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Jamna Auto Industries Ltd	
No. of shares (m)	79.68
Mkt cap (Rs crs/$m)	1742/269.3
Current price (Rs/$)	219/3.4
Price target (Rs/$)	275/4.3
52 W H/L (Rs.)	241/138
Book Value (Rs/$)	39/0.6
Beta	1.4
Daily volume (avg. monthly)	164550
P/BV (FY17e/18e)	5.6/4.5
EV/EBITDA (FY17e/18e)	8.8/7.5
P/E (FY17e/18e)	16.7/14.3
EPS growth (F17e/18e)	43.7/16.4
OPM (FY16/17e/18e)	12.6/14.1/15.2
ROE (FY16/17e/18e)	33.1/37.9/35.1
ROCE(FY16/17e/18e)	32.6/33.7/30.2
D/E ratio (FY16/17e/18e)	0.1/0.3/0.2
BSE Code	520051
NSE Code	JAMNAAUTO
Bloomberg	JMNA IN
Reuters	JMNA.BO

Shareholding pattern	%
Promoters	47.9
MFs / Banks / FIs	2.9
FPIs	5.4
Govt. Holding	0.0
Public & others	43.7
Total	**100.0**

As on Mar 31, 2017

Recommendation

BUY

Analyst

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Company Brief

Jamna Auto manufactures auto suspension products -parabolic/ tapered leaf spring, lift axle and air suspension- mainly for OEMs in the CV segment.

Quarterly Highlights

- Swaying fortunes of Indian CV industry, most prominently M&HCV sector, have decidedly bewildered manufacturers and investors alike for a couple of years of sturdy growth of M&HCV industry - ~30% in FY16 and 16% in FY15- was followed by near naught growth last fiscal. After robustly growing (+14.5%) in Q1, M&HCV industry went wayward in following quarters, thus taking a toll on Jamna's revenue booking - a mere 3% growth in revenues in 9MFY17.
- Yet margins have strikingly expanded for last many quarters (bar Q3FY17) as benefits of cost control and productivity improvements come to fore. Thence material margins have conspicuously increased from 37.4% in 9MFY16 to 40% now. No less stunning is its market share gains in the last one year - 72% in Q3 from 66% a year back.
- Thanks to unrivalled growth in other income (Rs 16.63 crs Vs 6.58 crs/$2.5m Vs $1.0m)) and hefty enlargement in margins, EBITDA rose by over a third so far this fiscal. Favorable mix of lower interest expense and lower taxes helped push profit growth to 58.9% in 9MFY17. Higher other income and lower depreciation expense in last two quarters aided camouflaging near flat lining / marginal growth in operating profits.
- Besides setting up an assembly plant in Lucknow for Tata Motors, plans are afoot for a new plant in Indore for Eicher Motors; Jamna's export focused Hosur plant will start commercial production in Q1. To expand its product portfolio, it recently unveiled plans to manufacture stabilizer bars which are used along with parabolic springs.
- The stock currently trades at 16.7x FY17e EPS of Rs 13.12 and 14.3x FY18e EPS of Rs 15.28. Supported by resurgence in domestic CV industry, Jamna's spring volumes would grow by sub 10% in FY18. Implementation of GST would hasten its aftermarket progress. Despite hefty investments in its Hosur facility, boosting direct exports remains a remote possibility in FY18. Yet cost control measures coupled with streamlining /up gradation of existing plants lends temperance to external exigencies. On balance we retain our buy rating on the stock with revised target of Rs 275 (previous target: Rs 265) based on 18x FY18e earnings (PEG ratio: ~1), over a period of 6-9 months.

