

**S.J.S. Enterprises Limited**

*(Formerly known as S.J.S. Enterprises Private Limited)*

Sy No 28/P16 of Agra Village and Sy No 85/P6  
of B.M Kaval Village Kengeri Hobli Bangalore 560082

P: +91 80 6194 0777 F: +91 80 28425110

Email Id: info@sjsindia.com, compliance@sjsindia.com

ISO 14001 ISO 45001  
ISO 9001 IATF 16949  
Certified

CIN: L51909KA2005PLC036601

www.sjsindia.com



Creating Possibilities

May 31, 2022

To,

<b>National Stock Exchange of India Limited</b> Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai -400 051  <b>Symbol: SJS</b>	<b>BSE Limited</b> Corporate Relationship Department, 2 <sup>nd</sup> Floor, New Trading Wing, Rotunda Building, P.J. Towers, Dalal Street, Mumbai – 400 001  <b>Scrip Code: 543387</b>
---	---

**ISIN: INE284S01014**

Dear Sir/Madam,

**Subject: Transcripts of Analysts/Investor Meet/ Earnings Call of the Company pertaining to Q4 of FY 2021-22**

Please find enclosed the transcripts of the Analysts/Investor Meet/ Earnings Call of Q4 FY 2021-22 held on May 27, 2022.

You are requested to kindly take the same on record.

Thanking you.

Yours faithfully,

For **S.J.S. Enterprises Limited**



Thabraz Hushain W.

Company Secretary and Compliance Officer

Membership No.: A51119

Encl: As above



**“SJS Enterprises Limited  
Q4 FY2022 Earnings Conference Call”**

**May 27, 2022**

**ANALYST: MR. NIKHIL KALE – AXIS CAPITAL**

**MANAGEMENT: MR. K.A. JOSEPH – MANAGING DIRECTOR  
MR. SANJAY THAPAR – CEO – EXECUTIVE DIRECTOR  
MR. SAUMYA MOGANTY – VP - FINANCE  
MS. DEVANSHI DHRUVA – HEAD – INVESTOR  
RELATIONS**



*SJS Enterprises Limited*  
*May 26, 2022*

**Moderator:** Ladies and gentlemen, good day, and welcome to the SJS Enterprises Ltd., Q4 FY2022 Earnings Conference Call hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhil Kale from Axis Capital Limited. Thank you, and over to you Mr. Kale!

**Nikhil Kale:** Thank you. Good morning everyone and welcome to the call. From the management team today we have with us Mr. K.A. Joseph – Managing Director, Mr. Sanjay Thapar – Executive Director and CEO and Ms. Devanshi Dhruva – Head Investor Relations. I will now hand it over to Devanshi for opening remarks. Over to you Devanshi.

**Devanshi Dhruva:** Thank you Nikhil. Goodmorning ladies and gentlemen and thanks for being with us over the call today. We appreciate it. Also, on behalf of everybody at SJS, we sincerely hope and wish that all your friends and family members are safe. Moving on, this is how we intend to take today’s conference call forward. I will pass on the dais to Joseph our managing director for his opening remarks. Post his remarks, we will very quickly take you through some of the slides on the presentation, which I hope all of you would have got a chance to go through. The presentation is uploaded on our website as well. Sanjay, our CEO will take you all through industry view, our business performance and highlights. I will take you all through our financial highlights and lastly Sanjay would share the outlook and strategy ahead for the future growth, post which we will then open it for Q&A. We also have Saumya Moganty our VP finance with us on this call today. The duration of this call is around 60 minutes and amongst the three of us we will try and wrap this up in about 20 minutes, so we leave enough time for you guys to ask questions. If the time is not enough, please feel free to reach out to us through email or write to us and I will try and answer all your questions to the best of my ability. Thank you once again, I will now hand it over to Joseph to make his opening comments. Over to you Joseph!

**K.A. Joseph:** Thank you Devanshi, hello and good morning all. Hope everyone is doing well and keeping safe. I am Joseph, the J in SJS. Little did we imagined that what we started in a garage about 35 years back will be a listed entity some day and will become one of the leading players in the decorative space world-wide. Past 35 years has been interesting as well as a challenging one for us to build the company where it is today. However, I am now excited about the journey ahead as Sanjay and I have some aggressive growth plans for this company to make it reach newer heights, which Sanjay will take you through shortly during our call.



*SJS Enterprises Limited*  
*May 26, 2022*

Currently SJS have the widest range of products offering 11 product categories including chrome plating and serving 7 end segments, two-wheelers, passenger vehicles, commercial vehicle, consumer durables, farm equipment, medical devices and sanitary ware. In FY2022 we manufactured almost over 6000 SKUs and supplied over 123 million parts to our customers across 20 countries and to about 175+ customer locations. I will now hand it over to Sanjay to take you through the performance of the year.

**Sanjay Thapar:**

Thanks Joe. In our first conference call post listing by announcing the Q3 results on the 9 February, my team and I had spoken extensively about the SJS business, what is our business model, what is our moat, including the big theme that SJS represents: the increasing spend on aesthetics and premiumization within the industry we cater to, namely, two-wheeler, four-wheeler and consumer durable sectors. For those who are joining this call for the first time and want a better understanding of the same, my request is for you to please go through the Q3 FY2022 transcript which is posted on our website.

I trust you got a chance to see the investor presentation that we shared for Q4. I will use this as a reference while speaking with you all today.

SJS continues to outperform the underlying industry growth, premiumisation theme is not just intact, but accelerates every year. We remain quite bullish on the premiumisation within auto and consumer durable space, as you would observe in slide 6, if you could refer to that please for the quarter ending March 2022, two-wheeler industry production volume declined 21% Y-o-Y while SJS sales was only -5% despite the challenges that the industry faced. Passenger vehicle industry production volume growth was flat at 2% Y-o-Y while SJS passenger vehicle sales jumped to 52.3% Y-o-Y. Both these data points validate the theme of premiumisation that we represent and even for the full year, SJS has outperformed the automotive industry as we promised during our investor meet at the time of IPO.

