

Exports driving growth, Margins disappoint

Stylam Industries posted results below our estimates with Revenue/EBITDA/PAT +4%/-15%/10%. The company performance was driven by a strong show in export market which grew ~29% YoY, however margins was a negative surprise.

Key business highlights

- The company reported a +8.5% volume growth on a YoY basis and -11% on a QoQ basis.
- The exports revenue 1860 Mn grew by +29% on a YoY basis & de-grew -1.3% on a QoQ basis.
- The domestic revenue 690 Mn de-grew by -3% on a YoY basis & -6.5% QoQ.
- The export volume growth was 17% YoY and -5% QoQ
- The domestic volume de-grew by -2% YoY and de-grew 2% QoQ

Key Financial Highlights

- Revenue at INR 2545Mn, -3.1% qoq/+18.6% yoy
- EBITDA (excl OI) at INR 460Mn, -15.4% qoq/-3.8% yoy
- EBITDA margin at 18.07% vs 20.7% vs 22.28% in Q2FY25/Q3FY24
- PAT at INR 299Mn, -12.4% qoq/-4.7% yoy
- EPS at INR 17.6 vs 19.6/18.5 in Q2Y25/Q3FY24

Outlook

- Management has guided for doubling the revenue in 3-4 years basis the visibility in exports markets
- Aiming to sustain current EBITDA margins (19-20%)
- The new plant has the potential to deliver ~700 to 800crs (Capex: ~200crs)

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	6,593	9,521	9,141	10,347	12,235	14,083
EBIDTA	1,036	1,548	1,845	1,910	2,315	2,712
Margins (%)	15.7	16.3	20.2	18.5	18.9	19.3
Adjusted net profit	610	960	1,296	1,270	1,461	1,734
EPS (Rs)	36.0	56.6	76.5	74.9	86.2	102.3
P/E (x)	49	31	23	23	20	17
EV/EBITDA (x)	29	19	16	15	12	10
RoCE (%)	21.08	30.04	30.25	24.39	22.74	23.84
RoE (%)	19.30	23.29	24.16	19.27	18.24	17.87

Source: Company, Dalal & Broacha Research



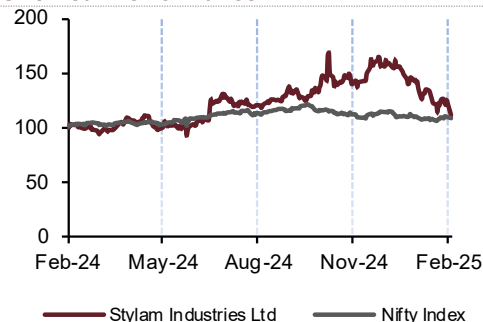
Rating	TP (Rs)	Up/Dn (%)
HOLD	2,046	17

Market data

Current price	Rs	1,751
Market Cap (Rs.Bn)	(Rs Bn)	30
Market Cap (US\$ Mn)	(US\$ Mn)	340
Face Value	Rs	5
52 Weeks High/Low	Rs	2736 / 1406.8
Average Daily Volume	('000)	16
BSE Code		526951
Bloomberg		SYIL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	52.19	54.61
Public	47.81	45.39
Total	100.0	100.0

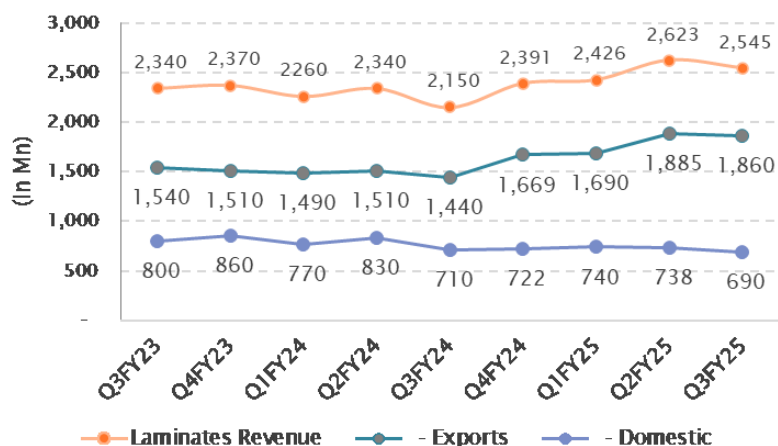
Source: Bloomberg

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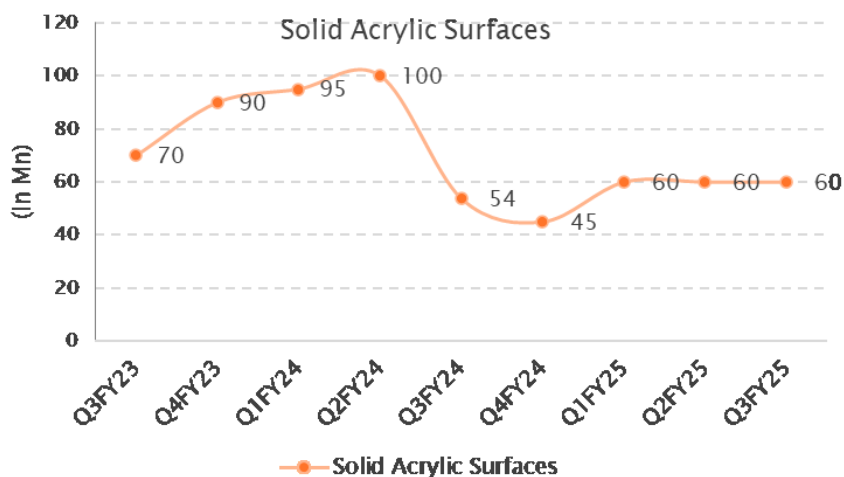
Focus Charts

