

Strong order book to drive earnings

- JBM Auto (JBMA)'s reported strong operating margin at 11.6% (+39bps YoY) amid challenging environment led by better product mix (increase in revenue from tooling and bus division) and cost control measures. Net revenue fell by 21% YoY to Rs. 4.75bn led by de-growth in component division (-38% YoY) was partially compensated by ramp up in the bus business and a robust growth in the tooling business.
- The company is taking various cost optimization initiative such as reduction in manpower cost (Shift management) and administrative overhead to protect the margin.
- The bus division, which was a drag (Rs.118 & Rs.46mn losses at EBIT level in FY18 & FY19 respectively) earlier turned profitable in FY20 to Rs. 98.4mn at EBIT level. We expect the company to be a key beneficiary of increasing demand of EV buses.
- We expect bus division continue to deliver strong performance in coming year on the back of strong order book of 500 buses (including 350 electric buses).
- JBM Auto's growth story is premised on 1) slowdown in PVs volume would be partially offset by new order wins in the sheet metal business 2) encouraging revenue potential in the tooling business (high margin +30%), given rising localization and outsourcing of tooling requirements by large global OEMs (cost-benefit of 25% in India); and 3) increasing economies of scale in the CNG bus manufacturing business and new orders EV Buses.
- The stock is currently available at 15/10x for FY21/22E. We value the stock Rs 309 (based on 15x FY22E EPS). Recommend BUY

Bus division turned profitable

The bus division, which was a drag (Rs.118mn & Rs.46mn losses at EBIT level in FY18 & FY19 respectively) earlier turned profitable in FY20 to Rs. 98.4mn at EBIT level. (Cont.)

Q4FY20 Result (Rs Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	4,752	6,013	(21.0)	4,670	1.7
Total Expense	4,202	5,341	(21.3)	4,103	2.4
EBITDA	550	672	(18.2)	567	(3.1)
Depreciation	177	201	(11.6)	185	(4.3)
EBIT	372	471	(21.0)	382	(2.5)
Other Income	37	75	(50.6)	33	12.2
Interest	156	153	2.4	156	0.3
EBT	253	394	(35.7)	259	(2.4)
Tax	88	127	(30.6)	95	(6.6)
RPAT	154	278	(44.6)	166	(7.1)
APAT	154	278	(44.6)	166	(7.1)
			(bps)		(bps)
Gross Margin (%)	30.1	28.4	165	31.1	(103)
EBITDA Margin (%)	11.6	11.2	39	12.1	(58)
NPM (%)	3.2	4.6	(139)	3.5	(31)
Tax Rate (%)	34.9	32.3	255	36.5	(157)
EBIT Margin (%)	7.8	7.8	(1)	8.2	(34)

CMP	Rs 214
Target / Upside	Rs 309 / 44%
BSE Sensex	35,873
NSE Nifty	10,552

Script Details

Equity / FV	Rs 236mn / Rs 5
Market Cap	Rs 10bn
	USD 135mn
52-week High/Low	Rs 296/Rs 95
Avg. Volume (no)	42,395
NSE Symbol	JBMA
Bloomberg Code	JBMA IN

Shareholding Pattern Mar'20(%)

Promoters	62.0
MF/Banks/FIs	0.1
FII	0.1
Public / Others	37.9

Valuation (x)

	FY20A	FY21E	FY22E
P/E	14.6	14.7	10.4
EV/EBITDA	6.7	7.7	6.1
ROE (%)	10.5	9.8	12.6
RoACE (%)	9.9	9.1	10.7

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	19,467	19,117	22,266
EBITDA	2,302	1,950	2,416
PAT	692	698	985
EPS (Rs.)	14.6	14.6	20.6

Analyst: Abhishek Jain

Tel: +9122 40969739

E-mail: abhishekj@dolatcapital.com

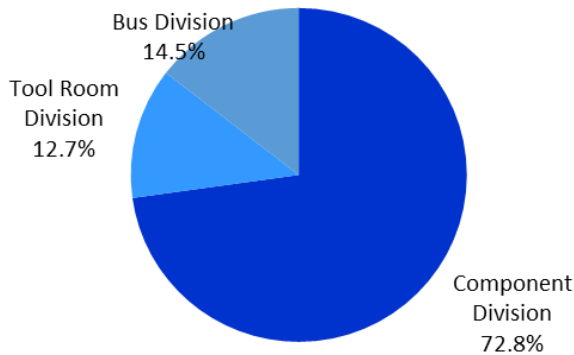
Associate: Kripashankar Maurya

Tel: +91 22 40969741

E-mail: kripashankarm@dolatcapital.com

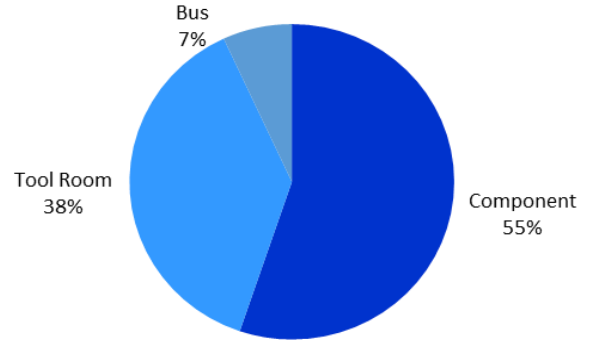
The management expects a significant ramp up in the bus division in near term, as it has won new orders for both EVs and CNG (500 buses), which will provide significant revenue visibility for FY21-22E.

