

BUY

TP: Rs 350 | ▲ 53%

GNA AXLES

Auto Components

30 October 2020

Undisputed market leader in rear axles; initiate with BUY

GNA Axles (GNA) is India's leading rear axle shaft manufacturer with >50% market share. Its products find applications across on-highway (CVs, buses) and off-highway vehicles. To derisk revenues, GNA recently ventured into UV and LCV axles as well. We expect the North American heavy truck market to bolster exports while likely CV market revival will aid domestic growth, supporting a 6%/9% topline/earnings CAGR over FY20-FY23. Valuations look attractive given a sound balance sheet and product leadership. Initiate with BUY; Sep'21 TP Rs 350.

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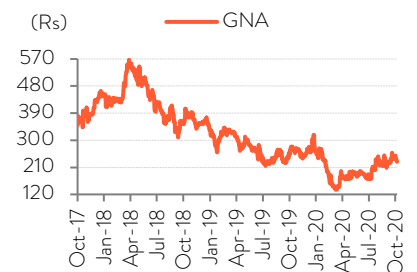
Three-pronged growth outlook: We model for a healthy 9% earnings CAGR for GNA over FY20-FY23 underpinned by three pillars of growth: (1) strong export visibility from the US CV market – per ATA, truck volumes in the US will likely rebound 4.9% next year and then grow 3.2% per year on average through 2026, (2) robust revival prospects for the domestic CV market – we expect a 10% CAGR in MHCVs over FY20-FY23, and (3) steady domestic tractor industry growth – at an estimated 5% volume CAGR through FY23.

| | |
|------------------|---------------|
| Ticker/Price | GNA IN/Rs 229 |
| Market cap | US\$ 21.4mn |
| Shares o/s | 7mn |
| 3M ADV | US\$ 0.4mn |
| 52wk high/low | Rs 325/Rs 126 |
| Promoter/FPI/DII | 68%/1%/13% |

Source: NSE

Entry into newer segments to derisk business: During FY19-FY20, GNA acquired land adjoining its existing plant and built a new facility, adding 0.5mn units to its existing rear axle capacity of 3.1mn units in the CV segment. The company also forayed into UV and LCV rear axles with an initial capacity of 0.5mn units. This will help derisk its reliance on the MHCV and tractor segments.

STOCK PERFORMANCE



Source: NSE

Initiate with BUY: We have projected a 4% CAGR in rear axle volumes for the company during FY20-FY23. Assuming 2% realisation growth, we model for a revenue CAGR of 6%. At ~14% margins, EBITDA is forecast to log a 7% CAGR through FY23. At CMP, the stock trades at 7.1x FY23E EPS of Rs 32. We value the company at 12x Sep'22E EPS – in line with the past 4Y average multiple – and arrive at a Sep'21 TP of Rs 350. Initiate with BUY.

KEY FINANCIALS

| Y/E 31 Mar | FY19A | FY20A | FY21E | FY22E | FY23E |
|-------------------------|-------|--------|--------|-------|--------|
| Total revenue (Rs mn) | 9,283 | 9,090 | 8,371 | 9,980 | 10,934 |
| EBITDA (Rs mn) | 1,451 | 1,245 | 1,118 | 1,385 | 1,523 |
| Adj. net profit (Rs mn) | 659 | 528 | 406 | 602 | 687 |
| Adj. EPS (Rs) | 30.7 | 24.6 | 18.9 | 28.0 | 32.0 |
| Adj. EPS growth (%) | 29.4 | (19.9) | (23.0) | 48.0 | 14.1 |
| Adj. ROAE (%) | 17.7 | 12.4 | 8.7 | 11.8 | 12.2 |
| Adj. P/E (x) | 7.5 | 9.3 | 12.1 | 8.2 | 7.1 |
| EV/EBITDA (x) | 0.7 | 0.7 | 1.7 | 1.3 | 1.0 |

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda

Important disclosures, including any required research certifications, are provided at the end of this report.

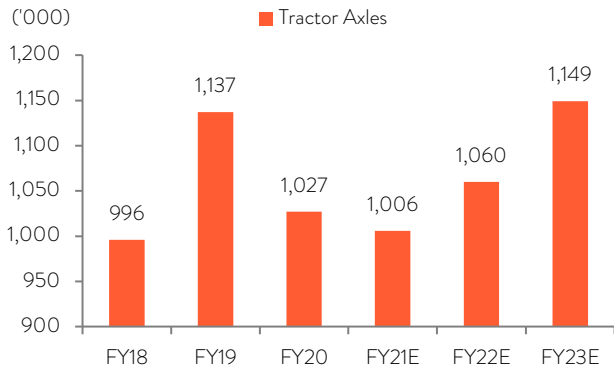


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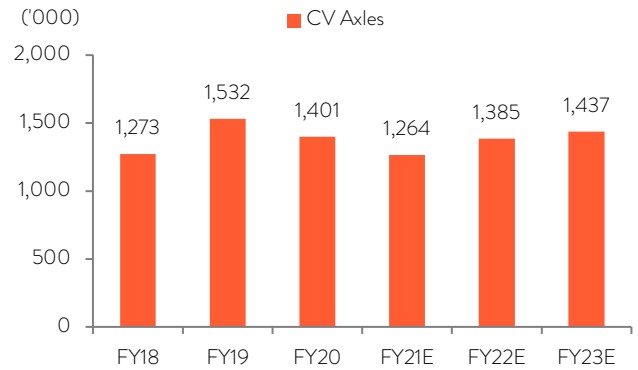
Focus charts

