

CMP: INR 112

Rating: BUY

TP: INR 133

Stock Info

BSE 517334

NSE MOTHERSON

Bloomberg MSS:IN

Reuters SAMD.NS

Sector Auto Ancillary

Face Value (INR) 1

Equity Cap (INR Mn) 7,040

Mkt Cap (INR Bn) 1171

52w H/L (INR) 145/ 71.5

Avg Yearly Volume (in 000') 16,528

Shareholding Pattern %

(As on Sept 2025)

Promoters 48.60

FII 12.76

DII 20.62

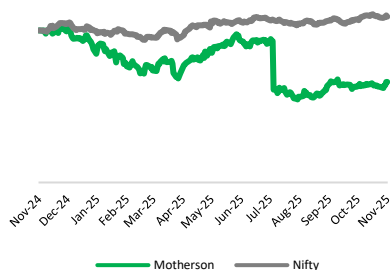
Public & Others 18.11

Stock Performance (%) 3m 3m 12m

Motherson 16.00 -25.22 -34.00

Nifty 50 4.31 3.00 9.06

Motherson Vs Nifty 50



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Samvardhana Motherson International Ltd (SMIL) reported revenue and EBITDA were above our estimates, while PAT came in below expectations in Q2FY26, with revenue at INR 3,01,730 Mn (up by 8.49% YoY and down by 0.13% QoQ), above our estimate of INR 2,96,726 Mn. Gross profit stood at INR 1,36,700 Mn (up by 7.38% YoY and down by 2.84% QoQ), in line with our estimate of INR 1,36,115 Mn. Gross margins decreased by 47 bps YoY and 126 bps QoQ to 45.3%, inline our estimate of 45.9%. EBITDA stood at INR 26,107 Mn (up by 6.65% YoY and 6.20% QoQ) above our estimate of INR 24,189 Mn. EBITDA margin declined by 15 bps YoY and up by 52 bps QoQ to 8.65%, above our estimate of 8.15%. PAT stood at INR 8,456 Mn (down by 10.87% YoY and up by 39.5% QoQ), below our estimate of INR 10,118 Mn. PAT margin decreased by 61 bps YoY and increased 80 bps QoQ to 2.80% in Q2FY26, compared to 3.41% in Q2FY25.

Strong and Diversified Order Book: The company's consolidated order book remains strong at USD 87 billion for the next 5–6 years, ensuring multi-year revenue visibility across OEMs and geographies. Management noted sustained momentum in both replacement and new program wins, driven by deeper customer engagement and incremental platform additions. EVs currently contribute 11% of revenue, while the EV share of the order book stands at 22%, reflecting balanced exposure across ICE, hybrid, and EV programs. With OEMs increasingly launching parallel ICE and EV variants, the company retains stable content irrespective of drivetrain shifts. Additionally, the combined consumer electronics and aerospace order book has grown to USD 3 billion, underscoring strong traction in new verticals and further enhancing growth visibility.

Modules & Polymer Division – Transformation Near Completion: The Modules & Polymer business has undergone a significant restructuring over the last few years, including absorbing troubled suppliers, consolidating capacities, and strengthening leadership teams. Management indicated ~75–80% of the transformation is complete, with new management firmly in control and operational discipline improving across plants. The division has benefited from enhanced engineering capabilities, shop-floor efficiency, reduced scrap, and upgrades to critical assets such as paint shops. As older low-margin programs taper off and newly-won programs with superior pricing and better launch readiness scale up, the margin trajectory is expected to improve. Geographic diversification and sourcing shifts toward East Europe/North Africa also create opportunities to enhance competitiveness. This division is now positioned to deliver steady margin expansion through FY26–27.

Consumer Electronics – Strong Ramp-Up and Multi-Year Opportunity: The consumer electronics business is scaling quickly, with two facilities running and the largest unit coming in H2FY27. Q2 revenue grew 36% QoQ, and profitability is expected in the first full year of operations. The combined CE + aerospace order book stands at USD 3 bn, with stronger traction expected as new programs ramp from FY26. Expanded capabilities across SMT, PCBA, glass solutions (Biel JV), and semiconductor components support deeper integration and customer stickiness, positioning the segment as a key multi-year growth driver.

