

## Another robust Qtr; order wins to help sustain growth visibility

Auto &amp; Auto Ancillaries ▶ Result Update ▶ May 16, 2024

TARGET PRICE (Rs): 80

**MSUMI reported another quarter of strong performance, with revenue /EBITDA/PAT growth of 20%/39%/38% YoY. Continued premiumization trend (incl. SUV shift) and electrification have been key growth drivers, per Management. Backed by new order wins in both, ICE and EVs, MSUMI is adding 2 more facilities with up to 15% capacity rise and production starting from 1QFY25 (major ramp up 2HFY25 onwards). With market-share loss within MSIL now behind (Exhibit 3), break-through in 2 large SUV-focused OEMs and the EV-shift will help sustain the robust performance (even as PV industry growth is moderating). We expect 21%/28%/33% rev./EBITDA/PAT CAGR over FY24-26E. We maintain BUY with unchanged TP of Rs80/sh, at 30x FY26E PER (refer to our report, [Strong proxy play on PVs](#)).**

## Motherson Sumi Wiring India: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	56,350	70,574	83,150	1,01,287	1,21,436
EBITDA	7,303	7,814	9,895	12,965	16,637
Adj. PAT	4,671	4,870	6,401	8,724	11,360
Adj. EPS (Rs)	1.1	1.1	1.4	2.0	2.6
EBITDA margin (%)	13.0	11.1	11.9	12.8	13.7
EBITDA growth (%)	32.0	7.0	26.6	31.0	28.3
Adj. EPS growth (%)	3.6	18.6	31.4	36.3	30.2
RoE (%)	51.2	39.8	43.9	50.8	57.9
RoIC (%)	51.6	36.5	37.1	44.8	52.0
P/E (x)	65.0	62.3	47.4	34.8	26.7
EV/EBITDA (x)	41.5	39.3	30.9	23.6	18.4
P/B (x)	27.2	22.8	19.1	16.4	14.6
FCFF yield (%)	1.3	0.1	1.6	2.1	3.0

Source: Company, Emkay Research

## Strong operational performance amid revenue growth and margin expansion

Revenues grew 20% YoY to Rs22.3bn, in line with Emkay estimate albeit ~4% below Consensus expectations. EBITDA came in at Rs2.9bn, up 39% YoY and 2% above Emkay (of Rs2.8bn) but ~6% below Consensus (of Rs3.1bn) estimates. EBITDA margin rose by 67bps QoQ to 13%, seeing a fourth successive quarter of QoQ margin improvement (Consensus/Emkay estimates at 12.8%/13.2%). Margin improvement was on account of lower RM and staff costs. PAT was higher 38% YoY at ~Rs1.9bn (Emkay: Rs1.9bn; Consensus: ~Rs2bn). ROCE came in at 48% for the full year vs 44% in FY23.

## Earnings Call KTAs

1) Management highlighted that the strong outperformance vs industry was aided by i) continued growth in content per vehicle, ii) sustained premiumization trend across the industry, and iii) the SUV trend playing out. 2) The company has two facilities in the pipeline currently which will be operational from Q1FY25, with ramp up planned H2FY25 onwards. These are expected to augment total production capacity by 10-15% and will cater to both, the ICE and EV models. 3) Management pointed to the expansion of footprint and a more enriched production capacity by its clients across the small car and SUV segments (upcoming new launches and continuing addition of features in vehicles) which would translate into incremental revenue for MSUMI. 4) The company maintains triangulating its efforts on digitization to increase operational activities; this is reflected in the above-expected ROCE of 48% for FY24. Company maintains guidance to an ROCE of >40%. 5) Copper prices are a pass-through to OEMs with a 3-6M lag. 6) Capex guidance for FY25 stands at ~Rs2bn, which would be bifurcated into maintenance (replacement of end-of-the-line assets) and growth (capacity expansion and product quality improvement).

