

Ready to take off

- JBM Auto (JBMA) reported in line performance in 1QFY21. Net revenue declined 75% YoY to Rs 1.3bn (vs est. Rs 1.37bn) led by de-growth in component and tooling division (-86%/-37% YoY) respectively, partially compensated by flat growth in bus division.
- Due to lockdown and negative operating leverage operating profit turned negative to Rs 79mn (vs est loss of Rs 72mn). The management expects sharp recovery in earnings from 2QFY21 onwards led by recovery in PV volume and strong order book in bus division. Current utilization at plant is ~80-82% which is expected to reach 90% in festive season.
- Moreover, the company is taking various cost optimization initiative such as reduction in manpower cost (Shift management) and administrative overhead which will help to protect the margin.
- The bus division, which was a drag earlier (Rs 118mn & Rs 46mn losses at EBIT level in FY18 & FY19 respectively) turned profitable in FY20 to Rs 98.4mn at EBIT level. We expect the bus division to continue to deliver strong performance in coming year on the back of strong order book of 600 buses (including 350 electric buses). Moreover, company would be a key beneficiary of increasing demand of EV buses.
- JBM Auto's growth story is premised on 1) recovery in PV volume; 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 bus division
- The stock is currently available at 12/9x for FY22/23E. We value the stock Rs 373 (based on 15x FY23E EPS). Recommend BUY.

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	1,291	5,204	(75.2)	4,752	(72.8)
Total Expense	1,370	4,621	(70.4)	4,202	(67.4)
EBITDA	(79)	583	(113.6)	550	(114.4)
Depreciation	161	193	(16.4)	177	(9.2)
EBIT	(240)	390	(161.6)	372	(164.5)
Other Income	14	39	(64.0)	37	(62.1)
Interest	125	167	(25.1)	156	(19.8)
EBT	(352)	262	(234.3)	253	(238.9)
Tax	(125)	94	(232.9)	88	(241.3)
RPAT	(259)	171	(251.3)	156	(265.7)
APAT	(259)	171	(251.3)	156	(265.7)
			(bps)		(bps)
Gross Margin (%)	29.5	29.7	(24)	30.1	(61)
EBITDA Margin (%)	(6.1)	11.2	(1733)	11.6	(1770)
NPM (%)	(20.0)	3.3	(2332)	3.3	(2332)
Tax Rate (%)	35.5	35.9	(38)	34.9	62
EBIT Margin (%)	(18.6)	7.5	(2610)	7.8	(2645)

CMP	Rs 219
Target / Upside	Rs 373 / 70%
BSE Sensex	37,961
NSE Nifty	11,251

Scrip Details

Equity / FV	Rs 237mn / Rs 5
Market Cap	Rs 10bn
	US\$ 141mn
52-week High/Low	Rs 296/Rs 95
Avg. Volume (no)	82,551
NSE Symbol	JBMA
Bloomberg Code	JBMA IN

Shareholding Pattern Jun'20(%)

Promoters	67.5
MF/Banks/FIs	0.1
FII	0.9
Public / Others	31.4

Valuation (x)

	FY21E	FY22E	FY23E
P/E	28.5	12.0	8.8
EV/EBITDA	10.0	6.9	5.6
ROE (%)	5.1	11.4	13.9
RoACE (%)	6.8	9.9	11.3

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	17,988	22,281	26,170
EBITDA	1,673	2,417	2,918
PAT	364	861	1,176
EPS (Rs.)	7.7	18.2	24.9

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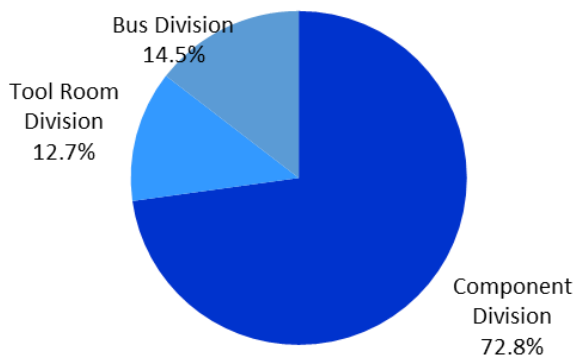
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Bus division: Next leg of growth

