Motherson Sumi Wiring India Ltd.

BUY

Choice

MSWIL outperformed on all fronts due to richer product mix and stable RM prices. Revenue during the quarter jumped by 19.8% YoY to Rs.22.33bn vs est of Rs.26.1bn. Margin for the quarter came at 13% (+182bps YoY/+67bps QoQ) supported by operating leverage and lower RM cost. EBIDTA jumped by 39% YoY to Rs.2.91bn vs est of Rs.191bn and Net profit jumped by 38% YoY to Rs.1.91bn vs est of Rs.2.1bn.

Management expects going forward margin expansion would be supported by higher volume, cost reduction efforts and price recovery. Further the company is planning to increase capacity by 10-15% which is expected to operational in Q1FY25 in order to meet customer demand. Capex guidance for FY25 would be around Rs.200cr.

- As PV segment is the largest revenue contributor for MSWIL, MSWIL are present in most of the top-selling models. Currently, PV demand is strong due to factors such as a preference for personal mobility, a shift towards SUV vehicles and new product launches. Further improving industry wise mix towards premiumization will increase the content value for the PV segment which has started reflecting in MSWIL revenue, where the company has delivered better than industry growth during the quarter. As the majority of MSWIL's revenue comes from the PV segment, we expect the company to experience steady growth in the PV segment over the next 2-3 years.
- **Automotive industry is increasing capacity and premiumisation:** MSWIL is well-positioned to take advantage of the rapidly changing trends in the automotive market. The growing desire for personalized vehicles results in an increased number of wiring harnesses per vehicle, leading to higher content per vehicle. The rising inclusion of connectivity features in cars, drives demand for premium SMART harness components. As the need for sustainable technologies and stricter safety and emission standards increases, the value per harness also rises, along with the company's offerings of advanced electronics and EV solutions. E4W content value is high around 1.7-2x and for E-2W it would be around 4-5 times. Regarding EV and alternative powertrains, MSWIL is fully prepared to deliver high-voltage solutions, wiring harnesses, and components.
- **View and Valuation:** We expect MSWIL to benefit from the increasing electrification of vehicles and the transition to EV and hybrid powertrains, leading to an increase in content value per vehicle. We are optimistic about MSWIL's growth story, supported by various other factors: 1) its product portfolio is immune to the transition to EVs; 2) it has a strong parentage background (SWS & MSS) providing access to technology; 3) MSWIL has ready solutions for Hybrid/EVs; 4) expanding capacity: 5) the company boasts a high RoCE profile. We value the company based on FY26E EPS (37x) to arrive at the TP of Rs.74 and maintain **BUY** rating.

Quarterly performance

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Net Sales	**22,327**	**18,644**	***19.8***	**21,173**	***5.4***
Material Expenses	14,542	12,477	*16.5*	13,859	*4.9*
Gross Profit	**7,785**	**6,167**	***26.2***	**7,314**	***6.4***
Employee Expenses	3,442	2,914	*18.1*	3,400	*1.2*
Other Operating Expenses	1,430	1,160	*23.2*	1,294	*10.5*
EBITDA	**2,913**	**2,093**	***39.2***	**2,620**	***11.2***
Depreciation	394	348	*13.3*	377	*4.5*
EBIT	**2,520**	**1,745**	***44.4***	**2,243**	***12.3***
Interest Cost	58	86	*(32.2)*	64	*(8.8)*
PBT	**2,505**	**1,786**	***40.2***	**2,190**	***14.4***
RPAT	**1,914**	**1,385**	***38.3***	**1,679**	***14.0***
APAT	**1,914**	**1,385**	***38.3***	**1,679**	***14.0***
Adj EPS (Rs)	0.43	0.31	*38.3*	0.38	*14.0*

Margin Analysis	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)
Gross Margin (%)	34.9	33.1	179	34.5	32
Employee Exp. % of Sales	15.4	15.6	(21)	16.1	(64)
Other Op. Exp % of Sales	6.4	6.2	18	6.1	29
EBITDA Margin (%)	13.0	11.2	182	12.4	67
Tax Rate (%)	23.6	22.5	108	23.3	22
APAT Margin (%)	8.6	7.4	115	7.9	65