Moving on to slide 7, this demonstrates the work that we have done to better balance the sales mix across industry segments at SJS. So, our revenue contribution from passenger vehicles and consumer durables have increased significantly. So, PV went up from 10.2% to 28.8% of our sales mix, consumer durables went up from 19.6% to 22.2% from FY2019 to FY2022, through both organic and inorganic route that we took, thereby de-risking this business from two-wheeler concentration. The two-wheeler market share contribution towards sales moved down to 43.3% from 70% that was during the same period. Our exports revenue too has doubled in the last three years from FY2019 to FY2022 and they are today Rs. 470 million. Similarly the traditional versus the new age products that we talked of which were only 3% of our sales in FY2019 today constitute about 16% of our overall sales in FY2022. We see a strong traction. Both exports and new products remain a



*SJS Enterprises Limited*  
*May 26, 2022*

key strategic driver for the future business growth and the potential. I would now like to handover to Devanshi for taking you through the financial numbers, before I take you through the mid-term and the near-term strategic outlook and what growth plans we have for the company. Over to you Devanshi.

**Devanshi Dhruva:**

Thank you Sanjay. Though all of you may have gone through our results, I would like to highlight that SJS delivered a strong Q4 FY2022 performance in a challenging environment, especially for the auto industry which continues to face challenges from semiconductor chip supply. Despite this SJS Q4 FY2022 revenue grew 13.4% Q-o-Q to Rs.1041 million while overall two-wheeler and passenger industry productions combined grew 2% Q-o-Q. Our EBITDA stood at Rs.267 million marginally impacted by increase in the raw material cost, however the margin downside was limited on back of operating leverage and buying efficiencies to 25.3%. Our net profit stood at Rs.154 million on a margin of 14.6%. As mentioned earlier in our results during the last quarter ended December 2022, there was a one off item of Rs.37.6 million wherein we reversed the provision for discounts given to customers and that was added back to sales and profitability in Q3 FY2022. Hence excluding that our margins are mostly in line with Q3 FY2022 margins.

Passenger vehicle and consumer durable segments delivered robust Q-o-Q growth of 20%+ and our overall domestic business clocked 16% plus Q-o-Q growth on account of new business wins. SJS has a strong net cash and bank balance position with over Rs.100 Crores on balance sheet. We are also happy to announce that during the quarter we added Stellantis, a leading global auto maker and mobility provider as one of our key new customers and also won several projects from key customers like Continental, Morris Garage, Honda, Hyundai etc.

Coming to our financial performance for the year moving to slide 12, for the full year FY2022, while two-wheeler and PV industry combined production was flattish Y-o-Y at -0.2%, our revenue grew by 15.5% Y-o-Y and this growth despite the industry in SJS facing challenges in Q1 due to Omicron wave that disrupted production and supply chain. Our consolidated revenue including Exotech acquisition in FY2022 was Rs 3,698.6 million. We delivered EBITDA margin at 26.3%, marginally impacted due to increase in raw material cost, however the downside was limited on account of our operating efficiencies and buying leverage. PAT margins maintain same at 14.7% compared to FY2021 proforma adjusted margins. Please note in FY2021 adjusted margins are excluding the exceptional item of gain on sale of land at Exotech in FY2021 to the tune of Rs.53.8 million. I am delighted to share that this year in FY2022, the first year of acquisition, Exotech delivered a phenomenal growth of around 50% Y-o-Y, it also showcased an improvement of over 150bps in



*SJS Enterprises Limited*  
*May 26, 2022*

EBITDA margins to 12.8% from 11.3% in FY2021 excluding the one-time gain on sale of land.

This gives us the confidence that not only have we been able to successfully integrate the two businesses, but also built-in cost synergies in the first year of operations itself. Additionally, even SJS on a standalone basis has been consistently improving on its EBITDA and PAT margins by around 20bps to 40bps to 31.5% and 19.1% respectively in FY2022.

We are a debt free and a free cash flow generating company and this year too post Exotech acquisition, we have been able to generate a healthy free cash flow of Rs.500 million. Our continuous growth has enabled us to maintain our returns to our shareholders even in such challenging times with ROCE and ROE maintained at healthy levels at 27.1% and 15.3% respectively. We have cash and bank balance of over Rs.100 Crores on our books which can be utilized for organic and inorganic investments in the future.

In the end I would just like to mention that we are a company having strong financial performance and balance sheet and have strong revenue and margin growth story ahead. With this, I handover to Sanjay to give his closing remarks and outlook for our company.

**Sanjay Thapar:**

Thank you Devanshi. Now, ladies and gentlemen moving to slide 17 of the presentation, so the outlook for company as mentioned earlier the automotive industry has been going through its own share of challenges since the last two years, subsequently the two-wheeler and passenger vehicle OEMs too have reduced the production due to dip in retail demand challenges in semi-conductor chip shortages, supply-chain issues etc., however SJS demonstrated its outperformance in these tough times and we are confident that we continue to do so in the coming years as well. Keeping that in mind, our medium-term growth plan for FY2023 to FY2025 we would like to grow in the top-line at a CAGR of about 25% organically while maintaining margins. Organic growth will be achieved through a four-prong strategy we have outlined for ourselves, capacity expansion, focus on exports, products and our customers.

