Jamna Auto Industries

15 July 2021

Reuters: JMNA.NS; Bloomberg: JMNA IN

Initiating Coverage

Play on multi-year CV cycle; further re-rating potential

We initiate coverage on Jamna Auto Industries (JAI) with a Buy rating and a target price (TP) of Rs106. We have assigned 22x FY23E EPS, as we expect it to report a strong 49% earnings CAGR over FY21-FY24E, driven by: (1) A multi-year upcycle in the domestic Commercial Vehicles (CV) industry, which will directly benefit JAI due to its leadership position in the OEM market (2) Rising share of value-added products due to a structural shift from conventional springs to parabolic springs amid continued modernization (3) Opportunity to increase content per vehicle on the back of new launches (4) Focused efforts to increase the share of the replacement market to further diversify its sales mix. JAI, the largest leaf spring manufacturer in India, is an ideal play on the ongoing upturn in the CV cycle given its ~68% domestic OEM market share. Higher operating leverage going forward (as the utilization level accelerates) and an improved product mix (driven by value-added products & aftermarket revenues) will result in ~290bps margin expansion, driving a strong earnings growth over FY21-24E. We expect limited capex and strong FCF generation over the next 2-3 years. JAI has turned net debt free in FY21. Strong margin expansion and higher asset turns will be the key drivers of improvement in RoE/RoCE, which we expect to reach 31%/40% by FY24E. We assign Buy rating on JAI with a TP of Rs106 (22x FY23E EPS), with an upside of 22% from CMP.

Key beneficiary of a multi-year CV upcycle: We see strong multi-year CV upcycle over the next 2-3 years, driven by (1) a significantly low base (MHCV sales have fallen to FY04 levels) (2) government's thrust on infrastructure development and (3) strong pick-up in replacement demand on implementation of the scrappage policy. We note that the CV industry will see recovery from 2HFY22 post going through a tough phase over the last two years due to change in axles load norms, sluggish economic environment and Covid-19. We believe that JAI is well placed to reap the benefits of strong CV demand going forward due to its dominant position in the OEM market. We also note that tonnage growth usually outperforms volume growth during CV upcycle, which will drive higher content per vehicle and demand for value-added products like parabolic springs and lift axles. Over the past few years, JAI has outperformed the MHCV industry growth rate on the back of higher content per vehicle and value-added products.

Rising content and share of high-margin products to drive growth: Steady modernization in trucks is driving shift from conventional springs to more profitable parabolic springs (share of parabolic spring rose to ~27% in FY21 vs. 17% in FY15). Its products like lift axles and air suspensions, which are used more widely in western countries, are finding gradual acceptance in India as well, which augurs well for JAI. Apart from these products, JAI has planned launch of machining products in 2HFY22. Though this business will start small initially (rise in content/vehicle by Rs10k), we note that the opportunity size from these products remains large given that more than one ton of casting products go into making a truck. JAI is also planning to launch spring and axles allied components for the OEM market in FY23.

Focus on non-cyclical aftermarket: JAI's market share in the replacement market stands at ~15%. The aftermarket segment is dominated by unorganized players and our interactions with dealers suggest that the price gap between JAI and the unorganized players still remains ~15-20% as against earlier expectation of reduction post GST. To increase traction in the aftermarket, JAI has taken various initiatives like (1) expanding its distribution network (2) increased number of products (3) reduced lead time for supplies and digitalization, leading to better efficiency. These initiatives have already started yielding results (significantly better performance of aftermarket segment resulting in improvement in revenue share to ~28% in FY21).

Valuation: JAI's stock price has outperformed the broader indices over the past few months on the back of expectations of strong volume and earnings growth as the CV cycle picks up. The stock currently trades at ~18x FY23E EPS (avg PE ~19x). We expect the company to report strong 49% PAT CAGR over FY21-FY24E, led by ~30% sales CAGR and ~290bps margin expansion. We believe that the company deserves to trade at a premium given its leadership position and strong earnings outlook. We initiate coverage on JAI with a BUY rating and a TP of Rs106, based on 22x FY23E EPS

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*
EBITDA	1,141	1,325	1,736	2,886	3,580
EBITDA margin (%)	*10.1*	*12.3*	*12.4*	*14.7*	*15.2*
Adj PAT	479	730	1,072	1,936	2,421
EPS (Rs)	1.2	1.8	2.7	4.9	6.1
EPS growth (%)	*-65.2*	*52.4*	*47.0*	*80.5*	*25.0*
P/E (x)	72.4	47.5	32.3	17.9	14.3
EV/EBITDA (x)	31.7	26.0	19.7	11.7	9.2
P/BV	6.7	6.0	5.4	4.7	4.3
RoCE (%)	*14.1*	*15.6*	*21.8*	*36.1*	*40.1*
RoE (%)	*9.3*	*13.3*	*17.6*	*28.3*	*31.3*

Source: Company, Nirmal Bang Institutional Equities Research

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BUY

Sector: Automobile

CMP: Rs87

Target Price: Rs106

Upside: 22%

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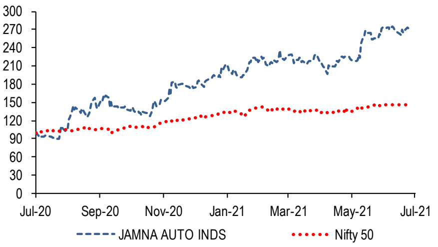
Key Data

Current Shares O/S (mn)	398.5
Mkt Cap (Rsbn/US$mn)	34.6/464.2
52 Wk H / L (Rs)	90/28
Daily Vol. (3M NSE Avg.)	1,846,827

Share holding (%)	4QFY21	3QFY21	2QFY21
Promoter	50.0	50.0	50.0
Public	50.0	50.0	50.0
Others	-	-	-

One -Year Indexed Stock Performance



Price Performance (%)

