

CARYSIL LIMITED
(Formerly known as Acrysil Ltd.)

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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,
Mumbai - 400 051
Trading Symbol: ACRYFIL

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Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the transcript of Q2 & H1 FY2023 Earnings Conference Call for Un-audited financial results for the quarter and half year ended September 30, 2022 held on Thursday, November 10, 2022.

This is for your information and record.

Thanking you,

Yours Faithfully,

For **CARYSIL LIMITED**
(Formerly known as Acrysil Limited)

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“Carysil Limited
Q2 & H1 FY2023 Earnings Conference Call”
November 10, 2022

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 10th November 2022 will prevail.



**MANAGEMENT: MR. CHIRAG PAREKH - CHAIRMAN & MANAGING
DIRECTOR – CARYSIL LIMITED
MR. ANAND SHARMA – CHIEF FINANCIAL OFFICER –
CARYSIL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Carysil Limited Q2 H1 FY2023 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 the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chirag Parekh, Chairman and Managing Director from Carysil Limited. Thank you, and over to you, Sir!

Chirag Parekh: Thank you. Good evening to all. I wish you and your loved ones health and safety. I hope you have had the opportunity to review our presentation and financial results, which are available on the stock exchanges and our company’s website. I am accompanied by our CFO, Mr. Anand Sharma, and SGA, our Investor Relations adviser on this call today.

To begin with, we are happy to announce that the company name has changed from Acrysil Limited to Carysil Limited. The company's name changed to increase brand recall value, introduce Carysil as a global brand and strengthen its global presence.

Now let me begin by giving an update on the global scenario.

US, and European economies continue to grapple with an inflationary environment. However, the pace of it is slowing down. The export market, is witnessing a periodic slowdown phase due to higher inventory levels maintained due to COVID period by our customers.

Based on the feedback received from customers, we understand that the secondary sales of Quartz Sink are still growing and it continues to have sustainable demand in online and retail segments. The high inventory levels built up by our sales channels are getting liquidated slowly hence, we expect ordering levels for Quartz Sinks to increase from Q4 FY2023 onwards.

Our newly acquired business, Sylmar, which operates in UK has performed well in the current business scenario. The quarter's sales witnessed strong growth sequentially and on a yearly basis.

Indian economy:

Indian economy has shown tremendous resilience to global cues and has a high demand for Quartz Sinks. We now have sufficient capacity to fulfill demands in the domestic market, which is continuously growing.

Recent update:

Our relationship with Grohe and IKEA is getting stronger day by day. We have doubled our supply to IKEA and sales to Grohe is increasing year-on-year basis. In addition, we are trying to establish new partnership alliances with global businesses for their global requirements.

In our steel sink category, demand for Quadro sinks is on the rise, and we have witnessed a healthy growth in revenues in H1 FY2023 on Y-o-Y basis.

Expansion:

We had mentioned in our last call that high-tech faucets are in demand in global markets. We have started working on the faucet assembling line for 10,000 units and supply will start from Q4 FY2023 onwards. We have witnessed good enquiries for procurement of faucets by export customers as well as premium customers like IKEA and Grohe.

Further, we have received orders from France and other countries for new PVD sinks and other under mount sinks, which will be a great opportunity in export market.

Given the current global operating environment, the Board has decided to postpone the expansion of an additional 200,000 capacity of Quartz Sinks.

Further, looking at the growing demand in built-in kitchen appliances, we have decided to utilize the resources for the manufacturing /assembling of approximately 200,000 built-in kitchen appliances, to become Atmanirbhar in this segment. This expansion will take place in 2 phases i.e. 100,000 units in Q1 FY2024 and balance 100,000 units in Q3 FY2024.

Further, the capacity expansion of Steel Sinks by an additional 90,000 sinks is expected to complete by December, 2022.

New innovations at Carysil

Like we mentioned in the last call, we have filed a patent for green sinks technology, which will be manufactured from organic materials with Charcoal, spinach and beetroot. The pigmentation is natural and sustainable and we will soon launch in the Paris exhibition on November 19, 2022. This will have a positive effect on the environment and the product's acceptance will be very high. This is a breakthrough innovation in the sink industry.

We are in process of developing a new type of sinks, which will have double the strength compared to the existing sinks without any further increase in manufacturing costs. The improved sink will result in reduced packaging costs. This will also lead to reduced packaging size which will allow us to ship more sinks per container, thereby reducing shipping costs. We expect to complete this invention by the end of December, 2022, and the supplies will start in January 2023.

Keeping in with our vision of taking the brand globally, we are launching the Carysil and Sternhagan brand in Dubai in December 2022. In order to further strengthen our foothold in exports market we acquired a separate Gulf head for export business. We have also appointed, chief of staff to oversee our foreign operations and another business head to overseas institutional sales.

Future growth global market:

The current ongoing geo-political tensions and energy crisis in Europe are presenting a very strong opportunity for Carysil on a medium to long-term basis. The Economies of Germany, Italy and the rest of Europe, excluding France, continue to suffer from the energy crisis. As a result, their production costs have grown up to a very large level.

