

Retail Equity Research  
**Gabriel India Ltd.**  
Automobile - Auto Ancillary

**Sell**

BSE CODE : 505714      NSE CODE: GABRIEL  
BLOOMBERG CODE: GABR IN      SENSEX : 67,519

12 Months Investment Period      Rating as per Small Cap  
**CMP Rs. 316 TARGET Rs. 275 RETURN -13%** ↓  
(Closing: 14-09-23)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↓

**EARNINGS** ↑

**High valuation-recommend sell.**

Gabriel India Ltd. (GIL) is one of the leading manufacturers and is engaged in producing ride control products, which include shock absorbers, struts, and front forks in every automotive segment.

- We expect the EV order book to be normal for the year due to the reduction in the subsidy and high scrutiny by the government to avail the PLI benefit.
- EV sales form almost 9% of the total sales, up from 3% last year. The company's market share in EVs stand at over 60%, and it serves all the top models. OLA, Ather, TVS, Ampere and Okinawa.
- In Q1FY24, revenue grew by 12% YoY due to superior product mix and price hikes, driven by consistent growth in aftermarket sales and strong growth in the export market.
- EBITDA improved by 151bps YoY due to commodity price stabilization and an increased share in the EV mix.
- The stock has rallied 88% in the last one year and is trading at 25x on a 1yr fwd. basis. Considering this, we expect some consolidation in the near term. We recommend Sell rating at CMP (20x FY25E EPS).

**EV order to normalize for the fiscal year.**

We expect the EV order book to be normal for the year due to the reduction in the subsidy and high scrutiny by the government to avail the PLI benefit. As a result, there was a 50% reduction in EV new bookings for the months of June and July. The company's market share in EV stands at over 60% and serves all the top models (OLA, Ather, TVS, and Ampere & Okinawa, and Okinawa) and holds a cent percent market share in suspension. EV sales form almost 9% of the total sales, up from 3% last year. GIL's foray into e-bicycle, which are becoming very popular in Europe, has received an order from Hero Cycles Export and is optimistic about future demand.

**Current order book to outperform industry growth**

Q1FY24 revenue stood at Rs806cr (12%YoY), primarily driven by improving volume with key customers, offering new products, and strong aftermarket growth. EBITDA came in at 8.6%, expanding by 159bps YoY due to commodity price stabilization and price hikes. Despite muted growth of 4% YoY, the 2W segment (constitutes 61% of the revenue mix) was supported by strong order back from EV and robust customer leverage. In terms of channel mix, export and replacement channels improved from 2%/11% to 4%/13%, respectively. The company has crossed Rs.100cr revenue from exports for the full year and will grow by 20% in next 2 years with the new order from Hero Cycle for E-bicycle, & new order win from DAF Netherland. With the gross margin largely stabilizing at 25%, the company reiterated that the margin will regain 10% going forward.

**JV with Inalfa to manufacture sunroof systems**

Gabriel, India's top suspension manufacturer, is teaming up with Dutch sunroof specialist Inalfa to produce sunroofs for passenger vehicles in India (Technical licensing partnership). The Gabriel-Inalfa alliance will set up a production line near Chennai with an annual capacity of 200,000 units by the first quarter of 2024. initially serving Hyundai and Kia. Gabriel aims to diversify its offerings beyond shock absorbers, capitalizing on India's growing sunroof market. Inalfa, with 25% global sunroof market share, plans to localize sunroof production in India, expecting significant growth, especially in SUVs. The venture could generate up to ₹1,000 crore in revenue by 2030. This expansion reflects Gabriel's strategic adaptation to automotive trends in India.

**Valuations**

Gabriel's expansion in the EV space will support volume growth in the long run. The group formed a separate subsidiary called "ANEVOLVE" EV to expand EV products through partnerships. Under the Anevolve EV division, the company signed 3 JVs with Japanese, Israel and UK companies for motors, controllers, batteries, chargers, etc. However, we foresee a near-term slowdown in new orders due to stricter regulation in the EV space. With the stock's 88% surge in the past year and touching a high P/E of 35x we expect some consolidation in the near term. On a 1 yr fwd. the stock is trading at 25x which is slightly expensive at CMP. we recommend Sell rating and value the stock at 20x FY25E EPS with a revised target price of Rs.275.

