

CARYSIL LIMITED  
(Formerly known as Acrysil Ltd.)

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**February 21, 2023**

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: CARYSIL

**Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Earnings Conference call held on February 15, 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 Q3 FY2023 Earnings Conference Call for Un-audited financial results for the quarter ended December 31, 2022 held on Wednesday, February 15, 2023.

Thanking you,  
Yours faithfully,

For CARYSIL LTD.  
(FORMERLY KNOWN AS ACRYLIL LIMITED)

REENA  
TEJAS SHAH

REENA SHAH  
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl.: a/a

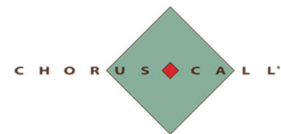
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“Carysil Limited  
Q3 FY '23 Earnings Conference Call”  
February 15, 2023

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 15<sup>th</sup> February 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 Carysil Ltd. Q3 FY '23 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder all 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, Carysil Limited. Thank you, and over to you, sir.

**Chirag Parekh:**

Good evening, everyone, and thank you for joining us on Carysil Limited Q3 FY '23 Earnings Conference Call. I hope everybody had a chance to review our financial results and investor presentation which were recently posted on the company's website and stock exchanges. I am accompanied by our CFO, Mr. Anand Sharma, and our SGA, our Investor Relations advisors on this call today.

Let me begin by giving an update on the global scenario. The world today is challenged by inflation, resulting in a steep decline in global economic activities. Several risk factors such as rising cost of living, challenging financial conditions, Russia's invasion of Ukraine and presence of the COVID-19 pandemic are hurdles of economic progress. Despite the challenging global economic scenarios, India is sailing through the tough times. Shining through dark times, India emerges as the highest growing economy in the world.

Understanding the potential of Indian economy and the growing demand for the quartz sinks, we have built up sufficient production capacity to satisfy the steadily increasing demand in the domestic markets. In our previous earnings call, we informed you that our sales channel carried high inventory during COVID-19 period. We are receiving feedback from major customers that the destocking is happening quite successfully and gradually reaching towards the optimum levels. We have started to receive good orders for our quartz sinks on the US and UK markets, etc. We foresee the macro demand of our quartz sinks to return soon on quarter-on-quarter basis.

While we witnessed a positive rebound in our US and UK markets, Europe lagged due to rising cost and inflation. As a testimony, to improving demand in UK, our UK subsidiaries excelled in delivering strong business performance. The ongoing inflation, energy crisis and cost escalation in Europe presented us an opportunity to bridge the supplies gap, which will ultimately lead to an expansion of our customer base across the globe. We are already discussing with a few of the customers for their future requirements.

While demand in global market is in its recovery phase, we are enhancing our focus on the growing demand in the domestic and the emerging markets around the world and gradually ramping up our distribution and dealer network. Our aim to grow our institutional sales in domestic market, we hired a new team to focus on this vertical. We have already started supplying to mega projects and reputed builders, exploring the possibility of collaboration with them for upcoming projects as well. Recently, we acquired 60,000 square meters of land near our existing plants in Bhavnagar, Gujarat.

The acquired land will play a critical role in our future expansion and new projects plan. Additionally, we have increased the capacity of our steel manufacturing, stainless steel sink manufacturing unit from 90,000 sinks to 180,000 sinks, and commercial production is expected to begin from March '23. These steel sinks will be manufactured in the form of press sink, Quadro sinks and PVD sinks. We are currently exporting PVD sink to UK, France and Germany. Good demand for PVD sinks from our export customers is a positive indicator of future growth.

The PVD technology adds aesthetic value by coating in different metallic colours like gold, rose gold, black, etc, to the steel sink, which was available until now only in natural steel colour. The price of PVD are higher than the prices of the handmade and the quartz sinks contribution fee, contributing to higher validation and revenue.

Now let me give you an update on our built-in appliance and faucets division. As we have outlined earlier, in our previous quarter, we have started execution of project by ordering machines for setting up a manufacturing/assembly line of built-in appliances. We are of the opinion that there's lots of scope for us to expand our supply in domestic market, and hence our manufactured appliances give us tremendous opportunity to increase our geographical reach across the country as well as gain a very competitive edge in terms of cost.

Our faucet assembly line of 100,000 faucets are starting on a pilot basis, will get full-fledged commercial production in Q1 FY '23 onwards. With this segment, we'll stick to our core philosophy of innovation and delivering highest quality products. Therefore, we envisage the margins in built-in appliances business to be similar levels as of our consolidated businesses, which will be one of the most key drivers of growth in years to come.

