

Carysil Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Bottom-line / Inline on Revenue **One-line:** The structural thesis is significantly derisked as the US trade agreement slashes tariffs from 50% to 18%, allowing Carysil to reclaim 15-20% margin-sharing discounts while Quartz sink volumes hit record growth (+27% YoY).

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Beat (Profit) / Miss (Rev)	PAT up 68.6% YoY; Revenue (₹222.6 Cr) dipped QoQ from ₹240.7 Cr due to US discounts.	☐
Earnings Quality	High	Growth driven by core volumes; CFO/PAT remains > 1x; Debt reduced from ₹253 Cr to ₹228 Cr.	☐
Guidance Confidence	Strong	Reaffirmed 15-20% growth; April "Carysil 2.0" summit to unveil ₹500 Cr India roadmap.	☐
Management Credibility	Strong	Successfully navigated the 50% tariff period with ~20% EBITDA margins; secured first Smeg (Italy) OEM orders.	☐
Business Quality Signal	Improving	Transition from sink manufacturer to integrated kitchen hub; Faucets/Appliances gaining OEM traction.	☐
Key Q&A Exchange	Q#1 Pricing Strategy	Mgmt confirmed immediate rollback of US discounts following tariff reduction from 50% to 18%.	☐
The Street's Primary Anxiety	Tariff Overhang	Analysts feared prolonged margin compression; the US-India trade deal effectively neutralized this risk.	☐
Capital Cycle Stage	Growth / Expansion	Aggressive capex: 100k Quartz and 70k SS unit expansions operational by April 2026.	☐
Margin Trajectory	Stable / Improving	EBITDA margin (19.4%) expected to expand as US discounts are rolled back in Q4.	☐
Pricing Power	Expanding	Passing through tariff benefits; scaling luxury OEM (Smeg) and global retail (IKEA/Lowe's) partnerships.	☐
FCF Conversion & Quality	Strong	H1 FY26 CFO/PAT at 1.4x; 9M FY26 debt reduction indicates high cash generation.	☐
Competitive Moat Signals	Widening	Sole supplier status for Karran (Quartz) and 70-80% global wallet share of IKEA non-US Quartz sinks.	☐
Balance Sheet Strength	Adequate	Gross debt down to ₹228 Cr; Net Debt/Equity (H1 FY26) at 0.48x.	☐
Working Capital Efficiency	Improving	Inventory (₹224.5 Cr) stable despite volume growth; Receivables managed despite UK softness.	☐
Mgmt Guidance Track Record	Reliable	Consistent volume delivery; UK turnaround is the only lagging variable.	☐
Key Vulnerability	Geopolitical / UK Macro	UK market remains "soft and muted"; reliance on US trade policy remains a concentration risk.	☐
Management Tone	Aggressive / Fired Up	Extremely bullish on "Carysil 2.0" and the Middle East expansion (30 Cr target in 3 years).	☐

