YES SECURITIES
INSTITUTIONAL EQUITIES

May 23, 2024

**RESULT REPORT Q4 FY24** | Sector: Building Materials

# Carysil Ltd.

## Expect 17% revenue CAGR; Downgrade to ADD!

### Result Synopsis

**CARYSIL Ltd reported robust growth of 31%YoY to Rs1.91Bn (which was largely in-line with our estimates) & on sequential basis the topline remained flattish. GP margins came in at multi-quarter high at 59.1% however, EBITDA margins remained stable at 18.1% Vs 18%/18.7% in Q4FY23/Q3FY24, respectively owing to higher other expenses in Q4FY24. Hence, absolute EBITDA increased by 31.6%YoY.**

**Quartz sinks volumes came in at 153,000units reporting a growth of 35.4%YoY & declined marginally by 3%QoQ. ASP of Quartz improved by 1%YoY & 12.5%QoQ to Rs6,755/sink. Consequently, revenue grew by 36.5%YoY & 9%QoQ. Stainless steel sinks volumes grew by 64%YoY & 32%QoQ and ASP declined sharply by 41%YoY & 33%QoQ to Rs4,478/sink which led to a decline in revenue of 3%YoY & 11%QoQ. Quartz/Stainless steel sink/Solid Surfaces/Others constituted 54%/10%/27%/9% of total revenue as compared to 51%/11%/27%/11% in previous quarter. India (19%of revenue) biz grew by 11%YoY & declined by 8.5%QoQ while Overseas (81% of revenue) biz reported a growth of 36.5%YoY & 4%QoQ.**

**Management stated that company will achieve turnover of Rs8.5Bn in FY25E & they are looking for inorganic opportunities which could enable the company to reach a topline of Rs10Bn in FY25E. Company is confident of maintaining EBITDA margins of 18-20%.**

**CARYSIL Ltd is likely to be one of the biggest beneficiaries of improvement in global demand. Moreover, with geographic expansion and new clients coming onboard, we believe company should deliver healthy growth going ahead. We expect Revenue/EBITDA/PAT to grow by 17%/16%/22.5%, respectively over FY24-FY26E. At CMP, the stock trades at P/E(x) of 31x/26x on FY25E/FY26E EPS of Rs27/Rs33, respectively. We have valued the company at P/E(x) of 30x on FY26E EPS, arriving at a target price of Rs980. Hence, we have assigned an ADD rating to the stock.**

### Result Highlights

**Consolidated Highlights:**

- Revenue stood at Rs1.90Bn (3.5% below est), a growth of 31%YoY & remained flattish QoQ.
- EBITDA margins came in at 18.1% (Vs est of 18.7%) Vs 18%/18.7% in Q4FY23/Q3FY24, respectively. Margins were marginally lower sequentially due to higher other cost. Absolute EBITDA stood at Rs345Mn, a growth of 31.6%YoY.
- Net profit stood at Rs158Mn (12% below est), a growth of 26%YoY.

### Exhibit 1: Actual vs estimates

| Rs mn | Actual | Estimate | | % Variation | | Remarks |
|---|---|---|---|---|---|---|
| | | YES Sec | Consensus | YES Sec | Consensus | |
| Sales | 1,905 | 1,974 | 2,100 | (3.5) | (9.3) | Above estimates |
| EBITDA | 345 | 370 | 400 | (6.6) | (13.7) | |
| EBITDA Margin (%) | 18.1 | 18.7 | 19.0 | -61 bps | -93 bps | |
| Adjusted PAT | 158 | 179 | 213 | (12.2) | (26.1) | |

Source: Company, YES Sec

| | | |
|---|---|---|
| Reco | : | **ADD** |
| CMP | : | Rs 850 |
| Target Price | : | Rs 980 |
| Potential Return | : | +15.3% |

**Stock data** (as on May 23, 2024)

| | |
|---|---|
| Nifty | 22,968 |
| 52 Week h/l (Rs) | 1151 / 542 |
| Market cap (Rs/USD mn) | 22971 / 276 |
| Outstanding Shares (mn) | 27 |
| 6m Avg t/o (Rs mn): | 114 |
| Div yield (%): | 0.2 |
| Bloomberg code: | CARYSIL IN |
| NSE code: | CARYSIL |

