



May 22, 2024

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No.C/1, G-Block
Bandra-Kurla Complex
Bandra (E)
MUMBAI – 400051, India

BSE Limited
1st Floor, New Trading Ring
Rotunda Building
P.J. Towers, Dalal Street
Fort
MUMBAI – 400001, India

Scrip Code : MSUMI

Scrip Code : 543498

Ref.: Transcript of the Investor call

Dear Sir (s)/ Madam(s),

This is with reference to our letter dated May 16, 2024, for Audio of Conference Call with the investors on the financial results for the quarter and year ended March 31, 2024. In this connection, please find enclosed herewith the transcript of the aforesaid conference call.

The above information has also been made available on the website of the company www.mswil.motherson.com at <https://www.mswil.motherson.com/storage/Analyst-Call-Transcripts/2023-24/Q4/Transcript-of-the-MSWIL-Q4FY24-Investor-Call.pdf>

This is for your information and records.

Thanking You,

Yours truly
For Motherson Sumi Wiring India Limited

POOJA Digitally signed by
POOJA MEHRA
Date: 2024.05.22
MEHRA 15:41:10 +05'30'

Pooja Mehra
Company Secretary

Encl:a/a

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“Mother'son Sumi Wiring India Limited
Q4 FY 2024 Earnings Conference Call”
May 16, 2024



MANAGEMENT:

MR. VIVEK CHAAND SEHGAL

CHAIRMAN,
MOTHERSON SUMI WIRING INDIA LIMITED (MSWIL)

MR. LAKSH VAAMAN SEHGAL

DIRECTOR,
MOTHERSON SUMI WIRING INDIA LIMITED (MSWIL)

MR. ANURAG GAHLOT

COO AND WHOLE TIME DIRECTOR,
MOTHERSON SUMI WIRING INDIA LIMITED (MSWIL)

MR. MAHENDER CHHABRA

CFO
MOTHERSON SUMI WIRING INDIA LIMITED (MSWIL)

MR. PANKAJ MITAL

COO AND WHOLE TIME DIRECTOR,
SAMVARDHANA MOTHERSON INTERNATIONAL LIMITED (SAMIL)

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY '24 Earnings Conference Call of Motherson Sumi Wiring India Limited.

As a reminder, all participants' line will be in 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 "*", then "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. V.C. Sehgal – Chairman of the Company. Thank you and over to you, Sir.

Vivek Chaand Sehgal: Thank you. Good day, everybody. A warm welcome to the annual and the quarter four results of Motherson Sumi Wiring India Limited. I would request Pankaj to summarize the board meeting and the results. And over to you, Pankaj.

Pankaj Mital: I am pleased to announce that the Board has approved the Results for Financial Year 2024 and quarter four. MSWIL has delivered a record performance in its second year of operations since being listed and demerged from SAMIL. It continues to benefit from the strong parentage of both partners, Sumitomo Wiring Systems and Motherson.

The Company recorded the highest yearly revenue of Rs. 8,330 crores and EBITDA of Rs. 1,000 crores. This robust performance is against the backdrop of a vibrant Indian automotive industry. The company significantly outperformed the industry by 11% with the continued customer demand and trends of premiumization and SUV's playing out. The company further benefits from being able to service and provide solutions to customers across passenger, commercial, two-wheelers and off highway and agriculture equipment.

On a quarterly basis, the company clocked revenues of Rs. 2,230 crores and EBITDA of Rs. 290 crores, which is the highest ever in any quarter. I would like to reiterate that we are a Company that focuses on absolute profitability and growth. For FY '24, the ROCE achieved is 48%. The company is well equipped to support the growing and evolving needs of our customers, further strengthening our presence with two new facilities that are in pipeline. The CAPEX guidance for the ensuing Financial Year 2025 is approximately Rs. 200 crores.

Together with us are Anurag, Mr. Mahender Chhabra, Mr. Vaaman Sehgal. Over to you for questions and answers, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Siddharth Bera from Nuvama. Please go ahead.

Siddharth Bera: Sir, first question is on the growth side. We have seen quite healthy strong double-digit growth in FY '24 backed by volume growth as well as premiumization like you have talked

about. Going ahead, in FY '25, we do see OE industry volume growth probably slowing down to mid single digits. And we are witnessing probably a lot of launches happening on the small car side now in the last few months. So, given this backdrop, any expectation if you want to share about the growth, which we can expect for the coming years?

Vivek Chaand Sehgal: Thank you. Pankaj or Anurag, who would take this question?

Anurag Gahlot: Thank you, Chaand sir. Anurag this side. Thanks Siddharth ji for asking this question. If you see the market which we are seeing, I think the major OEM's have already announced their plans and they are already available in the public. So, if you see those, I think some of the major customers, like Maruti Suzuki, they have already given a plan of increasing it from 2.3 million to 4 million and they are already ramping up this capacity in next six to seven years' time. And same like Tata also, as well as plans are there for the new companies coming to India. So, market is going to be very interesting. And I think which showcases there is going to be a very good growth in the future also. So, I think to answer your question, I think we are looking at a very, very positive at this point in time.

