



S.J.S. ENTERPRISES LIMITED

Issue highlights

- ❑ **S.J.S. Enterprises Limited (“SJS”)** was incorporated on June 10, 1987. SJS is one of the leading players in the Indian decorative aesthetics industry in terms of revenue as at March 31, 2021. SJS 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.
- ❑ 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.
- ❑ SJS also manufactures a wide range of aesthetics products that cater to the requirements of the commercial vehicles, medical devices, farm equipment and sanitary ware industries.
- ❑ Their 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.** They also offers a variety of accessories for the two-wheelers’ and passenger vehicles’ aftermarket under their “Transform” brand.
- ❑ SJS has developed long-standing relationships with several customers. As at June 30, 2021, company’s relationship with its 10 largest customers in terms of revenue averaged approximately 15 years.
- ❑ SJS manufactures their products from modern manufacturing facilities located in Bengaluru and Pune in India, with the facility in Pune acquired as part of the recent acquisition of their Subsidiary. As at June 30, 2021, the annual production capacity of the Bengaluru and Pune facilities was 20.97 crore and 2.95 crore products, respectively.

Brief Financial Details*

(₹ In Cr)

	As at Jun’ 30,	As at Mar’ 31,		
	2021 (03)	2021 (12)	2020 (12)	2019 (12)
Equity Share Capital	30.44	30.44	30.44	30.44
Reserves	289.32	284.78	249.21	208.12
Net worth	319.76	315.22	279.65	238.56
Revenue from Operations	74.27	251.62	216.17	237.25
Revenue Growth (%)	-	16.40%	(8.89)%	-
EBITDA as stated	18.59	79.70	68.61	64.32
EBITDA Margin (%)	25.03%	31.68%	31.74%	27.11%
Profit Before Tax	12.76	64.18	54.35	52.96
Net Profit for the period	9.50	47.77	41.29	37.60
Net Profit Margin (%)	12.79%	18.98%	19.10%	15.85%
EPS (₹)	3.12 [^]	15.69	13.56	12.35
RoNW (%)	2.97% [^]	15.15%	14.76%	15.76%
NAV (₹)	105.05	103.56	91.88	78.37
ROCE (%)	-	31.63%	26.44%	28.28%

Source: RHP *Restated Summary Consolidated, [^]not annualised;

Issue Details

Offer for sale of Equity Shares aggregating upto ₹ 800 Cr

Issue size: ₹ 800 Cr

No. of shares: 15,065,913 – 14,760,147 Shares

Face value: ₹ 10/-

Price band: ₹ 531 – 542

Bid Lot: 27 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 1,616 – 1,650 Cr

BRLMs: Axis Capital, Edelweiss Financial, IIFL Securities

Registrar: Link Intime India Pvt Ltd

Issue opens on: Monday, 1st Nov’2021

Issue closes on: Wednesday, 3rd Nov’2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	10-11-2021
Refunds/Unblocking ASBA Fund	11-11-2021
Credit of equity shares to DP A/c	12-11-2021
Trading commences	15-11-2021

Issue break-up (Issue Size)

	No. of Shares		₹ In Cr	% of Issue
	@Lower	@upper		
QIB	7,532,956	7,380,072	400	50%
NIB	2,259,887	2,214,023	120	15%
RET	5,273,070	5,166,052	280	35%
Total	15,065,913	14,760,147	800	100%

Listing: BSE & NSE

Shareholding (No. of Shares)

	Pre-Offer and Post-Offer Equity Shares
No of shares	30,437,904

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	98.60%	50.11%
Promoter Group	0.26%	0.26%
Public	1.14%	49.63%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was originally incorporated as a partnership firm in the name of “SJS Enterprises” on June 10, 1987. K.A. Joseph and Evergraph are the promoters of the company. Currently the Promoters hold 30,011,760 Equity Shares equivalent to 98.60% of the issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors

Ramesh Chandra Jain is the Chairman and an Independent Director, of the company. He has previously worked for 25 years in Eicher Ltd; from where he retired as the group vice chairman. He has also worked in Hindustan Aeronautics Ltd and the director on various boards including, inter alia, Eicher Ltd, Modern Steel Ltd, Graziano Trasmisioni India Pvt Ltd and Minda Sai Ltd. He has also previously been engaged by the Cabinet Secretariat to guide some of the Ministries of the Government of India in preparing their departmental strategies.

K.A. Joseph is the Managing Director of the company. He is one of the Promoters and co-founders of the company. He has more than 34 years of experience in the aesthetics printing business. He leads the plant and manufacturing operations for the company and has spearheaded the company’s technological and product innovation over the years. He is also a director on the board of Exotech.

Sanjay Thapar is an Executive Director and Chief Executive Officer of the company. He has over 30 years of experience in the automotive industry. He started his career with Tata Motors Ltd. He was previously the president of Minda HUF Ltd, the managing director of Minda Valeo Security Systems and the group chief strategy officer with the Ashok Minda Group. He leads the strategy, business development and finance functions for the company and has played an instrumental role in formulating their sales strategy, building the customer base, deepening the customer relationships and developing new product offerings. He has led, and has shaped, company’s product strategy and international business expansion.

Kevin K. Joseph is an Executive Director of the company. He has previously worked with Tata Elxsi Ltd as a senior design engineer and works at SJS as the Executive - Manufacturing.

Kazi Arif Uz Zaman is the Nominee Director of the company. He has over 25 years of experience and has previously worked with ANZ Grindlays Bank Ltd/ Standard Chartered Grindlays Bank/ ANZ Capital Pvt Ltd, ICICI Venture Funds Management Co Ltd and Everstone Capital Advisors Pvt Ltd. He is presently a partner of GestAlt Network LLP.

