

October 12, 2020

Event Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	139		139	
Sales (Rs. m)	7,10,682	7,91,548	7,10,682	7,91,548
% Chng.	-	-	-	-
EBITDA (Rs. m)	64,013	73,843	64,013	73,843
% Chng.	-	-	-	-
EPS (Rs.)	6.0	7.9	6.0	7.9
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	635	605	711	792
EBITDA (Rs. bn)	52	39	64	74
Margin (%)	8.2	6.4	9.0	9.3
PAT (Rs. bn)	12	8	19	25
EPS (Rs.)	3.7	2.6	6.0	7.9
Gr. (%)	(27.5)	(31.0)	135.6	30.8
DPS (Rs.)	1.5	0.7	1.6	2.1
Yield (%)	1.2	0.6	1.3	1.8
RoE (%)	10.4	6.8	14.9	17.4
RoCE (%)	10.8	5.5	15.2	20.0
EV/Sales (x)	0.7	0.7	0.6	0.5
EV/EBITDA (x)	8.6	11.4	6.8	5.6
PE (x)	32.7	47.4	20.1	15.4
P/BV (x)	3.3	3.1	2.8	2.5

Key Data

MOSS.BO | MSS IN

52-W High / Low	Rs.151 / Rs.49
Sensex / Nifty	40,509 / 11,914
Market Cap	Rs.382bn/ \$ 5,229m
Shares Outstanding	3,158m
3M Avg. Daily Value	Rs.3270.59m

Shareholding Pattern (%)

Promoter's	61.73
Foreign	15.64
Domestic Institution	13.35
Public & Others	9.28
Promoter Pledge (Rs bn)	24.11

Stock Performance (%)

	1M	6M	12M
Absolute	10.3	83.3	24.7
Relative	4.0	41.0	17.5

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Identified key focus areas beyond core

Quick Pointers:

- MSS outlined key business of SAMIL that it want to grow in next five years. The contrinution of these business are currently small with FY20 consol revenue/EBITDA contribution of 3.8%/6.4%.
- Looking to leverage groups capabilities to diversify and grow in to above areas like lightings, suspension, staming, HVAC in the coming five years.
- In our view, while current contribution is small, business such as lighting, suspension and structured parts are scalable.

MSS hosted virtual investor meet ([click for PPT](#)) where it highlighted SAMIL's (a group company) key business, its scale up strategy and way forward. It explained the top 10 business of SAMIL (such as Automotive lightings, HVAC, structural metal parts, shock absorbers and entry in to aftermarket segment) which contribute to ~85% of revenues and ~89% of EBITDA for SAMIL (FY20 consol revenue/EBITDA contribution of 3.8%/6.4%). Post the restructuring, SAMIL would be included in one of the listed companies of MSS.

