

26 Oct 2018

Initiating Coverage (BUY)

# JAMNA AUTO INDUSTRIES LTD

CMP

INR 68

Target Price

INR 83

## Stock Details

Industry	Auto Parts & Equipment
Bloomberg Code	JMNA:IN
BSE Code	520051
Face Value (Rs.)	1.00
Market Cap. (Rs. mn)	27,194.9
52wk. Low/High (Adjusted) (Rs.)	57.40/102.95

## Shareholding Pattern Sept '18

Promoter (%)	47.88
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	52.12
No. of Share Outstanding (mn)	398.46

## Valuation Summary

	FY 17A	FY 18A	FY 19P	FY 20P
P/E (x)*	16.20	21.74	25.00	25.00
EV/EBITDA (x)	1.63	11.19	15.82	11.29
P/BV (x)	1.02	6.44	5.88	5.16

\*TTM for Current Year

 Based on Market Price as on 1<sup>st</sup> Apr is taken for Each FY

## Key Financial

Rs. Mn	FY 17A	FY 18A	FY 19P	FY 20P
Net Sales	12,995	17,573	22,845	30,841
EBITDA	2,069	2,457	3,570	4,930
Net Profit	715	1,047	1,253	1,239
EPS (Rs.)*	02.6	03.1	03.1	03.3

\*Un adjusted

## Key Ratios

	FY 17A	FY 18A	FY 19P	FY 20P
EBITDA Margin (%)	15.6	13.9	15.5	15.8
EBIT Margin (%)	9.5	12.0	11.6	9.1
Net Pro. Margin (%)	7.9	7.1	5.4	4.3
Debt/Equity (x)	0.03	0.06	0.05	0.04
RoNW (%)	36.4	33.1	26.1	22.7
RoCE (%)	33.5	29.8	23.5	20.6



We recommend 'BUY' on JAMNA AUTO INDUSTRIES LTD for a target of INR 83 - valuing the company at P/E 25x of FY20E Earning.

## INVESTMENT RATIONALE:

- Jamna Auto Industries Ltd (JAI) is India's market leader in automotive suspension solutions.
- Second largest player in the world in Multi-Leaf Springs and have in place a full range of suspension solutions for Commercial Vehicles (CVs) that we supply to major OEMs.
- Only company with in-house R&D center in India offering customized suspension solutions to the customers.
- India's first in Multi-leaf & Parabolic Springs for OEMs.
- JAI serves its esteemed customers from its nine plants across India, Strategically located in close proximity to OEMs.
- Best of low cost optimization and productivity optimization.
- State-of-the-art equipment with adherence to global standards.
- Engineering & design strength and developmental capabilities makes it a partner of choice with most of customers.

## VALUATIONS AND VIEW:

Jamna Auto Industries Limited is India's largest, and amongst world's third largest, manufacturer of tapered leaf springs and parabolic springs for automobiles. The Company is the market leader with 64% market share in the India OEM segment and produces over 410 modes of springs for OEMs. We value the business at 25x FY20E EPS and recommend a BUY rating on the stock with a target price of INR 83 per share.

## RISK & CONCERNS:

- **Market risk:** Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as commodity risk.
- **Legal, taxation and accounting risk:** The Company is exposed to few legal and administrative proceedings arising during the course of business. The management makes an assessment of these pending cases and in case where it believes that loss arising from proceeding is probable and can reasonably be estimated, the amount is recorded in the books of account.
- **Credit risk:** Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.
- **Liquidity risk:** Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company monitors its risk of a shortage of funds by doing liquidity planning.
- **Commodity risk:** The Company is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchases of steel which is a volatile product and is major component of end product.

