

## GNA AXLES Ltd : Average Issue

IPO Note: Bottomline grew at a CAGR of 75% in 3 years : Ranking\*\*

# GNA

### Issue details

Price band (Rs)	Rs. 205-207
IPO Opening Date	14/09/16
IPO Closing Date	16-09-2016
Issue Size	Rs.130.41 Cr.

### Recommendation

Total revenues grew at a CAGR of 13.39.% from Rs.349.05 Crore for the financial year 2013 to Rs.508.94 Crore for the financial year 2016. Net profit after tax grew from Rs.04.81 Cr. for the financial year 2013 to Rs.25.69 crore for the financial year 2016. In the last four year net profit grew at a CAGR of 74.80% from FY13 to FY16. Its export revenue increased in the total turnover for all these years from 33.91% to 54.71%. If we attribute the latest earnings on expanded equity post IPO, then asking price is at a P/E of 17.30. The company has no peers to compare with it in total model basis, however; it has stated Talbros Engg as its peer as it operates in one of the segment that is trading around 19 P/E. If we compare this with other parts manufacturing companies like Automotive Axles, Federal-Mogul, Motherson Sumi, Precision Camshafts, Lumax etc. All other companies available at P/E - range of 14 to 62 depending on their financial situation. **Listing of the company will be in T group and hence speculative movement is ruled out. Company operates in low net profit margin hence it is a high risk issue.**

### Highlights

- GNA Axles mainly engaged in manufactures and sells auto components for the four-wheeler industry
- Its client list includes OEMs like Mahindra and Mahindra, Automotive Axles, John Deere India etc.
- GNA Axles domestic sales and export sales constituted 45.29% and 54.71% of revenue
- Among the Leading Manufacturers of Axle Shafts in India
- Diverse Product Range of Axle Shafts and Spindles
- Strong Long Term Customer Relationships and Diversified Customer Base
- Manufacturing Facilities with Large Capacity and Modern Machinery
- Experienced Management and Skilled Employee Base
- Strong Engineering, Product Development and Technological Capabilities
- Sustained Financial Performance and Strong Financial Position
- It has total debt as on 31<sup>st</sup> March 2016 was 129.57 crore and its debt equity ratio was 0.95

### Company Introduction

Incorporate 1993, G N A Axles Ltd is Punjab based manufacturers of rear axle shafts, other shafts and spindles used in on-highway and off-highway vehicular segments in India. Company mainly engaged in manufactures and sells auto components for the four-wheeler industry. GNA Axles made over 2.26 million components in 2016.

GNA Axles has broad customer base for both the on-highway and off-highway segments and their customers are based in India and overseas. The company manufactures and supplies a range of rear axle shafts, other shafts, and spindles for the on-highway segment vehicles, including light commercial vehicles, medium commercial vehicles, and heavy commercial vehicles, as well as other transport vehicles, such as buses. It

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### Financial Summary (Rs. In Crore)

Particulars	FY2016	FY2015	FY2014	FY2013
Total Income	508.94	430.64	404.25	349.05
Net Profit	25.69	21.6	13.26	4.81
EPS (Rs)	11.96	10.06	6.17	2.24

Source: RHP and ACE Equity

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

also offers a range of rear axle shafts and other shafts for the off-highway segment, which include agricultural tractors and machinery, forestry and construction equipment, electric carts, and other specialty vehicles used in mining and defense sectors. In Fiscal 2016, GNA Axles domestic sales and export sales constituted 45.29% and 54.71% of revenue.

GNA Axles exports their products to various countries, including the United States, Sweden, Turkey, Brazil, Italy, Germany, Spain, Mexico, Japan, the United Kingdom, France, China, and Australia. They have two manufacturing facilities: Unit I located in village Mehtiana, district Hoshiarpur, Punjab and Unit II located at village Gulabgarh Jattan, district Kapurthala, Punjab. Both of its manufacturing facilities are ISO/TS 16949:2009 certified for manufacture of rear axle shafts, other shafts and spindles for automotive applications.

### The object of the issue are to:

- Purchase of plant and machinery
- To meet working capital requirements
- General corporate purposes.

### Financial

On performance front, for last four fiscals, the company has posted turnover/net profits of Rs.349.05 cr. / Rs. 4.81 cr. (FY13), Rs. 404.25 cr. / Rs. 13.27 cr. (FY14), Rs. 430.64 cr. / Rs. 21.60 cr. (FY15) and Rs. 509.94 cr. / Rs. 25.96 cr (FY16).

### IPO Issue Proceed

To part finance purchase of plant and machinery as well as raise working capital and general corpus fund, the company is coming out with a maiden IPO of 6300000 equity shares of Rs. 10 each via book building route in a price band of Rs. 205-207 to mobilize Rs. 130.41 crore (bases on upper price band). Issue opens for subscription on 14.09.16 and will close on 16.09.16. Minimum application is to be made for 70 shares and in multiples thereon, thereafter. Post IPO its current paid up equity capital of Rs. 21.47 cr.

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