



IIM Kashipur – Equity Research Challenge

Sector:

**Auto Ancillaries**

Company:

**Jamna Auto Industries Ltd.**



Industry	Auto Ancillaries
LTP (04/10)	114.16
Recommendation	Buy (for long term)
Target	161.5

BSE Sensex:	NSE Nifty:
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Particulars:	
Bloomberg	JMNA:IN
52 Week H/L	149.66/102.35
Market Cap (Rs. Cr.)	4554
Volume (lakhs)	34.82
Dividend Yield	2.10
Book Value Per Share	22.64

Shareholding Pattern:				
(in %)	Q2'24	Q3'24	Q4'24	Q1'25
Promoters	50	50	50	50
Institutional	18	16.47	14.81	15.23
Bodies Corporate	1.7	1.5	1.75	1.32
Individual & others	30.3	32.03	33.44	33.45



Financials and Ratios:			
Metric	FY22	FY23	FY24
EBITDA	13.4%	11.7%	13.7%
Net Sales (Rs. Cr.)	1718	2325	2427
EPS (approx.)	3.28	3.96	6.27
P/E (x)	30.10	22.90	26

## About the Company

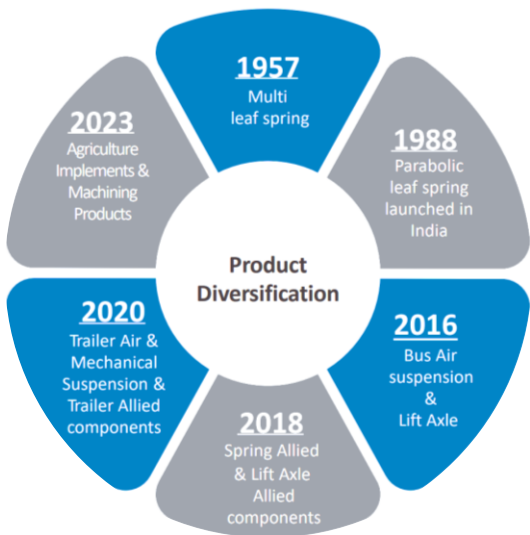
Jamna Auto Industries Ltd. (JAI), established in 1954 by Bhupinder Singh Jauhar, is a prominent name in the automotive suspension industry, both in India and globally. The company is known for its innovative suspension systems and holds the top market share in India's Original Equipment Manufacturer (OEM) segment for suspension solutions.

JAI's product portfolio includes a wide range of suspension systems, springs, and other components for the automotive industry. It serves major vehicle manufacturers like Ashok Leyland, Tata Motors, Mahindra & Mahindra, Renault, Volvo, and Ford, among others. The company also caters to the aftermarket with an extensive network of distributors and mechanics, ensuring easy access to its products.

Committed to technological advancement, JAI has its own R&D center, the only one in India dedicated to spring technology. This R&D focus ensures that JAI stays ahead in innovation, offering cutting-edge solutions to meet the evolving needs of the automotive industry.

## Notable Facts:

- World-class manufacturing infrastructure with **10 manufacturing plants and 1 R&D Centre**
- >16000 Touch points**
- Manufactures ~300+ OEM parts and ~5000+ AMI parts
- Sound Financials with **CRISIL A1+/AA-** rating



## Industry Overview

India has become the fastest-growing economy in the world in recent years. This fast growth, coupled with rising incomes, a boost in infrastructure spending and increased manufacturing incentives, has accelerated the automobile industry. The two-wheeler segment dominated the automobile industry because of the Indian middle class, with automobile sales standing at 23.85 million units in FY24.

Significant demand for automobiles also led to the emergence of more original equipment and auto components manufacturers. As a result, India developed expertise in automobiles and auto components, which helped boost international demand for Indian automobiles and auto components. Hence, the Indian automobile industry has a considerable impact on the auto component industry.

India's auto component industry is an important sector driving macroeconomic growth and employment. The industry comprises players of all sizes, from large corporations to micro entities, spread across clusters throughout the country. The auto components industry accounted for= 2.3% of India's GDP and provided direct employment to more than 1.5 million people.

By 2026, the automobile component sector will contribute 5-7% of India's GDP. The Automotive Mission Plan (2016-26) projects to provide direct incremental employment to 3.2 million by 2026. The industry is a leader in exports and provides jobs to over 3.7 crore people. In 2023-24, the export value of auto components/parts was estimated at US\$ 21.2 billion. North America, which accounts for 32% of total exports, increased by 5%, while Europe and Asia, which account for 33% and 24% of total exports, increased by 12% and growth for Asia remained flat, respectively. The key export items included drive transmission and steering, engine components, body/chassis, suspension and braking etc.

