

Munjal Showa Limited

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs165	Rs191	Rs250	51%	BUY	Rs6.6

About the Company:

Established in 1985, Munjal Showa Limited is a product of technical and financial collaboration between Hero Group and Showa Corporation of Japan. The company designs and manufactures shock absorbers and struts for leading two-wheelers and four-wheelers where the primary products are front forks, shock absorbers, struts, gas springs and window balancers etc. Nearly 95% of company revenues come from the two-wheeler industry, out of which Hero Honda alone accounts for 85%. MSL is an almost debt-free company.

Results Declared:

- The total revenue for the quarter dropped by 10% to Rs3,373mn as compared to Rs4,192mn in the same quarter last year.
- The EBITDA margin for the quarter under review stood at 4.3% in comparison to 8.8% in the corresponding quarter.
- The net profit for the quarter stood at Rs140mn as against Rs287mn in the comparative quarter; a drop of 51.4%.
- The EPS stands at Rs3.5.
- For the full year, the company has clocked revenue growth of 3.3% but shown a drop in net profit of 19.2%.
- Board has recommended dividend of Rs4.5/- per equity share of face value of Rs2/- each for the financial year 2018-19.

Financials:

Result Update (Q4&FY2019)								
Q4&FY19 Result (Rs mn)	Mar-19	Mar-18	y-o-y	Dec-18	q-o-q	FY19	FY18	y-o-y
Total Revenue	3773	4192	(10.0%)	3840	(1.7%)	16693	16155	3.3%
EBITDA	162	367	(55.9%)	172	(5.8%)	882	1131	(22.0%)
Other Income	77	66	17.5%	60	29.0%	234	207	13.1%
Interest	0	1	(88.2%)	0	(77.7%)	1	1	(30.9%)
Depreciation	61	67	(8.8%)	64	(4.8%)	259	282	(8.2%)
Tax	38	78	(51.2%)	45	(14.1%)	229	279	(17.7%)
Net Profit	140	287	(51.4%)	122	13.9%	626	775	(19.2%)

Outlook and Recommendations:

The company has reported flat numbers in this quarter on a sequential basis, which was expected by us due to slowdown in the auto industry. This is also reflected in the y-o-y performance of the company. On a full year basis, the numbers are below our expectations. We expect the moderation in growth to continue in the near term until the auto industry revives. We continue to maintain our BUY call in the stock with the target of Rs250 for a 12-month horizon.

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