

October 21, 2024

RESULT REPORT Q2 FY25 | Sector: Building Materials

Stylam Industries Ltd

Beat on all fronts; upgrade to BUY!

Result Synopsis

Stylam Industries Ltd (SYIL) reported a strong set of numbers for Q2FY25, an all-round beat on our estimates. Company's revenue grew by 12%YoY which was primarily driven by 11% improvement in ASP while total volumes remained flattish. Expansion in ASP was largely owing to better product-mix. Exports, which constitute 72% of sales, registered a stellar growth of 24.5%YoY to Rs1.88Bn (2-year CAGR stood at 7%). Domestic sales (28% of sales), declined by 11%YoY. Notably the domestic biz run-rate has been at ~Rs750Mn for past 13-quarters. During the quarter, one plant operated at 90% utilization and other plant operated at ~80-85% utilization level. Gross margins improved from 46.8%/44.5% in Q2FY24/Q1FY25 to 49% in Q2FY25 which led to expansion in EBITDA margins from 20.2%/17.3% in Q2FY24/Q1FY25 to 20.7%. Hence, company registered an EBITDA growth of 15%YoY to Rs544Mn. Finance cost was elevated for the quarter owing to short-term debt of Rs66.7Mn undertaken over H1FY25, which capped the bottom-line growth.

Management is confident of growing the topline by 26-30%CAGR over FY25-FY27E with an EBITDA margin of 20-22%. With both plants at peak utilization and new brownfield expansion expected to commence operations from Q4FY25, for balance FY25E there may be capacity constraints and hence, management is focusing more on enhancing the product-mix.

We remain confident on SYIL's growth plan and reckon company's topline should grow by 16%CAGR over FY24-FY27E on the back of expanding clientele base, company entering new geographies, and commencement of new plant which will bolster the growth trajectory. Incrementally, higher focus on value-added products will enable the company to maintain 20% operating margins. Hence, we expect EBITDA to grow by 16%CAGR over FY24-FY27E. Owing to a healthy H1FY25, we have revised our FY25E/FY26E EPS est upwards by 8.5%/9% respectively. Also, we now value the SYIL at P/E(x) of 25x on FY27E (roll-over) EPS of Rs116.3. Hence, we upgrade the stock from NEUTRAL to BUY with a target price of Rs2,907.

Result Highlights

- Volume for Q2FY25 stood at 3.20Mn sheets, a growth of 1.6%YoY & 8.1%QoQ. Average realization for Q2FY25 came in at Rs790, an increase of 11.1%YoY & remaining flattish on a QoQ basis.
- Revenue for the quarter stood at Rs2.63Bn (7% above est), a growth of 12.3%YoY & 8.3%QoQ. Export revenue (72% of sales) expanded by 24.5%YoY & 11.2%QoQ to 1.88Bn and domestic revenue (28% of sales) contracted by 10.8%YoY & remained flat QoQ at Rs7.4Bn.
- Gross margin grew to 49% Vs 46.8%/44.5% in Q2FY24/Q1FY25 respectively.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	2,627	2,456	-	6.9	-	Overall beat on estimates
EBITDA	544	430	-	26.5	-	
EBITDA Margin (%)	20.7	17.5	-	320 bps	-	
Adjusted PAT	341	292	-	16.6	-	

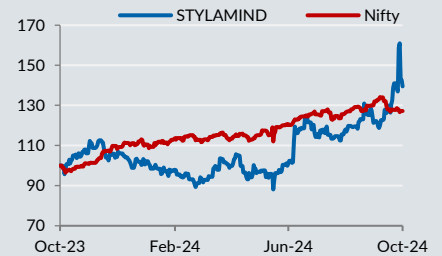
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 2,307
Target Price	: Rs 2,907
Potential Return	: +26.0%

Stock data (as on Oct 21, 2024)

Nifty	24,781
52 Week h/l (Rs)	2,735 / 1,414
Market cap (Rs/USD mn)	40,005 / 476
Outstanding Shares (mn)	17
6m Avg t/o (Rs mn):	95
Div yield (%):	0.1
Bloomberg code:	SYIL IN
NSE code:	STYLAMIND

