

Motherson Sumi



Magical times ahead!

Jinesh Gandhi - Research Analyst (Jinesh@MotilalOswal.com); +91 22 3982 5416

Deep Shah - Research Analyst (Deep.Shah@MotilalOswal.com) | Suneeta Kamath - Research Analyst (Suneeta.Kamath@MotilalOswal.com)

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Motherson Sumi

BSE Sensex
33,848

S&P CNX
10,478

CMP: INR372

TP: INR458(+23%)

Buy



Stock Info

Bloomberg	MSS IN
Equity Shares (m)	2,105
52-Week Range (INR)	395 / 207
1, 6, 12 Rel. Per (%)	2/12/48
M.Cap. (INR b)	782.4
M.Cap. (USD b)	12.2
Avg Val, INRm	870
Free float (%)	36.9

Financial Snapshot (INR b) - Consol

Y/E Mar	2017	2018E	2019E
Net Sales	424.9	564.0	670.2
EBITDA	42.8	54.8	75.8
PAT	16.2	21.1	30.3
EPS (INR)	7.7	10.0	14.4
Gr. (%)	18.2	30.0	43.9
BV/Sh (INR)	39.3	46.2	56.5
RoE (%)	25.6	23.4	28.1
RoCE (%)	14.7	13.8	18.7
P/E (x)	48.3	37.1	25.8
P/BV (x)	9.5	8.0	6.6

Shareholding pattern (%)

As On	Sep-17	Jun-17	Sep-16
Promoter	63.1	63.1	63.1
DII	7.6	6.5	6.7
FII	19.7	20	19.9
Others	9.6	10.4	10.2

FII Includes depository receipts

Motherson Sumi Magical times ahead!



Jinesh Gandhi

+91 22 3980 5416

Jinesh.Gandhi@motiloswal.com

[Please click here for Video Link](#)

Motherson Sumi Systems (MSS) is the flagship company of the Samvardhana Motherson Group. The company was promoted in 1986 in JV with Sumitomo Wiring Systems and Sojitz Corporation of Japan. MSS had started out as a single product (wiring harness) company, but has since expanded its product range to include polymer products (through SMP), automotive mirrors (through SMR) and elastomers. The group has four divisions namely the wiring harness (15%), polymers (52%), mirrors (28%) and others components (5%). The latest acquisition of PKC (100% owned) strengthens MSS presence in commercial vehicle wiring harness segment. The group operates 230 plants in 37 countries and employs over 100k people.

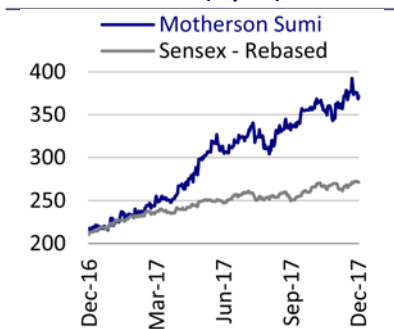
Magical times ahead!

Supportive global trends | Strong growth visibility | Financial discipline

MSS has enviable track record of strong performance with unwavering focus on capital allocation. MSS has evolved as a partner of choice for all most all OEMs in the world, reflecting in increasing share of business and market leadership in all the key businesses that it operates in. It is in sweet spot to benefit from evolving disruptive global automotive trends, which would drive its next wave of growth. MSS is now entrenched in the virtuous cycle of "scale begets scale", as it would significantly benefit from OEMs focus on vendor consolidation. MSS has strong organic growth opportunities in international as well as domestic market driven by increase in content per vehicle, strong order book and entry in new markets/segment. We estimate MSS's consolidated revenues/EBITDA/PAT to grow 22%/30%/33.5% CAGR FY17-20E. Consequently, we expect RoCE (post-tax) to improve to 21.2% in FY20 (14.7% in FY17). We initiate coverage with buy rating and target price of INR458.

- **On right side of global automotive megatrends:** The global automotive industry is at the cusp of disruption, led by megatrends in the form of (a) EVs, (b) connect cars, (c) autonomous cars, (d) shared mobility, (e) stricter emission norms, and (f) platform and vendor consolidation. These trends have the potential to disrupt the automotive supply chain and challenge incumbents. We believe, with its diverse product base and market presence, MSS is set to leverage on these trends to drive its next wave of growth.
- **PKC – Synergistic acquisition, opens up new businesses; Strong growth ahead:** PKC would be biggest beneficiary of strong outlook (up to 25% growth estimates for CY18) for N.America Class 8 trucks as it enjoys ~62% market share of US Class 8 truck wiring harness and ~54% of revenues contribution from North America. PKC is also highly focused on worlds largest truck market of China, where it has entered recently through two JVs (3rd JV underway). These two JVs would result in market share addition of 15% in HD trucks and 5% in MD trucks. Lastly, PKC entered rolling stock business (~USD2b opportunity) in 2015. PKC has already won contract worth EUR280m from Bombardier since entering into global partnership in May

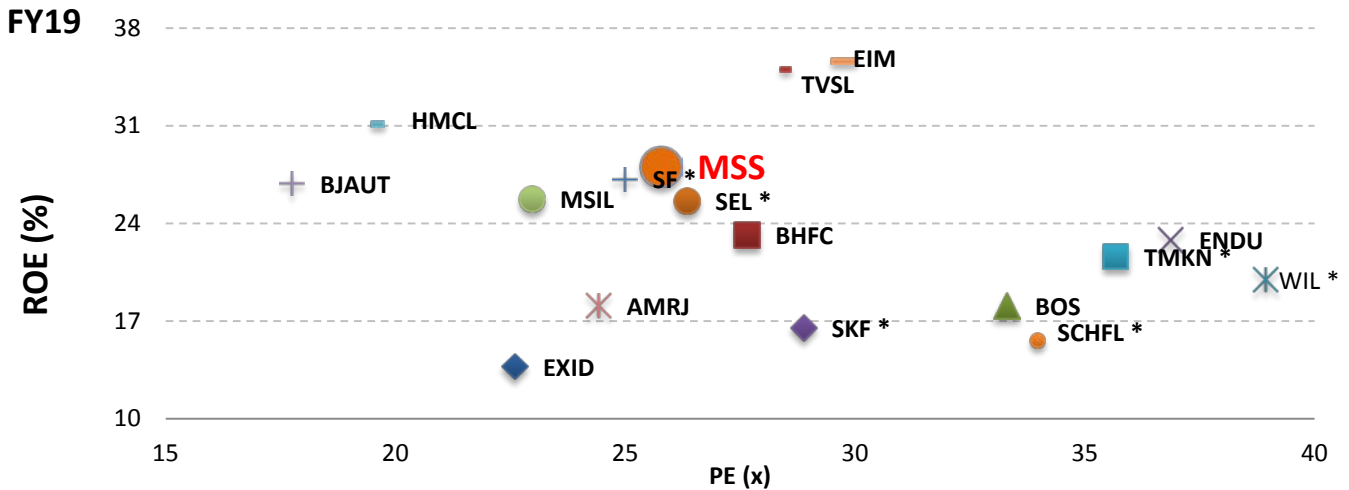
Stock Performance (1-year)



2016. It is in discussion with other OEMs to develop global supply chain for electrical system. PKC revenues are expected to grow at 15% CAGR over FY17-20E, driving ~400bp EBITDA margin expansion to ~10.9% by FY20E.

- **SMRPBV – the growth engine for MSS; SMP on track to improve margins, RoCE:** SMRPBV's (51% owned hold-co for SMP & SMR) order-book growth lends us comfort in building ~16% revenue CAGR over FY17-20 for SMRPBV. As of September 2017, order book stood at EUR15.2b (~2x in 3.5 years), excluding orders of EUR9.2b, for which execution started in the last 12 months. SMP is in a sweet spot, as revenue visibility is high and it is nearing the end of an amplified capex cycle. In the next 12-15 months, with bulk of SMP's plants ramping up, it would derive twin benefits of operating leverage and non-recurrence of start-up costs. We estimate ~19% revenue CAGR to EUR5b by FY20 and EBITDA margin to expand 450bp to ~11% by FY20, driven by operating leverage, considering the high fixed cost nature of the business. SMR continues to be #1 PV mirror company globally and has gained share across markets through continuous innovation. We estimate 9% CAGR in SMR's revenue to EUR2b by FY20 and EBITDA margin to expand further by 120bp to 11.8% by FY20.
- **Standalone business on strong footing; Beneficiary of high growth in domestic PV segment, premiumization:** The India wiring harness business is likely to grow faster than the PV industry, led by increase in content (due to ongoing premiumization). BS-6 would increase complexity of wiring harness and increase value by 20-50%. Also, it would open up the 2W segment for MSS, as 2Ws shift to electronic fuel injection systems with more sensors. MSS is already market leader in 2W wiring harness in EU. The India polymer (MATE) and elastomer (MAE) businesses are evolving from supporting to core businesses to growth drivers. Polymer business is focusing on leveraging its strengths in export markets like South Africa for global OEMs. We expect India standalone business to witness revenue CAGR of 16% and PAT CAGR of 19% over FY17-20E.
- **Vision 2020 – Management confident to achieve it:** In May 2015, MSS had shared its Vision 2020, targeting revenues of USD18b, RoCE of 40% and payout of 40%. Of USD18b revenues, it was expected organic revenues of USD12.4b and balance USD5.6b through M&A. M&A has been strategic tool for MSS to strengthen its relationship with customers and get more share of business. While acquisitions will play key role to attain revenue targets, management is very clear that acquisitions have to pass its 40% RoCE hurdle rate in 4-5 years.
- **Valuation and view:** MSS offers strong visibility of earnings growth along with improving capital efficiencies. We estimate MSS's consolidated revenues/EBITDA/PAT to grow 22%/30%/33.5% CAGR FY17-20E. Consequently, we expect RoCE (post-tax) to improve to 21.2% in FY20 (14.7% in FY17). Although MSS is currently trading at premium to its 5 year average PE, premium valuations are justified considering sharp improvement in post-tax RoCE (~21.2% in FY20 v/s average ~13.4% in last 5 years) and possibility of stronger than expected earnings growth. The stock trades at 25.8x/20.3x FY19E/20E consol. EPS. We initiate coverage with buy rating and target price of INR458/share valuing 25x FY20 consolidated EPS (in-line with historical average).

Exhibit 1: MSS offers best combination of growth, superior RoEs & reasonable valuations



Source: Bloomberg, MOSL

Exhibit 2: MSS holding structure

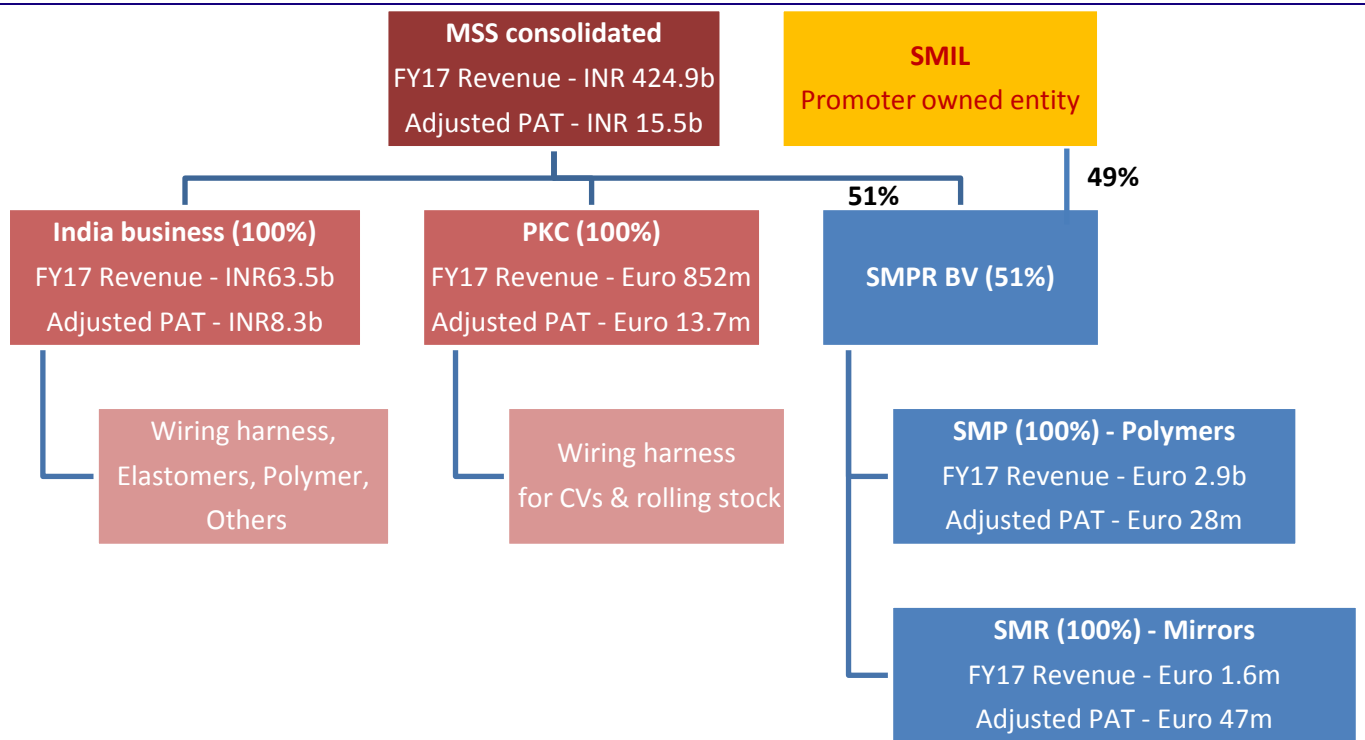
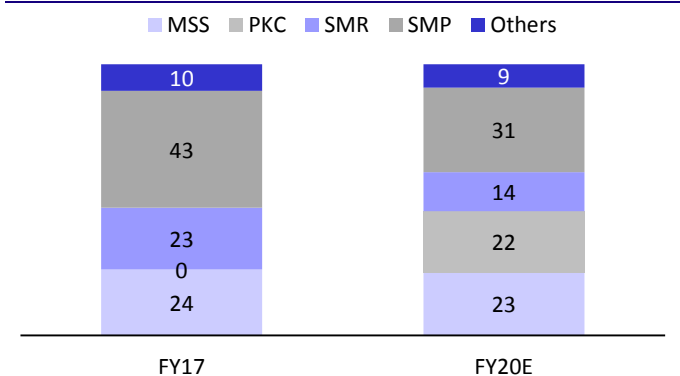
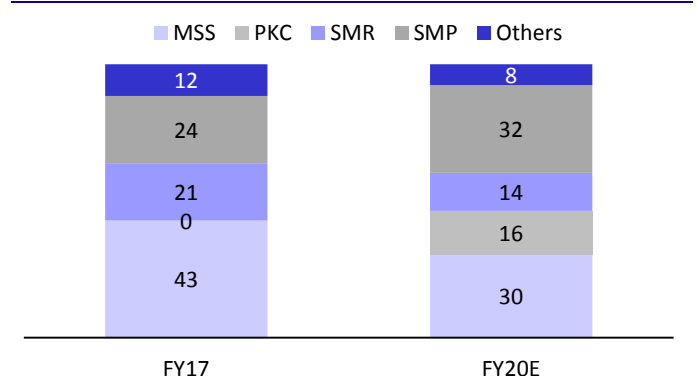


Exhibit 3: MSS—Revenue mix based on economic interest (%)



Source: Company, MOSL

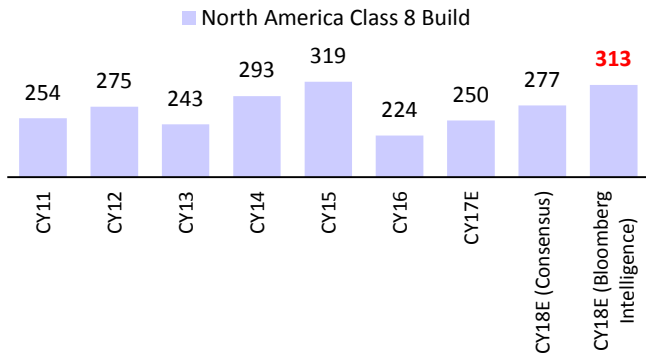
Exhibit 4: MSS – EBITDA mix based on economic interest (%)



Source: Company, MOSL

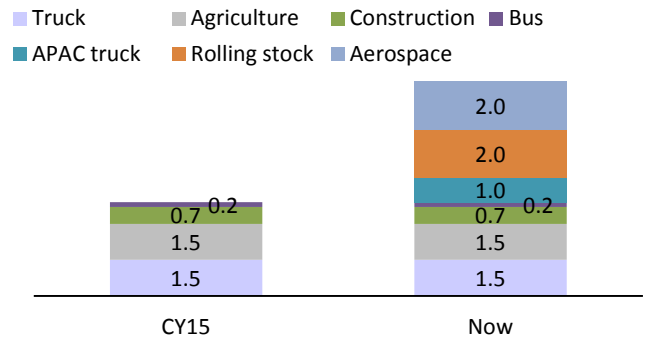
Story in charts

Exhibit 5: Strong recovery in US class 8 trucks to benefit PKC



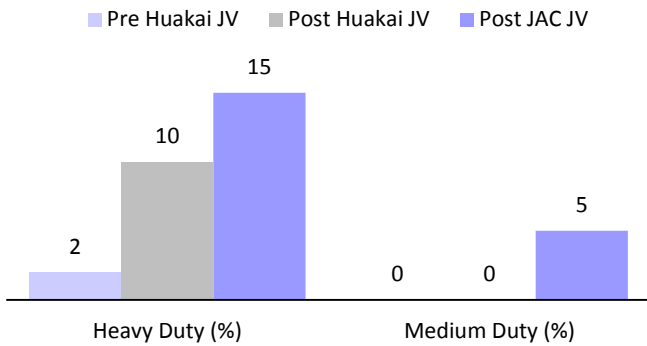
Source: Company, MOSL

Exhibit 6: PKCs addressable market have increased 2x



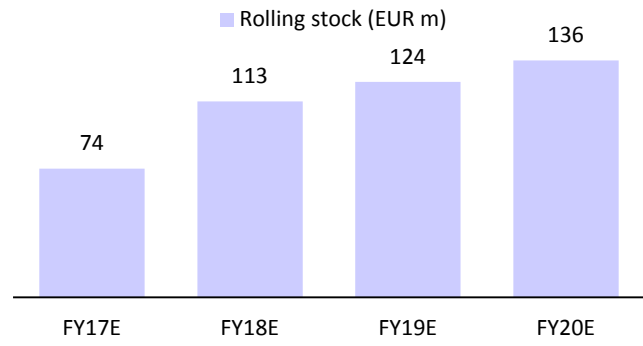
Source: Company, MOSL

Exhibit 7: PKC's market share in China HD wiring harness



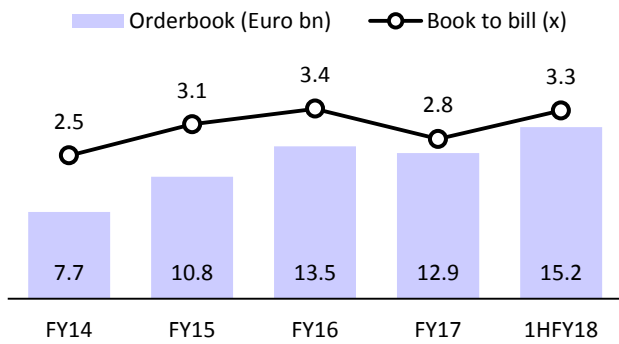
Source: Company, MOSL

Exhibit 8: PKCs rolling stock revenues to grow at 21% CAGR



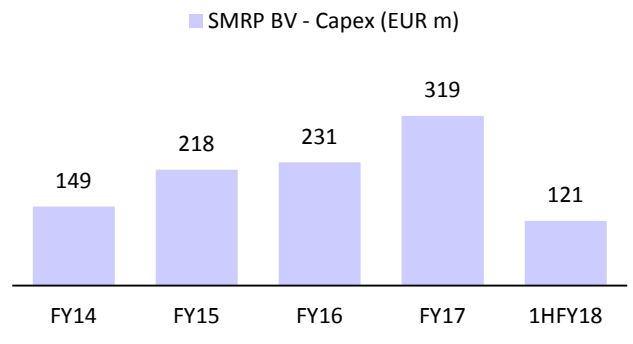
Source: Company, MOSL

Exhibit 9: SMRPBV has strong order book



Source: Company, MOSL

Exhibit 10: Growth to be driven by recently added plants



Source: Company, MOSL

Exhibit 11: Beyond 2020 - Motherson group targeting areas beyond autos



Source: Company, MOSL

MSS: On right side of global automotive megatrends

To see continued increase in content per vehicle

- The global automotive industry is at the cusp of disruption, led by megatrends in the form of (a) electric vehicles, (b) connect cars, (c) autonomous cars, (d) shared mobility, (e) stricter emission norms, and (f) platform and vendor consolidation.
- These trends have the potential to disrupt the automotive supply chain and challenge incumbents.
- We believe MSS would significantly benefit from these global megatrends, leading to an increase in content per vehicle and more business.

Exhibit 12: MSS to benefit from global megatrends in the auto industry...

