



Outlook remains positive inspite of macro challenges

Carysil Ltd reported a strong Q1FY25 performance, which was a beat on our estimates on Sales/EBITDA/PAT by 9%/7%/7%. The company has been increasing wallet share among existing clients and winning new customers in the export markets.

Key business highlights

- Exports Revenue for the quarter stood at Rs 1650 Mn up by 50% on YoY and 6% on QoQ
- Domestic Revenue for the quarter stood at Rs 362 Mn up by 15% on YoY and 3% on QoQ
- Quartz sinks volume grew 49% YoY and grew by 1% QoQ
- Stainless sinks volume grew 86% YoY and de-grew 5% QoQ
- Kitchen appliances volumes was flat YoY and QoQ

Key Financial Highlights:

- Revenue at Rs 2,012Mn, +6% qoq/+42% yoy
- EBITDA (excl OI) at Rs 359Mn, +21% qoq/+33% yoy
- EBITDA margin at 17.83% vs 18.4% vs 18.12% in Q1FY24/Q4FY24
- PAT at Rs 159Mn, +2% qoq/+37% yoy
- EPS at Rs 5.9 vs 4.3/5.8 in Q1FY24/Q4FY24

Outlook:

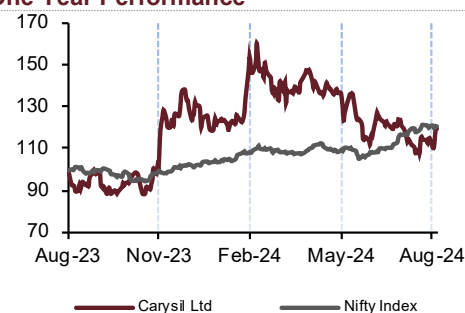
- Management is expecting the quarterly revenue runrate to improve in FY25 backed by new customer additions. Focus is to grow organically.
- EBITDA margin guidance of 18-20% maintained (Q1 margins have likely to be bottomed out).

Rating	TP (Rs)	Up/Dn (%)
BUY	1,041	27

Market data

Current price	Rs	818
Market Cap (Rs.Bn)	(Rs Bn)	23
Market Cap (US\$ Mn)	(US\$ Mn)	279
Face Value	Rs	2
52 Weeks High/Low	Rs	150.95 / 593.05
Average Daily Volume	('000)	529
BSE Code		524091
Bloomberg		CARYSIL.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	41.37	43.79
Public	58.63	56.21
Total	100	100

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY 22	FY 23	FY 24	FY 25E	FY 26E
Net sales	4,839	5,939	6,838	8,525	10,423
Growth	56.24%	22.73%	15.13%	24.68%	22.25%
EBIDTA	1,033	1,074	1,287	1,635	2,085
Growth	57.04%	3.93%	19.88%	27.01%	27.49%
Margins (%)	21.4	18.1	18.8	19.2	20.0
Adjusted net profit	653	528	584	829	1,158
Growth	65.97%	-19.04%	10.47%	41.99%	39.71%
EPS (Rs)	24.5	19.8	21.9	31.1	43.4
P/E (x)	33	41	37	26	19
EV/EBITDA (x)	22	22	19	15	12
RoCE (%)	21.72%	15.35%	14.67%	17.97%	21.23%
RoE (%)	25.40%	17.21%	16.30%	18.93%	21.04%

Source: Dalal & Broacha

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Concall Highlights:

A. Export Market Operations:

- Demand in UK, USA has been pretty satisfactory while Europe is still facing demand headwinds.
- The company has acquired 8 to 10 new customers in UK and taken market share of the biggest player in UK leading to No2 position in the sinks market.
- Going forward the company is likely to be the only supplier of sinks to Howdens (UK) which is the No1 retailer in terms of kitchen products.
- The company has started operations in Gulf region and it is already running profitable.
- Recently it had signed an agreement with Reece, an Australian retailer co with 100Mn\$ revenue which is seeing very good traction.
- It aspires to expand its operations across Qatar, Vietnam, Croatia, Saudi Arabia, Turkey (already started). Focus is to build a B2C brand in GCC and Turkey.
- Distributors and sales team has been set up in UAE. Target of 1mn\$ sales in UAE.
- There are very large clients in the pipeline and the management seemed pretty confident of the conversion
- On a pilot basis, a fabrication plant has been started in UK and USA

