

INDUSTRY	AUTOS
CMP (as on 06 Aug 2018)	Rs 383
TP	Rs 560
Nifty	11,387
Sensex	37,692
KEY STOCK DATA	
Bloomberg	JBMA IN
No. of Shares (mn)	41
MCap (Rs bn) / (\$ mn)	16/227
6m avg traded value (Rs mn)	29
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 629/286
	3M 6M 12M
Absolute (%)	(9.2) (6.4) 15.5
Relative (%)	(17.1) (16.6) (1.1)
SHAREHOLDING PATTERN (%)	
Promoters	61.96
FIs & Local MFs	0.58
FPIs	0.43
Public & Others	37.03
Source : BSE	

Ready to take off

JBMA recorded strong PAT growth(+26% YoY, +40% including amalgamation effect) led by jump in JVs (JBMA Automotive Ltd) profit driven by new business of Jeep compass(Fiat) and Yaris (Toyota). Consolidated Revenue (Standalone+JBMA) rose 11% to Rs. 4.2bn led by strong growth in tool room division (+225%YoY) marginally offset by muted growth in sheet metal component division (+5% YoY). EBITDA grew 10% YoY to Rs 513mn with margin at 12.2%(-21bps YoY) impacted by fall in revenue from FORD in sheet metal division.

We believe, JBMA's core sheet metal business (body-in-white and chassis) will continue to deliver strong earing growth helped by 1) Accelerated growth in PV's segment, 2) Increasing revenue from, Tata Motors, M&M, RE, HMSI, Fiat and VECV, 3) benefits of oplev. Also, strong order book of tooling division business will boost margin and profitability. Moreover, recent amalgamation of its subsidiary JBMA and JV JBMA into a single entity will be synergetic and EPS accretive.

We reckon 35% PAT CAGR over FY18-FY20E; fuelled by improving operating leverage, richer product mix and

Financial Summary (Consolidated)

Y/E Mar (Rs. mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY17	FY18	FY19E	FY20E
Net Sales	4,194	3,765	11.4	4,475	(6.3)	15,009	16,329	22,880	25,453
EBITDA	513	468	9.5	583	(12.1)	1,648	2,037	2,860	3,258
APAT	205	163	25.9	202	1.9	438	695	1,163	1,470
Diluted EPS (Rs)	5.0	4.0	25.9	5	1.9	14.1	17.0	24.6	31.1
P/E (x)						27.0	22.4	15.5	12.3
EV / EBITDA (x)						12.5	10.0	8.3	7.0
RoE (%)						13.4	18.0	22.7	21.7

Source: Company, HDFC sec Inst Research, *incorporated amalgamation effect from FY19E

acquisition of new clients. We value stock at Rs. 560 (18x FY20E EPS) and maintain BUY.

Key highlights

- **Sheet metal division:** Sheet metal business delivered 5% YoY growth with 1% YoY de-growth in EBIT led by fall in revenue from FORD, offset by increasing revenue pie from Tata Motors and M&M. Growth in CV/2W segment also supported revenue led by higher revenue from Volvo-Eicher/ RE and HMSI
- **Tooling division:** We see strong revival in tool division business FY19 (expected to cross Rs 1bn vs 0.84mn in FY18) backed by new launches and large orders secured in FY18. This segment enjoys 3x higher margins compared to component segment.
- **Bus division:** The Bus business, which was a drag (Rs 102/118 mn losses at EBIT level for FY17/18) on the JBMA's financials, has started catching up. The company has secured an order for supplying 100 low-floor non AC buses from the municipal corporation Gurugram (MCG). The company is also looking to get another 100-150 buses order in coming months

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Sheet metal component division increased by 5% and tooling business jumped 350% YoY in 1Q.

