

19 December 2022

## Stylam Industries

*Cementing its position in wood panels; we initiate coverage with a Buy*

Rating: **Buy**

Target Price: Rs1,653

Share Price: Rs1,176

Incorporated in 1991, Stylam Industries has emerged as one of the leading entities in wood panels (laminates). The encouraging demand context would raise utilisation levels and drive its healthy revenue growth. Its strong brand recall would help it retain its position in exports and its wider distribution network would boost its domestic sales. Input cost tailwinds would support margin expansion. We initiate coverage on the stock with a Buy and a TP of Rs.1,653.

**Export-centric, focus on scaling up its domestic business.** Operating in 80+ countries, the company derives significant revenue from exports (67%). To enhance its domestic revenue, it is scaling up and strengthening its distribution channel.

**Capacity expansion to drive volumes.** To meet mounting domestic and overseas demand, the company is expanding capacity 40% in a phased manner. Hence, we expect offtake to clock a 21% CAGR over FY22-25 with the utilisation/sales ratio improving from 64.3% to 81.3%.

**Expects to be net-debt free by FY25.** Efficient working-capital management and healthy cash-flow generation are expected to help the company pare down debt and become cash surplus by FY25.

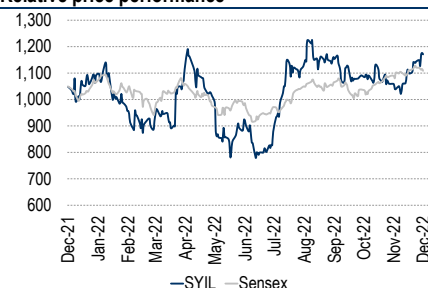
**Healthy growth prospects, promising outlook.** The business environment, both domestic and overseas, continues to be encouraging. We believe the stock will deliver 25%/ 27%/32% revenue/EBITDA/adj. PAT CAGRs in FY22-25.

**Trades at attractive valuation.** At the CMP, the stock trades at P/E of 15.7x/13.8x FY24e/FY25e earnings. It looks attractively priced; hence, we initiate coverage on the company with a Buy rating and a target price of Rs1653 based on 20x (2-year average) FY25e earnings. **Risks:** Slowdown in economic activity, heightened competition, volatility in raw-material pricing and adverse currency fluctuations.

Key data	SYIL IN / STYL.BO
52-week high / low	Rs1269 / 760
Sensex / Nifty	61338 / 18269
3-m average volume	\$0.6m
Market cap	Rs20bn / \$238.4m
Shares outstanding	17m

Shareholding pattern (%)	Sep'22	Jun'22	Mar'22
Promoters	54.6	54.6	54.6
- of which, Pledged	-	-	-
Free float	45.4	45.4	45.4
- Foreign institutions	5.3	5.3	5.2
- Domestic institutions	11.1	11.1	9.3
- Public	28.9	28.9	30.9

### Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY21	FY22	FY23e	FY24e	FY25e
Sales (Rs m)	4,758	6,593	9,276	11,717	13,010
Net profit (Rs m)	554	609	905	1,232	1,401
EPS (Rs)	32.7	35.9	53.4	72.7	82.7
P/E (x)	35.0	31.8	21.4	15.7	13.8
EV / EBITDA (x)	20.6	19.2	13.7	10.3	8.7
P/BV (x)	7.5	6.1	4.8	3.7	2.9
RoE (%)	23.9	21.2	25.2	26.7	23.8
RoCE (%) – after tax	18.7	18.7	21.9	23.3	21.2
Dividend yield (%)	-	0.2	0.2	0.2	0.2
Net debt / equity (x)	0.1	0.2	0.1	0.0	(0.1)

Source: Company, Anand Rathi Research

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## Quick Glance – Financials and Valuations (consol.)

**Fig 1 – Income statement (Rs m)**

Year-end: Mar	FY21	FY22	FY23e	FY24e	FY25e
<b>Net revenues</b>	<b>4,758</b>	<b>6,593</b>	<b>9,276</b>	<b>11,717</b>	<b>13,010</b>
Growth (%)	3.0	38.6	40.7	26.3	11.0
Direct costs	2,463	3,755	5,218	6,554	7,237
SG&A	1,340	1,802	2,609	3,277	3,659
<b>EBITDA</b>	<b>956</b>	<b>1,037</b>	<b>1,449</b>	<b>1,886</b>	<b>2,114</b>
EBITDA margins (%)	20.1	15.7	15.6	16.1	16.3
- Depreciation	231	233	251	277	309
Other income	48	80	116	183	244
Interest expenses	60	78	108	149	181
<b>PBT</b>	<b>712</b>	<b>806</b>	<b>1,206</b>	<b>1,643</b>	<b>1,868</b>
Effective tax rate (%)	22.0	24.2	25.0	25.0	25.0
+ Associates / (Minorities)	-1	-2	-	-	-
<b>Net income</b>	<b>550</b>	<b>609</b>	<b>905</b>	<b>1,232</b>	<b>1,401</b>
<b>Adjusted income</b>	<b>554</b>	<b>609</b>	<b>905</b>	<b>1,232</b>	<b>1,401</b>
WANS	16.9	16.9	16.9	16.9	16.9
FDEPS (Rs / sh)	32.7	35.9	53.4	72.7	82.7
FDEPS growth (%)	62.7	9.9	48.6	36.2	13.7
Gross margins (%)	48.2	43.0	43.8	44.1	44.4

**Fig 3 – Cash-flow statement (Rs m)**

Year-end: Mar	FY21	FY22	FY23e	FY24e	FY25e
EBIT (incl. other income)	712	806	1,206	1,643	1,868
+ Non-cash items	231	233	251	277	309
Oper. prof. before WC	943	1,038	1,457	1,920	2,177
- Incr. / (decr.) in WC	(105)	(873)	(603)	(498)	(94)
Others incl. taxes	(115)	(145)	(193)	(261)	(286)
Operating cash-flow	724	20	661	1,160	1,797
- Capex (tang. + intang.)	(48)	(142)	(376)	(527)	(684)
Free cash-flow	676	(122)	285	633	1,113
Acquisitions	-	-	-	-	-
- Div.(incl. buyback & taxes)	-	(42)	(42)	(42)	(42)
+ Equity raised	-	-	-	-	-
- Debt raised	(516)	225	215	257	162
- Fin investments	1	2	-	-	-
- Misc. (CFI + CFF)	(71)	(127)	(115)	(155)	(184)
Net cash-flow	90	(65)	342	692	1,048

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 2 – Balance sheet (Rs m)**

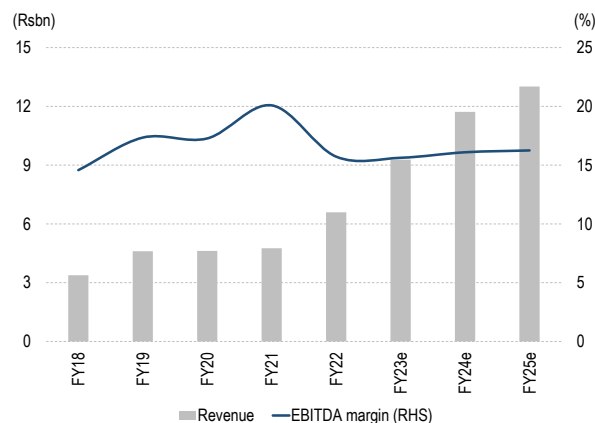
Year-end: Mar	FY21	FY22	FY23e	FY24e	FY25e
Share capital	85	85	85	85	85
Net worth	2,510	3,076	3,938	5,128	6,487
Debt	426	651	866	1,123	1,285
Minority interest	-	-	-	-	-
DTL / (Assets)	122	108	108	108	108
<b>Capital employed</b>	<b>3,142</b>	<b>3,920</b>	<b>4,997</b>	<b>6,444</b>	<b>7,965</b>
Net tangible assets	1,878	1,787	1,912	2,162	2,537
Net intangible assets	-	-	-	-	-
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	-	-	-	-	-
Investments (strategic)	14	11	11	11	11
Investments (financial)	-	-	-	-	-
Current assets (excl. cash)	323	487	618	704	698
Cash	151	87	429	1,121	2,170
Current liabilities	414	389	515	664	794
Working capital	1,190	1,936	2,541	3,110	3,342
<b>Capital deployed</b>	<b>3,142</b>	<b>3,920</b>	<b>4,997</b>	<b>6,444</b>	<b>7,965</b>
Contingent liabilities	38	39	-	-	-

**Fig 4 – Ratio analysis**

Year-end: Mar	FY21	FY22	FY23e	FY24e	FY25e
P/E (x)	35.0	31.8	21.4	15.7	13.8
EV / EBITDA (x)	20.6	19.2	13.7	10.3	8.7
EV / Sales (x)	4.1	3.0	2.1	1.7	1.4
P/B (x)	7.5	6.1	4.8	3.7	2.9
RoE (%)	23.9	21.2	25.2	26.7	23.8
RoCE (%) - after tax	18.7	18.7	21.9	23.3	21.2
RoIC	19.4	19.4	23.3	27.0	27.4
DPS (Rs / sh)	-	2.5	2.5	2.5	2.5
Dividend yield (%)	-	0.2	0.2	0.2	0.2
Dividend payout (%) - incl. DDT	-	7.0	4.7	3.4	3.0
Net debt / equity (x)	0.1	0.2	0.1	0.0	(0.1)
Receivables (days)	75.7	65.7	62.5	62.5	62.5
Inventory (days)	55.1	73.6	68.8	65.6	62.5
Payables (days)	39.5	32.1	31.3	31.3	31.3
CFO : PAT %	130.7	3.2	73.0	94.1	128.3

Source: Company, Anand Rathi Research

**Fig 6 – Revenue and EBITDA margin**



Source: Company, Anand Rathi Research

## Investment Argument

### The Indian furniture market. healthy growth pace

- The Indian furniture market is growing rapidly, especially after the liberalisation. There has been a significant rise in the import of furniture to cater to domestic demand. The retail sector is constantly changing to better address the growing market.
- Along with furniture, furniture surfaces have surged, especially laminates. Increasing per-capita income has led to improved quality of life, boosting furniture market growth, especially demand for household furniture.
- The furniture-surfaces market is rising as people choose better interior furnishings (residential and commercial). The 2020 \$2.8bn laminate market is expected to expand at a 6.4% CAGR by 2027.
- According to The Indian Laminate Manufacturers Association (ILMA), India has emerged as one of the world's top five laminate exporters. In FY21, revenue from laminates was Rs80bn, of which exports was ~25%.

