Jamna Auto

A drop of water in an ocean creates a ripple which goes a long way.

The recent volume surges in Commercial Vehicle companies reflect an undergoing cyclical change with Jamna Auto standing to gain the most from it.

Business Overview

Jamna Auto Industries Limited (JAI), incorporated in 1965 and headquartered in Delhi-NCR, is a premier auto-component manufacturer specialising in suspension systems for the commercial vehicle (CV) industry.

The company is currently India's largest and the world's third-largest manufacturer of commercial vehicle springs with market share between 60% and 70% in Medium and Heavy Commercial Vehicle (M&HCV) leaf spring market.

Industry Overview

History does not repeat but often rhymes.

The CV industry during Q4FY2021 was supported by many tailwinds like good freight rates and increase in domestic production activities. Which sustained till FY2023 before hitting a few roadblocks like increasing steel prices and denting margins, higher base and general elections in FY2024.

Fast forward to Q2FY26, the primary industry growth drivers which set off the cycle in FY2021-FY2023 are surfacing once again;

1).Customer Volumes:-

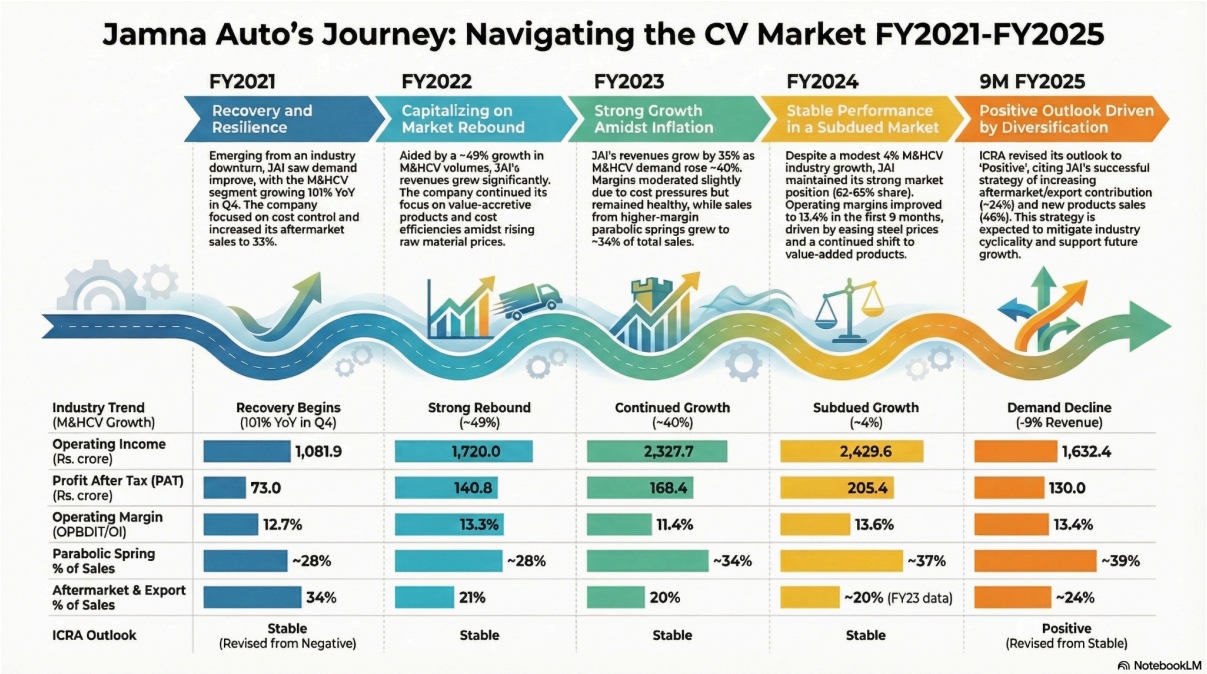
Ashok Leyland:- 26% growth

2.Freight Rates increasing

3. Lower GST rates

4.Higher average age of trucks which in turn increases replacement demand

