

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 |

Scrip 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 |

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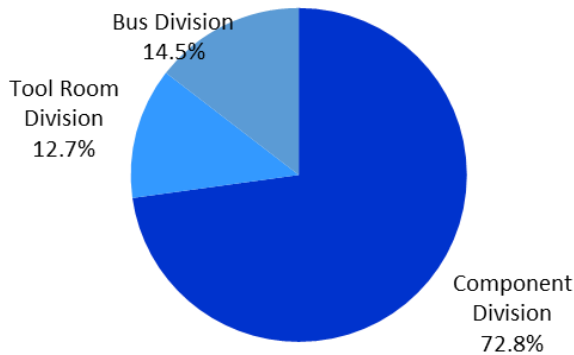
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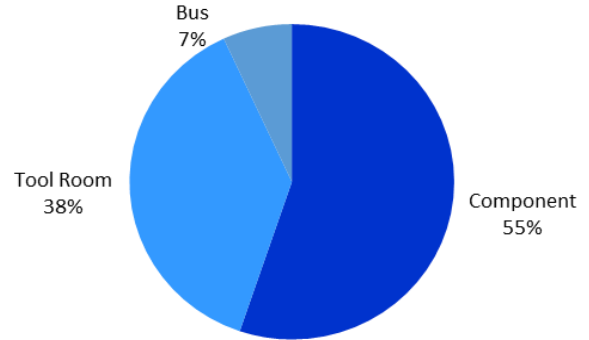
The management expects a significant ramp up in the bus division in near term, as it has won new orders for both EVs and CNG (500 buses), which will provide significant revenue visibility for FY21-22E.

Exhibit 1: FY20 Segment revenue



Source: Company, DART

Exhibit 2: FY20 EBIT performance



Source: Company, DART

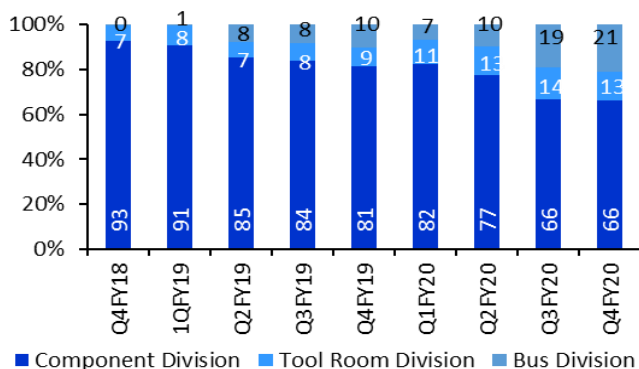
Sheet metal division to face near term headwind:

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:

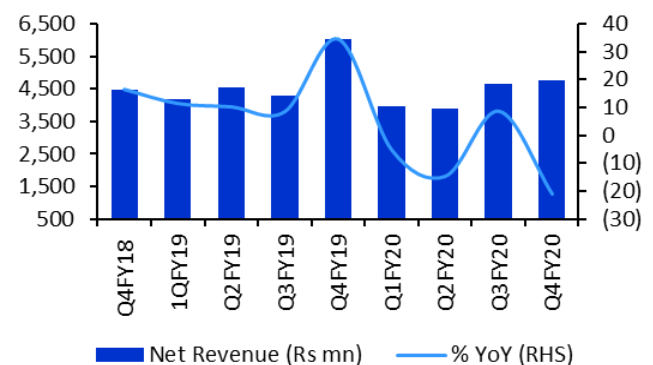
Strong revenue potential is foreseen in Tooling business (high margin+30%), owing to increasing focus on ‘Make in India’ encouraging localization of Tooling. We believe slowdown in PV sales would be partially offset by growth in tooling division. Tooling requirements by major global OEMs is being aligned 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 (%)

