

On a strong growth trajectory

- JBM Auto printed a remarkable performance in 4Q. **Net revenue jumped 44% YoY and 31% QoQ to Rs.10.72bn led by 119% QoQ growth in the OEM business (Bus division), 14% in component business**, partially offset by 15% de-growth in the tooling division. Despite the commodity inflation, the company reported strong margin at 11.5% led by operating leverage and cost cutting measures.
- OEM/Bus division** we foresee better performance in the bus division to continue in the coming year on the back of a strong order book of 1500+ buses and potent demand of Electric buses. Currently, 5 STUs along with Convergence Energy Services Ltd (CESL) have announced their intent to float tenders for a total of over 12,000 buses. We believe JBM Auto would be one of the major beneficiary while going ahead of the move, towards E-Buses by State governments. **The company has current bus manufacturing capacity of 2,000 buses which is expected to increase to 13,000 in medium term.**
- Component division**-Despite the semiconductor supply challenges, the company is able to deliver strong revenue growth in the component business (Sheet metal) led by new order wins from M&M & Tata Motors along with increase in realization due to RM inflation. The company is the leading supplier of Skin panel, BIW and Chassis. **We expect the sheet metal division to also witness strong growth from FY23 in line with ramp up in production by its key clients such as Tata Motors, Ford, HCL, Toyota, M&M and VECV.**
- Tooling business** to see sharp jump in FY23, driven by new launches, increasing localization of Tooling, strong order book for export and new launches.
- Valuation:** JBM Auto's growth story is premised on 1) strong upcycle for PVs for next two years; 2) encouraging revenue potential in the tooling business (high margin +25%) and 3) increasing economies of scale in the bus division. We cut FY23E/FY24E EPS by 7.6/9.6% factoring in higher interest cost and continue to maintain BUY with SOTP based target of Rs.680 (20x of FY24E EBITDA to EVs bus division and 10x components & tooling business).

Q4FY22 Result (Rs Mn)

Particulars	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)
Revenue	10,723	7,449	44.0	8,212	30.6
Total Expense	9,492	6,607	43.7	7,358	29.0
EBITDA	1,231	842	46.2	855	43.9
Depreciation	255	212	20.2	236	8.1
EBIT	975	629	54.9	619	57.6
Other Income	49	42	17.9	86	(42.9)
Interest	207	150	38.3	189	10.0
EBT	817	521	56.8	517	58.1
Tax	(117)	186	(162.8)	176	(166.3)
RPAT	858	334	156.7	331	159.5
APAT	858	334	156.7	331	159.5
			(bps)		(bps)
Gross Margin (%)	28.6	30.2	(163)	27.2	141
EBITDA Margin (%)	11.5	11.3	17	10.4	107
NPM (%)	8.0	4.5	352	4.0	398
Tax Rate (%)	(14.3)	35.7	(4996)	34.1	(4840)
EBIT Margin (%)	9.1	8.4	64	7.5	156

CMP	Rs 502
Target / Upside	Rs 680 / 36%
NIFTY	17,069

Scrip Details

Equity / FV	Rs 237mn / Rs 2
Market Cap	Rs 59bn
	USD 774mn
52-week High/Low	Rs 676/ 154
Avg. Volume (no)	114,117
Bloom Code	JBMA IN
Price Performance	1M 3M 12M
Absolute (%)	5 (16) 207
Rel to NIFTY (%)	11 (13) 189

Shareholding Pattern

	Sep'21	Dec'21	Mar'22
Promoters	67.5	67.5	67.5
MF/Banks/FIs	0.0	17.9	17.7
FII	2.1	2.3	2.2
Public / Others	30.4	12.3	12.5

Valuation (x)

	FY22E	FY23E	FY24E
P/E	38.1	30.6	22.3
EV/EBITDA	21.2	13.6	10.9
ROE (%)	18.9	20.6	23.2
RoACE (%)	11.8	13.4	14.8

Estimates (Rs mn)

