

Motherson Sumi Wiring India Ltd.

February 7, 2025

BUY

CMP: INR 56 | Target Price: INR 71 | Potential Upside: 27%

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

Company Info

BB Code	MSUMI IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	80/53
Mkt Cap (Bn)	INR 247.5 / \$2.8
Shares o/s (Mn)	4421.1
3M Avg. Daily Volume	52,58,383

Change in CEBPL Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	103.5	103.8	(0.3)	116.1	118.3	(1.8)
EBITDA	11.5	12.5	(7.7)	13.7	14.8	(7.3)
EBITDAM %	11.1	12.0	(90) bps	11.8	12.5	(70) bps
PAT	7.0	7.8	(9.3)	8.5	9.3	(8.7)
EPS (INR)	1.6	1.8	(9.3)	1.9	2.1	(8.7)

Actual vs Consensus

INR Bn	Q3FY25A	Consensus Est.	Dev. %
Revenue	23.0	23.8	(3.3)
EBITDA	2.4	2.7	(10.7)
EBITDAM %	10.3	11.2	(85) bps
PAT	1.4	1.7	(15.5)

Key Financials

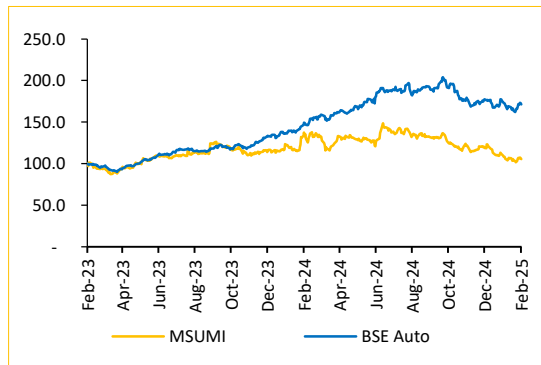
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	70.7	83.3	92.5	103.5	116.1
YoY (%)	25.4	17.8	11.1	11.9	12.2
EBITDA	7.9	10.1	9.7	11.5	13.7
EBITDAM %	11.2	12.2	10.5	11.1	11.8
Adj PAT	4.9	6.4	5.8	7.0	8.5
EPS (INR)	1.1	1.4	1.3	1.6	1.9
ROE %	36.6	38.1	30.0	31.2	32.3
ROCE %	39.2	44.7	36.2	38.1	39.9
PE(x)	50.8	38.8	42.5	35.2	29.0
EV/EBITDA	31.7	24.5	25.6	21.3	17.7

Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	61.73	61.73	61.73
FIs	9.86	10.52	10.78
DIs	16.74	16.34	16.23
Public	11.67	11.41	11.26

Relative Performance (%)

YTD	2Y	1Y	6M
BSE Auto	71.4	14.9	(7.5)
MSUMI	5.6	(23.2)	(21.8)



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Despite reporting a weak set of numbers in Q3FY25, with EBITDA margin to continue to remain impacted in the near term; we remain positive of the long term growth potential of MSUMI

- Revenue for Q3FY25 was at INR 23,003 Mn, up 8.6% YoY and down 1.1% QoQ (vs CEBPL est. at INR 24,077 Mn).
- EBITDA for Q3FY25 was at INR 2,376 Mn, down 9.3% YoY and down 4.8% QoQ (vs CEBPL est. at INR 2,648 Mn). EBITDA margin was down 205 bps YoY and down 40 bps QoQ to 10.3% (vs CEBPL est. at 11.0%).
- PAT for Q3FY25 was at INR 1,400 Mn, down 16.6% YoY and down 8.0% QoQ (vs CEBPL est. at INR 1,634 Mn).

Revenue growth to be driven by Greenfield projects: MSUMI is in the process of setting up three greenfield plants for new programs (EV/ICE) for Maruti Suzuki, Mahindra, and Tata Motors. These plants are located in Pune (Maharashtra), Navagam (Gujarat), and Kharkhoda (Haryana). These greenfield plants are in different stages of completion and ramp-up. The management anticipates annual revenues of approximately INR 21,000 Mn to come on stream, once all the plants are in production phase by H2FY26. We believe the EBITDA margin will remain impacted for the coming quarters, with normalization in margin to be seen by H2FY26 as new plants start production and ramp up.

