CARYSIL
GERMAN ENGINEERED

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June 01, 2023

To,	To,
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Dalal Street,	Bandra East,
Mumbai- 400 001	Mumbai 400 051
Scrip Code: 524091	**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 May 26, 2023

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the transcript of Q4 FY2023 Earnings Conference Call for Audited Financial Results for the quarter and year ended March 31, 2023 held on Friday, May 26, 2023.

Kindly take the same on your records.

Thanking you,

Yours faithfully,

For **CARYSIL LTD.**
(FORMERLY KNOWN AS ACRYSIL LIMITED)

Reena Tejas Shah
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"Carysil Limited
Q4 FY '23 Earnings Conference Call"
May 26, 2023

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 26th May 2023 will prevail

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

Moderator: Ladies and gentlemen, good day, and welcome to the Carysil Limited Q4 FY '23 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on 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 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 star then zero 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. Thank you, and over to you, sir.

Chirag Parekh: Good afternoon, everyone, and thank you for joining us on Carysil Limited Q4 FY '23 Earnings Conference Call. I hope everyone had a chance to go through our financial results and investor presentation, which were posted on the company's website and stock exchanges. I'm accompanied by our CFO, Mr. Anand Sharma; and SGA, Investor Relations advisors on this call today.

Let me start with some economic updates. In the last financial year, most of the global economies were grappling with persistent inflationary pressures, coupled with disruption in the banking industry. Central Bank across the globe taking calibrated measures to keep the inflation under control. However, the last data suggests that price pressures were easing among most of the global economics. Further the oceans freight have normalized and the supply chains have also reverted to its means.

U.S. debt before remained a key threat to overall positive development witnessed over the last few months. On the other hand, India continues to be on the bright spot in the global economy. Some of the trends such as increases in product spending, rising per capita income, driving demand for housing and an uptick in home renovations augurs well for the improved demand per month.

Now coming to specifics of our business performance for Q4 and FY '23. We're pleased to announce that in FY '23, we have surpassed our medium-term target of INR500 crores, which we finally ended close to INR600 crores. Our focused business approach and broadening of our product offerings across a variety of product categories helps us to achieve our objectives.

Let me talk a bit about our export business first. We are witnessing an increase in the inflow of export orders, and a few economies are showing signs of a rebound in demand. Also, we recently renewed our contract with our customer, Karran USA for the supply of Quartz kitchen sinks worth $68 million, approximately INR550 crores over a 5-year period commencing from FY '24.

Our relationship with Karran started with an agreement in 2017 with INR45 crores, and its average value of sales for the past 2 years had been INR70 crores to INR75 crores approximately.

Karran is rapidly taking on the Quartz kitchen sinks in the United States from other manufacturers.

Furthermore, both Europe and U.K. is showing signs of encouraging of recovery, especially on the demand side of things. However, the progress in Europe has been slow compared to the other markets.

Now coming to the domestic market. While global markets remain uncertain and slow, we must made lots of efforts to expand in India. We are undertaking product expansion, team expansion, launching a range of new models. In addition, we are strengthening our marketing team and increasing efforts to increase our brand visibility in India.

To improve our channel mix and implement B2B strategy, we have decided on -- dedicated team with a different vertical. We look at the flow of business from developers and architects. We are making significant efforts to expand our domestic market presence and increase bio domestic revenues of our total revenue. We have expanded our dealer network to 3100 plus and working closely with our dealers and distributors to penetrate deeper into the domestic market.

Now coming to the steel kitchen sinks. We have doubled our capacity to manufacture steel sinks to 180,000. The additional capacity will be operational from June '23 onwards. On full capacity, we expect to generate revenues in the range of INR80 crores to INR90 crores. On this note, I would also like to mention that we have made a recent agreement with IKEA for stainless steel sinks with the production to commence in the next 4 months' time.

Now coming to the built-in appliances and faucets division. To update on our greenfield project of capex in the appliances division, built-in appliances, especially kitchen hoods and hobs, we wish to inform you that implementation of the project is delayed by 3 to 4 months due to a high lead time of delivery of some critical machineries.

We expect to commercialize the first phase of 100,000 units by end of September; 23 and second phase of 100,000 units is expected by quarter 4 '24. In addition, the faucet assembly line of 10,000 units shall also be operational from September '23.

We wish to update that we have incorporated subsidiary in the United Arab Emirates in the name of Carysil FZ-LLC and cater to GCC markets. The subsidiary will focus on the sale of kitchen appliances and bath products. The subsidiary will be operational from quarter 2 FY '24.

