

## Gabriel India Ltd.

January 30, 2025

CMP: INR 451 | Target Price: INR 565 | Potential Upside: 25%

BUY

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

## Company Info

BB Code	GABR IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	559/272
Mkt Cap (Bn)	INR 63.4 / \$0.7
Shares o/s (Mn)	143.6
3M Avg. Daily Volume	2,61,554

## Change in CEBPL Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	46.1	46.4	(0.6)	53.0	53.5	(1.0)
EBITDA	4.5	4.6	(2.6)	5.4	5.6	(3.8)
EBITDAM %	9.7	9.9	(20) bps	10.2	10.5	(30) bps
PAT	2.9	3.0	(2.0)	3.5	3.7	(3.3)
EPS	20.1	20.6	(2.0)	24.6	25.5	(3.3)

## Actual vs Consensus

INR Bn	Q3FY25A	Consensus Est.	Dev. %
Revenue	10.2	10.0	1.9
EBITDA	0.9	1.0	(4.5)
EBITDAM %	9.0	9.6	(60) bps
PAT	0.6	0.6	1.0

## Key Financials

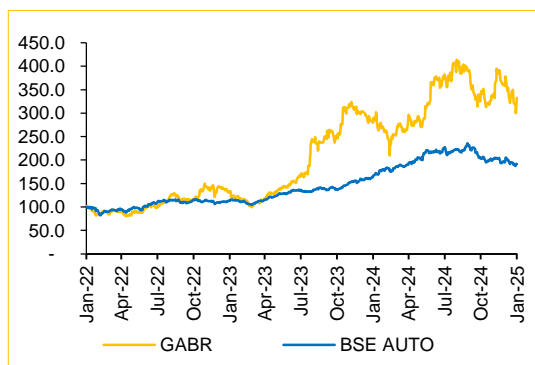
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	29.7	34.0	40.4	46.1	53.0
YoY (%)	27.4	14.5	18.7	14.3	14.9
EBITDA	2.1	2.9	3.8	4.5	5.4
EBITDAM %	7.2	8.6	9.3	9.7	10.2
Adj PAT	1.3	1.8	2.4	2.9	3.5
EPS	9.2	12.4	16.8	20.1	24.6
ROE %	15.2	17.8	20.1	20.3	20.8
ROCE %	18.7	21.6	23.6	24.1	25.0
PE(x)	48.0	35.5	26.3	21.9	18.0
EV/EBITDA	29.6	21.8	16.9	14.1	11.6

## Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	55.00	55.00	55.00
FIs	5.33	5.50	4.92
DIs	13.46	12.88	12.12
Public	26.21	26.62	27.96

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Auto	91.7	66.2	17.1
Gabriel India	232.5	147.6	18.9



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## GABR delivered a strong performance driven by the 2W and export segments

- Revenue up 24.7% YoY and down 1.0% QoQ to INR 10,166 Mn (vs CEBPL est. at INR 9,757 Mn).
- EBITDA up 30.3% YoY and down 7.3% QoQ to INR 915 Mn (vs CEBPL est. at INR 927 Mn). EBITDA margin up 39bps YoY and down 61bps QoQ to 9.0% (vs CEBPL est. at 9.5%).
- APAT up 45.7% YoY and down 4.5% QoQ to INR 601 Mn (vs CEBPL est. at INR 579 Mn).

**GABR to double its capacity for the sunroof business:** The sunroof business is experiencing strong demand, and the company is set to double its existing capacity to 360K units per year before end of CY 2025. The company has won new business for sunroof with Kia and started the production. With this the current capacity will run at full utilization. We believe that GABR being a strong player in the suspension systems business, diversification into the sunroof business has helped the company reduce dependency on single product. The overall margin profile of the company has been positively impacted as the sunroof business has better EBITDA margin (12%-14%) compared to the suspension systems business (8%-9%).

**New business wins across various segments demonstrate a healthy pipeline and potential for future growth:** The company has won new business with Yamaha for scooters and is also deeply involved with Bajaj through two new programs (Dominar and Pulsar). The company is also working with multiple customers in the e-bike segment and is targeting the European market. The new programs added in the CV segment include Mahindra – UPP E1 , TML – Prima Axle damper, Coral , TVS – 4W, Pinnacle E Mobility.

