

CIE Automotive India

Estimate change

TP change

Rating change



Bloomberg	CIEINDIA IN
Equity Shares (m)	379
M.Cap.(INRb)/(USDb)	159.7 / 1.8
52-Week Range (INR)	628 / 401
1, 6, 12 Rel. Per (%)	-8/-17/-12
12M Avg Val (INR M)	224

Financials & Valuations (INR b)

INR b	CY24	CY25E	CY26E
Sales	89.6	94.2	99.3
EBITDA (%)	15.1	15.0	15.0
Adj. PAT	8.2	8.8	9.5
EPS (INR)	21.7	23.2	25.0
EPS Growth (%)	2.8	7.1	7.6
BV/Share (Rs)	174	191	210

Ratio

RoE (%)	13.1	12.7	12.5
RoCE (%)	12.1	12.1	12.0
Payout (%)	32.4	20.0	20.0

Valuations

P/E (x)	19.4	18.1	16.8
P/BV (x)	2.4	2.2	2.0
Div. Yield (%)	1.7	1.1	1.2
FCF Yield (%)	3.1	2.6	4.2

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	65.7	65.7	65.7
DII	20.8	20.4	16.0
FII	4.5	4.3	5.6
Others	9.1	9.6	12.7

FII includes depository receipts

CMP: INR422
TP: INR500 (+18%)
BUY

Weak performance amid demand weakness

India to remain key growth driver; Europe outlook remains weak

- CIEINDIA's 4QCY24 EBITDA/PAT of INR2.99b/INR1.8b came in below our estimates of INR3.2b/INR1.9b, due to a weak demand macro in India and Europe. With EU demand remaining uncertain, management continues to focus on driving growth in India through capacity expansion, deeper customer engagements, and leveraging its existing product and segment diversification.
- We cut our CY25/CY26 EPS estimates by 4%/11% to account for weak demand, slow order ramp-up, and lower profitability. However, CIEINDIA focuses on sustaining profitability through operational efficiencies. The stock trades at 18.1x/16.8x CY25E/CY26E consolidated EPS. Reiterate BUY with a TP of INR500 (~20x Dec'26E consolidated EPS).

Weak underlying industry demand dents profitability

- 4QCY24 consol. revenues declined ~6% YoY to INR21.1b (est. INR20.96b). Consol business declined due to weak EU market performance. CY24 revenue/EBITDA declined ~3%/5% YoY, while adj. PAT grew 3% YoY.
- EBITDA declined 9% YoY to ~INR2.99b (est. INR3.2b). EBITDA margins stood at 14.2% (est. 15.2%), down 40bp YoY/130bp QoQ. Input cost fluctuations in steel and aluminum had a minimal impact, with price trends largely stable.
- Adj. PAT grew 1% YoY to INR1.8b (est. INR1.9b).
- **India business performance:** Revenue declined 2% YoY to ~INR15.2b (in line). Overall business was stable with growth in line with the market. EBITDA margins lagged estimates and were down 110bp QoQ at 14.5% (est. 15.3%, down 20bp YoY).
- **EU business performance:** Revenue declined 22% YoY to ~INR5.9b (est. ~INR5.8b), due to low market performance in light vehicles (down 10% YoY) and especially CVs in Europe (down 37.5% YoY) and US off-road market. EBITDA margin missed our estimate and declined 190bp QoQ to 13.3% (est. 14.8%, down 120bp YoY). The margin impact was largely due to weak revenue. Restructuring activities and temporary lay-offs are ongoing to preserve margins.
- CY24 CFO/FCF declined ~36%/43% YoY.
- The board recommended a final dividend of INR7 per share for CY24 vs. INR5 per share in CY23.

Highlights from the management commentary

- **India business:** While order delays in certain segments like CIE Hosur and EV aluminum customers have impacted past performance, the company expects an improvement in the current year. Strong order inflows are driving additional capex plans for the Indian operations in the coming year.

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- **Europe business and Metalcastello:** The European market remains weak, with Metalcastello maintaining a revenue run rate of EUR4m per month. The company expects a recovery in 2HCY25 as demand for off-highway vehicle gears, primarily used in infrastructure and oil & gas, is anticipated to pick up in the US.
- **Electrification:** EV adoption in Europe has been slower than expected, with CY24 penetration at 13% and the CY29 forecast lowered to 43% (vs 56% earlier). Annual order intake is typically 15-20% of sales, with EV orders forming a significant portion, but it is facing slow conversion to sales, especially in Europe. In India, the company secured new orders worth INR10b, with ~25% EV mix.
- **Balance sheet and cash flows:** The company now has net cash of INR12b, up from INR8.2b YoY. Capex was INR3.9b (<5% of sales), with a focus on disciplined spending until market conditions improve. The dividend payout is proposed at INR7 per share (vs. INR5 last year).