**Stock performance**


| | 1M | 3M | 1Y |
|---|---|---|---|
| Absolute return | -1.7% | 9.4% | 61.3% |

**Shareholding pattern** (As of Mar'24 end)

| | |
|---|---|
| Promoter | 43.8% |
| FII+DII | 8.2% |
| Others | 48.0% |

**Δ in stance**

| (1-Yr) | New | Old |
|---|---|---|
| Rating | ADD | BUY |
| Target Price | 980 | 882 |

**Δ in earnings estimates**

| | FY25E | FY26E |
|---|---|---|
| EPS (New) | 27.2 | 32.7 |
| EPS (Old) | 30.1 | 35.9 |
| % change | -9% | -9% |

**Financial Summary**

| (Rs mn) | FY24 | FY25E | FY26E |
|---|---|---|---|
| Net Revenue | 6,837 | 7,925 | 9,376 |
| YoY Growth | 15.1 | 15.9 | 18.3 |
| EBIDTA | 1,288 | 1,492 | 1,723 |
| EBIDTA (%) | 18.8 | 18.8 | 18.4 |
| PAT | 584 | 730 | 876 |
| YoY Growth | 10.4 | 25.1 | 19.9 |
| ROE | 16.5 | 17.3 | 17.4 |
| EPS | 20.8 | 27.2 | 32.7 |
| P/E | 47.9 | 31.2 | 26.0 |
| BV/Share | 132.0 | 157.2 | 187.9 |
| P/BV | 7.5 | 5.4 | 4.5 |


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**SHALIN DAMANI,** Associate

**Standalone Highlights:**

- Revenue (55% of consol sales) stood at Rs1.04Bn, a growth of 39%YoY & remained flattish QoQ.
- EBITDA margins came in at 21.5% Vs 19.3%/22.2% in Q4FY23/Q3FY24, respectively. Absolute EBITDA (65% of consl) stood at Rs224Mn, a growth of 55%YoY.
- Net profit stood at Rs116Mn, a 1.5x growth on YoY basis (previous Q4 was severely impacted due to global slowdown and inventory corrections).

### Exhibit 2: Quarterly Snapshot:

| Rs mn | Q3 FY23 | Q4 FY23 | Q1 FY24 | Q2 FY24 | Q3 FY24 | Q4 FY24 | % yoy | % qoq | FY23 | FY24 | % yoy |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 1,378 | 1,456 | 1,417 | 1,636 | 1,880 | 1,905 | 30.9 | 1.4 | 5,939 | 6,837 | 15.1 |
| Expenditure | 1,128 | 1,193 | 1,156 | 1,306 | 1,528 | 1,560 | 30.7 | 2.1 | 4,865 | 5,550 | 14.1 |
| - RM | 702 | 754 | 709 | 769 | 890 | 780 | 3.4 | (12.4) | 3,024 | 3,149 | 4.1 |
| - Staff Cost | 122 | 111 | 129 | 124 | 174 | 176 | 58.1 | 1.5 | 449 | 602 | 34.3 |
| - Other cost | 304 | 328 | 318 | 413 | 464 | 604 | 84.4 | 30.3 | 1,392 | 1,799 | 29.2 |
| Operating Profit | 250 | 262 | 261 | 330 | 352 | 345 | 31.6 | (1.9) | 1,074 | 1,288 | 19.9 |
| OPM(%) | 18.2 | 18.0 | 18.4 | 20.1 | 18.7 | 18.1 | 10 bps | -61 bps | 18.1 | 18.8 | 74 bps |
| Other Income | 2 | 10 | 12 | 12 | 9 | 19 | 89.1 | 112.2 | 16 | 53 | 237.3 |
| Depreciation | 70 | 72 | 72 | 77 | 81 | 95 | 31.0 | 16.8 | 263 | 324 | 23.1 |
| Interest | 40 | 38 | 45 | 47 | 58 | 58 | 52.2 | (1.4) | 145 | 208 | 43.7 |
| PBT | 142 | 162 | 156 | 218 | 222 | 212 | 30.8 | (4.2) | 681 | 808 | 18.6 |
| Tax | 21 | 37 | 39 | 62 | 68 | 55 | 46.5 | (19.9) | 153 | 224 | 46.8 |
| PAT | 121 | 125 | 117 | 156 | 153 | 158 | 26.0 | 2.8 | 529 | 584 | 10.4 |

