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20 YEARS

INITIATING COVERAGE

STYLAM INDUSTRIES

INSTITUTIONAL RESEARCH

Stylam Industries

Fastest-growing laminate company in India

We initiate coverage on Stylam Industries with a BUY rating and a target price of INR 2,300 (22x its Sep-25 EPS). We like the company for its industry-leading growth and EBITDA margins, healthy balance sheet, and return ratio profile. We believe it still has room to expand its geographical reach and penetration in existing domestic and export markets, offering strong revenue growth visibility. It is focusing on brownfield expansion and laminate debottlenecking to achieve its strong growth objective. In the acrylic segment, we expect rapid growth, albeit on a low base. We expect Stylam to post strong 15/23/26% revenue/EBITDA/PAT CAGRs during FY23-26E.

- **No stopping; market share gain to continue:** Stylam is gaining its market share in both domestic and export markets, and we expect this trend to continue. Over the last five years (FY18-23), it reported revenue/EBITDA/PAT CAGR of 23/26/37% respectively. Currently, exports account for two-thirds of Stylam's revenue. It has a strong export team and has emerged as India's second-largest laminate exporter. It is India's largest laminate exporter to Europe (a quality-conscious market). We believe the company has plenty of room to expand its geographical presence and penetration in existing domestic and export markets, providing strong revenue growth visibility.
- **Acrylic segment to grow at a rapid pace:** Stylam is the first Indian company to manufacture an acrylic solid surface. On a low base, this segment is growing fast, having formed 2% of revenue in FY23. As Koreans/Chinese are dumping acrylic in India, management is confident the Indian government will impose anti-dumping duty on them. We expect this segment to grow at 54% CAGR during FY23-26E and account for 5% of its revenue by FY26.
- **Capex plan in place to support strong growth:** The company is working on a laminate debottlenecking project to increase this segment's revenue potential by ~40% (partially completed). In FY24, it started work on brownfield laminate expansion (Capex: INR 1.5bn, expected by H1FY25 end), which has an INR 5bn revenue potential. This will increase its revenue potential to INR 18bn at the company level, offering strong revenue visibility. The acrylic segment is running at sub-10% utilisation and won't require any Capex.
- **Initiate coverage with a BUY rating:** We estimate the company will deliver strong 15/23/26% revenue/EBITDA/PAT CAGRs during FY23-26E. We expect Stylam to continue to deliver industry-leading growth and EBITDA margins, healthy return ratios, and an improved value-added mix, which will lead to rerating. We initiate coverage on the company with a BUY rating by valuing it at 22x its Sep-25E EPS to arrive at a TP INR 2,300 (35% discount to Greenlam's valuation multiple).

Financial summary

YE Mar (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	4,606	4,621	4,795	6,593	9,521	10,184	12,180	14,660
EBITDA	799	796	990	1,037	1,548	1,932	2,375	2,878
EBITDAM (%)	***17.3***	***17.2***	***20.6***	***15.7***	***16.3***	***19.0***	***19.5***	***19.6***
APAT	388	341	552	611	960	1,271	1,598	1,930
AEPS (INR)	22.9	20.1	32.6	36.1	56.6	75.0	94.3	113.9
P/E (x)	14.3	16.2	10.0	27.5	18.6	23.2	18.5	15.3
EV / EBITDA (x)	9.3	8.4	6.0	16.9	11.6	15.1	12.3	9.8
RoE (%)	23.4	17.5	23.8	21.2	26.4	27.1	26.7	25.5

Source: Company, HSIE Research

BUY

CMP *(as on 6 Oct 2023)*	INR 1,741
Target Price	INR 2,300
NIFTY	19,654

KEY STOCK DATA	
Bloomberg code	SYIL IN
No. of Shares (mn)	17
MCap (INR bn) / ($ mn)	29/361
6m avg traded value (INR mn)	108
52 Week high / low	INR 1,980/942

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	9.6	63.7	59.6
Relative (%)	9.3	53.4	46.3

SHAREHOLDING PATTERN (%)	Mar-23	Jun-23
Promoters	54.61	54.61
FIs & Local MFs	12.49	12.96
FPIs	2.53	3.59
Public & Others	30.37	28.84
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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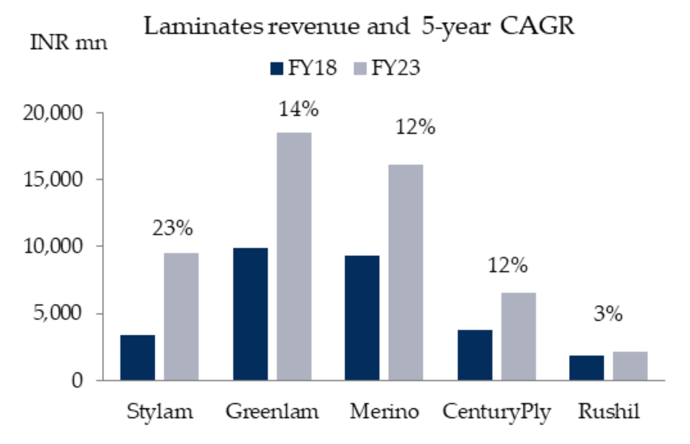
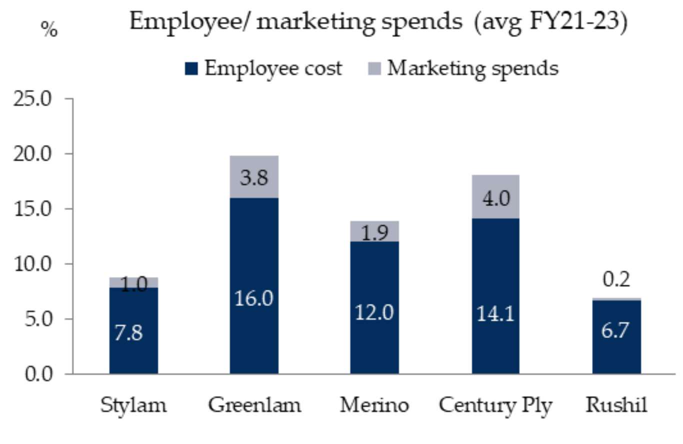
Focus charts

Stylam revenue is growing faster than peers', owing to market share gains and improvement in realisation



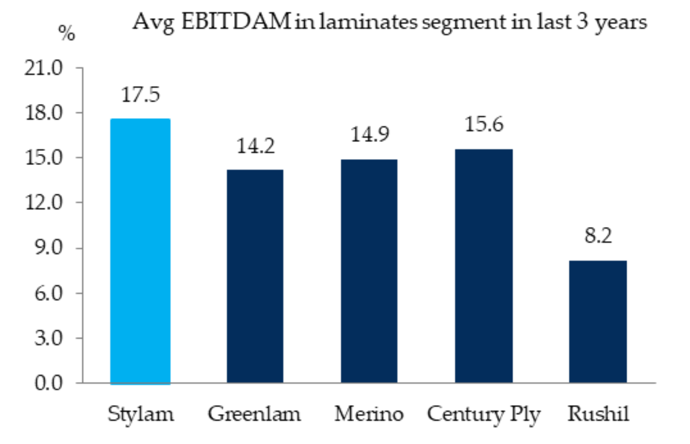
Source: Companies, HSIE Research

Stylam has low employee and marketing spends among peers (% of sales)…



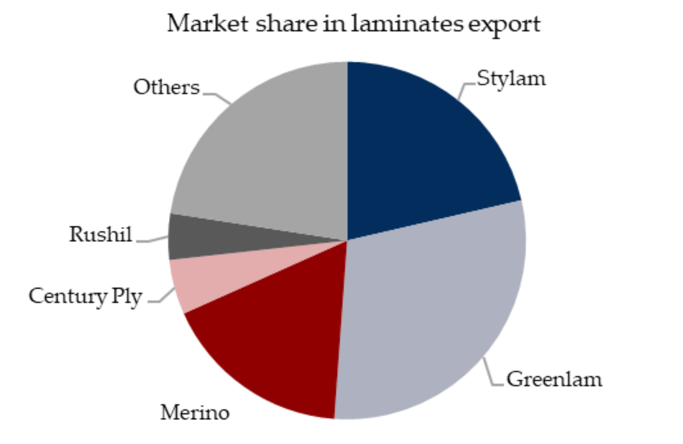
Source: Companies, HSIE Research

…leading to an industry-leading EBITDA margin



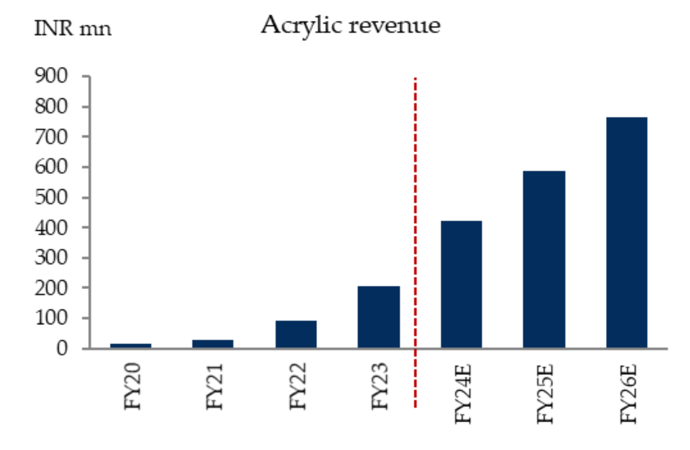
Source: Companies, HSIE Research

Stylam has emerged as the second-largest laminate exporter from India (~20% share)



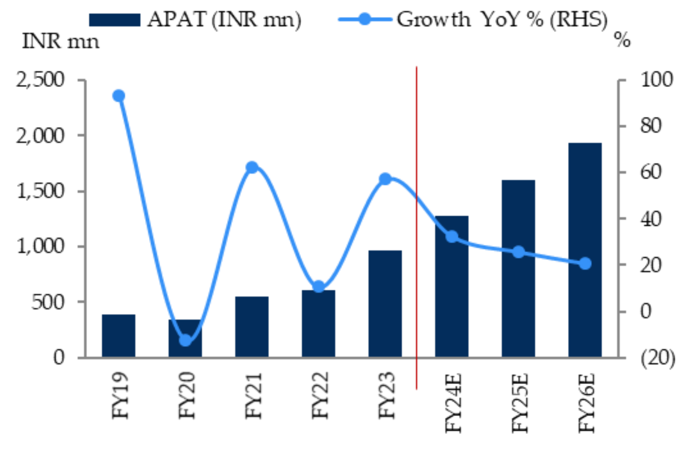
Source: Companies, GoI, HSIE Research

Acrylic revenue is growing rapidly on a low base and is likely to rise to 5% of revenue by FY26 vs. 2% in FY23



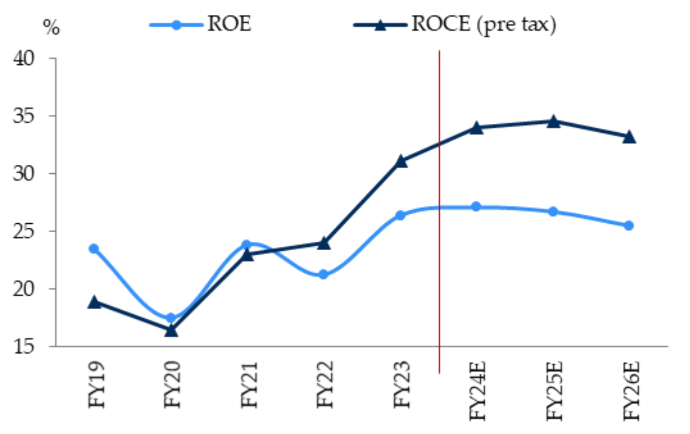
Source: Company, HSIE Research

FY23-26E consolidated APAT CAGR: +26% (higher EBITDA, lower interest expense)



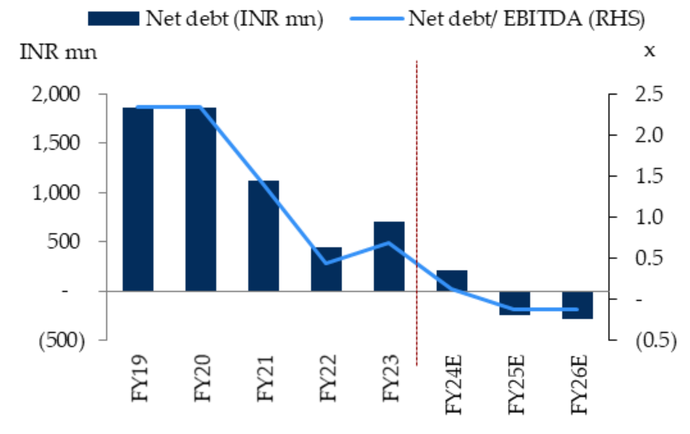
Source: Company, HSIE Research

Return ratios will continue to remain healthy



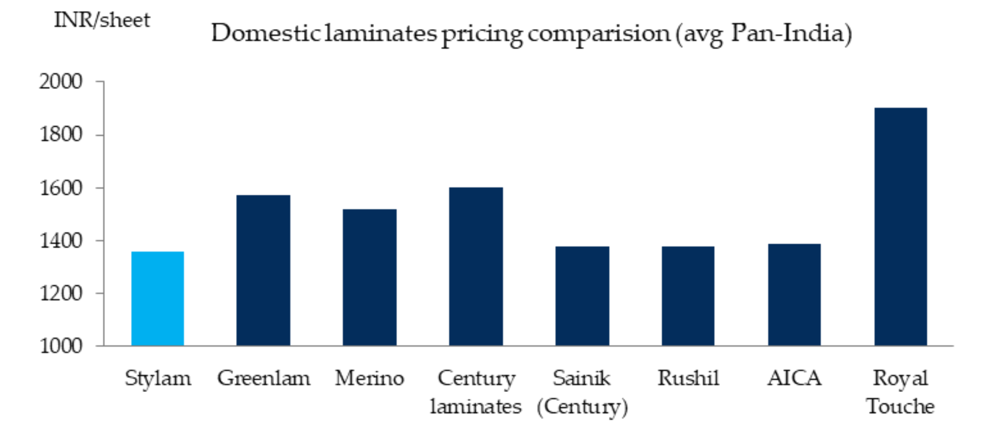
Source: Company, HSIE Research

Debt issue behind, gradually net cash balance will rise



Source: Company, HSIE Research

Stylam is rated as a tier-2 brand—its laminates sell at 10-15% discount vs industry leaders in domestic market (room to improve realisation)



Source: HSIE Research (Above pricing comparison is for SF grade with 1mm thickness)

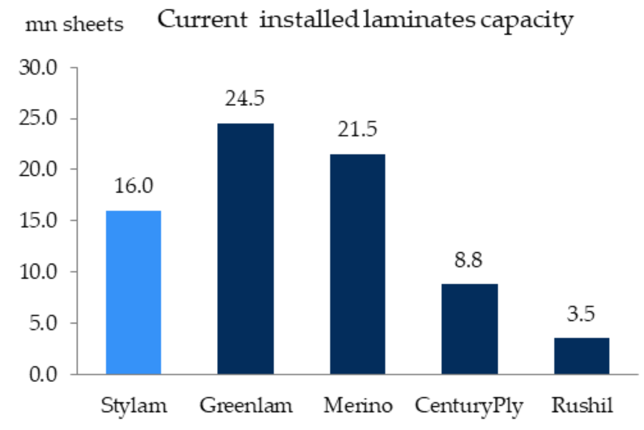
Contents

Strong track record; will continue to gain market share

Stylam was incorporated by the late Mr NR Aggarwal in 1991 along with his sons, Mr Jagdish Gupta and the late Mr Satish Gupta. It has an installed capacity of 16mn laminate sheets capacity per year at two locations in Haryana. It has set up Asia's largest laminate manufacturing plant. Two-thirds of its revenue comes from exports.

