

Motherson Wiring

Estimate change

TP change

Rating change



Bloomberg	MSUMI IN
Equity Shares (m)	4421
M.Cap.(INRb)/(USD\$)	248.2 / 2.8
52-Week Range (INR)	80 / 53
1, 6, 12 Rel. Per (%)	-3/-19/-31
12M Avg Val (INR M)	520

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	92.3	104.3	117.8
EBITDA	9.9	11.6	13.8
Adj. PAT	6.0	7.2	8.7
EPS (Rs)	1.4	1.6	2.0
EPS Growth (%)	-5.4	19.7	20.1
BV/Share (Rs)	4.4	5.2	6.3
Ratios			
Net D:E	-0.2	-0.1	-0.1
RoE (%)	33.5	34.1	34.0
RoCE (%)	39.3	40.3	40.8
Payout (%)	55.0	55.0	55.0
Valuations			
P/E (x)	41.0	34.2	28.5
P/BV (x)	12.8	10.7	8.9
Div. Yield (%)	1.3	1.6	1.9
FCF Yield (%)	1.7	2.4	3.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	61.7	61.7	61.7
DII	16.7	16.3	17.3
FII	9.9	10.5	11.0
Others	11.7	11.4	9.9

FII Includes depository receipts

CMP:INR56

TP: INR65 (+16%)

Buy

Startup costs of greenfield plants dent profitability

New greenfield plants have peak annual revenue potential of INR21b

- Motherson Wiring's (MSUMI) 3QFY25 profitability missed our estimate, as start-up costs of new plants affected EBITDA/PAT by INR400m/INR320m. Adjusted for these costs, EBITDA margin would have been 12.1% in 9MFY25.
- To factor in start-up costs of greenfield facilities, we cut our FY25E/FY26E EPS by ~6% each. We believe MSUMI deserves rich valuations, given its strong competitive positioning, top-decile capital efficiency, and benefits of EVs and other megatrends in autos. **Reiterate BUY with a TP of INR65 (premised on ~35x Dec'26E EPS).**

Greenfield start-up costs hurt margins

- In 3QFY25, revenue grew ~9% YoY to INR23b (est. INR24.2b), while EBITDA/adj. PAT declined 9%/17% YoY to INR2.4b/INR1.4b (est. INR2.7b/INR1.7b). 9MFY25 revenue/EBITDA grew 12%/1% YoY, while adj. PAT inched lower by 1% YoY.
- The company's growth outpaced industry volume growth of 6% YoY, led by a favorable product and content mix. The growing premiumization trend augurs well for the company. The PV industry, which accounts for almost 60% of MSWIL's revenues, was up just 3% YoY in 3Q and the CV industry (~12% contribution) was also up only 1% YoY.
- Revenue from the greenfield plants in 3Q stood at INR800m. Even after excluding this revenue, MSUMI posted 5% YoY growth in 3Q.
- Gross margin expanded 80bp YoY to 35.1% (est. 34.8%). JPY appreciation has a temporary impact on financials as the pass-through to customers happens with a lag of a quarter or a half year.
- The impact of start-up costs for the new greenfield plants stood at INR400m in EBITDA and INR320m in PAT (for YTD FY25, INR950m impact at EBITDA level and INR760m at PAT level).
- As a result, EBITDA margin contracted 210bp YoY/40bp QoQ to 10.3%. Adjusting start-up costs, EBITDA margin would have been 12.1% in 9MFY25.

Highlights from the management commentary

- MSUMI is in various stages of completion for the three new greenfield plants as below: 1) Pune plant – SOP for EV + ICE plant has begun in 2Q, while the same for EV only plant will begin in 4QFY25; 2) Navagam (Gujarat) plant – SOP for EV only plant by 1QFY26 and the same for EV + ICE plant by 2QFY26; 3) SOP for Karkhoda plant by 2QFY26.
- These are sizeable plants with a peak combined revenue potential of INR21b, i.e., ~25% of MSUMI's FY24 revenue. They have secured business from large Indian OEMs, including MSIL, MM and TTMT, for their upcoming new model launches in coming years. Management has indicated that MSUMI remains the preferred supplier for new-age vehicles by MSIL, MM and TTMT.
- EV mix of total revenue stands at 3-4%.

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- Capex guidance for FY25 stands at INR2b. MSUMI has so far invested INR1.2b in 9MFY25. It has invested about INR400-600m in each plant, excluding the cost of land and building, which MSUMI has taken on lease from SAMIL.
- For high-voltage wiring harness, the company has localized the cables and few connectors. However, based on OEM plans, the target would be to continue to drive up the localization going forward.

