Stylam Industries

08 June 2023

Robust outlook; regular earnings upgrade driving a re-rating

MANAGEMENT MEET UPDATE

Sector: Building Materials **Rating: BUY**

CMP: Rs 1,700 **Target Price: Rs 1,976**

Stock Info	
Sensex/Nifty	63,143/18,726
Bloomberg	SYIL IN
Equity shares (mn)	16.9
52-wk High/Low	1,726/782
Face value	Rs 5
M-Cap	Rs 29bn/USD 0.3bn
3-m Avg turnover	USD 0.9mn

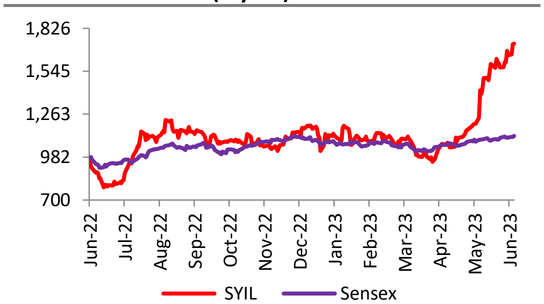
Financial Snapshot (Rs mn)

Y/E Mar	FY23	FY24E	FY25E
Net sales	9,521	11,585	14,481
EBITDA	1,548	2,023	2,557
OPM (%)	16.3	17.5	17.7
PAT	960	1,313	1,674
EPS (Rs)	56.6	77.5	98.8
PE (x)	30.0	21.9	17.2
P/B (x)	7.0	5.3	4.1
EV/EBITDA (x)	18.7	14.4	11.1
RoE (%)	23.3	24.3	23.8
RoCE (%)	32.0	34.1	33.7
Net-D/E (x)	0.0	0.1	(0.1)

Shareholding Pattern (%)

	Mar'23	Dec'22	Sep'22
Promoter	54.6	54.6	54.6
- Pledged			
FII	2.5	2.1	5.5
DII	12.5	11.6	11.3
Others	30.4	31.6	28.6

Stock Performance (1-year)



Ashish Poddar
ashishpoddar@systematixgroup.in
+91 22 6704 8039

Pranay Shah
pranayshah@systematixgroup.in

Shraddha Kapadia
shraddhakapadia@systematixgroup.in

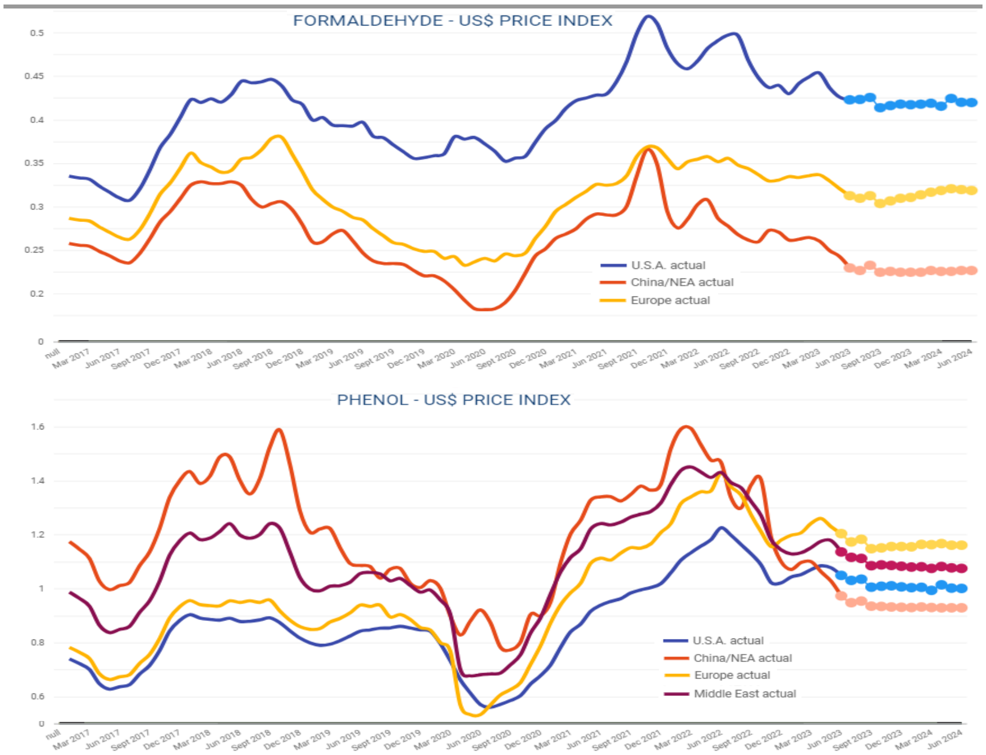
Stylam Industries' (SYIL) management reiterated its positive stance on the company's outlook at its meetings with investors. Plant modernisation and line balancing processes are on; the new ultra-modern greenfield plant at Rs 1.5bn capex (Rs 5bn+ revenue potential) is likely to be operational by Mar'24. It also retained its guidance of Rs 3bn+ revenue from its acrylic solid surface product over the next 2-3 years. Greater mix of value-added SKUs will further boost SYIL's market positioning, margins and return ratios. While concerns of global economic slowdown may temporarily pause volume growth (not yet witnessed), easing prices of key raw materials (phenol and formaldehyde down ~25% in 3-month and ~50% in a year) would support margins and earnings. On these factors, we further upgrade FY24E/25E earnings by 5-7% (a similar upgrade post 4Q result, report link) and estimate laminate-volume/revenue/EBITDA/PAT CAGR at 19%/23%/29%/32% over FY23-25E with strong ~17.5% EBITDA margin (4Q: 17.1%) and RoE/RoCE (~24%/34%). Our revised target price of Rs 1,976 (20x FY25E P/E vs. 18x earlier) has further re-rating potential owing to robust outlook and regular earnings upgrade.

