

Strong traction in sunroof business

CMP: INR 511

Rating: Hold

Target Price: INR 571

Stock Info

BSE	505714
NSE	GABRIEL
Bloomberg	GRV IN
Reuters	GRVL.BO
Sector	Automotive Industry
Face Value (INR)	1
Equity Capital (INR Mn)	144
Mkt Cap (INR Mn)	55,732
52w H/L (INR)	521/223
Avg Yearly Vol (in 000')	725

Shareholding Pattern %

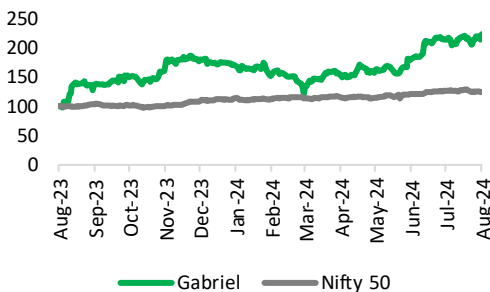
(As on June 2024)

Promoters	55.00
FII	4.92
DII	12.12
Public & Others	27.97

Stock Performance (%)

	1m	3m	12m
Gabriel	4.1	37.2	122.6
Nifty 50	-1.5	8.7	24.2

Gabriel Vs Nifty 50



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Gabriel India Ltd reported its Q1FY25 numbers, with revenue at INR 9,466 Mn (up by 17.5% YoY and 3.2% QoQ), above our estimates of INR 9,117 Mn. Gross profit for the quarter was INR 2,441 Mn, showing a 20.1% YoY increase and an 8.0% QoQ rise, above our estimate of INR 2,319 Mn. Gross margins expanded by 57.09 bps YoY to 25.8%, registering 113.8 bps QoQ growth, above our estimate of 25.4%. EBITDA for the quarter was INR 907 Mn, marking a 32.4% YoY increase and a 12.7% QoQ rise, above our estimate of INR 816 Mn. EBITDA margin increased by 107.9 bps YoY to 9.6%, an increase of 80.8 bps QoQ, and above our estimate of 8.9%. PAT for the quarter was INR 576 Mn, up by 30.1% YoY and 17.4% QoQ, above our estimate of INR 502 Mn. The PAT margin increased by 87.0 bps YoY and 73.6 bps QoQ to 6.1% in Q1FY25, compared to 5.2% in Q4FY24.

Investment Rationale

High growth potential in sunroof business: The subsidiary Inalfa has shown strong traction, with 14% EBITDA margins in Q1FY25 despite being a new business. Daily production rate for sunroofs has increased significantly compared to Q4FY24. Inalfa has a strong order book and discussions ongoing with new customers like Kia, Stellantis, Skoda-VW. The sunroof content per vehicle is 4-5x that of suspension systems, indicating high revenue potential. Total investment in the sunroof business so far is ~INR 900 Mn, with an additional INR 400 Mn planned for phase 2 expansion.

Focus on margin improvement and new growth avenues: Gabriel has maintained 9% EBITDA margins for 8 consecutive quarters, with Q1FY25 seeing 13% YoY EBITDA growth vs 7.3% revenue growth. The company is targeting double-digit EBITDA margins by FY26 end through cost control initiatives. New product developments like e-bike components, solar dampers, and alloy wheels provide additional growth opportunities.

Strong position in the EV market: Gabriel India has significantly increased its market share in the EV 2W segment to 87%, positioning itself as a key supplier in this high-growth area. The company has won business for new EV models, including the Tata Motors Curvv EV platform. The company's suspension systems are powertrain-agnostic, ensuring relevance regardless of the shift from ICE to EVs.

Outlook & Valuation

Despite weaker performance in high-margin categories like aftermarket and 2Ws, the company maintained its gross and EBITDA margins through cost control initiatives like "Core 90". Margins are expected to improve through several avenues: the growing railway business (a high-margin segment), long-term export strategies, and new products like e-bicycles. Aiming to maintain the current 14% EBITDA margins in the sunroof business, with potential for slight improvement. **We expect Gabriel's revenue, EBITDA, and PAT to grow at a CAGR of 15.2%, 23.2%, and 22.8%, respectively, over FY24-FY27E. We used DCF model to arrive at a target price of INR 571 per share (Earlier target price of INR 474 per share). Accordingly, we assign a "HOLD" rating on the stock.**