Outlook and Valuation:

The company remains well-positioned for a stronger H2 FY26, supported by continued ramp-up in consumer electronics, improving aerospace volumes, and margin recovery in the European polymer division. Greenfield plants should see sequential utilisation improvement, helping narrow start-up losses and lift consolidated profitability. Management expects operating leverage, cost efficiencies, and mix improvement to drive steady margin expansion through FY27. A robust order book, rising content-per-vehicle, and increasing traction in EV and electronics provide multi-year revenue visibility. While commodity inflation, especially copper, may keep near-term margins in check, pass-through mechanisms and scale benefits should mitigate the impact. Overall, the company is tracking towards double-digit growth, improving ROCE, and a stronger balance sheet as cash flows accelerate with maturing new programs. **We expect SAMILs revenue, EBITDA, and PAT to grow at a CAGR of 8%, 16%, and 25%, respectively, over FY26-FY28E. We used DCF model to arrive at a target price of INR 133 per share. Accordingly, we maintain our 'Buy' rating on the stock.**

Exhibit 1: Financial Highlights

	Year-end March						
(INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	EV/EBITDA A	P/E (x)
FY25	11,36,626	1,05,519	41,457	5.5	9.3%	8.0	20.3
FY26E	12,17,377	1,05,700	35,154	3.3	8.7%	8.0	33.5
FY27E	13,49,879	1,21,052	44,575	4.2	9.0%	7.1	26.4
FY28E	15,33,118	1,42,079	54,705	5.2	9.3%	6.0	21.5

Source: Arihant Research, Company Filings

Samvardhana Motherson International-Concall Highlights

Management reiterates confidence that H2 FY26 will see acceleration in both revenues and margins, aided by new program launches and cost efficiencies.

ROCE at 14.2% in Sep FY25, temporarily impacted by Q1 profitability and start-up costs from new greenfields; expected to recover in H2 as operations normalize.

CE

The business continues to scale sharply, with Q2 revenue rising 36% QoQ, supported by two operational facilities and a third—its largest—scheduled to commence in H2 FY27, which will unlock meaningful capacity. Management expects the segment to turn profitable in its first full year of operations despite start-up costs, underscoring strong execution. The combined CE and Aerospace order book has expanded to USD 3 bn (from USD 2.7 bn in Mar'25), with CE demonstrating faster order conversion given its shorter cycle. The company is also building out SMT lines, PCBA capabilities, and key supplier partnerships, positioning CE as one of its fastest-growing verticals over the next five years.

Aerospace

Revenues grew 37% YoY in H1 FY26, supported by a new Tier-1 engagement with Airbus and increasing order wins across programs. Profitability is steadily improving as recent investments in machining, capability upgrades, and plant modernization begin to yield operational benefits. Management highlighted strong customer confidence, with multiple long-term packages currently under discussion and a robust decadal growth runway ahead. Capex is being accelerated to make facilities “future ready,” particularly to capture emerging opportunities in propulsion and engine components.

Modules & Polymer Division (Europe)

The division is showing a strong turnaround, with roughly 75–80% of restructuring completed and the remaining efficiencies expected in FY27 through automation, plant consolidation, and AI-enabled processes. Integration of acquisitions such as Dr. Schneider, along with the relocation of programs, has led to improvements in scrap levels, quality, and overall plant productivity. With the new leadership team now fully in place, margins are expected to improve from H2 FY26 onward as legacy low-margin programs gradually roll off.

Emerging Businesses

Segment margin improved 110 bps QoQ to 9.5%, supported by the ramp-up of the consumer electronics business, stronger performance at Atsumitech, and the initial recovery in aerospace margins. Management expects this upward trajectory to continue in H2 FY26, aided by healthy domestic demand tailwinds and ongoing operational improvements across Indian facilities.

