

STUDDS ACCESSORIES LIMITED

A TALE OF ATMANIRBHAR BHARAT

WWW.STUDDS.COM

Report Date: November 2, 2020
Report Number: Annual/2020/01

ISIN: IN00Q601028
Status: Unlisted EQ
Face Value: ₹10 per share
Market Capitalisation:
₹ 97.9 Bn

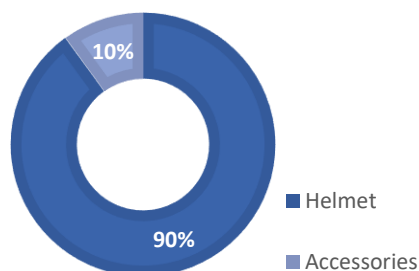
Studds Accessories limited, incorporated in the year 1983 is World's largest two-wheeler helmets manufacturer. The company has a strong promoter and promoter group shareholding of 78.04%. Madhu Bhushan Khurana is the Chairman and Managing Director and Sidhartha Bhushan Khurana is the Managing Director of the company. The company has a strong presence in India as well as globally and markets its products in over 40 countries as on date.

Market Share: The company sells its products under the brand name of Studds and SMK to both mass commuter market and premium segment and currently has 30% market share in India which it is looking to increase to 40% by FY2023. It has 13% market share in Philippines and 5% market share in Europe in just 4 years of launching. In FY2020, the company manufactured 6.65 million Helmets which grew at a CAGR of 13.74% from FY2018. It sold close to 7.2 million helmets, out of which 500,000 were exported and the rest were sold domestically.

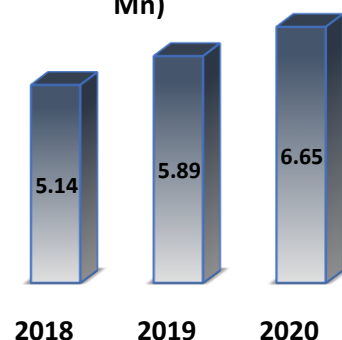
The company has partnership with all the leading OEMs like Hero MotoCorp, Honda Motorcycle & Scooter India, Suzuki Motorcycle India, Royal Enfield and others and is further planning to engage with other global players like Harley Davidson to strengthen their foothold. It has also ventured into motorcycle accessories with an aim to be a one stop solution for all two-wheeler riders. The company has also entered into manufacturing and selling bicycle helmets and expects a larger market share as the company has presence in major advanced economies. The company operates 8 Exclusive Brand Outlets (EBO) in India, further plans to open 15 more EBOs in FY2021 and has pan-India as well as global dealership network.

Innovative approach: The company is currently working towards integrating technology with helmets by making them smarter with the help of Camera, Bluetooth and bone conduction technology for military purposes.

Revenue Contributors

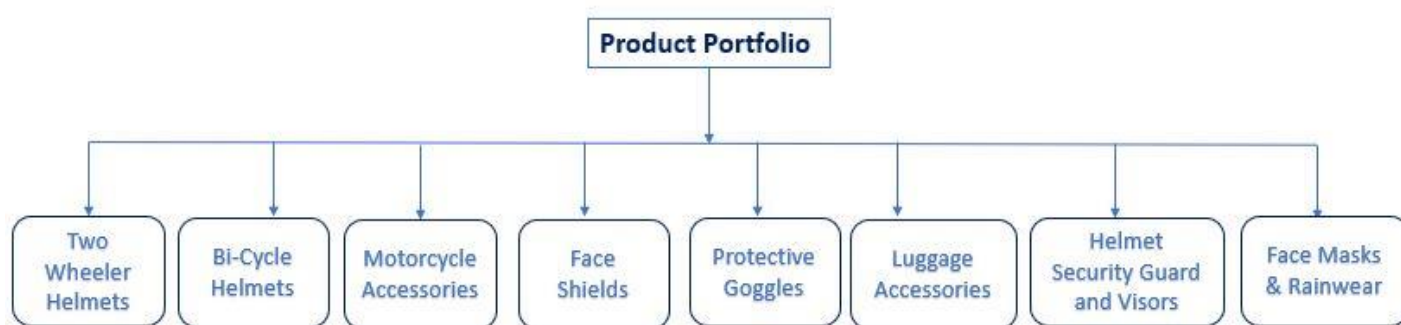


Helmets Manufactured (in Mn)



