

Retail Equity Research
Gabriel India Ltd
Automobile - Auto Ancillary

Accumulate

BSE CODE : 505714 NSE CODE: GABRIEL
BLOOMBERG CODE: GABR IN SENSEX : 38,310

12M Investment Period Rating as per small Cap
CMP Rs91 TARGET Rs103 RETURN 13% ↑
(Closing: 13-08-20)

KEY CHANGES:

TARGET ↓

RATING ↑

EARNINGS ↓

Accumulate for long term..

Gabriel India Ltd (GIL) is one of the leading manufacturer and engaged in producing of ride control products which include shock Absorbers, Struts and Front Forks in every automotive segments.

- The new Capex initiated for supplying Front Fork to Honda scooter & backward integration of Piston Rods has commenced operation from Q1FY21. Current order book stands at 80% on 2W.
- Focus on export market with a share of 20% by FY23 from current 5%. New orders from Dutch truck and VW Russia will create global presence.
- Due to the adverse impact of covid pandemic , Q1FY21 result is not comparable. However, strong aftermarket & stringent cost reduction measures has managed to minimize the impact.
- EBITDA margin decline by Rs171cr due to loss of production & lower product mix.
- Despite getting orders from Royal Enfield Classic and Honda scooter, lower sales in the passenger vehicle segment is deteriorating the overall revenue growth.
- We expect positive volume recovery in H2FY22 & value GIL at 18x (3yr historical avg.) FY22E EPS and recommend Accumulate rating at CMP.

Current order book to outperform industry growth

Due to the adverse impact of covid pandemic , Q1FY21 result is not comparable. The industry was under the production lockdown for the month of April and May. However strong pend up demand witnessed in June month. Despite weak numbers, decent aftermarket sales & stringent cost reduction measure has managed to minimize impact. Gross profit improved by 3%YoY and 1.2%QoQ. Segment wise revenue contribution for 2W, PV and CV stood at 65% 18% and 12% respectively. New order in the 2W segment from Royal Enfield classic and Honda Scooter has commenced operation from Q1FY20. Current order book in 2W stands at 80%. During the quarter GIL has also lost market share in PV due to phasing out of Wagon R model and the company has not received orders for the new Wagon R. However, the new program in Maruti's S-Presso and Mahindra's XYLO, XUV300 will add color to the segment.

Revenue share from 2W segment to improve..

GIL's revenue share from 2W is expected to improve to 69% by FY22 as its key customers; TVS Motors, Yamaha and Royal Enfield (RF) has lined up new launches for FY21. We expect the growth is primarily driven by efforts in improving market share with key Customers, improving newer products on account of strong acceptance of end products in the market. Further, for future development of electric vehicle GIL has secured order from Okinawa, Ather and TVS Hero electric.

Leveraging the clientele in the PV segment

GIL has won incremental order from VW & Skoda under its new Platform, which is going to commence production in 2021. It has also won orders from Mahindra for the new XUV500 platform as well as for the Thar. And on the electric front the company has won orders from Peugeot Citroen along with Bajaj Electric. However, domestic CV market continue to witness subdued demand. To capitalize on the export the company has won order from Dutch Truck Manufacturing Company (DAF), Netherland and VW Russia. To increase the global presence the GIL has focused to improve the export share to 20% by FY23.

Valuations

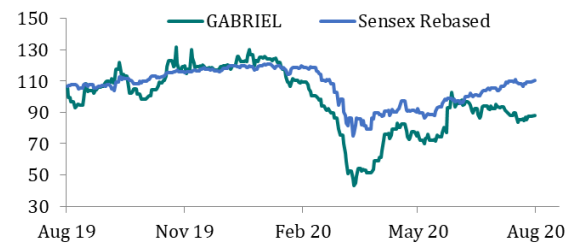
Considering the near term headwinds in the auto sector and margin dilution due to lower PV share we believe that the slowdown to continue for the near term. However, we believe new orders, R&D & automation will be the growth catalyst for GIL in the next two years. Increase in market share in 2W and deepening customer relationships both in 2W and PV, we expect robust earning growth in FY22. We value GIL at 18x (3yr historical avg) on FY22E EPS and recommend Accumulate rating with a target price of Rs103.