Valuation and view

- The Indian business is projected to be the primary growth driver for the company even in CY26. However, the weak outlook for the EU business and Metalcastello is likely to weigh on the overall performance in the near term. Some of the financial attributes unique to the global ancillary player include: being net debt free, having strict capex/inorganic expansion guidelines, generating positive FCF, and tracking an improving return trajectory.
- We cut our CY25/CY26 EPS estimates by 4%/11% to account for weak demand, slow order ramp-up, and lower profitability. However, CIEINDIA remains focused on sustaining profitability through operational efficiencies. The stock trades at 18.1x/16.8x CY25E/CY26E consolidated EPS. Reiterate BUY with a TP of INR500 (~20x Dec'26E consolidated EPS).

Quarterly performance (Consol.)

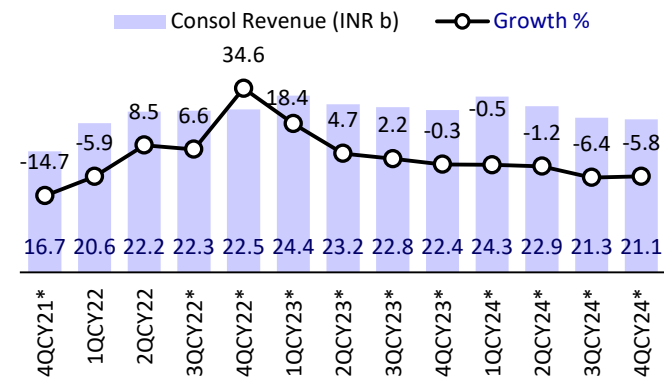
(INR m)	CY23				CY24				CY23	CY24		Var.
Y/E December	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	24,402	23,203	22,794	22,404	24,268	22,927	21,346	21,100	92,803	89,641	20,958	0.7
YoY Change (%)	18.4	4.7	2.2	-0.3	-0.5	-1.2	-6.4	-5.8	6.0	-3.4	-6.5	
EBITDA	3,806	3,704	3,454	3,274	3,606	3,600	3,306	2,993	14,239	13,506	3,176	-5.8
Margins (%)	15.6	16.0	15.2	14.6	14.9	15.7	15.5	14.2	15.3	15.1	15.2	-100bp
Depreciation	825	833	783	781	863	836	798	809	3,222	3,306	813	-1
Interest	240	221	310	303	220	211	169	175	1,074	776	123	43
Other Income	160	195	200	265	513	306	243	336	820	1,396	265	27
Share of profit from associates	3	-3	-2	-3	4	6	19	-2	-5	27	20	
PBT before EO expense	2,901	2,846	2,561	2,455	3,035	2,859	2,581	2,344	10,763	10,820	2,505	-6
PBT after EO exp	2,901	2,846	2,561	2,455	3,035	2,859	2,581	2,344	10,763	10,820	2,505	-6.4
Tax Rate (%)	24.2	24.9	27.0	27.8	24.3	24.5	25.3	23.6	25.8	24.4	25.2	
Adj. PAT	2,203	2,136	1,867	1,770	2,302	2,164	1,947	1,790	7,976	8,203	1,893	-5
YoY Change (%)	34.1	15.7	11.4	6.4	4.5	1.3	4.3	1.1	16.8	2.8	6.9	
Revenues												
India	14,449	14,348	15,354	14,833	15,066	15,047	15,270	15,160	58,985	60,544	15,172	-0.1
Growth (%)	13	4	0	6	4	5	-1	2	6	3	2.3	
EU	9,954	8,855	7,440	7,570	9,202	7,879	6,077	5,940	33,819	29,098	5,787	2.7
Growth (%)	28	6	5	-11	-8	-11	-18	-22	7	-14	-23.6	
EBITDA Margins												
India	15.0	14.8	15.1	14.7	14.7	15.5	15.6	14.5	14.9	15.1	15.3	
EU	16.4	17.8	15.3	14.5	15.1	16.1	15.2	13.3	16.1	15.0	14.8	

