

## Motherson Sumi Systems

### Performance Highlights

Consolidated (Rs cr)	1QFY11	1QFY10	% chg (yoy)	4QFY10	% chg (qoq)
<b>Net Sales</b>	<b>1,905</b>	<b>1,442</b>	<b>32</b>	<b>2,028</b>	<b>(6.1)</b>
Operating Profit	186	87	113	301	(38.2)
OPM (%)	9.8	6.1	370bp	14.9	(508)bp
OPM excl. forex (%)	10.0	6.0	399bp	12.3	(232)bp
<b>Reported PAT</b>	<b>60</b>	<b>11</b>	<b>439</b>	<b>142</b>	<b>(58.0)</b>

Source: Company, Angel Research

Mother Sumi Systems (MSSL) reported substantial jump in top-line and bottom-line, though came in below our expectations. This is largely owing to contraction in qoq margins. However, we largely maintain our estimates as management indicated that, the impact of the currency movements and input costs would gradually be passed on to the customers over the next few quarters. **Thus, we recommend accumulate the stock on every correction.**

**Consolidated results below expectations:** MSSL registered 32% yoy growth in net sales to Rs1,905cr (Rs1,442cr) on a consolidated basis, which was below our expectation. On the operating front, the company reported 370bp yoy increase in EBITDA margins to 9.8%, but lower than our expectation of 11.6%. Adverse foreign currency fluctuation and increase in input cost impacted margins. Thus, net profit for the quarter came in below our expectation at Rs60cr, largely on lower-than-expected top-line growth and operating margins. Higher tax rate also restricted net profit growth.

**Outlook and Valuation:** We estimate the company to clock consolidated EPS of Rs8.8 for FY2011E and Rs11.2 for FY2012E. At the CMP of Rs176, the stock is trading 15.8x FY2012E consolidated earnings (fully diluted). **We maintain Accumulate rating on the stock, with a Target Price of Rs188, at which level the stock would trade at 16.8x FY2012E earnings.** We are valuing the company at 5% premium to its historical average of 16x due to estimated higher business RoEs in FY2011-12E. We believe that the recovery in the overseas operations will help the stock in generating higher returns over the next 2-3 years. Further, consistent and strong execution track record of the company implies further scope of re-rating of the stock.

#### Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
<b>Net Sales (includes otr. op. inc.)</b>	<b>2,640</b>	<b>6,924</b>	<b>8,090</b>	<b>9,402</b>
% chg	28.7	162.3	16.8	16.2
<b>Net Profit</b>	<b>175</b>	<b>241</b>	<b>340</b>	<b>432</b>
% chg	10.3	37.8	40.7	27.3
OPM (%)	10.9	8.2	10.6	10.9
<b>EPS (Rs)</b>	<b>4.9</b>	<b>6.4</b>	<b>8.8</b>	<b>11.2</b>
P/E (x)	35.7	27.3	20.1	15.8
P/BV (x)	8.0	5.7	5.2	4.7
RoE (%)	26.6	24.8	27.3	31.1
RoCE (%)	11.8	14.1	24.4	30.3
EV/Sales (x)	2.4	1.0	0.8	0.7
EV/EBITDA (x)	23.5	12.1	7.9	6.6

Source: Company, Angel Research

## ACCUMULATE

CMP	Rs176
Target Price	Rs188

Investment Period	12 Months
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#### Stock Info

Sector	Auto Ancillary
Market Cap (Rs cr)	6,803
Beta	0.7
52 Week High / Low	184/72
Avg. Daily Volume	118,716
Face Value (Rs)	1
BSE Sensex	18,074
Nifty	5,416
Reuters Code	MOSS.BO
Bloomberg Code	MSS@IN

#### Shareholding Pattern (%)

Promoters	65.2
MF / Banks / Indian FIs	17.6
FII / NRIs / OCBs	8.7
Indian Public / Others	8.5

Abs. (%)	3m	1yr	3yr
Sensex	5.1	20.3	21.6
MSSL	31.9	140.3	104.6

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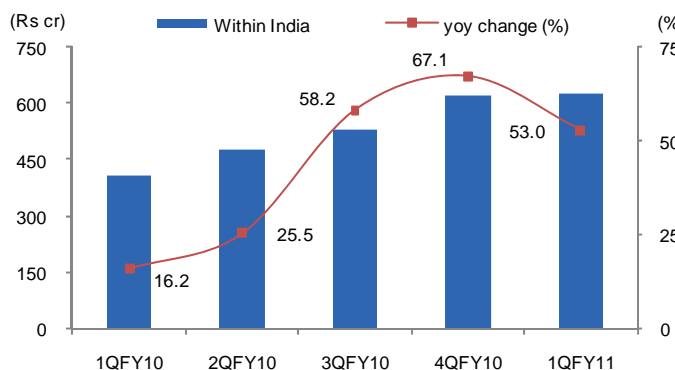
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**Exhibit 1: Quarterly performance (Consolidated)**