Vishal Sharma is the Nominee Director of the company. He is currently the managing director - investments and operations with Everstone Capital Advisors Pvt Ltd. He has previously worked with Sapient Corporation (now known as Publicis Sapient) (a division of TLG India Pvt Ltd) and Boston Consulting Group (India) Pvt Ltd.

Veni Thapar is the Non-Executive Independent Director of the company. She is presently a partner of V K Thapar & Company, Chartered Accountants and is on the Board of Governors of the Indian Institute of Corporate Affairs for her second term. She has been on the board of Bank of India as a part-time, non-official director under the chartered accountant category.

Matthias Frenzel is the Non-Executive Independent Director of the company. He has previously worked as the director (mechanics, electromechanics procurement supplier quality) with Visteon Electronics Germany GmbH, S-Y Systems Technologies Europe GmbH and Johnson Controls GmbH.

Key Managerial Personnel

Amit Kumar Garg is the Chief Financial Officer of the company. Prior to joining the company, he was the chief financial officer of Markets and Markets Research Pvt Ltd and NIIT Technologies Ltd, the regional finance director of South Asia of Intertek India Pvt Ltd., the director (finance) Fidelity Business Services India Pvt Ltd. He has also previously worked with American Express (I) Pvt Ltd, Price Waterhouse. He joined the company on May 19, 2021.

Mandeep Singh is the Chief Information Officer of the company. He joined the company on September 1, 2021.

R. Raju is the Chief Marketing Officer of the company. He joined the company on April 17, 2020. He has over 22 years of experience in the field of marketing.

Sadashiva Baligar is the Chief Operation Officer of the company. He joined the company on April 21, 2021.

Thabraz Hushain W. is the Company Secretary and Compliance Officer of the company. He joined the company on June 18, 2018.

OFFER DETAILS

Offer for Sale	₹ 800 Cr	Upto 15,065,913~ - 14,760,147^ Equity Shares
<i>Evergraph Holdings Pte. Ltd. - Promoter</i>	₹ 710 Cr	<i>Upto 13,370,998~ - 13,099,630^ Equity Shares</i>
<i>K A Joseph - Promoter</i>	₹ 90 Cr	<i>Upto 1,694,915~ - 1,660,517^ Equity Shares</i>

~@Lower price Band ^@ Upper Price Band

SHAREHOLDING PATTERN

Name	Pre Issue		No of Shares Offered	Post Issue	
	No. of Equity Shares held	% of the pre-Issue paid-up Equity Shares capital		No. of Equity Shares held	% of the post-Issue paid-up Equity Shares capital
<i>Promoters</i>	30,011,760	98.60%	14,760,147	15,251,613	50.11%
<i>Promoters Group</i>	80,200	0.26%	-	80,200	0.26%
Total for Promoters and Promoters Gr	30,091,960	98.86%	14,760,147	15,331,813	50.37%
<i>Public</i>	345,944	1.14%	-	15,106,091	49.63%
Total for Public Shareholders	345,944	1.14%	-	15,106,091	49.63%
Total Equity Share Capital	30,437,904	100.00%	14,760,147	30,437,904	100.00%

BUSINESS OVERVIEW

SJS Enterprises Limited (“SJS”) is one of the leading players in the Indian Decorative Aesthetics industry in terms of revenue as at March 31, 2021. SJS 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. 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. SJS differentiate themselves on the basis of the wide range of their product portfolio, quality of their product offerings, their product design and development capabilities and the strength of their relationships with customers located across various industries globally.

In addition to manufacturing aesthetics products that cater to the requirements for two-wheeler, passenger vehicle and consumer appliance industries, SJS also manufactures a wide range of aesthetics products that cater to the requirements of the commercial vehicles, medical devices, farm equipment and sanitary ware industries. Their 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. They also offer a variety of accessories for the two-wheelers’ and passenger vehicles’ aftermarket under their “Transform” brand.

CUSTOMER BASE

Type of Manufacturer	Customers
<ul style="list-style-type: none"> Automotive original equipment manufacturers (“OEMs”) 	Suzuki, Mahindra & Mahindra, John Deere, Volkswagen, Ashok Leyland, Honda Motorcycle, Bajaj Auto, Royal Enfield and TVS Motors
<ul style="list-style-type: none"> Tier-1 automotive component suppliers 	Marelli, Visteon, Brembo and Mindarika
<ul style="list-style-type: none"> Consumer durables/appliances 	Whirlpool, Panasonic, Samsung, Eureka Forbes, Godrej and Liebherr
<ul style="list-style-type: none"> Medical devices manufacturers 	Sensa Core
<ul style="list-style-type: none"> Sanitary ware manufacturers 	Geberit

SJS has developed long-standing relationships with several customers. As at June 30, 2021, company’s relationship with its 10 largest customers in terms of revenue averaged approximately 15 years. This is attributable to their collaborative design and product development approach and high product quality. They also credit their customer loyalty to their ability to offer “design-to-delivery” aesthetics solutions with the use of sophisticated equipment and application of new techniques.

In the 3 month period ended June 30, 2021 and Fiscals 2021, 2020 and 2019, company’s sales to OEMs contributed 66.23%, 69.94%, 69.75% and 74.26%, respectively and sales to Tier-1 suppliers contributed 33.49%, 29.70%, 29.88%

and 25.60%, respectively. In the 3 month period ended June 30, 2021 and Fiscals 2021, 2020 and 2019, the company's sales of products and services to two-wheeler OEMs and Tier-1 suppliers contributed 49.49%, 58.01%, 61.29% and 69.99% and sales of products and services to passenger vehicle OEMs and Tier-1 suppliers contributed 21.46%, 16.63%, 14.73% and 10.22%, to the company's revenue from operations, respectively, with a majority of the remaining portion being contributed by sales to consumer appliance manufacturers. Their Subsidiary, Exotech, which they acquired on April 5, 2021, caters to requirements in the two-wheelers, passenger vehicles, consumer durables/appliances, farm equipment and sanitary ware industries for chrome-plated, printed and painted injection moulded plastic parts. The acquisition has enhanced their product suite and customer base and provided them cross-selling opportunities to their existing and future customer base.

