

## Motherson Sumi Systems

### Performance Highlights

Consolidated (₹ cr)	3QFY11	3QFY10	% chg (yoy)	Angel est.	% diff
<b>Net sales</b>	<b>2,153</b>	<b>1,815</b>	<b>18.6</b>	<b>2,020</b>	<b>6.6</b>
EBITDA	249.7	199.2	25.3	212.9	17.3
OPM (%)	11.6	11.0	62bp	10.5	106bp
<b>Reported PAT</b>	<b>106.4</b>	<b>74.9</b>	<b>42.1</b>	<b>86.8</b>	<b>22.5</b>

Source: Company, Angel Research

For 3QFY2011, Motherson Sumi Systems (MSSL) reported better-than-expected results with a substantial jump in its bottom line. Growth was largely led by strong performance by the domestic markets and expansion in operating margins. **However, in view of the rising commodity cost pressures, we revise our earnings estimates marginally downwards and recommend Neutral on the stock.**

**Operating performance beats expectations:** MSSL registered 18.6% yoy and 10% qoq growth in net sales to ₹2,153cr on a consolidated basis, better than our expectations of ₹2,020cr. Sales growth was driven by growth in domestic revenue, which grew by robust ~62% yoy. However, muted performance of Samvardhana Motherson Reflectec (SMR) restricted the top-line growth to a certain extent. On the operating front, MSSL reported a 62bp yoy increase in EBITDA margins to 11.6%, higher than our expectation of 10.5%, despite higher input cost pressures. Thus, net profit came in ahead of our estimates at ₹106.4cr, largely on account of better-than-expected operating margin performance.

**Outlook and valuation:** We believe the new business from OEs such as Nissan and Toyota and recovery in the overseas operations will help MSSL to deliver better volume and revenue growth going ahead. However, we expect the company to face margin pressures on account of the commodity cost inflation. Hence, we revise our earnings estimates marginally downwards. We estimate MSSL to post consolidated EPS of ₹8.7 for FY2011E and ₹11.1 for FY2012E. At ₹183, MSSL is trading at 20.9x FY2011E and 16.5x FY2012E consolidated earnings (fully diluted). We recommend Neutral on the stock.

#### Key financials (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
<b>Net sales</b>	<b>2,596</b>	<b>6,702</b>	<b>7,820</b>	<b>9,152</b>
% chg	28.0	158.2	16.7	17.0
<b>Net profit</b>	<b>175</b>	<b>241</b>	<b>339</b>	<b>430</b>
% chg	10.3	37.8	40.3	26.9
EBITDA margin (%)	10.9	8.2	10.8	10.6
<b>Adj. EPS (₹)</b>	<b>4.5</b>	<b>6.2</b>	<b>8.7</b>	<b>11.1</b>
P/E (x)	37.1	28.4	20.9	16.5
P/BV (x)	8.3	5.9	5.4	4.9
RoE (%)	26.6	24.8	27.3	30.9
RoCE (%)	11.8	14.1	25.0	29.5
EV/Sales (x)	2.7	1.1	0.9	0.8
EV/EBITDA (x)	26.1	13.5	8.8	7.6

Source: Company, Angel Research

## NEUTRAL

CMP	₹183
Target Price	-

Investment Period	-
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Stock Info	
Sector	Auto Ancillary
Market Cap (₹ cr)	7,084
Beta	0.5
52 Week High / Low	209/120
Avg. Daily Volume	90,472
Face Value (₹)	1
BSE Sensex	18,037
Nifty	5,396
Reuters Code	MOSS.BO
Bloomberg Code	MSS@IN

Shareholding Pattern (%)	
Promoters	65.2
MF / Banks / Indian Fls	17.8
FII / NRIs / OCBs	9.4
Indian Public / Others	7.6

Abs. (%)	3m	1yr	3yr
Sensex	(14.1)	13.3	3.3
MSSL	(3.2)	39.1	101.3

**Yaresh Kothari**

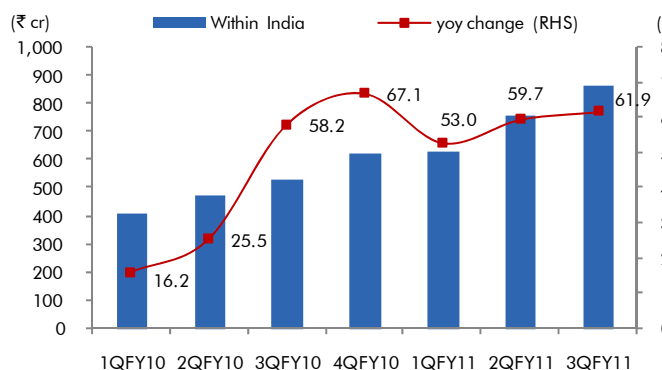
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**Exhibit 1: Quarterly performance (Consolidated)**

