Stylam Industries Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	90.50	CARE A+; Stable	Reaffirmed
Short-term bank facilities	10.10	CARE A1	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Stylam Industries Limited (SIL) continues to derive strength from experienced promoters, long track record of operations and its established presence in export markets. Ratings also takes comfort from the stable operational performance as reflected by sustained scale of operations and healthy profitability margins in FY24 (refers to April 01, 2023, to March 31, 2024) and 9MFY25 (refers to April 01, 2024, to December 31, 2024), with comfortable financial risk profile as marked by negligible debt and healthy net-worth base. However, Ratings continue to remain constrained owing to elongated operating cycle, fragmented nature of industry and profitability margins susceptible to fluctuation in raw material prices and foreign exchange (forex) rates. Ratings take cognisance of the ongoing capital expenditure (capex) proposed to be funded entirely out of internal cash accruals, however, the timely augmentation and product off-take remains monitorable.
CARE Ratings Limited (CARE Ratings) has withdrawn the long-term rating assigned to term loan facilities of SIL, with immediate effect, as the company has repaid the bank facilities rated by CARE Ratings and there is no amount outstanding as on date. This action has been taken at the request of SIL and basis 'No Dues Certificates (NDCs)' received from banks that have extended facilities rated by CARE Ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in scale of operations, as marked by total operating income (TOI) above ₹1,500 crore, while sustaining return on capital employed (ROCE) above 17%.
- Steady cash flows from operations (CFO) leading to further improvement in liquidity profile on a sustained basis.

Negative factors

- Decline in scale of operations, marked by TOI below ₹600 crore and/or profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin falling below 13% on a sustained basis.
- Major un-foreseen debt-funded capex undertaken, resulting in deterioration of capital structure, as marked by overall gearing above 0.50x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings' opinion that the company shall attain the envisaged growth in scale of operations in the medium term, while sustaining healthy profitability margins and comfortable financial risk profile.

Detailed description of key rating drivers

Key strengths

Experienced promoters with long track record of operations

The company has been operational since 1991. Its operations are managed by Jagdish Gupta (Managing Director), who has been associated with SIL since its inception. The company's board of directors have five independent directors, supported by a team of professionals, who handle the day-to-day operations of the company.

Stable scale of operations and healthy profitability margins

in FY24, the company reported largely stable scale of operations as marked by TOI of ₹914 crore (PY: ₹952 crore). Marginal moderation in TOI was largely considering impact of ocean freight costs. In 9MFY25, SIL achieved a TOI of ₹760 crore (PY: ₹674 crore), backed by growth in export sales. Export sales continue to contribute about two-thirds of TOI achieved in FY24 and 9MFY25. The company's profitability margins remained healthy and improved in FY24, largely due to decrease in cost of raw materials. In FY24, SIL reported PBILDT and PAT (profit after taxation) margin of 20.07% (PY: 16.26%) and 14.05% (PY: 10.08%) respectively. In 9MFY25 also, PBILDT margin stood healthy at 18.72% (PY: 20.29%). Going forward, CARE Ratings expects the PBILDT margin to remain in the range of ~19%-20%.

Comfortable financial risk profile

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

SIL's capital structure continues to remain comfortable, as reflected by negligible debt outstanding as on March 31, 2024. Going forward, the capital structure is expected to remain comfortable due to low reliance on working capital utilisation against strong tangible net worth. Debt coverage indicators also remain comfortable as reflected by PBILDT interest coverage of 73.47x in FY24 (PY: 18.91x). SIL continued to generate healthy cashflow from operations (CFO), which stood at ~₹111 crore in FY24 (PY: ₹76.40 crore), resulting in low reliance on working capital borrowings.

Key weaknesses

Risks associated with timely augmentation and product off-take of ongoing capex
The company is setting up its third laminates manufacturing plant in Panchkula (Haryana), adjacent to its existing plants. The construction is ongoing, and the new plant is expected to get operational from Q3FY26 (refers to October 01, 2025, to December 31, 2025). The total project cost is estimated at ~₹218 crore (which is ~35% of tangible net worth as on December 31, 2024), which shall be funded entirely from internal cash accruals. Till January 31, 2025, the company incurred project cost to the tune of ~₹112 crore, funded from its internal cash accrual and existing cash reserves available. The annual production capacity of the new plant shall be ~48 lakhs laminates sheets. The laminates sheets manufactured at new plant shall be of different sizes. Timely augmentation and product off-take of the ongoing capex would remain a key monitorable.

Elongated operating cycle
SIL's operating cycle continued to remain elongated at 122 days in FY24 (PY: 100 days). The company manufactures different types of laminates with over 1200 designs, textures, colours and finishes and accordingly, it has to maintain sufficient inventory of raw materials for smooth production process and finished goods to meet immediate demand of the customers, resulting in average inventory period of 84 days in FY24 (PY: 75 days). 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 57 days in FY24 (PY: 47 days). Moreover, raw materials are procured from the local markets through an established supplier base (and imports as well), who generally extend a credit period of ~1 month.

