

Carysil Ltd.

No. of shares (m)	28.42
Mkt cap (Rscr/\$m)	2259/269.8
Current price (Rs/\$)	795/9.5
Price target (Rs/\$)	909/10.9
52 W H/L (Rs.)	1150/593
Book Value (Rs/\$)	88/1.1
Beta	0.4
Daily NSE volume (avg. monthly)	101750
P/BV (FY25e/26e)	5.3/4.5
EV/EBITDA (FY25e/26e)	16.5/14.6
P/E (FY25e/26e)	32.6/26.3
EPS growth (FY24/25e/26e)	10.2/13.0/24.1
OPM (FY24/25e/26e)	18.8/19.0/18.8
ROE (FY24/25e/26e)	26.9/21.1/18.6
ROCE (FY24/25e/26e)	15.2/14.7/15.6
D/E ratio (FY24/25e/26e)	1.3/0.4/0.2
BSE Code	524091
NSE Code	CARYSIL
Bloomberg	CARYSIL IN
Reuters	CARY.NS

Shareholding pattern

	%
Promoters	41.4
MFs / Banks / FIs	10.8
Foreign Portfolio Investors	2.2
Govt. Holding	-
Public & Others	45.6
Total	100.0

As on July 3, 2024

Recommendation

ACCUMULATE

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Quarterly Highlights

- Revenue from operations of Carysil grew by 15.1% to Rs 683.76 crs in FY24 from Rs 593.89 crs in FY23. The contribution from exports and domestic sales stood at ~80% and 20% respectively. The expansion of Company's presence in GCC countries proved to be fruitful with a positive EBITDA. The demand in US and UK were promising, whereas the demand in Germany was depressed. Growth in domestic demand was sluggish at 8% (Rs 136.8 crs in FY24 vs Rs 126.6 crs in FY23). The Company expects revival in domestic demand if monsoons are normal and launch of premium products prove successful.
- Carysil is focusing to grow both, organically and inorganically. In Q2FY24, the Company acquired 43,379 sq. mtrs. of land in Bhavnagar, Gujarat at a cost of ~ Rs 9.07 crs for future expansion. In Q3FY24, Carysil strategically acquired 100% Membership Interest of 'United Granite LLC' in USA. This acquisition will aid the Company in expanding its market share in the USA kitchen segment. Carysil has joined hands with Howdens UK (number 1 trade kitchen supplier in the UK) to supply sinks. The Company commenced manufacturing of kitchen appliances in last fiscal and may capture any suitable inorganic growth opportunity.
- Operating profit grew by 31.6% to Rs 34.53 crs in Q4FY24 from Rs 26.24 crs in Q4FY23. OPM stood at 18.1% in Q4FY24. One of the reasons behind the growth in operating profit was surge in sales in USA in Q4. The increasing demand for composite quartz kitchen sinks in the stores of IKEA also contributed to the margins. The operational efficiency within the Company also improved. Going forward revenue growth will come from the introduction of built-in appliances (with TFT models) in the Indian market.
- The stock currently trades at 32.6x FY25e EPS of Rs 24.39 and 26.3x FY26e EPS of Rs 33.29. The company is adding value added products to its portfolio such as faucets, solid surface sink which will help in improving OPM in coming future. The Company is planning to venture into tier2/tier 3 cities which will contribute towards revenue growth in future. Earnings are estimated to grow by 20% in FY25e and by 24.1% in FY26e. Weighing odds, we retain 'accumulate' rating on the stock with revised target of Rs 909 (previous target: Rs 776) based on 30x FY26e EPS over a period of 9-12 months.