Stock performance



	1M	3M	1Y
Absolute return	14.1%	22.1%	39.4%

Shareholding pattern (As of Sep'24 end)

Promoter	54.6%
FII+DII	11.5%
Others	33.9%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	NEUTRAL
Target Price	2,907	2,017

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	81.4	100.2	116.3
EPS (Old)	75.0	91.7	-
% change	8.5%	9.2%	-

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	10,748	12,388	14,290
YoY Growth	17.6	15.3	15.4
EBITDA	2,096	2,478	2,858
EBITDA (%)	19.5	20.0	20.0
PAT	1,378	1,697	1,970
YoY Growth	7.3	23.1	16.1
ROE	22.9	22.5	21.1
EPS	81.4	100.2	116.3
P/E	28.4	23.0	19.8
BV/Share	395	493	607
P/BV	5.8	4.7	3.8

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- EBITDA margins came in at 20.7% (est of 17.5%) Vs 20.2%/17.3% in Q2FY24/Q1FY25, respectively. Absolute EBITDA stood at Rs544Mn, an increase of 15%YoY & 29.9%QoQ. EBITDA/Sheet came in at Rs170 Vs Rs150/Rs141 in Q2FY24/Q1FY25 respectively.
- Net profit stood at Rs341Mn, up by 7.3%YoY & 20.2%QoQ.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H2 FY24	% yoy
Revenue	2,257	2,339	2,146	2,399	2,426	2,627	12.3	8.3	4,596	5,053	9.9
Expenditure	1,839	1,867	1,668	1,922	2,007	2,083	11.6	3.8	3,706	4,091	10.4
- RM	1,254	1,245	1,092	1,151	1,346	1,341	7.7	(0.4)	2,499	2,687	7.5
- Staff Cost	186	187	190	188	194	205	9.7	5.5	373	398	6.9
- Other cost	399	435	386	584	467	538	23.7	15.2	834	1,006	20.5
Operating Profit	418	473	478	477	419	544	15.0	29.9	891	962	8.1
OPM (%)	18.5	20.2	22.3	19.9	17.3	20.7	49 bps	344 bps	19.4	19.0	(33 bps)
Other Income	5	19	20	13	26	19	1.1	(27.4)	24	45	88.4
Depreciation	51	53	56	63	61	54	3.2	(11.3)	104	116	11.4
Interest	7	6	7	5	5	40	559.0	673.1	13	45	246.6
Exceptional	-	-	-	(11)	-	-	-	-	-	-	-
PBT	365	433	435	411	379	468	8.2	23.7	798	847	6.1
Tax	87	115	122	35	95	127	10.5	34.1	202	222	10.0
PAT	278	318	313	376	284	341	7.3	20.2	596	624	4.8
OCI	(0)	(0)	(0)	(0)	-	(8)	-	-	(0)	(8)	-
Reported PAT	278	318	313	376	284	333	4.9	17.5	596	617	3.5
Adjusted PAT	278	318	313	387	284	333	4.9	17.5	596	617	3.5

Source: Company, YES Sec

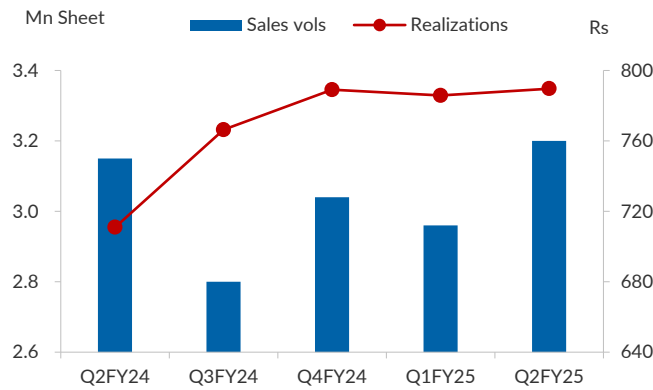
Exhibit 3: Operational Numbers:

Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H2 FY24	% yoy
Volumes (Mn Sheets)	2.8	3.2	2.8	3.0	3.0	3.2	1.6	8.1	6.0	6.2	3.5
ASP (Rs/Sheet)	772	711	766	789	786	790	11.1	0.5	772	820	6.2
EBITDA/Sheet (Rs)	149	150	171	157	141	170	13.2	20.1	150	156	4.4
Revenue Mix											
Export sales (Rs mn)	1,490	1,510	1,440	1,670	1,690	1,880	24.5	11.2	3,000	3,570	19.0
% of sales	66%	65%	67%	70%	70%	72%	723 bps	221 bps	65%	71%	548 bps
Domestic sales (Rs mn)	770	830	710	730	740	740	(10.8)	0.0	1,600	1,480	(7.5)
% of sales	34%	35%	33%	30%	30%	28%	(723 bps)	(221 bps)	35%	29%	(548 bps)

Source: Company, YES Sec

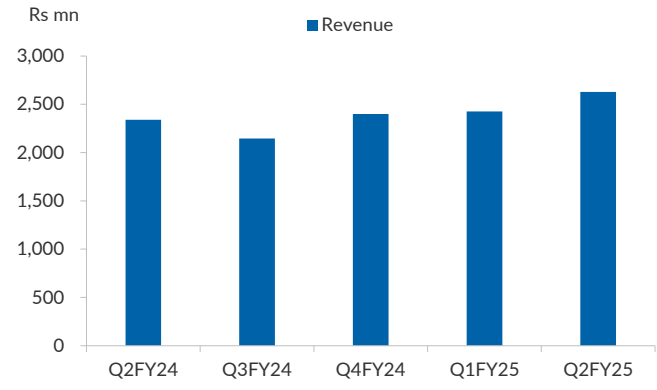
QUARTERLY TRENDS

Exhibit 4: Volume increased by 1.6%YoY...



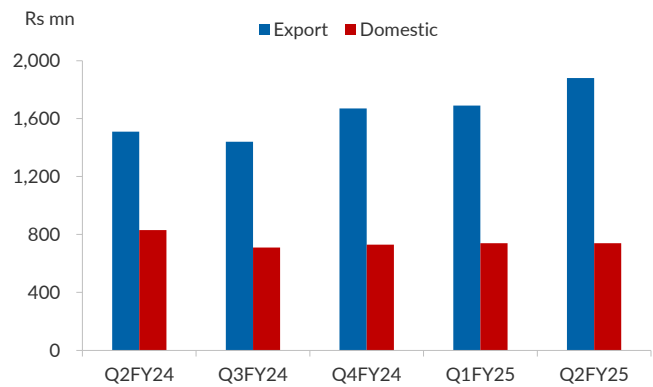
Source: Company, YES Sec

Exhibit 5: Revenue grew by 12.3%YoY...



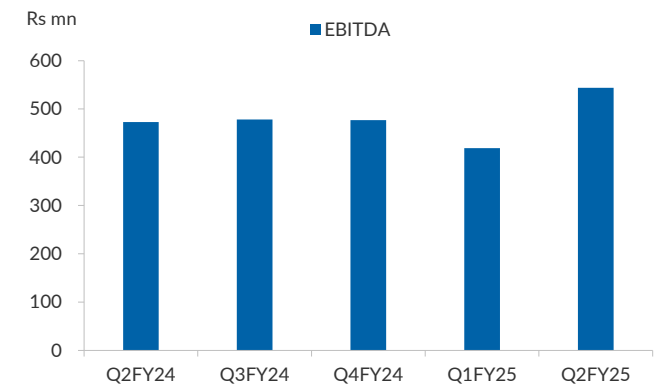
Source: Company, YES Sec

Exhibit 6: Exports contributed 72% to revenues...



