



“Stylam Industries Q4 FY22 Results Conference Call”

May 11, 2022



MANAGEMENT: **MR. JAGDISH GUPTA – CHAIRMAN AND MANAGING
DIRECTOR, STYLAM INDUSTRIES LIMITED**
**MR. KISHAN NAGPAL – CHIEF FINANCIAL OFFICER,
STYLAM INDUSTRIES LIMITED**

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



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Moderator: Ladies and gentleman, good day and welcome to the 4Q FY22 Results conference call of Stylam Industries 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 call, 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.

Ashish Poddar: Thank you Rutuja, good afternoon, everyone. I am Ashish Poddar from Systematix Group. I welcome you all for joining today, it is our pleasure to host the senior management of Stylam Industries. From the management side, we have Sri Jagdish Gupta- Chairman and Managing Director and Sri Kishan Nagpal - Chief Financial Officer.

I request Mr. Jagdish to give opening remarks on the quarter and full year performance, post which we shall open the floor for Question-and-answer session, over to you sir. Sir you can start with a brief remark on your quarter and full year performance, few lines on that and then we can start the Q&A.

Sri Jagdish Gupta: On this 4th quarter we already achieved a turnover of Rs. 180 crore and total turnover for the year is Rs. 659 crore as compared to Rs. 479 crore in financial year 2021. We have achieved a topline growth of 37% which is very challenging in this bad environment of Pandemic. We have achieved an EBITDA of Rs. 20 crore in 4th quarter with the total EBITDA of Rs. 104 crore in Financial year 2021 against EBITDA of Rs. 99 crore in financial year 2021.

There has been a drastic increase in raw material prices and ocean freight in financial year 2021-22 which could not fully pass to the customer and which has put the pressure on the margin of our company. Although we have been able to achieve EBITDA of Rs. 104 crore in Financial year against EBITDA of Rs. 99 crore of last year. During the third quarter, the prices of raw material was on peak and material purchases in 3rd quarter was consumer in 4th quarter, which has dropped the margin of EBITDA in 4th quarter. The prices of raw material start going soft now in 4th quarter. And material purchase in 4th quarter will definitely contribute to the better margins in the forthcoming quarters of 2022/23.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: I have a question on the demand side, with now prices rising across everything, do you expect any slowdown in terms of your products in the export market or are we still seeing good demand in traction?

Sri Jagdish Gupta: No, now export market is growing, it is growing from last month. Export market is growing, there is no slowdown anywhere in export market.



- Yogansh Jeswani:** And in domestic sir?
- Sri Jagdish Gupta:** Domestic also we are growing, our sales are increasing in domestic also.
- Yogansh Jeswani:** Okay and sir in terms of realization, I think year on year between quarter 4 this year and quarter 4 last year, the volume growth is 15%, right?
- Sri Jagdish Gupta:** Right.
- Yogansh Jeswani:** And realizations in terms of sales we are up 5%, so is this drop because of the product mix change or is there something else to it? I am saying the volume growth year on year, between quarter 4 last year and quarter 4 this year is 15%, while our topline has grown in value terms by 5% odd, so is this drop because of any change in product mix or is there something else to it?
- Sri Kishan Nagpal:** Sir there is a decline in our margins because of increase in the price of raw material cost.
- Yogansh Jeswani:** No, sir I am not talking about margin, if our volume growth is 15%, while in our value levels there is 5% only in quarter 4, so has there been a change in the product mix?
- Sri Kishan Nagpal:** No, in quarter 4 there has been an increase in sales rather. I think there is some misunderstanding. If you go for quarter 4, total sale is Rs. 180 crore in quarter 4 and in last quarter it was Rs. 170 crore, it is a growth of 5%.
- Yogansh Jeswani:** And volume growth is 15%, right sir?
- Sri Kishan Nagpal:** What do you mean by volume growth?
- Yogansh Jeswani:** Between March 2021 and March 2022, the volume growth is 15%.
- Sri Kishan Nagpal:** No, I could not really understand you.
- Ashish Poddar:** Mr. Jagdish, what he is asking here is, our per sheet realization/price, has it decreased in comparison to previous year's Q4 to this year, average realization?
- Sri Kishan Nagpal:** No. Average realization. It is due to product mix.
- Ashish Poddar:** Yes, due to product mix, this is what he was trying to understand.
- Sri Kishan Nagpal:** It is sometimes the quantity versus value.
- Yogansh Jeswani:** So, sir going forward what do you think, how are these things going to move back, this product mix just keeps on changing every quarter or how does it work out?
- Sri Kishan Nagpal:** Definitely there is change in every quarter.