Source: Company, CEBPL

May 17, 2024

CMP (Rs)	**69.5**
Target Price (Rs)	**74**
Potential Upside (%)	**6.5**

CMP as on May 16, 2024

Company Info

BB Code	MSUMI IN EQUITY
ISIN	INE0FS801015
Face Value (Rs.)	1.0
52 Week High (Rs.)	74.8
52 Week Low (Rs.)	54.5
Mkt Cap (Rs bn.)	307.3
Mkt Cap ($ bn.)	3.7
Shares o/s (Mn.)/Free Float	4,421.1/38.0
Adj. TTM EPS (Rs)	1.44
FY26E EPS (Rs)	2.0

Shareholding Pattern (%)

	Mar-24	Dec-23	Sept-23
Promoters	61.73	61.73	61.75
FII's	10.96	11.01	11.08
DII's	16.22	17.12	17.56
Public	11.09	10.14	9.61

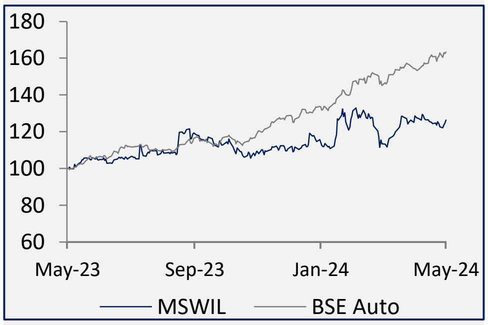
Relative Performance (%)

YTD	3M	6M	1Y
BSE AUTO	11.0	35.4	63.3
MSWIL	(3.9)	16.9	26.3

Year end March (INR bn)

Particular	FY24	FY25E	FY26E
Revenue	83.3	92.6	105.0
Gross Profit	28.7	33.0	37.2
EBITDA	10.1	12.2	13.9
EBITDA (%)	12.2	13.2	13.3
EPS (INR)	1.4	1.8	2.0

Rebased Price Performance



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CEBPL Estimates vs Actual

Particulars (Rs.mn)	Actual	Choice Est.	Deviation (%)
Revenue	22,327	26,071	(14.36)
EBIDTA	2,913	3,259	(10.60)
EBIDTA Margin (%)	13.0	12.5	54.85bps
PAT	1,914	2,101	(8.87)

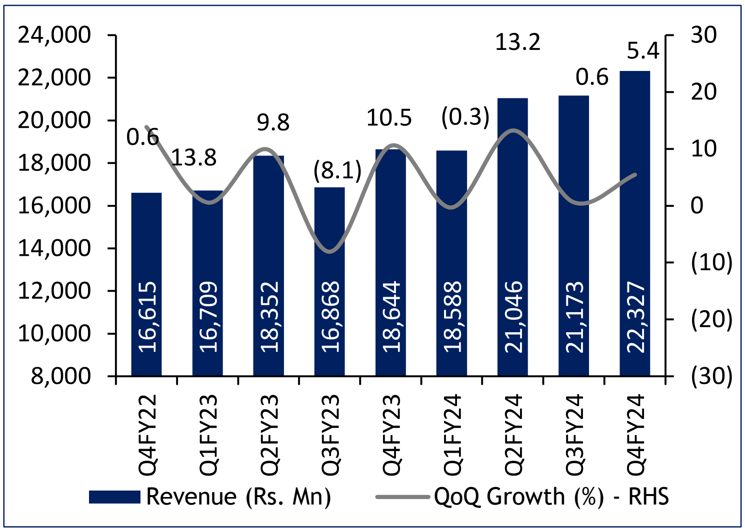
Source: Company, CEBPL

Changes in Estimates

Income Statement	FY25E			FY26E		
(INR Mn.)	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	92,571	96,147	(4)	1,04,970	1,09,101	(4)
EBITDA	12,246	12,072	1	13,941	13,761	1
EBITDA margin(%)	13.2	12.6	63bps	13.3	12.6	67bps
APAT	7,762	7,738	0	8,849	8,836	0
EPS	1.8	1.8	0	2.0	2.0	0

