

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
12-Jul-24	Quick Insight	490.05	460-480	590-600

Gabriel India Limited

Target ₹590-600 (Achieved 52-week of ₹545 on 16Aug24)

Recommendation BUY

Highlights

- **GABRIEL INDIA** Consolidated Revenue came in at ~ ₹9.5bn, an increase of 18% YoY & 3.2% QoQ on the back of health traction in its PC and 2Ws division thus outperforming the industry's quarterly production by 2%. Segmentally 2Ws/3Ws grew 21.3% YoY and PC grew 17.5% YoY to ₹5.96bn and ₹2.27bn respectively.
- EBITDA and PAT grew 32% YoY and 37.1% YoY reaching ₹907.3mn and ₹575.9mn respectively with EBITDA margin at 9.6%, +108 bps YoY and +81 bps QoQ, supported by the Core-90 program benefits, a shift in the product mix towards two-wheelers and aftermarket sales, and the sunroof business achieving an EBITDA margin of approximately 14%, a significant improvement from 1.8% in Q4FY24.
- Additionally, the product mix, cost reduction efforts, higher other income (+36% YoY to ₹63.1mn) and a lower effective tax rate (-231bps YoY to 24.3%) contributed to improved profitability for the quarter.
- The contribution from two-wheelers increased from 62% in Q4FY24 to 63% in Q1FY25, and aftermarket contribution rose from 12% to 13% over the same period. However, this was partially offset by a decline in export sales, which fell to ₹196mn in Q1FY25 from ₹316mn in Q1FY24 and ₹234mn in Q4FY24.
- The two-wheeler market share decreased slightly to 30% in Q1FY25 from 31% in Q4FY24, due to a mix impact as certain models underperformed expectations. Has secured new orders from Bajaj Auto for the Pulsar and Dominar models. The electric two-wheeler market share surged to 87% in Q1FY25 from 70% in Q4FY24, driven by Ola Electric's market share gains.
- In the passenger vehicle segment, market share increased to 24% in Q1FY25 from 23% in Q4FY24, likely due to M&M's strong performance and new program wins from Tata Motors. In the commercial vehicle segment, market share saw a slight decline to 88% in Q1FY25 from 89% in Q4FY24.
- The Sunroof business delivered revenue of ₹823mn, EBITDA of ₹115mn, and PAT of ₹64mn. EBITDA margin at 14% is after paying royalty (5% of sales) and management fees. Going forward, the company aims to sustain its EBITDA margin at current levels. Currently, Gabriel's Sunroof project is ramping up volumes and has been in its own books under the wholly owned subsidiary, IGSSPL. It was expected that the Sunroof business would be transformed to a JV company formed between Gabriel and Inalfa. However, Department for Promotion of Industry and Internal Trade (DPIIT) has rejected Inalfa's application to form a JV with Gabriel India for the Sunroof project.
- As per management, the ongoing business relationship between Inalfa and Gabriel will continue with Inalfa through Gabriel Sunroof Systems Private Limited (IGSSPL). IGSSPL will continue to manufacture Sunroof products under the terms of the technical collaboration and alliance agreement executed with Inalfa. Management has highlighted that growth plans, investments, and customer-acquisition activities in the Sunroof project would continue in support of Inalfa. Gabriel has so far invested ₹860mn and has given a loan of ₹600mn to the Sunroof project. Gabriel has strong orders from Hyundai and Kia and is in discussions with other OEMs for new businesses.
- The new Solar damper product presents a significant market opportunity due to the push for renewable energy, and it offers better margins. Company is considering additional new product lines and is currently evaluating options.
- The management goal is to reach double-digit growth within two years, driven by advancements in the aftermarket, railways, exports, and new product applications. This, along with Core-90 program benefits.