Acquisition of The Tap Factory Limited.

We have acquired 70% of the equity share of “The Tap Factory Limited” based in Yorkshire, U.K. We have option to purchase the remaining 30% in the next 2 years. By acquiring this company, we will be able to compete in the kitchen and bathroom glassware market in U.K. more effectively.

The acquisition also fulfils company's strategic objective of making market-leading brand decision segment and also see the company broaden its portfolio in the U.K. This acquisition will also enable us to have necessary technical know-how for manufacturing and assembling of faucets in India. The name of the company is changed from The Tap Factory Limited to "Carysil Brassware Limited" to align with the group name and brand.

Now coming to our subsidiaries, Carysil Products Limited and Carysil Surfaces Limited.

Our U.K. operating subsidiaries, Carysil Products Limited, erstwhile Homestyle Products Limited and Carysil Surfaces Limited, erstwhile Sylmar Technology Limited, have shown good growth in Q4 FY '23 and expect it to grow further in FY '24.

Successful implementation of SAP in the company.

We are pleased to inform you that we have successfully implemented SAP ERP system in the company to integrate our various functions for better efficiency and controls. The SAP journey was not easy for the company, and it has taken a lots of management time and efforts. With the help of SAP team, Deloitte team and our dedicated employees we have achieved successful implementation in record time.

Since we went live on SAP from 3rd April 2023, our production and sales were operating at a lower scale compared to the normal capabilities in April 2023. This has probably led to a shortfall in our revenue in April 2023. However, we are confident to recoup the revenue loss by the next quarter owing to decent order booking and consistent flow of orders. We are committed to build stronger ecosystem for sustainable growth of the company.

To summarize, I wish to inform you we have successfully sailed through the rough patches in last quarters. And we are confident to achieve 15% to 20% growth in FY '24.

Now I would like to hand over our call to our CFO, Mr. Anand Sharma, to update you on the company's financial performance. Thank you.

Anand Sharma: Thank you, sir. Good afternoon, everyone. Let me take you through the consolidated financial performance of the company.

Quarter 4 FY '23 performance.

Consolidated total income stood at INR145.6 crores in Q4 FY '23 as compared to INR137.9 crores in Q3 FY '23, growth of 6.3% quarter-on-quarter.

EBITDA of the company stood at INR26.5 crores in Q4 FY '23 as compared to INR25.3 crores in Q3 FY '23, growth of 5%.

Profit after tax and monetary interest for the quarter stood at INR12.42 crores in Q4 FY '23 as compared to INR12.05 crores in Q3 FY '23, growth of 3%.

On an annual basis, FY '23 performance.

Consolidated total income stood at INR593.9 crores FY '23 as compared to INR492.4 crores FY '22, growth of 21%.

EBITDA of the company stood at INR108.9 crores in FY '23 as compared to INR114.7 crores FY '22.

Profit after tax and MI stood at INR52.4 crores as compared to INR64.8 crores in FY '22.

Sales volume for quartz sinks stood at 5.14 lakh units. Standard steel sales stood at 1.08 lakh units, and the kitchen appliances stood at 28,895 units in FY '23.

We have incurred a capex of INR60 crores in FY '23. Gross debt of the company stood at INR220 crores.

Thank you. Now I open the floor for questions and answers. Over to the Moderator.

Moderator: We take the first question from the line of Vaidik from Monarch Networth Capital. Please go ahead.

Vaidik: Sir, my first question would be that earlier, we saw European players facing high inflationary issues and energy prices. So I just wanted to check what's the scenario over there? And are we able to grab any market share from this since they were facing some issues?

Chirag Parekh: So unfortunately, I think your audio is bad. But anyway, I think I understood your question is that talking about our competition with the European economy, inflation is higher, right, with the energy issue.

Yes, so what I would like to state here is yes, I think that remains pretty relevant. I think we are facing difficult times. And I said in my last call that we will have opportunities to grab larger market share, and this is what exactly has started to happen. Yes.

Vaidik: So sir, so are we gaining market share over there?

Chirag Parekh: Yes.

Vaidik: Okay, sir. And sir, my next question will be on the Quartz Sinks side. For FY '23, how much did the domestic Quartz Sinks contribute to our revenue?

Chirag Parekh: Yes. FY23, we sold 513,280 sinks. So out of it, 20% is domestic sales.

Moderator: We'll take the next question from the line of Devika Jain from Ratnabali Investments.

Devika Jain: Sir, congratulations on the performance. Sir, just wanted to ask a strategic question. Our core strength has always been sinks. We are the leader, and we have the right to win in this market. Our products are of superior quality and design, and we have demonstrated the company.

