



### On a strong footing

**Carysil Ltd reported a strong Q3FY24 performance on all metrics however the operating margins were impacted sequentially due to the integration of the United Granite.**

#### Key business highlights

- Exports Revenue for the quarter stood at Rs 1492 Mn up by 37% on YoY and 16% on QoQ
- Domestic Revenue for the quarter stood at Rs 388 Mn up by 35% on YoY and 12% on QoQ
- Quartz sinks volume grew 51% YoY and 6% QoQ
- Stainless sinks volume grew 35% YoY and de-grew 9% QoQ
- Kitchen appliances volumes grew by 14% YoY and QoQ

#### Key Financial Highlights:

- Revenue at Rs 1,880Mn, +15% qoq/+36% yoy
- EBITDA (excl OI) at Rs 352Mn, +7% qoq/+43% yoy
- EBITDA margin at 18.73% vs 20.13% vs 17.84% in Q2FY24/Q3FY23
- PAT at Rs 153Mn, -2% qoq/+31% yoy
- EPS at Rs 5.72 vs 5.76/4.5 in Q2FY24/Q3FY23

#### Outlook:

- Management re-iterates its 1000 crs revenue (69% growth over FY23) on a consolidated level in FY25 with operating margins in the range of 18 to 20%
- Targeting 200 crs (25% CAGR over FY23) in the domestic market within the next 2 years

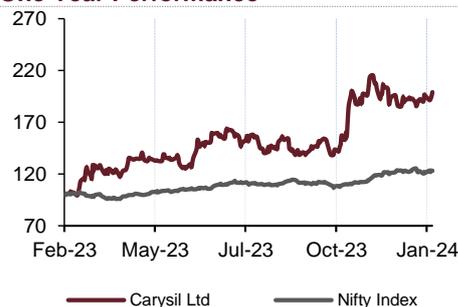
Rating	TP (Rs)	Up/Dn (%)
<b>BUY ON DIPS</b>	<b>1,104</b>	<b>25</b>

#### Market data

Current price	Rs	882
Market Cap (Rs.Bn)	(Rs Bn)	24
Market Cap (US\$ Mn)	(US\$ Mn)	285
Face Value	Rs	2
52 Weeks High/Low	Rs	980 / 432
Average Daily Volume	('000)	404
BSE Code		524091
Bloomberg		CARYSIL.IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	43.84	43.84
Public	56.16	56.16
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bloomberg

#### Financial Summary

Y/E Mar (Rs mn)	FY22	FY23E	FY24E	FY25E	FY26E
Net sales	4,839	5,939	7,002	9,400	10,879
<b>Growth</b>	<b>56.24%</b>	<b>22.73%</b>	<b>17.90%</b>	<b>34.24%</b>	<b>15.74%</b>
EBIDTA	1,033	1,074	1,394	1,950	2,257
<b>Growth</b>	<b>57.04%</b>	<b>3.93%</b>	<b>29.83%</b>	<b>39.89%</b>	<b>15.74%</b>
Margins (%)	21.4	18.1	19.9	20.8	20.8
Adjusted net profit	653	528	739	1,126	1,339
<b>Growth</b>	<b>65.97%</b>	<b>-19.04%</b>	<b>39.88%</b>	<b>52.41%</b>	<b>18.85%</b>
EPS (Rs)	24.5	19.8	27.7	42.2	50.2
P/E (x)	36	45	32	21	18
EV/EBITDA (x)	24	24	18	13	11
RoCE (%)	21.72%	15.35%	17.34%	21.75%	21.73%
RoE (%)	25.40%	17.21%	19.56%	23.12%	21.67%

Source: Dalal & Broacha

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## Concall Highlights:

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- To increase management bandwidth the company is hiring at mid and senior levels with rapid expansion in the sales team
- **Demand Scenario:** The inventory situation at the dealer level in the export market has normalised and this has provided a good visibility to the company. US and UK markets have been doing pretty well while Europe is still under some pressure due to macro conditions.
- **The company has entered into an arrangement with HOWDENS UK (No1 kitchen player in UK with 3.3 Bn \$ revenue) for supply of sinks.** The order size is not quantified but the company has directionally guided that going forward there is a possibility that Carysil would be handed the entire quantity of quartz sinks sold by HOWDENS.
- The recent acquisition of United Granite LLC has contributed 15crs to Q3FY24 revenue.
- The company will be starting delivery of stainless sinks to IKEA in Q4FY24.
- Within the domestic markets the B2B segment has cracked a lot of customers including DLF. The company is going to triple its sales team within the B2B segment in the next 6 months.
- UK acquisitions: The company is trying to streamline the operations and centralise the operations leading to improve operational efficiencies.
- The employee cost increased 40% QoQ which was mainly due to one time increment given and increase in the workforce which impacted the operating margins.
- Gross debt at 270 crs and net debt at 260 crs

## Valuations and Outlook:

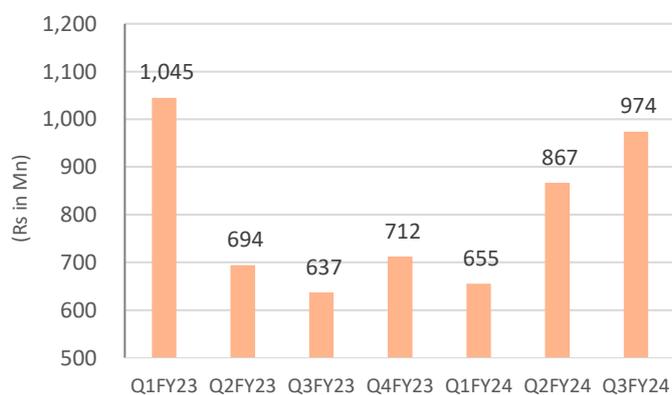
We remain optimistic on Carysil in the mid to long term primarily due to its positioning as one of the leaders in global quartz sinks market which is growing at 15-20% CAGR. We expect Sales/Ebitda/Pat to grow at 26%/36%/47% from FY23-25E on the basis of partnerships with global retailers providing revenue 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. At CMP of Rs 882, the stock is trading at 21x FY25E of Rs 42 and 18x FY26E of Rs 50, we maintain a **BUY on DIPS recommendation on the stock with a target price of Rs 1,104 (upside of 25%)**.

## Quarterly Snapshot

Carysil Particulars (Rs Mns)	Q3FY24	Q3FY23	YoY Growth	Q2FY24	QoQ Growth
Revenue from operations	1,880	1,378	36%	1,636	15%
Other income	9	2	478%	12	-25%
<b>Total Income</b>	<b>1,889</b>	<b>1,380</b>		<b>1,648</b>	
Cost of goods sold	890	706	26%	769	16%
Employee Benefit expenses	174	122	43%	124	40%
Other Expenses	464	304	52%	413	12%
<b>EBITDA (excl other incon</b>	<b>352</b>	<b>246</b>	43%	<b>329</b>	7%
Less : Depreciation	81	70	16%	77	
PBIT	271	176	54%	253	7%
Less: Interest cost	58	40	47%	47	
PBT (after exceptional)	222	138	61%	218	2%
Less : Tax	68	21		62	
<b>PAT</b>	<b>153</b>	<b>117</b>	31%	<b>156</b>	-2%
<b>EPS</b>	<b>5.72</b>	<b>4.5</b>		<b>5.76</b>	
Gross Margins	52.63%	48.76%		52.97%	
EBITDA Margins	18.73%	17.84%		20.13%	
Net profit Margin	8.12%	8.48%		9.47%	

