



“Motherson Sumi Wiring India Limited
Q1 FY 2025 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to Q1 FY '25 Earnings Conference Call of Motherson Sumi Wiring India Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. V.C. Sehgal. Thank you and over to you, Mr. Sehgal.

Vivek Chaand Sehgal: Thank you very much. Good evening, ladies and gentlemen. Thank you for joining this conference call of MSWIL. I am pleased to announce that the board has approved the results for Q1 financial year 2025. The company has delivered another quarter of strong results. Revenue during the quarter grew by 17% year-on-year at INR2,185 crores.

The revenue is on the back of both increased volumes and content. As a result, we outperformed the industry growth year-on-year across all segments, PV, CV, and two-wheelers. On a year-on-year basis, production of hybrid vehicles grew by 34%; EV by 11%. And the OEM progressed in their journey towards clean mobility. The company is well positioned to gain from the resultant increase in content.

The content increase in clean mobility solutions is on account of high voltage cables, battery management systems, and related components. The other automotive benefits are also playing out with increased SUV penetration and content-rich vehicle platforms.

EBITDA for the quarter stood at 239 209 crores, which is about 15% growth on year-on-year. Absolute profitability remained resilient despite the transitory impact of higher copper prices mitigated by operational efficiencies and change in product mix. Further, as we had announced earlier, two new greenfields that are being set up for which startup costs are also being captured in the quarter.

One plant, Pune, commenced operation in this quarter and is expected to fully ramp up by quarter 2, quarter 3. The second plant, Navagam, is expected to come on stream on quarter 1 financial year '26. While the facility construction and readiness is as scheduled, there is a delay on customers due to which SOP will be pushed out by a few quarters.

We continue to focus on operational excellence and financial prudence, and continue to remain a debt-free company. With this, I would like to conclude my remarks. I have Pankaj, Anurag, Mahender, and Vaaman with me to answer any questions that you might have.

Over to you, please.

- Moderator:** Thank you very much. First question is from the line of Raghunandhan N.L. from Nuvama Research. Please go ahead.
- Raghunandhan N. L.:** Raghu here. Congratulations, sir, on a good set of numbers. Firstly, relating to the results, on EV revenue, there was a growth of 50% Y-o-Y. What would be the share of EV business and revenue?
- Vivek Chaand Sehgal:** Anurag, can you please take this one?
- Anurag Gahlot:** Yes, sir. I think it is approximately 5%, including EV and hybrid at this moment in quarter one.
- Raghunandhan N. L.:** Got it, sir. Other expenses are higher on a Q-o-Q and Y-o-Y basis. There would be expenses relating to the new plants. What can be the normalized level of other expenses? Are there any one-offs in the result?
- Vivek Chaand Sehgal:** Mahender?
- Mahender Chhabra:** As far as other expenses are concerned, we see an increase in the current quarter, which is mainly on account of the two new plants that are coming up. So there is no other increase, there is no other one-off item other than the other indirect expenses of these two new plants.
- Raghunandhan N. L.:** And there would be some under-recoveries on cost inflation especially for copper. Would it be fair to assume three to six months would be the normal pass-through period?
- Mahender Chhabra:** Yes, that is right. Yes.
- Raghunandhan N. L.:** Thank you. On the EV wiring harnesses, how much would be the localization level? And can we expect PLI incentives this year?
- Vivek Chaand Sehgal:** Anurag, Pankaj
- Pankaj Mital:** Well, the PLI incentives are taken by the customers. So we pass on all the benefits as a supplier because most of our customers' products to whom we supply the EV products, they cover themselves under the schemes and they are taking benefit. And as for the scheme, only one company can take that on an overall basis.
- And in terms of localization, it is different product by product because some of the customers may want initially to have more import content, whereas we see that in some of our customers, a great degree of localization is also there, except for certain specific child parts or connectors which are imported. And as we had mentioned earlier, our

company has also developed local CCS2, so the charging side of the connectors, but still some of the unit connections remain imported as of now.

