

June 3, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	311		249	
Sales (Rs. m)	753,273	871,147	749,892	848,428
% Chng.	0.5	2.7		
EBITDA (Rs. m)	82,035	102,843	76,366	94,077
% Chng.	7.4	9.3		
EPS (Rs.)	8.9	11.1	7.7	10.0
% Chng.	15.5	11.5		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	607	574	753	871
EBITDA (Rs. bn)	47	44	82	103
Margin (%)	7.7	7.6	10.9	11.8
PAT (Rs. bn)	8	8	28	35
EPS (Rs.)	2.6	2.4	8.9	11.1
Gr. (%)	(48.3)	(7.3)	262.0	25.3
DPS (Rs.)	1.1	1.5	2.4	3.0
Yield (%)	0.4	0.6	0.9	1.1
RoE (%)	7.5	6.5	20.7	22.4
RoCE (%)	8.6	6.5	24.5	32.0
EV/Sales (x)	1.5	1.5	1.2	1.0
EV/EBITDA (x)	19.7	20.2	10.9	8.4
PE (x)	101.9	109.9	30.4	24.2
P/BV (x)	7.5	6.8	5.9	5.0

Key Data

MOSS.BO | MSS IN

52-W High / Low	Rs.273 / Rs.86
Sensex / Nifty	51,849 / 15,576
Market Cap	Rs.850bn/ \$ 11,627m
Shares Outstanding	3,158m
3M Avg. Daily Value	Rs.6535.7m

Shareholding Pattern (%)

Promoter's	61.73
Foreign	16.64
Domestic Institution	13.42
Public & Others	8.21
Promoter Pledge (Rs bn)	22.07

Stock Performance (%)

	1M	6M	12M
Absolute	25.3	75.7	164.0
Relative	17.9	51.2	72.2

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Strong order wins in 2HFY21; reiterate BUY

Quick Pointers:

- Consol net debt declined to Rs48b in FY21 (v/s Rs69b in FY20).
- EV accounts for 25% of SMRP BV total order book of Eur15.6b as of Mar-21.

MSS 4QFY21 results were operationally in-line as EBITDA grew 24% YoY to Rs17.2b (PLe Rs17.7b) with margins at 10.1% (+90bp YoY, PLe 10.7%) led by continued healthy performance in key global businesses. SMRP BV's healthy order book at Eur15.6b (with Eur4.5b new orders won in 2HFY21) will drive healthy revenues over FY22-24. Sound working capital management and controlled capex led consol net debt to decline by Rs48b in FY21 (v/s Rs69b in FY20). We expect deleveraging to continue for organic business as strong order book at SMRPBV doesn't entail any significant capex. We upgrade FY22/23 consol EPS by 15.5%/11.5% to factor in strong order wins at SMRP BV. Maintain BUY with revised TP of Rs311 (vs Rs249) as we raise target multiple to 28x (in-line with 10yr LPA, v/s 25x earlier) to factor significant increase in return profile and increased EV penetration.

MSS Q4FY21 result in line- Consol revenue grew 12% YoY at Rs169.7b (PLe Rs163.7b) led by growth across businesses. Gross margins came better at 43.6% (-70bp YoY, PLe 43%) offset by higher employee cost at Rs39.5b (PLe Rs36.8b) resulted in 24% YoY growth in EBITDA at Rs17.2b (PLe Rs17.7b). Consequently, margins grew 90bp YoY at 10.1% (PLe 10.8%). Adj PAT too came in line at Rs3.4b (+87% YoY) as lower tax at 7.4% (PLe 30%) was offset by lower profits from associates at Rs3.3b (PLe Rs4.2b).

Segmental margins- S/A margins grew 70bp YoY at 18.5% (PLe 16.9%) while margins came lower for SMR (at 12.9%, -190bp YoY; PLe 13.1%), SMP (at 8.7%; +420bp YoY, PLe 8.9%) and PKC (at 8%; flat YoY, PLe 8.2%).

