



“Acrysil Limited
Q2 & H1 FY2022 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 Q2 and H1 FY2022 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 involved 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 “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now like to hand over the conference to Mr. Chirag Parekh, Promoter and Managing Director from Acrysil Limited. Thank you and over to you Mr. Parekh!

Chirag Parekh: Good evening everyone. A very warm welcome to the H1 FY2022 earnings call of Acrysil Limited. Along with me on this call I have Mr. Anand Sharma, CFO and SGA, our Investor Relation Advisor. 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. I hope that all of you and your loved ones are safe.

Post the second wave of COVID-19, we have witnessed pickup in economic activities and businesses across industries are coming back to normalcy. With large scale vaccinations across the country and also in other countries abroad and significant drop in COVID cases we see increase in confidence of masses and this allow almost stable and conducive operational environment for businesses. We are witnessing strong demand traction for products in domestic as well as international markets. International demand is driven by changes in the preferences of the people and feeling greater importance of especially the Quartz Kitchen Sinks. Demand in domestic market is driven by lower interest rates on home loan, government incentives, consumer preferences, larger spaces preference towards home renovation, and work from home has changed the mindset of people. Home improvement sector has seen considerable growth as people are working from homes and it brought new approach in lifestyle at home. There has been behavioral shift in consumer preferences for both home improvement products with focus on health and hygiene. Perception of spending on home improvement and home solutions has changed with the pandemic as homes have become a hub of people’s lives and one finds a new need to improvise and upgrade.

Coming to the company’s performance, company reported a stellar performance with total income growth of 79% Y-o-Y and PAT growth of 123% Y-o-Y for the first half of FY2022. Company has achieved EBITDA margin of 23.3% despite high freight rates and cost situation prevailing across industries. Raw material prices continue to remain stable. Company has been reviewing costs regularly and taken measures to control cost. Export revenues grew by 79% to Rs.172 Crores in H1 FY2022, this was on the back of robust demand from international market and shift of consumer preference from stainless steel to quartz sinks in the major global markets. In domestic market also the quartz sinks are witnessing a sharp uptick post the reopening of economy, domestic revenues grew by 77% to Rs.45 Crores in H1 FY2022. With the pickup in

real estate segment in India along consumer preference for both aesthetic kitchen products, we expect the sales are going to sustain moving forward. The capacity utilization of manufacturing plant was impacted during Q1 FY2022 due to the second wave of COVID-19 pandemic, cyclone Tauktae and subsequent restrictions imposed by the government; however, the plant capacity utilization has increased optimally during Q2 FY2022.

Coming to our capacity expansion we have been consistently expanding our production capacities in response to spurt in demand. I am delighted to inform the company has successfully completed the expansion of 140,000 units of quartz sink announced in June 2021 within a short span of time. The manufacturing capacity of quartz kitchen sinks now increased from 700,000 units to 840,000 units per annum. The commercial production for this capacity has started in October 25, 2021, onwards. Our company is currently undertaking two capex plans of 160,000 and 200,000 units of quartz kitchen sink which is expected to be completed by Q1 FY2023 and Q2 FY2023 respectively. The proposed capacity expansion will increase manufacturing capacity from 840,000 units to 1.2 million sinks per annum. The company will be approximately spending Rs.58 Crores for the proposed expansion. Expansion will be funded through mix of debt and internal accruals. On the stainless-steel segment side our company is undertaking capacity expansion of stainless-steel sinks by doubling the production capacity from 90,000 to 180,000 sinks per annum with a small capital outlay of Rs.10 Crores. The new capacity is expected to come on the stream by Q4 FY2022.

