

Motherson Sumi Wiring: Ramp-Up Costs Cloud Near-Term Margins

July 29, 2025 CMP: INR 40 | Target Price: INR 42

Expected Share Price Return: 5.0% | Dividend Yield: 1.4% | Potential Upside: 6.4%

ADD  
Sector View: Neutral

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)	51/31
Mkt Cap (Bn)	INR 265.3 / \$3.1
Shares o/s (Mn)	6,631.7
3M Avg. Daily Volume	49,72,171

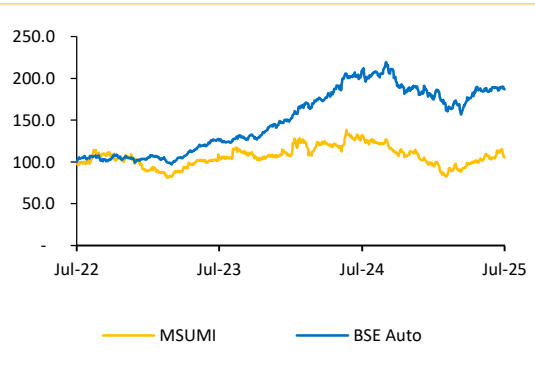
Change in CIE Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	106.4	104.6	1.7	121.2	119.2	1.7
EBITDA	11.1	10.9	1.7	13.4	13.2	1.8
EBITDAM%	10.4	10.4	0	11.1	11.1	0
PAT	6.7	6.6	1.9	8.4	8.2	1.5
EPS	1.0	1.0	1.9	1.3	1.2	1.5

Actual vs Consensus			
INR Bn	Q1FY26A	Consensus	Dev. %
Revenue	24.9	24.2	3.2
EBITDA	2.4	2.6	(6.0)
EBITDAM %	9.8	10.7	(96) bps
PAT	1.4	1.6	(7.7)

Key Financials					
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	83.3	93.2	106.4	121.2	137.9
YoY (%)	17.8	11.9	14.1	14.0	13.8
EBITDA	10.1	10.0	11.1	13.4	16.0
EBITDAM %	12.2	10.7	10.4	11.1	11.6
Adj PAT	6.4	6.1	6.7	8.4	10.1
EPS	1.0	0.9	1.0	1.3	1.5
ROE %	38.1	35.7	34.2	36.3	37.4
ROCE %	46.5	43.9	42.2	45.1	46.6
PE(x)	41.6	43.8	39.4	31.7	26.2
EV/EBITDA	26.3	26.9	24.2	19.8	16.5

Shareholding Pattern (%)			
	Jun-25	Mar-25	Dec-24
Promoters	61.72	61.72	61.73
Flls	10.37	10.16	9.86
Dlls	16.24	16.21	16.74
Public	11.67	11.91	11.67

Relative Performance (%)			
	3Y	2Y	1Y
BSE Auto	86.7	48.5	(11.2)
MSUMI	5.1	1.9	(20.4)



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EBITDA margin is expected to remain under pressure in the near-term

MSUMI reported a strong revenue growth of 14.2% YoY, but EBITDA margin was down 114 bps YoY due to a sharp jump in employee costs this quarter. This was primarily due to the new greenfield projects that involved significant manpower hired for training and upskilling before production lines are fully commissioned. **We believe the EBITDA margin will remain negatively impacted in the next few quarters and start-up-related costs will also remain high in H1FY26. It is expected to moderate thereafter in H2FY26 and further improve in FY27 as new plants ramp up production and volumes come in.**

**View and Valuation:** We revise our FY26 and FY27 EPS estimate upwards by 1.9% and 1.5%, respectively, arriving at a target price of INR 42, valuing the company at 30x (maintained) of the average FY27/28E EPS while introducing FY28E estimates. We assign an 'ADD' rating to the company, which was previously 'REDUCE'.

Q1FY26 results, led by margin pressure, are below estimates

- Revenue for Q1FY26 was at INR 24,940Mn, up 14.2% YoY and down 0.6% QoQ (vs consensus est. at INR 24,171Mn).
- EBITDA for Q1FY26 was at INR 2,443Mn, up 2.3% YoY and down 9.9% QoQ (vs consensus est. at INR 2,598Mn). EBITDA margin was down 114 bps YoY and 101 bps QoQ, respectively, to 9.8% (vs consensus est. at 10.7%).
- PAT for Q1FY26 was at INR 1,431Mn, down 3.9% YoY and 13.2% QoQ, respectively (vs consensus est. at INR 1,551Mn).

