

CMP: ₹ 60

Target: ₹ 75 (25%)

Target Period: 12 months

BUY

November 16, 2022

## Turns ex-bonus today, retain positive stance...

**About the stock:** Motherson Sumi Wiring India (MSWIL) was established in 1986 as a JV with Sumitomo Wiring Systems (Japan). MSWIL is a leading, full-system wiring harness solutions provider in India catering to all major OEMs like Maruti Suzuki, Toyota Motors, Ashok Leyland, Tata Motors, etc. It listed on March 28, 2022.

- FY22 segment mix: PV: 60%; CV: 11%; 2W: 12%; Others: 17%
- It has 23 plants in India with 40,000+ employees. It was recently carved out of the erstwhile Motherson Sumi (MSSL) at the behest of its JV partner

### Motherson Sumi Wiring India turns ex-bonus today:

- MSWIL made an announcement for issue of bonus shares on September 30, 2022. The ratio was two bonus equity shares of ₹ 1 each fully paid up for every five existing equity shares of ₹ 1 each fully paid up (i.e. in the ratio of 2:5) held by shareholders as on the record date (November 17, 2022)
- MSWIL turns ex-bonus today i.e. November 16. Accordingly, the share price has been adjusted to ~₹ 60/share in opening trade today against the last closing price of ₹ 83/share yesterday
- With fundamentals remaining unchanged and with unchanged estimates, we retain our **BUY** rating on the stock. Our target price, however, is now revised to ₹ 75/share i.e. 42x PE on FY24-25E average EPS of ₹ 1.8/share
- MSWIL is a good proxy to play upon the recovery in the domestic automobile space with superlative return ratio profile (RoCE ~50%) and structural levers for long term growth given the content/vehicle increase due to rise in electronic content in vehicles as well as electrification

### Key triggers for future price performance:

- We build 18.1% FY22-25E net sales CAGR riding on OEM ramp up, focus on premiumisation (i.e. greater share of technological advanced features like ADAS, sensors, etc) and greater share of UVs in pass car segment
- EV beneficiary; with potential increase in kit value by 1.5x-2x in EVs vs ICE
- Asset light model with expandable capacities coupled with operating leverage to push margins, RoCE to 13.5%, 51%, respectively, (FY25E)
- FY22: Net cash positive b/s: ₹ 280 crore, healthy CFO/FCF generation

### Alternate Stock Idea: Besides MSWIL, in our auto coverage we like M&M.

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with a target price of ₹ 1,590



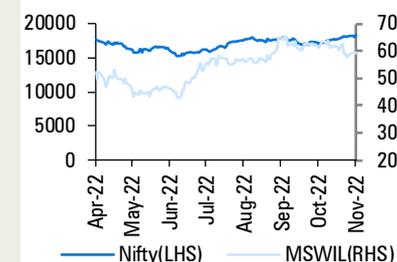
#### Particulars

Particulars	₹ crore
Market capitalisation	26,527.2
Total Debt (FY22)	19.3
Cash & Investment (FY22)	293.3
EV (₹ crore)	26,253.2
52 week H/L (₹)	71 / 40
Equity capital (₹ crore)	442.1
Face value (₹)	1.0

#### Shareholding pattern

	Mar-22	Jun-22	Sep-22
Promoter	61.7	61.7	61.7
FII	14.9	8.6	10.5
DII	13.4	20.8	19.1
Other	10.0	8.9	8.7

#### Price Chart



#### Recent event & key risks

- Bonus issue of equity shares in ratio of 2:5.
- Key Risk:** (i) Slower than anticipated pickup in sales across its OEM clients, (ii) Muted margin profile limiting return ratios

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### Key Financial Summary

Key Financials	FY21	FY22	FY23E	FY24E	FY25E	3 year CAGR (FY22-25E)
Total Operating Income	3,937.7	5,635.0	7,034.2	8,084.3	9,291.7	18.1%
EBITDA	553.1	730.3	914.4	1,091.4	1,254.4	19.8%
EBITDA Margins (%)	14.0	13.0	13.0	13.5	13.5	
Net Profit	396.2	410.7	595.6	719.9	831.3	26.5%
EPS (₹)	1.3	1.3	1.3	1.6	1.9	
P/E	47.8	46.1	44.5	36.9	31.9	
RoNW (%)	55.8	41.1	45.3	46.1	45.2	
RoCE (%)	60.5	45.1	49.4	51.2	50.9	

Source: Company, ICICI Direct Research; FY23-25E EPS adjusted for bonus issue

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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