

Week Gone

- ⇒ In the week ended on Friday, 12 January 2024, the S&P BSE Sensex slipped 885.22 points or 1.22% to settle at 71,683.23. The Nifty 50 index gained 255.9 points or 1.17% to close at 21,638.65.
- ⇒ The BSE Mid-Cap index rose 0.87% to close at 37,875.43.
- ⇒ The BSE Small-Cap index added 0.14% to end at 44,440.69.

Week Ahead

- ⇒ United Spirits, Indus Towers will declare their Q3 result on 23 January 2024. Bajaj Auto, DLF, Tata Steel, Tech Mahindra, will unveil results on 24 January 2024. ACC, Cipla, JSW Steel will declare their results on 25 January 2024.
- ⇒ Overseas, China will announce Loan Prime Rate for 1 year and 5 years on 22 January 2024. The Bank of Japan (BoJ) will announce its interest rate decision on 23 January 2024.
- ⇒ The United States Durable Goods Orders for December will be declared on 25 January 2024.
- ⇒ In Europe, the European Central Bank (ECB) will announce its interest rate decision on 25 January 2024.

Technical Overview

The weekly Nifty 50 candle implies an engulfing scenario, with price submerging major portion of previous week's move. This reveals selling pressure, which may persist in the upcoming sessions. While the fragile bias continues to haunt Nifty around 22000 mark, the support area of 21500 -21450 keeps the underlying momentum upbeat. Only an aggressive breakdown beneath this support area could dent the positive sentiment and market could see an intense sell-off. A breakout over 22000 -22200 levels would signal the start of Nifty 50 entering fresh leg of upside.

Support: 21500 -21250 -21000

Resistance: 22000 -22200- 22450



Note : This is a weekly chart

Source: TradingView, BP Equities Research

DOMESTIC INDICES

Index	20-Jan-24	12-Jan-24	Weekly % Chg
Nifty 50	21,571.8	21,894.6	-1.5
Nifty Next 50	54,727.2	54,742.9	0.0
Nifty 100	21,880.5	22,159.3	-1.3
Nifty 500	19,601.9	19,745.6	-0.7
NIFTY MIDCAP 100	48,062.8	47,512.6	1.2
S&P BSE SENSEX	71,423.7	72,568.5	-1.6
S&P BSE 100	22,348.5	22,624.9	-1.2
S&P BSE 200	9,687.8	9,771.0	-0.9
S&P BSE 500	30,992.5	31,215.7	-0.7
S&P BSE MidCap	38,381.0	37,875.4	1.3
S&P BSE SmallCap	44,624.1	44,503.7	0.3

NIFTY TOP GAINERS (WEEKLY)

Scrip	20-Jan-24	12-Jan-24	Weekly % Chg
Oil and Natural Gas	242.1	223.3	8.4%
Tech Mahindra Ltd.	1385.6	1308.4	5.9%
Apollo Hospitals	6122.6	5797.9	5.6%
BPCL	483.1	458.3	5.4%
Coal India	398.8	381.3	4.6%

NIFTY TOP LOSERS (WEEKLY)

Scrip	20-Jan-24	12-Jan-24	Weekly % Chg
Sun Pharmaceutical	1326.2	1326.2	0.0%
Axis Bank Ltd.	1121.0	1119.9	0.1%
Maruti Suzuki India Ltd	9972.6	9962.6	0.1%
Hindustan Aeronautics	3005.4	3002.4	0.1%
HCL Technologies	1544.0	1540.9	0.2%

WORLD INDICES

Index	20-Jan-24	12-Jan-24	Weekly % Chg
Nikkei Index	36,150.0	35,725.0	1.2
Hang Seng Index	15,540.8	16,391.0	-5.2
Kospi Index	2,479.0	2,543.8	-2.5
Shanghai SE Composite	2,849.9	2,904.2	-1.9
Strait Times Index	3,061.9	3,061.9	0.0
Dow Jones	37,933.7	37,825.3	0.3
NASDAQ	15,311.0	15,047.3	1.8
FTSE	7,521.1	7,655.2	-1.8

FOREX

Currency	20-Jan-24	12-Jan-24	Weekly % Chg
US\$ (Rs.)	83.1	82.8	0.3
GBP (Rs.)	105.6	105.6	0.0
Euro (Rs.)	90.7	90.8	-0.1
Yen (Rs.) 100 Units	56.1	57.2	-1.9

