

## Accumulate

### Ride on CV recovery

- Jamna Auto posted stellar numbers in Q3FY21. EBITDA grew 139% YoY to Rs 510mn with expanded margin of 14.9% (+553bps YoY), led by cost control measures and richer product mix (increase in mix from the aftermarket business).
- Jamna Auto is an ideal play on the ongoing revival in CV demand given its 68% market share in domestic OEMs markets. CV numbers are showing sequential improvement led by strong traction from ICVs and Tipper segment. M&HCV production volume grew 10% YoY in Q3.
- In order to de-risk its portfolio, company has introduced several new products in the after-market which will help to increase the content per vehicle. These include: 1) springs allied products - U-Bolt Center Bolt, Bush, Hanger Shackle and Spring Pin and 2) Lift Axle allied products - mainly Air bellow/ spring. The company is also setting up a plant for Allied products which will be commissioned by April 2022.
- The company is primarily focusing on optimizing costs by rationalizing salaries, overheads and warehouse cost management, BEP reduced to 25-30% cap utilization. The company has also digitized the complete after-market business to improve supply chain efficiency.
- We forecast that the Revenue/EBITDA will grow at 39/51% CAGR over FY21-23E. At CMP the stock is trading at 19x for FY23E EPS and 3.8x for FY23E BV. Recommend Accumulate with TP Rs 80 (based on 22x FY23E EPS).

### Key beneficiary of CV upcycle

The company is an ideal play on the ongoing revival in CV demand given its 68% market share in domestic OEMs markets. We expect a sharp revival in CVs and pick up in logistic activities will aid revenue growth. The near term catalysts are 1) pick-up in infrastructure, construction, e-commerce, and mining activities and 2) introduction of scrappage policy. As JAMNA's facilities are located close to OEM plants, the company benefits from lower logistic costs, which also makes it difficult for new entrants to garner market share from OEMs.

### Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	3,433	2,286	50.2	1,866	84.0
Total Expense	2,923	2,073	41.0	1,699	72.0
EBITDA	510	213	139.2	166	206.7
Depreciation	96	91	5.9	82	17.7
EBIT	413	122	238.7	84	390.0
Other Income	14	42	(66.6)	47	(70.1)
Interest	12	30	(58.8)	12	5.9
EBT	415	134	209.2	120	246.2
Tax	115	34	242.0	39	195.2
RPAT	302	102	196.4	82	267.3
APAT	302	102	196.4	82	267.3
			(bps)		(bps)
Gross Margin (%)	39.7	37.7	198	41.4	(169)
EBITDA Margin (%)	14.9	9.3	553	8.9	594
NPM (%)	8.8	4.5	433	4.4	438
Tax Rate (%)	27.6	25.0	265	32.4	(477)
EBIT Margin (%)	12.0	5.3	670	4.5	752

CMP	Rs 71
Target / Upside	Rs 80 / 13%
NIFTY	14,924

### Scrip Details

Equity / FV	Rs 398mn / Rs 1
Market Cap	Rs 28bn
	USD 385mn
52-week High/Low	Rs 74/ 21
Avg. Volume (no)	18,83,990
Bloom Code	JMNA IN

Price Performance	1M	3M	12M
Absolute (%)	14	51	70
Rel to NIFTY (%)	10	28	47

### Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	49.4	50.0	44.0
MF/Banks/FIs	5.3	5.7	1.3
FIIIs	7.8	7.3	3.4
Public / Others	37.5	37.0	51.4

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	52.3	28.8	19.4
EV/EBITDA	27.2	16.6	11.9
ROE (%)	10.0	16.5	21.4
RoACE (%)	8.9	14.7	18.6

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	9,124	13,392	17,665
EBITDA	1,067	1,737	2,433
PAT	536	974	1,447
EPS (Rs.)	1.3	2.4	3.6

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## Tapping the aftermarket and cost rationalization

In order to de-risk its portfolio, company has introduced several new products in the after-market which will help the company to increase content per vehicle. These include: 1) springs allied products - U-Bolt Center Bolt, Bush, Hanger Shackle and Spring Pin and 2) Lift Axle allied products - mainly Air bellow/ spring.

