



Long Term Recommendation

Carysil Ltd.

Progressing through Expansion and Tie-ups

Carysil Limited (formerly Acrysil Ltd) is a leading manufacturer of quartz sinks in the world using German (Schock) technology. The company also operates in the steel sink and kitchen appliance segments. Over the last three years, Carysil doubled its quartz and steel sink capacity to meet increasing demand. We believe strategic partnerships with large-scale retailers would sustain the revenue growth momentum in exports. Furthermore, strong industry tailwinds, high home-improvement spending and demand for aesthetically appealing products globally would continue to drive growth. We expect Carysil's EPS to record a 20% CAGR over FY22–25E, led by capacity addition, improved utilisation in quartz/steel sinks and increased penetration in domestic and international markets. We initiate coverage on Carysil with a BUY rating and target price of INR 784.

Well placed to capitalise on consumer shift towards premium sinks

Carysil is the sole manufacturer of quartz sink (using Schock's technology) in Asia. The technology and know-how serve as a strong moat for the company and remain an entry barrier in the quartz sink market domestically and internationally. Apart from Carysil, Schock has shared its technology with only two other players in the world (Blanco [US] and Franke [Switzerland]). We believe the global market for kitchen sinks was 80–90mn units in CY21, of which steel sinks constituted 80%, quartz sinks 10% (5–6mn units manufactured using Schock's technology) and others 10%. A decade ago, the quartz sink segment held only 3% share in the global sink market. However, the management believes this would increase to 20% by CY26. Carysil is one of the world's lowest-cost manufacturers of quartz kitchen sink (using Schock's technology). Given the substantial increase in energy and other costs in Europe, the pricing gap between Carysil and other players has widened further (from 20% to 40%). We believe this cost advantage will help Carysil gain market share in the global quartz sink market.

Strategic tie-ups with large retailers to drive revenue growth in exports

Carysil's robust revenue growth is underpinned by collaboration with global retailers to supply composite quartz sinks. The company undertakes contract manufacturing for brands such as GROHE, Homebase and B&Q as well as retailers such as IKEA and Menards (indirect channels). We believe these partnerships would be a game changer for the company, as it is well-positioned to capture a large pie of the home-improvement market. Orders from IKEA for supplying quartz kitchen sinks has doubled, with supplies commencing from July 2022. The second agreement with the German brand GROHE for supplying stainless-steel sinks is another example of its successful business collaborations. Carysil sees potential in kitchen appliances and bathroom suites for successful collaboration with large retailers. This can accelerate the company's revenue growth by leveraging its robust product offerings to diverse geographies.

Doubled production capacity to tap growing demand

Carysil has enhanced production capacities consistently to tap growing demand in domestic and international markets. Over the past three years, the company doubled quartz sink manufacturing capacity at its Bhavnagar plant to 10 lakh units annually. It installed a capacity of 90,000 units for steel sinks, 60,000 for press sinks and 30,000 for Quadro sinks. Quadro (designer) sinks cater to high-end segments, wherein customers are willing to pay a premium for superior quality, design and finish. In line with the current trend in home improvement, the company is ramping up its stainless-steel sink capacity to 1,80,000 units (mainly dedicated to Quadro sinks) and manufacturing/assembly line of 200,000 built-in kitchen appliances at a combined capex of INR31cr. The expansion of built-in kitchen appliances will take place in two phases: 100,000 units in Q1FY24 and 100,000 units in Q3FY24, with a peak revenue potential of INR100–120cr. We expect Carysil's revenue to record a CAGR of 22% over FY22–25E, with the greater benefit flowing in FY25.

Initiating Coverage with a 'BUY' rating

We believe Carysil is well-placed for strong growth, supported by industry tailwinds, increased home-improvement spending and demand for aesthetically appealing products globally. Although we saw earnings moderation in FY23 on high quartz sink inventories in the channel, we expect revenue growth to recover sharply in FY24E. In the medium term, earnings growth would be driven by improved offtake in quartz sinks, commencement of additional steel sink capacity, strategic tie-ups with large retailers and integration of the solid surface business. We arrive at a target price of INR 784 by valuing the company at 22x of average EPS for FY24E and FY25E. Key risks to our thesis include (i) delay in capacity commissioning/ramp up and (ii) rising inflation and worsening geopolitical tensions.

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Revenues (INR Cr)	310	484	588	715	889
Rev growth (%)	12.1	56.2	21.5	21.6	24.4
EBITDA (INR Cr)	67	103	105	135	180
Net Profit (INR Cr)	39	65	59	79	111
P/E (x)	33.6	20.3	22.3	16.7	11.8
EV/EBITDA (x)	20.8	14.0	13.4	10.2	7.3
RoACE (%)	19.7	24.2	18.3	20.1	23.8
RoAE (%)	22.1	28.7	20.8	22.8	25.9

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CMP INR: 493

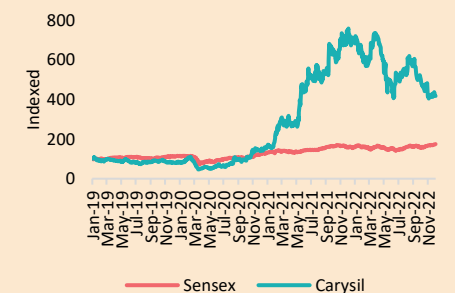
Rating: BUY

Target Price INR: 784

Upside: 59%

Date: December 13, 2022

Bloomberg:	ACRY:IN
52-week range (INR):	468/ 928
Share in issue (crore):	3
M-cap (INR cr):	1,335
Promoter holding (%)	43.91



Long Term Recommendation Carysil Ltd.

Progressing through Expansion and Tie-ups

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Progressing through Expansion and Tie-ups

Business Structure

Over the years, Carysil diversified from quartz sink manufacturing to stainless steel kitchen sinks, faucets, built-in kitchen appliances and solid surface products. The company is well-placed in global and domestic markets. Carysil is rapidly transforming into a core player in kitchen and bath segments by launching brands such as Carysil and Sternhagen.

We expect Carysil to clock ~22% sales CAGR over FY22-25e, driven by:

- Getting into manufacturing/assembly line of 200,000 built-in kitchen appliances (in two phases) and steel sink capacity addition of 90,000 units based on strong demand across domestic and international markets.
- Doubling of retail touch points from 1,500 in FY22 to 3,000 by FY23** in the domestic market coupled with brand awareness programmes
- Integration of recently acquired Sylmar Technology Ltd (UK)** (strong countertop manufacturing business)

We expect the company's EBITDA margin to contract by 107bps over FY22-25e largely due to the integration of Sylmar Technology (17% EBITDA margin in CY21). However, management is confident of improving the margin profile in future. We expect absolute EBITDA to expand at a 20.3% CAGR over FY22-25e, driven by strong revenue growth and operational efficiency.

We believe the increase in net profit would be in line with revenue growth, mainly due to strong operational performance and better margin profile.

We expect RoE/RoCE to maintain at healthy level of 26%/23% respectively in FY25e, driven by higher asset turn and strong earnings growth.

We expect D/E to decline to 0.4x by FY25E due to healthy cash flow generation and WC cycle of 80-100 days.

Considering the expected strong growth in profitability, healthy balance sheet and improving return ratios, we are optimistic about the long-term growth prospects of the company. At CMP (INR 493), the stock trades at 11.8x FY25e EPS and 7.3x EV/EBITDA.

We initiate coverage on the stock and recommend a 'BUY' rating with a target price of INR 784 per share, valuing the company at 22x of average EPS for FY24e and FY25e.

Aging infrastructure and growing need to rebuild or remodel buildings are driving the renovation sector's growth. The Indian sink market is growing at ~20% per annum and is expected to continue growing at a similar pace for at least the next 5-10 years, with Carysil well-placed to capitalise on the opportunity.

Capacity expansion for quartz and steel sinks coupled with integration of Sylmar Technology would increase the revenue to INR 889cr from INR 484cr.

We forecast consolidated sales to increase by 22%, EBITDA to grow by 20% and PAT to rise by 20% over FY22-25e.

INR Cr	FY22	FY23E	FY24E	FY25E
Revenue	484	588	715	889
EBITDA	103	105	135	180
EBITDA margin (%)	21	18	19	20
PAT	65	59	79	111

INR Cr	FY22	FY23E	FY24E	FY25E
ROACE (%)	24.2	18.3	20.1	23.8
OCF	38	86	70	92
Net D/E ratio	0.5	0.3	0.1	0.0

	Average FY24E-FY25E	Target
P/E (x)	22x	784

At CMP, Avg FY24-25E P/E is 13.8x

+

FY25E RoCE of 23%

+

At target price, Avg FY24E-25E P/E is 22x

Upside: 59%

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Focus Charts

Exhibit 1: Quartz Sink Revenue Trend (INR in Cr)

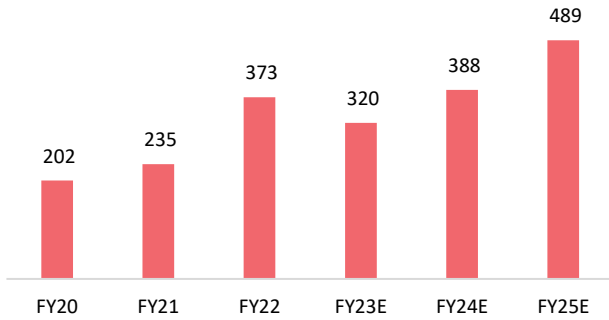


Exhibit 2: Steel Sink Revenue Trend (INR in Cr)

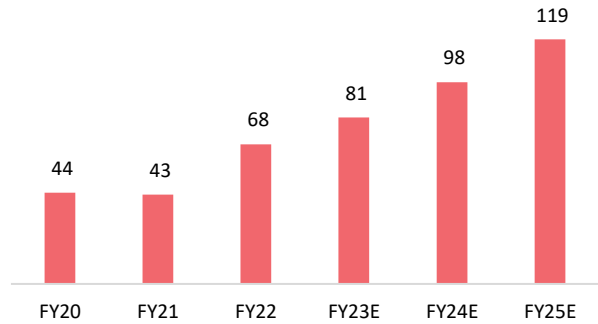


Exhibit 3: Appliance + Bath + Solid Surface Revenue Trend (INR in Cr)

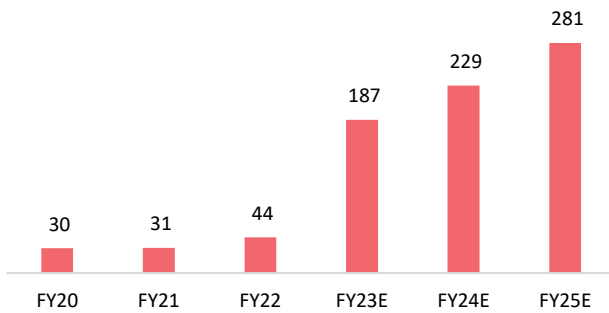


Exhibit 4: Segment wise Revenue Share

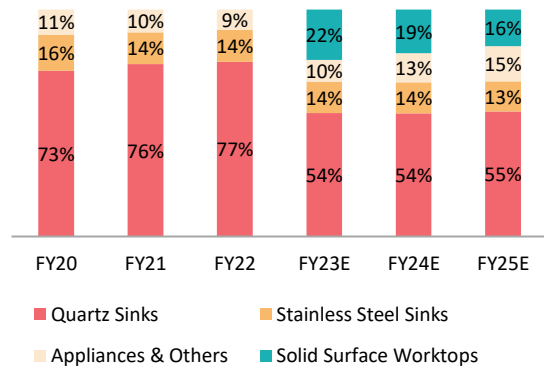


Exhibit 5: Geography wise revenue distribution*

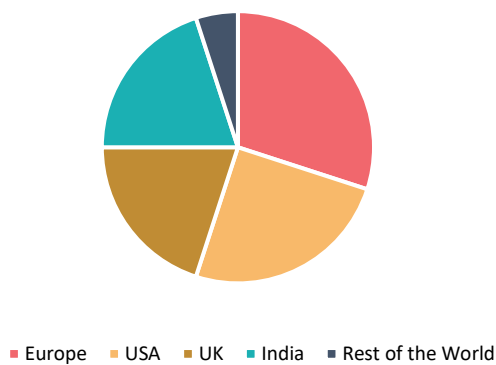
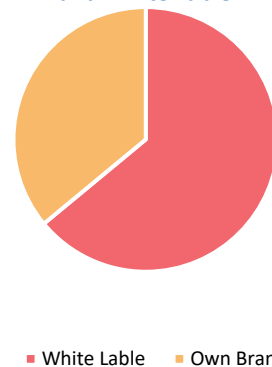


Exhibit 6: Revenue Breakup between Own brand and White Lable*



Source: Company, Edelweiss Wealth Research
* = Charts are based on our assumptions

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Exhibit 7: Revenues expected to grow at 22% CAGR over FY22-25E

