CARYSIL
Lifestyle Sinks & Built-in Appliances

CARYSIL LIMITED

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February 07, 2024

To,
BSE LIMITED
Department of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001
Scrip Code: 524091

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1
'G' Block, Bandra – Kurla Complex
Bandra East,
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Trading Symbol: CARYSIL

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Earnings Conference call held on February 01, 2024.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of Q3 FY2024 Earnings Conference Call for Un-audited Financial Results for the quarter & nine month ended December 31, 2023 held on Thursday, February 01, 2024.

Thanking you,
Yours faithfully,

For **CARYSIL LTD.**

Reena Tejas Shah

Digitally signed by Reena Tejas Shah
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“Carysil Limited Q3 and 9 Months FY24 Earnings Conference Call”

February 01, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges — BSE Limited and National Stock Exchange of India Limited and the Company website on 1st February 2024 will prevail

MANAGEMENT: **MR. CHIRAG PAREKH – CHAIRMAN & MANAGING DIRECTOR**
MR. ANAND SHARMA – EXECUTIVE DIRECTOR & GROUP CFO, COO
STRATEGIC GROWTH ADVISORS – INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Carysil Limited Q3 FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions, and expectations of the Company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chirag Parekh – Chairman and Managing Director, for his opening remarks. Over to you, sir.

Chirag A. Parekh: Good evening ladies and gentlemen. Thank you for joining us for the Carysil Limited Quarter 3 and 9 months FY24 Earnings Conference Call. I trust you had an opportunity to review our "Financial Results and Investor Presentation," both available on the Company's website and on stock exchanges.

Joining me on this call is Mr. Anand Sharma, our Executive director & Group CFO, COO and SGA investor relations advisor.

The success of any organization is measured by the value it creates and the growth it achieves. Each product we craft, and manufacture is a step towards enhancing lifestyles and consumer experiences, elevating industry standards over time. Carysil's journey involves exploring new opportunities through market expansion and product innovation, steering towards sustained growth and value creation.

We are also strengthening our leadership team at first and second level to have sufficient management bandwidth to meet the fast-paced sustainable growth of the Company. Our focus on brand domination is evident through global partnerships with reputed home improvement retailers. The home improvement market has witnessed substantial growth driven by evolving consumer preferences for aesthetics and comfort. Buyers now emphasise creating kitchen and bathroom spaces that complement their living environments.

We continue to pursue a multi-pronged and holistic growth strategy with a focus on upgrading our state-of-the-art technology, investing in R&D, making the right CAPEX, investing in the brand visibility, expanding reach via dealer and distributor network across India and expanding newer geographies around the world. Carysil is progressively pacing towards surfacing as a brand entity in the kitchen and bath segment, both domestically and internationally. We are steadily moving up the value chain, capturing the minds of niche customer segments across categories such as quartz sinks, stainless steel sinks, kitchen top fabrication, built-in appliances, and faucets.

Our focus on increasing capacity utilization in the quartz sinks category has been steady, with progress reaching 70% by end of 9 months FY24 and expected to increase further on quarter-on-quarter basis. The profit margins of our quartz sinks remain steady in our commitment to sustain this stability in the foreseeable future. In the stainless steel segment, we expanded our capacity by adding 90,000 units in the last quarter, bringing the total to 1,80,000 units. The demand in this segment remains strong, with a capacity utilization of 67% of quarter ended 31st December 2023.

Our performance in the US and the UK market continues to be strong. The destocking process concluded and inventory is returning to its normal levels. The European product market remained at a similar level to last year. While the overall global scenario is a path of improvement, the Red Sea scenario that emerged towards the end of Q3 FY24 poses a little risk. We are closely monitoring the situation as the ocean freights have risen considerably. It has also increased the sailing time by approximately 2 weeks more. However, it is pertinent to note that 90% of our exports are on FOB basis, and therefore, it will not have any material impact on our margins.

Domestically, our business is thriving marked by a significant expansion of our dealership network from 1,500 to 2,200 in 9 months in FY24. We are enhancing our brand visibility across India through diligent efforts in marketing and team strengthening.

