



“Acrysil Limited
Q1 FY2023 Earnings Conference Call”

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

Moderator: Ladies and gentlemen, good day and welcome to the Acrysil Limited Q1 FY2023 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chirag Parekh - Chairman & Managing Director, Acrysil Limited. Thank you and over to you, Mr. Parekh!

Chirag Parekh: Thanks. A very good afternoon everyone and a very warm welcome to the Q1 FY2023 earnings call of Acrysil Limited. Along with me on this call, I have Mr. Anand Sharma, CFO and SGA, our Investor Relation Advisors. I hope everyone got an opportunity to go through our financial results and investor presentation, which has been uploaded on the stock exchange as well as on our company’s website.

Let me start with the global scenario

Rising inflation coupled with supply chain disruptions on an account of geo-political tensions had impacted businesses across sectors. However, world is tightening the monetary policy to beat inflation. We expect that there would be moderation in inflationary environment with revisions in repo rates by RBI and a continuous increase in interest rates by FED.

The silver lining is that a freight costs and input cost prices, which were one of the rising trend has moderated to some extent. We are seeing favourable tailwinds in freight costs and softening of input prices. This shall augur well for our company to maintain healthy margins and overall improvin profitability going forward.

Also I would like to highlight that the Board of Directors have approved the change of the name of the company to “**CARYSIL Limited**” or “**CARYSIL Technik Limited**” or “**CARYSIL Products Limited**” based on the our preference as may be approved by the Central Registrations Centre, subject to all other applicable approvals. The rationale behind this move is to remove confusion between the company name “ACRYSIL” and brand name “CARYSIL”, secondly this change will increase brand recall value and lastly we plan to launch brand “CAYSIL” worldwide as part of our global branding initiatives.

Coming to the Company's performance

Our company has recorded strong performance in Q1 FY2023 recording a growth of 73% Y-o-Y and 22% Q-o-Q. Domestic business has increased 117% Y-o-Y to Rs.38 Crores for Q1 FY2023 contributing 22.2% of the revenue. Company has witnessed substantial increase in demand in domestic markets and expect momentum to continue. Our exports increased by 25% Y-o-Y to Rs.100 Crores for Q1 FY2023 contributing 72% of the revenue.

The company has maintained decent EBITDA margins in 20%+ range with a strong profitability growth of 39% on Y-o-Y basis.

Coming to demand scenario in domestic markets

We are witnessing strong traction from domestic market for our products. Our focus is to increase our penetration in Indian markets, with increasing the brand visibility.

The company has increased dealer network from 1,500 to 1,880 and we further plan to increase our domestic foothold by increasing our dealers to 3,000 by end of FY2023. That's doubling the dealer expansion. We have witnessed a strong volume growth across all the categories for quartz sinks, steel sinks, appliances and faucets. This is the result of the increased production capacity, increase in branding and promotion activities in domestic market. Our collaboration with famous celebrity Vaani Kapoor for branding of 'CARYSIL' products has enhanced the visibility and has translated into favourable response for our lifestyle kitchen products. The company is going to launch several new models for India, US, Europe and UK in coming months.

Coming to our contract with IKEA

We are supplying quartz kitchen sinks to IKEA for their global requirement. Our partnership with Ikea has further strengthened with Ikea doubling their current requirements. Additional production and supplies has started in July, 2022. This expansion of order by Ikea is the testament of our commitment to meet scheduled delivery and product quality standards.

We are continuously striving towards building new partnerships and tie-ups in international markets with global players.

In the Stainless steel category, the company is manufacturing stainless steel sinks using PVD technology which allows the company to, penetrate metallic finish sink like gold, rose

gold, etc. The company is seeing buoyant demand for these sinks and recently we have started exporting these sinks to Canada, New Zealand and Australia and also we are going to start exports to Grohe, Germany.

Coming to our capacity expansion, our company has completed capacity expansion of 160,000 units of Quartz Sinks and commercial production commenced from June 28, 2022 onwards. With this capacity addition, now our manufacturing capacity standards landmark of one million Sink per annum. This additional capacity should enable us to serve demand from domestic as well as international markets. We are doubling our stainless steel capacity from 90,000 Sinks to 180,000 Sinks and commercial production expected to commence by end of October, 2022. The company is observing strong demand for faucets and hence the company is starting an assembly line for kitchen faucets manufacturing with the capex of Rs.5 Crores with the capacity of 100,000 pieces per year. This project is expected to be completed by end of December, 2022.

The company pays utmost importance towards environmental and believes sustainability is cornerstone of any business. With that belief, I would proudly announce that our company has developed Green Sink which is made from organic material such as charcoal, beetroot and spinach. We have filed a worldwide patent for this green sink technology and Acrysil will be the first company in the world to launch green sink made out of bio-green quartz. The company is committed for green energy and hence decided to go for renewable energy resource of solar power. The board of directors have approved 3MW (Three Megawatt) solar power plant to be set up with Bhavnagar, Gujarat for captive use. This is in addition to the existing 0.44 megawatt solar power plant.

