



Outlook remains positive inspite of macro challenges

Carysil Ltd reported a decent Q2FY25 performance, which was slightly below our estimates on Sales/EBITDA/PAT by 1%/1.9%/7.3%. The company has been increasing wallet share among existing clients and winning new customers in the export markets.

Key Financial Highlights:

- Revenue at Rs 2,070Mn, +3% qoq/+27% yoy
- EBITDA (excl OI) at Rs 372Mn, +4% qoq/+13% yoy
- EBITDA margin at 17.97% vs 17.83% vs 20.14% in Q1FY25/Q2FY24
- PAT at Rs 171Mn, +8% qoq/+9% yoy
- EPS at Rs 5.6 vs 5.8/5.9 in Q2FY24/Q1FY25

Outlook:

- Confident of achieving 100Mn\$ in revenue in FY25 (>22% YoY growth over FY24)
- EBITDA margin bottomed out in Q2 (~17.97%) as RM cost, freight rates are on a downward trajectory coupled with increase sales in USA
- European markets seeing early signs of demand recovery which remained subdued for the last 4 quarters
- Domestic business is on a strong footing post the initiatives taken, expecting a better H2.
- Further capacity expansion likely to happen in FY26 (no detailed information given yet)
- NO inorganic acquisition in near future

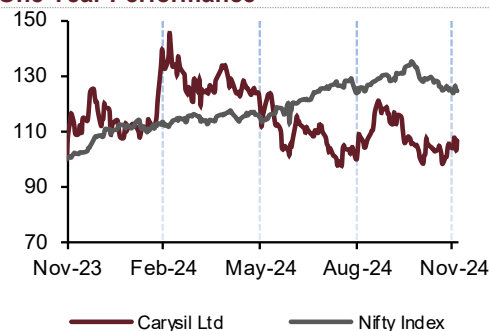
Rating	TP (Rs)	Up/Dn (%)
BUY	1,024	26

Market data

Current price	Rs	813
Market Cap (Rs.Bn)	(Rs Bn)	23
Market Cap (US\$ Mn)	(US\$ Mn)	274
Face Value	Rs	2
52 Weeks High/Low	Rs	1150.95 / 684.5
Average Daily Volume	('000)	149
BSE Code		524091
Bloomberg		CARYSIL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	55	55
Public	44	44
Others	1	1
Total	100	100

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net sales	4,839	5,939	6,838	8,525	10,291
Growth	56.24%	22.73%	15.13%	24.69%	20.71%
EBIDTA	1,033	1,074	1,287	1,571	2,058
Growth	57.04%	3.93%	19.88%	22.04%	31.01%
Margins (%)	21.4	18.1	18.8	18.4	20.0
Adjusted net profit	653	528	584	781	1,138
Growth	65.97%	-19.04%	10.47%	33.76%	45.78%
EPS (Rs)	24.5	19.8	21.9	29.3	42.7
P/E (x)	33	40	37	27	19
EV/EBITDA (x)	22	22	19	15	11
RoCE (%)	21.72%	15.35%	14.67%	17.18%	21.08%
RoE (%)	25.40%	17.21%	16.30%	18.03%	20.94%

Source: Dalal & Broacha

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Key business highlights

- Exports Revenue for the quarter stood at Rs 1681 Mn up by 30% on YoY and 2% on QoQ
- Domestic Revenue for the quarter stood at Rs 389 Mn up by 13% on YoY and 7% on QoQ
- Quartz sinks volume grew 7% YoY and grew by 3% QoQ
- Stainless sinks volume grew 19% YoY and grew 3% QoQ
- Kitchen appliances & others volumes was up 6% YoY and QoQ

Concall Highlights:

A. Export Market Operations:

- Growth has been pretty satisfactory considering the slowdown in export markets with optimism that USA should bounce back and Europe seeing early signs of demand revival.
- The company has started operations in Gulf region and is seeing a very positive response and expecting the traction to continue.
- Operations have already begun in Turkey
- United Granite (US subsidiary) saw muted demand (20% de-growth) with H2 likely to be better. PBT Losses of ~5crs in H1FY25, with target of being PBT breakeven in FY25.
- Business with IKEA has increased with momentum gaining further
- Certain final audits are being done at the plant by very large potential customers. Management seemed pretty confident of converting into PO. Revenue may start flowing from Q4FY25 or Q1FY26.