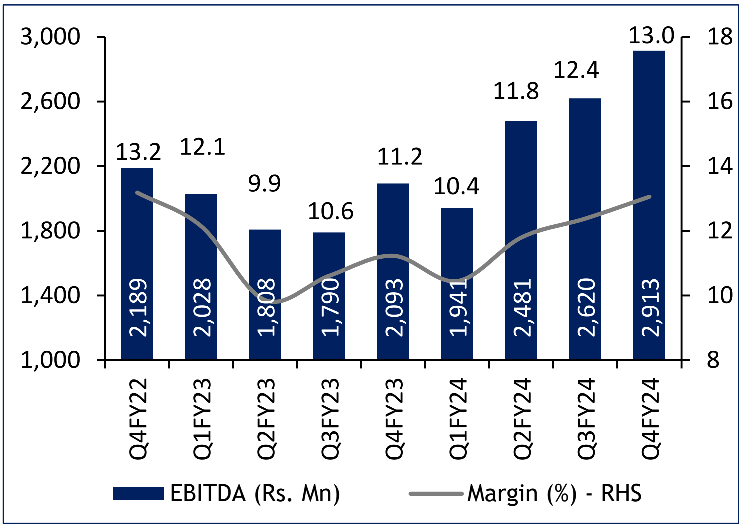
Source: Company, CEBPL

Revenue grew 5.4% QoQ



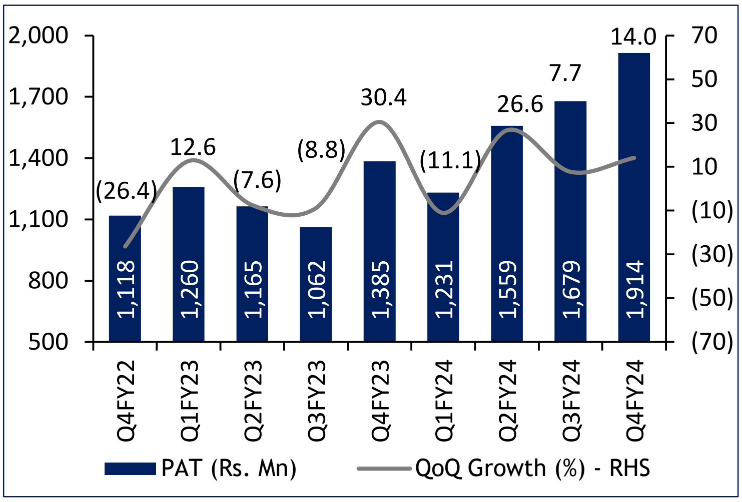
Source: Company, CEBPL

Margin declined 67bps QoQ



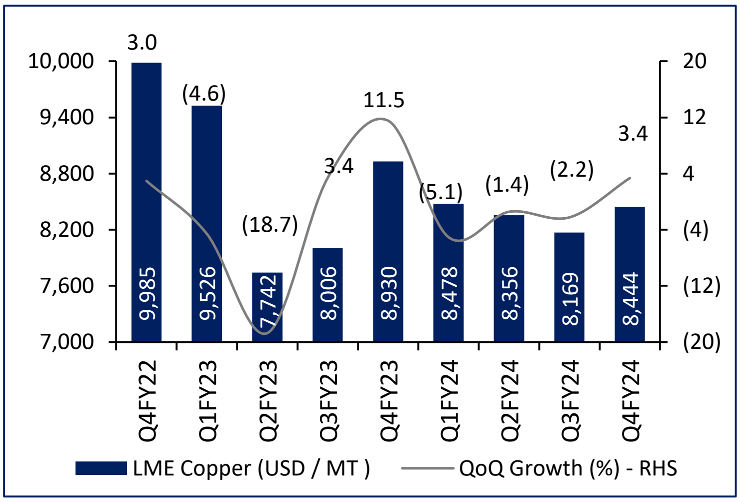
Source: Company, CEBPL

PAT grew 14% QoQ



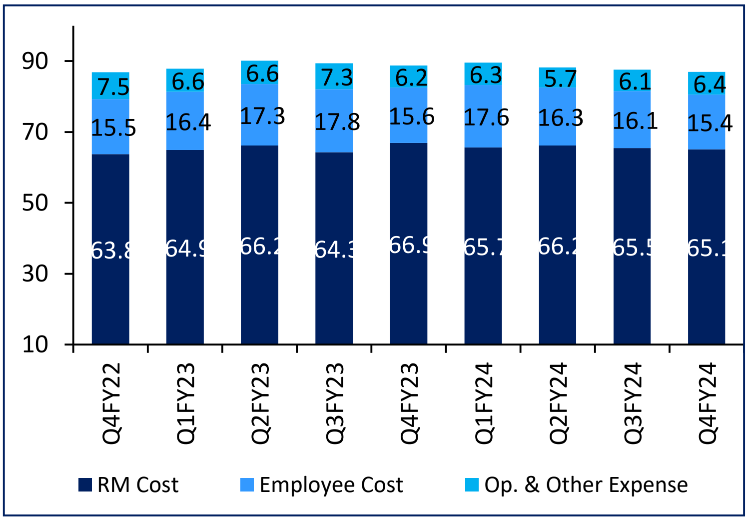