Raghunandhan N. L.: On the charger side, it's an adjacent opportunity for wiring harness. If you can talk about what can be the potential in products like chargers, battery management system?

Vivek Chaand Sehgal: Pankaj, we are doing a lot of localization, isn't it?

Pankaj Mital: Yes. And as far as you are talking about battery management system, we are not doing the battery management system ourselves, but we do support some of our customers in terms of the wiring harnesses which are required in their battery management system.

Raghunandhan N. L.: Got it, sir. And on the charger side, any product development work we have done there and any potential there?

Pankaj Mital: No, our company is limited to supporting our customers on the wiring harness side. We are not making the chargers as such. But in the wiring harness on the car side, the charging connectors which are required are within our scope.

Moderator: Next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Sir, my first question is you have mentioned that there is a transitory impact of higher raw material costs. But if I look at the RM2 stage, that actually hasn't changed much even sequentially or on a Y-o-Y basis. So if you can just highlight, I mean, does this number factor in the higher cost and can we expect improvement as the costs have come down now? If you can share some thoughts, sir.

Vivek Chaand Sehgal: Pankaj, Anurag

Anurag Gahlot: Okay. Yes. I think this is mainly due to the product mix. And as we are progressing towards the localization also, you will see that come in time that, that impact will come into that.

Siddhartha Bera: Okay. So you mean it will be a function of both mix and commodity? So assuming mix is same? Sorry.

Anurag Gahlot: It's largely a product mix impact.

Siddhartha Bera: Okay. So assuming the mix stays same in the coming quarters, given that copper has come down a bit towards the end, we should expect some improvement. Is that the right way to think about this?

- Anurag Gahlot:** It depends how the product mix is going to happen in this quarter. And yes, when you're talking about the copper, it started cooling off in a little bit. So yes, that impact will be coming into the Q2 or maybe next six months or so.
- Siddhartha Bera:** Got it, sir. The second question is on this rising share of EV or hybrids, which you continue to grow very strongly. Given that -- like you mentioned that the localization levels are a bit lower than the ICE segment. So how much will be the margin difference between these two products? Because the EV share will keep rising in the next couple of quarters. So how do we think about margins going ahead?
- Vivek Chaand Sehgal:** We keep trying to explain to you, ROCE is important, but very difficult to answer this question, but Pankaj, if you can try to make him understand.
- Pankaj Mital:** So as you rightly mentioned, we always look at ROCE and that's how we have always been doing high-level assemblies of any kind of business, which we do with our customers as the focus for a very long time on the company has been on return on employed. And also there is no specific rule for margins. So it will all depend on what kind of value addition we are doing and how we are doing it and project by project. So that's how it is. It's not something very specific to a particular product.
- Siddhartha Bera:** If I may put it in a different way, for example, like in this annual report also, I saw that it talked a lot about localization levels in this EV wiring harness segment.
- So can you share some timelines by when probably the localization levels reach to a stage where we are in the ICE segment currently? How long do you think that may take based on the discussions or the visibility you have?
- Vivek Chaand Sehgal:** Sorry, whom did you talk about? Who told you this particular thing?
- Siddhartha Bera:** No, the annual report talks a bit about many localization initiatives being taken on the charger and other aspects which we have done. So just wanted to understand by when can we probably have the same amount of value addition in this segment over the next few years, like compared to ICE?
- Vivek Chaand Sehgal:** By the time you get into localization, you must remember that the model changes in three years to four years. So localization -- we are multi-product, multi-harness. Pankaj, if you can explain that further to them, maybe it will help.
- Pankaj Mital:** Yes, sir. Different models are there which use different types of products and as you would have seen that while we say that the volumes have risen, it's with respect to a very small percentage of the total market size. So as the market sizes grow and mature and then the component localization at a unit level will happen as the maturity in terms of what is going

to be used in the long run will be there because it is still in a phase where it changes with new launches and the kind of systems which are being used.