Consolidated (Rs crs)	FY22	FY23	FY24	FY25e	FY26e
Income from operations	483.90	593.89	683.76	785.60	903.19
Other Income	10.07	1.59	5.34	4.90	5.19
EBITDA (other income included)	114.72	108.98	134.08	154.16	174.99
Consolidated Net Profit (Adjusted)	64.35	52.35	57.78	69.32	86.06
EPS(Rs)	24.11	19.55	21.55	24.39	30.29
EPS growth (%)	64.5	-18.9	10.2	13.0	24.1

Industry Overview

According to a report by Global Market Insights, the global home improvement market is anticipated to grow at a CAGR of 6%. The industry is expected to gain momentum due to rise in urban population (mostly youth) who seek to enhance the ambience at home as they spend most of the time there due to 'work from home' mode of working. The change in consumer preferences to live in luxurious spaces has led in the rise of this industry. Nowadays, people want to live in smart homes where products have multiple automated features and exhibits contemporary style of living. As interest rate on home loan is increasing, buyers opt for renovating their existing homes rather than spending hefty amount in buying a new home.

Do-it-yourself projects are also available for customers who seek budget alternatives for highly priced products. With this evolving mindset of the consumers and a range of product offerings by the suppliers, the global home improvement industry is sure to flourish in the near future. North America dominates the industry globally, whereas China dominates the industry in the Asia Pacific region. The factors that might hinder the growth of the industry are fluctuations in raw material prices and lack of skilled labour.

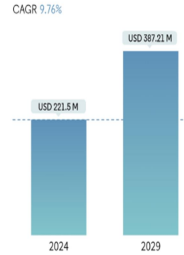
DIY Home Improvement Market
Market Size in USD Trillion
CAGR 9.94%



Source: Mordor Intelligence



India Kitchen Sink and Other Related Markets
Market Size in USD Million
CAGR 9.76%



Source: Mordor Intelligence



Source: Mordor Intelligence

Global Quartz Sink Market



Source: Grand View Research

The largest segment of the home improvement industry is the kitchen and bathroom segment. The kitchen sink market is sensitive to the growth trajectory of home improvement market. With a revenue of USD 221.5 million in 2024 and an expectation to reach USD 387.21 million by 2029, the Indian kitchen sink and other related markets industry is forecasted to grow at a CAGR of 9.76% between 2020-2029 by Mordor Intelligence.

Rise in urbanisation in the Indian subcontinent has shot up the demand for products which are durable as well as has a modern touch. The aggregate demand for such products is also fueled by rise in disposable income in the hands of people. Hence, the demand for home essentials including kitchen sinks has risen. In fact, some call kitchen sink as work stations because of the added features with product innovation. This makes people to remodel their kitchen by replacing the outdated products with the latest ones. The kitchen sink market can be classified by material, number of bowls, and product type.

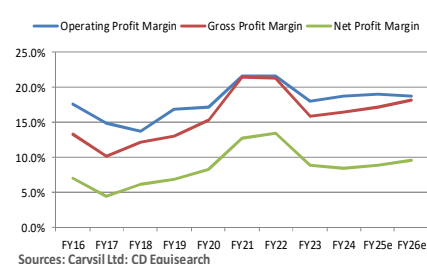
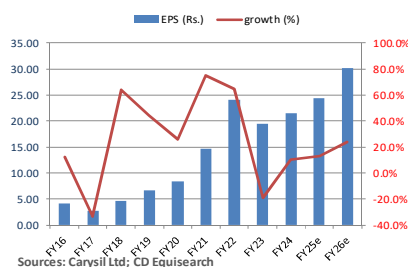
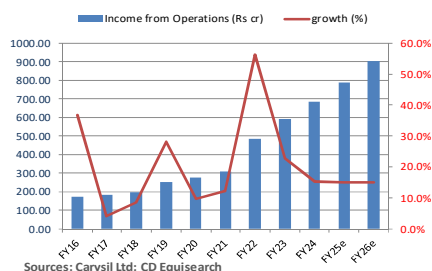
The products are incessantly modified because of innovation paired with technological developments. The introduction of quartz sink has appealed to the consumers. Due to its effortless cleaning requirement, durability and premium built, demand for quartz (composite granite) sink is rising more than stainless steel. Government regulations such as trade policies and product certifications also play a key role in the growth journey of quartz sink market. The major global leaders in the quartz sink market are Kohler Co., Carysil Ltd., BLANCO, Elkay Manufacturing Company, etc.

