

Price: 397

Recommendation: Buy

Industry: Auto Components

Sector: Consumer Discretionary

Report Date: 03-Apr-2025

CIE Automotive India Limited is strategically navigating market challenges and growth opportunities. The company is optimizing European operations to protect margins amid declining sales, while the Indian market is a growth driver with plans to expand capacity. Diversification across geographies and technologies mitigates risks, especially with the transition to EVs. Financially resilient, CIE focuses on efficiency and growth in India, enhancing its competitive edge and stakeholder value.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4563 Cr	Operating Profit(Year)	732 Cr	Operating Profit Margin	16.0 %
Previous Year	4570 Cr	Operating Profit(Quarter)	170 Cr	EBITDA Margin	19.83 %
Current Quarter	1119 Cr	PAT (Year)	583 Cr	Net Profit Margin	12.8 %
Previous Quarter	1136 Cr	PAT (Quarter)	116 Cr	EPS	15.4
Revenue (QYoY)	1137 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	25.8	Sales Growth	-0.14 %	Sales Growth	-1.5 %
PEG Ratio	0.90	PAT Growth	3.74 %	Sales Growth QYoY	-1.58 %
EV/EBITDA	16.4	EPS Growth	0.0 %	PAT Growth	-6.45 %
P/B	2.82	Dividend Yield	1.77	PAT Growth QYoY	0.87 %
Capital Allocation		Holdings		Leverage	
RoE	11.4 %	Promoter	65.7 %	Debt/Equity	0.01
RoA	9.11 %	FII	4.47 %	Debt	32.6 Cr
RoCE	14.6 %	DII	20.7 %	Market Cap	15032 Cr
RoIC	15.5 %	Public	9.07 %	Enterprise value	14884 Cr
		No of Shares	37.9 Cr	Cash Equivalents	181 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

CIE Automotive India Limited's recent concall highlighted several strategic initiatives and business strategies aimed at navigating current market challenges and leveraging growth opportunities. The company is focusing on optimizing its operations in Europe to protect margins amidst declining sales, particularly in the commercial vehicle segment. In contrast, the Indian market is seen as a growth driver, with plans to expand capacity and improve plant efficiency. The company is committed to maintaining a diversified portfolio across geographies, technologies, and market segments, which is a unique strength in the auto components industry. This diversification is expected to help mitigate risks associated with market volatility and the transition to electric vehicles (EVs).

The company is actively pursuing new initiatives to enhance its business prospects. In India, CIE Automotive is accelerating the allocation of new orders and ramping up new programs to offset the decline in European markets. The focus is on increasing internal efficiencies and leveraging government policies that support localization and production-linked incentives. The company is also exploring inorganic growth opportunities, particularly in the plastics segment, to address strategic gaps and enhance its market presence. These efforts are complemented by a strong order book, with significant contributions from EV-related orders, indicating a balanced approach towards electrification.

Looking ahead, CIE Automotive is optimistic about its growth and scaling prospects, particularly in India. The company expects to achieve single-digit to mid-single-digit revenue growth in the coming years, driven by the Indian market's potential and strategic initiatives. The transition to electric mobility is seen as an opportunity rather than a risk, with a diversified EV order book across various segments. However, the European market remains challenging, with expectations of a flat evolution in the near term. The company is prepared to manage these challenges by adapting its operations and seeking additional business opportunities as the supply chain consolidates.

From a financial perspective, CIE Automotive's performance reflects resilience despite market headwinds. The company reported a slight decline in consolidated sales, primarily due to the European market's downturn. However, the EBITDA margin improved slightly, demonstrating effective cost management. The company's strong cash generation has enabled an enhanced dividend payout, reflecting confidence in its financial stability. While the current environment presents challenges, CIE Automotive's strategic focus on diversification, efficiency, and growth in India positions it well for future success. The company acknowledges the need for continued improvement and adaptation to maintain its competitive edge and deliver value to stakeholders.