Our strategic partnership with IKEA is progressing well and our company is supplying quartz kitchen sinks for their global requirement. This partnership is a perfect testament of our commitment to offer global standard of products we expect this to further strengthen going forward. Our association with GROHE has further strengthened last year we entered a tie-up with them to supply stainless steel kitchen sinks also. International tie-ups will help us to reach deeper into the core markets like UK, US, and Europe. Our company has been continuously focused on branding activities. Our innovative and marketing initiatives significantly drive our brand recall. We continue to timely refresh our initiatives keeping them in line with evolving market trends in view with the belief our company recently signed the Bollywood celebrity Miss. Vaani Kapoor for new marketing campaign of 'Carysil' brand which will start by November 15, 2021. The association with Vani Kapoor will help the company to strengthen its brand position and create a brand recall for lifestyle products among the youth. Our company strives to offer exceptional service and our brands 'Carysil' and 'Sternhagen' with strong brand recall stand proof to be unparalleled trust and confidence we have gained from our end-users over the years. For Carysil we have received a huge response from omni channel sales. For 'Sternhagen' brand we have partnered with Sussanne Khan to launch premium line of products. At Acrysil we are now driven by a passion to constantly innovative and consistently expanding, a drive for innovative perfectly reflects the commitment to excel with time for offering the best-in-class product. We are focused on scaling operations, increasing in-house product development, and increased consumer awareness. Just one last point which is not there I want to add that the company is planning to focus on the online e-commerce platform which is a smaller part of the company. The Company

feels at this point and on the last board meeting we have taken resolution to form a separate subsidiary and we would like to boost this segment of online sales for the kitchen and bathroom products. Now I would like to hand over the line to Mr. Anand Sharma, CFO to update you on the financial performance of the company.

Anand Sharma:

Thank you Sir. Good evening everyone let me take you through the financial performance of the company.

Q2 FY2022 performance

The consolidated total income including foreign exchange gain stood at Rs.121.9 Crores for Q2 FY2022 as compared to 77.1 Crores in Q2 FY2021 Y-on-Y growth of 58%, this was on the back of growing demand from both domestic and international market.

EBITDA of the company stood at Rs.28.5 Crores for Q2 FY2022 as compared to 17.1 Crores of Q2 FY2021 recording a growth of 67%. EBITDA margin for Q2 FY2022 stood at 23.4% as compared to 22.1% in Q2 FY2021 recording an improvement of 130 basis points.

Profit after tax and minority interest stood at Rs.17.7 Crores in Q2 FY2022 as compared to Rs.9.4 Crores in Q2 FY2021 recording a growth of 88%.

Coming to H1 FY2022 performance

The consolidated total income including foreign exchange gain stood at Rs. 221.2 Crores for H1 FY2022 as compared to Rs.123.7 Crores in H1 FY2021 recording a growth of 79% YoY.

EBITDA for H1 FY2022 stood at Rs.51.4 Crores as against Rs.27.4 Crores for H1 FY2021 a YoY growth of 88%. EBITDA margin for H1 FY2022 improved by 120 basis points to 23.3% from 22.1% in H1 FY2021.

Profit after tax and minority interest for H1 FY2022 stood at Rs.31.1 Crores as compared to Rs.14 Crores for H1 FY2021 recording a growth of 123% YoY.

Our net debt to equity stood at 0.4 times as on September 30, 2021. On annualized basis our return on capital employed stood at 27.8% whereas return on equity stands at 28.1%. Now we will open the call for question. Over to operator!

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from Pritesh Chedda from Lucky Investments Pvt. Ltd. Please go ahead.

Pritesh Chedda:

Sir Congratulations on good set of numbers and season greetings. First question on quartz sink side, the pace at which we are adding capacities is really phenomenal and we continue to surprise on the capacity expansion. One if you could touch a bit on is there any back-to-back arrangement

that you think is there for a sales possibility for these type of capacity expansions? If you could tell us a little bit on the market? and now on board we are talking about 1.2 million sink, do you think that by Q4 of next year you should actually be fully utilizing that capacity of 1.2 million sink? . My second question is on the domestic market where we have both stainless steel and appliances, there is a big tailwind in the market we are seeing it across building material products, how are you looking at this market and what kind of growth rates do you foresee on the domestic side of the business and your preparedness for it?

Chirag Parekh: So these are two questions right?

Pritesh Chedda: Yes Sir.

