



Strong performance continues

Stylam Industries has been an outlier in the home décor space in FY23 with revenue growth (+44%) and margins seeing an improvement. Sales/Ebitda/Pat grew 22%/22%/30% CAGR from FY17-23.

Key business highlights

- The company reported a 27% volume growth for FY23 and 17% growth for the quarter in the laminates segment.
- The exports revenue grew 52% for FY23 & grew 36% for the quarter.
- The domestic revenue grew by 32% for FY23 & grew 25% QoQ. The company has done extremely well in the domestic markets growing its revenue at 23% in the last 6 years.
- Solid acrylic sheets reported an improvement in the performance recording sales of Rs 9 crores (7.5 crores in Q3FY23).

Key Financial Highlights

- Revenue at INR 2383Mn, +1.2% qoq/+32% yoy
- EBITDA (excl OI) at INR 405.2Mn, +2.9% qoq/+105% yoy
- EBITDA margin at 17.11% vs 16.82% vs 11.02% in Q3FY23/Q4FY22
- PAT at INR 268Mn, +11.5% qoq/+64.3% yoy
- EPS at INR 15.8 vs 14.2/9.6 in Q3FY23/Q4FY22

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	4,795	6,593	9,521	11,387	13,804
EBIDTA	990	1,036	1,548	1,948	2,397
Margins (%)	20.7	15.7	16.3	17.1	17.4
Adjusted net profit	553	610	960	1,167	1,466
EPS (Rs)	32.6	36.0	56.6	68.9	86.5
P/E (x)	37	33	21	17	14
EV/EBITDA (x)	21	20	13	10	8
RoCE (%)	25.13	21.08	30.04	27.99	28.07
RoE (%)	21.32	19.30	23.29	22.07	21.71

Source: Company, Dalal & Broacha Research

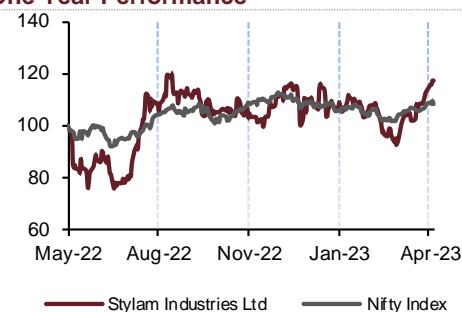
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	1,643	37

Market data

Current price	Rs	1,202
Market Cap (Rs.Bn)	(Rs Bn)	20
Market Cap (US\$ Mn)	(US\$ Mn)	249
Face Value	Rs	5
52 Weeks High/Low	Rs	269.05 / 760.15
Average Daily Volume	('000)	79
BSE Code		526951
Bloomberg		SYIL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-23	Dec-23
Promoters	54.61	54.61
Public	45.39	45.39
Total	100	100

Source: Bloomberg

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Concall Highlights:

- **Revenue Guidance:** The company is extremely upbeat about the growth that can be achieved in the next couple of years. Management expects atleast 20% growth in revenue over FY23 backed by increase in laminates capacity, capacity utilisation, increase in the share of value added products (within laminates segment) and solid acrylic surfaces scaling up. The brand acceptability & visibility in domestic markets has gone up dramatically.
- **Margin Guidance:** Management expects the operating margins to increase by ~100 bps atleast in FY24 due to improvement in product mix.
- **Capex Announcement:** The company has announced a capacity addition in laminates segment to the tune of Rs 150 crores. The expansion will be at the same location of the existing plant. Currently the company is expecting to fund the capex majorly via internal accruals. The details on the volume addition would be available in the next concall. The capacity addition will be majorly for the export market where newer sizes and value added products will be sold. Management expects atleast 2.5x/3x asset turnover.
- **Solid Acrylic Surface:** Sales of Rs 9 crores in Q4 (Rs 7.5 crores in Q2) and expects it to ramp up significantly in the next 2 years. The company has already started exporting to USA & gulf countries. The distribution network is already been set up. Atleast ~50 crores of revenue should be generated from this segment in FY24 (FY23 - 23 crores). Representations have been filed with the Government for levy of anti-dumping duty on import of acrylic surfaces. Maximum potential turnover is Rs 400 crores.
- **Domestic market:** The company has done extremely well in the domestic market where the revenue grew 23% CAGR from FY17-23. A lot of investments has been done in the sales team in the past 2 years and even loyalty programs have been introduced to onboard architects and contractors. Region wise South India has been growing the fastest (+40% YoY).
- **Capacity Utilisation:** For FY23, capacity utilisation is at ~81%.
- **Working capital:** Improvement in WC days in FY23 at 94 days (FY22 - 106 days). Expects further improvement going forward.
- **Demand Scenario:** The company has not indicated any kind of softness in the demand. Indian players are being preferred globally because of their cost competitiveness and quality. They have now successfully penetrated USA which was the geography they were trying since last few quarters.