FII - ACTIVITY

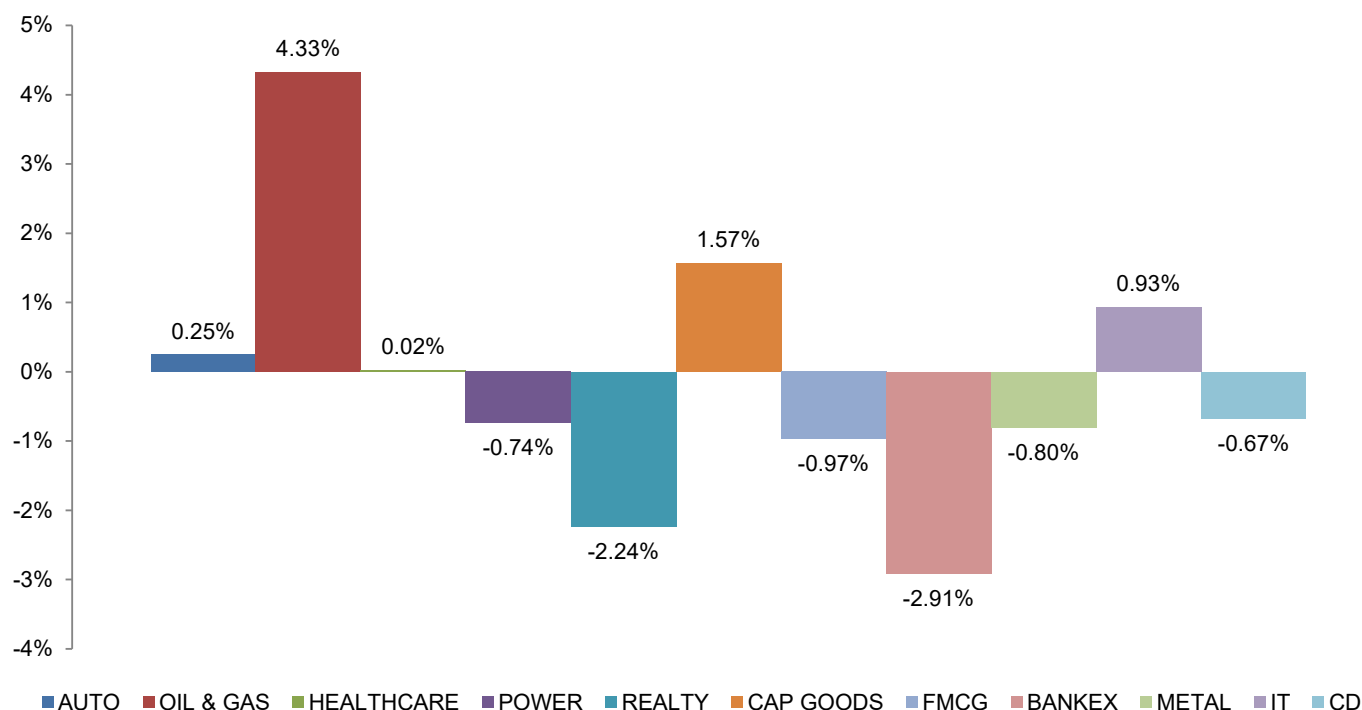
(INR. Cr.)

Date	Purchases	Sales	Net
20-Jan-24	305.6	851.2	-545.6
19-Jan-24	18,644.5	22,334.2	-3,689.7
18-Jan-24	14,935.0	24,836.5	-9,901.6
17-Jan-24	17,317.9	27,896.0	-10,578.1
16-Jan-24	12,212.1	11,555.6	656.6
15-Jan-24	12,196.3	11,110.6	1,085.7
<u>MTD</u>	177,195.6	200,779.3	-23,583.7

DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
20-Jan-24	3,467.9	4,187.2	-719.3
19-Jan-24	12,777.3	10,138.9	2,638.5
18-Jan-24	15,637.9	9,660.8	5,977.1
17-Jan-24	15,188.6	11,182.2	4,006.4
16-Jan-24	10,126.5	10,495.8	-369.3
15-Jan-24	10,881.6	11,702.3	-820.7
<u>MTD</u>	172,866.7	162,592.0	10,274.7

