



## “Stylam Limited Q1 FY-23 Earnings Conference Call”

**July 20, 2022**



**MANAGEMENT:** **MR. JAGDISH GUPTA – MD, STYLAM INDUSTRIES LIMITED**  
**MR. MANIT GUPTA – WHOLE-TIME DIRECTOR, STYLAM INDUSTRIES LIMITED**  
**MR. MANAV GUPTA – WHOLE-TIME DIRECTOR, STYLAM INDUSTRIES LIMITED**  
**MR. KISHAN NAGPAL – CFO, STYLAM INDUSTRIES LIMITED**

**MODERATOR:** **MR. ASHISH PODDAR – SYSTEMATIX INSTITUTIONAL EQUITIES**



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**Moderator:** Ladies and gentlemen good day and welcome to the Stylam Limited Q1 FY23 Earnings Conference Call hosted by Systematix Institutional Equities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Poddar from Systematix Institutional Equities. Thank you and over to you sir.

**Ashish Poddar:** Thanks Mellissa. Good afternoon, everyone. It gives us immense pleasure to host the senior management of Stylam Industries post the Q1 FY23 earnings. So, from the management we have Mr. Jagdish Gupta – Managing Director, Mr. Manit Gupta and Mr. Manav Gupta, Whole-Time Directors, and Mr. Kishan Nagpal – Chief Financial Officer. I request Mr. Jagdish Gupta to give an opening remark, post which we will start the Q&A session.

**Jagdish Gupta:** I am Jagdish Gupta, Managing Director of Stylam Industries. Along with me Manit Gupta and Manav Gupta, both directors and Mr. Kishan Nagpal – CFO.

I presume that every one of you would have gone through our numbers in detail. First of all, I would like to give the customary disclaimer that this call is to discuss company's historical numbers and future prospectus.

Let me still brief you all the key highlights in Q1. After delivering good record sale in Q1 '23, it gives me immense pleasure to share that we have achieved a new record sale of 235 crores revenue in a single quarter which is the highest till date. As the prices of raw material still getting little soft which helped the company to improve the margin and PAT.

Our EBITDA margin is improved to 15.03 as compared to 11.02 in the last quarter '22. Our net profit increased to 27.6 crores as compared to 19.03 in '22. Company has reached about 80% capacity utilization in laminate divisions only. We have started modular expansion in existing facilities to increase our capacity up to 30% to 40%. This is entirely total investment of approximately 40 crores. Still ocean freight and other prices are on little higher side but we are hopeful that it will maintain good margin in coming Q2 '23 despite this. As far as '23 is concerned we believe that shift from unorganized to organized will continue in our industry and we stand to benefit with that shift. We think that we will end up gaining more market share by increasing our footprints in domestic as well as export markets. Now I request moderator to take investors call. Ashish ji thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Pritesh Chheda from Lucky Investment Managers.

**Pritesh Chheda:** My question was, in this 235 crores sale, have we booked anything on the solid surface side of the business?



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**Jagdish Gupta:** Yes.

**Pritesh Chheda:** How much?

**Jagdish Gupta:** Not much. Maximum 3 to 4 crores.

**Pritesh Chheda:** Can you help us at 80% utilization what would be the laminate volume in the quarter? How much sheets you must have sold?

**Jagdish Gupta:** Actually, I told you, maybe many times we discussed about these things. Sheets we can give you the number of sheets, 27 lakh sheets. But it again depends on the thickness of the sheet also. Thickness is less sheets can be more. 27 lakhs approximately.

**Pritesh Chheda:** There is a substantial jump from 160-170 crores run rate that we were doing in the business to 230. If you could throw...

**Jagdish Gupta:** 235.

**Pritesh Chheda:** If you could throw some light on where this jump has come from?

**Jagdish Gupta:** This jump is from both domestic as well as export is concerned, both. If you go through export will be almost 169-170 and balance is 65 from domestic.

**Pritesh Chheda:** Lastly if you could give some color on the melamine and the phenol prices as a raw material for us, where they were in the Quarter 4 and how are they panning out for us on the pricing side?

**Jagdish Gupta:** Every raw material is going softened day by day. The system which we have like the softening is there it will more be effective on the coming month, maybe in this quarter or next quarter. As our booking is done in advance which we buy from import. We have to plan for two to three quarters. So, rather which old raw material is coming on old prices which we booked last month. It will come next month or next to next month. It will have more effect on the profit in coming month. I think you understand what I mean.