So let me explain a little bit what I mean by this. So capacity expansion, post this acquisition of integration of Exotech with SJS we have received a lot of traction in the market for the chrome plating business and there is a high demand pipeline building up. Looking at this high demand we believe that our current capacity will be exhausted in next 1.5-2 years and hence we would like to grow our chrome plating capacity from the current level to about Rs 130 Crores revenue per year to generate almost Rs 300 Crores of revenue. This would inhale a capex of about 100 Crores over a span of about 18 to 24 months and



*SJS Enterprises Limited*  
*May 26, 2022*

would generate an annual ROCE of about 20% at full capacity. Higher capacity will also enable us to pursue exports like we have a world-class plant today at SJS Bangalore, we hope that this new facility that we will create will also be to those standards and help us to win global customers for our chrome plating business.

On exports as you've seen despite the COVID challenges since 2020, we have doubled our exports revenue in the last three years to Rs.470 million. We would now like to expand it further through global presence by entering in new markets, strengthening existing relationships, adding new customers and also significantly adding our sales force in the international markets, where we believe there is a high demand for our products. So, the idea of exports is really to be closer to the customer and for that we are strengthening our network of sales representatives in those markets.

For products SJS has always been ahead of the curve in domestic market and developed new technologies and advanced products. We intent to develop and introduce illuminated logos in-mold and electronic parts and other new generation technologies in the coming future. We will continue to build capabilities to innovate and develop new products and increase application across various end industries we serve.

Customers are the key to our growth story, the idea is to strengthen the relationship with the existing customers by expanding the area of products and services that we deliver to them, at the same time building large mega accounts. We would like to increase our customer base by marketing existing products to new customers as well as tap huge cross selling opportunities between SJS and Exotech.

This was all about our organic growth story so simultaneously as a growth engine SJS is actively evaluating the opportunities and building an M&A pipeline that would give us impetus to grow revenues beyond the 25% organic growth that we foresee. During the year SJS has completed successful integration of the Exotech business, that was the first acquisition for the company where we have demonstrated credible improvement in the business, we have grown the topline by ~50% last year, margins also we have improved by over 150bps on Y-o-Y basis. We would like to pursue such business accretive opportunities in the coming future as well. The idea would be to either build capacity in an adjacent or a new aesthetic product categories to expand the presence in consumer related industries or into new geographies and tap new markets. Inorganic growth will boost the company's growth even further and help us grow at a much faster base than the organic rate of growth that we have charted for ourselves.



*SJS Enterprises Limited*  
*May 26, 2022*

We have laid a strong foundation for a unique business to grab all possible organic and inorganic opportunities, and this will help grow the SJS story. In order to do this, we understand we need to strengthen our senior leadership team. Now that we have multiple plants and that would help us move ahead on a growth plans. So we are actively seeking to get on-board a new CEO to lead all business activities for the company and also new CFO to lead the finance functions and to lead the financial integration of all the future target that we have when we are outlining our M&A strategy. So Joe and I will continue to lead the company in an executive capacity and we will focus on critical strategic initiatives to take this company to the next level. I will lead the acquisitions both within India and globally anchoring the key customer relationships and oversee the overall company strategy. Joe will lead the development of new technology products and add a roadmap for our new product pipeline, strengthen and reinforce the R&D structure and of course continue to guide the team on product excellence.

In the near term FY2023, we are confident to deliver a 25% Y-o-Y revenue growth, as we have the right visibility so we have a high visibility of sales for FY2023 close to about 85% - 90% of our business is already acquired. Premiumsation, new customer wins and exports on back of a positive outlook that is expected the two-wheeler, passenger vehicles consumer durable businesses will rebound and they will enable us to gear our higher sales growth for SJS and of course, as usual will continue to outperform the industry.

Our strong moat, strong margin profile and expected operating leverage will drive our PAT growth and we hope to grow our PAT by 30% Y-o-Y in FY2023 and going ahead.

We believe that SJS with its wide product offerings play on premiumsations strong geographical presence and a very strong customer relationship with marquee customers is poised to grow at a much faster rate than the industry growth of about 10% to 12% for the auto and the consumer appliance sectors for the next five years. So another thing very clear is that any strategic decision taken by the company whether organic or inorganic ultimately the objective is clear that we want to build value for all our stakeholders for the long-term and with this I will end my commentary and I would now like to take question answers which we would be happy to address.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first is question from the line of Mahesh Bendre from IDBI Capital. Please go ahead.

**Mahesh Bendre:**

Hi Sir, thank you for the opportunity. Sir in FY2022 last year the overall two-wheeler and four-wheeler industry was cumulatively flat, but we grew by 15% similar outperformance we were expecting in FY2023 as well, so is it possible to share where





*SJS Enterprises Limited*  
*May 26, 2022*

we are expecting growth that is our core business or aesthetic business and chrome-plate business what kind of growth we are expecting across both these segments?

**Sanjay Thapar:**

Thank you Mahesh. So fundamentally growth will be secular. We are seeing a good traction so a lot of this growth is coming from the new products that we have launched, as I said in recent times so we see a very good traction there that trend towards premiumisation is playing up. When we look at specific customers so we see good growth in our chrome-plating business and lot of a new businesses that we won in the last year, so growth is pretty much secular across all segments and exports is going to be another focus area for us, we already last year appointed sales agents in Latin America and in Turkey and this year we are going into other markets as well so overall growth will happen across all industry segments that we address led by a good order intake that we have had. So almost 85% - 90% of the sales that we have outlook for FY2023 is already business awarded to us.

**Mahesh Bendre:**

Sure Sir, and then we are talking about 25% growth in current year and also expecting 25% CAGR for next two years or so, so overall three years we are talking about 20% plus CAGR and I mean in this kind of environment this is a very brave statement to make, so I just wanted to understand FY2023 to FY2025, we are talking about 25% growth so from where do we expect growth will come back, is it domestic business export business, chrome-plate business non-chrome-plate business, so I am just trying to understanding where actually we are anticipating growth or this kind of growth over next three years?

