

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
19-Jun-24	Quick Insight	779.8	750-770	950-970


Target ₹950-970
Recommendation BOOK PROFITS (52-week High of ₹1020.0 on 03Aug24)
Highlights

- SJS Enterprises Q1FY25 Revenue/EBITDA/PAT grew ~61%/74.2%/~55% YoY to ₹1.89bn/₹491.4mn/₹278.4mn on the back of strong performance by standalone business and higher contribution from Exotech and WPI. EBITDA margin came in at 26.1% v/s 24.1% YoY and 25.5% QoQ. Subsidiaries PAT came in at ₹95mn (+445% YoY & +8% QoQ). The 2W business saw some softness (a growth of 12.1% YoY v/s 19.6% for the industry) due to higher inventories with OEMs. The management expects this segment to bounce back in 2HFY25 as dealers clear inventory and festive demand picks up. Domestic sales/exports grew 66.6%/13% YoY on strong demand in the consumer durable segment.
- Added fast growing new client Dixon Technologies, should boost consumer durables segment, to supply Logos, Decals & Overlays to Washing Machines, Refrigerator & Set-top boxes. This new client manufactures products in a huge volume, should boost SJS consumer durables revenue.
- The management reaffirms it will grow at 1.5x the weighted growth rate for the industry. It expects OEMs to grow at 8–10% in FY25. This anticipated outperformance is attributed to new business accounts, a strong new product pipeline, improved content per vehicle, and repeat orders. Additionally, growth also will be driven by improvements in exports (aim to increase contribution from ~7.5% to 14-15% in the mid-term), the introduction of the 'Cover glass' product, Optical plastics, premiumisation, and further supported by the outperformance of key OEMs such as Ola Electric, TVS Motor, M&M, HMSI, Whirlpool, among others.
- Management expects Exotech margin sustainable at 18% level, cross-selling & exports to grow topline. Exotech has seen a consistent improvement in its EBITDA margin, rising from 10.8% in FY21 to +18% in the last few quarters. Higher margins are possible once it achieves significant scale in exports. It is operating at full capacity and has started outsourcing to a few manufacturers. This, along with scale, mix & stable input costs is supportive for margins. It plans to add in-house capacity.
- The company's growth trajectory is poised to outpace industry benchmarks, fuelled by its specialisation in a niche, high-margin business WPI. Securing orders from key clients such as Tata Motors, Maruti Suzuki, and M&M, alongside the introduction of new products, presents significant growth opportunities. Furthermore, leveraging cross-selling potentials with SJS clients is expected to further bolster revenue and margins in the coming years.
- The management has earmarked a capex of ₹1.7–1.8bn, spread over FY25–26, for additional capacities in WPI, Exotech, optical cover glass, and the consumer durables segment. This is in-line with the premiumisation trend that the management expects, with content per vehicle improving by ~4x/~2x in PVs/2Ws and by ~4x in consumer durables. The company had a net cash of ₹234mn at the end of Q1FY25 as against a net debt of ₹163mn at the end of FY24.