Company Data

Market Cap (cr)	Rs.1,262
Enterprise Value (cr)	Rs.1,181
Outstanding Shares (cr)	14.4
Free Float	47.3%
Dividend Yield	1.5%
52 week high	140
52 week low	40
6m average volume (cr)	0.01
Beta	1.26
Face value	Rs.1

Shareholding (%)	Q3FY20	Q4FY20	Q1FY21
Promoters	54.0	52.8	52.8
FII's	10.6	10.8	10.6
MFs/Insti	12.2	11.5	10.2
Public	31.6	31.1	30.7
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	19.6%	-19.7%	-17.5%
Absolute Sensex	10.2%	-16.9%	-7.2%
Relative Return	9.4%	-2.8%	-10.2%



Standalone (cr)	FY20A	FY21E	FY22E
Sales	1,870	1,380	1,689
Growth (%)	-9.9	-26.2	22.4
EBITDA	138	88	144
EBITDA Margin(%)	7.4	6.4	8.5
PAT Adj.	85	40	82
Growth (%)	-10.8	-52.5	103.4
Adj.EPS	5.9	2.8	5.7
Growth (%)	-10.8	-52.5	103.4
P/E	15.4	32.5	16.0
P/B	2.0	1.9	1.8
EV/EBITDA	9.5	15.0	9.1
ROE (%)	13.4	6.0	11.5
D/E	0.0	0.0	0.0

Saji John
Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

Rs cr)	Q1FY21	Q1FY20	YoY Growth %	Q4FY20	YoY Growth %
Sales	1229	5172	-76.2	4246	-71.1
EBITDA	-171	412	-141.4	331	-151.7
EBITDA margins	-13.9	8.0	-	7.8	-
Depreciation	89	101	-12.0	128	-30.5
EBIT	-260	308	-184.4	203	-227.8
Interest	7	7.5	-6.1	11	-38.3
Other Income	25	17	43.1	32	-21.1
Exceptional Items	0	0	0.0	0	0.0
PBT	-242	318	-176.1	223	-208.2
Tax	-4	97	-104.1	-43	-90.7
Share of profit from Associate	0	0	0.0	0	0.0
Minority Interest	0	0	0.0	0	0.0
Reported PAT	-238	221	-207.7	266	-189.4
Adjustments	0	0	0.0	0	0.0
Adj PAT	-238	221	-207.7	266	-189.4
No. of Shares	143.6	144	0.0	143.6	0.0
EPS (Rs)	-1.7	1.5	-207.7	1.9	-189.4

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	2,539	-	1,380	1,689	(45.6)	-
EBITDA	231	-	88	144	(61.9)	-
Margins (%)	9.1	-	6.4	8.5	(270bps)	-
Adj. PAT	129	-	40	82	(68.9)	-
EPS	8.6	-	2.8	5.7	(68.9)	-

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Sales	1,833	2,076	1,870	1,380	1,689
% change	20.6	13.3	-9.9	-26.2	22.4
EBITDA	171	178	138	88	144
% change	17.2	3.8	-22.5	-36.4	63.8
Depreciation	37	40	43	37	39
EBIT	133	137	94	50	104
Interest	3	3	4	3	3
Other Income	7	9	10	7	9
PBT	137	143	100	54	109
% change	21.7	4.2	-29.9	-46.4	103.2
Tax	43	48	16	14	27
Tax Rate (%)	0.31	0.34	0.16	0.25	0.25
Reported PAT	94	95	85	40	82
Adj.	0	0	0	0	0
Adj. PAT	94	95	85	40	82
% change	14.1	0.7	-10.8	-52.5	103.4
No. of shares (cr)	14	14	14	14	14
Adj EPS (Rs)	6.6	6.6	5.9	2.8	5.7
% change	14.1	0.7	-10.8	-52.5	103.4
DPS (Rs)	1.0	1.4	1.4	1.4	1.4