**View and Valuation:** We revise our FY26/27 EPS estimates downwards by 2.0%/3.3% and roll over our forecasts forward to come up with a revised target price of INR 565; valuing the company at 23x (unchanged) on FY27E EPS while maintaining our 'BUY' rating. We continue to have a positive view for the company as it has forayed into high a growth and powertrain technology agnostic product like sunroof system; being a beneficiary of increasing demand from SUV category and new order wins across different segments.

Gabriel India Ltd.	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Net Sales	10,166	8,154	24.7	10,271	(1.0)
Material Expenses	7,557	6,076	24.4	7,603	(0.6)
Gross Profit	2,609	2,078	25.5	2,668	(2.2)
Employee Expenses	652	526	24.0	644	1.2
Other Operating Expenses	1,042	850	22.6	1,036	0.5
EBITDA	915	702	30.3	987	(7.3)
Depreciation	194	144	34.9	194	0.2
EBIT	721	558	29.1	793	(9.2)
Interest Cost	30	16	89.7	20	51.7
PBT	785	581	35.2	822	(4.5)
RPAT	601	412	45.7	629	(4.5)
APAT	601	412	45.7	629	(4.5)
Adj EPS (INR)	4.2	2.9	45.7	4.4	(4.5)

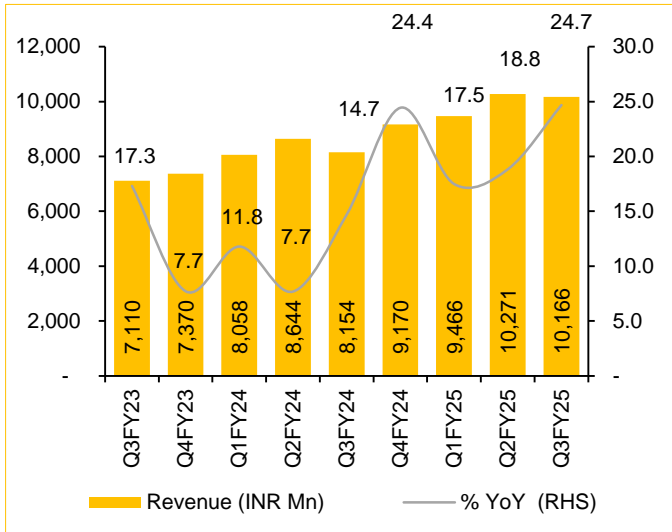
Margin Analysis	Q3FY25	Q3FY24	YoY (bps)	Q2FY25	QoQ (bps)
Gross Margin (%)	25.7	25.5	18.0	26.0	(30.8)
Employee Exp. % of Sales	6.4	6.4	(3.3)	6.3	14.4
Other Op. Exp % of Sales	10.2	10.4	(17.6)	10.1	16.0
EBITDA Margin (%)	9.0	8.6	38.8	9.6	(61.2)
Tax Rate (%)	23.5	29.0	(554.3)	23.4	0.2
APAT Margin (%)	5.9	5.1	85.5	6.1	(21.3)

- The sunroof business is experiencing strong demand, and the company is set to double its capacity before end of CY 2025.
- GABR has acquired assets from Mother Marili Auto Suspension Parts Private Limited (MMAS).

