Carysil Ltd — Nov 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** Carysil has decisively moved past its Q1 operational glitches (SAP/Cyclone), delivering a volume-led recovery in exports and a structural margin expansion to >20%, while successfully pivoting to a high-value "Total Kitchen Solution" model through its US acquisition.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue (□163.6 Cr) exceeded the Q1 run-rate significantly; Quartz volumes recovered to ~150k units.	□
Earnings Quality	High (Core driven)	H1 CFO (□69.2 Cr) is 2.53x PAT (□27.3 Cr), indicating excellent cash conversion and working capital management.	□
Guidance Confidence	Strong	Reaffirmed □1,000 Cr FY25 target; stated run-rate of □720-750 Cr will be visible starting Q3 FY24.	□
Management Credibility	Strong	Recovered the □15 Cr SAP-related spillover from Q1 as promised; executed the fourth strategic acquisition (United Granite) smoothly.	□
Business Quality Signal	Improving	Shift from being an OEM sink supplier to a branded "One-Stop-Shop" (Sink + Tap + Top + Appliance) increases wallet share.	□
Key Q&A Exchange	Q# 14 (US Margin)	Mgmt clarifies US business is most profitable on FOB basis; debunks fears of margin dilution from US expansion.	□
The Street's Primary Anxiety	US/EU Slowdown	Management confirmed destocking is over and they are gaining market share from high-cost Western competitors.	□
Capital Cycle Stage	Investment	Integrating US acquisition and scaling domestic faucet/appliance manufacturing (H2 launch).	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins expanded to 20.6% (vs 19.2% QoQ) due to operating leverage and stable raw material costs.	□
Pricing Power	Stable	Maintaining margins despite product mix shifts; successfully retaining benefits of lower input costs.	□
FCF Conversion & Quality	Strong	H1 OCF of □69.2 Cr against H1 PAT of □27.3 Cr shows superior cash generation.	□
Competitive Moat Signals	Widening	Exclusive Schock technology in Asia + Bespoke US fabrication technology creates a high-entry barrier for competitors.	□
Balance Sheet Strength	Adequate	Gross debt at □216.4 Cr (H1FY24). Debt/Equity at 0.66x is comfortable for an acquisition-led growth phase.	□
Working Capital Efficiency	Improving	Inventory and Receivables stabilized post-SAP transition; H1 OCF confirms no bloat.	□
Mgmt Guidance Track Record	Reliable	Delivered on the "spillover" recovery promise; consistent on the long-term □1,000 Cr roadmap.	□
Key Vulnerability / Red Flag	Geopolitical Risk	Exposure to Israel/Jordan/Gulf markets could cause localized demand volatility.	□
Management Tone	Confident	Bullish on "India as a manufacturing hub" and the "One-Stop-Shop" domestic strategy.	□