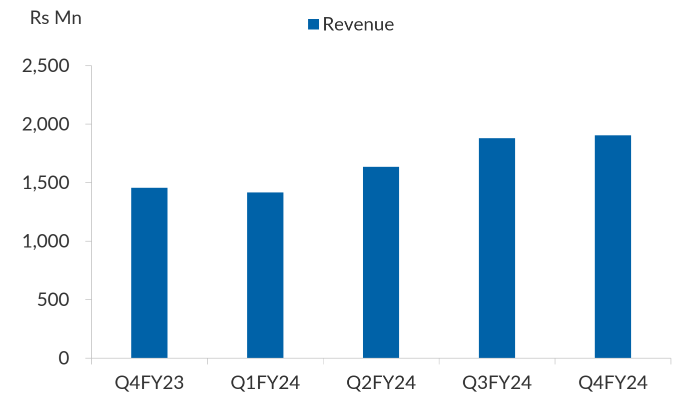
Source: Company, YES Sec

# KEY CON-CALL HIGHLIGHTS

- Inflation remained at elevated levels in Q4FY24 globally. Europe and USA demand was good except for Germany where demand remained subdued.
- Company has signed a contract with Reece in Australia who is the country's largest supplier of plumbing and bathroom supplies and has started receiving orders.
- Company plans to make Sternhagen a global brand with expansion started in USA via 2 phases. Phase 1 includes sinks, faucets, and tops and phase 2 is built-in appliances.
- **Guidance:** 15-20% volume and revenue growth aided by new government initiatives, end of the heatwave, good monsoon, and introducing 4-5 new value-added SKUs. On EBITDA margins, management expects to maintain 18-20% margin.
- Company expects to reach Rs10Bn revenue in FY25E with inorganic acquisition opportunity that is being explored. Without the acquisition company would reach a revenue of ~Rs8.6-8.7Bn with ~Rs0.8Bn being the contribution from United Granite.
- Mr. Rakesh Nair appointed to head Sternhagen and Ms. Nikkila Shridar appointed as B2B head to expand presence pan-India.
- Company has passed the resolution for the Rs1.5Bn fundraise but will decide the time for the same.
- In India, 100% products are sold under Carysil brand name, and globally the same is 15-20% with a target to reach 30% in next 2-3 years.
- UK contributed 30% of total revenue (Rs2.5Bn) and USA contributed 30% of export revenue (~Rs1.6Bn).
- Other Expenses increased on account of 2-2.5% increase in freight cost due to red sea issue, increased ad spends, and integration of United Granite (one-time cost was in Q3FY24 and the addition in Q4FY24 is the increased operating expense).
- **Red sea issue:** 4-5 weeks delay in shipping but there was no significant impact till Q4FY24, and the impact will come from Q1FY25E onwards.
- Gross margin improved in Q4FY24 due to higher USA sales, higher IKEA sales, improved operational efficiencies with product rejection at plant level at all time low, and stable RM cost.
- **NWC days:** higher inventory due to red sea issue and delays in delivery increased NWC days as a one-time effect and it is expected to come back down to 90 days level.
- Company will repay Rs250-300Mn in FY25E on a consolidated basis.
- **ASP:** Average realization was Rs5,500 for quartz sinks and Rs4,200 for stainless steel sinks in FY24.
- Capacity utilization for sinks stood at 70-75%.
- Gross margin for quartz sink/stainless steel sink/appliances/surfaces was 40-45%/30-35%/40%/26-27%, respectively.
- South India contributes 27% to domestic revenue and company is targeting Hyderabad/Telangana where it barely has any exposure. Further growth to come from Tier II/III cities.

