

30 May 2024

India | Equity Research | Company Update

CIE Automotive India Ltd

Auto Ancillaries

Steady compounder; near-term headwinds are receding

We interacted with the management of CIE Automotive India (CAIL) on May 27th -28th. Following are the takeaways: 1) Continued revival in 2Ws, launch of Mahindra 3XO, positive outlook on tractors from H2CY24, offtake from Hosur by Stellantis and Bosch from Q3CY24 are the key growth catalysts in CY24; 2) EU revenue growth is set to remain muted in CY24 amidst flat outlook for PVs and down cycle for Metalcastello; 3) CAIL would focus on growth ahead instead of further margin expansion from current levels; 4) sticking to 5-6% capex/sales outlook with 80% of growth capex being dedicated to India; 5) not planning to enter sunroof business as of now and is focusing on plastic parts segment through feasible M&A ahead. Maintain **BUY** on CAIL with a revised TP of INR 646 (earlier INR 570), implying 22x CY25 earnings, with TP change driven by 2% rise in earnings estimate and valuation rollover.

Confident in outperforming target OEM market growth by 5%

CAIL is confident of delivering 5% beat to target OEM industry growth consistently ahead, driven by its ability to take orders at competitive rates and execute them using CIE global practices in the form of discipline in productivity, yield management, automation and scale. Management is expecting strong demand from Mahindra XUV3XO, adding on to growth from H2CY24 other than delayed execution of orders from Stellantis/Bosch at Hosur. Continued improvement in 2W demand and favourable base in tractors to push growth revival from H2CY24, as per the management.

EU business to remain stagnant in near term

With EU car market growth likely to remain in low single digit ahead, along with weakness in Metalcastello currently, CAIL is expecting 3-5% revenue CAGR there in next 5 years. EV orders are getting delayed with present trend of slower-than-anticipated rise in electrification, impacting growth further. Aluminium forging business will likely ramp up slowly as initially it would dilute margin with lower yield or scope for higher rejections.

Remain focused on improving RoCE; open for right M&A

CAIL is focused on improving RoCE with better asset turns amidst limited upside in margin. In terms of M&A, targeting areas like plastic parts, CAIL is not ready to dilute RoCE for the sake of growth, with M&A being sizeable enough to impact growth along with getting fully funded from internal accruals.

Financial Summary

Y/E December (INR mn)	CY22A	CY23A	CY24E	CY25E
Net Revenue	87,530	92,803	1,01,720	1,11,611
EBITDA	11,720	14,239	15,998	17,694
EBITDA %	13.4	15.3	15.7	15.9
Net Profit	6,735	7,976	9,670	11,140
EPS (INR)	17.8	21.0	25.5	29.4
EPS % Chg YoY	64.7	18.4	21.2	15.2
P/E (x)	30.4	25.7	21.2	18.4
EV/EBITDA (x)	18.7	15.4	13.7	12.4
RoCE (%)	10.5	12.9	13.4	13.6
RoE (%)	13.1	14.4	15.2	15.6

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Market Data

Market Cap (INR)	205bn
Market Cap (USD)	2,456mn
Bloomberg Code	CIEINDIA IN
Reuters Code	CIEA.BO
52-week Range (INR)	580 /401
Free Float (%)	33.0
ADTV-3M (mn) (USD)	4.7

Price Performance (%)	3m	6m	12m
Absolute	22.4	12.6	17.6
Relative to Sensex	19.6	1.2	(1.0)

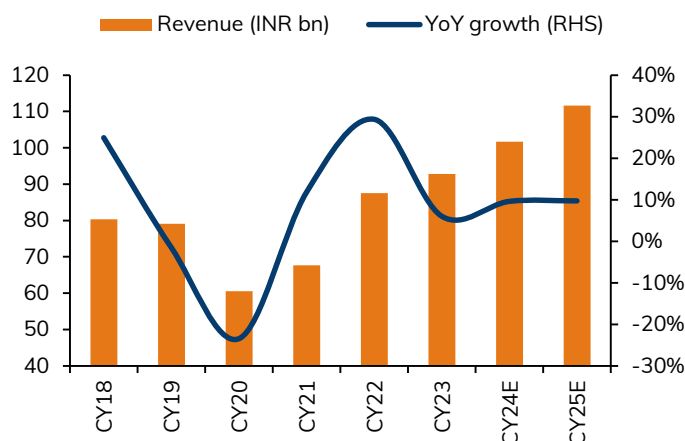
Earnings Revisions (%)	CY24E	CY25E
Revenue	0.9	1.6
EBITDA	1.0	1.8
EPS	1.3	2.1

