

## Company Report

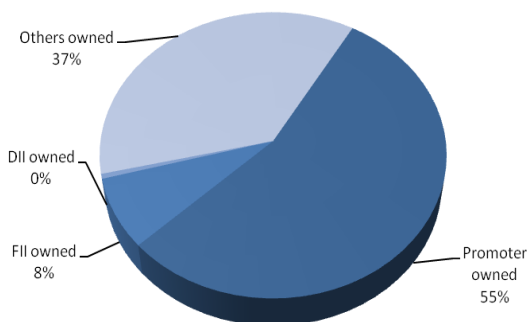
### Gabriel India Ltd.

4<sup>th</sup> November, 2014**BUY****CMP(As on 3/11/2014)** **Rs.83.40****Target Price** **Rs.115.00**

BSE Code	505714
NSE Code	GABRIEL
Market Cap (Rs Cr.)	1198.21
52 Week High/Low	86.90/19.45
Industry	Auto Ancillary
Face Value	Rs.1.00
Shares O/S	14.37 Cr.

EPS(TTM)	3.32
Book Value	20.81
P/E	25.12
P/B	4.00

#### Shareholding Pattern



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- Gabriel India Limited, the pioneer of Ride Control Products in the country, 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 with Shock Absorbers, Struts and Front Forks, catering to Passenger Cars, Utility Vehicles, Commercial Vehicles and Two Wheelers, with over 300 product models on offer.
- The company has registered sharp results for the quarter ending June 2014. The revenues from operations grew by about 19% to Rs.352.43 crores vs. Rs.295.56 cr. in the year ago quarter while it remained flat on q-o-q. Revenue growth has been mainly driven by volume increase in two-wheeler and passenger cars segments. Operating profit climbed sharply by ~38% at Rs.27.23 crores as against Rs.19.79 crores in the previous year quarter. The adjusted net profit(before exceptional item) stood at Rs.13.85 crore for the quarter as against Rs.8.68 crore; registering a growth of ~60% and 11% on a sequential basis. On the margins front, operating margin climbed about 102ps at 7.729.37% as against 6.7% while net profit margin expanded 99bps at 3.93% from 2.94% y-o-y.
- Two/three wheeler has contributed sharp 58% to the total revenues in Q1FY15 as against 53% in Q1FY14. Passenger car has witnessed a fall in contribution to revenues from 33% in Q1FY14 to 31% in Q1FY15; similarly commercial vehicles contributed a mere 11% from 14% y-o-y. Channel mix contribution between original equipment, aftermarket and exports remained same.

#### Valuation

With dominant position in shock absorber market, huge client base, strong brand positioning, increasing geographical presence and de-leveraging balance sheet; Gabriel India Ltd. growth prospects and profitability looks promising. We believe the company is trading at an attractive valuation at 18.95x and 13.4x of FY15EPS of Rs.4.4 and FY16EPS of Rs.6.22. We initiate a 'BUY' on the stock with a target price of Rs.115 (appreciation of about 37%) with the medium to long term investment horizon.

## Business Details

Gabriel India Ltd. is a renowned brand synonymous with Shock Absorbers in India having established a significant presence across all automotive customer segments: the Original Equipment Manufacturers (OEM's), Replacement market and Exports. The company provides the widest range of products from front forks and rear shock absorbers for two wheelers, McPherson struts and shock absorbers for passenger cars, Axle, cabin and seat dampers, suspension shock absorber for commercial vehicles and railway shock absorbers. The company has a Technical Collaboration with KYB Corporation, Japan, and KYBSE, Spain. It also has a Technical Collaboration with Yamaha Motor Hydraulic Systems, Japan. Gabriel India that commenced operations in 1961, with a single plant in Mulund, Mumbai today has nine manufacturing facilities spread across the country making Gabriel the leading Automotive OEM supplier for Ride Control products in the country. Manufacturing facilities are:-

**Nashik-** Set up in 1990, this facility manufactures Shock Absorbers and Front Forks for two-wheelers (Scooters & Motor Cycles). The technology is provided by 'Yamaha Motor Hydraulic systems, a 100% subsidiary of Yamaha Motor Company, Japan. This plant caters to Bajaj auto, Yamaha, Honda, Mahindra etc.