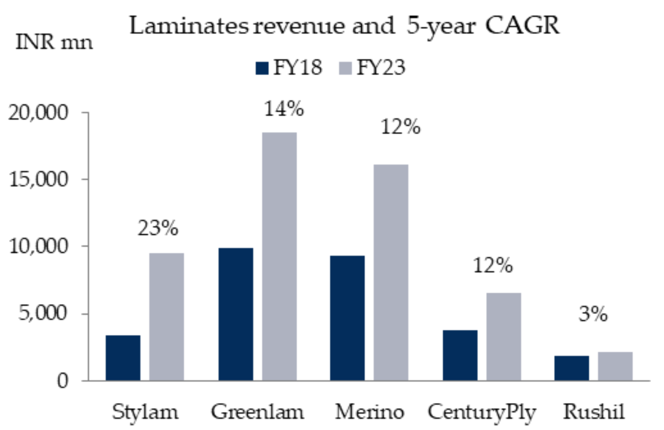
In the past five years, it has outpaced industry growth, with its revenue/EBITDA/PAT growing at 23/26/37% CAGRs between FY18 and FY23. An increase in value-added product mix (especially hot coating products) is one of the key reasons it has been able to surpass industry growth in a significant way. Further, its realisation gap has also narrowed in comparison to industry majors, owing to better product mix, country mix and increased sales of value-added products. Owing to lower realisation than laminate majors in the domestic market, it delivers a lower gross margin. However, it still manages to report an industry-leading EBITDA margin, owing to lower fixed costs (employee and marketing) than its peers.

Installed capacity of key players in industry



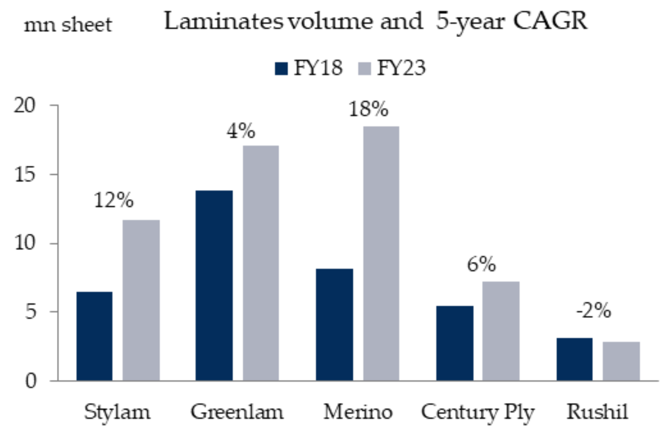
Source: Companies, HSIE Research

Stylam revenue is growing faster than peers', owing to market share gains and improvement in realisation



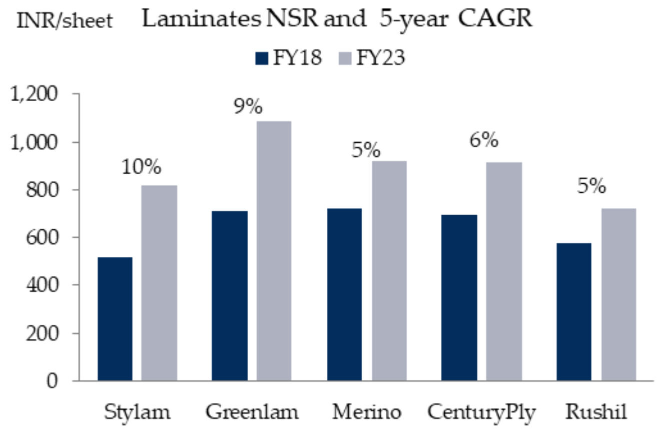
Source: Companies, HSIE Research

Stylam volume growth is strong



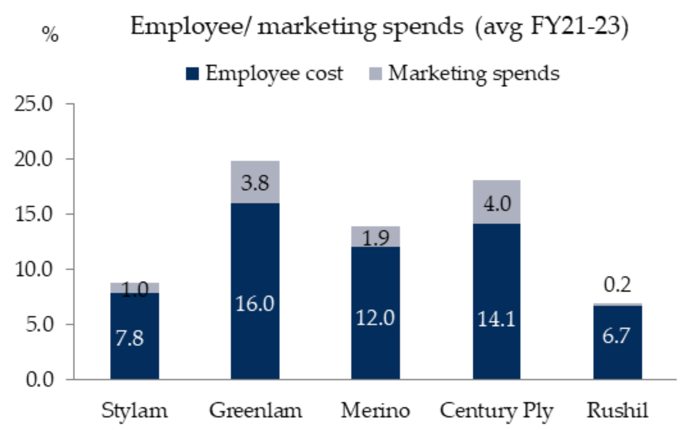
Source: Companies, HSIE Research

Stylam is narrowing realisation gap with industry majors



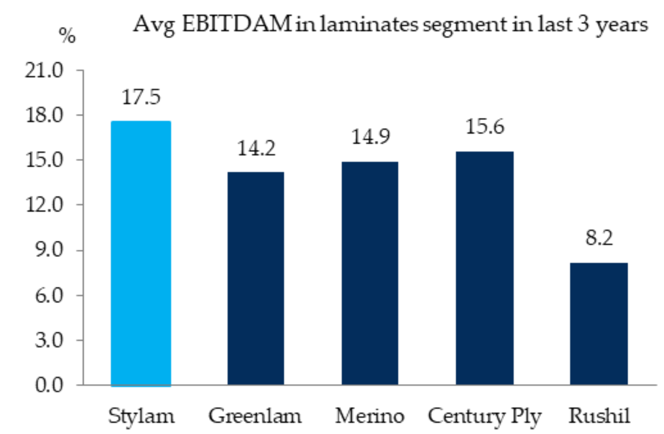
Source: Company, HSIE Research

Stylam has low employee and marketing spends among peers (% of sales)…



Source: Companies, HSIE Research

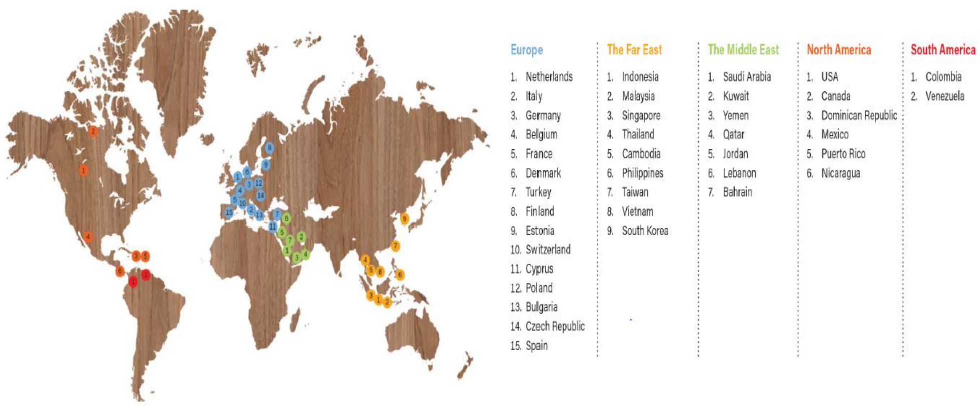
…leading to an industry-leading EBITDA margin



Source: Companies, HSIE Research

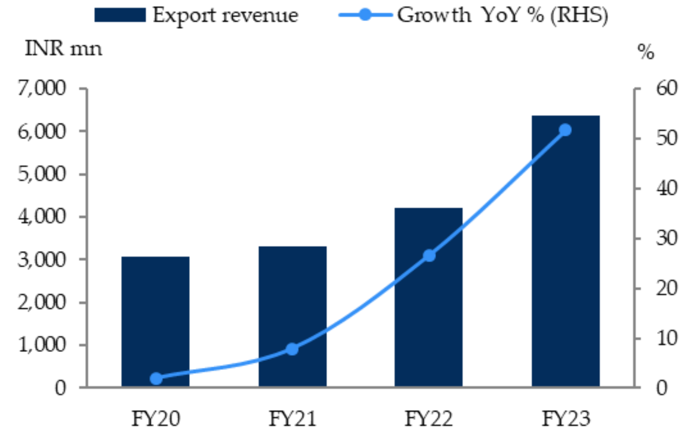
Second-largest export player from India

India's exports of laminate are increasing significantly due to its advantage of low labour costs and the China-plus-one strategy. The value of India's laminate exports increased by 17/16/13% CAGR over the last three, five, and ten years, reaching INR 30bn in FY23. Stylam's export revenue has grown faster than industry growth. It increased by 28/23% CAGRs over the previous 3/5 years, reaching INR 6.38bn in FY23. Its market share in Indian exports rose gradually to ~20% in FY23.



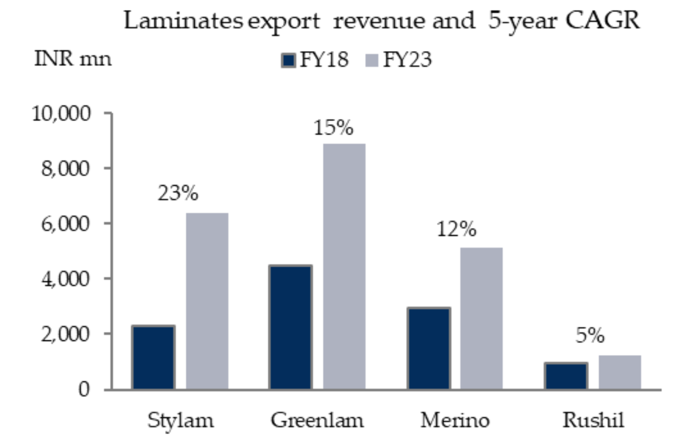
Exports account for two-thirds of Stylam's revenue. The company is currently exporting to more than 80 countries in Europe, North America, Russia, the Middle East and Africa. It plans to expand coverage across newer export regions, along with increasing business with existing partners. It is spending on certifications to expand its global reach. Stylam doesn't own sales offices and warehouses in its export countries and operates mostly from India. It sells on an advance (using letters of credit) basis in the export market.

Stylam's export revenue grows at 28% CAGR in last three years



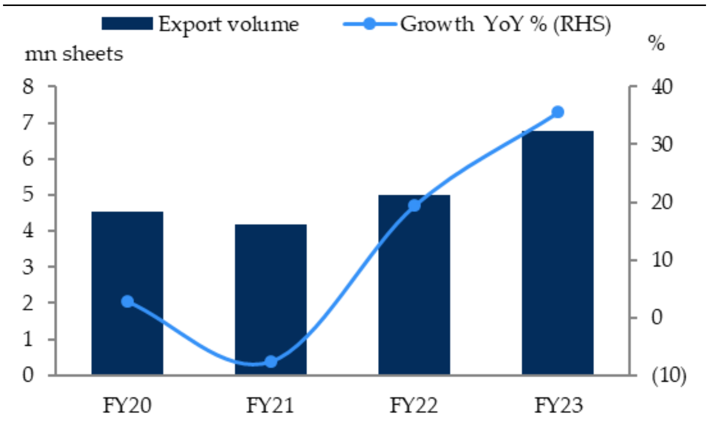
Source: Company, HSIE Research

Stylam's export revenue growth outperforms industry/peers' growth rate



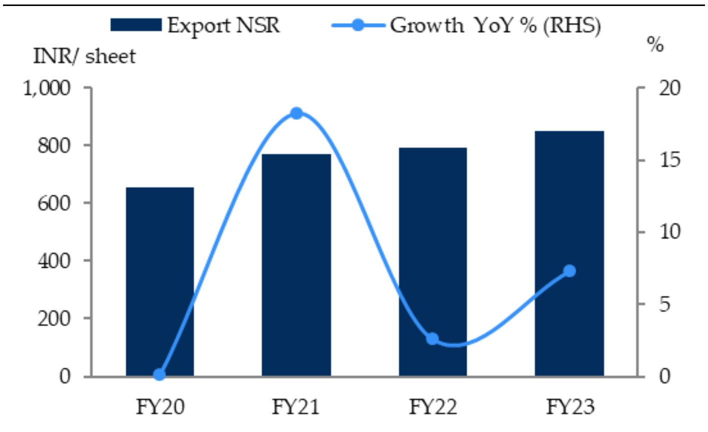
Source: Companies, HSIE Research

Stylam's export volume growth is strong



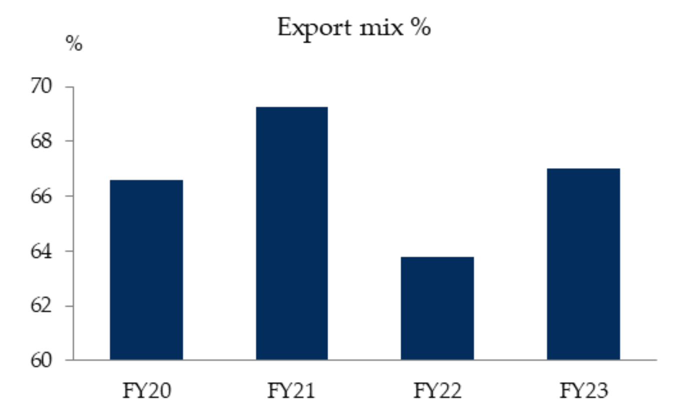
Source: Company, HSIE Research

The company is trying to improve its export realisation by increasing value-added sales and improving country mix



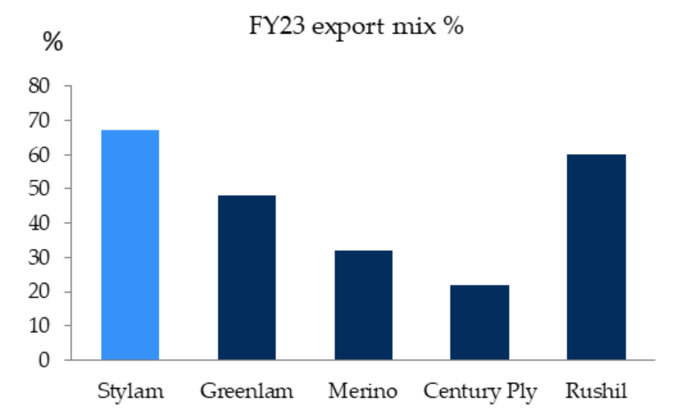
Source: Company, HSIE Research

Stylam's export mix broadly the same in last few years



Source: Company, HSIE Research

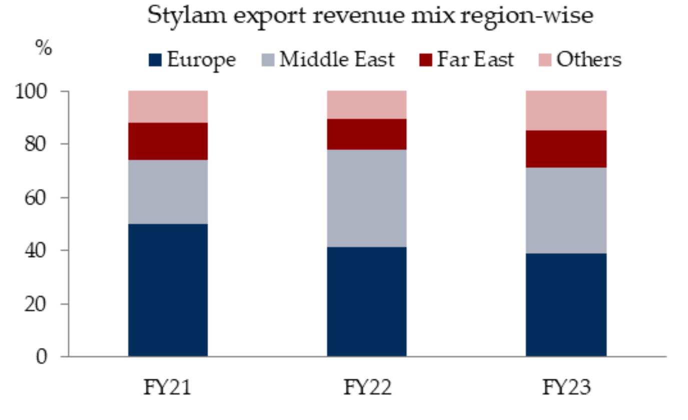
Stylam has higher export share vs others



