

Capex to drive growth



Stylam Industries posted a mixed bag of results with revenue 4% below our estimates and EBITDA margins saw a beat of 60bps.

Key business highlights

- The company reported a 3.7% volume growth for Q1FY24 on a YoY basis and 2.56% on a QoQ basis.
- The exports revenue de-grew by 12% on a YoY basis & de-grew 1.3% on a QoQ basis.
- The domestic revenue grew by 17% for Q1FY24 basis & de-grew 10.5% 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 9.5 crores (9 crores in Q4FY23).

Key Financial Highlights

- Revenue at INR 2257Mn, -4.7% qoq/-4% yoy
- EBITDA (excl OI) at INR 418Mn, +3.1% qoq/+18.2% yoy
- EBITDA margin at 18.51% vs 17.11% vs 15.03% in Q4FY23/Q1FY23
- PAT at INR 278Mn, +3.7% qoq/+32.4% yoy
- EPS at INR 16.4 vs 15.8/12.4 in Q4FY23/Q1FY23

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	4,795	6,593	9,521	10,131	12,394
EBIDTA	990	1,036	1,548	1,928	2,375
Margins (%)	20.7	15.7	16.3	19.0	19.2
Adjusted net profit	553	610	960	1,266	1,519
EPS (Rs)	32.6	36.0	56.6	74.7	89.6
P/E (x)	37	33	21	16	13
EV/EBITDA (x)	21	20	13	10	8
RoCE (%)	25.13	21.08	30.04	30.46	28.72
RoE (%)	21.32	19.30	23.29	23.50	22.00

Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
HOLD	1,703	7

Market data

Current price	Rs	1,589
Market Cap (Rs.Bn)	(Rs Bn)	27
Market Cap (US\$ Mn)	(US\$ Mn)	325
Face Value	Rs	5
52 Weeks High/Low	Rs	1790 / 941.7
Average Daily Volume	('000)	185
BSE Code		526951
Bloomberg		SYIL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

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

Source: Bloomberg

Harsh Shah
+91 22 67141496

harsh.shah@dalal-broacha.com

Concall Highlights:

- **Revenue Guidance:** The company did sound a bit cautious on the export demand but remains optimistic on the domestic market (volumes have grown 40% YoY). Maximum potential turnover in the existing plant (incl 40crs capex for value add products & acrylic surface) is Rs 1500-1800 crs.
- **Margin Guidance:** Gross margins will see an improvement from Q2 onwards as benefit of the low cost inventory will be realized. EBITDA margins should sustain/improve from ~18.5%.
- **Capex Announcement:** The company had announced a capacity addition in laminates segment to the tune of Rs 150 crores in Q4FY23. All the necessary approvals have been received. 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 capacity addition will be majorly for the export market where newer sizes and value added products will be sold. Management expects turnover of Rs 400-600 crs depending on the size of the sheet. The commercial production should start by Q2FY25 at the least.
- **Solid Acrylic Surface:** Sales of Rs 9.5 crores in Q1 (Rs 1cr in Q1FY23) and expects it to ramp up significantly in the next 2/3 years. This segment is EBITDA positive. 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. Volume growth has been 40% on a YoY basis.
- **Capacity Utilisation:** For Q1FY24, capacity utilisation is at ~79%.
- **Working capital:** Improvement in WC days in FY23 at 92 days (FY23 - 94days).
- Net debt stood at negative 27 crs

Exhibit 1 : Quarterly details

Particulars	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Sheets sold (mn)	1.80	2.70	2.40	2.30	2.70	3.20	3.01	2.73	2.80
Cap Utilisation (%)	50	76	67	64	76	90	84	76	78
Realisation/sheet	728	637	738	781	866	751	754	835	807
Laminates Sales	1,310	1,720	1,770	1,796	2,339	2,403	2,270	2,278	2,165
Solid Acrylic	-	-	-	-	10.00	60.00	70.00	90.00	95
Total Sales	1,310	1,720	1,770	1,796	2,349	2,463	2,340	2,368	2,260

Valuation & Outlook

The company is taking the right steps to continue its growth trajectory and we remain optimistic about the business in the medium to long term although near term export demand could be impacted due to slowdown in the western countries which constitutes ~65% of the topline. Based on the prevailing macro environment scenario we expect some sluggishness in sales in the exports markets for FY24 and hence reduced our FY24/25 revenue estimates by 11%/10% respectively.

