Jamna Auto Industries Ltd	
No. of shares (m)	398.5
Mkt cap (Rs crs/$m)	2124/305.0
Current price (Rs/$)	53/0.8
Price target (Rs/$)	74/1.1
52 W H/L (Rs.)	94/49
Book Value (Rs/$)	12.3/0.2
Beta	1.3
Daily volume NSE (avg. monthly)	358230
P/BV (FY20e/21e)	3.5/2.9
EV/EBITDA (FY20e/21e)	6.7/5.8
P/E (FY20e/21e)	13.3/11.5
EPS growth (FY19/20e/21e)	9.7/16.2/16.0
OPM (FY19/20e/21e)	13.0/12.8/13.0
ROE (FY19/20e/21e)	31.0/29.4/27.8
ROCE(FY19/20e/21e)	32.0/31.1/28.8
D/E ratio (FY19/20e/21e)	0.0/0.0/0.1
BSE Code	520051
NSE Code	JAMNAAUTO
Bloomberg	JMNA IN
Reuters	JMNA.NS

Shareholding pattern	%
Promoters	47.9
MFs / Banks / FIs	8.3
FPIs	5.0
Govt. Holding	0.0
Public & others	38.8
Total	**100.0**

As on March 31, 2019

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

- Strangled by no imperceptible slowdown in Indian CV industry, most prominently the stalwart M&HCV - stark change in volumes not invisible as MHCV dispatches tumbled not indiscernibly by 5.5% (yoy) in the second half of last fiscal compared to 48.1% growth in the first half - Jamna's revenue from operations slid 3.4% in the second half of last fiscal. The condition got no better in Q4 as Jamna reported 9% drop in revenues for the first time in seven quarters.
- Twin effects of frail volumes and higher raw material prices, suppressed margins not inappreciably - OPMs declined to 12.7% in Q4 compared to 15% in the same period a year ago. Operating profit, as a consequence, nosedived 22.8% to Rs 69.02 crs compared to Rs 89.42 crs in the same period a year ago. Moderation in both interest (down 30.6%) and depreciation expenses (-16.3%) did little to arrest fall in post tax earnings, which fell miraculously by 28.6% on yoy basis.
- For full year, bettering overall CV industry sales growth of 17.6%, Jamna reported 22.8% growth in revenue from operations but with marginal dip (~70 bps) in OPMs to 13%. Revenue share of new products (largely parabolic springs) slightly fell to 34% from 37% a year back, while revenue share of new markets increased marginally to 16% from 15% in the year ago period.
- After unlocking value in handful of new products namely, parabolic leaf spring, lift axle and air suspension , over the last few years, plans are afoot to launch/ develop new products such as stabilizer bar, U bolt, Z spring and trailer suspension - though meaningful revenue contribution would barely be visible from such products in the medium term.
- The stock currently trades at 13.3x FY20e EPS of Rs 4.01 and 11.5x FY20e EPS of Rs 4.65. Most of the growth in earnings over the next two years (16.1% on average) would emerge from not so ebullient volumes but stable margins. Moderation in asset turnover ratios and stress in working capital cycle would barely escape notice. Yet widening net of highly efficient parabolic springs would start to become palpable, providing much needed stability to earnings. Given moderation in stock valuation, we advise buying the stock with revised target of Rs 74 (previous target: Rs 99) based on 16x FY21e earnings (forward peg: 1).

Consolidated (Rs crs)	FY17	FY18	FY19	FY20e	FY21e
Income from operations	1292.44	1738.12	2134.81	2390.99	2701.82
Other Income	6.09	8.71	10.97	9.93	9.93
EBITDA (other income included)	207.39	246.53	287.67	316.00	361.51
Profit after MI & EO items	104.96	125.34	137.45	159.66	185.22
EPS(Rs)	2.63	3.15	3.45	4.01	4.65
EPS growth (%)	45.3	19.4	9.7	16.2	16.0

