

SJS ENTERPRISES

BUY

Plant Visit and Management Interaction Highlights

We attended the plant visit of SJS Enterprises in Bangalore and interacted with the Management. Following are the key takeaways:

With an impressive plant setup, SJS's Bangalore plant is its main manufacturing facility responsible for ~75% of its sales. This facility was established in 2018 and spread over 235,000 sq.ft. area. This facility produces all of its existing parts (Decals, Body Graphics, Appliques, Dials, Lux badges, Domes, Overlays, IMLs/IMDs, Lens mask assembly etc.) except Chrome plating. It accommodates ~1000 workforce over two shifts. This facility includes Design Studio, Decal Shop Floor, IMD Shop Floor, Moulding Shop, Ink Lab, Inspection dept. etc. This facility has additional land (~30%) to undertake further expansion, if required. On the vacant land the Company has installed Solar panels which generate 1/3rd power requirements of the SJS plant. This facility is highly flexible allowing interchanging capacity and product mix based on customer requirements. We found the plant layout neat, clean and highly organized.

View and Valuation

- SJS is a leading decorative aesthetic parts supplier to Auto and Consumer durables Companies in India. Indian aesthetics products industry is expected to grow at 20% CAGR over FY21-26E wherein industry size to become 2.5x.
- SJS having most comprehensive product portfolio and superior profitability among its peers is well placed to benefit from industry tailwinds. However the real kicker is expected from Export business which is expected to grow rapidly.
- SJS has a High growth-Low capex -High ROCE – Cash Generating business model. We expect SJS to report 24% Sales CAGR and 34% PAT CAGR over FY22-24. We reiterate our BUY recommendation on the Company with price target of Rs600 (18x FY24).

TP	Rs 600
CMP	Rs 443
Potential upside/downside	36%
Previous Rating	-

Price Performance (%)

	-1m	-3m	-12m
Absolute	15.6	11.8	--
Rel to Sensex	11.3	11.8	--

V/s Consensus

EPS (Rs)	FY22E	FY23E	FY24E
IDBI Capital	18.7	25.6	33.4
Consensus	--	--	--
% difference	--	--	--

Key Stock Data

Bloomberg/Reuters	SJS IN
Sector	Auto Ancillary
Shares o/s (mn)	30
Market cap. (Rs mn)	13,469
3-m daily avg Trd value (Rs mn)	--
52-week high / low	551 / 340
Sensex / Nifty	59,610 / 17,808

Shareholding Pattern (%)

Promoters	50.4
FII	6.0
DII	18.3
Public	25.3

Financial snapshot

(Rs mn)

Year	FY20	FY21	FY22E	FY23E	FY24E
Revenue	2,162	2,516	3,652	4,514	5,583
Change (yoy, %)	(9)	16	45	24	24
EBITDA	635	762	947	1,193	1,491
Change (yoy, %)	(7)	20	24	26	25
EBITDA Margin(%)	29.4	30.3	25.9	26.4	26.7
Adj.PAT	413	478	569	780	1,015
EPS (Rs)	13.6	15.7	18.7	25.6	33.4
Change (yoy, %)	10	16	19	37	30
PE(x)	33	28	24	17	13
Dividend Yield (%)	-	0.9	1.1	1.4	2.0
EV/EBITDA (x)	21	17	14	10	8
RoE (%)	16	16	17	20	22
RoCE (%)	19	20	21	24	26

Source: IDBI Capital Research

Plant visit & Management meet takeaways

- **Growth Plan:** SJS's plan for sustained growth include a) Increase in geographical footprint through exports b) Focus on development of new technologies and advanced aesthetic products c) Expand its business through strategic inorganic growth opportunities and d) Increasing its share of business with existing customers.
- **Sales to Double in Next 3-4 years:** Based on its product profile, user industry outlook and new client additions Management is reasonably confident of doubling its sales over the next 3-4 years.
- **Operating Margins to be ~25-28%:** Despite changing product mix the Company is confident on maintaining its operating margins in the band of 25-28% over the next 2-3 years.
- **Minimal Capex Requirement:** SJS's both the production facilities (Bangalore and Pune) are currently operating at ~50% utilization. Therefore, without incurring any meaningful capex, the Company has potential to double its sales from existing setup. However, given the very high demand in its Chrome plate business, SJS might likely be constrained by existing capacity and hence create some additional capacity over the next 12-18 months.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net sales	2,373	2,162	2,516	3,652	4,514	5,583
<i>Change (yoy, %)</i>	5	(9)	16	45	24	24
Operating expenses	(1,691)	(1,527)	(1,755)	(2,706)	(3,320)	(4,092)
EBITDA	681	635	762	947	1,193	1,491
<i>Change (yoy, %)</i>	(21)	(7)	20	24	26	25
<i>Margin (%)</i>	28.7	29.4	30.3	25.9	26.4	27
Depreciation	(97)	(128)	(147)	(221)	(239)	(263)
EBIT	584	507	614	726	954	1,229
Interest paid	(17)	(15)	(8)	(8)	(8)	(8)
Other income	35	51	35	41	94	133
Pre-tax profit	530	544	642	758	1,041	1,354
Tax	(154)	(131)	(164)	(190)	(260)	(338)
<i>Effective tax rate (%)</i>	29.0	24.0	25.6	25.0	25.0	25.0
Minority Interest	-	-	-	-	-	-
Net profit	376	413	478	569	780	1,015
Exceptional items	-	-	-	-	-	-
Adjusted net profit	376	413	478	569	780	1,015
<i>Change (yoy, %)</i>	(37)	10	16	19	37	30
EPS	12.4	13.6	15.7	18.7	25.6	33.4
Dividend per sh	-	-	4	5	6	8
<i>Dividend Payout %</i>	-	-	25	25	25	25