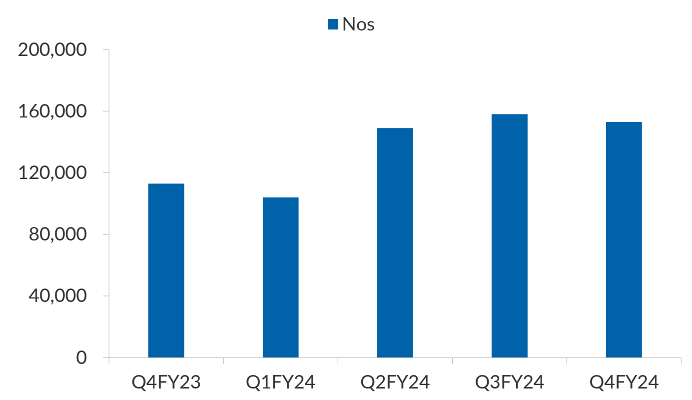
# QUARTERLY TRENDS

**Exhibit 3: Revenue increased by 31%YoY…**



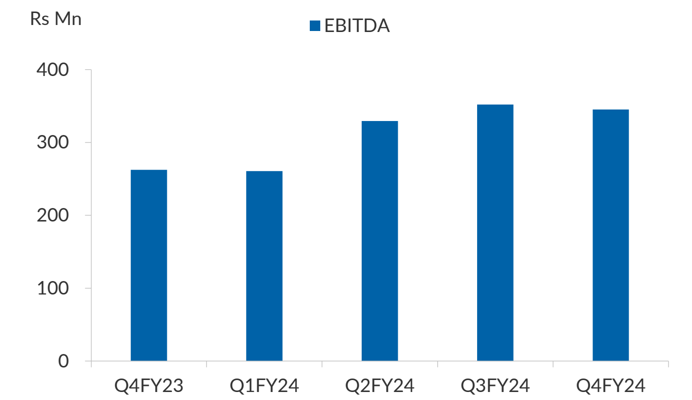

Source: Company, YES Sec

**Exhibit 4: Quartz sinks volumes grew by 35.4%YoY…**



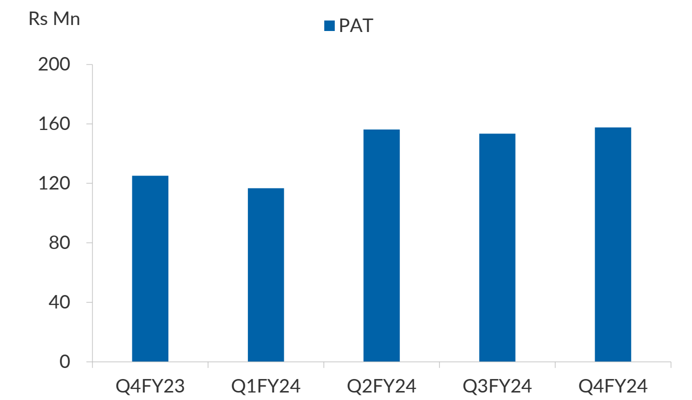

Source: Company, YES Sec

**Exhibit 5: Absolute EBITDA came in at Rs345Mn…**



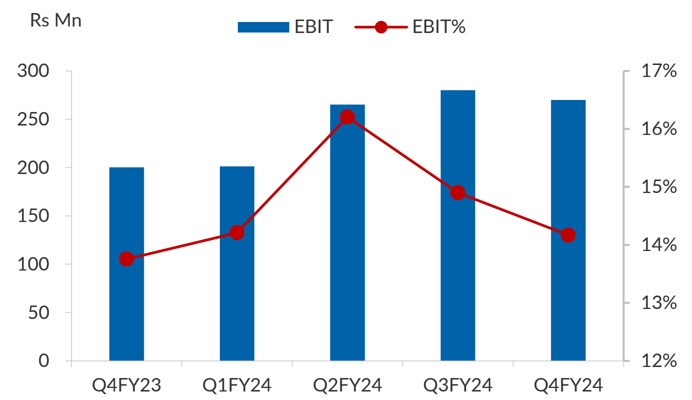

Source: Company, YES Sec

**Exhibit 6: PAT improved by 26%YoY…**



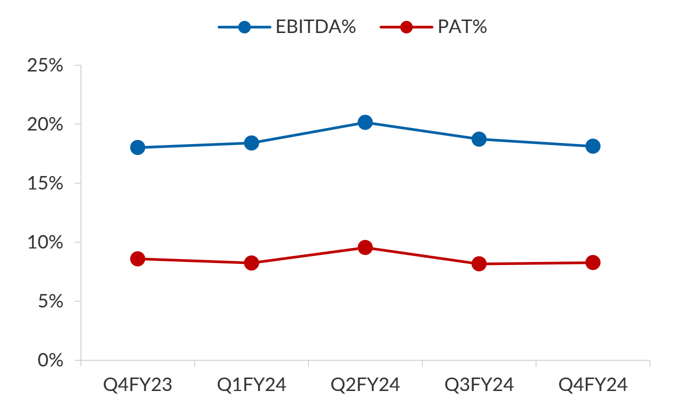

Source: Company, YES Sec

**Exhibit 7: EBIT increased by 35%YoY…**




Source: Company, YES Sec

**Exhibit 8: OPM & NPM is 18.1% & 8.3%, respectively…**




Source: Company, YES Sec

# FINANCIALS

### Exhibit 9: Income Statement

| Y/e 31 Mar (Rs mn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| Sales | 4,839 | 5,939 | 6,837 | 7,925 | 9,376 |
| COGS | 2,095 | 3,024 | 3,149 | 3,650 | 4,360 |
| COGS %sales | 43.3 | 50.9 | 46.0 | 46.0 | 46.5 |
| GP | 2,745 | 2,915 | 3,689 | 4,276 | 5,016 |
| GP% | 56.7 | 49.1 | 54.0 | 54.0 | 53.5 |
| EBITDA | 1,033 | 1,074 | 1,288 | 1,492 | 1,723 |
| EBITDA% | 21.4 | 18.1 | 18.8 | 18.8 | 18.4 |
| Depreciation | 177 | 263 | 324 | 366 | 407 |
| Finance Cost | 96 | 145 | 208 | 215 | 214 |
| Other Income | 101 | 16 | 53 | 62 | 66 |
| PBT | 861 | 681 | 808 | 974 | 1,168 |
| Tax | 208 | 153 | 224 | 243 | 292 |
| PAT | 653 | 529 | 584 | 730 | 876 |
| PAT% | 13.5 | 8.9 | 8.5 | 9.2 | 9.3 |

Source: Company, YES Sec

### Exhibit 10: Balance Sheet

| Y/e 31 Mar (Rs mn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| Share Capital | 53 | 54 | 54 | 54 | 54 |
| Reserves | 2,484 | 2,980 | 3,486 | 4,163 | 4,985 |
| Equity | 2,537 | 3,034 | 3,540 | 4,216 | 5,039 |
| Non-current Liab | 539 | 949 | 1,317 | 1,822 | 1,637 |