Acquisition of 'United Granite LLC'

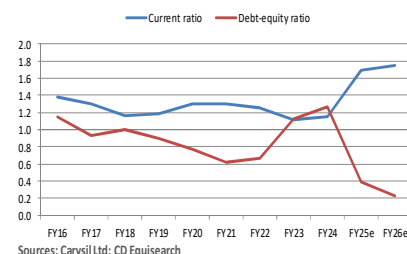
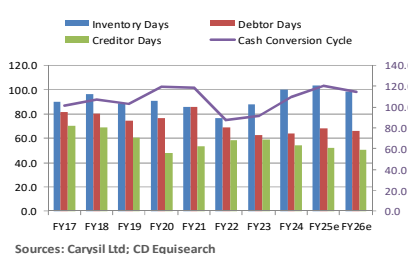
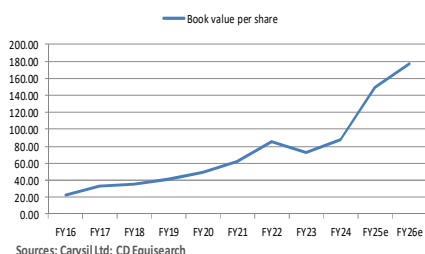
In Q3FY24, Carysil (through its WOS Acrysil USA Inc.) announced its first acquisition in US of 100% membership interest of United Granite LLC (UGL), a Virginia based kitchen top manufacturer. The acquisition was valued at ~ Rs 65 crores and was funded by debt and internal accruals. UGL is engaged in manufacturing kitchen tops for retail, residential and commercial projects in US. It recorded revenue of USD 12.4 million in CY22. Through UGL, Carysil aims to develop new products and enhance its foothold in the kitchen segment in US. Revenue of Rs 15 crs and Rs 21 crs was generated through UGL in Q3FY24 and Q4FY24 respectively. UGL had to bore higher costs due to local sourcing of raw materials. Carysil addressed this issue by procuring raw materials from India.

Financials and Valuation

The state-of-the-art quality of Carysil's products has helped it to stand class apart in the segment of kitchen sinks. With the growing youth population in the country, the concept of modular kitchen is rising. Hence, the growth in built-in appliances segment of Carysil seems promising. The Company is motivated to increase the capacity utilization model in segments where future growth prospects are high. Though European countries saw difficulties, revival in the US economy led revenue from exports to grow by 17.5% in FY24. Growth in US has been organic while that in UK saw more of strategic expansions. The Company is looking forward to expand its business in countries like UAE, Oman, Qatar and Saudi Arabia. Earnings of the Company saw a growth of nearly 10.4% to Rs 57.78 crs in FY24 when compared to Rs 52.35 crs in FY23.

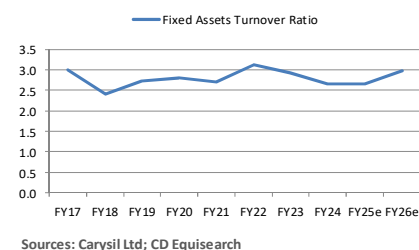
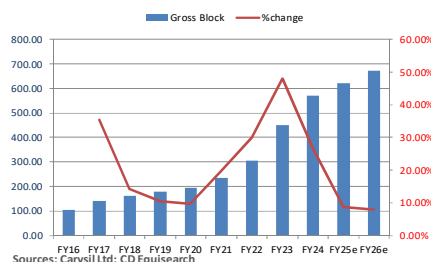
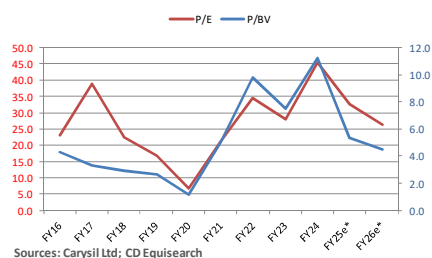


