

24 January 2017

Initiating Coverage (BUY)

**GABRIEL INDIA LTD**

CMP

INR 108

Target Price

INR 143

**Stock Details**

Industry	AUTO PARTS & EQUIPMENT
Bloomberg Code	GABR:IN
BSE Code	505714
Face Value (Rs.)	1.00
Market Cap. (Rs. mn)	15,556.2
52wk. Low/High (Adjusted) ((Rs.))	75.00/129.95

**Shareholding Pattern Dec '16**

Promoter (%)	54.63
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	45.37
No. of Share Outstanding (mn)	143.6

**Valuation Summary**

	FY 15A	FY 16A	FY 17P	FY 18P
P/E (x)*	21.53	20.67	20.00	21.00
EV/EBITDA (x)	10.73	11.60	10.88	11.05
P/BV (x)	3.97	4.09	4.23	3.96

\*TTM for Current Year

Based on Market Price as on 1<sup>st</sup> Apr is taken for Each FY**Key Financial**

Rs. Mn	FY 15A	FY 16A	FY 17P	FY 18P
Net Sales	14,441	14,382	15,821	18,194
EBITDA	1,208	1,318	1,608	1,661
Net Profit	600	752	950	979
EPS (Rs.)*	4.2	5.2	6.6	6.8

\*Un adjusted

**Key Ratios**

	FY 15A	FY 16A	FY 17P	FY 18P
EBITDA Margin (%)	8.3	9.1	10.1	9.1
EBIT Margin (%)	6.2	6.8	7.9	7.1
Net Pro. Margin (%)	4.1	5.2	6.0	5.4
Debt/Equity (x)	0.02	0.02	0.02	0.02
RoNW (%)	19.7	21.3	22.9	20.2
RoCE (%)	18.2	19.8	21.5	19.1

One Year Price / Volume



**We recommend 'BUY' on GABRIEL INDIA LIMITED for a target of INR 143 - valuing the company at P/E 21x of FY18E Earning.**

**INVESTMENT RATIONALE:**

- Integrated Solutions Provider
- Innovation is the key theme across all our plants and central functions.
- Robust market share position provides comfort to investors
- New model launches in the PV space to provide plethora of opportunities
- Exports business to be the main driver of growth hereon
- Robust OEM sales entail hefty aftermarket sales
- Proximity to various OEM plants ensures low transportation costs and quick service.
- Passenger car segment to grow at a healthy pace.
- Global tie-ups have provided the technological edge
- Improving profitability and healthy return ratios make an attractive case

**VALUATIONS AND VIEW:**

The company provides the widest range of ride control products in India, including Shock Absorbers, Struts and Front Forks, across every automotive segment with over 300 product models on offer. It has earned the reputation of being a complete solutions provider of innovative and proprietary products that have become its hallmark. It is innovatively inclined, technologically competitive and customer focused. **We value the business at 21x FY18E EPS and recommend a BUY rating on the stock with a target price of INR 143 per share.**

## RISK & CONCERNS

- **Slowdown in automobile growth** - 83% of Gabriel's revenues come from its products fitted in new vehicles. We are expecting demand recovery in the automotive sector in FY17 and pick-up in growth in FY18. Delay in demand pick-up will impact Gabriel's revenues and profitability.
- **Growth to be limited from existing business segment** - Gabriel has various group companies that supply various auto ancillary product to the OEM's. There is low probability of Gabriel adding new business segments, thereby limiting growth to that extent.
- **Competition:** In the passenger vehicle segment, Gabriel faces stiff competition from various global and domestic suppliers of suspension products.

## COMPANY BACKGROUND:

Gabriel India Limited is the flagship company of ANAND and a leading name in the Indian Auto Component Industry. Established in 1961, the company provides the widest range of ride control products in India, including Shock Absorbers, Struts and Front Forks, across every automotive segment with over 300 product models on offer.

The company has seven manufacturing units and two satellite locations in India. Gabriel operates in a market where there are many unorganized players as well, but Gabriel is firmly holding among the top two positions in the shock absorbers industry. On the back of decent topline and bottom line growth and a clean strong balance sheet we believe Gabriel is well poised to trace the inherent strength in the automobile industry once the demonetization dust settles.

Over the last five decades, it has earned the reputation of being a complete solutions provider of innovative and proprietary products that have become its hallmark. It is innovatively inclined, technologically competitive and customer focused. A leading presence across each automotive market – OEM, Aftermarket and Exports. It services the growing needs of customers through our state-of-the-art manufacturing facilities across India.

### Products-

- Shock Absorbers
- Front Forks
- Strut

## INDUSTRY OVERVIEW:

According to the Confederation of Indian Industry (CII), the Indian automobile industry is one of the largest in the world, having grown by 2.6% over the previous year. It is one of the key drivers of economic growth, contributing 7.1% to India's Gross Domestic Product (GDP). Since de-licensing of the sector in 1991 and subsequent opening up of 100% FDI through the automatic route, the sector has come a long way. Today, almost every global auto major has set up facilities in India to cater to the growing middle class and young population.

The industry has a promising future in India. Apart from meeting growing domestic demand, it is also gradually penetrating international markets. Favoured with various advantages such as access to a globally competitive automobile industry; supply of locally produced raw materials at low costs; availability of highly skilled manpower at competitive wages, and a mature ecosystem of testing and R&D centres, India's automobile industry provides immense investment and employment opportunities.