E: MOFSL Estimates

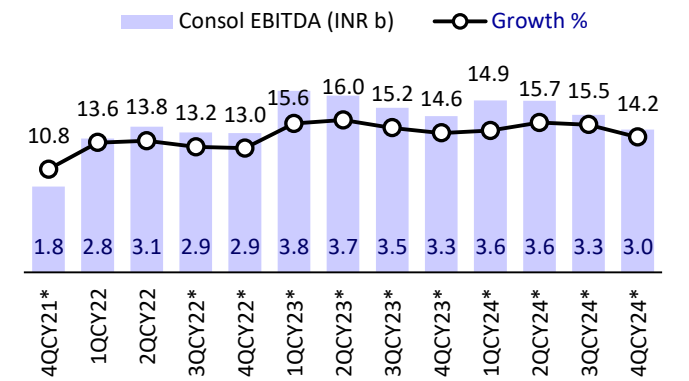


Key takeaways from the management interaction

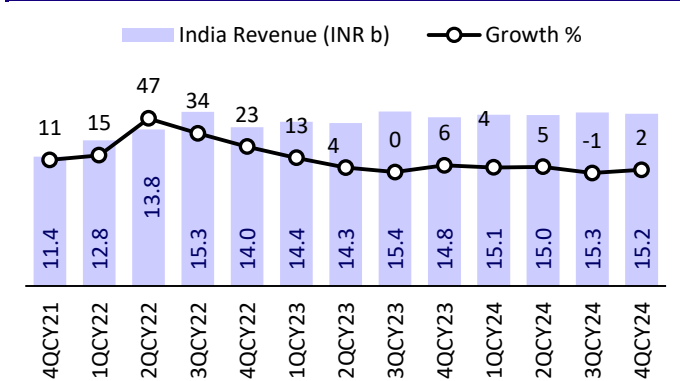
- **India:** While some delays in the order book persist, opportunities exist with both anchor and non-anchor customers. The company remains confident in its positioning despite competitive pressures and focuses on maintaining efficiency and reliability to retain customer preference.
- While order delays in certain segments like CIE Hosur and EV aluminum customers have impacted past performance, the company expects an improvement in the current year. Strong order inflows are driving additional capex plans for the Indian operations in the coming year.
- **Europe business and Metalcastello:** The European market remains weak, with Metalcastello maintaining a revenue run rate of EUR4m per month. The company expects a recovery in 2HCY25 as demand for off-highway vehicle gears, primarily used in infrastructure and oil & gas, is anticipated to pick up in the US.
- In Europe, the company focuses on margin protection, capacity adjustments, and capturing additional business amid supply chain consolidation.
- **Electrification:** EV adoption in Europe has been slower than expected, with CY24 penetration at 13% and the CY29 forecast lowered to 43% (vs 56% earlier). The company will work on gradually substituting crankshafts with aluminum forged parts and steering parts used in EVs.
- Annual order intake is typically 15-20% of sales, with EV orders forming a significant portion, but it is facing slow conversion to sales, especially in Europe. In India, the company has secured new orders worth INR10b, with ~25% EV mix.
- **Inorganic growth strategy:** It continues to explore strategic acquisitions, particularly in plastics, to address gaps in its portfolio. However, acquisitions will only be pursued if they align with strategic objectives rather than just for growth.
- **Efficiency measures:** It has ~12,600 employees in India and over 900 in Europe. While Indian operations would focus on efficiency gains without any major hiring planned, the European business is adjusting its workforce in response to reduced light vehicle production, which has declined from 20m units per year to 16-17m units currently.
- **Balance sheet and cash flows:** The company now has net cash of INR12b, up from INR8.2b YoY. Capex was INR3.9b (<5% of sales), with a focus on disciplined spending until market conditions improve. The dividend payout is proposed at INR7 per share (vs. INR5 last year).
- Mexico's financials are included under India in the investor presentation, contributing INR3b in sales at EBITDA margin of 12-15%. India accounts for 68% of CIE India's sales, including Mexico, while Europe contributes 32%. The India-Europe sales ratio has reversed since 2015.