Exhibit 1: Change in estimates

(Rs mn)	Old estimates		New estimates		% Var	
	FY24	FY25	FY24	FY25	FY24	FY25
Total Income	11,585	14,481	11,585	14,481	-	-
EBITDA	1,930	2,441	2,023	2,557	5	5
EBITDA margin (%)	*16.7*	*16.9*	*17.5*	*17.7*		
PAT	1,224	1,598	1,313	1,674	7	5
EPS	72.2	94.3	77.5	98.8	7	5

Source: Systematix Institutional Research

Exhibit 2: Downtrend in prices of key raw materials augurs well for SYIL's margins



Source: www.businessanalytiq.com

Investors are advised to refer disclosures made at the end of the research report.

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net revenues (Rs mn)	**4,795**	**6,593**	**9,521**	**11,585**	**14,481**
Growth (%)	*4*	*37*	*44*	*22*	*25*
Direct costs	2,465	3,755	5,310	6,345	7,917
Gross Margin (%)	*48.6*	*43.0*	*44.2*	*45.2*	*45.3*
SG&A	1,340	1,802	2,663	3,217	4,007
EBITDA	**990**	**1,037**	**1,548**	**2,023**	**2,557**
EBITDA margins (%)	*20.6*	*15.7*	*16.3*	*17.5*	*17.7*
- Depreciation	231	233	200	232	322
Other income	11	80	14	12	44
Interest Exp	60	78	82	40	32
PBT	709	806	1,281	1,763	2,247
Effective tax rate (%)	*22*	*24*	*25*	*26*	*26*
+ Associates/(Minorities)	1	2	3	3	3
Net Income	**551**	**609**	**960**	**1,313**	**1,674**
Adjusted income	551	609	960	1,313	1,674
WANS	17	17	17	17	17
FDEPS (Rs/share)	32.5	35.9	56.6	77.5	98.8
FDEPS growth (%)	*48*	*10*	*58*	*37*	*28*

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	85	85	85	85	85
Net worth	2,595	3,161	4,121	5,413	7,047
Total debt (including Pref)	426	651	367	467	417
Minority interest	-	-	-	-	-
DT Liability/(Asset)	122	108	100	100	100
Capital Employed	**3,142**	**3,920**	**4,588**	**5,981**	**7,564**
Net tangible assets	1,878	1,787	1,718	3,386	3,564
Net Intangible assets	-	-	-	-	-
Goodwill	-	-	-	-	-
CWIP	-	-	128	128	128
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	14	11	11	11	11
Current Assets	2,028	3,004	3,256	3,537	4,337
Cash	151	87	267	121	940
Current Liabilities	929	969	793	1,203	1,416
Working capital	1,099	2,035	2,463	2,334	2,920
Capital Deployed	**3,142**	**3,920**	**4,588**	**5,980**	**7,564**
Contingent Liabilities	376	387	-	-	-