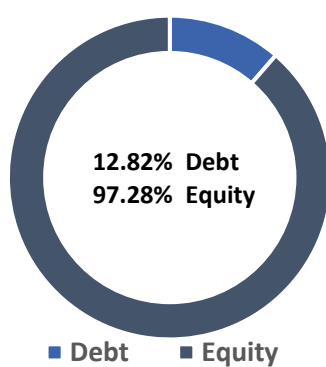
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STUDDS ACCESSORIES

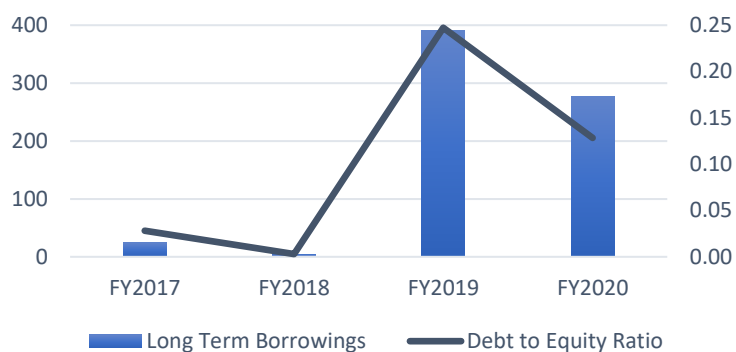


Financial Dashboard

Capital Structure

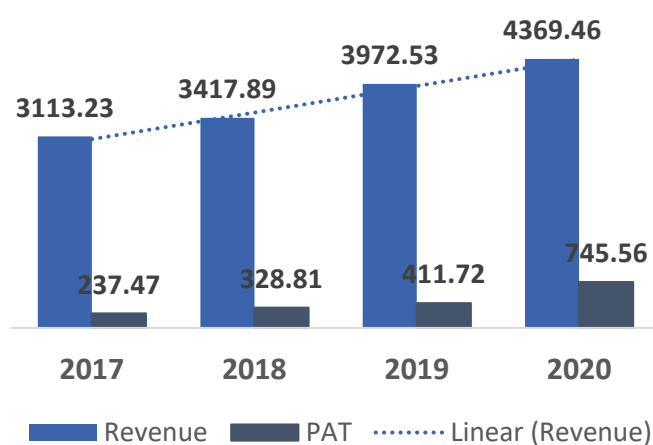


Borrowings Trend

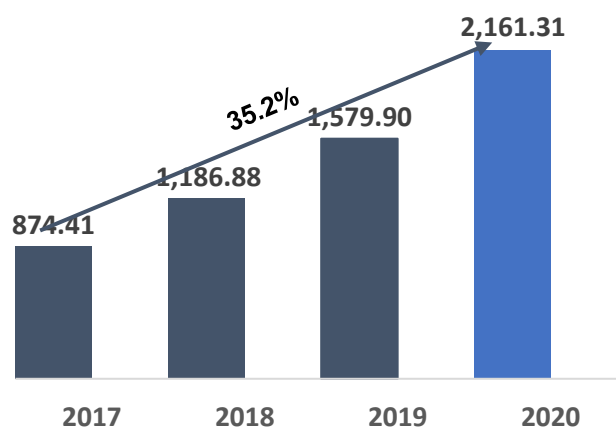


The company is virtually debt free. It currently has a long term borrowing of ₹ 277.26 Mn which has decreased from ₹ 390.67 Mn in FY2019 and zero short term borrowing for FY2020.

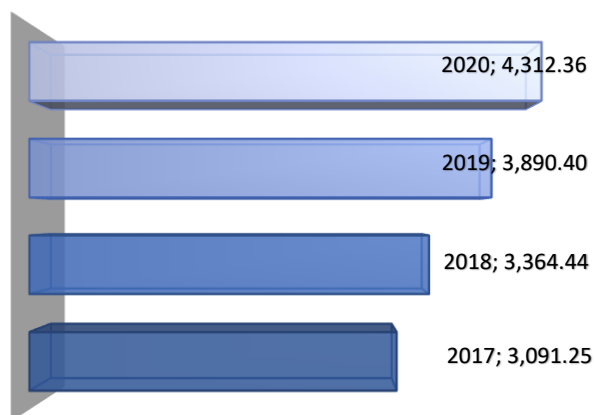
Revenue vs PAT (in ₹ Mn)



