

CIE Automotive India Ltd.

BUY

Sector: Automobiles

26th November 2024

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs. 578
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	CIEINDIA:IN	80,004	CIEINDIA	532756	12 Months
				CMP	Rs. 476
				Return	+22%

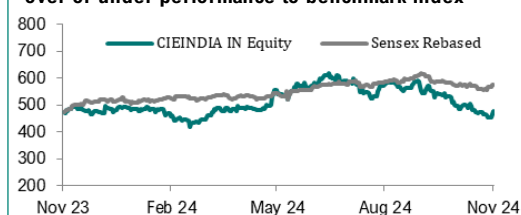
Data as of: 26-11-2024

Company Data	
Market Cap (Rs.cr)	18,095
52 Week High - Low (Rs.)	628-401
Enterprise Value (Rs.cr)	17,767
Outstanding Shares (cr)	37.9
Free Float (%)	34
Dividend Yield	1.1%
6m average volume (cr)	0.04
Beta	0.8
Face value Rs.	10

Shareholding (%)	Q1CY24	Q2CY24	Q3CY24
Promoters	65.7	65.7	65.7
FII's	5.1	5.0	4.3
MFs/Insti	18.1	19.5	20.3
Public	11.1	9.8	9.6
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-18.6%	-12.1%	0.1%
Absolute Sensex	-2.1%	8.3%	21.3%
Relative Return*	-16.5%	-20.5%	-21.2%

*over or under performance to benchmark index



Consolidated (cr)	CY24E	CY25E	CY26E
Sales	9,096	9,648	10,463
Growth (%)	-2.0	6.1	8.5
EBITDA	1,355	1,476	1,695
EBITDA Margin (%)	14.9	15.3	16.2
Adj. PAT	822	925	1,094
Growth (%)	3.0	12.5	18.3
Adj. EPS	21.7	24.4	28.9
Growth (%)	3.0	12.5	18.3
P/E	26.2	23.3	19.7
P/B	2.8	2.5	2.2
EV/EBITDA	16.5	15.1	13.0
ROE (%)	11.4	11.4	12.0
D/E	0.1	0.1	0.0

Author: Saji John - Sr. Research Analyst

Steady margin expansion for long term.

CIE Automotive India Ltd. (CIE) is the part of a Spain-based, top global forging player with a strong presence in both Europe & India. Currently, 60% of the revenue comes from India, while the rest is from Europe.

- Despite a softened demand environment, the consolidated revenue declined by a marginal 2% YoY YTD. We believe the domestic demand will pick up in H2, owing to improvement in infra spending.
- Q3CY24 revenue fell by -6.4% due to subdued growth from European business. Whereas, India business grew by 2% YoY.
- Meanwhile, EBITDA margin improved by 33bps YoY owing to lower input costs and sustained cost reduction efforts. We expect CIE to maintain a margin in the range of 15-16% in CY25 & CY26.
- Though the current order will suffice for the required growth in the near term. Global macro turbulence could delay capacity expansion from major OEMs in the EV space and gradually recover in line with industry growth.
- Increased business with existing customers owing to supplier consolidation, localization and improved content per vehicle is adding value for the company.

Outlook & Valuation

We expect CIE's technological capability to support valuation, similar to the listed MNCs in the automotive sector. However, we lower our revenue guidance due to the softened demand environment in the European & US business and slow ramp-up in EV operation; thereby we maintain a conservative approach in earning estimates. **We rollover our valuation and estimates to CY26 based on the positive long-term outlook in India (2W business) and the Mexican operation. Considering this, we recommend a BUY rating (20x CY26E EPS) with a target price of Rs.578 at CMP.**

Quarterly Financials Consol.

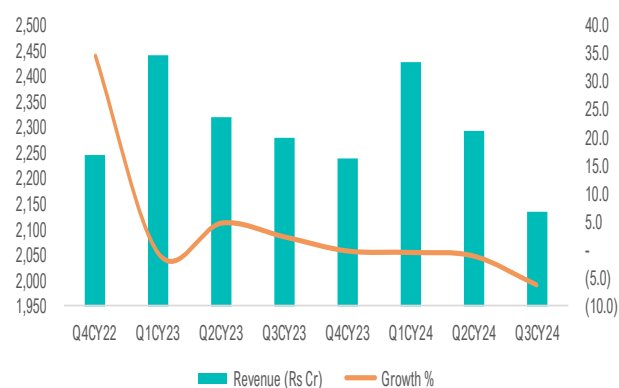
Rs.cr	Q3CY24	Q3CY23	YoY Growth (%)	Q2CY24	QoQ Growth (%)
Sales	2,135	2,279	-6.4	2,293	-6.9
EBITDA	331	345	-4.3	360	-8.2
Margin (%)	15.5	15.2	33bps	15.7	-22bps
EBIT	251	267	-6.1	276	-9.3
PBT	258	256	0.8	286	-9.7
Rep. PAT	195	187	4.3	216	-10.0
Adj PAT	195	187	4.3	216	-10.0
EPS (Rs)	5.1	4.9	4.3	5.7	-10.0