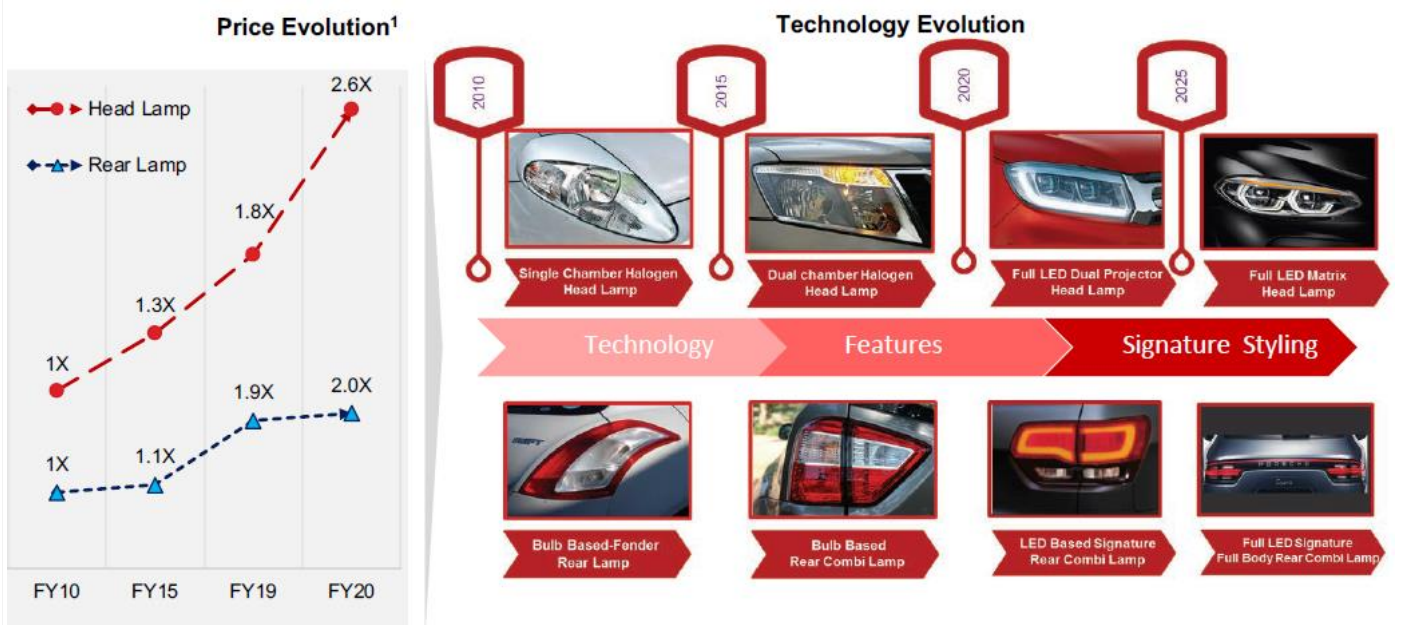
In our view, while current contribution is small, business such as lighting (among top 3 suppliers in exterior Auto lightings), Suspension (large after market opportunity) and shift from cold stamp to hot stamp (for light weighting) will be a meaningful contributor in coming years for MSS. Also, it has potential of inorganic expansion (global opportunity size of ~USD200bn, refer exhibit 8). We maintain BUY with revised TP of Rs139 (vs Rs125) as we now value MSS at 20x (vs 18x) to factor in better than expected recovery in global auto volumes and tight control on debt.

Highlights – SAMIL's key business

Mareli Motherson Automotive Lightings (MMLI) – among top 3 players in exterior lighting in India.

- MMLI's revenue/EBITDA have increased at 33%/51% CAGR over FY15-20 to Rs8.7b and Rs1.7b. MMLI is currently largest supplier to Maruti Suzuki by value.
- As per co's estimates PV LED lighting penetration in India is ~30% as on FY20 (v/s 0.1% in FY10); which compares to ~85% in Europe (v/s 1% in FY10). Owing to evolution of automotive lighting from being a commodity to technology, the pricing for head lamp has increased 2.6x over FY10-20 while that for rear lamp increased ~2x.
- The company has localized almost 100% of components for this business in India. Most of the infra capex in this business is done through internal accruals and the company hasn't borrowed in last three years.
- MMLI intends to focus on B+ PV segment to scale its business.

Exhibit 1: MMLI – Evolution trend from commodity to technology drive value growth for the business



Source: Company Presentation

Exhibit 2: MMLI – Key emerging trend, MMLI’s preparedness and product road map

Emerging Trend	MMLI Preparedness	Comments
Halogen to LED	✓	2.5 – 3.0x price increase in last 5 years from Halogen to LED Lamps
Signature Lighting	✓	OEM adopting Signature pattern for brand recognition and due to this content in lamps are increasing.
Multiple lamps concepts	✓	With New Styling, OEMs are adding multiple lamps eg. In Front lighting (Head Lamp, DRL, FOG, Turn Indicator), In Rear Lighting (Body Lamp, full body Trunk Lamp, Bumper lamp etc.)
Entry of new customers with LED	✓	Localized Bi LED / Mono LED modules
Signalling Function upgrading to LED	✓	Localised Electronics Solution for Signalling Function

Product roadmap

Multiple project with Full LED Front & Rear Lighting System	Localised LED Solution Multi LED Projector	Multi LED Front and Rear Lighting for Electrical Vehicle	AIM Multiple BSVI AIM

Source: Company Presentation

Mareli Motherson Auto Suspension Parts (MMAS) – Aiming at huge aftermarket opportunity.

