

# Motherson Wiring

Estimate change ↔  
TP change ↔  
Rating change ↔

Bloomberg	MSUMI IN
Equity Shares (m)	4421
M.Cap.(INRb)/(USDb)	243.1 / 2.9
52-Week Range (INR)	71 / 42
1, 6, 12 Rel. Per (%)	7/-6/9
12M Avg Val (INR M)	355

## Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	70.6	83.3	95.8
EBITDA	7.8	11.4	13.4
Adj. PAT	4.9	7.4	8.8
EPS (Rs)	1.1	1.7	2.0
EPS Growth (%)	4.3	51.8	19.6
BV/Share (Rs)	3.0	4.0	5.0

### Ratios

Net D:E	0.0	-0.2	-0.3
RoE (%)	39.8	47.5	44.2
RoCE (%)	42.7	51.6	49.9
Payout (%)	59.0	60.0	60.0

### Valuations

P/E (x)	49.9	32.9	27.5
P/BV (x)	18.3	13.6	10.9
Div. Yield (%)	1.2	1.8	2.2
FCF Yield (%)	0.1	2.7	3.2

## Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	61.7	61.7	61.7
DII	19.0	18.3	13.4
FII	9.9	11.0	14.9
Others	9.3	8.9	10.0

FII Includes depository receipts

CMP:INR55

TP: INR70 (+27%)

Buy

## In line; improving utilization and cost-control measures to aid margins

### Focus on improving utilization for new facilities in the coming quarters

- 4QFY23 performance was in line with expectations. The impact of ~11.5% QoQ increase in copper prices and the unfavorable mix were offset by improvements in operating costs and the ramp up of new businesses. With the completion of the ramp-up phase of the new facilities, utilization is expected to scale up further in the coming quarters, resulting in a healthy growth over the next two years.
- While we cut FY24E EPS by 2.7% to reflect higher RM prices, we raise FY25E EPS by 2.9% to factor in the increase in new orders and improved cost control measures. We reiterate our BUY rating with a TP of INR70 (35x Mar'25E EPS).

### GM at multi-quarter low, led by high copper prices and unfavorable mix

- 4QFY23 revenue grew 12% YoY to INR18.6b (in line), while EBITDA/adj.PAT declined 14%/13% YoY to INR2.1b/INR1.4b. FY23 revenues/EBITDA/adj.PAT grew 25%/ 7%/6% YoY.
- Gross margins declined 310bp YoY/260bp QoQ to 33.1% (v/s est. 35.5%), led by ~11.5% QoQ rise in copper prices and the unfavorable product mix.
- EBITDA margins eroded 340bp YoY (up 60bp QoQ) to 11.2% (v/s est. 11.7%). The impact of lower gross margin was offset by better-than-estimated staff and 'other expenses'.
- EBITDA declined 14% YoY to ~INR2.1b (v/s est.INR2.2b). Adj. PAT was in line at INR1.4b (down 13% YoY).
- FCFF stood at INR259m (v/s INR4b in FY22) due to lower operating cash flow at INR2.2b (v/s INR5b in FY22) and higher capex of INR2b (v/s INR1b in FY22).
- Dividend payout was maintained at ~60%; however, DPS was lower at INR0.65 (v/s INR0.85 in FY22) due to weaker performance.
- Net debt including lease liability stood at INR3.4b (v/s INR3.35b in 2QFY23).

### Highlights from the management commentary

- **Order schedules are stable.** The company expects its EBITDA margin to improve, led by significant improvement in costs and the increased number of new launches.
- **It has added two new plants at Noida and one new plant at Chennai.** The ramp-up phase of new facilities is over and the utilization is expected to scale up in the upcoming quarters. These facilities would have to add more manpower, in case of an increase in demand.
- **Focus will be on scaling up the businesses in new facilities.** Usually, the company looks for capacity expansion, when the utilization level crosses 80%.
- **EV –** The company already has a significant number of RFQs already. Currently, the company is supplying to two out of the top three e-PV OEMs in India as well as two of the Top five e-2W OEMs in India.

