

November 8, 2023

RESULT REPORT Q2 FY24 | Sector: Building Materials

# Carysil Ltd

**On track to achieve Rs7-7.25Bn revenue target for FY24!**

## Result Synopsis

CARYSIL Ltd registered stellar performance in Q2FY24 wherein consolidated revenue increased by 17.5%YoY & 15.5%QoQ owing to improvement in order inflows for Quartz sinks and strong ramp-up in stainless steel segment. Quartz sinks volumes increased by 17%YoY & 43%QoQ while stainless steel sink volumes reported a growth of 6%YoY & 62%QoQ. The appliance & Solid surface revenue grew by 30%YoY/3%QoQ & 43%YoY/3%QoQ respectively. Exports & domestic mix for the quarter stood at 78% & 22% respectively. In exports company has witnessed massive improvement amidst the inflationary scenario. Moreover, CARYSIL is in process of on-boarding new customers, which should enable them to maintain the growth rate going ahead. In domestic biz as well, company has expanded the distribution network & the same will enable them to expand their geographic presence & create strong brand image. UK subsidiary also reported robust revenue growth of 53%YoY & 18%QoQ wherein Quartz/Stainless steel/Others constituted 47%/31%/22% respectively.

Management maintained their revenue guidance of Rs10Bn by FY25E and Rs7-7.25Bn by FY24E with EBITDA margins of ~20%. Company is confident of growing the topline sequentially from hereon owing to expanding order book & on-boarding of new clients.

We reckon, CARYSIL should witness improvement in demand from hereon. Hence, we expect Quartz volumes to grow by 18%CAGR over FY23-FY25E. Also, with ramp-up in stainless steel biz & better trajectory in UK subsidiary's, we expect Revenue to grow by 23%CAGR over FY23-FY25E. Incrementally with better volumes, margins are likely to expand, hence we reckon EBITDA margins to improve by 250bps over next 2-years. At CMP, the stock trades at P/E(x) of 23x/17x on FY24E/FY25E EPS of Rs 31/40, both revised upwards by 25%/10% respectively, largely due to better-than-expected performance of UK subsidiaries & higher margins. We continue to value the company at P/E(x) of 22x on FY25E EPS, arriving at a target price of Rs882. Hence, we maintain our BUY rating on the stock.

## Result Highlights

- Revenue stood at Rs1.63Bn, a growth of 17.5%YoY & 15.5%QoQ.
- EBITDA margins came in at 20.1% Vs 16.1%/18.4% in Q2FY23/Q1FY24 respectively. Absolute EBITDA increased by 47%YoY & 26%QoQ to Rs330Mn.
- Net profit stood at Rs156Mn, a growth of 66%YoY & 34%QoQ.

## Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	1,636	1,701	1694	(3.8)	(3.4)	
EBITDA	330	318	315	3.7	4.6	
EBITDA Margin (%)	20.1	18.7	18.6	147 bps	154 bps	Margins better than expectation.
Adjusted PAT	156	160	159	(2.2)	(1.8)	

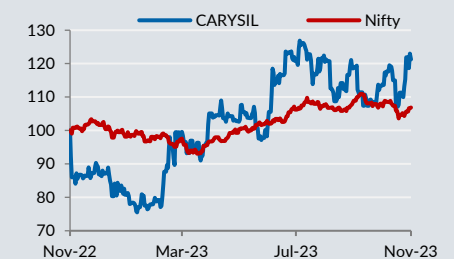
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 693
Target Price	: Rs 882
Potential Upside	: +26%

## Stock data (as on Nov 8, 2023)

Nifty	19,444
52 Week h/l (Rs)	740 / 431
Market cap (Rs/USD mn)	18846 / 226
Outstanding Shares (mn)	27
6m Avg t/o (Rs mn):	61
Div yield (%):	0.3
Bloomberg code:	CARYSIL IN
NSE code:	CARYSIL

## Stock performance



	1M	3M	1Y
Absolute return	7%	0.6%	21.3%

## Shareholding pattern (As of Sep'23 end)

Promoter	43.8%
FII+DII	7.6%
Others	48.5%

## Δ in stance

	New	Old
Rating	BUY	BUY
Target Price	882	799

## Δ in earnings estimates

	FY24E	FY25E	FY26E
EPS (New)	30.7	40.1	49.2
EPS (Old)	24.6	36.3	-
% change	24.8%	10.4%	-

## Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Net Revenue	7,219	8,913	10,371
YoY Growth	21.6	23.5	16.4
EBIDTA	1,480	1,827	2,126
EBIDTA (%)	20.5	20.5	20.5
PAT	822	1,074	1,317
YoY Growth	55.4	30.6	22.7
ROE	21.3	21.8	21.1
EPS	30.7	40.1	49.2
P/E	22.6	17.3	14.1
BV/Share	144.0	184.1	233.3
P/BV	4.8	3.8	3.0

## UDIT GAJIWALA

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## Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	% yoy	% qoq	H1FY23	H1FY24	% yoy
Revenue	1,713	1,392	1,378	1,456	1,417	1,636	17.5%	15.5%	3,105	3,053	(1.7)
Expenditure	1,376	1,168	1,128	1,193	1,156	1,306	11.9%	13.0%	2,543	2,462	(3.2)
- RM	862	706	702	754	709	769	9.0%	8.5%	1,568	1,479	(5.7)
- Staff Cost	110	105	122	111	129	124	18.2%	-3.5%	215	253	17.4
- Other Cost	404	357	304	328	318	413	15.8%	29.8%	760	731	(3.8)
Operating Profit	337	225	250	262	261	330	46.8	26.4	562	590	5.1
OPM(%)	19.7	16.1	18.2	18.0	18.4	20.1	401 bps	174 bps	18.1	19.3	124 bps
Other Income	1	3	2	10	12	12	369%	-2%	4	25	530.8
Depreciation	60	62	70	72	72	77	24%	7%	121	148	22.5
Interest	30	38	40	38	45	47	24%	4%	68	93	37.0
PBT	249	128	142	162	156	218	71%	40%	377	374	(0.8)
Tax	61	33	21	37	39	62	85%	57%	94	101	6.8
PAT	188	94	121	125	117	156	66%	34%	282	273	(3.4)

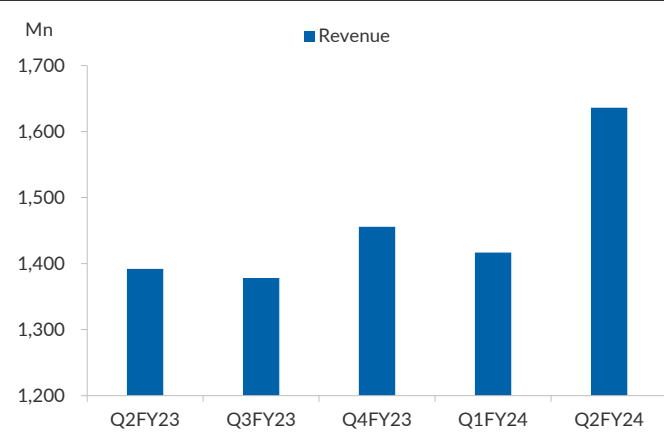
Source: Company, YES Sec

## KEY HIGHLIGHTS FROM CONCALL

- Management reiterated their guidance of Rs10Bn revenue with operating margins of ~20%. For FY24, revenue should be Rs7-7.25Bn.
- Of the total Rs10Bn, company expects Quartz/Surfaces/Stainless steel/Appliances to constitute 50%/20-21%/15%/12% respectively.
- Company has been receiving new orders & they are in advance talks with large customers for bulk quantities.
- The newly acquired company in USA - "United Granite LLC" is operating at 60% & company plans to expand the same to 90%. Moreover, the margins are 7-11% & with better volumes & material procurement, management aims to expand the margins to 15%+. Gross block is Rs200Mn.
- While acquiring a company, key criterion is that the acquired company's annual cashflows should be sufficient to service the debt. Hence there is no incremental pressure on parent's cash flows.
- Management expects to grow domestic biz by 30-40%YoY. By FY24, the domestic revenue will be Rs4Bn. With robust dealer network made in previous quarters, company expects the same to accelerate revenue from Q3FY24.
- Faucets is also growing for the company in domestic markets. Company plans to sell the product in export markets as well.
- Management stated they are in advance talks to get large orders in both stainless steel sinks and Quartz sinks which should materialize by Q4FY24.
- Currently company has a very strong order book & hence management is confident of growing sequentially from here on.
- D/E stands at ~0.6x.