	1 M	6 M	1 Yr
Jamna Auto	1.0	36.1	190.6
Nifty Index	(0.1)	9.8	49.3

Source: Bloomberg

FY20 Annual Report

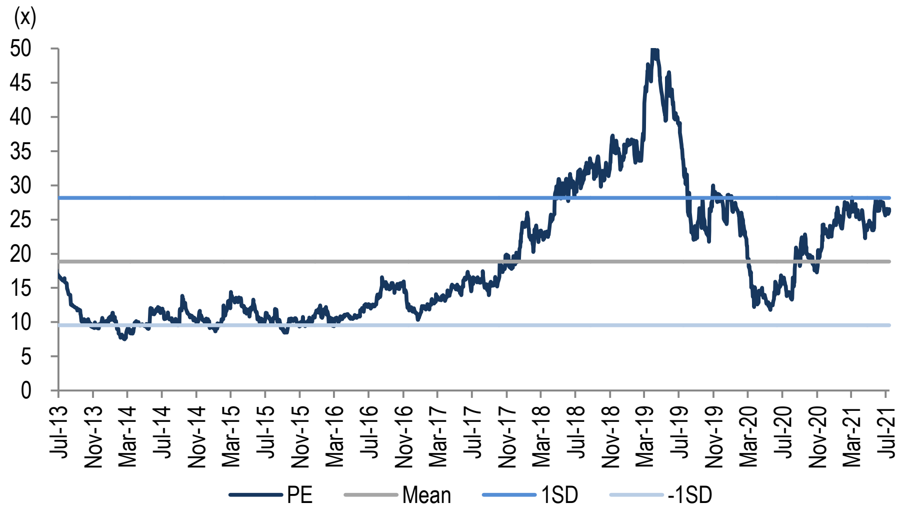
4QFY21 results

Investor presentation

Valuation/stock price performance

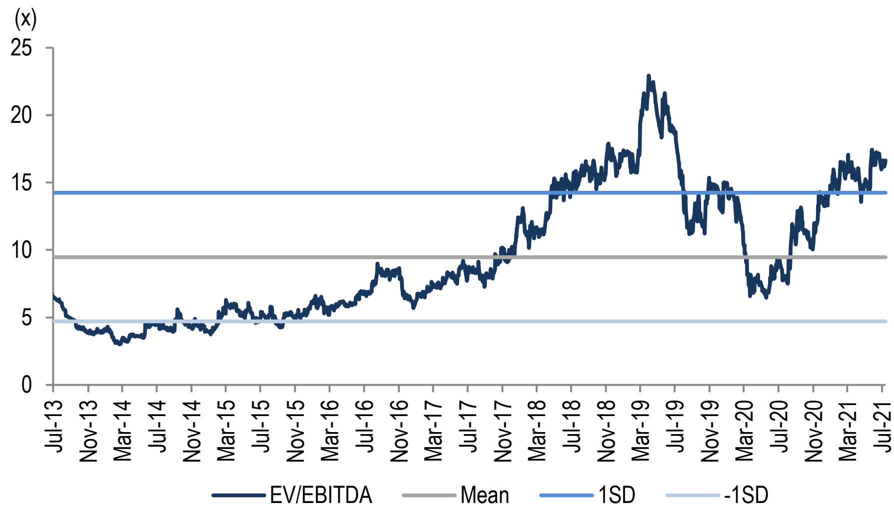
JAI's stock price has outperformed the broader indices over the past few months on the back of expectations of strong volume and earnings growth as the CV cycle picks up. We believe that the improving sentiment surrounding the CV industry will place JAI in a sweet spot as it will reap the benefits from having a large foothold in the OEM space. The stock currently trades at ~18x FY23E EPS compared to its avg PE of ~19x. We believe that the company deserves to trade at a premium given its leadership position, strong earnings outlook, steady diversification of revenue base (with increasing share of non-cyclical segments) and superior return ratios. We expect the company to continue to outperform the CV industry's growth and report strong 49% PAT CAGR over FY21-FY24E, led by ~30% sales CAGR and ~290bps margin expansion. We initiate coverage on JAI with a BUY rating and a TP of Rs106, based on 22x FY23E EPS, up ~22% from the current market price.

Exhibit 1: One-year forward P/E band



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 2: One-year forward EV/EBITDA band



Source: Bloomberg, Nirmal Bang Institutional Equities Research

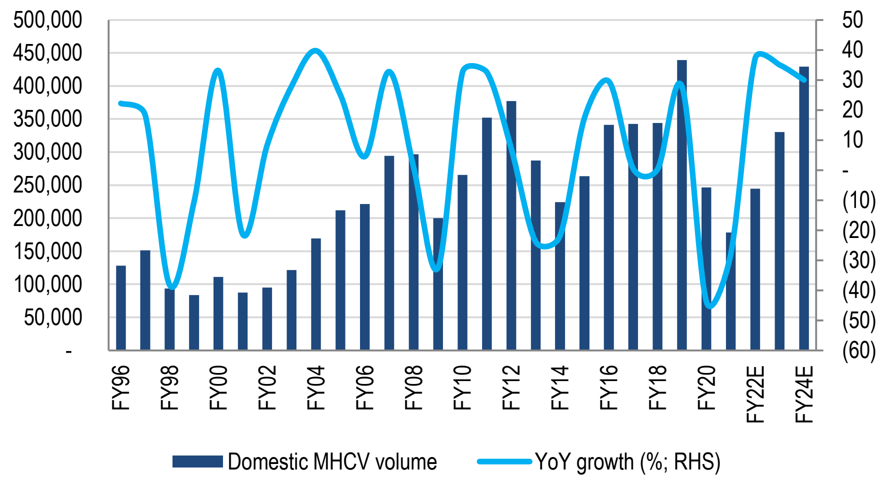
Investment Rationale

Key beneficiary of CV upcycle

Multi-year upcycle in CV industry

The domestic CV industry has gone through a tough phase over the last two years, starting with change in axle load norms in FY19, followed by sluggish economic growth in FY20, BS-VI transition and the Covid-led slowdown, further affecting CV sales in FY21. MHCV downcycle of FY19-21 was the sharpest in the last two decades with domestic MHCV sales in FY21 falling to the level last seen in FY04. However, CV sales have started to recover in 2HFY21 post easing of covid-induced restrictions. While LCV volumes witnessed a healthy recovery after mid-FY21 on the back of strong rural sentiments and rise in e-commerce activities, MHCV volumes have also seen a gradual pick-up, led by ICV and Tipper segments amid increased demand from Mining and Infrastructure sectors. We expect strong upcycle in the CV industry over the next 3 years, driven by (1) significantly low base (MHCV sales have fallen to FY04 level) (2) government's infrastructure investment push and (3) strong pick-up in replacement demand on implementation of the scrappage policy. We believe that these factors would lead to a multi-year CV upcycle, driven by an improvement in overall economic growth. We expect the domestic CV industry to post ~20-25% CAGR in volume growth over FY21-24E with a favorable MHCV mix, for which volume will rise at CAGR of ~30-35%.