Consol net debt further declined to Rs48.2b in FY21 (v/s Rs69.2b in FY20). With D/E ratio at 1.2x (v/s 1.5x). **MSS FY21 consol Revenue/EBITDA/Adj PAT declined 6%/ 6%/ 7% YoY.**

Call takeaways: 1) **EVs consists of 25% of total order book for SMRP BV.** Most OEMs are targeting 25-30% EV order book by FY25. New launches like camera program have been launched to target EV segment. 2) **PKC-** Expected to do better by i) making inroads with existing and new customers and ii) new plant addition in China along with 3 JVs- Daimler (Photon and FAW), JAC and Dunken. 3) **Capex plan-** Overall capex for FY22 to remain muted. SMRP BV capex guidance at ~Eur175mn. 4) **Chip shortage-** Expected to resolved by next quarter. Supply of new chips are more of a challenge than old chips. 5) **PKC margins impacted despite increase in Revenue** due to RM inflation (higher copper content in CVs v/s PVs) and supply challenges. Lag impact of 3-4 months for copper, based on the contract. 6) **Greenfield -** While Hungry plant is more mature but both Tuscaloosa and Hungry plants are performing better and have won subsequent orders.

Exhibit 1: Q4FY21 Result Overview - Consolidated (Rs m)

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Net Revenues	1,69,719	1,51,591	12.0	1,70,924	5,73,699	6,22,114	(7.8)
Raw Materials	95,696	84,411	13.4	96,897	3,25,979	3,56,353	(8.5)
<i>% of Net Sales</i>	<i>56.4</i>	<i>55.7</i>		<i>56.7</i>	<i>56.8</i>	<i>57.3</i>	
Personnel	39,494	38,028	3.9	38,477	1,40,996	1,47,347	(4.3)
<i>% of Net Sales</i>	<i>23.3</i>	<i>25.1</i>		<i>22.5</i>	<i>24.6</i>	<i>23.7</i>	
Manufacturing & Other Exp	17,306	15,235	13.6	17,595	63,135	68,695	(8.1)
<i>% of Net Sales</i>	<i>10.2</i>	<i>10.1</i>		<i>10.3</i>	<i>11.0</i>	<i>11.0</i>	
Total Expenditure	1,52,496	1,37,675	10.8	1,52,969	5,30,109	5,72,394	(7.4)
EBITDA	17,223	13,916	23.8	17,955	43,590	49,720	(12.3)
<i>EBITDA Margin (%)</i>	<i>10.1</i>	<i>9.2</i>		<i>10.5</i>	<i>7.6</i>	<i>8.0</i>	
Depreciation	7,568	7,927	(4.5)	7,353	29,261	27,476	6.5
EBIT	9,655	5,989	61.2	10,602	14,329	22,244	(35.6)
Interest Expenses	1,365	1,382	(1.2)	1,380	5,115	5,958	(14.2)
Non-operating income	616	151	306.8	652	2,293	2,221	3.3
PBT	8,906	4,759	87.2	9,875	11,508	18,507	(37.8)
Tax-Total	656	3,315	(80.2)	-1,092	-693	7,772	(108.9)
<i>Tax Rate (%) - Total</i>	<i>7.4</i>	<i>69.7</i>	<i>(89.4)</i>	<i>-11.1</i>	<i>-6.0</i>	<i>42.0</i>	<i>(114.3)</i>
Reported PAT	8,249	1,444	471.3	10,967	12,201	10,735	13.7
Minority Interest	2,813	-390	(821.6)	4,363	4,454	669	565.4
Profit after MI	3,421	1,834	86.6	6,607	-48.2%	5,547	10,065
Adj. PAT	3,421	1,834	86.6	6,607	-48.2%	5,547	10,065