However, now we are planning to move beyond being the sinks company. We have launched around kitchen appliances, bath fittings etcetera, and more so catering to Indian market. But the

Indian market will be a different animal. And we may be competing with the likes of Bosch, Samsung, Crompton in the built-in appliances space. If we look at the performance of Sternhagen despite multiple years of presence, it hasn't yielded us any growth as of now.

So how we plan to address this problem differently? Because now we are moving beyond sinks. We are competing in Indian markets with established players. So what are the learnings that we have from the muted response of Sternhagen? And what kind of new efforts are being thrown behind the Indian market this time?

Chirag Parekh: So I think let me first address your first question. The business model for one-stop solution is for India. This I would say 5 years back when we launched it. Out of the total revenue in the domestic market, 40% revenue is through the new product initiatives. If we have not taken this any schedules, I think we would have not able to cross INR100 crores.

As you can see, the Quartz kitchen sink market is premium. There's a limited market share, though it's growing rapidly year-on-year. But when the consumers ask that we want to have a Carysil steel sink if somebody does not want a quartz sink, we need to have an option.

If somebody asked, I wanted Carysil appliance since I'm buying a thing, and that's the demand coming from the market. It is not something what I have thought. So it's still coming from the market side that you need to have a one-stop solution because you already have the channel ready. You need to optimize your the channels and your sales team. So I think that's your answer to question one.

Question number two, and again, I would like to say that Sternhagen is not our focus category. This is a luxury brand, which we just wanted to put in the market to test. It's under making -- we are not even putting 5% of our time on it at this point of time, especially me.

We have a very small team. We are doing very, very niche. So when the right time comes, we will push the button. Our latest collaboration in Sternhagen with Sussanne Khan will probably yield into two- to threefold of sales in the current year, which we've already seen coming.

So I just want to clarify that Sternhagen is not our focus point. It is a test marketing for luxury brands, Sternhagen in India. And I'm sure that when the right time comes, we will be able to press the buttons that we're able to spearhead the growth in this category.

Devika Jain: Sir just trying to understand because I myself had gone down to visit a couple of stores, etcetera. And in the kitchen appliances space, the competition is quite hot, and there are established players with larger marketing budgets. So how would we be able to differentiate within them?

Chirag Parekh: So this question was asked during our launch by many investors and many shareholders. So why are you doing this, and there's a lot of competition, they're an established brand. How do you think Carysil is a kitchen sink company. How are you going to be?

But we have been successful in doing built-in appliances because when Carysil comes, it's -- yes, we are experts in the sinks, but what it also comes, it comes with the trust. It comes with technology and Carysil brands been German engineered.

We have the technology. We have a great quality. We have a great service team. So a lot of trust comes with that, and when you are buying a Carysil sink and you have your Carysil appliances, then it's a one-stop service. You can solve it just by one stop. My guys could come to service all.

Sinks or faucets, we'll also come and service them, appliances. So life becomes very easy for a consumer. You imagine and that was my wife said that please, I want to avoid 4,5 brands in my kitchen because how many agencies I have to call to do it. So this makes life very easy for customer..

Second thing also that the appliances and the built-in appliances, what we have in our category are very different. Not -- every product is different because you'll deal with the competition. It'll be like more in trends, but we have lots of new products, which is is very different in terms of design and technology. So that kind of gives an edge to us.

Moderator: We'll take the next question from the line of Mehta, Pranav from Equirus Securities.

Pranav Mehta: Sir, so I just wanted to understand on the demand scenario. So how are you seeing things picking up on big box retailers are starting to get their inventories back and by when do you foresee that the Quartz volumes will start picking up meaningfully? That was my first question.

Chirag Parekh: So the demand has already started growing. So whatever you have seen in the quarter 4 is that the demand of quartz sales has been reviving. And like I said in my last call, the destocking is taking a lot of time. I thought we will be done in 2 quarters, but it has taken a third quarter. From the fourth quarter, we have already seen it going up.

And there is still a destocking problem. I was also speaking to some of the people in our category. Some have even not finished with destocking from their end., I just came back from the U.S., U.K. and Europe trip just 2 days back.

So I think the good thing is it's all gradually going down. The order booking is coming back to the normal what we had. So yes. So I think yes, and at the same time, like I mentioned in my speech, we have made a lot of efforts for new channels, market expansion, and product expansion.

And also, like I said, that the EU+ strategy, where our competitors are facing challenges with very high fuel cost and energy cost. So that gives us an edge. So yes, so honestly, we are quite pleased what is happening now.