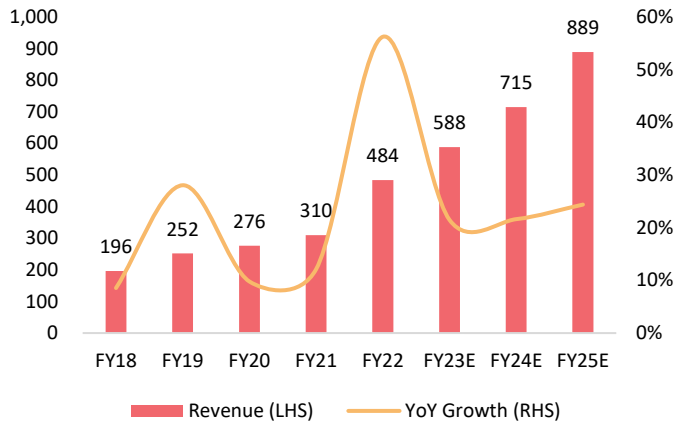


Exhibit 8: EBITDA expected to grow at 20% CAGR over FY22-25E

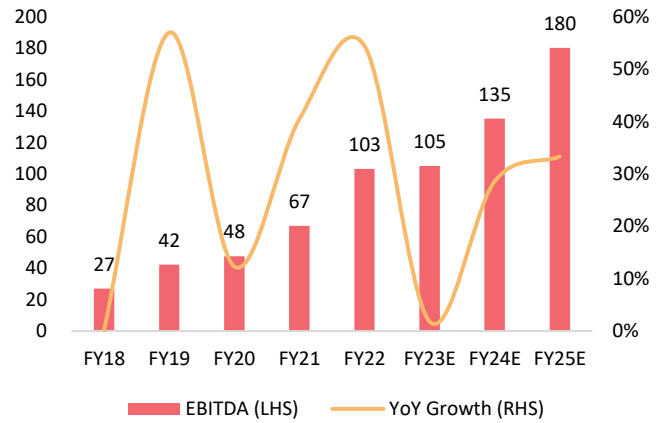


Exhibit 9: PAT expected to grow at 20% CAGR over FY22-25E

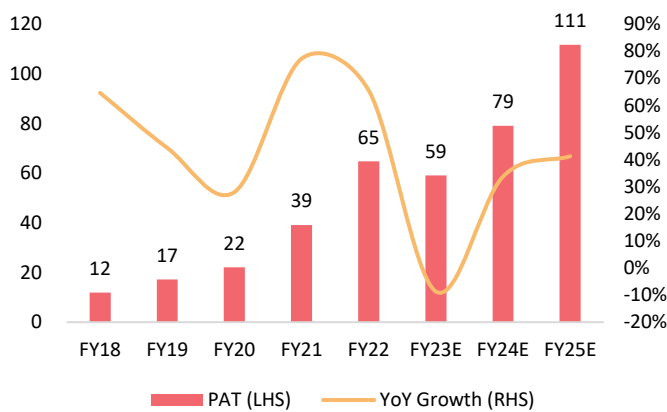


Exhibit 10: Integration of Sylmar tech to impact margin in FY23, however recover in FY24

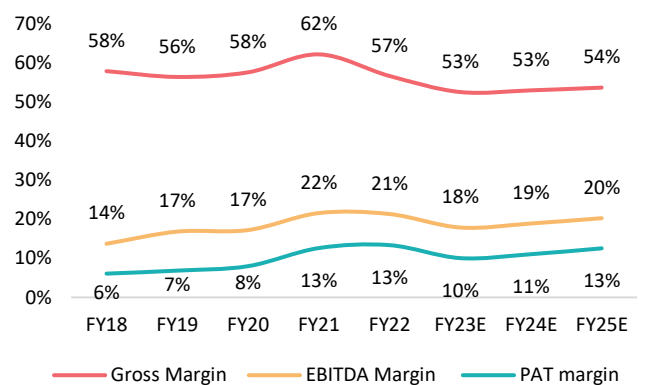


Exhibit 11: Superior RoE/ RoCE profile

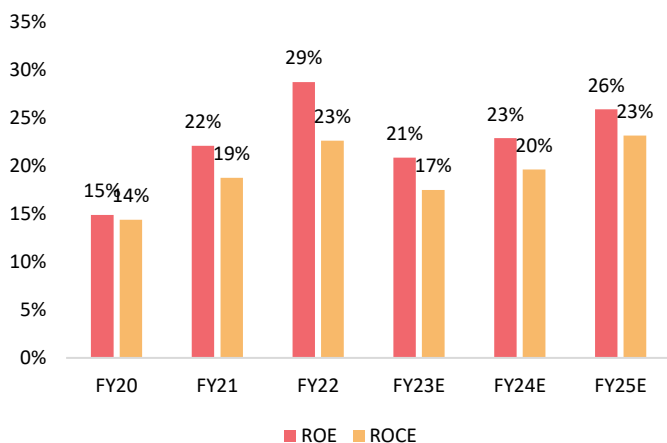
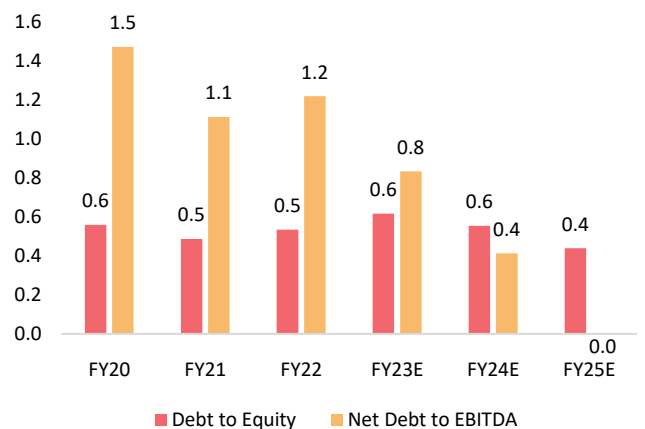


Exhibit 12: Debt/Equity and Net Debt/EBITDA to go down to 0.4x and 0.0x by FY25E due to better cash flow generation and Working capital management



Source: Company, Edelweiss Wealth Research

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Investment Rationale

I. Well placed to capitalise on consumer shift towards premium sinks

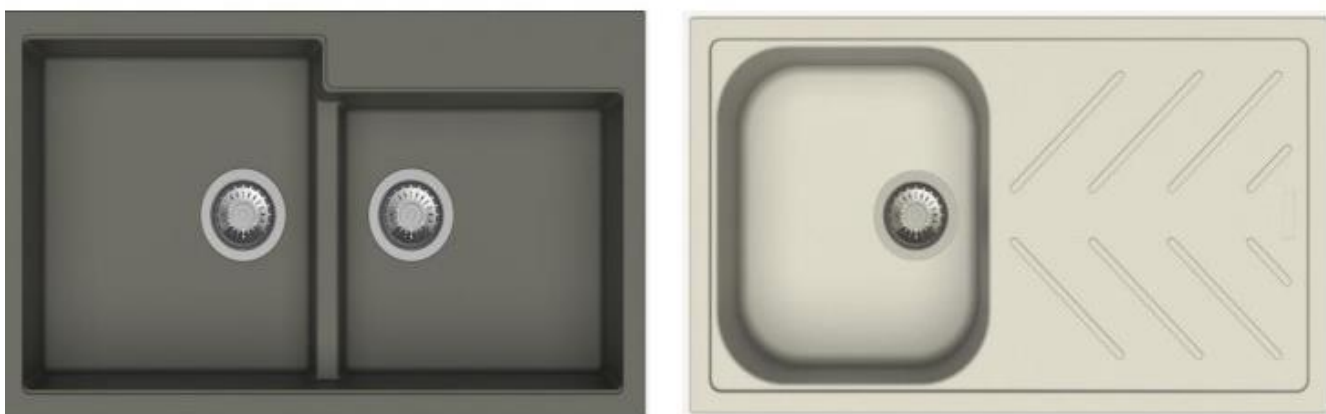
Carysil has collaborated with Germany's Schock & Co. (innovator of quartz sink) for manufacturing quartz sink. The management deems quartz sinks manufactured with Schock's technology to be superior compared with other methods, and Schock has shared its technology with only two other players in the world including Carysil, i.e. Blanco (US) and Franke (Switzerland). Carysil is the sole manufacturer in India and Asia with a global standard of quality, durability and visual appeal. The technology and know-how serve as a strong moat for the company and remain an entry barrier in the quartz sink market domestically and internationally.

Demand for quartz sinks has soared due to their durability and are now preferred over their stainless-steel counterparts. Quartz sinks are made of a composite of quartz and acrylic (generally 80% quartz and 20% acrylic resin), which offers strength and flexibility, making them highly resistant to crack. As per our understanding, the global market for kitchen sinks stands at 80–90mn units, of which steel sinks constitute 80%, quartz sinks 10% (6–7mn units manufactured using Schock's technology) and others 10%. A decade ago, the share of quartz sinks was just 3% in the global sink market; however, the management believes this would increase to 20% over the next five years.

The home improvement sector has seen considerable growth as people have started working from home, bringing a new approach to lifestyle at home. Thus, global demand is driven by changes in consumer preferences, especially for quartz kitchen sinks. Moreover, these sinks are preferred over steel ones due to a sharp rise in steel prices, which has narrowed the price differentiation between steel and quartz sinks. This creates significant growth opportunities for Carysil as it has more than 150 models to cater to various segments and markets. In the export market, the company continues with white-label manufacturing, i.e. manufacturing for other retailers and brands.

Over the last few years, Carysil has started selling under its brand name in the export market, which is still very small (20% of overall export). Domestic adoption of granite sinks (quartz sinks) has been slow, primarily owing to premium pricing and lack of product awareness. However, the company has been focused on expanding its domestic presence through increased marketing and promotion activities. Quartz sinks remain a major contributor to revenue at 77% in FY22. We expect sink segment collectively advance at a CAGR of 11.3% over FY22 to FY25E.

Exhibit 13: Quartz Sink =Quality + Strength + Aesthetic



Source: Company, Edelweiss Wealth Research

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Exhibit 14: Continues capacity addition to support growth engine

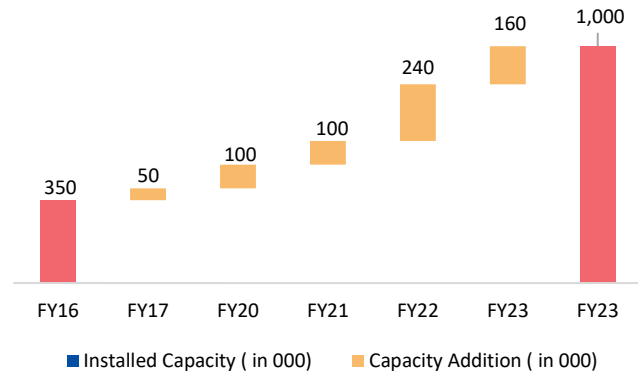
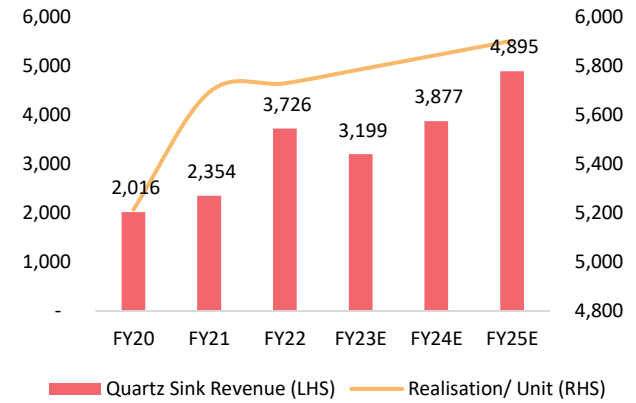


Exhibit 15: Expect 24% quartz revenue CAGR over FY23-25E driven by strong demand recovery



Source: Company, Edelweiss Wealth Research

Exhibit 16: Quartz sinks continue to remain a significant contributor to the topline



Exhibit 17: Based on our calculation, Carysil can outpace Quartz Sink market growth supported by Market share Gain

	CY21	CY26	CAGR CY21-26
Overall Global Sink Volume (in mn)	80.0	102.1	
Quartz Global Volume (in mn)	8.0	15.3	14%
Carysil Production Volume (in mn) *	0.7	2.0	25%
Carysil Market Share in %	8%	13%	

* Volumes are based on FY22, Assuming 5% Market share gain till CY26
Source: Company, Edelweiss Wealth Research

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II. Strategic partnership with large retailers to maintain revenue growth momentum in export

Carysil's robust revenue growth is underpinned by collaboration with global retailers to supply composite quartz sinks. In FY19, it inked an agreement with German's GROHE to supply quartz kitchen sinks. GROHE has presence in more than 150 countries and is a dominant player in the bathroom solutions and kitchen fittings space. The supply agreement with Carysil marks GROHE's foray into the quartz kitchen sink segment (making Carysil the sole supplier of quartz sinks). GROHE has been part of the Japanese LIXIL Group Corporation since 2014. As per the management commentary, the agreement can bring in revenues INR50-60cr over the next 2-3 years.

