



MSEARCH

RESULT UPDATE

LG Balakrishnan & Bros Ltd
24th February, 2023
Industry: Auto Components & Equipments
CMP Rs: 668
Recommendation: Accumulate
Key Data

BSE Code	500250
NSE Code	LGBBROSLTD
52 Week High (Rs)	805
52 Week Low (Rs)	509
Market Cap (Rs Cr)	2097
Face Value	10

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Dec. 2022

Promoters	34.00%
Public	66.00%

Promoters/ Management

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

Key Ratios

PE	8.37
PB	1.73
EPS	80.00
RoE	20.6%

Price Chart

Research Analyst

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Q2FY23 Result Update:

Mixed Bagger Topline Growth – The company has posted flattish YoY and QoQ growth due to the decline in two-wheeler sales in this quarter.

Segment Revenue Growth:

Transmission segment contributes to 83% of the total revenue and metal forming products contributes to 17% of the total revenue. Revenue from transmission segment were flat YoY and QoQ as well with PBT margins intact at 18%.

Metal forming segment has seen growth of 7% yoy and has posted degrowth of 2% qoq, with margins negatively impacted by 2.3% yoy and 1% qoq on back of high raw material cost.

The TCO (Total cost of ownership) for the two-wheeler segment has been comparatively higher than the PV and CV segment. In the last 6 years, TCO rose 36% for two wheelers which has impacted the sales compared to PV as TCO is up by 26%.

The outlook remains positive as in 2024, many two-wheeler companies have plans to launch electric two wheelers and with improving income sentiments, a low base of the past 3 years and an improvement in the supply chain continue to support the growth of the automobile segment.

Mview

We had initiated coverage on L.G Balakrishnan on 13th September 2022 with a buy rating, we believe the company is well positioned to get benefitted from the revival in the automobile industry as it is market leader in the two-wheeler chain segment. The company has posted a growth of 9% YoY which is below our expectation of 14%.

EBITDA margin has been impacted due to double digit increase in the employees expense and currently stands at 18% and company was able to sustain PAT margins at 12% aided by other income. With the cooling prices of commodities and improvement in the revenue from replacement segment this would aid the company to improve their margins going forward. The company's performance has been below our estimates. But we remain positive on the outlook of the company for the long term. Hence, we recommend investors to accumulate and will use any dip as an opportunity to add more.

About the Company:

L.G. Balakrishnan & Bros Ltd is a major manufacturer of chains, sprockets and metal formed parts for automotive applications. The company's manufacturing is divided in 2 business segments - transmission, metal forming and others. Presently, the company has 23 manufacturing located across India in Coimbatore, Karur, Mysore, Bangalore, Pune, Gurugram, Chennai, Uttarakhand, Alwar. It stands as the premier manufacturer of automotive chains under the popular brand name 'ROLON' and also caters to export, after market and spares segments.



FINANCIAL OVERVIEW:

Particulars (in Rs Cr)	Qtr Ended	Qtr Ended	YoY	Qtr Ended	QoQ	9M Ended	9M Ended	% Change
	Dec-22	Dec-21		Sep-22		Dec-22	Dec-21	
Revenue from Operations	581	574	1%	578	1%	1680	1543	9%
Expenses:								
Cost of Raw Materials	292	275	6%	272	7%	809	752	8%
Employee Expense	85	74	14%	80	6%	243	225	8%
Other Expense	126	125	1%	124	2%	363	347	5%
Total Expense	474	458	3%	476	0%	1386	1260	10%
EBITDA	107	116	-8%	102	5%	294	284	4%
EBITDA Margin	18%	20%	-9%	18%	4%	18%	18%	-5%
Other Income	7	3	182%	6	17%	27	26	1%
Depreciation	20	21	-6%	20	1%	59	63	-5%
EBIT	95	97	-3%	89	7%	262	247	6%
EBIT Margin	16%	17%	-4%	15%	6%	16%	16%	-3%
Interest	2	3	-32%	1	26%	4	6	-25%
PBT	93	95	-2%	87	6%	257	242	6%
Tax	21	23		20		59	60	
PAT	72	71	1%	67	7%	198	182	9%
PAT Margin	12%	12%	0%	12%	7%	12%	12%	0%
EPS	23	23		21		63	58	



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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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