



Gabriel India Ltd

Sunroof, EVs & Key OEMs gaining share to drive earnings!

We trust Gabriel has a very promising future on account of 1) benefits due to sustained demand recovery in the coming years across automobile segments, 2) well-diversified product portfolio, 3) key customers gaining share, 4) winning new orders from electric vehicle OEMs, 5) steady revenue growth visibility into the aftermarket sales, 6) entering into high growth, better margin products viz. automotive sunroof, and we anticipate further introduction of new technology agnostic products to drive growth higher than the industry. Gabriel India is net cash positive with reasonably healthy return ratios and is trading at 17.4x Sept 2025 estimated EPS. Initiating coverage with BUY rating for a target price of Rs 409 per share, valued at 22x Sept 2025 EPS of Rs 18.6.

Sunroof will add new wings to fly higher, have plans to add new products

- ✓ Gabriel India to enter the automobile sunroof manufacturing with Inalfa, Netherlands, which is the 2nd ranked player globally with a ~25% market share having marquee customers including Mercedes, Audi, BMW, among others.
- ✓ Presently, the majority of the sunroofs are being imported in India, hence it's an import substitution play.
- ✓ It has confirmed orders from Hyundai & Kia, hence we expect Rs 4bn revenue with a mid-single digit margin in the 1st year itself (FY25e). Double-digit EBITDA margin expected from the 2nd year of operations.
- ✓ Gabriel is in touch with other OEMs (apart from Hyundai-Kia) for the sunroof, and the interest level is high from OEMs. Showcased to its key customers Maruti, M&M, apart from Tata Motors.
- ✓ The company aims to touch Rs 10bn revenue by 2030, we have projected revenue to touch Rs 6.75bn and Rs 396mn PAT (49% share) in FY27e.
- ✓ We believe the deal is good as sunroof is fast gaining traction, and eventually will be a common feature in the years to come. Additionally, the competition is less in India and product's margin is in double-digit.
- ✓ Further, the interest of the management to add more new products is considered very positive for faster growth ahead.

The immediate next leg of growth to come from EV OEMs

- ✓ The company supplies its products to electric 2W makers and commands 73% Share of business. It has quality clients including Ola Electric, TVS Motor, Ather Energy, Okinawa, Bajaj Auto, Hero Electric, among others.
- ✓ 2W EV OEM industry retails witnessed 476%/190% YoY jump in FY22/FY23 respectively. In Apr-Sept 2023, EV retails jumped by 37% YoY. Gabriel will benefit from the EV transition, and any volume loss from ICE vehicles will get offset by high EV sales.

Key customers in 2Ws are gaining share, industry is rebounding

- ✓ We have witnessed good growth in the two & three-wheelers segment in FY23, and the traction is strong for the coming years after a few past dull years, in our view.
- ✓ The company's key client TVS Motor has been gaining market share gradually across domestic & exports.
- ✓ Although, Bajaj's & Yamaha's share remain stable, however Bajaj-Triumph, & new EV launches in two & three-wheelers to provide additional growth. Moreover, Yamaha is getting aggressive in launching new products, should benefit Gabriel India.

Rating: Buy Upside: 27%
Current Price: 323 Target Price: 409

Market Data

Bloomberg:	GABR:IN
52-week H/L (Rs):	359/130
Mcap (Rs bn/USD bn):	46/0.6
Shares outstanding (mn):	143.6
Free float:	44.0%
Avg. daily vol. (mn) (3M Avg.):	1.14
Face Value (Rs):	1

Source: Bloomberg, SMIFS Research

Shareholding pattern (%)

	Sep-23	Jun-23	Mar-23	Dec-22
Promoter	55.0	55.0	55.0	55.0
FIs	3.04	2.69	2.91	2.55
DIs	11.7	10.9	11.1	11.2
Public/others	30.2	31.4	31.0	31.2

Source: AceEquity, SMIFS Research

Promoters pledging (%)

Promoters pledged shares	0.0	0.0	0.0	0.0
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Source: BSE

Price Performance (%)*

YE Mar (R)	1M	3M	12M	36M
Nifty 50	-2%	-2%	10%	62%
Nifty 500	-2%	0%	12%	73%
GABR	3%	51%	115%	227%

*as on 23rd Oct 2023; Source: AceEquity, SMIFS Research

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY22	23,320	37.6	1,459	6.3	895	48.5	6.2	12.2	12.4	21.1	12.1
FY23	29,717	27.4	2,137	7.2	1,324	47.9	9.2	16.2	16.3	16.2	9.2
FY24e	34,332	15.5	3,000	8.7	1,893	43.1	13.2	18.9	19.0	24.5	14.7
FY25e	39,281	14.4	3,609	9.2	2,318	22.4	16.1	18.0	18.0	20.0	11.6
FY26e	45,415	15.6	4,377	9.6	3,024	30.5	21.1	18.5	17.6	15.3	8.9

Source: Company, SMIFS Research

Top clients in PVs outperforming, commenced new FSD tech, winning business

- ✓ M&M, Maruti and VW are top revenue contributor in PV segment. **M&M has been clearly gaining share, while a gorilla of the PV industry (Maruti) woke-up with a successful number of launches in the SUV space.** VW too has aggressive plans ahead.
- ✓ **Gabriel's FSD (Frequency Selective Damping) technology is used in M&M's XUV700, and is higher realization & margin product.** The same product is displayed to Maruti Suzuki, Tata Motors, & other OEMs as well.
- ✓ The company has been winning new orders from Tata Motors, Stellantis, Maruti Suzuki among other large names. **Moreover, it now has 65% of its PV sales coming from the SUV segment, which is better realization & margin product.**

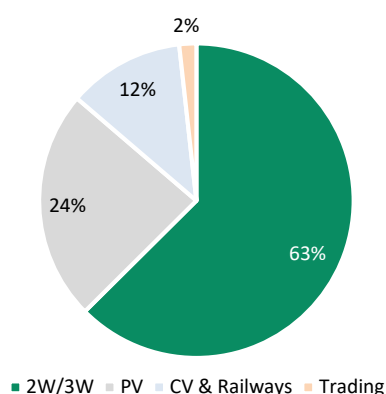
Unmatched share in commercial vehicles shock absorber

- ✓ Gabriel's CV shock absorber market share inched-up from 75% in Q2FY22 to 85% in Q3FY22, and touched 89% in Q4FY23.
- ✓ Strong relations with OEMs is the strength of the company. This, along with long proven technology as global customer DAF has been using Gabriel's product.

Railways, Aftermarket and Exports could emerge as the next big growth area

- ✓ Gabriel is a preferred vendor for Indian Railways and can benefit from the rising capex in railways. Railways have been central to the government's capex push and captured additional capital outlays in the last few budgets.
- ✓ **Rs 2.40 lakh crore is allocated to the Indian Railways for FY24, which is 9x of what was allocated in FY14.** Till FY30, the capital expenditure on Railways would continue to accelerate.
- ✓ **Aftermarket reported 23% CAGR FY21-FY23.** The double-digit growth momentum (16% CAGR FY23-FY26e) should continue driven by addition of new products and expansion in touch points (25,000+). **The aftermarket is a higher margin business as well.**
- ✓ Exports revenue crossed Rs 1bn mark in FY23, and is now 3.5% of total revenue while the aim is to touch 10% in the next three years.
- ✓ **International growth levers ahead are** 1) extending relationship with existing global OEMs viz. DAF, VW, Isuzu to get orders for new models & , 2) in talks with global OEMs present in India for supplying products to their global products, 3) expanding aftermarket reach in select countries, and 4) China + 1 benefits along with promoting to new global OEMs could trigger additional higher growth.

FY23 - Segment revenue breakup



Outlook and valuations

- ✓ We are strongly convinced on the company's competitive position, its key clients gaining market share, new avenues of growth after entering into automotive sunroof, and boosted efforts in the aftermarket, exports & railways.
- ✓ Gabriel is well placed for the mid-to-long term growth opportunities as they plans to enter into a few new products, starting sunroofs. The company is debt free with cash & investments of Rs 1.87 bn, and has always generated good positive cash flows in the past eleven years.
- ✓ The stock is trading at P/E of 17.4x Sept 2025 estimated EPS of Rs 18.6. Gabriel has strong growth prospects with healthy return profile, we have **assigned a multiple of 22x to its Sept 2025 estimated EPS to arrive at a target price of Rs 409 a piece.**
- ✓ The company has been trading at ~18x 1-year forward PE in the last five years, a ~20% premium (22x) is largely as Gabriel India has finally opened-up and plans to add newer products, warrants a higher premium multiple vis-à-vis past.

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Quick snapshot of businesses – segment wise

Fig 1: Segment wise broad classification of businesses

Two and three wheelers				
Products	Plants	Customers	Market share	Contribution in revenue
Canister Shock Absorber	Hosur, Tamil Nadu	Greaves Electric	32%	63%
Telescopic Front Fork	Nashik, Maharashtra	Ather Energy		
Inverted Front Fork	Parwanoo, Himachal Pradesh	Bajaj Auto		
Mono Shox	Sanand, Gujarat	Hero Electric		
Shock Absorbers		Okinawa		
	Satellite plants (assembly units)	TVS Motor		
	Aurangabad, Maharashtra	Yamaha India		
	Hosur S3, Tamil Nadu	HMSI		
	Manesar, Haryana	Ola Electric		
		M&M		
		Royal Enfield		
		SMIL		
		Piaggio		
E-Bike Fork Business				
Mountain Bikes	Parwanoo, Himachal Pradesh	Hero Spur		
Modern E-Bikes				

Passenger vehicles				
Products	Plants	Customers	Market share	Contribution in revenue
Rear Shock Absorbers	Chakan, Maharashtra	M&M	24%	24%
Strut Assembly	Khandsa, Haryana	Maruti Suzuki		
FSD Suspension	Parwanoo, Himachal Pradesh	Stellantis		
		Tata Motors		
		Toyota		
		Skoda		
		Volkswagen		

Commercial vehicles

Products	Plants	Customers	Market share	Contribution in revenue
Axle Dampers	Chakan, Maharashtra	Ashok Leyland	89%	12%
Cabin Dampers	Dewas, Madhya Pradesh	M&M		
Seat Dampers	Parwanoo, Himachal Pradesh	Tata Motors		
		VECV		
		DAF		
		Daimler India CV		
		Force Motors		
		ISUZU		

Railways

Products	Plants	Customers	Market share	Contribution in revenue
Double-Acting Hydraulic Shock Absorbers for Conventional Coaches for Integral Coach Factory (ICF)	Chakan, Maharashtra	ICF, Chennai	Part of Commercial vehicles segment, contributing approx 1-2% of the revenue.	
Shock Absorber for EMU/MEMU/DMU Coaches		Rail Coach Factory (RFC), Kapurthala		
Dampers for Diesel Locomotives		Modern Coach Factory (MCF), Rae Bareli		
Dampers for Rajdhani and Shatabdi (LHB) Coaches		Chittaranjan Locomotive Works (CLW)		
Damper for ICF Trains 18-Vande Bharat Coaches (Launched in FY23)		Banaras Locomotive Works (BLW)		
Damper for Electric Locomotives (Launched in FY23)		Patiala Locomotive Works (PLW)		
		All Zonal Railways of Indian Railways		
	Bharat Earth Movers Limited (BEML)			
	Medha Servo Drive			

Key investment thesis

Partnered with one of the global leaders to enter into high margin sunroof business. It will add new growth avenues. Looking to add more 1-2 new products.

Technology partnership with global leaders viz. KYB, KYBSE, Yamaha Motor Hydraulic Systems and KONI B. V. supports in secure new business, product development, import substitution, and cost

Leadership position with 2W EV OEMs and sharp up move in the EV industry triggering growth in the short-term.

High margin new FSD tech for PVs is a differentiated product. It will replicate success of XUV700 in other new models.

Key clients viz. TVS Motor, M&M, Maruti Suzuki, Ashok Leyland, Tata Motors, among others are gaining share.

Target to grow high margin export revenue from 3% of the total to 10% in the next 3-5 years. Winning new businesses from DAF, VW & Isuzu.

Aftermarket growing in double-digit, to maintain momentum driven by using 1) extensive distribution reach (25K+ touch points), 2) new products addition, 3) leveraging Anand group brand, & 4) expanding in export markets.

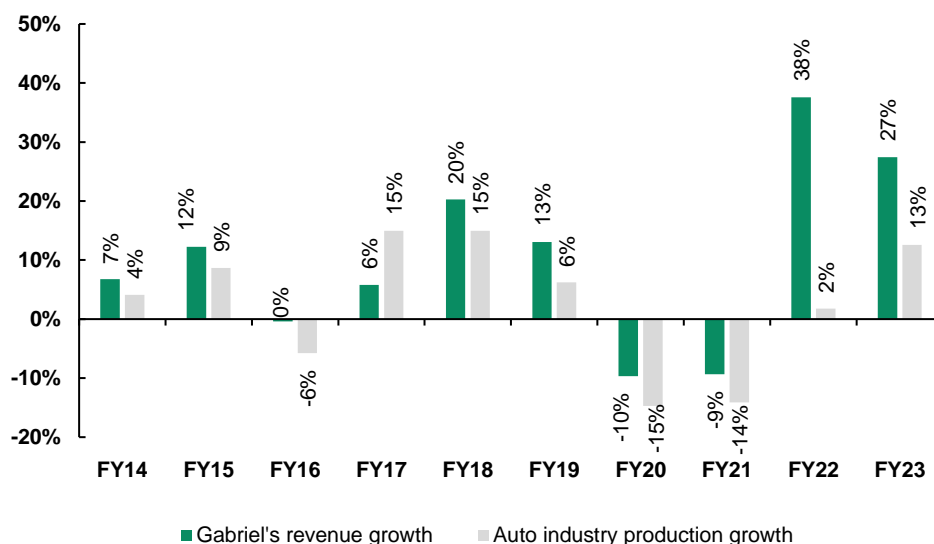
Operating leverage, better mix along with cost reduction programs to drive margin improvement. Double-digit margin is doable by FY27e.

Gabriel has one of the best Asset turns of 4.5x

Fig 2: Financial snapshot

Rs mn	FY19	FY20	FY21	FY22	FY23	FY24e	FY25e	FY26e	FY27e
Revenues	20,701	18,699	16,948	23,320	29,717	34,332	39,281	45,415	51,445
Revenue growth (%)	13.1	(9.7)	(9.4)	37.6	27.4	15.5	14.4	15.6	13.3
EBITDA	1,715	1,378	1,025	1,459	2,137	3,000	3,609	4,377	5,190
EBITDA growth (%)	1.6	(19.6)	(25.6)	42.3	46.4	40.4	20.3	21.3	18.6
EBITDA Margin (%)	8.3	7.4	6.0	6.3	7.2	8.7	9.2	9.6	10.1
PAT	950	847	603	895	1,324	1,893	2,318	3,024	3,742
PAT growth (%)	0.8	-10.8	-28.8	48.5	47.9	43.1	22.4	30.5	23.8
EPS (Rs)	6.6	5.9	4.2	6.2	9.2	13.2	16.1	21.1	26.1
P/E (x)	21.5	19.2	23.5	21.1	16.2	24.5	20.0	15.3	12.4
EV/EBITDA (x)	11.4	11.2	13.0	12.1	9.2	14.7	11.6	8.9	7.0
EV/Sales (x)	0.9	0.8	0.8	0.8	0.7	1.3	1.1	0.9	0.7
D/E (x)	5.5	4.2	3.2	4.0	4.5	4.2	3.8	3.8	3.7
Gross block turnover (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROE (%)	17.0	13.6	8.9	12.2	16.2	18.9	18.0	18.5	18.2
Cash & Investments	955	918	1,062	1,384	1,870	2,387	4,611	7,303	10,352
Adjusted OCF	899	1,166	1,973	922	1,318	2,306	2,553	3,231	3,983
Capital expenditure	431	594	518	770	920	2,333	1,500	1,500	2,000
Free Cash Flow	467	571	1,455	152	398	(27)	1,053	1,731	1,983

Source: Company, SMIFS Research

Fig 3: Gabriel's revenue outperformed the auto industry in past years, trend to continue


Source: Company, SMIFS Research

Added new wing: Automobile sunroof

Key arguments

- JV with 2nd largest player globally to give a tech-edge in the sunroof
- Increasing penetration & good relationship with OEMs to drive revenue
- Limited competition, operating leverage & localization to improve margins
- Export opportunities possible at a later stage

Background about the deal with Inalfa, Netherlands

- ✓ Gabriel India is expanding beyond the suspension systems, to manufacture sunroof for passenger vehicles via a technical collaboration & alliance with the Netherlands based Inalfa Roof Systems, which is a global player in the same product with ~25% market share.
- ✓ Both companies will jointly invest Rs 1.7bn to set up a plant near Chennai, which will be operational by Q4FY24 for 200K units annual capacity. Another Rs 1bn investment is needed after 2.5 years (FY27) to enhance the capacity & localization.
- ✓ Initially, a new company is formed 'Inalfa Gabriel Sunroof Systems Private Limited (IGSS)', which will be the subsidiary of Gabriel India. At a later stage, the plan is to convert this into a JV (subject to approvals) between Inalfa Roof Systems Group B.V, Netherlands, and Gabriel India Ltd, with Inalfa holding 51% shareholding.
- ✓ Inalfa to provide technological support and assistance for this business from India. It will take care of the quality standards and process setup in the new plant in Chennai, India.
- ✓ The sunroof market in India is fast gaining traction in SUVs and among younger car buyers. FY23 industry sunroof sales was 700K units, and is expected to grow by 70% in FY24e to touch 1.2mn units. Globally, the sunroof market has been growing at a CAGR of 9.3%, we expect the domestic market to grow at least by 15% CAGR in the coming years due to low penetration.
- ✓ **About Inalfa:** Inalfa is the number 2nd largest player globally with a ~25 market share having marquee customers including Mercedes, Audi, BMW, Porsche, Volvo, JLR, Hyundai, Kia, Samsung, Nissan, Mitsubishi, GM, Ford, among others. It is present in 15 nations globally.