FIG 1 – GNA’S TRACTOR AXLE VOLUMES EXPECTED TO GROW AT 4% CAGR OVER FY20-FY23E



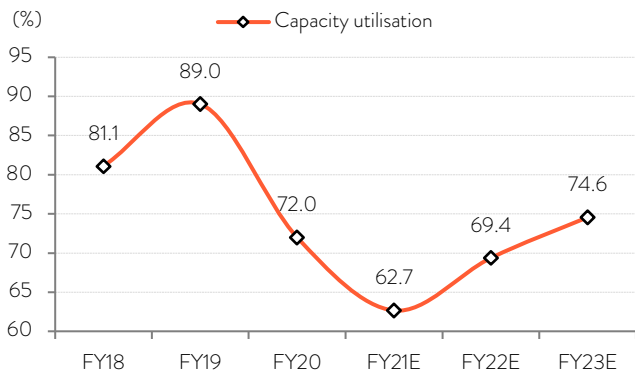
Source: Company, BOBCAPS Research,

FIG 2 – CV AXLE VOLUMES TO LOG 1% CAGR OVER THE SAME PERIOD



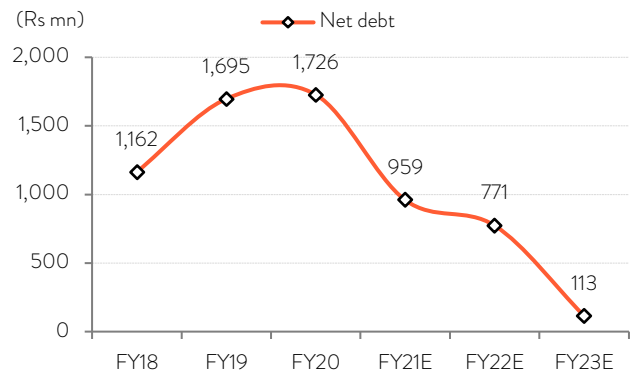
Source: Company, BOBCAPS Research

FIG 3 – CAPACITY UTILISATION EXPECTED TO IMPROVE STEADILY



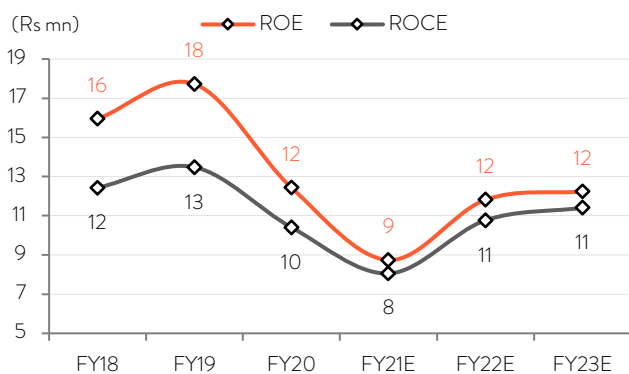
Source: Company, BOBCAPS Research

FIG 4 – NET DEBT PROJECTED TO REDUCE SHARPLY OVER FY20-FY23E



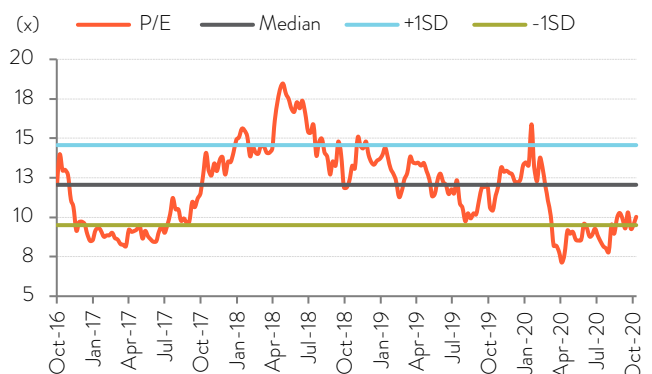
Source: Company, BOBCAPS Research

FIG 5 – ROE/ROCE TO RECOVER TO ~11% LEVELS NEXT YEAR



Source: Company, BOBCAPS Research

FIG 6 – P/E CURRENTLY AT -1SD; LOWER THAN 4Y AVERAGE OF 12X



Source: Bloomberg, BOBCAPS Research

Investment rationale

Strong growth pillars

GNA's primary product is rear axle shafts which form ~80% of revenue. The company has an annual manufacturing capacity of 3.6mn rear axle shafts and supplies a diverse range of these products across on-highway (LCVs, MCVs, HCVs, buses) and off-highway vehicles (agricultural tractors and machinery, forestry and construction equipment, defence and mining). It also manufactures spindles used in assembling axles, largely for the HCV and specialty segments. About 14% of revenue comes from spindles and the balance 6% from other axles.

We model for a 6% revenue and 9% earnings CAGR for GNA over FY20-FY23 led by three pillars of growth in the core rear axle business: (1) strong export visibility from the North American CV market, (2) robust revival prospects for the domestic CV market, and (3) steady domestic tractor industry growth.

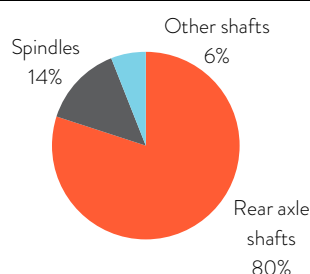
High export growth visibility

GNA's major customers in the export market are Meritor (Europe, US, China, Australia and Brazil) and DANA (US, Mexico and Brazil). Together, they constitute ~70% of the company's export revenue (Meritor ~50%, Dana ~20%). As per the American Truck Associations' (ATA) Sep'20 press release, freight volumes in the US are expected to grow ~36% over 2020-31 despite significant contraction in 2020. US truck industry sale volumes are forecast to decline ~9% in 2020 and then log a CAGR of 3% during 2021-26.

As per the ATA's findings:

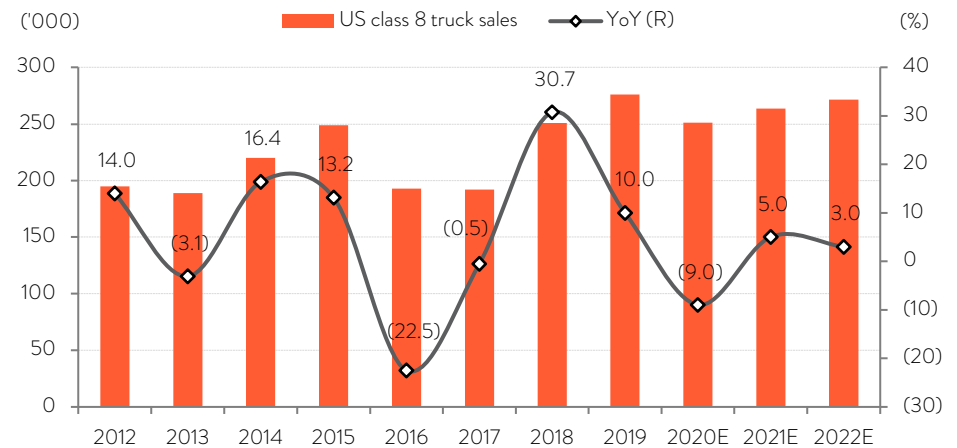
- Total freight volumes in 2020 are likely to collapse by 10.6% to 14.6bn tons, although truck freight volumes will fall by a lower 8.8%.
- Trucking volumes are expected to rebound in 2021, rising 4.9% next year and then growing 3.2% per year on average through 2026.
- Overall freight revenues in 2020 will total US\$ 879bn, rising to an estimated US\$ 1.4tn in 2031.

