

Short-term hiccups; Long-term faith intact

- Jamna Auto's Q4FY20 numbers beat our estimates. Net Revenue was Rs 2.37bn (-57% YoY), due to the slowdown in the CV segment and the Covid-19 lockdown. However, operating margin sharply rose sequentially (+247bps QoQ) to 11.8% due to fall in RM prices and better product mix (high replacement volume).
- JMNA has resumed operations at all its eight manufacturing locations from May 2020. The company has incurred a capex of Rs 1bn in FY20 and has deferred any further capacity expansion plan to control leverage. The net debt in FY20 was Rs1,521mn (vs Rs-198mn in FY19 and net DE ratio of 0.3 (vs 0 in FY19) at a comfortable level.
- We expect short-term demand for parabolic and lift axles to remain under pressure, due to the sharp fall in CV sales. However, revenue contribution from the aftermarket business is likely to help to protect margins. The company is primarily focusing on optimizing costs to protect margins.
- We forecast that the revenue/EBITDA will grow at 27/41% CAGR over FY21-23E, as we expect growth in the CV segment to revive after an uptick in economic activity. We recommend to Accumulate, with a TP of Rs35 (17x Sept 22E EPS).

Long term positive

JMNA's market share fell to 66% in FY20 (from 70% in FY19), due to the declining market share of its key client, Ashok Leyland. Although FY20 earnings were adversely affected by the sharp fall in CV volume, weaker product mix, and the shutdowns across the countries due to COVID-19, we expect demand recovery in the CV segment from FY22, with ease in liquidity, low channel inventory and pick-up in economic activities. The medium term catalysts are as follows - 1) pick-up in infrastructure, construction, e-commerce, and mining activities and 2) introduction of scrappage policy. As JMNA's facilities are located close to OEM plants, the company benefits from lower logistic costs, which makes it difficult for new entrants to garner market share from OEMs.

Q4FY20 Result (Rs Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	2,375	5,428	(56.2)	2,286	3.9
Total Expense	2,095	4,738	(55.8)	2,073	1.1
EBITDA	280	690	(59.4)	213	31.4
Depreciation	92	121	(24.3)	91	0.6
EBIT	188	569	(66.9)	122	54.3
Other Income	45	15	190.7	42	5.8
Interest	36	49	(25.5)	30	21.2
EBT	197	536	(63.3)	134	46.4
Tax	87	202	(57.1)	34	158.7
RPAT	111	334	(66.8)	102	9.0
APAT	111	334	(66.8)	102	9.0
			(bps)		(bps)
Gross Margin (%)	39.8	33.3	649	37.7	214
EBITDA Margin (%)	11.8	12.7	(93)	9.3	247
NPM (%)	4.7	6.1	(148)	4.5	22
Tax Rate (%)	44.1	37.7	639	25.0	1914
EBIT Margin (%)	7.9	10.5	(255)	5.3	259

CMP	Rs 29
Target / Upside	Rs 35 / 22%
BSE Sensex	33,561
NSE Nifty	10,116

Scrip Details

Equity / FV	Rs 398mn / Rs 1
Market Cap	Rs 12bn
	USD 152mn
52-week High/Low	Rs 56/Rs 21
Avg. Volume (no)	12,61,770
NSE Symbol	JAMNAAUTO
Bloomberg Code	JMNA IN

Shareholding Pattern Mar'20(%)

Promoters	48.9
MF/Banks/FIs	5.4
FII	8.6
Public / Others	37.0

Valuation (x)

	FY21E	FY22E	FY23E
P/E	31.8	17.0	11.8
EV/EBITDA	13.1	8.6	6.4
ROE (%)	6.9	12.0	15.7
RoACE (%)	7.6	11.9	14.6

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	8,640	11,127	13,903
EBITDA	955	1,430	1,904
PAT	363	679	981
EPS (Rs.)	0.9	1.7	2.5

Analyst: Abhishek Jain

Tel: +9122 40969739

E-mail: abhishekj@dolatcapital.com

Associate: Ketul Dalal

Tel: +91 22 4096 9770

E-mail: ketuld@dolatcapital.com

Exhibit 1: Actual vs DART Estimates

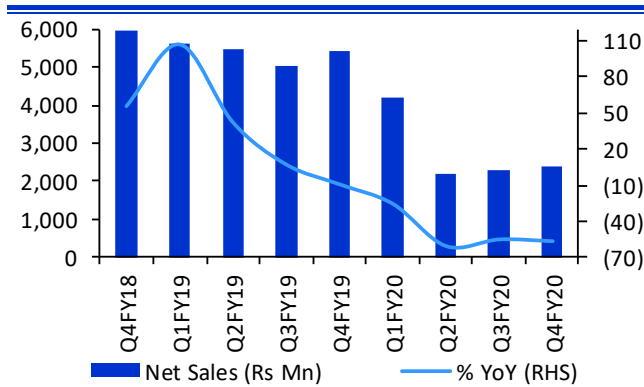
Particulars (Rsmn)	Actual	DART Est	Var (%)	Comments
Revenue	2,375	1,738	37%	Better performance of replacement segments
EBIDTA	280	112	149%	Margin expansion due to lower RM cost
EBIDTA Margin (%)	11.8	6.5	533bps	
APAT	110	16	573%	

