

Samvardhana Motherson Finance Limited – Initial Public Offering

1. Offering Structure																																																																						
Issuer	: Samvardhana Motherson Finance Limited (“SMFL”)																																																																					
Listing	: Bombay Stock Exchange (“BSE”) and National Stock Exchange (“NSE”) [India]																																																																					
Exchange Rate	: 1US\$ = INR 51																																																																					
Offer Size	: Total Offering of [•] mn Shares, representing up to INR 16,650 mn/ c.US\$ 326 mn, consisting of: <ul style="list-style-type: none"> ▪ Offering of [•] mn Primary Shares, representing c.INR 13,440 mn/ c. US\$ 264 mn ▪ Offering of [•] mn Secondary Shares by Radha Rani Holdings Pte. Ltd., representing c.INR 3,210 mn/ c. US\$ 63 mn ▪ Reservation of up to 5% of the total offer for eligible shareholders. Net Offer is post reservation for eligible shareholders 																																																																					
Offer Structure	: The Issue is being made through the Book Building Process: <ol style="list-style-type: none"> (i) QIB’s: Up to [•] mn Shares or c.50% of the Net Offer, representing c.INR 7,909 mn/US\$ 155 mn, of which up to 30% of QIB portion may be offered to anchor investors (ii) Non-Institutional Bidders: Not less than [•] mn Shares or c.15% of the Net Offer, representing c.INR 2,373 mn/US\$ 47 mn (iii) Retail Individual Bidders: Not less than [•] mn Shares or c. 35% of the Net Offer, representing c.INR 5,536 mn/US\$ 109 mn (iv) Eligible Shareholders: Up to [•] mn Shares or c.5% of the Net Offer, representing c.INR 833 mn/US\$ 16 mn 																																																																					
Ownership Structure	: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Pre – IPO</th> <th colspan="2">Post – IPO</th> </tr> <tr> <th>No. Of Shares (m)</th> <th>Holdings (%)</th> <th>No. Of Shares (m)</th> <th>Holdings (%)</th> </tr> </thead> <tbody> <tr> <td>Vivek Chaand Sehgal</td> <td>117.1</td> <td>24.7</td> <td>117.1</td> <td>[•]</td> </tr> <tr> <td>Laksh Vaaman Sehgal</td> <td>105.0</td> <td>22.2</td> <td>105.0</td> <td>[•]</td> </tr> <tr> <td>Renu Sehgal</td> <td>109.8</td> <td>23.2</td> <td>109.8</td> <td>[•]</td> </tr> <tr> <td>Radha Rani Holdings Pte Ltd</td> <td>66.8</td> <td>14.1</td> <td>[•]</td> <td>[•]</td> </tr> <tr> <td>Advanced Technologies & Automotive Resources Pte</td> <td>22.9</td> <td>4.8</td> <td>22.9</td> <td></td> </tr> <tr> <td>Others</td> <td>6.2</td> <td>1.3</td> <td>6.2</td> <td>[•]</td> </tr> <tr> <td>Promoter and Promoter Group</td> <td>427.9</td> <td>90.3</td> <td>387.1</td> <td>[•]</td> </tr> <tr> <td>Public – Sojitz Corporation</td> <td>30.6</td> <td>6.5</td> <td>30.6</td> <td>[•]</td> </tr> <tr> <td>Public – Employee Welfare Trust</td> <td>0.8</td> <td>0.2</td> <td>0.8</td> <td>[•]</td> </tr> <tr> <td>Public – Others</td> <td>14.3</td> <td>2.9</td> <td>14.3</td> <td>[•]</td> </tr> <tr> <td>Public – Others (IPO Investors)</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total</td> <td>473.6</td> <td>100.0</td> <td>[•]</td> <td>100.0</td> </tr> </tbody> </table> <p>Source: RHP</p>	Shareholder	Pre – IPO		Post – IPO		No. Of Shares (m)	Holdings (%)	No. Of Shares (m)	Holdings (%)	Vivek Chaand Sehgal	117.1	24.7	117.1	[•]	Laksh Vaaman Sehgal	105.0	22.2	105.0	[•]	Renu Sehgal	109.8	23.2	109.8	[•]	Radha Rani Holdings Pte Ltd	66.8	14.1	[•]	[•]	Advanced Technologies & Automotive Resources Pte	22.9	4.8	22.9		Others	6.2	1.3	6.2	[•]	Promoter and Promoter Group	427.9	90.3	387.1	[•]	Public – Sojitz Corporation	30.6	6.5	30.6	[•]	Public – Employee Welfare Trust	0.8	0.2	0.8	[•]	Public – Others	14.3	2.9	14.3	[•]	Public – Others (IPO Investors)	-	-	-	-	Total	473.6	100.0	[•]	100.0
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Greenshoe Option	: N/A																																																																					
Lock-Up	: <ul style="list-style-type: none"> • Promoters will contribute minimum 20% of the post issue capital to be locked-in for 3 years from the date of allotment under the IPO. • The entire pre issue shareholding is locked up for 1 year. • Allocations in anchor book will be locked up for 30 days from the date of allotment under this offering 																																																																					
Syndicate Structure	: Book Running Lead Managers: Standard Chartered , JP Morgan																																																																					

