

**CMP: INR 483**

**Rating: Hold**

**Target Price: INR 537**

**Stock Info**

BSE	532756
NSE	CIEINDIA
Bloomberg	MACA.IN
Reuters	MAHINDCIE.BO
Sector	Automobile Ancillaries- Castings/Forgings
Face Value (INR)	10
Equity Capital (INR Cr)	379
Mkt Cap (INR Cr)	17,905
52w H/L (INR)	580/332
Avg Yearly Vol (in 000')	27.4

**Shareholding Pattern %**

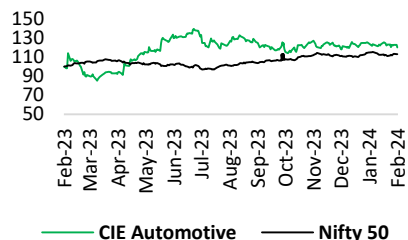
(As on Dec, 2023)

Promoters	65.70
FII	5.63
DII	15.98
Public & Others	12.69

**Stock Performance (%)**

	1m	3m	12m
CIE Automotive	-3.6	-5.7	19.8
Nifty 50	2.7	12.5	24.1

**CIE Automotive Vs Nifty**



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CIE Automotive's Net Revenue dropped by 1.7% QoQ/-0.3% YoY to INR 2,240 Cr. This is largely below our revenue estimate of INR 2350 Cr. EBITDA grew by 12% YoY (down by 5.2% QoQ), to INR 327 Cr. EBITDA Margin expanded 160 bps YoY/(contraction by 54 bps QoQ) to 14.61%. This is below our quarterly EBITDA estimate of INR 370 Cr and margin estimate of 15.7%. Reported PAT de-grew 9.1% YoY (up by 11.2% QoQ) to INR 177 Cr, below our quarterly PAT estimate of INR 194 Cr. Loss from discontinued operations after tax (-INR 8 Cr). The company approved the voluntary liquidation of its subsidiary BF Precision Private Limited, expecting completion within 12 months, contributing 0.11% to consolidated turnover and 0.13% to net worth in FY2023. The company recommended a final dividend of INR 5.00 per share.

**European Automotive Market Outlook: Stagnation and Slow Electric Vehicle Growth**

The European automotive market is expected to remain flat over the next four to five years, with a projected 2-3% drop in 2024. Annual car production is estimated to hover around 17 million units. In 2023, the company anticipates a 12% share in electric vehicles (EVs), but the growth in EV adoption may be slower than initially expected, possibly experiencing a delay of two to three years. This adjustment reflects a more cautious outlook for the European automotive landscape.

**Positioned for Growth: CIEIndia's Post-Consolidation Phase**

In the aftermath of its MACA acquisition three to four years ago, CIE has diligently undertaken restructuring efforts, successfully completing Phase I of consolidation. Now, CIEIndia shifts its focus to Phase II, emphasizing a strategic approach towards growth. In the Indian market, both organic and inorganic growth avenues are targeted, while in Europe, selective investments are planned to foster expansion. Serving as CIE's key vehicle for Southeast Asian expansion and global forging technology sourcing, CIEIndia is poised for a dynamic phase of development and expansion.

**Resolute Parent, Expansive Offspring: CIE's Strategic Prowess in Auto Components**

CIE stands as a robust global player in auto components, boasting diversified technologies and a multi-location presence. The company has showcased a commendable track record of achieving profitable inorganic growth worldwide, maintaining a strict financial discipline. CIEIndia, as a subsidiary, leverages the expertise of its parent company in driving operational enhancements and is dedicated to realizing CIE's financial objectives. The symbiotic relationship reflects a strong, focused, and disciplined approach to sustained success in the automotive industry.

**Valuations and Outlook**

We believe CIEINDIA has a strong and resilient business structure, with multiple contracts with leading OEMs. The company's growth is driven by its own initiatives such as introducing new products and expanding its customer base entry into ASEAN markets, as well as through mergers and acquisitions. While CIE faces a temporary slowdown attributed to weakness in the light-weight vehicle market in the EU and US off-highway markets. CIEIndia's Profitability Focus and Growing EV Contribution through New Orders.