The addition of Sunroof is just a beginning, more new tech-agnostic product addition is in the pipeline.

Benefits to Gabriel

- ✓ Gabriel will get a technology support for the plant in Chennai. The ramp-up will be faster as the delivery date is already communicated to Hyundai.
- ✓ Sunroof is a high value product, hence margins will be in the double-digit. Further Gabriel has clear localization plans, which should push up the margins higher in the coming years. Presently, 70% components are imported.
- ✓ Expect Rs 4bn revenue with a mid-single digit margin in the 1st year itself (FY25e). Double-digit EBITDA margin expected from the 2nd year of operations.
- ✓ In touch with other OEMs (apart from Hyundai-Kia) for the sunroof, the interest level is high, and the JV aims to touch Rs 10bn revenue by 2030. The penetration for this product is likely to increase in India.
- ✓ Export opportunities is possible at a later stage.

Competition in Sunroof

- ✓ Globally, there are a few players in this space, while in India Webasto (No. 1 globally) has 500K units capacity, which they are planning to increase to 950K units annually by FY27 with an investment of Rs 10bn.
- ✓ Webasto's India unit is majorly importing components, hence its margins and bottom line is in deep negative. Other players include CIE Golde and Yachiyo.
- ✓ Hence, the competitive intensity is very limited and most of the OEMs are looking for localization of sunroofs.

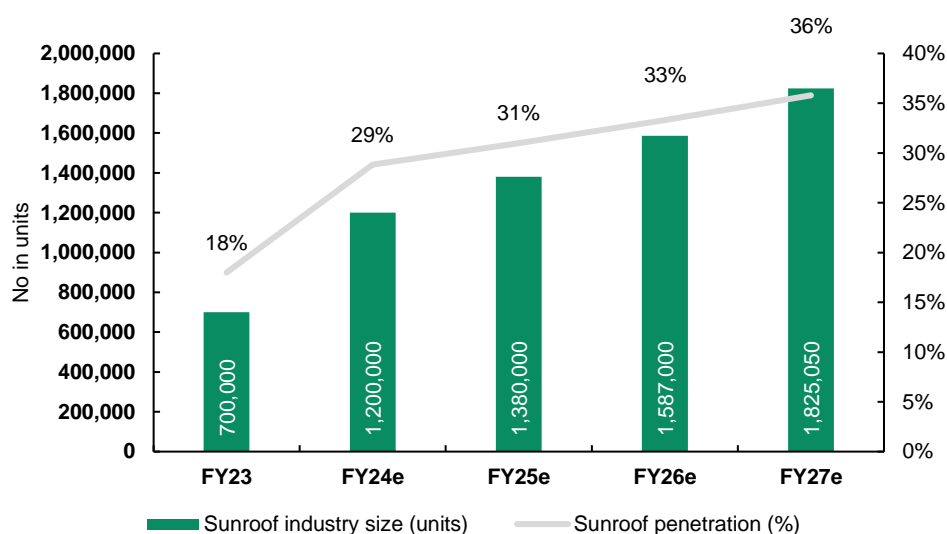
We believe the deal is good as sunroof is fast gaining traction, and eventually will be a common feature in the years to come. Additionally, the competition is less in India and product's margin is in good double-digit.

Fig 4: Sunroof business projections – India market

Sunroof business (Rs mn)	FY25e	FY26e	FY27e
Industry size (No)	1,380,000	1,587,000	1,825,050
Penetration (%)	31%	33%	36%
Gabriel's sunroof's revenue	4,000	5,150	6,753
EBITDA Margin (%)	5.0%	15.0%	20.0%
Gabriel's JV profit share (49%)	15	221	396

Source: Company, SMIFS Research, FY24e industry size is 1.2mn units.

Fig 5: Sunroof industry size and penetration



Source: Company, SMIFS Research

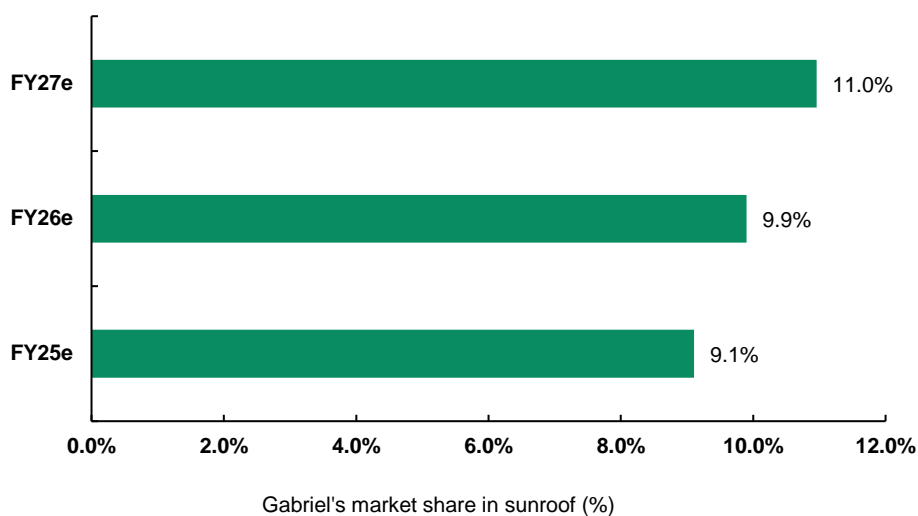
Have confirmed orders from Hyundai & Kia, while Tata, Maruti, M&M shown interest in Gabriel's Sunroof product, the penetration level is rising in India

Have clear localization plans, but critical electronic parts will continue to get imported.

Based on our calculation, the sunroof industry is likely to grow by 27% CAGR FY23-FY27e to touch 1.82mn units, and the overall penetration in the passenger vehicles is likely to inch-up from 18% in FY23 to 36% in FY27e. We have projected revenue of Rs 4bn in FY25e, expect negligible interest rates as Gabriel is likely to fund its share of Rs 850mn from cash & bank balance and internal accruals. Anticipated 1st year's PAT of Rs 15mn (Gabriel's share of JV), progressively PAT will increase to Rs 221mn in FY26e and Rs 396mn in FY27e driven by higher operating leverage and further localization plans are on the cards.

The penetration level of Sunroof is rising fast as it's considered as a status symbol. At present ~1/4th of total cars sold in domestic are with sunroof (~28% panoramic type, and balance ~72% are TVS type sunroofs). The penetration in SUVs is higher.

Fig 6: Gabriel's market share expectation in Sunroof



Source: Company, SMIFS Research

- ✓ Expect Gabriel to grow slightly higher than the industry as Kia is gaining share, Hyundai post Exter launch should do well, while addition of new clients should support growth higher than the industry. Conservatively anticipated Gabriel's market share to inch-up from 9.1% in FY25e to 11.0% in FY27e.
- ✓ The management has a very aggressive target to achieve 40% market share by FY30e.
- ✓ Maruti Suzuki, Tata Motors and M&M have shown interest in Gabriel's sunroof.
- ✓ **One other product addition is expected before the end of this fiscal, and 1-2 more product is possible in the next five years.** The company will come out with a technology agnostic product, which can be either a JV or acquisition.
- ✓ Any new product introduction will not compete with existing group products/JVs, and 1st evaluation happens at the Anand group level, and then it comes to Gabriel India.

2Ws: Growth to come from EV OEMs, key clients gaining share, industry rebounding

Key arguments

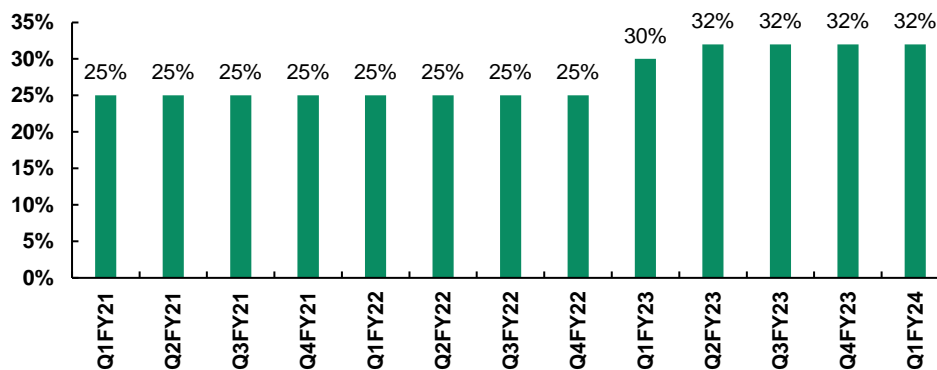
- Leaps & bounds growth in EV OEMs to push ahead Gabriel's growth (73% SOB)
- TVS Motor – key customer is gaining market share
- Bajaj Auto & Yamaha India have a strong product launch pipeline
- E-bike forks is a new growth opportunity

Gabriel has its own test track, an in-house facility for customers for tuning the rides of vehicles and shortening lead times for testing. Gabriel introduced products like gas-charged shock absorbers for scooters, dual spring shock absorbers and innovative products for exports. The projected domestic market size of 2 & 3Ws is ~Rs 59bn and Gabriel's market share is ~32%. The top three customers include TVS Motor, Bajaj Auto and Yamaha India. TVS Motor is the fastest growing not only in domestic but also in export markets. Apart from that, **all top EV OEMs are Gabriel's clients including Ola Electric, TVS Motor, Ather Energy, Ampere, Okinawa, among others. Gabriel improved its market share from 25% in FY22 to 32% in FY23** driven by an increase in the share of business from existing clients, ICE customers gaining market share, and a good uptick with EV OEMs (73% SOB with EV OEMs in Q1FY24).

Fig 7: Key two & three-wheeler clients

 ATHER	 ATUL	 BAJAJ	Benelli
 HONDA	 KINETIC	Mahindra ELECTRIC	genZe by Mahindra
OLA ELECTRIC	 OKINAWA	 PIAGGIO	 ROYAL ENFIELD
 SUZUKI	TVS 	 YAMAHA <i>Revs your Heart</i>	

Fig 8: Gabriel's market share in two & three-wheelers



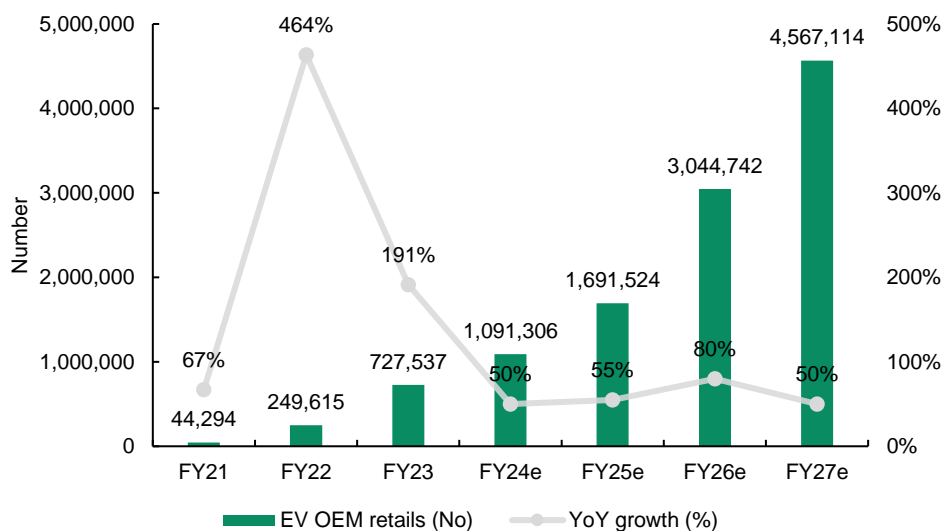
Source: Company, SMIFS Research

- ✓ The company has seized the opportunity presented by the expansion in the EV two and three-wheeler industry, capturing significant growth in the past financial year.
- ✓ **Gabriel has been present across Ola Electric’s recently launched models (including electric motorcycle). The company is the single source for Ola.**
- ✓ It has done backward integration by casting some components. The company’s peers are also more or less at the same level of backward integration. This is one of the big portion of the cost for 2W shocks.
- ✓ Recently entered into the manufacturing of front forks for E-bicycles, where growth will be huge in the mid-to-long term. The realization and margins are higher as compared to front forks for 2Ws. The product is developed totally in-house and is an export business.
- ✓ Munjal Showa, Hitachi Astemo (Formerly Showa India) and Endurance Technologies are major competitors in the two & three-wheeler segments.

Electric vehicles – immediate next leg of growth

The next leg of growth for Gabriel to come from EV OEMs as the company is the market leader due to first mover advantage in EV two & three-wheeler OEMs with 73% SOB from top players in Q1FY24. **Gabriel developed and continue to focus on developing light-weight, lowest noise products for EV players.** It captured these evolving trends at a nascent stage and should provide significant opportunities to improve overall 2W market leadership further. The company’s top clients including Ola Electric, TVS Motor, Ather Energy, among others. It has exciting plans to launch multiple products covering different segments. **Gabriel gets approx. 8% of total 2W revenues from electric 2W players. This is likely to increase to 14% by FY25e & 26% by FY27e. Margins in EV Shox are slightly better than ICE.**

Fig 9: Strong industry EV retail sales to continue

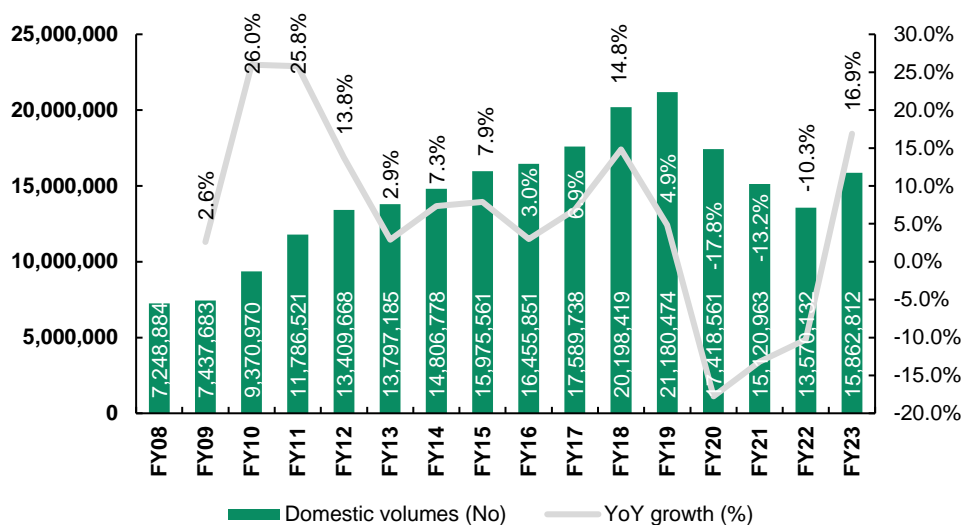


Source: Company, SMIFS Research

EV business is more profitable than ICE.
Gabriel is a leader & winning new EV businesses.

2W industry showing good traction, Gabriel's outperformance to continue

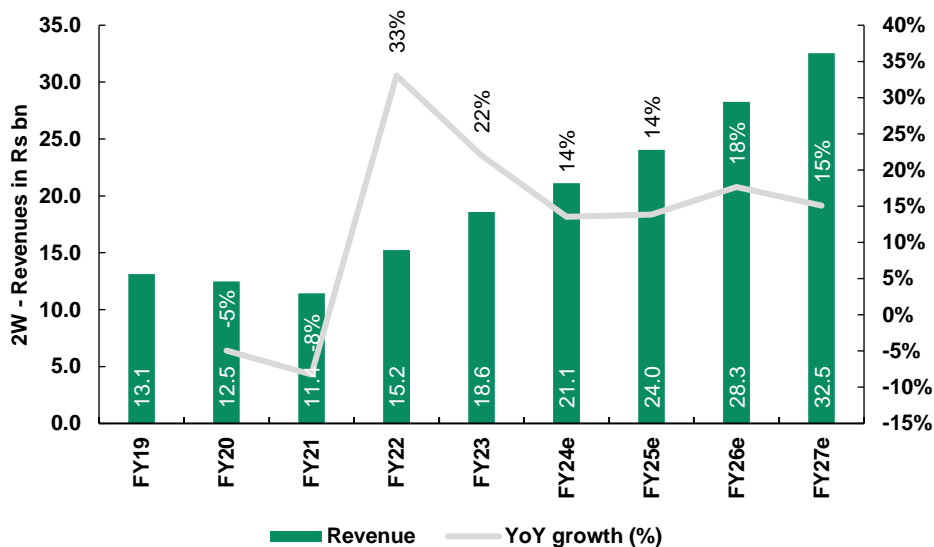
Fig 10: Two & three-wheeler domestic sales rebounded in FY23, traction to continue!



Source: Company, SMIFS Research

- ✓ H1FY24 domestic sales increased by ~6%, this is after the ~17% jump in domestic sales. We expect 2W ICE industry production to grow in-line with the GDP due to new product introduction, OEMs making India an export hub and a gradual revival in rural bodes well, while growth in e2Ws is going to be exponential.

Fig 11: 2W segment outperformed the industry, EVs & key clients to drive the momentum



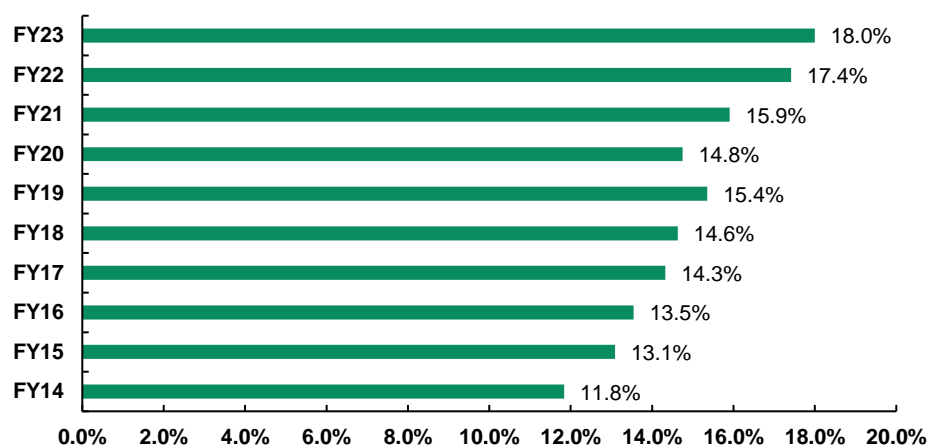
Source: Company, SMIFS Research

- ✓ Gabriel outperformed substantially is driven by good performance by its key clients and EV OEM clients have been growing leaps & bounds.
- ✓ Aftermarket revenue grew by 29%/20% in FY22/FY23 respectively.