2. Use of Proceeds	
SMFL will not receive any proceeds from the offer for sale component of up to approx. US\$ 63 mn. The primary issuance of Approx. US\$ 264 mn will be used for the following activities:	
	Estimated Amount(in INR mn)
Funding Pre-payment and repayment of debt	3,385
Funding strategic investments in Samvardhana Motherson Polymers (JV) and SM Holdings (M) Pvt Ltd. (Subsidiary)	6,725
Funding investments in SMR (rear view mirror business)	1,560
General corporate purposes	[•]
Total	13,440

Source: RHP
Note: USD 1= INR 51

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3. SMFL Background

History

Samvardhana Motherson Finance Limited (SMFL) led by Mr. Vivek Chaand Sehgal, was incorporated in 2004 and consolidates various businesses of the Samvardhana Motherson group under one umbrella. Since coming into existence, SMFL has grown through multiple acquisitions and strategic partnerships with leading global technological leaders. In 2006, it entered into joint ventures with Spheros GmbH (Germany), Anest Iwata Corporation (Japan) and Matsui Manufacturing Company Limited (Japan). In 2007 joint ventures were established with Nissin Electric Company Limited (Japan) and Zanotti S.p.A (Italy). A partnership with Magneti Marelli S.p.A. (Italy) was forged in 2008. In 2009, SMFL in collaboration with Motherson Sumi Systems Limited (“MSSL”) acquired 93.6% equity stake in the rear-view vision systems business of Visiocorp Plc and renamed it as Samvardhana Motherson Reflectec (SMR). In 2010, the Company entered into joint ventures with Bergstrom Inc. (USA) and Nachi-Fujikoshi Corporation (Japan). Additionally, in November 2011, SMFL, together with Motherson Sumi Systems Limited (“MSSL”), completed the acquisition of an 80% equity shareholding in the Peguform group of companies. The Peguform Group is an international supplier of interior and exterior plastic products for the automotive industry.

Calendar year	Key events, milestones and achievements
2004	The Company was incorporated as 'Samvardhana Motherson Finance Limited'. MSSL entered into a joint venture with Woco Franz Josef Holding GmbH and Woco Industrietechnik GmbH (Germany)
2006	SMFL entered into a joint venture with Spheros GmbH (Germany), Anest Iwata Corporation (Japan), Matsui Manufacturing Company Limited (Japan)
2007	Motherson Consultancy Private Limited was merged into our Company. SMFL entered into a joint venture with Nissin Electric Company Limited (Japan), Zanotti S.p.A (Italy)
2008	SMFL entered into a joint venture with Magneti Marelli Holding S.p.A (Italy)
2009	SMFL acquired Visiocorp (now, SMR) and the gear cutting tool and broaches business of Dagger Frost. SMFL entered into a joint venture with Sojitz Corporation
2010	SMFL entered into a joint venture with Bergstrom Inc. and Nachi-Fujikoshi Corporation (Japan) SMFL issued 53,539,843 Equity Shares to Sojitz Corporation pursuant to conversion of 124,882,670 preference shares of ` 10 each.
2011	SMFL acquired Peguform Group, an international supplier of interior & exterior plastic products for automotive & related industries