FY20 REVENUE SPLIT



Source: Company, BOBCAPS Research

FIG 7 – US CLASS-8 TRUCK SALES TO REBOUND IN 2021



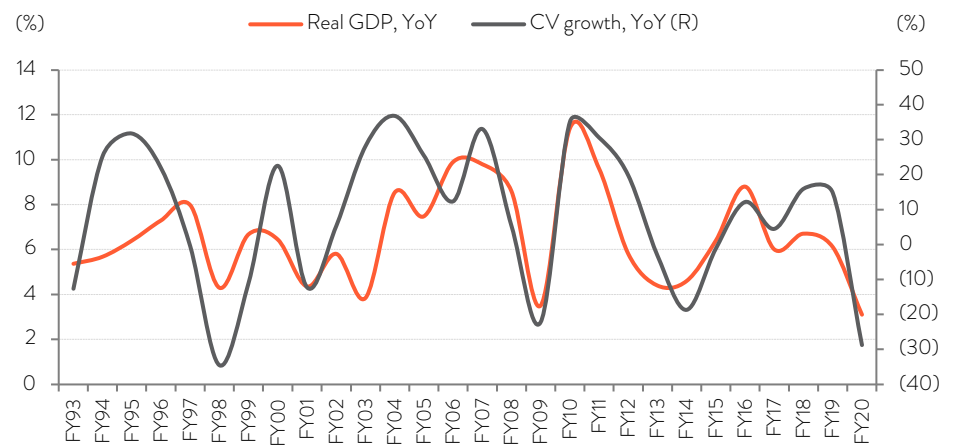
Source: Bloomberg, BOBCAPS Research

Robust domestic CV market

We expect strong demand revival at a 10% CAGR in the medium & heavy commercial vehicle (MHCV) segment over FY20-FY23. Investment revival in infrastructure and manufacturing and an overall economic upturn are likely to boost demand for MHCVs over the next 2-3 years. We believe growth in CVs will be also fueled by higher freight rates. Constraints for the railways, modernisation of the trucking sector, structural growth in the hub-and-spoke model, strict implementation of overloading rules and expansion of national highways are other major boosters.

- **Higher GDP growth to aid demand:** The chart below depicts a direct correlation between GDP growth and CV sales. Our Bank of Baroda economist estimates a GDP growth recovery to 4.5-5.5% over FY20-FY23. We expect this to be the primary tailwind for domestic CV volumes.

FIG 8 – HIGH CORRELATION BETWEEN GDP AND CV SALES

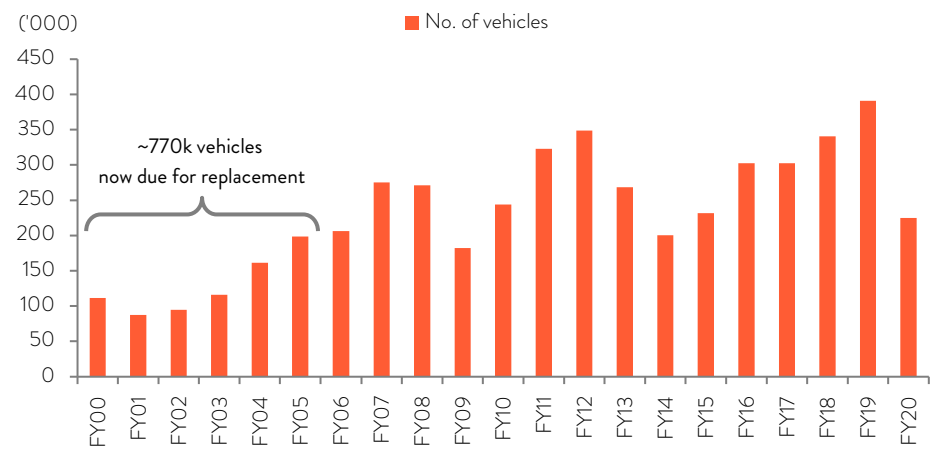


Source: Company, BOBCAPS Research, RBI, Bloomberg

- Scrapage policy to trigger replacement demand:** A replacement boom is likely to be triggered by stricter enforcement of regulations banning trucks older than 15 years, as well as by the proposed introduction of a voluntary retirement scheme for old trucks through better incentives and subsidies by state governments.

While the ministry of road transport has been very keen to implement the policy, the state governments’ reluctance has led to roadblocks and implementation delays. We expect at least 50% of the ~770k vehicles due for replacement to be scrapped in the next 2-3 years.

FIG 9 – REPLACEMENT DEMAND TO ASSIST MHCV SALES



Source: BOBCAPS Research, Company

- Recovery in freight-generating sectors to spur CV sales:** Strong growth in freight-generating sectors (industrial, mining and agricultural products) initially triggers higher freight rates; later, this pushes up demand for trucks and hence spurs replacement and fresh demand. Among contributors to industrial production, the chief freight-generating sectors have started showing positive trends. The recent pickup in sectors such as textiles, coke, refined petroleum products, basic metals, machinery, motor vehicles, furniture and manufacturing will be positive for CV demand.

