

1 January 2024

## CIE Automotive India Ltd – BUY

**CMP** : Rs. 487.0  
**Target Price** : Rs. 627.0  
**Upside** : 28 %+  
**Stop Loss** : Rs. 420.0 (Closing basis)

### Investment Thesis

- CIEINDIA Aligns Strategically for Global Growth with Parent Company:** CIE Automotive India Limited (CIEINDIA) is a subsidiary of CIE Automotive S.A., Spain, which is a global leader in forging business. It specializes in developing advanced products for the automotive industry, leveraging the experience of the CIE group. CIEINDIA plays an important role in CIE's Group worldwide business, operating in the automobile sector for markets in South Asia and Southeast Asia. CIEINDIA has strong technical expertise and established relationships with global OEMs, making it strategically important in CIE Group's global operations.
- Accelerating EV Revolution:** Electric vehicles (EVs) have increasingly started gaining momentum in both Indian and European markets. The European market share has risen over 10%, while India has seen a growing trend in EV adoption, particularly for 2W and 3W segments. With a strong presence in various processes, particularly in India, the company's order book is primarily comprised of EV components tailored for e-2W, e-3W, and e-4W segments. Metalcastello's EV business grew significantly in CY23, accounting for half of their new business. CIEINDIA has initiated production on two new EV orders and plans for substantial expansion in 2024, taking advantage of the growing EV market with its strong EV portfolio.
- CIEINDIA Boosts Growth:** CIEINDIA has maintained a capex policy of spending 5-6% of annual sales toward Capex, of this, 2% goes to maintenance and remaining goes towards growth. According to management, the order book situation in India requires capex across all verticals for sustained growth. To enhance operations and adhere to CIE's global production standards, CIEINDIA is focusing on process reengineering, automation, and digitization. CIEINDIA expects strong growth in India's underpenetrated Passenger Vehicle (PV) segment and the upswing of the Commercial vehicle (CV) space. India is emerging as a credible alternative manufacturing hub amid the China +1 trend. CIEINDIA's focus is on expanding exports.
- CIEINDIA Excels: Robust Finances, Optimistic Future:** CIEINDIA has consistently generated Free Cash Flow (FCF) for the past four years, boasting a healthy EBITDA to CFO ratio of over 70% in H2CY23. Its healthy balance sheet, with a total debt of Rs.806Cr. and a D/E ratio below 0.2x, positions the company well.

### Financials

- CIEINDIA's consolidated revenue from operations for Q3CY24 was at Rs.2,279Cr., moderately up by 2.24% on YoY and declined on QoQ basis in-line with industry growth.

Particulars	CY20	CY21	CY22	CY23	CY24E
Revenue (Rs. in Crs.)	6,050	6,765	8,753	9,628	10,687
EBITDA (Rs. in Crs.)	501	942	1,172	1,523	1,737
PAT (Rs. in Crs.)	106	396	711	766	897
Adj. EPS (Rs.)	2.8	10.4	-3.6	20.2	23.7
PE Multiple (x)	61.3	22.6	18.8	30.0	26.5
RoE (%)	2.2	7.6	15.3	13.0	13.3

### Stock Data

Market Cap (Rs. Crs)	18,475
Market Cap (\$ Mn)	2,221
Shares O/S (in Mn)	379
Avg. Volume (3 month)	6,15,250
52-Week Range (Rs.)	580 / 332

### Shareholding Pattern

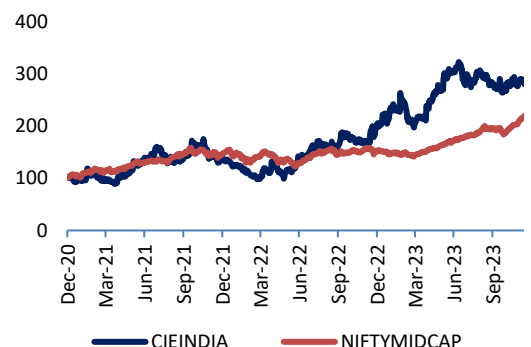
Promoters	65.70
FII's	6.61
Institutions	15.40
Others (incl. body corporate)	12.29

### Key Ratios

Div Yield	0.53%
TTM PE	59.8x
ROE	13.82%
TTM EPS (Rs.)	7.87/-

### Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	(1.8%)	(8.7%)	39.0%
NIFTYMIDCAP	(10.1%)	(37.9%)	(8.3%)



- In Q3CY24, EBITDA grew by (6.8%)/17.7% on a QoQ/YoY basis, reaching Rs.345Cr. EBITDA margin on a QoQ/YoY basis moved by (81 bps)/199 bps to 15.15%. Margins declined sequentially due to stock buildup observed during summer holidays in Europe and delayed festive season growth in India.
- Adjusted PAT was Rs.187Cr. up by 11.5% YoY, the sequential decline in PAT is linked to higher interest expense and higher than effective tax rate.