GABRIEL INDIA LTD.
Q1FY25 RESULT HIGHLIGHTS

- **Reported strong Q1FY25 on the back of healthy traction in its PC and 2Ws division –** Consolidated Revenue came in at ~ ₹9.5bn, an increase of 18% YoY & 3.2% QoQ on the back of health traction in its PC and 2Ws division thus outperforming the industry's quarterly production by 2%. Segmentally 2Ws/3Ws grew 21.3% YoY and PC grew 17.5% YoY to ₹5.96bn and ₹2.27bn respectively.
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- Additionally, the product mix, cost reduction efforts, higher other income (+36% YoY to ₹63.1mn) and a lower effective tax rate (-231bps YoY to 24.3%) contributed to improved profitability for the quarter.
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- The two-wheeler market share decreased slightly to 30% in Q1FY25 from 31% in Q4FY24, due to a mix impact as certain models underperformed expectations. Has secured new orders from Bajaj Auto for the Pulsar and Dominar models. The electric two-wheeler market share surged to 87% in Q1FY25 from 70% in Q4FY24, driven by Ola Electric's market share gains.
- In the passenger vehicle segment, market share increased to 24% in Q1FY25 from 23% in Q4FY24, likely due to M&M's strong performance and new program wins from Tata Motors. In the commercial vehicle segment, market share saw a slight decline to 88% in Q1FY25 from 89% in Q4FY24.
- The company is now associated with Tata Motors for its latest launched product, Curvv. Regarding the Frequency Selective Damping (FSD) product, while no new orders have been received, discussions are ongoing with Maruti Suzuki and Tata Motors.
- **Sunroof business – The Sunroof business delivered Q1FY25 Revenue of ₹823mn, EBITDA of ₹115mn, and PAT ₹64mn.** EBITDA margin at 14% is after paying royalty (5% of sales) and management fees. Going forward, the company aims to sustain its EBITDA margin at current levels. Currently, Gabriel's Sunroof project is ramping up volumes and has been in its own books under the wholly owned subsidiary, IGSSPL. It was expected that the Sunroof business would be transformed to a JV company formed between Gabriel and Inalfa. However, Department for Promotion of Industry and Internal Trade (DPIIT) has rejected Inalfa's application to form a JV with Gabriel India for the Sunroof project.
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- The new Solar damper product presents a significant market opportunity due to the push for renewable energy, and it offers better margins. Company is considering additional new product lines and is currently evaluating options.
- The management goal is to reach double-digit growth within two years, driven by advancements in the aftermarket, railways, exports, and new product applications. This, along with Core-90 program benefits.
- Capex incurred during the quarter was at ₹305mn with net cash at ₹3.3bn.

Important Data

Nifty	24.541
Sensex	80,437

Key Stock Data

CMP	₹488.05
MCAP (bn)	₹69.9
52-WHigh/Low	₹545/223
Shares o/s(mn)	143.64
Daily Vol.(3MNSEAvg.)	1,208,268
BSE Code	505714
NSE Code	GABRIEL
Bloomberg Code	GABR:IN

Shareholding Pattern (%) – Jun'24

Promoter	55.0
DIs	12.1
FIs	4.9
Public	28.0

Financials

Particulars	₹ mn		
	FY21	FY22	FY23
Revenue	16,948	23,320	29,717
EBITDA	1,025	1,459	2,137
EBITDA Margin (%)	6.0	6.3	7.2
Net Profit	603	895	1,324
EPS (₹)	4.2	6.2	9.2
DPS (₹)	0.9	1.6	1.7
RoE (%)	8.7	11.7	15.2
RoCE (%)	8.1	13.0	18.2
P/E (x)	115.9	78.1	52.8
EV/EBITDA (x)	67.4	47.6	32.3
P/BV (x)	10.0	9.1	8.0

Particulars	₹ mn		
	FY24	FY25E	FY26E
Revenue	34,026	41,589	49,441
EBITDA	2,926	4,199	5,332
EBITDA Margin (%)	8.6	10.1	10.8
Net Profit	1,787	2,791	3,629
EPS (₹)	12.4	19.4	25.3
DPS (₹)	1.5	1.6	1.7
RoE (%)	17.8	23.6	24.2
RoCE (%)	21.7	22.1	23.8
P/E (x)	39.1	25.0	19.3
EV/EBITDA (x)	23.9	15.5	11.8
P/BV (x)	7.0	5.2	4.0

