Carysil Ltd. – Investment BUY Call

Dear Bajaj Capital Investors,
New Stock Recommendations for BUY on 13 Aug 2026

CMP -> 1191
Buying Range -> 1191 to 1215
Upside Potential-> 15%
Investment Horizon -> 6 Months
Target price -> 1370

1. Strong Q1 FY27 Performance Reinforces the Earnings Inflection Thesis

Carysil Ltd has entered FY27 with strong operating momentum, making the stock attractive for a 6-month medium-term investment horizon. Q1 FY27 was particularly encouraging, with consolidated total income increasing 24.5% YoY, while EBITDA rose 31.6% YoY to INR 26.8 crore. EBITDA margin expanded sharply by 175 bps YoY to 21.6%, compared with 19.4% in Q1 FY26, demonstrating that revenue growth is translating disproportionately into profitability. PAT increased 47.12% YoY, with PAT margin improving by 183 bps to 11.9%, while EPS increased to INR 11.05 from INR 8.03, a 47.6% YoY increase. Sequentially, revenue increased 12.6% QoQ, EBITDA increased 16.8% QoQ and EBITDA margin improved from 20.3% in Q4 FY26 to 21.6% in Q1 FY27. The CFO attributed the improvement to healthy volume growth, stronger price realization, better product mix and operating leverage. This follows a strong FY26, when total income grew 14% to INR 932 crore, EBITDA increased 30% to INR 185 crore, EBITDA margin reached 19.9% versus 17.3% in FY25 and PAT after minority interest increased 53% to INR 98 crore. Q4 FY26 also remained strong, with revenue of INR 237 crore (+16% YoY), EBITDA of INR 48 crore (+33%) and EBITDA margin of 20.3%. Importantly, management has maintained its 15% revenue-growth guidance and 18–20% EBITDA-margin guidance, while stating that the company is currently tracking towards the upper end of the margin range because of operating leverage, product mix, efficiency and scale.

2. Integrated Kitchen & Bathroom Platform Creates Multiple Growth Engines

Carysil is strategically evolving from a quartz-sink manufacturer into an integrated kitchen and bathroom solutions company, with its portfolio spanning quartz and stainless-steel sinks, kitchen appliances, faucets, water-management products, surfaces/countertops and other smart-kitchen solutions. The business serves both domestic and international markets, with exports historically forming the core revenue base and India now emerging as a major growth engine. Its products are supplied through large retailers, OEMs, distributors, builders, architects, modern trade, e-commerce and its own branded retail network. Key end-user industries include modular kitchens, residential real estate, premium housing, kitchen renovation, hospitality and commercial projects, while major proxy sectors include housing formation, urbanisation, premiumisation, home improvement, organised retail and modular-kitchen penetration. In Q1 FY27, granite sink volumes increased to 2.01 lakh units from 1.89 lakh units, while stainless-steel sink volumes increased to 49,400 units from 42,500 units, representing approximately 16% YoY growth. The company is also increasing in-house manufacturing intensity, with approximately 63% of finished appliances produced internally, supporting greater control over quality, product development and incremental margins. Management's longer-term objective is to build a global kitchen solutions platform with sustainable double-digit growth and industry-leading margins, rather than relying only on incremental growth in the existing quartz-sink franchise.

3. IKEA, Karran and Major Global Customer Wins Provide Strong Near-Term Volume Visibility

Catalyst for next couple of quarters is the conversion of recently secured global customer relationships into higher volumes and capacity utilisation. Carysil has signed a purchase agreement with IKEA for its non-US quartz-sink business, increasing its wallet share of IKEA's sourcing from approximately 25% to 75%. Moulds and machinery have been installed and supplies have commenced as scheduled, effectively tripling the scale of the relationship & providing a visible utilisation catalyst for the quartz business. In addition, the long-term supply agreement with Karran USA for 1.5 Lakhs quartz sinks annually is progressing, with products displayed across more than 1,800 stores and orders reportedly exceeding initial expectations. The company has also expanded relationships with major global customers including Lowe's, IKEA and Home Depot, while becoming the sole quartz-sink supplier to Grohe and securing new stainless-steel relationships. These customer wins are strategically important because they improve order visibility, diversify the customer base & provide a strong foundation for the planned capacity expansion. Management stated in the latest call that export order booking is at its highest-ever level, while OEM volumes had already begun ramping, with June utilisation cited at approximately 90% for the relevant manufacturing operation. Thus, the near-term growth equation is increasingly supported by contracted/customer-led demand rather than solely discretionary demand.