BSE WEEKLY SECTORAL PERFORMANCE

Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	20/01/24 Share Price (Rs.)	12/01/23	Weekly % Chg	20/01/24 Open Interest	12/01/23	Weekly % Chg
ICICIGI	490.8	531.8	-7.7	13396500	11095500	20.7
OFSS	241.6	223.8	8.0	78709400	65684850	19.8
HDFCBANK	1478.1	1646.4	-10.2	109231650	96036600	13.7
OBEROIRLT	6711.8	4677.85	43.5	878000	774400	13.4
ICICIBANK	1471.65	1395.25	5.5	3331500	3009000	10.7

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	20/01/24 Share Price (Rs.)	12/01/23	Weekly % Chg	20/01/24 Open Interest	12/01/23	Weekly % Chg
RAMCOCEM	268.7	293.25	-8.4	29315000	59185000	-50.5
INDUSINDBK	215.85	216.5	-0.3	48079400	88393200	-45.6
CHAMBLFERT	372.7	382.75	-2.6	7191500	12828800	-43.9
AARTIIND	669.35	618.85	8.2	7022000	12054000	-41.7
MCX	1558.6	1501.8	3.8	1004000	1704000	-41.1

Company Overview

Jamna Auto Industries Ltd. (JAI), incorporated in 1954, stands as a distinguished manufacturer and supplier of suspension products, specializing in leaf and parabolic springs for Commercial Vehicles, predominantly in the Medium and Heavy Commercial Vehicle (M&HCV) domain. Headquartered in Delhi, JAI operates through a network of 10 strategically located manufacturing plants across India, boasting an impressive installed capacity of approximately 3,00,000 metric tonnes. The company caters to an extensive clientele that includes major CV OEMs such as Tata Motors, Ashok Leyland, VECV, and more. The company's robust business model spans the entire spectrum of suspension solutions for Indian commercial vehicles - encompassing tippers, tractors, trailers, ICVs, and buses. With a diverse product portfolio ranging from leaf springs to bus air suspension systems, JAI has not only entrenched its presence in the OEM and after-market segments but has also successfully ventured into overseas markets. In a strategic move, the company has recently diversified into the agricultural sector, introducing products like fertilizer broadcasters, NODO brackets, rotavators, and cultivators. Despite its international reach and diversified product offerings, JAI maintains a keen focus on its core leaf segment, which contributes significantly to its overall sales. Notably, the company's prominent client base underscores its reputation as a preferred and reliable partner in the CV suspension solutions domain.

Investment Rationale

Cyclical recovery and infrastructure-led growth provides strong revenue visibility

The domestic M&HCV industry has demonstrated a robust recovery, rebounding from a low of 2.25 lakh units in FY20 to an estimated 3.6 lakh units in FY23. With the government's substantial infrastructure spending and a revival in private capital expenditure, the industry is poised to surpass pre-COVID levels, projecting a new high of approximately 4.0 lakh units in FY24. As a key suspension product supplier with industry-leading market share, JAI stands as a significant beneficiary of this recovery. The company is expected to witness a sales CAGR of 15% over FY23-25E, driven by an increasing share of parabolic springs, higher exports, aftermarket sales, and operational leverage. In light of this, JAI's EBITDA margins are anticipated to inch up to the 13-14% range by FY25E from 11.5% in FY23. The cyclical recovery in the M&HCV industry provides a strong tailwind for JAI's growth prospects, positioning it for sustained performance in the coming years.

Diversification strategy - Lakshay 50XT and new product development to enhance portfolio

Recognizing the potential in greater export and aftermarket opportunities, as well as aiming to de-risk its existing CV-dependent business, JAI has embarked on the Lakshay 50XT program. The company's ambitious goal is to achieve 50% of revenues from new products and 50% from new markets by FY27E, alongside targeting a 50% RoCE and a 50% dividend payout within the same timeframe. As of Q2FY24, the company has already achieved 48% of revenues from new products and 20% from new markets, setting a solid foundation for the ambitious targets set for FY27E. Notably, JAI has ventured into agriculture implements, introducing rotator and cultivator products for the aftermarket. Additionally, the company has commenced supplying machined castings, specifically Nodo Brackets, from its Rudrapur factory to Ashok Leyland, with expectations of sample orders for Bogie Bracket in the pipeline. The diversification efforts extend to geographical expansion as well. With the Adityapur plant expected to be commissioned by H2FY24, JAI is strategically positioning itself to supply parabolic springs to Tata Motors, contributing to the penetration of this technology in the Indian CV industry.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	112
Target Price (INR)	130
NSE Symbol	JAMNAAUTO
BSE Code	520051
Bloomberg	JMNA IN
Reuters	JMNA.NS

