

LG Balakrishnan & Bros Ltd

2nd November, 2022

Industry: Auto Components & Equipments
Recommendation: Accumulate

CMP Rs: 740

Key Data

BSE Code	500250
NSE Code	LGBBROSLTD
52 Week High (Rs)	805
52 Week Low (Rs)	460
Market Cap (Rs Cr)	2323
Face Value	10

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept. 2022

Promoters	34.00%
Public	66.00%

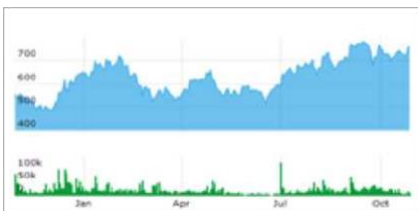
Promoters/ Management

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

Key Ratios

PE	9.13
PB	1.88
EPS	80.18
RoE	20.6%

Price Chart



Research Analyst

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Q2FY23 Result Update:

1) Mixed Bagger Topline Growth – The company has posted flattish YoY growth but grew by 11% sequentially. Yearly growth was impacted by supply chain disruption and lower than expected uptick in automobile sales.

- 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 was flat yoy but grew by 13% sequentially with operating margins intact at 16%.

Metal forming segment witnessed degrowth of 10% yoy and 0% qoq, with margins negatively impacted by 4.5% yoy and 4.0% qoq on back of high raw material cost.

2) Balance sheet continues to remain strong – The company has done capex of INR 40 crore in the H1FY23 and this capex has been funded through internal accruals and the company still has a cash balance of INR 300 crore as of H1FY2023. The company is a net debt free company which allows them to grow organically.

3) Change in Key Management – Sri. B. Vijayakumara has stepped down as Managing Director and will continue to be Executive Chairman. We will be keenly watching if the company appoints External MD which brings in the expertise and take forward the baton of the company.

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 and two wheeler OEM's have posted a double-digit growth in volumes. The company has posted a growth of 13% YoY which is below our expectation of 14%. The company's margins have been impacted mainly on the account of cost inflation. 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. Hence, we recommend investors to accumulate at current level.

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)	Q2FY23	Q2FY22	YoY	Q1FY23	QoQ	6MFY23	6MFY22	YoY
Revenue from Operations	578	577	0.22%	521	10.95%	1098.92	969.29	13.37%
Expenses:								
Cost of Raw Materials	272	266	2.54%	245	10.93%	517.75	428.93	20.71%
Employee Expense	80	80	0.01%	77	3.42%	157.59	150.42	4.77%
Other Expense	124	124	-0.68%	113	9.37%	236.53	222.01	6.54%
Total Expense	476	470	1.26%	436	9.19%	912	801	13.79%
EBITDA	102	107	-4.38%	85	19.94%	187	168	11.39%
EBITDA Margin	17.65%	18.50%		16.32%		17.02%	17.33%	
Other Income	6	20	-67.78%	13	-50.62%	19	24	-18.84%
Depreciation	20	21	-5.96%	20	0.51%	39	41	-5.02%
EBIT	89	105	-15.97%	78	13.18%	167	150	11.13%
Interest	1	2	-12.74%	1	14.17%	3	3	-19.50%
EBT	87	104	-16.01%	77	13.16%	164	147	11.79%
Tax	20	26		19		39	36	
PAT	67	78	-13.78%	58	15.05%	126	111	13.16%
PAT Margin	11.62%	13.51%		11.21%		11.43%	11.45%	
EPS	21.37	24.82		18.57		39.94	35.32	

Source: Capital line



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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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