## Market Size

India's auto components industry's market share has significantly expanded, led by increasing demand for automobiles by the growing middle class and exports globally. The industry is broadly classified into organised and unorganised sectors. While the unorganised sector consists of low-valued items and mostly serves the aftermarket category, the organised sector serves OEMs and includes high-value precision instruments.

The automobile component industry turnover stood at Rs. 6.14 lakh crore (US\$ 74.1 billion) during FY24, registering a revenue growth of 9.8% as compared to FY23. Domestic OEM supplies contributed ~54% to the industry's turnover, followed by domestic aftermarket (~10%) and exports (~18%), in FY24. The component sales to OEMs in the domestic market grew by 8.9% to Rs. 5.18 lakh crore (US\$ 62.4 billion). The aftermarket for auto components grew by 10.0% during FY24 reaching Rs. 9.38 lakh crore (US\$ 11.3 billion). Over FY16 to FY24, the automotive components industry registered a CAGR of 8.63%, reaching US\$ 74.1 billion in FY24.

The auto component industry exported US\$ 21.2 billion and imported US\$ 20.9 billion worth of components during 2023-24, resulting in the trade surplus of US\$ 300 million. As per the Automobile Component Manufacturers Association (ACMA) forecast, auto component exports from India are expected to reach US\$ 30 billion by 2026. The auto component industry is projected to record US\$ 200 billion in revenue by 2026. Strong international demand and resurgence in the local original equipment and aftermarket segments are predicted to help the auto component industry grow 20-23% in FY22.

In fiscal year 2023-24 (April-January), the total number of automobiles sold was 19.72 million units. In (April-January) 2023-24, the total production of passenger vehicles, commercial vehicles, three-wheelers, two-wheelers, and quadricycles was 23.36 million units.

## Key Statistics

**\$200  
Bn**

Expected market size of auto components industry in India by 2026

**\$74.1  
Bn**

Highest-ever turnover of Indian auto component industry, growing at 10% in FY23-24

**\$36.65  
Bn**

The FDI inflow into Indian automotive industry during the period Apr 2000 to Jun 2024

**100%**

FDI in the automotive parts industry is allowed under the automatic route.

**\$62.4  
Bn**

Auto Component sales to OEMs, in the domestic market, growing at 5.3% versus previous year

**5 lakh**

No. of EV 3W set to be manufactured in India, along with 55k+ 4W and 7k+ EV Buses by 2024

**20.1%**

Contribution of the automotive sector to the manufacturing GDP in India

## Recent Developments

- **Honda R&D (India) Pvt. Ltd.** has inaugurated its new Solution R&D Center in Bengaluru. It aims to attain carbon neutrality across all its products and corporate activities by the year 2050
- **Bharat Forge** will invest Rs. 1,000 Cr. over a period of five years in Tamil Nadu to enhance production capacity for the long term
- **Ola Electric IPO** to be the first auto company in India to launch an IPO in over two decades. It has an expected size of Rs. 8,500 Cr.
- In August 2023, **Bosch** earmarked Rs. 480 Cr. for R&D and an additional capex of Rs. 480 Cr.
- In May 2023, **Apollo Tires** committed to an investment around Rs. 1,100 Cr. in FY24
- In February 2023, **Bridgestone India**, global leader in tires and sustainable mobility solutions, announced an investment of over Rs. 600 Cr. to meet the increasing demand for quality passenger tyres in the country
- In October 2021, the Maharashtra government signed an MoU with **Causis E-Mobility Pvt. Ltd.** to invest Rs. 2,800 Cr. into a zero-emission EV manufacturing facility at Talegaon
- In October 2021, auto component manufacturer **MM Forgings Ltd.** (MMF) acquired CAFOMA Autoparts for Rs. 33 Cr.
- In February 2021, **Vedanta Resources** launched its newest product — aluminium cylinder head alloy — a crucial raw material for manufacturing cylinder heads and other automotive components

## Analysis through frameworks – Porter's 5 Forces

### Threat of New Entrants

Moderate

- New entrants have to face high CapEx of setting up a plant, procuring machinery and so on, which is significant barrier to entry
- However, heavy inflow of capital and deregulation by the government is making it easier for new players to enter

### Threat of Substitutes

Low

- The Indian auto components sector is fragmented by region. Due to weak transportation and logistics, companies struggle to quickly scale beyond their core region
- Demographic challenges and economic patterns reduce feasibility of public transport as a substitute for automobiles