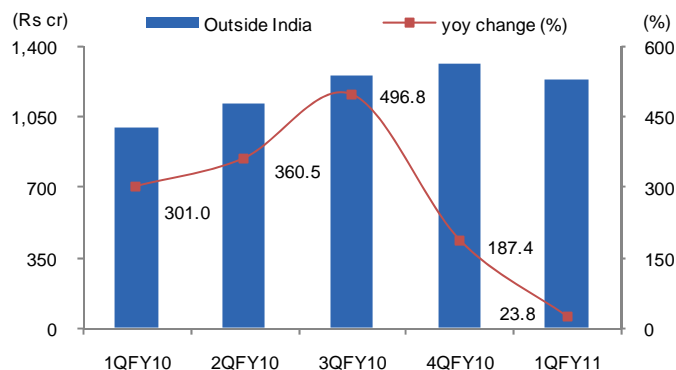
Y/E March (Rs cr)	1QFY11	1QFY10	% chg	FY2010	FY2009	% chg
<b>Net Sales (incl. otr. op. inc.)</b>	<b>1,905</b>	<b>1,442</b>	<b>32.1</b>	<b>6,924</b>	<b>2,640</b>	<b>162.3</b>
Consumption of RM (% of Sales)	1,162 61.0	879 60.9	32.2	4,166 60.2	1,549 58.7	168.9
Staff Costs (% of Sales)	295.0 15.5	279.7 19.4	5.5	1,132 16.3	344 13.0	229
Exchange Fluctuation (% of Sales)	3.8 0.2	(1.2) (0.1)	(411)	(64.9) (0.9)	33.1 1.3	(296)
Other Expenses (% of Sales)	257.9 13.5	197.4 13.7	30.7	996.1 14.4	418.7 15.9	137.9
<b>Total Expenditure</b>	<b>1,719</b>	<b>1,355</b>	<b>26.9</b>	<b>6,229</b>	<b>2,345</b>	<b>165.6</b>
<b>Operating Profit</b>	<b>186.1</b>	<b>87.5</b>	<b>112.8</b>	<b>695.0</b>	<b>294.7</b>	<b>135.9</b>
OPM (%)	9.8	6.1		10.0	11.2	
Interest	11.5	13.3	(13.7)	62.0	35.4	75.0
Depreciation	58.2	57.1	2.0	260.1	97.9	165.7
Other Income	0.7	2.4	(71.7)	12.9	5.0	159.5
<b>PBT (excl. Extr. Items)</b>	<b>117.1</b>	<b>19.5</b>	<b>499.7</b>	<b>385.8</b>	<b>166.3</b>	<b>132.0</b>
(% of Sales)	6.1	1.4		5.6	6.3	
Provision for Taxation (% of PBT)	47.5 40.6	14.5 74.2	228.0	109.4 28.4	34.9 21.0	213.7
<b>PAT Before Minority Interest</b>	<b>69.6</b>	<b>5.0</b>	<b>1,281</b>	<b>276.4</b>	<b>131.5</b>	<b>110.3</b>
Minority Interest	12.5	(23.8)		(9.1)	45.0	
<b>PAT After Minority Interest</b>	<b>57.1</b>	<b>28.8</b>		<b>285.6</b>	<b>86.5</b>	
PATM (%)	3.7	0.3		4.0	5.0	
Extr. Income/(Expense)	2.5	(17.8)		(42.8)	89.8	
<b>Reported PAT</b>	<b>59.6</b>	<b>11.0</b>		<b>242.7</b>	<b>176.3</b>	
Equity capital (cr)	38.8	35.6		37.5	35.6	
<b>EPS (Rs)</b>	<b>3.8</b>	<b>2.2</b>	<b>75.1</b>	<b>6.5</b>	<b>5.0</b>	<b>30.7</b>

Source: Company, Angel Research

**Consolidated results below expectations; lower-than-expected performance of SMR arrests growth:** For 1QFY2011, MSSL registered 32% yoy growth in net sales to Rs1,905cr (Rs1,442cr), which was below our expectation. The sales growth was largely aided by the 53% yoy jump in domestic market revenues at Rs630cr and 24% yoy increase in revenues from outside India at Rs1,229cr. However, the sequential decline in SMR revenues arrested revenue growth during the quarter.

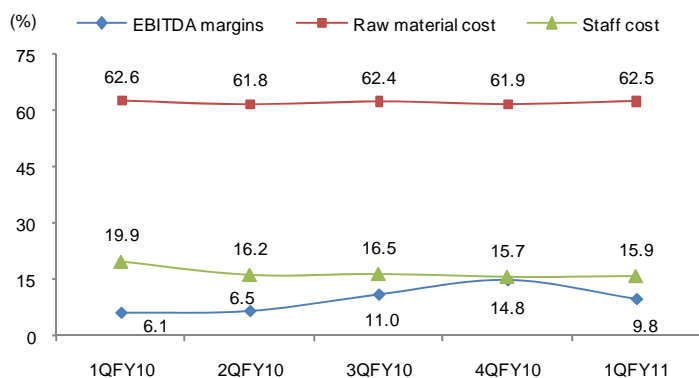
**Exhibit 2: Domestic revenues up 53%**


Source: Company, Angel Research

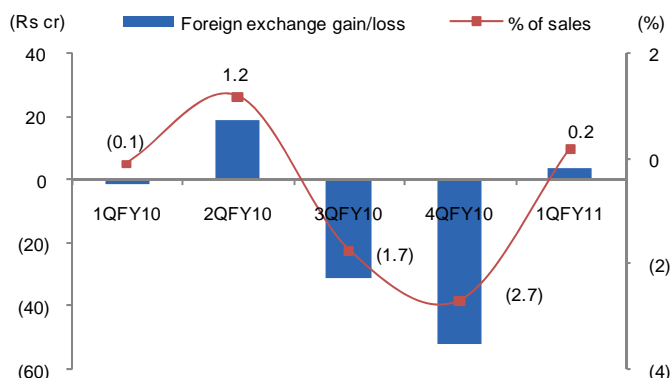
**Exhibit 3: Revenues outside India up 23.8%**


Source: Company, Angel Research

**Operating profit margins up 370bp:** On the operating front, the company reported 370bp yoy increase in EBITDA margins to 9.8%, but lower than our expectation of 11.6%. Operating margins came in below expectation largely due to the sequential increase in overall input costs and lower-than-expected margins of SMR at 7.2% (8.7% in 4QFY2010). On sequential basis, margins fell by 508bp qoq. Adverse currency movement impacted operating performance of the company during the quarter. Staff and other expenditure however, fell by 390bp and 15bp yoy in 1QFY2011, aided by better operating leverage. Overall, the company recorded 113% yoy jump in operating profit.

