

**CMP: INR 483**

**Rating: Buy**

**Target Price: INR 689**

**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)	18,560
52w H/L (INR)	580/397
Avg Yearly Vol (in 000')	781

**Shareholding Pattern %**

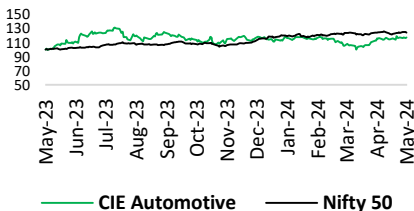
(As on March, 2024)

Promoters	65.70
FII	5.63
DII	15.98
Public & Others	12.69

**Stock Performance (%)**

	1m	3m	12m
CIE Automotive	1.16	0.81	17.4
Nifty 50	0.26	2.86	24.2

**CIE Automotive Vs Nifty**



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CIE Automotive's decent set of Nos and revenue above estimates while EBITDA margin in-line with expectation. Mahindra CIE Automotive's Net Revenue up by 8.3% QoQ/down 0.5% YoY to INR 2,427 Cr. This is largely above our revenue estimate of INR 2,362 Cr. EBITDA de-grew by 5.3% YoY (up by 10.1% QoQ), to INR 361 Cr. EBITDA Margin expanded 24 bps QoQ/ (contraction by 74 bps YoY) to 14.86%. This is above our quarterly EBITDA estimate of INR 352 Cr and margin estimate of 14.90%. Reported PAT grew 36% QoQ (down by 1.4% YoY) to INR 230.4 Cr, above our quarterly PAT estimate of INR 188 Cr.

**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 sales. In EV the new orders that company is getting in Europe out of which ~40% for EV. So the transition from ICE to the EV components will happen smoothly as company's new order portfolio are aligned with this transition. Company is increasing EV component business.

**Capex:** The company spent almost INR 1 bn in CapEx in the Q1CY24, which is 5% of sales to be a reasonable and sound amount for CapEx. Company will recover in the Q2CY24 because some additional CapEx is coming. The growth in CapEx is higher in India than in Europe. Company is investing in various projects such as expanding, building a new plant and shed, adding a new press line in the stamping plant, and new programs that will require additional CapEx. Composite business is growing importantly. So CY24, company is growing 20%-30% of growth in the composite business.

**Strategic Focus on Customer Segmentation and Margin Optimization:** Company is maintaining margins, with four anchor customers Mahindra Auto & Farm, Maruti, and Bajaj 50%-55% of sales. Additionally, a range of customers, including Tata Motors, Ashok Leyland, Hyundai, Kia, and Bosch, contribute 3%-5% of sales, totaling 10-11 customers. With close to 50 customers in India generating over INR 1 Cr, both anchor and focus customers drive the company's long-term growth and margin strategies.

**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. CIE India's Profitability Focus and Growing EV Contribution through New Orders Continued focus on diversifying the customer base and growing with non-anchor customers. ~40% of new orders in Europe are for EV, showcasing commitment to the EV transition. We expect recovery in H2CY24 led by strong order book and more focused customers for better growth. **We value CIE Automotive India at a PE of 25x its CY26E EPS of INR 30.3 with a target price of INR 689 per share (Earlier TP: INR 537 per share). We upgrade our rating to Buy from Hold earlier 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)
<b>CY23</b>	9,280	1,424	798	29.7	15.34%	17.3%	16.3
<b>CY24E</b>	10,113	1,596	946	25.0	15.79%	15.3%	19.3
<b>CY25E</b>	10,698	1,739	1,042	27.5	16.26%	15.0%	17.5
<b>CY26E</b>	11,318	1,868	1,145	30.3	16.50%	15.0%	15.9

Source: Arihant Research, Company Filings

Exhibit 2 : Q1CY24 - Quarterly Performance (Consolidated)

INR Cr (Consolidate)	Q1CY24	Q4CY23	Q1CY23	QoQ	YoY
Net Revenue	2,427	2,240	2,440	8.3%	-0.5%
Material Cost	1,290	1,162	1,294	11.0%	-0.3%
Employee cost	262	245	260	6.7%	0.6%
Other Expenses	515	506	506	1.8%	1.8%
EBITDA	361	327	381	10.1%	-5.3%
EBITDA margin %	14.86%	14.61%	15.60%	24bps	-74bps
Other Income	51	27	16	93.6%	221.5%
Depreciation	86	78	83	10.6%	4.6%
EBIT	326	276	314	18.0%	3.6%
EBIT Margin	13.4%	12.3%	12.9%	110bps	54bps
Finance cost	22	30	24	-27.4%	-8.1%
Exceptional Item	-	-	-	-	-
Share of profits of Associate company	0	-0	0	-	-
PBT	303.92	245.2	290.428	23.9%	4.6%
Tax Expense	74	68	70	8.2%	5.1%
Effective tax rate %	24.3%	27.8%	24.2%	-354bps	10bps
Reported Net Profit from Continue Business	230.198	177	220.267	30.0%	4.5%
Profit for the period for discontinued operation	0.4	-8	73.97	-105.0%	-99.5%
Loss on fair valuation of assets and liabilities of disposal group	-	-	-	-	-
Current Tax expenses	0.1	-	1.7	-	-
Deffered Tax expenses/reversal	-	-	13.4	-	-
Profit/(loss) for the period	0.406	-8.1	58.855	-105.0%	-99.3%
Profit loss for the Period	230	169	279	36.4%	-17.4%
Net margin %	9.5%	7.5%	11.4%	196bps	-194bps
Continue business EPS (INR)	6.08	4.45	7.36	36.6%	-17.4%