### Bargaining Power of Buyers

Moderate-High

- OE and aftermarket sales are driven by distinct factors, with buyers having some bargaining power
- The ability to influence competitors through their purchasing decisions and demand for added value gives customers an advantage

### Bargaining Power of Suppliers

Low

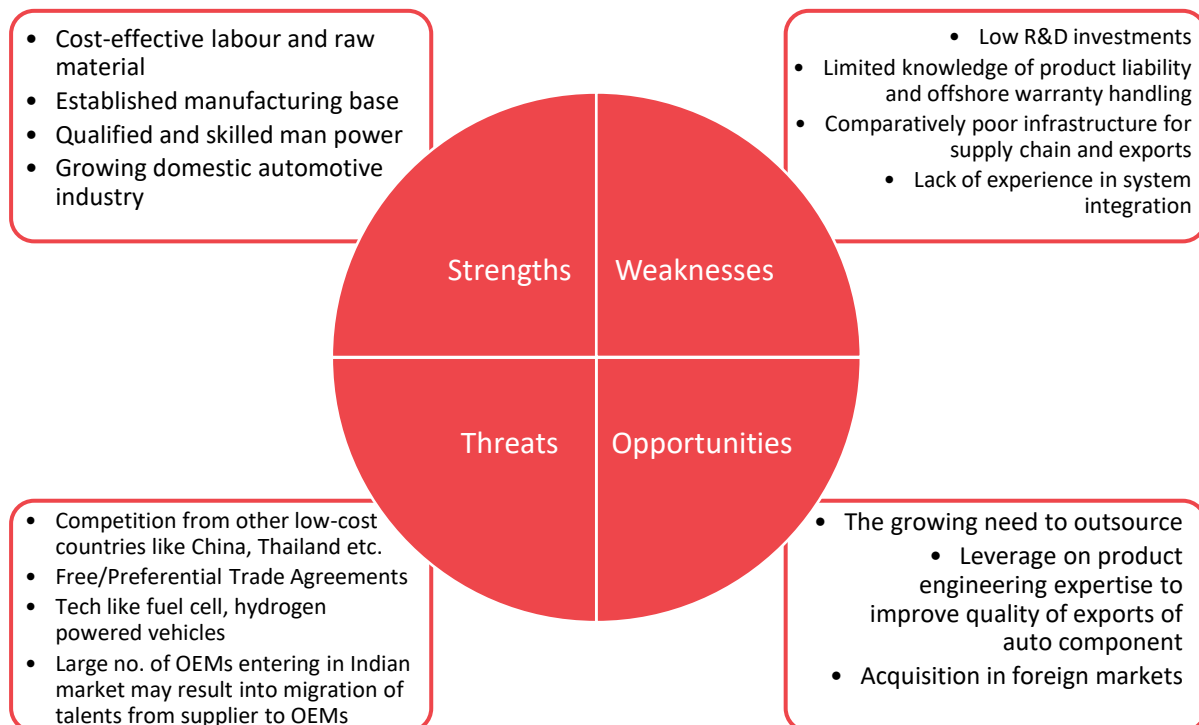
- Relatively low supplier power as India lacks a network of strong bargaining suppliers
- However, if companies compete through specialization by product-type, and integrate operations across the related area of specialisation, they will be able to ascend the value chain

### Intensity of Rivalry

Moderate-High

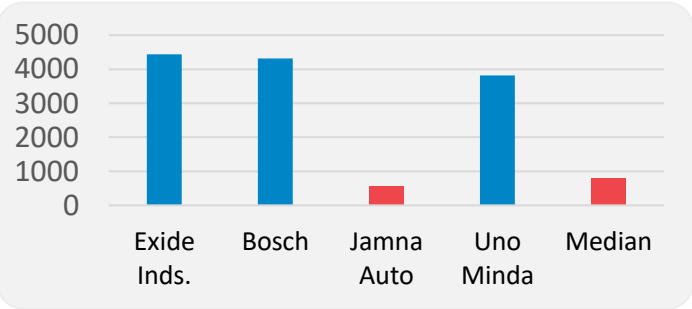
- Auto component manufacturers try to counter increasing rivalry by forming strategic alliances
- Competitive rivalry has the potential to be intense. Automakers that enter the Indian market can count on a low volume of sales at the outset, with the expectation that demand will eventually increase

