

CIE Automotive

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CIEINDIA IN
Equity Shares (m)	379
M.Cap.(INRb)/(USD\$)	186 / 2.2
52-Week Range (INR)	580 / 395
1, 6, 12 Rel. Per (%)	1/-15/-7
12M Avg Val (INR M)	394

Financials & Valuations (INR b)

Y/E Decemeber	CY23	CY24E	CY25E
Sales	92.8	98.4	109.5
EBITDA (%)	15.3	15.5	16.1
Adj. PAT	8.0	9.2	11.2
EPS (INR)	21.1	24.5	29.6
EPS Growth (%)	16.8	16.0	21.1
BV/Share (Rs)	158	177	199

Ratio

RoE (%)	14.4	14.6	15.8
RoCE (%)	13.0	13.5	14.8
Payout (%)	23.8	20.0	20.0

Valuations

P/E (x)	23.3	20.1	16.6
P/BV (x)	3.1	2.8	2.5
Div. Yield (%)	1.0	1.0	1.2
FCF Yield (%)	4.7	2.6	4.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	65.7	65.7	68.9
DII	18.2	16.0	11.2
FII	5.1	5.6	8.6
Others	11.0	12.7	11.3

FII Includes depository receipts

CMP: INR490 TP: INR565 (+15%) Buy

In-line operating performance; high other income drives PAT beat

Near-term weakness in Europe to be offset by positive India outlook

- While CIEINDIA's 1QCY24 operating performance was in line with our estimates, higher other income drove PAT beat. A delay in the ramp-up of orders from the customers' end hurt revenue growth. EU demand remained muted due to overall weakness in the light vehicle market and US off-highway markets.
- The stock trades at 20x/17x CY24E/CY25E consolidated EPS. Reiterate BUY with a TP of INR565 (based on ~18x Mar'26E consol. EPS).

Slower-than-expected ramp-up of new orders hurts growth

- 1QCY24 consol. revenue remained flat YoY at ~INR24.3b (vs. est. INR23.6b), due to lower-than-est. growth in India (6% YoY vs. est. 7%), while EU declined 8% YoY (vs. est. decline of 18%). EBITDA stood at ~INR3.6b (vs. est. INR3.5b), down 5% YoY. EBITDA margins stood at 14.9% (in line). There was a one-off item in other income related to INR220m in subsidy received by its subsidiary, Aurangabad Electricals. Thanks to higher other income, adj. PAT grew 4.5% YoY to INR2.3b (vs. est. INR1.9b).
- India business performance:** Revenue grew 4% YoY to ~INR15.1b (vs. est. ~INR15.5b). India EBITDA margin stood at 14.7% (vs. est. 14.8%). India business growth was above weighted average growth, supported by light vehicles and 2Ws.
- EU business performance:** Revenue declined 8% YoY to ~INR9.2b (vs. est. ~INR8.2b). EBITDA margins stood at 15.1% (-130bp YoY; est. 15.2%). Growth was hampered by weak market performance and lower sales in Metalcastello due to a dip in the US market.

Highlights from the management commentary

- India business: CIE has continued to outperform the underlying industry, albeit at a slower pace compared to the last few quarters (1Q/2Q/3QCY23), mainly due to a **delay in ramping up orders**. There was no loss of share with customers for this underperformance.
- The EU light-vehicle market was down 3% YoY in 1QCY24 after 13% YoY growth in CY23, and the **management expects this trend of decline to continue** this year (2-3% decline YoY for the light-vehicle market).
- EVs are slowing down in CY24** due to a reduction of subsidies in Germany. In EU, EV penetration was down 100bp in 1QCY24, while penetration of hybrids was up 5%. The penetration of petrol/diesel vehicles came down by 2% each.

Valuation and view

- The India business is expected to be the key growth driver for the company in CY24 and the bulk of its capex is currently in the India business to expand for new customer orders. While the near-term outlook for Europe is weak, we expect it to pick up in CY25 on the back of its new order wins.

- The company will continue to strive to improve efficiencies further in the coming years as well. The stock trades at 20x/17x CY24E/CY25E consolidated EPS. Reiterate BUY with a TP of INR565 (based on ~18x Mar'26E consol. EPS).

Quarterly performance (Consol.)