We are proposing to incorporate a wholly owned subsidiary Dubai, UAE to cater the GCC market, focusing on the sale of the kitchen and bath product. We are planning to open an exclusive showroom and display of our product in the prominent place across -- along with the warehouse in FTZ in Dubai. This is in connection with the success what we had as a Big 5 exhibition in Dubai few months back.

The rationale behind incorporation of subsidiary in Dubai is to have focus on the built-in appliances to a) leverage on the brand Carysil globally and increase foothold in new and emerging markets, especially the GCC market, where Saudi Arabia is expected to be the next big potential market in the GCC; b) it is a complementary product for our sinks, which will help us to improve our wallet share with existing customers and at the same time help us to acquire new customers by providing a complete bouquet of kitchen solutions.

New product introduction exhibitions: We have introduced a super strength sinks, super X which has approximately 50% more strength than our regular quartz sinks available. This type of sinks requires minimal packaging and increased loading ability in containers, thus will result into cost savings, in packing and freight costs, adding to improvement in margins. Further, we have also started manufacturing of green sinks and launched the same in all the key markets recently in US exhibition.

Initial response from our customers have been overwhelming and encouraging with the confidence key to aim for eco-friendly and more sustainable growth future. We also showcased a super X, green sink and PVD sink in France, Dubai and the Las Vegas exhibition. It has been highly appreciated by our customers and visitors. We also successfully launched the sternhagen products range in the kitchen and Bath International Show in Las Vegas last month, and we have received a lot of appreciation of its luxurious and aesthetic value. Overall, outlook, Q4 FY '23 looks positive. However, we will get more clarity after Q4.

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

**Anand Sharma:**

Thank you, sir. Good evening, everyone. Let me take you through the consolidated financial performance of the company, Q3 FY '23 performance. Consolidated total income stood at INR 138 crores in Q3 FY '23 as compared to INR 128 crores in Q2 FY '22, a growth of 8%. EBITDA of the company stood at INR 25 crores in Q3 FY '23 as compared to corresponding last year quarter of INR 31 crores, degrowth of 19%. Profit after tax and minority interest for the quarter stood at INR 12 crores in Q3 FY '23 as compared to INR 17 crores of Q3 FY '22, degrowth of 30%.

Nine months FY '23 performance. Consolidated total income stood at INR 448 crores in 9 months FY '23 as compared to INR 345 crores in 9 month FY '22, a growth of 30%. EBITDA of the company stood at INR 82 crores, in 9 month FY '23 as compared to INR 84 crores of last year 9 month FY '22, marginal degrowth of 2%.

Profit after tax and minority interest stood at INR 40 crores as compared to INR 48 crores in last year 9 month FY '22.

Sales volume for quartz sinks in 9 month FY '23 stood at 4,01,466 units as compared to 4,76,659 in last year 9 month FY '22 and it is lower by 15%.

Stainless steel sinks for the 9-month FY '23 stood at 81,185 units as compared to 73,092 in last year 9-month period, that is higher by 11%.

Kitchen appliances in 9 month FY '23 stood at 21,957 units as compared to 15,112 in last year 9-month period that is higher by 45%.

Thank you. Now I'll open the floor for question-and-answer. Over to you, operator.

**Moderator:**

The first question is from the line of Jensen Jacob from Centra Advisors.