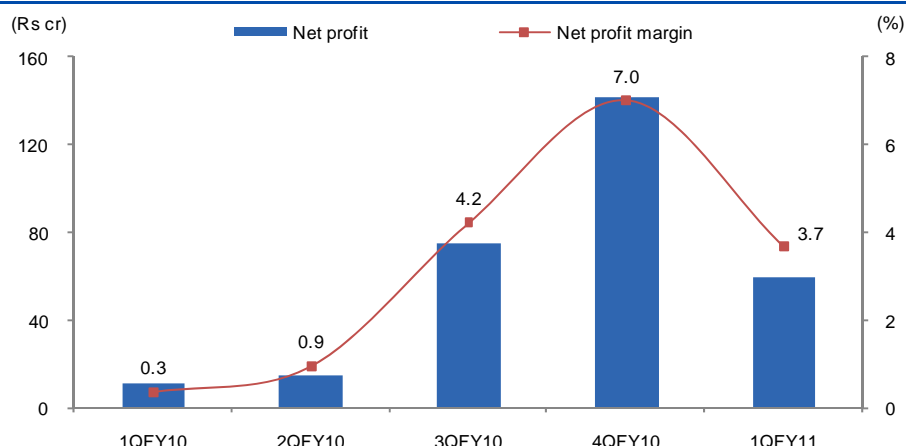
**Exhibit 4: EBITDA margins below expectations**


Source: Company, Angel Research

**Exhibit 5: Fluctuations in foreign exchange**


Source: Company, Angel Research

Thus, net profit for the quarter came in below our expectation at Rs60cr, largely on lower-than-expected top-line growth and operating margins. Further, higher tax rate also restricted net profit growth for the quarter.

**Exhibit 6: Net profit below expectation on lower OPM and higher tax**


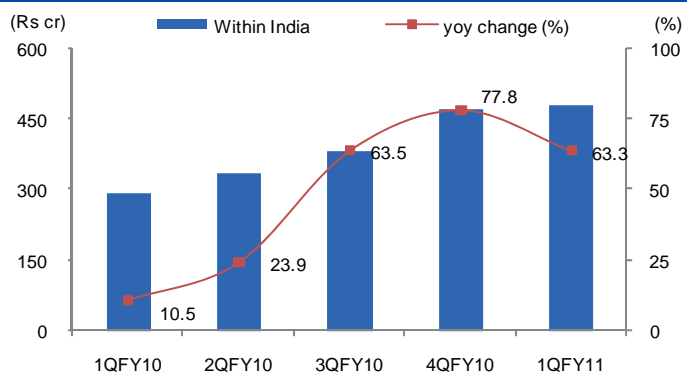
Source: Company, Angel Research

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

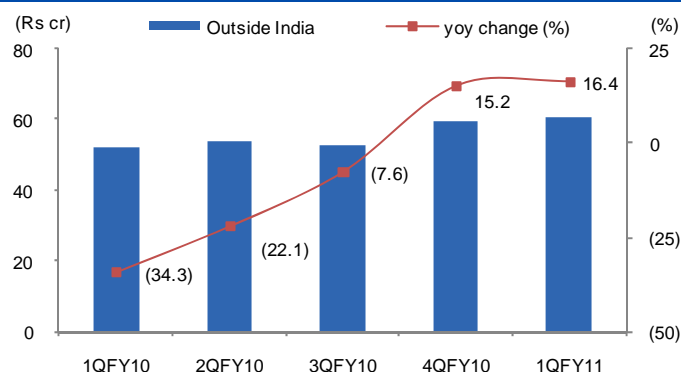
Y/E March (Rs cr)	1QFY11	1QFY10	% chg	FY10	FY09	% chg
<b>Net Sales (include Other Op. Inc.)</b>	<b>559.9</b>	<b>353.4</b>	<b>58.5</b>	<b>1,758</b>	<b>1,323</b>	<b>32.9</b>
Consumption of RM	335.1	213.3	57.1	1,022	779.5	31.1
(% of Sales)	59.9	60.4		58.1	58.9	
Staff Costs	56.6	37.1	52.7	164.5	136.0	21.0
(% of Sales)	10.1	10.5		9.4	10.3	
Exchange Fluctuation	2.5	(11.6)	-	(55.5)	31.8	-
(% of Sales)	0.4	(3.3)		(3.2)	2.4	
Other Expenses	87.8	53.1	65.3	264.8	205.2	29.1
(% of Sales)	15.7	15.0		15.1	15.5	
<b>Total Expenditure</b>	<b>482.0</b>	<b>291.8</b>	<b>65.2</b>	<b>1,396</b>	<b>1,152</b>	<b>21.1</b>
<b>Operating Profit</b>	<b>77.9</b>	<b>61.6</b>	<b>26.6</b>	<b>362.1</b>	<b>170.5</b>	<b>112.4</b>
OPM (%)	13.9	17.4		20.6	12.9	
Interest	4.0	6.4	(38.0)	26.5	29.1	(8.9)
Depreciation	18.7	14.5	28.7	64.6	54.5	18.5
Other Income	1.6	1.5	10.2	16.0	9.3	71.7
<b>PBT (excl. Extr. Items)</b>	<b>56.9</b>	<b>42.1</b>	<b>35.1</b>	<b>287.0</b>	<b>96.2</b>	<b>198.2</b>
Extr. Income/(Expense)	-	-	-	20.0	11.0	-
<b>PBT (incl. Extr. Items)</b>	<b>56.9</b>	<b>42.1</b>	<b>35.1</b>	<b>267.0</b>	<b>85.2</b>	<b>213.3</b>
(% of Sales)	10.2	11.9		15.2	6.4	
Provision for Taxation	27.7	10.8	156.0	88.6	15.7	464.2
(% of PBT)	48.6	25.6		33.2	18.4	
<b>Reported PAT</b>	<b>29.3</b>	<b>31.3</b>	<b>(6.6)</b>	<b>178.5</b>	<b>69.5</b>	<b>156.6</b>
PATM (%)	5.2	8.9		10.2	5.3	
Equity capital (cr)	38.8	35.6		37.5	35.6	
<b>EPS (Rs)</b>	<b>0.8</b>	<b>0.9</b>	<b>(13.3)</b>	<b>4.8</b>	<b>2.0</b>	<b>143.3</b>