## Valuation and view

- The stock trades at 32.9x/27.5x FY24E/25E EPS. We believe it deserves rich valuations driven by a) its strong competitive positioning, b) top decile capital efficiencies, and c) it being a beneficiary of EVs and other mega trends in Autos.
- We reiterate our BUY rating with a TP of INR70 (~35x Mar'25E EPS).

## MSUMI: Quarterly performance

(INR m)

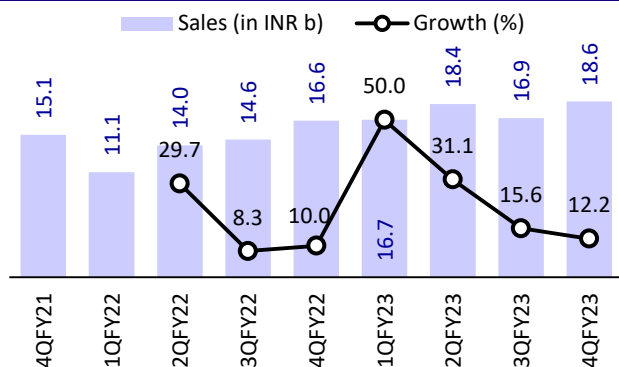
Y/E March	FY22				FY23				FY22	FY23	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
<b>Net Sales</b>	<b>11,139</b>	<b>14,000</b>	<b>14,596</b>	<b>16,615</b>	<b>16,709</b>	<b>18,352</b>	<b>16,868</b>	<b>18,644</b>	<b>56,350</b>	<b>70,574</b>	<b>18,507.8</b>
YoY Change (%)	455.7	29.7	8.3	10.0	50.0	31.1	15.6	12.2	36.2	25.2	11.4
RM Cost (% of sales)	64.1	64.4	64.1	63.8	64.9	66.2	64.3	66.9	64.1	65.6	64.5
Staff Cost (% of sales)	19.2	16.8	16.4	15.5	16.4	17.3	17.8	15.6	16.8	16.8	16.8
Other Expenses (% of sales)	6.9	6.1	5.8	6.1	6.6	6.6	7.3	6.2	6.2	6.5	7.0
<b>EBITDA</b>	<b>1,093</b>	<b>1,780</b>	<b>2,002</b>	<b>2,420</b>	<b>2,028</b>	<b>1,808</b>	<b>1,790</b>	<b>2,093</b>	<b>7,303</b>	<b>7,814</b>	<b>2,165.5</b>
Margins (%)	9.8	12.7	13.7	14.6	12.1	9.9	10.6	11.2	13.0	11.1	11.7
Depreciation	233	240	230	343	277	295	317	348	1,055	1,237	329
Interest	76	80	100	20	69	59	65	86	285	278	73
Other Income	46	80	79	93	77	107	7	127	300	223	89
<b>PBT before EO expense</b>	<b>830</b>	<b>1,540</b>	<b>1,750</b>	<b>2,150</b>	<b>1,759</b>	<b>1,562</b>	<b>1,415</b>	<b>1,786</b>	<b>6,263</b>	<b>6,522</b>	<b>1,853</b>
Extra-Ord expense	0	0	0	654	0	0	0	0	654	0	0
<b>PBT after EO Expense</b>	<b>830</b>	<b>1,540</b>	<b>1,750</b>	<b>1,496</b>	<b>1,759</b>	<b>1,562</b>	<b>1,415</b>	<b>1,786</b>	<b>5,609</b>	<b>6,522</b>	<b>1,852.7</b>
Tax Rate (%)	27	26	25	31	28	25	25	22	27	25	25.0
<b>Reported PAT</b>	<b>610</b>	<b>1,140</b>	<b>1,320</b>	<b>1,036</b>	<b>1,260</b>	<b>1,165</b>	<b>1,062</b>	<b>1,385</b>	<b>4,107</b>	<b>4,870</b>	<b>1,390</b>
<b>Adj PAT</b>	<b>610</b>	<b>1,140</b>	<b>1,320</b>	<b>1,596</b>	<b>1,260</b>	<b>1,165</b>	<b>1,062</b>	<b>1,385</b>	<b>4,670</b>	<b>4,870</b>	<b>1,390</b>
YoY Change (%)	-172.6	72.7	9.5	6.0	106.5	2.1	-19.6	-13.2	83.9	4.3	-12.9