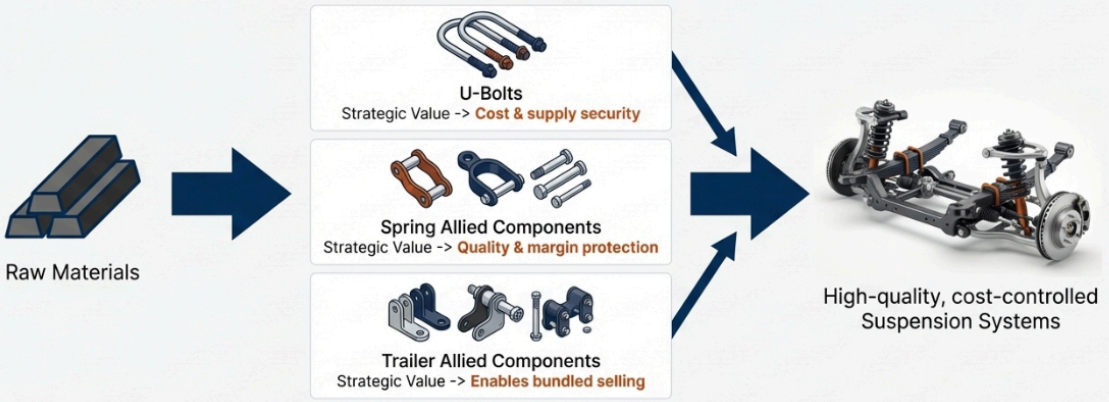
5.Newer regulatory demand



Important Points

1. The company has a dominant market share of ~62-65% in the leaf springs product segment. These are highly commoditized in nature but due to economies of scale, operating margins are sustained.
2. JAI's existing 8 plants and two new upcoming plants in Adityapur and Indore are all in close proximity to their clients.
3. JAI's new capex in Adityapur will significantly cut logistics cost while being next to customers and thus help increase margins for the company.
4. This acts as a significant advantage while also decreasing cash breakeven points for plants from 45-50% to 25-30%.
5. Company is further positioning itself to transition from a components supplier to an integrated systems supplier marking its move up the value chain
6. JAI has a high level of customer concentration with 2 main OEMs (Ashok Leyland and Tata Motors) forming ~55-60% of total sales.
7. JAI is backward integrating into manufacturing axle and rubber components in-house for supplementing new products and integrated suspension systems.

Backward Integration In Practice: Controlling Our Value Chain

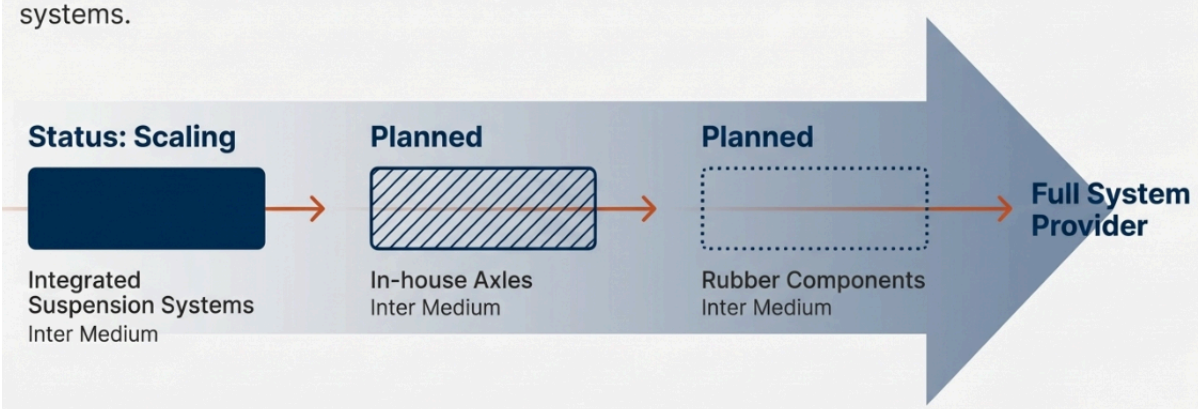


By manufacturing **critical sub-components** in-house, we are not just an assembler; we are a **deeply integrated manufacturer** that **controls its own destiny.**