Source: Company, Angel Research

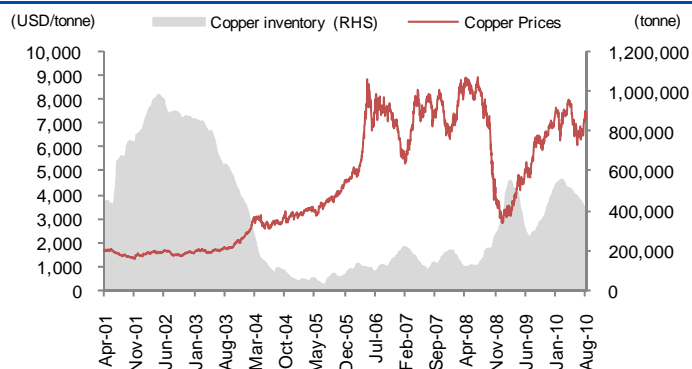
**Standalone performance:** On a standalone basis too, the company reported a robust 58.5% yoy growth in top-line to Rs560cr (Rs353cr), and a 27% yoy increase in operating profit.

**Exhibit 8: Domestic revenues up 63.3%**


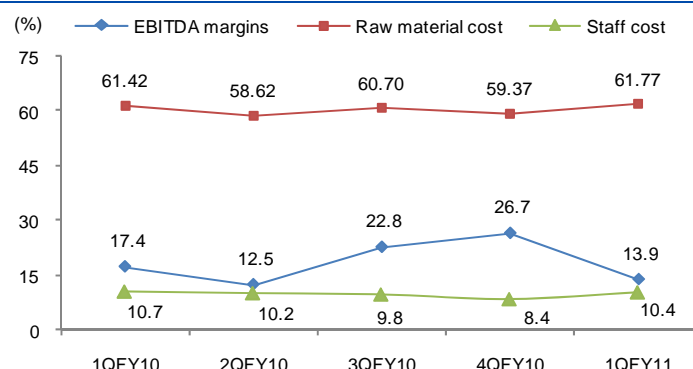
Source: Company, Angel Research

**Exhibit 9: Revenues outside India up 16.4%**


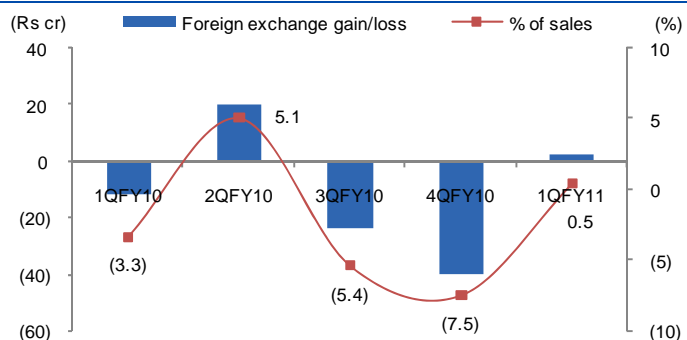
Source: Company, Angel Research

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


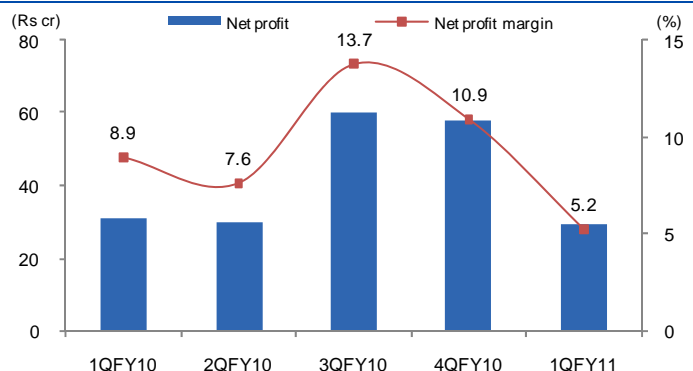
Source: Company, Angel Research

**Exhibit 11: Decline in EBITDA margins**


Source: Company, Angel Research

**Exhibit 12: Fluctuations in foreign exchange**


Source: Company, Bloomberg, Angel Research

**Exhibit 13: Net profit declines**


Source: Company, Angel Research

OPM, excluding the exchange differences, stood higher at 13.9% (17.4%). Raw material and staff costs registered a marginal decline on a yoy basis, while other expenditure declined by about 70bp yoy. MSSL reported net profit of Rs29.3cr (Rs31.3cr profit in 1QFY2010). Further, higher tax provision of 48.6% (25.6%) also restricted net profit growth in 1QFY2011.

## Segment-wise performance

The auto segment clocked 59% yoy increase in sales to Rs512cr (Rs322cr), while non-auto sales jumped 78.6% yoy to Rs54cr (Rs30cr) in 1QFY2011. However, margin pressure restricted growth at the EBIT level. The auto segment EBIT increased by 34.2% yoy to Rs54cr (Rs40.2cr), while non-auto EBIT spiked to Rs4.8cr (Rs4.1cr), registering growth of 18.2% yoy during the quarter.