Consolidated (Rs crs)	FY14	FY15	FY16	FY17e	FY18e
Income from operations	833.30	1095.08	1255.80	1317.43	1481.64
Other Income	22.27*	2.01	8.35	21.71	19.72
EBITDA (other income included)	66.68	96.50	164.95	207.82	245.03
Profit after MI & EO items	1.12	30.25	72.56	104.49	121.98
EPS(Rs)	0.14	3.82	9.13	13.12	15.28
EPS growth (%)	-96.0	2595.9	139.2	43.7	16.4

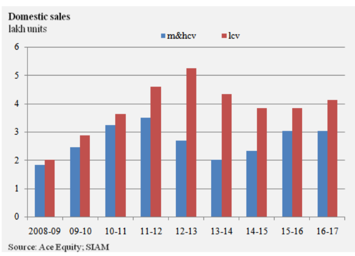
*includes Rs 20.25 crs profit on sale of investment in NHK Spring;

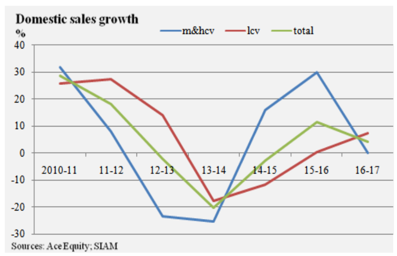
Outlook & Recommendation

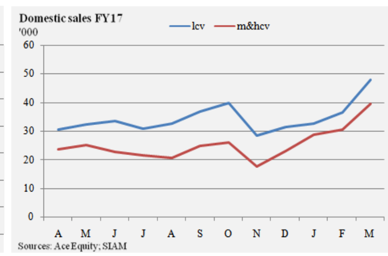
CV industry

After a brisk start last fiscal, domestic dispatches of M&HCV swooned in the following two quarters before somewhat reviving in Q4. But the resurgence was stymied by subdued economic activity, weak cargo availability from industrial sectors and deferment of fleet expansion plans of operators pending GST implementation. On the contrary, LCV industry reversed course - dispatches have either declined or flat lined for three years - to post 7.4% growth in domestic dispatches in FY17.

Yet ICRA, a rating agency, expects the Indian CV industry to grow by 6-8% in the current fiscal driven by increased thrust on infrastructure and rural sectors, implementation of fleet modernization plan and higher off take from consumption driven sectors and e-commerce logistic service providers. However, it reckons that pre-buying due to new emission norms would depress volumes in early part of FY18. Demand would somewhat remain constricted, posits ICRA, due to implementation of GST which would put on hold investment plans of fleet operators and also prod OEMs to align their production schedules.







Despite economic slowdown in key African markets and financing restriction on automobiles, Indian CV exports grew by 7% last fiscal. ICRA believes that developing new products, upgrading technology and addressing portfolio gaps would help boost CV industry investments in international market. Some of Indian OEMs have drawn up plans to spend over Rs 30 bn annually for setting up assembly units overseas.

SIAM believes that lower borrowing costs, pent up demand post demonetization and budgetary support to incomes will drive consumption growth in FY18. Domestic passenger vehicle industry (penned growth of 7-9%) is expected to get a leg up from 7th Pay Commission payout and higher rabi output. Overall commercial vehicle industry is estimated to grow by 4-6%, while motorcycle sales would moderately grow.

Financials & Valuation

Weak economic activity coupled with GOI's demonetization drive pinched cargo movement and thus affected demand for commercial vehicles in the second half of last fiscal. Yet increased emphasis on infrastructure - most prominently the construction sector which is expected to grow by a quarter this year - and higher off take from consumption driven sectors would succor CV industry resurrection this year.

According to Stratview Research, global leaf spring market holds promise for the industry is estimated to grow by 4.5% CAGR during 2016-21 period. Off take would accelerate with increasing production of LCV s and M&HCVs and high demand for expanding fleet size. Though steel leaf spring is expected to be the largest spring type in the next five years but growing distinction of composite leaf springs (9.3% CAGR projected) - goaded by expanding fleet size of passenger cars and commercial vehicles and stringent government regulation such as CAFE Standards and EU Legislation on emission reduction targets - post tangible threat to conventional spring market.