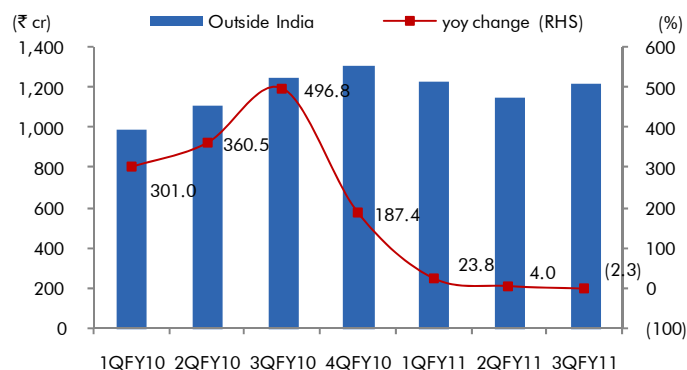
Y/E March (₹ cr)	3QFY11	3QFY10	% chg	9MFY11	9MFY10	% chg
<b>Net Sales (incl. otr. op. inc.)</b>	<b>2,153</b>	<b>1,815</b>	<b>18.6</b>	<b>6,015</b>	<b>4,896</b>	<b>22.9</b>
Consumption of RM	1,324	1,113	19.0	3,679	2,973	23.8
(% of Sales)	61.5	61.3		61.2	60.7	
Staff Costs	319.5	293.4	8.9	915.0	830.0	10.2
(% of Sales)	14.8	16.2		15.2	17.0	
Exchange Fluctuation	(3.1)	(30.7)	(90.0)	(15.7)	(13.1)	19.7
(% of Sales)	(0.1)	(1.7)		(0.3)	(0.3)	
Other Expenses	262.7	240.3	9.3	792.2	712.2	11.2
(% of Sales)	12.2	13.2		13.2	14.5	
<b>Total Expenditure</b>	<b>1,903</b>	<b>1,616</b>	<b>17.8</b>	<b>5,371</b>	<b>4,502</b>	<b>19.3</b>
<b>EBITDA</b>	<b>249.7</b>	<b>199.2</b>	<b>25.3</b>	<b>644.1</b>	<b>393.9</b>	<b>63.5</b>
EBITDA margin (%)	11.6	11.0		10.7	8.0	
Interest	17.1	13.9	23.5	43.8	40.5	8.0
Depreciation	60.1	64.2	(6.5)	179.2	182.4	(1.7)
Other Income	2.8	4.8	(41.5)	9.0	12.2	(26.6)
<b>PBT (excl. Extr. Items)</b>	<b>175.3</b>	<b>126.0</b>	<b>39.2</b>	<b>430.1</b>	<b>183.1</b>	<b>134.8</b>
(% of Sales)	8.1	6.9		7.2	3.7	
Provision for Taxation	43.0	38.9	10.6	137.7	72.6	89.7
(% of PBT)	24.6	30.9		32.0	39.6	
<b>PAT Before Minority Interest</b>	<b>132.3</b>	<b>87.1</b>	<b>51.9</b>	<b>292.4</b>	<b>110.5</b>	<b>164.5</b>
Minority Interest	25.9	3.0		40.5	(37.5)	
<b>PAT After Minority Interest</b>	<b>106.4</b>	<b>84.1</b>	<b>26.4</b>	<b>251.9</b>	<b>148.1</b>	<b>70.1</b>
PATM (%)	6.1	4.8		4.9	2.3	
Extr. Income/(Expense)	-	(9.2)		-	(47.2)	
<b>Reported PAT</b>	<b>106.4</b>	<b>74.9</b>	<b>42.1</b>	<b>251.9</b>	<b>100.9</b>	<b>149.7</b>
Equity capital (cr)	38.8	35.6		38.8	35.6	
<b>EPS (₹)</b>	<b>2.7</b>	<b>2.1</b>	<b>30.3</b>	<b>6.5</b>	<b>2.8</b>	<b>129.0</b>

Source: Company, Angel Research

**Consolidated results ahead of estimates; adverse currency movement affects SMR performance in rupee terms:** MSSL reported 18.6% yoy growth in net sales during 3QFY2011 to ₹2,153cr (₹1,815cr), which was ahead of our expectation by 6.6%. Sales growth was driven by growth in domestic revenue, which grew by robust ~62% yoy and 14% qoq to ₹863cr. However, a marginal decline in revenue outside India and a muted performance by SMR in rupee terms arrested revenue growth during the quarter. Noticeably, SMR revenue in euro terms increased by ~13% yoy during the quarter.

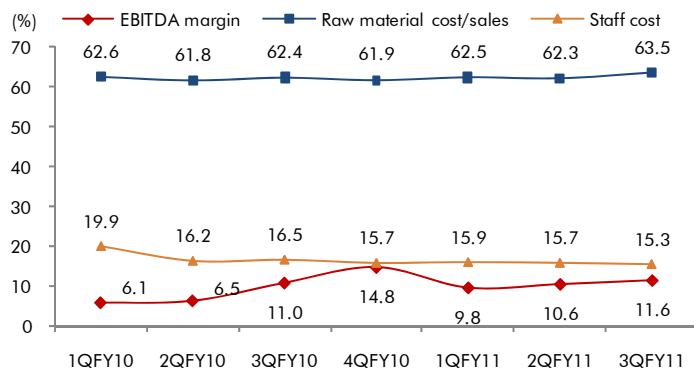
**Exhibit 2: Domestic revenue up 61.9%**


Source: Company, Angel Research

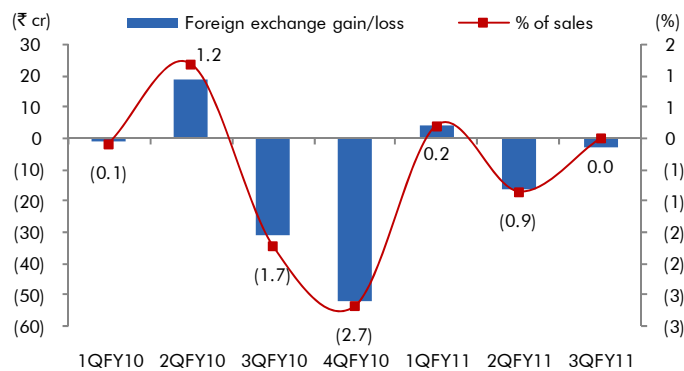
**Exhibit 3: Revenue outside India down 2.3%**


Source: Company, Angel Research

**EBITDA margin up 62bp:** On the operating front, the company reported a 62bp yoy increase in EBITDA margins to 11.6%; better than our expectations of 10.5%. Raw-material costs during the quarter increased by 112bp yoy and accounted for 63.5% of net sales v/s 62.4% in 3QFY2011, while staff cost and other expenditure declined by 113bp and 87bp yoy respectively, which supported the expansion in operating margins. However, lower-than-expected margins of SMR at 6.0% (6.5% in 2QFY2011) arrested overall growth for the quarter. Overall, the company recorded a 25.3% yoy jump in operating profit.