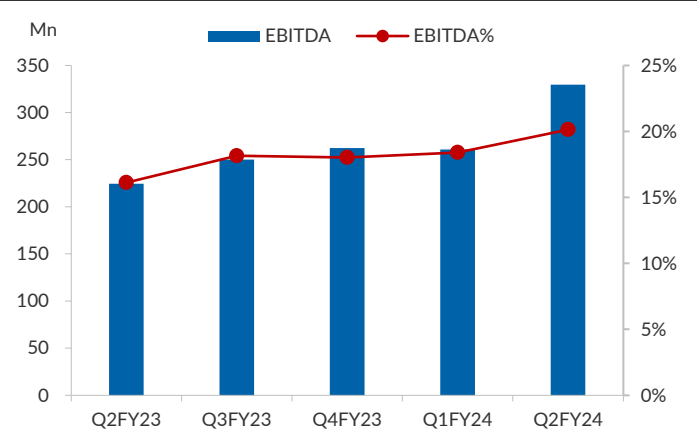
## QUARTERLY TRENDS

**Exhibit 3: Revenue up by 18%YoY...**



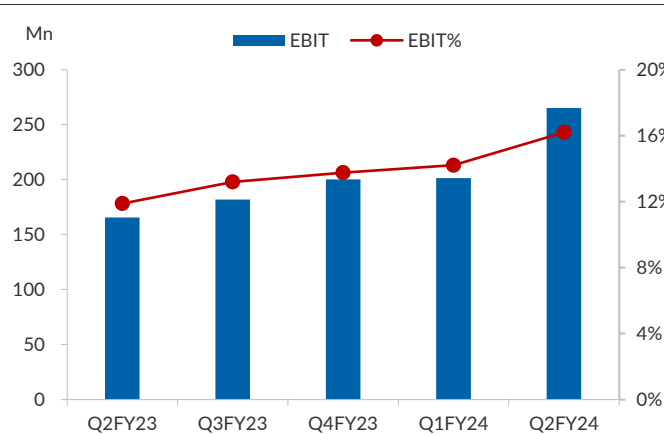
Source: Company, YES Sec

**Exhibit 4: Margin increased to 20%...**



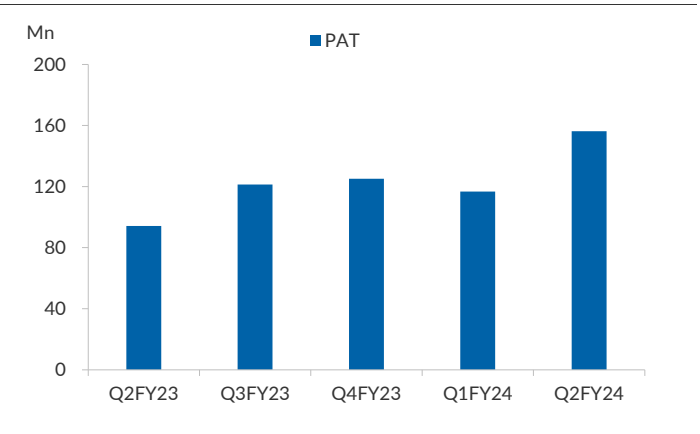
Source: Company, YES Sec

**Exhibit 5: EBIT grew by 60%YoY...**



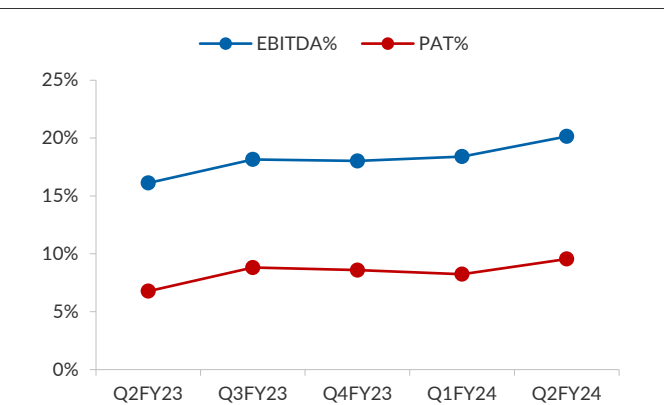
Source: Company, YES Sec

**Exhibit 6: Net Profit stood at Rs156Mn...**



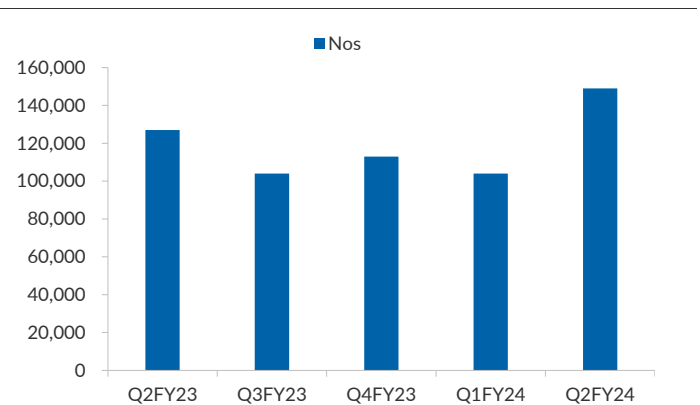
Source: Company, YES Sec

**Exhibit 7: Margins improved...**



Source: Company, YES Sec

**Exhibit 8: Quartz Sinks Volume expanded by 17%YoY...**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 9: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Sales	4,839	5,939	7,219	8,913	10,371
COGS	2,095	3,024	3,501	4,323	5,030
COGS %sales	43.3	50.9	48.5	48.5	48.5
GP	2,745	2,915	3,718	4,590	5,341
GP%	56.7	49.1	51.5	51.5	51.5
EBITDA	1,033	1,074	1,480	1,827	2,126
EBITDA%	21.4	18.1	20.5	20.5	20.5
Depreciation	177	263	287	327	366
Finance Cost	96	145	155	155	155
Other Income	101	16	57	86	151
PBT	861	681	1,096	1,431	1,756
Tax	208	153	274	358	439
PAT	653	529	822	1,074	1,317
PAT%	13.5	8.9	11.4	12.0	12.7

Source: Company, YES Sec

### Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	53	54	54	54	54
Reserves	2,484	2,980	3,802	4,876	6,193
Equity	2,537	3,034	3,856	4,929	6,246
Non-current liab	539	949	1,592	1,592	1,592
Payables	794	784	914	1,128	1,313
Provisions	16	10	10	10	10
