

Motherson Wiring

Estimate change



TP change



Rating change



Bloomberg	MSUMI IN
Equity Shares (m)	4421
M.Cap.(INRb)/(USD\$)	265 / 3.2
52-Week Range (INR)	71 / 45
1, 6, 12 Rel. Per (%)	-4/6/-10
12M Avg Val (INR M)	324

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	70.6	81.9	94.1
EBITDA	7.8	9.7	12.1
Adj. PAT	4.9	6.2	7.9
EPS (Rs)	1.1	1.4	1.8
EPS Growth (%)	4.3	26.8	27.7
BV/Share (INR)	3.0	3.8	4.7

Ratios

Net D:E	0.0	-0.1	-0.2
RoE (%)	39.8	41.3	42.2
RoCE (%)	42.7	45.0	47.3
Payout (%)	59.0	60.0	60.0

Valuations

P/E (x)	54.5	42.9	33.6
P/BV (x)	19.9	16.0	12.8
Div. Yield (%)	1.1	1.4	1.8
FCF Yield (%)	0.1	2.1	2.6

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	61.7	61.7	61.7
DII	17.8	18.0	19.3
FII	11.1	11.0	10.4
Others	9.4	9.3	8.6

FII Includes depository receipts

CMP:INR60

TP: INR70 (+17%)

Buy

Lower gross margin offset by operating leverage

New facilities ramped up to 70-80% capacity utilization

- 2QFY24 results miss estimate as EBITDA margin came in at 11.8% (vs. est. 12.7%). This shortfall was due to lower gross margins and the gradual ramp-up of new orders, where operational efficiencies are still being established. However, we expect EBITDA margin to improve by 100bp over the next two quarters and reach close to FY22 levels, led by cost pass-through and ramp up in new facilities.
- We cut FY24E/25E EPS by 6%/3% to account for the adverse impact of increase in RM cost and lower efficiencies. We reiterate our BUY rating on the stock with a TP of INR70 (35x Dec'25E EPS).

Capacity rampup coupled with operational efficiencies to drive margins

- 2QFY24 revenue/EBITDA/adj.PAT grew 15%/37%/34% YoY to INR21.05b/INR2.5b/INR1.6b (vs. est.INR20.8b/INR2.6b/INR1.7b). 1HFY24 revenues/EBITDA/adj.PAT grew 13%/15%/15% YoY.
- Gross margins declined 50bp QoQ (flat YoY) to 33.8% (vs. est. 35%). This is despite favorable LME copper prices on QoQ constant currency basis.
- However, operating leverage benefited EBITDA margins, which expanded 190bp YoY/60bp QoQ to 11.8% (vs. est.12.7%).
- EBITDA grew 37% YoY to INR2.5b (vs. est. INR2.6b).
- Further adj. PAT grew 34% YoY to INR1.6b (vs. est.INR1.7b).
- 1HFY24 FCFF stood at INR3.85b (vs. outflow of INR259m in 1HFY23) due to strong operating cashflow of INR4.1b (vs. INR591m in 1HFY23) and lower capex of INR265m (vs. INR850m in 1HFY23).

Highlights from the management commentary

- **EBITDA margin is likely to improve in the coming quarters, driven by the** ramp-up of new models where there is potential for increased efficiencies, as well as some RM cost pass-through mechanisms. This coupled with other activities such as cost reduction, localization, and customer recoveries should help margins.
- **Increase in RM-** There is a pass-through arrangement in place with the customers, operating with a quarter lag, and it is anticipated to be settled regularly going forward.
- **New facilities-** A few have been ramped up to 70-80%, while others are ramping up at a few locations.
- Maintained a capex guidance of 1.25b for FY24. Incurred capex of INR0.26b in 1HFY24.
- The EV program contributes to 3.5-4% of the total revenues, encompassing covering all segments including PVs, CVs, and 2Ws.

