

## Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

### Investor Snapshot

#	Analytical Point	Sentiment
1	MSWIL maintains a dominant market position as a powertrain-agnostic supplier, providing components for 10 of the top 12 passenger vehicle models in India.	□
2	Revenue surged 25.24% YoY to ₹7,057.40 Cr, driven by premiumization trends and successful supply to 40 new vehicle launches and facelifts.	□
3	ROCE remains exceptionally high at 43.5%, though it experienced dilution from 59.4% as three new facilities in Chennai and Noida are yet to reach optimal utilization.	□
4	PAT grew 18.6% to ₹487 Cr, trailing revenue growth due to operational scaling and inventory-related pressures.	□
5	The company maintains a debt-free balance sheet with ₹0.00 Cr in long-term borrowings, utilizing leases as the primary form of financial leverage.	□
6	<i>Earnings quality is a primary concern as CFO/PAT fell to 46%, largely due to a ₹249.6 Cr inventory build-up and ₹157.1 Cr of goods-in-transit.</i>	
7	Growth capex remains disciplined with the operationalization of three new plants to capture EV and SUV demand, supported by an interest coverage ratio of 21.6x.	□
8	<i>Liquidity has been exhausted, with cash balances plummeting 99.8% to ₹0.50 Cr after aggressive dividend payouts (59% of PAT) and capital expenditure.</i>	
9	<i>Governance is characterized by high ecosystem dependency, with 61% of raw materials sourced via Related Party Transactions, creating inherent transfer pricing risks.</i>	
10	<i>High customer concentration risk exists, with just two OEM customers accounting for 40.68% of total revenue, making the company vulnerable to specific manufacturer slowdowns.</i>	
11	The outlook is tied to "Vision 2025," focusing on increasing "kit value" per vehicle through SUV and EV adoption, which management expects will restore cash flows.	□
12	Investment View: ACCUMULATE; while market leadership and capital efficiency are superior, investors must monitor CFO/PAT recovery and the restoration of the cash buffer.	□

### 1. BUSINESS OVERVIEW (In Bullet Points)

- Business Segments:** MSWIL is a pure-play specialist in the Indian wiring harness market, maintaining a 100% revenue focus on this segment. The business is powertrain-agnostic, supplying components for Internal Combustion Engine (ICE) and Electric Vehicles (EV).
- Revenue Drivers:** Growth is driven by volume expansion in the Indian automotive sector and a structural shift toward higher "content per vehicle" via premiumization (infotainment/luxury features), the SUV surge, and electrification (high-voltage harnesses).

- **Cost Drivers:** The cost base is dominated by raw materials (copper and specialized components) and labor-intensive employee costs. A "just-in-time" model with parent SAMIL reduces working capital pressure.
- **Industry Position:** MSWIL is a dominant market leader, supplying 10 of the top 12 best-selling passenger vehicles in India. It leverages a technical partnership with Sumitomo Wiring Systems (SWS).
- **Expansion Plans & Capacity:** The company expanded to 26 facilities in FY 2023 by adding three new plants (one in Chennai, two in Noida) strategically located near OEM hubs.
- **Segment Performance:** Revenue from operations reached ₹7,057.4 Cr (up 25.2% YoY), with participation in 23 new launches and 17 facelifts during the year.
- **Geographical Presence:** Primarily focused on the Indian domestic market with a pan-India footprint of 26 facilities to reduce logistics costs and lead times.

## 2. MANAGEMENT COMMENTARY & OUTLOOK

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- Management is shifting the company's identity from a component supplier to a "full-system solutions provider."
- The company is "future-ready" for the EV transition, with dedicated high-voltage lines already operational in Chennai serving top EV players in the PV and 2W segments.
- Director Laksh Vaaman Sehgal characterizes the Indian automotive outlook as "fantastic," citing low car penetration and government infrastructure pushes.
- Management is bullish on the SUV segment (now >40% of the PV market) and the "premiumization" trend, noting that as vehicles become "computers on wheels," wiring harness complexity grows exponentially.
- The partnership with Sumitomo Wiring Systems (SWS) provides a technological moat, offering "global technology at local costs."
- The company follows a "plug-and-play" expansion model, setting up dedicated lines rapidly in response to specific customer orders rather than building speculative capacity.
- MSWIL is aligned with the Group's "Vision 2025," targeting \$36 billion in consolidated revenue with a 40% ROCE, guided by the "3CX10" risk-mitigation strategy (no country, customer, or component >10% of revenue).
- Management maintains a 40% of PAT dividend payout policy, demonstrating a commitment to shareholder returns.
- **Management Tone Verdict:** Disciplined, Transparent, and Highly Confident. The management avoids hyperbolic growth projections, instead anchoring optimism in tangible industry shifts. Their transparency regarding the copper pass-through mechanism and refusal to engage in hedging demonstrates a conservative, risk-averse financial philosophy. The narrative consistently links capital expenditure to specific customer trust, suggesting a business that grows with its customers rather than ahead of them.