**Revenue growth to be driven by greenfield projects:** MSUMI is in the process of scaling up three greenfield plants located in Pune (Maharashtra), Navagam (Gujarat) and Kharkhoda (Haryana). These greenfield plants are in different stages of completion and ramp-up. **We remain positive on the long-term opportunity as the company is well-positioned to benefit from the industry's shift towards EV and hybrid powertrains. These are expected to increase the content per vehicle as the content value in EV programs in passenger vehicles is approximately 1.5 to 1.7 times higher than ICE vehicles.** Ongoing capacity expansion and incremental order wins are expected to drive a steady growth.

MSUMI	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Sales	24,940	21,848	14.2	25,095	(0.6)
Material Expenses	16,132	14,231	13.4	16,493	(2.2)
Employee Expenses	4,759	3,756	26.7	4,141	14.9
Other Operating Expenses	1,607	1,473	9.1	1,748	(8.1)
EBITDA	2,443	2,388	2.3	2,712	(9.9)
Depreciation	492	399	23.2	476	3.3
EBIT	1,951	1,988	(1.9)	2,236	(12.8)
Interest Cost	63	55	15.2	55	13.7
PBT	1,896	1,984	(4.4)	2,197	(13.7)
RPAT	1,431	1,489	(3.9)	1,649	(13.2)
APAT	1,431	1,489	(3.9)	1,649	(13.2)
Adj EPS (INR)	0.22	0.22	(3.9)	0.25	(13.2)

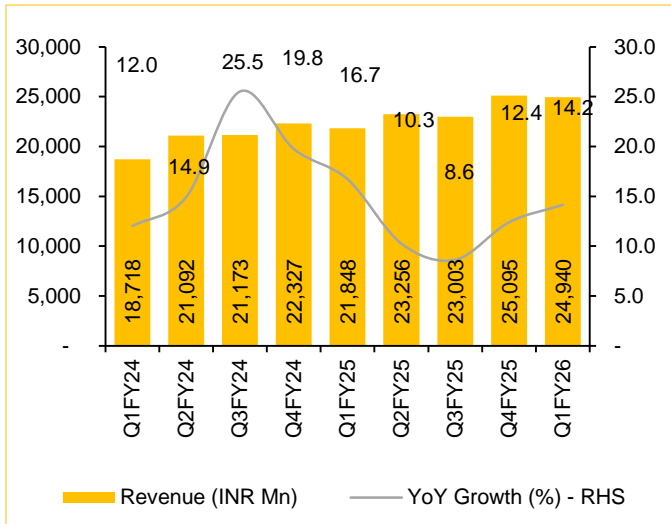
Margin Analysis	Q1FY26	Q1FY25	YoY (bps)	Q4FY25	QoQ (bps)
Gross Margin (%)	35.3	34.9	45.5	34.3	104.0
Employee Exp. % of Sales	19.1	17.2	188.7	16.5	257.7
Other Op. Exp % of Sales	6.4	6.7	(29.7)	7.0	(52.2)
EBITDA Margin (%)	9.8	10.9	(113.5)	10.8	(101.4)
Tax Rate (%)	24.5	25.0	(41.3)	24.9	(38.9)
APAT Margin (%)	5.7	6.8	(107.6)	6.6	(83.4)