**Sanjay Thapar:**

Okay so growth will come from these mega accounts that we have created so we narrated a case study to you earlier during our IPO stage where a large global company we had grown business 3x over the last 3-4 years with them, since then we have also made inroads to another two large global OEMs, Tier I actually, not the OEMs and we will supply instrument cluster parts to these people so namely the dials that we introduce the 3D dial the 2D dials and the lens mask assemblies so the new generation products that we developed> We already have a good traction we won businesses not only India but overseas so that will continue to lead growth. For the consumer durable business that we have we hope to grow on that as well.

**Devanshi Dhruva:**

Just adding to what Mr. Sanjay said, so you know the organic growth is more of going to be from exports which we already mentioned and as well as we are going to undertake a capacity expansion at Exotech because we are seeing a lot of traction out there for chrome-plating business and as well as we want to pursue exports ahead for this chrome-plating products. So we will be firing on all guns whether it be capacity



*SJS Enterprises Limited*  
*May 26, 2022*

expansion at Exotech, exports, new development of products or technology as well as growing mega accounts which Sanjay already mentioned. We are confident that all these four put together would definitely help us to grow at an expected CAGR of around 25%.

**Sanjay Thapar:**

I just take one more minute on the same point, so there is a huge market outside India so as we mentioned earlier CRISIL did a market study report where the global market size was huge, so we were just at the cusp of the ocean our products have a strong moat these are labour intensive parts, these are easy to ship parts and that is the theme that will grow our business so expanding the global presence focus on these new technologies that we are working on introducing and this global accounts that we are opening up, now that this economy is opened up travel is permitted, we will be very aggressive on the export markets to meet new customers and open new accounts. So already we have success and we are fairly confident that this 25% CAGR target that we set for ourselves we should be in a good position to achieve that.

**Mahesh Bendre:**

And Sir last question from my end, as you said exports are doubled in last three years so what is the outlook for next three years I mean Whirlpool seems to be a dominant customer for us on export side, on the last conference call we have also mentioned that we have added a Samsung as a customer so what is the outlook, what kind of growth we anticipate from these two customers abroad?

**Sanjay Thapar:**

Yes, so apart from Whirlpool there are many new customers that we have added so Stellantis is one group that we have on-boarded where we see a strong traction. As I said in terms of the automotive dial business we had one company we are now have been two more companies which are again as large in size as Visteon which we are very successfully working with, we have been successful in winning business with them both in India and globally so we will grow these through a function of all these three, so while Whirlpool will continue to grow we were supplying to just one plant we have now approval for supplying to a few more plants and added a chrome-plated badge also to our list of product that we supply to Whirlpool so the existing business will continue and we will continue to mine new businesses.

**Mahesh:**

Thank you Sir.

**Sanjay Thapar:**

Thank you.

**Moderator:**

Thank you. The next question is from the line Pritesh Chadha from Lucky Investment Managers. Please go ahead.



*SJS Enterprises Limited*  
*May 26, 2022*

**Pritesh Chadha:** Thank you for the opportunity Sir. Sir wanted to understand what would be the durables growth rate for us in the year gone by and what would be the exports growth rate for the year gone by. My second question is what is the progress that we have in the two other large customers in dials Conti and Marelli on the exports side and my last question is what is the capex number for FY2023 and FY2024, is it that we have just obviously going to spend only in the chrome-plating side this 100 Crore?

**Devanshi Dhruva:** Thanks for the question, Pritesh. So our exports for FY2022 over FY2021 has grown by 15% and our consumer durable business as well has grown by 24%, what was your next question?

**Pritesh Chadha:** Progress in the two key export client that is Marelli and Conti

**Sanjay Thapar:** So we have got a very strong traction so we won a global business for Conti for South-east Asia we won business for them a very large business for them in India as well. We have met their global changing team there are meetings organized now and we are hopeful of launching the other optical display products also for this company. Its progressing extremely well and we are very optimistic that this will be another Visteon for us and we are also looking at Marelli. Business with them is also going very strong. We have already started production when we came for the listing, we told you that we are looking at expanding this business so one apart from the dials the another business for a lens mask assembly that we are now supplying in large numbers to Marelli and at the same time now that their acquisition of Calsonic Kansei has stabilized and management structure is stable, we are approaching them in both their local teams and the global teams to expand business so the response so far is positive. We are very optimistic on both these accounts going to be mega account for us.

**Devanshi Dhruva:** And you know even the new product that we had introduced in the last three four years including product like IMD, lens mask assembly which were almost like contributing negligible under 3% of our revenues three years back is now more than 16% in FY2022 and we are just getting more confident that it will grow further for us.

**Pritesh Chadha:** Has it translated into firm orders for us for FY2023 which supports your 25% growth guidance or it is yet to transfer.