The company has secured A big order for tool business, thereby 225% jump witnessed in 1Q to revenue (Rs 355mn)

Although gross margin expanded by 30bps YOY owing to higher revenue from tool business, EBITDA margin contracted by 21bps YoY to 12.2% impacted by lower scale in sheet metal business

Consolidated Profit from its 3 JVs JOAI (JBM Ogihara Automotive India) Ltd, Indo tooling and JBM MA automotive ltd jumped by 44% YoY to Rs 51mn led by strong jump in JBM MA profitability

Quarterly Financials Snapshot: Consolidated

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)
Net sales (incl OOI)	4,194	3,765	11.4	4,475	(6.3)
Material Expenses	2,911	2,624	10.9	3,126	(6.9)
Employee Expenses	431	401	7.5	410	5.1
Other Operating Expenses	340	272	25.1	355	(4.4)
EBITDA	513	468	9.5	583	(12.1)
Depreciation	140	138	1.7	139	0.8
EBIT	373	330	12.8	444	(16.1)
Other Income	50	42	18.7	6	709.7
Interest Cost	122	129	(5.2)	128	(4.8)
PBT	301	244	23.3	323	(6.7)
Add share of profit of JV	51	36	40.7	44	16.1
Tax	122	85	42.9	131	(6.5)
PAT Befor EO items and MI	229	195	17.9	236	(2.5)
Minority Interest	24	32	(23.5)	34	(29.1)
RPAT after MI	205	163	25.9	202	1.9
EO Items					
APAT	205	163	25.9	202	1.9
Adj EPS	205	163	25.9	202	1.9

Margin Analysis: Consolidated

	1QFY19	1QFY18	YoY (bps)	4QFY18	QoQ(bps)
Material Expenses % Net Sales	69.4	69.7	(30)	69.9	(46)
Employee Expenses % Net Sales	10.3	10.7	(38)	9.2	111
Other Operating Expenses % Net Sales	8.1	7.2	89	7.9	16
EBITDA Margin (%)	12.2	12.4	(21)	13.0	(81)
Tax Rate (%)	40.5	35.0	555	40.5	7
APAT Margin (%)	4.9	4.3	57	4.5	39

Source: Company, HDFC sec Inst Research

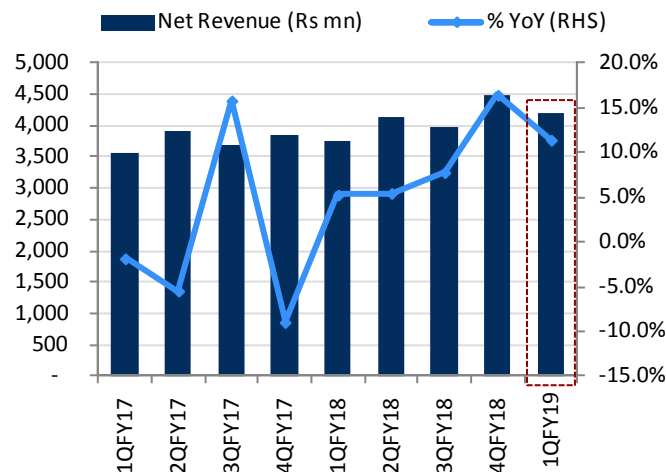
The company is continuously garnering new business from Ford, M&M, Honda, Fiat Chrysler, Volvo Eicher, Royal Enfield (RE) and HMSI

PV contributes ~ 65% to the overall component's revenue while CV and 2W contributes ~10% each

Ford India contributes ~20% to JBMA's overall revenue, whereas M&M and Tata Motors contribute ~10% and 6% respectively

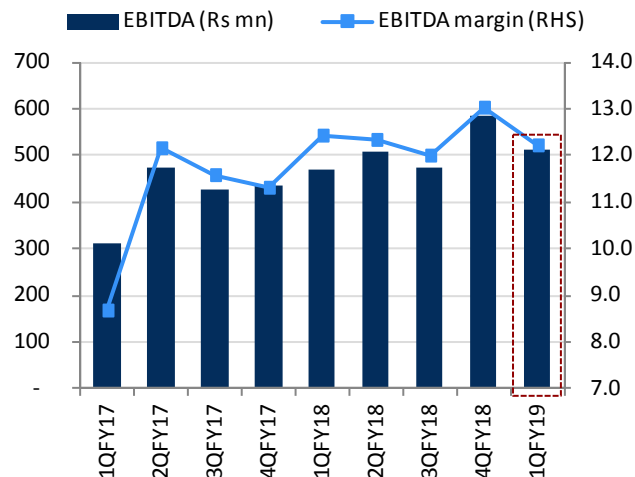
Our target multiple (at a 20% premium to JBMA's historical mean) is premised on strong earnings outlook (35% CAGR over FY18-20E)