	FY22E	FY23E	FY24E
Revenue	31,930	45,777	54,158
EBITDA	3,431	5,081	6,228
PAT	1,548	2,030	2,798
EPS (Rs.)	13.2	16.4	22.5

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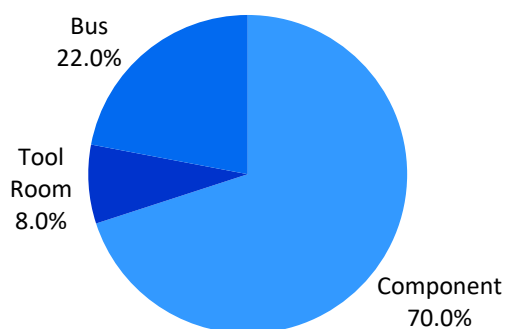
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Bus division: EVs on nascent stage

We expect ramp up in bus division will help JBM Auto to generate strong margin and cash flow over next 5-10 years. Moreover, Govt's increasing focus for Make in India, reduce dependency from China and preference for local manufacturer augurs well for companies like JBM auto. The bus division, which was a drag (Rs.118mn & Rs.46mn loss at EBIT level in FY18 & FY19 respectively), turned profitable in FY20 and reported Rs 720mn EBIT in FY22. The management expects a significant ramp up in the bus division in the near term, as it has won several new orders for both EVs and CNG (1500+ buses). However, falling tender rate of under GCC contract to be key constraint for sharp expansion on EBITDA margin.

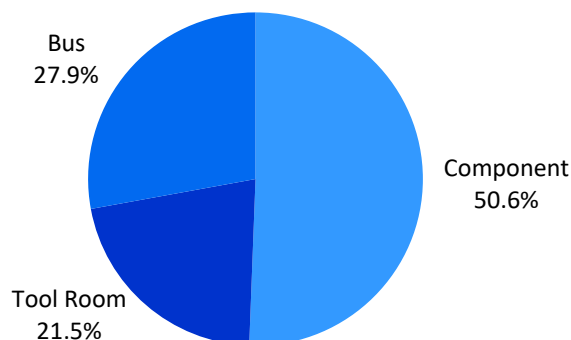
Going ahead JBM Auto will be a beneficiary of the incremental revenues in the form of substantial carbon credit once trading of carbon credit begins in India. We have not incorporated the benefit of this in our valuations yet.

Exhibit 1: FY22 Segment revenue breakup



Source: Company, DART

Exhibit 2: FY22 Segment EBIT breakup



Source: Company, DART

Currently, 5 STUs along with Convergence Energy Services Ltd (CESL) have announced their intent to float tenders for a total of over 12,000 buses and JBM would be one of the key beneficiary going ahead of the move towards E-Buses by State governments.

Sheet metal to ride on PVs recovery

JBM's sheet metal division started showing sign of recovery in volume in line with ramp up in production by its key clients such as Tata Motors, Ford, HCL, Toyota, M&M and VECV. We expect sharper recovery in PV segment from FY23 due to easing off semiconductor shortage issues.

Tooling Division to ride on new launches

Strong revenue potential is foreseen in Tooling business (high margin +30%), owing to increasing focus on Make in India encouraging localization of Tooling. Recently large OEM such as MSIL also recommending its supplier to increase localization. We believe JBM would be key beneficiary (through Jay Bharat Maruti) for increasing localization. Tooling requirements by major global OEMs are being aligned to source from within India (cost benefit of 25% in India). Tooling capability is upgraded in terms of design and manufacturing skills to cater to increasingly demanding quality requirements of tooling due to advent of high strength steels for safety.