Balance Sheet

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Shareholders' funds	2,386	2,797	3,152	3,579	4,164	4,926
Share capital	304	304	304	304	304	304
Reserves & surplus	2,081	2,492	2,848	3,274	3,860	4,621
Total Debt	25	0	0	0	0	0
Other liabilities	101	119	92	92	92	92
Curr Liab & prov	686	416	458	695	859	1,063
Current liabilities	676	407	445	677	837	1,035
Provisions	11	9	13	18	23	28
Total liabilities	801	526	537	769	929	1,127
Total equity & liabilities	3,187	3,323	3,689	4,348	5,093	6,053
Net fixed assets	1,454	1,490	1,452	1,381	1,341	1,328
Investments	550	696	815	815	815	815
Other non-curr assets	424	258	52	52	52	52
Current assets	758	878	1,371	2,101	2,885	3,858
Inventories	247	278	332	580	717	886
Sundry Debtors	458	448	597	759	938	1,160
Cash and Bank	29	108	376	666	1,113	1,666
Loans and advances	24	42	61	89	110	136
Total assets	3,187	3,323	3,689	4,348	5,093	6,053

Cash Flow Statement

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Pre-tax profit	530	544	642	758	1,041	1,354
Depreciation	97	128	147	221	239	263
Tax paid	(154)	(131)	(164)	(190)	(260)	(338)
Chg in working capital	162	(308)	(185)	(205)	(177)	(220)
Other operating activities	34	19	(27)	-	-	-
Cash flow from operations (a)	669	251	413	585	843	1,059
Capital expenditure	(634)	(150)	(54)	(150)	(200)	(250)
Chg in investments	9	(145)	(119)	-	-	-
Other investing activities	(34)	149	150	(2)	(1)	(2)
Cash flow from investing (b)	(659)	(146)	(23)	(152)	(201)	(252)
Equity raised/(repaid)	22	(0)	(0)	(0)	(0)	(0)
Debt raised/(repaid)	(261)	(25)	0	-	-	-
Dividend (incl. tax)	-	-	(122)	(142)	(195)	(254)
Chg in minorities	220	(2)	(0)	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(19)	(26)	(122)	(142)	(195)	(254)
Net chg in cash (a+b+c)	(9)	79	269	290	447	553

Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Book Value (Rs)	78	92	104	118	137	162
Adj EPS (Rs)	12.4	13.6	15.7	18.7	25.6	33.4
Adj EPS growth (%)	(38)	10	16	19	37	30
EBITDA margin (%)	28.7	29.4	30.3	25.9	26.4	26.7
Pre-tax margin (%)	22.3	25.1	25.5	20.8	23.1	24.2
Net Debt/Equity (x)	0.0	0.0	(0.1)	(0.2)	(0.3)	(0.3)
ROCE (%)	26	19	20	21	24	26
ROE (%)	18	16	16	17	20	22

DuPont Analysis

Asset turnover (x)	0.8	0.7	0.7	0.9	1.0	1.0
Leverage factor (x)	1.4	1.3	1.2	1.2	1.2	1.2
Net margin (%)	15.8	19.1	19.0	15.6	17.3	18.2

Working Capital & Liquidity ratio

Inventory days	38	47	48	58	58	58
Receivable days	70	76	87	76	76	76
Payable days	55	51	22	25	25	25

Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	36	33	28	24	17	13
Price/Book value (x)	5.6	4.8	4.3	3.8	3.2	2.7
EV/Net sales (x)	6	6	5	4	3	2
EV/EBITDA (x)	20	21	17	14	10	8
Dividend Yield (%)	0.0	0.0	0.9	1.1	1.4	1.9

Source: Company; IDBI Capital Research



Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com
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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

IDBI Capital Markets & Securities Ltd.**Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

SEBI Registration: BSE & NSE (Cash & FO) – INZ000007237, NSDL – IN-DP-NSDL-12-96, Research – INH000002459, CIN – U65990MH1993GOI075578

Compliance Officer: Christina D'souza; Email: compliance@idbicapital.com; Telephone: (91-22) 2217 1907

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