"SJS Enterprises Limited
Q3 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the SJS Enterprises Limited Q3 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. Thank you and over to you Sir!

Nikhil Kale: Thank you Faizan. Good morning, everyone and welcome to Q3 FY2022 post results conference call of SJS Enterprises Limited. From the management team today we have with us Mr. K A Joseph – Managing Director, Mr. Sanjay Thapar – Executive Director & CEO, Mr. Amit Kumar Garg – Chief Financial Officer and Ms. Devanshi Dhruva Head – Investor Relations. I now hand it over to Devanshi for opening remarks. Over to you Devanshi.

Devanshi Dhruva: Thank you Nikhil. Good morning, 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 are safe in these tough times. Moving on this is how we intend to take today's conference call forward. I will pass on the dias to Joseph to make his opening remarks. Joseph is our Managing Director and 'J' in SJS Enterprises.

Post his remark 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 is just going to take you through the details of SJS business model and outline on how we have grown as a company today. I will briefly touch upon the current industry view and our business highlights during the quarter. Amit our CFO would then take you through our financial highlights and lastly Sanjay would share the outlook and strategy ahead for future growth, post which we will then open it for Q&A. The duration of the call is around 60 minutes, amongst the four of us we will try and wrap this up in about 25 to 30 minutes so we leave at least 30 - 35 minutes for you guys to ask questions. If the time is not enough please feel to write, e-mail or reach out to me and I will try and answer all your questions to the best of my ability. Thank you once again. I will hand it over to Joseph to make the opening comments. Over to you Joseph.

KA Joseph: Thank you Devanshi. Hello and goodmorning everyone. Hope everyone is keeping fine and safe on the current circumstances. Since this is our first call, let me introduce myself. I am K.A. Joseph Managing Director and 'J' in SJS. Me along with my partner Srinivasan and Sivakumar started this in 1987, almost 35 years back. Little did we know what we started in garage would become one of world's leading aesthetics product manufacturer and a listed company. Thank you all for supporting or IPO and making it a success. Our journey began with the manufacturing of reflective stickers for publicity related activities for consumer and appliance industry.

Soon the business evolved and we started manufacturing what are known as operator control panels for dot matrix printers for companies like TVS and Wipro.

In those days these items were being imported all the way from Japan. Innovation and creativity have been our prime focus and in 1995 - 1996 we started manufacturing automotive dials. The first Hyundai Santro model manufactured in India rolled out with our dials. Since inception three things remain anonymous with SJS: First our absolute customer centric approach, everything we do, we do it for customers. Second, serving the best names in auto and appliance industry world over. Next, our focus on product quality which was always a significant differentiator for our customers.

Of course this required us to constantly upgrade ourselves with new technology and also invest in state of the art equipment as well. While the dial market kept growing, in 2010 we introduced 3D lux a premium branding technology. This is an environmentally friendly and easy to use alternative compared to conventional chrome plating technology.

In 2015 my partners Srini and Siva decided to retire and this is when Everstone invested in SJS. With Everstone coming on board it took us to a new orbit. We became much bolder in our approach. With Sanjay coming in as a professional we enhanced our innovation and R&D capabilities. We increased our thrust on exports and focused on building mega domes and we also hired from senior and mid level talent. Since then me and Sanjay have been running this company quite successfully by introducing a host of new products like aluminium batteries and technologies like in-mold decorations, 3D dials etc. In 2018 we moved out to a state of art facility with over 2,35,000 square feet of build up area to enhance our capacities and also to accommodate the new technologies that we had introduced. As a strategy to enhance our product portfolio in aesthetics product, we acquired a chrome plating plant in April of 2021. My vision for SJS over the next five years is to make sure that we emerge as India's most technologically advanced global supplier of quality aesthetics solution for the auto and appliance world. I will continue to remain 100% committed to this business and I will look forward to growing this business with Sanjay, my son Kevin and the team to make SJS one of the most respected aesthetics product manufacturing company in the world and as I said in my speech we have miles to go and miles to go. With that I would like to hand over to Sanjay to explain about further details of our business and the industry. Thank you, and over to you Sanjay.

Sanjay Thapar: Yes, thank you Joe and a big thank you to all our investors and shareholders for supporting our IPO. As Joe rightly said we are one of the leading decorative and aesthetics company in India and want to be on the global podium.

Before I talk about SJS, a brief introduction about myself. I am Sanjay Thapar the CEO & Executive Director of the company. I started my career with an OEM Telco, now called Tata Motors. Later joined the Minda group in Delhi. Minda was then relatively unknown. I was the first professional engineer to join that group. As part of the core team, helped grow and professionalize this small family business into a large corporation it has emerged today. So during 25 years there, I set up many businesses, joint ventures, manufacturing plants, left the Ashok Minda group to join hands with Everstone Capital to invest in SJS in 2015. I am on the board of this company ever since and along with Joe focused on growing this business. Now what is important and what attracted me to SJS was truly the uniqueness of this company. We supply parts not just to the automotive and the consumer durable sector but multiple end segments. Our products change the aesthetics appeal of two wheelers, passenger vehicle or any appliance from the customer's perspective.