Exhibit 3: Domestic MHCV industry volume growth

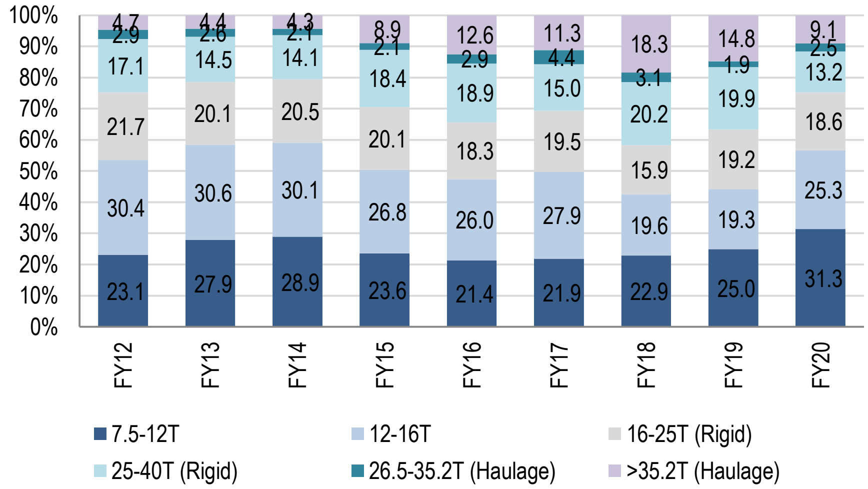


Source: SIAM, Nirmal Bang Institutional Equities Research

Tonnage growth outperforming volume growth augurs well for JAI

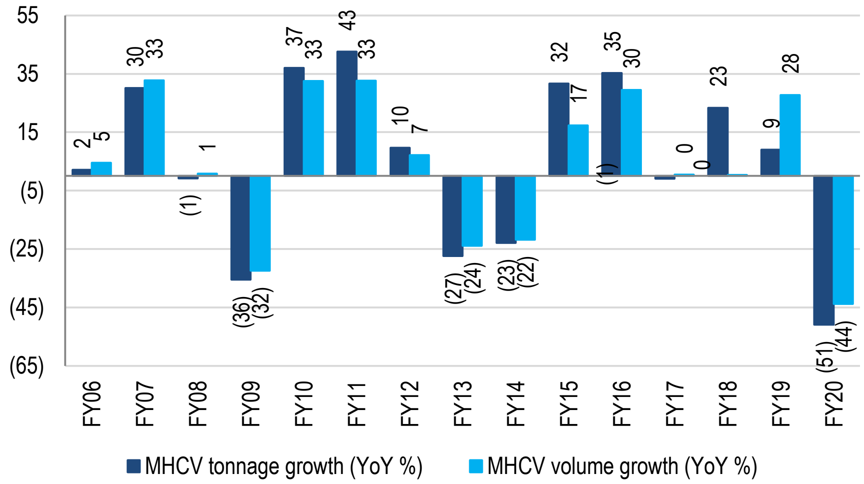
Post change in the axle load norms in July'18, the CV industry witnessed down-trading towards low tonnage trucks due to the increased load carrying capacity. Sluggish economic growth and Covid-19 further affected tonnage volume, where the decline was even sharper. Historically, CV upcycle has seen tonnage growth outperforming volume growth and we expect the same trend to continue going forward. Pick-up in economic activities, led by government's strong infrastructure investment push will likely drive demand for higher tonnage vehicles. JAI is one of the largest manufacturers of multi-leaf and parabolic springs and a market leader in domestic CV OEM market. Higher tonnage vehicles contain more springs compared to low tonnage vehicles, which combined with rising demand for non-conventional products like parabolic springs and lift axles augur well for JAI's growth in future. We note that most CV OEMs focus on reducing the weight of a vehicle and parabolic spring is one solution compared to a traditional spring as it is much lighter in weight compared to a traditional spring.

Exhibit 4: Trend in tonnage mix for MHCVs



Source: SIAM, Nirmal Bang Institutional Equities Research

Exhibit 5: Tonnage growth usually outperforms volume growth during CV upcycle

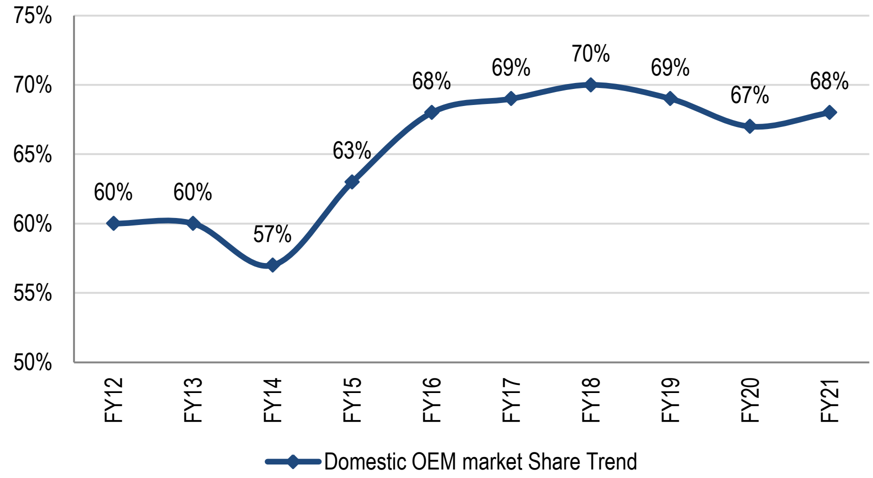


Source: SIAM, Nirmal Bang Institutional Equities Research

Dominant player in Leaf Spring OEM market; JAI to outperform industry growth

Leaf spring is an integral component in the suspension system of a CV. Domestic Leaf Spring OEM market is fairly concentrated with top two players controlling ~80% of the market. JAI's early mover advantage, economies of scale, persistent cost focus and longer time to market (~10-12 months) act as entry barriers due to which it has maintained market leadership in the domestic CV OEM segment. Its current market share is ~68% vis-à-vis ~60% in FY12.

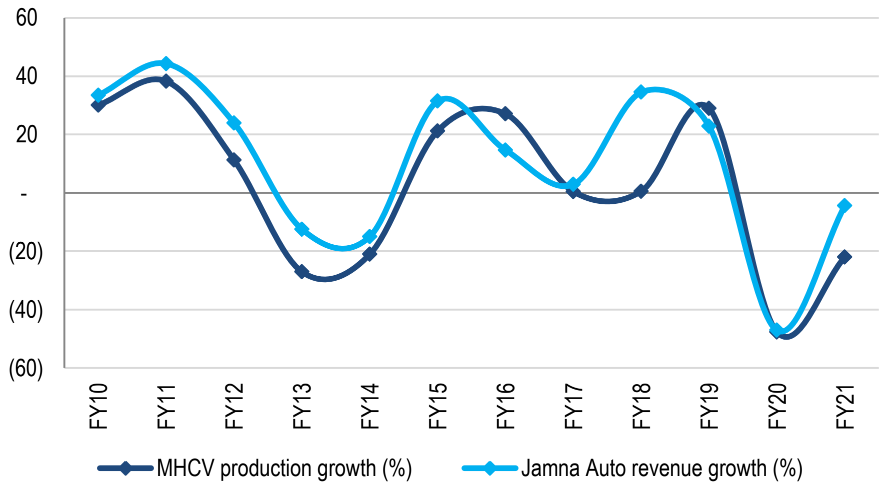
Exhibit 6: Trend in OEM market share for Leaf springs



Source: Company, Nirmal Bang Institutional Equities Research

We have factored in strong volume growth estimates for FY21-24E, considering the strong correlation between industry growth and the consequent OEM order inflow (~88% correlation). JAI, as a dedicated supplier to CVs, has strengthened its presence in India over the past few years and is increasingly reaping the benefits of the CV cyclical recovery that is underway. Further, its growing focus on the non-cyclical aftermarket space, both in local and overseas markets, will mitigate the impact of any future cyclical downturn. We also note that JAI's has generally outperformed the CV industry volume growth because of rising content per vehicle, driven by a better product mix and gradual shift in industry's preference for premium products. JAI's parabolic spring leafs are used by CV OEMs for higher tonnage vehicles, which drives better ASP and margins for the company. We thus expect JAI to continue to outperform the CV industry over FY21-24E (~30% revenue growth for JAI vs ~20-25% volume growth for the CV industry).