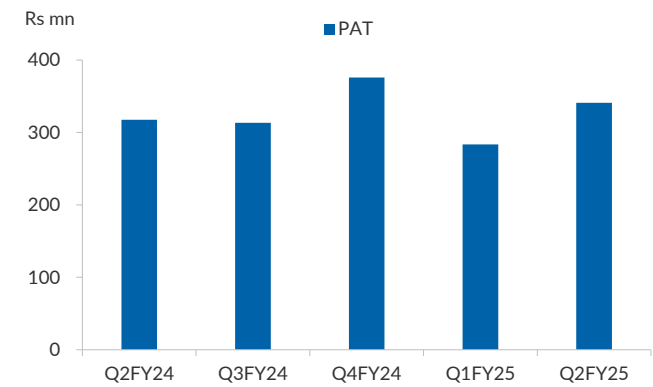
Source: Company, YES Sec

Exhibit 7: EBITDA stood at Rs544Mn...



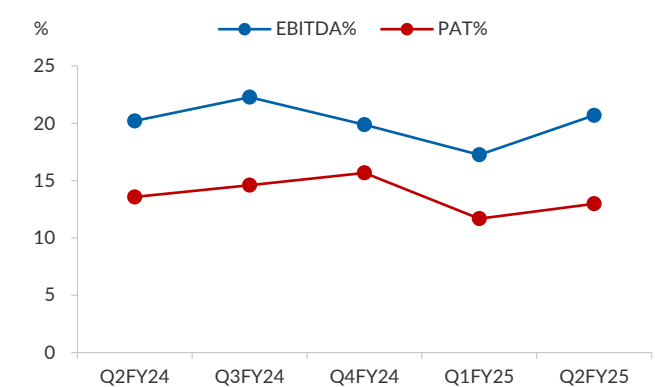
Source: Company, YES Sec

Exhibit 8: Net profit increased by 7.3%YoY...



Source: Company, YES Sec

Exhibit 9: OPM & NPM came in at 20.7% & 13%...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Sales	9,521	9,141	10,748	12,388	14,290
COGS	5,310	4,741	5,587	6,232	7,018
COGS %sales	55.8%	51.9%	52.0%	50.3%	49.1%
GP	4,211	4,400	5,161	6,156	7,272
GP%	44.2%	48.1%	48.0%	49.7%	50.9%
EBITDA	1,548	1,845	2,096	2,478	2,858
EBITDA%	16.3%	20.2%	19.5%	20.0%	20.0%
Depreciation	200	223	238	255	271
Finance Cost	82	25	80	20	20
Other Income	14	57	60	60	60
PBT	1,281	1,655	1,838	2,263	2,626
Tax	321	359	459	566	657
PAT	960	1,285	1,378	1,697	1,970
PAT%	10.1%	14.1%	12.8%	13.7%	13.8%

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
Equity Share Capital	85	85	85	85	85	85
Reserves	4,036	5,278	5,905	6,614	8,269	10,196
Total Shareholders' Funds	4,121	5,363	5,990	6,699	8,353	10,281
Borrowings	367	-	67	-	-	-
Trade payables	398	388	510	458	510	575
Provisions	137	49	69	49	49	49
Other current liabilities	308	196	300	230	257	289
Total equity and liabilities	5,380	6,073	7,010	7,513	9,247	11,271
Gross block	3,237	3,459	3,555	3,709	3,959	4,209
Acc Dep.	1,519	1,741	1,857	1,980	2,234	2,506
Net block	1,718	1,717	1,698	1,729	1,724	1,703
CWIP	128	16	126	16	16	16
Other non-current assets	43	281	43	330	380	439
Inventories	1,598	1,451	1,713	1,710	1,908	2,148
Trade receivables	1,258	1,621	1,778	1,906	2,196	2,534
Cash	267	720	740	1,512	2,668	4,026
Other current assets	368	247	891	290	334	386
Total assets	5,380	6,073	7,010	7,513	9,247	11,271

