

Carysil Ltd — May 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline on Operations / Miss on Domestic Growth **One-line:** Strong export demand and operational efficiencies are offsetting a sluggish domestic retail market, but the path to the ₹1,000 Cr FY25 revenue target now looks heavily dependent on inorganic acquisitions rather than pure organic momentum.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Revenue growth of 15.9% (FY24) is within the 15-20% guidance; margins at 19.4% hit the 18-20% target.	□
Earnings Quality	Low	PAT growth (10.4%) lagged EBITDA (22.7%) due to high finance costs; FY24 PAT includes ₹4.4 Cr FX gain (7.5% of PAT).	□
Guidance Confidence	Weak	FY25 ₹1,000 Cr target requires ~45% growth; current organic run-rate is only ~16-20%.	□
Management Credibility	Neutral	Successfully integrated UK acquisitions and IKEA ramp-up, but domestic growth targets were missed significantly.	□
Business Quality Signal	Stable	Quartz sink dominance (Asia's only Schock tech user) remains a moat; PVD and appliance expansion diversifies the basket.	□
Key Q&A Exchange	Q10: FY25 Guidance	Management admitted the ₹1,000 Cr target relies on "inorganic opportunities we are exploring."	□
The Street's Primary Anxiety	Domestic Softness	Analysts focused on why domestic revenue grew only 6% despite doubling the dealer network.	□
Capital Cycle Stage	Investment	High capex and land acquisition in Bhavnagar; ongoing M&A search; rising debt for acquisitions.	□
Margin / Return Ratio Trajectory	Deteriorating	ROCE dropped from 15.7% (FY23) to 15.3% (FY24); EBITDA margins down from 23.3% peaks (FY22).	□
Pricing Power	Stable	Gross margins improved (FY24 Standalone 59.7% vs 56.6%) due to better product mix (US/IKEA) and low rejection rates.	□
FCF Conversion & Quality	Weak	CFO/EBITDA fell to 43% in FY24 from 65% in FY23; cash trapped in inventory/receivables due to Red Sea transit delays.	□
Competitive Moat Signals	Stable	Maintenance of 50%+ gross margins in Quartz sinks confirms niche positioning and high entry barriers.	□
Balance Sheet Strength	Adequate	Net Debt/Equity remains manageable but total borrowings rose 35% YoY to ₹298.3 Cr.	□
Working Capital Efficiency	Deteriorating	Inventory days spiked (₹173.2 Cr vs ₹130.6 Cr) and Receivables rose 33% YoY.	□
Mgmt Guidance Track Record	Mixed	Consistent on margins, but volume/domestic revenue targets have been over-optimistic in prior cycles.	□
Key Vulnerability	M&A Execution	Reliance on external growth increases integration and balance sheet risk in a high-interest-rate environment.	□
Management Tone	Cautiously Optimistic	Confident in global brand building but defensive regarding domestic retail sluggishness.	□

Key Takeaways: * **Positives:** Quartz sink gross margins remain robust at 48-50%; US sales and IKEA volumes are providing a high-margin floor; New contract with Reece Australia and Homebase (UK) secures future volume visibility. * **Negatives:** Domestic retail demand is "soft" despite aggressive distribution expansion (3,200+ dealers); Cash flow generation has been severely crimped by a working capital build-up (Red Sea transit delays); Interest costs are eating into bottom-line growth. * **The Street's Concern:** Analysts are skeptical of the organic path to the ₹1,000 Cr revenue mark, forcing management to explicitly pivot the narrative toward "inorganic opportunities." * **Watchpoint:** Execution of the Sternhagen brand in the US and the ramp-up of the new B2B vertical in India to offset retail weakness.

2. BUSINESS PERFORMANCE

2A. KEY METRICS *Data Source: PPT (Primary); Concall (Secondary for volumes/color)*

