

# STUDDS REPORT



# **Studds Accessories Limited:** **Unlisted Share Analysis**

Studds Accessories Limited, renowned for manufacturing helmets and motorcycle luggage, has evolved significantly since its beginning in 1972. It is currently the largest two-wheeler helmet manufacturer in the world, producing about 7 million helmets every year. Its laboratory in India is uniquely certified by the European Safety Agency, emphasizing the company's commitment to high-quality, certified products.

The company's revenue model is predominantly based on helmet sales, which constitute 90% of its total revenue. Helmets are sold under two brand names: Studds and SMK, with market shares of 25% and 27.79%. The remaining 10% of revenue comes from motorcycle accessories, with a major part of the business derived from the domestic market.

They have 4 Manufacturing units situated in Haryana with total force of 3000+ Employees. The total capacity of the plant is 1.35 Cr helmets annually.

The background of the entire page is a dark, artistic composition. It features a close-up of a helmet, possibly a military or racing helmet, with a visor. The helmet is dark and metallic, with some highlights. Behind the helmet, there are bright, orange and yellow flames or fire, creating a dramatic and intense atmosphere. The overall color palette is dark, with the fire providing the primary source of light and color contrast.

# Operational Model

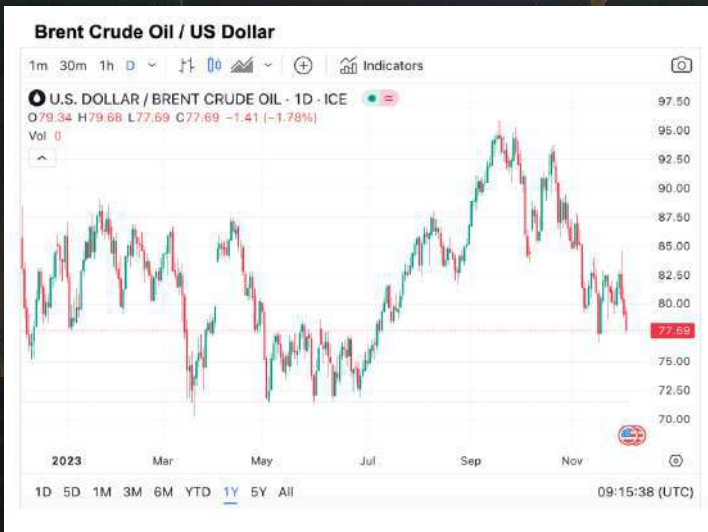
The primary revenue source for Studds, specializing in helmet sales, is diversified through multiple channels. The strategy of leveraging e-commerce platforms expands the reach to a broader consumer base, offering convenience and accessibility.

Additionally, collaborating with strategic partners and distributors worldwide enables Studds to tap into various markets, enhancing global presence and market penetration. This multifaceted approach not only diversifies revenue streams but also mitigates risks associated with reliance on a single sales channel, allowing for a more robust and resilient business model in the dynamic market of helmet sales.

# Raw Material for Making Helmets

Around 50% of Studds raw materials are derivatives of crude oil; hence the prices of its raw materials vary with the fluctuation in international crude oil prices. Studds enters into short-term contracts with its customers to mitigate any large volatility in raw material prices.

In the last few months the prices of crude has come down which will increase the margins of the Studds in FY23-24.





# Studds Offerings



## Key Factors of FY23 Annual Report

More than

**64** Lakhs

of helmets and luggage boxes  
sold in FY 2022-23.

**86.83** %

Of total sales from  
domestic sale

Exports in

**65** +

Countries

**13.17** %

Of total sales from  
exports

**25.66** %<sup>Close\*</sup>

Market share in India

**15**

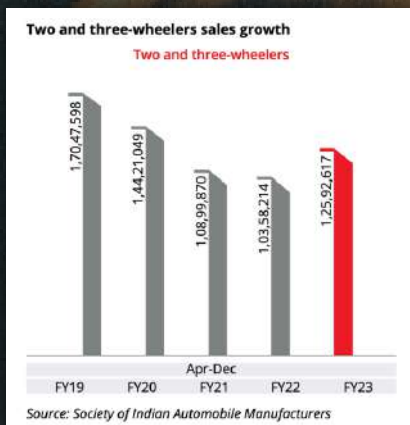
New countries  
targeted

# Industry Analysis

Demand of helmet can be mainly associated with purchase of new two wheelers and replacement demand. Over the past few years till FY19 the two-wheeler (2W) industry has witnessed healthy growth primarily driven by strong demand from urban as well as rural areas owing to healthy economic scenario. After that there is a decline in the sales of 2W and 3W and hence sales of Helmets.

