

August 08, 2024

RESULT REPORT Q1 FY25 | Sector: Building Materials

Stylam Industries Ltd

Expect 12.5% volume growth; margins to remain under-check, downgrade to NEUTRAL!

Result Synopsis

Stylam Industries Ltd (SYIL) reported muted growth in Q1FY25. Revenue increased by 7.5%YoY to Rs2.42Bn, driven by 5.7%YoY volume growth (2-year Volume CAGR stood at 5%) coupled with 1.8% improvement in ASP of laminates to Rs786/sheet. Exports (70% of sales & 57% of laminates volumes), reported a revenue growth of 13.4%YoY and ASP came in at Rs1,000/sheet. Domestic (30% of sales & 43% of laminates volumes), registered a revenue decline of 4%YoY & ASP stood at Rs583/sheet. Operating margins contracted to 17.3% Vs 18.5%/19.9% in Q1FY24/Q4FY24 respectively, largely on account of higher input cost which weighed on gross margins.

We reckon, SYIL to register a volume CAGR of 12.5% over FY24-FY26E on the back of expanding geographic presence in export markets and focus to enhance footprints in domestic markets. To cater the incremental growth, company's new plant will commission by Q3FY25E for which orders for major machineries have been placed. Incrementally, the modular expansion at current facilities has concluded, for which SYIL expended Rs300Mn. Moreover, the Acrylic sheet business will further accelerate growth. Hence, we expect revenue to grow by 15% CAGR over FY24-FY26E. On account of higher input cost and commencement of new plant in Q3FY25E, we have revised our margin estimate downwards to 18%/19% for FY25E/FY26E respectively. Consequently, our EPS estimates have been revised downwards by 15%/10% for FY25E/FY26E respectively to Rs75/Rs92. We have valued the company at P/E(x) of 22x on FY26E EPS, arriving at a target price of Rs2,017. Hence, we have assigned a NEUTRAL rating to the stock.

Result Highlights

- Revenue for the quarter stood at Rs2.43Bn (7.5% above est), a growth of 7.5%YoY & flattish QoQ.
- EBITDA margins came in at 17.3% (est of 19.5%) Vs 18.5%/19.9% in Q1FY24/Q4FY24, respectively owing to an increase in input costs. Absolute EBITDA stood at Rs419Mn, flattish YoY & a decline of 12%QoQ.
- Net profit stood at Rs284Mn, a marginal increase of 2%YoY & a degrowth of 25%QoQ (excl exceptional loss of Rs11Mn in Q4FY24, net profit contracted by 27%QoQ).
- Volume for Q1FY25 stood at 2.96Mn sheets, a growth of 5.7%YoY & a decline of 2.6%QoQ. Average realization for Q1FY25 came in at Rs786, a marginal increase of 2%YoY & and remaining flattish QoQ.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	2,426	2,257	2,364	7.5	2.6	Revenue above estimate but miss on profitability.
EBITDA	419	440	448	(4.9)	(6.6)	
EBITDA Margin (%)	17.3	19.5	19.0	-224 bps	-170 bps	
Adjusted PAT	284	291	295	(2.7)	(3.9)	

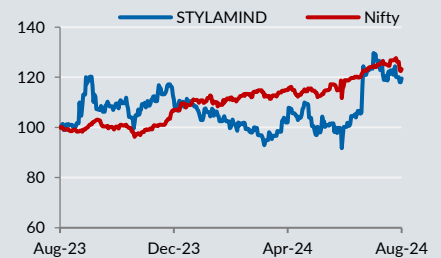
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 1,896
Target Price	: Rs 2,017
Potential Return	: +6.4%

Stock data (as on Aug 08, 2024)

Nifty	24,149
52 Week h/l (Rs)	2,090 / 1,414
Market cap (Rs/USD mn)	31,788 / 379
Outstanding Shares (mn)	17
6m Avg t/o (Rs mn):	84
Div yield (%):	-
Bloomberg code:	SYIL IN
NSE code:	STYLAMIND

Stock performance



	1M	3M	1Y
Absolute return	-8.0%	23.0%	19.3%

Shareholding pattern (As of Jun'24 end)

Promoter	54.6%
FII+DII	15.1%
Others	30.3%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	BUY
Target Price	2,017	2,034