Exhibit 7: JAI has grown faster than the CV industry's volume growth

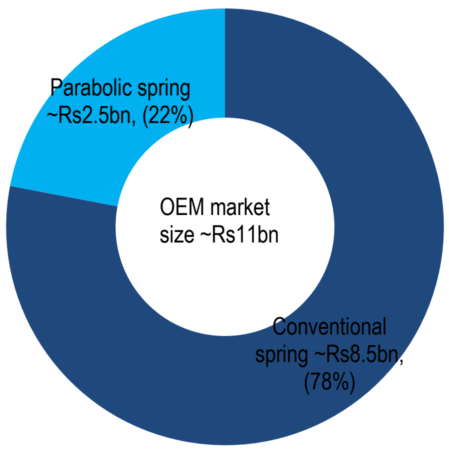


Source: SIAM, Company, Nirmal Bang Institutional Equities Research

Rising share of value-added products to drive growth

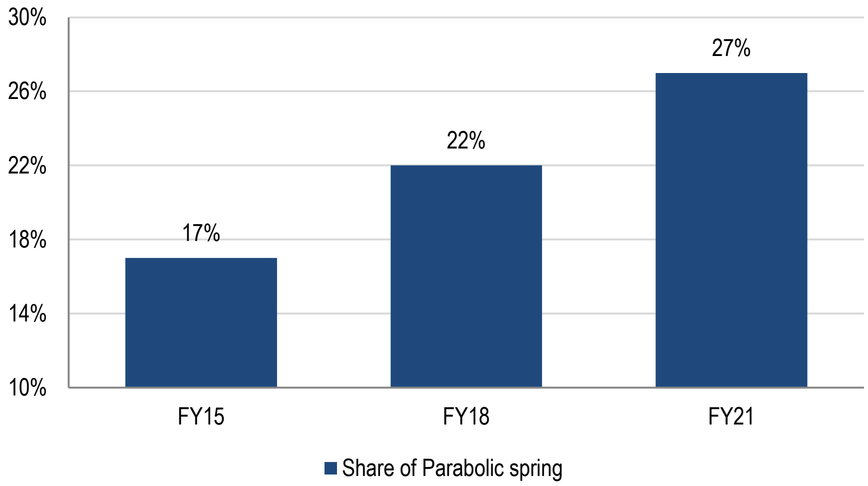
Steady modernization in trucks has driven the shift from conventional springs to parabolic springs. Compared to conventional leaf springs, parabolic springs are more durable, have lower vibration and better flexibility, thereby resulting in improved ride quality while at the same time reducing the weight of the vehicle (owing to fewer number of leaf layers). JAI was among the first companies to introduce parabolic leaf spring in India and enjoys higher pricing power due to its dominant market position. Thus, as the CV industry moves towards higher tonnage vehicles and as the modernization phase continues, JAI would continue to witness increased penetration of parabolic springs, which are much profitable than traditional springs. The company also had technology transfer agreement with Ridewell Corporation for design and manufacture of Air Suspension and Lift Axles. These products, which are used more widely in western countries, are finding gradual acceptance in India, which augurs well for JAI. The company aims to achieve revenue contribution of 33% from its new products in the medium term.

Exhibit 8: Industry's share of parabolic spring in FY21 stood at 22%....



Source: Industry, Nirmal Bang Institutional Equities Research

Exhibit 9: ...whereas it stands at 27% for JAI



Source: Company, Nirmal Bang Institutional Equities Research

The company has also introduced new products in the aftermarket segment, which includes springs & axles allied products, trailer suspensions products, stabilizer bars and Z springs. These new products will also help JAI to increase content per vehicle. The company is also developing new products (extralite spring) with technical support from Tinsley Bridge, UK. These products are in advanced stages of development.

JAI has invested Rs150mn on setting up a plant in Pant Nagar for the manufacture of machining products. It will supply to Ashok Leyland in small numbers initially from this plant. This will lead to rise in content per vehicle by Rs10k. We note that the opportunity size from these casting products is large given that more than 1ton of casting products go into making a truck. This plant is expected to start from 2HFY22. The company has also lined up a capex of Rs500mn for building a plant in Indore for the manufacture of springs and axles allied products in the OEM market. This plant is expected to be operational from FY23.

Recent product launches in aftermarket

Upcoming product launches

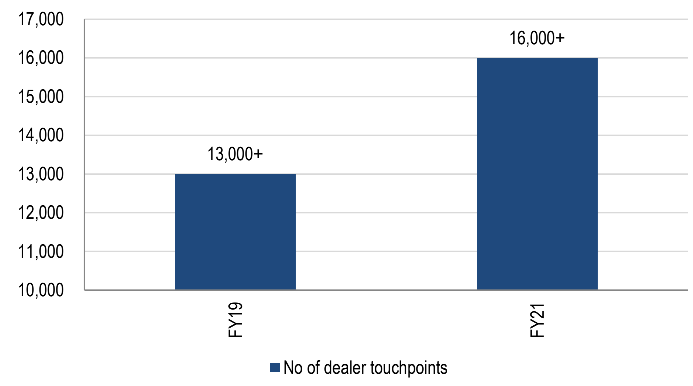
De-risking OEM dependence by focusing on non-cyclical aftermarket segment

Unlike the OEM market, the aftermarket segment for leaf springs in India is highly fragmented with small and unorganized players controlling major share of this market. Most of the aftermarket demand is met through replacement of loose leaves on account of regular wear & tear of springs. *Our interaction with dealers suggests that the replacement cycle for springs varies between 1 and 2 years depending on the level of overloading and driving condition*. Thus, the replacement market offers sizable growth opportunity. In our estimate, the size of springs aftermarket would likely be ~Rs25-30bn.

JAI is making focused efforts for market diversification to increase its presence in the aftermarket segment given the higher growth opportunity there. Post the implementation of GST, the price difference between organized and unorganized sector products was expected to reduce (gap of ~15%), driving a shift towards organized players who have the benefit of quality and economies of scale. However, *our interaction with dealers suggests that the current price gap between JAI and other unorganized players continues to remain high (~15% price gap)*. JAI's current share in the aftermarket is ~15% (largest in the organized market).

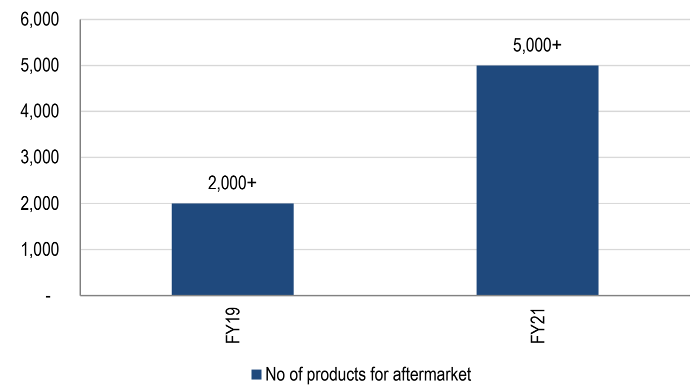
Over the last two years, JAI has taken various initiatives like (1) expanding its distribution reach (added 3,000+ touchpoints). (2) increased no of products in the aftermarket segment (from 2,000+ in FY19 to 5,000+ in FY21) (3) reduced lead time of supplies to dealers and retailers and (4) digitization of entire after-market operation, leading to better efficiency. We believe that the company's rapidly expanding network and product portfolio will allow JAI to gain aftermarket share in the medium term.

Exhibit 10: Number of dealer touch points



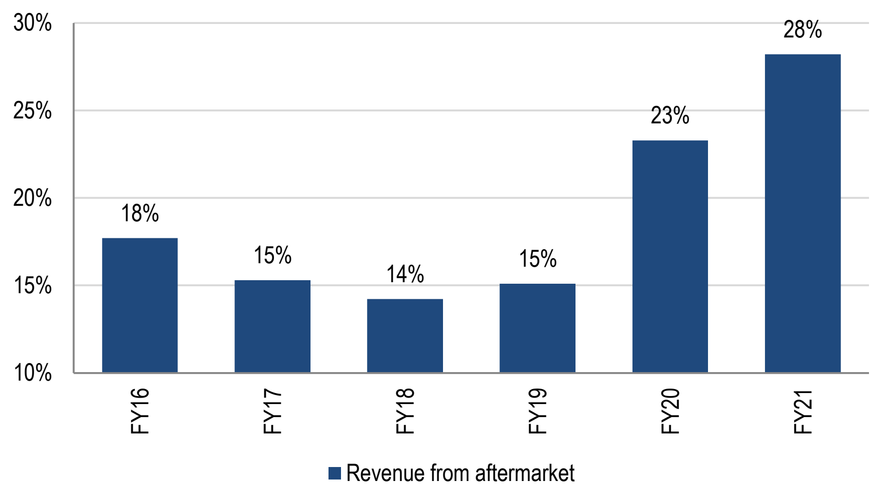
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Number of products offered in after market