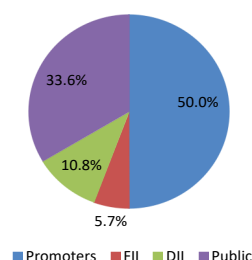
Key Data

Nifty	21,572
52WeekH/L(INR)	1,537 / 911
O/s Shares (Mn)	398.86
Market Cap (INR bn)	44.6
Face Value (INR)	1

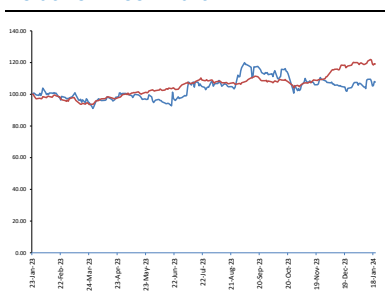
Average volume

3 months	1,742,330
6 months	2,140,690
1 year	1,815,920

Share Holding Pattern (%)



Relative Price Chart



Jamna Auto Industries Ltd.

This initiative aligns with the broader industry trend where OEMs are increasingly adopting parabolic springs due to advantages like weight reduction, improved ride comfort, and longer lifespan. The company is not just broadening its product portfolio but also expanding its footprint in the growing parabolic spring market, indicating a forward-looking approach to technology trends.

Valuation and Outlook

Jamna Auto Industries Ltd. appears poised for sustained growth and value creation, supported by several key factors. The upcoming strong demand in the CV segment, coupled with JAI's market leadership and increased market share in suspension products, presents a favorable backdrop for revenue expansion. The company's strategic positioning as a key supplier in the M&HCV industry, with a remarkable recovery in industry sales volumes, sets the stage for continued financial success. In addition to its core strength in suspension products, JAI's foray into new business segments, such as Rotavators, Fertilizer Broadcasters, and Cultivators, reflects a proactive approach towards diversification. This strategic move not only taps into emerging opportunities in agriculture-related products but also serves as a means to mitigate the inherent cyclicality in the CV-dependent business. The successful execution and market penetration in these new segments are expected to contribute positively to the company's overall revenue mix and enhance its resilience against industry fluctuations. Furthermore, JAI's expansion in the European aftermarket segment, evidenced by the addition of new distributors, underscores the company's commitment to global market presence and customer outreach. The aftermarket focus, combined with operational efficiencies and digital transformation initiatives, positions JAI to capture additional revenue streams and optimize costs effectively. **Based on these positives, we assign a "BUY" rating to the company with an investment horizon of 12 months. We value the stock at 21.7x FY25E EPS to arrive at a target price of Rs. 130 (15.6% upside from CMP).**

Key Financials						
YE March (Rs. millions)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	11,103	10,582	16,824	22,719	24,908	28,395
Revenue Growth (Y-o-Y)	(46.9%)	(4.7%)	59.0%	35.0%	9.6%	14.0%
EBIDTA	1,168	1,339	2,263	2,614	3,216	3,718
EBIDTA Growth (Y-o-Y)	(57.8%)	14.6%	69.1%	15.5%	23.0%	15.6%
Net Profit	487	734	1,406	1,684	2,055	2,389
Net Profit Growth (Y-o-Y)	(64.6%)	50.8%	91.5%	19.7%	22.1%	16.3%
Diluted EPS	1.2	1.8	3.5	4.2	5.2	6.0
Diluted EPS Growth (Y-o-Y)	(64.6%)	50.8%	91.5%	19.7%	22.1%	16.3%
Key Ratios						
EBIDTA margin (%)	10.5%	12.6%	13.5%	11.5%	12.9%	13.1%
NPM (%)	4.4%	6.9%	8.4%	7.4%	8.3%	8.4%
RoE (%)	9.3%	13.3%	22.3%	22.9%	24.3%	23.7%
RoCE (%)	12.2%	15.7%	26.1%	26.7%	33.0%	32.7%
Valuation Ratios						
P/E (x)	92.1x	61.1x	31.9x	26.6x	21.8x	18.8x
EV/EBITDA	45.1x	40.7x	25.0x	21.0x	17.2x	14.9x
P/BV (x)	8.7x	7.7x	6.5x	5.7x	4.9x	4.3x
Market Cap. / Sales (x)	4.0x	4.2x	2.7x	2.0x	1.8x	1.6x

Source: Company, BP Equities Research



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