Currently, 3 million to 4 million sinks are being manufactured in that area around Germany and Italy. The rise in cost and the inability to manufacture as compared to levels and to sustain escalating cost inflation levels will ultimately work to our advantage. The ongoing crisis has presented us Europe plus 1 opportunity therefore, Carysil has tremendous potential to enter into the market and bridge this supply gap, ultimately leading to an expansion of our customer base across the globe. We are already in discussion with a few of the customers for their future requirements.

Future growth Indian market:

Further, inspite of the global recessionary trends, Indian economy has shown strong resistance. We are strategizing to increase our penetration in Indian markets over mid to long-term.

We are witnessing a strong traction in the domestic markets. Over the last few years owing to capacity constraints, we were not able to ramp up our supplies to the Indian market. However, we are currently well equipped to seed the domestic markets as well.

Keeping in mind the growth opportunity we have already taken a few steps including:

- 1) appointment of Vaani Kapoor as the brand ambassador;

2) increase our dealer count to 2200 as on September 30, 2022 with an aim to increase 3,000 by end of 2023.

For H1 FY2023, our domestic revenues have increased by 58% Y-o-Y to Rs.71 Crores. We aim to achieve a turnover of Rs.300 Crores in the domestic market in the next two to three years.

I would like to hand over the line to Mr. Anand Sharma, our CFO, to update you on the company's financial performance. Over to you!

Anand Sharma:

Thank you, Sir. Good evening, everyone. Let me take you through the consolidated financial performance of the company.

Q2 FY2023 performance: Consolidated total income stood at Rs 139.2 Crores for Q2 FY2023 as compared to Rs 121.9 Crores in Q2 FY2022. The consolidated income for Q2 FY2023 includes income from the newly acquired subsidiary Sylmar Technology Limited. While our export sales is down by approximately 21% on a Y-on-Y basis, on account of geopolitical situation, the decline was partly offset by 20% growth in our domestic market on Y-o-Y basis.

EBITDA of the company for Q2 FY2023 stood at Rs 22.7 Crores as compared to Rs 29.7 Crores in Q2 FY2022. The decline was primarily due to lower sales leading to under absorption of the fixed costs. Profit after tax after the minority interest stood at Rs 9.2 Crores in Q2 FY2023 compared to Rs 17.7 Crores in Q2 FY2022.

Coming to the **H1 FY2023 performance:** Sales volume for Quartz Sinks stood at 297,252 units, stainless steel sinks stood at 58,294 units, and kitchen appliances stood at 15,668 units in H1 FY2023. Total income stood at Rs.310.5 Crores for H1 FY 2023 as compared to Rs 221.2 Crores for H1 FY2022, which registered a growth of 40% on Y-on-Y basis. EBITDA for the company for H1 2023 stood at Rs 57.1 Crores as compared to Rs 53.2 Crores in H1 FY2022 a growth of 7%. Profit after tax after minority interest stood at Rs 23.9 Crores in H1 2023 compared to Rs 31.1 Crores in H1 FY2022.

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

Moderator:

Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Pranav from Equirus Securities. Please go ahead.

Pranav Mehta:

Thanks for the opportunity. Sir, I wanted to understand how the demand as such because of the big box retail is now having a lot of inventory built up in the last 6 months. So obviously, they are facing some difficulties in liquidating them. But as you said that from

4Q onwards, you believe that demand should start picking up for Quartz Sinks. Is that correct?

Chirag Parekh:

Yes.

Pranav Mehta:

Sir, as you said Germany, particularly with the EU facing a lot of problems and you had highlighted this in the last call as well. So that the opportunity size or market share gain for you guys how much can you see a kind of market share gain for Schock Technology Quartz Sinks because of this? Can you throw some light on the same?

Chirag Parekh:

Like I said in my last paragraph in my speech that there are about 3 million to 4 million sinks manufactured by our competition just in Germany and Italy. Now whatever we have seen from reliable resources and heard from our customers is that our competition is increasing the price almost every few weeks, which will make us India, especially Carysil a probably the most competent low-cost producer in the world. So we already see this traction. We already see this business transferred to us. We are already talking to a few companies, one or two customers have already moved to us. Few are in discussion, honestly, I think it could be anybody's guess. We can probably get another storm coming in, in FY2023-2024, if things do not go well for them. As of now, it seems things are not going well for them, and I think we are crossing our fingers. We are quite optimistic. The business will come to us. India is tremendous in terms of whereas compared with global situation. We are quite hopeful that the large chunks of business will come to us next year. Now to what extent it could be anybody's guess.

Pranav Mehta:

Sir, can you throw some light on the standalone EBITDA margin getting impacted this quarter? Was this because of operation deleverage that is because of lower volumes that you generate or was something else there in this as well? Because the credit cost has started coming down so that would be a major part of your, that should be positive volume.

