



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Motherson Sumi Systems Ltd Q1FY22 consolidated revenues came in at ₹16,157 Cr, up 93.5% YoY and down 4.8% QoQ.
- Operating Profit for Q1FY22 stood at ₹1,220 Cr, up 321% YoY and down 29% QoQ.
- Operating margins for Q1FY22 came at 7.55% as compared to 10.15% in Q4FY21 and -6.6% in Q1FY21.
- PAT for Q1FY22 stood at ₹290 Cr, down 59.38% QoQ and PAT for Q1FY21 was -₹810 Cr.

2. MANAGEMENT COMMENTARY:

- Management expects good demand recovery in North American and European markets from H2 FY22 onwards.
- SMRPBV won EUR 4.5 Bn new orders and EV (emerging segment) accounts for 25% of order book.
- The company is focusing on cost optimization initiatives.
- PKC's performance is impacted due to rise in copper prices.

3. SEGMENTAL ANALYSIS:

Business	Revenue (Q1FY22)	EBITDA Margins (Q1FY22)
MSSL Standalone	1,114	14.5%
SMR	2,867	11.3%
SMP	8,436	7.3%
PKC	2,901	4.0%
Others	1,259	15.7%

4. CONCALL SUMMARY

- Q1FY22 Performance was negatively impacted in due to Covid second wave, supply constrains related to semiconductors and rising RM prices.
- Company's margins were impacted due to one-time cost of around Euro 15 Mn related to PKC and around Euro 9.5 Mn related to increase in copper prices.
- SMP's Greenfield plants are improving continuously.
- Healthy order book from EV segment.
- Demand for trucks remains strong globally.

5. OTHER DEVELOPMENTS:

- CAPEX for FY22 would be ₹2,000 Cr to support maintenance, vertical integration of operations
- Recently ICRA reaffirms its rating on Motherson Sumi's credit ratings and expects healthy earnings and cash flows ahead.

6. VALUATION AND OUTLOOK:

MSSL Q1FY22 performance was majorly impacted by copper price inflation, supply constraints related to semiconductors and partial lockdowns due to Covid 19 in India. Company's healthy order book and significant portion from EV segment places company in comfortable position for coming quarters. Management also expects strong demand scenario in European and North American markets.

We initiate a "BUY" rating on the stock and value the stock at 20x FY23E earnings to arrive at the target of ₹263.

RECOMMENDATION - BUY

CMP – 224

TARGET - 263 (17%)

Industry	Automobile
NSE CODE	MOTHERSUMI
BSE CODE	517334
Market Cap (₹ Cr)	70832.46
Shares Outstanding (in Cr)	315.79
52 wk High/Low (₹)	272.8 / 102.3
P/E	33.11
P/BV	5.96
Face Value (₹)	1.00
Book Value (₹)	37.64
EPS (FY21) (₹)	3.29
Dividend Yield (%)	0.74
Debt / Equity	0.92
Interest Coverage	3.99

SHAREHOLDING PATTERN

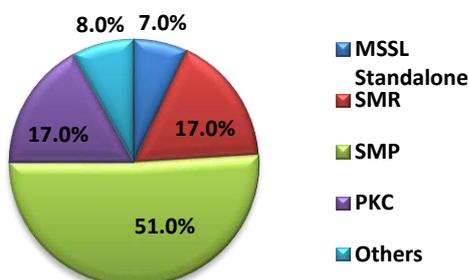
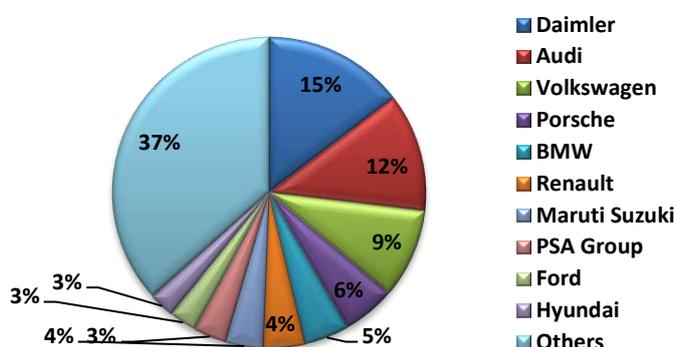
	Dec 20	Mar 21	Jun 21
Promoters	61.73	61.73	61.73
MF/ DII	14.26	13.42	13.02
FII/FPI	16.09	16.64	16.86
Retail & Others	7.92	8.21	8.29
Promoter Pledging	7.19	4.21	3.69

