



**CIE** Automotive

Accelerating Towards  
**Excellence**



## Accumulate

### Key Data

DATE	14-05-2024
Reco Price	480-490
Target	617
Sector	Auto Ancillary
BSE Code	532756
NSE Code	CIEINDIA
Face Value (Rs.)	10.00
Market Cap (Mn)	1,83,991
52-week High/Low (Rs)	579.75/406.80

Source : NSE, BSE

### Shareholding pattern (March-2024)

	%
Promoters	65.7
DII's	18.12
FII's	5.11
Government	0.04
Public	11.03
<b>Total</b>	<b>100.00</b>

Source : NSE, BSE

### Price Performance



Rebase to 100

## CIE Automotive India Limited

### Company Background

**CIE Automotive India Ltd. (CIEINDIA)** was incorporated in the year 1999, is a subsidiary of CIE Automotive group originated from Spain, which has its presence across the globe, in Germany, Lithuania, and Italy in the European continent as well as a plant in Mexico and North America. It is a global full-service supplier for automotive components and sub-assemblies. It has an established presence in each of these locations and supplies to automotive Original Equipment Manufacturers (OEMs) and their Tier 1 suppliers. Currently it is engaged in the business of manufacturing and supply of forged components for light vehicles, two and three wheelers, medium and heavy commercial vehicles and tractors. It is a multi-technology automotive supplier company primarily in crankshafts and Stub Axles, Aluminium, Ductile Iron Castings, Stampings and Stamped Assemblies, Thermostat Composite, Gears and Shafts. It has its manufacturing and engineering facilities present all over India, like Pune, Coimbatore, Aurangabad, Haridwar, Nashik, Rajkot, Pant Nagar Bangalore, Rudrapur, Mangaon and Zaheerabad.

### Outlook and Valuation

CIEINDIA is a large, diversified auto-components group with a presence across many processes, product lines, geographies, and customers. The company's unique combination of specialization in high value-added products, usually delivered directly to OEMs, and presence across multiple production technologies also differentiates it from other component suppliers.

We remain confident in the company's growth story, driven by a healthy order book, diversification, capacity expansion, government support and a focus on building the EV portfolio. **We expect revenue to grow at a CAGR of 6.2% for CY23-CY26E, with a target price of Rs 617 based on CY26E EPS of Rs 30.1 along with a forward PE multiple of 20.5. Therefore, we recommend an ACCUMULATE rating for the long term.**

Particulars (Rs. in Mn.)	CY23	CY24E	CY25E	CY26E	CAGR % (CY23 - CY26E)
Revenue	92,803.5	97,541.4	1,03,986.9	1,11,163.0	6.2%
EBITDA	14,238.9	15,411.5	16,637.7	18,008.4	8.1%
EBITDA %	15.3%	15.8%	16.0%	16.2%	
Adjusted PAT	7,976.3	9,328.6	10,336.3	11,412.7	12.7%
Adjusted EPS (Rs.)	21.0	24.6	27.3	30.1	

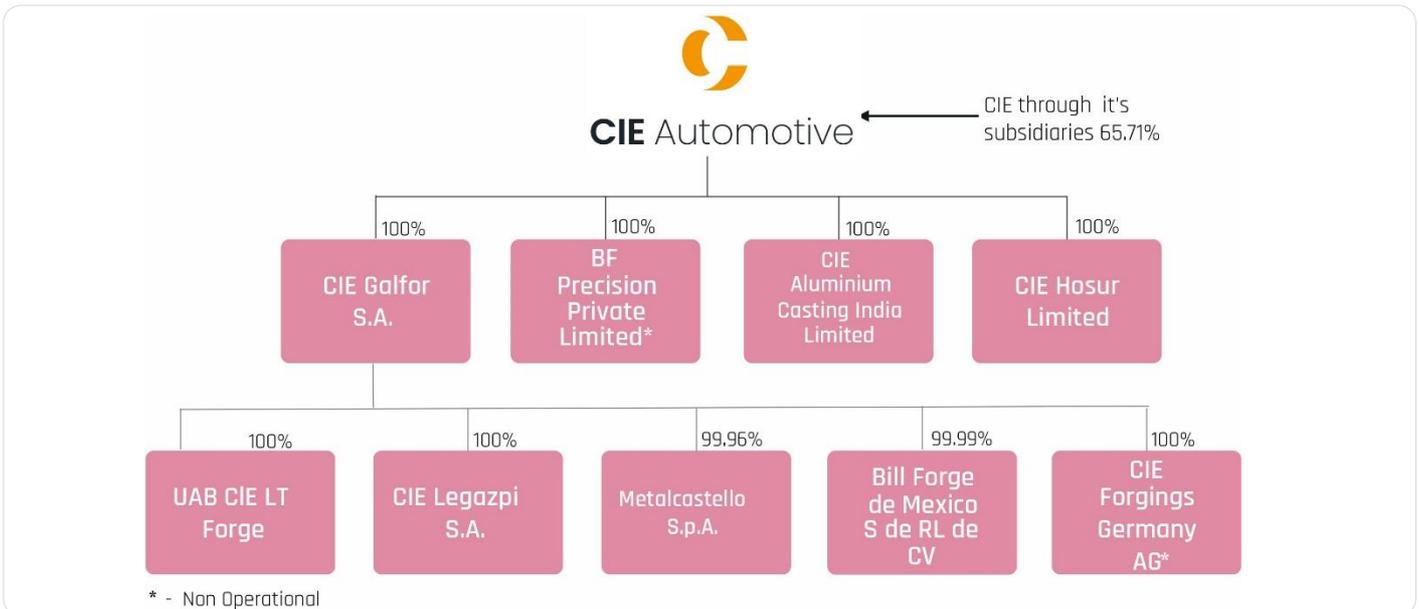
Source: Company, ACMIIL Retail Research

### Company at glance

- A subsidiary of Spain's CIE Automotive Group, strategically operates near automotive hubs to optimize supply chain efficiency.
- Manufactures a diverse array of automotive components including forgings, castings, stampings, and more.
- Positioned for growth with expected increases across the automotive market, driven by demand and government support for electric vehicles.
- As a Tier 2 automotive supplier, the company outpaces industry growth rates, indicating strong potential for continued success.
- Embracing innovative technologies such as cloud infrastructure, robotic process automation (RPA), and advancements in Industry 4.0 enhances its operational efficiency.