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- Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.
- Sanjay Shah:** Sir I wanted to understand, we had suffered a loss, as our margins have declined because of inventory, rise in raw material cost and all, so going ahead from hereon from the start of this year, how is the inventory position and our channel checks show us that raw material issues are also quite extensive in the supply side, so are we facing any difficulties in procurement of raw material and in which raw material are we seeing problems?
- Sri Jagdish Gupta:** No, we are not seeing any problems in raw material procurement, raw material is available, now it is going little bit reducing start already from the last quarter. Even ocean freight has also started reducing little but there is availability of raw material containers, no shortage at all.
- Sanjay Shah:** And we have taken the price rise.
- Sri Jagdish Gupta:** Price rise is still underway; prices have started going down little bit, in the 4th quarter.
- Sanjay Shah:** In such we do not have any supply constraints, right?
- Sri Jagdish Gupta:** No, not at all.
- Sanjay Shah:** So, the projected run rate that was around Rs. 70-80 crore per month, will we be able to achieve it, will it happen this year?
- Sri Jagdish Gupta:** Yes, it is happening.
- Sanjay Shah:** And how is our solid acrylic thing going on sir?
- Sri Jagdish Gupta:** It is going well; it has also started picking up.
- Sanjay Shah:** Can you highlight some points on domestic market growth, what we are doing on that side?
- Sri Jagdish Gupta:** No, we are already open, we have open many RDC, total set up, and even last month our sale has increased from the last quarter already.
- Sanjay Shah:** Sale has increased means by how many percentages, what can we expect in this year?
- Sri Jagdish Gupta:** There is around 15% - 20% increase in domestic, exports have not.
- Sanjay Shah:** And in exports geography wise, are we planning entry into any new geography like Europe?
- Sri Jagdish Gupta:** Yes, today we have an exhibition in South America. Today it is going on, we are participating from India as the first company to participate there.



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Sanjay Shah: Is it hopeful to happen over there?

Sri Jagdish Gupta: Yes, there the market is a very big market, we are already exporting small quantity there.

Sanjay Shah: And sir this year will go good know, it should be better then the last year, which went volatile.

Sri Jagdish Gupta: Hopefully and definitely, yes.

Moderator: Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Hi Sir. Would you please suggest, what has been the price increase second like to like across your various products, I mean in the laminates over last one year and in the March quarter v/s December quarter?

Sri Jagdish Gupta: Sorry, can you come back again? What to you mean by the price increase on ...?

Rajesh Ravi: Sir, how much has your laminate price increased in the last one year? And how much have you increased your laminates price comparatively from December quarter to March quarter?

Sri Jagdish Gupta: See, if the prices would have increased that much, then there should not have been any problem on our EBITDA, it is this only year on year ...

Rajesh Ravi: How much has it increased now?

Sri Jagdish Gupta: It has not increased that much, in domestic 10%, in some countries it is 3%, in some countries it is 4%, it is different in every country ..

Rajesh Ravi: How much increase have you taken in domestic, sir?

Sri Jagdish Gupta: It is still going on, it is not fixed, there is no fixed figure in this. Some customer asks for 2% or 5% in some country, in some countries it is 2%, in some countries 4%, it is still going on.

Rajesh Ravi: How much has it increased in the domestic market, sir?

Sri Jagdish Gupta: Some says will increase in June, some says will increase from July, from the next quarter, so the increase is still going on.

Rajesh Ravi: Sir I am not talking about the present one, how much were you able to increase the price in the past one year in the domestic market?

Sri Jagdish Gupta: As I told you know, its complete figure is the increase of about 10% - 15%, it is not the complete figure, that also depends on product to product. In the high value product, the increase is not



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much, in the low value product the price has increased more like in Liner, Grades the price increases more. It has again started dropping now due to drop in the raw material prices.

Rajesh Ravi: And secondly, what is the contribution margin difference in your export v/s domestic sales?

Sri Jagdish Gupta: That is also 10% - 15%, the exports.

Rajesh Ravi: No, the difference.

Sri Jagdish Gupta: Yes.

Rajesh Ravi: Means, which is higher; domestic sales margin is higher or export sales margin is higher?

Sri Jagdish Gupta: In exports, the margins are not much expenses. In domestic, there are so many things, in export there is no much expenses.

Rajesh Ravi: Okay, if I understand, you are selling only your own brands in the export market also.

Sri Jagdish Gupta: No, up to 60% - 70%.

Rajesh Ravi: 60% - 70% is what?

Sri Jagdish Gupta: Own brand name; Stylam.

Rajesh Ravi: Okay, in the export market, right?

Sri Jagdish Gupta: Yes correct.

Rajesh Ravi: So, in that your distribution also must be there, know?

Sri Jagdish Gupta: No, we have no expenses at all, we have not opened any offices outside.

Rajesh Ravi: Okay, still you all are able to do the positioning with your name, full sort of your export savings.

Sri Jagdish Gupta: We have put the name of our distributors; UK, Netherlands, Russia, we have already put the name of our distributors.

Rajesh Ravi: And sir, what is your growth plan now?

Sri Jagdish Gupta: Growth plan you see, last year also it was running well, leaving EBITDA aside. This year also hopefully the growth plan will come good only.

Rajesh Ravi: Laminate has been done for this year know?



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Sri Jagdish Gupta: Could you please repeat?

Rajesh Ravi: You have increased the capacity in the laminates now, know.

Sri Jagdish Gupta: We have not increased the capacity in the laminates, it is the same capacity but we are not running on full capacity.

Rajesh Ravi: Okay.

Sri Jagdish Gupta: We had increased it during COVID-19 times.

Rajesh Ravi: And sir, you all write that you are increasing the lamination capacity of Pre-laminate in MDF laminate, what exactly is that?

Sri Jagdish Gupta: That is Pre-Laminated Hot coating; that is Anti-finger MDF and high gloss MDF.

Rajesh Ravi: Is it an MDF plant you are setting up, or what?

Sri Jagdish Gupta: No, we never said that, we are not in MDF plant.

Rajesh Ravi: Right, only you are giving lamination.