SJS also has a very large and diversified product mix manufactured in high volumes and this scale means that it is tough for anybody else to compete with SJS. Our products are light and easy to ship and therefore well suited for exports. We have over the last few years incubated large global accounts and have also enlarged our global footprint. With a growing trend towards premiumization customer demand new technologies and improved aesthetics. SJS is an innovation driven company and we are poised to grow benefiting from this trend.

Having been in the industry for now over 35 years I have yet to find a company similar to SJS in terms of the margin profile and the multiple possibilities of growth across diverse end user segments. I have seen this play out despite the industry de-growing in the last four to five years, SJS has continued to grow and beaten the industry growth historically and we will continue to do so in future. Next year as forecasted by industry leaders and analyst alike the two-wheeler, passenger vehicle and appliance industry growth will be in high double digits. You can well imagine the SJS growth trajectory as we move forward.

We operate our business at a 29% EBITDA, 16% PAT margin, high ROCE and we generate large amounts of free cash flow and that is what is the company SJS today.

Now allow me to share with you what exactly SJS does so if you can refer to the presentation that Devanshi talked off, so we manufacture a wide range of products serving majorly the automotive and the large consumer durable industry. We also have many new futuristic new generation products in our NPD pipeline.

So moving to slide 6 and 8, as I mentioned we operate in a market that is growing much faster than the underlying industry growth. It is estimated by CRISIL that in 2019, the size of the aesthetic market in North America and Europe was $2.7 bn plus another Rs.19.9 bn in India and growing at a CAGR of 20% and likely to do so for the next five to six years. The Indian market then by itself would be close to about Rs 5000 Crores by the year 2026. This 20% growth in aesthetic market is one and half times the growth of the underlying industries like two wheelers, passenger vehicles and consumer durables estimated to grow at 10 to 12% during the same period.

I will now move to slide 9 and 10, so aesthetic product have different end market applications such as two wheeler, four wheeler vehicles, kitchen appliances, medical devices, farm equipment, electronics, human machine interface applications globally. Also with the increase in disposable incomes in the country and aspiration for better quality products in today's connected world, there is a significant shift in consumer preference towards premium products and SJS has a basket of products which meet this requirement of the customer. We have aluminium badges, IML, IMD parts, 3D dials, optical plastics etc., to offer to this more discerning customer.

Customers are moving from 2D dials to 3 dimensional formed dial, analog to digital clusters in two wheelers, additional capacity of touch overlays and also IML, IMD parts in the car interiors. So currently our products have an application in the automotive industry, close to about 70 - 75% revenues comes from automotive and balance 20 - 25% from consumer durables. What makes SJS unique and very tough for competitors or any competitor to compete with us is the fact that we manufacture 11 different types of products, catering to more than 7 end customer segments, have over 6000 SKUs in our portfolio, so these are discrete components. Annually produce 115 mn parts that we ship to 160 customer location in 20 countries. This is what is so unique about this company. There is no competitor that we have mapped in India or overseas that can handle this complexity and still consider and deliver products to so many customer locations worldwide.

As you can see in slide 11, all these new products have been designed and developed within the company. We have a state of the art design studio. We engage with customers very early in the developmental process. In the last four years we have developed five completely new products so we have in house design, development, engineering capabilities. We collaborate with customers to design their products as per their needs and today we have a best in class new product development infrastructure. We are a single stop solution provider to our customers and last year we also acquired a chrome plating business. Chrome plating is Rs 1000 Crores business in India and this expands our total market quite massively. Though the margins are lower relative to what the traditional aesthetic business we have but the ROCE is high.

I now move on to slides 12 and 14. All these traditional and premium products are designed and developed in our state of the art facilities at Bangalore and Pune. Both our plants are IATF and ISO certified. Our Bangalore plant is LEED gold certified which is leadership in energy, efficiency, and design by the US Green Building Council. We maintain very high quality standards. We generate almost 2 MW of solar power at our Bangalore facility and more importantly our Bangalore facility is fungible allowing us to interchange capacity and product mix based on changing customer requirements and optimizing machine productivity and operational efficiency. So, this is a key differentiator when you compare other industries with what SJS does.

One of our key benefits is our products are light and easy to ship across the world. SJS is exploring opportunities to strengthen its presence outside India and increase its share of exports in the total revenue. Exports contribution to our sales has increased from 10% in FY2019 to close to 16% in FY2021 and this is an important area of growth for us. We are investing in building a strong export team to grow this. With India cost advantages and a global foot print we believe this is a massive opportunity that we would want to capitalize on. We hope to grow our exports to 25% of revenue by the year 2025. Exotic products so far had only a domestic presence but since this is now part of SJS we see tremendous synergies between both companies and are confident that even through our existing network across the world we will be able to export even chrome plated parts manufactured at our Pune facility.