## Company overview

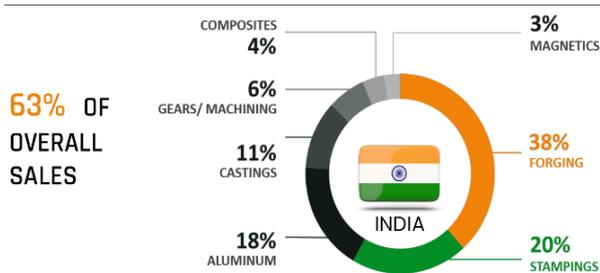
CIE Automotive India Ltd. is a process company and key player in the individual business areas in which they operates. In India, it is amongst the top crankshaft manufacturers, one of the more profitable gear manufacturers, the top supplier of sheet metal stampings, the top magnetics maker for automotive purposes, key player in composites. In Europe, the company is one the top forged crankshaft makers and a top supplier of gears and shafts to the off highway and construction industry as well. Process reengineering, automation and digitization with a view to improve operations and match its global standards of manufacturing excellence, are being implemented. Developing parts with greater value addition remains an important part of operational strategy which will help improve margins.



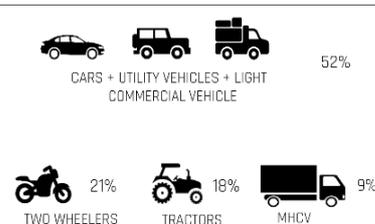
Source: Company, ACMIIL Retail Research

## Technologies, segments and key clients

### TECHNOLOGIES



### END USE SEGMENTS

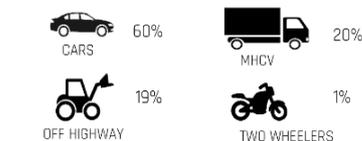
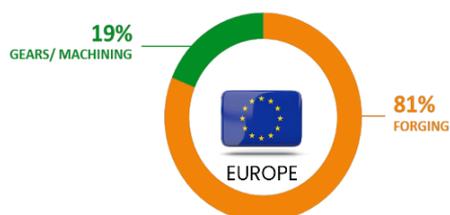


### TOP CUSTOMERS

Mahindra, Bajaj, Maruti, Tata, Hero, GKN, Nexteer, Hyundai, Kia, Ola Electric, Stellantis, Brembo

**50+ Customers**  
**20+ >Rs 50mn**

### 37% OF OVERALL SALES



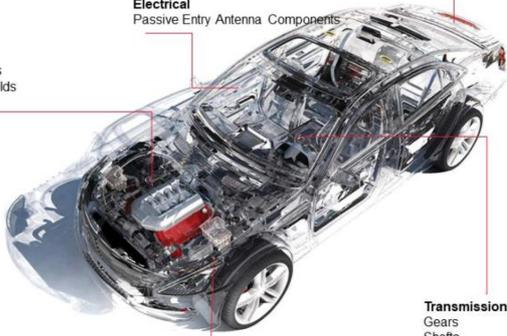
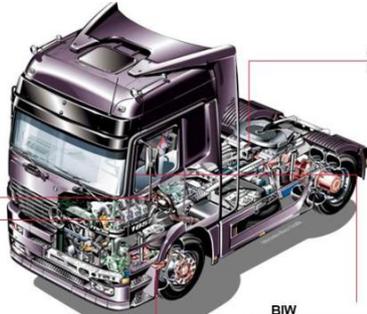
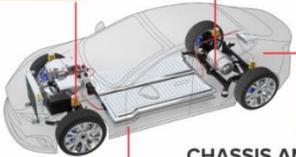
Renault, VW, Ford, JLR, BMW, FIAT, CAT, Eaton, CNH

