CARYSIL
GERMAN ENGINEERED

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August 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 August 14, 2023

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of Q1 FY2024 Earnings Conference Call for Un-audited Financial Results for the quarter ended June 30, 2023 held on Monday, August 14, 2023.

Thanking you,
Yours faithfully,

For **CARYSIL LTD.**
(Formerly Known As Acrysil Limited)

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"Carysil Limited
Q1 FY '24 Earnings Conference Call"
August 14, 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 14th August 2023 will prevail

MANAGEMENT: **MR. CHIRAG PAREKH – PROMOTER AND MANAGING DIRECTOR – CARYSIL LIMITED**
MR. ANAND SHARMA – CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER – CARYSIL LIMITED
SGA, INVESTOR RELATIONS ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to the Carysil Limited Q1 FY24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on 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 listen-only mode, and there will be an opportunity for you to ask questions after the management opening remark concludes. Should you need assistance during the conference, 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, Promoter and Managing Director. Thank you and over to you, sir.

Chirag Parekh: Good afternoon everyone and thank you for joining us on Carysil Limited Q1 FY24 earnings conference call. I hope everyone had a chance to view our financial results and investor presentation, which we have posted on the company's website and stock exchanges. I am accompanied by our CFO and COO Mr. Anand Sharma and SGA our Investor Relations Advisors..

Allow me to begin by providing you with some key economic updates.

India has substantial advantages over the rest of the world due to political stability, a strong domestic consumption-based economy and a robust regulatory environment for the financial sector. The global economy is widely impacted by the prolonged Russia and Ukraine war, resulting in supply chain disruptions, significant surge in essential goods prices, and increased inflation. Central banks worldwide are tightening the monetary policy to bring down the accelerated inflation. However, the US economy is now recovering, and inflation concerns have significantly eased.

The US and UK have faced the most challenging times where we foresee the second quarter, marking the beginning of the growth momentum in the region for France. Furthermore, it is imperative that we closely monitor the situation in Europe. Few countries within the region, for example, France, are currently feeling significant inflationary pressures. It is expected to continue for the next two to three quarters.

At Carysil, we constantly focus on expanding our market penetration in our market geographies like UK, US and Europe. Our marquee clients such as Krauss, Karran, Ikea, etc. have helped us gain major market share and strengthen our position across geographies. We also wish to tap new and emerging markets like GCC, Turkey through our overseas subsidiaries. Let me give you an update regarding the current quarter. The quarter gone by has started witnessing good order inflow from our customers across US, UK and others.

As we discussed during our last earnings call in May 23, we successfully implemented the SAP ERP system in the Company. However, the production and sales were operating at a lower scale than the normal capabilities in April 2023, due to the teething troubles associated with the implementation of SAP ERP in the Company. This has resulted in a shortfall in revenue about INR15 crores in the current quarter. We are confident to recoup the revenue losses in coming quarters owing to decent order booking and increased capacity utilization.

Besides, it is important to mention that part of Gujarat also faced a cyclone in June 2023. The cyclone disrupted core operations in the month's final week, causing a slight impact on our revenue on dispatches. As we stated earlier, we have created a dedicated team in different verticals in the domestic market. As part of our ongoing B2B strategy, we are improving our touchpoint developers and architects and increasing our penetration in the domestic market. Our dealer network has grown over 3,200 and we are collaborating closely with our dealers with various schemes to increase domestic sales.

We firmly believe that the next leg of growth will be driven by expansion. In order to achieve the stated objective, we have acquired additional land parcels measuring 43,379 square meters. This would lead to a cumulative land bank of 1.03 lakh square meters for our future growth.

Let's discuss the performance of each segment individually.

Quartz segment – Global markets have initiated updates of their orders. We foresee that growth momentum to persist robustly in the forthcoming quarters.

Our capacity to large part of the quarter has crossed 60%. We are now targeting around 80% by the year end. Thanks to all the new addition of new customers.

For Steel-Sinks segment – We are pleased to inform that we have installed an additional 90,000 units production capacity which will be delivered from quarter 3 onwards. Bringing our total annual capacity to 180,000 units. A mix of Quadro and other stainless steel and PVD products will drive this category. We are uniquely positioned as India's main manufacturer of PVD and special sinks. When it comes to the technology, it provides improvement in coating, life, aesthetic and the technology of the manufacturing.

We have also observed an increase in demand for PVDs, in exports markets.

