



Outlook remains strong

Carysil Ltd reported a decent Q4FY24 performance , however it fell short of expectations by 8%/12%/25% on revenue/ebitda/pat based on our estimates. The company reported its highest ever quarterly gross margins since FY18 but higher other expenses due to freight costs kept the operating margins under check.

Key business highlights

- Exports Revenue for the quarter stood at Rs 1555 Mn up by 38% on YoY and 4% on QoQ
- Domestic Revenue for the quarter stood at Rs 350 Mn up by 7% on YoY and -10% on QoQ
- Quartz sinks volume grew 36% YoY and de-grew by 3% QoQ
- Stainless sinks volume grew 21% YoY and grew 32% QoQ
- Kitchen appliances volumes was flat YoY and de-grew 12.5% QoQ

Key Financial Highlights:

- Revenue at Rs 1,905Mn, +1% qoq/+31% yoy
- EBITDA (excl OI) at Rs 345Mn, -2% qoq/+32% yoy
- EBITDA margin at 18.12% vs 18.73% vs 18.02% in Q3FY24/Q4FY23
- PAT at Rs 158Mn, +3% qoq/+26% yoy
- EPS at Rs 5.8 vs 5.72/4.6 in Q3FY24/Q4FY23

Outlook:

- Management re-iterates its 1000 crs revenue on a consolidated level in FY25 with operating margins in the range of 18 to 20%. This guidance will involve an inorganic acquisition.
- Targeting 15-20% revenue CAGR in the domestic market

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	1,620	2,085
Growth	57.04%	3.93%	19.88%	25.83%	28.69%
Margins (%)	21.4	18.1	18.8	19.0	20.0
Adjusted net profit	653	528	584	859	1,196
Growth	65.97%	-19.04%	10.47%	47.25%	39.17%
EPS (Rs)	24.5	19.8	21.9	32.2	44.8
P/E (x)	36	44	40	27	20
EV/EBITDA (x)	24	24	20	16	12
RoCE (%)	21.72%	15.35%	14.67%	17.68%	21.05%
RoE (%)	25.40%	17.21%	16.30%	19.49%	21.46%

Source: Company, D&B Research

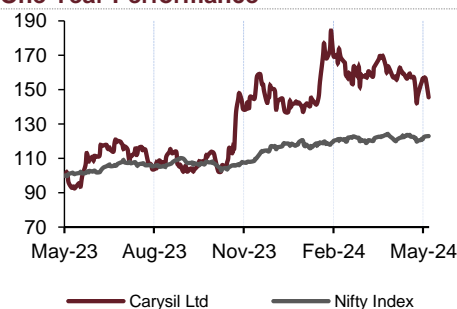
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1,031	17

Market data

Current price	Rs	880
Market Cap (Rs.Bn)	(Rs Bn)	23
Market Cap (US\$ Mn)	(US\$ Mn)	281
Face Value	Rs	2
52 Weeks High/Low	Rs	1150.95 / 542
Average Daily Volume	('000)	10
BSE Code		524091

Bloomberg CARYSIL.IN
Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Apr-24	Dec-23
Promoters	43.84	43.84
Public	56.16	56.16
Total	100	100

Source: Bloomberg

Harsh Shah
+91 22 67141496
harsh.shah@dalal-broacha.com

Concall Highlights:

A. Export Market Operations:

- Demand in UK, USA has been pretty satisfactory while Europe is still facing demand headwinds.
- The company has been acquiring a lot of customers in UK which is reflecting in the revenue growth in Carysil Surfaces. In UK especially, the company is expanding the product portfolio and the acceptance of their value proposition is increasing.
- The company has started operations in Gulf region and it is already running profitable.
- Recently it has signed an agreement with Reece, an Australian retailer co with 100Mn\$ revenue. The management remains optimistic for their Australian operations.
- It aspires to expand its operations across Qatar, Vietnam, Croatia, Saudi Arabia, Turkey.
- The company will start distributing sinks and faucets under Sternhagen brand in Australia.
- Phase 2 within the built in appliances would be launched under Sternhagen brand and target at the moment is the export market.
- Q4 for United Granite has been good and as exports to USA increases the gross margins improve due to better product mix and the momentum has continued even in April.
- **The company is targeting to increase the share of own brands to 30% in global markets as compared to 15%**

