

MOTHERSON SUMI SYSTEMS LTD
Mar-21
Industry: Auto
Target Rs: 290
Recommendation: Accumulate
Accumulation range Rs: 200-220
Key Data

Date	4.3.21
BSE Code	517334
NSE Code	MOTHERSUMI
52 Week High (Rs)	238
52 Week Low (Rs)	49
Market Cap (Rs Cr)	69376
Face Value	1
Cmp Rs	232

Q3FY21 Result Update:
Margins driven by improved performance:

MSSL revenue in Q3 were better than our expectations. It increased by 10.7% YoY to Rs 17092 Cr. We could see performance uptick due to benefits reaping from its recently commissioned SMP facilities operations. Operating margins moved northwards with 260bps YoY improvement in EBITDA margin to 10.8% (best EBITDA margins since Q4FY17). This was driven by improved performance of greenfield facilities and cost savings post-Covid normalization in all its businesses. It was able to generate strong cash flows in Q3FY21 helping it lower its debt levels.

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Strong Industrial Recovery with Operations Back to Near Normal:

Outperformance was seen across all the verticals which helped the topline growth. MSSL's operations are returning back to normal, as most facilities reached their capacity utilization to pre-COVID levels. Pickup in the demand across international markets boosted utilization levels. Execution of strong order book augured well for the company. Also ongoing ramp up of OEM production across the world is proving positive for the company. With that reorganising and breakeven achievement in its greenfield plants is supporting the company. However, strong demand scenario across geographies and rising order execution from new facilities should further help MSSL.

Shareholding Dec 2020

Promoters	61.73%
Public	38.27%

Diversification into new industries:

MSSL plans to have 25% revenue generation from new divisions in its 5Year plan. It has expansion plans into aerospace and logistics service business. Aerospace through wiring harnesses and aero-structures while Logistics services for automotive OEMs and specialized B2B services. It is developing new solutions in current industries which will help it expand & strengthen its capabilities into 2 wheeler LED lighting as well as wiring harness business. With this we believe it should be able to increase content and value per car/oem in the near future.

Promoters/ Management

Mr. Vivek Sehgal	Chairman
Mr. G N Gauba	CFO
Mr. Pankaj Mital	Director
Mr. Arjun Puri	Director
Ms. Geeta Mathur	Director

Key Ratios

P/E	104.55
ROE	10.50%
P/Bv	11.11

Price Chart

Mview:

Mothersumi reported strong Q3FY21 number in all the way and were better than street estimates driven by better margins and improving demand outlook. We remain positive on the back of strong management capability to growth faster than industry; expect change in business cyclical in Auto segments in both domestic and global markets, and better profitability across divisions. Management has also confirmed that operations have normalised, with most facilities running at pre-Covid levels which gives stabilisation in business and margin improvement across segments have been supported by better scale and cost savings going forward. Considering all factors of growth we recommend investors to "Accumulate" in the range of Rs 200-220 with a Target of Rs.290 with potential upside of 25%.

About the Company:

Motherson Sumi Systems Limited (MSSL) was established in 1986 as a joint venture with Sumitomo Wiring Systems. It is currently the largest auto ancillary in India and one of the world's leading, specialized automotive component manufacturing companies for OEMs. With a diverse global customer base of nearly all leading automobile manufacturers globally, it has a presence in 36 countries across six continents. MSSL is the flagship company of the Samvardhana Motherson Group (SMG).

Research Team
Prashanth Tapse

022-61507123

prashanth.tapse@mehtagroup.in

QUARTERLY FINANCIAL OVERVIEW

Profit & Loss Statement (Rs Cr)

Particulars	Q3FY21	Q3FY20	YoY	Q2FY21	QoQ	9MFY21	9MFY20	YoY
Revenue from operations	17092	15000	13.95%	14957	14%	40398	46499	-13%
Expenses								
Cost of raw materials	9686	8586	13%	8290	17%	22813	26474	-14%
change in inventories	4	149		94		215	375	
employee benefit expense	3848	3551	8%	3518	9%	10150	10756	-6%
other expenses	1759	1597	10%	1664	6%	4583	5277	-13%
Total expenses	15297	13883	10%	13566	13%	37761	42882	-12%
EBITDA	1795	1117	61%	1391	29%	2637	3617	-27%
EBITDA %	10.50%	7.45%		9.30%		6.53%	7.78%	
depreciation	637	591	8%	635	0%	1883	1683	12%
other income	65	72	-10%	55	18%	168	205	-18%
finance cost	138	178	-22%	127	9%	375	456	-18%
PBT	1085	420	158%	684	59%	547	1683	-67%
tax	-109	97		166		-135	391	
PAT	1194	323	269.66%	518	131%	682	1292	-47%
PAT %	6.99%	2.15%		3.46%		1.69%	2.78%	
EPS	2.53	0.86		1.07		1.03	3.12	

Source: bseindia.com

TECHNICAL TREND





MSEARCH

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Disclosure of Interest Statement: Analyst ownership of the stock: No

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Msearch's Recommendation (Absolute Performance)

Buy : > 20% within the next 12 Months

Accumulate : 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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SEBI registered RA Reg No INH000000552

Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli,
Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in