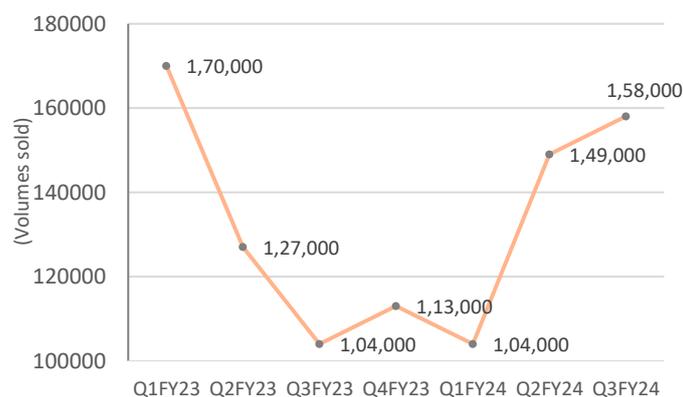
## Focus Charts

Exhibit 1: Quartz sink sales



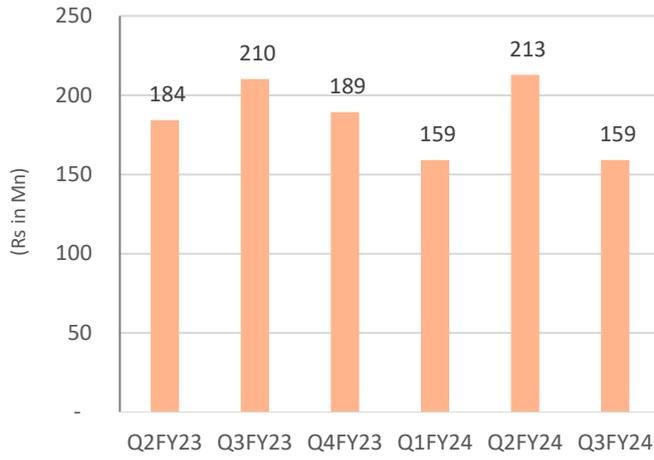
Source: Company, Dalal &amp; Broacha Research

Exhibit 2: Quartz sink sales volume



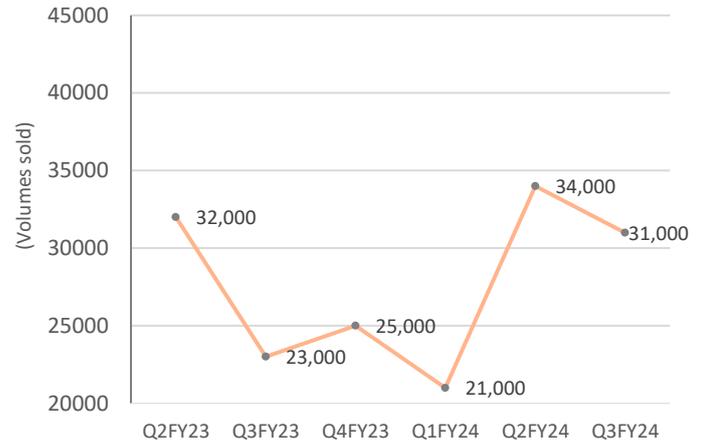
Source: Company, Dalal &amp; Broacha Research

**Exhibit 3: Stainless sink sales**



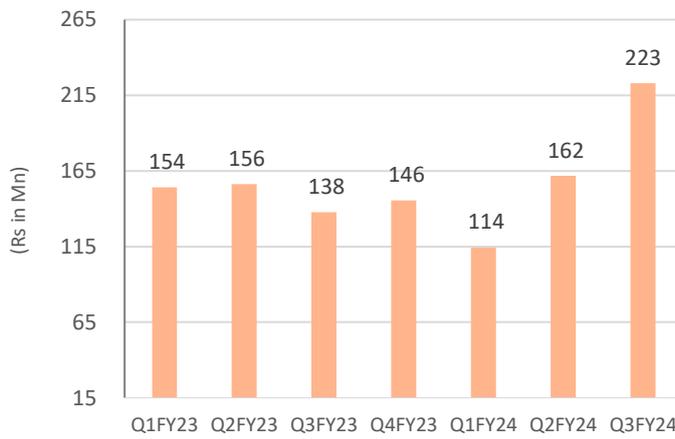
Source: Company, Dalal & Broacha Research