Source: RHP

Samvardhana Motherson Finance Limited Product Portfolio		
MSSL	SMR	Other Subsidiaries and Joint Ventures
<ul style="list-style-type: none"> •Wiring harness •Polymer processing and tool manufacturing including integrated modules •Elastomer •Metal working •Car HVAC system 	<ul style="list-style-type: none"> •Rear view vision systems 	<ul style="list-style-type: none"> •Automotive lighting products •Bus and other commercial vehicles HVAC system •Cabins for off-highway vehicle •Refrigeration system •Manufacturing support •Information technology and design engineering

Background

SMFL is the principal holding company of the Samvardhana Motherson group. It operates a number of subsidiaries, joint ventures and group companies including MSSL which is listed in India, Samvardhana Motherson Reflectec (rear view vision system business acquired from Visiocorp Plc in 2009) and multiple other subsidiaries and joint ventures with leading global technological partners. Its primary focus is the automotive industry, globally and in India, and is in the process of expanding the expertise and skills acquired in the automotive business into other sectors where it anticipates significant future growth.

SMFL has products that cover multiple areas of the automotive value chain as well as several non-automotive industries. Product portfolio includes rear view vision systems, wiring harnesses, polymer processing and tool manufacturing, elastomer processing, modules (such as automotive lighting products and HVAC systems), metal working (cutting tools, broaches, bimetal band-saws etc.), cabins for off-highway vehicles, refrigeration systems, manufacturing support (paint coating and auxiliary equipments for injection moulding machines) and IT and design engineering.

SMFL supplies components to automotive original equipment manufacturers (“OEMs”) and other customers across the world. Their manufacturing locations are generally located close to major automotive manufacturers in order to facilitate supplies to our customers, and they have 120 manufacturing facilities, including 48 manufacturing facilities outside India, with a presence in 25 countries across the world. They are in the process of establishing new manufacturing facilities in India, Brazil, Mexico, Spain and Thailand.