TVS, Bajaj & Yamaha are aggressive in launching new products in ICE/EV, exports too showing signs of recovery.

Key clients gaining share, launches ahead to support Gabriel

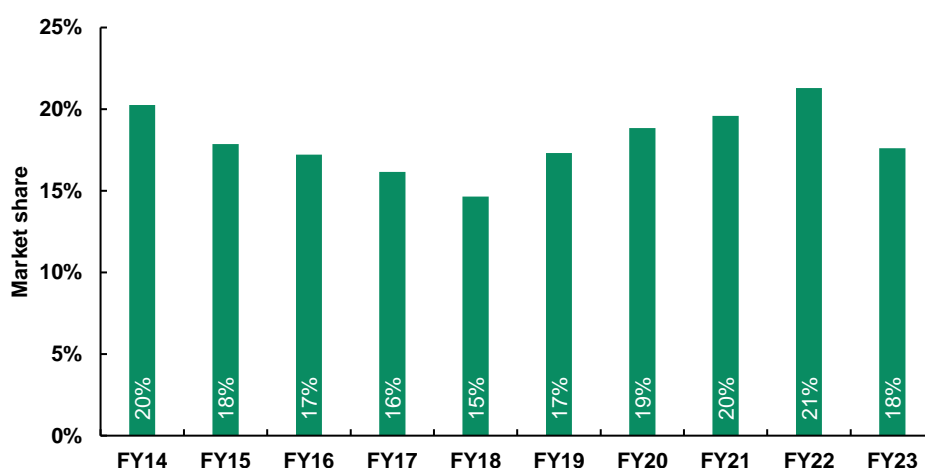
Fig 12: TVS Motor (Key client) gaining share benefiting Gabriel India



Source: Company, SMIFS Research. Total 2W market share of TVS Motor considering domestic + exports.

- ✓ TVS Motor in every quarter of FY23 gained market share in the domestic 2W. It started with 15.2% in Q1FY23, and gradually improved share to 18.8% in Q4FY23, driven by both motorcycles as well as scooters.
- ✓ Raider, Apache, Jupiter range of models are leading in gaining share. Dealers feedback about their products is good as well.
- ✓ Volume growth to be driven by the recovery in the domestic & export 2W markets, the success of Raider & iQube, supported further by its bread & butter models Apache & Jupiter.
- ✓ New launches in the ICE & EV portfolio will support growth ahead of its peers.

Fig 13: Bajaj Auto total share dropped in FY23 mainly due to subdued exports

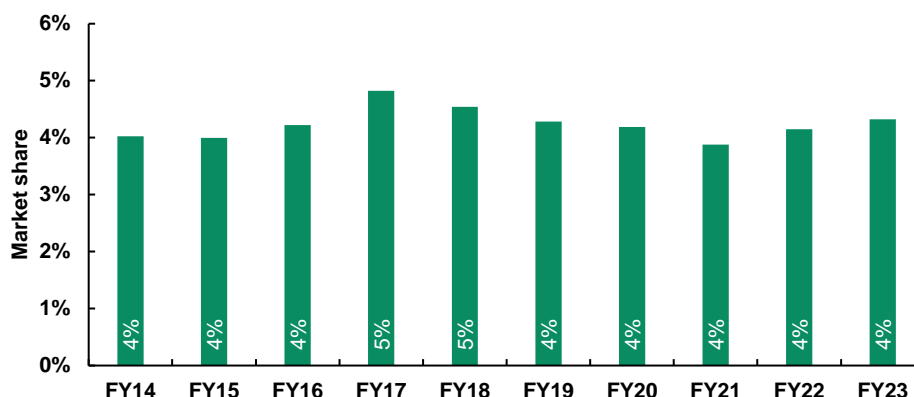


Source: Company, SMIFS Research, Total 2W market share of Bajaj Auto considering domestic + exports.

- ✓ Pulsar refreshed models & planned to enhance A&P spends should increase volumes.
- ✓ Bajaj-Triumph partnership could break the stronghold of the market leader in the 350cc segment. Anticipate Triumph to gain share in the 350cc segment in the coming years.
- ✓ Ease of supply constraints, eChetak known for quality & more number of launches along with expansion should give required push.

- ✓ **3Ws are in cyclical upturn, expect the momentum to continue. Bajaj's e3W should push-up volumes for the segment, and its 3W ICE has been gaining share is positive.**

Fig 14: Yamaha India market share is more or less stable



Source: Company, SMIFS Research, Total 2W market share of Yamaha India considering domestic + exports.

- ✓ Yamaha India is known for its techno-edge two-wheelers, is planning to launch a slew of products in the coming 2-3 years. A few names are listed below.

Fig 15: Yamaha India expected new launches

Model name
Yamaha MT-09
Yamaha MT-03
Yamaha R7
Yamaha R3
Yamaha XSR155
Yamaha MT-07
Yamaha XSR125
Yamaha Nmax 155
Yamaha Neo's
Yamaha RX100
Yamaha YZF R1

Source: Industry, SMIFS Research

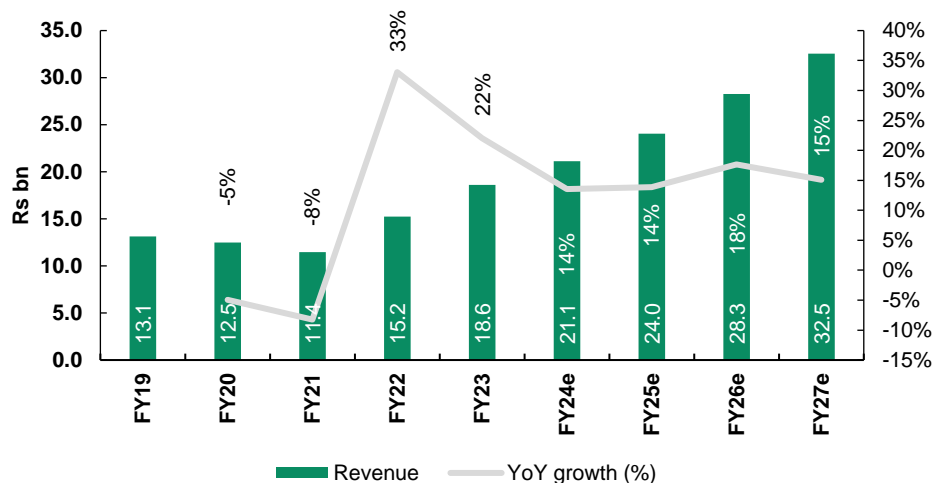
- ✓ **Any new products addition is always beneficial for Gabriel India to keep outperforming the industry growth.**

E-bike forks is a new growth opportunity for Gabriel

- ✓ Gabriel started manufacturing E-forks which has a good opportunity in Europe. This business started in H2FY23 with only one client 'Hero Spur' for European market.
- ✓ E-forks is a completely different technology where the potential is high as European people due to increasing age are moving from standard cycles to e-cycles.
- ✓ Revenues are very minimal, however margins are very strong in it. Financials not incorporated.

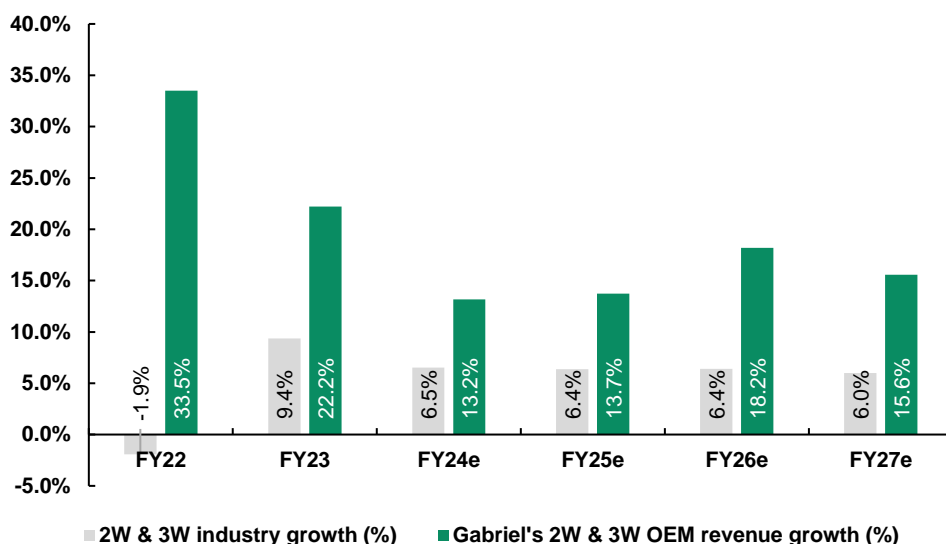
E-bike forks is developed totally in-house, it's a high realization & margin business.

Fig 16: Gabriel's two-wheeler segment revenue



Source: Company, SMIFS Research

Fig 17: Gabriel's 2W & 3W OEM revenue outperformed industry growth



Source: Company, SMIFS Research

Revenue outperformance vs. industry is led by TVS Motor gaining share in 2Ws, strong order execution of EV OEMs & Bajaj gaining share in 3Ws, among other reasons.

- ✓ **Gabriel's faster growth is led by** 1) strong order execution with EV customers, 2) its top three customers viz. TVS Motor, Yamaha India and Bajaj Auto are doing good, 3) improving SOB with key customers, and 4) increase in the realization to pass on input cost pressures.
- ✓ The company is the sole supplier to Ola Electric even for its upcoming models including e-motorcycles. Projected outperformance to continue due to same reasons.

PVs: Key customers are aggressive in launches, FSD tech to gain traction!

Key arguments

- Key clients M&M and Maruti are aggressive in product launches & gaining share
- New FSD technology can be a game changer, success proved in XUV700
- Consistent PV industry growth will continue with new product launches
- Higher share in UVs (35%) vis-a-vis in total PV (24%)

Passenger vehicles (~24% of sales)

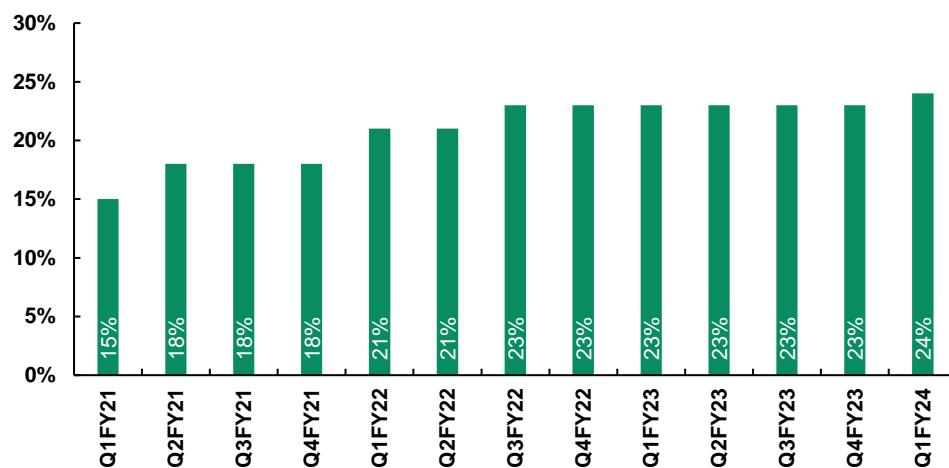
Gabriel's top three customers include fast growing M&M, Maruti Suzuki and Volkswagen among others. Maruti launched various products last year and expected to launch a few more nameplates/variants, the full year positive impact of the same is visible in FY24. M&M too has been witnessing market share gains, & further new launches are on the cards. Gabriel started supplying to Stellantis in the recent past, which is looking for sourcing from India. The demand pipeline & waiting list among major players is healthy and a lot of new products are going to launch should keep the momentum strong in the coming few years. The projected market size is ~Rs 31bn and Gabriel's share is ~23%. Gabriel supply products including McPherson struts, Gas shock absorbers, Steering dampers, etc. The company's 64% sales within the PV segment comes from Utility Vehicles, which has better margins.

Fig 18: Key passenger vehicle clients

Source: Company, SMIFS Research

Fig 19: Gained market share in PV, more to come as key clients are aggressive!

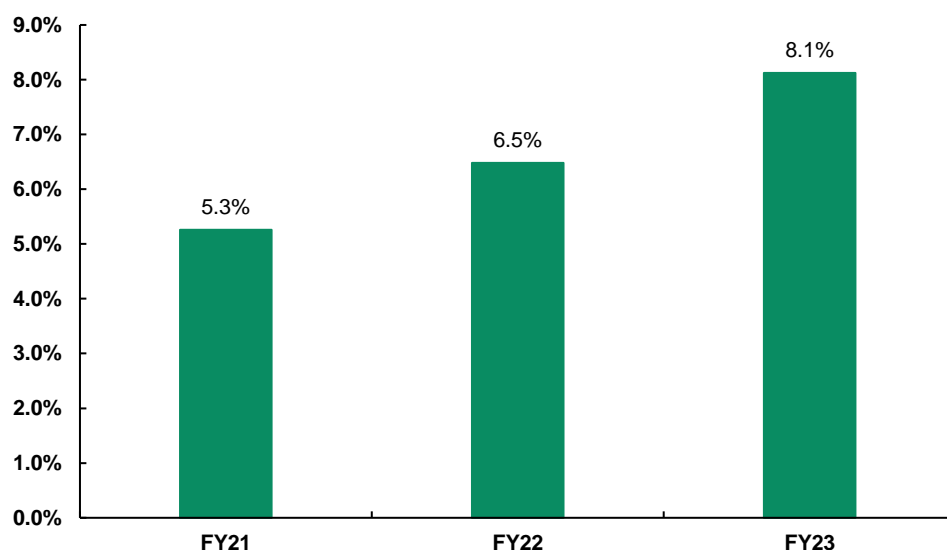


Source: Industry, SMIFS Research

Despite top global players present in India, Anand group's continuous product development & strong relations with OEMs keeping the group's share at ~45% in PVs.

- ✓ Anand group has a JV with Mando Korea and it supplies to Hyundai, Kia & some revenue comes from other OEMs as well. Gabriel has no restriction on opening plant or dealing with any OEM in the world.
- ✓ The market share of the Mando JV is ~20% in PV, while Gabriel's market share is ~25%, hence the combined share for the group is close to 45% in PV. US based Tenneco's market share is 40% in India. Overall, 85% of India's PV market share is captured by these three entities.
- ✓ Globally, the top five players are Tenneco, ZF Sachs, Bilstein, KYB and Hitachi. Gabriel is at number 7/8th and the aim is to come in the top 5.
- ✓ Gabriel's FSD (Frequency Selective Damping) technology is used in M&M's XUV700, and is higher realization & margin product. The same product is offered to Tatas as well and is under consideration.

Fig 20: Key client - M&M's total market share is inching-up, benefitting Gabriel



Source: Industry, SMIFS Research

- ✓ Gabriel India is serving **M&M's** top selling models including XUV700, Thar and Bolero. After a few years of launching, these models are still customers favourite. The company won one more future model from M&M should support Gabriel in growing better than the industry.
- ✓ **Maruti Suzuki** is one of the largest customers of Gabriel, and the company has been serving various models including SUVs like the New Brezza, Grand Vitara and Jimny. The company is also present in four future models of Maruti, and will keep launching new products/variants to aggressively gain market share. Maruti's total market share in Q2FY24 improved by 85bps YoY to 41.9%, the improvement should continue in FY24 as recent few launches of the company is gaining traction in the market.
- ✓ As per the industry reports, **Volkswagen India** with renewed efforts have several launches in the pipeline for the next two years. These launches to cover all segments from Hatchback to Sedan to Compact SUV to Full size SUV and a Cross over as well. So far, Gabriel won one of the Volkswagen's upcoming models, and talks are ongoing for winning several more.

Fig 21: Gabriel has higher SUV contribution & present across high selling models

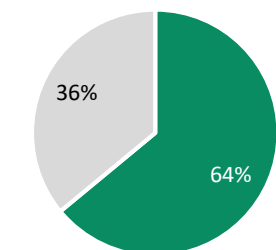


Source: Company, SMIFS Research

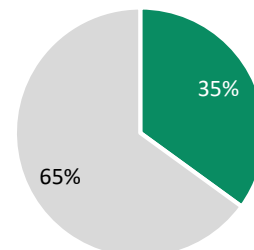
Fig 22: Higher share of 35% in UVs vs. 24% in total PV

Share of UV sales in Gabriel's PV business is 64%

Share of Business in Total SUV Sales is 35%



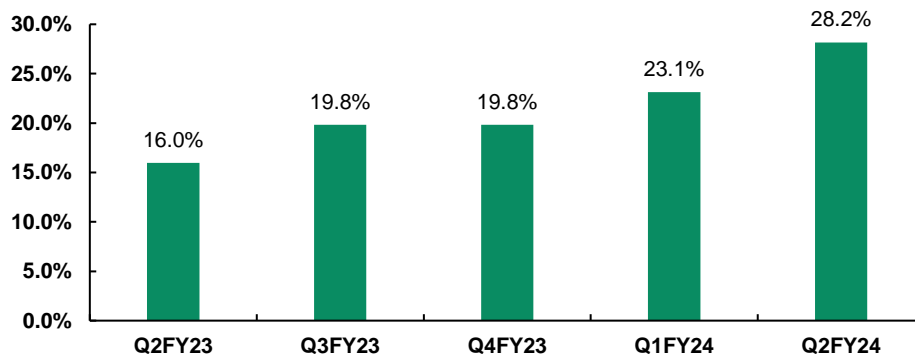
■ UVs ■ Other than UVs



■ Gabriel's SOB ■ Others

Source: Company, SMIFS Research

Fig 23: Key client – Maruti's domestic SUV share in uptrend after new launches



Source: Industry, SMIFS Research

SUV realization is better, and Gabriel's contribution from UVs is increasing.

