

**Price:** 583

**Recommendation:** Buy

**Industry:** Auto Components

**Sector:** Consumer Discretionary

**Report Date:** 03-Apr-2025

Gabriel India Limited is advancing its market position through strategic initiatives, including acquiring Motherson Marelli Auto Suspension Parts assets to enhance its suspension market capabilities. The company focuses on domestic dominance, export growth, M&A, and technology enhancement. With a 14% revenue increase in Q3 and strong demand in sunroof and e-bike segments, Gabriel aims for a 10% export revenue target, despite challenges. Managing working capital and integrating acquisitions are key for future growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3571 Cr	Operating Profit(Year)	313 Cr	Operating Profit Margin	8.77 %
Previous Year	2972 Cr	Operating Profit(Quarter)	78.4 Cr	EBITDA Margin	8.68 %
Current Quarter	924 Cr	PAT (Year)	184 Cr	Net Profit Margin	5.50 %
Previous Quarter	924 Cr	PAT (Quarter)	54.0 Cr	EPS	14.7
Revenue (QYoY)	814 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	39.8	Sales Growth	10.9 %	Sales Growth	0.0 %
PEG Ratio	2.82	PAT Growth	39.39 %	Sales Growth QYoY	13.51 %
EV/EBITDA	24.2	EPS Growth	13.95 %	PAT Growth	2.47 %
P/B	7.79	Dividend Yield	0.68	PAT Growth QYoY	25.58 %
Capital Allocation		Holdings		Leverage	
RoE	19.6 %	Promoter	55.0 %	Debt/Equity	0.01
RoA	12.1 %	FII	5.33 %	Debt	9.44 Cr
RoCE	26.7 %	DII	13.5 %	Market Cap	8387 Cr
RoIC	22.9 %	Public	26.2 %	Enterprise value	8352 Cr
		No of Shares	14.4 Cr	Cash Equivalents	44.6 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Gabriel India Limited highlighted several strategic initiatives and business strategies aimed at enhancing its market position and driving growth. A key development is the acquisition of assets from Motherson Marelli Auto Suspension Parts Private Limited (MMAS), which is expected to bolster Gabriel's capabilities in the suspension market. This acquisition adds a new product line of gas springs and increases production capacity by 3.2 million shock absorbers and 1 million gas spring units. Additionally, Gabriel has entered into a technology assistance agreement with Marelli Suspension Systems Italy to advance its suspension offerings for future OEM requirements. The company is also focusing on expanding its sunroof business, with plans to double capacity by the end of 2025 to meet rising demand.

Gabriel's business strategies are centered around four pillars: domestic dominance, export focus, mergers and acquisitions (M&A), and technology enhancement. The company is actively pursuing export opportunities, particularly in Europe, and is working on bridging technology gaps to maintain a competitive edge. The recent acquisition is seen as a step in this direction, providing synergies in product lines and customer portfolios, including key clients like Tata, Maruti, and Renault. Gabriel is also exploring opportunities in the e-bike segment, which presents a promising market in Europe. The company aims to leverage its existing customer relationships and product range to capture a larger market share.

Looking ahead, Gabriel is optimistic about its growth prospects, driven by strong demand in the two-wheeler and passenger vehicle segments. The company reported a 14% year-on-year increase in standalone operating revenue for Q3, reaching 924 crores, with an EBITDA margin of 8.6%. The sunroof business, in particular, is experiencing robust demand, and Gabriel is on track to meet its revenue target of 400 crores for the current financial year. The company is also focused on achieving a 10% export revenue target, despite challenges such as the Renault and Russia issues. Gabriel's strategic focus on M&A and technology is expected to drive future growth and improve margins.

While Gabriel's initiatives are promising, there are areas for improvement. The company's net working capital cycle has increased from 20 to 26 days, primarily due to inventory buildup during the holiday season in China. Gabriel aims to stabilize this at around 21-22 days. Additionally, while the acquisition of MMAS is expected to enhance capabilities, it may initially exert pressure on margins. However, Gabriel remains committed to achieving double-digit margins by FY '26. The company is also exploring further M&A opportunities to enhance its product portfolio and market reach. Overall, Gabriel's strategic initiatives and focus on technology and exports position it well for future growth, though careful management of working capital and integration of new acquisitions will be crucial.