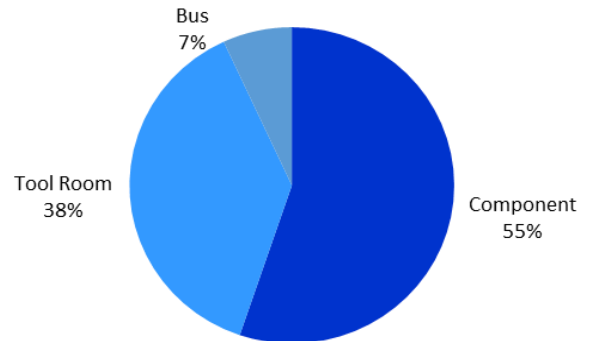
The bus division, which was a drag (Rs.118mn & Rs.46mn loss at EBIT level in FY18 & FY19 respectively), turned profitable in FY20 to Rs 98.4mn at EBIT level. The management expects a significant ramp up in the bus division in the near term, as it has won new orders for both EVs and CNG (600+ buses), which will provide significant revenue visibility in FY21-22E. We expect ramp up in bus division will help JBM Auto to generate strong margin and cash flow over FY22-23. Moreover, Gol's increasing focus for Make in India and preference for local manufacturer augur well for companies like JBM auto.

Exhibit 1: FY20 Segment revenue



Source: Company, DART

Exhibit 2: FY20 EBIT performance



Source: Company, DART

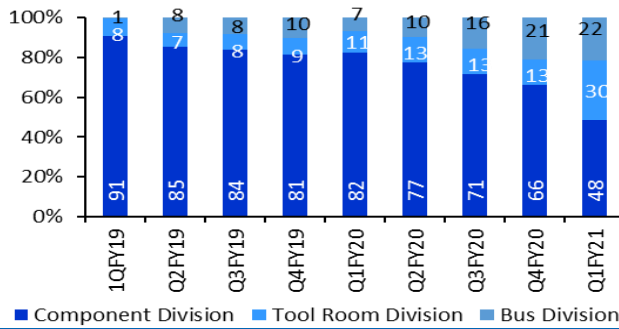
Sheet metal: Short-term hiccups long term growth intact

Although JBMs sheet metal division is currently under pressure owing to weak sales growth for key client such as Ford, M&M, HCIL, Tata Motors, Toyota and VECV. However, we expect sharp recovery in revenue from Q2FY21 led by recovery in PV sales.

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

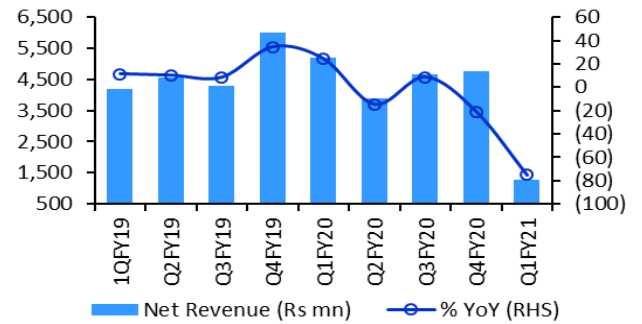
Strong revenue potential is foreseen in Tooling business (high margin+30%), owing to increasing focus on 'Make in India' encouraging localization of Tooling. Recently large OEM such MSIL also recommending its supplier to increase localization. We believe JBM would key beneficiary (through Jay Bharat Maruti) for increasing localization. Also, 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 (%)