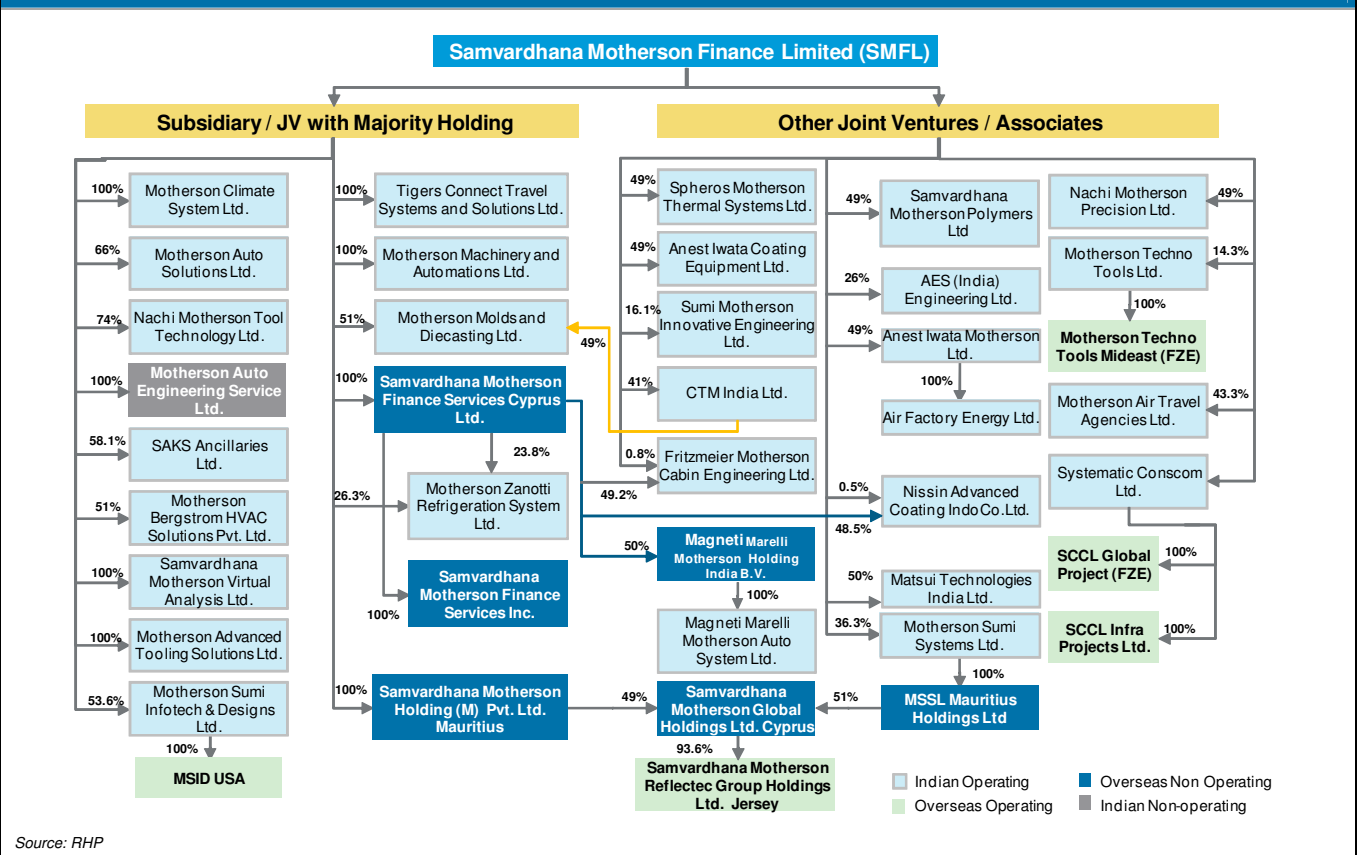
SMFL’s major customers include the Volkswagen group, BMW, Daimler, Renault Nissan, Ford India Private Limited, Volvo Car Corporation, Maruti Suzuki, Tata Motors, Honda Siel Cars India Limited, Toyota Kirloskar Motor Private Limited and Fiat India Automobiles Limited. The 10 largest automotive OEM manufacturers in the world are SMFL’s customers.