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	75.1	91.7
EPS (Old)	88.5	101.7
% change	-15.2%	-9.8%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	9,141	10,565	12,075
YoY Growth	(4.0)	15.6	14.3
EBIDTA	1,845	1,902	2,294
EBIDTA (%)	20.2	18.0	19.0
PAT	1,285	1,271	1,553
YoY Growth	33.8	(1.1)	22.2
ROE	27.1	21.3	21.1
EPS	75.9	75.1	91.7
P/E	20.6	25.3	20.7
BV/Share	317	389	478
P/BV	4.9	4.9	4.0

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Exhibit 2: Quarterly Snapshot:

Rs mn	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Revenue	2,368	2,257	2,339	2,146	2,399	2,426	7.5	1.1
Expenditure	1,963	1,839	1,867	1,668	1,922	2,007	9.2	4.4
- RM	1,296	1,254	1,245	1,092	1,151	1,346	7.4	17.0
- Staff Cost	186	186	187	190	188	194	4.2	3.3
- Other cost	481	399	435	386	584	467	17.1	(20.0)
Operating Profit	405	418	473	478	477	419	0.2	(12.2)
OPM(%)	17.1	18.5	20.2	22.3	19.9	17.3	-126 bps	-262 bps
Other Income	7	5	19	20	13	26	405.8	97.7
Depreciation	44	51	53	56	63	61	19.8	(3.3)
Interest	6	7	6	7	5	5	(25.7)	13.0
Exceptional	-	-	-	-	(11)	-	-	-
PBT	363	365	433	435	411	379	3.7	(7.9)
Tax	95	87	115	122	35	95	9.3	172.2
PAT	268	278	318	313	376	284	1.9	(24.6)
OCI	(0)	(0)	(0)	(0)	(0)	-	-	-
Reported PAT	268	278	318	313	376	284	2.0	(24.6)
Adjusted PAT	268	278	318	313	387	284	2.0	(26.8)

Source: Company, YES Sec

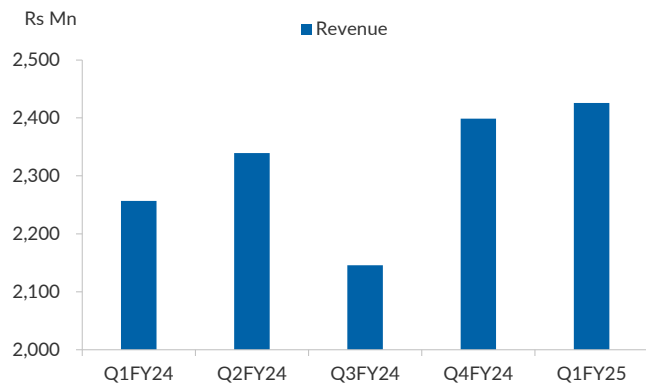
Exhibit 3: Operational Numbers:

Particulars	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Volumes (Mn Sheets)	2.7	2.8	3.2	2.8	3.0	3.0	5.7	(2.6)
ASP (Rs/Sheet)	835	772	711	766	789	786	1.8	(0.4)
EBITDA/Sheet (Rs)	148	149	150	171	157	141	(5.2)	(9.8)
Revenue Mix								
Export sales (Rs mn)	1,510	1,490	1,510	1,440	1,670	1,690	13.4	1.2
% of sales	64%	66%	65%	67%	70%	70%	4 bps	0 bps
Domestic sales (Rs mn)	860	770	830	710	730	740	(3.9)	1.4
% of sales	36%	34%	35%	33%	30%	30%	-4 bps	0 bps

Source: Company, YES Sec

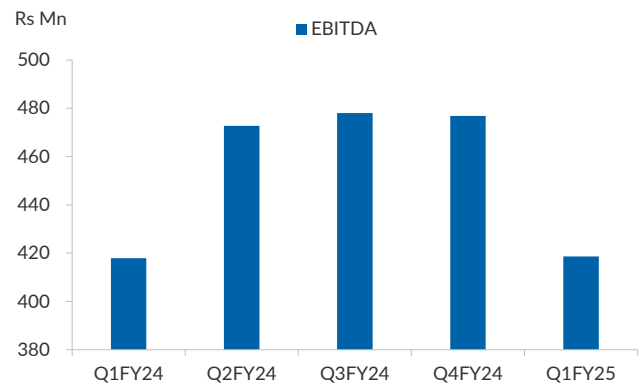
QUARTERLY TRENDS

Exhibit 4: Revenue grew by 7.5%YoY...