## Analysis through frameworks – SWOT Analysis

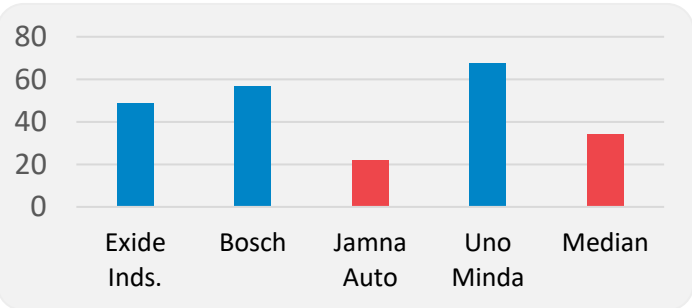




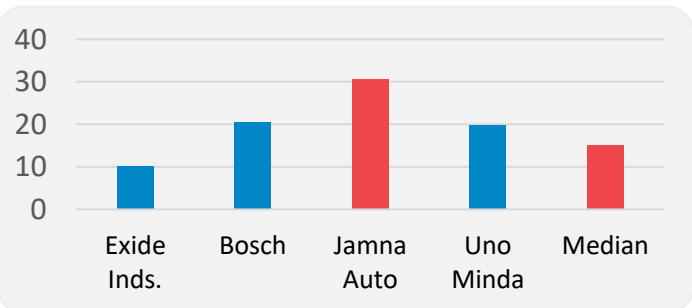
Competitor Analysis – Auto Ancillaries sector



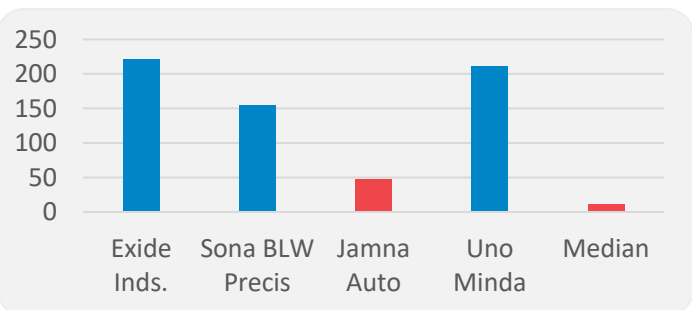
**Revenue (Sales Qtr Rs. Cr.):**  
Jamna Auto’s quarterly revenue of ₹557.14 Cr reflects its focused presence in the market, while industry leaders like Samvardhana Motherson, Bosch, and Uno Minda operate at larger scales. Although Jamna’s revenue is smaller in comparison, it maintains a niche position within the industry.



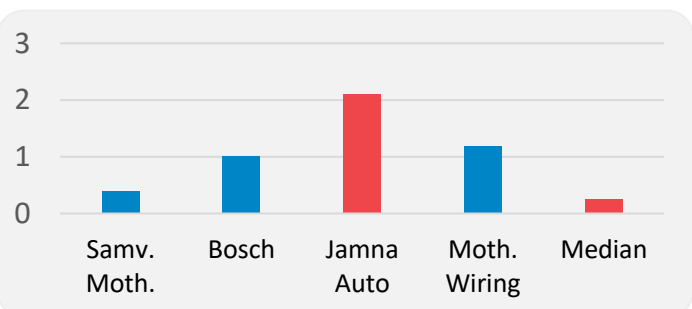
**Price-to-Earnings (P/E Ratio):**  
Jamna Auto’s P/E ratio of 22.09 is lower than peers like Uno Minda (67.32) and Sona BLW Precision (79.81), suggesting a more attractive valuation. While Bosch (56.84) and Samvardhana Motherson (44.40) have higher ratios, Jamna’s balanced valuation highlights its stability and growth potential



**Return on Capital Employed (ROCE %):**  
Jamna Auto’s impressive ROCE of 30.73% demonstrates its strong capital efficiency, outperforming major names like Bosch (20.61%) and Exide Industries (13.68%). With only Motherson Wiring exceeding Jamna’s ROCE, this metric highlights its effective resource management.



**Net Profit Margin (NP Qtr Rs. Cr.):**  
Jamna Auto’s net profit of ₹46.38 Cr reflects steady profitability, while larger firms report higher figures due to their broader market reach. Jamna’s profit margins are however still better than the industry median, reflecting a strong position focused towards growth.



**Dividend Yield (%):**  
Jamna Auto’s 2.10% dividend yield is a standout, surpassing both most players in the sector. This higher yield underlines the company’s commitment to rewarding shareholders and positions Jamna as an attractive option for income-focused investors.