The company plans to add 5,000 engineers over the next five years to strengthen its design, automation, and software capabilities, while placing significant emphasis on GenAI-based productivity tools to enhance engineering lead-times, communication efficiency, and GBS workflows. Management views these capability upgrades as critical enablers for scaling the business and supporting its long-term revenue ambition of growing from €27 bn to €108 bn.

Order book

The order book stands at INR 872 bn, executable over the next 5–6 years. EV revenues currently contribute around 11%, while the EV share of the order book has moderated from 24% to 22%, reflecting an industry-wide recalibration of EV volume expectations. However, many upcoming platforms are being developed in both ICE and EV variants, ensuring balanced content for the company across powertrain choices.

Tariff Impact

Tariff-related impact so far is < USD 10 mn, a relatively small exposure given the group's global scale. Company in active discussions with OEMs to share / pass through impact; management confident of recovering this amount over time.

Exhibit 2: Financial Highlights

INR Mn (Consolidated)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Net Sales	301730	302120.00	278118.60	-0.1%	8.5%
Material Cost	167102	163287.00	150241.40	2.3%	11.2%
Change in Inventory	-2073	-1863.70	576.20	11.2%	-459.7%
Gross Profit	136700	140696.70	127301.00	-2.8%	7.4%
Gross Margin %	46%	47%	46%	-2.6%	0.0%
Employees benefits expense	74400.50	79362.40	68834.50	-6.3%	8.1%
Other Expenses	36192.60	36750.90	33987.10	-1.5%	6.5%
EBITDA	26107.20	24583.40	24479.40	6.2%	6.6%
EBITDA margin %	8.74%	8.21%	8.80%	6.4%	-0.7%
Depreciation	12178.60	12297.20	11028.40	-1.0%	10.4%
EBIT	13928.60	12286.20	13451.00	13.4%	3.6%
EBIT Margin %	4.66%	4.10%	4.84%	13.6%	-3.6%
[b] Other income	1212.20	804.80	2592.40	50.6%	-53.2%
[f] Finance costs	3865.40	4250.40	5461.60	-9.1%	-29.2%
PBT	10913.80	7475.70	10581.80	46.0%	3.1%
Tax-Total	3913.80	2657.50	2936.00	47.3%	33.3%
Tax Rate (%) - Total	26.0%	35.5%	27.7%	-26.9%	-6.3%
Reported Net Profit	8456.30	6060.90	9488.10	39.5%	-10.9%
PAT Margin %	2.83%	2.02%	3.41%	39.8%	-17.0%
Reported EPS (INR)	0.80	0.48	1.35	66.9%	-40.6%
	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
RMC/Sales (%)	54.69	53.43	54.23	2.4%	0.9%
Employee exp/Sales (%)	24.90	26.50	24.75	-6.0%	0.6%
Other exp/Sales (%)	12.11	12.27	12.22	-1.3%	-0.9%