Currently, the aftermarket segment contributes ~30-35% of overall sales. The Company has also digitized the complete after-market business for improve supply chain efficiency. JMNA is undergoing several long term cost control initiatives to protect margins.

## Strong FCF generation trend to continue

Despite JAI's volatile earnings growth trend, the company has a history of generating robust FCFs. Even during the sharp down-cycle years for the CV industry between FY12-14, the company generated FCF of Rs 0.8bn on a cumulative basis. Over FY21-23E, the company is likely to generate FCF of ~Rs 1.80bn cumulatively.

### Exhibit 1: Actual vs DART Estimates

Particulars (Rs mn)	Actual	DART Est	Var (%)	Comments
Revenue	3,433	3,030	13	Better aftermarket sales
EBIDTA	510	303	68	
EBIDTA Margin (%)	14.9	10.0	485bps	
APAT	301	185	64	Lower interest cost

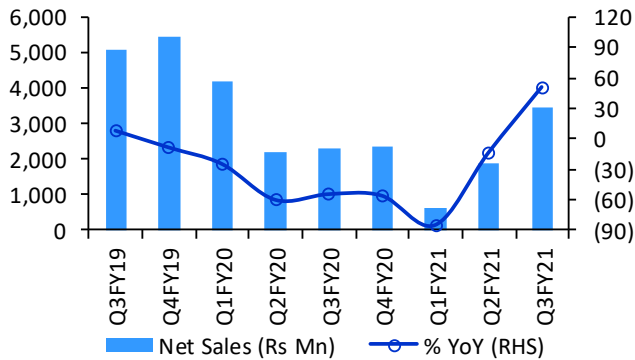
Source: DART, Company

### Exhibit 2: Change in Estimates

Particulars (Rsmn)	FY22E			FY23E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	13,392	11,834	13.2	17,665	15,627	13.0
EBITDA	1,737	1,460	19.0	2,433	2,124	14.5
EBITDA Margin (%)	13.0	12.3	63bps	13.8	13.6	18bps
PAT	974	779	25.1	1,447	1,236	17.1
EPS (Rs)	2.4	2.0	25.1	3.6	3.1	17.1