Exhibit 1: Financial Performance

Year-end March (INR Mn)	EBITDA						
	Net Sales	EBITDA	PAT	EPS (INR)	Margin (%)	EV/EBITDA	P/E (x)
FY23	29,718	2,137	1,306	9.1	7.2	33.89	56.2
FY24	34,026	2,931	1,787	12.4	8.6	24.96	41.1
FY25E	38,498	3,609	2,249	15.7	9.4	20.40	32.6
FY26E	43,807	4,365	2,695	18.8	10.0	16.91	27.2
FY27E	51,095	5,480	3,390	23.60	10.7	13.44	21.7

Source: Arihant Research, Company Filings

Exhibit 2: Quarterly Result

INR Mn (Consolidated)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Net Sales	9,466	9,170	8,058	3.2%	17.5%
Material Cost	6,872	7,003	6,081	-1.9%	13.0%
Change in Inventory	152	-94	-55	-262.1%	-376.0%
Gross Profit	2,441	2,261	2,032	8.0%	20.1%
Gross Margin %	25.79%	24.65%	25.22%	114bps	57bps
Personnel	602	559	497	7.6%	21.2%
Manufacturing & Other Expenses	932	896	850	4.0%	9.6%
EBITDA	907	805	685	12.7%	32.4%
EBITDA margin %	9.59%	8.78%	8.51%	81bps	108bps
Depreciation	188	177	137	6.1%	36.6%
EBIT	720	628	548	14.6%	31.3%
EBIT Margin %	7.60%	6.85%	6.80%	75bps	80bps
Interest Expenses	22	23	22	-3.3%	0.4%
Non-operating income	63	59	46	7.2%	35.8%
PBT	760	664	572	14.6%	32.9%
Tax-Total	184	173	152	6.4%	21.3%
Tax Rate (%) - Total	0.26	0.25	26.56	4.0%	-99.0%
Reported Net Profit	576	490	420	17.4%	37.1%
PAT Margin %	6.08%	5.35%	5.21%	73bps	87bps
Reported EPS (INR)	4.01	3.42	2.93	17.4%	37.1%

Exhibit 3: Revenue mix

Segment wise Revenue	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
2W/3W	5,963	5,685	4,915	4.89%	21.33%
PV	2,272	2,292	1,934	-0.90%	17.47%
CVR	1,041	1,100	1047	-5.37%	-0.60%
Trading	189	92	161	106.45%	17.47%
Channel wise revenue	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
OE	8,235	7,978	6,688	3.23%	23.14%
Replacement	1,041	917	1,047	13.55%	-0.60%
Exports	189	275	322	-31.18%	-41.26%
Aftermarket revenue	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
2W/3W	4,165	4,035	3,304	3.23%	26.07%
PC	3,408	3,301	2,981	3.23%	14.30%
CVR	757	825	806	-8.24%	-6.02%
Trading	1,136	1,009	967	12.61%	17.47%

Source: Arianth Research, Company Filings

Gabriel India Ltd –Q1FY25 Concall KTAs

Sales fell slightly below expectations. With the industry showing signs of moderation after several strong years, the company is approaching the future with cautious optimism. In response, it is emphasizing strong cost control while continuing its successful streak of EBITDA improvement. Capital expenditure for the quarter was INR 400 Mn.

Segment and Channel Mix

Segment mix: 63% 2W&3Ws, 24% passenger cars, 11% CV. Channel mix: 87% OEM sales, 13% replacement market. The CV segment decreased from 13% in Q1FY24 to 11% in Q1FY25, attributed to election year uncertainty.

Exports

Faced challenges in exports due to slowdown in Europe and the Red Sea crisis. Slowdown also observed in the Colombian market. Company expects export performance to improve in coming quarters.

2W & 3W

Market share in this segment declined slightly from 31% in Q4 to 30% in Q1 due to Bajaj selling more motorcycles of the competition than the company, particularly as the company's motorcycles are mainly targeted for export markets. Export performance to African countries has not fully recovered, impacting sales.

There have been successful launches, including previous models like the TVS iQube ST, Ather, and Apache 160 Black Edition. The company has recently secured new business from Bajaj for models like Pulsar and Dominar. The company is also expanding into alloy wheels for 2Ws, primarily in the aftermarket, with future potential for OEM supplies.

