

**JTEKT India Ltd.****₹113***Drive your dreams...!!!***Accumulate**

Nov 30, 2018

**Company Background**

JTEKT India Ltd (formerly known as Sona Koyo Steering Systems Ltd) is a part of JTEKT Corporation Japan and operates as part of JTEKT Group India. It is engaged in the business of manufacturing and sale of steering systems like; steering gears, columns and RPS assemblies, axle assemblies and other auto ancillaries to almost all Indian passenger car and utility vehicle manufacturers. It has 7 plants located across the India from where it caters to key customers across India. Its major customers include large vehicle manufacturers in India such as Maruti Suzuki, Toyota, Honda, Tata Motors and Mahindra & Mahindra etc. JTEKT India exports high quality precision products to USA, Europe and Japan. Earlier in 2017, JTEKT Corporation successfully completed the strategic acquisition of its partner Sona Koyo Steering Systems Ltd to strengthen its positioning in the Indian auto components market. It is committed to growing India as a critical centre of its operations in South Asia. As a global brand, JTEKT will be bringing into India its proprietary technologies to further address the evolving needs and customer dynamics. The company will continue to grow its focus on India becoming a key manufacturing and distribution hub.

**Key Highlights**

- ➔ For FY18, Sales revenue ₹ 12,509.1 million, of which 73% from Steering gear, Drive line stands at 14% and rest 13% is from others, of total revenue.
- ➔ During the year, the Company has disposed off its entire investment in Sona Skill Development Centre Ltd (SSDCL), accordingly, SSDCL ceased to be an Associate Company of JTEKT India Ltd with effect from 18th May, 2017.
- ➔ For FY18, it has two subsidiaries, namely JTEKT SONA Automotive India Ltd & Sona Fuji Kiko Automotive Ltd, both have generated the sales revenue of ₹ 6,567 million and PAT stands at ₹ 407 million.
- ➔ Material cost as a percentage of sales declined again this year due to sustained efforts towards localization, backward integration, VA-VE (Value analysis and value engineering) and active involvement with suppliers.
- ➔ PAT improved by 22.53% for FY18, due to declined in Depreciation, Interest and Administrative expenses, adding to the overall profitability.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	12,453.0	13,299.4	12,534.6
Rev. growth (%)	1.00	6.80	(5.75)
EBITDA (INR mn)	1,323.8	1,346.2	1,433.2
Net profit (INR mn)	250.0	250.9	324.4
Shares outstanding (mn)	198.7	198.7	198.7
EPS (INR)	1.2	1.3	1.6
EPS growth (%)	50.65	8.62	29.37
P/E (x)	40.09	64.84	60.43
RONW (%)	6.38	8.75	10.53
ROCE (%)	9.29	10.78	12.72

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**Info Codes**

Reuters	: JTEK.BO
Bloomberg	: JTEKT IN
NSE	: JTEKTINDIA
BSE	: 520057

**Market Data**

52 Wk Range (₹)	: 86/146
Shares in Issue (mn)	: 198.7
Market. Cap ( bn)	: 22.45
BSE 2 Wk Avg Vol	: 22000

**Share Holding Pattern (%)**

Promoters Holding	: 69.25
Public & Others	: 24.41
Corporate Holding	: 00.00
Foreign Institution	: 01.59
Institutions	: 04.75
Govt Holding	: 00.00

**Investment Theme**

Company getting the revenue upto 52% sales from the electric power steering, Hydraulic power steering contribute 20% of the sales and rest from others. Its market share in OEMs as on the Q1FY19; Maruti Suzuki was the largest customer on consolidated level 50% of sales were to Maruti Suzuki, Mahindra with 12%, Toyota 11%, Renault Nissan at 5%, Honda 8%, exports 7% and rest all by TATA and other OEMs. There will be New customer introduction like Hyundai-Kia combined. Both the subsidiaries are performing well. During the FY18, the BoDs of JTEKT India Ltd & JTEKT Sona Automotive India Ltd have proposed the amalgamation. FY19 will be the full operational year after the amalgamation. This merger will leads to gain the competitive edge over the products and will improve the market share.

**The drive of your life...!!!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Net Operating Income	10,773.9	11,646.0	8.1	12,122.4	4.1
Other Income	159.8	64.7	(59.5)	25.6	(60.4)
Change in Stocks	38.2	37.8	(1.0)	(22.3)	(159.0)
Fuel Charges	7,176.3	7,762.3	8.2	8,008.1	3.2
Employee Exp.	1,303.3	1,360.7	4.4	1,461.7	7.4
Indirect Taxes	1,519.3	1,588.7	4.6	386.7	(75.7)
Other Exp.	(350.8)	(309.4)	(11.8)	836.0	(370.2)
Operating Exp.	9,648.1	10,402.3	7.8	10,692.5	2.8
Operating Profit	1,323.8	1,346.2	1.7	1,433.2	6.5
Total Interest	282.3	242.6	(14.1)	207.4	(14.5)
Gross Profit	1,041.5	1,103.6	6.0	1,225.8	11.1
Net Dep.	719.0	747.7	4.0	731.3	(2.2)
Total Taxation	72.5	105.0	44.8	170.1	62.0
Net Profit/Loss	250.0	250.9	0.4	324.4	29.3