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2021A	2022E	2023E
Creole			
Sales	61508.1	72579.5	83466.5
Sales Gr. (%)	-4.89	18	15
EBITDA	4771.0	7257.9	9181.3
EBITDA %	8.17	10	11
PAT	1039.2	2817.3	4148.1
EPS (₹)	3.29	8.92	13.13
EPS Gr. (%)	-11.19	171	47
BV/Sh. (₹)	36.54	44.5	52.5
Ratios			
RoE (%)	13.55	16	22
RoCE (%)	9.20	14	18
Payout (%)	45.58	35	28
Valuation			
P/E (x)	61.52	28	20
P/BV (x)	5.52	4.8	4.2

Historical & Industrial Val Ratios

Historical P/E	36.34
Industry P/E	43.15
Historical P/B	5.04
Industry P/B	3.83

REVENUE SPLIT (Q1 FY22)
Business Mix (Q1 FY22)

Customer Mix (FY 21)

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY20		FY21				FY22		FY21	FY22E*
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2E*		
Net sales	15,000	14,434	8,348	14,957	17,092	16,972	16,157	18,581	61,508	72,579
YoY change (%)	-9%	-16%	-50%	-2%	14%	18%	94%	24%	-5%	18%
Total Expenditures	13,883	13,201	8,969	13,565	15,297	15,250	14,937	16,908	56,737	65,321
EBITDA	1,117	1,233	-621	1,392	1,796	1,722	1,220	1,672	4,771	7257
Margins (%)	7%	9%	-7%	9%	10%	10%	8%	9%	8%	10%
Depreciation	679	779	699	735	735	757	751	750	2,926	3,125
Interest	178	137	110	127	138	136	121	125	511	475
Other income	177	116	47	109	237	255	253	255	257	255
PBT	437	433	-1,383	640	1,159	1,084	601	1,052	1,528	3,913
Tax Rate (%)	22%	69%	14%	26%	-9%	6%	26%	28%	2.85	28%
Adjusted PAT	271	183	-810	338	798	714	290	758	1,039	2,817
YoY change (%)	-30%	-55%	-344%	-12%	194%	290%	-136%	124%	-11%	171%
Key Performance Indicators										
RM Cost (% of Sales)	58%	56%	59%	56%	57%	56%	57%	57%	57%	57%
Staff Cost (% of Sales)	24%	25%	33%	24%	23%	23%	25%	24%	24%	25%
EBITDA Margin (%)	7%	9%	-7%	9%	10%	10%	8%	9%	8%	10%
PAT Margin (%)	1.8%	1.3%	-9.7%	2.3%	4.7%	4.2%	1.8%	4%	2%	4%

Source: Company, Hem Securities Research.

***Insights into the assumptions:**

- We expect revenues to increase in Q2FY22 due to better demand from European and North American Markets.
- Lower Capex for FY22 and increasing utilization levels would help in gaining operating leverage benefits.
- Strong order book and improving efficiencies in SMRPBV.

INDUSTRY OVERVIEW

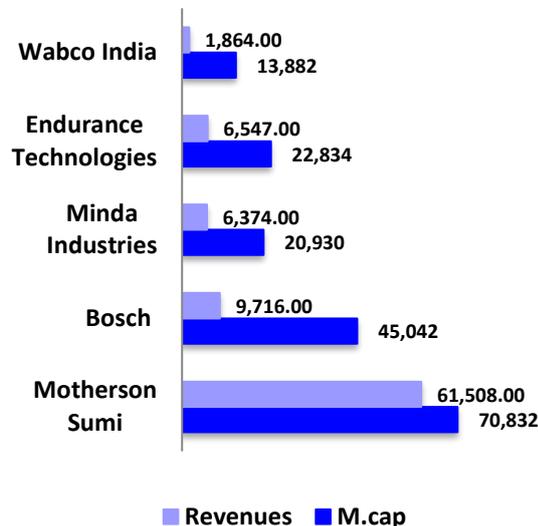
Automobile component industry's revenue stood at US\$ 49.3 billion in FY20, up from US\$ 39.05 billion in FY16 and is expected to reach US\$ 200 billion by FY26. Export of auto components grew at a CAGR of 7.6% to reach Rs. 102,623 crore (US\$ 14.5 billion) during the same time. As per Automobile Component Manufacturers Association (ACMA), automobile components export from India is expected to reach US\$ 80 billion by 2026. The Indian auto components industry is expected to reach US\$ 200 billion in revenue by 2026. Around 51% revenue of the industry comes from OEM supplies, 20% revenue comes from aftermarket sales and 29% revenue comes from exports. Some of key players of this industry includes Motherson Sumi, Minda Industries, Endurance Technologies, Bosch and Wabco India.