FSD tech to gain traction!

What's FSD?

Gabriel's technology partner KONI, Netherlands developed Frequency Selective Dampers (FSD) patented technology, the first shock absorber that offers superior handling without compromising comfort. KONI has taken shock absorber performance & comfort to the next level with FSD. It combined the benefits of performance & comfort into one shock absorber. FSD is firm for control over large bumps & corners, but soft for comfort over expansion joints & rough roads. It includes a special valve that filters out annoying vibrations before they enter the coach. The result is an incredibly smooth ride, with plenty of shock left to control pitching and swaying.

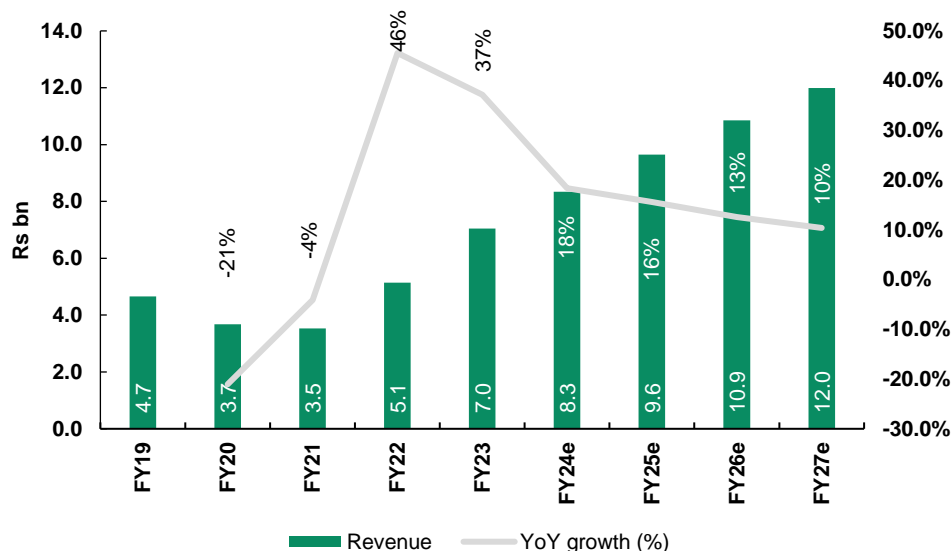
Gabriel supplied shock absorber with FSD technology in M&M's latest successful model, while KONI's similar tech product is running successfully in European buses. The product is 20-30% higher priced with better margin than conventional shocks as it provides better comfort, a few notches above passive suspension. Gabriel is in talks with other large OEMs for adoption of this product.

Features & benefits

1. **Uncompromising:** Potholes and imperfections in the road surface will not be felt by the passengers and they will experience a higher level of comfort. At the same time road-holding is improved.
2. **Intelligent valve system:** As FSD is an integrated part of the hydraulic system of the damper, no additional cables, sensors or air hoses are required.
3. **Interchangeability:** Dampers with FSD can replace conventional dampers without changes to the construction of the vehicle.
4. **Economy:** It is an economical solution to achieve a considerable improvement of the ride.
5. **Quality:** The FSD dampers have the same, very long life, as conventional shock absorbers, without any maintenance requirement.

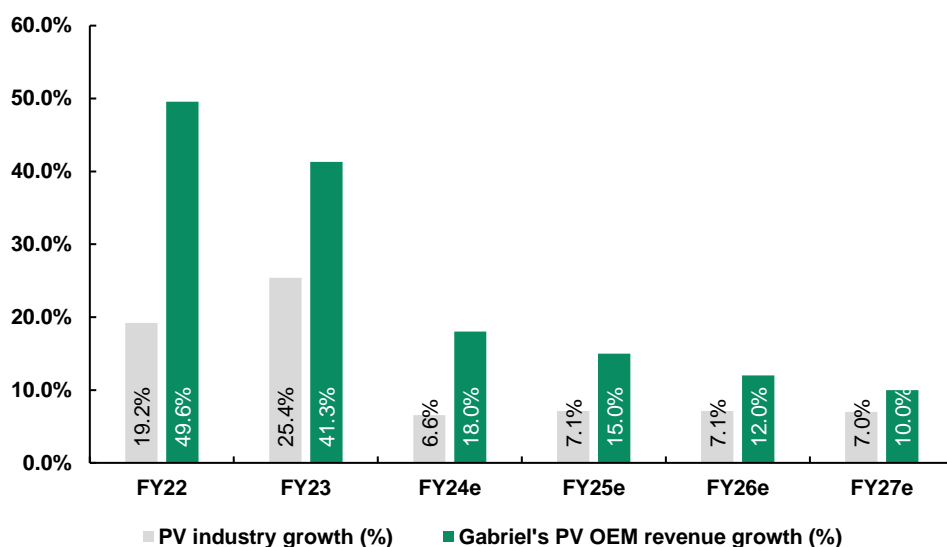
FSD is 20-30% higher priced & is a better margin product. It provides enhanced comfort, a few notches above the passive suspension. In discussion with OEMs for adoption of the same.

Fig 24: Gabriel's total PV revenue trend & projection



Source: Industry, SMIFS Research

Fig 25: Gabriels PV OEM revenue growth will continue its outperformance



Source: Industry, SMIFS Research

- ✓ Growth is higher due to 1) new launches from key customers (Maruti and M&M), and 2) both of them gained market share plus 3) inflation pass-on price increase.
- ✓ Most of its key customers have a hunger for market share gains & have been launching new products should continue to benefit Gabriel India.
- ✓ Acceptance in the SUV segment is better for Gabriel's product, where traction is higher.

High CV market share will maintain, Railways & Exports – next growth triggers

Key arguments

- Gabriel’s long proven tech & good OEM relations is keeping share high at 89%
- Railways budget allocation - 9x in last 10 years
- Aim to take export revenue to 10% in three years (vs. 3.5%), winning businesses

Apart from selling to all major CV OEMs in India, Gabriel manufactures and sell innovative damper products to OEMs in South Asia & has a technology license agreement with KONI B. V., the Netherlands. It also has tie-up with Isuzu Global with good presence in the ASEAN region. The domestic calculated CV market size is roughly Rs 4bn, and Gabriel’s share is ~89% in it. Gabriel’s market share increased from 75% in Q2FY22 to 85% in Q3FY22, & reached at 89% in Q1FY23 (sustained in Q1FY24) due to introduction of horizontal & vertical cabin dampers.

Gabriel’s higher market share signifies a better quality of shock absorbers & good relation with OEMs. The competition in CV Shox is very less with Gabriel providing very long proven technology, Tenneco is still the 2nd best here. Moreover, the technology adoption is slower in the truck segment, and the cost of adding one more vendor for OEM is much higher. OEMs don’t want to take any safety risk as Shox are a critical component for any vehicle.

Gabriel India has been winning new orders, recent ones includes order from 1) Fuso Japan, 2) Volvo, 3) New EV customer, and 4) DAF.

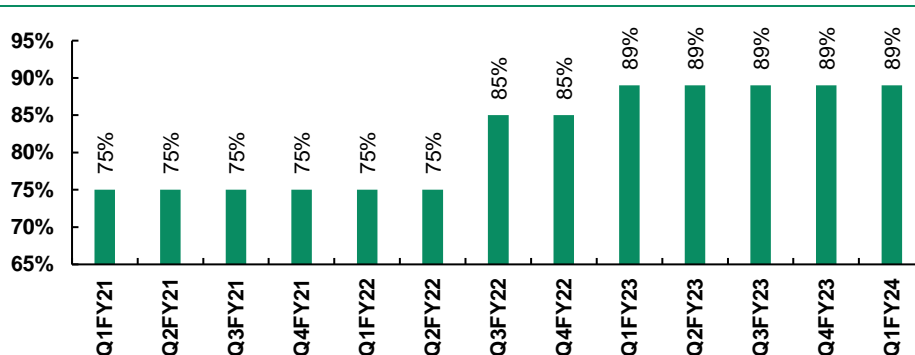
CV & Railways have better margins, despite lower content.

Fig 26: Key commercial vehicle clients

Source: Company, SMIFS Research

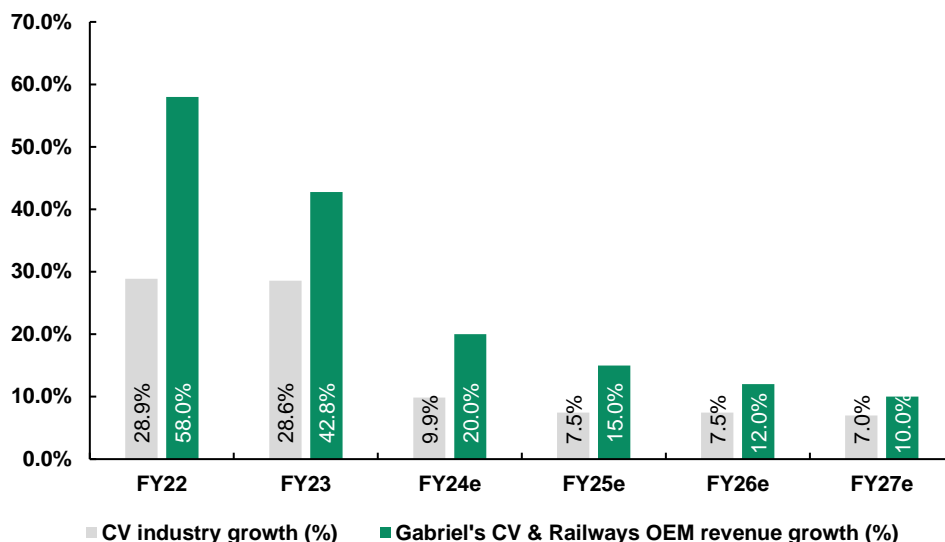
Good relations with OEMs, long proven technology, and Gabriel supplies to DAF, Netherlands shows good quality product.

Fig 27: Commercial vehicle market share trend (%)



Source: Company, SMIFS Research

Fig 28: Gabriel's CV & Railways revenue surpassed industry growth, momentum to continue



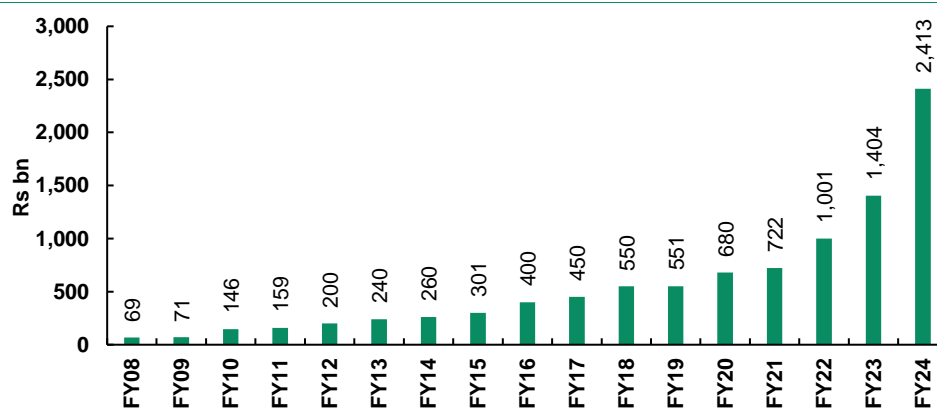
Source: Industry, Company, SMIFS Research

Railways

On the railways side, the company has been supplying shock absorbers since last 20+ years now. Gabriel India is the 1st indigenous company to develop damper for Rajdhani/Shatabdi Coach (LHB) and Vande Bharat Coach. It also supplies damper for conventional coach, EMU/MEMU coach and diesel locomotive. New damper introduced for semi high speed trains and electric locomotive. The company has also been serving to BEML, Medha Rail Coach Factory, Bangladesh Railways, Sri Lanka Railways, among others.

The budgetary allocation for the railways increased by 9x in FY24 vis-à-vis FY14 to Rs 2,413bn. Railways have been central to the government's capital expenditure push and is going to accelerate further in this decade should benefit Gabriel, among other component players.

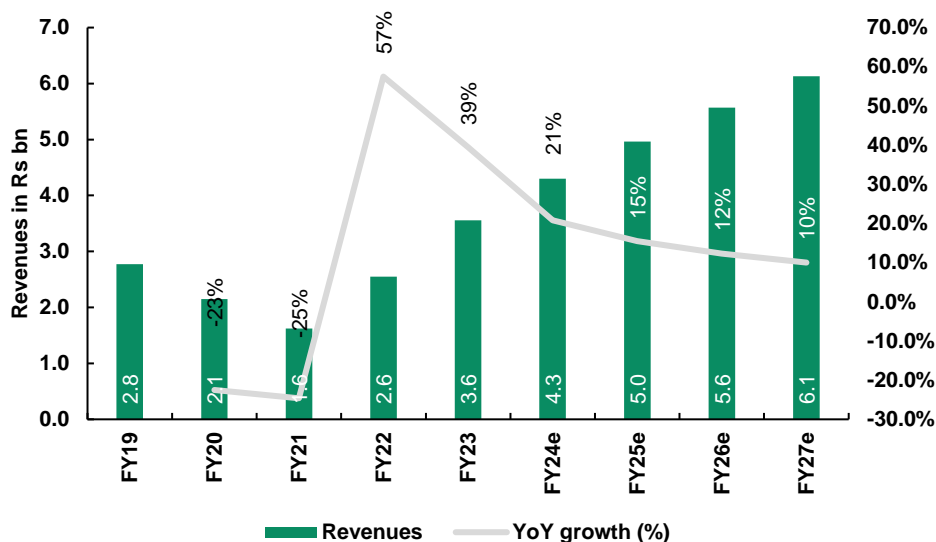
Fig 29: Railway budget allocation – 9x in last 10 years



Source: Industry, SMIFS Research

- ✓ There are about nine dampers required per LHB coach (four primary and two secondary vertical dampers, two horizontal and 1 lateral damper). Hence, the opportunity size is enormous in railways as the government's focus is to provide better interiors and comfort for the passengers along with the increasing number of trains including Vande Bharat.

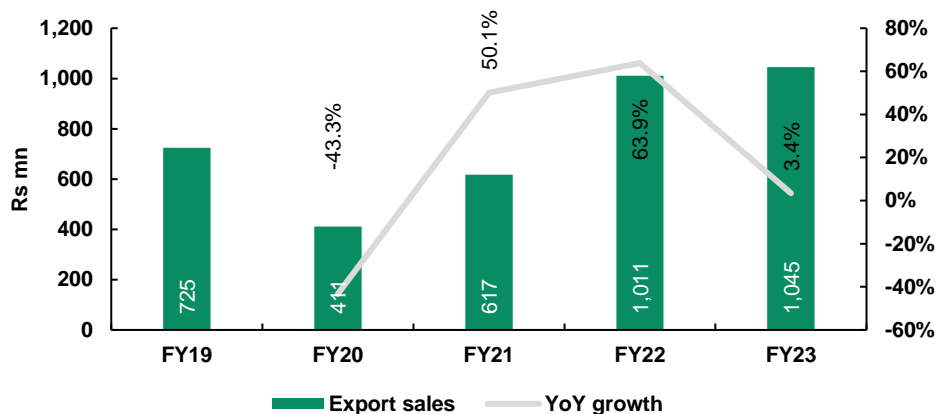
Fig 30: CV & Railways revenue shown remarkable growth post-Covid, traction to continue



Source: Company, SMIFS Research

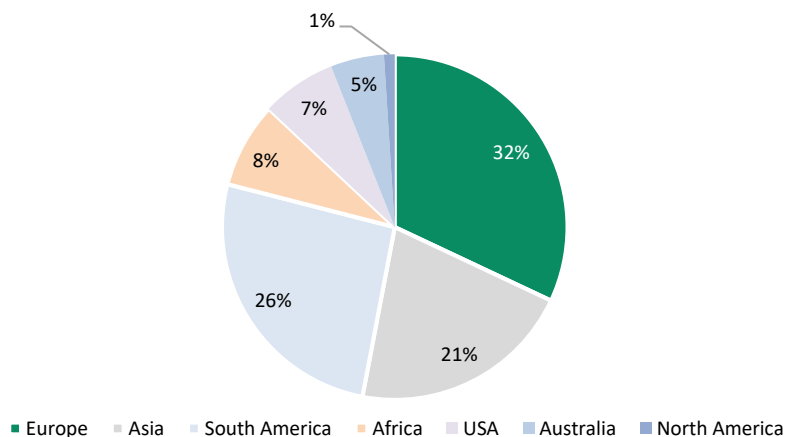
Exports

Fig 31: Export sales



Source: Company, SMIFS Research

Fig 32: Exports revenue breakup (%)



Source: Company, SMIFS Research

- ✓ Broadly 2/3rd revenue comes from export OEMs viz. 1) DAF, 2) Volkswagen, and 3) Isuzu, among other OEMs. The balance comes from the aftermarket exports.