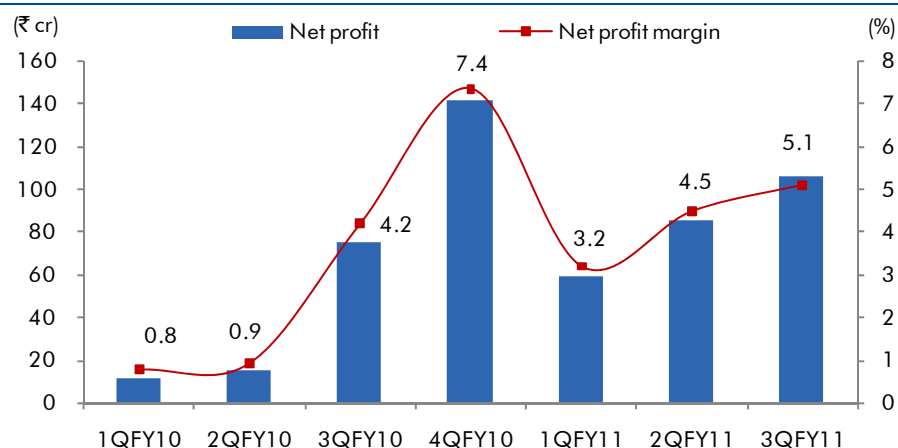
**Exhibit 4: EBITDA margins below expectations**


Source: Company, Angel Research

**Exhibit 5: Fluctuations in foreign exchange**


Source: Company, Angel Research

**Net profit up 42.1%; beats estimates:** Net profit for the quarter came in above our expectation at ₹106.4cr, largely on account of improved performance at the operating level. Further, lower tax outgo helped the company to a certain extent.

**Exhibit 6: Profitability trend**


Source: Company, Angel Research

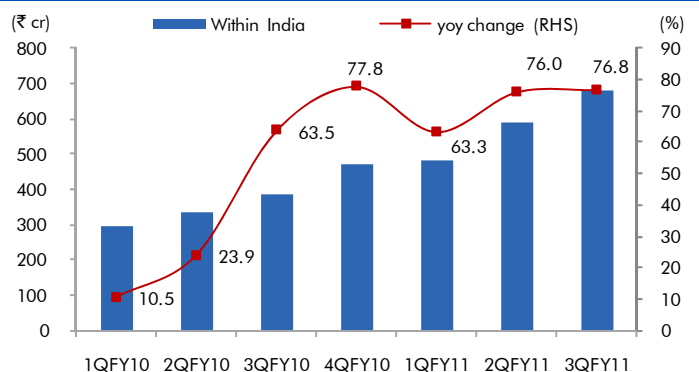
**Exhibit 7: Quarterly performance (Standalone)**

Y/E March (₹ cr)	3QFY11	3QFY10	% chg	9MFY11	9MFY10	% chg
<b>Net Sales (include Other Op. Inc.)</b>	<b>770.6</b>	<b>453.0</b>	<b>70.1</b>	<b>1,999</b>	<b>1,206.2</b>	<b>65.7</b>
Consumption of RM	467	265	76.2	1,210	706	71.4
(% of Sales)	60.6	58.6		60.6	58.6	
Staff Costs	68.0	42.9	58.6	188.0	119.6	57.2
(% of Sales)	8.8	9.5		9.4	9.9	
Exchange Fluctuation	(2.4)	(23.7)	(89.9)	(11.1)	(15.5)	(28.2)
(% of Sales)	(0.3)	(5.2)		(0.6)	(1.3)	
Other Expenses	107.4	65.2	64.7	294.8	180.8	63.1
(% of Sales)	13.9	14.4		14.7	15.0	
<b>Total Expenditure</b>	<b>640.2</b>	<b>349.6</b>	<b>83.2</b>	<b>1,682</b>	<b>991.3</b>	<b>69.7</b>
<b>Operating Profit</b>	<b>130.3</b>	<b>103.4</b>	<b>26.1</b>	<b>316.9</b>	<b>214.9</b>	<b>47.5</b>
OPM (%)	16.9	22.8		15.9	17.8	
Interest	10.0	6.8	46.8	22.0	20.6	7.2
Depreciation	21.1	17.2	23.1	59.7	46.2	29.2
Other Income	12.1	2.9	310.2	24.0	14.7	63.7
<b>PBT (excl. Extr. Items)</b>	<b>111.3</b>	<b>82.4</b>	<b>35.1</b>	<b>259.2</b>	<b>162.8</b>	<b>59.2</b>
Extr. Income/(Expense)	-	-	-	-	-	-
<b>PBT (incl. Extr. Items)</b>	<b>111.3</b>	<b>82.4</b>	<b>35.1</b>	<b>259.2</b>	<b>162.8</b>	<b>59.2</b>
(% of Sales)	14.4	18.2		13.0	13.5	
Provision for Taxation	33.7	22.4	50.8	86.4	42.3	104.4
(% of PBT)	30.3	27.1		33.3	26.0	
<b>Reported PAT</b>	<b>77.6</b>	<b>60.0</b>	<b>29.3</b>	<b>172.8</b>	<b>120.5</b>	<b>43.4</b>
PATM (%)	10.1	13.3		8.6	10.0	
Equity capital (cr)	38.8	35.6		38.8	35.6	
<b>EPS (₹)</b>	<b>2.0</b>	<b>1.7</b>	<b>18.6</b>	<b>4.5</b>	<b>3.4</b>	<b>31.5</b>