| Payables | 794 | 784 | 868 | 958 | 1,144 |
| Provisions | 16 | 10 | 18 | 18 | 18 |
| Other current Liab | 1,616 | 2,273 | 2,618 | 1,814 | 1,699 |
| **Total Equity & Liab** | 5,533 | 7,123 | 8,447 | 8,913 | 9,621 |
| Gross Block | 2,657 | 3,334 | 3,911 | 4,411 | 4,911 |
| Acc Dep | 974 | 1,237 | 1,561 | 1,927 | 2,335 |
| Net Block | 1,683 | 2,097 | 2,349 | 2,483 | 2,576 |
| CWIP | 207 | 137 | 105 | 118 | 131 |
| Other non-current Assets | 566 | 1,280 | 1,850 | 1,850 | 1,850 |
| Inventory | 1,042 | 1,306 | 1,732 | 1,760 | 2,103 |
| Receivables | 1,004 | 1,031 | 1,378 | 1,396 | 1,651 |
| Cash & Bank | 113 | 102 | 125 | 397 | 402 |
| Loans | 3 | 3 | 4 | 4 | 4 |
| Other current Assets | 915 | 1,167 | 904 | 904 | 904 |
| **Total Assets** | 5,533 | 7,123 | 8,447 | 8,913 | 9,621 |

Source: Company, YES Sec

### Exhibit 11: Cash Flow

| Y/e 31 Mar (Rs mn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| PBT | 653 | 528 | 584 | 974 | 1,168 |
| Depreciation & Amortization | 177 | 264 | 324 | 366 | 407 |
| Finance cost | 96 | 145 | 209 | 215 | 214 |
| (Incr)/Decr in Working Capital | (456) | (257) | (594) | 43 | (412) |
| Taxes | (191) | (138) | (194) | (243) | (292) |
| Cash from ops. | 517 | 712 | 578 | 1,354 | 1,086 |
| (Incr)/ Decr in PP&E | (731) | (577) | (919) | (513) | (513) |
| Cash Flow from Investing | (725) | (1,365) | (1,016) | (513) | (513) |
| (Decr)/Incr in Borrowings | 360 | 836 | 774 | (300) | (300) |
| Finance cost | (95) | (144) | (210) | (215) | (214) |
| Cash Flow from Financing | 184 | 641 | 484 | (568) | (568) |
| Incr/(Decr) in cash | (24) | (12) | 47 | 272 | 4 |
| Cash and cash equivalents at beginning of year | 77 | 53 | 41 | 125 | 397 |
| Cash and cash equivalents at end of year | 53 | 41 | 87 | 397 | 402 |