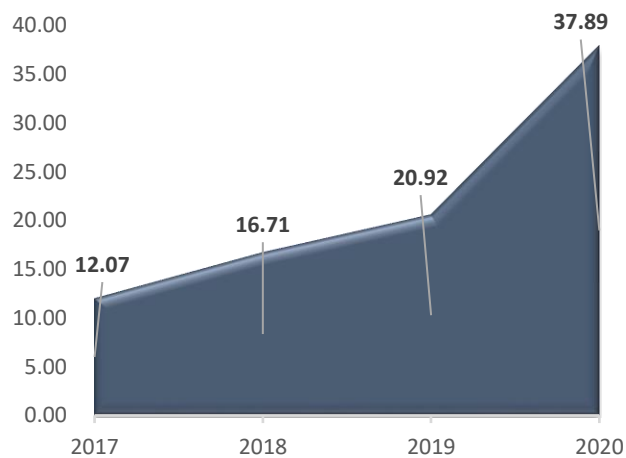
Net Worth (in ₹ Mn)



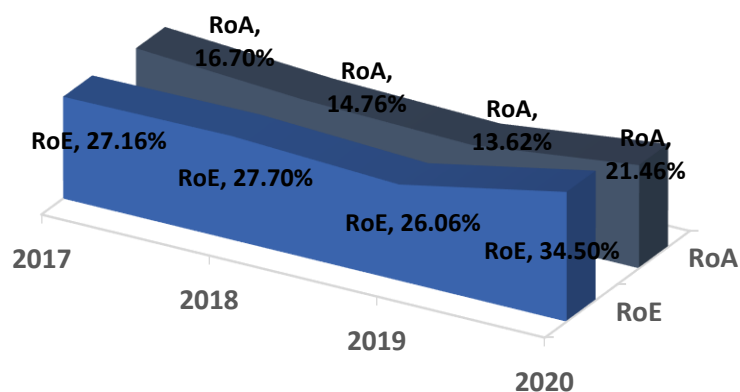
Revenue from Operations(in ₹ Mn)



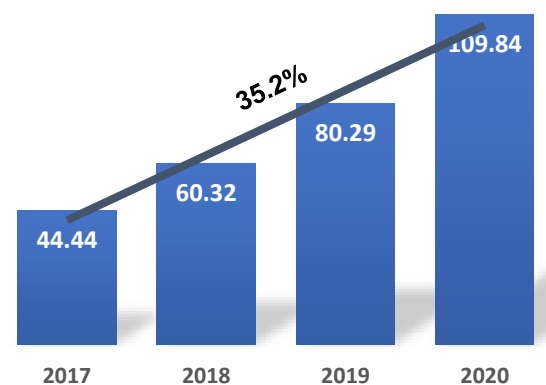
EPS Growth



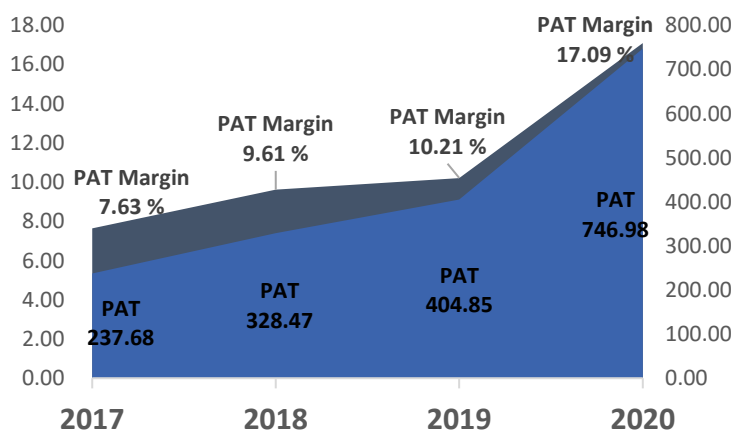
ROA and ROE



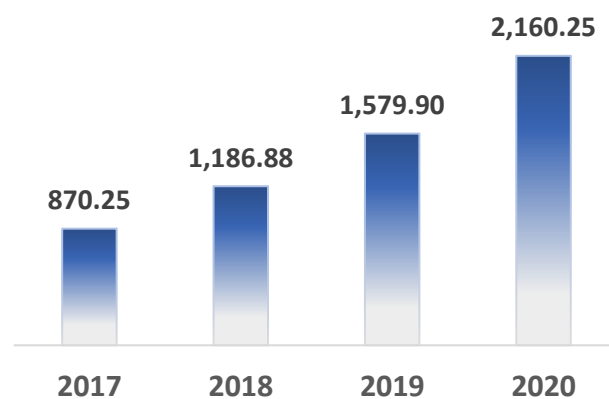
Book Value Per Share



PAT vs PAT Margin



Enterprise Value (in ₹ Mn)