On the 20th October, we successfully completed an acquisition of United Granite LLC. This strategic acquisition has now been fully integrated into operations, contributing to our total income. The acquired entity, United Granite LLC, financials consolidated to results in the quarter, exhibit lower margins, which has impacted the overall margin of our Company on a consolidated basis. However, we expect better operating margins in the coming quarters due to various actions taken by improvement in, material sourcing, and business expansion. We anticipate these efforts will translate to improved financial results in the coming quarter, underlining our commitment to optimizing potential of this acquisition .

Our UK operations Carysil Surfaces are progressing well. We have successfully integrated synergies between UK companies cross selling our current product lines using the common customer base and market for further business expansion. With consumers shifting their focus to more aesthetically pleasing and high quality, we anticipate the fabrication market for kitchen tops will improve soon.

I would also like to give a good news about our new tie-up with Howdens UK:

Howdens is the Number 1 trade kitchen supplier in the UK. It has 750 depots. It has 27 granite models. They sell 10,000 kitchen sinks per week. That's 500,000 kitchens per annum. Their gross revenue is 3.3 billion pounds with approximately 20% EBITDA margins. That has been a great feather on the cap for our UK team. And we also have received the first order from them.

Now, coming to the appliances division:

It's exciting to inform you that we have initiated the sale of appliances from our new manufacturing setup. By March 2024, our state-of-the-art facility, capable of producing 1 lakh units annually, will be fully operational. This plant aligns with our commitment to the growing demand outlook for a sustained success in this sector.

Our operations in Dubai have commenced and we are witnessing a positive response from the market. The encouraging feedback affirmed the visibility of our strategy in international markets. On another front, we have taken a significant step in Turkey by establishing our subsidiary Company, setting the foundation of operations in this region, but the operations in Turkey are yet to commence and we are optimistic about the opportunity that market holds for us.

To just inform the members that we have already started our sales from our United Arab Emirates entity in the last quarter itself. We have started sales of our sinks and of the appliances under the Carysil brand. These developments underscore our dedication to strategic expansion and diversification. We are actively pursuing opportunities for growth, both domestically and internationally. We remain confident in this initiative's will give positive impact on overall performance and financial outlook.

I will now hand over the call to Mr. Anand Sharma – Executive Director and Group CFO,COO, to update you on the Company's financial performance.

Anand Sharma: Good evening, everyone. Let me take you through the consolidated financial performance of the Company, Quarter 3 of FY24 Performance. Consolidated total income stood at Rs. 188.8 crores for Quarter 3 of FY24. It grew by 37% year-on-year and 14.7% quarter-on-quarter basis. EBITDA for Quarter 3 of FY24 stood at Rs. 36.1 crores, growing by 42.8% Y-on-Y and 6.4% on a quarter-on-quarter basis. Profit after tax and managing interest stood at Rs. 15.3 crores in Quarter 3 of FY24, grew by 27.2% on a year-on-year basis.

Coming to the 9 months FY24 Performance:

The sales volume for quartz sinks was 4.1 lakh units, and stainless-steel sinks stood at 84,300 units. Kitchen appliances, faucets, FWD, bath, and other products stood at 14.9k units in 9 months FY24. Consolidated total income stood at Rs. 496.1 crores for 9 months FY24, as compared to Rs. 448.3 crores in 9 months FY23. It grew by 10.7% Y-on-Y basis. EBITDA of the Company for 9 months FY24 stood at Rs. 97.4 crores, as compared to Rs. 82.4 crores of last year 9 months FY23. It grew by 18.3%. EBITDA margin for 9 months FY24 stood at 19.6% compared to 18.4% of last year 9 months. Profit after tax and minority interest stood at Rs. 42.4

crores in 9 months FY24, as compared to Rs. 40 crores of last year 9 months FY23. Growth is 5.9%.

Now, I open the floor for questions and answers. Over to the operator.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We will take our first question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir, these acquisitions that we do in the fabrication side, first of all, if you could share a little bit of logic in terms of these acquisitions, and do we add any substantial fixed cost in these acquisitions? Because, if, let's say, there is any downturn, do we see any significant operating deleverage on account of these acquisitions that you do?

Chirag A. Parekh: Are you talking mainly about the US or also our UK business or both?

Pritesh Chheda: Both, sir. The fabrications business in general.