**Top OEMs + Tier 1**

Sales do not include CFG discontinued operations

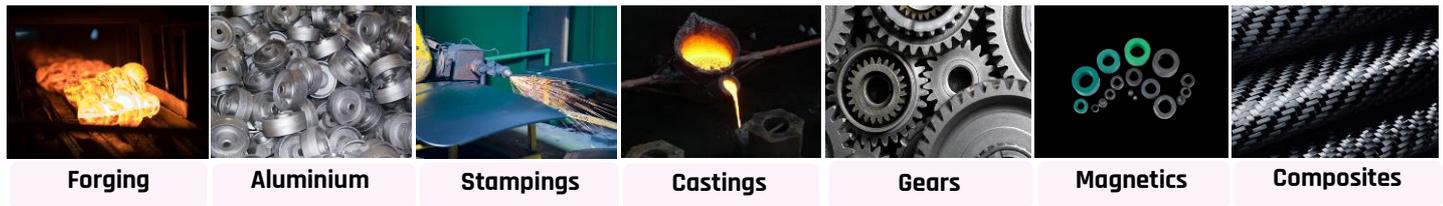
Source: Company, ACMIIL Retail Research

## Diversified presence across all the segments

Car & Utility Vehicles	Medium & heavy Vehicles
 <p><b>Engine</b> Crankshafts Oil Sumps Engine Gears Turbo Housings Exhaust Manifolds</p> <p><b>Electrical</b> Passive Entry Antenna Components</p> <p><b>BIW Stampings</b></p> <p><b>Transmission/Driveline</b> Gears Shafts Synchro Hubs Differential Housings</p> <p><b>Steering / Suspension</b> Knuckles / Stub Axles Brake Calipers</p>	 <p><b>Transmission/Driveline</b> Hubs Differential Housings Carrier Housing</p> <p><b>Chassis/ Others</b> NVH Covers</p> <p><b>Engine</b> Forged Crankshafts Forged Camshafts Turbo Housings Steel Pistons</p> <p><b>Steering / Suspension</b> Stub Axles Spring Saddles</p> <p><b>BIW</b> Stamped Cabin Components</p>
Agriculture/Offroad Vehicles	Two Wheelers
 <p><b>Engine</b> Crankshafts [F,C,Mic] Forged Connecting Rod [F] Engine Gears [MC] Cast Exhaust Manifolds[C]</p> <p><b>BIW</b> Hood Fenders Bonnet Foot Plates Front Grill</p> <p><b>Transmission/Driveline</b> Cast Hubs Differential Housings Differential and Transmission Gears, Shafts Planetary Carrier</p> <p><b>Steering / Suspension</b> Stub Axles Front Axle Support Links</p> <p><b>Chassis/ Others</b> Trunion Bracket</p> <p><b>Hydraulic Parts</b> Lift Arm Rocker Arm Topping Crank</p>	 <p><b>CHASSIS</b> Foot Pedal (Aluminium) Brake Drums &amp; Brake Panels (Aluminium) Step Holder (Aluminium) Hubs &amp; Outer Rings (Forging) Bill Forge</p> <p><b>STEERING AND SUSPENSION</b> Steering Races (Forging) Bill Forge Steering Brackets (Forging) Bill Forge Steering Yokes (Forging) Bill Forge Suspension arm (Aluminium)</p> <p><b>ENGINE AND DRIVETRAIN</b> 2W Crankshaft (Forging) Bill Forge Crank Case (Aluminium) Engine Valve Retainers (Forging) Bill Forge Transmission gears and Shafts (Gears) Clutch &amp; Magneto Cover (Aluminium) Gearbox &amp; Differential Cover (Aluminium) Alternator Magnets (Magnetics)</p>
Electric Four Wheelers	Electric Two Wheelers
 <p><b>STEERING AND SUSPENSION</b> Steering Brackets (Forging) Bill Forge Knuckles/ Stub Axles (Forging) Suspension arm (Aluminium) Hubs &amp; Outer Rings (Forging) Bill Forge Flanges (Forging) Bill Forge CVJ (Tulip &amp; Outer Races) (Forging) Bill Forge</p> <p><b>DRIVETRAIN</b> Motor Housing (Aluminium) Power Electronic Cover (S/A/C) Power Electronic Housing (Aluminium) ECU Cover (Aluminium) Reducer input shaft (Forging) Bill Forge Battery box (Aluminium/ Stampings/ Composites) e-motor shaft (Forging/ Gears) Bill Forge Transmission gears and Shafts (Gears) Gearbox &amp; Differential Cover (Aluminium)</p> <p><b>CHASSIS AND BIW</b> BIW Stampings (Stampings) Structural Components (Stampings) Brackets (Stamping / Forging / Aluminium) Bill Forge</p> <p>Magnets for EV Charger (Magnetics) Passive Entry Antenna Components (Magnetics)</p>	 <p><b>CHASSIS AND SUSPENSION</b> Foot Pedal (Aluminium) Brake Drums &amp; Brake Panels (Aluminium) Step Holder (Aluminium) Steering Races (Forging) Bill Forge Steering Brackets (Forging) Bill Forge Steering Yokes (Forging) Bill Forge Gearbox &amp; Differential Cover (Aluminium) Suspension arm (Aluminium) Hubs &amp; Outer Rings (Forging) Bill Forge E-reducer housing (Aluminium)</p> <p><b>DRIVETRAIN</b> Motor Housing (Aluminium) Power Electronic Cover (S/A/C) Power Electronic Housing (Aluminium) ECU Cover (Aluminium) Reducer input shaft (Forging) Bill Forge Battery box (Aluminium/ Stampings/ Composites) e-motor shaft (Forging/ Gears) Bill Forge Transmission gears and Shafts (Gears)</p> <p>Magnets for EV Charger (Magnetics)</p>

Source: Company, ACMIL Retail Research

## Product Portfolio



Source: Company, ACMIIL Retail Research



Source: Company, ACMIIL Retail Research

Segments	Details
<b>Forging</b>	The company holds 60% market share in the Automotive Industry in Crankshafts and Steering Knuckles. It also caters to Automotive, Agriculture, Railway, Mining, Industrials, Construction etc. Key products include crankshafts, knuckles, spindles, steering shafts and CV joints.
<b>Aluminium Castings</b>	One of Largest Aluminium Foundry in India with presence in HPDC & GDC via 3 Locations where HDPC machines ranging from 250T - 1650T and GDC machines with Robots, Auto pourers and Sand Core making machine.
<b>Stampings</b>	One stop solution for End-to-End sheet metal component manufacturing for stampings. It focuses on Engineering & Technology to enhance Press Line Automation, Robotic Welding and Assembly Automation.
<b>Gears/Machining</b>	Machining/Gear plants are fully equipped to make several special types of Gears, Shafts and Machine components. The company supplies Gearsets for transmitting application like Shaping, Polishing, Burnishing, ECM, Laser welding.
<b>Casting</b>	The company is India's leading Producers of Ductile Iron Castings specialised in different types of Axle Transmission & Engine components with Four Green sand high pressure horizontal moulding lines at one location.
<b>Composites</b>	Leading manufacturer in India for Composite Materials Composite Battery & Electric Boxes for Electric cars and Electrical Switch gear segment with 30+ years of experience
<b>Magnetics</b>	India's largest Magnet producer with 50 + years of experience in magnetic component manufacturing and World Class Manufacturing Facility with Best-in-class Machinery from all over the world. It produces an Expansive range of Hard and Soft Ferrite magnets for Automotive application

Source: Company, ACMIIL Retail Research

## Investment Rationale

### Driving geographical expansion through Innovation

CIE Automotive India, a key division of a leading global automotive component supplier, enjoys a diversified presence across multiple geographies with expertise in product segments like forgings, castings, and stampings. This diversity provides the division with robust operational and technological support, enhancing its supply chain and manufacturing capabilities. The company is poised to continue benefiting from the strong technological expertise and established relationships with global Original Equipment Manufacturers (OEMs), positioning it for sustained growth and innovation in the automotive sector.

