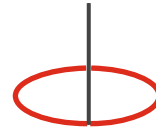


Plant Visit Note

12th January, 2024



DALAL & BROACHA
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On a strong footing

We visited Carysil's manufacturing plant situated at Bhavnagar, Gujarat, followed by a management interaction with Mr. Chirag Parekh (MD & CEO) and Mr. Anand Sharma (CFO).

Guidance:

- The management remains confident of achieving a topline of Rs ~1000 crs by FY25 with focus on operating margins to be ~20%.
- The management has directionally guided for 15 to 20% revenue growth over the next 4-5 years.

Our View: 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.

We maintain our Buy on Dips recommendation with a target price of Rs 943.

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E	CAGR FY20-25E
Net sales	3,097	4,839	5,939	7,014	9,394	27.7%
Growth	12.12%	56.24%	22.73%	18.11%	33.92%	
EBIDTA	658	1,033	1,074	1,438	1,973	33.6%
Growth	41.79%	57.04%	3.93%	33.90%	37.19%	
Margins (%)	21.2	21.4	18.1	20.5	21.0	
Adjusted net profit	393	653	528	772	1,143	56.9%
Growth	226.98%	65.97%	-19.04%	46.08%	48.11%	
EPS (Rs)	14.7	24.5	19.8	28.9	42.9	
P/E (x)	58	35	43	30	20	
EV/EBITDA (x)	36	23	23	17	12	
RoCE (%)	17.99%	21.72%	15.35%	17.94%	21.90%	
RoE (%)	20.27%	25.40%	17.21%	20.26%	23.23%	

Source: Dalal & Broacha



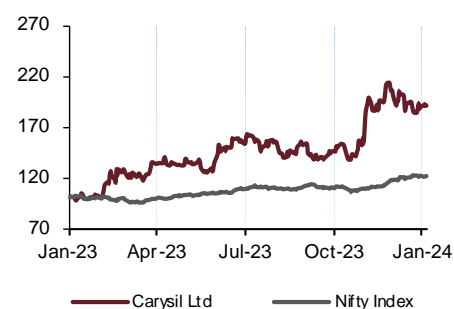
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	943	11

Market data

Current price	Rs	853
Market Cap (Rs.Bn)	(Rs Bn)	23
Market Cap (US\$ Mn)	(US\$ Mn)	275
Face Value	Rs	2
52 Weeks High/Low	Rs	980 / 431.05
Average Daily Volume	('000)	39
BSE Code		524091
Bloomberg		CARYSIL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-22	Sep-22
Promoters	43.91	43.91
Public	56.09	56.09
Total	100	100

Source: Bloomberg

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Growth Drivers:

- **Sustained Capacity Expansion:** Carysil has consistently expanded its production capacity to meet the escalating demand for quartz and stainless sinks, experiencing a remarkable growth of 4.5 times in the past decade.
- **Europe+1 Advantage:** Positioned for the Europe+1 opportunity, Carysil stands out with a significant cost advantage of approximately 35 to 40% over its global competitors, enhancing its potential for market dominance.
- **Diversification into Built-in Kitchen Appliances:** Identifying growth avenues, Carysil is actively exploring opportunities in the built-in kitchen appliances sector, aligning with evolving consumer preferences.
- **UK Market Strengthening:** Through the strategic acquisition of Tickford Orange Ltd, Carysil aims to solidify its presence in the UK, opening up new sales channels and fostering cross-selling opportunities.
- **Global Partnerships Reinforcement:** Carysil is committed to deepening its strategic alliances with key global players such as GROHE, Karran, and IKEA, solidifying its position in the international market.
- **USA Market Entry:** In a bold move to tap into the largest fabrication market (estimated at \$10 billion), Carysil plans to enter the USA through the acquisition of United Granite, signaling its global expansion strategy.
- **Geographical Expansion:** Carysil is actively exploring new markets, targeting countries like Australia, New Zealand, Gulf nations, and France to broaden its global footprint.
- **Domestic Market Penetration:** Focused on strengthening its domestic market presence, Carysil continues to expand its dealer network and diversify its product portfolio, ensuring a comprehensive offering for the local consumer base.