Other current Liab	1,616	2,273	1,630	1,630	1,630
<b>Total Equity &amp; Liab</b>	<b>5,533</b>	<b>7,123</b>	<b>8,074</b>	<b>9,362</b>	<b>10,864</b>
Gross Block	2,657	3,334	3,634	4,134	4,634
Acc Dep	974	1,237	1,524	1,851	2,217
Net Block	1,683	2,097	2,110	2,283	2,417
CWIP	207	137	254	289	324
Other Noncurrent	566	1,280	1,280	1,280	1,280
Inventory	1,042	1,306	1,359	1,678	1,953
Receivables	1,004	1,031	1,236	1,526	1,776
Cash & Bank	113	102	664	1,135	1,943
Loans	3	3	3	3	3
Other	915	1,167	1,167	1,167	1,167
<b>Total Assets</b>	<b>5,533</b>	<b>7,123</b>	<b>8,074</b>	<b>9,362</b>	<b>10,864</b>

Source: Company, YES Sec

## Exhibit 11: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	653	528	1,096	1,431	1,756
Depreciation & Amortization	177	264	287	327	366
Finance cost	96	145	155	155	155
(Incr)/Decr in Working Capital	(456)	(257)	(130)	(395)	(340)
Taxes	(191)	(138)	(274)	(358)	(439)
<b>Cash from ops.</b>	<b>517</b>	<b>712</b>	<b>1,134</b>	<b>1,160</b>	<b>1,498</b>
(Incr)/ Decr in PP&E	(731)	(577)	(417)	(535)	(535)
<b>Cash Flow from Investing</b>	<b>(725)</b>	<b>(1,365)</b>	<b>(417)</b>	<b>(535)</b>	<b>(535)</b>
(Decr)/Incr in Borrowings	360	836	-	-	-
Finance cost	(95)	(144)	(155)	(155)	(155)
<b>Cash Flow from Financing</b>	<b>184</b>	<b>641</b>	<b>(155)</b>	<b>(155)</b>	<b>(155)</b>
<b>Incr/(Decr) in cash</b>	<b>(24)</b>	<b>(12)</b>	<b>561</b>	<b>471</b>	<b>809</b>
Cash and cash equivalents at beginning of year	77	53	102	664	1,135
Cash and cash equivalents at end of year	53	41	664	1,135	1,943

