



S J S Enterprises Ltd



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Company Snapshot

- Two Phase Buying Strategy = Buy 50% quantity between INR 420-440 (CMP = 432) & further buy 50% quantity between INR 350-400
- Price Target = INR 650+ in next 12 months & INR 1500+ in next 3-5 years.
- It can deliver ~30% CAGR over the period of 5 years.

- Incorporated in 1987 as a partnership firm, SJS is now one of the leading players in the Indian decorative aesthetics industry. It has market share of ~11% as of FY21 in the decorative aesthetics market.
- It is an end-to-end 'design to delivery' aesthetics solutions provider with the capability to customise, design, develop, and manufacture a wide range of products for the world's leading automobile, consumer durables, medical devices, farm equipment, and sanitary ware industries.
- It has two state-of-the-art manufacturing units in Bengaluru and Pune spread across an area of 2,35,000 sq. ft. and 68,350 sq. ft. respectively.

Market Cap: ₹ 1330 Cr.	Current Market Price: ₹ 432 (21 st Oct'22)	52 Week high/low: ₹ 551/340
PE : 23.6	ROE: 15.5%	ROCE: 20.5%
Mcap/Sales = 4.73	Promoter's Holding: 50.4%	Debt to Equity: 0.02
Dividend Payout : 21.4%	Pledged Percentage: 0.00%	PEG ratio: 3.62
Sales Growth (3Y) : 4.0%	Profit Growth (3Y) : 7.0%	Free cash flow (3Y) : ₹ 135 Cr.

Source: Screener.in, As on October 21st, 2022

Mohnish Pabrai's Investment Philosophy

"Heads I win, tails I don't lose much" - Mohnish Pabrai - It means picking up less risky stocks, but, on the upside, it also has a wide possibility of profit.

Pabrai suggests investors follow the footsteps of another successful investor rather than innovating a strategy. He emphasises being patient to let the market work. As an investor, he picks up stocks with low P/E ratio and high yields, typically unfavourable stocks. When he identifies such stocks, he stacks the odds of success by creating a wide margin of safety and then bet big.

Understanding 'low risk, high uncertainty' investing

He explained that a combination of low risk, high uncertainty is unusual since the two parameters move in the opposite directions. High risk means higher chances of loss, while uncertainty refers to a wide range of possible outcomes. When the market is confused between Risk and Uncertainty, he pointed out those moments as profit opportunities.

Pabrai suggested that investors need to think like entrepreneurs who search for low-risk business opportunities with high return.

Well-established businesses with a slow rate of change

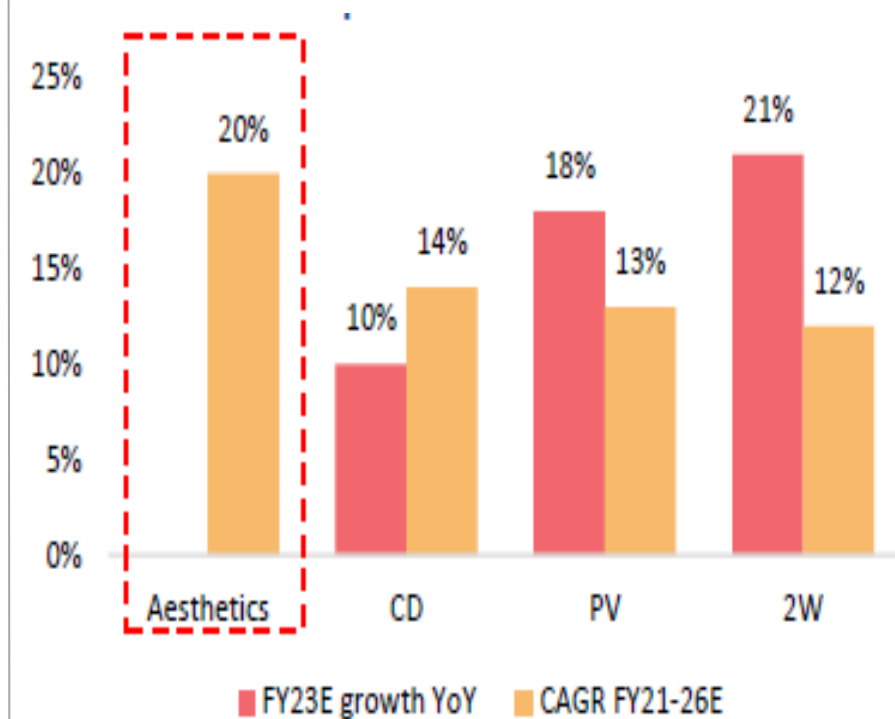
According to him, investing in well-established businesses with a well-defined business model ensures long term return. These businesses are less risky than startups, but they can earn a decent profit even with a slight change in their business strategy. Following this requirement alone eliminates 99 percent of possible investment alternatives.

- Our latest recommendation is one such company from decorative aesthetics industry. SJS was founded in 1987 with the vision to increase the perceived and experienced value of objects and interfaces, through cutting-edge design and printing technologies.
- It is only Listed Entity providing complete decorative aesthetics solutions in India. The company differentiates itself based on its broad product portfolio, quality of product offerings, product design and development capabilities and strong relationships with customers located across various industries globally.

Industry Overview (1/4)

- The **decorative aesthetics industry offers visually appealing products** for the automotive and consumer appliances industries. Manufacturers of discretionary consumption items strive to bring value and aesthetic superiority to their offerings to enhance their market shares.
- OEMs have started considering **product aesthetics while building a brand**. Compared to other automotive parts, most aesthetic items involve lower logistics costs due to their compact nature.
- According to CRISIL Research, **the decorative industry is estimated to grow at a CAGR of 20% over FY 2021-26**, even if underlying markets grow by 10-12% during the same period.
- **India is the second most populous country in the world** behind China. The total population stood at 1.39 Bn in 2021 and is expected to cross 1.5 Bn by 2030. This is expected to boost the demand for automobile and consumer durables in the country, thereby, driving the decorative aesthetics market growth in India.
- **As per the International Monetary Fund (IMF), India's Gross Domestic Product (GDP) has grown by 8.7% in FY 2021-22, and growth is expected at 8.2% in FY 2022-23.** The ongoing vaccination drives, rebound in investment cycle with significant spending on infrastructure, emphasis on manufacturing and stronger digitization, and continued recovery in consumption, accentuated by gradual tapering of work-from-home along with rising rural incomes and affordability will drive significant growth in the Indian economy.

Decorative aesthetics industry expected to grow higher over FY21-26E than end-user industries, driven by premiumisation



Source: CRISIL Research, Company, Edelweiss Wealth Research

Industry Overview (2/4)

- The Indian decorative aesthetics industry caters to leading auto OE Ms, global independent tier-I automotive component makers, and consumer appliance companies. **Majority of the share is, however, occupied by the 2Ws.** According to the Report, the value of the decorative aesthetics market in India was at ` 19.9 billion in FY 2020-21.
- **Demand for decorative aesthetics is witnessing a shift towards premium, aesthetically superior, and technologically advanced products triggered by rising disposable incomes and aspirations, exposure to developed markets, and the advent of e-mobility. According to Report, the industry is projected to grow by 20% CAGR to reach ` 49.2 billion by FY 2025-26,** driven by an increase in the underlying application segments and a shift towards premium aesthetic products.
- **Domestic sales of passenger vehicles grew 13.2% to 3.1 million units in fiscal 2022 as against 2.7 million units in fiscal 2021.** Demand from the PV sector remains strong, but supply crunch due to various global factors such as the Russia-Ukraine war, rising inflation, higher fuel prices, and semiconductor chip shortage pose challenges for the industry.