INR Cr (Consolidate)	Q1CY24	Q4CY23	Q1CY23	Q-o-Q	Y-o-Y
India	1,508	1,487	1,468	1.4%	2.7%
Europe	920	757	1,553	21.6%	-40.7%

Source: Arihant Research, Company Filings

**Q1CY24 Conference Call Highlights:**

CIE Automotive optimism on the continued growth in the Indian market, especially with new orders ramping up in the H2CY24, and anticipated a flat market in Europe with a recovery in margins in Q2CY24. However, concerns were raised about delays in new orders, a slowdown in the European light vehicle market, and the slowing down of EV penetration in Europe due to the elimination of subsidies in certain countries. Despite these concerns, the company remains focused on diversifying its customer base, particularly in the EV space, and is making significant investments in capacity and plant expansion in India to prepare for future growth. Overall, CIE Automotive India Limited is optimistic about its long-term growth and margin potential, particularly in the Indian market. The company expects 1% growth in the second half of the year, driven by a recovery in India

**India:** Company continued focus on growth with customers to take advantage of opportunities, especially with new orders ramping up in the H2CY24.

**Europe:** Expectation of a flat market in the next quarters with an anticipated recovery in margins in Q2CY24.

**Consolidated:** Anticipation of higher growth in the Q2CY24, primarily driven by the Indian market.

**India**

Mixed market scenario with growth in light vehicles and 2W, but shrinkage in tractors and MHCV markets.

Expected continued growth in two-wheeler and light vehicle markets, with slight recovery anticipated in the tractor market in the H2CY24.

Expectation of ramp up in new orders, especially in the EV space, in the H2CY24

**Europe:** European light vehicle market experienced a 3% decline in Q1CY24 following a period of high growth in FY23, with a forecasted 2% lower production in FY24 compared to FY23. Expected pickup in the US construction equipment market towards the FY24.

**Other Highlights**

- Bill Forge Mexico is now a subsidiary of CIE Galfor post the equity infusion.
- Significant investments made by CIE India since CY2021, backed by orders, but with some delayed ramp-up.
- Continued focus on diversifying the customer base and growing with non-anchor customers.
- ~40% of new orders in Europe are for electric vehicles, showcasing commitment to the EV transition.
- Ongoing capacity and plant expansion activities in India to prepare for future growth.
- Optimism about the long-term growth and margin potential, particularly in the Indian market.

**Near term concern**

Delays in new orders, particularly in the EV space, have impacted recent growth. Slowdown in the European light vehicle market and the US construction equipment market. Slowing down of EV penetration in Europe due to factors such as the elimination of subsidies in certain countries.

## 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	
<i>Change (%)</i>	4.4%	6.0%	9.0%	5.8%	5.8%	
<b>Gross Profit</b>	876	1,102	1,224	1,317	1,436	
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>	1,903	1,951	1,994	2,057	2,338	
<b>EBITDA</b>	1,172	1,424	1,596	1,739	1,868	
<b>EBITDA Margin</b>	13.39%	15.34%	15.79%	16.26%	16.50%	
Depreciation	296	322	372	422	432	
<b>EBIT</b>	934	1,184	1,331	1,461	1,601	
<b>EBIT Margin</b>	10.67%	12.75%	13.16%	13.66%	14.15%	
Interest	22.71	107.37	-	-	-	
Other Income	58	82	107	144	166	
<b>PBT</b>	911	1,076	1,265	1,395	1,535	
Exceptional Items	37.87	(0.49)	-	-	-	
<b>PBT after exceptional Items</b>	949	1,076	1,265	1,395	1,535	
Tax	240	278	318	351	387	
<i>Rate (%)</i>	25.3%	25.8%	25.2%	25.2%	25.2%	
<b>PAT</b>	709	798	946	1,042	1,145	
SHARE OF PROFIT / (LOSS) OF ASSOCIATES / JVs.	2.20	(0.49)	-	-	-	
PROFIT / (LOSS) FROM DISCONTI. OPERATIONS	(847.51)	-	-	-	-	
<b>Consolidated PAT</b>	-136	798	947	1,044	1,148	
<i>Change (%)</i>	-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>	5,197	5,098	5,988	6,422	6,576	6,454
<b>Loan Funds</b>	-114	-35	1,676	1,568	1,161	2,122
MI, Deferred Tax & other Liabilities	386	1,046	333	333	333	334
<b>Capital Employed</b>	5,082	5,063	7,664	8,370	9,174	10,022
<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>	3,060	4,019	3,301	3,884	4,150	4,458
<b>Investments</b>	438	576	821	606	616	626
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>	2,948	3,764	3,165	3,596	4,216	4,863
Current Liabilities	4,759	4,830	2,069	2,069	2,063	2,058
<b>Provisions</b>	398	155	153	153	153	153
<b>Net Current Assets</b>	-1,811	-1,065	1,096	1,526	2,155	2,807
<b>Total Assets</b>	5,082	5,063	7,664	8,370	9,174	10,022

Source: Arianth Research, Company Filings

## Key Financials

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
<b>Net Cash From Operations</b>	<b>1,046</b>	<b>1,051</b>	<b>1,383</b>	<b>2,222</b>	<b>2,222</b>	<b>2,407</b>
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	
Current liabilities	89	9	9	9	9	

Source: Arihant 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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