### Good momentum in real estate.

- Real-estate activity (residential, commercial) in the first half of the last decade (2011-20) was muted due to high interest costs and the economic slowdown. However, demand picked up in the second half of the decade due to significant pent-up demand, greater economic activity and softer interest rates.

Though the real-estate growth momentum in 2020 was curtailed by Covid-19, it has revived on the lifting of lockdown restrictions, and as work-from-home gained momentum. Hence, the need for more residential floor space arose. Also, demand for commercial real estate is gaining momentum as offices in metropolises have re-opened and a hybrid model operates simultaneously.

- Rising disposable income, urbanisation (urban population expected to reach 525m by 2025, from 463m in 2020), reasonable cost of borrowing and tax relief (for first-time home-buyers) and favourable government policies (Pradhan Mantri Awas Yojan, Housing-for-All) are a few of the real-estate growth drivers, which keeps the momentum going for wood panels.
- According to the NITI Aayog, the Indian real estate market is expected to report \$1trn sales by 2030 and would account for 13% of the country's GDP by 2025.

### Healthy market share, capacity expansion to drive strong volume growth

- The company has a 6% market share in the Indian regulated or formal laminates market (incl. exports).
- The company is expanding capacity 40% and expects revenue to double from current levels on optimum utilisation. Capacity expansion is expected to aid higher domestic and export volumes.
- We expect a 21% sales volume CAGR over FY22-25.

**Fig 7 – Details for laminates**

	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e	FY25e
Capacity (m sheets)	11.0	11.0	14.3	14.3	14.3	17.2	20.0	20.0
Utilisation (%)	59.1	72.7	54.3	47.6	64.3	71.9	75.0	81.3
Sales volume (m sheets)	6.5	8.0	7.8	6.8	9.2	12.3	15.0	16.3
Growth (%)	18.7	23.0	(2.9)	(12.5)	35.3	34.1	21.7	8.3

Source: Company, Anand Rath Research

**Exports dominates**

- The company initially focused on tapping the export market owing to increased use of laminates globally. This helped it develop quality products and build relations with overseas customers. It exports to over 80 countries, with major customers in Europe and the Middle East. 64% of its revenue comes from exports.

**Fig 8 – Details of export markets**

	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e	FY25e
Revenue (Rs m)	2,306	3,019	3,078	3,285	4,210	5,798	6,957	7,318
Growth (%)	11.8	30.9	1.9	6.7	28.2	37.7	20.0	5.2
Revenue contribution (%)	67.9	65.5	66.6	69.0	63.9	62.5	59.4	56.3

Source: Company, Anand Rath Research

**Focus on scaling up its domestic business**

- The company plan to further strengthen its domestic operations with a wider reach and stronger brand connect. It has been continuously interacting with its dealers, distributors and business partners to strengthen relations and scale up its business faster. It is also in touch with architects and interior designers to understand their requirements and offer them customised solutions. Hence, we believe that its domestic revenues would increase gradually to 44% by FY25, from 36% now.

**Fig 9 – Details of its domestic market**

	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e	FY25e
Revenue (Rs m)	1,089	1,587	1,544	1,474	2,380	3,479	4,760	5,692
Growth (%)	2.0	45.7	(2.7)	(4.5)	61.5	46.2	36.8	19.6
Revenue contribution	32.1	34.5	33.4	31.0	36.1	37.5	40.6	43.8

Source: Company, Anand Rath Research

**Expects net debt-free status**

- Efficient working-capital management and healthy cash-flow generation are expected to help the company pare debt.
- Management expects it to be net debt-free by FY25.

**Fig 10 – Balance-sheet strength**

	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e	FY25e
Net working capital (days)	88	93	94	91	107	100	97	94
Operating cash-flow (Rs m)	218	395	683	724	20	661	1,160	1,797
Free cash-flow (Rs m)	137	(392)	873	676	(122)	285	633	1,113
Net debt (Rs m)	1,157	1,676	881	275	564	437	2	-885
Net debt / equity (x)	0.8	0.9	0.4	0.1	0.2	0.1	0.0	(0.1)

Source: Company, Anand Rath Research

### Make-in-India initiative to boost domestic manufacturing and reduce imports

- The government's continuous encouragement in 'Make in India' projects has resulted in import substitution and increased demand for home-grown products. This has augured well for home-furnishings as additional capacities are being built across various wood-panel categories.

### India wood-panel segment has the potential to shine globally

- The ILMA has taken a huge step in the right direction by representing to the NITI Aayog and the Department for Promotion of Industry and Internal Trade (DPIIT) to include the laminate segment in the production-linked incentive (PLI) scheme.

Also, as global customers are resorting to a China-plus one strategy, India aims at a sizable share of the world's furniture manufacturing and exports over the next 4-5 years.

If the inclusion into the PLI scheme is accepted, it would help the sector expand manufacturing abilities and competitiveness globally.

### Healthy growth prospects, promising outlook

- The business environment continues to be encouraging, both domestic and export. Higher offtake would drive revenue growth while economies of scale would lift margins. Hence, growth is expected to be robust all across.

**Fig 11 – On aggressive growth path FY22-25**

%	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e	FY25e	CAGR 19-22	CAGR 22-25e
Revenue growth	14.8	36.3	0.3	3.0	38.6	40.7	26.3	11.0	12.7	25.4
EBITDA growth	7.6	62.2	(0.1)	19.7	8.5	39.8	30.1	12.1	9.1	26.8
PAT growth	2.1	93.5	(12.3)	62.7	9.9	48.6	36.2	13.7	16.2	32.0

Source: Company, Anand Rath Research

## Assumptions

**Fig 12 – Assumptions – Quantitative details, Revenue and Profitability with projections**

(Rs m)	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e	FY25e
<b>Laminates</b>								
Capacity (m sheets)	11.0	11.0	14.3	14.3	14.3	17.2	20.0	20.0
Sales to capacity ratio (%)	59.1	72.7	54.3	47.6	64.3	71.9	75.0	81.3
Volumes sold (m sheets)	6.5	8.0	7.8	6.8	9.2	12.3	15.0	16.3
Realisation (Rs / sheet)	522	576	595	700	716	752	780	800
Revenue (Rs m)	3,395	4,606	4,621	4,758	6,590	9,276	11,717	13,010
Exports (%)	67.9	65.5	66.6	69.0	63.9	62.5	59.4	56.3
Domestic (%)	32.1	34.5	33.4	31.0	36.1	37.5	40.6	43.8
Gross margins (%)	45.7	43.6	46.2	48.2	43.0	43.8	44.4	44.7
EBITDA margins (%)	14.6	17.3	17.3	20.1	15.7	15.6	16.1	16.3
PAT margins (%)	5.9	8.4	7.4	11.6	9.2	9.8	10.5	10.8
Tax rate (%)	39.3	25.2	29.9	22.0	24.2	25.0	25.0	25.0

Source: Company, Anand Rath Research

## The company in brief

### Background

Stylam Industries is the one of the fastest-growing companies in high-quality decorative laminates and allied products in wood panelling. It started operations in 1991 under the name Golden Laminates. Global operations began in 2001 and brand-named products were introduced in 2010.

The company is one of the key laminate manufacturers in India (14.3m sheets p.a.) It operates Asia's largest single-location laminate manufacturing plant with a diverse product range, catering to a wide customer preferences. It has also diversified into a new segment and added a short-cycle press capacity for laminating impregnated paper on medium density fibre (MDF) panels.

It exports to over 80 countries, mostly in Europe, North America, Russia, the Middle East and Africa. About 64% of its revenues stem from exports.

