

S.J.S. ENTERPRISES LIMITED

S.J.S. Enterprises Limited (SJS) is one of the leading players in the Indian decorative aesthetics industry in terms of revenue as on FY21 and offer the widest range of aesthetics products in India (CRISIL Report). They are a “design-to-delivery” aesthetics solutions provider catering to requirements of the two-wheeler, passenger vehicle, commercial vehicle, consumer appliance, medical devices, farm equipment and sanitary ware industries. They have an established relationship with reputed OEMs and tier-1 suppliers and their relationship with 10 largest customers averaged 15 years. The share of exports currently stands at ~17.6% as on Q1FY22, up from 9.8% in FY19. The current capacity stands at ~50% providing ample scope to cater to growing industry demand.

Positives: (a) Leading aesthetics solution provider with an extensive suite of premium products in a growing industry. (b) Well diversified product portfolio and long-standing relationship with customers that enables cross-sell and increase in wallet share. (c) Potential to scale up utilization and drive operating leverage. (d) Strong margins and net-debt free position with healthy cash generation.

Investment concerns: (a) Significant dependence on top 10 customers (~87% of FY21 revenues) and the automotive segment (~75% of FY21 revenues). (b) High dependence on the two-wheeler industry (~58% of FY21 revenues). (c) Increased competition, lack of firm long term commitment agreements with customers or suppliers (d) Continuing impact of the COVID-19.

Outlook & Valuation: As per the industry trends, higher preference for premium and technologically advanced products is leading to growing content per vehicle or appliances thus benefitting companies like SJS. The company has demonstrated its ability to scale up its client relationships across geographies on the back of its strong design and product development capabilities. It commands higher margins which can be supported due to operating leverage benefits and SJS has a strong financial profile (net debt free and healthy cash generation). At ₹542, the P/E based on FY21 EPS is ~35x and ~32x considering the Exotech financials which was acquired in April-22. Given the moderate scale of operations and after considering better than industry level growth rates, issue appears rightly priced based on Sep-23 EPS. We have a “NEUTRAL” rating on the issue.

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021	Q1FY2022
Net Sales	237	216	252	74
% chg	--	-8.9	16.4	--
Reported Net Profit	38	41	48	9
% chg	--	9.8	15.7	--
EBITDA (%)	28.7	29.4	30.3	23.6
EPS (₹)	12.4	13.6	15.7	3.1
P/E (x)	43.9	40.0	34.5	--
P/BV (x)	6.9	5.9	5.2	--
ROE (%)	36.3	15.9	16.1	--
ROCE (%)	33.6	15.5	15.8	--
EV/EBITDA	23.7	24.8	20.2	--
EV/Sales	6.8	7.3	6.1	--

Source: Company, Angel Research; Note: Valuation ratios at upper price band.

NEUTRAL

Issue Open: Nov 01, 2021

Issue Close: Nov 03, 2021

Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹30.4 cr

Offer for Sale: ₹800 cr

Fresh issue: NA

Post Eq. Paid up Capital: ₹30.4cr

Issue size (amount): ₹800 cr

Price Band: ₹531-542

Lot Size: 27 shares and in multiple thereafter

Post-issue mkt. cap: * ₹1,616 cr - ** ₹1,650 cr

Promoters holding Pre-Issue: 98.86%

Promoters holding Post-Issue: 50.37%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	50.4%
Others	49.6%

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Company background

SJS is one of the leading players in the Indian decorative aesthetics industry offering a wide range of aesthetic products. It is a “design-to-delivery” aesthetics solutions provider with the ability to design, develop and manufacture a diverse product portfolio for a wide range of customers primarily in the automotive and consumer appliance industries. Apart from catering to the requirements for two-wheeler, passenger vehicle and consumer appliance industries, it also caters to requirements of requirements of the commercial vehicles, medical devices, farm equipment and sanitary ware industries.

The Company supplied over 115 million parts with more than 6,000 SKUs in Fiscal 2021 to around 170 customers in approximately 90 cities across 20 countries. Its product offerings include decals and body graphics, 2D appliques and dials, 3D appliques and dials, 3D lux badges, domes, overlays, aluminium badges, In-mould label, or decoration parts (IML/IMD(s)), lens mask assembly and chrome-plated, printed, and painted injection moulded plastic parts. As of Q1FY22, SJS’ relationship with its 10 largest customers in terms of revenue averaged approximately 15 years. As on FY21, its sales of products and services to two-wheeler OEMs and Tier-1 suppliers contributed 58%, to passenger vehicle OEMs and Tier-1 suppliers contributed 16.6% and majority of the balance being contributed by sales to consumer appliance manufacturers. Exports accounted for 16% of revenue from operations in FY21, up from 9.8% in FY19

Issue details

The IPO is made up of offer for sale of ₹ 800 Cr shares by selling shareholders.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	3,00,91,960	98.86	1,53,31,812	50.37
Public	3,45,944	1.14	1,51,06,092	49.63
Total	3,04,37,904	100.00	3,04,37,904	100.00

Source: Company, Angel Research & RHP.

