

Carysil Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline **One-line:** Carysil is successfully transitioning from a niche OEM exporter to a diversified global brand, with strong new contract wins (Howdens, Reece) and a successful ₹125 Cr QIP de-risking the growth path, though external freight headwinds and a "wait-and-see" domestic retail market remain the primary drags.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Revenue growth (41.7% YoY) is strong; EBITDA margins (18.3%) sit at the lower end of the 18-20% guidance.	□
Earnings Quality	High (Core driven)	Growth is driven by volume expansion and new contracts; working capital efficiency improved significantly.	□
Guidance Confidence	Neutral	Target for ₹1,000 Cr run-rate by year-end is achievable but relies on "things going well" externally.	□
Management Credibility	Strong	Successfully raised ₹125 Cr QIP; delivered on UK market share gains despite a tough macro.	□
Business Quality Signal	Improving	Diversification into faucets/appliances and B2C brand building in UAE/Turkey reduces geographic/product concentration.	□
Key Q&A Exchange	Q10: Organic vs Inorganic	Management pivoted back to "Organic Focus" for the ₹1,000 Cr target, a shift from last quarter's "Inorganic required" stance.	□
The Street's Primary Anxiety	Margin Compression	Analysts worried about Red Sea freight costs; Mgmt confirmed CIF is <10% of revenue and they are passing costs through.	□
Capital Cycle Stage	Investment	Post-QIP, entering a heavy investment phase for domestic capacity and brand (Mira Kapoor campaign).	□
Margin / Return Ratio Trajectory	Stable	EBITDA margins stabilized at 18.3% despite significant freight and integration headwinds.	□
Pricing Power	Stable	Realizations (₹5,660) held steady YoY; management avoids discounting despite soft global demand.	□
FCF Conversion & Quality	Improving	Working capital days dropped from 77 to 58 days, indicating better cash collection.	□
Competitive Moat Signals	Widening	Gaining market share in the UK from the "biggest competition"; new Tier-1 global contracts (Reece/Howdens).	□
Balance Sheet Strength	Adequate	Net Debt of ₹272 Cr; QIP funds provide a massive cushion for expansion without further leveraging.	□
Working Capital Efficiency	Improving	Inventory and receivable management improved despite Red Sea transit delays.	□
Mgmt Guidance Track Record	Mixed	Accurate on margins and global wins; historically over-optimistic on domestic retail growth.	□
Key Vulnerability / Red Flag	Logistics	Continued Red Sea disruption remains a 1-1.5% EBITDA margin drag beyond management's control.	□
Management Tone	Cautiously Optimistic	Strong confidence in the "Quartz story" and global footprint; defensive on domestic retail softness.	□

Sentiment: Positive | Negative | Neutral

Key Takeaways: * **Positives:** Carysil is demonstrating "recession-resilience" by growing revenue 42% YoY in a depressed global home improvement market; the UK subsidiary is winning market share from larger peers; the ₹125 Cr QIP provides non-debt capital to aggressively scale Faucets and Appliances. * **Negatives:** Red Sea issues continue to inflate freight costs and extend sailing times; domestic retail remains muted (16% growth vs ambitious targets); interest costs rose YoY due to the United Granite acquisition debt. * **The Street's Concern:** Analysts are hyper-focused on the feasibility of the ₹1,000 Cr target; management's response shifted from needing M&A (last quarter) to focusing on organic breakthroughs and new contracts (Howdens/Reece) to bridge the gap. * **Watchpoint:** Execution of the "Mira Kapoor" brand campaign this month—this will be the litmus test for Carysil's ability to break out of its niche "sink-only" perception in the Indian domestic market.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary.

Metric	Current Qtr (Q1FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	202.3	↑ 41.7%	↑ 5.3%	↑	Driven by UK share gains, US integration, and new export contracts.
Gross Margin (%)	58.5%	↑ 1.9%	↓ 1.2%	→	Impacted by product mix (Howdens) and freight costs; Standalone RM cost at 41.5% of revenue.
EBITDA (₹Cr)	37.1	↑ 37.0%	↑ 2.1%	↑	Volume growth offset by Red Sea freight impact and US integration costs.
EBITDA Margin %	18.3%	↓ 0.6%	↓ 0.6%	↓	Impacted by high freight costs and United Granite LLC integration.
PAT (after MI) (₹ Cr)	15.9	↑ 37.0%	↑ 2.1%	↑	Growth in line with EBITDA; offset by higher finance costs (₹2.9 Cr standalone).
EPS (₹)	5.86	↑ 34.1%	↓ 1.3%	↑	Based on standalone PAT of ₹9.3 Cr vs ₹4.0 Cr YoY.
Net Debt/Equity (x)	~0.70x	↓	↓	↑	Improved following ₹125 Cr QIP infusion (Net Debt at ₹272 Cr).
Interest Coverage (x)	5.31x	↑	↓	→	Based on standalone EBIT ₹15.4 Cr vs Finance Cost ₹2.9 Cr.
Quartz Sink Volume (Units)	1,55,230	↑ 11.2%	↓ 5.8%	↑	Capacity utilization at 70%+; cross-cycle demand remains stable.
SS Sink Volume (Units)	37,759	↑	↑	↑	Growing share in UK through Carysil Surfaces subsidiary.
Appliances/ Faucets (Units)	13,751	→	→	→	Muted growth; pre-Diwali relaunch and new assembly lines expected to drive H2.
Revenue: Domestic (%)	17.8%	↓	↓	→	Revenue of ₹36 Cr; grew 16% YoY but remains a smaller part of the pie.
Revenue: International (%)	82.2%	↑	↑	↑	Strength in US/UK; expansion into Turkey and UAE B2C.
Working Capital (Days)	58 Days	↓ 24.7%	↓	↑	Significant improvement from 77 days in FY24 (Consolidated).