### Key Events / Milestones

**Fig 13 – Milestones**

Year	Key Events
1991	<ul style="list-style-type: none"> <li>Incorporated as Golden Laminates</li> <li>Commenced commercial production of laminates (4.5m sheets)</li> </ul>
1995	<ul style="list-style-type: none"> <li>Listed on the Bombay Stock Exchange (BSE)</li> </ul>
1996	<ul style="list-style-type: none"> <li>Recognised as an 'Export House' by the government of India</li> </ul>
2001	<ul style="list-style-type: none"> <li>Enhanced operations to go all-India, with a thriving export market</li> </ul>
2010	<ul style="list-style-type: none"> <li>Name changed to Stylam Industries</li> </ul>
2012	<ul style="list-style-type: none"> <li>First Indian company to introduce HPL exterior cladding under the brand 'Fascia'</li> </ul>
2013	<ul style="list-style-type: none"> <li>Established Fascia HPL exterior cladding all-India; became the top-selling brand</li> <li>Introduced a premium sub-brand 'VIOLAM'</li> </ul>
2015	<ul style="list-style-type: none"> <li>Built Asia's largest laminate manufacturing plant in Manak Tabra, Haryana</li> </ul>
2016	<ul style="list-style-type: none"> <li>Diversified into IT business by investing in a building in the Panchkula Technology Park</li> </ul>
2017	<ul style="list-style-type: none"> <li>Raised Rs510m through the preferential route from Lighthouse Funds</li> <li>Started Asia's largest laminate manufacturing plant (~6.5m sheets) at Manak Tabra, Panchkula</li> <li>Became the first Indian company to manufacture restroom cubicles and lockers with a panel size of 1,860 mm x 4,320 mm under the brand name 'Cuboid'</li> </ul>
2018	<ul style="list-style-type: none"> <li>Introduced a new product line of acrylic solid surfaces under the brand name 'Granex'</li> </ul>
2019	<ul style="list-style-type: none"> <li>First Indian manufacturer to start using the world's first hot-coating process machine</li> </ul>
2020	<ul style="list-style-type: none"> <li>Introduced a short-cycle press technique to make PreLam Boards in both anti-finger and high-gloss finishes</li> <li>Introduced modified solid surfaces</li> </ul>
FY21	<ul style="list-style-type: none"> <li>Plans to make a foray into plywood</li> <li>Stock split 1:2</li> </ul>
FY22	<ul style="list-style-type: none"> <li>Listed on the National Stock Exchange (NSE)</li> </ul>

Source: Company

## Key management personnel

The company is led by chairman Satpal Garg and managing director Jagdish Gupta, along with Manit Gupta and Manav Gupta as executive directors.

**Fig 14 – Key managerial personnel**

KMP	Designation	Detail
Satpal Garg	Chairman, Independent	A successful entrepreneur with experience in building, scaling up and running businesses
Jagdish Gupta	Managing director	Instrumental in developing new business across regions for the company since its inception
Manit Gupta	Executive director	Chemical engineer cum MBA; heads the international marketing division and looks after other commercial operational activities, including planning, marketing and sourcing raw material
Manav Gupta	Executive director	Computer engineer cum MBA; heads the domestic marketing division and looks after general administration and raw material sourcing
Sachin Bhatla	Executive director	B. E. (Mechanical); has over 23 years' experience in laminates at different levels of management
Sachin Bhartiya	Nominee director	Nominee director on behalf of Lighthouse Funds

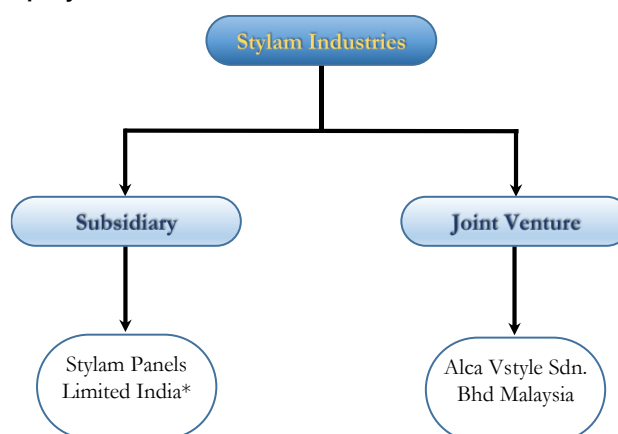
Source: Company

## Company structure

The company currently has a wholly-owned subsidiary (WOS) and a joint venture.

- WoS Stylam Panels was formed on 6<sup>th</sup> Jul'21 in India to manufacture plywood and allied products.
- The company has a 34% stake in the associate Alca Vstyle Sdn.Bhd., Malaysia (Alca).

**Fig 15 – Company structure**



Source: Company, Note: \* denotes entity incorporated to make a foray into plywood

## Manufacturing infrastructure capability

The company has laminate manufacturing capacity of 14.3m sheets p.a. split between two locations in Haryana: Panchkula (4.5m sheets p.a.) and Manak Tabra (9.8m sheets p.a.). It also has production capacity of 0.72m sheets p.a. under hot-coating press and ~0.1m panels p.a. manufacturing capacity of acrylic solid surfaces.

It operates Asia's largest single-location laminate-manufacturing facility (44 acres) with a diverse product range, catering to a wide range of preferences.

It has the largest capacity of hydraulic presses in India with laminates being manufactured in various sizes: 1220 x 2440 mm, 1245 x 2465 mm, 1300 x



2800 mm, 1300 x 3050 mm, 1600 x 3660 mm, 1600 x 4320 mm, 1860 x 3660 mm, 1860 x 4320 mm.

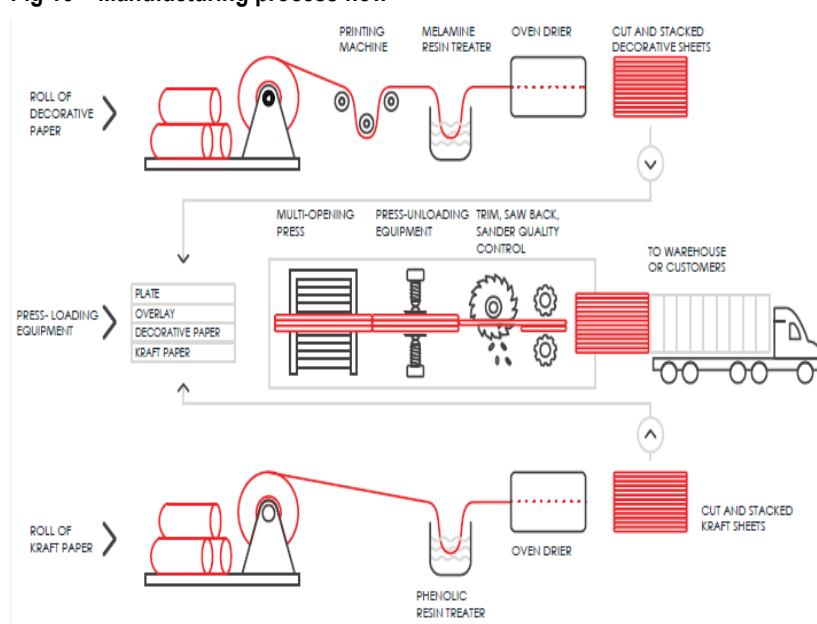
Also, it produces laminates in various thickness ranging from 0.5mm to 30 mm in different finishes such as gloss, matt, suede, texture and more.

It has also diversified into a new segment and added a short-cycle press capacity for lamination of impregnated paper on medium density fibre (MDF) panels.

The company is expanding its laminate capacity by 40% at Rs400m capex in a phased manner. Post-expansion, capacity is likely to be 20m sheets in FY24 and, on optimal utilisation of the expanded capacity, the company has the potential to double revenues. Also, capacity under the hot-coating press will increase to 1m sheets p.a. and capacity for acrylic solid surfaces will increase to 300,000 panels p.a.

## Manufacturing process

**Fig 16 – Manufacturing process flow**



Source: Company, Anand Rath Research

## The laminates-manufacturing process typically comprises the following

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

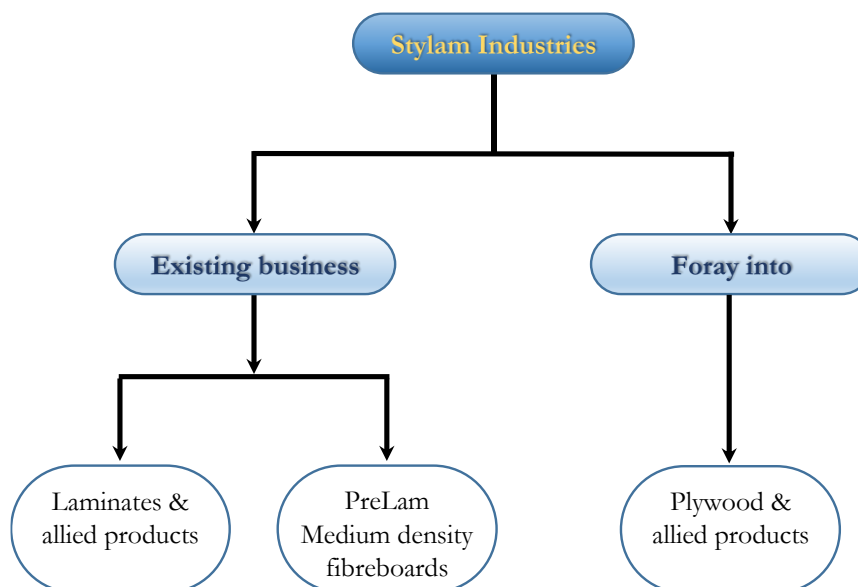
## Business segments

The company currently operates largely in laminates and allied products of the wood panel sector.

As part of a diversification strategy it has set up a short-cycle press capacity to laminate impregnated paper on medium density fibre (MDF) panels.

It intends to make a foray into plywood and allied products and hence will set up a manufacturing plant through Stylam Panels; at present the project has been deferred for a few months.