- ✓ Gabriel maintained Rs 1bn sales in FY23 despite temporary setback due to stop in the production in VW's Russia plant amid geopolitical challenges. The company has good relation with DAF group, and it's winning new orders from them.
- ✓ Export revenue is ~3.5% (largely comes from CVs) of the total revenue of the company, the aim is to cross 10% in the next three years. The realization is higher in exports vis-à-vis domestic.
- ✓ DAF is a marquee brand in Europe, Gabriel is nominated by DAF Netherlands, won best supplier and quality award. Extended the relationship to DAF Brazil, and now getting one more geography. The entry with DAF is made, now it will keep going up.
- ✓ Gabriel is now the supplier to DAF, Volkswagen, Isuzu, among other OEMs, and started using these marquee brand names to other OEMs for getting orders. Globally, Volkswagen is one of the toughest OEM to break into. Gabriel is able to get VW in the client list, it clearly indicates that the quality of the product is superior.
- ✓ The China+1 is happening globally and India is in a sweet spot. In talks with Global OEMs present in India, and aims to leverage the existing relationship to start supplying to their global models.
- ✓ Further, focusing on to increase aftermarket presence in Latin America, Africa and North American markets.

Aftermarket – high margin business growing in double-digit, to maintain momentum

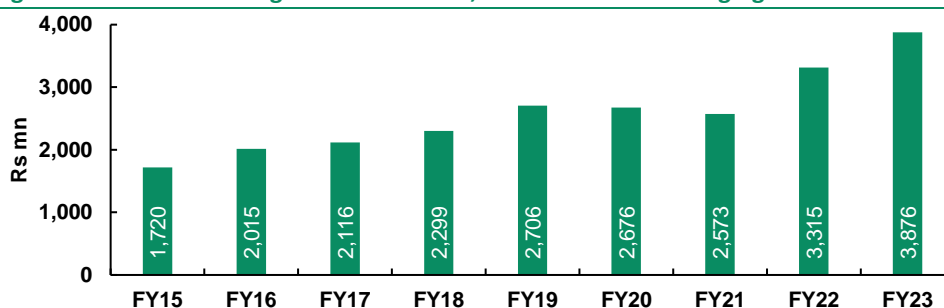
Key arguments

- Present since 62 years, extensive distribution reach & leveraging brand Anand
- Focus is on expanding in B & C cities, and in select international locations
- To maintain double-digit growth run-rate

The replacement market sales reported 11% CAGR FY15-FY23, and grew by 23% CAGR FY21-FY23. This is due to strong brand equity & presence over 60 years with a 40% market share. We expect it to grow in mid-teens FY23-FY27e as Gabriel keeps adding newer products and expand its network. Trading is a zero investment business, Gabriel uses Anand group's brand name to sell products. The company has 25K+ retail touch points, and the focus is on B & C cities in India, while expecting quantum growth by expanding in Latin America and African markets. Gabriel's products are exported to six continents and has been leveraging relationship with global OEMs present in India to expand business worldwide.

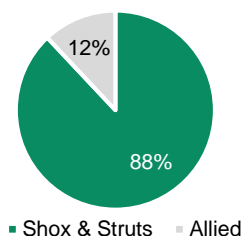
Trading is a zero investment business, Gabriel uses its brand power to sell products.

Fig 33: Aftermarket sales grew at 11% CAGR, to maintain double-digit growth momentum



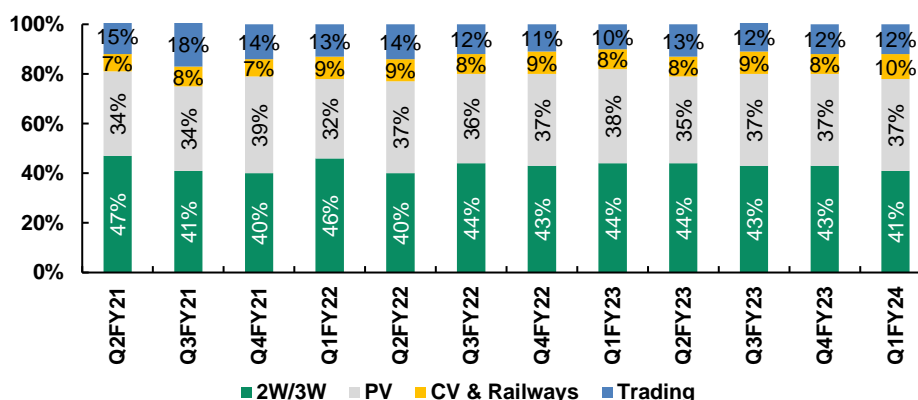
Source: Company, SMIFS Research

Fig 34: Aftermarket parts



Source: Company, SMIFS Research

Fig 35: Aftermarket sales breakup (%)



Source: Company, SMIFS Research

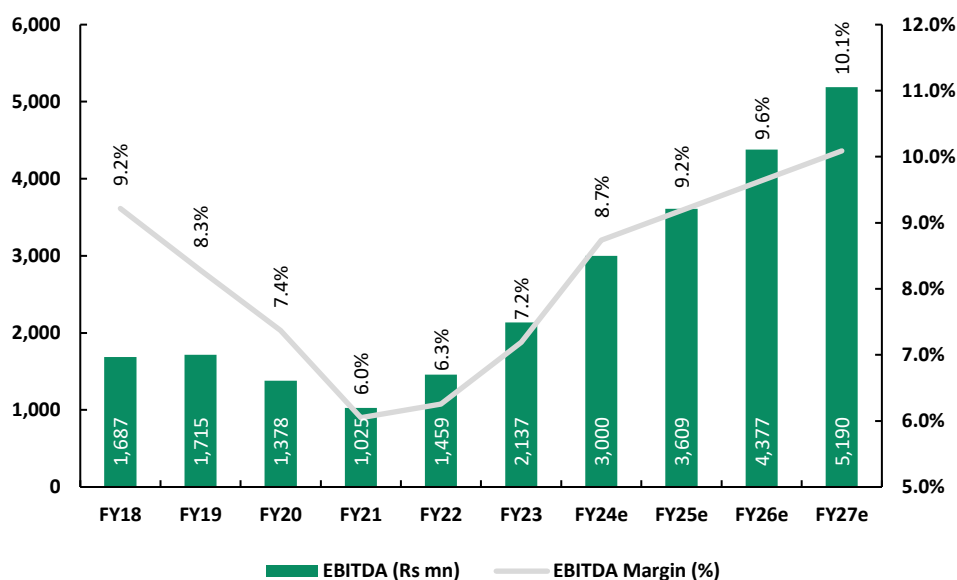
Aftermarket contributes ~13% of revenue, the aim is 17% in a few years. This will be driven by focus on increasing penetration & volumes.

Margin started rebounding, to touch new peak in the coming years

Key arguments

- Operating leverage, better mix along with cost reduction programs to drive margin improvement
- Double-digit margin is doable by FY27e

Fig 36: Margin performance over the period, upward trend has begun!



Source: Company, SMIFS Research

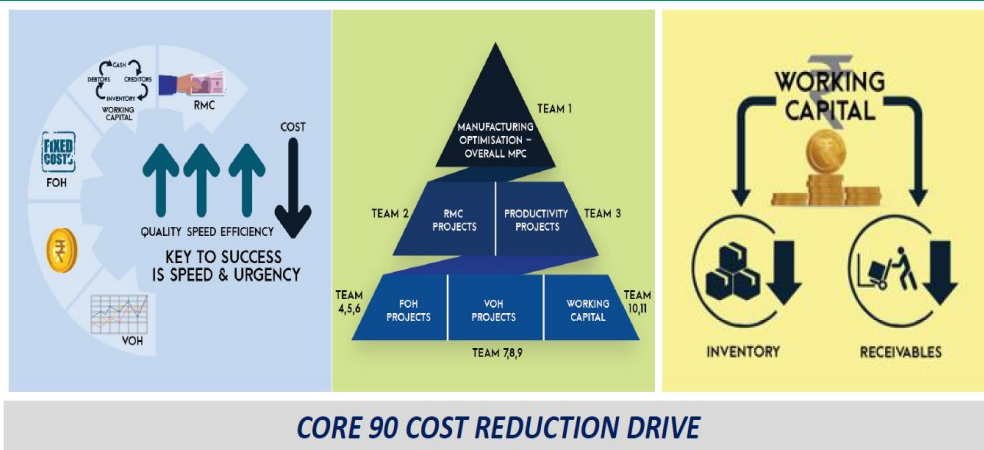
Why margins corrected from FY18 to FY21, what next?

- ✓ A lot of entry strategy made during the last few years, which were not margin accretive. Additionally, low operating leverage, commodities inflation, product mix, employees increments, etc. impacted margins.
- ✓ **EBITDA Margin gradually has been getting better from a low 6.0% in FY21 to 8.6% in Q1FY24.** Its last peak of 9.7% was in FY17, expect Gabriel to surpass its previous peak in the coming years.
- ✓ The manpower cost is under control now, and seeing some signs of RM stabilization. Expect EBITDA Margin to improve in FY24, and mid-term target is double-digit.
- ✓ **Margin improvement will be driven by better operating leverage, CORE 90 program benefits, higher contribution from 2W-EVs/SUVs/Exports/Aftermarket, and expectation of increasing usage of high-tech products (like FSD) should support in margin improvement.**
- ✓ Gabriel continuously works to improve quality to make light-weight products, reduce noise and increase usage of electronics. The company spent about 1% of net sales in R&D. Robotics is the area where the company has put in a lot of efforts and are among the companies having the highest number of robots in the suspension industry, should benefit in the long-term.
- ✓ Project Garuda to improve efficiencies by reducing human intervention, and further detailed roadmap is planned for automation in different departments.

Q1FY24 EBITDA Margin touched 8.6%, soft RMs, better mix, and operating leverage will lift-up margin further in the coming quarters.

- ✓ **Gabriel has a technology alliance with a few foreign companies including KYB Corporation (Japan), KYBSE (Spain), Yamaha Motor Hydraulic Systems (Japan) and KONI B. V. (The Netherlands)** These alliances help Gabriel to secure new business, product development, import substitution, product improvement and cost reduction.

Fig 37: CORE 90 (Cost reduction in 90 days)

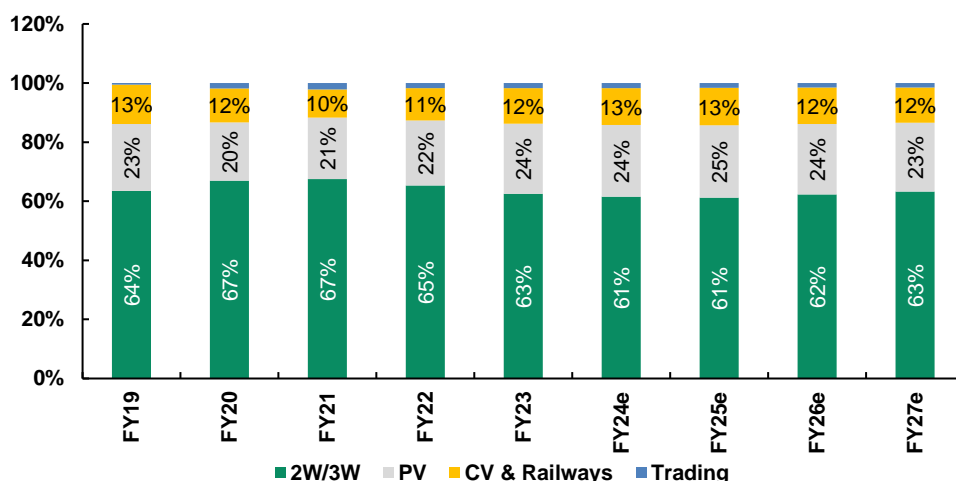


Source: Company, SMIFS Research

Company background

Gabriel India headquartered in Pune established in 1961 is the flagship company of the ANAND Group is one of the leaders in ride control products and entered in the manufacturing of E-Fork & sunroofs in FY23 and FY24 respectively. Gabriel is the leader in supplying ride control products to electric 2Ws in India. The company has a significant presence across OEMs (~84% of sales), aftermarket (~12%) and exports (~4%). It has four segments two & three wheelers (~63% of sales), passenger vehicles (~24%), commercial vehicles & railways (~12%), and Trading (~2%). Gabriel has technical collaborations with KYB Corporation (Japan), KYBSE (Spain), Yamaha Motor Hydraulic Systems (Japan) and KONI B. V. (The Netherlands).

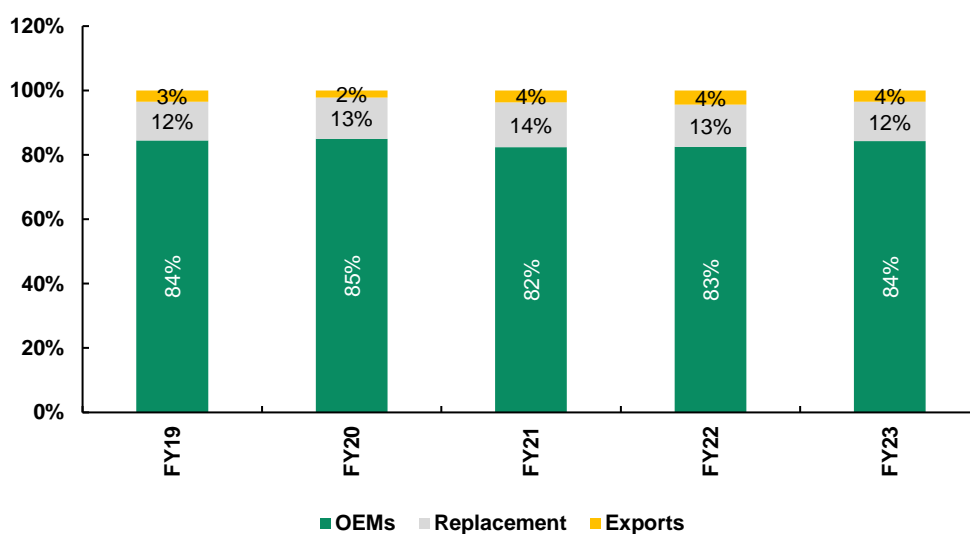
Fig 38: Segment mix (%)



Source: Company, SMIFS Research

Two-wheelers and passenger vehicles continue to maintain the lion's share in the total revenue as on one hand e2W sales are increasing faster, while on the other side key clients in PV expected to launch new products. Gabriel's target is to increase the market share in PVs and strengthen EV portfolio with equal focus on the aftermarket & exports.

Fig 39: Channel mix (%)



Source: Company, SMIFS Research

Fig 40: Manufacturing plants



Source: Company, SMIFS Research

Fig 41: Segment wise plant locations

Plant locations	Segments serving
Parwanoo, Sanand, Chakan, Hosur, Nashik, Devas	Two & Three wheelers
Chakan, Khandsa	Passenger vehicles
Parwanoo, Chakan, Devas	Commercial vehicles
Parwanoo	Aftermarket

Fig 42: Process, technology & focus areas

END-TO-END PRODUCT DEVELOPMENT CAPABILITIES



KEY FOCUS AREAS



Source: Company, SMIFS Research

Product differentiation

- ✓ Shock absorber manufacturing is a complex assembly of 40-50 parts and all are high precision components, where a small difference makes huge performance issues. It's a technology product and following a process is important.
- ✓ Gabriel has competence and is able to match the global standards, that's why it has good market share across segments and is winning orders gradually from

export OEMs. In the automobile industry, relationship matters a lot, which is one of the Gabriel's strengths.

Fig 43: Segment wise top clients



Source: Company, SMIFS Research

- ✓ Gabriel is a key beneficiary of demand revival in the automobile sector as ~83% of total revenue comes from the OEM segment. The company has a long-standing association with most of its customers.
- ✓ It has a strong relationship with well-reputed clients across automobile segments.
 - TVS, Bajaj Auto and Yamaha are key clients in 2Ws along with Royal Enfield & HMSI.
 - Atul Auto, Piaggio, Bajaj Auto and M&M are major ones in 3Ws.
 - M&M, Maruti Suzuki and Volkswagen are top names in the passenger vehicles along with Honda, Tata Motors, Toyota, and Skoda.
 - Ashok Leyland, M&M and Tata Motors are top revenue contributor in CVs, while Isuzu, Force and Daimler additionally contributing well.
- ✓ **All these customers have been launching newer products, and a few major ones are gaining market share gradually should benefit Gabriel's growth ahead.**

Management profile

Fig 44: Qualified and experienced director and management team

Name	Designation	Profile
Mrs. Anjali Singh	Chairperson & Executive Director, Promoter	Mrs. Anjali Singh holds a <u>Bachelor's degree and Master's degree in fine art from the Central Martin's School of Art and Design in London and has studied Business management from the University of Westminster</u> . She is the Executive Chairperson of the Anand group and is also chairperson of Dana Anand India and Gabriel India. She holds various positions in the Confederation of Indian Industry (CII) and serves as an Executive Committee Member of the Automotive Component Manufacturers Association of India (ACMA).
Mr. Manoj Kolhatkar	Managing Director	Mr. Manoj Kolhatkar is an <u>Engineering graduate from Nagpur University and holds a degree in Business management from the University of Pune</u> . He has over <u>two decades of experience in the automotive industry</u> , spent over 21 years with the TATA group as the CEO of TATA Yazaki and earlier, as CEO of TACO-Interiors and Plastics division. Mr. Manoj is group president and Co-Chief Operating Officer of the Anand Group.
Mr. Atul Jaggi	Deputy Managing Director	Mr. Atul Jaggi is a graduate in <u>Mechanical engineering from Thapar Institute of Engineering and Technology, and has a post-graduate diploma in Business administration from IMT Ghaziabad</u> . He <u>joined the Anand group in 1999</u> as a Graduate Engineer Trainee and has an experience of around 20 years in handling several core functions like maintenance, supplier development, corporate quality and manufacturing excellence.
Mr. Jagdish Kumar	Non-Executive Director	Mr. Jagdish Kumar holds a <u>B.Com (Honours) from Shri Ram College of Commerce, University of Delhi and PGDM from the IIM Bangalore</u> with specialisation in finance and marketing. He has vast experience across the Asia-Pacific region of <u>over 33 years</u> having held various leadership and board management roles in DuPont, Tata Consultancy Services (TCS) and Ballarpur Industries Limited. Mr Jagdish is group president & CFO of Anand group.
Mr. Aditya Vij	Independent Director	Mr. Aditya Vij is an <u>MBA from the International Institute for Management Development (IMD), Switzerland, and is a Fellow Chartered Accountant from ICAI as well as an alumnus of Shri Ram College of Commerce, Delhi University</u> . He is currently an operating partner at Kedaara Capital Advisors LLP, a private equity firm and has previously held leadership roles in Fortis Healthcare Ltd, Punj Lloyd and General Motors. Mr. Aditya also serves on the board of Sunbeam Lightweighting Solutions Pvt. Ltd.
Mr. Pradeep Banerjee	Independent Director	Mr. Pradeep Banerjee is a <u>Bachelor of Technology from IIT Delhi</u> . He was associated with <u>Unilever since 1980 in various senior roles</u> working across various geographies and functions. Mr. Pradeep is a senior advisor to BCG and serves on the Boards of various listed and unlisted companies.
Ms. Matangi Gowrishankar	Independent Director	Ms. Matangi Gowrishankar holds a <u>BA in Sociology and a PG in HR from XLRI</u> . She has <u>over three decades of experience</u> in human resources and change management specialist worked with several large multinational organizations like Standard Chartered Bank, Reebok, GE, Cummins Inc and British Oil Major BP plc. Ms. Matangi holds directorship position with several listed and public companies in India across diverse industries.
Mrs. Pallavi Joshi Bakhru	Independent Director	Mrs. Pallavi Joshi Bakhru is a Fellow <u>Chartered Accountant</u> from ICAI and member of Indian Institute of Corporate affairs. She has <u>over 30 years of experience</u> serving clients across different sectors such as natural resources, consumer & retail, aviation, manufacturing and education. Mrs. Pallavi is currently the Head of Private Client Service offering at Grant Thornton in India and heads the UK Corridor.
Ms. Mahua Acharya	Independent Director	Ms. Mahua Acharya holds a <u>Masters degree from Yale University</u> . She has <u>two decades of experience across multiple countries</u> in green finance, renewable energy and carbon markets. Ms. Mahua is co-founder of Ashoka Centre for People Centric Energy Transition and was MD & CEO of Convergence Energy Services Limited where she led e-mobility initiatives for India and largest e-bus program across the world.
Mr. Rishi Luharuka	CFO	Mr. Rishi Luharuka is a <u>Chartered Accountant from ICAI and a Chartered Financial Analyst (CFA)</u> . He has vast experience of working in the mining, metals and automotive industry. Prior to joining Gabriel India, he has worked with Sandvik Asia Private Limited and NRB Bearings Ltd. in various leadership roles.