Trends	Wiring harness	Mirrors	Polymers
Electrification (EVs)	😊😊😊😊😊	😞	😞
Connected cars/higher electronics	😊😊😊	😞	😊😊😊
Autonomous cars	😊😊😊😊	😞😞	😊😊😊
Shared mobility	😞😞	😞😞	😞😞
Light weighting	😊😊	😞	😊😊😊😊
Platform consolidation	😞	😞	😞
Upgrading/Premiumization	😊😊😊	😊😊😊😊😊😊	😊😊😊😊😊😊
Vendor consolidation	😊😊😊	😊😊😊	😊😊😊

Source: MOSL

Global automotive megatrends to drive increase in content, complexity and value for MSSS

Exhibit 13: ...with SMRP BV to witness increase in content, complexity and value

Key trends		SMR	SMP
Increasing Electronic Content and Digitalization	Impact	●	● ●
	Example	<ul style="list-style-type: none"> • Camera systems • LIN bus multi-plexing 	<ul style="list-style-type: none"> • Integrated sensor technologies • Additional features i.e. light integration, surface heating system
Light-weighting and Aerodynamics	Impact	●	● ●
	Example	<ul style="list-style-type: none"> • Camera based rear view systems • Light weight structures 	<ul style="list-style-type: none"> • New light-weight foam plastics and bionic structures for interior components • Active aerodynamic surfaces
Premium Styling and Customization	Impact	● ● ●	●
	Example	<ul style="list-style-type: none"> • Strong position in premium segments with high level customized feature content i.e. lighting features and cameras • Existing premium features penetrate into lower market segment 	<ul style="list-style-type: none"> • High expertise in premium interior surfaces; new development: individualized surfaces by printing technology • Cost-friendly polymer based high quality leather substitutes i.e. with real stitching
Active Safety	Impact	● ●	●
	Example	<ul style="list-style-type: none"> • Digital mirrors: greater field of vision for cars and trucks • Intelligence in cameras and HMIs 	<ul style="list-style-type: none"> • Increase in sensor technology content in bumpers such as pedestrian detection • Integrated pedestrian impact safety solutions like stiffeners
Environmental & Sustainability	Impact	●	●
	Example	<ul style="list-style-type: none"> • New environmental chrome surface solution • Self healing surfaces 	<ul style="list-style-type: none"> • Foam and natural fibre based products

● Increase in Content ● Increase in Complexity ● Increase in Value

Source: Company, MOSL

Trend #1: Electric vehicles – positive

Demand for electric vehicles (EVs) is expected to increase globally, led by government push. Various estimates by OEMs, experts and the government indicate that EVs would constitute 15-30% of total PV volumes by 2025. The Indian government is pushing for 100% EVs by 2030.

Electric vehicles would drive significant increase in wiring harness value due to high voltage requirement

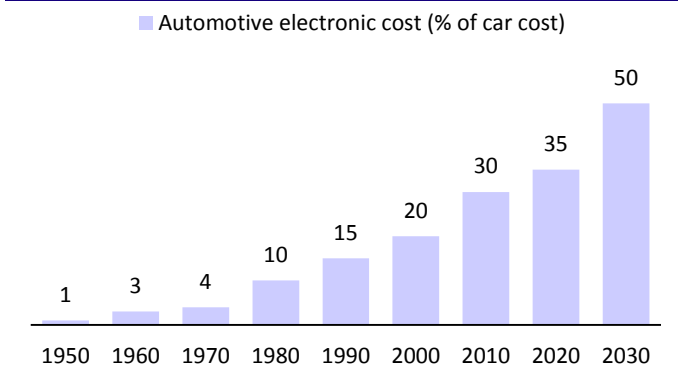
Implication for MSS: We believe the emergence of EVs would substantially increase the value of wiring harness per car due to the need for high voltage wiring harness systems. While PKC already has wiring harnesses for e-buses, the India wiring harness business would benefit from Sumitomo’s technological edge. We see no significant influence of EVs on mirrors or polymer business.

Trend #2: Connected cars – positive

New car technologies are now focusing on connecting the car with its external environment, with the objective of optimizing operation, maintenance, comfort and convenience of passengers. According to AT Kearney, 75% of all cars sold globally would have some form of connectivity by 2020. This would result in significant increase in the number of sensors used in a car.

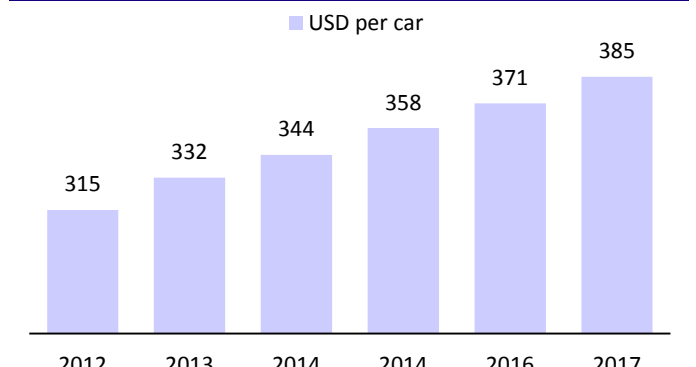
Implication for MSS: Increased use of sensors would benefit both the wiring harness as well as the polymer business (for integrated sensors, light integration, etc).

Exhibit 14: Automotive electronics cost rising persistently...



Source: PWC, MOSL

Exhibit 15: ...leading to increase in content per car



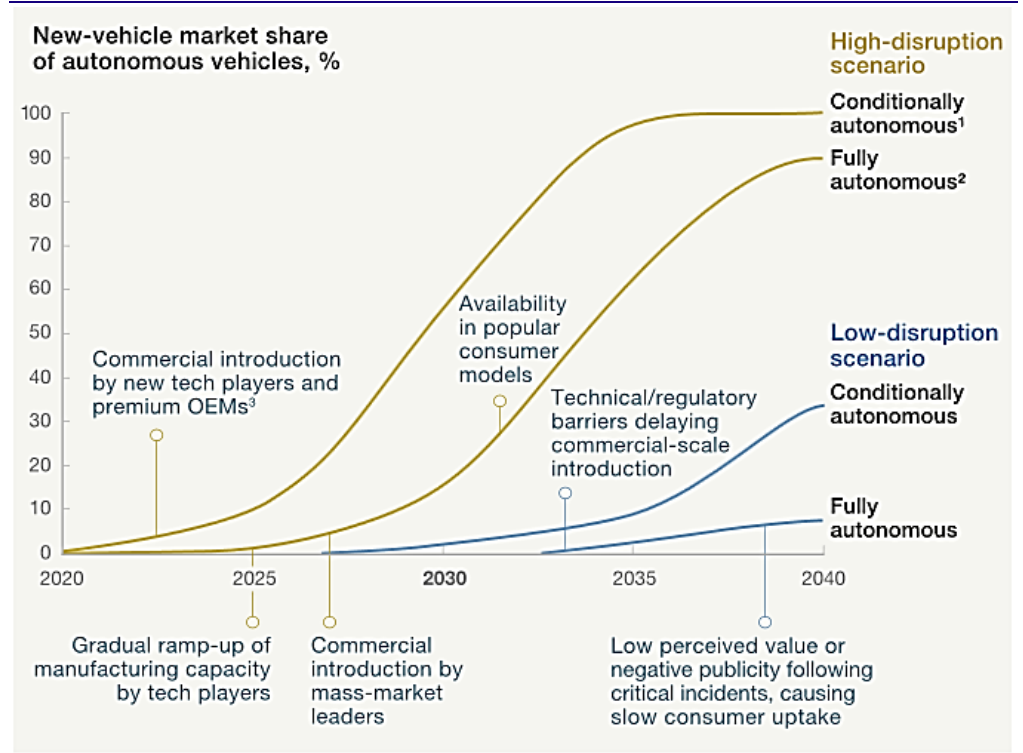
Source: PWC, MOSL

Trend #3: Driver assistance and autonomous driving – positive

Technology is likely to play a crucial role in reducing road accidents by minimizing human error. While we expect advanced driver assistance systems (ADAS) to be quickly adopted, the acceptance of autonomous vehicles would be gradual – regulatory and customer concerns on safety/security are yet to be fully addressed. McKinsey expects autonomous cars to constitute 15% of all PV sales by 2030.

Implication for MSS: ADAS and autonomous cars would drive increase in content for wiring harnesses, mirrors (CMS - camera management systems), and polymer business (integrated sensors).

Exhibit 16: How many new cars may be fully autonomous by 2030?



Source: McKinsey, MOSL

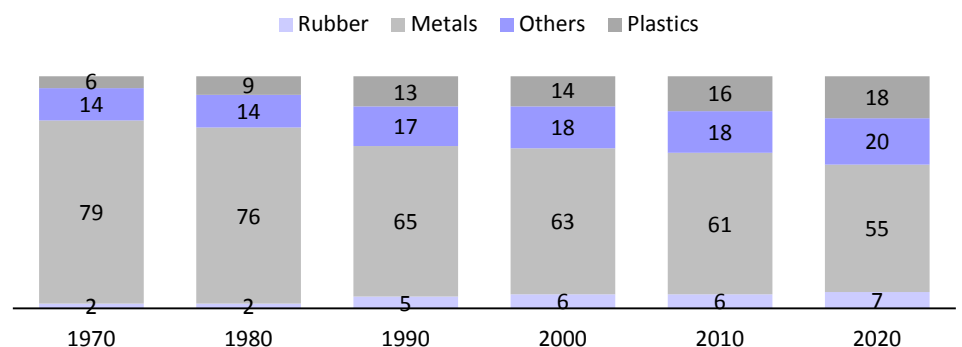
Trend #4: Stricter emission norms and light weighting – positive

Increasingly stricter emission norms, stiffer fuel-economy standards, and emergence of EVs (due to heavy batteries) are forcing the global automobile industry to focus on reducing the weight of the car without compromising on safety. Every 10% reduction in vehicle weight results in a 5-7% reduction in fuel usage.

BS-6 will result in estimated 20-50% increase in value of wiring harness

Implication for MSS: SMP would benefit from the trend of light weighting by using new light-weight foam plastics, bionic structure and active aerodynamic surfaces. Similarly, SMR would also benefit through CMS and light-weight structures. Wiring harness business would see usage of aluminum, which might have lower ASPs.

Exhibit 17: Increasing trend of plastics use – plastics used as a % of car weight



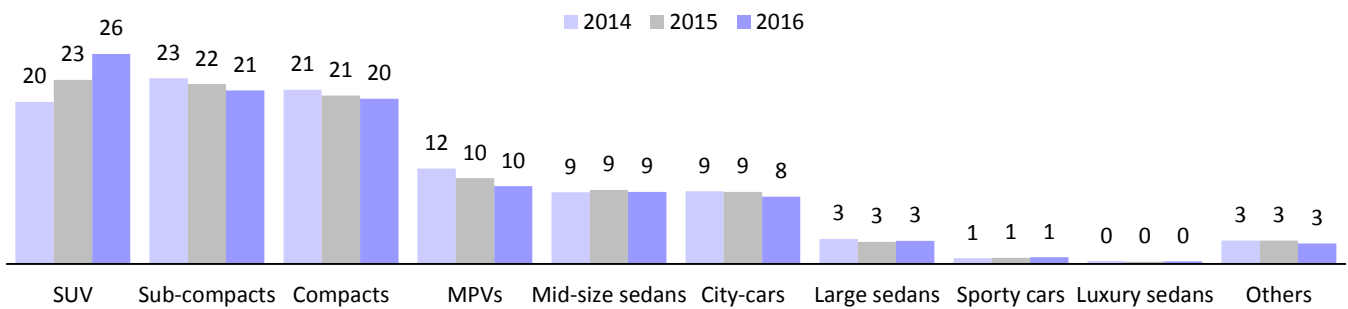
Source: MOSL, AT Kearney: *Plastics. The Future for Automakers and Chemical Companies*

Trend #5: Upgrading/premiumization – positive

As seen in India and other developing economies, there is a clear trend of higher growth in (what have been traditionally known as) B to D segments (subcompact to mid-size cars). There has also been a market expansion in these categories, with compact SUVs competing in the C-segment, and subcompacts, which are a size smaller, competing in the B-segment.

Implication for MSS: Value of content per vehicle would go up for all MSS businesses.

Exhibit 18: European registrations – Segmental shares: Increasing segment share of SUVs



Source: MOSL, JATO.com

Trend #5: Vehicular platform consolidation – positive

Global OEMs are increasingly consolidating their existing platforms to reduce engineering complexities and lifetime costs. The OEMs are continuing to increase the number of vehicles built on a single platform to reduce the time and resources spent on the development of new platforms. To support this strategy, they require suppliers to match the size, scale and geographic footprints of these platforms.

Implication for MSS: Platform consolidation would favor large multi-location vendors with the ability to invest. Given MSS’s global presence, it would continue to benefit from this trend across businesses.

Exhibit 19: Top global platforms

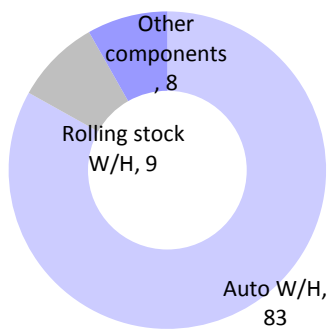
Company	Platform	2020 unit forecast	Key vehicles*
1. Volkswagen	MQB/B	5.8 million	Golf, Jetta, Tiguan, Passat
2. Renault-Nissan	CMF2	3.5 million	Clio, Juke, March, Note
3. Toyota	NGA-C	2.8 million	Auris, Corolla, RAV4, Prius
4. Renault-Nissan	CMF1	2.7 million	Qashqai, Rogue, Megane
5. Honda	CCA	2.4 million	Civic, CR-V, Accord
6. GM	Delta	2.3 million	Astra, Cruze, Equinox
7. Hyundai	PB	2.3 million	Accent, Pride, Rio, i20
8. Volkswagen	MQB A0	2.2 million	Polo, A1, Rapid
9. Ford	C2	1.9 million	Focus, Escape
10. Honda	GSP	1.9 million	Fit, City, Brio

Source: MOSL, IHS Automotive, Company

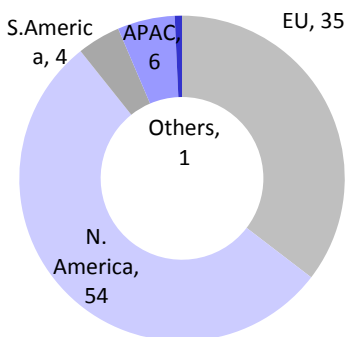
PKC – synergistic acquisition, opens up new businesses

Synergies with MSS and operating leverage to drive margin improvement

PKC: Product Mix (%)



PKC: Market Mix (%)



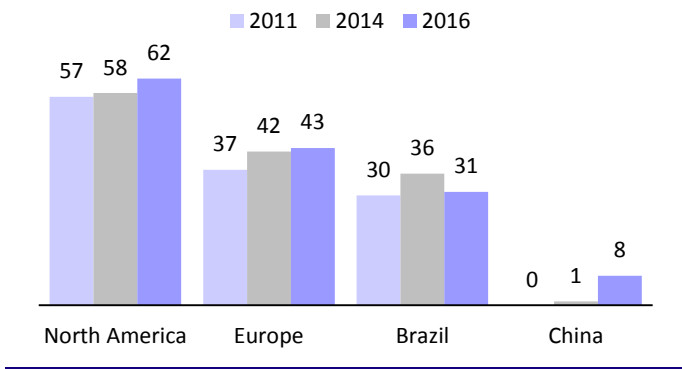
PKC offers geographical and segment diversification, as there is hardly any overlap

- PKC (100% owned) is a highly synergistic acquisition for MSS. It offers geographical as well as segment diversification – there is hardly any overlap between the two entities. The acquisition also opens up opportunities for cross-selling other MSS products.
- PKC operates in North America (~54% of revenue), Europe (~35%), South America (~4%) and APAC (6%). It would be the biggest beneficiary of strong outlook (~25% growth expected in CY18) for North America Class-8 trucks, as it enjoys ~62% share of the US Class-8 truck wiring harness market and derives ~54% of its revenue from North America.
- To further penetrate into the Chinese truck market (largest in the world), PKC has already formed two JVs with local partners and is in the process of forming the third JV. These two JVs would result in market share addition of 15% in HD trucks and 5% in MD trucks. PKC would benefit from increasing complexity due to stricter emission norms, driving market share and increase in content.
- Rolling stocks wiring harness opportunity is ~USD2b. PKC has already won a contract worth EUR280m from Bombardier since entering into global partnership in May 2016. It is in discussion with other OEMs to develop global supply chain for electrical system.
- PKC’s margins would benefit from operating leverage and synergies with MSS (supply chain consolidation, vertical integration, efficiency improvement and leveraging of MSS’ low cost locations). It has adequate capacities to support strong growth over the next 2-3 years.
- PKC’s revenue is expected to grow at a CAGR of 15% over FY17-20, driving ~400bp EBITDA margin expansion to 10.9% by FY20.

PKC a highly synergistic acquisition for MSS

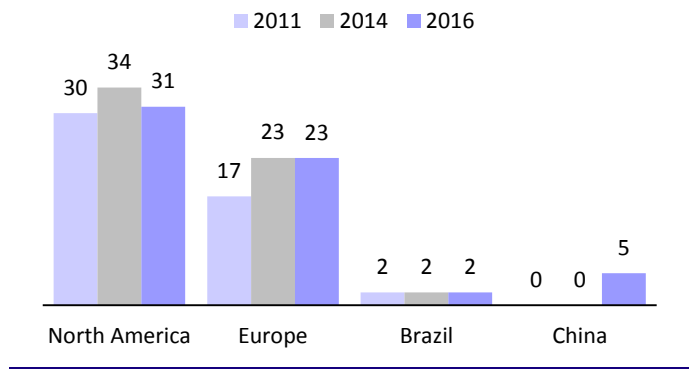
PKC is one of the largest wiring harness manufacturers for CVs in Europe and USA, and is expanding its presence in Brazil and China. The PKC acquisition would deepen MSS’ penetration in the North American and European truck wiring harness segment; it could build on Stoneridge Inc’s presence in USA. From MSS’ perspective, PKC offers geographical and segment diversification, as there is hardly any overlap between the two entities. The acquisition also opens up opportunities for cross-selling other MSS products and increasing the content supplied to PKC’s customers. There would be synergies from (a) supply chain consolidation, (b) vertical integration, (c) efficiency improvement, and (d) leveraging of MSS’ low cost locations. Also, MSS can leverage PKC’s component manufacturing capabilities for backward integration.

Exhibit 20: PKC is the largest wiring harness supplier for HD trucks in the US and EU...



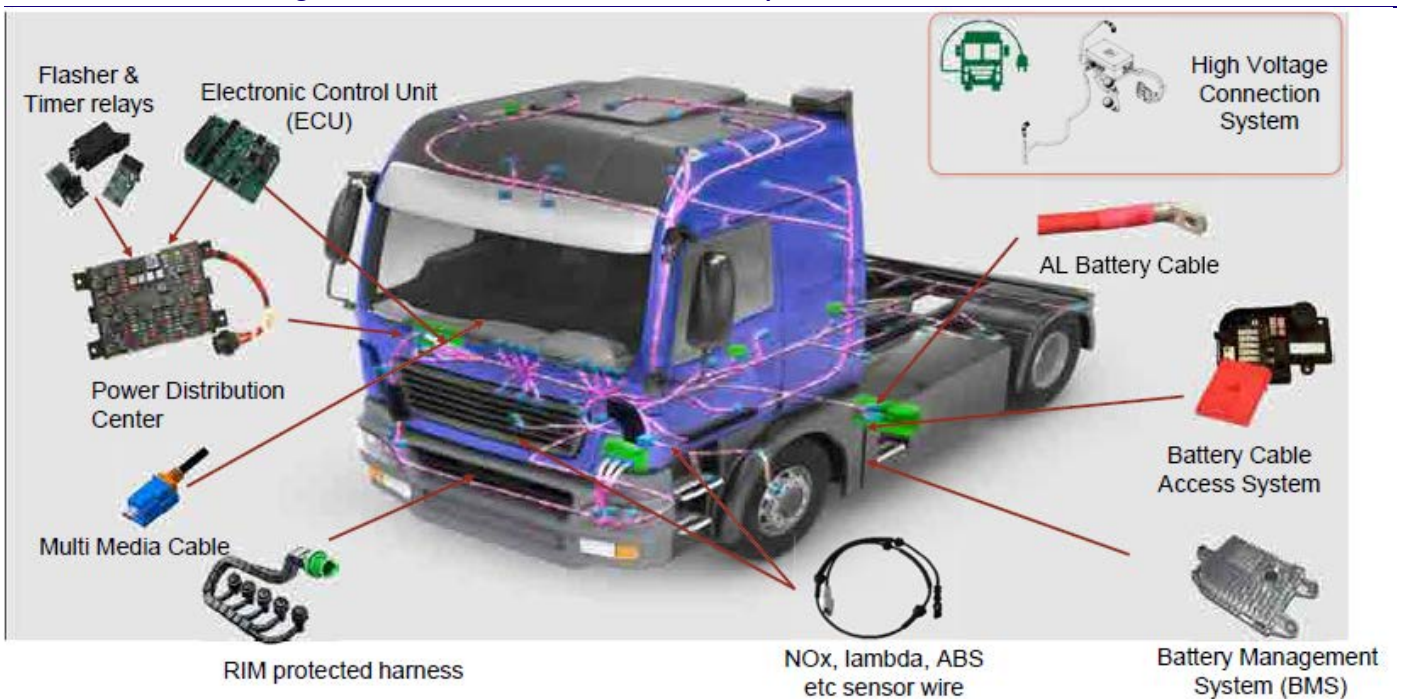
Source: Company, MOSL

Exhibit 21: ...and also enjoys good market share in medium duty trucks in the US and EU



Source: Company, MOSL

Exhibit 22: MSS can leverage on PKC's knowhow to increase content per truck

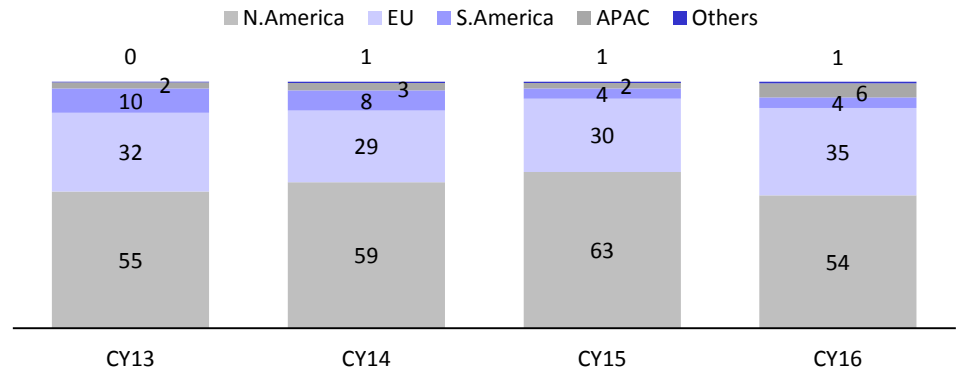


Source: Company, MOSL

PKC largely focused on Americas and Europe; now eyeing APAC

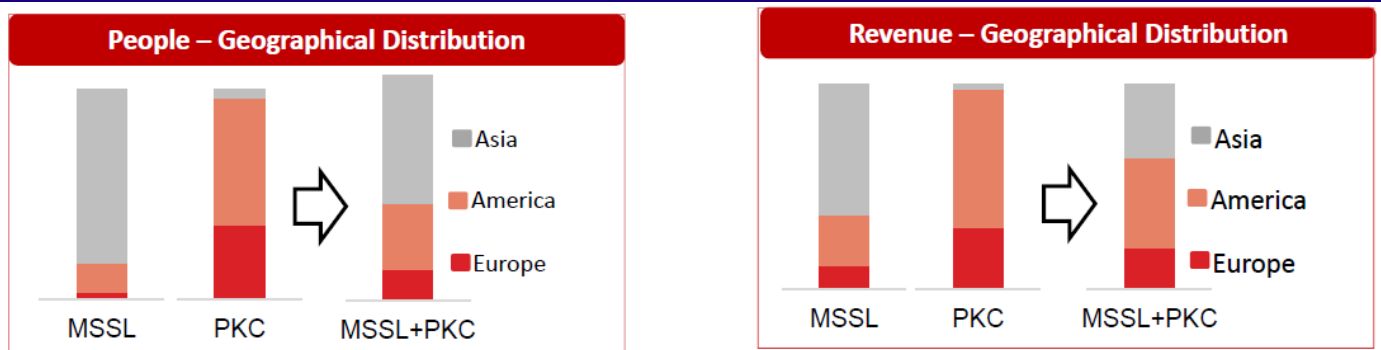
PKC operates in wiring harness (93% of revenue) and components (7% of revenue). In terms of geography mix, North America contributed 54% of overall revenue (v/s 63% in 2015), Europe 35% (v/s 29% in 2015), South America 4%, and APAC 6%. PKC would enable MSS to gain a strong foothold with truck makers, helping it to cross-sell SMRPBV's products.

