

Stylam Industries Limited

March 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	106.41 (Reduced from 108.13)	CARE A; Stable	Reaffirmed
Short Term Bank Facilities	20.10	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Stylam Industries Limited (SIL) continues to derive strength from improvement in the scale of operations during FY22 (refers to the period from April 01 to March 31) and 9MFY23 (refers to the period from April 01 to December 31) driven by uptick in demand of laminated sheets and higher exports, healthy profitability margins and comfortable financial risk profile marked by low overall gearing ratio. Further, the ratings continue to factor in the experience of promoters, company's long track record of operations, and established presence in the export segment. Going forward, CARE expects the PBILDT margin to remain in the range of ~16%-17% supported by steady demand and addition of new geographies in the export segment. However, the ratings are constrained by elongated operating cycle, fragmented nature of the industry and susceptibility of SIL's profitability margins to fluctuations in the raw material prices and foreign exchange rates.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations with PBILDT margin above 17% on a sustained basis.
- Steady cash flow from operations leading to further improvement in liquidity on a sustained basis.

Negative factors

- Deterioration in scale of operations with total operating income below Rs.600.00 crore on a sustained basis.
- Deterioration in the PBILDT margins to below 13% on a sustained basis.
- Any major debt funded capex resulting in deterioration of capital structure to above 0.80x.

Analytical approach: Standalone

Key strengths

Growing scale of operations coupled with high profitability margins: The total operating income of the company grew by ~39% to Rs.667.31 crore in FY22 (PY: Rs.480.48 crore) driven by ~62% increase in domestic sales. The PBILDT margin moderated yet remained healthy at 16.72% in FY22 (PY: 20.82%). The decline is on account of increase in raw material costs and freight cost. Consequently, the PAT margin of the company declined to 9.14% in FY22 (PY: 11.51%). During 9MFY23, the total operating income of the company grew by ~52% to Rs.715.31 crore (PY: Rs.471.50 crore) driven by ~22% increase in quantity of laminated sheets sold by the company. The PBILDT margin of the company remained healthy at 15.98% (PY: 16.03%) during 9MFY23.

Comfortable financial risk profile: The overall gearing of the company remained low at 0.26x as on March 31, 2022 (PY: 0.24x). Debt coverage indicators of the company stood comfortable as reflected by PBILDT interest coverage and total debt/GCA of 14.25x (PY: 16.62x) and 0.99x (PY: 0.81x) respectively in FY22.

Experienced promoters with long track record of operations: The company has been in operations since 1991. The operations of the company are currently being managed by Mr Jagdish Gupta (Managing Director) who has been associated with the company since its inception. Furthermore, the board has four independent directors supported by a team of professionals who handle the day-to-day operations of the company.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Liquidity: Adequate: The liquidity profile of the company is adequate as reflected by projected gross cash accruals to the tune of Rs.115.67 crore in FY23 against scheduled repayment of Rs.14.34 crore. Further, average utilization of working capital borrowings for the trailing 12 months ending December 31, 2022 stood at ~75%. The company is planning to incur capex of Rs.30.00 crore in FY23 which would result in increasing the manufacturing capacity of laminated sheets by ~10%-15% and the same shall be funded from internal accruals.

Key weaknesses

Elongated operating cycle: The operating cycle of the company stood elongated at 97 days, as on March 31, 2022 (PY: 103 days). The company manufactures various types of laminates with over 1200 designs, textures, colours & finishes and accordingly it has to maintain sufficient inventory of raw materials for smooth production process and also finished goods to meet the immediate demand of the customers, resulting in average inventory period of around 73 days, as on March 31, 2022 (PY: 73 days). Furthermore, the company has to offer a reasonable credit period to its customers owing to its presence in highly competitive and fragmented nature of industry which resulted in average collection period of around 60 days, as on March 31, 2022 (PY: 72 days). The raw materials are procured from the local market through an established supplier base (and imports as well) who extend a credit period of around 1.5 months.