## Competitor Analysis – Conclusion for Jamna Auto

From the competitor analysis, we can see that Jamna Auto Industries Ltd. operates at a smaller scale than some of its competitors in terms of revenue and net profit. Despite these differences, we consider investing in Jamna Auto a good option for the following reasons:

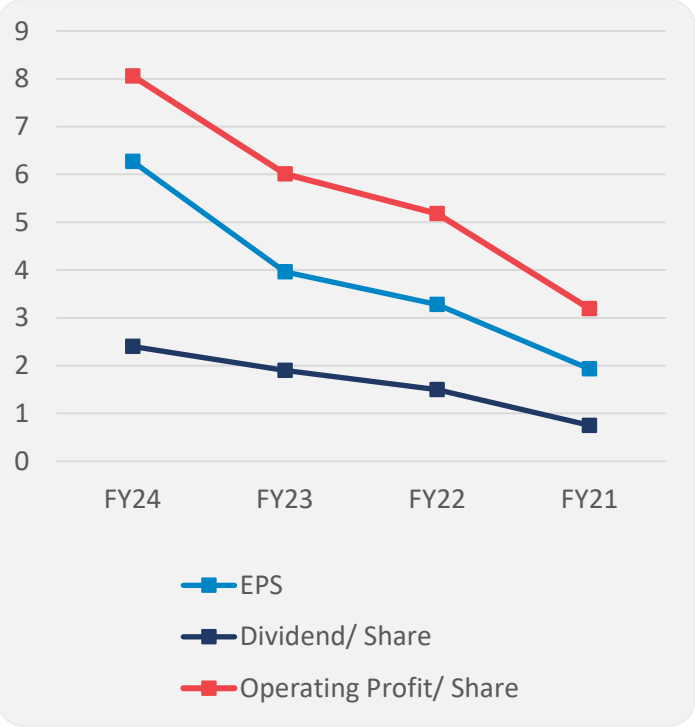
1. Jamna Auto has a **highly efficient capital structure**, reflected by its **ROCE of 30.73%**, demonstrating the company’s ability to generate solid returns on its investments. This strong capital utilization makes it well-positioned for future growth, as it continues to focus on niche areas within the auto industry.
2. **Jamna Auto’s consistent dividend yield of 2.10% is the highest among its peers**, providing a steady income to investors. This focus on shareholder returns ensures that investors benefit from direct value creation, making it a great choice for income-focused portfolios.
3. **The company has a reliable market presence in its niche**, coupled with strong operational efficiency, which supports sustainable growth even during challenging market conditions. Jamna Auto’s focus on specific product lines and customer loyalty helps it maintain profitability, protecting it from competitive pressures faced by larger firms.

These factors, along with Jamna Auto’s efficient capital use and attractive dividend policy, make it a **solid investment** despite its smaller size and lower profitability metrics compared to its larger competitors.

## Fundamental Analysis – Jamna Auto Industries Ltd.

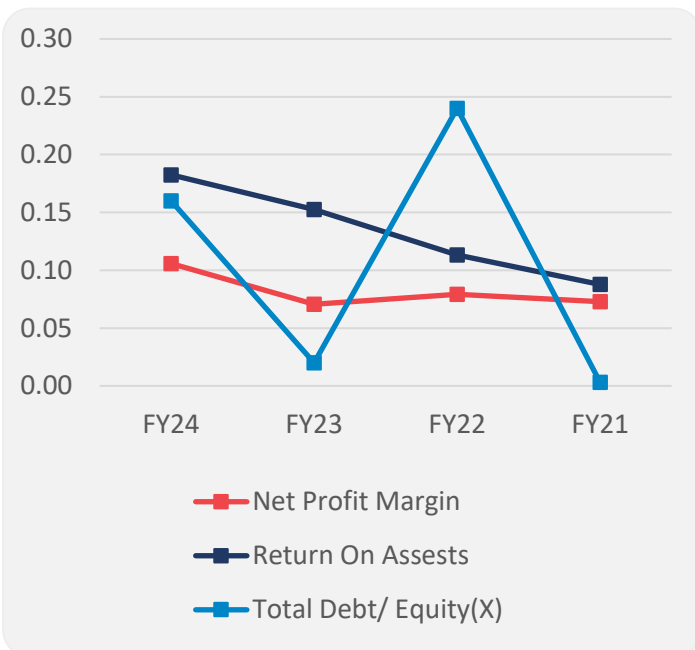
The company has demonstrated strong financial growth across various key metrics over the past four years, consistently improving its profitability, liquidity, efficiency and valuation ratios, making it a solid candidate for both growth and value investors. With improving EPS, profitability, and a strengthening liquidity position, Jamna Auto presents a low-risk, high-growth investment opportunity. It is advised to buy Jamna Auto Industries Limited for a long-term investment goal due to its growing financials.

