



“Motherson Sumi Wiring India Limited

Q4 FY'25 Results Conference Call”

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Management

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Moderator: Ladies and gentlemen, good day and welcome to the 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 “*”, 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. Thank you and over to you, sir.

Vivek Chaand Sehgal: Thanks. Good evening, ladies and gentlemen. Thank you for joining the results conference call of MSWIL.

I am pleased to announce the Board has approved the results for the Q4 as well as the full Financial Year 2025. The company continues to chart a strong trajectory of growth based on sustainable fundamentals. I am happy to state, the company has delivered its highest ever revenues, both on a quarterly and a full year basis. We are setting up Greenfield plants to support our customers. And I would like to highlight MSWIL is supplying to the Top 9 customers of the Top 10 selling vehicles four wheelers in India as of Financial Year '25.

With this, I conclude my opening remarks. I have with me, Vaaman, Pankaj, Anurag and Mahender with me to answer your questions. Back to you. Thanks.

Moderator: Thank you, sir. We will now begin with the question-and-answer session. The first question comes from the line of Raghunandhan from Nuvama Wealth Management. Please go ahead.

Raghunandhan NL: Thanks, sir, for the opportunity. It is heartening to see a 12% growth when industry growth is in mid single digits. My questions relate to Greenfields. Firstly, for the Greenfield plant revenue of Rs. 119 crores, would it be completely EV related revenue? Or approximately what portion of revenue would be EV?

Vivek Chaand Sehgal: Go ahead, Anurag, Pankaj.

Pankaj Mital: Out of the total revenue of the company, about 4% has come from the EV side. But these investments are in these new plants, in Greenfield and it's a mix of EV and ICE engine vehicles which are being produced by the car maker. So some are pure EVs and some of them are both combinations.

Raghunandhan NL: Thank you. Got it, sir. Thank you for that. On Gujarat Greenfield plant, when is the production expected to commence as there is a mention in the investor PPT which says delay in launch, would the ramp-up happen in Q2 instead of Q1?

- Anurag Gahlot:** Anurag this side. In Gujarat, there are two sort of projects and one project is going to happen in Q1 of FY '26 and the other project is going to happen in Q2 of FY '26. And if you see the presentation also, there is a EV and ICE, both models are there.
- Raghunandhan NL:** Thanks for the clarification. Anurag sir, for the Greenfields, approximately what level of utilization would be the breakeven point? Would it be like 40%, 50%?
- Anurag Gahlot:** See, if you have seen our last quarter presentation also, the total sales from these three new Greenfields is Rs. 2,100 crores on an annualized basis. And once the volumes will pick up, which we are expecting in H2, when these three plants all volumes will picked up, and at that time this sales will get realized on the annual basis.
- Raghunandhan NL:** Understood sir. So is it fair to assume by the end of the year we will be closer to optimal utilization?
- Mahender Chhabra:** Yes, that's right. So what we are saying about Greenfields, towards H2 we should be able to utilize them to the optimum capacity. And that is where we have calculated the revenue on an annualized basis from these three Greenfields to Rs. 2,100 crores on an annualized basis.
- Raghunandhan NL:** Thank you, Mahender sir. I will fall back to the queue.
- Moderator:** Thank you. The next question comes from the line of Siddhartha Bera from Nomura. Please go ahead.
- Siddhartha Bera:** Yes. Hi, sir. Thanks for the opportunity. It's good to see that the Greenfield losses have kept on coming down every quarter in the past few quarters. Sir, first question again on this aspect only, so we have already started one Greenfield, and two are about to come. So the losses mainly pertain to the two new Greenfields? Or the first one which has started that also has some element of loss because of the lower utilization?
- Vivek Chaand Sehgal:** Anurag?
- Mahender Chhabra:** Yes. So largely it will be on account of two new Greenfields, but yes, there would be some bit of the other Greenfield also which has started the production, because the sales for the second customer had started in between Q4. So that is still not at the optimum utilization as far as capacity is concerned.
- Siddhartha Bera:** Okay, understood. And second question, sir when you say that the EV revenue share is 4%, does it include only the high voltage harnesses or this will have some low voltage harnesses also which will be going in this?
- Anurag Gahlot:** This is purely about the EV, the electric harnesses only.