**Pritesh Chheda:** Yes. So, whatever 300-400 basis points which we have is behind in gross margin. We were doing about 50% value addition, we are doing less than 50 today or let's say we were doing slightly less than 50 earlier, 48% was there, now it is 42-43. So, whatever 3%-4% gap is there will it be covered in next quarters?

**Jagdish Gupta:** Yes, it will be covered in extent. Thinking positively yes, looks.

**Pritesh Chheda:** Last on the export side, how much we do the entire business on a CIF basis or FOB, how do we do it?



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- Jagdish Gupta:** It is now actually; we are doing on CIF basis but when the ocean freight increases, we are charging some different ocean freight. Difference of ocean freight that is also going to reduce whatever freight we have like 800 has become 8000 and it is now 6000. So, we are charging 6000 from the customer.
- Pritesh Chheda:** So, you do it on FOB or CIF?
- Jagdish Gupta:** It is mostly CIF but we are charging additional freight from them.
- Moderator:** We have a next question from the line of Pranav Mehta from Equirus Securities.
- Pranav Mehta:** I wanted to understand on the export business. Are we seeing higher premium sheets going into the export market because your realization has improved quite well on the quarter-on-quarter basis?
- Jagdish Gupta:** Yes, it has already started going more premium and we are looking after more premium markets. In coming month, coming quarter you will see the more different changes.
- Pranav Mehta:** So, premium markets I understand would be US and Europe, right?
- Jagdish Gupta:** No, it can be far east also. Every market has a premium. Even if you go for the middle east, even Gulf countries, there are few customers for premium also, not all. In the other country there are many people percentage wise more for premium but in small country also some are premium. We are getting that customer.
- Pranav Mehta:** How is as of now the demand holding up in the export market for you? Are you getting the same queries from the export market?
- Jagdish Gupta:** Now the volume is increasing that's why the sale is also increased.
- Pranav Mehta:** But in the export market because of the inflation the home prices and renovation has started getting impacted and because of that do you believe that there will be problem in export?
- Jagdish Gupta:** We have heard that whatever people we are seeing there.... like from India every product is increasing worldwide. Every industry there was a gap but now people have started more renovation which they haven't done in last 2.5 years. If you go through the figures, figures are too much increasing.
- Pranav Mehta:** How are we going to penetrate, have we added any dealers, distributors in 1Q or how is the penetration going there?
- Jagdish Gupta:** Manav Gupta will take this. He is looking after domestic.



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- Manav Gupta:** As we were working for the last year to penetrate in the market. And we have built up our distributor and dealer network almost all over India and our infrastructure has been all set. Now the work is going for the influencer division. Our teams are working with influencers and we are getting good penetration in the market. This quarter overall because of instability the overall the market was little jittery. But we as a company Stylam has done good in domestic market also and I see with the good penetration and the team is working hard it should go better and our products are doing well.
- Pranav Mehta:** As you highlighted in your opening remarks that you are seeing a shift from unorganized to organized in the domestic market. So, do you think that this will continue once the raw material cost starts going down or are the unorganized people expected to be aggressive in the market once the RM pressures start subsiding?
- Jagdish Gupta:** Sorry again please. Little bit noisy. I could not understand your real question.
- Pranav Mehta:** What I am saying is that in your opening remarks you mentioned about market share that unorganized is shifting in organized, will this continue going forward as well like if the raw material costs start coming down then unorganized will start aggregation again?
- Jagdish Gupta:** No, that is not a matter increase. When the prices were increased then we resolved it then only our EBITDA came down. When the prices will decrease then of course little bit we have to pass form but when there is a gap between previous and now so there will be no much percentage problem. In domestically we have our organized sector is increasing day by day.
- Moderator:** We have the next question from the line of Nikhil Gada from Abakkus Asset Management.
- Nikhil Gada:** My first question is regarding exports. According to you we have done really well in exports but how would other players as in the industry from India itself would have done? Have we actually been able to capture more market in this particular quarter?
- Jagdish Gupta:** We are getting the market. Now you can see the figures. I could not understand your real actual question.
- Nikhil Gada:** What I mean to say if we have grown at close to 70%-80%, the export industry in India is it also growing at same level or we have done better than industry in this quarter?
- Jagdish Gupta:** I don't know their figures but of course we increased that we know. Maybe our philosophy, strategy, quality, price are different. I cannot answer. They can answer very well. Our data will show.
- Nikhil Gada:** If you say region wise that where have we done well in this particular quarter.