Source: MSUMI, Choice Institutional Equities

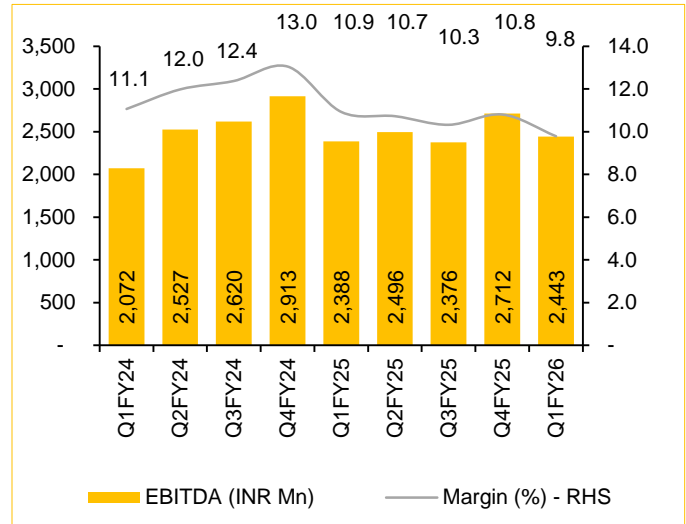
- A sharp increase in staff costs this quarter was primarily due to expansion units, involving significant manpower hired for training and upskilling before production lines are fully commissioned.
- One new greenfield has come on stream during the quarter. Production lines in Navagam and Pune are now in ramp-up mode, aligning with evolving customer schedules.

### Management Call - Highlights

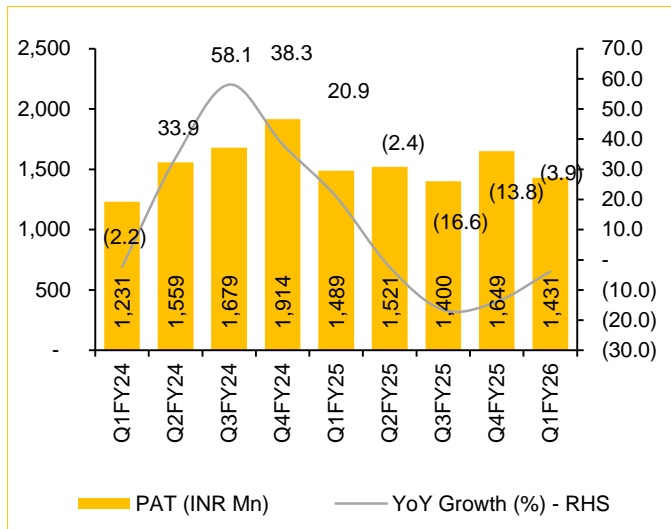
- **New Greenfields Contribution:** Approximately INR 1,560 Mn of the total revenue came from the new greenfield plants.
- **Operational Status:** One new greenfield has come on stream during the quarter. Production lines in Navagam and Pune are now in ramp-up mode, aligning with evolving customer schedules.
- While Maharashtra and Gujarat plants have started production, the Haryana plant is expected to become operational soon. However, some projects in these plants have experienced delays.
- **Employee Cost Increase:** A sharp increase in staff costs this quarter was primarily due to expansion units, involving significant manpower hired for training and upskilling before production lines are fully commissioned.
- The increase in employee cost was also influenced by the deferment of some customer plans.
- As new programs are commissioned and production orders increase, staff costs are expected to become consistent with earlier levels. However, as volumes kick in over time, staff costs are anticipated to increase slightly more in subsequent quarters.
- **Breakeven for Greenfields:** The greenfield plants are expected to take time to break even due to delayed project ramp-ups and volumes unable to meet initial forecasts.
- **Copper Prices:** There is typically a lag of a quarter in terms of adjustments for copper prices, with only a marginal impact in the current quarter. Over three to four quarters, the negative impact usually gets neutralised as it's a pass-through arrangement with customers.
- EV share of revenue is 5.4% for Q1FY26.
- The content value in EV programs in passenger vehicles is approximately 1.5 to 1.7 times higher than ICE vehicles.

**Revenue up 14.2% on a YoY basis**

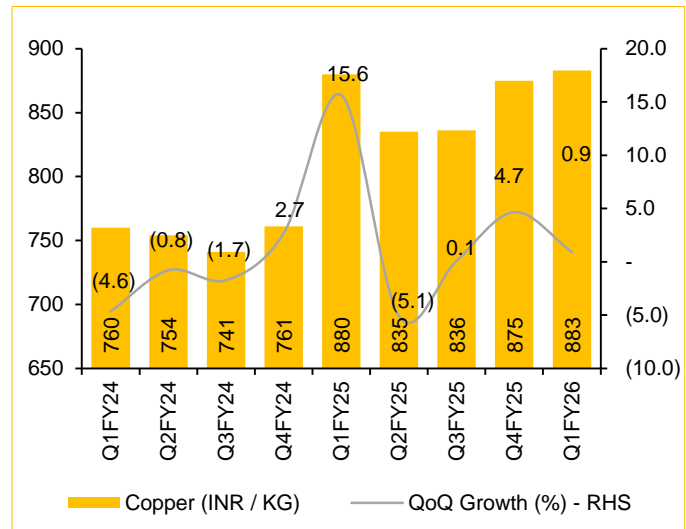
Source: MSUMI, Choice Institutional Equities