## Highlights from the management commentary



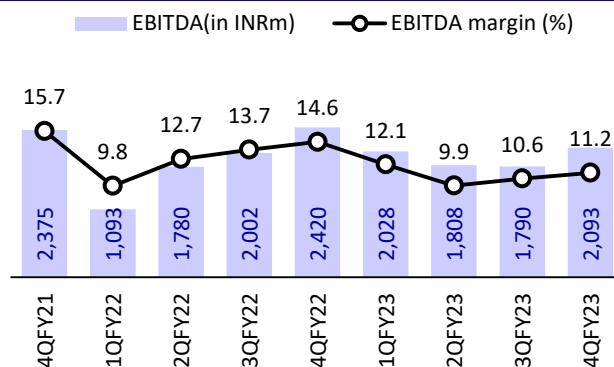
- **Order schedules are stable.** The company expects its EBITDA margin to improve, led by significant improvement in costs and the increased number of new launches.
- **It has added two new plants at Noida and one new plant at Chennai.** The ramp-up phase of new facilities is over and the utilization is expected to scale up in the upcoming quarters. These facilities would have to add more manpower, in case of an increase in demand.
- **Focus will be on scaling up the businesses in new facilities.** Usually, the company looks for capacity expansion, when the utilization level crosses 80%.
- **EV –** The company already has a significant number of RFQs already. Currently, the company is supplying to two out of the top three e-PV OEMs in India as well as two of the Top five e-2W OEMs in India.
- **The company participated in the 23 new launches and 17 facelifts** that took place in FY23 across PV, CV, and 2W segments.
- For e-2W harness, the initial import content was higher. However, localization is increasing and the industry is targeting at least 50% localization going forward.
- The working capital is expected to decline in terms of days. However, on an absolute basis, it is expected to increase due to the ramp-up of the business.
- FY24 capex stood at INR1.25b (excl land and building), as against FY23 capex of INR2b.

Exhibit 1: Revenue and revenue growth profile



Source: Company, MOFSL

Exhibit 2: EBITDA and EBITDA margin (%)



Source: Company, MOFSL

## Valuation and view

- MSWIL offers a pure play on the India automotive market (>95% of revenues from India). With over 40% market share, the company enjoys a market leadership position in the Indian wiring harness industry, with strong headroom for sustained increase in content, benefiting from mega trends witnessed in the automotive industry (premiumization, electrification, connected vehicles, etc).
- MSWIL enjoys superior profitability, led by superior efficiencies and economies of scale, Good margins, higher asset turn, and lower capex requirements. This provides for high capital efficiencies and superior cash-flow generation.
- We estimate MSWILs revenue/EBITDA/PAT CAGR of 16%/31%/35% over FY23-25. This is expected to drive RoIC to 49.5% by FY25 from 37.2% in FY23. RoE would also improve to 44.2% by FY25E from 39.8% in FY23.
- While we cut FY24E EPS by 2.7% to reflect higher RM prices, we raise FY25E EPS by 2.9% to factor in for the increase in new orders and improved cost-control measures. The stock trades at 32.9x/27.5x FY24E/25E EPS. We believe it deserves rich valuations due to a) its strong competitive positioning, b) top decile capital efficiencies, and c) it being a beneficiary of EVs and other mega trends in Autos. We reiterate our BUY rating with a TP of INR70 (~35x Mar'25E EPS).