**Fig 17 – Business segments**



Source: Company

## Product range

The company has a diversified product range such as decorative laminates, compact laminates, specialty surfaces, PU+ lacquer coating, solid surfaces.

The products are also categorized into decorative laminates, industrial laminates, high-pressure laminates, fire-retardant laminates, exterior cladding, exterior floor-boards and restroom cubicles. The company introduced products with solid acrylic surfaces in 2018.

The wide range of products includes high-pressure laminates, cubicle boards, HPL exterior cladding, solid acrylic surfaces, in high gloss, metallic, anti-bacterial, chalkboard, fire-retardant, electrostatic, magnetic, mirror, chemical-retardant, and so on.

The company has a strong brand recall, as the Stylam brand is available across 80+ countries and comprises over 1,500 designs and 150+ textures and finishes. The company continues to focus on innovation, which helps it introduce products with differentiated finishing and sizes.

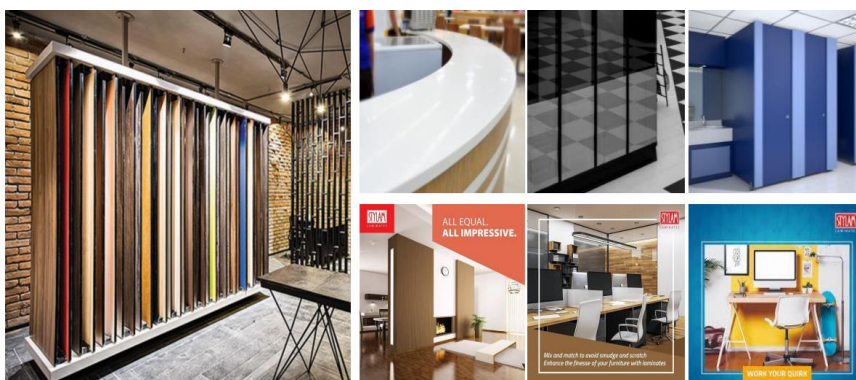
Fig 18 – Product category and range

Decorative laminates	Specialty surfaces	PU+ lacquer coating
Stylam laminates	Mirror shield laminates	Anti-fingerprint laminate - Touch Me
	Magnetic laminates	High gloss laminate- GlossPro+
Compact laminates	Metallic laminates	Prelam boards - GlossPro+ Touch Me
Cuboid cubicles & lockers	Electrostatic dissipative (ESD) laminates	
+Guard – chemical resistant laminates, +PlusGuard LabMate	Synchro laminates	Solid surfaces
Fascia exterior cladding	Chalk board & marker board laminates	Granex – acrylic
Fire-retardant laminates	Post forming laminates	Marvella – modified
Industrial laminates	Dgi Delight digital laminates	
	Unicore laminates	
	Flicker laminates	

Source: Company

Fig 19 – Product range and features

<b>UNICORE</b> LAMINATES <p>What makes UNICORE unique is the identical colour of the decorative surface and its core layers as well.</p>	<b>DiGiDelight</b> DIGITAL LAMINATES <p>Digital Laminates have just the features everyone has needed. A whole new world of creative and quality laminates among customized designs.</p>	<b>SYNCHRO</b> LAMINATES <p>Stylam Synchro Laminates have the real feel of wood and an elegant natural look while carrying all advantages of a laminate.</p>	<b>CHEMICAL RESISTANT LAMINATES</b> <b>PLUSGUARD LabMATE</b> <p>Plus Guard Stylam Laminate provides a highly durable surface in lab conditions and has better abrasion and scratch resistance.</p>
<b>POST FORMING LAMINATES</b> <p>Post Forming Laminates enhance the decorative property of the edges of any regular laminate by ensuring no seams around the corners and a smooth, evenly laminated surface.</p>	<b>MAGNETIC LAMINATES</b> <p>Magnetic Laminates have a strong magnetic effect and can be written on with chalks or special board markers. They are ideal for a wide variety of applications.</p>	<b>MIRROR SHIELD LAMINATE</b> <p>Mirror laminates are considered ideal for adding flair to light duty, horizontal or vertical applications. They can be used on walls, furniture, retail fixtures, signage, exhibits and display areas.</p>	<b>CHALK BOARDS &amp; MARKER BOARDS</b> <p>Chalkboard Laminate is the perfect solution for any space or application that demands a durable and affordable writing surface.</p>
<b>STYLAM</b> LAMINATES <p>Stylam laminates have set benchmarks in the past because of the unique design range and consistently high quality.</p>	<b>FASCIA</b> EXTERIOR CLADDING <p>FASCIA brings a unique façade system, manufactured using special quality resins, thereby providing effective weather protection.</p>	<b>CUBOID</b> CUBICLES & LOCKERS <p>CUBOID - modular restroom and locker cubicle systems. The range has been crafted with the finest materials and highest quality of fixtures and fittings.</p>	<b>Granex</b> SOLID SURFACES <p>Granex Solid Surfaces is an extremely versatile product - tough, durable, non-porous and repairable, that can be customized to integrate seamlessly.</p>
<b>Marvella.</b> MODIFIED SOLID SURFACES <p>Marvella Solid Surfaces: the perfect recipe for an exquisite décor. These surfaces offer unseen and spellbinding patterns along with long-lasting sturdiness.</p>	<b>TouchMe</b> ANTI-FINGERPRINT LAMINATES <p>Anti-Fingerprint Laminates are used in the most demanding interior design applications. A unique technology during manufacturing ensures that finger marks are almost never visible.</p>	<b>GLOSSPRO+</b> HIGH GLOSS LAMINATES <p>GLOSSPRO+ Laminates are crafted with State-of-the-art machines having a cutting-edge German Technology. The brilliance of gloss shall stay through years without any signs of wearing out.</p>	<b>ANTI-BACTERIAL &amp; ANTI-FUNGIE LAMINATES</b> <p>Anti-bacterial &amp; Anti-fungie Laminates are intended for applications where there is a need for additional protection on the surfaces against bacteria/fungie.</p>



Source: Company

### Innovation drives product launches

The company is a global pioneer in the 'Hot-Coating Process' of PU+ lacquer coating on thin laminates. This has enabled it to introduce anti-finger print and high-gloss laminates. It is also the first manufacturer of solid acrylic surfaces in India.

**Fig 20 – Solid acrylic surfaces and panels**



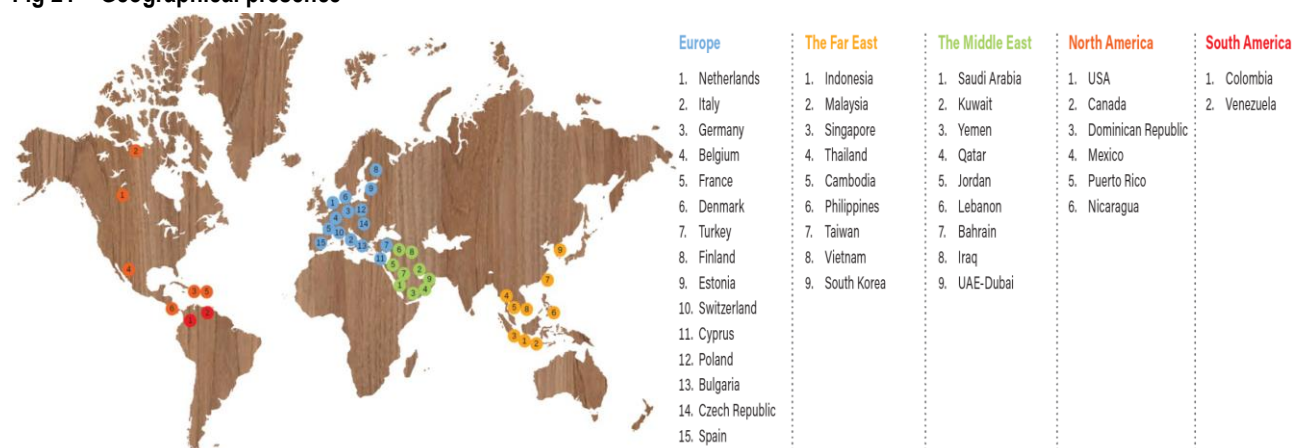
Source: Company

### Geographical presence and distribution reach

The company is well penetrated globally, well settled in 80+ countries spread across Europe, the Middle East, the Far East, the Americas (North and South), Asia, Africa and other regions (Singapore and Myanmar, among others). It company is now focusing on widening its distribution reach in the domestic market too.

It derives significant revenue (64%) from exports and that too largely from Europe (26%), the Middle East (24%) and the Far East (7%).

**Fig 21 – Geographical presence**



Source: Company, Anand Rath Research

### Enhancing its distribution network

The Company has appointed a C&F agent in Calcutta, Delhi and Punjab to boost sales of its acrylic products.

### Investing in its brand to enhance visibility

To enhance penetration and visibility in its home market, the company has been strengthening its marketing and branding efforts on various platforms, including social media, to bolster customer engagements.

It also continues to conduct various programs such as architect meets, distributor meets, dealer meets to build connections with customers and dealers so as to promote brand visibility and increase demand.

A few of its marketing initiatives in recent times are i) official sponsor of Kings XI Punjab and ii) Kuch Nahi Dikhega.

**Fig 22 - Marketing initiatives to improve penetration in domestic markets.**



Source: Company

## Industry in brief

### The global furniture sector

The 2022 global furniture market is estimated at \$420bn and projected to reach \$505bn by 2027, a 3.8% CAGR.

