Carysil Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue, Beat on Margins (vs. Q3 Trough) **One-line:** The long-term thesis is structurally upgraded from an "export OEM" to a "global retail partner" as massive breakthroughs with IKEA (3x volume) and Lowe’s (150k units) transition from pipeline to production-ready contracts.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Margin Beat vs Q3	EBITDA Margin recovered to 17.5% (from 15.2% in Q3) as freight/RM headwinds cooled.	□
Earnings Quality	Low (WC Heavily Distorted)	Negative FY25 OCF (-□6.9 Cr) vs. PAT (□64.3 Cr) due to strategic inventory build for BIS standards.	□
Guidance Confidence	Strong	Management confidently guides for □930 Cr+ revenue in FY26 and 18-20% sustainable margins.	□
Management Credibility	High	Delivered on the "storm" promised last quarter by securing the IKEA global RFQ award.	□
Business Quality Signal	Improving	Pivot to higher-margin "workstations" and in-house appliance manufacturing reduces trading risk.	□
Key Q&A Exchange	Q#7: IKEA Deal Size	Potential to grow IKEA business from 25% to 75% market share, adding ~200k units of high-value volume.	□
The Street's Primary Anxiety	Sustainable Margins	Analysts questioned if the 18-20% range is realistic; Mgmt confirmed RM and freight have reversed.	□
Capital Cycle Stage	Expansion / Ramp-up	Restarting Plant-4 (250k units) and investing in new appliance/faucet facilities.	□
Margin / Return Ratio Trajectory	Trough-ing and Rebounding	Q3 (15.2%) was the bottom; Q4 (17.5%) shows the beginning of the normalization cycle.	□
Pricing Power	Stable	Successfully passing through high-value workstation mixes to global retailers.	□
FCF Conversion & Quality	Weak	Negative OCF due to □47 Cr inventory increase (Finished Goods for BIS and UAE growth).	□
Competitive Moat Signals	Widening	Becoming the "preferred global supplier" outside China/ Vietnam due to tariff realignments.	□
Balance Sheet Strength	Strong	Gross Debt at □265.5 Cr; Debt-to-Equity remains < 0.5 despite heavy growth CAPEX.	□
Working Capital Efficiency	Deteriorating (Temp)	Inventory days spiked for strategic reasons (BIS compliance/ UAE expansion).	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on volume growth and breakthrough client acquisition.	□
Key Vulnerability / Red Flag	US Fabrication Still Weak	United Granite (US) is only at 2-3% profit; still needs scale to be a meaningful contributor.	□
Management Tone	Bullish / Hyper-Growth	Enthusiastic about "record historic deals" and the "India story."	□