Appliances Faucet Segment- The growing preference of modular kitchens, coupled with affluent household aspiration of creating a smarter home, will result in higher sales in the smart kitchen appliances category. The domestic build in the kitchen appliance market is under penetrated, which gives a lot of confidence that this segment will drive our business. Expansion of one lakh units each in two phases which includes a primarily fast moving chimney hood models and other appliances facing some delays in the procurement of machineries and hence our first phase is expected to commence in H2 FY24.

Also, we started the faucet division assembly line during the quarter. The full fledged production process is expected to start from H2 FY24.

Incorporation of WOS

In the previous quarter, we incorporated a wholly-owned subsidiary in the name of Carysil FZ in Dubai to cater to the GCC region. We commenced operations this quarter. We wish to promote sales in the region under our brand, Carysil. We will be opening showroom in Dubai at a prominent location on Sheikh Zayed Road from October 2023.

Furthermore, we are proud to announce we are establishing our wholly owned subsidiary in Turkey, one of the most emerging markets in the world for home improvement products. The primary objective of establishing a subsidiary is to sale products under our own brand of sinks and appliances. We intend to leverage our brand and solid products to expand new markets, thereby capturing market share.

Outlook for FY24

We would like to reiterate that the Euro plus one strategy has already started playing out.

Customers are looking for more quality products at a better price, reducing their dependency on a single vendor. As all you know, last year, we witnessed a consumption slowdown and destocking of inventories in our major export territories, reducing capacity utilisation. As the global economy revives, we have increased capacity utilisation and will increase further in the coming months. Post-Quarter 3, we will be better positioned to re-look at our pending capacity expansion of the Quartz Sinks of 200,000 sinks.

China Plus One and Europe Plus One strategies have also grown dramatically in our Steel Sinks division. The starting supply of Steel Sinks to our UK subsidiaries, Grohe, Germany and other export markets. In the Appliances division, we will get better domestic share once our in-house manufacturing capacity is ready in H2 FY24.

We wish to reiterate that we have to plan to achieve revenue of Rs 1000 crores by FY25 to support this. Along with our dominant position in the Quartz Sink Division, we see steel sinks, faucets appliances will also play a very large pivotal role. Now I would like to call 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 1 FY24 performance.

Sales volume for Quartz sinks stood at 104,000 units, stainless steel sink stood at ~20,000 units, kitchen appliances and faucets total stood to ~9,000 units at Q1 FY '24. Consolidated total income stood at INR142.80 crores. EBITDA for the company stood at INR27.4 crores in Q1 FY '24 as compared to INR26.5 crores in Q4 FY '23, growth of 3.3%. Profit after tax and-MI for the quarter is stood at INR11.6 crores in Q1 FY24.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashwini Damani from Ratnabali.

Ashwini Damani: Did we just say that we will do 80% utilization for FY '24 in the quartz sinks segment, which is currently up from 60%? Did I get it right?

Chirag Parekh: Yes.

Ashwini Damani: Sir, have we won any major new orders, because this would mean a major jump in the order booking on some new customer win?

Chirag Parekh: Yes. So I think the current quarter booking was at that. Unfortunately, due to SAP implementation, we were not able to dispatch the larger quantity of 60,000 sinks. From quarter 2 onwards, we are targeting dispatch of 60,000 sinks i.e 60%-plus.

And we had several breakthroughs in our new customer base, which is giving us confidence that on a quarter-on-quarter basis, the utilization of the current capacity is going to jump from 60% to 70% and then 80%.

Ashwini Damani: Sure, sir. Normally, when companies work on parallel ERP systems on the SAP implementation, they always have teething issues. But for the first time we ever heard that someone has forgone sales while implementing SAP. So can you just explain what happened and how we could have resolved it, etcetera?

Chirag Parekh: Yes. I'll just give to my CFO, who is heading this ERP project of SAP, Mr. Anand Sharma. You can reply.

Anand Sharma: So this SAP, we have put the cut-off date of the financial year because running a parallel ERP system creates a lot of hiccups and it's, voluminous job for the team to do. And it always happens that you don't get confident on new system if you're running something parallel.

So we have consciously decided that with the end of financial year 2023, we will move to the SAP straight from the day 1. Based on that, we migrated from our legacy software to the SAP from the 1st of April 2023. . This has given us the clear cut-off date and helped us build our system within a few weeks' time. If we go on the parallel system, it takes a month to build it.

Ashwini Damani: I understand that, but did you forgo sales just to implement SAP?

Anand Sharma: It's not a forgo of the sales. Only we cannot utilize the capacity during that period, and it's only a teething problem. It's not something that we could not able to do anything during the period. It is just our number of transactions we're able to execute in the legacy software and the number of transactions we're able to do in that SAP base is less.