**Sanjay Thapar:** Yes it has translated we have already won businesses.



*SJS Enterprises Limited*  
*May 26, 2022*

- Devanshi Dhruva:** And as we have already mentioned before also almost 80%-85% of our order book is of the expected growth we are expecting for FY2023, so 80%-85% of that order book is already there with us.
- Pritesh Chadha:** Okay. Mam, the capex number what it should be for FY2023 and FY2024, I presume that they are, the Bangalore plant has sufficient capacity so we need not spend there what we need to spend is only on chrome-plating?
- Devanshi Dhruva:** Yes, so you rightly mentioned, so for chrome-plating there is a high pipeline that we are seeing demand pipe-line and because of which we feel that in the next one and half to two years itself we may exhaust the capacity that we have, so that is why we need to start making this new plant and we feel that from Rs 130 Crores we can take this to around Rs 300 Crores that is the kind of capacity expansion we are taking and the capex would be somewhere around Rs 100 Crores spread over 18 to 24 months so that is around FY2023 and FY2024 and the expected ROCE would be somewhere around 20% when operational at full capacity.
- Pritesh Chada:** Okay Mam, thank you. Thank you, Sir.
- Sanjay Thapar:** Thank you.
- Moderator:** The next question is from the line of Rahul Ranade from Goldman Sachs. Please go ahead.
- Rahul Ranade:** Hi thanks for the opportunity. Devanshi just one clarity, in your opening comments that you have said there was an exceptional in Q3 what was that and what was the quantum for that?
- Devanshi Dhruva:** Yes, so in Q3 as we have mentioned in our results earlier there was a one off item of Rs.37.6 million which was a provision for discounts made for our customers and that was reversed and added back to our sales and profitability.
- Rahul Ranade:** Okay. Was it at a standalone or was it in Exotech?
- Devanshi Dhruva:** This was in standalone.
- Rahul Ranade:** Okay understood. So secondly on the capex 100 Crores for Exotech over the next 18 to 24-odd months would that be any kind of maintenance capex required in the standalone which we also kind of have to build in, how should we think of that?



*SJS Enterprises Limited*  
*May 26, 2022*

- Sanjay Thapar:** So fundamentally the Bangalore plant does not require much capex, maintenance capex of course in the region of about ~Rs 10 Crores maybe needed that is about it so nothing significant at all.
- Rahul Ranade:** Okay understood. And what would be the capacity utilization be currently in Bangalore?
- Sanjay Thapar:** So would be to the region of about 55% - 56% around that.
- Rahul Ranade:** Okay. So there is a fair bit of headroom on that.
- Sanjay Thapar:** We have a lot of headroom at Bangalore, since Exotech was a acquired plant so now that we unleashed a lot of pipeline for that business, we see that happening and it take some time being the special process so we are being pro-active to build capacity there so that we can continue to mine that business.
- Rahul Ranade:** Sure understood. Just looking at let say even Q4 or a full year number when we kind of in the presentation look at industry growth versus our growth, obviously it is more of a volume versus value comparison so just to understand how much of our growth would it be pricing led, how much of would be volume growth something on those lines?
- Sanjay Thapar:** So inherently what we talked of is that play is on premiumisation so what we have been maintaining is that the rupee content per product is increasing because of this trend towards premiumisation so the right metrics to measure it from our terms is that despite the volumes of the underlying industry going down, in revenue terms SJS continues to outperform that quite significantly so that plays out. But then we have a very large complex mix so it is difficult to comment on each specific part, but overall the theme is that our revenue increases far outplays the growth or the de-growth in volume so even when volumes de-grow our revenues have grown that we have been able to demonstrate quite successfully.
- Rahul Ranade:** Sure, Sir it is pretty heartening to see that even in these tough commodity times our margins are holding up pretty well, so if I look at it only in the last quarter I see some bit of a jump of RM to sales on the standalone which where it moves from 35 to 40-odd, so would this also be more of a mix related issue or is it really commodity cost hitting us in this quarter...
- Sanjay Thapar:** There are many factors behind this so the team has done hard work, so we had regular VA/ VE campaigns to optimize cost, so while there have been commodity price increases that the entire industry is seen, at SJS we have been able to mitigate this



*SJS Enterprises Limited*  
*May 26, 2022*

impact to very large extent, thanks to this regular VA/ VE activities that we conduct. We have also have in-house testing capability so we have looked at what can we do to improve our the material that we use during processing, during screen printing we have also managed to look at the operating the efficiency that we have in terms of buying leverage. We have been able to leverage our position with our suppliers and we have been able to control any cost impact that we would have...

**Devanshi Dhruva:** Also the contribution from a new age products that we were saying that has also increased in relatively in last three years so those are also high margin products which have helped us to improve on our margins along with the increase in exports.

**Sanjay Thapar:** So that for SJS and the same thing we have done for Exotech, so we know this we have improved margins in Exotech so our idea really was that with this acquisition synergy so whatever system processes we have at SJS Bangalore we roll out to this Exotech plant in Pune, so we have done that and moving forward we will continue to focus on efficiency improvements there in terms of rejection reduction in terms of efficiency improvement, so that is where synergies truly play out in terms of the capability we have built in SJS over the years and then deploying it as a new location that we have acquired so that makes us confident that in an M&A situation I think we have a robust management team and processes in place at SJS that will continue to drive that, so we are quite confident of any M&A activities given the strong processes that we have at SJS.

**Devanshi Dhruva:** Just to add to what Sanjay said, especially now that you all can see that in Exotech we have not only grown our revenue by around 50% Y-o-Y but our margin improvement as Sanjay highlighted has been like almost more than 150bps in just the first year of acquisition. So that is something that gives us confidence that all the measures that we are taking and all the cost efficiencies that we are trying out is working for the company, because SJS standalone also we have been able to improve our margins in this kind of a challenging tough situation and in Exotech as well.

**Rahul Ranade:** Sure, and lastly from my side, like when we acquired Exotech also one kind of a rational was that there was a cross sell opportunity so what would we be on the journey of introducing our customers to the SJS product portfolio, where would be from where we started off as a target where would we be currently?

**Sanjay Thapar:** We are very well done that part, it is very heartening that the customer have supported us, so just to recall all the existing customers that SJS has already buy chrome-plated parts they are more than happy to be with SJS given our reputation for reliability and



*SJS Enterprises Limited*  
*May 26, 2022*

quality cost delivery performance so we see a lot of traction happening so those businesses we have already won businesses from a few customers in consumer durable space, we won business from automotive customer so it is quite a secular growth and we are quite optimistic that the task of cross selling that we set for ourselves will continue to gain pace. So at this moment we are strategizing in terms of, our focus at Exotech is also going to be that the new business that we get should be more margin accretive because as a company we are very focused on profitability, so we are very selective in choosing what we choose to do so part of that story is the strategy that we have what customer we get and essentially we are looking at exports in a big manner to drive growth at Exotech.