Our manufacturing plant is truly world class. Many customers have endorsed this. We have global distribution capabilities. We handle complexity – produce 115 mn parts, 6000 SKUs, deliver to 160 customer locations across 20 countries, 5 continents. This gives us a very very formidable advantage over competition and that is the reason why we do not have competitor either in India or globally to compete with us for our entire portfolio.

Our facility at Bangalore is best in class really and I would invite anyone of you passing through Bangalore to please take out time and visit us to understand really the tremendous sustainable competitive advantage that we have built and the huge complexity that we manage. It is tough to explain but I am sure that if you see this you will understand what I say.

Slide 15 highlights the fact that we have longstanding relationships with most of the automotive players in both OEMs for automotive and consumer durable sectors. Some of customers are TVS, Honda motorcycle and scooters, Bajaj Auto, Yamaha, Suzuki, Maruti Suzuki, Visteon, Whirlpool, Godrej and many more. So average relationship with the top 10 customers that we have is close to 15 years. This longstanding relationship provides us with an opportunity to cross sell products. Any new product that we develop we can very quickly take it to market with our customers and we have not lost a single customer as on date. We cater to the entire two wheeler industry, so we supply to almost everyone with the sole exception of Hero MotorCorp and we are now knocking hard on their doors and hopefully we should have success.

As mentioned SJS is well placed to benefit from the turnaround in the two wheeler, PV, and the appliance industry as we have the products, the customer connect and world class manufacturing capabilities and lastly before I hand over to Amit I would just like to mention that we are a professionally run company with a very high corporate governance standards. We have a great board of directors. We have Mr. Ramesh Jain the ex Vice Chairman of Eicher Motors, who is an Independent Director and Non-Executive Chairman of our board as well. We also have Matthias Frenzel from Sweden on our board. He retired as the global sourcing Director of aesthetic parts for Visteon. He has great knowledge of global markets and trends, especially in North America and Europe and we benefit from his council.

We have a team of seasoned professionals in the company. We have on this call Amit who is the CFO. He leads the finance and account function. He is a CA, MBA from MIT and was earlier the CFO of NIIT Technologies.

We have a chief marketing officer Raju. He was earlier with ITW and then the Minda group and the Sundaram group. He has over 22 years of experience in the automotive industry.

We also have COO Mr. Baligar, he was previously with Motherson Automotive and Toyota Kirloskar, well aware of the Toyota production system, Japanese lean management concepts and PPM concepts. He is driving operational efficiency on my shop floor. So I now hand over to Devanshi to talk about the Q3 industry and business highlights before Amit can take you through the financial performance and our oast track record. So over to you Devanshi.

Devanshi Dhruva: Thank you Sanjay. I will quickly take you all through slide 22. As we all know automotive industry globally has been grappling with supply chain issue due to shortage of semi conductor chips and in India the volumes have declined due to lower retail demand as well. During Q3 domestic passenger vehicle and two wheeler sales volume have declined by 15% and 25% Y-o-Y respectively. Automotive sales in India recorded lowest numbers in last 10 years during this festive season. Major OEMs have also reduced production as their semi conductor chips supplies have dried up. Passenger vehicles and two wheeler production as well have decreased by around 12% and 23% Y-o-Y during the quarter because of such reduced demand. Also there is some improvement in demand sentiments, the current supply chain issues are impacting sales numbers and industry analyst expect the demand to reverse mid 2022 onwards. As mentioned earlier by Sanjay we have outperformed the underlying industry growth and we will continue to do so in the future as well. We are an aesthetics company and as consumer shift towards premiumization, there is an increasing demand for aesthetic products which will enable us to grow at a faster pace than our underlying industry growth. We also believe that there is a massive opportunity awaiting us in the export market and hence we are strengthening our sales force in the international market of Turkey, Brazil and Argentina. With that said I would now like to hand over the call to Amit who will take you all through our financial highlights. Over to you Amit.

Amit Garg: Thank you Devanshi. As mentioned by Sanjay earlier we are a company with very strong financial performance and balance sheet. We have consistently outperformed industries we service in last four to five years. In financial year 2021 while industry declined by 10 to 12%, we grew at 16%. Our consolidated revenue including Exotech acquisition in financial year 2021 was Rs 320 mn. Our profit margins are best in class with EBITDA margin of 29% and PAT margin of 16%. The company has been consistently generating strong free cash flow which stood at Rs 600 mn during the financial year 2021 and delivering strong ROCE and ROE of 26.8% and 16.5% respectively for the year. We are a debt free company. In financial year 2022, as was in financial year 2021 we were impacted little by COVID second wave as well as the supply chain issues of semi conductor chips in automotive industry, along with already dipping retail sales that is happening in the automotive industry. Despite the challenges we are happy to announce our strong financial performance in Q3 with revenue of Rs 980 mn on a strong EBTIDA margin of 28.8% and a net profit margin of 16.5%.