Exhibit 1: Trend in consolidated revenue

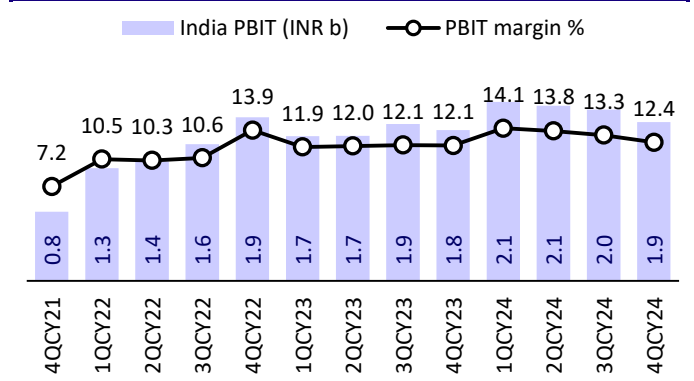
*Excludes MFE Source: Company, MOFSL

Exhibit 2: Trend in consolidated EBITDA

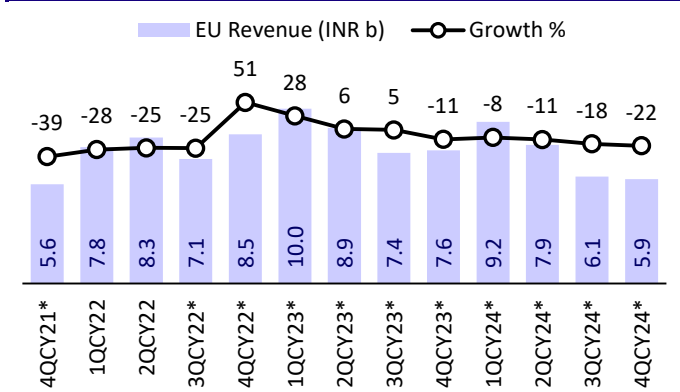
*Excludes MFE Source: Company, MOFSL

Exhibit 3: Trend in India revenue

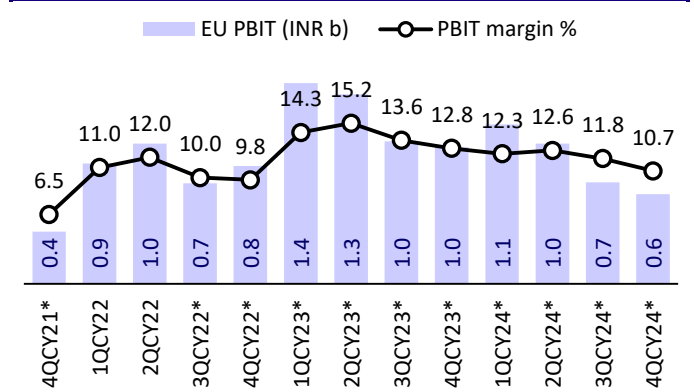
Source: Company, MOFSL

Exhibit 4: Trend in India PBIT margin

Source: Company, MOFSL

Exhibit 5: Trend in the EU revenue

*Excludes MFE Source: Company, MOFSL

Exhibit 6: Trend in the EU PBIT margin

*Excludes MFE Source: Company, MOFSL

Valuation and view

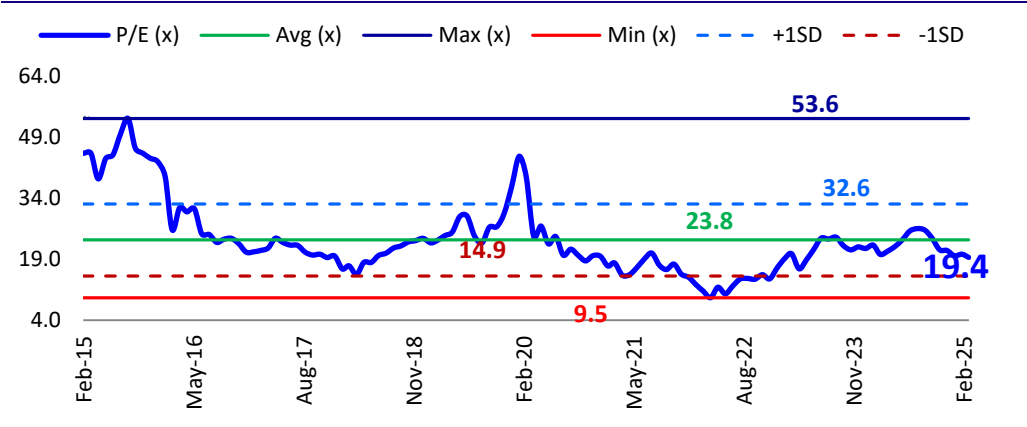
- **Unique business model with multiple technologies under one roof:** CIEINDIA is a unique ancillary company that houses seven key technologies under one roof, each with a strong competitive position. Some of its strong attributes include: 1) the largest supplier of PV crankshafts in India; 2) a dominant player in forged steering parts; 3) one of the two strategic suppliers of aluminum castings to a leading domestic 2W OEM; 4) the second-largest supplier of crankshafts in Europe; 5) a strategic supplier of gears to a leading global supplier of construction and mining equipment; 6) the largest supplier of stampings and gears to one of the leading SUV/tractor OEMs in India; and 7) a supplier with the unique ability to supply crankshafts through both castings and forgings.
- **India business to remain a key growth driver:** CIEINDIA's top three domestic customers are MM, BJAUT, and MSIL. The outlook for all three anchor customers is positive, with each of them expected to outperform their respective industry growth on account of new launches. Apart from this, the company is boosting its presence with several key OEMs, including Hyundai, Toyota, and VW. Taking into account the strong progress expected from its anchor customers and its enhanced presence from new customers, we expect CIEINDIA to continue to outperform the core industry growth. We expect its Indian business to deliver a steady 5% revenue CAGR over CY24-26.