Valuation & Outlook

Stylam has been an outlier in the home décor space where the revenue growth (+44%) has been significantly higher than its peers and margins also seeing an improvement. The company is taking the right steps to continue its growth trajectory and we remain optimistic about the business. Downside risk to our estimates is the possibility recession in western countries therefore recommend the investors should **ACCUMULATE*** the stock for a ***target price of Rs 1,643 valuing the company at 19x FY25E EPS of Rs 86.5.*** At CMP of Rs 1205, the company is trading at 17x FY24E EPS of Rs 69 and 14x FY25E EPS of Rs 86.5.

Financial Snapshot

Stylam Industries Particulars (Rs Mns)	Q4FY23	Q4FY22	YoY Growth	Q3FY23	QoQ Growth	FY23	FY22	YoY Growth
Revenue from operations	2,368.26	1,796.85	31.8%	2,339.79	1.2%	9,521.34	6,593.47	44%
Other income	6.99	69.96	-90.0%	2.33	200.0%	14.43	79.71	-82%
Total Income	2,375.2	1,866.8		2,342.1		9,535.77	6,673.18	43%
Cost of goods sold	1296.456	1,071.59	21.0%	1,306.84	-0.8%	5,310.09	3,755.12	41%
Employee Benefit expenses	185.93	141.33	31.6%	179.22	3.7%	687.55	547.81	26%
Other Expenses	480.657	385.92	24.5%	460.08	4.5%	1,975.65	1,254.60	57%
EBITDA (excl other income)	405.2	198.0	104.6%	393.7	2.9%	1,548.05	1,035.94	49%
Less : Depreciation	44.146	56.41	-21.7%	38.00	16.2%	199.94	232.56	
PBIT	361.1	141.6		355.7		1,348.11	803.38	
Less: Interest cost	5.66	21.30	-73.4%	40.85	-86.2%	81.86	78.30	
PBT (before exceptional)	362.4	190.3		317.1		1,280.68	804.79	
Exceptional	-	-		-		-	-	
PBT (after exceptional)	362.4	190.3	90.5%	317.1	14.3%	1,280.68	804.79	59%
Less : Tax	94.54	25.68		76.83		320.86	194.64	
PAT	267.9	164.6	62.8%	240.3	11.5%	959.82	610.15	57%
EPS	15.8	9.6	64.3%	14.2	11.5%	56.63	36.00	57%
Gross Margins	45.26%	40.36%		44.15%		44.23%	43.05%	
EBITDA Margins	17.11%	11.02%		16.82%		16.26%	15.71%	
Net profit Margin	11.28%	8.82%		10.26%		10.07%	9.14%	
Sheets sold (in Mns)								
Laminates	2.7	2.3	17%	3.01	-10%	11.64	9.2	27%
Average Realisation								
Laminates	834	781	7%	754	11%	797	716	11%