SJS ENTERPRISES LTD.
Q1FY25 Result Highlights

- **Robust performance seen due to strong standalone performance and higher contribution from subsidiaries** – Revenue/EBITDA/PAT grew ~61%/74.2%/~55% YoY to ₹1.89bn/₹491.4mn/₹278.4mn on the back of strong performance by standalone business and higher contribution from Exotech and WPI. EBITDA margin came in at 26.1% v/s 24.1% YoY and 25.5% QoQ. Subsidiaries PAT came in at ₹95mn (+445% YoY & +8% QoQ). The 2W business saw some softness (a growth of 12.1% YoY v/s 19.6% for the industry) due to higher inventories with OEMs. The management expects this segment to bounce back in 2HFY25 as dealers clear inventory and festive demand picks up. Domestic sales/exports grew 66.6%/13% YoY on strong demand in the consumer durable segment. Added fast growing new client Dixon Technologies, should boost consumer durables segment, to supply Logos, Decals & Overlays to Washing Machines, Refrigerator & Set-top boxes. This new client manufactures products in a huge volume, should boost SJS consumer durables revenue.
- The management reaffirms it will grow at 1.5x the weighted growth rate for the industry. It expects OEMs to grow at 8–10% in FY25. This anticipated outperformance is attributed to new business accounts, a strong new product pipeline, improved content per vehicle, and repeat orders.. Additionally, growth also will be driven by improvements in exports (aim to increase contribution from ~7.5% to 14-15% in the mid-term), the introduction of the 'Cover glass' product, Optical plastics, premiumisation, and further supported by the outperformance of key OEMs such as Ola Electric, TVS Motor, M&M, HMSI, Whirlpool, among others.
- Management expects Exotech margin sustainable at 18% level, cross-selling & exports to grow topline. Exotech has seen a consistent improvement in its EBITDA margin, rising from 10.8% in FY21 to +18% in the last few quarters. Higher margins are possible once it achieves significant scale in exports. Revenue growth in this segment will be driven by cross-selling with WPI's & Standalone clients, and gradual gaining of traction in the international markets. Exotech is operating at full capacity and has started outsourcing to a few manufacturers. This, along with scale, mix & stable input costs is supportive for margins. It plans to add in-house capacity.
- Walter Pack India is likely to secure new orders and getting back to high margin levels between 28-30%. The company's growth trajectory is poised to outpace industry benchmarks, fuelled by its specialisation in a niche, high-margin sector. Securing orders from key clients such as Tata Motors, Maruti Suzuki, and M&M, alongside the introduction of new products, presents significant growth opportunities. Furthermore, leveraging cross-selling potentials with SJS clients is expected to further bolster revenue and margins in the coming years.
- The company had a net cash of ₹234mn at the end of Q1FY25 as against a net debt of ₹163mn at the end of FY24. We expect a further improvement as the management expects to completely repay its debt by FY25. It has improved its CFO to ₹630mn and is further expected to improve on the back of a strong operational performance, boosted by superlative revenue growth.
- The management has earmarked a capex of ₹1.7–1.8bn, spread over FY25–26, for additional capacities in WPI, Exotech, optical cover glass, and the consumer durables segment. This is in-line with the premiumisation trend that the management expects, with content per vehicle improving by ~4x/~2x in PVs/2Ws and by ~4x in consumer durables.

VIEW

SJS had a strong Q1FY25 performance, addition of fast-growing Dixon and the optimistic outlook for the coming years. With an improvement in revenue from the organic business and through acquisitions, client additions, diversification in newer geographies, and a de-risked business mix, we expect solid growth performance to continue. We advise short-term investor to **BOOK PROFITS** and enter at lower levels, while long-term investors can continue to stay invested as we are optimistic on the mid-to-long term prospects of the company as the next leg of growth will come from the combination of cross-selling Exotech-SJS-WPI products to each other clients, selling higher realisation new generation products developed in-house like "Cover glass" (2-3x higher price than traditional ones), exports growing well, premiumisation in Auto/Consumer durables, mining existing accounts along with acquiring new customers in domestic as well as overseas and WPI - a niche tech-edge business. **The stock is trading at P/E 19.4x FY26E EPS of ₹48.7.**

Important Data

Nifty	24,056
Sensex	78,759

Key Stock Data

CMP	₹959.2
MCAP (bn)	₹29.8
52-W High/Low	₹1020/552
Shares o/s(mn)	31.04
Daily Vol.(3M-NSEAvg.)	760,566
BSE Code	543387
NSE Code	SJS
Bloomberg Code	SJS:IN

Shareholding Pattern (%) – Jun'24

Promoter	21.8
DII's	31.8
FII's	16.0
Public	30.5

Financials

Particulars	₹ mn		
	FY21	FY22	FY23
Revenue	3,201	3,699	4,330
EBITDA	836	944	1,066
EBITDA Margin (%)	26.1	25.5	24.6
Net Profit	520	550	673
EPS (₹)	16.7	17.7	21.7
RoE (%)	16.5	15.3	15.7
RoCE (%)	19.4	18.9	18.7
P/E (x)	56.5	53.4	43.6
EV/EBITDA (x)	34.8	31.2	27.5
P/BV (x)	9.3	8.1	6.8

Particulars	₹ mn		
	FY24	FY25E	FY26E
Revenue	6,278	7,888	9,387
EBITDA	1,522	2,066	2,509
EBITDA Margin (%)	24.2	26.2	26.7
Net Profit	848	1,281	1,513
EPS (₹)	27.3	41.3	48.7
RoE (%)	15.1	19.5	21.4
RoCE (%)	17.6	20.7	23.6
P/E (x)	34.6	22.9	19.4
EV/EBITDA (x)	19.7	13.6	11.2
P/BV (x)	5.2	4.3	3.7

Source: Company, Way2Wealth

Relative Performance

Return(%)	1Yr	3Yr	5Yr
SJS	50.4	NA	NA
Nifty50	24.2	49.4	124.1
Sensex	20.7	46.0	116.8