Vivek Chaand Sehgal: And every wiring harness end goes to electrical system. If that electrical system is changed, the whole wiring harness changes. So please understand it's a very difficult thing to say, but by and large, we cannot influence the electrical manufacturers' connections. That has to be followed.

Moderator: Next question is from the line of Gunjan from Bank of America.

Gunjan: Just a couple of follow-ups. On the new plants that are commissioning, is it possible to share where the capacity utilization stands for the entire setup as well as how much time will it take for these plants to ramp up?

Vivek Chaand Sehgal: Gunjan, as a policy, if the customer hits 80% of the volume that he has promised, we will definitely go for a new plant. And that's the reason that always we don't talk about capacity. We talk about the model, the numbers that the customer has said. If that number 80% has been achieved, we will set up a new plant. We don't worry too much about capacity. We're not manufacturing cement or something. But maybe if you don't understand, then I'll ask Pankaj to elaborate a bit more.

Gunjan: Okay, maybe then I'll rephrase. Maybe what I'm trying to understand is, is there a one-off startup cost that I should bear in mind when thinking of margins for this quarter? Is that something that I should normalize when looking forward? The reason I ask is because there was a commissioning in this quarter and the SOP, like you mentioned, has been delayed. So I'm just trying to understand, is there a one-off to bear in mind? And also, if you can give a capex guide for fiscal '25.

Vivek Chaand Sehgal: Sure. Mahender and Pankaj and Anurag, can you take this, please?

Pankaj Mital: Yes, sir. I'll just give a brief. Again, as you rightly mentioned, that yes, there are costs which are associated with the new plants which is there in this quarter, where the revenues have either just kicked in, very small quantity, or where they have not yet kicked in. So there are two which Mr. Sehgal in his starting speech mentioned, and also gave the time plan, as you were requesting, that one of the plants will start to have the volumes by Q2-Q3, and the other plant will have the volumes from Q1 FY'25. So this is the status of these two startup plants. And as far as the capex guidance is concerned, Mr. Chhabra, can you?

Mahender Chhabra: Yes. So as far as capex guidance for the current year is concerned, we're looking at approx INR200 crores as a capex plan for the financial year, FY'24, '25.

Gunjan: Okay. Is it possible to quantify the startup cost or it's not possible? Like any one-off? Is it possible to quantify that?

Mahender Chhabra : So if you look at the P&L, like for example, other expenses and the employee benefit expenses, the variation is largely on account of the ramp-up cost of the new plants. It's mainly on account of that.

Gunjan: Okay. Got it. And the second question I had was on this, you know, generally the slowdown that we're seeing in the passenger vehicle industry. You of course engage a lot more with customers and have a clear -- have a better understanding of how the production schedules are shaping up. So if you can just share your insights on how you are thinking about the industry growth in this year?

Vivek Chaand Sehgal: Definitely. I think all these things that you're reading in the papers and all that could be because of certain unsuccessful models or models that have not caught the fancy of the customers. But I think the base numbers are looking good. It's just a variation which may happen. So people are a bit worried about EVs. They're looking at other alternatives.

I think you can see, and Pankaj will help me to explain this better, is the cars and numbers are being sold. The upper-end cars are doing better. There are some slowdowns in certain countries, but that must be peculiar to them. India, on the other hand, as the numbers are showing, you know, all passenger vehicles have done well. So Pankaj, can you help me more on that?

Pankaj Mital: Yes sir, and ma'am, basically, if you look at it, all the customers are also expanding their capacity, setting up new plants and taking off new models from there. Some new announcements have also been recently made even for future investments by the car makers. So mid to long term, everything looks good.

We do not see -- of course, some of the models, as Mr. Sehgal said, may not be doing too well, but then others are taking off. It's still -- it's not easy to get the car in the market the day you want. So there are still availability issues because of this backlogs, which are there for deliveries to the customers.

