Carysil Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Revenue and Margins **One-line:** The long-term thesis is significantly derisked as Carysil transitions from a US-dependent exporter to a diversified global retail partner, evidenced by the IKEA global RFQ win (increasing wallet share to 75%) and a successful turnaround in its US subsidiary.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue □227.3 Cr vs □205.1 Cr (Q4); EBITDA Margin 19.4% vs 17.5% (Q4).	□
Earnings Quality	Moderate	High operating leverage seen, but □10 Cr rights issue for expansion suggests tight internal liquidity.	□
Guidance Confidence	Strong	Management guides for a □1,000 Cr annual revenue run-rate starting Q2/Q3.	□
Management Credibility	Strong	Delivered the IKEA global contract and Lowe's store rollout as promised last quarter.	□
Business Quality Signal	Improving	Turnaround of United Granite (US) and shift to OEM for stainless steel in India diversifies revenue.	□
Key Q&A Exchange	Q#7: IKEA Share	Secured 75% of IKEA's global non-US quartz sink market share.	□
The Street's Primary Anxiety	US Tariffs (25%)	Management claims 25% tariff is absorbable as competitors (Canada/Europe) face higher rates/inflation.	□
Capital Cycle Stage	Growth / Expansion	Raising capacity for SS sinks to 2.5L and planning 1.25M units for Quartz.	□
Margin / Return Ratio Trajectory	Rebounding	EBITDA margins expanded 190 bps QoQ to 19.4% as raw material/freight costs stabilized.	□
Pricing Power	Stable	Absorbing 10% tariff differentiation vs European peers due to India's cost advantage.	□
FCF Conversion & Quality	Weak (Historical)	Prior OCF was negative; current reliance on rights issues for small capex (□10 Cr) confirms cash constraints.	□
Competitive Moat Signals	Widening	Becoming the global non-China source for IKEA and Lowe's in specialized quartz.	□
Balance Sheet Strength	Adequate	Rights issue at subsidiary level to ringfence parent cash for larger domestic expansion.	□
Working Capital Efficiency	Deteriorating	Inventory churn expected to remain high to support massive retail rollouts (IKEA/Lowe's).	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on volume growth and major customer onboarding.	□
Key Vulnerability / Red Flag	Tariff Escalation	A potential jump to 50% US tariffs would test the limits of Strategy A/B.	□
Management Tone	Confident/ Aggressive	Hyper-focused on the □500 Cr domestic plan and global capacity dominance.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** Carysil has hit a commercial inflection point. The IKEA breakthrough (75% global wallet share) and Lowe's rollout (1,800+ stores) provide long-term revenue visibility. The US subsidiary (United Granite) has finally turned EBITDA positive (₹1.8 Cr vs ₹0.4 Cr YoY), removing a long-standing drag on the consolidated P&L. Domestic growth is being institutionalized via a Deloitte-led 5-year plan to reach ₹500 Cr, supported by a newly appointed Chief Sales Officer. * **Negatives:** Despite strong growth, the company is opting for a rights issue to fund a relatively small ₹10 Cr stainless steel expansion, suggesting that operational cash flow is fully tied up in working capital for the retail ramp-ups. The "Strategy B" for 50% US tariffs remains opaque, posing a residual macro risk. * **The Street's Concern:** Analysts remain hyper-fixated on the 25% US import tariff. Management successfully countered this by highlighting that India remains more competitive than Canada (35% tariff) and Germany/Italy (15% tariff but significantly higher inflation/energy costs), effectively positioning India as the lowest-cost "Schock technology" producer globally. * **Watchpoint:** Execution of the IKEA capacity ramp-up. With utilization already at 75%, Carysil must operationalize the additional 250k unit expansion by Q3FY26 to avoid capping its own growth.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q1FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	227.3	↑ 12.9%	↑ 10.8%	↑	Volume driven; demand momentum in quartz and repeat orders.
Gross Margin (%)	50.1%*	↓ 70 bps	↑ 210 bps	↑	*Estimated. Stabilizing RM (MMA) but product mix variations QoQ.
EBITDA (□Cr)	44.1	↑ 19.8%	↑ 23.2%	↑	Operational leverage from higher capacity utilization.
EBITDA Margin %	19.4%	↑ 112 bps	↑ 190 bps	↑	Benefited from freight stabilization and operational efficiency.
PAT (□Cr)	22.8	↑ 43.4%	↑ 22.6%	↑	Lower losses in US subsidiary and strong international demand.
EPS (□)	8.54*	↑ 43.4%	↑ 22.6%	↑	*Calculated based on Q1 PAT growth trend.
CFO/EBITDA (%)	Not Disclosed	N/A	N/A	□	No cash flow provided for Q1; rights issue suggests tight cash.
Net Debt/Equity (x)	0.35*	→	→	→	*Estimated. Within the targeted 0.5 threshold.
Interest Coverage (x)	8.4x	↑	↑	↑	EBIT □23.6 Cr / Finance Cost □2.8 Cr (from PPT table).
Volume: Quartz Sinks	189,000	↑ 22%	↑ 9.3%	↑	Driven by Karran/Lowe's rollout; 75% utilization.
Volume: SS Sinks	42,500	↑ 9.5%	↓ 6.8%	↓	Q1 seasonally softer for SS; capacity expansion underway.
Volume: Appliances/ Faucets	22,000	↑ 55%	→	↑	Strong traction in UAE and India domestic business.
Utilization % (Quartz)	75%	↑	↑	↑	Headroom remains; targeting 90-95% in coming quarters.
Int'l Revenue (%)	80%*	→	→	→	*Derived. Management focused on global non-US diversification.
Key RM Price (MMA)	Stabilizing	↓	↓	↑	RM prices are calculate on weighted avg; impact seen in Q1.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
Quartz Kitchen Sinks	155.0*	↑ 22% (Vol)	High	↑	Above	IKEA Global RFQ win; 75% wallet share expected.
Stainless Steel Sinks	35.0*	↑ 9.5% (Vol)	Medium	→	Below	Entered Indian OEM market; 70k units expansion by Q4.
Appliances & Faucets	25.0*	↑ 55% (Vol)	Improving	↑	Below	UAE showroom expansion; GCC market push.
UK (Carysil Prod/ Surf)	55.0*	Stable	Strong	→	Above	Howdens partnership remains a steady volume driver.
US (United Granite)	12.0*	Improving	15% (EBITDA)	↑	Below	Turnaround complete; EBITDA □1.8 Cr vs □0.4 Cr YoY.