Exhibit 23: PKC largely focused on Americas and Europe; now eyeing APAC



Source: Company, MOSL

Exhibit 24: PKC offers geographical as well as segment diversification for MSS

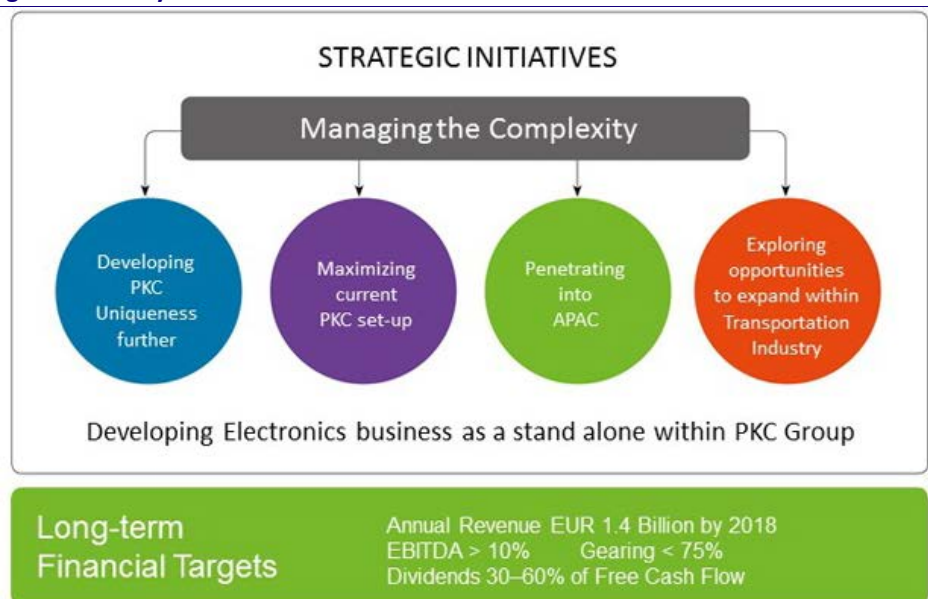


Source: Company, MOSL

PKC has several medium-term revenue drivers

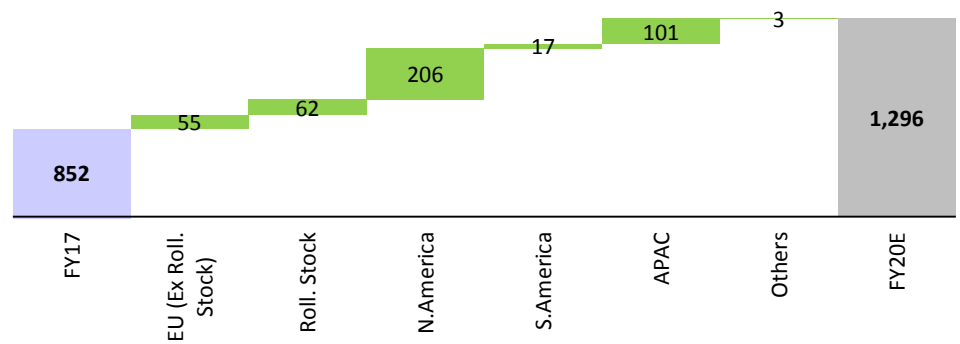
PKC’s revenue is likely to grow at a CAGR of 14% over FY17-20 (v/s 1% over FY14-17, adjusted for divestment of electronics business), driven by (a) strong recovery in US class-8 trucks, (b) ramp-up in China through JVs, and (c) strong and growing order book in rolling stock business. PKC has adequate capacities and infrastructure in place to address this growth.

Exhibit 25: Prior to takeover by MSS, PKC had guided revenue of EUR1.4b and EBITDA margin of >10% by CY18



Source: PKC earning presentation 1Q2016

Exhibit 26: We estimate 15% CAGR in PKC’s revenue driven by US class 8 trucks and APAC



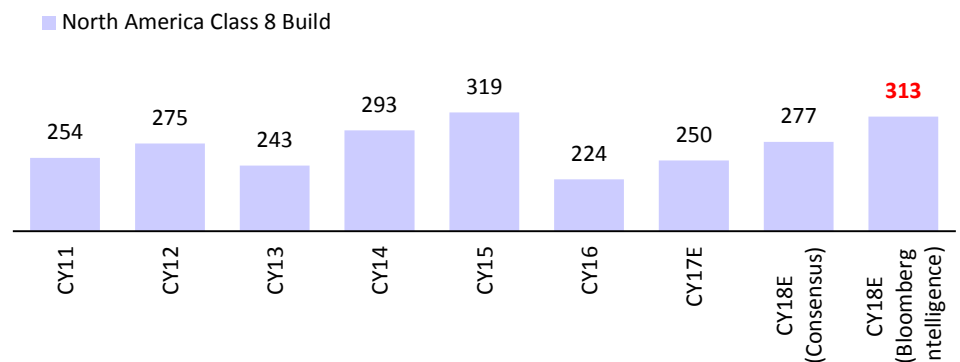
Source: Company, MOSL

PKC enjoys 62% market share in North America wiring harness market

PKC biggest beneficiary of strong outlook for North America Class-8 trucks

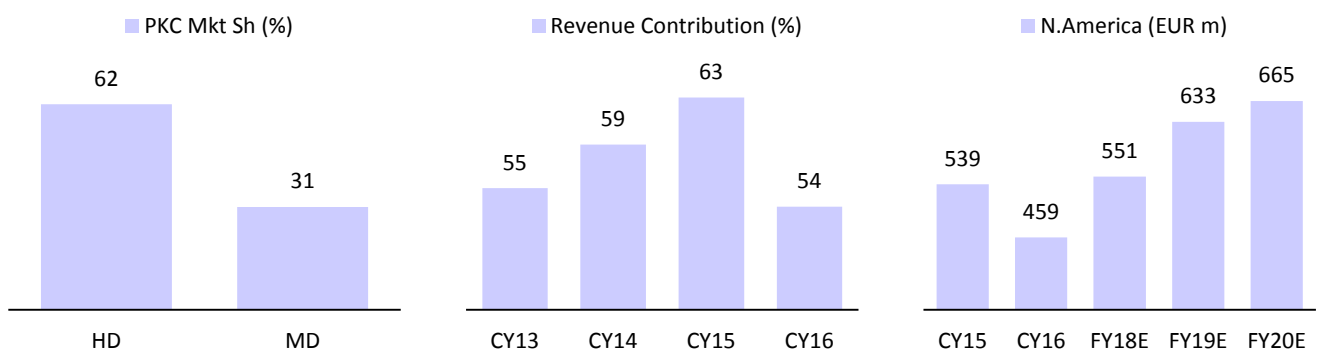
The outlook for US Class-8 trucks has improved dramatically in the last nine months since MSS acquired PKC. PKC would be one of the biggest beneficiaries – it has ~62% share of US Class-8 truck wiring harness market and ~54% of its revenue comes from North America. At beginning of CY17, various OEMs expected class-8 truck production to decline 3-12% in CY17. However, stronger than expected economy and revival in shale gas has boosted the outlook for class-8 truck production for CY17 (10-12% production growth) and CY18 (up to 25% growth).

Exhibit 27: Outlook for North America class-8 trucks positive, but CY18 volumes would still be below CY15 peak



Source: Company, MOSL

Exhibit 28: PKC would benefit significantly from sharp recovery in North America class-8 trucks due to its 62% market share and over 50% revenue contribution

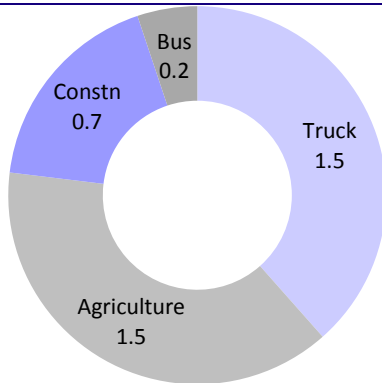


Source: Company, MOSL

Geographic expansion, new products to double addressable opportunity

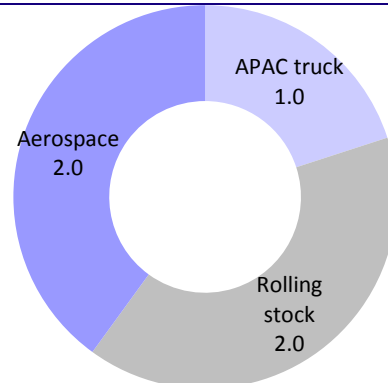
PKC’s addressable market in CY15 was ~EUR4b, with truck (excluding APAC) wiring harness opportunity at EUR1.5b and off-road vehicle wiring harness opportunity at EUR2.2b. PKC’s entry into the Asia Pacific truck and rolling stock wiring harness market would increase addressable market by ~EUR3b. The Chinese truck and rolling stock wiring harness market would be the key driver of revenue for PKC, contributing ~36% of incremental revenue over FY17-20.

Exhibit 29: PKC’s addressable market as of 2015, led by traditional segments (EUR b)



Source: Company, MOSL

Exhibit 30: New market opportunities to double current addressable market by 2018 (EUR b)



Source: Company, MOSL

China – next big opportunity for PKC; focus on JVs to gain share

To further penetrate into the Chinese truck market (largest in the world), PKC has already formed two 50:50 JVs with local companies, Jiangsu Huakai Wire Harness (March 2015) and with Anhui Jianghuai Automobile (March 2016). These two JVs would result in market share addition of 15% in HD trucks and 5% in MD trucks. It is in advanced stages of negotiation for forming its third JV in the Chinese market, with estimated annual revenue potential of EUR40. We believe this would provide much-needed access to the largest CV market in the world, as JV partners come with strong customer relationships, which would help drive business. Its strategy was to focus on the top six players (90% of the market) and it is now having negotiations with all six of them. In China, PKC would benefit from higher content and complexity, which is making local suppliers redundant.

Two JVs in China has increased PKC’s market share to ~15%

Exhibit 31: PKC already has two JVs in China and the third JV is in the works currently

Initiatives	Announcement	Remarks
JV with Jiangsu Huakai	Mar-15	Will increase PKC’s market share in Chinese M&HCV wiring harness by ~8% Supplier to Foton-Daimler Trucks, Kinglong & Iveco buses
		PKC provides joint venture with wire harness technology and knowhow to meet the new market demands
		PKC to invest ~EUR22m for 50% stake
		Finalization by 2HCY15
JV with Jianghuai Automobile (JAC)	Mar-16	Will increase PKC’s market share in Chinese M&HCV wiring harness by ~5% JV will expand PKC’s business to very sizable light truck segment
		PKC to invest ~EUR7m for 50% stake
		Operations to commence 2QCY17
3rd JV	Feb-17	Estimated annual revenue of over EUR40m

Source: Company, MOSL

Exhibit 32: JVs lead to PKC's market share gain in heavy and medium duty segments

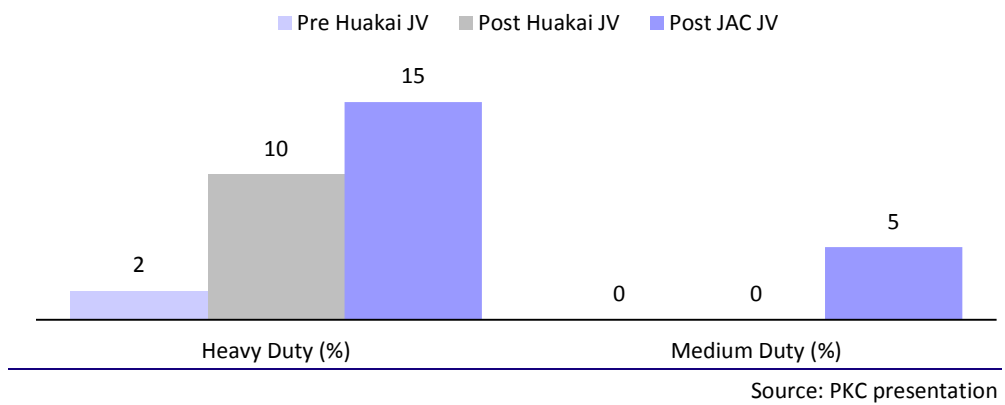
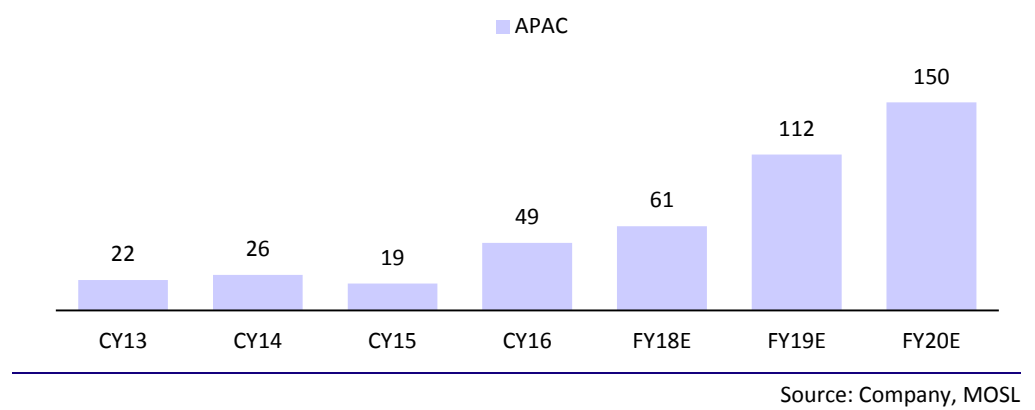


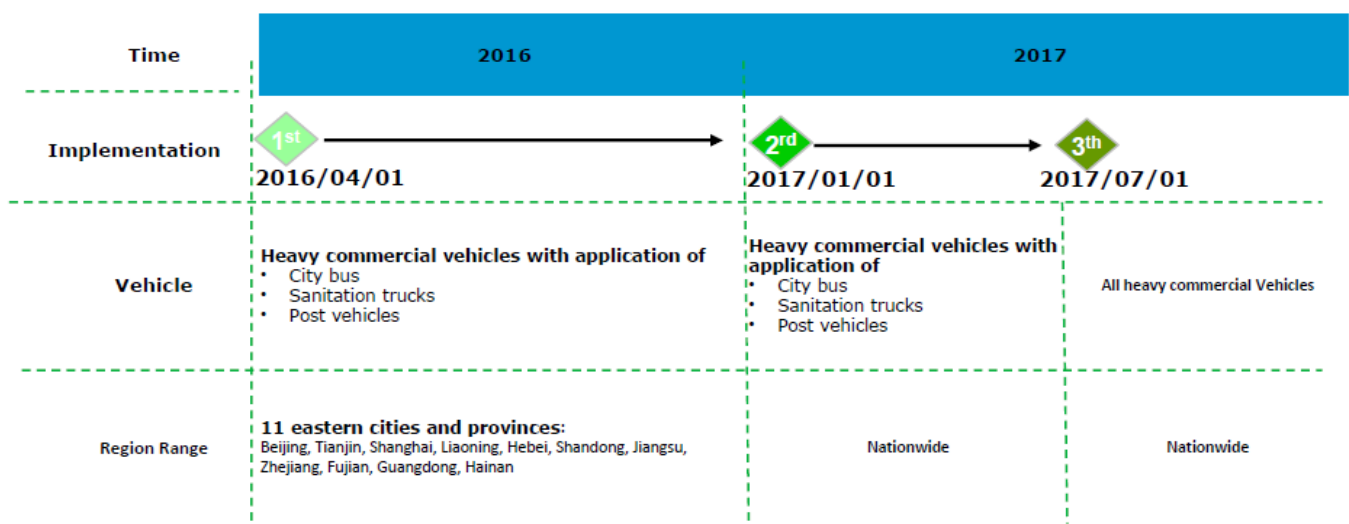
Exhibit 33: Asia Pacific revenue to ramp up substantially, driven by Chinese JVs (EUR m)



Factors supporting PKC's market share gain in China

Tighter government regulations raising complexity and wiring harness value by ~30%. The truck market in China shifted from Euro-3 to Euro-4 emission standards in the beginning of 2015, along with mandatory ABS from 2015. Growing functionalities and customized solutions in CVs have resulted in increase in wire harness content and complexity, driving up realization by ~30%, though the number of functionalities remains **50% of European trucks**.

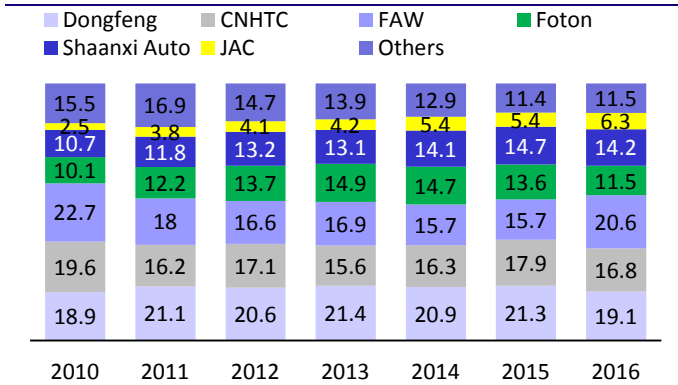
Exhibit 34: NS5 norms (fuel emissions) implementation in China



Source: China Ministry of Environmental Protection, IHS,

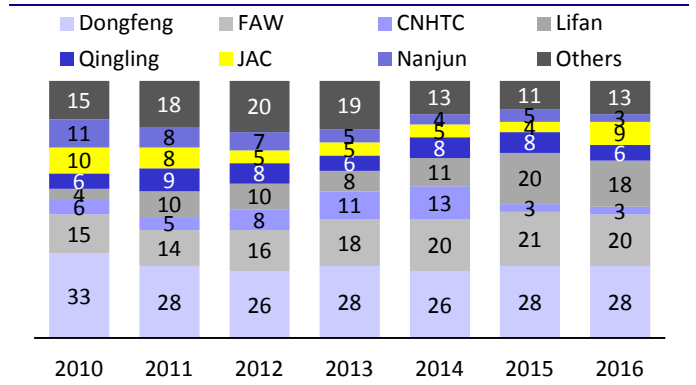
PKC technology enhances scope to supply complex products: The China market is dominated by local private and central government manufacturers. These manufacturers typically concentrate on supplying standardized products only to major OEMs. Euro-4 change and PKC’s technology give the joint venture an opportunity to expand to more complex products. For example, the PKC JV with Huakai is selected as a supplier for JMC engine wiring harness requirement.

Exhibit 35: Foton and JAC control ~18% of HD truck market in China



Source: Company, MOSL

Exhibit 36: JAC is the fifth largest player in the MD truck market in China



Source: Company, MOSL

Rolling stock wiring harness a ~USD2b opportunity

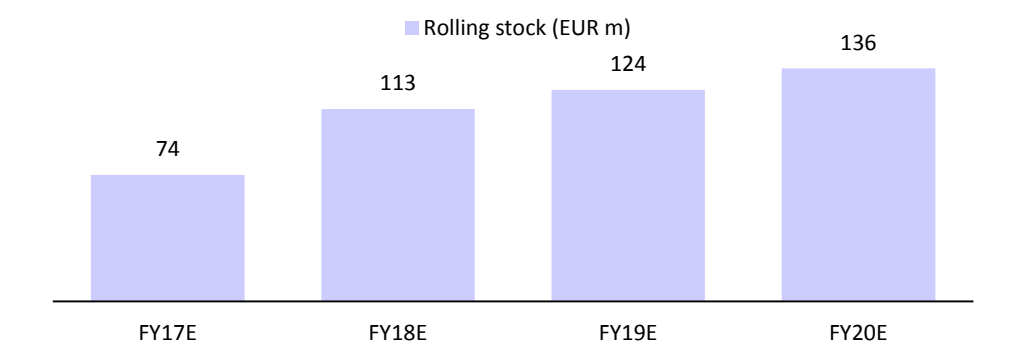
Rolling stock wiring harness business would see substantial ramp-up driven by existing orders from Bombardier and potential entry with Alstom-Siemens

Rolling stock wiring harness opportunity is ~USD2b. Unlike CVs, the rolling stock business has a consolidated customer group (4-5 key players globally) whereas wiring harness vendors are fragmented. PKC’s key customers are Bombardier and Alstom (now Siemens as well, post merger with Alstom). Wiring harnesses for rolling stocks are highly complex products (at times as long as 15km of wire). Rolling stock contributes ~10% of PKC’s revenues and it has an order book of ~5x annual revenue. Bombardier Transportation entered into global partnership with PKC in May 2016, and has awarded total contracts worth EUR280m. PKC is also in negotiations with Alstom and other OEMs for getting contracts for rolling stock electrical systems. Global rolling stock OEMs are speeding up their development of global supply chain and outsourcing of in-house production. PKC is in discussions with a number of OEMs to develop global supply chain for electrical system.