B. Domestic Market Operations:

- Targeting 15 to 20% CAGR over the next few years
- The company will continue to increase its dealer network inspite of facing demand headwinds in FY25.
- 3 new experience centres to be opened in next 2 quarters
- Ms Nikkila Shridhar has been appointed as B2B business head for the domestic market, and Mr Rakesh Nair has been appointed as President and Head of the Sternhagen Division.
- South India contributes 27% of sales in domestic market
- Deloitte has been appointed to restructure the domestic operations
- The credit cycle has been tightened to some extent

C. Other Operational Details:

- Employee cost has over the last year made a lot of hiring at various sales roles, one time increments given in Q3FY24 and a lot of manpower has been added in anticipation of expanding manufacturing facilities.
- Other expenses for Q4FY24 has been elevated due to integration of United Granite, marketing spends and elevated freight costs due to red sea issue. Red Sea issues have hampered shipment by 3-4 weeks, resulting in increased freight costs of 2-3% of export sales
- Working capital remained stretched at 120days due to elevated inventories and receivables days due to the Red Sea issue and management expects to normalise in 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. 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.

The company has indicated that the inorganic acquisition could take place and then the company would be able to meet its guidance of 1000crs. We have currently not baked in any sort of acquisition led growth in our estimates.

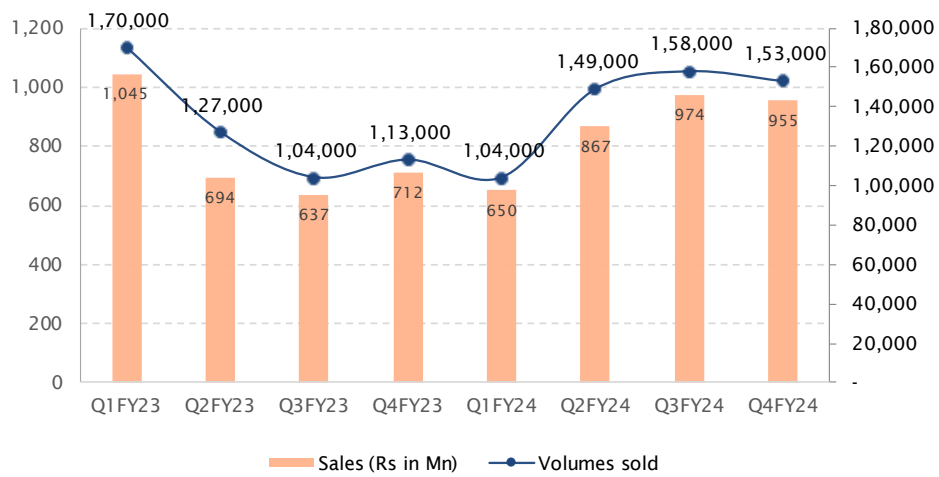
We value the company at 23x FY26EPS of Rs 44.8 and arrive at a target price of Rs 1031, an upside of 17% from CMP of Rs 880 and recommend BUY on DIPS.

Quarterly Snapshot

Carysil					
Particulars (Rs Mns)	Q4FY24	Q4FY23	YoY Growth	Q3FY24	QoQ Growth
Revenue from operations	1,905	1,456	31%	1,880	1%
Other income	19	10	88%	9	112%
Total Income	1,925	1,466		1,889	
Cost of goods sold	780	754	3%	890	-12%
Employee Benefit expenses	176	111	58%	174	2%
Other Expenses	604	328	84%	464	30%
EBITDA (excl other incom	345	262	32%	352	-2%
Less : Depreciation	95	72	31%	81	
PBIT	250	190	32%	271	-8%
Less: Interest cost	58	38	52%	58	
PBT (after exceptional)	212	162	31%	222	-4%
Less : Tax	55	37		68	
PAT	158	125	26%	153	3%
EPS	5.8	4.6		5.72	
Gross Margins	59.07%	48.19%		52.63%	
EBITDA Margins	18.12%	18.02%		18.73%	
Net profit Margin	8.19%	8.53%		8.12%	