Valuation and view

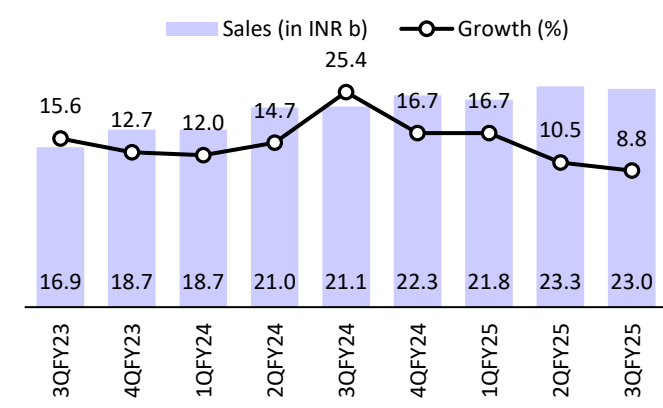
- We expect EBITDA margin to improve in FY26E, led by a better product mix, ramp-up of the new greenfield plants, moderating commodity costs, and localization efforts.
- We believe MSUMI deserves rich valuations, given its strong competitive positioning, top-decile capital efficiency, and benefits of EVs and other mega-trends in Autos. The stock trades at 34.2x FY26E/28.5x FY27E EPS. **Reiterate our BUY rating with a TP of INR65 (premised on ~35x Dec'26E EPS).**

MSUMI: Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	3QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	18,718	21,046	21,145	22,327	21,848	23,256	23,003	24,169	83,283	92,277	24,186.7	-5
YoY Change (%)	12.0	14.7	25.4	16.7	16.7	10.5	8.8	10.6	17.8	10.8	14.4	
RM Cost (% of sales)	65.2	66.2	65.5	65.1	65.1	64.9	64.9	64.7	65.5	64.9	65.2	
Staff Cost (% of sales)	17.5	16.3	16.1	15.4	17.2	17.3	17.9	17.4	16.3	17.4	16.7	
Other Expenses (% of sales)	6.2	5.7	6.0	6.4	6.7	7.1	6.8	6.8	6.1	6.9	6.9	
EBITDA	2,072	2,481	2,620	2,913	2,388	2,496	2,376	2,672	10,132	9,931	2,702.0	-12
Margins (%)	11.1	11.8	12.4	10.9	10.9	10.7	10.3	11.1	12.2	10.8	11.2	
Depreciation	338	364	377	394	399	444	470	478	1,473	1,790	450	
Interest	77	74	64	58	55	72	66	60	273	252	65	
Other Income	5	56	11	43	50	48	6	42	69	145	45	
PBT before EO expense	1,661	2,100	2,190	1,984	1,984	2,027	1,846	2,176	8,455	8,033	2,232	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT after EO Expense	1,661	2,100	2,190	2,505	1,984	2,027	1,846	2,176	8,455	8,033	2,232.0	
Tax Rate (%)	26	26	23	25	25	25	24	25	25	25	25.0	
Reported PAT	1,231	1,559	1,679	1,914	1,489	1,521	1,400	1,632	6,383	6,041	1,674	
Adj PAT	1,231	1,559	1,679	1,914	1,489	1,521	1,400	1,632	6,383	6,041	1,674	-16
YoY Change (%)	-2.2	33.9	58.1	7.5	20.9	-2.4	-16.6	9.6	31.1	-5.4	-0.3	