To conclude, our exports order book continues to be at normal levels with sustained uptick in demand of our products. However, exports sales may witness some moderation in Q2 FY2023 owing to macro challenges, and e revenge travel trends including the geopolitical situation. On a full year basis, the company will continue to witness a good healthy growth in the overall business.

We are already on our growth trajectory and are aggressively building brand through innovation and adopting differentiated technology. We have vast and diversified product range with continued innovation and development. With our recent acquisition, additional capacity of quartz sinks and steel sinks and enhanced focus on domestic market, we are confident of maintaining our growth momentum in the business. Our endeavor is to make Acrysil an undisputed leader in lifestyle kitchen products and conquer newer geographies.

Now I would like to hand over the line to Mr. Anand Sharma, our CFO to update you on the financial performance of the company.

Anand Sharma: Thank you Sir, Good afternoon everyone, let me take you through the Consolidated financial performance of the company.

Q1 FY2023 Performance:

Sales volume for quartz kitchen sinks stood at 170,035 units, stainless steel sinks at 28,608 units, kitchen appliances and other stood at 12,192 units in Q1 FY2023.

Total income stood at Rs.171.3 Crores for Q1 FY23 as compared to Rs.99.3 crores in Q1 FY22, recording a robust growth of 73% on Y-o-Y and for Q4 FY22 this stood at Rs.141 Crores, a Q-o-Q growth of 22%. This growth was on an account of a strong demand from both domestic and export market along with consolidation of newly acquired operating subsidiary, Sylmar Technology Limited, UK.

EBITDA of the company for Q1 FY23 stood at Rs.34.4 Crores as compared to Rs.23.5 Crores in Q1 FY22, recording a growth of 46% and margin for Q4 FY22 stood at Rs.31.3 Crores, a quarter-on-quarter growth of 10%.

EBITDA margins for the Q1 FY23 stood at 20.1% as compared to 23.7% in corresponding Q1 FY2022. Margins in core business continue to remain at similar levels as compared to Q4 FY2022, however, blended margins in Q1-FY 23 appear lower on account of consolidation of Sylmar Technology Limited, which had lower operating margins.

Profit after tax and minority interest stood at Rs.18.7 Crores in Q1 FY2023 as compared to Rs.13.5 Crores in Q1 FY2022, recording a growth of 39% year-on-year and it stood at Rs.16.5 Crores for Q4 FY2022, recording a growth of 14% quarter-on-quarter.

Now, we will this call for questions. Over to operator!

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Keval Ashar from DSP Investment Managers. Please go ahead.

Keval Ashar: Thanks for the opportunity. Congratulations to the entire team for a good set of numbers. Sir, just few questions, so first is to understand what is the size of opportunity for quartz sinks in the Indian market?

Chirag Parekh: So, in the last data which we got and Deloitte was our partner and try to get this research report done and we have seen that the total kitchen sinks sold in the organized sector, which would be of our category that is total sink is about 5 million sinks, when you are talking

about the premium market where our opportunity size is about 30% of that, so we are talking about 1.5 million sink in premium product line and against that I think we are doing the quantity at about 120,000 numbers approximately a year, so I think we have just grabbed about 8-10% of the market share.

Keval Ashar: Got it, Sir. Another thing I wanted to understand is that few players are doing the capex specifically in Morbi for quartz sink manufacturing, now since we have got the Schock technology how does Acrysil's product stand apart from those players?

Chirag Parekh: Sorry, just to understand which place you are talking, India you are talking?

Keval Ashar: India, so in Morbi few players are setting up quartz sink manufacturing capacity, not in a larger scale, but in a smaller scale, but since you have got the Schock technology, how does your product stand apart from this?

Chirag Parekh: So, these are not new for us, this has been happening for 20 years, Morbi is showing too up, too down, too up, too down, so it has been going on a part of, they will try doing it and we have to continue with what we are doing, I think we are very high, our technology is very different, our cash positioning is very different, we are a very high quality manufacturing, so I think we are now in a position with brand in our products in a different segment, Morbi right to say about, talk about it, but whatever our customers have said they burnt their fingers. I would say good luck to them and let them keep on trying.

Keval Ashar: Got it and last question from my side that we are seeing an energy crisis in Europe right now, Mr. Chirag, are you witnessing the manufacturers in Europe in trouble right now and is the order book shifting to you, any opportunity in that side for us?