### Management Call - Highlights

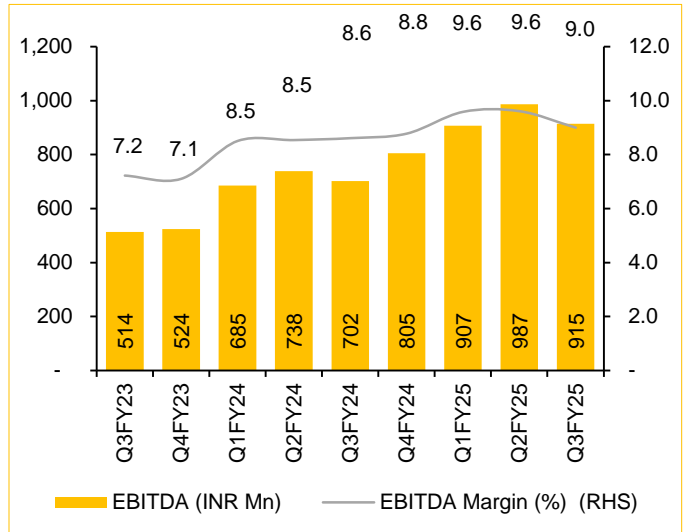
- The standalone revenue for the quarter grew by 14% YoY, reaching 9242 Mn, driven by higher volumes in the two-wheeler and passenger vehicle segments.
- The company has seen significant growth in the two-wheeler segment, with a 19% YoY increase. This growth is attributed to several factors including new launches from TVS, better offtake from Bajaj and improved revenue from EV business.
- The company has won new business with Yamaha for scooters and is also deeply involved with Bajaj through two new programs.
- GABR has acquired assets from Mother Marili Auto Suspension Parts Private Limited (MMAS). This acquisition will enhance the company's position in the suspension market, expand its product portfolio, and drive growth.
- The acquisition adds a capacity of 3.2 million shock absorbers and 1 million gas spring units. The gas spring line is a new product for GABR.
- The company recognizes a significant market opportunity for gas spring products in India and internationally, with limited competition.
- The gas spring product line has significant market opportunities due to the increasing SUV population. The acquired entity has a 60-70% utilization for suspension and is fully utilized for gas dampers.
- The company is not taking over any liabilities related to the entity from before the acquisition.
- A technology assistance agreement with Marili Suspension Systems Italy is also part of the deal, aimed at developing advanced suspension offerings.
- The sunroof business is experiencing strong demand, and the company is set to double its capacity before end of CY 2025.
- The company is looking at a sustainable margin of 12-14% for the sunroof business.
- The company has won new business for sunroof with Kia and is starting the SOP (Start of Production) for the new program.
- Exports have shown good growth driven by robust aftermarket performance and rising demand from Latin America.