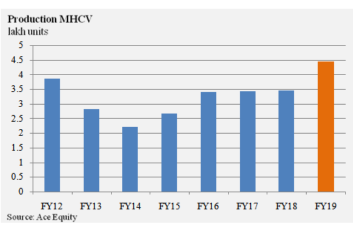
Outlook & Recommendation

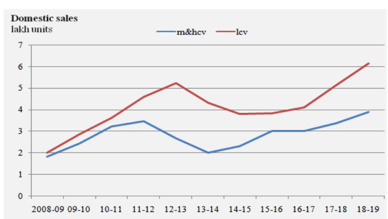
CV industry

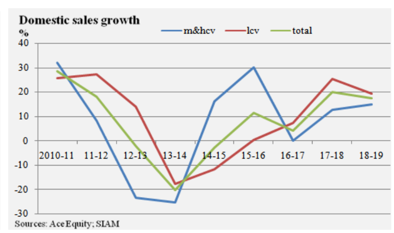
Given the auto's sector no smallish contribution to manufacturing GDP and GST, SIAM has called both for urgent reduction in GST tax rate from 28% to 18% and a scrappage policy for older polluting vehicles. It also pitched for reduction in corporate tax to 25% for all companies and reinstatement of weighted deduction for R&D activities to 200%.

Crisil scarcely sees any signs of revival before the second half of current fiscal for it believe that fleet operators are expected to advance their purchases of CVs planned for FY21 because CV prices are seen rising 9-11% following the transition to BS-VI emission norms. It reckons that weight of a MHCV would rise by some 300 kg because of additional exhaust management components under new emission norms. It opined recently Indian CV industry would benefit over the medium term from decisive election mandate, stable economic policies and higher infrastructure investments.

The grim situation in Indian CV industry is not expected to dramatically change for the better soon reckons, the Federation of Automobile Dealers Association (FADA), the apex national body of retail automobile industry. According to FADA's President, Ashish Harsharaj Kale, as liquidity continues to be an issue and the new government at the Centre is still in process of unveiling new initiatives, the dealers expect the overall auto retail sales to remain under strain across all verticals for next few weeks.



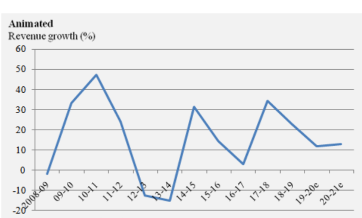


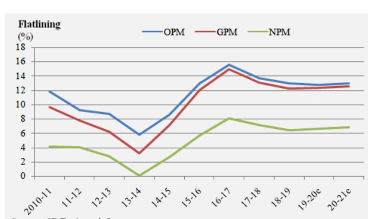


ICRA barely asserts anything different for it expects automobile demand to remain subdues owing to weak consumer sentiment, rising cost of ownership, muted rural demand and tight financing environment caused by acute liquidity crunch in financial markets. However, it expects the auto sector to stabilize in second half of current fiscal because of pre-buying arising from implementation of B-VI norms from April 1, 2020, especially in the CV segment.

Financials & Valuation

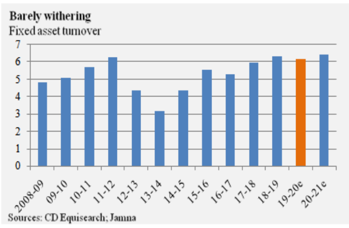
Plagued by liquidity crunch at NBFCs, adverse axle norms and moderation in freight rates, Indian commercial vehicle manufacturers have been feeling the brunt of mellowing demand over the last few months, prompting credit rating agencies to wildly slash their dispatch estimates. Crisil, for instance, pegs MHCV volumes growth at 4% for current fiscal, while LCV growth is estimated at 9%. Despite BS VI pre-buying expected in later part of this year, Tata Motors barely sees overall CV industry growth surpassing single digit. Yet estimates vary somewhat for Care Ratings, estimates volume growth of Indian CV industry at some 12-13% for current fiscal, somewhat prodded by pick up in construction and mining activities.