## 3. FINANCIAL ANALYSIS

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### 3.1 Financial Statements

*No pre-extracted tables available.*

### 3.2 Financial Analysis Summary

- **Revenue** grew by **25.24%** YoY to **₹7,057.40 Cr**, primarily driven by Sale of Products (99.06%), yet faces significant customer concentration risk with two OEMs accounting for **40.68%** of total **Revenue**.

- **Profit After Tax (PAT)** of ₹487.00 Cr was supported by strong top-line growth, but **EBITDA** margins are sensitive to **Cost of Materials Consumed** (₹4,700.60 Cr), which represents **66.6%** of **Revenue** and is highly exposed to copper price fluctuations.
- **Employee Benefit Expense** rose by **25.01%** to ₹1,183.10 Cr, outpacing the 15.38% growth in PBT, indicating significant wage inflation or increased headcount to support new facilities.
- **Other Expenses** of ₹461.20 Cr include ₹154.40 Cr in **Shared Costs** reimbursed to the promoter entity (SAMIL), highlighting a structural dependency on the promoter's cost allocation logic for functional support.
- **Working Capital** efficiency is under pressure as **Inventory** grew **26%** to ₹1,209.60 Cr, slightly exceeding **Revenue** growth; this includes ₹157.10 Cr of "Goods in Transit," suggesting reliance on long-lead-time imported components.
- **Trade Receivables** of ₹800.40 Cr remain high quality with **91.78%** classified as "Current but not due," yet the overall build-up in **Working Capital** resulted in a poor **CFO** of ₹223.60 Cr, converting less than **46%** of **PAT** into cash.
- **Cash and Cash Equivalents** plummeted from ₹293.30 Cr to ₹0.50 Cr, as the company utilized its entire liquidity buffer to fund a ₹267.70 Cr **Dividend** and ₹198.60 Cr in **Capex**, leaving the entity dependent on its ₹326.00 Cr in undrawn credit lines.
- **ROCE** deteriorated from **59.4%** to **43.5%** due to the addition of **Property, Plant & Equipment** for new facilities and expansion, signaling that recent **Capex** has not yet reached optimal utilization levels.
- **Capital Advances** increased from ₹7.50 Cr to ₹36.00 Cr, indicating the commencement of a new investment cycle even as the company manages ₹113.50 Cr in existing **Capital Commitments**.
- **Related Party Transactions** are a core operational feature, with purchases from group entities (₹2,865.60 Cr) accounting for **60.96%** of total material consumption, reflecting deep vertical integration within the Motherson ecosystem.
- **Finance Cost** of ₹27.20 Cr is primarily linked to **Lease Liabilities** of ₹290.80 Cr, as the company maintains zero traditional **Long-term Borrowings**, effectively using leases as its primary form of financial leverage.
- **Depreciation** of ₹123.70 Cr is influenced by management's "technical evaluation" of useful lives, which differs from standard Schedule II guidelines, directly impacting the carrying value of **Property, Plant & Equipment**.
- **Other Assets** are impacted by the jump in **Capital Advances** to ₹36.00 Cr, signaling early-stage investment for future capacity, while **Other Expenses** are heavily influenced by **Power and Fuel** (₹117.30 Cr) and **Freight** (₹46.10 Cr), both rising alongside production volumes.
- The dominant financial theme of the year was **aggressive growth and capital distribution at the expense of liquidity**, characterized by strong **Revenue** and **PAT** growth but significantly weakened **CFO** and a near-total depletion of **Cash** reserves.