**Rahul Ranade:** Sure, got it. And the way to think about it as you said even for Exotech our kind of target ROCE will be in the range of 20% plus even when we look for acquisitions, is that the right way to look at it?

**Sanjay Thapar:** I cannot comment but depends on the target that we have for M&A but for sure we will do our math correctly to make sure that these are margin accretive for all our shareholders so clearly, what is very important for us is to maintain the margin profile that we have successfully maintain in SJS over the last 5-7 years and moving ahead we are having such a large market that we can make sure that the market or the company that we choose should be value accretive in the medium term, so we will look at companies that can add value.

**Rahul Ranade:** Sure. Sir in terms of margins obviously taking the example of Exotech obviously is a lower margin business but it operates at similar ROCEs right, so that is where I was coming from in terms of ROCEs should be the kind of looking at only accretive kind of acquisition?

**Sanjay Thapar:** That is right, so fundamentally the aesthetic industry is asset-light industry so is not large capex that you require for a cement or a steel plant for example, so we are quite nimble. We have good experiences in sourcing equipments at relatively better pricing than competition, so we have that experience in this industry. So moving forward we will work to attain that target ROCE levels that we have maintained for the company.

**Devanshi Dhruva:** So whatever decisions we take, any acquisitions any organic expansion or any strategic decision for the company that would more be for the value creation for all the stakeholders and we would acquire company that would help us to improve the margins overall whether it be in products, having new products or expanding new geographies or entering any consumer related industries as well.



*SJS Enterprises Limited*  
*May 26, 2022*

- Sanjay Thapar:** So fundamentally the focus would be that we create a value for our shareholders so I cannot comment on a futuristic M&A that we will do, what will be the ROCE or what would be the dynamics of that situation but overall we will focus on creating values.
- Rahul Ranade:** Sure. This is very helpful. Thanks.
- Moderator:** Thank you. The next question is from the line of Dhiral from Philip Capital. Please go ahead.
- Dhiral:** Good morning Sir. Thanks for the opportunity. Sir when we are guiding 25% kind of a growth so what kind of industry growth we assuming there?
- Sanjay Thapar:** So at an average 10%-12% industry growth and the balance delta coming in from this increasing content per product that we supply to, so premiumisation come on the back of industry growth of about 10%-12%.
- Devanshi Dhruva:** So it would be more like premiumisation plus new customer win and building mega accounts all these together would help us achieve this higher than industry growth for SJS.
- Dhiral:** Okay I got your point Sir. Mam, when we are winning orders from new customers what is making them shift their business from the existing vendors?
- Sanjay Thapar:** I got the question, so what makes the customers prefer SJS over others right, is that the question?
- Dhiral:** Yes exactly.
- Sanjay Thapar:** Okay. So two things, let me answer that in two ways, so global customers want a stable supplier. SJS because of its very strong financial profile, zero debt on its books passes with flying colors when companies look at risk of adding a new supplier that is point one, so very strong financial profile. The second point in our favour is that we are a single stop solution provider across multiple products so customers would like to have suppliers who are capable of supplying more than one product and so they would like to work with fewer and fewer customers who have more and more capability so that is another plus in our favour. When I talk of export customers as I said our products are labour intensive, so this is a batch mode operation business in terms of screen printing it requires a lot of capability within the workforce is expected so there are 100-200% inspection going on, so that is a natural lever that we have that our profitability levels are far higher than a supplier in Europe and North America so those markets are





*SJS Enterprises Limited*  
*May 26, 2022*

therefore interesting for us. So we offer better quality, cost, delivery, development, capability, performance and have a much rounded product portfolio so our customer can buy not only dials from us, can also buy chrome-plated rings from us ,can also buy lens mask assemblies from us so which is not what many other customers can offer. So that is the reason why we are a preferred supplier and we are a strategic supplier to most of the mega accounts that we operate on that we supply them across regions so it is not just Asia, we supply to Latin America, we supply to North America we supply to Europe so that is the reason for transfer of business from existing supplier to SJS in the global context. In the Indian context of course, there is no company in India which does everything that we do, in fact there is no company in the world also that does what we do, so that makes us a very attractive proposition, when customers come to us to ideate for a new idea for aesthetics. I have a styling studio where we can offer them a styling solution so a customer does not come to me looking for a chrome-plated part, he tells that I want to look my vehicle to sell more I want to make it more attractive and I have a design team here who makes a mock up sample and we give them a whole menu of options that if you do that with technology A this is the price for technology B this is the price which is more than what any competitor can offer so therefore I believe that I have that unique position in the industry and that is what we have built over the years.

**Dhiral:** Thanks for the elaborate answer Sir, and Sir lastly if new order wins from the customers like MG, Hyundai so for which product category and if you can specify quantum of orders win per client?

**Sanjay Thapar:** I am sorry that is confidential commercial information so I would not like to state that but we have a very strong traction.

**Dhiral:** Which product category if you can specify only?

**Sanjay Thapar:** Across all segments actually so there are wheeler parts, there are chrome-plated parts there are multiple technologies, dials so.....

**Dhiral:** Thank you so much.

**Sanjay Thapar:** Thank you.

**Moderator:** Thank you. The next question is from the line of Nairit Gala from TSG Credit Capital. Please go ahead.



*SJS Enterprises Limited*  
*May 26, 2022*

**Nairit Gala:** Hello Sir! Good morning and congratulations on a wonderful set of numbers. My first question was if you can give me a sort of number as to what revenue our top five clients are contributing in each of our businesses may be just the chrome-plate and aesthetic business?