The demand for aesthetics in India is expected to grow at a CAGR of approximately 20% over the Fiscal 2021 to Fiscal 2026 period to reach approximately ₹49.20 billion by Fiscal 2026 and is expected to surpass volume growth in demand for two-wheelers, passenger vehicles and consumer durables over that period. The aesthetics products industry is expected to benefit from the increasing use by consumers of premium, aesthetically superior and technologically advanced products, which are characterized by relatively higher pricing and higher growth potential. Use of technologically advanced and higher value aesthetic products in end industries is contributing to increased realizations for aesthetic product manufacturers. Examples of this trend include use of IML/IMD components in passenger vehicles interiors, 3D appliques instead of 2D appliques in passenger vehicles and hybrid analogue-digital dials instead of analogue dials in two-wheelers.

With significant experience in the aesthetics industry and track record of supplying premium products, SJS is well positioned to benefit from these growth trends. They have demonstrated the ability to offer premium products through their design capabilities. For instance, they successfully diversified their product portfolio with IMLs/IMDs, 3D appliques, lens mask assemblies and optical plastics in anticipation of, and to benefit from, these trends.

SJS manufactures their products from modern manufacturing facilities located in Bengaluru and Pune in India, with the facility in Pune acquired as part of the recent acquisition of their Subsidiary. As at June 30, 2021, the annual production capacity of the Bengaluru and Pune facilities was 20.97 crore and 2.95 crore products, respectively. In the 3 month period ended June 30, 2021, the company and their subsidiary produced 2.13 crore and 0.40 crore products, respectively, resulting in capacity utilization rates of 10.14% and 13.38% respectively, and their revenue from operations during the 3 month period ended June 30, 2021 were ₹56.81 crore and ₹17.46 crore, respectively. Further, in Fiscal 2021, SJS and their subsidiary produced 9.19 crore and 1.56 crore products, respectively, resulting in capacity utilization rates of 44.07% and 52.88% respectively, and their revenue from operations during Fiscal 2021 were ₹251.62 crore and ₹68.53 crore, respectively. They incurred capital expenditure in Fiscals 2018 and 2019 for their Bengaluru facility, with advanced equipment and technology systems. As a result, the annual production capacity at their Bengaluru facility can be increased to 20.97 crore products without significant additional capital expenditure.

The company has a strong focus on new product development ("NPD"). It has a dedicated NPD team and an in-house styling studio with design, development, engineering and technological capabilities, which enables them to co-design new products with customers in the product development process. They also conceptualize new designs at the design studio in the company's Bengaluru facility. Their products are subject to stringent quality checks and testing in laboratories at their facilities. They have an established supply chain and a well distributed delivery mechanism. SJS has implemented systems for ERP and their subsidiary has implemented automation and centralized control through Supervisory Control And Data Acquisition ("SCADA") system.

SJS has received various awards and recognitions from their customers, including for excellence in supply, quality, performance, delivery and price competitiveness, which is a testimony to the value they offer their customers. SJS has received awards from Automotive Component Manufacturers Association of India ("ACMA") and recognition from the Quality Circle Forum of India ("QCFI"), an industry body.

K.A. Joseph, the Managing Director and one of the Promoters, has over 34 years of experience in the aesthetics printing business and has been instrumental in the establishment and growth of their business. Sanjay Thapar, the Chief Executive Officer, has over 30 years of experience in the automotive industry and has been associated with the company since 2015. He has led, and has shaped, the company's product strategy and international business expansion in recent years. SJS has a professional management team with extensive experience across various industries and a proven track record of performance. As at June 30, 2021, the company had 509 permanent employees and their subsidiary had 105 permanent employees. SJS also received the "Great Workplace" award in the category of "Small and Mid-Sized Organizations" by Great Place to Work Institute, India in 2020 and 2019.

The summary of the financial and operational performance:

Particulars	Fiscal 2021	Fiscal 2020	Fiscal 2019
Free Cash Flow to the Firm ("FCFF")	45.64	36.74	(7.33)
EBITDA	79.70	68.61	64.32
FCFF to EBITDA ratio (%)	57.26%	53.55%	(11.39)%
FCFF to PAT ratio (%)	95.55%	88.98%	(19.48)%

Despite the initial impact of the COVID-19 pandemic that resulted in a slowdown in the automotive and consumer appliance industries, SJS was able to grow its overall business and operations in Fiscal 2021, with its revenue from operations aggregating ₹251.62 crore, reflecting a year-on-year growth of 16.40%. There has been a second wave of COVID-19 in India which has had a temporary impact on their business and operations, as well as the business and operations of their customers and suppliers. It is difficult for them to predict the impact that the second or any subsequent wave of COVID-19 pandemic will have on them, their customers or suppliers in Fiscal 2022 and future operating periods and they continue to monitor its impact. The company will not experience the same effects on its business, operations and financial performance as a result of the second or any subsequent wave of COVID-19 compared to those that it did during the first wave of COVID-19 in the first quarter of Fiscal 2021. The industries that they cater to may also experience comparatively improved business conditions in Fiscal 2022.