Sentiment: ☐Positive

Key Takeaways (Positives & Negatives): * **Positives:** The US-India trade deal (tariffs down to 18%) is a game-changer; Carylil was sacrificing 15-20% realization in Q3 to support US distributors—this revenue will now flow directly to the bottom line. Volume growth remains robust (Quartz +27%, SS +23%, Appliances +26%), proving that the "China+1" demand is not just a trend but a structural shift. The company is successfully diversifying into high-margin OEM segments (Smeg) and expanding its retail footprint in the Middle East. * **Negatives:** The UK market remains a drag on the "Surfaces" segment, which has stayed relatively flat YoY. Revenue saw a QoQ decline (₹222.6 Cr vs ₹240.7 Cr), largely due to the tactical discounting strategy in the US and Q3 seasonality. * **Street Concern:** Analysts were focused on the sustainability of margins under high tariffs. Management's ability to maintain a 19.4% EBITDA margin *during* the peak 50% tariff period proves their cost-moat (backward integration into quartz sand) is formidable. * **Watchpoint:** Execution of the April 2026 capacity additions (170k total units) and the "Carylil 2.0" launch on April 4th, which will define the trajectory for the domestic ₹500 Cr revenue goal.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q3FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	222.6	↑ 9.6%	↓ 7.5%	→	Growth driven by volume; QoQ dip due to US discounts and seasonality.
Gross Margin (%)	55.4%	↑ 227 bps	↑ 217 bps	↑	Benefited from lower MMA prices (\$1.5/kg vs \$2.0) and RM efficiencies.
EBITDA (₹Cr)	43.5	↑ 39.6%	↓ 12.1%	↑	YoY growth remains strong; QoQ impacted by the US tariff discount strategy.
EBITDA Margin %	19.4%	↑ 426 bps	↓ 90 bps	↑	9M FY26 margin at 20%; exceeded annual guidance of 18-20%.
PAT (₹Cr)	21.1	↑ 68.6%	↓ 22.5%	↑	Strong YoY profit growth on better operating leverage and lower interest.
EPS (₹)	7.41	↑ 68.4%	↓ 22.5%	↑	9M FY26 EPS at 25.00 vs 15.88 YoY.
CFO/EBITDA (%)	79.0%	↑	↑	↑	(H1 FY26 data) High conversion; Net debt reduction from cash accruals.
Net Debt/Equity (x)	0.48x	↓	↓	↑	Gross debt reduced to ₹228 Cr from ₹253 Cr in March.
Interest Coverage (x)	7.5x	↑	↑	↑	(H1 FY26) Significant improvement from 4.8x in FY25.
Vol: Quartz (000 units)	199.1	↑ 27.0%	↑ 1.1%	↑	Driven by IKEA global rollout and Lowe's all-time high sales.
Vol: Steel (000 units)	37.0	↑ 23.3%	↓ 14.7%	↑	Record demand; capacity being expanded to 250k units.
Vol: Appliances (000 units)	15.6	↑ 26.0%	↓ 33.3%	↑	Domestic growth strong; phase-2 expansion to 100k underway.
Utilization % (Quartz)	80%	↑	↓	↑	Demand-led expansion; adding 100k units by April 2026.
Utilization % (Steel)	82%	↑	↓	↑	9M FY26 utilization at 91%; expansion to 250k units critical.
Int'l Revenue Mix	80%	→	→	→	USA (33%), UK (24%), Europe (11%), India (20%).
Key RM: MMA (\$/kg)	\$1.50	↓	↓	↑	Management expects prices to remain in the \$1.5-\$1.6 range.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)*	YoY Growth	Margin	Trend	vs Avg	Key Development
Quartz Kitchen Sinks	115.8	↑ 21.3%	22%+	↑	Above	70% IKEA global non-US share; 100k new units coming April '26.
SS Kitchen Sinks	35.6	↑ 4.7%	High	→	In-line	Kohler/Hafele OEM scaling; expanding to 250k capacity.
Kitchen Appliances	46.7	↑ 13.9%	Improving	↑	Below	Phase-2 (Hobs/Ovens) operational in FY27; in-house glass tech.
Surfaces	24.5	↓ 12.5%	35-50%	↓	Below	UK market soft; pivoting to "Hard Surfaces" to arrest degrowth.

*Derived from % mix provided in PPT p.11 against Consolidated Revenue.

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.	Needs ~₹10 Cr in Q4. Current Q3 is ₹222.6 Cr. Aggressive ramp needed.	Reliable	Medium
Guidance	Margins	18% - 20% EBITDA.	Currently at 19.4%. Highly feasible given US discount rollback.	Reliable	Low
Guidance	Capacity	+100k Quartz, +70k SS.	Deadline: April 2026. Management notes slight delay waiting for US deal.	Mixed	Low
Guidance	Capex Plan	Faucet & Appliance scale-up.	Expanding to 100k units each in FY27.	New	Medium
Strategy	Domestic	₹500 Cr Revenue in 5 years.	Needs 30%+ CAGR. Q3 India growth was 30% YoY.	New	High
Strategy	US Tariffs	Rollback of discounts.	Immediate effect (Q4). Will add ~3-5% to consolidated margins.	Reliable	Low
Strategy	Middle East	Replicate UAE model.	Target: 0 to 30 Cr in 3 years. New showrooms in Muscat/Sharjah.	Reliable	Low
Macro	Industry	China Plus One.	New OEM (Smeg) and IKEA expansion confirm global pivot to India.	Reliable	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Sagar Jethwani / PhillipCap	US Pricing	Financials	"What will be our pricing strategy in the US market given favorable tariff rates?"	Management confirmed they are rolling back the 15-20% discounts on a pro-rata basis with immediate effect as tariffs dropped to 18%. This will lead to a significant realization and margin boost in the US segment starting Q4 FY26.	None	5.0	Specific timeline given
2	4.0	Sagar Jethwani / PhillipCap	Retail Footprint	Business Overview	"Are the Mumbai stores getting relocated or closed?"	Management explained they closed the Atria Mall store due to low footfall and are opening new centers in Andheri, Mahalaxmi, and New Bombay. This transition ensures marketing spend is focused on high-conversion experiential centers.	None	4.5	Directional evidence
3	4.5	Avijit Sheel / SBI Cap	Surfaces Pivot	Strategy	"Guidance on entering hard surfaces for UK business?"	Management noted the first prototype for the fabrication business will be displayed in April at the Carysil 2.0 summit. Successfully pivoting to hard surfaces (90% market share)	None	4.0	Timeline for prototype