Decorative aesthetics market in India is expected to grow at 20% CAGR over FY21–26



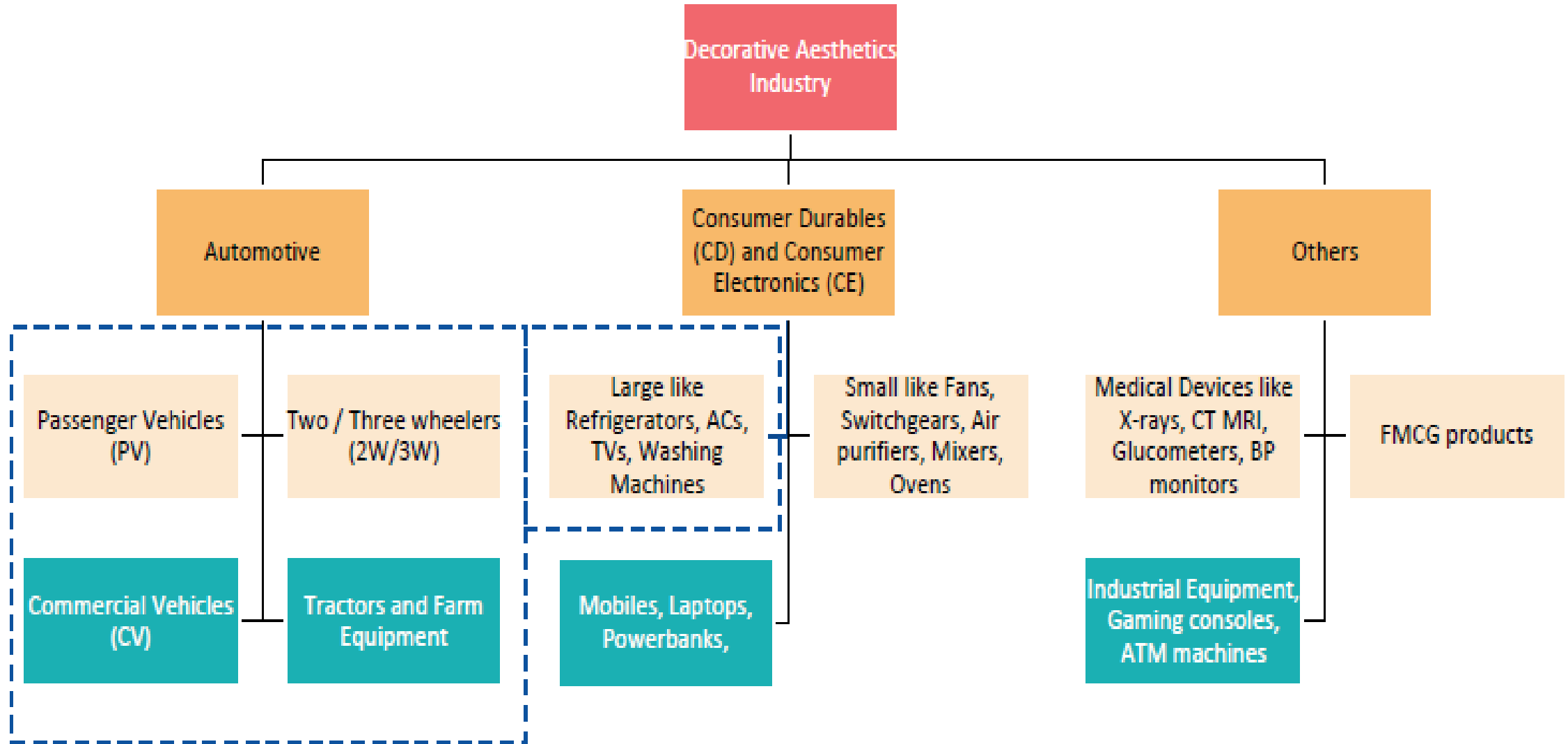
Source: CRISIL Research, Company, Edelweiss Wealth Research

Industry Overview (3/4)

- After a consecutive dip in production of passenger vehicles in fiscal 2020 and 2021, **PV production increased in fiscal 2022 and is expected to further rise owing to a spurt in domestic and export demand.**
- **Electrification of transportation is already underway.** The need is undeniably there, and it is likely to shoot up in the coming years. Demand is expected to be driven by expanded geographical footprint and enhanced product portfolios. Anticipated improvement in rural demand and stable crude oil prices will be crucial indicators to keep an eye on to drive the increase in domestic PV sales.
- Under penetration in many of India's consumer durable product categories presents a wide canvas for the industry to grow. **Premiumisation and the ongoing shift towards the organized sector further boost the prospects.**
- **The policy thrust on infrastructure capex** across sectors and secular drivers of retail demand are also expected to drive growth.
- **The domestic decorative aesthetics industry is dominated by the automotive space, which accounts for ~90% of the domestic business, while the CD industry accounted for the remaining 10%.**
- **Within the automotive space, the 2W industry accounts for more than half of the industry's revenue.**

Source: CRISIL Research, Company, Edelweiss Wealth Research

Industry Overview (4/4)