COMPANY BUSINESS OPERATIONS

SJS designs, develops and manufactures aesthetic products that they supply to automotive OEMs which manufacture and assemble two-wheeler and passenger vehicles and Tier-1 automotive component suppliers as well as consumer appliance industries. Their subsidiary manufactures chrome-plated, printed and painted products injection moulded plastic parts catering to aesthetic requirements of two-wheelers, passenger vehicles, consumer appliance, farm equipment and sanitary ware industries.

Their sale of products and services constituted 99.74%, 99.64%, 99.62%, and 99.86% of their revenue from operations in the 3 month period ended June 30, 2021 and Fiscals 2021, 2020 and 2019, respectively.

Revenue from Operations: Business Segment-wise

Particulars	3 Months ended June 30, 2021		Year Ended March 31,					
			2021		2020		2019	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
Revenue from contract with customers	74.08	99.74%	250.72	99.64%	215.36	99.62%	236.91	99.86%
- Sale of products	73.89	99.49%	247.77	98.47%	213.15	98.60%	235.79	99.39%
- Sale of services	0.19	0.25%	2.95	1.17%	2.21	1.02%	1.12	0.47%
Other operating revenues	0.19	0.26%	0.90	0.36%	0.81	0.37%	0.34	0.14%
- Export incentive benefit	0.04	0.06%	0.38	0.15%	0.33	0.15%	0	0
- Scrap sales	0.15	0.20%	0.52	0.21%	0.48	0.22%	0.34	0.14%
Total for Revenue from Operations	74.27	100.00%	251.62	100.00%	216.17	100.00%	237.25	100.00%

The revenue from operations by geography based on location of customers:

Particulars	3 Months ended June 30, 2021		Year Ended March 31,					
			2021		2020		2019	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
India	61.23	82.45%	211.23	83.95%	183.99	85.11%	213.96	90.18%
Rest of the world (Exports)	13.04	17.55%	40.39	16.05%	32.18	14.89%	23.29	9.82%
Total for Revenue from Operations	74.27	100.00%	251.62	100.00%	216.17	100.00%	237.25	100.00%

The revenue from sale of key products, as a percentage of revenue from sale of products:

(₹ Cr)

Product	3 months ended Jun'30, 2021		Fiscal 2021		Fiscal 2020		Fiscal 2019	
	Product Revenue	% to Total	Product Revenue	% to Total	Product Revenue	% to Total	Product Revenue	% to Total
Decals and body graphics	15.51	27.48%	88.58	35.75%	79.48	37.27%	116.65	49.47%
2D appliques and dials	5.40	9.57%	17.40	7.02%	19.33	9.07%	18.21	7.72%
3D appliques and dials	6.38	11.31%	19.38	7.82%	8.91	4.18%	0	0

Product	3 months ended Jun'30, 2021		Fiscal 2021		Fiscal 2020		Fiscal 2019	
	Product Revenue	% to Total	Product Revenue	% to Total	Product Revenue	% to Total	Product Revenue	% to Total
3D lux badges	9.13	16.18%	44.63	18.01%	44.23	20.75%	56.84	24.10%
Domes	1.54	2.72%	7.19	2.90%	6.50	3.05%	5.58	2.37%
Overlays	10.91	19.32%	40.05	16.16%	33.34	15.64%	29.32	12.43%
Aluminium badges	2.15	3.81%	7.54	3.04%	7.17	3.36%	5.93	2.51%
IMLs/IMDs	1.43	2.53%	5.23	2.11%	3.60	1.69%	0.07	0.03%
Lens mask assembly	2.17	3.85%	10.41	4.20%	6.73	3.15%	0.60	0.25%
Nickel badges	1.82	3.23%	7.36	2.97%	3.85	1.80%	2.60	1.10%
Total	56.44	100.00%	247.77	100.00%	213.15	100.00%	235.79	100.00%

* The aforementioned figures have been presented on a standalone basis.

The breakdown of the company's revenue from sale of products and services, across the customer categories:

Particulars	3 Months ended June 30, 2021		Year Ended March 31,					
	Revenue (₹ in Cr)	% to Total	2021		2020		2019	
			Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
Automotive OEMs and Tier-1 suppliers	40.34	71.03%	188.72	75.00%	165.14	76.40%	190.65	80.35%
- Two-wheelers	28.11	49.49%	145.97	58.01%	132.49	61.29%	166.05	69.99%
- Passenger vehicles	12.19	21.46%	41.84	16.63%	31.84	14.73%	24.26	10.22%
- Others	0.04	0.08%	0.91	0.36%	0.81	0.38%	0.34	0.14%
Consumer appliance manufacturers	16.46	28.97%	62.91	25.00%	51.03	23.61%	46.61	19.64%
Total for Revenue from Operations	56.81	100.00%	251.62	100.00%	216.17	100.00%	237.25	100.00%

* The aforementioned figures have been presented on a standalone basis.

COMPANY PRODUCTS

Decals & Body Graphics



2D Appliques & Dials



3D Appliques & Dials



3D Lux Badges



Domes



Overlays



Aluminium Badges



IMLs/IMDs



Lens Mask Assembly



Optical Plastics



Chrome plated parts



Aftermarket – "Transform"



Product Description

Decals and 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. The features of company's decals and graphics include weather resistance, with up to 5 years of outdoor life, easy cleaning and high gloss. They also offers multi-coloured graphics that appear to enhance colours when viewed from certain angles. SJS has approximately 33 years of experience in manufacturing these products.

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. Specialized ink and light-emitting diodes ("LED") are used for these products. They also enhance the appearance of a vehicle because of the different colours. Since SJS uses specialized illuminating ink, their 2D appliques and dials provide the flexibility to adjust illumination without fine-tuning the

Product Description

associated hardware. SJS has approximately 25 years of experience in manufacturing these products.