(INR m)	CY23				CY24E				CY23	CY24E	CY24E
Y/E December	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net Sales	24,402	23,203	22,794	22,404	24,268	24,317	24,618	25,200	92,803	98,402	23,623
YoY Change (%)	18.4	4.7	2.2	-0.3	-0.5	4.8	8.0	12.5	6.0	6.0	-3.2
EBITDA	3,806	3,704	3,454	3,274	3,606	3,715	3,846	4,045	14,239	15,212	3,529
Margins (%)	15.6	16.0	15.2	14.6	14.9	15.3	15.6	16.1	15.3	15.5	14.9
Depreciation	825	833	783	781	863	860	895	825	3,222	3,443	790
Interest	240	221	310	303	220	215	215	200	1,074	850	225
Other Income	160	195	200	265	513	240	250	306	820	1,309	225
Share of profit from associates	3	-3	-2	-3	4	0	0	0	-5	15	0
PBT before EO expense	2,901	2,846	2,561	2,455	3,035	2,880	2,986	3,326	10,763	12,228	2,739
EO Exp/(Inc)	0	0	0	0	0	0	0	0	0	0	0
PBT after EO exp	2,901	2,846	2,561	2,455	3,035	2,880	2,986	3,326	10,763	12,228	2,739
Tax Rate (%)	24.2	24.9	27.0	27.8	24.3	31.4	31.4	12.5	25.8	24.5	31.4
Adj. PAT	2,203	2,136	1,867	1,770	2,302	1,975	2,048	2,912	7,976	9,249	1,878
YoY Change (%)	34.1	15.7	11.4	6.4	4.5	-7.5	9.7	64.5	16.8	16.0	-14.7
Revenues											
India	14,449	14,348	15,354	14,833	15,066	15,639	16,582	16,523	58,985	63,810	15,460
Growth (%)	13	4	0	6	4	9	8	11	6	8	7.0
EU	9,954	8,855	7,440	7,570	9,202	8,678	8,035	8,677	33,819	34,592	8,162
Growth (%)	28	6	5	-11	-8	-2	8	15	7	2	-18.0
EBITDA Margins											
India	15.0	14.8	15.1	14.7	14.7	15.1	15.2	15.2	14.9	15.1	14.8
EU	16.4	17.8	15.3	14.5	15.1	15.6	16.5	17.8	16.1	16.2	15.2

E: MOFSL Estimates; AEL merged w.e.f 2QCY19



Key takeaways from the management interaction

India business:

- India business revenue grew 6% YoY, above weighted average market growth of 4%, driven by light vehicles and 2Ws. Tractors and MHCVs declined by double digits. It expects light vehicles to continue to grow at a steady pace, while tractors are expected to recover in 2HCY24. It also expects EV orders to ramp up in 2HCY24.
- CIE has continued to outperform the underlying industry, albeit at a slower pace compared to the last few quarters, mainly due to a delay in new launches by OEMs.
- There was a one-off from subsidy income in CACIL (INR220m) reported in other income in 1Q.
- Some of the new order wins that are likely to boost India revenue in coming quarters are: 1) stamping and gears order for MM's XUV3XO, 2) supplies to MM EVs and upcoming SCVs, 3) supplies to MM K2 series of tractors, 4) supplies to Triumph as well as BAL's CNG bike, and 5) crankshaft business in MSIL's upcoming SUV.
- It has 20% dependence on the ICE portfolio in India (60% PVs/40% 2Ws) and does not see any near-term impact on the same.

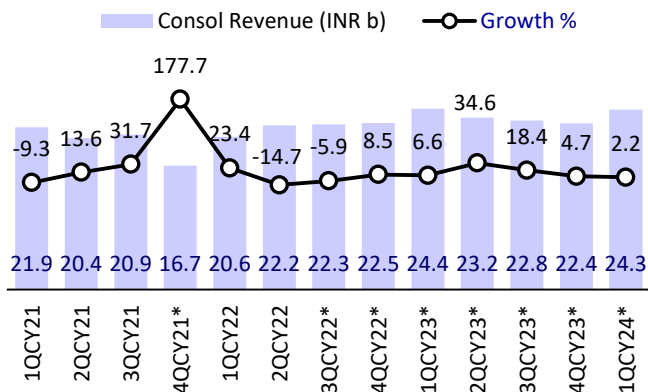
Europe business:

- Revenue declined 8% YoY mainly due to a higher base of last year in EU business. The decline on the constant currency basis was 2%. In 2Q, EU revenue is likely to be flat YoY. EU light-vehicle market was down 3% YoY in 1QCY24 and HIS expects EV LV market to decline 2% YoY in 2024.
- There was a margin reduction on account of stock reduction due to Easter holidays, which were in 1QCY24 vs. in 2Q last year. However, the management expects margins should not fall further. In fact, it has indicated that EU margins are likely to remain stable YoY in CY24.
- **Metalcastello:** The ongoing slowdown in the US construction industry continues to impact revenue at Metalcastello. Given that the US is headed into elections in CY24, the management expects this segment to recover only by CY24 end or in early CY25. It has reduced expenses, including contract labor, in line with the reduced business. Metalcastello is now clocking about EUR50-60m in revenues this year (vs. EUR75-80m at the start of CY23).
- **EVs are slowing down in CY24** due to the reduction of subsidies in Germany. In EU, EV penetration was down 100bp in 1QCY24, while the penetration of hybrids was up 5%. The penetration of petrol/diesel vehicles came down by 2% each. ICE business is stable, but electrification component programs are delayed by customers. Overall, the delay in OEM EV programs is leading to a slower-than-expected revenue ramp-up for the EU business.

Other:

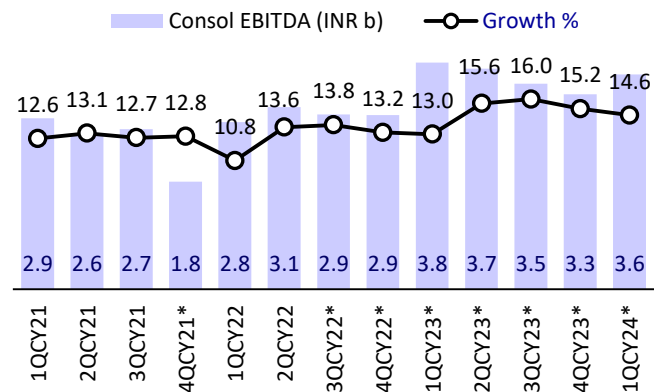
- The company has four anchor customers, e.g., MM-Farm, MM Auto, BJAUT, and MSIL, which account for ~50-55% of sales. Apart from this, it has slowly diversified its presence in 11 more OEMs, which include the likes of TTMT, AL, Hyundai, Kia, John Deere, etc.
- Capex guidance for CY24 remains at 5% of sales (1Q capex of INR1b; less than 5%). Most of the capex is focused on India rather than EU. It is adding capacities in all verticals, given the good order inflow. Some of the segments, in which CIE is investing, include: a) composites business which should see 12-13% YoY growth, b) stampings: new press line to start from Jul'24, c) forgings: new crankshaft machining line, d) gears: new office building in order to have space for a production plant.
- Equity infusion in Bill Forge Mexico as the entity is growing. It is producing CV joint components. Big projects have been delayed in the US market; hence, the company's growth has been lower than expected. In CY24, it is expected to deliver about USD40m in revenue. EBITDA margin of this business is in the range of 10-15% and has been impacted by high steel prices .