However as per ICRA, the two wheeler sector in India is poised for steady growth with an anticipated 6-9% growth in FY24, gradually returning to the peak volumes of FY19 within the next 2-3 years.

The market size of motorcycle helmets in India, was around INR 5000 Cr in 2022 to which will be increased to INR 7300 Cr by 2029, at a CAGR of 7.1%. The marginal growth is a result of subdued growth in motorcycle industry in India during the iscal, largely due to rising inflation and resultant lower offtake of motorcycles due to higher prices.



Two-wheeler sales are expected to recover and return to more growth mode in 2023-24 after three consecutive years of decline and good recovery in Fy23.

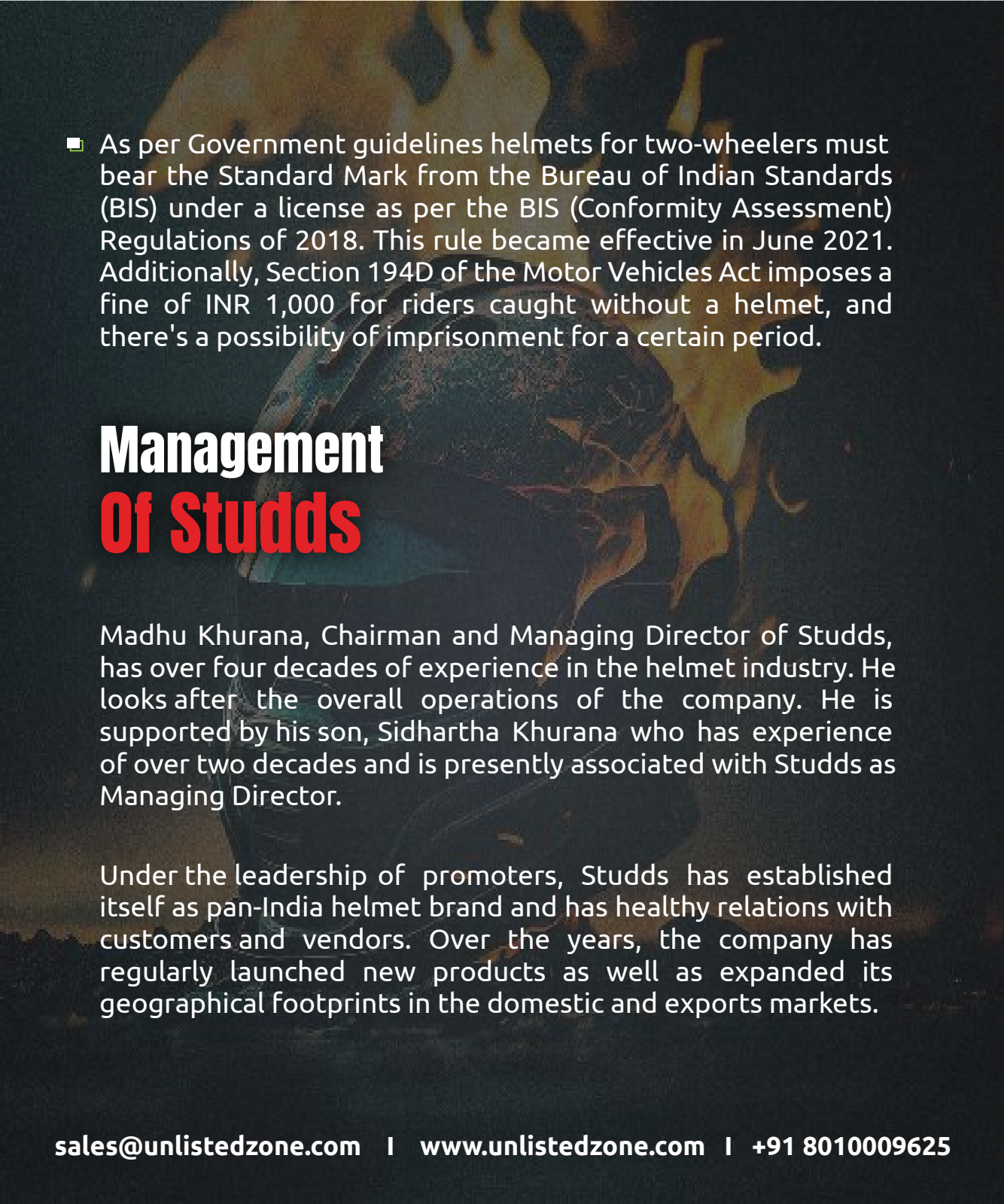
Region-wise, the market distribution in 2022 is segmented into North, East, West, and South India, with South India taking the largest share.