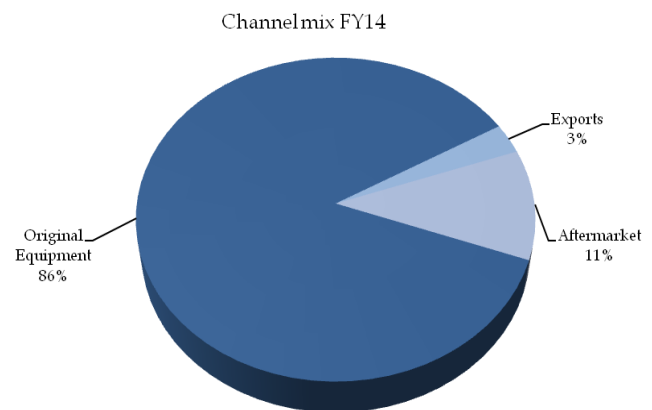
**Hosur-** Set up in year 1997 the facility mainly caters to TVSM, Suzuki Motors, Eicher Motors and Yamaha. This plant has made substantial investments to develop innovative products for 2 wheeler market with the backing of Yamaha and KYB of Japan.

**Parwanoo-** Set up in year 2007, this plant has probably the widest range of product families producing Shock absorbers for commercial vehicle and 2 wheelers, Struts for passenger cars and Front forks for motor cycles. The facility mainly caters to TVSM, Tata Motors and Mahindra.

**Chakan (Pune)-** Set up in 1997, this facility delivers suspension products for passenger cars to the widest range of OEMs like Tata Motors, Hyundai, Renault, General Motors, Ford, Toyota Kirloskar & Maruti. This facility is supported by technologies mainly from KYB Corp. that offers suitable products to the foreign auto makers in India.

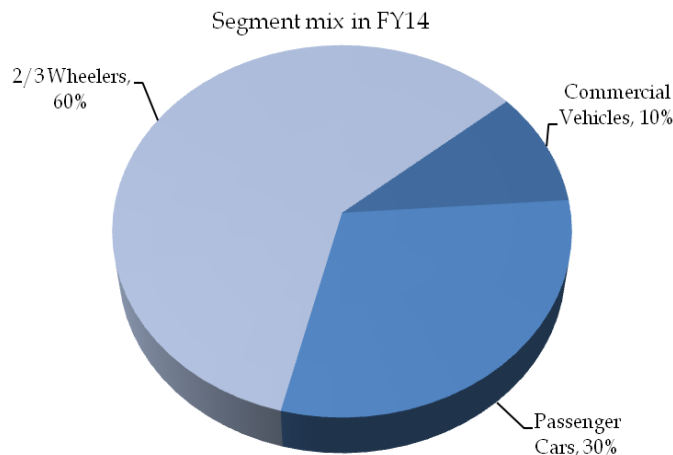
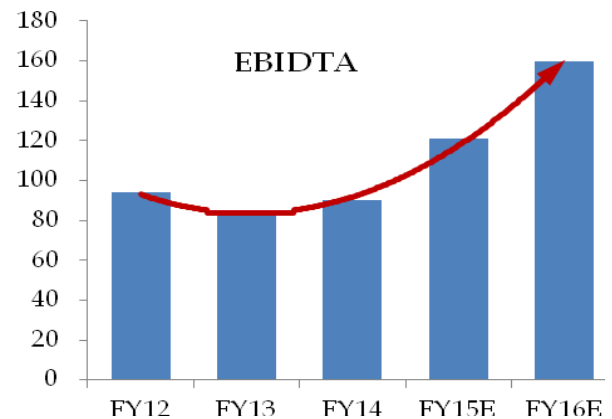
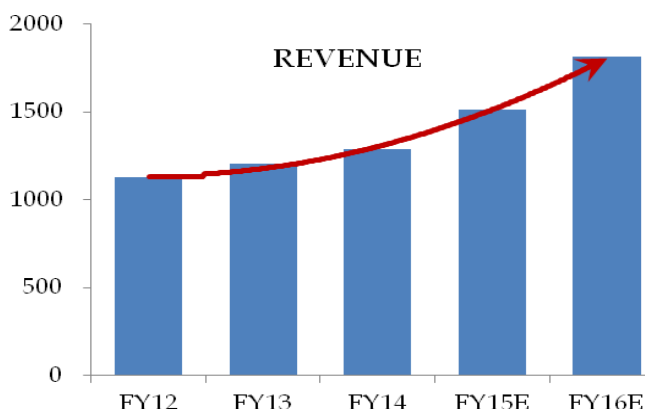
**Khandsa (Gurgaon)-** This is a facility in a most strategic location of Indian Auto giants at Khandsa, with a comprehensive & Integrated Production System [IPS] for manufacture of gas charged shock absorbers. The plant with technical collaboration with KYB Japan caters to Maruti Suzuki, Honda and Tata.

