

Jamna Auto Industries Ltd

No. of shares (m)	398.9
Mkt cap (Rs crs/\$m)	4824/581
Current price (Rs/\$)	121/1.5
Price target (Rs/\$)	146/1.8
52 W H/L (Rs.)	127/94
Book Value (Rs/\$)	21/0.3
Beta	0.9
Daily volume NSE monthly	3832620
P/BV (FY24e/25e)	5.6/4.8
EV/EBITDA (FY24e/25e)	14.5/12.9
P/E (FY24e/25e)	23.3/20.7
EPS growth (FY23/24e/25e)	19.2/23.4/12.5
OPM (FY23/24e/25e)	11.2/13.0/13.3
ROE (FY23/24e/25e)	24.2/25.9/25.0
ROCE(FY23/24e/25e)	21.5/24.9/23.8
D/E ratio (FY23/24e/25e)	0.0/0.1/0.1
BSE Code	520051
NSE Code	JAMNAAUTO
Bloomberg	JMNA IN
Reuters	JMNA.NS

Shareholding pattern

	%
Promoters	50.0
MFs / Banks / FIs	10.8
FPIs	5.7
Govt. Holding	0.0
Public & others	33.6
Total	100.0

As on Dec 31, 2023

Recommendation

BUY

Analyst

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Consolidated (Rs crs)	FY21	FY22	FY23	FY24e	FY25e
Income from operations	1079.48	1717.88	2325.32	2511.34	2762.48
Other Income	10.12	4.91	11.77	5.29	6.26
EBITDA (other income included)	143.79	232.18	273.17	331.76	372.28
Profit after MI & EO items	73.41	140.61	167.67	206.93	232.77
EPS(Rs)	1.84	3.53	4.21	5.19	5.84
EPS growth (%)	50.8	91.5	19.2	23.4	12.5

Company Brief

Jamna Auto Industries is India's market leader in automotive suspension solutions and is the second largest producer in the world of multi-leaf springs.

Quarterly Highlights

- Broadly in line with domestic sales of MHCVs (up 10%) in the first half of current fiscal, Jamna Auto reported revenue growth of some 7.5% in H1FY24 on yoy basis. New products amounted to some 48% of sales in H1, not much different from 44% reported in FY23. High penetration in newer markets has not seen much traction for it continues to account for a fifth of sales.
- Despite hindered benefits of operating leverage, OPMs expanded by some 231 bps in H1 not least due to withering raw material prices, thus helping operating profits to rise by some 31% to Rs 152.25 crs as compared to Rs 116.21 crs in the same period a year ago. Marginal rises in interest and depreciation could barely prevent PBT to grow by 28.1%.
- Jamna has launched several new products including agricultural implements - fertilizer broadcaster; rotavator; cultivator. Some of the newer products in its aftermarket portfolio include water pump, clutch, trailer axle, jack rod, bearing, though much of these products are currently traded. To increase content per vehicle with the OEMs, Jamna plans to launch a slew of new products which includes bogie bracket, ATS bracket, U bolt, hanger shackles and spring pin which would further broaden its product portfolio.
- The stock currently trades at 23.3x FY24e EPS of Rs 5.19 and 20.7x FY25e EPS of Rs 5.84. Penetration in aftermarket and greater acceptance of newer products holds key for lessening Jamna's business risk. Volatility in demand in Indian CV industry scarcely has healthy effect on demand for Jamna's leaf and parabolic springs. Earnings are estimated to advance by 12.5% next fiscal buoyed by barely modest revenue growth of 10%. Balancing odds, we maintain our buy recommendation on the stock with a revised target of Rs 146 (previous target: Rs 127) based on 25x FY25e earnings over a period of 9-12 months.

Outlook & Recommendation

CV industry

Base effect seems to be catching up with the Indian CV industry for ICRA expects volumes of Indian CV industry to grow by 2-4% in the current fiscal followed by mid-single digit de-growth next fiscal. Some of the factors for deceleration in volumes, particularly in H1, include slowing of infrastructural activities with the model code of conduct applying before the general elections and high base of last fiscal. It further contends that sustenance of the macro-economic environment and improvement in infrastructural activity / last mile transportation remains key monitorables.

But differences in opinion exist as Deeraj Hinduja, Chairman of Ashok Leyland, reckons that Indian CV market may hit a new peak by the end of 2023-24 and continue to advance at a brisk pace next fiscal amid robust demand from construction, mining, and other segments. In this way, the CV market, he feels, may defy the traditional demand cycle of an upswing and slowdown.