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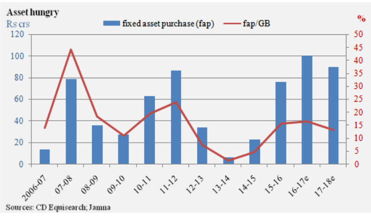
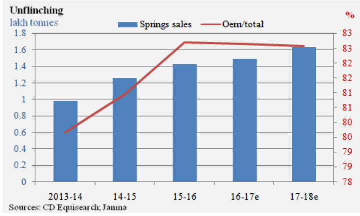
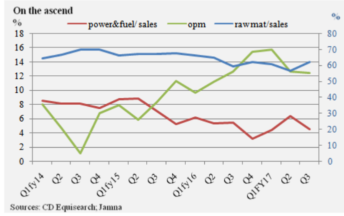
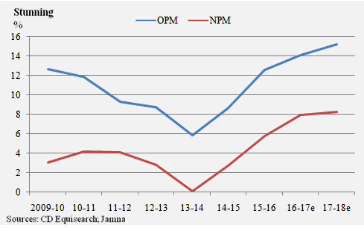
Jamna's aftermarket progress hit skids in last few quarters not least because of intense competition and India's demonetization of high currency notes .Yet roll out of GST this fiscal would undoubtedly underscore the resilience of the organized market. Its recently announced capital investments would do anything but greatly increase capacities. The Lucknow plant , for instance, is aimed at meeting Tata Motors demand for having component suppliers next door and the same holds for the Indore plant (for Eicher Motors). Such tweaks enforced with R&D finesse not only breeds productivity gains but cements OEM market share.

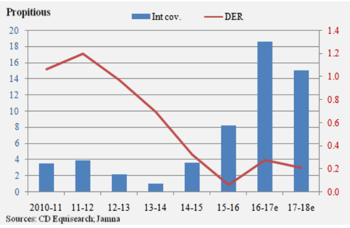


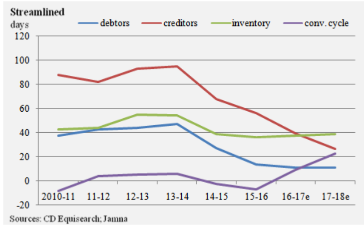




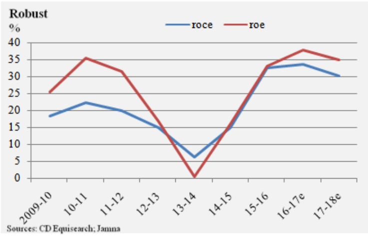
Remolding extant supplier financing set up - from LC backed to fund based vendor financing - evidently pushed up short term debt in H1 and also recognition of cash discounts (reflected in other income). Ingrained focus on productivity improvements, process refinements - refurbishing paint shops; line rebalancing - would help overcome torpidity in CV cycle through margin enlargement. Still such gains are not limitless and material disengagement with the fortunes of CV industry is hard to fathom - owing to tumult in domestic CV industry Jamna's volume growth virtually flat lined in 9M.

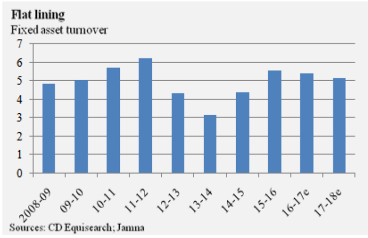






The stock currently trades at 16.7x FY17e EPS of Rs 13.12 and 14.3x FY18e EPS of Rs 15.28. Margin expansion and recognition of prodigious cash discounts made up for poor volume growth in FY17 to induce marginal earning upgrades. Scanty domestic demand for highly efficient parabolic springs and India's murky off take of air suspension products have failed to cast spell on Jamna's value added product line. Yet working capital efficiencies and inexorable progress on capital stock up gradation manifests themselves (non-linearly though) in increased market share and covetous return on capital (ROE in excess of 35%). On balance we retain our buy rating on the stock with revised target of Rs 275 (previous target: Rs 265) based on 18x FY18e earnings (PEG ratio: ~1), over a period of 6-9 months. For more info refer to our Sep report.