### Strategic Diversification and Divestiture Enhance Stability and Growth Opportunities

The company's engagement in diverse business segments helps mitigate risks associated with market fluctuations in any single area, providing stable revenue streams and opportunities for growth and innovation. Geographical diversification, with 63% of its revenues coming from India and 37% from Europe in CY2023, reduces dependence on any single market and positions CIE to leverage regional growth opportunities and adapt to regulatory changes. It is beneficial to mitigate risk for company against regional economic downturns. Furthermore, catering to a wide range of sectors within the automotive industry and various reputable OEMs enhances CIE's market presence, while minimizing the impact of any single client's performance on the company's overall financial health. Additionally, the strategic divestiture of its German forging business (CFG) in CY2023 for EUR 25 million, after adjusting for debt and other liabilities, provided a financial uplift and allowed for the reallocation of resources towards more profitable or core business areas, potentially enhancing operational efficiency and profitability. These combined factors contribute robustly to CIE's financial health, enabling sustained growth and resilience in the competitive global automotive components market.

### Strong Order Book Positions Company for Growth in the EV Market

The company has an order book of around Rs 1000 Cr in India, with Rs 300 Cr in the EV segment for next year. This order book is distributed across various sectors, including shafts in forgings, aluminium components, and significant orders in the composite sector for three-wheeler EVs. With these orders ramping up, the company is well-positioned in India to seize emerging opportunities. EVs are becoming mainstream in both Europe and India, with rapid market penetration in Europe and a significant rise in India, especially for two and three-wheelers. The robust order book includes aluminium and steel forgings, gears, stampings, and composite parts for electric two-wheelers (e2W), three-wheelers (e3W), and four-wheelers (e4W), in collaboration with major European and Indian OEMs. Nearly 40% of the European order book is dedicated to electric vehicles. As the EV supplier ecosystem is still developing, EV OEMs are seeking partners with quality and reliability, opening new business opportunities for the company. The company is well-prepared to leverage its expertise and establish a strong presence in the evolving EV market.

### CIE Invests in Expansion and Advanced Technologies Across Divisions

The company is actively expanding its operations across various divisions, reflecting a significant commitment to capital expenditure aimed at enhancing production capacity and incorporating higher-value technologies. In the composite business, a new plant is being constructed, complete with new sheds and machinery. The Stampings division is undergoing substantial enhancement with the addition of a new press line, expected to be operational by July 2024, significantly boosting output in H2CY24. The Forgings plant is expanding to include a new crankshaft machine line, representing additional investment into the company's core manufacturing capabilities. Strategic developments in the Gears division include the finalization of a new office building, providing additional space at the production plant and supporting ongoing growth. Plans are also in place to expand capacity, focusing on higher-value technologies such as Gear branding. A new unit is being added at the Gears plant in Pune to cater to EV parts, while the Rajkot Gears plant was also expanded. Bill Forge installed a new forging and machining line in Bengaluru to cater to EV transmission parts. CIE Hosur commissioned a new fuel rail line, the first introduction of this technology in India. The crankshaft machining capacity at the Forgings plant in Chakan, Pune, was augmented, and an additional 4000T press is being installed to enhance forgings capacity. Two compression molding presses were added to the Composites unit in Pune to increase capacity for making components from the produced compounds. The new plant built by the Aluminum vertical in Aurangabad was completed last year, catering to 4W EV parts, among others. The Stampings plant at Kanhe continued adding more robotic welding capabilities to increase value addition. There were also incremental growth capex investments at the Magnetics, Foundry, and Mexico plants. These developments underscore the company's strategic use of capital expenditure to sustain growth and enhance operational efficiency in its production facilities.

### CIE's Path in the Evolving Electric Vehicle Industry: Embracing Sustainability, Precision, and Innovation

As climate change increasingly commands attention, the surge in electric vehicles (EVs) is becoming evident. However, the pace of this transition varies widely across regions and market segments. To navigate this evolving landscape, companies are crafting comprehensive strategies tailored to the EV market. As the spotlight intensifies on carbon footprints, there's a growing imperative for localization. Near-shoring initiatives are also gaining prominence as they mitigate supply chain bottlenecks. Developed nations, driven by stringent CO2 reduction targets, are witnessing the migration of polluting processes such as steel and aluminum castings to emerging markets. Two pivotal themes in the industry are light weighting and safety. Light weighting efforts are steering towards materials like aluminum forgings, castings, and composites - all focal points for CIE. The company's trends align precisely with the evolving industry demands for EVs, light weighting, and enhanced safety standards, ensuring superior precision, tighter tolerances, and top-quality components.

## Likely to outperform in domestic market

The company's revenues comprises more than 50% plus revenue from India and has been diversifying its India revenue and rationalizing costs. The management is committed to achieving 5-10% higher growth than weighted average growth for the industry. It aims to gradually improve EBITDA margin aligning with the performance of its parent company. The company has anchor customers which comprises 50%-55% revenue i.e, Mahindra, Bajaj and Maruti and remaining includes Tata Motors, Ashok Leyland, Hyundai, Kia, Bosch etc. The collaboration between the European and American CIE teams, along with the local teams, is also improving. Overall, the integration of the Indian business into CIE is complete, and growth in the near future will be driven from Indian and Mexico operation.