It's not that we forgo the sales, it is only spillover, the impact of which we'll see in the quarter 2. It's not a loss of sales. It is just a spillover over the quarter.

Ashwini Damani: Across our presentation, we mentioned that we are one of the four players who make Quartz Sinks using Schock Technology. We wanted to understand if there are any other technologies apart from Schock and do major players in the world also use non-Schock Quartz Sinks? Especially do they sell those things to, say, the world's IKEAs and the Home Depots, the non-Schock technology quartz sink?

Chirag Parekh: So there are other technologies available, whether we are able to sell it to IKEA and others, I am not aware about, nor I'm in a position to -- able to tell you because I honestly don't know. My answer would be, I think the chances areless that they could do it.

The other technology available are very different than Schock and what our competition has told us that they have failed in a lot of quality criteria and which -- what happens is that if you have a bad sink and it fades or cracks, then you have to change the whole countertop.That's a lot of loss to the person -- the kitchen. So that's why you have more people trying to have a good quality sink so they don't have to break the platform just in case if there is any quality problems.

Moderator: The next question is from the line of Udit Gajiwala from Yes Securities.

Udit Gajiwala: Yes. So you mentioned that in terms of number of sinks, we could not deliver 16,000 sinks, in Q1. So does that imply that there is a spillover in Q2?

Chirag Parekh: No, tthe approximate sales loss was around INR15 crores for quarter 1.

Udit Gajiwala: Okay. Sir, what would that translate into your quartz sink business, the numbers?

Chirag Parekh: That would be approximately INR15 crores is around 30,000 numbers.

Udit Gajiwala: Okay, sir. we have seen gross profit margin improving for the quarter at consol basis, that is what I'm referring to on a sequential basis. So what was the cost that went down during the quarter? And even though we had a lower utilization, our GP is fairly higher. So what would that attribute to?

Chirag Parekh: In the last call, I also mentioned that I think the whole supply chain cycle is in our favor. During the COVID times, the freight, input, and energy costs for everything had gone off the roof.

Now everything has returned to normal and we were quite. We would say we are quite smart, smart is not to pass the whole benefit to the customer. So we could retain this majority part to us, and we can only pass a small portion to the customers. Hence, we are able to see an improvement in the bottom line.

Udit Gajiwala: Okay, sir. for FY25, when you say that you are confident of achieving INR1,000 crores revenue, could you give us a split that what will be our quartz, stainless steel, solid surfaces, your Tap Factory that you acquired under U.K. businesses?

Chirag Parekh: So I think -- so very honestly, that will be the large question, but I think later on after the call, you can contact us. We'll be able to give you that. But I can tell you broadly what it is. You see, what we are doing is, and I think that will probably be answering some other investor call questions too, that right now, we are expecting to hit the run rate INR720 crores to INR750 crores annual run rate.

Order booking for the quarter 1 also was like that. But due to the SAP, dispatches, there was issue and due to the cyclone and all. So from quarter 2 onwards, we'll be hitting the rate of INR720 crores to INR750 crores.

While I say this, the current breakup will be approximately the same, which we will send it to you, which we will see on an investor presentation. So that will be the presentation- the breakup for that.

Further, the company is exploring other M&A opportunities. And hence, the incremental growth, that it comes next year, will be based on the organic growth of our current business and a mix of M&A.

Udit Gajiwala: Okay. Understood, sir. And just lastly, the land that we have procured, I believe that this will not be for the 2 lakh sinks that we have deferred, right? Because for that, we already had capacity, and the land availability. So this is for which project, or are you just keeping it ready for any of the future newer products? Or what is the idea behind this?

Chirag Parekh: So what we have in future, expecting that once we can -- through this INR1,000 crores sales next year, what is coming in next, so we have a lot of new opportunities. We have a lot of new expansion plans.

We may get some more large breakthroughs in the kitchen sink segment itself, not necessary for steel too, it could be a mix of Quartz and steel sinks, since I've been mentioning that we have got large breakthroughs and hence, we are looking at a very strong order booking of the company.

So this may again happen next year. We are also looking at a future for expansion of the ceramic products in the company. We are also looking at the expansion of our faucets in our kitchen appliance space. So with all this together, we were kind of falling short of the land bank, and we were able to get at a good price.

So I think very imperative that we buy this land for future expansion.

Moderator: The next question is from the line of Vaidik from Monarch Networth.