- Recently Government announced Rs. 26,058 Cr PLI scheme for auto sector to accelerate domestic manufacturing.
- 100% FDI allowed for auto components industry.

Some of the growth drivers for the auto components industry includes:

- India is geographically closed to key automobile market such as Middle East and European nations.
- India has a cost advantage as they are second largest steel producer.
- Favorable government regulations opens opportunity for many auto parts companies as a lot of new components are becoming mandatory with new regulations.

KEY PLAYERS



PEER PERFORMANCE

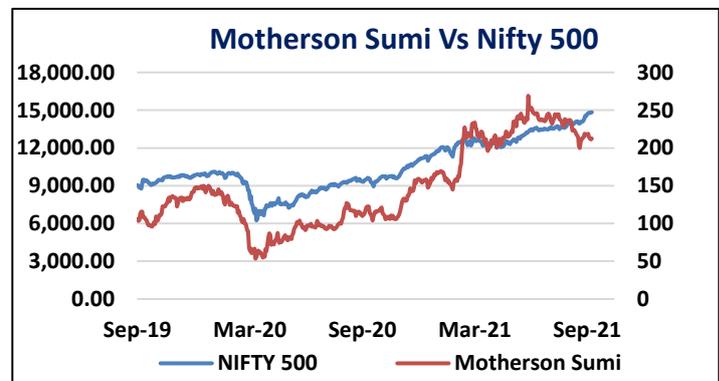
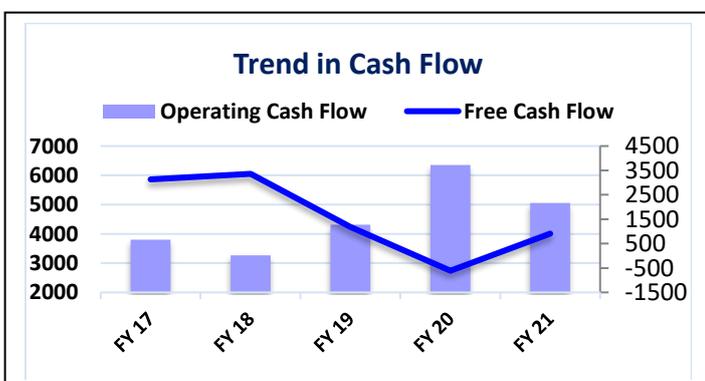
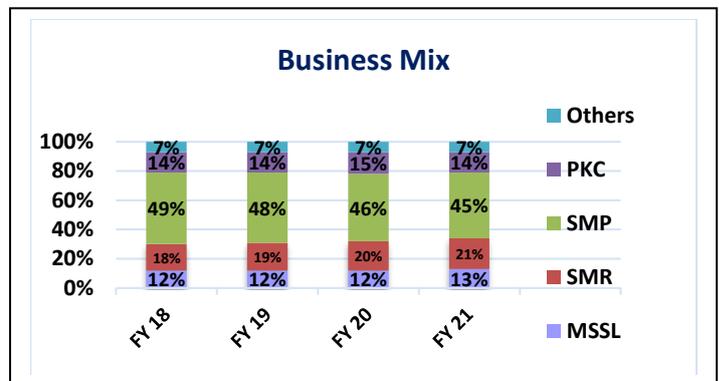
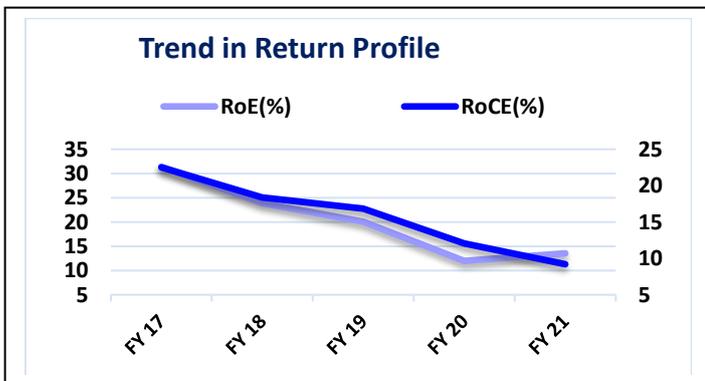
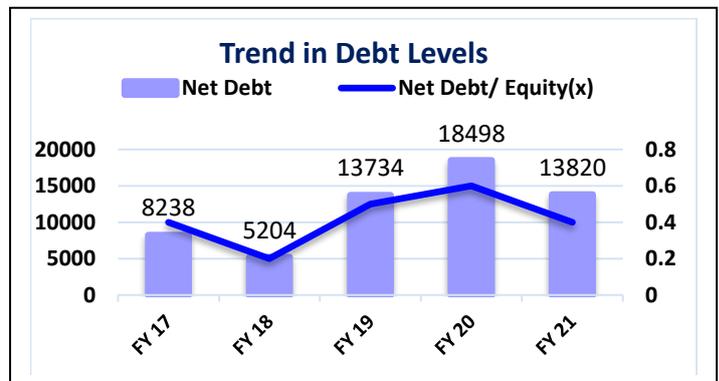
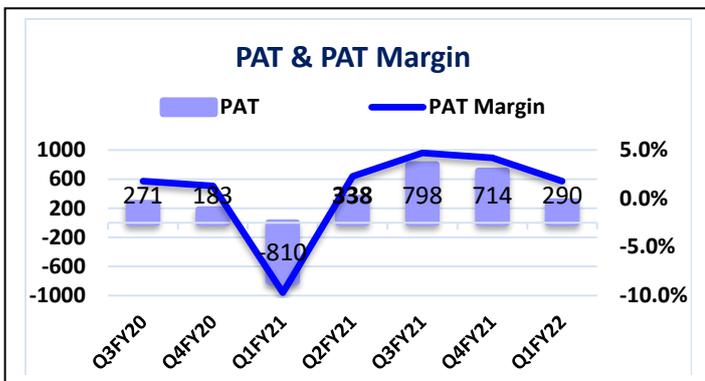
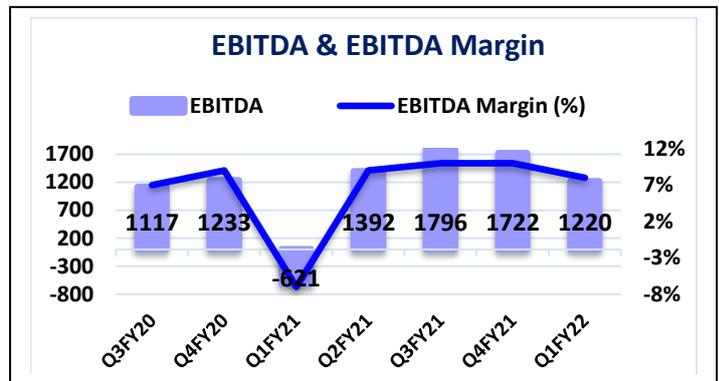
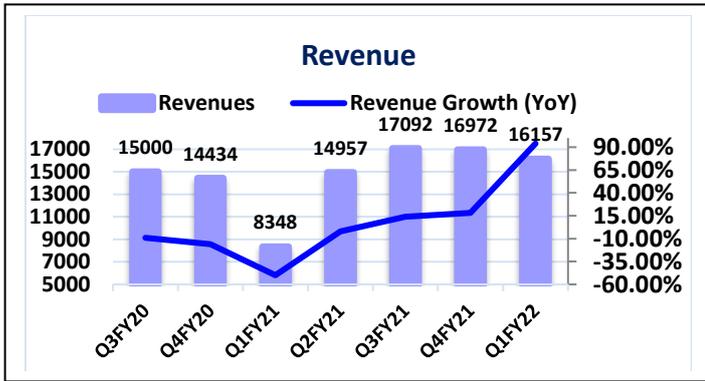
(₹ Cr)

