


**L G Balakrishnan & Bros Ltd**
**31-07-2023**
**Industry: Auto Components & Equipments**
**CMP: ₹ 1067**
**Recommendation: Accumulate**

### Key Data

BSE Code	500250
NSE Code	LGBBROSLTD
52 Week High (₹)	1237
52 Week Low (₹)	627
Market Cap (₹ Cr)	3351
Face Value	10

### Q1FY24 Results Update:

The company reported single-digit topline growth in Q1FY24, with revenues reaching ₹ 539 Cr, a 3% increase both quarter-on-quarter (QoQ) and year-on-year (YoY). There has been a decline in EV sales, which impacted company's topline growth. However, this growth was overshadowed by the impact of rising raw material and employee costs, which affected the EBITDA and PAT margins.

The EBITDA for Q1FY24 stood at ₹ 88 Cr, representing a 2% decline QoQ, but a 3% increase on YoY basis. The EBITDA margin for the quarter was 16.27%, down from 17.11% in March 2023 but slightly better than 16.33% in June 2022.

The PAT for Q1FY24 amounted to ₹ 55 Cr, showing a 2% growth QoQ but a 5% decline YoY. The PAT margin for the quarter was reported at 10.30%, which was slightly lower than the 10.42% in March 2023 and 11.21% in June 2022. The company's net profit was affected by the same cost factors impacting EBITDA, resulting in a challenging financial quarter.

### Company Updates and Management Guidance:

- The growth target is set at 10%, and achieving 8-9% growth is deemed feasible.
- The margin is expected to be around 17%.
- The Nagpur plant's commissioning is facing a delay of 5-6 months and is now projected to be completed by December 2023E.
- The company anticipates exports to contribute approximately 12% to the total revenue.
- Approval for the RSAL plant is still pending and awaited.
- The promoter stake is expected to increase to 42%.
- The existing products are projected to continue generating revenue for the next 10 years.

### Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

### Shareholding June 2023

Promoters	33.86%
Public	66.14%

### Promoters/ Management

Mr. B VijayaKumara	Exe-Chairman
Mr. N Rengaraj	CFO
Mr. P Prabakaran	Chairman
Mr. Rajiv Parthasarathy	Director

### Key Ratios

PE	13.34
PB	2.46
EPS	78.90
RoE	18.4%

### Price Chart



### Research Analyst

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### Mview

We had initiated coverage on L.G. Balakrishnan on 13th September 2022 at ₹ 774 with a buy rating, we believe the company is capitalizing on the shift in the trend from ICE to EV. But as of now, EV demand has not seen any growth in Q1 for the OEM's. The next growth trigger would be expanding the product portfolio into the overseas market using the industrial chain segment with CAPEX lined up for the next 5 years which has been delayed by 5-6 months due to floods. However, we continue to remain positive on company's long-term growth story. Based on our assessment, with a current PE ratio of 10.88x on FY25E EPS, we recommend investors to HOLD and use any dip as an opportunity to accumulate more with a target of ₹ 1312 over the next 12- 24 months.

### About the Company:

L.G. Balakrishnan & Bros Ltd is a major manufacturer of chains, sprockets, and metalformed parts for automotive applications. The company's manufacturing is divided into 2 business segments - transmission, metal forming, and others. Presently, the company has 27 manufacturing locations across India in Coimbatore, Karur, Mysore, Bangalore, Pune, Gurugram, Chennai, Uttarakhand, and Alwar, and 1 plant in the USA. It stands as the premier manufacturer of automotive chains under the popular brand name 'ROLON' and also caters to export, aftermarket, and spares segments.

## FINANCIAL OVERVIEW:

Particulars (in ₹ Cr)	Qtr Ended Jun-23	Qtr Ended Jun-22	YoY	Qtr Ended Mar-23	QoQ
Revenue from Operations	539	521	3%	523	3%
Expenses:				0	
Cost of Raw Materials	251	245	3%	217	16%
Employee Expense	84	77	9%	77	9%
Other Expense	117	113	4%	111	5%
Total Expense	451	436	3%	434	4%
EBITDA	88	85	3%	89	-2%
<b>EBITDA Margin</b>	<b>16.27%</b>	<b>16.33%</b>	-0.33%	<b>17.11%</b>	-4.90%
Other Income	10	3	177%	8	19%
Depriciation	18	20	-6%	20	-9%
EBIT	79	69	14%	77	2%
EBIT Margin	14.64%	13.22%	10.73%	14.79%	-1.00%
Intrest	1.71	1.20	43%	2.32	-26%
PBT	77.15	67.69	14%	75.04	3%
Tax	21.70	9.28	134%	20.51	6%
PAT	55.45	58.41	-5%	54.52	2%
<b>PAT Margin</b>	<b>10.30%</b>	<b>11.21%</b>	-8.18%	<b>10.42%</b>	-1.24%
EPS	17.66	18.57	-5%	17.33	2%



# MSEARCH

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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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