

### Growth momentum continues; outlook robust

- Revenue grew 36% YoY to INR188cr, which was higher than consensus/our estimate by 7%/8%.
- Revenue from quartz sinks grew 53% YoY on a 52% growth in volume. Revenue in the steel sink segment fell 24% due to a sharp drop in realisation as compared to a high base. Revenue from kitchen appliances grew 62% YoY to INR22cr. Sales of solid surfaces rose 32% YoY to INR52cr. However, this growth also include INR 15cr revenue from the recently acquired United Granite (UGL).
- Gross margin expanded by 356bp YoY on the back of a strong volume recovery in the quartz business.
- EBITDA was 6%/4% higher than consensus/our estimate at INR34cr. As a result of better product mix changes and positive operating leverage, EBITDA margin improved by 58bp to 18.7%. However, reported margin came in lower than our estimate of 19.5% due to higher-than-expected other expenses.
- Net profit grew 27% YoY (flat QoQ) to INR15.3cr. We maintain 'BUY' with an upward revised TP of INR1,044 (at an average EPS of 24x for FY25E and FY26E).

#### Quartz sinks : On a strong growth path

Revenue grew 53% YoY and 12% QoQ to INR97cr in Q3FY24, with a revenue contribution of 52% versus 46% YoY on strong order inflows. Apart from healthy demand from existing customers, it has also seen some new client breakthroughs. It expects higher utilisation (70%/80%) in Q4FY24/Q1FY25 (versus 63% in Q3FY24) and is looking to dispatch one large order in Q4. Due to the turmoil in the Red Sea, sailing time increased by two weeks, resulting in a considerable increase in freight cost. As 90% of its export are on a FOB basis, CARYSIL won't see much impact on margin. The management is reconsidering its annual capacity expansion plan of 21k units, with clarity emerging in Q4FY24. We expect 17.3% volume CAGR over FY23–26, led by demand recovery and potential tie-ups with large retailers.

#### Steel sinks: Adverse product mix hit realisation

Revenue fell 24% YoY and 25% QoQ to INR16cr, with a revenue contribution of 8% (15% YoY). Realisation fell 44% YoY in Q3FY24 due to an adverse product mix. The management expects the realisation mix to improve in coming quarters. CARYSIL has signed an agreement with IKEA for stainless steel sinks, with business commencing in Q4FY24. The management maintained its 25–30% growth outlook for the domestic market in FY24 and FY25 and aims to achieve a revenue of INR200cr by FY25. It raised its steel sink capacity to 1.81k units from 90,000 units in FY23. A lion's share of its capacity is dedicated towards Quadro sinks. We expect 19.6% revenue CAGR from steel sinks over FY23–26 on favourable demand in the domestic and export market.

#### Kitchen appliances and others: Capacity addition the key driver

Revenue surged 62% YoY and 38% QoQ to INR22cr. This segment contributes 12% to total revenue. The growing preference for modular kitchens and aspirations of affluent households for creating a smarter home resulted in higher sales in the smart kitchen appliances category. CARYSIL is expanding its kitchen appliances range as the domestic market is relatively under-penetrated. This expansion is planned in two phases: 11k units commissioned in Q3FY24 and a similar number of units in Q1FY25, with a peak revenue potential of INR100–120cr. CARYSIL has received export enquiries for faucets as well as interest from premium customers (IKEA and Grohe). CARYSIL Surface (UK) saw a marginal decline in revenue at INR37cr. Contributions of INR15cr from the recently acquired UGL's solid surface business has boosted overall revenue to INR52cr. Since UGL will be contributing for the entire quarter, a large chunk is seen in Q4. It is operating at 60% capacity utilisation which can be ramped up in coming quarters. It has been generating 7–11% margin, which can rise to 15% in coming quarters. UGL can generate USD15-16mn in revenue (INR120–130cr) at peak capacity utilisation.