Source: RHP

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4. SMFL Corporate Structure



5. Investment Highlights

<p>Globally diversified leader in exterior rear view vision systems</p>	<p>SMFL is the world's second-largest exterior rear view mirror manufacturer with a global market share of 22% (2010). They are the leading player in the European exterior rear view vision systems market with a market share of approximately 34.0% (2010), and enjoy a leading position in the North America and Asia-Pacific regions with a market share of approximately 25.0% and 17.0%, respectively. In 2010, they had 57.0% of the market for exterior rear view vision systems in India (2010). In Fiscal 2011, approximately 29.6% of their consolidated income was generated by customers in India, while 69.8% was contributed by customers outside India</p>
<p>Global manufacturing footprint</p>	<p>SMFL has global production, engineering, project management and customer support capabilities, with a presence in 23 countries across five continents, with a total of 90 manufacturing units. Their global presence gives access to customers on a localized basis. This proximity optimizes deliveries to customers and facilitates greater interaction while enabling quick & timely response. In addition, their global engineering team is structured to provide technical and design support for their global product development efforts. They have separate but inter-connected design and research centres located in the various regions in which they operate, to cater to the design needs of customers on a regional basis. The interconnectivity of their design and research centres and the ability to share innovations and technological advancements across the network globally helps to improve products in each of the regions in which they operate</p>
<p>Right Strategy – Higher content per car & end to end solutions for customers</p>	<p>SMFL has consistently followed a strategy of increasing the “content per car” that it provides to its main customers, who are automotive original equipment manufacturers (OEMs) across the world who use SMFL's components primarily in passenger vehicles and commercial vehicles. Driven by its perseverance on increasing content per car, it now supplies a wide array of products to the same customer. Their range of capabilities and diversified product portfolio positions them as an end-to-end solutions provider to their customers, while protecting them from variable demand for one or more particular products and against the obsolescence of some of the products SMFL's perseverance of increasing content per car supplied (both through organic and inorganic means) to its customers has helped the group post a robust revenue CAGR of 202% over the last 4 years.</p>
<p>Right long term partners – JVs & OEMs</p>	<p>Over the years, SMFL has evolved as a JV specialist, having collaborations with global technology leaders including Sumitomo Wiring Systems Limited, Nachi Fujikoshi Corporation, Magneti Marelli Holding S.P.A., Calsonic Kansei Corporation, the Woco Franz Josef Holding GmbH and Woco Industrietechnik GmbH, Kyungshin Industrial Company Limited, Spheros GmbH, F Holding GmbH, Austria and Zanotti S.P.A. These long standing relationships give them access to world-class technology which has helped the Company leverage its competencies in existing areas to create products fulfilling the emerging technical needs of its customers. Their major customers include the five largest automotive OEM manufacturers in the world, as well as the largest automotive OEM manufacturer in India. Further, SMFL's strong ties with its major OEM customers enable it to communicate and coordinate with them and seek to establish or acquire manufacturing facilities in areas that they propose to target for growth. The trust and confidence of customers as also its JV partners has played a pivotal role in the growth of SMFL.</p>
<p>Synergies through horizontal & vertical integration</p>	<p>SMFL has been able to harness synergies through horizontal and vertical integration across its different product and service segments. For example, wiring harnesses are used in the manufacture of rear view mirrors, enabling Samvardhana Motherson Reflectec (SMR) to source these wiring harnesses from MSSL, while MSSL's wiring harness manufacturing activities are supported by the group's existing polymer processing and tool manufacturing capabilities. SMFL's wiring harnesses business produces all the major components required in-house, ranging from wires to connectors. These synergies extend across various businesses of the group, enhancing its ability to become an integrated full-system solutions provider. Further, SMFL is able to coordinate manufacturing activities across its subsidiaries, joint ventures and associate companies through its integrated supply chain and inventory management, engineering, design and information technology functions. The horizontal and vertical synergies provide SMFL with a significant operational advantage and helps reduce its dependence on third party suppliers providing economies of scale.</p>

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Growth potential in non-automotive segment	<p>As a part of its strategy to diversify the business and customer base, SMFL is also engaged in the provision of various non-automotive services and ancillary support services such as manufacturing cabins for off highway vehicles, refrigeration systems, information technology design engineering and other products that fulfill auxiliary functions in the automotive industry including from a supply chain management perspective.</p> <p>Several of SMFL's JV's are engaged in the manufacture of heating, ventilation and air-conditioning systems for cars, buses and commercial and off-highway vehicles and are also engaged in manufacturing of high-end safety driver cabins for off-highway vehicles. Thus they are well positioned to tap into the growth potential offered.</p> <p>India has a growing requirement for agricultural supply chain management and food chain logistics. In this context, SMFL's foray into the cold storage systems and refrigerated transport systems business have significant potential and the groups links to the public distribution systems in several states provide them with an opportunity to develop this business further. This represents another potential growth segment for SMFL.</p>
Experienced and Well Qualified management	<p>SMFL's operations are conducted by a well qualified management that has significant experience in all aspects of the business. The management is led by Mr. Vivek Chaand Sehgal, who has been in the automotive components business for over 25 years. The strength and quality of SMFL's management team and its understanding of the global automotive component business enable SMFL to identify and take advantage of strategic market opportunities.</p> <p>In addition, SMFL management team has demonstrated its ability to effectively respond to changing local market conditions, and have the ability to adapt effectively while continuing to expand in existing markets as well as into new geographic and market segments.</p>