We are integrating Exotech in our business. We have been able to achieve quick turnaround in the business during the various synergies with SJS and is rapidly growing on top line along the margin front as well. Exctech achieved its financial year 2021 full year revenue in just nine months in financial year in 2022 and we hope to grow it further. We have operational capacity both at SJS and Exotech, so we will be taking advantage of operating leverage and implementing operational excellence synergy at Exotech that will further help us in driving margin enhancements.

Also, with shifting of consumer preference towards premiuminization, it will help us propel our revenue and margin further onwards. We are a debt free company as I mentioned earlier and generating strong cash flow. While we talk on December end itself we have Rs 102

Crores cash with us today despite the fact that we bought Exotech at Rs 64 Crores and this cash can be used both for organic and inorganic expansion by the company. Our organic expansion may come in the form of adding new lines to support expansion in export or other industry. Inorganic we would be looking for acquisition of new technologies in aesthetic industry or a new segment.

In the end I would say we are a company with strong financial performance and balance sheet and seeing a very strong growth trajectory for our revenue, margin and free cash flow. With this I will hand over back to Sanjay for his closing remark about the company.

Sanjay Thapar: Thank you Amit. As mentioned by us earlier currently as all of you are aware automotive industry is going through its share of challenges due to the dip in retail demand during the festive season and also the semi conductor chip shortage that is so much in the news which has impacted both the two wheelers and passenger vehicle segments. However, as in the past, even this quarter we have outperformed the industry and we will continue to do so in future as well. For nine months from April to December 2021 our consolidated blended growth was 15.5% Y-o-Y assuming for a like to like comparison Exotech was integrated in the start of FY2021. While the auto industry that is to say the two wheeler, four wheeler production in India grew together by 7.6%, we grew by 15.5%. We believe that SJS with its wide product offerings, play on premiumization, strong geographical presence and longstanding customer relationship is poised to grow at much faster rate than the underlying industry growth rate of 10 to 12% for the auto and the consumer appliance sector from FY2021 to FY2026.

We have laid the foundations of unique business to grab all possible opportunities and this will help us prepare our growth journey and maintain a superior margins and returns. Our strategy is simple, to focus on exports, add new products and technologies, look at inorganic growth opportunities and most importantly key focus on our customers. Towards this specifically:

First, we will maintain focus on export market growth by mining new customers and expanding the target markets.

Second, we will maintain razor sharp focus on developing new products and introducing new technologies to market proactively address the future demands of our customers. This is a key growth driver for us and we are well poised for this.

Third, we generate a very high amount of free cash. We are debt free. We are now listed. All I can say for the moment is that expect inorganic growth opportunity realization by SJS. We are creating a special team to lead this.

Lastly, also focus is to increase our share of wallet and business with existing customers by offering them offering new products, cross selling new products across our customer base and also adding new customers. Any strategic decision taken by the company whether for organic or inorganic growth, the objective is clear to build value for our stakeholders in the long term. We have delivered on our revenue, EBITDA, and PAT on the lines we mentioned during the IPO. We have a strong order book for FY2023 and are confident of delivering a high growth, high margin, high returns performance next year. January has started strongly for us and hopefully our Q4 results will also not disappoint you. When we come back to you with our full year results we will take you through what the next year will look like. Thank you for now and we are open to answer any questions that you would have. So Devanshi may be you can now coordinate that.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Dhiral from Phillip Capital. Please go ahead.

Dhiral: Good morning Sir. Thanks for the opportunity. Sir my question is on the export side so what was the export revenue contribution this quarter and the overall nine months FY2022 and the growth on Y-o-Y as well as quarter on quarter basis.

Amit Garg: It is 13% because the Exotech business is domestic. If we look at SJS as a standalone business we are at 18.5% of revenue.

Dhiral: This is as of nine months Sir.

Amit Garg: It is nine months total, yes. So standalone it is 18.5% and if you look at the consolidated level it is 13% largely because of the fact that Exotech business is domestic.

Sanjay Thapar: Just to add, so we have grown the export business quite significantly so for SJS it was 10%, in FY2019, we increased it to 16% in FY2021 and now as Amit said on a consolidated basis we are at about 13.5%.

Dhiral: And Sir what is helping us to increase the overall export pipe and what is our road map to take the Exotech product globally.

