

**From** : 01-09-2014  
**To** : 19-08-2015  
**Performance** : 60%  
**Recommendation** : CLOSED

## Background & Business

Gabriel, incorporated in 1961, part of the well known Anand Group, is one of the leading manufacturers of ride control products viz shock absorbers, front forks & struts across automotive segments. With humble beginnings in the 60's, the Anand Group currently has nearly \$1.5bn revenues, 14,000 employees, 61 manufacturing locations, 16 JVs, 8 technical license agreements with global leaders in their respective area of operations & 19 companies under its fold. Gabriel is the flagship company of Anand & a leading name in the Indian Auto Component Industry. Established in 1961, the company provides the widest range of ride control products in India, including Shock Absorbers, Struts & Front Forks, across every automotive segment with over 300 product models on offer. It commands a market share of 25% in both two-wheelers & passenger vehicles & is the market leader in commercial vehicles segment with a 75% market share.

## Investment Thesis

- a) **Formidable position in automobile segment** (As mentioned above, Gabriel has 25% M.S. in 2W & PV segments & 75% M.S. in the CV category. The company boasts of all major 2/3/4Ws & CVs as its clients. OEMs constituted 83% of Gabriel's total revenues for FY17).
- b) **Favorably positioned to benefit from Automobile revival cycle** (Gabriel is a direct play on recovery in Indian automobile sector with its strong foothold in rider control product segments & its presence across all segments of the automobile industry ranging from 2W, 3W to PVs & CVs. it is favorably positioned to benefit from the impending revival in the Automobile segment due to strong monsoons, benefits of the 7th Pay Commission & gradual revival in economic growth. We feel that dip in economic activity on account of the current demonetization drive is a short-term phenomenon & things should normalize in a quarter or two).
- c) **Company to focus on higher-margin after-market segment** (Gabriel derives only 13% of revenues from the higher-margin after-market segment (as per FY17 numbers). Management plans to increase focus on this segment in coming years by way of new product launches, inorganic growth opportunities & deeper geographical penetration).

## Outlook

Growth for Gabriel has hit a roadblock with lacklustre revenue growth over past few quarters. While we have played out the upcycle in the stock with a 60% rally in stock price, we do not see scope for significant stock price ramp-up from current levels since the investment thesis has played out and current valuations fully capture future growth. Hence, we prefer to exit the stock.