Exhibit 37: PKC is the market-leading supplier for rolling stock electricals



Source: Company, MOSL

Exhibit 38: PKC's rolling stock revenue estimated to grow at 22.5% CAGR over FY17-20

Source: Company, MOSL

Exhibit 39: PKC has gained significant traction in rolling stocks, as reflected in order wins

Milestones	Date	Remarks
Acquires Wiring & Controls business of Groclin	Feb-15	Adds rolling stock business
		Manufacturers electrical cabinets and wire harnesses to leading rolling stock and on/off highway commercial vehicle OEMs
		Customer base including Alstom, Bombardier, Volvo CE, MAN, Dennis, Vestas, ABB, Cargotec
		Revenues of EUR56m in CY14 & normalized EBITDA margin of 7%
		Rolling stock high voltage technology that support PKC's hybrid technology development
Global partnership with Bombardier	May-16	Makes PKC a strategic supplier partner with an opportunity to capture 40-70% of Bombardier's annual buy of electrical systems for rolling stock
Bombardier contract with total value of upto EUR200m	Aug-16	~EUR50m as fixed orders and additional EUR150m as options
		Deliveries commence immediately and will continue with fixed contract till CY19 and till later 2020's on realization of the options
		17 different types of electrical cabinets per double-decker intercity train
New contract of up to EUR80m from Bombardier	Oct-16	Includes 5-yr delivery schedule with value of EUR30m and 12-yr delivery schedule for EUR50m order
		Volumes may increase through options
Acquisition of Fortitude Ind	Mar-17	Expands into rolling stock market in North America
		CY16 revenues at USD8m
		Gets access to EUR500m North American rolling stock electrical market

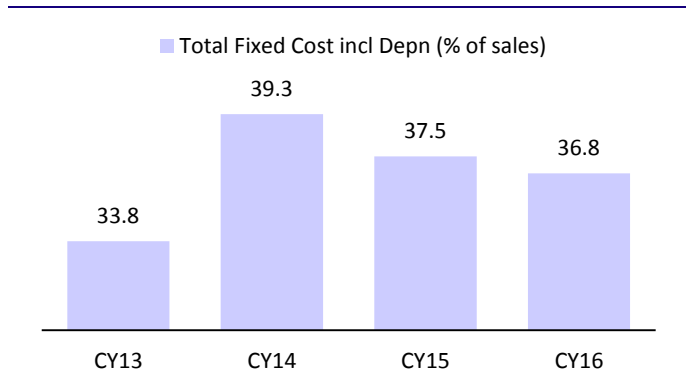
Source: Company, MOSL

PKC's total fixed cost including depreciation is ~37% of sales, indicating huge operating leverage

Cost efficiencies, operating leverage to drive margins

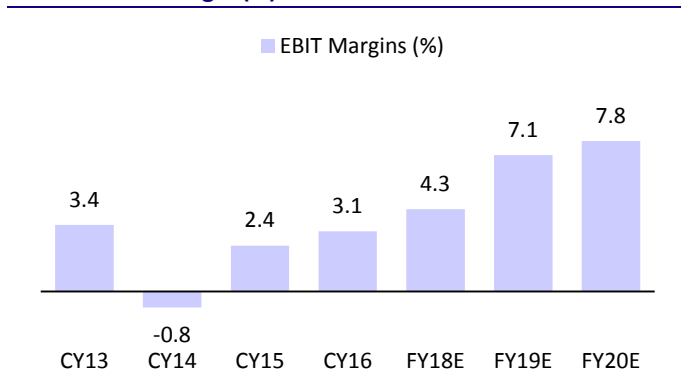
PKC sees synergies from (a) supply chain consolidation, (b) vertical integration, (c) efficiency improvement, and (d) leveraging of MSS' low cost locations. The margin expansion would primarily be led by internal cost efficiencies, operating leverage and mix impact due to increasing contribution from higher margin rolling stock business. We expect PKC's EBITDA margin to expand 400bp over FY17-20 to 10.9%. More importantly, this growth would be largely supported by current capacities, as it has adequate capacities and infrastructure to expand capacity at low cost. PKC can ramp up its capacities in North America, which were cut back in August 2016 due to weak volumes.

Exhibit 40: PKC's labor intensive operations result in high fixed cost structure



Source: Company, MOSL

Exhibit 41: Better mix, operating leverage and limited capex to drive EBIT margin (%)

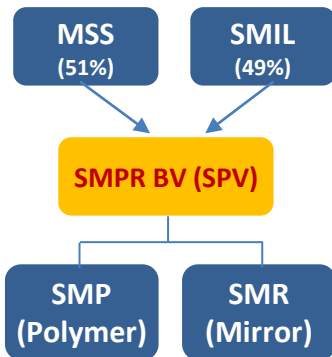


Source: Company, MOSL

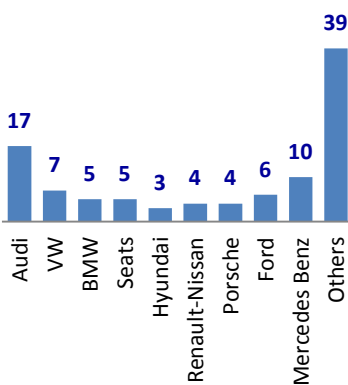
SMRPBV – the growth engine for MSS

SMP on track to improve margins, RoCE

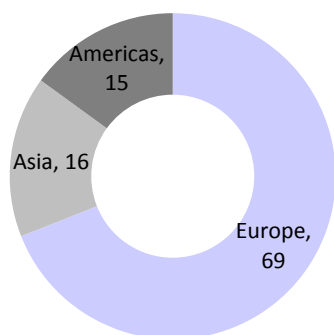
SMRPBV: Holding structure



SMRPBV: Market segmentation



SMRPBV: Geography-wise breakup



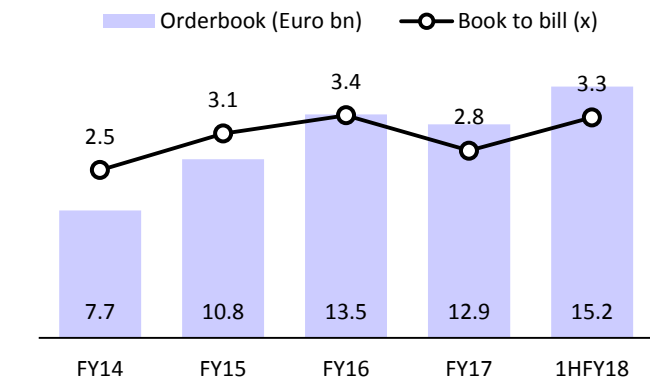
- SMRPBV's order-book growth lends us comfort in building ~16% revenue CAGR over FY17-20 for SMRPBV. As of September 2017, order book stood at EUR15.2b (~2x in 3.5 years), excluding orders of EUR9.2b, for which execution started in the last 12 months.
- SMRPBV has been in capex mode over the last 2-3 years, investing EUR871m since FY15, adding nine new plants in FY16/17 and another seven over FY18/19. Considering gradual ramp-up, benefit of these plants would start coming from 2HFY19. Upcoming three plants in China, Hungary and USA would add EUR1b of annual revenues.
- SMP is in a sweet spot, as revenue visibility is high and it is nearing the end of an amplified capex cycle. We estimate ~19% revenue CAGR to EUR5b by FY20.
- In the next 12-15 months, with bulk of SMP's plants ramping up, it would derive twin benefits of operating leverage and non-recurrence of start-up costs. We expect EBITDA margin to expand 450bp to ~11% by FY20, driven by operating leverage, considering the high fixed cost nature of the business (SMRPBV's fixed cost at ~26% of sales).
- SMR remains the number-1 PV mirror company globally and has gained share across markets through continuous innovation. We estimate 9% CAGR in SMR's revenue to EUR2b by FY20. Given visibility of strong revenue growth and focus on innovation, we expect SMR's EBITDA margin to expand further by 120bp to 11.8% by FY20.

SMRPBV's robust order book highlights strong business momentum

Samvardhana Motherson Automotive Systems Group BV (SMRPBV) is a joint venture between MSS and Samvardhana Motherson International Limited (SMIL), and is the holding company of Samvardhana Motherson Peguform (SMP) and Samvardhana Motherson Reflectec (SMR).

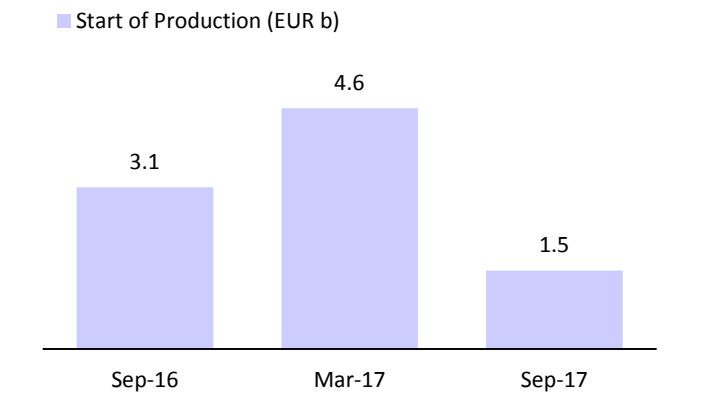
SMRPBV's strong order book lends us comfort in building ~16% CAGR in its revenue over FY17-20. Its order book at EUR15.2b not only showcases the strong revenue visibility for SMRPBV over the next 3-4 years, as these new orders get executed, but also highlights the strong momentum in business, as the order book has nearly doubled in 3.5 years (FY14-17). This order book is excluding orders worth EUR9.2b, for which execution has started in the last 12 months. Considering order life of 6-7 years (assuming similar to model lifecycle) and execution ramp-up taking 18-24 months, we should see sharp ramp-up in SMRPBV's revenue from 2HFY19.

Exhibit 42: SMRPBV has strong order book, resulting in high growth visibility



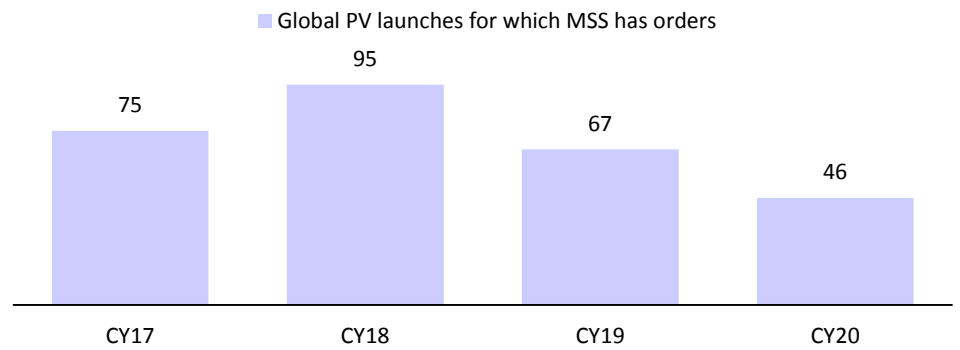
Source: Company, MOSL

Exhibit 43: SMRPBV has started execution of EUR9.2b orders in last 12 months



Source: Company, MOSL

Exhibit 44: MSS already has orders for upcoming launches over next four years



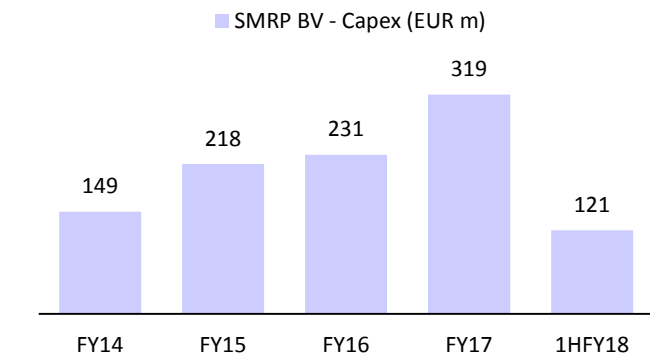
Source: Company, MOSL

SMRP BV has headroom to grow wallet share with customers like BMW, Daimler etc

Enough scope of market share and wallet share expansion in core business

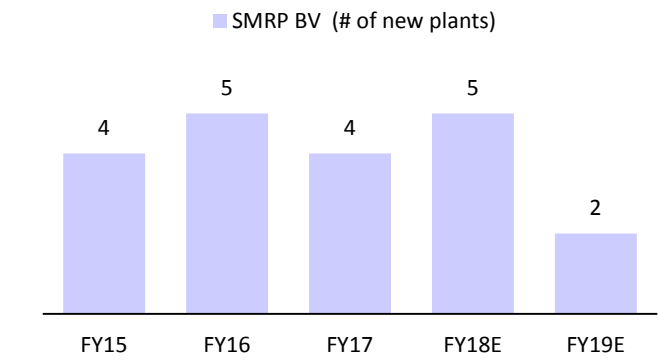
SMRPBV has significant room for increase in market share within segments and within geographies. It mainly supplies to the premium segment, with revenue coming largely from Europe. SMRPBV has been in capex mode over the last 2-3 years, investing EUR871m since FY15, adding nine new plants in FY16/17 and another seven over FY18/19. Considering gradual ramp-up, benefit of these plants would start coming from 2HFY19. According to the management, revenue from three upcoming plants in China, Hungary and USA would add EUR1b per year. Also, the revenue-wallet share analysis for Audi, BMW and Mercedes suggests significant customer mining opportunity available in the existing product line-up.

Exhibit 45: SMRPBV has been investing heavily in new plants, benefit of which would reflect over next three years



Source: Company, MOSL

Exhibit 46: Growth to be driven by several new plants starting operations



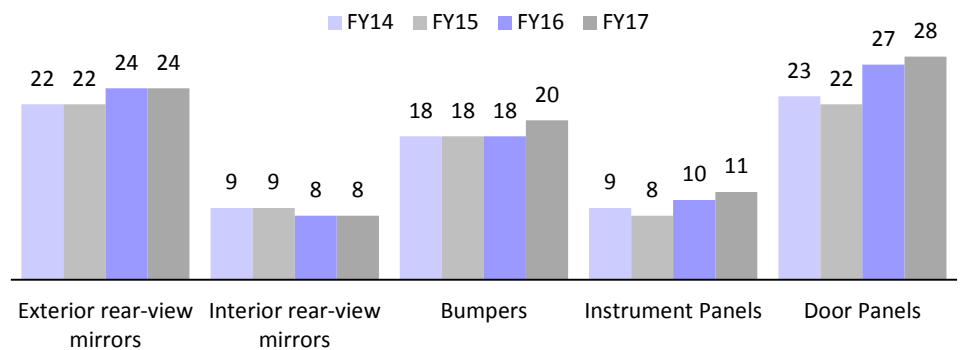
Source: Company, MOSL

Exhibit 47: SMRPBV's customer revenue wallet share

Revenue wallet share (%)	CY13	CY14	CY15
Audi	1.5	1.8	1.8
VW	0.6	0.5	0.5
BMW	0.4	0.4	0.4
SEAT	3.5	4.5	4.3
Hyundai	0.3	0.4	0.4
Porsche	0.8	1.0	0.9
Ford	0.1	0.1	0.2
Mercedes Benz	0.2	0.2	0.4












Source: Company, MOSL

Exhibit 48: Market share across segments



Source: Company, MOSL | Bumpers and panels market share is for premium segment only

Exhibit 49: Enough gaps left to exploit for SMR/SMP

Customer	Length of Relationship	Engagement Across Products				Engagement Across Region		
		Mirrors	Bumpers	Instrument Panels	Door Panels	Europe	Americas	Asia
Audi 	> 30 years	✓	✓	✓	✓	✓	✓	✓
Daimler 	> 40 years	✓	✓		✓	✓	✓	✓
Volkswagen 	> 40 years	✓	✓	✓	✓	✓	✓	✓
BMW 	> 30 years	✓	✓	✓	✓	✓		
Porsche 	> 20 years	✓	✓	✓	✓	✓	No vehicle production	No vehicle production
JLR 	> 40 years	✓				✓		✓
Hyundai / Kia 	> 30 years	✓				✓	✓	✓
GM 	> 20 years	✓	✓		✓	✓	✓	✓
Ford 	> 30 years	✓	✓			✓	✓	✓
Renault Nissan 	> 20 years	✓	✓			✓	✓	✓
Seat 	> 30 years		✓	✓	✓	✓	No vehicle production	No vehicle production

Source: Company, MOSL SMRPBV presentation June 2017

Exhibit 50: SMRPBV's customer mix

Customer-wise breakup	FY14	FY15	FY16	FY17
Audi	25	28	26	25
VW	21	14	12	12
BMW	9	8	9	7
Seat	8	10	9	8
Hyundai/Kia	8	8	8	8
Renault-Nissan	5	5	5	5
Porsche	4	5	5	5
Ford	4	4	5	5
Mercedes Benz	4	5	8	13
Others	12	13	13	12

Source: Company, MOSL

Exhibit 51: SMRPV's market mix (% of sales)

Geography-wise breakup	FY14	FY15	FY16	FY17
Europe	69	70	72	69
Asia	19	18	16	16
Americas	12	12	12	15

Source: Company, MOSL

SMP – new plants, increase in content to drive strong revenue growth...

SMP is the market leader in high-quality interior and exterior products for premium segment vehicles. It has been focusing on increasing content per car, adding new customers and product innovation for gaining market share.

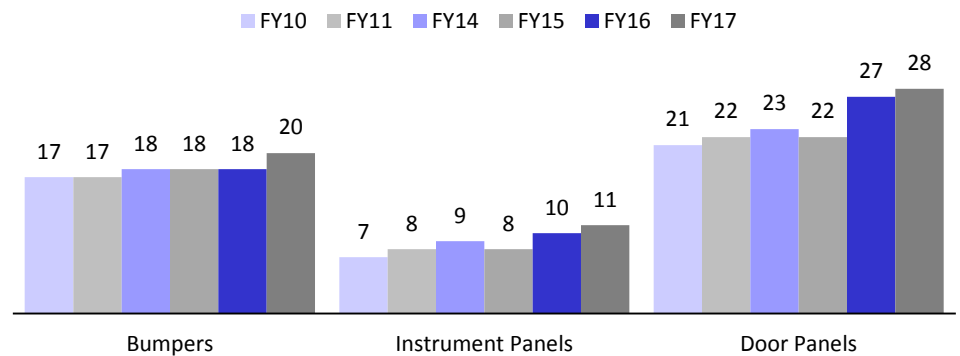
PKC has added ~6 new plants since FY16, benefit of which would be fully realized in due course

Increase in content has been driven by adding more products with key customers (for eg. Audi A4/Q5 it is supplying all bumpers, instrument panel and door panels) and adding new parts with relatively new customers (for eg. recently added interior parts for Daimler and BMW). This coupled with new customer additions has helped to gain market share cross products over last four years.

SMP has incurred significant capex of EUR648m since FY15 and would be adding 6 new plants since FY16. This includes its mega greenfield plants at Kecskemet, Hungary (4QFY18) and Tuscaloosa, USA (1QFY19).

Given above drivers along with SMRPBV order book position (including orders under execution in last 12 months), we believe SMP is in sweet spot as revenue visibility is very high and is nearing end of amplified capex cycle. We estimate SMP's revenues to grow ~19% CAGR to EUR5b by FY20.

Exhibit 52: SMP has been gaining market share across categories in premium segment

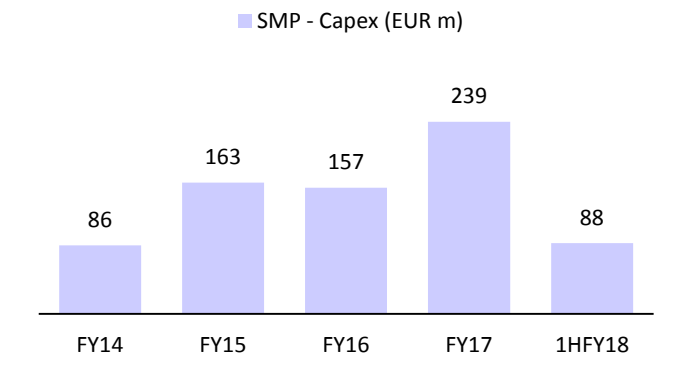


Source: Company, MOSL

Exhibit 53: SMP adding new customers and increasing content per car...

