April 7, 2025

Carysil Steel Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – cash credit	12.00	12.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Fund-based working capital term loan	1.18	-	-
Long-term – Fund-based - term loan	15.30	20.28	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced amount
Short-term – Fund-based - Pre Shipment Credit	-	1.20	[ICRA]A2; assigned
Short-term – Non-fund based – foreign bill discounting	2.00	2.00	[ICRA]A2; reaffirmed
Short-term – Non-fund based – pre-settlement risk	1.00	1.00	[ICRA]A2; reaffirmed
Short-term – Non-fund based – letter of credit	0.60	0.60	[ICRA]A2; reaffirmed
Total	**32.08**	**37.08**	

**Instrument details are provided in Annexure I*

Rationale

The ratings of Carysil Steel Limited (CSL) continue to factor in the strong parentage and robust business linkages with Carysil Limited (rated [ICRA]A (Stable)/[ICRA] A2+) (CL). ICRA also considers the expected operational as well as financial support from the parent, given the majority ownership as well as the guarantee extended for the loans. The ratings continue to factor in the vast experience of the promoters in the kitchen sink industry along with the company's comfortable capital structure and debt coverage metrics. Over the years, the company has demonstrated a healthy revenue increase with a CAGR of 29% between FY2020 and FY2024, while steadily improving its operating margins, which stood at 14.2% in FY2024. Further, the company has carried out rights issue of Rs. 5 crore in February 2025, which is likely to support the capex planned and the liquidity. The ratings, however, continue to remain constrained by the company's modest scale of operations with revenues of around Rs. 59.1 crore in FY2024, along with the high working capital intensive business. The ratings also factor in the vulnerability of CSL's revenue and profitability to volatility in raw material prices and intense competition in the industry from organised and unorganised players, limiting the company's pricing power.

The Stable outlook on the long-term rating reflects ICRA's expectations that CSL will continue to record a healthy growth in revenues and earnings, on the back of demand in the domestic market, while maintaining a comfortable capital structure and coverage indicators.

Key rating drivers and their description

Credit strengths

Strong parentage and experience of the promoters in kitchen sink industry – CSL is a subsidiary of Carysil Limited, which is a leading manufacturer of granite-based kitchen sinks (also known as composite quartz sinks) in India and, hence, benefits from its established brand name. The company, apart from receiving operational and financial support from its parent, enjoys established relationships with suppliers as well as dealers and distributors. Further, the promoters have more than three decades of experience in the kitchen sink industry as the parent, CL, was incorporated in 1987. Further, in February 2025, CSL carried out a rights issue of Rs. 5 crore, which was acquired by the promoter and CL in the ratio of their existing shareholding. The proceeds will be utilised towards meeting capex and working capital requirements.

Healthy capacity utilisation levels and stable profit margins – The company's manufacturing plant is located in Bhavnagar, Gujarat, with an installed capacity of manufacturing 1,00,000 kitchen sinks using the traditional pressing line and 80,000 kitchen sinks using the fabrication line. The capacity utilisation level remained moderately high in 9M FY2025 with the installed capacity of both lines utilised in the range of 70-80%, despite the enhancements in the installed capacity on the back of an increase in demand for its products. The company's profitability remained largely stable in the last four years in the range of 12-14%, while the PAT margin remained at 5-7%.

Comfortable gearing and debt coverage indicators – The gearing of the company remained comfortable at 0.8 times in FY2024. Moreover, the debt coverage indicators were above average, with interest coverage at 4.9 times, NCA/total debt at 24% and DSCR at 1.9 times in FY2024**.**

Credit challenges

Modest scale of operations – The company's scale remained modest, as indicated by an operating income (OI) of ~Rs. 59.1 crore in FY2024. The company is expected to clock a healthy growth of 6-10%. Going forward, its scale is likely to remain modest.

Working capital intensive nature of business – The working capital intensity remained high at 24% in FY2024 owing to high receivables and inventory days, as it is required to maintain an inventory of various designs to meet urgent requirements.

Exposed to intense competition – The presence of both large and organised players as well as numerous small-scale manufacturers, coupled with low entry barriers in the kitchen sink industry, increases competition. Nevertheless, comfort can be drawn from the strong brand presence, established distribution network of the parent company and higher focus on quadro sinks, which are considered value-added products with limited competition.

Exposure of margin to volatility in raw material prices – CSL's profitability continues to be vulnerable to any price increase of the key raw material, stainless steel. This vulnerability was evident in FY2023, where margins fell owing to elevated steel prices.