- Siddhartha Bera:** The high voltage only when you say the EV?
- Anurag Gahlot:** Yes.
- Siddhartha Bera:** Okay. Sir lastly, on the gross margin side, I understand that the copper is usually a pass through, and even in the past we have not sort of seen any meaningful impact on our gross margins because of the volatility. But this time the gross margins have sort of dipped Q-o-Q and both on Y-o-Y basis. So, is it something to do with the mix which is impacting the gross margins or something else which we are missing here?
- Mahender Chhabra:** So it's a combination of both. Obviously, product mix is one of the reasons where the margin varies on different products that we have, different wiring harness. Also, as far as copper is concerned, even though there is a pass-through arrangement with the customer, there is a time lag. So there could be an impact on the margin for a particular quarter, but then we need to look at it for the larger period, maybe for a year or so where the impact will get squared off.
- Siddhartha Bera:** Okay. Understood, sir. Thanks a lot. I will come back. Thank you.
- Moderator:** Thank you. The next question comes from the line of Vijay Pandey from Nuvama Wealth Management. Please go ahead.
- Vijay Pandey:** Hi, sir. Thank you for taking my question. Sir, I just wanted to check, can you tell us about what is the capacity of the Greenfield towns, so the upcoming the Gujarat, Haryana and Pune plant? Just wanted to know, this will help in the forecasting.
- Vivek Chaand Sehgal:** Look, it's always difficult for us to talk about capacities and all that because our customers then do not appreciate because we cannot really talk on that. But wiring harness is such a product that we can always increase the capacity by boards, by fitters, efficiency and all that. So, not really extremely relevant for Mother'son. But Pankaj, what would you say?
- Pankaj Mital:** Exactly, sir. So we definitely need this space, and you can keep the capacities on the machining side, but then assembly capacity we can flex, and that's how we work it out.
- Vijay Pandey:** Okay. Just if I try to frame it in another way, so like how should we expect once all the three plants start running up, what level of sales can we expect, like when they are fully ramped up?
- Vivek Chaand Sehgal:** Difficult for us to say that because it would depend upon the mix how much is electric, how much is ICE, how much is hybrid, very difficult for us to guide you on that because at the end of the day it's a customer, Pankaj, can you help there if you can?

- Pankaj Mital:** Exactly sir. So the exact mix what will get made and what will get sold, it's a time question. What we had indicated in the last quarter was that if all the volumes come in, which were based on the plans, then all the total volumes, with the kind of mix which we had received from the customers, would be about Rs. 2,000-plus crores.
- Vijay Pandey:** Okay, okay. Thank you.
- Moderator:** Thank you. The next question comes from the line of Raghunandhan from Nuvama Wealth Management. Please go ahead.
- Raghunandhan NL:** Thank you, sir, for the opportunity again. For FY '26, what would be the broad CAPEX planned? Would it be again in the range of Rs. 200 crores?
- Vivek Chaand Sehgal:** CAPEX is about Rs. 200 crores also, isn't it Mahender and Anurag?
- Anurag Gahlot:** Yes, sir. It is approximately in this line only.
- Raghunandhan NL:** Thank you. And Anurag sir, with relation to the high voltage margin, how does it compare with the lower stage harness margins? And by when do you think the profitability will match in terms of would you look at scale of high voltage harness going up, localization improving? And would you say that journey might take two, three years before you start making similar profitability in both the products?
- Anurag Gahlot:** I think first of all, it is wrong to say that there will be no profitability into the high voltages harness also. And it is going to happen only after two to three years only. Yes, there are different margins into the different businesses. And all the time our, I can say, efforts are that we should look for the opportunity where we can do a lot of localization, whether it's high voltage or low voltage, wherever it makes sense. And try to keep discussing with the customer as well on these things and keep improving the margins wherever the possibility is there.
- Pankaj Mital:** And just to add on, Anurag, in terms of localization of the high voltage cables at the plant where we localize the high voltage cables as well as CCS2 charging connectors and the computers with the customers for further localization.
- Anurag Gahlot:** Yes.
- Raghunandhan NL:** Thank you, sir. Thanks for highlighting that. Yes, that answers. Just one question. In terms of the copper price increase, would it be fair to say that generally three to six months is the time for pass through?
- Vivek Chaand Sehgal:** We were to give in the last quarter, we try as early as we can to give it.
- Raghunandhan NL:** Got it, sir. That's all from my side. Thank you very much.