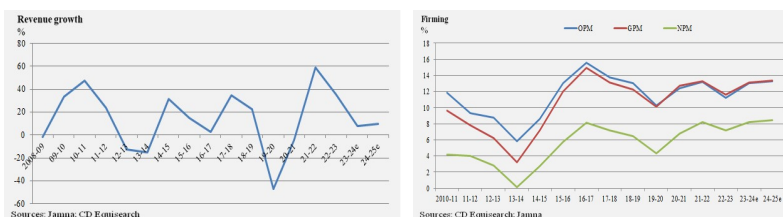
But much of the demand surge in CV industry has come from MHCV industry with heavy duty trucks ruling the roost. Gagandeep Singh Gandhok, Senior Vice President of HD Truck Business at Volvo Eicher Commercial Vehicles (VECV), believes that the industry sales volume for heavy duty trucks is likely to touch 2,75,000–2,80,000 units by the end of FY24 as against 2,47,858 units sold in FY23. He feels that "infrastructure projects, especially roads, announced by the government will significantly change the face of the industry".

Surprisingly, much of this buoyancy in volumes has been seen despite rising CV prices. But Hinduja feels it would have little impact on demand. "To be sure, prices have gone up. But fleet operators are also wanting to replace their older vehicles with more fuel-efficient, newer ones with higher carrying capacity...This change in sales mix will help the industry touch a new high revenue-wise", he added. Higher per unit revenue has been supported by a couple of factors namely stringent emission norms imposed by the government and growing demand for higher payload capacity trucks.

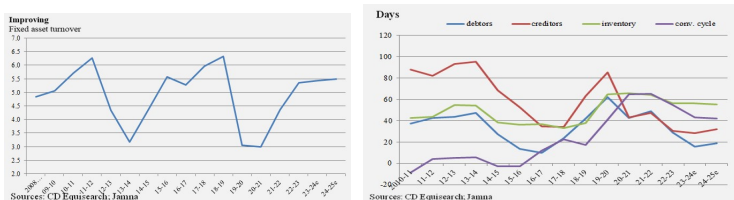
Financials & Valuation

Much of Jamna's revenue growth next fiscal is pegged to outperformance of Indian MHCV industry (compared to overall CV industry) and increasing penetration of parabolic springs which has goaded it to convert many of its production capacities of conventional springs into parabolic springs. Sensing the increased benefits of parabolic springs, OEMs are not shying to convert to more efficient wares, products which come with juicy margins.

An upshot of this trend has been increased capacity requirements for parabolic springs, which the company expects to handle by increasing operational efficiencies and establishing a new facility in Jharkhand - expected to be operational soon. Some other new product launches have also been instigated by changing customer preferences - increasing choice for trailers over rigid frame vehicles has egged on the company to launch suspensions and axles for trailers (case in point).

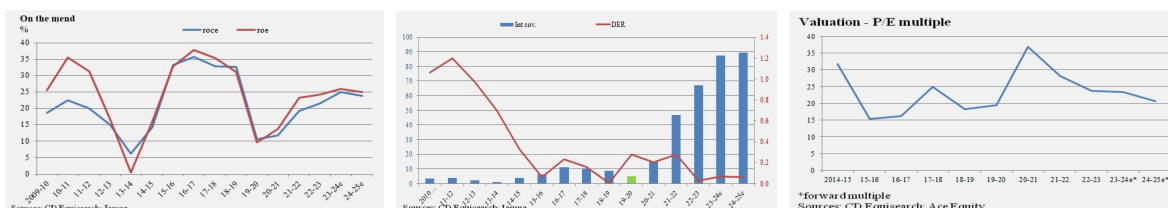


Other noteworthy initiatives include supply of machined castings for mining and heavy trucks to Ashok Leyland; supply of agriculture implements such as rotavator, fertilizer broadcaster and cultivator for the open market; focus on developing products for M&Ms exports; commercial production of Nodo brackets for supplies to Ashok Leyland through Jai Automotive Components Ltd (JACO), a wholly owned subsidiary of Jamna Auto. These pursuits would not only support content per vehicle but also aid in business scaling.



Growing new market presence has been one of the cornerstones of Jamna's business strategy for years now - 19% accrued from newer markets in Q2FY24 and the plan is to scale it to 50% by FY27. Post normalization of markets after Covid, Jamna has pulled out all stops to expand its product portfolio in the aftermarket by launching dozens of products - hills, factory-fitted bushes, hybrid spring solutions for a wide range of trucks; in non-springs category, a range of spring allied parts, lift axle parts, clutch systems, universal joint crosses and brake linings are available now.