Source: Company, Angel Research

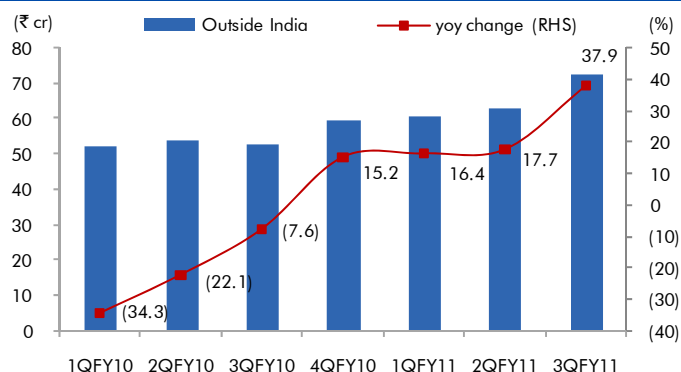
**Standalone performance:** On a standalone basis, MSSL reported robust top-line growth of 70.1% yoy to ₹770.6cr (₹453cr) on the back of 76.8% and 37.9% yoy growth in the domestic and overseas revenue. On the operating front, margins declined substantially by 591bp on a yoy basis due to a 143bp yoy increase in raw-material cost and a decrease in gains on exchange differences. MSSL reported net profit of ₹77.6cr during 3QFY2011 (₹60cr profit in 3QFY2010). Further, higher tax provision of 30.3% (27.1%) restricted net profit growth in 3QFY2011.

**Exhibit 8: Domestic revenue up 76.8%**



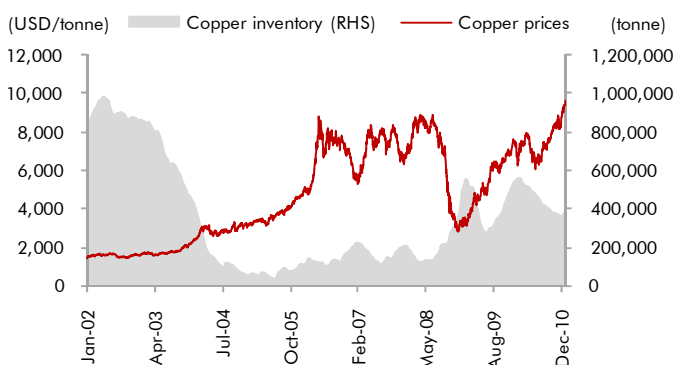
Source: Company, Angel Research

**Exhibit 9: Revenue outside India up 37.9%**



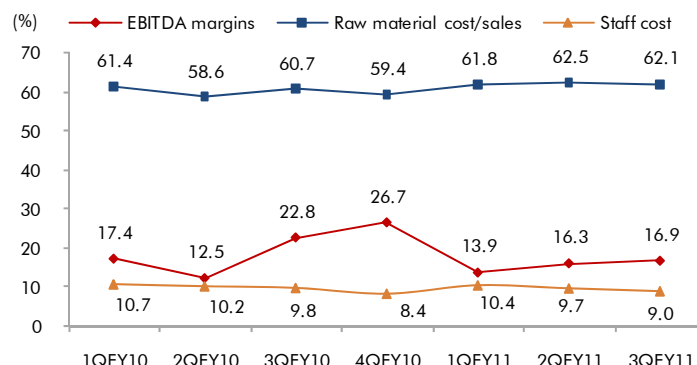
Source: Company, Angel Research

**Exhibit 10: Copper prices and inventory trend**



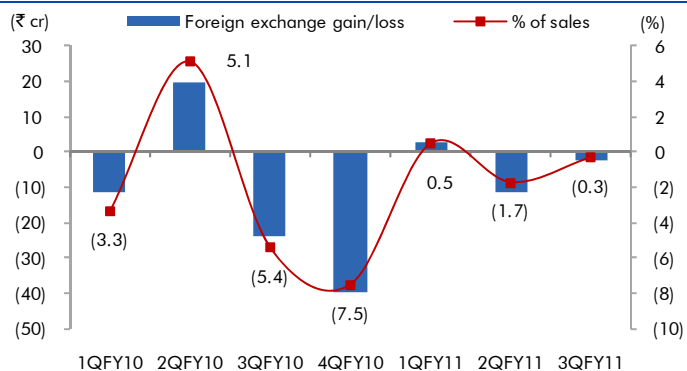
Source: Company, Bloomberg, Angel Research

**Exhibit 11: EBITDA margin trend**



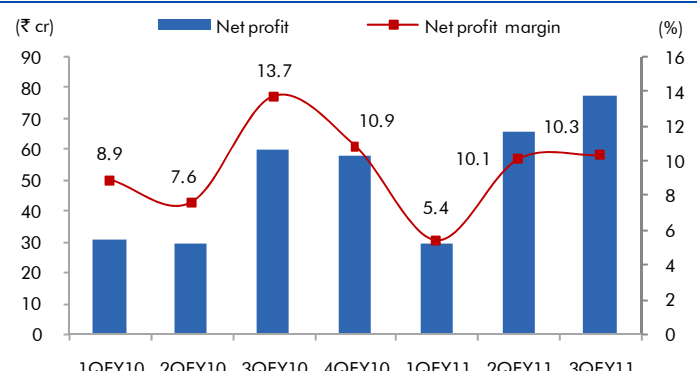
Source: Company, Angel Research

**Exhibit 12: Fluctuations in foreign exchange**



Source: Company, Bloomberg, Angel Research

**Exhibit 13: Net profit up 29.3%**



Source: Company, Angel Research

## Segment-wise performance – Standalone

During the quarter, the auto segment reported an 81.4% yoy increase in sales to ₹716cr (₹394cr). Non-auto sales jumped by 23% yoy to ₹62cr (₹51cr). Margin expansion in the dominant auto segment further aided growth at the EBIT level. The auto segment's EBIT increased by a significant 152.2% yoy to ₹102cr (₹40cr).