Exhibit 1: Revenue split between export and domestic market



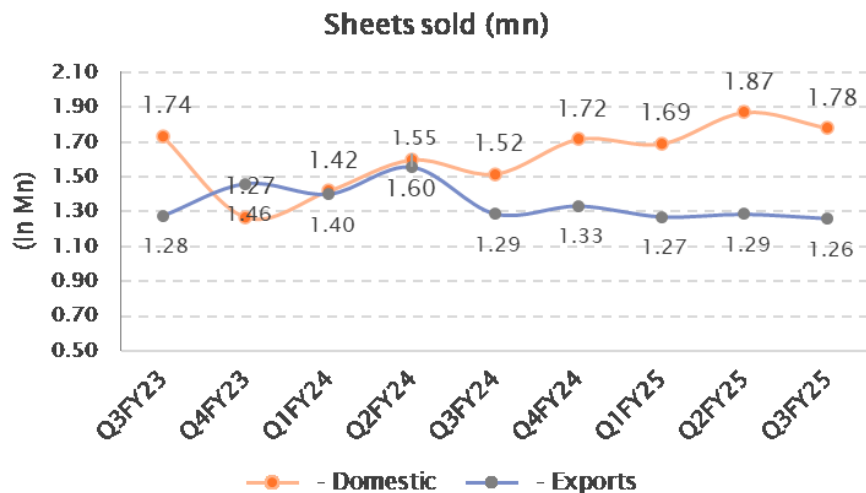
Source: Company, Dalal & Broacha Research

Exhibit 2: Solid Acrylic surfaces sales trend



Source: Company, Dalal & Broacha Research

Exhibit 3: Trend of sheets sold in Export and domestic market



Source: Company, Dalal & Broacha Research

Financial Snapshot

Particulars (Rs Mns)	Q3FY25	Q3FY24	YoY Growth	Q2FY25	QoQ Growth
Revenue from operations	2,545	2,146	18.6%	2,627	-3.1%
Other income	18	20	-9.3%	19	-6.9%
Total Income	2,563	2,165		2,646	
Cost of goods sold	1,393	1,092	27.6%	1,340	3.9%
Employee Benefit expenses	207	190	8.9%	205	1.3%
Other Expenses	485	386	25.7%	538	-9.9%
EBITDA (excl other income)	460	478	-3.8%	544	-15.4%
Less : Depreciation	59	56	5.5%	54	8.1%
PBIT	401	422		490	
Less: Interest cost	(6)	7		40	
PBT (before exceptional)	425	435	-2.4%	468	-9.3%
Exceptional	-	-		-	
PBT (after exceptional)	425	435	-2.4%	468	-9.3%
Less : Tax	126	122		127	
PAT	299	313	-4.7%	341	-12.4%
EPS	17.6	18.5	-5.1%	19.66	-10.7%
Gross Margins	45.27%	49.13%	(386)	48.97%	(371)
EBITDA Margins	18.07%	22.28%	(421)	20.70%	(263)
Net profit Margin	11.65%	14.47%	(282)	12.89%	(124)

Other Highlights from Investor PPT

- New 12x5 sized press set to be operational by 15th Feb'25 in the existing plant
- The new greenfield plant to be operational by June'25
- Company has optimised inventory by disposing 2crs worth of outdated design paper
- Company expects Q4 to be even stronger in terms of performance

Valuation & Outlook

The visibility for the exports has increased due to a significant large client addition based out of USA and easing of the uncertainties prevailing in other markets. The company is gaining market share in export markets by winning new customers. The domestic business is on a gradual journey from selling low priced products (liners) to high value added products with the aim to scale the domestic market further with new appointments in the team.

With the new capacity coming onstream (~200crs capex) at the end of FY25 and a strong visibility from a few very large clients, the company should be able to deliver better growth going forward. The company is focusing on improving the product mix both in the export and domestic markets.

The company is aiming to double its revenue in 3-4 years with EBITDA margins to sustain in the range of 19-20%.

We have tweaked our EPS estimates for FY26/27 by 2%/6% downwards. We have been a bit conservative on our estimates as compared to management guidance as we await consistent improvement in quarterly revenue trajectory.

We downgrade our P/E multiple on account of the recent developments that took place between the promoters from 25x to 20x and wait for further clarity on the same and arrive at a target price of Rs 2,046. We maintain our recommendation of HOLD.