Source: CRISIL Research, Company, Edelweiss Wealth Research

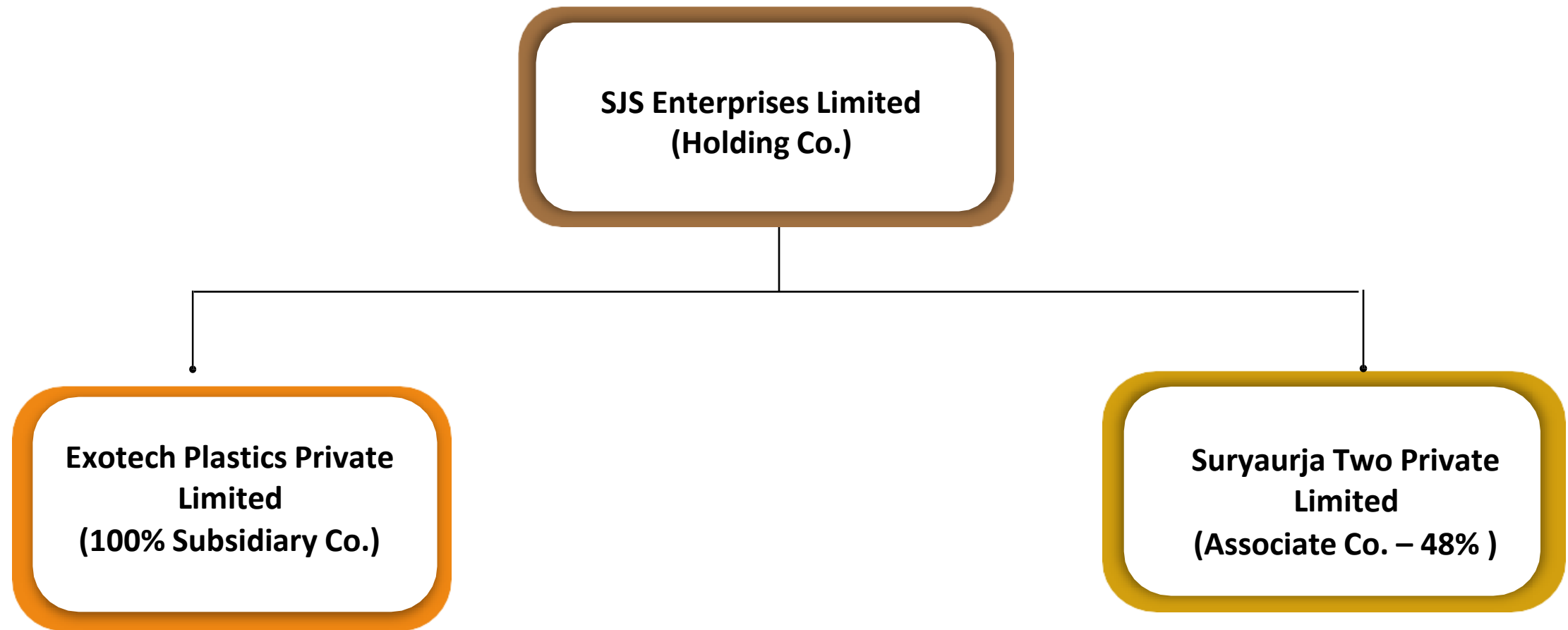
Journey of SJSEL

3C Capitals



Source: Company Disclosures

Group Structure



Company Overview

- **SJS Enterprises Limited is one of the leading players in Indian decorative aesthetics industry with a market share of ~11% as of FY21, which has one of the widest range of products with presence across traditional and premium products.**
- **The company is able to provide a wide range of products under a single roof** unlike most of its domestic peers. It operates a design studio to help collaborate with OEMs from the design stage. Its domestic cost structure helps in competing with global peers, as most products are batch-based and labour-intensive.
- **The company has exhibited strong operational management, highlighted by managing ~6,000 SKUs and maintaining a working capital cycle of ~70 days over the past five years.**
- **SJS initiated capacity expansion for its standalone business before the onset of the pandemic, which shunted its production ramp-up. Management believes the standalone capacity will now ramp up and the ongoing trend of premiumisation will also provide a pricing uptick, as more premium products are sold.**
- **SJS have two state-of-the-art manufacturing units** in Bengaluru (SJS) and Pune (Exotech) spread across an area of 2,35,000 sq. ft. and 68,350 sq. ft.

Touch of class delivered across diverse industries



Two-wheeler



Passenger Vehicle



Consumer
appliance industries



Sanitary ware industries



Commercial Vehicles



Medical devices



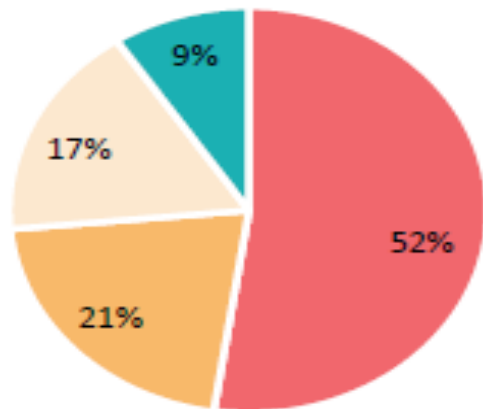
Farm equipment

Source: Company Disclosures

Subsidiary Overview – Exotech

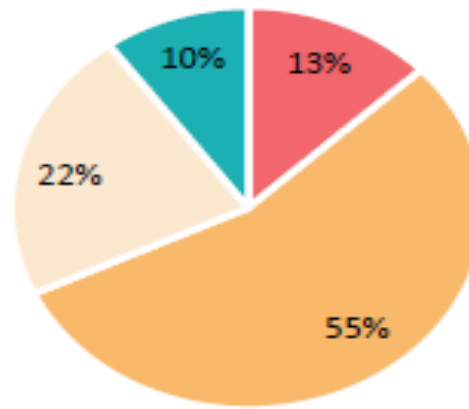
- SJS Enterprises Limited acquired Exotech in April 2021 for a valuation of INR 64cr, valuing the company at 8.6x EV/EBITDA and 12.2x P/E.
- The acquisition helped SJS to close a key gap in its product basket, as chrome-plated products occupy a significant chunk in the overall market.
- This has not only helped SJS diversify the product mix, but **also change the skew of end-industries from the 2W industry to a more diversified end-user industry mix.**
- **Moreover, this would help the company reduce volatility associated with** one particular sector within the industry and increase the use of premium content in the overall revenue mix, as PV and SUV makers use more premium content compared with 2W manufacturers.
- It has also helped increase the premium content usage, as PV and SUV makers use more premium content compared with 2W manufacturers.
- Chrome Plating is a lower EBITDA margin business compared to the **standalone business with margins expected to range between 13-15%.**

Sales mix in Standalone business



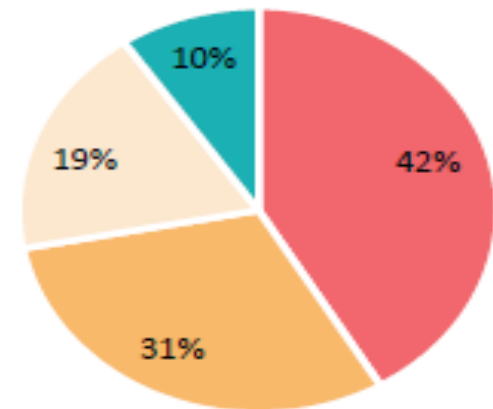
■ 2W ■ PV ■ CD ■ Others

Sales mix in Exotech



■ 2W ■ PV ■ CD ■ Others

Consolidated Sales mix

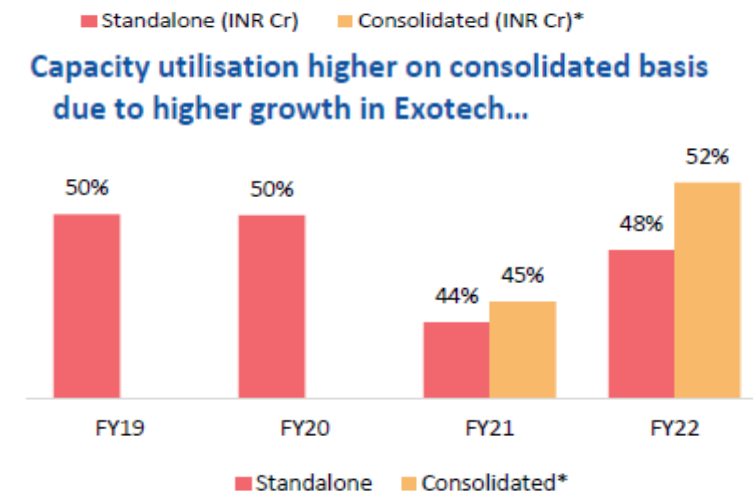
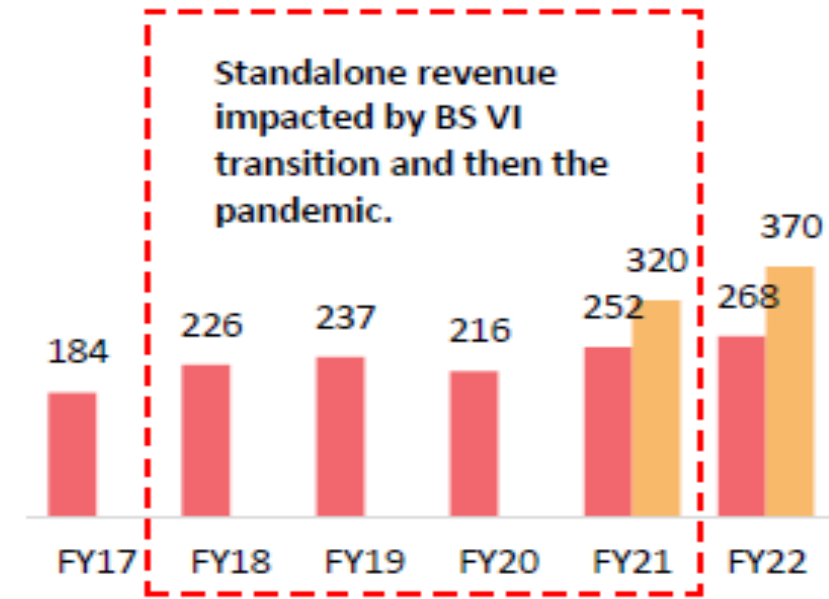