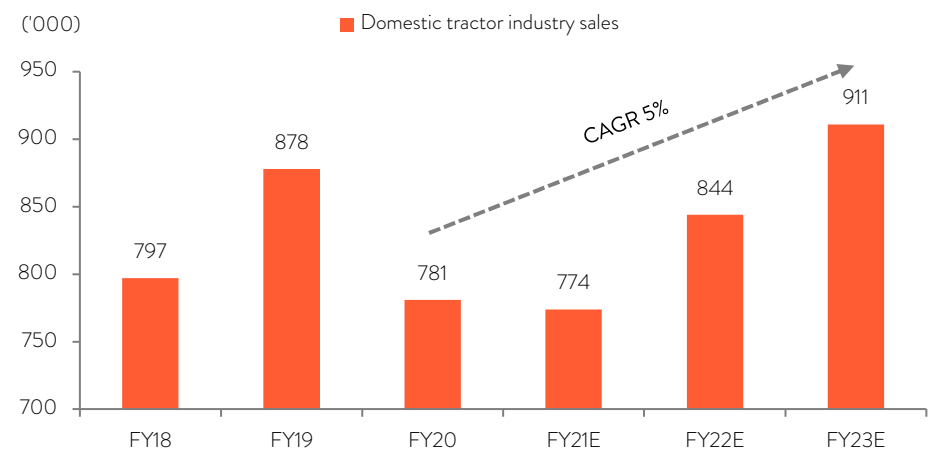
Steady tractor industry growth

Agriculture has always been a key sector of India's economy (~17% of GDP, ~13% of exports), in turn fueling the largest tractor market in the world. The agriculture sector is growing at an average of 2.2%, with India ranking as the largest producer of pulses, second largest producer of rice, wheat, vegetables, groundnuts and fruits, and third largest producer of coarse grains in the world.

Increased use of tractors, not only for agriculture but also for haulage and non-agricultural applications, has seen India's tractor industry grow from just ~50,000 units in the early eighties to over 800,000 units annually, overtaking global markets. The opportunities are still immense considering low farm mechanisation levels in the country when compared to other developed markets. Key industry players are M&M with ~41% market share (~29% under own brand and 12% under Swaraj tractors), TAFE (~17%), Escorts (~11%) and Sonalika (~12%).

Domestic tractor industry volumes declined ~11% in FY20 to ~781,000 units against ~879,000 units in FY19. Key reasons for this underperformance were (1) the NBFC crisis that led to a pullback of aggressive financing, (2) a high base effect, and (3) slowdown in the economy due in part to Covid-19. We estimate an industry volume CAGR of 5% during FY20-FY23 steered by the government's aggressive infrastructure spends and expected revival in the mining, aviation (where aircraft tractors are used for ground support equipment) and agri sectors.

FIG 10 – TRACTOR INDUSTRY TO CLOCK 5% CAGR THROUGH FY23E

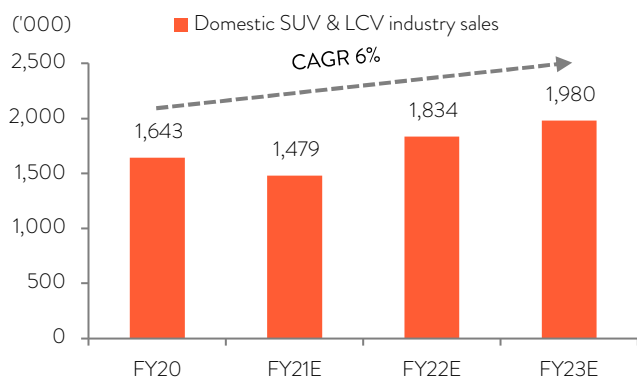


Source: BOBCAPS Research, Tractor Manufacturers Association

Entry into newer segments to derisk revenues

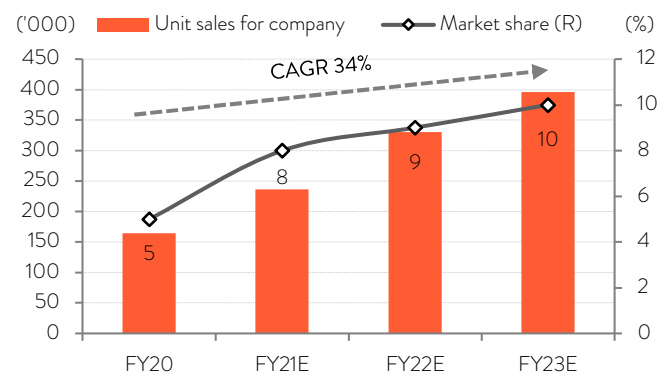
During FY19-FY20, GNA acquired land and built a new plant that added 0.5mn units to its existing rear axle capacities in the CV segment. It also ventured into the manufacture of utility vehicle (UV) and light commercial vehicle (LCV) rear axles with an initial capacity of 0.5mn units. This will help derisk its reliance on the MHCV and tractor segments. We expect GNA to gain healthy market share, from 5% currently to ~10% by FY23, leading to a higher 34% CAGR in axle volumes over this period.

FIG 11 – DOMESTIC LCV AND SUV INDUSTRY VOLUMES EXPECTED TO CLOCK 6% CAGR...



Source: Company, BOBCAPS Research

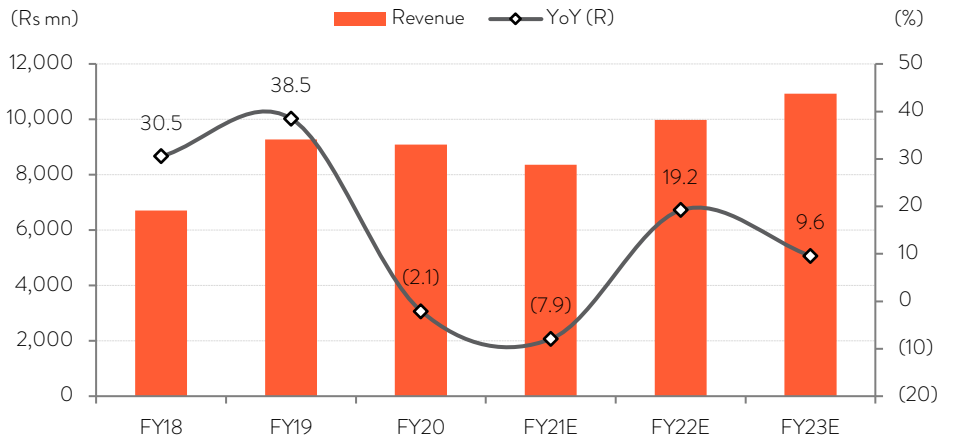
FIG 12 – ...BUT HEALTHY MARKET SHARE GAINS FOR GNA REAR AXLES SHOULD AID 34% VOLUME GROWTH



