

CMP: INR 424

Rating: Accumulate

Target Price: INR 497

Stock Info

BSE	532756
NSE	CIEINDIA
Bloomberg	MACA.IN
Reuters	MAHINDCIE.BO
Sector	Automobile Ancillaries- Castings/Forgings
Face Value (INR)	10
Equity Capital (INR Mn)	3,794
Mkt Cap (INR Mn)	160,450
52w H/L (INR)	608/357
Avg Yearly Vol (in 000')	244.6

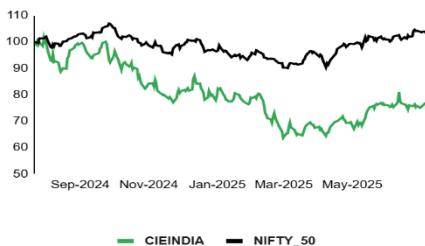
Shareholding Pattern %

(As on June, 2025)

Promoters	65.70
FII	4.15
DII	21.48
Public & Others	8.61

Stock Performance (%)	1m	3m	12m
CIE Automotive	-5.7	-0.21	-28.3
Nifty 50	-0.21	3.7	2.2

CIE Automotive Vs Nifty



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CIE Automotive's reported Q2CY25 numbers, Revenue was in line; Margin and PAT missed estimates due to European weakness and Metalcastello restructuring impact. CIE Automotive Ltd consolidate reported its Q2CY25 numbers, with revenue at INR 23,690 Mn (up by 3.3% YoY/+4.2% QoQ), above our estimates of INR 23,650 Mn. India's strong performance was offset by weakness in Europe, including restructuring at Metalcastello. While India is expected to grow further, the outlook for Europe remains uncertain. EBITDA de-grew by 6.4% YoY & up 0.37% QoQ, to INR 3,367.5 Mn. EBITDA Margin -0.1 bps YoY/+0.58 bps QoQ) to 14.2%. Below with our quarterly EBITDA estimate of INR 3,530 Mn and margin below with our estimate of 14.9%. Indian margin stood at 17.5% against 18.6% decline as it included a positive one off impact of Zaheerabad Megasubsidy (INR 87 mio 0.6% over sales). Europe margin stood at 12.5% against 13.9% decline due to EBITDA includes a one off restructuring cost in Metalcastello of -1.2% over sales. PAT de-grew 6.1% YoY/down 1.5% QoQ to INR 2030 Mn below with our quarterly PAT estimate of INR 2189 Mn, led slightly higher tax and subdued other income (-38%QoQ). A subsidiary, is eligible for a Maharashtra Government incentive under PSI 2013, providing VAT/SGST refunds from Feb 2016 to Jan 2023 with a cap of INR 674 mn. The scheme was later extended till Jan 2025 with an increased cap of INR 3,112 mn. As a result, additional grant income of INR 220 mn (till Dec 2023) was recognized in Q1CY24 and CY24 financials. EPS stood at INR 5.36 against INR 5.4 in Q1CY25.

India expected to outperform H2CY25: The company expects H2CY25 to be better than H1, supported by the festive season, recovery in the delayed order book (especially at CIE Hosur), and steady 2W/4W growth of 3–5%. Tractors and trucks are also expected to do well due to a good monsoon.

Strong Order Book led by new products: The company has secured INR 6 Bn of new orders in H1CY25, compared to INR 3.5 Bn in Q1. New product developments such as 2W crankshafts, common rail systems, and EV gears are ramping up, providing healthy visibility for incremental growth over the next few quarters.