Anand Sharma:

Yes. standalone sales down by 12% primarily because of the lower export sales, and because of that there is a lower value addition happened. Now the fixed cost level is the same or we have controlled. But with the sales, lower by 12% we have a lower margin, number one. Number two, if you see the exchange differences that have also played its part. In the last compared quarter, we have around Rs 2 Crores 85 lakh exchange gain, which in current quarter is loss of Rs 2.5 Crores exchange, this all notional loss, MTM. But of course, it is a part of the profit and loss account, and as I said, like interest and depreciation, whatever we have put in for the capacity that all is coming, but corresponding, the volume has not come thus impacting profitability. So overall, the business fundamental is the same or and remain strong and we have controlled our costs. With every sales rise, the EBITDA margin will return to the normal level.

Pranav Mehta: Sir, we can consider this to be a bottoming out of the EBITDA margin from next quarter onwards, you should see improvement in margins coming in on a standalone level?

Chirag Parekh: I think as I said in my last investor call also, we are expecting 1 or 2 soft quarters till this inventory, which is a temporary phase now. So I think we will face some challenges. But we are looking at Q4 things to improve.

Pranav Mehta: Sir, my last question was related to, as you said that next year onwards, you believe things should improve quite well because of the shift and EU plus one kind of strategy being adopted by the big box retailers. So since you have postponed the Quartz Sink capacity addition, are you confident that if the demand picks up very strongly, you will be able to service that? Or how should we look at this?

Chirag Parekh: Yes. I think what we are doing is answering very quickly. We work as strong traction in the built-in- appliances in India, and we already have about 70% increase in sales in the built-in- appliances sector, which was last time it is expected to grow quite fast. While we already have infrastructure enough land in infra even to increase the production of 1.5 million units also if we have to. Yes, there we are ready for further expansion, but the company has enough infra to build it up. So we will do big. Right now, the priority is appliances, is the traction there. So we have moved that. Now slowly, if we have seen a month or 2 because there are large contract, which has come into play, which will probably give some few months' time for us to increase our capacity. So the company is well equipped to expand to 1.5 million units within 6 months at any time.

Pranav Mehta: Thank you very much.

Moderator: Thank you. Our next question is from the line of Harshil Shethia from AUM Fund Advisors. Please go ahead.

Harshil Shethia: Sir, my question is if we are bullish that the demand will start coming back in Q4 onwards, then due to the competitors dying in Europe and India would be the only option available to provide them with low-cost supply then why are not we going ahead with the capex and putting up the capacity upfront, so that once the demand comes, we are ready with the capacity rather than waiting for the demand and then setting up the capacity?

Chirag Parekh: We already have 1 million sink capacity in place right now, which is quite sufficient even with the increase in the order. Now beyond 1 million sinks if it comes, any of the customers will give up in 6 months to expand, it will not be overnight. So we feel that 1 million sinks will be sufficient to cater to all the new enquiries and demand, which will come.

- Harshil Shethia:** Sir secondly, I want to ask how much volume is being supplied by the competitors to in Quartz Sinks market and our volumes are around 600000 sinks further you have like annualized?
- Chirag Parekh:** Total Schock Technology is approximately 4 million units sold and all are manufactured in Europe, and all these 4 million sinks are having challenges for energy, inflation, and not just that, the supply chain also is going to be a very big problem.
- Harshil Shethia:** In this 4 million sinks, does this include our volumes of 600000 sinks?
- Chirag Parekh:** No, that is not included.
- Harshil Shethia:** On average, the global industry is 4.5 million sinks, correct?
- Chirag Parekh:** the total leaves us about 5 million sinks of Quartz Sinks have been manufactured, which Schock technology has almost 80% market share. Another 1 million sinks are being manufactured in Europe by some Eastern European manufacturers, which are not Schock Technology.
- Harshil Shethia:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.
- Udit Gajiwala:** Thank you for taking up my question. Sir, firstly, on the capex that we have deferred, what will be the already cost that we must incur for that, which we have already postponed now?
- Anand Sharma:** We have kept the infrastructure ready. We have invested in the buildings and infra and land. So that is all we have invested, around Rs 20 Crores. Now this infrastructure, what we have built in that we will use for our built in appliances till we get the further boost in the Quartz Sink. So infra is available, we can use that for the built in appliances as well as for the Quartz Sink manufacturing.
- Udit Gajiwala:** What will be the further capex that we will incur for setting up this built-in appliance plant, and what will be the phase wise capex for 1 lakh for each unit and the top revenue that we expect from this capex?
- Chirag Parekh:** Primarily, we plan to do more assembling than manufacturing. So the total capex that we would be about Rs 20 Crores on the first phase for the 100,000 is expected to be around Rs 10 Crores.
- Udit Gajiwala:** What will be the revenue potential from the same?