FINANCIALS

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	4,795	6,593	9,521	11,387	13,804
Total Operating Expenses	2,465	3,755	5,310	6,263	7,592
Employee Cost	383	548	688	756	847
Other Expenses	957	1,255	1,976	2,420	2,968
Operating Profit	990	1,036	1,548	1,948	2,397
Depreciation	231	233	200	239	346
PBIT	759	803	1,348	1,709	2,050
Other income	11	80	14	40	40
Interest	60	78	82	182	123
PBT	710	805	1,281	1,567	1,968
Profit before tax (post exceptional)	710	805	1,281	1,567	1,968
Provision for tax	157	195	321	400	502
Reported PAT	553	610	959.8	1,167	1,466
MI	-	-	-	-	-
Net Profit	553	610	960	1,167	1,466
Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	85	85	85	85	85
Reserves	2,510	3,076	4,036	5,203	6,669
Net worth	2,595	3,161	4,121	5,288	6,754
Non Current Liabilites	426	230	180	318	281
Current Liabilites	1,051	1,498	1,080	1,938	1,988
TOTAL LIABILITIES	4,071	4,889	5,381	7,362	8,752
Non Current Assets	1,933	1,830	1,889	3,426	3,183
Fixed Assets	1,878	1,787	1,846	3,380	3,135
Goodwill	-	-	-	-	-
Non Current Investments	14	11	11	11	11
Deferred Tax Asset	-	-	-	-	-
Other Financial Assets	14	15	16	16	16
Other Non Current Assets	27	16	15	18	20
Current Assets	2,138	3,059	3,492	5,064	6,400
Current investments					
Inventories	718	1,329	1,598	2,025	2,331
Trade Receivables	986	1,188	1,258	2,025	2,331
Cash and Bank Balances	151	87	267	591	1,253
Short Term Loans and Advances	0	0	2	2	2
Other Current Assets	282	456	366	420	483
TOTAL ASSETS	4,071	4,889	5,381	7,362	8,752

FINANCIALS

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	553	610	960	1,167	1,466
Add: Dep. & Amort.	231	233	200	239	346
Cash profits	785	843	1,160	1,406	1,812
(Inc)/Dec in					
Sundry debtors	(113)	(201)	(71)	(767)	(305)
Inventories	(51)	(611)	(269)	(427)	(305)
Other financial assets	(13)	10	(2)	(2)	(3)
Other Current Assets	(37)	(174)	90	(55)	(63)
Current Liab and Provisions	(77)	(39)	(2)	5	8
Sundry Creditors	160	65	(182)	567	146
Change in working capital	(131)	(949)	(437)	(678)	(522)
CF from Oper. activities	654	(106)	595	710	1,127
CF from Inv. activities	(47)	(139)	(131)	(1,773)	(101)
CF from Fin. activities	(517)	181	(284)	450	(267)
Cash generated/(utilised)	90	(65)	181	324	662
Cash at start of the year	61	151	87	267	591
Cash at end of the year	151	87	268	591	1,253

Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	20.65%	15.71%	16.26%	17.11%	17.36%
NPM	11.51%	9.14%	10.07%	10.22%	10.59%
Tax Rate	22.08%	24.19%	25.05%	25.50%	25.50%
Growth Ratios (%)					
Net Sales	3.76%	37.50%	44.41%	19.59%	21.22%
Operating Profit	24.37%	4.60%	49.43%	25.84%	23.03%
PBIT	45.68%	13.39%	59.13%	22.34%	25.59%
PAT	553	610	960	1,167	1,466
Per Share (Rs.)					
Net Earnings (EPS)	32.6	36.0	56.6	68.9	86.5
Cash Earnings (CPS)	13.7	13.7	11.8	14.1	20.4
Dividend	-	2.5	-	-	-
Book Value	153	187	243	312	399
Valuation Ratios					
P/E(x)	36.93	33.47	21.28	17.50	13.93
P/B(x)	7.87	6.46	4.96	3.86	3.02
EV/EBIDTA(x)	20.90	20.26	13.26	9.55	7.64
Div. Yield(%)	0.00	0.21	0.00	0.00	0.00

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