We have a lot of new inquiries from many new customers across the globe. I think probably, I think for us, it seems like the bad times go up. And I think we are looking at a good, positive recovery of our business.

Pranav Mehta: Okay, sir. And sir, just a related question. Here, you have highlighted that you have renewed the contract with Karran USA. Any other customers that you are expecting to convert and start sourcing from you anytime soon? Is there a possibility of that happening?

Chirag Parekh: So we have tapped, another 3 new customers in the U.S., but we have not made any formal agreements. So I'm not -- we're not able to disclose it. So the last 5 contracts are disclosed. So yes, we have tied up 3 new customers in the United States.

We also started supply to few. We have already -- we have moved the orders. We have also penetrated with some German kitchen manufacturers. We are also in talks with large box retailers around the world. We are penetrated to about 50 new customers in U.K. market, where we are using this, the cross-selling opportunities between the offices and things.

yes, so there are many things, honestly, what we've been doing worldwide. A lot of new customers are coming in. And yes, and I think the inquiries of how many of the new inquiries will fall into place, how muchthat I think we'll be able to update you on a quarter-to-quarter basis.

Pranav Mehta: Okay, sir. And sir, any guidance on the consolidated EBITDA margins for next 2 years? So this year, we have ended up around 18%. So you had highlighted that because of that U.K. acquisition, The Tap Factory and this other one, the new one. So mainly what kind of margins can we expect going forward?

Chirag Parekh: So I think one thing I'm very pleased, and I said it in my speech that the costs are going down. We have made some price increases.. The foreign exchange rate's on our favor.

Fortunately, we have not decreased the price, what we have increased during this time. So that is coming to play at this point of time. You have seen improvement in the margin. I think we have crossed 18% on a consol level. As soon as -- which we are looking at quarter-on-quarter top line increases.

So there is a potential to improve our EBITDA margin. So if this goes at this rate, like overall, we said that 15% to 20% growth in top line mix comes. So if it happens, then we would probably again land back to our original margins or EBITDA around 20%.

Moderator: We'll take the next question from the line of Khush Gosrani from InCred Asset Management. Please go ahead.

Khush Gosrani: Sir, just A, wanted to ask what would be the contribution from solid surface sinks in terms of volumes this year?

Anand Sharma: Yes, volume is not possible because...

Chirag Parekh: That is flat.

Anand Sharma: Flat, square feet and depends on the customization sold. So it's not a unit rate we can mention.

Khush Gosrani: Sure, sure. And sir, how should one think of -- what would the gross margins across products right now on steel appliances and these solid surfaces?

Anand Sharma: . So we have the gross margin Quartz around 48% to 49%. Steel sinks have a margin around 35%. On the appliances side, around 40% margin. So yes, these are 3 main categories.

Khush Gosrani: Sure, sir. And final question, sir. Historically, we have grown by 20% plus 20% plus growth numbers. So guidance of around 15% to 18%. Isn't it a bit on the conservative side? I can understand because there was inventory rationalization from clients. We had a peak demand in '21, '22 so that got rationalized but going ahead in a normal demand situation.

Anand Sharma: So see, this rebounds what is happening quarter-on-quarter. When you were giving guidance 15%, 20%, it is on an annual basis. So yes, the improvement is coming, but it will be a quarter-to-quarter basis. And at the annual rate, we have given the guidance of 15%, 20% growth.

Khush Gosrani: Sure, sir. And with the brand investments we are doing in the domestic business, will we still be able to achieve 20% margins?

Anand Sharma: We still need to be same because we have to invest in the branding, promotional and marketing activity also. And so we'll see, but our focus is to expand the business in the domestic market first.

Moderator: We take the next question from the line of Mr. Dhavan Shah from AlfAccurate Advisors. Please go ahead.

Dhavan Shah: So my question is on the export revenue. So can you please share the STL revenue for the Q4? I think the total export comes to around INR113-odd crores. So what was the STL number during this quarter?

Anand Sharma: So we have INR96 crores in the export for the quarter 4.

Dhavan Shah: What's the last quarter?

Anand Sharma: Dhavan this number is INR64 crores for the last quarter and corresponding quarter is INR96 crores.

Dhavan Shah: Okay. INR64 crores versus INR96 crores. There is a degrowth?

Anand Sharma: INR64 crores versus INR96 crores. There is a degrowth, 44%.

Dhavan Shah: Okay, okay. And in terms of the demand, I think sir already mentioned that the demand has been reviving. So is that mainly because of the restocking or is there a real demand on the ground in the export market?