- MMAS revenue increased at 10% CAGR over FY15-20 with EBITDA turn around at Rs121m in FY20 and margins of 8.1% (v/s negative EBITDA of Rs56m in FY15).
- MMAS is focusing on financial turnaround by way of improving focus on exports, expanding aftermarket business, increasing PV and CV product portfolio and price rationalization.

Exhibit 3: MMAS – Anticipating ramp up in exports and after market opportunities for growth

Marelli Motherson Auto Suspension Parts (MMAS) is 50- 50 JV company b/w Marelli & SAMIL

- JV with Marelli Ride Dynamics division, a US \$ 1 Billion leading player in shock absorbers and suspensions with 15 production sites globally



Manufacturing Footprint

- India/Pune

Sales Footprint

- India
- Poland
- Italy
- USA
- Australia
- Indonesia
- Morocco
- Brazil (Future Supply)



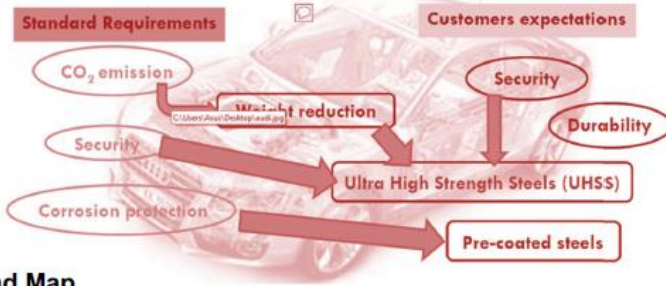
Source: Company Presentation

MS Global India (MSGI) – Focus on light weighting through hot stamping

- MSGI's revenue/EBITDA have increased at 18%/61% CAGR over FY18-20 to Rs3.4b and Rs0.15b. MMLI is currently largest supplier to Maruti Suzuki by value.
- Weight advantage of hot stamp (v/s cold) – global 15% of body parts (USD100b total size) are done through hot stamp (25-30% weight reduction). India is still in growth stage while US and Europe OEMs have adopted hot stamping. In India MG, Kia and Renault are adopting hot stamps.

Exhibit 4: MSGI – Already supply hot stamped products to Renault Triber and Kia Seltos

Why Hot Stamping



Our Current Hot Stamping Parts



Road Map



Source: Company Presentation

- **Fritzmeier Motherson Cabin Engineering (FMCEL)** – FMCEL is 50-50 JV between SAMIL and Fritzmeier, Germany (a global leader in providing solutions for operator cabins for construction, mining, agriculture and material handling segments).
- **Key opportunities** - Increase in value per content through technology changes such as new business cabins to meet BS6 norms, opening of mining sector for global players, mandatory ROPS/FOPS regulations in India by FY23.

Exhibit 5: FMCEL – Penetration in key OTR segments

From Cabin to High value fabricated parts, Fuel tank, Hydraulic tank & Tooling.

Segments coverage over last years	Bullet Proof Armour Vehicles		Wheel Loaders				
	Self Loading Mixers		Agriculture Harvesters		Fuel Tank	Hydraulic Tank	Tooling
	Backhoes		Door Assembly				
	Skid Steer Loaders		Large Excavator Fab Parts				
	Excavators		Dumper Lite Fab Parts				
	Agriculture Equipment						
	Dumper Cabins						

Different Types of Safety cabins & Fabricated parts developed and being supplied to various customers across all segments

Source: Company Presentation

Valeo Motherson and Motherson Bergstrom – HVAC solution for CV segment

- Valeo Motherson (VMTI)** is a 51-49 JV between SAMIL and Valeo for manufacture of Bus HVAC for both diesel, electric and truck refrigeration System. **Motherson Bergstrom (MBSL)** is a 50-50 JV between SAMIL and Bergstrom US for designing and manufacturing of cab climate control systems for commercial trucks, off-highway machines and military vehicles.
- Key customers – Ashok Leyland, Daimler India, JCB, M&M, Tata Motors, Volvo Eicher, CNH, Escorts, Sonalika with 97% and 70% share of business in Tata Motors and Ashok Leyland in OEM made fully built bus.**

Exhibit 6: VMIT and MBSL – key product portfolio for CV and OTR segment respectively


