

Jamna Auto Industries

30 August, 2021

Reuters: JMNA.NS; Bloomberg: JMNA IN

Multiple growth drivers ahead

Jamna Auto (JAI) recently announced a 5-year plan named “Lakshya 50XT” with the objective to achieve future growth and de-risk business through market & product diversification. New product launches and higher share of existing value-added products will drive product diversification. However, we believe that market diversification target (~50% mix by FY26) is a bit challenging based on the feedback we have received from our recent channel checks where the price gap between JAI and the unorganized players continues to remain high (~20%). We continue to remain positive on the company since we believe that it will be a key beneficiary of the recovery in CV cycle over the next few years ([Play on multi-year CV cycle; further re-rating potential](#)). We expect it to outperform the industry because of a better product and market mix. Lower break-even point, increased share of value-added products and a higher payout (~50% vs. 33% earlier) will drive strong return performance going forward. We maintain our estimates as we factor in 30%/39%/49% Revenue/EBITDA/PAT CAGR over FY21-FY24E. We expect limited capex and strong FCF generation over the next 2-3 years. JAI turned net debt free in FY21. We have retained our Buy rating on JAI with a target price (TP) of Rs106, valuing the stock at 22x March'23E EPS.

JAI targets the following under “Lakshya 50XT” by FY26:

50% revenue from New Markets (33% under erstwhile 'Lakshya' plan):

- JAI has taken initiatives like structuring supply chain management and channel partners to supply products pan India with focus on the domestic aftermarket.
- The company plans direct retailing and digitizing the entire market operations to increase its share in the domestic aftermarket segment.
- Targets 10% revenue contribution from exports by FY26.

50% revenue from New Products (33% under erstwhile 'Lakshya' plan):

- Increasing the existing product portfolio by introducing products like allied parts for suspension, machined parts, full range of trailer suspension and other products.
- Plans to launch Extralite Springs using technology from Tinsley Bridge Ltd - UK (currently under validation). JAI targets 10% revenue from new technology products by FY26.
- Target is to increase content per vehicle from Rs30K/vehicle currently to Rs60K-70K/vehicle.

50% RoCE & 50% payout ratio (33% under erstwhile 'Lakshya' plan):

- With lower breakeven point, increased share of value-added products & diversified markets and increased payout ratio (50% via dividends/buybacks), JAI targets 50% RoCE by FY26.

Valuation and outlook: We have retained Buy rating on JAI with a TP of Rs106, up 22% from the current market price (22x March'23E EPS).

Financial summary

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Net sales	11,290	10,795	14,010	19,659	23,567
YoY growth (%)	(47.1)	(4.4)	29.8	40.3	19.9
EBITDA	1,141	1,325	1,736	2,886	3,580
EBITDA margin (%)	10.1	12.3	12.4	14.7	15.2
Adjusted PAT	479	730	1,077	1,936	2,421
EPS	1.2	1.8	2.7	4.9	6.1
YoY change (%)	(65.2)	52.4	47.5	79.8	25.0
RoCE (%)	14.1	15.6	21.8	36.1	40.0
RoE (%)	9.3	13.3	17.7	28.3	31.3
P/E (x)	72.4	47.5	32.2	17.9	14.3
EV/Sales (x)	3.2	3.2	2.4	1.7	1.4
EV/EBITDA (x)	31.7	26.0	19.7	11.7	9.2

Source: Company, Nirmal Bang Institutional Equities Research

BUY

Sector: Automobile Ancillary

CMP: Rs87

Target Price: Rs106

Upside: 22%

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Key Data

Current Shares O/S (mn)	398.5
Mkt Cap (Rsbn/US\$mn)	34.9/473.7
52 Wk H / L (Rs)	95/39
Daily Vol. (3M NSE Avg.)	1,501,999

Price Performance (%)