Previous Reports

03-05-2024: [Q1CY24 results review](#)

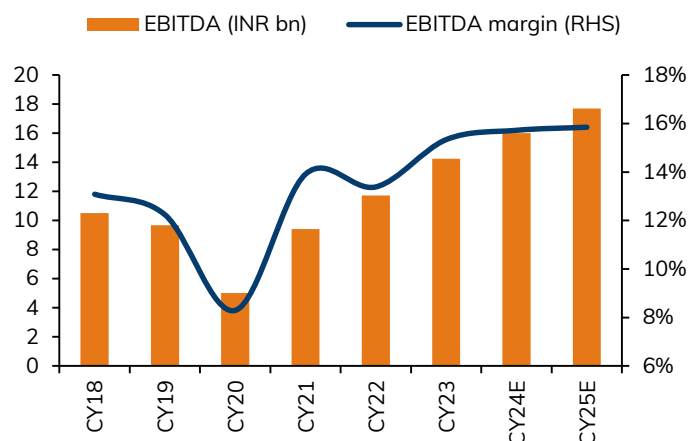
20-02-2024: [Q4CY23 results review](#)

Exhibit 1: Revenue vs YoY growth; expect revenue CAGR of 10% over CY23-25E



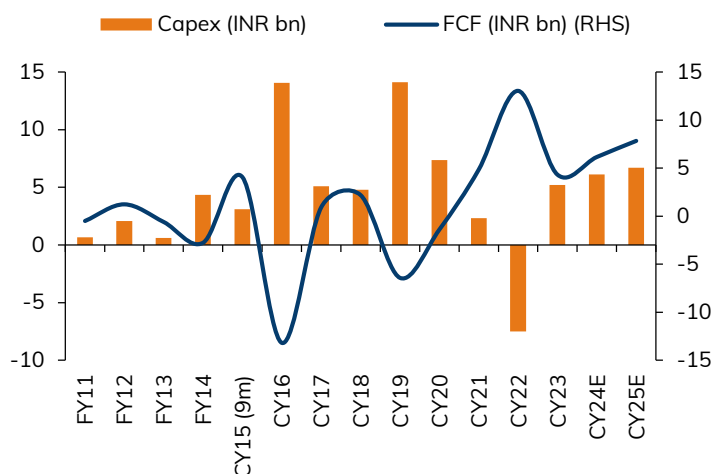
Source: I-Sec research, Company data

Exhibit 2: EBITDA vs EBITDA margin; expect EBITDA margin to stabilise around 16%



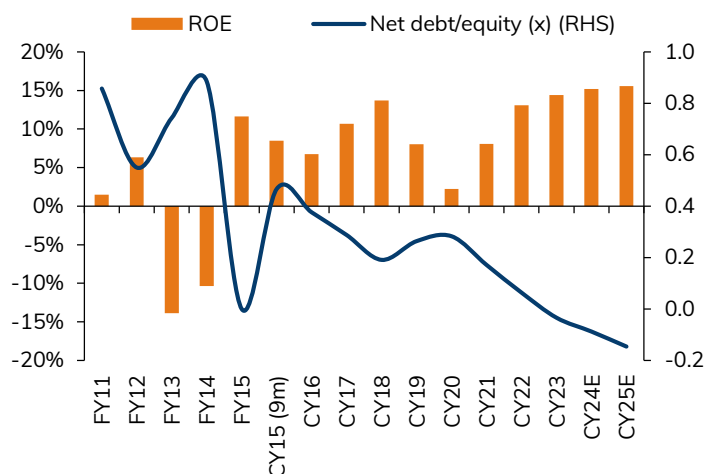
Source: I-Sec research, Company data

Exhibit 3: Capex vs FCF; FCF to remain above INR 4bn amidst current growth outlook and 5-6% capex/sales