Source: Company, BOBCAPS Research

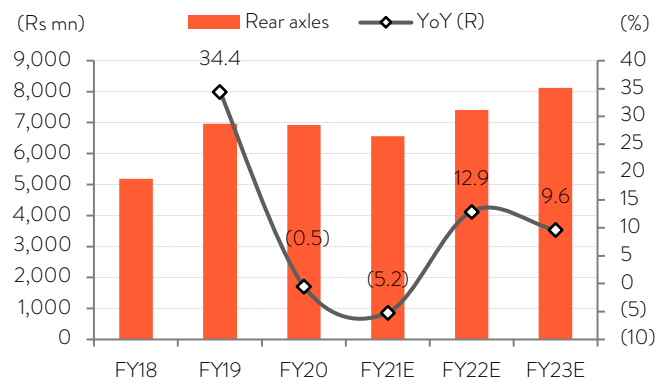
Financial summary

FIG 13 – GNA EXPECTED TO POST 6% REVENUE CAGR OVER FY20-FY23E



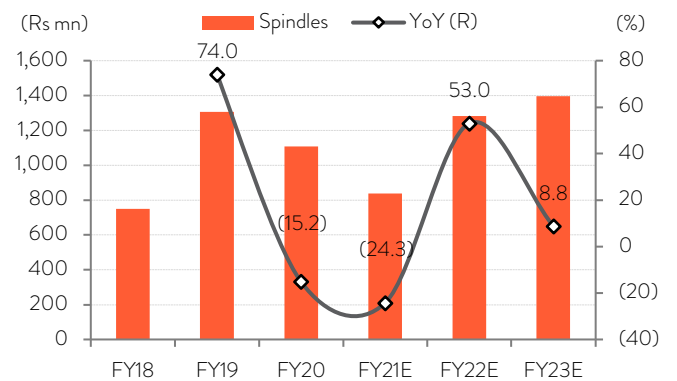
Source: Company, BOBCAPS Research

FIG 14 – REVENUES IN REAR AXLE SEGMENT FORECAST TO LOG 5% CAGR...



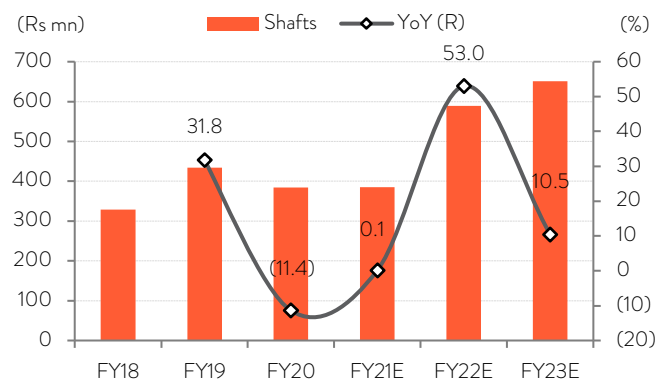
Source: Company, BOBCAPS Research

FIG 15 – ...WITH 8% CAGR IN SPINDLES OVER FY20-FY23E



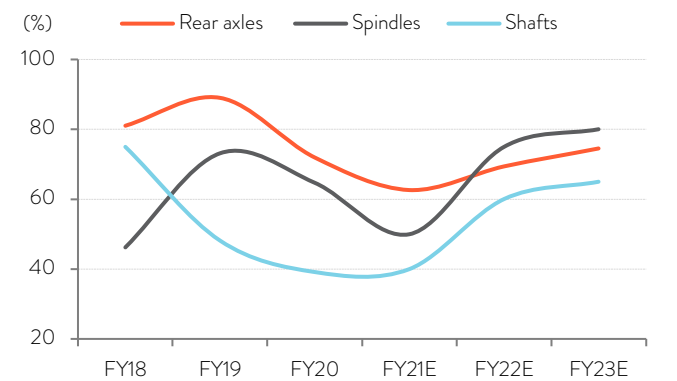
Source: Company, BOBCAPS Research

FIG 16 – SHAFTS TO CLOCK BRISK 19% REVENUE CAGR, ALBEIT OFF A LOWER BASE



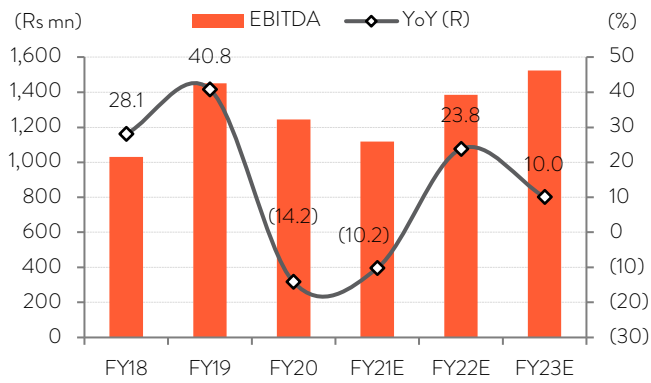
Source: Company, BOBCAPS Research

FIG 17 – CAPACITY UTILISATION SET TO IMPROVE ACROSS SEGMENTS



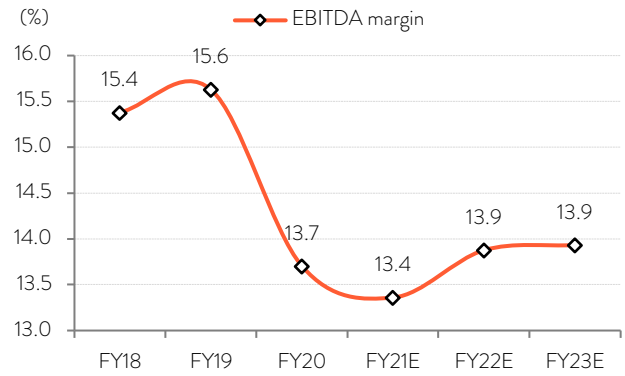
Source: Company, BOBCAPS Research

FIG 18 – GNA'S EBITDA TO CLOCK 7% CAGR...