Net Sales Grew YoY



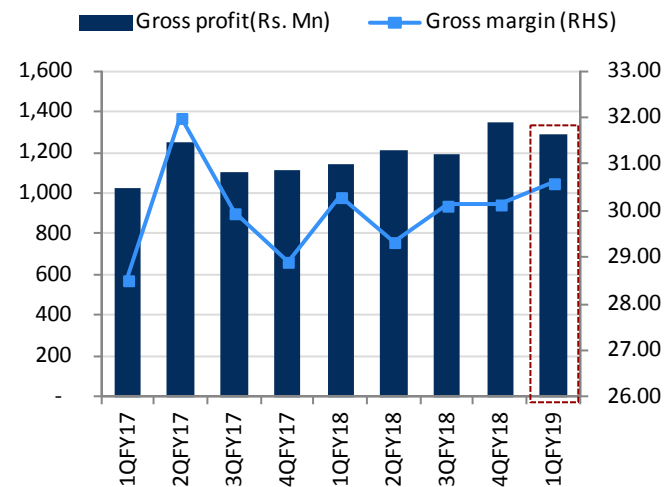
Source: Company, HDFC sec Inst Research

EBITDA Margin declined QoQ/YoY



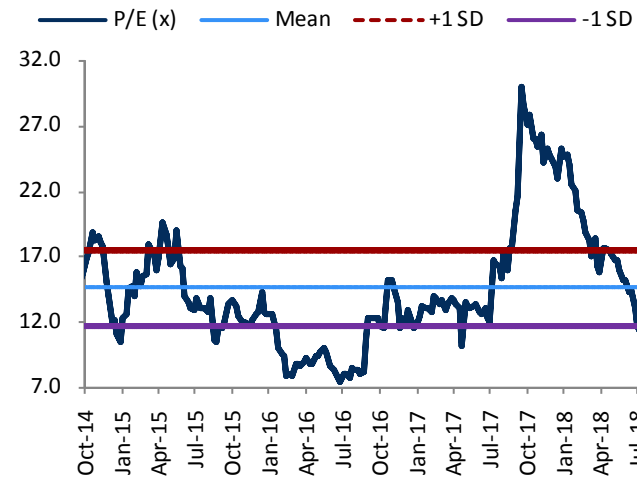
Source: Company, HDFC sec Inst Research

Gross Margin Expanded On Better Mix



Source: Company, HDFC sec Inst Research

One Year Forward PE Chart



Source: Company, HDFC sec Inst Research

JBMAS and JBMMA revenue will be consolidated in standalone from FY19E owing to recent amalgamation

We estimate consolidated revenue to grow at CAGR of 25% over FY18-20E propelled by strong growth in the PV industry, consolidation of JV (JBMMA) business and procuring new business from its existing clients

JBM MA revenue was boosted through new business from Fiat (Jeep Compass) and Toyota (Yaris)

Key Assumption

Revenue(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Component Division	14,508	13,746	15,322	20,475	22,162
Growth(%)	-1%	-5%	11%	34%	8%
Tool Room Division	768	979	845	1,130	1,341
Growth(%)	-22%	28%	-14%	34%	19%
Bus Division		417	171	1275	1950
Growth(%)			-59%	645%	53%
Total	15,276	15,141	16,338	22,880	25,453
Growth(%)	-2%	-1%	8%	40%	11%
Inter segmental rev	98	133	9		
Total Revenue	15,178	15,009	16,329	22,880	25,453
Growth(%)	-2%	-1%	9%	40%	11%

Source: Company, HDFC sec Inst Research

Peer Set Comparison

	MCap (Rs bn)	CMP (Rs/sh)	Rating	TP	Adj EPS (Rs/sh)			P/E (x)			EV/EBITDA (x)			RoE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Exide Industries	237	279	BUY	304	8.4	11.3	13.3	33.4	24.7	20.9	20.4	18.7	14.0	14.9	13.9	17.1
Jamna Auto	35	87	BUY	107	3.1	4.3	5.3	27.6	20.2	16.3	14.7	11.5	9.3	33.1	35.9	35.4
Suprajit Engineering	34	258	BUY	296	9.9	12.9	15.2	26.1	20.1	17.0	15.3	13.0	10.8	23.5	24.0	22.7
SwaraJ engines	22	1800	BUY	2476	66.1	78.5	91.8	27.3	22.9	19.6	16.4	13.3	11.2	31.3	38.5	38.2
Subros	21	345	BUY	384	9.1	13.4	19.2	37.9	25.8	18.0	20.2	16.6	13.8	14.8	19.1	23.3
Ramkrishna Forging	19	675	NR	852	29.1	37.4	47.4	23.2	18.0	14.3	9.7	8.3	6.9	15.4	15.0	16.5
NRB Bearings	18	185	BUY	217	9.4	10.5	12.1	19.8	17.6	15.3	11.7	10.1	8.8	26.6	24.7	23.9
JBM Auto	16	383	BUY	560	17.0	24.6	31.1	21.7	15.1	11.9	9.8	7.3	6.1	18.0	22.7	21.7
Lumax Autotech	13	190	BUY	216	6.9	9.7	12.0	27.7	19.6	15.8	12.7	9.8	7.9	11.4	13.8	15.4