Objectives of the Offer

- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Key Management Personnel

K.A. Joseph is the Managing Director and one of the Promoters and co-founders. He holds a bachelor’s degree in science from the Bangalore University and a post graduate diploma in business administration. He has more than 34 years of experience in the aesthetics printing business.

Sanjay Thapar is an Executive Director and CEO having over 30 years of experience in the automotive industry. He holds bachelor’s degree in science (mechanical engineering) from the Delhi College of Engineering. He leads the strategy, business development and finance functions.

Amit Kumar Garg is the CFO of the Company. He holds a bachelor’s degree in commerce from the University of Delhi and a master’s degree in business administration from the Massachusetts Institute of Technology.

Exhibit 1: Consolidated Profit & Loss Statement

Y/E March (₹ Cr)	FY2019	FY2020	FY2021	Q1FY2022
Total operating income	237	216	252	74
% chg	--	-8.9	16.4	
Total Expenditure	169	153	175	57
Cost of materials consumed	95	84	99	32
Power and fuel	0	(2)	(2)	(1)
Employee benefits expense	32	33	36	12
Other expenses	42	37	42	14
EBITDA	68	64	76	18
% chg	--	-6.8	19.9	--
(% of Net Sales)	28.7	29.4	30.3	23.6
Depreciation & Amortization	10	13	15	5
EBIT	58	51	61	12
% chg	--	-13.2	21.0	--
(% of Net Sales)	24.6	23.5	24.4	16.8
Finance costs	2	1	1	1
Other income	4	5	4	1
(% of Sales)	1.5	2.4	1.4	1.4
Recurring PBT	57	49	61	12
% chg	--	-13.2	23.1	-80.6
Exceptional item	7	-	-	-
Tax	15	13	16	3
PAT (reported)	38	41	48	9
% chg	--	9.8	15.7	-80.1
(% of Net Sales)	15.8	19.1	19.0	12.8
Basic & Fully Diluted EPS (Rs)	12.4	13.6	15.7	3.1

Source: Company, Angel Research

Exhibit 2: Consolidated Balance Sheet

Y/E March (₹ Cr)	FY2019	FY2020	FY2021	Q1FY2022
SOURCES OF FUNDS				
Equity Share Capital	30	30	30	30
Other equity	208	249	285	289
Shareholders' Funds	239	280	315	320
Total Loans (incl. lease liabilities)	23	6	9	26
Other liabilities	13	12	9	9
Total Liabilities	274	298	334	355
APPLICATION OF FUNDS				
Property, Plant and Equipment	145	149	141	154
Right-of-use assets	4	4	8	20
Capital work-in-progress	0	0	4	4
Intangible assets	9	8	7	35
Non-Current Investments	-	-	-	-
Other Non-Current Asset	15	14	6	8
Current Assets	131	157	219	195
Inventories	25	28	33	45
Investments	55	70	81	41
Trade receivables	46	45	60	61
Cash and Cash equivalents	3	11	38	36
Loans & Other Financial Assets	0	0	1	2
Other current assets	2	4	6	10
Current Liability	30	35	50	62
Net Current Assets	101	123	169	133
Total Assets	274	298	334	355

Source: Company, Angel Research

Exhibit 3: Consolidated Cash flows

Y/E March (₹cr)	FY2019	FY2020	FY2021	Q1FY2022
Operating profit	53	54	64	13
Net changes in working capital	(8)	3	(5)	8
Cash generated from operations	9	11	14	5
Direct taxes paid (net of refunds)	(19)	(10)	(15)	(4)
Net cash flow from operating activities	36	58	58	22
Purchase of Assets	(48)	(21)	(13)	(66)
Interest received	0	0	0	0
Others	4	(11)	(25)	41
Cash Flow from Investing	(44)	(32)	(37)	(25)
Repayment (long term borrowings)	-	-	-	(0)
Repayment (short term borrowings)	8	(17)	3	(5)
Proceeds from Issue of Shares	2	-	-	-
Interest paid	(1)	(1)	(0)	(0)
Payment of Lease liabilities	-	-	-	(1)
Dividend Paid	-	-	(12)	(5)
Cash Flow from Financing	9	(18)	(10)	(12)
Inc./(Dec.) in Cash incl. forex fluctuation	0	8	11	(15)
Cash from acquired co.	-	-	-	11
Opening Cash balances	3	3	11	22
Closing Cash balances	3	11	22	18

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	43.9	40.0	34.5
P/CEPS	34.9	30.5	26.4
P/BV	6.9	5.9	5.2
EV/Sales	6.8	7.3	6.1
EV/EBITDA	23.7	24.8	20.2
Per Share Data (Rs)			
EPS (Basic)	12.4	13.6	15.7
EPS (fully diluted)	12.4	13.6	15.7
Cash EPS	16	18	21
Book Value	78	92	104
Returns (%)			
ROE	36.3	15.9	16.1
ROCE	33.6	15.5	15.8
Turnover ratios (x)			
Receivables (days)	70	76	87
Inventory (days)	53	66	69
Payables (days)	23	51	53
Working capital cycle (days)	101	91	103

Source: Company, Angel Research

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