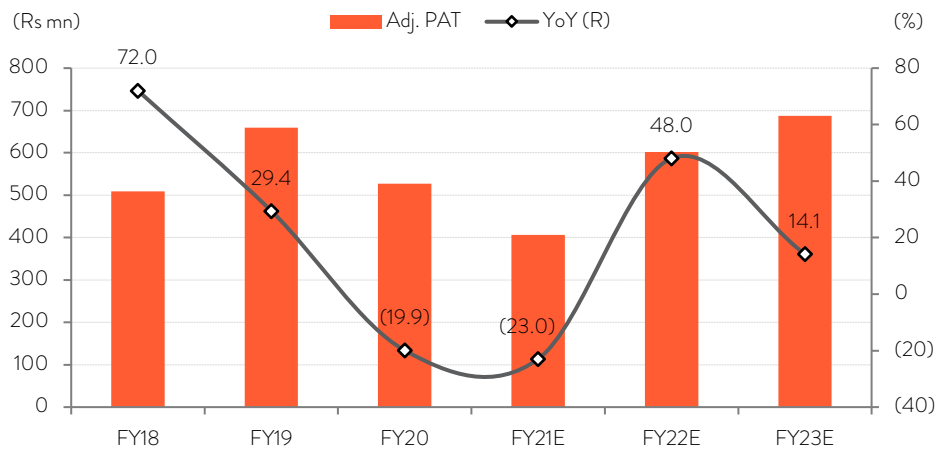
Source: Company, BOBCAPS Research

FIG 19 – ...WITH MARGINS LIKELY TO REMAIN STEADY



Source: Company, BOBCAPS Research

FIG 20 – EXPECT ADJ. PAT CAGR OF 9% OVER FY20-FY23E



Source: Company, BOBCAPS Research

FIG 21 – QUARTERLY PERFORMANCE

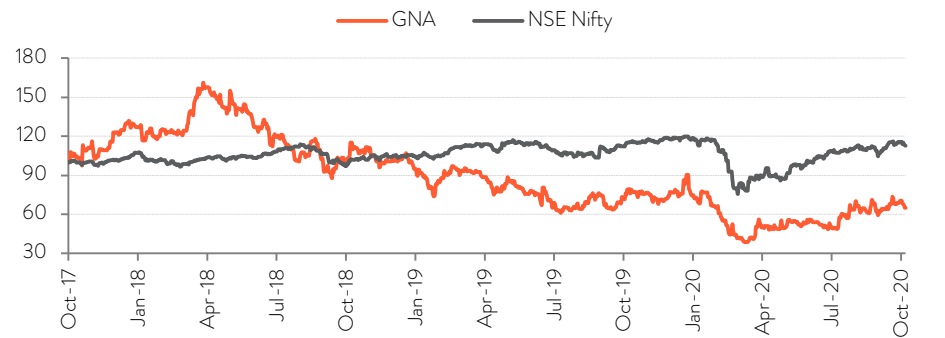
| (Rs mn) | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|----------------|--------------|
| Net sales | 2,126 | 2,272 | 2,463 | 2,422 | 2,582 | 2,560 | 2,141 | 1,807 | 813 | 2,221 |
| YoY (%) | 46.5 | 48.0 | 47.5 | 18.4 | 21.4 | 12.6 | (13.0) | (25.4) | (68.5) | (13.2) |
| EXPENDITURE | | | | | | | | | | |
| (Inc)/dec in stock-in-trade | 80 | (89) | 10 | (63) | (155) | (3) | 167 | 32 | 38 | 117 |
| Materials | 1,339 | 1,585 | 1,597 | 1,633 | 1,815 | 1,670 | 1,290 | 1,095 | 492 | 1,224 |
| % of sales | 66.7 | 65.9 | 65.2 | 64.8 | 64.3 | 65.1 | 68.0 | 62.4 | 65.3 | 60.4 |
| Staff cost | 87 | 94 | 89 | 117 | 117 | 92 | 102 | 97 | 85 | 119 |
| % of sales | 4.1 | 4.1 | 3.6 | 4.8 | 4.5 | 3.6 | 4.8 | 5.4 | 10.4 | 5.4 |
| Other expenditure | 305 | 323 | 378 | 349 | 391 | 396 | 344 | 394 | 141 | 344 |
| % of sales | 14.3 | 14.2 | 15.3 | 14.4 | 15.1 | 15.5 | 16.1 | 21.8 | 17.4 | 15.5 |
| Total expenses | 1,810 | 1,914 | 2,073 | 2,035 | 2,169 | 2,156 | 1,902 | 1,619 | 757 | 1,804 |
| EBITDA | 316 | 359 | 389 | 387 | 413 | 404 | 239 | 189 | 57 | 417 |
| YoY (%) | 37.8 | 51.1 | 44.9 | 31.0 | 30.7 | 12.7 | (38.6) | (51.2) | (86.3) | 3.1 |
| OPM (%) | 14.9 | 15.8 | 15.8 | 16.0 | 16.0 | 15.8 | 11.2 | 10.4 | 6.9 | 18.8 |
| Other income | 1 | 0 | 0 | 3 | 0 | 3 | 3 | 7 | 3 | 3 |
| Interest | 23 | 18 | 24 | 17 | 36 | 36 | 35 | 28 | 28 | 21 |
| Depreciation | 79 | 86 | 93 | 88 | 98 | 114 | 106 | 106 | 99 | 105 |
| Profit before tax | 215 | 255 | 272 | 284 | 280 | 257 | 101 | 61 | (67) | 294 |
| Provision for taxation | 75 | 92 | 93 | 105 | 98 | 34 | 24 | 14 | (1) | 65 |
| Tax Rate (%) | 34.9 | 36.2 | 34.1 | 37.0 | 35.0 | 13.3 | 24.0 | 23.7 | 1.5 | 22.0 |
| PAT | 140 | 162 | 180 | 179 | 182 | 223 | 76 | 47 | (66) | 229 |
| YoY (%) | 26.2 | 52.2 | 41.6 | 8.9 | 29.9 | 37.2 | (57.4) | (74.0) | (136.1) | 3.0 |
| PAT margin (%) | 6.6 | 7.1 | 7.3 | 7.4 | 7.0 | 8.7 | 3.6 | 2.6 | (8.1) | 10.3 |

Source: Company, BOBCAPS Research

Valuation methodology

We have projected a 4% CAGR in rear axle volumes for GNA during FY20-FY23. Assuming 2% realisation growth, we model for a revenue CAGR of 6%. At ~14% margins, EBITDA is forecast to log a 7% CAGR through FY23. At CMP, the stock trades at 7.1x FY23E EPS of Rs 32. We value the company at 12x Sep'22E EPS – in line with the past 4Y average multiple – and arrive at a Sep'21 target price of Rs 350. Initiate with BUY.

