Jamna Auto Industries

Accumulate

DART
DOLAT ANALYSIS & RESEARCH THEMES
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Result Update

Sailing through tough times

Jamna Auto reported weak set of numbers in Q1FY20. The revenue was ₹ 4.2bn (-25% YoY on a high base), due to slowdown in CV sales along with weaker product mix (affected by a shift in demand towards lower tonnage vehicles, a lower revenue from parabolic springs & lift axle and muted aftermarket sale). However, the company is maintaining its dominance in the domestic OEM segment with 71% market share in leaf springs and focused on widening its distribution network (through tie-ups with retailers and garage personnel in aftermarket segment). The management has also learnt from the past and deferred its capacity expansion plan to keep leverage under check (earlier the company had a planned a capex of ₹ 5bn in the next 3-4 years for its greenfield project at Adityapur and Indore. Given the lower-than-expected pre buying impact for BS-VI driven by GST related uncertainty and slowdown in economy, we cut our EPS estimates by 39/30% for FY20/21E. We expect the growth momentum in CV to revive materially only post clarity of GST and uptick in economic activity. We change our rating from Buy to Accumulate, with a lower TP of ₹ 40 (12x FY21E EPS).

Jamna Auto's (JMNA) EBIDTA declined 39% YoY to ` 459mn with an operating margin of 10.9% (-247bps YoY/ -179bps QoQ), due to negative operating leverage and adverse product mix (lower proportion of aftermarket). Due to production cuts taken by OEMs, JMNA had to follow the suit and cut production and temporarily suspend production at some of its plants for a few days in Q2FY20. The company is keen to de-risk its business through expansion into aftermarkets and expand its product basket (lift axles, air suspension, stabilizer bars, and U-bolts) along with capturing new markets.

Focus on aftermarket and cost rationalization

In the aftermarket segment, the company is widening its distribution network (through tie-ups with retailers and garage personnel) and focusing on minimizing the price gap to gain market share in the unorganized market. Currently, the aftermarket segment contributes ~12% of overall sales. The company is also taking various measures to control the cost and protect the margin.

Q1FY20 Result (₹ Mn)

Particulars	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
Revenue	4,205	5,622	(25.2)	5,428	(22.5)
Total Expense	3,746	4,869	(23.1)	4,738	(20.9)
EBITDA	459	753	(39.0)	690	(33.4)
Depreciation	131	116	13.2	121	8.3
EBIT	328	637	(48.5)	569	(42.3)
Other Income	12	33	(64.6)	15	(23.6)
Interest	41	57	(27.9)	49	(15.9)
EBT	299	613	(51.2)	536	(44.2)
Tax	95	213	(55.4)	202	(53.0)
RPAT	204	400	(49.0)	334	(38.8)
APAT	204	400	(49.0)	334	(38.8)
			(bps)		(bps)
Gross Margin (%)	36.1	36.4	(34)	33.3	274
EBITDA Margin (%)	10.9	13.4	(247)	12.7	(179)
NPM (%)	4.9	7.1	(227)	6.1	(129)
Tax Rate (%)	31.7	34.7	(298)	37.7	(597)
EBIT Margin (%)	7.8	11.3	(352)	10.5	(268)

CMP	₹ 34
Target / Upside	₹ 40 / 18%
BSE Sensex	37,334
NSE Nifty	11,048

Scrip Details

Equity / FV	₹ 398mn / ₹ 1
Market Cap	₹ 13bn
	US$ 188mn
52-week High/Low	₹ 62/₹ 32
Avg. Volume (no)	5,54,205
NSE Symbol	JAMNAAUTO
Bloomberg Code	JMNA IN

Shareholding Pattern Jun'19(%)

Promoters	47.9
MF/Banks/FIs	8.1
FIIs	6.2
Public / Others	37.8

Valuation (x)

	FY19A	FY20E	FY21E
P/E	9.7	12.3	10.3
EV/EBITDA	4.7	6.2	5.2
ROE (%)	29.5	19.7	20.4
RoACE (%)	31.3	19.7	19.4

Estimates (₹ mn)

	FY19A	FY20E	FY21E
Revenue	21,348	19,431	20,883
EBITDA	2,767	2,180	2,569
PAT	1,375	1,083	1,294
EPS (₹)	3.5	2.7	3.3