Chirag Parekh: What a great question isn't it, yes, so that is exactly what is happening, we are witnessing the traction in our business and as you know that globally the geo-political situation, inflation, so I think most of the operation trying grabbing the market share of a competitor, I think we do not know what exactly is going to happen I was just in Europe, the last month we have witnessed is that there is high energy costs, there is also issues of labour and factors, and they would not be able to sustain at the current price levels and so we definitely do more traction coming towards us, so we will see a large opportunity going forward.

Keval Ashar: Got it. Thanks a lot and all the best for the company, Sir.

Moderator: Thank you. The next question is from the line of Vinayak Mohta from Stallion Asset. Please go ahead.

Vinayak Mohta: Good evening and congratulations on a great set of numbers. The first question I had was regarding what kind of traction have you been seeing in the US and the European markets with regards to on the demand side, while you clarified that the supply side is doing quite strong given us, there is a shift on the sink front to you the older all I have been showing, how is the demand looking like out there and you have seen a slowdown or something?

Chirag Parekh: So, I would say, I think I can talk about my category overall yes, this is a very challenging situation for companies in rest of the world, but for us if you see the quarter one, we have also had a challenging quarter one, I think we did quite well than what we saw, so I think we at this point of revenue travel, inflation is I think it is there, it has overall been impacted the industry, so far our secondary sales whatever we have learned from our counterparts in UK, Europe and US, it is quite good, they are quite strong, the inventory levels added are high, the most of company will be able to try to see that this inventory levels go down and so yes, we believe that this is going to be short lived, people are already coming over from this nobody talks about anything more, I think we are going to overcome it very soon, I think everything has a kind of inflation, so I think it is part of the game, but we have not been naturally impacted as far as our secondary sales are concerned, but still strong, but yes, the inventory levels is a concern, so they will be based on the unprecedented travel and the demand may go a little bit here and there slow, may be temporary, but overall I think we are looking at strong here.

Vinayak Mohta: Understood, the second question is on the Ikea ramp up front, are you looking at the ramp up happening like building up over the next one year or what timeline do you have and further you also had in last quarter mentioned that you are going to sit down with Ikea for a new product offering which we had installed for you, so any update on that front?

Chirag Parekh: What was the last question, I did not get it?

Vinayak Mohta: So, in the last quarter you had mentioned that you are going to sit down with Ikea, they have a new product, which you might be developing for them or manufacturing for them, so any update on that front?

Chirag Parekh: So, on the Ikea, we are happy that Ikea had recognized us as one of the key suppliers to them, they are very confident they are going to get an award on the supply award and based on that confidence they have doubled the businesses of Ikea, things started in quarter three, as soon as quarter three we also have new model, which we have planned to develop in quarter three, which will get in fact in quarter four, I think overall Ikea business looks very nice, we are also looking I think I said in last quarter, we reserve opportunity for stainless steel sinks and process so the first part of the stainless steel sink orders have taken place, we have already gone through it, the team is coming end of the month for the final with

commercial negotiation, so we believe that the stainless steel product will take off with Ikea very soon.

Moderator: This is the operator, Mr. Mohta may we request you to please rejoin the queue, thank you. The next question is from the line of Pranav Mehta from Equirus Securities. Please go ahead.

Pranav Mehta: Good afternoon, Sir. Thank you for taking my question. Sir, I wanted to understand on how the renovation demand in a global market is panning out because that is one thing which is actually going to lead to a lot of replacement of stainless steel sink by quartz sink, so if you can throw some light on the key markets the renovation, what kind of renovation demand you are seeing there and the other thing being the new acquisition as you mentioned that you were able to cross sell a lot of other product as well, so I think you are also now into kind of counter products as well as the UK acquisition so if you can throw some light on how the demand for that product is shaping up, thank you?

Chirag Parekh: So, we to understand this year and next year, there is going to be unprecedented travel across the world and any company in the world will witness a little bit softening quarters with this I think this is going to be a seasonal quarters this year and next year because of the people have been locked up, they need to travel as. As far as the remodeling trend is concerned nothing has changed, I think the remodeling of the kitchen is still less than 5year in Europe, UK and in the US, I think that does not change, the people are delaying the products or remodeling, because of the travel, that was secondary thing, so once ther are back from vacation, the soon they are going to start remodeling their kitchens so basically coming back to that the trend has not changed, the demand may have softened up because of the travels so I think overall we have inflation issues which still people are delaying the call. Once the inflation comes under control, I think everything will be back on track, so I think the last US data which I came across so that they have been able to beat the inflation and remodeling and kitchen industry is doing well.

Pranav Mehta: Sir, it was on cross selling from UK subsidiary?

Chirag Parekh: Cross selling, so I think we have already started these process, the opportunities are there, you will see that outcome coming the benefits of cross selling soon in quarter three, quarter four. As far as quickly, as far as the work top business which we acquired is doing very well, we actually beat the forecast in quarter one because it does not only do the business in kitchen, it does, all the luxury yachts across the world, so we are able to beat the forecast on the quarter one that is the Sylmar Technology Limited, it is doing quite well and we will keep right time whether we want to do the backward integration for that.