Siddharth Bera: So, my question was more on FY '25, because if you see, Maruti has also talked about only 2% to 3% industry growth. So, more from the near term, do we expect a meaningful slow down to like low double-digit type of growth? Or should we probably see mid teens type of growth sustaining, is what probably was trying to get at.

Pankaj Mital: This is Pankaj here. Siddharth ji, what Anurag mentioned was very clear that we see that our customers are expanding their footprints, their production capacities. As you mentioned, they are bringing in small cars, compact cars as well as larger cars, more enriched vehicles as well. So, it's a market in which all kinds of vehicles are coming in. And he said that it will be very interesting to see. We don't second guess the market, so we won't be able to give a prediction as to what kind of percentage like he mentioned that we do see positive trends in the market in terms of still the premiumization as well as the new facilities being set up by the customers, which to us would signify growth. That's the reason why they are investing more into the new facilities.

Vivek Chaand Sehgal: Pankaj, just to add to what you are saying, I think it's a no brainer the market cars are coming with more and more features, and more and more features is always an added plus for Motherson. Because the more the features the more the value of the wiring harness going up because the features are related to the market condition. The market is very competitive on the features when they come.

Siddharth Bera: Got it Sir, second question is on this capacity which you have indicated that two more facilities are sort of coming up. Any timelines by when will they be available in the year? And how much extra capacity they will add compared to our existing capacity?

Vivek Chaand Sehgal: Anurag?

Anurag Gahlot: Right. Siddharth ji, these two new facilities are going to increase our current capacity to approximately another two plants. You can say to it's approximately 10% to 15% will be a number around that only.

Siddharth Bera: Okay, and we should expect this by which month or during second-half or in any particular part of the year?

Anurag Gahlot: Yes, they are going to be operational in Q1, but the ramp up or the volume ramp up is going to happen in the middle or the third or fourth quarter of this financial year.

Siddharth Bera: And just to clarify, these are basically for ICE models, or these also include the high voltage or EV sort of capacities which would come up?

Anurag Gahlot: This is for both.

Siddharth Bera: Sir last question is on the margin side. Now we have continued to see a very good increase and pickup in margins over the last one year each quarter. So, I know, I mean you generally grow a couple of margins, but just wanted to get a sense that in the current quarter on the gross margin side, are there any price increases which we have got which is sort of reflecting here, and this should normalize? Or overall, we should sort of see the improving trend continue going ahead?

Vivek Chaand Sehgal: Mr. Chhabra or Mr. Anurag, Pankaj, or whatever?

Anurag Gahlot: Anurag this side. So, as you said, EBITDA is not something we talked about and we always keep focus on ROCE. And as per the group guideline, it should be more than 40%. And as Mr. Mital has already said in the opening session that in this year we have achieved around 48%, which was 44% in FY '23. Now, though you will see that we are sequentially growing into there, but there are expansion happening, that also we have mentioned. There are two plants which are upcoming facilities and will be operational soon. And as many OEM's in the country already announced their plans, MSWIL is aligning to the same.

On the other hand, MSWIL team is working very hard on the improvements continue, supported by the cost reduction activities and recoveries from the customer as well, and despite this inflationary headwinds. On operational improvement for the shop floor Company has extensively undertaken the digitization efforts also. So, all these efforts are towards improvement on the shop floor which does bring into the ROCE improvement. And I think this answers your question as well.

Moderator: Thank you. The next question is from the line of Harini from Sundaram Alternative. Please go ahead.

Harini: I just wanted to get your thoughts on how do you see the whole RM going forward, because even QoQ we have seen a bit of increase in the copper prices. Where do you

see that and how do you see the gross margins turning up? How generally is the pass on time for us with the OEMs? Just some color on that.

Anurag Gahlot: Harini, thanks for this question. When you compare it from one quarter to another, the product mix it is very difficult to say that because it is not a similar sort of number which you are making from one quarter to another. And for the commodities like copper, it is a straight pass through. Obviously, it's a quarter lag or sometime in some customers it's a six months lag.

Moderator: Thank you. The next question is from the line of Siddharth Bera from Nuvama. Please go ahead.

Siddharth Bera: Sir just a clarification, would it be possible to share the top two customers for us, like you have shared for the industry what your segment makes in terms of CV, two wheelers and other segments? Possible to share the top two customers' mix this year and last year?

Pankaj Mital: Normally we have not provided any customer certification. But if you see, we are supplying to all the big car makers in the country, and also the two-wheeler makers and commercial vehicle makers. As a group, for Hyundai and Kia we have a separate joint venture which is Kyungshin Motherson, which supports. So, you would see that, of course, Maruti is our biggest customer with whom we have started. We will see if we can stratify and provide this data in due course of time to you in terms of our customer base.

Moderator: Thank you. The next question is from the line of Harini from Sundaram Alternative. Please go ahead. Ms. Harini, can you unmute your line and speak, please?

Harini: Can you just throw some light on where is our market share right now? Because I remember in the annual report last time we had mentioned that across with the group, we would be standing in the PV's at around 55%. If you can throw, if there is any improvement or where do we stand currently, the market share?