Valuation and view

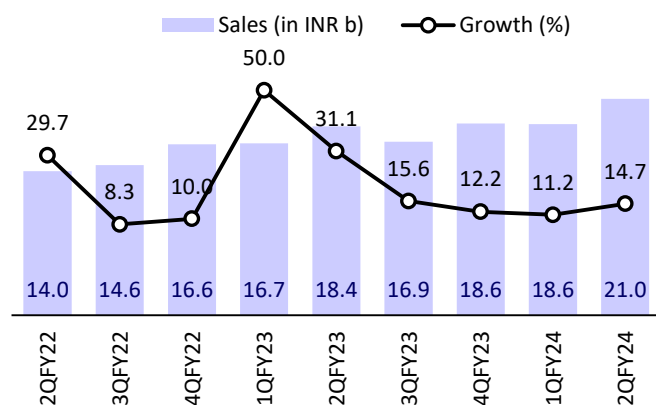
- We expect gradual recovery in the operating performance starting from 2HFY24, primarily led by the increased production and utilization of the new plants. We believe it deserves rich valuations, driven by a) its strong competitive positioning, b) top decile capital efficiencies, and c) it being a beneficiary of EVs and other mega trends in Autos.
- The stock trades at 42.9x/33.6x FY24E/25E EPS. We reiterate our BUY rating with a TP of INR70 (~35x Dec'25E EPS).

Quarterly performance

Y/E March	FY23				FY24E				(INR Million)		
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY23	FY24E	2QE
Net Sales	16,709	18,352	16,868	18,644	18,588	21,046	20,415	21,817	70,574	81,866	20,818.4
YoY Change (%)	50.0	31.1	15.6	12.2	11.2	14.7	21.0	17.0	25.2	16.0	13.4
RM Cost (% of sales)	64.9	66.2	64.3	66.9	65.7	66.2	65.0	65.2	65.6	65.5	65.0
Staff Cost (% of sales)	16.4	17.3	17.8	15.6	17.6	16.3	16.9	15.8	16.8	16.6	16.1
Other Expenses (% of sales)	6.6	6.6	7.3	6.2	6.3	5.7	5.8	6.3	6.5	6.0	6.2
EBITDA	2,028	1,808	1,790	2,093	1,941	2,481	2,511	2,784	7,814	9,718	2,645.7
Margins (%)	12.1	9.9	10.6	11.2	10.4	11.8	12.3	12.8	11.1	11.9	12.7
Depreciation	277	295	317	348	338	364	360	375	1,237	1,437	350
Interest	69	59	65	86	77	74	75	74	278	300	75
Other Income	77	107	7	127	136	56	70	60	223	321	65
PBT before EO expense	1,759	1,562	1,415	1,786	1,661	2,100	2,146	2,395	6,522	8,302	2,286
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0
PBT after EO Expense	1,759	1,562	1,415	1,786	1,661	2,100	2,146	2,395	6,522	8,302	2,285.7
Tax Rate (%)	28	25	25	22	26	26	26	25	25	26	25.0
Reported PAT	1,260	1,165	1,062	1,385	1,231	1,559	1,599	1,788	4,871	6,177	1,714
Adj PAT	1,260	1,165	1,062	1,385	1,231	1,559	1,599	1,788	4,871	6,177	1,714
YoY Change (%)	106.5	2.1	-19.6	-13.2	-2.2	33.9	50.6	29.1	4.3	26.8	47.2