Exhibit 18: Karran and Kraus accounts larger part of US revenue

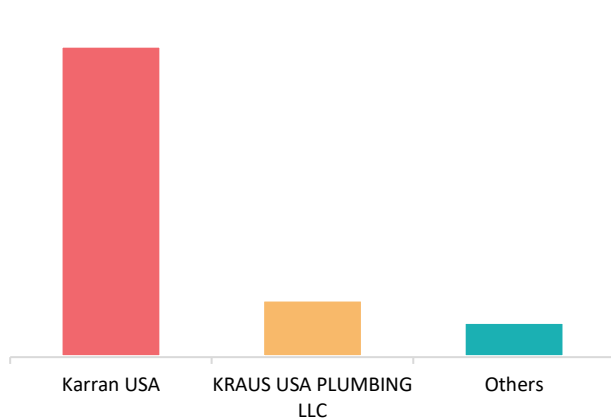
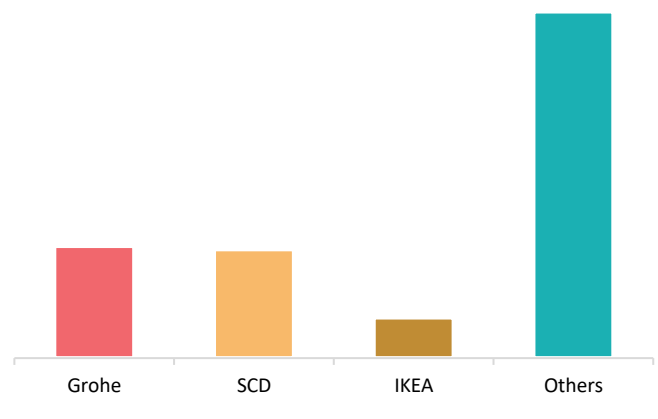


Exhibit 19: Compared to US, revenue concentration in Europe is diversified



Source: Edelweiss Wealth Research

In FY21, the company entered a strategic partnership with IKEA Supply AG (Switzerland) to manufacture and supply composite quartz kitchen sinks globally. This partnership can be ground-breaking for Carysil as IKEA has over 474 stores in 64 countries, and the former aims to take the market share of current suppliers to IKEA. This can accelerate growth of the company by leveraging its robust product offerings to a wider geography.

In the US, the company fulfils online sales demand for Lowe's and Home Depot and is undertaking white-label sales for brands such as Kraus and Karen. The management is hopeful of more such tie-ups in future as it looks to expand its international presence in the core business of quartz sinks. Moreover, Carysil's distributor/partner in the US expects a potential tie-up with Menards (third largest American retail chain with 850 outlets in the US). It is already sourcing Carysil products indirectly and expects direct partnership. Carysil will distribute quartz sinks in all Menards stores across the country. The company is taking efforts to tap more customers by exporting to more than 55 countries around the world and is planning to expand its customer base by venturing into additional 20-25 countries in the next five years through Carysil's Export Development Cell.

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Exhibit 20: Top US Retail Chains in home improvement with Market Share

Top Chains: Industry Share

	2020 Sales (in billions)	Stores at End of 2020	Stores in 2021 (as of Dec. 1, 2021)
Home Depot Atlanta	\$132	2,296	2,293
Lowe's Mooresville, North Carolina	\$90	1,974	1,968
Menards Inc. Eau Claire, Wisconsin	\$12	335	352
Tractor Supply Brentwood, Tennessee	\$11	1,904	1,967
84 Lumber Eighty Four, Pennsylvania	\$5	252	250
Northern Tool+Equipment Burnsville, Minnesota	\$2	119	123
Carter Lumber Kent, Ohio	\$2	163	168

Top Chains: Combined Performance

Top Chains: Industry Share			Top Chains: Combined Performance		
	Sales as % of total industry)	No. of Stores (as % of total industry)		Net Sales (in billions)	No. of Stores
2016	51.3%	17.4%	2016	\$159	6,846
2017	51.9%	17.7%	2017	\$169	6,988
2018	52.5%	18.0%	2018	\$184	6,941
2019	51.3%	15.4%	2019	\$209	6,983
2020	50.7%	15.6%	2020	\$253	7,043
2016-2020 Percentage Point Change	0.6%	1.8%	2016-2020 Compound Annual Growth Rate	12.2%	0.7%

Source: Industry, Edelweiss Wealth Research

Exhibit 21 : Top 5 Most Visited Home Improvement store Websites in 2022

List Ranking the 20 Best Home Improvement Store Websites

We have determined the **20 Best Home Improvement Store Websites** based on the of traffic each website receives. Here is our list of rankings for the **Top 20 Most Visited Home Improvement Store Websites**. Specifically rankings are based on the number of estimated unique visitors received . Our data for unique visitors is collected from several sources, which are updated yearly. **Updated : 2022**

1		DiyCom Logo Unique Visitors 71,500,000 ▶ Details
2		Homedepot.Com Unique Visitors 67,300,000 ▶ Details
3		Lowe's.Com Unique Visitors 32,200,000 ▶ Details
4		Ikea.Com Unique Visitors 27,300,000 ▶ Details
5		Wayfair.Com Unique Visitors 26,800,000 ▶ Details

Exhibit 22 : Some of Key Customers



Exhibit 27 : ~60% of IKEA stores are located in Europe

474 IKEA stores in 64 markets

Updated: 25 August 2022.



Source: aelieve.com, IKEA website, Edelweiss Wealth Research

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III. Doubled production capacity to tap growing demand

Carysil has consistently enhanced production capacities to tap growing demand in the domestic and international markets. Over the past two years, it has increased its quartz sink manufacturing capacity at the Bhavnagar plant by 100% to 10,00,000 units annually. It also has an installed capacity of 90,000 units for steel sinks, of which 60,000 are press sinks and 30,000 Quadro sinks. The target market for Quadro (designer) sinks caters to high-end segments, where customers are willing to pay a premium for superior quality, design and finish.

Carysil has also installed state-of-the-art physical vapor disposition (PVD) equipment at the Bhavnagar plant to supplement manufacturing and coating for designer steel sinks; it coats up to 50,000 designer steel sinks per annum. Given the recent surge in demand for coloured steel sinks globally, the company has created an exclusive collection in three colours: rose gold, yellow gold and gun metallic. PVD technology mainly enhances the coating life and adds value to aesthetics.

In line with the current trend in home improvement, the company is scaling up its stainless-steel sink capacity to 1,80,000 units (most of the capacity would be dedicated to Quadro sinks) and manufacturing/assembly line of 200,000 built-in kitchen appliances at a combined capex of INR 31cr. The expansion of built-in kitchen appliances will take place in two phases: 100,000 units in Q1FY24 and balance 100,000 units in Q3FY24 with a peak revenue potential of INR 100-120cr.

Over FY22–25E, we expect a revenue CAGR of 23%, with greater benefits flowing in FY25. For same period, we have modelled ~9.8% and 19.3% volume growth assumption for quartz and stainless-steel sinks, respectively. The management has also decided to set up a faucet assembly line, for which the company will incur capex of INR 5cr with an annual capacity of 10,000 units; the undertaking is expected to commence by Q4FY23.

Exhibit 23: Doubled Quartz sink capacity to grab the incremental growth opportunity globally

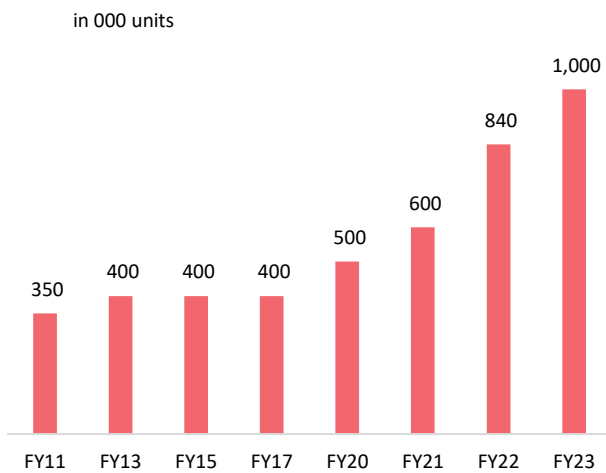
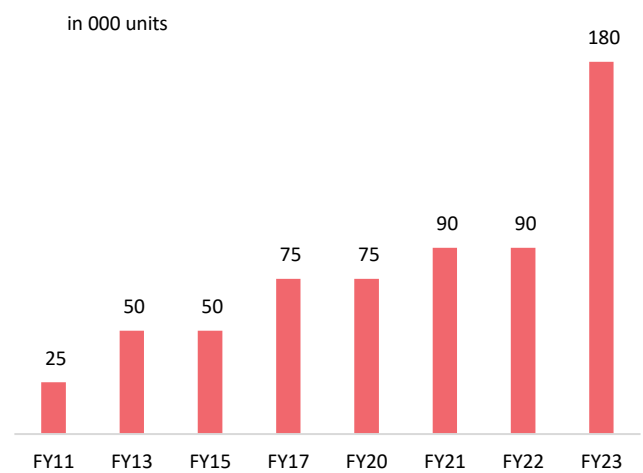


Exhibit 24: Ramping up its capacity of Stainless-steel sinks (mainly in Quadro Sinks)



Source: Company, Edelweiss Wealth Research

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IV. Building blocks through strategic acquisitions in UK

Home improvement firms adopt numerous strategies that involve partnerships with investors, franchisors or retailers, and manufacturers. The industry landscape is highly fragmented, and the easy entry of new players keeps the market highly competitive in terms of pricing. Specialisation and vertical integration provide companies a significant competitive advantage and value, strengthening their position in organic investment, mergers or acquisitions. Therefore, to enter the UK market, Carysil acquired 75% stake in Homestyle Products for INR26.5cr in June 2014, which has now reached 100% stake; subsequently, Homestyle Products was renamed as Acrysil Products Ltd. Before the acquisition, Homestyle Products Ltd used to import quartz sinks and other products from China and then sell them under its brand name in the UK. However, following the acquisition, the Chinese products were replaced with Carysil ones. Over FY17-22, revenues from this subsidiary increased at a CAGR of 20%. Quartz sinks made up 52% of revenue, stainless sinks 30% and other products 18%. Revenues from the quartz sink segment have grown at a CAGR of 54% from INR 6.6cr in FY17 to INR 57cr in FY22. As per the management, the price realisation of quartz sinks in the UK is among the world's highest.

Exhibit 25: Revenue of Acrysil Products grew at 20% CAGR over FY17-22

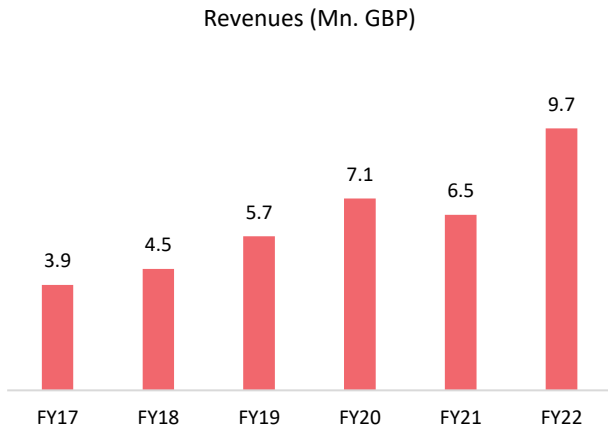
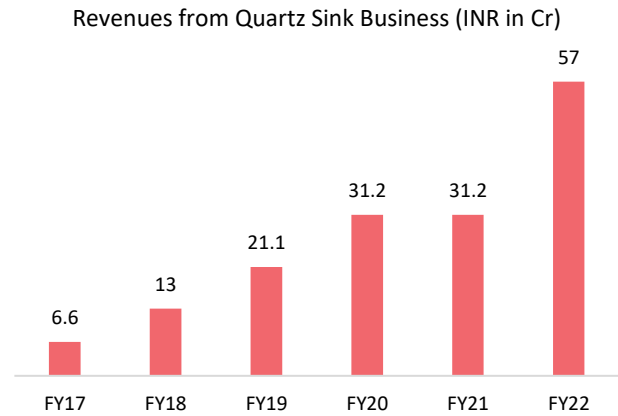
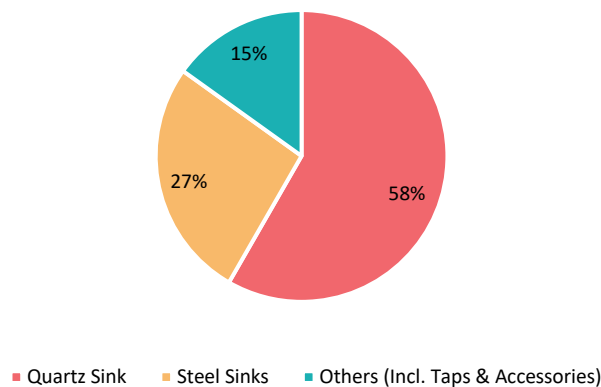


Exhibit 26: Quartz Revenues of Acrysil Products have grown at 54% CAGR over FY17-22



Source: Company, Edelweiss Wealth Research

Exhibit 27: Revenue breakup of Products sold under Acrysil Products (in FY22)



Source: Company, Edelweiss Wealth Research

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In April 22, Carysil, through its subsidiary WOS Acrysil UK Ltd, acquired 100% shares of Tickford Orange Limited, the holding company of its operating subsidiary Sylmar Technologies Limited (STL), in an all-cash deal for a total consideration of GBP11mn (deal valuation: 1x sales and 6x P/E). The acquisition was funded through 70% debt and 30% internal accruals of Acrysil UK Ltd. STL manufactures, distributes, and customise high-quality solid surface products for kitchens and bathrooms. As a leading player in the solid surface market, STL commands a market share of 35% in the UK and is a custodian of three key brands: Maia, Minerva and Metis. STL enjoys strong customer relationships, capitalising on its association with leading high-street names including Selco, Homebase, Hafele, Magnet, Moores and Fairline. With an annual turnover of GBP12.3mn (16.7% EBITDA margin) in CY21, STL derived 80% of its revenue from selling kitchen products and the remaining from bathroom and marine-related products.