Chirag Parekh: On the quartz sink there is definitely preference shift from consumer point of view and we have been seeing that quarter-on-quarter the demand of the quartz sink is going higher. These preference shifts which I have been always talking since last I think many years that if this preference shifts from steel sinks to quartz sinks, there is a massive opportunity for our company and this is what exactly is happening now. While the company is doing everything to get new customers like IKEA, GROHE, etc., some large customers in the US like Menards. Domestic market is opening so yes as we are penetrating across the world but along with this, combination of new customers and this growing demand for the quartz sink that is I think mainly because of consumer preferences. We have to understand that the quartz sink market share still is only 10% of the total kitchen sinks in the world so I believe that as we assume it is a sustainable growth. The demand of the quartz sink I think will increase year-on-year and the company I think will have to increase the capacity based on the market demand. On the capacity utilization, so this 1.2 million is what is the current order book position plus the forecast we see we feel that this 1.2 million should minimum be the capacity expansion the company should do. We should not be in a situation that we start having a bad delivery track record. So looking at the demand, looking at the current order book position and the new customer tie-ups I believe that the company needs to at least do 1.2 million sinks. We should be finishing the 1 million sinks by April-May 2022 and then we should finish another 200,000 sinks, which will total to 1.2 million sinks, should be done by end of Q2 2022.

Pritesh Chedda: Just one clarification here, so from utilization perspective as soon as your capacity comes onboard will you hit a full utilization of whatever capacity comes on board in a very quick way considering the order book visibility that you have?

Chirag Parekh: Yes. Domestic front I think we have been pretty much surprised with the government efforts and how this one crore vaccinations a day s has completely changed the life. I am right now in United States and people are appreciating what India is doing right now and I think we should be very stable in terms of the economy and we could see the big demand coming up. Yes we had the Diwali season, but we see a sudden spurt in the demand of the sinks and appliances. We had some probably record sales in domestic market and we = experienced in terms of quartz sinks,

steel sinks and the built-in appliances. We expect that 2022 is to even be a more robust growth for domestic market for sinks and appliances.

Pritesh Chedda: We should not limit our vision to 1.2 million right in the quartz, considering that just 10% of the sinks market which is let us say 5 million on a 50 million. For a company of our size you think that you can actually reach a couple of million also over the next 3-4 years?

Chirag Parekh: This is a good question. I just go back turn back the clock and about just 10 years back we were not even making 100,000 sinks. So from 100,000 we are looking at million sinks now trying to be the world's maybe third or fourth largest manufacturer and this growth has been consistently coming in. So even if we go by this growth of CAGR 20% to 30% what we have been doing and this is the demand for quartz sink, is going to be there and I think we are 100% not limiting our sales to 1.2 million and we will be able to see a probably large increase in the demand of the quartz sink.

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

Manish Ostwal: Thank you for the opportunity. In your initial remarks you pointed out that despite of the logistic cost, we were able to manage the margins so whether we took a price hike to manage the margin, can you explain this statement?

Chirag Parekh: 90% of our sales are approximately on FOB basis and the price increase borne by the customer. Also 10%-12% what we have, the sales prices that we have taken a price increase from a customer.

Manish Ostwal: One data point what is the total of quartz H1 FY2022 volumes?

Anand Sharma: First half quartz sink is 3,01,273 units.

Manish Ostwal: Okay Sir thank you.

Moderator: Thank you. The next question is from the line of Prateek Agrawal from ASK Investment Managers. Please go ahead.

Prateek Agrawal: Hi good set of numbers. One question which one is cheaper stainless steel or quartz because I was in your showroom and the quartz was like Rs. 8,000 to Rs. 12,000 whereas stainless steel was much, much more expensive. Could you highlight on that point

Chirag Parekh: I think we should understand that we have a full set of range of stainless steel sinks. So we have press sinks and we have the hand fabricated sinks. The press sinks are more conventional sinks which are costing about Rs.4,000 to Rs.5,000 and then we have this Quadro sink which actually are more squarish and modern in shape this is about Rs.10,000 to Rs.12,000. So that is the price

difference because different technology and different manufacturing method and from the consumer perception it has been viewed as a more premium product yes and we have seen that comparatively the quartz sinks are cheaper than some of our high end stainless steel sinks.