4. India Expansion, Premiumisation and New Product Categories Can Drive Higher-Margin Growth

India represents a potentially significant second growth engine, with management targeting approx. INR 500 crore of India revenue within 5 years, requiring sustained growth of roughly 30–40% annually from the current base. Management described India as a key growth engine, with Q1 FY27 domestic sales growing by approximately 40%, supported by roughly 25% volume growth & 12% price-realisation growth. The company is expanding its dealer network, adding approx. 30–50 galleries, while continuing to develop experience centres, branded stores, modern trade, B2B institutional sales & digital channels. The B2B business is approximately 20% of India sales & includes builders/project customers, providing access to premium residential and commercial projects. Product premiumisation is another important margin lever: Carysil has launched premium steel and glass products, which management linked to improved ASP, product mix & profitability. Built-in appliances, faucets, RO/water solutions and surfaces provide additional adjacencies. The GCC business already demonstrates the potential of built-in appliances, with management stating that approx. 80% of sales comprise built-in appliances and more than 40% comes from built-in refrigerators. In India, the surfaces opportunity is still at an early stage, but the company plans CNC-based automatic fabrication, with fabrication targeted to be ready by March 2027. These initiatives can progressively shift Carysil towards higher-value categories and increase wallet share per kitchen rather than relying exclusively on sink volumes.

5. Capacity Expansion Is Becoming the Key Constraint—and Therefore a Major Earnings Catalyst

Carysil's recent growth is increasingly constrained by capacity rather than demand, which is positive from an earnings-visibility perspective but requires disciplined execution. Stainless-steel sink capacity was increased by 70K units during Q1 FY27, taking total capacity from approximately 1.8 Lakhs to 2.5 Lakhs units annually, with management expecting the incremental capacity to mature within approx. 90 days. Management has indicated that OEM demand and backlogs are already strong enough for incremental capacity to be absorbed. Quartz capacity is expected to increase by another 250,000 units, taking total capacity to approx. 1.25 million units, with commissioning targeted for Q4 FY27. At FY26 quartz volumes of approximately 7.82 Lakhs units, the additional capacity represents meaningful headroom for future volume growth. Management has also indicated that once utilisation approaches approximately 90%, an additional 20–25% excess capacity is required to avoid supply constraints, suggesting that expansion is being undertaken against visible demand rather than purely speculative capacity creation. FY26 capex was approximately INR 68 crore, focused on plant and machinery, capacity enhancement, automation and infrastructure. Management indicated FY27 capex of approximately INR 70–75 crore, while the latest August commentary indicated a broader potential FY27 spend of approximately INR 80–90 crore, with a significant portion directed towards expansion. The incremental capacity should support higher absolute EBITDA through greater fixed-cost absorption, while automation and new technology should simultaneously improve manufacturing economics.

6. Cash-Flow Conversion and Balance Sheet Provide an Important Quality-of-Earnings Support

Cash generation is a significant positive differentiator in the investment thesis. Based on the company's reported financial performance, CFO-to-PAT conversion was approximately 110% in FY26 and remained within a strong 90–110% range over the last three financial years. This indicates that reported accounting profits are being converted into operating cash rather than being predominantly supported by working-capital build-up or non-cash earnings. More importantly, CFO-to-operating-profit conversion improved from approximately 56% to 80% over the last three years, reaching 80% in FY26, demonstrating a meaningful improvement in operating cash conversion. This is particularly relevant as Carysil enters a higher-capex phase because stronger internal cash generation reduces dependence on incremental external financing. As of March 31, 2026, gross debt stood at approximately INR 270 crore, against cash and bank balances of approximately INR 59 crore, implying net debt of around INR 211 crore. While leverage needs to be monitored given the planned capacity investments, the strong cash-flow conversion, rising EBITDA and improving profitability provide financial flexibility for the expansion programme. Management's approach of investing in manufacturing, automation, technology, R&D and distribution while maintaining strong operating cash generation should allow the company to fund a meaningful portion of its growth internally.

