



3R MATRIX			
	+	=	-
Right Sector (RS)	✓	■	✗
Right Quality (RQ)	✓	■	✗
Right Valuation (RV)	✓	■	✗
+ Positive	= Neutral	- Negative	

What has changed in 3R MATRIX		
	Old	New
RS	■	↔
RQ	■	↔
RV	■	↔

Company details

Market cap:	Rs. 6,995 cr
52-week high/low:	Rs. 545 / 223
NSE volume: (No of shares)	6.3 lakh
BSE code:	505714
NSE code:	GABRIEL
Free float: (No of shares)	6.5 cr

Shareholding (%)

Promoters	55.0
FII	4.9
DII	12.1
Others	28.0

Price chart**Price performance**

(%)	1m	3m	6m	12m
Absolute	0.0	29.9	29.8	124.6
Relative to Sensex	0.3	19.7	17.7	102.2

Sharekhan Research, Bloomberg

Gabriel India Ltd**Q1 above estimates, sunroof project is on track**

Automobiles		Sharekhan code: GABRIEL		
Reco/View: Buy	↔	CMP: Rs. 487	Price Target: Rs. 558	↑
↑ Upgrade	↔ Maintain	↓ Downgrade		

Summary

- ◆ Gabriel's performance was better than estimates, with EBITDA margin at 9%.
- ◆ Though JV formation with Inalfa has not fructified; management continues to be optimistic on successful execution of the sunroof project in technical association with Inalfa.
- ◆ We maintain our BUY rating on the stock with a revised PT of Rs. 558, driven by its strong brand reputation, expansion strategies, profitability focus, anticipated rise in content per vehicle, inorganic growth initiatives, and enhance export potential.
- ◆ The stock trades at a P/E multiple of 25.3x and EV/EBITDA multiple of 16.3x its FY2026 estimates.

Gabriel has reported better-than-estimated performance in Q1FY2025 on account of healthy traction in its PV and two-wheeler (2W) division. Revenue has increased by 7.3% y-o-y to Rs. 864.2 crore (against our estimate of Rs. 847 crore) on the back of 10.8% y-o-y growth in the 2W and 3W segments, 7.3% y-o-y growth in the PV segment, and 7.3% y-o-y growth in the trading segment as the CV segment witnessed a 9.2% y-o-y decline. EBITDA increased by 13% y-o-y to Rs. 78 crore (against our estimate of Rs. 73 crore). EBITDA margin expanded by 50 bps y-o-y to 9% (against our estimate of 8.7%) on 50 bps y-o-y contraction in other expenses as a percentage of sales. APAT increased by 20.4% y-o-y to Rs. 51.2 crore (against our estimate of Rs. 48 crore). The company has been sustaining EBITDA margin at 9% level and is aiming for double-digit EBITDA margin by FY2026. While the sunroof project is on track, the company continues to look for suitable inorganic growth opportunities.

Key positives

- ◆ This was the consecutive second quarter in a row when it has sustained EBITDA margin at 9%.
- ◆ The sunroof project has delivered PAT of Rs. 6.4 crore in Q1FY2025.
- ◆ Gabriel's market share in the PV segment has increased to 24% in Q1FY2025 from 23% in Q4FY2024.

Key negatives

- ◆ Gabriel's market share in the 2W segment has declined to 30% in Q1FY2025 from 31% in Q4FY2024.
- ◆ Export sales declined to Rs. 19.6 crore in Q1FY2025 from Rs. 31.6 crore in Q1FY2024.
- ◆ Revenue from the CV segment declined by 9.2% y-o-y.

Management Commentary

- ◆ Management targets double-digit EBITDA margin by FY2026.
- ◆ Growth plans in sunroof projects would remain intact irrespective of JV formation with Inalfa not being approved.
- ◆ Gabriel is looking for a suitable inorganic growth opportunity.

Our Call

Valuation – Maintain BUY with a revised PT of Rs. 558: Post reporting better-than-expected performance in Q1FY2025, management targets to achieve double-digit EBITDA margin by FY2026. 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 project (which is currently under its own wholly owned subsidiary) in a JV company (between Gabriel and Inalfa) has not got the government's clearance, management has indicated the growth plan of the Sunroof project will remain as it is. The Sunroof project will work under the terms of the technical collaboration and alliance agreement executed with Inalfa. Along with that, the company is looking for a suitable inorganic growth opportunity. We maintain our BUY rating on the stock with a revised price target (PT) of Rs. 558, driven by its strong brand reputation, expansion strategies, profitability focus, anticipated rise in content per vehicle, inorganic growth initiatives, and enhance export potential.