Chirag A. Parekh: 1) Generally, fabrication businesses, I think we have proved in the last 2 years since our UK acquisition that we wanted to strengthen our brand presence and our product presence in that particular region. 2) We wanted to have the cross-selling opportunity but sometimes not just that technology but it also helps us to do a lot of new customers which you can take a whole lifetime but you cannot enter. Everything takes a lot of time. 3) Third thing is, it's a strategic diversification because everything is being installed on a worktop. So, we need this fabrication. 4) I also mentioned that the fabrication business technology has to come back to our country, India, because India does not have an organized fabrication business.

You can have these opportunities with sink and a fabrication business both. The new trend has also started across the world that, they all have started looking for entry in the fabrication because everybody wants to add value to their portfolio.

As far as fixed costs are concerned, I think you have seen in the UK that our margins have improved since we acquired them. We will also add from our side when we do the due diligence. We already find those pockets where these guys are not taking action. What we do is first, we try to scale up. The second thing is that we try to get better sourcing margins in it. And third, we do a lot of brand and marketing activities which normally the owners of that Company do not do it. I think the UK has done quite well. The figures are in front of you. The US business we have just acquired. So, yes, there is a fixed cost but there is already a downturn. So, whatever you are seeing right now is with the downturn. We already got the hint that the economy, especially in the US, is now going up. And whatever the current or the last quarter, which Anand can later on will share with you. It's been with the downturn. And anyway, the Quarter 3 is always a seasonal quarter.

Pritesh Chheda: Do you need to do any more acquisitions on the fabrication side or this is enough in these 2 countries?

Chirag A. Parekh: Right now, till we get a full hang of it, we are not planning to do. Right now, our focus is back on the granite sinks. We have a lot of opportunities here. The US business is going to scale up on its own. And once the fabrication business, we will get a complete hang on it. We will then try to see if that fab Company is able to generate that much liquidity and cash flows to acquire another US business from that fab business.

Pritesh Chheda: My second question is, you mentioned a retailer that does about 10,000 kitchens per week. And that's the client which you got. Do you now feel that the 200,000 capacity, of Quartz, which you had postponed earlier in terms of expansion, is now closer than you thought?

Chirag A. Parekh: I think you kind of answered my question. All I can say is that I think we are quite close to starting our plan #4, but we will know by the next quarter. But yes, that gap is getting narrower.

Moderator: We have our next question from the line of Aditya Pal from Motilal Oswal Financial Services. Please go ahead.

Aditya Pal: Sir, I just wanted to know, that last quarter, we had spoken that we were supposed to receive an order from IKEA for our stainless steel products. Is there any update on that?

Chirag A. Parekh: The stainless steel sinks for IKEA again the commencement is going to start from next quarter.

Aditya Pal: Can you just highlight or quantify the order book or the orders we will receive then?

Chirag A. Parekh: As of now, I will not be in a position to tell you because of the agreement put in place, but it's a good and reasonable quantity.

Aditya Pal: Sir, our standalone gross margins have reduced on a quarter-on-quarter basis and our consolidated gross margins are also reduced. Anything to highlight over there?

Chirag A. Parekh: I don't think our margins have reduced; the margins have improved.

Aditya Pal: I think I can tell you the numbers. The standalone we are at 55 and last quarter we were at 61, whereas consolidated last quarter we were 53 and right now we are 52.6. My major question is I wanted to understand that why such a big drop has come on a Q-on-Q basis on standalone?

Anand Sharma: If you want to see the gross margin, you have to see on the 9 month basis because on a quarter-on-quarter basis, some inventories are lying because some shipment is not going in the last quarter or the week before that. That is where you get the inventory increased and valued at cost. To that extent, our RM cost may increase and impact gross margins. That's why it's quarter-to-quarter variances. If you look at the 9-month basis, our margin has improved.

Moderator: We have our next question from the line of Dhavan Shah from Alfaccurate Advisors from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: Sir, my question is on the quartz side. Given that most of the retailers had destocked the inventories in the export market in the last few quarters, and now there is a concern of the increase in the transit time because of the Red Sea. Have you witnessed the larger inquiries for restocking? Because, you already mentioned that the demand itself is very good in the US and UK markets. Is there any more inquiries coming in to restock the larger inventories?

Chirag A. Parekh: I believe that the next order is flowing in because people are just opening after Christmas and we are already seeing the flows, but this can be more. It should have started now. I think now the customers will note in the next 2 months what their plan is for stocking. Looking at the situation and almost doubling their lead time stock, I think there would be some inventory stocking because the new customers are very important. And I think they would like to see that they are not dissatisfied.

