

Company Overview

S.J.S Enterprises began their journey in the Indian decorative aesthetics industry in 1987 and today they are one of the leading players with the widest range of products and has presence across the world. Their “design to delivery” model for aesthetics has enabled them to achieve a long standing customer relationship, primarily in automotive and consumer appliance industry. The company supplied over 115 million (mn) parts with more than 6,000 SKUs in Fiscal 2021 to around 170 customers in approximately 90 cities across 20 countries. With their state of art manufacturing plants, they have a strong manufacturing footprint and global distribution capabilities. As per CRISIL reports, this niche industry has a FY 21-FY 26 CAGR of 20% and they have seen a YoY growth of 16.4% in FY21. It is a debt free and a cash rich company. In 2021, they acquired Exotech in order to expand their product portfolio which has given S.J.S an opportunity to cross sell as Exotech has existing customers across two-wheelers, passenger vehicles, farm equipment and sanitary ware industries.

Objects of the issue

The IPO proceed will be used towards the following purposes;

- ⇒ To carry out the offer for sale of equity shares by the selling shareholders
- ⇒ To achieve the benefits of listing the equity shares on the stock exchanges.

Investment Rationale

Widest portfolio coverage complimented with innovation capabilities

There are no peers which provide wide range of products which S.J.S supplies. They have huge manufacturing capabilities in Pune and Bangalore, which work on a flexible pattern allowing the company to interchange capacity and product mix based on customer and operational requirements. The in-house design, development and engineering capabilities has enabled the company to conceptualize and co-develop new designs for customers at the design studio within the Bengaluru facility. They have introduced 5 new products in the last few years. They have a track record of collaboration with customers to design new products, namely Suzuki, Royal Enfield, TVS. New premium products like IMD/IML, 3D Dials, Lens Mask Assembly, Aluminum Badges have been introduced. They have a dedicated team of 44 personnel for NPD (New Product Development) which represents 8.64% of the total on-roll manpower.

Long Standing customer relationships backing the strong financial performance

The relationships with their 10 largest customers have averaged over 15 years. Their experienced and qualified management team is the reason for such customer retention. Recently they expanded their product offerings and geographical reach to its customers including in the U.S., Brazil, Mexico and Vietnam. The company has a revenue from operations of INR 2516 mn and a EBIDTA margin of 31.7% in FY21. Being a cash rich company they have a FCF of INR 456 mn in FY 21, giving it massive opportunity for capex in the future. Despite the slow down in the industry due to the Covid-19 pandemic, this company continued to grow and achieved a massive 15.7% increase in profits from INR 41.29 mn in FY 20 to INR 47.77 mn in FY21.

Valuation and Outlook

S.J.S. Enterprises Ltd offers premium products and even the customers mindset today favors such premium products over the vanilla products. While there are bright industry prospects such as zero debt and a positive cash flows yet there is a massive dilution in promoters stake post the IPO listing. At the upper price band, the issue looks pricey at 21.81x EV/Sales on FY 21 financials. We also believe that the current growth momentum is difficult to achieve. Therefore we give a “AVOID” rating on this issue.

Issue Details

Offer Period	1 st Nov - 3 rd Nov, 2021
Price Band	INR.531 to INR.542
Bid Lot	27
Listing	BSE&NSE
Issue Size (no. of shares in mn)	14.76
Issue Size (INR. in bn)	8
Face Value	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%
BRLM	Axis Capital, Edelweiss Financial Services Limited, IIFL Securities
Registrar	Link Intime India Pvt. Ltd.

Particulars Pre Issue % Post Issue %

Promoter	98.86%	50.37%
Public	1.14%	49.63%
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY19	FY20	FY21	Q1FY22
Revenue				
Revenue from Operations	2,373	2,162	2,516	743
Total Revenue	2,373	2,162	2,516	743
Expenses				
Raw Material Consumed	948	845	990	320
Changes in Inventory of finished goods, wip, stores and spares	3	(21)	(18)	(11)
Employee Benefit Expenses	317	329	361	120
Other Expenses	423	374	422	138
Total Operating Expenses	1,691	1,527	1,755	567
EBITDA	681	635	762	176
Depreciation and Amortisation Expense	97	128	147	51
Other Income	35	51	35	10
EBIT	619	558	650	135
Finance Costs	17	15	8	7
PBT and exceptional items	603	544	642	128
Exceptional Items	73	-	-	-
PBT	530	544	642	128
Current Tax	119	112	191	39
Deferred Tax Charge	34	19	(27)	(6)
Total Tax	154	131	164	33
PAT	376	413	478	95
Diluted EPS	12.4	13.6	15.7	3.1

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	Q1FY22
Cash Flow from operating activities	358	583	579	221
Cash flow from investing activities	(444)	(324)	(374)	(251)
Cash flow from financing activities	89	(181)	(96)	(115)
Net increase/(decrease) in cash and cash equivalents	3	77	109	(146)
Cash and cash equivalents at the beginning of the period	26	29	108	216
Cash and cash equivalents at the end of the period	29	106	217	181

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	Q1FY22
Liabilities				
Share Capital	304	304	304	304
Other Equity	2,081	2,492	2,848	2,893
Net worth	2,386	2,797	3,152	3,198
Lease Liabilities	0	0	0	149
Other Financial Liabilities	25	-	-	-
Deferred Tax Liabilities (Net)	101	119	92	85
Total Non Current Liabilities	125	119	92	234
Borrowings	233	62	92	86
Lease Liabilities	0	0	0	28
Trade Payables	107	212	253	257
Other Financial Liabilities	149	84	170	219
Income Tax Liabilities(Net)	16	30	37	50
Other Provisions	11	9	13	18
Other Current Liabilities	14	10	27	72
Total Current Liabilities	530	407	591	731
Total Liabilities	3,040	3,323	3,835	4,162
Assets				
Property, Plant & Equipment	1,452	1,488	1,409	1,539
Capital Work in Progress	2	2	43	44
Goodwill	40	40	40	275
Other Intangible Assets	50	39	26	77
Right of Use Asset	36	36	77	201
Financial Assets	8	10	8	18
Income Tax Assets (Net)	54	55	16	19
Deferred Tax Assets (Net)	-	-	-	6
Other Non-Current Assets	89	80	31	33
Total Non Current Assets	1,732	1,749	1,650	2,212
Inventories	247	278	333	450
Investments	550	696	815	409
Trade Receivables	458	448	597	613
Cash and Cash Equivalents	29	108	216	181
Bank Balances	-	-	160	177
Loans	1	1	1	2
Other Current Financial Assets	1	3	4	16
Other Current Assets	23	41	60	101
Total Current Assets	1,309	1,574	2,186	1,950
Net Current Assets	779	1,167	1,594	1,219
Total Assets	3,040	3,323	3,836	4,162

Source: RHP, BP Equities Research

Key Risks

- ⇒ The company may not be able to successfully integrate and manage Exotech or other strategic alliances or acquisitions that they may undertake in the future, which may expose the company to business and financial risks.
- ⇒ The company is dependent on customers in the automotive industry and consumer appliance industry and a decline in their performance, in India or globally, could adversely affect their business and their profitability.
- ⇒ COVID-19 pandemic has substantially impacted the industry and the measures taken by the government to curb its spread could materially affect the operations and profitability of the business.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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