

S.J.S. ENTERPRISES LIMITED

New business wins to drive growth

LKP
Since 1948

Trust • Invest • Grow

SJS reported decent set of numbers in Q3 FY25. On standalone basis, revenues were slightly hurt by stunted production on the 2W side owing to seasonality and annual maintenance shutdowns at some of its clients. Still, on the back of robust PV business growth (22% yoy), the company grew more than double the underlying industries during the quarter (2W+PV industries grew at 7.1%, while SJS grew at 15.4% yoy). Consumers business grew flattish in Q3. Margins in the standalone business have grown to 31.8%, 220 bps up yoy as RM/sales as a % of sales has gone down to 37.5% from 38.8% yoy. Employee/sales ratio has also gone down to 13.6% v/s 13.9% yoy. PAT has grown by 69% yoy in Q3 FY25 on strong operating performance.

Consolidated revenues have gone up by 11.2% yoy to ₹1.77 bn mainly on subsidiaries revenue growth while Standalone business has recorded a subdued growth as mentioned above. As per the management, subsidiaries have seen a strong growth (23.2% yoy) backed by strength in the PV segment. WPI has grown at 21% yoy in 9M FY25, while Exotech business has grown at 26% during the same period. Margins came in at 25.4% on the back of 31.8% standalone and 18.3% subsidiaries margins. PAT was healthy as it grew by 32.9% yoy at ₹277 mn.

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

SJS mentioned that they have won a big order to supply Overlays to Whirlpool's North American plant manufacturing Dishwashers. This business is expected to continue over three years to start with, while management expects it to get renewed post that. This contract win has come on the back of earlier vendor losing its business and is substantially large as SJS shall supply to the entire production of this plant. This business is expected to start immediately. SJS had also mentioned last quarter that they have planned a New Global program in exports to be launched in North and South America and Europe from June 2025. Also SJS has won a big order from Stellantis, which is expected to assist the company to take exports contribution to 14-15% over next three years. This order is expected to start immediately and add to the numbers significantly from the current quarter. On the domestic side the company has added a marquee client in the form of TI India in the EV tractors vertical. 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 PV's from ₹5K/vehicle to ₹8K-10K/vehicle.

Key Financials	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Total sales(₹ bn)	4,330	6,278	7,742	8,961	10,367
EBITDA margins (%)	24.6%	24.2%	25.9%	26.2%	26.7%
PAT margins (%)	15.5%	13.6%	16.5%	16.7%	17.2%
EPS (₹)	22.1	27.5	41.1	48.3	57.4
P/E (x)	44.7	35.9	24.1	20.5	17.2
P/BV (x)	7.0	5.5	4.5	3.7	3.0
EV/EBITDA	28.9	20.5	15.3	12.9	10.6
ROE (%)	16%	16%	19%	18%	18%
ROCE (%)	29%	26%	27%	29%	31%

BUY

Current Market Price (₹)	987
12M Price Target (₹)	1,379
Potential Return (%)	40

Stock Data

Sector :	Automobile & Auto Components
FV (₹) :	10
Total Market Cap (₹ bn) :	31
Free Float Market Cap (₹ bn) :	24
52-Week High / Low (₹) :	1,347 / 575
BSE Code / NSE Symbol	543387 / SJS
Bloomberg :	SJS IN

Shareholding Pattern

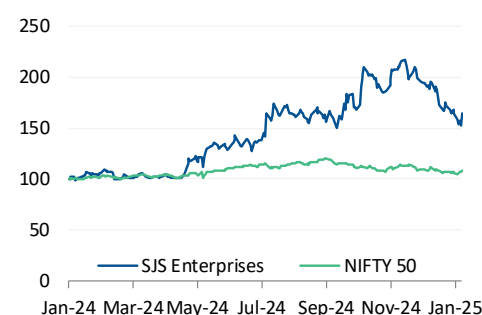
(%)	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	21.61	21.80	21.80	21.80
MF's	21.97	23.53	24.28	25.62
FPIs	16.55	16.72	15.95	15.11
AIF's	3.25	3.50	4.41	3.40
Insurance	3.31	3.05	3.06	3.04
Others	33.31	31.40	30.50	31.03