## India's Automotive Export Boom: Indirect Benefits for OEMs like CIE Automotive

In recent years, India has emerged as a pivotal export hub for global auto companies, buoyed by a burgeoning network of quality suppliers and competitive manufacturing costs. Honda's initiative to export cars to Japan, alongside Suzuki's forthcoming plans, underscores this trend. Despite Japan's longstanding dominance in global vehicle exports, India's ability to meet its stringent quality standards is becoming increasingly evident. Notably, Honda's exclusive production of the Elevate SUV for the Japanese market and Jeep's manufacturing of the Meridian in India for export to Japan highlight the country's manufacturing prowess. Moreover, Maruti Suzuki's upcoming venture into electric vehicle production and its plans to export to Japan and Europe signal further opportunities. While Toyota currently focuses on exporting high-end components rather than vehicles, its involvement underscores India's role in the global automotive supply chain. Overall, India's position as a manufacturing powerhouse is solidifying, with its safety and emissions regulations aligning with global standards, paving the way for increased exports and international sales. Such kind of strategic move where Indian automakers will be exporting globally which provides indirect benefits to OEM companies like CIE Automotive.

## Strategic Government Policies Opening up significant Local and Global Opportunities for Auto component player's future growth

The government's emphasis on ramping up domestic manufacturing, through the AtmaNirbhar and Make in India policies, directly links to opportunities for auto component players like CIE Automotive. The stronger manufacturing sector aligns with the global company's plans to set up a factory in India to serve the strong demand of OEMs. CIE Automotive stands to benefit from supportive policies that encourage local production. Moreover, the further focus on integrating globally and reducing dependence on China presents CIE Automotive with a strategic opportunity to become a key supplier to domestic and international markets, leveraging India's growth and manufacturing potential both directly & Indirectly into the global supply chain as per government ambition.

## Industry Overview

The Indian automobile industry, currently valued at US\$ 222 Billion, is projected to soar to US\$ 300 Billion by 2026, supported by a US\$ 3.5 Billion investment from the Government, which includes financial incentives of up to 18% to enhance manufacturing capabilities. Anticipated to achieve a CAGR of 11.3% until 2027, the sector's expansion is driven by increasing disposable incomes, the broad availability of credit and financing options, and demographic growth. The EV (Electric Vehicle) market in India is forecasted to expand from \$5.61 billion in 2023 to \$37.7 billion by 2028. The Indian automotive sector stands as the fourth-largest producer globally, boasting an annual output exceeding 4 million motor vehicles. This dynamic industry serves as a vital role in the nation's economy, characterized by significant technological and manufacturing advancements. Witnessing substantial expansion, it has emerged as a focal point for both domestic consumption and international trade. Within the Indian automotive market, distinct segments exhibit varied performance. The tractor segment has maintained stability, albeit on a higher baseline. Notably, the truck segment has experienced robust growth, particularly in the latter half, driven by substantial infrastructure investments and overall economic vitality. On the demand side, a positive trajectory persists as the market gradually reopens, with anticipated growth across all segments according to various industry estimates.

The Indian metal casting industry is poised to achieve a market value of US\$ 17 billion by 2028, reflecting a robust CAGR of 6.7% during the period spanning 2023 to 2028. Similarly, the Indian metal forging market is forecasted to attain US\$ 8.0 billion by 2029, indicating a significant CAGR of 10.69% from 2023 to 2029. With an installed capacity of approximately 38.5 lakh metric tons, the Indian forging industry possesses the capability to work with a diverse range of raw materials, including carbon steel, alloy steel, stainless steel, superalloys, titanium, aluminum, among others, tailored to the specifications of various user industries. Geographically, the Indian forging industry is concentrated around the locations of its end-user customers, leading to the establishment of major forging clusters in states such as Maharashtra, Punjab, Gujarat, Tamil Nadu, Haryana, Delhi, Karnataka, Jharkhand, West Bengal, and Andhra Pradesh.

The Forging & Casting industry is crucial to the government's 'Make in India' initiative, supplying essential components to various sectors. To boost manufacturing volumes and global reach, capacity expansion is essential. This industry is well-positioned to benefit from the automotive sector's growth. Significant expansion, both organically and through acquisitions, has driven the industry's progress. Recognizing the vast opportunities, leading domestic companies are developing world-class capabilities by launching new projects and revitalizing underperforming global facilities, making India an attractive location for foreign enterprises.

## Government Enhances Support for EV Market with New Policies and Subsidy Adjustments

The government has initiated the FAME II subsidy scheme to encourage faster adoption of e mobility vehicle in FY22. Under this scheme government initially allocated Rs 10,000 crore over three years from 2022 to March, 2024. Its original objective was to bolster 10 lakh electric two- wheelers, 5 lakh electric three-wheelers, 55,000 passenger cars, and 7,000 electric buses. The Ministry of Heavy Industries (MHI) has announced a significant boost to the funds allotted to the FAME-II (Faster Adoption and Manufacturing of Electric Vehicles in India) subsidies for green vehicles in India. The government has increased the outlay of the program from Rs 10,000 crore to Rs 11,500 crore. The upcoming Electric Mobility Promotion Scheme is set to debut on April 1, 2024, supplanting the current Faster Adoption and Manufacturing Electric Vehicles- Phase-II initiative. The Centre announced a new scheme, the Electric Mobility Promotion Scheme (EMPS), 2024, to promote the sale of electric two-wheelers (e2W) and three-wheelers (e3W) in the country. The Centre has allocated Rs 500 crore for the new scheme, which will be valid for four months from now. It's showing government commitment to the growth for electric vehicles in the country. This new initiative replaces the ongoing FAME-II scheme which lapses on March 31, 2024. Companies needs to register under new programme to be eligible for getting subsidies. A third iteration of FAME-III will be announced after poll to cover more categories.