Vivek Chaand Sehgal: Thank you.

Moderator: The next question comes from the line of Vipul Agrawal from HSBC Bank. Please go ahead.

Vipul Agrawal: Yes. Hi. Thank you for taking my question. Sir, part of my question on localization has been answered, just want to understand a couple of points over there. In a layman's language like how does localization works in wire harnessing business, like what parts can be localized in India? And to what extent it is possible to localize at all? And what are the margin, how the margin trajectory changes when localization improves?

Vivek Chaand Sehgal: Question is very close to my heart, but Mahender or Anurag, can you take this question?

Anurag Gahlot: Yes, sir. See, on the localization front, because we are design partner also as well as the development also, so whenever the customer is giving us the product and putting on the components like that which are not localized, there is always we do a feasibility of that and we go for the localization. Initially it started with the import parts only, but in the longer run we try to localize that as soon as we see the volumes. And we have SAMIL one side where we have all the wire ranges which are localized, already 1,000-plus components we are manufacturing in India. So we are capable enough to handle any components of wiring harness can be localized very, very quickly if it makes sense. Whenever we are doing a localization, we obviously discuss with the customer also. And then we see how the benefit goes to, either to us or to customer in which way, that decides with the customer in close coordination.

Vipul Agrawal: And sir, how does it impact the margin trajectory, like is it accretive for both the OEMs and you? Or it is just you have to pass on the total benefit to the OEMs, how does that work in the localization?

Vivek Chaand Sehgal: Depends upon the customer. But as much as possible, all the customers prefer that we have localization. So, depending upon what the opportunity is, we share or we do not share.

Vipul Agrawal: Understood. Sir, second question is on copper pass through, it's a pass through, but again historically if I see the data, despite steep increase in copper prices, your margins remain resilient, maybe a few quarters here and there but you normally catch up. So, like is it like hedging is there, how does it work at MSWIL? Sorry sir you have answered this question, actually this is something new for me.

Vivek Chaand Sehgal: Pankaj, can you take this?

Pankaj Mital: Yes, sir. We are not hedging any copper by ourselves. Basically if our customers are hedging it, we work together with them. We have pass through arrangements as we discussed earlier, whether it's quarterly or half yearly, so it's a pass through item for us.

- Vipul Agrawal:** Thanks. Sir, one last question on the industry trends basically, maybe this would be. So basically how are you seeing industry moving towards hybrid, like there's a lot of discussions among OEMs, there's a lot of discussion going on between EVs and hybrids, but again hybrids are still highly taxed. So any sense you are getting from the OEMs like they are more focusing on hybrids going forward or they still stick to EVs? How are you seeing the trends in between hybrids and EVs in India? Maybe you can take a view of three to five years.
- Vivek Chaand Sehgal:** We cannot comment on which way the market will go, that would be in a way, taking bets. So, Motherson does not do that. We in fact follow the customer. We are very, very liberal on our feet. We react very quickly and that's how we do this. Secondly, we are not trying to make money on these variables. We make our money, on our efficiency, our good speed and everything like that. So yes, these kind of things sometimes may give you money, sometimes will take money from you. But we try and operate the plant based on the efficiencies of the plant, people. And we do not second guess the customer, that's at least what I have always told my teams. But Pankaj, Anurag?
- Pankaj Mital:** This is very right, sir. So we are supporting all the power trains. And for us it's very difficult which one will do how much. So we are working on all kinds of power trains and we support the customers, be it ICE, be it hybrid, EV, CNG, multiple options the customers are all working on with different possibilities.
- Vipul Agrawal:** Understood, sir. Thanks a lot for all the answers.
- Moderator:** Thank you. The next question comes from the line of Siddhartha Bera from Nomura. Please go ahead.
- Siddhartha Bera:** Yes. Thanks for the follow up, sir. Just a short clarification. In a scenario that some of the new Greenfields which we have sort of are expecting start of production in Q1 in Q2 in case they get delayed, what happens in that scenario? Is there some compensation which is there which we get? Or we need to continue to sort of bear the start-up cost for a few more quarters? So what happens in that scenario, if you can just help me understand?
- Vivek Chaand Sehgal:** Pankaj?
- Pankaj Mital:** Sir, this is a very, I mean, private discussion with the customers. And of course, if there are impacts, then always it's discussed mutually.
- Siddhartha Bera:** Okay, sir. Thanks. That will be all.
- Pankaj Mital:** Thank you.