### Per Share Ratios:



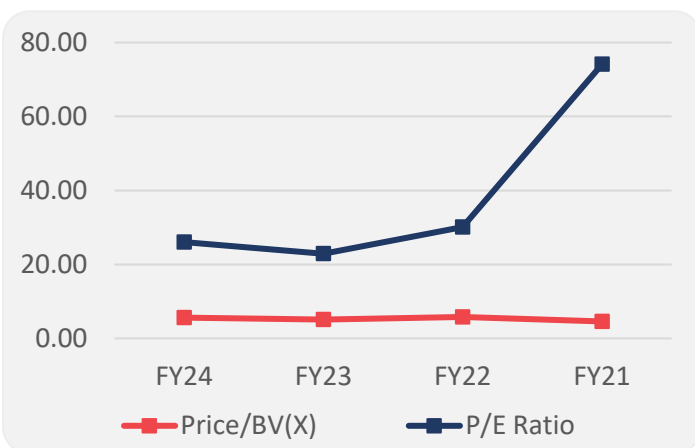
- **Earnings Per Share (EPS):** The EPS has shown consistent growth over the past four years, indicating that the company has been improving its profitability and earnings, which shows a positive sign for significant growth in long-term. The substantial jump between 2023 and 2024 highlights significant performance improvement in terms of profitability and execution.
- **Dividend Per Share:** Dividends have increased steadily, from ₹1.20 in 2021 to ₹2.40 in 2024. This reflects commitment to returning value to shareholders, and the increasing dividend trend suggests confidence in sustainable earnings and cash flow generation.
- **Operating Profit per Share:** grew from ₹2.52 in FY21 to ₹8.06 in FY24, demonstrating consistent operational improvement. This increase indicates the company’s ability to generate higher profits from its core operations, reflecting enhanced efficiency and profitability over the years.

## Profitability Ratios:



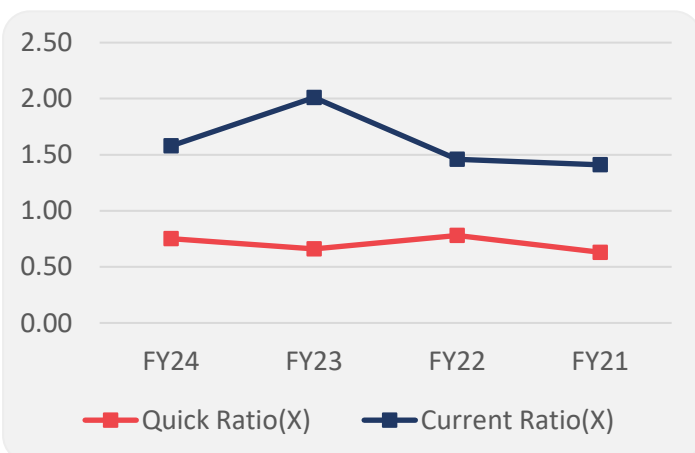
- **Net Profit Margin:** The Net Profit Margin has improved significantly, rising from 6.45% in 2021 to 10.58% in 2024. This indicates better conversion of revenue into profit, reflecting strong operational management.
- **Return on Assets (ROA):** The ROA has increased from 10.12% in 2021 to 18.25% in 2024, highlighting the company's effective use of its asset base to generate profits. This improvement shows that Jamna Auto has been managing its resources more efficiently over time, leading to greater returns for shareholders.
- **Asset Turnover Ratio:** Jamna Auto's Total Debt/Equity ratio increased from 0.003 in 2021 to 0.16 in 2024, reflecting a strategic move to leverage debt for growth. Despite the rise, the ratio remains low enough for effective debt management without compromising stability.

## Valuation Ratios:



- **Price to Book Value(P/B) Ratio:** P/B Ratio has increased from 1.85 in 2021 to 2.06 in 2024, indicating that the market values the company at approximately twice its book value. A higher P/B Ratio may suggest that investors are expecting higher growth rates in the future, reflecting optimism about the company's performance.
- **Price to Earnings (P/E) Ratio:** The P/E Ratio has seen a gradual increase over the years, from 12.8 in 2021 to 15.23 in 2024. This rising trend indicates that investors are willing to pay more for each unit of earnings, reflecting positive market sentiment about the company's future growth prospects.