**EBITDA Margin down 114bps on a YoY basis**

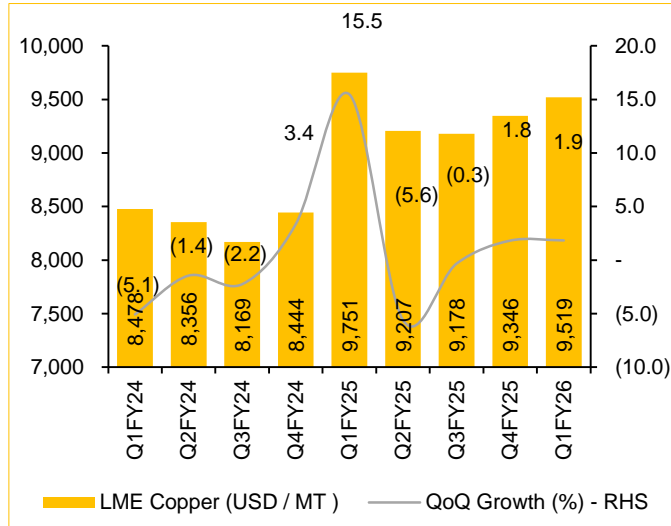
Source: MSUMI, Choice Institutional Equities

**PAT down 3.9% on a YoY basis**

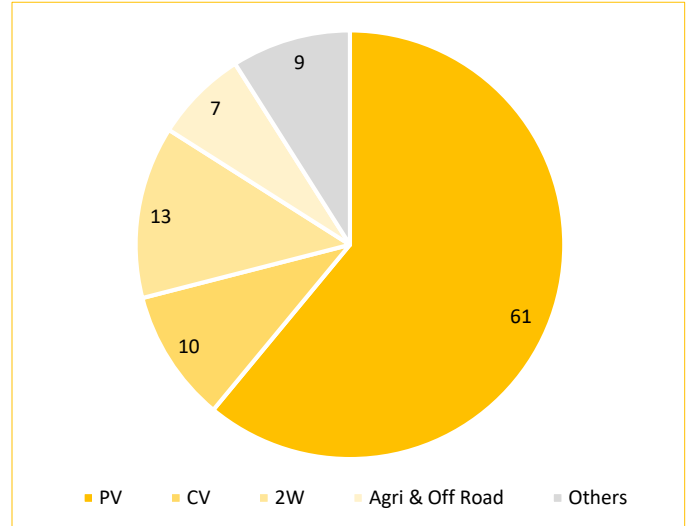
Source: MSUMI, Choice Institutional Equities

**Copper (INR / KG) quarterly trend**

Source: MSUMI, Choice Institutional Equities

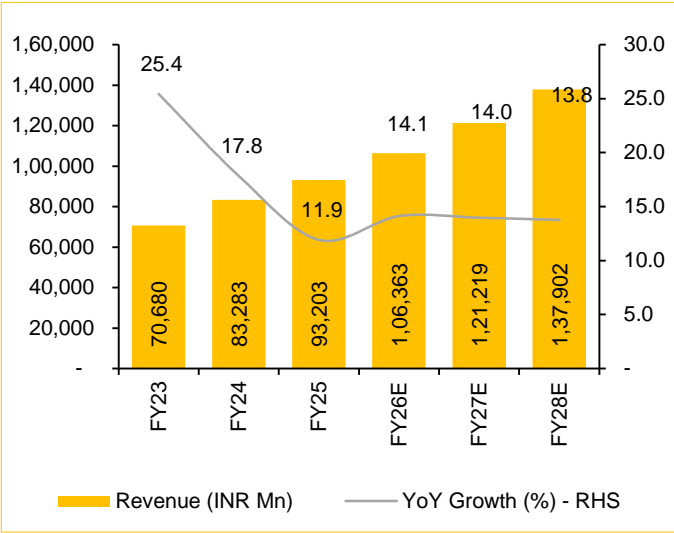
**LME Copper ( UST/MT ) quarterly trend**

