



**TRANSPARENT CAPITAL**

## **GKN Driveline India Ltd.**

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### **Business Overview:**

GKN Driveline (India) limited parent group company is GKN Plc. It has registered offices in the United Kingdom. GKN Plc is the leading automotive driveline technology and systems engineer. GKN Plc is a global partner to the automotive industry. More than 50% of the 80 million new cars sold every year contain GKN Automotive technology.

GKN has a global network of 54 production facilities in 23 countries that supply over 90% of the world's car manufacturers. It's 29,000 dedicated employees design, develop, manufacture, and integrate driveline technologies that add value to vehicle programs.

On 19-04-2018, Melrose Industries Plc became GKN's new owners after the acquisition of GKN Plc by Melrose Industries Plc.

### **About GKN Driveline India**

GKN Driveline (India) Limited was incorporated as Private Limited on July 25, 1985. The company's name changed more than once and the latest change was from GKN Driveshafts (India) Limited to GKN Driveline (India) Limited on July 3, 2003. The Company is having technical collaboration with GKN Driveline International GmbH, Germany since 2003 and under the collaboration agreement, the Company draws various state of the art technologies from GKN.

The Group is primarily in the business of manufacturing and sale of driveshafts to original equipment manufacturers in the automobile industry.

### **Technology Support**

The GKN Driveline (India) Limited maintains interaction with GKN Group internationally. The company continuously imports technology from GKN Group under the Technical Collaboration Agreement and the same is fully absorbed.

The company is receiving support and guidance from GKN Group to drive functional excellence in marketing, human resource, application engineering, supply management, and information technology, among others, which helps the Company to remain competitive and further step-up its overall business performance. GKN is committed to ensuring that the support in terms of new products, innovations, technologies, and services is commensurate with the needs of the Company and enables it to continue as a market leader.

### **Manufacturing Plants**

GKN Driveline (India) Limited has five manufacturing plants. Two plants are in Haryana, one in Maharashtra, one in Tamilnadu, and one in Gujarat.

### **The Company Clients**

GKN Driveline has impressive automotive industry leaders such as Toyota, Ford, Bajaj, Fiat, Honda, and Suzuki as its clients.

### **Export Income**

During the Financial year ended March 31, 2019, the Company posted export earning of INR 22 Cr in comparison to export earning of INR 62 Cr in the financial year ended March 31, 2018.

### **Strengths:**

1. The company is debt-free.
2. The company is generating free cash flow from the last 3 years.
3. Cumulative CFO/Cumulative EBITDA in the last 3 years is 70% which is very good. That means the company is able to convert EBITDA into Cash efficiently.
4. The debtor days are very comfortable and are less than 50 days.

### **Weakness:**

1. In the last 4 years, the company has invested close to 154 Cr in the purchase of Plant and Machinery, however, the revenue growth is almost 'NIL'. The reason is the slowdown in the automobile sector in the last 2-3 years.
2. The company's ROCE has also declined from highs of 40% in 2017 to 20% in 2020. The reason being no growth in revenue in spite of putting continuous investment in the business.

### **Shareholding Pattern:**

The holding company **GKN Driveline International GmbH** holds **97.013%** shares in the company.

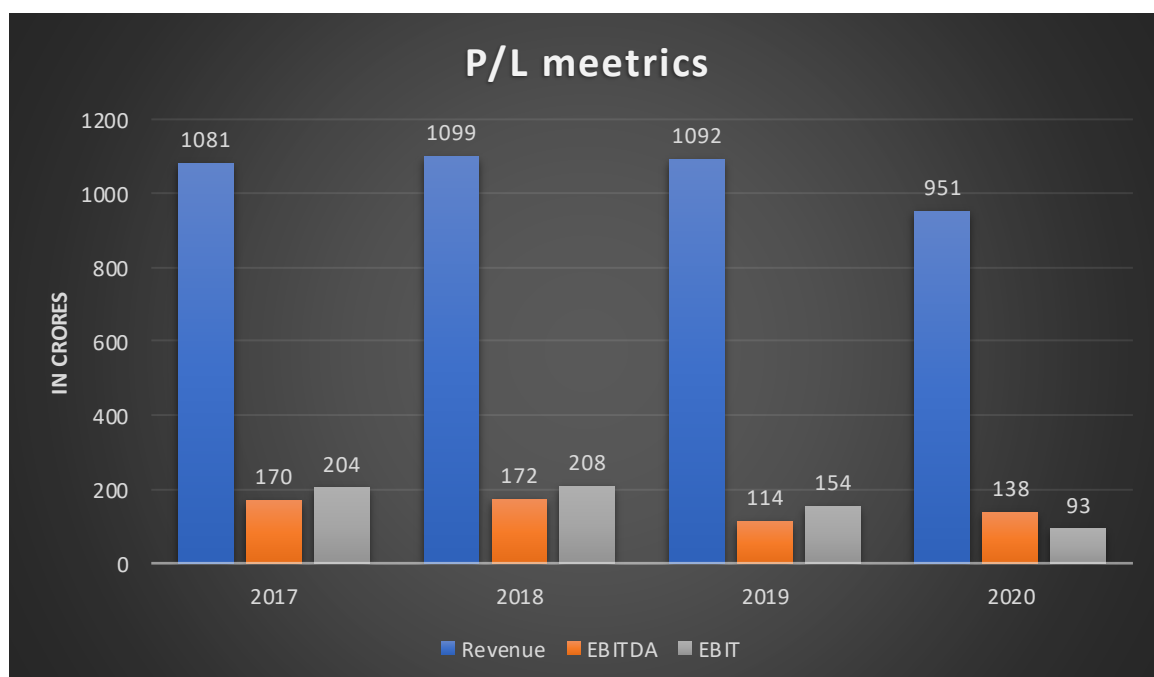
## Financial Performance

1. In the Financial year ended March 31, 2020, the Company made a net turnover of INR 941 Cr and profit before tax of INR 83 Cr.
2. In the Financial year ended March 31, 2019, the Company made a net turnover of INR 1077 Cr and profit before tax of INR 50 Cr.
3. In the financial year ended March 31, 2018, the Company had registered a net turnover of INR 1067 Cr and profit before tax of INR 127 Cr.

