

# Shubh Nivesh



## Proxy infra play, high return ratios, inexpensive valuations...

**About the stock:** Jamna Auto Industries Ltd (JAI), headquartered in Delhi, is a manufacturer of suspension products primarily leaf & parabolic springs for Commercial Vehicles (largely M&HCV space). It has 10 Manufacturing plants spread across the country, each in close proximity to CV OEMs', with installed capacity of ~3,00,000 metric tonnes.

- FY23 sales product mix: Existing Products: 56%; New Products: 44%
- FY23 sales market mix: Existing Markets :80%; New Market:20%
- Counts all major CV OEM's as clients namely Tata Motors, Ashok Leyland, VECV, etc.

### Investment Rationale

- **Proxy play on infra led M&HCV cyclical recovery:** Domestic M&HCV industry has staged a remarkable recovery with industry sales volumes in FY23 pegged at 3.6 lakh units vs. a low of 2.25 lakh units clocked in FY20. Going forward with robust infrastructure spending by the government and revival in private capex cycle the industry is seen surpassing its pre-covid levels and record a new high in FY24E at ~4.0 lakh units. Jamna Auto is a key suspension product supplier to this space with industry leading market share and is expected to be an outsized beneficiary of the same. Going forward on a high base, we expect JAI to report sales CAGR of 15.1% over FY23-25E. With increasing share of parabolic springs, higher exports and aftermarket sales and operating leverage at play, we see EBITDA margins inching up to 13.6% mark in FY25E
- **Lakshay 50XT aimed at diversification, bodes well for growth longevity:** JAI has traditionally been a suspension product supplier to CV OEMs in India. Sensing the greater export and aftermarket opportunity as well as intent to de-risk its existing CV dependent business, JAI has chalked out an ambitious program i.e., Lakshay 50XT wherein its intent is to drive 50% revenues from new products (44% in FY23, 48% in Q1FY24; recently launched agriculture implements) & 50% revenue from new markets (20% in FY23, 21% in Q1FY24) by FY27E while clock 50% RoCE and go for 50% dividend pay-out in the similar timeframe. This will greatly help JAI diversify thereby reducing the inherent cyclicity at its base business and provide stable growth longevity.
- **Healthy return ratios & cash surplus B/S provide good margin of safety:** JAI has a highly capital efficient business model wherein it realises healthy  $\geq 25\%$  RoCE's (amidst  $\sim 3x$  asset turns, double digit EBITDA margins, controlled WC cycle), realises healthy positive Cash flow from operations (current CFO yield at  $\sim 6\%$ ) & has net cash positive B/S; thereby providing high margin of safety to our positive call on company.

### Rating and Target Price

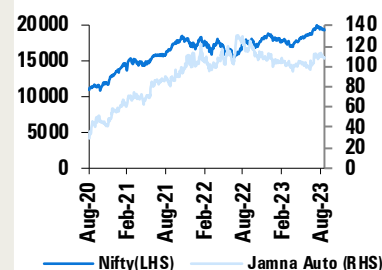
- We assign **BUY rating on Jamna Auto** tracking cyclical upswing in domestic CV space amidst robust infra spends by government and revival in private capex cycle, JAI's intent to diversify both in terms of products and markets, healthy financials in terms of 25%+ RoCE's & net cash positive B/S and inexpensive valuations (16x P/E on FY25E)
- We assign a **target price of ₹135** on Jamna Auto valuing it at 20x P/E on FY25E with muted commodity price outlook seen supporting margins in near to medium term



Particulars	
Particulars	₹ crore
Market capitalisation	4,303.6
Total Debt (FY23)	19.2
Cash & Investment (FY23)	56.5
EV (₹ crore)	4,266.3
52 week H/L (₹)	127 / 94
Equity capital (₹ crore)	39.9
Face value (₹)	1.0

Shareholding pattern				
	Sep-22	Dec-22	Mar-23	Jun-23
Promoter	50.0	50.0	50.0	50.0
FII	7.1	6.5	6.2	3.3
DII	13.4	14.5	15.1	14.6
Other	29.6	29.1	28.7	32.1

### Price Chart



### Recent Event & Key risks

- Company posted healthy Q1FY24 results with robust margin recovery
- **Key Risk:** (i) Slower than expected growth in topline over FY23-25E, (ii) adverse commodity prices limiting margin recovery going forward

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### Key Financial Summary

Key Financials	FY20	FY21	FY22	FY23	3 year CAGR (FY20-23)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	1,129.0	1,079.5	1,717.9	2,325.3	26.9%	2,677.9	3,078.7	15.1%
EBITDA	114.1	132.5	226.3	261.4	31.5%	356.2	418.7	26.6%
EBITDA Margins (%)	10.1	12.3	13.2	11.2		13.3	13.6	
Net Profit	47.9	73.0	140.8	168.4	51.4%	227.7	269.9	26.6%
EPS (₹)	1.2	1.8	3.5	4.2		5.7	6.8	
P/E	89.9	59.0	30.6	25.6		18.9	16.0	
RoNW (%)	9.3	12.6	20.6	21.5		25.0	25.4	
RoCE (%)	10.6	13.5	21.4	26.7		31.6	32.4	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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