- Jensen Jacob:** In the last call, you had mentioned that you are in a plan to add up to 1.5 million capacity in quartz sinks. But in the recent land acquisition announcement, you disclosed that the existing capacity has been fully utilized. Can you please throw some light on this?
- Chirag Parekh:** So I think we have never said that we are doing 1.5 million capacity, so that's number one. We also mentioned that we will expand to 1.2 million capacity where 1 million capacity was installed and further 200,000 units were going to be expanded. And the last quarter, we had clarified that because of this global recession, we're going to use this 200,000 kitchen sink capacity into manufacturing faucets and kitchen hobs & hoods.
- Jensen Jacob:** Okay. A follow-up to that, do you plan on utilizing the newly acquired clients for quartz sinks or other segments?
- Chirag Parekh:** So the opportunities are exciting. We have some we are exploring in which category, but there but it could be across the categories from faucets, goods or to the ceramics, to the kitchen surfaces. So we are based on what we are able to make the deals with our potential customers. And based on that, we will be able to sort this out.
- And like we have always said that the UK, recent acquisitions or any acquisition what we do, we eventually will do a backward integration on it and try to substitute sourcing from the other countries to India. So yes, opportunities are there. We're just exploring at this point what we will do.
- Moderator:** The next question is from the line of Udit Gajiwala from Yes Securities.
- Udit Gajiwala:** So just wanted your comments on Q4 volume trajectory that you are looking at from the current order book that you might be having?
- Chirag Parekh:** Yes. So like we have said, the outlook looks quite positive based on the latest exhibition what we have done, which I was not that confident in the last earnings call, which I have said that the Q3 would be probably in line with the Q2. I think this is what we've achieved it also. Looking at the recent my visits to the customers and what we are reading is that what we're expecting in the US to have a hard crash landing is probably not happening.
- We have orders from the major markets like UK and US, India, the order booking is quite healthy, is ramping up. So we definitely we think that quarter-on-quarter, the volumes will improve. But at the same time, we are still having this challenging situation. When they'll improve, we don't know. But yes, we expect that with what we've been witnessing that there would be a volume growth on a quarter-on-quarter basis. That's all I can say right now.
- Udit Gajiwala:** And sir, could you explain, the pricing, have we taken any price increases in a quarterly sales, because the realization for this quarter looks much higher ,sequential comparison if i take .
- Chirag Parekh:** I'm not able to hear the question.
- Anand Sharma:** So your question is that the price realisation is better in this quarter, right?
- Udit Gajiwala:** Correct.

- Anand Sharma:** Yes. So because we have introduced some more kind of SKUs models, where we have a higher realization and also in the steel sink prices has gone up, input cost also gone up, consequently prices has also gone up. And some mix of our press and quadro sink, where quadro sinks realisations are higher. So realization is higher in steel sinks.
- Chirag Parekh:** Just to add, the exports also started to happen where we have a better price realization.
- Udit Gajiwala:** And sir, on margin front, if you can throw some light, sequentially, we have improved substantially by approx. 200 basis points on the consolidated level. What should be the stable margins that we should work with on an annual basis for the next couple of years?
- Anand Sharma:** I think our margin profile is not changed. It's only the volume which is going to drive the margins. Our margin is same what we were getting in the earlier year. So margins profile remain intact. Once the volume growth will happen, margin will improve further.
- Moderator:** We'll take the next question from the line of Aman Agrawal from Equirus Securities.
- Aman Agrawal:** The first question was regarding Carysil subsidiaries. So from the recent numbers, it feels that company has reported good numbers. So just wanted to get the understanding or your view on that, the company's acquisitions, the kind of growth we expect from that company and the kind of margins or margin improvement we see over there.
- Chirag Parekh:** Of which company?
- Anand Sharma:** Carysil Surface?
- Chirag Parekh:** Are you talking about Sylmar? We couldn't hear you properly, so.
- Aman Agrawal:** Sylmar, yes.
- Chirag Parekh:** Sylmar, yes. So I think the good thing has happened which I had said last time that Sylmar, which is now Carysil Surfaces, it has now we would able to target a lot of new customers in the UK So we've been able to beat our forecast as far as the Surfaces are concerned.
- Also there we have seen a margin improvement. Margin improvement in Sylmar is because during the COVID times, the input cost had gone high and we had increased the prices. And now with the slowdown, there are prices of freight and input costs are coming back to the pre-pandemic level. So there will be a margin improvement.
- Aman Agrawal:** So just understanding more on that company, is there any like we see further the quartz sinks and the steel sinks impact from European Union has slowdown. Has the sales impacted that company also in terms of demand?
- Chirag Parekh:** No. So I think we have clarified in investors presentation. The sales have increased.
- Anand Sharma:** He's asking, because the quartz slowdown, is that impacting Surface also?

