

CMP: ₹ 500

Target: ₹ 600 (20%)

Target Period: 12 months

BUY

Jul 16, 2024

## Healthy PAT growth amid double digit margins in sight

**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.

- FY24 revenue mix – ~61% 2-W/3-W, ~25% PV, ~12% CV & railways
- FY24 Channel mix – 86% OEM; 11% Replacement market; 3% Exports

**Q4FY24 Results: Reports robust numbers:** On standalone basis, net sales for the quarter came in at ₹ 859 crore, up 17% YoY. EBITDA in Q4FY24 stood at ₹78 crore with EBITDA margins at 9%, up 40 bps QoQ. Consequently, PAT came in at ₹53 crores up 56% YoY and 23% QoQ. For full year, topline stood at ₹ 3,343 crore (up 12.5% YoY), EBITDA came in at ₹ 291 crore (margins at 8.7%, up 150 bps YoY) and PAT stood at ₹ 185 crore (up 40% YoY). GIL generated healthy positive CFO & FCF.

### Investment Rationale: Remains broadly unchanged

- 2-W space to outperform auto industry in FY25, Gabriel a key beneficiary  
Domestic auto industry has witnessed a remarkable recovery over the past two years with PV space already surpassing its pre-Covid highs and CV space in close proximity of its earlier peak. Volume recovery in 2-W space however has been lacklustre and is still below its pre-Covid highs. The recent prints however in the 2-W space are very encouraging with Q1FY25 volumes up ~20% on YoY basis. On high base industry commentary is cautious on the growth prospects in PV & CV space for FY25E, with 2-W emerging as a sole shining star and expected to outperform the industry going forward, driven by both revival in domestic demand & bottoming out of export volumes. Gabriel with ~30%+ market share in this segment is expected to be a key beneficiary. In addition, Gabriel has leading ~70% market share in Electric-2W space thereby offering a unique moat which shall ensure growth longevity amid government's thrust on EV's.
- Healthy presence in SUV space, augmented by sunroof segment addition  
Gabriel has ~23% market share in PV space and realises healthy ~25% of its sales from this category. Interestingly, within PV space, GIL realises ~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%. Also notably, with aim to expand its presence in top selling SUV space & to catch up on premiumization trend, GIL has entered into JV with Inalfa for manufacturing of sunroof system & related components for OEMs in India. Increasing share of PV-SUV space in overall sales pie & presence in premium products like sunroof is structurally positive for Gabriel India.

### Rating and Target Price

- We maintain our **BUY rating** on Gabriel India led by double digit margin guidance in medium term, ambition to grow ahead of industry, presence with top EV players such as Ola Electric, healthy RoCE profile (20%+) and cash positive B/S. We expect Sales/PAT at GIL to grow at 9%/24% CAGR over FY24-26E. We value Gabriel India at ₹600 i.e. 30x P/E on FY26E

### Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	FY24P	5 year CAGR (FY19-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	1,870	1,695	2,332	2,972	3,343	10.0%	3,694	3,995	9.3%
EBITDA	138	103	146	214	290	10.3%	351	400	17.4%
EBITDA Margins (%)	7.4	6.0	6.3	7.2	8.7		9.5	10.0	
Net Profit	85	60	90	132	185	14.3%	239	286	24.2%
EPS (₹)	5.9	4.2	6.2	9.2	12.9		16.7	19.9	
P/E	84.8	119.2	80.3	54.3	38.8		30.0	25.2	
RoNW (%)	13.0	8.7	11.7	15.2	18.4		20.2	20.6	
RoCE (%)	14.0	8.3	13.2	18.4	22.6		24.1	23.6	

Source: Company, ICICI Direct Research

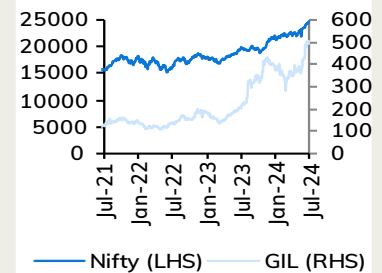
### Particulars

Particulars	₹ crore
Market capitalisation	7,184
Total Debt (FY24)	9
Cash & Investment (FY24P)	306
EV (₹ crore)	6,886
52 week H/L (₹)	517 / 198
Equity capital (₹ crore)	14.4
Face value (₹)	1.0

### Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	55.0	55.0	55.0	55.0
FII	3.0	4.1	4.4	4.9
DII	11.7	12.2	12.0	12.1
Other	30.2	28.8	28.6	28.0

### Price Chart



### Recent Event & Key risks

- Reports robust Q4FY24. EBITDA margins at a recent high of 9%.
- Key Risk: (i) slower than anticipated sales growth and market share gains (ii) lower than expected improvement in EBITDA margins profile over FY24-26E