Post STL acquisition, revenue contribution from the UK expected to spike from 15% in FY22 to 28-30% in FY23. Though on a standalone basis STL’s position looks good, but more importantly it opens a vast playground of worktops and tabletops to Carysil, which can be offered through its major channels such as IKEA, GROHE and other retail brands. These products can be offered as a standalone or an integrated worktop, sink and faucet bundle. This can improve their wallet share as the customer gets an integrated and hassle-free one-stop solution. Furthermore, Carysil plans to introduce quartz counter tops and use these channels to boost sales significantly. In CY22, the management expects STL to return to the pre-Covid level of sales at GBP14mn. Considering H1FY23 numbers, steady demand environment for STL products coupled with strong orderbook, we expect solid surface business can achieve revenue of GBP 14mn In FY23. However, in a view of the current geopolitical issues and weak macro scenario, particularly in Europe and the UK, we are keeping revenue growth of 5% CAGR over FY24-25.

Exhibit 28 : Revenue Trend of Sylmar technologies

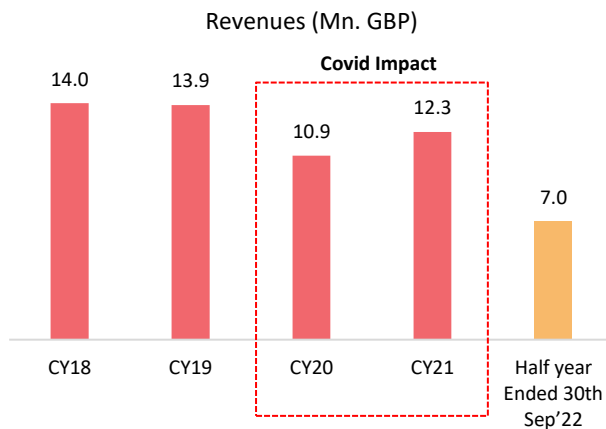


Exhibit 29: Key Products of Sylmar tech



Source: Company, Sylmar Technologies Website, Edelweiss Wealth Research

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V. Deeper penetration into domestic market by expanding retail reach

Before FY12, the company primarily focused on exports. However, the management recognised considerable growth potential in the domestic market and introduced premium products under the brand Carysil. The company also strengthened its brand in the domestic market by expanding its dealer network to 1,500 from 400 and its distributor network to 82 from 30 over FY13–22. The company is expanding its domestic footprint by increasing marketing and promotion activities. Its recent collaboration with Vani Kapoor for the new Carysil marketing campaign **#TheHeartOfMyHome** was carried out successfully. It showcases a new range of built-in appliances, including built-in coffee makers, signifying the cutting-edge technology and design pioneered by Carysil. The company is witnessing strong volume growth across categories for quartz sinks, steel sinks, appliances and faucets. This can be ascribed to the increased production capacity and improved branding and promotion activities in the domestic market, causing a steady rise in demand, as per the management.

Indian home-improvement spending, especially for kitchen and bathroom lifestyle products, is on an upward trajectory. Therefore, Carysil focuses on enhancing brand visibility by extending dealer network from 1,500 in FY22 to 2,200 in H1FY23 and further plans to strengthen its domestic foothold to 3,000 dealers by the end of FY23, which would grow its dealer network twofold within a year. Moreover, the company intends to double its domestic sales team by the end of FY23. In FY22, Carysil sold approximately 1,00,000 quartz sinks and around 50,000 steel sinks in India. The management expects 20–30% volume growth in the quartz sink segment and 80–100% growth in the steel sink segment in FY23, driven by strong traction in the domestic market.

Exhibit 30: Domestic revenue to grow at a CAGR of ~35% over FY22-25e

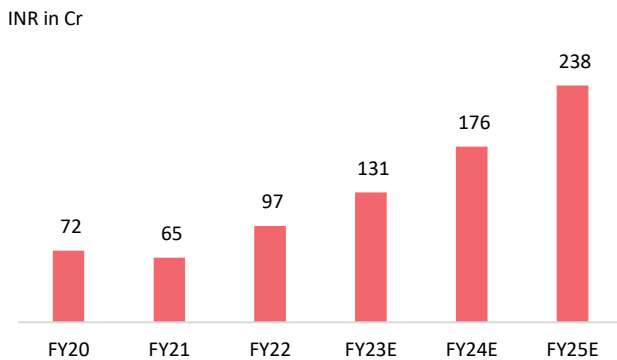
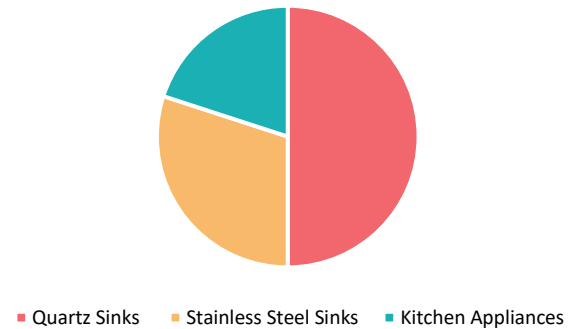


Exhibit 31: Even in Domestic Market larger part of revenue comes from Quartz sinks for Carysil



*= Charts are based on our assumption
Source: Company, Edelweiss Wealth Research

Exhibit 32: Dealer and Distributor network

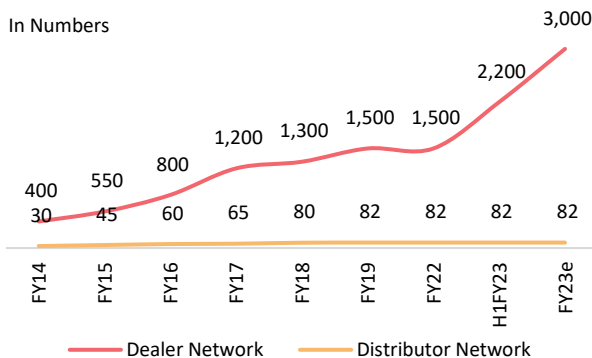
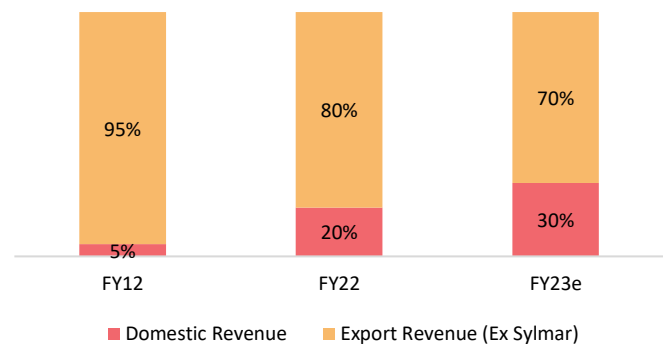


Exhibit 33: Revenue share from domestic business to improve in FY23 (ex Sylmar Tech)



Source: Company, Edelweiss Wealth Research

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VI. Financial performance to improve further

We expect Carysil's revenue to increase at a CAGR of 22% over FY22–25E, driven by healthy growth in the home improvement market, market share gains due to cost advantage and potential collaborations with large retailers. Doubling retail touch points from 1,500 to 3,000 by FY23 in the domestic market, coupled with brand awareness programmes, would further expedite the growth momentum. We expect EBITDA margin to contract 107 bps over FY22–25E, primarily due to STL integration. However, the management is confident that the margin profile would improve in future. Absolute EBITDA is expected to rise a CAGR of 20% during this period, led by solid revenue growth and operational efficiency. The increase in net profit would be in line with EBITDA growth, mainly because of strong operational performance and a stable margin profile. With the twin levers of scale and operating efficiencies playing out, Carysil's return ratios have improved substantially from RoE/RoCE of 18%/20.8% in FY16 to 29.1%/22.9% in FY22. We expect steady improvement in return ratios (after a decline in FY23) (RoE/RoCE of 26.1%/23.1% in FY25E), resulting in substantial operating cash flow generation (avg. OCF of INR90cr/year), backed by healthy revenue and profitability growth. We also expect consolidated leverage (net debt/equity) to reach 0.4x in FY25E from 0.5x in FY22, largely supported by improvement in EBITDA generation. Acceleration in earnings can push the interest coverage ratios further from 10.8x in FY22 to 10.9x in FY25E (we incorporated a 100 bps increase in the interest cost).

Exhibit 34: Consolidated revenue to expand at 22% CAGR over FY22–25E

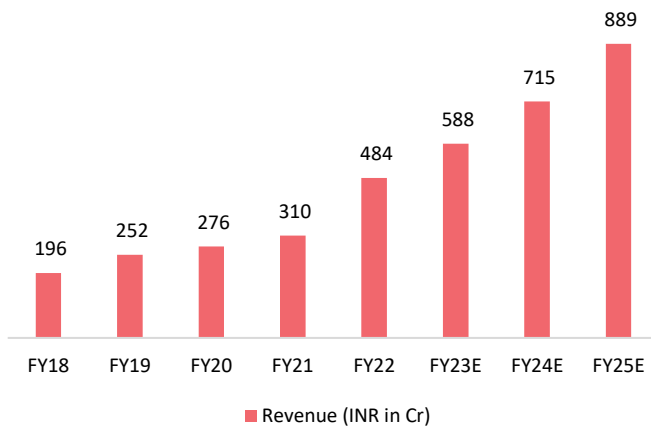


Exhibit 35: EBITDA to grow at 20% CAGR over FY22–25E

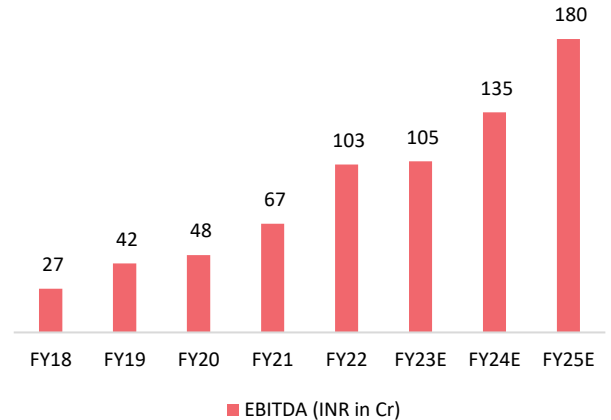


Exhibit 36: PAT to surge at 20% CAGR over FY22–25E

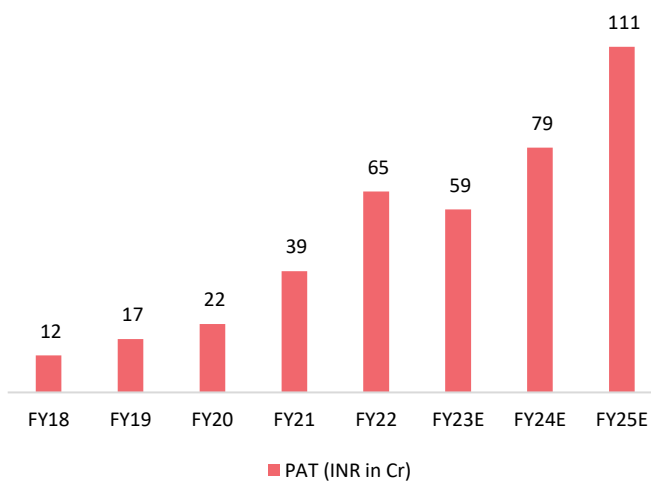
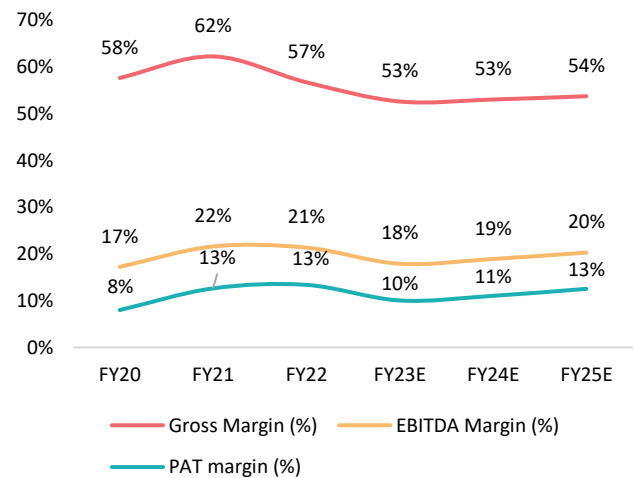


Exhibit 37: Overall Margins to remain healthy



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Exhibit 38: Debt/Equity and Net Debt/EBITDA to go down to 0.4x and 0.0x by FY25E due to better cash flow generation and Working capital management