- Chirag Parekh:** Surfaces has not been affected because there was no destocking happening from the Surfaces side, because 99% of the orders are based on the actual orders by the customers.
- Anand Sharma:** It's made to order.
- Chirag Parekh:** Made to order and based on...
- Aman Agrawal:** And sir, secondly, on the appliance side. We seem to be very bullish on the appliances business with our new subsidiary also coming in. So with the existing market is already competitive, how do you explain our right to win in this segment?
- Chirag Parekh:** So I think which we have mentioned that our emphasis is going to be on the kitchen built-in appliances, and primary we'll be focusing on the kitchen hoods and hobs. So we have hired the new engineers from a very reputed institution like IIT and we are planning to do the complete new innovation kind of kitchen hoods and hobs, which will give us a much better competitive edge in the market. So that's number one.
- Number 2 is, like I said, we never focus much on the building appliances. And while you have seen the 9-month number has grown by 45% from 15,000 to 22,000 number. So we are recruiting the whole new team for India, for the built-in appliances services. We've been able to track some very good people because people are eventually going to drive the built-in appliances. So we'll be expanding our sales channels across. And while we've been doing a lot of innovation, and like we said, we were going to do our in-house assembling and manufacturing, which will give us a much better competitive edge than the competitors. So we are very bullish on the kitchen goods and the hobs category.
- Moderator:** The next question is from the line of Nikhil Gada: from Abakkus AMC.
- Nikhil Gada:** Congrats on a decent set of numbers in such kind of difficult times. Sir, my first question is, when I look at the domestic numbers, while you say that the focus remains there, and we are trying to expand our channel and penetration level. In 3Q we see that the growth has been sort of flattish, and we are already on a lower base. So can you highlight are we seeing some amount of demand slowdown in the domestic markets as well?
- Chirag Parekh:** No. I think equivalently where exactly there's a problem happened with a lot of backlog and destocking happening in the domestic side also, where we had a huge backlog during the COVID level times. So there was destocking has happening, now it's going. As far as the demand is concerned on the secondary sales side is much higher than we have on the primary side, so which is a very good sign. You'll see that changing in Q4.
- Nikhil Gada:** Yes, because we are consistently adding new dealers, and I'm assuming that once --
- Chirag Parekh:** Yes. Correct. So I think there was a more issue with the destocking in the primary sales.
- Anand Sharma:** Just to add on this, Nikhil, because of the Diwali season and all, the stock are built up in the Q2, and that gets cleared in the Q3. So that's the main reason.
- Chirag Parekh:** You'll be able to see quite a business in Q4.



- Nikhil Gada:** Sir, just a follow-up to that. You mentioned in your opening commentary about this mega builder that you are targeting. And I think this is sort of a new channel that you're also trying to sort of address to. So can you give some qualitative comments on what the target you are planning from this sort of channel over the next one or two years?
- Chirag Parekh:** Yes, sure. So I can just give you. So I think for the initiatives what we want right now, our project sales are approximately 20% of our total sales. and with the incremental growth, what we expect, we expect the granite sink and the steel sink in the next three years to double the quantity of that. And which we feel that 40% to 50% of that can come from projects. So I think it's very important that we have a separate B2B team just for tapping the architects, interior designer, the builders which we are doing.
- Nikhil Gada:** Sir, when you say projects is 20% of domestic sales, right?
- Chirag Parekh:** Yes, 20% domestic sales, which we see a potential next three years to double this quantity and out of doubling this, all the incremental growth of the substantial 40% to 50% should come from the builder segment.
- Nikhil Gada:** Sir, just -- sorry, just to further elaborate --
- Moderator:** Mr. Gada, may we request that you return to the question queue.
- Nikhil Gada:** I just have a follow-up on the same thing if it's possible.
- Chirag Parekh:** Yes, yes, sure. Go on. Yes.
- Nikhil Gada:** Sir, just on this project sales itself, what kind of pricing -- is the pricing going to be lower than what we would sell in the retail market? If so, by how much?
- Chirag Parekh:** So currently our Project is generally from retail market at approximately about 15% to 20% lower, right?
- Nikhil Gada:** And that is something we will target?
- Chirag Parekh:** But at the same time, we also have the cost-effective method to supply to the builders of a different material and a different packing also. So we'll be kind of almost of taking out impact of cost.
- Moderator:** The next question is from the line of Shrinjana Mittal from RatnaTraya Capital.
- Shrinjana Mittal:** So first question is on the line of channel inventory. So right now, as of this quarter, what would be the channel inventory that you have?
- Chirag Parekh:** I'm sorry, can you repeat? It's not very audible and clear.
- Shrinjana Mittal:** Sorry. So sir, I was asking that what is the channel inventory right now? How many months of inventory do we have as of now?

**Chirag Parekh:** Yes. So I think, like I said, the destocking is almost over now. So the normal levels of 2 months inventory is with distributors, which is there now.