Valuations and Outlook

We believe CIE India has a strong business structure, supported by multiple contracts with OEMs. H2FY25 is expected to perform better than H1FY25. In Europe, the 2W and 4W segments are expected to grow by 2–5%, along with growth in tractors. However, the growth is not uniform across all segments. The PV and CV segments remain weak and are likely to continue at current low levels for another 1–2 quarters. A recovery is expected from next year, although prior expectations (set six months ago) did not materialize. In India, performance is expected to improve in H2, supported by a favorable monsoon and festive demand. Growth will depend on the ramp-up of the order book. In Europe, market stabilization and a possible recovery are anticipated early next year, although this remains uncertain. New product developments include crankshafts, common rails, EV gears, and inner races, catering to both ICE and EV markets. **We expect CIE Automotive' revenue, EBITDA, and PAT to grow at a CAGR of 10.2%, 14.7%, and 17.9%, respectively, over CY25e-27e. We downgrade a "Accumulate" rating at a revised TP of INR 497 per share based on DCF; an upside of 17.3%.**

Exhibit 1: Financial Performance

(INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	Year-end March		
					EBITDA Margin (%)	EV/EBITDA	P/E (x)
CY23	92,803	14,239	7,976	21.0	15.3%	11.9	20.2
CY24	89,641	13,504	8,203	21.6	15.1%	12.3	19.6
CY25E	92,273	13,411	8,100	21.4	14.5%	12.1	19.9
CY26E	100,218	15,067	9,132	24.1	15.0%	10.5	17.6
CY27E	112,172	17,649	11,266	29.7	15.7%	8.8	14.3

Source: Arihant Research, Company Filings

Europe Continues to Face Headwinds, But Stabilization Expected: European operations remain weak, with CV and PV demand subdued. H2 is typically seasonally lower in Europe due to shutdowns. However, the business has likely reached the bottom and expects no further major decline, with potential for market consolidation benefits as weaker competitors face financial stress.

Margins to Normalize Post Restructuring of Metalcastello: India margins are steady at 17.5–18%, supported by operating leverage from sales recovery. In Europe, restructuring at Metalcastello (including workforce reduction) is expected to restore EBITDA margins to 14.5–15%, despite market weakness.

Exports Growth to Pick Up from CY26: Export contribution remains at 12–13% of sales, but with the US casting order expected to ramp up in Q1CY26, exports will gain traction. However, export growth will remain secondary to the company's "local-for-local" strategy due to tariff uncertainties.

Steady Capex and Focus on Product Complexity: Capex for CY25 will stay close to 5% of sales, largely to support new product launches and technological upgrades (e.g., EV gear precision, inner races, crankshafts). The company is focused on adding value through more complex components to maintain its competitive edge and defend wallet share.

Exhibit 2 : Q2CY25 - Quarterly Performance (Consolidated)

INR Mn (Consolidated)	Q2CY25	Q1CY25	Q2CY24	Q-o-Q	Y-o-Y
Net Sales	23690.04	22726.28	22926.87	4.2%	3.3%
Material Cost	12130.27	11479.39	12119.80	5.7%	0.1%
Change in Inventory	4.25	258.47	-381.19	-98.4%	-101.1%
Gross Profit	11555.52	10988.42	11188.26	5.2%	3.3%
Gross Margin %	48.8%	48.4%	48.8%	0.9%	0.0%
Employees benefits expense	2963.73	2595.76	2673.42	14.2%	10.9%
Other Expenses	5224.24	5037.69	4914.73	3.7%	6.3%
EBITDA	3367.55	3354.97	3600.11	0.4%	-6.5%
EBITDA margin %	14.22%	14.76%	15.70%	-54.75	-148.75
Depreciation	870.89	864.45	836.20	0.7%	4.1%
EBIT	2496.66	2490.52	2763.91	0.2%	-9.7%
EBIT Margin %	10.54%	10.96%	12.06%	-41.99	-151.65
[b] Other income	220.87	361.35	306.36	-38.9%	-27.9%
[f] Finance costs	16.45	126.33	210.91	-87.0%	-92.2%
PBT	2701.08	2725.54	2859.36	-0.9%	-5.5%
Tax-Total	677.99	670.25	701.66	1.2%	-3.4%
Tax Rate (%) - Total	0.27	0.27	0.25	0.0%	10.0%
Reported Net Profit	2030.12	2060.15	2163.85	-1.5%	-6.2%
PAT Margin %	8.57%	9.07%	9.44%	-49.55	-86.85
Reported EPS (INR)	5.35	5.43	5.71	-1.5%	-6.3%
	Q1CY25	Q1CY25	Q1CY25	Q-o-Q	Y-o-Y
RMC/Sales (%)	51.22	51.65	51.20	-42.68	2.18
Employee exp/Sales (%)	12.51	11.42	11.66	108.86	84.98
Other exp/Sales (%)	22.05	22.17	21.44	-11.43	61.59