B. Domestic Market Operations:

- Pretty confident of reaching ~150crs revenue in FY25
- 20 new faucet models, new line of built in appliances and new range of sinks to be launched in H2.
- Working on building a team for E-commerce scale up.
- BIS norms to be effective from 1.1.25 for built in appliances, should give impetus to domestic players.

C. Other Operational Details:

- Gross margins got impacted primarily due to change in product mix (USA sales were down which are high margin), increase in Acrylic material (which contributes to ~50% of total RM cost of a sink)
- CIF sales is less than 10% of revenue
- Increase in freight costs impacted Q2FY25 operating margins
- Working capital cycle stretched mainly on account of built up of inventory which had to be done before BIS norms become effective.
- ~255crs Net debt as on 30.6.24
- QIP money will be utilised for capex by end of FY26.
- 20crs capex incurred in H1, target of another 20crs by end of FY25

Valuations and Outlook:

We remain optimistic on Carysil in the mid to long term primarily due to its positioning as one of the leaders in global quartz sinks market which is growing at 15-20% CAGR. We expect Sales/Ebitda/Pat to grow at healthy rate on the basis of partnerships with global retailers providing revenue visibility, expanding into newer geographies, strategic acquisitions in UK and increased demand for the products they offer. QIP money raised will be used for capacity additions, working capital and brand building initiatives. The vision of the company is to be a fully integrated kitchen solution provider and be among the Top 10 players globally. In our opinion Carysil is taking the right steps to be a major player in the kitchen segment and is well poised to take advantage of the opportunities that are present. * **We value the company at 24x FY26EPS of Rs 42.7 and arrive at a target price of Rs 1,024, an upside of 28% from CMP of Rs 800 and recommend BUY.**

Quarterly Snapshot

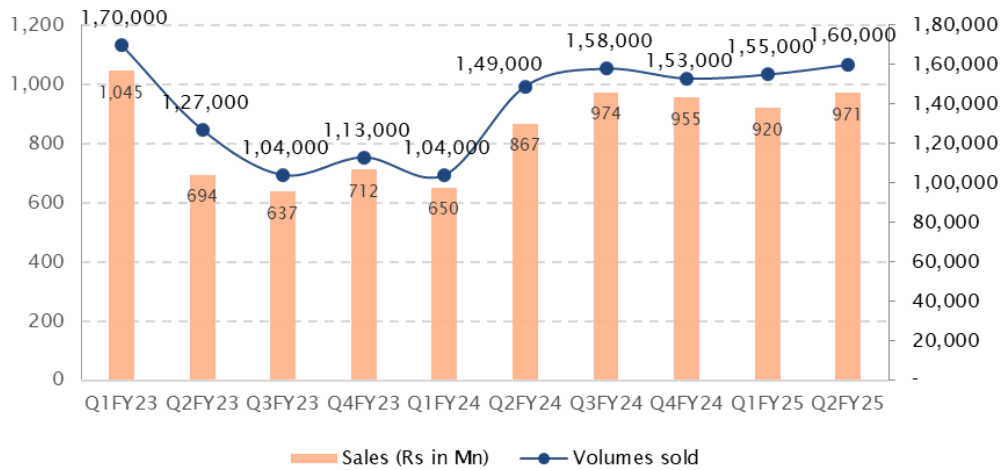
Carysil					
Particulars (Rs Mns)	Q2FY25	Q2FY24	YoY Growth	Q1FY25	QoQ Growth
Revenue from operations	2,070	1,636	27%	2,012	3%
Other income	18	12	48%	14	29%
Total Income	2,088	1,648		2,026	
Cost of goods sold	919	769	19%	940	-2%
Employee Benefit expenses	199	124	60%	188	6%
Other Expenses	581	413	41%	525	11%
EBITDA (excl other income)	372	329	13%	359	4%
Less : Depreciation	98	77	28%	87	14%
PBIT	274	253	8%	272	0%
Less: Interest cost	56	47	19%	61	-8%
PBT (after exceptional)	236	218	8%	225	4%
Less : Tax	65	62		67	
PAT	171	156	9%	159	8%
EPS	5.6	5.8		5.9	
Gross Margins	55.62%	52.97%		53.29%	
EBITDA Margins	17.97%	20.14%		17.83%	
Net profit Margin	8.18%	9.47%		7.82%	