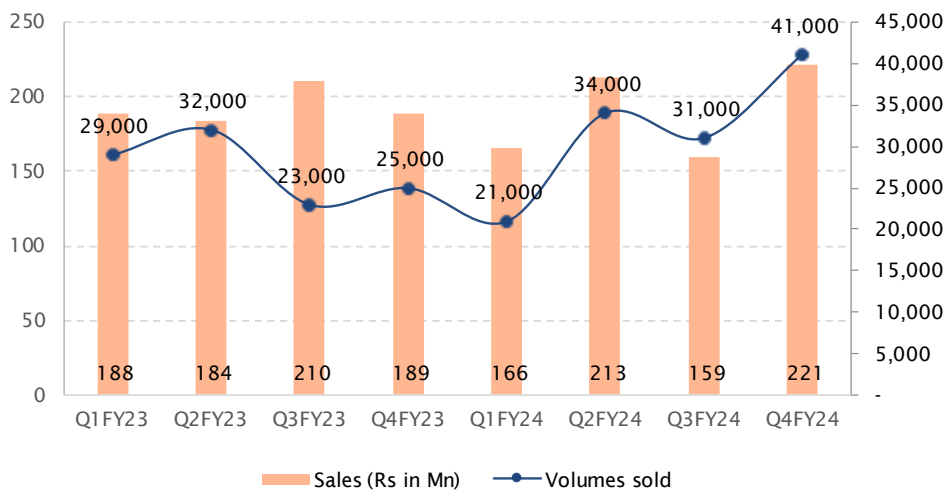
Focus Charts

Exhibit 1: Quartz sink sales and volume



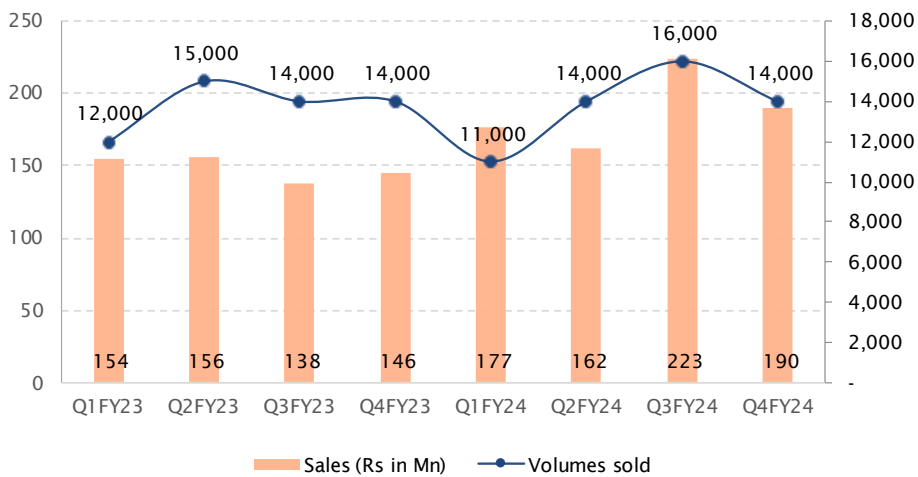
Source: Company, Dalal & Broacha Research