Source: Company, CEBPL

LME Copper (USD / MT) quarterly trend



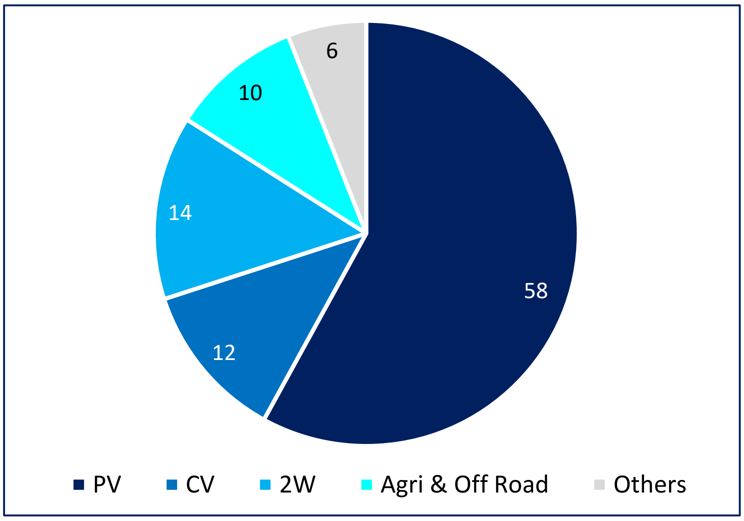
Source: Company, CEBPL

Operating expenses (% Revenue) sequential trend



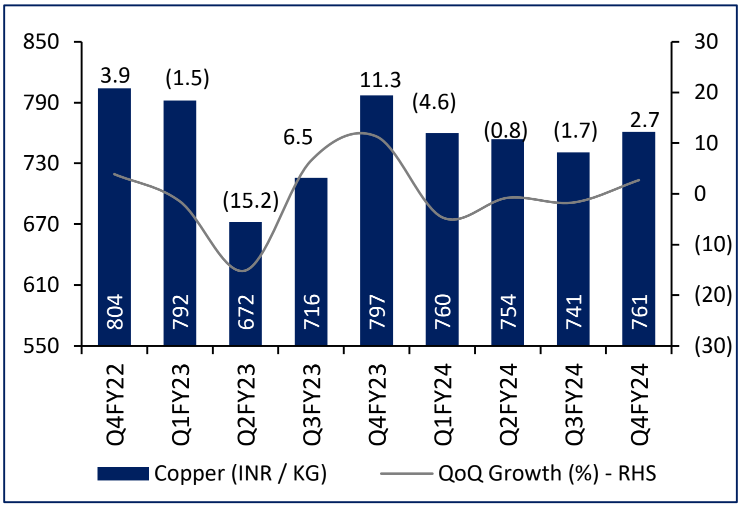
Source: Company, CEBPL

Revenue segment Mix FY24 (%)