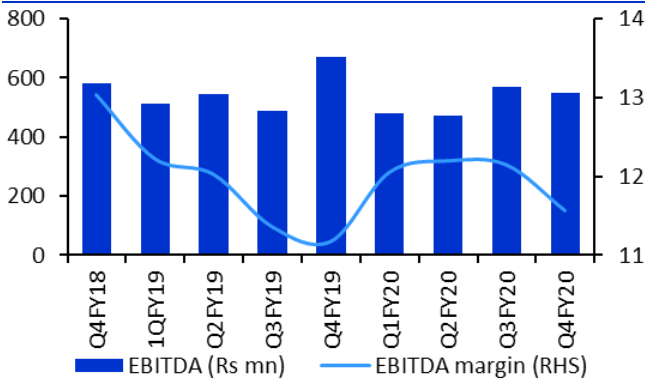


Source: DART, Company

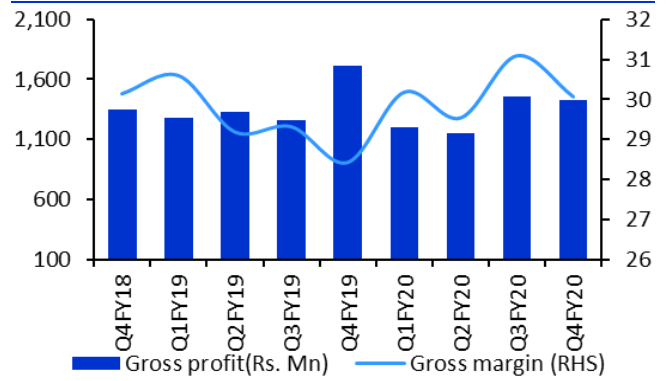
Exhibit 4: Weak revenue due to PV slowdown



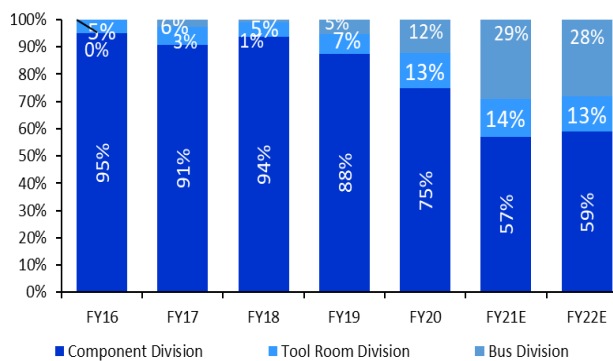
Source: DART, Company

Exhibit 5: Margin Improved YoY


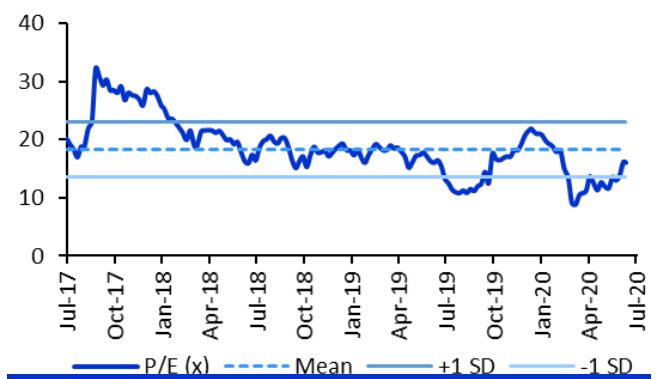
Source: DART, Company

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 |

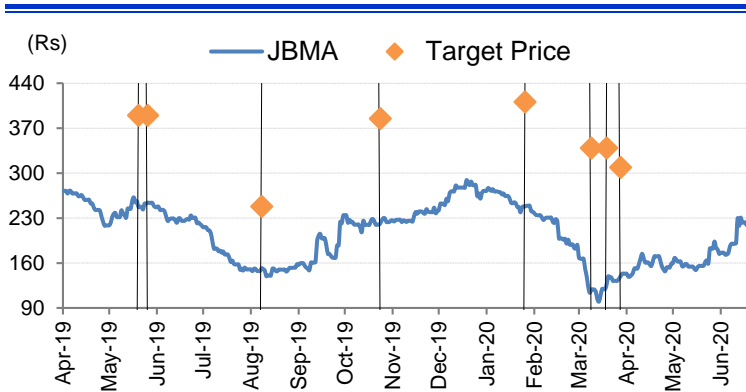
E – Estimates

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

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