Chirag Parekh: So both things are happening. The destocking is also happening. And like I said, the fundamentals of our business are very strong. And I would like to stress here the demand of the Quartz sink is continuously on a rise.

And second point I had stated earlier also that when this is exceptional times that people are cutting costs. I think it's a great opportunity for a company like us because people then move to different suppliers. So we have been able to, to a large extent also, compensate or kind of substitute with our sales by entering in contracts with a lot of new customers.

And one thing when there is a slowdown in America, they call a sink and a work of a recession proof because when the times are bad, you don't change the whole kitchen. What you change is just a sink and a worktop. So sink is they're forcing what they change, and they don't change the whole kitchen. So that's why the demand, the renovation market is on a rise at this point of time. And hence, we are getting this benefit out of it.

Dhavan Shah: Okay. And so basically, in the presentation, it is mentioned that the IKEA has doubled the order book plus Karran also given the incremental orders. So based on the current order book, what kind of the incremental volumes do you foresee for the quartz sinks? So we did roughly 500,000 units for the FY '23. What kind of volume growth can we see for the quartz on that number?

Chirag Parekh: So we, like I said, we're looking at approximately 20% growth on the annual side. The 500,000 looks like we'll be able to do around 600,000.

Dhavan Shah: Okay. So it can still be lower than FY '22 volumes? The demand is still not that great in the export market. Is that understanding correct?

Chirag Parekh: So I think none of the assumptions work at this point of time, especially the market sentiments good seeing the positive sign is it is increasing. Now it would be around 600,000 sinks. If we can hit some contracts with the buyers, what we are talking about. It can also be 650,000 sinks. So it depends on what stage we are able to realize our contracts with the new buyers.

Moderator: We take the next question from the line of Udit Gajiwala from Yes Securities. Please go ahead.

Udit Gajiwala: So when you talk about a 20% EBITDA margin, so in order to achieve that, I mean, what kind of cost reduction are you witnessing?

Anand Sharma: Udit, it is mainly driven by the volume because costs initiative and reduction what we have already taken. So that is already under control. The volume was increased. It will be a leverage for the margins also.

Chirag Parekh: As I stated in my statement, the input costs and freight costs have gone low. So I think that is coming into the play now. We are very confident that the margin, EBITDA margins arehopeful that it's going to come back to the normalized 20% what we were doing earlier.

And then on the cost reduction side, we are making every effort in the company. We are putting up a solar plant for sustainable energy to reduce the energy cost. We are doing the Kaizen program on a continuous improvement in the company. So across the board, the company is doing every bit what they can trying to -- then also the variable side as also in the cost side of it.

Udit Gajiwala: Right, on your total debt that were on the books now and with the new acquisitions that we have made, do we foresee debt going up for '24 and '25? What kind of a debt that we can look into?

Anand Sharma: So Udit, on the debt side, if you look at our debt, it's more for acquisition and remaining is the working capital. So we are very less on the capex sideIt's all funded from our internal accruals. So on the working capital side and the capex side, we don't have any major requirements for the current year.

Chirag Parekh: We are not making large capex.

Anand Sharma: Yes, we are not making any large capex. So I think we will be comfortable for this period. So nothing major planned unless we get some very good opportunity.

Udit Gajiwala: So this kind of debt -- I mean, we'll have this debt maintained on the books and not a major upswing, is that right?

Chirag Parekh: Yes. Right now debt level is 2x of EBITDA approximately.

Anand Sharma: Yes, 2x.

Moderator: We take the next question from the line of Mr. Varun Goel from Nippon India. Please go ahead.

Varun Goel: I wanted to check our margins from 2013 to 2020. We were 17% or below. So is that the headed profitability in the business? Except for the 2 COVID years, you always had margins in that range. So how confident do we feel that we can be at 20% going forward?

Chirag Parekh: I think I've already stated earlier that the input and freight costs have gone tremendously low at this point. Second aspect is our foreign exchange rates, dollar close to 83, Euro close to 90, pound close to 103. So that's working in our favor.

A very important part is that whatever the price increases what we have made during this COVID time because of the inflationary pressures and input costs we have been successful not reversing that. So that stands.

It is a while the other costs have gone down. So I think that's giving us a benefit. That's kind of giving us an upside on improving the EBITDA margins.

And third thing that the product mix has also changed. So the new models we have developed for the new IKEA for U.S. markets are more high-value-added products. So that's going to help us in improving our EBITDA margin.

Anand Sharma: Yes. Just to add, if you look at the average price per sink, it was between INR4,000 and INR4,500 between 2012 and 2017. Yes, it's gone up to INR5,800 to INR6,000 on average.