Gunjan: Okay, got it. Just last question on the JPY, yen moves. They've also been very stark.

I mean, should the understanding on this also be very similar to copper, that there will be a three to six month lag in terms of the pass-throughs?

Vivek Chaand Sehgal: I think yen is covered in the pass-throughs. No doubt, the customer takes advantage of it. But, Mahender, can you add?

- Mahender Chhabra:** Yes, that's right. For yen, also we have a pass-through, like at a time lag with some customers three months and with some customers six months. But yes, there is a pass-through for yen as well.
- Vivek Chaand Sehgal:** And the good news is that if the yen becomes stronger, our sales goes up on the lighter side.
- Moderator:** Next question is from the line of Jinesh Gandhi from AMBIT Capital.
- Jinesh Gandhi:** Two questions. One is a clarification on JPY. So, royalty which we pay to Sumitomo, that's on JPY basis or calculated on INR?
- Vivek Chaand Sehgal:** Pankaj, what's the royalty? It's not much, is it?
- Pankaj Mital:** It's paid on the Indian business in INR because it's INR.
- Jinesh Gandhi:** Got it. And secondly, on the content side, clearly, that is one of the key drivers for our business apart from the underlying industry growth. How do you see the difference in content between ICE and hybrids on the passenger vehicle side? Hybrids obviously is something which is coming up in a reasonably good manner. So is content substantially different than hybrids?
- Vivek Chaand Sehgal:** It has the benefit of both. It has electric also, power also, it has -- ICE also. It's very monospecific and there's no guideline per se. But Pankaj, again, take this question, please.
- Pankaj Mital:** Generally, yes. On an overall basis, the content will be much higher than ICE.
- Jinesh Gandhi:** Okay. So it should be somewhere between ICE and EV? EV we have indicated...
- Pankaj Mital:** EV is much, much higher, but hybrid is higher than ICE. So it's not exactly the same as ICE.
- Jinesh Gandhi:** Okay. And secondly, when we look at this increase in electronic content in vehicles with every change in generations, for example. We saw an upgrade of Swift recently, does content jump substantially from old generation to new generation? Any sense on that will be very useful.
- Vivek Chaand Sehgal:** Pankaj?
- Pankaj Mital:** Sorry, Jinesh, your voice was not very clear. Can you please repeat your question?
- Jinesh Gandhi:** What I'm asking is, for upgradation of new models, given that electronic content also goes up substantially between old generation and new generation, do we see material increase in content for us?

- Pankaj Mital:** With feature addition, yes. So as the new generation vehicles comes with more features, then there is a content addition on account of that.
- Jinesh Gandhi:** So that would be what?
- Vivek Chaand Sehgal:** Hybrid also, the copper content goes up because cables have to be used, and then the connectors also. So very, very difficult to quantify, but definitely high side, I think. Pankaj?
- Jinesh Gandhi:** Okay, my question was between generation because of feature addition, do you have 5%, 10% higher or far more than that?
- Vivek Chaand Sehgal:** Yes, depending upon what you want to buy. I would prefer you buy electric vehicles. It's difficult to quantify the customer demand, which way the customer will go, it's very difficult to gauge.
- Moderator:** Next question is from the line of Sabyasachi Mukerji from Bajaj Finserv AMC.
- Sabyasachi Mukerji:** Two questions. First, on the basic fundamental one, on the copper prices, I understand copper is a pass-through. Let's say the copper comes down, which is coming down, and we have to pass it on. And let's say we maintain the spread per kg, then the percentage margins will look better. How should one think of it in terms of gross margins going ahead?
- Vivek Chaand Sehgal:** Pankaj, Mahender, can you take this?
- Pankaj Mital:** Sir, hypothetically, I mean, everything else remains the same, and everything is static. And if we just change the copper price down from, let's say, \$10,000 to \$5,000, then yes, everything remaining same. The product makes the volumes, all the cost, then it will look better mathematically.
- Sabyasachi Mukerji:** Right, so mathematically, the percentage margins will look better, right?
- Pankaj Mital:** Yes.
- Sabyasachi Mukerji:** And do we incur an inventory loss if copper comes down? How does that work?
- Vivek Chaand Sehgal:** I think on an average, if you look at the copper prices for the last 10 years, you'll find that sometimes you give, sometimes you get. So it's a matter of your inventory at that time. But we've also seen sometimes the customer keeps a particular price at such level that if any increase or decrease, he takes directly that, and we maintain all the -- we buy the copper on their behalf also for some customers. But Anurag, Mahender, if you can take that.
- Pankaj Mital:** Yes, it's the average of a quarter or average of six months on the basis of which the changes take place, so.