Source: Arianth Research, Company Filings

Key Charts

Exhibit:3 Revenue and YoY growth

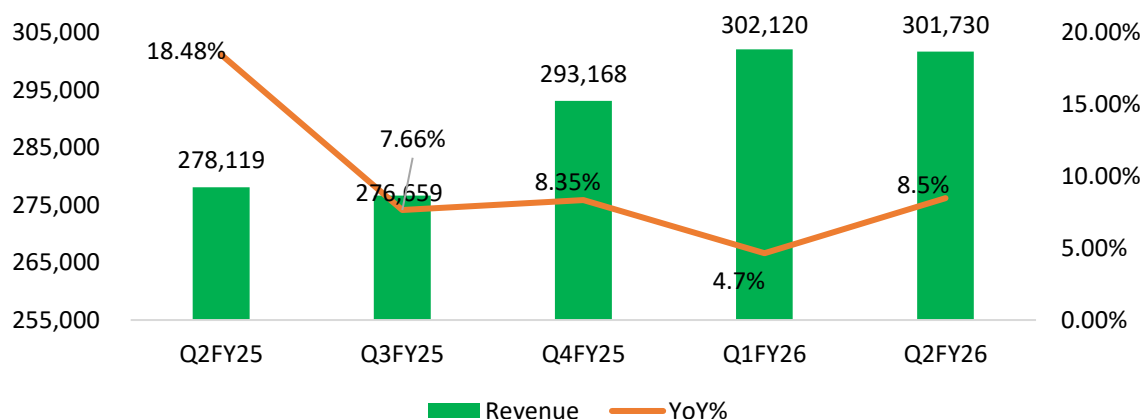


Exhibit: 4 Steady Margin trend

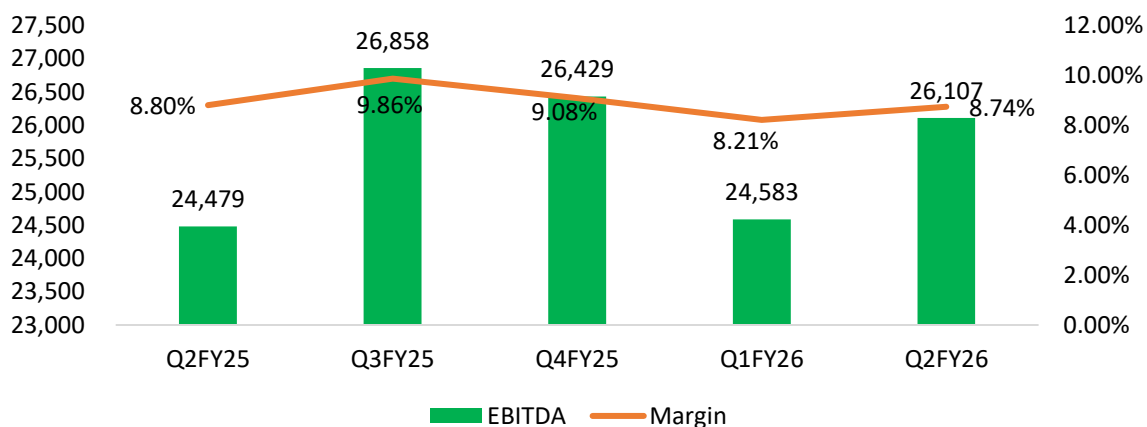
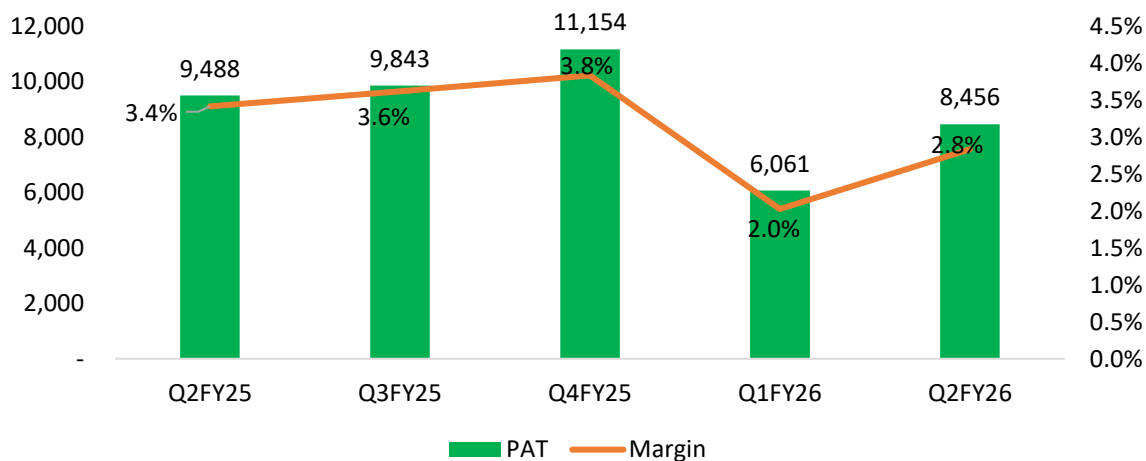