■ 2W ■ PV ■ CD ■ Others

Source: Company, Edelweiss Wealth Research

SJSEL – Reshaping the decorative aesthetics industry

- **SJS Enterprises Limited (SJS)** is a leading domestic player in the decorative aesthetics market. SJS has emerged as a one-stop shop for OEMs and Tier 1 suppliers given the diversified product basket which is un-matched by most of its domestic peers.
- **Established in 1987**, SJS Enterprises Ltd is a well-established company in India's decorative aesthetics market. Through a robust network of partners, customers and suppliers with more than 15+ years of strong relationships help the Company to make a strong foothold in the both domestic as well as in the international market.
- **SJS specializes in decorative aesthetics** keeping a focus on strengthening its product basket, design capabilities and strong customer relationship as well exploring some new geographies.
- **In our view, SJS Enterprises (SJS) looks best positioned to ride tailwinds of the automobile and auto Components industry on the strength of its diversified product basket, design capabilities and best-in-class operational management and focus on the high end quality products.**



Source: Company, Edelweiss Wealth Research

*FY21 is proforma figure

Product Portfolio

Decals & Body Graphics

Decals and graphics are used in two-wheelers and passenger vehicles and are applied to the body of a vehicle to enhance its appearance.



3D Lux Badges

3D lux badges are complex products with different finishes, colours, shapes, and curvatures typically used in two-wheelers and passenger vehicles to showcase a customer's logo or brand.



2D Appliques and Dials

2D appliques and dials are used in two-wheelers and passenger vehicles as speed or revolutions-per minute ("RPM") indicators in speedometer clusters.



Domes

Domes are typically used in two-wheelers and passenger vehicles and consumer appliances to showcase a customer's logo or brand with special embossing effects and can be featured in different colours and shapes.



3D Appliques & Dials

New generation vehicles use aesthetically superior 3D appliques and dials. Our Company is an exclusive supplier of these products to top Korean passenger vehicle OEMs in India.



Aluminium Badges

Aluminium badges are used in two-wheelers, passenger vehicles and consumer appliances mainly as brand displays or to communicate special instructions on hard surfaces.



Chrome-plated and Painted Products

Chrome-plated and painted products include wheel covers, monograms, nameplates, rear and front appliques, radiator grills, door handles, bezels, bumper parts, etc.



Overlays

Overlays are used in consumer appliances control panels and work as the interface between users and machines.



Lens Mask Assembly

Lens mask assembly is used as a digital speedometer and information system for two-wheelers. An optical lens printed with special weatherproof ink insert moulded in the plastic housing to withstand extreme climatic conditions is used by two-wheeler manufacturers to mask the digital instrument cluster display.



Touch of class delivered across diverse industries



Two-wheeler



Passenger Vehicle



Commercial Vehicles



Medical devices

IMLs/IMDs

In-mould labelling and in-mould decorations are used in various products, such as control panels in vehicles and consumer appliances, branding logos and decorative plastics.



Aftermarket - 'Transform'

We offer a variety of aftermarket accessories under our 'Transform' brand to enhance the appearance of two-wheelers and passenger vehicles, including vehicle body graphics, PU dome logos and badges, 3D lux badges for door edge protectors, chrome handles, and bumper grills.



Consumer appliance industries



Sanitary ware industries



Farm equipment

Source: Company Disclosures

Marquee Clientele

3C Capitals

Auto OEMs



Consumer Durable Players



Tier-1 Auto Component Suppliers



Others



Source: Company Disclosures

Financial & Business Analysis

	FY21	FY22	Trailing	YoY Growth	FY23E	FY24E	FY25E
Total Revenue (INR Cr.)	252	370	399	47%	462	564	705
EBITDA (INR Cr.)	77	95	102	23%	116	135	183
EBITDA Margin (%)	30.56%	25.70%	25.66%	-	25.00%	24.00%	26.00%
Net profit (INR Cr.)	48	55	62	15%	74	93	120
Net profit Margin (%)	19%	15%	15%	-	16%	17%	17%
EPS (In Rs.)	15.90	18.10	-	14%	24.66	31.02	39.95
EPS Growth (%)	17.20%	13.84%	-	-	36.23%	25.81%	28.79%

- During the year under review, **consolidated revenue from operations for FY 2021-22 stood at ₹ 370 crores, increase by 47% as compared to ₹ 252 crores in FY 2020-21.** Higher growth in revenue in FY2021-22 mainly because of increased sales volume as well as increase in prices.
- EBITDA** for FY 2021-22 is ₹ 95 crores, **increase by 23%** as compared to ₹ 77 crores in FY 2020-21. The operating costs too got optimised due to different VAVE (Value added) activities. **Net Profit** for FY 2021-22 is ₹ 55 crores, **increase by 15%** as compared to ₹ 48 crores in FY 2020-21. **EPS** for FY 2021-22 is ₹ 18.10 rupee, **increase by 14%** as compared to ₹ 15.90 rupee in FY 2020-21.
- Out Of the total revenue, **2Ws segment accounted for a share of 41.5%** (58.0% in fiscal 2021 for SJS standalone), **followed by PV segment at 30.5%** (16.6% in fiscal 2021 for SJS standalone) and **consumer durables at 18.5%** (25% in fiscal 2021 for SJS standalone).
- As per Q1FY2023 concall Company's Current order book is ~90% of FY23 forecasted revenue (i.e. approx ₹ 416 crores). Further, management is highly optimistic that it will achieve its top line growth of CAGR 25% over near to medium term. We believe that company can sustain its top-line growth as guided as well as its margin in the range of CAGR 25-35% in next 3 Years on consolidated basis. .

Balance Sheet Analysis

	Mar-15	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	*Mar-22
Equity Share Capital	3	30	30	30	30	30	30
Reserves	61	98	148	208	249	285	330
Borrowings	8	0	16	23	6	9	29
Other Liabilities	20	33	40	42	46	59	66
Total	93	162	233	304	332	384	455
Net Block	29	35	36	158	160	155	207
Capital Work in Progress	3	8	53	0	0	4	-
Investments	-	42	56	55	70	81	78
Other Assets	61	76	89	91	102	143	170
Total	93	162	233	304	332	384	455

Note: *March 2022 figures are consolidated basis.

- During the year ended 31 March 2022, company's capital structure and debt protection metrics to remain robust supported by healthy accruals.
- During the year ended 31 March 2022, **Goodwill comprises of aggregating ₹ 24.98 crores pertains to acquisition of a subsidiary and the remaining goodwill of ₹ 3.95 crores** pertains to business acquisition of Delta Ram, Srisha Enterprises and SM Enterprises.
- During the year ended 31 March 2022, **borrowings** (current and non-current) **stood at ₹ 12.59 crores.**
- During the year ended 31 March 2022, the Company's **Investments stood strong at ₹ 78 crores.**
- During the year ended 31 March 2022, the Company's cash and cash equivalents stood strong at ₹ 10 crores.