Source: Company Presentation

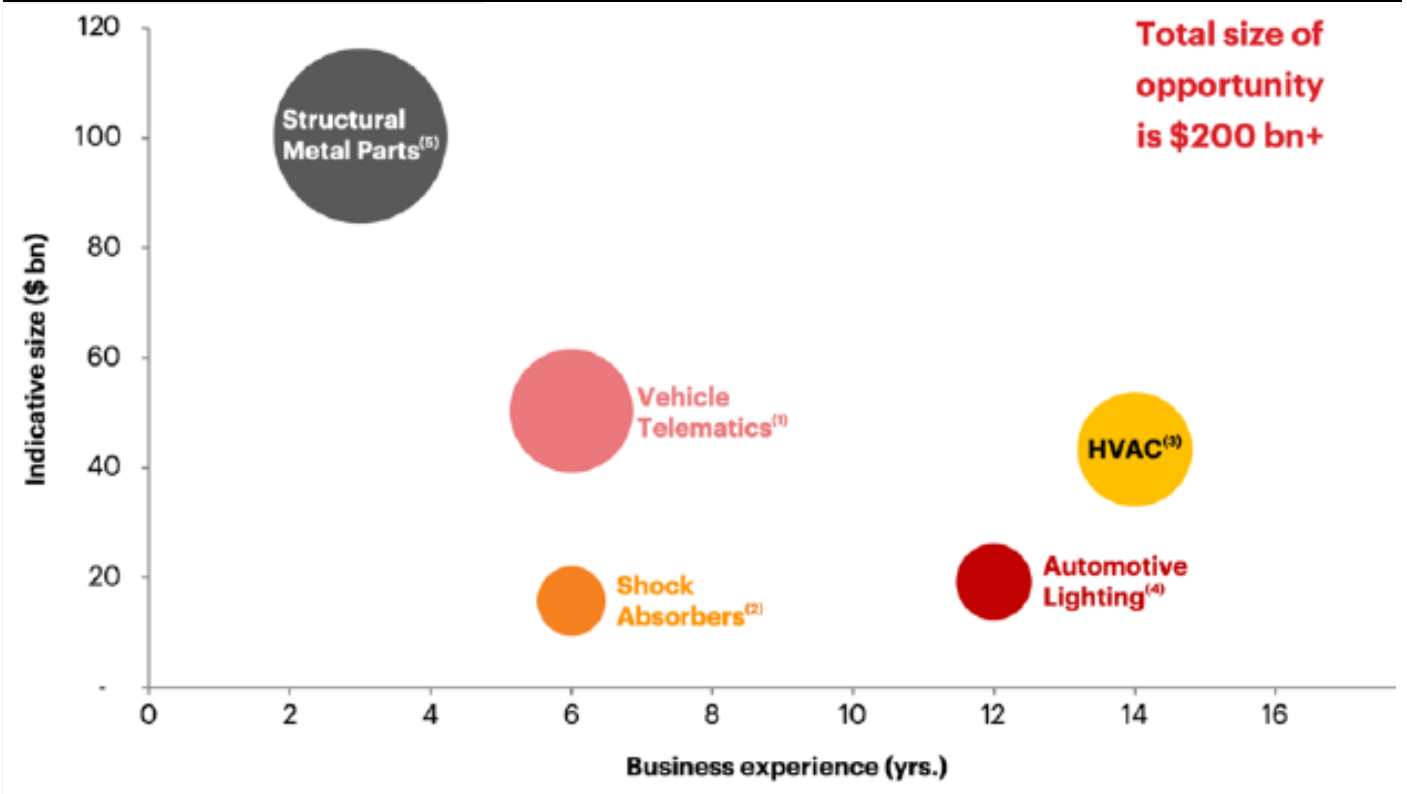
Exhibit 7: SAMIL – Financial metrics of top JVs and subsidiaries