Exhibit: 5 PAT and PAT Margin (%) Trend



Source: Arihant Research, Company Filings

Key Charts

Exhibit:6 EPS Trend

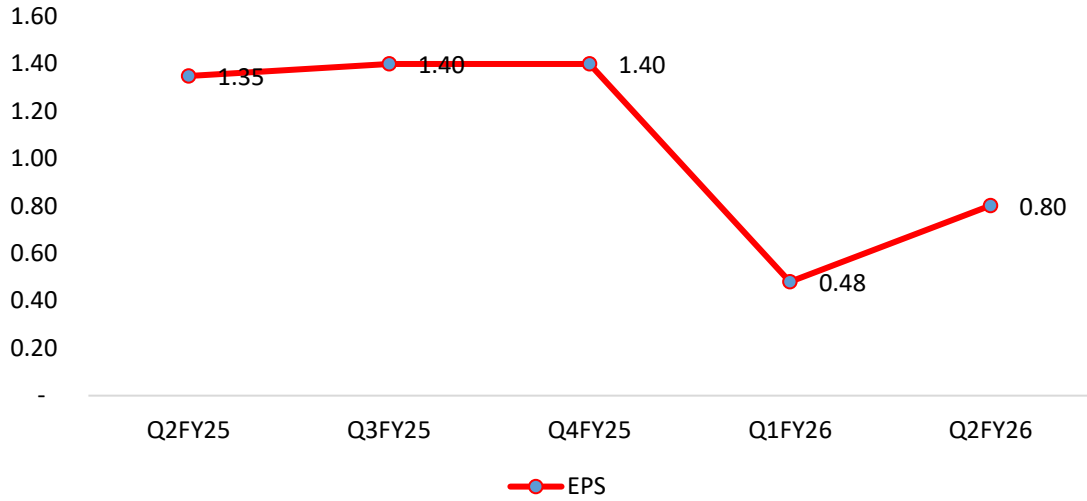
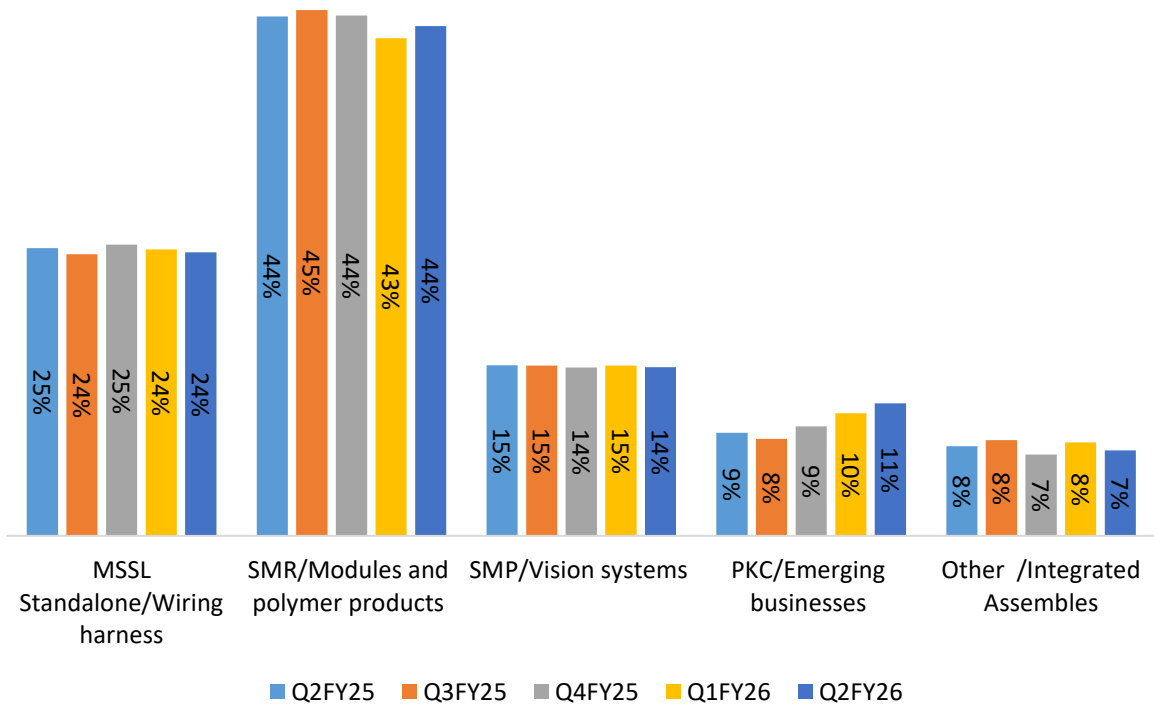


