

Motherson Wiring

Estimate change

TP change

Rating change



Bloomberg	MSUMI IN
Equity Shares (m)	4421
M.Cap.(INRb)/(USDb)	260.4 / 3.2
52-Week Range (INR)	71 / 45
1, 6, 12 Rel. Per (%)	1/3/-13
12M Avg Val (INR M)	367

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	70.6	82.6	95.0
EBITDA	7.8	10.3	12.7
Adj. PAT	4.9	6.6	8.3
EPS (Rs)	1.1	1.5	1.9
EPS Growth (%)	4.3	36.3	25.5
BV/Share (Rs)	3.0	3.9	4.8

Ratios

Net D:E	0.0	-0.1	-0.2
RoE (%)	39.8	43.7	43.3
RoCE (%)	42.7	47.4	48.7
Payout (%)	59.0	60.0	60.0

Valuations

P/E (x)	53.5	39.2	31.2
P/BV (x)	19.6	15.3	12.2
Div. Yield (%)	1.1	1.5	1.9
FCF Yield (%)	0.1	2.3	2.8

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	61.7	61.7	61.7
DII	18.0	19.0	20.8
FII	11.0	9.9	8.6
Others	9.3	9.3	8.9

FII Includes depository receipts

CMP:INR59

TP: INR70 (+20%)

Buy

Lower RM savings, higher wage inflation hurts margins

Traction on EVs continues as supplies commence to 2 CV OEMs

- 1QFY24 performance was below estimates, hurt by lower-than-estimated cost commodity savings and higher-than-estimated wage inflation, resulting in EBITDA margin miss. With the new facilities anticipated to be fully operational by 2QFY24, there is an expected increase in utilization, leading to significant growth over the next two years.
- We cut FY24E/25E EPS by 10%/6% to reflect for higher wage inflation. We reiterate our BUY rating with a TP of INR70 (35x Sep'25E EPS).

GM recovery lower than estimated; wage cost high

- 1QFY24 revenue grew 11% YoY to INR18.6b (in line), while EBITDA/adj.PAT declined 4%/2% YoY to INR1.9b/INR1.2b.
- Gross margins improved 120bp QoQ (down 80bp YoY) to 34.3% (vs. est 35%), as savings on commodity cost/price pass through was lower than estimated.
- This, coupled with higher-than-estimated staff cost (up 19% YoY, up 12% QoQ) due to an increase in minimum wages, has led to a decline in EBITDA margins of 80bp QoQ (down 170bp YoY) to 10.4% (vs. est 12%).
- EBITDA declined 4% YoY (7% QoQ) to INR1.94b (vs. est INR2.2b).
- Higher other income restricted PAT decline to 2% YoY to INR1.23b (vs. est INR1.38b).

Highlights from the management commentary

- While the new capacities have begun to contribute to revenue growth, their utilization is not yet fully capacity. In the first quarter, one plant operated at 55% utilization, and it is anticipated to increase by 10-15% in the second quarter. On the other hand, the utilization of the other plant is reaching 80%.
- Maintenance shutdown, coupled with continued challenges of supply chain, has restricted growth.
- While copper prices have started to cool off, inflationary pressures on wages and salaries remain.
- With cost-reduction initiatives already implemented and ongoing negotiations with customers for cost pass-through, there is a positive outlook for improved performance in the upcoming quarters.
- It is seeing significant traction for EV (PV and CV), with 3x YoY growth in 1QFY24. It started supplies to 2 leading OEMs in the EV commercial segment.
- Capex for FY24 is expected to be INR1.25b (excluding land and building, which would be on lease from SAMIL).

Valuation and view

- We expect gradual recovery in the operating performance starting from 2HFY24, primarily led by the increased production and utilization of the new plants. 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.
- The stock trades at 39.2x/31.2x FY24E/25E EPS. We reiterate our BUY rating with a TP of INR70 (~35x Sep'25E EPS).

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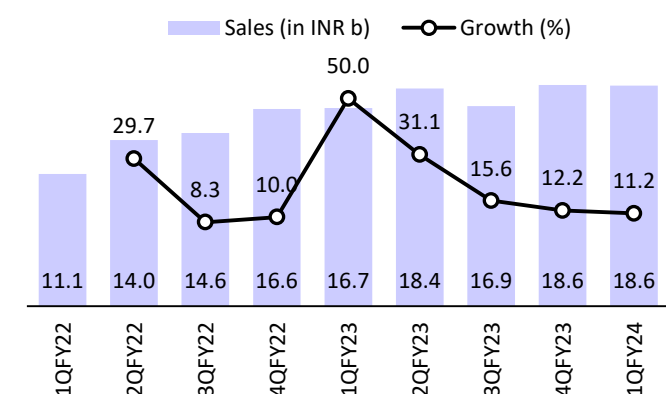
MSUMI: Quarterly performance

