



MSEARCH

RESULT UPDATE

MOTHERSON SUMI SYSTEMS LTD

Jun-21

Industry: Auto

Target Rs: 284

Recommendation: Buy on Dip

Accumulation range Rs: 220-240

Key Data

Date	7.6.21
BSE Code	517334
NSE Code	MOTHERSUMI
52 Week High (Rs)	273
52 Week Low (Rs)	87
Market Cap (Rs Cr)	80680
Face Value	1
Cmp Rs	255

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding March 2021

Promoters	61.73%
Public	38.27%

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	152.83
ROE	7.72%
P/Bv	11.80

Price Chart



Research Team

Prashanth Tapse

022-61507123

prashanth.tapse@mehtagroup.in

Q4FY21 Result Update:

Sustained efficiency measures have helped drive performance:

The improvement in profitability which was seen in Q3 has been maintained in Q4FY21 despite headwinds and disruptions. Consolidated Revenue/EBITDA grew 18%/40% YoY to Rs 16,972 Cr/Rs 1,722 Cr Cr in 4QFY21. Industrial recovery along with sustained margins drive the overall profits for the company. Recovery was observed in SAMIL's business performance, with 4QFY21 revenue growing 16% on QoQ basis to Rs 640 Cr and EBITDA margins at 11.4%. Overall despite multiple headwinds such as chip shortage, higher commodity costs etc. the company sustained profitability.

Strong orderbook:

Sharp uptick in new orders reflects normalization to pre-COVID-19 levels. Motherson's 4QFY21 performance was a beat led by strong performance in India. It should continue to benefit from a cyclical recovery in its key businesses as it enjoys strong positioning in its respective product categories. Also strong order book and improving efficiencies would further lead to improvement in the business in the coming quarters.

Improving Debt levels and uptick in the Cash Flows:

Net debt continues to fall with strong cash flows and optimized capex requirements. Consolidated net debt stood at Rs 6,090Cr vs Rs 7,520 Cr QoQ. Improved efficiency and optimizing capex helped Motherson generate sizeable amount of free cash. Also cash flows improved due to uptick in profitability and lower spend during the quarter.

Mview:

We continue to remain positive on Motherson Sumi even after delivering Q4 results flat below street expectations with near-term stable outlook, while long-term we are still positive. We believe the company's profitability would rise further as electric vehicles will gain market share with order book jumping 25%. Motherson commitment to its vision of tripling revenues by FY25 to \$36 billion from \$10 billion clocked in FY20 under the Vision 2025 plan. It has lined up a capital expenditure of Rs 2,000 crore for FY22 which will be used to service the large order book it currently has. The capex guidance for FY22 is largely similar to the capex of FY21. At current levels, we see a stock is available at decent valuations with a healthy margin of safety on downside and hence we advise investors to "BUY ON DIP" in the range of Rs 220-240 for the long term. We believe Motherson is well placed and best in class in the Automotive Systems sector going forward.

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).

QUARTERLY FINANCIAL OVERVIEW

Profit & Loss Statement (Rs Cr)

Particulars	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ	FY21	FY20	YoY
Revenue from operations	16972	14434	17.58%	17092	-1%	57370	60729	-6%
Expenses								
Cost of raw materials	9863	7811	26%	9686	2%	32676	34284	-5%
change in inventories	-293	309		4		-78	684	
employee benefit expense	3949	3616	9%	3848	3%	14099	14373	-2%
other expenses	1731	1456	19%	1759	-2%	6313	6734	-6%
Total expenses	15250	13192	16%	15297	0%	53010	56075	-5%
EBITDA	1722	1242	39%	1795	-4%	4360	4654	-6%
EBITDA %	10.15%	8.60%		10.50%		7.60%	7.66%	
depreciation	757	779	-3%	734	3%	2926	2720	8%
other income	62	20	210%	65	-5%	229	225	2%
finance cost	136	137	-1%	138	-1%	511	593	-14%
PBT	891	346	158%	988	-10%	1152	1566	-26%
tax	66	297		-109		-69	688	
PAT	825	49	1583.67%	1097	-25%	1221	878	39%
PAT %	4.86%	0.34%		6.42%		2.13%	1.45%	
EPS	2.26	0.59		2.53		3.29	3.71	

TECHNICAL TREND





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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