## Peer Comparison

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div. Yld (%)	NP Qtr. (Rs Cr)	Qtr. Profit Var (%)	Sales Qtr. (Rs Cr)	Qtr. Sales Var (%)	CMP/BV
<b>Bosch</b>	<b>21,479</b>	<b>36.6</b>	<b>65,554.9</b>	<b>0.41</b>	<b>703.7</b>	<b>79.20</b>	<b>2,611.5</b>	<b>9.66</b>	<b>7.00</b>
Motherson Sumi	166	20.3	659.0	0.72	479.9	26.44	10,136.9	14.26	5.24
Exide Inds.	185	22.3	15,720.8	1.30	NaN	NaN	NaN	NaN	3.67
Tube Investments	575	22.6	10,778.6	0.87	725.6	41.51	1,710.8	(28.48)	3.24
Sundram Fasten.	312	21.0	6,556.2	0.69	76.9	82.47	738.2	11.80	5.61
Sundaram Clayton	3,025	25.4	6,120.0	1.36	NaN	NaN	NaN	NaN	4.59
<b>Gabriel India</b>	<b>108</b>	<b>20.0</b>	<b>15,556.2</b>	<b>1.07</b>	<b>21.3</b>	<b>10.20</b>	<b>393.8</b>	<b>4.96</b>	<b>4.09</b>

\*TTM

## FINANCIAL OVERVIEW

### Q4 FY16 Performance Highlight

(in Million)	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	YoY (%)	QoQ (%)
Revenue	375.18	354.79	366.20	370.42	393.80	4.96%	6.31%
Other Income	1.16	0.5	1.54	1.16	1.71		
Total Income	376.34	355.29	367.73	371.58	395.51	5.09%	6.44%
Expenditure	-342.41	-323.62	-333.74	-336.34	-356.36		
As a % of Sales	91.27%	91.21%	91.14%	90.80%	90.49%		
Interest	-0.58	-0.61	-0.57	-0.48	-0.32	-44.83%	-33.33%
PBDT	33.35	31.07	33.42	34.76	38.83		
As a % of Sales	8.89%	8.76%	9.13%	9.38%	9.86%		
Depreciation	-8.27	-8.63	-8.08	-8.63	-8.87		
PBT	25.09	22.43	25.35	26.13	29.96	19.41%	14.66%
As a % of Sales	6.69%	6.32%	6.92%	7.05%	7.61%		
Tax	-5.79	-4.88	-4.42	-6.7	-8.68	49.91%	29.55%
Net Profit	19.29	17.56	20.93	19.43	21.28	10.32%	9.52%
As a % of Sales	5.14%	4.95%	5.72%	5.25%	5.40%		
Equity	14.36	14.36	14.36	14.36	14.36	0.00%	0.00%
EPS (Rs)	1.34	1.22	1.46	1.35	1.48	10.45%	9.63%
CEPS (Rs)	1.92	1.82	2.02	1.95	2.1		
OPM %	9.04	8.93	9.28	9.51	9.94		
NPM %	5.14	4.95	5.71	5.25	5.4		

## Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
<b>Net Sales</b>	12,053	12,866	14,441	14,382	15,821	18,194	20,923
Other Operating Income	42	56	43	42	47	60	64
<b>Expenditure</b>	11,230	11,962	13,277	13,107	14,260	16,593	19,076
<b>EBITDA</b>	866	960	1,208	1,318	1,608	1,661	1,911
Depreciation	273	271	311	332	351	370	389
<b>EBIT</b>	593	690	896	986	1,257	1,291	1,521
Interest Expenses	122	90	55	25	44	41	52
<b>PBT</b>	471	600	841	961	1,213	1,250	1,469
Tax	30	132	235	203	263	271	318
Other Income	-	-	-	-	-	-	-
Extraordinary Items	(59)	(42)	(6)	(6)	-	-	-
<b>Net Income Before Adjustment</b>	381	426	600	752	950	979	1,151
Minority Int./Income from Assoc.	-	-	-	-	-	-	-
<b>Adjusted PAT</b>	381	426	600	752	950	979	1,151

## Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Equity share capita	144	144	144	144	144	144	144
Reserves & surplus	2,425	2,708	3,111	3,656	4,343	5,052	5,886
Share Warrants	-	-	-	-	-	-	-
<b>Net worth</b>	2,569	2,852	3,254	3,799	4,487	5,196	6,030
Minority Interest	-	-	-	-	-	-	-
<b>Loan Funds</b>	164	96	58	81	83	81	79
Net deferred tax liability	111	96	105	104	104	104	104
Other Long-term Liabilities	37	-	-	-	-	-	-
Long-term Provisions	57	41	93	92	101	117	134
<b>Total Liabilities</b>	2,936	3,085	3,512	4,078	4,777	5,500	6,349
<b>Net block</b>	2,618	2,797	2,708	2,746	2,677	2,612	2,503
Investment, Loan & Adv.	306	233	251	250	275	315	367
<b>Total Current Assets</b>	2,594	2,849	3,206	3,720	4,085	5,159	6,452
<b>Current Liabilities &amp; Provisions</b>	2,582	2,795	2,653	2,640	2,261	2,588	2,975
<b>Net Current Assets</b>	12	55	553	1,080	1,824	2,571	3,477
<b>Total Assets</b>	2,936	3,085	3,512	4,078	4,777	5,500	6,349

## Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16E	FY 17P	FY 18P
<b>Operating Cash Flow</b>	910	1,830	1,373	1,559
<b>Cash Flow from Investments</b>	(358)	(327)	(368)	(356)
<b>Cash Flow from Financing</b>	(231)	(266)	(307)	(339)
<b>Net Changes in Cash</b>	321	1,237	698	864
Opening Cash	30	351	1,588	2,287
<b>Closing Cash Balance</b>	351	1,588	2,287	3,151

## Research Analyst Details

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