Particulars	Motherson Sumi	Minda Industries	Bosch	Endurance Technologies	Wabco India
Market Cap	70832.5	20930.3	45041.8	22834.5	13881.9
Net Sales	61508.1	6373.7	9716.2	6547.0	1863.5
EBITDA	4771.0	725.0	1112.2	1040.2	205.8
PAT	1039.2	206.6	482.0	519.7	103.8
EPS(₹)	3.3	7.6	163.4	36.9	54.7
EBITDA MARGIN %	8.2	12.1	17.1	16.3	13.1
PAT MARGIN %	2.4	3.5	4.9	7.9	5.6
ROCE %	9.2	12.5	6.1	16.6	7.9
ROE %	13.5	10.9	5.0	15.8	5.3
P/E TTM	33.1	60.7	52.1	35.6	88.7
P/B TTM	6.0	7.0	4.5	6.2	6.9
Dividend Yield %	0.67	0.12	0.75	0.37	0.15
MCap/ Sales TTM	1.09	2.94	4.03	2.99	6.64

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- MSSL is today the largest auto ancillary in India and enjoys market leadership positions in many of its product segments globally. The Company is one of the largest manufacturers of wiring harnesses and electrical components globally
- SMR is one of the largest producers of rear-view vision systems for the automotive industry and supplies interior mirrors, exterior mirrors and camera-based detection systems to almost all major car makers globally.
- Ambitious Plan of Vision-2025: A topline of \$36 bn and 40% ROCE, 3CX10 which means that no customer, no component and no country should be more than 10% of overall business pie, 75% of revenues from automotive industry and 25% from new divisions, 40% of Consolidated profit as dividends.
- Very strong order book with addition of Euro 4.5 bn in Q1FY22.
- The company is even deriving a significant proportion of its order book from new EV orders, which offers comfort regarding its ability to keep up with evolving technological trends.
- Very strong demand scenario in European and North American Markets. Management also expects strong demand recovery in Europe and North America which contributes almost 80% of Company's sales.
- SMP's greenfield plants are giving continuous improved performance.
- Lower Capex for FY22 and increasing utilization levels would help in gaining operating leverage benefits.
- We believe PV and CV global demand will improve from H2FY22 which will be beneficial for the company.
- Highly experienced and skilled management team.

RISK FACTORS:

- Sharp increase in copper prices is a big risk to company as it is main raw material for PKC.
- Semiconductor shortage is another risk for the company.
- As almost 80% of its revenue comes from Europe and North America, there is also a risk of foreign exchange movements.
- Rise in Covid 19 cases in Europe may negatively impact the company's sales.

COMPANY RECAP

- Motherson Sumi Ltd (MSSL) is a leading global automotive component supplier. MSSL is today the largest auto ancillary in India and enjoys market leadership positions in many of its product segments globally.
- They have diversified automotive product portfolio which includes electrical distribution systems (wiring harnesses), electronics components, automotive rearview mirrors, moulded plastic parts and assemblies, extruded and injection moulding tools and components, moulded and extruded rubber components, interior and exterior polymer modules like cockpits / IPs, door trims, bumpers and machined metal products etc.
- With a diverse customer base of nearly all the leading automobile manufacturers globally, the Company operates from its over 230 facilities in 41 countries across five continents.
- MSSL derives ~50% of its revenues from Europe and exhibits ~65-70% revenue dependence on the European OEMs.
- Company has aggressive expansion plans driven by inorganic growth strategy; track record of maintaining financial discipline and successful turnaround of acquired entities provide comfort.
- The company has now vision of 3CX10 for Vision 2025, which means that no customer, no component and no country should be more than 10% of overall business pie. Further, as part of Vision 2025, the company aims to achieve new segments contributing to 25% of US \$ 36 billion.
- The company's product portfolio remains agnostic to internal combustion engines, hybrids and electric vehicles (EVs), thereby limiting any risk arising from a prospective transition towards electrical mobility, going forward.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2017	2018	2019	2020	2021	2022E	2023E
Revenue from operations	42,375.50	56,293.30	63,522.90	64,672.80	61,508.10	72,579.56	83,466.49
Growth YoY (%)	13.86	32.84	12.84	1.81	-4.89	18	15
Total Expenditure	38,208.70	51,170.70	58,174.50	59,534.60	56,737.1	65,321.60	74,285.18
(%) of sales	90.17	90.90	91.58	92.06	92.24	90	89
EBITDA	4,166.80	5,122.60	5,348.40	5,138.20	4,771.0	7,257.96	9,181.31
EBITDA Growth (%)	23.52	19.45	5.21	-3.58	-6.36	52	26
EBITDA Margin (%)	10.27	9.36	8.77	8.30	8.17	10	11
Depreciation	1,059.10	1,575.20	2,058.20	2,721.00	2,926.0	3,125.00	3,225.00
EBIT	3,274.50	3,539.80	3,510.40	2,648.20	2,039.50	4,132.96	5,956.31
EBIT Growth (%)	30.97	8.10	-0.83	-24.56	-22.99	103	44
Net Interest Expenses	374.90	410.80	423.20	592.80	511.50	475.00	450.00
Other Income	264.20	170.10	220.20	231.00	256.80	255.00	255.00
Earnings before Taxes	2,899.60	3,129.00	3,087.20	2,055.40	1,528.0	3,912.96	5,761.31
EBT Margin (%)	6.72	5.54	4.86	3.18	2.48	5	7
Tax-Total	910.30	1,007.20	1,102.20	818.40	43.50	1,095.63	1,613.17
Rate of tax (%)	31.39	32.19	35.70	39.82	2.85	28	28
Net Profit	1,989.30	2,121.80	1,985.00	1,237.00	1,484.5	2,817.33	4,148.15
PAT Growth (%)	21.60	6.66	-6.45	-37.68	20.01	90	47
PAT Margin (%)	4.61	3.75	3.12	1.91	2.41	4	5
Minority Interest	-618.10	-662.90	-485.00	-124.40	-530.20		
Adjusted PAT	1,554.30	1,597.00	1,613.10	1,170.10	1,039.2		
EPS	4.92	5.06	5.11	3.71	3.29	8.92	13.13
EPS Growth (%)	13.33	2.80	0.99	-27.46	-11.19	171	47