Source: Companies, HSIE Research

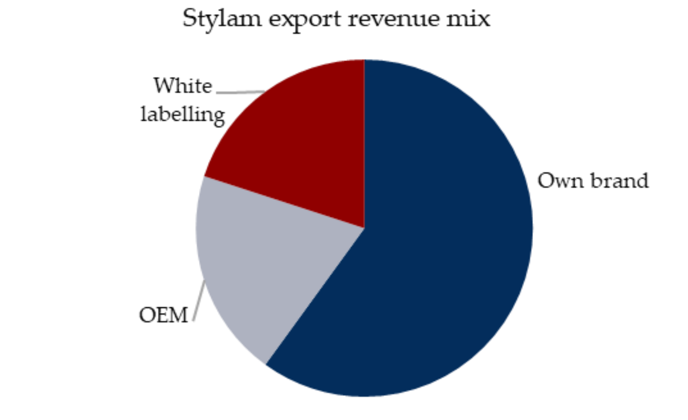
Stylam sells 60% of its products in export markets under its own name and of the balance, 20% is sold to OEMs, while 20% is being white-labeled. Its exports are well distributed with no one country accounting for more than 10% of its revenue mix. The top 5/10 countries account for ~40/60% of its exports. Its export dependency on Europe is high as it is the largest laminate exporter from India to Europe. In FY21, Europe accounted for 50% of its export revenue, but now its dependency is reduced to 40%. Stylam claims to be very cost-competitive in the export markets compared to the domestic players of those regions. So, there is scope to improve the export margin. In our view, Stylam's export margin is way better than its domestic margin.

Stylam's export revenue dependency on Europe market is high (although it is decreasing)



Source: Company, HSIE Research

It sells majority of the products in exports under its own brand name



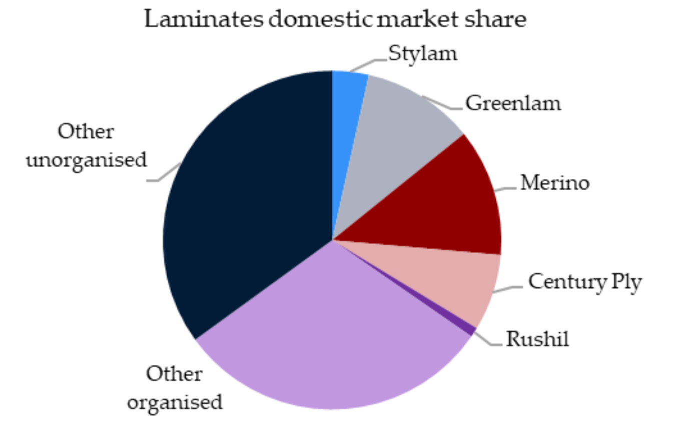
Source: Company, HSIE Research

Penetrating further in the domestic market

As in exports, Stylam is leading the industry in terms of domestic revenue growth too. Its domestic revenue has grown by 27/24% CAGR during the last 3/5 years to INR 3.1bn in FY23. It has a pan-India presence currently. It aims to strengthen its presence in domestic markets through deeper reach and penetration by improving its distribution network. It wants to improve its brand positioning in the market to narrow its pricing gap with industry leaders. It is growing better in the south, which contributes the highest to its revenue mix. It is concentrating more on the south, followed by the north and then the west and the east.

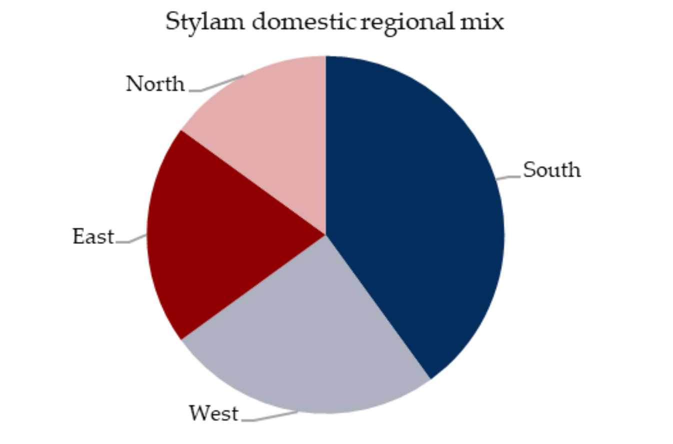
The domestic market contributed 33% of its revenue in FY23. Stylam plans to increase it to 40%. In our view, the new plant will focus on exports, so we don't expect any material change in its domestic and export mix in the medium term. Secondly, we believe export is a more profitable market for the company than domestic. Management highlighted that the government project profitability is on par with other projects. It has undertaken multiple government projects too: Central Vista (Bathroom), Delhi Metro stations (uses exterior grade), Tamil Nadu (Railway Stations - exterior grade), laminate doors, Telangana (Government schools use Stylam laminates), etc. with a variety of products.

Stylam has low market share in the domestic market



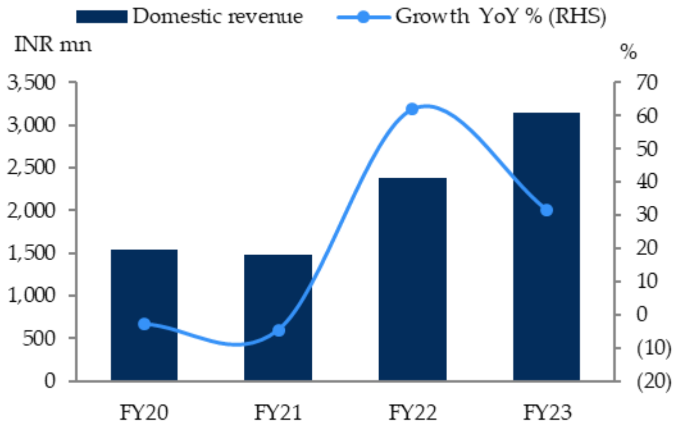
Source: Industry, HSIE Research

Regional sales mix: south has highest share



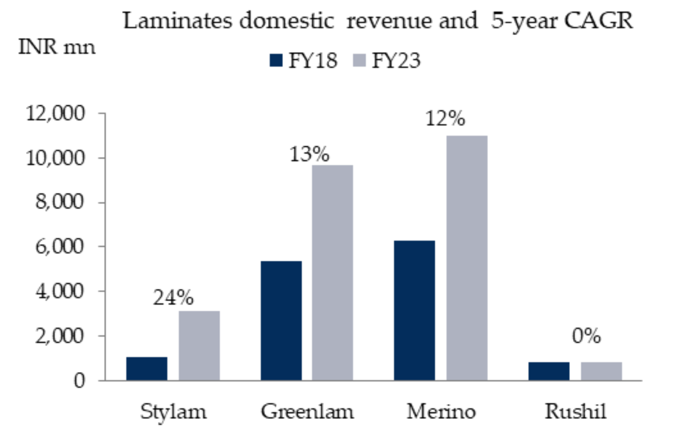
Source: Company, HSIE Research

Stylam's domestic revenue posted a 27% CAGR in last three years



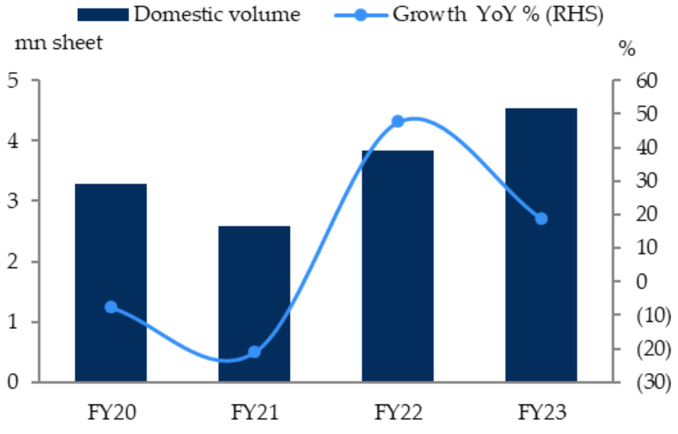
Source: Company, HSIE Research

Stylam's domestic revenue growth is outperforming peers (on a low base), aided by the addition in the distribution network



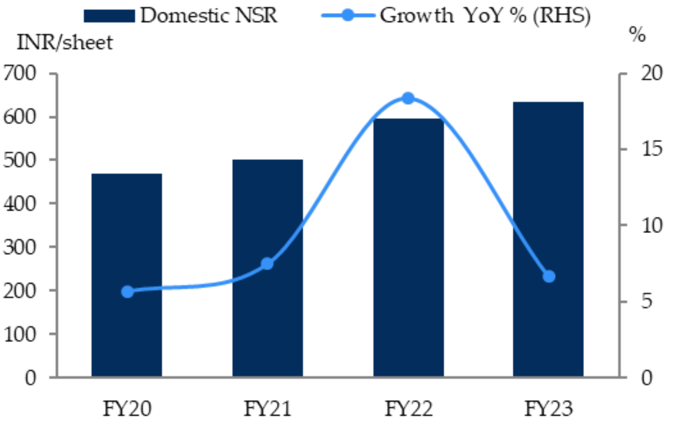
Source: Companies, HSIE Research

Stylam's domestic volume growth is healthy and it is gaining market share



Source: Company, HSIE Research

The company has improved its domestic realisation, aided by higher value-added sales



Source: Company, HSIE Research

Domestic channel check

We have done laminate channel checks in all the regions. For a pricing comparison, our channel checks focused on synthetic finish (SF) grade laminates with 8*4 feet size with 1mm thickness. The below discussion pertains to price comparison for basic SF grade:

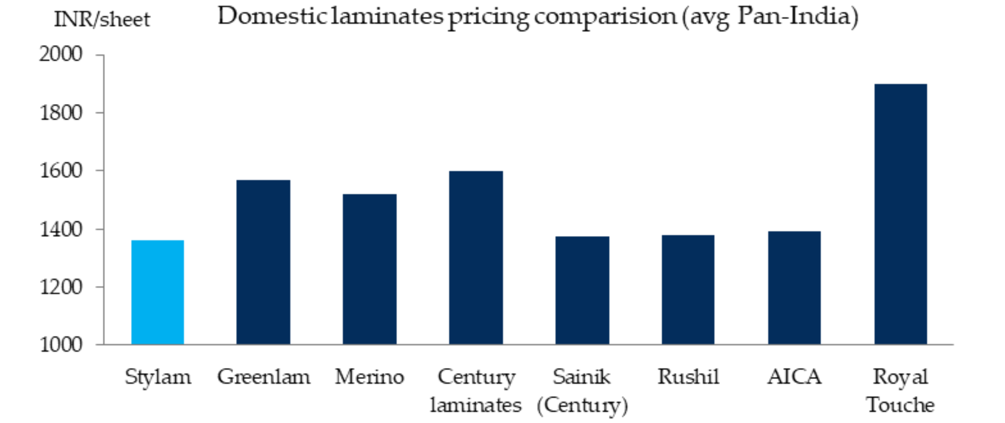
We found that Merino Industries, Greenlam Industries, and CenturyPly have the largest distribution networks. These three players (tier 1 brands) charge premium pricing over other players. **Royal Touche laminates are considered super-premium** and are priced above these three top brands in all regions. **CenturyPly laminates are priced at the second-best level, followed by Greenlam and Merino (average all regions).** But these pricing rankings differ region-wise. In the north, Greenlam has good hold and it charges a premium over Century. In Mumbai, Merino and Century charges premium over Greenlam.

Tier-2 brands such as Stylam, AICA, Rushil (VIR), and Century (Sainik) are priced at 10-15% discount vs. tier 1 brands. Local brands/unbranded further sell at additional discount vs. tier 2 brands. In smaller towns, local brands have a strong hold as they are economical. Also, laminate majors still have a limited distribution network in smaller towns.

To compete with players other than laminate majors on pricing, Century launched Sainik laminates in Q1FY24. To grab market share, Century decided to replicate its successful Sainik ply model in laminates too. **We found that Sainik laminates are not available in many retail counters.** While Sainik ply is well known among the retailer community, many retailers are yet unaware of Sainik laminates. **Century has priced Sainik laminates at ~10-15% discount to Century laminates.** We tried to understand from retailers the difference between Century laminates and Sainik laminates and why the latter is cheaper than the former. Their feedback was that the two are not very different. Both Century and Sainik have good laminate quality. Sainik is priced cheaper due to changes in raw material (chemical) composition. During our interaction with Century management, it highlighted that Sainik uses cheaper Chinese paper in laminates. Hence, it sells at a lower price and targets the economy class. Secondly, Century laminate designs are promoted by the celebrity designer Manish Malhotra and targets the high-end market. **In our view, Sainik laminate sales will pick up and majorly grab market share from tier 2 brands.** We expect Sainik laminates to grab market share from tier 1 brands too. We also expect some customers of Century laminates to shift to Sainik laminates (same company brand).

