



Gabriel India Ltd. Q4 FY17 Quarterly Update

MARKET DATA

NSE TICKER	GABRIEL
Networth FY17E (Rs in Crs)	450.5
P/BV Ratio (FY17E) (x)	4.1
EPS (FY17E)(Rs.)	5.7
Market Price (Rs.)	131
P/E Ratio (FY18E) (x)	22.5x
52 Week High (04/07/2016)(Rs)	132.4
52 Week Low (20/02/2016)(Rs)	85.0
Market Capitalisation (rs. Cr)	1852.6

AVERAGE MONTHLY VOLUME ('000)

BSE	48.5
NSE	217.3

SHARE HOLDING PATTERN

Promoter	54.6
FII	10.8
DII	5.8
Public	28.8

RETURN (%)

	3M	6M	12M
Gabriel	12.2	22.3	44.3
Sensex	5.9	10.0	16.9

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Gabriel India's (GIL) reported strong sets of number in a quarter which saw some stagnation of demand in 2W and CV post demonetization. GIL reported 6.8% YoY growth in top line to Rs. 391.2 cr. The growth in revenues was mainly driven by 10-12% jump in PV segment and 6-7% growth in 2W segment versus industry growth of 12% and 0.2% respectively. Company also saw positive growth in CV segment where industry growth was -23%.

Gabriel continued to improve on its EBITDA Margin and for Q4FY17 it witnessed margins of 9.4% up 40 bps YoY and flat compared to 9.5%. Company was able to re-negotiate Raw Material Pricing terms with its suppliers which helped to save some costs on procurement. This led to improvement in gross margins by 100 bps to 28.4% YoY. In addition to this, better product mix (higher contribution from PV) also aided Margins. However, company will see some deterioration in margin during next quarter on the back of recent rally in steel prices, the effect of which will come after a quarter's lag but the same will be minimal. During revision of pay over previous year, the employee cost jumped 18.1% YoY to Rs. 32.9 cr. Gabriel's PAT for the quarter stood at Rs. 22.1 crore, an improvement of 5.5% YoY and 17.3% QoQ.

Concall Highlights:

- Segment-wise revenue growth:- PV- 10-12%, 2W- 6-7%, CV- 3-4%.
- In 2W there is a shift towards rear struts to front forks and company is increasingly working towards it. Most of its new platforms are based on front forks.
- Company is working on the orders received during the year from Railways for LHB Coaches (new variety of coaches used by the Indian Railways). It has also secured repeat orders for the same during the quarter and it will start the supplies from second half of this fiscal year. Though the quantum of the orders as % of current revenue isn't much, company is looking at this as a big opportunity 3-5 years down the line.
- The replacement of Company's products in CV is low resulting into small replacement market. Company sees much higher replacement in 2W and PVs.
- Expected to sustain EBITDA margins at 9.2-9.5%.
- Average Capacity Utilization stands at 75% and company has Capex plans of Rs. 50 crore for FY18. Majority of it will be directed towards R&D and Automation.
- Market Share: PV: 22%, 2W: 25%, CV: 80%+

Quarterly Performance:

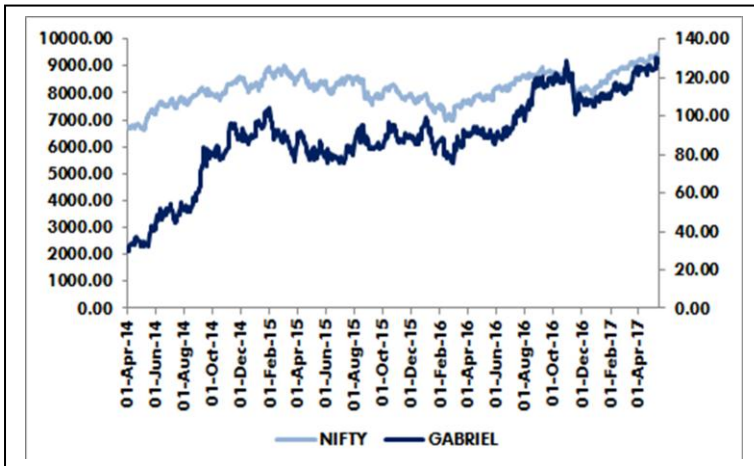
Particulars (Rs in crs)	Q4 FY17	Q4 FY16	YoY (%)	Q3 FY17	QoQ (%)	FY17	FY16	y-o-y
Net Sales	391.2	366.2	6.9	373.7	4.7	1529.1	1438.2	6.3
RM Cost	276.1	262.3	--	261.2	--	1084.4	1028.2	--
RM Cost as % of Sales	70.6%	71.6%	--	70.5%	--	70.9%	71.5%	--
EBITDA	38.5	34.2	12.6	35.3	4.4	144.1	127.6	13.0
EBITDA Margin	9.5%	9.0%	50 bps	9.6%	-5 BPS	9.4%	8.9%	50 BPS
Interest	0.5	0.6	--	1.0	--	5.4	4.2	--
PBT	27.8	25.4	9.6	27.0	3.0	112.5	96.1	17.1
Tax	5.7	4.4	--	8.1	--	29.2	20.3	--
PAT	22.1	20.9	5.5	18.8	17.6	83.3	75.8	9.9
EPS	1.5	1.4	5.5	1.3	17.6	5.7	5.2	9.9