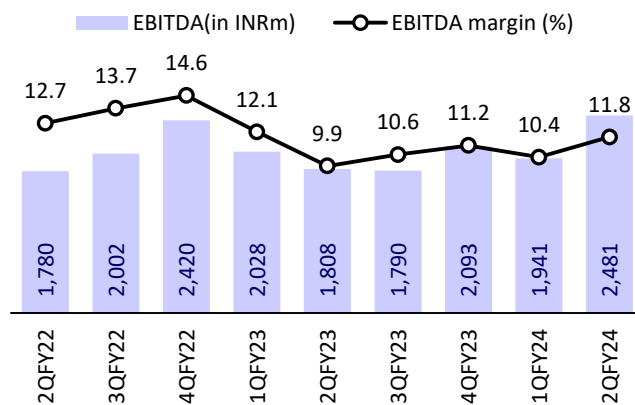
E: MOFSL Estimates

Exhibit 1: Revenue and revenue growth profile

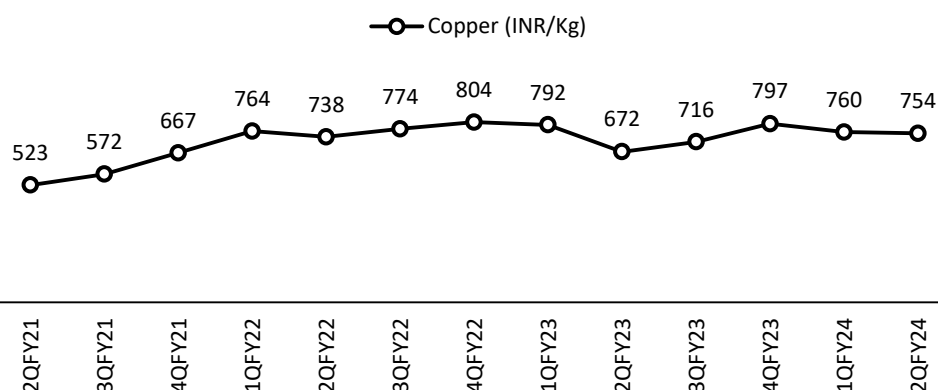


Source: Company, MOFSL

Exhibit 2: EBITDA and EBITDA margin (%)



Source: Company, MOFSL

Exhibit 3: Copper price movement

Source: Company, MOFSL

Valuation and view

- MSWIL offers a pure play on the India automotive market (>95% of revenues from India). With over 40% market share, the company holds a dominant position in the Indian wiring harness industry. Its strong foothold provides ample room for continuous growth in content, capitalizing on the significant trends observed in the automotive industry (premiumization, electrification, connected vehicles, etc.).
- MSWIL enjoys exceptional profitability, 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 MSWILs revenue/EBITDA/PAT CAGR of 15%/24%/27% over FY23-25. This is expected to drive RoIC to 44.5% by FY25E from 37.2% in FY23. RoE would also improve to 42.2% by FY25E from 39.8% in FY23.
- We cut FY24E/25E EPS by 6%/3% to account for the adverse impact of increase in RM cost and lower efficiencies. We expect gradual recovery in the operating performance from 2HFY24, primarily driven by the increased production and utilization of the new plant. We believe it deserves rich valuations, driven by a) its strong competitive positioning, b) top decile capital efficiencies, and c) it being a beneficiary of EVs and other mega trends in Autos. The stock trades at 42.9x/33.6x FY24E/25E EPS. We reiterate our BUY rating with a TP of INR70 (~35x Dec'25E EPS).

Exhibit 4: Revisions to our estimates

(INR M)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	81,866	82,219	-0.4	94,146	94,552	-0.4
EBITDA	9,718	10,239	-5.1	12,091	12,423	-2.7
EBITDA (%)	11.9	12.5	-60bp	12.8	13.1	-30bp
Adj. PAT	6,177	6,600	-6.4	7,885	8,145	-3.2
EPS (INR)	1.4	1.5	-6.4	1.8	1.8	-3.2