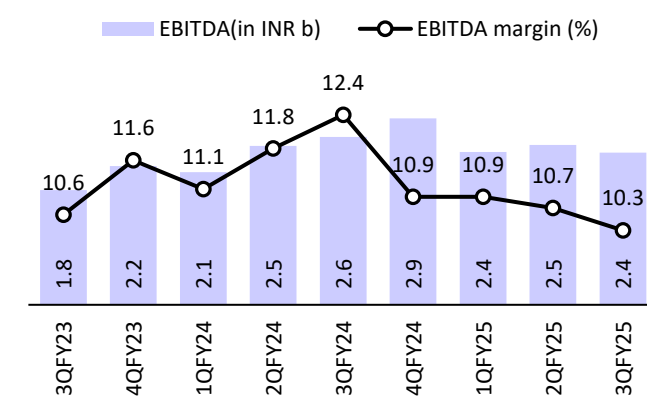
E: MOFSL Estimates

Exhibit 1: Revenue and revenue growth profile

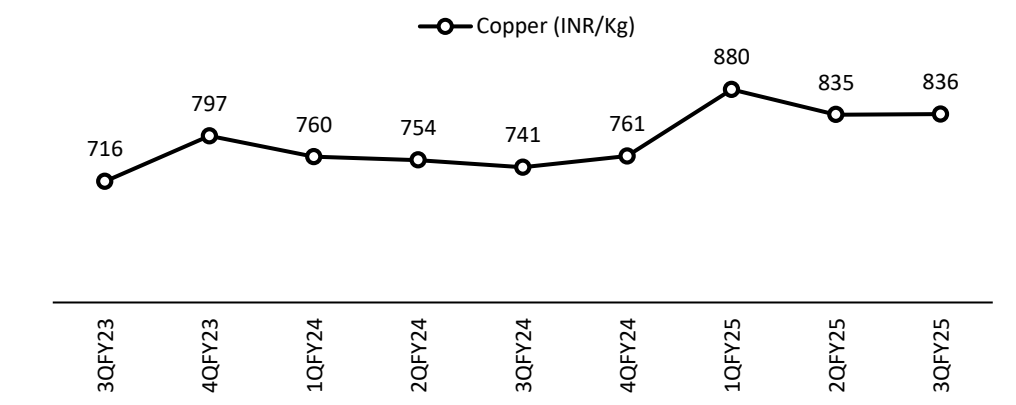


Source: Company, MOFSL

Exhibit 2: EBITDA and EBITDA margin (%)



Source: Company, MOFSL

Exhibit 3: Copper prices largely remain stable

Source: Company, MOFSL

Valuation and view

- MSUMI offers a pure play on the Indian 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 a sustained increase in content, benefiting from megatrends witnessed in the automotive industry (premiumization, electrification, connected vehicles, etc.).
- The company enjoys healthy returns, 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 a CAGR of 12%/11%/11% in revenue/EBITDA/PAT over FY24-27E. Accordingly, RoIC is expected to increase to 42.9% by FY27E from 41% in FY24. However, RoCE would decline to 40.8% in FY27E from 46.8% in FY24 due to higher overheads during the scale-up phase in new greenfield plants.
- To factor in the high operating expenses, we cut our FY25E/FY26E EPS by 6% each. We believe MSUMI deserves rich valuations, given its strong competitive positioning, top-decile capital efficiency, and benefits of EVs and other megatrends in autos. The stock trades at 34.2x FY26E/28.5x FY27E EPS. **Reiterate our BUY rating with a TP of INR65 (premised on ~35x Dec'26E EPS).**

Exhibit 4: Revisions to our estimates

(INR M)	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	92,277	92,860	-0.6	1,04,273	1,04,932	-0.6
EBITDA	9,931	10,353	-4.1	11,644	12,026	-3.2
EBITDA (%)	10.8	11.1	-40bp	11.2	11.5	-30bp
Adj. PAT	6,041	6,404	-5.7	7,229	7,683	-5.9
EPS (INR)	1.4	1.4	-5.7	1.6	1.7	-5.9

Key operating indicators

Exhibit 5: Trend in sales

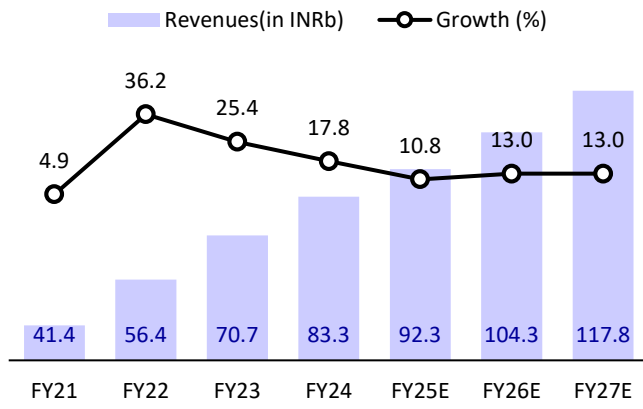


Exhibit 6: EBITDA and EBITDA margin (%) trends

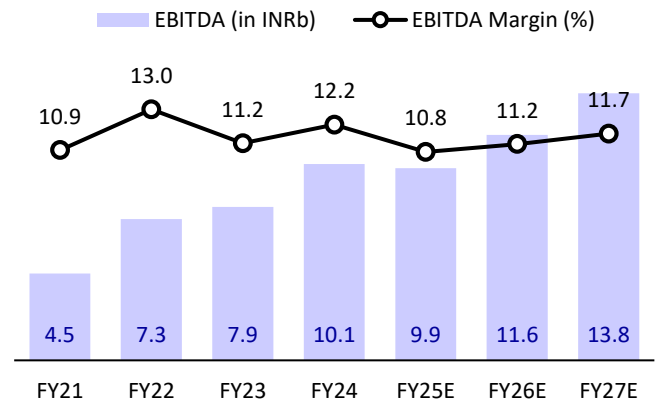


Exhibit 7: PAT and PAT growth (%)