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Revenue share from aftermarket



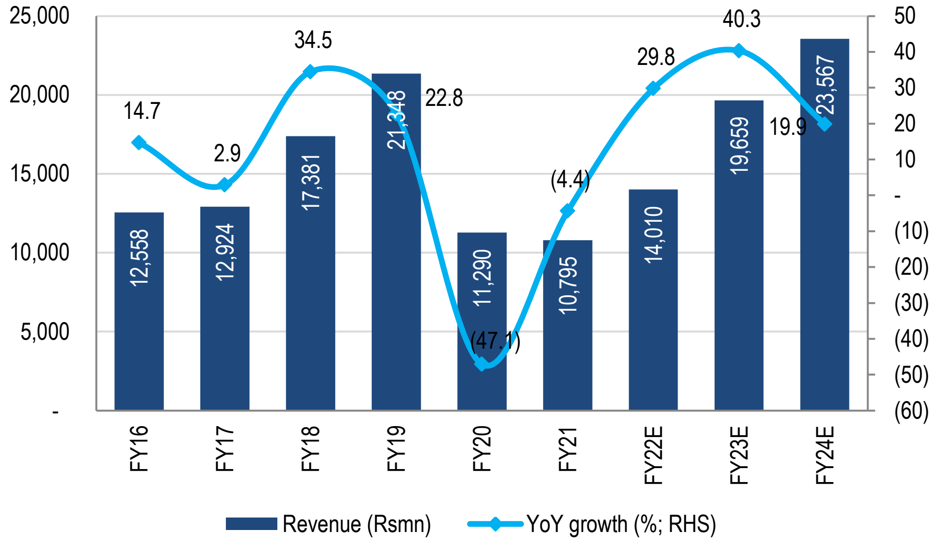
Source: Company, Nirmal Bang Institutional Equities Research

Financial analysis

Expect robust revenue growth over FY21-24E

JAI witnessed muted revenue growth over FY19-21 on the back of a sharp downturn in the CV cycle. OEM demand has started to recover and we expect a multi-year upcycle for CVs (on a low base), led by healthy growth in MHCVs. Improvement in product mix, the recent new product launches and higher after-market sales will further drive growth. We estimate ~29.7% CAGR in JAI's revenue over FY21-24E.

Exhibit 13: Revenue to growth at ~30% CAGR over FY21-24E



Source: Company, Nirmal Bang Institutional Equities Research

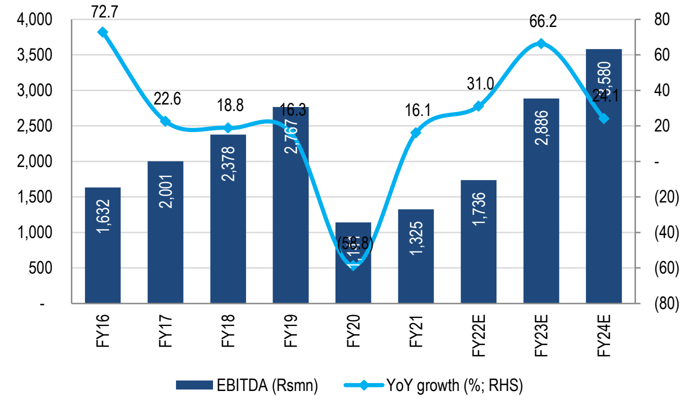
Margin expansion to drive earnings growth

Given the cyclical nature of the business, EBITDA margin has been volatile historically. We note that the 220bps improvement in EBITDA margin in FY21 was largely, led by higher gross margin on the back of higher mix of value-added products and aftermarket revenue. JAI is also working to reduce its fixed cost and thus the breakeven point (BEP), with cost rationalization initiatives (employee and other expenses). However, a steep rise in steel prices over the last 6-9 months will likely affect gross margin in the near term. Overall, we expect EBITDA to grow at 39% CAGR and expect EBITDA margin to expand by 290bps over FY21-24E on the back of better operating leverage, improved value mix and cost rationalization, partially offset by higher RM prices.

We believe that improving share of parabolic springs, increase in content per vehicle on the back of higher share of value-added products and new launches (spring and axles allied products and upcoming launch of machining products) and continued focus on increasing the share of aftermarket revenue will drive structural improvement in margins going forward.

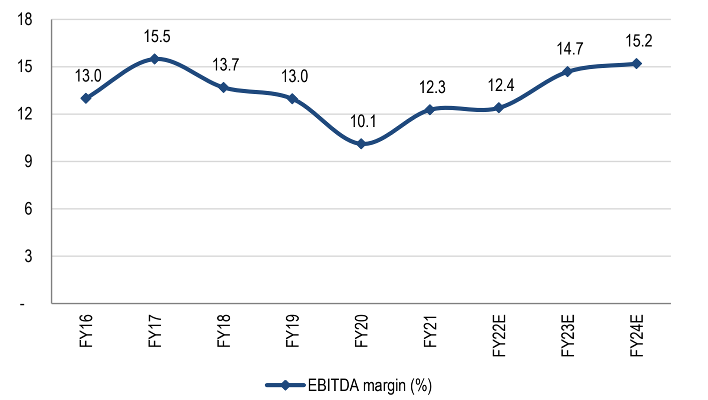
We expect negligible interest cost going forward as the company is largely debt free now. We expect PAT CAGR of ~49% over FY21-FY24E.

Exhibit 14: EBITDA to grow at ~39% CAGR over FY21-24E…



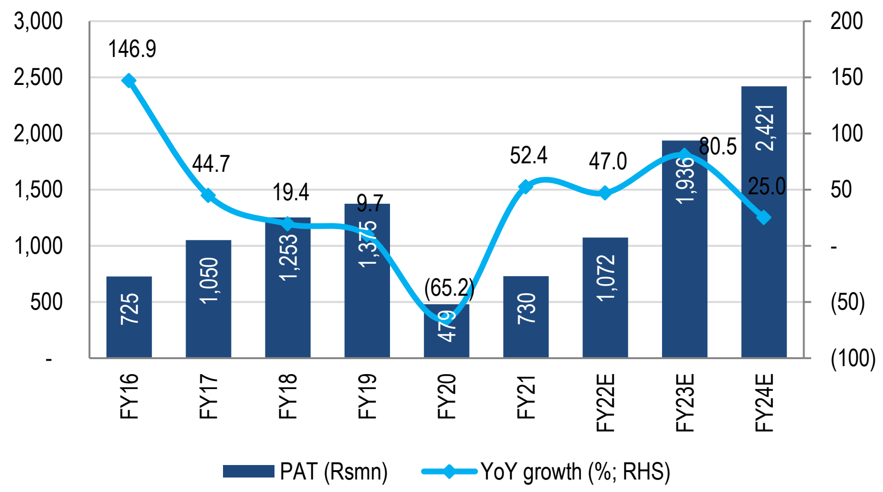
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15:…leading to 290bps margin expansion



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: PAT to grow at ~49% CAGR over FY21-24E