## Liquidity Ratios:



- **Quick Ratio:** Quick Ratio has steadily increased over the past four years, moving from 0.82 in 2021 to 0.98 in 2024. This upward trend indicates an improving liquidity position, suggesting that Jamna Auto is becoming better equipped to meet its short-term obligations without relying on inventory liquidation.
- **Current Ratio:** Current Ratio has consistently increased from 1.60 in 2021 to 1.82 in 2024. This improvement indicates that Jamna Auto has a robust liquidity position, as it possesses much more current assets than current liabilities.



## Balance Sheet Analysis

BALANCE SHEET				
	In Rs. Cr.			
	24-Mar	23-Mar	22-Mar	21-Mar
<b>EQUITIES AND LIABILITIES</b>				
<b>SHAREHOLDER'S FUNDS</b>				
Total Share Capital	39.88	39.87	39.85	39.83
Total Reserves and Surplus	895.55	732.1	643.23	548.88
Total Shareholders Funds	935.43	771.97	683.08	588.72
Total Non-Current Liabilities	30.04	34.79	37.36	39.23
Total Current Liabilities	403.65	227.02	432.03	246.71
Total Capital and Liabilities	1369.12	1033.78	1152.47	874.66
<b>ASSETS</b>				
Fixed Assets	450.27	401.77	417.51	434.06
Total Non Current Assets	731.46	576.63	519.86	527
Total Current Assets	637.66	457.15	632.61	347.65
Total Assets	1369.12	1033.78	1152.47	874.66

- Assets Analysis:** Jamna Auto Industries Ltd.'s total assets have grown consistently from ₹850 Cr in 2021 to ₹1,150 Cr in 2024, indicating a strong asset expansion strategy. The growth is driven by both fixed assets (such as property, plant, and equipment) and current assets, reflecting the company's continuous reinvestment into operations and infrastructure. Fixed assets, rising from ₹450 Cr in 2021 to ₹590 Cr in 2024, indicate ongoing investments in capacity expansion and technology, positioning the company for future demand and operational efficiency. Current assets have also seen steady growth, increasing from ₹400 Cr to ₹560 Cr, highlighting the company's strong liquidity position, with ample cash and receivables to meet short-term obligations.
- Liabilities Analysis:** The total liabilities of Jamna Auto have shown moderate growth, from ₹450 Cr in 2021 to ₹525 Cr in 2024, indicating careful debt management. The growth in liabilities is primarily attributed to current liabilities, which have risen from ₹250 Cr to ₹310 Cr, reflecting the company's increased short-term obligations, likely related to trade payables and accruals. Despite this, the company's strong current and quick ratios suggest that it has more than enough liquid assets to cover these liabilities. Long-term liabilities have remained relatively stable, increasing only slightly from ₹200 Cr to ₹215 Cr over the four years. This conservative approach to long-term debt signals that the company is not overleveraging, which reduces its financial risk and interest burden. Overall, Jamna Auto's liability management indicates financial prudence, as it balances growth initiatives with controlled debt levels.
- Shareholder's Equity Analysis:** Jamna Auto's shareholders' equity has significantly increased over the four-year period, growing from ₹400 Cr in 2021 to ₹625 Cr in 2024, driven by strong profitability and retained earnings. The reserves and surplus component of equity has grown from ₹200 Cr to ₹340 Cr, showing that the company is not only generating profits but also retaining a substantial portion of these profits for reinvestment and operational needs. This growing equity base is a positive indicator for investors, as it reflects increasing shareholder value and financial strength. The consistent rise in equity also underscores the company's ability to generate internal funding for growth, reducing its reliance on external financing and enhancing long-term financial sustainability.

## Key Takeaways - Balance Sheet Analysis

- **Asset Growth:** The consistent growth in total assets and fixed assets reflects Jamna Auto's strategic investments in infrastructure and operational capacity, positioning the company for long-term growth.
- **Liabilities Management:** The moderate growth in total liabilities, coupled with a relatively stable level of long-term debt, suggests that the company is managing its debt conservatively, minimizing financial risk.
- **Equity and Reserves:** The significant growth in shareholders' equity and reserves indicates strong financial health and increasing shareholder value, driven by the company's profitability and prudent financial management.
- **Liquidity:** Jamna Auto's ability to meet its short-term obligations is supported by its growing current assets and a healthy liquidity position, as demonstrated by the rising Current and Quick Ratios.
- **Overall Analysis:** Jamna Auto Industries Ltd.'s balance sheet reflects a company in a strong financial position, with growing assets, manageable liabilities, and increasing shareholder value. The steady growth in assets demonstrates the company's focus on expanding operational capacity, while its controlled liabilities indicate prudent debt management. The substantial increase in equity and reserves further highlights the company's profitability and ability to create long-term value for shareholders. Together, these factors present Jamna Auto as a financially robust company with a promising outlook for sustained growth.