In our opinion, Stylam's laminates quality is on par with tier 1 brands. The main reasons why tier 1 brands charge a premium over Stylam are: 1) tier 1 brands spend more on brand building (creating strong brand recall); 2) they have a strong on-ground sales team; 3) they have a wide distribution network; and 4) customers have more faith in their quality. Apart from pricing, the variety of designs also play a critical role in customer buying decisions. **So, we believe as Stylam increases its ad budget and distribution network, its pricing gap with tier 1 brands will narrow. This will be a gradual process, so its impact will only become visible in the medium to long term.**

Stylam is rated as a tier-2 brand—its laminates sell at 10-15% discount vs industry leaders in domestic market (room to improve realisation)

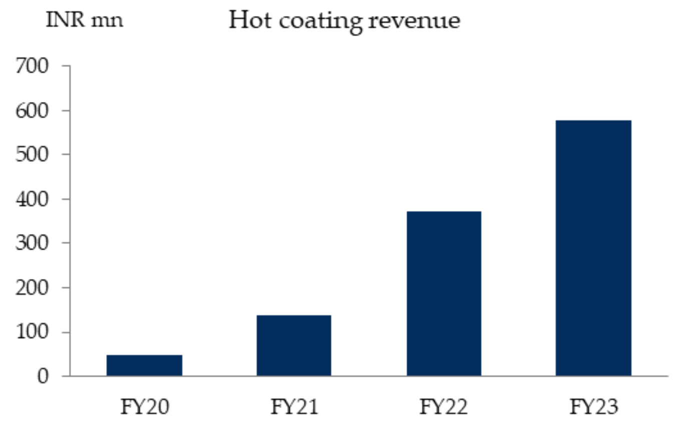


Source: HSIE Research (Above pricing comparison is for SF grade with 1mm thickness)

Value-added product sale grows at rapid pace

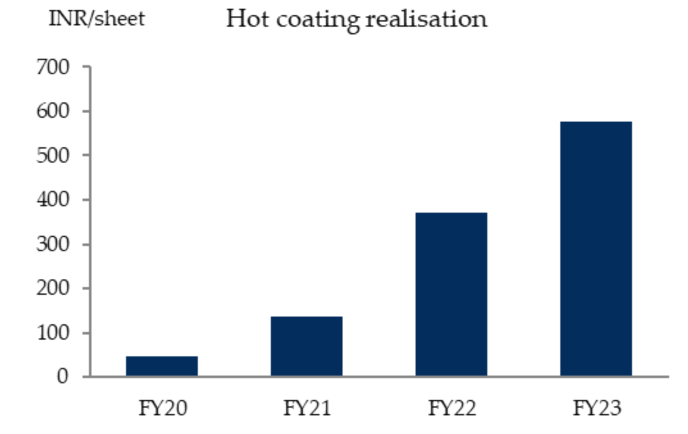
The share of the value-added products (low-competition, high-margin products) in the mix has been on a rise for the company. In FY20, it installed India's first hot coating process machine to manufacture high-quality, high value-added finish laminates in a wide range. It imported its machine from Germany to apply high gloss and anti-fingerprint finish on laminates and exterior cladding. This product received good response and formed ~6% of revenue in FY23. In upcoming years too, management sees rapid growth in this product's sales. It is a high-realisation (~7x realisation vs normal laminates realisation) and high-margin product (20-25% OPM). Three years back, Stylam diversified into a new segment and added a short cycle press capacity for lamination of impregnated paper on Medium Density Fibre (MDF) panels (which account for only ~1% of the revenue).

Hot coating value-added product sale is growing at a fast pace



Source: Company, HSIE Research

Hot-coated laminates sell at premium pricing; thus increase in their sales will bolster realisation



Source: Company, HSIE Research

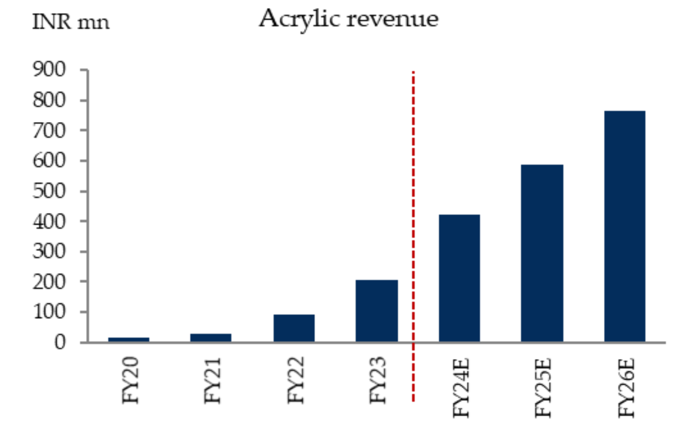
Acrylic business to grow at a fast pace; ply on hold

Stylam is the first company to manufacture acrylic solid surfaces in India. It is manufacturing these using a fully automated German technology plant. It manufactures sheets of 760*2440mm and 760*3660mm with 6mm and 12mm thickness and sells them under the "Stylam" brand. Acrylic is an expensive product; its starting point is where premium granite/marble pricing ends. India is the largest importer of acrylic solid surfaces in the world. It has multiple uses—it is utilised in kitchen units and worktops, bathrooms, furniture, wall cladding, seating, reception desks, etc. India imports majority of the acrylic solid surfaces from South Korea, China, and Hong Kong. The company plans to sell acrylic sheets in both domestic and export markets.

Acrylic solid surface has multiple uses

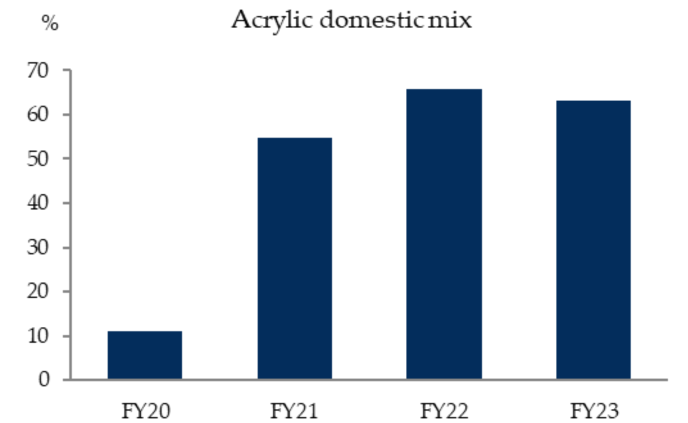
Stylam has an ambitious plan to ramp up its acrylic sales. On a low base, it is growing rapidly, it formed 2% of revenue in FY23. It targets to more than double its revenue in FY24 to INR 0.5bn which is achievable, in our view (FY23: INR 0.21bn). It has set an ambitious target of INR 3-4bn from this segment for the next 2-3 years by replacing imported acrylic sheets with Stylam sheets. Stylam has so far invested (Capex) INR 0.5bn in this segment. This is sufficient to generate INR 4bn revenue from this segment.

Acrylic revenue is growing rapidly on a low base and is likely to rise to 5% of revenue by FY26 vs. 2% in FY23



Source: Company, HSIE Research

Domestic market accounted for 63% of its acrylic revenue in FY23



Source: Company, HSIE Research

Management mentioned that it has been receiving excellent feedback for its products and is continuously adding new customers across domestic and export markets. Its revenue is increasing on a QoQ basis. It reported INR 95mn revenue from this segment in Q1FY24. Further, even at such low utilisation (sub 10% utilisation), this segment is running at PAT breakeven. Once this segment ramps up, management believes that its margin will be similar/better than the laminates segment margin. Stylam has even appealed to the government for anti-dumping duties on Korean/Chinese acrylic imports.

Stylam had earlier incorporated a wholly owned subsidiary Stylam Panels Ltd in India to explore the opportunity in plywood by way of a greenfield project. However, this project has been deferred (rightly in our view). We believe ply is a highly competitive market with many unorganised players. So, in our opinion, the company should focus on expanding its laminates and acrylic sheets business rather than entering the ply segment.

Capacity expansion in place to support strong growth

Last year, it started the laminate debottlenecking project, which has the potential to boost segmental revenue by up to 40%. Of the planned INR 40mn Capex, Stylam spent INR 200mn in FY23, and the rest will be done in FY24. Once this debottlenecking project is completed in FY24, INR 13bn will be the peak revenue potential for the company.

At the start of this year, Stylam announced another INR 1.5bn brownfield laminate expansion project. It is expected to be commissioned by the H1FY25 end. The company expects this plant to generate peak sales of INR 4-5bn within three years of its commissioning. This plant will mainly manufacture large-sized laminates for high-margin export markets. Thus, this plant's margin should boost the overall margin.

Acrylic segment utilisation is quite low. It has INR 4-5bn revenue potential (currently operating below 10% capacity utilisation). Therefore, we don't believe the company requires any Capex for this segment, at least in the next few years.

Manufactures high-quality product

In laminates, the quality of the product is important to build trust among clients. Stylam products are well-accepted in leading global OEMs. Their quality checks ensure that products meet the highest standards before finding their place in residential or commercial spaces. Management believes their inspection criteria are stringent, focusing on vital attributes such as heat resistance, scratch resilience, and stain durability. Their ISI-certified laboratory is equipped with quality assurance machinery, which is sourced from Europe and India. We believe its quality of product is on par with other leading domestic players. However, owing to a lack of brand recall, its products sell at a discount vs. other players. As its brand presence improves, it can charge higher realisation, which will improve margins further. It is the biggest exporter from India to Europe (quality-conscious market) and this speaks for its quality. Even the global laminates major Wilsonart sources from Stylam.

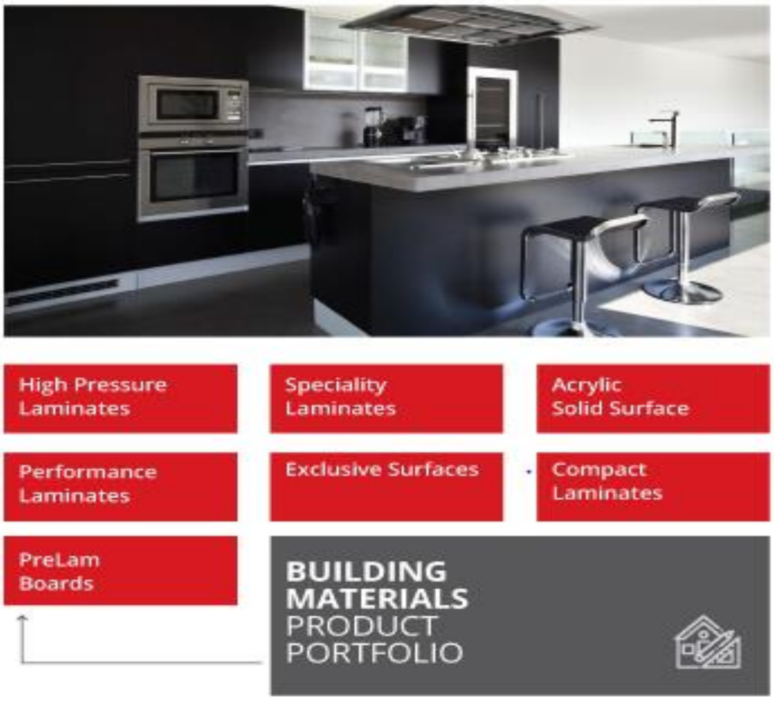
Stylam products enjoy ISO 9001:2015 certification—an international quality certification. Recently, Stylam's export status also got upgraded to Three Star Export House under the Foreign Trade Policy.

Various recognitions received by the company

Diversified product portfolio

It offers products across decorative laminates, high-pressure laminates (HPL), exterior cladding, exterior floor boards and cubicle segments. It also sells acrylic sheets. It sells products of multiple surfaces like high gloss, metallic, anti-bacterial, chalkboard, fire retardant, electrostatic, magnetic, mirror, chemical retardant, etc. The company is capable of producing laminates in different ranges of sizes: 1220 x 2440 mm, 1245 x 2465 mm, 1300 x 2800 mm, 1300 x 3050 mm, 1860 x 3660 mm, 1860 x 4320 mm, 1600 x 3660 mm,1600 x 4320 mm. Their sheet thickness range spans from 0.5 mm to 30 mm, with finishes such as gloss, matte, suede, and texture, among others. It has a portfolio of over 1,500+ unique laminate designs. It makes laminates of over 150 textures and finishes.

Company's product portfolio



Product categories

HPL	Specialty laminates	Exclusive surfaces	Compact laminates
Decorative laminates	Digital laminates	Anti-finger print laminates	Cuboid – restroom cubicles and lockers
Post forming laminates	Synchro laminates	High gloss laminates	Exterior cladding – Fascia
	Mirror shield laminates	Anti-finger print prelam laminates	Industrial laminates
Performance laminates	Metallic laminates	High gloss prelam board	Lab grade compacts
Electrostatic dissipative laminates	Unicore laminates		
Chemical resistant laminates	Flicker laminates	**Acrylic solid surface**	
Fire retardant laminates	Chalk and marker boards		
	Magnetic laminates		

Source: Company, HSIE Research

Brand portfolio:

Marketing strategy

Stylam spends only ~1% of revenue on marketing/business promotion expenses vs Greenlam's 3-4%. Instead of investing a lot of money in advertising, it intends to continue concentrating more on the loyalty programme for carpenters and expands its dealer network. Its loyalty programme, which was introduced last year, has received positive feedback. Therefore, for FY24-26E, we expect Stylam's business promotion expenses to stay ~1% of its net sales.

During FY23, company's strategic focus was widening business horizon and exploring new markets. To reach out to customers in different countries, it participated in international exhibitions in global hubs such as Dubai, Germany, Atlanta and Bogota in the US. It also participated in the 'Delhi Matecia' and 'Bangalore India Wood' exhibitions to enhance business collaborations within India.

Marketing initiatives to create brand awareness in the domestic market

Take on Q1FY24 results:

Muted demand, EBITDA margin recovery continues

- Stylam's volume rose 4% YoY; however, revenue fell 4% YoY owing to weak exports and reduction in ocean freight rates. Domestic revenue grew 17% YoY, still down 10% QoQ (on weak demand). Export revenue declined 12/2% YoY/QoQ, owing to global slowdown. This is the fourth consecutive quarter of QoQ decline in export revenue. NSR declined 8% QoQ as domestic mix has increased (low realisation market). INR 95mn is acrylic revenue in Q1 vs INR 90mn QoQ.
- EBITDA grew 18% YoY, owing to improvement in gross margin and lower other expenses (reduction in distribution expense as ocean freight rates have reduced). However, erosion in the company's gross margin QoQ was a negative surprise (down 80 bps QoQ). Its peer Greenlam Industries' laminates segment gross margin improved by 380 bps QoQ in Q1 (best quarterly margin in the last ten quarters for Greenlam), while Century's laminates segment margin was flattish QoQ. Stylam management highlighted that it was carrying high cost inventory, so its gross margin has declined QoQ.
- EBITDA margin continued to recover for the fifth consecutive quarter (QoQ): up 140/350bps QoQ/YoY to 18.5%. Unitary EBITDA was flattish QoQ at INR 149/sheet (up 14% YoY). Other expense (absolute) reduced by 21/17% YoY/QoQ and aided EBITDA margin recovery. Employee expense (absolute) was flattish QoQ (up 21% YoY).
- APAT grew by 33% YoY due to higher EBITDA and lower interest expense.

