

Gabriel India (GABIND)

CMP: ₹ 365

Target: ₹ 440 (20%)

Target Period: 12 months

BUY

February 12, 2024

On strong footing, healthy growth lies ahead...

About the stock: Gabriel India (GIL) is a global top-10 shock absorber manufacturer serving 2-W, 3-W, PV, CV, railway and aftermarket segments.

- FY23 revenue mix – ~63% 2-W/3-W, ~23% PV, ~12% CV & railways
- FY23 market share – 32% in 2-W/3-W, 23% in PV, 89% in CV & railways
- FY23 Channel mix – 84% OEM; 12% Replacement market; 4% Exports

Q3FY24 Results: Reports steady performance, margins continue to inch-up

Net sales for the quarter came in at ₹ 814 crore, up 14% YoY. EBITDA in Q3FY24 stood at ₹70 crore with corresponding EBITDA margins at 8.6%, up 10 bps QoQ. Consequently, PAT came in at ₹43 crores up 48% YoY. GIL has won new platforms at TVS Motors (Scooter+ EV), Bajaj Auto (Platina), Tata Motors (EV) and 2nd source supplier for Maruti Swift at MSIL. This will lead to industry leading growth going forward. On the Sunroof JV, the plant is now commissioned & is expected to operate at rated capacity by FY26E.

Key Investment thesis

- Increasing prominence in PV-SUV space, structurally positive: Gabriel India has been a prominent shock absorber player domestically and has been 2-W/3-W heavy with this segment constituting ~65% of sales and PV constituting ~20-22% of sales. In the recent past however, GIL, has gained traction in the PV space with this segment now constituting ~24% of its sales with intent to raise it to ~30% over next few years. Interestingly, within PV space the company realizes ~64% of sales from the SUV sub-segment which is witnessing healthy demand traction with its domestic market share in SUV domain pegged at ~35%. Increasing share of PV-SUV space in GIL's overall sales pie is structurally positive. EV agnostic product profile and vision to be among the top 5 shock absorber players globally by 2025 are other structure positives providing long term comfort.
- Healthy financials; Cash rich B/S: Capital efficiency and healthy balance sheet has been the key USP at Gabriel thereby providing good margin of safety. GIL's b/s has a net cash surplus of ~₹300 crore as of FY23 and on consistent basis (ex-Covid period) being clocking healthy double digit (~15%) return ratios. Going forward, we expect Sales/PAT at GIL to grow at a CAGR of 10%/24% over FY23-26E with RoCE at ~22% by FY26E.

Rating and Target price

- We assign BUY rating on Gabriel India amidst structural levers in place for industry leading topline growth, double digit margin endeavour, capital efficient business model, healthy cash rich B/S, EV agnostic product profile, gaining prominence in PV-SUV space, foray into premium segment offering (i.e., sunroof systems) and leadership position in E-2W/3W space.
- We assign a target price of ₹440 for GIL valuing it at 25x P/E on FY26E

GABRIEL

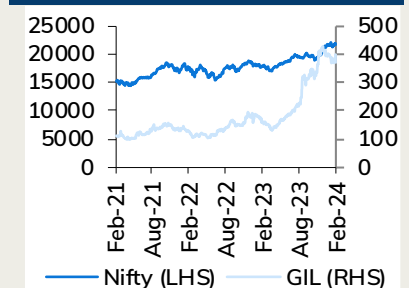
Particulars

Particulars	₹ crore
Market capitalisation	5,244
Total Debt (FY23)	9
Cash & Investment (FY23)	304
EV (₹ crore)	4,949
52 week H/L (₹)	440 / 130
Equity capital (₹ crore)	14.4
Face value (₹)	1.0

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	55.0	55.0	55.0	55.0
FII	2.9	2.7	3.0	4.1
DII	11.1	11.0	11.7	12.2
Other	31.0	31.4	30.2	28.8

Price Chart



Recent event & key risks

- Reports stable Q3FY24 Results. EBITDA margins at 8.6%
- Key Risk: (i) slower than anticipated market share gains primarily across PV OEM's (ii) lower than expected improvement in EBITDA margins amidst its core 90 program