In 2021, growth in the furniture market was constrained by supply-chain disruptions, trade restrictions and reduced consumption. However, the future looks promising as new residential spaces continue to flourish. Also, consumers have heightened interest in interior decoration and are choosing high-quality furnishings for living spaces.

The development of “smart” cities and a significant spike in the construction sector are projected to create substantial demand for furniture and home furnishings in the years ahead. Further, online shopping platforms have enabled manufacturers to take their products to a larger number of customers, thereby resulting in a substantial increase in the customer base.

### The global laminates market

The global decorative laminates market was valued at \$7bn in 2021. It is projected to reach \$10bn by 2031, a 3.4% CAGR over 2022-2031.

Decorative laminates have a number of advantages over other surface finishings: moisture-proof, abrasion- & impact-resistant, and require little to no maintenance. These attributes make them cost-effective over a longer period.

The demand for residential infrastructure has greatly increased due to the rise in global population and the growth of nuclear households. This has fuelled the use of decorative laminates on floors, walls, doors and windows. Besides, laminates are being widely preferred by hotels, resorts, offices and other commercial properties due to their aesthetics and durability.

Decorative laminates are also used in home remodelling, especially in high income countries. Besides, low installation and maintenance costs have driven up demand for decorative laminates, compared to wooden floorings.

### The Indian furniture market

The Indian furniture sector was anticipated to surpass \$27bn by 2022 owing to soaring demand for home furniture, rising population and rapid urbanisation.

It continues to increase investment in home renovations as consumers are consistently choosing aesthetically pleasing furniture and home furnishing solutions. Besides, rising disposable incomes and better living standards are encouraging people to invest in household decors more than ever before.

And the growing trend of work-from-home has led to rising demand for multifunctional furniture to set up home offices. Besides, the demand for lightweight, versatile and portable furniture with maximum storage from hotels and resorts continues to augment market growth.



**Fig 23 - Wood Panel Industry addressable market size and growth**

	Market Size (Rs bn)	Growth (%)
Plywood	250	6-8
Laminates	60	10-12
MDF	40	15-20
PB	50	10-15
<b>Total</b>	<b>400</b>	<b>8-10</b>

Source: Company, Anand Rathi Research

### The Indian laminates sector

India's market for decorative laminates is primarily driven by improved living standards and rising consumer spending per capita on home furnishings. The popularity of ready-to-assemble (RTA) cabinetry, flooring and furniture has also influenced buyers to choose modern home furnishings. Furthermore, the need for decorative laminates in gymnasias, convention centres, indoor sports clubs, and auditoria has increased phenomenally.

In the near term, factors such as rising population and rapid urbanisation are expected to propel construction of corporate offices, retail spaces, educational facilities, government buildings, hotels, lodgings, medical and healthcare units, industrial spaces and commercial utilities. This, in turn, will increase demand for laminates.

### The global solid acrylic surface segment

Solid acrylic surfaces are described as man-made material composed of alumina trihydrate (ATH), acrylic, epoxy or polyester resins and pigments. They are generally used in seamless countertop installations and can be heated and bent into three-dimensional shapes through thermoforming.

Solid acrylic surfaces have a wide range of applications: residential and commercial. They are used in kitchen countertops, sinks, bathrooms, furniture fittings, wall cladding, etc. They are also used in commercial spaces such as offices, retail outlets, malls, hotels and bars, hospitals and clinics.

Solid acrylic surfaces are durable and affordable, offering a great alternative to natural stone surfaces such as granite and quartz marble countertops.

An increase in the number of hotels and restaurants that largely use solid acrylic surfaces for countertops, furniture, wall cladding, exterior facades, etc. is a key factor in boosting growth of the global solid acrylic surface market.

Besides, the fascination of the HoReCa (Hotel-Restaurant-Café) industry for aesthetically appealing interiors and exteriors continues to increase demand for solid acrylic surfaces. Growing urbanisation, infrastructure development and technological advancements are other factors anticipated to contribute to the growth of the global solid acrylic surface market.

## Q2 FY23 results in brief

### Continues to deliver strong performance

- Revenue grew 43.3% y/y to Rs2.5bn.
- Gross margin expanded 288bps y/y to 44.4%, likely due to softening raw material prices. Hence, gross profit shot up 53.2% y/y to Rs1.1bn.
- EBITDA grew 61.8% y/y to Rs396m, and the EBITDA margin expanded 184bps y/y owing to the better gross margins.
- PAT grew a robust 62.5% y/y, 15.5% q/q, to Rs242m, driven by healthy revenue growth, better EBITDA and a lower effective tax rate.

### Quantitative highlights

- Offtake was 18.5% y/y higher to 3.2m sheets and realisation rose 20.7% y/y to Rs769/sheet.
- Exports grew 57.7% y/y to Rs1.6bn while domestic revenue grew 20.6% y/y to Rs820m.
- The revenue mix was 67:33 export-domestic, against 60:40 a year back.

Fig 24 – Quarterly highlights

(Rs m)	Q2 FY22	Q1 FY23	Q2 FY23	Y/Y (%)	Q/Q (%)	H1 FY22	H1 FY23	Y/Y (%)	FY21	FY22	Y/Y (%)
<b>Revenue</b>	<b>1,720</b>	<b>2,350</b>	<b>2,463</b>	<b>43.3</b>	<b>4.8</b>	<b>3,028</b>	<b>4,813</b>	<b>59.0</b>	<b>4,758</b>	<b>6,593</b>	<b>38.6</b>
Raw material costs	1,006	1,337	1,370	36.2	2.4	1,697	2,707	59.5	2,465	3,755	52.3
Employee costs	143	154	168	17.5	9.4	261	322	23.5	383	548	43.2
Other expenses	326	506	529	62.4	4.7	563	1,035	83.8	957	1,254	31.0
<b>EBITDA</b>	<b>245</b>	<b>353</b>	<b>396</b>	<b>61.8</b>	<b>12.1</b>	<b>507</b>	<b>749</b>	<b>47.8</b>	<b>953</b>	<b>1,037</b>	<b>8.8</b>
Other income	42	3	3	(93.8)	4.1	46	5	(88.8)	48	80	67.2
Depreciation	59	58	60	1.1	4.0	116	118	1.3	231	233	0.5
Finance costs	19	22	13	(30.0)	(39.1)	37	35	(4.0)	60	78	30.1
<b>PBT</b>	<b>207</b>	<b>276</b>	<b>325</b>	<b>56.7</b>	<b>17.4</b>	<b>397</b>	<b>601</b>	<b>51.4</b>	<b>708</b>	<b>804</b>	<b>13.5</b>
Tax	58	67	84	44.9	26.0	110	150	35.7	157	195	24.2
<b>PAT</b>	<b>149</b>	<b>210</b>	<b>241</b>	<b>61.3</b>	<b>14.7</b>	<b>287</b>	<b>452</b>	<b>57.4</b>	<b>551</b>	<b>609</b>	<b>10.5</b>
EPS (Rs)	8.8	12.4	14.2	61.3	14.7	16.9	26.6	57.4	32.5	35.9	10.5

%	Q2 FY22	Q1 FY23	Q2 FY23	Y/Y (bps)	Q/Q (bps)	H1 FY22	H1 FY23	Y/Y (bps)	FY21	FY22	Y/Y (bps)
<b>Gross margin</b>	<b>41.5</b>	<b>43.1</b>	<b>44.4</b>	<b>288</b>	<b>129</b>	<b>44.0</b>	<b>43.8</b>	<b>(19)</b>	<b>48.2</b>	<b>43.0</b>	<b>(514)</b>
Employee costs	8.3	6.6	6.8	(150)	29	8.6	6.7	(192)	8.0	8.3	27
Other expenses	19.0	21.5	21.5	253	(3)	18.6	21.5	290	20.1	19.0	(110)
<b>EBITDA margin</b>	<b>14.2</b>	<b>15.0</b>	<b>16.1</b>	<b>184</b>	<b>104</b>	<b>16.7</b>	<b>15.6</b>	<b>(118)</b>	<b>20.0</b>	<b>15.7</b>	<b>(431)</b>
Other income	2.4	0.1	0.1	(234)	(0)	1.5	0.1	(140)	1.0	1.2	21
Depreciation	3.5	2.5	2.4	(102)	(2)	3.8	2.4	(139)	4.9	3.5	(134)
Finance costs	1.1	0.9	0.5	(57)	(39)	1.2	0.7	(48)	1.3	1.2	(8)
<b>PBT margin</b>	<b>12.0</b>	<b>11.8</b>	<b>13.2</b>	<b>113</b>	<b>142</b>	<b>13.1</b>	<b>12.5</b>	<b>(63)</b>	<b>14.9</b>	<b>12.2</b>	<b>(269)</b>
Effective tax rate	28.0	24.1	25.9	(211)	176	27.8	24.9	(288)	22.1	24.2	208
<b>PAT margin</b>	<b>8.7</b>	<b>8.9</b>	<b>9.8</b>	<b>109</b>	<b>84</b>	<b>9.5</b>	<b>9.4</b>	<b>(9)</b>	<b>11.6</b>	<b>9.2</b>	<b>(235)</b>