Valuation & View:

At CMP of Rs. 131, the stock is trading expensively at TTM P/E of 22X. Given steady state growth of business in line with Auto industry and focus on single product we don't expect much outperformance from the company and accordingly recommend a HOLD on the stock with Price Objective of Rs. 140.

3-Yr Price comparison





Gabriel India- Profit/Loss Statement			
DESCRIPTION	FY15	FY16	FY17
Net Sales	1444.1	1438.2	1529.1
EXPENDITURE :			
Raw Material Consumed	1043.4	1028.2	1084.4
Employee Cost	107.7	115.0	127.8
Other Operating Exp.	176.6	167.9	172.8
Total Expenditure	1327.3	1310.7	1385.0
EBITDA	116.8	127.6	144.1
Depreciation	31.1	33.2	35.3
EBIT	85.6	94.4	108.8
Other Income	4.0	4.2	5.4
Interest	5.5	2.5	1.7
PBDT	84.1	96.1	112.5
Provision for Tax	23.5	20.3	29.2
Profit After Tax	60.6	75.8	83.3
EPS	4.2	5.2	5.7

Gabriel India- Cash Flow			
DESCRIPTION	FY14	FY15	FY16
Profit Before Tax	55.76	83.55	95.49
Adjustment	35.17	35.95	34.45
Changes In working Capital	-8.72	2.49	-17.43
Cash Flow after Working Capital	82.21	121.99	112.51
Tax Paid	-13.68	-21.59	-21.47
Cash From Operating Activities	68.53	100.40	91.04
Cash Flow from Investing Activities	-36.19	-26.87	-35.76
Cash from Financing Activities	-31.70	-74.51	-23.14
Net Cash Inflow / Outflow	0.64	-0.99	32.15
Opening Cash & Cash Equivalents	3.34	3.98	2.99
Closing Cash & Cash Equivalent	3.98	2.99	35.14

Gabriel India- Balance Sheet			
DESCRIPTION	FY15	FY16	FY17
Share Capital	14.4	14.4	14.4
Total Reserves	311.1	365.6	436.2
Shareholder's Funds	325.4	379.9	450.6
Long-Term Borrowings	6.1	8.1	7.8
Deferred Tax Assets / Liabilities	10.5	10.4	15.9
Other Non-Current Liabilities	81.8	62.0	7.8
Total Non-Current Liabilities	98.5	80.5	31.5
Current Liabilities			
Trade Payables	190.7	178.1	214.6
Other Current Liabilities	76.7	85.9	71.5
Total Current Liabilities	267.4	264.0	286.1
Total Liabilities	691.4	724.5	768.2
ASSETS			
Net Block	270.8	274.6	290.4
Long Term Loans & Advances	95.2	76.4	25.1
Other Non Current Assets	2.4	1.4	1.4
Total Non-Current Assets	368.4	352.5	316.9
Current Assets			
Inventories	112.1	110.7	129.8
Sundry Debtors	174.8	192.4	211.8
Cash and Equivalents	3.9	36.2	77.4
Short Term Loans and Advances	32.2	32.6	32.3
Total Current Assets	323.0	372.0	451.3
Total Assets	691.4	724.5	768.2

Gabriel India- Key Ratios			
DESCRIPTION	FY15	FY16	FY17
RoE	19.7	21.3	21.1
RoA	25.8	26.9	26.5
Inventory Days	35.2	35.0	35.9
Debtor Days	47.9	57.6	60.3
Creditor Days	53.6	57.9	58.6
Debt/Equity	0.0	0.0	0.0
Interest Coverage	16.3	39.5	64.0
Fixed Asset Turnover	3.1	3.0	3.0
Adj. P/E	20.6	17.1	22.0
Adj. P/BV	3.8	3.4	3.9



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