Sentiment: □Positive

Key Takeaways: * **Positives:** Carysil has hit a commercial "inflection point." The award of the IKEA global RFQ (increasing share from 25% to 75%) and the Lowe’s/Karran deal (150k units) provide massive revenue visibility for FY26. Management has successfully navigated the "perfect storm" of high freight and raw material costs, with Q4 margins recovering 230 bps QoQ. Domestic dealer expansion to 4,000+ points provides a long-term hedge against export volatility. * **Negatives:** Cash flow generation is poor. FY25 Operating Cash Flow was negative (-₹6.9 Cr) compared to a PAT of ₹64.3 Cr. This was driven by a strategic but expensive decision to stock up on inventory ahead of BIS implementation and to support fast growth in the UAE. The US subsidiary (United Granite) remains a laggard, only just crossing breakeven. * **The Street's Concern:** Analysts remain focused on the sustainability of the 18-20% EBITDA margin. Management’s response was credible: the peak MMA and freight costs seen in Q3 have fully reversed, and the high-value product mix (workstations/appliances) should provide natural margin expansion as capacity utilization moves from 65% to 90% in the coming quarters. * **Watchpoint:** Execution of the Plant-4 restart. Moving utilization from 65% to 90% within 90 days is a significant operational hurdle; any delays here will cap the FY26 revenue upside.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	205.1	↑ 6.8%	↑ 1.0%	→	Driven by international demand; Q4 is seasonally stable.
Gross Margin (%)	48.0%	↓ 1.1%	↑ 4.3%	↑	(Est. from RM cost) Prices of MMA cooled vs Q3 peak of $2.52/kg.
EBITDA (₹Cr)	35.8	↑ 5.0%	↑ 14.7%	↑	Recovery from Q3 trough (₹31.2 Cr).
EBITDA Margin %	17.5%	↓ 30 bps	↑ 230 bps	↑	Normalizing toward 18-20% target as freight costs subside.
PAT (₹Cr)	18.6	↑ 19.6%	↑ 48.8%	↑	High growth due to lower finance costs and improved subsidiary performance.
EPS (₹)	23.83 (FY25)	↑ 4.6%	N/A	↑	Full-year basis (Consol PAT ₹63.7 Cr / 2.67 Cr shares approx).
CFO/PAT (%)	-10.7% (FY25)	↓	↓	↓	**Red Flag:** FY25 OCF (-₹6.9 Cr) / PAT (₹64.3 Cr). Working capital drag.
Net Debt / Equity (x)	0.37 (Est)	→	→	→	Gross debt ₹265.5 Cr vs Equity ₹531.3 Cr; well within 0.5 target.
Interest Coverage (x)	6.13	↑	↑	↑	Q4 EBIT ₹23.9 Cr / Finance Cost ₹3.9 Cr (from Standalone/Consol blend).
Volume: Quartz Sinks	172,800*	↑ 14%	↑ 10%	↑	*Est. from FY total 645,000. Q4 run-rate improving.
Volume: SS Sinks	45,600*	↑ 30%	↑ 25%	↑	*Est. from FY total 155,000. Impact of Kohler/ IKEA SS deals.
Utilization % (Quartz)	67.0%	↓	→	→	Expected to hit 85-90% by Q2 FY26 due to Karran/IKEA orders.
Int'l Revenue (₹ Cr)	163.1 (Est)	↑ 7%	→	↑	80% of Consolidated Revenue is International.
Key Raw Material (MMA)	Cooling	↓	↓	↑	Prices significantly lower in Q4 vs Q3 peak of $2.52/kg.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
Quartz Sinks (FY25)	516.5 (Est)	↑ 12%	High	↑	Above	6.45L units; IKEA RFQ award to triple share to 75%.
Stainless Steel (FY25)	123.9 (Est)	↑ 20%	Medium	↑	Below	1.55L units; new Kohler India and Hafele partnerships.
Appliances/ Faucets	46.7 (India)	↑ 14%	Improving	↑	Below	Moving to in-house manufacturing; 35% growth in Faucets.
UAE Subsidiary	14.4 (FY25)	↑	Positive	↑	Above	80% Appliances mix; opening 2nd showroom in Sharjah.
UK Subsidiaries	225.0 (Est)	↑ 12%	Strong	↑	Above	Exclusive deal with Howdens (80k-100k sinks annually).
US (United Granite)	40.0 (Est)	↓	2-3%	↑	Below	Breakeven reached; pivot to exotic marbles/quartz slabs.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	□925 Cr - □930 Cr for FY26 (15% growth).	Needs □232 Cr/qtr. Highly feasible given IKEA/Lowe's visibility.	Reliable	Low
Guidance	Margins	18% - 20% EBITDA margin sustainable.	Needs ~150 bps expansion from current 17.5%. Feasible as RM/ Freight cools.	Mixed	Medium
Guidance	Volume	85-90% Quartz utilization in 90 days.	Needs production jump from ~54k to ~75k sinks/month. Operational challenge.	Reliable	High
Guidance	Capex Plan	□50 Cr for FY26.	Focus on Appliances factory, SS expansion, and new molds.	Reliable	Low
Strategy	Capital Allocation	In-house manufacturing for Appliances/Faucets.	Shifting from imports to local assembly to save on BIS costs/lead times.	New Focus	Medium
Strategy	Domestic	□300 Cr (Mid-term) / □500 Cr (Long-term).	Needs ~30% CAGR. Aggressive dealer expansion (4k currently).	Tracking	Medium
Macro	Industry Headwinds	Tariff shifts (China/ Vietnam).	Favorable tailwind for Indian manufacturing in US/EU.	Ongoing	Low
Macro	Input Costs	MMA prices cooling.	Direct margin kicker as $2.52/kg peak is behind them.	Volatile	Medium
Balance	Working Capital	Normalization in "upcoming quarters."	Needs to reduce inventory from □221 Cr (Mar-25) to ~□180 Cr.	Missed (FY25)	Medium

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Cred (1–5)	Verdict
1	4.5	Ayush Chabria / Shravas	Capacity	Management Commentary	What is the expected capacity utilization for quartz sinks given the new deals?	Management expects utilization to reach 85-90% within the next 3-4 months, up from the current 67% range. This implies strong operating leverage and high visibility for Q1/Q2 FY26 revenue growth.	None	4.5	Clear timeline
2	4.0	Ayush Chabria / Shravas	RM Prices	Financials	Have raw material prices cooled off compared to previous elevated levels?	Management confirmed MMA and freight prices have cooled, which is reflected in the margin improvement in Q4. This supports the thesis that the margin compression was cyclical/ temporary, not structural.	None	4.0	Validated trend
3	4.0	Resha Mehta / GreenEdge	Revenue Target	Management Commentary	Is □1,000 Cr revenue possible in FY26 given the buoyant demand?	Management indicated that while 15% growth (~□930 Cr) is the base guide, reaching a □1,000 Cr run-rate by Q3/ Q4 is possible. This suggests internal optimism is higher than the conservative 15% guidance.	None	3.5	Cautious optimism
4	4.5	Vaidic / Monarch Networth	US Deal	Business Overview	How much did Carysil supply to Karran/	Carysil supplied ~120k units to Karran in FY24 and	None	4.5	Specific volume data