The stock currently trades at 23.3x FY24e EPS of Rs 5.19 and 20.7x FY25e EPS of Rs 5.84. Margin gains explain much of the momentum in earnings this fiscal - estimated to rise by 23.4%. Sales velocity next fiscal would pivot on sustainability of momentum in MHCV industry whereas margins would rely on degree of conversion to parabolic springs. Although its expansion plan would aid in increasing content per vehicle, yet scaling of new products is no small task. Weighing odds, we maintain our buy recommendation on the stock with revised target of Rs 146 (previous target: Rs 127) based on 25x FY25e earnings over a period of 9-12 months.



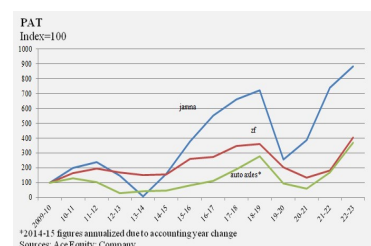
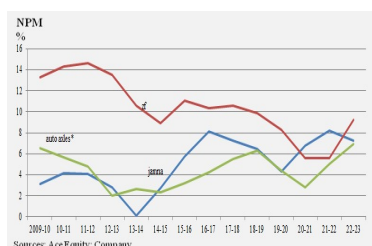
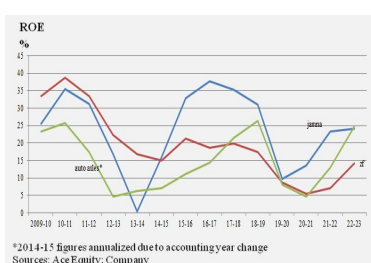
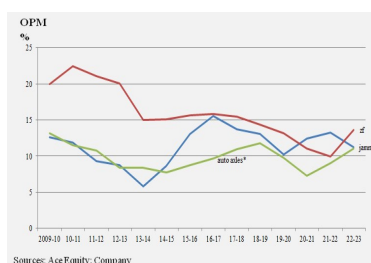
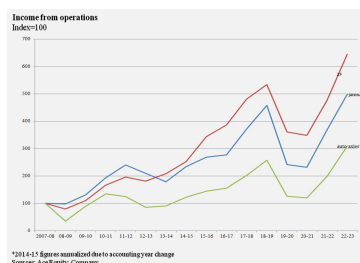
Cross Sectional Analysis

Company	Equity*	CMP	Mcap*	Op. inc.	Profit*	OPM	NPM	Int cov.	ROE	Mcap / OI	P/BV	P/E
Automotive Axle	15	1999	3020	2351	173	11.1	7.4	98.6	22.4	1.3	3.6	17.5
Jamna Auto	40	121	4824	2408	189	12.4	7.8	65.9	24.2	2.0	5.8	25.6
ZF Commercial	9	14435	27380	3834	407	14.7	10.6	121.9	16.3	7.1	10.2	67.2

*figures in crores; calculations on ttm basis

Automotive Axles has invested in specific computer numeric control (CNC) equipment for its production lines to meet new models and variants with an aim to improve productivity, maintain flexibility and responding to changing volume demands. Much in line with prevailing demand trends in Indian CV industry, revenue and operating profit of Automotive Axles flatlined in 9MFY24 while PBT rose by 9.2%. Thanks to subdued volume growth, operating margins remained static too. Earnings momentum decelerated sharply in Q3 as revenues plunged by an astonishing 17.5% while earnings nosedived 22.8%.

ZF Steering believes that with introduction of BS VI RDE (Real Driving emission norms) from 1st April 2023, the Indian auto industry has taken a right step in bringing its emission norms at par with European and American markets. In compliance with these changes ZF partnered with OEMs to introduce BS VI compliant technologies like e hill start aid (HSA), Automatic Traction Control (ATC), Air Disc Brakes (ADB), Electronic Stability Control (ESC), Automated Manual Transmission (AMT), Fleet Management Solutions (FMS), Tire Pressure Monitoring System (TPMS), Advanced Air Processing Units among other technologies. By engaging with several OEMs, it is helping reducing of their total cost of ownership by recommending the right value enhancers.