Source: Company

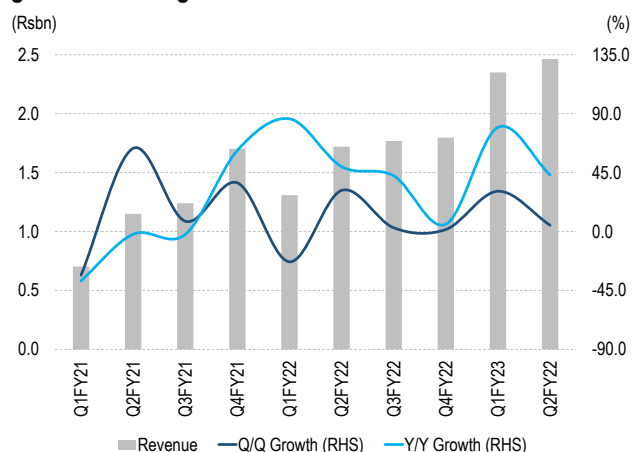


**Fig 25 – Quantitative highlights**

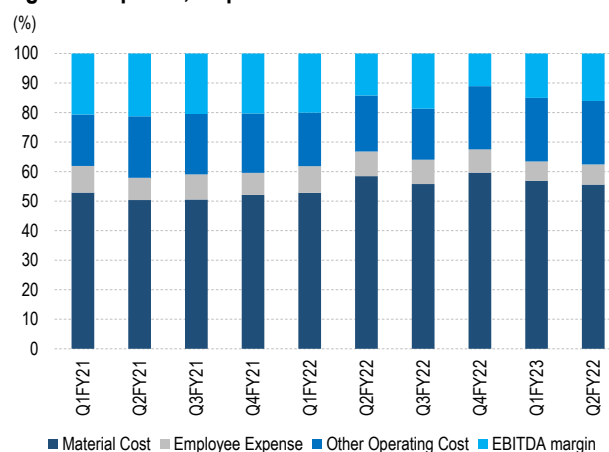
	Q2 FY22	Q1 FY23	Q2 FY23	Y/Y (%)	Q/Q (%)	H1 FY22	H1 FY23	Y/Y (%)	FY21	FY22	Y/Y (%)
<b>Laminates</b>											
Capacity (m sheets)	3.6	4.3	4.3	20.0	-	7.2	8.6	20.0	14.3	17.2	20.0
Sales ratio (%)	75.5	62.9	74.6	(93.2)bps	1166bps	62.9	68.8	583bps	47.6	53.6	606bps
Sales volume (m sheets)	2.7	2.7	3.2	18.5	18.5	4.5	5.9	31.1	6.8	9.2	35.3
Realisation (Rs / sheet)	637	870	769	20.7	(11.7)	673	815	21	706	716	1
<b>Revenue (Rs m)</b>	<b>1,720</b>	<b>2,350</b>	<b>2,460</b>	<b>43.0</b>	<b>4.7</b>	<b>3,030</b>	<b>4,810</b>	<b>58.7</b>	<b>4,800</b>	<b>6,590</b>	<b>37.3</b>
Exports	60	72	67	620bps	(525)bps	65	69	454bps	69	64	(528)bps
Domestic	40	28	33	(620)bps	525bps	35	31	(454)bps	31	36	528bps

Source: Company

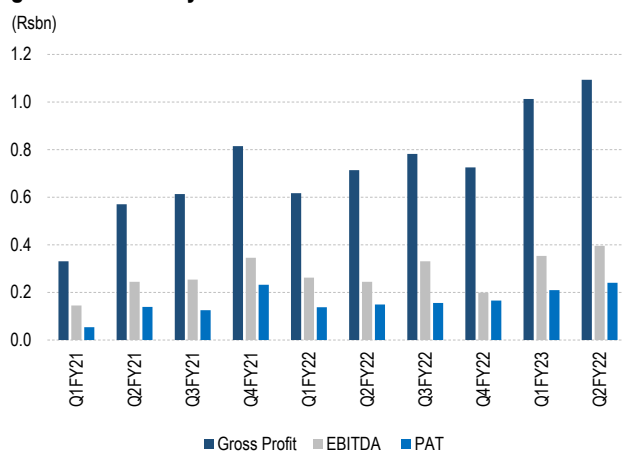
## Story in Charts – Quarterly Trends

**Fig 26 – Revenue growth**


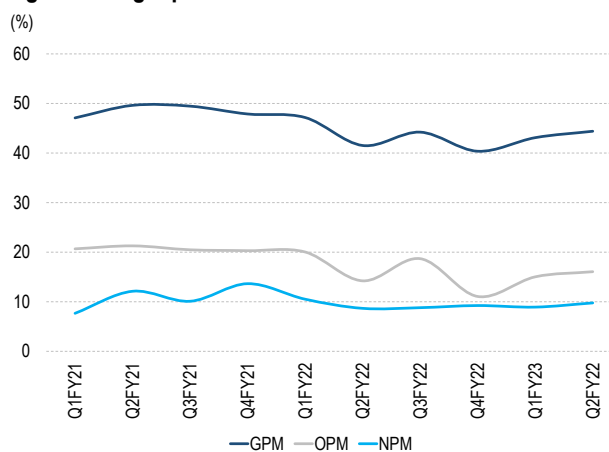
Source: Company, Anand Rathi Research

**Fig 27 – Expense, as percent of income**


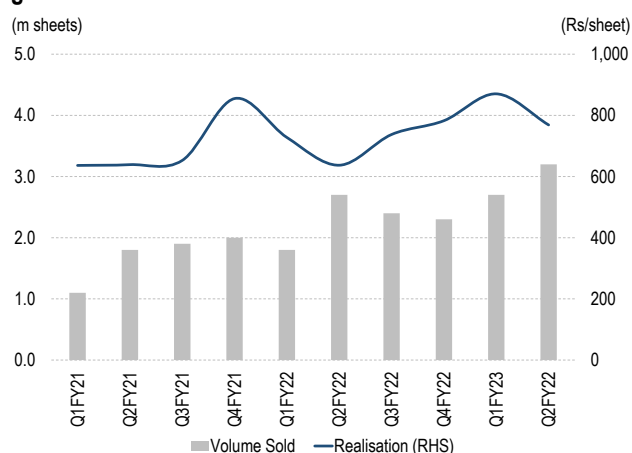
Source: Company, Anand Rathi Research

**Fig 28 – Profitability**


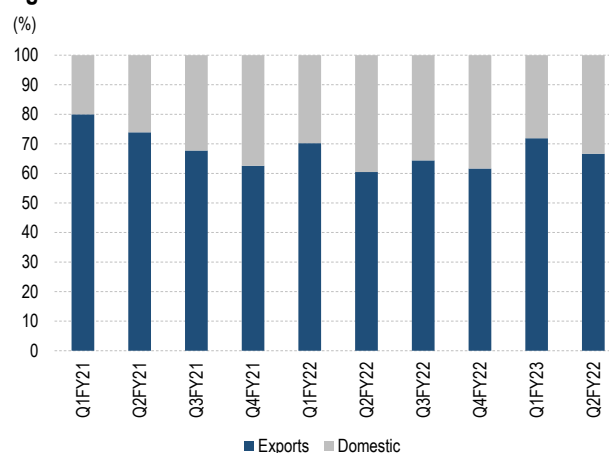
Source: Company, Anand Rathi Research

**Fig 29 – Margin profile**


Source: Company, Anand Rathi Research

**Fig 30 – Volume and Realisation trends**


Source: Company, Anand Rathi Research

**Fig 31 – Sales mix**


Source: Company, Anand Rathi Research

## Financial Analysis

- **To clock 25% revenue CAGR over FY22-25.** Revenue clocked an 18% CAGR over FY18-22 backed by a 9% CAGR in off-take and 8% in realisations. Capacity increased by 3.3m sheets to 14.3m sheets.

With the enhanced capacity (5.7m sheets to 20m sheets by FY25) to service booming demand, we expect volumes to register a 21% CAGR over FY22-25, resulting in a 25% revenue CAGR in that time as we expect realisation to record a 3.7% CAGR.

- **Revenue from the domestic market to increase.** Revenue from exports has been fluctuating between 64% and 70% over FY18-22. The exports-domestic revenue mix was 68:32 for FY18.

Revenue growth is expected to be fueled by continued growth momentum in exports, enhanced and strengthened domestic operations, penetration to newer regions, augmentation of value-added products' revenue share along with growing demand and scaling up urbanisation. Hence, we believe the export-domestic revenue mix will change from 64:36 in FY22 to 56:44 by FY25.

- **Operating margin to inch up 53bps to 16.3% in FY25.** The FY21 operating margin improved a significant 551bps from FY18 to 20.1%. However cost pressures cut the margin 436 bps to 15.7% in FY22.

We believe that input cost tailwinds are expected to expand the FY25 gross margin 133bps to 44.4% and economies of scale, to raise the operating margin 53bps to 16.3%. Hence, operating profit is expected to clock a 27% CAGR over FY22-25.

- **PAT to record a 32% CAGR over FY22-25.** PAT recorded a 32% CAGR over FY18-22, supported by healthy operating profit growth and a lower tax incidence of 24% in FY22, against 29% in FY18.

Healthy revenue growth and higher operating profits would drive PAT margin expansion, 154bps to 10.8% by FY25. This would be supported by higher other income (3x) though partly offset by higher depreciation (1.3x) and interest expense (2.3x).

- **Healthy cash-flow generation to translate to cash surplus.** Working capital required was 107 days (stretched by 19 days during FY18-22) mainly due to more inventory days. Healthy cash-flow generation helped net debt to more than halve from Rs1,157m in FY18 to Rs564m in FY22.

