

CMP (INR) (As on 19th Nov, 2018)	70.9
Target Price (INR)	128.0
Upside(%)	80.5
Recommendation	Strong Buy

BSE Code	520051
NSE Code	JAMNAAUTO
Reuters Ticker	JMNA.BO
Bloomberg Ticker	JMNA.IN

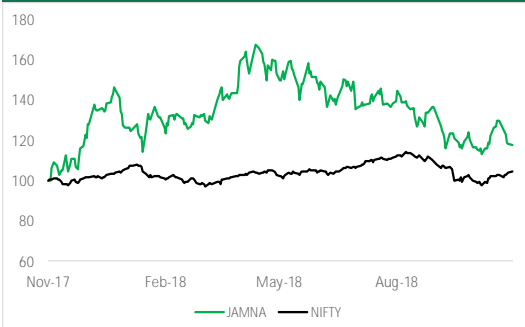
Stock Scan

Market cap (INR Cr.)	2825.36
Outstanding Shares (Cr.)	39.85
Face Value (INR)	1.00
Dividend Yield(%)	1.20
TTM P/E (x)	18.37
Industry P/E (x)	24.72
Debt/Equity	0.15
Beta vs. Sensex	1.134
52 Week High/ Low (INR)	102.95/58.40
Avg. Daily Vol. (NSE)/1 yr.	1,950,330

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	47.88	47.90	47.90
Institutions	14.01	14.50	12.80
Non-institutions	38.11	37.60	39.30

Stock vs. Nifty (Relative Returns)



Company Overview

Jamna Auto Industries Limited (JAI) is the undisputed leader of the Indian automotive suspension space with a mammoth 72% share in the OEM segment. It is the India's largest and world's second largest manufacturer of tapered leaf springs & parabolic springs for Commercial Vehicles (CVs) in India with an annual production capacity of 240,000 MT and produces over 500 modes of springs for OEMs. It has been a trusted and preferred supplier of Leaf and Parabolic Springs to all major CV manufacturers for over 50 years. The Company has 9 strategically located state-of-the-art manufacturing facilities at Yamuna Nagar, Malanpur, Jamshedpur, Pune, Chennai, Piliapakkam, Hosur, Pant Nagar and Lucknow. It supplies to auto OEMs across the globe and boasts of a strong clientele consisting of Ashok Leyland, Tata Motors, General Motors, Kamaz Motors, SML ISUZU, Mahindra & Mahindra, Volvo and others.

Key Highlights

-Consolidated revenue for Q2FY19 reported at INR548.4 crore, up 42.4% YoY owing to the strong volume growth in the CV segment. It has managed to beat our estimate of INR521 crore. Despite having a strong market share, rising raw material prices have dented its gross margin by 144 bps YoY to 36%.

-Absolute EBITDA for the quarter under review stood at INR68 crore, up ~35% YoY, which is marginally lower than our estimate of INR70 crore. Despite optimization in employee benefit expense and other expenses, EBITDA margin dipped 66bps YoY to 12.4%.

-Co. reported a PAT of INR35.5 crore, up ~21% YoY, which is marginally lower than our estimate of INR37 crore. However, PAT margin dropped by 117bps YoY to 6.5% due to higher higher financing cost and effective tax rate.

-The Board of Directors has declared an Interim dividend of INR0.50 per equity share of INR1 each amounting to ~INR20 crore on the paid-up equity capital.

Exhibit 1: Financial Performance at a glance (Consolidated)

Particulars(INR Cr.)	FY17A	FY18A	FY19E	FY20E	FY21E
Net Sales	1,299.5	1,738.1	2,085.7	2,398.6	2,686.4
Growth (%)	3.5%	33.8%	20.0%	15.0%	12.0%
EBITDA	183.0	237.8	297.5	362.3	422.1
EBITDA Margin	14.1%	13.7%	14.3%	15.1%	15.7%
Net Profit	104.7	125.3	159.8	211.0	255.1
Net Profit Margin	8.1%	7.2%	7.7%	8.8%	9.5%
EPS	2.63	3.14	4.01	5.30	6.40
BVPS	8.36	10.64	10.72	12.64	14.61
P/E (x)	27.0	22.5	17.7	13.4	11.1
P/BV (x)	8.5	6.7	6.6	5.6	4.9
EV/EBITDA (x)	15.4	11.9	9.5	7.6	6.4
ROAE (%)	36.4%	33.1%	37.6%	45.3%	47.0%
ROACE (%)	41.9%	37.4%	42.4%	52.7%	54.8%

Source: Company Data, SMIFS Research

Research Analyst

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Exhibit 2: Financial Performance (Consolidated)