- Pranav Mehta:** Sir, related question to this, will you be scaling up UK operation only for this or you will get a good field of operations for EU as well while for this acquisition, so you are focusing only on UK as of now or the rest of EU?
- Chirag Parekh:** No, this acquisition is just for the UK markets as of now.
- Pranav Mehta:** Sure, thank you very much.
- Moderator:** Thank you. The next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.
- Udit Gajiwala:** Sir, thank you for taking up my question. Sir, firstly in the opening remarks you mentioned that in start to exports to Grohe, Germany, so could you quantify with a new order or from the existing we have got anything?
- Chirag Parekh:** again please little bit low and loud?
- Udit Gajiwala:** Sir, in your opening remarks you stated about that we have started exports to Grohe, Germany, is this new order or is it from existing business that you already have?
- Chirag Parekh:** No, that is a complete new business on PVD, so it is over and above what the current business.
- Udit Gajiwala:** Sir, you have mentioned quite a few times that in the Q2 there might be some delay or something like that, but on a full year guidance or whatever the capacity utilization that we are targeting, is there any delay or we are still on track to achieve what we have committed?
- Chirag Parekh:** I think, as of now like I said we are on track, we are looking at a great year, some seasonal quarter months can come, but that is all I can say, the whole world is going through that, but overall I think we are looking at a good year.
- Udit Gajiwala:** Thank you for taking my question.
- Moderator:** Thank you. The next question is from the line of Rajesh Kothari from Alpha Equity. Please go ahead.
- Rajesh Kothari:** This is Rajesh from Alpha Equity Advisors. Sir, you know your first comment I do not know just to clarify, you said India market size is 5 million, within the premium market size is 1.5 million and currently you sell roughly about 120,000 whether I heard it right?
- Chirag Parekh:** Yes.

- Rajesh Kothari:** But if I look at your FY2022, the volumes what you are mentioning there is 650,000, so I am getting slightly confusion?
- Chirag Parekh:** That is including exports.
- Rajesh Kothari:** Understood.
- Chirag Parekh:** What I can tell you the quarter one last year versus this year quarter one, I will just quickly tell you the quantities, we have done I mean just give us some time we will come back on the India numbers, I will come back to you.
- Rajesh Kothari:** Okay, can I put the second question?
- Chirag Parekh:** Yes, please.
- Rajesh Kothari:** Perfect, Sir, you did recently acquisition, from the distributors in perspective, so can you give some more colour that how this basically is, what are the plans over here and what is the need for such an acquisition?
- Chirag Parekh:** Can you come again, I really did not understand the question, sorry?
- Rajesh Kothari:** My question is, can you please give rationale for this acquisition, how this acquisition can be useful to you from the long-term perspective?
- Chirag Parekh:** You are talking about the UK acquisition?
- Rajesh Kothari:** Yes.
- Chirag Parekh:** So, we have work-top business is the integral part of the sink and we have been identified as the most important category and I think it is going to be one of our very strong growth verticals, so we would be entering into this space by way of distribution and then finally backward integrating it.
- Rajesh Kothari:** So, what are your plans here, how you are basically, can you give some little more rationale towards it or maybe we can take it offline?
- Chirag Parekh:** What has happened here is that all our sinks are getting integrated into the worktop s. So if we are able to integrate the worktop business in our business, then we be able to get a strong penetration in the market, will be able to control the channels more strongly and once we are able to do this in UK, we plan to take this slowly and gradually in the US, we plan to do it in India and we are going to plan to take it across the world. I think once we have kind

of get a chargeable business to about \$100 million then we would be looking at doing a backward integration for manufacturing. So I think which will then help us to create a large scalability, opportunity and a huge market penetration, through the channels where we are not present. Just to give to the quantity you asked for the domestic quartz sink, so currently Q1 FY23, we sold 33,420 sinks versus last year corresponding 16,094 it is more than double. So we will get 130,000 sinks annual rate where last year it was around 65,000, so it is more than double capacity.

Rajesh Kothari: Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities. Please go ahead.

Manish Ostwal: Thank you for the opportunity. Most of questions already answered, only one question on the margin side, during this quarter because of the consolidation in the margin for the quarter declined quarter-to-quarter, so for the acquired entity where do you see the margin and overall blended margin outlook for the rest of the financial year?

Chirag Parekh: So, like I had said in my statement that the import costs are decreasing, the freight costs are decreasing, so that there will be a margin improvement also for the acquired company and also for the overall business going forward.