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Key Financial Summary

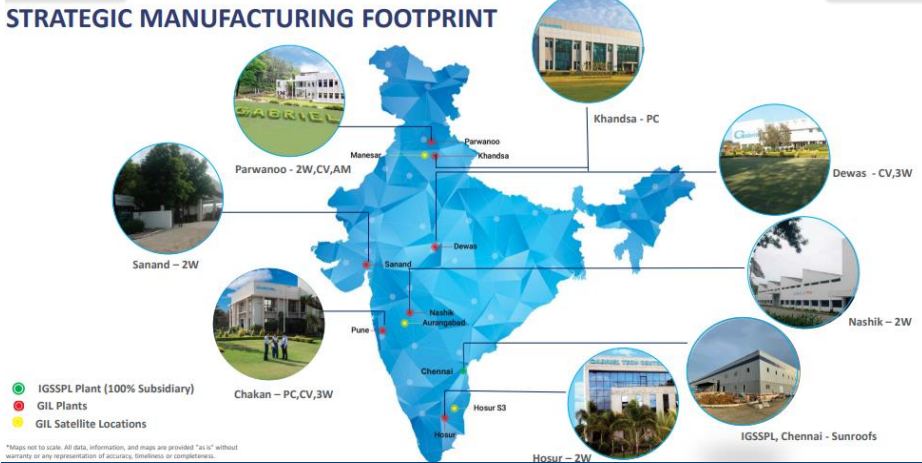
Key Financials (₹ crore)	FY19	FY20	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	2,076.5	1,870.0	1,694.8	2,332.0	2,971.7	10.1%	3,320.0	3,644.5	3,930.1	9.8%
EBITDA	177.9	137.8	102.5	146.0	213.7	4.5%	285.5	328.0	361.6	19.2%
EBITDA Margins (%)	8.6	7.4	6.0	6.3	7.2		8.6	9.0	9.2	
Net Profit	95.0	84.7	60.3	89.5	132.3	7.0%	177.3	218.4	252.7	24.1%
EPS (₹)	6.6	5.9	4.2	6.2	9.2		12.3	15.2	17.6	
P/E	55.2	61.9	87.0	58.6	39.6		29.6	24.0	20.8	
RoNW (%)	16.1	13.0	8.7	11.7	15.2		17.8	18.9	18.9	
RoCE (%)	22.0	14.0	8.3	13.2	18.4		22.4	22.6	21.8	

Source: Company, ICICI Direct Research

Company Background

Gabriel India headquartered at Pune was incorporated in 1961 and is part of prestigious ANAND Group. It is a prominent player in the shock absorber/ride control domain and counts all leading OEM's domestically as its clients. It has 7 strategic placed manufacturing plant in India (providing just in time supply support to marquee customers) and exports to over 20 countries. Its capabilities include design, development, testing and validation. It has sizeable presence across all vehicle categories and is largely an OEM centric auto ancillary player (80%+ share in sales). It has indigenous R&D unit with a team size of 60 specialists. It also has sizeable presence in aftermarket space with 700+ dealers and 25,000+ retailers