All amounts in INR Crores except %

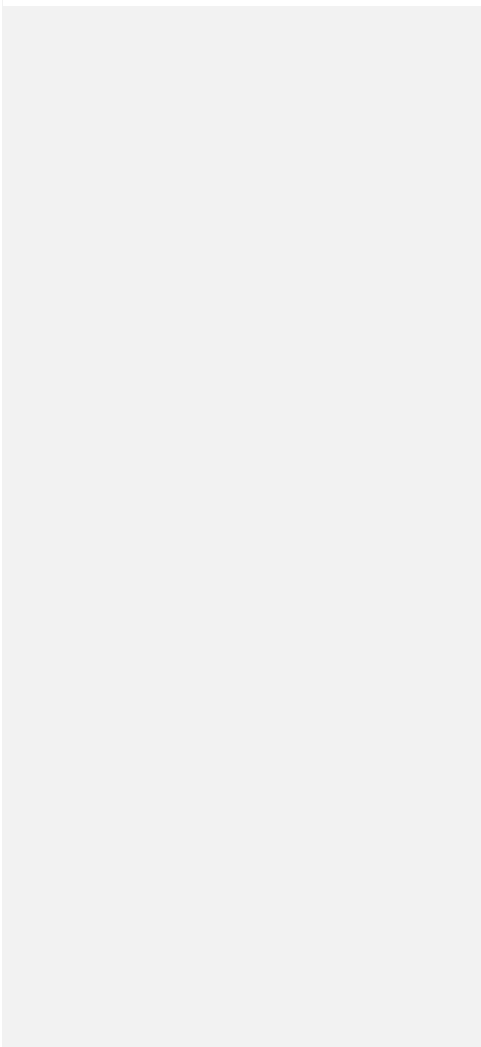
Name of the Company	Product/ Service Offerings	Sub / JV	Stake (%)	Revenue ^{1,2}		EBITDA ² (and %)		ROACE (%) ³	
				FY19	FY20	FY19	FY20	FY19	FY20
Marelli Motherson Automotive Lighting India Pvt. Ltd	Lighting Solutions	JV	50%	712	868	125	170	32%	39%
Motherson Sumi Infotech and Design Ltd ^{4,6}	Services & IT Solutions	Sub	53.7%	396	420	38	27	26%	9%
MS Global India Automotive Pvt. Ltd.	Metal Solutions	Sub	100%	467	343	42	15	8%	-4%
Marelli Motherson Auto Suspensions Parts Pvt Ltd	Metal Solutions	JV	50%	173	149	19	12	7%	-2%
Motherson Techno Tools Ltd ^{4,5}	Metal Solutions	Sub	60%	171	139	46	24	21%	5%
CTM India Ltd.	Engineering & Tooling	Sub	41%	102	122	37	36	46%	32%
Valeo Motherson Thermal Commercial Vehicles India Ltd.	Metal Solutions	JV	49%	101	111	8	9	35%	36%
Anest Iwata Motherson Private Ltd.	Metal Solutions	JV	49%	86	93	17	15	32%	27%
Fritzmeier Motherson Cabin Engineering Pvt. Ltd.	Metal Solutions	JV	50%	97	77	14	7	16%	5%
Matsui Technologies India Ltd.	Services & IT Solutions	JV	50%	66	71	12	16	92%	84%
Total (Top 10)				2,372	2,393	358	331	23%	17%
Share In SAMIL Aggregate Basis				87%	85%	94%	89%		