- Chirag Parekh:** Approximately Rs 50 Crores to Rs 60 Crores from the first phase, the total will be about Rs 120 Crores with the Phase I, Phase II of 200,000 units.
- Udit Gajiwala:** This peak, we should be expecting by 2025, right, if we start the second phase in Q3?
- Chirag Parekh:** Phase 2 is expected to be complete next year.
- Anand Sharma:** The first phase we expect in the Q1 of the next financial year, and the second phase in Q3 of the next financial year.
- Udit Gajiwala:** My directional question is whether the peak revenue will be achieved in next year itself in 2024 is what we are expecting?
- Anand Sharma:** Peak revenue will come in FY2025, not in FY2024. The peak will come in FY2025 because we will get only a quarter for the second phase of expansion.
- Udit Gajiwala:** Sir, on the quartz and stainless steel sink, in domestic, what will be the cost difference now, and how is the demand in domestic shaping up?
- Chirag Parekh:** The quartz sink is still our premium sink and it is the fastest-growing category, like I said, not just globally but also in India. We have an average rate in India, which is coming to 5500 and steel sinks about 4000. So there is approximately about 20% - 25% difference between the steel sink and the granite sink.
- Udit Gajiwala:** Sir, lastly, on the export that we are expecting the situation to turn around from Q4, and like you mentioned that we could set up 150000 capacity of quartz sinks in 6 months. So will that be on the existing land or will we have to incur further capex for it?
- Chirag Parekh:** I said to just re-correct here I said 1.5 million sinks we can do. We are already at 1 million. So 0.5 million sinks we can do within 6 months, we already have enough land to build up capacity. So we do not have to put any capex in the land.
- Udit Gajiwala:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.
- Nikhil Gada:** First, could you provide the financials for STL please, the revenue, EBITDA, PAT?
- Anand Sharma :** Okay. You move to next question, Nikhil, I am just taking that out.

Nikhil Gada: Sir, now we have seen a fall of close to 25% - 30% in volumes in quartz, and that is somewhat is also reflective in Q3 as well. Post that, I know it might be a bit difficult, but is it possible to achieve the sort of run rate we used to do prior to the slowdown in Europe that you are seeing because we have expanded so much in other geographies as well?

Chirag Parekh: Yes. 100% is going to come back. I mean there is no reason why it should not come back. See we all know that the fundamental of the business is very strong, where the ground level, the quartz business is roaring that is the first thing, I think I would be concerned at the ground level, things are not taking shape. But the ground level when the quartz sinks, as I said, the hybrid culture, is still existing in every corner of the world, and that is why the home improvement sector is still improved like US like guys like Home Depot and Lowe's from sources said that they are increasing 7% of our online sales in home improvement. This scenario is not going to change anymore. People will work from home culture is there. The demand is very strong. The home improvement sector is still doing well. Now because of inflation issue mostly the revenge travel inflation and the geopolitical situation. It is a temporary phase. We all know that. It will take 3 months or 6 months, but the demand is not going anyway. Demand is coming back. So we are very bullish that whatever we created, will come back, and not only that, maybe in a year or 2, we will have to expand another phase because the traction is there in the quartz sink business. It is taking out this share. You guys are more expert than me that anything is for inflation with if interest rates are more, there is a softness in the home, in the mortgage business, and home infra business, but that eventually would be bottleneck is not it, once the interest rates go down, there is going to be, again, traction in the home sector. Yes, so we will have a little bit bear the brunt of this current situation. But yes, we will be out of there quite soon.

Anand Sharma: Coming to your first question, I am reading the numbers from Sylmar Technology. So in the Q2, we achieved turnover of £3.6 million against last year, £3.19 million, growth of 14.8%. EBITDA is £588000 against last year, £505000, growth of 16.5%, PBT £534000 against last year corresponding £440000, a growth of 21.3%. PAT £433000 against last year £371000, a growth of 16.8%. So overall, Sylmar Technology has done good numbers sequentially also and Y-on-Y also.

Nikhil Gada: Just one last question on the built-in appliances business. We are already operating in the kitchen appliances space, and now with this in-house sort of assembling and manufacturing is it sort of just a replacement of the sales we are going to do? Or do we believe that this is because Rs 120-odd Crores is what you are expecting by FY2025. So that would be a sizable number, right, to what we are doing right now?

Chirag Parekh: It may compensate a little bit, but this is mostly to drive on different parts, different kinds of built in appliances we would like to do for India. The supply chain from China is still a challenge. I mean still have very big challenges, and we cannot go on imports. I mean, one,

we do not get consignment dollar has gone to 83. I mean, we cannot just do it. We cannot just run, and I think our technology of stainless steel fabrication gives us enough edge to manufacture this. So yes, it is going to be a new line. It is going to be a new type of kitchen hood that will be more innovative also kitchen hoods which we have tied up with some engineering companies. We also have just recruited, slowly going to build engineering and our technology team. The first lot is being recruited. We are going to join in 1st January, including engineers from IIT and we have some plans in mind, which we cannot unveil, but yes, we do have some dynamic plans, which will change the feature of the kitchen hood and hob industry in India with some completely new engineered appliances.