7. Operating Leverage and Higher-Margin Categories Offer Scope for Further Margin Expansion

Compelling earnings catalyst is combination of volume growth, capacity utilisation, premiumisation, automation & product mix. Q1 FY27 provides evidence of this operating leverage, with revenue rising 24.5% while EBITDA increased 31.6%, resulting in a 175-bps YoY margin expansion to 21.6%. Management explicitly stated that business is tracking towards the upper end of its 18–20% EBITDA-margin guidance, supported by operating leverage, product mix, efficiency & scale. The rollback of discounts in the US, premium steel & glass launches & improved selling-price realisation have strengthened margins, while automation & technology investments should lower manufacturing costs as volumes increase. The strategic move into faucets, built-in appliances, surfaces & water-management products are particularly important because management expects newer categories such as hoods & faucets to generate gross margins of approximately 50–60%, materially improving the group's product economics over time. Higher utilisation of stainless-steel & quartz facilities should spread fixed manufacturing costs over a larger volume base, while cross-selling multiple products to existing kitchen customers can increase revenue per customer without requiring proportionate increases in customer-acquisition costs. Therefore, even if revenue growth remains around management's 15% guidance, potential for incremental margin expansion can result in faster growth in EBITDA & PAT.

8. Strategic Collaborations, International Expansion and Execution Track Record Strengthen the Platform

Carysil has made meaningful strategic progress over the last 12–18 months, particularly in building an integrated product ecosystem and strengthening international market access. The company has expanded relationships with global OEMs and retailers, including IKEA, Lowe's, Home Depot, Grohe, Kohler, Häfele, Smeg and Karran, while developing new channels in the UK and Europe. The UK business is strategically relevant not only for market access but also for technology, particularly in water-system products; management has indicated that the acquisition/technology platform was undertaken primarily to bring water-system technology into India. The first consignment reportedly sold out and the business had a backlog of approximately 60 days, indicating early product-market validation. Carysil Corporation USA achieved operational breakeven in FY26, while United Granite improved gross margins from approximately 35% to above 50% and is targeting 15% growth. In the UK, management stated that approximately 15 new customers had been developed during the previous three quarters, despite a difficult market. The UAE business is also expanding its branded presence, with management targeting approximately INR 30 crore revenue next year. These developments indicate improving execution across subsidiaries and geographies, while the company's continued investment in R&D, technology, automation and brand-building is intended to create the next phase of growth rather than simply maximise near-term profitability.

9. Industry Tailwinds, Risks and BUY Conclusion: Positive 6-Month Risk-Reward

The industry backdrop remains structurally favourable, supported by premiumisation, rising modular-kitchen penetration, organised retail, housing and renovation demand, import substitution, OEM outsourcing and increasing demand for integrated kitchen solutions. Management also highlighted FTAs/SEPAs as a long-term advantage for India's position as an export manufacturing hub, while BIS-related regulation could create additional opportunities for domestic appliance manufacturing. The key short-term risks are primarily execution-related: logistics and container disruptions affected Q1 dispatches despite strong order booking; the UK remains in a tight demand environment; raw-material inflation, particularly MMA, remains a risk even though management stated that most increases have been passed through; and elevated capex creates execution and balance-sheet requirements. Capacity constraints could also temporarily limit revenue recognition if new facilities are not commissioned on schedule. Nevertheless, management has maintained its 15% revenue-growth and 18–20% EBITDA-margin guidance, while Q1 FY27 performance is already tracking ahead on margins. The combination of 24.5% Q1 revenue growth, 31.6% EBITDA growth, 47.1% PAT growth, 21.6% EBITDA margin, strong 90–110% three-year CFO-to-PAT conversion, improving CFO-to-operating-profit conversion to 80%, visible global customer wins, India expansion, capacity additions and higher-margin product categories create a favourable medium-term setup. For a 6-month investment horizon, Carysil merits a BUY stance, with the principal upside triggers being continued Q1 momentum, ramp-up of newly commissioned stainless-steel capacity, conversion of IKEA/Karran/Home Depot and other global orders, India growth, margin progression towards the upper end of guidance and successful execution of the FY27 capacity-expansion programme.

<u>Q1FY27 Financial Performance:</u>

	YoY	QoQ	Jun 2026	Mar 2026	Jun 2025
Revenue Cr	15.5%	12.2%	262	234	227
Operating Profit Cr ^	21.8%	18.6%	53	45	44
OPM %			20.4	19.3	19.3
PAT Cr ^	39.9%	17.1%	32	27	23
NPM %			12.2	11.7	10.1
EPS ₹	37.6%	16.1%	11.1	9.5	8.0

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team