Revenue grew 24.7% on YoY a basis



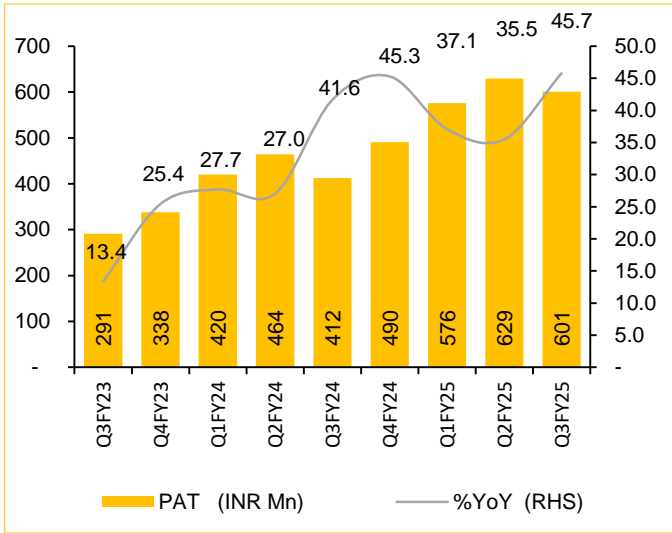
Source: Company, CEBPL

EBITDA Margin improved 39bps on a YoY basis



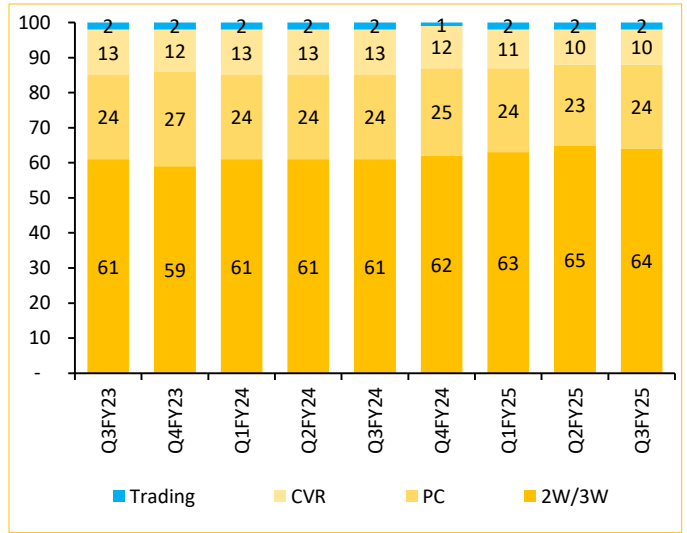
Source: Company, CEBPL

PAT grew 45.7% on YoY a basis



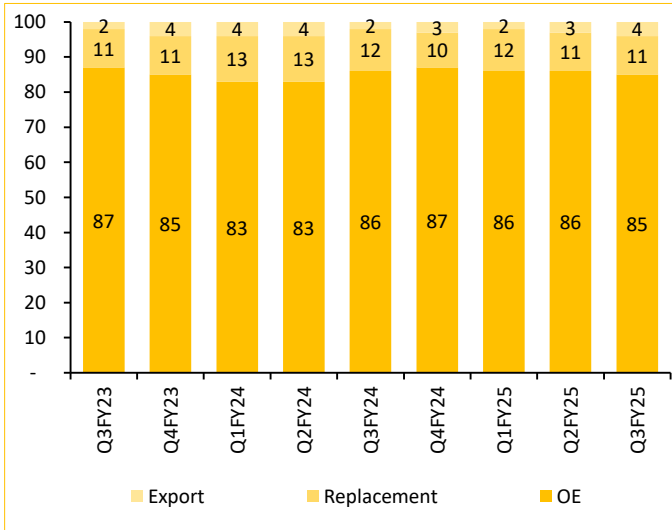
Source: Company, CEBPL

Segment Mix (%)



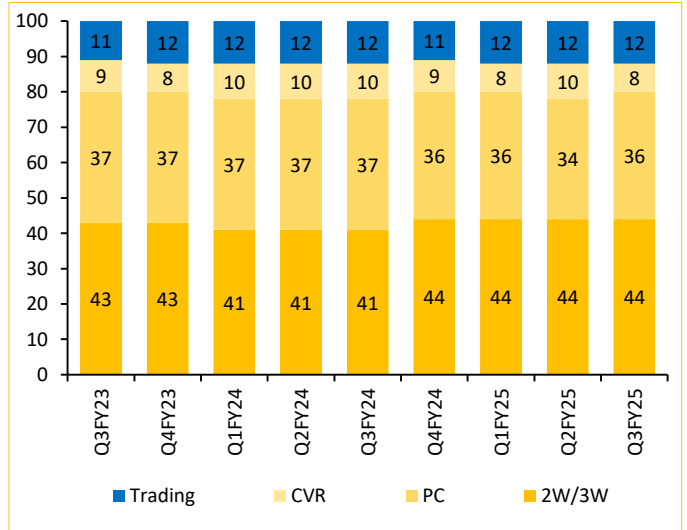
Source: Company, CEBPL

Channel Mix (%)



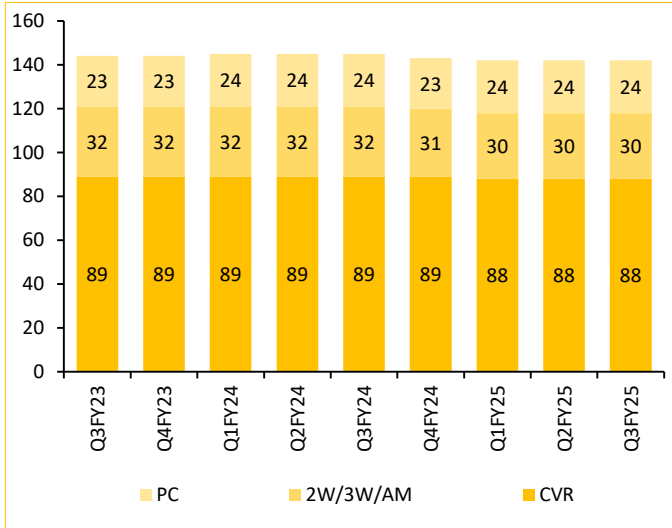
Source: Company, CEBPL

Aftermarket Mix (%)