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- Jagdish Gupta:** We have done well all round rather we are weak in some country where we're getting there also, we are getting strong. US side we are a little weak, other than that everywhere like Europe, we are increasing proportionately. Not some any particular market.
- Nikhil Gada:** Is there any backlog in this quarter of last quarter which we booked int his quarter in terms of revenue for exports?
- Jagdish Gupta:** No, why?
- Nikhil Gada:** Just asking them.
- Jagdish Gupta:** Not at all. The same things are going on also.
- Nikhil Gada:** Basically, then this sort of trajectory which we have achieved in exports it seems this is sustainable at least for the next quarter.
- Jagdish Gupta:** Yes, at least yes surely. If another wave 3 or 4 of Corona doesn't come then surely.
- Nikhil Gada:** Secondly on the domestic market, we have now achieved a base of 65-70 crores which we are achieving since last 3-4 quarters. I think our aim was to at least in the next 2 years we would achieve 350-400 crores, do you think this is possible that these numbers..?
- Jagdish Gupta:** Yes, it is still undervalued. It will be possible; it will be rather more. You know what used to happen earlier, we have to go for exports journey also, same journey domestically. Earlier we never had much interest. We are more focusing on exports, now we have after this new plant and then Corona came then the figure which we said definitely it will be achieved in maybe this or next quarter.
- Nikhil Gada:** Just two questions on the financials itself. First is the other expenses which we have, I think in this quarter it was nearly 50 crores. The run rate if we see then it was 35-40 crores earlier, so any specific expense was there in this quarter which is more?
- Kishan Nagpal:** Actually, its ocean freight is there in the other expenses, the ocean freight which goes if you see the ocean freight of last year also then it was very less in first 2-3 quarters and then it increased going forward.
- Jagdish Gupta:** That is only due to ocean freight.
- Nikhil Gada:** Basically, this number will be less in the coming quarters.
- Jagdish Gupta:** This is reducing day by day because it seems to be high as the sales and volume has increased.



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- Nikhil Gada:** Other than this we are pushing our products in domestic, is there any expenses related to that is there?
- Jagdish Gupta:** No, rather if they are pushed expenses will go down as much as sales are increased. Expenses will not go proportionately same; it will be reduced rather.
- Kishan Nagpal:** Because freight cost remains the same.
- Nikhil Gada:** Lastly is there any currency impact because we do so much extra.
- Jagdish Gupta:** It is not much but it will be there but won't be much because we are importing also almost 50%-55%. Yes of course. It will be beneficial.
- Moderator:** We have the next question from the line of Nikhil Agrawal from VT Capital.
- Nikhil Agrawal:** Could you highlight on the price hike you've taken during the quarter, in both the domestic market and the export markets?
- Manav Gupta:** Could you repeat again please?
- Nikhil Agrawal:** Could you highlight on the price hike you have taken in the domestic market and the export markets?
- Jagdish Gupta:** No. In exports we have hiked in fourth quarter, not in this quarter much because the prices are already stabilized worldwide of raw material. Same thing is domestically rather though it is the unorganized sector. They started reducing in domestic market due to this raw material, so our prices are same like third quarter.
- Nikhil Agrawal:** So, basically, it's the volume, it's the product mix that has led to the increase in the realization during the quarter.
- Jagdish Gupta:** Correct.
- Nikhil Agrawal:** Any revenue expectations from the acrylic business in FY23?
- Jagdish Gupta:** No. Acrylic business already we did everything. Nothing, it is small 1-2 crores. Second machine is under operational and acrylic sale definitely in this quarter will be increased a lot. We already made distributors, export is already started, quality is well-established in international as well as in domestic market. Then will be no any expenditure.
- Nikhil Agrawal:** I was asking the expected revenue from the acrylic business division in FY23.
- Jagdish Gupta:** In year or quarter? Do you want in quarter or this quarter maybe definitely more than 10 crores?