Key operating indicators

Exhibit 5: Trend in sales

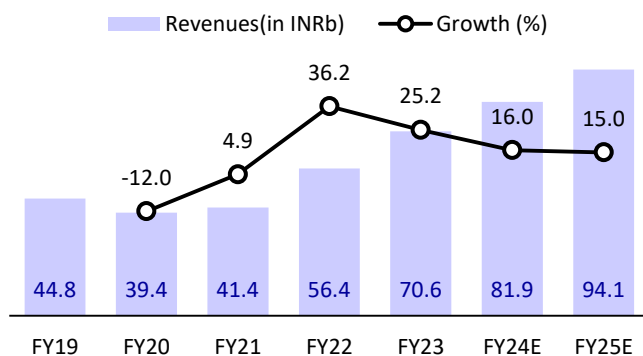


Exhibit 6: EBITDA and EBITDA margin (%) trend

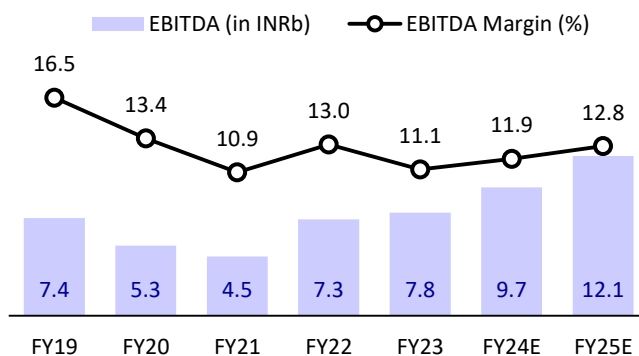


Exhibit 7: PAT and PAT growth (%)

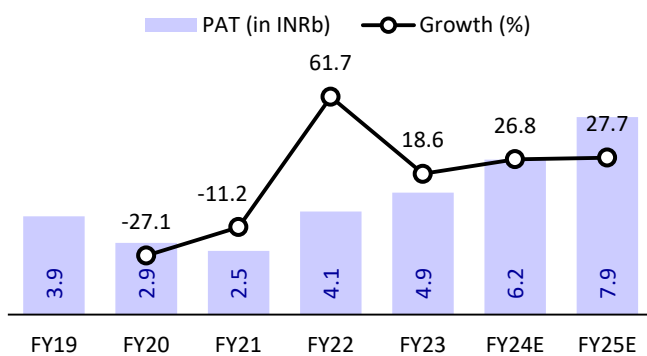
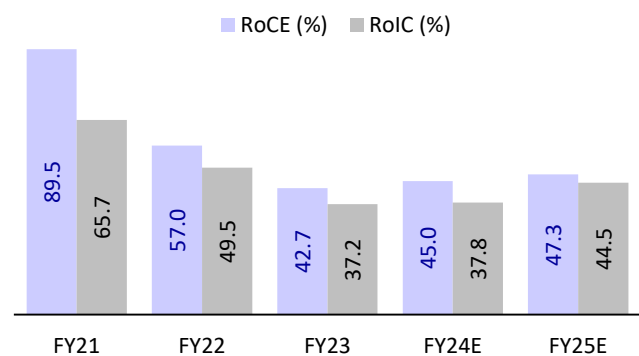


Exhibit 8: Trend in MSUMI's return profile



Financials and valuations

Income Statement						(INR Million)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Revenues	44,838	39,439	41,380	56,350	70,574	81,866	94,146
Change (%)	NA	-12.0	4.9	36.2	25.2	16.0	15.0
EBITDA	7,399	5,294	4,490	7,303	7,814	9,718	12,091
EBITDA Margin (%)	16.5	13.4	10.9	13.0	11.1	11.9	12.8
Depreciation	973	1,000	930	1,055	1,237	1,437	1,692
EBIT	6,426	4,294	3,560	6,248	6,578	8,281	10,400
EBIT Margin (%)	14.3	10.9	8.6	11.1	9.3	10.1	11.0
Interest Charges				285	278	300	250
Other Income				300	223	321	420
PBT bef. EO Exp.	6,426	4,236	3,472	6,263	6,522	8,302	10,570
EO Exp/(Inc)	0	0	0	654	0	0	0
PBT after EO Exp.	6,426	4,236	3,472	5,609	6,522	8,302	10,570
Total Tax	0	0	932	1,502	1,652	2,125	2,685
Tax Rate (%)	0.0	0.0	26.8	26.8	25.3	25.6	25.4
Reported PAT	3,923	2,860	2,540	4,107	4,871	6,177	7,885
Adjusted PAT	3,923	2,860	2,540	4,670	4,871	6,177	7,885
Change (%)	NA	-27.1	-11.2	83.9	4.3	26.8	27.7
Margin (%)	8.7	7.3	6.1	8.3	6.9	7.5	8.4