Vaidik: Sir, my first question would be, I just wanted to understand whether are we witnessing any industry shift from quartz sinks to stainless sinks?

Anand Sharma: Industry shifting from quartz to stainless or stainless to quartz?

Vaidik: From quartz to stainless, because as we see in our results, we saw a decline in quartz revenue for the quarter and also, we saw it in the Q4. And as you are more dependent on exports and you can see the Europe situation is worsening again day by day, so is there any shift we are seeing?

Chirag Parekh: Yes. So I would also like to state it again, which I've been saying in the last 3 investor call quarters, that there was a big stocking for the customers and there was destocking took place during the COVID times, our customers had placed large orders, and there was a revenge travel.

There were lots of loss of other home improvement. So based on a larger decline, there was a lot of stocking, which we were expecting destocking to be over by quarter 4, which I clarified in the last call, it will go to the quarter 1.

So I think we are back now. The quartz sinks is the most important part of our business and the fundamentals of a quartz sink business globally stays as additive. It's very strong, quartz sinks are 100% the next future.

Vaidik Bafna: Okay, sir. And sir, my next question would be this in FY '24, how much do we expect in terms of revenue for quartz sinks? How much growth can we expect? FY '24? For the current year?

Chirag Parekh: INR330 crores to INR350 crores exports of quartz kitchen sinks.

Moderator: Thank you. The next question is from the line of Chirag Fialoke from Ratnatraya.

Chirag Fialoke: Can you just guide us on the gross debt at the end of this quarter?

Anand Sharma: Gross debt at the end of this quarter is INR220 crores, which includes working capital, term loan and acquisition loan, everything, putting together.

Chirag Fialoke: Understood. And as you had mentioned earlier and just to another participant just before me, the destocking is broadly towards its end. Can you guide us towards the current channel inventory in terms of number of days or months? And I understand, it will be just an estimate, but what is your estimate of that right now?

Chirag Parekh: You're talking about estimates at...

Chirag Fialoke: At the customer or the channel end?

Chirag Parekh: Yes. A customer normally holds an inventory between 60 days to 90 days.

Chirag Fialoke: And currently, what would that number be?

Chirag Parekh: Yes, same. So, right now, we have dropped below 90 days. So, they are somewhere around 60 days or even out of stock with some models. So these destockings, , is almost done.

Chirag Fialoke: Understood, The last question is just on the domestic revenue side and, correct me if I'm wrong or, what is the right way of looking at it, if I'm not looking at the right way. Broadly from June '22 to June '23, if I look at our domestic revenues, they have been in the range of say INR30 crores to INR35 crores odd. And in the meantime, our domestic dealer base has grown by almost 60%, 70%, whereas overall revenues have remained flat. generally speaking, This seems a little odd, but is this something I'm missing here or would love your comments on that.

Chirag Parekh: So I, when last time I was asked the same question, some of the dealers take place at the end of the quarter. So you see the momentum picking up now. So whatever we have to increase the dealer network would be in quarter three and quarter four. The realization is going to happen now. So when you see, so because again, quarter one, we had issues with the dispatches and cyclones. But from quarter two, you're able to clearly see that, there is a significant improvement in the sales because of the expansion of the dealers network.

Moderator: Thank you. The next question is in the line of Tushar Raghatate from Kamaykya Wealth Management. Please go ahead.

Tushar Raghatate: Good afternoon, sir, and thank you for the opportunity. Sir, I was just seeing your volumes. So, your peak volumes were net 1,70,000 in the Quartz sink business and sir, just wanted to understand like, when we can reach those volumes and also when we can surpass those going forward, that would be my first question, sir.

Chirag Parekh: Even I am waiting to surpass this volume, I don't have any answer. But the good thing is, like I said, the company is back on track, we are able to crack some large orders, and we had some breakthroughs with some large customers. So we are quite hopeful with the rate at which we are going. We could from quarter 2 or quarter 3, but very likely from quarter 2, we will be able to hit that run rate or will be very close to it.

Tushar Raghatate: Fair enough, sir. in domestic business, as per our channel checks in Pune and Mumbai, so we could figure out that many people are not aware of the quartz sink per se, they are more aware of stainless steel. So any initiatives from the company end to make the consumer aware of the cost of properties and all. And what are we doing in terms of the architects, in order to, them to push the product to the, push in the sense like, make aware, the customer about the product?

Chirag Parekh: So let me answer you this question in two ways. One is overall, we have to do a lot in the marketing of doing Quartz, 100%. So that's why we are building our marketing team. Number two, I don't agree with your, about this thing on Pune, and Mumbai, yes, but Pune, we have the number one market share in Pune for Quartz sales and on the steel sales. My Pan India, adds also here. We have the biggest market share also in the building segment in Pune.