Other expenses increased substantially, ~29.3%, to Rs 179.90 crs in FY24 from Rs 139.16 crs in FY23. One of the major reasons for this being disruption in Red Sea which increased the freight cost borne by the Company by 2-3% of export sales and delayed the delivery of merchandise by 4-5 weeks. Impact of the same on revenue will be visible in Q1FY25 onwards. This adversely impacted operating profit which grew by ~19.9% (Rs 128.74 crs in FY24 vs Rs 107.39 crs in FY23). The finance cost for the last fiscal soar to Rs 20.85 crs from Rs 14.52 crs in the preceding year, depicting a growth of ~44%. It was largely due to borrowings made for the acquisition of 'United Granite LLC' (US based kitchen top fabrication company).



CD Equiresearch Pvt Ltd

The market for granite sink is increasing compared to stainless steel sink. Major share of the Company's revenue comes from overseas. The technical-know how regarding Schock and PVD technology that the Company possesses, makes its product unique in the international market. In July, the Company issued 1.57 mn equity shares to QIBs at the price of Rs 796 per equity share, aggregating to approximately Rs 125 crs. In the following quarters the Company is looking forward to enhance its brand visibility by opening a fourth showroom in the DMV area. New product launches like exotic stone tops and sinks, faucets and built-in appliances under the brand Sternhagen is also likely. These value additions in the new luxury segment will propel the domestic sales.



The stock currently trades at 32.6x FY25e EPS of Rs 24.39 and 26.3x FY26e EPS of Rs 30.29. Carysil is aiming to enhance its B2B sales and grow its brand Sternhagen. The Company has also signed deals to open three 'platinum stores' in the domestic market which will be operational in the coming quarters. By capturing all the organic and inorganic growth opportunities that come their way, management at Carysil is well positioned to have a substantial market share in the global platform and cater to the demands of its valuable customers. Yet due to barely small replacement cycle of household products in general, Carysil's business scaling would largely be a factor of increased penetration rather than 'repeat purchases'. Carysil's domestic market demand could face friction not least due to 'product premiumization'. Weighing odds, we retain accumulate rating to the stock with a target of Rs 909 (previous target: Rs 776) based on 30x FY26e EPS. For more information, refer to our August 2023 report.

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Financials

Consolidated Quarterly Results

Figures in Rs crs

	Q4FY24	Q4FY23	% chg.	FY24	FY23	% chg.
Income From Operations	190.53	145.57	30.9	683.76	593.89	15.1
Other Income	1.95	1.03	88.3	5.34	1.59	236.1
Total Income	192.48	146.60	31.3	689.10	595.48	15.7
Total Expenditure	156.00	119.34	30.7	555.02	486.50	14.1
EBITDA (other income included)	36.48	27.27	33.8	134.08	108.98	23.0
Interest	5.75	3.78	52.1	20.85	14.52	43.6
Depreciation	9.49	7.24	31.0	32.45	26.36	23.1
PBT	21.24	16.24	30.8	80.78	68.10	18.6
Tax	5.48	3.74	46.5	22.42	15.27	46.8
PAT	15.76	12.50	26.1	58.36	52.83	10.5
Minority Interest	0.23	0.07	211.3	0.47	0.41	15.3
PAT after Minority Interest	15.53	12.43	25.0	57.89	52.42	10.4
EO	-	-	-	0.11	0.07	60.4
Adjusted Net Profit	15.53	12.43	25.0	57.78	52.35	10.4
EPS(Rs)	5.79	4.64	24.8	21.55	19.55	10.2