**Dewas-** Set up in 1992, Dewas plant support requirements of all commercial vehicles like Tata Motors, Ashok Leyland, Eicher, M&M, Force Motors. The facility serves all segments like original equipment, after market and exports.



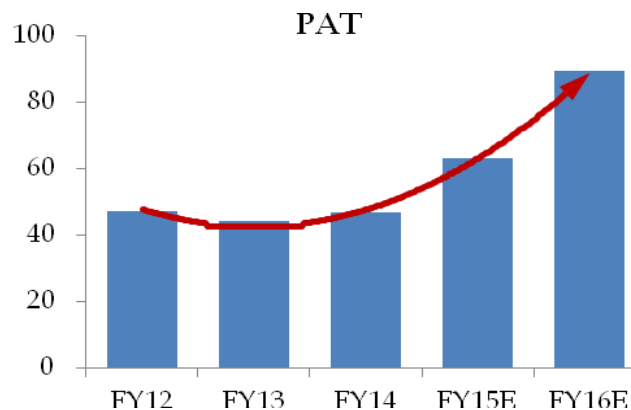
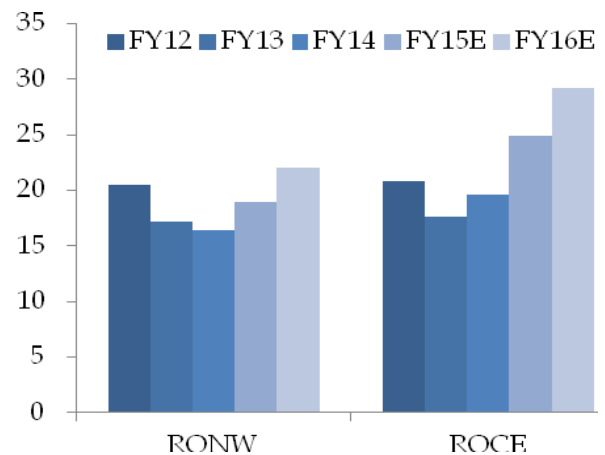
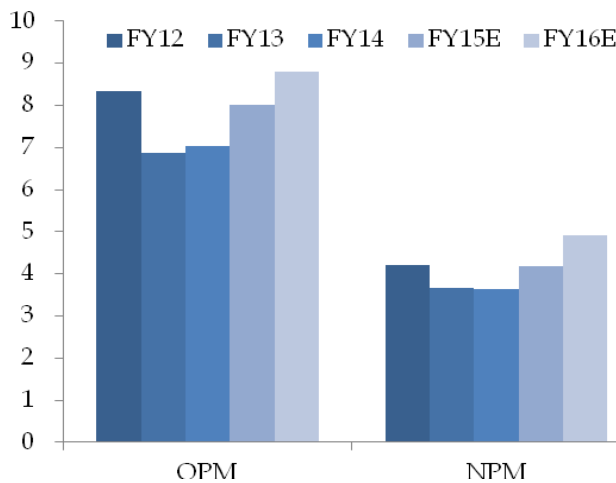
## Well diversified business