### 3.3 Contingent Liabilities & Commitments

- **Capital Commitments:** ₹113.50 Cr (Net of advances) related to ongoing expansion and new facilities.
- **Tax & Labor Disputes:** Matters related to Excise, Sales Tax, Service Tax, and claims by workmen are noted but not quantified; management classifies these as "possible but not probable."
- **Title Risk:** A building is constructed on leasehold land where the lease agreement is still in the process of being executed (Note 3a).

### 3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; ₹249.6 Cr inventory build absorbs 54% of PAT.	☐	PAT ₹487 Cr vs CFO ₹223.6 Cr	Cash conversion ratio < 46% due to working capital absorption.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — inventory + receivables grew 25.7% YoY vs 25.2% revenue growth.	☐	Receivables ₹800.4 Cr, Inventory ₹1,209.6 Cr	91.78% of receivables are current; inventory build aligns with sales.
3	Revenue timing	Revenue ↑↓ — long-term financing of tooling impacts cash timing via component life.	☐	Significant Financing Component in tooling	Note 2.1(d): Tooling costs recovered over component life as financing.
4	Revenue from related parties %	Revenue ↑↓ — high ecosystem dependency; 2.1% of sales but 61% of purchases.	☐	RPT Sales ₹149.7 Cr; RPT Purchases ₹2,865.6 Cr	Note 36: High vertical integration within Motherson/Sumitomo ecosystem.
5	Inventory vs revenue growth	Profit ↓ — inventory grew 26% vs 25.2% revenue; potential overstocking risk.	☐	Inventory ₹1,209.6 Cr vs ₹960 Cr	Note 9: Includes ₹157.1 Cr goods-in-transit, increasing supply chain risk.
6	Inventory valuation method change	Neutral — no change in valuation method reported in the accounting policies.	☐	Cost or NRV whichever is lower	Note 2.1: Standard valuation policy consistently applied across periods.
7	Exceptional items in operating profit	Profit ↓ — PBT growth of 15.4% lags revenue growth of 25.2.	☐	No major exceptional items in FY23	P&L shows growth driven by operations despite wage inflation.
8	Depreciation rate vs useful life policy	Profit ↑ — technical evaluation used to deviate from Schedule II useful lives.	☐	Depreciation ₹123.7 Cr	Note 2.1(n): Management estimates of useful life impact PAT directly.
9	Provision reversals boosting PAT	Neutral — no significant provision reversals noted; warranty timing remains unpredictable.	☐	Warranty timing "not possible to estimate"	Note 2.1(p): Lack of predictable warranty outflows suggests conservative provisioning.
10	Tax rate consistency	Neutral — tax expense appears consistent with statutory rates for the sector.	☐	PBT ₹654.6 Cr; PAT ₹487 Cr	Effective tax rate is approximately 25.6%, aligning with corporate norms.
11	CWIP age and stalling projects	Profit ↓ — ROCE fell from 59.4% to 43.5% due to new PPE.	☐	CWIP ₹0; Capital Advances ₹36 Cr	Note 40: Asset heavy expansion not yet yielding optimal operational returns.
12	Deferred tax asset recognition	Neutral — no evidence of aggressive DTA recognition against future loss projections.	☐	DTA/DTL not highlighted as risk	Standard accounting for temporary differences in depreciation and benefits.
13	RPT quantum and trend	Profit ↑↓ — ₹154.4 Cr shared costs allow for potential promoter-led earnings smoothing.	☐	RPT Purchases 60.96% of material cost	Note 31/36: Structural dependency on SAMIL for cost allocation logic.
14	Dividend paid vs FCF adequacy	Profit ↓ — dividend of ₹267.7 Cr exceeded CFO after Capex requirements.	☐	Cash fell from ₹293.3 Cr to ₹0.5 Cr	Note 10(a): Dividend and Capex exhausted nearly all liquid cash reserves.
15	Auditor KAM: Revenue Recognition	Revenue ↑↓ — Net recognition for agent contracts prevents top-line inflation.	☐	Note 2.1(d)	Auditor verified contractual terms to ensure no inventory/pricing risk.

#	Check	Impact	Status	Evidence	Notes Detail
16	Asset Title Risk	Neutral — Building on leasehold land with pending execution.	☐	Note 3(a)	Potential legal gap regarding asset ownership/continuity.
17	Warranty Provisioning	Profit ↑ — Lack of predictable warranty outflows.	☐	Note 2.1(p)	"Not possible to estimate timing" suggests potential future expense volatility.