**Sanjay Thapar:** We are fairly diversified so let me answer in other way while we get that number for you. So our largest customer does not constitute more than 20% of our sale on an average roughly that is the number, now top five customers across the group about 55% to 60% roughly.

**Nairit Gala:** That is of all of the total revenue or in one of the segments?

**Sanjay Thapar:** Total revenue.

**Nairit Gala:** My second question was since you are focusing on exports and currently the container costs are off the chart what used to be around \$1500 per containers is now \$5000-6000 may be more, so are we able to pass on to customer, since we are only planning of exports do we have any measures to, do we have any write down in the contracts for the same going forward?

**Sanjay Thapar:** I have a smart purchasing team, so most of our contracts are CIF delivered to us so in that sense we are little smart about that, yes freight cost container have gone up but fundamentally we work very hard and that you can see that performance in Q3 that Devanshi told you, so we have been able to improve margins not only in Exotech but also at SJS despite commodity pressure which a lot of other companies talk of, so we have been nimble on our feet to be able to mitigate that impact to a very large extent.

**Nairit Gala:** My next question was when we win orders are they on contractual basis or is it per order?

**Sanjay Thapar:** Sorry I did not get your question. You will have to repeat that....

**Nairit Gala:** Our existing orders from clients as well so are they on a rolling per order basis or is it more of a contractual system where we have a fixed or is it more of a per order and they change it again?

**Sanjay Thapar:** No, so it is awarded per model so let say there is a new model that a customer launches and there is a life-time of that order so let say that model go to run for six years or seven years we are nominated as a supplier so there are categories of products like dials for example which run like that. If you talk of decal so fundamentally these are the items



*SJS Enterprises Limited*  
*May 26, 2022*

that are refreshed every year at an average so the color change the shape of the decal changes but the model that is awarded to you normally continues unless a supplier does not perform upto the expectation of the OEM. So fundamentally this is for the life of the product that is awarded or the model before it is discontinued so typically it is not a fixed order quantity it is based on that you are awarded model and so long as that model continues you will continue selling it.

**Nairit Gala:** Perfect. So thank you so much for the opportunity and have a good day.

**Sanjay Thapar:** Thank you and you too.

**Moderator:** Thank you. The next question is from the line of Nikhil Kale from Axis Capital. Please go ahead.

**Nikhil Kale:** Thanks for taking a question. My question was again on the chrome business, so if you could may be just talk about how are you seeing the chrome content I mean I understand that some of the newer models that have been launched, I believe that the chrome content have gone up significantly so may be if you could just talk about as a overall I mean value per vehicle broad numbers versus say a model 4-5 years back, what is the increase that you are seeing so just kind of a highlight opportunity that you see there?

**Sanjay Thapar:** Chrome so, CRISIL data market research where they have estimated that in FY2019 the chrome market in India was about Rs 800-900 Crores that was growing at a CAGR of about 20%, so we are still let say we just got into this chrome business about a year ago and we grew our business by 50%, so my view is that we are very strong challengers in the chrome business. The chrome content that you ask for, so it depends on vehicle model to vehicle model, for example a SUV could have chrome parts that cost upto the content for vehicle could be about Rs.3500- Rs.4000 so somewhere between Rs.3000 to Rs.4000 for a SUV whereas when you come for the smaller car it could be about Rs.1000, so there is a definite increase not only that the special finishes in chrome are increasing so you have bright chrome, you have satin chrome, you have black chrome so people want more and more innovative interior which looks exclusive and that is what driving the theme for premiumisation so fundamentally we see an increase happening and that is the reason why to tap this we were looking at the investment because we see this as a very lucrative opportunity moving forward.

**Nikhil Kale:** Right. In the presentation you also have mentioned it kind of a higher capacity will help you cater to global markets but just wanted to understand are these products amenable to exports, I understand that some of the other decorative products exports have a big



*SJS Enterprises Limited*  
*May 26, 2022*

opportunity but I would believe that chrome product the size could be relatively larger so are these products amenable for exports?

**Sanjay Thapar:**

So chrome parts inherently are you are right there are large parts and there are small parts so the businesses that we targeting are really the small parts that can be shipped so traditionally or historically let me tell you a lot of Chinese manufacturer used to export to global OEMs. They used to have warehouses where they ship parts from China to the US, I am mid-way through between China I am half way distance, so the Chinese can do it I believe that SJS can do it, we have a strong traction with our customers, we have a strong capability and we are used to shipping these parts as we have mentioned earlier so 20 countries, 170 customer locations world-wide, so we have a very well established supply chain and we believe that we have a strong position there, so distance and size would not be a constraint. You are right some very large parts will not be amenable to exports but then we are not targeting those parts for the moment so it depends on, I mean if we have an M&A opportunity to look at a chrome-plating business in North America or Europe we could look at that in a future dates for the larger parts but the smaller parts shipping out of India is not a problem.

**Nikhil Kale:**

Great. Just the last part, I mean we have already done a good job in terms of improving margins at Exotech but what is the headroom to further improve it, the reason I ask this is I understand that capacity, putting up new chrome capacity completely new plant is difficult, you require a lot of regulatory approvals so I would believe that while demand continues to increase capacity might not come up at a similar phase so in the industry is that happening structurally you are seeing a better margins coming in and also based on our or whatever efficiencies and synergies that we can derive what kind of margins or margin improvement headroom do we have further?

