

GNA Axles

Market leader in Axle Shafts

Interesting player in Commercial Vehicles industry

Market Cap: 585 Cr

Sales: 928 Cr

Operating Margins: 15-16%

Debt / Equity: 0.4

Net Profit: 66 Cr

Disclosures

- This is not a stock recommendation
- This is an attempt to collate various data points of the company from its various public sources
- The views expressed are personal and not of my employer
- My family and I have investments in the company and our views might be biased

GNA Axles supplies to Axle manufacturers

Axle Shafts (GNA Axles)



Axles (Automotive Axles)



[Motor Grader](#)



[MS13-1495 HR](#)



[MT28-160](#)



[MT36-610](#)

GNA Axles has over 50% market share in domestic rear-axles market

About the Company (AR extracts)

“GNA has one of the largest integrated plants in Asian subcontinent”

“Today 100% of the customers have been with the Company for over 15 years”

“Customers include Dana Limited, John Deere, Kubota Corp, Meritor, TAFE, International Tractors, Escorts, Automotive Axles and Mahindra & Mahindra”

“Fully integrated right from forging to finished goods”

“Immune to technology disruptions as Company focuses on mobility components (axle shafts and spindle used in movement of the vehicle)”

Extracts from Red Herring Prospectus

Our Company has generated business from the following new customers over the course of the past three years:

Year of commencing business with the new customer	Name of new customer	Product segment catered to
2015 - 2016	Dana Australia Pty Limited, Australia	Rear Axle Shafts for HCVs
2014 - 2015	Meritor HVS Australia	Rear Axle Shafts for HCVs
2014 - 2015	Dana Industrial Ltda, Brazil	Rear Axle shafts for LCVs
2014 - 2015	TAFE Motors & Tractors Limited	Rear Axle Shafts for Tractors
2014 - 2015	Dana Commercial Vehicles USA	Rear Axle Shafts for HCVs, MCVs and LCVs
2014 - 2015	Meritor Heavy Vehicle Systems LLC, USA	Rear Axle Shafts for HCVs, MCVs and LCVs
2013 - 2014	Tumosan Motor VE Tractor Turkey	Rear Axle Shafts for Tractors

Recent developments

Company raised 120 Crore from IPO in September 2016 (IPO @240).

- 80 Cr for capacity expansion
- 40 Cr for working capital and reducing debt equity from 2 times
- One of the few company to raise capital for growth and actually deliver it

2017 numbers were flat

2018: 30% Sales Growth

2019: 38% Sales Growth

Margins have been consistent at 15-16% for 5 years.

Sales have grown 3x from 300 to 900 Crores in 8 years

Capacities

2017: 3 million

2018: 4 million

2019: 4.5 million

2020: Another 20% increase lined up (@80 Cr)

New SUV axles plant (@90 Cr) with expected sales of 40 crore.

Performance vs Industry

INDUSTRY

20-25% production drop in CV and Tractors in Q4FY19 and Q1FY20.

Overall drop in US markets too from May 2018.

GNA Axles

Company has posted best quarterly results in Q4FY19.

Saying that performance in Q1FY20 is better than Q4FY19.

Extracts from Interviews

“In America Class8 and Class 7 heavy segment dropped, but because we are not only in Class 8, we are in Class 8 to class 6, medium and large segment also, class 7 and 8 also.

Overall increase in our North America sales is 60% compared to last year. Still we are overbooked and compensating our loss of sales in domestic market through our export.”

“There will be overall growth in Indian Tractor market of 10%”

“In coming year also we are planning to grow between 10-15%. That is a very conservative growth after seeing the total scenario of domestic market.”

“In North America and Europe, lot of shift of business will be there for India. It is not just their market size but also this shift to cut costs that is driving the growth.”

Extracts from interviews

“In Q1FY20 we are performing better than last quarter”

Current utilisation is 80-85%

20% Capacity expansion in September

“Though we expect North America to dip by 10% next year, we are **increasing our market share** and share of business with our existing customers there”

“We will be able to grow in exports by 15-20% minimum.”

“We are tapping more customers over there. We have no agenda to reduce our capacity enhancement. In coming year also we are enhancing our capacity by 25%”

[CNBC Interview](#) (12 June 2019), [Bloomberg Interview](#) (25 March 2019)

Risks

Unlisted Group Companies:

- GNA Gears (with revenues of 300 Cr)
- GNA Udyog (propeller shafts)

Volatility and cyclicality of commercial vehicles segment

Uncertainties around the domestic market around BS-VI implementation

Too much dependency on commentary

Promoter trading

Investment Rationale

Clean Simple Company

Single line of business

Decent debt equity of 0.4

Proper taxes, high depreciation

9 times earning

Dividend yield of 1%

Promoter buying in Jan 2019

Expected growth of 15-20%

Growth of CV segment @10%

Company's historical growth @20%

Positive yet conservative undertone

Thank You

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