Exhibit 3: Actual vs DART

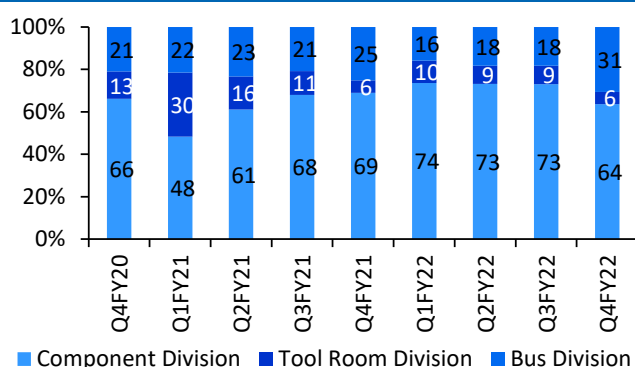
Particulars (Rs mn)	Actual	Dart Estimates	VAR (%)	Comments
Revenue	10,723	8,930	20	Strong volume ramp up in Bus division
EBIDTA	1,231	893	38	
EBIDTA Margin (%)	11.5	10.0	148	Operating efficiency
PAT	858	391	120	

Source: Company, DART

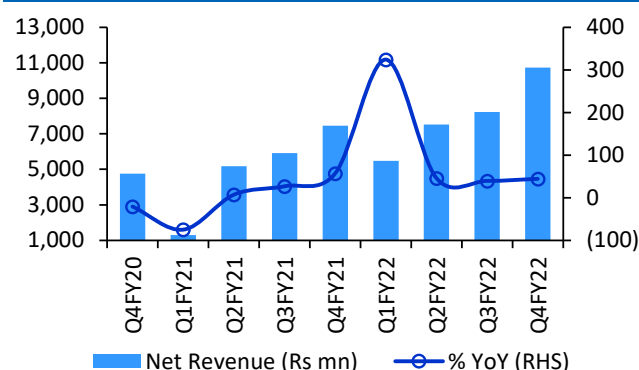
Exhibit 4: Change in Estimates

Particulars (Rs Mn)	FY23E			FY24E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	45,777	42,534	7.6	54,158	51,750	4.7
EBITDA	5,081	4,721	7.6	6,228	5,951	4.7
EBITDA Margin (%)	11.1	11.1	(0.0)	11.5	11.5	(0.0)
PAT	1,940	2,100	(7.6)	2,659	2,940	(9.6)
EPS (Rs)	16.4	17.8	(7.6)	22.5	24.9	(9.6)

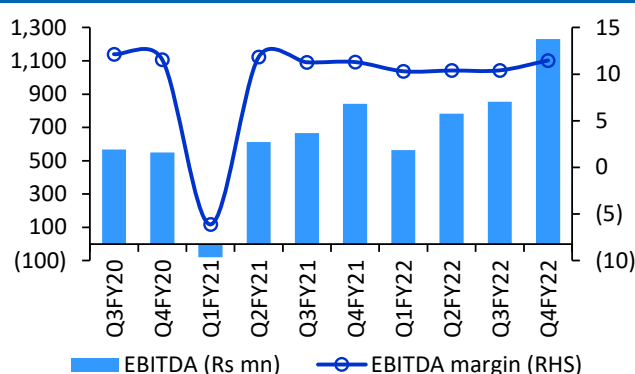
Source: Company, DART

Exhibit 5: Segment wise performance (%)


