

Stylam Industries Ltd

Building a durable surface for growth

Stylam Industries (Stylam) Q2FY25 results beat our estimates.

Revenue at Rs 2,627 mn - increased by 12.3% yoy & 8.3% qoq
Sales volume at 3.2 mn sheets - increased by 1.6% yoy & 8.1% qoq
Realisation per sheet at Rs 821 - up by 10.5% yoy & 5.9% qoq
EBITDA at Rs 544 mn - increased by 15.1% yoy & 29.9% qoq
EBITDA margin at 20.7% - up by 51 bps yoy/ 344 bps qoq
PAT at Rs 341 mn - increased by 7.5% yoy/ 20.3% qoq
PAT margin at 13.0% - down by 58 bps yoy but up by 129 bps qoq

Future Outlook

- Stylam has improved capacity utilization to ~80% in the laminates division.
- Stylam will focus on improving and enhancing share of value-add products in the product mix as well as expanding the product range, strengthen domestic presence with a deeper reach and penetration and creation of a strong brand.
- Stylam plans to expand coverage across newer exports regions along with increasing business with existing partners.
- Stylam is setting up a new laminate sheet manufacturing plant adjoining to its existing plant in Manak Tabra, Panchkula Haryana. It has placed orders for major plant and machinery. The new plant is expected to be commissioned in Q4FY25.

Key Risks

- Stylam's exports may be impacted due to a slowdown in the global economy.
- Raw material risks arising from supply chain constraints and the surge in oil prices can potentially hurt the near-term growth prospects of Stylam.
- Being a pioneer in the manufacturing of solid acrylic surfaces in India, Stylam may face some reluctance from customers in replacing products that were so far being used by them.

Valuation

Stylam is currently trading at P/E of 24.5x on FY26e basis. We have valued the stock based on P/E methodology. We have assigned multiple of 25x (2-year forward) on FY26E PAT of Rs. 1,599 mn to arrive at a target price of **Rs 2,359** per share, which is potential upside of ~2.25% from current market price and recommend **"HOLD"** on the stock.



East India Securities Ltd
Excellent | Investment | Solutions

Rating: **Hold** Upside/(Downside): **2.25%**
CMP: **2,307.6** Target Price: **2,359**

| Market Data

Bloomberg:	SYIL:IN
52-week H/L (Rs):	2400 / 1407
Mcap (Rs bn/USD bn):	39.1/0.46
Shares outstanding (mn):	16.9
Free float:	45.4%
Daily vol. (3mth Avg)	48 mn
Face Value (Rs):	5

Source: ACE Equity, EISEC Research

| Shareholding pattern

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	54.6	54.6	54.6	54.6
FIIIs	3.6	3.8	3.6	3.8
DIIIs	7.9	11.3	11.2	12.0
Public/others	33.9	30.3	30.6	29.6

Source: Ace Equity

| Price Performance (%)*

YE Mar (R)	1M	3M	6M	12M
BSE Small cap	-2.5	5.2	21.0	45.7
Stylam	14.0	22.0	39.5	39.3

*As on 21 Oct 2024 Source: Ace Equity, EISEC Research

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY22	6,593	37.5%	1,037	15.7%	611	10.6%	36.1	23.5%	18.2%	64.0	38.4
FY23	9,521	44.4%	1,548	16.3%	960	57.1%	56.6	26.4%	23.6%	40.8	25.3
FY24	9,141	-4.0%	1,845	20.2%	1,296	35.0%	76.5	27.3%	26.4%	30.2	20.8
FY25E	10,720	17.3%	2,108	19.7%	1,369	5.7%	80.8	23.3%	24.8%	28.6	17.7
FY26E	12,624	17.8%	2,552	20.2%	1,599	16.8%	94.4	22.9%	24.5%	24.5	14.3

