

Shubh Nivesh



CMP: ₹ 310

Target: ₹ 440 (42%) Target Period: 6-12 months

Mar 18, 2024

BUY

Unique play on 2-W recovery and PV premiumization...

About the stock: Gabriel India (GIL) is a global top-10 shock absorber manufacturer serving 2-W, 3-W, PV, CV, railway and aftermarket segments.

- FY23 revenue mix – ~63% 2-W/3-W, ~23% PV, ~12% CV & railways
- FY23 market share – 32% in 2-W/3-W, 23% in PV, 89% in CV & railways
- FY23 Channel mix – 84% OEM; 12% Replacement market; 4% Exports

Investment Rationale:

- **2-W space to outperform auto industry in FY25, Gabriel a key beneficiary**
Domestic auto industry has witnessed a remarkable recovery over the past two years with PV space already surpassing its pre-Covid highs in FY23 at 39 lakh units (up 27% YoY). Even in CV space the cyclical recovery has been robust with industry up ~70% from Covid lows (9.6 lakh units in FY23) and is close proximity to its pre-Covid highs. The volume recovery in 2-W space however was lacklustre (1.6 crore units in FY23) and is still well below its pre-Covid highs (2.1 crore units in FY19). The recent prints however in the 2-W space are very encouraging with Jan-Feb24 volumes up ~25%+ on YoY basis with industry commentary suggesting double digit volume growth next fiscal year as well amid rural demand recovery & increasing financing penetration. On high base & impending union election industry commentary is cautious on growth prospects in the PV & CV space for FY25E, with 2-W emerging as a sole shining star and expected to outperform the industry going forward, driven by both revival in domestic demand & bottoming out of export volumes. Gabriel India with ~32% market share in this segment with key OEM clients such as TVS Motors, Bajaj Auto, etc. in ICE domain & Ola Electric, Ather, etc in EV domain it expected to outperform going forward
- **Healthy presence in SUV space, augmented by sunroof segment addition**
Gabriel has ~23% market share in PV space and realises healthy ~23% of its sales from this category with aim to increase it to ~30% in times to come. Interestingly, within PV space, GIL realizes ~64% of sales from the SUV sub-segment which is witnessing healthy demand traction with its domestic market share in SUV domain pegged at ~35%. Also notably, with aim to expand its presence in hot selling SUV space & to catch up on premiumization trend, GIL has entered into JV with Inalfa (globally 2nd largest sunroof manufacturer) for manufacturing of sunroof system & related components for OEMs in India. Increasing share of PV-SUV space in overall sales pie & presence in premium products like sunroof is structurally positive for GIL & provides a good play on PV premiumisation domestically.

Rating and Target Price

- We assign **BUY rating** on Gabriel India amidst its EV agnostic product profile, structural levers in place for industry leading growth, double digit margin endeavour, capital efficient business model (~20%) and healthy cash rich B/S. We expect Sales/PAT to grow at 10%/24% CAGR over FY23-26E
- We value Gabriel India at **₹440 i.e. 25x P/E on FY26E** EPS of ₹17.6

Key Financial Summary

Key Financials (₹ crore)	FY19	FY20	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	2,077	1,870	1,695	2,332	2,972	10.1%	3,320	3,644	3,930	9.8%
EBITDA	178	138	103	146	214	4.5%	286	328	362	19.2%
EBITDA Margins (%)	8.6	7.4	6.0	6.3	7.2		8.6	9.0	9.2	
Net Profit	95	85	60	90	132	7.0%	177	218	253	24.1%
EPS (₹)	6.6	5.9	4.2	6.2	9.2		12.3	15.2	17.6	
P/E	46.9	52.6	73.9	49.8	33.7		25.1	20.4	17.6	
RoNW (%)	16.1	13.0	8.7	11.7	15.2		17.8	18.9	18.9	
RoCE (%)	22.0	14.0	8.3	13.2	18.4		22.4	22.6	21.8	

Source: Company, ICICI Direct Research

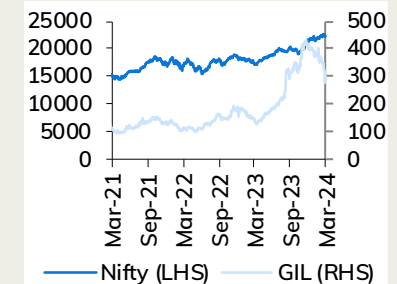
Particulars

Particulars	₹ crore
Market capitalisation	4,454
Total Debt (FY23)	9
Cash & Investment (FY23)	304
EV (₹ crore)	4,159
52 week H/L (₹)	440 / 130
Equity capital (₹ crore)	14.4
Face value (₹)	1.0

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	55.0	55.0	55.0	55.0
FII	2.9	2.7	3.0	4.1
DII	11.1	11.0	11.7	12.2
Other	31.0	31.4	30.2	28.8

Price Chart



Recent Event & Key risks

- Reports stable Q3FY24 Results. EBITDA margins at 8.6%.
- **Key Risk:** (i) slower than anticipated outperformance at GIL especially in the PV segment (ii) lower than expected improvement in its EBITDA margins profile amidst its core 90 program

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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