NotebookLM

The Horizon: Engineering the Integrated Systems of Tomorrow

The logical endpoint of our journey is the shift from a supplier of individual components to a provider of fully integrated, high-value suspension and axle systems.



Notebo

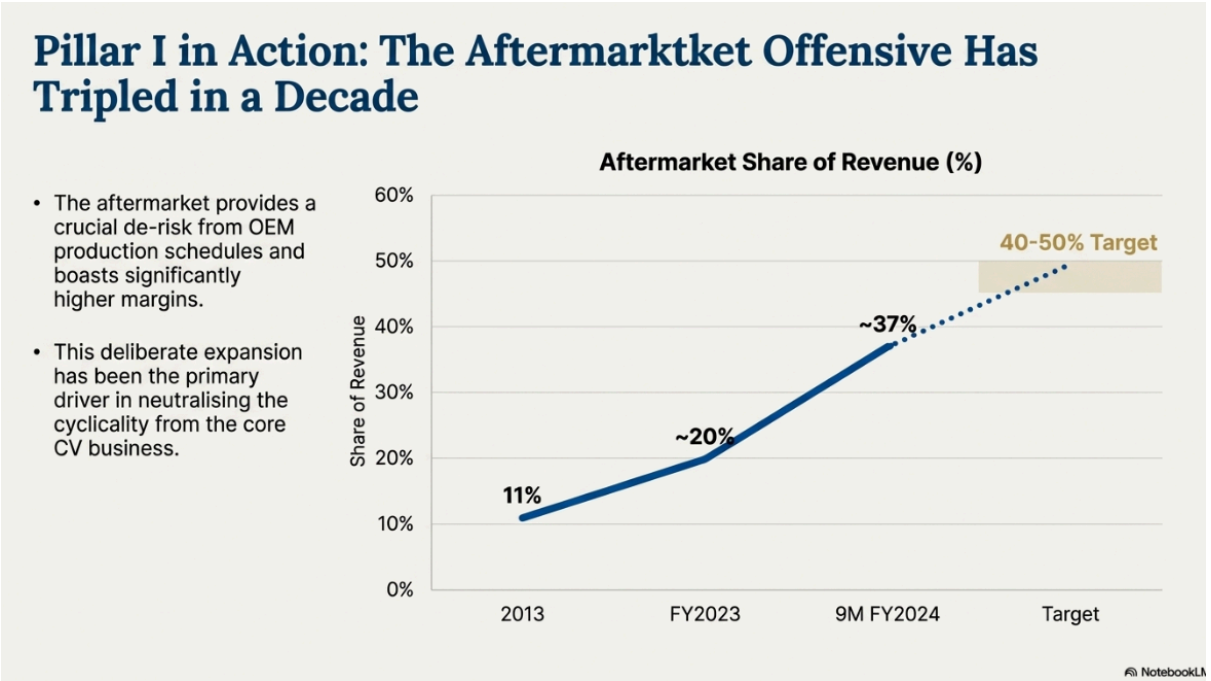
The Two Pillar Strategy



Aftermarket

Jamna Auto's aftermarket strategy focuses on monetising its large installed base through replacement demand, which rises as fleets age during and after upcycles and also shields the company away from cyclical downturns in the CV cycle.

Aftermarket sales have increased from ~20% in FY2023 to ~24% in FY2025 with targets to take it to ~40-50% of sales.