**We value CIE Automotive India at a PE of 19.5x its CY26E EPS of INR 30.3 with a target price of INR 537 per share (Earlier TP: INR 537 per share). We maintain our Hold rating on the stock.**

**Exhibit 1: Financial Performance**

YE March (INR Mn)	Net Sales	EBITDA	PAT from Continue operations	EPS (INR)	EBITDA Margin %	ROCE	P/E (x)
CY22	8,753	1,172	709	-3.6	13.39%	17.3%	-134.5
CY23	9,280	1,424	798	29.7	15.34%	17.3%	16.3
CY24E	10,113	1,596	946	25.0	15.79%	15.3%	19.3
CY25E	10,698	1,739	1,042	27.5	16.26%	15.0%	17.5
CY26E	11,318	1,868	1,145	30.3	16.50%	15.0%	15.9

Source: Arihant Research, Company Filings

## Exhibit 2 : Q4CY23 - Quarterly Performance (Consolidated)

s	Q4CY23	Q3CY23	Q4CY22	QoQ	YoY
Net Revenue	2,240	2,279	2,247	-1.7%	-0.3%
Material Cost	1,162	1,247	1,191	-6.8%	-2.4%
Employee cost	245	232	236	5.6%	3.6%
Other Expenses	506	455	527	11.2%	-4.0%
EBITDA	327	345	292	-5.2%	12.0%
EBITDA margin %	14.61%	15.15%	13.0%	-54bps	160bps
Other Income	27	20	24	32.4%	8.6%
Depreciation	78	78	77	-0.3%	1.8%
EBIT	276	287	240	-3.9%	14.9%
EBIT Margin	12.3%	12.6%	10.7%	-28bps	163bps
Finance cost	30	31	8	-2.0%	282.8%
Exceptional Item	-	-	38	-	-
Share of profits of Associate company	-0	-0	0.4	-	-
PBT	245.210	255.875	270.386	11.2%	-9.3%
Tax Expense	68	69	76	-1.4%	-9.8%
Effective tax rate %	27.8%	27.0%	27.9%	-54bps	-15bps
Reported Net Profit from Continue Business	177.0	186.7	194.8	11.2%	-9.1%
Profit for the period for discontinued operation	-8	209	-852.6	-103.9%	-99.0%
Loss on fair valuation of assets and liabilities of disposal group	-	-20.4			
Current Tax expenses					
Deffered Tax expenses/reversal					
Profit/(loss) for the period	-8.112	188.683	-657.8	-104.3%	-98.8%
Profit loss for the Period	168.936	375.416		-5.2%	
Net margin %	7.5%	16.5%	8.7%	0bps	-113bps
Continue business EPS (INR)	4.67	4.92	-17.35	-5.1%	-126.9%

INR Cr (Consolidate)	Q4CY23	Q3CY23	Q4CY22	Q-o-Q	Y-o-Y
India	1,487	1,537	1,407	-3.2%	5.7%
Europe	757	744	1,323	1.7%	-42.8%

Source: Arianth Research, Company Filings

**Q4CY23 Conference Call Highlights:**

The Company anticipates a flat European market in the next 4-5 years, with a projected 2-3% drop in 2024 in the industry. - Electric vehicle penetration in Europe is expected to increase, prompting a shift from internal combustion engine components to electrified components for different customers. The company aims to maintain or increase its business, balancing the decline in internal combustion engines with the rise in electric vehicles.

**Focus on Customer Diversification**

- New clients with EV business. MnM forms 31% of customer mix. (Cie has orders in born EV portfolio and new range of tractors.)
- Focus on Operational Efficiency. (17% in 2-3 years) 3. Growing EV mix in the business portfolio . In new orders EV share in EU Forgings - 73%, Metalcastello - 51%, india business- 15%.4. Adj PAT growth 17% YoY while consol Revenue grew only 6% in CY23.
- Lower topline growth mainly due to delay in ramp up of customer orders. Expect H2CY24 ramp up of orders in Bill Forge - exports to EU EV business; Gears and AL forgings vertical - growth from domestic OEMs on ramp up.
- Reduces debt by \$50 Mn of Mexico plant.
- Exports from India at 14% in CY23. (11-12% in CY22) Expect 8%/11%/18% CAGR over CY23-25.

