

November 08, 2024

RESULT REPORT Q2 FY25 | Sector: Building Materials

Carysil Ltd

Steady performance, demand to accelerate from hereon; reaffirm BUY!

Result Synopsis

CARYSIL Ltd reported decent performance in Q2FY25 wherein revenue grew by 26.6%YoY to Rs2.07Bn (in-line with our est) which was driven by exports biz (82% of revenue) which grew by 31%YoY. GP margins on a consolidated basis improved from 53%/53.3% in Q2FY24/Q1FY25 to 55.6%, however, operating margins declined by 218bps YoY to 18% due to higher employee & other cost. On standalone basis, revenue increased by 11%YoY, but gross margins declined from 61.4% in Q2FY24 to 58% in Q2FY25 due to higher input & freight cost. Consequently, EBITDA margins came in at 16.5% Vs 22.7%/19.7% in Q2FY24/Q1FY25 respectively. Quartz volumes increased by 7%YoY, and ASP improved by 10%YoY which led to Quartz revenue (46% of sales) growth of 18%YoY. Stainless-steel sink's revenue (11% of sales) increased by 12%YoY driven by 18%YoY volume growth, but realization declined by 5%YoY. Solid surface revenue (31% of sales) grew by 45%YoY to Rs638Mn. Domestic biz constituted 18% of revenue which registered a growth of 10%YoY & 5%QoQ. UK Homestyle biz registered a growth of 15%YoY wherein Quartz revenue stood at Rs170Mn, a massive growth of 31%YoY. Carysil Surface Ltd revenue grew marginally by 5%YoY to ₹4Mn and United Granite LLC revenue came in at \$2Mn. Notably, Gross debt declined to Rs2.56Bn as on Sept'24 Vs Rs2.98Bn as on Mar'24.

Management Guidance

Management maintained their guidance of US\$100Mn topline for FY25 and for FY26, management expects 15-20% growth. EBITDA margin guidance is of 20-22%. The company stated that new deals are in advanced stages, which will boost the revenue trajectory, however, there are still audits going-on.

Our View

We remain confident on CARYSIL's growth owing to improvement in US and Europe business and company expanding its presence in newer geographies. Moreover, with on-boarding of new clients and a higher share from existing customers will boost overall topline. Also, newer capacities across segments will enable the company to cater the growing demand. On consolidated basis we expect top-line to grow by 19%CAGR over FY24-FY27E to Rs11.58Bn and operating margins should remain at 18.4% in FY27E. Hence, EBITDA is likely to grow by 18%CAGR over FY24-FY27E. With the reduction in debt, we expect PAT to grow faster at 26%CAGR over similar period. At CMP, the stock trades at P/E(x) of 24.3x/19.6x on FY26E/FY27E EPS of Rs33.4/41.4 respectively. We continue to value the company at P/E(x) of 25x on FY27E EPS, arriving at a target price of Rs1,035 (adjusted for revised share capital). Hence, we reaffirm our BUY rating on the stock.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	2,071	2,045	2,108	1.3	(1.7)	Overall in-line with estimates.
EBITDA	372	368	368	1.1	1.1	
EBITDA Margin (%)	18.0	18.0	17.5	(4 bps)	50 bps	
Adjusted PAT	171	175	183	(2.1)	(6.3)	

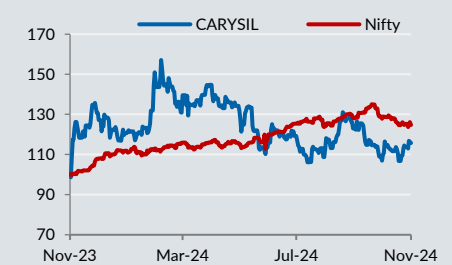
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 813
Target Price	: Rs 1,035
Potential Return	: +27.3%

Stock data (as on Nov 08, 2024)

Nifty	24,148
52 Week h/l (Rs)	1,151 / 675
Market cap (Rs/USD mn)	23,223 / 275
Outstanding Shares (mn)	28
6m Avg t/o (Rs mn):	84
Div yield (%):	0.2
Bloomberg code:	CARYSIL IN
NSE code:	CARYSIL

Stock performance



	1M	3M	1Y
Absolute return	5.1%	-2.1%	17.3%

Shareholding pattern (As of Sep'24 end)

Promoter	41.4%
FII+DII	12.3%
Others	46.3%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,035	1,188