Exhibit 1: FY20 Segment revenue



Source: Company, DART

Exhibit 2: FY20 EBIT performance



Source: Company, DART

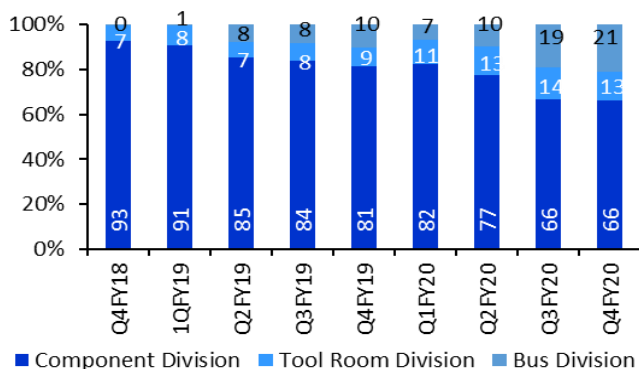
Sheet metal division to face near term headwind:

We believe JBMs sheet metal division to face near term challenges owing to weak sales growth for key client such as Ford, M&M, HCIL, Tata Motors, Toyota and VECV, however we expect a strong rebound in growth from FY22 led by recovery in PV sales

Tooling Division – High margin business (+30%) to partially compensate PV sales de-growth:

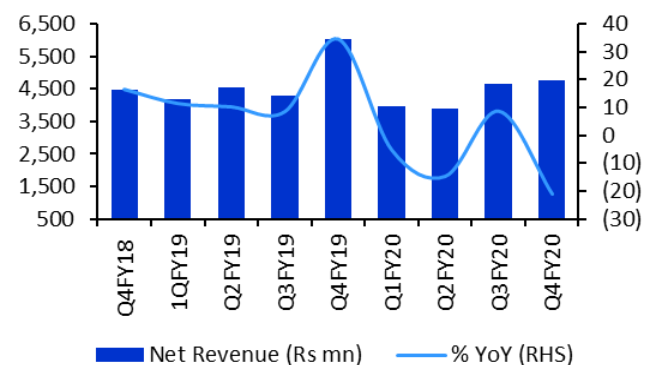
Strong revenue potential is foreseen in Tooling business (high margin+30%), owing to increasing focus on ‘Make in India’ encouraging localization of Tooling. We believe slowdown in PV sales would be partially offset by growth in tooling division. Tooling requirements by major global OEMs is being aligned to source from within India (cost benefit of 25% in India). Tooling capability is upgraded in terms of Design and Manufacturing skills to cater to increasingly demanding Quality requirements of tooling due to advent of High strength steels for Safety.

Exhibit 3: Segment wise performance (%)

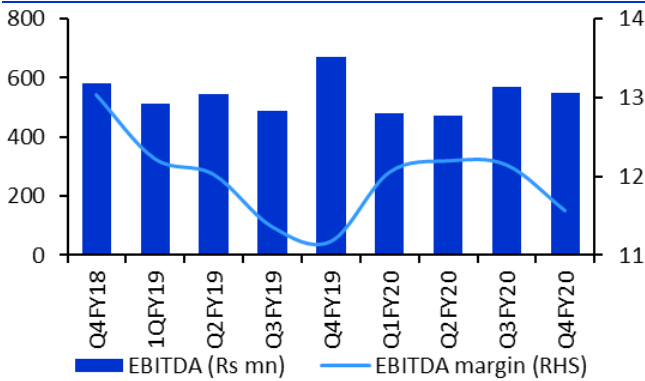


Source: DART, Company

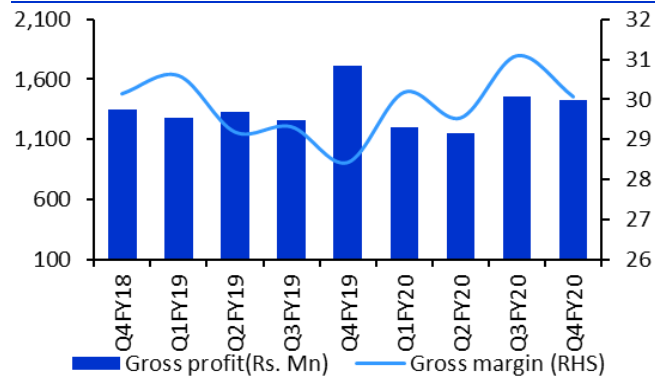
Exhibit 4: Weak revenue due to PV slowdown