#### Valuation and view

As demand strengthens in the US and the UK, CARYSIL is expected to see a significant increase in export earnings. Domestic revenues are set to rise due to growing B2B sales and the in-house manufacturing of appliances. Doubling of quartz/stainless steel sink capacities and ongoing growth in other product adjacencies (kitchen appliances and bathware) complement the positive demand outlook. We introduce our FY26 estimates. Potential tie-ups with large retailers will aid revenue growth in the export market. The benefits from the doubling of its domestic dealer network (to 3,200 in Q2FY24 from 1,500 in FY22) to accrue from Q4 and significantly boost sales. In the medium term, earnings growth to be led by improved offtake in quartz sinks, additional capacity in steel sinks, strategic tie-ups with large retailers, and integration of the solid surface business. We maintain 'BUY' as we roll forward our valuation to 24x (the average EPS for FY25E and FY26E), with a revised TP of INR1,044.

Year to March	Q3FY24	Q3FY23	YoY(%)	Q2FY24	QoQ(%)	FY23	FY24E	FY25E
Revenues (INR Cr)	188	138	36%	164	15%	594	738	973
EBITDA (INR Cr)	35	25	41%	33	7%	107	141	187
Net Profit (INR Cr)	15	12	27%	15	-1%	52	70	101
P/E (x)						45	34	23
EV/EBITDA (x)						24	18	14
RoACE (%)						19%	21%	25%
RoAE (%)						22%	19%	21%

**CMP: INR 882**

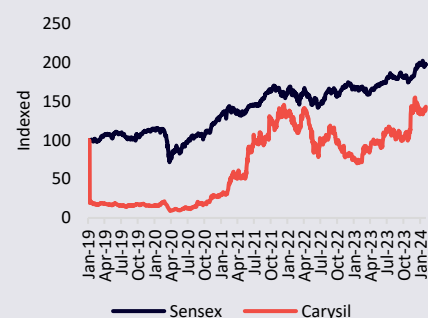
**Rating: BUY**

**Target Price: INR 1,044**

**Upside: 18%**

Date: February 02, 2024

Bloomberg:	ACRY:IN
52-week range (INR):	432 /980
M-cap (INR cr):	2,380
Promoter holding (%)	43.84



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### Segment Wise Revenue Performance

Revenue Break-Up	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
<b>Quartz Sink</b>	101	107	105	69	64	71	65	87	97
YoY Growth %	68%	36%	39%	-23%	-37%	-33%	-38%	25%	53%
<b>Steel Sink</b>	16	19	17	20	21	19	17	21	16
YoY Growth %	29%	38%	25%	7%	33%	-3%	-3%	6%	-24%
<b>Kitchen Appliances &amp; Others**</b>	12	13	15	16	14	15	18	16	22
YoY Growth %	-25%	57%	76%	45%	20%	16%	14.9%	3.5%	62.1%
<b>Solid Surface</b>	-	-	33	36	39	41	43	39	52
YoY Growth %			NM	NM	NM	NM	31%	10%	32%
Quartz Sink	79%	77%	61%	50%	46%	49%	46%	53%	52%
Steel Sink	12%	14%	10%	14%	15%	13%	12%	13%	8%
Kitchen Appliances & Others**	9%	9%	9%	11%	10%	10%	13%	10%	12%
Solid Surface	0%	0%	19%	26%	29%	28%	30%	24%	28%

Volume (in Unit)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
<b>Quartz Sink</b>	1,75,842	1,86,717	1,70,000	1,27,000	1,04,000	1,13,000	1,04,000	1,49,000	1,58,000
YoY Growth %	67%	35%	30%	-19%	-41%	-39%	-39%	17%	52%
<b>Steel Sink</b>	24,415	30,145	29,000	32,000	23,000	25,000	21,000	34,000	31,000
YoY Growth %	26%	35%	37%	9%	-6%	-17%	-28%	6%	35%
<b>Kitchen Appliances &amp; Others**</b>	12,698	13,781	12,000	15,000	14,000	14,000	11,000	14,000	16,000
YoY Growth %	-43%	19%	24%	27%	10%	2%	-8%	-7%	14%