- Nikhil Gada:** It would largely be domestic, right? No exports?
- Chirag Parekh:** Largely for domestic. Yes.
- Nikhil Gada:** Got it Sir. Thank you so much. I will come back in the queue.
- Moderator:** Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** My question is on the gross margin side. The half yearly gross margin is completely different from what we had last year. So there is about 500 to 600 basis point difference, is it to do with the resin and raw material prices in quartz or is it to do with anything else?
- Anand Sharma:** I think the margin is one the factor of the prices of these pigments and MMA has gone up, but that has affected a very small, most is because of the freight and the cost of imports, and the corresponding costs associated. Once the volume is down, I think gross margin per unit has not gone down. But, overall, it has affected the operating margin.
- Pritesh Chheda:** Sir, the gross margin is down 500 basis points. So I can understand, your EBITDA margin assessment between Q2 and Q1 because of the volume itself is down?
- Anand Sharma:** Yes. Consolidated when you are talking about a merger of Sylmar from this quarter, I mean, from last quarter, last corresponding Sylmar was not there, Sylmar cost, gross profit margin is very different from what we have in India. So that is why that margin difference will come.
- Pritesh Chheda:** Now I understand. But is there any material led gross margin, which can improve from here on?
- Chirag Parekh:** Yes. These freight costs have almost come back to pre-COVID levels now, and also the input costs are going down. So I think on the gross margin side, you will see improvement.

- Pritesh Chheda:** My second question is volume. Let us say, until Q4 of last year, we were speaking that we would do about 900000 volume in sinks this year and may utilize our capacity fully of 1.3 million next year, now with the capacity going to only 1.1 million. What could be your best guess for volumes this year and your best guess for volume next year?
- Chirag Parekh:** We believe that starting from Q4, you will see some improvement. I think it is anybody's guess now what quarter where things are inflation starts coming down, this geopolitical situation, I think it is very, very hard to tell what it is, but we are quite hopeful that I am wishing that by half year next year mid of half next year, things should start falling back in place, and at least, we should come back to the level of Q1.
- Pritesh Chheda:** Q1, I do not know the Q1 volumes so...
- Chirag Parekh:** I can tell you, we can give you later on. You want it now or later.
- Anand Sharma:** I can give you the numbers. On the Quartz sink side, we have a volume of 170000 units in Q1 and 127000 in Q2. Our best guess is that from the Q4 onwards, we will be back to the 170000 kinds of level. That is what he was talking about.
- Pritesh Chheda:** Okay. Understood, and from there, we will start growing, , from the 170000?
- Chirag Parekh:** It is like quote and unquote. We still have to take into consideration the issues around us. But if you ask our guess, it would be our guess, and if not Q4, it will be Q1. But we are saying that things will start falling back into place. It is just a matter of time at what period, Q1 or Q2 here and there, but yes, it will start coming back in place.
- Pritesh Chheda:** Thank you very much Sir and all the best.
- Moderator:** Thank you. Our next question is from the line of Prasheel from Kitara Capital. Please go ahead.
- Prasheel:** My question was regarding the cost difference between you guys and suppliers in Europe you said you are getting more competitive because of the energy cost rise in Europe. So what is the difference now?
- Chirag Parekh:** We were already around 20% to 25% cheaper before this crisis hit, and now we should be more competitive by 35% to 40%.
- Prasheel:** You mention 4 million units that are getting manufactured in Europe? What kind of shift do you see in the coming year, maybe two years? If the situation continues to be the way it is right now?

- Chirag Parekh:** Yes. It could be anybody's guess, is not it? Now whether that is a million sinks coming to us or 2 million sinks that all depends upon the customers over there, what they would like to do, but the signs are showing that it will come towards us because we are one of the only 4 licensees of the shop. So we are quite confident that it should compare to what volume, to what extent? Like I said, we are not.
- Prasheel:** Lastly, one data keeping question. You mentioned that Rs 10 Crores is that the right amount that you need to spend more to convert the 200000 unit capacity you have been making for sinks to shift back to built in kitchen appliances?
- Chirag Parekh:** Yes.
- Prasheel:** Thank you.
- Moderator:** Thank you very much. Our next question is from the line of Anika Mittal from Nvest Research. Please go ahead.
- Anika Mittal:** Sir, you were talking about Sylmar Technology. The company is performing well as the financial shared by our CFO so manufacturing plant is also in UK. So is it not facing any crisis?
- Chirag Parekh:** Exactly my point. It is a good question because Sylmar Technology does not carry on inventory. After all, it is on made to order business. So even with this crisis in UK, our order book situation is still very strong. So we clearly said that the home improvement sector despite all the challenges is still doing well.
- Anika Mittal:** Demand is there, you are saying?
- Chirag Parekh:** Yes.
- Anika Mittal:** That is the point because that is why STL is reporting good numbers?
- Chirag Parekh:** Exactly.
- Anika Mittal:** Sir, the second thing is we are entering into this building appliance side. So Sir, this is being what our competitive advantage? Do you think it will be an opportunity for us or will it give us the extent of that much growth that we will target from quartz sinks because the market is very competitive there, and the margins, I think also shall not be the same?
- Chirag Parekh:** Built-in appliances, and margins could be better than the quartz sinks also. That is what we expect because it is more of a lifestyle quartz and whatever the innovation and the new engineering we are planning to see, it will completely change how the kitchen hoods are

manufactured. So it is going to be a very novelty item, and plus we would be manufacturing the item, which is currently in high demand in India with some more added features to it. So yes, the gross margin side, if not more, it will be the same as the quartz sinks side.