EV

Market share in electric two-wheelers grew to 87%. The overall EV two-wheeler market has slowed from about 100,000 units per month to around 70,000 units. A draft for FAME 3 is in progress, which could potentially revive EV numbers.

Passenger Vehicle

Market share improved from 23% to 24%. Won two new products: Tata Motors Curve EV and Citroen Basalt vehicle, both supplied 100% by Gabriel. Gabriel serves 35% of the utility vehicle market in India. No new orders for FSD Tech yet, but there is interest from Maruti and Tata Motors, with discussions ongoing.

Commercial Vehicle

Over 90% market share for all commercial vehicles in India. Improved market share with Ashok Leyland, now over 90%. Breakthrough with DAF, ongoing discussions with Fuso (part of Daimler) and Volvo Global.

Railway Presence

Present in every product that Indian Railways has on the rails. Received LOI for Siemens e-Loco, marking a breakthrough with Siemens beyond Indian Railways.

Aftermarket

Q1 performance of nearly 120 crores, showing continued growth. Launched new product lines to strengthen aftermarket presence.

New Plant

New state-of-the-art plant (IGSS or Inalfa Gabriel Sunroof Systems) in Chennai.

Inalfa Gabriel Sunroof Systems

The quarter closed with approximately INR 823 Mn in sales, exceeding the target by more than 5%. The 14% EBITDA margin achieved includes the 5% royalty payout. The royalty is split between Gabriel and Inalfa's parent entity, with no third partner involved. The shift from GV to TCA has been confirmed, and the royalty structure remains the same until the resolution of the entry approval process. Current margins for the sunroof business are good and expected to improve with increased localization, particularly with new programs like the KIA program. Some margin improvements will be shared with customers.

Order Wins

Discussions are ongoing with Hyundai, KIA, Stellantis, and Skoda Volkswagen for new orders, with advanced negotiations in progress. Order book is considered strong with positive outlooks.