Sri Jagdish Gupta: MDF we are importing.

Rajesh Ravi: Okay, got it.

Moderator: Thank you. The next question is from the line of Amanjit Singh from Oculus Capital. Please go ahead.

Amanjit Singh: Good afternoon, sir. My first question is; what do you think will be the revenue for this year? Like you delivered 37% last year and now you can do up to Rs. 650 crore, so do you feel that you will be able to do up to Rs. 950 crore, in the coming year?

Sri Jagdish Gupta: Hopefully what you say, we wish and hopeful for that.

Amanjit Singh: But sir, as per your visibility, what do you think as to what range? Even if you will be able to give the range, that will be helpful.

Sri Jagdish Gupta: I am thinking of that range, I am quite hopeful we can achieve it and we should achieve it. Start is going good already, our sale is increasing domestically as well as in exports, so quite hopeful.

Amanjit Singh: Sir, previously our margins used to be 17%, 18%, last year our EBTDA margin was 20%, so now it is already 11%, so what do you feel that in the coming quarter or in the coming year, how much can your EBITDA margin be?



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Sri Jagdish Gupta: Definitely, I am quite hopeful we will recover that. You see worldwide, there are so many big problems, at least if you see our overall, we have a growth of top line increase so much. Otherwise, everywhere in the world, the raw material prices, ocean freights, different problems. The infrastructure that we made ...

Amanjit Singh: Still, will you be able to give a range over here, sir? Like being on 17%, you say that 20% is possible, how much do you think the recovery is possible?

Sri Jagdish Gupta: It is possible, whatever you are saying, everything is possible.

Amanjit Singh: Sir still rough idea, 17%?

Sri Jagdish Gupta: Hopefully yes, surely.

Amanjit Singh: Okay, and sir I think so I missed that, someone has asked that how much have you increased your per sheet realization in the last year only?

Sri Jagdish Gupta: I have said this earlier; you might have heard when someone had asked. In this demand and supply gap that is there, when the raw material prices increase it does not increase much immediately in the lamination. When it decreases, it does not decrease also. This is just one by chance, in my total life in laminates of 30 years career, I have never seen such a huge price increase that has happen suddenly in one year's time. This is a cycle, in this cycle...

Amanjit Singh: You have already taken the price increase, sir.

Sri Jagdish Gupta: We have taken, but not that much. In spite of gap figure, I am happy that we achieved this EBITDA margin, total gross, not quarter wise. In the third quarter the raw material prices were so high, so its effect went immediately in the fourth quarter. Now those prices have started decreasing, 5%, 10%, now we will get its effect in the coming quarters.

Amanjit Singh: Sir but you will not reduce the laminate rates, know?

Sri Jagdish Gupta: Rates do not reduce know. How it has increased, it will not decrease so fast at all. We have not increased only, so how will we decrease? We are still telling people; 'please increase our prices', there is no sense in decreasing.

Amanjit Singh: Okay, one more thing that you said that your export mix is nearly 60%:40%. I think your export is 40%, right?

Sri Jagdish Gupta: No, exports is 60%, 65%.

Amanjit Singh: Okay, sorry, so it is the other way. You were going to increase your domestic, you had set up a complete team.



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- Sri Jagdish Gupta:** It is increasing now also. It is like that the gap will, when we increase for domestic, it increases for the exports also initially. Still, it is the same, for domestic this year we are quite hopeful it will increase 5% - 10% v/s exports.
- Amanjit Singh:** Are you expecting the domestic's growth faster than exports, sir?
- Sri Jagdish Gupta:** Sorry.
- Amanjit Singh:** Are you focusing more on domestic this year?
- Sri Jagdish Gupta:** It is hopeful. In exports our brand name is running on know, we are hoping in domestic and exports as well, which we got in new markets. Today there is an exhibition in South America, Columbia, we are participating there, 24 hours flight is over there. We are the first only company who is participating. In exports also, we are seeing the growth wherever there is a complete possibility, in India anyways we are doing.
- Moderator:** Thank you. The next question is from the line of Nikhil Gada from Abakkus Asset Management. Please go ahead.
- Nikhil Gada:** Hi Sr, thanks for the opportunity. My first question is, the scale up that we have seen in the domestic in the last three quarters, so from here what is your expectation on where do you see this business in one year, 2023-2024?
- Sri Jagdish Gupta:** I am quite hopeful that there should be a 50% - 100% increase because in domestic there is still a very big gap. Our product acceptability is there, previously we had a constant supply, now after the new plant we do not have any of that. So, we are quite hopeful, it will increase definitely 50% – 100% this year.
- Nikhil Gada:** That means you are saying that this Rs. 240 crore will go up to Rs. 400 crore.
- Sri Jagdish Gupta:** It can happen definitely.
- Nikhil Gada:** And sir from which angle are you predicting this growth because generally the demand is increasing by 10% - 12%, that is correct. So, ideally ...
- Sri Jagdish Gupta:** No but we have the gap know, in 25 years our brand name has been built up know. Our prices were low because we had no much supply, now we have supply. If our brand had a bad name then there would have been a problem, our brand name is acceptable in the market know. That is what is there, if you see that we have 34% and 66% for sale. If you see in the previous year, from last year our increase is still the same.
- Sri Kishan Nagpal:** It is 66%.in domestic sales.