**Exhibit 4: Stainless sink sales volume**



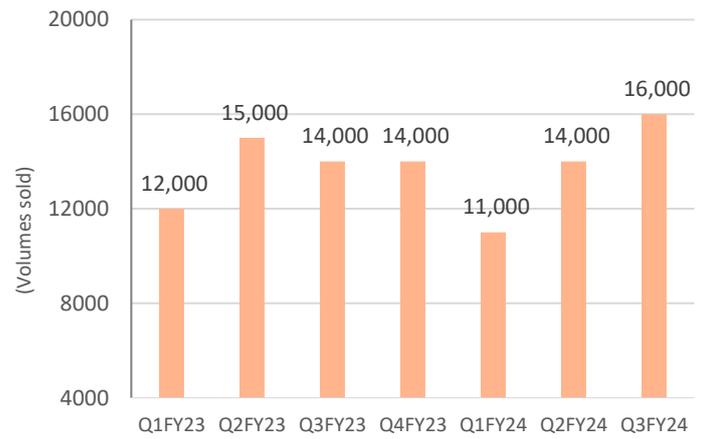
Source: Company, Dalal & Broacha Research

**Exhibit 5: Kitchen Appliances Sales**



Source: Company, Dalal & Broacha Research

**Exhibit 6: Kitchen Appliances Sales 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	7,002	9,400	10,879
Total Operating Expenses	1,418	2,095	3,024	3,361	4,512	5,222
Employee Cost	222	336	449	566	681	789
Other Expenses	799	1,375	1,392	1,681	2,256	2,611
<b>Operating Profit</b>	<b>658</b>	<b>1,033</b>	<b>1,074</b>	<b>1,394</b>	<b>1,950</b>	<b>2,257</b>
Depreciation	127	177	264	298	338	362
PBIT	531	856	810	1,096	1,613	1,896
Other income	80	101	16	80	80	80
Interest	73	96	145	191	191	191
PBT ( Before exceptional )	538	861	681	985	1,502	1,785
Exceptional	-	-	-	-	-	-
PBT (post exceptional)	538	861	681	985	1,502	1,785
Provision for tax	145	208	153	246	375	446
Reported PAT	393	653	528	739	1,126	1,339
Net Profit	393	653	528	739	1,126	1,339
<b>Adjusted Profit</b>	<b>393</b>	<b>653</b>	<b>528</b>	<b>739</b>	<b>1,126</b>	<b>1,339</b>

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	3,724	4,818	6,124
<b>Net worth</b>	<b>1,940</b>	<b>2,569</b>	<b>3,070</b>	<b>3,777</b>	<b>4,871</b>	<b>6,178</b>
<b>Non Current Liabilites</b>	<b>310</b>	<b>538</b>	<b>949</b>	<b>1,335</b>	<b>1,336</b>	<b>1,337</b>
<b>Current Liabilites</b>	<b>1,662</b>	<b>2,426</b>	<b>3,104</b>	<b>3,222</b>	<b>3,570</b>	<b>3,799</b>
<b>TOTAL LIABILITIES</b>	<b>3,912</b>	<b>5,533</b>	<b>7,123</b>	<b>8,335</b>	<b>9,777</b>	<b>11,314</b>
<b>Non Current Assets</b>	<b>1,703</b>	<b>2,458</b>	<b>3,514</b>	<b>3,840</b>	<b>4,012</b>	<b>3,961</b>
Fixed Assets	1,380	2,031	2,384	2,638	2,800	2,739
Goodwill	239	239	1,034	1,112	1,112	1,112
Non Current Investments	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	12	16	40	25	25	25
Other Non Current Assets	71	171	56	65	75	86
<b>Current Assets</b>	<b>2,209</b>	<b>3,076</b>	<b>3,609</b>	<b>4,495</b>	<b>5,765</b>	<b>7,353</b>
Current investments	-	-	-	-	-	-
Inventories	546	1,042	1,306	1,539	2,067	2,392
Trade Receivables	830	1,004	1,031	1,215	1,631	1,888
Cash and Bank Balances	201	113	102	536	828	1,795
Advances	1	2	3	3	3	3
Other Current Assets	630	915	1,167	1,201	1,237	1,274
<b>TOTAL ASSETS</b>	<b>3,912</b>	<b>5,533</b>	<b>7,123</b>	<b>8,335</b>	<b>9,777</b>	<b>11,314</b>