View and Valuation: We revise our FY26/27 EPS estimates downwards by 9.3%/8.7% and roll over our forecasts forward to come up with a revised target price of INR 71; valuing the company at 37x (unchanged) on FY27E EPS while upgrading our rating to 'BUY'. Auto ancillary companies like MSUMI stand to gain from the increase in consumption led by revision of the income tax structure outlined in the Budget 2025. We expect MSUMI to benefit from the transition to EV and hybrid powertrains, leading to an increase in content value per vehicle. We believe the company will continue to maintain its growth trajectory driven by capacity expansion and new order wins.

MSUMI	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Net Sales	23,003	21,173	8.6	23,256	(1.1)
Material Expenses	14,937	13,859	7.8	15,104	(1.1)
Employee Expenses	4,123	3,400	21.2	4,012	2.8
Other Operating Expenses	1,568	1,294	21.2	1,645	(4.7)
EBITDA	2,376	2,620	(9.3)	2,496	(4.8)
Depreciation	470	377	24.6	444	5.8
EBIT	1,906	2,243	(15.0)	2,052	(7.1)
Interest Cost	66	64	2.7	72	(8.6)
PBT	1,846	2,190	(15.7)	2,027	(8.9)
RPAT	1,400	1,679	(16.6)	1,521	(8.0)
APAT	1,400	1,679	(16.6)	1,521	(8.0)
Adj EPS (INR)	0.32	0.38	(16.6)	0.34	(8.0)

Margin Analysis	Q3FY25	Q3FY24	YoY (bps)	Q2FY25	QoQ (bps)
Gross Margin (%)	35.1	34.5	52.3	35.1	1.1
Employee Exp. % of Sales	17.9	16.1	186.3	17.3	67.0
Other Op. Exp % of Sales	6.8	6.1	70.6	7.1	(25.7)
EBITDA Margin (%)	10.3	12.4	(204.6)	10.7	(40.2)
Tax Rate (%)	24.2	23.3	84.0	25.0	(79.3)
APAT Margin (%)	6.1	7.9	(184.3)	6.5	(45.4)

- MSUMI is in the process of setting up three greenfield plants for new programs (EV/ICE) for Maruti Suzuki, Mahindra, and Tata Motors.
- The management anticipates annual revenues of approximately INR 21,000 Mn to come on stream, once all the plants are in production phase by H2FY26.

Management Call - Highlights

Industry Trends:

- The Indian automotive industry is experiencing an exciting phase with OEMs launching new models across EV and ICE platforms.
- MSUMI experienced an overall revenue growth of 9%, which outpaced the industry volume growth by approximately 6% YoY. This was attributed to a favorable product and content mix.
- The passenger vehicle (PV) industry grew by about 3% YoY and the two-wheeler industry demonstrated 8% growth YoY.

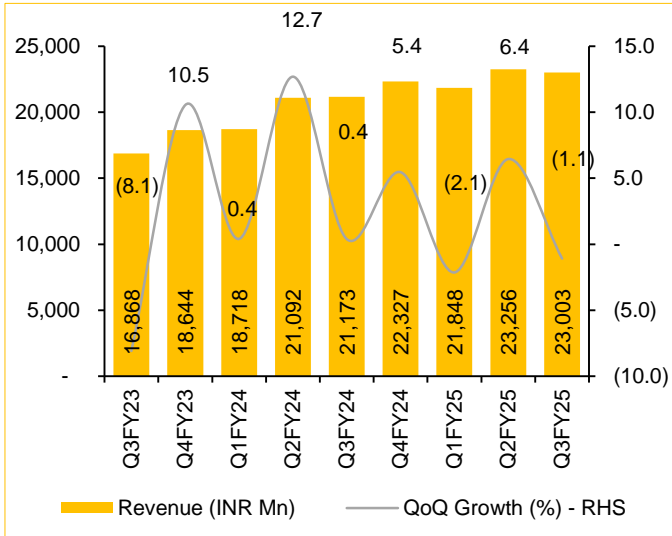
Greenfield Projects:

- MSUMI is in the process of setting up three greenfield plants for new programs (EV/ICE) for Maruti Suzuki, Mahindra, and Tata Motors.
- These plants are in different stages of completion and ramp-up.
- These plants are located in Pune (Maharashtra), Navagam (Gujarat), and Kharkhoda (Haryana).
- The plants will support new model production and are not intended for replacements or mid-cycle updates.
- The management anticipates annual revenues of approximately INR 21,000 Mn to come on stream, once all the plants are in production phase by H2FY26.
- Startup costs are expected to normalize around H2FY26 as new plants ramp up and SOPs (Start of Production) are happening.