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- Nikhil Agrawal:** So, 10 crores in Q2 and FY23?
- Jagdish Gupta:** 23 it can be 100 also.
- Nikhil Agrawal:** Any revenue and margin guidance overall?
- Jagdish Gupta:** Overall in acrylic we cannot say anything, expenses are happening. Even then we are absorbing. As the volumes will increase there will be cut in the production cost also as well as procurement of raw material also.
- Nikhil Agrawal:** I am talking about overall, not only acrylic, laminates and acrylic.
- Jagdish Gupta:** Overall the spectrum will increase.
- Nikhil Agrawal:** Any specific number.
- Jagdish Gupta:** I don't know any specific number, in last quarter it was 11 and now it is 15 the sales will increase and the numbers will increase, you only are saying the raw material is going down. You can't speculate but definitely it looks better.
- Nikhil Agrawal:** In the last quarter you had said the revenue you're expecting value growth of around 30% in FY23, so do you still maintain that?
- Jagdish Gupta:** 13% sorry.
- Nikhil Agrawal:** 30% you said is the top line growth in FY23, so do you maintain that?
- Jagdish Gupta:** Definitely. It can be more.
- Nikhil Agrawal:** Just one last question, it's not an issue. The recessionary trends we are expecting in Europe and US, then are you expecting any demand impact? Because it is major market for you.
- Jagdish Gupta:** Our sales is increasing day by day. We don't feel.
- Moderator:** We have the next question from the line of Hrishikesh Bhagat from Kodak Mutual Fund.
- Hrishikesh Bhagat:** First question is domestic market related. I think clearly, we have done good job in terms of increasing presence. Just wanted to understand that on the domestic market have you recently done any price correction because of the input cost correction?
- Manav Gupta:** We have not decreased the prices as of now because organized companies have not decreased prices, only unorganized companies, little few unorganized companies have decreased prices. So, definitely now as our brand is getting stronger, we have no plans to decrease prices.





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- Hrishikesh Bhagat:** Just on the input cost side, how much correction has happened in the input cost, something like melamine or phenol for us compared to Q1?
- Jagdish Gupta:** As I told earlier the thing is that because we are importing and the effect is seen after 2 months or 3 months because the inventory is in pipeline, so definitely it should reflect in the next quarter hopefully.
- Hrishikesh Bhagat:** Just on the domestic side, the portfolio side, is there any specific size where we are fairly dominant, something like 0.8 mm, 1 mm or we are present across the segment?
- Manav Gupta:** We are very good and strong in specialized products like exterior laminates, bathroom cubicles and specially our acrylic solid surface it is a first plant in India to be manufactured by European technology. So, we are in the good products, architects' choice products we are quite strong and we hope that it will get better.
- Hrishikesh Bhagat:** Lastly on the capacity expansion where we're talking about, we are doing the investment of 40 crores odd where we are looking at 40 crores investments and probably looking at capacity expansion of also 40%. So, if this investment is done then is it fair to assume that we will be moving from 14 million sheets current capacity to probably 18-19 million sheets. Is it a fair assumption?
- Jagdish Gupta:** Listen I will tell you. This cannot be, everything is not to be considered as value, only quantity. I have told this earlier also if the sheet is same, like it is sold at 300 or 1200 or 1500 then we are going for more value addition items. This is the main purpose. Nothing happens on quantity if you make thinner sheets tomorrow totally then from this even you can achieve 20% more.
- Hrishikesh Bhagat:** So, if something like high quantity like you are talking about size then on that basis what will be like to like? We have 40 million sheets capacity right now which is based on assumption on some size, so compared to that where will this take us this investment of 40 crores?
- Jagdish Gupta:** I am getting your question but then I am not able to answer you. You are saying capacity but we are talking about revenue and we are doing calculation according to revenue base.
- Hrishikesh Bhagat:** That is also helpful. But how much will be that?
- Jagdish Gupta:** It can be anything. We want more. It has to be value addition sheets and not cheaper quality sheets. This should not be in quantity wise; this cannot go beyond 20-25. At value base it can be more than 40 also.
- Moderator:** We have the next question from the line of Kunal Bhatia from Dalal & Broacha.



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- Kunal Bhatia:** In regards to the new investment of 40 crores which we are doing, so what do you think how much of the incremental revenue will be given?
- Jagdish Gupta:** That is old one of 400-500 crores. That is only expected. Earlier we were thinking that we should go for an expansion, then commodity expansion becomes easy. Like we have a good brand name internationally and its gaining also day by day and India also its increasing then we want to go for more value addition things.
- Kunal Bhatia:** One business question, given a choice are you comfortable on growing the domestic business or you want the incremental business should come from overseas because....
- Jagdish Gupta:** Both. There cannot be all in one basket.
- Kunal Bhatia:** This is because of last 2-3 years due to COVID or other reasons or freight, the way business volatility is high in general businesses, what do you think about increasing the domestic business compared to the overseas business?
- Jagdish Gupta:** No. Even if you see the high ocean freight even then everybody started paying ocean freight then also India is more competitive. In USA, the people are paying 15,000 ocean freight. Still people are importing, not only laminates, other things also. It is a cycle in starting which is disturbing when easily everything will be absorbed. So, it will happen both way, we are interested proportionately that both should happen simultaneously.
- Kunal Bhatia:** The main countries we have as compared to the local players there, in general how much competitive we would be in pricing?
- Jagdish Gupta:** We are competitive everywhere.
- Kunal Bhatia:** How much would we be like 15%-20%-30% cheaper, how would that be?
- Jagdish Gupta:** We are very strong in export in Europe market. Many companies are strong in Europe then you can understand that he will be competitive everywhere.
- Kunal Bhatia:** But price differential as compared to others how much will we be on an average?
- Jagdish Gupta:** Who's versus?
- Kunal Bhatia:** Stylam versus other companies in Europe.
- Jagdish Gupta:** That I cannot say that what type of material they sell. I don't have any answer on that. Their EBITDA and profitability will tell you if you compare them with others. I cannot comment on others and I don't see their invoicing.