## 4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters \* **Audit Opinion:** Unqualified. \* **KAM 1: Revenue Recognition (Agent vs. Principal):** Auditor focused on assembly contracts where MSWIL acts as an agent. Revenue is recognized "net" of cost of parts procured from customer-specified suppliers. Auditor verified MSWIL does not bear inventory or pricing risk for these components. \* **KAM 2: Customer Concentration:** Two customers account for 40.68% of total revenue. Management highlighted long-standing OEM relationships and a full order book across 23 new launches. \* **Internal Controls:** Management assessed internal financial controls as effective; no material weaknesses reported.

B. Related Party Transactions | Party | Relationship | Nature | Amount (₹Cr) | Concern |  
 |-----|-----|-----|-----|-----| | **SAMIL** | Promoter | Purchase of Goods | 2,865.60 Cr | High dependency (61% of materials) | | **SAMIL** | Promoter | Reimbursement of Common Costs | 154.40 Cr | Subjective allocation logic | | **SAMIL/Sumitomo** | Promoters | Dividend Paid | 157.10 Cr | Major cash outflow to parent | | **Sumitomo Wiring Systems** | Promoter/JV Partner | Sale of Products | 149.70 Cr | Operational synergy | | **Related Parties** | Group Entities | Trade Payables | 484.40 Cr | Liquidity tied to group ecosystem |

- **RPT Verdict:** Monitor ☐ While the ecosystem provides supply security, the 60%+ reliance on related parties for raw materials creates significant transfer-pricing risk and limits independent margin control.

C. Shareholding | Category | Percentage (%) | | :-- | :-- | | **SAMIL (Promoter)** | 33.43% | | **Sumitomo Wiring Systems (Promoter)** | 25.34% | | **Sehgal Family (Promoter)** | 2.96% | | **Public & Others** | 38.27% | \* **Pledged Shares:** 0.00%

D. Board Composition + KMP Compensation \* **Board:** 10 Directors; 1 Woman Director (10%). Audit Committee comprises Independent Directors. \* **KMP Compensation:** \* Anurag Gahlot (WTD & COO): ₹1.53 Cr (0.19% of EBITDA). \* Other KMPs (CFO & CS): ₹3.08 Cr (0.38% of EBITDA). \* **Analysis:** Compensation is modest relative to ₹98 Cr EBITDA. No KMPs share the same family name in executive leadership, suggesting professionalized management.

F. Capital Allocation & Capex | Action | FY Current (₹Cr) | % of CFO | Signal | |-----|-----|-----|-----| | **Dividends** | 287.40 Cr | 128.53% | ☐ | | **Capex** | 198.60 Cr | 88.81% | ☐ | | **Working Capital Investment** | 249.60 Cr | 111.62% | | \* **CAPEX Analytical Notes:** \* **CFO Coverage:** CFO/Capex ratio is 1.12. CFO is sufficient for capex but not for dividends. \* **Nature:** Primarily **growth capex** for three new facilities to support EV and high-voltage demand. \* **Efficiency:** Revenue grew 25.2%, but **ROCE dropped from 59.4% to 43.5%** as new PPE is not yet at full utilization. \* **Takeaway:** Capex is value-accretive (43.5% ROCE), but the **jump in capital advances (₹7.5 Cr to ₹36 Cr)** signals a heavy ongoing investment phase.

H. Risks \* **Customer Concentration:** Two customers = 40.68% of revenue. Impact: Volume slowdown at these OEMs would lead to idle capacity and margin collapse (Severity: ☐High). \* **Commodity Volatility:** High sensitivity to copper. Impact: Lag in pass-through adjustments can temporarily squeeze EBITDA (Severity: ☐Medium). \* **Inventory Build-up:** Inventory grew 26% YoY. Impact: Tied up ₹1,209.6 Cr, leading to 54% divergence between PAT and CFO (Severity: ☐Medium). \* **Related Party Dependency:** 60.96% of materials from group. Impact: Transfer pricing by SAMIL could arbitrarily impact MSWIL's profitability (Severity: ☐Medium).

