

# Motherson Wiring

Estimate change	↔
TP change	↑
Rating change	↔

**CMP:INR79**

**TP: INR95 (+20%)**

**Buy**

**Inline; strong revenue growth diluted by higher RM costs**

**Sets up high-voltage harness line in Chennai for PVs/CVs/2Ws**

- Its performance in 1QFY23 was driven by strong revenue growth, though higher RM costs led to a decline in margin. The company is further geared to serve its EV customers with a new line setup in Chennai (in addition to Pune) for high-voltage wire harnesses.
- We largely maintain our FY23 EPS estimate, but raise our FY24 EPS estimate to factor in higher revenue growth, led by a strong recovery in PVs, particularly for MSIL. We maintain our **Buy** rating with a TP of INR95 (35x Sep'24E EPS).

Bloomberg	MSUMI IN
Equity Shares (m)	3,158
M.Cap.(INRb)/(USDb)	250.7 / 3.2
52-Week Range (INR)	84 / 57
1, 6, 12 Rel. Per (%)	-5/-/-
12M Avg Val (INR M)	598

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	56.3	71.6	83.0
EBITDA	7.3	9.7	12.2
Adj. PAT	4.6	6.1	8.0
EPS (Rs)	1.5	1.9	2.5
EPS Growth (%)	80.5	32.9	30.8
BV/Share (Rs)	3.5	4.6	6.2

## Ratios

Net D:E	-0.2	-0.3	-0.4
RoE (%)	50.3	47.4	46.9
RoCE (%)	57.0	54.3	54.6
Payout (%)	65.4	50.0	50.0

## Valuations

P/E (x)	54.7	41.1	31.4
P/BV (x)	22.5	17.2	12.9
Div. Yield (%)	1.1	1.2	1.6
FCF Yield (%)	1.6	1.6	2.8

## Shareholding pattern (%)

As On	Jun-22	Mar-22
Promoter	61.7	61.7
DII	20.8	13.4
FII	8.6	14.9
Others	8.9	10.0

FII Includes depository receipts

## Weaker mix and higher staff cost offset gains from strong revenue

- Revenue/EBITDA/adjusted PAT grew 50%/85.5%/106.5% YoY to INR16.7b/INR2b/INR1.26b.
- Gross margin eroded 80bp YoY and 110bp QoQ to 35.1% (est. 35.7%), impacted by a weaker mix.
- EBITDA margin eroded 250bp QoQ (up 230bp YoY) to 12.1% (est. 13.2%), on account of higher staff cost (due to start of the Chennai and Bengaluru plants) and slightly higher than estimated other expenses. EBITDA grew 85% YoY (-16% QoQ) to ~INR2.03b (est. INR2.07b).
- Lower depreciation was offset by higher tax, resulting in an inline PAT at INR1.26b (est. INR1.24b) – a growth of 106% YoY (down 21% QoQ).

## Highlights from the management commentary

- It has set up a dedicated line at Chennai for high voltage harnesses for Electric 2Ws, EVs, and Buses. This is in addition to the high-voltage wire harness facilities in Pune. It has an order book for high voltage cables from all 2Ws, PVs, and Buses.
- In PVs, 75-80% of wiring harnesses are low voltage, with higher voltage coming in from the batteries and motors.
- Apr-May'22 were weak months for carmakers due to semiconductor shortages, and hence the 1QFY23 earnings need to be seen in that light.
- The fall in copper prices will aid margin (pass through, but there will be a mathematical benefit) and reduce its working capital needs. We expect the benefits to accrue from 2QFY22.
- Capex for FY23 stands at INR1b (+/- INR250m).

## Valuation and view

- The stock trades at 41.1x/31.4x FY23E/FY24E EPS. We feel it deserves rich valuations, due to: a) its strong competitive positioning, b) capital efficiencies in the top decile, and c) it being the beneficiary of EVs and other mega trends in Autos.
- We maintain our **Buy** rating with a TP of INR95 per share (~35x Sep'24E EPS).