\*\*Kitchen Appliances & Others: Includes FWD/Faucets/Tapa, Sterhagen, tiles & Others

Realisation / Unit	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Quartz Sink	5,729	5,729	6,147	5,464	6,127	6,302	6,253	5,818	6,162
Steel Sink	6,452	6,452	5,907	6,291	9,139	7,570	7,893	6,258	5,132
Kitchen Appliances & Others**	9,073	9,073	12,849	10,422	9,843	10,398	16,099	11,554	13,964

Region Wise Revenue Breakup	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Domestic	27	28	38	33	29	31	32	34	39
YoY Growth %	46%	33%	116%	17%	6%	12%	-17%	5%	36%
Export	101	111	133	107	109	114	110	129	149
YoY Growth %	46%	40%	67%	17%	8%	3%	-17%	21%	37%

Carysil Products Ltd ( UK Business)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Revenue (Mn. GBP)	2.5	2.3	2.3	1.7	2.1	2.7	2.2	2.6	2.3
YoY Growth %	79%		10%	-39%	-16%	17%	-4%	53%	10%
Revenues from Quartz Sink Business (Rs. Crs.)	14.9	14.5	11.5	5.3	10.4	13.3	9.8	13.0	13.4
YoY Growth %	366%	18%	1%	-67%	-30%	-8%	-15%	145%	29%

Source: Nuvama Wealth Research

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### Q3FY24 Result Highlights:

(INR Cr)	Q3FY24	Q3FY23	YoY(%)	Q2FY24	QoQ(%)	9M FY24	9M FY23	YoY(%)
Net Revenues	188	138	36%	164	15%	493	448	10%
Cost of Goods Sold	89	70	27%	77	16%	237	231	3%
Gross Profit	99	68	46%	87	14%	256	218	18%
Employee Expenses	17	12	43%	12	40%	43	34	26%
Other expenses	46	30	52%	41	12%	119	103	16%
Operating Expenses	153	113	35%	131	17%	399	367	9%
EBITDA	35	25	41%	33	7%	94	81	16%
Depreciation	8	7	16%	8	6%	23	19	20%
EBIT	27	18	50%	25	7%	71	62	15%
Interest expenses	6	4	47%	5	23%	15	11	41%
Other income	1	0	478%	1	-25%	3	1	512%
PBT	22	14	56%	22	2%	60	52	15%
Tax	7	2	230%	6	11%	17	16	4%
Reported PAT	15	12	26%	16	-2%	43	36	20%
Extraordinary Items	0	0		0	-	0	0	
Adj PAT after Eol	15	12	27%	15	-1%	43	36	20%
Equity Capital	5.4	5.4	-	5.4	-	5.4	5.4	-
No of Shares	2.7	2.7	-	2.7	-	2.7	2.7	-
EPS	5.7	4.5	-	5.8	-	16.0	13.3	20%
Gross Profit Margin	53%	49%	356bps	53%	-34bps	52%	49%	341bps
EBITDA Margin	19%	18%	58bps	20%	-140bps	19%	18%	100bps
PAT Margin	8%	9%	-59bps	9%	-128bps	9%	8%	70bps

### Revised Estimates

(INR cr)	FY24E			FY25E		
	Old	Revised	Change (%)	Old	Revised	Change (%)
Net sales	709	738	4.0	992	973	-1.9
Gross Profit	353	363		479	469	
Gross margin (%)	49.8	49		48.3	48	
EBITDA	138	141	2.2	193	187	-3.1
EBITDA margin (%)	19.4	19.1		19.4	19	
PBT	94	93	-0.6	147	136	-7.5
PBT margin	13.3	13		14.9	14	
Net profit	70	70	-0.7	110	101	-7.6
Adj EPS (Rs)	26	26	-0.7	41	38	-7.6