*Segment Revenue estimated based on volume growth and historical realization.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	□1,000 Cr annual run-rate starting Q2/Q3.	Needs □250 Cr+ per quarter. Feasible given IKEA Q3 start.	Reliable	Low
Guidance	Margins	18-20% sustainable EBITDA margin.	Currently at 19.4%. High feasibility if MMA remains stable.	Mixed	Low
Guidance	Volume	Quartz utilization to reach 90-95%.	Needs incremental 30-40k units/ quarter. Highly feasible via IKEA.	Reliable	Medium
Guidance	Capex Plan	□30 Cr for Stainless Steel expansion.	Funding via □10 Cr rights issue + internal/debt. Feasible.	Reliable	Low
Strategy	Domestic	□500 Cr revenue in 5 years.	Needs ~30% CAGR. Aggressive; relies on non-sink appliances.	New	High
Strategy	IKEA Deal	75% market share of IKEA quartz.	Move from 25% to 75% is massive; requires flawless execution.	Reliable	High
Macro	US Tariffs	Neutralizing 25% tariff impact.	Relies on "cost advantage" over EU/ Canada. Plausible but risky.	Ongoing	High
Macro	RM Costs	MMA prices stabilized.	Forward contracts and weighted avg cost suggest safety for Q2.	Reliable	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Bala Murali Krishna / Oman Inv	US Retail	Business Overview	Are Karran/ Lowe's orders on track despite the tariff situation?	Management confirmed supply has commenced to 1,800+ stores and orders are exceeding initial expectations. This validates the US market's demand resilience despite the 25% tariff increase.	None	5.0	Quantified / Verified
2	4.0	Bala Murali Krishna / Oman Inv	Future Revenue	Financials	What is the revenue potential from the upcoming quartz/SS capex?	Management indicated the 250k unit expansion can generate ₹60-130 Cr extra depending on utilization. This provides a clear roadmap for hitting the ₹1,200 Cr revenue milestone in FY27.	None	4.0	Directional evidence
3	3.5	Sanjay / Bastion	Gross Margin	Financials	Why did gross margins decline by 70 bps YoY despite stabilizing costs?	Management attributed the dip to weighted average costing of RM and geographical/ product mix shifts. This implies that margin recovery will lag RM price drops by 1-2 quarters due to inventory lags.	None	4.0	Consistent logic
4	3.0	Sanjay / Bastion	realization	Financials	Are prices in SS and Appliances falling given the	Management corrected the analyst, stating appliance realizations	None	4.5	Specific data given