Cash Flow Analysis

	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	*Mar-22
Cash from Operating Activity	44	37	36	58	58	61
Cash from Investing Activity	-48	-46	-44	-32	-37	-50
Fixed assets purchased	-9	-55	-44	-17	-10	-14
Investments purchased	-42	-47	-40	-74	-176	-128
Investments sold	-	33	41	58	164	131
Interest received	41	1	-	-	-	2
Dividends received	1	3	-	-	-	-
Loans to subsidiaries	-	-	-	-	-	-
Acquisition of companies	-	-	-	-	-	-53
Other investing items	-38	18	-1	1	-16	11
Cash from Financing Activity	-6	7	9	-18	-10	-17
Proceeds from shares	-	-	2	-	-	-
Proceeds from borrowings	-	6	8	-	3	-
Repayment of borrowings	-6	-0	-	-17	-	-2
Interest paid	-1	-1	-1	-1	-0	-1
Dividends paid	-	-	-	-	-12	-11
Share application money	-	2	-	-	-	-
Net Cash Flow	-11	-2	0	8	11	-6

Note: *March 2022 figures are consolidated basis.

- The company has done **capex of ₹ 14 crores** in FY22 for capacity expansion.
- Company's Operating cash flows continues to remain healthy.
- Company is virtually debt free. After acquisition of Exotech – its **interest coverage at 160** times during FY22, and are likely to improve because of healthy profitability and operating efficiency.
- **Net debt to equity ratio 0.02** is considered best in industry.
- During the year ended 31 March 2022, **declared and paid an interim dividend of ` 1.65 per equity share and ` 2.00 per equity share respectively** (face value of ` 10.00 each) **aggregating to ₹ 11.11 crores.**
- It had acquired Exotech at cash deal of ₹ **64 crores.**

Quarterly Income Statement Analysis

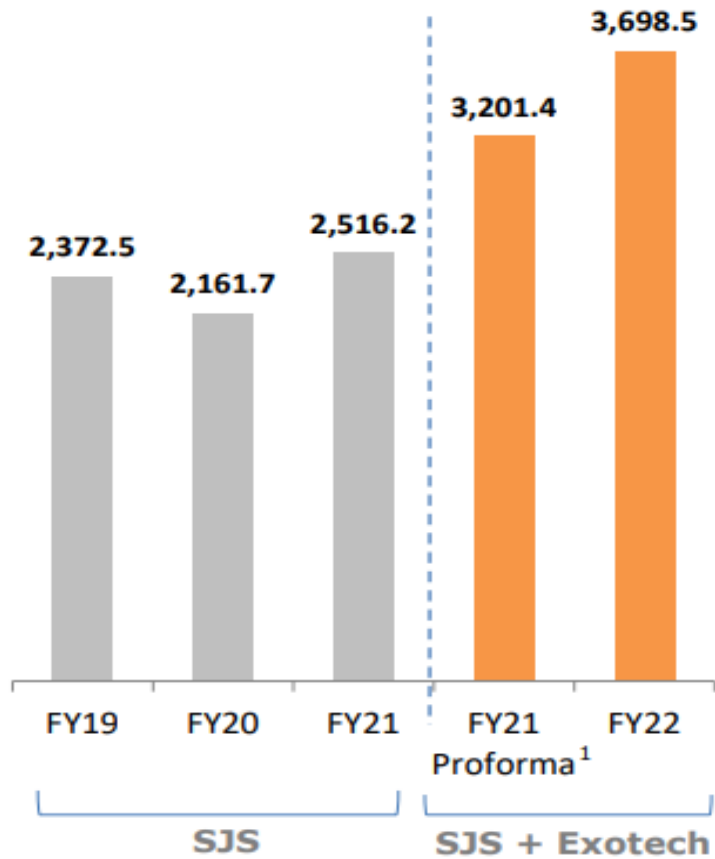
	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	QoQ Growth	YoY Growth
Total Revenue (INR Cr.)	74	100	92	104	103	-0.96%	39.19%
EBITDA (INR Cr.)	18	26	26	25	26	4.00%	44.44%
EBITDA Margin (%)	24%	26%	28%	24%	25%	100 bps	200 bps
Net profit (INR Cr.)	10	15	15	15	16	6.67%	60.00%
Net profit Margin (%)	14%	15%	16%	14%	16%	200 bps	300 bps
EPS (In Rs.)	3.12	5.02	4.89	5.05	5.33	5.54%	70.83%

- In Q1 FY23 Company recorded **revenue of ₹ 103 crores** with **EBITDA and PAT of ₹ 26 crores and ₹ 16 crores** respectively.
- For full year ended 31st March 2022 Company recorded revenue of ₹ 370 crores with EBITDA and PAT of ₹ 95 crores and ₹ 55 crores respectively.
- In Q1 FY23 Company recorded **Profit before tax of ₹ 22 crores** (Q1FY22 vs Q1FY23 **increases by 69%.**)
- In Q1 FY23 Company recorded **Net profit of ₹ 16 crores.** (Q1FY22 vs Q1FY23 **increases by 60%.**)
- **Exotech continues very strongly, on a Y-o-Y basis it grew by 70% from FY2022**, Q1 FY2023 was 70.9% higher than Q1 FY2022, and EBITDA margins in Q1 were 12.4%.
- **Domestic sales would be somewhere around 85% to 90% and exports would be around 10% to 12%.**

Note: % age are annualize basis

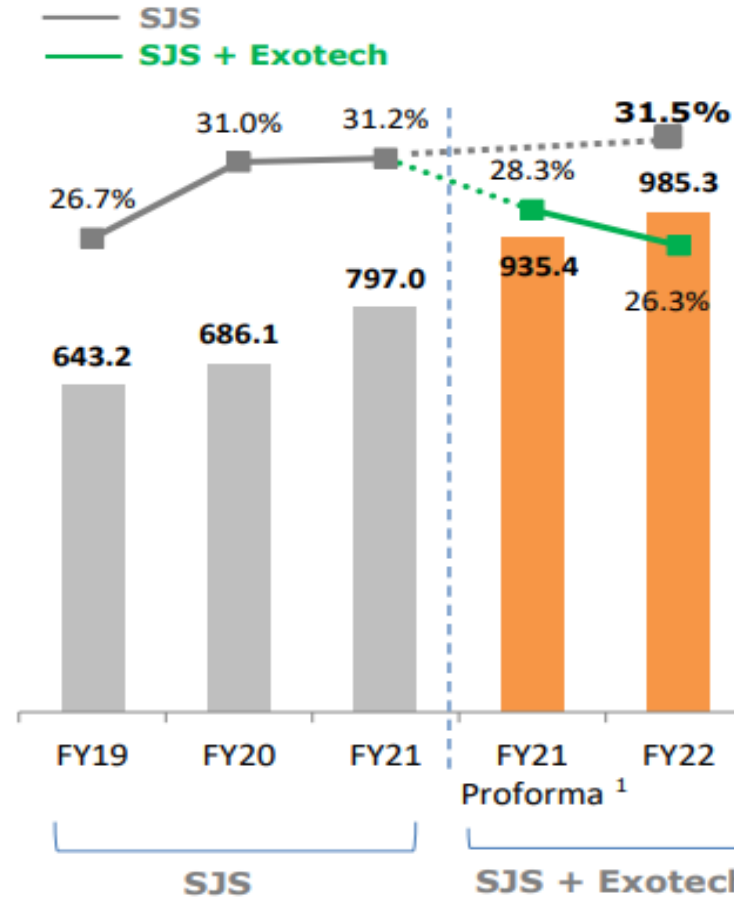
Performance in Charts – SJSEL (1/2)

Revenue from operations (INR Mn)