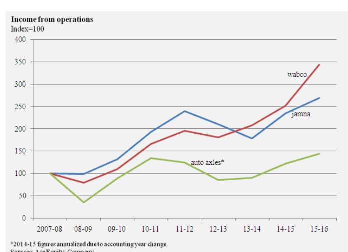
Cross Sectional Analysis

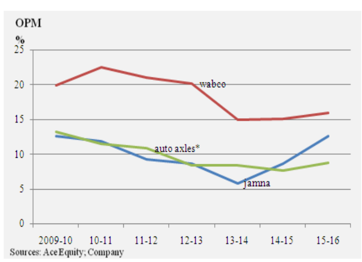
Company	Equity*	CMP	Mcap*	Op. inc.	Profit*	OPM	NPM	Int cov.	ROE	Mcap / OI	P/BV	P/E	EV/EBITDA
Auto. Axles	15	719	1086	1108	42	9.4	3.8	31.9	12.3	1.0	3.0	25.8	10.2
Jamna Auto	40	219	1742	1282	98	14.4	7.7	15.6	35.6	1.4	5.6	17.7	9.4
WABCO	10	6093	11556	2107	221	15.6	10.5	1515.4	19.8	5.5	9.5	52.4	30.4

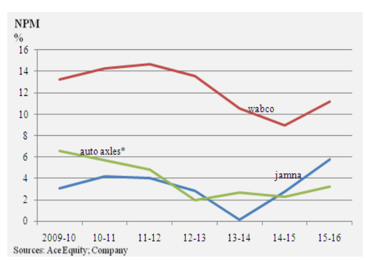
*figures in crores; calculations on ttm basis

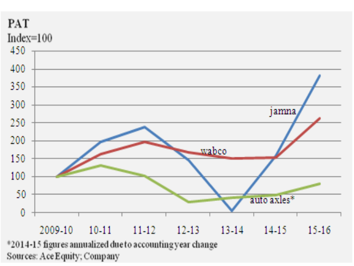
Trampled by a weak CV industry, Automotive Axles reported a mere 2.8% growth in revenues (though volume growth at 7% bettered overall industry) in 9MFY17 but profits advanced by some 31% - thanks to higher margins and lower interest expense. Although its revenues would grow by 8-9% in FY17, expansion in newer markets, the management reckons would propel business growth to over 20% in FY18; even after considering not so formidable recovery in domestic CV industry. To recall, Automotive Axles unveiled a new plant in Jamshedpur in FY16 for manufacturing brakes and trailer axles. As part of its new product development strategy, it also commissioned a specialty axles unit at its Mysuru plant.

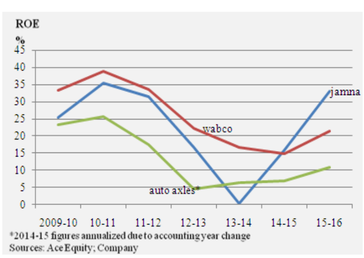
Increased outsourcing by WABCO from low cost countries like India, China, Brazil and Poland has remarkably increased their contribution to 44% in 2015 from just 10% in 2000. Wherefore, WABCO India has assertively peddled its wares overseas by leveraging its skimpy engineering designs globally, taking its export share to 35% in FY16 (though it peaked in FY14 at 42%) from just 13% in FY11. WABCO intends to bridge the yawning gap between India's content per vehicle (CPV) and that of other leading countries - India's: $500; Brazil: $1000; US: $1500; Europe: $3200; China: $500 - by introducing new products namely AMT, air disc brakes, higher capacity compressors and vacuum brake systems. Its market presence would further strengthened with ABS being mandatory on new vehicles with effect from Oct 2015.











Financials

Quarterly Results -Consolidated

Figures in Rs crs

	Q3FY17	Q3FY16	% chg.	9MFY17	9MFY16	% chg.
Income from operations	**305.68**	**281.64**	**8.5**	**916.09**	**889.44**	**3.0**
Other Income	5.64	2.73	106.8	16.63	6.58	152.8
Total Income	**311.32**	**284.36**	**9.5**	**932.73**	**896.02**	**4.1**
Total Expenditure	267.51	245.83	8.8	790.27	789.58	0.1
EBIDTA (other income included)	**43.81**	**38.54**	**13.7**	**142.46**	**106.44**	**33.8**
Interest	1.90	3.77	-49.7	5.69	10.66	-46.6
Depreciation	9.53	12.70	-24.9	38.05	32.79	16.0
PBT	**32.38**	**22.07**	**46.7**	**98.72**	**62.99**	**56.7**
Tax	11.50	6.58	74.7	29.43	19.38	51.9
PAT	20.88	15.49	34.8	69.29	43.61	58.9
Minority interest	0.00	0.00	0.0	0.00	0.00	0.0
PAT after MI	**20.88**	**15.49**	**34.8**	**69.29**	**43.61**	**58.9**
Extraordinary Item	-	-	-	-	-	**-**
Adjusted Net Profit	**20.88**	**15.49**	**34.8**	**69.29**	**43.61**	**58.9**
EPS (F.V. 5)	2.62	1.95	34.5	8.70	5.49	58.5