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
EBIT (incl. other income)	746	816	1,310	1,332	1,654
Non-cash items	231	233	200	232	322
OCF before WC changes	978	1,048	1,510	1,565	1,976
Incr./(decr.) in WC	17	708	591	(139)	576
Others including taxes	172	191	257	10	10
Operating cash-flow	789	149	662	1,693	1,390
Capex	59	137	259	1,900	500
Free cash-flow	730	12	403	(207)	890
Acquisitions	-	-	-	-	-
Dividend	-	42	-	20	41
Equity raised	-	-	-	-	-
Debt raised	(582)	203	(325)	100	(50)
Fin Investments	4	163	(132)	-	-
Misc. Items (CFI + CFF)	54	74	29	19	(20)
Net cash-flow	90	(65)	181	(147)	820

Source: Company, Systematix Institutional Research

Ratios @ Rs 1,700

YE: Mar	FY21	FY22	FY23	FY24E	FY25E
P/E (x)	52.3	47.3	30.0	21.9	17.2
EV/EBITDA (x)	29.4	28.3	18.7	14.4	11.1
EV/sales (x)	6.1	4.5	3.0	2.5	2.0
P/B (x)	11.1	9.1	7.0	5.3	4.1
RoE (%)	21.2	19.3	23.3	24.3	23.8
RoCE (%)	24.6	25.0	32.0	34.1	33.7
ROIC	18.2	17.8	23.5	25.8	26.8
DPS (Rs per share)	-	2.5	-	1.0	2.0
Dividend yield (%)	-	0.1	-	0.1	0.1
Dividend payout (%)	-	7.0	-	1.3	2.0
Net debt/equity (x)	0.1	0.2	0.0	0.1	(0.1)
Receivables (days)	75	66	48	48	48
Inventory (days)	55	74	61	50	50
Payables (days)	39	32	15	25	25
CFO:PAT%	143	24	69	129	83

Source: Company, Systematix Institutional Research

Institutional Equities Team

Nikhil Khandelwal	**Managing Director**	**+91-22-6704 8001**	**nikhil@systematixgroup.in**

Equity Research

Analysts	Industry Sectors	Desk-Phone	E-mail
Dhananjay Sinha	Co Head of Equities & Head of Research - Strategy & Economics	+91-22-6704 8095	dhananjaysinha@systematixgroup.in
Ashish Poddar	Consumer Durables, Building Materials, Small & Midcaps	+91-22-6704 8039	ashishpoddar@systematixgroup.in
Himanshu Nayyar	Consumer Staples & Discretionary	+91-22-6704 8079	himanshunayyar@systematixgroup.in
Manjith Nair	Banking, Insurance	+91-22-6704 8065	manjithnair@systematixgroup.in
Pradeep Agrawal	NBFCs & Diversified Financials	+91-22-6704 8024	pradeepagrawal@systematixgroup.in
Pratik Tholiya	Specialty & Agro Chem, Fertilisers, Sugar, Textiles and Select Midcaps	+91-22-6704 8028	pratiktholiya@systematixgroup.in
Rahul Jain	Metals & Mining	+91-22-6704 8066	rahuljain@systematixgroup.in
Sudeep Anand	Oil & Gas, Logistics, Cement	+91-22-6704 8085	sudeepanand@systematixgroup.in
Vishal Manchanda	Pharmaceuticals and Healthcare	+91-22-6704 8064	vishalmanchanda@systematixgroup.in
Aniket Shah	Banking, Insurance	+91-22-6704 8034	aniketshah@systematixgroup.in
Bezad Deboo	Pharmaceuticals and Healthcare	+91-22-6704 8046	bezaddeboo@systematixgroup.in
Chetan Mahadik	Consumer Staples & Discretionary	+91-22-6704 8091	chetanmahadik@systematixgroup.in
Hena Vora	NBFCs & Diversified Financials	+91-22-6704 8045	henavora@systematixgroup.in
Pranay Shah	Consumer Durables, Building Materials, Small & Midcaps	+91-22-6704 8017	pranayshah@systematixgroup.in
Pratik Oza	Midcaps	+91-22-6704 8036	pratikoza@systematixgroup.in
Prathmesh Kamath	Oil & Gas, Logistics, Cement	+91-22-6704 8022	prathmeshkamath@systematixgroup.in
Purvi Mundhra	Macro-Strategy	+91-22-6704 8078	purvimundhra@systematixgroup.in
Rajesh Mudaliar	Consumer Staples & Discretionary	+91-22-6704 8084	rajeshmudaliar@systematixgroup.in
Shraddha Kapadia	Consumer Durables, Building Materials, Small & Midcaps	+91-22-6704 8019	shraddhakapadia@systematixgroup.in
Shweta Dikshit	Metals & Mining	+91-22-6704 8042	shwetadikshit@systematixgroup.in
Varun Gajaria	Midcaps	+91-22-6704 8081	varungajaria@systematixgroup.in

