Carysil Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Dominant market position as Asia's largest quartz sink manufacturer with a high-moat export business contributing 81% of total revenue.**	□Positive
2	**Revenue grew by 13.29% year-on-year, supported by a significant 21.2% volume surge in quartz sinks to 7.82 lakh units.**	□Positive
3	**Operating margins expanded by 200 bps to 19.9%, optimized by logistics efficiencies and a favorable shift in product mix.**	□Positive
4	***Profitability was partially offset by a 17.17% inventory buildup, which outpaced revenue growth and trapped 259 Cr in working capital.***	□Negative
5	***Aggressive 111 Cr capital expenditure program resulted in negative Free Cash Flow of -2 Cr, prioritizing scale over immediate liquidity.***	□Negative
6	***Debt profile remains a concern with 264.61 Cr in current obligations, representing 43.5% of equity and creating high rollover risk.***	□Negative
7	**Cash flow from operations improved significantly to □109 Cr, demonstrating strong cash generation capacity despite the heavy capex cycle.**	□Positive
8	**High earnings quality is evidenced by 98.7% of receivables being undisputed and under 6 months old, showing robust collection discipline.**	□Positive
9	***Governance friction is rising due to CMD remuneration reaching 8.8% of PAT and a 174% spike in advances to a promoter-linked associate.***	□Negative
10	***Operational risks include sustained Red Sea disruptions and economic weakness in the UK/US markets, which could strain the export-heavy model.***	□Negative
11	**Outlook depends on the successful ramp-up of the domestic appliance business and the operational turnaround of US-based United Granite LLC.**	□Neutral
12	**Investment Stance: WATCH; key monitorables include the normalization of RPT advances and the transition to positive FCF as capex cycles mature.**	□Neutral

1. BUSINESS OVERVIEW

- **Business Segments & Revenue Mix:** Carysil has transitioned into an integrated kitchen and bathroom solutions platform. Exports are the primary driver, accounting for 81% of total consolidated turnover.
- **Quartz Sinks (Flagship):** The core segment produced 7,82,000 units in FY26, representing a 21.2% YoY volume increase.
- **Stainless Steel Sinks:** Growth is driven by PVD-technology products and OEM demand from marquee global clients including Kohler, Häfele, and GROHE.

- **Appliances & Faucets:** The company is moving from assembly to in-house manufacturing (Chimneys Phase 1). Faucet volumes grew 44% to 36,000 units.
- **Cost Drivers:** Performance is highly sensitive to MMA and PMMA (raw materials) price volatility and logistics disruptions (Red Sea crisis). OPM expanded to 19.9% through product mix optimization.
- **Industry Position:** Carysil is Asia’s largest quartz kitchen sink manufacturer, benefiting from "China + 1" sourcing shifts by global retailers.
- **Domestic Strategy:** Target to grow domestic revenue (₹173 Cr currently) at a 20% CAGR to reach ₹500 Cr+ in 5–6 years, leveraging modular kitchen trends.
- **Expansion & Capex:** ₹300 Cr 5-year roadmap; FY26 saw ₹68 Cr in capex (cash basis) with total PPE additions reaching ₹111 Cr. Quartz capacity is expanding to 1.25M units.
- **Acquisitions:** Acquired United Granite LLC (USA), which reached operational breakeven, and Setu Capital Ltd (UK) in March 2026 to deepen the UK footprint.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has launched "Carysil 2.0," shifting the company's identity from a manufacturer to a branded kitchen and bath solutions platform.
- The long-term strategic ambition is to build India’s largest integrated kitchen hub with a clear pathway to becoming a **USD 1 Billion company.**
- Stainless steel capacity expansion is strategically backed by existing demand from global OEM clients, ensuring immediate utilization.
- A significant digital pivot is underway through a partnership with India’s largest e-commerce marketplace and the launch of the D2C brand **Carissa**.
- Management is bullish on Indian FTAs (UK and UAE) to enhance export competitiveness and views new BIS standards as a significant "import-substitution" opportunity for domestic appliances.
- While the UK market contracted recently, management believes it has "bottomed out" and is gaining market share by adding 15 new customers.
- Marketing strategy has shifted from a support function to a growth engine, highlighted by the appointment of Mira Kapoor as brand ambassador.
- Guidance for the domestic market is set at ₹200 Cr for FY27, with Phase 2 appliances (1.0L units) expected by the end of FY27.
- Management acknowledges persistent headwinds from Red Sea disruptions and freight volatility but frames these as opportunities for structural market share gains for India-based players.
- Management Tone: The management tone is **highly promotional and ultra-confident**, bordering on exuberant regarding the "Carysil 2.0" transformation. There is a palpable sense of vindication regarding the U.S. subsidiary reaching breakeven. The language used—"A Bolder Vision" and "Next Growth Orbit"—suggests aggressive signaling for an investor re-rating, prioritizing brand equity and scale over near-term frugality.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in ₹ Crores. Use these numbers directly.