Source: Company, SMIFS Research

Fig 45: Gabriel India's comparison with other auto component players

Company (Rs mn)	CMP	Market cap	Revenue				EBITDA Margin (%)				PAT				
			FY23	FY24e	FY25e	FY26e	FY23	FY24e	FY25e	FY26e	FY23	FY24e	FY25e	FY26e	
Gabriel India*	323	46,368	29,717	34,332	39,281	45,415	7.2%	8.7%	9.2%	9.6%	1,324	1,893	2,318	3,024	
Suprajit Engineering	372	51,539	27,524	30,416	34,231	37,659	11.4%	12.5%	13.8%	13.5%	1,521	2,083	2,792	3,084	
SJS Enterprises	669	20,774	4,330	6,345	7,684	9,094	24.6%	25.6%	25.9%	25.8%	673	966	1,207	1,430	
JTEKT India	131	31,929	20,439	23,719	25,789	-	9.0%	9.5%	9.7%	-	814	1,072	1,236	1,255	
VST Tillers Tractors	3,500	30,242	10,064	11,359	12,954	14,643	12.0%	13.2%	13.5%	13.9%	831	1,161	1,361	1,422	
Rolex Rings	2,180	59,363	11,790	13,491	16,127	-	22.4%	22.8%	23.2%	-	1,981	2,192	2,658	-	
Varroc Engineering	466	71,122	68,631	77,485	87,533	98,143	8.0%	9.2%	10.2%	9.5%	-	8,198	2,202	3,404	4,116
Sandhar Technologies	369	22,192	29,089	35,136	39,463	-	8.4%	9.3%	9.9%	-	743	1,151	1,624	-	
Craftsman Automation	4,494	94,960	31,826	46,008	52,230	57,556	21.5%	20.9%	21.3%	21.2%	2,484	3,811	4,772	5,631	
Jamna Auto	111	44,390	23,253	14,437	15,605	30,283	11.2%	23.0%	24.1%	12.0%	1,684	2,153	2,467	2,486	

Company (Rs mn)	CMP	Market cap	EPS (Rs)				P/E (x)				ROE (%)				
			FY23	FY24e	FY25e	FY26e	FY23	FY24e	FY25e	FY26e	FY23	FY24e	FY25e	FY26e	
Gabriel India*	323	46,368	9	13	16	21	35.0	24.5	20.0	15.3	16.2%	18.9%	18.0%	18.5%	
Suprajit Engineering	372	51,539	11	15	20	17	33.9	24.7	18.5	22.5	13.2%	15.7%	18.5%	21.6%	
SJS Enterprises	669	20,774	22	31	39	46	30.3	21.5	17.2	14.6	17.0%	19.6%	20.1%	19.4%	
JTEKT India	131	31,929	3	4	5	-	39.2	29.8	25.9	-	12.2%	14.0%	13.6%	-	
VST Tillers Tractors	3,500	30,242	96	134	158	177	36.4	26.1	22.2	19.8	11.7%	13.0%	13.8%	14.3%	
Rolex Rings	2,180	59,363	73	81	96	-	30.0	26.8	22.7	-	30.8%	26.3%	24.7%	-	
Varroc Engineering	466	71,122	2	15	22	27	197.2	31.9	20.8	17.2	-	55.3%	19.8%	23.9%	23.3%
Sandhar Technologies	369	22,192	12	19	27	-	29.9	19.3	13.7	-	8.2%	12.0%	14.6%	-	
Craftsman Automation	4,494	94,960	118	181	227	267	38.1	24.9	19.8	16.9	19.8%	23.7%	23.8%	22.1%	
Jamna Auto	111	44,390	4	5	6	6	26.4	20.6	17.9	17.8	22.9%	24.6%	24.3%	21.2%	

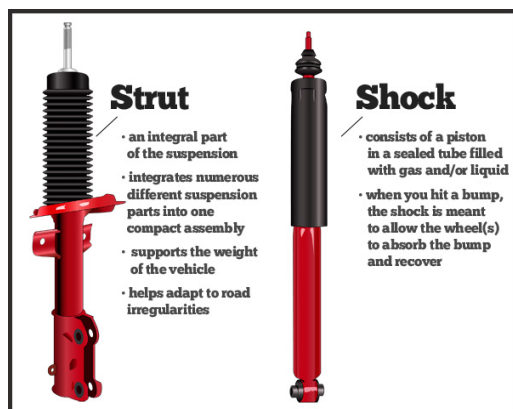
Source: Bloomberg estimates, BSE, *SMIFS research estimates

About Shock Absorbers and Struts

Shock absorber: Shock absorbers don't support vehicle weight. The primary function of a shock absorber is to control spring and suspension movement. The shock absorber consists of a piston that is held under pressure of the hydraulic fluid. Tiny holes in the piston dictate the overall resistance of the shock absorber. Shock absorbers reduce the rate of bounce, sway or body roll, brake dive and acceleration squat.

Constituents of a shock absorber

- Displacement of hydraulic fluid within the shock absorber provides the necessary resistance.
- A piston is attached to the end of a piston rod and receives resistance from the oil in the pressure tube. As the suspension moves up and down, the piston resists this movement to provide a smooth ride and to keep the vehicle's wheel in contact with the road.
- Shock absorbers are usually made of steel as it has higher elasticity.
- The main components of a shock absorber are the mounting, bush, piston and piston rod, cylinder and bolts.



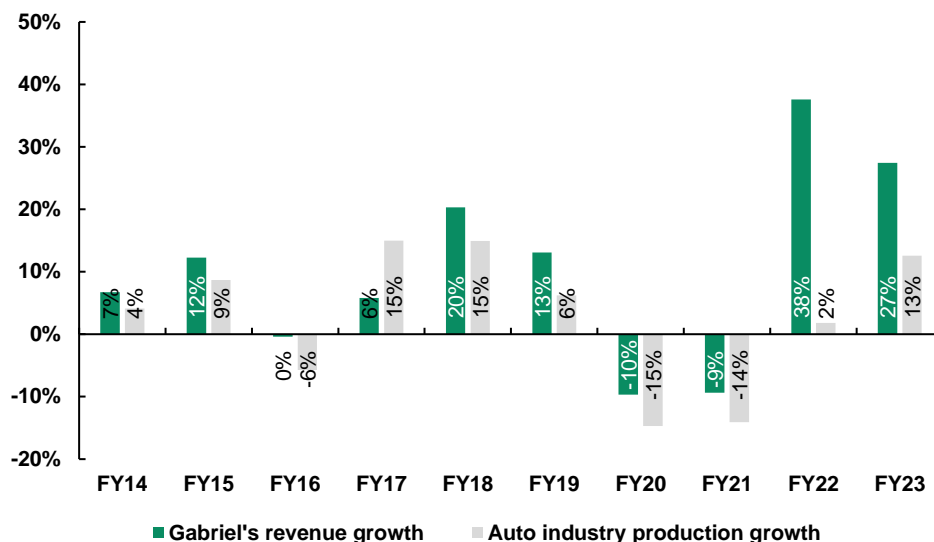
- **The mounting** helps secure the shocks to the vehicle body and suspension.
- **The bush** is found on the mounting and is usually made of rubber or polyurethane. The bushes are responsible for absorbing vibrations and reducing noise and wear.
- **The pistons** contain openings or valves that allow it to move against the hydraulic fluid.
- **The cylinder** acts as the body of the shock absorber and contains the hydraulic fluid and the piston which moves inside it.
- **Bolts** fasten the shock absorber to the vehicle's body at one end and the vehicle's suspension system at the other end.
- **Oil seals** prevent the oil from inside the cylinder leaking out, and also keeps dust and contamination from entering the tube.

Struts

- A strut is a common damper system that forms part of the suspension of a vehicle. The strut is a major structural part of the suspension. A strut is lighter and takes up less space than a shock absorber in a conventional suspension system.
- Struts perform two main jobs. First, the struts act as a damper like a shock absorber. Just like shock absorbers, it provides resistance to the up and down movements of the suspension. Also, like a shock absorber, the strut is velocity sensitive and the amount of resistance can increase or decrease depending on the speed of the suspension.
- Struts also perform a second job. Unlike shock absorbers, struts provide structural support for the suspension, support for the spring and hold the tire in an aligned position.
- Every wheel has either a shock absorber or a strut. Vehicles may have struts in the front and shocks at the back or any configuration of the two.
- Struts are structural components of the vehicle's steering and suspension systems. The strut consists of a spring and a shock absorber. Struts are designed to be stronger than shock absorbers and form a weight bearing component of the suspension system. Not only do they help dampen jolts, they also improve vehicle control and steering.

Financial analysis

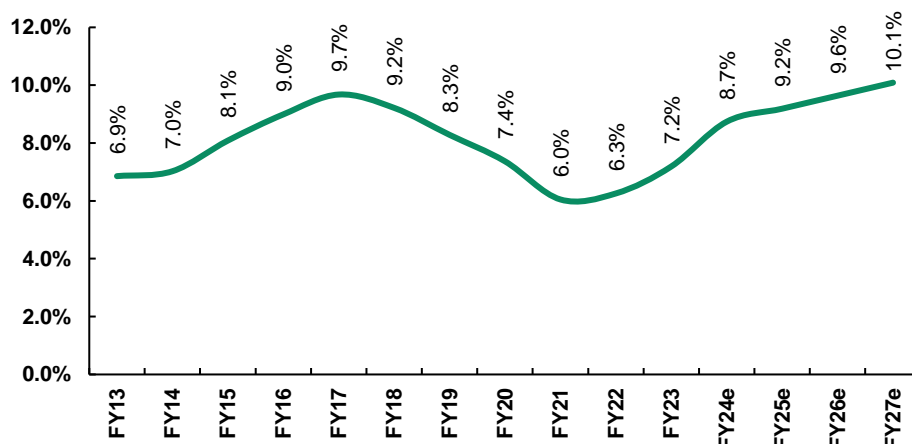
Fig 46: Gabriel's revenue outperformed the auto industry in past years, trend to continue



Source: Company, SMIFS Research

- **The company's revenue CAGR is 9.4% FY13-FY23 vs. industry's production growth of 2.3% for the same period.**
- Gabriel India' revenue growth has been always higher than the auto industry growth in almost all the years except in FY17, which impacted due to demonitisation and its key clients lost some share in that period.
- In the recent past years FY22 & FY23, Gabriel's outperformance is much higher than the industry driven by higher order execution of EV OEMs, and key clients launched new models, gained market share.
- We have projected Gabriel India's revenue to grow at ~15% CAGR FY23-FY27e to touch ~Rs 51.4bn in FY27e as compared to ~Rs 29.7bn in FY23.

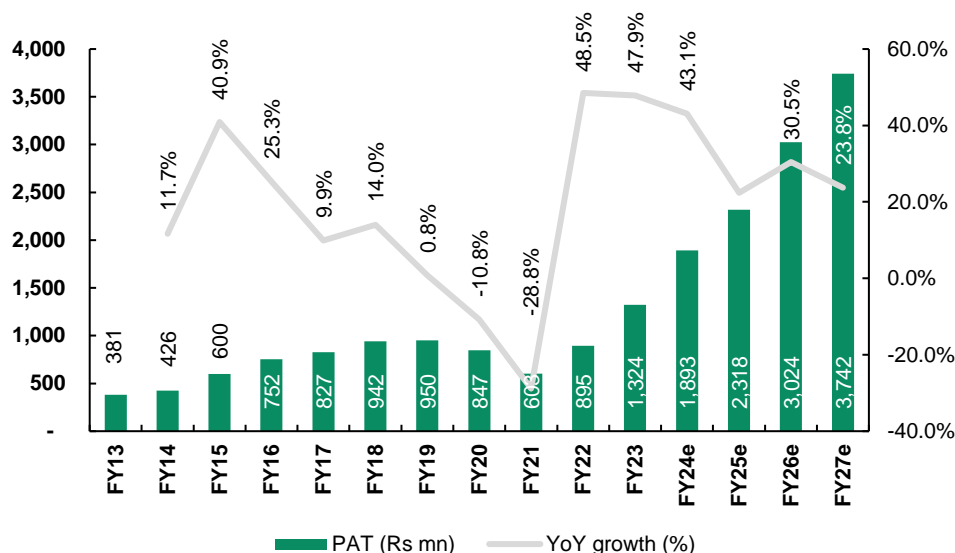
Fig 47: EBITDA Margin started its upward journey



Source: Company, SMIFS Research

- Margin dropped from 9.7% in FY17 to 6.0% in FY21 owing to 1) entry strategy made during the last few years, which were not margin accretive, 2) Covid years impacted operating leverage, 3) commodities inflation, 4) product mix, 5) employees increments.
- **EBITDA Margin gradually has been getting better from a low 6.0% in FY21 to 8.6% in Q1FY24.** Its last peak of 9.7% was in FY17, we expect Gabriel to surpass its previous peak in the coming years.
- Gabriel has been controlling its cost as employee & other expenses CAGR has been ~6% & ~7% respectively for the period FY13-FY23. This is lower than the 9.4% CAGR reported in the topline growth for the same period.
- **The upward margin journey has begun & the trend will continue driven by** 1) RM seeing stabilization, 2) employee cost is under control, 3) better operating leverage ahead, 4) CORE 90 & Project Garuda program benefits, 5) higher contribution from 2W-EVs/SUVs/Exports/Aftermarket, 6) expectation of increasing usage of high-tech products (like FSD) should support in margin improvement, 7) technology alliance with international giants makes sure of new business, product development, import substitution, and cost reduction.

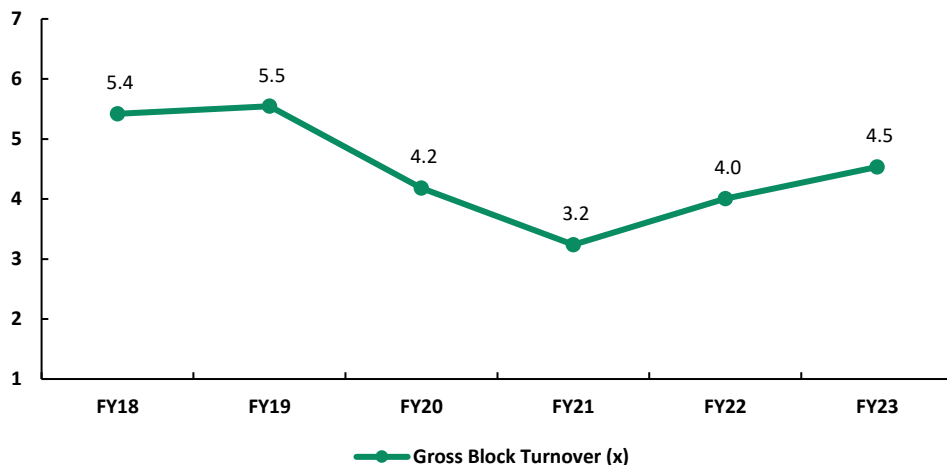
Fig 48: PAT posted ~13% CAGR FY13-FY23, last two years reported phenomenal growth



Source: Company, SMIFS Research

- Reported PAT grew by 13.3% CAGR FY13-FY23, while in the year FY22 & FY23, it reported exceptional growth of ~49% & ~48% respectively. FY20 and FY21 years were negatively impacted due to the slowdown in the auto industry, further hit by Covid.
- The company before Covid years FY13-FY19 posted ~16% CAGR in PAT. This growth was driven purely by good operational performance as EBITDA Margin improved. Other expenses dropped as a % of revenue from 13.9% in FY13 to 11.5% in FY19. Similarly, some curtailment observed in employee cost as well, apart from operating leverage benefits.