3D appliques and dials

New generation vehicles tend to use aesthetically superior 3D appliques and dials. Specialized ink and LEDs are used for these products. They also enhance the appearance of a vehicle due to the different colours and a “3D effect” in the speedometer. SJS is the exclusive supplier of these products to top Korean passenger vehicle OEMs in India. They are able to control and consistently achieve the optimum level of graphics distortion required for the “3D effect” and apply this technique to manufacture these complex products.

3D lux badges

3D lux badges are typically used in 2-wheelers and passenger vehicles to showcase a customer’s logo or brand. These products are complex, with different finishes, colours, shapes and curvatures. SJS is able to control and consistently achieve the optimum level of graphics distortion required for the “3D effect” and apply this technique to manufacture their products. Their products are weather resistant and fuel resistant, which gives them a competitive advantage. SJS has approximately 11 years of experience in manufacturing these products.

Domes

Domes are typically used in 2-wheelers and passenger vehicles and consumer appliances to showcase a customer’s logo or brand with special embossing effects and different colours and shapes. SJS offers multiple colour options for these products, since they have developed techniques for micro-embossing while ensuring product consistency. Company’s products are weather resistant and fuel resistant, detergent resistant and can be applied on almost any surface, which gives them a competitive advantage. SJS has approximately 30 years of experience in manufacturing these products.

Overlays

Overlays are used in consumer appliances control panels and work as the interface between users and machines. SJS offers multiple material, colour, finish and thickness options, including different colours with different finishes using brush patterns and other processes developed in-house. They use quality material that sustains up to one million pushes of embossed buttons in control panels and their products are detergent resistant. SJS has approximately 30 years of experience in manufacturing these products.

Aluminium badges

Aluminium badges are used in 2-wheelers and passenger vehicles and consumer appliances mainly as brand displays or to communicate special instructions on hard surfaces. These products are typically tamper-proof. SJS has developed a tooling and tool selection process for embossing on metals such as aluminium with competitive cycle times. Their choice of adhesive for these products is also a key differentiating factor. SJS has approximately 4 years of experience in manufacturing these products.

IMLs/IMDs

IML/IMDs are used in many products, such as control panels in vehicles and consumer appliances, branding logos and decorative plastics. SJS manufactures touch-sensitive control panels with conductive and non-conductive ink. They utilize their precision forming, injection moulding, ink selection and printing capabilities, as well as their in-house product design and tooling capabilities, to provide all the facilities required for such products under one roof and ensure quality and timely delivery for their customers. SJS has approximately 2 years of experience in manufacturing these products.

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. SJS manufactures digital cluster masks that are designed to avoid water entrapment and fog-related issues inside clusters. They also offer an anti-glare finish using a specialized etching process.

Chrome-plated and painted products

Wheel covers primarily make wheels of passenger vehicles more stylish. SJS make parts of wheel covers for passenger vehicles.

Monograms typically represent the logo or identity of the customer. SJS makes mono-grams for two-wheelers, passenger vehicles and tractors.

Nameplates provide the name of the model. SJS makes nameplates for two-wheelers, passenger vehicles and tractors.

Rear and front appliques: Deck lid handles are fitted on the deck lid of a car. They generally have features such as built-in license plate illumination lamps or rear cameras. SJS makes rear and front appliques for passenger vehicles.

Radiator grills allow air to circulate inside the engine compartment to cool the radiator and form a significant part

Product Description

of the aesthetics of a vehicle. These products are made with components that are chrome-plated and/or hot-foiled. SJS makes radiator grills and related parts for passenger vehicles.

Bumper parts: Add-on parts of bumpers such as chrome trims form an important part of the stylistic features of a vehicle. SJS makes parts of bumpers for passenger vehicles.

Bezels are the surrounding portion of head lamp assemblies as well as fog lamp assemblies and generally have a bright chrome finish. Company's subsidiary makes bezels for two-wheelers, passenger vehicles and agricultural machinery (tractors).

Door handles secure the doors of passenger vehicles and consumer appliances such as refrigerators. SJS makes interior and exterior door handles for passenger vehicles in painted and bright chrome as well as satin chrome.

Instrument panel housings is the plastic injection moulded frame around which the various instrument clusters of the tractor are housed.

Aftermarket accessories – “Transform”

SJS offers a variety of aftermarket accessories under the “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. SJS has approximately three years of experience in manufacturing these products.

To cater to the needs of their customers, SJS offers various technology processes, including screen printing, injection moulding, high pressure forming, laser etching, metal forming, nickel plating, PU doming, hot stamping, milling, laser cutting, punching, blanking and lamination. With the acquisition of their subsidiary, SJS has also added plastic chrome-plating and painting capabilities and enhanced their injection moulding capabilities.

MANUFACTURING UNITS

The company manufactures aesthetic products from a manufacturing **facility located in Bengaluru**, India, spread across an area of approximately 235,000 square feet. The facility was commissioned in 2018 and is located on land leased from the Karnataka Industrial Area Development Board (“KIADB”). This facility is ISO, IATF and LEED Gold certified.

Their subsidiary operates a manufacturing **facility in Pune**, India, spread across 68,350 square feet. This facility was commissioned in 2015 and is located on land leased from a third party. The facility has a paint line and a fully automated chrome-plating line. The facility is also ISO and IATF certified.

Several of their manufacturing processes are fully or partially automated. Their Bengaluru facility is well designed and requires minimal movement of material and products across different manufacturing processes before the final product is ready.