P&L Statement (Crores)

Line Item	Mar 2026	Mar 2025
Sales -	924.00	816.00
Sales Growth %	13.29	19.28
Expenses -	747.00	675.00
Material Cost % -	46.37	34.09
Raw material cost	439.00	304.00
Change in inventory	-10.00	-26.00
Manufacturing Cost %	0.00	23.29
Employee Cost %	9.60	9.79
Other Cost %	24.86	15.63
Operating Profit	177.00	140.00
OPM %	19.00	17.00
Other Income -	12.00	9.00
Exceptional items	-1.13	-0.35
Other income normal	13.12	9.83
Interest	20.00	26.00
Depreciation	40.00	36.00
Profit before tax	130.00	88.00
Tax %	24.00	27.00
Net Profit -	99.00	64.00
Minority share	-1.00	-1.00
Exceptional items AT	-1.00	0.00
Profit excl Excep	100.00	65.00
Profit for PE	99.00	64.00
Profit for EPS	98.00	64.00
Profit Growth %	55.00	11.00
EPS in Rs	34.52	22.43
Dividend Payout %	9.00	11.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	6.00	6.00
Reserves	603.00	521.00
Borrowings -	274.00	276.00
Long term Borrowings	47.00	89.00
Short term Borrowings	222.00	176.00
Lease Liabilities	4.00	11.00
Other Borrowings	0.00	0.00
Other Liabilities -	160.00	182.00
Non controlling int	6.00	5.00
Trade Payables	102.00	80.00
Advance from Customers	0.00	5.00
Other liability items	52.00	93.00
Total Liabilities	1,042.00	985.00
Fixed Assets -	479.00	414.00
Land	0.00	51.00
Building	0.00	103.00
Plant Machinery	0.00	146.00
Equipments	0.00	118.00
Furniture n fittings	0.00	25.00
Vehicles	0.00	10.00
Intangible Assets	153.00	157.00
Other fixed assets	0.00	6.00
Gross Block	0.00	615.00
Accumulated Depreciation	0.00	201.00
CWIP	25.00	12.00
Investments	0.00	0.00
Other Assets -	538.00	560.00
Inventories	259.00	221.00
Trade receivables	161.00	146.00
Cash Equivalents	59.00	68.00
Loans n Advances	6.00	66.00
Other asset items	54.00	58.00
Total Assets	1,042.00	985.00

Cash Flow Statement (Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	109.00	60.00
Profit from operations	175.00	141.00
Receivables	-11.00	-12.00
Inventory	-38.00	-48.00
Payables	25.00	-10.00
Other WC items	-10.00	10.00
Working capital changes	-33.00	-60.00
Direct taxes	-33.00	-21.00
Cash from Investing Activity -	-89.00	-109.00
Fixed assets purchased	-111.00	-47.00
Fixed assets sold	0.00	0.00
Investments purchased	0.00	0.00
Interest received	4.00	5.00
Invest in subsidiaries	0.00	0.00
Acquisition of companies	0.00	0.00
Other investing items	19.00	-67.00
Cash from Financing Activity -	-25.00	53.00
Proceeds from shares	1.33	121.82
Proceeds from borrowings	46.30	0.00
Repayment of borrowings	-42.13	-32.75
Interest paid fin	-19.78	-23.10
Dividends paid	-6.86	-5.68
Financial liabilities	-3.88	-3.43
Other financing items	0.33	-3.45
Net Cash Flow	-5.00	4.00
Free Cash Flow	-2.00	13.00
CFO/OP	80.00	58.00