Key Risks

Pricing pressures from automotive OEM customers can impact profitability. Further, the sharp revival in the 2W industry is key for its topline performance. Any failure in the Sunroof project due to lack of technical support from its overseas partner would hamper its growth prospects.

Valuation (Standalone)

Particulars	FY22	FY23	FY24	FY25E	FY26E
Revenues (Rs cr)	2,332	2,972	3,343	3,738	4,075
Growth (%)	37.6	27.4	12.5	11.8	9.0
AEBIDTA (Rs cr)	146	214	290	333	416
OPM (%)	6.3	7.2	8.7	8.9	10.2
Adj Net Profit (Rs cr)	90	132	185	218	277
Growth (%)	48.6	47.8	39.9	17.6	27.0
AEPS	6.2	9.2	12.9	15.2	19.3
P/E (x)	78.1	52.9	37.8	32.1	25.3
P/BV (x)	9.1	8.0	6.9	5.9	4.9
EV/EBIDTA (x)	47.0	31.9	23.4	20.4	16.3
ROE (%)	12.2	16.2	19.7	19.8	21.2
ROCE (%)	12.7	16.6	20.1	20.2	21.5

Source: Company; Sharekhan estimates

Q1 FY2025

- ◆ Segment-wise revenue mix: PVs: 24%, 2W and 3W: 63%, CVs: 11%, Trading: 2%.
- ◆ Channel-wise revenue mix: Replacement: 87%, OEM: 13%.
- ◆ Export sales declined to Rs. 19.6 crore in Q1FY2025 from Rs. 31.6 crore in Q1FY2024.
- ◆ Capex incurred during the quarter: Rs. 30.5 crore.
- ◆ Cash flow from operation: Rs. 48.4 crore.

Market share status

- ◆ Market share in the 2W segment has declined to 30% in Q1FY25 from 31% in Q4FY2024.
- ◆ Market share in the 2W EV segment has reached 87% in Q1FY2025.
- ◆ Market share in the PV segment has increased to 24% in Q1FY2025 from 23% in Q4FY2024.
- ◆ Market share of the CV segment declined to 88% in Q1FY2025 from 89% in Q4FY2024.

Sunroof Project

- ◆ The Sunroof project has delivered revenue of Rs. 82.3 crore, EBITDA of Rs. 11.5 crore, and PAT of Rs. 6.4 crore.
- ◆ 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 Rs. 86 crore and has given a loan of Rs. 60 crore to the Sunroof project.

New orders

- ◆ The company is now associated with Tata Motors for its latest launched product, Curvv.

Results (Standalone)

Particulars	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Rs cr Q-o-Q (%)
Net Sales	864.2	805.8	7.3	858.6	0.7
Total operating expenses	786.3	736.8	6.7	781.1	0.7
EBIDTA	78.0	69.0	13.0	77.6	0.5
Depreciation	15.3	13.7	11.6	14.3	7.1
Interest	0.9	2.2	(61.0)	1.2	(29.4)
Other Income	7.4	4.6	58.3	7.9	(7.2)
PBT	69.1	57.7	19.8	70.0	(1.2)
Tax	17.9	15.2	18.1	17.2	4.1
Reported net profit	51.2	42.5	20.4	52.7	(2.9)
Adjusted net profit	51.2	42.5	20.4	52.7	(2.9)
Adjusted EPS	3.6	3.0	20.4	3.7	(2.9)

Source: Company; Sharekhan Research

Key Ratios (Standalone)

Particulars	Q1FY25	Q1FY24	Y-o-Y (bps)	Q4FY24	Q-o-Q (bps)
Gross margin (%)	25.2	25.2	(10)	24.9	30
EBIDTA margin (%)	9.0	8.6	50.0	9.0	-
Net profit margin (%)	5.9	5.3	60	6.1	(20)
Effective tax rate (%)	26.0	26.3	(40)	24.6	130

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Structural demand in place

We remain optimistic on the automobile sector, driven by pent-up demand across the segment. While the PV and CV segments are performing, the 2W sector is relatively a laggard. We expect sequential improvement in M&HCV sales to continue, driven by rising e-commerce, agriculture, infrastructure, and mining activities. We expect M&HCVs to outpace other automobile segments over the next few years, followed by growth in the PV, 2W, and tractor segments. Moreover, exports provide a considerable growth potential, given India's cost-effective manufacturing, being geographically closer to key markets of the Middle East and Europe, and being the second-largest producer of crucial raw material, steel.