Source: Company, Way2Wealth

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Q1FY25 PERFORMANCE

(₹mn)

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue	1,886.2	1,172.5	60.9	1,867.9	1.0	6,278.0	4,330.5	45.0
Cost of Matl	902.3	504.1	79.0	844.3	6.9	2,873.8	1,942.7	47.9
Inventories Changes	(36.2)	0.8	(4,465.1)	5.9	713.0	(24.9)	(74.8)	(66.7)
Employee cost	206.9	154.7	33.8	190.9	8.4	707.7	561.3	26.1
Other Exps	321.9	230.8	39.5	350.9	(8.3)	1,199.4	835.0	43.6
EBITDA	491.4	282.1	74.2	476.0	3.2	1,522.1	1,066.3	42.7
EBITDA Margin (%)	26.1	24.1	199	25.5	57	24.2	24.6	(38)
Other Income	13.6	31.9	(57.5)	19.4	(30.0)	77.0	101.5	(24.1)
Finance Cost	21.3	10.6	100.7	22.0	(3.2)	85.2	23.1	268.7
Depreciation	107.2	61.8	73.5	109.6	(2.2)	387.4	233.0	66.3
PBT	376.5	241.5	55.9	363.8	3.5	1,126.5	911.7	23.6
Tax	94.1	61.4	53.3	92.0	2.3	272.8	239.2	14.1
Minority Interest- (Profit)/Loss	(4.0)	-	-	(4.8)	(16.1)	(5.6)	-	-
Net Profit	278.4	180.0	54.6	267.0	4.3	848.2	672.5	26.1
EPS (₹)	9.0	5.8	54.6	8.6	4.3	27.3	22.1	23.7

As % to Sales	Q1FY25	Q1FY24	YoY (BPS)	Q4FY24	QoQ (BPS)	FY24	FY23	YoY (BPS)
Matl Cost	45.9	43.1	285	45.5	40	45.4	43.1	225
Gross Profit	54.1	56.9	(285)	54.5	(40)	54.6	56.9	(225)
Employee cost	11.0	13.2	(222)	10.2	75	11.3	13.0	(169)
Other Exps	17.1	19.7	(262)	18.8	(172)	19.1	19.3	(18)

Revenue by Geography (%)	FY24	FY23	YoY (BPS)
India	92.5	89.3	318
Exports	7.5	10.7	(318)

Source – Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
India	2,140	1,840	2,683	3,229	4,010	5,795	7,218	8,542
Exports	233	322	519	470	320	483	670	845
Revenue	2,373	2,162	3,201	3,699	4,330	6,278	7,888	9,387
YoY Growth (%)	2.3	(8.9)	48.1	15.5	17.1	45.0	25.6	19.0
EBITDA	649	635	836	944	1,066	1,522	2,066	2,509
EBITDA Margin (%)	27.4	29.4	26.1	25.5	24.6	24.2	26.2	26.7
PAT	421	413	520	550	673	848	1,281	1,513
EPS (₹)	13.6	13.3	16.7	17.7	21.7	27.3	41.3	48.7
RoE (%)	17.7	14.8	16.5	15.3	15.7	15.1	19.5	21.4
RoCE (%)	22.3	17.4	19.4	18.9	18.7	17.6	20.7	23.6
Cash Balances	29	108	376	225	297	153	1124	1258
FCF	(121)	416	480	471	562	786	554	946
Receivable Days	70	76	68	85	76	94	93	91
Inventory Days	95	123	90	95	95	92	90	88
Payable Days	41	94	69	71	83	79	79	78
Net Debt/ Equity (x)	0.1	(0.0)	(0.1)	0.0	0.0	0.1	(0.2)	(0.1)
P/E (x)	69.7	71.1	56.5	53.4	43.6	34.6	22.9	19.4
EV/EBITDA (x)	45.5	46.1	34.8	31.2	27.5	19.7	13.6	11.2
P/BV (x)	12.3	10.5	9.3	8.1	6.8	5.2	4.3	3.7
PEG	30.3	(8.0)	1.2	3.4	2.6	0.8	0.9	1.0

Source: Company, Way2Wealth

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Disclosure of Interest Statement: SJS ENTERPRISES LTD. as on 6th August 2024

Name of the Security	SJS ENTERPRISES LTD.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained.	NIL
Financial Interest Analyst :	No
Analyst's Relative : Yes / No	Yes (05 Nos,10Jun24)
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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