* **Consolidated**

Source: Company, Dalal & Broacha Research

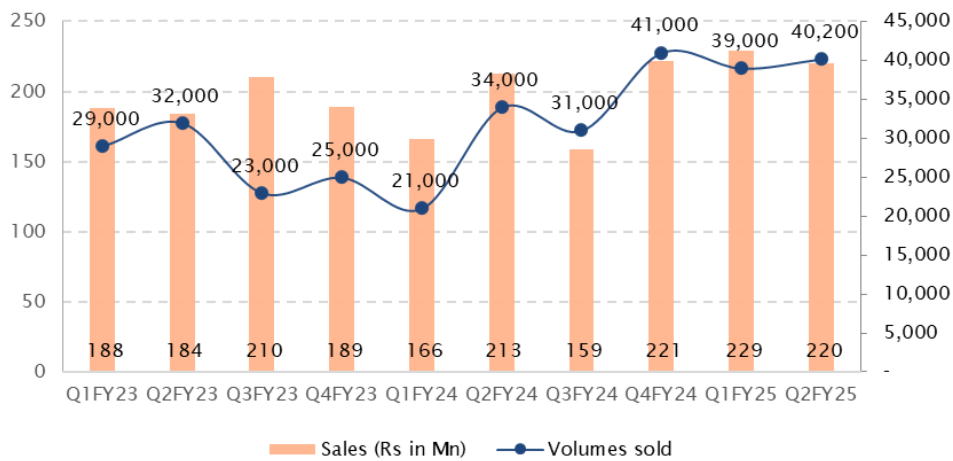
Focus Charts

Exhibit 1: Quartz sink sales and volume



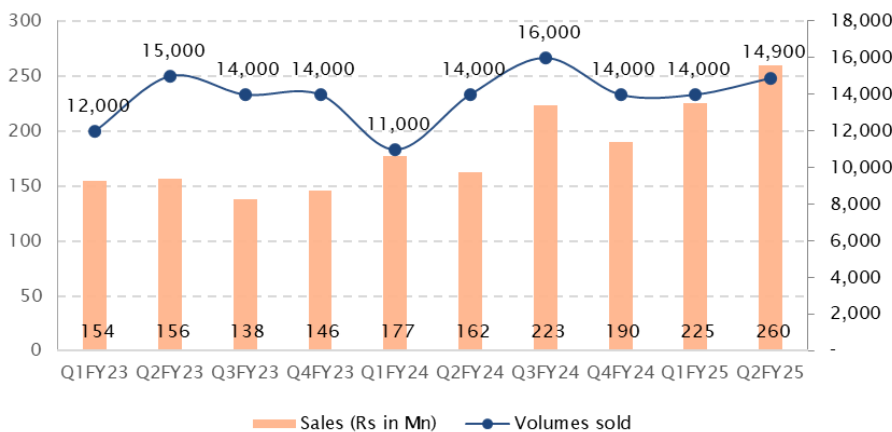
Source: Company, Dalal & Broacha Research