Source: Company Presentation

Exhibit 8: xxx



Source: Company Presentation



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	6,35,369	6,04,653	7,10,682	7,91,548
YoY gr. (%)	0.0	(4.8)	17.5	11.4
Cost of Goods Sold	3,62,715	3,14,813	3,55,949	3,82,191
Gross Profit	2,72,654	2,89,840	3,54,733	4,09,357
Margin (%)	42.9	47.9	49.9	51.7
Employee Cost	1,50,769	1,73,384	1,99,392	2,29,300
Other Expenses	69,871	77,475	91,328	1,06,214
EBITDA	52,014	38,981	64,013	73,843
YoY gr. (%)	(2.7)	(25.1)	64.2	15.4
Margin (%)	8.2	6.4	9.0	9.3
Depreciation and Amortization	27,780	26,194	27,469	23,493
EBIT	24,234	12,787	36,544	50,350
Margin (%)	3.8	2.1	5.1	6.4
Net Interest	5,986	6,435	5,121	4,471
Other Income	2,307	2,353	2,588	2,718
Profit Before Tax	20,555	8,705	34,011	48,597
Margin (%)	3.2	1.4	4.8	6.1
Total Tax	8,184	2,612	10,884	16,037
Effective tax rate (%)	39.8	30.0	32.0	33.0
Profit after tax	12,370	6,094	23,128	32,560
Minority interest	1,244	319	6,403	9,983
Share Profit from Associate	575	2,298	2,298	2,298
Adjusted PAT	11,701	8,073	19,023	24,875
YoY gr. (%)	(27.5)	(31.0)	135.6	30.8
Margin (%)	1.8	1.3	2.7	3.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,701	8,073	19,023	24,875
YoY gr. (%)	(27.5)	(31.0)	135.6	30.8
Margin (%)	1.8	1.3	2.7	3.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,701	8,073	19,023	24,875
Equity Shares O/s (m)	3,158	3,158	3,158	3,158
EPS (Rs)	3.7	2.6	6.0	7.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	2,81,171	3,02,721	3,24,842	3,47,551
Tangibles	2,81,171	3,02,721	3,24,842	3,47,551
Intangibles	-	-	-	-
Acc: Dep / Amortization	98,927	1,25,121	1,52,590	1,76,083
Tangibles	98,927	1,25,121	1,52,590	1,76,083
Intangibles	-	-	-	-
Net fixed assets	1,82,244	1,77,600	1,72,251	1,71,468
Tangibles	1,82,244	1,77,600	1,72,251	1,71,468
Intangibles	-	-	-	-
Capital Work In Progress	8,154	8,154	8,154	8,154
Goodwill	24,060	24,060	24,060	24,060
Non-Current Investments	1,614	1,614	1,614	1,614
Net Deferred tax assets	5,030	5,030	5,030	5,030
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	51,566	46,727	54,920	61,169
Trade receivables	51,784	54,667	64,253	71,565
Cash & Bank Balance	48,789	50,227	54,873	79,248
Other Current Assets	69,913	69,913	69,913	69,913
Total Assets	4,49,928	4,45,054	4,64,252	5,03,022
Equity				
Equity Share Capital	3,158	3,158	3,158	3,158
Other Equity	1,12,719	1,18,253	1,31,292	1,48,342
Total Networkth	1,15,877	1,21,410	1,34,450	1,51,500
Non-Current Liabilities				
Long Term borrowings	77,995	78,995	75,995	72,995
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	33,795	34,295	34,295	34,295
Trade payables	1,03,091	1,15,462	1,29,317	1,44,836
Other current liabilities	88,159	63,561	52,462	51,680
Total Equity & Liabilities	4,49,928	4,45,054	4,64,252	5,03,022

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	21,129	8,705	34,011	48,597
Add. Depreciation	27,780	26,194	27,469	23,493
Add. Interest	5,626	6,435	5,121	4,471
Less Financial Other Income	2,307	2,353	2,588	2,718
Add. Other	3,561	2,298	2,298	2,298
Op. profit before WC changes	58,095	43,632	68,900	78,859
Net Changes-WC	16,202	(10,559)	(17,145)	(441)
Direct tax	(10,776)	(2,612)	(10,884)	(16,037)
Net cash from Op. activities	63,521	30,462	40,872	62,380
Capital expenditures	(23,171)	(21,550)	(22,121)	(22,710)
Interest / Dividend Income	946	-	-	-
Others	(175)	-	-	-
Net Cash from Inv. activities	(22,399)	(21,550)	(22,121)	(22,710)
Issue of share cap. / premium	-	-	-	-
Debt changes	1,726	1,500	(3,000)	(3,000)
Dividend paid	(12,794)	(2,539)	(5,984)	(7,824)
Interest paid	(5,667)	(6,435)	(5,121)	(4,471)
Others	(11,294)	-	-	-
Net cash from Fin. activities	(28,029)	(7,474)	(14,105)	(15,295)
Net change in cash	13,092	1,438	4,646	24,375
Free Cash Flow	41,578	8,912	18,751	39,671