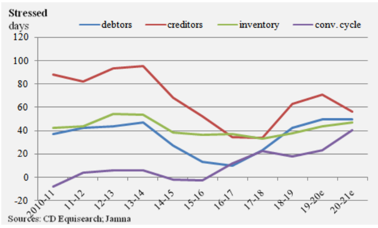




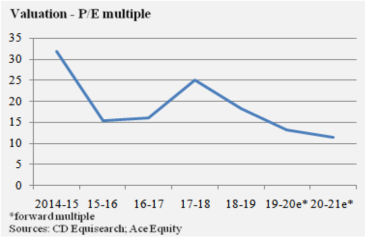
Needless to say, the revised axle norms (which increased axle load by 25%) introduced sometime last fiscal doubtlessly have demand squeezing potential as the same cargo can now be handled by 20% fewer vehicles. Unpropitious effect of this move - coupled with other macro economic factors - has started to rub off as Jamna report 9% drop in revenues last quarter. Factoring in an eccentric start of the current fiscal - MHCV sales down by some 17% in Apr-May period - Jamna's overall spring volumes would struggle to exceed 10% in current fiscal, though 70% OEM market share would likely be maintained.

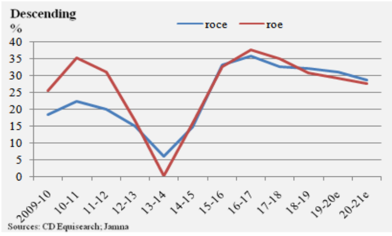
Plans to aggressively penetrate in to propitious newer markets (read: exports and aftermarket) have scarcely cut ice for the domestic business continues to form the biggest share of the pie. Tie up with Tinsley Bridge Limited, UK, for transfer of Tinsley's extralite spring and special steel technologies and planned launch of newer products like stabilizer bars, U bolt, Z springs, and trailer suspension would barely help overcome expect sclerosis in demand in Indian CV industry at least over next few months. Cost optimization measures would only partially help circumvent margin stress emanating from higher raw material prices and subdued spring volumes.

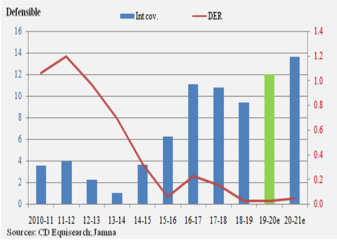




The stock currently trades at 13.3x FY20e EPS of Rs 4.01 and 11.5x FY20e EPS of Rs 4.65. Triggered by lower margins and higher interest expense, earnings last fiscal fell short of estimates by some 8.5%. Demand sclerosis prevailing in domestic CV industry has further precipitated earning cuts - current year's slashed by some 15%. Yet, possibility of margin expansion stemming from increased penetration of more efficient parabolic springs hardly stays diminished. Return on capital, despite softening, would still stay in high twenties - a no small feat by itself. Weighing odds, we maintained our buy recommendation on the stock with revised target of Rs 74 (previous target: Rs 99) based on 16x FY21e earnings (forward peg: 1). For more info refer to our September report.







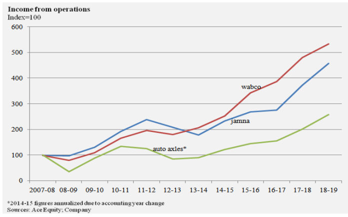
Cross Sectional Analysis

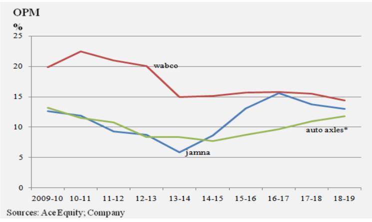
Company	Equity*	CMP	Mcap*	Op. inc.	Profit*	OPM	NPM	Int cov.	ROE	Mcap / OI	P/BV	P/E	EV/EBITDA
Auto Axles	15.1	1008	1523	1939	122	11.8	6.3	338.5	26.3	0.8	3.0	12.5	6.7
Jamna Auto	39.85	53	2124	2135	137	13.0	6.4	9.4	31.0	1.0	4.3	15.5	7.3
WABCO	9.5	6109	11588	2854	282	14.4	9.9	-	17.3	4.1	6.6	41.1	22.2

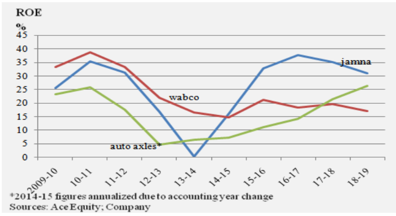
*figures in crores; calculations on ttm basis

