

S.J.S. ENTERPRISES LIMITED

Strong numbers, maintain BUY

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SJS reported strong set of numbers in Q2 FY25. On standalone basis, revenues have grown by 21% yoy at ₹1.06 bn on the back of strong business from various clients in both Auto and Consumer segments, which has grown higher than the underlying industries (1.8x PV + 2W industries). Margins in the standalone business have grown to 31.6%, 280 bps up as RM/sales as a % of sales has gone down to 36.2% from 37.9%/37.8% yoy/qoq. Employee/sales ratio has also gone down to 13.8% v/s 13.9%/14.5% yoy/qoq. PAT has grown by 69%/47% yoy/qoq in Q2 FY25 on strong operating performance. Consolidated revenues have gone up by 18.1%/2.2% yoy/qoq to ₹1.93 bn mainly on standalone revenue growth while subsidiaries have grown at a lower 14.7% yoy. WPI numbers were slightly weak as one of their customers (Tata Motors) faced weak sales in the quarter for their Harrier and Safari models. Margins came in at 25.9% on the back of 31.6% standalone and 19% subsidiaries margins. PAT was healthy as it grew by 51% yoy at ₹291 mn.

New client addition in exports, new product pipeline remain key to a profitable growth

The company mentioned that they have planned a New Global program in exports to be launched in North and South America and Europe from June 2025. The company has also added a big client in exports for manufacturing badges which has a potential to pour in ₹3-4 bn to the topline. Also on the back of winning new clients in the form of FCA Italy, Stellantis US & Brazil, Chrysler, SJS has given a target of raising the exports contribution to 14-15% over next three years. While exports is a slightly high margin business, increasing business on the Consumer segment from the likes of Visteon, Whirlpool etc shall assist margin growth as well. New business in the form of Optical Cover Glass should raise the existing kit value of PVS from ₹5K/vehicle to ₹8K-10K/vehicle.

Capacity expansion should bring in more revenues in the ensuing years

SJS is planning capex through a Greenfield plant at Hosur in Tamil Nadu for its Exotech business, which is currently functioning at 100% capacity utilization. Demand for Exotech products is high considering its cross selling with SJS and WPI clients like M&M, Tata Motors and MSIL according to us. Due to which SJS is planning to deploy a capex of ₹800 mn at the new plant for Exotech (for manufacturing chrome plated parts and painting) and another ₹400-500 mn for their new product Cover Glass. Total capex including the maintenance capex shall be in the range of ₹1.5-1.7 bn over the next three years. Management anticipates doubling the revenues of Exotech through this expansion and maintaining margins of 15-16% over medium term.

Key Financials	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Total sales(₹ bn)	4,330	6,278	7,631	8,757	10,049
EBITDA margins(%)	24.6%	24.2%	25.9%	26.2%	26.5%
PAT margins(%)	15.5%	13.6%	16.0%	16.2%	16.6%
EPS	22.1	27.5	39.4	45.8	53.8
P/E	52.0	41.7	29.1	25.0	21.3
P/BV	8.1	6.3	5.2	4.3	3.6
EV/EBITDA	33.5	23.8	18.1	15.4	12.9
ROE%	16%	16%	18%	17%	17%
ROCE%	29%	26%	27%	28%	30%

BUY

Current Market Price (₹) :	1,150
12M Price Target (₹) :	1,346
Potential Return (%) :	17

Stock Data

Sector :	Automobile & Auto Components
FV (₹) :	10
Total Market Cap (₹ bn) :	35
Free Float Market Cap (₹ bn) :	27
52-Week High / Low (₹) :	1,188 / 552
BSE Code / NSE Symbol	543387 / SJS
Bloomberg :	SJS IN

Shareholding Pattern

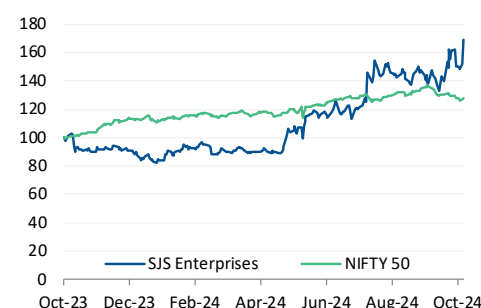
(%)	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	21.80	21.80	21.80	21.80
MF's	23.53	24.28	25.62	28.87
FPIs	16.72	15.95	15.11	12.85
AIF's	3.50	4.41	3.40	0.43
Insurance	3.05	3.06	3.04	2.63
Others	31.40	30.50	31.03	33.42

Source: BSE

Price Performance

(%)	1M	3M	6M	12M
SJS	22.6%	37.8%	85.3%	68.9%
Nifty 50	-6.5%	-1.5%	8.1%	27.8%

* To date / current date : October 29, 2024

SJS vs Nifty 50

We believe there is a large opportunity through this expansion and should provide strong revenue uplift for SJS. Margin improvement should come through operating leverage once production ramp up happens. For WPI's Pune plant there is still some time for capacity expansion as it is operating at 75% utilization. However, since the assembly lines are fungible, these capacities can be utilised for whichever products in demand.