Source: Company, Way2Wealth

Relative Performance

Return(%)	1Yr	3Yr	5Yr
GABRIEL	97.9	242.4	453.7
Nifty50	27.1	48.1	122.0
Sensex	23.8	44.6	115.1

Source: Company, Way2Wealth

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VIEW

Gabriel started Q1FY25 on a strong footing and is targeting double digit margins in FY26. The company's margin improvement efforts are now paying dividend, as this was the consecutive second quarter when it has sustained EBITDA margin at 9% level. The company witnessed a marginal dip in its market share in the 2W segment mainly due to weakness in Bajaj Auto's export performance. The Sunroof project has been progressing well in terms of volume ramp-up and financials. The Sunroof project has delivered an EBITDA margin of 14%, which management believes is sustainable. Although its plan to transform the Sunroof business (which is currently under its own wholly owned subsidiary) to a JV company (between Gabriel and Inalfa) has not got the government's clearance, management has indicated the growth plan of the Sunroof will remain as it is. It looks well-positioned for mid-to-long-term growth opportunities, having begun adding new products and applications such as sunroofs, solar dampers, E-Bike suspension, and more to come. The company is debt-free, with healthy cash and investments and has consistently generated strong positive cash flows. Along with that, the company is looking for a suitable inorganic growth opportunity driven by its strong brand reputation, expansion strategies, profitability focus, anticipated rise in content per vehicle, and export potential. Hence, **we continue to view it as a BUY with Target Range ₹590-600 P/E 19.3x FY26E EPS ₹25.3.**

Q1FY25 FINANCIAL PERFORMANCE

(₹mn)

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue	9,465.7	8,057.7	17.5	9,169.8	3.2	34,026.3	29,717.4	14.5
Cost of matl	6,778.4	5,974.6	13.5	6,912.3	(1.9)	25,311.6	22,513.2	12.4
Stock Purchases	93.9	106.1	(11.5)	90.8	3.5	377.9	367.6	2.8
Inventory Changes	152.1	(55.1)	376.0	(93.8)	262.1	(171.9)	(192.7)	(10.8)
Raw Matl Cost	7,024.5	6,025.6	16.6	6,909.2	1.7	25,517.7	22,688.1	12.5
Employee Exps	602.1	496.7	21.2	559.4	7.6	2,123.5	1,831.0	16.0
Other Exps	931.9	850.1	9.6	896.3	4.0	3,459.1	3,061.4	13.0
EBIDTA	907.3	685.4	32.4	804.8	12.7	2,926.0	2,136.9	36.9
EBITDA Margin (%)	9.6	8.5	108	8.8	81	8.6	7.2	141
Other Income	63.1	46.4	35.8	58.9	7.2	194.2	173.9	11.7
Finance Cost	22.4	22.3	0.4	23.1	(3.3)	82.4	45.9	79.7
Depreciation	187.6	137.4	36.6	176.8	6.1	599.5	485.9	23.4
PBT	760.3	572.2	32.9	663.8	14.6	2,438.4	1,779.1	37.1
Tax	184.4	152.0	21.3	173.3	6.4	650.9	455.6	42.9
Net Profit	575.9	420.2	37.1	490.4	17.4	1,787.5	1,323.5	35.1
EPS (₹)	4.0	2.9	37.1	3.4	17.4	12.4	9.2	35.1

As % to Sales	Q1FY25	Q1FY24	YoY (BPS)	Q4FY24	QoQ (BPS)	FY24	FY23	YoY (BPS)
Raw Matl Cost	74.2	74.8	(57)	75.3	(114)	75.0	76.3	(135)
Gross Margin	25.8	25.2	57	24.7	114	25.0	23.7	135
Employee Exps	6.4	6.2	20	6.1	26	6.2	6.2	8
Other Exps	9.8	10.5	(71)	9.8	7	10.2	10.3	(14)

(₹mn)