Key players in the market include Studds, Steelbird Hi-Tech India Ltd., Royal Enfield Helmets, and Vega Auto Accessories Pvt. Ltd., among others. The technology segment is expected to evolve from conventional helmets to smart helmets by 2029, indicating an advancement in helmet technology and increased emphasis on safety and innovation in the sector.

# Key Drivers for Growth in Helmets in India

- With the introduction of the GST, the transformation from the unorganized sector to an organized sector is expected to witness growth in future.
- The government's focus on Electric Vehicles (EVs), infrastructure development along with initiatives like FAME India, Bharatmala Pariyojana, among others are expected to contribute to the growth of two wheelers industry as a whole in the near short-term. This will augur the growth of the helmet, given the regulators' increasing focus on road safety.
- The government's Make in India initiative has given a boost to the manufacturing of helmets in the country. As a result, Indian-made helmets are becoming popular in other countries as well. The export market for helmets is expected to grow in the coming years due to rising demand and the government's support for domestic manufacturing. This has created new opportunities for manufacturers to expand their customer base.



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- As per Government guidelines helmets for two-wheelers must bear the Standard Mark from the Bureau of Indian Standards (BIS) under a license as per the BIS (Conformity Assessment) Regulations of 2018. This rule became effective in June 2021. Additionally, Section 194D of the Motor Vehicles Act imposes a fine of INR 1,000 for riders caught without a helmet, and there's a possibility of imprisonment for a certain period.