Source: DART, Company

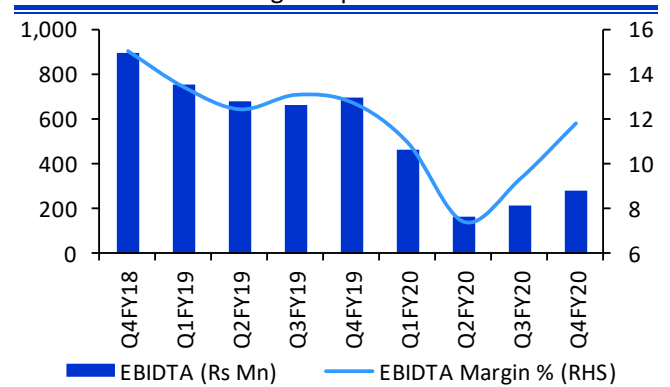
Exhibit 1: Change in Estimates

Particulars (Rsmn)	FY21E			FY22E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	8,640	9,552	(9.5)	11,127	11,633	(4.4)
EBITDA	955	810	18.0	1,430	1,377	3.9
EBITDA Margin (%)	11.1	8.5	258bps	12.9	11.8	102bps
PAT	363	266	36.4	679	657	3.2
EPS (Rs)	0.9	0.7	36.4	1.7	1.7	3.2

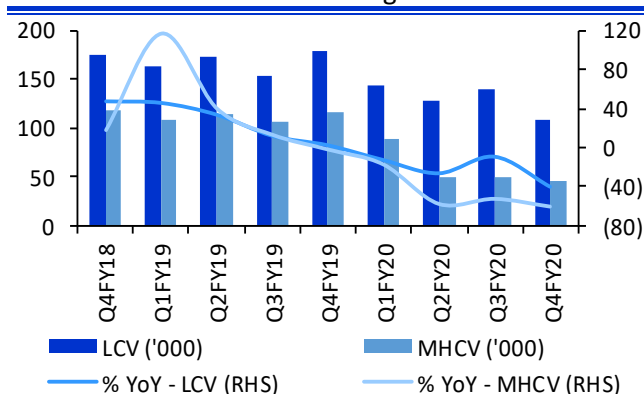
Source: DART, Company

Exhibit 2: Revenue declined on weak CV sales


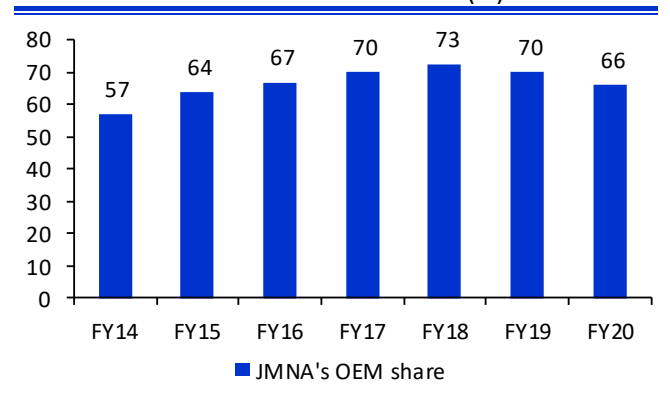
Source: DART, Company

Exhibit 3: EBITDA margin improved due to low RM cost


Source: DART, Company

Exhibit 4: Growth Rate of CV segment


Source: DART, Company

Exhibit 5: Jamna Auto's market share (%)


Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	11,290	8,640	11,127	13,903
Total Expense	10,148	7,685	9,697	11,999
COGS	7,123	5,184	6,877	8,620
Employees Cost	1,129	967	1,103	1,301
Other expenses	1,896	1,533	1,717	2,078
EBIDTA	1,141	955	1,430	1,904
Depreciation	414	441	471	518
EBIT	728	515	960	1,386
Interest	173	169	209	238
Other Income	161	141	160	170
Exc. / E.O. items	0	0	0	0
EBT	716	487	911	1,317
Tax	238	124	232	336
RPAT	479	363	679	981
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	479	363	679	981

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	398	398	398	398
Minority Interest	0	0	0	0
Reserves & Surplus	4,769	5,022	5,497	6,183
Net Worth	5,167	5,421	5,895	6,581
Total Debt	1,557	1,257	1,657	1,857
Net Deferred Tax Liability	285	306	330	357
Total Capital Employed	7,009	6,984	7,882	8,795