Prateek Agrawal: Yes exactly so if they are better as they claim and if they are cheaper or similar then obviously demand should be strong as people discover the product. I think people are simply not aware of the product?

Chirag Parekh: You also have the rise in the stainless-steel prices so that is also now making the gap between the quartz sink and stainless steel sink narrower.

Prateek Agrawal: Sure. The other question was on the other businesses while quartz sink is the major component of total, what is really happening to the other businesses like stainless steel plus the kitchen appliances that you sell? What is the QIP plans in terms of the use of QIP money if you could elaborate a bit?

Chirag Parekh: If you have seen my statement and the announcement we are already expanding the stainless steel. We are doubling the capacity from 90,000 units to 1,80,000 units, also there is a big surge in demand on the stainless steel kitchen sink side and then maybe you can expand if the demand continues to increase and India starts with a robust growth. Plus if there is a shortage of products coming from China, there is a big supply chain disruption from China because of factories are not working at full capacity and, there are lots of issues so people are looking towards better factories in India and if we are able to deliver better quality sinks and I think that there will be a big surge in stainless steel demand too. As far as the appliances are concerned I said that we have been recording some great sales. Record high sales in built-in appliances and we expect this category to continuously grow quarter-on-quarter. As far as the QIP is concerned our progress is on and we will let you know the right time when it is done.

Prateek Agrawal: Okay but the amount was large in the context of the capex you could actually increase capacity by 60% if you raise Rs.150 Crores could you give some insight into plan or that is for later time?

Chirag Parekh: We have many projects under our belt so at the right time we will announce that the capex plan and the reason we are doing this QIP. So apart from what the current products we manufacture, some very interesting opportunities which may come adjacent to our business and we can substantially add value to our business in terms of growth.

Prateek Agrawal: Understood. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Varun Arora from GE Shipping Family Office. Please go ahead.

Varun Arora: Sir thanks for the opportunity and congrats on very good numbers. Sir my question is related to the capacity expansion, the rate at which we are expanding it is quite phenomenal so wanted to

understand previously we have mentioned that we were kind of constrained for capacity for domestic market. Now with this capacity expansion do you think that we can meet both the exports as well as domestic market demand. If you can give some color as to how the domestic market is shaping up this capacity expansion that we are doing. Is it based on the order book that we are purely getting from the new customers and existing customers on the export side or is it also like you are building in some increase on the demand side for the domestic market?

Chirag Parekh:

I think the capacity expansion the last 200,000 units is definitely keeping in mind the Indian market. There is a definite surge in demand in India and again from the preference point of view it is said that the stainless-steel prices are increasing so people are preferring more quartz sink that is what it seems like. I think this demand is expected to rise quite high and that is why the main reason where we had to additionally expand another 200,000 units of quartz sinks. So the main increase of this expansion is looking at the current order book position, the forecast we have been receiving and the expected surge in demand we expect in the domestic market based on what the current order booking is.

Varun Arora:

Sir my second question is related to you mentioned that you reckon that growth appears sustainable so here the question is basically at the industry level, previously historically have we seen some sort of cyclicity as far as the demand for quartz sink is concerned the reason I ask this I believe the demand is also a function of new home construction so clearly right now with where the global interest rates are it is on an upswing but previously like have we seen that the demand for quartz sink is it linked to new home construction and hence any sort of cyclicity in the demand that we have seen historically?

Chirag Parekh:

No, historically the export market is where mainly where the demand was and the growth is driven by the renovation. because every five years Kitchen is changed every four or five years and in India largely demand is by the new construction level. What I see is the pandemic has changed this, now what has happened is people are moving out from, they are having kind of second homes. I am in US right now for business trip and I have been speaking to my clients here and they have been saying the surge is still there and surge is quite huge here if you go to home depot stores and lowe's and all the large retail stores there is still queues and queues of people. People are mainly having renovation of the homes and like I said in my last week in India also the renovation trend was never there in India but now because of the pandemic situation people have instead of buying new homes as the real estate sector is not the best right now so people are starting renovating and I would say upgrading their homes and the kitchen sink is probably one of the more integral part of the kitchen which needs to be changed so I believe largely this demand has been driven now by largely by renovation market.