Source: Company, YES Sec

## Exhibit 12: Ratios

Key Ratios	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth (%)</b>					
Total Sales	56.2	22.7	21.6	23.5	16.4
EBIDTA	57.1	3.9	37.8	23.5	16.4
EBIT	56.5	(13.6)	51.3	26.8	20.5
PAT	66.0	(19.0)	55.4	30.6	22.7
<b>Profitability (%)</b>					
GP Margin	56.7	49.1	51.5	51.5	51.5
EBIDTA Margins	21.4	18.1	20.5	20.5	20.5
EBIT Margins	19.8	13.9	17.3	17.8	18.4
PAT Margins	13.5	8.9	11.4	12.0	12.7
ROCE	31.1	20.8	23.0	24.3	24.4
ROE	25.7	17.4	21.3	21.8	21.1
<b>Per Share Data (Rs)</b>					
EPS	24.5	19.2	30.7	40.1	49.2
CEPS	31.1	29.6	41.4	52.3	62.9
BVPS	95.2	113.3	144.0	184.1	233.3
<b>Valuations (x)</b>					
P/E (x)	18.2	23.3	22.6	17.3	14.1
P/CEPS (x)	14.4	15.1	16.7	13.3	11.0
P/BV (x)	4.7	3.9	4.8	3.8	3.0
EV/EBIDTA	12.8	13.1	13.6	10.7	8.9
<b>Gearing Ratios</b>					
Debt/ Equity	0.5	0.7	0.6	0.4	0.4
Net Debt/Equity	0.5	0.7	0.4	0.2	0.0
Net Debt/EBIDTA	1.2	2.0	1.0	0.6	0.1
Int Coverage	10.0	5.7	8.1	10.3	12.4
<b>WCC Days</b>					
Debtors	69	63	63	63	63
Inventory	138	142	142	142	142
Creditors	106	95	90	90	90

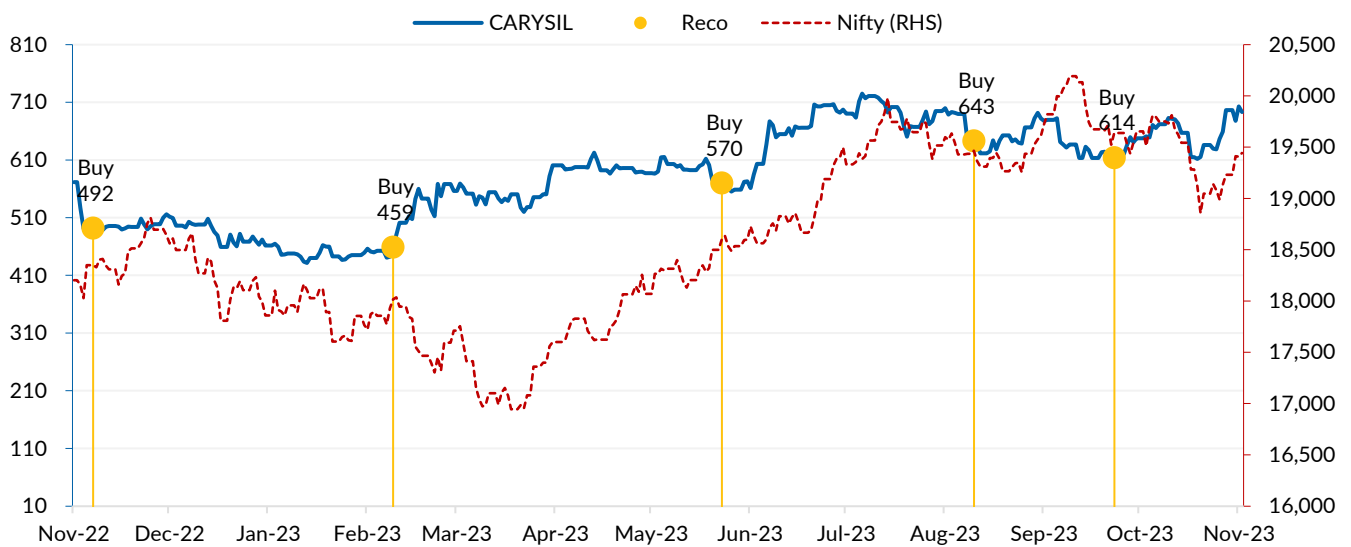
Source: Company, YES Sec

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



Source: Company, YES Sec

**Recommendation Tracker**



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

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Name of the Research Analyst : Udit Gajiwala, Vicky Waghvani

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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

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**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**

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