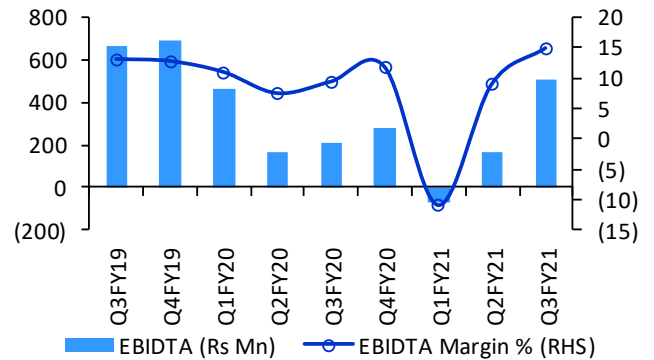
Source: DART, Company

**Exhibit 3: Revenue improved on sequential basis**



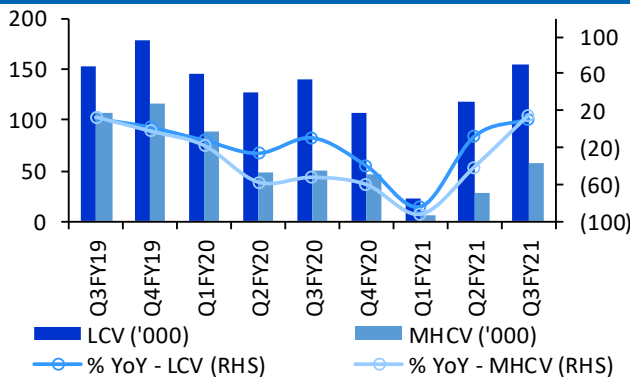
Source: DART, Company

**Exhibit 4: OPM improved on better mix**



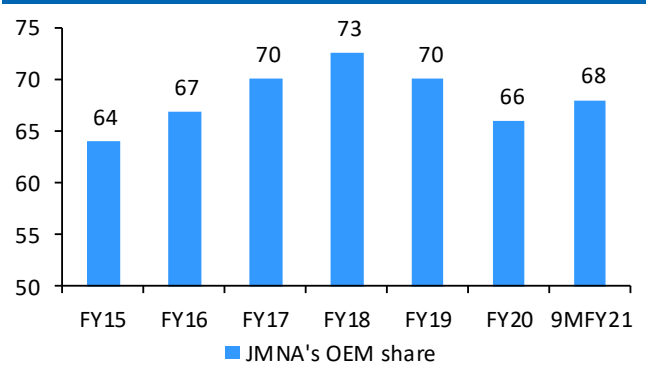
Source: DART, Company

**Exhibit 5: CV segment on the recovery path**



Source: DART, Company

**Exhibit 6: Jamna market share remain strong(%)**



Source: DART, Company

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>11,290</b>	<b>9,124</b>	<b>13,392</b>	<b>17,665</b>
<b>Total Expense</b>	<b>10,148</b>	<b>8,057</b>	<b>11,655</b>	<b>15,232</b>
COGS	7,123	5,429	8,370	11,129
Employees Cost	1,129	1,016	1,271	1,525
Other expenses	1,896	1,612	2,014	2,579
<b>EBIDTA</b>	<b>1,141</b>	<b>1,067</b>	<b>1,737</b>	<b>2,433</b>
Depreciation	414	366	446	496
<b>EBIT</b>	<b>728</b>	<b>701</b>	<b>1,291</b>	<b>1,937</b>
Interest	173	83	100	118
Other Income	161	102	117	123
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>716</b>	<b>720</b>	<b>1,308</b>	<b>1,942</b>
Tax	238	184	334	495
RPAT	479	536	974	1,447
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>479</b>	<b>536</b>	<b>974</b>	<b>1,447</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	398	398	398	398
Minority Interest	0	0	0	0
Reserves & Surplus	4,768	5,166	5,848	6,859
<b>Net Worth</b>	<b>5,167</b>	<b>5,565</b>	<b>6,246</b>	<b>7,257</b>
Total Debt	1,557	1,007	1,207	1,407
Net Deferred Tax Liability	285	306	330	357
<b>Total Capital Employed</b>	<b>7,009</b>	<b>6,878</b>	<b>7,783</b>	<b>9,022</b>