Source: Company, Nirmal Bang Institutional Equities Research

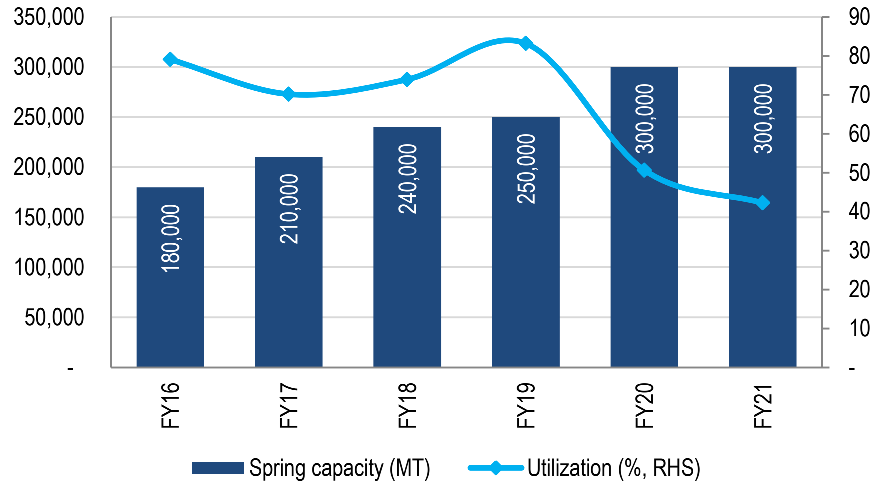
Capex and utilization levels

JAI currently has springs capacity of 3L MT and does not require any new capacity addition over the next 3 years. Utilization level in FY21 stood at ~45% and the focus going forward will be on sweating assets.

It plans to incur a capex of Rs500mn (Rs300mn already incurred) towards setting up a manufacturing capacity in Indore for Spring and Axles allied products for the OEM market. This plant is expected to be operational from FY23.

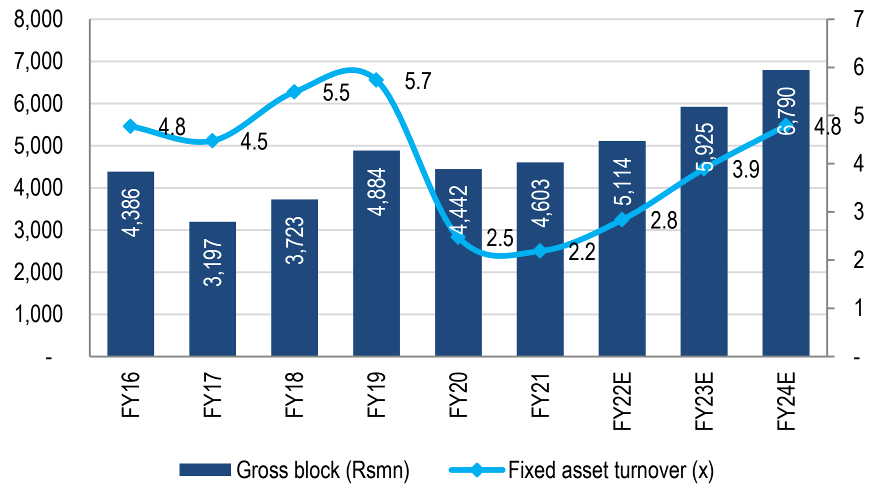
JAI is also incurring a capex of Rs150mn towards a machining plant at Pant Nagar, Uttarakhand, from which it expects to start supplies to Ashok Leyland in small numbers. This plant is likely to be operational from 2HFY22. Capex for the proposed expansion plant at Adityapur (Jharkhand) has been deferred.

Exhibit 17: Capacity utilization declined over last 2 years on CV downturn



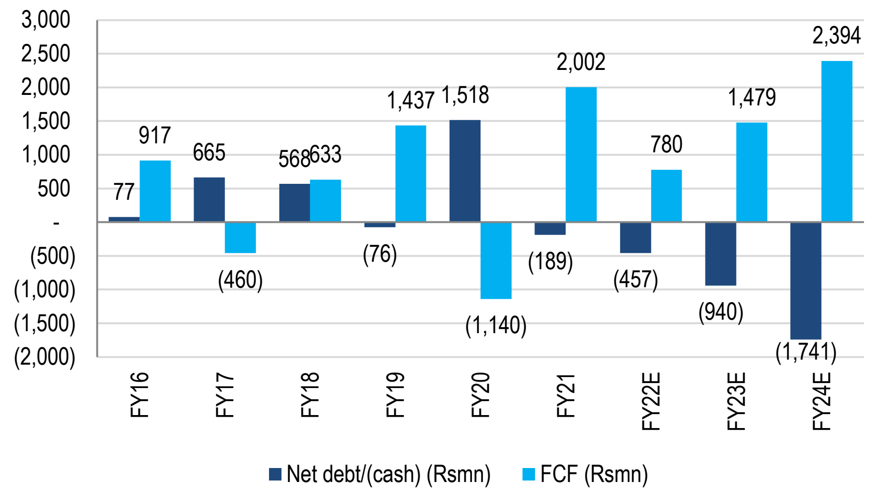
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Strong growth will drive asset utilization going forward



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Strong FCF generation; Net debt turns negative



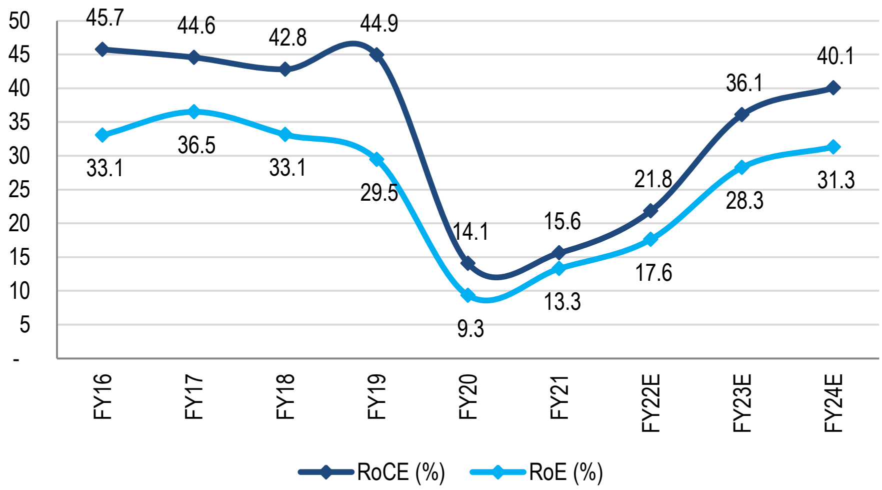
Source: Company, Nirmal Bang Institutional Equities Research

Sharp recovery in return ratios

During the previous CV upcycle, JAI had reported healthy return ratios, beating its internal target of 33% RoCE. However, with muted demand environment and Covid-19-led slowdown, return ratios declined sharply amid lower asset utilization and lower margins.

However, we expect a strong margin improvement from here on and further rise in asset turns to be the key drivers of improvement in RoE/RoCE.

Exhibit 20: Return ratios to recover on improvement in asset turns



Source: Company, Nirmal Bang Institutional Equities Research

Outlook & Valuation

JAI's stock price has outperformed the broader indices over the past few months on the back of expectations of strong volume and earnings growth as the CV cycle picks up. We believe that the improving sentiment surrounding the CV industry will place JAI in a sweet spot as it will reap the benefits from having a large foothold in the OEM space. The stock currently trades at ~18x FY23E EPS compared to its avg PE of ~19x. We believe that the company deserves to trade at a premium, given its leadership position, strong earnings outlook, steady diversification of revenue base with increasing share of non-cyclical segments and superior return ratios. We expect that the company will continue to outperform the CV industry's growth and report strong 49% PAT CAGR over FY21-FY24E, led by ~30% sales CAGR and ~290bps margin expansion. We initiate coverage on JAI with a BUY rating and a TP of Rs106, based on 22x FY23E EPS, giving an upside of ~22% on the CMP.