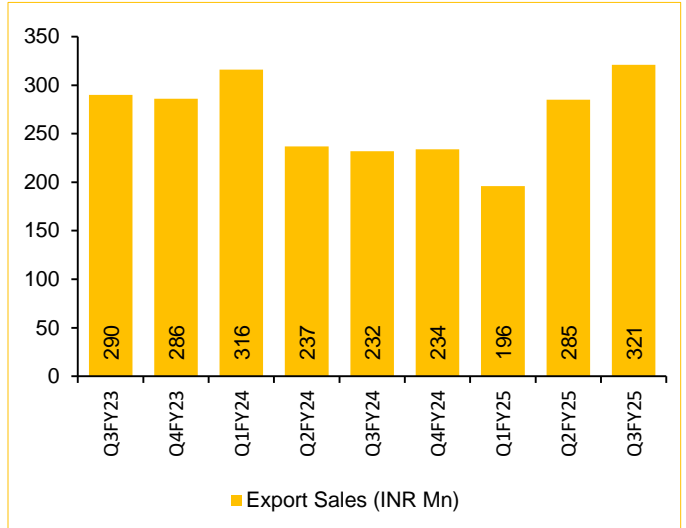
Source: Company, CEBPL

Segment wise market share (%)



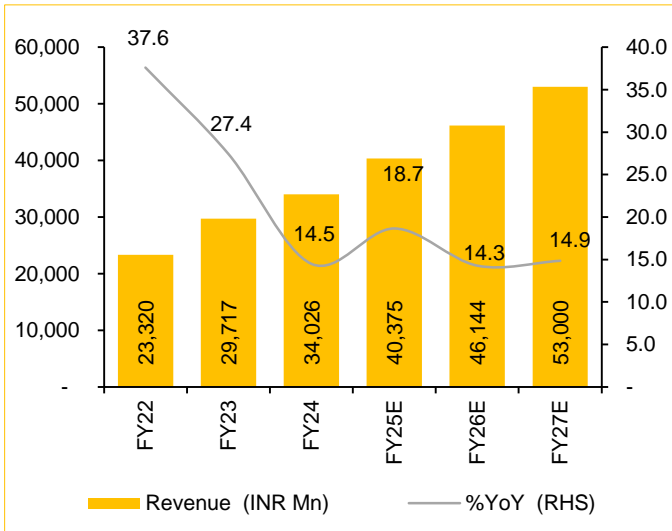
Source: Company, CEBPL

Export grew 38.4% on YoY a basis



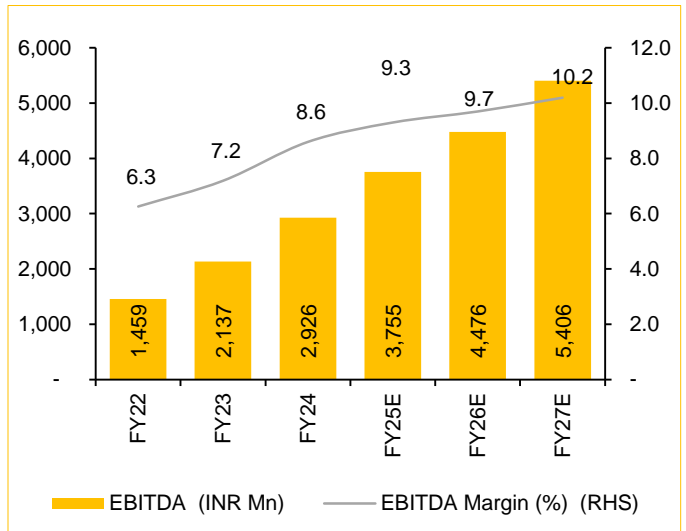
Source: Company, CEBPL

Revenue to grow at 15.9% CAGR over FY24-27E



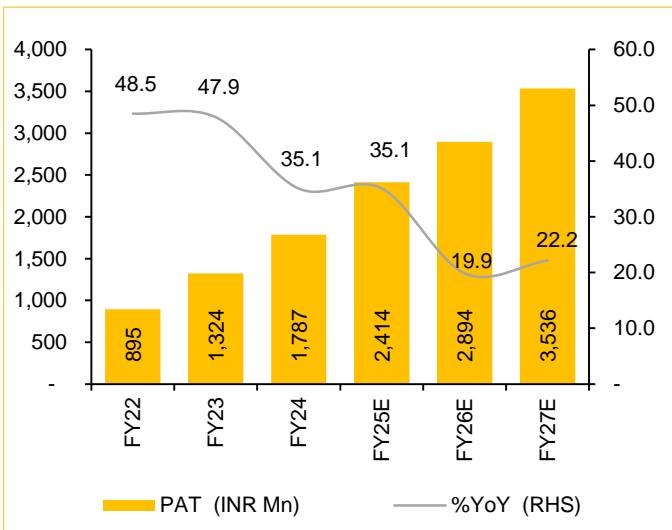
Source: Company, CEBPL

EBITDA to grow at 22.7% CAGR over FY24-27E



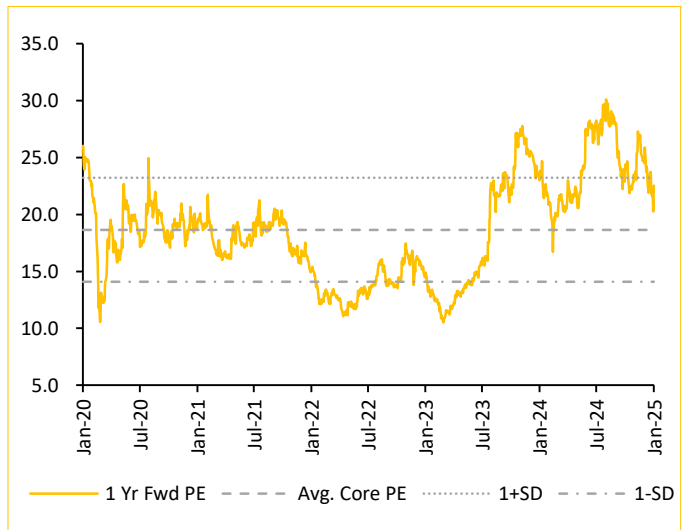
Source: Company, CEBPL

PAT to grow at 25.5% CAGR over FY24-27E



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

## Income statement

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	29,717	34,026	40,375	46,144	53,000
Gross profit	7,029	8,509	10,417	11,997	13,992
EBITDA	2,137	2,926	3,755	4,476	5,406
Depreciation	486	599	741	854	966
EBIT	1,651	2,327	3,014	3,622	4,440
Interest Expenses	46	82	82	82	82
Other Income	174	194	233	268	295
Exceptional Item	-	-	-	-	-
Reported PAT	1,324	1,787	2,414	2,894	3,536
Minority Interest	-	-	-	-	-
Adjusted PAT	1,324	1,787	2,414	2,894	3,536
EPS (INR)	9.2	12.4	16.8	20.1	24.6