Balance Sheet						(INR Million)	
Y/E March	FY21	FY22	FY23	FY24E	FY25E		
Equity Share Capital	3,158	3,158	4,421	4,421	4,421		
Total Reserves	3,942	7,988	8,884	12,187	16,365		
Net Worth	7,100	11,146	13,305	16,608	20,786		
Minority Interest							
Total Loans	820	193	818	818	818		
Other non-current liabilities	640	3,059	3,348	3,348	3,348		
Capital Employed	8,560	14,397	17,471	20,774	24,953		
Net Fixed Assets	1,699	4,321	5,792	5,625	5,434		
Capital WIP	1	323	270	300	300		
Other non-current assets	260	928	1,259	1,369	1,488		
Current Assets	15,670	19,642	21,244	26,891	33,216		
Inventory	7,990	9,600	12,096	13,906	15,992		
Account Receivables	6,750	6,593	8,004	9,420	10,833		
Cash and Bank Balance	370	2,933	368	2,665	5,356		
Other current & fin.assets	560	516	776	900	1,035		
Current Liabilities	9,330	11,220	11,506	13,823	15,896		
Creditors	7,520	9,129	9,257	11,214	12,897		
Other current & fin.liabilities	1,810	2,091	2,249	2,608	2,999		
Net Current Assets	6,340	8,422	9,738	13,069	17,320		
Deferred Tax assets	260	403	411	411	411		
Appl. of Funds	8,560	14,397	17,471	20,774	24,953		

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)					
EPS	0.6	1.1	1.1	1.4	1.8
Cash EPS	0.8	1.3	1.4	1.7	2.2
BV/Share	1.6	2.5	3.0	3.8	4.7
DPS		0.61	0.65	0.84	1.07
Payout (%)		65.4	59.0	60.0	60.0
Valuation (x)					
P/E	104.4	56.8	54.5	42.9	33.6
Cash P/E	76.4	46.3	43.4	34.8	27.7
P/BV	37.4	23.8	19.9	16.0	12.8
EV/Sales	4.6	3.3	3.8	3.2	2.8
EV/EBITDA	42.3	25.6	34.0	27.1	21.6
Dividend Yield (%)		1.0	1.1	1.4	1.8
FCF Yield (%)		2.1	0.1	2.1	2.6
Return Ratios (%)					
RoE	35.8	51.2	39.8	41.3	42.2
RoCE (pre-tax)	89.5	57.0	42.7	45.0	47.3
RoIC	65.7	49.5	37.2	37.8	44.5
Working Capital Ratios					
Asset Turnover (x)	4.8	3.9	4.0	3.9	3.8
Inventory (Days)	70	62	63	62	62
Debtor (Days)	60	43	41	42	42
Creditor (Days)	66	59	48	50	50
Leverage Ratio (x)					
Current Ratio	1.7	1.8	1.8	1.9	2.1
Net Debt/Equity	0.1	-0.2	0.0	-0.1	-0.2

Cash Flow Statement

(INR Million)

Y/E March	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	5,320	6,263	6,522	8,302	10,570
Depreciation	374	1,055	1,237	1,437	1,692
Interest & Finance Charges	73	285	278	300	250
Direct Taxes Paid	-1,142	-1,962	-1,775	-2,125	-2,685
(Inc)/Dec in WC	-4,454	44	-3,925	-1,033	-1,561
Others	-57	-23	-102		
CF from Operations	114	5,662	2,236	6,880	8,266
EO item	0	-654	0		
CF from Operating incl EO	114	5,008	2,236	6,880	8,266
(Inc)/Dec in FA	-281	-1,008	-1,977	-1,300	-1,500
Free Cash Flow	-168	3,999	259	5,580	6,766
(Pur)/Sale of Investments					
Others	0	0	40	-109	-119
CF from Investments	-281	-1,008	-1,937	-1,409	-1,619
Issue of Shares				0	0
Inc/(Dec) in Debt	292	-1,129	78	0	0
Interest Paid	-43	-310	-272	-300	-250
Dividend Paid	0	0	-2,677	-2,874	-3,706
Others	1	0	0		
CF from Fin. Activity	250	-1,439	-2,871	-3,174	-3,956
Inc/Dec of Cash	82	2,561	-2,572	2,297	2,691
Opening Balance	290	373	2,933	361	2,658
Closing Balance	373	2,933	361	2,658	5,349

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BUY	>=15%
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www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000.

Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Humud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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