Key Ratios (₹ Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	64.00	65.00
Inventory Days	221.00	290.00
Days Payable	87.00	105.00
Cash Conversion Cycle	198.00	251.00
Working Capital Days	40.00	49.00
ROCE %	18.00	15.00

3.2 Financial Analysis Summary

- **Revenue** grew by **13.29%** to **₹924.00 Cr**, primarily driven by **Export Sales** which account for **80.39%** of the mix (**₹742.77 Cr**), creating a high sensitivity to global shipping cycles managed through **₹109.53 Cr** in forward currency hedges.
- **Operating Profit** margins expanded from **17.00%** to **19.00%** as the company benefited from a **17.46%** reduction in **Export Freight and Insurance** to **₹23.44 Cr**, providing operating leverage that offset **Raw Material Costs** which reached **46.37%** of sales.
- **PAT** (Net Profit) grew by **55.00%** to **₹99.00 Cr**, though quality of earnings was influenced by a **₹1.13 Cr** one-time charge for New Labour Code compliance and **Other Income** of **₹13.12 Cr** which was boosted by a **₹7.86 Cr** gain on foreign currency fluctuations.
- Total **Inventory** increased **17.17%** to **₹259.11 Cr**, outstripping top-line growth and representing a cash outflow of **₹38.00 Cr** in the **Cash Flow Statement**, although improved throughput reduced **Inventory Days** from **290** to **221**.
- **CFO** (Cash from Operating Activity) rose significantly to **₹109.00 Cr**, yet **FCF** (Free Cash Flow) remained negative at **₹-2.00 Cr** due to a substantial **₹111.00 Cr Capex** outlay for capacity expansion and acquisitions (Ashley House and Setu Capital) which added **₹36.77 Cr** to the PPE block.
- **Total Debt** remained stable at **₹274.00 Cr**, but a maturity wall exists as **Short-term Borrowings** rose to **₹222.49 Cr** and **Current Maturities of LT Debt** reached **₹42.12 Cr**, indicating high rollover dependence even as **Interest Coverage** improved to **6.85x**.
- A sharp **129.47%** spike in **Trade Advances to Suppliers** to **₹16.04 Cr** signals a shift in bargaining power or capacity booking, while **Trade Receivables** of **₹160.74 Cr** maintained high quality with **98.7%** classified as undisputed.
- The **Balance Sheet** carries **Goodwill** of **₹37.04 Cr** which requires sustained performance from international subsidiaries to avoid impairment, a concern as the Carysil FZ LLC subsidiary reported a loss of **₹2.25 Cr**.
- Operational dependency remains high with **₹25.05 Cr** in material purchases from **Acrycol Minerals** (Related Party), while **Directors' Remuneration** reached **₹13.28 Cr**, representing **15.3%** of total **Employee Cost** and outstripping revenue growth with a **24.3%** increase for the CMD.
- The **Dividend Payout %** of **9.00%** resulted in a **₹6.86 Cr** outflow that was not supported by **FCF**, continuing a pattern of funding distributions and **Capex** through external **Borrowings** as evidenced by **₹46.30 Cr** in new debt proceeds.
- **Other Expenses** were impacted by a **45.8%** spike in **Stores and Spares** (**₹12.73 Cr**), suggesting higher maintenance costs or capacity utilization, while **Other Assets** were affected by a **726%** surge in **Advances to Staff** (**₹1.24 Cr**) and a **33.7%** increase in **Prepaid Expenses**.
- **Other Liabilities** saw a **46.8%** drop in **Advances from Customers** to **₹2.48 Cr**, which may signal a weakening order book or shifts in commercial terms.

- The dominant financial theme of the year is **aggressive capacity and brand scaling funded by short-term debt and operational leverage, resulting in record accounting profits but strained liquidity due to negative free cash flow.**

3.3 Contingent Liabilities & Commitments

- **Income Tax Liabilities:** 0.23 Cr (Disputed). The company maintains a relatively clean tax litigation profile.
- **Capital Commitments:** 9.04 Cr (Tangible Assets). This has increased from 3.38 Cr in the prior year, signaling a planned acceleration in Capex for FY27.
- **Guarantees/Other:** Noted as resolved or settled during the year (prior year was 0.45 Cr).