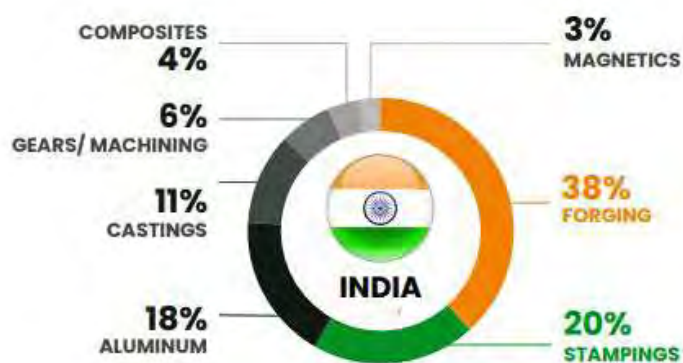
Source: I-Sec research, Company data

Exhibit 4: RoE vs net debt/equity; a net cash company with RoE inching up ahead of 15%



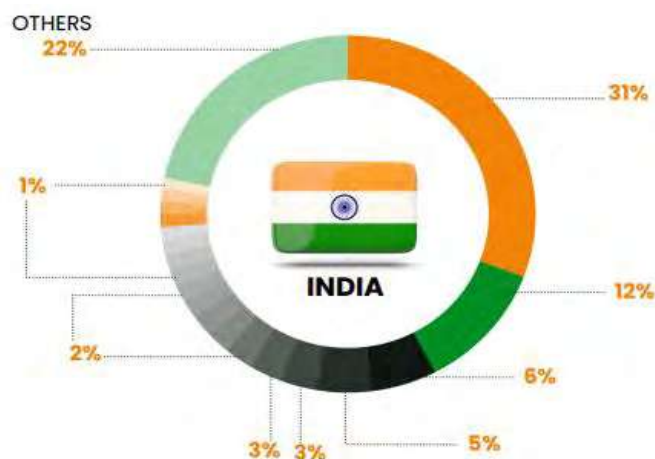
Source: I-Sec research, Company data

Exhibit 5: India revenue stands at ~63% of consolidated revenue



Source: Company presentation

Exhibit 6: M&M, Bajaj and Maruti are top 3 customers, contributing ~50% of revenue



Source: Company presentation

Exhibit 7: Estimates revision

	CY24E			CY25E		
	Old	Revised	% change	Old	Revised	% change
Revenue (INR mn)	1,00,792	1,01,720	0.9%	1,09,826	1,11,611	1.6%
EBITDA (INR mn)	15,838	15,998	1.0%	17,388	17,694	1.8%
EBITDA margin (%)	15.7%	15.7%	1 bps	15.8%	15.9%	2 bps
PAT (INR mn)	9,550	9,670	1.3%	10,913	11,140	2.1%
EPS (INR)	25.2	25.5	1.3%	28.8	29.4	2.1%

Source: I-Sec research

Downside risks

Persistent sluggish demand in European car market and continued weakness in domestic 2W/tractors could impact scale and margin in CY24.

Exhibit 8: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	65.7	65.7	65.7
Institutional investors	22.0	21.5	23.2
MFs and others	14.2	14.7	17.2
FIs/Banks	0.9	1.0	0.7
Insurance	0.3	0.2	0.2
FIIIs	6.6	5.6	5.1
Others	12.3	12.8	11.1

Source: Bloomberg

Exhibit 9: Price chart

Source: Bloomberg

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending December)

	CY22A	CY23A	CY24E	CY25E
Net Sales	87,530	92,803	1,01,720	1,11,611
Operating Expenses	28,050	29,456	39,948	43,692
EBITDA	11,720	14,239	15,998	17,694
EBITDA Margin (%)	13.4	15.3	15.7	15.9
Depreciation & Amortization	2,962	3,222	3,305	3,480
EBIT	8,758	11,017	12,693	14,214
Interest expenditure	227	1,074	600	200
Other Non-operating Income	962	820	800	840
Recurring PBT	9,493	10,763	12,893	14,854
Profit / Loss from Associates	-	-	-	-
Less: Taxes	2,401	2,782	3,223	3,713
PAT	7,092	7,981	9,670	11,140
Less: Minority Interest	(22)	5	-	-
Extraordinaries (Net)	379	-	-	-
Net Income (Reported)	7,092	7,981	9,670	11,140
Net Income (Adjusted)	6,735	7,976	9,670	11,140