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- Kunal Bhatia:** The capacity utilization which we have is approximately it is 80% then can we move up till 100% or because of the different kind of sheets which we manufacture or some are high-quality this would be sort of a full utilization level?
- Jagdish Gupta:** It is like full utilization always goes beyond 80 or 100, how can it be 110-115. People will ask how should it go beyond 110. We wish that we should run at 20-30 days a month then capacity, capability, how we can reduction in cycle times that we will see later. That is not an issue. We are quite hopeful that it will increase percentage wise more. Some people had asked in fourth quarter, they asked can that be achieved, I said I don't know, I feel it can be achieved. Same thing the question that you are asking so I feel everything can be achieved. After 3 months we will discuss again on these things.
- Moderator:** We have the next question from the line of Ankur Kumar from Alpha Capital.
- Ankur Kumar:** I just wanted to probe a little bit on the export side, where we had export shares in the last 3 quarters were stuck at Rs. 105-110-115 crores. In this quarter we have made quite a big jump from there. Can you please throw some light what had happened and what are we expecting going ahead?
- Jagdish Gupta:** Have we done well, or no?
- Ankur Kumar:** We have done quite well, that's what I am asking...?
- Jagdish Gupta:** Please have the expectation to do well. You are asking why this happened, you should be happy about it, that this happened. I can say that we are maintaining that right now also. You please see this your company, yours, ours, everybody's company whose recognition is all over the world, India is not accepting us. You can see our slogan is quality, European quality on Indian price. Still, they are not buying from us that means it is unfortunate for us. I will say that hopefully if anything doesn't go wrong worldwide, it will increase definitely more.
- Ankur Kumar:** This is quite good. We have stuck in domestic 65 odd.
- Jagdish Gupta:** We are trying to push that, we will try to get a good muhurta from God, we will do some puja and all that what is the matter that if European are liking us then what problem Indians are having with us. We are thinking about it, trying to figure out the formulae.
- Moderator:** We have the next question from the line of Pritesh Chheda from Lucky Investment Managers.
- Pritesh Chheda:** Rs. 233 crores have come in the quarter, should we multiply by 4 to believe that you will achieve that kind of revenues for the current year?
- Jagdish Gupta:** Why cannot be more than this?



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- Pritesh Chheda:** Why it cannot be because the way you have performed over years, Quarter 1 can say still annualized so I am multiplying Quarter 1?
- Jagdish Gupta:** First of all, if you will see, our every quarter; first quarter is always lesser than four quarters.
- Pritesh Chheda:** There is no major difference since many years?
- Jagdish Gupta:** Yes. Hopefully yes.
- Pritesh Chheda:** Last year how much was our surface business and how much will be in this year?
- Jagdish Gupta:** Not even Rs. 2 crores had happened last year I suppose 2-3-4-5. This year as I already mentioned we are expecting up to 100 also.
- Pritesh Chheda:** And what will up 100, for that you have to have something with you in terms of confirmed orders or something?
- Jagdish Gupta:** That is already done. In domestic market total distributors C&F, stock for the last 1 month rather you can say from the July onward is acrylic is available on four branches already you can go to Delhi-Calcutta-Bangalore. You can go anywhere. You can find maybe Granex is available in the month. In the beginning, after that we get the jump immediately which we are quite hopeful.
- Pritesh Chheda:** The second machine in acrylic, when will that come?
- Jagdish Gupta:** Very nice. That has already been installed, that's why we are expecting more. That machine's part due to COVID machine is already display, not display, it is placed on the floor, waiting 99%, it will be operational within 2 months.
- Pritesh Chheda:** Our first machine is not fully operational then why is the requirement for second machine?
- Jagdish Gupta:** That we had already made. By chance COVID occurred. We know the market. India is importing more than Rs. 800 crores firstly. Market is growing every day. Korea is small country exporting worldwide. There are more than 100 machines like this.
- Pritesh Chheda:** So, why don't you do white labelling?
- Jagdish Gupta:** In exports, OEM?
- Pritesh Chheda:** No, I mean if Rs. 800 crores raw material you are getting imported in some brand so doing the white labelling of that raw material, can't we sell them?
- Jagdish Gupta:** Why won't we want that when we have our own brand Granex. If we will do OEM, we will do in export, why not in domestic market? That is to be understood. Then India's Modi ji's slogan