Plant Visit and Management Interaction Key Takeaways:

- **Land Expansion:** Carysil's manufacturing facility spans an impressive 30,000 sqmt, featuring dedicated blocks for quartz sinks, steel sinks, and built-in appliances. The company has strategically acquired additional land, expanding its footprint to three times its current size.
- **Dynamic Acquisition Approach:** Carysil remains agile in its acquisition strategy, particularly in the USA. Funding for any potential acquisition will involve a blend of debt and internal accruals, operating on an asset-light model. The motivation behind such acquisitions is multifaceted, aiming to secure market access, technological advancements, and the ability to cross-sell existing product lines.
- **USA Market Potential:** The USA market stands out as a beacon of opportunity for Carysil. With a growing adoption of quartz sinks and a sizable replacement market, where sinks are replaced every 4-5 years, Carysil sees tremendous potential. The recent acquisition of United Granite has opened doors to the \$10 billion fabrication market, allowing Carysil to offer integrated kitchen solutions through United Granite.
- **Increasing Global Partnerships:** Carysil's products are available in renowned retail outlets such as Krauss & Karran, Menard, Home Depots, and Lowe's. Exclusive supplier status with Menard enhances the brand's visibility. In the UK, the acquisition of Sylmar Technology has resulted in the addition of 40 new customers, while in Australia, a partnership with Reece, the largest supplier of bathroom and plumbing products, expands its reach across 450 stores.
- **Domestic Growth Strategy:** In the domestic market, Carysil aims to maintain its brand's premium status, targeting a robust annual growth of 15 to 20%. Recognizing the importance of offering a comprehensive range, the company emphasizes providing dealers with a diverse product basket to ensure a decent return on investment.
- **Diversification into Built in Kitchen Appliances:** Carysil is diversifying its offerings by venturing into the manufacturing of built in kitchen appliances like Chimneys, hobs, cooktops, wine chillers etc While up to 60% will be produced in India, the remaining portion will be imported. This strategic move complements its existing product line, enhancing brand equity without significant capital investment.
- **Enhancing Brand Equity:** Carysil has successfully launched products under its brand in the UAE, Saudi Arabia, and Oman, showcasing its commitment to establishing a global brand presence.
- **Strategic Collaboration with IKEA:** Carysil's collaboration with IKEA has evolved, with the company becoming the exclusive fabricator in India. Ongoing talks suggest the potential for an exclusive fabricator role across the USA, UK, and Europe, further solidifying Carysil's international standing.

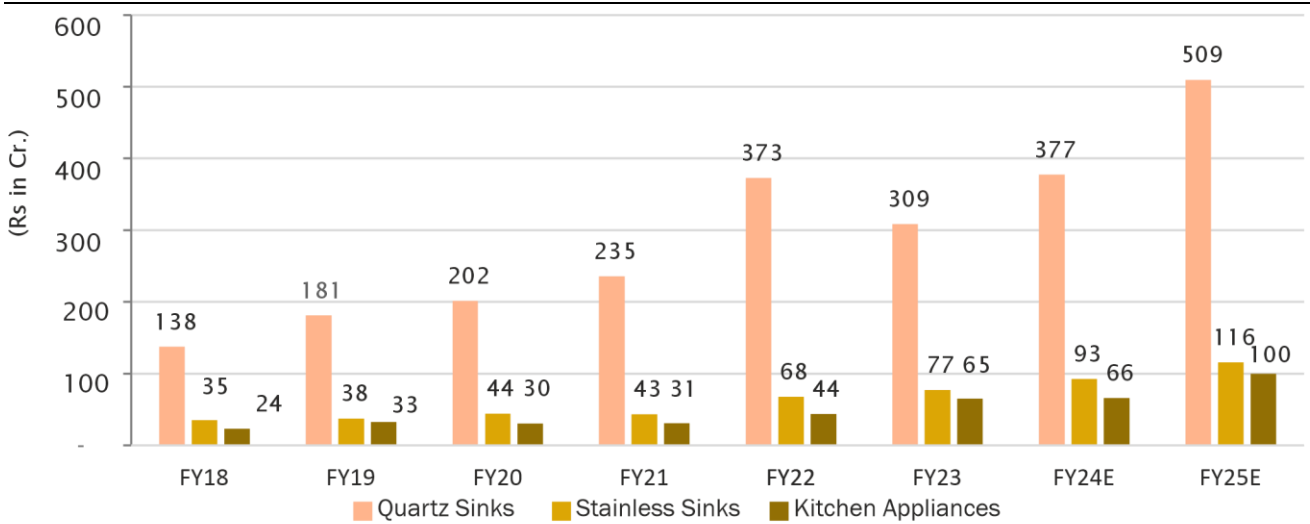
Land available for expansion is 3x of the current land parcel

Acquisition of United Granite has opened doors for Carysil in the fabrication market worth 10 bn\$ in USA