## 5. SCORECARD & VERDICT

### Part A: Scorecard

Dimension	Rating (1-5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	10/12 top PV models supplied; 44% ROCE	Strong market dominance and high efficiency despite cyclicality.
Financial Health	4	→	D/E 0.0x; Interest Coverage 21.6x	Debt-free balance sheet with strong coverage, though liquidity is tight.
Earnings Quality	2	↓	CFO/PAT 46%; Cash fell 99.8%	Poor cash conversion due to inventory build and aggressive payouts.
Management & Governance	3	→	61% RPT Sourcing; Clean Audit	High ecosystem dependency balanced by professional management.
Capital Allocation & Visibility	4	→	ROCE 43.5%; 3 new plants added	Disciplined growth capex with clear visibility from new OEM launches.

**BUSINESS POSITIVES (for this company this year)** \* **Revenue Growth:** Delivered a robust 25.24% YoY increase in **Revenue** to ₹7,057.40 Cr. \* **Debt-Free Status:** Maintained a clean balance sheet with **0.00 Cr** in traditional long-term borrowings. \* **High Capital Efficiency:** Achieved a superior **ROCE** of 43.5%, significantly above the cost of capital. \* **Strategic Expansion:** Successfully operationalized 3 new facilities to capture EV and premiumization trends. \* **Market Dominance:** Secured supply positions in 10 of the top 12 best-selling passenger vehicles in India.

**BUSINESS NEGATIVES / CONCERNS (for this company this year)** \* **Poor Cash Conversion:** CFO (₹223.6 Cr) is less than 46% of PAT (₹487 Cr) due to working capital absorption. \* **Liquidity Exhaustion:** Cash Balances plummeted 99.8% to just ₹0.50 Cr to fund dividends and capex. \* **High RPT Dependency:** 60.96% of raw materials are sourced from related parties, creating transfer pricing risk. \* **Customer Concentration:** Two customers account for **40.68%** of total revenue, creating high OEM-specific risk. \* **Asset Dilution:** ROCE dropped from 59.4% to 43.5% as new capacity is yet to reach optimal utilization.

**OVERALL SCORECARD SUMMARY** MSWIL remains a high-quality, debt-free market leader with exceptional capital efficiency (43.5% ROCE) and strong growth visibility tied to the Indian automotive sector's premiumization. However, earnings quality is currently hampered by poor cash conversion and a significant depletion of liquidity to maintain aggressive dividend payouts. While governance is professional, the extreme vertical integration with the promoter group (61% sourcing) remains a structural monitorable. The business is on a **stable but liquidity-strained** trajectory, where operational success is currently being used to fund high shareholder returns at the cost of the cash buffer.

## Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	<input type="checkbox"/>	Unqualified opinion (p.158)
2	Promoter pledge = 0?	<input type="checkbox"/>	0.00% pledge reported
3	KMP pay < 5% of PAT?	<input type="checkbox"/>	Total KMP pay ~₹4.6 Cr vs ₹487 Cr PAT (<1%)
4	RPT quantum < 5% of revenue?	<input type="checkbox"/>	Sales to RPs 2.1%; but Purchases from RPs 40.6% of Revenue
5	Board > 50% independent?	<input type="checkbox"/>	Audit Committee is Independent; Board structure compliant
6	At least 1 woman director?	<input type="checkbox"/>	1 Woman Director (10% of board)
7	No statutory dues outstanding?	<input type="checkbox"/>	None reported as material
8	No fraud reported?	<input type="checkbox"/>	No fraud noted in Auditor's report
9	Audit trail enabled?	<input type="checkbox"/>	Management confirmed effective internal controls
10	Frequent Auditor change	<input type="checkbox"/>	No change reported

Final line: "Total: 9/10 —  
Governance Rating: 4"

## Part C: Investor Verdict

THESIS: MSWIL is a high-ROCE, debt-free proxy for the Indian automotive premiumization and EV story, currently trading liquidity for growth and dividends.

### OVERALL STANCE: ACCUMULATE

RATIONALE: Dominant market share and 43% ROCE outweigh temporary cash flow pressures from capacity expansion. RE-EVALUATE WHEN: CFO/PAT falls below 30% for two consecutive years or ROCE drops below 30%. BULL CASE: Faster-than-expected SUV/EV adoption drives "kit value" per vehicle up by 20%+, restoring cash flows. BEAR CASE: A slowdown in the top 2 OEM customers (40% revenue) leads to significant unutilized capacity and margin collapse. KEY MONITORABLE: Cash Balance: ₹0.50 Cr → Watch for recovery to >₹100 Cr without new debt.