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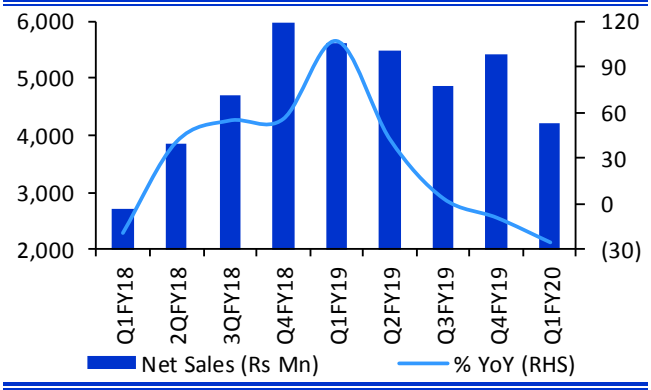
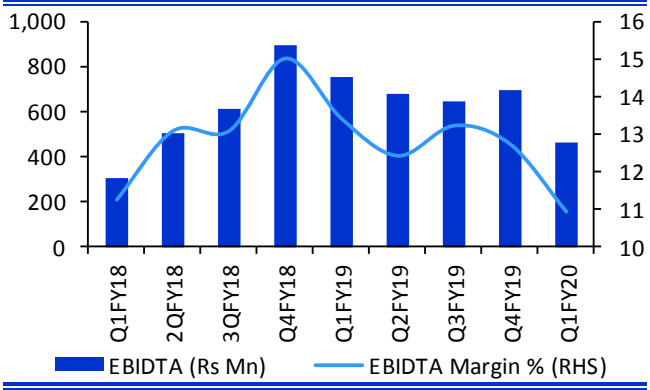
DOLAT CAPITAL

Exhibit 1: Revenue declined on weak CV sales



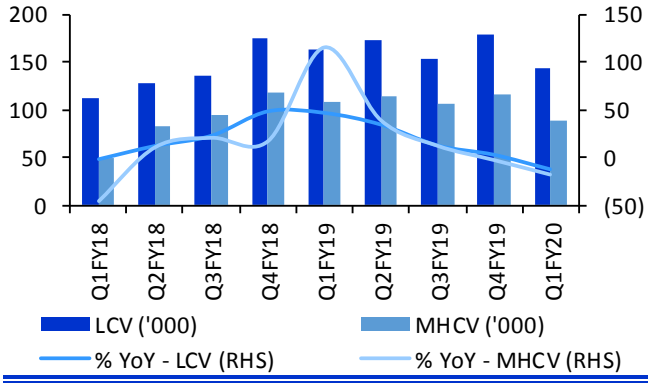
Source: DART, Company

Exhibit 2: EBITDA margin Under Pressure



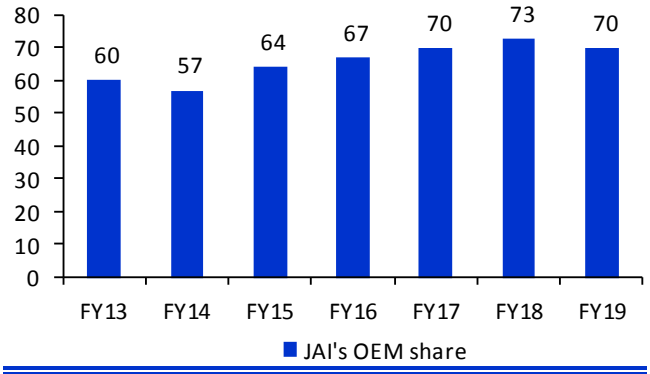
Source: DART, Company

Exhibit 3: Growth Rate of CV segment



Source: DART, Company

Exhibit 4: Jamna Auto's market share (%)



Source: DART, Company

Profit and Loss Account

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Revenue	**17,381**	**21,348**	**19,431**	**20,883**
Total Expense	**15,003**	**18,581**	**17,250**	**18,313**
COGS	10,911	13,593	12,047	12,780
Employees Cost	1,275	1,580	1,659	1,759
Other expenses	2,817	3,408	3,544	3,774
EBIDTA	**2,379**	**2,767**	**2,180**	**2,569**
Depreciation	414	465	546	582
EBIT	**1,965**	**2,302**	**1,634**	**1,988**
Interest	182	255	159	209
Other Income	79	107	117	125
Exc. / E.O. items	0	0	0	0
EBT	**1,861**	**2,155**	**1,592**	**1,903**
Tax	608	780	509	609
RPAT	1,254	1,375	1,083	1,294
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**1,254**	**1,375**	**1,083**	**1,294**