Exhibit 1: Trend in consolidated revenue



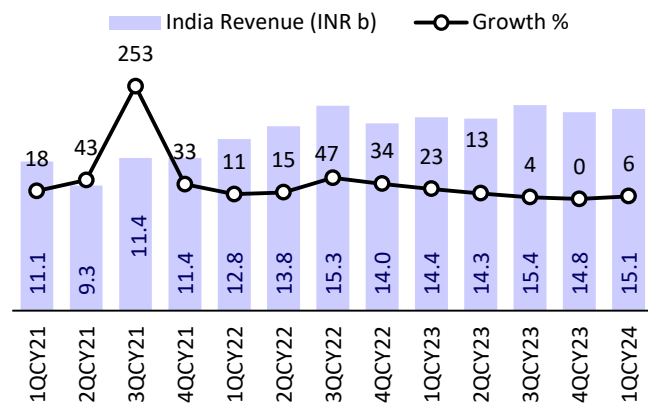
Source: *Excludes MFE, Company, MOFSL

Exhibit 2: Trend in consolidated EBITDA



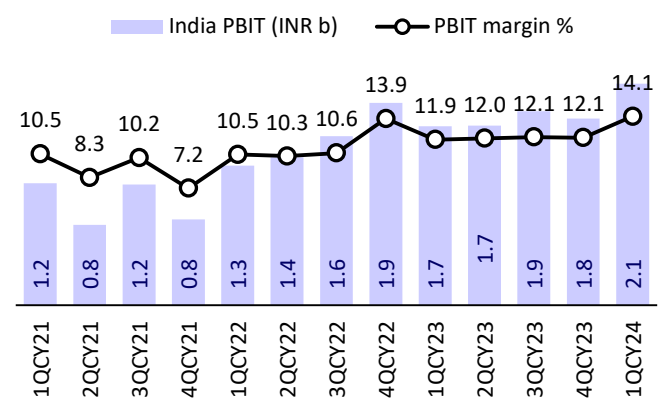
Source: *Excludes MFE, Company, MOFSL

Exhibit 3: Trend in India revenue



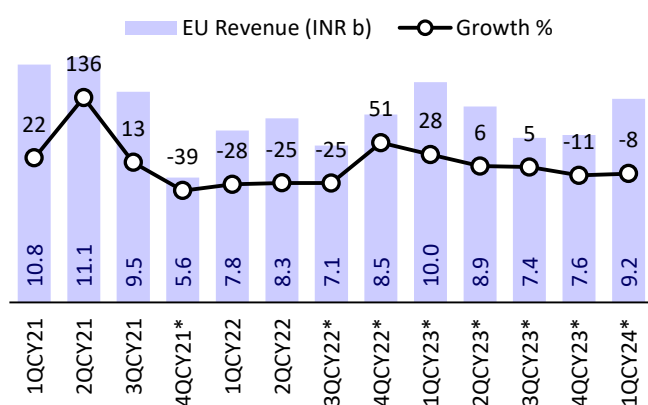
Source: Company, MOFSL

Exhibit 4: Trend in India PBIT margin



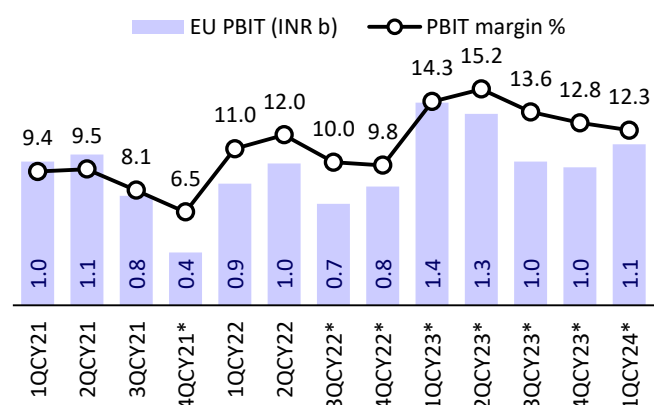
Source: Company, MOFSL

Exhibit 5: Trend in the EU revenue



Source: *Excludes MFE, Company, MOFSL

Exhibit 6: Trend in EU PBIT margin



Source: *Excludes MFE, 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 global leading 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.

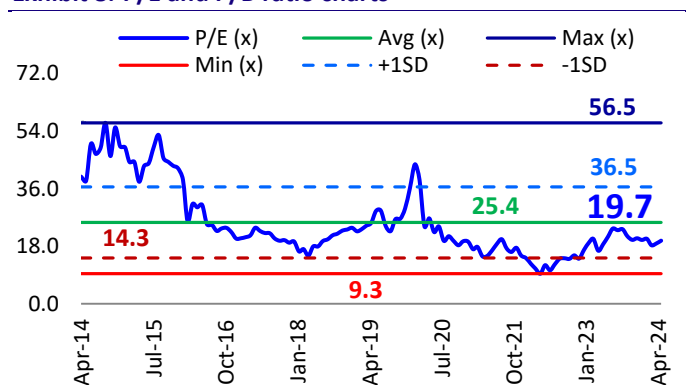
- **India business to remain a key growth driver:** CIEINDIA's top three domestic customers include MM, BJAUT, and MSIL. The outlook for all three anchor customers is very positive, with each of them expected to outperform respective industry growth on the back of new launches. Apart from this, the company has been intensifying its presence with several key OEMs, including Hyundai, Kia, Joh Deere, RE, etc. Driven by strong progress expected from its anchor customers and its enhancing presence from new customers, we expect CIEINDIA to continue to outperform the core industry growth. We expect its India business to deliver a steady 11% revenue CAGR over CY24-26.
- **Near-term slowdown in Europe to be offset by new order wins:** For the Europe business, while the underlying industry growth outlook remains muted, the management remains upbeat about outperforming industry growth, aided by new order wins. Of its new order wins, about 73% of forging orders are from EVs and about 51% of new orders at Metalcastello are from EVs. We expect its EU business to deliver a 7% revenue CAGR over CY24-26, though a bit back-ended.
- **Valuation & View:** The company will continue to strive to improve efficiencies further in the coming years as well. Some of the financial attributes unique to a global ancillary player include: being net debt free, having strict capex/inorganic expansion guidelines, generating positive FCF, and tracking an improving returns trajectory. We have maintained our estimates. The stock trades at 20x/17x CY24E/CY25E consolidated EPS. Reiterate BUY with a TP of INR565 (based on ~18x Mar'26E consol. EPS).