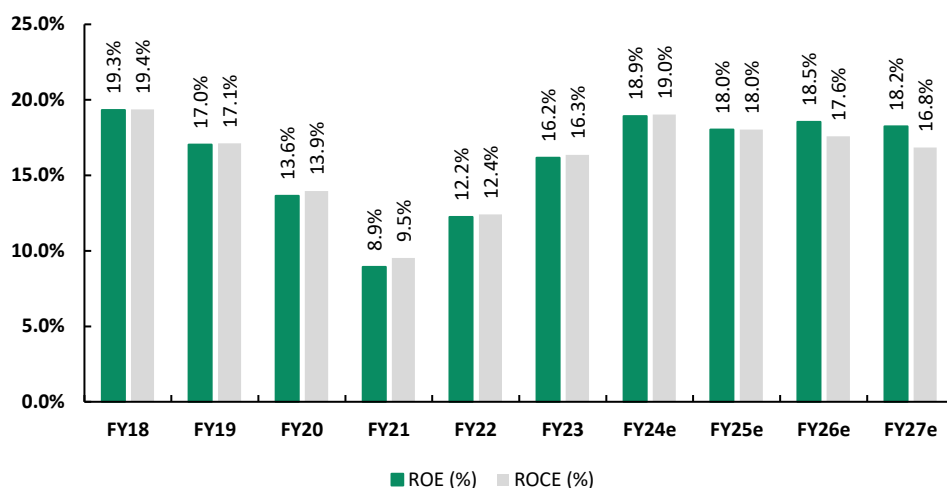
Fig 49: One of the best gross block turnover



Source: Company, SMIFS Research

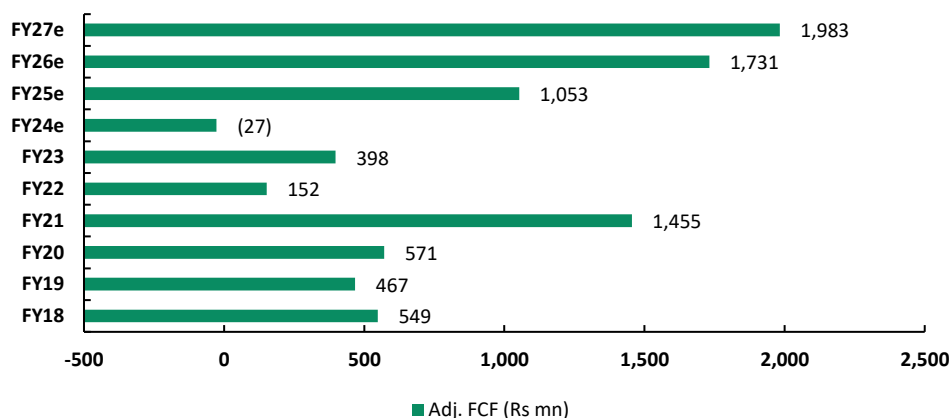
- The company is efficiently using its assets to generate sales as Gabriel's gross block turnover is at 4.5x, is one of the best in the industry.

Fig 50: Respectable RoE (%) & RoCE (%) profile



Source: Company, SMIFS Research

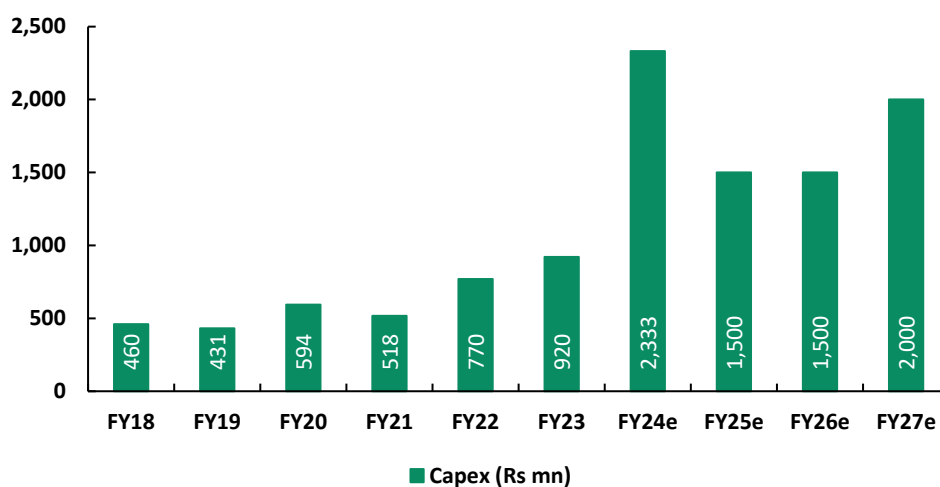
Fig 51: Free cash flows always remain positive in the past years



Source: Company, SMIFS Research

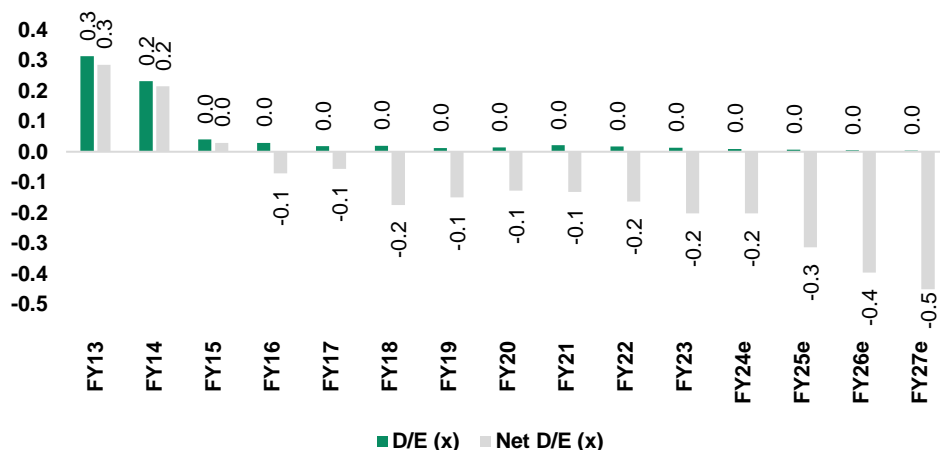
- Gabriel generated positive cash flows across almost all the past financial years. We expect this trend to continue except in FY24e due to heavy investment in the new Sunroof facility.
- The company's annual capex is Rs 1.5bn (Rs 400mn maintenance capex, Rs 300mn R&D, Rs 800mn on backward integration, automation & some capacity increase in select pockets). Additionally, in FY24e, Gabriel & Inalfa will jointly invest Rs 1.7bn to set up the Sunroof plant near Chennai. Hence, Rs 833mn will be contribution (49%) from Gabriel. FY24 is a capex heavy year (Rs 2.33bn in total) for Gabriel, hence Adjusted FCF will be slightly negative.
- Nevertheless, the company's FCF will rebound to good positive number from FY25e onwards driven by better operating leverage and improvement in operational performance. With the current capacity, Rs 40-45bn topline is doable.

Fig 52: Past capex trend



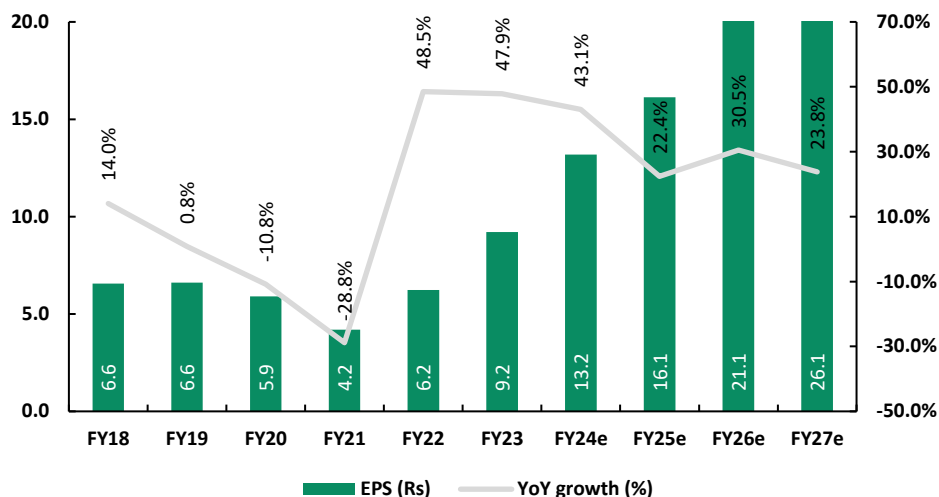
Source: Company, SMIFS Research

Fig 53: Complete debt free, sitting on cash of Rs 1.87bn, generating handsome cash flows



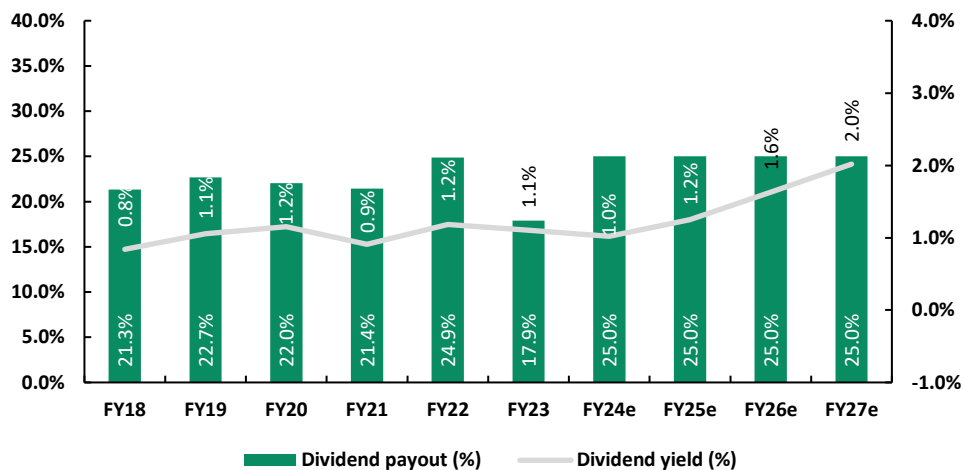
Source: Company, SMIFS Research

Fig 54: Earnings per share (Rs)



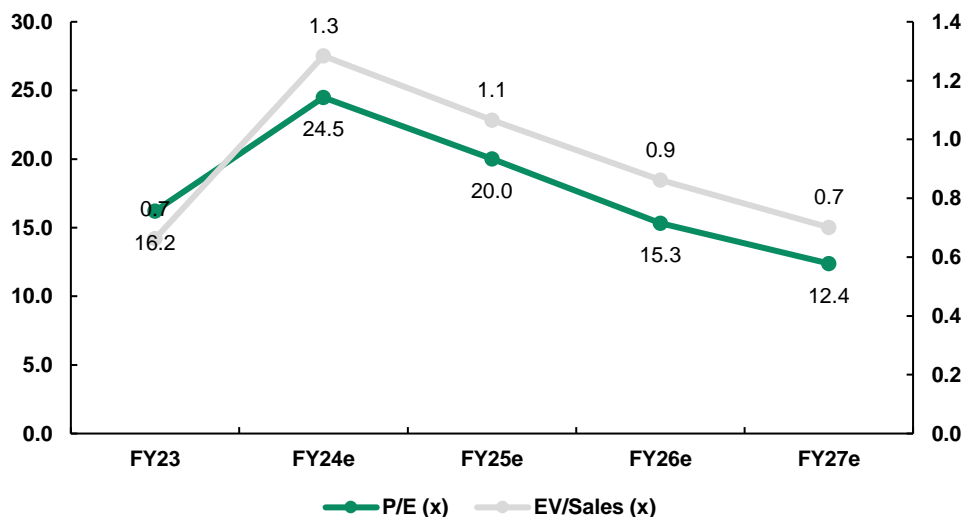
Source: Company, SMIFS Research

Fig 55: Dividend payout (%) & Dividend yield (%) trend



Source: Company, SMIFS Research

Fig 56: Trading at striking valuations



Source: Company, SMIFS Research

Corporate governance check

To keep the faith & trust of shareholders and other stakeholders, we believe that through corporate governance is necessary in today's world. Hence, we have undertaken a detailed exercise on corporate governance study and covered broad aspects such as the composition of directors, compensation paid to promoter & independent directors, details of auditors & their remuneration, nature & amount of contingent liabilities, CSR spends and related party transactions.

Promoters' Shareholding

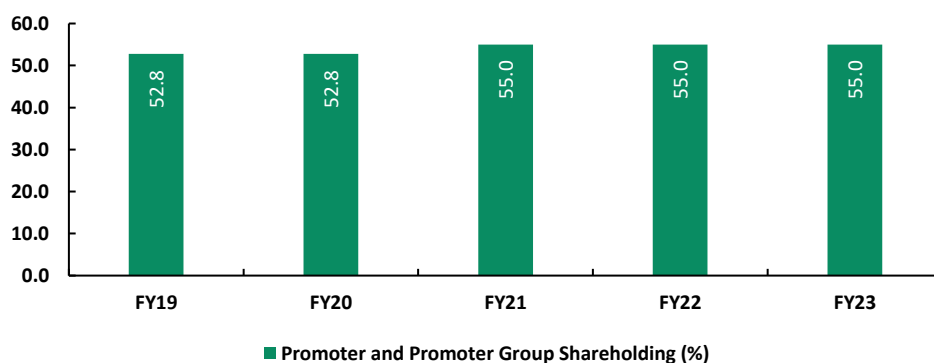
Gabriel India Ltd is founded by Mr. Deep C Anand, a veteran in the auto component industry. The promoters (including family members) as of 31st Mar 2023 holds ~55.0% of the equity capital (maintained in September 2023). In FY21, the promoters increased its shareholding by ~220bps from 52.8% to 55.0%.

Fig 57: Promoter Shareholding as on 31st March 2023

Particulars	% Holding
Mr. Deep C Anand	1.5%
Mrs. Anjali Anand	0.5%
Mrs. Kiran D Anand	0.4%
Asia Investment Pvt. Ltd	52.6%
Total	55.0%

Source: Company, SMIFS Research

Fig 58: Promoters' shareholding (%)



Source: Company, SMIFS Research

Board of Directors

Gabriel India's board is very well qualified and experienced in the auto industry. Executive Directors have more than two decades of experience, while Independent Directors are highly qualified & experienced. The details of the Board composition are as follows:

Fig 59: Board composition

Particulars	FY18	FY19	FY20	FY21	FY22	FY23
Total Strength	6	6	6	6	8	8
Promoter Group Directors	1	1	1	1	1	1
Executive Directors	1	1	1	1	2	2
Non-Executive Directors	1	1	1	1	1	1
Independent Directors	3	3	3	3	4	4
<i>% share of promoters</i>	<i>16.7%</i>	<i>16.7%</i>	<i>16.7%</i>	<i>16.7%</i>	<i>12.5%</i>	<i>12.5%</i>
<i>% share of executive</i>	<i>16.7%</i>	<i>16.7%</i>	<i>16.7%</i>	<i>16.7%</i>	<i>25.0%</i>	<i>25.0%</i>
<i>% of non-executive</i>	<i>16.7%</i>	<i>16.7%</i>	<i>16.7%</i>	<i>16.7%</i>	<i>12.5%</i>	<i>12.5%</i>
<i>% share of independent</i>	<i>50.0%</i>	<i>50.0%</i>	<i>50.0%</i>	<i>50.0%</i>	<i>50.0%</i>	<i>50.0%</i>

Source: Company, SMIFS Research

Promoters compensation

Mrs. Anjali Singh - promoter of Gabriel India has taken compensation of ~2.1% of PBT in FY23. Her total compensation as a % of PBT is about 2.3% since last six years.

Fig 60: Promoter compensation

Name (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY18-FY23 total
Mrs. Anjali Singh	24	30	32	28	25	37	176
<i>% share of PBT</i>	<i>1.7%</i>	<i>2.1%</i>	<i>3.2%</i>	<i>3.6%</i>	<i>1.9%</i>	<i>2.1%</i>	<i>2.3%</i>

Source: Company, SMIFS Research

Independent directors and their compensation

Gabriel India has four independent directors as of FY23. They are collectively paid Rs 3.0mn in FY23, which is close to 0.17% of PBT. The details of the same are as follows:

Fig 61: Independent directors & their compensation

Name	FY23 Compensation (Rs mn)	As % of PBT (FY23)
Mr. Aditya Vij	0.9	0.05%
Mr. Pradeep Banerjee	0.7	0.04%
Ms. Matangi Gowrishankar	0.7	0.04%
Mrs. Pallavi Joshi Bakhru	0.7	0.04%

Source: Company, SMIFS Research

Contingent liabilities

The contingent liabilities are mainly related to tax matters. The breakup is displayed below:

Rs mn	FY18	FY19	FY20	FY21	FY22	FY23
Disputed direct and indirect tax matters	326	238	194	304	378	316
Claims against the Company, not acknowledged as debts	314	341	168	199	211	202
Total	640	579	361	502	589	518
<i>%age of Net Worth</i>	<i>12.2%</i>	<i>9.8%</i>	<i>5.5%</i>	<i>7.2%</i>	<i>7.7%</i>	<i>6.0%</i>

Source: Company, SMIFS Research

Related party transactions

Gabriel India's related party transactions mainly involve management fees paid to the parent, dividends, and remuneration to KMPs. All transactions are at arm's length, and there is nothing that raises an alarm. The details are as follows:

Fig 62: Related party transactions

Nature of Transaction (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23
Sales of products and services	186	164	106	71	52	33
Receipt of Intercorporate deposits	40	-	0	-	-	-
Recovery of expenses from related parties	34	23	23	29	15	13
Sponsorship fees	-	-	4	6	12	15
Purchase of RM, components and services	299	88	79	78	52	68
Management Fee		408	371	356	460	585
Payment of Reimbursement of expenses	23	23	21	6	20	39
Remuneration to Key Managerial Personnel	81	83	86	86	112	145
Contribution to CSR activity	19	23	26	25	22	21
Vehicle Purchased	-	-	0	-	-	-
Purchase of Property, Plant & Equipment						2
Purchase of investment property (Hostel)	18	14	-	-	-	40
Sale of Residential flats	14	-	15	-	-	
Sale of vehicle	-	2	-	-	-	
Sale of Property, Plant & Equipment						1
Other Assets (Mobile)	-	-	0	-	-	

Purchase of software	-	1	-	-	-	-
Intangible Assets-Acquired						1
Loans & Advances	-	-	-	-	-	1
Director's sitting fees	0	0	0	0	0	0
Commission paid to Independent Directors	6	8	8	9	8	10
Rent Received	6	2	9	6	5	5
Dividend Paid	118	127	123	77	95	150
Rent paid	15	13	11	13	8	8
Total	861	978	883	762	863	1,136

Source: Company, SMIFS Research

Auditors

Gabriel India appointed Price Waterhouse Chartered Accountants LLP as their statutory auditor for FY23. The auditors in their report for FY23 have given an unqualified opinion on the fact that the company has given true and fair view in conformity with the accounting principles. In addition, the audit evidence obtained were sufficient and appropriate.