## Seizes growth opportunities amidst soaring two-wheeler sales and electric vehicle surge in India

The significant growth in motorcycle and scooter sales in India, recording a double-digit increase to reach 18.4-18.5 million units in FY 2023-24, directly benefits company's strategic positioning and operational focus. As petrol-powered models, which still represent over 95% of this market at approximately 17.5 million units, continue to dominate sales, company's extensive offerings in automotive components for these vehicles are poised for increased demand. Additionally, the record dispatch of about a million electric two-wheelers opens a new avenue for growth, aligning with its initiatives in electric vehicle (EV) components. The expected retail sales of electric two-wheelers, reaching 900,000 to 950,000 units by FY24, underscore the EV market's rapid expansion and company's opportunity to leverage its R&D in this sector. Given the company's presence in various segments and comprehensive portfolio that addresses the needs of both traditional and electric two-wheelers, company is strategically positioned to harness the growth trends in India's two-wheeler market, translating the increased volumes into higher demand for its automotive components, and thereby bolstering its revenue and market leadership position.

## Light vehicles

Light vehicles have witnessed a notable surge in production, marking one of the most prosperous in the past five years, with a remarkable 22% growth rate. The boom in e-commerce and the adoption of digital logistics solutions significantly drive the demand for light commercial vehicles (LCVs) for efficient goods delivery and supply chain management. Rapid urbanization and improved infrastructure facilitate the movement of goods within cities, boosting the need for LCVs in last-mile delivery and intra-city transport.

## Improvement in MHCV sales to drive higher demand

Domestic CV sales are rebounding, reflecting improving macro factors and increased economic activity. Higher cargo movement, driven by economic recovery, and fleet operators' replacement demand (scrappage policy) are anticipated to boost CV sales in the coming years. A government task force outlined Rs. 111 lakh crore capital investment plan for infrastructure under the National Infrastructure Pipeline (NIP) through FY25E, with a focus on energy, roads, urban development, and railways. The Prime Minister's Gati Shakti Infrastructure Plan which has built with an aim to create an integrated framework for nationwide infrastructure development, enhancing the utilization of investments from both the government and private players. Further, the anticipated rise in demand for MHCV is driven by the dual forces of infrastructure development, including improved road networks and major connectivity projects, and the expanding logistics sector, fueled by e-commerce growth and supply chain optimization.

## Significant Growth Opportunity in Electric 3-Wheelers

The 3-wheeler segment, led by electric goods carriers, is the fastest-growing in the automotive industry. Their lower purchase price, low running costs, and suitable payload capacities make them ideal for last-mile delivery. The widespread use of three-wheelers for short-distance public transport and urban logistics, driven by the rise of e-commerce, has spiked their demand. Additionally, the shift towards eco-friendly mobility solutions has accelerated the adoption of electric three-wheelers, presenting a significant opportunity in the automotive market.

## Growing Indian Agri Industry boosts tractor component demand for CIE

The constant expansion of the agricultural industry, where over 70% of the rural population depends on agriculture, drives demand for tractors. With India being a major producer, consumer, and importer of various agricultural products, the demand for allied vehicles like tractors is expected to surge. The high demand for efficient and advanced tractors with features like GPS guidance and precision agriculture capabilities presents opportunities for CIE to supply components for these technologically advanced machines. The government schemes promoting agricultural mechanization by providing subsidies or financial assistance to farmers for purchasing machinery, including tractors, further stimulate the demand. The advancements in farm mechanization techniques and the involvement of various stakeholders, including governments, corporations, and farmers, in providing subsidies for agricultural mechanization, drive market growth. Moreover, factors such as under-penetration of farm mechanization, farm labor shortage, and government focus on rural infrastructure development contribute to the growth of the tractor industry, consequently impacting CIE Automotive's business in supplying components for tractors.

## Expanding market presence with new launches in LCVs & MHCVs

Leading MHCVs Auto companies are planning to roll out multiple new light commercial vehicles (LCVs) in the next 12 months to increase their market share. They aim to introduce six versions of a popular range of pick-up trucks, launching one model every alternate month. These new models will feature varied payloads, technology, and volume capacities to cater to different market needs. Additionally, some companies have introduced an electrified version of a 3.5-tonne LCV in five metropolitan areas and are preparing to launch a lower Gross vehicle weight electrified version of the same brand. There are also plans to expand into the competitive ASEAN market, where Japanese brands currently dominate. This follows their strategy of selling their LCV range under a different brand name in various international markets, including the Middle East, Africa, South Asia, and GCC countries. These initiatives are aligned with growth objectives of India, which allows to expand market presence diversify their product offerings, and capitalize on emerging opportunities in both domestic and international markets.

## SUVs fueling growth in India's Passenger Vehicle Market

After experiencing a remarkable growth of 27% in FY23, with 3.9 million units sold, India's passenger vehicle (PV) sales are anticipated to healthy growth rate of 5-7% CAGR is expected over next five-year period. This sustained advancement is largely fueled by the expanding middle class, which, with its increasing disposable income, is creating a burgeoning market for cars, especially those packed with advanced features. This trend is encouraging automakers to introduce new models to meet the rising demand. As the automotive sector in India prepares for another year of stellar performance, Sport Utility Vehicles (SUVs) are becoming increasingly significant. SUVs are set to elevate the PV segment to new heights, not only transforming market dynamics but also enhancing the financial prospects of automakers. With their growing popularity, SUVs are firmly in the spotlight, ready to lead the charge in India's automotive sector's journey towards further success.

