

August 10, 2022

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MUMBAI – 400001, India

**Scrip Code : MSUMI**

**Scrip Code : 543498**

**Ref.: Transcript of the Investor call**

Dear Sir (s)/ Madam(s),

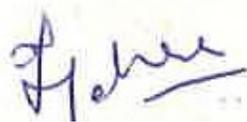
This is with reference to our letter dated August 3, 2022 intimating about conference call with Analysts/Investors held on August 5, 2022. Please find enclosed herewith the transcript of the aforesaid conference call.

The above information will also be available on the website of the company [www.mswil.motherson.com](http://www.mswil.motherson.com).

This is for your information and records.

Thanking You,

Yours truly  
For Motherson Sumi Wiring India Limited



Pooja Mehra  
Company Secretary

Encl:a/a

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# “Mother'son Sumi Wiring India Limited Q1 FY23 Earnings Conference Call”

*(Unedited Transcript of the conference call held on 05<sup>th</sup> Aug 2022)*

**August 05, 2022**



## **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. G. N. GAUBA**

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 Q1 FY23 Earnings Conference Call of Motherson Sumi Wiring India Limited. As a reminder, all participants' 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vivek Chaand Sehgal – Chairman. Thank you and over to you, sir.

**Vivek Chaand Sehgal:** Thank you very much. Good afternoon, good evening, ladies and gentlemen. I think you have seen the results. We believe they are a very good set of numbers and without much delay, I would hand it over back to the master of ceremonies to make sure that your questions are answered by us. With me are Anurag, Gauba, Pankaj, Vaaman, all of us are here, Kunal, to answer your questions. Thank you very much. Back to you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kapil Singh from Nomura. Please go ahead.

**Kapil Singh:** I had two questions, firstly, on this dedicated line we have set up in Chennai for high voltage harnesses, I wanted to understand that to start off with which category of vehicles that is passenger vehicles, commercial, or two-wheeler are we starting off with? And also, if you have any calculations here in terms of content for each of these three categories, how much increase is there? And also, some color on technology aspect, like what are the special requirements which are there for high voltage harnesses.

**Pankaj Mital:** Thank you very much for your question. This line which we have set up in Chennai as we have mentioned is for both passenger cars as well as two-wheelers and also commercial vehicles which includes basically the buses as well. So, it's for all three of them which have been initiated during this quarter. You have also asked that what the specialties of handling these are, so basically high voltage cables require very special equipment for processing them, there are multiple operations which are there, so different set of machine requirements, different set of testing requirements and complete testing and validation before they get shipped to the customer. So, it's a different level of processing of these cables and connectors, terminals thereof which is required to fulfill the requirements. In terms of the set prices or what kind of value addition, it's very different from different makers and it's no comparison to the low voltage cables because as you would know that high voltage cables have much different specs and need to carry this much higher level of copper and other things and therefore, they are much more expensive than the low voltage part of the harnesses. In a passenger car, nearly 75%-80% of the wiring harnesses remain low voltage and basically the engine side goes off and in terms of that, against that these high voltage cables come into picture. So, I hope that answers your questions.

