

### Strong operating performance, appealing valuation

JBM Auto (JBMA)'s results were better than estimates in 4QFY19 (revenue +8%, PAT+13% YoY), despite challenging environment in the PV segment, due to a strong revival in the bus business and a robust growth in the tooling business. We are positive on the stock based on 1) new order wins in the sheet metal business, from M&M, Tata Motors, and VECV; 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 business, which should aid profitability in the future. We forecast a 23% EPS CAGR over FY19-21E. The stock is currently available at 10/8x for FY20/21E. We recommend Buy rating on the stock, with a TP ₹ 390 (15x 21E EPS).

### Ramp up in the bus and tooling business

The component division's revenue was flat due to a slowdown in PV sales. The increase in revenue from M&M and Tata Motors was led by new models - Marazzo/XUV 300 (from M&M) and Nexon/Harrier (from Tata Motors), which was offset by the decline in export volume of FORD India. The tooling division's revenue rose 70% in FY19 to ₹ 1.4bn, due to large orders from VECV. The company has a significant order pipeline, which will aid revenue in FY20.

The bus division, which was a drag (₹ 102/118 mn losses at EBIT level for FY17/18) on JBMA's financials, is turning around with improving sales volumes, and losses fell to ₹ 46.7mn in FY19. The management expects a significant ramp up in the bus business from FY20.

### Merger is EPS accretive

The company has announced a merger (likely to be effective from next quarter) with its subsidiaries, JBMA (currently holds a 73.89% stake) and JV JBMA (a 50% stake), with the parent company. Although, the amalgamation will lead to a 16% equity dilution, it will add significant incremental profit to the bottom line (expects an incremental 25% profit, annually).

### Q4FY19 Result (₹ Mn)

Particulars	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)
Revenue	4,825	4,475	7.8	4,299	12.2
Total Expense	4,269	3,891	9.7	3,810	12.1
EBITDA	556	583	(4.7)	489	13.7
Depreciation	151	139	8.7	143	5.4
EBIT	404	444	(9.0)	345	17.1
Other Income	70	6	1025.8	67	3.6
Interest	124	128	(3.4)	120	3.0
EBT	351	323	(9.0)	293	19.8
Tax	129	131	(0.8)	113	15.0
RPAT	229	202	13.4	180	27.0
APAT	229	202	13.4	180	27.0
			(bps)		(bps)
Gross Margin (%)	27.5	30.1	(264)	29.3	(181)
EBITDA Margin (%)	11.5	13.0	(152)	11.4	15
NPM (%)	4.7	4.5	23	4.2	55
Tax Rate (%)	36.9	40.5	(356)	38.4	(154)
EBIT Margin (%)	8.4	9.9	(155)	8.0	35

CMP	₹ 255
Target / Upside	₹ 390 / 53%
BSE Sensex	39,507
NSE Nifty	11,861

### Scrip Details

Equity / FV	₹ 204mn / ₹ 5
Market Cap	₹ 10bn
	US\$ 149mn
52-week High/Low	₹ 276/₹ 215
Avg. Volume (no)	20,493
NSE Symbol	JBMA
Bloomberg Code	JBMA IN

### Shareholding Pattern Mar'19(%)

Promoters	62.0
MF/Banks/FIs	0.1
FII	0.9
Public / Others	37.1

### Valuation (x)

	FY19A	FY20E	FY21E
P/E	12.6	8.4	7.2
EV/EBITDA	7.7	5.8	5.0
ROE (%)	18.0	22.4	21.3
RoACE (%)	11.0	14.6	15.0

### Estimates (₹ mn)

	FY19A	FY20E	FY21E
Revenue	17,864	25,157	27,834
EBITDA	2,104	2,818	3,117
PAT	823	1,241	1,436
EPS (₹)	20.2	30.4	35.2