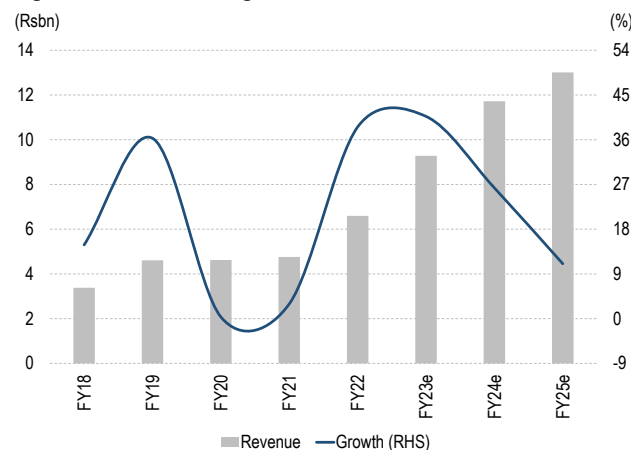
We expect efficient working capital management to lower this by 13 days over FY22-25. This and healthy cash-flow generation would help the company pare debt and be cash-surplus by FY25. Hence, this would further strengthen its balance sheet and help it exploring organic and inorganic growth opportunities.

- **Return ratios to rise further.** The company has grown at a healthy pace with greater profitability. This has helped it increase its post-tax RoCE 933bps to 18.7% over FY18-22 and its RoE, 310bps to 21.2%.

Encouraging demand would lead to better off-take and greater profitability; hence, we anticipate a further 250bp improvement in the post-tax RoCE and 262bps in the RoE at 21.2% and 23.8% respectively over FY22-25.

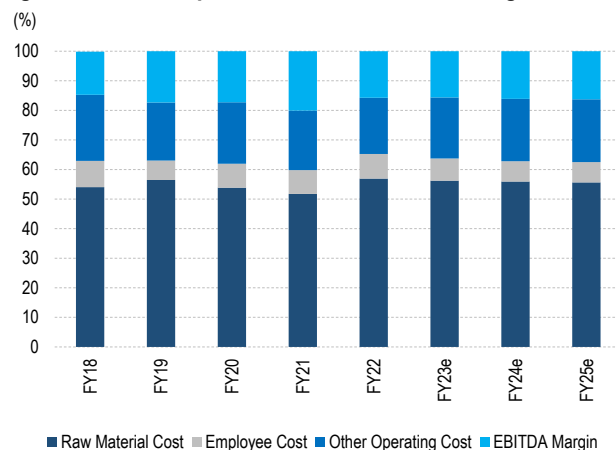
## Story in Charts – Annual

**Fig 32 – Revenue and growth**



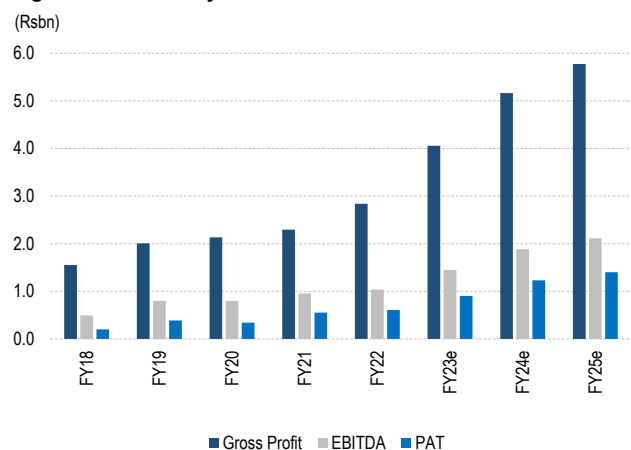
Source: Company, Anand Rathi Research

**Fig 33 – Revenue split into cost and EBITDA margin**



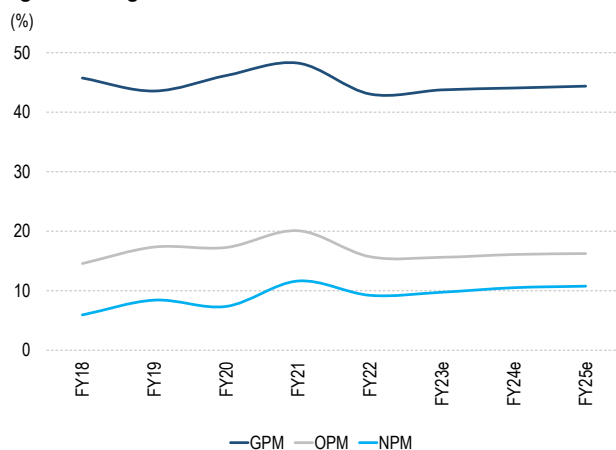
Source: Company, Anand Rathi Research

**Fig 34 – Profitability**



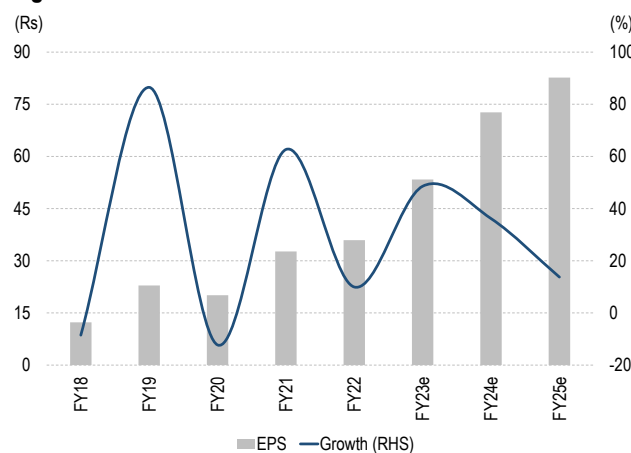
Source: Company, Anand Rathi Research

**Fig 35 – Margins**



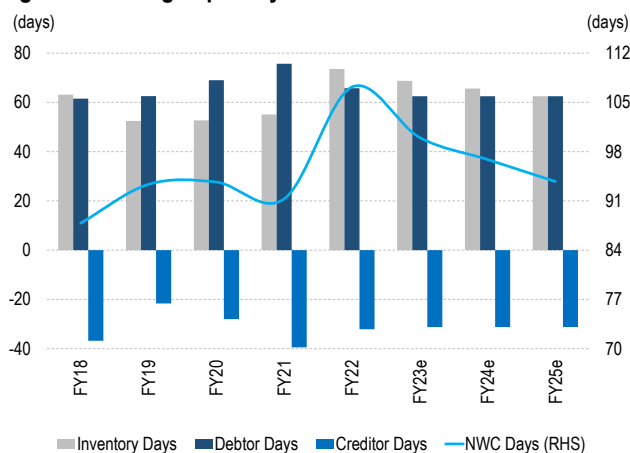
Source: Company, Anand Rathi Research

**Fig 36 – EPS and Growth**



Source: Company, Anand Rathi Research

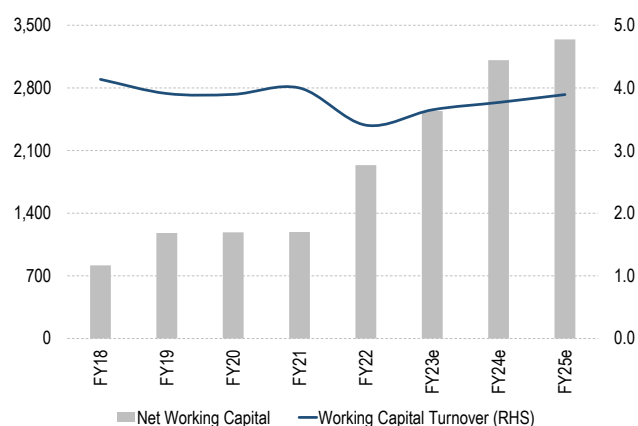
**Fig 37 – Working-capital cycle**



Source: Company, Anand Rathi Research

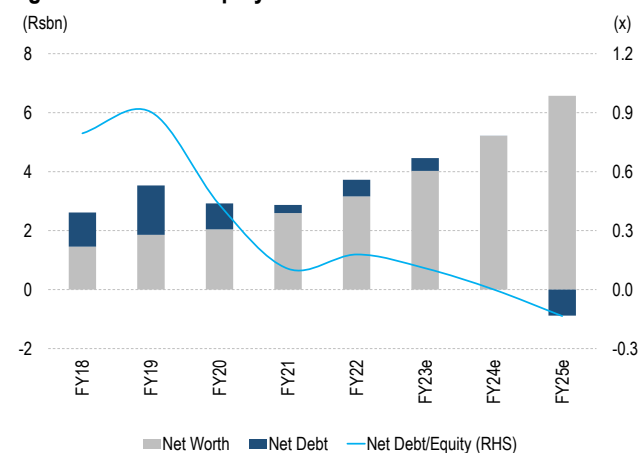
## Story in Charts – Annual continues...