**Vivek Chaand Sehgal:** And also, safety-wise its different, isn't it?

**Pankaj Mital:** Sorry, Mr. Sehgal?

- Vivek Chaand Sehgal:** I was just saying the care that has to be taken for the high voltage cables because if it's not taken care of then people can get electrocuted, so that's the huge difference between car. Car is operating at 12 volts and maybe 40-80 amps at max and high voltage cables go up to 120-140-180 amps. So, a huge difference in handling of the wires, the lines are special.
- Kapil Singh:** Sure sir. Now what would help, sir, at some point if you could share in terms of, let's say our index value of our passenger vehicle in ICE and similar vehicle in electric vehicle, like how much is the percentage increase that would really help in understanding for all three of these categories, if you have it ready, we can take it now otherwise probably later on at some point that would really help.
- Vivek Chaand Sehgal:** See, the advantage and disadvantage I think we just explained that to you. But it depends upon the facilities that the car maker wants to give you. So, as your facilities go up, the complication goes higher and higher. But Pankaj I will I give it to you to explain.
- Pankaj Mital:** That's exactly my point was that because it's so variable and it varies a lot, but in many cases the high voltage part of the, if you take the charging connector to the high voltage cables which are going into the vehicle itself, it can be as expensive as the low voltage side of it as well. So, it can be varying from model to model also.
- Kapil Singh:** Okay sir. And second question is on the cost side, just broad question, after a long time we are seeing some drop in commodities now playing out. By when do you think we will start to see the benefit of that? Is it from second quarter onwards as a company and as industry should we expect the benefit of commodities to flow through?
- G. N. Gauba:** Kapil, as we have consistently maintained and said that we have a pass through for copper as well as for the Japanese Yen, so while in a percentage term it does help if the price comes down in a quarter and all that, but over a period of time as the prices get stabilized this gets evened out. So, it helps us to reduce the working capital if the prices come down and all that, but at the same time we more work on operating efficiency improvement than just on these commodity advantage.
- Kapil Singh:** And for the industry though we should expect the benefit to start coming from second quarter?
- G. N. Gauba:** I mean, that goes without saying, I think you know how the prices are, what comparison, so the average prices will hold good for the industry.
- Kapil Singh:** The question was because you know some of the OEMs have also mentioned and for some of the other categories beyond the basic commodities, like plastic, etc., they are still seeing inflation. So, that was the reason for the question.

**G. N. Gauba:** I think that is best addressed by the OEMs. The copper price of LME is available across and sometimes the comparisons are between peak and the trough but as I said the average prices are there for everybody to see and we also disclose it as annexure.

**Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

**Jinesh Gandhi:** First question is on the RM cost side. So, did 1Q see some lag effects of RM cost inflation in P&L or given that prices had marginally cooled off in 1Q as indicated in your presentation, there was not much impact of cost impact?

**G. N. Gauba:** You have seen the LME copper price in dollar terms as well as the US dollar. So, the impact is not very significant as we can see compared to the previous quarter. But Japanese Yen has weakened up, so there could be some plus minus on that, but as things get stabilized this gets evened out.

**Jinesh Gandhi:** Okay. So, in that context how do we see this Q-o-Q increase in RM cost as a percentage of sales which is close to 110 basis points, anything one-off there or anything getting monthly over here?

**G. N. Gauba:** I think Jinesh, we are not selling the same product all the quarters, so there are some marginal impacts of the product mix. Also, it's very difficult to, it's very few basis points that the difference is there, and it would be just not viable to get into those detailed, because we are not selling the same product all the time.

**Jinesh Gandhi:** Got it. And secondly, from tax perspective given that from first full year from our perspective, so are we using the new tax regime of 25% tax rate, or we are still on the old regime?

**G. N. Gauba:** This is a new company and we have been following the 25% rate.

**Jinesh Gandhi:** Got it. And lastly what could be the CAPEX for FY23?

**G. N. Gauba:** Last time we had given a guidance that it is 100 crores (+) (-) 25 crores so maybe 125. And as you can see, we have also said in our commentary that we have established a new plant in Chennai so there is a CAPEX for the new facility. But normally otherwise in normal circumstances the CAPEX as you know for wiring harness businesses is largely on land and building, the normal CAPEX is very small.

**Moderator:** Thank you. The next question is from the line of Aman Agarwal from Carnelian Capital. Please go ahead.

**Aman Agarwal:** My question was basically if I see our gross margins, they are far higher than some of our peers, like they are around 500-600 basis points higher compared to our peers. So, what are the drivers

which are leading to such higher margins? Is it the economics of scale we get due to our large scale of our parent or some other reason sir?

**Pankaj Mital:** You know our always the drive has been to continuously improve ourselves. So, we have one very simple drive in the whole group enunciated by Mr. Sehgal is to do BY BY and that's what we all aim for. So, we really do not look at the peers. We have continuously strived to improve our performance all the time.

**Vivek Chaand Sehgal:** Our peers are very powerful people, so we just follow ourselves, very simply.

**Aman Agarwal:** Understood, sir. And sir like going forward, while it's too early to say, but on the EV side do we expect the margins could be more or less similar to our low voltage kind of business or would it be different from what we basically make in our low voltage business?