FIG 22 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

- Lower exports
- Slower-than-expected domestic CV growth

Annexure A: Company profile

Established in 1993, GNA Axles (GNA) is India's leading rear axle shaft manufacturer with a domestic market share of over 50%. Its products find applications across on-highway vehicles (LCVs, MCVs, HCVs and buses, among others) and off-highway vehicles (agricultural tractors and machinery, forestry and construction equipment, defence and mining, among others). The company also manufactures solid and hollow spindles used to assemble axles for various vehicles and equipment.

GNA's products are widely consumed the world over by leading OEM manufacturers across the US, Sweden, Turkey, Brazil, Italy, Germany, Spain, Mexico, Japan, UK, France, China and Australia, among others. The company is also a tier-1 supplier to several Indian OEMs. It has two state-of-the-art manufacturing facilities located in Mehtiana (Hoshiarpur district) and Gulabgarh Jattan (Kapurthala district) in Punjab with a total annual capacity of 2.3mn rear axle shafts, 0.4mn other shafts and 0.3mn spindles.

Product profile

GNA's primary product is rear axle shafts which yields ~80% of its revenues. The company manufactures and supply a diverse range of rear axle shafts for vehicles in the on-highway and off-highway segments. The product also finds application in specialty vehicles used for mining and defence. GNA can manufacture rear axle shafts of up to 165kg input weight.

The company also manufactures spindles for both on-highway and off-highway vehicles, largely catering to the HCV and specialty segments. A spindle is a part of the axle housing assembly of an automobile whose main purpose is to transmit torque. About 14% of revenues come from the sale of spindles.

Other axles contribute ~6% of revenues – these include drive shafts (a mechanical component for transmitting torque and rotation), power takeoff shafts, hydraulic lift shafts and transmission shafts. All these form part of the transmission assembly of an automobile.

FIG 1 – A BIRD’S EYE VIEW ON CORPORATE GOVERNANCE

| Name | Designation (Directorship) | Total Remuneration (Rs lakhs) | No. of board meetings attended | Attended last AGM | Committees (Y/N)/ No of meetings attended | | | |
|-------------------------------|----------------------------|-------------------------------|--------------------------------|-------------------|---|------------------------------|------------------------------|------------------|
| | | | | | 1- Audit | 2- Nomination & remuneration | 3- Stakeholders relationship | 4- CSR Committee |
| Mr Racchpall Singh | Chairman | 58.8 | 1 | N | | Y | | |
| Mr Gursaran Singh | Managing Director | 58.8 | 4 | Y | | | | |
| Mr Javinder Singh | Wholetime Director | 186.9 | 2 | Y | | | Y/NA | |
| Mr Ranbir Singh | Wholetime Director | 186.9 | 4 | Y | Y/4 | | | Y/NA |
| Mr Gurdeep Singh | Wholetime Director | - | 4 | Y | | Y/1 | | |
| Mr Harwinder Singh | Wholetime Director | 34.4 | 3 | Y | | | | |
| Mr Kulwin Seehra | Wholetime Director | 34.4 | 3 | Y | | | | |
| Mr Jasinder Singh Johal | Independent Director | 0.6 | 3 | Y | Y/3 | Y/1 | | |
| Mr Anish Kumar Dhingra | Independent Director | 0.4 | 3 | N | | | | Y/NA |
| Mr Shailendra Singh Kaushik | Independent Director | 0.8 | 4 | Y | Y/4 | | | Y/NA |
| Mr Vikas Uppal | Independent Director | 0.5 | 4 | Y | | Y/1 | | |
| Mr M S Atwal | Independent Director | 0.4 | 3 | Y | | | | |
| Mr Ajit Singh | Independent Director | 0.5 | 4 | Y | | | Y/NA | |
| Mrs Geeta Khanna | Independent Director | 0.3 | 3 | N | | | Y/NA | |
| Lt. Gen Praveen Bakshi (Retd) | Independent Director | 0.4 | 3 | Y | | | | |

Source: Company, BOBCAPS Research

FIG 2 – AUDITORS, CREDIT RATING AND CSR DETAILS

| | |
|------------------------|--|
| Auditors | M/s Harish & Co |
| Bankers | Central Bank of India Punjab National Bank |
| CSR | |
| Prescribed amt (Rs mn) | 20.5 |
| Expensed amt (Rs mn) | 17.5 |

Source: Company, BOBCAPS Research

FINANCIALS

Income Statement

| Y/E 31 Mar (Rs mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|--------------------------------|--------------|--------------|--------------|--------------|---------------|
| Total revenue | 9,283 | 9,090 | 8,371 | 9,980 | 10,934 |
| EBITDA | 1,451 | 1,245 | 1,118 | 1,385 | 1,523 |
| Depreciation | 347 | 424 | 463 | 504 | 549 |
| EBIT | 1,108 | 834 | 666 | 894 | 988 |
| Net interest income/(expenses) | (81) | (136) | (122) | (90) | (70) |
| Other income/(expenses) | 4 | 13 | 11 | 14 | 14 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | 1,027 | 698 | 543 | 804 | 918 |
| Income taxes | 368 | 171 | 137 | 203 | 231 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from associates | 4 | 5 | 6 | 7 | 8 |
| Reported net profit | 659 | 528 | 406 | 602 | 687 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 659 | 528 | 406 | 602 | 687 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Accounts payables | 1,879 | 1,659 | 2,752 | 3,144 | 3,295 |
| Other current liabilities | 60 | 41 | (864) | (978) | (975) |
| Provisions | 135 | 97 | 21 | 30 | 35 |
| Debt funds | 1,698 | 1,937 | 1,124 | 1,124 | 624 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 |
| Equity capital | 215 | 215 | 215 | 215 | 215 |
| Reserves & surplus | 3,802 | 4,254 | 4,618 | 5,134 | 5,650 |
| Shareholders' fund | 4,017 | 4,469 | 4,833 | 5,349 | 5,865 |
| Total liabilities and equities | 7,788 | 8,202 | 7,865 | 8,670 | 8,844 |
| Cash and cash eq. | 4 | 211 | 166 | 353 | 511 |
| Accounts receivables | 3,125 | 2,963 | 3,096 | 3,281 | 3,295 |
| Inventories | 1,610 | 1,450 | 1,399 | 1,586 | 1,738 |
| Other current assets | 297 | 330 | 330 | 330 | 330 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Net fixed assets | 2,288 | 2,445 | 2,331 | 2,427 | 2,327 |
| CWIP | 157 | 610 | 350 | 500 | 450 |
| Intangible assets | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets, net | (33) | (6) | (6) | (6) | (6) |
| Other assets | 341 | 199 | 199 | 199 | 199 |
| Total assets | 7,788 | 8,202 | 7,865 | 8,670 | 8,844 |