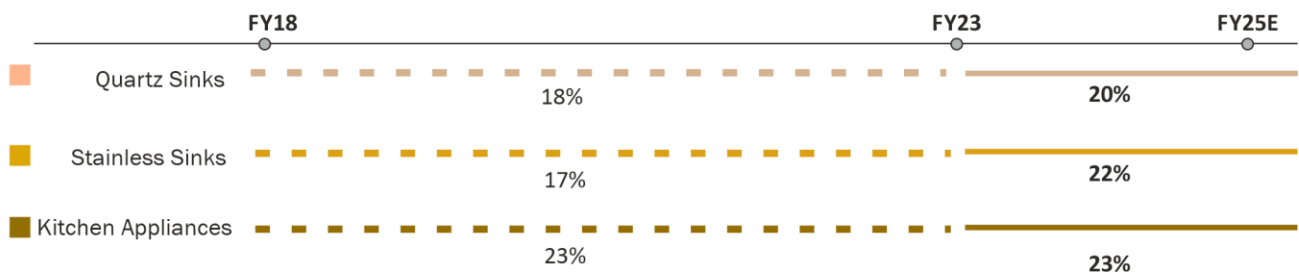
IKEA represents a global opportunity across various product categories

Focus Charts:

Exhibit 1: Product wise revenue trend

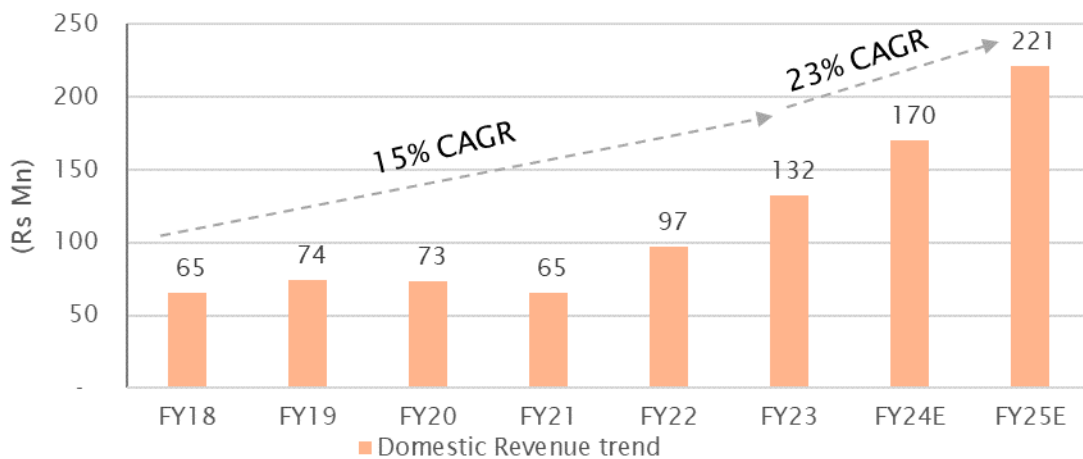


CAGR of Three Products



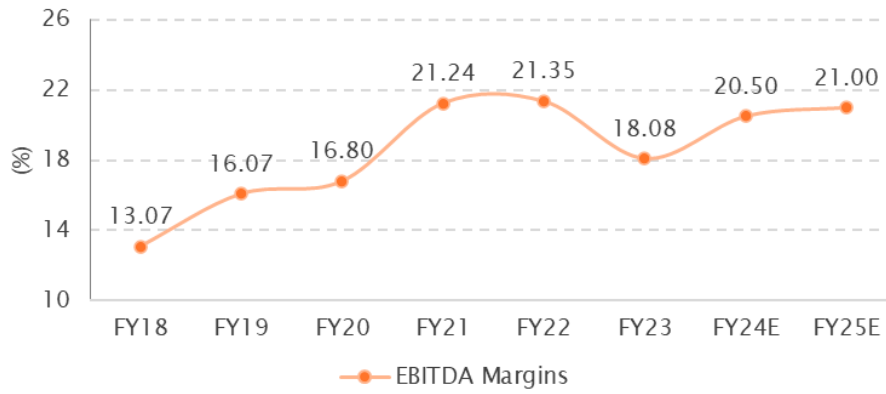
Source: Company, Dalal & Broacha Research