### Research Analyst

Shashank Kanodia, CFA  
shashank.kanodia@icicisecurities.com

Manisha Kesari  
manisha.kesari@icicisecurities.com

Key Charts from PPT

Exhibit 1: Gabriel India – Healthy Presence with EV OEMs in Electric 2-W Space

### GABRIEL INDIA LTD: WELL- ENTRENCHED AMONGST ALL 2W/3W EV PLAYERS

**OLA ELECTRIC**

**AMPERE**  
By GREAVES

**HERO ELECTRIC**

**TVS**

**ATHER**

**Mahindra ELECTRIC**

Top Selling Models	GIL Presence
1. Ola S1 Pro	✔
2. TVS iQube	✔
3. Ather 450X	✔
4. Bajaj Chetak	✔
5. Ampere Magnus EX	✔
6. Okinawa Praise	✔
7. Hero Electric Optima	✔

Source: smeiv.in/fy-23-24

19.05%

Highest EV Sales in Uttar Pradesh in FY 23-24

Source: jmkresearch.com

70%

GIL SOB 2W sales (Q4, FY 23-24)

7%

GIL SOB 3W sales (Q4, FY 23-24)

20%

GIL growth - EV-2W Q4 FY24 Vs Q4 FY23

27%

GIL growth - EV-3W Q4 FY24 Vs Q4 FY23

Source: Company, ICICI Direct Research

Exhibit 2: Gabriel India – Presence in top selling SUV space

### GABRIEL PRESENCE: UTILITY VEHICLES

- Manufacturing Facility: Chakan & Khandasa Pune
- R&D Centre: McPherson struts, Gas Shock Absorbers, Steering Dampers
- Product Portfolio: Commenced the technology of FSD (Frequency Selective Damping) in damper supplies for key customers

Volkswagen Taigun

Skoda Kushaq

Toyota Hyryder

Mahindra XUV 700

Mahindra Thar

Mahindra Bolero

Suzuki Brezza (New)