GABRIEL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Samvardh. Mothe.	90733.01	22.01	11.80%	-0.52%	7.89%	-0.13%	61.97%
Gabriel India	8387.22	39.84	19.58%	0.02%	13.56%	2.43%	25.63%
Bosch	81892.93	40.47	15.97%	1.62%	6.19%	-1.39%	4.33%
Uno Minda	49647.91	52.73	18.89%	-1.43%	18.77%	-2.79%	20.21%
Exide Inds.	31679.48	39.95	7.05%	-9.74%	0.93%	-32.20%	-21.69%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a 20% rise from the previous year, indicating strong market demand and effective sales strategies. The consistent quarterly revenue suggests stable performance, supporting long-term growth objectives.
Profit & Loss	Operating profit and PAT have increased, reflecting efficient cost management and revenue growth. The quarterly figures align with annual trends, indicating consistent profitability. This stability is crucial for investor confidence and future planning.
Profitability Matrix	The operating profit margin and EBITDA margin are healthy, indicating efficient operations. The net profit margin supports sustainable growth, while EPS reflects shareholder value. These metrics highlight the company's strong financial health.
Valuation Matrix	The high P/E ratio suggests market optimism, while the PEG ratio indicates growth potential. EV/EBITDA and P/B ratios reflect market valuation and asset efficiency. These metrics suggest the company is valued fairly, with growth prospects.
Growth (YoY)	Year-on-year growth in sales and PAT demonstrates strong market performance and strategic success. EPS growth indicates shareholder value enhancement. The dividend yield, though modest, provides additional investor returns.
Growth (QoQ)	Quarterly growth metrics show stability, with sales growth flat but PAT increasing, indicating improved profitability. The QYoY figures highlight significant growth, suggesting effective strategies and market positioning.
Capital Allocation	High RoE, RoA, and RoCE indicate efficient capital use, enhancing shareholder value. RoIC reflects strong investment returns. These metrics suggest effective capital management, supporting long-term strategic goals.
Holdings	Promoter and public holdings indicate balanced ownership, with institutional investors showing confidence. The number of shares suggests market liquidity, supporting trading activity. This ownership structure supports stability and growth.
Leverage	Low debt/equity ratio and manageable debt levels indicate financial stability. The market cap and enterprise value reflect strong market presence. Cash equivalents provide liquidity, supporting operational flexibility and strategic initiatives.

**Analyst viewpoint:** Gabriel India Limited is positioning itself as a formidable player in the auto components sector, with robust growth strategies that leverage domestic dominance, export expansion, technology enhancements, and strategic acquisitions. The company's recent acquisition of assets from Motherson Marelli Auto Suspension Parts significantly enhances its offerings in the suspension market, boosting capacity and broadening product lines. This move, combined with a 14% revenue rise in Q3 and a focus on high-demand segments like sunroofs and e-bikes, underscores Gabriel's ambition to capitalize on emerging opportunities. The company's strategic alliances, such as with Marelli Suspension Systems, indicate a commitment to future-proofing its product suite against OEM requirements. Gabriel's financial health is fortified by impressive profitability metrics and a high ROE, which, coupled with modest dividend yield and low debt levels, position it well for sustained growth.

Gabriel's ambitious export targets and M&A initiatives are poised to enhance its market reach, although the integration of acquisitions and management of working capital cycles are areas that require careful oversight. The company's penetration into promising markets like Europe, especially in segments like e-bikes, highlights its proactive approach to capturing market share. However, an increased net working capital cycle, primarily due to inventory buildup, could pose short-term challenges. Nonetheless, Gabriel's focus on achieving double-digit margins by FY '26 remains steadfast, positioning the company for substantial growth in the mid-term. With a market cap reflecting strong investor confidence, Gabriel India Limited is undoubtedly on a trajectory towards becoming a pivotal player in its sector, notwithstanding certain operational pressures that need addressing.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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