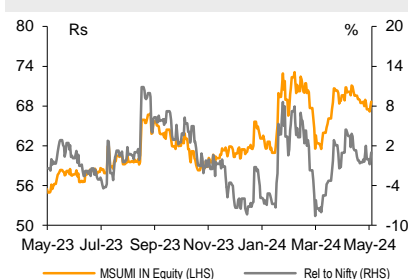
Target Price – 12M	Mar-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	16.5
CMP (15-May-24) (Rs)	68.7

Stock Data	Ticker
52-week High (Rs)	75
52-week Low (Rs)	54
Shares outstanding (mn)	4,421.1
Market-cap (Rs bn)	304
Market-cap (USD mn)	3,635
Net-debt, FY24E (Rs mn)	2,388
ADTV-3M (mn shares)	8
ADTV-3M (Rs mn)	549.5
ADTV-3M (USD mn)	6.6
Free float (%)	38.3
Nifty-50	22,201
INR/USD	83.5
<b>Shareholding, Mar-24</b>	
Promoters (%)	61.7
FPIs/MFs (%)	10.9/16.2

## Price Performance

(%)	1M	3M	12M
Absolute	(0.3)	(2.8)	23.7
Rel. to Nifty	-	(4.0)	2.5

## 1-Year share price trend (Rs)



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**Exhibit 1: Q4FY24 Results snapshot – Revenue/EBITDA grew 20%/39% YoY; margins up by 67bps sequentially**

Rs mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Change YoY (%)	Change QoQ (%)
<b>Revenue</b>	<b>16,709</b>	<b>18,352</b>	<b>16,868</b>	<b>18,644</b>	<b>18,588</b>	<b>21,046</b>	<b>21,173</b>	<b>22,327</b>	<b>20</b>	<b>5</b>
Expenditure	14,681	16,544	15,079	16,552	16,647	18,565	18,553	19,413	17	5
as % of sales	87.9	90.1	89.4	88.8	89.6	88.2	87.6	87.0		
Consumption of RM	10,845	12,151	10,844	12,477	12,208	13,929	13,859	14,542	17	5
as % of sales	64.9	66.2	64.3	66.9	65.7	66.2	65.5	65.1		
Employee Cost	2,741	3,175	3,001	2,914	3,271	3,438	3,400	3,442	18	1
as % of sales	16.4	17.3	17.8	15.6	17.6	16.3	16.1	15.4		
Other expenditure	1,095	1,218	1,234	1,160	1,168	1,198	1,294	1,430	23	11
as % of sales	6.6	6.6	7.3	6.2	6.3	5.7	6.1	6.4		
<b>EBITDA</b>	<b>2,028</b>	<b>1,808</b>	<b>1,790</b>	<b>2,093</b>	<b>1,941</b>	<b>2,481</b>	<b>2,620</b>	<b>2,913</b>	<b>39</b>	<b>11</b>
EBITDA margin (%)	12.1	9.9	10.6	11.2	10.4	11.8	12.4	13.0		
Depreciation	277	295	317	348	338	364	377	394	13	4
EBIT	1,751	1,513	1,473	1,745	1,603	2,118	2,243	2,520	44	12
Other Income	77	107	7	127	136	56	11	43	(66)	305
Interest	69	59	65	86	77	74	64	58	(32)	(9)
PBT	1,759	1,562	1,415	1,786	1,661	2,100	2,190	2,505	40	14
Total Tax	500	397	353	402	430	541	511	590	47	15
<b>Adjusted PAT</b>	<b>1,260</b>	<b>1,165</b>	<b>1,062</b>	<b>1,385</b>	<b>1,231</b>	<b>1,559</b>	<b>1,679</b>	<b>1,914</b>	<b>38</b>	<b>14</b>
EO (expense)/profit	-	-	-	-	-	-	-	-		
Reported PAT	1,260	1,165	1,062	1,385	1,231	1,559	1,679	1,914	38	14
Adjusted EPS (Rs)	0.3	0.3	0.2	0.3	0.3	0.4	0.4	0.4	38	14

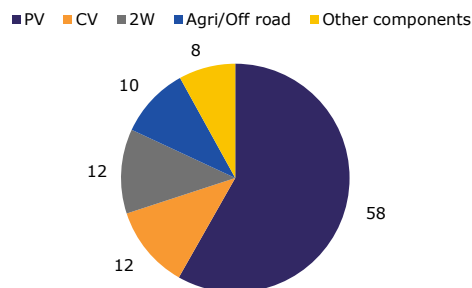
  

(%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Change YoY (bps)	Change QoQ (bps)
EBITDAM	12.1	9.9	10.6	11.2	10.4	11.8	12.4	13.0	182	67
EBITM	10.5	8.2	8.7	9.4	8.6	10.1	10.6	11.3	192	69
PBTM	10.5	8.5	8.4	9.6	8.9	10.0	10.3	11.2	164	87
APATM	7.5	6.3	6.3	7.4	6.6	7.4	7.9	8.6	115	65
Effective Tax rate	28.4	25.4	25.0	22.5	25.9	25.8	23.3	23.6	108	22