Gabriel India is a brand synonymous with shock absorber with strong market share of 45% with a pan-India network. The company has created its geographical presences across countries like USA, Colombia, Venezuela, Iran, Japan, Africa and Italy. It is planning to expand its network and enter in all six continents. The company plans to focus on exports growth in order to expand its global manufacturing footprint. It also focuses to grow via inorganic growth. The company supplies to most Original Equipment manufacturers (OEM)s in the country; which accounts about 86% of company's total revenues. The company is a dominant player in commercial vehicle (CV) segment with a market share of 80% and derives 10% of its revenues from it. Passenger car segment contributes 30% to the total OEM sales and hold 29% of market share. Two/three wheelers contribute the largest share of 60% to OEM sales and hold 20% of market share. After market in which the company has 51% market share contributes 11% to total sales while remaining 3% is derived from exports. The company has technical tie-ups with few global players like KYB Japan, KYBSE Spain and Yamaha Motor through which it gets access to new techniques, new well-equipped machinery assistance which enhances its product development capabilities.



### Strong client base

The Company has strong base of customers since its inception. The company has been supplying to TVS Motors for both its motor cycles and scooters since many years and in some specific model it is the only source of supply. For Eicher motors strong brand 'Royal Enfield', Gabriel is a single source supplier. The company has been serving to esteemed clients like TVS Motors, Bajaj Auto, Honda, Yamaha, Suzuki, Mahindra, Piaggio Vehicles etc under two/three wheeler segment. No single original equipment customer counts for more than 20% of sale. Under passenger car segment it has valued customers like Ford, Toyota, Mahindra, Volkswagen, Hyundai, Maruti Suzuki, Honda, Tata Motors, Renault etc. Under commercial vehicles category, Tata Motors, Force motors, Ashok Leyland, Mahindra etc constitute as prestigious customers for Gabriel India. Further, the company also enjoys locational advantage as its manufacturing facilities are located nearby major OEMs which enables it to supply its components easily and with quick time.



## Standalone Profit & Loss Account

Rs. Crore

Particulars	FY12	FY13	FY14	FY15E	FY16E
Net sales	1128.23	1205.32	1286.61	1514.34	1814.18
Growth		6.83%	6.74%	17.70%	19.80%
Expenditure	1034.16	1122.69	1196.21	1393.19	1654.53
EBITDA	94.07	82.64	90.39	121.15	159.65
Growth		-12.15%	9.39%	34.02%	31.78%
EBITDA margin	8.34%	6.86%	7.03%	8.00%	8.80%
Other income	7.31	4.05	5.63	7.57	9.98
Depreciation & Amortisation	27.64	27.28	27.07	30.87	34.89
EBIT	73.74	59.41	68.95	97.85	134.74
EBIT margin	6.54%	4.93%	5.36%	6.46%	7.43%
Interest	17.01	12.29	9.00	7.57	7.15
PBT	56.73	47.12	59.96	90.28	127.59
Tax	9.38	3.05	13.16	27.08	38.28
PAT	47.35	44.07	46.80	63.20	89.31
Adjusted PAT	47.35	44.07	46.80	63.20	89.31
Growth		6.92	6.19	35.04	41.32
Net Profit margins	4.20	3.66	3.64	4.17	4.92
Exceptional item	(5.72)	5.94	4.20	0.00	0.00
Reported PAT	53.06	38.14	42.60	63.20	89.31
Equity Capital	7.19	14.37	14.37	14.37	14.37
Res. & Surplus	224.06	242.49	270.81	319.64	391.71
Equity Shares	7.19	14.37	14.37	14.37	14.37
Adjusted EPS	6.59	3.07	3.26	4.40	6.22