Exhibit:7 Segmental Revenue Mix



Source: Arihant Research, Company Filings

Key Financials

Income statement (INR mn)

Year End-March	FY25	FY26E	FY27E	FY28E
Gross Sales	11,36,626	12,17,377	13,49,879	15,33,118
Net Sales	11,36,626	12,17,377	13,49,879	15,33,118
YoY (%)	15.17%	7.10%	10.88%	13.57%
Adjusted COGS	6,10,522	6,58,650	7,19,876	8,12,999
YoY (%)	12.20%	7.88%	9.30%	12.94%
Personnel/ Employee benefit expenses	2,83,870	3,06,593	3,46,576	3,93,623
YoY (%)	20.60%	8.00%	13.04%	13.57%
<i>Manufacturing & Other Expenses</i>	<i>1,36,715</i>	<i>1,46,434</i>	<i>1,62,374</i>	<i>1,84,418</i>
YoY (%)	17.65%	7.11%	10.89%	13.58%
Total Expenditure	10,31,107	11,11,677	12,28,827	13,91,040
YoY (%)	15.73%	0.17%	14.52%	17.37%
EBITDA	1,05,519	1,05,700	1,21,052	1,42,079
YoY (%)	15.73%	0.17%	14.52%	17.37%
EBITDA Margin (%)	9.28%	8.68%	8.97%	9.27%
Depreciation	44,934	50,534	56,484	63,135
% of Gross Block	9.86%	9.29%	9.19%	9.17%
EBIT	60,585	55,166	64,568	78,943
EBIT Margin (%)	5.33%	4.53%	4.78%	5.15%
Interest Expenses	18,824	15,117	17,257	19,699
Non-operating/ Other income	5,577	4,495	5,006	5,686
PBT	52,613	48,077	58,178	71,587
Tax-Total	11,156	12,923	13,602	16,882
Adj. Net Profit	41,457	35,154	44,575	54,705
Reported Profit	41,457	35,154	44,575	54,705
PAT Margin	3.65%	2.89%	3.30%	3.57%
Shares o/s/ paid up equity sh capital	7,037	10,555	10,555	10,555
Adj EPS	5.50	3.33	4.22	5.18
Dividend payment	14,073	26,388	36,943	47,498
Dividend payout (%)	33.95%	75.06%	82.88%	86.82%
Retained earnings	27,384	8,767	7,633	7,208

Balance sheet

Year-end March	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Equity Share Capital	7,037	10,555	10,555	10,555
Reserves & Surplus/ Other Equity	27,328	36,095	43,727	50,935
Networth	3,71,286	3,80,052	3,87,685	3,94,893
Unsecured Loans/ Borrowings/ Lease Liabilities	1,56,367	1,66,069	1,79,223	1,97,142
Other Liabilities	22,177	22,499	22,886	23,350
Total Liabilities	9,28,473	9,22,081	9,73,380	10,43,113
Total Funds Employed	17,20,452	16,93,920	17,79,377	18,96,970
Application of Funds				
Net Fixed Assets	-24,306	-26,068	-28,674	-31,542
Capital WIP	26,068	28,674	31,542	34,696
Investments/ Notes/ Fair value measurement	3,720	4,092	4,502	4,952
Current assets	4,33,079	3,75,347	3,65,112	3,64,544
Inventory	1,07,873	99,795	84,691	84,687
Days	57	55	43	38
Debtors	1,74,307	1,13,774	1,03,837	90,183
Days	35	34	28	21
Other Current Assets	35,572	42,687	51,224	56,346
Cash and Cash equivalent	56,426	56,814	54,118	54,217
Current Liabilities/Provisions	4,20,694	3,91,787	4,18,312	4,58,964
Creditors / Trade Payables	2,36,692	2,00,792	2,19,661	2,54,857
Days	68	66	66	67
Liabilities	1,02,013	1,11,350	1,21,621	1,29,508
Net Current Assets	12,385	-16,440	-53,200	-94,420
Total Asset	9,28,473	9,22,081	9,73,380	10,43,113
Total Capital Employed	9,16,087	9,38,520	10,26,580	11,37,533