- Sabyasachi Mukerji:** I'm just trying to understand that. Do we also run a hedge on the copper inventory or...
- Vivek Chaand Sehgal:** We don't hedge. Unless the customer is willing to pay for the hedge, till that time, we don't.
- Sabyasachi Mukerji:** Got it. Depending on the copper movement, I think some quarters will gain, some quarters will lose?
- Vivek Chaand Sehgal:** Yes. Pankaj, please correct me if I'm wrong.
- Pankaj Mital:** No, we don't hedge. And in some cases, customers want to do the hedge themselves, then they do it on their own. And we give them a certification that we are not doing any hedging.
- Sabyasachi Mukerji:** Got it. Fine. Second question, on the new plant that got commissioned in July, how are we looking at the volume schedules from the OEMs for the current and next quarter in terms of volumes from the OEMs?
- Vivek Chaand Sehgal:** I think, it's very subjective because we're not 100% suppliers to any customers per se. But it depends upon the models. There are so many variables on that. But again, I would ask the guys in operations to have a -- Anurag and Pankaj, if you can.
- Anurag Gahlot:** Yes. As Mr. Sehgal has said, there are -- this particular plant is not only one customer, one model also. And these new models also are getting launched. And then we have to see how they are going to perform in the market. So as in the opening remarks also, we have said that it's a fully -- ramp up fully by quarter two and quarter three. So we have to wait and watch in that line.
- Vivek Chaand Sehgal:** Anurag, how many plants do we have totally in MSWIL, wiring harness one?
- Anurag Gahlot:** 28, sir, including these 2.
- Vivek Chaand Sehgal:** Including these 2, 28 plants. So also, it's important for you to understand that we don't make sure that one plant only gets supplied to one customer. We try to mix and match. So please understand, very difficult to answer these questions.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to Mr. V.C. Sehgal for the closing comments.
- Vivek Chaand Sehgal:** Thank you. I think we are seeing a big push coming. As Pankaj has already explained to you, almost all the customers are looking at new plants. And most -- so, also, the old plants, which have been shut down by certain customers, have been bought or taken into by the existing customers. So all that is happening. So I think the volume perceived, by itself, would almost double up, if I'm not wrong, within the next 3 to 5 years.

So setting up a plant, training the people, working -- workforce and get that thing takes time. So we try to look forward and prepare ourselves before. That's why I said, if we have a plant which is supposed to be working on capacity 100%, we will make sure that the moment it crosses 80%, we will look for another plant, look for another set of people and bring our business down to almost 50%, 60%.

So you have to be ahead of the game. And we feel that we're in a very strong position where we have 28 plants. Maybe in the next year or so, maybe go to 32, 34, I don't know. But we have to prepare for the new plants that are coming up, new capacities that are coming up by the carmakers. But all I can say is that we are ahead of the game. And thank you all very much. Wish you a very good week ahead and a year ahead. And see you at the next time. Thank you very much.

Moderator: Thank you. On behalf of Motherson Sumi Wiring India Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.

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