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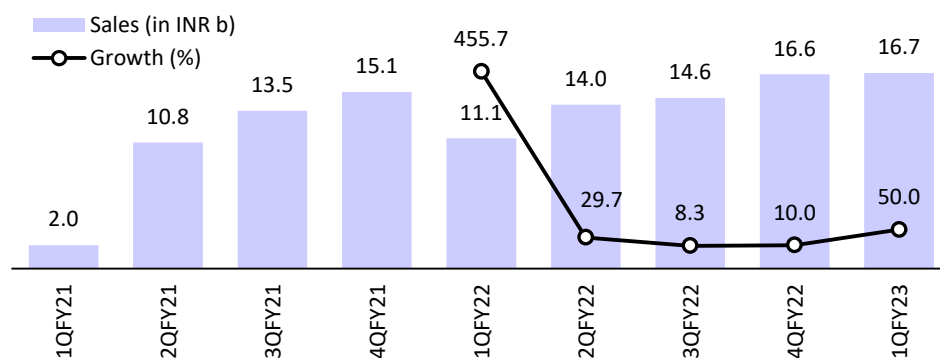
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**Quarterly performance (INR m)**

Y/E March	FY22				FY23E				FY22	FY23E	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
<b>Net Sales</b>	<b>11,139</b>	<b>14,000</b>	<b>14,596</b>	<b>16,615</b>	<b>16,709</b>	<b>18,380</b>	<b>17,645</b>	<b>18,829</b>	<b>56,350</b>	<b>71,564</b>	<b>15,618.3</b>
YoY Change (%)	455.7	29.7	8.3	10.0	50.0	31.3	20.9	13.3	36.2	27.0	40.2
RM Cost (% of sales)	64.1	64.4	64.1	63.8	64.9	64.8	64.0	63.6	64.1	64.3	64.3
Staff Cost (% of sales)	19.2	16.8	16.4	15.5	16.4	15.1	16.0	15.5	16.8	15.7	16.0
Other Expenses (% of sales)	6.9	6.1	5.8	6.1	6.6	6.3	6.3	6.3	6.2	6.4	6.5
<b>EBITDA</b>	<b>1,093</b>	<b>1,780</b>	<b>2,002</b>	<b>2,420</b>	<b>2,028</b>	<b>2,546</b>	<b>2,416</b>	<b>2,752</b>	<b>7,303</b>	<b>9,742</b>	<b>2,068.3</b>
Margins (%)	9.8	12.7	13.7	14.6	12.1	13.9	13.7	14.6	13.0	13.6	13.2
Depreciation	233	240	230	343	277	300	320	335	1,055	1,232	340
Interest	76	80	100	20	69	75	75	81	285	300	75
Other Income	46	80	79	93	77	50	50	51	300	228	40
<b>PBT before EO expense</b>	<b>830</b>	<b>1,540</b>	<b>1,750</b>	<b>2,150</b>	<b>1,759</b>	<b>2,221</b>	<b>2,071</b>	<b>2,386</b>	<b>6,263</b>	<b>8,437</b>	<b>1,693</b>
Extra-Ord expense	0	0	0	654	0	0	0	0	654	0	0
<b>PBT after EO Expense</b>	<b>830</b>	<b>1,540</b>	<b>1,750</b>	<b>1,496</b>	<b>1,759</b>	<b>2,221</b>	<b>2,071</b>	<b>2,386</b>	<b>5,609</b>	<b>8,437</b>	<b>1,693.3</b>
Tax Rate (%)	27	26.0	24.6	31	28	27.8	27.8	27	27	28	27.0
<b>Reported PAT</b>	<b>610</b>	<b>1,140</b>	<b>1,320</b>	<b>1,036</b>	<b>1,260</b>	<b>1,605</b>	<b>1,496</b>	<b>1,735</b>	<b>4,107</b>	<b>6,096</b>	<b>1,236</b>
<b>Adj PAT</b>	<b>610</b>	<b>1,140</b>	<b>1,320</b>	<b>1,596</b>	<b>1,260</b>	<b>1,605</b>	<b>1,496</b>	<b>1,735</b>	<b>4,670</b>	<b>6,096</b>	<b>1,236</b>
YoY Change (%)	-172.6	72.7	9.5	6.0	106.5	40.8	13.3	8.7	83.9	30.5	102.6