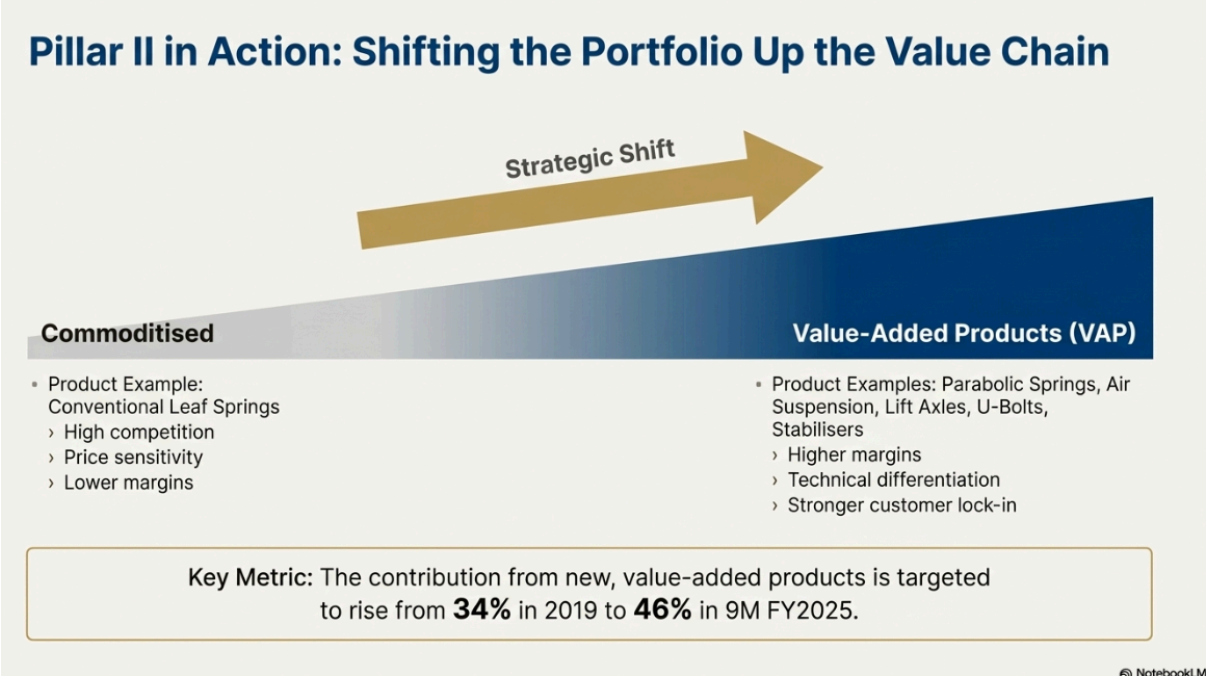


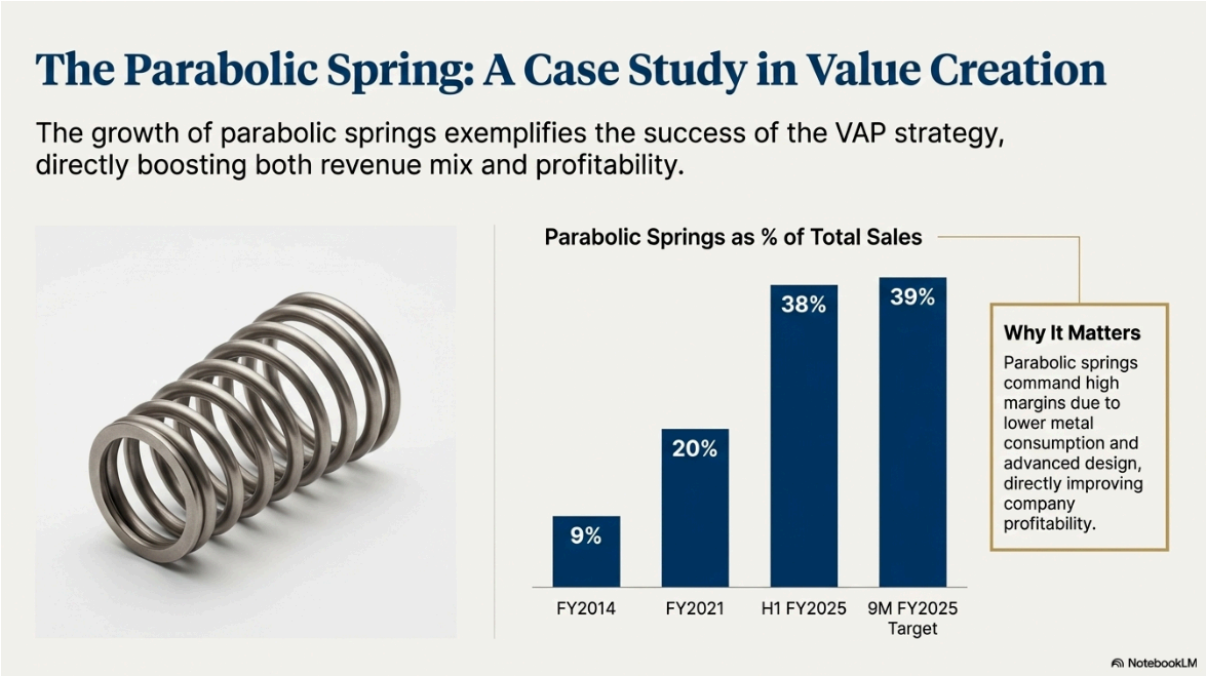
Product Mix Changing

JAI's majority sales happen from commoditized leaf springs. However, the increasing share of parabolic springs, lift axles, air suspension, and allied products materially improves realization and content per vehicle.

→ Parabolic Leaf springs

This new segment of high value added products commands more margins and higher realizations due to its lower metal consumption which insulates the product from raw material volatility.





Variant Perception Growth Triggers

1. Commercial Vehicle Cycle Turning
   Better freight rates and lower GST rates are acting as earnings and volume growth triggers for many Auto ancillaries like Jamna.
   Since they benefit earlier than OEMs, peak later than OEMs because aftermarket and replacement demand lags new vehicle sales and thus suffer with a lag during downturns.

Cycle Phase	***OEMs***	***Ancillaries (JAI-type)***
Early Upcycle	❌	✅✅
Mid Upcycle	✅	✅✅
Late Upcycle	⚠️	✅
Early Downcycle	❌❌	⚠️
Deep Downcycle	❌❌	⚠️ / ❌

2. Product Mix Change (Higher Content Per Vehicle)
   JAI's expansion into higher value add products like parabolic springs, lift axles, air suspension, and allied products positions the company to achieve higher content per vehicle and better realizations.
   Sales from new products and parabolic springs have increased from 34% in 2019 to 46% in 9MFY2025 and 39% in 9MFY2025 from 9% in FY2014 respectively, with non-spring product's share doubling to ~6% in FY2025.

3. Margin Expansion
   With product mix changing and aftermarket share increasing, margin expansion is quite prominent.
   Furthermore, a good cycle and better raw material prices can also propel margin expansion in the company since the company possess pricing power through pass-through mechanisms.

4. Capex and Operating leverage

   Capex going live before an industry upcycle is a prerequisite for operating leverage to take place. The two new plants of 200cr in Adityapur(110cr) and Indore(45cr) for leaf springs and U-Bolts respectively are expected to be fully commercialised by Q2FY26 and Q4FY26.

   This will result in an increase in capacity utilization of both plants paired with margin expansion and industry upcycle will drive operating leverage.