Exhibit 21: One-year forward P/E band

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 22: One-year forward EV/EBITDA band

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Key risks to our thesis

- **Slower-than-expected recovery in CV cycle:** The cyclical nature of the CV business has led to significant volatility in the company's financial performance historically. Hence slower than expected recovery in CV cycle will be a risk to our estimates. However, the company has worked on mitigating this risk by focusing on (1) increasing traction of non-cyclical aftermarket business and (2) lowering the break-even utilization level by exerting tight control on fixed costs.
- **Client concentration:** Tata Motors and Ashok Leyland together form ~52% of the total revenue (although down from ~65% in FY18). Nevertheless, JAI has been focusing on increasing the share of aftermarket revenue to diversify its client concentration. Consolidated nature of the MHCV industry restricts JAI's ability to de-risk from client concentration.

Quarterly results analysis

- In 4QFY21, JAI benefitted from the improvement in product mix and strong YoY growth in CV sales (due to a low base).
- The company reported a ~104% YoY & 41% QoQ growth in revenues to Rs4.8bn. Strong growth in the CV industry and higher sales of parabolic springs drove strong growth.
- EBITDA margin expanded by 310bps YoY & 10bps QoQ despite a sharp increase in raw material costs. Higher operating leverage and cost rationalization efforts drove EBITDA margin higher. Absolute EBITDA at Rs721mn grew by a strong ~158% YoY.
- Interest cost was lower YoY on repayment of debt during the year.
- PAT at Rs475mn grew by 3x YoY on a low base, driven by strong revenue growth led margin expansion.

Exhibit 23: JAI's quarterly financials

Y/E March (Rsmn)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	*QoQ (%)*	*YoY (%)*	FY20	FY21	*YoY (%)*
Net revenues	2,375	652	1,866	3,433	4,844	*41.1*	*104.0*	11,290	10,795	*(4.4)*
Raw material costs	1,429	359	1,094	2,070	3,057	*47.7*	*114.0*	7,123	6,580	*(7.6)*
Staff costs	245	206	243	333	335	*0.5*	*37.0*	1,129	1,118	*(1.0)*
Other expenses	422	159	363	519	731	*40.8*	*73.4*	1,896	1,772	*(6.6)*
Total expenditure	2,095	725	1,699	2,923	4,123	*41.1*	*96.8*	10,148	9,470	*(6.7)*
EBITDA	280	-72	166	510	721	*41.4*	*157.5*	1,141	1,325	*16.1*
EBITDAM (%)	*11.8*	*(11.0)*	*8.9*	*14.8*	*14.9*	*10bps*	*310bps*	*10.1*	*12.3*	*220bps*
Depreciation	92	78	82	97	99	*2.0*	*8.4*	414	356	*(14.0)*
Interest costs	36	21	13	12	15	*26.5*	*(58.5)*	173	59	*(65.6)*
Other income	45	8	47	14	30	*112.5*	*(32.8)*	161	99	*(38.5)*
PBT	197	-163	119	415	636	*53.5*	*223.6*	716	1,009	*40.8*
Tax	86	-35	39	115	161	*40.8*	*86.9*	238	279	*17.5*
Reported net profit	110	-128	80	300	475	*58.4*	*330.6*	479	730	*52.4*
NPM (%)	*4.6*	*(19.5)*	*4.3*	*8.7*	*9.8*	*110bps*	*520bps*	*4.2*	*6.8*	*260bps*
EPS (Rs)	0.3	(0.3)	0.2	0.8	1.2	*58.4*	*330.6*	1.2	1.8	*52.4*

Metrics									
RM as % sales	*60.2*	*55.0*	*58.6*	*60.3*	*63.1*	*280bps*	*290bps*	*63.1*	*61.0*
EC as % sales	*10.3*	*31.6*	*13.0*	*9.7*	*6.9*	*(280bps)*	*(340bps)*	*10.0*	*10.4*
OE as % sales	*17.8*	*24.4*	*19.5*	*15.1*	*15.1*	*-*	*(270bps)*	*16.8*	*16.4*
Depreciation as % sales	*3.9*	*12.0*	*4.4*	*2.8*	*2.1*	*(80bps)*	*(180bps)*	*3.7*	*3.3*
Gross margin	*39.8*	*45.0*	*41.4*	*39.7*	*36.9*	*(280bps)*	*(290bps)*	*36.9*	*39.0*
EBITDA margin	*11.8*	*(11.0)*	*8.9*	*14.8*	*14.9*	*10bps*	*310bps*	*10.1*	*12.3*
Net margin	*4.6*	*(19.5)*	*4.3*	*8.7*	*9.8*	*110bps*	*520bps*	*4.2*	*6.8*
Tax rate (% of EBT)	*43.9*	*21.8*	*32.6*	*27.6*	*25.3*	*(230bps)*	*(1850bps)*	*33.2*	*27.7*

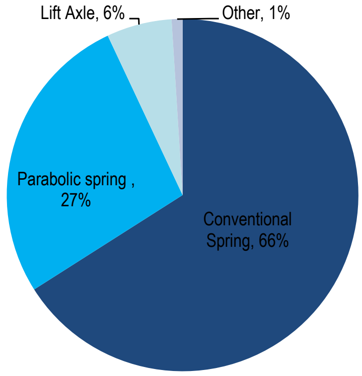
Source: Company, Nirmal Bang Institutional Equities Research

Company background

JAI is the largest manufacturer of tapered leaf and parabolic springs for CVs in India and one of top two leaf spring manufacturers with an annual production capacity of 300,000 MTPA, spread across eight locations in India. The company has developed a strong distribution network, comprising 16,000+ touchpoints throughout the country to support the growing domestic aftermarket demand. It supplies over 300+ components to OEMs and ~5,000+ components in the aftermarket segment.

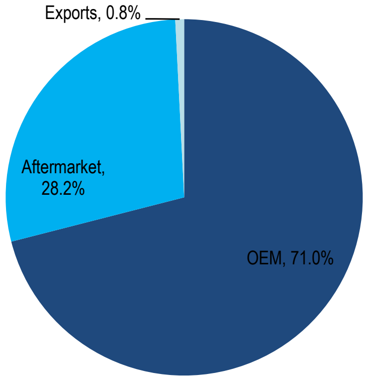
JAI has been a pioneer in leaf and parabolic springs in India and has tied up with Ridewell Corporation, USA for the design and manufacture of air suspensions and lift axles. The company also has Technology Transfer and Technical Assistance Agreement with Tinsley Bridge Limited, UK for the transfer of TBL's Extralite Spring Technology and Special Steel Technology to the company.