B. Domestic Market Operations:

- Aspiration to reach 300crs revenue within next 5 years (FY24- 140crs)
- Focus is to increase sales team, distribution network and product portfolio significantly over the next couple of quarters
- 3 new product launches of built in appliances pre-diwali, post which uptick will be seen
- New campaigns for the brand will roll out in August with new brand ambassador (Mira Kapoor)

C. Other Operational Details:

- Gross margins got impacted primarily due to change in product mix (USA sales were down which are high margin)
- CIF sales is less than 10% of revenue
- Increase in freight costs impacted Q1FY25 operating margins
- Working capital cycle days at 58 days vs 77 in Q1FY24
- ~272crs Net debt as on 30.6.24
- More details regarding capex via QIP money will be announced before Q2FY25

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 43.4 and arrive at a target price of Rs 1041, an upside of 27% from CMP of Rs 818 and recommend BUY.

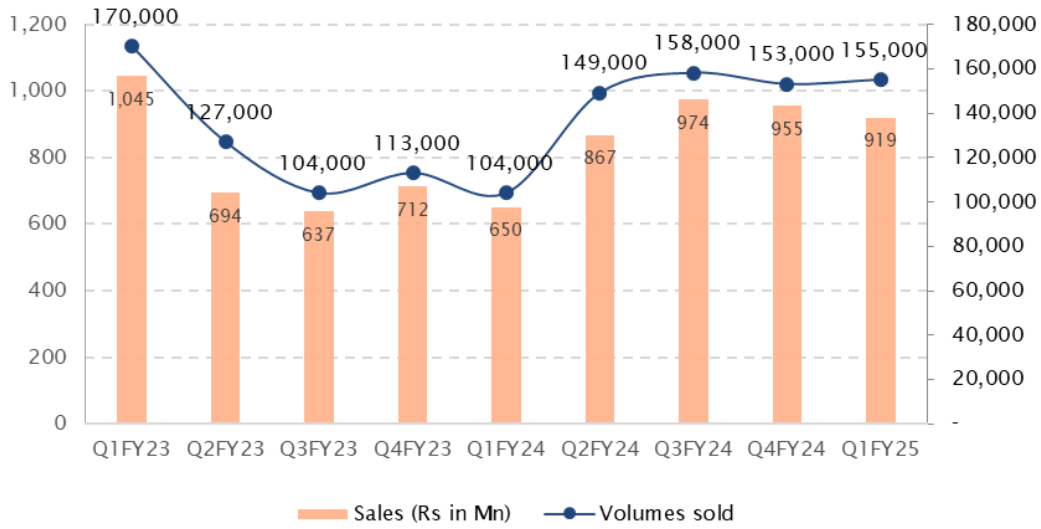
Quarterly Snapshot

Carysil				YoY		
Particulars (Rs Mns)	Q1FY25	Q1FY24	Growth	Q4FY24	QoQ	Growth
Revenue from operations	2,012	1,417	42%	1,905	6%	
Other income	14	12	13%	19	-28%	
Total Income	2,026	1,429		1,925		
Cost of goods sold	940	709	33%	780	21%	
Employee Benefit expenses	188	129	46%	176	7%	
Other Expenses	525	318	65%	604	-13%	
EBITDA (excl other income)	359	261	38%	345	4%	
Less : Depreciation	87	72	20%	95		
PBIT	272	189	44%	250	9%	
Less: Interest cost	61	45	35%	58		
PBT (after exceptional)	225	156	45%	212	6%	
Less : Tax	67	39		55		
PAT	159	117	36%	158	1%	
EPS	5.9	4.3	37%	5.8	2%	
Gross Margins	53.29%	49.94%		59.07%		
EBITDA Margins	17.83%	18.40%		18.12%		
Net profit Margin	7.82%	8.16%		8.19%		