So Pune, we have been able to do a lot of marketing. People know, most everybody knows what a Quartz sink is. Two days back, I opened up a third gallery in Pune for sinks and appliances. Mumbai, as you know, we have the Mumbai sales have significantly improved over last year. And we have recruited a large team to be camped in Mumbai for the B2B, for B2C, to see that we start marketing the Quartz sinks in Mumbai very aggressively.

I think Mumbai will take a time just like any other metro takes more time to understand what it is. The more on the south side, the central side, north side, people are much more easily, they get converted to Quartz Sinks, but Mumbai is a bit tough for anything. But I'm quite sure I'm very confident with the team, with the pace where they are going, and with the projects, which we already have.

We have cracked in a lot of new builders projects in Mumbai, and we are expanding our dealer network and opening new galleries in Mumbai. Gallery at Atria Mall at Worli, we had a prominent place in Andheri, we opened. So a lot of traction has now come to Mumbai. So yes, our efforts are on and it will continue.

Tushar Raghatate: Okay, sir. My last question. You hired a new person for the brassware business. I just wanted to understand what sort of incremental revenue contribution we can get from the new businesses entering into this. Your thought on that, sir?

Chirag Parekh: So, it's a small startup business. The revenue is approximately about INR15 crores. So, not a very significant revenue will be added. But it will come with technology of five flow hot water tap which will have a significant advantage to us for our Indian and global market, because five flow tap is the future in the world.

In the same tap you have boiling water to make tea, you have sparkling water, there is no soda bottles required, drinking water, so no drinking water required. So it's an amazing tap, there's a future and for the company thought very prudent to invest in a company at this stage only where we are able to get a great access to this technology and we can share this technology across all the geographies globally.

Moderator: Thank you. The next question is from the line of Urvin Desai from True Focus Investments. Please go ahead.

Urvin Desai: Hello. So I wanted to ask a question. Can I know the split between white label products and branded products and margins for the same?

Chirag Parekh: You want to understand the Granite model? Branded vs OEM?

Urvin Desai: Yes.

Chirag Parekh: All our new initiatives are for the B2C. So we would like to sell our brand. So our initiative in Gulf countries, initiative in Turkey, initiative in UK, our initiative in other parts of Europe, our initiatives in Australia, which I'm going next month to open up two galleries in Australia, Sydney and Melbourne, clearly shows the signs that the company would like to increase the brand the B2B, B2C market share.

As of now, yes, it's quite low, but we are, the company's going to put, put emphasized efforts that at least in the next five years' time, the company should have a branded market share of at least 30%.

Urvin Desai: Okay and may I know, the margins for the same if you can?

Chirag Parekh: Margins if, yes, so it depends, Right now the margins are almost the same whether we do OEM or we do the branding. Because right now, the marketing cost is very high, but eventually, the play out will be that the branded market, the margins will be higher.

Urvin Desai: Yes, so you talked about building projects and rising in Pune and like that. So may I know the sale numbers and volumes for these building projects and their margins?

Chirag Parekh: So it will be right now for us, this question will be very tough but we can probably send you the information to you. So you can contact SGA, our investor advisor and we will send you, whatever we have to. Yes? Is that okay with you?

Moderator: Thank you. Mr. Urvin Desai requested to join the queue for any follow-ups. The next question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead.

Garvit Goyal: Hi, good evening, sir. And sir, you mentioned companies looking for the inorganic opportunity now. Earlier, we were targeting this INR1,000 crores via organic route. Now we are saying, we will go for the inorganic way. So can you please put some color on it, whether I am understanding it correct or not?

Chirag Parekh: We have always said, it's going to be a mix of organic and inorganic. The large part is, organic filler and it will be inorganic, yes.

Garvit Goyal: And sir, top line target, in last con call you mentioned for FY '24 was INR750 crores kind of revenue. So is it intact?

Chirag Parekh: Yes, like I said, we are able to start, able to hit the run rate of INR720 crores to INR750 crores from quarter 2.

Garvit Goyal: And sir in the last con call, you also mentioned some innovative products. You are saying, we will announce those agreements that we are entering into with some other players and put some color on that in the upcoming quarter. So, how the development is going on, sir?

Chirag Parekh: Development is going on very, very strong. Within the next quarter or two, we have a big launch of all the innovation products in the ACETECH exhibition in Mumbai, in the first week of November.