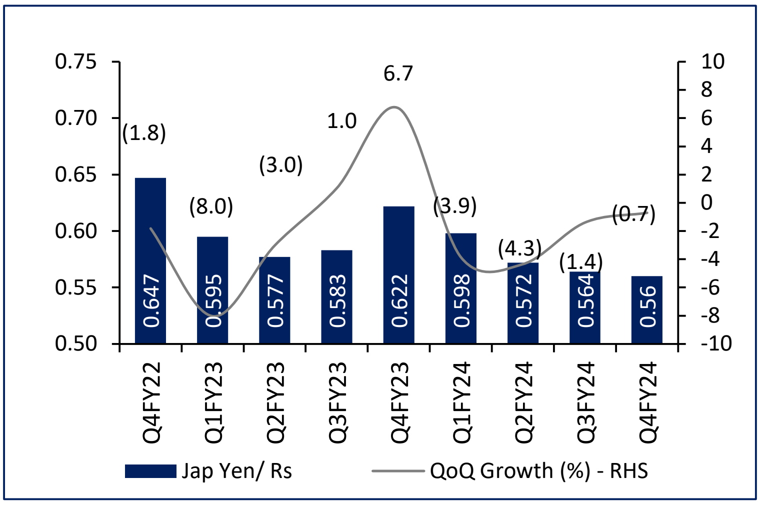
Source: Company, CEBPL

Copper (INR / KG) quarterly trend



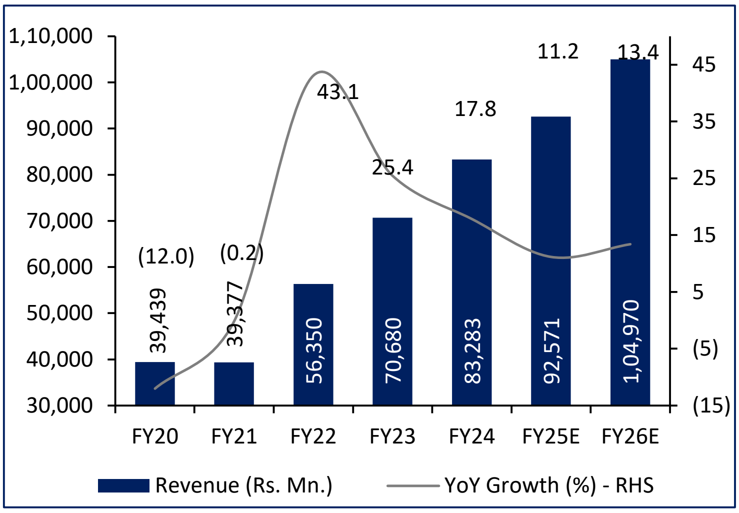
Source: Company, CEBPL

Japanese Yen / Rs. quarterly exchange rate



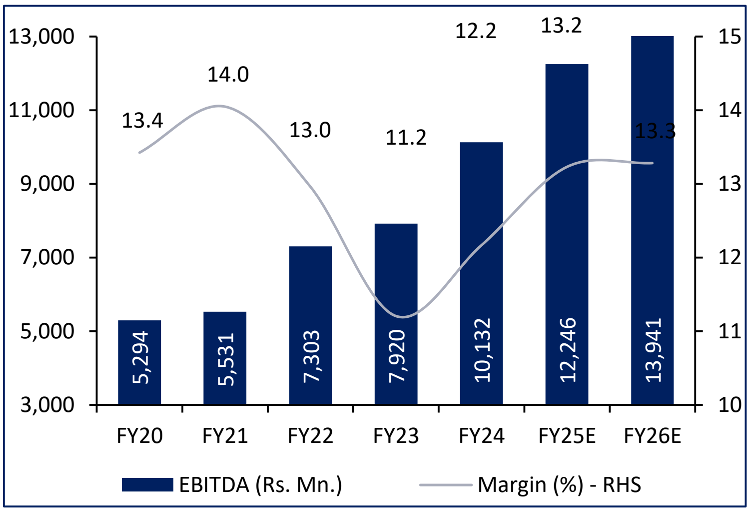
Source: Company, CEBPL

Revenue to improve led by healthy PV outlook



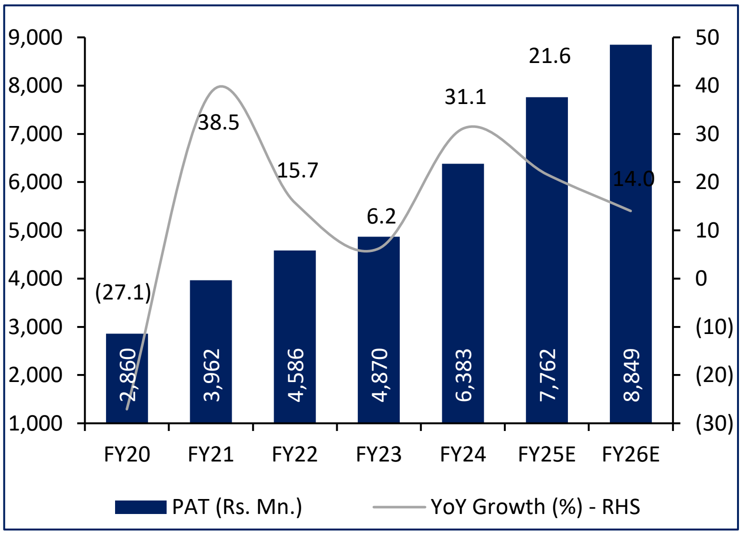
Source: Company, CEBPL

Margins to expand on Oplev. benefit



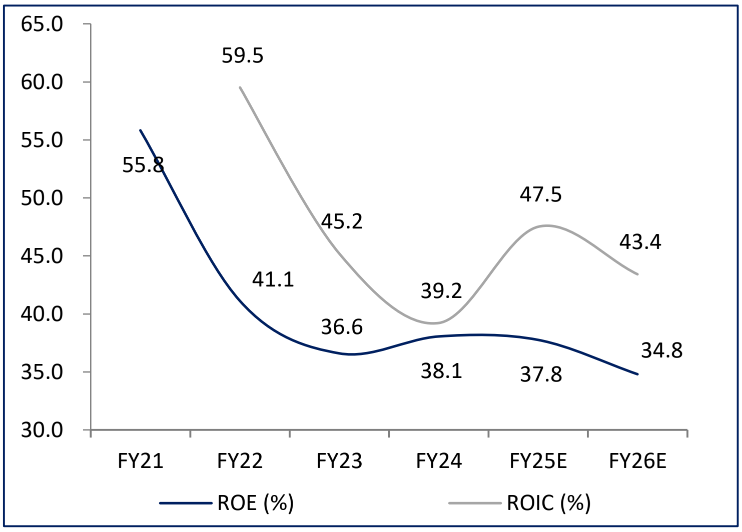
Source: Company, CEBPL

PAT (Rs. Mn.) and Growth (%)



Source: Company, CEBPL

ROE (%) and ROIC (%)



Source: Company, CEBPL

Income statement (INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Revenue	56,350	70,680	83,283	92,571	1,04,970
YoY Growth (%)	43.1	25.4	17.8	11.2	13.4
Gross profit	20,257	24,363	28,745	32,953	37,210
EBITDA	**7,303**	**7,920**	**10,132**	**12,246**	**13,941**
YoY Growth (%)	32.0	8.5	27.9	20.9	13.8
Margin (%)	13.0	11.2	12.2	13.2	13.3
Depreciation	1,055	1,237	1,473	1,680	1,920
EBIT	**6,248**	**6,684**	**8,659**	**10,566**	**12,021**
Interest expense	285	278	273	293	306
Other Income	300	117	69	76	83