Anika Mittal: I was talking from the competition point of view, I mean, will we be able to get that much growth that we will be expecting from the quartz sinks expansion? That was my question.

Chirag Parekh: Very quickly, I will share the data because we just had 2 day back sales conference. We informed the sources, and what my sales team got, the total built-in-appliances market in India is about Rs 3300 Crores. Out of it, 50% of the market is shared between Elica, KAFF, Siemens, Bosch, Faber and Carysil. So you are talking about organized sector of Rs 1500 Crores so in this Rs 1500 Crores, there are only 5 players in India. We are not considering the built-in appliances like low cost of the choolaaah Sunflame and other Pigeon, and no that is not the sector we are into, which is a low-margin segment. So we are into more of a premium segment, which is our potential market putting at a Rs 1500 Crores.

Anika Mittal: What is the expected growth for this Rs 1500 Crores market?

Chirag Parekh: The whole appliance industry is growing about 15% year-on-year. Like we said, the first phase is going to do 200000 let us see, let us go for a year, and then we will be able to throw some more light to you closer to that.

Anika Mittal: You were saying from Europe plus one opportunity kind of thing is going on, 1 million, to 2 million. Have I heard it right this many units will come to you, 1 million or 2 million?

Chirag Parekh: I said what is coming, I do not know. It can come from 1 million to 2 million units also. That is what I said. I do not know or we rather do not know what that is exactly, but the potential is there about 1 million, 2 million. Now let us see what comes to us.

Anika Mittal: That is all from my side.

Moderator: Thank you. Our next question is from the line of Anshul Mittal from Care PMS. Please go ahead.

Anshul Mittal: , Sir, I wanted to ask about the goodwill increase, which we can see in Rs 80 Crores so what is our plan for amortization going forward?

Anand Sharma: Goodwill is on account of the acquisition of Sylmar Technology Limited, and in the UK, they amortized in 10-year time. But in India, there is no requirement for amortization because it is a purchase goodwill. It is not a revaluation done. So in our books, goodwill stands in consolidation, whereas in UK books, it will get amortized in the next 10 years.

- Anshul Mittal:** Sir, what will be the peak debt after all the expansion going forward? Currently, it is close to Rs 130 Crores.
- Anand Sharma:** It will grow by another Rs 20 Crores, Rs 25 Crores in the next financial year.
- Anshul Mittal:** Sir considering that our appliances and faucets businesses were focused on a domestic angle. So will we be able to maintain the margins of 20%, 22% considering the distribution channel?
- Anand Sharma:** The margin profile in built in appliances is even better compared to quartz because that is a lifestyle product, and there is a different range where the prices are very high, and with currently what we have the margin is only a trading margin. Now with the manufacturing margin coming, our margin profile will also increase. So we believe that we will have a better margin.
- Anshul Mittal:** Thank you. That is it from my end.
- Moderator:** Thank you very much. Our next question is from the line Chirag from RatnaTraya Capital. Please go ahead.
- Chirag:** Just a quick clarification question on the destocking that some of our customers are seeing could you broadly share what kind of inventory days they carry and currently, what those numbers would be? I understand they might not be exact numbers, but what is your best estimate of the inventory that they, on average, carry and what it is today?
- Chirag Parekh:** We are not in a position to tell you what numbers would be, but we see at least a 4 month's inventory.
- Chirag:** 4 months inventory?
- Chirag Parekh:** Yes.
- Chirag:** On the secondary demand side, is there any place where you are seeing the impact of inflation and interest cost rising? Is there any case where the secondary demand is also seeing some weakness? Is there any sector or segment or geography that you have seen?
- Chirag Parekh:** Like I said, the business's fundamentals are still very strong. The quartz sinks continue to grow. But yes, there has been the secondary demand is still very good. There is a small about 8% to 10% decline in secondary sales. It is not what the impact you see compared to the primary sales, and I think we also see the new customers coming in, we are tying up with new customers. So I think that will offset with the new customers coming in, and that you are talking the second is it as of now. So we are talking right now in the worst situation

where there is about 10% decline in the secondary sales and we expect the situation to improve from Q4.

Chirag: Just one more question, if I can squeeze in on the domestic side, quarter-on-quarter, there has been some moderation in the sales whereas our sort of dealer network also has gone up by some 200, 300 dealers there also, is a moderation in the secondary sales that you have seen this quarter has given monsoons and everything else? Or is it just something that is a minor blip and from next quarter onwards, things will sort of again normalize there on the domestic front?

Chirag Parekh: Correct. I think on the quartz sinks what has happened here so much of backlog we had, which we had 3-month backlog. So we shifted to all our distributors. So I think destocking to large amounts with the domestic is also taken place, and then the rains got really at this time when prolonged rains across states in India, and now, yes. So now I think the Indian market is also getting easy on the stock levels. The sales have started rising we will see quite a big improvement now in terms of sales in India.

Chirag: Thank you so much Sir.