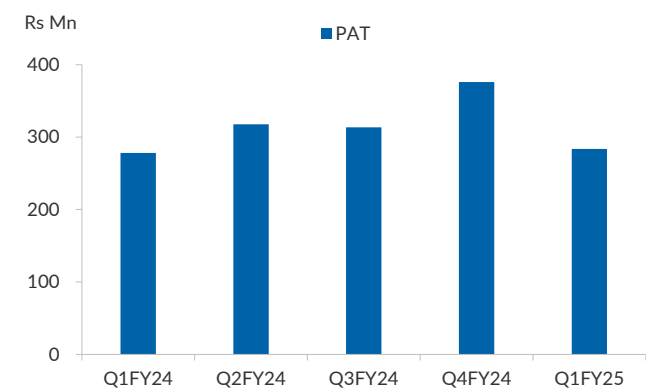
Source: Company, YES Sec

Exhibit 5: EBITDA stood at Rs419Mn...



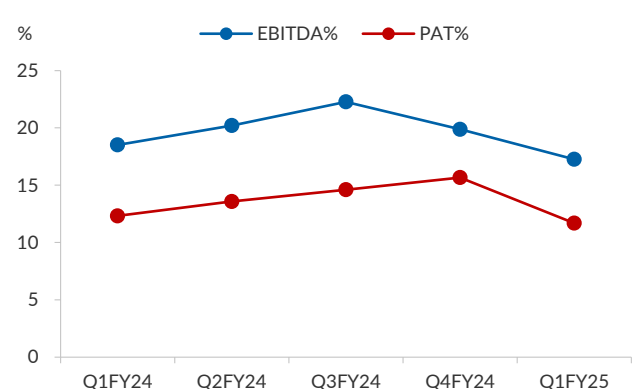
Source: Company, YES Sec

Exhibit 6: Net profit increased marginally by 2%YoY...



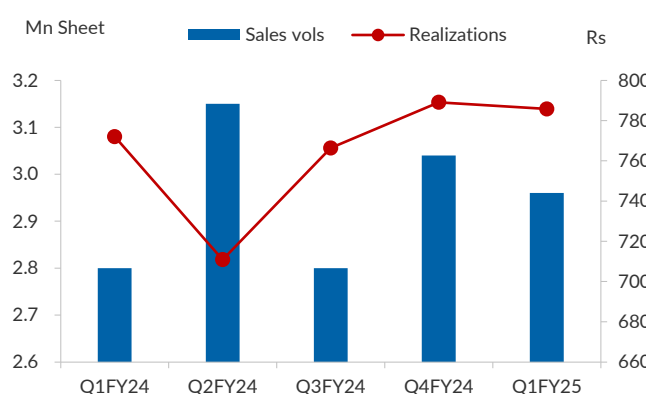
Source: Company, YES Sec

Exhibit 7: OPM & NPM came in at 17.3% & 11.7%...



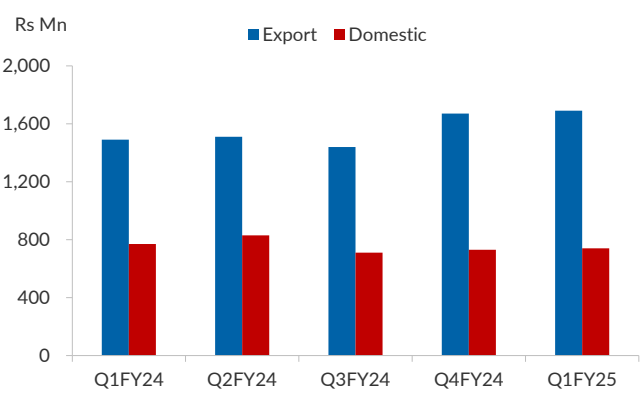
Source: Company, YES Sec

Exhibit 8: Volume increased by 5.7%YoY...



Source: Company, YES Sec

Exhibit 9: Exports contributed 70% to revenues...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Sales	6,593	9,521	9,141	10,565	12,075
COGS	3,755	5,310	4,741	5,598	6,102
COGS %sales	57.0%	55.8%	51.9%	53.0%	50.5%
GP	2,838	4,211	4,400	4,967	5,972
GP%	43.0%	44.2%	48.1%	47.0%	49.5%
EBITDA	1,037	1,548	1,845	1,902	2,294
EBITDA%	15.7%	16.3%	20.2%	18.0%	19.0%
Depreciation	231	200	223	247	263
Finance Cost	78	82	25	20	20
Other Income	80	14	57	60	60
PBT	807	1,281	1,655	1,695	2,071
Tax	196	321	359	424	518
PAT	611	960	1,285	1,271	1,553
PAT%	9.3%	10.1%	14.1%	12.0%	12.9%