At CMP of Rs 1589, the company is trading at 21x FY24E EPS of Rs 74.7 and 18x FY25E EPS of Rs 89.6.

The stock has already achieved our target price of Rs 1643 as mentioned in Q4FY23 result update. At the current juncture in the short term we believe the stock is fairly valued and therefore change our recommendation from ACCUMULATE to HOLD with target price of Rs 1,703 valuing the company at 19x FY25E EPS of Rs 89.6.

Financial Snapshot

Stylam Industries			YoY		QoQ
Particulars (Rs Mns)	Q1FY24	Q1FY23	Growth	Q4FY23	Growth
Revenue from operations	2,257	2,350	-4.0%	2,368	-4.7%
Other income	5	3	109.5%	7	-24.8%
Total Income	2,262	2,352		2,375	
Cost of goods sold	1,254	1,337	-6.2%	1,296	-3.3%
Employee Benefit expenses	186	154	20.8%	186	0.1%
Other Expenses	399	506	-21.1%	481	-17.0%
EBITDA (excl other income)	418	353	18.2%	405	3.1%
Less : Depreciation	51	58	-11.4%	44	15.9%
PBIT	367	296		361	
Less: Interest cost	7	22	-67.7%	6	25.4%
PBT (before exceptional)	365	276		362	
PBT (after exceptional)	365	276	32.1%	362	0.6%
Less : Tax	87	67		95	
PAT	278	209	32.6%	268	3.7%
EPS	16.4	12.4	32.4%	15.8	3.7%
Gross Margins	44.43%	43.10%		45.26%	
EBITDA Margins	18.51%	15.03%		17.11%	
Net profit Margin	12.28%	8.90%		11.28%	

Source: Company, Dalal & Broacha Research

FINANCIALS

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	4,795	6,593	9,521	10,131	12,394
Total Operating Expenses	2,465	3,755	5,310	5,471	6,755
Employee Cost	383	548	688	756	847
Other Expenses	957	1,255	1,976	1,976	2,417
Operating Profit	990	1,036	1,548	1,928	2,375
Depreciation	231	233	200	239	346
PBIT	759	803	1,348	1,689	2,029
Other income	11	80	14	40	40
Interest	60	78	82	30	30
PBT	710	805	1,281	1,699	2,039
Profit before tax (post exceptional)	710	805	1,281	1,699	2,039
Provision for tax	157	195	321	433	520
Reported PAT	553	610	959.8	1,266	1,519
MI	-	-	-	-	-
Net Profit	553	610	960	1,266	1,519
Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	85	85	85	85	85
Reserves	2,510	3,076	4,036	5,302	6,821
Net worth	2,595	3,161	4,121	5,387	6,906
Non Current Liabilites	426	230	180	247	251
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	1,926	3,183
Fixed Assets	1,878	1,787	1,846	1,880	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	1,266	1,519
Add: Dep. & Amort.	231	233	200	239	346
Cash profits (Inc)/Dec in	785	843	1,160	1,505	1,865
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)	(273)	(1,601)
CF from Fin. activities	(517)	181	(284)	(207)	-
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
Balance sheet	151	87	267	591	1,253
Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	20.65%	15.71%	16.26%	19.03%	19.17%
NPM	11.51%	9.14%	10.07%	12.45%	12.22%
Tax Rate	22.08%	24.19%	25.05%	25.50%	25.50%
Growth Ratios (%)					
Net Sales	3.76%	37.50%	44.41%	6.40%	22.34%
Operating Profit	24.37%	4.60%	49.43%	24.57%	23.18%
PBIT	45.68%	13.39%	59.13%	32.69%	20.00%
PAT	553	610	960	1,266	1,519
Per Share (Rs.)					
Net Earnings (EPS)	32.6	36.0	56.6	74.7	89.6
Cash Earnings (CPS)	13.7	13.7	11.8	14.1	20.4
Dividend	-	2.5	-	-	-
Book Value	153	187	243	318	407
Valuation Ratios					
P/E(x)	36.93	33.47	21.28	16.13	13.44
P/B(x)	7.87	6.46	4.96	3.79	2.96
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
Return Ratios (%)					
ROE	21.32%	19.30%	23.29%	23.50%	22.00%
ROCE	25.13%	21.08%	30.04%	30.46%	28.72%

Source: Company, Dalal & Broacha Research

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com