Sanjay Thapar: So two factors behind that. One is, that as I said our products are light and very easy to ship plus we have a very strong track record in terms of delivery to customers across the world. Never ever has a customer line in any continent stopped because of SJS and that is the reason why we have been able to incubate the large accounts. We are strengthening our sales teams in these geographies and that will add for the momentum to our growth for the future. Also, large global accounts we already serve them for many years now and that is opening up more markets for us and we are globally competitive. Our quality is well accepted by customers and that is what is leading to this increase in growth.

Dhiral: Sir which segment we are particularly focusing on is that on auto side or is it on consumer durable side and finally we were focusing on the North American market particularly but our presentation shows we are focusing on the South American, Argentina.

Sanjay Thapar: We already are focused on the North American market. We have Whirlpool as a large global consumer. 50% of Whirlpool global sales happen in North America so we are already catering to that. What is mentioned in that press note that we have now also expanded our footprint in South America and in Turkey, so that is in addition to what we already do. So North America is a key focus area for us and we have large global accounts like Visteon which is a tier 1 supplier to most automotive companies. They make driver information systems. We supply to Whirlpool globally and those are the businesses that are driving growth and we are mining more customers in these new territories I talked of.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from IDBI Capital. Please ago ahead.

Mahesh Bendre: Thank you so much for the opportunity. Sir you mentioned that the auto sector and appliances two things that seems to be a growth opportunity first, but apart from these two industries is there any further segment or further area where we can grow from here on?

Sanjay Thapar: There are huge opportunities that exist in medical devices. We have already started the supplies to this sector. As you can understand the volumes are very large. We are also supplying to industrial applications and gaming applications, so anything that requires displays, anything that requires human machine interface, and parts is a segment that we cater to. So apart from these segments that you talked of there are a lot of growth opportunities for decorative parts across industry segments.

Mahesh Bendre: Sure and about merger and acquisition we have already done one acquisition last year so going forward if we go by the acquisition route will it happen in India or it is internationally also we will be looking for companies to either get the designing capability and even to get the readymade client base?

Sanjay Thapar: We will look at expanding in territories where we see a lot of potential. For example areas of interest to us are North America, Europe and South East Asia, so we are on the lookout. We are in some stages of discussions and on a case to case basis, we will look at any geography that gives us access to new product technology or we can add new customers or to open up a new geography so all of these, so we are open to global M&A.

Mahesh Bendre: Thank you so much Sir.

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

Nikhil Kale: Thank you. My first question was can you just throw some more color on the growth across the segments, two wheelers, TV, consumer durables so just what has been the growth for these segments for the quarter and nine month and also export you talked about the contribution but what would have been the growth and exports over the quarter and the nine month period?

Sanjay Thapar: So Amit could you provide that data.

Amit Garg: If you look at consolidated two wheeler Q3 FY2021 our growth in segment was around.

Sanjay Thapar: So consolidated sales while Amit gets that, so our consolidated sale for nine months and FY2022 was 15.5% as we said. The auto sales increased by 13.5% and the appliance sales increased by 23.3% this is what happened for SJS on a consolidated nine month basis for FY2022 versus FY2021.

Nikhil Kale: Two wheeler what would have been the growth over this period?

Sanjay Thapar: For two wheeler growth sales increased by about 4% and about 28.4% for passenger vehicles. Now two wheeler of course in terms of volume terms is far larger than the passenger vehicles produced in the country. If you talk of the production so basically 13.5% on a blended basis across both these segments put together.

Nikhil Kale: Got it and secondly just wanted to understand what is the commodity situation for you given that compared to a typical company the RM that we use is different so what is the kind of inflation you have seen in the key raw material and how much of it have you been able to pass on to the customers? Has there been any under recovery?

Sanjay Thapar: At Exotech where we have been able to recover the cost of increase of plastic resin for example from the customers. At SJS, we have not seen any major increase, although there is an increase, but we are able to hold the price line because we have a large buying leverage and we have over the years created a supply chain across different geographies so we are very, very mindful of the fact to maintain our gross margins and we have been successfully able to do that. Two reasons for that. One is as I said our buying leverage. The other is that we have an ongoing programme of VAVE in the company. We constantly evaluate how to reduce cost in raw materials, how to better improve our utilization and that leads us to maintain a high margin and consistently we have been able to do that. Also, by the nature of our products, we do not have a legacy of raw material content continuing forever because these models are subject to change, so there are new aesthetic parts that are developed and these parts when we quote for a new part the current raw material prices are already priced in.

Nikhil Kale: But Sanjay what is generally the inflation level in these raw materials? Has it been like 20% to 30% the kind of increases that we have seen in other resins?

Sanjay Thapar: The plastic resins for example so plastic raw material at the height of the pandemic was very large so there was a huge increase. OEMs expected that these prices would normalize and they did. The petroleum prices also fluctuated quite dramatically, but they have come down, but OEMs have been mindful of the fact regarding raw material prices and that is the reason I singled out plastics as a raw material so we have been able to get the price increase from our customers for chrome plated plastic parts but for the other parts, we have not really seen that inflation because of our very strong buying leverage and our increased volume so the raw material suppliers understand that SJS is a large company and they are fully supportive of us.