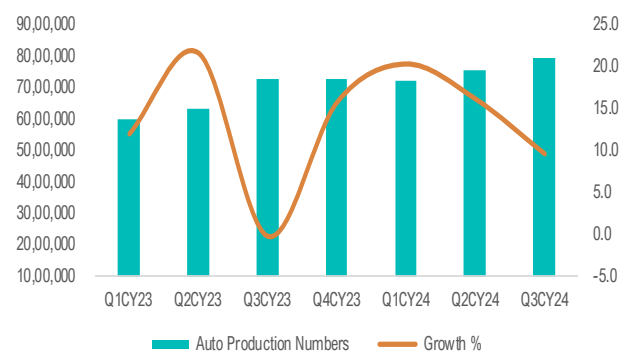
Key Concall Highlights

- The geographical revenue distribution was 71.3% from India and 28.6% from Europe, compared to 37.23% from Europe and 62.77% from India in the previous calendar year.
- Mahindra, Maruti, and Bajaj together represent 50% to 55% of the total Indian businesses. Other customers, including Tata Motors, Ashok Leyland, Hyundai, Kia, and Bosch, make up the remaining share, with each contributing less than 10% individually.
- Management is cautiously optimistic about a later recovery, anticipating improvement in economic activity under the new government .
- Management suggested that reaching a 15% export rate should be easily achievable in the upcoming calendar years.
- Due to slower-than-anticipated growth in EU and US operations, the future forecast has been revised downward.
- We are optimistic about the company's long-term growth prospects in Indian operations. The EU operations are expected to gradually recover from H2CY25.

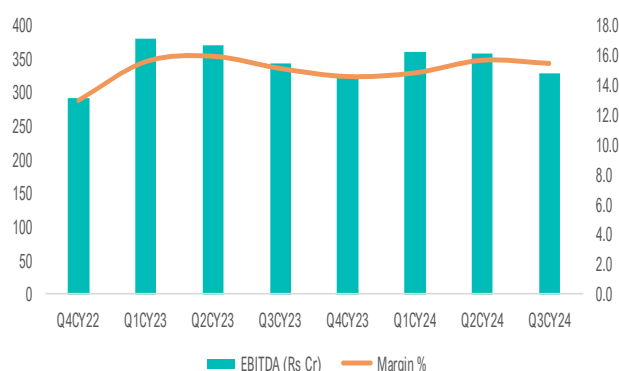
Revenue



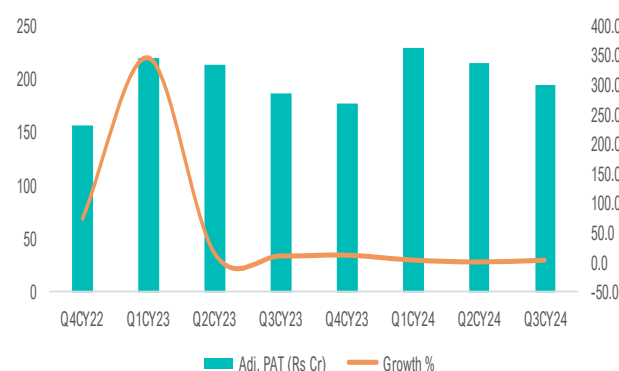
Auto Production Numbers



EBITDA



PAT



Change in Estimates

Year / Rs cr.	Old estimates		New estimates		Change (%)	
	CY25E	CY26E	CY25E	CY26E	CY25E	CY26E
Revenue	10,210	11,156	9,648	10,463	-5.5	-6.2
EBITDA	1,664	1,818	1,476	1,695	-11.3	-6.8
Margins (%)	16.3	16.3	15.3	16.2	-100bps	-10bps
Adj. PAT	991	1,103	925	1,094	-6.7	-0.8
EPS	26.2	29.1	24.4	28.9	-6.7	-0.7



Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	CY22	CY23	CY24E	CY25E	CY26E
Revenue	8,753	9,280	9,096	9,648	10,463
% change	29%	6%	-2%	6%	8%
EBITDA	1,172	1,424	1,355	1,476	1,695
% change	24%	21%	-5%	9%	15%
Depreciation	282	307	329	354	380
EBIT	876	1,102	1,009	1,104	1,295
Interest	23	107	90	67	49
Other Income	58	82	182	202	219
PBT	949	1,076	1,101	1,239	1,465
% change	42%	13%	2%	13%	18%
Tax	240	278	279	313	371
Tax Rate (%)	25%	26%	25%	25%	25%
Reported PAT	712	798	822	925	1,094
Adj*	37.9	0	0	0	0
Adj PAT	674	798	822	925	1,094
% change	65%	18%	3%	13%	18%
No. of shares (cr)	37.9	37.9	37.9	37.9	37.9
Adj EPS (Rs.)	17.8	21.1	21.7	24.4	28.9
% change	65%	18%	3%	13%	18%
DPS (Rs.)	2.5	2.5	2.5	2.5	2.5
CEPS (Rs.)	25.6	29.6	30.9	34.3	39.5