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	26.7	33.4	41.4
EPS (Old)	31.4	39.6	-
% change	-15.0%	-15.7%	-

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	8,389	9,849	11,575
YoY Growth	22.7	17.4	17.5
EBIDTA	1,522	1,811	2,129
EBIDTA (%)	18.1	18.4	18.4
PAT	758	948	1,176
YoY Growth	29.9	25.1	24.0
ROE	17.9	18.5	18.8
EPS	26.7	33.4	41.4
P/E	30.5	24.3	19.6
BV/Share	149.5	180.8	220.2
P/BV	5.4	4.5	3.7

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Result Highlights

Consolidated Highlights:

- Revenue stood at Rs2.07Bn (in line with est), an increase of 27%YoY & 3%QoQ.
- EBITDA margins came in at 18% (Vs est of 18%) Vs 20.1%/17.8% in Q2FY24/Q1FY25, respectively. Higher other expenses dented the margins (Other expenses as a % to sales was elevated at 28% in Q2FY25 Vs 25.2%/26.1% in Q2FY24/Q1FY25 respectively). Absolute EBITDA stood at Rs372Mn, a growth of 13%YoY & 4%QoQ.
- Net profit stood at Rs171Mn, an increase of 9.5%YoY & 8%QoQ. Company incurred a loss of Rs40.1Mn due to exchange differences on foreign currency translation classified under other comprehensive income. Hence, the total comprehensive declined by 27%YoY & 17%QoQ to Rs130Mn.

Standalone Highlights:

- Revenue (51% of consol sales) stood at Rs1.05Bn, a growth of 11%YoY & 5%QoQ.
- EBITDA margins came in at 16.5% Vs 22.7%/19.7% in Q2FY24/Q1FY25, respectively. Absolute EBITDA (47% of consol) stood at Rs174Mn, a degrowth of 19%YoY & 12%QoQ owing to higher other expenses.
- Net profit stood at Rs78Mn, a decline of 20%YoY & 16% on a sequential basis.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H1 FY25	% yoy
Revenue	1,417	1,636	1,880	1,905	2,012	2,071	26.6	2.9	3,053	4,083	33.7
Expenditure	1,156	1,306	1,528	1,560	1,653	1,699	30.0	2.8	2,462	3,352	36.1
- RM	709	769	890	780	940	919	19.5	(2.2)	1,479	1,859	25.7
- Staff Cost	129	124	174	176	188	199	60.1	5.7	253	387	53.0
- Other Cost	318	413	464	604	525	581	40.6	10.5	731	1,106	51.3
Operating Profit	261	330	352	345	359	372	12.9	3.7	590	731	23.8
OPM(%)	18.4	20.1	18.7	18.1	17.8	18.0	(218 bps)	13 bps	19.3	17.9	(143 bps)
Other Income	12	12	9	19	14	18	49.2	29.1	25	32	31.3
Depreciation	72	77	81	95	87	98	28.5	13.8	148	185	24.6
Interest	45	47	58	58	61	56	18.8	(7.9)	93	117	26.6
PBT	156	218	222	212	225	236	8.2	4.5	374	461	23.3
Tax	39	62	68	55	67	65	4.9	(3.4)	101	132	30.3
PAT	117	156	153	158	159	171	9.5	7.9	273	330	20.7
OCI	(19)	22	(35)	6	(2)	(41)	NM	NM	3	(43)	NM
Reported PAT	98	178	118	164	157	130	(26.9)	(16.9)	276	287	4.0