Garvit Goyal: And sir, you mentioned in the opening remarks about some problems related to inflation going on in the France. So how it is going to impact our revenues in the FY '23?

Chirag Parekh: You say inflation in where?

Garvit Goyal: France, I think in the opening remarks you mentioned that some problems are going on in France related to inflation?

Chirag Parekh: So the world is living with the fact that this is what is happening. The business may go a little bit up and down, but now people are gradually adapting to the geopolitical situation, the issues in France, and the issues in theUK. So this is the world we will live in, right? So while the business may go a little bit up and down, but the business we expect still to remain stable. Nothing is going to have a large impact on the business.

Garvit Goyal: Going forward on the sustainability of the EBIDTA margin, so what is our guidance from here? Like costs are also getting reduced due to inflation is pulling it, so what is CAGR view on that?

Chirag Parekh: I also stated earlier that, the EBITDA margins are intact, then with the volume expansion, the margin expansion also is going to happen, I think it's very clear. It's because after the post-COVID, all the cost, freight, input cost, everything has gone down. And I also told a second very major point that most of the clients ask for a, how much you are going to share with us. But we have been able to retain most of the benefits. And so, we are quite hopeful that there will be a margin improvement along with the volume expansion.

Garvit Goyal: And sir, lastly, on acquired land in Bhavnagar, just to understand, like six, seven months back also we made an acquisition, so what exactly is the core process? Like this time we paid, a high amount in square feet terms as compared to the earlier one. So, please highlight exactly what happened in the last six months that led to this additional land acquisition?

Chirag Parekh: We have installed the capacity of the faucets and for the built-in appliances. And we also had expanded the quartz sink capacity. So now we are almost left with not much land. And same time stainless still is coming are also expanding. So expansion is going on across. So we need to have surplus land for any of the categories for us to be able to expand. Because if we assume that the INR1,000 crores, if the company plans and is aiming for next phase in the company, which we need a lot of land for future expansion.

Moderator: Thank you, Mr. Goyal, request you to join the queue for any follow-ups, as there are several participants are waiting for their turn. The next question is from the line of Devika Jain from Ratnabali Investments. Please go ahead.

Devika Jain: Yes. So sir, my question would be with respect to our revised target of INR1,000 crores sales by FY '25. So in order to reach that target, we need to grow by 30% for the next two years. So on what basis have we revised this target? Where will the growth mainly come from? And lastly, do you have any new orders from existing or new customers in your pipeline?

Chirag Parekh: So your point well taken. Right now, we are in a position with an annual run rate of INR720 crores to INR750 crores a year. With the new clients on board, with the existing plants pouring out more orders to us, because of the EU+ strategy coming into play, this will have a significant impact on the growth for us from quarter 2 itself. So once we are expecting a strong growth in quarter 2, then you will see, with that, we already grow, hitting a run rate of INR740 crores, INR750 crores a year. Then you are talking about INR250 crores for next year.

Even if organically we expand by 10% to 15% and then balance comes from any kind of M&A, we'll still be able to hit the INR1,000 crores run rate. So I think we are quite confident that there is a lot of substance to the way we have planned moving forward. And I think we will be able to see this from quarter 2.

Devika Jain: Okay. And sir, one last question from my end. So on social media, we have observed that the company has started opening a lot of showrooms or galleries, as you may say. And in fact, in the last three to four months, we've observed that we see an announcement every 10 days to 12 days. What is your strategy with respect to this? How many showrooms are we targeting by FY '25 end -- by FY '24 end and '25 end and what are the costs associated with this?

Chirag Parekh: Yes. So I think what we have seen that the dealer expansion is great until we have sinks. Once you have a one-stop solution, when you have the sink, faucets and the built-in appliance, we try to sell it as a one-stop solution, as a complete solution, you need a full gallery. So we have started having new galleries, which has also started giving us a brand visibility in the market. So we have opened more than, I think about, 80 galleries by now. We'll be able to do, we have kind of another 20. So we plan to raise about approximately 100 galleries by end of the year.

And the domestic market is fundamentally, very strong. We have great order bookings with these galleries opening and all, there is great momentum, there is -- it's all a great vibe, positivity for Carysil and more-and-more people are coming to us. Like Delhi One is such an amazing showroom. Now just coming to people, Delhi showroom, people were like, can I get a franchisee of yours? So I think the domestic market this year, we are looking at a growth rate about 40%, -- 30%, 40% growth over the last year. I think that was one.

And what was the second question? The domestic market was?