Particulars (in INR Crore)	Quarter Ended					Six months ended		
	Q2 FY19	Q2 FY18	YoY %	Q1 FY19	QoQ %	Sep-18	Sep-17	YoY %
Net sales	548.4	385.0	42.4%	562.2	-2.5%	1,110.6	664.2	67.2%
Other operating income	-	-	-	-	-	-	-	-
Total operating income	548.4	385.0	42.4%	562.2	-2.5%	1,110.6	664.2	67.2%
Cost of materials consumed	382.7	253.5	51.0%	391.2	-2.2%	774.0	424.7	82.2%
(Increase)/decrease in inventories	(31.9)	(12.7)	150.6%	(33.9)	-5.8%	(65.8)	(19.1)	244.5%
Gross Profit	197.5	144.3	36.9%	204.8	-3.5%	402.3	258.6	55.6%
<i>Gross Profit margin (%)</i>	<i>36.02</i>	<i>37.47</i>	<i>-144 bps</i>	<i>36.4</i>	<i>-41 bps</i>	<i>36.2</i>	<i>38.9</i>	<i>-270 bps</i>
Employee benefit expense	39.8	30.7	29.5%	40.2	-1.0%	80.0	57.3	39.6%
Other expenses	89.7	63.2	41.9%	89.3	0.4%	179.0	120.4	48.7%
Total Expenses	480.3	334.7	43.5%	486.9	-1.4%	967.3	583.4	65.8%
EBITDA (Ex OI)	68.0	50.3	35.3%	75.3	-9.6%	143.3	80.8	77.3%
<i>EBITDA margin (%)</i>	<i>12.41</i>	<i>13.06</i>	<i>-66 bps</i>	<i>13.39</i>	<i>-98 bps</i>	<i>12.90</i>	<i>12.17</i>	<i>74 bps</i>
Other income	3.1	6.0	-48.2%	3.3	-5.4%	6.5	11.8	-45.5%
Depreciation & amortization	10.5	8.5	24.3%	11.6	-9.3%	22.1	16.8	31.1%
EBIT	60.7	47.9	26.7%	67.0	-9.5%	127.7	75.8	68.4%
<i>EBIT Margin (%)</i>	<i>11.06</i>	<i>12.44</i>	<i>-138 bps</i>	<i>11.92</i>	<i>-85 bps</i>	<i>11.50</i>	<i>11.41</i>	<i>8 bps</i>
Interest cost	6.2	4.2	48.5%	5.7	9.3%	11.9	6.5	82.4%
Profit before tax	54.4	43.7	24.6%	61.3	-11%	115.7	69.3	67.1%
<i>PBT margin (%)</i>	<i>9.93</i>	<i>11.35</i>	<i>-142 bps</i>	<i>10.90</i>	<i>-98 bps</i>	<i>10.42</i>	<i>10.43</i>	<i>-1 bps</i>
Tax	18.9	14.2	32.7%	21.3	-11%	40.2	22.4	79.4%
Profit after tax	35.5	29.4	20.6%	40.0	-11.2%	75.5	46.9	61.2%
<i>PAT margin (%)</i>	<i>6.48</i>	<i>7.65</i>	<i>-117 bps</i>	<i>7.12</i>	<i>-64 bps</i>	<i>6.80</i>	<i>7.06</i>	<i>-25 bps</i>
EPS	0.89	0.74	20.3%	1.01	-11.9%	1.90	1.18	61.0%
EPS (Diluted)	0.89	0.74	20.3%	1.01	-11.9%	1.89	1.17	61.5%

Source: Company Data & SMIFS Research

Actual Vs. Estimates

SMIFS Estimates (INR Cr.)	Actual	Estimates	Variance	Remarks
Revenue	548	521	5.3%	Higher than anticipated CV growth led to the positive surprise in consolidated revenues. Failure to opt for adequate price hike to negate the raw material inflation resulted in lower than expected EBITDA. Due to higher interest expense and effective tax rate Co. failed to meet the estimated PAT.
EBITDA	68	70	-2.8%	
<i>EBITDA margin (%)</i>	<i>12.4</i>	<i>13.4</i>	<i>-103 bps</i>	
PAT	36	37	-4.0%	
<i>PAT margin (%)</i>	<i>6.5</i>	<i>7.1</i>	<i>-62 bps</i>	

Outlook & Valuation

Going forward we believe, BS IV to BS VI transitions, proposed implementation of fleet modernization programme, Government's increased focus on building world-class road infrastructure, Indirect Tax reforms, enactment of weigh-in-motion system and higher demand from consumption driven sectors should result into healthy orders for Jamna Auto. We believe company's focus on bringing technologically advanced products and solutions through its in-house R&D and technical collaboration with global leaders should help the company to increase its market share in the OEM space and to make inroads in the Passenger Vehicle segment.

Considering the recent steep rise in CV demand, strategically located state-of-the-art manufacturing facilities, uncontested leadership in the OEM space, recent brownfield expansion at Hosur & Yamuna Nagar facilities, decision to set up a new plant at Indore to meet the rising demand from the CV space & manufacture U-Bolt and other allied products, increased number of dealers to take advantage of post-GST opportunities in the replacement market, wide array of product offerings and strong focus on R&D; we expect the EPS of the company to grow at a CAGR of 19% from FY18 to INR6.40 by FY21E and accordingly we assign a PE of 20 to FY21E EPS, to arrive at a Target Price of **INR128**.

Please find below the link of our previous reports:

Date: 8th August,2018

CMP: INR87.65

Target Price: INR128.00

https://www.smifs.com/files/reports/636694340435702698_Stewart%20%20Mackertich%20Research_Jamna%20Auto_%20Q1FY19%20Result%20Analysis.pdf

Date: 23rd May,2018

CMP: INR92.60

Target Price: INR128.00

https://www.smifs.com/files/reports/636627568100943060_Stewart%20%20Mackertich%20Research_%20Jamna%20Auto%20Q4FY18%20Result%20Analysis.pdf

Date: 13th April,2018

CMP: INR84.65

Target Price: INR102.00

https://www.smifs.com/files/reports/636592894090922445_SMIFS%20Research_ICR%20on%20Jamna%20Auto%20Industries%20Limited.pdf

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Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 12% and 20%
Accumulate	between 6% and 12%
Hold	between 0% and 6%
Sell	0 to < 10%
Neutral	No Rating
Stock Recommendation	Expected absolute returns (%) over 12 months

Bloomberg Ticker for Stewart & Mackertich Research: SMIF<Enter>

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