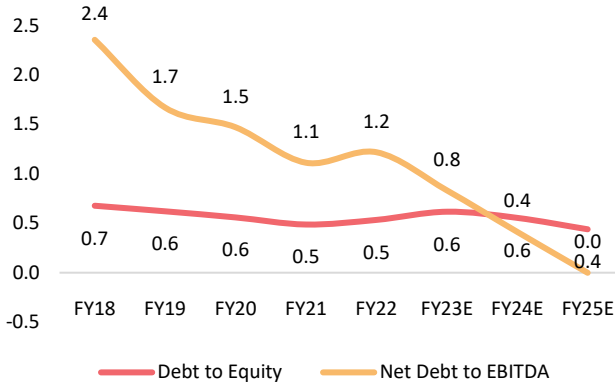


Exhibit 39: Superior RoE/ RoCE profile

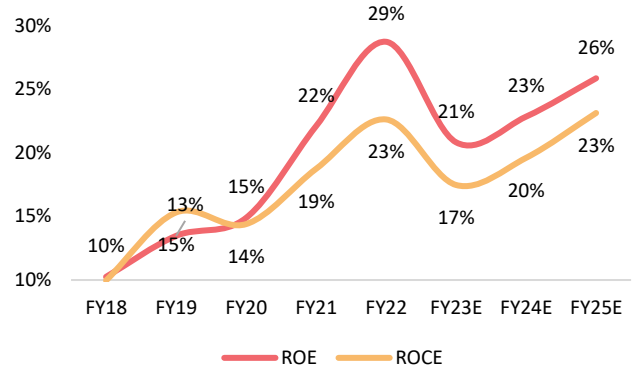


Exhibit 40: Tight working capital cycle

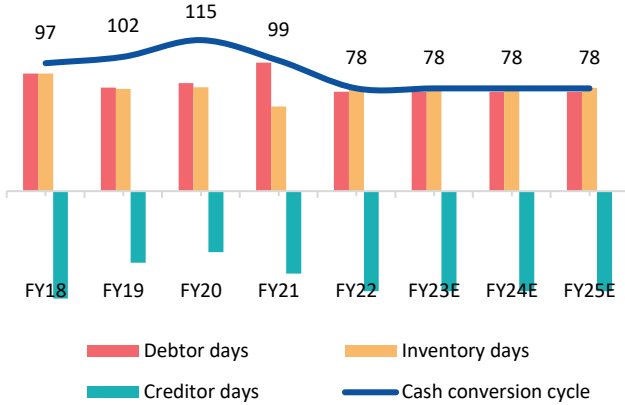


Exhibit 41: Cash flow generation remain healthy

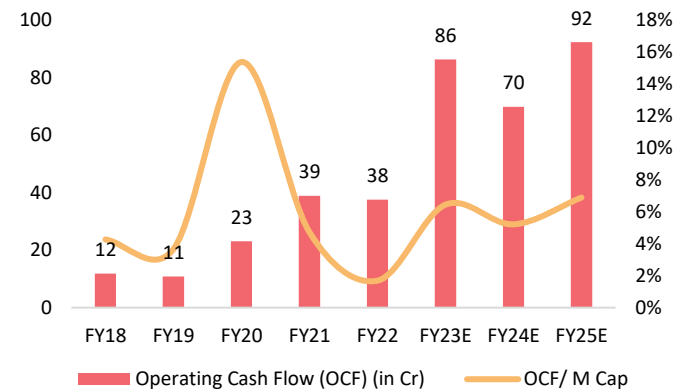
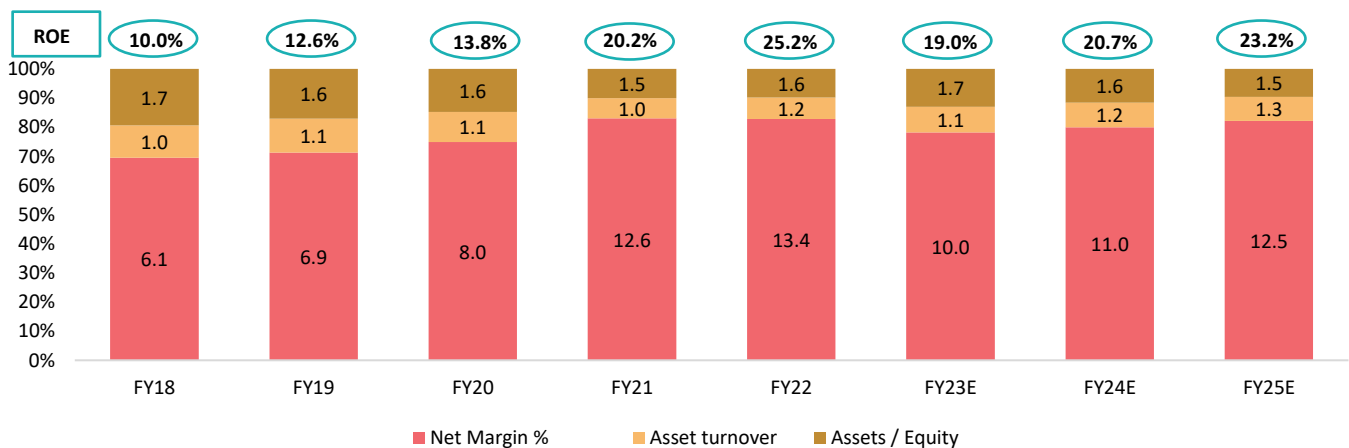


Exhibit 42: DuPont Analysis



Source: Company, Edelweiss Wealth Research

Carysil is managing its production costs very well, which is allowing it to generate a higher profit margin. It is also able to utilise its assets better and proficient to reduce its financial leverage by reducing the net debt component.

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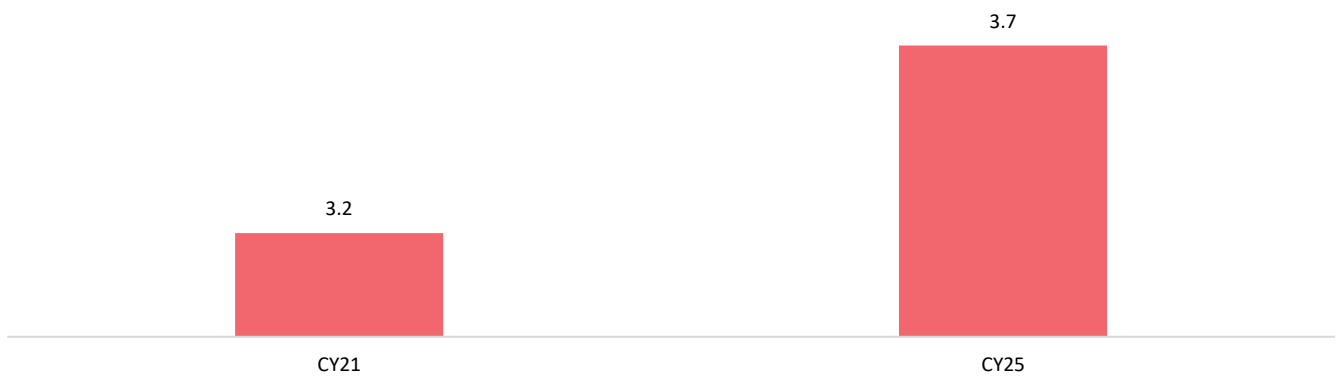
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Industry overview

Kitchen Sink Segment

The drive to make houses more attractive and comfortable has fuelled demand for novel sinks in recent years. Demand for quartz sinks is buoyant in the US and European markets. Quartz sinks have outgrown steel sinks owing to their properties such as heat resistance, stain resistance and bacteria-free, offering a unique, easy to maintain and classy look proposition to the end user. The need for a well-equipped kitchen has grown as an increasing number of individuals now prefer to cook at home for health reasons, among others. Kitchen sinks serve various purposes, and when combined with the latest features and technology, they can be highly beneficial in modular and smart kitchens. Sinks are available in various sizes, shapes, materials, and brands to meet changing needs and wants of people worldwide. The global kitchen sink market was valued at USD3.2bn in 2021 and is anticipated to register a CAGR of 4% over 2021-25. Of the total global non-stainless steel sink market, quartz sinks account for more than 50%. Approximately 75% of quartz sinks are manufactured using Schock technology. Focus on modernisation, rising per capita income and thriving residential construction activities would boost demand in the sector.

Exhibit 43: The Global Kitchen Sink market (USD Bn)

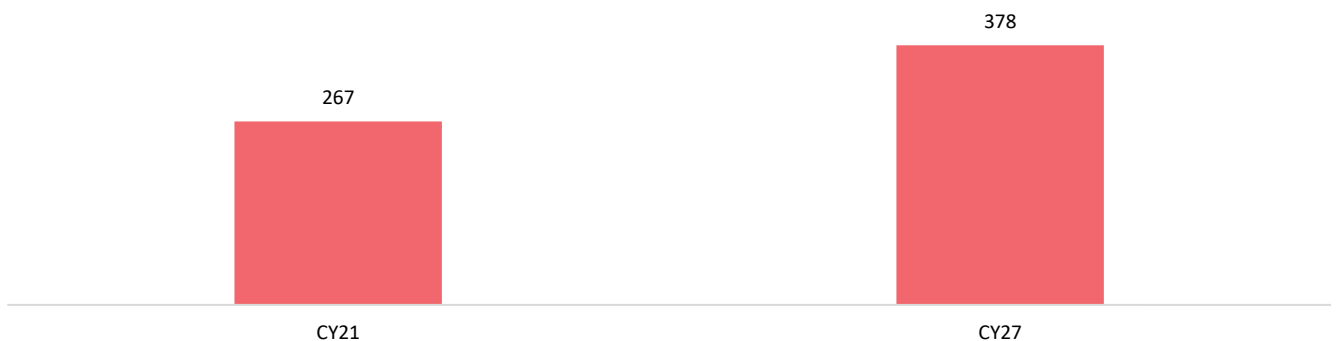


Source: Company AR, Edelweiss Wealth Research

Kitchen Appliances

Connected homes with technologically advanced appliances and devices are in demand worldwide. The evolving aspirations of people have led to rapidly changing mindsets and surging demand for smart appliances, from smart thermostats and lighting to smart cooking. Kitchens, being the most quintessential part of household activities, offers huge potential for smart devices. As per Allied Market Research, The kitchen appliances market is likely to register a CAGR of 6% over 2020-27 and reach USD378bn by 2027.

Exhibit 44: The Global Kitchen Appliances Market (USD Bn)

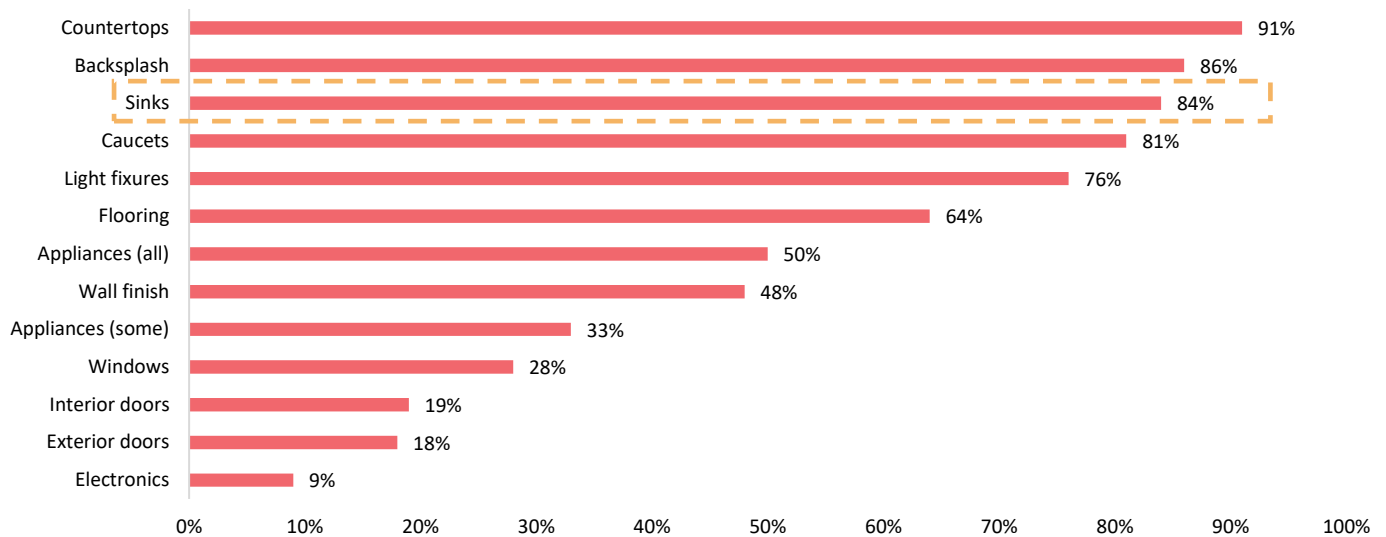


Source: Company AR, Edelweiss Wealth Research

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Exhibit 45: Trend and analysis highlights from the 2022 U.S. Houzz Kitchen Trends Study



Source: Houzz.com, Edelweiss Wealth Research

Countertops are at the top of the upgrade list, with 91% of homeowners revamping them. Backsplashes are not far behind at 86%, and sinks are being swapped out by 84%.

Key Growth Drivers

Surge in home improvement spending: Globally, new residential construction activity, burgeoning home sales and home remodelling are growing at a fast pace. Large discretionary spending is on the rise on the back of continued investment in home improvement and better living. There has been a behavioural shift in consumer preferences for home improvement products focusing on health and hygiene. The perception of spending on home improvement and solutions has changed with the pandemic as homes have become a hub of people's lives, and one discovers a new need to improvise and upgrade. Spending on home improvements is likely to rise 7.623% in 2022. A recent survey further adds that an average 35% of customer renovations are on bathroom improvement, and another 27% are made towards to kitchen enhancement.

Evolving aspirations: The concept of kitchen has evolved over the years. From being more than just a functional room, kitchens are responding to taste, trends, and technology faster, and are reflecting the homeowners' lifestyle and aspirations. The ever-changing customer desires and preferences, improving penetration of the HoReCa sector, rapidly increasing spend on household renovation and rising significance of smart kitchens would augment growth.

Rising demand for smart appliances: The need for energy-efficient products is increasingly gaining prominence among consumers. As a result, the adoption of smart kitchen appliances by homeowners and the commercial sector is growing. The focus of the kitchen has shifted to reducing the time spent in cooking, cleaning, and maintaining appliances, and increasing efficiency, thereby boosting demand for integrating kitchen appliances with technology as well as ensuring accuracy and efficiency.

Premiumisation: With rising disposable income, increase in nuclear families, higher urbanisation and socialising, growth in working population is driving the urge for premiumisation. Demand for comfort, convenience and class has augmented the need for aesthetic products. Strong industry tailwinds, increased home improvement spending and desire for aesthetic superior products globally will continue to drive growth.