Balance Sheet

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Sources of Funds				
Equity Capital	398	398	398	398
Minority Interest	0	0	0	0
Reserves & Surplus	3,840	4,697	5,477	6,383
Net Worth	**4,239**	**5,095**	**5,875**	**6,781**
Total Debt	483	48	1,023	1,198
Net Deferred Tax Liability	252	280	304	331
Total Capital Employed	**4,974**	**5,423**	**7,202**	**8,310**
Applications of Funds				
Net Block	**3,014**	**3,728**	**4,281**	**4,600**
CWIP	309	397	450	600
Investments	5	5	5	5
Current Assets, Loans & Advances	**4,566**	**6,548**	**6,299**	**7,158**
Inventories	1,585	2,289	2,023	2,174
Receivables	1,912	3,041	2,236	2,403
Cash and Bank Balances	123	246	832	1,275
Loans and Advances	348	556	759	820
Other Current Assets	598	416	450	486
Less: Current Liabilities & Provisions	**2,920**	**5,255**	**3,833**	**4,053**
Payables	2,037	4,365	2,928	3,147
Other Current Liabilities	882	889	905	906
Net Current Assets	1,646	1,293	2,466	3,106
Total Assets	**4,974**	**5,423**	**7,202**	**8,310**

E – Estimates

Important Ratios

Particulars	FY18A	FY19A	FY20E	FY21E
(A) Margins (%)				
Gross Profit Margin	37.2	36.3	38.0	38.8
EBIDTA Margin	13.7	13.0	11.2	12.3
EBIT Margin	11.3	10.8	8.4	9.5
Tax rate	32.7	36.2	32.0	32.0
Net Profit Margin	7.2	6.4	5.6	6.2
(B) As Percentage of Net Sales (%)				
COGS	62.8	63.7	62.0	61.2
Employee	7.3	7.4	8.5	8.4
Other	16.2	16.0	18.2	18.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.0	0.2	0.2
Interest Coverage	10.8	9.0	10.3	9.5
Inventory days	33	39	38	38
Debtors days	40	52	42	42
Average Cost of Debt	29.1	96.0	29.8	18.8
Payable days	43	75	55	55
Working Capital days	35	22	46	54
FA T/O	5.8	5.7	4.5	4.5
(D) Measures of Investment				
AEPS (₹)	3.1	3.5	2.7	3.3
CEPS (₹)	4.2	4.6	4.1	4.7
DPS (₹)	0.9	1.0	0.7	0.8
Dividend Payout (%)	27.0	27.5	25.0	25.0
BVPS (₹)	10.6	12.8	14.8	17.0
RoANW (%)	33.1	29.5	19.7	20.4
RoACE (%)	30.8	31.3	19.7	19.4
RoAIC (%)	43.3	45.9	28.3	29.7
(E) Valuation Ratios				
CMP (₹)	34	34	34	34
P/E	10.6	9.7	12.3	10.3
Mcap (₹ Mn)	13,337	13,337	13,337	13,337
MCap/ Sales	0.8	0.6	0.7	0.6
EV	13,697	13,138	13,528	13,259
EV/Sales	0.8	0.6	0.7	0.6
EV/EBITDA	5.8	4.7	6.2	5.2
P/BV	3.1	2.6	2.3	2.0
Dividend Yield (%)	2.5	2.8	2.0	2.4
(F) Growth Rate (%)				
Revenue	34.5	22.8	(9.0)	7.5
EBITDA	18.8	16.3	(21.2)	17.8
EBIT	28.9	17.2	(29.0)	21.6
PBT	28.2	15.8	(26.1)	19.5
APAT	19.5	9.7	(21.2)	19.5
EPS	19.5	9.7	(21.2)	19.5

Cash Flow

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
CFO	1,262	2,813	1,225	1,916
CFI	(714)	(1,302)	(1,153)	(1,050)
CFF	(566)	(1,390)	490	(424)
FCFF	813	1,547	71	866
Opening Cash	143	123	246	832
Closing Cash	123	246	832	1,275

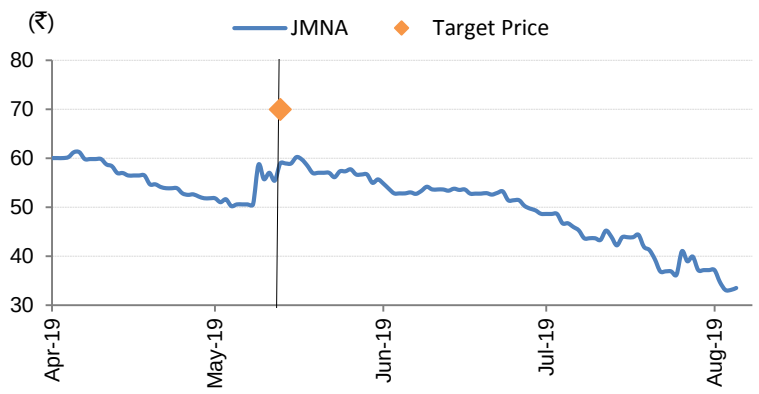
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)
May-19	Buy	70	59

*Price as on recommendation date

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