**Vivek Chaand Sehgal:** I again give it to Pankaj, but I think you must understand every car is different. So, it depends upon what car is coming, what is it that people are buying so our products are more related to that. But Pankaj, can you shed some light on this?

**Pankaj Mital:** Basically, a profitability of a particular project or a particular product is very difficult for us to answer in general because there is no shade specific to it. It's over a period of time as the teams get opportunities and they find more and more improvement opportunities, we try keep working very hard to create various possibilities. So, that's how we have built ourselves over the period of time and that's what we are doing in every business, be it a high voltage or a lower voltage business. And the company focuses on return on capital employed more than anything else.

**Aman Agarwal:** Sir any internal matrix on return on capital employed which we usually target in terms of a new project when we go for a new project?

**Pankaj Mital:** I was just adding that it's not only at the start of the project as to when we get awarded, but it's to work hard to strive on overall basis. So, it's not something which is specific to a particular product.

**Moderator:** Thank you. The next question is from the line of Karan Kokane from Ambit Capital. Please go ahead.

**Karan Kokane:** First, I just had one housekeeping question. So, last time in the presentation you had provided breakup of revenues by segments. So, would it be possible for you to provide that breakup?

**Vivek Chaand Sehgal:** I think you are confusing with the SAML, isn't it?

**G. N. Gauba:** Last time we had given a breakdown pass car, commercial vehicle, and two-wheeler. That's coming from the analyst, but I think these are the numbers which are to be seen on a yearly basis on a quarter-to-quarter these may not vary significantly, and sometimes you have a block

holiday, so they don't indicate any trend. So, it is better to look at them on a full-year basis rather than on a quarter-on-quarter basis.

**Karan Kokane:** Okay, understood. Then, a second question was more on the technical side of things. I just wanted to understand, there are a few wiring harness players in India which manufacture this two-wheeler wiring harness. How different is the wiring harness for a two-wheeler versus your passenger vehicle, so can a two-wheeler wiring harness manufacturer make passenger vehicle wiring harnesses in the future? How easy or difficult would it be to make that switch?

**Vivek Chaand Sehgal:** Are you asking us to guess without knowing whom you are referring to?

**Karan Kokane:** In general, I mean, if say a player who is like...

**Vivek Chaand Sehgal:** Wiring harness is a very difficult thing and probably I do not know whom you are referring to, but you can see a lot of bikes that catch fire and two-wheeler and all that. It is not something so simple as what people think it is. There are many things that have to be taken care of, but it's a very hypothetical question. I really can't answer it, but anybody from our side who would like to attempt. Pankaj, Gauba, Anurag.

**Pankaj Mital:** I think you very well said that there are a lot of very high specs which are associated with the passenger car industry and the customers are very careful and they select the suppliers very carefully.

**Karan Kokane:** Okay. And then just wanted to check, what percentage of our purchases are, say, denominated in Yen, so imports in Yen. If say the Yen falls 10% against the INR, so what can be the benefit that we can expect?

**Vivek Chaand Sehgal:** We make over 20,000 different types of harnesses. It's a very difficult question to answer and we need a great computer to help us.

**Karan Kokane:** Okay. So, those are all the questions from my end, thanks. I will fall back in the queue.

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

**Saurav:** Just wanted to understand from the business side, just the difference between say a high voltage harness and a low voltage harness. Basically, just want to understand which part of the business requires the high voltage harness and which can do with the low voltage harness as well? And over that, if you can provide out of the current capacity what percentage of the capacity currently produces the high voltage harness?

**Vivek Chaand Sehgal:** A high voltage harness is basically for electric vehicles; low voltage are normal vehicles that you are buying on that thing today. You have to be that much more careful, but Pankaj can you throw some light for him?