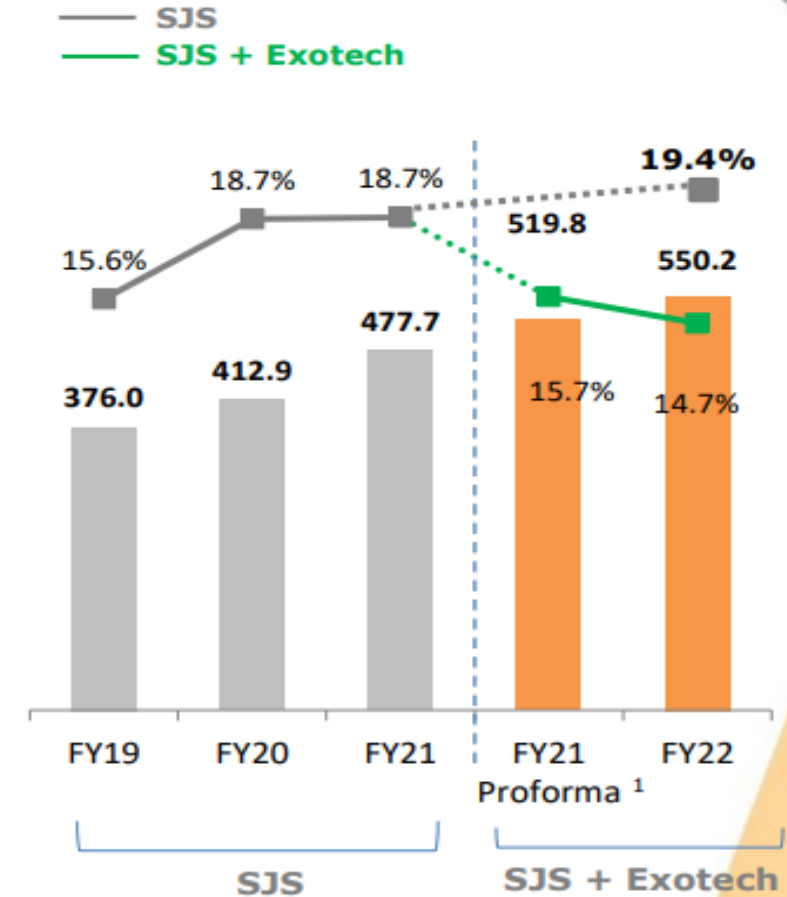
EBITDA (INR Mn) & EBITDA Margin %

FY21 Adj EBITDA² – Rs 879.6 Mn
Adj EBITDA Margin² % - 27.1%



PAT (INR Mn) & PAT Margin %

FY21 Adj PAT² – Rs 475.8 Mn
Adj PAT Margin² % - 14.7%

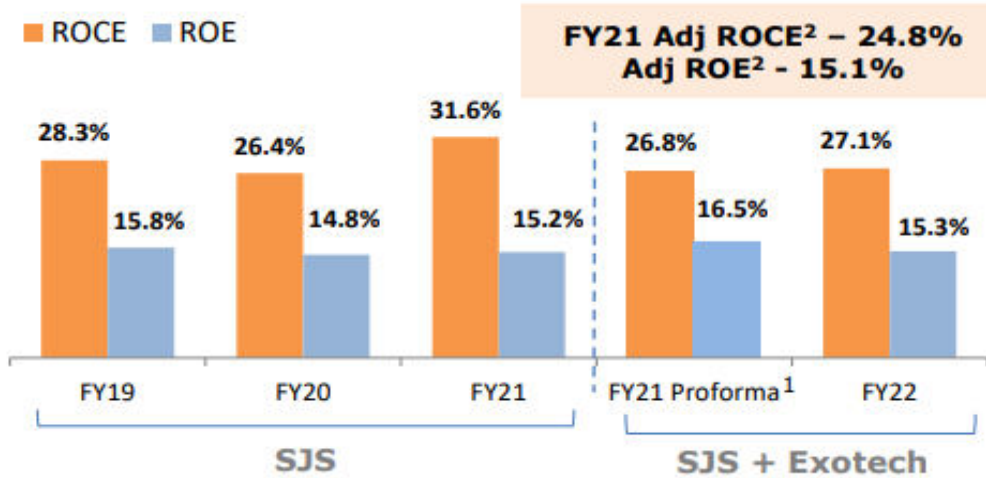


Source: Company Disclosures

Performance in Charts – Conti. (2/2)

ROCE & ROE (in %)