Source: Company, EISEC Research Estimates

Quarterly financials, operating metrics and key performance indicators

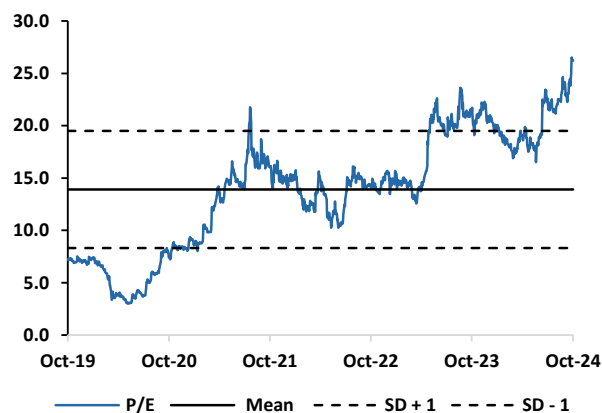
Quarterly Financials

Y/E March (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Sales	2,340	2,368	2,257	2,339	2,146	2,399	2,426	2,627
Raw Materials	1,307	1,296	1,254	1,245	1,092	1,151	1,346	1,340
Employee Costs	179	186	186	187	190	188	194	205
Other Expenditure	460	481	399	435	386	584	467	538
EBITDA	394	405	418	472	478	477	419	544
Depreciation	38	44	51	53	56	63	61	54
Interest	41	6	7	6	7	5	5	40
Other Income	2	7	5	19	20	13	26	19
PBT	317	362	365	432	435	411	379	468
Tax	77	95	87	115	122	35	95	127
Tax rate (%)	24.2%	26.1%	23.8%	26.6%	28.0%	8.5%	25.1%	27.2%
PAT	240	268	278	317	313	376	284	341
YoY Growth (%)								
Revenue	32.3%	32.3%	-4.0%	-5.0%	-8.3%	1.3%	7.5%	12.3%
EBITDA	19.0%	102.6%	18.3%	19.3%	21.4%	17.7%	0.2%	15.1%
Adj. PAT	53.7%	60.6%	32.6%	31.1%	30.4%	40.3%	2.1%	7.5%
QoQ Growth (%)								
Revenue	-5.0%	1.2%	-4.7%	3.7%	-8.3%	11.8%	1.1%	8.3%
EBITDA	-0.6%	2.9%	3.1%	13.1%	1.2%	-0.3%	-12.2%	29.9%
Adj. PAT	-0.7%	11.4%	3.8%	14.2%	-1.3%	19.9%	-24.5%	20.3%
Margin (%)								
EBITDA	16.8%	17.1%	18.5%	20.2%	22.3%	19.9%	17.3%	20.7%
PAT	10.3%	11.3%	12.3%	13.6%	14.6%	15.7%	11.7%	13.0%

Source: Company, EISEC Research

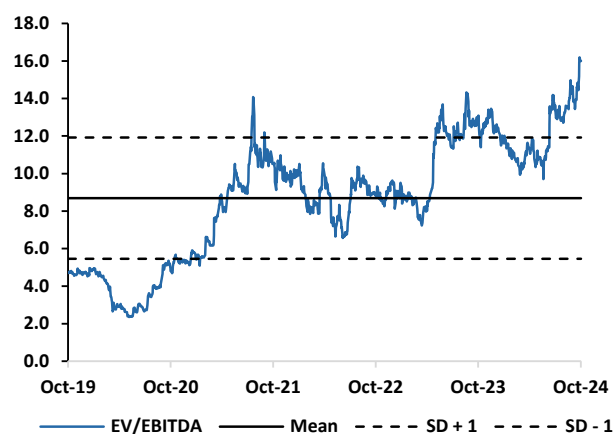
Valuation

Fig 1: 2-year forward P/E chart



Source: ACE Equity, Company, EIS Research

Fig 2: 2-year forward EV/EBITDA chart



Source: ACE Equity, Company, EIS Research

Financials Consolidated

Income Statement	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Revenues	6,593	9,521	9,141	10,720	12,624
% Growth	37.5%	44.4%	-4.0%	17.3%	17.8%
Raw Materials	3,755	5,310	4,741	5,634	6,565
% of sales	57.0%	55.8%	51.9%	52.6%	52.0%
Personnel	548	688	751	839	983
% of sales	8.3%	7.2%	8.2%	7.8%	7.8%
Mfg. & Other Expenses	1,254	1,976	1,804	2,139	2,525
% of sales	19.0%	20.7%	19.7%	20.0%	20.0%
EBITDA	1,037	1,548	1,845	2,108	2,552
EBITDA Margin (%)	15.7%	16.3%	20.2%	19.7%	20.2%
Depreciation & Amortization	233	200	223	224	330
EBIT	804	1,348	1,622	1,884	2,222
Finance cost	78	82	25	126	161
PBT From Operations	726	1,266	1,597	1,758	2,061
Other Income	80	14	57	84	77
Share from Associates	0	0	0	0	0
PBT	806	1,281	1,654	1,842	2,138
Tax-Total	195	321	358	473	538
Reported PAT	611	960	1,296	1,369	1,599
Minority Interest	0	0	0	0	0
Adjusted PAT	611	960	1,296	1,369	1,599
PAT Margin	9.3%	10.1%	14.2%	12.8%	12.7%
% Growth	10.6%	57.1%	35.0%	5.7%	16.8%