Nikhil Kale: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Joseph George from IIFL. Please ago ahead.

Joseph George: Thank you for the opportunity. I just have two or three questions. One is so Exotech I believe has very little customer overlap with the standalone operations? Could you tell us about the crosslink opportunities and may be some of the benefits or orders that you have received say in the last 12 months because of the acquisition?

Sanjay Thapar: Sorry Joseph could you repeat the first part of your question. I did not hear it so well.

Joseph George: Sir my question was or my opening line was that Exotech does not seem to have much customer overlap with the standalone operations, which is the existing standalone operations of SJS so from a crosslink perspective what are the opportunities and what have we already achieved say in the last 12 months since the acquisition?

Sanjay Thapar: So good question. I think our strategy to acquire Exotech was bang on as we have gained a lot of existing customers in plastic chrome plating business from those customers in the consumer appliance space as well as the automotive space. We are now knocking hard on the doors of companies globally as well, so Whirlpool as a customer. We have added

Samsung as a customer. TVS We are supplying to so those are these early wins plus we are now in discussions with a lot of customers actually and so we see this growth playing out very well, so cross selling opportunities we are able to encash and grow the revenue stream at Exotech quite well so we are happy with the results.

Joseph George: Sure so you meant to say that you started getting orders for chrome plated parts from customers such as TVS, Whirlpool, etc., is that what you replied?

Sanjay Thapar: Absolutely so Whirlpool and Samsung all these require door handles, which are chrome plated. Front end washing machine requires those huge chrome rings that are chrome plated. Then we have door handles so we have requirements from our car companies or the tier one companies that we supply to so you need plastic rings around instrument clusters. You need door handles inside and outside of door, which are chrome plated. Now Exotech did not have that customer connect but as a combined entity we have very, very strong relationships with these customers so multiple doors are opening up and we are very excited about the growth opportunity at Exotech.

Joseph George: Great. The second question and that was in relation to the inorganic growth that you talked about? We are generating a lot of cash in organic opportunities? Is there a particular focus? Are you looking at players within India or are you looking at players outside India as well because in auto components we have seen in the past global acquisitions have a mixed hit rate so just wanted to get your sense on which geography you are looking at for acquisition?

Sanjay Thapar: So I answered this question earlier. Just to repeat. We are open for global M&A so we are looking at geographies like North America very interesting for us. South East Asia again is a very interesting opportunity and so is Europe. You see the big advantage we have in India is that all these aesthetic products that you have are labor intensive and they require a very high quality of large number of people for doing inspection so this is something that gives an inherent advantage for a manufacturing location in India and thanks to the fact that at SJS we are right at the top in terms of managing this complexity that we do so. We supply 115 mn parts and we have very well established processes within our company and we find that a lot of our global competitors are facing the heat so there could be a possibilities to acquire these companies at some point in time.

We are evaluating a few of these. The idea is simple. We need to make sure that we add value to our shareholders in the long term so we will pick and choose what company that we want, what is the technology we have access to and what are the markets there to open up so that is the lens through which we look at acquisitions but to answer your question, we are geography agnostic so there are some territories that look very attractive to us especially

North America, South East Asia and Europe so these are interesting. In India we already exist so we do not foresee or at the moment I do not rule out the possibility but we are not really focusing on India. We are looking more at the global markets because that is the $2.7 billion possibility that exists. We for example do nothing for the North American automotive markets and our products are light easy to ship so it stands to reason that is a huge pool of addressable market that we need to tap into and we are strengthening our sales teams to be very active in that area.

Joseph George: Understood Sir. Thank you for your responses.

Moderator: Thank you. The next question is from the line of Varun Arora from Safe Enterprises. Please go ahead.

Varun Arora: Thanks for the opportunity and congrats on good results in our challenging environment. Sir my question is regarding it seems if I look at our stand alone performance and if I look at our consol performance it seems we have kind of got a very good growth coming from Exotech both on the topline as well as on the margin side, it seems that we are looking at proforma margins for the last year and nine month margins for consol business it seems that on Exotech we have also turned around on the margins? If you can kind of clarify if my understanding is right and also if you could give the data point for nine month FY2021 sales for Exotech that will helpful.

Sanjay Thapar: Thank you for the question so I will give high level answer. Then Amit I will request you to provide the data points. So we see good synergies with Exotech and really the synergy is that in terms of our sales force we have a much larger team at SJS than what Exotech had in terms of chasing, we are far more connected to the external world. There are a lot of common materials like adhesives, double sided tapes, all the chemicals and raw materials that are bought, so SJS has a much large clout with its customers and Exotech has benefited but I will let Amit answer that so Amit over to you please.