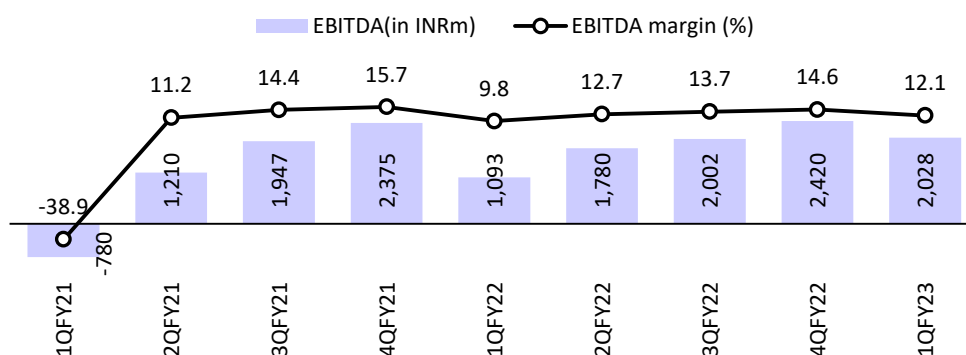
E: MOFSL Estimates

**Exhibit 1: Revenue and revenue growth profile**



Source: Company, MOFSL

**Exhibit 2: EBITDA and EBITDA margin (%)**



Source: Company, MOFSL

## Valuation and view

- MSWIL offer a pure play on the India automotive market (>95% of revenues from India). It enjoys market leadership in the Indian wiring harness industry with over 40% market share, with strong headroom for sustained increase in content benefiting from mega trends witnessed in automotive industry (premiumization, electrification, connected vehicles etc).
- MSWIL enjoys superior profitability led by superior efficiencies and economies of scale, as reflected in industry leady gross/EBITDA/EBIT margins (refer exhibit 6). Good margins, higher asset turn and lower capex requirement makes wiring business enjoy high capital efficiencies and superior cash-flow generation.
- We estimate MSWILs revenue/EBITDA/PAT to grow 18%/23%/25% CAGR (FY22-25E). This would drive improvement in RoIC from 49.5% in FY22 to 61% by FY25E, though RoE would decline from 50% to 41% by FY25E due to cash drag.
- The stock trades at 41.1x/31.4x FY23E/24E EPS. We believe it deserves rich valuations due to a) strong competitive positioning, b) top decile capital efficiencies, and c) being beneficiary of EVs and other mega trends in Autos. Maintain buy with a TP of 95 (~35x Sep'24E EPS)

### Exhibit 3: Revisions to our estimates

(INR M)	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	71,564	67,620	5.8	83,015	76,410	8.6
EBITDA	9,742	9,501	2.5	12,168	11,462	6.2
EBITDA (%)	13.6	14.1	-40bp	14.7	15.0	-30bp
Adj. PAT	6,096	5,848	4.2	7,975	7,298	9.3
EPS (INR)	1.9	1.9	4.2	2.5	2.3	9.3

## Key operating indicators

Exhibit 4: Trend in sales

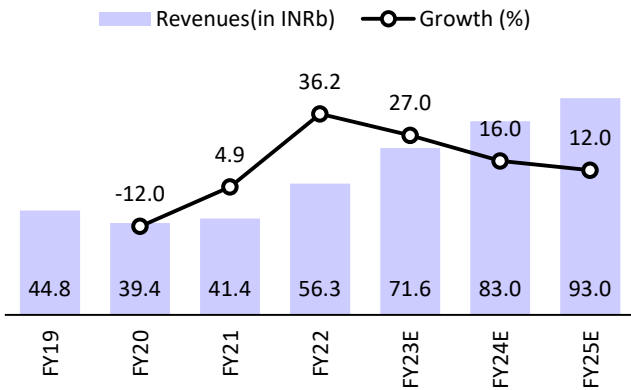


Exhibit 5: EBITDA and EBITDA margin (%) trend

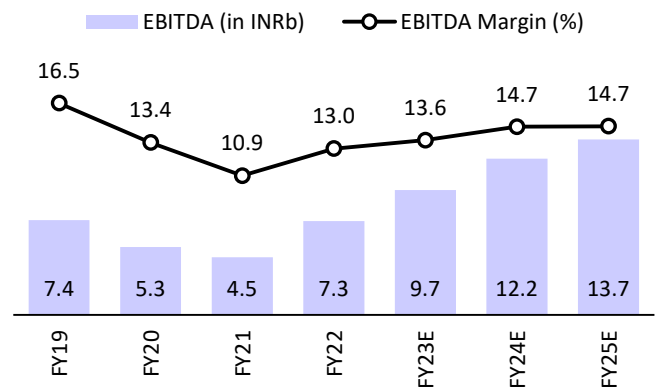


Exhibit 6: PAT and PAT growth (%)