Exhibit 2: Domestic Revenue Trend continue to grow at healthy rate



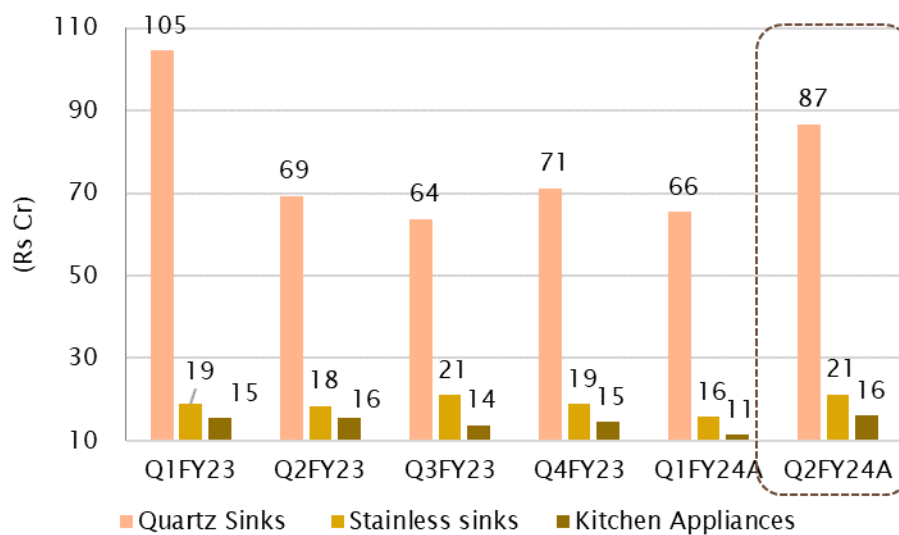
Company, Dalal & Broacha Research

Exhibit 3: EBITDA Margins to improve due to operating leverage (%)



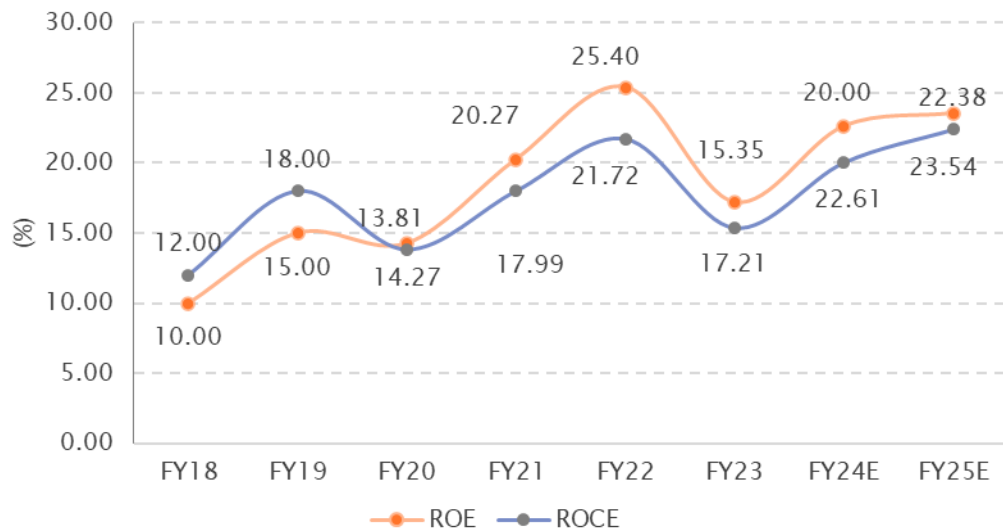
Company, Dalal & Broacha Research

Exhibit 4: Q2FY24 seeing recovery in the operations



Company, Dalal & Broacha Research

Exhibit 5: Healthy Return Ratios



Company, Dalal & Broacha Research

FINANCIALS

P&L (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	2,762	3,097	4,839	5,939	7,014	9,394
Total Operating Expenses	1,374	1,418	2,095	3,024	3,367	4,509
Employee Cost	222	222	336	449	526	681
Other Expenses	703	799	1,375	1,392	1,683	2,231
Operating Profit	464	658	1,033	1,074	1,438	1,973
Depreciation	119	127	177	264	298	338
PBIT	345	531	856	810	1,140	1,635
Other income	47	80	101	16	80	80
Interest	87	73	96	145	191	191
PBT (Before exceptional)	305	538	861	681	1,029	1,524
Exceptional	-	-	-	-	-	-
PBT (post exceptional)	305	538	861	681	1,029	1,524
Provision for tax	76	145	208	153	257	381
Reported PAT	120	393	653	528	772	1,143
Net Profit	120	393	653	528	772	1,143
Adjusted Profit	120	393	653	528	772	1,143