Vivek Chaand Sehgal: Ma'am, we normally do not guide on market share and all that. But Pankaj, can we help her?

Pankaj Mital: Ma'am, as you would see that we are growing faster than the market growth. We as a group, supply to nearly all the customers. To be honest, we, like Mr. Sehgal said, we do not evaluate ourselves in terms of the market share. But of course, we want to be the most preferred solution provider and a supplier to our customers and to be amongst the top suppliers to them in terms of our performance. So, the whole idea of the group is to -

Vivek Chaand Sehgal: Pankaj, what I was saying is I think it might be of relevance to her to understand we do not supply tax estimate or something which has a fix kind of a thing. Everything is

depending upon the model, what you see and all. And maybe in that light you can explain to her why market share is irrelevant to MotherSON.

Pankaj Mital: So, ma'am, also as we supply to the OEMs and to different models, the model mix is very different. Some models do well, some models may not do well, so there can be a shift in terms of calculations of what the market share would be. But you would find us in most of the vehicles and that's what I can only say.

Moderator: Thank you. The next question is from the line of Avish from Chanakya Capital Service Private Limited. Please go ahead.

Avish: Congratulations on good set of numbers. So, on the margin front, I was asking, can you give me like the top, ranking wise which segment contributes the most to the margin if possible?

Vivek Chaand Sehgal: Again, I would reiterate that we do not guide on margins. We prefer to work on returning capital employed. And I think Chhabra sir, this time what's the ROCE for the year?

Mahender Chhabra: Yes, so ROCE for the current year FY '24 is 48%, which is better than 44% that we delivered in the previous year.

Moderator: Thank you. The next question is from the line of Harini from Sundaram Alternatives. Please go ahead.

Harini: Sir, just wanted to understand what would generally be asset turns with the CAPEX that we have been incurring and also the Rs. 200 crores of CAPEX that we have called out for next year, some light on that sir? I know you have talked about the ROCEs, but what would be, if fully ramped up, what would be the potential revenue that these CAPEX could generate for the Company?

Vivek Chaand Sehgal: Anurag or Mr. Chhabra?

Mahender Chhabra: Sure sir. So, we are looking at a CAPEX of roughly Rs. 200 crores for next year or the current financial year FY '24-'25, which includes like all the categories growth or expansion, productivity, quality improvement, as well as the maintenance of the replacement of the assets which have lived their useful life.

Harini: But do we have any sense as to what would be maybe the additional revenue potential when, say, maybe three years down the lane when it's fully under production and the full utilizations?

Vivek Chaand Sehgal: Currently I think the wiring harness is more assembly, and as indicated, it normally goes for landing, building. So, I do not know what your expectations are on asset turns and all that. But I think we will try and give some idea on that. We have 26 plants, and then two more plants are coming, so roughly it would be about 8%-10% to start with, in the first six

months it would be less, but then after that it will go up. But Chhabra sir, can you give this thing otherwise you can take it offline.

Harini: Sure, sir. I will connect offline, sir. No worries. Thank.you.

Moderator: Thank you. The next question is from the line of Rajendra Goyal from Ambit Capital. Please go ahead.

Rajendra Goyal: I am sorry for repeating the question. I joined the call a bit late.

Moderator: Sorry to interrupt you, sir. May I request you to please use your handset? We have lost the connection of the current participant. We will move on to the next participant. As there are no further questions, I would now like to hand the conference over to Mr. V.C. Sehgal for closing comments.

Vivek Chaand Sehgal: Thank you very much. The board actually complemented the entire team and the management for phenomenal results. We achieved our highest-level turnover and also we have plus Rs. 1,000 crores as EBITDA. Motherson is a Company which has always focused on growth, we don't focus on margins. Because the product keeps changing and everything, we have ability to improve the margins only eventually relates to what your ROCE is being done. So, I hope all of you understand that. And our products keep changing, that's the key challenge, but also the biggest opportunity that Motherson has. Thank you all very much. Wish you all a very happy and a good day ahead. Thank you.

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

Safe Harbour: The transcript for the Investors' Call has been made for purposes of compliances under SEBI (Listing and Disclosure Requirements) Regulations, 2015 For the transcript, best efforts have been made while editing translated version of the voice file for grammatical and punctuation formatting etc., that it should not result any edit to the content or discussion. The audio recording of the transcript is available at the website of the company, viz., www.mswil.motherson.com. This discussion is based on the currently held beliefs and assumptions of the management of the Company, which are expressed in good faith and, in their opinion, are reasonable and may include forward-looking statements. Forward-looking statements involve known and unknown risks, contingencies, uncertainties, market conditions and other factors, which may cause the actual results, financial condition, performance, or achievements of the Company or industry results, to differ materially from the results, financial condition, performance, or achievements expressed or implied by such forward-looking statements. The Company disclaims any obligation or liability to any person for any loss or damage caused by errors or omissions, whether arising from negligence, accident, or any other cause. Readers of this document should each make their own evaluation and assessment of the Company and of the relevance and adequacy of the information and should make such other investigations as they deem necessary.