Metric	Current Qtr (Q4FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	192.1	↑ 31.9%	↑ 21.6%	↑	Driven by US integration (United Granite) and strong export volumes.
Gross Margin (%)	56.8%	↑ 4.5%	↑ 0.6%	↑	Pricing/Mix Driven: High-margin US sales and IKEA volumes; stable RM; all-time low rejection rates.
EBITDA (₹Cr)	36.2	↑ 36.4%	↑ 16.4%	↑	Absolute growth strong, but margin rate (18.8%) pressured by freight/integration.
EBITDA Margin %	18.8%	↑ 0.6%	↓ 0.9%	→	Impacted by Red Sea freight costs (1.5% impact) and United Granite integration.
PAT (₹Cr)	15.5	↑ 25.0%	↑ 25.0%	↑	Profit after Minority Interest; includes ₹1.5 Cr standalone FX gain in Q4.
ROCE (%)	15.3% (FY)	↓ 0.4%	N/A	↓	Deteriorated due to higher capital employed in acquisitions and land.
CFO/EBITDA (%)	43.3% (FY)	↓ 22.0%	N/A	↓	Earnings Quality Issue: Significant cash locked in working capital (-₹59.4 Cr for FY24).
Net Debt/Equity (x)	0.81	↑ 0.11	N/A	↓	Borrowings rose to ₹298.3 Cr vs ₹220.9 Cr YoY.
Quartz Sink Volume (Units)	5,64,294 (FY)	↑ 9.8%	N/A	↑	Growth steady but below the 20% organic target.
SS Sink Volume (Units)	1,27,489 (FY)	↑ 17.5%	N/A	↑	Commenced production of 1,80,000 capacity in Jul'23.
Capacity Utilization %	~75%	→	N/A	→	Headroom available for growth without immediate heavy capex.
International Rev %	~79%	↑	N/A	↑	UK (30% of consol) and US (30% of exports) remain dominant.
Working Capital (Days)	~120 Days	↓	N/A	↓	Spiked due to 4-5 week transit delays (Red Sea) and US acquisition stock.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr - FY24)	YoY Growth	Margin (Gross)	Trend	vs Company Avg	Key Development
Quartz Sinks	324.0	↑ 16%	48-50%	↑	Above Avg	Core moat; volume grew 10%, value grew 16%.
Stainless Steel	75.9	↑ 15%	30-35%	→	Below Avg	Shifted production to India to improve UK margins.
Surfaces (UK)	150.0	↑	26-27%	→	Below Avg	Challenging UK economy; new Homebase deal signed.
Appliances/Bath	~55,000 units	→	40-50%	↓	Mixed	Domestic retail sluggish; B2B vertical launched.
United Granite (US)	31.0	New	42.0%	↑	Below Avg	First full year; focus on residential/high-margin mix.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	₹1,000 Cr by FY25	Needs ~₹250 Cr per quarter; FY24 avg was ₹172 Cr. Gap: ₹312 Cr.	Missed FY24 domestic target.	High
Guidance	Margins	18% - 20% EBITDA	Feasible at current 19.4% FY24 level despite freight issues.	Consistently Delivered.	Low
Guidance	Volume	15% - 25% Sink Growth	Organic growth currently ~10-12%. Requires major market recovery.	Missed (Organic was 10%).	Medium
Strategy	Domestic	15% - 20% Growth	Grew only 6% in FY24. Requires B2B vertical to deliver immediately.	Missed.	High
Strategy	Brand	30% Global B2C in 3 yrs	Currently ~15-20%. Requires US/Australia ramp-up.	On-track.	Low
Balance	Debt	Repay ₹28-30 Cr FY25	Requires CFO recovery; WC must normalize from 120 to 90 days.	New target.	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Resha Mehta	Domestic Growth	Business Overview	Why has domestic growth been soft (6%) despite dealer expansion and Deloitte consulting?	Management attributed softness to a sluggish retail market and heatwaves but maintained 15-20% future guidance based on a new B2B vertical. Sluggish domestic growth is a significant overhang on the "premiumization" thesis.	None	3.0	Deflected by macro
2	3.5	Resha Mehta	Distribution	Business Overview	Will the gallery ramp-up be dialed down due to soft demand?	Management confirmed they will continue expanding and open three new "Platinum" experience centers in the next two quarters. High fixed-cost expansion during a demand lull could pressure margins if revenue doesn't follow.	None	4.0	Committed to CAPEX
3	4.0	Resha Mehta	OpEx	Financials	Quantify the 34% increase in employee costs vs 15% revenue growth.	Management explained costs rose due to integrating United Granite and hiring a leadership team for future capacity utilization. This confirms that current overheads are built for a much larger revenue base, creating operating	None	3.5	Directional