Exhibit 7: Our revised estimates

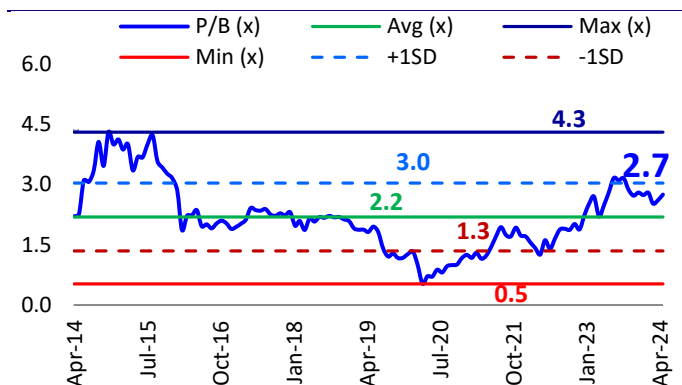
(INR M)	CY24E			CY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	98,402	99,212	(0.8)	1,09,533	1,10,256	(0.7)
EBITDA	15,212	15,316	(0.7)	17,587	17,674	(0.5)
EBITDA margin %	15.5	15.4	0bp	16.1	16.0	0bp
Adj. PAT	9,249	9,149	1.1	11,202	11,284	(0.7)
EPS	24.5	24.2	1.1	29.6	29.8	(0.7)