## Rising Sales of Entry-Level Two-Wheelers: A Promising Opportunity for Automotive Manufacturers

There is a significant growth in sales of entry-level two-wheelers, particularly in the H2FY24, which has brought relief to automakers. These two-wheelers, primarily purchased by rural consumers, experienced strong double-digit growth, indicating a recovery in demand within this crucial consumer segment for the first time since the pandemic. The trend of increased sales continued into April 2024, attributed to improving income levels due to healthy economic growth. Sales figures for motorcycles (up to 110 cc), entry scooters (up to 125 cc), and mopeds all showed notable increases during the specified time frames. This growth is seen as a positive sign for the automobile industry, suggesting a sustained recovery in the two-wheeler segment and potentially stimulating growth in small car sales as well. Factors contributing to this growth include decent monsoons, moderating inflation, and broader economic growth, which have put more disposable income into the hands of consumers, particularly in rural areas. The rebound in sales of entry-level two-wheelers is seen as an early indicator of recovery in small car sales, which may manifest with a slight delay.

## Export as opportunity

Export presents a significant opportunity for CIE Automotive India to expand its market reach and enhance its global presence across all the segments. OEMs continue to benefit from the Government's Atmanirbhar Bharat initiative, which promotes self-reliance and export growth. Major Indian OEMs have already seen success exporting to markets in Africa and the Middle East. The advent of more reliable and robust BS6 trucks provides an opportunity for these manufacturers to penetrate more developed markets. Additionally, global OEMs are increasingly making India a central hub for research and development. They are developing products in India for export worldwide, including commercial vehicles and components such as engines, gearboxes, and transmissions. This focus on exports offers significant growth opportunities for OEMs in the global market.

## Additional Key growth drivers

- Growing working population and expanding middle class are expected to remain key demand drivers.
- By 2025, 4 million of EVs could be sold each year and 10 million by 2030. The market is expected to reach US\$ 206 billion by 2030.
- The Indian auto component industry is set to become the 3rd largest globally by 2025.
- India is emerging as a global hub for auto component sourcing and the industry exports over 25% of its production annually.
- Auto component exports are expected to grow and reach US\$ 30 billion in FY26.
- India has a competitive advantage in auto components categories such as shafts, bearings and fasteners due to large number of players. This factor is likely to result into higher exports in coming years.
- 100% FDI is allowed under the automatic route for auto components sector.
- India is emerging as a global auto component sourcing hub due to its proximity to key automotive markets such as ASEAN, Europe, Japan and Korea.
- Extended anti-dumping duty on imports of "Aluminium Alloy Road Wheel" originating in or exported from China PR for five years.
- PLI Scheme Extended by 1 year, government extends tenure of automobile, component PLI scheme by 1 year. Five year to start from FY24 and ending in FY28. Government in interim budget increased allocation to Rs 3,500 crore for PLI Auto, Components scheme in FY25.

## Story in Charts (Values in Mn.)

Exhibit 1: Revenue

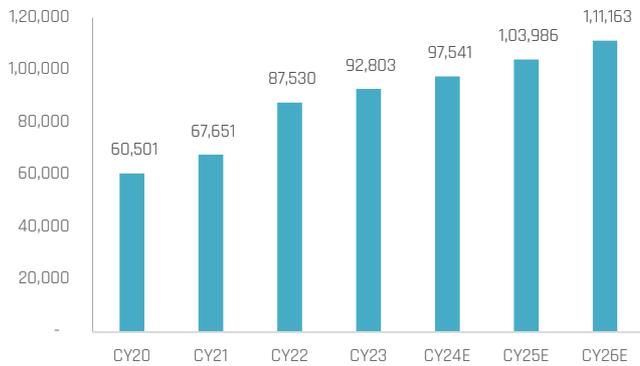


Exhibit 2: EBITDA & EBITDA %



Exhibit 3: PAT & PAT %

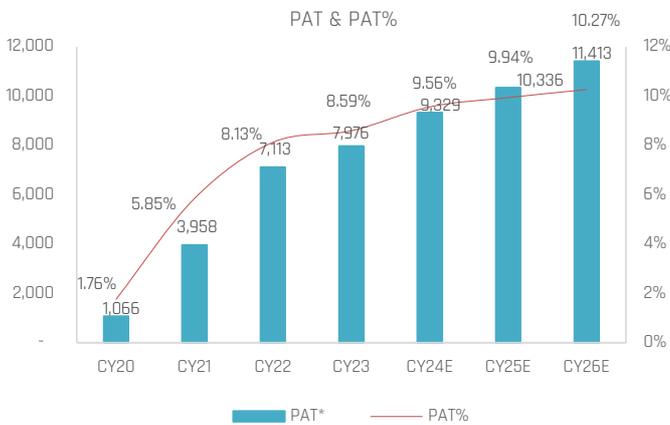


Exhibit 4: Revenue Mix CY23

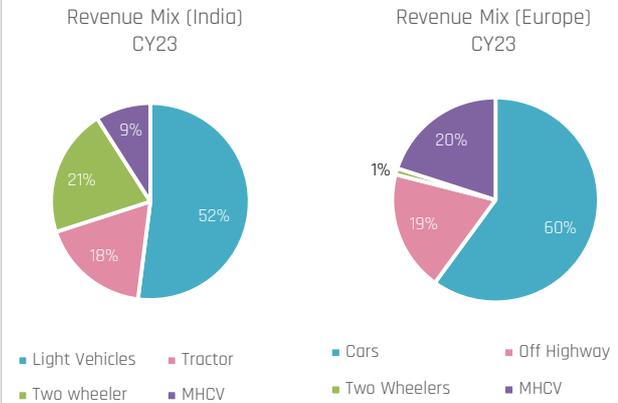
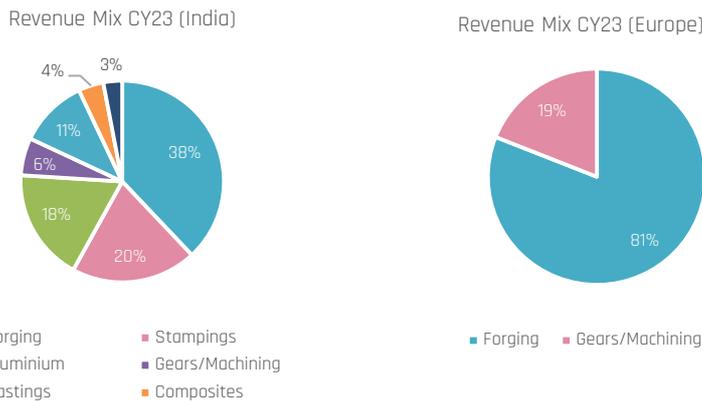


