

GNA AXLES LIMITED

G N A Axles Ltd is Punjab based manufacturers of rear axle shafts, other shafts and spindles used in on-highway and off-highway vehicular segments in India. Company mainly engaged in manufactures and sells auto components for the four-wheeler industry.

Issue Highlights

Issue Open	14 September – 16 September 2016
Price Band	Rs. 205-207
Issue Size	6,300,000 Equity Shares of Rs 10 aggregating up to Rs 130.41 Cr.
Equity Shares	6,300,000
Offer Size	Rs. 130 crores
Face Value	Rs 10
Book value	Rs 91.92 (March 31, 2016)
Bid size	70 equity shares, in the multiples of 70 thereafter
Book built Issue Capital Structure	Pre Issue Equity: Rs. 15,200,000 Post issue Equity: Rs.21,400,000
Listing	BSE & NSE
Book Running Lead Manager	Ambit Private Limited PNB Investment Services Ltd

Shareholding Pattern	Pre issue %	Post issue %
Promoters & Promoter Group	100	70.6
Public (incl institutions & employees)	0	29.4
Total	100	100

Background

Incorporated in 1993, GNA Axles supplies rear axle shafts for agricultural and commercial vehicles. GNA has two manufacturing units in Kapurthala and Hoshiarpur with production for on-highway and off-highway vehicular segments including HCV, MCV, LCV tractors and machinery. The company boasts of a broad customer base in India and overseas. Its customers include original equipment manufacturers (OEMs) like **Mahindra & Mahindra (M&M), Tractors and Farm Equipment (TAFE)** and **John Deere**. GNA also serve as tier-1 supplier for companies like **Transaxle Manufacturing of America, Kubota Corporation Meritor HVS AB, Dana Limited** and **Automotive Axles Limited**. GNA exports equipment to overseas locations including USA, UK, China, Japan, Germany, France, Australia, Sweden, Italy, Turkey and Spain.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
Total Assets	4465.32	4264.62	3818.52	3178.77	2674.52
Total Revenue	5089.43	4306.44	4042.48	3490.51	3986.66
Profit After Tax	295.56	215.98	132.65	48.14	169.34

Objective

- 80cr will be used for purchase of plant & machinery.
- 35cr will be used for funding working capital requirements.
- The balance will be used for general corporate purposes.

Strength

- Among the Leading Manufacturers of Axle Shafts in India
- Diverse Product Range of Axle Shafts and Spindles
- Strong Long Term Customer Relationships and Diversified Customer Base
- Manufacturing Facilities with Large Capacity and Modern Machinery
- Experienced Management and Skilled Employee Base
- Strong Engineering, Product Development and Technological Capabilities
- Sustained Financial Performance and Strong Financial Position

Weakness

- A significant portion of the revenues is dependent on its exports.
- Customers may terminate supply contracts before completion.
- If fails to identify and understand evolving industry trends.
- If fails to obtain or maintain approvals.

OUR VIEW

At the upper price band of 207, the stock is available at 17x on FY16 post issue diluted EPS of 12.1. We believe GNA has a decent business model (strong customer base & diversified revenue) and financial performance. However, we believe the company is also fairly valued at the IPO price. GNA has consistently maintained its profitability and robust margin profile, due to strong operations and focus on profitable customers. We believe high dependence on CV segment, lack of product diversification and recent slowdown in North American class 8 market (46% of export market) would be major concerns for earnings. Seeing that major of their revenue comes from exports, therefore it is always a risk in investing in such companies as exchange rates play a major role. Therefore, a long term investor may choose to invest, whereas a short term may give it a miss.