Source: Arianth Research, Company Filings

Q2CY25 Conference Call Highlights:

Risks include US tariffs, China's export restrictions, and margin pressure from product mix changes. Indian market steady with slower light vehicle growth but healthy tractor and truck segments. India's light vehicles and two-wheelers showed under 5% growth; tractor and truck segments remained strong.

European market contracted slightly by 2%, due to challenging conditions and lower base effects.

H2FY25 is expected to be better than H1FY25. In Europe, 2W and 4W are expected to grow by 2–5%, along with tractor growth, but the growth is not uniform across segments. PV and CV segments remain weak and are expected to continue at the current low levels for another 1–2 quarters. Recovery is expected from next year, although previous expectations (6 months ago) did not materialize.

India expects improved H2 performance with favorable monsoon and festive demand; growth depends on order book ramp-up.

Europe anticipates market stabilization and possible recovery in early next year, though not guaranteed.

In India, some order book delays are getting addressed, and steady market growth is expected. Casting, magnets, gears, and aluminium castings contribute about 12–13% of turnover from India. The company is focusing on anchor customers, with a new business development head in place and weekly CEO reviews. The company is optimistic about results soon.

At Metalcastelo, highway and CV markets remain weak. There were temporary layoffs in July, affecting 170 employees. Additionally, 30 employees left through a voluntary separation program coordinated with the government. Government support helped manage partial salary losses during the temporary layoffs. Profitability is expected to recover post-restructuring.

Margins in Europe have been impacted by the market drop, but future margins are expected at 14–15%. In India, margins are expected to improve slightly in the next quarter due to a good monsoon and sales recovery. Europe will continue to face margin pressure.

The company has received healthy new orders worth INR 3.5 Mn and INR 6 Bn, with new business continuing to flow in.

Exports are under scrutiny due to tariff concerns, though no current tariff increases are visible. In Europe, exports are mainly iron castings and gears, while in Brazil it's only gears. These exports are not part of the main growth strategy.

New order book valued at ~INR 6 bn in H1 signals healthy business inflow. Planned capex of INR 0.7 bn focused mainly on India, maintaining around 5% of turnover.

Strong operating cash flow conversion at 76% of EBITDA and planned capex of INR 0.7 billion focused on India projects

The product portfolio includes 2W crankshafts as a major focus. The company has developed common rail products from scratch. Iron castings exported to Europe require more stringent technology standards; simpler ABS parts are not being chosen. The company is upgrading its product offerings in EV gears and is focusing on higher precision parts to maintain competitiveness.

EV gears require different precision levels compared to ICE gears, but margins are better in EV. The company is continuing to develop EV-focused products, including forging and stamping.

There is some uncertainty in US export orders. A casting order ramp-up for the US is expected from Q1FY26, with large capacity being added in Europe.

The 2W and 4W base market contributes 70–75% of total business. Growth is expected at 3–5%, though the base is not very strong. The festival season could support further growth.

Light vehicle crankshafts account for over 50% of the business. New models involve more complex components, offering growth potential. The Chakan forging business is expanding into driveline parts. Billsfth 2W crankshaft will become a major product line.

Bajaj remains the anchor customer, but the share has reduced from 75–85% to 60–65%. New customers have been developed, especially for more precise parts and EV-related products.

Capacity utilization in Europe is at 40–50%, while in India it is 75–85%. An additional 20% capacity expansion may require new investments in machinery and technology.

There is increasing competition in the rare earth segment.

The company is exploring small components for defense production.

Q1 and Q2 are expected to be similar, and CY26 will remain difficult. The company continues to focus on restructuring at Metalcastelo, with an emphasis on improving profitability.

In August, Europe is expected to see a high double-digit drop, making H2 worse than H1. In India, the situation is more stable with steady improvement.