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of Make in India is finished if this happens. We will run them away from here too. Why not we import when our quality is same, we will make them do that work rather than we do our OEM locally. We will do OEM in export as Korea does.

**Pritesh Chheda:** Lastly the margin numbers, you have only 1 year where margin is 20% that is FY21. Otherwise, you had a 17% margin.

**Jagdish Gupta:** No, you please consider this, everybody knows that. World has fallen apart from these many years. We are talking about his year; we were still comfortable. Corona had badly affected. How much total salary we paid; we didn't leave anyone still you see now the margin is increasing day by day.

**Pritesh Chheda:** So, the question is should we assume that 20% margin will hit back once you?

**Jagdish Gupta:** Yes.

**Pritesh Chheda:** Or your business is 17%-18%?

**Jagdish Gupta:** No, why do you think like that? Previously it had come, why it will not come now? As the sale will increase, expenses will decrease, raw material price, total proportionate, electricity, coal, anything will be needed proportionately automatically, down will come. Financial cost is getting down day by day still we may get debt free this year. That will also get over. So, all these things will increase revenue automatically.

**Pritesh Chheda:** Your expenses, you will have a same expense number for 30%-40% higher top line. Any employee cost, freight?

**Jagdish Gupta:** It will increase a little, not much increase.

**Pritesh Chheda:** Not much increase, right?

**Jagdish Gupta:** That happens, it doesn't get increase proportionately. If we have your good wishes then it may increase.

**Pritesh Chheda:** Our good wishes are always with you.

**Jagdish Gupta:** Then the good figures will come, we will come out first class, whatever you have calculated, hope so it should be better than this.

**Moderator:** We have the next question from the line of from Rajesh Kumar Ravi from HDFC Securities.

**Rajesh Kumar Ravi:** I have a few questions. First, you mentioned that the surface business revenue you're targeting Rs. 100 crores for this financial year. Is that understanding right?



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**Jagdish Gupta:** Yes. Up to 100 in this financial year three quarters, 8 months are still there.

**Rajesh Kumar Ravi:** What would be your stable quarterly run rate, maybe by third or fourth quarter you're looking at?

**Jagdish Gupta:** Correct. It happens the way I told you, domestic market has opened up now for us where four distributors already, not distributors C&F. If you can check the availability of Granex is there in the Stylam brand. Secondly in export market there was no travelling, there were no quality samples earlier then people started coming. We have confirmed orders. We can give this in writing. We are exporting to USA solid surface already starting. Now they have started giving blank orders, now open order, open. We are quite hopeful that we will take 1-2-3 months more, when there is a jump, when there is a market is there, machine's capacity is there, quality is established, price is moderate or competitive. Then why we cannot achieve then.

**Rajesh Kumar Ravi:** What is the, in subsequent years any top line number you have in mind for this business?

**Jagdish Gupta:** You know what top line, more the figures are conservative, that will be better. Top line so we have made our capacity of Rs. 400-500 crores. When is that achieved?

**Rajesh Kumar Ravi:** Yes, for the surface business you are saying?

**Jagdish Gupta:** Yes, surface business?

**Rajesh Kumar Ravi:** Potential is Rs. 400-500 crores.

**Jagdish Gupta:** They had asked me, why you put a new machine when firstly. To install second machine, it will take another 1.5 months. That we know that it will be fulfilled very soon, capacity. We think till that time, opportunity in the market will go away.

**Rajesh Kumar Ravi:** How is the margin profile for Rs. 100 crores top line for this business and for a Rs. 400 crores top line?

**Jagdish Gupta:** See, what is in there, I can't say anything about margin, the reason is, as the volume will increase, raw material substitutes are getting from India. They were importing, we got India's Hindalco. So, by getting substitute, as volume increases, automatic machines, not much labor is involved, so there is a margin. Like in lamination they used to question before, all things we have achieved. Same thing will be there.