Dhavan Shah: In the last quarter, I think you mentioned that we can do roughly 20 percent volume growth this year for the quartz side. That means that we can do roughly 6,10,000 sinks. Are you on the track? Because, I think in the first 9 months, we did roughly 4,11,000 sinks. In the last quarter, can we do roughly 2 lakh to 2.1 lakh kind of volumes?

Chirag A. Parekh: All I can say is that we are on track. In our last quarter, I think we have shown which I had. I think both my top line guidance and the bottom line guidance were there last. I think we are on track based on that.

Moderator: We have our next question from the line of Vaidik from Monarch Networth Capital. Please go ahead.

Vaidik: Congratulations on good set of numbers. I have 2 questions. Firstly, I want to know how much United Granite contributed to this quarter in our revenues?

Anand Sharma: You are talking about the sales?

Vaidik: I am talking about the recent acquisition. In terms of revenue, how much would this contribute in this quarter?

Anand Sharma: It contributed around Rs. 15 crores.

Vaidik: Sir, the next question would be on the Quartz sink side. We can see that there is volume growth. But on the realization side, there is a huge dip. Any particular reason for that?

Anand Sharma: But there is not a huge difference in the realization. I have the numbers which say that we are about 5,700 per sink and we are close to 5,630. That is only because there was mainly CIF earlier, which we converted into FOB. So, overall realization is not an issue. Price is sustained. There are a few changes because of the geography mix. Where we have more CIF and the FOB, it depends on that.

Chirag A. Parekh: Also model mix. I think there will be a little change, approximately 5% or 10% quarter on quarter depending upon the market and model mix.

Anand Sharma: But it has changed. It is in the same line.

Chirag A. Parekh: Yes, more or less.

Moderator: We have our next question from the line of Abhilasha Satale from Quantum AMC. Please go ahead.

Abhilasha Satale: Sir, my question is regarding, this quarter we have seen some margin moderation because of the integration of United Granite subsidiary. Going forward, what is our road path towards improving margin? We are guiding that even for the subsidiaries, we expect margin to improve. And for the overall Company, how is it likely to be sustainable? This is my first question.

Anand Sharma: This quarter we have integration of United Granite. And there are some one-time costs. And this quarter is not even the full quarter. We acquired the Company on 20th October. Normally, quarter 3 has a lower volume because of Christmas and the New Year. So, the margin you see does not represent the benchmark margin. I think you see a better margin from the quarter 4 onwards and it will improve on a quarter-on-quarter basis.

Abhilasha Satale: Any range you would like to give? I am not asking for the near term, but where do you want to reach in terms of margins over a medium term?

Chirag A. Parekh: I think we already give the margin guidance. I think we are always in the 18% to 21% range. I think that's where the guidance is and we will be around that.

Abhilasha Satale: And my second question is, this year we would be crossing sales of around 6 lakh tonnes in our quartz business. Going forward, how are we seeing the order of what we have in our hand and the visibility of what we are getting from our customers? How do we see these sales numbers panning out over a period of time? And when will you get visibility regarding the announcement of new capacity?

Chirag A. Parekh: I think one of the gentlemen had asked this question. Based on the new customer tie-ups, our dealer expansion in India, and our new market expansion and what the demand coming on from overall global and India market, we expect the order booking for the granite sinks in the next quarter. We already see the trend improving. And I think that's going to slowly take us to our 1 million mark capacity.

Moderator: We have our next question from the line of Resha Mehta from Green Edge Wealth. Please go ahead.

Resha Mehta: Sir, my first question is on your domestic business. If you could highlight the progress in both B2B and B2C in the domestic market. And also, you did mention about India's demand being soft in your presentation. Does that deter us from reaching our Rs. 200-crore guidance in terms of top line by FY26? And the gallery count?

Chirag A. Parekh: There is a new B2B vertical now and a new team dedicated towards that. We have in the last 4 months cracked a lot of new projects, including DLF. I think that has helped a lot. Approximately 20% of our institution's project sales are moving forward for both the Sternhagen and the Carysil. The B2B business looks quite encouraging. And to fuel momentum to this, we are expanding our team of B2B approximately by about 3x than what we have right now. Currently, we have about 5 people across India. We plan to expand this to 15 people by the 4th quarter because we see that we have a lot yet to tap and need to educate people to do this. I think that's a good sign.