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17	Mar 18
<b>SOURCES OF FUNDS</b>	<b>5,242.4</b>	<b>5,601.1</b>	<b>5,503.3</b>	<b>5,530.8</b>
Equity Share capital	198.7	198.7	198.7	198.7
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	2,422.8	2,553.2	2,787.2	2,976.4
Secured Loans	2,566.5	2,793.8	2,454.9	2,286.8
Unsecured Loans	54.4	55.4	62.5	68.9
<b>USES OF FUNDS</b>	<b>5,242.4</b>	<b>5,601.1</b>	<b>5,503.3</b>	<b>5,530.8</b>
Gross Block	7,904.4	8,903.4	5,173.9	5,547.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	3,847.7	4,525.3	739.3	1,414.3
Net Block	4,056.7	4,378.1	4,434.6	4,132.7
Capital Work in Progress	621.6	381.4	212.9	97.7
Investments	354.8	352.8	337.3	328.8
Current Assets	2,266.4	2,497.7	2,583.4	2,774.1
Less : Current Liabilities	1,834.4	1,901.0	1,971.1	1,772.1
Total Net Current Assets	432.0	596.7	612.3	1,002.0
Misc. Expenses not writtenoff	(222.7)	(107.9)	(93.8)	(30.4)
<b>NOTE</b>				
Book Value of Unquoted Investments	354.8	352.8	337.3	328.8
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	606.3	519.2	564.9	629.5
Dividend (%)	65.0	50.0	50.0	50.0

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Dec 17	Mar 18	Jun 18	Sep 18
Net Sales	2,928.0	3,234.8	3,119.0	3,385.2
Cost Of Sales	2,610.4	2,815.9	2,828.6	3,032.4
Operating Profit	317.6	418.9	290.4	352.8
Other Income	6.5	3.4	92.8	36.1
Adjusted PBDIT	324.1	422.3	383.2	388.9
Financial Expenses	52.7	42.1	41.5	36.7
Depreciation	180.8	166.5	160.6	161.8
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	90.6	213.7	181.1	190.4
Tax Charges	32.3	73.7	34.4	64.4
Reported Profit	58.3	140.0	146.7	126.0
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	58.3	140.0	146.7	126.0

**52 Week Index Relative Percentage Appreciation**



**JTEKT India vs SENSEX**

**Risks Associated**

- Aluminum prices have risen 20% and Steel risen 9% in the last year. Rising Aluminium & Steel prices were now the main cause of higher costs and lower margins.
- Indian Government plans for a mass scale shift to EVs by 2030, however there are some challenges like; lack of lithium & cobalt reserves, as this products are using in production of Electric Charging Batteries.
- For the country, the major problem in shift to EV is of inadequate power supply as it battles from frequent load-shedding and over-dependence on coal power besides lack of sufficient electric infrastructure.

**Scope of Growth**

- JTEKT Sona Automotive India Ltd was amalgamated with the company. The amalgamated company is manufacturing Column type Electric Power Steering, which is a next generation technology for Automobiles. The amalgamation will benefit by using this technology.
- Company name was changed from the current year to JTEKT India Ltd. The new name truly reflects the company's global identity, this identity will strengthen the market position in domestic as well as global markets.
- According to a Velocity MR research report, 90% of India's car owners would willingly switch to electric cars, with the conditions of infrastructural support.
- According to the SIAM, the Indian automotive industry has estimated for FY19, as the sales growth of passenger vehicles in FY19 is pegged at 8-10%. Utility vehicles growth is estimated at 14-15% and cars between 8-9% in the domestic market.
- The Indian auto-components industry had healthy growth over the last few years. The auto-component industry of India has expanded by 18.3% to reach at a level of \$ 51.2 billion in FY18.



**In a Nutshell**

Sona Steering Systems, incorporated in June 1984, commenced business in September 1985 as a key supplier to Maruti Udyog Ltd. The company commenced commercial production in 1st October 1987 after completion of project for manufacture of Rack & Pinion Steering Gears and Steering columns with a capacity of 125000 Nos. Sona Koya is the Market Leader in the Indian Steering systems category in volume terms with over 50% share and in value terms it is second largest player with over 30% share. This imbalance is mainly due to sona's product mix, still the low value manufacturing steering systems contributes more to sales than power steering systems. It has technical collaboration from Koyo Seiko company, Japan and Mando Machinery Corp of Korea. Koyo Seiko company hold 20.47% Equity Stake of the company. Company has two subsidiaries, JTEKT SONA Automotive India Ltd (JSAI) & Sona Fuji Kiko Automotive Ltd. (SFAL). Company is holding 49% of the equity capital in JSAI Ltd. Plants of JSAI are located in Bawal, Haryana and Chennai. Company is holding 51% of the Equity Capital in SFAL and its plant is located in Bawal, Haryana. The Registrar of Companies has approved for changing the name of Sona Koyo Steering Systems Ltd to JTEKT India Ltd effective from April 7, 2018. For FY18, net Sales revenue improved by 4% to ₹ 12,122.4 million, EBITDA appreciated to ₹ 1,433.2 million by 6.46% and PAT also rose by 29.29% to ₹ 324.4 million. Its main income segments are Steering gear assembly & Drive line assembly, revenue contributions are 73% & 14% respectively for FY18. During the FY18, Amalgamation was taken place between JTEKT SONA Automotive India Ltd. and JTEKT India Ltd. The amalgamation will improve the performance.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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