Segment Mix	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
2W/3W	5,963.4	4,915.2	21.3	5,685.3	4.9	20,756.0	18,721.9	10.9
PC	2,271.8	1,933.8	17.5	2,292.4	(0.9)	8,506.6	6,835.0	24.5
CVR	1,041.2	1,047.5	(0.6)	1,100.4	(5.4)	4,083.2	3,566.1	14.5
Trading	189.3	161.2	17.5	91.7	106.5	680.5	594.3	14.5

Channel Mix (%)	Q1FY25	Q1FY24	YoY (BPS)	Q4FY24	QoQ (BPS)	FY24	FY23	YoY (BPS)
OEM	87	86	100	87	-	86	84	200
Aftermarket/Replacement	11	10	100	10	100	11	12	(100)
Export	2	4	(185)	3	(93)	3	4	(100)

(₹mn)

Channel Mix	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
OEM	8,235.2	6,929.6	18.8	7,977.7	3.2	29,262.6	24,962.6	17.2
Aftermarket/Replacement	1,034.5	812.1	27.4	958.1	8.0	3,742.9	3,566.1	5.0
Export	196.0	316.0	(38.0)	234.0	(16.2)	1,020.8	1,188.7	(14.1)

Aftermarket Mix (%)	Q1FY25	Q1FY24	YoY (BPS)	Q4FY24	QoQ (BPS)	FY24	FY23	YoY (BPS)
2W/3W	44	41	300	44	-	42	43	(100)
PC	36	37	(100)	36	-	36	36	-
CVR	8	10	(200)	9	(100)	10	9	100
Trading	12	12	-	11	100	12	12	-

(₹mn)

Aftermarket Mix	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
2W/3W	4,164.9	3,303.6	26.1	4,034.7	3.2	14,291.0	12,778.5	11.8
PC	3,407.7	2,981.3	14.3	3,301.1	3.2	12,249.5	10,698.3	14.5
CVR	757.3	805.8	(6.0)	825.3	(8.2)	3,402.6	2,674.6	27.2
Trading	1,135.9	966.9	17.5	1,008.7	12.6	4,083.2	3,566.1	14.5

Source – Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
2W/3W	12,666	12,716	11,355	15,158	18,722	20,756	26,201	31,642
PC	4,984	3,740	3,559	5,130	6,835	8,507	9,981	11,866
CVR	2,492	2,057	1,695	2,565	3,566	4,083	4,991	5,439
Trading	623	187	339	466	594	681	416	494
Revenue	20,765	18,700	16,948	23,320	29,717	34,026	41,589	49,441
EBITDA	1,778	1,378	1,025	1,459	2,137	2,926	4,199	5,332
EBITDA Margin (%)	8.6	7.4	6.0	6.3	7.2	8.6	10.1	10.8
PAT	950	847	603	895	1,324	1,787	2,791	3,629
EPS (₹)	6.6	5.9	4.2	6.2	9.2	12.4	19.4	25.3
DPS (₹)	1.5	1.3	0.9	1.6	1.7	1.5	1.6	1.7
RoE (%)	16.1	13.0	8.7	11.7	15.2	17.8	23.6	24.2
RoCE (%)	21.6	13.7	8.1	13.0	18.2	21.7	22.1	23.8
Cash Balances	486	567	911	546	1,075	765	1,559	2,291
FCF	491	297	1,513	188	434	138	1,391	1,689
Receivable Days	50	46	60	60	47	53	53	51
Inventory Days	40	42	57	43	36	43	42	41
Payable Days	63	58	113	97	71	84	83	84
Net Debt/ Equity (x)	(0.07)	(0.07)	(0.11)	(0.05)	(0.11)	(0.00)	(0.1)	(0.1)
P/E (x)	73.6	82.5	115.9	78.1	52.8	39.1	25.0	19.3
EV/EBITDA (x)	39.1	50.4	67.4	47.6	32.3	23.9	15.5	11.8
P/BV (x)	11.8	10.7	10.0	9.1	8.0	7.0	5.2	4.0
PEG	79.5	(7.6)	(4.0)	1.6	1.1	1.1	0.4	0.6

Source: Company, Way2Wealth

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Disclosure of Interest Statement: GABRIEL INDIA LTD. as on 19th August 2024

Name of the Security	GABRIEL INDIA LTD.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained.	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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