Focus on localization:

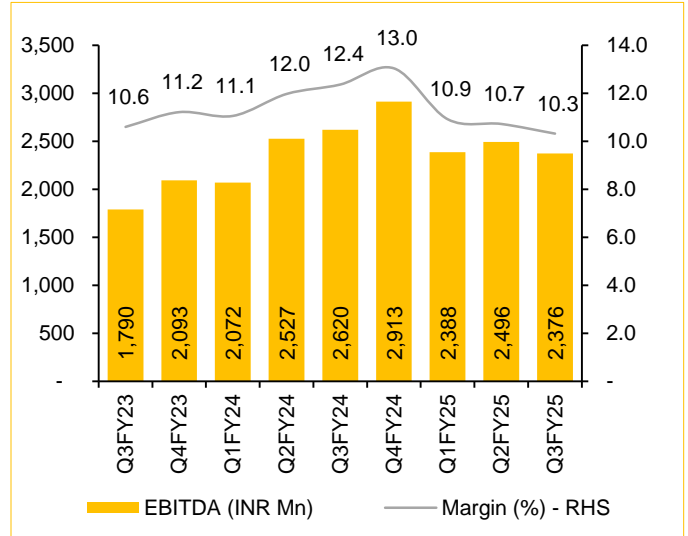
- Localization efforts are in progress, including cables for high voltage harnesses. Some connectors have also been localized.
- MSUMI is working with global car makers to localize components over time as they launch more models.