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- Sri Jagdish Gupta:** In domestic sales only, as compared to 2021, there's an increase of 66% in the domestic sales percentagewise, so it will increase now also, we are quite hopeful.
- Nikhil Gada:** And the trajectory that is there in the first quarter, we are still seeing that it is correct.
- Sri Jagdish Gupta:** Yes.
- Nikhil Gada:** Understood sir. Sir the other question is, you told a previous participant that the growth in our Acrylic Panel business is 15% - 20% from the last quarter but our understanding is that at the moment its base is very less. So, if we see this according to FY 2023-2024, especially as your new line is also coming, so how do you see this business from that context?
- Sri Jagdish Gupta:** From 1st April 2022, we have formed a very big team of Acrylic. We have already made four C&F in India basis; stock has already been transferred in last one week. Our head is also from the same line, he is from a different brand name, a multinational company from twelve years, he has already joined us from 1st April 2022. On 3rd of month Acrylic's Platinum shield is also getting installed., we order it one and a half year back. It is already in the factory, going to get installed from this 16th, so we are quite hopeful this year there will be a very good sale of Acrylic, exports as well as domestic.
- Nikhil Gada:** Sir can you give a number for this, can you add it?
- Sri Jagdish Gupta:** No numbers, we just know that how it has given percentage wise growth last year, we are quite hopeful that it will give this year also.
- Nikhil Gada:** No, but do we have any kind of order back log in this?
- Sri Jagdish Gupta:** No not in this, it is in laminates. It has not happened in Acrylic now.
- Nikhil Gada:** Okay, understood but this line that you are talking about, will start from this quarter, right?
- Sri Jagdish Gupta:** Within two and a half months it will get installed, shield is from Korea, installation will be from Germany, they will come on 16th of this month. It takes up to one and a half to two months to get it installed.
- Nikhil Gada:** So, after this basically, its total potential can be around Rs. 400 crore.
- Sri Jagdish Gupta:** Yes Rs. 300 crore to Rs. 400 crore, minimum.
- Nikhil Gada:** You have reinstated your financials; I think you have increased your 3Q revenue numbers a little and we have seen the 3Q other income ...
- Sri Jagdish Gupta:** No, we have not increased it, it is the actual one. It has not increased like that.



- Nikhil Gada:** No, it has not increased. What I am saying is that you might have done some reinstatement. I think some ..
- Sri Kishan Nagpal:** We have not given much reinstatement, our constant figure that was there, which comes from the sales, which used to come from detergers, so we have taken that kind of top line from other income over there. Apart from this, there is no other change.
- Sri Jagdish Gupta:** That is a part of sales.
- Sri Kishan Nagpal:** We have reinstated that only. Previously it was reflecting in other income, we have taken it now under sales, there is no other change.
- Nikhil Gada:** Okay, so for this reason our 3Q other income has become negative basically.
- Sri Kishan Nagpal:** Yes definitely.
- Nikhil Gada:** And has the same thing happened in 4Q because in 4Q our other income is quite high.
- Sri Kishan Nagpal:** The other income that is coming in 4Q, in that I think there is a total income of around Rs. 7 crore, in that Rs. 6.64 crore's income is the export incentive, which we received in capital goods investment.
- Nikhil Gada:** Okay, understood, I get your point. And sir lastly, you mentioned that this 11% EBITDA margin that is there is sort of a one off because it was of high-cost inventory basically in our system, so it will go back to 15% - 16%?
- Sri Jagdish Gupta:** Yes, definitely.
- Moderator:** Thank you. The next question is from the line of Venkatesh Shekhar an Individual Investor. Please go ahead.
- Venkatesh Shekhar:** Sir I would like to know about backward integration with respect to raw materials like melamine, which is one of the key ingredients I suppose?
- Sri Jagdish Gupta:** No, it is not key, it is one of the 12% or 13 % share on the laminate market, melamine.
- Venkatesh Shekhar:** Okay, so is there any plan for backward integration sir?
- Sri Jagdish Gupta:** No, it is very big plant, maybe Rs. 1000 crore, only one plant in India GSFC which is a government plant, till now in India we have not seen any other plant apart from this.
- Venkatesh Shekhar:** And raw material prices have declined in Q1 sir?
- Sri Jagdish Gupta:** Little bit, it has already started to decline. Melamine prices have already gone down.



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Venkatesh Shekhar: Sir one more thing is I would like to know about our Plywood business, the plant that we are making?

Sri Jagdish Gupta: We have temporarily held it we have to test it, there was a separate government company which we have deferred a little bit otherwise we have already land and license and consultant is there, we have deferred it for a few months. We want to get little more stability in laminates and acrylic business.

Venkatesh Shekhar: Sir it is deferred temporarily or next year we will?

Sri Jagdish Gupta: Temporarily, we will see next.

Venkatesh Shekhar: Sir what about exports in America, last time you have told.

Sri Jagdish Gupta: Very good market, I told you today we are participating in South America.

Venkatesh Shekhar: Yes, sir I saw there is exhibition we are participating, I am happy.

Sri Jagdish Gupta: Correct, we are there.

Venkatesh Shekhar: What about United States sir?

Sri Jagdish Gupta: This is a part of United States, we are adjoining to that. People are coming from United States also to see the exhibition.

Venkatesh Shekhar: Okay sir, so definitely this year we will be able to make 15% - 20% margin sir, EBITDA?