Source: Company, EISEC Research Estimates

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
YE March					
Growth Ratios (%)					
Net Sales	37.5%	44.4%	-4.0%	17.3%	17.8%
EBITDA	4.7%	49.3%	19.2%	14.3%	21.1%
Adjusted Net Profit	10.6%	57.1%	35.0%	5.7%	16.8%
Margin Ratio (%)					
EBITDA Margin	15.7%	16.3%	20.2%	19.7%	20.2%
PBT margins	12.2%	13.5%	18.1%	17.2%	16.9%
PAT Margin	9.3%	10.1%	14.2%	12.8%	12.7%
Return Ratios					
ROE	23.5%	26.4%	27.3%	23.3%	22.9%
ROCE	18.2%	23.6%	26.4%	24.8%	24.5%
ROIC	17.2%	24.4%	28.3%	30.2%	34.8%
Turnover Ratios (days)					
Gross Block Turnover (x)	2.2	2.9	2.7	2.9	3.2
Inventory	74	61	58	60	60
Debtors	66	48	65	65	65
Creditors	44	29	25	30	30
Cash Conversion Cycle	95	81	97	95	95
Solvency ratio (x)					
Debt-equity	0.3	0.1	0.0	0.0	0.0
Net Debt-Equity	0.2	0.0	(0.1)	(0.3)	(0.4)
Gross Debt/EBITDA	0.8	0.2	0.0	0.0	0.0
Current ratio	3.7	4.4	6.3	6.1	6.5
Interest Coverage Ratio	11.3	-	-	-	-
Per share (Rs.)					
Basic EPS (reported)	36.1	56.6	76.5	80.8	94.4
BV	186.5	243.1	316.4	377.0	447.8
CEPS	49.8	68.4	89.6	94.0	113.9
DPS	9.0	14.2	19.1	20.2	23.6
Dividend Payout (%)	25.0%	25.0%	25.0%	25.0%	25.0%
Valuation					
P/E	64.0	40.8	30.2	28.6	24.5
P/BV	12.4	9.5	7.3	6.1	5.2
EV/EBITDA	38.4	25.3	20.8	17.7	14.3
Dividend Yield (%)	0.4%	0.6%	0.8%	0.9%	1.0%

Source: Company, EISEC Research Estimates

Balance Sheet	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Capital	85	85	85	85	85
Reserves & Surplus	3,076	4,036	5,278	6,305	7,505
Shareholders' Funds	3,161	4,121	5,363	6,390	7,589
Minority Interest	0	0	0	0	0
Total Loan Funds	794	367	0	0	0
Deferred tax liabilities	108	100	25	25	25
Total Liabilities	4,063	4,588	5,387	6,414	7,614
Gross Block	3,107	3,238	3,494	3,760	4,010
Accumulated Depreciation	1,320	1,520	1,743	1,967	2,297
Net Block	1,787	1,718	1,750	1,793	1,713
Capital WIP	13	128	16	0	0
Net Fixed Assets	1,800	1,846	1,767	1,793	1,713
Investments	11	11	0	0	0
Other non current assets	0	0	0	0	0
Total Non-Current Assets	1,811	1,858	1,767	1,793	1,713
Inventories	1,329	1,598	1,451	1,799	2,119
Current Investments	0	0	0	0	0
Sundry Debtors	1,188	1,258	1,621	1,417	1,669
Cash & Bank Balances	87	267	720	1,798	2,668
Other current Assets	475	399	515	515	515
Total Current Assets	3,078	3,523	4,306	5,529	6,971
Sundry Creditors	792	756	637	851	1,002
Provisions	34	37	49	57	67
Total Current Liabilities	826	793	686	908	1,069
Net Current Assets	2,252	2,730	3,621	4,621	5,901
Total Assets	4,063	4,588	5,387	6,414	7,614