FINANCIALS

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	6,593	9,521	9,141	10,347	12,235	14,083
Total Operating Expenses	3,755	5,310	4,741	5,555	6,569	7,561
Employee Cost	548	688	751	813	935	1,028
Other Expenses	1,255	1,976	1,804	2,069	2,416	2,781
Operating Profit	1,036	1,548	1,845	1,910	2,315	2,712
Depreciation	233	200	223	246	369	400
PBIT	803	1,348	1,622	1,664	1,946	2,312
Other income	80	14	57	81	40	40
Interest	78	82	25	40	25	25
PBT	805	1,281	1,655	1,705	1,961	2,327
Profit before tax (post exceptional)	805	1,281	1,655	1,705	1,961	2,327
Provision for tax	195	321	359	435	500	593
Reported PAT	610	959.8	1,296	1,270	1,461	1,734
MI	-	-	-	-	-	-
Net Profit	610	960	1,296	1,270	1,461	1,734
Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	85	85	85	85	85	85
Reserves	3,076	4,036	5,278	6,506	7,925	9,616
Net worth	3,161	4,121	5,363	6,591	8,009	9,701
Non Current Liabilites	230	180	111	116	122	104
Current Liabilites	1,498	1,080	599	876	1,284	821
TOTAL LIABILITIES	4,889	5,381	6,073	7,583	9,415	10,626
Non Current Assets	1,830	1,889	2,035	2,028	3,699	3,646
Fixed Assets	1,787	1,846	1,767	1,748	3,380	3,281
Goodwill	-	-	-	-	-	-
Non Current Investments	11	11	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	15	16	20	20	20	20
Other Non Current Assets	16	15	248	260	299	344
Current Assets	3,059	3,492	4,039	5,555	5,716	6,980
Current investments						
Inventories	1,329	1,598	1,451	1,729	2,045	2,354
Trade Receivables	1,188	1,258	1,621	1,361	1,609	1,852
Cash and Bank Balances	87	267	720	2,184	1,743	2,411
Short Term Loans and Advances	0	2	22	22	22	22
Other Current Assets	456	366	225	258	297	342
TOTAL ASSETS	4,889	5,381	6,073	7,583	9,415	10,626

FINANCIALS

Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Cash flow from operating activities						
Profit before tax	805	1,281	1,643	1,705	1,961	2,327
Depreciation & Amortization	233	200	223	246	369	400
Interest expenses	78	82	25	40	25	25
Operating profit before working capital change	1,116	1,562	1,891	1,991	2,355	2,752
Working capital adjustment	(746)	(522)	(225)	19	(486)	(476)
Gross cash generated from operations	369	1,041	1,666	2,009	1,869	2,276
Direct taxes paid	(191)	(257)	(359)	(435)	(500)	(593)
Others	119	122	(276)	(31)	(62)	(96)
Cash generated from operations	59	662	1,030	1,543	1,307	1,587
Cash flow from investing activities						
Capex	(137)	(259)	(143)	(227)	(2,001)	(301)
Investment	-	-	7	-	-	-
Others	(159)	136	-	-	-	-
Cash generated from investment activities	(296)	(123)	(136)	(227)	(2,001)	(301)
Cash flow from financing activities						
Proceeds from issue of share	-	-	-	-	-	-
Borrowings/ (Repayments)	203	(325)	(367)	230	320	(550)
Interest paid	(78)	(82)	(25)	(40)	(25)	(25)
Dividend paid	(42)	-	(42)	(42)	(42)	(42)
Others	89	49	-	-	-	-
Cash generated from financing activities	171	(358)	(435)	148	253	(617)
Net cash increase/ (decrease)	(65)	181	460	1,464	(442)	668
Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	15.71%	16.26%	20.18%	18.45%	18.92%	19.26%
NPM	9.14%	10.07%	14.09%	12.18%	11.90%	12.28%
Tax Rate	24.19%	25.05%	21.69%	25.50%	25.50%	25.50%
Growth Ratios (%)						
Net Sales	37.50%	44.41%	-4.00%	13.20%	18.24%	15.10%
Operating Profit	4.60%	49.43%	19.18%	3.50%	21.23%	17.16%
PBIT	13.39%	59.13%	29.20%	3.03%	15.04%	18.66%
PAT	610	960	1,296	1,270	1,461	1,734
Per Share (Rs.)						
Net Earnings (EPS)	36.0	56.6	76.5	74.9	86.2	102.3
Cash Earnings (CPS)	13.7	11.8	13.1	14.5	21.8	23.6
Dividend	2.5	2.5	2.5	2.5	2.5	2.5
Book Value	187	243	316	389	473	572
Valuation Ratios						
P/E(x)	48.64	30.92	22.90	23.36	20.31	17.12
P/B(x)	9.39	7.20	5.53	4.50	3.71	3.06
EV/EBIDTA(x)	29.19	19.23	15.69	14.52	12.30	10.05
Div. Yield(%)	0.14	0.14	0.14	0.14	0.14	0.14
Return Ratios (%)						
ROE	19.30%	23.29%	24.16%	19.27%	18.24%	17.87%
ROCE	21.08%	30.04%	30.25%	24.39%	22.74%	23.84%

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