Fig 63: Auditors fees - FY23

Auditor Name	Type	Auditor Fees (Rs mn)	As a % of PBT
Price Waterhouse Chartered Accountants LLP	Statutory Auditors	6.1	0.3%

Source: Company, SMIFS Research

CSR activities

For the betterment of society, Gabriel India has been actively involved in CSR activities. The company spent 100% of the assigned expenditure in FY23. It allocates its CSR budget on a) Promoting Education and b) Enhancing Vocational skills among women, c) Conserve water activities, etc.

Fig 64: CSR Activity Spend

Year	Avg Net Profit (last 3 Yrs)	Prescribed Expenditure (Rs mn)	Total Spends (Rs mn)	Spend as % of prescribed limit
FY18	968	19	19	100%
FY19	1,148	23	23	100%
FY20	1,299	26	26	100%
FY21	1,273	25	21	82%
FY22	1,084	22	22	100%
FY23	1,035	21	21	100%

Source: Company, SMIFS Research. Reason for shortfall in FY21 - The Company had done full CSR contribution to SNS Foundation during 2020-21. Rs 4.70 million were allocated towards the ongoing project's to be spent in succeeding years in terms of the provisions of the Companies Act, 2013.

Environment, Social and Governance steps

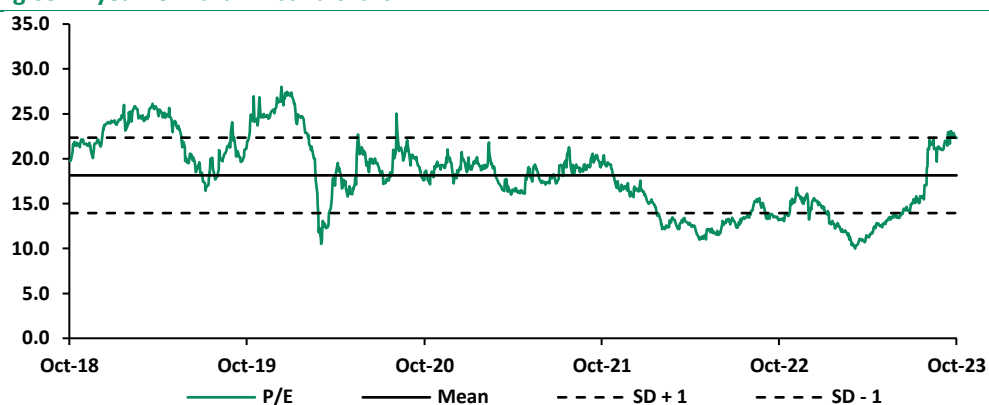
- ✓ Gabriel has a solar rooftop in their plants and about 40% of the power during the daytime comes from the Solar Energy. It tied-up in Maharashtra for Solar and Wind power arrangement, and tied-up with Tata at the group level. The aim is to take 100% power from renewable by 2025.
- ✓ Also, Gabriel has the CSR wing central around women empowerment, conserve water and related things. We have observed lots of greenery around Gabriel's plants. **Overall, the company is very focused on the ESG front.**

Valuation and Recommendations

- We are strongly convinced on the company's competitive position, its key clients gaining market share, new avenues of growth after entering into automotive sunroof, and boosted efforts in the aftermarket, exports & railways.
- Gabriel is well placed for the mid-to-long term growth opportunities as they plans to enter into a few new products, starting sunroofs. The company is debt free with cash & investments of Rs 1.87 bn, and has always generated good positive cash flows in the past eleven years.
- The stock is trading at P/E of 17.4x September 2025 estimated EPS of Rs 18.6. Gabriel has strong growth prospects with healthy return profile, **we have assigned a multiple of 22x to its September 2025 estimated EPS to arrive at a target price of Rs 409 a piece.**
- The company has been trading at ~18x 1-year forward PE in the last five years, a ~20% premium (22x) is largely as Gabriel India has finally opened-up and plans to add newer products, warrants a higher premium multiple vis-à-vis past.

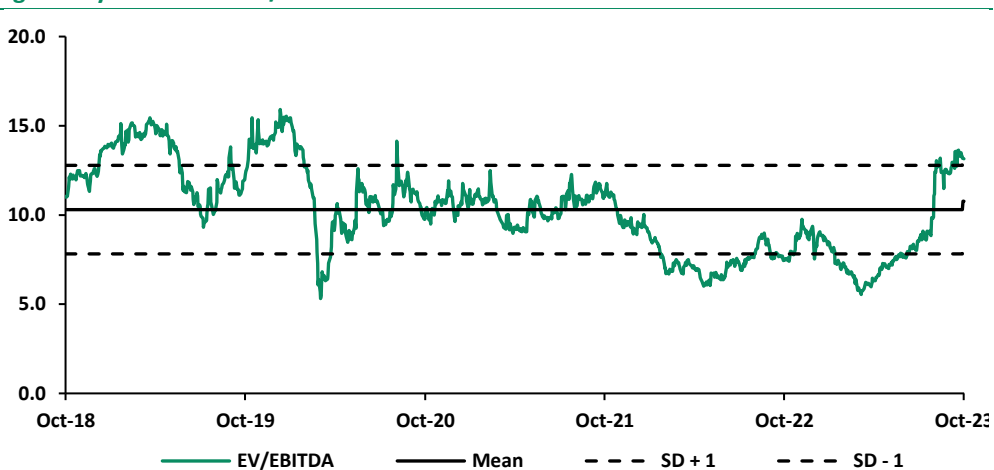
Gabriel India's band charts

Fig 65: 1-year forward PE band chart



Source: Company, SMIFS Research

Fig 66: 1-year forward EV/EBITDA band chart

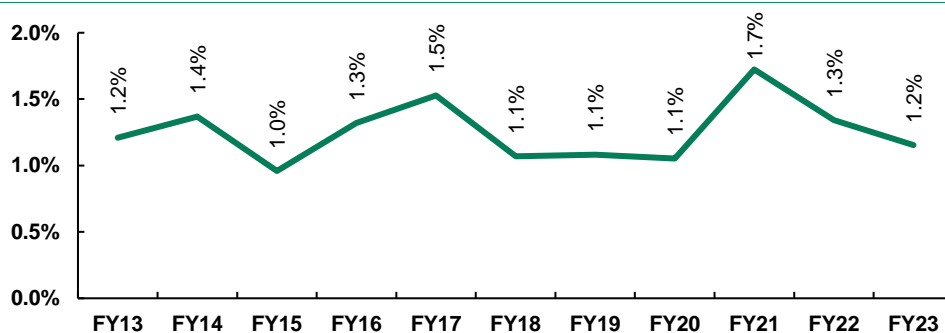


Source: Company, SMIFS Research

Key Risks

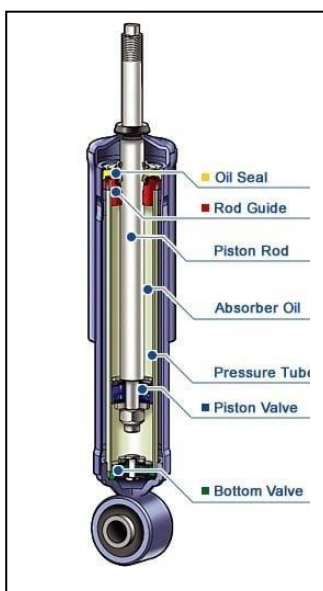
- ✓ **Tech changes:** We don't foresee any mid-to-long term threat on change in the technology as ride control products are tech agnostic and is required in every vehicle. Moreover, Gabriel spends about ~1.3% of revenue in R&D.
- ✓ **Macro risks:** There is dependency on macro-economic factors as the majority of the revenue comes from the automobile industry, which in turn depends on the economic growth of the country. Any slowdown in the GDP might affect the industry sales.
- ✓ **Foreign exchange risks:** Exports is just ~4% of the revenue, hence we don't see any major forex risk.
- ✓ **Competition:** The competitive intensity is stable, and looking at the diversified & strong clientele relationships with the capability of making reasonably good quality products, Gabriel will be able to deal with any rise in the competition in the future. Moreover, OEMs generally prefer not to add new vendor as Shox products used for safety & comfort reasons. Hence, no OEM would like to take any risk.

Fig 67: Spent ~1.3% of revenue on R&D as Shox are tech products & require continuous innovation & upgradation to deal with competition & win new businesses



Source: Company, SMIFS Research

- ✓ **Commodities:** The commodity price is not a major risk, but pass-through happens with a 1-2 quarters lag (after negotiations with OEMs). Hence, if major commodity swing happens, then quarter on quarter margins could affect due to delay in passing cost. **Steel & Aluminum are major commodities required for making shock absorbers. Additionally, Rubber, Oil, Gas, among others are a few small ones.**



Quarterly Financials, Operating Metrics and Key Performance Indicators

Fig 68: Consolidated Quarterly Financials

Y/E March (Rs mn)	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1FY24
Net Sales	5,897	6,061	6,843	7,209	8,029	7,110	7,370	8,058
Raw Materials	4,480	4,654	5,334	5,517	6,182	5,377	5,612	6,026
Employee Costs	397	388	420	441	455	473	462	497
Other Expenditure	590	599	712	743	800	745	773	845
EBITDA	430	420	377	509	591	514	524	690
Depreciation	99	109	107	112	118	127	130	137
Interest	15	7	2	14	11	13	8	22
Other Income	44	65	108	61	29	18	65	46
PBT	361	369	377	445	492	392	450	577
Tax	112	112	108	116	127	101	112	152
Tax rate (%)	31	30	29	26	26	26	25	26
Reported PAT	249	257	269	329	366	291	338	425
YoY Growth (%)								
Revenue	28.5	13.3	18.3	59.6	36.1	17.3	7.7	11.8
EBITDA	21.6	11.9	(19.5)	119.3	37.4	22.3	38.8	35.7
PAT	(18.6)	4.4	(6.7)	174.3	46.7	13.4	25.4	29.1
QoQ Growth (%)								
Revenue	30.5	2.8	12.9	5.3	11.4	(11.4)	3.7	9.3
EBITDA	85.5	(2.3)	(10.2)	34.8	16.2	(13.1)	1.9	31.8
PAT	107.7	3.1	4.8	22.3	11.1	(20.4)	15.9	25.9
Margin (%)								
RMC/revenue (%)	76.0	76.8	77.9	76.5	77.0	75.6	76.2	74.8
Gross margin (%)	24.0	23.2	22.1	23.5	23.0	24.4	23.8	25.2
Employee cost/revenue (%)	6.7	6.4	6.1	6.1	5.7	6.7	6.3	6.2
Other expenses/revenue (%)	10.0	9.9	10.4	10.3	10.0	10.5	10.5	10.5
EBITDA margin (%)	7.3	6.9	5.5	7.1	7.4	7.2	7.1	8.6
PAT margin (%)	4.2	4.2	3.9	4.6	4.6	4.1	4.6	5.3

Source: Company, SMIFS Research

Financial Statements

Income Statement					
YE March (Rs mn)	FY22	FY23	FY24e	FY25e	FY26e
Revenues	23,320	29,717	34,332	39,281	45,415
Raw Materials	17,863	22,688	25,680	29,284	33,743
% of sales	76.6	76.3	74.8	74.6	74.3
Personnel	1,597	1,831	2,081	2,342	2,662
% of sales	6.8	6.2	6.1	6.0	5.9
Manufacturing & Other Expenses	2,401	3,061	3,571	4,046	4,632
% of sales	10.3	10.3	10.4	10.3	10.2
EBITDA	1,459	2,137	3,000	3,609	4,377
Other Income	262	174	209	261	339
Depreciation & Amortization	414	486	639	751	864
EBIT	1,307	1,825	2,570	3,119	3,853
Finance cost	43	46	40	36	33
Core PBT	1,003	1,605	2,322	2,822	3,481
Exceptional Item	-	-	-	-	-
Share of Profit from JV	-	-	-	15	221
PBT	1,265	1,779	2,530	3,097	4,041
Tax	369	456	637	780	1,017
Tax Rate (%)	29.2	25.6	25.2	25.2	25.2
Reported PAT	895	1,324	1,893	2,318	3,024
Adjusted PAT	895	1,324	1,893	2,318	3,024

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	FY22	FY23	FY24e	FY25e	FY26e
Growth Ratios (%)					
Net Sales	37.6	27.4	15.5	14.4	15.6
EBITDA	42.3	46.4	40.4	20.3	21.3
Adjusted Net Profit	48.5	47.9	43.1	22.4	30.5
Margin Ratio (%)					
Gross Margin	23.4	23.7	25.2	25.5	25.7
EBITDA Margin	6.3	7.2	8.7	9.2	9.6
EBIT Margin	5.6	6.1	7.5	7.9	8.5
Core PBT margin	4.3	5.4	6.8	7.2	7.7
Adj. PAT Margin	3.8	4.5	5.5	5.9	6.7
Return Ratios					
ROE	12.2	16.2	18.9	18.0	18.5
ROCE	12.4	16.3	19.0	18.0	17.6
Turnover Ratios (days)					
Gross Block Turnover (x)	4.0	4.5	4.2	3.8	3.8
Adjusted OCF/PAT (%)	103	100	122	110	107
Inventory	42	35	35	35	35
Debtors	52	47	47	47	47
Creditors	89	74	74	74	74
Cash Conversion Cycle	5	8	8	8	8
Solvency ratio (x)					
Debt-equity	0.0	0.0	0.0	0.0	0.0
Net Debt-Equity	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)
Gross Debt/EBITDA	0.1	0.1	0.0	0.0	0.0
Current ratio	1.7	1.8	1.8	2.0	2.3
Interest coverage ratio	31	40	65	86	118
Dividend					
DPS (Rs.)	1.6	1.7	3.3	4.0	5.3
Dividend Yield (%)	1.2	1.1	1.0	1.2	1.6
Dividend Payout (%)	24.9	17.9	25.0	25.0	25.0
Per share (Rs.)					
Basic EPS (reported)	6.2	9.2	13.2	16.1	21.1
Adj. EPS	6.2	9.2	13.2	16.1	21.1
CEPS	9.1	12.6	17.6	21.4	27.1
BV	53.4	60.6	78.7	100.3	126.9
Valuation					
P/E	21.1	16.2	24.5	20.0	15.3
P/BV	2.5	2.5	4.1	3.2	2.5
EV/EBITDA	12.1	9.2	14.7	11.6	8.9
EV/Sales	0.8	0.7	1.3	1.1	0.9
Adj Mcap/Core PBT	17.4	12.2	18.9	14.8	11.2
Adj. Mcap/Adj. OCF	18.9	14.9	19.1	16.4	12.1

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	FY22	FY23	FY24e	FY25e	FY26e
Sources of funds					
Capital	144	144	144	144	144
Reserves & Surplus	7,524	8,559	11,164	14,259	18,080
Shareholders' Funds	7,668	8,703	11,308	14,403	18,224
Total Loan Funds	129	112	102	92	82
Other non-current liabilities	292	291	131	131	131
Total Liabilities	8,089	9,105	11,540	14,626	18,437
Application of funds					
Gross Block	6,179	6,931	9,502	11,155	12,808
Net Block	3,854	4,203	6,135	7,037	7,826
Capital WIP	203	351	480	183	197
Investments	838	795	803	811	820
Other non current assets	394	291	291	291	291
Inventories	2,100	2,248	2,461	2,806	3,233
Sundry Debtors	3,824	3,837	4,425	5,063	5,854
Cash & Bank Balances	546	1,075	1,583	3,800	6,483
Other current Assets	1,772	1,480	1,480	1,480	1,480
Total Current Assets	8,241	8,639	9,949	13,149	17,050
Sundry Creditors	4,762	4,405	5,188	5,916	6,817
Other Current Liabilities	680	771	930	930	930
Total Current Liabilities	5,442	5,175	6,118	6,846	7,747
Net Current Assets	2,799	3,464	3,831	6,303	9,304
Total Assets	8,089	9,105	11,540	14,626	18,437

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	FY22	FY23	FY24e	FY25e	FY26e
Operating profit before WC changes					
Operating profit before WC changes	1,578	2,200	3,000	3,624	4,598
Net chg in working capital	(296)	(424)	(17)	(255)	(317)
Income tax paid	(317)	(412)	(637)	(780)	(1,017)
Cash flow from operating activities (a)	965	1,364	2,346	2,589	3,264
Adjusted OCF	922	1,318	2,306	2,553	3,231
Capital expenditure	(770)	(920)	(2,333)	(1,500)	(1,500)
Adjusted FCF	152	398	(27)	1,053	1,731
Cash flow from investing activities (b)					
Debt Issuance/(repayment)	(32)	(28)	(10)	(10)	(10)
Dividend Paid	(180)	(274)	(473)	(579)	(756)
Interest and Lease Expenses	(28)	(35)	(40)	(36)	(33)
Cash flow from financing activities (c)	(241)	(337)	662	731	755
Net chg in cash (a+b+c)	281	(12)	509	2,216	2,683

Source: Company, SMIFS Research Estimates

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