Revenue down 1.1% on a QoQ basis



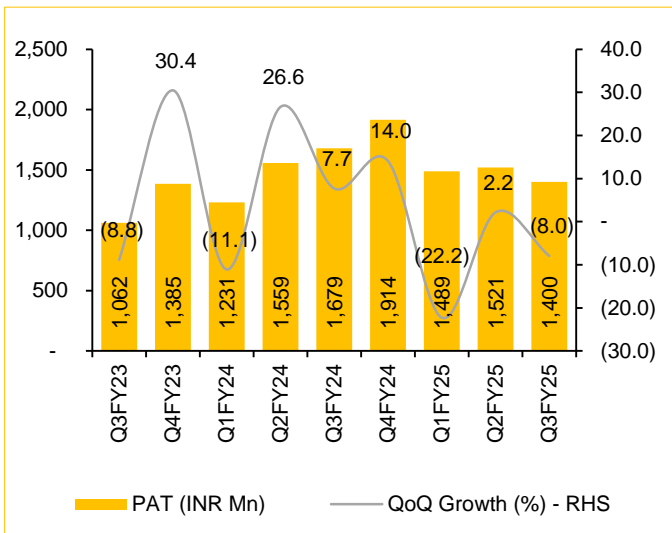
Source: Company, CEBPL

EBITDA Margin down 40bps on a QoQ basis



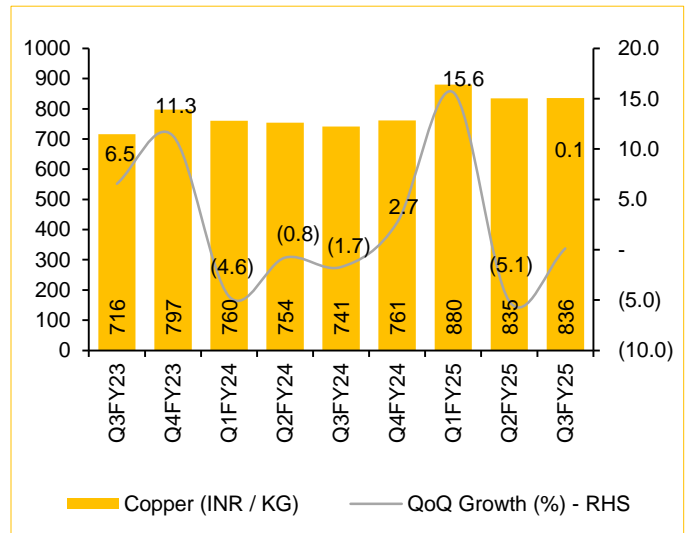
Source: Company, CEBPL

PAT down 8.0% on a QoQ basis



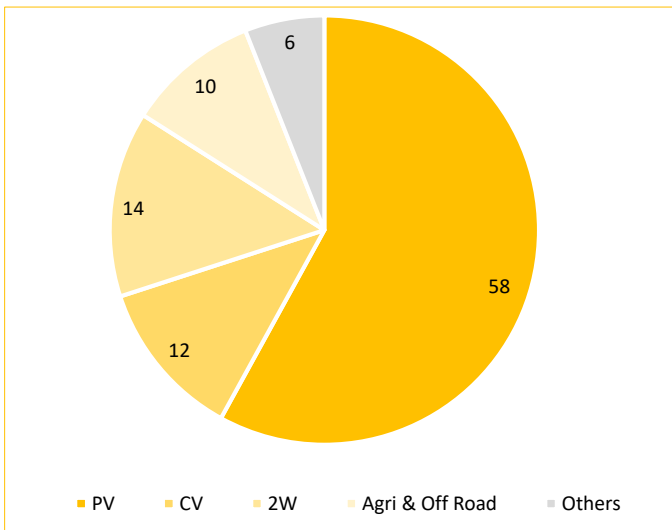
Source: Company, CEBPL

Copper (INR / KG) quarterly trend



Source: Company, CEBPL

Revenue segment Mix FY24 (%) (FY24 Rev- INR 83,283 Mn)