- Pankaj Mital:** So basically, in even an electric car the internal working of all the electrical functions of the vehicle, like lamps and other functions, everything is still working on the low voltage side. The charging and then the inverter and the motor which is driving the vehicle requires the high voltage stuff. In terms of our capacity utilization, as you know that majorly is still the businesses in India are running on ICE engines.
- Saurav:** Understood. Basically, high voltage is required only for EVs and not for ICE vehicle which are going towards premiumization. So, the premiumization trend probably can be catered with the low-voltage harnesses as well. Am I right?
- Vivek Chaand Sehgal:** Absolutely.
- Moderator:** Thank you. The next question is from the line of Kripa Shankar from Choice Equity, please go ahead,
- Kripa Shankar:** Just want to know, do we have any order book for HVN or from which client in high voltage?
- Vivek Chaand Sehgal:** Sorry?
- Kripa Shankar:** Do you have any order book for high voltage wiring?
- Vivek Chaand Sehgal:** Yes, we have set up a plant. We do have the orders.
- Kripa Shankar:** May I know the quantum of the order value or like on for which client or which segment?
- Vivek Chaand Sehgal:** Do we give that granular, Gauba?
- Pankaj Mital:** Normally we don't disclose because we have to check with the customers. We don't disclose their names based on confidentiality. But in terms of segments, as we mentioned that all three segments, two wheelers, passenger cars as well as commercial vehicles are covered.
- Kripa Shankar:** Order value would be?
- Pankaj Mital:** We are not giving any specific order values as such. These have not been disclosed yet by the company.
- Kripa Shankar:** Okay. Just want to understand for the HT integration in electric vehicles, as the integration of the electric vehicle is more like the motor and BMS and everything is like very close together. Just want to understand, does that impact the length of the HV is going to be integrated in electric vehicle as compared to the ICE engine, so how much we be the delta if we supply the high voltage vehicle into electric vehicle as compared to low voltage wire in ICE cycle?
- Pankaj Mital:** If I have understood your question right, you are asking a question which says that if it's an electric vehicle, will the amount of wires required will reduce. Am I right?

- Kripa Shankar:** Yes.
- Pankaj Mital:** No. There is no generic rule like that. In an electric vehicle most of the time the customers are trying to provide actually even more features. And as I mentioned that the low-voltage side of the vehicle remains the low-voltage side and there actually the features are increasing as well. So, it depends on which level of car is electric or whether it is an ICE engine. So, we have not yet seen it in our market here. But yes, you would have also read that many car makers in the world depending upon their own constraints they may want to devise certain things or trying to innovate where they have assembly issues or other kinds of issues to find some other ways in which they can assemble their cars faster and even though it may not be economical to do it, but may try to find ways and means to do something in a different way. So, there are various studies and project studies which are available as you would already know.
- Moderator:** The next question is from the line of Vinod Malviya from Union Mutual Fund. Please go ahead.
- Vinod Malviya:** My question was on your employee cost. Sequentially we have seen almost 6.5% increase in your employee cost. So, going forward what should one really look at in terms of the quarterly run rate for your employee cost. And is it possible for you to quantify how much of the employee cost is fixed in nature and how much will it be a variable number over here?
- G. N. Gauba:** As we have said in the presentation in the last quarter we are establishing and doing the trial runs for the new launches which are to come both in Bengaluru as well as in Chennai. So, the manpower is to be trained. So, there are people who have been employed and in the last quarter there is also inventory built up because of there is a block holidays and less production than anticipated. You must have also seen OEMs commentary wherein they lost some of the volumes because of last minute changes. So, manpower cost is higher because of the new facilities which are being set up.
- Vinod Malviya:** Okay. Then let me just finish the question sir, in this particular quarter we have seen employee cost as percentage of sales coming at around 16.5%. On a very steady state what this number should really settle down at, is it like 14.5%-15% kind of a number as a percentage of sales?
- G. N. Gauba:** See, I think it would be very difficult to guide on each of the quarterly basis on this, as we have always focused on improving the operating performance and the return on capital employed. So, you will see that direction be continued here. But to pinpoint a particular manpower cost in a quarter or those things, there could be one-off event which are preparing for future growth, hence our specific guidance on this should be avoided.
- Vinod Malviya:** Sorry. The reason I was emphasizing on this is because all the way from Q3 FY22 and even before FY23 and further in Q1 of the FY23 we have seen margin at EBITDA level coming down and employee costs being one of the biggest factor in your overall cost structure, so that's why I was just focusing more on the employee cost, because in the Q3 of FY23 it is 14.3% EBITDA margin which came down to 13.2% and now it has come down to 12.1%. I understand your gross

margin has also contracted, but apart from that employee cost has been the other major factor which has also led to this plummeting with this margin's contraction.