Source: Company, PL

Exhibit 2: Operational performance of Key Segments

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	YoY gr. (%)
Revenue					
SMR	32,585	29,628	10.0	33,884	(3.8)
SMP	87,040	74,749	16.4	93,643	(7.1)
PKC	27,579	21,083	30.8	25,171	9.6
EBITDA margin (%)					
SMR	12.9	14.8		13.2	
SMP	8.7	4.5		9.5	
PKC	8.0	8.0		9.4	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	607,290	573,699	753,273	871,147
YoY gr. (%)	(4.4)	(5.5)	31.3	15.6
Cost of Goods Sold	349,687	325,979	433,203	494,111
Gross Profit	257,603	247,720	320,070	377,036
Margin (%)	42.4	43.2	42.5	43.3
Employee Cost	143,726	140,996	162,145	186,467
Other Expenses	67,336	63,135	75,890	87,726
EBITDA	46,542	43,590	82,035	102,843
YoY gr. (%)	(13.0)	(6.3)	88.2	25.4
Margin (%)	7.7	7.6	10.9	11.8
Depreciation and Amortization	27,210	29,261	27,836	26,392
EBIT	19,332	14,329	54,198	76,451
Margin (%)	3.2	2.5	7.2	8.8
Net Interest	5,928	5,115	4,935	4,383
Other Income	2,246	2,293	2,523	2,775
Profit Before Tax	16,223	11,734	51,785	74,843
Margin (%)	2.7	2.0	6.9	8.6
Total Tax	6,881	(693)	12,946	21,704
Effective tax rate (%)	42.4	(5.9)	25.0	29.0
Profit after tax	9,342	12,427	38,839	53,138
Minority interest	1,244	5,302	11,694	18,913
Share Profit from Associate	575	849	849	849
Adjusted PAT	8,342	7,734	27,993	35,074
YoY gr. (%)	(48.3)	(7.3)	262.0	25.3
Margin (%)	1.4	1.3	3.7	4.0
Extra Ord. Income / (Exp)	331	239	-	-
Reported PAT	8,673	7,973	27,993	35,074
YoY gr. (%)	(46.2)	(8.1)	251.1	25.3
Margin (%)	1.4	1.4	3.7	4.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,673	7,973	27,993	35,074
Equity Shares O/s (m)	3,158	3,158	3,158	3,158
EPS (Rs)	2.6	2.4	8.9	11.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	281,171	303,179	327,143	352,165
Tangibles	281,171	303,179	327,143	352,165
Intangibles	-	-	-	-
Acc: Dep / Amortization	98,927	128,188	156,024	182,416
Tangibles	98,927	128,188	156,024	182,416
Intangibles	-	-	-	-
Net fixed assets	182,244	174,992	171,119	169,749
Tangibles	182,244	174,992	171,119	169,749
Intangibles	-	-	-	-
Capital Work In Progress	8,154	25,254	25,254	25,254
Goodwill	24,060	24,718	24,965	25,214
Non-Current Investments	1,614	1,288	1,326	1,366
Net Deferred tax assets	5,030	10,224	10,224	10,224
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	51,566	49,956	61,913	83,535
Trade receivables	51,784	56,931	68,104	78,761
Cash & Bank Balance	48,789	59,062	35,775	63,960
Other Current Assets	69,913	65,658	65,658	65,658
Total Assets	449,928	470,625	470,246	532,153
Equity				
Equity Share Capital	3,158	3,158	3,158	3,158
Other Equity	109,451	122,448	141,636	165,678
Total Networkth	112,609	125,606	144,794	168,836
Non-Current Liabilities				
Long Term borrowings	82,612	74,687	71,687	69,687
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	34,078	13,575	12,075	11,075
Trade payables	103,091	111,407	124,775	139,748
Other current liabilities	86,917	115,342	75,212	82,191
Total Equity & Liabilities	449,928	470,625	470,246	532,153

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	21,129	16,129	51,785	74,843
Add. Depreciation	27,780	29,764	27,836	26,392
Add. Interest	5,626	4,544	4,935	4,383
Less Financial Other Income	2,246	2,293	2,523	2,775
Add. Other	3,561	(757)	849	849
Op. profit before WC changes	58,095	49,680	85,406	106,466
Net Changes-WC	16,202	6,432	(53,256)	(12,850)
Direct tax	(10,776)	(5,600)	(12,946)	(21,704)
Net cash from Op. activities	63,521	50,512	19,204	71,912
Capital expenditures	(23,171)	(19,325)	(24,211)	(25,271)
Interest / Dividend Income	946	785	-	-
Others	(175)	(394)	(39)	(40)
Net Cash from Inv. activities	(22,399)	(18,934)	(24,250)	(25,311)
Issue of share cap. / premium	-	-	-	-
Debt changes	1,726	(4,894)	(4,500)	(3,000)
Dividend paid	(12,794)	(1,612)	(8,805)	(11,033)
Interest paid	(5,667)	(4,141)	(4,935)	(4,383)
Others	(11,294)	(10,328)	-	-
Net cash from Fin. activities	(28,029)	(20,975)	(18,241)	(18,416)
Net change in cash	13,092	10,603	(23,287)	28,185
Free Cash Flow	41,578	31,187	(5,007)	46,640