Extraordinary item	(654)	-	-	-	-
RPAT	4,107	4,870	6,383	7,762	8,849
Adjusted PAT	**4,586**	**4,870**	**6,383**	**7,762**	**8,849**
YoY Growth (%)	15.7	6.2	31.1	21.6	14.0
EPS (Rs)	**1.0**	**1.1**	**1.4**	**1.8**	**2.0**
NOPAT	4,575	4,991	6,495	7,925	9,016

Balance sheet (INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Net worth	11,146	13,305	16,768	20,551	25,421
Minority Interest	-	-	-	-	-
Deferred tax	(403)	(411)	(499)	(499)	(499)
Total debt	2,829	3,726	2,591	3,662	3,828
Other liabilities & Provisions	423	440	493	542	596
Total Net Worth & liabilities	**13,994**	**17,060**	**19,353**	**24,257**	**29,347**
Net Fixed Assets	4,322	5,792	5,997	6,117	6,197
Capital Work in progress	323	270	238	150	150
Investments	-	-	-	-	-
Cash & bank balance	2,933	368	2,683	3,454	6,195
Loans & Advances & other assets	843	1,138	889	1,912	2,166
Net Current Assets	8,507	9,859	12,230	16,077	20,833
Total Assets	**13,995**	**17,060**	**19,353**	**24,257**	**29,347**
Capital Employed	13,974	17,031	19,359	24,213	29,249
Invested Capital	11,041	16,663	16,677	20,759	23,054
Net Debt	(105)	3,358	(92)	208	(2,367)
FCFF	3,993	250	6,799	4,786	7,254