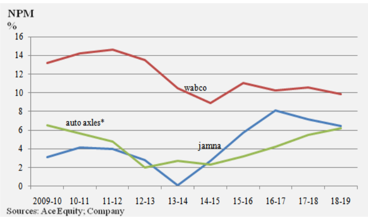
Riding on an uptick in CV industry last fiscal, Automotive Axles reported 27.6% growth in sales and 44.8% rise in post tax earnings as OPMs expanded by some 80 bps to 11.8%. Though it continues to focus on cost optimization and productivity improvement - which would help spur margins, recent increase in commodity prices have adversely impacted margins. Sensing not imperceptible slowdown in Indian CV industry in the current fiscal, the company has penciled in a flattish revenue growth (+/- 5%) for current fiscal. Capacity ramp up of both brakes and axle housing line - expected by June this fiscal - would weaken profit before tax through higher depreciation cost. Doubtlessly, its business strategy over the next few quarters would center on new product development, capacity expansion and enhancement of footprint.

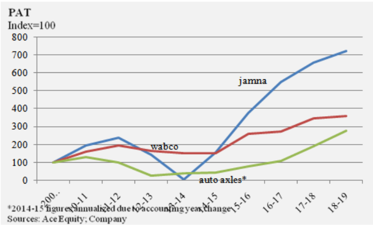
Stiffed by weakened CV demand, particularly for M&HCVs, Wabco's income from operations suffered in last two quarters - after rising 7.7% in December quarter, income from operations slid 15.5% in Q4. Income from operations for the full year rose by a meager 10.9% - the weakest growth in six years. Patchy dispatches affected margins for the OPMs slid by over 100 bps to 14.4%, the lowest reading since FY09. Thanks to dismal growth in operating profit post tax earnings advanced by a measly 3.4%. Stress in earnings intensified last quarter for the operating profit tumbled 23.9% and post tax earnings fell by nearly a third compared to that in the same quarter a year ago.











Financials

Quarterly Results -Consolidated

Figures in Rs crs

	Q4FY19	Q4FY18	% chg.	FY19	FY18	% chg.
Income from operations	**542.84**	**596.67**	**-9.0**	**2134.81**	**1738.12**	**22.8**
Other Income	1.59	1.85	-14.2	10.97	8.71	26.0
Total Income	**544.42**	**598.52**	**-9.0**	**2145.79**	**1746.83**	**22.8**
Total Expenditure	473.81	507.25	-6.6	1858.12	1500.30	23.8
PBIDT (other income included)	**70.61**	**91.27**	**-22.6**	**287.67**	**246.53**	**16.7**
Interest	4.94	7.12	-30.6	25.72	19.07	34.9
Depreciation	12.11	14.46	-16.3	46.45	41.37	12.3
PBT	**53.57**	**69.70**	**-23.1**	**215.50**	**186.09**	**15.8**
Tax	20.20	22.98	-12.1	78.05	60.79	28.4
PAT	33.37	46.72	-28.6	**137.45**	**125.31**	**9.7**
Minority interest	0.00	0.00	-50.0	0.00	0.00	0.0
PAT after MI	**33.37**	**46.72**	**-28.6**	**137.45**	**125.31**	**9.7**
Extraordinary Item	-	-	-	0.00	-0.04	-100.0
Adjusted Net Profit	**33.37**	**46.72**	**-28.6**	**137.45**	**125.34**	**9.7**
EPS (F.V. 1)	0.84	1.17	-28.6	3.45	3.15	9.7