Financials

Quarterly Results -Consolidated

Figures in Rs crs

	Q2FY24	Q2FY23	% chg.	H1FY24	H1FY23	% chg.
Income from operations	607.36	552.74	9.9	1182.62	1100.43	7.5
Other Income	1.54	6.66	-76.8	3.00	8.20	-63.5
Total Income	608.90	559.40	8.8	1185.61	1108.63	6.9
Total Expenditure	528.22	496.60	6.4	1030.37	984.23	4.7
EBIDTA (other income included)	80.68	62.80	28.5	155.24	124.40	24.8
Interest	1.00	0.67	49.3	1.78	1.27	40.7
Depreciation	10.94	10.16	7.7	21.97	20.45	7.4
PBT	68.73	51.96	32.3	131.49	102.69	28.1
Tax	18.63	14.63	27.3	35.79	27.93	28.2
PAT	50.11	37.33	34.2	95.70	74.76	28.0
Minority interest	0.00	0.00	0.0	0.00	0.00	0.0
PAT after MI	50.11	37.33	34.2	95.70	74.76	28.0
Extraordinary Item	-	-	-	-	-	-
Adjusted Net Profit	50.11	37.33	34.2	95.70	74.76	28.0
EPS (F.V. 1)	1.26	0.94	34.1	2.40	1.88	27.9

Income Statement-Consolidated

Figures in Rs crs

	FY21	FY22	FY23	FY24e	FY25e
Income from operations	1079.48	1717.88	2325.32	2511.34	2762.48
<i>Growth (%)</i>	-4.4	59.1	35.4	8.0	10.0
Other Income	10.12	4.91	11.77	5.29	6.26
Total Income	1089.60	1722.79	2337.08	2516.63	2768.73
Total Expenditure	945.81	1490.60	2063.92	2184.87	2396.45
EBITDA (other income included)	143.79	232.18	273.17	331.76	372.28
Interest	7.33	4.17	3.45	3.29	3.60
EBDT	136.46	228.01	269.72	328.47	368.68
Depreciation	35.58	36.73	41.01	44.22	49.82
Tax	27.92	50.47	61.01	77.32	86.09
MI	0.00	0.00	0.00	0.00	0.00
PAT after MI	72.96	140.81	167.69	206.93	232.77
Extraordinary item	-0.45	0.20	0.02	-	-
Adjusted Net Profit	73.41	140.61	167.67	206.93	232.77
EPS (Rs.)	1.84	3.53	4.21	5.19	5.84

Figures may differ from published figures due to reclassifications

Consolidated Balance Sheet

Figures in Rs crs

	FY21	FY22	FY23	FY24e	FY25e
SOURCES OF FUNDS					
Share Capital	39.83	39.85	39.87	39.89	39.89
Reserves	540.17	644.83	744.40	863.61	1008.63
Total Shareholders Funds	580.01	684.68	784.27	903.49	1048.51
Long term debt	0.00	0.00	0.00	0.00	0.00
Minority interest	0.00	0.00	0.00	0.00	0.00
Total Liabilities	580.01	684.68	784.28	903.49	1048.52
APPLICATION OF FUNDS					
Gross Block	529.53	648.41	676.81	776.81	851.81
Less: Accumulated Depreciation	178.61	212.34	242.83	287.05	336.87
Net Block	350.92	436.07	433.99	489.77	514.95
Capital Work in Progress	133.76	53.43	56.14	65.00	60.00
Investments	0.47	0.47	0.01	0.01	0.01
Current Assets, Loans & Advances					
Inventory	209.56	313.24	325.17	349.56	375.77
Sundry Debtors	170.50	288.57	78.55	135.00	150.00
Cash and Bank	41.18	26.59	56.562	108.95	205.63
Other Assets	57.20	40.22	35.40	42.78	46.84
Total CA & LA	478.43	668.62	495.68	636.29	778.24
Current liabilities	349.93	428.902	210.56	297.38	319.63
Provisions	24.30	35.91	24.84	25.16	30.28
Total Current Liabilities	374.23	464.81	235.40	322.54	349.91
Net Current Assets	104.21	203.81	260.28	313.75	428.33
Net Deferred Tax (net of liability)	6.36	8.77	6.53	12.53	15.53
Other Assets (Net of liabilities)	-15.70	-17.88	27.33	22.44	29.71
Total Assets	580.01	684.68	784.28	903.49	1048.52