Source: Arianth Research, Company Filings

Story in charts

Exhibit 4: Revenue increased by 17.5% YoY and 3.2% QoQ basis

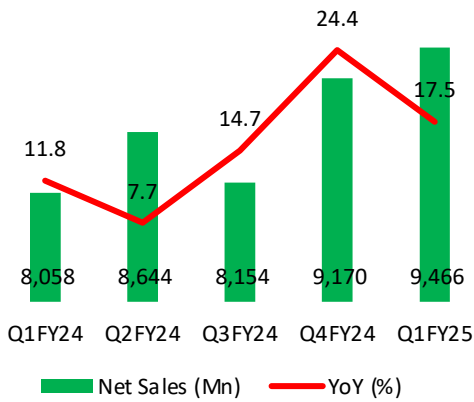


Exhibit 5: EBITDA Margins saw marginal increase due to ongoing cost reductions

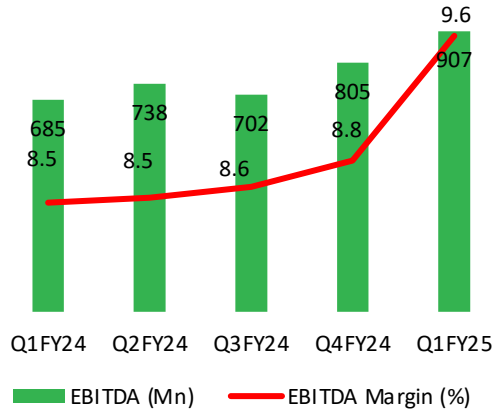


Exhibit 6 : Net Profit Margin slightly improved

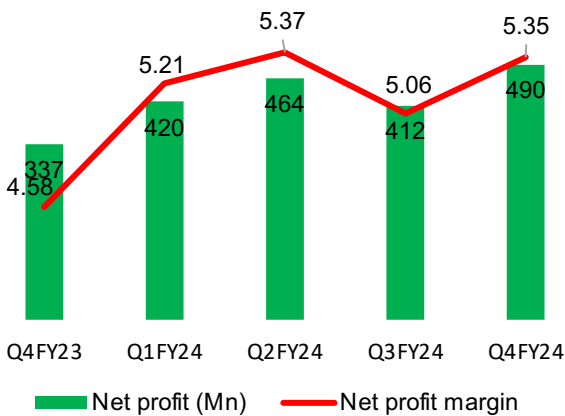


Exhibit 7: EPS saw an improvement during the Q1FY25

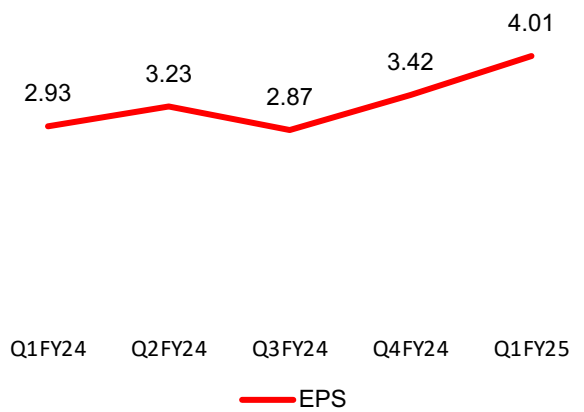
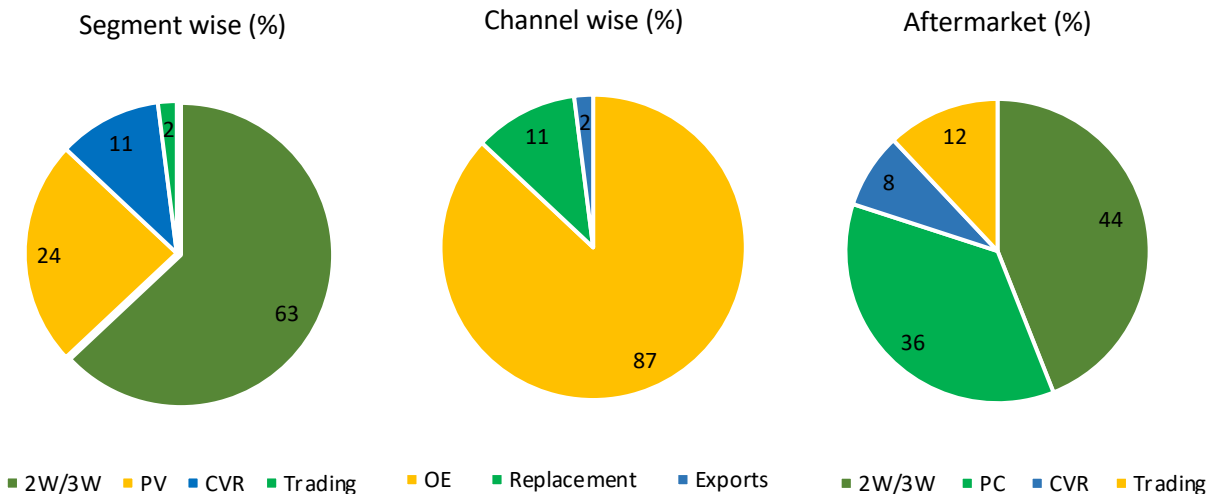


Exhibit 8: Diversified products segments with strong traction in 3W/2W segment and market share expansion



Source: Arihant Research, Company Filings

DCF Valuation

Valuation Assumptions

g (World Economic Growth)	3%
Rf	7%
Rm	12%
Beta (2 Yr)	0.9
CMP (INR)	511

WACC

We	99.8%
Wd	0.2%
Ke	11.5%
Kd	5.7%
WACC	11.48%

Valuation Data

Total Debt (long term borrowings) (2023)	111
Cash & Cash Equivalents (2023)	1,075
Number of Diluted Shares (2023)	144
Tax Rate (2024)	25.0%
Interest Expense Rate (2024)	7.6%