Income Statement-Consolidated

Figures in Rs crs

	FY17	FY18	FY19	FY20e	FY21e
Income from operations	**1292.44**	**1738.12**	**2134.81**	**2390.99**	**2701.82**
Growth (%)	2.9	34.5	22.8	12.0	13.0
Other Income	6.09	8.71	10.97	9.93	9.93
Total Income	**1298.53**	**1746.83**	**2145.79**	**2400.92**	**2711.75**
Total Expenditure	1091.15	1500.30	1858.12	2084.93	2350.24
EBITDA (other income included)	**207.39**	**246.53**	**287.67**	**316.00**	**361.51**
Interest	14.38	19.07	25.72	22.03	22.30
EBDT	**193.01**	**227.46**	**261.95**	**293.96**	**339.21**
Depreciation	47.73	41.37	46.45	52.06	58.58
Tax	40.32	60.79	78.05	82.25	95.42
MI	0.00	0.00	0.00	0.00	0.00
PAT after MI	**104.96**	**125.31**	**137.45**	**159.66**	**185.22**
Extraordinary item	-0.01	-0.04	-	-	-
Adjusted Net Profit	**104.96**	**125.34**	**137.45**	**159.66**	**185.22**
EPS (Rs.)	2.63	3.15	3.45	4.01	4.65

Figures may differ from published figures due to reclassifications

Consolidated Balance Sheet

Figures in Rs crs

	FY17	FY18	FY19	FY20e	FY21e
SOURCES OF FUNDS					
Share Capital	39.83	39.83	39.83	39.83	39.83
Reserves	292.86	384.06	469.72	588.58	721.00
Total Shareholders Funds	**332.69**	**423.89**	**509.55**	**628.41**	**760.83**
Long term debt	9.89	24.57	3.60	-	-
Minority interest	0.00	0.00	0.00	0.00	0.00
Total Liabilities	**342.58**	**448.46**	**513.15**	**628.41**	**760.83**
APPLICATION OF FUNDS					
Gross Block	320.91	373.46	491.25	571.25	671.25
Less: Accumulated Depreciation	39.62	72.04	118.50	170.56	229.14
Net Block	**281.30**	**301.41**	**372.76**	**400.70**	**442.12**
Capital Work in Progress	19.93	30.85	39.65	30.00	35.00
Investments	0.47	0.47	0.47	0.47	0.47
Current Assets, Loans & Advances					
Inventory	112.75	158.47	228.92	274.70	329.64
Sundry Debtors	34.19	191.22	304.10	349.72	384.69
Cash and Bank	14.54	12.31	24.60	6.47	6.45
Other Assets	33.96	53.93	34.46	35.02	35.59
Total CA & LA	**195.44**	**415.94**	**592.09**	**665.91**	**756.37**
Current liabilities	163.97	280.55	494.04	447.58	449.05
Provisions	31.03	34.02	31.40	33.26	35.21
Total Current Liabilities	**195.00**	**314.57**	**525.44**	**480.84**	**484.25**
Net Current Assets	0.44	101.37	66.65	185.08	272.12
Net Deferred Tax (net of liability)	5.23	7.35	8.23	8.23	8.23
Other Assets (Net of liabilities)	35.21	7.00	25.39	3.94	2.90
Total Assets	**342.58**	**448.46**	**513.15**	**628.41**	**760.83**

Figures may differ from published figures due to reclassifications

Key Financial Ratios

	FY17	FY18	FY19	FY20e	FY21e
Growth Ratios					
Revenue (%)	2.9	34.5	22.8	12.0	13.0
EBIDTA (%)	21.0	18.9	16.7	9.8	14.4
Net Profit (%)	45.7	19.4	9.7	16.2	16.0
EPS (%)	45.3	19.4	9.7	16.2	16.0
Margins					
Operating Profit Margin (%)	15.6	13.7	13.0	12.8	13.0
Gross Profit Margin (%)	14.9	13.1	12.3	12.3	0.0
Net Profit Margin (%)	8.1	7.2	6.4	6.7	6.9
Return					
ROCE (%)	35.8	32.6	32.0	31.1	28.8
ROE (%)	37.8	35.3	31.0	29.4	27.8
Valuations					
Market Cap / OI	1.3	1.8	1.2	0.9	0.8
EV/EBIDTA	8.5	12.9	8.7	6.7	5.8
P/E	16.1	25.0	18.2	13.3	11.5
P/BV	5.4	7.9	5.1	3.5	2.9
Other Ratios					
Interest Coverage	11.1	10.8	9.4	12.0	13.6
Debt-Equity Ratio	0.2	0.2	0.0	0.0	0.1
Current Ratio	0.9	1.2	1.1	1.3	1.5
Turnover Ratios					
Fixed Asset Turnover	5.3	6.0	6.3	6.2	6.4
Total Asset Turnover	4.5	4.7	4.7	4.4	4.1
Debtors Turnover	36.0	15.4	8.6	7.3	7.4
Inventory Turnover	9.9	11.1	9.6	8.3	7.8
Creditors Turnover	10.4	10.7	5.8	5.1	6.5
WC Ratios					
Debtor Days	10.1	23.7	42.3	49.9	49.6
Inventory Days	36.8	33.0	38.0	44.1	46.9
Creditor Days	34.9	34.2	62.9	71.0	56.3
Cash Conversion Cycle	12.0	22.5	17.5	23.0	40.2