- **Near-term slowdown in Europe to partially offset growth in the domestic business:** Despite the subdued industry growth outlook in Europe, management is optimistic about outperforming the industry, backed by new order wins. The company anticipates a 2H recovery as demand for off-highway vehicle gears, mainly used in infrastructure and oil & gas, is expected to improve in the US. Moreover the management has made it clear that in Europe, the focus will remain on margin protection, capacity adjustments, and securing new business. In India, it continues capacity expansion with efficiency enhancements in line with CIE global benchmarks. We expect its EU business to clock ~5% revenue CAGR over CY24-26.
- **Valuation and view:** We cut our CY25/CY26 EPS estimates by 4%/11% to account for weak demand, slow order ramp-up, and lower profitability. The Indian business is projected to be the primary growth driver for the company even in CY26. However, the weak outlook for the EU business and Metalcastello is likely to weigh on the overall performance in the near term. However, CIEINDIA remains focused on sustaining profitability through operational efficiencies. The stock trades at 18.1x/16.8x CY25E/CY26E consolidated EPS. Reiterate BUY with a TP of INR500 (~20x Dec'26E consolidated EPS).

Exhibit 7: Our revised estimates

(INR M)	CY25E			CY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net sales	94,192	95,987	(1.9)	99,345	1,03,738	(4.2)
EBITDA	14,138	14,611	(3.2)	14,901	16,284	(8.5)
EBITDA margin %	15.0	15.2	-20bp	15.0	15.7	-70bp
Adj. PAT	8,786	9,179	(4.3)	9,453	10,569	(10.6)
EPS	23.2	24.3	(4.3)	25.0	28.0	(10.6)