**Vivek Chaand Sehgal:** I think you are aware that we were going through COVID restrictions and problems, right? And semiconductor and many things. And yes, as Gauba said, the number of production that's coming from the customer is changing. And it's very difficult to correlate with all these particular variables. But Gauba would you want to add something to it to help this gentleman?

**G. N. Gauba:** Yes. I think in a study phase you will always find these costs getting normalized, but these are different circumstances. And surely when the new launches are there it takes time for people to achieve those efficiency level and ramp up. And in a particular quarter when there are no sales because we have to not just establish the facility but train the manpower at least 3-4 months in advance so that when the launch is there, we are doing the inventory built up, they can go and produce and ramp up to the OEMs requirement. So, you will have to wait for some time as you know there are multiple of new launches which have been happening in the recent past.

**Moderator:** Thank you. The next question is from the line of Karan Kokane from Ambit Capital. Please go ahead.

**Karan Kokane:** I just wanted to check what was the lease payment that was made during the quarter?

**Vivek Chaand Sehgal:** Sorry, I didn't get that.

**Karan Kokane:** Lease payment which MotherSON Sumi Wiring makes to SAMIL, the quantum during this quarter?

**G. N. Gauba:** It would be difficult for me to give that number off hand, but surely it is in line with the shareholder's approval and consistent with the agreement, which is there, and which was already shared with all the shareholders.

**Karan Kokane:** The second question, we already have a JV with Kyungshin for making wiring harnesses for Hyundai. So, would it be fair to say that MotherSON Sumi Wiring will find it difficult to supply to.

**Vivek Chaand Sehgal:** Listen, listen, that's not a part of this company. So, we can't comment on that and when the SAMIL's this thing would be done we can answer your question there, but I would request you to focus on MSWIL.

**Karan Kokane:** Wanted to understand the impact on MSWIL. My question was would it be difficult for MSWIL to enter into Hyundai and KIA, that was the question.

**Vivek Chaand Sehgal:** Why would we compete with ourselves? Does that make sense to you?

**Karan Kokane:** That's what I was saying. It will not be possible for the company to enter into Hyundai, KIA, right? So, that was just a clarification.

**Vivek Chaand Sehgal:** There's so much of fish in the ocean. We have to go and fight it out I mean, is that your sense of how we should be operating the company?

**Karan Kokane:** Sorry, I didn't get that, sir. But I think my question was answered. So, I'll fall back in the queue.

**Vivek Chaand Sehgal:** Okay. That's good enough.

**Moderator:** Thank you. A reminder to the participants, anyone who wishes to ask a question may press '\*' and '1'. As there are no further questions from the participants, I now hand the conference over to Mr. Vivek Chaand Sehgal for closing comments. Over to you, sir?

**Vivek Chaand Sehgal:** Thank you. I think the last question was rather vague. I didn't understand why this gentleman has not understood why the bifurcation was done. And we did have a 99.4% approval of the shareholders, the minority. So, for me the situation was very clear. All joint ventures they wanted to do only business which is only focusing India and this gentleman is trying to understand why that was done. Well, there was a purpose by which we did the bifurcation, and we did that. Anyway, since he has understood why we have done it, I think the problem stands resolved.

The key thing for this thing was that April and May were rather weakish months for the car makers, June was better so the results were, I think the coming quarters seem to be that much more exciting. And I think by September, October you will start to see the semiconductor issues mainly getting resolved. So, wish you all the best and stay safe, stay healthy. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Motherson Sumi Wiring India Limited that concludes this conference. We thank you all 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 voice file for grammatical, punctuation formatting etc., that it should not result any edit to the content or discussion. The audio recording of transcript is available at website of the company, viz., [www.mswil.motherson.com](http://www.mswil.motherson.com). This discussion contains 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 can 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*