Varun Arora:

Right thank you and all the best.

Moderator:

Thank you. The next question is from the line of Udit from Yes Securities. Please go ahead.

- Udit:** Hi Sir Congratulations for a great set of numbers. One thing that when we plan for any capacity addition is it based on the pre-orders that we have in hand and if so then which are the pockets or geographies that we are seeing this kind of robust demand that we are doing a huge capacity expansion?
- Chirag Parekh:** Like I said earlier the capacity increase is taking place based out of the current order booking position and then what we expect speaking to our customers that the likely increase is going to happen. and We also to take it into consideration that the surge which we have been seeing in the domestic market and preference shift to quartz sinks, higher price of stainless steel sinks, I think all these factors put together I would say that it is at least I think our company should start looking now to make in roads to build up capacity in order not to lose customers because demand can also even further surge. In terms of the geographies I think it is across the world. Our main markets are India, America, UK, Europe so mostly demand has been driven by that and you have a lot of customers like GROHE, IKEA and all which apparently sell your products across the world.
- Udit:** Lastly, on the client side, are we in a process of getting newer clients or are we deepening our pockets with the existing ones, like what kind of demand?
- Chirag Parekh:** Our efforts are continue, our efforts will continue to tap more and more customers, our exports are to more than 50 countries around the world. We have a plan for the next five years to do at least 75 to 80 countries and in the next eight to ten years we need to go on to cross 100 countries so we have export development cell and I think that continuously will tap the export market to grow in the domestic side. We are now focusing more on uplifting the current dealers to two large showrooms in order to increase the revenue and to enhance our brand equity in the domestic market.
- Udit:** Thank you.
- Moderator:** Thank you. The next question is from the line of Suhrid Deorah from Paladin Capital Management LLP. Please go ahead.
- Suhrid Deorah:** Just wanted to point out that you have done a phenomenal job with the expansion and it is really commendable the pace at which you guys are expanding so consistently and so quickly I think it is a great job and I really would like to congratulate the team for that. I have just a one question on one sort of clarification, my presumption earlier was that the QIP money has been used for the Greenfield site because the existing site could only support one million sink but it seems like you are able to expand with internal accruals beyond one million so I am just trying to understand is the 200000 expansion we have announced is it in the same location or is it already at a new location and therefore the QIP money is for something completely different which you have just alluded to earlier in this call?

- Chirag Parekh:** Last two expansion are more on the Greenfield product site fortunately the company is able to sustain the EBITDA margins and we have good internal accruals so I think to a large extent this has helped us as a company to grow with internal cash accruals at the debt levels like my CFO said the banks are quite eager to fund us so sometimes the margins could have gone the other way but we are happy that we are able to sustain the margins, we are able to get good internal cash accruals and with the help of debt we are able to fund these new projects by ourselves. As far as QIP is concerned as we are saying we are continuously growing in all the various categories to quartz, steel sinks, built-in appliances I think our endeavor is to start manufacturing as much as we can by putting up new manufacturing facilities across our categories and we also see some very interesting opportunities adjacent to our current businesses which could be very exciting for our company in terms of revenue growth for future. So we should be using money whenever QIP is done. I think we have a lot of opportunities and we should be able to use this money for this growth for the quartz sink and the other interesting opportunities around.
- Anand Sharma** Adding to this, I think the question is this 200,000 capacity is coming at the existing or at the new facility. So it is combination of both. So we are optimally utilizing the space.
- Chirag Parekh:** Location is adjacent to the current accessible facility.
- Moderator:** Thank you very much. The next question is from the line of Nikhil Gada from Abakkus Asset Manager LLP. Please go ahead.
- Nikhil Gada:** Thanks for the opportunity and congrats on a great set of numbers. Sir my first question is regarding our German partner Schock, whose is planning to set up capacity in US, just came to know through some media articles about this. So can you help us understand how this would shape up the US market for us? Whether it will increase the competitive intensity or do you think it will overall expand the price for the quartz sink?
- Chirag Parekh:** We also came across this article and this is over the period of four to five years that they are planning to invest this money. See honestly I think from the price competitiveness that is their problem. I do not think so as far as we have seen the other competitors manufacturing units which they are put in Europe and North America I just honestly do not know how the CBF for them is going to work. that is on terms of so we are not quite worried as far as the cost competitiveness are concerned. I think our volumes are growing in this part of India and we should be more and more price competent so I think that is one. As far as on the overall basis, I do not think so that the competitiveness is going to increase. But I think the overall demand of the quartz sinks itself this is a one of the important signs that what the companies are looking in future as far as the demand of the quartz sink are concerned. Schock has probably put the unit just for the US market and selling in the US market. So what we see is that only the demand of the quartz sink and the markets of the quartz sink is going to be very exciting over years to come.