Moderator: We take the next question from the line of Harsh Shah from Dalal & Broacha Stock Broking Private Limited. Please go ahead.

Harsh Shah: Yes. A few questions from my side. Firstly, on the renewal of the agreement with Karran. So would it be safe to assume that annually approximately INR100-odd crores would be reflected in the top line?

Chirag Parekh: Yes. the contract is based on a year-on-year increase in the sales, right? So we have taken out the year-on-year increase by 15% year-on-year. So I think the first year, as we had mentioned that the average sales of Karran I think it was INR70 crores, INR80 crores. So we should have a 15% increase, about INR90 crores..

Harsh Shah: **O**kay. So it's basically a staggered manner?

Chirag Parekh: Correct, yes.

Harsh Shah: Yes. Is it -- so just a bit longer-term question. Is it possible that by FY '26, we can reach a top line of INR1,000 crores? And at that time, could the domestic market contribute close to around 30%?

Chirag Parekh: So we are absolutely sticking to our target of FY 26 INR1,000 crores. If we based on the current trend, I think it shows that we will hit a run rate of annual about INR700-plus crores from quarter 2. And so the year after that, we could take a 15% growth this year, and next year, we will touch INR1,000 crores. And your second question was on the...

Harsh Shah: So when we reach INR1,000-odd crores, would domestic market will be 30%

Chirag Parekh: I think we all want to ensure that our domestic market share does not fall below 20% to 25%. So our endeavour is to maintain this 25% to 30%.

Harsh Shah: Okay. And just last one question. So basically, we have done many channel chats on the quartz sinks. So basically, what has happened is that the awareness is not there, right? And the real estate market, especially in India and Middle East, is growing rapidly. So, what percentage of my domestic revenue currently comes from quartz sinks?

Chirag Parekh: So right now, about 20% odd comes from the domestic market.

Harsh Shah: How much do you anticipate growing in the next couple of years?

Chirag Parekh: So let me just come to a more of fundamental question here. You see one of them, the Indian market is not mature enough for the quartz sinks. Now that U.K., U.S., like the U.K. has passed 50% of the share of granite sink. The quartz sink, or stainless steel sink. Germany has already passed 50%. France has passed. U.S. is still about 20%, 25%.

So where there a lot of the big players are inside there, so the market is material quartz. In India, we are probably one of the largest players who is trying to do the marketing of the quartz. So you are right. I think if the Europe and America has matured now, we may take about another 5 or 10 years to get mature. But I think this is where the trend is going quite fast.

And on the marketing side, what initiatives company is taking is that we have formed a completely new marketing team. We have formed a new team. And this new team with single agenda is how to promote the quartz sinks in India. So what we have done, which has never been done until now, is that we are going to start banging everywhere across that why a quartz sink is preferred over stainless sink, right?

So from the material to its properties, we did all the pros of the quartz over stainless steel sink that we will start doing. We are going to hire influencer, we're doing marketing, advertise a lot of things. Plus we are also participating in the ACETECH exhibition coming in Bombay end of the year where we are going to have a proper lab to show how a quartz sink is made, what are the properties of quartz. So I think a lot of utility has happened now for people to do it.

So that third thing is a very important thing is that the awareness is not probably the right way, I would say. Sometimes the people don't want to. They know Carysil. They know the quartz sinks, but some they don't want to take risks in terms of a sink.

We cannot do anything about it. I think the only thing we have experienced is that the -- once the builder has used our sinks, they've always come back to use our quartz sinks. So I think that mostly happened more on the Western Bombay, especially Bombay are still very close to industry. If you say, Western -- Gujarat, Bangalore, North, everybody started using quartz sinks.

Secondly, as I mentioned in my speech, we have also started a new vertical called the B2B. The B2B vertical focus is only going to be on architects, builders and interior designers. So we are never at a formalized unit of this to focus on it so our sales people used to do it. But we never had a process now.

They're job is the top 100 builders, they moved another top 100 about -- in the next 2, 3 years, 500 top builders, they need to tap across. And whatever marketing materials they need to tap that, we're going to do.

So I think a lot is going to happen now from our part since we would like to maintain the market share in India of the total revenue of 25% to 30%. And I think one category in which we have not substantially grown is on the builder side. So I think this is what we need to focus on.

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

Bala Murali: In last call, you told that there is a possibility of getting some new customers from the Europe region. So is it happening, and have you added any new customers this quarter from the Europe region? If it is so, then what could be the order volume from them?