Source: MOFSL

Exhibit 8: P/E and P/B ratio charts



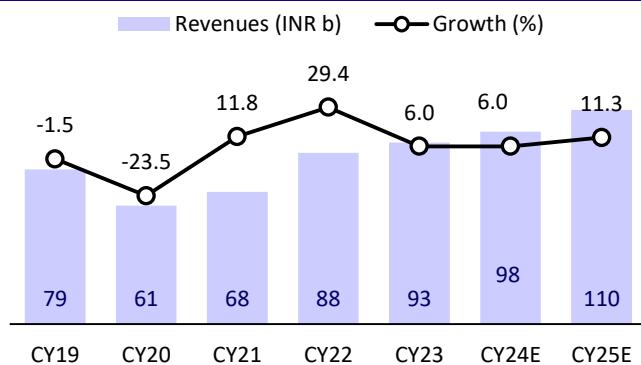
Source: Company, MOFSL



Source: Company, MOFSL

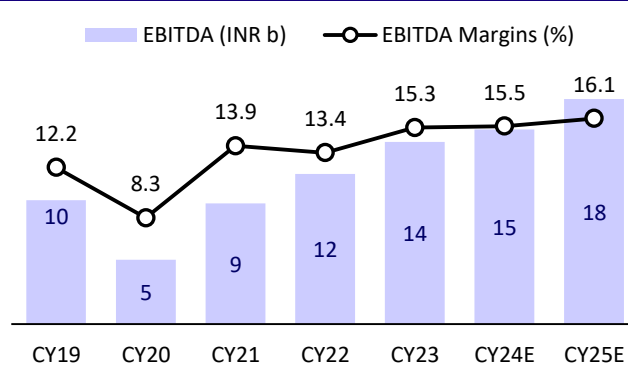
Key operating indicators

Exhibit 9: Expect consolidated revenue to recover



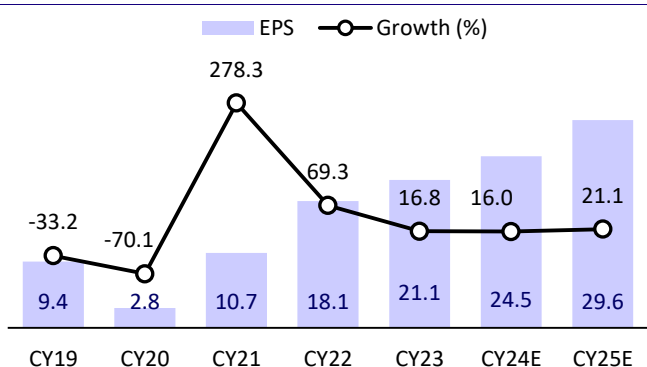
Source: Company, MOFSL

Exhibit 10: Expect EBITDA margin to recover in CY23



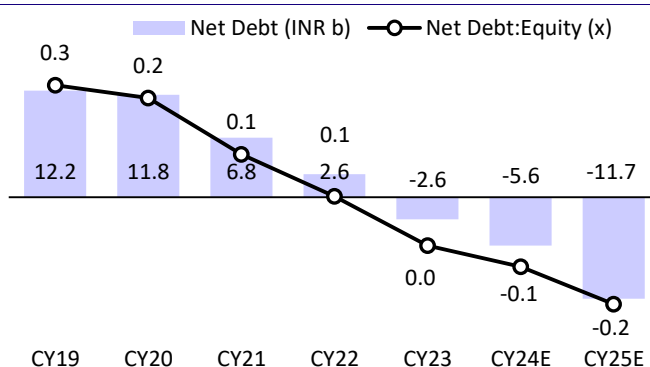
Source: Company, MOFSL

Exhibit 11: EPS and EPS growth



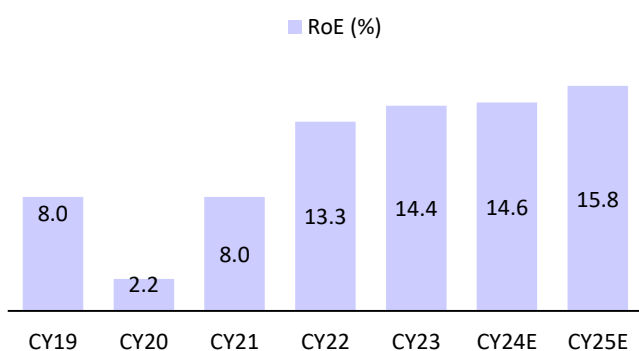
Source: Company, MOFSL

Exhibit 12: Turned net cash positive from CY23



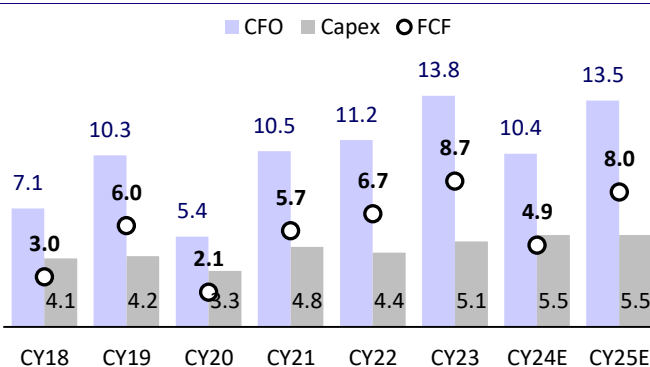
Source: Company, MOFSL

Exhibit 13: Expect RoE to continue to improve



Source: Company, MOFSL

Exhibit 14: FCF to remain at healthy levels



Source: Company, MOFSL

Exhibit 15: Key operating metrics

INR m	CY19	CY20	CY21	CY22	CY23E	CY24E	CY25E
Revenues							
Forgings	50,892	38,119	49,639	64,345	71,796	76,214	83,047
Growth (%)	-10	-25	30	30	12	6	9
India (ex BFL)	4,265	2,911	4,988	7,745	8,983	9,611	10,573
Growth (%)	-20	-32	71	55	16	7	10
BFL	8,776	6,898	9,238	12,553	13,432	14,909	17,295
Growth (%)	0	-21	34	36	7	11	16
MFE Europe	17,889	13,291	16,488	19,491	21,891	23,229	24,285
Growth (%)	-16	-26	24	18	12	6	5
CIE Europe	19,962	15,019	18,925	24,557	27,491	28,464	30,895
Growth (%)	-4	-25	26	30	12	4	9
Gears	7,893	5,128	8,326	9,830	9,867	9,915	11,332
Growth (%)	0	-35	62	18	0	0	14
India	2,240	1,717	2,836	3,230	3,539	3,787	4,241
Growth (%)	-4	-23	65	14	10	7	12
Metalcastello	5,653	3,411	5,490	6,600	6,328	6,128	7,091
Growth (%)	1	-40	61	20	-4	-3	16
Stampings	8,410	5,265	8,980	12,859	11,797	12,741	14,015
Growth (%)	-17	-37	71	43	-8	8	10
Castings	4,237	3,152	5,021	6,527	6,488	6,943	7,706
Growth (%)	-20	-26	59	30	-1	7	11
Composites	1,069	746	1,227	1,722	2,359	2,548	2,854
Growth (%)	-2	-30	64	40	37	8	12
Magnets	1,068	984	1,342	1,613	1,770	1,911	2,140
Growth (%)	-12	-8	36	20	10	8	12
Aluminum (AEL)	6,385	7,265	9,636	10,060	10,617	11,360	12,723
Growth (%)		14	33	4	6	7	12
Total Consol Revenues	79,078	60,501	67,652	87,530	92,803	98,402	1,09,533
Growth (%)	-2	-23	12	29	6	6	11
EBITDA Margins	12.2	8.3	13.9	13.4	15.3	15.5	16.1
EBIT Margins	8.2	3.2	9.9	10.0	11.9	12.0	12.7
Adj. EPS (INR/Sh)	9.4	2.8	10.7	18.1	21.1	24.5	29.6
Growth (%)	-33	-70	278	69	17	16	21