3.9 Earnings Quality & Forensic Checks

Read	Question	Verdict	Confidence	Checked
1	Is the growth real?	*WATCH*	high	6/6
2	Does profit become cash?	*WATCH*	high	5/5
3	Is the P&L being manufactured?	*WATCH*	high	6/6
4	Is value leaving to insiders?	*FLAG*	high	6/6
5	Can the balance sheet take a hit?	*WATCH*	high	5/5

Read 1 — Is the growth real? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Trade receivables growth vs revenue growth	Rs 146.01 Cr	Rs 160.74 Cr	Receivables grew 10.1% vs 13.3% revenue growth	CLEAN	n/a	Note 9.1, p.313
Receivables ageing (< 6 months)	not disclosed	98.70%	n/a	CLEAN	n/a	Note 9.1, p.313
ECL Provision for doubtful debts	Rs 0.94 Cr	Rs 0.66 Cr	Provision decreased by Rs 0.28 Cr	CLEAN	Boosts PBT by Rs 0.28 Cr (0.2% of PBT)	Note 9.1, p.313
Advances from customers	Rs 4.67 Cr	Rs 2.48 Cr	46.9% decrease	WATCH	n/a	Note Other Liabilities, p.313
Revenue from related parties (Acrycol Minerals)	not disclosed	Rs 25.05 Cr	n/a	WATCH	Represents 2.7% of total revenue	Note Related Party Transactions, p.336
Unbilled revenue / Contract assets	not disclosed	not disclosed	n/a	CLEAN	n/a	Note 1.3.k, p.301

> **Mechanism:** Revenue growth is well-supported by cash collection, with receivables growing slower than sales and maintaining high quality (98.7% current). **Aggregate impact:** Earnings quality is high; the slight boost from provision reversal (Rs 0.28 Cr) is immaterial. **Direction:** improving · **Watch next:** Advances from customers · **Corroborates:** profit_to_cash

Read 2 — Does profit become cash? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CFO / Clean EBITDA	42.55%	61.58%	Conversion improved by 1,903 bps	☐ CLEAN	CFO of Rs 109.00 Cr vs EBITDA of Rs 177.00 Cr	Note Cash Flow Statement, p.295
Pre-tax operating conversion ((CFO + tax paid) / EBITDA)	57.45%	80.23%	Conversion improved significantly	☐ CLEAN	n/a	Note Cash Flow Statement, p.295
Inventory absorption of operating cash	Rs 48.00 Cr	Rs 38.00 Cr	Reduced cash drag from inventory despite higher levels	☐ CLEAN	Inventory grew 17.2% to Rs 259.00 Cr	Note Cash Flow Statement, p.295
Working capital movement	Rs -60.00 Cr	Rs -33.00 Cr	WC drag reduced by 45%	☐ CLEAN	n/a	Note Cash Flow Statement, p.295
Cash tax paid vs book tax	90.55%	101.74%	Cash tax now matches/exceeds P&L charge	☐ CLEAN	Rs 32.80 Cr paid vs Rs 32.24 Cr current tax charge	Note Cash Flow Statement, p.295

Mechanism: Cash conversion has improved significantly as working capital management tightened, although absolute inventory levels (Rs 259.00 Cr) grew faster than sales (17.2% vs 13.3%). **Aggregate impact:** Operating cash flow (Rs 109.00 Cr) now covers 61.6% of EBITDA, up from 42.6% last year. **Direction:** improving · **Watch next:** Inventory growth rate relative to sales growth · **Corroborates:** bs_stress

Read 3 — Is the P&L being manufactured? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Exceptional items effect on PBT	none	Rs -1.13 Cr	New one-time charge	☐ CLEAN	Reduces PBT by 0.87%	Note 39, p.341
Non-operating / Other income as % of PBT	11.21%	10.09%	Contribution to profit decreased	☐ CLEAN	Rs 13.12 Cr of other income	Note P&L Statement, p.292
Forex gain impact on PAT	not disclosed	Rs 7.86 Cr	n/a	☐ WATCH	Contributes 7.9% to PAT	Note Forex Impact, p.318
Deferred tax movement	Rs 0.47 Cr (expense)	Rs -1.26 Cr (credit)	Shift to tax credit helped PAT	☐ WATCH	Adds Rs 1.26 Cr to PAT (1.3% of PAT)	Note P&L Statement, p.292
Depreciation policy change	none	none	n/a	☐ CLEAN	n/a	Note 1.3.c.iv, p.299
Provision reversals credited to income	none	Rs 0.28 Cr	n/a	☐ CLEAN	0.2% impact on PBT	Note 1.3.p, p.313