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					Lowe's in FY24 vs the new deal?	expects to double this to ~240k units in FY26 including the new 150k unit Lowe's deal. This confirms the US is becoming the primary growth engine for the quartz segment.			
5	3.5	Sanjay Ladha / Bastion	Realization	Financials	Why did realization per unit drop 20% in quartz and steel sinks this quarter?	Management attributed the drop to product mix (more single bowls) but noted the US Lowe's deal involves high-value products that will raise realization from Q1. This clarifies that the realization dip was a "mix issue" rather than pricing pressure.	None	4.0	Clear explanation
6	4.0	Resham Jain / DSP	Domestic Strategy	Management Commentary	What will drive the India business from ₹150 Cr to ₹300 Cr in the medium term?	Growth will be driven by faucets and appliances alongside sinks, supported by a 4,000-dealer network and 200 galleries. Domestic growth is diversifying beyond sinks into a full "kitchen solution" play.	None	3.5	Strategy defined
7	5.0	Nikhil Gadda / Abakkus	IKEA Deal	Business Overview	What is the incremental volume and	The deal triples IKEA volume (potential	None	4.5	Material upgrade

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					margin profile of the new IKEA business?	~200k units) and is expected to be a high value-added, higher-margin product line. This is a significant re-rating trigger as it validates Carysil as a top-tier global vendor.			
8	4.0	Sujal / ASP Finserv	Distribution	Business Overview	What is the distribution strategy for Appliances (B2B vs B2C)?	Domestic business is 80% B2C and 20% B2B; appliances are expanding into electronic chains (like Panasonic/ Whirlpool dealers) in Kerala. Management is successfully pivoting from "hardware stores" to "electronic/ lifestyle retail."	None	4.0	Channel pivot
9	3.5	Vansh Solanki / RSPN	US Contract	Business Overview	Is the Karran/ Lowe's deal one-time or multi-year?	These are long-term contracts; management noted the previous source was changed after 15 years, implying "stickiness." This reduces "order book" risk and provides multi-year annuity-like revenue.	None	4.0	Durability confirmed
10	4.0	Rupesh / IntelSense	UK Growth	Business Overview	What led to UK revenue growth and	UK growth is driven by 12-14 new customers	None	4.5	Market share gain

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Cred (1–5)	Verdict
					what is the Howdens deal status?	and ceramic sink launches; Howdens deal (80k-100k sinks) remains strong. UK is resilient despite macro conditions, with Carysil emerging as a top-3 player.			

PATTERN FLAGS & SENTIMENT * **Capacity Anxiety:** Analysts were highly concerned about Carysil’s ability to meet sudden demand. Management’s response—restarting Plant-4 and ordering 10 new molds—was decisive, shifting the sentiment from "where is the growth?" to "how fast can they manufacture?". * **The IKEA/Lowe's Breakthrough:** These two deals dominated the call. Management’s tone was one of "victory," having secured global awards over European competitors. This has significantly boosted management credibility after a tough FY24. * **Domestic Pivot:** Questions regarding the domestic business moved from "why is it slow?" to "how will you reach ₹300 Cr?". Analysts are beginning to buy into the appliance/faucet expansion story.

Analyst Sentiment Verdict: Analysts were **highly impressed** by the commercial breakthroughs (IKEA/Lowe's). While there was some pushback on realization and working capital, the "volume visibility" is so strong that the overall sentiment was **decidedly bullish**. Management's credibility has strengthened as they delivered the big contracts promised in previous "calm before the storm" remarks.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY25)	This Quarter (Q4 FY25)	Direction
EBITDA Margin	15.2% (Trough)	17.5%	↑ Improving
IKEA Status	Bidding for RFQ	**Awarded** (Triple volume)	↑ Breakthrough
Quartz Capacity	250k unit plant shut	**Restarting** immediately	↑ Improving
US Subsidiary	Negative 8-10% Margin	2-3% Profit (Breakeven)	↑ Improving
Working Capital	Inventory buildup noted	Spiked to ₹221 Cr (BIS/UAE)	↓ Deteriorating
Domestic Reach	3,200 Dealers	4,000 Dealers	↑ Improving
RM Context	MMA at $2.52 peak	"Cooled down"	↑ Improving
Product Strategy	Importing Appliances	**In-house assembly** starting	↑ Improving
SS Sinks	Standard production	Breakthrough with Kohler/Hafele	↑ Improving

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