Balance Sheet (Rs mn)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	53	53	53	54	54	54
Reserves	1,548	1,886	2,516	3,017	3,756	4,867
Net worth	1,602	1,940	2,569	3,070	3,810	4,921
Non Current Liabilites	243	310	538	949	1,335	1,336
Current Liabilites	1,401	1,662	2,426	3,104	3,224	3,569
TOTAL LIABILITIES	3,245	3,912	5,533	7,123	8,369	9,826
Non Current Assets	1,388	1,703	2,458	3,514	3,840	4,012
Fixed Assets	1,100	1,380	2,031	2,384	2,638	2,800
Goodwill	239	239	239	1,034	1,112	1,112
Non Current Investments	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	15	12	16	40	25	25
Other Non Current Assets	34	71	171	56	65	75
Current Assets	1,858	2,209	3,076	3,609	4,529	5,814
Current investments	-	-	-	-	-	-
Inventories	597	546	1,042	1,306	1,542	2,065
Trade Receivables	623	830	1,004	1,031	1,217	1,630
Cash and Bank Balances	196	201	113	102	565	878
Short Term Loans and Advances	1	1	2	3	3	3
Other Current Assets	441	630	915	1,167	1,201	1,237
TOTAL ASSETS	3,246	3,912	5,533	7,123	8,369	9,826

FINANCIALS

Cashflow Statement	FY20	FY21	FY22	FY23	FY24E	FY25E
Cash flow from operating activities						
Profit before tax	305	538	861	681	1,029	1,524
Depreciation & Amortization	119	127	177	264	298	338
Interest expenses	87	73	96	145	191	191
Operating profit before working capital cha	511	738	1,134	1,090	1,518	2,053
Working capital adjustment	(162)	(28)	(294)	(394)	(249)	(590)
Gross cash generated from operations	349	710	840	696	1,269	1,463
Direct taxes paid	(76)	(145)	(208)	(153)	(257)	(381)
Others	28	(111)	(115)	85	1	(14)
Cash generated from operations	245	454	516	531	1,013	1,068
	-	-	-	-	-	-
Cash flow from investing activities						
Capex	(199)	(359)	(731)	(1,411)	(630)	(500)
Investment	-	-	(3)	3	-	-
Others	5	12	9	-	-	-
Cash generated from investment activities	(195)	(348)	(725)	(1,408)	(630)	(500)
Cash flow from financing activities						
Proceeds from issue of share	(62)	-	-	-	-	-
Borrowings/ (Repayments)	(43)	37	340	850	335	-
Interest paid	(87)	(73)	(96)	(145)	(191)	(191)
Dividend paid	(31)	(53)	(64)	(64)	(64)	(64)
Others	123	-	4	-	-	-
Cash generated from financing activities	(99)	(88)	184	641	81	(255)
	-	-	-	-	-	-
Net cash increase/ (decrease)	8	18	(25)	50	463	313
Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
OPM	16.80%	21.24%	21.35%	18.08%	20.50%	21.00%
NPM	4.28%	12.37%	13.21%	8.87%	10.88%	12.06%
Tax Rate	25.00%	26.96%	24.19%	22.42%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	9.79%	12.12%	56.24%	22.73%	18.11%	33.92%
Operating Profit	14.74%	41.79%	57.04%	3.93%	33.90%	37.19%
PBIT	25.92%	76.60%	59.91%	-20.89%	51.11%	48.11%
PAT	-31.22%	226.98%	65.97%	-19.04%	46.08%	48.11%
Per Share (Rs.)						
Net Earnings (EPS)	4.51	14.74	24.47	19.81	28.94	42.86
Cash Earnings (CPS)	8.98	19.49	31.11	29.69	40.11	55.52
Dividend	0.00	0.00	0.15	0.15	0.15	0.15
Book Value	60.05	72.73	96.34	115.12	142.85	184.50
Free Cash Flow	19.64	65.11	132.97	89.76	-58.86	141.24
Valuation Ratios						
P/E(x)	190.97	58.41	35.19	43.47	29.76	20.09
P/B(x)	14.34	11.84	8.94	7.48	6.03	4.67
EV/EBIDTA(x)	51.00	36.14	23.44	23.35	17.35	12.49
Div. Yield(%)	-	-	0.02	0.02	0.02	0.02
FCFF Yield(%)	2.28	7.56	15.44	10.43	(6.84)	16.40
Return Ratios (%)						
ROE	14.27%	20.27%	25.40%	17.21%	20.26%	23.23%
ROCE	13.81%	17.99%	21.72%	15.35%	17.94%	21.90%

Company, Dalal & Broacha Research

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