Exhibit 24: Revenue mix by products (FY21)



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 25: Revenue mix by market (FY21)



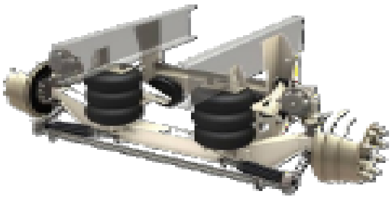
Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 26: JAI is one of the largest manufacturers of leaf springs globally

Leaf spring manufacturer	Base country	Capacity(mt)
Jamna Auto Industries	India	300,000
Rassini	Mexico	250,000*
Hendrickson	Canada & Mexico	216,000*
NHK Springs Co.	Japan & Thailand	150,000*
Dong Feng	China	105,000*
FAW	China	100,000*
MBHA	Spain	60,000*
Olgen	Turkey	40,000*
LPDN	Europe	26,500*

*Source: Company, Nirmal Bang Institutional Equities Research; *capacity as on 2019*

Exhibit 27: Brief description on key products

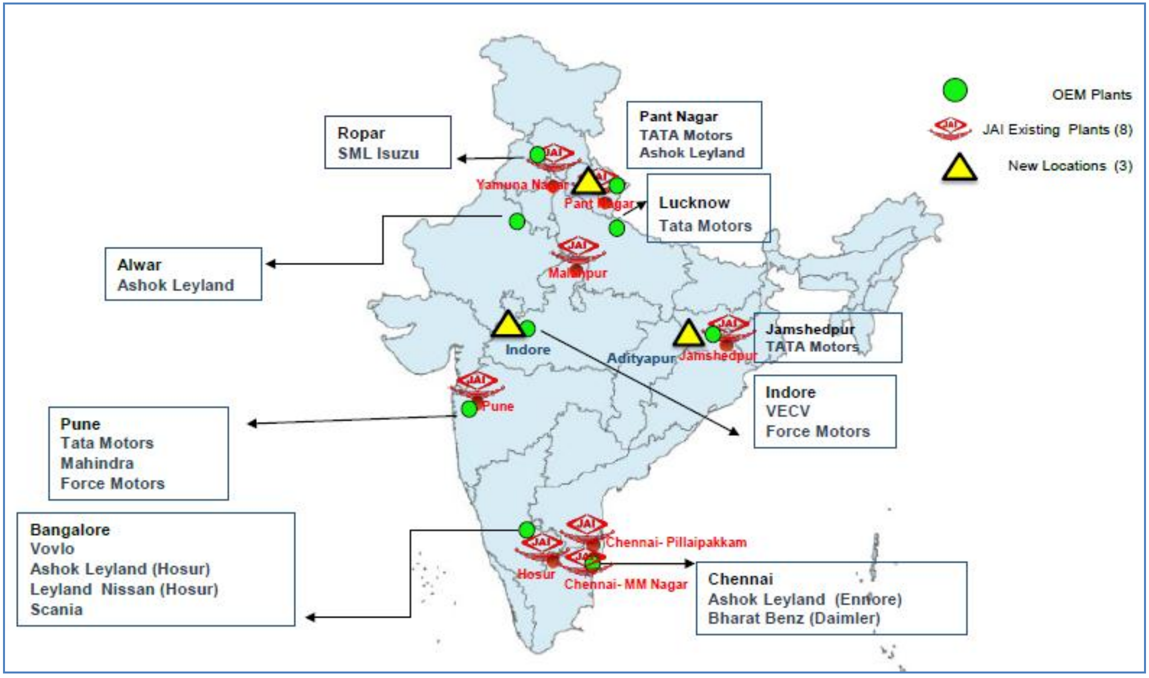
Product	Image	Description
Multileaf Spring		A Multileaf spring is a stack of steel leaves held together with a centre bolt. The number of leaves in a stack will directly affect the spring's capacity or load rate. They provide higher spring rates for bumps and lesser rates for rebounds, which are both useful in supporting and controlling a vehicle's axle wrap-up.
Parabolic Spring		A leaf or a set of leaves which are tapered in a parabolic curve rather than a linear. Each leaf in a parabolic spring is tapered to be thicker at the center and slowly thins out towards the ends. The main advantages of this spring is improved ride quality, weight reduction, capable of handling increased stress levels and reduced inter-leaf friction for longer fatigue life.
Lift Axle		Lift axle suspensions use air bags to carry weight, and either air bags or steel springs to raise the axle when it's not needed. This improves fuel economy, and reduces maintenance and tyre wear, although it increases road wear. A lift axle can be mounted on the truck, the trailer or both and is commonly found on tanker-style trucks as well as trucks used to haul over-sized loads.
Air Suspension		Air suspension is used in place of conventional steel springs, largely in heavy vehicle applications such as buses and trucks. The purpose of air suspension is to provide a smooth, constant ride quality.

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 28: JAI's customers - supplies to all the leading domestic OEMs

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 29: JAI's manufacturing facilities - located in the vicinity of its OEM customers



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 30: Top five institutional shareholders of Jamna Auto

Name	Holding (%)
L&T Mutual Fund	2.56
Invesco Asset Management India Pvt	1.62
ICICI Prudential Asset Management	1.29
UTI Asset Management Co Ltd	1.26
IDFC Mutual Fund	0.91

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials

Exhibit 31: 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	15	-	-
Depreciation	414	356	398	453	531
Profit before tax (before x/o)	716	1,009	1,432	2,585	3,233
Exceptional items	-	-	-	-	-
Tax	238	279	360	649	812
Adj PAT	**479**	**730**	**1,072**	**1,936**	**2,421**
% Growth	***(65.2)***	***52.4***	***47.0***	***80.5***	***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*	*47.0*	*80.5*	*25.0*
DPS (Rs)	0.4	0.3	1.3	2.5	4.0
Payout (incl. div. tax) (%)	*39.9*	*13.6*	*46.4*	*51.4*	*65.8*

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 32: Cash flow

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Profit/(loss) before tax	716	1,009	1,432	2,585	3,233
Finance cost	173	59	15	-	-
Depreciation & amortization	414	356	398	453	531
Direct taxes paid	(183)	(174)	(501)	(649)	(812)
(Inc.)/dec. in working capital	(1,080)	814	16	(334)	(276)
Other/extra-ordinary Items	-	-	-	-	-
CF from operations (after E/O)	**40**	**2,063**	**1,360**	**2,055**	**2,675**
Capital expenditure (-)	(1,299)	(209)	(553)	(516)	(208)
Other investing activites	119	147	(28)	(61)	(73)
Free cash flow	**(1,140)**	**2,002**	**780**	**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)	(15)	-	-
Others	(91)	(135)	0	0	0
CF from financial activities	**929**	**(1,508)**	**(853)**	**(995)**	**(1,593)**
Opening cash balance	246	36	530	457	940
Closing cash balance	35	530	457	940	1,741
Change in cash balance	(211)	494	(73)	483	801

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 33: Balance sheet

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Share capital	398	398	398	398	398
Reserves	4,769	5,402	5,976	6,917	7,745
Net worth	**5,167**	**5,800**	**6,375**	**7,315**	**8,143**
Total debt	1,381	201	-	-	-
Other non-current liab & prov	382	292	310	331	353
Net deferred tax liability	(28)	78	(64)	(64)	(64)
Capital employed	**6,904**	**6,370**	**6,621**	**7,582**	**8,433**
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	457	940	1,741
Loans & advances	9	-	-	-	-
Other current assets	292	439	483	579	695
Total current assets	2,437	3,622	3,893	4,587	6,112
Creditors	379	1,847	2,163	1,991	2,385
Other current liab & prov	592	547	433	462	493
Total current liabilities	970	2,395	2,596	2,453	2,878
Net current assets	1,467	1,227	1,297	2,134	3,235
Application of funds	**6,904**	**6,370**	**6,621**	**7,582**	**8,433**

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 34: 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	47.0	80.5	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	46.4	51.4	65.8
Valuation (x)					
P/E	72.4	47.5	32.3	17.9	14.3
Cash P/E	38.8	31.9	23.6	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	40.1
RoE	9.3	13.3	17.6	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

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