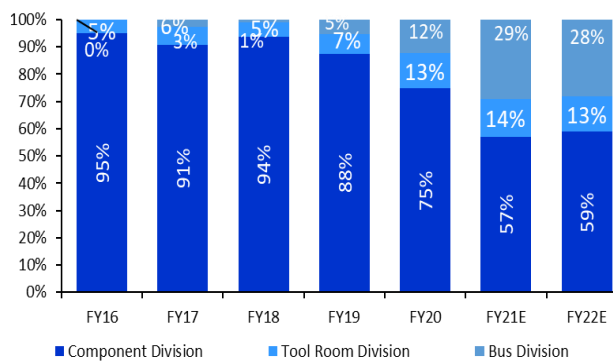
Source: DART, Company

Exhibit 5: Margin Improved YoY


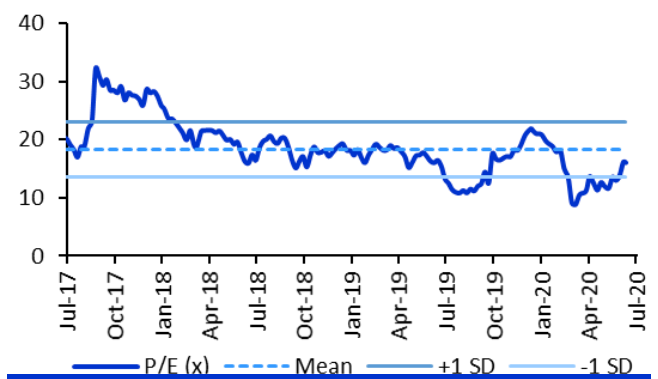
Source: DART, Company

Exhibit 6: Gross Margin improved YoY


Source: DART, Company

Exhibit 7: Segment mix (%)


Source: DART, Company

Exhibit 8: PE Band at Historical low


Source: DART, Company

Exhibit 9: Key Assumption

Revenue	FY18	FY19	FY20	FY21E	FY22E
Component Division	15,322	19,312	14,553	10,915	13,098
Growth (%)	11	26%	-25%	-25%	20%
Tool Room Division	845	1,550	2,526	2,653	2,918
Growth (%)	(14)	84%	63%	5%	10%
Bus Division	171	1,205	2,390	5,550	6,250
Growth (%)		(59)	604%	98%	132%
Total Revenue	16,338	22,067	19,469	19,117	22,266
Growth (%)	8	35%	-12%	-2%	16%

Source: DART, Company, JV (JBMA) and JBM Auto system Ltd. Numbers is amalgamated from FY19.

Exhibit 10: Change in Estimates

Rs Mn	FY21E			FY22E		
	New	Previous	% Cng	New	Previous	% Cng
Net sales	19,117	19,790	(3.4)	22,266	22,041	1.0
EBITDA	1,950	2,256	(13.6)	2,416	2,579	(6.3)
EBITDA Margin (%)	10.2	11.4	(120)bps	10.9	11.7	(85) bps
APAT	698	886	(21.2)	985	1,066	(7.6)
EPS	14.6	18.5	(21.5)	20.6	22.3	(7.7)

Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	22,070	19,467	19,117	22,266
Total Expense	19,494	17,166	17,167	19,850
COGS	15,461	13,557	13,478	15,653
Employees Cost	2,166	2,040	2,103	2,416
Other expenses	1,867	1,569	1,587	1,781
EBIDTA	2,576	2,302	1,950	2,416
Depreciation	748	739	616	668
EBIT	1,828	1,563	1,334	1,748
Interest	594	643	542	566
Other Income	250	154	145	146
Exc. / E.O. items	0	0	0	0
EBT	1,483	1,075	937	1,328
Tax	522	384	243	343
RPAT	975	692	698	985
Minority Interest	6	0	12	18
Profit/Loss share of associates	19	2	17	18
APAT	975	692	698	985

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	203	236	236	236
Minority Interest	0	0	0	0
Reserves & Surplus	6,114	6,663	7,135	7,993
Net Worth	6,317	6,899	7,371	8,229
Total Debt	6,638	5,459	5,709	5,959
Net Deferred Tax Liability	696	879	897	915
Total Capital Employed	13,651	13,236	13,976	15,102

Applications of Funds

Net Block	8,614	9,103	7,127	7,359
CWIP	427	408	250	250
Investments	720	800	800	800
Current Assets, Loans & Advances	10,061	9,543	10,434	12,244
Inventories	2,898	2,956	2,881	3,355
Receivables	6,096	4,946	5,238	6,100
Cash and Bank Balances	113	225	878	1,345
Loans and Advances	142	166	159	159
Other Current Assets	811	1,251	1,279	1,284
Less: Current Liabilities & Provisions	6,172	6,618	4,634	5,550
Payables	4,090	4,012	3,533	4,084
Other Current Liabilities	2,082	2,606	1,102	1,466
sub total				
Net Current Assets	3,889	2,925	5,800	6,694
Total Assets	13,651	13,236	13,976	15,103

E – Estimates

Source: DART, Company, JV (JBMA) and JBM Auto system Ltd. Numbers is amalgamated from FY19.