## COMPANY BACKGROUND:

Jamna Auto Industries Limited is India's largest, and amongst world's third largest, manufacturer of tapered leaf springs and parabolic springs for automobiles. The Company was first to introduce parabolic springs in India. The Company was promoted by Mr Bhupinder Singh Jauhar. He started the Tapered Leaf Spring business in 1954 in a small shop in Yamuna Nagar which was converted in the company form in the year 1965. Mr Jauhar is currently the non executive Chairman of the board of directors of the company and is Chief Mentor of the Group. The Company's vision is to become a global leader in Automobile Suspension Solutions. The Company has diversified its range by adding Lift Axle and Air Suspension products under technical collaboration with Ridewell Corporation, USA. The Company is the market leader with 64% market share in the India OEM segment and produces over 410 modes of springs for OEMs. The Company's reflection on Quality Standards is the coveted recognition to highest Quality Management System Standards for the Automotive Sector- ISO/TS16949:2009 - ISO 9001:2008.

### Products:

- Suspension Products
- Multileaf Springs
- Parabolic Springs

## INDUSTRY OVERVIEW:

Propelled by pick up in infrastructure projects and industrial activity, Indian commercial vehicle industry would grow in 9-11% range in the current fiscal, contends ICRA, a credit rating agency. It also reckons that growth would also get a boost from robust demand from consumption-led sectors and rural market - the recent CV demand pick up largely due to uptick in construction activity and overall healthy cargo demand. Industry players reckon that high replacement and stricter enforcement of overloading norms which has resulted in fleet operators preferring rated loads is pushing demand for higher tonnage trucks. Truck productivity and haulage efficiency has also got a leg up from the introduction of GST - removal of check posts, state tariff barriers. Growth would be little stymied by impending implementation of BSVI norms and government's push for higher fuel efficiency. Stunned by vigorous off take of CVs in April-August period - when CV dispatches rose by 41.7%, SIAM would look to upwardly revise its earlier growth forecast of 10-12%. Yet incessant rise in diesel prices coupled with relaxation in overloading norms would somewhat stifle demand. However, ICRA in its latest report stated that the Indian CV industry is yet to feel the impact of change in axle load norms not least due to delay in its implementation and healthy construction demand.

## PEER COMPARISON

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div Yld (%)	NP Qtr (Rs Cr)	Qtr Profit Var (%)	Sales Qtr (Rs Cr)	Qtr Sales Var (%)	CMP/BV
Bosch	18,352	35.9	56,010.3	0.54	431.0	42.42	3,212.2	21.29	5.61
Exide Inds.	254	30.1	21,556.0	0.95	209.9	11.07	2,772.5	32.64	4.00
Amara Raja Batt.	742	26.2	12,670.0	0.56	113.0	13.20	1,778.7	18.78	4.31
Varroc Engineer	745	22.3	10,038.1	0.06	100.4	-	2,927.0	-	3.55
Endurance Tech.	1,105	35.7	15,540.4	0.36	124.6	29.07	1,860.4	23.56	7.15
Sundaram Clayton	3,650	20.7	7,385.6	0.41	-	-	-	-	3.43
<b>Jamna Auto Inds.</b>	<b>68.3</b>	<b>25.0</b>	<b>2,719.5</b>	<b>1.23</b>	<b>40.0</b>	<b>129.81</b>	<b>562.2</b>	<b>107.17</b>	<b>6.42</b>

\*TTM

## FINANCIAL OVERVIEW

### Q2 FY18 Performance Highlight

(in Million)	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	YoY (%)	QoQ (%)
Revenue	2,665.08	3,622.83	4,406.78	5,598.99	5,486.91	105.88%	-2.00%
Other Income	80.47	123.92	106.95	102.83	118.01		
Total Income	2,745.54	3,746.75	4,513.73	5,701.82	5,604.93	104.15%	-1.70%
Expenditure	-2,423.11	-3,259.12	-3,968.71	-4,912.83	-4,915.51		
As a % of Sales	90.92%	89.96%	90.06%	87.74%	89.59%		
Interest	-21.56	-39.7	-52.58	-55.17	-51.14	137.20%	-7.30%
PBDT	322.43	487.63	545.02	788.98	689.42		
As a % of Sales	12.10%	13.46%	12.37%	14.09%	12.56%		
Depreciation	-79.71	-79.95	-95.37	-139.12	-109.67		
PBT	242.72	407.68	449.65	649.86	579.75	138.86%	-10.79%
As a % of Sales	9.11%	11.25%	10.20%	11.61%	10.57%		
Tax	-65.6	-111.98	-127.99	-190.91	-169.8	158.84%	-11.06%
Net Profit	177.13	295.7	321.66	458.95	409.95	131.44%	-10.68%
As a % of Sales	6.65%	8.16%	7.30%	8.20%	7.47%		
Equity	--	--	--	--	--	#VALUE!	#VALUE!
EPS (Rs)	2.22	0.73	0.79	1.15	1.03	-53.60%	-10.43%
CEPS (Rs)	--	--	--	--	--		
OPM %	12.1	13.46	12.37	14.09	12.56		
NPM %	6.65	8.16	7.3	8.2	7.47		

### Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16A	FY 17A	FY 18A	FY 19E	FY 20P	FY 21P
<b>Net Sales</b>	10,950	12,558	12,995	17,573	22,845	30,841	34,542
Other Operating Income	20	83	239	79	167	268	322
<b>Expenditure</b>	10,005	10,982	11,164	15,195	19,442	26,179	29,643
<b>EBITDA</b>	965	1,660	2,069	2,457	3,570	4,930	5,221
Depreciation	311	452	478	414	1,483	2,635	2,638
<b>EBIT</b>	654	1,207	1,591	2,043	2,087	2,295	2,583
Interest Expenses	180	147	148	182	247	328	371
<b>PBT</b>	474	1,060	1,444	1,861	1,840	1,967	2,213
Tax	180	335	396	608	601	644	728
Other Income	-	-	-	-	-	-	-
Extraordinary Items	-	(10)	-	-	-	-	-
<b>Net Income Before Adjustment</b>	294	715	1,047	1,253	1,239	1,323	1,484
Minority Int./Income from Assoc.	0	-	0	-	-	-	-
<b>Adjusted PAT</b>	294	715	1,047	1,253	1,239	1,323	1,484

### Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16A	FY 17A	FY 18A	FY 19E	FY 20P	FY 21P
Equity share capita	396	397	398	398	398	398	398
Reserves & surplus	1,568	2,025	2,932	3,841	4,869	6,010	7,290
Misc Expenditure	-	-	-	-	-	-	-
<b>Net worth</b>	1,964	2,422	3,331	4,239	5,267	6,408	7,688
Minority Interest	0	0	0	0	0	0	0
<b>Loan Funds</b>	254	55	100	246	248	246	244
Net deferred tax liability	158	57	-	139	139	139	139
Other Long-term Liabilities	9	7	147	11	15	20	22
Long-term Provisions	44	56	77	113	147	198	222
<b>Total Liabilities</b>	2,430	2,601	3,655	4,750	5,817	7,013	8,317
<b>Net block</b>	2,497	2,761	3,039	3,323	24,699	17,166	9,545
Investment, Loan & Adv.	399	410	610	412	1,061	1,184	1,393
<b>Total Current Assets</b>	2,064	1,671	1,937	4,159	(20,005)	(15,288)	(11,041)
<b>Current Liabilities &amp; Provisions</b>	2,531	2,244	1,931	3,146	(61)	(3,949)	(8,418)
<b>Net Current Assets</b>	(467)	(572)	6	1,014	(19,945)	(11,339)	(2,623)
<b>Total Assets</b>	2,430	2,601	3,655	4,750	5,817	7,013	8,317

### Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 18A	FY 19E	FY 20P	FY 21P
<b>Operating Cash Flow</b>	1,262	2,038	3,588	4,230
<b>Cash Flow from Investments</b>	(715)	(26,688)	(293)	(304)
<b>Cash Flow from Financing</b>	(566)	(655)	(407)	(526)
<b>Net Changes in Cash</b>	(20)	(25,305)	2,887	3,400
Opening Cash	92	72	(25,233)	(22,346)
<b>Closing Cash Balance</b>	72	(25,233)	(22,346)	(18,946)

## Research Analyst Details

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