Exhibit 2: Stainless sink sales and volume



Source: Company, Dalal & Broacha Research

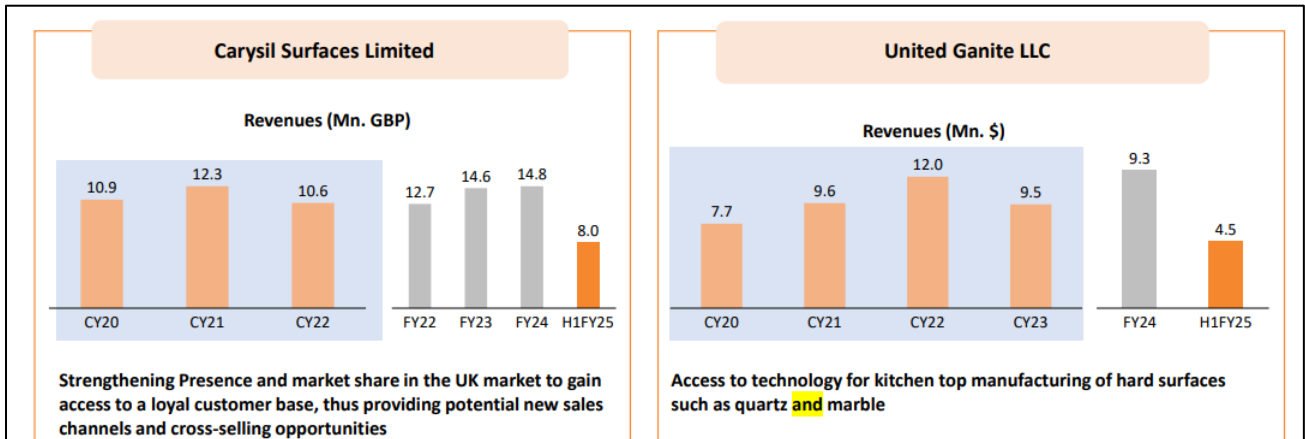
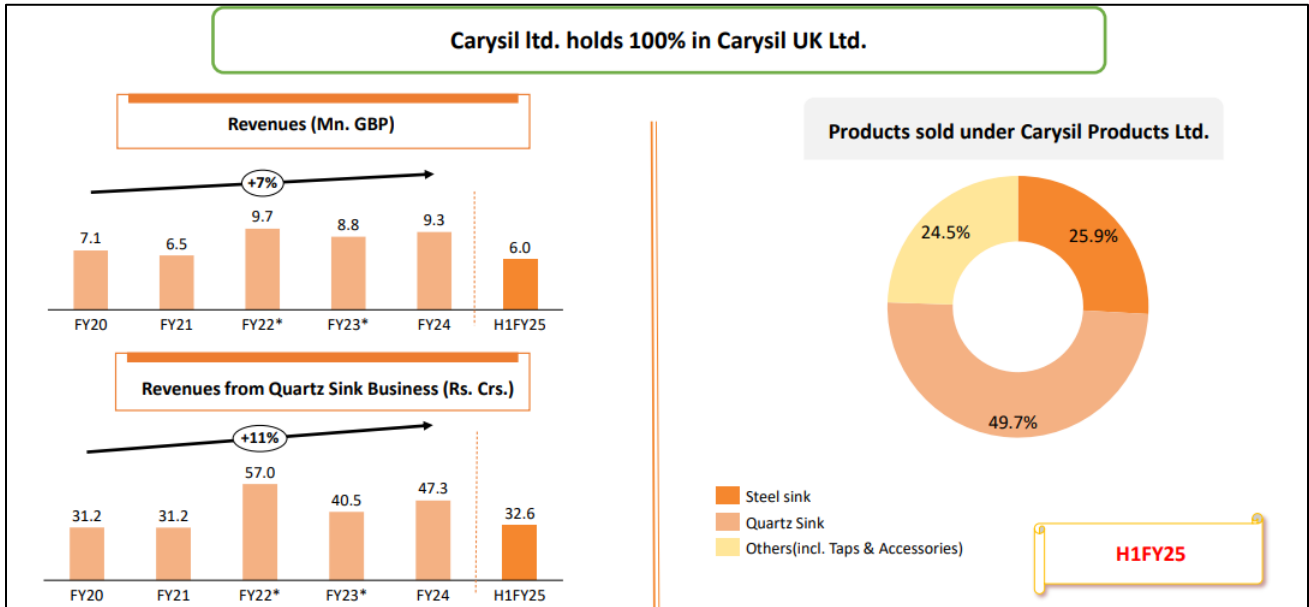
Exhibit 3: Kitchen Appliances Sales and volume



Source: Company, Dalal & Broacha Research

Focus Charts

Exhibit 4: Overseas operations seeing good traction



FINANCIALS

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	3,097	4,839	5,939	6,838	8,525	10,291
Total Operating Expenses	1,418	2,095	3,024	3,149	4,007	4,837
Employee Cost	222	336	449	603	773	823
Other Expenses	799	1,375	1,392	1,799	2,174	2,573
Operating Profit	658	1,033	1,074	1,287	1,571	2,058
Depreciation	127	177	264	324	366	400
PBIT	531	856	810	963	1,205	1,659
Other income	80	101	16	53	80	80
Interest	73	96	145	209	244	221
PBT (Before exceptional)	538	861	681	808	1,041	1,517
Exceptional	-	-	-	-	-	-
PBT (post exceptional)	538	861	681	808	1,041	1,517
Provision for tax	145	208	153	224	260	379
Reported PAT	393	653	528	584	781	1,138
Net Profit	393	653	528	584	781	1,138
Adjusted Profit	393	653	528	584	781	1,138