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	29.9	30.4	29.5	29.7
EBIDTA Margin	11.7	11.8	10.2	10.9
EBIT Margin	8.3	8.0	7.0	7.9
Tax rate	35.2	35.8	26.0	25.8
Net Profit Margin	4.4	3.6	3.7	4.4
(B) As Percentage of Net Sales (%)				
COGS	70.1	69.6	70.5	70.3
Employee	9.8	10.5	11.0	10.9
Other	8.5	8.1	8.3	8.0
(C) Measure of Financial Status				
Gross Debt / Equity	1.1	0.8	0.8	0.7
Interest Coverage	3.1	2.4	2.5	3.1
Inventory days	48	55	55	55
Debtors days	101	93	100	100
Average Cost of Debt	9.6	10.6	9.7	9.7
Payable days	68	75	67	67
Working Capital days	64	55	111	110
FA T/O	2.6	2.1	2.7	3.0
(D) Measures of Investment				
AEPS (Rs)	20.6	14.6	14.6	20.6
CEPS (Rs)	36.4	30.2	28.0	35.3
DPS (Rs)	2.4	1.9	2.7	2.7
Dividend Payout (%)	11.7	13.1	18.3	12.9
BVPS (Rs)	133.6	145.8	155.8	174.0
RoANW (%)	18.6	10.5	9.8	12.6
RoACE (%)	12.6	9.9	9.1	10.7
RoAIC (%)	15.0	11.8	10.2	13.0
(E) Valuation Ratios				
CMP (Rs)	214	214	214	214
P/E	10.4	14.6	14.7	10.4
Mcap (Rs Mn)	10,127	10,127	10,127	10,127
MCap/ Sales	0.5	0.5	0.5	0.5
EV	16,652	15,361	14,958	14,740
EV/Sales	0.8	0.8	0.8	0.7
EV/EBITDA	6.5	6.7	7.7	6.1
P/BV	1.6	1.5	1.4	1.2
Dividend Yield (%)	1.1	0.9	1.2	1.2
(F) Growth Rate (%)				
Revenue	35.2	(11.8)	(1.8)	16.5
EBITDA	26.5	(10.6)	(15.3)	23.9
EBIT	23.4	(14.5)	(14.7)	31.1
PBT	34.3	(27.6)	(12.8)	41.8
APAT	38.5	(29.1)	1.0	41.0
EPS	38.5	(29.1)	(0.4)	41.6
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	1,525	3,698	(521)	1,810
CFI	(1,899)	(1,230)	1,519	(900)
CFF	465	(2,356)	(345)	(442)
FCFF	(305)	2,487	998	910
Opening Cash	22	113	225	878
Closing Cash	113	225	878	1,346

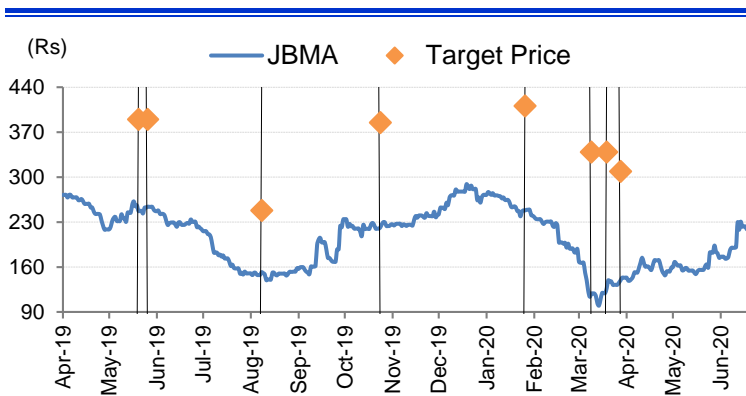
E – Estimates

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 (Rs.)	Price (Rs.)
May-19	Buy	390	248
Jun-19	Buy	390	254
Aug-19	Buy	248	152
Nov-19	Buy	385	222
Feb-20	Buy	411	248
Mar-20	Buy	339	119
Mar-20	Buy	339	127
Apr-20	Buy	330	139

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
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Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740

Equity Trading	Designation	E-mail	Direct Lines
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

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Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