Consolidated Income Statement

Figures in Rs crs

	FY22	FY23	FY24	FY25e	FY26e
Income From Operations	483.90	593.89	683.76	785.60	903.19
Growth (%)	56.2	22.7	15.1	14.9	15.0
Other Income	10.07	1.59	5.34	4.90	5.19
Total Income	493.97	595.48	689.10	790.50	908.39
Total Expenditure	379.25	486.50	555.02	636.34	733.39
EBITDA (other income included)	114.72	108.98	134.08	154.16	174.99
Interest	10.92	14.52	20.85	18.69	11.17
Depreciation	17.72	26.36	32.45	39.83	44.43
PBT	86.08	68.10	80.78	95.64	119.39
Tax	20.82	15.27	22.42	25.82	32.83
PAT	65.26	52.83	58.36	69.82	86.56
Minority Interest	0.49	0.41	0.47	0.50	0.50
PAT after Minority Interest	64.76	52.42	57.89	69.32	86.06
EO	0.41	0.07	0.11	-	-
Adjusted Net Profit	64.35	52.35	57.78	69.32	86.06
EPS (Rs)	24.11	19.55	21.55	24.39	30.29

Consolidated Balance Sheet

Figures in Rs crs

	FY22	FY23	FY24	FY25e	FY26e
Sources of Funds					
Share Capital	5.34	5.35	5.36	5.68	5.68
Reserves	248.36	298.03	348.63	536.95	617.33
Total Shareholders' Funds	253.69	303.38	353.99	542.63	623.01
Minority Interest	3.24	3.65	4.12	4.62	5.12
Long Term Debt	38.58	78.30	114.66	74.66	34.66
Total Liabilities	295.52	385.34	472.78	621.92	662.79
Application of Funds					
Gross Block	304.76	450.70	571.66	621.66	671.66
Less: Accumulated Depreciation	98.44	122.61	168.02	207.85	252.28
Net Block	206.32	328.09	403.64	413.81	419.38
Capital Work in Progress	20.75	13.70	10.46	10.00	10.00
Investments	0.00	0.00	0.00	0.00	0.00
Current Assets, Loans & Advances					
Inventory	104.23	130.57	173.18	188.54	207.73
Trade receivables	100.37	103.05	137.79	157.12	171.61
Cash and Bank	11.35	12.24	12.51	35.77	41.71
Short term loans (inc. OCA)	91.63	107.13	90.82	84.34	103.19
Total CA	307.58	353.00	414.31	465.77	524.25
Current Liabilities	240.99	309.38	353.05	266.89	290.64
Provisions-Short term	1.63	0.98	1.78	1.96	2.15
Total Current Liabilities	242.62	310.35	354.84	268.85	292.79
Net Current Assets	64.96	42.65	59.47	196.92	231.45
Net Deferred Tax Liability	-4.62	-5.21	-5.95	-6.75	-7.55
Net long term assets (net of liabilities)	8.12	6.12	5.15	7.93	9.51
Total Assets	295.52	385.34	472.78	621.92	662.79

Key Financial Ratios

	FY22	FY23	FY24	FY25e	FY26e
Growth Ratios (%)					
Revenue	56.2	22.7	15.1	14.9	15.0
EBITDA	52.5	-4.6	23.0	15.1	13.5
Net Profit	64.5	-18.6	10.4	20.0	24.1
EPS	64.5	-18.9	10.2	13.0	24.1
Margins (%)					
Operating Profit Margin	21.6	18.1	18.8	19.0	18.8
Gross profit Margin	21.3	15.9	16.5	17.2	18.1
Net Profit Margin	13.4	8.9	8.5	8.9	9.6
Return (%)					
ROCE	22.5	15.9	15.2	14.7	15.6
ROE	32.9	24.9	26.9	21.1	18.6
Valuations					
Market Cap/ Sales	4.6	2.5	3.9	2.9	2.5
EV/EBITDA	20.7	15.4	21.8	16.5	14.6
P/E	34.5	27.9	45.5	32.6	26.3
P/BV	9.8	7.5	11.2	5.3	4.5
Other Ratios					
Interest Coverage	8.8	5.7	4.9	6.1	11.7
Debt Equity	0.7	1.1	1.3	0.4	0.2
Current Ratio	1.3	1.1	1.1	1.7	1.8
Turnover Ratios					
Fixed Asset Turnover	3.1	2.9	2.7	2.7	3.0
Total Asset Turnover	2.1	2.2	2.2	1.8	1.7
Inventory Turnover	4.8	4.1	3.7	3.5	3.7
Debtors Turnover	5.3	5.8	5.7	5.3	5.5
Creditor Turnover	6.3	6.2	6.7	7.0	7.2
WC Ratios					
Inventory Days	76.4	88.1	99.9	103.7	98.6
Debtor Days	69.2	62.5	64.3	68.5	66.4
Creditor Days	58.3	59.2	54.3	51.9	50.4
Cash Conversion Cycle	87.3	91.4	109.8	120.3	114.6

