Gabriel India Ltd

BUY

Sector: Auto-Ancillary /Mid-Cap | Earnings Update – 1QFY23

26 August 2022

Background: Gabriel India Ltd.(GIL) is the flagship company of Anand Group, offering the widest range of ride control products including shock absorbers, struts, and front forks. The Company commenced operations in 1961, with a single plant in Mulund, Mumbai and has grown manifold, currently it has nine manufacturing facilities spread across the country with strong 500 dealer network and 10,000 retail outlets. The company has strong R&D capabilities with over 43 patents in products and process. GIL has technical collaboration with global majors such as KYB (Japan), KYBSE (Spain), Yamaha Motors Hydraulic System Company and KONI.

Sensex	58,833
Nifty	17,559
Price	₹ 154
Target Price (12 months)	₹ 173
Recommendation	BUY

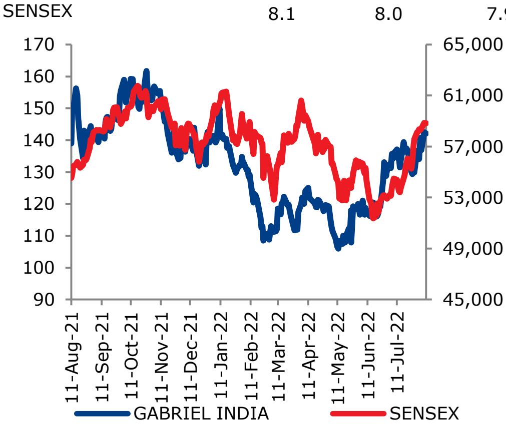
52 Week High/Low	₹168/102
Bloomberg / Reuters	GABR IN/GABR.BO
Equity (shares in mn)	143.6
Mkt. Cap in bn	₹ 22.05/ $ 0.28
Avg. Daily Vol. ('000)	517.91
Avg. Daily Vol. (mn)	₹ 79.50 /$ 0.99

Shareholding	Jun-21	Mar-22	Jun-22
Promoters (%)	55.00	55.00	55.00
FII (%)	3.28	1.28	1.38
DII (%)	6.76	9.22	9.26
Others (%)	34.96	34.51	34.36
Pledge (% of promoter holding)	0.00	0.00	0.00

Valuation Summary (₹ bn)

Y/E March	2022	2023E	2024E
Revenue	23.3	26.0	30.7
EBITDA	1.5	2.1	2.5
Adj PAT	0.9	1.4	1.6
Adj EPS*	6.4	9.5	10.8
% growth	40.5	48.2	14.4
P/E	24.0	16.2	14.2
P/ BV	2.9	2.5	2.2
EV/EBITDA	10.0	7.1	5.8
EV/Sales	0.6	0.6	0.5
Div Yield (%)	0.9	1.4	1.6
ROE (%)	12.0	15.7	15.8

Performance(%)	1M	3M	12M
GABRIEL INDIA	3.6	31.9	2.2
SENSEX	8.1	8.0	7.9



Solid quarter; strong volumes, better margins despite inflationary pressures

- Gabriel India (GIL) reported a strong performance for the quarter as the revenues at ₹7.2bn increased by 59.6% YoY/5.3% QoQ led by higher volumes in CV & 2W/3W segment. The EBITDA at ₹0.5bn improved by 119% YoY/34.8% QoQ while PAT increased by 174.3% YoY/22.3% to ₹0.3bn. The EIBTDA margin ascended by 190bps YoY/150bps QoQ to7.1% led by adequate price hikes and improved product mix. The industry continued to industry headwinds in terms of RM inflation, yet the company's order book status remained stronger than expected. The management anticipates upbeat growth outlook and margins normalizing back to double digit levels.
- **Growth across segments**- The company maintained its market share in Passenger Vehicle segment at 23%. The company observed 22% of total sales from new launches within major customers and increased traction in SUV segment. The CV market share improved to 89%. The better production volumes by OEMs helped the CV segment shows moderate growth (11% of total share). Although the 2W segment continued to face the pressure of increased commodity prices and muted demands, improving market share of key customers, efforts to develop new products, and acceptance of end products in the market pushed the performance of 2W/3W segment, which accounted of 65% of total sales and 30% of market share.
- **Highest ever after aftermarket growth**- The company had achieved 50% of YoY sales growth in aftermarket division to ₹984mn. In the PCBU segment, the company had recorded tremendous growth of 78% YoY. GIL has been consistently focusing on expanding its product portfolio. While the company had launched over 1166 SKUs in the last 5 years, around 45 SKUs were launched in 1QFY23 alone. The company has a presence in the aftermarket segment in six continents.
- **EBITDA margin reverting to normalized levels-** EBITDA margin stood at 7.1% in Q1FY23, up 190bps YoY/150bps QoQ. With the RM inflation cooling off & product mix showing improvement, the management expects EBITDA margins to revert to double-digits.
- The company had expended a capex of ₹213mn during the period. The gross debt stood at ₹107mn. The company's net working capital stood at 19 days during the quarter. The company's net cash position was recorded at ₹2.6bn. Cash flow from operations improved sharply to ₹50mn in 1QFY23, from negative in the year ago quarter.

Valuation: The strong demand outlook, improving volumes and late cooling off in input cost are likely to auger well for the company in near term. Subsequently, the margins are expected to revert to double digits. Thrust over EV developments, improving market share across the business segments and expanding geographic presence bodes well for the long-term growth. We maintain our BUY rating on the stock with a price target of ₹173, assigning a P/E of 16x FY24 EPS.

Risk: Less than anticipated sales volumes at OEMs; deterioration of client's market share; margin volatility from competitive pressures.

Results Summary 1QFY23

Y/E March (₹ mn)	1QFY23	1QFY22	YoY Growth	4QFY22	QoQ Growth
Revenue	7,209	4,518	59.6%	6,843	5.3%
EBITDA	509	232	119%	377	34.8%
Depreciation	112	99	12.4%	107	4.5%
Other Income	61	44	38.1%	108	-43.3%
PBT	445	158	181.3%	377	17.9%
Tax	116	38	203.7%	108	7.1%
PAT	329	120	174.3%	269	22.3%
EBITDA Margin (%)	7.1	5.1	37.1%	5.5	28.0%
Tax Incidence (%)	26.0	24.1	7.9%	28.6	-9.2%
PAT Margin (%)	4.6	2.7	71.9%	3.9	16.1%

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