### Exhibit 14: Segmental performance

Y/E Mar (₹ cr)	3QFY11	3QFY10	% chg	9MFY11	9MFY10	% chg
<b>Total net sales</b>	<b>790</b>	<b>464</b>	<b>70.3</b>	<b>2,044</b>	<b>1,232</b>	<b>65.9</b>
Auto	716	394	81.4	1,841	1,055	74.6
Non-Auto	62	51	23.0	177	129	37.1
Other segments	12	19		25	48	
<b>Total EBIT</b>	<b>109</b>	<b>50</b>	<b>120.1</b>	<b>256</b>	<b>135</b>	<b>88.8</b>
Auto	102	40	152.2	235	115	105.3
Non Auto	7	9	(20.2)	20	21	(2.6)
<b>EBIT margin (%)</b>	<b>14</b>	<b>11</b>		<b>13</b>	<b>11</b>	
Auto	14	10		13	11	
Non-auto	12	18		11	16	

Source: Company, Angel Research

**SMR reported qoq decline in sales:** SMR reported a 13% yoy increase in net sales to €185mn in 3QFY2011; however, adverse currency movement impacted the growth in rupee terms. For 3QFY2011, operating margins declined by 50bp to 6.0% (6.5%).

### Exhibit 15: SMR performance

(₹ cr)	3QFY11	3QFY10	% yoy chg	2QFY11	% qoq chg
<b>Net sales</b>	<b>1,123</b>	<b>1,121</b>	<b>0.2</b>	<b>1,040</b>	<b>8.0</b>
India	73.7	42.3	74.1	65.5	12.5
Outside India	1,049	1,078	(2.7)	975	7.7
<b>EBITDA</b>	<b>67.9</b>	<b>72.8</b>	<b>(6.8)</b>	<b>68.1</b>	<b>(0.4)</b>
<b>EBITDA margin (%)</b>	<b>6.0</b>	<b>6.5</b>		<b>6.5</b>	
Depreciation	31.3	38.3	(18.2)	31.0	1.1
PBT	31.5	19.7	60.1	31.4	0.2
Minority share	12.0	4.4		6.6	
<b>PAT</b>	<b>13.4</b>	<b>4.7</b>	<b>183.7</b>	<b>6.9</b>	<b>95.9</b>

Source: Company, Angel Research

## Conference call – Key highlights

- Management remains optimistic about the domestic business and has indicated that the overseas market, especially Europe and the US, is showing signs of revival.
- SMR exhibited a muted performance because of adverse foreign exchange movement; however, management has indicated that SMR performance is expected to revive from FY2012 with execution of new orders. Currently, 46% of SMR revenue is derived from Europe, 35–40% from Asia and the rest from the US.

- The company continues to focus on its strategy to increase content per car and diversify its product portfolio along with its longstanding relationships with existing and new clients.
- Capital expenditure plans of ~₹500cr for FY2011 remain on track.
- The company maintained its target of achieving 8–10% EBITDA margin on the SMR front and RoE in excess of 20%.

### Investment arguments

- **Maintaining leadership position:** MSSL is a leader in wire harnessing, controlling over 65% of the domestic passenger vehicle (PV) market and around 48% market share in the domestic rear view mirror market. MSSL is now focusing on supply of higher level assemblies and modules (the company is a key supplier for the recently launched *Ford Figo*), where margins are comparatively high. MSSL is also increasing its content per car in a bid to diversify its product portfolio. The company is laying emphasis on its global product plan (GPP), where it is looking at setting up joint ventures with leading Tier-I suppliers to upgrade its technology base and bolster its clientele.
- **SMR turns positive at PAT level in FY2010:** During FY2009, MSSL acquired a global company in the business of rear view mirrors from Visiocorp PLC, now known as Samvardhana Motherson Reflectec (SMR). Post the recent acquisition, the company now controls around 25% of the global rear view mirror market. SMR has shown a substantial expansion in margins in the last 2–3 quarters and has bagged potential orders of about €800mn to be supplied over the life of the new models that would be launched in 2011. MSSL is gradually progressing towards achieving its target of around 8% EBITDA in FY2011E at the SMR front. The company stands by its resolve to improve EBITDA and generate good RoCE.

**Exhibit 16: Five-year milestone set in FY2000**

To cross ₹10bn in revenue by FY2005	<b>Achieved ₹10.2bn</b>
To attain RoCE of 40%	<b>Achieved RoCE of 39%</b>
Not more than 25% from one customer	<b>Largest customer constituted 27% of total turnover</b>
To achieve 30% of sales from outside India	<b>Achieved 29% from exports</b>
To achieve dividend payout of 40%	<b>Achieved payout ratio 43%</b>

Source: Company, Angel Research

**Exhibit 17: Five-year milestone set in FY2005**

To cross US \$1bn in revenue by FY2010	<b>To achieve US \$ 1.5bn</b>
To achieve 60% of sales from outside India	<b>Achieved over 65% of sales from outside India</b>
Not more than 20% from one customer	<b>Largest customer constituted 15% of total turnover</b>
To strive to maintain business RoCE of 40%	<b>RoCE 37% standalone &amp; 22% consolidated basis</b>
To achieve dividend payout of 40% on consolidated profit	<b>Achieved payout ratio of 23% for FY2010</b>

Source: Company, Angel Research

**Exhibit 18: MSSL's targets for FY2015**

Management	Our view
To cross US \$5bn in revenue on a consolidated basis	<b>Can be achieved as it has a strong execution track record</b>
To attain RoCE of 40% on a consolidated basis	<b>Could be a potential upside risk to our EBITDA margins</b>
To achieve 70% of sales from outside India	<b>Requires turnaround in the overseas market</b>
To achieve dividend payout of 40% of consolidated profit	<b>Will offer potential returns to investors</b>
To increase reach from 21 countries to 26 countries	<b>Through JVs and acquisitions across geographies</b>

Source: Company, Angel Research

**Outlook and valuation**

We believe the new business from OEs such as Nissan and Toyota and recovery in the overseas operations will help MSSL to deliver better volume and revenue growth going ahead. However, we expect the company to face margin pressures on account of the commodity cost inflation. Hence, we revise our earnings estimates marginally downwards.