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	85	85	85	85	85
Reserves	3,076	4,036	5,278	6,507	8,018
Total Shareholders' Funds	3,161	4,121	5,363	6,592	8,103
Borrowings	651	367	-	-	-
Trade payables	580	398	388	459	500
Provisions	142	137	49	49	49
Other current liabilities	347	308	196	231	252
Total equity and liabilities	4,888	5,380	6,073	7,407	8,981
Gross block	3,106	3,237	3,459	3,709	3,959
Acc Dep.	1,319	1,519	1,741	1,988	2,251
Net block	1,787	1,718	1,717	1,721	1,707
CWIP	-	128	16	16	16
Other non-current assets	43	43	281	324	371
Inventories	1,329	1,598	1,451	1,714	1,868
Trade receivables	1,188	1,258	1,621	1,873	2,141
Cash	87	267	720	1,454	2,531
Other current assets	456	368	247	285	326
Total assets	4,889	5,380	6,073	7,407	8,981

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	806	1,281	1,643	1,695	2,071
Depreciation & Amortization	233	200	223	247	263
Finance cost	78	33	8	20	20
(Incr)/Decr in Working Capital	(708)	(591)	(270)	(491)	(447)
Taxes	(191)	(257)	(406)	(424)	(518)
Cash from ops.	107	662	1,129	1,004	1,347
(Incr)/ Decr in PP&E	(137)	(259)	(143)	(250)	(250)
Cash Flow from Investing	(296)	(123)	(209)	(250)	(250)
(Decr)/Incr in Borrowings	203	(325)	(459)	(0)	(0)
Finance cost	(78)	(33)	(8)	(20)	(20)
Cash Flow from Financing	124	(358)	(468)	(20)	(20)
Incr/(Decr) in cash	(65)	181	453	734	1,077
Cash and cash equivalents at beginning of year	151	87	267	720	1,454
Cash and cash equivalents at end of year	87	267	720	1,454	2,531

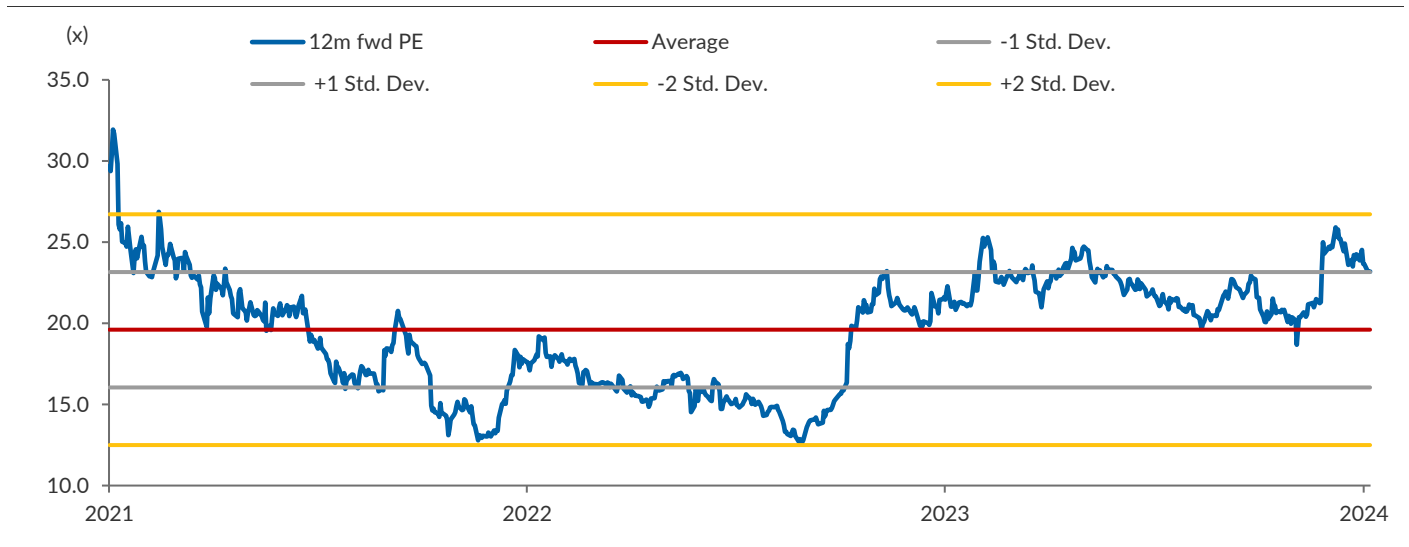
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
Growth Matrix (%)					
Revenue growth	37.5%	44.4%	-4.0%	15.6%	14.3%
EBITDA growth	4.7%	49.4%	19.2%	3.0%	20.6%
EBIT growth	15.0%	54.0%	23.3%	2.1%	21.9%
PAT growth	10.2%	57.9%	33.8%	-1.0%	22.2%
Profitability ratios (%)					
EBITDA margin	15.7%	16.3%	20.2%	18.0%	19.0%
EBIT margin	13.4%	14.3%	18.4%	16.2%	17.3%
PAT margin	9.3%	10.1%	14.1%	12.0%	12.9%
RoCE	27.6%	35.4%	34.4%	28.2%	28.0%
RoE	21.2%	26.4%	27.1%	21.3%	21.1%
Per share values					
EPS	36.1	56.7	75.9	75.1	91.7
CEPS	49.8	68.5	89.0	89.6	107.2
BVPS	186.6	243.2	316.6	389.1	478.3
Valuation ratios (x)					
P/E	26.3	19.0	20.6	25.3	20.7
P/B	5.1	4.4	4.9	4.9	4.0
EV/EBITDA	16.1	11.8	13.9	16.1	12.9
Marketcap/sales	2.4	1.9	2.9	3.0	2.7
Leverage ratios (x)					
Debt/ Equity	0.2	0.1	-	-	-
Net debt/Equity	0.2	0.0	(0.1)	(0.2)	(0.3)
Net debt/EBITDA	0.5	0.1	(0.4)	(0.8)	(1.1)
Int coverage	11.3	16.7	67.8	85.8	104.6
NWC days					
Receivables	66	48	65	65	65
Inventory	129	110	112	112	112
Payables	56	27	30	30	30