Fragmented nature of the industry
The domestic laminates industry is highly fragmented in nature, with majority sector comprising unorganised players. Competition from organised and unorganised players leads to pricing pressure for the players in the industry. In the export segment, however, demand has been buoyant considering shift from wood-based panel products to engineered panels such as MDF and particle board. India is one of the largest exporters of laminates globally. Players with established track record of delivering quality products in export markets, including SIL have been consistently able to register growth in turnover in the s despite the global slowdown.

Vulnerability to forex fluctuation
Approximately two-thirds of SIL's revenue is derived from exports, thus profitability margins are exposed to the risk of forex fluctuation. The company also imported ~60% of its raw material requirements, thus, providing natural hedge to certain extent. Further, Company has availed some portion of its working capital borrowings in foreign currency and entered forward contracts to hedge its forex exposure. However, complete exposure is not hedged making its profitability margins susceptible to adverse fluctuation in forex for unhedged portion. The company reported a forex loss of ₹0.10 crore in FY24 (PY: ₹3.05 crore).

Liquidity: Strong

SIL's liquidity profile continues to remain strong, as reflected by nil term debt obligations and low utilisation of working capital borrowings. Average utilisation of working capital borrowings stood low at ~10% for 12 months ended February 28, 2025. SIL is expected to generate gross cash accruals (GCA) of ~₹140 crore in FY25 and had free cash and bank balance of ~₹71 crore as on March 31, 2024.

Environment, social, and governance (ESG) risks

Environmental: The products manufactured by the company are ecologically friendly. SIL holds necessary certifications from National Sanitation Foundation (NSF) and International organization for standardization (ISO) 14001: 2015, which ensures that it adhere to stringent environmental management practices.
Social: In FY24, SIL spent Rs.1.82 crore on Corporate Social Responsibility (CSR) activities such as infrastructural development in government schools, healthcare support through ambulance services, and setting up old age homes and day care centres for senior citizens.
Governance: SIL's senior leadership comprises of five independent directors. The Board of directors, through its committees, oversee the ESG initiatives and performance. They are also responsible for ensuring that the company adheres to the statutory and regulatory compliances as applicable.

Applicable criteria

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

About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Plywood boards/ laminates

SIL was set up by late N.R. Aggarwal in 1991, and his sons, Jagdish Gupta and late Satish Gupta. It was listed on BSE in year 1995. and on NSE in year 2021. SIL is mainly engaged in manufacturing decorative laminates and allied products. It manufactures solid acrylic surfaces. SIL sells its products under brand name "STYLAM", majorly in overseas markets of Europe, the Middle and Far East, and North America.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA) *
Total operating income	952.13	914.08	759.81
PBILDT	154.81	183.49	142.25
PAT	95.95	128.40	92.86
Overall gearing (times)	0.13	0.00	0.04
Interest coverage (times)	18.91	73.47	35.65

A: Audited, UA: Unaudited, Note: these are latest available financial results.
*refers to April 01, 2024, to December 31, 2024.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.00	CARE A+; Stable
Fund-based - LT-Line Of Credit		-	-	-	0.50	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	31/07/2024	0.00	Withdrawn
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 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A+; Stable (12-Mar-24)	1)CARE A; Stable (06-Mar-23)	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)
2	Fund-based - LT-Working Capital Limits	LT	84.00	CARE A+; Stable	-	1)CARE A+; Stable (12-Mar-24)	1)CARE A; Stable (06-Mar-23)	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)
3	Fund-based - LT-Cash Credit	LT	6.00	CARE A+; Stable	-	1)CARE A+; Stable (12-Mar-24)	1)CARE A; Stable (06-Mar-23)	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)
4	Non-fund-based - ST-BG/LC	ST	5.10	CARE A1	-	1)CARE A1 (12-Mar-24)	1)CARE A2+ (06-Mar-23)	1)CARE A2+ (23-Mar-22) 2)CARE A2 (05-Apr-21)
5	Fund-based - LT-Line Of Credit	LT	-	-	-	1)Withdrawn (12-Mar-24)	1)CARE A; Stable (06-Mar-23)	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
6	Fund-based - LT-Line Of Credit	LT	0.50	CARE A+; Stable	-	1)CARE A+; Stable (12-Mar-24)	1)CARE A; Stable (06-Mar-23)	1)CARE A; Stable (23-Mar-22) 2)CARE A-; Positive (05-Apr-21)
7	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A1	-	1)CARE A1 (12-Mar-24)	1)CARE A2+ (06-Mar-23)	1)CARE A2+ (23-Mar-22)

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of 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 lender-wise details of bank facilities please click here

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

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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