Manish Ostwal: And secondly, Sir, your presentation slide number #5, you made a comment about going to macro challenges and revenue travel trends in export market, the quarter two will be more moderate so I could not understand revenue travel trends impacting the demand, can you explain that thing, Sir?

Chirag Parekh: You know this is obviously we are witnessing, not us, the world is facing the challenge right now because on the overall home improvement sector because the world is unprecedented travel at this time, this revenue travel everybody you would like Europe has three week vacation, US also has long weekend, UK has three week vacation, so I think because of the last year, two years COVID, nobody has travelled, so I think people are taking break and I think break should be there, I think we all have passed through a very tough times and so I think separately for few months, quarter demand may soften because still that will go back to their homes.

Manish Ostwal: And the commentary around like a recession scenario in US and challenge in UK market, are you seeing demand tapering on those market, Sir?

- Chirag Parekh:** Again trying to say that this all a very seasonal business at this point because of unprecedented travel, so demand is going nowhere, secondary sales are still very strong, the overall business is very strong, the business is also still very strong, it is just that temporary you might see months of softening because of the absence of consumers out of their homes, out of their markets, once they are back in, Christmas season is gonna kick in, people are gonna be in their festive mood, the inflation is gradually tapering, the geo-political situation is improving, so you will see things that will contract very soon.
- Manish Ostwal:** Understood, Sir. Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Thanks for the opportunity. Sir, could you please outline just from your understanding that what could be the volume growth we could see in the next two years in the quartz and stainless steel sinks?
- Chirag Parekh:** So, like we have said that we are expanding our capacities. Past, we have been able to grow at the range of 25% to 30% growth rate and we expect for the next two years that we will, it is our endeavor, we are not going to leave any stone unturned and we are going to try that we maintain our growth level at 25% to 30% over the next two years time.
- Akshay Kothari:** Sir, we have given guidance of expanding the distribution for expanding distribution network from 1,500 to 3,000 by this year end. So just wanted to understand so our dealer network is actually the exclusive ones or what is the difference between distribution network and dealer network as such?
- Chirag Parekh:** So, remains the same, I am not talking about, I think this is the same. What has happened is that since in the last two years we have been so badly blocked down in the export demand, we could not get really time to cater the Indian markets and now we see a great opportunity in India, I think Indian economic situation compared to the rest of the world is much better, we are seeing a good traction in demand in India and I think we still have a lot to do like I said we only have scratched 10% of the surface, so we are now on an expansion mode across India, pan India and we would now like to double, looking at what have achieved and looking at the demand coming in, I think we have decided to double our dealer expansion capacity, double by end of FY2023 PAN India.
- Akshay Kothari:** So, in the presentation you have given that you have currently 1,880 dealers and 82 distributors, so just wanted to understand the difference, distributors are the ones which are exclusive to us or how does it go?

- Chirag Parekh:** Distributors are the kind of wholesalers they in turn distribute to the dealers, dealers I mean is retailers.
- Akshay Kothari:** Understood. Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Harshil Shethia from AUM Fund Advisors. Please go ahead.
- Harshil Shethia:** Sir, looking at the domestic demand that you highlighted, can we see that the sluggishness in the export market, can be replaced by the domestic market demand?
- Chirag Parekh:** Yes, so I think we are going to strive for that same route in it, we are not going to leave any stone unturned where ever the demand is strong we are going to quickly move there, we see a good traction in India, we are like 80%:20% ratio last year and we are looking at 70%:30% ratio last year about 65:35 to a large extent it will be compensated by Indian sales.
- Harshil Shethia:** And Sir, when we say that there is bit of a sluggishness in the export demand is that in the European markets or majorly from the US markets or is it from both of them?
- Chirag Parekh:** So, I would not say sluggish I would say a little bit soft because of this most west are under severe travelling at this point of time and that stretches out from Europe to UK to the US because that is like holiday season for them.
- Harshil Shethia:** So, soft that you mean it is kind of flat?
- Chirag Parekh:** What is that?
- Harshil Shethia:** The flat demand in terms of volume as on Y-o-Y and Q-on-Q basis?
- Chirag Parekh:** Yes.
- Harshil Shethia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments Managers. Please go ahead.
- Pritesh Chheda:** Sir just taking clarity, the 650,000 quartz sink that we sold last year, in that how much will be the domestic volume and by virtue of this dealer distribution expansion that you are seeing, is it safe to assume that the domestic business should actually - the quartz sink

volumes from double and similarly for stainless steel sink, I think we did about 50,000 to 60,000 units last year, if I am not wrong and how much was domestic in it?

Chirag Parekh: So, I think as far as the domestic for quartz sink I think last year we did about 100,000 odd quartz sinks and I think this year we are already moving towards 120,000 to 150,000, we are looking at on a quarter-on-quarter improvements, so it can still further go up, but I think we are looking at, at least 30% to 40% growth for the quartz sinks in India, last year yes, stainless steel sinks and the total sink I think in India we sold at about 50,000 sinks odd and I think this year we are going at maybe 100,000 sinks annual rate, so I think close to double I would say.