Excluding one-offs, Metalcastelo's margins stand at 12.5%. With restructuring and headcount reduction, the target margin is 14.5–15%. Legal and restructuring updates: Bill Forge Precision liquidation; Metal Castello restructuring amid delayed electrification.

New product development includes crankshafts, common rails, EV gears, and inner races for both ICE and EV markets.

Key Financials

Income statement (INR mn)					
Year End-March	CY23	CY24	CY25E	CY26E	CY27E
Gross Sales	92,803	89,641	92,273	100,218	112,172
Net Sales	92,803	89,641	92,273	100,218	112,172
YoY (%)	6.0%	-3.4%	2.9%	8.6%	11.9%
Adjusted COGS	49,108	46,705	47,783	51,497	57,080
YoY (%)	2.8%	-4.9%	2.3%	7.8%	10.8%
Personnel/ Employee benefit expenses	9,944	10,105	10,786	11,714	12,998
YoY (%)	10.2%	1.6%	6.7%	8.6%	11.0%
Manufacturing & Other Expenses	19,512	19,327	20,293	21,940	24,444
YoY (%)	2.5%	-1.0%	5.0%	8.1%	11.4%
Total Expenditure	78,565	76,136	78,862	85,151	94,523
YoY (%)	21.5%	-5.2%	-0.7%	12.3%	17.1%
EBITDA	14,239	13,504	13,411	15,067	17,649
YoY (%)	21.5%	-5.2%	-0.7%	12.3%	17.1%
EBITDA Margin (%)	15.3%	15.1%	14.5%	15.0%	15.7%
Depreciation	3,222	3,306	3,329	3,473	3,294
% of Gross Block	6.1%	5.8%	5.5%	5.3%	4.6%
EBIT	11,017	10,198	10,081	11,594	14,355
EBIT Margin (%)	11.9%	11.4%	10.9%	11.6%	12.8%
Interest Expenses	1,074	776	368	396	389
Non-operating/ Other income	820	1,398	1,207	1,311	1,468
PBT	10,759	10,847	10,932	12,509	15,433
Tax-Total	2,782	2,644	2,832	3,377	4,167
Adj. Net Profit	7,976	8,203	8,100	9,132	11,266
Reported Profit	7,976	8,203	8,100	9,132	11,266
PAT Margin	8.6%	9.2%	8.8%	9.1%	10.0%
Shares o/s/ paid up equity sh capital	379	379	379	379	379
Adj EPS	21.0	21.6	21.4	24.1	29.7
Dividend payment	948	1,889	2,276	2,276	2,276
Dividend payout (%)	11.9%	23.0%	28.1%	24.9%	20.2%

Balance sheet					
Year-end March	CY23	CY24	CY25E	CY26E	CY27E
Sources of Funds					
Equity Share Capital	3,794	3,794	3,794	3,794	3,794
Reserves & Surplus/ Other Equity	56,086	61,974	67,799	74,654	83,644
Networth	59,880	65,768	71,592	78,448	87,438
Unsecured Loans/ Borrowings/ Lease Liabilities	8,554	5,700	3,897	3,835	3,797
Other Liabilities	5,368	5,593	4,898	5,498	6,181
Total Liabilities	37,739	31,917	31,499	34,044	37,315
Total Funds Employed	97,619	97,685	103,091	112,492	124,753
Application of Funds					
Net Fixed Assets	58,485	59,029	59,262	60,540	62,562
Capital WIP	537	663	663	663	663
Investments/ Notes/ Fair value measurement	5,625	2,530	3,427	4,759	6,739
Current assets	31,471	34,495	38,749	45,517	53,752
Inventory	11,626	10,911	10,860	11,704	12,973
Days	88	88	83	83	83
Debtors	6,331	6,271	6,486	7,045	7,885
Days	29	26	26	26	26
Other Current Assets	3,312	4,158	5,019	6,100	7,465
Cash and Cash equivalent	2,387	3,242	6,180	9,585	13,024
Current Liabilities/Provisions	31,027	21,810	24,704	26,553	29,042
Creditors / Trade Payables	19,341	15,809	17,514	19,110	21,287
Days	95	85	81	81	81
Liabilities	4,476	4,815	5,191	5,602	6,050
Net Current Assets	444	12,685	14,045	18,964	24,710
Total Asset	97,619	97,685	103,091	112,492	124,753
Total Capital Employed	97,175	85,000	89,046	93,528	100,043