Exhibit 3: Revisions to our estimates

Revised forecast (INR M)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	83,277	83,116	0.2	95,769	93,090	2.9
EBITDA	11,386	11,556	-1.5	13,355	12,850	3.9
EBITDA (%)	13.7	13.9	-20bp	13.9	13.8	10bp
Adj. PAT	7,395	7,604	-2.7	8,845	8,592	2.9
EPS (INR)	1.7	1.7	-2.7	2.0	1.9	2.9

## Key operating indicators

Exhibit 4: Trend in sales

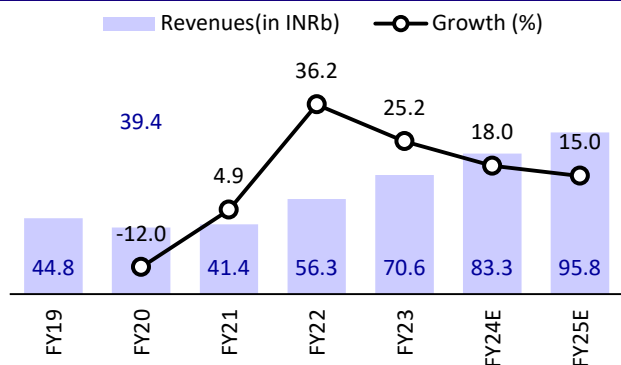


Exhibit 5: EBITDA and EBITDA margin (%) trend

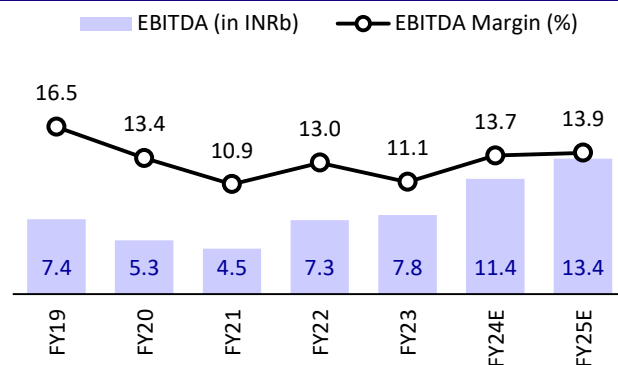


Exhibit 6: PAT and PAT growth (%)

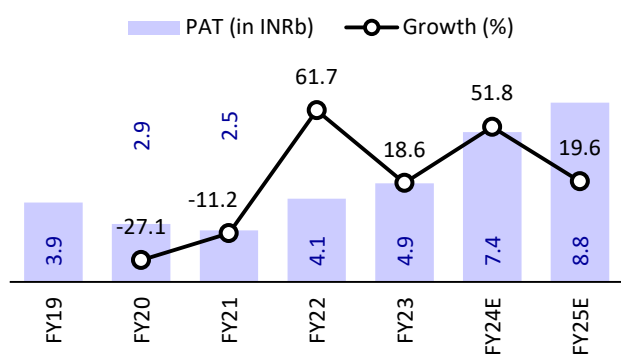
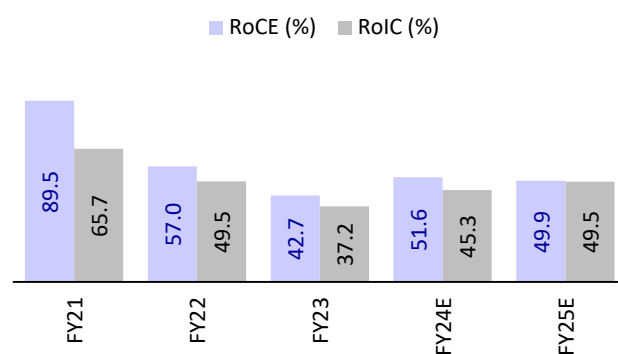