* Consolidated

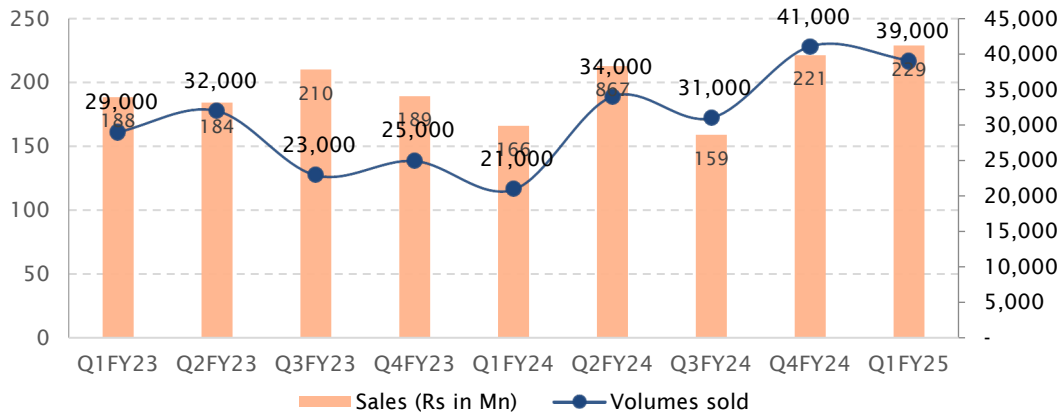
Focus Charts

Exhibit 1: Quartz sink sales and volume



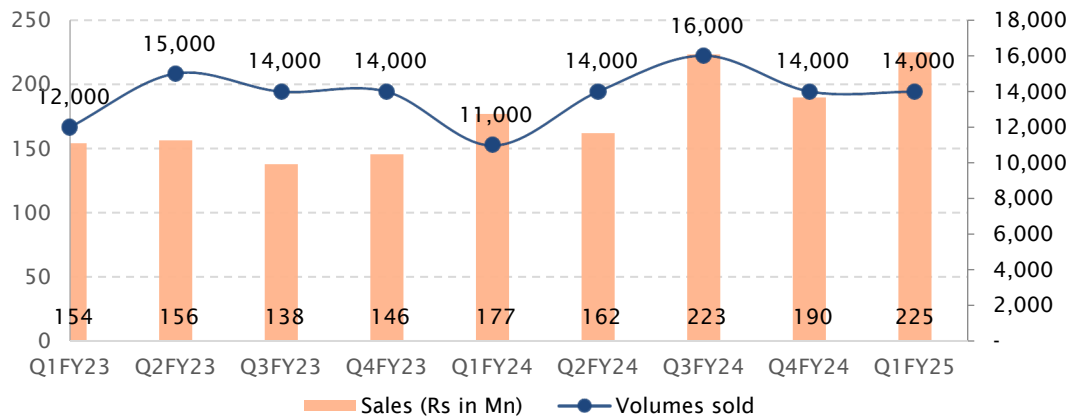
Source: Company, Dalal & Broacha Research

Exhibit 2: Stainless sink sales and volume



Source: Company, Dalal & Broacha Research

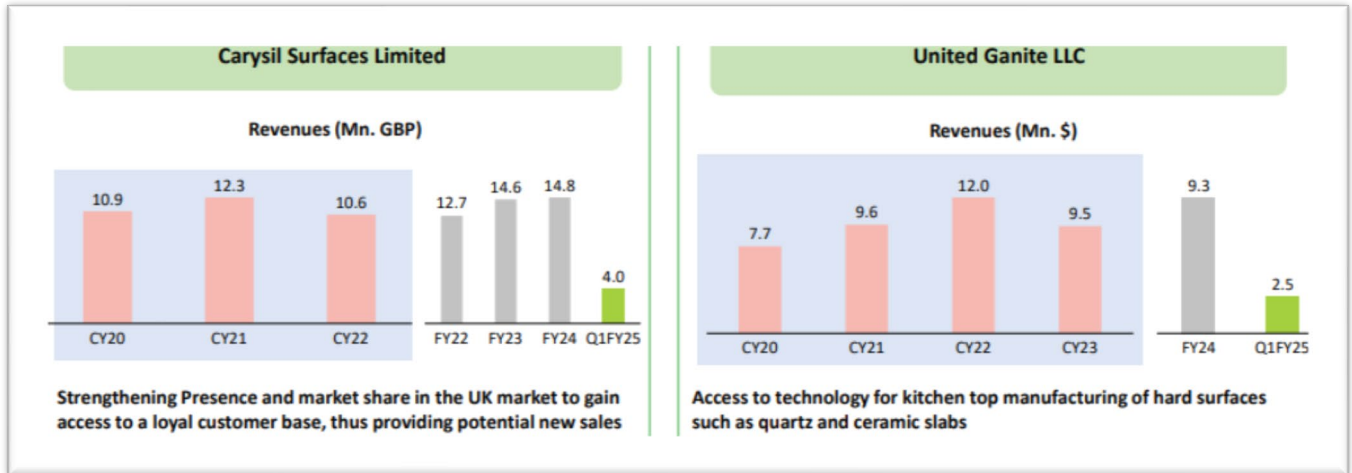
Exhibit 3: Kitchen Appliances Sales and volume