As far as our Rs. 200 crores on the India side, we are quite confident to achieve that Rs. 200 crores in the next 2 years' time. 1) We are expanding our product range quite considerably. 2) We are adding new brand ambassadors in Quarter 1. 3) We are adding a lot of new models in Quarter 1. 4) We have inducted new marketing team – they are all joining from next month – a full-fledged marketing team to promote and brand our products which have not been very active in India. We are quite confident and would like to achieve a Rs. 200-crore mark in domestic within the next 2 years.

Resha Mehta: And the gallery count here?

Anand Sharma: We have around 75 galleries, including shop-in-shops.

Chirag A. Parekh: All these new galleries, we have upscaled them. Now, if you see the Gurugram gallery which opened about 4,000 square feet in Delhi, that has kind of fostered a lot of interest across the North India market. People from South also are traveling all the way to our Gurugram Gallery, Sector 29. It's the best gallery in our class you would ever see. We would like to upscale our whole standard, branding, and display. We would like to be the best in the category. All the new galleries now we are tying up with, we have a lot of traction in improving the new galleries which we are opening. So, there are going to be a lot of galleries. I think my VP had told me he has signed about 40-50 galleries for the next year, which should be coming up within the next 6 months.

Resha Mehta: And my second question is specifically for the UK market. We have made 3 acquisitions there so far – Carysil products, surfaces, and tap factory. You spoke about the synergies there. Can you just highlight like what are the synergies on the back end, the manufacturing side, and on the distribution side? How successful have we been in terms of cross-selling to our customers across these 3 companies? And of course, since the scale has become large, do you have a common head for your UK business or organizationally how is the people management for the UK business?

Chirag A. Parekh: I think our UK business is quite well integrated right now. 1) If you see the UK economy by itself, when we posted good results for our UK, people could not believe that. They said the UK is so bad. I had a lot of questions from investors in the last few quarters. How are you going to do it? There is a very downturn in the UK. Why those acquisitions there? But I think that has worked out well. We have shown growth in the UK. While the downturn is about 20% to 30% in the home market, we have gone up by 30% in the home market. 2) As far as the organization is concerned, we have a group CEO right now, and we have 3 Managing Directors in the UK, handling each independent Company. 3) Finally, now we have taken a call to integrate all our companies at one base. We have planned to open a big base with all logistics, warehouse, retail, and showroom. Also, my daughter who's inducted newly into the marketing activities is right now in the UK and trying to launch or try to integrate the Carysil brand in the UK. There's a lot of integration happening in the UK this time because we want to bring all this together at the end of the day. We would like to centralize all this at one base.

Moderator: We have our next question from the line of Nikhil Gada from Abakkus AMC. Please go ahead.

Nikhil Gada: Sir, the first question is specifically on the subsidiary numbers. When I look at the breakup for the other expenses as well as the employee expenses, there has been a sharp increase, close to Rs. 10 crores increase in other expenses and Rs. 4 crores to Rs. 5 crores increase in employee expenses. Is it purely because of the integration of United LLC?

Anand Sharma: 1) Nikhil, this is not because of only United Granite. This is because quarter on quarter, we have increased our capacity utilization. There we have added people. 2) We are also building a team for the further expansion to cater for our new customers who are under pipeline. There are training requirements and some skilled manpower requirements. So, we are adding that. 3) And there is also the increment round which has happened in the quarter. That has come as a one-time effect in the Quarter 3. These are the 3 factors. But as I said, these will not come every quarter. On the quarter to quarter, it will stabilize and as a percentage will go down.

Nikhil Gada: In other expenses, we are also seeing this Rs. 10-crore jump from Rs. 12 crores to Rs. 21 crores.

Anand Sharma: It is only in relation to the sales. If you see the sales growth, it has grown by 37%. In terms of that, you are going by the absolute numbers. If you go by the percentage, it has not increased. It's all variable.

Nikhil Gada: Because, percentage-wise as well, it has gone from 17% to 25%.

Anand Sharma: That is a one-time in United Granite also. You must understand that United Granite came for less than 70 days and we must integrate that. Nikhil, if you need any further details, I'm available. We can provide you.

Nikhil Gada: Sir, my second question is about acquiring a bigger client in the UK. How much incremental volumes? I know it's still early days. But what kind of business can you see from this client? Is it something that can become very big in the future?