Source: Company, EISEC Research Estimates

Cash Flow	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Operating profit before WC changes	-602	72	901	1,791	1,194
Changes in working capital	708	591	270	-78	410
Cash flow from operations	106	662	1,171	1,713	1,604
Capex	137	259	143	250	250
Adj. FCF	-30	404	1,029	1,463	1,354
Cash flow from investments	-253	-123	-209	-166	-173
Cash flow from financing	82	-358	-510	-468	-561
Net change in cash	-65	181	453	1,079	870

Source: Company, EISEC Research Estimates

Capacity & Cap. Utilisation	FY22	FY23	FY24	FY25E	FY26E
Capacity (Mn Sheets)					
- Laminates	14.30	14.30	15.55	16.00	20.02
Capacity Utilisation (%)					
- Laminates	63.6%	79.3%	75.8%	81.0%	73.4%
Average Sales Realisation					
- Laminates	725	840	775	827	846

Source: Company, EISEC Research Estimates

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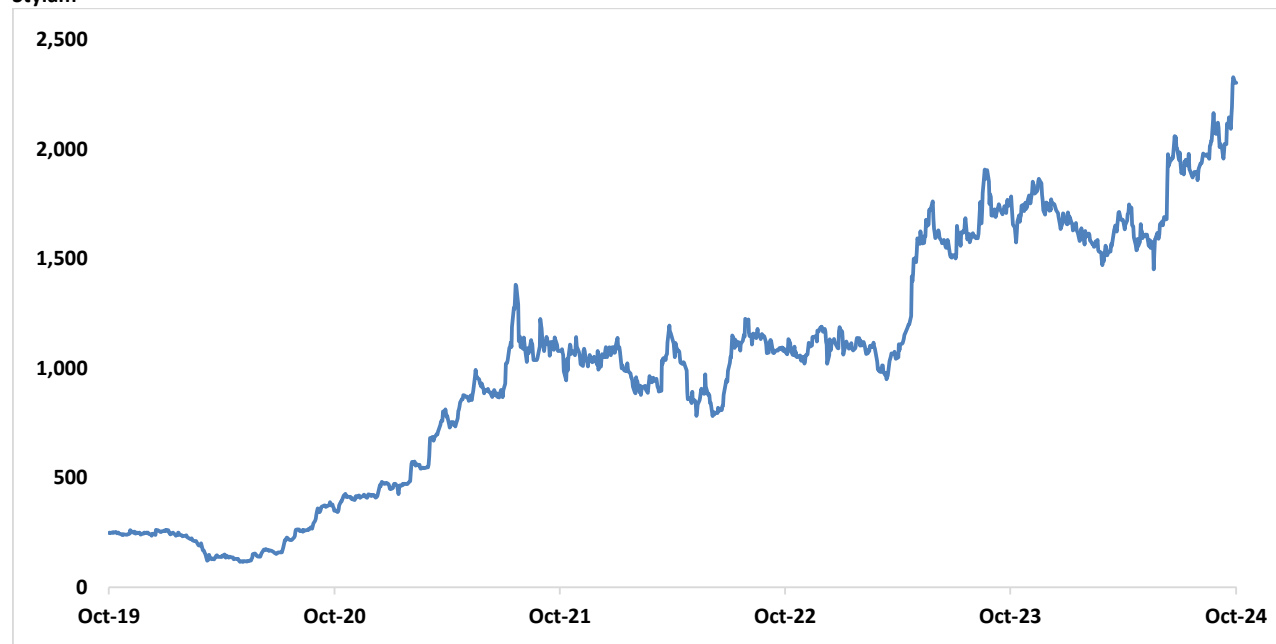
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Stylam



Source: ACE Equity, EISEC Research

Analyst holding in stock: **YES**

Key to EISEC Investment Rankings

Buy: Upside by>15%, Accumulate: Upside by 5%to 15%, Hold: Downside/Upside by -5% to +5%,

Reduce: Downside by 5% to 15%, Sell: Downside by>15%

East India Securities Ltd. (<http://www.eisec.com/>)

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		Stylam
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