Pritesh Chheda: Did we export any SS sinks last year?

Chirag Parekh: Yes, we did, I will just come back with the figure.

Pritesh Chheda: No problem and another question somewhere in the initial comments Mr. Sharma mentioned that adjusting for the acquisition, the margins are not down, so is it that the adjusting for the acquisition the margins in your base business which we usually see for last seven, eight quarters so that margins in that business stays at plus 21% to 22% or is it different that we have to look at?

Chirag Parekh: So I would say that are have been able to manage the margins quiet well. It is our endeavour, we want to maintain the margins at this level and looking at what I said the impact on freight going down and other input cost goes down and there is a potential to improve the margins moving forward.

Pritesh Chheda: So my question was the quarter which is gone by, which is reported already adjusting for the acquisition are the margins above 21% to 22%, which you are usually doing or there is some change there?

Anand Sharma: They have margin profile of around 16% to 17% against the margin of 23% prior to this acquisition, so with this acquisition the blended margin will come down by 1% or 2%, but anyway we are maintaining 20% plus margin and we are also to improve the margin so going forward margin will further improve.

Pritesh Chheda: So your original business margin is still 22% plus that is the assumption, right?

Chirag Parekh: Yes.

Pritesh Chheda: Thank you very much and best of luck.

- Chirag Parekh:** Also Mr. Pritesh, the most of the work tops are being imported, so there will be a benefit in the freight costs also.
- Pritesh Chheda:** So, we will see that coming now in the forth coming quarters?
- Chirag Parekh:** We will see UK acquisition of the work tops which they acquired so there will be some benefit as far as the freight is concerned so there is a likelihood of the even the acquisition margin is improving.
- Pritesh Chheda:** So, there should be freight cost benefit even on your exports, right or the exports are largely FOB?
- Chirag Parekh:** Yes, largely FOB, 90% is FOB.
- Pritesh Chheda:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ayush Mittal from Mittal Consultants. Please go ahead. As there is no response from the current participant, we move to the next question from the line of Nikhil Chandak from JM Family Office. Please go ahead.
- Nikhil Chandak:** Mr. Chirag, you know my question was 70% of you revenues is from exports at this point of time, if we were to further split between this Europe and US has two large geography, what would the split be, what would be the dependence on Europe and what could be the dependence on the US?
- Chirag Parekh:** So, across the out of exports 100% approximate 25% is US and 25% Europe.
- Nikhil Chandak:** So, out of the 72% exports?
- Anand Sharma:** So, out of 100% of export it is bifurcation, so 25% US and 25% Europe.
- Nikhil Chandak:** And the balance is whatever rest of the world?
- Chirag Parekh:** There are around 40 countries, UK is around 15%.
- Nikhil Chandak:** Understood, see the reason I am wanting to get some clarity on this is, you mentioned about the next quarter being weak because of macro challenges, etc., but Europe as a geography could remain weak for the foreseeable future, so for reasons which are beyond anybody's control gas prices and the political message is on and in that situation you gone as an acquired another company in the UK geography, I was thinking as a strategy would not it have been better to service the UK market from India itself as an exporting from India to

UK rather than going ahead and setting up a further presence in UK through a local company just given the severe macro headwinds which the geography has at this point of time?

Chirag Parekh:

I think there is a little bit of misunderstanding there, we need to understand that Ikea and Grohe is also part of the EU business and that is not necessary they are distributing the products in Europe and distributing across the world, but it goes to Europe, so I think that is on question one. Number two, is when you are talking about the customer expansion, market expansion what we are doing across it is mostly by new customers and not by the same customers. Third point I would like to say stress on is that the input cost in Europe is getting very high, so more opportunity lies right now in trying to grab a larger market share in Europe, UK and US, so I think helping up on the contrary that what we think. As far as the UK business is concerned, it is work top business, it is not something that we have it in India, this is a specialized work-top seamless integration of things to be worked up, so this kind of technology does not exist, what on the contrary we plan to bring this technology to Indian and to the rest of the world that how you seamlessly integrate the sinks to work top, in India it does not exist in India we do not have any organized fabrication business. People are busy selling the tops and sinks you buy and then one fabricator comes and installs your sinks to the work tops which is, this technology does not exist in India and we would love to bring this technology soon at the next year and try to give India and the customers more quality product.

Nikhil Chandak:

Understood and the macro challenges, which you talk about is this any region specific like are you seeing a different level of challenges in US versus Europe or you think both the large geographies are equally going through a soft period of time in consumer demand?