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Sales	16,709	18,352	16,868	18,644	18,588	21,004	20,374	22,605	70,574	82,572	18,457.8
YoY Change (%)	50.0	31.1	15.6	12.2	11.2	14.5	20.8	21.2	25.2	17.0	10.5
RM Cost (% of sales)	64.9	66.2	64.3	66.9	65.7	65.3	65.0	64.9	65.6	65.2	65.0
Staff Cost (% of sales)	16.4	17.3	17.8	15.6	17.6	15.9	16.0	14.9	16.8	16.0	16.8
Other Expenses (% of sales)	6.6	6.6	7.3	6.2	6.3	6.2	6.3	6.4	6.5	6.3	6.2
EBITDA	2,028	1,808	1,790	2,093	1,941	2,647	2,597	3,096	7,814	10,281	2,215.8
Margins (%)	12.1	9.9	10.6	11.2	10.4	12.6	12.7	13.7	11.1	12.5	12.0
Depreciation	277	295	317	348	338	350	360	388	1,237	1,437	355
Interest	69	59	65	86	77	75	75	73	278	300	75
Other Income	77	107	7	127	136	65	70	51	223	321	60
PBT before EO expense	1,759	1,562	1,415	1,786	1,661	2,287	2,232	2,685	6,522	8,865	1,846
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0
PBT after EO Expense	1,759	1,562	1,415	1,786	1,661	2,287	2,232	2,685	6,522	8,865	1,845.8
Tax Rate (%)	28	25	25	22	26	25	25	25	25	25	25.2
Reported PAT	1,260	1,165	1,062	1,385	1,231	1,715	1,674	2,019	4,871	6,640	1,381
Adj PAT	1,260	1,165	1,062	1,385	1,231	1,715	1,674	2,019	4,871	6,640	1,381
YoY Change (%)	106.5	2.1	-19.6	-13.2	-2.2	47.3	57.7	45.8	4.3	36.3	9.6

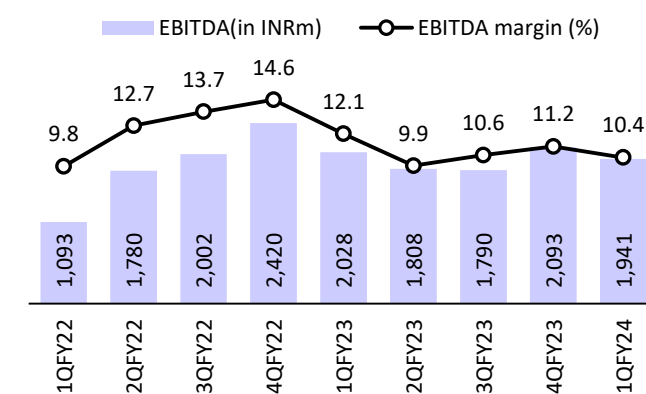
E: MOFSL Estimates

Exhibit 1: Revenue and revenue growth profile



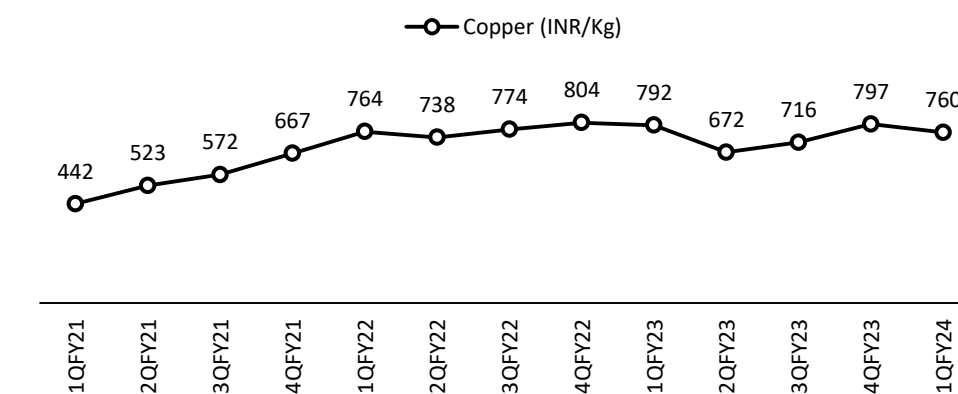
Source: Company, MOFSL

Exhibit 2: EBITDA and EBITDA margin (%)



Source: Company, MOFSL

Exhibit 3: Revisions to our estimates



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 exceptional 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%/27%/31% over FY23-25. This is expected to drive RoIC to 46.7% by FY25E from 37.2% in FY23. RoE would also improve to 43.7% by FY25E from 39.8% in FY23.
- We cut FY24E/25E EPS by 10%/6% to reflect for higher wage inflation. The stock trades at 32.9x/27.5x FY24E/25E EPS. We expect gradual recovery in the operating performance from 2HFY24, primarily driven by the increased production and utilization of the new plant. 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. The stock trades at 39.2x/31.2x FY24E/25E EPS. We reiterate our BUY rating with a TP of INR70 (~35x Sep'25E EPS).