	1 M	6 M	1 Yr
Jamna Auto	(2.5)	26.1	106.4
Nifty Index	6.0	15.0	43.4

Source: Bloomberg

Exhibit 1: No change in our estimates

(Rsmn)	New estimates			Old estimates			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Net sales	14,010	19,659	23,567	14,010	19,659	23,567	-	-	-
EBITDA	1,736	2,886	3,580	1,736	2,886	3,580	-	-	-
EBITDA margin (%)	12.4	14.7	15.2	12.4	14.7	15.2	-	-	-
PAT	1,077	1,936	2,421	1,077	1,936	2,421	-	-	-

Source: Company, Nirmal Bang Institutional Equities Research

Valuation
Exhibit 2: 1-year forward P/E band


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: 1-year forward EV/EBITDA band


Source: Company, Nirmal Bang Institutional Equities Research

Financials

Exhibit 4: Income statement

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	11,290	10,795	14,010	19,659	23,567
% Growth	(47.1)	(4.4)	29.8	40.3	19.9
Raw material	7,123	6,580	8,772	12,114	14,508
Staff costs	1,129	1,118	1,331	1,671	1,944
Other expenses	1,896	1,772	2,172	2,988	3,535
Total expenses	10,148	9,470	12,274	16,773	19,987
EBITDA	1,141	1,325	1,736	2,886	3,580
% Growth	(58.8)	16.1	31.0	66.2	24.1
EBITDA margin (%)	10.1	12.3	12.4	14.7	15.2
Other income	161	99	109	153	183
Interest costs	173	59	9	-	-
Depreciation	414	356	398	453	531
Profit before tax (before E/O)	716	1,009	1,438	2,585	3,233
Tax	238	279	361	649	812
Adj PAT	479	730	1,077	1,936	2,421
% Growth	(65.2)	52.4	47.5	79.8	25.0
Adj PAT margin (%)	4.2	6.8	7.7	9.8	10.3
EPS (Rs)	1.2	1.8	2.7	4.9	6.1
% Growth	(65.2)	52.4	47.5	79.8	25.0
DPS (Rs)	0.4	0.3	1.3	2.5	4.0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Balance sheet

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Share capital	398	398	398	398	398
Reserves	4,769	5,402	5,981	6,921	7,749
Net worth	5,167	5,800	6,379	7,319	8,147
Total debt	1,381	201	-	-	-
Other non-current liabilities & provisions	382	292	310	331	353
Net deferred tax liability	(28)	78	(64)	(64)	(64)
Capital employed	6,904	6,370	6,626	7,586	8,437
Gross block	5,180	5,300	5,821	6,642	7,517
Depreciation	1,492	1,776	2,142	2,563	3,061
Net block	3,687	3,525	3,679	4,079	4,457
Capital work-in-progress	1,322	1,338	1,338	1,000	300
Other non-current assets	423	276	303	364	437
Investments	5	5	5	5	5
Inventories	1,300	2,096	1,802	1,991	2,385
Debtors	801	558	1,152	1,077	1,291
Cash & Bank balance	36	530	461	944	1,745
Loans & advances	9	-	-	-	-
Other current assets	292	439	483	579	695
Total current assets	2,437	3,622	3,897	4,592	6,116
Creditors	379	1,847	2,163	1,991	2,385
Other current liabilities & provisions	592	547	433	462	493
Total current liabilities	970	2,395	2,596	2,453	2,878
Net current assets	1,467	1,227	1,301	2,138	3,239
Application of funds	6,904	6,370	6,626	7,586	8,437

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Cash flow

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Profit/(loss) before tax	716	1,009	1,438	2,585	3,233
Finance cost	173	59	9	-	-
Depreciation & amortization	414	356	398	453	531
Direct taxes paid	(183)	(174)	(502)	(649)	(812)
(Inc.)/dec. in working capital	(1,080)	814	16	(334)	(276)
Cash flow from operations (after E/O)	40	2,063	1,359	2,055	2,675
Capital expenditure (-)	(1,299)	(209)	(553)	(516)	(208)
Other investing activities	119	147	(28)	(61)	(73)
Free cash flow	(1,140)	2,002	778	1,479	2,394
Dividends paid (-)	(191)	(100)	(498)	(995)	(1,593)
Inc./(dec.) in total borrowings	1,384	(1,214)	(340)	-	-
Interest paid (-)	(173)	(59)	(9)	-	-
Others	(91)	(135)	0	0	0
Cash from financial activities	929	(1,508)	(847)	(995)	(1,593)
Opening cash balance	246	36	530	461	944
Closing cash balance	35	530	461	944	1,745
Change in cash balance	(211)	494	(69)	483	801

