,342)
Net Increase/(Decrease) in Cash & Cash Equivalents	(10,666)	(3,359)
Net Cash and Cash equivalents at the beginning of the year	59,366	48,775
Cash and cash equivalents as at current year closing*	48,700	45,416