**Rajesh Kumar Ravi:** So, you're expecting 15% to 20% EBITDA this year.

**Jagdish Gupta:** You have understood correctly. That's absolutely right.



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- Rajesh Kumar Ravi:** Another question is on the laminate margins. I see your contribution margin FY20, you had 46% contribution margin in FY22 and in 1Q 43% you had contribution margin. You're looking at EBITDA margin improving to from 15% to 20%. So, do you expect this to be driven by a contribution margin reaching up 47%-48% sort of number? From where are you seeing EBITDA margin expansion?
- Jagdish Gupta:** That will come. As the prices have increased, I have told this previously too, till now we are not getting affected by that decrease. All over raw material is from the old prices. What all is coming, EBITDA has increased, that has increased due to revenue generation, sales have increased, by reducing the costs. Are you getting me?
- Rajesh Kumar Ravi:** Yes. So, what you are saying the benefit of the lower raw materials is still to flow in your contribution margin?
- Jagdish Gupta:** Absolutely correct and as the revenue will increase, sale will increase.
- Rajesh Kumar Ravi:** Operating leverage will be there.
- Jagdish Gupta:** That all we have done. This will increase the EBITDA margins.
- Rajesh Kumar Ravi:** And in laminates what is your revenue guidance you are looking at for FY23?
- Jagdish Gupta:** Total turnover?
- Rajesh Kumar Ravi:** Turnover for FY23, you are looking at?
- Jagdish Gupta:** Now you understand this, how much we have done so this if its noted incrementally but even if we don't do, if we maintain this then you can multiply plus acrylic you can understand.
- Rajesh Kumar Ravi:** So, around Rs. 1,000 crores top line can be there, this is what you are implying on a conservative number?
- Jagdish Gupta:** Yes.
- Rajesh Kumar Ravi:** That is where almost a Rs. 1,000 crores versus Rs. 660 crores, you're looking at (+50%) top line increase this year?
- Jagdish Gupta:** Your figures are more than me because...
- Rajesh Kumar Ravi:** No, just on the conservative side you're targeting given that Q1 is a low base number?
- Jagdish Gupta:** I can't answer much in this but you are right. Whatever calculation you are doing is correct.



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- Moderator:** We have the next question from the line of Rishabh Bothra from Anand Rathi.
- Rishabh Bothra:** Basically, wanted to understand since there is a large opportunity in India, how are we different from the existing players in laminate business and since global markets also you are penetrated well but what's the industry size of global markets in laminates and how soon can we double or triple our capacity, I mean the revenue base?
- Jagdish Gupta:** I didn't understand exactly. As you had asked earlier also, domestic market is bigger market. Yes, am I right?
- Rishabh Bothra:** Correct. What I am trying to understand is Greenply, Greenpanel, Greenlam, Century, how are our products differentiated from them? They have penetrated so well in the domestic market; we have not been able to do in those markets?
- Jagdish Gupta:** We are not able to do. First of all, we didn't take any interest. If you go for other man, competitor without I am not taking names, we are a young company, we are a First-Generation Entrepreneur. We have received award from Haryana government, we have clicked a photo. First Generation Entrepreneur. Those who are competitor so some have 60 years of history, their father, grandfather generations have worked, we have done ourselves. We are first generation. I am sitting, two young men are sitting with me. So, what we had time, if we are reaching to 1000 in this generation that itself is a big achievement.
- Rishabh Bothra:** Right, it's an achievement, no doubt about it.
- Jagdish Gupta:** This is happening, we did not concentrate much in domestic before. But you see this good thing if a company is having international recognition this is better, we will get in India it and we are getting it.
- Rishabh Bothra:** But there is no differentiation in the product or there is some differentiation?
- Jagdish Gupta:** Even if there is differentiation, in exports then there is more differentiation, we are not exporting in Gulf. We are exporting in Europe. If it is differentiated, then European would not purchase.
- Rishabh Bothra:** Correct. Because what I sense the other players are not so keen in export market as such. They don't have so much exports.
- Jagdish Gupta:** How you can say that? How can you say they are not keen? Should I say that they don't get the market? We can say that. It is the strategy of every company, you can say.
- Rishabh Bothra:** Globally in industry side if you can tell what is the size and where do we stand?
- Jagdish Gupta:** Last year we did Rs. 2,500 crores. I cannot say anything about this year right now how much would be?





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**Rishabh Bothra:** This is you are saying of global industry size?

**Jagdish Gupta:** Global, from India or total global?

**Rishabh Bothra:** Total global?

**Jagdish Gupta:** We haven't taken the data any time before.

**Rishabh Bothra:** What would be our market share in international players?

**Jagdish Gupta:** Share will be very less but value wise I know that last year it was 2,400 to 2,500. From India export to globally, laminates.