Source: Nuvama Wealth Research

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### Financial Charts

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

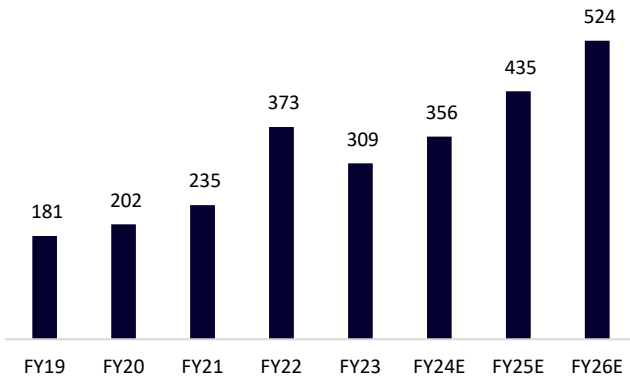


Exhibit 2: Steel Sink Revenue Trend (INR in Cr)

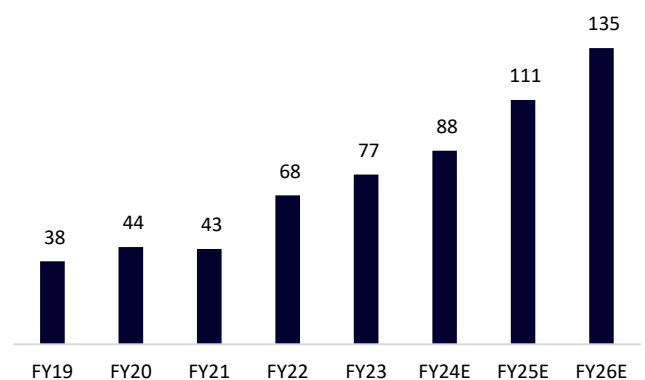


Exhibit 3: Appliance + Bath + Solid Surface Revenue Trend (INR in Cr)