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Standalone (India/Exp)	100.5	↑ 44.8%	20.5% (EBITDA)	↑	Above Avg	Massive improvement in EBIT margin (15.2% vs 11.4% YoY).
UK (Subsidiaries)	~70-75	↑	Stable	↑	Inline	Winning share from "biggest competition"; number 2 player in UK sinks.
US (United Granite)	~20-25	New	~Breakeven	↑	Below Avg	Advancing smoothly; nearing EBITDA level breakeven.
UAE/Turkey	~5-10	New	N/A	↑	Below Avg	Strategy shifting to B2C brand building; targeting \$1M in UAE this year.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	₹1,000 Cr Run-rate by Q4FY25.	Requires ~₹250 Cr/quarter; currently at ₹202 Cr. Needs 25% growth.	Met FY24 consolidated revenue targets.	Medium
Guidance	Margins	18% - 20% EBITDA.	Feasible; currently at 18.3% despite Red Sea headwinds.	Consistently Delivered.	Low
Guidance	Volume	7,00,000+ Quartz sinks (FY25).	Needs 1,81,000 units/qtr avg for remaining 3 quarters.	Historically hit 6.5L; 7L is a stretch but possible.	Medium
Strategy	Domestic	₹300 Cr Revenue in 5 years.	Needs ~20% CAGR; currently at ~₹150 Cr run-rate.	Missed prior aggressive domestic targets.	High
Strategy	Brand	B2C Brand in UAE/ Turkey.	Targeting \$1M UAE revenue; Muscat showroom (3k sqft) opening.	New initiative.	Medium
Macro	Logistics	Red Sea Freight pass-through.	Gradually passing costs to customers; CIF is <10% of revenue.	Delivering (Margins stable).	Low
Balance	Debt Repayment	Organic reduction.	QIP funds (₹125 Cr) allocated for growth, not debt reduction.	Reliable.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Harsh Shah / D&B	Margins	Financials	"Help us understand the gross margin volatility—is it product mix or freight?"	Management attributed the compression primarily to Red Sea freight costs and a change in product mix (Howdens UK). Higher-value export contracts provide a cushion, but logistics remain a 100-150bps drag.	None	4.0	Clear and directional
2	4.5	Harsh Shah / D&B	Capital Alloc.	Capex & Alloc.	"Will the ₹125 Cr QIP be used for capacity addition or inorganic acquisitions?"	Management clarified the funds are for capacity expansion in faucets, appliances, and fabrication, plus domestic brand building, with "nothing for inorganic." This is a significant pivot from the "inorganic-heavy" stance in Q4FY24.	None	5.0	High—Specific mandate
3	3.5	Vaidik / Monarch	Volume	Business Overview	"Can we surpass the FY22 quartz sink volume of 650,000 this year?"	Management expects to reach 700,000 sinks this year as utilization has already hit 70%. High visibility due to new Tier-1 contracts in	None	4.5	Quantified target

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						Australia and the UK.			
4	5.0	Vaidik / Monarch	Guidance	Outlook	"Earlier target was ₹1,000 Cr revenue; now you say ₹800 Cr run-rate. Is there a reduction?"	Management clarified that the current run-rate is ₹800 Cr+ (\$100M) and they aim to hit the ₹1,000 Cr run-rate by year-end if external factors improve. This is a subtle downgrade from a total FY25 revenue target to a Q4 exit run-rate target.	Exact FY25 total	3.0	Soft walk-back
5	4.0	Udit Gajiwala / Yes Sec	Realization	Financials	"Blended realization of ₹5,900 is at a multi-quarter low—is this market share gain or mix?"	Management corrected the math, stating realization is ~₹5,660 and is purely product/market mix-driven, not pricing cuts. Consistent realization proves brand pricing power remains intact despite global competition.	None	4.0	Corrected data
6	4.5	Udit Gajiwala / Yes Sec	Contracts	Business Overview	"Are Reece Australia and Howdens UK new or renewed contracts?"	Management confirmed these are absolutely new, fresh contracts that contributed to the Q1 revenue shape. These	None	5.0	Thesis-strengthening