**Rishabh Bothra:** As far as my basic understanding is there, usually laminates are put over surface of ply. It is used in MDF or how is it? What's the growth strategy for laminates? Where it can be used?

**Jagdish Gupta:** Not only laminates. In laminates compact laminates also come, exterior grade is there, cubicles are there. Now a days different types, anti-finger, high gloss is there. Different products are included in this.

**Rishabh Bothra:** These are basically not in laminates only but are high margin, high value product category. Is that correct?

**Jagdish Gupta:** We are not the only ones in ply, that's why in unorganized India there are 300 factories. All of them are making laminates only. In villages, in towns they are selling there.

**Rishabh Bothra:** Two more questions from my side. Firstly, you said that unorganized market is very large. So, there is unorganized opportunity as well, inorganic growth like some acquisition, either in manufacturing?

**Jagdish Gupta:** Can you please repeat?

**Rishabh Bothra:** You said that there are many unorganized players so is there an inorganic growth opportunity either in terms of acquiring manufacturing facilities or some brands?

**Jagdish Gupta:** Brands are like as government has put GST, organized are getting less comparatively because not much taxes. I will rather say if everybody pays correct taxes so unorganized will not be there.

**Rishabh Bothra:** But the old brands like Kitply or Uniply which in today's date are almost on negligible sales; do they have brand value or there is no benefit in acquiring them? Are we also entering into other?

**Jagdish Gupta:** I don't know as we didn't ask anybody. We know only about our brand.



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- Rishabh Bothra:** Our brand is there definitely. But if we want to go into other segments, like if we want to go in ply?
- Jagdish Gupta:** We don't need to go into ply because if we want to go in ply, we were going but we put on hold. Because there are many other opportunities better way. So, we will expand in our own brand, Stylam. Why will we sell under any other brand?
- Rishabh Bothra:** What direction will you give in MDF and particle board, how will it?
- Jagdish Gupta:** We are not thinking on that front. We have more opportunity. Like we are taking the saturation, next year then we will go for another product.
- Rishabh Bothra:** Near about, in near future any fund-raising program are you planning?
- Jagdish Gupta:** No, no funds and all. If this much EBITDA keep on coming so we will distribute it with you and partners.
- Moderator:** We will move to the next question from the line of Mihir Dhani from Lucky Securities.
- Mihir Dhani:** The 40% capacity increase which you are going to do, how much time it will take to come on stream, in how much time will it come?
- Jagdish Gupta:** Within this financial year. It will come by end of this financial year.
- Mihir Dhani:** And in current plant, how much can we expand the capacity?
- Jagdish Gupta:** That already I told combining the two lines, we can go up to Rs. 1,500 crores from this total operation.
- Mihir Dhani:** If we have done Greenfield CAPEX, I mean in Greenfield CAPEX, how much CAPEX plants can be occupied?
- Jagdish Gupta:** Please repeat, Greenfield what?
- Mihir Dhani:** If you put capacity in new plant then how much is the asset turn, how much revenue can be made, in how much investment?
- Jagdish Gupta:** New plants for laminates?
- Mihir Dhani:** Yes.



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- Jagdish Gupta:** That will depend on how big is the size, how much pressure you have, which quality you want. Like 80% of machines are imported machine if you put Indian. That cannot be explained right now how much would be there. The plant can be built in Rs. 50 crores and also Rs. 500 crores.
- Mihir Dhami:** Where are you all dominant in India? I mean in what places do you supply in India? Where is your distribution network strong?
- Manav Gupta:** Distribution network, in South we are good strong, basically if you see the Indian domestic market, it is dominated by South, second is West followed by North and East. So, we are following the same trend. We are quite fast, quite strong in South and second North and then West and East.
- Mihir Dhami:** How do we rank in the Indian market, price wise and revenue wise as well?
- Management:** Right now, it is very hard to say because in Indian market, there are only few organized players who are doing genuine full billing system work. So, the thing is overall I think we are in right now Top 10 but looking forward we will be a major challenger.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question and we will now close the question queue. I would like to hand the floor back to Mr. Ashish Poddar for closing comments. Please go ahead.
- Ashish Poddar:** Thank you everyone for joining us today. Thank you, the management of Stylam to giving answers to all the questions. I wish all of you a very good day. Thank you so much.
- Jagdish Gupta:** Thank you.
- Moderator:** Thank you gentlemen. Ladies and gentlemen on behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.