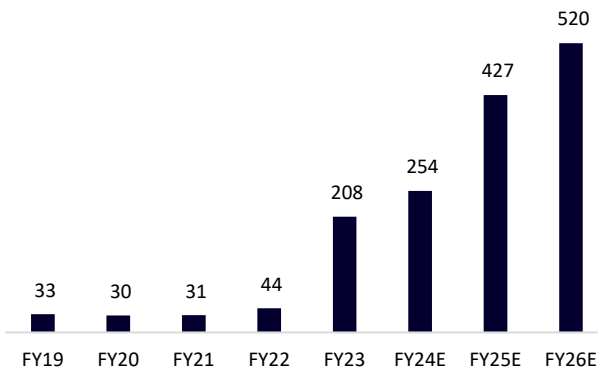


Exhibit 4: Segment Wise Revenue Share

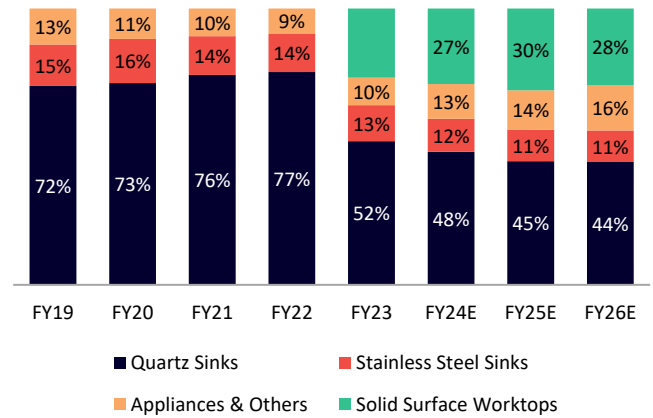


Exhibit 5: Revenues expected to grow at 26% CAGR over FY23-FY26e

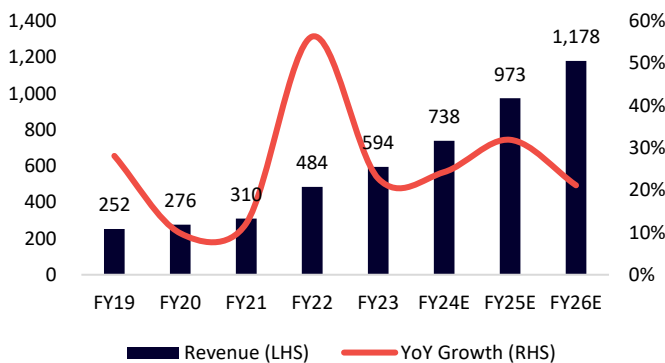
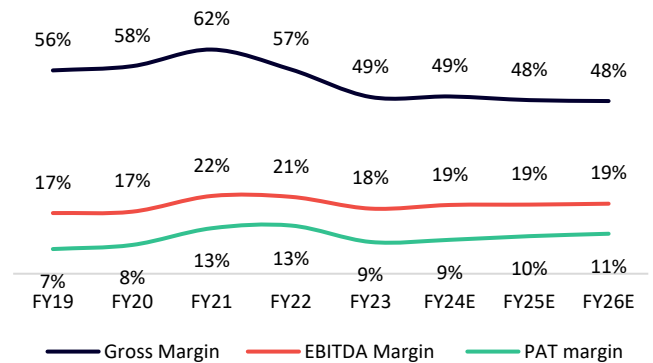


Exhibit 6: Margin profile to remain healthy



Source: Nuvama Wealth Research

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## Previous Outlook

**Q2FY24:** CARYSIL is well-placed to deliver strong growth, aided by industry tailwinds, higher home improvement spends, and demand for aesthetically appealing products globally. Although earnings moderated in FY23 and Q1FY24 (excluding solid surface) due to higher inventories of quartz sinks in the channel, it recovered in Q2. Potential tie-ups with large retailers to aid revenue growth in the export market. The benefits of doubling of the domestic dealer network (to 3,200 in Q2FY24 from 1,500 in FY22) to accrue from Q3 and significantly boost sales (the management expects a 30% growth in FY24). In the medium term, earnings growth will be led by improved offtake in quartz sinks, additional capacity in steel sinks, strategic tie-ups with large retailers, and integration of the solid surface business. Considering better revenue visibility and incorporation of UGL numbers, we upgrade our FY25 revenue/earnings estimates by 13.8/4.8%. We maintain 'BUY' with a revised TP of INR905.

**Q1FY24:** CARYSIL is well-placed to deliver strong growth, aided by industry tailwinds, greater spends on home improvement, and demand for aesthetically appealing products globally. Although earnings moderated in FY23 and Q1FY24 (excluding solid surface) due to higher inventories of quartz sinks in the channel, we expect a sharp recovery in revenue growth from Q2. Potential tie-ups with large retailers to aid revenue growth in the export market. The benefit of doubling of the domestic dealer network (to 3,200 in Q1FY24 from 1,500 in FY22) to accrue from Q2 and significantly boost sales (the management expects a 30–40% growth in FY24). In the medium term, earnings growth to be led by improved offtake in quartz sinks, additional capacity in steel sinks, strategic tie-ups with large retailers, and integration of the solid surface business. Considering better revenue visibility, we marginally upgrade our FY24/FY25 earnings estimate by 2%/3%. We maintain 'BUY' with a revised TP of INR790.



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### Financials

Year to March (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E
Income from operations	484	594	738	973	1,178
Direct costs	218	312	386	519	613
Gross Profit	265	282	352	454	565
Employee costs	34	45	49	54	60
Other expenses	129	130	162	213	276
Total Operating expenses	381	487	597	786	949
EBITDA	103	107	141	187	229
Depreciation and amortisation	18	26	33	36	39
EBIT	86	81	108	151	192
Interest expenses	10	15	16	16	16
Profit before tax	86	68	93	136	176
Provision for tax	21	15	24	34	44
Adj. profit after tax	65	53	70	102	131
Share of Minority in profits	0	0	0	0	-
Profit after tax	65	52	70	101	131
Shares outstanding	2.7	2.7	2.7	2.7	2.7
Adjusted EPS	24.3	19.6	26.0	38.0	49.0