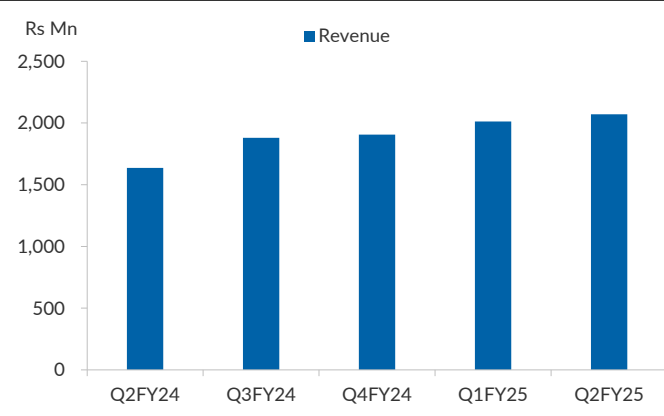
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Management maintained their guidance of US\$100Mn (Rs8Bn) topline for FY25 and for FY26, management expects 15-20% growth. EBITDA margin guidance of 20-22%.
- While the US & UK markets were stable, company has started seeing signs of recovery in Europe as well.
- EBITDA margin was impacted due to increase in acrylic cost (50% of production cost), that was not passed down, and increase in freight cost by almost 3-times owing to Red-Sea issues. Furthermore, US, which is a high sales value area for the company, saw subdued demand that led to further decline in EBITDA margins.
- Overall, domestic sales grew by 9-9.2%YoY. Faucets biz grew by ~50%. Company is launching 20 new faucets, new smart built-in appliances, new range of kitchen sinks to increase domestic business. Company has also launched its products on e-commerce sites to further boost growth. Company expects domestic business to contribute Rs1.5Bn for FY25.
- United Granite LLC, when acquired was profitable on PAT basis. Currently, it is at breakeven on EBITDA level owing to soft demand in US and change in product mix. Company expects it to breakeven at PBT level next year with resurgence in US demand.
- Company has incurred Rs45Mn advance capex and deployed Rs312.5Mn for working capital purposes from QIP funds. Company had allocated 50% of QIP fund for capex which will be done by FY26 end. QIP funds have not been used for any other purpose than mentioned in the press release.
- Capacity utilization for quartz & stainless steel sinks was ~63% & ~90% in H1FY25 respectively.
- Planned capex for FY25 was Rs350-400Mn. Rs200Mn was incurred in H1FY25, and company expects to incur Rs200Mn more in H2FY25.
- Company has already enhanced sink capacity to 1Mn during COVID. Only moulds and some stations are left that would take less than 90 days. The capacity is expected to commence by Q4FY25 or Q1FY26.
- Stainless steel sink capacity is expected to be increased to 200,000-250,000 per annum in FY26 at a capex of Rs200Mn (Rs100Mn excluding land & building).
- Company recently expanded faucet division with an additional capacity of 40,000 units taking total capacity to 50,000 units and is further planning to increase the same to 100,000 units. Appliance capacity expansion of 100,000 units commenced operations.
- Inventory levels were higher owing to inventory build-up in appliances segment due to some BIS issues (company received BIS certification), some shipment delays from last week of Sep'24 to Oct'24. Inventory levels are expected to normalize Q3FY25 onwards. BIS is expected to be implemented from 1st Jan 2025 for the segment and company expects imports from China to cease post implementation.
- Company launched wine chiller segment and is expecting 1st shipment in 1-2 months. Revenues should realize in FY26.
- Company has forayed into electronics with a partnership in Kerala.
- Company has appointed Ms. Nikkila Shridhar as the B2B Business Head, and Mr. Rakesh Nair as the President of the Sternhagen division and South zone.
- Gross debt as at Sep'24 stood at Rs2.56Bn and D/E ratio was 0.5x.

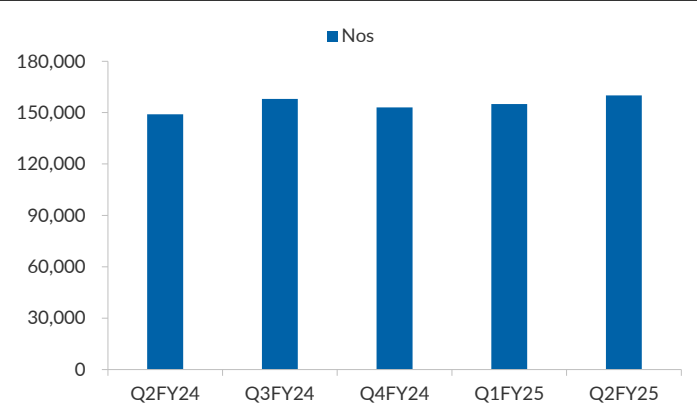
QUARTERLY TRENDS

Exhibit 3: Revenue increased by 27%YoY...



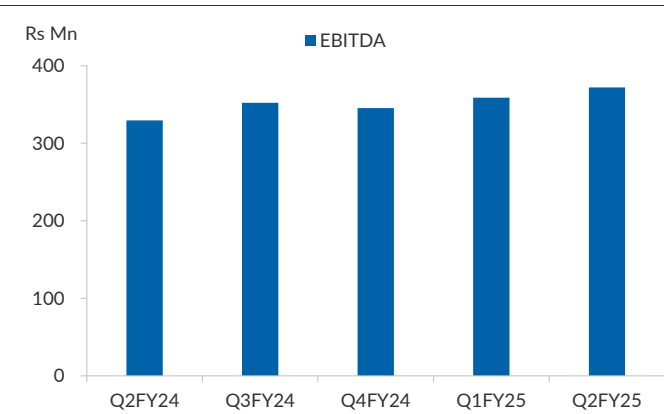
Source: Company, YES Sec

Exhibit 4: Quartz sinks volumes grew by 7%YoY...