Key Takeaways (Positives & Negatives): * **Positives:** The **operational recovery** is complete; the ₹15 Cr Q1 spillover was fully recouped in Q2. **Export demand has pivoted** from destocking to market share gains, with major breakthroughs in the US and emerging markets (UAE, Turkey). The **acquisition of United Granite (US)** is a masterstroke, moving the company into high-margin fabrication and "Total Kitchen" integration, which management intends to bring back to the Indian market for backward integration. * **Negatives: Domestic revenue (H1: ₹66 Cr)** is lagging behind the ambitious FY24 guidance of ₹160-170 Cr, requiring a massive H2 performance (₹100 Cr+). **Geopolitical uncertainty** remains a shadow over Gulf-related export growth. * **Street Concern:** Analysts were worried about the QoQ dip in sink realizations. Management's response: This is a mathematical artifact of **FOB vs. CIF pricing mix** (US is FOB/lower price, Europe is CIF/higher price) and has zero impact on EBITDA absolute profitability. * **Forward Watchpoint:** The transition from "Sink Manufacturer" to "Appliance Brand" in India—if the ₹200 Cr FY25 domestic target is met, it will signal a successful re-rating of Carysil from an ancillary to a consumer brand.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q2FY24)	YoY Change (vs Q2FY23)	QoQ Change (vs Q1FY24)	Trend	Mgmt Commentary
Revenue (□Cr)	163.6	↑ 17.5%	↑ 14.6%	↑	Recovery of Q1 spillover + organic growth in US/UK.
Gross Margin (%)	53.0%	↑ 440 bps	↑ 150 bps	↑	Calculated: (163.6-76.9)/163.6. Benefit of stable RM.
EBITDA (□Cr)	33.9	↑ 48.7%	↑ 23.7%	↑	Volume-led recovery + retention of freight savings.
EBITDA Margin %	20.6%	↑ 420 bps	↑ 140 bps	↑	Operating leverage kicking in as utilization rises.
PAT (□Cr)	15.6	↑ 66.0%	↑ 33.3%	↑	Strong operational performance despite higher interest.
EPS (□)	5.8*	↑ 66.0%	↑ 34.9%	↑	*Based on PAT/Equity. PPT lists PAT MI at □15.4 Cr.
CFO/PAT (%)	253.5%	↑	↑	↑	H1 OCF (□69.2 Cr) / H1 PAT (□27.3 Cr). High quality.
Net Debt/Equity (x)	0.63x	↓	↓	↑	Gross Debt □216.4 Cr; Cash □9.1 Cr. Healthy leverage.
Interest Coverage (x)	5.6x	↑	↑	↑	EBIT □26.5 Cr / Finance Cost □4.7 Cr.
Volume: Quartz Sinks	149,000*	↑ 20.2%	↑ 43.3%	↑	*Derived: H1 (253k) - Q1 (104k). Strong rebound.
Volume: SS Sinks	34,000*	↑	↑ 70%	↑	*Derived: H1 (54k) - Q1 (20k). IKEA recovery.
Volume: Appliances	15,200*	↑	↑ 18.7%	↑	*Derived: H1 (28k) - Q1 (12.8k). Gaining traction.
Capacity Utilization %	~75%	↑	↑	↑	Targeting 80-90% by year-end (Q4).
Domestic Revenue (□Cr)	35.0*	↑	↑	↑	*Derived: H1 (66 Cr) - Q1 (31 Cr). Growth lag vs dealers.
Int'l Revenue (GBP Mn)	4.8	↑ 30%	→	↑	Carysil Products Ltd (UK) seeing resilient demand.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	H1 Mix %	Margin %	Trend	vs Avg	Key Development
Quartz Sinks	153.6*	50%	High	↑	Above	253k units in H1; 1.5L units in Q2. Recovery complete.
Surfaces (UK/ US)	61.5*	20%	Mid-High	→	In-line	United Granite (US) consolidation to start in Q3.
Stainless Steel	46.1*	15%	Mid	↑	Below	IKEA business bouncing back; new contract in Q4.
Appliances	36.9*	12%	Mid	↑	Below	Faucet/Appliance assembly started in Q3.
Faucets/Other	9.2*	3%	Mid	↑	Below	Insignificant currently; massive headroom in H2.

**Estimated based on Management's H1 Revenue Mix % (50/20/15/12/3).*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	□720-750 Cr run-rate starting Q3 FY24.	Needs □210 Cr avg in Q3/Q4. High feasibility with US acquisition addition.	Met (Recovered Q1 miss)	Low
Guidance	Revenue	□1,000 Cr in FY25.	Needs ~30% growth on FY24 base. Achievable via US/UK M&A + Domestic pivot.	On Track	Moderate
Guidance	Margins	Sustaining 18-20% EBITDA Consolidated.	Already achieved 20.6% in Q2. Operating leverage will offset M&A costs.	Met	Low
Guidance	Volume	Maximize Quartz Capacity (10L units p.a.).	H1 run-rate is ~5L units. Needs ~70% growth in H2 to hit peak utilization.	Improving	Moderate
Strategy	Domestic	□200 Cr Revenue in FY25.	Current H1 is only □66 Cr. Needs massive □134 Cr in next 4 quarters.	Lagging	High
Strategy	M&A	US (United Granite) to hit 15% EBITDA.	Currently 7-11%. Mgmt plans bulk sourcing and 90% utilization (from 60%).	Pending	Moderate
Strategy	Appliances	Launch of bespoke "One-Stop-Shop" model.	Showcase in ACETECH exhibition received "overwhelming" response.	On Track	Low
Macro	US Market	Become leading US player in Kitchen/Bath.	Leveraged "United Granite" distribution for sinks/faucets.	New Pivot	Moderate