Source: BSE

Price Performance

(%)	1M	3M	6M	1YR
SJS	-14.4%	-18.6%	13.4%	64.2%
Nifty 50	-0.6%	-2.9%	-5.8%	8.2%

* To date / current date : January 31, 2025

SJS vs Nifty 50

Capacity expansion should bring in more revenues in the ensuing years

SJS has invested ₹400 mn for its Cover Glass Greenfield facility at Hosur in Tamil Nadu, while ₹1 bn for chrome plating and painting business at its Exotech subsidiary at Pune, 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. SJS is one of the main suppliers of its products to new model launches of M&M (XEV 9e and BE6), Maruti (New Swift Dzire) and Tata Motors (Harrier Facelift) along with their existing model portfolios. 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. We believe there is a large opportunity through this expansion and should provide strong revenue uplift for SJS. Margin should further move up through operating leverage once production ramp up happens. However, since the assembly lines are fungible, these capacities can be utilised for whichever products in demand.

Outlook and Valuation

SJS reported decent set of numbers in Q3 FY25. 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 like TI India and new businesses won from existing clients like Whirlpool and Stellantis, and c) maximizing cross selling opportunities. New launches and refreshes from the big domestic OEMs, 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 in Q2 had mentioned that it had 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 ₹1,379/- (valued at 24x FY27E earnings as compared to current PE of 17x) with an upside of 40%. Maintain BUY.

Exhibit 1: Quarterly Financial Snapshot (Consolidated)

YE Mar (₹ mn)	Q3 FY25	Q2 FY25	QoQ growth	Q3 FY24	YoY growth
Revenue	1,786	1,928	8.0%	1,606	11.2%
COGS	828	900	8.6%	709	16.8%
Employee Expenses	199	211	6.0%	186	7.0%
Other Expenses	306	317	3.9%	307	-0.5%
EBITDA	453	500	10.3%	404	12.2%
EBITDA Margins %	25.4%	25.9%	-50 bps	25.1%	30 bps
Other Income	29	17	-40.3%	9	229.8%
Depreciation & Amortization	114	111	-2.8%	108	5.3%
Finance Cost	9	19	98.3%	25	-62.4%
PBT	359	388	8.1%	279	28.5%
Tax	81	96	17.9%	70	15.6%
Adj PAT	277	291	5.2%	209	32.9%
Adj PAT Margins%	15.5%	15.1%	40 bps	13.0%	250 bps
Exceptional items	0	0	N/A	0	N/A
Reported PAT	277	291	5.2%	209	32.9%

Source: Company, LKP Research

Exhibit 2: Quarterly Financial Snapshot (Standalone)

YE Mar (₹ mn)	Q3 FY25	Q2 FY25	QoQ growth	Q3 FY24	YoY growth
Revenue	929	1,056	-12.0%	911	2%
COGS	348	382	-8.8%	354	-2%
Employee Expenses	126	145	-13.1%	127	0%
Other Expenses	159	194	-18.4%	161	-2%
EBITDA	296	334	-11.5%	269	10%
EBITDA Margins %	31.8%	31.6%	20 bps	29.6%	220 bps
Other Income	18	71	-74.7%	8	128%
Depreciation & Amortization	46	45	4.2%	43	9%
Finance Cost	2	10	-83.5%	15	-89%
PBT	266	351	-24.3%	220	21%
Tax	56	74	-24.4%	54	3%
PAT	210	277	-24.3%	165	27%
PAT Margins%	22.6%	26.3%	-370 bps	18.2%	440 bps