Chirag Parekh:

I am not an economist here, all I can tell you this is all macro challenges that to do with geo-political situation, has to do with travel, has to do with inflation who knows but this is all temporary.

Nikhil Chandak:

No, I am sure of that, what I want to understand is, do you see these challenges currently in both Europe and the US or is it more in US or more in Europe or anything with that?

Chirag Parekh:

I think it is across the world, intensity could be little bit less or more, so I think this across the world, I think every country at this point of time experiencing, for the travel is worldwide, not just that, but little bit more in the UK it is because of holiday season at this time, they have not taken holiday for last two years so more impact on the west economics than the UK.

Nikhil Chandak:

Great, thank you so much.

- Moderator:** Thank you. The next question is from the line of Mohammed Patel from Care Portfolio Managers. Please go ahead.
- Mohammed Patel:** Sir, just wanted to ask one question regarding the purchase of stock in trade on the P&L which was reported was roughly around Rs.62 Crores on consolidated level, so this pertaining towards the Sylmar Tickford trading goods?
- Anand Sharma:** Yes, you are right, so it is consolidation of Sylmar with the company, the first that is why it is comparatively high.
- Mohammed Patel:** But, Sir, actually as reported Sylmar did the revenue of Rs. 34 Crores so how much trading was done per the Sylmar?
- Anand Sharma:** So, it is around Rs. 16 Crores added to India.
- Mohammed Patel:** 16 Crores?
- Anand Sharma:** Yes.
- Mohammed Patel:** There is the question was regarding that 62 Crores were significantly high compared to our previous?
- Anand Sharma:** There is an increase in the trading volumes in our parent company also on the appliances side, the volume also increase compared to corresponding last three quarters.
- Mohammed Patel:** So appliances are also on consolidated level?
- Anand Sharma:** Yes.
- Mohammed Patel:** Understood and Sir, also I wanted to know the contribution of top five or ten customers we maintain that the data and how much percentage of top line is contributed by Ikea?
- Anand Sharma:** This is a confidential due to agreement we cannot disclose that on the IKEA side, but overall on the customer we are not dependent on any in particular customer, it is a widely spread.
- Mohammed Patel:** I am sorry Sir, it was not able to hear you clearly?
- Anand Sharma:** I am saying it is a not concentrated sales, it is widely spread.

- Mohammed Patel:** So, particular customer we cannot bifurcate who is the largest customer, lot of high customer contribution?
- Chirag Parekh:** No, it is widely spread.
- Mohammed Patel:** Sir, considering so the increase in dealer distribution channel so have we increased our marketing spends as well is recent quarters?
- Anand Sharma:** So, we are putting some strategical people across the zones for increasing domestic business, so yes, we are putting and we will put to build our domestic business aggressively, so we actually plan to double our sales team by the end of next year.
- Mohammed Patel:** What you have targeted marketing spend going forward for next two years?
- Chirag Parekh:** Purely marketing spends is about 5% of domestic sales.
- Mohammed Patel:** For domestic sales?
- Chirag Parekh:** Yes, purely advertising and marketing.
- Mohammed Patel:** Understood. Thank you.
- Moderator:** Thank you. The next question is from the line of Keshav from RakSan Investors. Please go ahead.
- Keshav:** Sir, just one question, could you expand a bit on the green sink foray that you mention in the address, what is the rationale to get into this and have we developed in collaboration with the partner?
- Chirag Parekh:** No, Sir, we have not first of all collaborated with any partner, it is a self R&D which we have done, we want to be part of this global green initiative and most of the large companies are looking at the companies that these companies are capable to do the green sink, they are able to do more sustainable products, doing products and I think we have done a great job in getting the filing the patent of this, so basically the quartz what we use for our sinks are made of organic pigments like beetroot, spinach and charcoal coming from organic and safe and compared to the other competitors these sinks would be only 5% to 10% more expensive than from the launched more than 50% more. I think it is great recognition by the Grohe, Ikea and the large customers and we see this more momentum coming on the Green sinks as we move forward.

- Keshav:** Is there somebody else globally who had done a similar things for a different product it is not for sinks?
- Chirag Parekh:** No, I do not know.
- Keshav:** Alright, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.
- Nikhil Gada:** Sir, thanks for the opportunity and congrats on a very good set of results. Sir, I just have a few questions on more from bookkeeping perspective, first is this solar power plant that we are setting up 3 megawatts, what would be the cost for this and how much of savings can we achieve from this?
- Anand Sharma:** So, Nikhil, the cost could be around Rs.15 Crores to 16 Crores and we get around Rs.4 per unit saving in energy cost.
- Nikhil Gada:** And how many units would the facility be consuming so just to get a payback, what would you payback, Sir?
- Anand Sharma:** Its around 60 lakhs unit per annum generation capacity.
- Nikhil Gada:** Understood, Sir and what would be our current debt level?
- Anand Sharma:** Debt level?
- Nikhil Gada:** Yes.
- Anand Sharma:** Rs.180 Crores on sanctioned basis, utilized basis it will be around Rs.150 Crores.
- Nikhil Gada:** 150?
- Anand Sharma:** Rs.150 crores.
- Nikhil Gada:** Got it, Sir. Thank you so much, Sir.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Good evening, Sir. First question is on the quartz side, so we have a capacity of around 2.5 lakhs per quarter now with the new production commercializing, so Q2 you had said you will be stop, so what kind of exact run rate do you think we can achieve by Q4 this year and we are also expanding the capacity in another 50,000 units so I think that it will be 300000 per quarter for FY2024, so what kind of run rate do you think we can achieve?