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					volume growth?	actually increased from □11,891 to □12,912. This signals premiumization in the appliance segment rather than commodity price erosion.			
5	5.0	Resha Mehta / GreenEdge	US Tariffs	Business Overview	What happens if the US tariff reaches 50% and what is the competitive risk?	Management stated they have "Strategy A and B" ready and noted that even at 25%, they are more competitive than Canada (35%). This suggests the US business is being ringfenced through strategic pricing and cost leadership.	Strategy B details	3.0	Hedged/ Defensive
6	4.5	Resha Mehta / GreenEdge	IKEA Deal	Management Outlook	What is the peak capacity for quartz sinks given the IKEA deal?	Management expects to hit peak capacity by October and will need to plan another 250k unit expansion immediately. This highlights that growth is now capacity-constrained, not demand-constrained.	None	4.5	Specific timeline
7	4.0	Resha Mehta / GreenEdge	UK/FTA	Business Overview	How will the UK FTA benefit the company and stainless steel sourcing?	Management intends to transfer 100% of UK stainless steel sourcing to India by FY27 to improve	None	4.0	Clear and quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						consolidated margins. This vertical integration will capture more of the value chain currently lost to external suppliers.			
8	3.5	Resha Mehta / GreenEdge	UK Divergence	Business Overview	Why did Carysil Surfaces lag Carysil Products in UK growth?	Management explained that Surfaces caters to retail chains where they intentionally limited supply to ensure receivable security. This demonstrates a disciplined approach to working capital over "growth at any cost."	None	4.0	Logical/ Verifiable
9	3.5	Naman Parmar / Niveshaay	Distribution	Business Overview	How many dealers and galleries were added in Q1?	Management added ~200 dealers in Q1 and signed 45 experience galleries against a full-year target of 100. This confirms the domestic expansion is running ahead of schedule.	None	4.5	Quantified data
10	4.5	Pritesh / Lucky Inv	Volume Run-rate	Financials	What is the total volume run-rate expected 8 quarters from now?	Management projects a quartz capacity of 1.25M units and SS capacity of 0.5M units by mid-FY27. This doubling of SS capacity suggests a major pivot	None	4.0	Specific target

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						toward becoming a two-pillar sink company.			
11	4.0	Pritesh / Lucky Inv	US Exposure	Financials	What is the current US contribution to revenue?	Management clarified US is currently 30% of revenue but will drop to 20% by year-end due to IKEA (non-US) growth. This geographical derisking is the central takeaway for long-term investors.	None	5.0	Clear and quantified
12	3.5	Yash Naik / Kamayakya	UAE Projects	Business Overview	What is the scale of the Emaar project in Dubai?	Management secured an initial 1,000+ unit order for Emaar projects, which serves as a gateway to the broader GCC construction market. This validates the brand's premium positioning in high-growth emerging markets.	None	3.5	Vague on Rev impact
13	3.0	Nikhil Rao / ithought	Sternhagen	Management Outlook	Has the localization of Sternhagen products improved margins?	Management confirmed that the Sussanne Khan collection is localized, leading to domestic margin improvement and price competitiveness for project series. This supports the	None	4.0	Consistent logic

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						premium brand strategy in India.			
14	3.0	Aditi Loharuka / CD Equisearch	EU Tariffs	Business Overview	How prepared is the company for potential EU tariffs?	Management declined to speculate on EU tariffs but reiterated India is the lowest-cost producer of Schock technology sinks globally. This cost moat remains the primary defense against global trade barriers.	EU Tariff prep	2.5	Hedged
15	4.0	Saumil Shah / Paras Inv	Revenue Guidance	Management Outlook	Can the company cross the 4-figure mark (□1,000 Cr) this year?	Management indicated that if Q2 revenue exceeds □250 Cr, they will beat the □925 Cr guide and hit a □1,000 Cr run-rate. This suggests management is sandbagging their official guidance.	None	4.0	Directional evidence

PATTERN FLAGS & SENTIMENT * **The "US Tariff Panic":** Analysts are deeply concerned about the 25-50% tariff range. Management's posture was defiant, using the "relative competitiveness" argument (India vs Canada/Germany) to calm nerves. This concern remains live but was partially neutralized by the diversification toward IKEA (non-US). * **Capacity Bottlenecks:** A recurring theme was how fast Carysil can build. The shift from "where are the orders?" to "how fast can you add 250k units?" signals a fundamental shift in the company's growth profile. * **Domestic Pivot:** The Deloitte plan and the CSO appointment were well-received, signaling that the company is no longer just an export-play but is serious about the □500 Cr India target.

Analyst Sentiment Verdict: Analysts were **impressed but cautious**. The volume growth and margin recovery were praised, but the reliance on "Strategy B" for tariffs and the rights issue for small capex left some lingering questions about long-term cash generation. Overall, the sentiment has shifted from "recovering" to "scaling."

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY25)	This Quarter (Q1FY26)	Direction
IKEA Market Share	Target/Bidding	**75% Global Share Secured**	↑ Improving
EBITDA Margin	17.5%	**19.4%**	↑ Improving
US Subsidiary (UG)	EBITDA □0.4 Cr (Q1PY)	**EBITDA □1.8 Cr**	↑ Improving
Quartz Utilization	67%	**75%**	↑ Improving
SS Sink Strategy	Export Focused	**Indian OEM Entry**	↑ Improving
US Revenue Mix	35-40%	**30% (Trending to 20%)**	↑ Derisking
Domestic Roadmap	Internal Plan	**Deloitte-led □500 Cr Plan**	↑ Institutionalizing
Funding Strategy	Internal Accruals	**Rights Issue (□10 Cr)**	↓ Cash Tightness

STOP HERE.