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Where are we heading: Increasing housing prices, fear of recession, inflation in Raw material cost, geopolitical tension?

What we see in this situation?

Positives

- **More than 50% of American homes over 40 years old**

As per a 2019 American Community Survey, median age of owner-occupied homes is 39 years. Compared to a median age of 31 years in 2005, the US owner-occupied housing stock is aging gradually. Residential construction continues to fall behind in the number of new homes built, especially after the Great Recession. This aging housing stock signals a growing remodelling market, as old structures typically need to add new amenities or repair/replace old components. Soaring home prices also encourage homeowners to spend more on home improvement.

- **Housing market strength continues, outlook upgrade by home retailers**

It has been more than two years since the onset of the housing boom, yet demand for home improvement continues to remain robust, as evidenced by Home Depot's strong Q2CY22 results and improved FY22 outlook. Home Depot is currently the largest home improvement store chain in the US, with over 2,316 stores. Home improvement project backlog and intent continue to paint a bright outlook for home improvement spending. Homeowner balance sheets remain healthy, and they still have appetite to invest in homes, as shown by the lack of demand elasticity of Home Depot customers, despite unprecedented price inflation, continued trade-up to innovative items and outperformance of big-ticket categories. A lack of housing supply should keep housing prices intact and fuel home improvement spending.

Negatives

NKBA's 2022 Kitchen and Bath Market Outlook Midyear Report Top Takeaway

- **Resilient Revenues.** Full-year kitchen and bath spending is expected to reach \$189 billion, 16 percent higher than 2021, yet \$10 billion lower than the initial 2022 forecast.
- **New Construction Strength.** New construction is projected to represent over 60 percent of industry revenues, driven by a record number of new home builds. The report forecasts 21 percent YOY new construction growth, unchanged from the initial report in January.
- **Larger Projects Gaining Momentum.** Higher-end activity has been revised upward due to rapid home appreciation and client movement on deferred projects. With upwards of 20 percent gains, mid-range projects are expected to register the biggest YOY increases based on growth in new construction. Lower-end work projection has been sharply scaled back due to higher inflation causing many to put their projects on hold.
- **Numerous Remodel Drivers.** Nearly three in four homeowners are locked into mortgage rates below 4 percent, making it more cost-effective to remodel than to move. This, along with record-high homeowner equity per household and a high number of homes in prime remodeling years, bodes well for the second half of 2022.
- **Normalization of Housing Starts/Completions.** While builders are working through the substantial backlog of homes in various stages of completion, the number of new housing starts are falling due to high mortgage rates and home prices. This combination has led to a shrinking gap between home starts and completions.
- **Recession Concerns.** The Fed has tried to control inflation with three interest rate hikes this year, the latest in June. Of note: The last three times the Fed initiated a cycle of rate hikes, a recession ensued within a year.

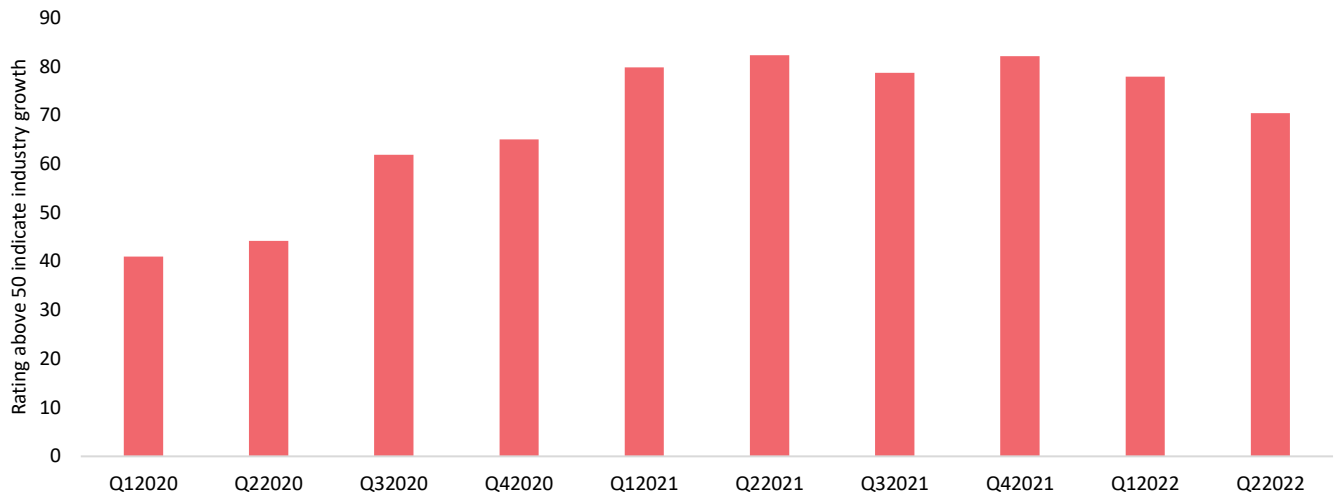
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About National Kitchen & Bath Association (NKBA)

NKBA is the world's leading trade association for the kitchen and bath industry providing tools, research, certification, and events to thousands of professionals. It has almost 14,000 member companies across North America.

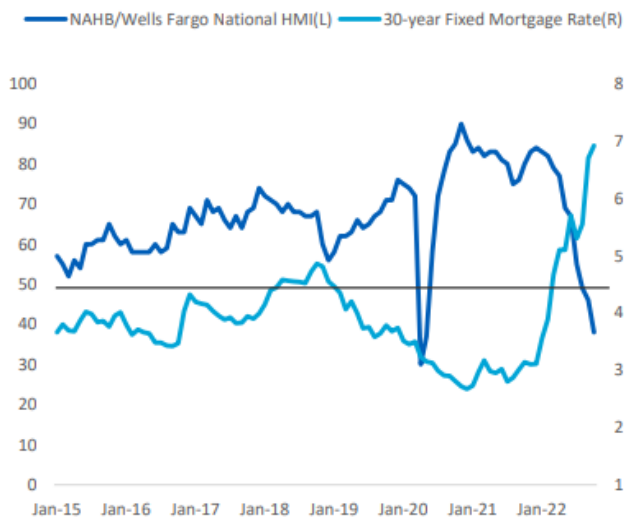
Exhibit 46: NKBA/John Burns Kitchen & Bath Market Index (KBMI) Q2 2022



Source: National Kitchen & Bath Association US, Edelweiss Wealth Research

Exhibit 47: NAHB Housing Market Index and Mortgage Rate

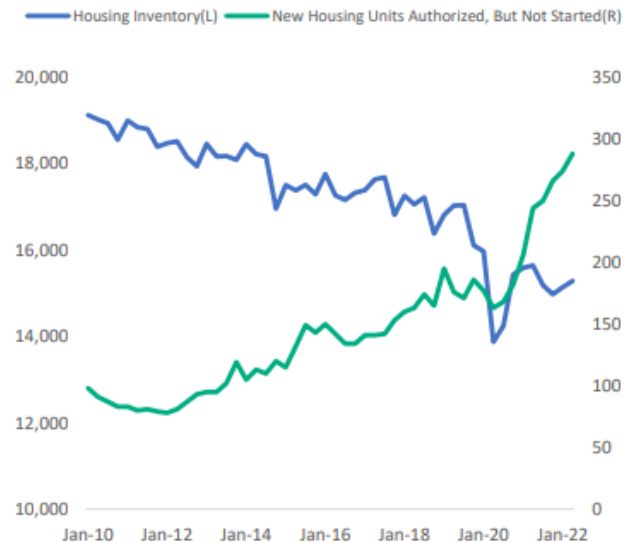
(in point, %)



* National Association of Home Builders, baseline=50 / Freddie Mac
** as of Oct 2022

Exhibit 48: US Housing Market Indicators

(in thousand units)



* Source: U.S. Census Bureau
** as of 2Q 2022

Source: Edelweiss Wealth Research

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Our Understanding

Home-renovation demand is generally not affected before the new-home market. New homes are indeed seeing pressure, but the pressure will be felt until the inflationary trajectory does not subside. Currently, the renovation market is stable (70–80% Carysil product demand comes from renovation). Spending may suffer if there is a sizeable economic contraction, but it would have good value in the long term. After analysing Q2CY22 conference call details of the top-two home-improvement retailers in the US (Home Depot and Lowe’s), we note both companies have provided positive commentary on the US home-improvement market and guided YoY revenue growth for CY22.

The US home stock ages every year, but it is aging at a disproportionate rate due to many years of underbuilding; hence, over half of the homes in the US are over 40 years old. All these factors, along with a strong run up in value, would support the home-improvement market in the short term.

Carysil derives around 80% of its export revenue from tie-ups with large retail chains. Karus and Karran collectively account for three-fourth of the US revenue. In Europe, GROHE and IKEA own the major revenue share. The UK revenue mainly comes from the wholly owned subsidiary Carysil Home Products and the recently acquired STL. Based on our channel check, until H1FY23, the European market (excluding the UK) was witnessing a decent pick up, and the company was generating high revenues from GROHE and IKEA. However, offtake from the US-based customers is lower during the first half than other regions. Carysil is one of the world’s lowest-cost manufacturers of quartz kitchen sinks (using Schock’s technology), approximately 15–20% cheaper. Given the substantial increase in energy and other costs in Europe, the pricing gap between Carysil and other players has widened further (from 35% to 40%). Currently, 3–4mn quartz sinks are manufactured around Germany and Italy. The ongoing crisis has presented the Europe-plus-one opportunity; therefore, Carysil has huge potential to enter the market and bridge the supply gap. This development can provide further opportunities for tie-ups with new retailers and a high offtake from existing clients. We believe the company’s partnership with global marquee clients is a major catalyst in leveraging market presence and bringing in the synergy that would drive future progress.

Exhibit 49: Global Quartz Sink market (using Schock’s technology) is largely dominated by Blanco & Franke (Branded players)

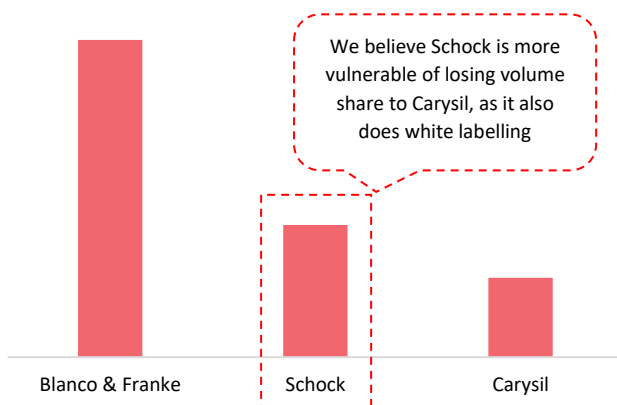
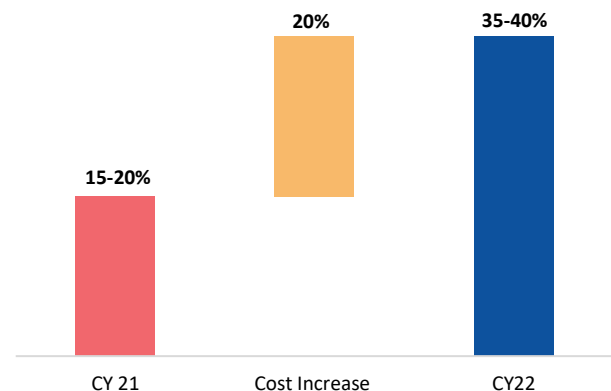


Exhibit 50: Cost of manufacturing gap has doubled in the last one year between Carysil and other players



Source: Edelweiss Wealth Research

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Key Raw Materials for Manufacturing Quartz Sink

Quartz sand and acrylic resin are the primary raw materials used to manufacture quartz sinks. These are also the main components that affect the price of the sink. Other materials used in small proportions include colour paste, a coupling agent, and a curing agent. Quartz sand constitutes at least 70% of the material’s composition. If the content does not reach this percentage, then the material is not a truly quartz composite.

- **Quartz**

It has many applications, including being the primary filler material of artificial quartz stone or quartz sink. According to the particle size, quartz is classified into quartz sand and quartz powder. High-purity quartz can produce a pure-colour kitchen sink, such as a pure black sink and pure white sink.

- **Resin**

This is another primary material used in manufacturing quartz sinks. Its scientific name is methyl methacrylate (MMA; 10–15%). It’s also called acrylic. Resin is commonly used as a glass substitute. It is used as a bonding agent in the quartz sink and provides toughness to the quartz sand.