Exhibit 7: Trend in MSUMI's Return profile



## Financials and valuations

Income Statement						(INR M)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>44,838</b>	<b>39,439</b>	<b>41,380</b>	<b>56,350</b>	<b>70,574</b>	<b>83,277</b>	<b>95,769</b>
Change (%)	NA	-12.0	4.9	36.2	25.2	18.0	15.0
<b>EBITDA</b>	<b>7,399</b>	<b>5,294</b>	<b>4,490</b>	<b>7,303</b>	<b>7,814</b>	<b>11,386</b>	<b>13,355</b>
EBITDA Margin (%)	16.5	13.4	10.9	13.0	11.1	13.7	13.9
Depreciation	973	1,000	930	1,055	1,237	1,464	1,730
<b>EBIT</b>	<b>6,426</b>	<b>4,294</b>	<b>3,560</b>	<b>6,248</b>	<b>6,577</b>	<b>9,922</b>	<b>11,625</b>
EBIT Margin (%)	14.3	10.9	8.6	11.1	9.3	11.9	12.1
Interest Charges				285	278	300	250
Other Income				300	223	265	450
<b>PBT bef. EO Exp.</b>	<b>6,426</b>	<b>4,236</b>	<b>3,472</b>	<b>6,263</b>	<b>6,522</b>	<b>9,887</b>	<b>11,825</b>
EO Exp/(Inc)	0	0	0	654	0	0	0
<b>PBT after EO Exp.</b>	<b>6,426</b>	<b>4,236</b>	<b>3,472</b>	<b>5,609</b>	<b>6,522</b>	<b>9,887</b>	<b>11,825</b>
Total Tax	0	0	932	1,502	1,652	2,492	2,980
Tax Rate (%)	0.0	0.0	26.8	26.8	25.3	25.2	25.2
<b>Reported PAT</b>	<b>3,923</b>	<b>2,860</b>	<b>2,540</b>	<b>4,107</b>	<b>4,870</b>	<b>7,395</b>	<b>8,845</b>
<b>Adjusted PAT</b>	<b>3,923</b>	<b>2,860</b>	<b>2,540</b>	<b>4,670</b>	<b>4,870</b>	<b>7,395</b>	<b>8,845</b>
Change (%)	NA	-27.1	-11.2	83.9	4.3	51.8	19.6

Balance Sheet						(INR M)	
Y/E March	FY21	FY22	FY23	FY24E	FY25E		
Equity Share Capital	3,158	3,158	4,421	4,421	4,421		
Total Reserves	3,942	7,988	8,884	13,405	17,813		
<b>Net Worth</b>	<b>7,100</b>	<b>11,146</b>	<b>13,305</b>	<b>17,826</b>	<b>22,234</b>		
Minority Interest							
Total Loans	820	193	818	818	818		
Other non-current liabilities	640	3,059	3,348	3,348	3,348		
<b>Capital Employed</b>	<b>8,560</b>	<b>14,397</b>	<b>17,471</b>	<b>21,993</b>	<b>26,400</b>		
<b>Net Fixed Assets</b>	<b>1,699</b>	<b>4,321</b>	<b>5,792</b>	<b>5,598</b>	<b>5,368</b>		
Capital WIP	1	323	270	300	300		
Other non-current assets	260	928	1,259	1,382	1,503		
<b>Current Assets</b>	<b>15,670</b>	<b>19,642</b>	<b>21,244</b>	<b>28,362</b>	<b>34,988</b>		
Inventory	7,990	9,600	12,096	14,146	16,268		
Account Receivables	6,750	6,593	8,004	9,583	11,020		
Cash and Bank Balance	370	2,933	368	3,718	6,648		
Other current & fin.assets	560	516	776	916	1,053		
<b>Current Liabilities</b>	<b>9,330</b>	<b>11,220</b>	<b>11,506</b>	<b>14,061</b>	<b>16,170</b>		
Creditors	7,520	9,129	9,257	11,408	13,119		
Other current & fin.liabilities	1,810	2,091	2,249	2,653	3,051		
<b>Net Current Assets</b>	<b>6,340</b>	<b>8,422</b>	<b>9,738</b>	<b>14,301</b>	<b>18,818</b>		
Deferred Tax assets	260	403	411	411	411		
<b>Appl. of Funds</b>	<b>8,560</b>	<b>14,397</b>	<b>17,471</b>	<b>21,993</b>	<b>26,400</b>		