Chirag A. Parekh: Nikhil, I mentioned that these guys make more than half a million kitchens here. And out of that, we know that about 25% to 30% they use granite sinks. If I take that ratio, it comes to about 125,000 to 150,000 granite sinks. I think it could be a sizable volume. We have already got the first order. It's quite a big order in size. Based on the discussion we had, I think they want 100% to get converted to us. I think the opportunity moving forward lies quite huge.

Nikhil Gada: Just one last question on the overall impact from this Red Sea issue. While you mentioned there could be some possible lumpy orders, do you think this could also further our market share in the overall scheme of things, which we are already seeing?

Chirag A. Parekh: If I would try to look at it more from an entrepreneur point of view, I think this Red Sea is going to be a blessing for us because especially in the stainless steel sink side, a lot of the Chinese import costs have doubled because of this and they are not able to supply. We have, just in the last few weeks, a lot of inquiries for our granite sinks for the Europe and for the US market. While we understand in the short term that we may face some larger transit times and have to do larger lead times, overall I think we can have more opportunities here on the business side.

Moderator: We have our next question from the line of Akshay Shah from Kriis PMS. Please go ahead.

Axay Shah: Sir, you have mentioned in the presentation that the quartz sink market is growing annually at the rate of 25% CAGR while we are not able to do the same. Now, we have a strong distribution network in the US and UK. So, can we expect that we will grow at the rate of 25% in the future?

Chirag A. Parekh: I don't know where this guidance has come from about the granite sink growth.

Anand Sharma: Overall, it is mentioned that granite sink market share is growing by around 25% year on year.

Chirag A. Parekh: While the market share is growing very fast, we have exactly told you that there are a lot of opportunities for us for the granite sinks. And with these new tie-ups, we are very confident that with the new inquiries and customers quarter on quarter, we can see growth in quartz sinks.

Moderator: We have our next question from the line of Rohit Singh from Nvest Analytics Advisory LLP. Please go ahead.

Rohit Singh: I came across an article where the Kaelo Company was mentioned regarding the partnership entered with Carysil.

Chirag A. Parekh: No, not that we have heard of, honestly.

Rohit Singh: Okay, I will take that offline. My second question is basically on the outlook. Like you mentioned, the new partnership with Howdens. Further, IKEA is also getting expanded in India. And the Red Sea crisis, as you mentioned, is expected to be a blessing for you. So, are we still on for Rs. 750 crores kind of revenue for FY24 and Rs. 1,000 crores for FY25?

Chirag A. Parekh: I think we have tread on a good growth trajectory at this point of time. I think we are kind of close to the Rs. 800-crore run rate and we expect to improve from quarter to quarter.

Rohit Singh: So, the guidance that you have earlier given is not intact. That's what you are saying, right?

Chirag A. Parekh: I would like to clarify it. We are currently at almost Rs. 800-crore run rate. We are improving. We are on track of Rs. 1,000 crores. You will see that happening in an incremental growth quarter on quarter. For example, we already have last Quarter 165, ended at 188. So, you will see this quarter-on-quarter improvement and that's how we are going to attain the Rs. 1,000 crores unless some unforeseen circumstances happen which are not under our control.

Rohit Singh: In the near term, like you mentioned, there may be some problems because of the Red Sea; like order delays and lead time increasing. So, do you see any short-term impact in Q4 on our sales because of it?

Chirag A. Parekh: Problems are bound to come. You are in an industry with all these logistics…. all these problems will keep coming. And I think it's my job to tell you that these problems are there. But none of the problems are inevitable. There is a solution to every problem. As of now, our Company does not face any kind of major risk as far as this is concerned. Yes, the lead times have increased. The freights have increased. That all we need to speak to the customers and we need to align ourselves with them based on their requirements. We have this issue, but this can be solved amicably by talking to customers, which we are already doing.

Moderator: We have our next question from the line of Madhav from DMS Wealth LLP. Please go ahead.

Madhav: By the way, I had a question from my side about the contract that we have entered with Howdens. Is it a pass-through contract and in what terms like are we passing the cost? In dollar terms or in percentage terms?

Chirag A. Parekh: The Howdens contract is a perpetual contract. It's, I would say, a long-term contract. And the prices we are billing in Howdens are in UK sterling pounds.