Annual Installed capacity, Actual Production and capacity utilisation of the production plants:

Bengaluru Facility:

(in millions)

Particulars	Customer Industry	Installed Capacity as at				Actual Production in				Capacity Utilization in			
		June 30, 2021	Mar'31, 2021	Mar'31, 2021	Mar'31, 2021	3 months ended Jun'30, 2021	Fiscal 2021	Fiscal 2020	Fiscal 2019	3 month ended Jun'30, 2021	Fiscal 2021	Fiscal 2020	Fiscal 2019
Dials	Automotive (2-wheeler & Passenger vehicles)	14.02	12.93	11.01	11.00	1.37	5.70	7.08	7.83	9.75	44.04	64.32	71.16
Consumer durables / appliances	CD/A	22.16	22.16	18.45	18.45	2.06	9.86	9.85	10.55	9.31	44.49	53.43	57.20
Decals	Automotive	134.80	134.80	134.80	131.96	14.10	60.42	67.83	65.24	10.46	44.82	50.32	49.44
3D lux badges	and CD/A	19.87	19.87	16.78	16.78	1.85	7.91	8.31	8.81	9.33	39.78	49.53	52.49
Aluminium badges	Automotive	15.53	15.53	14.40	14.40	1.51	6.71	4.42	4.15	9.70	43.21	30.68	28.84
IMLs/IMDs	and CD/A	3.32	3.32	1.84	1.42	0.38	1.35	0.75	0.10	11.35	40.72	40.84	6.75
Total		209.70	208.61	197.28	194.02	21.27	91.94	98.25	96.69	10.14	44.07	49.80	49.83

Pune facility

(in millions)

Particulars	Customer Industry	Installed Capacity as at				Actual Production in				Capacity Utilization in			
		June 30, 2021	Mar'31, 2021	Mar'31, 2021	Mar'31, 2021	3 months ended Jun'30, 2021	Fiscal 2021	Fiscal 2020	Fiscal 2019	3 month ended Jun'30, 2021	Fiscal 2021	Fiscal 2020	Fiscal 2019
Chrome plating	Automotive and CD/A	19.70	19.70	19.70	19.70	2.55	10.24	10.99	14.81	12.95	51.99	55.81	75.17
Moulding	Automotive and CD/A	7.47	7.47	7.47	7.47	1.20	4.61	4.62	6.12	16.02	61.72	61.79	81.84
Painting	Automotive and CD/A	2.33	2.33	2.33	2.33	0.20	0.75	0.77	1.02	8.57	32.07	33.06	43.99
Total		29.50	29.50	29.50	29.50	3.95	15.60	16.38	21.95	13.38	52.88	55.53	74.40

COMPETITIVE STRENGTHS

- **Leading aesthetics solution provider with an extensive suite of premium products in a growing industry**

SJS is one of the leading decorative aesthetics suppliers with the widest product coverage across decorative aesthetics pertaining to major vehicle segments. In addition, they also cater the aesthetics products requirements of the commercial vehicles, medical devices, farm equipment and sanitary ware industries.

Their product offerings include decals and body graphics, 2D appliques and dials, 3D appliques and dials, 3D lux badges, domes, overlays, aluminium badges, IML/IMD, lens mask assembly and chrome-plated, printed and painted injection moulded plastic parts. They have developed capabilities to engineer products across multiple substrates (or materials such as plastic and metal), from styling and tooling to injection moulding, lens moulding, high-end printing, metal forming and plastic chrome-plating. They have demonstrated the ability to differentiate their offerings and are well positioned to continue to benefit from the increasing trend of premiumization across the automotive and consumer appliances industries. They supply their products to customers in India as well as outside India.

- **Strong manufacturing capabilities supported by an established supply chain and delivery mechanism**

SJS manufactures their aesthetics products from manufacturing facilities located in Bengaluru and Pune in India spread across an area of approximately 235,000 and 68,350 square feet, respectively. As at June 30, 2021, the annual production capacity of the company's and their subsidiary's manufacturing facility was 20.97 crore and 2.95 crore products, respectively and their capacity utilization rates were of 10.14% and 13.38%, respectively.

SJS incurred capital expenditure in Fiscals 2018 and 2019 for their Bengaluru facility, and its annual production capacity can be increased to 20.97 crore products without significant additional capital expenditure. Also, their Bengaluru facility has additional land to undertake further expansion, if required, to capitalize on the growth of their industry.

The company has a sales and marketing team of 35 personnel. The strength of their delivery mechanism is demonstrated by the company's ability to supply their products to around 175 customers in approximately 90 cities across 20 countries, which is supported by six warehouses located in states of Haryana, Uttarakhand, Maharashtra, Karnataka and Tamil Nadu in India. Their subsidiary delivers its products to approximately 60 locations in western, southern and central India, and has a warehouse located in Tamil Nadu.

- **Strong innovation and product design and development capabilities**

SJS possess in-house design, development and engineering capabilities which, encourages innovation and improves efficiency in their manufacturing processes. They offers a customized set of solutions to their customers, including collaborative design and product development, which along with innovation and adoption of new technologies has been important to their business model and growth. Their designers conceptualize and co-develop new designs for their customers at the design studio within the company's Bengaluru facility which has advanced equipment.

As at June 30, 2021, the company had a team of 44 personnel for NPD. This includes a dedicated design and development team of 6 personnel, which primarily works on the design, development and prototypes of new products and certain product upgrades. They have developed capabilities to engineer products using multiple material substrates (or materials such as plastic and metal) and processes, from injection moulding to metal forming, with support (for analysis, simulation and equipment supply) from dedicated suppliers that adhere to their stringent quality standards.

The company collaborated with Suzuki to design and develop aesthetics for its Swift, Ertiga and WagonR passenger vehicle models. Other customers with whom the company has collaborated on conceptualizing and designing aesthetics include Honda Motorcycle, Royal Enfield, TVS Motors, Eureka Forbes, Bajaj Auto and Whirlpool. This has also helped them strengthen their product design and development capabilities and become a “design-to-delivery” destination for their customers.