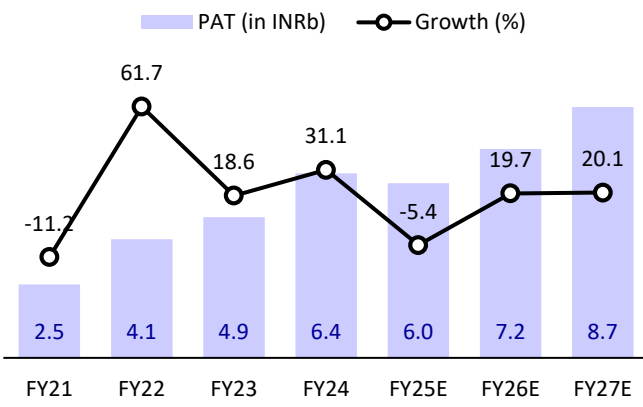
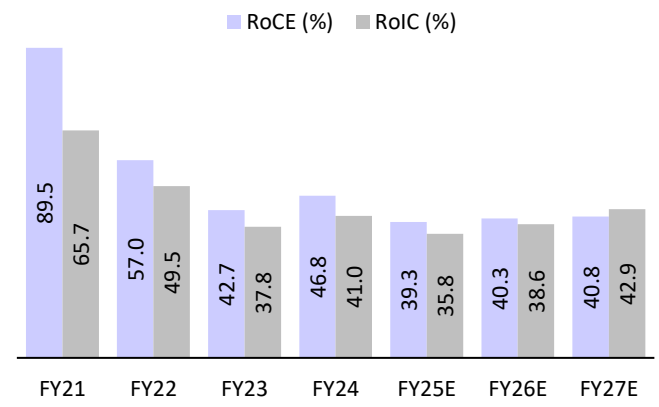


Exhibit 8: Trend in MSUMI's return profile



Financials and valuations

Income Statement							(INR M)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	41,380	56,350	70,680	83,283	92,277	1,04,273	1,17,829
Change (%)	4.9	36.2	25.4	17.8	10.8	13.0	13.0
EBITDA	4,490	7,303	7,920	10,132	9,931	11,644	13,794
EBITDA Margin (%)	10.9	13.0	11.2	12.2	10.8	11.2	11.7
Depreciation	930	1,055	1,237	1,473	1,790	2,026	2,308
EBIT	3,560	6,248	6,683	8,659	8,140	9,619	11,486
EBIT Margin (%)	8.6	11.1	9.5	10.4	8.8	9.2	9.7
Interest Charges		285	278	273	252	210	190
Other Income		300	117	69	145	166	198
PBT bef. EO Exp.	3,472	6,263	6,522	8,455	8,033	9,575	11,494
EO Exp/(Inc)	0	654	0	0	0	0	0
PBT after EO Exp.	3,472	5,609	6,522	8,455	8,033	9,575	11,494
Total Tax	932	1,502	1,652	2,072	1,992	2,346	2,816
Tax Rate (%)	26.8	26.8	25.3	24.5	24.8	24.5	24.5
Reported PAT	2,540	4,107	4,870	6,383	6,041	7,229	8,678
Adjusted PAT	2,540	4,670	4,870	6,383	6,041	7,229	8,678
Change (%)	-11.2	83.9	4.3	31.1	-5.4	19.7	20.1
Margin (%)	6.1	8.3	6.9	7.7	6.5	6.9	7.4