Exhibit 4: Revisions to our estimates

Revised forecast (INR m)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	82,572	83,277	-0.8	94,957	95,769	-0.8
EBITDA	10,281	11,373	-9.6	12,656	13,431	-5.8
EBITDA (%)	12.5	13.7	-120bp	13.3	14.0	-70bp
Adj. PAT	6,640	7,386	-10.1	8,333	8,885	-6.2
EPS (INR)	1.5	1.7	-10.1	1.9	2.0	-6.2

Key operating indicators

Exhibit 5: Trend in sales

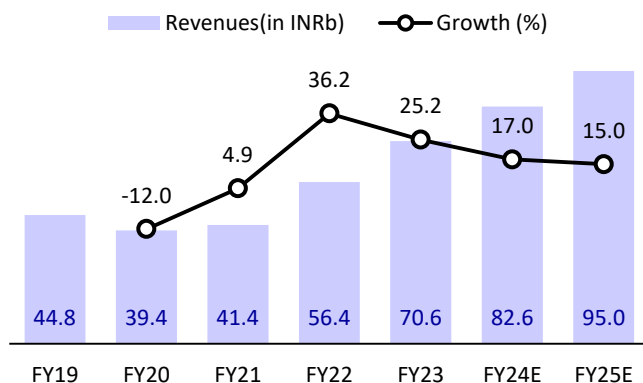


Exhibit 6: EBITDA and EBITDA margin (%) trend

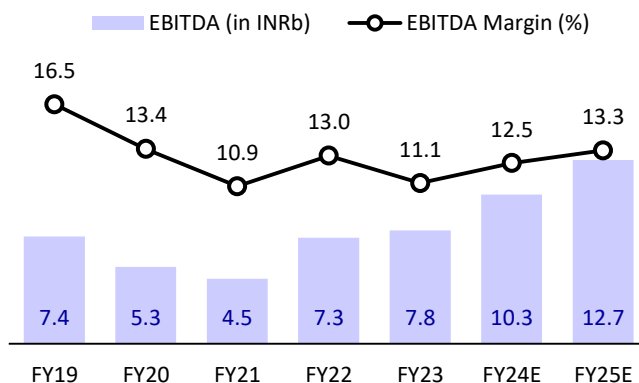


Exhibit 7: PAT and PAT growth (%)

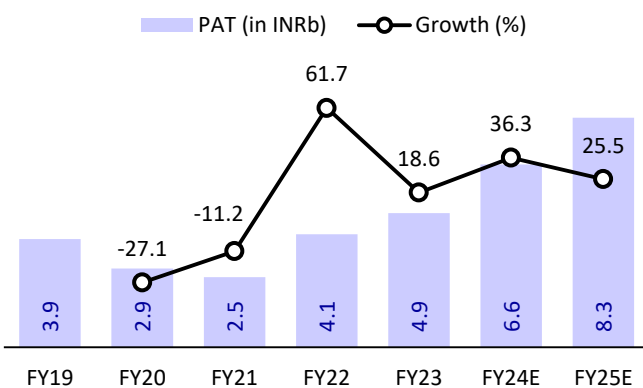
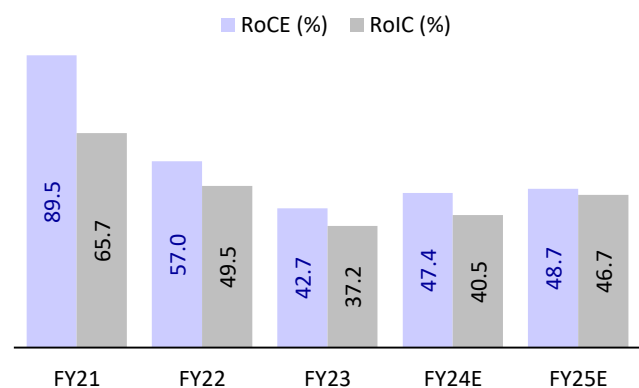