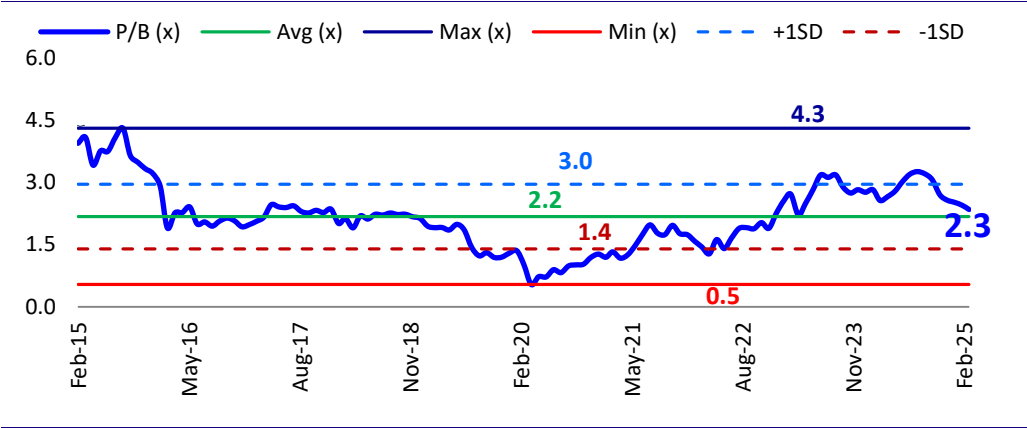
Source: MOFSL

Exhibit 8: P/E ratio charts



Source: Company, MOFSL

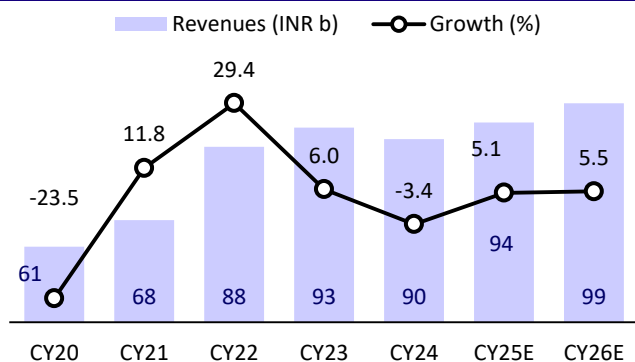
Exhibit 9: P/B ratio charts



Source: Company, MOFSL

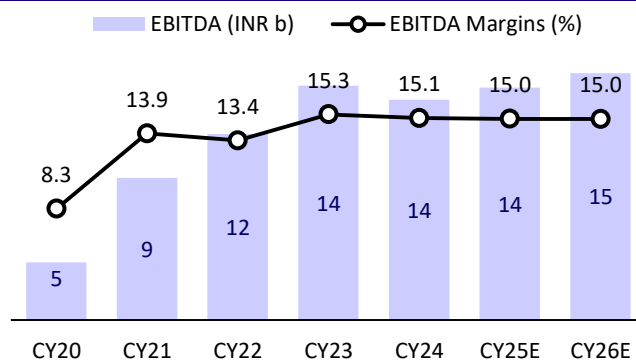
Key operating indicators

Exhibit 10: Expect consolidated revenue to recover



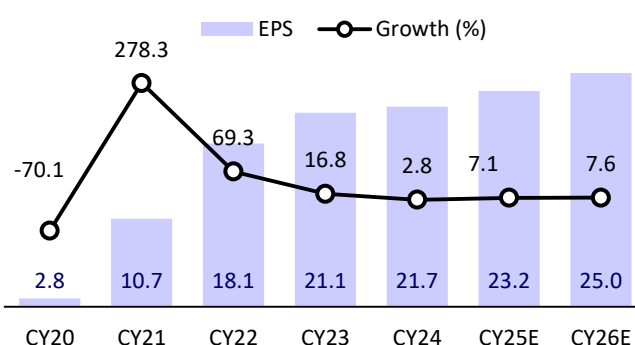
Source: Company, MOFSL

Exhibit 11: Expect EBITDA margin to remain stable



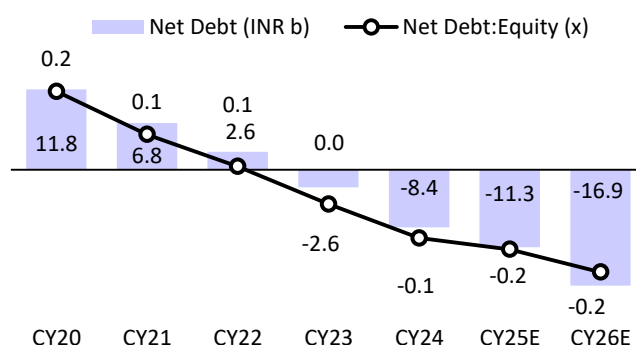
Source: Company, MOFSL

Exhibit 12: EPS and EPS growth



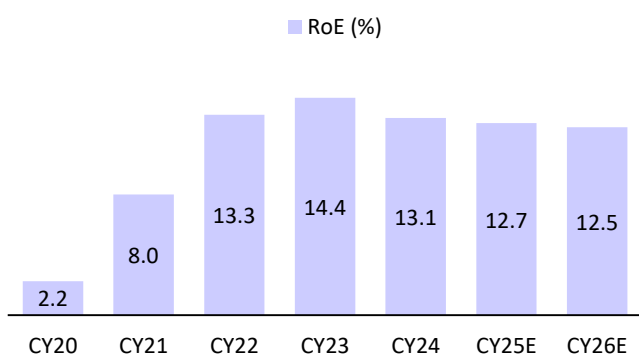
Source: Company, MOFSL

Exhibit 13: Turned net cash positive from CY23



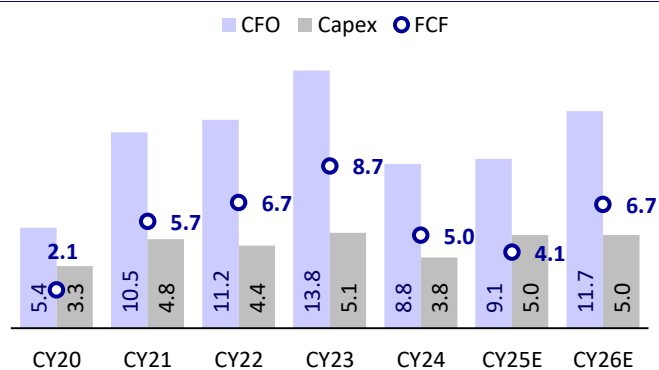
Source: Company, MOFSL

Exhibit 14: Expect RoE to remain under pressure



Source: Company, MOFSL

Exhibit 15: FCF to remain at healthy levels



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR M)