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						leverage potential.			
4	3.0	Kunal Ochiramani	Fundraise	Capex & Alloc.	What is the status of the ₹150 Cr fundraise and where will it be deployed?	Management stated they have the resolution but will only use it at the "appropriate time" once related capacity plans are finalized. This suggests a pending "trigger" acquisition or major expansion.	Deployment details	2.5	Vague
5	3.5	Tushar Raghatate	Brand Mix	Business Overview	What is the share of own-brand sales globally?	Currently 15-20% globally (100% in India), with a target to reach 30% globally in 3 years. Transitioning from OEM to B2C is critical for long-term margin protection and valuation re-rating.	None	4.0	Quantified target
6	3.5	Tushar Raghatate	Volume	Business Overview	What is the volume growth guidance?	Sticking to 15-25% volume growth on the back of new tie-ups. High risk given FY24 organic volume growth was only ~10%.	None	3.0	Optimistic
7	4.5	Harsh Shah	Gross Margins	Financials	Is the record-high gross margin sustainable and what drove it?	Management credited US sales mix, IKEA ramp-up, and operational efficiencies (low rejection) while maintaining an 18-20% EBITDA floor. High gross	Exact sustainability %	4.5	Specific on drivers

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						margins (59% standalone) provide a massive cushion against freight spikes.			
8	4.0	Harsh Shah	Cash Flow	Financials	Why did working capital cycle worsen to 120 days?	Management blamed Red Sea delays for inventory build-up and increased receivables, expecting a return to 90 days soon. This is the primary driver of the poor CFO-to-PAT ratio; watch for Q1FY25 unwinding.	None	4.0	Plausible
9	3.5	Harsh Shah	Debt	Capex & Alloc.	What is the debt repayment schedule?	Consolidate repayment of ₹28-30 Cr planned for FY25. Indicates management is prioritizing deleveraging alongside growth.	None	5.0	Specific
10	5.0	Rohit Singh	Guidance	Outlook	Why reduce guidance to 20% CAGR but still claim ₹1,000 Cr target for FY25?	Management admitted the ₹1,000 Cr target includes "inorganic opportunities" they are currently exploring. This is a major signal: organic growth is insufficient to meet the bold FY25 target.	Deal timelines	3.0	Walk-back revealed
11	3.5	Meet Rachchh	Math Check	Outlook	Calculated that without M&A, revenue only hits	Management agreed with the math, confirming that M&A is the bridge to the	None	4.0	Confirmed math

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					~₹860-870 Cr.	₹1,000 Cr guidance. This increases the risk profile as investors must now underwrite an unknown acquisition.			
12	3.5	Aditya	US Segment	Business Overview	What are the revenues for Sylmar and United Granite?	Sylmar (Surfaces) did ~₹150 Cr and United Granite did ~₹31 Cr for FY24. US fabrication (UG) margins are expected to improve as residential sales mix increases.	None	5.0	Precise data
13	4.0	M N Kumar	Receivables	Financials	Standalone receivables rose ₹27 Cr on a ₹36 Cr revenue increase— isn't this poor quality?	Management reiterated this was due to export transit delays and not a structural change in credit terms. A critical monitoring point: if receivables don't drop in Q1, it suggests underlying credit risk in the channel.	None	3.0	Defensive

PATTERN FLAGS & SENTIMENT * The "Inorganic" Pivot: Analysts correctly identified a mathematical gap between management's 20% CAGR guidance and their ₹1,000 Cr revenue target. Management's admission that M&A is required suggests they are under pressure to "buy" growth to satisfy prior promises. * **Domestic Denial:** Despite doubling the distribution network, domestic growth was anemic. Analysts pushed hard on this; management blamed the "heatwave" and "retail softness," which appeared defensive. The concern is that the market may be reaching saturation for premium sinks in current Tier-1 retail channels. * **Sentiment Verdict:** Analyst sentiment was **skeptical but respectful**. While they admired the gross margin resilience (quality of product), there is deep skepticism regarding the domestic growth trajectory and the cash-flow-to-profit conversion. Management's credibility on operations is high, but their guidance on "organic" growth is viewed as aggressive.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Revenue Target | ₹1,000 Cr Organic/Mix | Target requires M&A. | Organic run-rate is missing target by ~₹130 Cr+. | High: Thesis shifts from "Product Growth" to "M&A

Execution." | | Working Capital | Standard 90 days | Currently 120 days. | 30-day spike in inventory/receivables. | Medium: Temporary Red Sea impact or structural slowdown? |

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
N/A	N/A	N/A	N/A