Income Statement-Consolidated

Figures in Rs crs

	FY14	FY15	FY16	FY17e	FY18e
Income from operations	**833.30**	**1095.08**	**1255.80**	**1317.43**	**1481.64**
Growth (%)	-15.0	31.4	14.7	4.9	12.5
Other Income	22.27*	2.01	8.35	21.71	19.72
Total Income	**855.57**	**1097.08**	**1264.14**	**1339.14**	**1501.36**
Total Expenditure	788.89	1000.58	1099.20	1131.32	1256.33
EBITDA (other income included)	**66.68**	**96.50**	**164.95**	**207.82**	**245.03**
Interest	24.07	18.02	14.73	8.44	12.39
EBDT	**42.61**	**78.48**	**150.22**	**199.38**	**232.64**
Depreciation	25.91	31.10	45.23	50.11	58.38
Tax	2.86	18.00	33.48	44.78	52.28
MI	0.00	0.00	0.00	0.00	0.00
PAT after MI	**13.84**	**29.38**	**71.50**	**104.49**	**121.98**
Extraordinary item	12.73	-0.87	-1.05	0.00	0.00
Adjusted Net Profit	**1.12**	**30.25**	**72.56**	**104.49**	**121.98**
EPS (Rs.)	0.14	3.82	9.13	13.12	15.28

*includes Rs 20.25 crs profit on sale of investment in NHK Spring;
Figures may differ from published figures due to reclassifications

Consolidated Balance Sheet

Figures in Rs crs

	FY14	FY15	FY16	FY17e	FY18e
SOURCES OF FUNDS					
Share Capital	41.25	39.62	39.72	39.82	39.92
Reserves	140.35	156.80	202.82	269.37	346.10
Total Shareholders Funds	**181.60**	**196.43**	**242.54**	**309.19**	**386.03**
Long term debt	65.67	25.35	5.47	15.00	10.00
Minority interest	0.00	0.00	0.00	0.00	0.00
Total Liabilities	**247.27**	**221.78**	**248.02**	**324.19**	**396.03**
APPLICATION OF FUNDS					
Gross Block	467.06	478.60	487.98	603.46	683.46
Less: Accumulated Depreciation	207.71	236.65	277.32	327.43	385.81
Net Block	**259.35**	**241.95**	**210.66**	**276.04**	**297.65**
Capital Work in Progress	2.23	7.77	65.49	50.00	60.00
Investments	0.00	0.00	0.00	0.00	0.00
Current Assets, Loans & Advances					
Inventory	100.74	109.12	107.45	125.71	138.29
Sundry Debtors	108.36	56.37	37.61	43.25	47.57
Cash and Bank	13.71	10.73	8.02	5.49	34.28
Other Assets	22.06	28.67	14.06	19.70	21.86
Total CA & LA	**244.87**	**204.89**	**167.14**	**194.16**	**242.00**
Current liabilities	266.36	240.13	180.50	171.89	177.71
Provisions	6.35	11.46	43.86	53.61	61.18
Total Current Liabilities	**272.71**	**251.59**	**224.35**	**225.50**	**238.88**
Net Current Assets	-27.84	-46.69	-57.22	-31.34	3.11
Net Deferred Tax (net of liability)	-14.80	-15.84	-5.37	2.00	3.50
Other Assets (Net of liabilities)	28.35	34.60	34.46	27.50	31.76
Total Assets	**247.27**	**221.78**	**248.02**	**324.19**	**396.03**