## Financials of GKN Driveline India Limited:

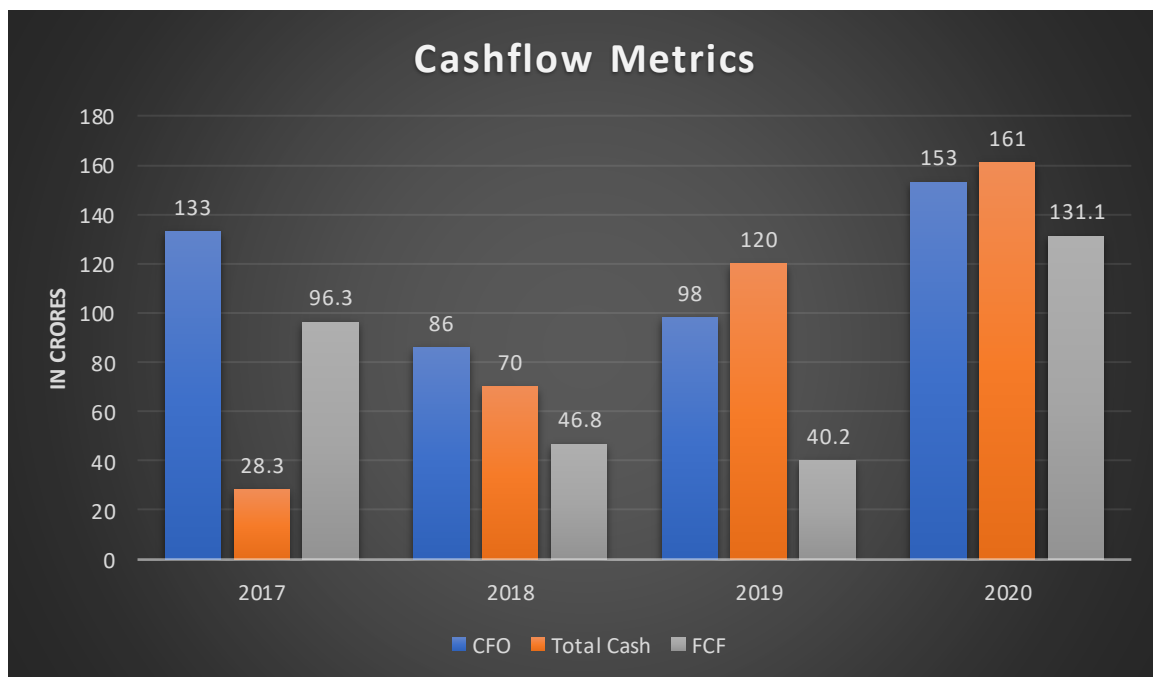
### P/L Analysis (Fig. in Crores)

Year	Revenue	EBITDA	EBIT	OPM	PAT	NPM	EPS
2017	1081	170	204	15.7%	76	7.0%	60
2018	1099	172	208	15.7%	78	7.1%	61
2019	1092	114	154	10.4%	13.6	1.2%	11
2020	951	138	93	14.51%	63	6.62%	48



### Cash-Flow Analysis (Fig. in Crores)

Year	CFO	CFI	CFF	Total Cash	FCF
2017	133	-35.6	-6.3	28.3	96.3
2018	86	-37.7	-6.9	70	46.8
2019	98	-47.6	-1.45	120	40.2
2020	153	-13.4	-99.3	161	131.1



### Valuation:

- Market Capitalization = 954 Cr.
- Price/Earnings = 45 (based on last 4 years avg. EPS)
- Price/Book = 2.12

The valuation looks comfortable, the only issue is revenue growth is stagnant in the last 3 years but is poised to grow due to growth in automotive market in coming years

## **Analysis of FY19-20**

1. The Company's top-line showed a degrowth of 12.63 % when the current year is compared with the previous year mainly due to lower market demand and discontinuation of supplies for the Hyundai QXi model on account of a pricing dispute.
2. EBITDA for FY19-20 is INR 138 Crores (14.68%) as compared to INR 114 Crores (10.60%) in the previous year. EBITDA is better than the previous year.
3. Net profit is better due to significant one-off provisions created during the previous year for contingencies and tax matters, INR 18 Crores which is not in the current year, and reduction in finance cost by INR 13.5 Crores.

## **DIVIDEND:**

- The Board of Directors of the Company on 27th August 2019, declared an interim dividend of INR 62 per equity share (620%) of face value of INR 10 each for the year 2019-20.
- The Board of Directors of the Company at its meeting held on 27th August 2020, further declared a final dividend of INR 84 per equity share (840%) of face value of INR 10 each for the year 2019-20.
- The Board of Directors of the Company has proposed INR 146 (including INR 62 per share interim dividend) as final dividend for the year ended 31 March 2020.