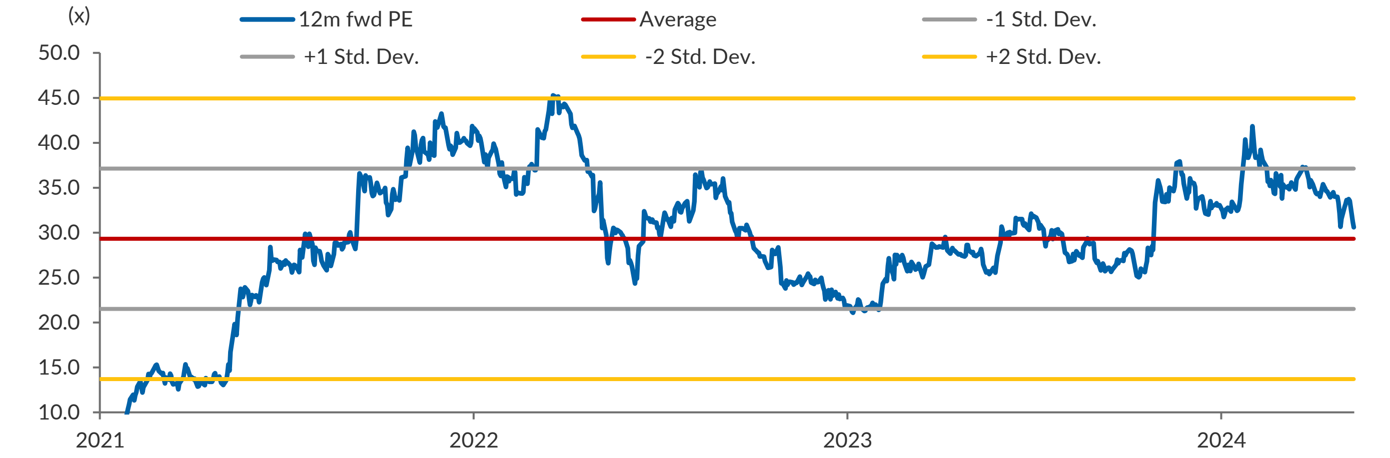
Source: Company, YES Sec

### Exhibit 12: Ratios

| Key Ratios | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|---|
| **Growth Matrix (%)** | | | | | |
| Revenue growth | 56.2 | 22.7 | 15.1 | 15.9 | 18.3 |
| EBITDA growth | 57.1 | 3.9 | 19.9 | 15.9 | 15.5 |
| EBIT growth | 56.5 | (13.6) | 23.0 | 16.9 | 16.3 |
| PAT growth | 66.0 | (19.0) | 10.4 | 25.1 | 19.9 |
| **Profitability ratios (%)** | | | | | |
| GP margin | 56.7 | 49.1 | 54.0 | 54.0 | 53.5 |
| EBITDA margin | 21.4 | 18.1 | 18.8 | 18.8 | 18.4 |
| EBIT margin | 19.8 | 13.9 | 14.9 | 15.0 | 14.7 |
| PAT margin | 13.5 | 8.9 | 8.5 | 9.2 | 9.3 |
| RoCE | 31.1 | 20.8 | 20.9 | 19.7 | 20.7 |
| RoE | 25.7 | 17.4 | 16.5 | 17.3 | 17.4 |
| **Per share values** | | | | | |
| EPS | 24.5 | 19.2 | 20.8 | 27.2 | 32.7 |
| CEPS | 31.1 | 29.6 | 33.9 | 40.9 | 47.8 |
| BVPS | 95.2 | 113.3 | 132.0 | 157.2 | 187.9 |
| **Valuation ratios (x)** | | | | | |
| P/E | 18.2 | 23.3 | 47.9 | 31.2 | 26.0 |
| P/CEPS | 14.4 | 15.1 | 29.4 | 20.8 | 17.8 |
| P/B | 4.7 | 3.9 | 7.5 | 5.4 | 4.5 |
| EV/EBITDA | 12.8 | 13.1 | 22.9 | 16.8 | 14.4 |
| **Leverage ratios (x)** | | | | | |
| Debt/ Equity | 0.5 | 0.7 | 0.8 | 0.6 | 0.5 |
| Net debt/Equity | 0.5 | 0.7 | 0.8 | 0.5 | 0.4 |
| Net debt/EBITDA | 1.2 | 2.0 | 2.2 | 1.5 | 1.1 |
| Int coverage | 10.0 | 5.7 | 4.9 | 5.5 | 6.4 |
| **NWC days** | | | | | |
| Receivables | 69 | 63 | 64 | 64 | 64 |
| Inventory | 138 | 142 | 176 | 166 | 156 |
| Payables | 106 | 95 | 96 | 96 | 96 |