Source: Company, Dalal & Broacha Research

Focus Charts

Exhibit 4: Overseas operations seeing good traction



Source: Company, Dalal & Broacha Research

FINANCIALS

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	3,097	4,839	5,939	6,838	8,525	10,423
Total Operating Expenses	1,418	2,095	3,024	3,149	4,007	4,899
Employee Cost	222	336	449	603	752	834
Other Expenses	799	1,375	1,392	1,799	2,131	2,606
Operating Profit	658	1,033	1,074	1,287	1,635	2,085
Depreciation	127	177	264	324	366	400
PBIT	531	856	810	963	1,269	1,685
Other income	80	101	16	53	80	80
Interest	73	96	145	209	244	221
PBT (Before exceptional)	538	861	681	808	1,105	1,544
Exceptional	-	-	-	-	-	-
PBT (post exceptional)	538	861	681	808	1,105	1,544
Provision for tax	145	208	153	224	276	386
Reported PAT	393	653	528	584	829	1,158
Net Profit	393	653	528	584	829	1,158
Adjusted Profit	393	653	528	584	829	1,158

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	4,324	5,450
Net worth	1,940	2,569	3,070	3,581	4,378	5,503
Non Current Liabilities	310	538	949	1,317	1,169	1,045
Current Liabilities	1,662	2,426	3,104	3,548	3,629	3,762
TOTAL LIABILITIES	3,912	5,533	7,123	8,447	9,175	10,311
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	4,829	5,941
Current investments	-	-	-	-	-	-
Inventories	546	1,042	1,306	1,732	2,159	2,640
Trade Receivables	830	1,004	1,031	1,378	1,718	2,100
Cash and Bank Balances	201	113	102	125	24	252
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	9,175	10,311

FINANCIALS

Cashflow Statement	FY21	FY22	FY23	FY24	FY25E	FY26E
Cash flow from operating activities						
Profit before tax	538	861	681	808	1,105	1,544
Depreciation & Amortization	127	177	264	324	366	400
Interest expenses	73	96	145	209	244	221
Operating profit before working capital cha	738	1,134	1,090	1,341	1,715	2,165
Working capital adjustment	(28)	(294)	(394)	(703)	(521)	(590)
Gross cash generated from operations	710	840	696	638	1,194	1,575
Direct taxes paid	(145)	(208)	(153)	(224)	(276)	(386)
Others	(111)	(115)	85	153	(21)	(25)
Cash generated from operations	454	516	534	567	897	1,164
	-	-	-	-	-	-
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	(101)	229
Ratios	FY21	FY22	FY23E	FY24	FY25E	FY26E
OPM	21.24%	21.35%	18.08%	18.83%	19.18%	20.00%
NPM	12.37%	13.21%	8.87%	8.47%	9.63%	11.02%
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%	24.68%	22.25%
Operating Profit	41.79%	57.04%	3.93%	19.88%	27.01%	27.49%
PBIT	76.60%	59.91%	-20.89%	18.62%	36.78%	39.71%
PAT	226.98%	65.97%	-19.04%	10.47%	41.99%	39.71%
Per Share (Rs.)						
Net Earnings (EPS)	14.74	24.47	19.81	21.88	31.07	43.41
Cash Earnings (CPS)	19.49	31.11	29.69	34.05	44.80	58.39
Dividend	0.00	0.15	0.15	0.15	0.15	0.15
Book Value	72.73	96.34	115.12	134.27	164.14	206.34
Free Cash Flow	3.56	-8.06	-32.87	-18.04	19.00	28.64
Valuation Ratios						
P/E(x)	55.49	33.43	41.30	37.38	26.33	18.84
P/B(x)	11.25	8.49	7.11	6.09	4.98	3.96
EV/EBIDTA(x)	34.39	22.33	22.28	19.17	14.97	11.51
Div. Yield(%)	-	0.02	0.02	0.02	0.02	0.02
FCFF Yield(%)	0.43	(0.99)	(4.02)	(2.21)	2.32	3.50
Return Ratios (%)						
ROE	20.27%	25.40%	17.21%	16.30%	18.93%	21.04%
ROCE	17.99%	21.72%	15.35%	14.67%	17.97%	21.23%

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