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On valuation front, the company is available at PE of 34.54x for FY2021, there are no listed company to compare the valuations. On the back of growing aesthetic decorative industry (20% CGAR in FY2021-2026E, as per CRISIL) and being key industry supplier, the company has potential to grow business going forward. So, we recommend to **Subscribe** the issue for long term gains.



About the Company

SJS Enterprises Limited (SJS) is one of the leading players in the Indian decorative aesthetics industry. The company is a 'design-to-delivery' aesthetics solutions provider with a diverse product offering for the automotive and consumer appliance industries. The company's product offerings include - decals and body graphics, 2D appliques and dials, 3D appliques and dials, 3D lux badges, domes, overlays, aluminum badges, in-mold labels, or decoration parts, lens mask assembly, and chrome-plated printed, and painted injection moulded plastic parts. The company's subsidiary, Exotech, 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 company has its manufacturing facilities at Bengaluru and Pune and as of March 31, 2021, the annual production capacity of the Bengaluru and Pune facilities was 208.61 million and 29.50 million products, respectively. In FY 2021, the company and its subsidiary produced 91.94 million and 15.60 million products, respectively. The company has a global presence and supplied over 115 million parts to around 170 customers across 20 countries in FY 2021.

Issue Details

Price Band (in ₹ per share)	531-542
Issue size (in ₹ Crore)	800
Fresh Issue (shares in lakh)	NIL
Offer for Sale (shares in lakh)	147.60-150.66
Total number of shares (lakhs)	147.60-150.66
Issue open date	01-11-2021
Issue close date	03-11-2021
Tentative date of Allotment	11-11-2021
Tentative date of Listing	15-11-2021
Offer Allocation	QIB - 50 %, Retail- 35%, NII - 15%
No. of shares for QIBs (lakhs)	73.80-75.33
No. of shares for non-institutional investors (lakhs)	22.14-22.60
No. of shares for retail investors (lakhs)	51.66-52.73
Minimum order quantity	27
Face value (in ₹)	10
Amount for retail investors (1 lot)	14337-14634
Maximum number of shares for Retail investors at lower Band	351(13 Lots)
Maximum number of shares for Retail investors at upper band	351(13 Lots)
Maximum amount for retail investors at lower Band-upper band (in ₹)	186381-190242
Exchanges to be listed on	BSE, NSE

Promoters

Evergraph Holdings Pte. Ltd. and K.A. Joseph

Objective of the Offer

The IPO proceed will be utilized towards following purposes:

- To carry out the Offer for Sale of Equity Shares aggregating up to INR 800 crore by the promoters
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges

**Brief Financials**

Particulars (Rs. Cr)*	Q1FY22	FY21	FY20	FY19
Share Capital	30.44	30.44	30.44	30.44
Net Worth	319.76	315.22	279.65	238.56
Revenue from Operation	74.27	251.62	216.17	237.25
EBITDA	18.59	79.70	68.61	64.32
EBITDA Margin (%)	25.03%	31.67%	31.74%	27.11%
PAT	9.50	47.77	41.29	37.60
PAT Margin (%)	12.79%	18.98%	19.10%	15.85%
EPS(Rs)	3.12	15.69	13.56	12.35
Net Asset Value (Rs)	105.05	103.56	91.88	78.37
P/E #	43.43^	34.54	-	-
P/B #	5.16	5.23	-	-

Source: RHP, *Restated Consolidated, FV Rs.10/-, # Calculated at the upper price, ^ Annualised

Industry Review**Overview of The Decorative Aesthetics Industry**

The manufacturers of discretionary consumption products such as automobiles and consumer durables strive hard to bring value-for-money products in the market to retain and expand their market shares. While product features and price are key elements, product aesthetics are critical in creating brand value for Original Equipment Manufacturers (OEMs). Consumers give preference to products that are not only value-for-money but also aesthetically superior. Aesthetically superior products hold strong relevance for discretionary consumption products, such as automobiles and consumer durables. (Source: CRISIL Report).

Key consumer discretionary products where decorative aesthetic components are widely used include:

- Two-wheelers
- Passenger vehicles
- Other automobile segments such as three wheelers, commercial vehicles and tractors or farm equipment
- Large consumer durables such as washing machines, refrigerators, room air conditioners (ACs), televisions (TVs)
- Small consumer durables and electronics such as fans, switchgears, water heaters, air purifiers, vacuum cleaners, hand free sanitizer dispensers, other consumer electronics, mobiles, laptops, desktops, power banks and trimmers
- Kitchen appliances such as mixers and grinders, water purifiers and microwave ovens;
- Medical devices and medical electronic devices such as x-ray machines, CT scan machines, MRI scan machines, self-care glucometers, blood pressure monitors and oximeters; and
- Industrial equipment (such as ATMs) and fast moving consumer goods (FMCG) (containers for shampoo bottles, compact, lipsticks etc.).