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E December	CY19	CY20	CY21	CY22	CY23	CY24E	CY25E
Total Income from Operations	79,078	60,501	67,652	87,530	92,803	98,402	1,09,533
Change (%)	-1.5	-23.5	11.8	29.4	6.0	6.0	11.3
EBITDA	9,677	5,016	9,417	11,720	14,239	15,212	17,587
Margin (%)	12.2	8.3	13.9	13.4	15.3	15.5	16.1
Depreciation	3,161	3,064	2,733	2,962	3,222	3,443	3,659
EBIT	6,516	1,952	6,684	8,758	11,017	11,769	13,928
Int. and Finance Charges	523	548	348	227	1,074	850	612
Other Income	331	549	468	583	820	1,309	1,460
PBT bef. EO Exp.	6,324	1,953	6,805	9,114	10,763	12,228	14,775
EO Items	-46	0	-128	379	0	0	0
PBT after EO Exp.	6,279	1,953	6,677	9,492	10,763	12,228	14,775
Total Tax	2,741	886	2,731	2,401	2,782	2,994	3,588
Tax Rate (%)	43.7	45.4	40.9	25.3	25.8	24.5	24.3
Share of profit from associate	0	0	12	22	-5	15	15
Reported PAT	3,538	1,066	3,958	7,113	7,976	9,249	11,202
Adj. PAT	3,564	1,066	4,034	6,829	7,976	9,249	11,202
Change (%)	-33.2	-70.1	278.3	69.3	16.8	16.0	21.1
Margin (%)	4.5	1.8	6.0	7.8	8.6	9.4	10.2

Consolidated - Balance Sheet

(INR m)

Y/E December	CY19	CY20	CY21	CY22	CY23	CY24E	CY25E
Equity Share Capital	3,790	3,790	3,791	3,793	3,794	3,794	3,794
Total Reserves	42,548	45,290	48,175	47,192	56,086	63,023	71,424
Net Worth	46,338	49,080	51,966	50,985	59,880	66,816	75,218
Total Loans	14,691	16,476	12,816	9,234	8,033	5,533	3,033
Deferred Tax Liabilities	912	1,236	2,459	3,199	3,238	3,238	3,238
Capital Employed	61,941	66,792	67,241	63,418	71,151	75,587	81,489
Gross Block	42,936	53,135	50,226	48,348	53,707	58,743	64,243
Less: Accum. Deprn.	17,619	23,204	20,624	20,921	24,143	27,586	31,245
Net Fixed Assets	25,316	29,931	29,602	27,427	29,564	31,157	32,997
Goodwill on Consolidation	35,260	37,554	36,265	28,040	28,540	28,540	28,540
Capital WIP	542	123	1,247	1,195	537	1,001	1,001
Total Investments	955	2,340	4,380	5,756	8,206	8,206	11,206
Curr. Assets, Loans&Adv.	23,553	23,686	26,712	36,780	30,679	33,655	37,621
Inventory	10,566	10,062	13,486	12,108	11,626	13,447	14,863
Account Receivables	7,368	7,054	6,687	8,608	6,331	9,436	10,503
Cash and Bank Balance	1,499	2,380	1,595	859	2,387	2,900	3,493
Loans and Advances	4,120	4,190	4,943	15,205	10,334	7,872	8,763
Curr. Liability & Prov.	23,686	26,843	30,965	35,780	26,374	26,970	29,875
Account Payables	14,771	14,590	19,385	21,350	19,341	18,461	20,405
Other Current Liabilities	4,745	7,909	7,605	12,876	5,505	6,888	7,667
Provisions	4,170	4,344	3,976	1,553	1,528	1,620	1,803
Net Current Assets	-133	-3,157	-4,253	1,000	4,305	6,685	7,746
Appl. of Funds	61,941	66,791	67,240	63,418	71,152	75,588	81,490