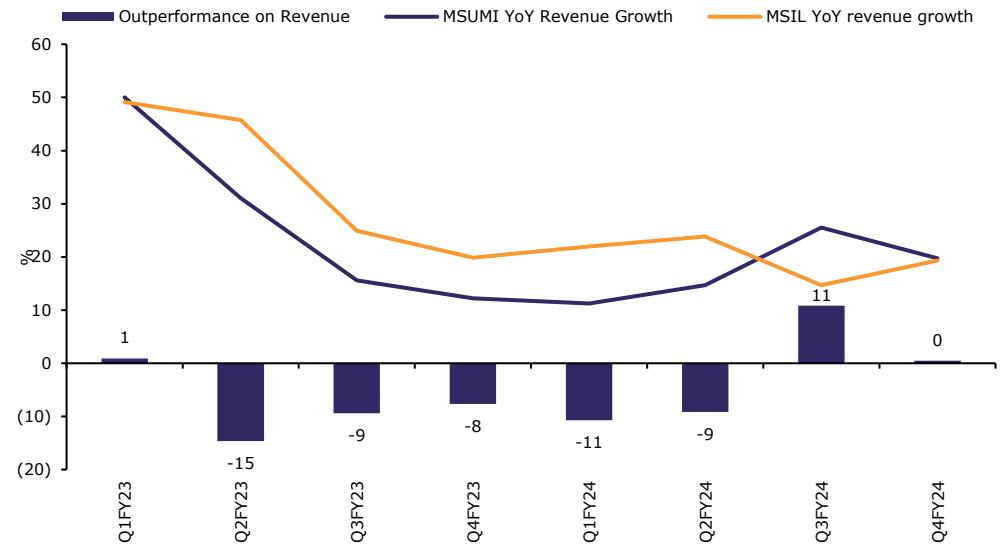
Source: Company, Emkay Research

**Exhibit 2: MSUMI – Revenue mix for FY24**

Revenue mix (FY24, %)



Source: Company, Emkay Research

**Exhibit 3: MSUMI has matched its performance with key client MSIL's; wallet share loss now behind**


Source: Company, Emkay Research

**Exhibit 4: MSUMI is the sole supplier to the recently-launched Tata Punch EV; ramp-up in TTMT PVs is likely to have aided the Q3 performance**


Source: Company, Emkay Research

**Exhibit 5: MSUMI is also the only supplier to the upcoming Tata Curvv (as per industry checks); would ensure continued outperformance**


Source: Media article, Emkay Research

**Exhibit 6: Actual vs Estimates (Q4FY24)**

Rs mn	Actual	Emkay Est	Var %	Consensus	Var %
Revenues	22,327	22,343	(0.1)	23,305	(4.2)
EBITDA	2,913	2,853	2.1	3,086	(5.6)
EBITDA margin (%)	13.0	12.8	28 bps	13.2	(19) bps
Adj. net income	1,914	1,932	(0.9)	1,987	(3.7)
Adj. EPS (Rs)	0.4	0.4	(0.9)	0.4	(3.7)

Source: Company, Emkay Research

**Exhibit 7: Revenue Model – We maintain 21%/28%/33% revenue/EBITDA/PAT CAGR over FY24-26E**

(Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>39,377</b>	<b>56,350</b>	<b>70,680</b>	<b>83,283</b>	<b>101,439</b>	<b>121,619</b>
EBITDA	5,531	7,303	7,920	10,132	12,905	16,662
EBITDA margin (%)	14.0	13.0	11.2	12.2	12.7	13.7
Depreciation	374	1,055	1,237	1,473	1,579	1,768
Other income	236	300	117	69	503	538
Interest	73	285	278	273	268	264
PBT	5,320	6,263	6,522	8,455	11,560	15,167
Tax	1,358	1,592	1,652	2,072	2,913	3,822
PAT	3,962	4,671	4,870	6,383	8,647	11,345
<b>EPS (Rs)</b>	<b>0.9</b>	<b>1.1</b>	<b>1.1</b>	<b>1.4</b>	<b>2.0</b>	<b>2.6</b>