**Current Operational Performance**

- The automotive market in India during CY23 showed uneven growth across segments, quarters, and customers.
- While light vehicles experienced reasonable growth, 2w and tractors underperformed.
- The performance of key customers varied, with some experiencing negative or flat demand growth.

**Aluminium Verticals**

- Delay and ramp-up of orders, particularly at CIE Hosur and Aluminium verticals, had an impact on sales growth. The company saw improvement in EBITDA margin, EBIT margin, and EBT margin, with a 10% and 12% increase in EBITDA and EBIT YoY respectively.
- The company's strategy focuses on making operations world-class, diversifying customer based plant locations and technologies, disciplined investment, enhancing profitability, decentralized plant management.

**ESG**

- With healthy financial metrics and operational efficiency, the company remains confident in its ability to navigate future opportunities and challenges, striving to meet shareholders' expectations for sustainable growth and profitability.

Key Financials

Income Statement (INR Cr)					
Year End-March	CY22	CY23	CY24E	CY25E	CY26E
<b>Revenues</b>	8,753	9,280	10,113	10,698	11,318
Change (%)	4.4%	6.0%	9.0%	5.8%	5.8%
<b>Gross Profit</b>	<b>876</b>	<b>1,102</b>	<b>1,224</b>	<b>1,317</b>	<b>1,436</b>
Employee costs	902	994	1,004	1,065	937
Other expenses	1,903	1,951	1,994	2,057	2,338
<b>Total Expenses</b>	<b>1,903</b>	<b>1,951</b>	<b>1,994</b>	<b>2,057</b>	<b>2,338</b>
<b>EBITDA</b>	<b>1,172</b>	<b>1,424</b>	<b>1,596</b>	<b>1,739</b>	<b>1,868</b>
<b>EBITDA Margin</b>	<b>13.39%</b>	<b>15.34%</b>	<b>15.79%</b>	<b>16.26%</b>	<b>16.50%</b>
Depreciation	296	322	372	422	432
<b>EBIT</b>	<b>934</b>	<b>1184</b>	<b>1331</b>	<b>1461</b>	<b>1601</b>
<b>EBIT Margin</b>	<b>10.67%</b>	<b>12.75%</b>	<b>13.16%</b>	<b>13.66%</b>	<b>14.15%</b>
Interest	22.71	107.37	-	-	-
Other Income	58	82	107	144	166
<b>PBT</b>	<b>911</b>	<b>1,076</b>	<b>1,265</b>	<b>1,395</b>	<b>1,535</b>
Exceptional Items	37.87	(0.49)	-	-	-
<b>PBT after exceptional Items</b>	<b>949</b>	<b>1,076</b>	<b>1,265</b>	<b>1,395</b>	<b>1,535</b>
Tax	240	278	318	351	387
Rate (%)	25.3%	25.8%	25.2%	25.2%	25.2%
<b>PAT</b>	<b>709</b>	<b>798</b>	<b>946</b>	<b>1,042</b>	<b>1,145</b>
SHARE OF PROFIT / (LOSS) OF ASSOCIATES / JVs.	2.20	(0.49)	-	-	-
PROFIT / (LOSS) FROM DISCONTI. OPERATIONS	(847.51)	-	-	-	-
<b>Consolidated PAT</b>	<b>-136</b>	<b>798</b>	<b>947</b>	<b>1,044</b>	<b>1,148</b>
Change (%)	-132.2%		18.7%	10.3%	9.9%