Mechanism: Earnings were slightly aided by a shift in deferred tax (Rs 1.26 Cr credit) and a modest receivable provision reversal (Rs 0.28 Cr), while forex gains (Rs 7.86 Cr) remain a significant non-operational component of PAT. **Aggregate impact:** Total non-operational and accounting tailwinds (Other income, deferred tax, provision reversal) contributed approximately Rs 14.66 Cr to PAT. **Direction:** stable · **Watch next:** Forex gain sustainability

Read 4 — Is value leaving to insiders? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CMD Remuneration growth vs Revenue growth	Rs 7.03 Cr	Rs 8.74 Cr	Remuneration grew 24.3% vs 13.3% Revenue growth	□WATCH	CMD remuneration consumes 8.8% of PAT	Note Related Party Transactions, p.336
Advances to related parties (Acrycol Minerals)	Rs 2.24 Cr	Rs 6.15 Cr	174.5% increase in advances	□FLAG	n/a	Note Related Party Transactions, p.336
Total KMP Remuneration as % of PAT	not disclosed	13.4%	n/a	□WATCH	Rs 13.28 Cr total director remuneration	Note Employee Cost Structure, p.318
CSR spend shortfall	not disclosed	none	n/a	□CLEAN	Rs 0.81 Cr spent	Note Ashwanila Charitable Trust, p.336
Promoter pledge	not disclosed	not disclosed	n/a	□ UNRESOLVED	n/a	Note not disclosed
Loans to group entities	Rs 0.00 Cr	Rs 21.47 Cr	New intercorporate loans (unsecured)	□WATCH	Represents 7.8% of total debt	Note Intercorporate Loans, p.313

Mechanism: Value leakage is flagged due to high promoter remuneration growth (24.3%) and a sharp 174% spike in advances to an associate company (Acrycol Minerals). **Aggregate impact:** Total KMP remuneration and advances to associates total Rs 19.43 Cr (19.6% of PAT). **Direction:** deteriorating · **Watch next:** Advances to Acrycol Minerals

Read 5 — Can the balance sheet take a hit? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Current maturities of LT debt vs CFO	65.30%	38.64%	Debt serviceability from cash flow improved	□ CLEAN	Rs 42.12 Cr due within 12 months	Note Debt Reclassification Risk, p.313
CWIP ageing / expansion	Rs 11.83 Cr	Rs 25.29 Cr	113.8% increase in ongoing projects	□ CLEAN	n/a	Note Capital work in progress, p.291
Contingent liabilities vs Net Worth	0.08%	0.04%	Negligible exposure	□ CLEAN	Rs 0.23 Cr of liabilities	Note Contingent Liabilities, p.330
Interest rate sensitivity	not disclosed	Rs 2.70 Cr per 100bps	n/a	□ WATCH	2.1% impact on PBT	Note 31.b, p.326
Dividend vs Free Cash Flow	Rs 5.68 Cr vs Rs 13 Cr	Rs 6.86 Cr vs Rs -2 Cr	Dividend paid out of reserves, not FCF	□ WATCH	Negative FCF of Rs 2.00 Cr	Note Cash Flow Statement, p.295

Mechanism: The balance sheet is under pressure from high expansion capex (Rs 111 Cr), leading to negative free cash flow (Rs -2 Cr) and a reliance on short-term debt (Rs 222 Cr) to fund operations and dividends. **Aggregate impact:** Total current debt obligations (Rs 264.61 Cr) represent 43% of equity, creating high rollover risk. **Direction:** stable · **Watch next:** Free Cash Flow · **Corroborates:** profit_to_cash