MV of Equity	73,400
Total Debt	111
Total Capital	73,511

FCFF & Target Price

FCFF & Target Price	Explicit Forecast Period											Terminal Yr
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
EBIT * (1-Tax Rate)	2,166	2,612	3,370	4,238	5,193	6,193	7,184	8,100	8,870	9,425	9,707	9,999
Dep	721	882	986	1,666	1,666	1,987	2,306	2,600	2,847	3,025	3,115	3,209
Purchase of Assets	1,925	2,147	2,504	3,635	3,635	4,335	5,029	5,670	6,209	6,597	6,795	6,999
Changes in Working Capital	(1,554)	(1,334)	(2,086)	(2,610)	(3,197)	(3,813)	(4,423)	(4,987)	(5,461)	(5,803)	(5,977)	(6,156)
FCFF	2,515	2,682	3,939	4,880	6,421	7,658	8,884	10,017	10,969	11,655	12,004	12,364
% Growth in Post Tax EBIT		20.6%	29.0%	25.8%	22.5%	19.3%	16.0%	12.8%	9.5%	6.3%	3.0%	3.0%
As % of Post Tax EBIT												
Dep	33.3%	33.7%	29.3%	32.1%	32.1%	32.1%	32.1%	32.1%	32.1%	32.1%	32.1%	32.1%
Purchase of Assets	88.9%	82.2%	74.3%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
Changes in Working Capital	-71.7%	-51.1%	-61.9%	-61.6%	-61.6%	-61.6%	-61.6%	-61.6%	-61.6%	-61.6%	-61.6%	-61.6%
FCFF	2,515	2,682	3,939	4,880	6,421	7,658	8,884	10,017	10,969	11,655	12,004	12,364
Terminal Value												145839
Total Cash Flow	2,515	2,682	3,939	4,880	6,421	7,658	8,884	10,017	10,969	11,655	12,004	1,58,203

Enterprise Value (EV)	81,126
Less: Debt	111
Add: Cash	1,075
Equity Value	82,090

Equity Value per share (INR)	571
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% Returns	11.8%
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Rating	HOLD
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WACC (%)

571	Terminal Growth(%)									
	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%	
10.48%	601	615	630	646	663	681	700	720	742	
10.73%	581	594	607	622	638	654	672	691	711	
10.98%	561	573	586	600	614	629	646	663	682	
11.23%	543	554	566	579	592	606	621	637	654	
11.48%	525	536	547	559	571	585	598	613	629	
11.73%	509	519	529	540	552	564	577	591	605	
11.98%	493	503	512	523	534	545	557	570	583	
12.23%	479	487	496	506	516	527	538	550	563	
12.48%	465	473	481	490	500	510	520	531	543	

Source: Company reports, Arianth Capital Research, Figures are in INR Mn. except share price and percentage data

Income statement (INR Mn)					
Year End-March	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	29,718	34,026	38,498	43,807	51,095
YoY (%)	27.3	14.5	13.1	13.8	16.6
Adjusted RMC	22,688	25,518	28,688	32,489	37,614
YoY (%)	27.0	12.5	12.4	13.2	15.8
Personnel/ Employee benefit expenses	1,831	2,123	2,389	2,624	3,032
YoY (%)	14.7	16.0	12.5	9.8	15.6
<i>Manufacturing & Other Expenses</i>	3,061	3,455	3,812	4,329	4,969
YoY (%)	27.6	12.8	10.3	13.6	14.8
Total Expenditure	27,580	31,096	34,889	39,442	45,615
YoY (%)	26.2	12.7	12.2	13.0	15.7
EBITDA	2,137	2,931	3,609	4,365	5,480
YoY (%)	44.7	37.1	23.1	20.9	25.6
EBITDA Margin (%)	7.2	8.6	9.4	10.0	10.7
Depreciation	510	599	721	882	986
% of Gross Block	7.8%	7.8%	7.5%	7.5%	12.6%
EBIT	1,627	2,331	2,888	3,483	4,494
EBIT Margin (%)	5.5	6.9	7.5	8.0	8.8
Interest Expenses	46	82	91	95	100
Non-operating/ Other income	173	190	223	254	187
PBT	1,754	2,438	3,021	3,642	4,581
Tax-Total	448	651	772	947	1,191
Adj. Net Profit	1,306	1,787	2,249	2,695	3,390
PAT Margin	4.4	5.3	5.8	6.2	6.6
Shares o/s/ paid up equity sh capital	143.6	143.6	143.6	143.6	143.6
Adj EPS	9.1	12.4	15.7	18.8	23.6

