

## Stylam Industries Limited

March 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	92.64 (Reduced from 101.41)	CARE A+; Stable	Revised from CARE A; Stable
Short Term Bank Facilities	10.10 (Reduced from 20.10)	CARE A1	Revised from CARE A2+
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Stylam Industries Limited (SIL) factors in improvement in the scale of operations during FY23 (refers to the period from April 01, 2022 to March 31, 2023) driven by uptick in demand of laminated sheets specially in the export market despite challenges in overseas market, comfortable financial risk profile marked by low overall gearing, and healthy profitability margins. Further, the ratings continue to derive strength from the experience of promoters, company's long track record of operations, and established presence in the export segment. However, the ratings are constrained by timely augmentation and product off-take of proposed capex, 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. CARE takes cognizance of the capex proposed to be funded out of internal accruals, however, timely augmentation and product offtake needs to be seen.

CARE Ratings Limited has withdrawn the long-term rating assigned to the line of credit facility of SIL due to non-renewal of the same as per latest sanction letter.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations above Rs.1,500 crore with ROCE 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 margin to below 13% on a sustained basis.
- Any major debt funded capex resulting in deterioration of capital structure to above 0.50x.

**Analytical approach:** Standalone

#### Outlook: Stable

CARE Ratings believes that the entity shall sustain its growing scale of operations over the medium term. CARE also believes that improvement in cash accruals of the company over medium term shall support its liquidity profile.

### Detailed description of the key rating drivers:

#### Key strengths

**Growing scale of operations coupled with high profitability margins:** SIL's total operating income grew by ~44% to Rs.952.13 crore in FY23 (PY: Rs.659.35 crore) driven by higher export sales. The PBILDT and PAT margin of the company stood healthy at 16.26% (PY: 15.72%) and 10.08% (PY: 9.25%) in FY23 owing to higher export sales where the profitability margin is higher. Majority (~65%-70%) of company's total revenue comes from exports to over 80 countries (majorly Europe and Middle east) with SIL consistently widening its reach to different countries.

During 9MFY24 (refers to the period from April 01, 2023 to December 31, 2023), the total operating income of the company declined marginally by ~6% to Rs.674.20 crore (PY: Rs.715.31 crore). However, the PBILDT margin of the company improved further to 20.29% (PY: 15.98%) due to decrease in raw material cost. Consequently, the PAT margin of the company improved to 13.48% (PY: 9.67%) during 9MFY24. Going forward, CARE expects the PBILDT margin of the company to remain in the range of ~17%-18%.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Comfortable financial risk profile:** The overall gearing of the company remained low at 0.12x as on March 31, 2023 (PY: 0.26x). Debt coverage indicators of the company stood comfortable as reflected by PBILDT interest coverage and total debt/GCA of 18.91x (PY: 13.24x) and 0.44x (PY: 0.97x) in FY23 respectively. The company reported healthy cashflow from operations to the tune of Rs.76.40 crore in FY23 which resulted in low reliance on working capital borrowings.

**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.

## Key weaknesses

**Timely augmentation and product off-take of proposed capex:** The company is planning to incur capex of ~Rs.200.00 crore in FY24-FY25 (refers to the period from April 01, 2023 to March 31, 2025) pertaining to setting up of new plant to manufacture laminates with an installed capacity of 48,00,000 sheets per annum which is proposed to be funded entirely through internal accruals. The same is expected to be operational from Q3FY25 onwards (refers to the period from October 01, 2024 to December 31, 2024). Timely augmentation and product off-take of the proposed capex would remain a key monitorable.

**Elongated operating cycle:** The operating cycle of the company stood elongated at 100 days, as on March 31, 2023 (PY: 97 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 75 days, as on March 31, 2023 (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 47 days, as on March 31, 2023 (PY: 60 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 month.

**Vulnerability to foreign exchange fluctuations:** The margins of the company are exposed to foreign exchange fluctuation, as during FY23, the company earned approximately 67% of its total operating income from exports. The company also imported around 45% 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 loss of Rs.3.05 crore due to foreign currency fluctuation in FY23 (PY: loss of Rs.3.53 crore).