Vulnerability to foreign exchange fluctuations: The margins of the company are exposed to foreign exchange fluctuation, as during FY22, the company earned approximately 64% of its total operating income from exports. The company also imported around 40% of its raw material requirements, thus, providing natural hedge to a certain extent. Further, the company has availed some portion of its working capital borrowings in foreign currency and also enters into forward contracts to hedge its forex exposure. However, the complete exposure of the company is not hedged making the margins susceptible to any adverse fluctuation in the foreign exchange prices for the unhedged portion. The company reported gain of Rs.6.50 crore due to foreign currency fluctuation in FY22 (PY: gain of Rs.2.29 crore).

Fragmented nature of the industry: The domestic laminates industry is highly fragmented with majority of the sector comprising of unorganised players. Competition from both organised as well as unorganised players leads to pricing pressure for the players in the industry.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

Stylam Industries Ltd (Stylam) was set up by late Mr NR Aggarwal in 1991 along with his sons, Mr Jagdish Gupta and Mr Satish Gupta, by the name of Golden Laminate Private Limited. It was converted into a Public Limited Company in the year 1992 and was listed on Bombay Stock Exchange in 1995. The company changed its name from Golden Laminates Limited to Stylam Industries Limited in January 2010. The company is engaged in the manufacturing of decorative laminates under the brand name "STYLAM" and exports its products primarily to European and South East Asian countries. The products of the company find application in furniture and real estate industry. Stylam has its manufacturing units in Panchkula, Haryana, having an installed capacity of 14.3 million sheets per annum, as on December 31, 2022. The overall management of the company is being looked after by Mr Jagdish Gupta (Managing Director). SIL has a group concern- Golden ChemTech Limited which was engaged in the manufacturing of adhesives till September-2017. However, the company has discontinued manufacturing of adhesives post Sept-2017 and has installed a new production line at Panchkula (Haryana) to manufacture solid acrylic surface with an installed capacity

of 3.20 lakh sheets per annum. The businesses of SIL and GCL have been amalgamated in March, 2020 in an all equity transaction in the ratio of 100 shares of SIL for 371 shares of GCL.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	9MFY23 (P)
Total operating income	479.53	659.35	715.31
PBILDT	99.11	103.64	114.29
PAT	55.30	61.01	69.19
Overall gearing (times)	0.24	0.26	0.13
Interest coverage (times)	16.47	13.24	15.00

A: Audited, P: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.00	CARE A; Stable
Fund-based - LT-Line Of Credit		-	-	-	5.00	CARE A; Stable
Fund-based - LT-Line Of Credit		-	-	-	0.50	CARE A; Stable
Fund-based - LT-Term Loan		-	-	July, 2024	10.91	CARE A; Stable
Fund-based - LT-Working Capital Limits		-	-	-	84.00	CARE A; Stable
Non-fund-based - ST-BG/LC		-	-	-	15.10	CARE A2+
Non-fund-based - ST-Forward Contract		-	-	-	5.00	CARE A2+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	10.91	CARE A; Stable	-	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)	1)CARE A-; Stable (06-Apr-20)	-
2	Fund-based - LT-Working Capital Limits	LT	84.00	CARE A; Stable	-	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)	1)CARE A2 (06-Apr-20)	-
3	Fund-based - LT-Cash Credit	LT	6.00	CARE A; Stable	-	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)	1)CARE A-; Stable (06-Apr-20)	-
4	Non-fund-based - LT-ST-BG/LC	ST	15.10	CARE A2+	-	1)CARE A2+ (23-Mar-22) 2)CARE A2 (05-Apr-21)	1)CARE A2 (06-Apr-20)	-
5	Fund-based - LT-Line Of Credit	LT	5.00	CARE A; Stable	-	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)	1)CARE A2 (06-Apr-20)	-

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6	Fund-based - LT-Line Of Credit	LT	0.50	CARE A; Stable	-	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)	1)CARE A2 (06-Apr-20)	-
7	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A2+	-	1)CARE A2+ (23-Mar-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities- Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Line Of Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - LT-Working Capital Limits	Simple
5	Non-fund-based - ST-BG/LC	Simple
6	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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