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						contracts de-risk the export thesis by diversifying away from the US-centric growth of FY24.			
7	3.5	Udit Gajiwala / Yes Sec	Domestic	Strategy	"What is the target percentage for India as a part of the total pie?"	Vision is to reach ₹300 Cr in 5 years by building a B2C brand and expanding the distribution channel. Domestic remains the high-margin "future" bet, though execution in retail remains slower than exports.	None	3.0	Visionary but vague
8	4.0	Garvit Goyal / Nvest	Domestic	Business Overview	"Domestic revenues are muted QoQ despite doubling distributors—where are we going wrong?"	Management admitted the market is soft but pointed to 16% YoY growth as proof of outperforming the industry. The focus is shifting to "premium counters" rather than mass volume to protect margins.	QoQ mutedness	2.5	Defensive posture
9	4.0	Nikhil Gada / Abakkus	Margins	Financials	"Can we improve margins from 18% or will they go down	Management believes 18% is the floor and new premium	None	4.0	Directional floor

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					further due to Red Sea?"	product launches will drive expansion. CIF being <10% of revenue limits the downside risk of further shipping spikes.			
10	3.5	Yug Patel / Anand Rathi	Appliances	Business Overview	"Appliances growth has been flat— what is the shakeup plan?"	Management is changing the business model pre-Diwali, focusing on OEM opportunities and BIS-compliance-led import substitution. Significant execution risk here as they lack "electronics" DNA.	Specifics of model	3.0	Acknowledged issue
11	4.0	Ronald Siyoni / Sharekhan	M&A Strategy	Capex & Alloc.	"Why the shift from inorganic to organic growth focus?"	Management stated they are in a "consolidation phase" after recent acquisitions and want to build the India story organically first. This suggests a more disciplined capital allocation approach post-QIP.	None	4.5	Strategic clarity

PATTERN FLAGS & SENTIMENT * The "Inorganic" Walk-back: The most notable pattern this quarter is the shift in management's narrative regarding M&A. Last quarter, inorganic growth was touted as the necessary

bridge to ₹1,000 Cr; this quarter, management emphasized organic expansion and "no inorganic" plans for the QIP funds. This suggests either a lack of attractive targets or a pivot toward de-leveraging and core execution. * **Domestic Defense:** Management is increasingly defensive about the sluggish domestic retail performance, consistently pivoting to the "16% YoY growth" metric to deflect from the fact that revenue is flat/muted on a QoQ basis despite aggressive dealer expansion. * **Quartz Confidence:** There is a recurring emphasis on the "Quartz Story" being the "next big thing," with management using the 41% revenue growth as a shield against any concerns regarding global demand softness.

Analyst Sentiment Verdict: Analysts were **impressed by the top-line growth (42%) and working capital improvement** but remained **skeptical of the domestic retail ramp-up**. The QIP was well-received as a growth-funding tool, though management's walk-back on the ₹1,000 Cr FY25 target (shifting it to an exit run-rate) was noted. Overall, the tone was constructive, but the "Mira Kapoor" campaign's ROI will be the key focus for the next two quarters.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening / Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | FY25 Target | ₹1,000 Cr Revenue in FY25. | ₹1,000 Cr exit *run-rate* by Q4. | A potential ~₹100-150 Cr gap in total FY25 revenue vs prior expectations. | Medium | | M&A | Inorganic is key to growth. | "No inorganic" planned for QIP funds; focusing on organic. | Significant strategic pivot in capital allocation. | Low (Positive for risk) | | Appliances | 20-25% Growth guided. | Currently "flattish" and needs a "shakeup." | Execution lag in non-core segment. | Medium |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY24)	This Quarter (Q1FY25)	Direction
Growth Strategy	Inorganic acquisition was the primary driver for hitting ₹1k Cr.	Organic focus; QIP funds strictly for capacity/brand.	☐(De-risked)
Working Capital	77 Days (Consolidated).	58 Days (Consolidated).	↑ Improving
Balance Sheet	Net Debt ~₹300 Cr; considering fundraise.	Net Debt ₹272 Cr; ₹125 Cr QIP completed.	↑ Stronger
Target Framing	FY25 Total Revenue of ₹1,000 Cr.	Exit run-rate of ₹1,000 Cr by Q4FY25.	↓ Softened
Market Expansion	Focus on US/UK subsidiaries.	Entry into Turkey; B2C showrooms in UAE/Muscat.	↑ Diversifying
Domestic Marketing	General distribution expansion.	Mira Kapoor signed for celebrity brand campaign.	↑ Aggressive
Quartz Utilization	60%.	70%+.	↑ Improving
Revenue Run-rate	~₹770 Cr (\$92M).	~₹809 Cr (\$97M+).	↑ Improving

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