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
PBT	1,281	1,643	847	1,838	2,263	2,626
Depreciation & Amortization	200	223	116	238	255	271
Finance cost	33	8	6	80	20	20
(Incr)/Decr in Working Capital	(591)	(270)	(262)	(532)	(503)	(591)
Taxes	(257)	(406)	(182)	(459)	(566)	(657)
Cash from ops.	662	1,129	494	1,122	1,426	1,628
(Incr)/ Decr in PP&E	(259)	(143)	(204)	(250)	(250)	(250)
Cash Flow from Investing	(123)	(209)	(556)	(250)	(250)	(250)
(Decr)/Incr in Borrowings	(325)	(459)	88	-	-	-
Finance cost	(33)	(8)	(6)	(80)	(20)	(20)
Cash Flow from Financing	(358)	(468)	83	(80)	(20)	(20)
Incr/(Decr) in cash	181	453	21	792	1,156	1,358
Cash and cash equivalents at beg of year	87	267	720	720	1,512	2,668
Cash and cash equivalents at end of year	267	720	740	1,512	2,668	4,026

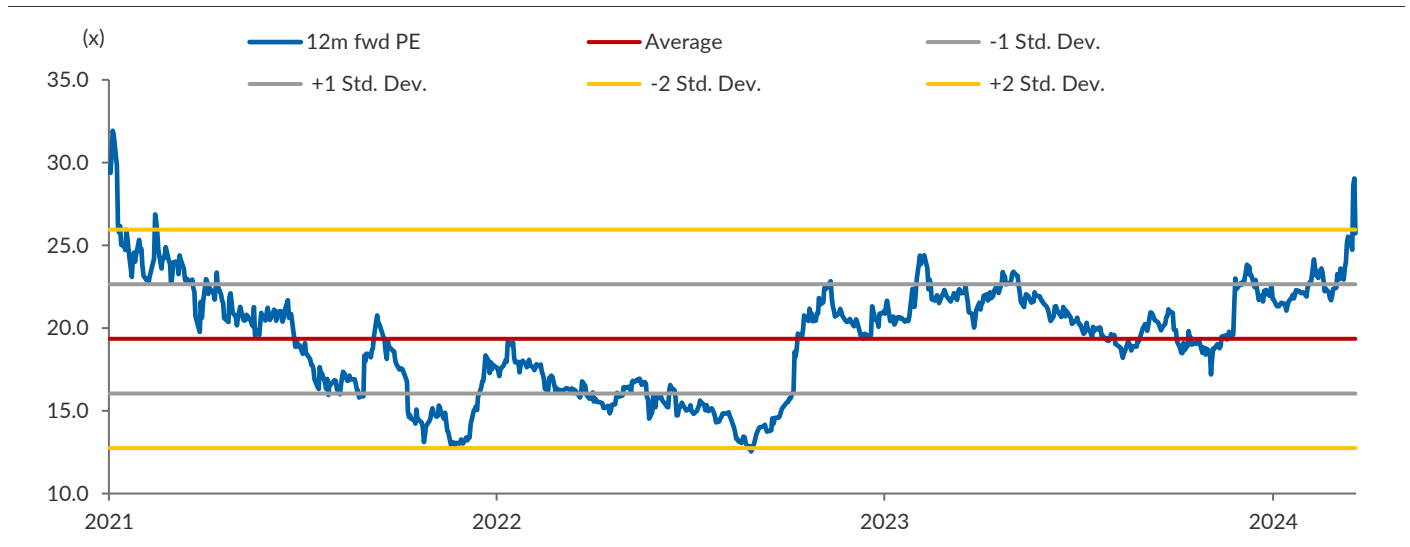
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue growth	44.4%	(4.0%)	17.6%	15.3%	15.4%
EBITDA growth	49.4%	19.2%	13.6%	18.2%	15.4%
EBIT growth	54.0%	23.3%	14.1%	19.0%	15.9%
PAT growth	57.9%	33.8%	7.3%	23.1%	16.1%
Profitability ratios (%)					
EBITDA margin	16.3%	20.2%	19.5%	20.0%	20.0%
EBIT margin	14.3%	18.4%	17.8%	18.4%	18.5%
PAT margin	10.1%	14.1%	12.8%	13.7%	13.8%
RoCE	35.4%	34.4%	31.2%	29.9%	28.1%
RoE	26.4%	27.1%	22.9%	22.5%	21.1%
Per share values					
EPS	56.7	75.9	81.4	100.2	116.3
CEPS	68.5	89.0	95.4	115.2	132.3
BVPS	243.2	316.6	395.4	493.1	606.9
Valuation ratios (x)					
P/E	19.0	20.6	28.4	23.0	19.8
P/B	4.4	4.9	5.8	4.7	3.8
EV/EBITDA	11.8	13.9	17.9	14.7	12.3
Marketcap/sales	1.9	2.9	3.6	3.2	2.7
Leverage ratios (x)					
Debt/ Equity	0.1	-	-	-	-
Net debt/Equity	0.0	(0.1)	(0.2)	(0.3)	(0.4)
Net debt/EBITDA	0.1	(0.4)	(0.7)	(1.1)	(1.4)
Int coverage	16.7	67.8	24.0	114.1	132.3
NWC days					
Receivables	48	65	65	65	65
Inventory	110	112	112	112	112
Payables	27	30	30	30	30