Suzuki Grand Vitara

Suzuki Jimny

Share of Utility Vehicle sales in Gabriel Passenger Vehicle business- 64%

Gabriel India Share of Business in Total Utility Vehicle Sales-35%

■ Utility Vehicle
■ SOB - GIL
■ Others

Source: Company, ICICI Direct Research

Exhibit 3: Gabriel India – Presence across the railways

### GABRIEL PRESENCE- RAILWAYS

1978

2007

2016

2019

2021

2022

2024

**Conventional Coach**  
Shox – 2 Variant  
4 Nos / Coach  
Supplied > 40,000 Coach

**EMU Coach**  
Shox – 8 Variant  
8 Nos / Coach  
Supplied > 20,000 Coach

**LHB Coach**  
Shox – 6 Variant  
18 Nos / Coach  
Supplied > 13,000 Coach

**Train 18 Coach**  
Shox – 4 Variant  
20 Nos / Coach  
Supplied > 40 Coach

**Electric Locomotive**  
Shox – 4 Variant  
20 Nos / Coach  
Supplied > 100 Loco

**Vande Bharat Coach**  
Shox – 4 Variant  
20 Nos / Coach  
Under RDSO Approval

**Siemens E Loco**  
Shox – 4 Variant  
20 Nos / Coach  
Received LOI

**Government OEM**

ALL ZONAL RAILWAYS

**Government OEM**

**Private OEM**

**Private OEM**

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 4: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Net Sales	2972	3343	3694	3995	
Other Operating Income	0	0	0	0	
<b>Total Operating Income</b>	<b>2972</b>	<b>3343</b>	<b>3694</b>	<b>3995</b>	
Growth (%)	27.4	12.5	10.5	8.1	
Raw Material Expenses	2,269	2,505	2,771	2,988	
Employee Expenses	183	206	222	240	
Other Operating Expense	306	341	351	368	
<b>Total Operating Expenditure</b>	<b>2,758</b>	<b>3,053</b>	<b>3,343</b>	<b>3,596</b>	
<b>EBITDA</b>	<b>214</b>	<b>290</b>	<b>351</b>	<b>400</b>	
Growth (%)	46.4	35.6	21.1	13.8	
Depreciation	49	57	62	67	
Interest	5	5	5	4	
Other Income	17	22	25	29	
<b>PBT</b>	<b>178</b>	<b>250</b>	<b>309</b>	<b>358</b>	
Exceptional Item	0	0	0	0	
Total Tax	46	65	79	92	
<b>PAT</b>	<b>132</b>	<b>185</b>	<b>239</b>	<b>286</b>	
Growth (%)	47.8	39.9	29.2	19.4	
<b>EPS (₹)</b>	<b>9.2</b>	<b>12.9</b>	<b>16.7</b>	<b>19.9</b>	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
Profit after Tax	132	185	239	286	
Add: Depreciation	49	57	62	67	
(Inc)/dec in Current Assets	-16	-111	-107	-70	
Inc/(dec) in CL and Provisions	-28	49	63	52	
Others	0	-28	-20	-25	
<b>CF from operating activities</b>	<b>136</b>	<b>152</b>	<b>236</b>	<b>310</b>	
(Inc)/dec in Investments	2	-51	-60	-140	
(Inc)/dec in Fixed Assets	-98	-90	-100	-75	
Others	19	20	25	29	
<b>CF from investing activities</b>	<b>-77</b>	<b>-121</b>	<b>-135</b>	<b>-186</b>	
Issue/(Buy back) of Equity	0	0	0	0	
Inc/(dec) in loan funds	-2	-1	-2	-2	
Dividend paid & dividend tax	-42	-63	-70	-83	
Inc/(dec) in Share Cap	0	0	0	0	
Others	9	11	0	0	
<b>CF from financing activities</b>	<b>-35</b>	<b>-53</b>	<b>-72</b>	<b>-85</b>	
<b>Net Cash flow</b>	<b>23</b>	<b>-22</b>	<b>30</b>	<b>39</b>	
Opening Cash	203	226	204	234	
<b>Closing Cash</b>	<b>226</b>	<b>204</b>	<b>234</b>	<b>273</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24P	FY25E	FY26E	
<b>Liabilities</b>					
Equity Capital	14.4	14.4	14.4	14.4	
Reserve and Surplus	856	994	1,169	1,375	
<b>Total Shareholders funds</b>	<b>870</b>	<b>1,009</b>	<b>1,183</b>	<b>1,390</b>	
Total Debt	9	9	7	5	
Deferred Tax Liability	16	13	13	13	
Minority Interest / Others	0	0	0	0	
<b>Total Liabilities</b>	<b>896</b>	<b>1,031</b>	<b>1,203</b>	<b>1,408</b>	
<b>Assets</b>					
Gross Block	978	1,061	1,178	1,253	
Less: Acc Depreciation	553	609	671	738	
Net Block	426	452	507	515	
Capital WIP	30	37	20	20	
<b>Total Fixed Assets</b>	<b>455</b>	<b>489</b>	<b>527</b>	<b>535</b>	
Investments	92	143	203	343	
Inventory	225	236	283	306	
Debtors	384	453	506	547	
Loans and Advances	29	60	66	72	
Other Current Assets	0	0	0	0	
<b>Cash</b>	<b>226</b>	<b>204</b>	<b>234</b>	<b>273</b>	
<b>Total Current Assets</b>	<b>864</b>	<b>953</b>	<b>1,090</b>	<b>1,198</b>	
Current Liabilities	499	548	607	657	
Provisions	33	33	37	40	
<b>Current Liabilities &amp; Prov</b>	<b>532</b>	<b>581</b>	<b>644</b>	<b>696</b>	
<b>Net Current Assets</b>	<b>332</b>	<b>371</b>	<b>446</b>	<b>502</b>	
Others Assets	16	27	27	27	
<b>Application of Funds</b>	<b>896</b>	<b>1,031</b>	<b>1,203</b>	<b>1,408</b>	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY23	FY24P	FY25E	FY26E	
<b>Per share data (₹)</b>					
EPS	9.2	12.9	16.7	19.9	
Cash EPS	12.6	16.8	20.9	24.5	
BV	60.6	70.2	82.4	96.7	
DPS	2.6	4.0	4.5	5.5	
Cash Per Share (Incl Invst)	22.2	24.2	30.4	42.9	
<b>Operating Ratios (%)</b>					
EBITDA Margin	7.2	8.7	9.5	10.0	
PAT Margin	4.5	5.5	6.5	7.1	
Inventory days	27.6	25.7	28.0	28.0	
Debtor days	47.1	49.5	50.0	50.0	
Creditor days	61.3	59.9	60.0	60.0	
<b>Return Ratios (%)</b>					
RoE	15.2	18.4	20.2	20.6	
RoCE	18.4	22.6	24.1	23.6	
RoIC	29.4	33.9	35.0	36.8	
<b>Valuation Ratios (x)</b>					
P/E	54.3	38.8	30.0	25.2	
EV / EBITDA	32.2	23.8	19.5	16.8	
EV / Net Sales	2.3	2.1	1.9	1.7	
Market Cap / Sales	2.4	2.1	1.9	1.8	
Price to Book Value	8.3	7.1	6.1	5.2	
<b>Solvency Ratios</b>					
Debt/EBITDA	0.0	0.0	0.0	0.0	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	1.2	1.3	1.3	1.3	
<b>Quick Ratio</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	

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](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Bhavesh Soni Email address: [headservation@icicidirect.com](mailto:headservation@icicidirect.com) Contact Number: 18601231122

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