We estimate MSSL to post consolidated EPS of ₹8.7 for FY2011E and ₹11.1 for FY2012E. At ₹183, MSSL is trading at 20.9x FY2011E and 16.5x FY2012E consolidated earnings (fully diluted). **We recommend Neutral on the stock.**



**Exhibit 19: Key assumptions**

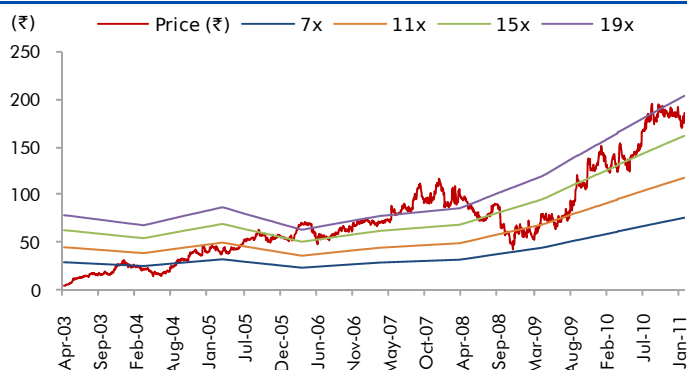
Y/E March (₹ cr)	FY2007	FY2008	FY2009	FY2010	FY2011E	FY2012E
Mirror	-	-	364	4,153	4,621	5,375
Wiring Harness Group	980	1,335	1,568	1,810	2,303	2,728
Polymer Group	393	437	449	561	719	871
Rubber, Metals and other parts	155	256	215	178	178	178
<b>Total Sales</b>	<b>1,528</b>	<b>2,028</b>	<b>2,596</b>	<b>6,702</b>	<b>7,820</b>	<b>9,152</b>
<b>% yoy growth</b>						
Mirror	-	-	-	1,040	11.3	16.3
Wiring Harness Group	40.1	36.2	17.4	15.5	27.2	18.5
Polymer Group	122.3	11.3	2.7	25.0	28.1	21.2
Rubber, Metals and other parts	11.0	65.5	(15.9)	(17.2)	-	-
<b>Total Sales</b>	<b>50.4</b>	<b>32.8</b>	<b>28.0</b>	<b>158.2</b>	<b>16.7</b>	<b>17.0</b>
<b>% of Total Sales</b>						
Mirror	-	-	14.0	62.0	59.1	58.7
Wiring Harness Group	64.2	65.8	60.4	27.0	29.5	29.8
Polymer Group	25.7	21.5	17.3	8.4	9.2	9.5
Rubber, Metals and other parts	10.1	12.6	8.3	2.7	2.3	1.9
<b>Total Sales</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, Angel Research

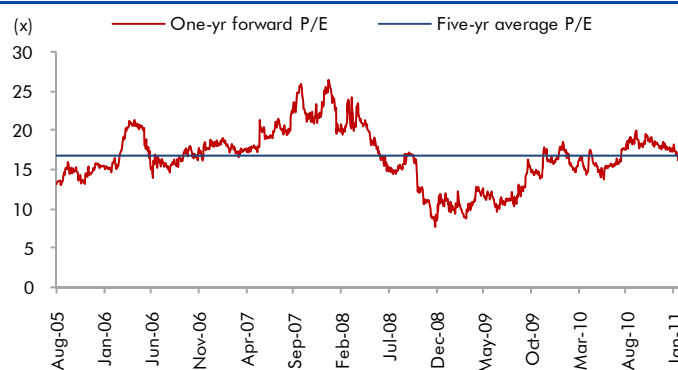
**Exhibit 20: Angel v/s consensus forecast**

	Angel estimates		Consensus		Variation (%)	
	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Net sales (₹ cr)	8,044	9,378	8,128	9,661	(1.0)	(2.9)
EPS (₹)	8.7	11.1	8.7	12.3	0.4	(9.6)

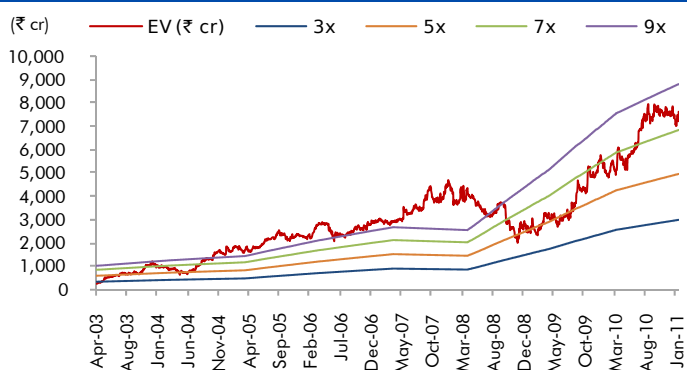
Source: Bloomberg, Angel Research

**Exhibit 21: One-year forward P/E band**


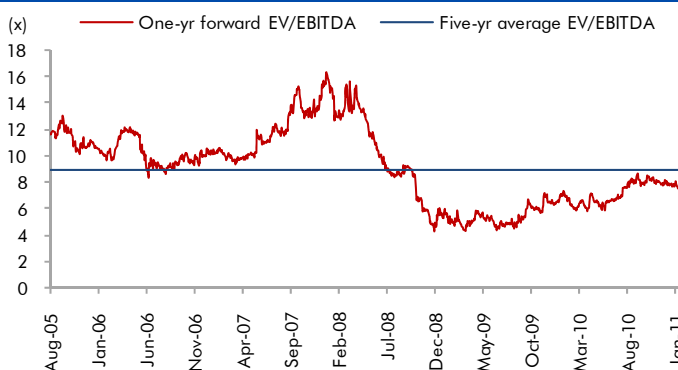
Source: Company, Bloomberg, Angel Research