Balance Sheet

Y/E March	2017	2018	2019	2020	2021
Share Capital	140	210	316	316	316
Reserves	8,132	9,674	10,647	10,945	12,245
Net Worth	8,272	9,884	10,963	11,261	12,561
Borrowings	10,349	10,374	11,534	13,136	11,930
Other Liabilities	13,322	16,716	20,257	20,636	23,258
Total Liabilities & Equity	31,944	36,974	42,754	45,033	47,749
Fixed Assets	12,193	14,712	18,423	20,750	20,099
CWIP	1,935	2,585	1,067	852	877
Investments	474	792	855	796	846
Other Assets	17,343	18,885	22,409	22,635	25,926
Total Assets	1,907	1,914	2,210	1,954	2,367

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2017	2018	2019	2020	2021
Profitability and return ratios					
Net profit margin (%)	4.61	3.75	3.12	1.91	2.41
EBITDA margin (%)	10.27	9.36	8.77	8.30	8.17
EBIT margin (%)	7.59	6.26	5.53	4.09	3.32
ROE (%)	31.40	23.85	20.05	11.98	13.55
ROCE (%)	22.51	18.38	16.83	12.05	9.20
Working Capital & liquidity ratios					
Payables (Days)	60.72	58.94	63.39	68.63	73.61
Inventory (Days)	22.65	22.88	24.93	27.71	30.12
Receivables (Days)	39.36	33.19	33.87	32.01	32.26
Current Ratio (x)	1.41	1.12	1.06	0.99	1.04
Valuations Ratios					
EV/sales (x)	1.36	1.30	0.87	0.40	1.11
EV/EBITDA (x)	13.05	13.83	9.90	4.87	13.61
P/E (x)	33.68	41.09	29.22	16.48	61.25
P/BV (x)	6.33	6.89	4.59	1.86	5.52
Dividend Yield (%)	0.54	0.72	1.01	2.46	0.74
Leverage Ratio					
Debt/Equity (x)	1.25	1.09	1.12	1.13	0.92

Cash Flow Statement					
Y/E March	2017	2018	2019	2020	2021
CF from Operating activities (A)	3,800	3,264	4,312	6,352	5,051
CF from Investing Activities (B)	-6,726	-3,194	-3,311	-2,240	-1893.5
CF from Financing Activities (C)	5,518	-2,221	-225	-2,803	-2,098
Net Cash Flow	2591.2	-2151.5	777.3	1309.2	1,060
Add: Opening Bal.	1,766	4,877	2,771	3,540	4,869
Closing Balance	4,938	2,726	3,540	4,869	5,937

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
16 Sep 2021	Buy	263

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ANALYST CERTIFICATION/ DISCLOSURE OF INTEREST

Name of the Research Analyst: Abhishek Sharda

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SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.