Madhav: Actually, my question was, if there is an increase in the cost in future, how are we passing those costs? Are we passing them in percentage terms?

Chirag A. Parekh: Yes, we will be passing on the cost. On the freight example, all our terms are on FOB basis. So, now whatever the freight increase is, it is on them.

Moderator: We have our next question from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

Bala Murali Krishna: Could you please update us on the built-in home appliance CAPEX?

Chirag A. Parekh: We had already announced about Rs. 10-crore CAPEX on the built-in appliances and will start from quarter 4.

Bala Murali Krishna: What asset turn can we expect from that?

Chirag A. Parekh: Asset turn would be about 5x.

Bala Murali Krishna: We have developed some new technology sinks like green sinks and some high strength sinks we developed last year. Is there any progress on the orders in those sinks? Are we expecting some good orders from those sinks because they perform better than the normal conventional sinks?

Chirag A. Parekh: I think we need to try to understand that the green sinks are not just for sale. Green sinks are there to try to show the values of the Company. Are you a sustainable Company? Are you going on a green global footprint? And it adds an image to a corporate. For example, the green sink was a major part of the Howdens that we have. Because of that, we got this order. Sustainability and all, it's very, very important for them. We also have an increase in, for example, IKEA orders with us that have also improved because they have started looking at us more as a green Company. I think it is helping us a lot. And indirectly or directly, the green sink has 100% helped the Company.

Now, mostly 20% of our exports happen in this high strength sink because the value is a bit high. Whatever momentum you see in the order booking is because of the high strength sinks.

Moderator: We have our next question from the line of CA Garvit Goyal from Nvest Analytics. Please go ahead.

CA Garvit Goyal: Sir, just to get some clarification; I was reading an article or commentary from Marcus Smyth, the CEO of Carysil UK Group. He mentioned that Carysil UK has entered into a partnership with the Company named Kaelo. It is a bottle cooling technology Company.

Chirag A. Parekh: You are talking about Kaelo; the brand is called Sommelier. It's a new startup for wine chiller buckets.

CA Garvit Goyal: What are the ongoing developments in this regard and what kind of opportunities do you see in this area?

Chirag A. Parekh: They have just started the distribution of it. I think in the next quarter, I will be able to give you more light. But all I can tell you is that the results have been very encouraging. Because, every time you cannot invest in a wine chiller at your home, right? What happens is that in the UK and Europe, most of the people if you got a smaller group, they all hang around the kitchen side. They have a bar, stools, and all hang around the kitchen side. That's where a wine bottle or a champagne bottle is put. And this Sommelier which is a new technology wine chiller for a single bottle, it can adjust to any temperature that you want. The results have been very very encouraging. We are also planning to bring this to India next quarter.

CA Garvit Goyal: The announcement in this regard will be in the next quarter. That's what you were saying, right?

Chirag A. Parekh: Yes.

Moderator: We have our next question from the line of Nikhil Shetty from Nuvama Wealth. Please go ahead.

Nikhil Shetty: Sir, my question is on United Granite. It has contributed around Rs. 15 crores and I believe the margin profile is almost half of what currently we are making in our overall business. Assuming normalized quarter Q4, we can expect around Rs. 20 crores to Rs. 25 crores kind of numbers from that particular piece. Can we expect the margin profile to be lower than 20% this year and next year as well?

Chirag A. Parekh: I think it's too early to say. I think the acquisition cost which we did for this United Granite was approximately at 10% EBITDA level. Quarter 3 is always a very low quarter for the worktops. And then we had a one-off cost for the acquisition and all. Quarter 4 is where things start going because of a lot of snow and all that. That's why slowly now there is snow. When the springtime comes in Feb-March, we will get more orders with too much snow. I think when it starts getting on quarter and quarter, you will see the margin improvement. And I think by Quarter 1, it should go back to 10%.

Nikhil Shetty: My second question is on the overall volume. Currently, if you look at the quartz sink volume, your target is around 6 lakh total units for FY24. But when we look at the first 9 months, it seems pretty difficult to achieve those numbers.

Chirag A. Parekh: I can just tell you from Quarter 3. It is 1,58,000 in the quarter. If you analyze it, it would be above 6 lakhs. We have already picked up this rate. And as I told you, it's going to be further improved in the coming quarters.

Nikhil Shetty: I'm talking about, sir, FY24.