Balance Sheet (INR Cr)						
Year End-March	CY21	CY22	CY23	CY24E	CY25E	CY26E
<b>Sources of Funds</b>						
Share Capital	379	379	379	379	379	379
Reserves & Surplus	4,818	4,719	5,609	6,043	6,197	6,075
<b>Net Worth</b>	<b>5,197</b>	<b>5,098</b>	<b>5,988</b>	<b>6,422</b>	<b>6,576</b>	<b>6,454</b>
<b>Loan Funds</b>	<b>(114)</b>	<b>(35)</b>	<b>1,676</b>	<b>1,568</b>	<b>1,161</b>	<b>2,122</b>
MI, Deferred Tax & other Liabilities	386	1,046	333	333	333	334
<b>Capital Employed</b>	<b>5,082</b>	<b>5,063</b>	<b>7,664</b>	<b>8,370</b>	<b>9,174</b>	<b>10,022</b>
<b>Application of Funds</b>						
Gross Block	5,436	5,998	6,119	6,678	7,266	7,886
Less: Depreciation	2,356	2,652	2,974	3,346	3,769	4,201
Net Block	2,704	2,629	2,840	3,330	3,496	3,682
CWIP	124.72	119.47	53.67	53.67	53.67	53.67
Other Non-current Assets	24.60	32.14	39.10	39.10	39.10	39.10
Other Current Assets	207	1,238	368	461	561	683
<b>Net Fixed Assets</b>	<b>3,060</b>	<b>4,019</b>	<b>3,301</b>	<b>3,884</b>	<b>4,150</b>	<b>4,458</b>
<b>Investments</b>	<b>438</b>	<b>576</b>	<b>821</b>	<b>606</b>	<b>616</b>	<b>626</b>
Debtors	669	861	633	690	730	772
Inventories	1,349	1,211	1,163	1,166	1,134	1,104
Cash & Bank Balance	160	86	210	560	1,040	1,520
Loans & Advances & other CA	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>2,948</b>	<b>3,764</b>	<b>3,165</b>	<b>3,596</b>	<b>4,216</b>	<b>4,863</b>
Current Liabilities	4,759	4,830	2,069	2,069	2,063	2,058
<b>Provisions</b>	<b>398</b>	<b>155</b>	<b>153</b>	<b>153</b>	<b>153</b>	<b>153</b>
<b>Net Current Assets</b>	<b>(1,811)</b>	<b>(1,065)</b>	<b>1,096</b>	<b>1,526</b>	<b>2,155</b>	<b>2,807</b>
<b>Total Assets</b>	<b>5,082</b>	<b>5,063</b>	<b>7,664</b>	<b>8,370</b>	<b>9,174</b>	<b>10,022</b>

Cash Flow Statement (INR Cr)						
Year End-March	CY21	CY22	CY23	CY24E	CY25E	CY26E
<b>PBT</b>	<b>669</b>	<b>951</b>	<b>1,076</b>	<b>1,265</b>	<b>1,395</b>	<b>1,535</b>
Cash From Operating Activities	136	(58)	(31)	(60)	(15)	(17)
Tax	(105)	(198)	(358)	319	353	390
Net Cash From Operations	1,046	1,051	1,383	2,222	2,222	2,407
Cash From Investing	(755)	(640)	(910)	(781)	(781)	(812)
Borrowings	(279)	(394)	40	(108)	(407)	962
<b>Finance cost paid</b>	<b>(46)</b>	<b>(38)</b>	<b>(104)</b>	<b>(66)</b>	<b>(66)</b>	<b>(66)</b>
Cash From Financing	(363)	(488)	(427)	(1,323)	(1,323)	(153)
<b>Net Increase/ Decrease in Cash</b>	<b>-72</b>	<b>-77</b>	<b>46</b>	<b>-152</b>	<b>117</b>	<b>1441</b>
<b>Cash at the beginning of the year</b>	<b>239</b>	<b>160</b>	<b>160</b>	<b>211</b>	<b>64</b>	<b>186</b>
Cash at the end of the year	160	86	211	64	186	1,632

Key Ratios					
Year End-March	CY22	CY23	CY24E	CY25E	CY26E
<b>Per share (INR)</b>					
EPS	-3.6	29.7	25.0	27.5	30.3
<b>Valuation (x)</b>					
P/E	-134.5	16.3	19.3	17.5	15.9
P/BV	3.6	3.1	2.9	2.8	2.8
<b>Return ratio (%)</b>					
EBIDTA Margin	13.4%	15.3%	15.8%	16.3%	16.5%
Retrun on Networth	13.2%	14.4%	15.2%	16.0%	17.6%
ROCE	17.3%	17.3%	15.3%	15.0%	15.0%
Sales/Capital employed (x)	1.7	1.2	1.2	1.2	1.1
MATERIAL COST / SALES (%)	54.6%	54.6%	54.6%	54.6%	54.6%
<b>Leverage Ratio (%)</b>					
Total D/E	0.0	0.3	0.2	0.2	0.3
<b>Turnover Ratios</b>					
Inventory Days	50	46	46	46	47
Receivable Days	36	25	25	25	25

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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