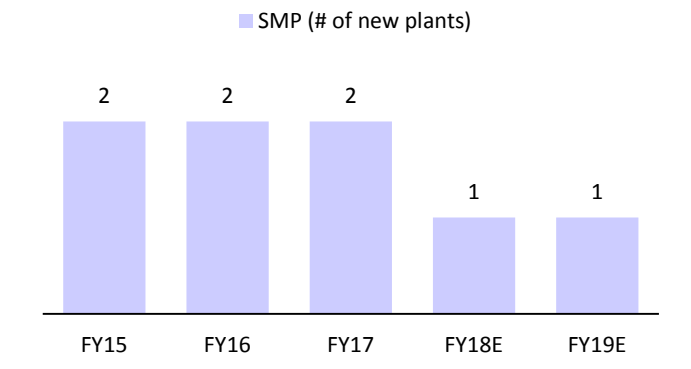
Increase content per car	Audi A4: Bumper, Instrument panel, Door panel
	Audi Q5: Bumper, all body printed exterior parts, door panel, instrument panels, pillars
	Porsche Sports Cars: Bumper, Door panel, Instrument panel & Centre Console
	Entered Daimler & BMW interior parts
Extend Customer base	New customers: Scania, PSA, MAN, Iveco
Increase vertical portfolio	Added lighting capability by Kobek acquisition

Exhibit 54: SMP has invested EUR648m since FY15 in new plants...



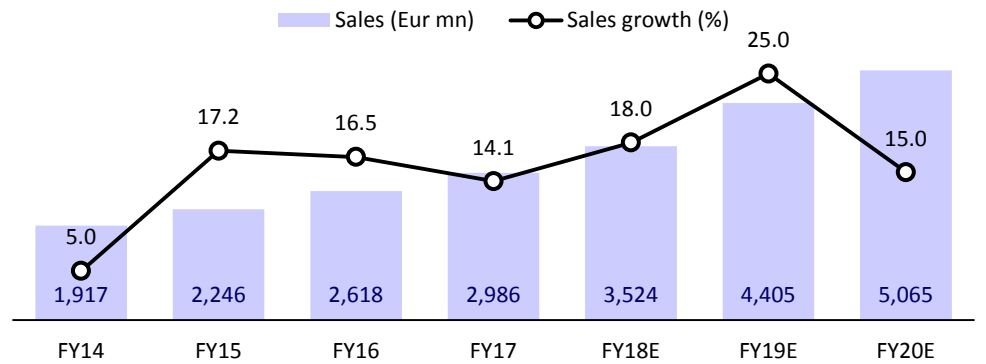
Source: Company, MOSL

Exhibit 55: ...of which two mega plants are coming at Hungary (4QFY18) and USA (1QFY19)



Source: Company, MOSL

Exhibit 56: SMP's growth trajectory to remain strong



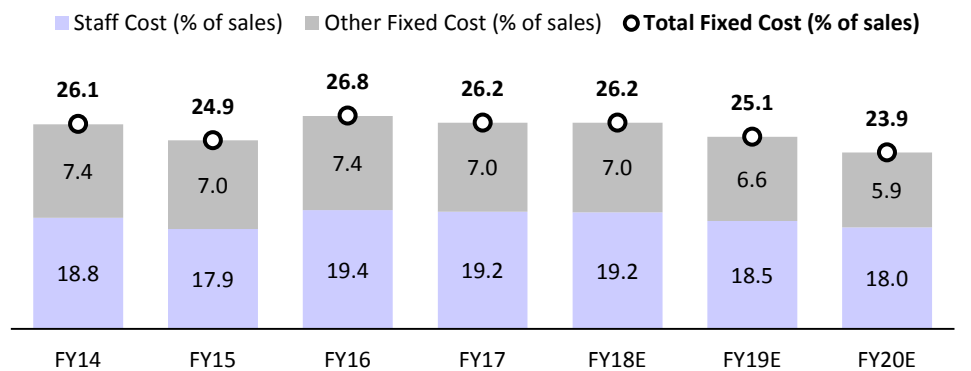
Source: Company, MOSL | *Includes impact of acquisition of Scherer & Trier (rechristened as SMIA)

...as well as sharp improvement in profitability for SMP

SMP has high fixed cost at ~26% of sales (ex depreciation) suggesting high operating leverage

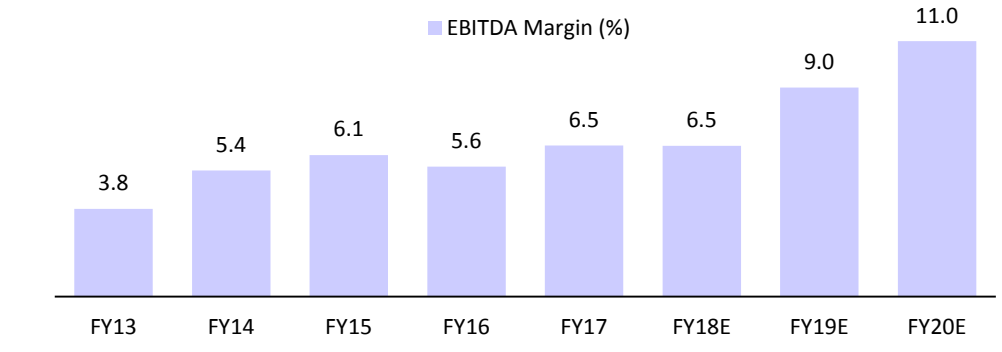
Post-acquisition in FY12, SMP's EBITDA margins recovered from 1.3% to 6.5% in FY16. Currently, there is a significant non-recurring start-up cost due for new plants, which is impacting margins by upto 100bps. In the next 12-15 months, with bulk of these plants ramping up, would drive twin benefit of operating leverage and non-recurrence of start-up costs. As a result, we are estimating EBITDA margins to improve by 440bps to ~11% by FY20E, driven by operating leverage considering high fixed cost nature of the business (SMRPBV fixed cost ~26% of sales).

Exhibit 57: SMRPBV's has high fixed cost, especially when new plant starts operations



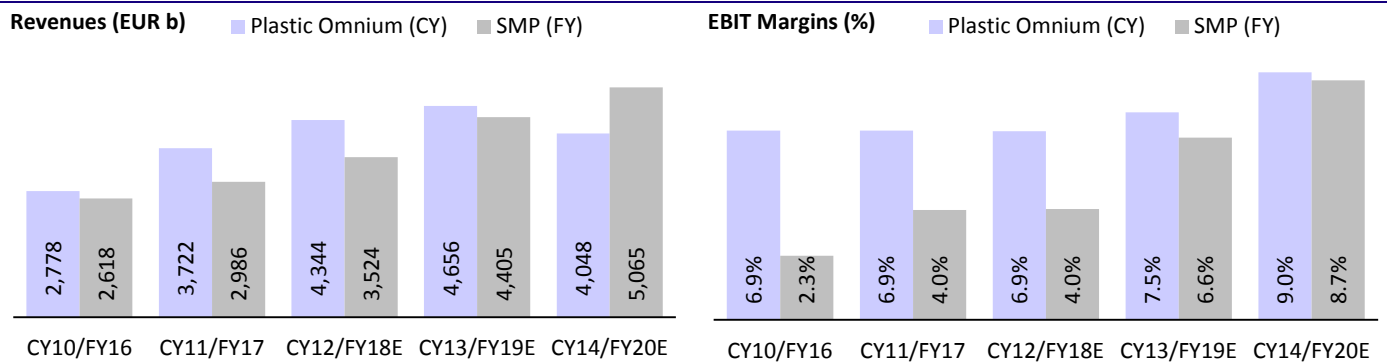
Source: Company, MOSL

Exhibit 58: SMP's margin improvement to be driven by operating leverage...



Source: Company, MOSL

Exhibit 59: We expect SMP to have EBIT margin trajectory similar to Plastic Omnium's auto business

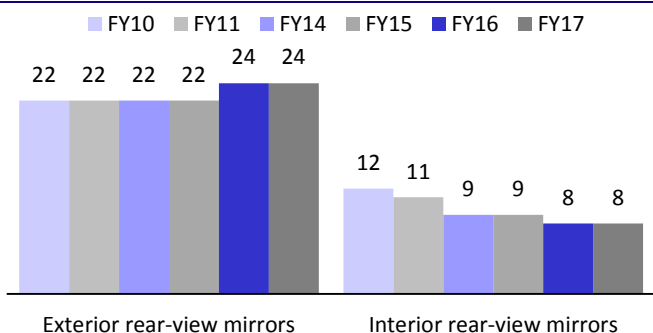


Source: Company, MOSL

SMR focus on innovation drives global leadership...

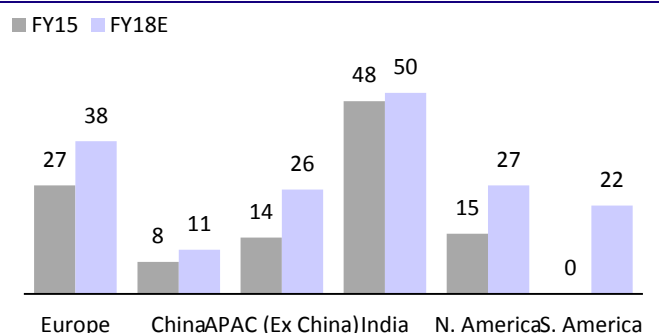
SMR continues to be #1 PV mirror company globally and has gained market share across markets through continuous innovation. In FY17, SMR enjoyed ~24% market share globally the external mirrors. It is focused on offering innovative products and exploring new segments. This has helped SMR to gain market share in the past through products like innovative lighting (logo lamp). It is developing products to meet emerging trends with focus on innovative lighting, advanced surface coating, mirror replacement (CMS) and ADAS. It recently jointly developed Eco Mirror with Volvo, which offers 33% reduction in size without reducing field of view. It is working on Digital mirrors with Motherson Innovations. We estimate SMR's revenues to grow 9% CAGR (FY17-20E) to EUR2b by FY20E.

Exhibit 60: SMR is gaining market share in exterior mirrors, which is an area of focus (market share %)...



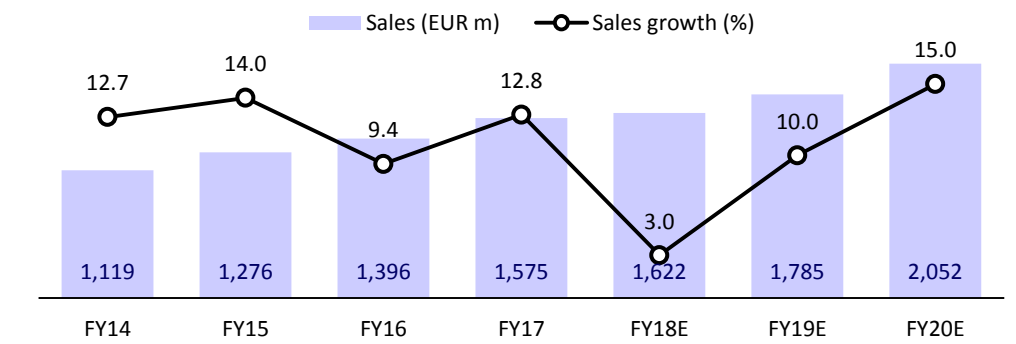
Source: Company, MOSL

Exhibit 61: ...market share gains are across geographies (market share %)



Source: Company, MOSL

Exhibit 62: SMR's growth trajectory to remain healthy

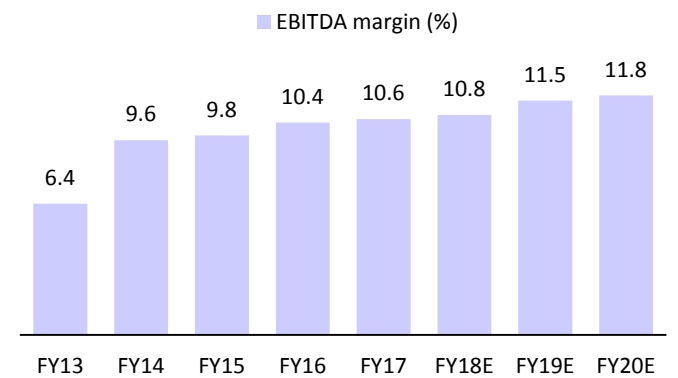


Source: Company, MOSL

...driving improvement in profitability

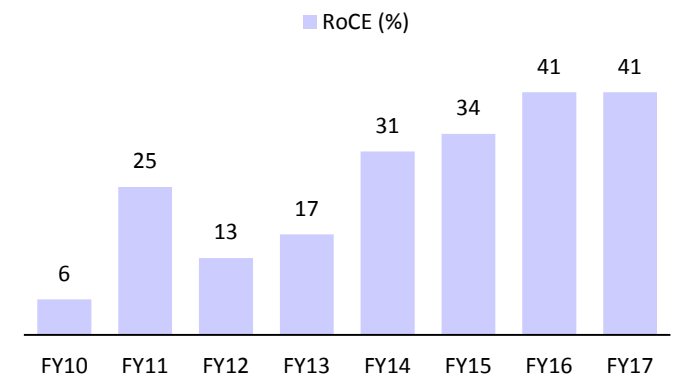
Post its acquisition in FY10, SMR's EBITDA margins recovered from 5.7% to 10.6% in FY17. Despite relatively lower revenue growth, the average margin for 1HFY18 remains at 10.7%. Apart from restructuring efforts and operating leverage (on higher utilization of plants), rising share of new businesses has made this margin transition possible. Given visibility of strong revenue growth and focus on innovation, we estimate SMR's EBITDA margins to improve further by 120bp to ~11.8% by FY20E.

Exhibit 63: SMR's margins have been trending up...



Source: Company, MOSL

Exhibit 64: ...driving sharp improvement in SMR's RoCE

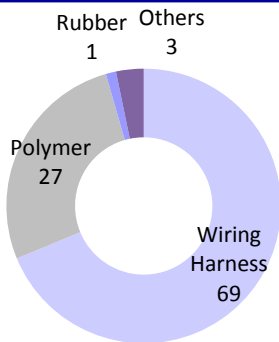


Source: Company, MOSL

Standalone business on strong footing

Beneficiary of high growth in domestic PV segment, premiumization

MSS: Revenue break-up (FY17)



- MSS leverages its strong partnership with Sumitomo (owns ~25.34% in MSS), which has enabled it to maintain leadership in the India wiring industry and grow MSS beyond the India wiring harness business.
- The India wiring harness business is likely to grow faster than the PV industry, led by increase in content (due to ongoing premiumization).
- BS-6 would increase complexity of wiring harness and increase value by 20-50%. Also, it would open up the 2W segment for MSS, as 2Ws shift to electronic fuel injection systems with more sensors. MSS is already market leader in 2W wiring harness in EU.
- The India polymer (MATE) and elastomer (MAE) businesses are evolving from supporting to core businesses to growth drivers. Polymer business is focusing on leveraging its strengths in export markets like South Africa for global OEMs.
- We expect India standalone business to witness revenue CAGR of 16% and PAT CAGR of 19% over FY17-20E.

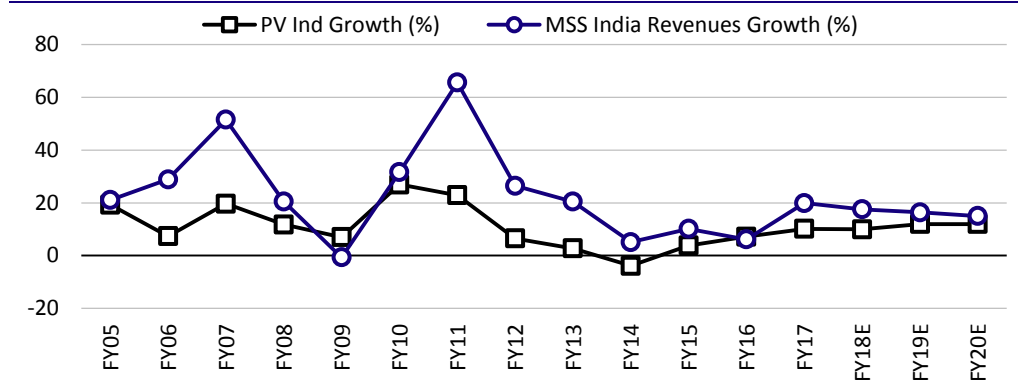
Strong technology partner in Sumitomo

MSS has been able to ward off competition from global majors like Yazaki and Furukawa on the back of its strong partnership with Sumitomo Wiring Systems (holds 25.34% stake in MSS) since 1986. Sumitomo Wiring Systems (SWS) is a global supplier and manufacturer of wire harness, components and wires, and is one of the largest manufacturers worldwide. The Motherson group enjoys a strong relationship with SWS, which has enabled it to grow MSS beyond the India wiring harness business. MSS has access to SWS' global technology, which has helped MSS to remain the undisputed market leader despite entry of global players like Yazaki and Furukawa. To site an example, SWS has been successful in automotive aluminum wire harness (aimed at reduction of weight of wiring harness), which requires special treatment and special connectors. Leveraging on SWS' technology, MSS already has aluminum wiring harness under validation.

Expect healthy growth in domestic passenger vehicle industry

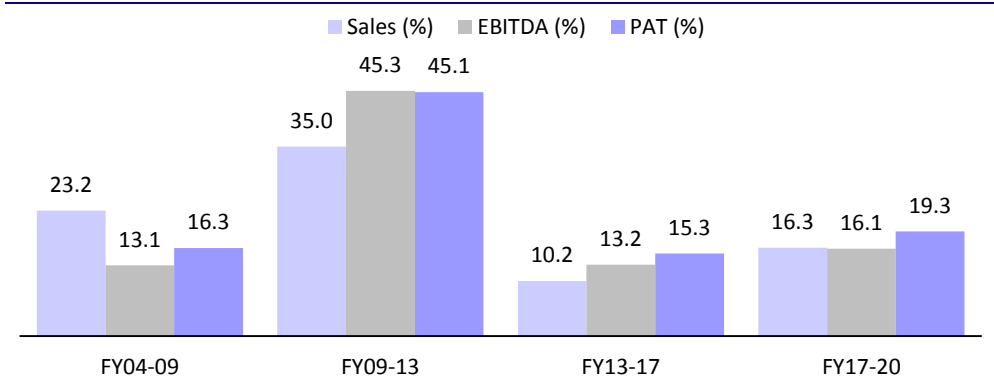
MSS is the market leader in the passenger vehicle wiring harness business in India. We expect the Indian PV industry to grow at a CAGR of 11.3% over FY17-20 (v/s 7% CAGR over FY14-17), driven by broad recovery in both urban and rural markets. MSS is expected to grow outgrow the industry, despite increased competition, as it is setting up three new plants including one at Sanand for Suzuki's Gujarat plant. Revenue growth for MSS would be higher, partly led by increase in content (due to ongoing premiumization) and partly led by copper price inflation (a passthrough to OEMs).

Exhibit 65: MSS' India revenue highly correlated with India PV volumes



Source: SIAM, Company, MOSL

Exhibit 66: MSS' growth outpacing growth in underlying car market growth



Source: Company, MOSL

BS-6 to increase complexity and content, open up 2W segment for MSS

The shift to BS-6 would increase value (by 20-50%) on further increase complexity due to more sensors. Also, it would open up the 2W segment for MSS, as 2Ws shift to electronic fuel injection systems with more sensors. MSS is already the market leader in 2W wiring harnesses in EU.

MSS prepared for aluminum wiring harness

MSS is not perturbed by the shift from copper to aluminum in wiring harness, as it already has technology from Sumitomo and its products are under validation. While aluminum offers weight reduction (of up to 37%) and cost reduction, there are challenges like lower conduction of electricity (61% of copper), which requires use of thicker wiring than copper.

Market share loss in MSIL to be offset by increasing content per car

In wiring harnesses, MSS is the market leader in India, with over 65% share of passenger car wiring. Wiring harnesses contribute ~69% to MSS' sales within India. In the last few of years, there has been some market share loss for MSS in its key customer, Maruti Suzuki (MSIL). This is largely in line with MSIL's strategy of having at least two vendors for each of its critical components. While acknowledging the threat of increasing competition from global players like Yazaki and Furukawa, the management has stated that any loss of revenue owing to loss of market share in key customers would be largely compensated by addition of new customers and new programs. Also, increasing content per vehicle would help offset the risk of lower sales.

MATE/ MAE – evolving from supporting core businesses to driving growth

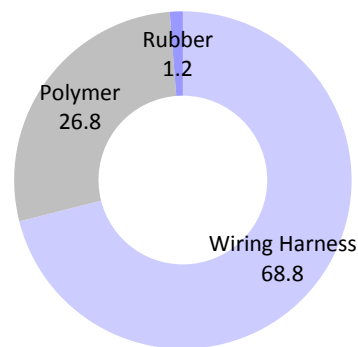
Motherson Automotive Technologies & Engineering (MATE) and Motherson Automotive Elastomers Technology (MAE) are in the business of polymer, tooling and elastomer. These companies enhance the capabilities within the group on tooling and supplementing businesses with components.

In polymers, MATE manufactures parts up to 1,000 tons. This complements the businesses of SMR and SMP, globally. SMP does very high value plastics, whereas MATE works on plastic parts for Indian markets. Now, MATE is focusing on leveraging its strengths in export markets like South Africa for global OEMs.

MAE (elastomer) business offers multiple solutions, including rubber injection molding of a wide range of components, primarily to the automotive industry. The division has strong capabilities in developing rubber compounds, with over 19,000 formulae for a wide range of applications, as well as a non-tire-related rubber mixing plant. It also produces bonded components and extruded rubber profiles. Globally, the automotive elastomer segment size is likely to be ~USD9b.

