



Farsight

MORNING FARSIGHT

Friday, September 14, 2018

JAMNA AUTO

CMP:RS 81

TRGT:RS 100

TIME HORIZON: 1 YEAR

Jamna Auto seeing more than 5x spurt in volumes seen on BSE in Wednesday's trading session, is looking a good buy, with company being key beneficiary of sustainable growth in CV industry, coupled with gradual shift towards high tonnage vehicles. Jamna Auto is India's largest and world's second largest manufacturer of tapered leaf springs and parabolic springs for automobiles (mainly CVs), with —72% market share and RoE of over 30%, and derives more than 70% revenue from Ashok Leyland, Tata Motors and Daimler India. Ashok Leyland has achieved volume growth of 28% YoY and 15% MoM, while Tata Motors achieved volumes growth 26% YoY, M&M's CV sales were up 25% YoY and Eicher's (VECV) sales are up 33% YoY. It is clearly evident that the CV industry is growing at a rapid pace and it will re-rate anything and everything catering to the sector. Further, Jamna Auto has recently launched Project Lakshya —targeting 33% Revenue from new products, 33% RoCE, 33% Dividend Payout, 33% revenue from new market. Further, company already having 9 manufacturing facilities, with capacity utilizations having reached over 90% in light of rising demand, company is taking Rs 650 cr of capex and its two new plants are coming up at Jamshedpur and Indore. Jamna Auto is one of the key beneficiaries of the shift in CV demand towards high-tonnage vehicles (Parabolic Springs and Lift Axle will witness enhanced demand, resulting in higher margins and realizations). Financials of Jamna Auto are robust and showcase classic case of long term wealth creator attributes with Market Leadership, Sectoral Tailwind, High RoE, High EBITDA Margin, Debt Free Balance-sheet, FY18 PAT growth 19 %, Income growth 25 % , Capacity Expansion from Internal Accruals and De-Risking business. Company has also recently entered into a Technology Transfer and Technical Assistance Agreement with Tinsley Bridge Limited, UK for transfer of TBL's Extralite Spring Technology and Special Steel Technology to the company. In Q1FY19, Company reported Revenue growth 100% YoY, EBITDA 146% YoY, PAT growth 130% YoY, with an EPS of Rs 1.01. On an estimated FY19 Income of Rs 2,100 cr, EBITDA of Rs 340 cr (Q1FY19 EBITDA Rs 80 cr) and EPS of Rs 4.8, stock is trading at EV/Sales of 1.6x, EV/EBITDA of 10.3x and PE of 17x, which are seen attractive, given the significant business moat of the company and the huge opportunity that lies ahead in FY19-20, with CV growth, BS VI pre buying and upcoming scrappage policy. Share ruling at Rs 81 can move to Rs 100 in 1 year.

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.