Sri Jagdish Gupta: Why not, definitely.

Venkatesh Shekhar: Because last year we had a pretty impressive margin between Q4 & Q1, Q3.

Sri Jagdish Gupta: Surely it will happen.

Venkatesh Shekhar: Okay thank you. Any information on dividend sir?

Sri Jagdish Gupta: Yes sir, it will go on we have to yes.

Venkatesh Shekhar: Okay thank you. Congratulation on the difficult achievements.

Moderator: Thank you. The next question is from the line of Pranav Mehta from Equirus Secutities. Please go ahead.



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- Pranav Mehta:** Sir I wanted to understand that the acrylic business which is there, in that are we seeing competition shaping up domestic market because what I have heard is that other people are also looking to move into this business very aggressively, so are ..
- Sri Jagdish Gupta:** Are the new plants coming? No, I am asking you really, I do not know, it is very good if people will come in, then the market will grow.
- Pranav Mehta:** Okay so sir from your end, you do not have any indication as such that competition is getting created?
- Sri Jagdish Gupta:** No sir indication we do not have first of all and even if someone comes it will take minimum 1.5-2 years, it is nice import will lessen, there is import of Rs. 600-700 crore. That will reduce substantially if domestic players come, it is good for the country, "Make In India" initiative.
- Pranav Mehta:** Okay sir understood and sir when we say that we are focusing on Domestic also then what is the addition in the distribution channel and how much RDCs?
- Sri Jagdish Gupta:** No, already we have 6 RDC, full-fledged teams have been formed, more than 160-170 people are already enrolled. Today our whole team is in Bangalore. That is going good, turnover is increasing.
- Pranav Mehta:** Okay and sir how is the geographic distribution panning out in India between West, East, South and North?
- Sri Jagdish Gupta:** We are already there in North, South market is biggest market for us. We are focusing South, slowly-slowly we are not in a hurry to capture whole India, North, South then we will go for East later.
- Pranav Mehta:** Okay so your focus is more on South and West, in East you will go on later.
- Sri Jagdish Gupta:** Yes, correct.
- Pranav Mehta:** And sir on topline and EBITDA margin you told, in FY 23 what percentage of growth we are expecting in topline?
- Sri Jagdish Gupta:** See, in comparison to what we have grown previous year at least that much should happen, we are hoping greater than that to happen but in next quarter we will understand better. The start, this first month is very good, let us hope if start is going well, then it will cross last year also.
- Pranav Mehta:** And sir sometime earlier in last quarter we had indicated that the shipping freight cost is still high, so it has started declining?



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- Sri Jagdish Gupta:** It is still on the higher side but has started to decline. Availability of container is not a problem. There is no shortage of containers. It has become Cartel type know, they are facing difficulty in working, slowly it will better off.
- Pranav Mehta:** But sir from the peak levels has it declined by 15% - 20%, freight cost?
- Sri Jagdish Gupta:** Yes, 15% - 20% it has come down. Like for Europe it was Rs. 9000 earlier, now it is Rs. 7000, they had increased these prices substantially that 15% - 20% decline hardly matters.
- Pranav Mehta:** Right. And sir I had one last question on exports, so you said that you are participating in South America, so in India which regions are giving the best export opportunity?
- Sri Jagdish Gupta:** So, globally the laminates growth rate from India every year is 15% - 20% in all the markets, if you go to see Europe, we are number 1 there, far East is also growing, America is also increasing substantially day by day. Everywhere it is almost same type, we are hopeful in Russia it will increase, we have good relation there but most importantly from Europe. Europe's entry will get banned, we are hopeful due to restrictions, Ukraine and Russia will be very good upcoming markets for exports.
- Pranav Mehta:** Okay and sir in this 'other expenses' the increase that we see quarter on quarter, so in that is there a one off or basically...
- Sri Jagdish Gupta:** The Ocean freight component was high.
- Moderator:** Thank you. The next question is from the line of Ganeshwar Sarkar, an individual investor. Please go ahead.
- Ganeshwar Sarkar:** Good afternoon, Mr. Gupta, I have couple of questions. My first question is, you said there is a lot of gap in the market, in the Indian domestic. I am talking about the domestic market. So, if there is a gap in it and the supply is less then why is it that you do not possess that pricing power which ideally you should have? According to me, as you were saying that it is being very difficult to increase the prices. When you talk about increasing, people move it forward to the next quarter, so how are you approaching it systematically? And you also have a brand, so to say you have a brand also and if there is a gap in the market also, so ideally you should have the pricing power more than the others. So, can you comment on it?
- Sri Jagdish Gupta:** You are right here. We have 3-4 big competitors, whose brand name is domestically more than us from a long time, they do not face any problem. Ours is also increasing gradually, maybe it will take few months or one year more to make a brand name. Brand name was there but its complete demand was not there. Now day by day our name is getting highlighted more in domestic, as and when it will grow, like in exports in some markets, where our brand name was used, it is very easy to increase the prices there. Where we are doing OEM, it was difficult to increase the prices. So, in domestic, if it does not increase, as soon as the raw, material prices



starts decreasing, then there is no need to decrease the prices. Who has increased, they need to decrease, we have not increased our prices much also.

Ganeshwar Sarkar: Okay.