Source: Company, HDFC sec Inst Research

Income Statement (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19E	FY20E
Net Revenues	15,009	16,329	22,880	25,453
Growth (%)	(1.1)	8.8	40.1	11.2
Material Expenses	10,524	11,434	15,604	17,359
Employee Expenses	1,639	1,655	2,334	2,545
Other Operating Expenses	1,198	1,203	2,082	2,291
EBITDA	1,648	2,037	2,860	3,258
EBITDA Margin (%)	11.0	12.5	12.5	12.8
EBITDA Growth (%)	(13.3)	23.6	40.4	13.9
Depreciation	501	556	702	722
EBIT	1,147	1,481	2,158	2,536
Other Income (Including EO Items)	149	109	110	120
Interest	528	486	615	578
PBT	768	1,104	1,653	2,078
Add share of profit of JV		135	46	50
Tax (Incl Deferred)	255	428	527	649
RPAT	514	811	1,172	1,479
EO (Loss) / Profit (Net Of Tax)	111	-	-	-
RPAT before MI	624	811	1,172	1,479
Minority Interest	(66)	(107)	-	-
RPAT after MI	558.5	704.5	1,172.2	1,479.1
Less dividend to preference shareholder	9.6	9.6	9.6	9.6
APAT attributable to equity shareholder	438.4	694.9	1,162.6	1,469.5
Adjusted EPS (Rs)	14.1	17.0	24.6	31.1
EPS Growth (%)	10%	21%	44%	26%

Source: Company, HDFC sec Inst Research, *incorporated amalgamation effect from FY19E

Balance Sheet (Consolidated)

As at March (Rs mn)	FY17	FY18	FY19E	FY20E
SOURCES OF FUNDS				
Share Capital - Equity	204	204	237	237
Share Capital - Preference	100	100	100	100
Reserves	3,262	3,870	5,747	7,100
Total Shareholders Funds	3,566	4,174	6,084	7,437
Minority Interest	627	734	-	-
Long Term Debt	1,800	2,253	2,103	1,953
Short Term Debt	3,177	2,756	3,756	3,556
Total Debt	4,976	5,009	5,859	5,509
Net Deferred Taxes	287	357	364	372
Long Term Provisions & Others	148	311	311	311
TOTAL SOURCES OF FUNDS	9,618	10,585	12,625	13,635
APPLICATION OF FUNDS				
Net Block	6,134	5,990	7,297	7,275
CWIP	41	222	250	250
Goodwill	-	-	-	-
Investments	761	907	907	907
LT Loans & Advances	44	53	158	158
Total Non-current Assets	6,979	7,171	8,612	8,590
Inventories	2,164	2,352	3,510	3,905
Debtors	3,080	3,550	4,513	5,021
Other Current Assets	1,238	1,215	1,623	1,734
Cash & Equivalents	21	192	246	909
Total Current Assets	6,502	7,309	9,893	11,569
Creditors	3,200	2,569	4,278	4,743
Other Current Liabilities & Provns	664	1,326	1,602	1,782
Total Current Liabilities	3,864	3,895	5,880	6,525
Net Current Assets	2,639	3,414	4,013	5,044
TOTAL APPLICATION OF FUNDS	9,618	10,585	12,625	13,635

Source: Company, HDFC sec Inst Research, *incorporated amalgamation effect from FY19E