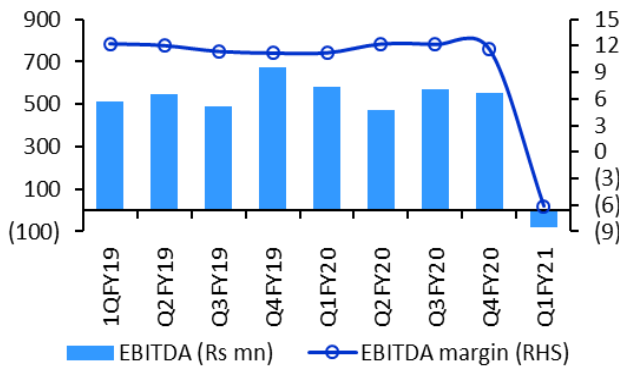
Source: DART, Company

Exhibit 4: Weak revenue due to lockdown



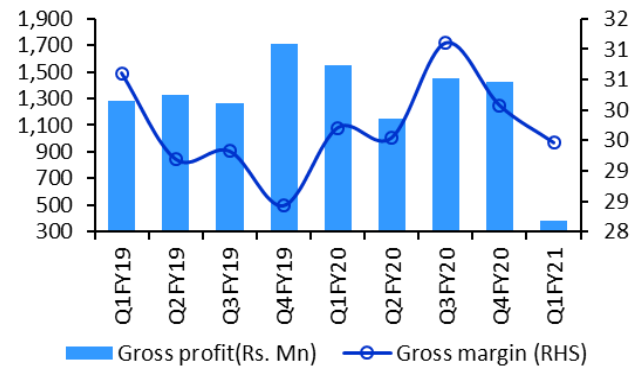
Source: DART, Company

Exhibit 5: EBITDA turned negative due to negative operating leverage



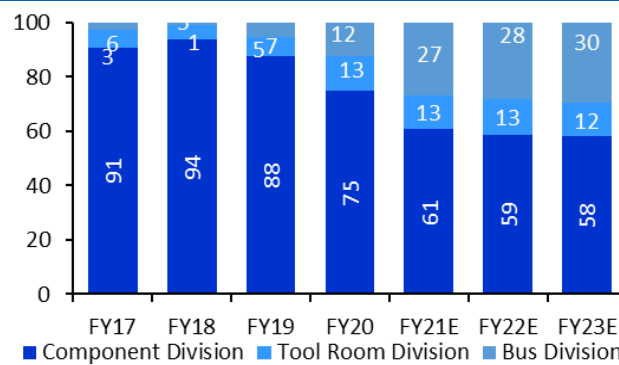
Source: DART, Company

Exhibit 6: Gross Margin (%) stable YoY



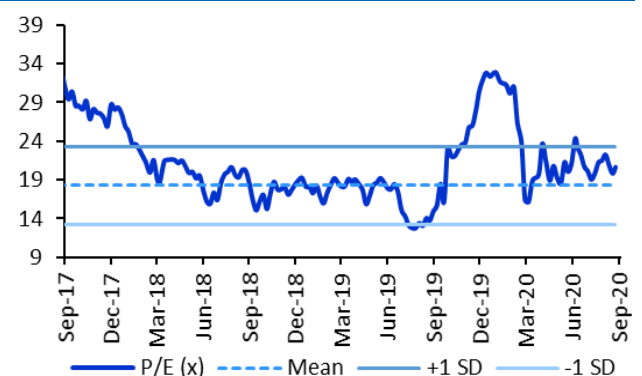
Source: DART, Company

Exhibit 7: Segment mix (%)



Source: DART, Company

Exhibit 8: 1 yr fwd PE Band



Source: DART, Company

Exhibit 9: Key Assumption

Revenue	FY19	FY20	FY21E	FY22E	FY23E
Component Division	19,312	14,553	10,915	13,098	15,194
Growth (%)	26	(25)	(25)	20	16
Tool Room Division	1,550	2,526	2,274	2,933	3,226
Growth (%)	84	63	(10)	29	10
Bus Division	1,205	2,390	4,800	6,250	7,750
Growth (%)	(59)	98	101	30	24
Total Revenue	22,067	19,469	17,988	22,281	26,170
Growth (%)	35	(12)	(8)	24	17

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	17,988	19,117	(5.9)	22,281	22,266	0.1
EBITDA	1,673	1,950	(14.2)	2,417	2,416	0.1
EBITDA Margin (%)	9.3	10.2	(90.0) (bps)	10.9	10.9	0.0 (bps)
APAT	364	698	(48)	861	985	(13)
EPS	7.7	14.6	(48)	18.2	20.6	(13)

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	19,467	17,988	22,281	26,170
Total Expense	17,166	16,316	19,863	23,252
COGS	13,557	12,718	15,663	18,306
Employees Cost	2,040	1,979	2,417	2,774
Other expenses	1,569	1,619	1,782	2,172
EBIDTA	2,302	1,673	2,417	2,918
Depreciation	739	711	758	806
EBIT	1,563	962	1,659	2,112
Interest	643	620	643	667
Other Income	154	145	146	147
Exc. / E.O. items	0	0	0	0
EBT	1,075	488	1,162	1,592
Tax	384	129	301	411
RPAT	692	364	861	1,176
Minority Interest	0	12	18	24
Profit/Loss share of associates	2	17	18	19
APAT	692	364	861	1,176

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	237	237	237	237
Minority Interest	0	0	0	0
Reserves & Surplus	6,840	6,978	7,712	8,762
Net Worth	7,077	7,214	7,949	8,998
Total Debt	6,274	6,524	6,774	7,024
Net Deferred Tax Liability	879	897	915	933
Total Capital Employed	14,229	14,634	15,637	16,955