**Sanjay Thapar:**

So I would imagine 14% to 15% margins in a chrome plating business is good, I would love to have 18%, of course margins are a part of the strategy that we follow so at SJS we very successfully executed that we do not run after products that many people do we look at unique products where the competition is rarefied, not very many people can do it, we thrive on doing complex products that competitor cannot do and do it in a better manner. So I believe that the market which Crisil estimated at \$2.7 billion not just chrome I am talking of the aesthetic market we are just at the edge of the ocean, but we are focusing on climbing that curve step by step so aim was to maintain margin and profitability at SJS, improve our processes then we did one acquisition which we integrated fairly well, both in terms of profitability and in terms of operating synergies and now we are setting our sights from the next target and so step by step I think we should be there, where we want to, the market looks very exciting.



*SJS Enterprises Limited*  
*May 26, 2022*

**Devanshi Dhruva:** So for chrome-plating we feel the 13% to 15% would be sustainable kind of margins going ahead.

**Nikhil Kale:** Okay, got it. Thank you.

**Moderator:** Thank you. The next question is from the line of Mahindra Jain from Way2Wealth. Please go ahead.

**Mahindra Jain:** Thanks for giving me opportunity. Sir looking at inflationary situation world-wide the fuel price or metal price or anything or various inflation, so really we have moved to some premium product, I mean the premiumisation growth in this quarter compared to last year quarter like what order book we have booked in premiumisation product where we are quoting premium compared to the normal product and what is the ratio in a whole order booking of the premiumisation product Sir? Sir second question related to this only, what we are planning for electrical vehicle market.

**Sanjay Thapar:** Two questions that you have asked us, so as Devanshi said the premiumisation of our product mix or what we did, so in FY2019 it was about 3% of our sales and today premium products last there they were 16% of our sales, moving forward especially in the Indian market and the export market we see that premiumisation trend will continue I mean they will constitute even a higher mix and as I said competition is not right there. At the moment, we see higher margins and sustainable margins in the premium products and that is going to drive or sustain margins, so what we are focused on really is that what is the performance that we have shown in the last quarter is something that we expect to continue. So stable margins and high growth is what we are targeting for ourselves moving forward.

**Moderator:** Thank you the line for the participant dropped. We move on to the next question. Next question is from the line of Pranay Jhaveri from JNJ Holdings. Please go ahead.

**Pranay Jhaveri:** Good morning Sir. Thank you for this opportunity. Sir if you could just throw some light on basically we are hearing that SUV is basically taking the market share of the sedan so if you could just explain the content per SUV the available content with us for SUV vis-a-vis sedan that would be helpful. Thank you.

**Sanjay Thapar:** So fundamentally SUV is the larger vehicle so larger vehicle requires larger parts so to that extent just by the geometry of the part we have a higher content whether it is a IML part or whether it is a chrome-plated part. More importantly since this auto makers are now competing for market share so everybody want his car to look better than the other



*SJS Enterprises Limited*  
*May 26, 2022*

and since the Indian consumer has a liking for SUVs so SUVs leading growth in the passenger vehicle segment, All our products are amenable to be sold to SUVs just for an example so Mahindra launched its SUV 700 and from our chrome-plating plant we have close to about 70 parts we supplied to the same model the displays are becoming bigger so the lens mask assembly or the front panel that we are talking off in terms of optical plastics is bigger, the grill is bigger so a bigger vehicle require bigger part which is high value.

**Pranay Jhaveri:**

Sir if you can just put a number higher end sedan proposition to a SUV just in figure that would very helpful.

**Sanjay Thapar:**

I love to answer that question. The challenge really is that depending on model to model, the marketing person at the OEM decides what is the look and feel for this so when our design studio guys start working with these customers so they offer multiple options so it is not that there is no standard part that all SUVs use the same part, so it is specified in terms of what is the theme for the vehicle model and that is what we get as a mood board and we give solutions so that is a difficult question to answer, that what is the content per SUV versus a sedan so it depends on customer to customer, model to model and theme to theme.

**Pranay Jhaveri:**

Okay, and just last one question from my side. Since we Indians are always price sensitive customer so every model will have a decorative which is minimum in value as an entry point and as and when the customer requires extra parts the OEM would offer them. So I am just trying to understand regarding the volumes in a factory led car vis-à-vis the customer asking for a thing, I hope I am.....

**Sanjay Thapar:**

I understand, so I am Indian so I understand exactly what you are saying. So the Indian wants his shirt to shine brighter than the neighbour's shirt so anybody buying a car want to show off his car to his friends and colleagues. So that is the theme that drives this aesthetic decoration space, so he wants his car to look fancier to look different from the other guys so there is a large after-market also so we have in our styling studio some very creative guys who are making vehicle decoration kits and that is a business that we would also like to drive moving forward so ultimately all cars look alike all refrigerators look alike but the buying decision of the buyer apart from the cost is what looks better and aesthetically superior so this is something that the OEMs understand and that is what is driving the premiumsation so two-wheeler guy wants a hands free system he wants GPS navigation on his bike like a car has and that is the theme that is constant so despite is being cost conscious he is more aware today that he is connected he is does research on the internet and that is what is driving growth. So not just cost, and that is



*SJS Enterprises Limited*  
*May 26, 2022*

the reason why India has moved away from entry level cars and even entry level vehicles are today have a lot more aesthetic content than it what used to be five years ago.

**Moderator:** Thank you. Due to time constraint ladies and gentlemen we take that as a last question. I now hand the conference over to Ms. Devanshi Dhruva for closing comments.

**Devanshi Dhruva:** Thank you everyone for joining us on this call and in case if anybody's questions are unanswered please feel free to write to me or reach out to me and I will try and answer all your questions to the best of my abilities. I would also like to take this opportunity to invite all of you all to come and visit our plant once so that we would love to showcase actually what capabilities we have built-in in this plant and have this state of art facility out here in Bangalore. So you can reach out to me if you are interested in visiting the plant as well. Thank you and have a great weekend.

**Moderator:** Thank you very much. On behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.