Source: Company, BOBCAPS Research

Cash Flows

| Y/E 31 Mar (Rs mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|-------------------------------------|--------------|--------------|----------------|--------------|--------------|
| Net income + Depreciation | 1,006 | 951 | 870 | 1,106 | 1,236 |
| Interest expenses | (81) | (136) | (122) | (90) | (70) |
| Non-cash adjustments | (4) | (13) | (11) | (14) | (14) |
| Changes in working capital | (590) | (609) | 154 | 30 | (83) |
| Other operating cash flows | (3) | (4) | (4) | 0 | 0 |
| Cash flow from operations | 328 | 190 | 886 | 1,032 | 1,069 |
| Capital expenditures | (812) | (886) | (1,033) | (90) | (750) |
| Change in investments | 0 | 0 | 0 | 0 | 0 |
| Other investing cash flows | 29 | 4 | 13 | 11 | 14 |
| Cash flow from investing | (783) | (882) | (1,020) | (79) | (736) |
| Equities issued/Others | (61) | 0 | 0 | 0 | 0 |
| Debt raised/repaid | 250 | 275 | 239 | (813) | 0 |
| Interest expenses | (71) | (81) | (136) | (122) | (90) |
| Dividends paid | 0 | (52) | (71) | (43) | (85) |
| Other financing cash flows | (5) | 12 | (28) | 0 | 0 |
| Cash flow from financing | 114 | 155 | 4 | (978) | (175) |
| Changes in cash and cash eq. | (341) | (538) | (131) | (24) | 158 |
| Closing cash and cash eq. | 261 | 4 | 211 | 166 | 353 |

Per Share

| Y/E 31 Mar (Rs) | FY19A | FY20A | FY21E | FY22E | FY23E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS | 30.7 | 24.6 | 18.9 | 28.0 | 32.0 |
| Adjusted EPS | 30.7 | 24.6 | 18.9 | 28.0 | 32.0 |
| Dividend per share | 2.4 | 3.3 | 2.0 | 4.0 | 8.0 |
| Book value per share | 187.1 | 208.1 | 225.1 | 249.1 | 273.2 |

Valuations Ratios

| Y/E 31 Mar (x) | FY19A | FY20A | FY21E | FY22E | FY23E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 |
| EV/EBITDA | 0.7 | 0.7 | 1.7 | 1.3 | 1.0 |
| Adjusted P/E | 7.5 | 9.3 | 12.1 | 8.2 | 7.1 |
| P/BV | 1.2 | 1.1 | 1.0 | 0.9 | 0.8 |

DuPont Analysis

| Y/E 31 Mar (%) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT) | 64.2 | 75.5 | 74.8 | 74.8 | 74.8 |
| Interest burden (PBT/EBIT) | 92.7 | 83.7 | 81.6 | 89.9 | 92.9 |
| EBIT margin (EBIT/Revenue) | 11.9 | 9.2 | 8.0 | 9.0 | 9.0 |
| Asset turnover (Revenue/Avg TA) | 175.9 | 150.0 | 135.4 | 160.6 | 168.7 |
| Leverage (Avg TA/Avg Equity) | 1.4 | 1.4 | 1.3 | 1.2 | 1.2 |
| Adjusted ROAE | 17.7 | 12.4 | 8.7 | 11.8 | 12.2 |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

| Y/E 31 Mar | FY19A | FY20A | FY21E | FY22E | FY23E |
|--|--------|--------|--------|-------|--------|
| YoY growth (%) | | | | | |
| Revenue | 38.5 | (2.1) | (7.9) | 19.2 | 9.6 |
| EBITDA | 40.8 | (14.2) | (10.2) | 23.8 | 10.0 |
| Adjusted EPS | 29.4 | (19.9) | (23.0) | 48.0 | 14.1 |
| Profitability & Return ratios (%) | | | | | |
| EBITDA margin | 15.6 | 13.7 | 13.4 | 13.9 | 13.9 |
| EBIT margin | 11.9 | 9.2 | 8.0 | 9.0 | 9.0 |
| Adjusted profit margin | 7.1 | 5.8 | 4.9 | 6.0 | 6.3 |
| Adjusted ROAE | 17.7 | 12.4 | 8.7 | 11.8 | 12.2 |
| ROCE | 13.5 | 10.4 | 8.1 | 10.8 | 11.4 |
| Working capital days (days) | | | | | |
| Receivables | 108 | 122 | 132 | 117 | 110 |
| Inventory | 62 | 61 | 62 | 55 | 55 |
| Payables | 111 | 109 | 148 | 166 | 165 |
| Ratios (x) | | | | | |
| Gross asset turnover | 0.5 | 0.6 | 0.7 | 0.6 | 0.6 |
| Current ratio | 2.4 | 2.8 | 2.6 | 2.5 | 2.5 |
| Net interest coverage ratio | (13.7) | (6.1) | (5.4) | (9.9) | (14.1) |
| Adjusted debt/equity | 0.4 | 0.4 | 0.2 | 0.2 | 0.1 |

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

RATINGS AND TARGET PRICE (3-YEAR HISTORY): GNA AXLES (GNA IN)



B – Buy, A – Add, R – Reduce, S – Sell

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