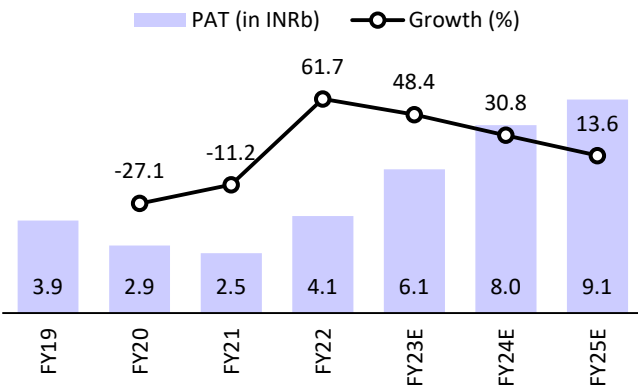
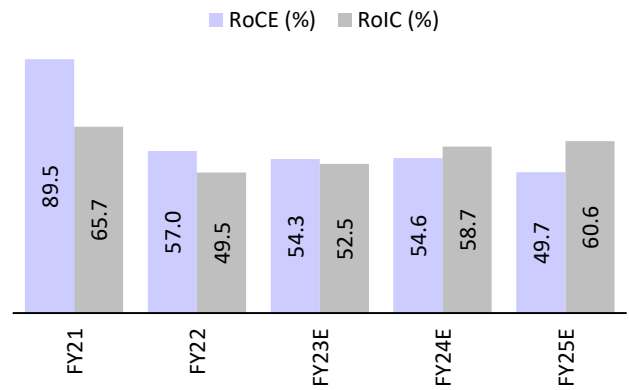


Exhibit 7: Trend in MSUMI's Return profile



## Financials and valuations

Income Statement							(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>44,838</b>	<b>39,439</b>	<b>41,380</b>	<b>56,350</b>	<b>71,564</b>	<b>83,015</b>	<b>92,976</b>
Change (%)	NA	-12.0	4.9	36.2	27.0	16.0	12.0
<b>EBITDA</b>	<b>7,399</b>	<b>5,294</b>	<b>4,490</b>	<b>7,303</b>	<b>9,742</b>	<b>12,168</b>	<b>13,666</b>
EBITDA Margin (%)	16.5	13.4	10.9	13.0	13.6	14.7	14.7
Depreciation	973	1,000	930	1,055	1,232	1,451	1,714
<b>EBIT</b>	<b>6,426</b>	<b>4,294</b>	<b>3,560</b>	<b>6,248</b>	<b>8,510</b>	<b>10,717</b>	<b>11,953</b>
EBIT Margin (%)	14.3	10.9	8.6	11.1	11.9	12.9	12.9
Interest Charges				285	300	300	315
Other Income				300	228	360	600
<b>PBT bef. EO Exp.</b>				<b>6,263</b>	<b>8,437</b>	<b>10,777</b>	<b>12,238</b>
EO Exp/(Inc)				654	0	0	0
<b>PBT after EO Exp.</b>				<b>5,609</b>	<b>8,437</b>	<b>10,777</b>	<b>12,238</b>
Total Tax				1,502	2,341	2,802	3,182
Tax Rate (%)				26.8	27.8	26.0	26.0
<b>Reported PAT</b>	<b>3,923</b>	<b>2,860</b>	<b>2,540</b>	<b>4,107</b>	<b>6,096</b>	<b>7,975</b>	<b>9,056</b>
<b>Adjusted PAT</b>	<b>3,923</b>	<b>2,860</b>	<b>2,540</b>	<b>4,586</b>	<b>6,096</b>	<b>7,975</b>	<b>9,056</b>
Change (%)	NA	-27.1	-11.2	80.5	32.9	30.8	13.6
Margin (%)	8.7	7.3	6.1	8.1	8.5	9.6	9.7

Balance Sheet						(INR m)
Y/E March	FY21	FY22	FY23E	FY24E	FY25E	
Equity Share Capital	3,158	3,158	3,158	3,158	3,158	
<b>Net Worth</b>	<b>7,100</b>	<b>11,146</b>	<b>14,557</b>	<b>19,484</b>	<b>24,553</b>	
Total Loans	820	193	193	193	193	
Other non-current liabilities	640	3,059	3,059	3,059	3,059	
<b>Capital Employed</b>	<b>8,560</b>	<b>14,397</b>	<b>17,809</b>	<b>22,736</b>	<b>27,804</b>	
<b>Net Fixed Assets</b>	<b>1,699</b>	<b>4,322</b>	<b>4,362</b>	<b>4,411</b>	<b>4,198</b>	
Capital WIP	1	323	300	300	300	
Other non-current assets	260	928	1,060	1,160	1,247	
<b>Current Assets</b>	<b>15,670</b>	<b>19,642</b>	<b>27,083</b>	<b>34,325</b>	<b>41,664</b>	
Inventory	7,990	9,600	12,744	14,783	16,557	
Account Receivables	6,750	6,593	9,803	11,372	12,736	
Cash and Bank Balance	370	2,933	3,880	7,410	11,519	
Other current & fin.assets	560	516	655	760	851	
<b>Current Liabilities</b>	<b>9,330</b>	<b>11,220</b>	<b>15,399</b>	<b>17,863</b>	<b>20,007</b>	
Creditors	7,520	9,129	12,744	14,783	16,557	
Other current & fin.liabilities	1,810	2,091	2,655	3,080	3,449	
<b>Net Current Assets</b>	<b>6,340</b>	<b>8,422</b>	<b>11,683</b>	<b>16,462</b>	<b>21,657</b>	
Deferred Tax assets	260	403	403	403	403	
<b>Appl. of Funds</b>	<b>8,560</b>	<b>14,397</b>	<b>17,809</b>	<b>22,736</b>	<b>27,804</b>	