Q1FY24 financial snapshot

INR mn	Jun-23	Jun-22	*YoY %*	Mar-23	*QoQ %*
Net Sales	**2,257**	**2,350**	***(4.0)***	**2,368**	***(4.7)***
Total Expenditure	1,839	1,997	*(7.9)*	1,963	*(6.3)*
Raw Materials	1,254	1,337	*(6.2)*	1,296	*(3.2)*
Employee	186	154	*20.8*	186	*0.1*
Others	399	506	*(21.1)*	481	*(17.0)*
EBITDA	**418**	**353**	***18.2***	**405**	***3.1***
EBITDAM (%)	*18.5*	*15.0*		*17.1*	
Depreciation	51	58	*(11.4)*	44	*15.9*
Other Income	5	3	*24.0*	7	*1.5*
Interest	7	22	*(67.7)*	6	*25.4*
PBT	**365**	**276**	***32.1***	**362**	*0.6*
Taxes	87	67	*0.0*	95	*0.0*
MI/ associates					
Adjusted PAT	**278**	**209**	***32.6***	**268**	***3.7***
AEPS (INR)	**16.4**	**12.4**	***32.6***	**15.8**	***3.7***
Reported PAT	278	209	*32.6*	268	*3.7*
APAT margins (%)	*12.3*	*8.9*		*11.3*	

Source: Company, HSIE Research

Op trends	**Jun-23**	**Jun-22**	***YoY %***	**Mar-23**	***QoQ %***
Sales vol (mn sheets)	**2.8**	**2.7**	*3.7*	**2.7**	*3.3*
INR/sheet					
NSR	**800**	**864**	***(7.4)***	**867**	***(7.7)***
RM cost	445	492	*(9.5)*	475	*(6.4)*
Employee	66	57	*16.6*	68	*(3.1)*
Other Exp	142	186	*(23.9)*	176	*(19.6)*
Opex	**652**	**734**	***(11.2)***	**719**	***(9.3)***
EBITDA	**148**	**130**	***14.0***	**148**	***(0.2)***

Source: Company, HSIE Research

Commentary on laminates segment from other companies' managements post Q1FY24:

Greenlam Industries

- **Guidance:** It expects 20-25% revenue growth in FY24 at a consolidated level.
- **Volume:** It produced the highest quarterly volume in Q1FY24 for laminates. However, export sales were impacted by a cyclone that had adversely impacted port operations for 10 days. So, stock of INR 200mn (4% of Q1 sales) was stuck at the port, leading to deferment of Q1 sales to the next quarter. Management believes there is good scope to gain market share from the unorganised market.
- **Laminates prices:** NSR rose QoQ in Q1 owing to higher value-added sales. Greenlam has maintained its selling prices in the market, while competitors have taken a price cut. It expect laminates NSR to stay at the Q1 level.
- **Raw material:** Gross margin improved due to a reduction in raw material cost and a change in sales mix in Q1. It launched a new laminate catalogue during the quarter, which has also helped the company marginally improve gross margin in Q1. Gross margin is expected to stay around the Q1 level in the upcoming quarters.
- **EBITDA margin:** It is expected to stay at the same level/ improve in the upcoming quarter. EBITDA margin can improve owing to the ramp-up of ply, Prantij, and op-lev gains.
- **Prantij:** This Gujarat capacity was upgraded by 2mn sheets to 5.4mn sheets in mid-May-23.
- **Andhra Pradesh expansion:** This 3.5mn MT laminate capacity started commercial production in Sep-23 costing INR 2.39bn, increasing overall capacity to 24.5mn sheets (with an INR 6bn revenue potential).

CenturyPly

- **Guidance:** Laminates volume/value growth guidance is reduced to 12-15% vs 25% guided earlier for FY24, owing to delay in commissioning of plant and sup-par demand. It maintained its laminates segment EBITDA margin guidance of 13-15% for FY24.
- **Demand:** Demand has been weak in Q1. Due to heavy rain, demand traction has not changed much in Q2 so far. Increase in series of interest rates has led to people spending less on interior. However, management is hopeful that demand will pick up.
- **Realisation:** As export share has increased, realisation has declined (domestic realisation is higher than export). In upcoming quarter, domestic share is expected to increase, which will lead to improvement in realisation.
- **New launch:** To address the needs of a high-end market, the company has partnered with celebrity designer Manish Malhotra and launched a new range designed by him. For the economy market, it has launched Sainik laminates. In Q1, it has incurred higher expenses for launching these new ranges, benefit for which will be visible in coming quarters. In Q1, INR 40mn is a one-time non-recurring expense and INR 10-15mn will be a recurring expense (increase in ad and employee expense).
- **Laminate capex:** The greenfield laminate expansion in Andhra Pradesh is expected to be commissioned in two phases (INR 2bn Capex): first phase (0.855mn sheet) and second phase (2mn sheets). The first phase is expected by Q3FY24. Phase 1 will be export focused (large-sized tiles); it will add 14*6 feet and 10*4 feet sized laminates to its product category.

Rushil Decor

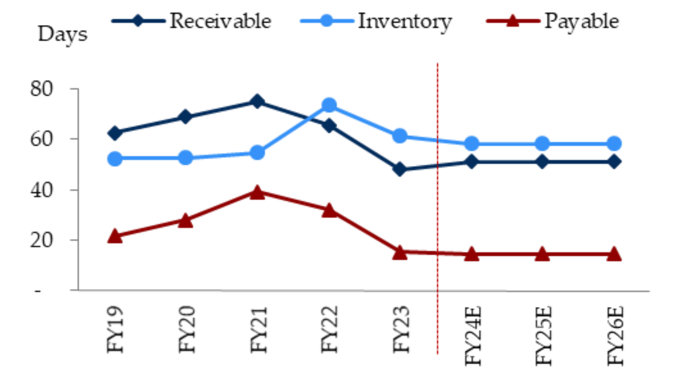
- **Guidance:** It expects 8-9% EBITDA margin in laminates segment in FY24.
- **Demand:** Owing to sub-par demand and SAP implementation in Q1, volume was weak in that quarter. In the initial few days, production and volume were impacted by SAP implementation (marginal impact). As festival season is approaching, management expects a demand revival.
- **Raw material:** Key raw material prices have cooled off in Q1, leading to improvement in laminates segment margin QoQ.
- **Expansion:** Total capex for laminates expansion (jumbo board) is INR 0.6bn, to be commissioned by Jun-24. Considering 50-60% capacity utilisation in FY25, it can generate INR 1bn revenue in FY25. This project is export focused and its margins would be better than current margin. Close to the company's existing plant in Gujarat, land is finalised for this project.

Steady working capital profile

Stylam's working capital (WC) days in FY23 stood at ~3 months, owing to multiple SKUs required in the laminates business. Its WC days in FY23, at 94, are similar to the last five-year average. We have factored in similar three-month WC days in our projection for FY24-26E. In the last few years, it has reduced its debtor days, which is offset by lower payable days. It has made good progress in reducing its debtor days to 48 in FY23 vs. 66 days YoY/average in FY18-22. In the case of exports, debtor days are restricted to 30-40 days maximum (until the container reaches the destination). The company plans to reduce debtor days by one month to 30-45 days in the domestic market, owing to improving brand perception. However, we have factored in similar debtor days during FY24-26E like FY23, as we believe it won't be easy for the company to materially reduce its credit term in the medium term. It has also reduced its payable days to 15 in FY23 vs. 32 days in FY22/ average FY18-22. Its inventory days continue to remain ~2 months.

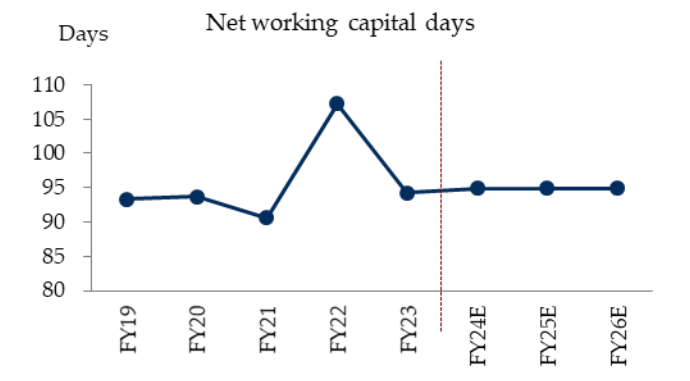
Stylam vs peers: During FY18-21, Greenlam Industries and Stylam Industries working capital cycle used to remain ~3 months. CenturyPly laminates segment WC is ~75 days. In the last two years, Greenlam Industries has further tightened its debtor days, so its WC is 25 days lower than Stylam's in FY23. Greenlam and Stylam debtor, inventory and payable days differ materially. In FY23, Stylam carried one month lower inventory than Greenlam as it does not have warehouses in foreign countries. However, Stylam's debtor days were almost double vs. Greenlam's at 48 days (owing to its strong brand, Greenlam offers fewer credit days to customers). Stylam operated at multi-year low payable days in FY23 at 15 days (1/3rd of Greenlam's) as it makes early payments to vendors to avail cash discount.

Stylam's net WC has remained almost the same in the last few years; the reduction in debtor days is offset by a decrease in payable days



Source: Company, HSIE Research

We expect no major change in Stylam's net WC days in the next few years; it will remain ~3 months



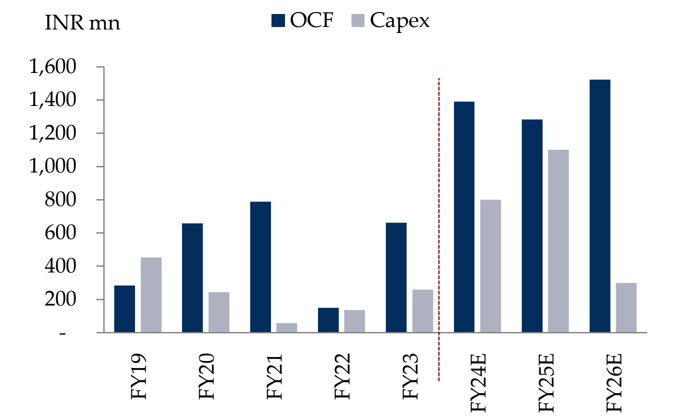
Source: Company, HSIE Research

Capex and leverage analysis

In the past ten years (FY14-23), Stylam incurred a cumulative Capex of INR 2.75bn. We expect the pace of Capex to accelerate, owing to the strong growth, healthy cash flow, and net cash balance sheet (from Q1FY24). We have factored in Capex of INR 2.2bn during FY24-26E, of which INR 1.5bn is for the laminates brownfield expansion (INR 5bn revenue potential). It is also working on debottlenecking laminates, which will cost INR 0.4bn (half of this amount is already incurred in FY23).

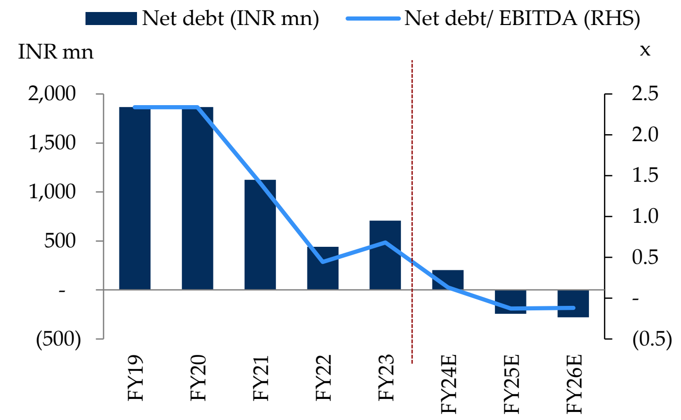
From FY14 to FY17, it was a highly leveraged company, with net debt/EBITDA in the range of 3.5-4x. In FY18, it raised INR 510mn from issue of equity shares to Lighthouse (private equity firm), and hence its net debt/EBITDA cooled off to 2.6x. In FY20, it sold its non-core real estate property in Panchkula for INR 337mn, which further helped cool off its net debt/EBITDA to a comfortable level of 1.4x. Supported by healthy operating profit, it turned into a net cash company in Q1FY24. As it is undertaking major Capex (laminate brownfield expansion), we expect the net cash to stay at ~INR 0.2bn at FY24/25 end (similar level as Q1FY24 end). As of now, we have not factored in any major Capex for FY26, so we expect its net cash to increase to INR 1.3bn at FY26 end.

Stylam OCF will remain strong during FY24-26E (OCF > Capex)



Source: Company, HSIE Research

Owing to its healthy OCF, we expect Stylam will remain net cash company

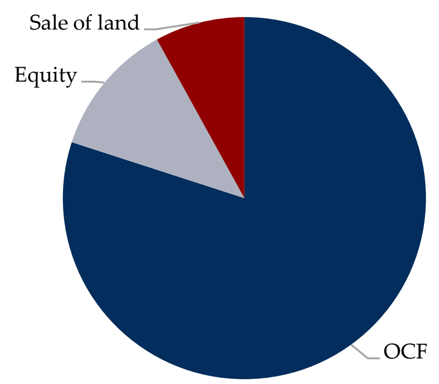


Source: Company, HSIE Research

Cash flow analysis

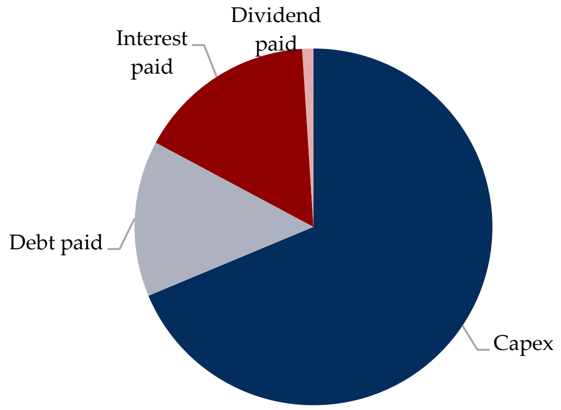
During the last five and ten years (average), Stylam's cumulative OCF (before tax) to EBITDA stood at ~67%, owing to the usage of cash flow in working capital (debtor and inventory). During the last ten years from FY14 to FY23, 80% of its cash generation came from OCF, and the remaining 12/8% came from equity infusion (Lighthouse)/sale of land (Panchkula) respectively. Its cash utilisation in the past ten years stood as follows: Capex/debt payment/ interest/dividend payouts at 68/14/16/1% respectively. Stylam majorly used the cash flows to fund Capex and reduce debt. The usage of funds for dividends is quite low, it has paid dividends only once in the last ten years. We hope now that it has a net cash balance sheet, it will start rewarding shareholders with regular dividends.

Sources of funds (FY14-23)



Source: Company, HSIE Research

Usage of funds (FY14-23)



Source: Company, HSIE Research

Valuation and recommendation

Stylam is gaining market share both in domestic and export markets, and we expect the trend to continue. In the past five years (FY18-23), it has reported strong revenue/EBITDA/PAT CAGR of 23/26/37% respectively, aided by increasing value-added mix. We believe there is ample scope for the company to broaden its geographic reach and deepen its market penetration in the existing domestic and export markets, offering solid strong revenue growth visibility. We like Stylam for its industry-leading growth and EBITDA margins, rising value-added mix, sound balance sheet and return ratio profile. It is focusing on debottlenecking laminates and brownfield expansion to support its growth plan. We expect rapid growth in the acrylic segment on a low base. We expect the company to deliver strong 15/23/26% revenue/EBITDA/PAT CAGRs during FY23-26E.

We have valued Stylam at 22x Sep-25E EPS to arrive at a TP INR 2,300 (35% discount vs Greenlam). We initiate coverage on Stylam with a BUY rating.

Key risks

Global turmoil: Two-thirds of Stylam revenue depends on the export market. Any slowdown in the global market can impact its sales and profitability.

Slowdown in real estate: Any slowdown in real estate demand (domestic/international) will adversely impact laminate sales.

Increase in input cost: A spike in raw material costs is difficult to pass on in this competitive market. It could affect margins.

Cash burn in new segment: We believe if Stylam enters any other new segment requiring cash burn, it can de-rate the stock. We think the correct strategy will be to focus on its core laminates segment (where it can grow by 15-20%) and target rapid growth in the acrylic segment.

Currency risk: Further, export also brings currency volatility risk. The currencies to which the company is exposed are USD and EUR. This risk is partially mitigated, given the import of raw material.