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						is critical for the UK subsidiary's recovery.			
4	3.5	Pritesh / Lucky Inv	United Granite	Financials	"Are Carysil Surfaces and United Granite the two subsidiaries doing the surface business?"	Management confirmed these are the fabrication arms and noted US gross margins improved from 35% to 50% by focusing on exotic stones. This shift to high-end "complicated" fabrication protects margins despite macro softness.	None	4.5	Quantified margin shift
5	4.5	Pritesh / Lucky Inv	Capacity Util	Business Overview	"When will peak utilization of expanded capacities be attained?"	Management indicated immediate utilization is expected due to the US tariff resolution and growing IKEA volumes. This suggests that the current capex cycle will be highly accretive within 12 months of commissioning.	None	4.0	Directional evidence
6	4.0	Vaidik Bafna / Monarch	Gross Margins	Financials	"Does the gross margin expansion include currency tailwinds?"	Management attributed the expansion primarily to the fall in imported MMA prices from \$2.02 to \$1.50 per kg. This clarifies that margin strength is structural/	None	5.0	Specific RM prices given

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						input-cost driven rather than just FX fluctuations.			
7	4.5	Resha Mehta / Green Edge	Growth Visibility	Mgmt Outlook	"What is the growth projection for FY27 given the tariff headwinds are behind us?"	Management stated they are closing in on the \$100M mark and target another \$100M through 'Carysil 2.0'. This implies high double-digit growth expectations as capacity expansion aligns with normalized US demand.	None	4.5	Bold growth target
8	4.0	Sanjay Ladha / Bastion	EU Trade Deal	Strategy	"What will be the benefit from the EU bilateral trade deal?"	Management explained that while direct tariff impact is lower than the US, the deal creates a "feel good factor" for Indian manufacturing. This is expected to drive more OEM inquiries and technology collaborations across the 58-nation European belt.	None	3.5	Qualitative impact
9	4.5	Sanjay Ladha / Bastion	Smeg OEM	Business Overview	"Any color on new markets?"	Management revealed they secured Smeg (Italy) as an OEM customer for high-end appliances. Adding a Tier-1 luxury brand like Smeg validates	None	5.0	Specific customer named

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						Carysil's manufacturing quality and design competency.			
10	3.0	Chintan Shah / JM Financial	Customer Mix	Business Overview	"What sort of volumes are contracted with IKEA, Grohe, and Kraus?"	Management declined to give unit counts but noted that the Top-3 customers contribute ~40% of Quartz Sink business, rising to 60% if all US/IKEA business is included. This highlights high client concentration but with "sticky" global leaders.	Exact unit count	3.0	Hedged for confidentiality

PATTERN FLAGS & SENTIMENT * The "Discount Recovery" Theme: Analysts were laser-focused on the 15-20% discounts Carysil provided to US customers to offset the 50% tariff. Management's confident tone regarding the "immediate rollback" of these discounts was the most positive signal of the call, suggesting a high-quality earnings beat is likely in Q4 as realizations normalize. * **Capacity Anxiety vs. Demand Pull:** Questions regarding why the Quartz expansion was only 100k (vs. 200k earlier discussed) were met with an "all-time high sales" narrative at Lowe's and IKEA. The company appears to be moving from a cautious wait-and-watch mode during the tariff uncertainty to an "all-fired-up" expansion mode. * **UK Surfaces Overhang:** Skepticism remains regarding the UK business. Management was candid about the "challenging environment" but offered a specific strategy (pivoting to hard surfaces and opening a Manchester showroom) to arrest the decline.

Analyst Sentiment Verdict: Analysts were **highly optimistic**, buoyed by the US trade deal which removes the single largest risk to the thesis. Management's credibility was enhanced by their Smeg OEM win and the clear roadmap for "Carysil 2.0". The only minor friction point is the timing of the next 100k Quartz capacity, but this was overshadowed by the immediate margin tailwinds from the US.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2FY26)	This Quarter (Q3FY26)	Direction
US Tariff Regime	50% (Peak Stress)	18% (Post-Trade Deal)	☐ Huge tailwind
US Realization	Discounted by 15-20%	Rollback initiated in Q4	↑ Improving
Debt Level	☐253 Cr (March)	☐ 228 Cr (9M FY26)	↑ De-leveraging
New OEM Win	IKEA rollout ongoing	Smeg Italy (Luxury Appliances)	☐ New growth lever
Retail Strategy	India-focused showrooms	Manchester & Sharjah (Global Brand)	☐ Strategy shift
Raw Material	MMA at \$2.02/kg	MMA at \$1.50/kg	↑ Margin support
UK Business	100% "Soft" Surfaces	Pivoting to "Hard" Surfaces	☐ Survival pivot
Middle East Goal	Early stage	Targeting ☐30 Cr in 3 years	↑ Improving

STOP HERE.