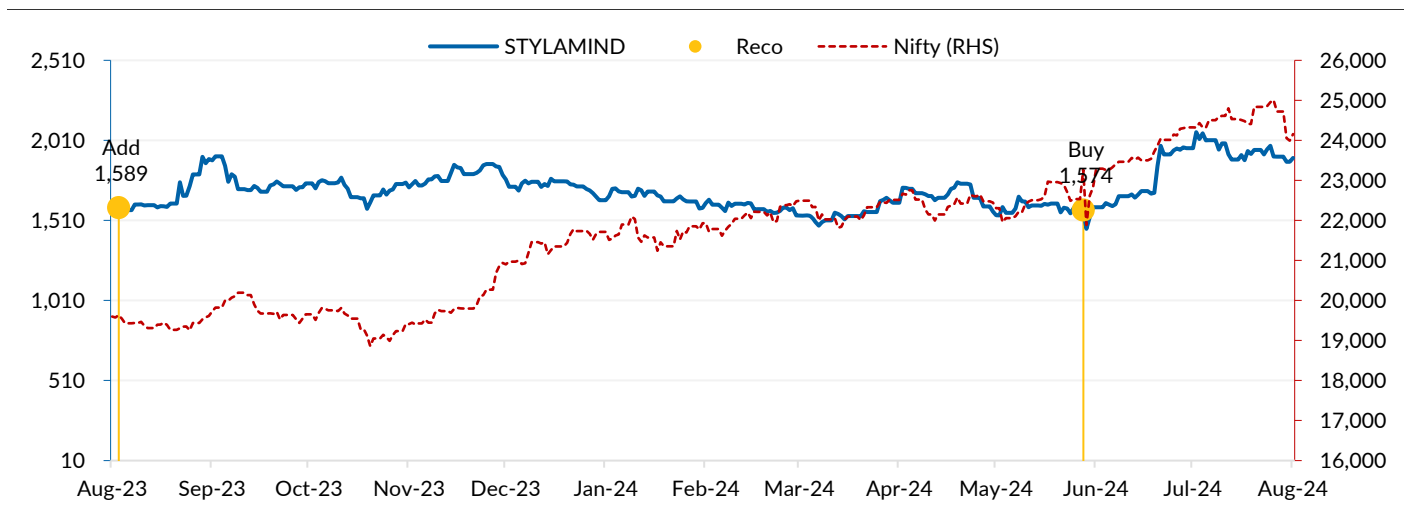
Source: Company, YES Sec

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



Source: YES Sec

Recommendation Tracker



Source: YES Sec

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8	YSIL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSIL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSIL has been engaged in market making activity for the subject company(ies)	No

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RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

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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