**Shrinjana Mittal:** Okay. So we are like we have reached the normal levels of inventory?

**Chirag Parekh:** Yes. We have seen the normalcy as far as the destocking is concerned in India.

**Shrinjana Mittal:** And also on the export side, correct?

**Chirag Parekh:** Yes. Export side with the major customers, yes.

**Shrinjana Mittal:** One more question on the UK subsidiary. So the UK subsidiary, I just wanted to understand the how many months of inventory does the UK subsidiary hold, the one that primarily sells in the UK market?

**Chirag Parekh:** So as far as the Carysil products is concerned, this is a normal mainly distribution of kitchen sinks and taps, approx. 45 days. And as far as the Surfaces are concerned, it's completely made to order. Only inventory could be the work-in process if there are some challenging jobs and then that inventory can maybe go more than 20, 30 days.

**Moderator:** The next question is from the line of Harsh Jhanwar from Centrum Portfolio Management Services.

**Harsh Jhanwar:** Sir, I wanted to check with you on any update on any new partnerships that we have signed, we are in process of signing with the global retail giants?

**Chirag Parekh:** Thank you for the question. I was waiting why nobody asked me that. Yes, so I think I had mentioned the last time that there is a lot of opportunity for our company which we are targeting at this point due to the higher manufacturing cost by our European competitors, especially Germany and somebody also ask last time now the price difference used to be 20%, now it's about 35% and brings a lot of opportunity for us on the table.

While I say that, I would try to avoid any kind of futuristic thing, but all I can say is that we have few advanced discussions happening with some of the very key players in the world. and we just like hope that I mean, we are quite positive that this could soon materialize.

**Harsh Jhanwar:** A follow-up to that, we have already signed with Ikea two years back, and we have a very good relationship and good track record with them. So during this last quarter, where your competitors had increased cost of manufacturing, did we see higher offtake or higher wallet share with Ikea?

**Chirag Parekh:** Yes. So I think you are asking a very key question. I think we had in the last week visit from a global Ikea sales supply chain team, specifically our purchase team. The global team had come to see our factory, and this was exactly our question we asked that you have experienced the higher cost with the other competitors and why are we not getting a larger wallet share.

And to gain this major wallet share from us, and that's why the team was here, and to see that how is Carysil as a partner. I think they went with lot of positive feedback. That's all I can tell you. We await for a response from that side. But I think they went with quite bit of positive

feedback, and we hope that we get the same feedback and we're able to increase our wallet share with them.

**Harsh Jhanwar:** And sir, last question was our intention of evaluation of getting into ceramic industry. So sir, we are operating in a very niche segment, which is that business is very profitable. So what is rational to look at ceramics where it's generally very competitive and it may not be able to make a similar kind of return profile?

**Chirag Parekh:** Yes. I think that depends upon a company's strategy. You looking about Villeroy & Boch, Duravit, TOTO's, so their ceramic values are incredible. I mean their ceramic value probably 5x higher than what the Indian manufacturers are. So it depends where you position your brand and power. As far as we are concerned, we always work with premium segment because we feel that there's a lot of space here.

And so any product in ceramic, which we are outsourcing currently, we have been positioned at a premium level. So our first realization is even much more higher than the quartz products. Now to just very quickly, we will now targeting the mid segment of the market with the new SK Sternhagen collection, where we're getting overwhelming response. We're adding 3 more ranges to it. And yes, we will be able to see that more on a volume-based target segment where we are doing it mostly builders and also the customers.

I think we should be able to now gain a larger volume. But even while I say it, it is still – the per piece price is in comparison with our cost products. Nothing is lower than that. And even the margins are in comparison with the quartz products.

**Moderator:** We'll take the next question from the line of Varun Arora from Safe Enterprises.

**Varun Arora:** So my question is, I mean, if I look at quartz sink contribution and steel sink contribution, it seems that this year we've seen a higher decline coming from quartz sink volumes. This is obviously after a very strong increase last year even the quartz sinks, while our steel sink business seems to be stable this year, year-on-year, if you look at 9 month. So if you can just give some colour as to what you're seeing across the two, why there is a higher decline in quartz sink this year?

**Chirag Parekh:** Same thing, but primarily is because of the destocking happening with our major export customers, where there is 75% of exports in quartz sinks versus we have only 10% of exports happening in the stainless steel sink. So India being a more resilient market, there has not been much variation to it and where the exports have been more challenging time. So that's the reason.

**Varun Arora:** Sure. And sir, but in terms of secondary demand, any colour like quartz sinks, what's the growth like I mean is the difference much lesser in the secondary side when we look at quartz sink and steel sink?