**Company Data**

Market Cap (Rs.cr)	4,496
Enterprise Value (Rs.cr)	4,323
Outstanding Shares (cr)	14.4
Free Float	45%
Dividend Yield	0.8%
52 week high Rs.	338
52 week low Rs.	130
6m average volume (cr)	0.08
Beta	0.8
Face value Rs.	1

Shareholding (%)	Q3FY23	Q4FY23	Q1FY24
Promoters	55.0	55.0	55.0
FII's	2.6	2.9	2.7
MFs/Insti	11.2	11.1	11.0
Public	31.2	31.0	31.2
Total	100.0	100.0	100.0

Promotor pledge (%)	Nil	Nil	Nil
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Price Performance	3 Month	6 Month	1 Year
Absolute Return	72.7%	106.0%	88.0%
Absolute Sensex	6.5%	12.8%	11.8%
Relative Return*	66.2%	93.2%	76.2%

\*over or under performance to benchmark index



Standalone (cr)	FY23A	FY24E	FY25E
Sales	2,972	3,291	3,742
Growth (%)	27.4	10.8	13.7
EBITDA	214	280	318
EBITDA Margin (%)	7.2	8.5	8.5
Adj. PAT	132	175	197
Growth (%)	47.9	31.9	13.0
Adj. EPS	9.2	12.2	13.7
Growth (%)	47.9	31.9	13.0
P/E	33.8	25.7	22.7
P/B	2.3	2.0	1.8
EV/EBITDA	21.0	16.0	14.1
ROE (%)	15.6	16.5	17.7
D/E	0.0	0.0	0.0

**Saji John**  
Research Analyst



## Quarterly Financials (Standalone)

### Profit & Loss

Rs (cr)	Q1FY24	Q1FY23	YoY Growth (%)	Q4FY23	QoQ Growth (%)
Sales	806	721	11.8	737	9.3
EBITDA	69	51	35.7	52	31.8
EBITDA margins (%)	8.6	7.1	151bps	7.1	146bps
Depreciation	13	11	16.3	13	0.0
EBIT	56	40	41.2	39	42.3
Interest	2	1	62.9	3	-13.6
Other Income	5	6	-24.3	6	-28.1
Exceptional Items	0	0	0.0	0	0.0
PBT	58	44	31.5	43	35.1
Tax	15	12	31.4	11	35.2
Share of profit from associates	0	0	0.0	0	0.0
Minority interest	0	0	0.0	0	0.0
Reported PAT	43	33	31.5	32	35.1
Adjustments	0	0	0.0	0	0.0
Adj PAT	43	33	31.5	32	35.1
No. of Shares	14	14	0.0	14	0.0
Adj EPS (Rs)	3.0	2.3	31.5	2.2	35.1

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	3,089	3,439	3,291	3,742	6.5	8.8
EBITDA	235	281	280	318	19.0	13.2
Margins (%)	7.6	8.2	8.5	8.5	89bps	33bps
Adj. PAT	156	192	175	197	11.9	2.8
EPS	10.9	13.4	12.2	13.7	11.6	2.6

## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Revenue</b>	<b>1,870</b>	<b>1,695</b>	<b>2,332</b>	<b>2,972</b>	<b>3,291</b>	<b>3,742</b>
% change	-9.9	-9.4	37.6	27.4	10.8	13.7
<b>EBITDA</b>	<b>138</b>	<b>103</b>	<b>146</b>	<b>214</b>	<b>280</b>	<b>318</b>
% change	-22.5	-25.6	42.3	46.4	30.9	13.7
Depreciation	43	41	40	48	53	59
<b>EBIT</b>	<b>94</b>	<b>60</b>	<b>105</b>	<b>165</b>	<b>226</b>	<b>258</b>
Interest	4	7	4	5	9	10
Other Income	10	24	26	17	20	19
<b>PBT</b>	<b>100</b>	<b>78</b>	<b>126</b>	<b>178</b>	<b>236</b>	<b>267</b>
% change	-29.9	-22.3	62.3	40.7	32.6	13.0
Tax	16	18	37	46	61	69
Tax Rate (%)	0.2	0.2	0.3	0.3	0.3	0.3
<b>Reported PAT</b>	<b>85</b>	<b>60</b>	<b>90</b>	<b>132</b>	<b>175</b>	<b>197</b>
Adj*	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adj PAT</b>	<b>85</b>	<b>60</b>	<b>90</b>	<b>132</b>	<b>175</b>	<b>197</b>
% change	-10.8	-28.9	48.5	47.9	31.9	13.0
No. of shares (cr)	14	14	14	14	14	14
<b>Adj EPS (Rs.)</b>	<b>5.9</b>	<b>4.2</b>	<b>6.2</b>	<b>9.2</b>	<b>12.2</b>	<b>13.7</b>
% change	-10.8	-28.9	48.5	47.9	31.9	13.0
DPS (Rs.)	1.4	1.1	1.3	1.9	1.9	1.9
CEPS (Rs.)	0	0	0	0	0	0

### CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Net inc. + Depn.</b>	<b>143</b>	<b>119</b>	<b>167</b>	<b>226</b>	<b>289</b>	<b>326</b>
Non-cash adj.	1	0	0	0	0	0
Changes in W.C	-19	-364	16	133	-65	-13
<b>C.F. Operation</b>	<b>126</b>	<b>-244</b>	<b>184</b>	<b>359</b>	<b>225</b>	<b>313</b>
Capital exp.	-74	-54	-63	-95	-80	-80
Change in inv.	-3	35	-69	34	0	0
Other invest.CF	0	0	0	0	0	0
<b>C.F - Investment</b>	<b>-79</b>	<b>-19</b>	<b>-132</b>	<b>-61</b>	<b>-80</b>	<b>-80</b>
Issue of equity	0	0	0	0	0	0
Issue/repay debt	5	0	-2	-4	8	1
Dividends paid	-21	-21	-21	-21	-27	-27
Other finance.CF	0	0	0	0	0	0
<b>C.F - Finance</b>	<b>-16</b>	<b>-21</b>	<b>-22</b>	<b>-25</b>	<b>-19</b>	<b>-27</b>
Chg. in cash	64	-250	30	273	126	207
Closing cash	328	78	137	472	598	815

### BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	328	78	137	472	598	815
Accounts Receivable	256	279	382	448	496	513
Inventories	150	196	210	261	283	307
Other Cur. Assets	64	311	230	110	122	138
Investments	50	15	84	50	50	50
Gross Fixed Assets	503	549	620	700	780	860
Net Fixed Assets	348	353	385	420	447	468
CWIP	20	28	20	35	35	35
Intangible Assets	4	3	3	2	1	0
Def. Tax (Net)	-20	-20	-20	-20	-20	-20
Other Assets	0	0	0	0	0	0
<b>Total Assets</b>	<b>1,183</b>	<b>1,192</b>	<b>1,349</b>	<b>1,604</b>	<b>1,789</b>	<b>2,040</b>
Current Liabilities	430	392	476	611	676	769
Provisions	26	27	30	41	45	51
Debt Funds	6	6	5	0	9	9
Other Liabilities	57	64	65	95	103	117
Equity Capital	14	14	14	14	14	14
Reserves & Surplus	649	689	758	865	994	1,159
Shareholder's Fund	663	703	771	879	1,008	1,173
<b>Total Liabilities</b>	<b>1,183</b>	<b>1,192</b>	<b>1,349</b>	<b>1,604</b>	<b>1,789</b>	<b>2,040</b>
<b>BVPS (Rs.)</b>	<b>46</b>	<b>49</b>	<b>54</b>	<b>61</b>	<b>70</b>	<b>82</b>

### RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Profitab. &amp; Return</b>						
EBITDA margin (%)	7.4	6.0	6.3	7.2	8.5	8.5
EBIT margin (%)	5.03	3.55	4.48	5.56	6.85	6.90
Net profit mgn.(%)	4.5	3.6	3.8	4.5	5.3	5.3
ROE (%)	13.4	8.8	12.1	15.6	16.5	17.7
ROCE (%)	10.1	7.8	9.2	11.9	12.7	13.4
<b>W.C &amp; Liquidity</b>						
Receivables (days)	52.7	57.6	51.8	51.0	52.3	49.2
Inventory (days)	42.0	50.0	41.5	37.9	40.4	38.4
Payables (days)	121.0	118.6	88.7	87.4	95.5	94.2
Current ratio (x)	1.8	2.1	1.9	2.0	2.1	2.3
Quick ratio (x)	1.4	0.9	1.1	1.5	1.7	1.8
<b>Turnover &amp; Leverage</b>						
Gross asset T.O (x)	4.2	3.2	4.0	4.5	4.4	4.6
Total asset T.O (x)	1.6	1.4	1.8	1.9	1.8	1.8
Int. coverage ratio (x)	26.3	9.2	24.5	36.4	24.1	25.5
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation</b>						
EV/Sales (x)	2.4	2.6	1.9	1.5	1.4	1.2
EV/EBITDA (x)	32.6	43.8	30.7	21.0	16.0	14.1
P/E (x)	52.9	74.3	50.1	33.8	25.7	22.7
P/BV (x)	3.1	2.9	2.7	2.3	2.0	1.8

## Recommendation summary (Last 3 Years)



Dates	Rating	Target
13th August 2020	Accumulate	103
23rd November 2020	Accumulate	117
02 July 2021	Accumulate	137
16 August 2022	Accumulate	164
17 March 2023	Buy	173
15 September 2023	Sell	275

Source: Bloomberg, Geojit Research.

## 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/Neutral	-	-	-

### 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/Neutral :** 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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