Y/E December	CY20	CY21	CY22	CY23	CY24	CY25E	CY26E
Total Income from Operations	60,501	67,652	87,530	92,803	89,641	94,192	99,345
Change (%)	-23.5	11.8	29.4	6.0	-3.4	5.1	5.5
Total Expenditure	55,485	58,234	75,810	78,565	76,135	80,054	84,444
% of Sales	91.7	86.1	86.6	84.7	84.9	85.0	85.0
EBITDA	5,016	9,417	11,720	14,239	13,506	14,138	14,901
Margin (%)	8.3	13.9	13.4	15.3	15.1	15.0	15.0
Depreciation	3,064	2,733	2,962	3,222	3,306	3,550	3,717
EBIT	1,952	6,684	8,758	11,017	10,199	10,588	11,185
Int. and Finance Charges	548	348	227	1,074	776	624	498
Other Income	549	468	583	820	1,396	1,643	1,822
PBT bef. EO Exp.	1,953	6,805	9,114	10,763	10,820	11,608	12,508
EO Items	0	-128	379	0	0	0	0
PBT after EO Exp.	1,953	6,677	9,492	10,763	10,820	11,608	12,508
Total Tax	886	2,731	2,401	2,782	2,644	2,850	3,084
Tax Rate (%)	45.4	40.9	25.3	25.8	24.4	24.6	24.7
Share of profit from associate	0	12	22	-5	27	28	29
Reported PAT	1,066	3,958	7,113	7,976	8,203	8,786	9,453
Adj. PAT	1,066	4,034	6,829	7,976	8,203	8,786	9,453
Change (%)	-70.1	278.3	69.3	16.8	2.8	7.1	7.6
Margin (%)	1.8	6.0	7.8	8.6	9.2	9.3	9.5

Consolidated - Balance Sheet

(INR M)

Y/E December	CY20	CY21	CY22	CY23	CY24	CY25E	CY26E
Equity Share Capital	3,790	3,791	3,793	3,794	3,794	3,794	3,794
Total Reserves	45,290	48,175	47,192	56,086	61,974	68,563	75,653
Net Worth	49,080	51,966	50,985	59,880	65,768	72,357	79,447
Total Loans	16,476	12,816	9,234	8,033	5,210	3,210	1,210
Deferred Tax Liabilities	1,236	2,459	3,199	3,238	3,247	3,247	3,247
Capital Employed	66,792	67,241	63,418	71,151	74,225	78,815	83,904
Gross Block	53,135	50,226	48,348	53,792	57,963	62,625	67,625
Less: Accum. Deprn.	23,204	20,624	20,921	24,228	27,535	31,085	34,801
Net Fixed Assets	29,931	29,602	27,427	29,564	30,428	31,540	32,823
Goodwill on Consolidation	37,554	36,265	28,040	28,540	28,142	28,142	28,142
Capital WIP	123	1,247	1,195	537	663	1,001	1,001
Total Investments	2,340	4,380	5,756	8,206	10,383	13,383	16,383
Curr. Assets, Loans&Adv.	23,686	26,712	36,780	30,679	27,872	30,660	32,886
Inventory	10,062	13,486	12,108	11,626	10,911	12,940	13,650
Account Receivables	7,054	6,687	8,608	6,331	6,271	9,032	9,526
Cash and Bank Balance	2,380	1,595	859	2,387	3,242	1,152	1,762
Loans and Advances	4,190	4,943	15,205	10,334	7,447	7,535	7,948
Curr. Liability & Prov.	26,843	30,965	35,780	26,374	23,262	25,911	27,331
Account Payables	14,590	19,385	21,350	19,341	15,809	17,765	18,740
Other Current Liabilities	7,909	7,605	12,876	5,505	5,976	6,593	6,954
Provisions	4,344	3,976	1,553	1,528	1,477	1,552	1,637
Net Current Assets	-3,157	-4,253	1,000	4,305	4,610	4,749	5,556
Misc Expenditure	1	1	0	-1	-1	-1	-1
Appl. of Funds	66,792	67,241	63,418	71,151	74,225	78,815	83,904