Details and views on demand limited to the below mentioned components and application segments have been provided:

Aesthetic components	Two-wheelers	Passenger vehicles	Consumer durables
Logos	✓	✓	✓
Decals	✓	✓	
Stickers, aluminium badges	✓	✓	✓
IML/IMD	✓	✓	✓/
Optical plastics	✓	✓	
Chrome-plated parts	✓	✓	✓
Appliques	✓	✓	
Overlays			✓

Source: RHP, CBSL



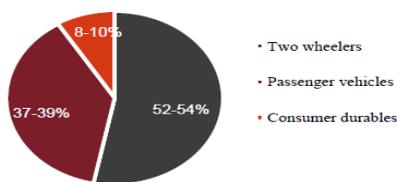
Industry Review

Demand review and outlook for specific decorative aesthetic components

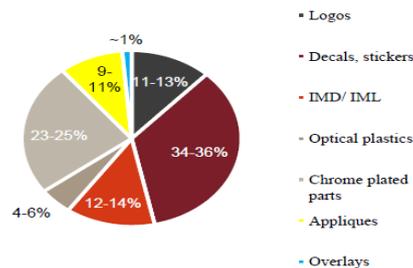
CRISIL Research estimates the size of the decorative aesthetic market in India catering to OEMs at approximately ₹19.9 billion in Fiscal 2021. The demand for decorative aesthetics was approximately ₹22.6 billion in Fiscal 2020. The decorative aesthetics demand in Fiscal 2021 declined due to a drop in underlying demand from two wheeler, passenger vehicle and large consumer durables industry. The domestic production for two-wheelers, passenger vehicles and large consumer durables declined by approximately 13.00%, approximately 10.00% and approximately 19.00%, respectively, in Fiscal 2021 due to the pandemic. (Source: CRISIL Report)

Two-wheelers alone accounted for approximately 52.00% to 54.00% of decorative aesthetic market demand in Fiscal 2021, while passenger vehicles and consumer durables formed approximately 37.00% to 39.00% and approximately 8.00% to 10.00%, respectively.

Break-down of decorative aesthetic demand by application segment, Fiscal 2021: approximately ₹19.9 billion



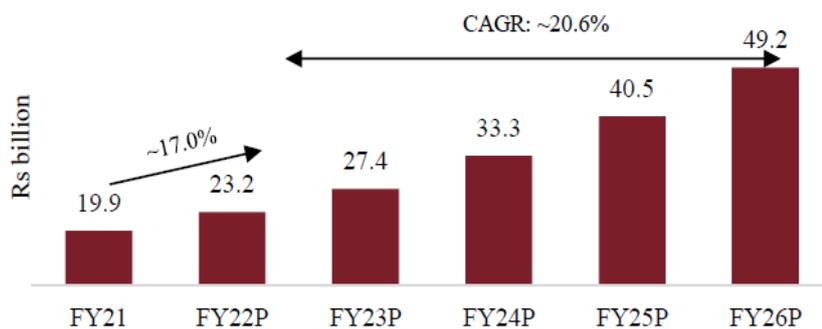
Break-down of decorative aesthetic demand by aesthetic components, Fiscal 2021: approximately ₹19.9 billion



Source: RHP, CRISIL, SIAM, CBSL

Two-wheelers and passenger vehicles will continue to dominate the demand accounting for approximately 45 to 47.00% of the decorative aesthetic market each in Fiscal 2026 whereas consumer durables will contribute approximately 8.00% to 9.00% to the overall demand. Demand for decorative aesthetics is expected to grow fastest in passenger vehicles at a CAGR of approximately 25.00%, followed by a CAGR of 19.00% and 16.00% in consumer durables and two-wheelers respectively during Fiscals 2021 to 2026 period.

Decorative aesthetic market in India (₹ billion)

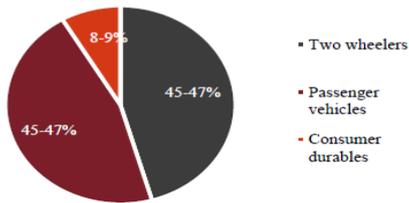


Source: RHP, CRISIL, SIAM, CBSL

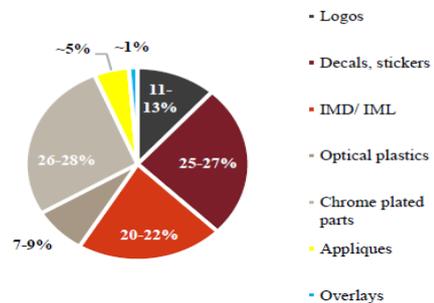


Industry Review

Break-down of decorative aesthetic demand by application segment, Fiscal 2026P: approximately ₹49.2 billion



Break-down of decorative aesthetic demand by aesthetic components, Fiscal 2026P: approximately ₹49.2 billion