**Chirag Parekh:** Difference in sizing?

**Varun Arora:** Difference in demand that you're seeing this year, is it much lesser at the secondary level?

**Chirag Parekh:** And I'll just clarify, I've said it before, the flavour for quartz sink is increasing on a quarter-on-quarter basis, I would say, month-on-month basis. So I think that's not going down. We have seen a sharp increase in the demand of the quartz sinks, not only the retail side but also with the builder side. I met some few major builders. And the only thing is that there is a price issue. And most of the builders turned away because of the pricing of the products.

So we are now trying to work out, like I told one of my friends on the call that we are working on a separate plumbing kit and a packing system, which we can be able to offset that with the lower price of the builders. So mostly to the pricing, if we're able to give the products and the steel sink, I think everybody want to buy quartz sink, most of them will buy the quartz sink.

As far as the retail side is be concerned, I think we have been seeing on a quarter-on-quarter basis, the demand of the quartz sinks versus steel sinks are on an increase.

**Moderator:** We'll take the next question from the line of Nitin from KIFS Trade Capital.

**Nitin:** Yes. The existing capacities which we have, so can you tell me what is the maximum revenue potential from each segment wise?

**Chirag Parekh:** So on the quartz sinks, we have a capacity of 1 million sinks, which result to about INR 550 crores to INR 600 crores. As far as stainless steel sinks are concerned, we are 90,000, which we are soon expanding to 180,000. About 100,000 units will do about INR 45 crores to INR 50 crores and at 180,000 units, we should be doing around INR 80 crores to INR 90 crores.

**Nitin:** Okay. And the third one?

**Chirag Parekh:** Third is the built-in appliances, which will be 200000 units assembly line of starting. Taps assembly line of 10,000 taps to start with.

**Anand Sharma:** June, 1 lakh and December, 1 lakh.

**Chirag Parekh:** Appliances on 100,000 units will give a fact -- will give a turnover of approximately INR 80 crores to INR 90 crores. That's what we are doing at 100,000, so INR 80 crores to INR 90 crores.

**Nitin:** So based on these three segments, you will be reaching approximately INR 800 crores max?

**Chirag Parekh:** Yes.

**Nitin:** Let's say assuming figures.

**Anand Sharma:** Like if that's influencing, then we'll have more.

**Chirag Parekh:** Yes, but the total capacity.

**Nitin:** Yes. Am I missing something?

**Chirag Parekh:** No.

**Nitin:** Okay. So now your long-term target is to have 1,000, that's the ambitions, which you have spelt out. So now to have that balance 200, you will need to incur certain expenses which you must be on your drawing board stage at this point of time?

**Chirag Parekh:** Yes.

**Nitin:** So what that kind of capex will be needed?

**Chirag Parekh:** You see, we are having the AOP budget meeting in March. So we are right now, like I said, one of my friends that we are exploring the opportunities where we need to do that. So I think you'll have more clarity by end of March we can share with you.

**Nitin:** Okay. But I presume you will be not -- it has to be margin accretive and lesser pay back. That's the internal target you must be keeping benchmark, right?

**Chirag Parekh:** So I think it's needless to say that Carysil always focuses on the margin, which we see and I think you probably would have seen this quarter too there. Margin is our core focus for a quarter or something, maybe for a particular project or something or a onetime expense. But generally, yes, we always look at keeping our margins intact.

**Nitin:** So because like we need to think a little beyond two years horizon because whatever this potential of the existing capacity is that you'll be definitely hitting two years or three years max. And anything to plan beyond that, we'll need another 6 to 8 quarters to scale it up. So I think there's something which you need to throw. Am I right in thinking that, should be something in 6 months, you should be out for blueprint beyond three years?

**Chirag Parekh:** Yes. So like I said, the markets are volatile across the world, while we see definitely a positive outlook. The Q4, the end of Q4, we'll be able to map out exactly what's happening and we're going to give you a much clear picture right then. So maybe in the next earnings call, you may have more clarity from us how are we going to do that.

**Moderator:** We'll take the next question from the line of CA Garvit Goyal from Invest Research.

**Garvit Goyal:** Sir, considering these energy prices in Europe and the European manufacturers not able to operate their plants there on at the similar cost levels as earlier. You think post when the opportunity coming to you, but at the same time, you are saying European demand is not there due to energy crisis, which is reflected in your volume numbers as well, which are Q-on-Q down by 18%. So my question is, number one, whether we can expect volumes to recover in Q4 to the levels of that in Q1 FY '23 or these volumes shall recover only when peak energy crisis gets sorted.