**Fig 38 – Working capital-turnover ratio**



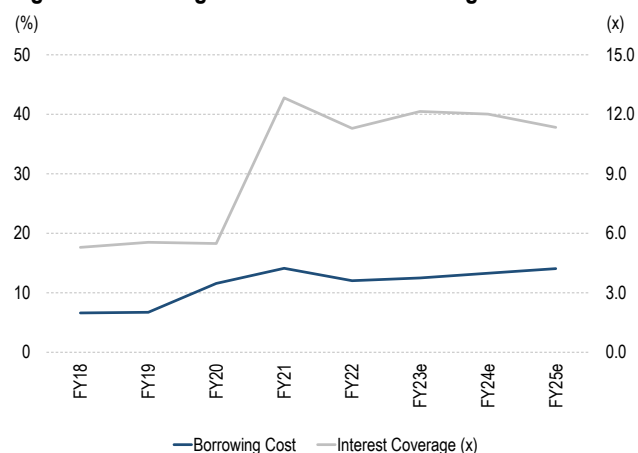
Source: Company, Anand Rath Research

**Fig 39 – Net debt / equity**



Source: Company, Anand Rath Research

**Fig 40 – Borrowing cost and Interest coverage**



Source: Company, Anand Rath Research

**Fig 41 – Return ratios**



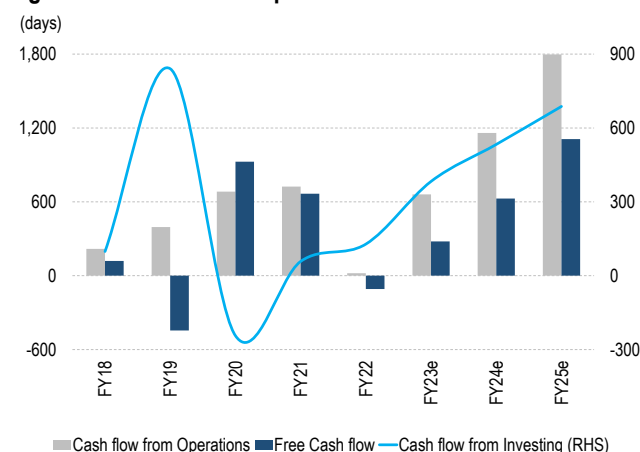
Source: Company, Anand Rath Research

**Fig 42 – Asset turnover**



Source: Company, Anand Rath Research

**Fig 43 – Cash flow from operations/ free cash-flow**



Source: Company, Anand Rath Research

## Peer Comparison

**Fig 44 – Peer comparison - financials**

Companies	Revenue (Rs m)				EBITDA margins (%)				PAT (Rs m)				EPS (Rs)				RoE (%)			
	FY22	FY23e	FY24e	FY25e	FY22	FY23e	FY24e	FY25e	FY22	FY23e	FY24e	FY25e	FY22	FY23e	FY24e	FY25e	FY22	FY23e	FY24e	FY25e
<b>Stylam Industries</b>	<b>6,593</b>	<b>9,276</b>	<b>11,717</b>	<b>13,010</b>	<b>15.7</b>	<b>15.6</b>	<b>16.1</b>	<b>16.3</b>	<b>609</b>	<b>905</b>	<b>1,232</b>	<b>1,401</b>	<b>35.9</b>	<b>53.4</b>	<b>72.7</b>	<b>82.7</b>	<b>21.2</b>	<b>25.2</b>	<b>26.7</b>	<b>23.8</b>
Century Plyboards	30,270	36,401	41,508	48,448	17.5	17.8	18.3	18.8	3,131	4,066	4,798	5,772	14.1	18.3	21.6	25.9	22.2	23.4	22.5	22.2
Greenply Industries	15,628	18,192	22,522	28,295	9.6	10.3	12.2	13.1	947	1,060	1,420	2,139	7.7	8.6	11.6	17.4	19.4	18.0	20.1	24.3
Greenlam Industries	17,034	20,594	27,970	35,359	11.0	11.9	12.8	13.3	933	1,078	1,556	2,122	7.7	8.5	12.2	16.7	15.2	13.6	15.6	18.3
Greenpanel Industries	16,250	19,233	21,737	23,784	26.5	25.0	24.4	23.8	2,405	2,863	3,290	3,504	19.6	23.3	26.8	28.6	28.6	26.4	24.1	21.0

Source: Anand Rathi Research

**Fig 45 – Peer comparison - valuations**

Companies	P/E (x)				EV / EBITDA (x)				EV / Sales (x)				P / BV (x)				Dividend yield (%)			
	FY22	FY23e	FY24e	FY25e	FY22	FY23e	FY24e	FY25e	FY22	FY23e	FY24e	FY25e	FY22	FY23e	FY24e	FY25e	FY22	FY23e	FY24e	FY25e
<b>Stylam Industries</b>	<b>31.8</b>	<b>21.4</b>	<b>15.7</b>	<b>13.8</b>	<b>19.2</b>	<b>13.7</b>	<b>10.3</b>	<b>8.7</b>	<b>3.0</b>	<b>2.1</b>	<b>1.7</b>	<b>1.4</b>	<b>6.1</b>	<b>4.8</b>	<b>3.7</b>	<b>2.9</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
Century Plyboards	40.1	30.9	26.2	21.8	23.8	19.4	17.0	13.9	4.2	3.5	3.1	2.6	8.1	6.5	5.4	4.4	0.3	0.4	0.4	0.5
Greenply Industries	20.1	17.9	13.4	8.9	14.1	12.7	9.0	6.4	1.4	1.3	1.1	0.8	3.5	3.0	2.4	1.9	0.3	0.3	0.3	0.3
Greenlam Industries	42.1	38.3	26.6	19.5	22.1	18.7	13.3	10.0	2.4	2.2	1.7	1.3	6.0	4.4	3.9	3.3	0.5	0.5	0.6	0.6
Greenpanel Industries	17.6	14.8	12.9	12.1	10.0	9.0	8.5	7.6	2.6	2.2	2.1	1.8	4.5	3.5	2.8	2.3	0.4	0.6	0.7	0.7

Source: Anand Rathi Research

**Fig 46 – Peer comparison - market information**

Companies	Share Capital (Rs m)	FV (Rs)	Shares (m)	CMP (Rs)	52-week (Rs)		Market cap (Rs m)	Q2 FY23 debt (Rs m)	Q2 FY23 cash (Rs m)	EV (Rs m)	Promoter (%)	Non-promoter (%)
					High	Low						
<b>Stylam Industries</b>	<b>85</b>	<b>5</b>	<b>17</b>	<b>1,176</b>	<b>1,269</b>	<b>760</b>	<b>19,913</b>	<b>750</b>	<b>20</b>	<b>20,643</b>	<b>55</b>	<b>45</b>
Century Plyboards	223	1	223	541	749	485	1,20,306	2,510	2,800	1,20,016	73	27
Greenply Industries	123	1	123	157	232	154	19,246	5,280	220	24,306	52	48
Greenlam Industries	127	1	127	323	416	280	41,034	3,920	150	44,804	51	49
Greenpanel Industries	123	1	123	340	625	331	41,709	2,270	2,610	41,369	53	47

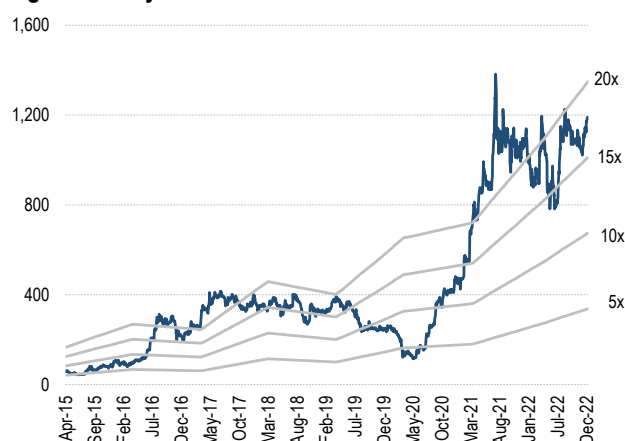
Source: Bloomberg, Anand Rathi Research

## Outlook & Valuation

**Banking on the laminates segment in the wood panel sector.** The company is laminate-focused with significant export revenue. Good demand from real estate and traction in renovation keep the business environment healthy and encouraging, both domestic and overseas. This is expected to help to greater utilisation of its expanded capacity, leading to healthy revenue growth. Also, easing input costs and economies of scale are likely to expand its margins. Hence, we believe revenue/EBITDA/adj. PAT would clock 25%/27%/32% CAGRs over FY22-25.

**Initiating coverage with a Buy rating as the stock is attractively priced.** Efficient working-capital management and healthy cash-flow generation would help the company become cash surplus by FY25 and aid in expansion and acquisition. At the CMP, the stock trades at P/Es of 15.7x/13.8x FY24e/FY25e earnings. It looks attractively priced; hence, we initiate coverage on the company with a Buy rating and a target price of Rs.1,653 based on 20x (the two-year average) FY25e earnings, implying 41% potential.

**Fig 47 – One-year-forward PE band**



Source: Company, Anand Rathi Research

**Fig 48 – Standard deviation**



Source: Company, Anand Rathi Research

## Key Risks

- **Lower off-take.** A slowdown in economic activity (globally and domestically), especially in real estate (commercial and residential) could curtail the company's capacity utilisation and affect its margins.
- **Heightened competition.** Capacity expansions have been announced by peers. As these capacities go commercial, competition might turn keener.
- **Higher input costs.** Procurement of adequate raw materials at reasonable prices continuously and sustainably would be a challenge.
- **Forex fluctuation.** A significant portion of raw materials is imported; hence, the company is exposed to currency fluctuations. However, it has a natural hedge against such fluctuations as 60%+ of its revenues arise from exports. Hence, net-net, it has a foreign currency inflow.



## Appendix

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