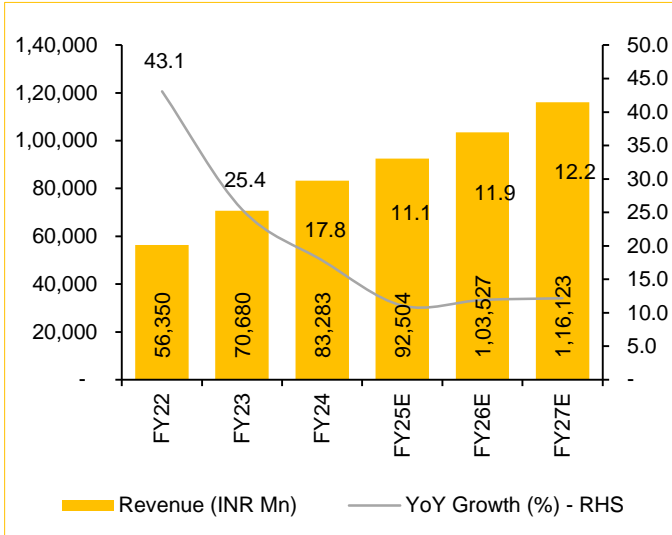
Source: Company, CEBPL

1 Year Forward PE Band



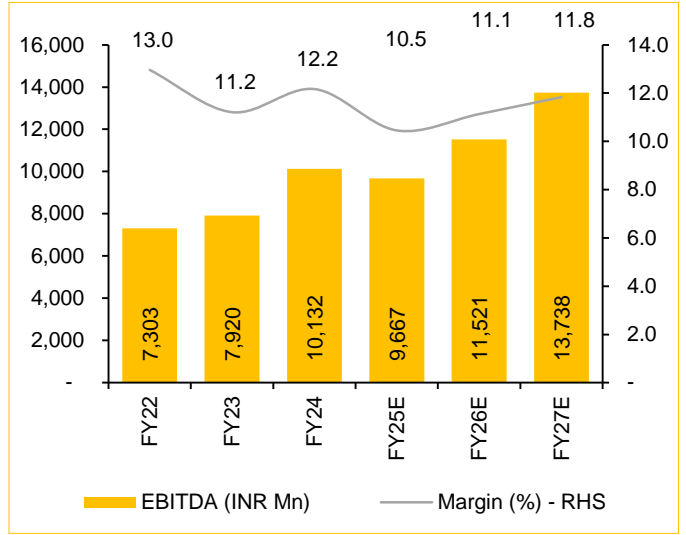
Source: Company, CEBPL

Revenue to grow at 11.7% CAGR over FY24-27E



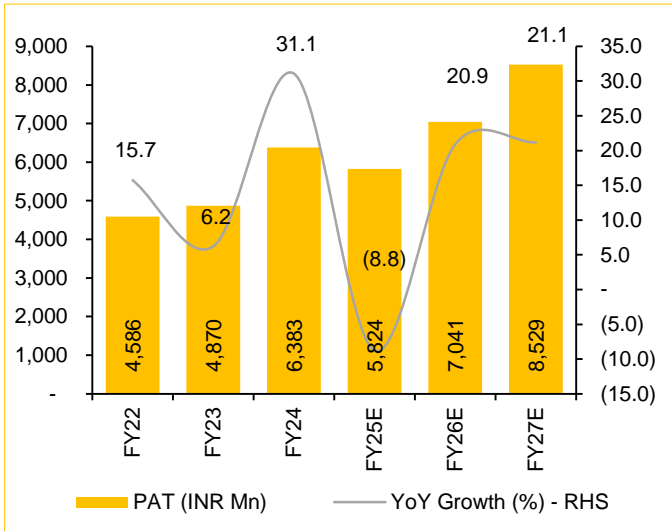
Source: Company, CEBPL

EBITDA to grow at 10.7% CAGR over FY24-27E



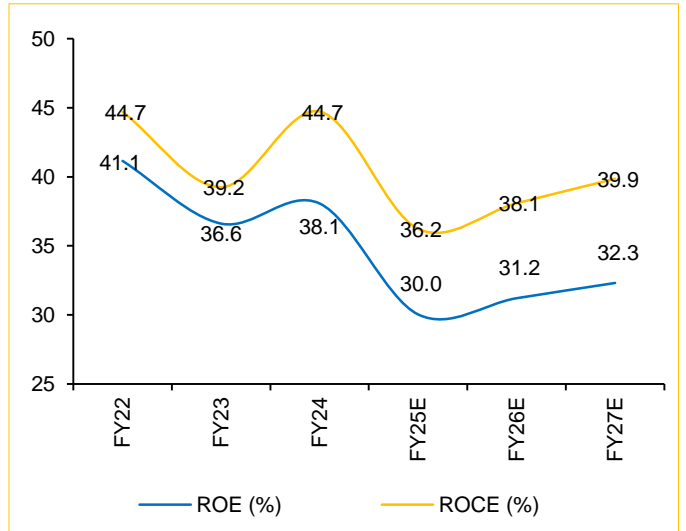
Source: Company, CEBPL

PAT to grow at 10.1% CAGR over FY24-27E



Source: Company, CEBPL

ROE (%) and ROCE (%) Trend



Source: Company, CEBPL

Income statement

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	70,680	83,283	92,504	1,03,527	1,16,123
Gross profit	24,363	28,745	32,377	36,180	40,583
EBITDA	7,920	10,132	9,667	11,521	13,738
Depreciation	1,237	1,473	1,704	1,944	2,184
EBIT	6,684	8,659	7,963	9,577	11,554
Interest Expenses	278	273	273	273	273
Other Income	117	69	76	83	92
Exceptional Item	-	-	-	-	-
Reported PAT	4,870	6,383	5,824	7,041	8,529
Minority Interest	-	-	-	-	-
Adjusted PAT	4,870	6,383	5,824	7,041	8,529
EPS (INR)	1.1	1.4	1.3	1.6	1.9

Source: Company, CEBPL

Balance sheet

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net worth	13,305	16,768	19,389	22,557	26,396
Minority Interest	-	-	-	-	-
Deferred tax	(411)	(499)	(499)	(499)	(499)
Total debt	3,726	2,591	2,591	2,591	2,591
Other liabilities & provisions	440	493	542	596	656
Total Net Worth & liabilities	17,060	19,353	22,024	25,246	29,144
Net Fixed Assets	5,792	5,997	6,293	6,349	6,165
Capital Work in progress	270	238	238	238	238
Investments	-	-	-	-	-
Cash & bank balance	361	1,670	2,946	4,621	6,991
Loans & Advances & other assets	1,138	889	981	1,097	1,228
Net Current Assets	9,859	12,230	14,512	17,563	21,513
Total Assets	17,060	19,353	22,024	25,246	29,144
Capital Employed	17,031	19,359	21,980	25,148	28,987
Invested Capital	16,670	17,689	19,034	20,527	21,996
Net Debt	3,365	921	(355)	(2,031)	(4,400)