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23E	FY24E	FY25E
<b>Basic (INR)</b>					
<b>EPS</b>	<b>0.8</b>	<b>1.5</b>	<b>1.9</b>	<b>2.5</b>	<b>2.9</b>
Cash EPS	1.1	1.8	2.3	3.0	3.4
BV/Share	2.2	3.5	4.6	6.2	7.8
DPS		0.9	1.0	1.3	1.4
Payout (%)		65.4	50.0	50.0	50.0
<b>Valuation (x)</b>					
P/E	98.7	54.7	41.1	31.4	27.7
Cash P/E	72.3	44.5	34.2	26.6	23.3
P/BV	35.3	22.5	17.2	12.9	10.2
EV/Sales	6.1	4.4	3.5	2.9	2.6
EV/EBITDA	55.9	34.0	25.4	20.0	17.5
Dividend Yield (%)		1.1	1.2	1.6	1.8
FCF Yield (%)		1.6	1.6	2.8	3.4
<b>Return Ratios (%)</b>					
RoE	35.8	50.3	47.4	46.9	41.1
RoCE (pre-tax)	89.5	57.0	54.3	54.6	49.7
RoIC	65.7	49.5	52.5	58.7	60.6
<b>Working Capital Ratios</b>					
Asset Turnover (x)	4.8	3.9	4.0	3.7	3.3
Inventory (Days)	70	62	65	65	65
Debtor (Days)	60	43	50	50	50
Creditor (Days)	66	59	65	65	65
<b>Leverage Ratio (x)</b>					
Current Ratio	1.7	1.8	1.8	1.9	2.1
Net Debt/Equity	0.1	-0.2	-0.3	-0.4	-0.5

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	5,320	6,263	8,437	10,777	12,238
Depreciation	374	1,055	1,232	1,451	1,714
Interest & Finance Charges	73	285	300	300	315
Direct Taxes Paid	-1,142	-1,962	-2,341	-2,802	-3,182
(Inc)/Dec in WC	-4,454	44	-2,314	-1,249	-1,086
Others	-57	-23			
<b>CF from Operations</b>	<b>114</b>	<b>5,662</b>	<b>5,314</b>	<b>8,478</b>	<b>9,998</b>
EO item	0	-654			
<b>CF from Operating incl EO</b>	<b>114</b>	<b>5,008</b>	<b>5,314</b>	<b>8,478</b>	<b>9,998</b>
(Inc)/Dec in FA	-281	-1,008	-1,250	-1,500	-1,500
<b>Free Cash Flow</b>	<b>-168</b>	<b>3,999</b>	<b>4,064</b>	<b>6,978</b>	<b>8,498</b>
(Pur)/Sale of Investments					
Others	0	0	-133	-100	-87
<b>CF from Investments</b>	<b>-281</b>	<b>-1,008</b>	<b>-1,383</b>	<b>-1,600</b>	<b>-1,587</b>
Inc/(Dec) in Debt	292	-1,129	0	0	0
Interest Paid	-43	-310	-300	-300	-315
Dividend Paid	0	0	-2,684	-3,048	-3,987
Others	1	0			
<b>CF from Fin. Activity</b>	<b>250</b>	<b>-1,439</b>	<b>-2,984</b>	<b>-3,348</b>	<b>-4,302</b>
<b>Inc/Dec of Cash</b>	<b>82</b>	<b>2,561</b>	<b>947</b>	<b>3,530</b>	<b>4,109</b>
Opening Balance	290	373	2,933	3,880	7,410
<b>Closing Balance</b>	<b>373</b>	<b>2,933</b>	<b>3,880</b>	<b>7,410</b>	<b>11,519</b>

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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