- ***Long-standing customer relationships***

Company’s key customer base includes automotive OEMs, global Tier-1 automotive component suppliers, consumer durables/ appliances manufacturers, medical devices manufacturers and sanitary ware manufacturers.

They have developed long-standing relationships with several customers. As at June 30, 2021, their relationship with its 10 largest customers in terms of revenue averaged approximately 15 years. This is attributable to their collaborative design and product development approach and high product quality. They also credit their customer loyalty to their ability to offer “design-to-delivery” aesthetics solutions with the use of sophisticated equipment and application of new techniques. The company also able to attract new customers and significantly expand its customer base over the last 3 fiscal years in India and abroad.

SJS successfully expanded its offerings to a leading Tier-1 global independent supplier of products for the automotive industry, with whom it established a relationship for the supply of 2D dials in India. They initially began exporting these products to the Portugal branch of the customer. Recently, they expanded its product offerings and geographical reach to this customer including in the U.S., Brazil, Mexico, Russia, Slovakia, Thailand, Tunisia and Vietnam.

- ***Strong financial position and track record of financial performance***

Over the years, the growth of the automotive and consumer appliances industries was impacted by factors such as demonetization in Fiscals 2017 and 2018, the banking and credit issues in Fiscals 2018 and 2019, the transition to Bharat Stage VI emission standard for all categories of vehicles in Fiscals 2019 and 2020. While these factors and the performance of the automotive and consumer appliance industries also impacted company’s growth trajectory, SJS was able to grow its revenue from operations during these periods.

Despite the resultant slowdown in these industries and the temporary effects of COVID-19 on its operations, the company was able to grow its overall business and operations, with a growth of 16.40% in revenue from operations to ₹251.62 crore in Fiscal 2021 from ₹216.17 crore in Fiscal 2020, a 16.17% growth in EBITDA to ₹79.70 crore in Fiscal 2021 from ₹68.61 crore in Fiscal 2020 and a 15.70% growth in profit for the year to ₹47.77 crore in Fiscal 2021 from ₹41.29 crore in Fiscal 2020.

As at June 30, 2021, SJS had a strong balance sheet with total equity of ₹319.76 crore and low leverage levels, with borrowings (current and non-current) of ₹8.64 crore, which only comprised working capital facilities. As at June 30, 2021, the aggregate of the cash and cash equivalents was ₹76.72 crore. The cash flows from operating activities were ₹22.05 crore, ₹57.94 crore, ₹58.27 crore and ₹35.83 crore in the 3 month period ended June 30, 2021 and Fiscals 2021, 2020 and 2019, respectively.

- ***Experienced and qualified management team***

SJS benefits from the experience and industry expertise of their senior management. K.A. Joseph, the Managing Director and one of their Promoters, has been instrumental in the establishment and growth of their business. He has been associated with the company for the last 34 years. Sanjay Thapar, the Chief Executive Officer, has over 30 years of experience in the automotive industry and has been associated with the company since 2015.

They have a professional management team with extensive experience across various industries and a proven track record of performance. This team has been instrumental in the development of the company’s strategy and business. The company has a team of professionals across senior and mid-level management. The average experience of their mid-level management is approximately 21.3 years, including in operations, business development, quality assurance, customer relationships, finance and human resource management. The company places emphasis on the strength of their workforce. As at June 30, 2021, the company and their subsidiary had 509 and 105 permanent employees, respectively.

KEY BUSINESS STRATEGIES

- **Leverage market position to capitalize on favourable industry trends**

Some of the emerging industry trends include, among others, the use of visually and aesthetically superior 3D appliques instead of 2D appliques in passenger vehicles, use of hybrid analogue-digital dials instead of analogue dials in two-wheelers, use of touch-based navigation systems in passenger vehicles, leading to higher demand for optical plastics, shift from plain moulded components to visually appealing IML/IMDs in passenger vehicles, use of aesthetically superior 3D lux logos/badges instead of chrome-plated logos in two-wheelers and use of capacitive touch overlays instead of traditional overlays in consumer appliances. Another growth trend in the global aesthetic products industry is expected to be driven by growing premiumization and rise in adoption of electric vehicles (“EVs”) over next 5 years. The rising EV adoption is likely to benefit the decorative aesthetic industry in terms of higher realizations on account of propensity for high value aesthetic product incorporation in EVs compared to internal combustion vehicles.

SJS plans to continue to leverage their market leadership and diverse product offerings in order to capitalize on these industry trends and enhance their focus on premium products. They also intend to continue enhancing their operational efficiencies, to increase economies of scale, better absorb their fixed costs, reduce their other operating costs and strengthen their competitive position.

- **Focus on development and introduction of new technologies and advanced aesthetic products**

Advances in technology is resulting in use of newer and higher value aesthetic products in end industries, which is in turn contributing to increased realizations for aesthetic product manufacturers. Company’s design and development skills, engineering capabilities and domain knowledge have enabled them to foray into certain advanced product categories and technologies which often have high entry barriers and few competitors. They have recently started offering products that use chrome-plated, printed and painted injection moulded plastic parts, such as wheel covers, radiator grills and door handles.

The company intends to develop and introduce IMEs and internet of things (IOTs) enabled solutions which allow integration of electronic chips and circuit boards within a plastic injection moulded part. Such products also contribute in reduction of the overall weight of vehicles, and find application in EVs.

- **Increase the share of business with existing customers and acquire new business**

SJS intends to continue focusing on increasing their customer base by marketing their existing products to customers who currently do not purchase their products. They have also increased their customer base in the past through new products and segments as well as through acquisitions and they see potential to increase their business by pursuing cross-selling opportunities.