Exhibit 2: Stainless sink sales and volume



Source: Company, Dalal & Broacha Research

Exhibit 3: Kitchen Appliances Sales and volume



Source: Company, Dalal & Broacha Research

FINANCIALS

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	3,097	4,839	5,939	6,838	8,525	10,423
Total Operating Expens	1,418	2,095	3,024	3,149	4,092	5,003
Employee Cost	222	336	449	603	725	834
Other Expenses	799	1,375	1,392	1,799	2,089	2,501
Operating Profit	658	1,033	1,074	1,287	1,620	2,085
Depreciation	127	177	264	324	366	400
PBIT	531	856	810	963	1,254	1,685
Other income	80	101	16	53	80	80
Interest	73	96	145	209	188	170
PBT (Before exceptiona	538	861	681	808	1,146	1,595
Exceptional	-	-	-	-	-	-
PBT (post exceptional)	538	861	681	808	1,146	1,595
Provision for tax	145	208	153	224	286	399
Reported PAT	393	653	528	584	859	1,196
Net Profit	393	653	528	584	859	1,196
Adjusted Profit	393	653	528	584	859	1,196
Balance Sheet (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Equity capital	53	53	54	54	54	54
Reserves	1,886	2,516	3,017	3,528	4,355	5,519
Net worth	1,940	2,569	3,070	3,581	4,408	5,572
Non Current Liabilites	310	538	949	1,317	1,169	1,045
Current Liabilites	1,662	2,426	3,104	3,548	3,629	3,762
TOTAL LIABILITIES	3,912	5,533	7,123	8,447	9,206	10,380
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	4,860	6,010
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	54	321
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	9,206	10,380

FINANCIALS

Cashflow Statement	FY21	FY22	FY23	FY24E	FY25E	FY26E
Cash flow from operating activities						
Profit before tax	538	861	681	808	1,146	1,595
Depreciation & Amortization	127	177	264	324	366	400
Interest expenses	73	96	145	209	188	170
Operating profit before working capital cha	738	1,134	1,090	1,341	1,700	2,165
Working capital adjustment	(28)	(294)	(394)	(703)	(521)	(590)
Gross cash generated from operations	710	840	696	638	1,178	1,575
Direct taxes paid	(145)	(208)	(153)	(224)	(286)	(399)
Others	(111)	(115)	85	153	(21)	(25)
Cash generated from operations	454	516	534	567	871	1,151
	-	-	-	-	-	-
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	-	-	-	-	-	-
Borrow ings/ (Repayments)	37	340	850	772	(300)	(250)
Interest paid	(73)	(96)	(145)	(209)	(188)	(170)
Dividend paid	(53)	(64)	(64)	(64)	(64)	(64)
Others	-	4	-	-	-	-
Cash generated from financing activities	(88)	184	641	500	(552)	(484)
Net cash increase/ (decrease)	18	(25)	49	22	(71)	267

Rat ios	FY21	FY22	FY23E	FY24E	FY25E	FY26E
OPM	21.24%	21.35%	18.08%	18.83%	19.00%	20.00%
NPM	12.37%	13.21%	8.87%	8.47%	9.99%	11.39%
Tax Rate	26.96%	24.19%	22.42%	27.75%	25.00%	25.00%

Growth Rat ios (%)

Net Sales	12.12%	56.24%	22.73%	15.13%	24.68%	22.25%
Operating Profit	41.79%	57.04%	3.93%	19.88%	25.83%	28.69%
PBIT	76.60%	59.91%	-20.89%	18.62%	41.85%	39.17%
PAT	226.98%	65.97%	-19.04%	10.47%	47.25%	39.17%

Per Share (Rs.)

Net Earnings (EPS)	14.74	24.47	19.81	21.88	32.22	44.84
Cash Earnings (CPS)	19.49	31.11	29.69	34.05	45.95	59.83
Dividend	0.00	0.15	0.15	0.15	0.15	0.15
Book Value	72.73	96.34	115.12	134.27	165.29	208.93
Free Cash Flow	3.56	-8.06	-32.87	-18.04	18.04	28.16

Valuation Rat ios

P/E(x)	59.69	35.97	44.43	40.21	27.31	19.62
P/B(x)	12.10	9.13	7.64	6.55	5.32	4.21
EV/EBIDTA(x)	36.91	23.93	23.82	20.45	16.11	12.27
Div. Yield(%)	-	0.02	0.02	0.02	0.02	0.02
FCFF Yield(%)	0.40	(0.92)	(3.74)	(2.05)	2.05	3.20

Return Rat ios (%)

ROE	20.27%	25.40%	17.21%	16.30%	19.49%	21.46%
ROCE	17.99%	21.72%	15.35%	14.67%	17.68%	21.05%

Source: Company, Dalal & Broacha Research

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and

investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com