Liquidity position: Adequate

CSL's liquidity position is expected to be adequate, supported by retained cash flow of Rs. 7-8 crore in the next 12 months and undrawn working capital limit of Rs. 6.0 crore as of February 2025 against repayments of Rs. 3-4 crore per annum. The average utilisation of the working capital limit stood at around 80% for the 12-month period ending in February 2025.

Rating sensitivities

Positive factors – ICRA could upgrade CSL's ratings if there is a significant scale-up of operations, coupled with an improvement in margins, leading to an overall enhancement in the liquidity and the financial risk profile. The improvement in the credit profile of the parent company could also be a positive rating trigger.

Negative factors – Pressure on the ratings may arise if there is a deterioration in the credit profile of the parent company or weakening of linkages with it. A significant decline in CSL's scale and profitability or a stretch in the working capital cycle, resulting in a decline in cash accruals and overall weakening of the financial/liquidity profile may result in ratings downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]
Parent/Group support	Support Provider: Carysil Limited (CL) The ratings assigned to CSL factors in the likelihood of its parent company, CL [rated [ICRA]A(Stable)/[ICRA]A2+] extending financial support to CSL, as and when needed.
Consolidation/Standalone	The ratings are based on the standalone financials of Carysil Steel Limited.

About the company

Carysil Steel Limited (CSL) is a subsidiary of Carysil Limited (CL), which manufactures stainless steel kitchen sinks. Mr. Chirag Parekh, the Director of CL, owns a 13.13% stake, and the remaining 84.99% equity shares of CSL are owned by CL. CSL's plant is located in Bhavnagar, Gujarat. The installed manufacturing capacity of the traditional pressing line is 1,00,000 sinks and quadro sinks is 80,000 sinks. CSL began commercial production in FY2012 and caters to the domestic market. The company's operations have fully stabilised with profits reported from FY2014.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	52.6	59.1
PAT	2.8	3.3
OPBDIT/OI	11.9%	14.2%
PAT/OI	5.2%	5.5%
Total outside liabilities/Tangible net worth (times)	1.3	1.6
Total debt/OPBDIT (times)	3.2	2.9
Interest coverage (times)	4.3	4.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	April 7, 2025	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	12.00	**[ICRA]BBB+ (Stable)**	-	-	Mar-26-24	[ICRA]BBB+ (Stable)	Dec-29-22	[ICRA]A-(CE) (Stable) withdrawn; [ICRA]BBB+ (Stable) assigned simultaneously
Working capital term loan	Long term	-	-	-	-	Mar-26-24	[ICRA]BBB+ (Stable)	Dec-29-22	[ICRA]BBB+ (Stable)

Term loan	Long term	20.28	**[ICRA]BBB+ (Stable)**	-	-	Mar-26-24	[ICRA]BBB+ (Stable)	Dec-29-22	[ICRA]A-(CE) (Stable) withdrawn; [ICRA]BBB+ (Stable) assigned simultaneously
Pre Shipment Credit	Short term	1.20	**[ICRA]A2**	-	-	-	-	-	-
Foreign bill discounting	Short term	2.00	**[ICRA]A2**	-	-	Mar-26-24	[ICRA]A2	Dec-29-22	[ICRA]A2
Pre-settlement risk	Short term	1.00	**[ICRA]A2**	-	-	Mar-26-24	[ICRA]A2	Dec-29-22	[ICRA]A2
Letter of credit	Short term	0.60	**[ICRA]A2**	-	-	Mar-26-24	[ICRA]A2	Dec-29-22	[ICRA]A2+(CE) withdrawn; [ICRA]A2 assigned simultaneously

Complexity level of the rated instruments

Instrument	Complexity indicator
Cash credit	Simple
Term loan	Simple
Pre Shipment Credit	Simple
Foreign bill discounting	Very Simple
Pre-settlement risk	Very Simple
Letter of credit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash credit**	NA	NA	NA	12.00	[ICRA]BBB+ (Stable)
NA	**Term loan**	FY2018	NA	FY2030	20.28	[ICRA]BBB+ (Stable)
NA	**Pre Shipment Credit**	NA	NA	NA	1.20	[ICRA]A2
NA	**Foreign bill discounting**	NA	NA	NA	2.00	[ICRA]A2
NA	**Pre-settlement risk**	NA	NA	NA	1.00	[ICRA]A2
NA	**Letter of credit**	NA	NA	NA	0.60	[ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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