I'm asking this because if later is the case, then European competitors will also be able to operate the plants in the earlier quote after the energy crisis get sorted. So if demand recovers, then supply will also be there. So I'm not understanding how we are going to be benefitted . Because you mentioned in the earlier calls, demand is there in Europe. It's just a matter of channel destocking, which shall get resolved in Q4. It seems logical that demand is there, but the domestic supply is not able to make the cost effective supply. So the demand shall come to us.

But if the demand only is not there due to energy crisis and inflation whatever, then there is no question of shifting it from Europe to India. So kindly put some colour on that, sir.

**Chirag Parekh:**

Yes. So I think I would like to clarify. So A, is yes, that there is a flatness in the European economic side. But we also need to understand that more than 50% of the sales are happening outside Europe for them, even for our competitive German manufacturers. So there Europe still struggles, but we may have opportunities in America and rest of the world. So I think that's number one, which, like I said, opposite on table, we are in advanced discussion with few of the large companies across the world, which we'll be able to share with you soon hopefully.

Number two is this energy crisis -- if you read very carefully what is happening in Europe at this point of time, it's quite alarming, okay. So most of the -- maybe it's not coming out too much loud in the media and all, but there is a serious trouble right now for the energy. While they may get energy, but the prices are of the off the roof. I have discussed in my last visit, I would not name anybody, but some very prominent companies who are manufacturing in Germany and in Europe, they are really passing through tough time. This situation of war, the situation of the energy crisis, also there is one more issue which we do not address is employment. So the labour -- so we are not able to get labour to work. So they need to pay really, really high salaries to get people, to hire people there.

So that's another very big challenge in Europe, what they are facing. So I think we see opportunities not only in Europe, but maybe later in Europe, but by the time, I think we would have been able to substantially take the market share of many of our major competitors.

**Garvit Goyal:**

And sir, how confident you are to hit the revenue level of INR 600 crores by the end of this financial year, sir?

**Chirag Parekh:**

What, I think I am as confident as you are, so.

**Garvit Goyal:**

That was nice. So it means we can expect the Q4, Q-on-Q basis to be better, right?

**Chirag Parekh:**

So I think if you are positive and confident, it will happen.

**Moderator:**

We'll take the next question from the line of Tushar from Kamakhya Wealth Management.

**Tushar:**

So I could see that we are increasing our total addressable market by entering into quartz surface, faucets, further focusing on good design cook tops. So my question is that we have now bought new land. In terms of the wallet share, I just want to get the quantum, like how much in the percentage terms might increase? That is my first question, sir.

**Chirag Parekh:**

Wallet share increases because of what -- by acquiring land?

**Tushar:**

No, the plan you might have with the global partner, I just want to have the quantum for the same. Like what would be the quantum from the current wallet share which we have?

**Chirag Parekh:**

Like I said, we still have to wait for -- we'll be able to give more clarity after Q4.

- Tushar:** Fair enough, sir. Sir, for next two to three years, like in terms of domestic sales, what sort of CAGR growth you're expecting in the revenue? And what would be the margin profit, sustainable margin profit?
- Chirag Parekh:** Yes. Our goal is, and I think three years back, our margins were almost half, and EBITDA margins of exports more than 20%, domestic was struggling at 10%. I think we've been able to jump back on our domestic margin side. Mr. Sharma, after my answer to you can throw more light on the margins. As far as the growth side is concerned, we are approximately at around annual rate of INR 120 crores, INR 130 crores. So we have aggressive growth plans. And I think our plan is to grow anywhere between 30% to 50% year-on-year for the next three years' time.
- Anand Sharma:** So adding to that, gross margins is same for domestic and export, while EBITDA margin for domestic is around 17%, 18% primarily because of the A&P expenses what we monthly spend. But with this, our reach increasing and the brands building going on, I think we should have a similar margin in export and domestic on the net level also.
- Tushar:** Sir, my last question, looking at the current capacity, what is peak revenue we can expect from the current capacity? And what is the current utilization level for quartz and steel sinks?
- Chirag Parekh:** So on the quartz sink side, I think we have already said that with the 1 million sink capacity we can reach to INR 550 crores to INR 600 crores from the existing capacity that we have installed capacity. Current utilized capacity around 65% as of now. Steel sink, we have increased the capacity from 90,000 to 180,000. Next year, we'll have the full capacity available for utilization. We should be able to entire 75%, 80% capacity in steel sink.
- Moderator:** The next question is from the line of Ridhima Goyal from Acquaint Bee.
- Ridhima Goyal:** Chirag, I just wanted to ask, like, are we shifting our focus from quartz sinks to other products? Because I just wanted to know like what is the domestic market product mix, the contribution from the quartz sink?
- Chirag Parekh:** So I would say as far as the strategy is concerned, I'm clarifying it that we want to have a one-stop solution to our customers because we have such a huge reach across India, pan-India. So we just cannot afford the overhead here by selling quartz, so if people want some other stuff also. So right now, if you see our revenue bifurcation, about 60% are quartz sinks and 20% are mix of, and the balance 40% is mix of 20% steel and 20% built-in appliances. And I think it has grown very well.
- Ridhima Goyal:** This you are saying overall, right? I wanted to know particularly for the domestic market.
- Chirag Parekh:** I'm talking about domestic only. We don't sell appliances to foreign countries.
- Moderator:** The next question is from the line of Rushabh Doshi from Nimiti Investment Advisors.
- Rushabh Doshi:** Yes. So I'll just highlight out like in terms of our dealer and distributor network, earlier an increase in the distributor network was more in tandem with the dealer network. But now what