### Exhibit 14: Segmental performance

Y/E Mar (Rs cr)	1QFY11	1QFY12	% chg	FY2010	FY2009	% chg
<b>Total Net Sales</b>	<b>567.5</b>	<b>357.6</b>	<b>58.7</b>	<b>1,845.7</b>	<b>1,343.6</b>	<b>37.4</b>
Auto	512.0	322.0	59.0	1,593.5	1,168.5	36.4
Non-Auto	53.8	30.1	78.6	178.8	147.0	21.6
Other Segments	1.7	5.5		73.5	28.0	
<b>Total EBIT</b>	<b>58.8</b>	<b>44.3</b>	<b>32.8</b>	<b>238.8</b>	<b>120.4</b>	<b>98.4</b>
Auto	54.0	40.2	34.2	209.8	108.0	94.3
Non Auto	4.8	4.1	18.2	29.1	12.4	134.0
<b>EBIT Margin (%)</b>	<b>10.4</b>	<b>12.4</b>		<b>12.9</b>	<b>9.0</b>	
Auto	10.5	12.5		13.2	9.2	
Non Auto	8.9	13.5		16.3	8.5	

Source: Company, Angel Research

**SMR reported qoq decline in sales:** SMR posted 23% yoy jump in net sales with OPM of 7.2% (1.7%) and net profit of Rs12.7cr (loss of Rs22.3cr in 1QFY2010).

### Exhibit 15: SMR performance

Y/E March (Rs cr)	1QFY11	1QFY10	% yoy chg	FY2010
<b>Net Sales</b>	<b>1,080.7</b>	<b>882.4</b>	<b>22.5</b>	<b>4,158.7</b>
India	47.1	32.2	46.2	159.2
Outside India	1,033.7	850.2	21.6	3,999.5
<b>EBIDT</b>	<b>77.9</b>	<b>15.1</b>	<b>416.2</b>	<b>236.2</b>
<b>OPM (%)</b>	<b>7.2</b>	<b>1.7</b>		<b>5.7</b>
Depreciation	30.3	34.2	(11.3)	150.2
PBT	41.2	(42.7)		10.7
Minority Share	13.6	(22.1)		2.8
<b>PAT</b>	<b>12.7</b>	<b>(22.3)</b>		<b>5.9</b>

Source: Company, Angel Research

## Management call – Key takeaways

- Management retains its positive outlook on the domestic business, while maintaining that the overseas market (especially Europe and US) is picking up and would be reflected in numbers going forward. Adverse currency movement in Euro and USD impacted realisations to a certain extent.
- Operations in the various countries involve dealing in different currencies and adverse currency movement during the quarter largely impacted the company's realisations and margins. We note that on the domestic front (company imports 59% of its input requirements and dominant portion of which comes from Japan) adverse movement in the rupee v/s the yen resulted

in an increase in the raw material costs to a certain extent and overall increase in copper price, which overall impacted the wiring harness business. This is usually passed on with a lag effect.

- Better working capital cycle helped the company generate strong cash flows during the quarter. Net debt (excluding FCCB's) as on June 30, 2010 stood at Rs358cr.
- Deferred tax on FCCB conversion and Turnaround of few subsidiaries resulted in higher tax provisioning for the quarter.
- SMR received orders for the supply of mirrors worth approximately Euro 700mn to be supplied over the life of the new models to be launched in 2011. With the overall scenario improving in Europe and other countries, the company is hoping to receive such orders going forward.
- MSSL has been in the process of restructuring the assets acquired through SMR and registered a turnaround in FY2010. SMR can exhibit a seasonal performance in 2QFY2011 (holidays in European countries).
- The company keeps its target of achieving 8-10% EBITDA margin for FY2011 on the SMR front. The company stands by its resolve to improve EBITDA and to generate a decent RoCE.

## 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. The company 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 higher. 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 as well.
- **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 Euro 700mn 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 Rs 10bn in revenues by FY2005	<b>Achieved Rs 10.2bn</b>
Attain RoCE of 40%	<b>Achieved RoCE of 39%</b>
Not more than 25% from one customer	<b>Largest customer 27% of total turnover</b>
Achieve 30% of sales from outside India	<b>29% from exports</b>
Dividend payout of 40%	<b>Payout ratio 43%</b>

Source: Company, Angel Research

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

To cross US \$1bn in revenues by FY2010	<b>Achieved US \$1.5bn</b>
Achieve 60% of sales from outside India	<b>Over 65% of sales from outside India</b>
Not more than 20% from one customer	<b>Largest customer 15% of total turnover</b>
Strive to maintain business RoCE of 40%	<b>RoCE 37% standalone &amp; 22% consolidated basis</b>
Dividend payout - 40% of consolidated profit	<b>Payout ratio of 23% for FY2010</b>

Source: Company, Angel Research

**Exhibit 18: Company milestones for FY2015**

To cross US \$5bn in revenues on consolidated basis	<b>Strong execution track record</b>
Attain RoCE of 40% on consolidated basis	<b>Potential up-side risk to our EBITDA margins</b>
Achieve 70% of sales from outside India	<b>Turnaround of overseas market</b>
Dividend payout of 40% of the consolidated profit	<b>Potential returns for investors</b>
Increase reach from 21 countries to 26 countries	<b>Geographical expansion through JVs &amp; acquisitions</b>

Source: Company, Angel Research

**Outlook and Valuation**

We expect MSSL's consolidated net sales to register CAGR of 17% over FY2010-12E, aided by its strong order book position. We largely maintain our margin estimates as management indicated that the impact of the currency movements and input costs would gradually be passed on to the customers over the next few quarters.

**Exhibit 19: Change in estimates**

Y/E March (Rs cr)	Earlier Estimates		Revised Estimates		% chg	
	FY2011E	FY2012E	FY2011E	FY2012E	FY2011E	FY2012E
Revenue	8,120	9,415	8,090	9,402	(0.4)	(0.1)
OPM (%)	10.7	10.9	10.6	10.9	(6)bp	(1)bp
EPS (Rs)	9.0	11.1	8.8	11.2	(2.6)	0.5

Source: Company, Angel Research

At the CMP of Rs176, the stock is trading 15.8x FY2012E consolidated earnings (fully diluted). **We maintain Accumulate rating on the stock, with a Target Price of Rs188, at which level the stock would trade at 16.8x FY2012E earnings. We are valuing the company at 5% premium to its historical average of 16x due to estimated higher business RoEs in FY2011-12E.** We believe that the recovery in the overseas operations will help the stock in generating higher returns over the next 2-3 years. Further, consistent and strong execution track record of the company implies further scope of re-rating of the stock. Thus, we recommend Accumulate the stock on every correction.