4. ANALYST Q&A

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
1	4.5	Garvit Goyal, Nvest	Domestic Disparity	Financials	"Despite substantial expansion in distribution network... current domestic revenue H1 stands at □66 crores... falling short of guidance."	Management explained that dealer network expansion efforts took place in H1 and the revenue realization begins in Q3 with a reorganization of the network. This confirms the domestic story is a back-ended H2 play, making Q3/ Q4 domestic data critical for thesis validation.	None	3.5	Lag adm
2	4.0	Garvit Goyal, Nvest	Margin Sustainability	Financials	"Do you anticipate that EBITDA and PAT margins... will be sustained in the upcoming quarters... [considering] marketing expenses?"	Management expressed confidence in sustaining 20% margins through revenue growth and stable raw material/input costs. If volumes ramp as guided, operating leverage should easily absorb the planned increase in marketing spend for the Vaani Kapoor campaign.	None	4.0	Structura margin c
3	4.0	Chandrakanth D, CD Equity	Export Resilience	Business Overview	"How have you been able to grow exports	Management clarified they are grabbing market share	None	4.5	Market s gain

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
					despite the stress in the Western markets?"	from Western competitors who face high production costs, positioning India as the "premier alternative." This reinforces the "Europe+1" structural tailwind for Carysil's export moat.			
4	3.5	Vaidik, Monarch Networth	Realization Dip	Financials	"The realization in costings has not shown such an improvement... it has decreased by around 7% [QoQ]?"	Management attributed the dip solely to product mix and the shift to FOB (US) vs CIF (Europe) pricing, which lowers top-line realization but doesn't hurt absolute EBITDA. This de-risks the fear of pricing pressure or competition-driven discounts.	None	4.0	Technica explanat
5	4.0	Pritesh Chheda, Lucky Inv	Momentum	Outlook	"Should we assume further build on these numbers as we go ahead? And that inventory overhang as it got resolved?"	Management confirmed the inventory overhang at the customer end is over and they are in advanced stages for large bulk orders in Q4. This signals that the recovery is not a one-off	None	4.0	Demanc visibility

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
						and the Q4 exit run-rate will be significantly higher.			
6	4.0	Pritesh Chheda, Lucky Inv	Stainless Steel	Business Overview	"Progress on the stainless steel side... comment there?"	Management noted that IKEA business commences in Q4 and a new large customer has awarded them bulk volumes in SS sinks. This ensures that the under-utilized SS capacity will become a growth driver in the next fiscal.	None	4.0	Capacity utilizatio
7	4.5	Udit Gajiwala, Yes Sec	US Acquisition	Capex and Allocation	"Can you explain the US acquisition... when do you expect it to get consolidated?"	Management expects consolidation to start from Q3 and views it as the primary bridge to the □1,000 Cr revenue roadmap. This inorganic move transforms the US from a trading territory into a direct-to-consumer fabrication hub.	None	5.0	Strategic clarity
8	3.5	Darshil, Crown Capital	US Margin Dilution	Financials	"Will our margins take a bit of a hit... because US business has	Management countered that on an apple-to-apple basis, the US	None	3.5	Confider denial

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
					a bit lower margins?"	business is the most profitable on FOB prices and margin expansion is likely as US volumes grow. This alleviates the concern that acquisitions will be margin-dilutive in the near term.			
9	4.5	Nikhil Gada, Abakkus	United Granite	Business Overview	"Is it fair to assume that this business can deliver somewhere within 150 to 170 crores... at peak utilization?"	Management estimated peak revenue of $15-16 million (approx 130 Cr) with an asset-light CNC machine-based model. This defines the cap on the current US facility and implies future capex or additional units will be needed for further scaling.	None	4.0	Asset-lig model
10	4.0	Nitya Shah, KamayaKya	Receivables	Financials	"I saw a big spike in the receivables... close to 40% of sales?"	Management explained the spike was due to the consolidation of the Tap Factory and geographical mix (France has high credit days, US has low). This suggests the receivable	None	3.0	Consolid noise