Anand Sharma: So, based on the current capacity what we are realizing might be 170,000 units some of them in quarter one, if we go for three quarter it will be around 510,000 till quarter three with the additional capacity of let us say around 200,000, so around could be a capacity achievement for the quarter, it is 710,000 to 730,000 or 740,000 it is about 25% to 30% more capacity for this current financial year.

Aman Vij: And for next year also if we assume this kind of we will still capacity, right?

Chirag Parekh: Yes, right, actually I would say the next year the dynamics of the business is likely to change, I think you will be able to know in quarter 4.

Aman Vij: Sure, Sir. Second question is on the domestic side, so you have mentioned that we were focused on exports in the last two, three years, so now focusing on domestic market give a little bit slow down in exports, so in terms of demand anything that has changed over the last two, three years because this kind of focus in terms of distribution all those things we are planning it seems a big step and big change, so do you think this you have talked about 30% to 40% growth we are targeting this year, so if this secular thing every year, we can grow at a quite high rate in domestic market going forward and if yes, what is changing in terms of demand if you can talk about it?

Chirag Parekh: See, there is absolutely no doubt and that the quartz sink is a next big thing happening, the whole flavor of quartz is increasing the market share not just in India, but across the world especially India is the new country to quartz so it is growing quite rapidly, so I think the more Carysil has painted which I think we more than 90% market share in India, the more Carysil is penetrating the more visibility of the material is there, more visibility of the brand is there, people is saying Carysil means quartz, so I think where ever they see the people Carysil is there they are kind of link to quartz, so I think the more expansion we do the more visibility comes out, more awareness of the quartz is there and I think there is no doubt that and we are quite confident that at least for the next four to five years this kind of growth level we can take it.

Aman Vij: Thank you. That is it from my side.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we take the last question from the line of Chintan Shah from JM Financial. Please go ahead.

Chintan Shah: So, I just had one question, now as an organization there are a lot of things, we are expanding in the geographies, we are in product line and as we move from a Rs.500 crore company to around Rs.1000 Crores odd over next two to three years, I just wanted to understand from that what are the initiatives that were taken so that we prepare to the organization for the next level of scale, whether it is terms of people or processes or technology, can you throw some light on that, that would be helpful?

Chirag Parekh: What is the management bandwidth?

Chintan Shah: Management bandwidth in terms of other employee strength, processes, technology?

Chirag Parekh: So we are building a new team under me, we promoted Anand Sharma to COO, we also have a new Vice President, we also have a new international marketing head, we are also having European sales head, we are also recruiting American sales head, we are also recruiting chief of staff position forward under me, so the whole global and Indian geography team is expanding, I am just talking above the just level one. As far as the technology is concerned we are like I said in my last time that we are going to spend a lot of money in the R&D, we are putting up a new R&D Engineering Center for upgrading the technology to improve efficiency, to improve the quality and as you know that we have filed a patent for green sinks is one of the first thing which has happened now, we have many more interesting things to come, so we kind of building up our R&D and engineering center quite strongly. As far as the ERP system we have started the SAP process if you can do complete by end of March to get the whole ERP system in place. We will also have a new product head category, which will be looking at all the sourcing global sourcing for all our traded products and try to based on we planned to launch a lot of new products for the Indian market, so I think this product head going to look at the sourcing opportunities across the world, so this is I think largely what we have been doing. Lastly we have appointed Deloitte to take forward Acrysil to the next level, so within the next 60 days you will probably hear an announcement from our side then what is the next goal set of our company for the next five years' time, what is the strategy behind it, what we are going to do, so we are already working on this because we believe that we are quite close to Rs.1000 crores and now we look beyond it. **Chintan Shah:** Wonderful, that is great to hear. Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen, with this I now hand the conference over to the management for closing comments. Over to you, Sir!



Acrysil Limited
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Chirag Parekh: I would take this opportunity to thank everyone for joining on the call. I hope we have been able to address all your queries and any further information kindly get in touch with Strategic Growth Advisors our investor relations advisors. Thank you once again and stay safe, thank you.

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