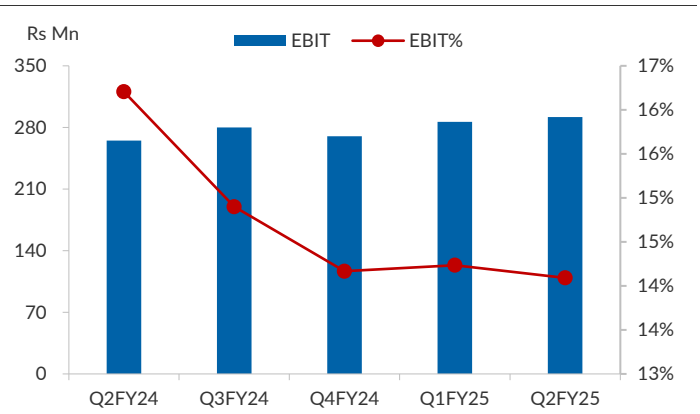
Source: Company, YES Sec

Exhibit 5: Absolute EBITDA came in at Rs372Mn...



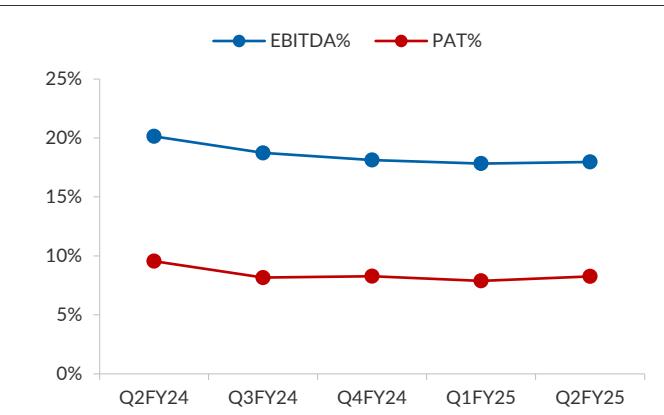
Source: Company, YES Sec

Exhibit 6: EBIT increased by 10%YoY ...



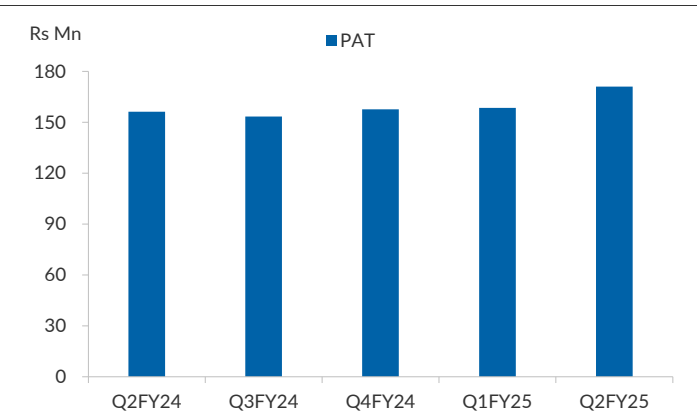
Source: Company, YES Sec

Exhibit 7: OPM & NPM is 18% & 8.3%, respectively...



Source: Company, YES Sec

Exhibit 8: PAT improved by 9.5%YoY ...



Source: Company, YES Sec

FINANCIALS

Exhibit 9: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Sales	5,939	6,837	8,389	9,849	11,575
COGS	3,024	3,149	3,863	4,580	5,383
COGS %sales	50.9	46.0	46.0	46.5	46.5
GP	2,915	3,689	4,526	5,269	6,193
GP%	49.1	54.0	54.0	53.5	53.5
EBITDA	1,074	1,288	1,522	1,811	2,129
EBITDA%	18.1	18.8	18.1	18.4	18.4
Depreciation	263	324	366	407	449
Finance Cost	145	208	207	205	178
Other Income	16	53	62	66	66
PBT	681	808	1,011	1,264	1,567
Tax	153	224	253	316	392
PAT	529	584	758	948	1,176
PAT%	8.9	8.5	9.0	9.6	10.2