Chirag A. Parekh: We will be quite close to it.

Moderator: We have our next question from the line of Manan Madlani from Kamayakya Wealth Management. Please go ahead.

Manan Madlani: Sir, my question was that we are seeing a slowdown in Germany. Are we trying to capture market gain due to that adverse situation going on?

Chirag A. Parekh: While you see a slowdown in Germany, we have a good demand for the granite sinks from Germany. So, we are just good. I think it is coming just in the last 1 month and what we see in the coming month is that the order booking is going to be quite strong. We also see a sales increase up in Germany, which is, I think, a very good sign.

Manan Madlani: Are we planning to bring our tap business in India?

Chirag A. Parekh: Tap business is 100% we have to bring in India. We already launched at the ACETECH exhibition. We got an overwhelming response. Right now, the marketing plan is set to launch the hot water taps in the Quarter 1 of 2024-25. People are very, very excited. All India's top dealers have given us advance orders for this new hot water taps. We are quite excited. The overall tap business looks very very encouraging for us. And I think this is going to add cherry on the cake.

Manan Madlani: And my last question would be, as you said that you are trying to achieve Rs. 1,000 crores. Let's say, conservatively you will achieve in FY26. But the question is, do we need any further CAPEX or acquire any further subsidiary to achieve that Rs. 1,000 crores, or is our internal capacity enough to achieve that Rs. 1,000 crores mark?

Chirag A. Parekh: We are right now all putting our heads together. We have a budget meeting coming up in March where we are going to carefully strategize our next year and the 3 years coming forward, and we will be able to answer that after that.

Moderator: We have our next question from the line of Ronald Siyoni from Sharekhan. Please go ahead.

Ronald Siyoni: I had just one question on the steel sink realization which you talked about on a CIF and FOB basis. Generally, previously what had happened was that two of the quarters would have higher realization because of that geographic mix. Now, everything has been normalized. Over the last 3 quarters, we have seen normalization of realization. Now, this realization this quarter should be the benchmark, or could there still be geographic mix and that realization be higher going forward?

Anand Sharma: Steel sink realization depends on our product mix. 1) One is the pressed sink and the Quadro sink. Depending on the sales volume, it may change. 2) We are focusing now on the project sales because there are more project sales we have done in Quarter 3, and due to that, there is some small realization difference because in projects, mostly pressed sinks only go. But it is not a benchmark. If you have to benchmark, you have to take 9 months' numbers and then you get the better price realization, which will give you more clarity on the price.

Ronald Siyoni: And the second question is just on that. If you are doing projects business and then domestic would be your focus area. Should it not be the case that this realization would be lower going forward because you would be also going for more project sales going ahead?

Anand Sharma: Going forward, there is an export opportunity and domestic both. We have already started exporting to our UK Company. There are export is going through GROHE and there are further companies we are doing. It all depends on the product mix geography mix, and then we will see. But we don't feel that realization will go down.

Chirag A. Parekh: You are asking more on the B2B activities, then the realization comes down, right?

Ronald Siyoni: Right.

Chirag A. Parekh: The B2B project sales are always on the expensive side. It's not on the cheap side. As far as the stainless steel sink, I think that's on this side while the granite sinks are concerned and our Quadro stainless steel, we do only the high-end projects where the dilution of the price is not very high. And to compensate for that, we always have the 80:20 principle. While we dilute 20% of the lower-end sink, we also launch another 20% of the high-value sink to compensate for that. Hence you are able to see on quarter on quarter and year on year, we have been able to improve our margins.

Moderator: We have our next question from the line of Harsh Shah from Dalal & Broacha. Please go ahead.

Harsh Shah: Just one question. Can I get the gross and net debt as on date?

Anand Sharma: The gross debt of the company is around Rs. 270 crores. And net debt will be around Rs. 260 crores.

Moderator: Ladies and gentlemen, due to time constraints, we will take that as the last question for today. I would now like to hand the conference over to Mr. Chirag Parekh for closing comments. Over to you, sir.

Chirag A. Parekh: Thank you everyone. I hope we have been able to answer all your questions satisfactorily. However, if you need any further clarifications or want to know more about the Company, please contact our SGA team, our investor relations advisors. On behalf of my colleagues in Carysil Limited, I wish you all the best.

Moderator: On behalf of Carysil Limited, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.