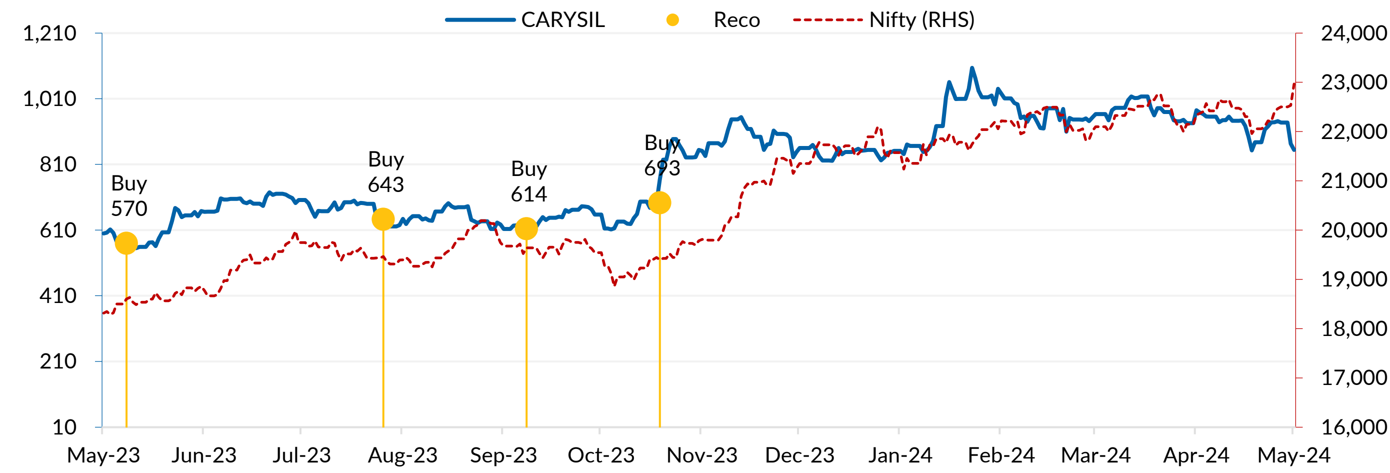
Source: Company, YES Sec

**Exhibit 13: 1-year forward P/E (x) chart**




Source: Company, YES Sec

## Recommendation Tracker



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**Registration Nos.:** CIN: U74992MH2013PLC240971 | SEBI Single Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL & NSDL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (CAT III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code – 94338.

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**Grievances Redressal Cell:** customer.service@ysil.in/igc@ysil.in

## DISCLOSURE OF INTEREST

Name of the Research Analyst : Udit Gajiwala, Shalin Damani

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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| 4 | Research Analyst has served as an officer, director or employee of the subject company(ies) | No |
| 5 | YSL has received any compensation from the subject company in the past twelve months | No |
| 6 | YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months | No |
| 7 | YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months | No |
| 8 | YSL has received any compensation or other benefits from the subject company or third party in connection with the research report | No |
| 9 | YSL has managed or co-managed public offering of securities for the subject company in the past twelve months | No |
| 10 | Research Analyst or YSL has been engaged in market making activity for the subject company(ies) | No |

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

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## RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

## ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.