CASH FLOW

Y.E March (Rs. cr)	CY22	CY23	CY24E	CY25E	CY26E
Net inc. + Depn.	1,246	1,399	1,447	1,611	1,865
Non-cash adj.	-198	-175	-200	-259	-337
Changes in W.C	-94	51	-17	32	48
C.F. Operation	953	1,274	1,230	1,384	1,577
Capital exp.	-476	-464	-455	-482	-523
Change in inv.	-80	-21	7	-22	-33
Other invest.CF	-240	-240	-240	-240	-240
C.F – Investment	-795	-725	-687	-744	-796
Issue of equity	0	0	0	0	0
Issue/repay debt	-200	-200	-200	-200	-200
Dividends paid	0	0	0	0	0
Other finance.CF	-23	-107	-90	-67	-49
C.F – Finance	-223	-307	-290	-267	-249
Chg. in cash	-65	242	253	372	532
Closing cash	198	440	692	1,064	1,596

BALANCE SHEET

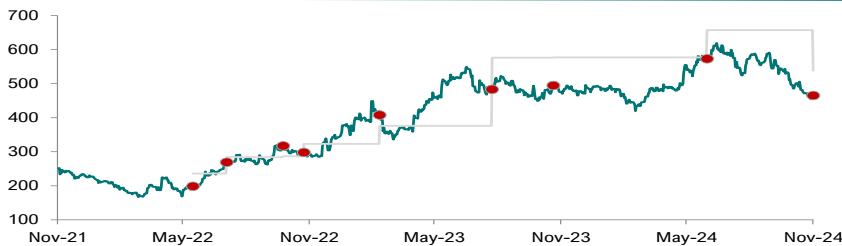
Y.E March (Rs. cr)	CY22	CY23	CY24E	CY25E	CY26E
Cash	198	440	692	1,064	1,596
Accounts Receivable	911	966	947	1,004	1,089
Inventories	1,636	1,682	1,663	1,764	1,910
Other Cur. Assets	306	325	318	338	366
Investments	350	371	364	386	419
Gross Fixed Assets	5,640	6,104	6,558	7,041	7,564
Net Fixed Assets	3,103	3,260	3,386	3,515	3,658
CWIP	0	0	0	0	0
Intangible Assets	18.26	12.58	5.41	-3.27	-13.44
Def. Tax (Net)	-132	-128	-117	-104	-90
Other Assets	0	0	0	0	0
Total Assets	10,798	11,578	12,135	13,081	14,300
Current Liabilities	968	996	985	1,045	1,131
Provisions	528	559	548	582	631
Debt Funds	1,248	1,048	848	648	448
Other Liabilities	2,038	2,161	2,118	2,247	2,437
Equity Capital	379	379	379	379	379
Reserves & Surplus	5,638	6,435	7,257	8,182	9,276
Shareholder's Fund	6,016	6,814	7,636	8,561	9,654
Total Liabilities	10,798	11,578	12,135	13,081	14,300
BVPS (Rs.)	158	180	202	226	255

RATIOS

Y.E March	CY22	CY23	CY24E	CY25E	CY26E
Profitab. & Return					
EBITDA margin (%)	13.4	15.3	14.9	15.3	16.2
EBIT margin (%)	10.0	11.9	11.1	11.4	12.4
Net profit mgn.(%)	7.7	8.6	9.0	9.6	10.5
ROE (%)	11.9	12.4	11.4	11.4	12.0
ROCE (%)	9.9	11.6	10.9	11.0	11.7
W.C & Liquidity					
Receivables (days)	33.7	36.9	38.4	36.9	36.5
Inventory (days)	100.9	123.3	125.7	121.4	120.2
Payables (days)	75.3	82.6	85.9	82.6	81.7
Current ratio (x)	2.2	2.3	2.5	2.7	2.9
Quick ratio (x)	0.9	1.0	1.0	1.0	1.0
Turnover & Leverage					
Gross asset T.O (x)	1.6	1.6	1.4	1.4	1.4
Total asset T.O (x)	0.9	0.8	0.8	0.8	0.8
Int. coverage ratio (x)	38.6	10.3	11.2	16.4	26.3
Adj. debt/equity (x)	0.2	0.2	0.1	0.1	0.0
Valuation					
EV/Sales (x)	2.6	2.4	2.5	2.3	2.1
EV/EBITDA (x)	19.5	15.9	16.5	15.1	13.0
P/E (x)	32.0	27.0	26.2	23.3	19.7
P/BV (x)	3.6	3.2	2.8	2.5	2.2



Recommendation Summary (Last 3 years)



Dates	Rating	Target
10.Jun.22	Buy	236
29.Jul.22	Accumulate	284
19.Oct.22	Sell	287
18.Nov.22	Hold	323
08.Mar.23	Reduce	376
18.Aug.23	Buy	576
15.Nov.23	Accumulate	577
25.Jun.24	Buy	657
26.Nov.24	Buy	578

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, Saji John, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd(P2P lending) Geojit IFSC Ltd (a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Saji John, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. For grievances: **Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