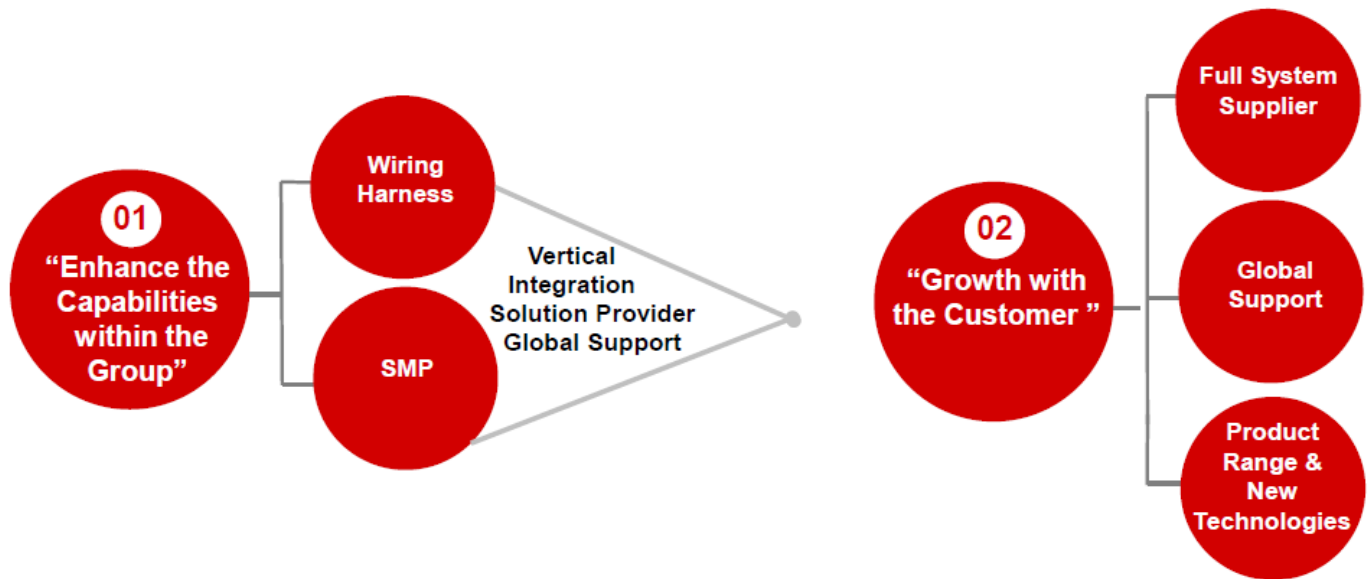
Significant cross-selling opportunities across product lines and customers exist for MSS, as the share of non-wiring-harness business continues to be <30%, despite better 12.8% revenue CAGR over FY12-17 (v/s wiring harness 11.2% CAGR). We expect the non-wiring harness business to grow at a CAGR of 19.1% over FY17-20 (v/s 16.3% CAGR in wiring harness).

Exhibit 67: Wiring harness business continues to drive India business revenue



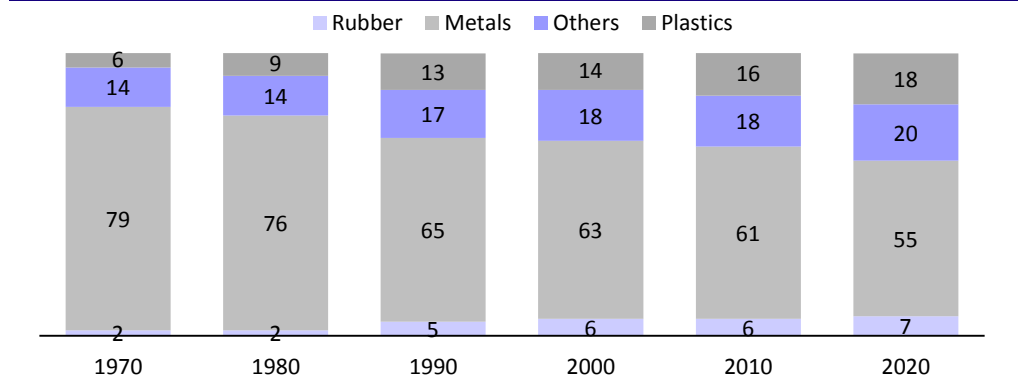
Source: Company, MOSL

Exhibit 68: MATE/MAE focused on enhancing capabilities within the group and growing with the customer



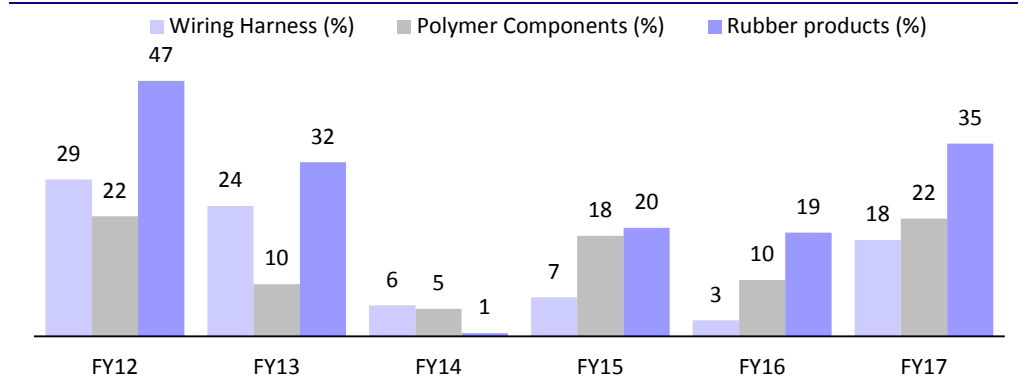
Source: Company, MOSL

Exhibit 69: Increasing trend of rubber use (rubber use as a % of car weight)



Source: AT Kearney, MOSL

Exhibit 70: Other businesses growth picking up faster than core wiring harness business



Source: Company, MOSL

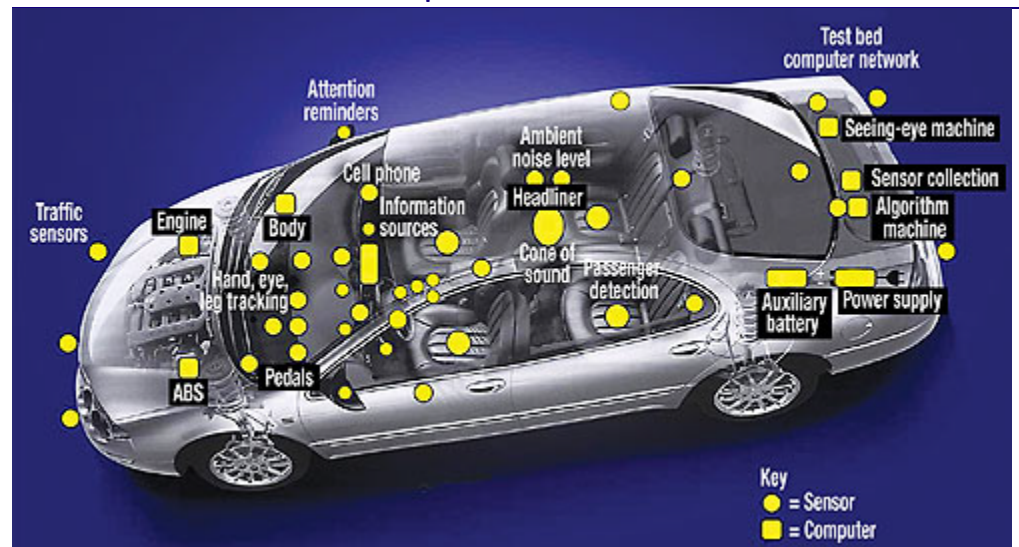
Increasing content per car – driven by increase in electricals content

With technological advancement, the role of electronics in automobiles is increasing. Electronic modules are replacing mechanical parts that performed control functions earlier. Today’s automobiles include more than 40 electronic controllers, 8km of wiring, and more than 10m lines of software code.

Electronics have mainly been important in (a) refining the powertrain to reduce emissions and improve fuel consumption, (b) refining the chassis, exterior, and interior to improve vehicle safety and comfort, and (c) infotainment and emergence of connected car.

The cost of electronics and software content in autos, which was less than 20% of the total cost a decade ago, has become as much as 35%, as per industry estimates. As cars continue to provide advanced functions, their component parts will increasingly require electronics to save space and meet other requirements.

Exhibit 71: Increase in electronic components



1. Daimler-Chrysler's 300M IT concept vehicle embodies the fully instrumented car of the future. It uses a variety of sensors to help drivers concentrate on the road for safer driving.

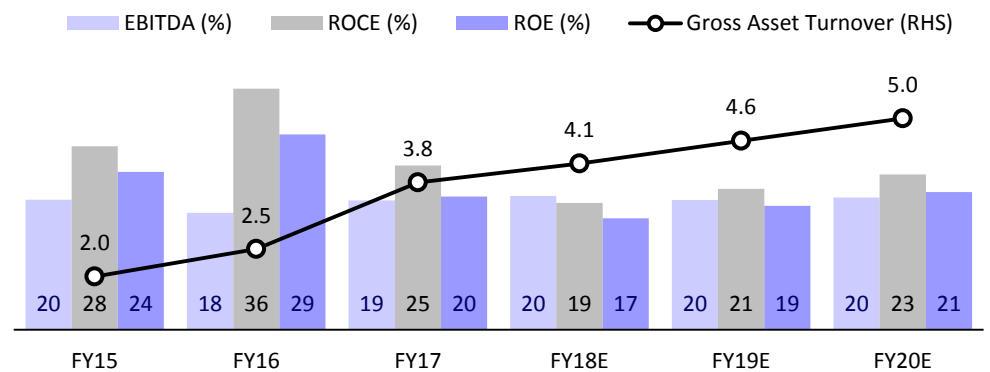
Source: MOSL, Daimler-Chrysler 300M IT Concept vehicle

Most profitable entity – best margins, return ratios

Among MSS' four business segments, the standalone India business is the most profitable. In FY17, the standalone India business delivered OPM of 20.1% and RoE of 20% (post QIP). In the domestic passenger vehicle segment, MSS has ~65% market share in wiring harnesses, ~50% share in rear view mirrors, and ~35% share in polymer business. We expect India standalone business to witness revenue CAGR of 16% and PAT CAGR of 19% over FY17-20E.

Exhibit 72: Consistent, robust margins; return ratios to improve over FY18-20E

The return ratios show a decline in FY17 due to capital raising of ~INR25b



Source: Company, MOSL

Still scope to move up the global auto supply chain

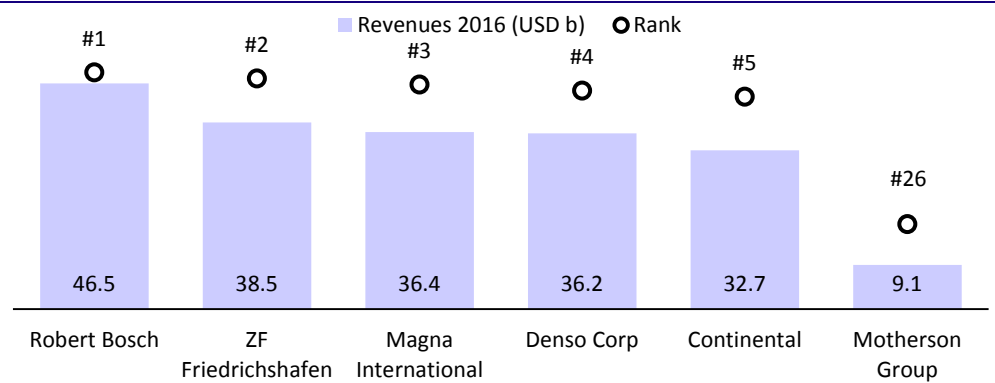
Plenty of opportunities to grow for MSS

- Despite strong growth over many years, MSS is still a small player (ranks 26th in global OEMs), with scope to move up the chain – both organically and inorganically.
- MSS has demonstrated ability to follow customers successfully, fueling sustainable growth for the group.
- Its focus on R&D and customer collaboration has resulted in various first-to-market innovations and a variety of full system solutions tailored to the needs of OEMs and end consumers.
- Motherson Innovations (MI) centralizes the group’s innovation capabilities to leverage on all the design and technologies from across the group companies, linking it with leading experts in the industry. MI’s focus is to develop next generation pipeline and also help the group to diversify into new markets (non-autos).

MSS still has headroom to further move up in the global automotive chain

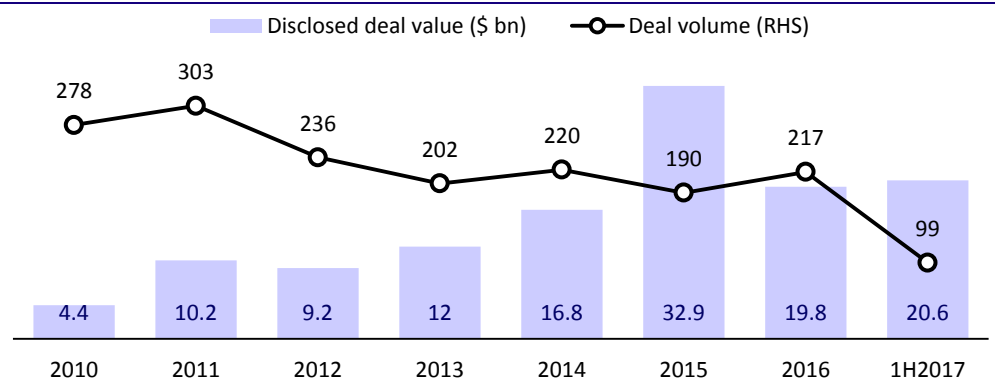
In CY16, the Samvardhana Motherson group was ranked 26th among global OEM parts suppliers, based on revenue. MSS has significant headroom to grow organically and inorganically in the chain. Recent deals in the auto component industry reveal a clear trend – the largest global auto component suppliers are divesting their non-core businesses to focus on their areas of strength. Also, OEM-led vendor consolidation would continue to throw significant opportunities for players like MSS, who enjoy both strong relationships with OEMs and the ability to invest.

Exhibit 73: MSS still a small player compared to global giants

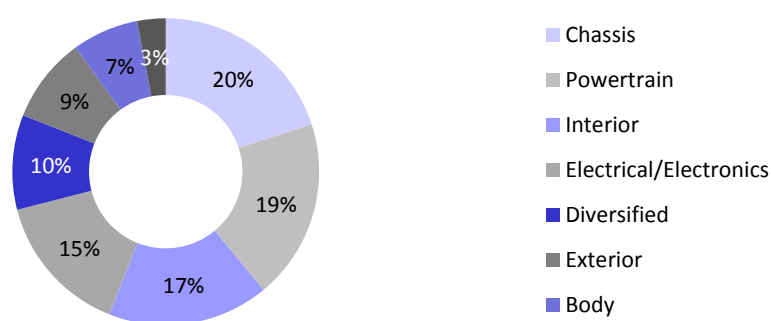


Source: MOSL, Automotive news

Exhibit 74: Automotive suppliers – global M&A deals 1H2017



Source: PWC- 1H2017: Automotive M&A Insights, MOSL

Exhibit 75: M&A deals by vehicle system – 2015 | Number of deals: 190

Source: PWC- 2015: Automotive M&A Insights, MOSL

OEMs looking for partners that can follow them globally

To protect against supply chain disruption, tier-1 suppliers are required to establish assembly plants and manufacturing capabilities close to their OEM customers' production plants. Only suppliers with sufficient manufacturing scale and financing capability can qualify for newer car programs/new production bases close to global OEM manufacturing locations.

MSS has demonstrated ability to follow customers successfully, fueling sustainable growth for the group. For example, since 2009, SMR has built 8 new facilities, with some being expansions, and others greenfield projects. MSS has managed to largely keep the teething problems at the start of a new facility under control.

Exhibit 76: MSS has manufacturing footprint in all relevant automotive hubs globally

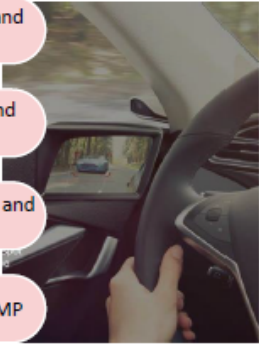
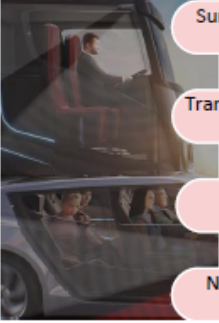

	Plants at end of FY12	Plants at FY16	Plants at FY17	New Plants to be added in next 12-18 months
Germany	5	7	7	
Spain	7	8	8	
Hungary	2	3	3	2
China	4	7	8	
South Korea	2	2	2	
United States	1	2	2	1
United Kingdom	1	1	1	
Mexico	2	4	5	
Brazil	3	3	3	
Others	9	9	9	3
Total	36	46	48	6

Source: Company, MOSL

Focusing on R&D to capture new opportunities













MSS standalone business spends 0.26% of its turnover on R&D (despite wiring harness being a low technology business). SMR has a sustained focus on research and development, with 672 granted patents, 212 pending patents, and 19 registered utility models. This focus on R&D and customer collaboration has resulted in various first-to-market innovations and a variety of full-system solutions tailored to the needs of OEMs and end consumers, including blind spot detection systems and telescopic trailer tow mirrors.

Exhibit 77: SMRPBV's R&D focus

<h3>Motherson Innovations</h3> <ul style="list-style-type: none"> Increasing R&D focus on likely disruptive trend towards autonomous driving Solutions for enhanced safety, ergonomics, performance, aesthetics New, proprietary digital image processing technology underpinning introduction of new high value solutions <ul style="list-style-type: none"> Intelligent Electronic Mirrors (Currently being legalized in many countries) New generation camera system Advanced driver assistance features R&D focus of the group is driven by our shareholders with SMIL acting as an incubator of ideas with close to 1000 patents 	<h3>Intelligent Electronic Mirrors</h3> <ul style="list-style-type: none"> Highest quality displays for best visibility and augmented information Specialized high-performance cameras and expertise for package solutions Integrated intelligence for object detection and lane recognition Display integration by interior specialist SMP 
<h3>Automotive Innovation</h3>  <ul style="list-style-type: none"> Surround view monitors which combine enhanced visibility with intelligent assistance features Translucent metal surfaces for integration of light for night branding Digital cockpits with integrated vision system monitors and augmented information Noise-less actuator solutions based on memory-shape alloy technology 	<h3>Advanced Materials and Surfaces</h3> <ul style="list-style-type: none"> Light transmissive metal coatings Environment-friendly and highly durable chrome Suitable for multiple market segments 

Source: Company, MOSL

Exhibit 78: MSS arms for innovation and R&D

<h3>Motherson Innovations (MI)</h3> <ul style="list-style-type: none"> Established to centralize the Group's innovation capabilities: <ul style="list-style-type: none"> to leverage each others findings develop next generation pipeline R&D Centers & Business Development Locations <div style="display: flex; justify-content: space-around; align-items: center;">       </div> Focus areas: Automotive mobility, sensor technology, diversification into new markets 	<h3>SMRP BV</h3> <ul style="list-style-type: none"> Over 950 patented product portfolio Proven R&D management process with high success rate of tangible outcomes 26 R&D centers across major production centers <div style="display: flex; justify-content: space-around; align-items: center;">       </div>
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Source: Company, MOSL

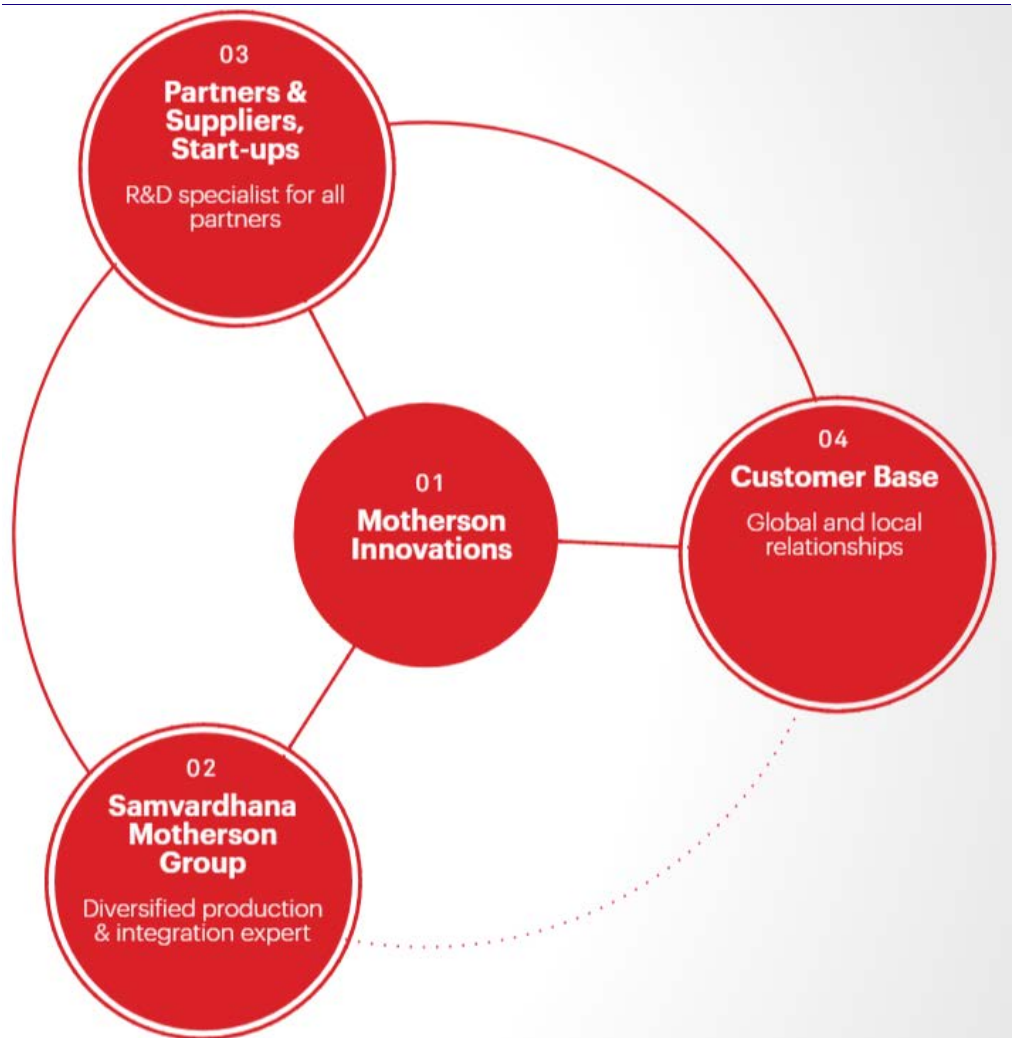
Motherson Innovations – a journey towards the future

Motherson Innovations (MI) leverages on all the designs and technologies from across the group companies, linking it with leading experts in the industry and its broad global customer base. It integrates internal and external offerings including getting access to technology through M&A and early investments in start-ups. MI is led by Mr LV Sehgal.