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Key ratios

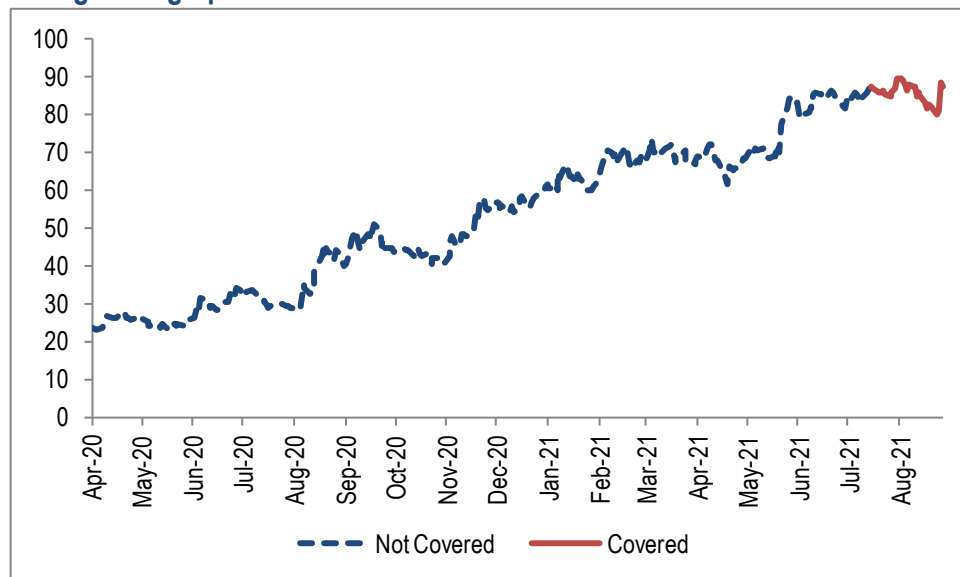
Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Per share (Rs)					
EPS	1.2	1.8	2.7	4.9	6.1
EPS Growth (%)	(65.2)	52.4	47.5	79.8	25.0
Cash EPS	2.2	2.7	3.7	6.0	7.4
Book value per share	13.0	14.6	16.0	18.4	20.5
DPS	0.4	0.3	1.3	2.5	4.0
Payout (incl. div. tax) %	39.9	13.6	46.2	51.4	65.8
Valuation (x)					
P/E	72.4	47.5	32.2	17.9	14.3
Cash P/E	38.8	31.9	23.5	14.5	11.7
EV/EBITDA	31.7	26.0	19.7	11.7	9.2
EV/Sales	3.2	3.2	2.4	1.7	1.4
P/BV	6.7	6.0	5.4	4.7	4.3
Dividend yield (%)	0.5	0.3	1.4	2.9	4.6
Return ratios (%)					
RoCE	14.1	15.6	21.8	36.1	40.0
RoE	9.3	13.3	17.7	28.3	31.3
Profitability ratios (%)					
Gross margin	36.9	39.0	37.4	38.4	38.4
EBITDA margin	10.1	12.3	12.4	14.7	15.2
PAT margin	4.2	6.8	7.7	9.8	10.3
Turnover ratios					
Debtors (days)	26	19	30	20	20
Inventory (days)	42	71	47	37	37
Creditors (days)	14	71	64	43	44
Asset turnover (x)	1.2	1.3	1.5	2.0	2.2
Leverage Ratio					
Net Debt/equity (x)	0.3	(0.0)	(0.1)	(0.1)	(0.2)

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
15 July 2021	Buy	87	106
14 August 2021	Buy	86	106
30 August 2021	Buy	87	106

Rating track graph



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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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