Sri Jagdish Gupta: You take this and see know, in this situation, when there is so bad situation of raw material, bad ocean freights, even then gross EBITDA is like this, you can understand and we cannot increase our prices. It will be already controlled our expenses and other things. If our sales also increase in 2023, that will also affect our EBITDA.

Ganeshwar Sarkar: I completely agree with you but the variable is that if the raw material prices, freight cost will decrease in the market then we will be benefited but I am saying, somewhere, we even have to see that can we take the pricing power in our hands, strategically, gradually?

Sri Jagdish Gupta: As and when the brand name demand will increase in the market, then you are right, then we can get that advantage.

Ganeshwar Sarkar: Okay sir, this was my first question. My second question is that you said that 60% + goes to our export markets and we have the pricing advantage of almost 15% - 20%, is what I am taking into consideration, otherwise there is no point looking at ...

Sri Jagdish Gupta: 10% - 15%.

Ganeshwar Sarkar: 10% - 15%, so if we get extra margin in the international market, sir freight cost that I was tracking, that was nearly US \$9000 on container. So, it sat on \$9000 for many days, it fluctuates in between and again goes up. So, I just have one thing to say that if we have 60% reliance on export markets and if you feel that the trending is down, meaning freight cost. So, do you have any indication, from the people who books the freight that, you said container availability has increased as compared to before. So, according to you, in the next six months, what indication do you have as to till what level will the freight cost go down?

Sri Jagdish Gupta: I do not have any idea about this, it is made as a Cartel type. Previously, we were just paying \$900 only in the last-to-last year. We cannot make any prediction about these things. When Cartel is being formed know, small companies which went bankrupt in two years, some may have closed down, only 3-4 big companies are left, those are only dictating the markets.

Ganeshwar Sarkar: Okay, so is my understanding correct that now also this uncertainty will prevail, which is not there in your company.

Sri Jagdish Gupta: Absolutely, it will be there. You are absolutely right.

Ganeshwar Sarkar: Okay sir, now I will come on my third point. when I had spoken to you in the first quarter, you had said a very good thing, that you had started building a team very strategically and in a very



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organized way, you had started building a sales team. So, I had asked you a question at that time, that you keep one metric such that, that the sales. First thing sir, how many people are there in your sales team, in domestic as of now?

- Sri Jagdish Gupta:** Between 160 and 170. 5, 10 here and there as some go, some come.
- Ganeshwar Sarkar:** So, let us consider that you have 150 sales employees who are doing front trading in the market. So, if we take quarter wise, 1, 2, 3 and 4, so you have got almost 60% growth in domestic, if I see year to year, which is a very good one, of course the base was small. Sir I had given you one suggestion that are you measuring the productivity on their individual sales, whether their productivity is increasing or not?
- Sri Jagdish Gupta:** You are right. I remember you had asked this question, we have taken the package of salesforce like a SAP, just last month from April it has started and if you are seeing sale growth of 60%, I am sure in the coming times, whoever is entering this market, in last two years there was no travelling, neither in domestic or exports, so many people are coming from out of country to see plant, they are very happy. Domestic people have also started coming through who have seen the plant they are very happy and very good. So, I am quite hopeful that growth will definitely will be seen, how much we have increased in last year, we do not see a problem to replicate it in this year too, you will see next when we will meet after 3 months, before 3 months, definitely you will see the changes.
- Ganeshwar Sarkar:** I just have a last question is, now the self-research that I have done in the market because being a shareholder, I would like to give my feedback, I am from Bangalore, there was a time a year ago wherein Stylam's visibility was very less but my understanding now is that there is some pockets of visibility of Stylam's products but there should be more focus on marketing pitch.
- Sri Jagdish Gupta:** No, you are from Bangalore, there are 30 people, we have a training program going on in Bangalore, in last 2 months our sale has increased double from Bangalore only.
- Ganeshwar Sarkar:** Excellent sir, because this feedback that I am giving you dates a quarter back.
- Sri Jagdish Gupta:** If you are in Bangalore our Director Manav Gupta is already in Bangalore for the last 4 days.
- Ganeshwar Sarkar:** Wonderful, sir I will connect with you separately, if I can connect with him that will be wonderful.
- Moderator:** Thank you. The next question is from the line of Varun Jain from Edelweiss. Please go ahead.
- Varun Jain:** Good afternoon, sir. I had a question; how much CAPEX are we planning to do this year?
- Sri Jagdish Gupta:** There is nothing major, small might be in maintenance, no need for any CAPEX for this year.
- Varun Jain:** Okay and in the near future, in next 2-3 years what is the projection of CAPEX?



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Sri Jagdish Gupta: It is like when the turnover is done fully in the next 2 years and then we will decide next year. We have capacity existing already know.

Varun Jain: What is your current capacity utilization?

Sri Jagdish Gupta: 60-65% in laminates.

Moderator: Thank you. The next question is from the line of Nikhil Agarwal from ET Capital. Please go ahead.

Nikhil Agarwal: Sir your 14.3 million capacity, that includes acrylic sheets as well?

Sri Jagdish Gupta: No, you are asking only HPL. Acrylic utilization is 95%.

Nikhil Agarwal: Whose it is 95%?

Sri Jagdish Gupta: It was not working till now it started from last 2 months, Acrylic.

Nikhil Agarwal: And sir the sales figures that you have given 2.3 million sheet, that is also only for laminates, right?