Balance Sheet							(INR M)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	3,158	3,158	4,421	4,421	4,421	4,421	4,421
Total Reserves	3,942	7,988	8,884	12,347	14,851	18,758	23,460
Net Worth	7,100	11,146	13,305	16,768	19,273	23,179	27,881
Minority Interest							
Total Loans	820	193	818	86	86	86	86
Other non-current liabilities	640	3,059	3,348	2,998	2,998	2,998	2,998
Capital Employed	8,560	14,397	17,471	19,852	22,356	26,263	30,965
Net Fixed Assets	1,699	4,321	5,792	5,997	6,144	6,118	5,810
Capital WIP	1	323	270	238	300	300	300
Other non-current assets	260	928	1,259	1,117	1,156	4,208	7,267
Current Assets	15,670	19,642	21,244	23,540	28,175	30,864	34,860
Inventory	7,990	9,600	12,096	11,399	13,905	15,712	17,755
Account Receivables	6,750	6,593	8,004	8,959	10,618	11,999	13,558
Cash and Bank Balance	370	2,933	368	2,683	3,099	2,528	2,840
Other current & fin.assets	560	516	776	499	553	625	706
Current Liabilities	9,330	11,220	11,506	11,537	13,917	15,726	17,771
Creditors	7,520	9,129	9,257	9,245	11,377	12,856	14,527
Other current & fin.liabilities	1,810	2,091	2,249	2,293	2,540	2,871	3,244
Net Current Assets	6,340	8,422	9,738	12,002	14,258	15,138	17,089
Deferred Tax assets	260	403	411	499	499	499	499
Appl. of Funds	8,560	14,397	17,471	19,852	22,356	26,263	30,965

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	0.6	1.1	1.1	1.4	1.4	1.6	2.0
Cash EPS	0.8	1.3	1.4	1.8	1.8	2.1	2.5
BV/Share	1.6	2.5	3.0	3.8	4.4	5.2	6.3
DPS		0.61	0.65	0.80	0.75	0.90	1.08
Payout (%)		65.4	59.0	55.4	55.0	55.0	55.0
Valuation (x)							
P/E	97.5	53.0	50.8	38.8	41.0	34.2	28.5
Cash P/E	71.3	43.2	40.5	31.5	31.6	26.8	22.5
P/BV	34.9	22.2	18.6	14.8	12.8	10.7	8.9
EV/Sales	4.3	3.1	3.5	2.9	2.7	2.4	2.1
EV/EBITDA	39.5	23.8	31.3	24.2	24.6	21.1	17.7
Dividend Yield (%)		1.1	1.2	1.4	1.3	1.6	1.9
FCF Yield (%)		2.3	0.1	2.7	1.7	2.4	3.0
Return Ratios (%)							
RoE	35.8	51.2	39.8	42.5	33.5	34.1	34.0
RoCE (pre-tax)	89.5	57.0	42.7	46.8	39.3	40.3	40.8
RoIC	65.7	49.5	37.8	41.0	35.8	38.6	42.9
Working Capital Ratios							
Asset Turnover (x)	4.8	3.9	4.0	4.2	4.1	4.0	3.8
Inventory (Days)	70	62	62	50	55	55	55
Debtor (Days)	60	43	41	39	42	42	42
Creditor (Days)	66	59	48	41	45	45	45
Leverage Ratio (x)							
Current Ratio	1.7	1.8	1.8	2.0	2.0	2.0	2.0
Net Debt/Equity	0.1	-0.2	0.0	-0.2	-0.2	-0.1	-0.1

Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR M)							
OP/(Loss) before Tax	5,320	6,263	6,522	8,455	8,033	9,575	11,494
Depreciation	374	1,055	1,237	1,473	1,790	2,026	2,308
Interest & Finance Charges	73	285	278	273	252	210	190
Direct Taxes Paid	-1,142	-1,962	-1,775	-2,171	-1,992	-2,346	-2,816
(Inc)/Dec in WC	-4,454	44	-3,925	-29	-1,840	-1,451	-1,639
Others	-57	-23	-102	-89			
CF from Operations	114	5,662	2,236	7,911	6,244	8,014	9,537
EO item	0	-654	0	0			
CF from Operating incl EO	114	5,008	2,236	7,911	6,244	8,014	9,537
(Inc)/Dec in FA	-281	-1,008	-1,977	-1,111	-2,000	-2,000	-2,000
Free Cash Flow	-168	3,999	259	6,801	4,244	6,014	7,537
Others	0	0	40	-968	-39	-3,052	-3,059
CF from Investments	-281	-1,008	-1,937	-2,079	-2,039	-5,052	-5,059
Inc/(Dec) in Debt	292	-1,129	78	-1,387	0	0	0
Interest Paid	-43	-310	-272	-268	-252	-210	-190
Dividend Paid	0	0	-2,677	-2,868	-3,537	-3,323	-3,976
Others	1	0	0	0			
CF from Fin. Activity	250	-1,439	-2,871	-4,523	-3,789	-3,533	-4,166
Inc/Dec of Cash	82	2,561	-2,572	1,309	416	-571	312
Opening Balance	290	373	2,933	361	1,670	2,086	1,515
Closing Balance	373	2,933	361	1,670	2,086	1,515	1,827

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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