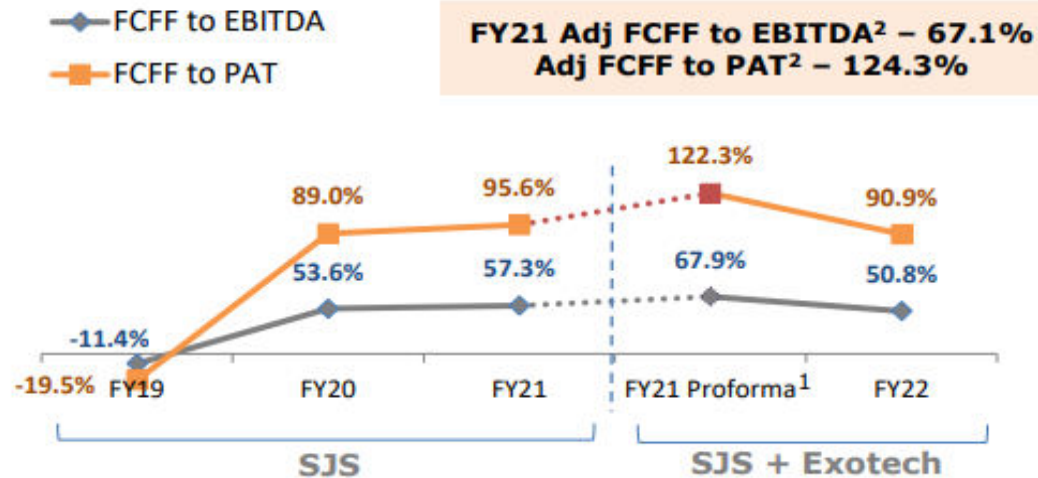
ROCE ROE



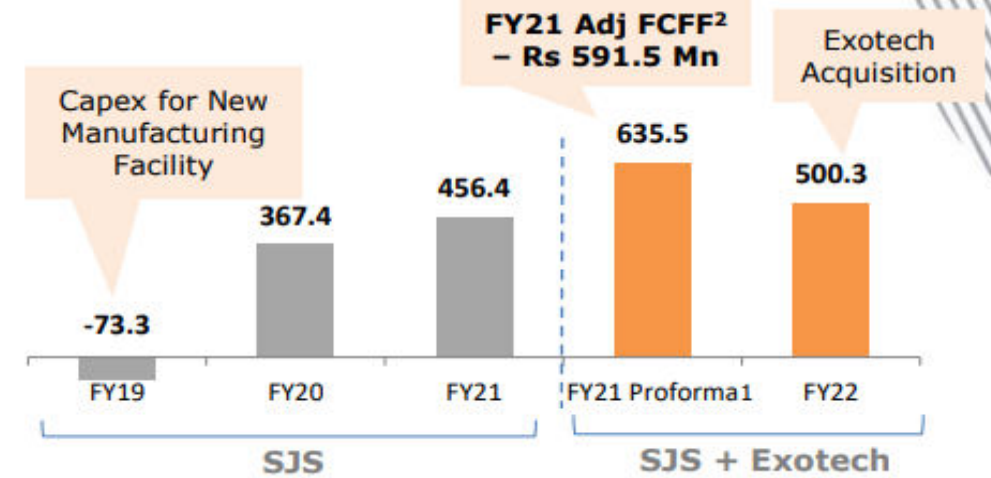
FCFF to EBITDA & FCFF to PAT

FCFF to EBITDA

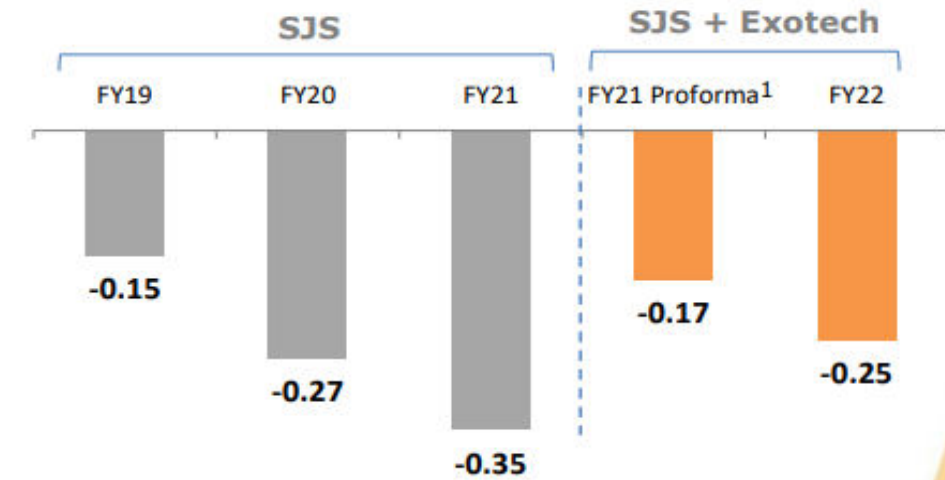
FCFF to PAT



FCFF (INR Mn)



Net Debt to Equity (x)



Source: Company Disclosures

Management leadership



Mr. K.A. Joseph
Managing Director –
Promoter & Co-Founder

Mr. K.A. Joseph is the MD of the company. He holds a Bachelor's degree in Science from Bangalore University and Postgraduate diploma in Business Administration from St. Joseph's College of Business Administration, Bangalore. He is one of the promoters and co-founders of the company. He has more than 34 years of experience in the aesthetic printing business. He leads the plant and manufacturing operations and spearheaded technological and product innovations over the years. He also helped design the new manufacturing facility into which the company shifted its operations in 2018. He also serves as Director on the Board of Exotech.



Mr. Sanjay Thapar
CEO & Executive Director

Mr. Sanjay Thapar is the Executive Director and the CEO of the company. He holds a first class (with distinction) Bachelor's degree in Science (Mechanical Engineering) from the Delhi College of Engineering, University of Delhi. He has over 30 years of experience in the automotive industry. He started his career with Tata Engineering and Locomotive Company Limited (now known as Tata Motors Limited). He was previously the President of Minda HUF Limited, Managing Director of Minda Valeo Security Systems, and Group Chief Strategy Officer with the Ashok Minda Group. He leads the strategy, business development and finance functions, and played an instrumental role in formulating sales strategies, building customer base, deepening customer relationships and developing new product offerings. He led and shaped the company's product strategy and international business expansion in recent years.



Mr. Mahendra Naredi
Chief Financial Officer
(w.e.f. August 4, 2022)

Mr. Mahendra Naredi holds a Bachelor's degree in Commerce (Honours) & Law from Rajasthan University. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and a qualified Company Secretary from the Institute of Company Secretaries of India. He has more than 20 years of experience in financial management, key accounting, financial analysis, planning and forecasting, fund raising, mergers & acquisitions, taxation, corporate secretarial practice, legal compliance and strategies. He previously worked for 13 years in 'The Spark Minda Group' at various positions, including CFO – European companies; CFO and Company Secretary – Minda Vast Access Systems Private Limited; Corporate Finance Head – Minda KTSN; and AVP – Corporate Finance at Minda Corporation Ltd (IN). He joined SJS Enterprises in August 2022.



Mr. Sadashiva Baligar
Chief Operation Officer, Leads HR

Sadashiva Baligar is the COO of the company. He holds a Bachelor's degree in Mechanical Engineering from the University of Mysore. He served as Vice President Operations at Toyota Kirloskar Auto Parts Ltd for eight years prior to joining SJS. He also completed the Global Leadership Development Program 2016 from the Toyota Institute at Japan during his tenure with Toyota Motors Corporation. He served as Vice President Operations at Motherson Automotive Technologies and Engineering Limited, a division of Motherson Sumi Systems Limited. He also worked at the Malaysian Public conglomerate DRB-HICOM – Automotive Manufacturers (Malaysia) SDN BHD – in Malaysia and as COO of Hicom Automotive in Thailand. He served as Vice President of Operations at Musashi Auto Parts India Private Limited. He was the State Convener of Automotive Component Manufacturers Association of India – Karnataka State and Hosur region in fiscal year 2020. He also worked as the Head of the Manufacturing Panel of CII – Karnataka Chapter 2018/19. He joined SJS in April 2021.



Mr. R. Raju
Chief Marketing Officer

R. Raju is the Chief Marketing Officer of the Company. He holds a diploma in Mechanical Engineering from Thiagarajar Polytechnic, Salem; diploma in Production Management from Annamalai University, Tamil Nadu; and Post Graduate diploma in Marketing Management and Master's degree in Business Administration (Marketing Management) from the Indira Gandhi National Open University. He has over 23 years of experience in the field of marketing. He previously worked with ITW India Limited, Sundaram Auto Components Limited (A TVS group company) and Minda Group both overseas and in India, associating with Minda Asean at Indonesia and Minda SAI Limited. He joined SJS in April 2020.

Source: Company Disclosures

Shareholding Pattern

Shareholders	Shareholding (%)
Promoter & Promoter Group	
Evergraph Holdings Pte. Ltd.	34.83
K A Joseph & Family	15.54
Sub-Total	50.37
Axis Mutual Fund Trustee Limited A/C, Axis Mutual Fund A/C and Axis Small Cap Fund	6.23
Franklin India Smaller Companies Fund	3.81
Ashish Kacholia	3.77
Goldman Sachs Funds - Goldman Sachs India Equity Portfolio	3.56
Mirae Asset Equity Savings Fund	3.40
Aditya Birla Sun Life Insurance Company Limited	3.32
Aditya Birla Sun Life Trustee Private Limited and A/C Aditya Birla Sun Life Small Cap Fund	1.55
Sub-Total	25.64
Others	23.99

Note: As per Q2FY23 fillings

- Axis Mutual Fund Trustee Limited A/C, Axis Mutual Fund A/C and Axis Small Cap Fund has **reduced** its holding by 0.65%,
- Aditya Birla Sun Life Insurance Company Limited has **reduced** its holding by 0.34%,
- Aditya Birla Sun Life Trustee Private Limited and A/C Aditya Birla Sun Life Small Cap Fund has **reduced** its holding by 1.74%
- Ashish Kacholia has **increased** its holding by 0.07% respectively.