Moderator: Thank you. Our next question is from the line of Ranodeep from MAS Capital. Please go ahead.

Ranodeep S: Thanks for the opportunity. My question is what is long-term split of revenue share that you see between India and the Rest of the World from the present 29:71 ratio?

Chirag Parekh: On the long-term, I think we see the India versus export revenue will be about 50%:50%.

Ranodeep S: Just a continuation to that question. What is the game plan in terms of ramping up the India penetration, say, 2200 dealers as of today, where do you see this heading in the next 2 to 3 years, and also we see that distributor network seems to be stagnant at 82 so any thoughts over there?

Chirag Parekh: We have a lot of work to do in India. We just had a sales conference 2 days back, in which we are appointing new team. We are expanding our sales team organization across the board. We are planning to double our sales force in India. We are also trying to fill up gaps where there are distributors, where you need in play, where we need galleries in place, and where we need experience centers. So the plan should be ready in the next 60 days' time. So we are doing everything in India. We see a lot of gaps. We have not still had time in the last year or 2 because we had so much busy in expanding our sink capacity for the global markets, and we see and India has taken a hit by that. Time for us, I think we have now time to pull back our socks, and start looking at India seriously, and we have already started taking action on that. Within the next 60 to 90 days, we plan to at least have a 50% increase

in sales force, and by March, we plan to double the sales force right now. In the mid-term to long-term which is around 3 to 5 years, we plan to have a dealer network of about 5000 dealers across India. Strategy for distributors will come into play by a quarter in January when we finalize our AOP for next year because the strategy decision will have to come that we will have to appoint direct dealers with the showrooms or you will have more distributors for displays. So that, again, is a separate strategy for built-in appliances and sinks. We have also looked in Deloitte to do the short-term plan within the next 2 to 3 years, how do we achieve a Rs 300 Crores of revenue in India and yes, so we will be doing everything in our prowess to see that, how do we try to do a Rs 300 Crores of revenue in India in the next 2 to 3 years.

Ranodeep S:

Sounds exciting. My second question, how will you defend this exclusivity in the quartz sinks production in India? What is that will help you keep competition at bay? I understand it has been a long time since you have this exclusive technology, but what is the reason which will ensure that you guys remain exclusive?

Chirag Parekh:

The way we have ensured is going to ensure is that Schock is not going to give technology into any other partner, and while we say that Schock is not giving any technology to partner, and I do not think any going but in future they plan to do because they already experienced Acrysil, as a very strong competitor, and while Schock does not give, manufacturers are coming in, in and out. Every month, we see somebody coming somewhere trying to make the quartz sinks like us, and we still have a 90% market share probably in India. So it is a technology, which is not just done by a machine. It is a technology from the formulations to the moulds to how it manufactures to the scale of the manpower, you need a lot of experience to come out with good brand sinks. It is not easy. So that is one. Number two, let us assume that even if somebody comes, the innovation taking place, like I said, we are doing this for the first time and a very important point, I would like to say, the engineering technology department, which Acrysil is planning to stay ahead from Q4, we have our team where the IIT teams and the other teams are going to join us. So we are going to ensure that in every category, we stay ahead as a leader in categories which we are not, we need to create more innovative products to be leaders. Quartz 100%, like I said, the green sink, the IP are going to play a major role in staying ahead of the competition. We have already filed 2 IPs recently almost worldwide. One is the green sinks. We are the only company in the world that makes green sinks from bio quartz that is one. Number two, the SuperX technology, we filed a patent where the sink is going to have double the strength, even then a Schock sink, and the more and more online sales happening across the world, the customers are going to prefer to have our SuperX technology, which is going to be launched in France and Dubai in the next month's time. So we are very confident, and if this SuperX technology, which is virtually unbreakable thing, which has doubled the strength, which is, I think, would transform the company's growth.

- Ranodeep S:** Thank you for that elaborative answer, and wishing you all the best.
- Moderator:** Thank you very much. Our next question is from the line of Harsh Jhanwar from Centrum PMS. Please go ahead.
- Harsh Jhanwar:** Thank you for the opportunity. Sir, I just wanted to know, if there is any progress on the partnerships which we were looking at. So we were planning to sign a partnership with IKEA for steel sinks, and secondly, there were other discussions going on with other retailers, so any update on the side?
- Chirag Parekh:** Sorry, one was IKEA and the other was what?
- Harsh Jhanwar:** Any other major partnerships in pipeline. Anything which is fructifying?
- Chirag Parekh:** There are many partnerships in the pipeline. That is all I can say right now. Periodically, you will get the announcements we will share with you. We would be happy to share with you. As far as IKEA is concerned, yes, we have tied up with them for the stainless sink and we will be starting there from Q4. We also have an opportunity for stainless steel sink for the UK market. We have tied up and also we will be starting in Q4. For the other products, the steel sinks, PVD and quartz sinks we have some interesting tie-ups coming on the way but periodically, as when the time comes, we will let you know.
- Harsh Jhanwar:** That is all from my side. Thank you.
- Moderator:** Thank you very much. Our next question is from the line of Anay Mittal from Invest Research. Please go ahead.
- Anay Mittal:** Thanks for the opportunity. I think most of my questions are answered. Thanks for that Sir. One question, which is more of a strategic one, like you had a near-term vision and mid-term vision of targets, right, in terms of turnover so do you see any revision due to the stuff that is going on around the globe, and what type of turnover that you are looking for maybe in next 3 years? Do you have any sense on that Sir?
- Chirag Parekh:** So we are still very confident, and we still want to believe that we will touch Rs 1000 Crores sales as what you expected to be delayed by a year, but I think it is going to come. It is going to come back very soon. We have a Plan B in place. So even if there are some uncertainties which we are seeing right now, global survey, we do have a plan B. We will take the appropriate decision at the appropriate time, but we are very confident that plan B will take care of us achieving Rs 1000 Crores in sales within the next 2 to 3 years.
- Anay Mittal:** That is great Sir. Thanks for that. That is it from my side. Thanks.