**Fragmented nature of the industry:** The domestic laminates industry is highly fragmented with majority of the sector comprising of unorganized players. Competition from both organized as well as unorganized players leads to pricing pressure for the players in the industry. In the export segment however, demand has been buoyant on account of shift from wood-based panel products to engineered panels like MDF and particle board. India is one of the largest exporters of laminates in the world. Players with established track record of delivering quality products in the export markets, including SIL have been consistently able to register growth in turnover over the years despite the global slowdown.

**Liquidity: Strong:** The liquidity profile of the company is strong as reflected by projected gross cash accruals to the tune of Rs.149.60 crore in FY24 against scheduled repayment of Rs.10.20 crore. Further, average utilization of maximum outstanding stood low at ~23% for the trailing 12 months ended January 31, 2024. SIL had free cash and bank balance of Rs.82.66 crore as on December 31, 2023. The company is planning to incur capex of ~Rs.200.00 crore in the period FY24-FY25 pertaining to setting up of new plant to manufacture laminated sheets with a production capacity of 48,00,000 sheets annually. The same is expected to be operational from Q3FY25 onwards. The project is proposed to be funded entirely through internal accruals.

## Environment, social, and governance (ESG) risks

**Environmental:** The products manufactured by the company are ecologically friendly. The company has the necessary certifications from NSF (National Sanitation Foundation) and ISO (International organization for standardization) 14001: 2015 which guarantees that an environmental management system is employed to improve environmental performance.

**Social:** The company spent Rs.1.37 crore on CSR (Corporate Social Responsibility) activities like infrastructural development in local government school, contributed to healthcare by providing ambulance, and setting up of old age homes day care centres for senior citizens.

**Governance:** SIL's senior leadership comprises of 3 independent directors. The Board of directors, through its committees, oversee the ESG initiatives and performance. They are also responsible for company adhering to the statutory and regulatory compliances as applicable to SIL.

## Applicable criteria

- [Definition of Default](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Rating Watch](#)
- [Manufacturing Companies](#)
- [Financial Ratios – Non financial Sector](#)
- [Withdrawal Policy](#)
- [Short Term Instruments](#)

## About the company and industry

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 March 31, 2023. The overall management of the company is being looked after by Mr Jagdish Gupta (Managing Director).

## Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Total operating income	659.35	952.13	674.20
PBILDT	103.64	154.81	136.82
PAT	61.01	95.95	90.87
Overall gearing (times)	0.26	0.13	0.03
Interest coverage (times)	13.24	18.91	67.40

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

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

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

**Complexity level of 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		-	-	-	0.00	Withdrawn
Fund-based - LT-Line Of Credit		-	-	-	0.50	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	July, 2024	2.14	CARE A+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	84.00	CARE A+; Stable
Non-fund-based - ST-BG/LC	]	-	-	-	5.10	CARE A1
Non-fund-based - ST-Forward Contract		-	-	-	5.00	CARE A1

**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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	2.14	CARE A+; Stable	-	1)CARE A; Stable (06-Mar-23)	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 (06-Mar-23)	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)	1)CARE A2 (06-Apr-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
3	Fund-based - LT-Cash Credit	LT	6.00	CARE A+; Stable	-	1)CARE A; Stable (06-Mar-23)	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 - ST-BG/LC	ST	5.10	CARE A1	-	1)CARE A2+ (06-Mar-23)	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	-	-	-	1)CARE A; Stable (06-Mar-23)	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)	1)CARE A2 (06-Apr-20)
6	Fund-based - LT-Line Of Credit	LT	0.50	CARE A+; Stable	-	1)CARE A; Stable (06-Mar-23)	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 A1	-	1)CARE A2+ (06-Mar-23)	1)CARE A2+ (23-Mar-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of 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.

## Contact Us

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### About us:

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### Disclaimer:

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