Source: Company, YES Sec

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
Share Capital	54	54	57	57	57	57
Reserves	2,980	3,486	4,889	4,191	5,086	6,207
Equity	3,034	3,540	4,946	4,244	5,139	6,261
Non-current Liab	949	1,317	1,138	1,760	1,575	1,391
Payables	784	868	986	1,014	1,202	1,412
Provisions	10	18	18	18	18	18
Other current Liab	2,309	2,663	2,598	1,820	1,704	1,589
Total Equity & Liab	7,123	8,447	9,730	8,897	9,680	10,712
Gross Block	3,334	3,911	4,115	4,411	4,911	5,411
Acc Dep	1,237	1,561	1,746	1,927	2,335	2,784
Net Block	2,097	2,349	2,369	2,483	2,576	2,627
CWIP	137	105	128	118	131	145
Other Noncurrent Assets	1,280	1,850	1,814	1,850	1,850	1,850
Inventory	1,306	1,732	2,050	1,863	2,209	2,596
Receivables	1,031	1,378	1,369	1,477	1,735	2,039
Cash & Bank	102	125	1,028	197	267	541
Loans	3	4	5	4	4	4
Other Current Assets	1,167	904	969	904	904	904
Total Assets	7,123	8,447	9,730	8,897	9,680	10,712

Source: Company, YES Sec

Exhibit 11: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
PBT	528	584	330	1,011	1,264	1,567
Depreciation & Amortization	264	324	185	366	407	449
Finance cost	145	209	117	207	205	178
(Incr)/Decr in Working Capital	(257)	(594)	(993)	(85)	(415)	(481)
Taxes	(138)	(194)	(55)	(253)	(316)	(392)
Cash from ops.	712	578	(338)	1,245	1,146	1,322
(Incr)/ Decr in PP&E	(577)	(919)	(194)	(513)	(513)	(513)
Cash Flow from Investing	(1,365)	(1,016)	(178)	(513)	(513)	(513)
(Decr)/Incr in Borrowings	836	774	(424)	(400)	(300)	(300)
Finance cost	(144)	(210)	(116)	(207)	(205)	(178)
Cash Flow from Financing	641	484	577	(660)	(562)	(535)
Incr/(Decr) in cash	(12)	47	61	72	71	274
Cash and cash equivalents at beg of year	53	41	88	125	197	267
Cash and cash equivalents at end of year	41	87	148	197	267	541