Figures may differ from published figures due to reclassifications

Cash Flow Statement

Figures in Rs crs

	FY14	FY15	FY16	FY17e	FY18e
Net Income **(a)**	13.84	29.38	71.50	104.49	121.98
Non cash exp. & others (b)	**8.54**	**33.79**	**37.62**	**42.52**	**55.27**
Depreciation	26.30	31.10	45.23	50.11	58.38
Interest income	-0.60	-0.24	-0.39	-0.22	-1.62
Profit on sale of inv	-20.25	0.00	0.00	0.00	0.00
Deferred tax	0.00	2.51	-10.47	-7.37	-1.50
Others	2.49	0.42	3.24	-	-
(Inc.) / dec. in WC & others (c)	**8.17**	**23.22**	**21.61**	**-95.18**	**-17.24**
Inventory	30.91	-8.38	1.67	-18.27	-12.57
Debtors	-3.22	51.59	18.59	-5.64	-4.32
Other assets (net of liabilities)	-19.52	-19.99	1.35	-71.27	-0.35
Operating cash flow (a+b+c)	**30.56**	**86.39**	**130.73**	**51.83**	**160.01**
Capex	-6.70	-23.15	-68.14	-100.01	-90.00
Investments	25.50	-	-	-	-
Interest income	0.70	0.19	0.40	0.22	1.62
Others	5.41	1.08	-6.97	0.28	-26.38
Investing cash flow (d)	**24.22**	**-22.08**	**-75.11**	**-99.73**	**-116.38**
Net borrowings	-40.91	-61.00	-48.51	71.24	-5.00
Dividends	-9.59	-4.66	-10.70	-26.30	-38.34
Redemption of preference shares	-1.75	-1.75	-	-	-
Proceeds from share issuance	0.02	0.66	0.91	0.49	0.50
Financing cash flow (e)	**-52.23**	**-66.76**	**-58.30**	**45.43**	**-42.84**
Net change (a+b+c+d+e)	**2.54**	**-2.45**	**-2.68**	**-2.47**	**0.79**

Figures may differ from published figures due to reclassifications

Key Financial Ratios

	FY14	FY15	FY16	FY17e	FY18e
Growth Ratios					
Revenue (%)	-15.0	31.4	14.7	4.9	12.5
EBIDTA (%)	-42.3	90.2	72.4	24.8	17.9
Net Profit (%)	-96.0	2604.0	139.9	44.0	16.7
EPS (%)	-96.0	2595.9	139.2	43.7	16.4
Margins					
Operating Profit Margin (%)	5.9	8.6	12.6	14.1	15.2
Gross Profit Margin (%)	3.2	7.2	12.1	15.1	15.7
Net Profit Margin (%)	0.1	2.8	5.8	7.9	8.2
Return					
ROCE (%)	6.1	14.9	32.6	33.7	30.2
RONW (%)	0.4	16.0	33.1	37.9	35.1
Valuations					
Market Cap / OI	0.3	0.9	0.9	1.3	1.2
EV/EBIDTA	7.8	10.6	6.7	8.8	7.5
P/E	251.6	31.8	15.2	16.7	14.3
P/BV	1.6	4.9	4.5	5.6	4.5
Other Ratios					
Interest Coverage	1.0	3.6	8.2	18.7	15.1
Debt-Equity Ratio	0.7	0.3	0.1	0.3	0.2
Current Ratio	0.9	0.8	0.7	0.9	1.0
Turnover Ratios					
Fixed Asset Turnover	3.2	4.4	5.5	5.4	5.2
Total Asset Turnover	3.6	4.7	5.3	4.6	4.1
Debtors Turnover	7.7	13.3	26.7	32.6	32.6
Inventory Turnover	6.8	9.5	10.1	9.7	9.5
Creditors Turnover	3.8	5.4	6.5	9.2	13.6
WC Ratios					
Debtor Days	47.1	27.5	13.7	11.2	11.2
Inventory Days	54.1	38.3	36.0	37.6	38.3
Creditor Days	95.2	68.2	56.4	39.7	26.9
Cash Conversion Cycle	6.0	-2.5	-6.7	9.1	22.7
Cash Flows (Rs crs)					
Operating Cash Flow	30.6	86.4	130.7	51.8	160.0
FCFF	68.4	73.7	73.5	-42.1	80.3
FCFE	8.2	1.0	14.7	23.3	66.6