**Exhibit 20: Key Assumptions**

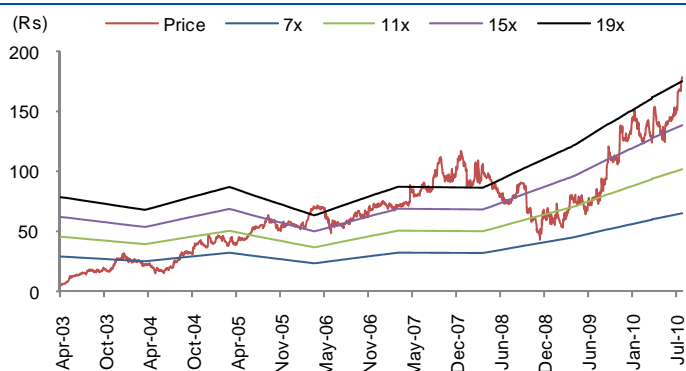
Y/E March (Rs cr)	FY2007	FY2008	FY2009	FY2010	FY2011E	FY2012E
Mirror	-	-	364.3	4,153	4,745	5,515
Wiring Harness Group	980.3	1,335	1,568	1,810	2,240	2,639
Polymer Group	392.6	437.0	448.6	560.9	702.6	843.8
Rubber, Metals and other parts	154.7	256.0	215.2	178.2	178.2	178.2
<b>Total Sales</b>	<b>1,528</b>	<b>2,028</b>	<b>2,596</b>	<b>6,702</b>	<b>7,866</b>	<b>9,176</b>
<b>% yoy growth</b>						
Mirror	-	-	-	1,040	14.3	16.2
Wiring Harness Group	40.1	36.2	17.4	15.5	23.8	17.8
Polymer Group	122.3	11.3	2.7	25.0	25.3	20.1
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>17.4</b>	<b>16.7</b>
<b>% of Total Sales</b>						
Mirror	-	-	14.0	62.0	60.3	60.1
Wiring Harness Group	64.2	65.8	60.4	27.0	28.5	28.8
Polymer Group	25.7	21.5	17.3	8.4	8.9	9.2
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

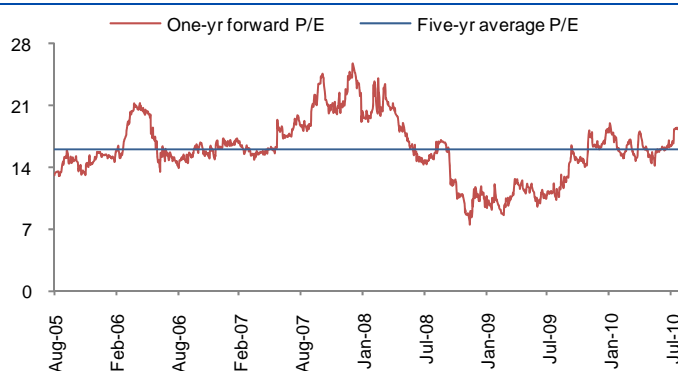
**Exhibit 21: Angel v/s consensus forecast**

	Angel estimates		Consensus		Variation (%)	
	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Net Sales (Rs cr)	8,090	9,402	7,942	9,232	1.9	1.8
EPS (Rs)	8.8	11.2	9.3	12.0	(6.1)	(7.6)

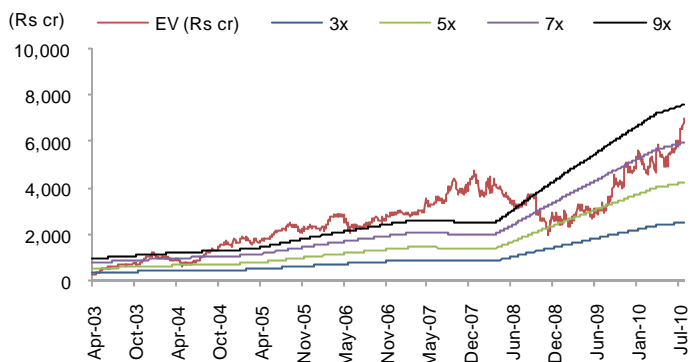
Source: Bloomberg, Angel Research

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


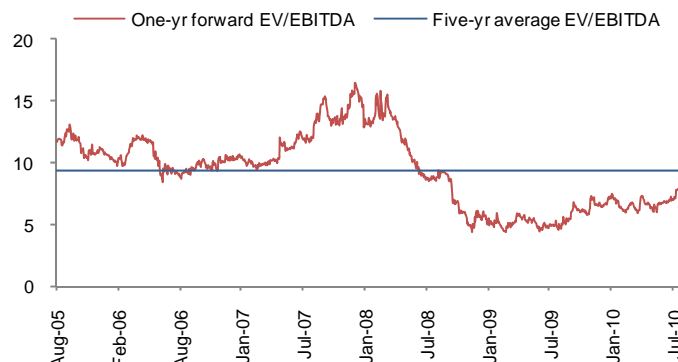
Source: Company, Bloomberg, Angel Research