## Key Business Highlights

- CIE Automotive India Ltd is a subsidiary of CIE Automotive S.A. CIE Automotive is a global supplier of automotive components and sub-assemblies with 31 manufacturing facilities across India, Europe, and Mexico. They specialize in complex value-added products, differentiating themselves from other tier-2 auto component companies. The company operates in India (62% of revenue) and Europe (38% of revenue).
- CIEINDIA aims to outshine the industry by 5-10%. It also targeting to achieve EBITDA margin of 17-18%, matching its performance of CIE Group.
- Metalcastello a subsidiary company is in business of producing gears for off-road and farm vehicles, was adversely affected due to high interest rates in US, as US accounts for almost half of total Metalcastello business. Management is expecting sales to recover from latter half of H1CY24.
- The EV story is integral part of Metalcastello's new business which accounts for than 50% of new business. Metalcastello has commenced working on two new EV orders in limited volumes and further expects significant increase in volumes from CY24. CIEINDIA has also received two new orders for CIE Forgings and others which are expected to ramp up from CY24.
- The European market is witnessing strong traction in EV as 74% of new orders accounts for EVs.
- Management is expecting Indian business to witness faster growth than Europe. CIE has planned to allocate 80% of its growth capex to Indian facilities.
- The 100% sale of CIE Forging Germany GmbH's (CFG) a lagging business unit has been concluded. The transaction has been completed and would be effective from Jul-23.
- Management is optimistic about domestic growth in key auto segments ahead of the festive season, with 2Ws anticipated to show robust sequential growth.
- Mr. Hari Krishnan, CEO of forging and Bill Forge Divisions have resigned due to personal reasons. CIEINDIA has appointed Mr. Sunil Narke as a new CEO of forging and Bill Forge Divisions from 1<sup>st</sup> April 2023. Mr. Sunil Narke has wide experience of automobile industry and has been associated with company since 2018.

## Valuation

CIEINDIA currently trades at TTM PE of 59.8x as against its industry average of 57.5x which shows that CIEINDIA is trading at attractive valuation. CIEINDIA has a history of generating FCF which is reinvested in the business enhancing the long-term growth prospects. We expect CIEINDIA's revenue to grow by 10.5% CAGR by FY24E. We expect company to perform better in CY24. Hence, we assign a **BUY** rating for **CIEINDIA** with a **target price** of **Rs. 627**, translating an **upside** of **28%+**.

## Risk & Concern

- European market exposure poses forex risk to CIEINDIA's revenue.
- Weakness in domestic 2W/tractors may impact CIEINDIA's revenue & margin.
- Volatility in raw material prices.

## Graphs & Charts

Figure 1: Net Sales Trend (Rs. in Crs)

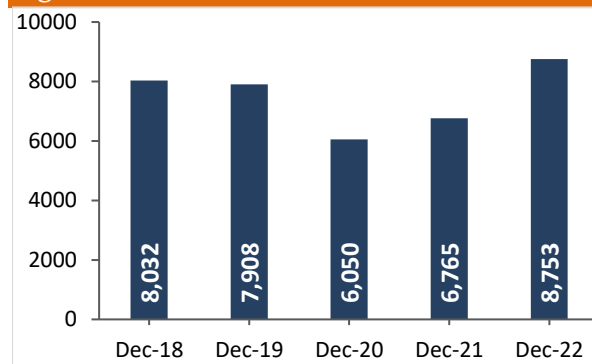


Figure 2: EBITDA & EBITDA Margin Trend

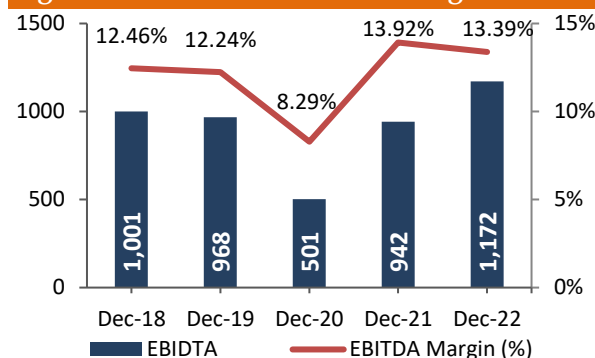


Figure 3: Geography-wise Revenue (CY22)

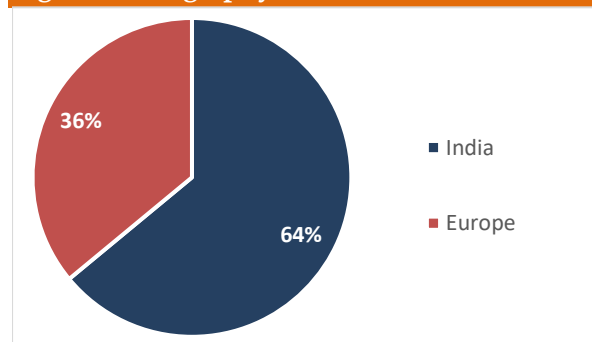
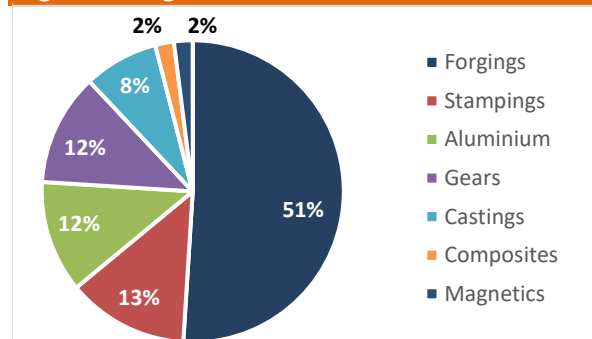


Figure 4: Segment-wise Revenue (CY22)



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