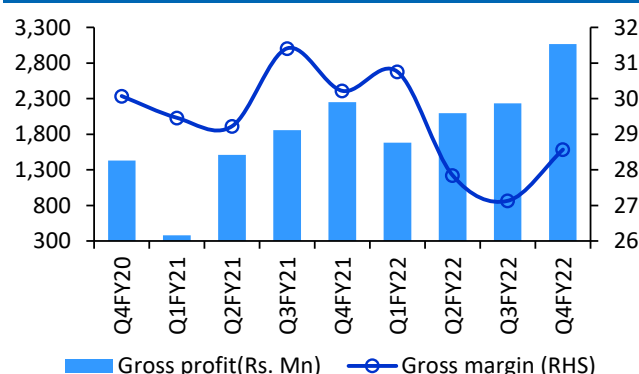
Source: Company, DART

Exhibit 6: Revenue grew YoY


Source: Company, DART

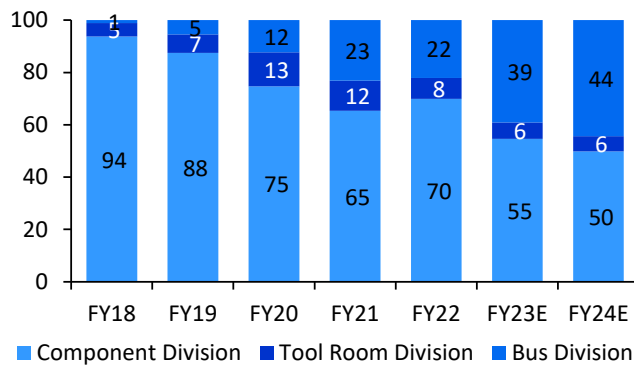
Exhibit 7: EBIDTA margin remained flat QoQ


Source: Company, DART

Exhibit 8: Gross Margin (%) improved QoQ


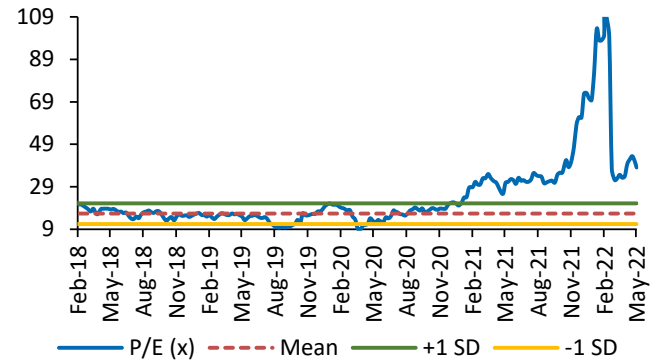
Source: Company, DART

Exhibit 9: Annual Segment mix (%)



Source: Company, DART

Exhibit 10: 1 yr fwd PE Band



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Revenue	19,820	31,930	45,777	54,158
Total Expense	17,779	28,499	40,696	47,930
COGS	13,820	22,852	32,639	38,615
Employees Cost	2,047	3,020	4,212	4,766
Other expenses	1,912	2,626	3,845	4,549
EBIDTA	2,041	3,431	5,081	6,228
Depreciation	757	914	1,115	1,238
EBIT	1,284	2,517	3,967	4,990
Interest	554	757	1,339	1,366
Other Income	120	200	250	300
Exc. / E.O. items	0	0	0	0
EBT	850	1,960	2,877	3,924
Tax	288	307	842	1,139
RPAT	504	1,548	2,030	2,798
Minority Interest	(11)	5	24	0
Profit/Loss share of associates	(69)	(100)	19	13
APAT	504	1,548	2,030	2,798

Balance Sheet

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Sources of Funds				
Equity Capital	237	237	237	237
Minority Interest	0	0	0	0
Reserves & Surplus	7,220	8,726	10,540	13,072
Net Worth	7,456	8,962	10,776	13,309
Total Debt	8,451	13,883	14,883	15,183
Net Deferred Tax Liability	1,016	955	974	993
Total Capital Employed	16,923	23,800	26,633	29,485

Applications of Funds

Net Block	9,586	12,136	13,222	14,184
CWIP	2,724	1,786	1,400	500
Investments	1,007	1,182	800	800
Current Assets, Loans & Advances	11,324	17,181	25,664	31,007
Inventories	3,620	4,135	8,152	9,645
Receivables	4,960	5,800	11,288	13,354
Cash and Bank Balances	184	346	5,158	6,884
Loans and Advances	105	220	159	159
Other Current Assets	2,455	6,681	908	965
Less: Current Liabilities & Provisions	7,717	8,485	14,453	17,006
Payables	5,840	5,613	10,591	12,474
Other Current Liabilities	1,877	2,872	3,861	4,532
<i>sub total</i>				
Net Current Assets	3,607	8,696	11,212	14,001
Total Assets	16,923	23,800	26,633	29,485