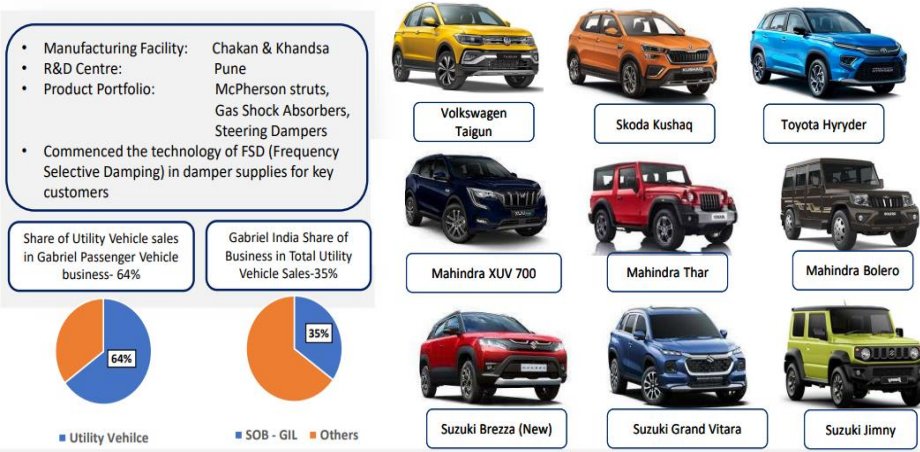
Exhibit 1: GIL Manufacturing print



Source: Company, ICICI Direct Research

Exhibit 2: Presence in domestic UV space

GABRIEL PRESENCE: UTILITY VEHICLES



Source: Company, ICICI Direct Research

Exhibit 3: GIL – JV with Inalfa

Product diversification is one of the important levers in both de-risking our business and also improving shareholders value



- Gabriel India is the flagship of the ANAND Group. From being a single-product company in 1961, Gabriel India has transformed itself to become the most-trusted ride control products brand in India.
- Gabriel is also the leading manufacturer of shock absorbers for new generation vehicles in the 2 & 3-wheeler segment in India, including EVs.



- Founded in the Netherlands in 1946, with over 700 life patents and a global market share of approximately 25%, Inalfa Roof Systems is a \$1.5 billion company, leading in roof systems technology and solutions, delivering roof systems to almost every major car and truck manufacturer in the world.

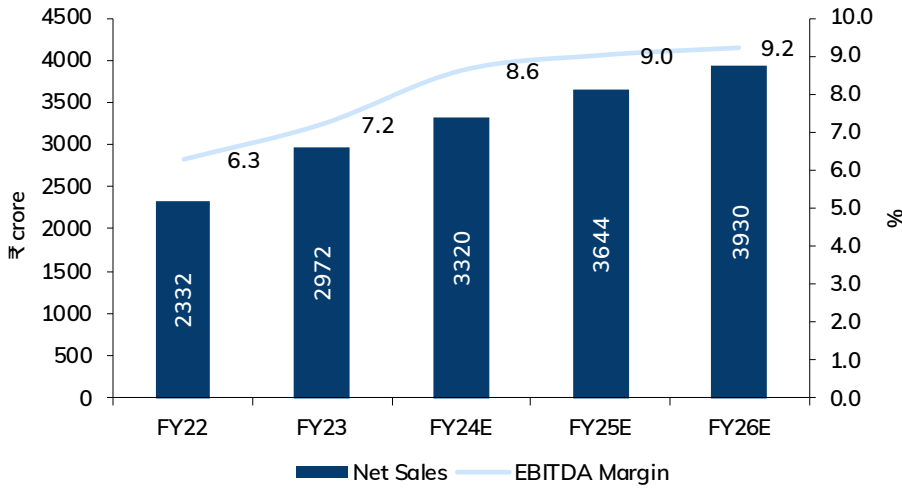
Interestingly, within PV space the company realizes ~64% of sales from the SUV space which is witnessing healthy demand traction with its domestic market share in SUV domain pegged at ~35%.

Interestingly to expand its presence in hot selling SUV space & to catch up on premiumization trend, company has entered into JV with Inalfa (globally 2nd largest sunroof manufacturer) for manufacturing of sunroof system & related components for OEMs in India. Gabriel will hold 49% stake in the JV. It counts Hyundai & Kia as its clients. Company intends to spend ~₹150 crores for setting up plant with initial capacity of ~2 lakh units and will be expanded to ~4 lakh units in 3-4 years with peak annual revenue potential of ~₹1,000 crores