- ◆ Studds Accessories is one of the consistent dividend paying companies and has paid an Interim Dividend of 80% in FY2020.
- ◆ The Net Worth has grown from ₹ 874.41 Mn in FY2017 to ₹ 2,161.31 Mn in FY2020 at a CAGR of 35.21%.
- ◆ The Revenue from Operations has grown from ₹ 3,091.25 Mn in FY2017 to ₹ 4,312.36 Mn in FY2020 at a CAGR of 11.74%.
- ◆ The Net Profit has grown from ₹ 237.47 Mn in FY2017 to ₹ 745.56 Mn in FY2020 at a CAGR of 46.42%.
- ◆ The Earnings per Share (EPS) has also grown from ₹ 12.07 in FY2017 to ₹ 37.89 in FY2020 at a CAGR of 46.42% when adjusted for corporate actions taken in FY2019.
- ◆ CRISIL rating agency as on October, 2019 has upgraded its rating and rated its long-term instruments as CRISIL A and short-term instruments as CRISIL A1.
- ◆ The company in FY2019 has undergone a stock split in the ratio of 1:1 as well as a bonus issue of 8:1 for its existing shareholders.

Valuation

The company has been valued basis P/E(x). The shares are currently trading at trailing P/E(x) of 26.

In a recent interview of Siddharth Bhushan Khurana given to Economic Times in August 2020, the company is expected to grow at 25% in FY2021 and is expected to achieve sales of over INR 5 Bn as the demand is expected to rise for two-wheelers considering the impact of COVID-19 on the usage of public transport.

Also, in an interview given to the Indian Express on 8th August 2020, he is expecting the company to grow at 50% in FY2022 considering to the fact that the current India market already has demand of over 80 Million helmets and also expects the demand to grow sharply post COVID-19 pandemic. Hence, given the expectation for growth in sales of the company by FY2022, the company's valuation appears to be justified at the current market price with the FY2022 P/E(x)

A-Actuals, E-Expected. The Y-O-Y change depicts % change expected in FY2022 over FY2021.

(in ₹ Million)				
Metrics	FY2020A	FY2021E	FY2022E	Y-O-Y Change
Net Worth	2,161.31	2,701.64	4,052.46	50.00%
Book Value per share (in ₹ per share)	109.84	137.30	205.95	50.00%
Diluted EPS	37.89	47.36	71.04	50.00%
Trailing P/E	27.18	-	-	-
Forward P/E	-	21.00	14.00	-33.33%

Future Outlook

- ◆ Studds Accessories Ltd. is the largest manufacturer of two-wheeler helmets in the world. It has recently commissioned a plant in Haryana involving an investment of INR.1.8Bn, which is the largest of its kind in Asia increasing the total capacity to 14 million bike helmets from current 6.65 million and 1.5 million bicycle helmets per year and is aiming to double exports over the next 2 years.
- ◆ Studds Accessories Ltd. is expected to face substantial increase in demand as the Government of India is working on new policy on banning non-ISI certified helmets which currently has a market share of 30% and lifting the 1.2-kg or lower rule on helmet weight limit.
- ◆ The Central Government is also working towards making it mandatory for pillion riders to wear helmets in the future which will further accelerate the growth in demand. The Company contributes 15% of the global output in two-wheeler Helmets.
- ◆ The company has stopped imports of raw materials from China and is currently sourcing the same locally and from Vietnam.
- ◆ Based on the leadership position of Studds Accessories Ltd. in India in terms of market share, financial strength and future outlook, Studds Accessories Ltd. is well-positioned to increase the market share to 40% in the next 3 years in India from its existing market share of 30%. The Company's brand recognition and value which will further increase and strengthen the company's financial position which in turn will result into increasing shareholder's return and wealth.