Source: Company, CEBPL

## Balance sheet

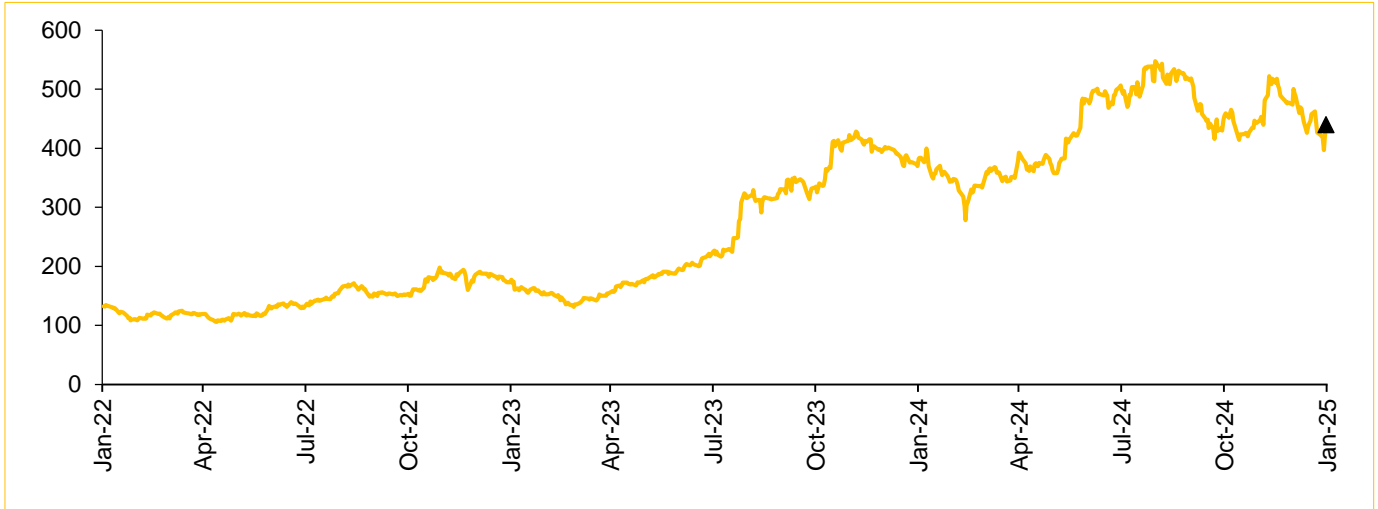
Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net worth	8,703	10,022	12,005	14,253	16,998
Minority Interest	-	-	-	-	-
Deferred tax	159	133	147	161	177
Total debt	112	750	750	750	750
Other liabilities & provisions	131	138	138	138	138
<b>Total Net Worth &amp; liabilities</b>	<b>9,105</b>	<b>11,042</b>	<b>13,039</b>	<b>15,301</b>	<b>18,063</b>
Net Fixed Assets	4,048	4,924	5,983	6,629	7,163
Capital Work in progress	351	563	563	563	563
Investments	859	1,090	1,293	1,478	1,969
Cash & bank balance	398	599	608	1,086	1,624
Loans & Advances & other assets	383	834	988	1,170	1,449
Net Current Assets	3,464	3,632	4,212	5,462	6,919
<b>Total Assets</b>	<b>9,105</b>	<b>11,042</b>	<b>13,039</b>	<b>15,301</b>	<b>18,063</b>
Capital Employed	8,814	10,771	12,755	15,002	17,748
Invested Capital	8,416	10,172	12,147	13,916	16,124
Net Debt	(287)	150	142	(336)	(874)

Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
CFO	1,364	1,766	2,667	3,058	3,665
Capex	(961)	(1,688)	(1,800)	(1,500)	(1,500)
FCF	403	78	867	1,558	2,165
CFI	(1,038)	(1,286)	(2,158)	(1,866)	(2,271)
CFF	(337)	(279)	(500)	(714)	(856)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Ratios (%)</b>					
Revenue	27.4	14.5	18.7	14.3	14.9
EBITDA	46.4	36.9	28.3	19.2	20.8
PAT	47.9	35.1	35.1	19.9	22.2
<b>Margin ratios (%)</b>					
EBITDA	7.2	8.6	9.3	9.7	10.2
PAT	4.5	5.3	6.0	6.3	6.7
<b>Performance Ratios (%)</b>					
OCF/EBITDA (X)	0.6	0.6	0.7	0.7	0.7
OCF/IC	16.2	17.4	22.0	22.0	22.7
ROE	15.2	17.8	20.1	20.3	20.8
ROCE	18.7	21.6	23.6	24.1	25.0
ROIC (Post tax)	16.6	20.3	22.6	22.7	24.2
ROIC (Pre tax)	22.4	27.6	29.6	29.8	31.9
<b>Turnover Ratios (Days)</b>					
Inventory	28	32	32	32	32
Debtor	47	53	53	53	53
Payables (days)	54	63	63	63	63
Cash Conversion Cycle	38	33	33	35	36
<b>Financial Stability ratios (x)</b>					
Net debt to Equity	(0.0)	0.0	0.0	(0.0)	(0.1)
Net debt to EBITDA	(0.1)	0.1	0.0	(0.1)	(0.2)
Interest Cover	36.0	28.2	36.6	44.0	53.9
<b>Valuation metrics</b>					
Fully diluted shares (Mn)	144	144	144	144	144
Price (INR)	451	451	451	451	451
Market Cap(INR Mn)	64,783	64,783	64,783	64,783	64,783
PE(x)	49	36	27	22	18
EV (INR Mn)	64,497	64,934	64,925	64,447	63,909
EV/EBITDA (x)	30	22	17	14	12
Book value (INR/share)	61	70	84	99	118
Price to BV (x)	7.4	6.5	5.4	4.5	3.8
EV/OCF (x)	47	37	24	21	17

Source: Company, CEBPL

## Historical Price Chart: Gabriel India Limited



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