Devika Jain: What are the costs that are associated with this?

Chirag Parekh: So costs is actually varies from whatever showroom and whatever we do but mostly, what we do is we give a display on a discount, and we take share part in the furnishing of the showroom. But the rentals are always with the franchisees in which we don't participate.

Moderator: Thank you. The next question is from the line of Kunal Ochiramani from Kitara Capital. Please go ahead.

Kunal Ochiramani: Sir, I wanted to ask what is the store level economics, the operational capex we do per store, and the breakeven point after opening the store. Some light on that?

Chirag Parekh: Yes. So generally, all our store ROI is less than three years. So that's how we operate.

Kunal Ochiramani: And revenue-wise?

Chirag Parekh: Revenue-wise and average, we're -- galleries, again, depends upon the square feet, but starting any gallery would be about at least INR8 lakhs to INR10 lakhs a month.

Kunal Ochiramani: And EBITDA and gross margins per store?

Anand Sharma: It's all based on the sales margin what we get, because it's a franchisee, it's not our own. So it's incremental sales are going to give us the ROI.

Kunal Ochiramani: And what is the operational capex that it should open a store?

Chirag Parekh: Approximately, it takes about INR20 lakhs.

Anand Sharma: It depends on the size of the gallery, but on average, it'll be INR15 lakhs to INR20 lakhs.

Moderator: Thank you. The next question is from the line of Viraj Parekh from JMP Capital. Please go ahead.

Viraj Parekh: Sir, just to understand the FY '25 vision that you gave. You gave a breakup between INR750 crores and the balance INR250 crores on which, what your expectation is, is going to be a mix of organic and inorganic growth. So what I wanted to understand is that when we operate our plants at the optimum utilization level with the capacities that we have right now currently without any capex going forward, do you mean to say we can do a peak revenue of INR750 crores? Or we can do more than that?

Chirag Parekh: So you're only talking about the manufacturing facilities in India, minus the UK business, we can -- between the quartz sinks and the steel plant together, we can do INR700 crores.

Viraj Parekh: All right. And if I may ask, I'm not sure what- how much can you discuss with me on call, but in what direction are we looking out when we are talking about acquisitions? And typically, what is the value, we are ready to spend on inorganic acquisitions, which we might see in FY '25, as per your comment?

Chirag Parekh: So I think it's very hard for me, and I don't think this is the right stage to talk about it. What we are seeing is, any synergies, which we feel are going to help the company to take us to the next step or help us to scale up our businesses or scale up our brand, this is where the M&A we are looking at. Whatever scale.

Now you've seen in past, we have taken eight years back a GBP 3 million company, we bought a GBP12 million. snd then the last one is already GBP2 million. So I mean it all depends on what the business is, but somewhere we see that we have some kind of an edge whether it's technology, whether it's brand, whether it's, network, channels, or in quartz. So yes. So, but anything, vision is quite clear what we want to be, where we want to be. So everything will be aligned to our vision.

Moderator: Thank you. The next question is from the line of Chirag Shah from White Pine. Please go ahead.

Chirag Shah: Sir, before I ask my question, just a clarification, you indicated in the previous participant's question about something like INR20 lakh. What was that? It was with respect to the ROI for the domestic dealer. So what was this INR20 lakh number that you highlighted, sir?

Chirag Parekh: So the INR20 lakh is the total cost of a dealer with product display, furnishing and all. And approximately, we look at about three year ROI.

Chirag Shah: Okay. So that is the capex part, right? That would exclude the rentals?

Chirag Parekh: No, including the rentals.

Chirag Shah: Including the rentals. Okay. Thank you. Sir, my question is actually on the B2C side. If I look at it as an outsider, you are spreading too fast and too thin, because you are looking at too many countries apart from India to have your own B2C channel. Some of the countries you mentioned, and I presume you must also have additional countries in your mind which you may be thinking to expand over a period of time.

So can you just elaborate on that because opening one store in one country or two stores or three stores in one country may not necessarily help the B2C business or may not be -- make the business as profitable as you intend to make it? So is this the initial strategy to try out and then have a much more focused approach, or how are you looking at it? If you can elaborate on that?

Chirag Parekh: So I think the first clarification is that it is, INR20 lakhs, I think was the capex in the ROI three model, the rent is included. So I just want to clarify that, so one. Number two is...

Chirag Shah: Rent is included, right?

Chirag Parekh: Rent is not included in the INR20 lakhs. The rent is extra. But in the ROI model, rent is included. We take that cost into account. That is if we are paying the rent. If we are not paying the rent, then we only worry about the ROI, and what we are putting the money into the showroom. Okay, anyway, so I think that's clarification.