Amit Garg: Thank you Sanjay so if you look at Exotech the nine month revenue was Rs.71 Crores versus Rs.68 Crores that we achieved in the last financial year FY2021 itself. So in nine months we achieved a full year revenue, which I mentioned in my talking point about Exotech. On a margin enhancement yes Exotech business was operating at 10.5% for us. Now what we are looking is in the range of 14% so there has been a margin enhancement in Exotech driven by revenue plus operational efficiencies that we have brought in the material management and the synergies that our procurements with SJS capabilities and from the process discipline that has been introduced in Exotech so we are seeing quite a good turnaround in that business for us and also if you really look the run rate is well maintained even if I look at January and going forward the run rate is pretty bullish and so that gives us enough confidence on that business that the acquisition has really turn around for us.

Varun Arora: Sir just a continuation of this question so Exotech part is clear? On the standalone if I look at just the Q3 numbers? On year on year basis, the sales have declined 21% so that is in line with the industry performance on the standalone piece? Any particular reason here while on the consol business we are kind of growing so much faster than the industry on nine month basis, but on Q3 if I look at year on year for the standalone it seems to be in line with the industry so any particular reason?

Sanjay Thapar: The reason really is that yes as you rightly said that the industry our key customers Bajaj Auto, Honda Motorcycles & Scooter Company, TVS, and Royal Enfield everybody had a decline because last year we were coming out of COVID and sales ramped up during the Q2 and Q3. This year this has been historically a very bad year for the industry per se. The festive sales were at an all time low, but despite that we performed rather well and so two reasons for this growth. The four wheeler industry has shown a growth over last year especially the SUV segment and that is something that we have now in our radar thanks to Exotech so XUV700 for example just to give an example at Mahindra so from Exotech we supply close to about 70 parts to those so there was a good growth in that segment and SJS standalone fundamentally is better to compare the nine month data than talk of Q3 since last year Q1 was washed out because of COVID. This year as well we were impacted but I would say that especially in this pandemic year a better view of the business is what we presented. Nine months of this year versus nine months of last year is what an accurate comparison would be.

Moderator: Thank you. The next question is from the line of Anirudh Gangahar from Avendus Wealth Management. Please ago ahead.

Anirudh Gangahar: Thank you for the opportunity. Good morning. I have three questions. The first one is could you update us on any new logos that you have added since your IPO and particularly where are we in terms of our discussions with the EV suppliers in the country and abroad that will helpful? The second is you mentioned something about your robust order book in FY2023 so just on that am I right in understanding that for 4Q in numbers as January is shaping up well and you are looking probably to have a better 4Q versus a three quarter and is there any seasonality out here that we should be mindful of since it is the first time we are looking at quarterly numbers and the third one is just on the M&A strategy if there is any project that there are any target returns that we would be looking at a grace level that will be helpful?

Sanjay Thapar: Sorry the last part I did not get quite well. Are there any target returns.

Anirudh Gangahar: Any parameters that you would keep in mind while pursuing any acquisitions that level of return expectations or ticket size anything that you can help us with so we better understand what kind of opportunity we will be looking at in terms of finances?

Sanjay Thapar: Got it. To answer your first question first so the new logos or badges or new customers so to speak that we have added. We have won businesses with Continental. Continental as you know is one of the global leaders in the driver information systems so we have done well and acquired business there both in India and overseas. We have added Ola coming to EVs so we are working with many companies. We have won Ola business, Ola electric and that is under production. We supply to TVS iQube. We supply to Revolt and there are many other customers that we are in discussions with. As I said we have styling capability. Volumes are low at the moment but they are all looking at opportunities what can we propose to them to differentiate their vehicle from others so that is something that the team will play out so we are very, very strongly focused on the EV business not only for the decorative parts but also for the displays on EVs so we have a business called optical plastics where we do what is called a lens mask assembly so that is something that we are looking at offering to the industry when these OEMs have the economies of scale to localize those displays in India and also on the tractors so we have added Swaraj Mazda as a customer. We have offered them a unique solution of an illuminated logo so business continues to do well. Then you had a question so on the acquisition strategy and the return profile or what are the key factors that we will keep in mind so as I said largely it is that what doors does it open to us. Does it allow us a footprint in a location that is of interest to us? I mentioned North America and I mentioned Europe especially Turkey because that is the large manufacturing base for appliances in Europe because of their relative low cost of production there vis-à-vis other countries in Europe and South East Asia of course is a good market for both automotive as well as for appliances so that is also a segment that we look at. Our focus really is to maintain our ROCE. I will let Amit talk to you about what lens will we look at acquisition. Amit may be you can add value there.