Cumulative Financial Data

Figures in Rs crs	FY10-12	FY13-15	FY16-18e
Income from operations	2636	2909	4055
Operating profit	289	229	570
EBIT	201	149	466
PBT	135	80	430
PAT	102	59	299
Dividends	26	24	110
OPM (%)	10.9	7.9	14.0
NPM (%)	3.9	2.0	7.4
Interest coverage	3.0	2.2	13.1
ROE (%)	30.4	11.1	34.2
ROCE (%)	17.9	12.6	29.8
Debt-equity ratio*	1.2	0.3	0.2
Fixed asset turnover	6.2	4.5	5.0
Debtors turnover	9.3	10.5	26.0
Inventory turnover	7.8	7.3	9.4
Creditors turnover	4.5	4.2	8.4
Debtors days	39.1	34.9	14.0
Inventory days	46.9	50.2	38.9
Creditor days	80.8	86.1	43.6
Cash conversion cycle	5.1	-1.1	9.3
Dividend payout ratio (%)	27.6	34.8	37.0

FY10-12 implies three years ending fiscal 12; *as on terminal year;

Relentless focus on cost reduction and diversification of its product portfolio in last few years not only helped dodge vicious cyclicality of the CV industry but also buttress margins. Productivity improvements helped too. After a dreadful fall in margins in FY14 - precipitated by higher raw material costs and rationalization of obsolete inventory - margins have phenomenally expanded. Wherefore cumulative operating profit in FY16-18e period is estimated to grow two and a half times (see chart) and PAT over 5x - NPMs 7.4% in FY16-18 period Vs 2% in FY13-15.

Yet obscurely subverting dependence on CV industry would not be devoid of risks. Taking cue from terrible domestic dispatches of commercial vehicles (down over 20% in FY14), revenues plunged by 15% that fiscal. Of late, visible signs of stress in the CV industry have impacted Jamna's revenue booking - down 13.4% in Q2FY17. Still miraculous growth in profits would reverse course of dramatic shriveling of return on capital - ROE to resuscitate to 34.2% in FY16-18 and ROCE to nearly 30% (see table). Prodigious debt retirement in last few years has undoubtedly waxed interest coverage ratios. Largely owing to faster repayment cycle, cash conversion cycle would marginally increase to 9.3 days (see table) in ensuing years.

Financial Summary – US dollar denominated

million $	FY14	FY15	FY16	FY17e	FY18e
Equity capital	6.6	6.3	6.0	6.1	6.2
Equity shareholders funds	29.9	31.4	36.6	47.7	59.7
Total debt	20.8	10.3	2.4	13.4	12.7
Net fixed assets (incl CWIP)	43.5	39.9	41.6	50.3	55.3
Investments	0.0	0.0	0.0	0.0	0.0
Net current assets	-4.6	-7.5	-8.6	-4.8	0.5
Total assets	41.1	35.4	37.4	50.0	61.2
Revenues	137.7	179.1	191.8	196.4	229.0
EBITDA	8.4	15.8	25.4	31.0	37.9
EBDT	4.4	12.8	23.2	29.7	36.0
PBT	0.1	7.8	16.3	22.3	26.9
Profit after MI	0.2	4.9	11.1	15.6	18.9
EPS($)	0.00	0.06	0.14	0.20	0.24
Book value ($)	0.38	0.40	0.46	0.60	0.75
Operating cash flow	5.1	13.8	19.7	8.0	24.7
Investing cash flow	4.0	-3.5	-11.3	-15.4	-18.0
Financing cash flow	-8.7	-10.7	-8.8	7.0	-6.6

income statement figures translated at average rates; balance sheet and cash flow at year end rates; projections at current rates(Rs 64.69/$). All dollar denominated figures are adjusted for extraordinary items.

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buy: >20%	accumulate: >10% to ≤20%	hold: ≥-10% to ≤10%	reduce: ≥-20% to <-10%	sell: <-20%

Exchange Rates Used- Indicative

Rs/$	FY14	FY15	FY16	FY17
Average	60.5	61.15	65.46	67.09
Year end	60.1	62.59	66.33	64.84

All $ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.