Net forex inflow

Forex transaction (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Forex inflow							
FOB value of Export	1,897	2,050	2,778	2,891	2,939	3,631	5,795
Other Income	7	11	8	-	-	-	-
Total	**1,904**	**2,062**	**2,785**	**2,891**	**2,939**	**3,631**	**5,795**
Forex outgo							
Raw Material	955	971	1,444	1,148	1,185	1,191	2,216
Components & Spare Parts	81	11	37	21	8	6	7
Capital Goods	32	7	138	110	5	19	125
Other Expenditures	100	127	102	43	96	-	57
Total	**1,166**	**1,115**	**1,721**	**1,322**	**1,293**	**1,217**	**2,406**
Net Forex inflow	**738**	**946**	**1,064**	**1,569**	**1,646**	**2,414**	**3,389**
Net Forex inflow (% of revenue)	**25**	**28**	**23**	**34**	**34**	**37**	**36**
Net forex inflow (% of adj PAT)	**375**	**472**	**274**	**460**	**298**	**395**	**353**

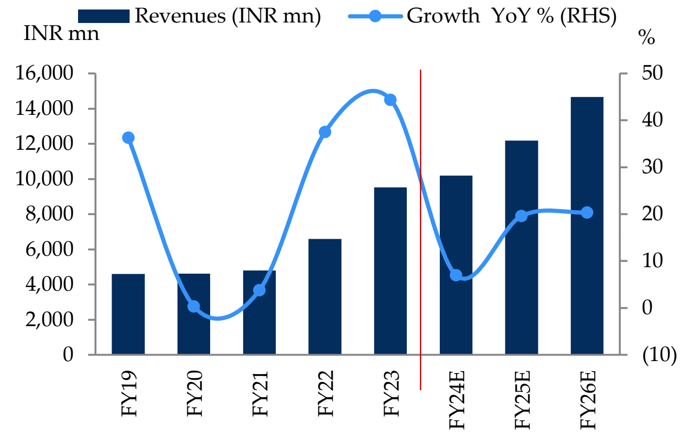
Source: Company, HSIE Research

Financial summary

During FY23-26E, we expect Stylam's revenue to grow at 15% CAGR (laminates/ acrylic 14/54% CAGR). We have estimated a single-digit 7% revenue growth for FY24, owing to subdued demand in domestic and export markets. We expect strong 20% revenue growth each in FY25/26E, aided up ramp-up of announced brownfield expansion. We expect 15% volume growth CAGR in laminates during FY23-26E. We have factored in rapid growth in the acrylic business, which is gaining traction (on a low base). We expect 54% revenue CAGR in acrylics in FY23-26E. We expect the acrylic revenue contribution to increase from 2% in FY23 to 5% in FY26.

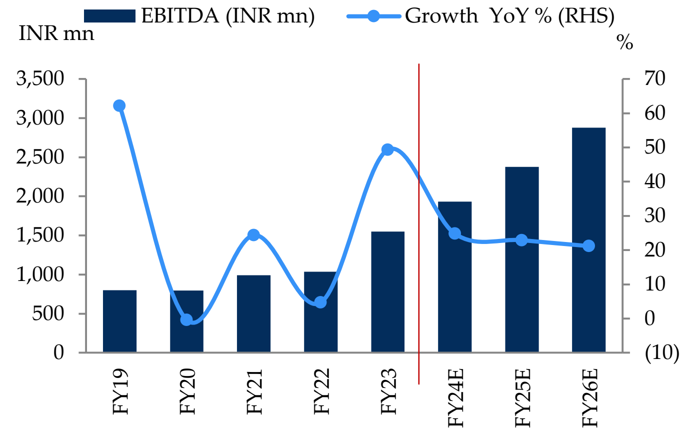
We expect gross margin to improve by 90bps YoY in FY24 to 45%, aided by a cool-off in chemical prices. We assumed a similar gross margin in FY25/26E like FY24. However, we expect EBITDA margin to continue to improve during FY24-26E, owing to op-lev gain. Due to the uptick in margin, EBITDA will grow faster than revenue, and we expect a 23% EBITDA CAGR over FY23-26E.

FY23-26E consolidated revenue CAGR: +15% (volume-led)



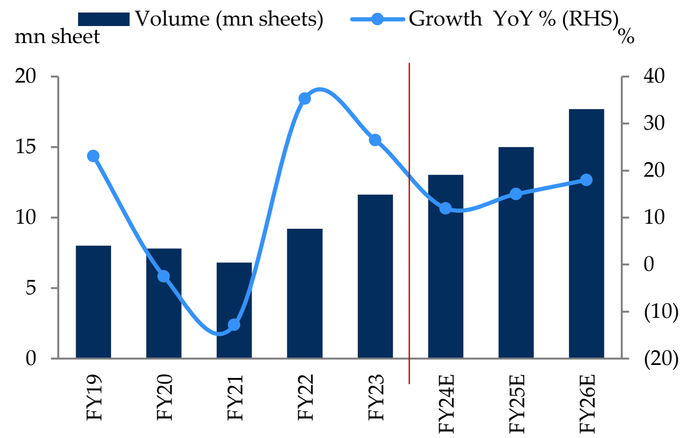
Source: Company, HSIE Research

FY23-26E consolidated EBITDA CAGR: +23% (improvement in gross margin and op-lev gain)



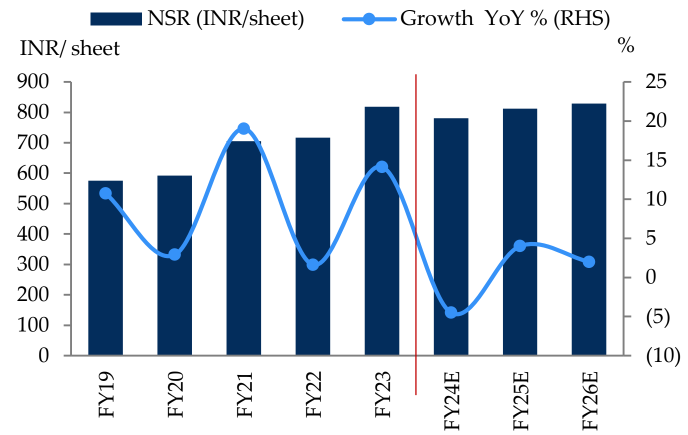
Source: Company, HSIE Research

FY23-26E consolidated volume CAGR: +15%, owing to increase in domestic and export market share



Source: Company, HSIE Research

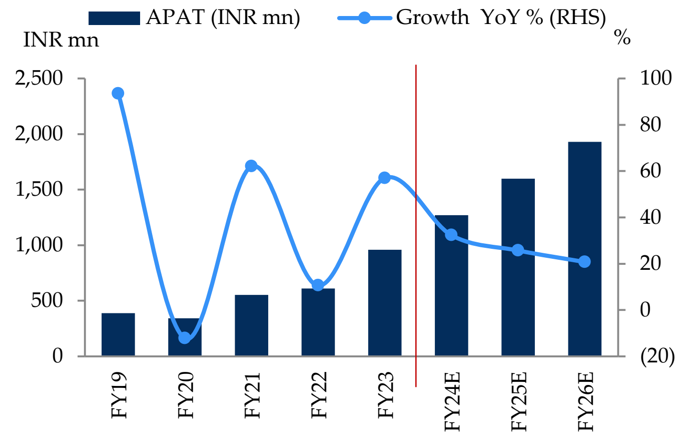
We expect NSR to reduce in FY24, following the cool-off in raw material prices and ocean freight rate. NSR should gradually increase during FY25/FY26



Source: Company, HSIE Research

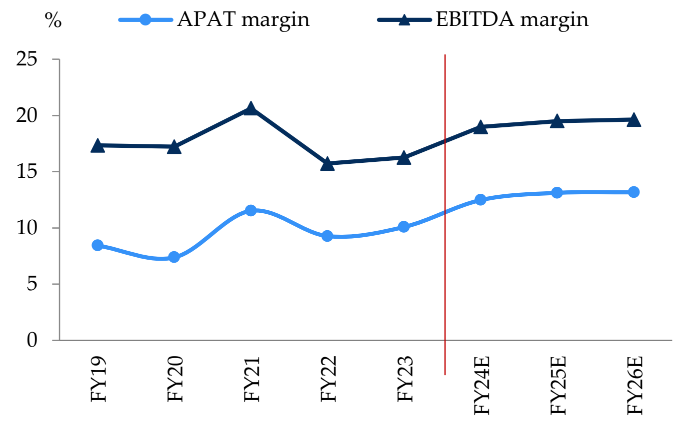
Over FY23-26E, we expect APAT CAGR of 26%, owing to higher EBITDA and interest cost reduction. We have modeled in ~45% gross margin for FY24-26E, in line with the average of the last five years (FY18-23). Owing to op-lev gain, we expect 19-20% EBITDA margin during FY24-26E (the highest in last ten years, barring FY21). However, PAT margin will be at a record high of ~13% over FY24-26E, mainly owing to improvement in EBITDA margin and lower interest costs.

FY23-26E consolidated APAT CAGR: +26% (higher EBITDA, lower interest expense)



Source: Company, HSIE Research

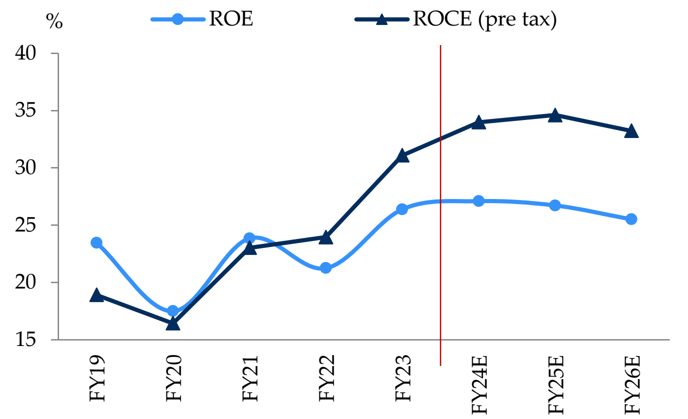
Profit margin has increased over the years; it could be at a record high during FY25/26



Source: Company, HSIE Research

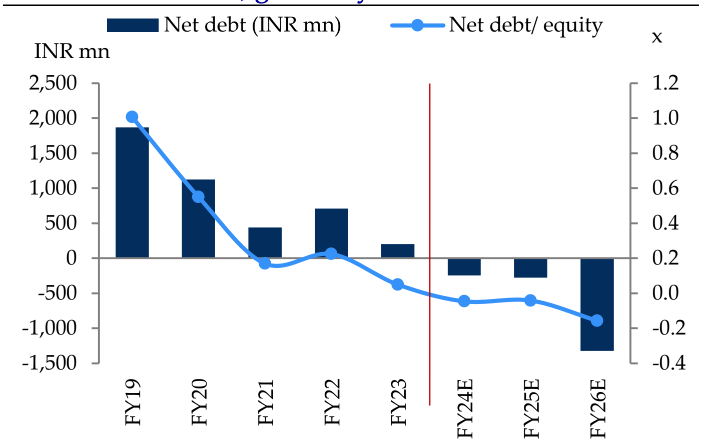
Healthy profit margin should keep return ratios buoyant. We expect RoCE (pre-tax) of ~35% over FY24-26E (all time high). Further, RoE will remain 26-27% over FY24-26E. We expect Stylam's robust operating cash flow to fund its Capex and maintain its net cash balance sheet.

Return ratios will continue to remain healthy



Source: Company, HSIE Research

Debt issue behind, gradually net cash balance will rise



Source: Company, HSIE Research

Du Pont analysis

We expect Stylam's net profit margin to reach an all-time high of ~13% during FY24-26E, aided by strong operating margin and lower interest outgo. Asset turn is expected stay healthy during FY24-26E at 2x vs 1.6x average FY19-23. The leverage ratio will continue its downward trajectory from to reach 1x in FY25/26 as almost the entire debt will be paid off owing to strong operating profit. So, RoE will remain healthy at 26-27% over FY24-26E.

Du Pont analysis

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net margin (%)	8.4	7.4	11.5	9.3	10.1	12.5	13.1	13.2
Asset turnover (x)	1.4	1.3	1.4	1.8	2.2	2.0	2.0	1.9
Leverage factor (x)	2.0	1.9	1.4	1.3	1.2	1.1	1.0	1.0
RoE (%)	**23.4**	**17.5**	**23.8**	**21.2**	**26.4**	**27.1**	**26.7**	**25.5**

Source: Company, HSIE Research

Leadership team

Name	Designation	Qualification	Major functions	Age (Years)	Exp – overall/ Stylam (Years)
Jagdish Gupta	MD	Graduate	Overall guidance, direction and strategy	65	32/32
Manit Gupta	Executive WTD	Chemical Engineer, MBA	Heads international marketing, commercial management	34	11/11
Manav Gupta	Executive WTD	Computer Engineer, MBA	Heads domestic marketing & sales, general administration and raw material sourcing	34	12/12
Sachin Bhatla	Executive WTD (Technical)	Mechanical Engineer	Technical advancement	48	28/18
Kishan Nagpal	CFO	CA	Accounts, Finance	50	25/3

Source: Company, HSIE Research

Leadership team remuneration

Overall remuneration for the leadership team (MD and all Executive WTD) has more than doubled in the past three years. Their share in the overall employee costs have expanded to 7.2% in FY23, from 6.1% in FY21. It is 5% of APAT in FY23 (vs 4% in FY21).

Remuneration (INR mn)

Name	FY21	FY22	FY23
Jagdish Gupta (MD)	12.6	16.8	24.6
% chg YoY	*-4.5*	*33.3*	*46.4*
Manit Gupta (WTD)	2.6	7.2	10.8
% chg YoY	*-12.3*	*173.8*	*50.0*
% of EBITDA	*0.3*	*0.7*	*0.7*
Manav Gupta (WTD)	6.5	7.2	10.8
% chg YoY	*8.0*	*11.1*	*50.0*
Sachin Bhatla (WTD - Technical)	1.7	2.2	3.0
% chg YoY	*28.0*	*28.4*	*37.8*
Total salary	23.4	33.4	49.2
% chg YoY	*-0.5*	*42.6*	*47.4*
% of revenue	*0.49*	*0.51*	*0.52*
% of APAT	*4.2*	*5.5*	*5.1*
% of employee expense	*6.1*	*6.1*	*7.2*

Source: Company, HSIE Research

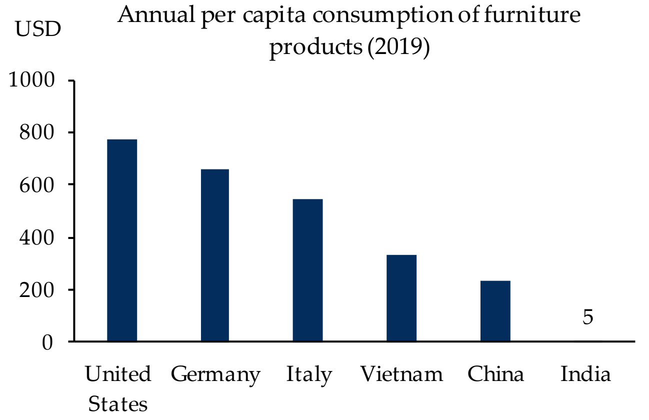
Industry

Indian furniture market—large room to grow

Despite having a large and growing population, India has a low level of furniture manufacturing and consumption. The per capita consumption of furniture is much below that of many countries. Further, organised furniture players have only 20% market share and demand is also met through imports.