Source: Company, ICICI Direct Research

Financial Story in Charts

Exhibit 4: Trend in Sales, EBITDA margins

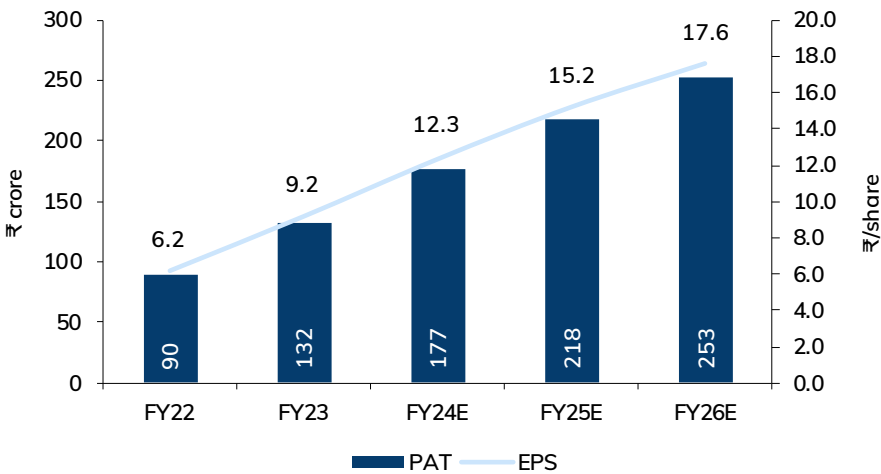


Source: Company, ICICI Direct Research

We expect Gabriel to report sales CAGR of 9.8% over FY23-26E, widely outperforming the underlying OEM growth through market share gains.

Margins in the aforesaid period are seen improving to 9.2% by FY26E as the company’s endeavour to attain double digit margin in medium term.

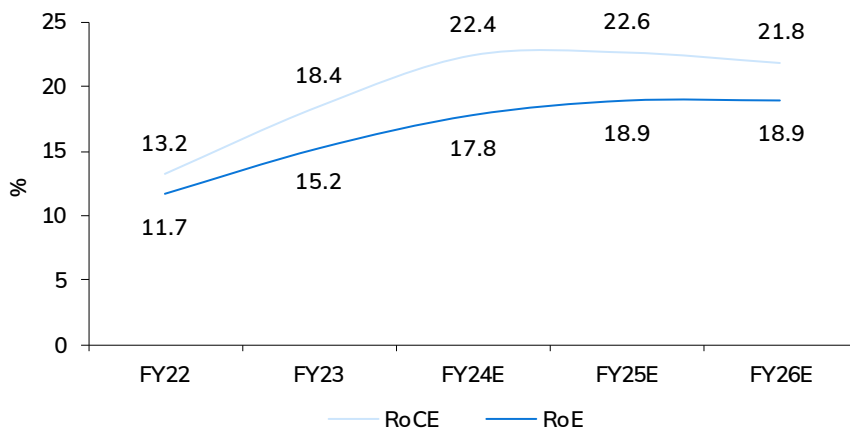
Exhibit 5: Trend in PAT, EPS



Source: Company, ICICI Direct Research

With improving margins, bottom-line growth at Gabriel is seen growing at a CAGR of 24% over FY23-26E

Exhibit 6: Trend in return ratios



Source: Company, ICICI Direct research

Gabriel has always been a very capital efficient company with RoCE profile improving to 22% levels starting FY24E. Core RoIC’s are at 30% and above

Financial Summary

Exhibit 7: Profit and loss statement					₹ crore
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Net Sales	2971.7	3320.0	3644.5	3930.1	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	2,971.7	3,320.0	3,644.5	3,930.1	
Growth (%)	27.4	11.7	9.8	7.8	
Raw Material Expenses	2,268.8	2,483.4	2,726.0	2,939.7	
Employee Expenses	183.1	205.8	226.0	243.7	
Other Operating Expense	306.1	345.3	364.4	385.1	
Total Operating Expenditure	2,758.0	3,034.5	3,316.4	3,568.5	
EBITDA	213.7	285.5	328.0	361.6	
Growth (%)	46.4	33.6	14.9	10.2	
Depreciation	48.6	56.8	61.9	66.0	
Interest	4.6	5.5	5.0	4.5	
Other Income	17.4	18.0	20.1	25.7	
PBT	177.8	241.2	281.2	316.7	
Exceptional Item	0.0	0.0	0.0	0.0	
Total Tax	45.5	60.8	72.1	81.2	
PAT	132.3	177.3	218.4	252.7	
Growth (%)	47.8	34.0	23.1	15.7	
EPS (₹)	9.2	12.3	15.2	17.6	