Source: MSUMI, Choice Institutional Equities

**Revenue segment Mix FY25 (%) (FY25 Rev- INR 93,203 Mn)**

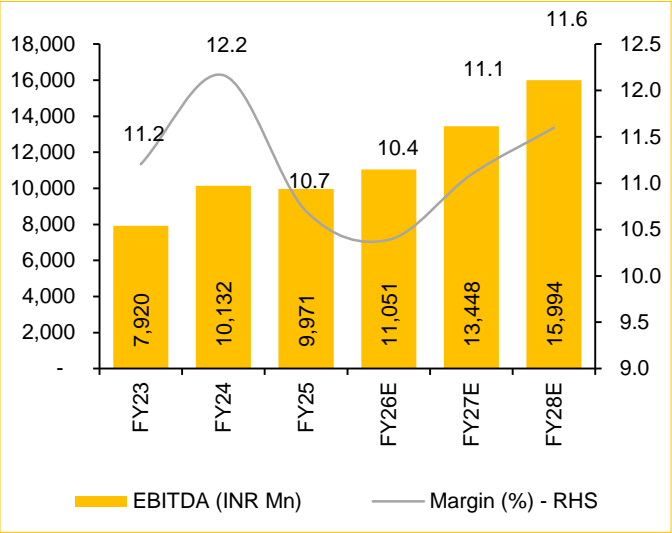
Source: MSUMI, Choice Institutional Equities

Revenue to grow at 13.9% CAGR over FY25-28E



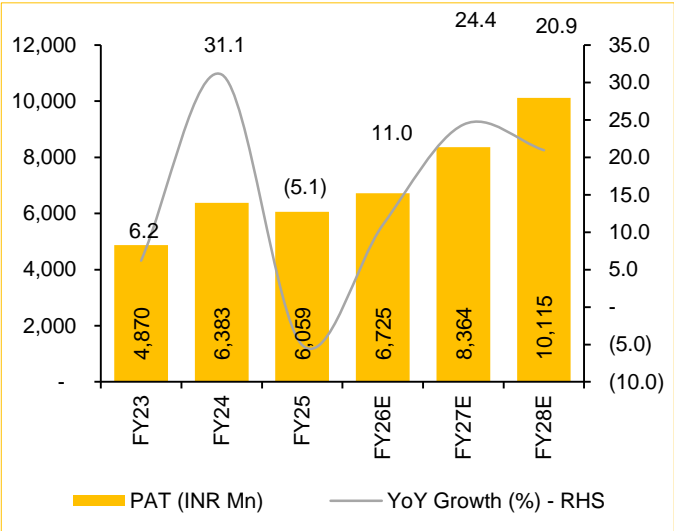
Source: MSUMI, Choice Institutional Equities

EBIDTA to grow at 17.1% CAGR over FY25-28E



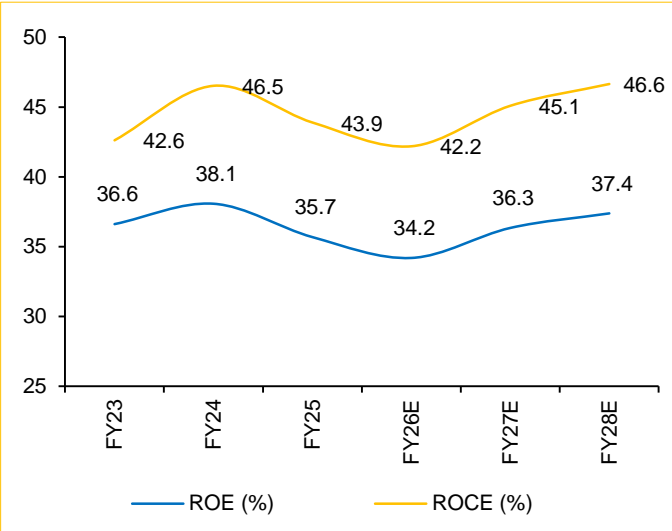
Source: MSUMI, Choice Institutional Equities