E – Estimates

Important Ratios

Particulars	FY21A	FY22E	FY23E	FY24E
(A) Margins (%)				
Gross Profit Margin	30.3	28.4	28.7	28.7
EBIDTA Margin	10.3	10.7	11.1	11.5
EBIT Margin	6.5	7.9	8.7	9.2
Tax rate	33.8	15.6	29.3	29.0
Net Profit Margin	2.5	4.8	4.4	5.2
(B) As Percentage of Net Sales (%)				
COGS	69.7	71.6	71.3	71.3
Employee	10.3	9.5	9.2	8.8
Other	9.6	8.2	8.4	8.4
(C) Measure of Financial Status				
Gross Debt / Equity	1.1	1.5	1.4	1.1
Interest Coverage	2.3	3.3	3.0	3.7
Inventory days	67	47	65	65
Debtors days	91	66	90	90
Average Cost of Debt	7.5	6.8	9.3	9.1
Payable days	108	64	84	84
Working Capital days	66	99	89	94
FA T/O	2.1	2.6	3.5	3.8
(D) Measures of Investment				
AEPS (Rs)	4.3	13.2	16.4	22.5
CEPS (Rs)	10.6	20.9	26.8	34.1
DPS (Rs)	0.7	1.1	1.1	1.1
Dividend Payout (%)	15.7	8.1	6.5	4.7
BVPS (Rs)	63.1	75.8	91.1	112.5
RoANW (%)	6.9	18.9	20.6	23.2
RoACE (%)	7.1	11.8	13.4	14.8
RoAIC (%)	8.3	12.5	17.7	22.6
(E) Valuation Ratios				
CMP (Rs)	502	502	502	502
P/E	117.7	38.1	30.6	22.3
Mcap (Rs Mn)	59,307	59,307	59,307	59,307
MCap/ Sales	3.0	1.9	1.3	1.1
EV	67,573	72,844	69,032	67,606
EV/Sales	3.4	2.3	1.5	1.2
EV/EBITDA	33.1	21.2	13.6	10.9
P/BV	8.0	6.6	5.5	4.5
Dividend Yield (%)	0.1	0.2	0.2	0.2
(F) Growth Rate (%)				
Revenue	1.8	61.1	43.4	18.3
EBITDA	(11.3)	68.1	48.1	22.6
EBIT	(17.9)	96.0	57.6	25.8
PBT	(20.9)	130.6	46.8	36.4
APAT	(27.2)	207.4	31.1	37.8
EPS	(27.2)	209.4	24.5	37.0

Cash Flow

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
CFO	2,159	(1,419)	7,543	4,345
CFI	(3,627)	(2,954)	(2,263)	(1,421)
CFF	1,427	4,535	(469)	(1,198)
FCFF	(1,296)	(3,946)	5,729	3,045
Opening Cash	225	184	346	5,158
Closing Cash	184	346	5,158	6,884

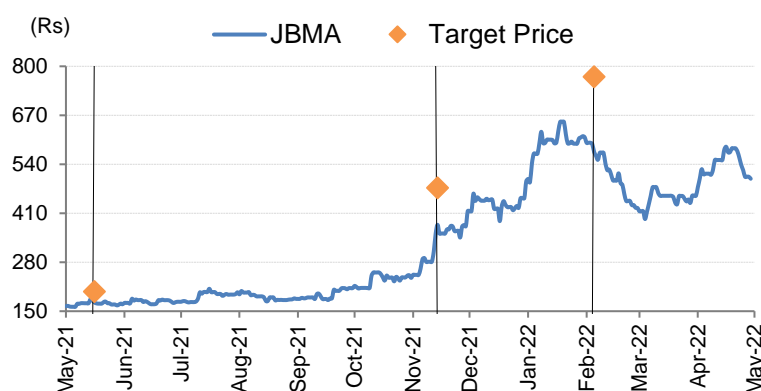
E – Estimates

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-21	Accumulate	202	174
Nov-21	BUY	477	379
Feb-22	BUY	772	572

*Price as on recommendation date

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