The decline of Key Raw material prices and Freight rates from the highs provides some comfort to the margin

Exhibit 51: Coated Silica Granucol (INR / Per Kg)

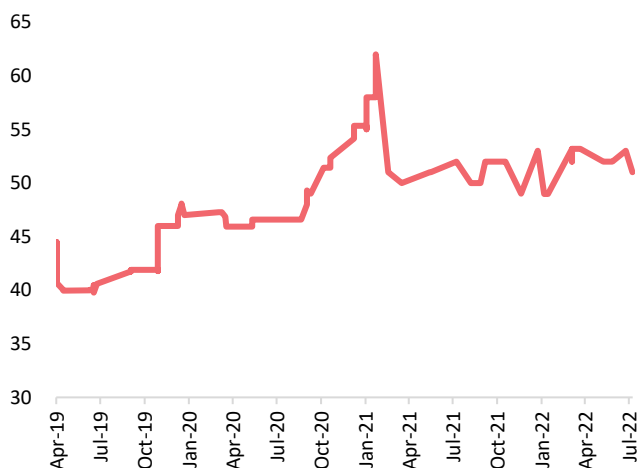
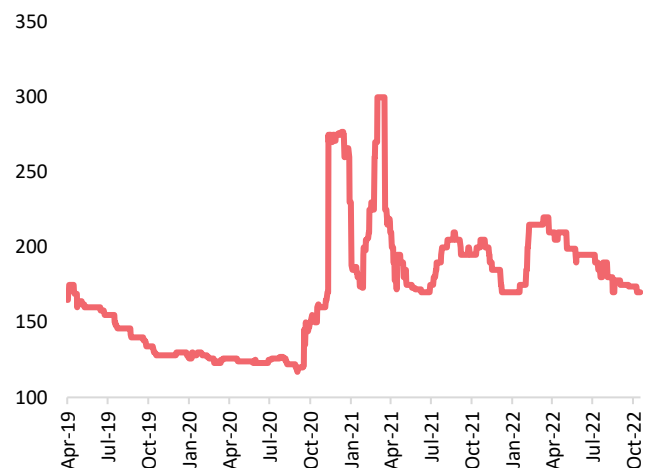


Exhibit 52: Methyl Methacrylate (MMA) (INR / Per Kg)



Source: Edelweiss Wealth Research

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Exhibit 53: Acrylic Resin (INR / Per Kg)

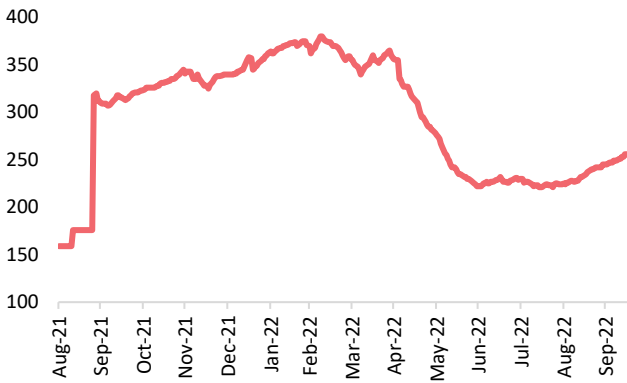
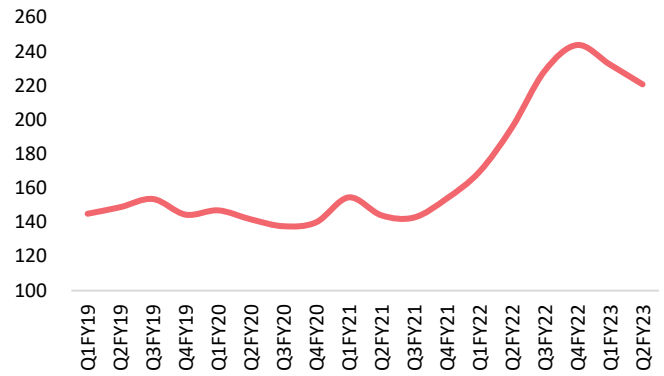


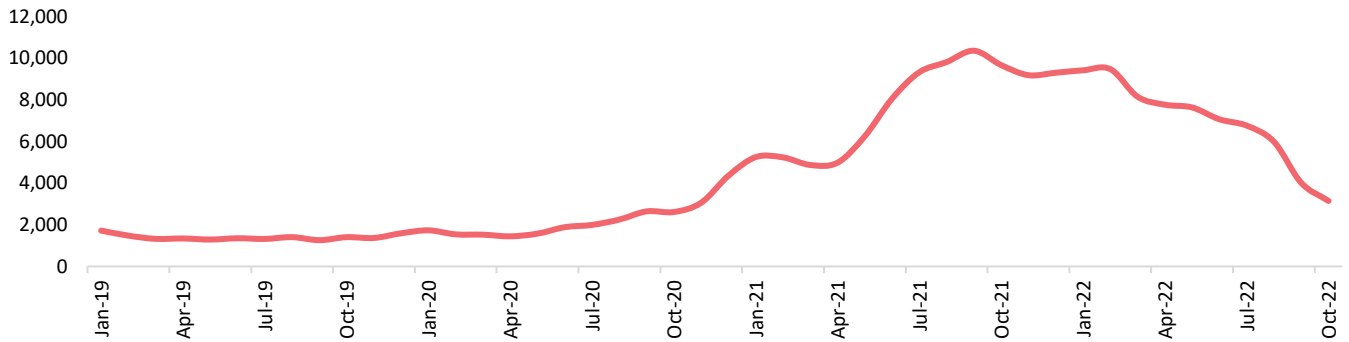
Exhibit 54: Stainless Steel (INR / Kg)



Source: Jindal Stainless Realisation/Kg, Edelweiss Wealth Research

Exhibit 55: Global container freight rate index

Freight rate in U.S. dollars



Source: Statista.com

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Outlook and Valuation

Over the years, Carysil has diversified from manufacturing quartz sinks to stainless-steel kitchen sinks, faucets, built-in kitchen appliances and solid-surface products. The company is well-positioned in global and domestic markets. It is rapidly transforming into a core player in the kitchen and bath segments by establishing brands such as Carysil and Sternhagen. Over FY13–22, its revenue recorded a CAGR of 22% and profitability a CAGR of 33%. We forecast its revenue and earnings to record CAGRs of 22% and 20%, respectively, over FY22–25E, led by strong capacity expansion, market share gains on cost advantage and potential collaborations with large retailers. Although we saw earnings moderation in FY23 on high quartz sink inventories in the channel, we expect revenue growth to recover sharply in FY24E. Orders from IKEA for supplying quartz kitchen sinks has doubled, with supplies commencing from July 2022.

The company’s second agreement with the German brand GROHE for supplying stainless-steel sinks is another example of its successful business collaborations. Carysil sees potential in kitchen appliances and bathroom suites for successful partnerships with large retailers. It also aims to double retail touch points from 1,500 in FY22 to 3,000 by FY23 in the domestic market and launch brand awareness programmes to fuel growth. We expect EBITDA margin to contract 107bps over FY22–25E, primarily due to the integration of the Sylmar Technology. However, the management is confident of improving the margin profile in the future. Absolute EBITDA is expected to record a CAGR of 20% over FY22–25E, driven by solid revenue growth and operational efficiency. We believe the increase in net profit would be in line with EBITDA growth, mainly on strong operational performance and improved margin profile. However, rising inflation and the ongoing geopolitical tensions are likely to weaken demand in the near term.

We believe at the CMP (down around 47% from the 52-week high), most negatives are already factored in the stock price, offering an attractive opportunity for investors to time an entry. Considering the expected robust growth in profitability, healthy balance sheet and improving return ratios, we are optimistic about the company’s long-term growth prospects. At the CMP (INR 493), the stock trades at a 11.8x FY25E EPS and 7.3x EV/EBITDA. We initiate coverage on the stock and recommend a BUY rating with a target price of INR 784 per share, valuing the company at 22x of average EPS for FY24E and FY25E.

Exhibit 56: Comparison with other listed Home Improvement players

	Market Cap (In Cr)	CAGR FY22-24E		ROE (%) FY24E	FY24E		
		Revenue	PAT		EV/Sales	EV/EBITDA	P/E
Carysil Ltd	1,316	21.6	10.4	22.8	1.8	10.2	16.7
Somany Ceramics Ltd*	2,195	10.4	16.9	13.3	1.0	9.3	15.5
Cera Sanitaryware Ltd*	6,950	11.4	19.9	22.6	3.2	19.5	29.9

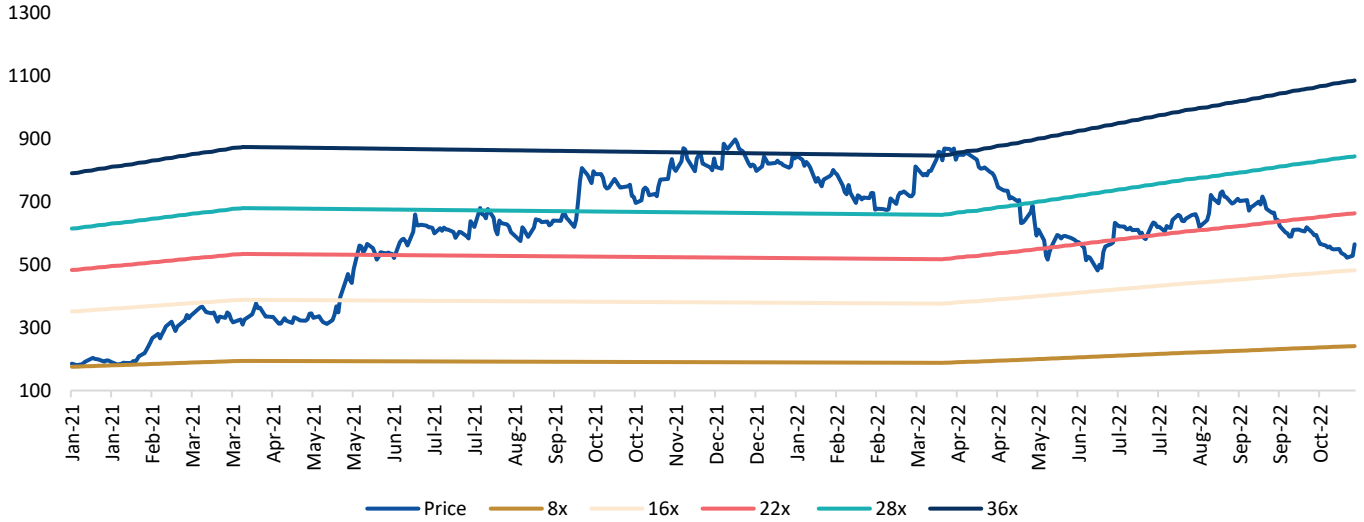
Source: *= Bloomberg Est, Edelweiss Wealth Research

There are no listed peers with similar set of business

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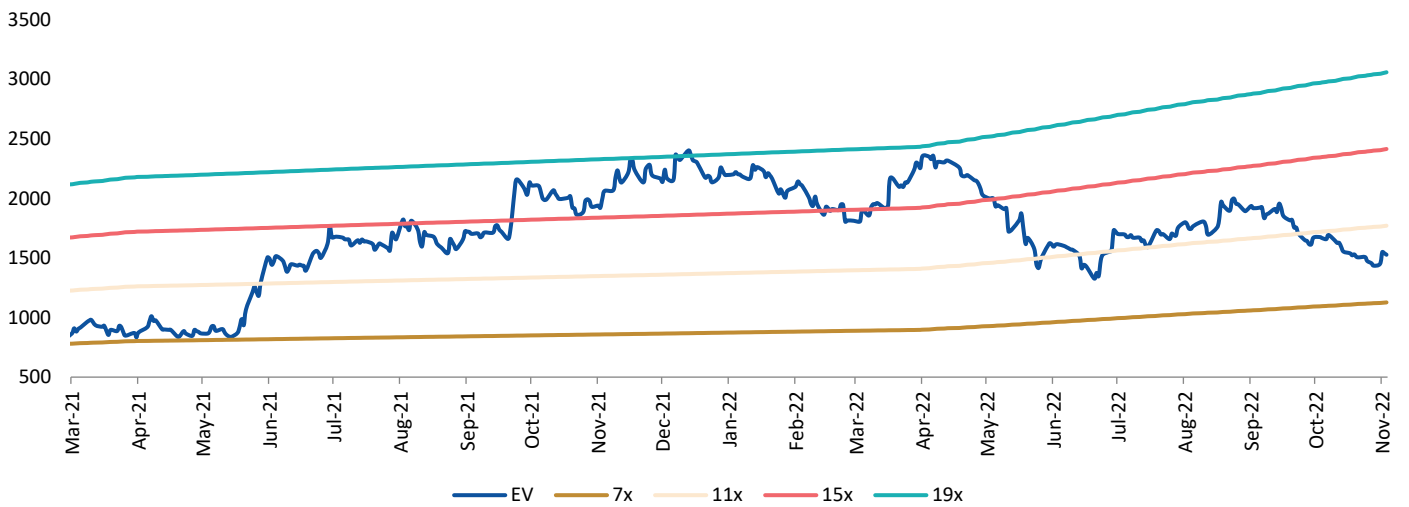
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Exhibit 57: Carysil is trading below average trailing P/E multiple



Source: Edelweiss Wealth Research

Exhibit 58: Carysil is trading below average trailing EV/EBITDA multiple



Source: Edelweiss Wealth Research

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Key Risks

- Rising inflation and worsening geopolitical tensions could lower demand for the company's product.
- The slowdown in the real estate market could impact Carysil as it is primarily a building materials provider.
- Timely commencement of the new capacities with adequate offtake remains key to commensurate returns.
- Fluctuation in forex exchange value would dent the company's profitability as it caters to the export market.