## Ratios

Particulars	FY12	FY13	FY14	FY15E	FY16E
Return on Equity	20.48	17.16	16.41	18.92	21.99
Return on Capital employed	20.81	17.61	19.64	24.95	29.22
Debt/Equity	0.53	0.31	0.23	0.17	0.14
Asset turnover	2.09	2.16	2.19	2.22	2.30
Current Ratio	1.87	1.41	1.36	1.24	1.18
Book value per share	32.18	17.88	19.85	23.25	28.26
Interest coverage	4.34	4.83	7.66	12.93	18.84

## Balance Sheet

Rs. Crore

Particulars	FY12	FY13	FY14	FY15E	FY16E
Share Capital	7.19	14.37	14.37	14.37	14.37
Reserves & Surplus	224.06	242.49	270.81	319.64	391.71
Shareholders funds	231.25	256.86	285.17	334.00	406.07
Borrowings	123.05	80.58	65.97	58.24	54.98
Deferred tax liability	13.34	11.05	9.55	9.55	9.55
Minority Interest	0.00	0.00	0.00	0.00	0.00
<b>Sources of funds</b>	<b>367.64</b>	<b>348.48</b>	<b>360.70</b>	<b>401.80</b>	<b>470.60</b>
Gross block	392.88	459.43	492.12	582.44	697.76
Accumulated Depreciation	179.06	204.00	224.93	255.80	290.69
Net block	213.82	255.43	267.19	326.64	407.07
Capital WIP	3.73	6.39	12.46	8.08	6.05
Investments	0.02	0.02	0.02	0.00	0.00
Deffered tax assets	0.00	0.00	0.00	0.00	0.00
Goodwill on consolidation	0.00	0.00	0.00	0.00	0.00
Inventories	123.07	111.18	116.82	131.69	143.18
Sundry debtors	126.56	121.47	136.08	149.02	162.02
Cash and bank balance	5.59	7.39	4.88	10.40	11.30
Other current assets	0.42	0.52	0.02	0.00	0.00
Loans and advances	66.97	55.22	50.37	55.45	60.29
Total current assets	322.61	295.77	308.16	346.55	376.79
Current liabilities and provisions	172.54	209.13	227.14	279.48	319.31
Net current assets	150.07	86.65	81.02	67.07	57.48
Misc exp	0.00	0.00	0.00	0.00	0.00
<b>Uses of funds</b>	<b>367.64</b>	<b>348.48</b>	<b>360.70</b>	<b>401.80</b>	<b>470.60</b>

## Quarterly Financial Highlights

Rs. Crore

Particulars	Q1FY15	Q1FY14	Q4FY14	YoY%	QoQ%
Revenues	352.43	295.56	335.18	19.24	5.16
Expenditures	325.20	275.77	307.50	17.92	5.76
Operating Profit	27.23	19.79	27.68	37.59	(1.63)
Adjusted Net Profit	13.85	8.68	12.53	59.56	10.53
Exceptional item	0.15	----	4.2	----	----
Reported PAT	13.70	8.68	8.33	57.83	64.47
OPM%	7.72	6.70	8.26	102bps	(54bps)
NPM %	3.93	2.94	3.74	99bps	19bps
Adjusted EPS	0.96	0.60	0.87	60.00	10.34

## Past Price movement of the stock



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<i>Disclosure of Interest Statement</i>	<i>Company Name</i>
1. Analyst Ownership of the Stock	No
2. Hem & its Group Company Ownership of the Stock	Yes
3. Hem & its Group Companies' Director Ownership of the Stock	Yes
4. Broking relationship with company covered	No

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