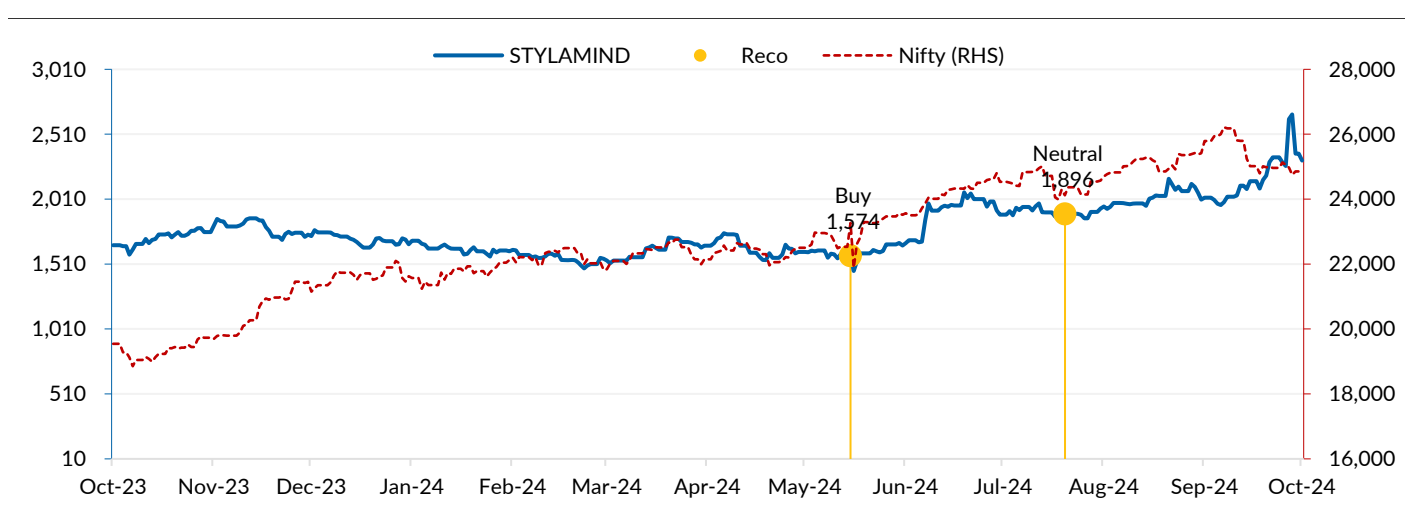
Source: Company, YES Sec

Exhibit 14: 1-year forward P/E (x) chart



Source: YES Sec

Recommendation Tracker



Source: YES Sec

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In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

DISCLOSURE OF INTEREST

Name of the Research Analyst : Udit Gajiwala, Shalin Damani

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Analyst signature

Analyst signature

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