Source: Company, Edelweiss Wealth Research

Recent Developments and Acquisitions (1/2)

- SJS Enterprises raised Rs 800 crores through IPO. The IPO is entirely an offer for sale (OFS) of shares worth Rs 710 crore by Evergraph Holdings Pte Ltd and shares to the tune of Rs 90 crore by KA Joseph.
- Before heading into the IPO, SJS Enterprises raised nearly Rs 240 crores from 18 anchor investors in lieu of 44,28,043 equity shares at Rs 542 each, data from the stock exchanges showed.
- The anchor investors include the likes of Goldman Sachs, Nomura Singapore, Citigroup Global Markets Mauritius, Societe Generale, Axis Mutual Fund and Aditya Birla Sun Life Mutual Fund among others.
- The Group had entered into a Settlement and Termination agreement ('Agreement') dated 18 April 2018, and acquired the business of Delta Ram Enterprises, Sirisha Enterprises and SM Enterprises ('Selling parties') effective 1 May 2018 ('Acquisition date'). The Selling parties were earlier acting as sole selling agents of the Group and were providing end-to-end customer relationship and marketing services to the Group. The acquisition was made to gain the synergies of the business and the customers developed by the Selling parties and hence the management concluded this transaction to be a business combination as per Ind AS 103. Pursuant to this Agreement, the Group has acquired the business of the Selling parties for a total cash consideration of ₹ 100.00 million to be paid over a period of 2 years in 24 equal installment effective 01 October 2018.
- The Group has entered into an agreement dated 11 March 2021 as amended on 01 April 2021, with Exotech Plastics Private Limited ("Exotech") and existing shareholders of Exotech to acquire the entire equity shares in Exotech. Exotech is engaged in the business of manufacturing and supply of automobile components and other components. The Group has paid ₹640.00 million as a consideration for acquisition and accordingly, Exotech has become a wholly owned subsidiary of the Group. The acquisition was made to enhance the Group's product portfolio, manufacturing capabilities, customer base and cross selling opportunities.
- Subsequent to the year end, the Group has entered into a Power Supply and Off take Agreement ("PSOA") and Share Subscription and Shareholders' Agreement ("SSSHA") with Suryaurja Two Private Limited ("STPL"), and acquired 6,00,000 Equity Shares of STPL. The investment is made in order to qualify as a captive consumer in accordance with The Electricity Act, 2003.

Recent Developments – *Conti.* (2/2)

FY2021-22 Highlights :

- Became the first company in the aesthetics and decorative space to be listed on NSE and BSE
- Secured businesses with existing customers and new marquee customers for India and Malaysia markets. **Forayed into North America.**
- Added marquee customers like Kia India, Ola Electric, Minda Industries, MG Motors, Stellantis, Ultraviolette Automotive, amongst others
- Won key business projects from Continental, Morris Garage, Honda & Hyundai, etc.
- Bagged prestigious order for HMSI's maiden motorcycle entry in the huge 100cc bike segment
- Acquired Exotech Plastics, which is in the business of chrome plating and painted wheel covers, thereby expanding its product portfolio
- Developed Products for EV segment and started supplies to Ola Electric and TVS iQube
- Expanded product portfolio by addition of chrome plated parts, painted wheels covers, wheels caps, steering wheel logos and illuminated logos
- Appointed sales representative in Brazil, Argentina, and Turkey to strengthen position in Latin America and European market

Q1FY2023 Highlights :

- Forayed into new country, Argentina and expanded footprint in North America (Ohio).
- Added new customers – Alladio, a Mabe Group company (leading manufacturer of consumer appliances in Latin America).
- Added EV manufacturers - Benling India, Gravton Motors and Navbharat Edison Motor.
- Won several key projects from Whirlpool, Mahindra & Mahindra, Bajaj Auto, TVS, Maruti Suzuki and Samsung among others.
- Exotech won its first business in the exports market by cross selling chrome plated parts to Whirlpool.

Future Growth Strategy (1/3)

1 Organic growth expected at ~25% CAGR, maintaining best in class margins



Capacity Expansion: Expand chrome plating capacity to meet higher demand pipeline

- Double the chrome plating capacity to support **revenues of Rs 300 Crs from the current Rs 130 Crs**
- **Expect capex of ~Rs 100 Crs (spread over 18-24 months)** to be funded internally through SJS cash flows and target **ROCE of ~20%**
- Higher capacity will also enable entry into global markets



Exports : Increasing global presence

- Increase presence in existing geographies and enter new geographies by leveraging strong customer relationships
- Strengthening our sales force in the international markets of Turkey, Brazil & Argentina and exploring similar opportunities in other countries



Products : Focus on development of new technologies & advanced products

- Intend to develop and introduce Illuminated logos, In Moulded Electronic (IME) parts and other new gen technologies
- Continue to build capabilities to innovate & develop new products & increase application of products across industries



Key Customers : Growing mega accounts

- Strengthen relationships with existing customers by expanding the array of products & building large mega accounts
- Increase customer base by marketing existing products to new customers
- Cross selling opportunities between SJS and Exotech

Source: Company Disclosures

2 Merger & Acquisitions

SJS successfully integrated Exotech business and demonstrated credible business improvement in Exotech's FY22 performance:

- ~50% YoY growth in Revenue, increasing from Rs 685 Mn to Rs 1,020 Mn
- Cost synergies & efficiency resulted in Exotech EBITDA margin expansion by 150+ bps YoY from 11.3% in FY21¹ to 12.8% in FY22

SJS will continue ahead with more business accretive acquisitions & the rationale for it will be:



Build capability in adjacent / new aesthetic product categories

Identified key product categories to enter / expand presence which include:

- IMD / IML
- IME (In-Mould Electronics)
- Plastic injection moulding



Expand presence in consumer related industries

Enter new segments and expand presence in other consumer related industries targeting

- Appliance manufacturers
- Hand held devices



Enter new geographies / OEMs for chrome plating

- Expand presence in chrome plating (largest segment) and increase cross selling opportunities
- Overcome logistics cost as bulky parts
- Provides direct entry into OEMs to support cross selling opportunities

SJS Management is actively evaluating opportunities and building an M&A pipeline to give an impetus to revenue growth over and above the organic growth of ~25%

Source: Company Disclosures

3 Future Leadership

Management plans to strengthen SJS' senior leadership team given the business plans for both organic and inorganic growth

New CEO

- Lead all business activities required to deliver on future guidance
- Joseph and Sanjay to continue to play executive leadership roles focussing on strategy, new product pipeline, merger integration and enhancing future growth potential of the business

New CFO

- To lead the finance function for the group and deliver on all stipulated financial requirements.
- CFO will also lead financial integration of future targets

Actively seeking to hire CEO and CFO to implement our strong business growth strategy

Note: During the Q2FY23, Company has appointed w.e.f. August 4, 2022 Mr. Mahendra Naredi as their new CFO.

Source: Company Disclosures

- **Operating Profit Margin, ROCE & ROE of SJS Enterprises Ltd** is **very promising** than some of its unlisted peers, hence we picked up SJS and are looking forward for re-rating in the valuation of SJS Enterprises Ltd .
- Companies recent acquired **chrome plating business** is driving better Sales and profit growth. In FY2021-22 **YOY Sales growth is 47%** and **EBITDA is increased to Rs. 95 crore** in comparison of **FY2020-21 which is Rs. 77 crores** . EPS is increased from Rs. 15.90 to Rs. 18.10 in FY2021-22 in comparison to FY2020-21. **PAT Margin is 15 %** amounting to in **FY2021-22 Rs. 55 crores from Rs. 48 crores in FY2020-21**.
- SJS is continuously investing to increase presence in existing geographies and enter newer markets by leveraging its strong customer relationships. SJS is increasing its customer base by marketing existing products to new customers and exploring more cross selling opportunities between SJS and Exotech.
- **Final Conclusion:** In our view, aesthetic industry is very promising and SJS Enterprises Ltd (SJS) is in the driving seat. It looks best positioned to ride tailwinds of the automobile and auto Components industry on the strength of its diversified product basket, design capabilities and best-in-class operational management and focus on the high end quality products. SJS has reported standalone EBITDA margin of above 30%, except in FY20 in the last five-year period and above 25% on Consolidated basis in FY21 and FY22 which is one of the best in industry with RoCE / RoE (net cash) of above 20% over the past seven years. It's clear case of "Heads I win, Tails I don't lose much (Little downside) ".



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1. At the time of writing this article, the analyst have no position in the stock covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
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8. The research analyst or research entity or its associates or relatives does not have actual/beneficial ownership of one per cent or more in the securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
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