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement					₹ crore
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Profit after Tax	132.3	177.3	218.4	252.7	
Add: Depreciation	48.6	56.8	61.9	66.0	
(Inc)/dec in Current Assets	-16.4	-168.1	-128.7	-73.3	
Inc/(dec) in CL and Provisions	-28.3	127.6	85.8	58.5	
Others	-0.5	-12.5	-15.1	-21.2	
CF from operating activities	135.7	181.2	222.2	282.7	
(Inc)/dec in Investments	2.2	-35.0	-40.0	-140.0	
(Inc)/dec in Fixed Assets	-98.2	-100.0	-75.0	-75.0	
Others	18.9	18.0	20.1	25.7	
CF from investing activities	-77.1	-117.0	-94.9	-189.3	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-1.7	-2.0	-2.0	-2.0	
Dividend paid & dividend tax	-42.0	-55.8	-66.0	-76.3	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	8.6	0.0	0.0	0.0	
CF from financing activities	-35.1	-57.8	-68.0	-78.3	
Net Cash flow	23.4	6.4	59.3	15.1	
Opening Cash	202.7	226.1	232.4	291.8	
Closing Cash	226.1	232.4	291.8	306.9	

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet					₹ crore
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Liabilities					
Equity Capital	14.4	14.4	14.4	14.4	
Reserve and Surplus	855.9	983.0	1,140.3	1,321.2	
Total Shareholders funds	870.3	997.3	1,154.6	1,335.5	
Total Debt	9.4	7.4	5.4	3.4	
Deferred Tax Liability	15.9	15.9	15.9	15.9	
Minority Interest / Others	0.0	0.0	0.0	0.0	
Total Liabilities	895.6	1,020.6	1,175.9	1,354.8	
Assets					
Gross Block	978.3	1,088.0	1,163.0	1,238.0	
Less: Acc Depreciation	552.6	609.4	671.3	737.3	
Net Block	425.8	478.6	491.7	500.6	
Capital WIP	29.6	20.0	20.0	20.0	
Total Fixed Assets	455.4	498.6	511.7	520.6	
Investments	92.4	127.4	167.4	307.4	
Inventory	224.8	272.9	299.5	323.0	
Debtors	383.7	500.3	599.1	646.0	
Loans and Advances	29.5	32.9	36.2	39.0	
Other Current Assets	0.0	0.0	0.0	0.0	
Cash	226.1	232.4	291.8	306.9	
Total Current Assets	864.1	1,038.5	1,226.5	1,314.9	
Current Liabilities	499.0	618.5	698.9	753.7	
Provisions	33.5	41.5	46.9	50.6	
Current Liabilities & Prov	532.4	660.0	745.8	804.3	
Net Current Assets	331.6	378.5	480.7	510.6	
Others Assets	16.3	16.3	16.3	16.3	
Application of Funds	895.6	1,020.6	1,175.9	1,354.8	

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY23	FY24E	FY25E	FY26E
Per share data (₹)				
EPS	9.2	12.3	15.2	17.6
Cash EPS	12.6	16.3	19.5	22.2
BV	60.6	69.4	80.4	93.0
DPS	2.6	3.5	4.3	5.0
Cash Per Share (Incl Invst)	22.2	25.0	32.0	42.8
Operating Ratios (%)				
EBITDA Margin	7.2	8.6	9.0	9.2
PAT Margin	4.5	5.3	6.0	6.4
Inventory days	27.6	30.0	30.0	30.0
Debtor days	47.1	55.0	60.0	60.0
Creditor days	61.3	68.0	70.0	70.0
Return Ratios (%)				
RoE	15.2	17.8	18.9	18.9
RoCE	18.4	22.4	22.6	21.8
RoIC	29.4	32.4	34.1	34.6
Valuation Ratios (x)				
P/E	39.6	29.6	24.0	20.8
EV / EBITDA	23.2	17.4	14.9	13.2
EV / Net Sales	1.7	1.5	1.3	1.2
Market Cap / Sales	1.8	1.6	1.4	1.3
Price to Book Value	6.0	5.3	4.5	3.9
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.2	1.2	1.3	1.3
Quick Ratio	0.8	0.8	0.9	0.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headsservicequality@icicidirect.com Contact Number: 18601231122

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