5. The Lakshya Target

   In this target drive of 5 years, JAI is focussed to achieve:-

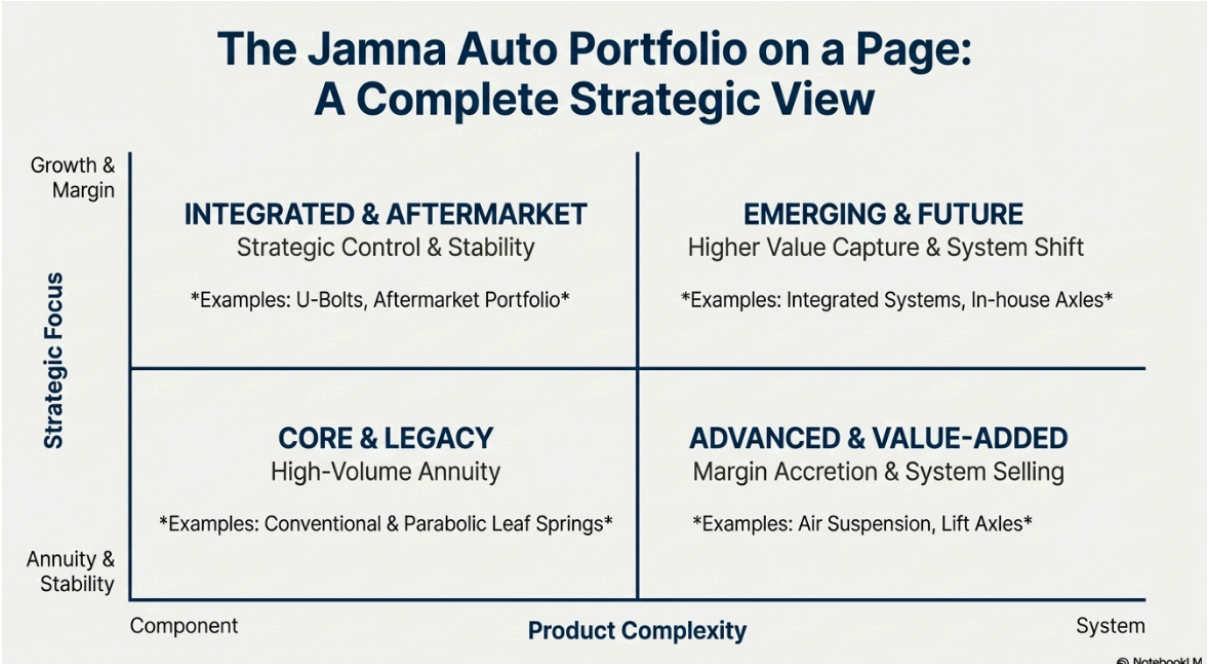
   Rs. 5,000 crores Revenue

   New Markets (Indian After Market +Export) to be 40% of Revenue

   Deliver 40% ROCE and 50% Dividend.

   This lakshya target seems feasible only when backed by industrial tailwinds, product mix change and margin expansion. The absence of any one of these interconnected triggers can obstruct JAI's lakshya target.

   Among all drivers, product mix change + aftermarket expansion and CV cycle turning matter more, because they structurally lift margins even in mid-cycle conditions.



Risks/ Anti Thesis

1. Sharp and sustained downturn in CV volumes post FY26
2. Prolonged spike in steel prices disrupting margin pass-through and hindering margin expansion triggers.
3. Customer concentration risk,

With ~60% of revenue linked to key OEMs like Ashok Leyland and Tata Motors, any downturn or delays faced by them will directly affect the company

4. Capacity risk

Any delays in commissioning new plants can hinder the process of operating leverage and also depress ROCE.

5. Product shift Risk

Although management has always focussed themselves towards higher margin products majority sales still come from generic leaf springs. This poses a risk for whether value added products can increase as a % of sales or not.

Concluding Remarks,

Spotting tailwinds in an industry is one thing, riding it is another.
Buying it at Peak valuations, earnings and margins can pose a very big if not sized properly.

The cycle will decide how fast earnings grow. The valuations will decide till where the stock can go.