Source: Arihant Research, Company Filings

Cash Flow Statement

Year End-March	FY25	FY26E	FY27E	FY28E
Profit After tax	41,457	35,154	44,575	54,705
Adjustments: Add				
Depreciation and amortisation	44,934	50,534	56,484	63,135
Interest adjustment	13,247	10,622	12,251	14,013
Change in assets and liabilities	85,565	69,923	76,368	84,356
Inventories	-16,487	8,078	15,104	4
Trade receivables	-21,342	58,636	7,849	11,357
Trade payables	10,520	-35,900	18,869	35,196
Other Liabilities and provisions	-5,307	6,035	7,134	4,907
Other Assets	-6,813	-14,827	-17,407	-8,523
Taxes	-1,588	-	-	-
Net cash from operating activities	44,548	91,944	1,07,917	1,27,298
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-77,289	-88,762	-96,444	-1,07,711
Net Sale/(Purchase) of investments	4,795	-2,085	-9,033	-11,134
Others	-4,546	-4,353	-5,282	-6,352
Net cash (used) in investing activities	-76,758	-95,367	-1,10,760	-1,25,198
Interest expense	-37,422	-1,522	-380	1,751
Dividend paid	-14,073	-26,388	-36,943	-47,498
Other financing activities	-43,336	-22,869	-36,943	-47,498
Net cash (used) in financing activities	25,240	-640	83	2,262
Closing Balance	62,888	58,825	56,065	60,426
FCF	-21,210	15,983	31,515	44,442
Capex (% of sales)	45,465	60,213	61,698	61,328

Key Ratios

Year-end March	FY25	FY26E	FY27E	FY28E
Solvency Ratios				
Debt / Equity	0.39	0.40	0.40	0.41
Net Debt / Equity	0.23	0.24	0.26	0.26
Debt / EBITDA	1.39	1.43	1.30	1.15
Current Ratio	0.79	0.87	0.83	0.73
DuPont Analysis				
Sales/Assets	1.22	1.32	1.39	1.47
Assets/Equity	2.50	2.43	2.51	2.64
RoE	11.17%	9.25%	11.50%	13.85%
Per share ratios				
Reported EPS	5.50	3.33	4.22	5.18
Dividend per share	2.00	2.50	3.50	4.50
BV per share	52.77	36.01	36.73	37.41
Cash per Share	8.02	5.38	5.13	5.14
Revenue per Share	161.53	115.34	127.89	145.25
Profitability ratios				
Net Profit Margin (PAT/Net sales)	3.06%	3.65%	2.89%	3.30%
Gross Profit / Net Sales	46.29%	45.90%	46.67%	46.97%
EBITDA / Net Sales	9.28%	8.68%	8.97%	9.27%
EBIT / Net Sales	5.33%	4.53%	4.78%	5.15%
ROCE (%)	11.93%	10.40%	11.63%	13.51%
Activity ratios				
Inventory Days	57.48	55.30	42.94	38.02
Debtor Days	35.00	34.11	28.08	21.47
Creditor Days	67.81	66.41	66.06	66.87
Leverage ratios				
Interest coverage	3.22	3.65	3.74	4.01
Debt / Asset	0.16	0.16	0.16	0.16
Valuation ratios				
EV / EBITDA	7.96	8.03	7.08	6.05
PE (x)	20.29	33.51	26.43	21.53

Source: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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