Quarterly Standalone

YE Mar (₹ mn)	Q2FY25	Q1FY25	QoQ %	Q2FY24	YoY %
Revenue	1,056	968	9.1%	871	21%
COGS	382	366	4.3%	330	16%
Employee Expenses	145	140	3.7%	121	20%
Other Expenses	194	168	15.6%	167	16%
EBITDA	334	293	13.9%	253	32%
<i>EBITDA Margins %</i>	<i>31.6%</i>	<i>30.3%</i>	<i>130 bps</i>	<i>29.0%</i>	<i>260 bps</i>
Other Income	71	12	518.9%	18	304%
Depreciation & Amortization	45	42	4.9%	44	2%
Finance Cost	10	11	-12.9%	18	-46%
PBT	351	251	39.8%	208	69%
Tax	74	63	16.2%	45	66%
PAT	277	187	47.8%	164	69%
<i>PAT Margins%</i>	<i>26.3%</i>	<i>19.4%</i>	<i>690 bps</i>	<i>18.8%</i>	<i>750 bps</i>

Source: Company, LKP Research

Quarterly Consolidated

YE Mar (₹ mn)	Q2FY25	Q1FY25	QoQ	Q2FY24	YoY
Revenue	1,928	1,886	2.2%	1,632	18.1%
COGS	900	866	3.9%	785	14.7%
Employee Expenses	211	207	1.9%	176	19.7%
Other Expenses	317	322	-1.4%	311	2.2%
EBITDA	500	491	1.7%	360	38.6%
<i>EBITDA Margins %</i>	<i>25.9%</i>	<i>26.1%</i>	<i>(20 bps)</i>	<i>22.1%</i>	<i>380 bps</i>
Other Income	17	14	28.4%	17	3.8%
Depreciation & Amortization	111	107	3.4%	108	2.8%
Finance Cost	19	21	-12.1%	27	-31.7%
PBT	388	377	2.9%	242	60.1%
Tax	96	94	2.0%	49	96.6%
Adj PAT	291	282	3.2%	193	50.9%
<i>Adj PAT Margins%</i>	<i>15.1%</i>	<i>15.0%</i>	<i>10 bps</i>	<i>11.8%</i>	<i>330 bps</i>
Exceptional items	0	0	N/A	0	N/A
Reported PAT	291	282	3.2%	193	50.9%

Source: Company, LKP Research

Outlook and Valuation

SJS reported strong set of numbers in Q2 FY25. Standalone numbers have been robust considering high demand for their Auto as well as Consumer segments. WPI numbers were slightly weak on subdued sales Tata Motors. However, improvement in sales at their end would lead to recovery at WPI. We believe that the trend of the company of growing faster than the industry should be maintained on the back of a) premiumization trend - transitioning to 3D dials (2x higher realization), capacitive overlays (2x higher realization), premium logos (20% higher realization), and IML/IMD products (1.5x higher realization), b) new customer additions, and c) maximizing cross selling opportunities. New client addition in the form of a big exports client, expansion of its Consumer segment and capacities at Exotech along with introduction of the high margin Cover Glass product should take SJS to new heights. The company has off late retired its entire debt of ₹300 mn to become debt free, which would reduce the interest costs, thus auguring well for the bottomline. On the back of these positives, we are slightly increasing our target price to ₹1,346/- (valued at 25x FY27E earnings as compared to current PE of 21x) with an upside of 17%. Maintain BUY.