Source: Company, Emkay Research

**Exhibit 8: FY25E/FY26E EPS remains unchanged**

Rs mn	FY24		FY25E				FY26E			
	Actual	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenues	83,283	17.8	101,287	101,439	0.2	21.8	121,436	121,619	0.2	19.9
EBITDA	10,132	27.9	12,965	12,905	-0.5	27.4	16,637	16,662	0.2	29.1
- Margin (%)	12.2	96 bps	12.8	12.7	-8 bps	56 bps	13.7	13.7	0 bps	98 bps
APAT	6,383	31.1	8,724	8,647	-0.9	35.5	11,360	11,345	-0.1	31.2
EPS (Rs)	1.4	31.1	2.0	2.0	-0.9	35.5	2.6	2.6	-0.1	31.2

Source: Company, Emkay Research

**Exhibit 9: Emkay Vs Consensus Estimates**

MSUMI	Emkay Estimates		Bloomberg estimates		Difference (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net revenue	101,287	121,436	94,526	107,975	7.2%	12.5%
EBITDA	12,965	16,637	12,001	14,416	8.0%	15.4%
EBITDA margin (%)	12.8	13.7	12.7	13.4	0.8%	2.6%
EPS (Rs)	2.0	2.6	1.8	2.2	9.3%	16.1%

Source: Company, Emkay Research

Motherson Sumi Wiring India: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	56,350	70,574	83,150	1,01,287	1,21,436
Revenue growth (%)	43.1	25.2	17.8	21.8	19.9
EBITDA	7,303	7,814	9,895	12,965	16,637
EBITDA growth (%)	32.0	7.0	26.6	31.0	28.3
Depreciation & Amortization	1,055	1,237	1,438	1,536	1,719
EBIT	6,248	6,577	8,456	11,428	14,917
EBIT growth (%)	21.2	5.3	28.6	35.1	30.5
Other operating income	0	0	0	0	0
Other income	300	223	393	503	538
Financial expense	285	278	292	268	268
PBT	6,263	6,522	8,557	11,663	15,187
Extraordinary items	(564)	0	0	0	0
Taxes	1,592	1,652	2,156	2,939	3,827
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	4,107	4,870	6,401	8,724	11,360
PAT growth (%)	3.6	18.6	31.4	36.3	30.2
Adjusted PAT	4,671	4,870	6,401	8,724	11,360
Diluted EPS (Rs)	1.1	1.1	1.4	2.0	2.6
Diluted EPS growth (%)	3.6	18.6	31.4	36.3	30.2
DPS (Rs)	0.6	0.7	0.9	1.4	2.1
Dividend payout (%)	65.4	59.0	60.0	70.0	80.0
EBITDA margin (%)	13.0	11.1	11.9	12.8	13.7
EBIT margin (%)	11.1	9.3	10.2	11.3	12.3
Effective tax rate (%)	25.4	25.3	25.2	25.2	25.2
NOPLAT (pre-IndAS)	4,660	4,912	6,325	8,548	11,158
Shares outstanding (mn)	4,421.1	4,421.1	4,421.1	4,421.1	4,421.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	6,263	6,522	8,557	11,663	15,187
Others (non-cash items)	663	1,413	1,730	1,804	1,987
Taxes paid	(1,962)	(1,775)	(2,156)	(2,939)	(3,827)
Change in NWC	44	(3,925)	(1,771)	(2,535)	(2,482)
Operating cash flow	5,008	2,236	6,360	7,993	10,864
Capital expenditure	(1,008)	(1,977)	(1,250)	(1,500)	(1,500)
Acquisition of business	0	0	0	0	0
Interest & dividend income	0	40	0	0	0
Investing cash flow	(1,008)	(1,977)	(1,250)	(1,500)	(1,500)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(679)	649	(578)	0	0
Payment of lease liabilities	(450)	(571)	0	0	0
Interest paid	(310)	(272)	(292)	(268)	(268)
Dividend paid (incl tax)	0	(2,677)	(3,841)	(6,107)	(9,088)
Others	0	0	0	0	0
Financing cash flow	(1,439)	(2,871)	(4,711)	(6,374)	(9,356)
Net chg in Cash	2,560	(2,612)	399	119	9
OCF	5,008	2,236	6,360	7,993	10,864
Adj. OCF (w/o NWC chg.)	4,964	6,160	8,131	10,528	13,347
FCFF	3,999	259	5,110	6,493	9,364
FCFE	3,714	21	4,817	6,226	9,097
OCF/EBITDA (%)	68.6	28.6	64.3	61.7	65.3
FCFE/PAT (%)	90.4	0.4	75.3	71.4	80.1
FCFF/NOPLAT (%)	85.8	5.3	80.8	76.0	83.9