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>					
<b>EPS</b>	<b>0.6</b>	<b>1.1</b>	<b>1.1</b>	<b>1.7</b>	<b>2.0</b>
Cash EPS	0.8	1.3	1.4	2.0	2.4
BV/Share	1.6	2.5	3.0	4.0	5.0
DPS		0.61	0.65	1.00	1.20
Payout (%)		65.4	59.0	60.0	60.0
<b>Valuation (x)</b>					
P/E	95.7	52.0	49.9	32.9	27.5
Cash P/E	70.0	42.5	39.8	27.4	23.0
P/BV	34.2	21.8	18.3	13.6	10.9
EV/Sales	4.2	3.0	3.5	2.9	2.5
EV/EBITDA	38.8	23.4	31.2	21.1	17.8
Dividend Yield (%)		1.1	1.2	1.8	2.2
FCF Yield (%)		2.3	0.1	2.7	3.2
<b>Return Ratios (%)</b>					
RoE	35.8	51.2	39.8	47.5	44.2
RoCE (pre-tax)	89.5	57.0	42.7	51.6	49.9
RoIC	65.7	49.5	37.2	45.3	49.5
<b>Working Capital Ratios</b>					
Asset Turnover (x)	4.8	3.9	4.0	3.8	3.6
Inventory (Days)	70	62	63	62	62
Debtor (Days)	60	43	41	42	42
Creditor (Days)	66	59	48	50	50
<b>Leverage Ratio (x)</b>					
Current Ratio	1.7	1.8	1.8	2.0	2.2
Net Debt/Equity	0.1	-0.2	0.0	-0.2	-0.3

### Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24E	FY25E
<b>(INR M)</b>					
OP/(Loss) before Tax	5,320	6,263	6,522	9,887	11,825
Depreciation	374	1,055	1,237	1,464	1,730
Interest & Finance Charges	73	285	278	300	250
Direct Taxes Paid	-1,142	-1,962	-1,775	-2,492	-2,980
(Inc)/Dec in WC	-4,454	44	-3,925	-1,213	-1,587
Others	-57	-23	-102		
<b>CF from Operations</b>	<b>114</b>	<b>5,662</b>	<b>2,236</b>	<b>7,947</b>	<b>9,237</b>
EO item	0	-654	0		
<b>CF from Operating incl EO</b>	<b>114</b>	<b>5,008</b>	<b>2,236</b>	<b>7,947</b>	<b>9,237</b>
(Inc)/Dec in FA	-281	-1,008	-1,977	-1,300	-1,500
<b>Free Cash Flow</b>	<b>-168</b>	<b>3,999</b>	<b>259</b>	<b>6,647</b>	<b>7,737</b>
(Pur)/Sale of Investments					
Others	0	0	40	-123	-121
<b>CF from Investments</b>	<b>-281</b>	<b>-1,008</b>	<b>-1,937</b>	<b>-1,423</b>	<b>-1,621</b>
Issue of Shares				0	0
Inc/(Dec) in Debt	292	-1,129	78	0	0
Interest Paid	-43	-310	-272	-300	-250
Dividend Paid	0	0	-2,677	-2,874	-4,437
Others	1	0	0		
<b>CF from Fin. Activity</b>	<b>250</b>	<b>-1,439</b>	<b>-2,871</b>	<b>-3,174</b>	<b>-4,687</b>
<b>Inc/Dec of Cash</b>	<b>82</b>	<b>2,561</b>	<b>-2,572</b>	<b>3,351</b>	<b>2,929</b>
Opening Balance	290	373	2,933	361	3,712
<b>Closing Balance</b>	<b>373</b>	<b>2,933</b>	<b>361</b>	<b>3,712</b>	<b>6,641</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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