Source: Arihant Research, Company Filings

Key Financials

Cash Flow Statement					
Year End-March	CY23	CY24	CY25E	CY26E	CY27E
Profit before tax	7,976	8,203	8,100	9,132	11,266
Adjustments: Add					
Depreciation and amortisation	3,222	3,306	3,329	3,473	3,294
Interest adjustment	254	-622	-839	-915	-1,078
Change in assets and liabilities	14,234	13,531	8,315	9,413	11,206
Inventories	482	715	51	-844	-1,269
Trade receivables	2,276	60	-215	-559	-840
Trade payables	-9	-116	0	0	0
Other Liabilities and provisions	50	628	663	729	802
Other Assets	-2,601	-3,897	961	656	982
Taxes	-209	33	30	31	33
Net cash from operating activities	14,215	10,849	9,804	9,426	10,914
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-5,202	-3,899	-4,021	-4,751	-5,316
Net Sale/(Purchase) of investments	-1,629	-780	1,379	435	147
Others	-786	459	-62	-65	-68
Net cash (used) in investing activities	-7,617	-4,219	-2,704	-4,381	-5,237
Interest expense	-4,588	4,992	-3,759	-1,491	-2,107
Dividend paid	-1,752	1,021	6,032	-794	179
Other financing activities	-1,864	-4,959	0	0	0
Net cash (used) in financing activities	-5,070	-5,775	-4,162	-1,641	-2,238
Closing Balance	2,387	3,242	6,180	9,585	13,024
FCF	8,867	6,597	5,787	4,665	5,587
Capex (% of sales)	5,348	4,253	4,152	5,011	5,609

Key Ratios					
Year-end March	CY23	CY24	CY25E	CY26E	CY27E
Solvency Ratios					
Debt / Equity	0.1	0.1	0.1	0.0	0.0
Net Debt / Equity	0.1	0.1	0.0	0.0	-0.1
Debt / EBITDA	0.6	0.4	0.3	0.2	0.2
Current Ratio	0.6	0.4	0.1	-0.2	-0.3
DuPont Analysis					
Sales/Assets	1.0	0.9	0.9	0.9	0.9
Assets/Equity	1.6	1.5	1.4	1.4	1.4
RoE	13.3%	12.5%	11.3%	11.6%	12.9%
Per share ratios					
Reported EPS	21.0	21.6	21.4	24.1	29.7
Dividend per share	2.5	5.0	6.0	6.0	6.0
BV per share	157.8	173.4	188.7	206.8	230.5
Cash per Share	5.5	7.9	15.1	23.4	31.9
Revenue per Share	244.6	236.3	243.2	264.2	295.7
Profitability ratios					
Net Profit Margin (PAT/Net sales)	8.6%	9.2%	8.8%	9.1%	10.0%
Gross Profit / Net Sales	47.1%	47.9%	48.2%	48.6%	49.1%
EBITDA / Net Sales	15.3%	15.1%	14.5%	15.0%	15.7%
EBIT / Net Sales	11.9%	11.4%	10.9%	11.6%	12.8%
ROCE (%)	16.9%	15.3%	13.3%	14.8%	16.7%
Activity ratios					
Inventory Days	88.2	88.1	83.0	83.0	83.0
Debtor Days	29.4	25.7	25.7	25.7	25.7
Creditor Days	95.1	85.1	81.1	81.1	81.1
Leverage ratios					
Interest coverage	10.3	13.1	27.4	29.3	36.9
Debt / Asset	0.1	0.1	0.0	0.0	0.0
Valuation ratios					
EV / EBITDA	11.9	12.3	12.1	10.5	8.8
PE (x)	20.2	19.6	19.9	17.6	14.3

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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