Applications of Funds

Net Block	3,687	4,446	4,876	4,857
CWIP	1,322	600	400	400
Investments	5	5	5	5
Current Assets, Loans & Advances	2,888	3,291	4,401	5,648
Inventories	1,300	994	1,189	1,524
Receivables	801	947	1,219	1,752
Cash and Bank Balances	36	258	836	1,145
Loans and Advances	450	779	828	883
Other Current Assets	301	313	329	345
Less: Current Liabilities & Provisions	892	1,359	1,799	2,115
Payables	379	829	1,219	1,524
Other Current Liabilities	513	530	580	591
	<i>sub total</i>			
Net Current Assets	1,996	1,933	2,602	3,534
Total Assets	7,009	6,984	7,882	8,796

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	36.9	40.0	38.2	38.0
EBIDTA Margin	10.1	11.1	12.9	13.7
EBIT Margin	6.4	6.0	8.6	10.0
Tax rate	33.2	25.5	25.5	25.5
Net Profit Margin	4.2	4.2	6.1	7.1
(B) As Percentage of Net Sales (%)				
COGS	63.1	60.0	61.8	62.0
Employee	10.0	11.2	9.9	9.4
Other	16.8	17.7	15.4	14.9
(C) Measure of Financial Status				
Gross Debt / Equity	0.3	0.2	0.3	0.3
Interest Coverage	4.2	3.1	4.6	5.8
Inventory days	42	42	39	40
Debtors days	26	40	40	46
Average Cost of Debt	21.5	12.0	14.4	13.6
Payable days	12	35	40	40
Working Capital days	65	82	85	93
FA T/O	3.1	1.9	2.3	2.9
(D) Measures of Investment				
AEPS (Rs)	1.2	0.9	1.7	2.5
CEPS (Rs)	2.2	2.0	2.9	3.8
DPS (Rs)	0.5	0.2	0.4	0.6
Dividend Payout (%)	40.0	25.0	25.0	25.0
BVPS (Rs)	13.0	13.6	14.8	16.5
RoANW (%)	9.3	6.9	12.0	15.7
RoACE (%)	10.5	7.6	11.9	14.6
RoAIC (%)	12.0	7.5	13.9	18.9
(E) Valuation Ratios				
CMP (Rs)	29	29	29	29
P/E	24.1	31.8	17.0	11.8
Mcap (Rs Mn)	11,545	11,545	11,545	11,545
MCap/ Sales	1.0	1.3	1.0	0.8
EV	13,066	12,544	12,366	12,258
EV/Sales	1.2	1.5	1.1	0.9
EV/EBITDA	11.4	13.1	8.6	6.4
P/BV	2.2	2.1	2.0	1.8
Dividend Yield (%)	1.7	0.8	1.5	2.1
(F) Growth Rate (%)				
Revenue	(47.1)	(23.5)	28.8	24.9
EBITDA	(58.8)	(16.3)	49.7	33.1
EBIT	(68.4)	(29.2)	86.4	44.4
PBT	(66.8)	(32.0)	86.9	44.6
APAT	(65.2)	(24.2)	86.9	44.6
EPS	(65.2)	(24.2)	86.9	44.6
Cash Flow				
(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	41	1,278	1,291	1,142
CFI	(1,023)	(478)	(700)	(500)
CFF	772	(578)	(13)	(334)
FCFF	(1,011)	800	591	642
Opening Cash	247	36	258	836
Closing Cash	36	258	836	1,145

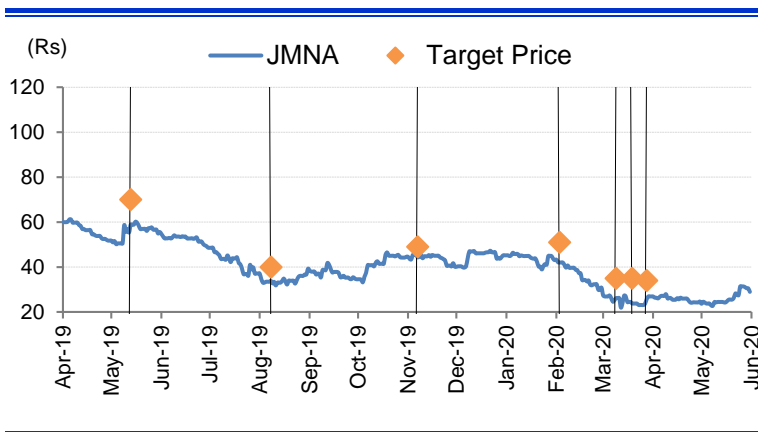
E – Estimates

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	70	59
Aug-19	Accumulate	40	34
Nov-19	Accumulate	49	44
Feb-20	Accumulate	51	42
Mar-20	Buy	35	26
Mar-20	Buy	35	24
Apr-20	Buy	34	26

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
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
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)**II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.

Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

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