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending December)

	CY22A	CY23A	CY24E	CY25E
Total Current Assets	36,790	30,690	38,630	46,481
of which cash & cash eqv.	859	2,387	6,259	11,426
Total Current Liabilities & Provisions	35,168	25,854	29,199	31,781
Net Current Assets	1,622	4,836	9,431	14,700
Investments	5,745	8,195	8,195	8,195
Net Fixed Assets	56,662	58,641	61,439	64,655
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	(3,200)	(3,238)	(3,238)	(3,238)
Total Assets	60,830	68,434	75,827	84,312
Liabilities				
Borrowings	9,856	8,554	8,554	8,554
Deferred Tax Liability	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	3,793	3,794	3,794	3,794
Reserves & Surplus	47,181	56,086	63,479	71,964
Total Net Worth	50,974	59,880	67,273	75,758
Minority Interest	-	-	-	-
Total Liabilities	60,830	68,434	75,827	84,312

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending December)

	CY22A	CY23A	CY24E	CY25E
Tax Burden	70.7	74.2	75.0	75.0
Interest Burden	108.4	97.7	101.6	104.5
EBIT Margin	10.0	11.9	12.5	12.7
Asset Turnover	1.43	1.35	1.34	1.32
Financial Leverage	1.19	1.14	1.12	1.11
ROE	13.1	14.4	15.2	15.6

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending December)

	CY22A	CY23A	CY24E	CY25E
Operating Cashflow	5,536	9,513	12,251	14,518
Working Capital Changes	(4,540)	(1,686)	(724)	(102)
Capital Commitments	7,491	(5,202)	(6,103)	(6,697)
Free Cashflow	13,027	4,311	6,148	7,822
Other investing cashflow	(1,385)	(2,449)	-	-
Cashflow from Investing Activities	6,106	(7,651)	(6,103)	(6,697)
Issue of Share Capital	2	0	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(5,014)	(1,301)	-	-
Dividend paid	(1,110)	(948)	(2,276)	(2,656)
Others	(6,258)	1,915	-	-
Cash flow from Financing Activities	(12,378)	(334)	(2,276)	(2,656)
Chg. in Cash & Bank balance	(736)	1,528	3,872	5,166
Closing cash & balance	859	2,387	6,259	11,426

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending December)

	CY22A	CY23A	CY24E	CY25E
Per Share Data (INR)				
Reported EPS	17.8	21.0	25.5	29.4
Adjusted EPS (Diluted)	17.8	21.0	25.5	29.4
Cash EPS	25.6	29.5	34.2	38.5
Dividend per share (DPS)	2.5	5.0	6.0	7.0
Book Value per share (BV)	134.4	157.8	177.3	199.7
Dividend Payout (%)	14.1	23.8	23.5	23.8
Growth (%)				
Net Sales	29.4	6.0	9.6	9.7
EBITDA	24.5	21.5	12.4	10.6
EPS (INR)	64.7	18.4	21.2	15.2
Valuation Ratios (x)				
P/E	30.4	25.7	21.2	18.4
P/CEPS	21.1	18.3	15.8	14.0
P/BV	4.0	3.4	3.0	2.7
EV / EBITDA	18.7	15.4	13.7	12.4
EV / Sales	2.5	2.4	2.2	2.0
Profitability Ratios				
Gross Profit Margins (%)	45.4	47.1	55.0	55.0
EBITDA Margins (%)	13.4	15.3	15.7	15.9
EBIT Margins (%)	10.0	11.9	12.5	12.7
Net Profit Margins (%)	7.7	8.6	9.5	10.0
RoCE (%)	10.5	12.9	13.4	13.6
RoE (%)	13.1	14.4	15.2	15.6
Dividend Yield (%)	0.5	0.9	1.1	1.3
Operating Ratios				
Fixed Asset Turnover (x)	0.8	0.8	0.8	0.9
Inventory Turnover Days	50	46	45	45
Receivables Days	36	25	32	32
Payables Days	89	76	80	80
Effective Tax Rate (%)	25.3	25.8	25.0	25.0
Net Debt / Equity (x)	0.1	0.0	(0.1)	(0.1)
Net Debt / EBITDA (x)	0.3	(0.1)	(0.4)	(0.6)

Source Company data, I-Sec research

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