Amit Garg: Basically what our focus is that all our acquisitions should be margin accretive and business accretive to us. So anything that we look at has to match to the margin requirement or we can see a potential to enhance the margin of that business based on the synergies and the capabilities as SJS always have. If you look at Exotech itself we have been able to bring process efficiencies and the procurement discipline itself to get a very quick turn around on the margin story and similarly when we are looking global we are looking at how we can bring the cost synergies back to India from production line everything to make it different.

Sanjay Thapar: One more dimension to what Amit said. Amit sorry to interrupt. Just one more dimension. We see a huge opportunity because you have a local team facing the customer in those geographies so when we do M&A so that gives us a local manufacturing capability so we are let us say a North American company operating in North America should we acquire a company in North America so we have pricing that is already there in the market in North America for some more competitive India. We have a huge NPD capability and our products are very easy to develop so much like you have knowledge outsourcing center in India addressing the markets of the globe. Our mission truly is to have our facility in Bengaluru where we set up truly state of the art equipment and machines totally dedicated for new product development so the development we would do in India at a fraction of the cost of what it takes for them to develop in North America. Keep the same front facing team that we have in North America and ships our products from here to sell to customers in North America so that is the theme I think which is very strong. We have tested that in terms of the price efficiencies and that could be a very, very interesting play for SJS so one factor for looking at an acquisition is really this opportunity to be able to manufacture in India and serve to customers through that company that we acquire in whatever geography we do so that is a very interesting business which could be a big lever for growth for SJS.

Moderator: Thank you. The next question is from the line of Nalin Shah from NVS Brokerage. Please ago ahead.

Nalin Shah: This is Nalin Shah from NVS Brokerage. I am the Director of the company. At the outset let me congratulate the management for an excellent presentation. Today's presentation was really excellent. I have a few questions. My first question was regarding the growth in the top loading which was missing in last about may be three years but this current year our run rate is almost I think Rs.90 Crores plus so just wanted to understand that what is the kind of growth projections? We have topline growth in the current Q4 and FY2023 if you can give some indications? My second question was that on the export you had said that you were planning to do exports and take it up to 25% from the present about 15% to 16% and the exports and domestic market you will expand so can we have some idea about the margin differentiation if any between the domestic market and exports market?

Sanjay Thapar: The second question you said what is the difference between the export and domestic market could you repeat that please.

Nalin Shah: I am saying margins do they offer better margins in export markets?

Sanjay Thapar: Got it and the third question.

Nalin Shah: My third question is that you indicated somewhere that the addressable market for you in may be by 2025 or something you had said about Rs.5000 Crores is the market size you expect? Am I correct in understanding?

Sanjay Thapar: Rs.5000 Crores is the size only for the Indian market.

Nalin Shah: The Indian market I am saying so when that size of Rs.5000 Crores let us say it happens in say 2025 or 2026 whenever it happens where do you see SJS to be there at that point of time in terms of its topline?

Sanjay Thapar: So let us take your question one by one so the growth trajectory that we had as we indicated we are growing very strongly so at the end of Q4 we will give you a better outlook for next year because the OEMs are still forming their plan so it is suffice to say that our growth would be anywhere between 20% to 25% so that is what we are looking at so that is what we are aiming for and that is what the order book looks like. In terms of margin for exports, so typically the products that we export we are very, very competitive and that is the reason why we export to so many countries and those margins are higher. It depends of course on which is the product, but export margins are better than the domestic margins let me tell you because there are different products so that is the reason why individual product margin could be different but on the whole superior than domestic margins and the last question on Rs.5000 Crores where do we see ourselves so as I said we are today participating in the Indian markets and it depends on how this thing plays out but we will be a leader in this market because there are many products that we have where we do not have competitors ready with their products offerings at the moment and we are looking at adding new technologies which are futuristic, which I cannot share at this call today but we are well focused on what is the future needs of the customer in India and we will leverage our capability across these different technologies that we build to address that market so we will be in a very strong position in the Indian market by the year 2025 to further build on what we have currently.

Nalin Shah: Just to get an idea assuming that market is then Rs.5000 Crores let us say we will be somewhere around say 30% of that or 40% of that something like that?

Sanjay Thapar: Internally we are looking at doubling our sales in the next three years so that is the target that we have set for ourselves.

Nalin Shah: Excellent can you just last question can I have an idea of who are the top five customers and what is the total contribution of theirs in our company?

Sanjay Thapar: The top five customers so we have I do not know. We can share that data right Amit.

Devanshi Dhruva: I am sorry but this information is not in the public domain. It is a little sensitive for the business so we would not be able to disclose these details.

Nalin Shah: Once again congratulations. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will take that as the last question. I would now like to hand the conference over to Ms Devanshi Dhruva for closing comments. Thank you and over to you madam

Devanshi Dhruva: Thank you everyone for joining us over this call. In case if anybody's questions have remained unanswered you can please reach out to me and we will get back to you on that. Thank you everyone.

Moderator: Thank you. Ladies and gentlemen on behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.