**Analyst: Abhishek Jain**

Tel: +9122 40969739

E-mail: abhishekj@dolatcapital.com

**Associate: Ketul Dalal**

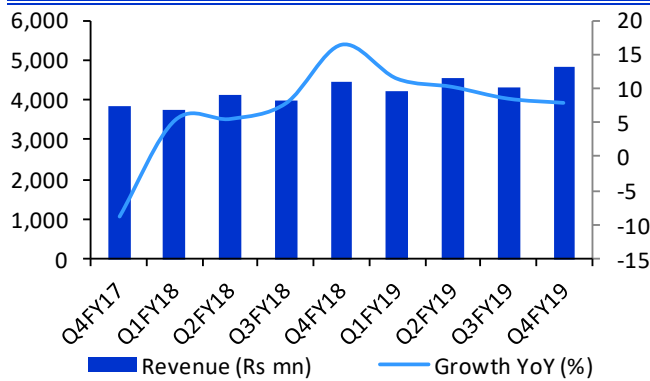
Tel: +91 22 40969770

E-mail: ketuld@dolatcapital.com

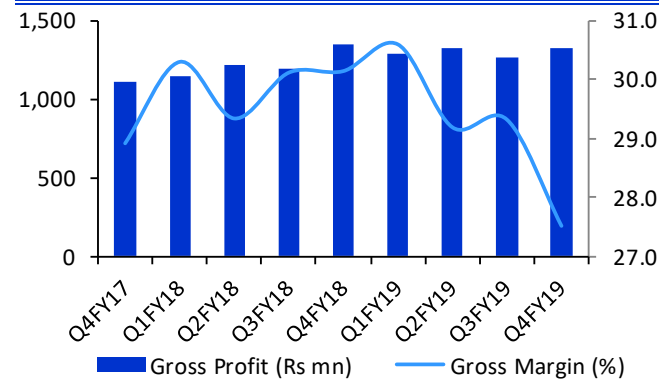
**Associate: Kushal Shah**

Tel: +91 22 40969768

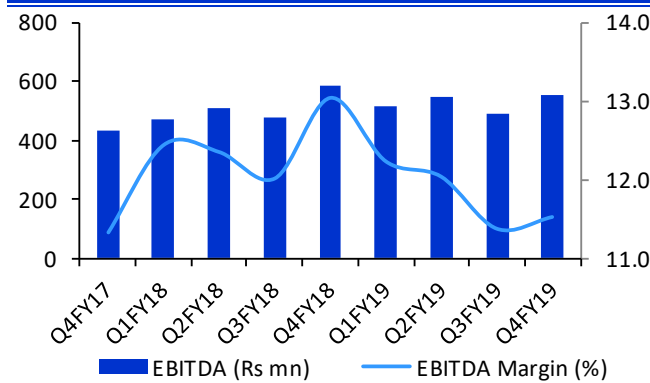
E-mail: kushals@dolatcapital.com

**Exhibit 1: Revenue Growth Remain Strong**


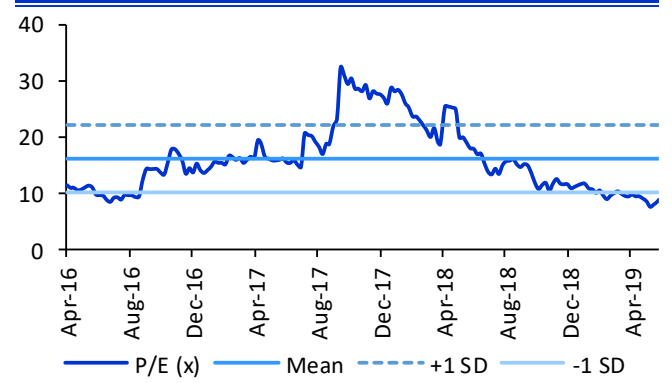
Source: DART, Company

**Exhibit 2: Gross Margin Under Pressure**


Source: DART, Company

**Exhibit 3: EBITDA Margin Under Pressure**


Source: DART, Company

**Exhibit 4: P/E Band**


Source: DART, Company

**Exhibit 5: Key Assumption Sheet**

Revenue	FY17	FY18	FY19	FY20E	FY21E
Component Division	13746	15322	15230	20137	21371
Growth(%)	(5)	11	(1)	32	6
Tool Room Division	979	845	1433	1720	2064
Growth(%)	28	(14)	70	20	20
Bus Division	417	171	1205	3300	4400
Growth(%)		(59)	604	174	33
<b>Total</b>	<b>15141</b>	<b>16338</b>	<b>17868</b>	<b>25157</b>	<b>27834</b>
Growth(%)	(1)	8	9	41	11
<b>Total Revenue</b>	<b>15009</b>	<b>16329</b>	<b>17864</b>	<b>25157</b>	<b>27834</b>
Growth(%)	(1)	9	9	41	11

Source: DART, Company, JV (JBMA) number will be added in FY20 in topline.

**Profit and Loss Account**

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
<b>Revenue</b>	<b>16,329</b>	<b>17,864</b>	<b>25,157</b>	<b>27,834</b>
<b>Total Expense</b>	<b>14,292</b>	<b>15,760</b>	<b>22,339</b>	<b>24,717</b>
COGS	11,391	12,306	17,358	19,206
Employees Cost	1,655	1,713	2,641	2,783
Other expenses	1,246	1,741	2,340	2,728
<b>EBIDTA</b>	<b>2,037</b>	<b>2,104</b>	<b>2,818</b>	<b>3,117</b>
Depreciation	556	583	593	645
<b>EBIT</b>	<b>1,481</b>	<b>1,521</b>	<b>2,225</b>	<b>2,473</b>
Interest	486	488	598	563
Other Income	109	235	160	160
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>1,104</b>	<b>1,269</b>	<b>1,787</b>	<b>2,070</b>
Tax	428	489	584	676
RPAT	704	823	1,241	1,436
Minority Interest	107	87	0	0
<b>Profit/Loss share of associates</b>	<b>135</b>	<b>130</b>	<b>38</b>	<b>42</b>
<b>APAT</b>	<b>704</b>	<b>823</b>	<b>1,241</b>	<b>1,436</b>