Material notes captured

Note	Discloses	Prior	This year	Impact	Signal
38.k (p.341)	**Management confirms use of SAP/ERP with non-tamperable audit trails.**	not disclosed	Compliant	Positive governance indicator	positive
Note 32 (p.313)	***Introduction of Rs 21.47 Cr in unsecured Intercorporate Loans.***	Rs 0.00 Cr	Rs 21.47 Cr	Adds unsecured debt layer	negative
AOC-1 (p.343)	***Carysil FZ LLC loss of Rs 2.25 Cr and United Granite LLC nil turnover.***	not disclosed	Loss/Nil	Subsidiary performance drag	negative
Note 35 (p.336)	***Inventory buildup (17% growth vs 13% sales)***	Rs 221 Cr	Rs 259 Cr	Revenue ↑↓ — mild inventory buildup	negative

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type:** Unqualified.
- **KAM 1: Revenue Recognition:** The auditor identified risks regarding the timing of transfer of control (point-in-time) and management judgment in the "expected value method" used to estimate returns, rebates, and discounts.
- **KAM 2: Impairment of Goodwill/Intangibles:** The carrying value of Goodwill stands at ₹37.04 Cr. Auditor flagged this as a significant estimate area, especially given losses in Carysil FZ LLC (₹2.25 Cr loss) and nil turnover in United Granite LLC.
- **Useful Life of Moulds & Dies:** The company estimates a life of 7.5 to 15 years for Plant & Equipment. If technological obsolescence in sink designs accelerates, these lives may need to be shortened, increasing depreciation.
- **Forex Hedging Effectiveness:** As 80% of revenue is exports, focus is on the valuation of forward contracts (₹109.53 Cr) and the accuracy of the Foreign Currency Translation Reserve (₹-18.91 Cr).
- **Auditor Fees:** Total Legal and Professional fees stood at ₹7.05 Cr, a 14% decrease from ₹8.20 Cr in FY25, despite 13.29% revenue growth and increased acquisition complexity.
- **Auditor Tenure:** P A R K & Company is reaching the end of its first five-year term at the 40th AGM.

B. Related Party Transactions

Party	Relationship	Nature	Amount (₹ Cr)	Concern
Acrycol Minerals Limited	Associate	Purchase of Materials	25.05 Cr	***Supply Chain Dependency***
Chirag Parekh (CMD)	Promoter/ KMP	Remuneration	8.74 Cr	***High Extraction (8.8% of PAT)***
Acrycol Minerals Limited	Associate	Trade Advance (Balance)	6.15 Cr	***Preferential Liquidity (174% increase)***
Ashwanila Charitable Trust	KMP-linked	CSR/Donations	0.81 Cr	Potential Value Tunneling
Chirag Parekh (CMD)	Promoter/ KMP	Other Current Liabilities	1.97 Cr	Personal Funding Dependency

- **RPT Analysis:** Trade advances to associate Acrycol Minerals surged 174% from ₹2.24 Cr to ₹6.15 Cr, signaling a shift of cash to a promoter-linked entity despite tight FCF. Sourcing remains concentrated, with Acrycol Minerals accounting for 7.23% of total raw material consumption.

C. Shareholding

Category	Mar 2026 (%)	Mar 2025 (%)
Promoter	41.33	43.90
DII (Mutual Funds/AIF/Ins.)	11.73	0.00
FII	1.51	4.86
Public	38.22	51.24
* **Promoter Pledge:** 0.00%.		
* **Dilution:** Paid-up capital increased slightly to 5.69 Cr due to ESOP exercises (27,000 shares).		

D. Board Composition + KMP Compensation

- **Board:** 8 Directors; 75% Independent (6/8); 2 Women Directors. Note: Dr. Sonal Ambani ceased to be a director on March 31, 2026.
- **CMD Remuneration:** Chirag Parekh's remuneration grew 24.32% to ₹8.74 Cr, outstripping revenue growth (13.3%) and representing 8.8% of PAT.
- **Family Involvement: Rhea Parekh** (Daughter of CMD) serves as SVP (Int. Mktg) with a revised salary of ₹0.54 Cr plus incentives, deepening family involvement.
- **Correlation:** KMP pay growth (24.3%) is closely aligned with EBITDA growth (26.4%) but high relative to bottom-line extraction.