PAT to grow at 18.6% CAGR over FY25-28E



Source: MSUMI, Choice Institutional Equities

ROE (%) and ROCE (%) Trend



Source: MSUMI, Choice Institutional Equities

1 Year Forward PE Band



Source: MSUMI, Choice Institutional Equities

Income Statement (INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Revenue	83,283	93,203	1,06,363	1,21,219	1,37,902
Gross profit	28,745	32,438	36,929	42,333	48,162
EBITDA	10,132	9,971	11,051	13,448	15,994
Depreciation	1,473	1,789	2,028	2,268	2,508
EBIT	8,659	8,182	9,023	11,181	13,487
Interest Expenses	273	248	248	248	248
Other Income	69	119	131	144	159
Exceptional Item	-	-	-	-	-
Reported PAT	6,383	6,059	6,725	8,364	10,115
Adjusted PAT	6,383	6,059	6,725	8,364	10,115
EPS	1.0	0.9	1.0	1.3	1.5

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios (%)					
Revenue	17.8	11.9	14.1	14.0	13.8
EBITDA	27.9	(1.6)	10.8	21.7	18.9
PAT	31.1	(5.1)	11.0	24.4	20.9
Margins (%)					
EBITDA	12.2	10.7	10.4	11.1	11.6
PAT	7.7	6.5	6.3	6.9	7.3
Profitability (%)					
ROE	38.1	35.7	34.2	36.3	37.4
ROCE	46.5	43.9	42.2	45.1	46.6
ROIC	33.8	31.3	30.5	32.8	34.2
Working Capital					
Inventory Days	50	50	50	50	50
Debtor Days	39	49	50	50	50
Payable Days	41	46	45	45	45
Cash Conversion Cycle	49	53	55	55	55
Valuation metrics					
PE(x)	42	44	39	32	26
EV/EBITDA (x)	26	27	24	20	16
Price to BV (x)	16	16	13	12	10
EV/OCF (x)	34	73	38	30	25

Source: MSUMI, Choice Institutional Equities

Balance Sheet (INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Net worth	16,768	16,983	19,673	23,018	27,065
Minority Interest	-	-	-	-	-
Deferred Tax	(499)	(574)	(574)	(574)	(574)
Total Debt	2,591	2,692	2,692	2,692	2,692
Other Liabilities & Provisions	493	565	622	684	752
Total Net Worth & Liabilities	19,353	19,666	22,412	25,820	29,934
Net Fixed Assets	5,997	6,906	6,879	6,611	6,103
Capital Work in Progress	238	367	367	367	367
Investments	-	-	-	-	-
Cash & Bank Balance	1,670	143	640	2,284	4,575
Loans & Advances & Other Assets	889	911	1,132	1,288	1,462
Net Current Assets	12,230	11,482	14,034	17,554	22,002
Total Assets	19,353	19,666	22,412	25,820	29,934

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows From Operations	7,910	3,648	6,944	9,003	10,714
Cash Flows From Investing	(2,079)	(601)	(2,221)	(2,155)	(2,174)
Cash Flows From Financing	(4,522)	(4,574)	(4,226)	(5,203)	(6,248)

DuPont Analysis (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
ROE (%)	38.1	35.7	34.2	36.3	37.4
Net Profit Margin (%)	7.7	6.5	6.3	6.9	7.3
Asset Turnover	4.3	4.7	4.7	4.7	4.6
Financial Leverage	1.2	1.2	1.1	1.1	1.1

Historical Price Chart: MSUMI



Date	Rating	Target Price
February 01, 2024	ADD	50
May 17, 2024	BUY	49
August 06, 2024	REDUCE	48
November 10, 2024	HOLD	48
February 10, 2025	BUY	47
May 11, 2025	REDUCE	37
July 29, 2025	ADD	42

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

\*Large Cap: More Than INR 20,000Cr Market Cap  
\*Mid & Small Cap: Less Than INR 20,000Cr Market Cap

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