Sri Jagdish Gupta: Yes.

Nikhil Agarwal: So, what will be your average realization? What was the acrylic sales for this quarter?

Sri Jagdish Gupta: In this quarter, I just told you know, we started from 1st April between 4 C&F agent in India, total team is on the roll. They are working and we are quite hopeful, you will come to know in the next quarter about this.

Nikhil Agarwal: Okay meaning in this quarter Q4, there were not much of sales?

Sri Jagdish Gupta: Export has also started already. Acrylic in USA.

Nikhil Agarwal: No, that I understand but I wanted to know in Q4 for acrylic sheets there are no sales?

Sri Jagdish Gupta: No, it will happen in this quarter, in last year it is not there much.

Nikhil Agarwal: And till when are you going to defer this Plywood plant of yours, by when will the plant start, any idea?

Sri Jagdish Gupta: The government has deferred the project to the start of 2024, people like you suggested us, we should defer it and we should not go for this unorganized product right now. First, you focus on the acrylic and HVL first.



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- Nikhil Agarwal:** And sir the raw materials that you need like melamine, craft paper, from where do you procure all of this. And acrylic as well, for acrylics raw materials from where do you procure?
- Sri Jagdish Gupta:** Melamine we are already importing from Europe, craft paper 80-90% is domestic and acrylic also certain amount is domestic and rest 80% we are importing.
- Nikhil Agarwal:** Acrylic 80% we are importing?
- Sri Jagdish Gupta:** Raw material, yes.
- Nikhil Agarwal:** One last question, your price hikes, like you told earlier the raw material prices that are going down, you will not take price cuts in accordance to them, right? The raw material prices decline that we are seeing from Q4, you will not take price cuts in the market?
- Sri Jagdish Gupta:** No, price will not decrease, we have not increased it to that extent, so how will it decrease.
- Moderator:** Thank you. The next question is from the line of Pranav Mehta from Equirus Securities. Please go ahead.
- Pranav Mehta:** Sir I wanted to understand are you able to take any price hikes in export markets?
- Sri Jagdish Gupta:** Yes, we have taken price hike. Correct.
- Pranav Mehta:** How much price hike you might have taken?
- Sri Jagdish Gupta:** I had mentioned earlier someone 3%, 4% 8% depending on country to country and customer to customer.
- Pranav Mehta:** Okay sir, how much is your average, would it have been 5% to 6%?
- Sri Jagdish Gupta:** It would have been 5% to 6% definitely.
- Pranav Mehta:** And when had you taken this; in 4Q or 3Q?
- Sri Jagdish Gupta:** We had received it even before that, after that the price increase was there, that is why it was the right raw material, so for this quarter, now there is no need to increase the price.
- Moderator:** Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.
- Alisha Mahawla:** Hi Sir, good afternoon. I wanted to know from you, this year you have done a 30% volume growth in the whole year, so you have said that from domestic market quite ...
- Sri Jagdish Gupta:** Can you speak a little louder?



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- Alisha Mahawla:** Is it better now?
- Sri Jagdish Gupta:** Increase of 35%, that only know?
- Alisha Mahawla:** Yes, I was asking that in the whole year we have done a 32% volume growth and this growth has come in the domestic market. So, are we gaining this market share from some unorganized players or some big players?
- Sri Jagdish Gupta:** From both, organized plus. Organized market is already increasing in domestic for HVL.
- Alisha Mahawla:** Okay sir, and going forward you are saying in 2023 also, we will have a 30% volume growth.
- Sri Jagdish Gupta:** Yes, why not. We have set up too many people; RDC already, distributor networking already increasing, so we are sure it will definitely go like this.
- Alisha Mahawla:** Alright sir. We have delayed the Ply plant but are we thinking of going in some other segment?
- Sri Jagdish Gupta:** This Acrylic segment is such a big product, first let us start that, we may think in the next year, let us achieve this a little first.
- Moderator:** The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.
- Yogansh Jeswani:** Thank you for the opportunity. Sir in the Acrylic sheet, the capacity that we have put and one new line that you are going to set up now, which you are showing is from Korea. So, post that, what will be our Acrylic capacity?
- Sri Jagdish Gupta:** The Acrylic capacity sheetwise is 35,000 sheets per month are being made, value wise it will be Rs. 300 crore to Rs. 400 crore.
- Yogansh Jeswani:** 35,000 per month?
- Sri Jagdish Gupta:** Per month.
- Yogansh Jeswani:** Okay and sir our domestic market that is there, from this you gave the employee count, your sales team is of around 150 people. Similarly, can you tell us a little about our dealer network, how big is our dealer network and what was it earlier, for HVL and Acrylic both sir?
- Sri Jagdish Gupta:** Acrylic we said know, we have started it now, now we have made 3 C&F, is on line from 1st April 2022. That is legal agreement, like we are aware, we know the market we are the first in India, already so much import is taking place, it is import substitute; 'Make in India', same quality, same everything. Domestic, we already have a distributors network of 160, 180, they increase every day, every month we are increasing few.
- Yogansh Jeswani:** Sir in domestic for us, which State is the biggest, in terms of sales?