Source: RHP, CBSL

Aesthetic products	Aesthetic market CAGR (Fiscal 2021 to 2026)
Logos	19.00%
Decals, stickers	13.00%
IMD/ IML	32.00%
Optical plastics	31.00%
Chrome plated parts	23.00%
Appliques (two-wheelers and passenger vehicles)/ appliques (passenger vehicles)	6.00%/14.00%
Overlays	17.00%
Total	20.00%

Source: RHP, CRISIL, SIAM, CBSL

The demand for decorative aesthetic in Fiscal 2026 will be led by decals, stickers and aluminum badges accounting for approximately 25.00% to 27.00%, followed by IMD/IML (approximately 20.00% to 22.00%), chrome-plated parts (26.00% to 28%) and optical plastics (7.00% to 9.00%). IMD/IML and optical plastic are expected to be the fastest growing aesthetic component categories with market share gain in overall aesthetic demand over the stipulated period.

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 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. The company's Bengaluru manufacturing facility is flexible, allowing to interchange capacity and product mix across various product categories and industries based on customer and operational requirements, enabling to offer a diverse range of products and services to customers. This optimizes its machine productivity and operational efficiency and de-risks business model. 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.



Competitive Strengths

Long-standing customer relationships

The 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. It has developed long-standing relationships with several customers. As on June 30, 2021, SJS relationship with its 10 largest customers in terms of revenue averaged approximately 15 years. This is attributable to collaborative design and product development approach and high product quality. SJS also credit customer loyalty to 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 financial 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.

Risk Factors

Company does not have firm commitment long-term supply agreements with customers

Loss of any key customers or significant reduction in production and sales or demand for company's products from its significant customers may materially and adversely affect business and financial performance.

Out of customers accounting for more than 10% of the revenue from operations in Fiscal 2021, sales to the company's top customer accounted for 21.49%, 23.99% and 33.59% of its revenue from operations in Fiscals 2021, 2020 and 2019, respectively. Sales to the company's top five customers (based on revenue in three month period ended June 30, 2021) represented 63.91% of revenue from operations in that period. Sales to the company's top five customers (based on revenue in Fiscal 2021) represented 62.66%, 59.73% and 65.90% of its revenue from operations in Fiscals 2021, 2020 and 2019, respectively, and sales to the company's top 10 customers (based on revenue in Fiscal 2021) represented 87.33%, 86.40% and 85.66% of its revenue from operations in Fiscals 2021, 2020 and 2019, respectively. Its key customers operate primarily in the two-wheeler, passenger vehicle and consumer appliance industries

Significant portion of revenue comes from Automobile industry

SJS depend significantly on customers in the automotive industry and consumer appliance industry and a decline in their performance, in India or globally, could adversely affect business and profitability.

Set forth below is a breakdown of the company's revenue from sale of products and services, across the industries:

Industry	Three month period ended June 30, 2021		Fiscal 2021		Fiscal 2020		Fiscal 2019	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)
Automotive								
Two-wheelers	281.12	49.49	1,459.70	58.01	1,324.93	61.29	1,660.48	69.99
Passenger vehicles	121.93	21.46	418.35	16.63	318.37	14.73	242.55	10.22
Others	0.43	0.08	9.10	0.36	8.12	0.38	3.42	0.14
Consumer durables/appliances	164.59	28.97	629.10	25.00	510.31	23.61	466.07	19.64
Total	568.07	100	2,516.25	100.00	2,161.73	100.00	2,372.52	100.00

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

Raw Material price fluctuation

SJS use a variety of raw materials to manufacture aesthetic products. The principal raw materials and components includes plastics, copper, nickel, aluminium, paints, inks, chemicals, adhesives, plastic polymers such as polyvinyl chloride (PVC), metallized polyester, polyethylene terephthalate (PET), polycarbonate (PC) in the form of films, sheets and resins.

The company does not have long term contracts or exclusive supply arrangements with any of its suppliers and it purchases the raw materials on spot order basis. Although the company has not encountered any significant disruptions in the sourcing and/or supply of raw materials, SJS cannot assure smooth raw material supply over the future course.



Peer Comparison

There are no listed companies in India that engage in a business similar to that of the company.

Our Views

SJS is a leading player in the Indian decorative aesthetics industry. The company supplied over 115 million parts with more than 6,000 SKUs in FY2021 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. The company has industry leading profitability margins and robust return ratios (ROE at 15.15% and ROCE at 31.63% in FY2021). SJS has delivered strong financial performance despite Covid turbulence and it is a net debt free company as on FY2021.

On valuation front, the company is available at PE of 34.54x for FY2021, there are no listed company to compare the valuations. On the back of growing aesthetic decorative industry (20% CGAR in FY2021-2026E, as per CRISIL) and being key industry supplier, the company has potential to grow business going forward. So, we recommend to **Subscribe** the issue for long term gains.

Sources: Company Website and red herring prospectus



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