Exhibit 5: Revenue Mix CY23



Source: Company, ACMIL Retail Research

## Financial Statements

### Consolidated Profit & Loss Statement:

Particulars (Rs. in Mn.)	CY20	CY21	CY22	CY23	CY24E	CY25E	CY26E
Sales	60501.0	67651.0	87530.0	92803.5	97541.4	103985.9	111163.0
Expenses	55485.0	58234.0	75811.0	78564.6	82129.8	87348.1	93154.6
<b>EBITDA</b>	5016.0	9417.0	11719.0	14238.9	15411.5	16637.7	18008.4
<b>EBITDA Margin %</b>	8.3%	13.9%	13.4%	15.3%	15.8%	16.0%	16.2%
Other Income	549.0	468.0	583.0	820.1	861.9	918.8	982.3
Depreciation	3064.0	2733.0	2962.0	3222.0	3130.3	3146.9	3175.7
Interest	548.0	348.0	227.0	1073.7	705.0	628.0	598.0
<b>PBT<sup>^</sup></b>	1953.0	6688.0	9514.0	10758.5	12438.1	13781.7	15217.0
Tax	887.0	2730.0	2401.0	2782.2	3109.5	3445.4	3804.2
<b>Adjusted PAT<sup>*</sup></b>	1066.0	3958.0	7113.0	7976.3	9328.6	10336.3	11412.7
Adjusted EPS (Rs.)	2.8	10.4	18.7	21.0	24.6	27.2	30.1

Note: <sup>^</sup> PBT is adjusted after JV/Associates & exceptional items  
<sup>\*</sup> PAT is adjusted after discontinued operations  
Source: Company, ACMIIL Retail Research

## Risks and concerns

- The slowdown in the Indian and global economy will impact the business.
- Heavy reliance on the automotive sector exposes the company to industry-specific risks such as regulatory changes or shifts in consumer preferences.
- Dependency on key customers poses a significant risk, as declines in their business could severely affect the company's revenue and profitability.

### ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum Calls
Market Watch	Positional Calls
Investor First Magazine	Smart Delivery Calls
IPO/NCD/ETF/OFS/BOND	Investment Ideas
Market Pulse	Master Trades High Risk
RBI Monetary Policy	Master Trades Medium Risk
Union Budget Report	Techno-Funda
Weekly Derivative Synopsis	Top Mutual Fund Schemes
Rollover Snapshot	Portfolio Review
Rollover Analysis	Stock Basket

For More Information on Retail Research Products please visit  
<https://www.investmentz.com/research-services>

## Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

#### Retail Research Desk:

Devang Shah E: [devang.shah@acm.co.in](mailto:devang.shah@acm.co.in)  
 Neeraj Sharma E: [neeraj.sharma@acm.co.in](mailto:neeraj.sharma@acm.co.in)  
 Hrishikesh Yedve E: [hrishikesh.yedve@acm.co.in](mailto:hrishikesh.yedve@acm.co.in)  
 Ruchi Jain E: [ruchi.jain@acm.co.in](mailto:ruchi.jain@acm.co.in)  
 Kamlesh Jain E: [kamlesh.jain@acm.co.in](mailto:kamlesh.jain@acm.co.in)

Email: [retailresearch@acm.co.in](mailto:retailresearch@acm.co.in)

Research Analyst Registration Number:

INH000002483

CIN: U65990MH1993PLC075388

#### Download Investmentz app:



#### Follow us on:



ACMIIL is a SEBI registered Stock Broker, Merchant Banker, Portfolio Manager, Research Analyst and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. Its associate/group companies are Asit C. Mehta Commodity Services Limited, Nucleus IT Enabled Services, and Asit C. Mehta Financial Services Limited (all providing services other than stock broking, merchant banking and portfolio management services.).

#### Disclosures

ACMIIL/its associates and its Research analysts have no financial interest in the companies covered on the report. ACMIIL/its associates and Research analysts did not have actual/beneficial ownership of one per cent or more in the companies being covered at the end of month immediately preceding the date of publication of the research report. ACMIIL/its associates or Research analysts have no material conflict of interest, have not received any compensation/benefits for any reason (including investment banking/merchant banking or brokerage services) from either the companies concerned/third parties with respect to the companies covered in the past 12 months. ACMIIL/its associates and research analysts have neither managed or co-managed any public offering of securities of the companies covered nor engaged in market making activity for the companies being covered. Further, the companies covered neither are/ nor were a client during the 12 months preceding the date of the research report. Further, the Research analyst/s covering the companies covered herein have not served as an officer/director or employee of the companies being covered

#### Disclaimer:

This report is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon such. ACMIIL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in the report. To enhance transparency we have incorporated a Disclosure of Interest Statement in this document. This should however not be treated as endorsement of the views expressed in the report.

You are also requested to refer to the disclaimer (which is deemed to be part and parcel and is applicable to this research report as well) :

<http://www.investmentz.com/disclaimer>