## **Management Of Studds**

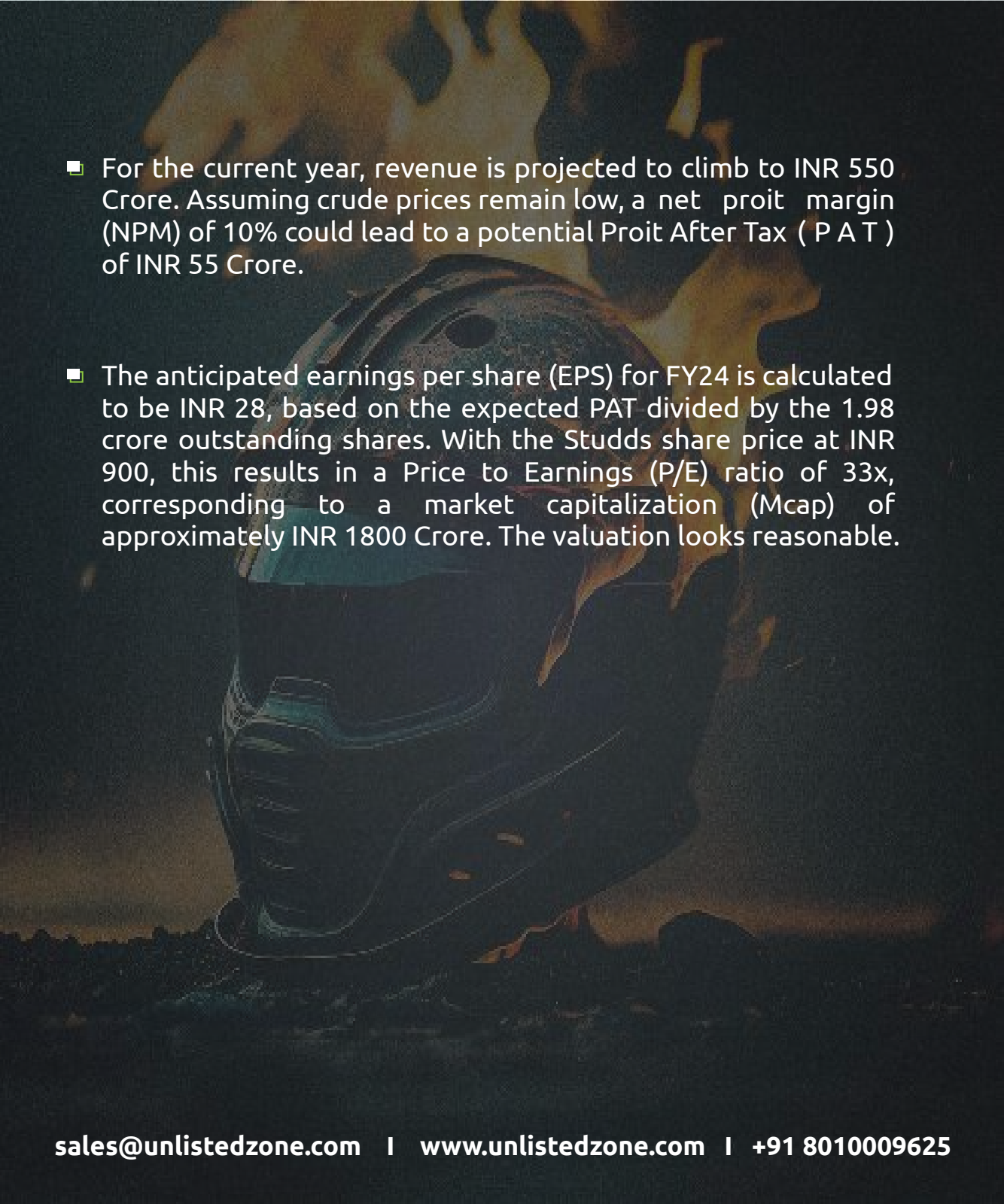
Madhu Khurana, Chairman and Managing Director of Studds, has over four decades of experience in the helmet industry. He looks after the overall operations of the company. He is supported by his son, Sidhartha Khurana who has experience of over two decades and is presently associated with Studds as Managing Director.

Under the leadership of promoters, Studds has established itself as pan-India helmet brand and has healthy relations with customers and vendors. Over the years, the company has regularly launched new products as well as expanded its geographical footprints in the domestic and exports markets.

# Financials and Valuation of Studds Unlisted Share

Year	Revenue	PAT	OPM	NPM	Outstanding Shares	EPS
FY19	397	40	18.53%	10.20%	1.9676	20
FY20	436	74	23.72%	17%	1.9676	37
FY21	484	74	23%	15.20%	1.9676	37
Fy22	467	28	12.75%	5.98%	1.9676	15
Fy23	506	33	13.30%	6.50%	1.9676	17

- Studds' revenue saw an increase from INR 397 Crore in FY19 to INR 506 Crore in FY23, marking a compound annual growth rate (CAGR) of 6.25%. This modest growth is largely attributable to the impact of COVID-19 in FY21 and FY22, as well as a downturn in the sales of two-wheelers and three-wheelers post their peak in FY19.
- The company experienced higher profit margins in FY21 due to historically low crude oil prices during the COVID-19 pandemic. However, in the subsequent fiscal years FY22 and FY23, margins faced pressure as crude prices escalated.

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- For the current year, revenue is projected to climb to INR 550 Crore. Assuming crude prices remain low, a net profit margin (NPM) of 10% could lead to a potential Profit After Tax (PAT) of INR 55 Crore.
  - The anticipated earnings per share (EPS) for FY24 is calculated to be INR 28, based on the expected PAT divided by the 1.98 crore outstanding shares. With the Studs share price at INR 900, this results in a Price to Earnings (P/E) ratio of 33x, corresponding to a market capitalization (Mcap) of approximately INR 1800 Crore. The valuation looks reasonable.



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