Cumulative Financial Data

Figures in Rs crs	FY13-15	FY16-18	FY19-21e
Income from operations	2909	4286	7228
Operating profit	229	603	934
EBIT	149	491	808
PBT	80	437	738
PAT	59	302	482
Dividends	24	101	146
OPM (%)	7.9	14.1	12.9
NPM (%)	2.0	7.1	6.7
Interest coverage	2.2	9.1	11.5
ROE (%)	11.1	33.9	28.5
ROCE (%)	12.6	31.4	28.6
Debt-equity ratio*	0.3	0.2	0.1
Fixed asset turnover	4.5	5.3	6.5
Debtors turnover	**10.5**	**11.5**	**8.4**
Inventory turnover	7.3	9.2	8.6
Creditors turnover	4.2	6.4	7.6
Debtors days	34.9	31.6	43.6
Inventory days	50.2	39.8	42.5
Creditor days	86.1	57.4	48.2
Cash conversion cycle	-1.1	14.0	37.9
Dividend payout ratio (%)	34.8	33.3	30.4

FY13-15 implies three years ending fiscal 15; *as on terminal year;

Benefits of no sluggish acceptance of value-enhancing parabolic springs in last few years would be counterbalanced by barely sturdy growth in MHCV dispatches over the next two years ending FY21, thus restricting expansion in OPMs in the three year period ended FY21 - OPMs are estimated to slide to 12.9% Vs 14.1% in FY16-18 period (see table). No smallish recovery/expansion in post tax earnings in yesteryears - profits grew five fold in FY16-18 period compared to the previous three year period - would unlikely to be duplicated for cumulative post tax earnings is estimated to grow by just 60% in FY19-21 period.

Despite jump in fixed asset turnover, fall in earnings growth would doubtlessly crimp return on capital - ROCE estimated to fall to 28.6% compared to 31.4% in FY16-18 period. All thanks to lower inventory and debtors’ turnover sash conversion cycle would markedly increase from just 14days in FY16-18 period to a stunning 37.9 days in FY19-21 period; stress in working capital was dauntingly palpable in FY19 Dividend payout would be all but maintained over 30%.

Financial Summary – US dollar denominated

million $	FY17	FY18	FY19	FY20e	FY21e
Equity capital	6.1	6.1	5.8	5.7	5.7
Equity shareholders funds	48.4	61.1	70.5	86.1	105.1
Total debt	11.3	9.6	2.0	2.7	5.3
Net fixed assets (incl CWIP)	46.5	51.1	59.6	61.9	68.5
Investments	0.1	0.1	0.1	0.1	0.1
Net current assets	-2.9	11.5	6.5	22.4	34.9
Total assets	49.9	64.9	71.1	86.1	105.1
Revenues	192.6	269.7	305.5	343.4	388.0
EBITDA	30.9	38.3	41.2	45.4	51.9
EBDT	28.8	35.3	37.5	42.2	48.7
PBT	21.7	28.9	30.8	34.7	40.3
Profit after MI	15.6	19.4	19.7	22.9	26.6
EPS($)	0.04	0.05	0.05	0.06	0.07
Book value ($)	0.12	0.15	0.18	0.22	0.26

income statement figures translated at average rates; balance sheet and cash flow at year end rates; projections at current rates(Rs 69.63/$). 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	FY18	FY19
Average	60.5	61.15	65.46	67.09	64.45	69.89
Year end	60.1	62.59	66.33	64.84	65.04	69.17

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.