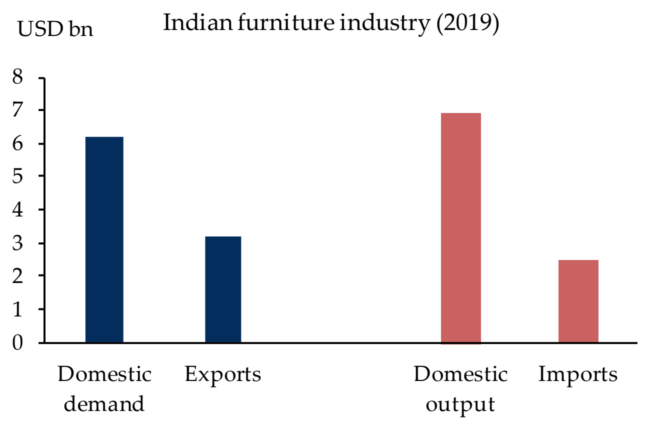
However, the Indian furniture market is estimated to grow 3x from 2020 to 2035, implying a strong outlook for domestic manufacturers of plywood, laminates, MDF, and particle boards in India. In addition, many large players like IKEA, Pepperfry, Urban Ladder, and The Home Dekor are gaining traction. Hence, demand for quality wood panels will continue to accelerate, which should benefit companies with modern and large manufacturing infrastructures and a strong distribution network.

India significantly lags on its furniture products' consumption intensity



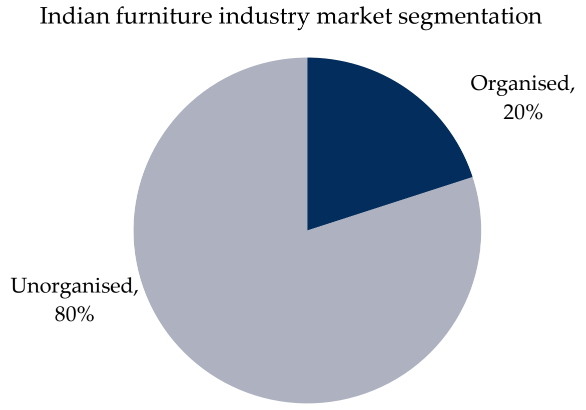
Source: HIS Markit, IKEA report, HSIE Research

Indian furniture market—demand and supply trend in 2019



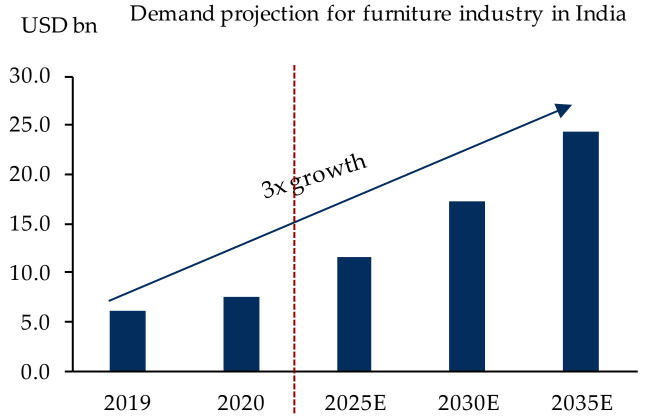
Source: PwC analysis, IKEA report, HSIE Research

Almost 80% of Indian furniture market is unorganised, which should reduce, going ahead



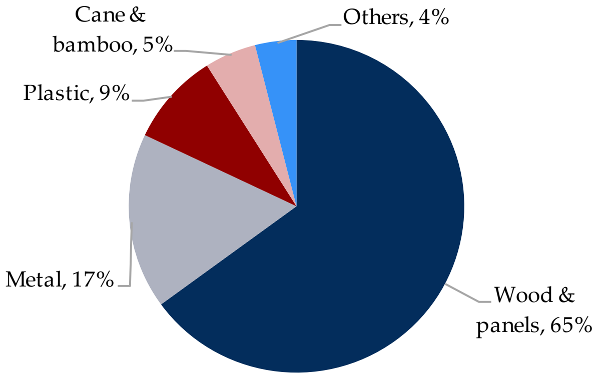
Source: IKEA report, HSIE Research

Indian furniture market is expected to grow to 4x during 2019-2035E, implying strong opportunity



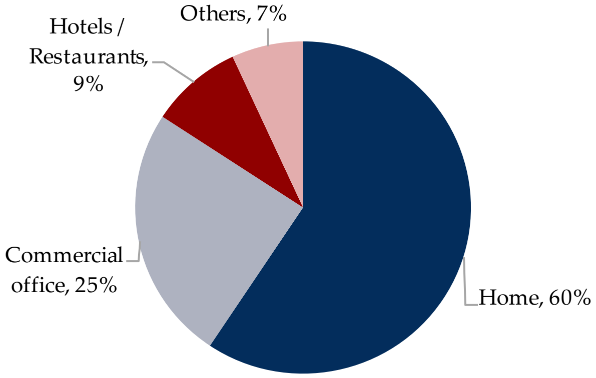
Source: PwC analysis, IKEA report, HSIE Research

Wood-based furniture accounts for ~65% of the total furniture market in India



Source: Industry, IKEA report, HSIE Research

Home accounts for ~60% of total furniture consumption in India



Source: ITPC, IKEA report, HSIE Research

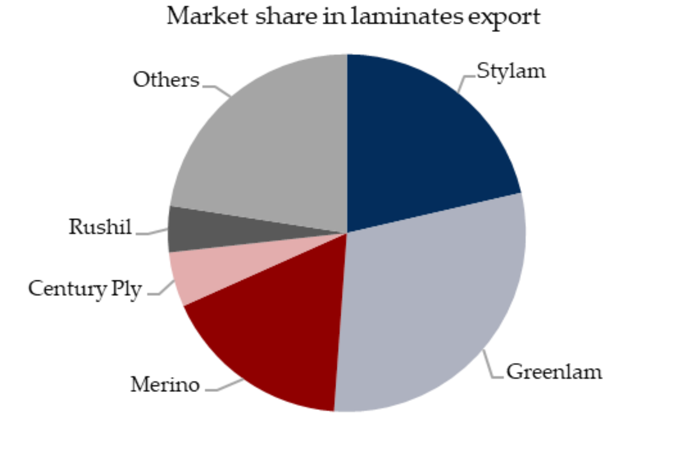
Global laminate industry

Demand for laminates is growing owing to rising demand for commercial spaces in both developed and emerging nations. The extensive features of high-pressure laminates and the rapidly growing construction sector with rising purchasing power are the two aspects anticipated to increase laminate demand and support global market expansion. As per the industry, the decorative laminate market is projected to grow from USD 45.55bn in 2022 to USD 71bn by 2030, growing at a 5.7% CAGR.

India is gaining market share in laminates exports. India's laminates export value has grown by 17/16/13% CAGR during the last 3/5/10 years to reach INR 30bn in FY23. Laminates export volume has grown in double-digit CAGRs of 19/15/10% during the last 3/5/10 years. Most large Indian laminate manufacturers are aggressively positioned in the growing export markets. Exports from India are well spread out. In FY23, the top 3/5/10/15 countries accounted for 23/33/57/72% respectively of total laminate export revenue. India's exports to Saudi Arabia have grown at 40% CAGR during FY18-23, so it tops the list for laminates export from the country (11% share in export).

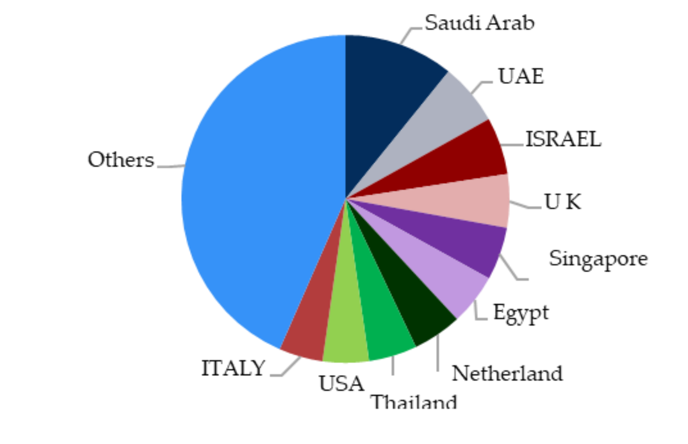
India's next top export destinations are the UAE and Israel (6% share each). Among the top export nations, India's trade with Egypt is growing at the fastest rate (57% CAGR in the last five years). Egypt had a 1% share in India laminates export in FY18, which increased to 6% in FY23. This broad spread of India's exports de-risk it from geopolitical issues in any particular country. Owing to subdued demand in the global market, export value from India during 4M-FY24 is flattish YoY. Owing to low labour costs and China-plus-one strategy, we expect strong export traction for India in the upcoming years.

Top-3 players have two-thirds market share in Indian export in FY23 (INR 30bn market)



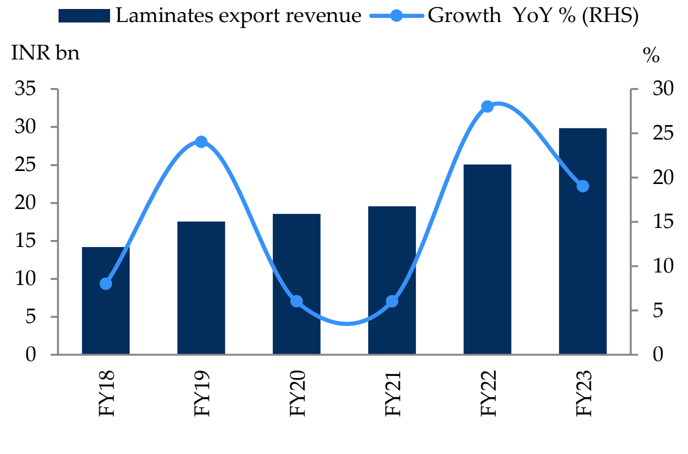
Source: Company, GoI, HSIE Research

Indian laminate exports are well spread out in many countries



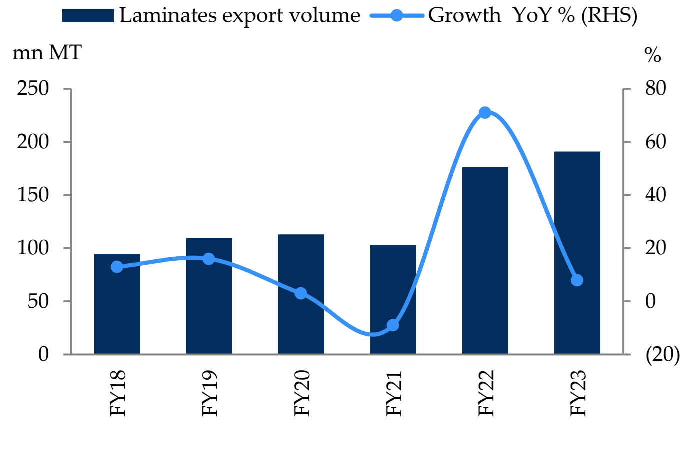
Source: GoI, HSIE Research

Indian laminates export revenue has posted 16% CAGR during FY18-23 owing to low labour costs and China-plus-one strategy (volume-led)



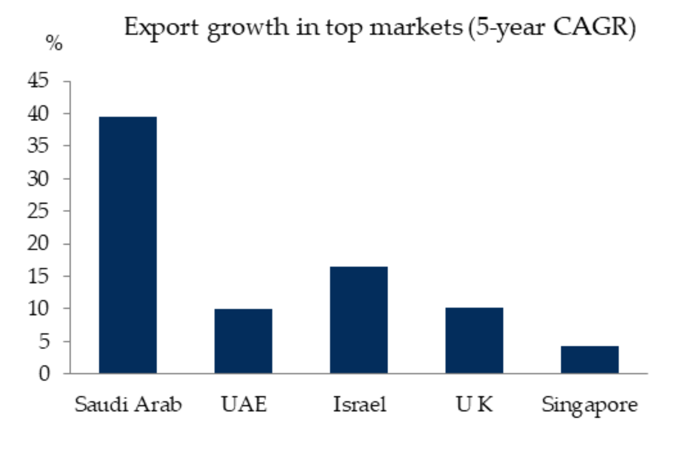
Source: GoI, HSIE Research

Indian export volume too has registered strong growth of 15% CAGR in the last five years



Source: GoI, HSIE Research

Indian exports are growing in all of its key markets, although the extent of growth varies a lot



Source: GoI, HSIE Research

Owing to weak demand in the global market, Indian exports globally have been muted for past few months

Source: GoI, HSIE Research

Indian laminate industry

India's market for decorative laminates is primarily driven by rising consumer spending per capita on home furnishings. As per industry estimates, the decorative laminates market in India is worth INR 12bn (including INR 3bn export), and it is expected to grow by ~10% over the next five years. This growth is due to factors such as increasing urbanisation, adoption of higher living standards, and shifting preference for modern home furnishings. The possibility of the government of India bringing the laminates sector under the PLI scheme in the near future is further expected to contribute to its growth.

Global acrylic solid surface industry

The size of the global market for acrylic solid surfaces was estimated at USD 1,536mn in 2022. As per the industry, it is anticipated to grow at a 7% CAGR over the following five years. The key element driving market expansion is an increase in the usage of aesthetically pleasing designs in a variety of colours and shapes to decorate homes, as well as an increase in the rapid urbanisation of non-residential buildings. Additionally, rising demand from emerging nations will open up more opportunities for the usage of acrylic solid surfaces.

Company background

Stylam was incorporated by the late Mr NR Aggarwal in 1991 along with his sons, Mr Jagdish Gupta and late Mr Satish Gupta. The company produces laminates under the “Stylam” brand. It has an installed capacity of 16mn laminate sheets per year at two locations in Haryana. It can produce 1mn hot coating press annually and over 0.3mn acrylic solid surfaces. In India, the company is regarded as a pioneer in establishing the PU+ Lacquer Coating process and producing laminate finishes of high quality. It also manufactures solid acrylic surfaces and panels.

The company exports to more than 80 countries, which accounts for two-third of its revenue and the balance revenue comes from the domestic market. With over thirty years of experience in the field, the company runs Asia's largest single-location laminate production factory with a diversified product line that caters to a wide range of customer demands. The company has also expanded into a new market and built a short-cycle press capacity for laminating impregnated paper on Medium Density Fibre (MDF) panels.

Vision: To maintain and strengthen their position nationally and globally in the home decor and commercial space with an array of new innovative products and add value to life.

Mission: The company is committed to being the market leader by constantly innovating and delivering newer products and services. It aims to set the highest possible standard in quality, value, and customer satisfaction.