MI was instrumental in the development of the logo lamp, which was transferred to SMR for commercialization. Similarly, it worked on futuristic products like camera monitoring system (CMS), development of which is now transferred to SMR.

It is working on several areas like innovative lightings, surface technologies (metallic finishes, hidden lighting, etc), WiFi charging, future interior (the empathic cockpit) and exterior projects.

Exhibit 79: Motherson Innovations' networking principle



Source: Company, MOSL

Confident of achieving Vision 2020...

...but not at the expense of diluting RoCE

- MSS is on track to attain its FY20 target of USD18b revenue and 40% RoCE. While acquisitions would be key to attain revenue targets, the management is very clear that acquisitions have to pass its 40% RoCE hurdle rate in 4-5 years.
- MSS wouldn't dilute its RoCE target to meet its revenue targets. Based on its M&A pipeline, MSS is confident of attaining its Vision 2020, probably a year earlier.
- If MSS attains its organic revenue guidance of USD12.4b (excluding PKC) by FY20, EPS would be INR21 (a 23% upgrade) and pre-tax RoCE would be 31.6%. The target price in this scenario (scenario-1) would be INR545 (25x March 2020E EPS).
- For MSS to attain revenue guidance of USD18b by March 2020, it would have to acquire revenue of ~USD4b (in addition to scenario-1). In this scenario (scenario-2), we estimate ~4% accretion to EPS, RoCE of ~26%, and target price at ~INR559.

Update on Vision 2020 – on track, but not at expense of RoCE

MSS has guided for 2020 target of USD18b revenues, RoCE of 40% and dividend payout of ~40%

MSS is on track to attain its FY20 target of USD18b revenue and 40% RoCE. While acquisitions would be key to attain revenue targets, the management is very clear that acquisitions have to pass its 40% RoCE hurdle rate in 4-5 years. MSS wouldn't dilute its RoCE target to meet its revenue targets. Based on its M&A pipeline, MSS is confident of attaining its Vision 2020, probably one year ahead of schedule.

Also, it is progressing well on diversification based on 3CX15 (no component, customer and country to contribute over 15%). On the customer front, it has increased the share of the non-VW group substantially. With rising non-EU share, geographic mix is also getting broad-based.

The management has reiterated that its RoCE targets are at the consolidated level and one shouldn't look at individual companies' RoCE, as the benefits of synergies are reflected at the consolidated level. Benefits of cross-selling (for example, wiring harness supplies to mirrors) are reflected at group level. Inter-segment supplies are 15.5% (v/s 14.4% in FY16) for polymers business and 3.5% (v/s 7.7% in FY16) for wiring harness business.

MSS has strong organic growth visibility, driven by good growth in the premium segment and strong presence in upcoming new launches.

MSS' strategy is fuel-agnostic and it doesn't place bets on new technologies. In EVs, for instance, MSS already supplies to six of the top-10 EV models.

Scenario-1: If MSS attains organic revenue guidance of USD12.4b (excluding PKC) by FY20

We have looked at possible PAT estimates if MSS is able to achieve its stated revenue target of USD12.4b (excluding PKC). Our base case revenue assumption is USD9.8b, with revenue of USD1.4b from PKC. In scenario-1, revenue would grow to USD13.7b (PKC: USD1.4b) at 28% CAGR over the forecasted period. EBITDA would grow at a CAGR of 39%, while PAT would grow at 42%. In FY20, EPS would be INR21 and RoCE (pre-tax) would be 32.1%.

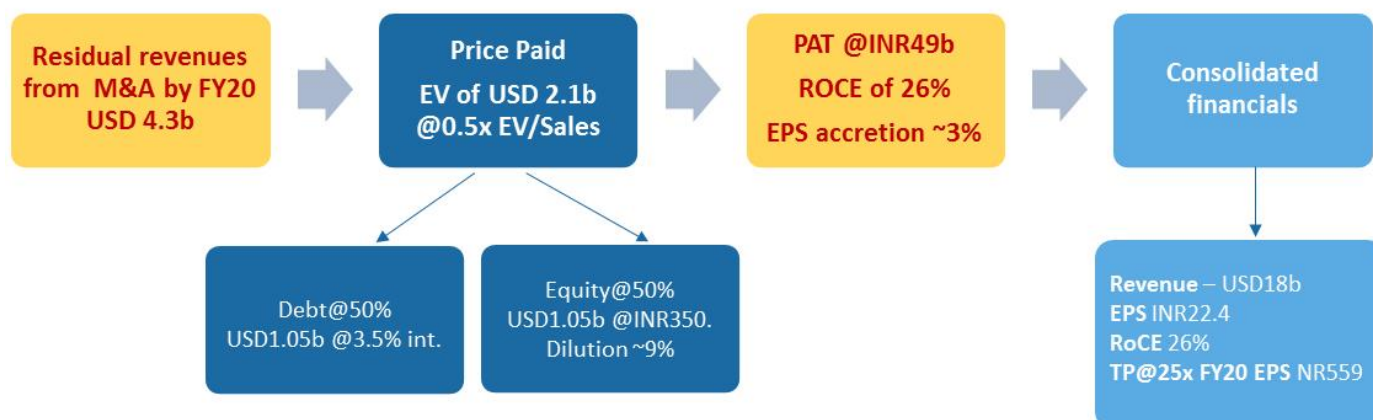
Exhibit 80: Scenario 1 - MSS attains organic revenue guidance of USD12.4b

	FY18E	FY19E	FY20E	CAGR FY17-20E
Revenues (USD b)				
Other organic		2.4	2.6	
MSSL	1.1	1.3	1.5	14.4
SMR	1.9	2.0	2.2	7.8
SMP	4.0	4.9	5.5	17.8
Others	0.5	0.5	0.5	11.1
Total Organic (excl PKC)	7.5	11.1	12.4	23.7
PKC	1.2	1.3	1.4	12.6
Total Revenues (USD b)	8.7	12.4	13.7	28.1
EBITDA (INR b)				
Other organic		16.1	19.5	
MSSL	14.6	17.3	20.0	16.1
SMR	13.1	15.3	18.0	13.5
SMP	17.1	29.5	41.5	42.6
Others	4.0	4.5	5.0	12.9
Total Organic (excl PKC)	48.7	82.7	104.0	34.4
PKC	6.1	9.2	10.5	
Total EBITDA (INR b)	54.8	91.9	114.6	38.8
EBITDA margin	9.7	11.1	12.2	
PAT (INR b)	20.5	36.3	45.9	42.4
EPS (INR)	9.8	17.3	21.8	42.4
RoCE (Pre-tax)	18.6	29.8	32.1	
Target multiple (X)			25	
Target Price			545	

Source: Company, MOSL

Scenario 2 – If MSS achieves guided revenues of USD18b by FY20

We have looked at the possibility of MSS achieving its guided revenue target of USD18b (organic + inorganic). In this scenario, it would have to rely on M&A for additional revenue of USD4.3b. We assume the EV of USD2.1b (assuming EV/Sales of 0.5x) would get funded 50% by debt and 50% by equity (equity dilution of ~9%). Consequently, we arrive at consolidated revenue of USD18.2b, EPS of INR22.4, and pre-tax RoCE of 26%.

Exhibit 81: What if MSS achieve Vision 2020? – Scenario 2 (incl M&A)

Source: MOSL

Beyond 2020: Focus on Aerospace, Defense and IT Security

- Pivoting into adjacent areas, the group has identified three (Aerospace, Defense and IT Security) for beyond 2020.
- In Aerospace, it would leverage on group capabilities to focus on aero-structure (including wiring harnesses) and cabins.
- In Defense and IT Security, it would emphasize on technology development and building indigenous capability.
- In Defense, it would focus only on the 'defense' and not the 'offence' part. It would partner with niche technology companies and target offset clause to build indigenous capability.
- In IT Security, it would focus on leveraging in-house IT capabilities for security solutions for Aerospace, Defense and Automotive sectors.
- While this initiative is at group level, MSS would benefit in the areas of its expertise. For example, the wiring harness opportunity in Aerospace or Defense would come to MSS.

Exhibit 82: Opportunities beyond 2020



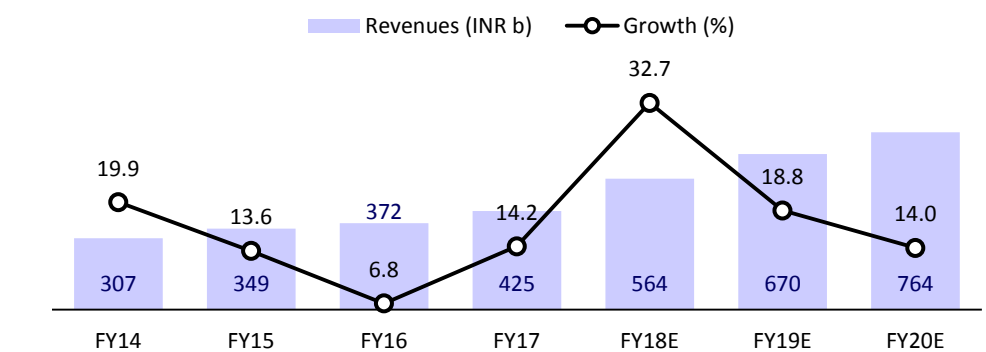
Source: Company, MOSL

Expect 33% CAGR in consolidated earnings over FY17-20

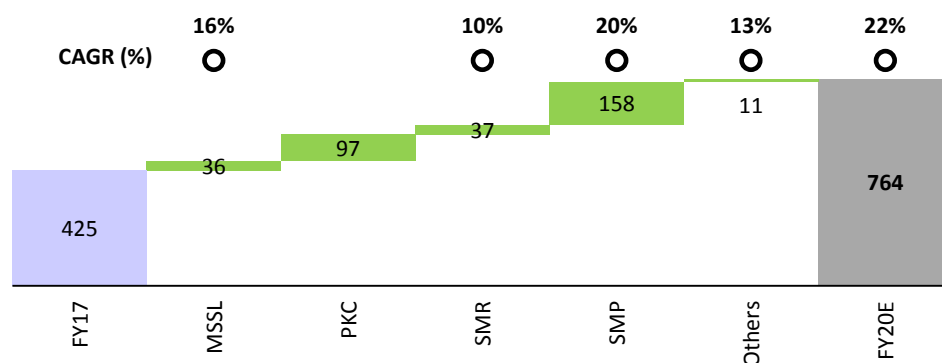
SMRPBV PAT to grow at 44% CAGR over FY17-20

- We estimate 21.5% CAGR in MSS' consolidated revenue (~16% CAGR adjusting for PKC) over FY17-20 to INR764b, driven by strong growth in SMP and consolidation of PKC. We estimate 30% CAGR in consolidated EBITDA to INR95b, implying margin expansion of ~230bp to 12.4%. Consolidated PAT is likely to grow at ~33% to INR38.6b.
- Consolidated capital efficiencies are expected to improve, led by strong improvement in operating performance and moderation in capex (at SMRPBV)/asset sweating (at PKC). We expect RoCE (post tax) to improve from 14.7% (21.5% pre-tax) in FY17 to 21.2% (29% pre-tax) in FY20. RoE should improve by 360bp to 29.2% by FY20.
- We expect SMRPBV to deliver 16% revenue CAGR over FY17-20 to EUR7.1b, driven by 19% CAGR at SMP and 9% CAGR at SMR, based on robust order book. SMRPBV's EBITDA margin should expand 330bp to 11.2% by FY20, driven by 450bp expansion at SMP (to 11%) and 120bp expansion at SMR (to 11.8%), driven largely by operating leverage. SMRPBV's PAT is likely to grow at 44% to EUR439m by FY20.
- We estimate 15% CAGR in PKC's revenue over FY17-20 to EUR1.3b, led by strong growth in US class-8 trucks, entry into new markets like China and new product segments like rolling stock. EBITDA margin is likely to expand ~400bp to 10.9% by FY20, implying PAT CAGR of 70% to EUR67m.
- The standalone business is expected to be a consistent performer, logging 16% revenue CAGR to ~INR100b by FY20. India business would benefit from strong growth in the PV segment, continued increase in content, faster ramp-up in MATE/MAE business, and benefit of commodity price inflation. Standalone margins should to remain stable at 20% in FY20, translating into PAT CAGR of 19% to INR14b by FY20.

Exhibit 83: Consolidated revenue to grow at 21.5% CAGR over FY17-20



Source: Company, MOSL

Exhibit 84: Consolidated revenue growth to be driven by SMP and PKC (INR b)

Source: MOSL

Exhibit 85: Revenue growth breakup

Sales (INR m)	FY17	FY18E	FY19E	FY20E	CAGR FY17-20E(%)
Consolidated	424,934	564,025	670,170	763,855	21.6%
Growth (%)	14.2%	32.7%	18.8%	14.0%	
MSSL	63,478	74,636	86,894	99,928	16.3%
Growth (%)	19.9%	17.6%	16.4%	15.0%	
SMR	115,935	120,873	132,960	152,904	9.7%
Growth (%)	14.9%	4.3%	10.0%	15.0%	
SMP	219,785	262,518	328,147	377,369	19.7%
Growth (%)	16.2%	19.4%	25.0%	15.0%	
PKC	62,691	76,402	89,020	96,527	15.5%
Growth (%)	1.8%	21.9%	16.5%	8.4%	
Others (bal)	25,736	29,597	33,148	37,126	13.0%
Growth (%)	-11.7%	15.0%	12.0%	12.0%	

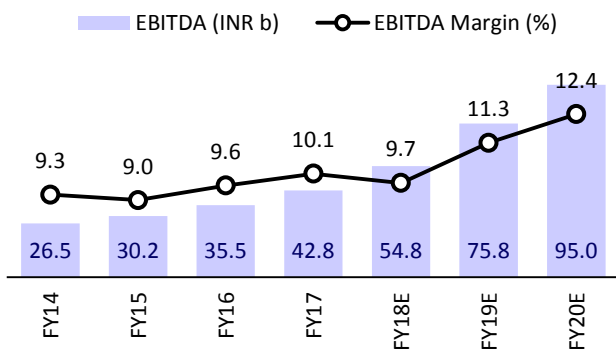
Source: Company, MOSL

Exhibit 86: EBITDA buildup over FY17-20E

EBITDA (INR m)	FY17	FY18E	FY19E	FY20E	CAGR FY17-20E (%)
Consolidated	42,847	54,811	75,784	95,010	30%
Margin (%)	10.1%	9.7%	11.3%	12.4%	
MSSL	12,760	14,558	17,280	19,984	16%
Margin (%)	20.1%	19.5%	19.9%	20.0%	
SMR	12,291	13,054	15,290	17,966	13%
Margin (%)	10.6%	10.8%	11.5%	11.8%	
SMP	14,316	17,064	29,533	41,511	43%
Margin (%)	6.5%	6.5%	9.0%	11.0%	
PKC	4,348	6,140	9,205	10,537	34%
Margin (%)	6.9%	8.0%	10.3%	10.9%	
Others (bal)	3,480	3,996	4,475	5,012	13%
Margin (%)	13.5%	13.5%	13.5%	13.5%	

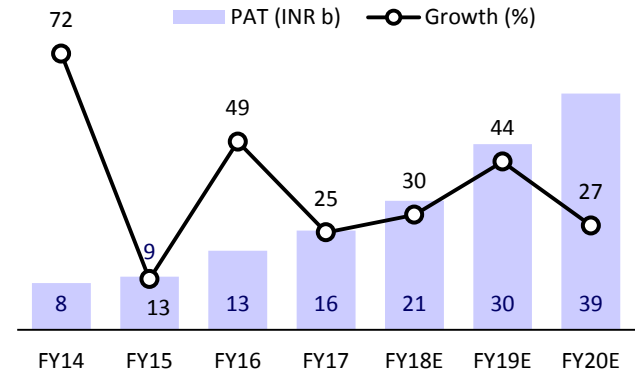
Source: Company, Bloomberg

Exhibit 87: Consolidated EBITDA to grow at 30%...



Source: Company, MOSL

Exhibit 88: ...leading to PAT CAGR of 33.5% over FY17-20



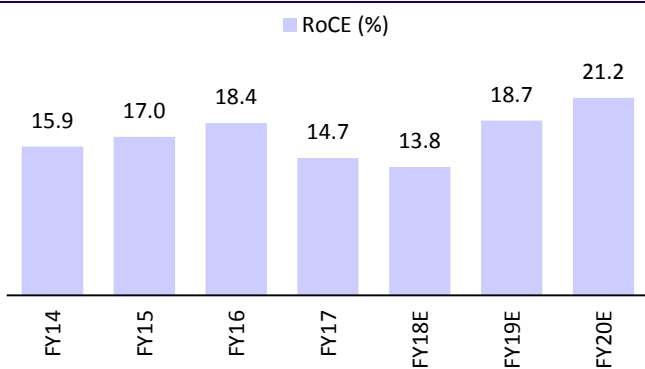
Source: Company, MOSL

Exhibit 89: Consolidated PAT to increase at 33.5% CAGR

APAT (INR m)	FY17	FY18E	FY19E	FY20E	CAGR FY17-20E (%)
Consolidated	16,211	21,082	30,345	38,607	34%
Growth (%)	0.0%	30.0%	43.9%	27.2%	
MSSL	8,273	10,125	12,074	14,050	19%
Growth (%)	0.0%	22.4%	19.3%	16.4%	
SMR	3,474	3,359	3,971	4,720	11%
Growth (%)	0.0%	-3.3%	18.2%	18.8%	
SMP	2,051	2,876	6,984	11,007	75%
Growth (%)	0.0%	40.2%	142.8%	57.6%	
PKC	1,011	2,096	4,149	5,001	70%
Growth (%)		107.3%	98.0%	20.5%	
Others (bal)	2,413	2,627	3,168	3,829	17%
Growth (%)	0.0%	8.8%	20.6%	20.9%	

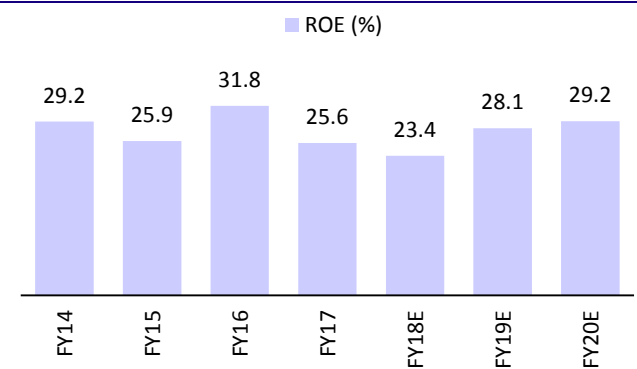
Source: Company, MOSL

Exhibit 90: RoCE (post-tax) to gradually improve with superior operating performance at subsidiaries



Source: Company, MOSL

Exhibit 91: RoE to also improve, backed by healthy growth in earnings



Source: Company, MOSL

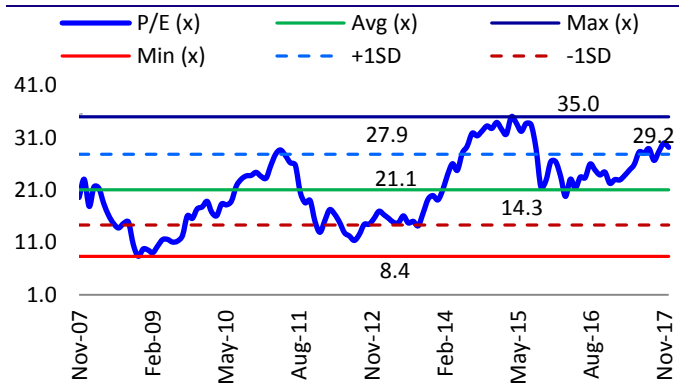
Valuation and view

Strong growth, improving capital efficiencies to drive premium valuations

- **Beneficiary of evolving disruptive global automotive trends:** The global automotive industry is at the cusp of disruption, led by megatrends in the form of (a) electric vehicles, (b) connect cars, (c) autonomous cars, (d) shared mobility, (e) stricter emission norms, and (f) platform and vendor consolidation. These have the potential to disrupt the automotive supply chain and challenge incumbents. With its diverse product base and market presence, we believe MSS is set to leverage these trends to drive its next wave of growth.
- **Strong pedigree of management, with unwavering focus on capital allocation:** MSS' management has a strong track record of building strong relationships, scaling businesses to market leadership, excellent execution and turnaround skills, and supreme focus on asset allocation. This is reflected in best-in-class performance, with strong revenue/EBITDA/PAT CAGR of 39%/32%/28% over FY04-17, with average RoE of ~30%.
- **Ability to add value to OEMs drives market leadership:** Its ability to add value with its diverse product base and market presence has resulted in MSS being a partner of choice for all most all OEMs in the world, reflecting in higher share of business in all key segments. Gradually, this has helped MSS to achieve market leadership in all the key business segments it operates in. Its market share in key product segments like India wiring harness (60-65%), global exterior rear view mirrors (24%), global premium segment - bumpers (20%), door panels (28%) and instrument panels (11%) validates its sound product capability. We expect market share gains to continue, led by continued product innovation.
- **Strong organic growth visibility:** MSS has strong organic growth opportunities driven by increase in content per vehicle, strong order book and entry into new markets/segments. We expect revenue to grow at 16.3% CAGR for the standalone entity, at 19% CAGR for SMP, and at 9.2% CAGR for SMR over FY17-20. Even for PKC, revenue should grow at ~15% CAGR.
- **In virtuous cycle of growth:** MSS is now in a virtuous cycle of "scale begets scale". We believe increasing scale of business enables better bargaining power with OEMs, in turn leading to better profitability and improving ability to invest at the behest of OEMs. Given focus on vendor consolidation, MSS would significantly benefit from scale and ability to invest, which in turn would help MSS to act as consolidator. These factors have led MSS to become a partner of choice for global OEMs.
- **Initiating coverage with Buy:** MSS offers strong visibility of earnings growth along with improving capital efficiencies. While our estimates factor in organic revenue (excluding PKC) of USD9.8b in FY20 (v/s organic growth target of USD12.4b by FY20), given a very strong order book and ramp-up potential at PKC, it could garner additional revenue of USD2.6b in FY20 to attain its target. We expect MSS' consolidated revenue/EBITDA/PAT to grow at a CAGR of 22%/30%/33.5% over FY17-20. Consequently, we expect RoCE (post-tax) to improve to 21.2% in FY20 (14.7% in FY17). Although MSS is currently trading at a premium to its 5-year average P/E, premium valuations are justified considering sharp improvement in post-tax RoCE (21.2% in FY20 v/s average of 13.4% in the

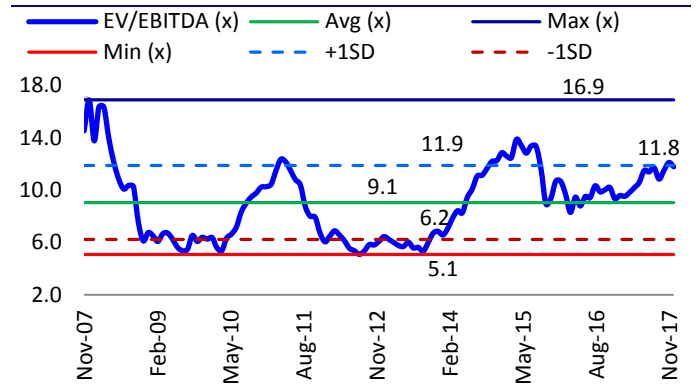
last five years) and possibility of stronger than expected earnings growth. **The stock trades at 25.8x/20.3x FTY19E/20E consol. EPS.** We initiate coverage with a **Buy** rating and target price of INR458 (25x FY20E consolidated EPS; in line with historical average).