Source: Company Data, PL Research

Key Financial Metrics

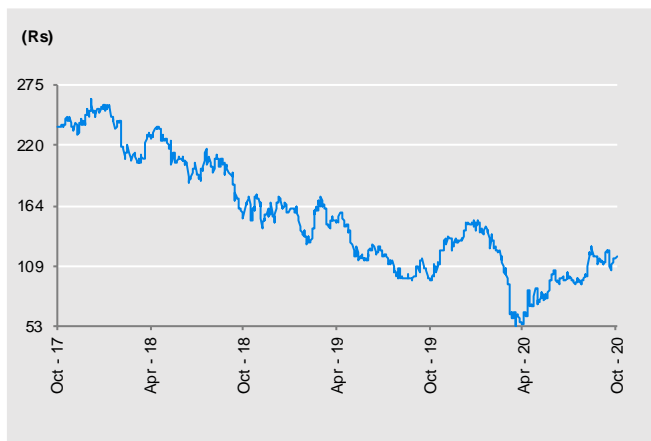
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	3.7	2.6	6.0	7.9
CEPS	10.2	8.2	11.7	13.2
BVPS	36.7	38.4	42.6	48.0
FCF	13.2	2.8	5.9	12.6
DPS	1.5	0.7	1.6	2.1
Return Ratio(%)				
RoCE	10.8	5.5	15.2	20.0
ROIC	8.4	4.9	13.4	19.6
RoE	10.4	6.8	14.9	17.4
Balance Sheet				
Net Debt : Equity (x)	0.5	0.5	0.4	0.2
Net Working Capital (Days)	0	(8)	(5)	(6)
Valuation(x)				
PER	32.7	47.4	20.1	15.4
P/B	3.3	3.1	2.8	2.5
P/CEPS	11.8	14.7	10.3	9.2
EV/EBITDA	8.6	11.4	6.8	5.6
EV/Sales	0.7	0.7	0.6	0.5
Dividend Yield (%)	1.2	0.6	1.3	1.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21E
Net Revenue	1,56,611	1,51,591	85,039	1,75,166
YoY gr. (%)	(4.9)	(11.7)	(49.4)	10.0
Raw Material Expenses	90,417	84,411	50,402	96,341
Gross Profit	66,194	67,179	34,637	78,825
Margin (%)	42.3	44.3	40.7	45.0
EBITDA	12,358	13,916	(6,300)	13,830
YoY gr. (%)	(11.3)	12.0	(150.2)	4.9
Margin (%)	7.9	9.2	(7.4)	7.9
Depreciation / Depletion	6,938	7,927	7,123	7,190
EBIT	5,420	5,989	(13,423)	6,640
Margin (%)	3.5	4.0	(15.8)	3.8
Net Interest	1,791	1,382	1,115	1,350
Other Income	783	151	481	600
Profit before Tax	4,412	4,759	(14,058)	5,890
Margin (%)	2.8	3.1	(16.5)	3.4
Total Tax	1,227	3,315	(2,143)	1,590
Effective tax rate (%)	27.8	69.7	15.2	27.0
Profit after Tax	3,185	1,444	(11,915)	4,300
Minority interest	698	(477)	(3,812)	150
Share Profit from Associates	218	(87)	(2)	150
Adjusted PAT	2,705	1,834	(8,105)	4,300
YoY gr. (%)	(30.5)	(55.3)	(344.4)	11.8
Margin (%)	1.7	1.2	(9.5)	2.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,705	1,834	(8,105)	4,300
YoY gr. (%)	(30.5)	(55.3)	(344.4)	11.8
Margin (%)	1.7	1.2	(9.5)	2.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,705	1,834	(8,105)	4,300
Avg. Shares O/s (m)	3,158	3,158	3,158	3,158
EPS (Rs)	0.9	0.6	(2.6)	1.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-20	BUY	139	121
2	11-Aug-20	BUY	125	107
3	11-Jul-20	BUY	116	96
4	03-Jul-20	BUY	116	104
5	02-Jun-20	BUY	116	102
6	09-Apr-20	BUY	87	66
7	18-Mar-20	BUY	115	62
8	10-Feb-20	Accumulate	153	125
9	03-Jan-20	Accumulate	162	148
10	11-Nov-19	Accumulate	142	134

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	95	76
2	Bajaj Auto	Hold	2,904	3,060
3	Bharat Forge	Hold	446	466
4	CEAT	Accumulate	1,136	1,001
5	Eicher Motors	Accumulate	2,291	2,218
6	Exide Industries	BUY	191	164
7	Hero Motocorp	Accumulate	3,438	3,327
8	Mahindra & Mahindra	BUY	703	633
9	Maruti Suzuki	BUY	7,642	7,062
10	Motherson Sumi Systems	BUY	139	121
11	Tata Motors	Hold	138	138
12	TVS Motors	Sell	381	472

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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