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
						spike is a reporting artifact rather than a deterioration in credit quality.			
11	4.0	Ankur Kumar, Alpha Cap	Export Demand	Management Commentary	"People want to come and source sinks from India... our 90% competition comes from the Western countries."	Management emphasized that Carysil is emerging as a global leader because Western competitors (4-5 million sinks) are uncompetitive on cost. This is the core long-term investment thesis: global consolidation of Quartz manufacturing in low-cost, high-tech hubs like India.	None	5.0	Secular theme
12	4.5	Sampath Nayak, Tiger Asset	US Margin Improvement	Strategy	"Improve the EBITDA margin from 7-8% to 15%... how exactly do you plan to do that?"	Management plans to solve the working capital issues of the acquired entity, allowing bulk sourcing of materials at lower rates and increasing utilization to 90%. This provides a clear, actionable roadmap for margin expansion in	None	4.0	Sourcing strategy

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
						the US subsidiary.			

PATTERN FLAGS & SENTIMENT

Theme: The US Pivot. Analysts were intensely focused on the United Granite acquisition. The concern was whether a low-margin US business would dilute Carysil’s 20% EBITDA profile. Management was extremely confident, explaining that the US is Carysil's most profitable market on a FOB basis and that operational efficiencies (bulk sourcing/CNC utilization) will drive margins from 8% to 15% rapidly. This shifted the sentiment from "acquisition risk" to "distribution opportunity."

Theme: Domestic Execution Lag. A recurring "anxiety" was the gap between the massive dealer network expansion (3,200+ dealers) and the relatively flat domestic revenue (₹66 Cr H1). Management’s posture was defensive but logical, citing the "gestation period" for new dealers and a reorganization that will yield results in Q3. This remains a "show-me" story; if Q3 domestic revenue doesn't jump 30%+, management credibility on the domestic pivot will be questioned.

Analyst Sentiment Verdict: Analysts were broadly convinced by the volume recovery and the gross margin expansion. Friction was minimal, limited mainly to technical questions about realization dips and receivable spikes. Management’s credibility has improved vs. last quarter as they delivered on the "spillover recovery" promise. The unresolved issue remains the **domestic revenue conversion**, which is the final piece of the ₹1,000 Cr puzzle.

---

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY24)	This Quarter (Q2FY24)	Direction
Consolidated Revenue	₹142.8 Cr	₹163.6 Cr	↑
EBITDA Margin	19.2%	20.6%	↑
Quartz Sink Volume	104,000 units	149,000 units	↑
US Presence	Trading focus (Carysil USA)	Acquisition-led Fabrication (United Granite LLC)	↑
Domestic Distribution	1,500+ Dealers	3,200+ Dealers	↑
Operating Efficiency	Impacted by SAP glitches/ Cyclone	Fully recovered; Spillover recouped	↑
Earnings Quality	DSO/DIO transparently hindered	CFO/PAT at 2.53x (H1); high quality	↑
SS Sink Strategy	Under-utilized	IKEA recovery + new bulk contract (Q4)	↑
Product Portfolio	Faucet assembly pending	Assembly line started (Q3 contribution expected)	↑
Branding	Planning phase	Campaign #TheHeartofMyHome launched with Vaani Kapoor	↑

INVESTOR NOTES: * **Thesis Integrity:** The thesis has evolved from a "Proxy on Western Home Improvement" to a "Global Consolidator of Kitchen Solutions." The volume recovery confirms the export bottom is in. * **The US**

Acquisition: United Granite is the most significant change. It gives Carysil the "Countertop" piece of the kitchen, allowing them to sell an integrated solution (Sink + Tap + Top) which carries much higher "stickiness" with architects and developers than a standalone sink. * **Domestic Watch:** Watch for the Domestic Revenue line in Q3. It *must* cross ₹50 Cr per quarter to stay on track for the ₹200 Cr FY25 target. * **Earnings Quality:** The H1 cash flow (₹69 Cr) is the hidden gem of this result. It proves that despite acquisitions and ERP changes, management is not sacrificing cash for growth.