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- Sri Jagdish Gupta:** The sale is too big in Karnataka, there is a lot of sales in Bangalore. In Punjab also, there is lot of sales.
- Yogansh Jeswani:** Okay and sir now going forward, since we have such a big capacity set up, so to do the sales for this capacity, you will have to increase the dealer network or will it be manageable with this dealer network only?
- Sri Jagdish Gupta:** It is increasing, if it increases the only the sales will increase.
- Yogansh Jeswani:** What is the target Sir? By year end, how many dealers are we targeting to add and at
- Sri Jagdish Gupta:** To add dealer is not an issue, we have to see who is the quality dealer. You take small dealers, if you want, add 1000 dealers but make 100 big dealers, they will do more sales than the 1000 dealers. We are focusing on more A and B type of dealers.
- Yogansh Jeswani:** Understood sir, that is fine, thank you.
- Moderator:** The next question is from the line of Vignesh Iyer, an individual investor. Please go ahead.
- Vignesh Iyer:** Sir our raw material Melamine that is there, it is quite big in the cost part, it would be 10% or 11% roughly. So, in today's date, how much has its cost gone down?
- Sri Jagdish Gupta:** The price is very less, even now it had come down to Rs. 250, Rs. 300 a kilo, now it has come down to Rs. 150 per kilo, it has gone down very low, it is going on decreasing.
- Vignesh Iyer:** How much was it earlier? If now it is Rs. 350 per kilo, then how much was it earlier?
- Sri Jagdish Gupta:** No, it had gone to Rs. 350 once for a short period of time. Then it went on decreasing and now it is almost \$1600 per liter ton, import price, in domestic it is Rs. 140, Rs. 142 per kilo. Melamine does not matter to my price, there are lots of other things, there is coal, fuel has become very costly, Phenol, then craft paper, lace paper is there. There is not only one parameter, other parameters are also there.
- Vignesh Iyer:** Okay, right sir. Another question I heard on this call, you said that the domestic sales that is Rs. 240 crore now, we will take it to Rs. 400 crore in this year. So, I just wanted to know as to what is your plan, will you increase number of dealers going forward or what is the company's plan? How will it make that possible?
- Sri Jagdish Gupta:** No as I said, it has been increasing only know from last year, see how much it has changed. As the brand name gets highlighted amongst the dealers, the dealers increase every month, know.
- Vignesh Iyer:** Right, but it is like from Rs. 240 crore to Rs. 400 crore is quite a big jump, so that is why I wanted to know that ..



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- Sri Jagdish Gupta:** I said we will do up to Rs. 400 crore; Rs. 350 crore or Rs. 400 crore. Jump is nothing, once you need to, the market area is so vast in the world. It maybe Rs. 350 crore, if not Rs. 400 crore. We are working so much on it, putting so much pressure on it, so many RDCs, so many distributors, the work is going on, I am quite hopeful we will achieve it.
- Moderator:** The next question is from the line of Devang Mehta from Bay Capital. Please go ahead.
- Devang Mehta:** Hello, good afternoon, Mr. Gupta.
- Sri Jagdish Gupta:** Good afternoon.
- Devang Mehta:** I wanted to understand in this export business; one is, what is our breakup in the export business, how much do we do through distributors and how much is our sales from OEMs?
- Sri Jagdish Gupta:** I have informed earlier also, 60% to 70% is in our own brand name, 30% to 35% is on OEM. OEM also, they mention that we are buying from Stylam Industries. Few percentage people hide the manufacturer's name.
- Devang Mehta:** And we are growing too good, in export market 30% to 35% and if I see the trend of five to six years also, then we have done more than double. In 2017, we had done Rs. 200 crore sale and now we have done almost Rs. 450 crore this year. So, this incremental growth, means existing, if you can break this up that how much growth is the existing customer doing and how much is the new client doing?
- Sri Jagdish Gupta:** No, day by day brand name is growing more, every year. When we started, it was fine, whichever customer we get, now we are also choosy about the customers. Wherever we go, our preference is always on the brand name.
- Devang Mehta:** That is understandable.
- Sri Jagdish Gupta:** It is increasing there only, percentage wise, we are more on that percentage.
- Devang Mehta:** Like how many customers base do we have and how much was it three years back, if you can give us a figure?
- Sri Jagdish Gupta:** I do not remember that figure, I will give it to you separately. I only know that we are exporting more than 70 countries now, previously it was 60. So, countries are increasing, you can say every month, some little addition.
- Devang Mehta:** Okay good. There was one question on domestic business; we have done software implementation like salesforce and other software implementation that we have done, so ...
- Sri Jagdish Gupta:** Now our SAP is only running; SAP is on the last phases. Training sessions are going on at the moment, we will introduce, already implemented SAP also.



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- Devang Mehta:** Okay, so we have done this in the last one or two quarters. So, is there any one off cost for this, in this quarter or .?
- Sri Jagdish Gupta:** No salesforce has just started know, from 1st April 2022, it will come. SAP also the first balance sheet has happened, SAP has made it now, now also lot of teething issues are there in it. It is to upgrade the system, it does not increase the sales, know.
- Devang Mehta:** Correct. No, I was asking, is there any significant one-off cost in it, which we have taken in the last quarter, anything like that?
- Sri Jagdish Gupta:** What cost?
- Sri Kishan Nagpal:** The cost is not that much, whatever, the one-time cost was there, we have comprised it.
- Sri Jagdish Gupta:** We have already done those expenses, Rs. 3 crore to Rs. 4 crore has been used for SAP, it is already there.
- Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. On behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.