They recently secured business for chrome-plated products with a leading consumer appliance manufacturer. They have focused, and intend to continue to focus, on OEMs specializing in producing and marketing premium passenger vehicles and related Tier-1 suppliers as well as consumer appliance manufacturers.

- **Increase geographical footprint and increase exports**

SJS intends to increase their presence in existing geographies and enter new geographies based on current customer relationships. Over the 3 month period ended June 30, 2021 and the last 3 fiscal years, the company sold its products to around 175 customers in approximately 90 cities across 20 countries, including in North America, Italy, Russia, Japan, Thailand, South Africa and Poland. They expect their revenues to continue to increase from markets located outside India.

There are growth opportunities in certain select international markets, particularly in Europe and North America, and SJS can benefit from the opportunity offered by global OEMs and Tier-1 suppliers in the automotive industry and the customer appliances industry. They also intend to focus on expanding their penetration in the two-wheeler automotive segment in Asia.

- **Integrate the Subsidiary and enhance opportunities**

SJS completed the Exotech Acquisition on April 5, 2021 which has enhanced their product portfolio, increased their manufacturing capabilities and increased their customer base. In addition, the trend of increasing chrome-plated part intensity in a vehicle is likely to continue. As a result, demand for chrome-plated parts from OEMs is likely to grow rapidly in future. The demand for chrome-plated parts comprised 23% to 25% of the total demand in India for decorative aesthetics in Fiscal 2021, which is expected to increase to 26% to 28% of the total demand in India for decorative aesthetics by Fiscal 2026.

SJS expects to leverage their existing capabilities, product offerings and customer base to capitalize on this market opportunity. They have started offering products that use chrome-plated, printed and painted injection moulded plastic parts, such as wheel covers, radiator grills and door handles, following the acquisition of their subsidiary. They expect that the combination of decorative printing and injection moulding with plastic chrome-plating capabilities will help them provide diversified aesthetic products to customers. The acquisition has also helped reduce the risk of product substitution for them.

They would be able to attract and retain customers that may consider switching 3D lux badges with chrome-plated plastic parts. Exotech's customers include leading passenger vehicles automotive OEMs and Tier-1 suppliers and customers in the two-wheelers, passenger vehicles, consumer appliance, farm equipment and sanitary ware industries. This provides them the opportunity to cross-sell their company's existing products as well as the subsidiary's products across a diversified customer base.

- **Expand the business through strategic inorganic growth opportunities**

Inorganic growth opportunities in India or outside India may act as an enabler for growing their businesses. They intend to continue to evaluate, and selectively pursue, inorganic opportunities where products, resources, capabilities, operations and strategies are complementary and that will diversify their product portfolio, provide them access to a wider customer base, help them expand into new markets and geographies and consolidate their existing capabilities. These opportunities could be by way of strategic alliances, acquisitions, joint ventures, technological collaborations, partner tie-ups and other strategic and business combinations.

INDUSTRY OVERVIEW

Product portfolio coverage and application segment coverage of key players

Company	Decorative aesthetic product coverage										Application Segment coverage		
	Traditional aesthetic products						Advance technology products						
Particulars	Logos	Decals	Stickers, Aluminium badges	Chrome Plated Parts	2D Dials	Traditional Overlays	3D Dials	Capacitive Overlays	IML/IMD	Optical Plastics	2W	PV	CD
Classic Stripes Pvt Ltd	✓	✓			✓	✓	✓	✓			✓	✓	✓
Galva Deco Parts Pvt Ltd	✓			✓							✓	✓	
Kongovi Pvt Ltd	✓			✓								✓	
Monochem Graphics Pvt Ltd	✓	✓	✓		✓	✓	*	*			✓	✓	✓
Polyplastics Industries India Pvt Ltd	✓			✓							✓	✓	
Pragati Industries Ltd	✓			✓							✓	✓	
PRS Permacel Pvt Ltd		✓	✓								✓	✓	
S.J.S. Enterprises Ltd	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Unique Labels Pvt Ltd			✓		✓		*	*	✓		✓	✓	

Note: 2W (Two-wheelers), PV (Passenger vehicles) and CD (Consumer durables)

* Monochem Graphics Pvt Ltd and Unique Labels Pvt Ltd offer dials and overlays however their websites do not clearly specify if these companies also offer 3D dials and capacitive overlays in specific

Summary financial indicators for key aesthetics industry players

Companies/Particulars	Operating income		Exports	Operating EBITDA margin	PAT margin	ROCE	ROE	Gearing ratio
	Fiscal 2020	CAGR Fiscal 2014-2020						
	(₹ Cr)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Polyplastics Industries India Pvt Ltd	450.40	13.44%	8.00	12.20	4.90	13.30	11.80	0.60
Classic Stripes Pvt Ltd *	358.80	1.50%	0.00	28.90	11.80	26.30	19.20	0.50
S.J.S. Enterprises Ltd	215.50	15.11%	15.00	31.90	18.00	22.80	16.50	0.00
PRS Permacel Pvt Ltd	135.10	8.61%	0.00	1.90	(1.50)	2.70	(22.10)	3.60
Monochem Graphics Pvt Ltd	108.00	11.05%	0.00	24.20	28.00	17.90	13.20	0.00
Galva Deco Parts Pvt Ltd	107.00	23.61%	0.00	22.70	(3.60)	6.10	(10.00)	2.90
Kongovi Pvt Ltd	96.90	9.80%	25.00	17.20	7.00	9.90	12.10	1.00
Average	210.24	9.37%		19.20	8.80	14.40	6.10	1.20

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