Exhibit 59: Key Revenue Assumptions

In Cr	FY21	FY22	FY23E	FY24E	FY25E
Quartz Sinks	235	373	320	388	489
YoY Growth %	17%	58%	-14%	21%	26%
Steel Sinks	43	68	81	98	119
YoY Growth %	-2%	56%	19%	21%	21%
Appliances & Others	31	44	57	92	137
YoY Growth %	2%	41%	30%	63%	49%
Sylmar Technology	NA	NA	131	137	144
YoY Growth %			18%	5%	5%

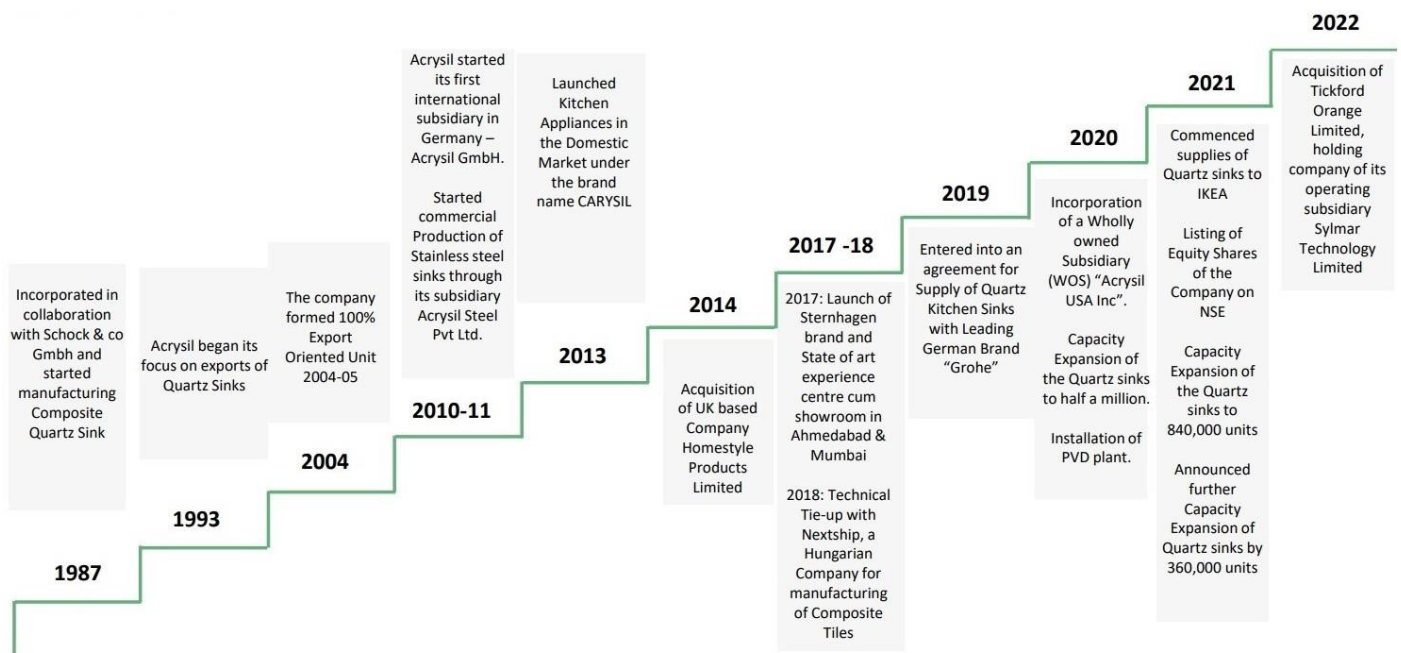
Source: Company, Edelweiss Wealth Research

Long Term Recommendation Carysil Ltd.

Progressing through Expansion and Tie-ups

Company Description and Timeline

Incorporated in 1987, Carysil Limited (formerly known as Acrysil Ltd) is headquartered in Bhavnagar, Gujrat. It is a leading manufacturer and marketer of composite quartz kitchen sinks engineered with German technology. Carysil is the only quartz sink manufacturer in India and Asia and among the four companies in the world that uses German technology to manufacture quartz sinks. Carysil largely exported only quartz sinks for many years providing superior offerings at a reasonable price. In the export market, the company engages in white-label manufacturing, i.e., manufacturing for other retailers and brands. Over the years, it has diversified into stainless steel kitchen sinks, faucets, food waste disposers, and built-in kitchen appliances such as chimneys, cooktops, and wine chillers. Carysil is rapidly reaching its objective of becoming a one-stop solution provider in the kitchen and bath segments by establishing brands such as Carysil and Sternhagen. Sternhagen is a popular German luxury brand owned by its subsidiary Carysil GmbH. The range of products in this portfolio includes premium bath ware fittings, sanitaryware and highlighter tiles. In 2022, the company entered the solid countertop manufacturing business by acquiring Sylmar Technologies Limited, UK (STL). The company's export to domestic revenue mix stood at 80%:20% during FY22.

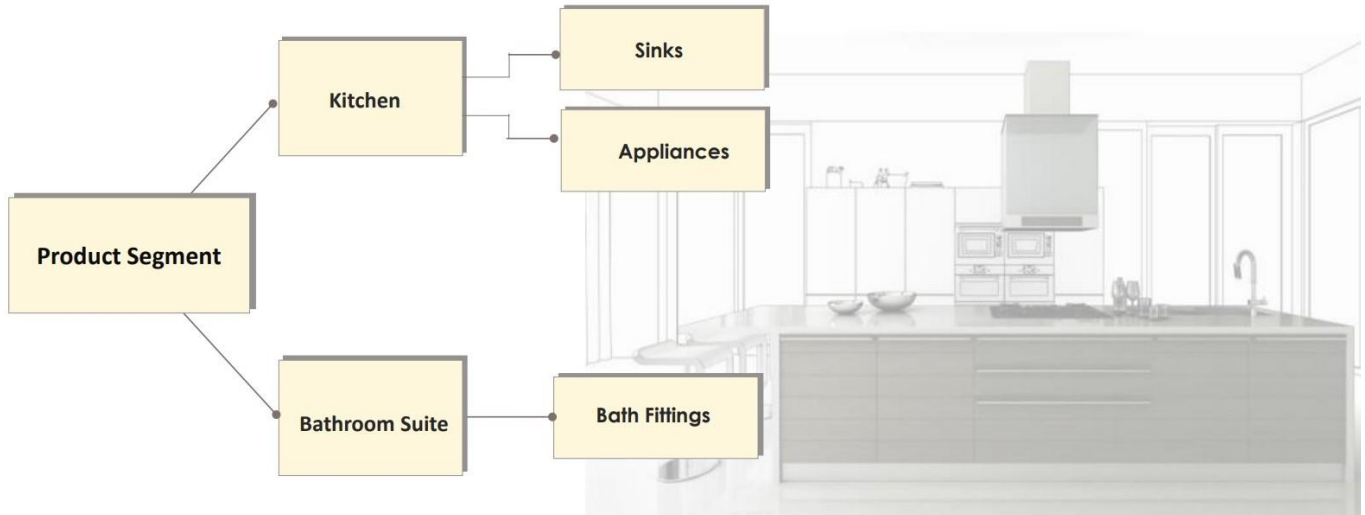


Source: Company, Edelweiss Wealth Research

Long Term Recommendation Carysil Ltd.

Progressing through Expansion and Tie-ups

Product Portfolio



Quartz Sink : Only Company to make Quartz Sinks in Asia with German Technology



Stainless Steel Sink: – Quadro Sinks the Focus Area



Source: Company, Edelweiss Wealth Research

Long Term Recommendation Carysil Ltd.

Progressing through Expansion and Tie-ups

Kitchen Appliance Product Portfolio

Chimneys



Dish Washer



Cook Tops



Built in Ovens



Wine Chillers



Hoods



Cooking Range



Micro Wave Owens

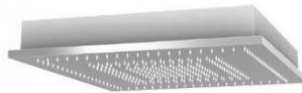


CARYSIL®

Currently contributing ~5% to the Revenue*

*Based of FY22 revenue

Bath Segment: Synergetic Move to Leverage Quartz Technology



Three key brands in Solid Surface Segment : Maia, Minerva and Metis



Source: Company, Edelweiss Wealth Research

Long Term Recommendation

Carysil Ltd.

Progressing through Expansion and Tie-ups

Management Profile

Key members of management team	
Mr. Chirag A. Parekh Chairman and Managing Director	He graduated from premier 'European University' After joining the company in 1993, he successfully steered it to become one of the leading brands increasing the turnover from INR. 3.5 Crores in 1993 to INR. 484 crores in 2022. He heads the company as the managing director since 2008.
Mr Anand Sharma CFO & COO	Mr. Anand Sharma is a qualified Chartered Accountant from the Institute of Chartered Accountants of India, a qualified Company Secretary from the Institute of Company Secretaries of India, and a qualified Cost Accountant from the Institute of Cost Accountants of India. He has more than 20 years of experience in accounting, corporate finance, taxation, legal compliance, and business strategies. He joined Carysil in November 2015.
Dr. Sonal Ambani Independent Director	A Ph.D in business management and an MBA in marketing and finance She also holds two patents granted in the US, namely, 'Systems and Method for providing Financial Services to children and teenagers' and 'Purchase management system and electronic receipts'.
Mr. Jagdish R. Naik Independent Director	A Chartered Accountant, was a partner of a reputed Accounting firm - M/s S.V. Ghatalia & Associates for more than 9 years . Presently, he advises many companies on corporate matters. He is a Corporate Advisor to Excel Industries Limited, Transpek Silox Industry Limited and Shah Granites Group of Companies.

Source: Company, Edelweiss Wealth Research

Long Term Recommendation

Carysil Ltd.

Progressing through Expansion and Tie-ups

Financials

Income statement

Year to March (INR Cr)	FY21	FY22	FY23E	FY24E	FY25E
Income from operations	310	484	588	715	889
Direct costs	124	218	290	349	428
Gross Profit	186	265	298	366	461
Employee costs	19	34	37	41	45
Other expenses	100	129	156	190	236
Total Operating expenses	243	381	483	580	709
EBITDA	67	103	105	135	180
Depreciation and amortisation	13	18	20	22	24
EBIT	54	86	85	113	157
Interest expenses	8	10	15	17	17
Profit before tax	54	86	80	106	150
Provision for tax	15	21	20	27	38
Adj. profit after tax	39	65	60	80	112
Share of Minority in profits	0	0	0	0	0
Profit after tax	39	65	59	79	111
Shares outstanding	3	3	3	3	3
Adjusted EPS	15	24	22	30	42

Common size metrics- as % of net revenues

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Operating expenses	78	79	82	81	80
Depreciation	4	4	3	3	3
Interest expenditure	3	2	3	2	2
EBITDA margins	22	21	18	19	20
Net profit margins	13	13	10	11	13

Growth metrics (%)

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Revenues	12	56	21	22	24
EBITDA	40	54	2	29	33
PBT	77	60	-7	33	41
Net profit	77	66	-9	34	41
EPS	77	66	-9	34	41

Long Term Recommendation

Carysil Ltd.

Progressing through Expansion and Tie-ups

Balance Sheet

As on 31 st March	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	5	5	5	5	5
Reserves & surplus	186	248	302	373	473
Shareholders' funds	191	254	307	378	479
Total Debt	95	137	191	211	211
Other Long-Term Liabilities	5	11	11	11	11
Deferred Tax Liabilities	4	5	5	5	5
Minority interest	3	3	3	3	3
Sources of funds	298	409	517	608	708
Gross block	235	295	337	367	392
Depreciation	83	100	121	143	166
Net block	152	194	216	224	225
Capital work in progress	10	21	21	21	21
Total fixed assets	162	215	237	244	246
Investments	8	31	31	31	31
Inventories	55	104	127	154	192
Sundry debtors	83	100	122	148	184
Cash and equivalents	20	11	104	155	211
Loans and advances	63	92	98	119	148
Total current assets	229	339	481	608	766
Sundry creditors and others	42	79	123	149	186
Provisions	52	65	78	95	119
Total CL & provisions	93	144	201	245	304
Net current assets	136	195	280	363	462
Misc expenditure	0	0	0	0	0
Uses of funds	298	409	517	608	708
Book value per share (INR)	72	95	115	142	179

Cash flow statement

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Operating Profit After Tax Before WC changes	52	82	79	101	135
WC Changes	-13	-45	7	-31	-43
CFO	39	38	86	70	92
CFI	52	77	42	30	25
CFF	6	47	48	12	-11
Total Cash Flow	-8	7	92	52	56

Long Term Recommendation

Carysil Ltd.

Progressing through Expansion and Tie-ups

Ratios

Year to March	FY21	FY22	FY23E	FY24E	FY25E
ROAE (%)	22.1	28.7	20.9	22.9	25.9
ROACE (%)	19.7	24.2	18.3	20.1	23.8
Debtors (days)	98	76	76	76	76
Current ratio	2.4	2.1	2.2	2.4	2.4
Debt/Equity	0.5	0.5	0.6	0.6	0.4
Inventory (days)	64	79	79	79	79
Payable (days)	63	76	76	76	76
Cash conversion cycle (days)	99	78	78	78	78
Debt/EBITDA	1.4	1.3	1.8	1.6	1.2
Adjusted debt/Equity	0.5	0.5	0.6	0.6	0.4

Valuation parameters

Year to March	FY21	FY22	FY23E	FY24E	FY25E
Diluted EPS (INR)	14.7	24.3	22.1	29.6	41.8
Y-o-Y growth (%)	77.2	65.5	-8.9	33.7	41.3
Diluted P/E (x)	33.6	20.3	22.3	16.7	11.8
Price/BV(x)	6.9	5.2	4.3	3.5	2.8
EV/Sales (x)	4.2	2.7	2.2	1.8	1.5
EV/EBITDA (x)	20.8	14.0	13.4	10.2	7.3
Diluted shares O/S	2.7	2.7	2.7	2.7	2.7
Basic EPS	14.7	24.3	22.1	29.6	41.8
Basic PE (x)	33.6	20.3	22.3	16.7	11.8

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