Equity Sales & Trading

Name		Desk-Phone	E-mail
Vipul Sanghvi	Co Head of Equities & Head of Sales	+91-22-6704 8062	vipulsanghvi@systematixgroup.in
Sidharth Agrawal	Sales	+91-22-6704 8090	sidharthagrawal@systematixgroup.in
Saumil Bhatia	Sales	+91-22-6704 8068	saumilbhatia@systematixgroup.in
Chintan Shah	Sales	+91-22-6704 8061	chintanshah@systematixgroup.in
Pawan Sharma	Director and Head - Sales Trading	+91-22-6704 8067	pawansharma@systematixgroup.in
Mukesh Chaturvedi	Vice President and Co Head - Sales Trading	+91-22-6704 8074	mukeshchaturvedi@systematixgroup.in
Vinod Bhuwad	Sales Trading	+91-22-6704 8051	vinodbhuwad@systematixgroup.in
Rashmi Solanki	Sales Trading	+91-22-6704 8097	rashmisolanki@systematixgroup.in
Karan Damani	Sales Trading	+91-22-6704 8053	karandamani@systematixgroup.in
Vipul Chheda	Dealer	+91-22-6704 8087	vipulchheda@systematixgroup.in
Paras Shah	Dealer	+91-22-6704 8047	parasshah@systematixgroup.in
Rahul Singh	Dealer	+91-22-6704 8054	rahulsingh@systematixgroup.in

Corporate Access

Pearl Pillay	Sr. Associate	+91-22-6704 8088	pearlpillay@systematixgroup.in

Production

Madhu Narayanan	Editor	+91-22-6704 8071	madhunarayanan@systematixgroup.in
Mrunali Pagdhare	Production	+91-22-6704 8057	mrunalip@systematixgroup.in
Vijayendra Achrekar	Production	+91-22-6704 8089	vijayendraachrekar@systematixgroup.in

Operations

Sachin Malusare	Vice President	+91-22-6704 8055	sachinmalusare@systematixgroup.in
Jignesh Mistry	Manager	+91-22-6704 8049	jigneshmistry@systematixgroup.in
Sushant Chavan	Manager	+91-22-6704 8056	sushantchavan@systematixgroup.in

DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Ashish Poddar, Pranay Shah, Shraddha Kapadia;** hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

II. **ISSUER SPECIFIC REGULATORY DISCLOSURES,** unless specifically mentioned in point no. 9 below:

1. The research analyst(s), SSSIL, associates or relatives do not have any financial interest in the company(ies) covered in this report.
2. The research analyst(s), SSSIL, associates or relatives collectively do not hold more than 1% of the securities of the company(ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. The research analyst(s), SSSIL, associates or relatives did not have any other material conflict of interest at the time of publication of this research report.
4. The research analyst, SSSIL and its associates have not received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in this report in the past twelve months.
5. The research analyst, SSSIL or its associates have not managed or co-managed a private or public offering of securities for the company(ies) covered in this report in the previous twelve months.
6. SSSIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party in connection with this research report.
7. The research analyst has not served as an officer, director or employee of the company(ies) covered in this research report.
8. The research analyst and SSSIL have not been engaged in market making activity for the company(ies) covered in this research report.
9. Details of SSSIL, research analyst and its associates pertaining to the companies covered in this research report:

Sr. No.	Particulars	Yes / No.
1	Whether compensation was received from the company(ies) covered in the research report in the past 12 months for investment banking transaction by SSSIL.	No
2	Whether research analyst, SSSIL or its associates and relatives collectively hold more than 1% of the company(ies) covered in the research report.	No
3	Whether compensation has been received by SSSIL or its associates from the company(ies) covered in the research report.	No
4	Whether SSSIL or its affiliates have managed or co-managed a private or public offering of securities for the company(ies) covered in the research report in the previous twelve months.	No
5	Whether research analyst, SSSIL or associates have received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in the research report in the last twelve months.	No

10. There is no material disciplinary action taken by any regulatory authority that impacts the equity research analysis activities.

STOCK RATINGS

BUY (B): The stock's total return is expected to exceed 15% over the next 12 months.
HOLD (H): The stock's total return is expected to be within -15% to +15% over the next 12 months.
SELL (S): The stock's total return is expected to give negative returns of more than 15% over the next 12 months.
NOT RATED (NR): The analyst has no recommendation on the stock under review.

INDUSTRY VIEWS

ATTRACTIVE (AT): Fundamentals/valuations of the sector are expected to be attractive over the next 12-18 months.
NEUTRAL (NL): Fundamentals/valuations of the sector are expected to neither improve nor deteriorate over the next 12-18 months.
CAUTIOUS (CS): Fundamentals/valuations of the sector are expected to deteriorate over the next 12-18 months.

III. DISCLAIMER

The information and opinions contained herein have been compiled or arrived at based on the information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy completeness or correctness.

This document is for information purposes only. This report is based on information that we consider reliable; we do not represent that it is accurate or complete and one should exercise due caution while acting on it. Description of any company(ies) or its/their securities mentioned herein are not complete and this document is not and should not be construed as an offer or solicitation of an offer to buy or sell any securities or other financial instruments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. All opinions, projections and estimates constitute the judgment of the author as on the date of the report and these, plus any other information contained in the report, are subject to change without notice. Prices and availability of financial instruments are also subject to change without notice. This report is intended for distribution to institutional investors.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject to SSSIL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially USA, the same may be ignored and brought to the attention of the sender. Neither this document nor any copy of it may be taken or transmitted into the United States (to U.S. persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. Any unauthorized use, duplication, redistribution or disclosure of this report including, but not limited to, redistribution by electronic mail, posting of the report on a website or page, and/or providing to a third party a link, is prohibited by law and will result in prosecution. The information contained in the report is intended solely for the recipient and may not be further distributed by the recipient to any third party.

SSSIL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, SSSIL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that they cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. Our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The compensation of the analyst who prepared this document is determined exclusively by SSSIL; however, compensation may relate to the revenues of the Systematix Group as a whole, of which investment banking, sales and trading are a part. Research analysts and sales persons of SSSIL may provide important inputs to its affiliated company(ies).

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations which could have an adverse effect on their value or price or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk. SSSIL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on the basis of this report including but not restricted to fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SSSIL and its affiliates, officers, directors, and employees subject to the information given in the disclosures may: (a) from time to time, have long or short positions in, and buy or sell, the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation (financial interest) or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential material conflict of interest with respect to any recommendation and related information and opinions. The views expressed are those of the analyst and the company may or may not subscribe to the views expressed therein.

SSSIL, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall SSSIL, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. The company accepts no liability whatsoever for the actions of third parties. The report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of the company, the company has not reviewed the linked site. Accessing such website or following such link through the report or the website of the company shall be at your own risk and the company shall have no liability arising out of, or in connection with, any such referenced website.

SSSIL will not be liable for any delay or any other interruption which may occur in presenting the data due to any technical glitch to present the data. In no event shall SSSIL be liable for any damages, including without limitation, direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by SSSIL through this presentation.

SSSIL or any of its other group companies or associates will not be responsible for any decisions taken on the basis of this report. Investors are advised to consult their investment and tax consultants before taking any investment decisions based on this report.

SYSTEMATIX GROUP™
Investments Re-defined

EMPOWERING INVESTORS
A SEBI Initiative

Systematix Shares and Stocks (India) Limited:
Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 34600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | Investment Advisor SEBI Reg. No. INA000010414 | AMFI : ARN - 64917