Balance sheet (INR Mn)					
Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds					
Equity Share Capital	144	144	144	144	144
Reserves & Surplus/ Other Equity	8,559	9,878	12,127	14,822	18,211
Networth	8,703	10,022	12,270	14,965	18,355
Unsecured Loans/ Borrowings/ Lease Liabilities	94	452	543	651	716
Total Debt	94	452	543	651	716
Total Liabilities	14,280	17,795	20,188	23,829	28,112
Application of Funds					
Gross block	4,258	5,598	6,676	8,100	9,109
Net Fixed Assets	4,258	5,598	6,676	8,100	9,109
Capital WIP	296	392	470	564	677
Investments/ Notes/ Fair value measurement	303	405	437	473	515
Current assets	9,423	11,401	12,605	14,693	17,811
Inventory	2,248	3,015	3,215	3,608	4,014
Debtors	3,837	4,914	5,281	5,999	6,871
Other Current Assets	2,259	2,701	3,750	4,800	6,433
Bank	676	165	77	61	105
Cash	398	599	279	220	382
Current Liabilities/Provisions	5,193	7,050	7,091	7,931	8,760
Creditors / Trade Payables	4,405	5,877	5,956	6,711	7,455
Liabilities	585	722	645	660	675
Provisions	204	197	186	196	193
Net Core Working Capital	4,230	4,350	5,515	6,762	9,051
Net Current Assets	9,423	11,401	12,605	14,693	17,811
Total Asset	14,280	17,795	20,188	23,829	28,112
Total Capital Employed	4,857	6,394	7,583	9,136	10,301

Cash Flow Statement (INR Mn)

Year End-March	FY23	FY24	FY25E	FY26E	FY27E
Retained Earning	1,069	1,334	1,754	2,102	2,644
Adjustments: Add					
Depreciation and amortisation	510	599	721	882	986
Interest adjustment	(127)	(107)	(133)	(159)	(87)
Change in assets and liabilities	1,453	1,826	2,342	2,825	3,543
Inventories	(148)	(767)	(199)	(393)	(406)
Trade receivables	(13)	(1,077)	(367)	(718)	(872)
Trade payables	(327)	1,473	79	755	744
Other Liabilities and provisions	14	109	(77)	15	16
Other Assets	341	(442)	(1,048)	(1,051)	(1,633)
Taxes	38	(42)	9	(3)	(8)
Net cash from operating activities	1,357	1,333	788	1,490	1,457
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	(964)	(2,036)	(1,834)	(2,331)	(2,038)
Net Sale/(Purchase) of investments	(48)	2	(51)	(77)	(83)
Others	252	106	203	232	163
Net cash (used) in investing activities	(759)	(1,928)	(1,682)	(2,176)	(1,959)
Interest expense	(260)	(86)	80	113	62
Other financing activities	(46)	(82)	(91)	(95)	(99)
Net cash (used) in financing activities	(69)	285	484	611	709
Closing Balance	1,075	765	355	281	488

Key Ratios

Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Solvency Ratios					
Debt / Equity	0.01	0.05	0.04	0.04	0.04
Net Debt / Equity	-0.11	-0.03	0.02	0.03	0.01
Debt / EBITDA	0.04	0.15	0.15	0.15	0.13
DuPont Analysis					
Sales/Assets	2.08	1.91	1.91	1.84	1.82
Assets/Equity	1.64	1.78	1.65	1.59	1.53
RoE	15.01%	17.84%	18.33%	18.01%	18.47%
Per share ratios					
Reported EPS	9.10	12.44	15.66	18.76	23.60
Dividend per share	1.65	3.16	3.44	4.13	5.19
BV per share	60.59	69.77	85.42	104.19	127.79
Profitability ratios					
Net Profit Margin (PAT/Net sales)	4.40	5.25	5.84	6.15	6.63
Gross Profit / Net Sales	23.66	25.01	25.48	25.83	26.38
EBITDA / Net Sales	7.19	8.61	9.37	9.96	10.73
PAT / Net Sales	4.40	5.25	5.84	6.15	6.63
ROCE (%)	17.90%	21.69%	22.05%	21.91%	23.22%
Activity ratios					
Inventory Days	34.97	37.64	40.90	40.53	38.95
Debtor Days	47.05	46.94	50.07	49.99	49.09
Creditor Days	73.01	71.39	75.26	74.49	71.57
Valuation ratios					
EV / EBITDA	33.89	24.96	20.40	16.91	13.44
EV / EBIT	44.52	31.37	25.49	21.19	16.40
EV / Net Sales	2.44	2.15	1.91	1.69	1.44
PE (x)	56.2	41.1	32.6	27.2	21.7

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Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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