Chirag Parekh: So like I said, that Germany, we have entered into contract with a lot of new kitchen manufacturers. In U.K., we have added 50 new customers. So lots have happened in Europe, and our endeavor to promote our things in Italy, Spain so how much is going to come quarter wise is very, very hard to say. But like I said, there is -- annually, it will be 15%, 20% growth. So I think that's an average group. So we can say that that's what incremental business we aim to get.

Bala Murali: I'm talking about the home appliance segment. So we are investing around INR20 crores in the current financial year. So what could be the asset turnover ratio we can expect from this one, home appliance?

Anand Sharma: So you are talking about the capex, what we're going to incur for the kitchen appliances, right?

Bala Murali: Capex of INR20 crores of I'm aware of that. What will the asset turnover ratio will be?

Anand Sharma: That ratio is 4 to 5x.

Moderator: We take the next question from the line of Mr. Tushar from Kamayakya Wealth Management. Please go ahead.

Tushar: I just want to understand that the volume of 6.5 lakhs in the quartz sinks worldwide. When can we achieve that? That would be my first question.

Chirag Parekh: So like I said, again, that we are looking at a 20% growth on an annual basis. So that would be from 500,000 last year will be around 600,000, close to 650,000. And if we are able to realize some large contracts if we are in negotiation with one of few large box sales, so the same question I answered just I think a few minutes back.

So it depends all upon how fast we have to realize the contracts. And based on that, we'll be able to cross 600,000 or 650,000. But on a longer term, I think we need to try to look at more on a longer-term business.

The long-term business is that the fundamental business of quartz sink looks very strong. Right now, the market sentiments are bad. I think that's a INR1,000 crores revenue on the FY26 our new target is going to come.

So I think it's a matter of time when we will start hitting those numbers. It can be 1 or 2 quarters back and forth. But overall, the business fundamentals is very strong. So it would be very tough for any company management to say every quarter what's happening or are we going to touch that.

Basically, in the next 2 years, the company is heading for a INR1,000 crores sales and are moving in that direction, are we able to track through some large buyers, clients. That is what's happening now. Now the only thing we'll have to do, we'll see quarter-on-quarter how much we're going to realize out of that.

Tushar: So you're doing this acquisition like Tickford Orange Limited and this Tap company. Sir, I just want to understand what sort of impact of this acquisition we see in the margins going forward. So it will be margin accretive or like your thoughts on that?

Chirag Parekh: Talking about The Tap Factory where we have worked that?

Tushar: Tap factory also and the Tickford and other acquisitions you might do. I could see your increasing the bath fit. Like you are only catering to kitchen sinks. Now you have increased to bathroom sinks, and there also you're going to Taps. You're increasing the total market of U.S. So I just want to understand the margin profile, how will it look like the next 2 to 3 years.

Chirag Parekh: So can I just quickly touch on the fundamentals is that everything is attached to a worktop. You cannot sell a sink without a worktop at home. Every kitchen sink needs a tap, which has to be fit in the kitchen, right? So that's the integrated model of us. So nothing is outside the box. So that's my first answer to this.

And second, on the margin side, The Tap Factory margins are very accretive as the hot water tap business is amazing, the technology of having 4 flows of sparkling water, drinking water and boiling water 99.9-degree at a single shot from one tap. This is going to be the future of taps.

Hence, we are at an early stage able to tap this company to bring this technology to India and get it across the world. You guys would have heard that an American company got sold at value of $3.3 billion a year or 2 years back, who is making the same category of hot water tap.

So as far as the Tickford, which is a Sylmar Technology surfaces, the EBITDA margin are on the improvement side. It's about 15% plus, and The Tap Factory would be about 18% to 20%.

Moderator: We take the next question from the line of CA Garvit Goyal from Nvest Research. Please go ahead.

CA Garvit Goyal: So my question was on Tap Factory side. It is a very small company. So I was thinking like how is it going to add value? Or whether is there any technology kind of progress that we are acquiring via Tap Factory acquisition? Or what is it looking like?

Chirag Parekh: So there are two main aspects. One is marketing. So the Tap Factory has a great market access, which we are completely absent in U.K. So we're able to get that market access.

Secondly, we will get the technology access of this hot water tap, which I just said, a 4-flow hot water tap, which is right now the faster-growing capex category. And that's the future of the taps, so market access and technology access.

CA Garvit Goyal: Okay. And just a clarification on whether this INR1,000 crores mark, is it for FY '25, right?

Anand Sharma: '26.

CA Garvit Goyal: Yes, that's what I hoped. And last one question, just on the subsidiary in France. Sir, can you give some color behind the rationale for this like the size of opportunity we are looking for there? And what is our existing revenue? And how is it going to be in the coming future in France subsidiary?