Cash Flow Statement(Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19E	FY20E
Reported PBT	768	1,104	1,653	2,078
Non-operating & EO items	-	-	-	-
Interest expenses	528	486	615	578
Depreciation	501	556	702	722
Working Capital Change	(538)	(1,053)	(472)	(369)
Tax Paid	(214)	(357)	(520)	(642)
Other operating Items				
OPERATING CASH FLOW (a)	1,044	735	1,978	2,368
Capex	(546)	(592)	(2,037)	(700)
Free cash flow (FCF)	498	143	(59)	1,668
Investments				-
Non-operating Income	(619)	(739)	(2,037)	(700)
INVESTING CASH FLOW (b)	(10)	470	850	(350)
Debt Issuance/(Repaid)	(528)	(486)	(615)	(578)
Interest Expenses	(39)	127	176	739
FCFE	(90)	(90)	(114)	(126)
Dividend				
FINANCING CASH FLOW (c)	(481)	175	112	(1,005)
NET CASH FLOW (a+b+c)	(56)	171	53	663
Opening bal of Cash & Cash Equ	77	21	192	246
Closing Cash & Equivalents	21	192	246	909

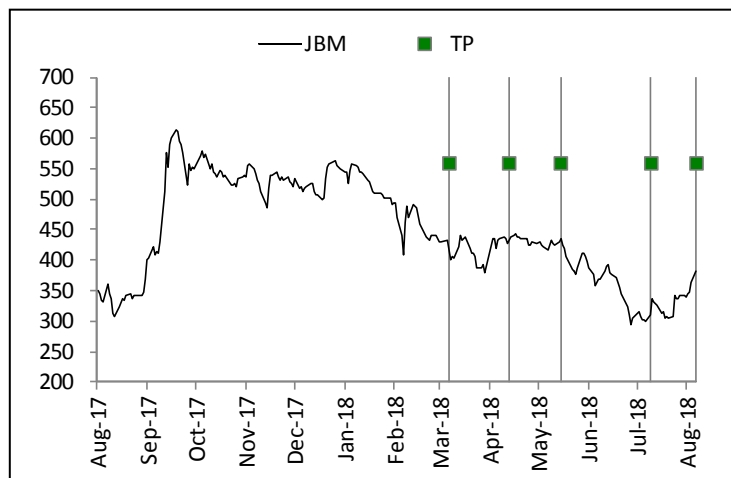
Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY17	FY18	FY19E	FY20E
PROFITABILITY (%)				
GPM	29.9	30.0	31.8	31.8
EBITDA Margin	11.0	12.5	12.5	12.8
APAT Margin	4.2	5.0	5.1	5.8
RoE	13.4	18.0	22.7	21.7
RoIC (or Core RoCE)	10.5	9.8	13.1	14.4
RoCE	9.6	10.0	13.7	14.3
EFFICIENCY				
Tax Rate (%)	33.1	38.7	31.9	31.2
Fixed Asset Turnover (x)	1.23	1.35	1.72	1.75
Inventory (days)	52.6	52.6	56.0	56.0
Debtors (days)	74.9	79.3	72.0	72.0
Other Current Assets (days)	30.1	27.2	25.9	24.9
Payables (days)	77.8	57.4	68.3	68.0
Other Current Liab & Provns (days)	16.1	29.6	25.6	25.6
Cash Conversion Cycle (days)	63.7	72.0	60.1	59.3
Debt/EBITDA (x)	3.0	2.5	2.0	1.7
Net D/E (x)	1.4	1.2	0.9	0.6
Interest Coverage (x)	2.2	3.0	3.5	4.4
PER SHARE DATA (Rs)				
EPS	14.1	17.0	24.6	31.1
CEPS	24.9	33.5	39.6	46.5
Dividend	2.0	2.0	2.3	2.5
Book Value	87.4	102.3	128.6	157.2
VALUATION				
P/E (x)	27.0	22.4	15.5	12.3
P/BV (x)	4.4	3.7	3.0	2.4
EV/EBITDA (x)	12.5	10.0	8.3	7.0
EV/Revenues (x)	1.4	1.2	1.0	0.9
OCF/EV (%)	5.1	3.6	8.4	10.4
FCF/EV (%)	2.4	0.7	(0.2)	7.4
FCFE/Mkt Cap (%)	(0.3)	0.8	1.0	4.1
Dividend Yield (%)	0.5	0.5	0.6	0.7

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
6-Mar-18	432	BUY	560
12-Apr-18	439	BUY	560
17-May-18	425	BUY	560
9-Jul-18	300	BUY	560
7-Aug-18	383	BUY	560

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH

Disclosure:

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