Exhibit 92: The stock has seen sharp re-rating and is trading in line with historical band



Source: MOSL

Exhibit 93: However, it is trading below its historical EV/EBITDA range



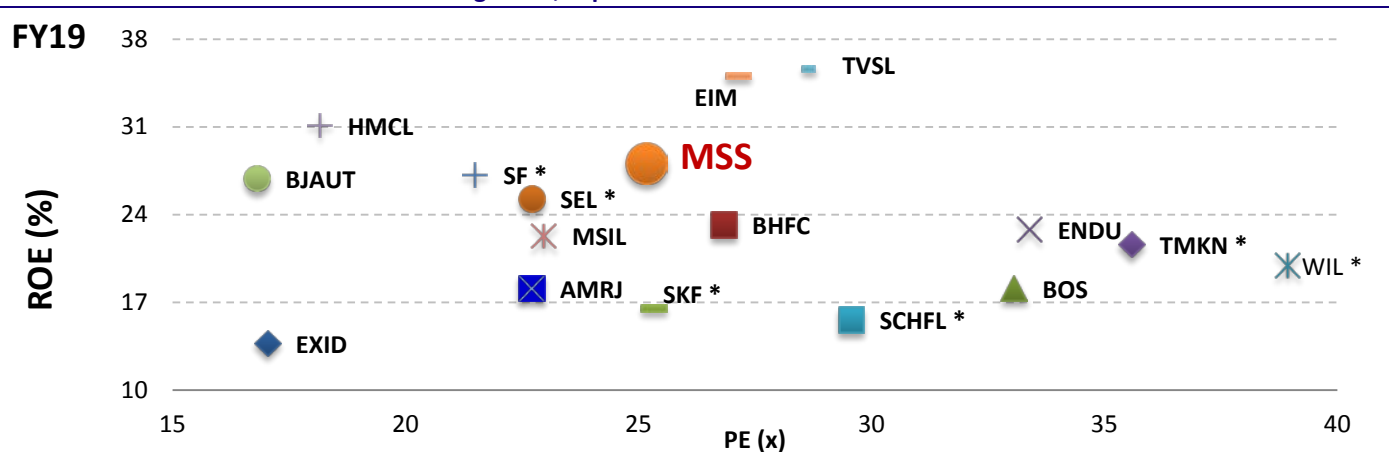
Source: MOSL

Exhibit 94: Comparative valuations

Company	Mcap (INR b)	EPS CAGR (FY17-20E)	PE (x)			EV/EBITDA (x)			P/BV (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
AMRJ	133	14.4	29.5	24.4	19.9	15.3	12.3	10.1	4.8	4.1	3.5	17.3	18.1	19.1
EXID	172	12.8	27.6	22.6	18.8	16.3	13.6	11.5	3.4	3.1	2.8	12.5	13.7	14.8
BHFC	325	37.2	37.6	27.7	21.3	20.6	16.5	13.3	7.0	5.9	4.8	20.1	23.2	25.0
BOS	626	15.4	43.9	33.3	27.6	27.1	20.5	16.9	6.4	5.7	5.1	15.2	18.1	19.5
ENDU	172	27.4	49.0	36.9	27.9	21.8	17.9	14.5	9.2	7.7	6.5	20.5	22.8	25.2
WIL *	132	24.0	48.8	38.9	32.5	32.6	26.2	21.8	8.7	7.2	6.1	19.1	19.9	20.0
SEL *	41	16.9	33.3	26.4	23.9	20.3	17.2	15.9	7.5	6.1	0.0	24.4	25.6	22.9
SF *	104	20.7	30.1	25.0	20.3	18.8	16.4	13.9	7.2	5.8		27.5	27.2	27.0
SKF *	88	16.9	33.9	28.9	25.9	23.2	20.5	18.0	5.4	4.7	4.2	15.7	16.5	16.8
TMKN *	61	29.7	47.8	35.7	28.8	27.5	21.0	16.0	8.4	7.5	6.3	19.0	21.6	20.3
SCHFL *	84	17.8	40.4	34.0	30.5	25.1	21.6	18.4	5.8	5.1	4.4	15.1	15.6	16.4
MSS	754	33.5	37.1	25.8	20.3	14.9	10.5	8.1	8.0	6.6	5.4	23.4	28.1	29.2

*Bloomberg Consensus; Source: Bloomberg, MOSL

Exhibit 95: MSS offers best combination of growth, superior RoEs & reasonable valuations



Source: Bloomberg, MOSL

Scenario analysis indicates favorable risk-reward

Bull-case upside of 55% v/s Bear-case downside of ~18%



Bull case

- ✓ Our bull case analysis assumes for continued strong order in-take and faster execution at SMRPBV. Also assumes PKC gaining market share in Europe, Brazil and China in heavy duty trucks, and significant order wins on rolling stock with Alstom-Siemens. This would lead to FY20 margin higher by 50bp in FY20. Note that our bull estimates of revenues are lower by ~USD1.5b than the organic revenue (plus PKC) target of ~USD13.5b.
- ✓ Our sensitivity analysis suggests that in the bull case, MSS could generate EPS of INR10.4/15.3/21 in FY18/19/20E (v/s INR10/14.4/18.3 in base case). Valuing MSS at 27.5x FY20 consolidated EPS (at 10% discount to peers like Bosch and Wabco), yields a fair value of INR577 (v/s base TP of INR458), implying upside of ~55% from CMP.



Bear case

- ✓ Our bear case analysis factors in slow ramp up of order book at SMP/SMR due to weaker underlying market. Also, PKC losing some market share in US class 8 trucks, as well as slower ramp-up in China and rolling stock business. This would lead to FY20 margin higher by 50bp in FY20.
- ✓ Our sensitivity analysis suggests that in the bear case, MSS could generate EPS of INR9.2/11.6/15.2 in FY18/19/20E (v/s INR10/14.4/18.3 in base case) as we factor in slow ramp up at SMP and PKC impacting profitability. Valuing MSS at 20x FY20 consolidated EPS (20% discount to base case multiple), yields a fair value of INR304, implying downside of ~18% from CMP.

Exhibit 96: Scenario analysis

(INR b)	Bear Case			Base Case			Bull Case		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
Revenues	552.2	635.7	703.6	564.0	670.2	763.9	570.7	669.2	802.0
Revenue growth (%)	29.9	15.1	10.7	32.7	18.8	14.0	34.3	17.3	19.9
EBITDA	52.1	65.0	81.9	54.8	75.8	95.0	56.0	78.3	102.7
EBITDA Margin (%)	9.4	10.2	11.6	9.7	11.3	12.4	9.8	11.7	12.8
Depreciation	15.0	17.0	18.7	15.0	17.0	18.7	15.0	17.0	18.7
EBIT	37.1	48.0	63.2	39.8	58.8	76.4	41.0	61.3	84.0
PAT before MI	23.8	32.4	43.6	25.8	40.4	53.6	26.6	42.2	59.2
PAT after MI	19.3	24.5	32.0	21.1	30.3	38.6	21.8	32.2	44.2
EPS (INR)	9.2	11.6	15.2	10.0	14.4	18.3	10.4	15.3	21.0
Implied P/E (x)	40.5	32.0	24.5	37.1	25.8	20.3	35.7	24.3	17.7
Target multiple (x)		20	20		25	25		27.5	27.5
Target price (x)		232	304		360	458		420	577

Source: Company, MOSL

SWOT ANALYSIS



Key risks

Weak global volumes for key customers | Slower improvement of SMP/PKC

Drop in global volumes for key customers

Currently, its exposure to the VW group is ~45%, with Audi and Seat brand exposure at ~25% and 8% respectively. Any slowdown in VW's global volumes would impact MSS. However, MSS is working to reduce its customer concentration as stated in 3CX15 targets of 2020.

Slower-than-expected turnaround in European subsidiaries

We have assumed sharp margin improvement in SMP given the strong order book resulting in sharp revenue growth and operating leverage benefits. Slower than estimated ramp-up of new plants and execution of order book could result in lower than expected margin expansion. SMP and PKC margin improvement is key to driving consolidated RoCE towards 40%.

Financials and Valuations

Consolidated - Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Total Income from Operations	255,932	306,824	348,503	372,163	424,934	564,025	670,170	763,855
Change (%)	71.9	19.9	13.6	6.8	14.2	32.7	18.8	14.0
Raw Materials	164,838	193,614	216,314	223,737	257,507	342,156	403,937	451,222
Employees Cost	42,827	51,064	63,653	71,573	80,909	110,036	124,341	140,505
Other Expenses	30,692	35,630	38,325	41,372	43,671	57,022	66,108	77,118
Total Expenditure	238,357	280,308	318,292	336,682	382,087	509,214	594,386	668,845
% of Sales	93.1	91.4	91.3	90.5	89.9	90.3	88.7	87.6
EBITDA	17,575	26,516	30,211	35,481	42,847	54,811	75,784	95,010
Margin (%)	6.9	8.6	8.7	9.5	10.1	9.7	11.3	12.4
Depreciation	7,145	8,172	9,206	10,872	10,591	15,035	17,031	18,654
EBIT	10,430	18,344	21,005	24,609	32,256	39,776	58,752	76,356
Int. and Finance Charges	2,495	2,943	3,178	3,450	3,749	4,137	3,999	3,913
Other Income	407	561	400	393	1,463	400	600	1,000
PBT bef. EO Exp.	8,342	15,962	18,227	21,552	29,970	36,039	55,353	73,442
EO Items	0	0	-56	0	-974	-1,550	0	0
PBT after EO Exp.	8,342	15,962	18,171	21,552	28,996	34,489	55,353	73,442
Total Tax	3,835	4,994	5,256	5,192	9,103	9,829	14,945	19,829
Tax Rate (%)	46.0	31.3	28.9	24.1	31.4	28.5	27.0	27.0
Minority Interest	62	3,318	4,291	3,437	4,350	4,685	10,063	15,006
Reported PAT	4,445	7,650	8,624	12,923	15,543	19,974	30,345	38,607
Adjusted PAT	4,445	7,650	8,664	12,923	16,211	21,082	30,345	38,607
Change (%)	49.1	72.1	13.2	49.2	25.4	30.0	43.9	27.2
Margin (%)	1.7	2.5	2.5	3.5	3.8	3.7	4.5	5.1

Consolidated - Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Equity Share Capital	588	882	882	1,323	1,404	2,105	2,105	2,105
Total Reserves	18,845	25,398	33,135	39,786	53,265	67,185	88,692	115,156
Net Worth	22,890	29,593	37,320	43,971	82,727	97,349	118,856	145,319
Minority Interest	4,025	7,896	10,993	15,123	22,322	28,838	40,732	57,569
Total Loans	49,039	48,397	46,377	57,415	101,418	94,621	92,121	89,121
Deferred Tax Liabilities	559	496	-1,854	-3,604	-5,024	-5,024	-5,024	-5,024
Capital Employed	76,513	86,382	92,836	112,905	201,443	215,784	246,685	286,985
Gross Block	105,790	124,407	123,415	80,462	135,237	167,670	195,755	219,478
Less: Accum. Deprn.	54,655	67,147	65,151	11,924	33,590	48,625	65,656	84,310
Net Fixed Assets	51,135	57,260	58,264	68,538	101,647	119,045	130,099	135,167
Goodwill	1,635	1,929	3,025	2,931	19,379	19,379	19,379	19,379
Capital WIP	3,859	6,471	9,547	13,970	19,348	12,500	10,000	10,000
Total Investments	716	749	255	591	684	684	684	684
Curr. Assets, Loans&Adv.	70,048	86,030	87,022	97,766	160,877	186,056	229,195	282,779
Inventory	26,036	32,822	20,025	22,850	30,716	37,087	47,738	58,597
Account Receivables	29,400	32,384	37,700	46,537	66,065	71,083	82,624	94,174
Cash and Bank Balance	5,944	9,061	17,467	17,717	48,866	59,337	76,793	104,886
Loans and Advances	8,668	11,763	11,830	10,662	15,230	18,550	22,041	25,122
Curr. Liability & Prov.	50,880	66,057	75,180	82,531	117,230	138,618	159,410	177,762
Account Payables	31,808	40,917	46,401	51,627	73,169	81,949	92,603	103,715
Other Current Liabilities	13,817	18,398	27,712	29,478	42,659	46,624	54,873	60,444
Provisions	5,255	6,742	1,067	1,426	1,402	10,044	11,935	13,603
Net Current Assets	19,168	19,973	11,842	15,235	43,647	47,438	69,785	105,017
Misc Expenditure	0	0	9,903	11,640	16,738	16,738	16,738	16,738
Appl. of Funds	76,513	86,382	92,836	112,905	201,443	215,784	246,685	286,985

E: MOSL Estimates

Financials and Valuations

Ratios								
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Basic (INR)								
EPS	2.2	3.9	4.4	6.5	7.7	10.0	14.4	18.3
Cash EPS	5.4	5.9	7.3	9.8	10.7	14.8	19.7	24.1
BV/Share	11.5	14.9	18.8	22.2	39.3	46.2	56.5	69.0
DPS	0.9	1.7	2.0	2.5	2.0	2.2	3.6	5.0
Payout (%)	31.0	33.7	36.9	29.2	23.6	26.8	29.1	31.5
Valuation (x)								
P/E	165.9	96.4	85.1	57.1	48.3	37.1	25.8	20.3
P/BV	32.2	24.9	19.8	16.8	9.5	8.0	6.6	5.4
EV/Sales	2.1	1.7	1.5	1.4	1.4	1.4	1.2	1.0
EV/EBITDA	30.4	20.0	17.2	15.0	13.4	14.9	10.5	8.1
Dividend Yield (%)	0.2	0.4	0.5	0.7	0.5	0.6	1.0	1.3
FCF per share	3.0	10.2	11.7	1.9	7.3	12.7	15.6	22.4
Return Ratios (%)								
RoE	21.4	29.2	25.9	31.8	25.6	23.4	28.1	29.2
RoCE (post-tax)	8.0	15.9	17.0	18.4	14.7	13.8	18.7	21.2
RoIC	9.0	18.5	22.0	25.6	20.8	20.6	28.4	33.7
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	2.5	2.8	4.6	3.1	3.4	3.4	3.5
Asset Turnover (x)	3.3	3.6	3.8	3.3	2.1	2.6	2.7	2.7
Inventory (Days)	37	39	21	22	26	24	26	28
Debtor (Days)	42	39	39	46	57	46	45	45
Creditor (Days)	45	49	49	51	63	53	50	50
Leverage Ratio (x)								
Current Ratio	1.4	1.3	1.2	1.2	1.4	1.3	1.4	1.6
Interest Cover Ratio	4.2	6.2	6.6	7.1	8.6	9.6	14.7	19.5
Net Debt/Equity	1.9	1.3	0.8	0.9	0.6	0.4	0.1	-0.1

Consolidated - Cash Flow Statement						(INR Million)		
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
OP/(Loss) before Tax	8,350	15,960	18,175	22,929	31,801	34,489	55,353	73,442
Depreciation	7,145	8,172	9,206	10,872	10,591	15,035	17,031	18,654
Interest & Finance Charges	2,374	2,764	2,927	3,211	3,324	4,137	3,999	3,913
Direct Taxes Paid	-3,662	-5,597	-6,167	-6,899	-8,433	-9,829	-14,945	-19,829
(Inc)/Dec in WC	-1,019	2,403	12,650	-10,278	4,813	6,679	-4,891	-7,138
CF from Operations	13,188	23,702	36,791	19,835	42,096	50,511	56,548	69,042
Others	1,672	3,248	-2,894	2,049	-4,099	1,831	1,831	1,831
CF from Operating incl EO	14,860	26,950	33,897	21,884	37,997	52,342	58,379	70,873
(Inc)/Dec in FA	-10,895	-13,517	-18,390	-19,306	-27,789	-25,585	-25,585	-23,723
Free Cash Flow	3,965	13,433	15,507	2,578	10,208	26,757	32,794	47,151
(Pur)/Sale of Investments	-13	-6	-10,434	-151	-39,675	0	0	0
Others	118	-200	295	396	-614	0	0	0
CF from Investments	-10,790	-13,723	-28,529	-19,061	-68,078	-25,585	-25,585	-23,723
Issue of Shares	260	0	0	0	25,277	0	0	0
Inc/(Dec) in Debt	1,835	-6,001	11,380	7,150	34,092	-6,797	-2,500	-3,000
Interest Paid	-2,537	-2,881	-2,993	-3,227	-3,471	-4,137	-3,999	-3,913
Dividend Paid	-2,132	-1,935	-3,539	-6,675	-9	-5,352	-8,838	-12,144
Others	16	16	97	120	104	0	0	0
CF from Fin. Activity	-2,558	-10,801	4,945	-2,632	55,993	-16,286	-15,337	-19,057
Inc/Dec of Cash	1,512	2,426	10,313	191	25,912	10,471	17,456	28,093
Opening Balance	2,521	4,033	6,459	16,772	16,963	42,875	53,346	70,802
Closing Balance	4,033	6,459	16,772	16,963	42,875	53,346	70,802	98,895

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Jinesh Gandhi - Research Analyst (jineshg@mottalal.com); +91 22 3982 5416
Deep Shah - Research Analyst (deepshah@mottalal.com) | Sumanta Kamath - Research Analyst (sumanta.kamath@mottalal.com)

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Abhishek Ghosh - Research Analyst (abhishek.ghosh@mottalal.com); +91 22 3982 5436
Pradyumn Ganer - Research Analyst (pradyumn.ganer@mottalal.com); +91 22 3980 4322

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Dhruv Muchhal - Research Analyst (dhruvmuchhal@mottalal.com); +91 22 6129 1549
Sanjay Jain - Research Analyst (sanjayjain@mottalal.com); +91 22 6129 1523

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Oberoi Realty

Island of prosperity

Chintan Modi - Research Analyst (chintanmodi@mottalal.com); +91 22 3982 5422
Darshit Shah - Research Analyst (darshitshah@mottalal.com); +91 22 3002 2378

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MOTILAL OSWAL

Initiating Coverage | 22 November 2017
Sector: Retail

PC Jeweller

Shining bright

Vishal Punmiya - Research Analyst (vishalpunmiya@mottalal.com); +91 22 3980 4261
Kishan Sambamurthy - Research Analyst (kishan.sambamurthy@mottalal.com); +91 22 3982 5428

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MOTILAL OSWAL

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Sector: Financials

HDFC Standard Life

Another 'compounder'

Vishal Punmiya - Research Analyst (vishalpunmiya@mottalal.com); +91 22 3980 4261
Kishan Sambamurthy - Research Analyst (kishan.sambamurthy@mottalal.com); +91 22 3982 5428

Investors are advised to refer through important disclosures made at the last page of the Research Report. Motilal Oswal research is available on www.mottalal.com/institutional/Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

MOTILAL OSWAL

Initiating Coverage | 16 November 2017
Sector: Financials

Aditya Birla Capital

Perfect blend

Research Analyst: Rajesh Mittal (rajeshmittal@mottalal.com); +91 22 3982 5423 | Pooja Engineer (poojaengineer@mottalal.com); +91 22 3982 5424
Vishal Punmiya (vishalpunmiya@mottalal.com); +91 22 3980 4261 | Anvesh Kumar (anveshkumar@mottalal.com); +91 22 3982 5428

Investors are advised to refer through important disclosures made at the last page of the Research Report. Motilal Oswal research is available on www.mottalal.com/institutional/Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

MOTILAL OSWAL

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Sector: Metals

Rain Industries

Enduring Tailwinds

Sanjay Jain - Research Analyst (sanjayjain@mottalal.com); +91 22 6129 1523
Dhruv Muchhal - Research Analyst (dhruvmuchhal@mottalal.com); +91 22 6129 1549

Investors are advised to refer through important disclosures made at the last page of the Research Report. Motilal Oswal research is available on www.mottalal.com/institutional/Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

MOTILAL OSWAL

Initiating Coverage | 23 August 2017
Sector: Metals

Trident

An attractive utilization play

Vishal Punmiya - Research Analyst (vishalpunmiya@mottalal.com); +91 22 3980 4261
Dhruv Muchhal - Research Analyst (dhruvmuchhal@mottalal.com); +91 22 6129 1549

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