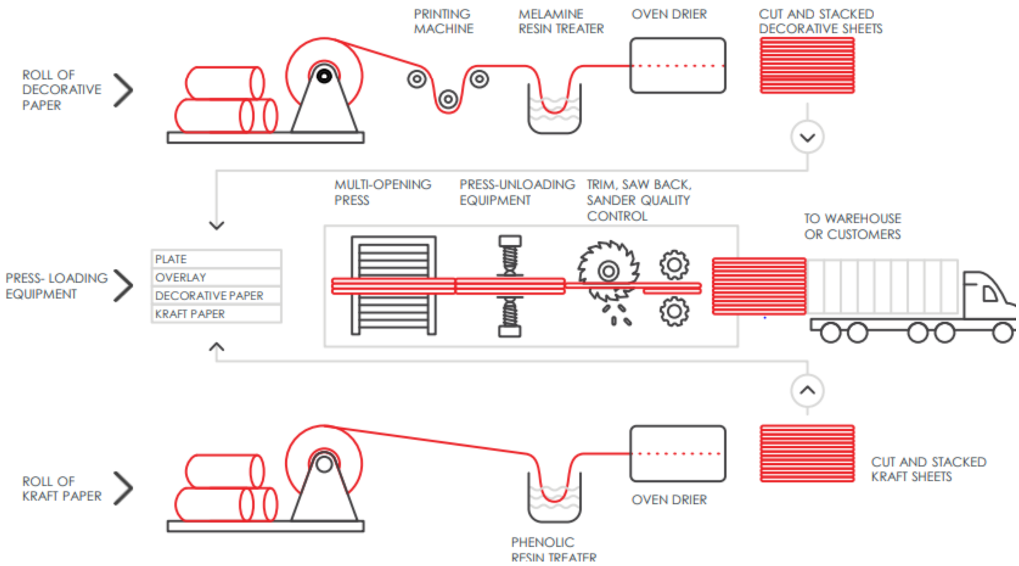
Stylam corporate film 2022 link uploaded by company:
https://youtu.be/gf001dQAta0?si=6TGD6VktsTE-9dD8

Key events/milestones

Year	Key events/ milestones
1991	Golden Laminates Limited starts operation as a private limited company.
1995	Listed in BSE
1996	Recognised as 'Export House' by the Government of India.
2001	Developed a pan-India presence
2010	Name changed to Stylam Industries Limited.
2012	First-ever Indian manufacturing company to introduce HPL Exterior cladding with brand name 'Fascia'.
2013	Introduces its premium sub-brand 'VIOLAM' Fascia HPL Exterior Cladding.
2016	Expanded its horizons into IT business and invested in a building in the Panchkula Technology Park.
2017	Started Asia's largest laminate manufacturing plant with an 11mn sheet capacity. Entered cubicles and lockers business (first Indian company to manufacture this) having a panel size of 1,860 mm x 4,320 mm under the brand name 'CUBOID'. Introduced a range of specialty laminates with MR+Gloss, mirror, magnetic and anti-finger laminates. Preferential allotment of INR 511mn (10.4% stake in the company) to Lighthouse in May 2017.
2018	Introducing and adding new product line of acrylic solid surfaces with German technology under brand Granex (India's first manufacturer).
2019	Introduced: 1) World's first hot coating process machine from Spain with German technology for HPL, 2) Anti-finger print laminate with brand 'TOUCH ME', 3) MR+High Gloss Laminate with brand 'GLOSS PRO+'.
2020	By June'20, Stylam introduced short cycle press technique for making PreLam board in both anti-finger and high gloss finishes. To focus on core business, it sold Panchkula property at INR 338mn, leading to INR 152mn loss on books.
2021	Unveiled the short cycle press technique, offering PreLam Boards with both anti-finger and high gloss finishes. Stock split from INR 10 to INR 5. Got listed in NSE.
2022	Expanded acrylic panel capacity by adding second hand machines.

Source: Company, HSIE Research

Laminates manufacturing process



The following steps are used to manufacture typical laminates:

- Preparation and loading of resin to the dipping tray at the impregnator
- Squeezing of impregnated paper (craft/design)
- Travelling of the impregnated paper in drying chambers
- Cutting sheets to the desired sizes
- Stacking/Kraft pack making/ design assembly
- Loading in press/ hydraulic pressure application/ heating, cooling and releasing of hydraulic pressure
- Unloading from press
- Trimming, sanding, wrapping, and packing as per order

Building material coverage valuation summary

Company	Rating	TP (INR)	EV/EBITDA (x)			P/E (x)		
			FY23	FY24E	FY25E	FY23	FY24E	FY25E
Kajaria Ceramics	ADD	1,310	28.7	24.4	21.2	48.7	37.4	33.7
Somany Ceramics	BUY	780	15.1	13.1	11.3	32.7	27.0	21.9
Supreme Ind.	REDUCE	2,900	22.4	33.2	30.1	31.8	47.8	44.4
Astral	REDUCE	1,820	48.4	45.5	36.8	86.1	76.3	60.1
Prince Pipes	ADD	745	25.8	20.4	16.4	54.5	37.8	28.8
Century Plyboards	BUY	745	21.1	24.6	20.4	29.4	37.4	34.2
Greenapanel Ind.	BUY	450	11.6	13.8	11.3	19.8	24.0	18.8
Greenlam Ind.	REDUCE	425	18.5	18.3	15.5	31.9	32.1	32.2
Stylam Ind.	BUY	2,300	11.6	15.1	12.3	18.6	23.2	18.5

Source: Company, HSIE Research. CMP as on October 6, 2023.

Financials (consolidated)

Income Statement

YE Mar (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenues	**4,606**	**4,621**	**4,795**	**6,593**	**9,521**	**10,184**	**12,180**	**14,660**
Growth %	*36.3*	*0.3*	*3.8*	*37.5*	*44.4*	*7.0*	*19.6*	*20.4*
Raw Material	2,600	2,491	2,465	3,755	5,310	5,590	6,686	8,047
Power & Fuel	292	330	236	372	527	549	625	753
Freight Expense	301	298	380	513	912	817	940	1,165
Employee cost	303	375	383	548	688	791	949	1,091
Other Expenses	312	331	341	370	536	504	605	726
EBITDA	**799**	**796**	**990**	**1,037**	**1,548**	**1,932**	**2,375**	**2,878**
EBIDTA Margin (%)	*17.3*	*17.2*	*20.6*	*15.7*	*16.3*	*19.0*	*19.5*	*19.6*
EBITDA Growth %	*62.2*	*(0.4)*	*24.4*	*4.7*	*49.3*	*24.8*	*22.9*	*21.2*
Depreciation	182	210	231	233	200	223	257	320
EBIT	**617**	**586**	**758**	**804**	**1,348**	**1,710**	**2,118**	**2,559**
Other Income	16	10	11	80	14	19	24	27
Interest	114	109	60	78	82	34	12	12
PBT	**519**	**487**	**709**	**806**	**1,281**	**1,694**	**2,130**	**2,573**
Tax	131	146	157	195	321	424	533	643
RPAT	**388**	**493**	**552**	**611**	**960**	**1,271**	**1,598**	**1,930**
EO (Loss) / Profit (Net Of Tax)	-	152	-	-	-	-	-	-
APAT	**388**	**341**	**552**	**611**	**960**	**1,271**	**1,598**	**1,930**
APAT Growth (%)	*93.5*	*(12.2)*	*62.1*	*10.6*	*57.1*	*32.4*	*25.8*	*20.8*
AEPS	**22.9**	**20.1**	**32.6**	**36.1**	**56.6**	**75.0**	**94.3**	**113.9**
AEPS Growth %	*86.5*	*(12.2)*	*62.1*	*10.6*	*57.1*	*32.4*	*25.8*	*20.8*

Source: Company, HSIE Research

Balance Sheet

YE Mar (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS	223		223	223	223	223	223	223
Share Capital	85	85	85	85	85	85	85	85
Reserves And Surplus	1,770	1,958	2,510	3,075	4,035	5,179	6,617	8,354
Total Equity	**1,855**	**2,042**	**2,595**	**3,160**	**4,120**	**5,263**	**6,701**	**8,438**
Long-term Debt	1,169	599	380	235	110	-	-	-
Short-term Debt	721	585	211	559	362	100	100	100
Total Debt	**1,890**	**1,185**	**592**	**794**	**472**	**100**	**100**	**100**
Deferred Tax Liability	134	134	122	108	100	100	100	100
TOTAL SOURCES OF FUNDS	**3,880**	**3,361**	**3,308**	**4,063**	**4,691**	**5,463**	**6,901**	**8,638**
APPLICATION OF FUNDS								
Net Block	2,335	1,950	1,878	1,787	1,718	1,895	3,238	3,119
Capital WIP	127	112	-	-	128	528	28	128
Total Non-current Investments	11	15	14	11	11	11	11	11
Total Non-current Assets	**2,473**	**2,076**	**1,892**	**1,799**	**1,858**	**2,435**	**3,278**	**3,258**
Inventories	662	667	718	1,329	1,598	1,629	1,949	2,346
Debtors	789	874	986	1,188	1,258	1,426	1,705	2,052
Cash and Cash Equivalents	22	61	151	87	267	344	380	1,423
Other Current Assets	435	274	323	487	399	438	500	594
Total Current Assets	**1,909**	**1,876**	**2,180**	**3,090**	**3,523**	**3,837**	**4,533**	**6,416**
Creditors	274	355	515	580	398	407	487	586
Other Current Liabilities & Provisions	228	236	249	246	291	401	423	449
Total Current Liabilities	**502**	**591**	**764**	**826**	**690**	**809**	**910**	**1,036**
Net Current Assets	**1,407**	**1,285**	**1,416**	**2,264**	**2,834**	**3,028**	**3,623**	**5,380**
TOTAL APPLICATION OF FUNDS	**3,880**	**3,361**	**3,308**	**4,063**	**4,691**	**5,463**	**6,901**	**8,638**

Source: Company, HSIE Research

Cash Flow

YE Mar (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	519	487	709	806	1,281	1,694	2,130	2,573
Non-operating & EO Items	0	(13)	2	(68)	(4)	(19)	(24)	(27)
Interest Expenses	76	93	35	78	33	34	12	12
Depreciation	182	210	231	233	200	223	257	320
Working Capital Change	(407)	55	(17)	(708)	(591)	(118)	(559)	(713)
Tax Paid	(85)	(173)	(172)	(191)	(257)	(424)	(533)	(643)
OPERATING CASH FLOW (a)	**285**	**659**	**789**	**149**	**662**	**1,391**	**1,283**	**1,522**
Capex	(452)	(243)	(59)	(137)	(259)	(800)	(1,100)	(300)
Free Cash Flow (FCF)	(168)	416	730	12	403	591	183	1,222
Investments	(75)	431	2	(163)	132	-	-	-
Non-operating Income	2	2	2	4	4	19	24	27
INVESTING CASH FLOW (b)	**(525)**	**191**	**(54)**	**(296)**	**(123)**	**(781)**	**(1,076)**	**(273)**
Debt Issuance/(Repaid)	301	(711)	(609)	203	(325)	(372)	-	-
Interest Expenses	(76)	(93)	(35)	(78)	(33)	(34)	(12)	(12)
FCFE	57	(388)	86	137	45	185	171	1,210
Share Capital Issuance	-	-	-	-	-	-	-	-
Dividend	-	-	-	(42)	-	(127)	(160)	(193)
FINANCING CASH FLOW (c)	**225**	**(804)**	**(644)**	**82**	**(358)**	**(533)**	**(172)**	**(205)**
NET CASH FLOW (a+b+c)	**(16)**	**45**	**90**	**(65)**	**181**	**77**	**36**	**1,044**
Closing Cash & Equivalents	**-8**	**67**	**151**	**87**	**267**	**344**	**380**	**1,423**

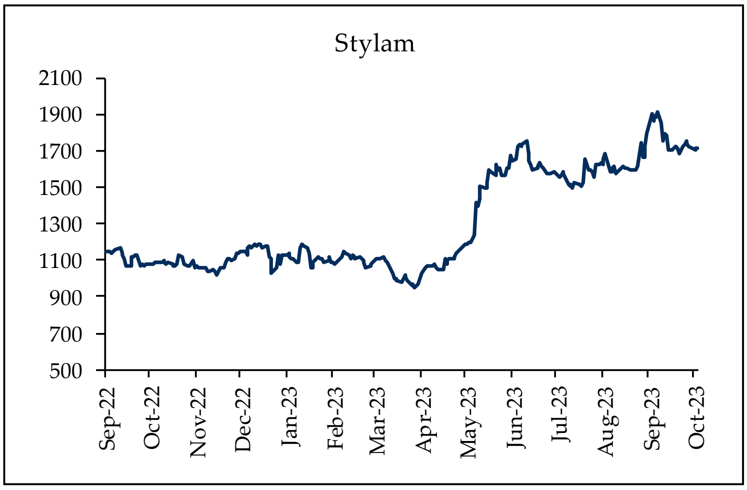
Source: Company, HSIE Research

Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY %								
EBITDA Margin	17.3	17.2	20.6	15.7	16.3	19.0	19.5	19.6
EBIT Margin	13.4	12.7	15.8	12.2	14.2	16.8	17.4	17.5
APAT Margin	8.4	7.4	11.5	9.3	10.1	12.5	13.1	13.2
RoE	23.4	17.5	23.8	21.2	26.4	27.1	26.7	25.5
RoIC (pre tax)	18.9	16.9	23.8	22.5	32.5	38.4	38.2	37.6
RoCE (pre tax)	18.9	16.4	23.0	24.0	31.1	34.0	34.6	33.2
EFFICIENCY								
Tax Rate %	25.2	30.0	22.1	24.2	25.1	25.0	25.0	25.0
Fixed Asset Turnover (x)	1.7	1.6	1.7	2.2	3.0	3.0	2.8	2.8
Inventory (days)	52	53	55	74	61	58	58	58
Debtors (days)	63	69	75	66	48	51	51	51
Other Current Assets (days)	34	22	25	27	15	16	15	15
Payables (days)	22	28	39	32	15	15	15	15
Other Current Liab & Provns (days)	18	19	19	14	11	14	13	11
Cash Conversion Cycle (days)	110	97	96	121	98	96	97	99
Net Debt/EBITDA (x)	2.3	1.4	0.4	0.7	0.1	(0.1)	(0.1)	(0.5)
Net D/E	1.0	0.6	0.2	0.2	0.0	(0.0)	(0.0)	(0.2)
Interest Coverage	5.4	5.4	12.6	10.3	16.5	49.9	176.5	213.2
PER SHARE DATA (Rs)								
EPS	22.9	20.1	32.6	36.1	56.6	75.0	94.3	113.9
CEPS	33.6	32.5	46.3	49.8	68.4	88.1	109.4	132.7
Dividend	-	-	-	2.5	-	7.5	9.4	11.4
Book Value	109.5	120.5	153.1	186.5	243.1	310.6	395.4	497.9
VALUATION								
P/E (x)	14.3	16.2	10.0	27.5	18.6	23.2	18.5	15.3
P/Cash EPS (x)	9.7	7.9	7.1	19.9	15.4	19.8	15.9	13.1
P/BV (x)	3.0	2.7	2.1	5.3	4.3	5.6	4.4	3.5
EV/EBITDA (x)	9.3	8.4	6.0	16.9	11.6	15.1	12.3	9.8
Dividend Yield (%)	-	-	-	0.1	-	0.4	0.5	0.7

Source: Company, HSIE Research. CMP as on October 6, 2023.

1 Yr Price movement



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:
We, **Keshav Lahoti, CA & Rajesh Ravi, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
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Any Holding: NO

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