Income Statement

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Total Revenues	4,330	6,278	7,631	8,757	10,049
Raw Material Cost	1,868	2,849	3,551	4,085	4,699
Employee Cost	561	708	834	943	1,060
Other Exp	835	1,199	1,273	1,436	1,623
EBITDA	1,066	1,522	1,974	2,294	2,667
EBITDA Margin(%)	24.6%	24.2%	25.9%	26.2%	26.5%
Depreciation	233	387	397	471	520
EBIT	833	1,135	1,578	1,823	2,147
EBIT Margin(%)	19.2%	18.1%	20.7%	20.8%	21.4%
Interest	23	85	66	59	60
Other Income	102	77	110	120	125
PBT	912	1,126	1,621	1,884	2,213
PBT Margin(%)	21.1%	17.9%	21.2%	21.5%	22.0%
Tax	239	273	397	462	542
PAT	673	854	1,224	1,423	1,671
PAT Margins (%)	15.5%	13.6%	16.0%	16.2%	16.6%
Exceptional items	0	0	0	0	0
Adj PAT	673	854	1,224	1,423	1,671
Adj PAT Margins (%)	15.5%	13.6%	16.0%	16.2%	16.6%

Key Ratios

YE Mar	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Per Share Data (₹)					
Adj. EPS	22.1	27.5	39.4	45.8	53.8
CEPS	30	40	52	61	71
BVPS	141	181	220	266	320
Growth Ratios(%)					
Total revenues	17.1%	45.0%	21.6%	14.8%	14.8%
EBITDA	13.0%	42.7%	29.7%	16.2%	16.3%
PAT	22.2%	26.9%	43.4%	16.2%	17.4%
EPS Growth	22.2%	24.5%	43.4%	16.2%	17.4%
CEPS growth	18.2%	34.4%	30.6%	16.8%	15.7%
Valuation Ratios (X)					
PE	52	42	29	25	21
P/CEPS	39	29	22	19	16
P/BV	8	6	5	4	4
EV/Sales	8	6	5	4	3
EV/EBITDA	34	24	18	15	13
Operating Ratios (Days)					
Inventory days	88	77	84	91	93
Receivable Days	74	74	88	91	91
Payables day	72	67	74	68	58
Net Debt/Equity (x)	0.00	0.02	0.00	-0.01	-0.04
Profitability Ratios (%)					
ROCE	29%	26%	27%	28%	30%
ROE	16%	16%	18%	17%	17%

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Equity and Liabilities					
Equity Share Capital	304	310	310	310	310
Reserves & Surplus	3,992	5,306	6,530	7,952	9,623
Total Network	4,296	5,616	6,840	8,263	9,933
Non-current Liabilities					
Long term debt	0	400	450	500	550
Deferred tax assets/liabilities	90	258	258	258	258
Other non current liabilities	73	182	182	182	182
Total non-current liab & provs	163	840	890	940	990
Current Liabilities					
Trade payables	425	616	817	694	798
Short term provs+ borrowings	221	326	195	130	93
Other current liabilities	275	499	499	499	499
Total current liab and provs	922	1,440	1,511	1,323	1,390
Total Equity & Liabilities	5,381	7,896	9,241	10,525	12,313
Assets					
Net block	1,517	1,803	1,982	2,299	2,279
Capital WIP	17	23	38	44	50
Intangible assets	342	2,601	2,232	2,257	2,286
Non current investments	37	60	60	60	60
Long term loans & advances	0	6	6	6	6
Other non current assets	310	476	476	476	476
Total non current assets	2,224	4,968	4,794	5,141	5,157
Cash and cash equivalents	297	153	579	854	1,916
Inventories	484	720	924	1,108	1,275
Trade receivables	905	1,624	2,049	2,327	2,671
Other current assets	1,471	431	895	1,095	1,295
Total current Assets	3,158	2,928	4,447	5,384	7,156
Total Assets	5,381	7,896	9,241	10,525	12,313

Cash Flow

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
PBT	912	1,126	1,621	1,884	2,213
Depreciation	233	387	397	471	520
Interest	23	85	66	59	60
Chng in working capital	11	-220	-428	-585	-406
Tax paid	-264	-332	-397	-462	-542
Other operating activities	-46	40	0	0	0
Cash flow from operations (a)	870	1,087	1,259	1,367	1,845
Capital expenditure	-308	-301	-222	-818	-536
Chng in investments	-547	1,043	-464	-200	-200
Other investing activities	-145	-2,074	0	0	0
Cash flow from investing (b)	-1,000	-1,333	-686	-1,018	-736
Free cash flow (a+b)	-130	-246	572	349	1,109
Inc/dec in borrowings	78	157	-80	-15	13
Interest paid	-11	-77	-66	-59	-60
Other financing activities	-19	207	0	0	0
Cash flow from financing (c)	48	287	-147	-74	-47
Net chng in cash (a+b+c)	-82	42	426	275	1,062
Closing cash & cash equivalents	79	121	547	822	1,884

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