Balance Sheet (Rs mn)	FY21	FY22	FY23E	FY24	FY25E	FY26E
Equity capital	53	53	54	54	54	54
Reserves	1,886	2,516	3,017	3,528	4,276	5,382
Net worth	1,940	2,569	3,070	3,581	4,330	5,436
Non Current Liabilites	310	538	949	1,317	1,169	1,045
Current Liabilites	1,662	2,426	3,104	3,548	3,629	3,745
TOTAL LIABILITIES	3,912	5,533	7,123	8,447	9,127	10,226
Non Current Assets	1,703	2,458	3,514	4,304	4,346	4,370
Fixed Assets	1,380	2,031	2,384	3,006	3,030	3,030
Goodwill	239	239	1,034	1,135	1,135	1,135
Non Current Investments	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	12	16	40	27	25	25
Other Non Current Assets	71	171	56	136	156	179
Current Assets	2,209	3,076	3,609	4,143	4,781	5,856
Current investments	-	-	-	-	-	-
Inventories	546	1,042	1,306	1,732	2,159	2,607
Trade Receivables	830	1,004	1,031	1,378	1,718	2,074
Cash and Bank Balances	201	113	102	125	(24)	228
Advances	1	2	3	4	4	4
Other Current Assets	630	915	1,167	904	924	944
TOTAL ASSETS	3,912	5,533	7,123	8,447	9,127	10,226

FINANCIALS

Cashflow Statement	FY21	FY22	FY23	FY24	FY25E	FY26E
Cash flow from operating activities						
Profit before tax	538	861	681	808	1,041	1,517
Depreciation & Amortization	127	177	264	324	366	400
Interest expenses	73	96	145	209	244	221
Operating profit before working capital change	738	1,134	1,090	1,341	1,651	2,138
Working capital adjustment	(28)	(294)	(394)	(703)	(521)	(547)
Gross cash generated from operations	710	840	696	638	1,130	1,591
Direct taxes paid	(145)	(208)	(153)	(224)	(260)	(379)
Others	(111)	(115)	85	153	(21)	(25)
Cash generated from operations	454	516	534	567	849	1,187
Cash flow from investing activities						
Capex	(359)	(731)	(1,411)	(1,048)	(390)	(400)
Investment	-	(3)	(1)	4	-	-
Others	12	9	-	-	-	-
Cash generated from investment activities	(348)	(725)	(1,411)	(1,044)	(390)	(400)
Cash flow from financing activities						
Proceeds from issue of share	-	-	-	-	-	-
Borrowings/ (Repayments)	37	340	850	772	(300)	(250)
Interest paid	(73)	(96)	(145)	(209)	(244)	(221)
Dividend paid	(53)	(64)	(64)	(64)	(64)	(64)
Others	-	4	-	-	-	-
Cash generated from financing activities	(88)	184	641	500	(608)	(535)
Net cash increase/ (decrease)	18	(25)	49	22	(149)	252
Ratios	FY21	FY22	FY23E	FY24	FY25E	FY26E
OPM	21.24%	21.35%	18.08%	18.83%	18.43%	20.00%
NPM	12.37%	13.21%	8.87%	8.47%	9.07%	10.97%
Tax Rate	26.96%	24.19%	22.42%	27.75%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	12.12%	56.24%	22.73%	15.13%	24.69%	20.71%
Operating Profit	41.79%	57.04%	3.93%	19.88%	22.04%	31.01%
PBIT	76.60%	59.91%	-20.89%	18.62%	28.86%	45.78%
PAT	226.98%	65.97%	-19.04%	10.47%	33.76%	45.78%
Per Share (Rs.)						
Net Earnings (EPS)	14.74	24.47	19.81	21.88	29.27	42.67
Cash Earnings (CPS)	19.49	31.11	29.69	34.05	43.00	57.65
Dividend	0.00	0.15	0.15	0.15	0.15	0.15
Book Value	72.73	96.34	115.12	134.27	162.34	203.80
Free Cash Flow	3.56	-8.06	-32.87	-18.04	17.20	29.52
Valuation Ratios						
P/E(x)	54.27	32.70	40.39	36.56	27.33	18.75
P/B(x)	11.00	8.30	6.95	5.96	4.93	3.93
EV/EBIDTA(x)	33.66	21.87	21.83	18.79	15.30	11.44
Div. Yield(%)	-	0.02	0.02	0.02	0.02	0.02
FCFF Yield(%)	0.44	(1.01)	(4.11)	(2.25)	2.15	3.69
Return Ratios (%)						
ROE	20.27%	25.40%	17.21%	16.30%	18.03%	20.94%
ROCE	17.99%	21.72%	15.35%	14.67%	17.18%	21.08%

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