Applications of Funds

Net Block	9,103	9,221	9,362	9,457
CWIP	408	250	250	250
Investments	735	800	800	800
Current Assets, Loans & Advances	9,786	8,778	10,778	13,171
Inventories	2,956	2,711	3,357	3,943
Receivables	4,946	4,928	6,104	7,170
Cash and Bank Balances	225	128	346	1,023
Loans and Advances	166	159	159	159
Other Current Assets	1,494	852	811	876
Less: Current Liabilities & Provisions	5,803	4,414	5,554	6,723
Payables	4,012	3,358	4,087	4,783
Other Current Liabilities	1,791	1,057	1,467	1,940
<i>sub total</i>				
Net Current Assets	3,983	4,364	5,224	6,448
Total Assets	14,229	14,634	15,637	16,955

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	30.4	29.3	29.7	30.1
EBIDTA Margin	11.8	9.3	10.9	11.2
EBIT Margin	8.0	5.4	7.4	8.1
Tax rate	35.8	26.4	25.9	25.8
Net Profit Margin	3.6	2.0	3.9	4.5
(B) As Percentage of Net Sales (%)				
COGS	69.6	70.7	70.3	70.0
Employee	10.5	11.0	10.9	10.6
Other	8.1	9.0	8.0	8.3
(C) Measure of Financial Status				
Gross Debt / Equity	0.9	0.9	0.9	0.8
Interest Coverage	2.4	1.6	2.6	3.2
Inventory days	55	55	55	55
Debtors days	93	100	100	100
Average Cost of Debt	9.1	9.7	9.7	9.7
Payable days	75	68	67	67
Working Capital days	75	89	86	90
FA T/O	2.1	2.0	2.4	2.8
(D) Measures of Investment				
AEPS (Rs)	14.6	7.7	18.2	24.9
CEPS (Rs)	30.2	23.0	34.6	42.4
DPS (Rs)	1.9	2.7	2.7	2.7
Dividend Payout (%)	13.1	34.7	14.7	10.7
BVPS (Rs)	149.6	152.5	168.1	190.2
RoANW (%)	10.2	5.1	11.4	13.9
RoACE (%)	9.1	6.8	9.9	11.3
RoAIC (%)	10.8	6.8	11.1	13.5
(E) Valuation Ratios				
CMP (Rs)	219	219	219	219
P/E	15.0	28.5	12.0	8.8
Mcap (Rs Mn)	10,363	10,363	10,363	10,363
MCap/ Sales	0.5	0.6	0.5	0.4
EV	16,412	16,759	16,791	16,364
EV/Sales	0.8	0.9	0.8	0.6
EV/EBITDA	7.1	10.0	6.9	5.6
P/BV	1.5	1.4	1.3	1.2
Dividend Yield (%)	0.9	1.2	1.2	1.2
(F) Growth Rate (%)				
Revenue	(11.8)	(7.6)	23.9	17.5
EBITDA	(10.6)	(27.3)	44.5	20.7
EBIT	(14.5)	(38.4)	72.4	27.3
PBT	(27.6)	(54.6)	138.2	37.0
APAT	(29.1)	(47.4)	136.6	36.6
EPS	(29.1)	(47.4)	136.6	36.6

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	2,843	1,319	1,639	2,126
CFI	(1,306)	(994)	(900)	(900)
CFE	(1,537)	(422)	(520)	(549)
FCFF	1,649	648	739	1,226
Opening Cash	113	225	128	347
Closing Cash	225	128	347	1,023

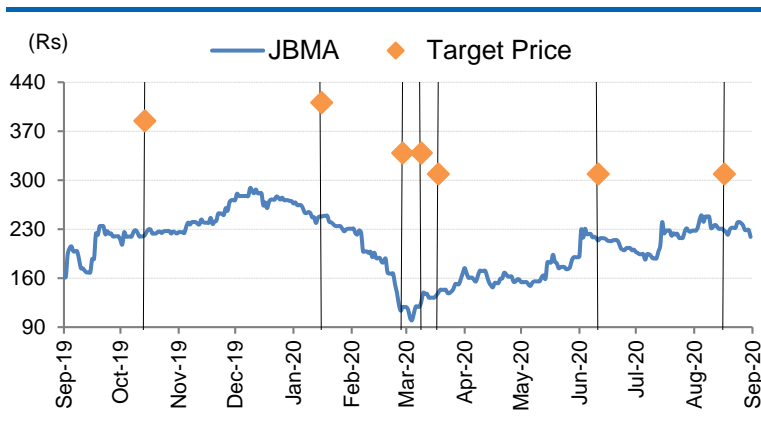
E – Estimates

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.)
Nov-19	Buy	385	222
Feb-20	Buy	411	248
Mar-20	Buy	339	119
Mar-20	Buy	339	127
Apr-20	Buy	309	139
Jul-20	Buy	309	214
Sep-20	Buy	309	228

*Price as on recommendation date

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