we are seeing is that the distributor network is still at 82, but we are kind of doubling our dealer networks. So I just wanted to understand like how is that working out?

**Anand Sharma:** So currently, we are focusing more on the increasing our sales point and dealer network. And we have also planned to increase our distributor network.

**Chirag Parekh:** No, just coming back to your question, and the answer is very simple. The domestic piece of our business, we're expecting, like I said, 30% to 40% growth year-on-year, next three years' time. So I think that can growth can only come by the way of expanding the dealer network what we have planned and by our emphasis on the B2B category.

**Rushabh Doshi:** But like we are able to service all 3,000 which we are planning, dealers, through these 82 distributors, or you're planning to increase the distributor network also by significant number?

**Chirag Parekh:** The active distributor network right now is 50 plus, which would be go to 100 plus. And this 100-plus will have a dealer shop distribution network, say about 400 to 500. So they would be servicing to 3,000.

**Rushabh Doshi:** Okay. Like, in one of the previous questions where the participant had asked the maximum revenue potential of the company. I guess then you even mentioned the revenue potential for Carysil Surfaces. So if you could just mention that?

**Chirag Parekh:** Sorry, I'm sorry, you were not clear.

**Rushabh Doshi:** In the previous participant's question, where you had replied with the maximum revenue potential of the company at the current capacity. It was around INR 800 crores, INR 600 crores was from quartz, INR 90 crores was from steel and around INR 80 crores to INR 90 crores was kitchen and appliances. But could you just mention what is the potential from Carysil Surfaces?

**Anand Sharma:** Surfaces. So INR 800 crores, what we discussed about the Indian business operation, and there is a UK subsidiary, our Carysil Plus Limited. Currently GBP 10 million and --

**Chirag Parekh:** Carysil product is about INR 80 crores, and then the Surfaces is about INR 130 crores to INR 140 crores. So overall, from the whole global fees, Surface is already 15% of the business.

**Rushabh Doshi:** So in short, we have a revenue potential of around INR 930 crores, INR 950 crores?

**Chirag Parekh:** Yes. Actually you see our aim of touching INR 1,000 crores, I think we are not changing that plan or want to derail from it. And like I said, even the last quarter, the things are being very positive. And I think -- and I feel very confident in the year '24, we would be hit the INR 1,000 crores mark.

**Rushabh Doshi:** And like in terms of gross margins, like now we are somewhere at 49%. So in Q4 or next year, like what the number for gross margins are we looking at?

**Chirag Parekh:** So I think we would not be able to give the statement what's happening. The only thing what we can say is that I think we expect the gross margins to be intact.



**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, we will take that as the last question. I now hand the conference over to the management for closing comments.

**Chirag Parekh:** Yes. As stated earlier, we believe that the challenges posted by current geopolitical and inflationary trends for our products is slowly phasing out. On a medium to long term and on a sustainable basis, we see great opportunity for us to increase our penetration in global and Indian markets to have growth of our business substantially. We have a great product line and fundamentals of our business remains still strong as ever .

Thank you, everyone, for joining this call. We hope that we've been able to answer all your questions satisfactorily. However, if you need any further clarification or want to know more about the company, please get in touch with our team of SGA, Investor Relations advisers. Thank you once again for taking the time to join us on the call. Have a great evening.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Carysil Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.