F. Capital Allocation & Capex

Action	FY Current (□Cr)	FY Prior (□Cr)	% of CFO	Signal
Capex (FA Purchased)	111.00 Cr	47.00 Cr	101.83%	□
Inventory Investment	38.00 Cr	48.00 Cr	34.86%	□
Dividends Paid	6.86 Cr	5.68 Cr	6.29%	□

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex: 0.98x**. Operations (□109 Cr CFO) are insufficient to fund aggressive □111 Cr capex, resulting in negative FCF.
  - **Nature of Capex:** Shift to chimney manufacturing (50,000 units) and faucet expansion, moving from assembly to full-scale manufacturing.
  - **Efficiency: Revenue grew 13.29% while Capex surged 136%**, signaling a lag in asset turnover.
  - **Commitments:** The **□9.04 Cr in pending capital commitments** indicates a further acceleration of the cycle into FY27.

H. Risks

- ***Export Dependency*** (High): 81% of revenue from exports; high sensitivity to Red Sea freight costs (□23.44 Cr).
- ***Inventory Obsolescence*** (Medium): Inventory days at 221; □259 Cr trapped in stock. Inventory growth (17.2%) outstripping revenue (13.3%).
- ***Interest Rate Sensitivity*** (Medium): Floating rate debt exposure; **100 bps hike impacts PBT by □2.70 Cr.**
- ***Promoter Nexus*** (Medium): Sourcing dependency and 174% spike in advances to Acrycol Minerals (Associate).
- ***Subsidiary Losses*** (Medium): Carysil FZ LLC (□2.25 Cr loss) and United Granite (nil turnover) put **□37.04 Cr Goodwill** at risk of impairment.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	81% Export revenue; Asia's largest quartz sink maker	Strong niche global moat with expanding product ecosystem.
Financial Health	3	→	D/E 0.44x; CFO □109 Cr; FCF □-2 Cr	Robust operational scaling offset by high rollover risk on ST debt.
Earnings Quality	4	↑	Receivables growth 10% < Revenue 13%; 98.7% clean aging	High collection efficiency despite inventory buildup.
Management & Governance	3	↓	CMD Pay 8.8% of PAT; 174% spike in RPT advances	High extraction and RPT liquidity shifts are concerning.
Capital Allocation & Earnings Visibility	3	→	Capex 136% growth; Negative FCF; □9 Cr commitment	Aggressive reinvestment for scale with near-term FCF pressure.

BUSINESS POSITIVES (for this company this year) * □**[Volume Growth]:** Quartz sink volumes grew 21.2% to 7,82,000 units, indicating strong demand. * □**[Margin Expansion]:** OPM expanded 200 bps to 19.9% driven by logistics efficiency and product mix. * □**[Collection Efficiency]:** 98.7% of trade receivables are undisputed and <6 months old, showing high earnings quality. * □**[Subsidiary Turnaround]:** United Granite LLC (USA) achieved operational breakeven after being a prior-year pain point. * □**[Operational Cash Flow]:** CFO increased significantly to □109 Cr, covering 61% of EBITDA.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**[Negative FCF]:** Aggressive □111 Cr Capex led to negative Free Cash Flow of □-2 Cr. * □**[RPT Liquidity Shift]:** Trade advances to associate Acrycol Minerals spiked 174% to □6.15 Cr. * □**[High Promoter Extraction]:** CMD remuneration grew 24.3% (faster than sales) and consumes 8.8% of PAT. * □**[Debt Maturity Wall]:** Current debt obligations of □264.61 Cr represent 43.5% of Equity, requiring constant rollover. * □**[Inventory Buildup]:** Inventory grew 17.17%, outstripping revenue growth of 13.29%, trapping □259 Cr in capital. * □**[Subsidiary Drag]:** Carysil FZ LLC reported a loss of □2.25 Cr, posing impairment risks to □37.04 Cr of Goodwill.