Source: Company, LKP Research

Exhibit 3: Income Statement

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Total Revenues	4,330	6,278	7,742	8,961	10,367
Raw Material Cost	1,868	2,849	3,601	4,178	4,835
Employee Cost	561	708	846	966	1,098
Other Exp	835	1,199	1,291	1,469	1,665
EBITDA	1,066	1,522	2,003	2,348	2,769
EBITDA Margin(%)	24.6%	24.2%	25.9%	26.2%	26.7%
Depreciation	233	387	398	473	523
EBIT	833	1,135	1,606	1,875	2,246
EBIT Margin(%)	19.2%	18.1%	20.7%	20.9%	21.7%
Interest	23	85	67	59	60
Other Income	102	77	149	170	176
PBT	912	1,126	1,688	1,986	2,361
PBT Margin(%)	21.1%	17.9%	21.8%	22.2%	22.8%
Tax	239	273	414	487	579
PAT	673	854	1,274	1,499	1,783
PAT Margins (%)	15.5%	13.6%	16.5%	16.7%	17.2%
Exceptional items	0	0	0	0	0
Adj PAT	673	854	1,274	1,499	1,783
Adj PAT Margins (%)	15.5%	13.6%	16.5%	16.7%	17.2%

Exhibit 5: Key Ratios

YE Mar	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Per Share Data (₹)					
Adj. EPS	22.1	27.5	41.1	48.3	57.4
CEPS	30	40	54	64	74
BVPS	141	181	222	270	328
Growth Ratios(%)					
Total revenues	17.1%	45.0%	23.3%	15.7%	15.7%
EBITDA	13.0%	42.7%	31.6%	17.2%	17.9%
PAT	22.2%	26.9%	49.3%	17.6%	18.9%
EPS Growth	22.2%	24.5%	49.3%	17.6%	18.9%
CEPS growth	18.2%	34.4%	34.7%	17.9%	16.9%
Valuation Ratios (X)					
PE	45	36	24	20	17
P/CEPS	33	25	18	16	13
P/BV	7	5	4	4	3
EV/Sales	7	5	4	3	3
EV/EBITDA	29	21	15	13	11
Operating Ratios (Days)					
Inventory days	88	77	84	90	92
Receivable Days	74	74	87	91	90
Payables day	72	67	73	67	58
Net Debt/Equity (x)	0.00	0.02	0.00	-0.01	-0.05
Profitability Ratios (%)					
ROCE	29%	26%	27%	29%	31%
ROE	16%	16%	19%	18%	18%

Exhibit 4: 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	6,580	8,079	9,862
Total Networkth	4,296	5,616	6,890	8,390	10,172
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	829	710	821
Short term provs+ borrowings	221	326	197	132	94
Other current liabilities	275	499	499	499	499
Total current liab and provs	922	1,440	1,525	1,340	1,414
Total Equity & Liabilities	5,381	7,896	9,305	10,670	12,577
Assets					
Net block	1,517	1,803	1,982	2,299	2,279
Capital WIP	17	23	39	45	52
Intangible assets	342	2,601	2,242	2,274	2,311
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	4,804	5,159	5,184
Cash and cash equivalents	297	153	590	901	2,031
Inventories	484	720	937	1,133	1,311
Trade receivables	905	1,624	2,079	2,381	2,755
Other current assets	1,471	431	895	1,095	1,295
Total current Assets	3,158	2,928	4,501	5,511	7,393
Total Assets	5,381	7,896	9,305	10,670	12,577

Exhibit 6: Cash Flow

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
PBT	912	1,126	1,688	1,986	2,361
Depreciation	233	387	398	473	523
Interest	23	85	67	59	60
Chng in working capital	11	-220	-460	-618	-440
Tax paid	-264	-332	-414	-487	-579
Other operating activities	-46	40	0	0	0
Cash flow from operations (a)	870	1,087	1,279	1,414	1,926
Capital expenditure	-308	-301	-234	-828	-548
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	-698	-1,028	-748
Free cash flow (a+b)	-130	-246	581	386	1,178
Inc/dec in borrowings	78	157	-78	-15	12
Interest paid	-11	-77	-67	-59	-60
Other financing activities	-19	207	0	0	0
Cash flow from financing (c)	48	287	-145	-74	-48
Net chng in cash (a+b+c)	-82	42	436	311	1,130
Closing cash & cash equivalents	79	121	558	869	1,999

DISCLAIMERS AND DISCLOSURES

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, www.lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

LKP offers research services to clients. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LKP or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person.

Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of LKP.