**Applications of Funds**

Net Block	3,687	4,421	4,975	4,979
CWIP	1,322	1,000	500	500
Investments	5	5	5	5
<b>Current Assets, Loans &amp; Advances</b>	<b>2,888</b>	<b>2,857</b>	<b>4,351</b>	<b>6,065</b>
Inventories	1,300	1,000	1,431	2,178
Receivables	810	750	1,468	2,226
Cash and Bank Balances	36	94	376	514
Loans and Advances	451	710	760	814
Other Current Assets	291	303	317	332
<b>Less: Current Liabilities &amp; Provisions</b>	<b>892</b>	<b>1,405</b>	<b>2,048</b>	<b>2,527</b>
Payables	379	875	1,468	1,936
Other Current Liabilities	513	530	580	591
		<i>sub total</i>		
Net Current Assets	1,996	1,452	2,304	3,538
<b>Total Assets</b>	<b>7,009</b>	<b>6,878</b>	<b>7,783</b>	<b>9,022</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	36.9	40.5	37.5	37.0
EBIDTA Margin	10.1	11.7	13.0	13.8
EBIT Margin	6.4	7.7	9.6	11.0
Tax rate	33.2	25.5	25.5	25.5
Net Profit Margin	4.2	5.9	7.3	8.2
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	63.1	59.5	62.5	63.0
Employee	10.0	11.1	9.5	8.6
Other	16.8	17.7	15.0	14.6
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.3	0.2	0.2	0.2
Interest Coverage	4.2	8.4	13.0	16.5
Inventory days	42	40	39	45
Debtors days	26	30	40	46
Average Cost of Debt	21.5	6.5	9.0	9.0
Payable days	12	35	40	40
Working Capital days	65	58	63	73
FA T/O	3.1	2.1	2.7	3.5
<b>(D) Measures of Investment</b>				
AEPS (Rs)	1.2	1.3	2.4	3.6
CEPS (Rs)	2.2	2.3	3.6	4.9
DPS (Rs)	0.5	0.3	0.6	0.9
Dividend Payout (%)	40.0	25.0	25.0	25.0
BVPS (Rs)	13.0	14.0	15.7	18.2
RoANW (%)	9.3	10.0	16.5	21.4
RoACE (%)	10.5	8.9	14.7	18.6
RoAIC (%)	12.0	10.2	18.2	24.3
<b>(E) Valuation Ratios</b>				
CMP (Rs)	71	71	71	71
P/E	58.6	52.3	28.8	19.4
Mcap (Rs Mn)	28,067	28,067	28,067	28,067
Mcap/ Sales	2.5	3.1	2.1	1.6
EV	29,588	28,980	28,898	28,960
EV/Sales	2.6	3.2	2.2	1.6
EV/EBITDA	25.9	27.2	16.6	11.9
P/BV	5.4	5.0	4.5	3.9
Dividend Yield (%)	0.7	0.5	0.9	1.3
<b>(F) Growth Rate (%)</b>				
Revenue	(47.1)	(19.2)	46.8	31.9
EBITDA	(58.7)	(6.5)	62.8	40.0
EBIT	(68.4)	(3.6)	84.0	50.1
PBT	(66.7)	0.5	81.7	48.5
APAT	(65.1)	12.0	81.7	48.5
EPS	(65.1)	12.0	81.7	48.5

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	41	1,608	975	992
CFI	(1,023)	(778)	(500)	(500)
CFF	772	(795)	(193)	(353)
FCFF	(1,011)	830	475	492
Opening Cash	246	37	94	375
Closing Cash	37	94	375	514

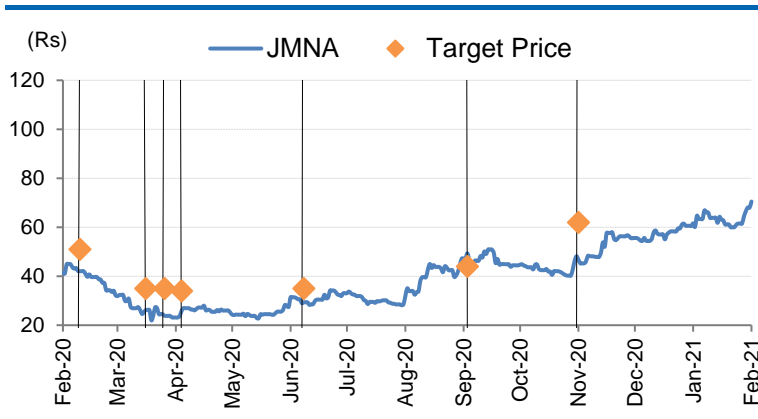
E – Estimates

### 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>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Feb-20	Accumulate	51	42
Mar-20	Buy	35	26
Mar-20	Buy	35	24
Apr-20	Buy	34	26
Jun-20	Accumulate	35	29
Sep-20	Accumulate	44	49
Nov-20	Buy	62	47

\*Price as on recommendation date

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