### Common size metrics- as % of net revenues

Year to March	FY22	FY23	FY24E	FY25E	FY26E
Operating expenses	78.6	81.9	80.9	80.8	80.6
Depreciation	3.7	4.4	4.4	3.7	3.3
Interest expenditure	2.0	2.4	2.2	1.7	1.4
EBITDA margins	21.4	18.1	19.1	19.2	19.4
Net profit margins	13.4	8.8	9.4	10.4	11.1

### Growth metrics (%)

Year to March	FY22	FY23	FY24E	FY25E	FY26E
Revenues	56.2	22.7	24.2	31.9	21.1
EBITDA	54.5	3.9	31.2	32.5	22.7
PBT	59.9	(20.9)	37.3	45.7	28.9
Net profit	65.5	(19.1)	32.6	46.0	29.0
EPS	65.5	(19.1)	32.6	46.0	29.0

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Balance Sheet						(INR cr)
As on 31 <sup>st</sup> March	FY22	FY23	FY24E	FY25E	FY26E	
Equity share capital	5	5	5	5	5	
Reserves & surplus	248	298	360	451	569	
Shareholders funds	254	303	366	457	574	
Total Debt	137	221	241	241	251	
Other Long Term Liabilities	11	11	11	11	11	
Deferred Tax Liabilities	5	5	5	5	5	
Minority interest	3	4	4	4	4	
Sources of funds	409	543	625	716	845	
Gross block	279	426	526	576	626	
Depreciation	85	111	143	179	218	
Net block	194	315	382	397	408	
Capital work in progress	21	21	21	21	14	
Total fixed assets	215	336	403	417	422	
Investments	31	23	23	23	23	
Inventories	104	131	162	214	259	
Sundry debtors	100	103	128	169	204	
Cash and equivalents	11	10	12	23	72	
Loans and advances	92	117	145	192	232	
Total current assets	339	384	471	621	791	
Sundry creditors and others	79	78	119	157	190	
Provisions	65	89	111	146	177	
Total CL & provisions	144	168	230	303	367	
Net current assets	195	216	241	318	424	
Misc expenditure	-	-	-	-	-	
Uses of funds	409	552	644	735	845	
Book value per share (INR)	95	114	137	171	215	

Cash flow statement						(INR cr)
Year to March	FY22	FY23	FY24E	FY25E	FY26E	
Operating Profit After Tax Before WC changes	82	92	117	152	185	
WC Changes	(45)	(31)	(23)	(66)	(57)	
CFO	37	61	94	86	127	
CFI	67	130	98	48	48	
CFF	21	68	6	(27)	(30)	
Total Cash Flow	(9)	(1)	2	11	49	

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### Ratios

Year to March	FY22	FY23	FY24E	FY25E	FY26E
ROAE (%)	28.7	18.6	20.6	24.5	25.4
ROACE (%)	24.2	17.0	18.3	22.1	23.9
Debtors (days)	75.7	63.3	63.3	63.3	63.3
Current ratio	2.1	2.2	1.9	2.0	2.1
Debt/Equity	0.5	0.7	0.7	0.5	0.4
Inventory (days)	79	80	80	80	80
Payable (days)	76	59	59	59	59
Cash conversion cycle (days)	78	85	85	85	85
Debt/EBITDA	1.3	2.1	1.8	1.3	1.1
Adjusted debt/Equity	0.5	0.7	0.7	0.5	0.4

### Valuation Parameters

Year to March	FY22	FY23	FY24E	FY25E	FY26E
Diluted EPS (INR)	24	20	26	38	49
Y-o-Y growth (%)	66	(19)	33	46	29
Diluted P/E (x)	36	45	34	23	18
Price/BV(x)	9	8	6	5	4
EV/Sales (x)	5	4	3	2	2
EV/EBITDA (x)	24	24	18	14	11
Diluted shares O/S	3	3	3	3	3
Basic EPS	24	20	26	38	49
Basic PE (x)	36	45	34	23	18



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