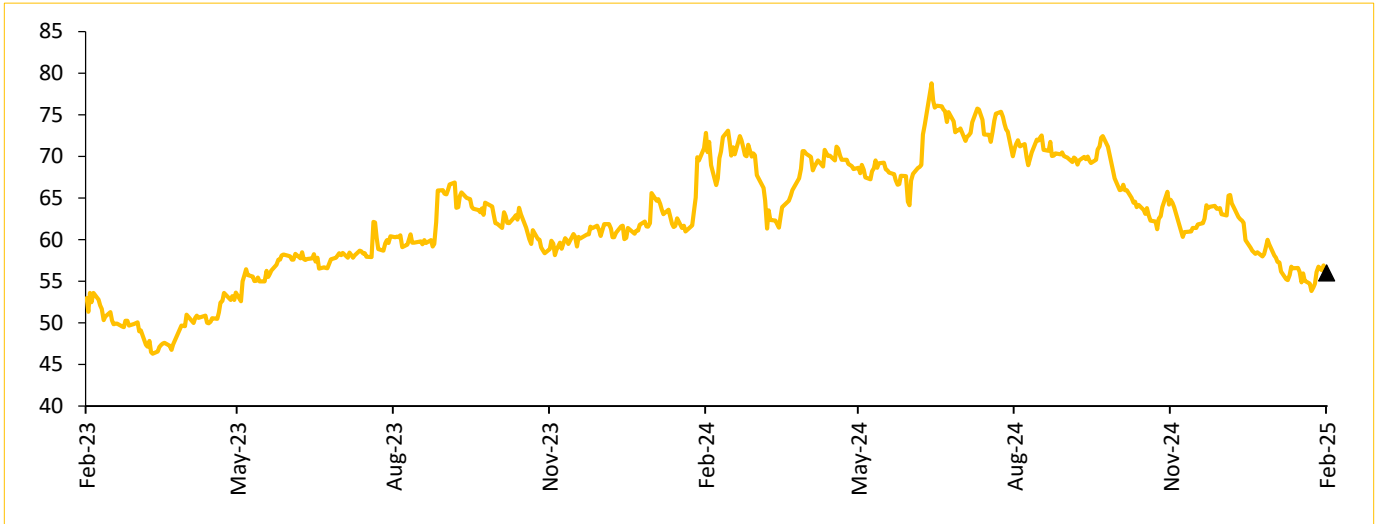
Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
CFO	2,236	7,910	6,795	7,882	9,406
Capex	(1,986)	(1,113)	(2,000)	(2,000)	(2,000)
FCF	250	6,797	4,795	5,882	7,406
CFI	(1,937)	(2,079)	(2,092)	(2,116)	(2,132)
CFF	(2,871)	(4,522)	(3,427)	(4,091)	(4,905)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	25.4	17.8	11.1	11.9	12.2
EBITDA	8.5	27.9	(4.6)	19.2	19.2
PAT	6.2	31.1	(8.8)	20.9	21.1
Margin ratios (%)					
EBITDA	11.2	12.2	10.5	11.1	11.8
PAT	6.9	7.7	6.3	6.8	7.3
Performance Ratios (%)					
OCF/EBITDA (X)	0.3	0.8	0.7	0.7	0.7
OCF/IC	13.4	44.7	35.7	38.4	42.8
ROE	36.6	38.1	30.0	31.2	32.3
ROCE	39.2	44.7	36.2	38.1	39.9
ROIC (Post tax)	45.2	39.2	33.8	37.7	42.2
ROIC (Pre tax)	60.5	51.9	45.0	50.3	56.3
Turnover Ratios (Days)					
Inventory	62	50	50	50	50
Debtor	41	39	39	39	39
Payables (days)	48	41	41	41	41
Cash Conversion Cycle	49	46	46	46	46
Financial Stability ratios (x)					
Net debt to Equity	0.3	0.1	(0.0)	(0.1)	(0.2)
Net debt to EBITDA	0.4	0.1	(0.0)	(0.2)	(0.3)
Interest Cover	24.0	31.7	29.2	35.1	42.3
Valuation metrics					
Fully diluted shares (Mn)	4,421	4,421	4,421	4,421	4,421
Price (INR)	56	56	56	56	56
Market Cap(INR Mn)	2,48,289	2,48,289	2,48,289	2,48,289	2,48,289
PE(x)	51	39	43	35	29
EV (INR Mn)	2,51,655	2,49,210	2,47,935	2,46,259	2,43,889
EV/EBITDA (x)	32	25	26	21	18
Book value (INR/share)	3	4	4	5	6
Price to BV (x)	18.7	14.8	12.8	11.0	9.4
EV/OCF (x)	113	32	36	31	26

Source: Company, CEBPL

Historical Price Chart: Motherson Sumi Wiring India Limited



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