## FINANCIALS

Cashflow Statement	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Cash flow from operating activities</b>						
Profit before tax	538	861	681	985	1,502	1,785
Depreciation & Amortization	127	177	264	298	338	362
Interest expenses	73	96	145	191	191	191
<b>Operating profit before working capital cha</b>	<b>738</b>	<b>1,134</b>	<b>1,090</b>	<b>1,474</b>	<b>2,030</b>	<b>2,337</b>
Working capital adjustment	(28)	(294)	(394)	(246)	(594)	(355)
<b>Gross cash generated from operations</b>	<b>710</b>	<b>840</b>	<b>696</b>	<b>1,228</b>	<b>1,436</b>	<b>1,983</b>
Direct taxes paid	(145)	(208)	(153)	(246)	(375)	(446)
Others	(111)	(115)	85	1	(14)	(14)
<b>Cash generated from operations</b>	<b>454</b>	<b>516</b>	<b>531</b>	<b>983</b>	<b>1,047</b>	<b>1,523</b>
	-	-	-	-	-	-
<b>Cash flow from investing activities</b>						
Capex	(359)	(731)	(1,411)	(630)	(500)	(300)
Investment	-	(3)	3	-	-	-
Others	12	9	-	-	-	-
<b>Cash generated from investment activities</b>	<b>(348)</b>	<b>(725)</b>	<b>(1,408)</b>	<b>(630)</b>	<b>(500)</b>	<b>(300)</b>
<b>Cash flow from financing activities</b>						
Proceeds from issue of share	-	-	-	-	-	-
Borrow ings/ (Repayments)	37	340	850	335	-	-
Interest paid	(73)	(96)	(145)	(191)	(191)	(191)
Dividend paid	(53)	(64)	(64)	(64)	(64)	(64)
Others	-	4	-	-	-	-
<b>Cash generated from financing activities</b>	<b>(88)</b>	<b>184</b>	<b>641</b>	<b>81</b>	<b>(255)</b>	<b>(255)</b>
<b>Net cash increase/ (decrease)</b>	<b>18</b>	<b>(25)</b>	<b>50</b>	<b>433</b>	<b>292</b>	<b>968</b>
<b>Ratios</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
OPM	21.24%	21.35%	18.08%	19.91%	20.75%	20.75%
NPM	12.37%	13.21%	8.87%	10.43%	11.88%	12.21%
Tax Rate	26.96%	24.19%	22.42%	25.00%	25.00%	25.00%
<b>Growth Ratios (%)</b>						
Net Sales	12.12%	56.24%	22.73%	17.90%	34.24%	15.74%
Operating Profit	41.79%	57.04%	3.93%	29.83%	39.89%	15.74%
PBIT	76.60%	59.91%	-20.89%	44.69%	52.41%	18.85%
PAT	226.98%	65.97%	-19.04%	39.88%	52.41%	18.85%
<b>Per Share (Rs.)</b>						
Net Earnings (EPS)	14.74	24.47	19.81	27.71	42.23	50.19
Cash Earnings (CPS)	19.49	31.11	29.69	38.89	54.90	63.75
Dividend	0.00	0.15	0.15	0.15	0.15	0.15
Book Value	72.73	96.34	115.12	141.62	182.65	231.63
Free Cash Flow	3.56	-8.06	-32.98	13.22	20.51	45.85
<b>Valuation Ratios</b>						
P/E(x)	59.83	36.05	44.53	31.83	20.89	17.57
P/B(x)	12.13	9.16	7.66	6.23	4.83	3.81
EV/EBIDTA(x)	36.99	23.99	23.87	18.31	12.94	10.75
Div. Yield(%)	-	0.02	0.02	0.02	0.02	0.02
FCFF Yield(%)	0.40	(0.91)	(3.74)	1.50	2.32	5.20
<b>Return Ratios (%)</b>						
ROE	20.27%	25.40%	17.21%	19.56%	23.12%	21.67%
ROCE	17.99%	21.72%	15.35%	17.34%	21.75%	21.73%

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