Exhibit 8: Trend in MSUMI's return profile



Financials and valuations

Income Statement						(INR M)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Revenues	44,838	39,439	41,380	56,350	70,574	82,572	94,957
Change (%)	NA	-12.0	4.9	36.2	25.2	17.0	15.0
EBITDA	7,399	5,294	4,490	7,303	7,814	10,281	12,656
EBITDA Margin (%)	16.5	13.4	10.9	13.0	11.1	12.5	13.3
Depreciation	973	1,000	930	1,055	1,237	1,437	1,714
EBIT	6,426	4,294	3,560	6,248	6,578	8,844	10,942
EBIT Margin (%)	14.3	10.9	8.6	11.1	9.3	10.7	11.5
Interest Charges				285	278	300	250
Other Income				300	223	321	448
PBT bef. EO Exp.	6,426	4,236	3,472	6,263	6,522	8,865	11,140
EO Exp/(Inc)	0	0	0	654	0	0	0
PBT after EO Exp.	6,426	4,236	3,472	5,609	6,522	8,865	11,140
Total Tax	0	0	932	1,502	1,652	2,225	2,807
Tax Rate (%)	0.0	0.0	26.8	26.8	25.3	25.1	25.2
Reported PAT	3,923	2,860	2,540	4,107	4,871	6,640	8,333
Adjusted PAT	3,923	2,860	2,540	4,670	4,871	6,640	8,333
Change (%)	NA	-27.1	-11.2	83.9	4.3	36.3	25.5

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	12,650	16,998		
Net Worth	7,100	11,146	13,305	17,071	21,419		
Minority Interest							
Total Loans	820	193	818	818	818		
Other non-current liabilities	640	3,059	3,348	3,348	3,348		
Capital Employed	8,560	14,397	17,471	21,237	25,586		
Net Fixed Assets	1,699	4,321					
Capital WIP	1	323	5,792	5,625	5,411		
Other non-current assets	260	928	270	300	300		
Current Assets	15,670	19,642	1,259	1,376	1,495		
Inventory	7,990	9,600	21,244	27,467	34,001		
Account Receivables	6,750	6,593	12,096	14,026	16,130		
Cash and Bank Balance	370	2,933	8,004	9,501	10,927		
Other current & fin.assets	560	516	368	3,032	5,901		
Current Liabilities	9,330	11,220	776	908	1,044		
Creditors	7,520	9,129	11,506	13,942	16,033		
Other current & fin.liabilities	1,810	2,091	9,257	11,311	13,008		
Net Current Assets	6,340	8,422	2,249	2,631	3,025		
Deferred Tax assets	260	403	9,738	13,525	17,968		
Appl. of Funds	8,560	14,397	411	411	411		

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)					
EPS	0.6	1.1	1.1	1.5	1.9
Cash EPS	0.8	1.3	1.4	1.8	2.3
BV/Share	1.6	2.5	3.0	3.9	4.8
DPS		0.61	0.65	0.90	1.13
Payout (%)		65.4	59.0	60.0	60.0
Valuation (x)					
P/E	95.7	52.0	53.5	39.2	31.2
Cash P/E	70.0	42.5	42.6	32.2	25.9
P/BV	34.2	21.8	19.6	15.3	12.2
EV/Sales	4.2	3.0	3.7	3.1	2.7
EV/EBITDA	38.8	23.4	33.4	25.1	20.2
Dividend Yield (%)		1.1	1.1	1.5	1.9
FCF Yield (%)		2.3	0.1	2.3	2.8
Return Ratios (%)					
RoE	35.8	51.2	39.8	43.7	43.3
RoCE (pre-tax)	89.5	57.0	42.7	47.4	48.7
RoIC	65.7	49.5	37.2	40.5	46.7
Working Capital Ratios					
Asset Turnover (x)	4.8	3.9	4.0	3.9	3.7
Inventory (Days)	70	62	63	62	62
Debtor (Days)	60	43	41	42	42
Creditor (Days)	66	59	48	50	50
Leverage Ratio (x)					
Current Ratio	1.7	1.8	1.8	2.0	2.1
Net Debt/Equity	0.1	-0.2	0.0	-0.1	-0.2

Cash Flow Statement

	(INR M)				
Y/E March	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	5,320	6,263	6,522	8,865	11,140
Depreciation	374	1,055	1,237	1,437	1,714
Interest & Finance Charges	73	285	278	300	250
Direct Taxes Paid	-1,142	-1,962	-1,775	-2,225	-2,807
(Inc)/Dec in WC	-4,454	44	-3,925	-1,123	-1,574
Others	-57	-23	-102		
CF from Operations	114	5,662	2,236	7,254	8,723
EO item	0	-654	0		
CF from Operating incl EO	114	5,008	2,236	7,254	8,723
(Inc)/Dec in FA	-281	-1,008	-1,977	-1,300	-1,500
Free Cash Flow	-168	3,999	259	5,954	7,223
(Pur)/Sale of Investments					
Others	0	0	40	-116	-120
CF from Investments	-281	-1,008	-1,937	-1,416	-1,620
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	-3,984
Others	1	0	0		
CF from Fin. Activity	250	-1,439	-2,871	-3,174	-4,234
Inc/Dec of Cash	82	2,561	-2,572	2,664	2,869
Opening Balance	290	373	2,933	361	3,025
Closing Balance	373	2,933	361	3,025	5,894

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