Cumulative Financial Data

Figures in Rs. crs	FY18-20	FY21-23	FY24-26e
Income from operations	724	1388	2373
Operating profit	117	279	448
EBIT	101	241	346
PBT	72	207	296
PAT	51	156	213
Dividends	10	17	17
OPM (%)	16.2	20.1	18.9
NPM (%)	7.3	11.3	9.0
Interest coverage	3.5	7.1	6.8
ROE (%)	15.8	31.9	20.3
ROCE (%)	12.2	18.5	16.0
Debt-Equity*	0.8	1.1	0.2
Fixed asset turnover	2.7	2.8	3.0
Debtors turnover	4.8	5.6	5.8
Inventory turnover	4.0	3.9	3.8
Creditors turnover	7.3	6.9	6.9
Debtor days	75.9	65.2	63.4
Inventory days	90.9	94.0	96.2
Creditor days	49.8	53.1	53.1
Cash conversion	116.9	106.2	106.5
Dividend payout ratio (%)	19.7	10.9	8.0

FY18-20 implies three year period ending fiscal 20; *as on terminal year

Cumulative revenue from operations is expected to grow by 71% during FY24-26e when compared to the preceding three year period. This can be explained by the changing preferences of consumers from traditional kitchen type to modular kitchen, addition of varieties of built-in appliances in the product portfolio and rise in demand of quartz sinks in the international market. Consequently, cumulative operating profit is estimated to grow by ~ 61% but OPM would moderate to 18.9% in FY24-26e period.

Reduction in debtor days will be offset by increase in inventory days resulting nearly no change in cash conversion cycle in the projected years (106.5 days in FY24-26e vs 106.2 days in FY21-23). The Company issued additional shares in July which increased the equity base of Carysil resulting in the decline of ROE from 31.9% in FY21-23 to 20.3% in FY24-26e. Going ahead, Carysil is motivated to tap any inorganic growth opportunity which it thinks viable.

Financial Summary- US Dollar denominated

million \$	FY22	FY23	FY24	FY25e	FY26e
Equity capital	0.7	0.7	0.6	0.7	0.7
Shareholders' funds	29.9	23.7	28.2	50.6	60.2
Total debt	20.1	27.3	36.3	19.7	13.7
Net fixed assets (incl. CWIP)	26.8	29.0	36.1	37.1	37.7
Investments	0.0	0.0	0.0	0.0	0.0
Net current assets	8.1	4.5	6.5	22.8	27.0
Total assets	35.4	33.6	42.4	60.0	64.9
Revenues	64.9	73.9	82.6	93.8	107.9
EBITDA	15.3	13.5	16.2	18.4	20.9
EBDT	13.9	11.7	13.7	16.2	19.6
PBT	11.5	8.5	9.7	11.4	14.3
PAT	8.6	6.5	7.0	8.3	10.3
EPS(\$)	0.32	0.24	0.26	0.29	0.36
Book value (\$)	1.12	0.88	1.05	1.78	2.12

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 83.7375/\$).
 All dollar denominated figures are adjusted for extraordinary items.

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buy: >20% accumulate: >10% to ≤20% hold: ≥-10% to ≤10% reduce: ≥-20% to <-10% sell: <-20%

Exchange Rates Used- Indicative

Rs/\$	FY21	FY22	FY23	FY24
Average	74.20	74.51	80.39	82.79
Year end	73.50	75.81	82.22	83.37

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.