- Moderator:** The next question comes from the line of Raghunandhan from Nuvama Wealth Management. Please go ahead.
- Raghunandhan NL:** Thank you, sir, for the follow-up opportunity. For the three new Greenfields, about 7,000 to 7,500 employees were required, as indicated in the last call. Have these employees already been taken in? Have they already been hired? Trying to understand whether employee cost, which is currently hovering at Rs. 410 crores per quarter, whether there can be an increase to that in coming quarters?
- Vivek Chaand Sehgal:** It is need dependent. Maybe Anurag and Mahender can give some light on it.
- Anurag Gahlot:** Right, sir. See, as you have seen that one plant has already ramped up, so that manpower is fully there. The other two plants is falling on Q1 and Q2, and the some of the trials has already been started because in the phase when the mass production ramps up. So the partially yes, that manpower has been hired. But in case of any changes happen, we always believe to breathe with the market and try to adjust our actions accordingly.
- Pankaj Mital:** And just to add to what Anurag mentioned, as the volumes will ramp up after the SOPs because many more versions will come up, people will get added.
- Raghunandhan NL:** Got it, sir. So it will be in a staggered modular manner based on the scale and utilization ramp up?
- Pankaj Mital:** Yes.
- Raghunandhan NL:** Thank you, sir. Thank you very much.
- Moderator:** Thank you. The next question comes from the line of Kapil Singh from Nomura. Please go ahead.
- Kapil Singh:** Yes. Good evening, sir. Just one question I have. We are seeing some supply constraints for rare earth materials because of the Chinese Government putting some restrictions on that. So, are you facing or likely to face any kind of supply constraints on account of that? And also, for the connectors if you could tell us, what percentage of the connectors are localized?
- Vivek Chaand Sehgal:** Kapil, we produce lot of different harnesses and all that. Are you talking of any particular harness or just? We use maybe million connectors, so which connector are you wanting to talk about?
- Kapil Singh:** Sir, basically wanted to understand for electric vehicles and hybrid vehicles, because it seems there is a higher content of rare earths over there.

Vivek Chaand Sehgal: No, no, that's just raw material. We do not make connectors out of lithium and all that, those are batteries, we do not do battery, yet. Connectors and all that is.

Kapil Singh: Okay. So there is no risk of any supply disruption on account of that?

Vivek Chaand Sehgal: Not that I can imagine. But I will open it to Pankaj and Anurag.

Anurag Gahlot: Yes, as you rightly said, sir, there is no as such disruption on anything.

Kapil Singh: Okay. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. V.C. Sehgal for the closing remarks.

Vivek Chaand Sehgal: Thank you very much. Thank you all for your questions. I hope we could answer them. I think under tough circumstances, the results have been very, very encouraging. And the Board accepted that and congratulated all the people in the company.

Yes, the transaction in future or what kind of car is going to be important or not important or is going to sell or not going to sell is there. But I think generally we are seeing that we are in a position to support the customer exactly where he wants us to. And that allows us to actually increase our share. So, we will continue to do that. And wish you all a very happy and safe weekend. And all the best to everybody. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Motherson Sumi Wiring India Limited, that concludes this conference. You may now disconnect your lines.

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