CIEINDIA Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Happy Forgings	7542.65	28.40	18.69%	-1.89%	3.61%	-9.67%	11.43%
Balu Forge	7246.43	42.76	24.96%	14.76%	73.91%	22.94%	134.07%
Bharat Forge	53380.08	56.11	12.69%	-5.77%	-10.11%	-12.55%	-16.38%
AIA Engineering	30946.12	29.89	18.30%	2.11%	-8.80%	0.96%	-7.41%
PTC Industries	21094.01	409.51	8.89%	-7.53%	20.69%	-15.77%	80.45%

Aspect	Commentary
Revenue	The company's revenue shows a slight decline, with current year sales at 4563 Cr compared to 4570 Cr the previous year. Quarterly sales also decreased from 1136 Cr to 1119 Cr. This indicates a need for strategic initiatives to boost sales and counteract the downward trend.
Profit & Loss	Operating profit for the year stands at 732 Cr, with a quarterly figure of 170 Cr. The PAT for the year is 583 Cr, and 116 Cr for the quarter. These figures suggest stable profitability, though quarterly PAT shows a slight decline, indicating potential areas for cost optimization.
Profitability Matrix	The company maintains a healthy operating profit margin of 16.0% and an EBITDA margin of 19.83%. The net profit margin is 12.8%, with an EPS of 15.4. These metrics reflect strong operational efficiency and profitability, supporting the company's financial stability.
Valuation Matrix	The trailing P/E ratio is 25.8, with a PEG ratio of 0.90, indicating reasonable valuation relative to growth. The EV/EBITDA is 16.4, and P/B is 2.82, suggesting the company is valued fairly in the market, with potential for growth aligned with earnings.
Growth (YoY)	Year-over-year sales growth is slightly negative at -0.14%, while PAT growth is positive at 3.74%. EPS growth remains flat. The dividend yield is 1.77, indicating a stable return to shareholders despite modest sales growth.
Growth (QoQ)	Quarter-over-quarter sales growth is -1.5%, with a QYoY decline of -1.58%. PAT growth QoQ is -6.45%, but QYoY shows a slight increase of 0.87%. These figures highlight challenges in maintaining consistent growth, necessitating strategic adjustments.
Capital Allocation	The company demonstrates efficient capital allocation with RoE at 11.4%, RoA at 9.11%, RoCE at 14.6%, and RoIC at 15.5%. These metrics indicate effective use of capital to generate returns, supporting long-term financial health and shareholder value.
Holdings	Promoter holding is strong at 65.7%, with FII at 4.47%, DII at 20.7%, and public holding at 9.07%. The number of shares is 37.9 Cr. This distribution reflects a stable ownership structure, with significant promoter confidence in the company's prospects.
Leverage	The company maintains a low debt/equity ratio of 0.01, with total debt at 32.6 Cr. The market cap is 15032 Cr, and enterprise value is 14884 Cr. Cash equivalents are 181 Cr, indicating strong financial health and low leverage risk, enhancing resilience.

Analyst viewpoint: CIE Automotive India Limited is poised for robust short to mid-term growth, driven by strategic initiatives and a resilient market position. The company's focus on expanding its operations in the high-potential Indian market is expected to be a significant growth driver. With a strong emphasis on enhancing capacity and improving plant efficiencies, CIE's strategic direction aligns well with India's growing automotive industry, complemented by supportive government policies and incentives. Despite a slight decline in QoQ sales and PAT, the company maintains healthy margins with a strong operational framework, reflected in a 19.83% EBITDA margin and commendable return metrics like RoE and RoCE. Its valuation metrics, including a trailing P/E ratio of 25.8 and a PEG ratio of 0.90, suggest the company is reasonably valued with potential for growth aligned with earnings.

From a peer-to-peer perspective, CIE Automotive holds a competitive edge, bolstered by its diversification across geographies and technology sectors, which mitigates risks associated with European market volatility and the transition to EVs. The strategic allocation of capital and a low leverage stance enhance its positioning, with just a 0.01 debt/equity ratio reflecting financial prudence. The company's commitment to remaining agile and adaptive to market conditions is further evident from its strategic pursuit of inorganic growth opportunities and a robust EV order book, positioning CIE well against peers like Bharat Forge and Balu Forge. While optimism around growth prospects is abundant, it's noted that sustaining momentum amidst the challenging European market environment remains an area that CIE continues to address with strategic agility and focus.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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