Figures may differ from published figures due to reclassifications

Key Financial Ratios

	FY21	FY22	FY23	FY24e	FY25e
Growth Ratios					
Revenue (%)	-4.4	59.1	35.4	8.0	10.0
EBIDTA (%)	9.1	60.6	17.8	21.5	12.2
Net Profit (%)	50.8	91.5	19.2	23.4	12.5
EPS (%)	50.8	91.5	19.2	23.4	12.5
Margins					
Operating Profit Margin (%)	12.4	13.2	11.2	13.0	13.3
Gross Profit Margin (%)	12.7	13.3	11.6	13.1	13.3
Net Profit Margin (%)	6.8	8.2	7.2	8.2	8.4
Return					
ROCE (%)	11.8	19.2	21.5	24.9	23.8
ROE (%)	13.6	23.3	24.2	25.9	25.0
Valuations					
Market Cap / OI	2.5	2.3	1.7	1.9	1.7
EV/EBIDTA	19.2	17.8	14.4	14.5	12.9
P/E	36.9	28.2	23.7	23.3	20.7
P/BV	4.8	6.1	5.4	5.6	4.8
Other Ratios					
Interest Coverage	14.9	46.8	67.2	87.3	89.6
Debt-Equity Ratio	0.2	0.3	0.0	0.1	0.1
Current Ratio	1.2	1.3	1.8	1.7	2.0
Turnover Ratios					
Fixed Asset Turnover	3.0	4.4	5.3	5.4	5.5
Total Asset Turnover	1.9	2.9	3.4	3.1	3.0
Debtors Turnover	8.6	7.5	12.7	23.5	19.4
Inventory Turnover	5.6	5.7	6.5	6.5	6.6
Creditors Turnover	8.5	7.7	12.0	12.7	11.4
WC Ratios					
Debtor Days	42.4	48.8	28.8	15.5	18.8
Inventory Days	65.6	64.0	56.5	56.4	55.2
Creditor Days	43.0	47.4	30.5	28.6	32.0
Cash Conversion Cycle	64.9	65.4	54.7	43.2	42.1

Cumulative Financial Data

Figures in Rs crs	FY17-19	FY20-22	FY23-25e
Income from operations	5165	3926	7599
Operating profit	719	477	954
EBIT	609	395	842
PBT	547	365	832
PAT	368	263	607
Dividends	120	109	255
OPM (%)	13.9	12.2	12.6
NPM (%)	7.1	6.7	8.0
Interest coverage	9.8	13.3	81.4
ROE (%)	33.6	15.5	24.6
ROCE (%)	36.4	14.4	21.8
Debt-equity ratio*	0.0	0.3	0.1
Fixed asset turnover	5.9	3.2	5.3
Debtors turnover	10.1	4.4	11.6
Inventory turnover	8.8	4.2	6.4
Creditors turnover	5.2	3.6	10.5
Debtors days	36.2	82.6	31.6
Inventory days	41.4	86.1	56.8
Creditor days	70.0	101.4	34.8
Cash conversion cycle	7.7	67.3	53.6
Dividend payout ratio (%)	32.6	41.6	42.0

FY16-18 implies three years ending fiscal 18; *as on terminal year;

Near spectacular growth in Indian CV industry in last two years (FY22 & FY23), though on a weak base has resurrected fortunes of component makers, more so for the ones focused on MHCV industry. Jamna is no exception for it is expected to see all but doubling of cumulative revenues in FY23-25 period from that in the previous three year period; increasing acceptance of new age products like parabolic springs have also played a part in business scaling for OEMs continue to ever-increasingly embrace efficient products.

Apart from benefits of operating leverage, increasing share of high margin products would help in galvanizing OPMs - 12.6% in FY23-25 period vs 12.2% - thus prompting cumulative operating profit to well-nigh double in the forecasted period (see table). Yet risks abound. Penetration in newer markets has barely been hurdle free which has goaded Jamna to stretch out "50% new market revenue mix" target by a few years. Further, with roll out of newer products, sustaining ROE north of 30% in future would barely be a cakewalk - ROE during FY23-25 period estimated at 24.6% compared to 33.6% in FY17-19 period (see table). Marked improvements in debtors and inventory days are expected in the projected period.

Financial Summary – US dollar denominated

million \$	FY21	FY22	FY23	FY24e	FY25e
Equity capital	5.4	5.3	4.8	4.8	4.8
Equity shareholders funds	76.2	85.1	90.1	103.5	120.5
Total debt	15.6	23.5	2.3	7.2	7.2
Net fixed assets (incl CWIP)	65.9	64.6	59.6	66.8	69.2
Investments	0.1	0.1	0.0	0.0	0.0
Net current assets	11.5	21.6	26.3	32.5	45.8
Total assets	76.2	85.1	90.1	103.5	120.5
Revenues	145.5	230.6	289.2	302.5	332.7
EBITDA	19.5	31.1	34.0	40.0	44.8
EBDT	18.5	30.6	33.5	39.6	44.4
PBT	13.7	25.6	28.4	34.2	38.4
Profit after MI	9.9	18.9	20.9	24.9	28.0
EPS(\$)	0.02	0.05	0.05	0.06	0.07
Book value (\$)	0.19	0.21	0.23	0.26	0.30

income statement figures translated at average rates; balance sheet and cash flow at year end rates; projections at current rates(Rs 83.03/\$). 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/\$	FY19	FY20	FY21	FY22	FY23
Average	69.89	70.88	74.20	74.51	80.39
Year end	69.17	75.39	73.50	75.81	82.22

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.