**Exhibit 23: One-year forward P/E chart**


Source: Company, Bloomberg, Angel Research

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


Source: Company, Bloomberg, Angel Research

**Exhibit 25: One-year forward EV/EBITDA chart**


Source: Company, Bloomberg, Angel Research

**Exhibit 26: Auto Ancillary - Recommendation summary**

Company	Reco.	CMP (Rs)	Tgt Price (Rs)	Upside (%)	P/E (x)		EV/EBITDA (x)		RoE (%)		FY10-12E EPS
					FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	CAGR (%)
Automotive Axle <sup>^</sup>	Buy	475	578	21.6	14.5	12.3	7.1	6.0	25.9	25.9	145.5
Bharat Forge <sup>*&amp;</sup>	Neutral	339	-	-	26.9	17.7	14.0	10.6	17.1	20.6	-
Bosch India <sup>#</sup>	Neutral	5,723	-	-	24.0	21.3	20.3	17.0	20.8	20.1	26.7
Exide Industries	Accumulate	142	153	7.9	16.6	14.2	9.8	8.5	28.7	26.5	25.8
FAG Bearings <sup>#</sup>	Buy	749	931	24.3	10.6	9.7	5.3	4.6	22.9	20.6	40.3
Motherson Sumi <sup>*</sup>	Accumulate	176	188	7.0	20.1	15.8	7.9	6.6	27.3	31.1	33.9
Subros	Buy	50	60	19.6	10.0	8.3	4.4	3.3	13.7	14.8	14.2

Source: Angel Research; Note: \* Consolidated Results; # December year end; ^ September year end; &amp; FY11E and FY12E EPS adjusted for FCCB interest after tax

**Profit and Loss Statement (Consolidated)**

Y/E March (Rs cr)	FY07	FY08	FY09	FY10	FY11E	FY12E
Gross sales	1,706	2,272	2,783	6,854	8,194	9,559
Less: Excise duty	178.9	244.0	187.8	151.4	327.8	382.3
<b>Net Sales</b>	<b>1,528</b>	<b>2,028</b>	<b>2,596</b>	<b>6,702</b>	<b>7,866</b>	<b>9,176</b>
Other Operating Income	14.3	23.6	44.1	221.8	223.6	225.8
<b>Total operating income</b>	<b>1,542</b>	<b>2,052</b>	<b>2,640</b>	<b>6,924</b>	<b>8,090</b>	<b>9,402</b>
% chg	51.8	33.1	28.7	162.3	16.8	16.2
Total Expenditure	1,307	1,755	2,356	6,375	7,253	8,401
Net Raw Materials	864.2	1,124	1,549	4,166	4,956	5,758
Other Mfg costs	111.7	141.7	141.4	319.4	440.5	513.9
Personnel	168.2	246.7	344.0	1,200	1,227	1,395
Other	162.8	242.1	321.6	689.5	629.3	734.1
<b>EBITDA</b>	<b>235.0</b>	<b>297.2</b>	<b>283.4</b>	<b>548.7</b>	<b>837.2</b>	<b>1,001</b>
% chg	47.4	26.4	(4.6)	93.6	52.6	19.6
(% of Net Sales)	15.4	14.7	10.9	8.2	10.6	10.9
Depreciation & Amortisation	64.6	84.7	109.1	260.1	303.9	333.3
<b>EBIT</b>	<b>170.4</b>	<b>212.5</b>	<b>174.4</b>	<b>288.6</b>	<b>533.2</b>	<b>667.9</b>
% chg	50.7	24.7	(17.9)	65.5	84.8	25.3
(% of Net Sales)	11.2	10.5	6.7	4.3	6.8	7.3
Interest & other Charges	29.2	28.9	38.3	63.5	57.4	53.4
Other Income	21.1	42.5	119.9	111.3	116.8	122.7
(% of PBT)	13.0	20.5	47.0	32.6	19.9	16.6
<b>Recurring PBT</b>	<b>162.3</b>	<b>226.2</b>	<b>255.9</b>	<b>336.4</b>	<b>592.7</b>	<b>737.2</b>
% chg	28.9	39.4	13.1	31.5	76.2	24.4
Extraordinary Items	0.4	19.1	1.1	(4.9)	5.0	-
<b>PBT</b>	<b>161.9</b>	<b>207.1</b>	<b>254.8</b>	<b>341.3</b>	<b>587.7</b>	<b>737.2</b>
Tax	33.6	51.1	34.7	109.2	199.5	251.8
(% of PBT)	20.7	24.7	13.6	32.0	33.9	34.2
<b>PAT (reported)</b>	<b>128.7</b>	<b>175.0</b>	<b>221.2</b>	<b>227.3</b>	<b>393.2</b>	<b>485.3</b>
Less: Minority interest (MI)	(0.8)	(2.8)	45.0	(9.1)	48.5	53.0
PAT after MI (reported)	129.5	177.9	176.2	236.4	344.6	432.3
<b>Adj. PAT</b>	<b>129.2</b>	<b>158.8</b>	<b>175.1</b>	<b>241.3</b>	<b>339.6</b>	<b>432.3</b>
% chg	20.6	22.9	10.3	37.8	40.7	27.3
(% of Net Sales)	8.5	7.8	6.7	3.6	4.3	4.7
<b>Basic EPS (Rs)</b>	<b>3.7</b>	<b>4.5</b>	<b>4.9</b>	<b>6.4</b>	<b>8.8</b>	<b>11.2</b>
<b>Fully Diluted EPS (Rs)</b>	<b>3.3</b>	<b>4.1</b>	<b>4.5</b>	<b>6.2</b>	<b>8.8</b>	<b>11.2</b>
% chg	20.1	22.9	10.3	37.8	40.7	27.3