**Exhibit 22: One-year forward P/E chart**


Source: Company, Bloomberg, Angel Research

**Exhibit 23: One-year forward EV/EBITDA band**


Source: Company, Bloomberg, Angel Research

**Exhibit 24: One-year forward EV/EBITDA chart**


Source: Company, Bloomberg, Angel Research

**Exhibit 25: Auto Ancillary - Recommendation summary**

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	P/E (x)		EV/EBITDA (x)		RoE (%)		FY10-12E EPS
					FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	CAGR (%)
Amara Raja	Buy	170	240	41.6	10.0	7.6	5.7	4.4	23.8	25.1	7.1
Automotive Axle <sup>^</sup>	Buy	360	490	36.1	11.0	10.3	5.7	5.0	22.1	19.8	9.6
Bharat Forge* &	Buy	333	404	21.4	26.7	16.4	12.9	9.4	16.9	21.7	-
Bosch India <sup>#</sup>	Accumulate	6,061	6,766	11.6	22.2	19.3	13.6	11.3	23.7	22.7	37.0
Exide Industries	Buy	131	157	19.9	17.5	15.2	10.9	8.3	23.9	24.3	16.8
FAG Bearings <sup>#</sup>	Buy	830	1,035	24.7	11.7	10.8	6.0	5.2	22.9	20.4	39.5
<b>Motherson Sumi*</b>	<b>Neutral</b>	<b>183</b>	<b>-</b>	<b>-</b>	<b>20.9</b>	<b>16.5</b>	<b>8.8</b>	<b>7.6</b>	<b>27.3</b>	<b>30.9</b>	<b>33.4</b>
Subros	Neutral	38	-	-	10.2	8.8	4.9	4.0	10.1	10.7	(4.5)

Source: Company, Angel Research; Note: \* Consolidated results; # December year end; ^ September year end; &amp; FY2011E and FY2012E EPS adjusted for FCCB interest after tax

**Profit and loss statement (Consolidated)**

Y/E March (₹ cr)	FY07	FY08	FY09	FY10	FY11E	FY12E
<b>Gross sales</b>	<b>1,706</b>	<b>2,272</b>	<b>2,783</b>	<b>6,854</b>	<b>8,062</b>	<b>9,435</b>
Less: Excise duty	179	244	188	151	242	283
<b>Net Sales</b>	<b>1,528</b>	<b>2,028</b>	<b>2,596</b>	<b>6,702</b>	<b>7,820</b>	<b>9,152</b>
Other Operating Income	14	24	44	222	224	226
<b>Total operating income</b>	<b>1,542</b>	<b>2,052</b>	<b>2,640</b>	<b>6,924</b>	<b>8,044</b>	<b>9,378</b>
% chg	51.8	33.1	28.7	162.3	16.2	16.6
<b>Total Expenditure</b>	<b>1,307</b>	<b>1,755</b>	<b>2,356</b>	<b>6,375</b>	<b>7,203</b>	<b>8,406</b>
Net Raw Materials	864	1,124	1,549	4,166	4,888	5,756
Other Mfg costs	112	142	141	319	438	512
Personnel	168	247	344	1,200	1,251	1,405
Other	163	242	322	690	626	732
<b>EBITDA</b>	<b>235</b>	<b>297</b>	<b>283</b>	<b>549</b>	<b>841</b>	<b>972</b>
% chg	47.4	26.4	(4.6)	93.6	53.3	15.5
(% of Net Sales)	15.4	14.7	10.9	8.2	10.8	10.6
Depreciation & Amortisation	65	85	109	260	293	323
<b>EBIT</b>	<b>170</b>	<b>212</b>	<b>174</b>	<b>289</b>	<b>548</b>	<b>649</b>
% chg	50.7	24.7	(17.9)	65.5	89.9	18.4
(% of Net Sales)	11.2	10.5	6.7	4.3	7.0	7.1
Interest & other Charges	29	29	38	63	57	53
Other Income	21	43	120	111	117	123
(% of PBT)	13.0	20.5	47.0	32.6	19.8	16.9
<b>Recurring PBT</b>	<b>162</b>	<b>226</b>	<b>256</b>	<b>336</b>	<b>608</b>	<b>718</b>
% chg	28.9	39.4	13.1	31.5	80.6	18.2
Extraordinary Items	-	19	1	(5)	17	(8)
<b>PBT</b>	<b>162</b>	<b>207</b>	<b>255</b>	<b>341</b>	<b>590</b>	<b>727</b>
Tax	34	51	35	109	205	245
(% of PBT)	20.7	24.7	13.6	32.0	34.6	33.8
<b>PAT (reported)</b>	<b>129</b>	<b>175</b>	<b>221</b>	<b>227</b>	<b>403</b>	<b>473</b>
Less: Minority interest (MI)	(1)	(3)	45	(9)	47	52
PAT after MI (reported)	130	178	176	236	356	421
<b>Adj. PAT</b>	<b>129</b>	<b>159</b>	<b>175</b>	<b>241</b>	<b>339</b>	<b>430</b>
% chg	20.6	22.9	10.3	37.8	40.3	26.9
(% of Net Sales)	8.5	7.8	6.7	3.6	4.3	4.7
<b>Basic EPS (₹)</b>	<b>3.7</b>	<b>4.5</b>	<b>4.9</b>	<b>6.4</b>	<b>8.7</b>	<b>11.1</b>
<b>Fully Diluted EPS (₹)</b>	<b>3.3</b>	<b>4.1</b>	<b>4.5</b>	<b>6.2</b>	<b>8.7</b>	<b>11.1</b>
% chg	20.1	22.9	10.3	37.8	40.3	26.9