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	2.6	2.4	8.9	11.1
CEPS	8.4	8.5	14.4	17.1
BVPS	35.7	39.8	45.9	53.5
FCF	13.2	9.9	(1.6)	14.8
DPS	1.1	1.5	2.4	3.0
Return Ratio(%)				
RoCE	8.6	6.5	24.5	32.0
ROIC	6.3	9.3	21.9	31.0
RoE	7.5	6.5	20.7	22.4
Balance Sheet				
Net Debt : Equity (x)	0.6	0.2	0.3	0.1
Net Working Capital (Days)	0	(3)	3	9
Valuation(x)				
PER	101.9	109.9	30.4	24.2
P/B	7.5	6.8	5.9	5.0
P/CEPS	32.2	31.5	18.6	15.7
EV/EBITDA	19.7	20.2	10.9	8.4
EV/Sales	1.5	1.5	1.2	1.0
Dividend Yield (%)	0.4	0.6	0.9	1.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

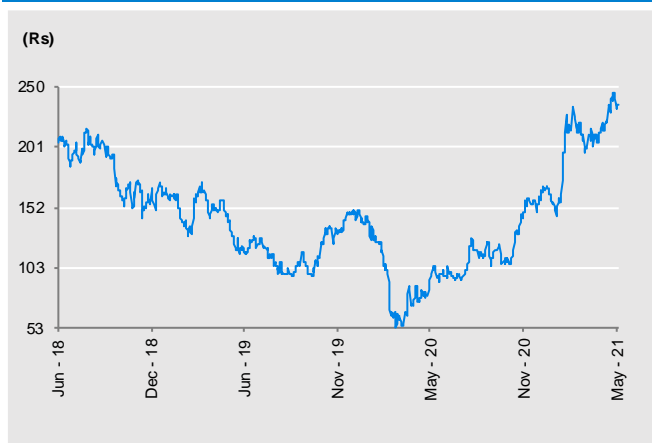
Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	83,484	149,572	170,924	169,719
YoY gr. (%)	(50.3)	(2.0)	13.9	12.0
Raw Material Expenses	49,558	83,829	96,897	95,696
Gross Profit	33,926	65,744	74,028	74,023
Margin (%)	40.6	44.0	43.3	43.6
EBITDA	(5,507)	13,918	17,955	17,223
YoY gr. (%)	(143.9)	15.2	60.7	23.8
Margin (%)	(6.6)	9.3	10.5	10.1
Depreciation / Depletion	6,994	7,346	7,353	7,568
EBIT	(12,501)	6,572	10,602	9,655
Margin (%)	(15.0)	4.4	6.2	5.7
Net Interest	1,101	1,269	1,380	1,365
Other Income	473	553	652	616
Profit before Tax	(13,128)	5,260	9,850	8,904
Margin (%)	(15.7)	3.5	5.8	5.2
Total Tax	(1,914)	1,657	(1,092)	656
Effective tax rate (%)	14.6	31.5	(11.1)	7.4
Profit after Tax	(11,214)	3,603	10,942	8,247
Minority interest	(3,812)	1,364	4,699	3,051
Share Profit from Associates	(2)	276	336	238
Adjusted PAT	(7,404)	2,923	6,607	3,421
YoY gr. (%)	(323.3)	(4.0)	253.1	86.6
Margin (%)	(8.9)	2.0	3.9	2.0
Extra Ord. Income / (Exp)	-	(408)	(28)	(2)
Reported PAT	(7,404)	2,515	6,579	5,435
YoY gr. (%)	(323.3)	(17.4)	251.6	196.4
Margin (%)	(8.9)	1.7	3.8	3.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(7,404)	2,515	6,579	5,435
Avg. Shares O/s (m)	3,158	3,158	3,158	3,158
EPS (Rs)	(2.3)	0.9	2.1	1.1

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Apr-21	BUY	249	207
2	14-Feb-21	BUY	247	197
3	11-Jan-21	BUY	203	168
4	23-Nov-20	BUY	165	140
5	11-Nov-20	BUY	147	127
6	12-Oct-20	BUY	139	121
7	9-Oct-20	BUY	139	121
8	11-Aug-20	BUY	125	107
9	11-Jul-20	BUY	116	96
10	3-Jul-20	BUY	116	104

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	149	113
2	Bajaj Auto	Hold	3,795	3,836
3	Bharat Forge	Hold	602	619
4	CEAT	Accumulate	1,472	1,340
5	Eicher Motors	Accumulate	2,895	2,604
6	Endurance Technologies	BUY	1,615	1,396
7	Exide Industries	BUY	227	178
8	Hero Motocorp	Accumulate	3,392	2,861
9	Mahindra & Mahindra	BUY	950	846
10	Maruti Suzuki	BUY	7,619	6,569
11	Motherson Sumi Systems	BUY	249	207
12	Tata Motors	Reduce	279	332
13	TVS Motors	BUY	658	566

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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