**Balance Sheet**

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
<b>Sources of Funds</b>				
Equity Capital	204	204	204	204
Minority Interest	734	820	0	0
Reserves & Surplus	3,970	4,769	5,884	7,194
<b>Net Worth</b>	<b>4,174</b>	<b>4,973</b>	<b>6,088</b>	<b>7,398</b>
Total Debt	5,716	5,927	5,977	5,627
Net Deferred Tax Liability	357	456	465	474
<b>Total Capital Employed</b>	<b>10,981</b>	<b>12,176</b>	<b>12,530</b>	<b>13,499</b>

**Applications of Funds**

Net Block	<b>5,991</b>	<b>6,231</b>	<b>7,477</b>	<b>7,732</b>
CWIP	222	340	250	250
Investments	907	1,216	1,100	1,100
<b>Current Assets, Loans &amp; Advances</b>	<b>7,362</b>	<b>8,548</b>	<b>9,107</b>	<b>10,371</b>
Inventories	2,352	2,311	3,239	3,584
Receivables	3,550	5,017	5,100	5,643
Cash and Bank Balances	192	111	26	395
Loans and Advances	53	133	158	159
Other Current Assets	1,215	976	584	590
<b>Less: Current Liabilities &amp; Provisions</b>	<b>3,499</b>	<b>4,164</b>	<b>5,355</b>	<b>5,904</b>
Payables	2,569	3,225	4,168	4,610
Other Current Liabilities	930	940	1,187	1,294
Net Current Assets	3,863	4,384	3,752	4,467
<b>Total Assets</b>	<b>10,981</b>	<b>12,176</b>	<b>12,530</b>	<b>13,499</b>

E – Estimates

**Important Ratios**

Particulars	FY18A	FY19A	FY20E	FY21E
<b>(A) Margins (%)</b>				
Gross Profit Margin	30.2	31.1	31.0	31.0
EBIDTA Margin	12.5	11.8	11.2	11.2
EBIT Margin	9.1	8.5	8.8	8.9
Tax rate	38.7	38.5	32.7	32.6
Net Profit Margin	4.3	4.6	4.9	5.2
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	69.8	68.9	69.0	69.0
Employee	10.1	9.6	10.5	10.0
Other	7.6	9.7	9.3	9.8
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	1.4	1.2	1.0	0.8
Interest Coverage	3.0	3.1	3.7	4.4
Inventory days	53	47	47	47
Debtors days	79	103	74	74
Average Cost of Debt	9.1	8.4	10.0	9.7
Payable days	57	66	60	60
Working Capital days	86	90	54	59
FA T/O	2.7	2.9	3.4	3.6
<b>(D) Measures of Investment</b>				
AEPS (₹)	17.3	20.2	30.4	35.2
CEPS (₹)	30.9	34.4	45.0	51.0
DPS (₹)	2.2	2.4	3.1	3.1
Dividend Payout (%)	12.7	12.1	10.2	8.8
BVPS (₹)	102.3	121.9	149.2	181.3
RoANW (%)	18.2	18.0	22.4	21.3
RoACE (%)	11.4	11.0	14.6	15.0
RoAIC (%)	14.6	13.3	18.1	19.3
<b>(E) Valuation Ratios</b>				
CMP (₹)	255	255	255	255
P/E	14.8	12.6	8.4	7.2
Mcap (₹ Mn)	10,393	10,393	10,393	10,393
MCap/ Sales	0.6	0.6	0.4	0.4
EV	15,917	16,208	16,344	15,625
EV/Sales	1.0	0.9	0.6	0.6
EV/EBITDA	7.8	7.7	5.8	5.0
P/BV	2.5	2.1	1.7	1.4
Dividend Yield (%)	0.9	1.0	1.2	1.2
<b>(F) Growth Rate (%)</b>				
Revenue	8.8	9.4	40.8	10.6
EBITDA	23.6	3.3	33.9	10.6
EBIT	29.1	2.7	46.2	11.2
PBT	25.7	14.9	40.8	15.9
APAT	57.3	16.8	50.8	15.7
EPS	57.3	16.8	50.8	15.7
<b>Cash Flow</b>				
(₹ Mn)	FY18A	FY19A	FY20E	FY21E
CFO	28	1,439	3,064	2,266
CFI	(740)	(1,133)	(1,749)	(900)
CFF	882	(385)	(674)	(1,039)
FCFF	(566)	498	1,315	1,366
Opening Cash	21	191	111	752
Closing Cash	191	111	752	1,079

E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### DART Team

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

<b>Equity Sales</b>	<b>Designation</b>	<b>E-mail</b>	<b>Direct Lines</b>
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kartik Sadagopan	VP - Equity Sales	kartiks@dolatcapital.com	+9122 4096 9762
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Ashwani Kandoi	AVP – Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	Manager – Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
<b>Equity Trading</b>	<b>Designation</b>	<b>E-mail</b>	
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
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

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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

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