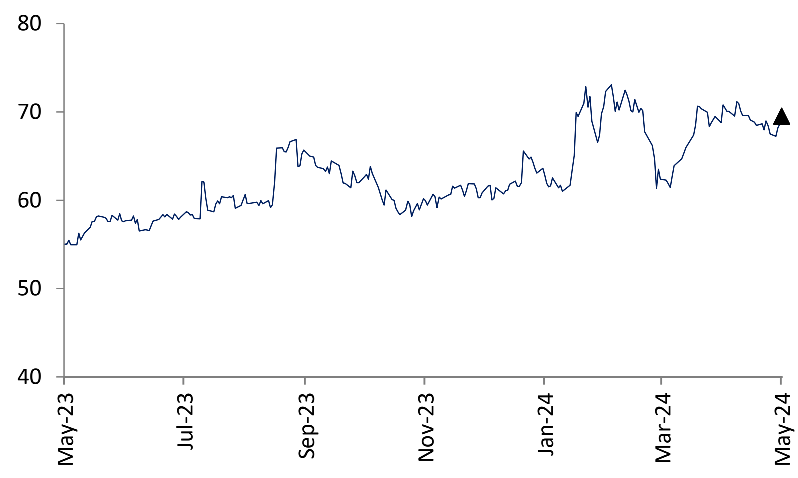
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
CFO	5,007	2,236	7,911	6,498	9,254
Capex	(1,014)	(1,986)	(1,113)	(1,713)	(2,000)
FCF	3,993	250	6,799	4,786	7,254
CFI	(1,008)	(1,937)	(2,079)	(1,713)	(2,000)
CFF	(1,439)	(2,871)	(4,523)	(3,201)	(4,119)

Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E
Margin ratios (%)					
EBITDA Margins	13.0	11.2	12.2	13.2	13.3
PAT Margins	8.1	6.9	7.7	8.4	8.4
Performance Ratios (%)					
OCF/EBITDA (X)	0.7	0.3	0.8	0.5	0.7
OCF/IC	45.4	13.4	47.4	31.3	40.1
RoE	41.1	36.6	38.1	37.8	34.8
ROCE	44.7	39.2	44.7	43.6	41.1
RoIC (Post tax)	59.5	45.2	39.2	47.5	43.4
ROIC (Pre tax)	81.3	60.5	52.0	63.4	57.9
Turnover Ratios (days)					
Inventory	62	62	50	62	62
Debtors	43	41	39	43	43
Payables	59	48	41	50	50
Cash Conversion Cycle	36	49	42	49	49
Financial Stability ratios (x)					
Net debt to Equity	(0.0)	0.3	(0.0)	0.0	(0.1)
Net debt to EBITDA	(0.0)	0.4	(0.0)	0.0	(0.2)
Interest Cover	21.9	24.0	31.7	36.1	39.3
Valuation metrics					
Fully diluted shares (mn)	4,421	4,421	4,421	4,421	4,421
Price (Rs)	69.5	69.5	69.5	69.5	69.5
Market Cap(Rs. Mn)	3,07,311	3,07,311	3,07,311	3,07,311	3,07,311
PE (x)	67	63	48.1	39.6	34.7
EV (Rs.mn)	3,07,207	3,10,670	3,07,219	3,07,519	3,04,944
EV/EBITDA (x)	42	39	30	25	22
Book value (Rs/share)	3	3	4	5	6
Price to BV (x)	27.6	23.1	18.3	15.0	12.1
EV/OCF (x)	61	139	39	47	33

Source: Company, CEBPL

Historical recommendations and target price: Motherson Sumi Wiring India



Motherson Sumi Wiring India Ltd. (MSWIL)

1. 20-07-2022 Add, Target Price – Rs.61
2. 08-08-2022 Add, Target Price – Rs.61
3. 01-11-2022 Add, Target Price – Rs.66
4. 07-02-2023 Add, Target Price – Rs.59
5. 20-05-2023 Add, Target Price – Rs.62
6. 29-07-2023 Add, Target Price – Rs.67
7. 01-11-2023 Add, Target Price – Rs.67
8. 01-02-2024 Add, Target Price – Rs.75
9. 17-05-2024 Buy, Target Price – Rs.74

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SELL	The security expected to show Below 0% next 12 months

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