**Balance sheet (Consolidated)**

Y/E March (₹ cr)	FY07	FY08	FY09	FY10	FY11E	FY12E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	23	36	36	37	39	39
Reserves & Surplus	356	500	748	1,127	1,280	1,422
<b>Shareholders' Funds</b>	<b>380</b>	<b>536</b>	<b>783</b>	<b>1,165</b>	<b>1,319</b>	<b>1,461</b>
Minority Interest	14	23	200	203	155	104
Total Loans	460	489	895	818	718	668
Deferred Tax Liability	7	4	15	4	(5)	(12)
<b>Total Liabilities</b>	<b>861</b>	<b>1,052</b>	<b>1,893</b>	<b>2,190</b>	<b>2,187</b>	<b>2,221</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	762	949	2,947	3,182	3,555	3,911
Less: Acc. Depreciation	277	346	1,599	1,727	2,021	2,343
<b>Net Block</b>	<b>485</b>	<b>603</b>	<b>1,349</b>	<b>1,455</b>	<b>1,534</b>	<b>1,568</b>
Capital Work-in-Progress	18	28	176	181	178	196
Goodwill	-	-	-	-	-	-
<b>Investments</b>	<b>5</b>	<b>5</b>	<b>55</b>	<b>47</b>	<b>55</b>	<b>56</b>
Current Assets	677	904	1,884	2,097	2,358	2,523
Cash	99	95	277	343	360	183
Loans & Advances	136	190	383	310	391	458
Other	441	618	1,224	1,444	1,607	1,883
Current liabilities	382	531	1,597	1,592	1,938	2,121
<b>Net Current Assets</b>	<b>295</b>	<b>373</b>	<b>286</b>	<b>505</b>	<b>420</b>	<b>402</b>
Mis. Exp. not written off	58	42	27	2	-	-
<b>Total Assets</b>	<b>861</b>	<b>1,052</b>	<b>1,893</b>	<b>2,190</b>	<b>2,187</b>	<b>2,221</b>

**Cash flow statement (Consolidated)**

Y/E March (Rs cr)	FY07	FY08	FY09	FY10	FY11E	FY12E
Profit before tax	162	207	255	341	590	727
Depreciation	65	85	109	260	293	323
Change in Working Capital	12	(52)	(752)	167	(297)	(34)
Less: Other income	86	(63)	(864)	324	(328)	375
Direct taxes paid	34	51	35	109	205	245
<b>Cash Flow from Operations</b>	<b>120</b>	<b>252</b>	<b>442</b>	<b>335</b>	<b>710</b>	<b>395</b>
(Inc.)/Dec. in Fixed Assets	(184)	(197)	(2,146)	(239)	(370)	(374)
(Inc.)/Dec. in Investments	-	-	(50)	8	(8)	(1)
(Inc.)/Dec. in loans and advances	(28)	(55)	(192)	74	(83)	19
Other income	21	43	120	111	117	123
<b>Cash Flow from Investing</b>	<b>(191)</b>	<b>(210)</b>	<b>(2,268)</b>	<b>(46)</b>	<b>(343)</b>	<b>(233)</b>
Issue of Equity	-	12	-	2	1	-
Inc./(Dec.) in loans	34	29	406	(77)	(100)	(50)
Dividend Paid (Incl. Tax)	31	42	56	76	77	113
Others	(72)	(128)	1,543	(223)	(327)	(403)
<b>Cash Flow from Financing</b>	<b>(7)</b>	<b>(45)</b>	<b>2,005</b>	<b>(222)</b>	<b>(349)</b>	<b>(339)</b>
Inc./(Dec.) in Cash	(79)	(4)	178	66	17	(178)
<b>Opening Cash balances</b>	<b>172</b>	<b>99</b>	<b>95</b>	<b>277</b>	<b>343</b>	<b>360</b>
<b>Closing Cash balances</b>	<b>99</b>	<b>95</b>	<b>277</b>	<b>343</b>	<b>360</b>	<b>183</b>

**Key ratios**

Y/E March	FY07	FY08	FY09	FY10	FY11E	FY12E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	49.9	40.9	37.1	28.4	20.9	16.5
P/CEPS	33.3	25.0	19.7	13.7	11.2	9.4
P/BV	17.1	12.2	8.3	5.9	5.4	4.9
Dividend yield (%)	0.8	0.7	0.7	1.0	1.4	1.6
EV/Sales	4.3	3.3	2.7	1.1	0.9	0.8
EV/EBITDA	31.4	24.9	26.1	13.5	8.8	7.6
EV / Total Assets	8.6	7.1	4.0	3.4	3.4	3.4
<b>Per Share Data (₹)</b>						
EPS (Basic)	3.7	4.5	4.9	6.4	8.7	11.1
EPS (fully diluted)	3.3	4.1	4.5	6.2	8.7	11.1
Cash EPS	5.5	7.3	9.3	13.4	16.3	19.4
DPS	1.0	1.3	1.9	1.8	2.5	3.0
Book Value	10.7	15.0	22.0	31.0	34.0	37.6
<b>DuPont Analysis</b>						
EBIT margin	11.2	10.5	6.7	4.3	7.0	7.1
Tax retention ratio	0.8	0.8	0.9	0.7	0.7	0.7
Asset turnover (x)	2.3	2.4	2.1	4.0	4.4	4.9
RoC (Post-tax)	20.8	18.9	11.9	11.7	20.1	22.8
Cost of Debt (Post Tax)	5.2	4.6	4.8	5.0	4.9	5.1
Leverage (x)	0.9	0.8	0.7	0.5	0.3	0.3
Operating RoE	34.6	30.5	17.1	15.1	24.6	27.5
<b>Returns (%)</b>						
RoCE (Pre-tax)	21.4	22.2	11.8	14.1	25.0	29.5
Angel RoC (Pre-tax)	22.4	22.3	10.8	15.6	30.0	31.9
RoE	38.4	34.7	26.6	24.8	27.3	30.9
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	2.4	2.4	1.4	2.3	2.4	2.5
Inventory / Sales (days)	41	44	63	35	35	36
Receivables (days)	45	51	66	38	37	37
Payables (days)	51	56	113	69	67	66
WC cycle (ex-cash) (days)	35	42	20	5	5	5
<b>Solvency ratios (x)</b>						
Net debt to equity	0.9	0.7	0.7	0.4	0.2	0.3
Net debt to EBITDA	1.5	1.3	2.0	0.8	0.4	0.4
Interest Coverage	5.8	7.4	4.5	4.5	9.5	12.1

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### Disclosure of Interest Statement

### Motherson Sumi Systems

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

### Ratings (Returns) :

Buy (&gt; 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (&lt; -15%)

Neutral (-5 to 5%)