Number two is on the B2C part, we are not opening. It's not our stores that we're opening on a country. So first, we appoint a distributor to distribute our products. And with that distributor, opens up dealers across that area. And out of that, like opening a franchisee here, we also appoint franchisee in a foreign country. That's how it works.

Chirag Shah: Okay. I'm saying this distributor or the dealer is a multi-brand or is it specific to Carysil in the international market

Chirag Parekh: Mostly, it's a multi-brand. So unless if the company wants to open up an experience center with the partnership of a distributor, that also can be explored.

Moderator: Thank you. The next question is from the line of Koustav from D DAS Investments Group. Please go ahead.

Koustav: So you had an aspiration of INR1,000 crores after like two years. So what is your aspirational margin? Like I understand that once you go to B2C, you might have a slightly bigger margin. So I just wanted to get a color on that, how you're thinking about margins in FY '25?

Chirag Parekh: See, our current level EBITDA margins are doing around 18% to 20%. With the volume expansion, the margin expansion is going to come. But to what level it will come, I honestly don't know. But definitely, there will be a margin expansion so we are looking at around 20%-plus. So I think that's point number one.

Second is very important, like again I want to say that we've been able to retain and not able to pass on all the price benefit to the customers so that's why we are confident that we'll be able to do a 20%-plus margin EBITDA moving forward.

Koustav: Right. So I will -- maybe my second question will clarify why I wanted to ask that. So I just wanted to understand whether you -- like the newer products you are creating, what is your target audience? Like, is it a more premium segment of the customers? And if it is more premium segment of the customers, then I was guessing that probably since you'd be launching premium products, your margins might expand? That was where I was coming from. So I just want to know what is the targeted audience?

Chirag Parekh: Yes. So our product positioning is always premium customers. So we are not going to move away from that. Because we see the future is all going to be premium, brand and lifestyle. So that's where the people have put in a lot of money and the brand will only be if you are in that space.

Koustav: Okay. Understood.So do you think that the premium segment of the market might be a bit crowded because there are other brands as well? And if you think so, then what is your specific strategy to differentiate yourself?

And what is like your distribution -- like are you trying to just separate somewhere in the distribution network? And are you mostly trying to penetrate deep into India or are you trying to spread across all of the geos? Like I just wanted to understand your color and to how you strategize in approaching the premium segment of the market?

Chirag Parekh: Yes, I will only talk about India because globally, it's a very long topic. Once you come into the office, we are free to discuss what you want. But in India is that, what is the strategy, what our company has is that we are the only company in India right now, who has a complete one-stop solution that you enter a Carysil showroom, you get from sinks to tap to the built-in appliance. So if you have any service issues then you do it by one call in any of the Carysil product or service.

Now none of these, now, I honestly don't know that with sinks, are there any premium brands or not, not honestly that I know. Built-in appliances, yes, but probably not on kitchen sinks and faucet side. So we are a combination of a one-stop solution for a customer to make its life easy. You come to a Carysil showroom and you get one of the best quality products. I'm not talking at a cheap price but at a very competitive price. And you have a German-engineered technology, which is far superior to the rest of the competition.

So I think the way we do is our trump card is like quartz sinks, because it's so much in demand, people love quartz sinks. So when they come to buy a quartz sink, we're going to fish on the built-in appliances. Just five years ago, built-in appliance sale was nil. We had hardly anything. And now we are about, I think, INR40 crores, INR50 crores or something.

So I think this is in India, becoming a lifestyle thing. The quartz sink is going to be lifestyle. Carysil faucet is going to be lifestyle. Carysil built-in appliance is going to -- so it's going to be a lifestyle statement to have a Carysil in your kitchen. So that's where we're going to build our brand.

Koustav Okay. So just a last follow-up to this. So I guess you have already started releasing your products in certain markets, as you already told, you have done, I think, INR40 crores, INR50 crores. So do you see that the hypothesis that you described to me, do you see this working out? Are you seeing that people are coming to buy quartz, but then they are spending a bit more and buying allied kitchen products like your kitchen microwave or cooktops? Have you seen that thing panning out in your stores?

Chirag Parekh: Yes. Absolutely.

Moderator: Thank you. Ladies and gentlemen, due to the paucity of time, that would be our last question for today. I now hand the conference back to the management for their closing remarks. Thank you, and over to you.

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

Moderator: Thank you very much. On behalf of Carysil Limited, ladies and gentlemen, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.