- Moderator:** Thank you. Our next question is from the line of Munjal Shah, Individual Investor. Please go ahead.
- Munjal Shah:** Good evening management. Thanks for the opportunity. Sir, two quick questions; one, I needed a clarity on that when we mentioned that we are investing Rs 10 Crores. So the Rs 10 Crores is for 1 lakh appliances or the Rs 10 Crores is for 2 lakh appliances?
- Chirag Parekh:** Rs 10 Crores is for 100000 appliances.
- Munjal Shah:** That is Rs 20 Crores, right?
- Chirag Parekh:** Yes, correct.
- Munjal Shah:** Sir, so now basically we are coming up with different basically quality of sinks so when you said that the SuperX tech, which is an unbreakable sink. So if I put the strong sink on our normal quartz sink the steel sink and the faucets and appliances. So basically, in the order of margins or in the order of pricing, will all these in the same range or the super strong sink and the green sink will be higher value-added products compared to our current products?
- Chirag Parekh:** The SuperX will have the best margins, followed by our granite sink, the built-in appliances, and the steel sinks.
- Munjal Shah:** Thank you Sir. That is it from my side. Thank you.
- Moderator:** Thank you. Our next question is from the line of Chintan Mehta from Prudent Broking. Please go ahead.
- Chintan Mehta:** Sir, what is the margin we currently enjoy on appliances and what is the margin we expect after the expansion?
- Chirag Parekh:** I think our current margins are 40%, which we expect to go to 50%.
- Chintan Mehta:** Understand, and these appliances business will be developed under the same brand in Carysil correct?
- Chirag Parekh:** Yes.
- Chintan Mehta:** Sir, if you can throw some light on this 4-month inventory, it is on our side that we have a 4-month inventory?
- Chirag Parekh:** No, the 4-month inventory is on the customer side.

- Chintan Mehta:** Sir, how this contract decided, does this large retailer commit any volume number or how many orders did they maintain in general?
- Chirag Parekh:** We have contracts on an annual basis with a large customer, and they give you quarterly revolving orders for 3 months.
- Chintan Mehta:** That is it from my side Sir. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Anika Mittal from Nvest Research. Please go ahead.
- Anika Mittal:** The STL is not having the inventory, as we mentioned, because the result is good. Our distribution channels have the inventory base because by they are not able to liquidate the inventory in the same period, where the STL can do the same?
- Chirag Parekh:** STL is a different business model. It is customized. They make kitchen and the bathroom platforms, fabricated, based on orders at the site.
- Anika Mittal:** Due to the new business model. So that is what I was saying if they have the demand that does not mean our distribution channels will have the demand.
- Anand Sharma:** No, it is the other way around. See where there is an inventory to be built up, there may be a lag between demand and supply. When there is a customized demand comes first and then supply starts. So there is a difference between the 2 business models.
- Chirag Parekh:** Earlier on the inventory side, also the reason is that we used to have about 12 to 14 weeks of lead time delivery, and now suddenly, increasing the capacity is a million things they have brought on the lead time 2 weeks now. So that is where the gap happened. So the way at what the momentum does take demand was based on that the customer ordered the sinks, and then you have this issue when COVID opened up and you had revenge travel and inflation and all these things.
- Anand Sharma:** Thank you Sir.
- Moderator:** Thank you very much. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Chirag Parekh for closing comments. Please go ahead, Sir.
- Chirag Parekh:** I would like to once again reiterate that the challenges posed by current geopolitical and recessionary trends shall be short-term in nature on a medium and long-term and on a sustainable basis, we see great opportunities for us, the Europe plus 1 and opportunities to increase our penetration in Indian market to grow our business substantially. We have great

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product line and fundamental business remains strong as ever. Thank you, everyone. I hope we have been able to answer all your questions satisfactorily; however, if you need further clarifications or want to know more about the company, please get in touch with our team, our SGA, our Investment Relation Advisors. Thank you once again for taking the time to join us on the call.

Moderator:

Thank you very much, Mr. Parekh and members of the management team. Ladies and gentlemen, on behalf of Carysil Limited, we conclude this conference call. Thank you for joining us. You may now disconnect your lines.