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	4,421	4,421	4,421	4,421	4,421
Reserves & Surplus	6,725	8,884	11,443	14,061	16,333
Net worth	11,146	13,305	15,865	18,482	20,754
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(403)	(411)	(411)	(411)	(411)
Total debt	2,829	3,726	3,148	3,148	3,148
Total liabilities & equity	13,571	16,620	18,601	21,219	23,491
Net tangible fixed assets	1,790	3,065	3,009	2,945	2,726
Net intangible assets	0	0	0	0	0
Net ROU assets	2,532	2,727	2,727	2,727	2,727
Capital WIP	323	270	138	165	165
Goodwill	0	0	0	0	0
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	2,933	361	760	879	887
Current assets (ex-cash)	17,637	22,142	26,042	31,647	37,540
Current Liab. & Prov.	11,643	11,946	14,075	17,144	20,555
NWC (ex-cash)	5,994	10,196	11,968	14,502	16,985
Total assets	13,571	16,619	18,601	21,218	23,490
Net debt	(105)	3,365	2,388	2,269	2,261
Capital employed	13,571	16,620	18,601	21,219	23,491
Invested capital	10,638	16,258	17,841	20,340	22,603
BVPS (Rs)	2.5	3.0	3.6	4.2	4.7
Net Debt/Equity (x)	0.0	0.3	0.2	0.1	0.1
Net Debt/EBITDA (x)	0.0	0.4	0.2	0.2	0.1
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	42.3	31.7	35.1	42.1	49.0

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	65.0	62.3	47.4	34.8	26.7
P/CE(x)	54.7	51.3	39.9	30.5	23.9
P/B (x)	27.2	22.8	19.1	16.4	14.6
EV/Sales (x)	5.4	4.3	3.7	3.0	2.5
EV/EBITDA (x)	41.5	39.3	30.9	23.6	18.4
EV/EBIT(x)	50.1	48.1	37.3	27.6	21.1
EV/IC (x)	29.4	19.5	17.7	15.5	13.9
FCFF yield (%)	1.3	0.1	1.6	2.1	3.0
FCFE yield (%)	1.2	0.0	1.5	2.0	2.9
Dividend yield (%)	0.9	0.9	1.3	2.0	3.0
DuPont-RoE split					
Net profit margin (%)	8.3	6.9	7.7	8.6	9.4
Total asset turnover (x)	5.3	4.7	4.7	5.1	5.4
Assets/Equity (x)	1.2	1.2	1.2	1.2	1.1
RoE (%)	51.2	39.8	43.9	50.8	57.9
DuPont-RoIC					
NOPLAT margin (%)	8.3	7.0	7.6	8.4	9.2
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	51.6	36.5	37.1	44.8	52.0
Operating metrics					
Core NWC days	38.8	52.7	52.5	52.3	51.1
Total NWC days	38.8	52.7	52.5	52.3	51.1
Fixed asset turnover	9.4	7.8	7.5	8.1	8.7
Opex-to-revenue (%)	23.0	23.3	22.4	21.7	21.4

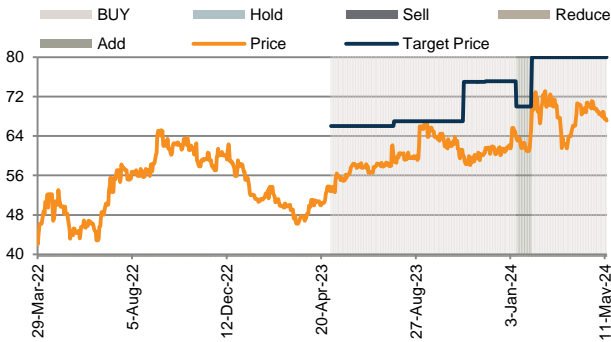
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
18-Apr-24	70	80	Buy	Chirag Jain
02-Apr-24	69	80	Buy	Chirag Jain
01-Feb-24	70	80	Buy	Chirag Jain
11-Jan-24	64	70	Add	Chirag Jain
30-Nov-23	62	75	Buy	Chirag Jain
31-Oct-23	60	75	Buy	Chirag Jain
28-Jul-23	59	67	Buy	Chirag Jain
19-May-23	55	66	Buy	Chirag Jain
03-May-23	53	66	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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