CASH FLOW

Y.E March (Rs Cr)	FY18A	FY19A	FY20E	FY21E	FY22E
Net inc. + Depn.	175	183	143	91	148
Non-cash adj.	4	-1	1	0	0
Changes in W.C	-56	-19	-16	26	-52
C.F. Operation	123	164	129	117	97
Capital exp.	-53	-91	-41	-20	-45
Change in inv.	-37	18	-3	-50	0
Other invest.CF	0	0	0	0	0
C.F - Investment	-89	-73	-46	-70	-45
Issue of equity	0	0	0	0	0
Issue/repay debt	-1	-6	5	0	0
Dividends paid	-20	-21	-21	-21	-21
Other finance.CF	0	0	0	0	0
C.F - Finance	-20	-27	-16	-21	-21
Chg. in cash	14	64	67	26	32
Closing cash	18	82	149	175	206

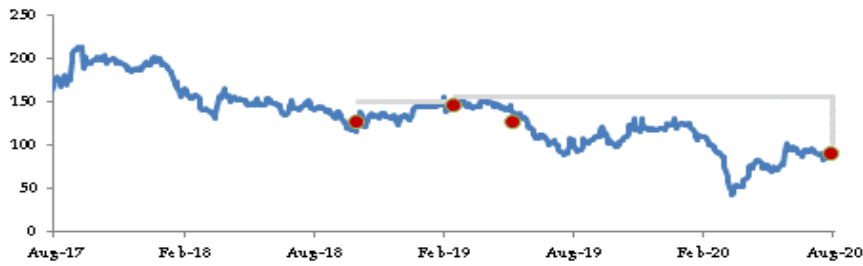
BALANCE SHEET

Y.E March (Rs Cr)	FY18A	FY19A	FY20E	FY21E	FY22E
Cash	18	82	149	175	206
Accounts Receivable	279	284	256	189	231
Inventories	149	165	150	105	133
Other Cur. Assets	86	74	69	51	62
Investments	65	47	50	100	100
Gross Fixed Assets	624	669	714	759	804
Net Fixed Assets	293	298	300	308	314
CWIP	8	54	50	25	25
Intangible Assets	4	3	4	3	3
Def. Tax (Net)	-20	-19	-20	-20	-20
Other Assets	0	0	0	0	0
Total Assets	881	988	1,008	937	1,055
Current Liabilities	265	296	256	189	231
Provisions	28	29	26	19	23
Debt Funds	7	1	6	6	6
Other Liabilities	56	63	57	40	51
Equity Capital	14	14	14	14	14
Reserves & Surplus	511	585	649	669	730
Shareholder's Fund	525	599	663	683	744
Total Liabilities	881	988	1,008	937	1,055
BVPS	37	42	46	48	52

RATIOS

Y.E March	FY18A	FY19A	FY20E	FY21E	FY22E
Profitab & Return					
EBITDA margin (%)	9.3	8.6	7.4	6.4	8.5
EBIT margin (%)	7.3	6.6	5.0	3.6	6.1
Net profit mgn.(%)	5.1	4.6	4.5	2.9	4.8
ROE (%)	19.3	16.9	13.4	6.0	11.5
ROCE (%)	13.7	11.6	10.1	4.6	8.5
W.C & Liquidity					
Receivables (days)	48.9	49.5	52.7	58.9	45.4
Inventory (days)	38.8	38.1	42.0	48.5	35.8
Payables (days)	66.8	67.9	73.5	84.5	63.1
Current ratio (x)	1.8	1.9	2.2	2.5	2.5
Quick ratio (x)	1.1	1.2	1.6	1.9	1.9
Turnover & Leverage					
Gross asset T.O (x)	3.1	3.2	2.7	1.9	2.2
Total asset T.O (x)	2.2	2.2	1.9	1.4	1.7
Int. covge. ratio (x)	46.1	46.6	26.3	14.9	30.8
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	0.7	0.6	0.7	1.0	0.8
EV/EBITDA (x)	7.7	7.4	9.5	15.0	9.1
P/E (x)	13.9	13.8	15.4	32.5	16.0
P/BV (x)	2.5	2.2	2.0	1.9	1.8

Recommendation summary (Last 3 Years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
16th October 2018	Buy	150
28th February 2019	Hold	155
22nd May 2019	Reduce	126
13th August 2020	Accumulate	103

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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