Chirag Parekh: Where? Sorry, in which category?

CA Garvit Goyal: The new subsidiaries that we have opened in France.

Chirag Parekh: No, no. So I think we were looking at some opportunity over there right now. And that's why we -- it takes a lot of time to do it. So we have just tried to floate it right up. But nothing is happening on that side at this point.

Moderator: The next question is from the line of Mr. Rajat Parab from Prosperity Wealth Advisors. Please go ahead.

Rajat Parab: Yes, sir. Sir, I have only a couple of questions. Some of them are answered already. So I just wanted to know what new innovative products the company is working on.

Chirag Parekh: I am very happy to -- pleased to tell you that the company is launching one of the most innovative kind of kitchen sink range, which is going to be launched in the end of September where it will be launched first time in India, will be first time in the world. The innovation on the kitchen sink side is more on the functionality side.

Second is that we are planning to launch a range of new faucets. We have got a tremendous demand on the faucet at this point of time, be able to almost kind of 50% growth approximately on the kitchen faucet side. We're bringing a range of new faucets with new colors and exciting functions in the tap.

Third, we have tied up with one of the very technologically advanced companies in the world for the new line of kitchen hoods. And this is -- I will not be able to give details at this point of time because we applied for worldwide patent on this. But this would change the whole dynamics of the company, and it has got the potential for global launch.

the stainless steel sink side, the -- so other within appliances on the lifestyle, a lot of things happening, but these are the 3 major things what at this point of time we are doing. We are also trying to look for the Sylmar Technology in U.K. if we are able to get this technology to India to give the Indian consumers a taste of a seamless technology integration of a sink to a worktop. This is something we are working. We are doing a market research through our current channels, and we'll see what is the response what we are getting.

Rajat Parab: Sir, one more question. As we are trying to penetrate the domestic market, most of our kitchen appliances are in premium categories. So will there be any assets going forward as the inflationary cost as Indian markets are more price sensitive. So do you think there will be the effect on sales of kitchen appliances on the domestic side?

Chirag Parekh: I think the company keeps on importing the kitchen appliances, which will always be challenging in terms of pricing. So that's why we are setting up for manufacturing units. Once the manufacturing is up and on, I think we'll see the advantage of the cost by more than 15%, 20%.

Moderator: The next question is from the line of Mr. Nikhil Shetty from Nuvama Wealth Research. Please go ahead.

Nikhil Shetty: So just wanted to check thewe have witnessed around 21% decline in the quartz volume in '23. So is it purely because of destocking? Or it is also because of we might have lost some big customer?

Chirag Parekh: Yes so actually 2 types of a point, whether there's the decline or you have gone back to the normal range. So the COVID pent-up demand was high, and second thing is we had a backlog of 4 months' time. So what we probably would have profiled wrong is that we thought that the demand of the backlog is going to continue. But the backlog, once it got over, so that backlog never came back to us.

So for example, we're doing about average 40,000 normal sinks. We used to get about 20,000 of backlog sinks a month. That gives to about 720,000 sinks. And just so we increase the capacity to 840,000 sinks and plus new taps we are doing. And so we thought that 1 million sinks be the right thing.

Now we -- this happened, the COVID level. But normal order booking was coming at about 40,000 to 50,000 sinks, which we have already hit that rate at this point of time. So the COVID times that volume, what you are saying, and that's why I would say, abnormal month or not a benchmarking year for us because that center demand was very high during this time.

So honestly, I think we have returned to the original level of our business. The further going up, that's the pent-up demand. It's been soaring high in loop. I think that demand to cover up that -- like I said, at about 600,000 sinks close to -- want to go back to 800,000 sinks plus, we are working in the company. We give all the efforts to strike deals with new customers, and expand our markets. And that's what we are doing at this point in time.

Nikhil Shetty: Okay. That's helpful, and secondly, it's about the appliance part. So since it got delayed by a quarter, so how much revenue can we generate from this greenfield expansion in '24?

Chirag Parekh: So I think we have said -- I think it should be around anything INR10 crores to INR20 crores or something, yes.

Nikhil Shetty: Okay. INR10 crores to INR20 crores in '24.

Chirag Parekh: Very rough, tentative estimate.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Chirag Parekh: Yes. Thank you, everyone. I hope we have been able to answer all your questions satisfactorily. However, if you need further clarification or want to know more about the company, please contact our team, our SGA, our Investor Relations advisers. Thank you once again for taking the time to join us.

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