OVERALL SCORECARD SUMMARY Carysil is exhibiting robust operational momentum, characterized by 13% revenue growth and significant margin expansion in its core export business. However, this growth is being aggressively funded through short-term debt and internal accruals, leaving the company with negative free cash flow and a heavy debt-maturity wall. While earnings quality remains high in terms of cash collections, governance concerns are emerging regarding the high level of promoter remuneration and a sharp spike in liquidity advances to a promoter-linked associate. The business is on a stable trajectory for scale but a weakening trajectory for liquidity and governance discipline.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.168)
2	Promoter pledge = 0?	□	0.00% pledge (p.206)
3	KMP pay < 5% of PAT?	□	CMD pay alone is 8.8% of PAT (p.336)
4	RPT quantum < 5% of revenue?	□	2.71% of Revenue
5	Board > 50% independent?	□	75% Independent (p.190)
6	At least 1 woman director?	□	2 women directors (p.190)
7	No statutory dues outstanding?	□	Statutory liabilities decreased 28%
8	No fraud reported?	□	No fraud reported in AR
9	Audit trail enabled?	□	SAP/ERP with non-tamperable trails (Note 38.k)
10	Frequent Auditor change	□	P A R K & Company in 5th year
Final line: "Total: 9/10 □— Governance Rating: 3"			

Part C: Investor Verdict

THESIS: A dominant global quartz sink manufacturer scaling into a multi-category branded appliance player through aggressive capex, currently trading FCF for market share.

OVERALL STANCE: WATCH

RATIONALE: Strong operational delivery and margin expansion are offset by negative FCF, high promoter pay, and a significant spike in advances to related parties. RE-EVALUATE WHEN: FCF becomes consistently positive AND RPT advances to Acrycol Minerals revert to <₹3 Cr. BULL CASE: US/UK export demand surge combined with successful domestic appliance ramp-up drives revenue to ₹1,500 Cr with 20%+ OPM. BEAR CASE: Sustained Red Sea disruption + UK recession + interest rate hikes lead to a liquidity crunch given the ₹264 Cr short-term debt wall. KEY MONITORABLE: Inventory/Sales Ratio: 28% → Watch Threshold: >35%

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7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Equity-led deleveraging (₹125 Cr QIP) used to repair the balance sheet.	Aggressive expansion (₹111 Cr Capex) outstripping CFO and generating negative FCF.	Management has pivoted from balance sheet stabilization via equity markets to aggressive, debt-reliant capacity expansion that exhausts operational cash flow.
Margin Trajectory	OPM contracted to 17% due to freight and insurance spikes.	OPM expanded to 19.9% (19.0% consolidated) driven by logistics efficiency.	The business has successfully transitioned logistics headwinds into a tailwind, demonstrating operational leverage as freight costs normalized.
Working Capital	Severe liquidity trap with 290 inventory days and ₹48 Cr cash drag.	Improved throughput to 221 inventory days, but absolute inventory growth (17.2%) outpaced sales (13.3%).	While velocity has improved, the core inventory management remains inefficient as stock accumulation continues to outrun top-line growth.
Management Tone	Stable and focused on manufacturing moats and "China + 1" tailwinds.	Highly promotional and "ultra-confident," targeting a USD 1 Billion valuation under "Carysil 2.0."	The communication strategy has shifted from operational reporting to aggressive investor signaling for a valuation re-rating.
RPT Liquidity	Trade advances to associate (Acrycol) stood at ₹2.24 Cr.	Trade advances to associate (Acrycol) spiked 174% to ₹6.15 Cr.	The surge in advances to a promoter-linked associate indicates a significant escalation in preferential liquidity treatment at the expense of minority shareholders.

7.2 Persistent Patterns

- **Structural Export Dependency:** The company remains fundamentally tied to global macro cycles, with export revenue consistently contributing ~81% of total turnover across both periods.
- **Negative Free Cash Flow Profile:** Despite changes in funding sources, the business model consistently fails to generate positive FCF after accounting for aggressive capital expenditures.
- **High Promoter Extraction: CMD remuneration remains structurally high, consistently consuming between 8% and 11% of Net Profit, which significantly exceeds mid-cap governance benchmarks.**
- **Related Party Supply Chain Nexus:** Acrycol Minerals remains a persistent critical supplier and a focal point for cash advances, indicating a non-arm's length dependency.
- **Short-Term Debt Maturity Wall: The company continues to exhibit a high reliance on short-term borrowings (over 80% of total debt in Summary B) to fund long-term assets, creating a permanent rollover risk.**

- **Information Risk in Subsidiaries:** Both periods highlight auditor concerns or losses in international units (Carysil USA/FZ LLC), maintaining a layer of opacity and impairment risk regarding overseas goodwill.

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