**Balance Sheet (Consolidated)**

Y/E March (Rs cr)	FY07	FY08	FY09	FY10	FY11E	FY12E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	23.5	35.6	35.6	37.5	38.8	38.8
Preference Capital	-	-	-	-	-	-
Reserves & Surplus	356.1	500.3	747.6	1,127.5	1,280.7	1,425.6
<b>Shareholders' Funds</b>	<b>379.6</b>	<b>535.9</b>	<b>783.1</b>	<b>1,164.9</b>	<b>1,319.5</b>	<b>1,464.3</b>
Minority Interest	13.9	22.6	200.0	202.7	154.1	101.1
Total Loans	460.2	489.1	895.1	817.9	717.9	667.9
Deferred Tax Liability	7.3	4.0	14.5	4.0	(4.8)	(12.2)
<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	762.1	949.2	2,947.4	3,182.1	3,575.5	3,921.5
Less: Acc. Depreciation	277.1	346.0	1,598.7	1,727.3	2,031.2	2,364.5
<b>Net Block</b>	<b>485.0</b>	<b>603.1</b>	<b>1,348.7</b>	<b>1,454.8</b>	<b>1,544.3</b>	<b>1,557.0</b>
Capital Work-in-Progress	17.8	28.2	176.4	180.8	178.8	196.1
Goodwill	-	-	-	-	-	-
<b>Investments</b>	<b>4.8</b>	<b>5.0</b>	<b>54.7</b>	<b>47.1</b>	<b>54.7</b>	<b>55.5</b>
Current Assets	676.8	903.9	1,883.5	2,097.1	2,354.3	2,535.7
Cash	99.4	95.4	276.6	343.1	342.0	189.8
Loans & Advances	136.3	190.5	382.5	310.1	393.3	458.8
Other	441.1	618.1	1,224.4	1,443.9	1,619.0	1,887.1
Current liabilities	381.8	530.6	1,597.1	1,592.1	1,945.4	2,123.1
<b>Net Current Assets</b>	<b>294.9</b>	<b>373.3</b>	<b>286.5</b>	<b>505.1</b>	<b>408.9</b>	<b>412.6</b>
Mis. Exp. not written off	58.5	42.0	26.5	1.8	-	-
<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	161.9	207.1	254.8	341.3	587.7	737.2
Depreciation	64.6	84.7	109.1	260.1	303.9	333.3
Change in Working Capital	12.4	(51.5)	(751.7)	166.6	(302.4)	(25.8)
Less: Other income	85.5	(62.6)	(864.4)	324.2	(325.9)	386.8
Direct taxes paid	33.6	51.1	34.7	109.2	199.5	251.8
<b>Cash Flow from Operations</b>	<b>119.9</b>	<b>251.7</b>	<b>441.9</b>	<b>334.7</b>	<b>715.6</b>	<b>406.0</b>
(Inc.)/Dec. in Fixed Assets	(184.0)	(197.5)	(2,146.4)	(239.2)	(391.4)	(363.3)
(Inc.)/Dec. in Investments	(0.0)	(0.2)	(49.8)	7.6	(7.6)	(0.9)
(Inc.)/Dec. in loans and advances	(28.1)	(55.2)	(192.1)	74.3	(85.1)	22.6
Other income	21.1	42.5	119.9	111.3	116.8	122.7
<b>Cash Flow from Investing</b>	<b>(191.1)</b>	<b>(210.3)</b>	<b>(2,268.3)</b>	<b>(45.9)</b>	<b>(367.2)</b>	<b>(218.8)</b>
Issue of Equity	-	12.1	-	1.9	1.3	-
Inc./(Dec.) in loans	33.7	28.9	406.0	(77.2)	(100.0)	(50.0)
Dividend Paid (Incl. Tax)	31.2	41.9	56.2	76.3	76.7	113.4
Others	(72.4)	(128.2)	1,542.7	(223.3)	(327.5)	(402.7)
<b>Cash Flow from Financing</b>	<b>(7.5)</b>	<b>(45.4)</b>	<b>2,004.8</b>	<b>(222.3)</b>	<b>(349.5)</b>	<b>(339.4)</b>
Inc./(Dec.) in Cash	(78.7)	(4.1)	178.4	66.4	(1.1)	(152.1)
<b>Opening Cash balances</b>	<b>171.6</b>	<b>99.4</b>	<b>95.4</b>	<b>276.6</b>	<b>343.0</b>	<b>342.0</b>
<b>Closing Cash balances</b>	<b>99.4</b>	<b>95.4</b>	<b>276.6</b>	<b>343.0</b>	<b>342.0</b>	<b>189.8</b>

**Key Ratios**

Y/E March	FY07	FY08	FY09	FY10	FY11E	FY12E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	48.0	39.4	35.7	27.3	20.1	15.8
P/CEPS	32.1	24.1	19.0	13.1	10.6	8.9
P/BV	16.4	11.7	8.0	5.7	5.2	4.7
Dividend yield (%)	0.9	0.8	0.8	1.0	1.4	1.7
EV/Sales	3.9	2.9	2.4	1.0	0.8	0.7
EV/EBITDA	28.3	22.4	23.5	12.1	7.9	6.6
EV / Total Assets	7.4	6.0	3.4	3.0	3.0	3.0
<b>Per Share Data (Rs)</b>						
EPS (Basic)	3.7	4.5	4.9	6.4	8.8	11.2
EPS (fully diluted)	3.3	4.1	4.5	6.2	8.8	11.2
Cash EPS	5.5	7.3	9.3	13.4	16.6	19.8
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	37.7
<b>Dupont Analysis</b>						
EBIT margin	11.2	10.5	6.7	4.3	6.8	7.3
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
RoIC (Post-tax)	20.8	18.9	11.9	11.7	19.6	23.3
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	24.1	28.1
<b>Returns (%)</b>						
RoCE (Pre-tax)	21.4	22.2	11.8	14.1	24.4	30.3
Angel RoIC (Pre-tax)	22.4	22.3	10.8	15.6	28.9	32.9
RoE	38.4	34.7	26.6	24.8	27.3	31.1
<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	6
<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	9.3	12.5

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### Disclosure of Interest Statement

### Motherson Sumi Systems

1. Analyst ownership of the stock	Yes
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 Rs 1 lakh for Angel, its Group companies and Directors.

<b>Ratings (Returns) :</b>	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
	Reduce (-5% to 15%)	Sell (< -15%)	