■ Company Outlook – Beneficiary of leadership position, client relationships, technological edge, and strong earnings growth

Gabriel is expected to be among the top beneficiaries of the rising penetration of e-2Ws/e-3Ws in India due to its strong brand, leadership, and technological edge. The company has laid down its plans to increase its market share across segments by leveraging its established relationships with domestic OEMs, global OEMs, and OESs. The company has one of the best suspension component technologies in the 2W, 3W, and CV segments. The company has been working on product innovations to maintain its leadership position in the domestic market and is aiming to expand in the export markets. The company expects faster growth in the aftermarket and export segments, which will be a key differentiator for the company, aiming to be among the top five global manufacturers of shock absorbers.

■ Valuation – Maintain Buy with revised PT of Rs. 558

Post reporting better-than-expected performance in Q1FY2025, management targets to achieve double-digit EBITDA margin by FY1026. 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 project (which is currently under its own wholly owned subsidiary) in a JV company (between Gabriel and Inalfa) has not got the government's clearance, management has indicated the growth plan of the Sunroof project will remain as it is. The Sunroof project will work under the terms of the technical collaboration and alliance agreement executed with Inalfa. Along with that, the company is looking for a suitable inorganic growth opportunity. We maintain our BUY rating on the stock with a revised PT of Rs. 558, driven by its strong brand reputation, expansion strategies, profitability focus, anticipated rise in content per vehicle, inorganic growth initiatives, and enhance export potential.

Change in earning estimates

Particulars	New		Earlier		% change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3738	4075	3738	4075	-	-
EBITDA	333	416	333	416	-	-
EBITDA margin (%)	8.9	10.2	8.9	10.2		
PAT	218	277	218	277	-	-
EPS (Rs)	15.2	19.3	15.2	19.3	-	-

Source: Company; Sharekhan Research

About company

Gabriel is the flagship company of the Anand Group and is one of the leading manufacturers of suspension components. The company's portfolio includes a range of ride-control products, which consist of shock absorbers, struts, and front forks for every automotive segment. The company's business units include CV and railways, 2W and 3W, passenger cars, and aftermarket. Gabriel manufactures front forks and rear shock absorbers for 2W; McPherson struts and shock absorbers for passenger cars; cabin dampers, seat dampers, and suspension shock absorbers for CVs; and shock absorbers for railway coaches. The company's ride-control products for various segments are marketed across the globe. Gabriel has seven manufacturing facilities and four satellite facilities.

Investment theme

Gabriel has a leadership position and a strong brand recall in the manufacturing of suspension components in India. The company has a strong presence across segments with 31% market share in the 2W and 3W segments, 23% in the PV segment, and 89% market share in the CV segment. Gabriel has a stronghold in the aftermarket market. Moreover, the company is well positioned to benefit from the government's push towards fast adoption of EVs. Gabriel is already developing products for leading electric 2W players. We expect Gabriel to be among the top beneficiaries of the increase in penetration of e-2W and e-3W due to its strong brand, leadership, and technological edge. The company has well laid down its plans to increase its market shares across segments through leveraging its established relationships with domestic OEMs, global OEMs, and OESs. The company has one of the best suspension component technologies in the 2W, 3W, and CV segments through in-house R&D and technical collaborations. Based on the company's well-thought and workable strategies and its inherent capabilities, we expect Gabriel to benefit in the medium to long term. Thus, we recommend a BUY rating on the stock.

Key Risks

Pricing pressures from automotive OEM customers can impact profitability.

Additional Data

Key management personnel

Anjali Singh	Executive Chairperson
Manoj Kolhatkar	Managing Director
Rishi Luharuka	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Asia Investments Pvt Ltd	52.64
2	HDFC Asset Management Co Ltd	9.18
3	Dimensional Fund Advisors LP	1.07
4	Nippon Life India Asset Management	0.87
5	Union Mutual Fund/India	0.85
6	BlackRock Inc	0.47
7	American Century Cos Inc	0.16
8	State Street Corp	0.10
9	Samsung Life Insurance Co Ltd	0.09
10	Motilal Oswal Asset Management Co	0.08

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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