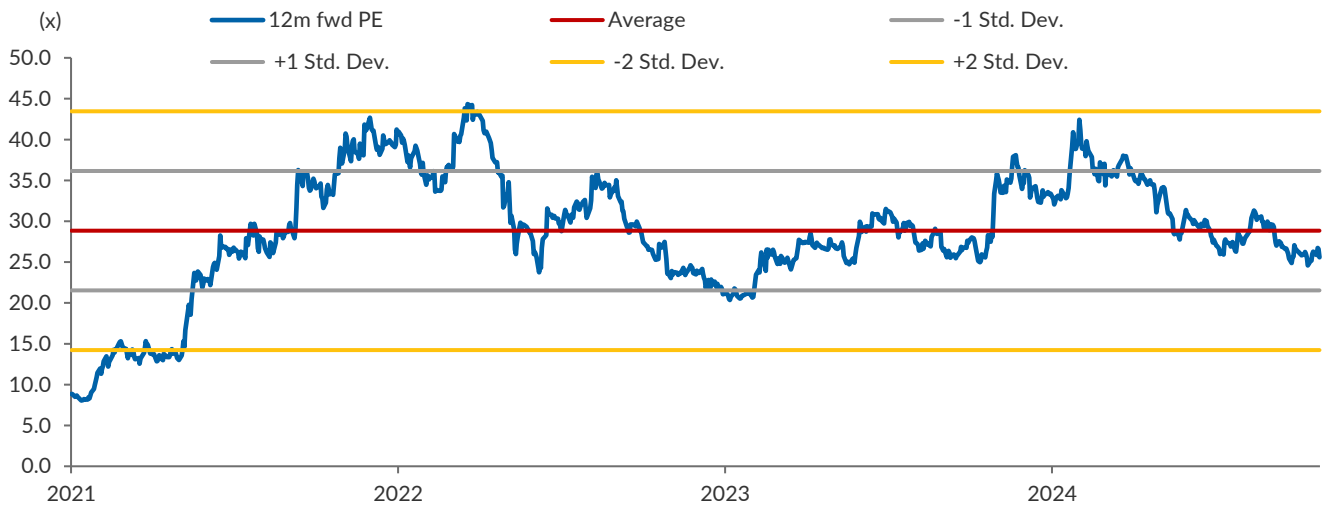
Source: Company, YES Sec

Exhibit 12: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue growth	22.7	15.1	22.7	17.4	17.5
EBITDA growth	3.9	19.9	18.2	19.0	17.5
EBIT growth	(13.6)	23.0	19.8	20.7	18.8
PAT growth	(19.0)	10.4	29.9	25.1	24.0
Profitability ratios (%)					
GP margin	49.1	54.0	54.0	53.5	53.5
EBITDA margin	18.1	18.8	18.1	18.4	18.4
EBIT margin	13.9	14.9	14.5	14.9	15.1
PAT margin	8.9	8.5	9.0	9.6	10.2
RoCE	20.8	20.9	20.3	21.9	22.8
RoE	17.4	16.5	17.9	18.5	18.8
Per share values					
EPS	19.2	20.8	26.7	33.4	41.4
CEPS	29.6	33.9	39.6	47.7	57.2
BVPS	113.3	132.0	149.5	180.8	220.2
Valuation ratios (x)					
P/E	23.3	47.9	30.5	24.3	19.6
P/CEPS	15.1	29.4	20.5	17.0	14.2
P/B	3.9	7.5	5.4	4.5	3.7
EV/EBITDA	13.1	22.9	15.9	13.9	11.5
Leverage ratios (x)					
Debt/ Equity	0.7	0.8	0.6	0.4	0.3
Net debt/Equity	0.7	0.8	0.6	0.4	0.2
Net debt/EBITDA	2.0	2.2	1.6	1.1	0.7
Int coverage	5.7	4.9	5.9	7.2	9.8
NWC days					
Receivables	63	64	64	64	64
Inventory	142	176	166	156	146
Payables	95	96	96	96	96

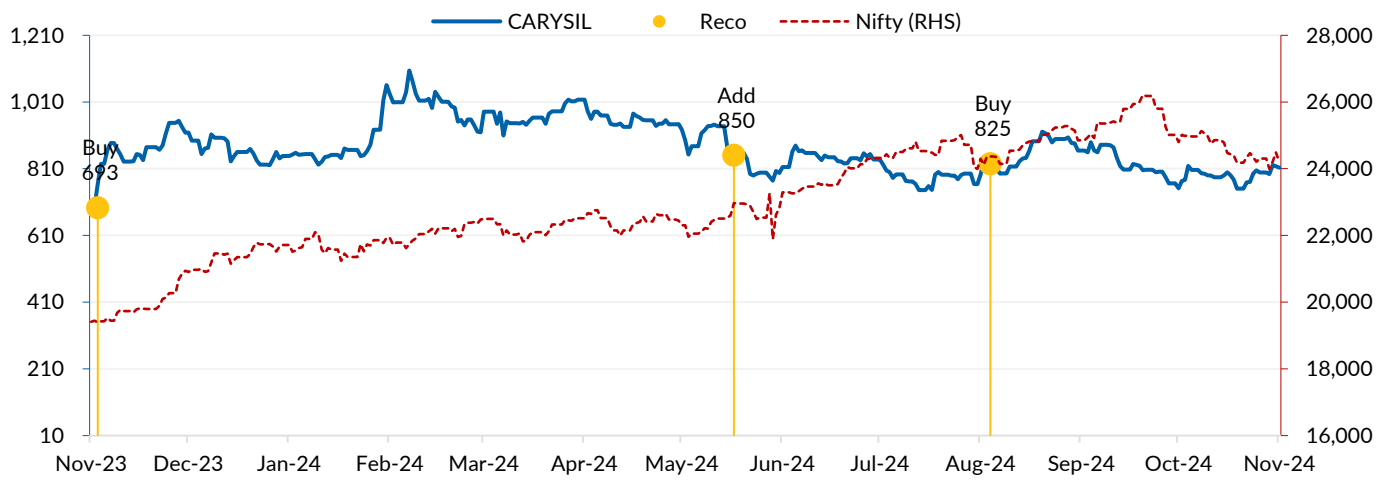
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Exhibit 13: 1-year forward P/E (x) chart



Source: YES Sec

Recommendation Tracker



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