Financials and valuations

Ratios

Y/E December	CY19	CY20	CY21	CY22	CY23	CY24E	CY25E
Basic (INR)							
EPS	9.4	2.8	10.7	18.1	21.1	24.5	29.6
Cash EPS	17.8	10.9	17.9	25.9	29.6	33.6	39.3
BV/Share	122.6	129.8	137.4	134.8	158.4	176.7	198.9
DPS	0.0	0.0	2.5	2.5	5.0	4.9	5.9
Payout (%)	0.0	0.0	23.9	13.3	23.8	20.0	20.0
Valuation (x)							
P/E	52.0	173.9	46.0	27.2	23.3	20.1	16.6
Cash P/E	27.6	44.9	27.4	18.9	16.6	14.6	12.5
P/BV	4.0	3.8	3.6	3.6	3.1	2.8	2.5
EV/Sales	2.5	3.3	2.9	2.2	2.1	1.9	1.7
EV/EBITDA	20.6	39.9	20.9	16.6	13.5	12.4	10.6
Dividend Yield (%)	0.0	0.0	0.5	0.5	1.0	1.0	1.2
FCF per share	15.9	5.4	15.1	17.8	23.0	12.8	21.2
Return Ratios (%)							
RoE	8.0	2.2	8.0	13.3	14.4	14.6	15.8
RoCE (Post-tax)	6.5	2.1	6.3	10.7	13.0	13.5	14.8
RoIC	6.8	1.8	6.5	11.3	14.1	14.4	16.3
Working Capital Ratios							
Fixed Asset Turnover (x)	1.8	1.1	1.3	1.8	1.7	1.7	1.7
Asset Turnover (x)	1.3	0.9	1.0	1.4	1.3	1.3	1.3
Inventory (Days)	49	61	73	50	46	50	50
Debtor (Days)	34	43	36	36	25	35	35
Creditor (Days)	68	88	105	89	76	68	68
Leverage Ratio (x)							
Net Debt/Equity	0.3	0.2	0.1	0.1	0.0	-0.1	-0.2

Consolidated - Cash Flow Statement

(INR m)

Y/E December	CY19	CY20	CY21	CY22	CY23	CY24E	CY25E
OP/(Loss) before Tax	6,279	1,953	6,689	9,514	10,759	12,243	14,790
Depreciation	3,168	3,064	3,431	3,537	3,222	3,443	3,659
Interest & Finance Charges	525	548	533	454	1,074	-459	-848
Direct Taxes Paid	-1,161	-503	-1,053	-1,981	-3,579	-2,994	-3,588
(Inc)/Dec in WC	1,556	761	1,364	-97	-309	-1,868	-468
CF from Operations	10,367	5,823	10,963	11,427	11,166	10,366	13,546
Others	-94	-430	-452	-245	2,667	0	0
CF from Operating incl EO	10,273	5,393	10,511	11,182	13,833	10,366	13,546
(Inc)/Dec in FA	-4,238	-3,343	-4,778	-4,434	-5,122	-5,500	-5,500
Free Cash Flow	6,035	2,050	5,733	6,749	8,711	4,866	8,046
(Pur)/Sale of Investments	-1,871	-1,376	-1,880	-1,273	-2,213	0	-3,000
Others	219	502	-967	-661	-1,714	1,309	1,460
CF from Investments	-5,890	-4,217	-7,625	-6,368	-9,049	-4,191	-7,040
Issue of Shares	30	0	10	36	7	0	0
Inc/(Dec) in Debt	-3,545	506	-2,787	-3,936	396	-2,500	-2,500
Interest Paid	-525	-477	-465	-378	-1,035	-850	-612
Dividend Paid	0	0	0	-948	-948	-1,850	-2,240
Others	0	-409	-385	349	-2,691	0	0
CF from Fin. Activity	-4,040	-380	-3,627	-4,877	-4,272	-5,200	-5,353
Inc/Dec of Cash	343	796	-740	-63	512	975	1,153
Opening Balance	1,247	1,590	2,386	1,646	1,583	2,095	3,069
Closing Balance	1,590	2,386	1,646	1,583	2,095	3,069	4,223

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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