## Technical Analysis – Jamna Auto Industries Ltd.

### Candle-Stick& Volume Graph



The price chart of Jamna Auto Industries Ltd. from November 2023 to October 2024 exhibits significant volatility, with prices ranging between 120 and 150 in the earlier part of the period. Recently, however, prices have entered a clear downtrend, falling below 110. This decline is accompanied by reduced trading volume, reflecting weaker market participation and selling pressure. Historically, low volume in a downtrend suggests limited buyer strength, and until there is a clear increase in volume, it would be premature to recommend a buy at current levels.



RSI Graph

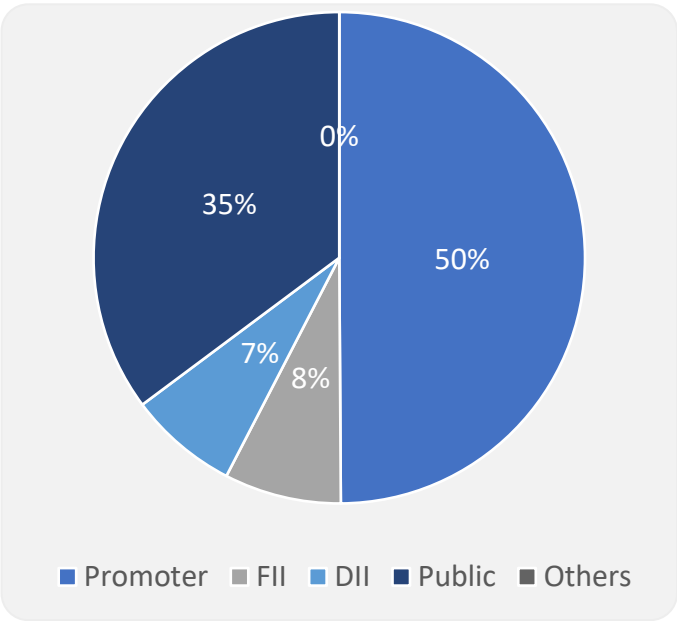


The RSI (Relative Strength Index) from November 2023 to October 2024 shows critical momentum shifts. The RSI breached overbought levels (above 70) in May 2024, coinciding with a price peak, but has since trended downward. It is now nearing the oversold region (around 30), indicating a potential reversal or undervaluation. While this could present a buying opportunity, it is recommended to wait for confirmation of a rebound in momentum before considering an entry.

Collective Conclusion

Based on the technical indicators from November 2023 to October 2024, Jamna Auto Industries Ltd. is currently in a bearish phase, with prices declining and volumes remaining low, signaling limited buyer interest. While the RSI approaching oversold levels hints at a potential short-term recovery, the lack of supporting volume raises concerns. Investors should hold off on buying until there is clear evidence of price stabilization and stronger volume. At this point, a wait-and-watch strategy is advisable until more bullish signals emerge.

Shareholding Patter Analysis



As of March 2024, the promoter group remains the largest singular shareholder of the company with a holding of 49.90%, which has seen little change over the last four years.

At present, FIIs hold 7.70% of the company. There has been a notable drop in FII holdings, which fell from 8.96% in FY21 to 7.70% in FY24, continuing a downward trend.

In contrast, DIIs showed a significant rise between FY21 and FY23, peaking at 15.10%. However, in FY24, their stake fell sharply to 7.20%, reflecting changing institutional preferences.

Public shareholding, meanwhile, has fluctuated, moving from 34.95% in FY21 to 35.20% in FY24. Public investors have remained a stable but variable part of the company's ownership over the last few years.

	Promoter	FII	DII	Public	Others
24-Mar	49.90%	7.70%	7.20%	35.20%	0
23-Mar	50%	6.20%	15.10%	28.70%	0
22-Mar	50%	5.60%	13.60%	30.80%	0
21-Mar	49.94%	8.96%	6.15%	34.95%	0

## Sources

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- <https://www.screener.in/company/JAMNAAUTO/consolidated/#peers>
- References: International Organization of Motor Vehicle Manufacturers, Media Reports, Press Releases, Department for Promotion of Industry and Internal Trade, Automotive Component Manufacturers Association of India, Society of Indian Automobile Manufacturers
- <https://www.ibef.org/industry/autocomponents-india>
- <https://www.investindia.gov.in/sector/auto-components>
- <https://www.moneycontrol.com/financials/jamnaautoindustries/profit-lossVI/JAI#JAI>