Financials and valuations

Ratios

Y/E December	CY20	CY21	CY22	CY23	CY24	CY25E	CY26E
Basic (INR)							
EPS	2.8	10.7	18.1	21.1	21.7	23.2	25.0
Cash EPS	10.9	17.9	25.9	29.6	30.4	32.6	34.8
BV/Share	129.8	137.4	134.8	158.4	173.9	191.4	210.1
DPS	0.0	2.5	2.5	5.0	7.0	4.6	5.0
Payout (%)	0.0	23.9	13.3	23.8	32.4	20.0	20.0
Valuation (x)							
P/E	149.3	39.5	23.3	20.0	19.4	18.1	16.8
Cash P/E	38.5	23.5	16.3	14.2	13.8	12.9	12.1
P/BV	3.2	3.1	3.1	2.7	2.4	2.2	2.0
EV/Sales	2.9	2.5	1.9	1.8	1.8	1.7	1.6
EV/EBITDA	34.6	18.1	14.3	11.6	12.0	11.4	10.7
Dividend Yield (%)	0.0	0.6	0.6	1.2	1.7	1.1	1.2
FCF per share	5.4	15.1	17.8	23.0	13.2	10.8	17.5
Return Ratios (%)							
RoE	2.2	8.0	13.3	14.4	13.1	12.7	12.5
RoCE (Post-tax)	2.1	6.3	10.7	13.0	12.1	12.1	12.0
RoIC	1.8	6.5	11.3	14.1	12.8	13.0	13.2
Working Capital Ratios							
Fixed Asset Turnover (x)	1.1	1.3	1.8	1.7	1.5	1.5	1.5
Asset Turnover (x)	0.9	1.0	1.4	1.3	1.2	1.2	1.2
Inventory (Days)	61	73	50	46	44	50	50
Debtor (Days)	43	36	36	25	26	35	35
Creditor (Days)	88	105	89	76	64	69	69
Leverage Ratio (x)							
Net Debt/Equity	0.2	0.1	0.1	0.0	-0.1	-0.2	-0.2

Consolidated - Cash Flow Statement

Y/E December	CY20	CY21	CY22	CY23	CY24	CY25E	CY26E
(INR M)							
OP/(Loss) before Tax	1,953	6,689	9,514	10,759	10,847	11,635	12,537
Depreciation	3,064	3,431	3,537	3,222	3,306	3,550	3,717
Interest & Finance Charges	548	533	454	1,074	776	-1,020	-1,323
Direct Taxes Paid	-503	-1,053	-1,981	-3,579	-2,622	-2,850	-3,084
(Inc)/Dec in WC	761	1,364	-97	-309	-2,357	-2,230	-196
CF from Operations	5,823	10,963	11,427	11,166	9,950	9,087	11,650
Others	-430	-452	-245	2,667	-1,142	0	0
CF from Operating incl EO	5,393	10,511	11,182	13,833	8,808	9,087	11,650
(Inc)/Dec in FA	-3,343	-4,778	-4,434	-5,122	-3,807	-5,000	-5,000
Free Cash Flow	2,050	5,733	6,749	8,711	5,002	4,087	6,650
(Pur)/Sale of Investments	-1,376	-1,880	-1,273	-2,213	-1,679	-3,000	-3,000
Others	502	-967	-661	-1,714	3,118	1,643	1,822
CF from Investments	-4,217	-7,625	-6,368	-9,049	-2,368	-6,357	-6,178
Issue of Shares	0	10	36	7	0	0	0
Inc/(Dec) in Debt	506	-2,787	-3,936	396	3,265	-2,000	-2,000
Interest Paid	-477	-465	-378	-1,035	-739	-624	-498
Dividend Paid	0	0	-948	-948	-1,889	-1,757	-1,891
Others	-409	-385	349	-2,691	-6,164	0	0
CF from Fin. Activity	-380	-3,627	-4,877	-4,272	-5,527	-4,381	-4,389
Inc/Dec of Cash	796	-740	-63	512	914	-1,651	1,083
Opening Balance	1,590	2,386	1,646	1,583	2,095	3,009	1,358
Closing Balance	2,386	1,646	1,583	2,095	3,009	1,358	2,441

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NOTES

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