- Nikhil Gada:** Second question is that post this 2 lakhs expansion adjacent to our plant in Bhavnagar do we still have further room to add more capacity over here or will we have to just completely look at a different location to add for the capacity?
- Chirag Parekh:** Last expansion has been done by doing Greenfield. The company is now planning to acquire some large pieces of land around Acrysil, so we are trying to create a land bank if we want to have further capacity expansion.
- Nikhil Gada:** On the A&P side, now that we are expanding in the domestic market how do we see our A&P spend shaping up over the next couple of years? Are we going to go full blown into the advertising part of it or we will still try to do more branding activities?
- Chirag Parekh:** No, I think you will see a lot of activities as far as A&P is concerned. Vaani Kapoor is one of the signal that the company is now looking to focus on the Indian market and now from year-on-year we would be increasing our budgets on the A&P side. As far as India is concerned so you will see a lot of activation from our side, from the perspective of the brand building. We recently added a brand manager also to handle all the branding activities in India. So yes we would be looking more and more activities around A&P to build a 'Carysil' brand in India.
- Moderator:** Thank you. The next question is from the line of Dhavan Shah from ICICI Securities. Please go ahead.
- Dhavan Shah:** Thanks for the opportunity Sir and congratulations for the superb result. So I have a question regarding the industry growth, so I think whatsoever our numbers are growing so is it in line with industry growth or are we capturing market share from the other players also?
- Chirag Parekh:** Whatever the news we have, all the quartz manufacturer across the world are quite busy because there has been surge in growth and demand on quartz sink across the world. All the factories are full right now which are manufacturing quartz sinks and there is still ample growth what do we see. So by and large yes there could be a little bit of cannibalization of we taking over some market share also but largely I think it is driven by new demand for quartz sink.
- Dhavan Shah:** Secondly I just wanted to understand about the input cost inflation so based on the gross margin I think it seems that we have taken price growth also against the input price realization. So I wanted to understand because I think our contracts are mainly revised on the calendar year basis, so how much price revision are we going to take from the next year because based on the volume numbers given by Anand Sir for the quartz sink for first half our net realization for quartz comes to around Rs.5,600 a sink as compared to around Rs.5,800 a sink last year. So maybe there should be some size based differentiation may be there. That is why I think realization might come down but I think if you can share what price inflation have we taken for this year and maybe what can be there next year?

- Chirag Parekh:** Technically our export prices have gone higher so maybe there were more CIF sales and less ex-factory. We have moved to ex factory sales because of this large variation of the freight. So per sink price value direction has increased and not gone down that is point number one. The point number two is we have increased the price with our customers three times during the calendar year, we do not have annual price increase. Maybe if we have with one or two customers but even that we have been able to manage to break through it and we have got a price increase for it. Largely you see the improvement in the margins EBITDA numbers is because the company even with this volatile situation as far as the input costs are concerned, freight charges are concerned, the company has been able to sustain the margins and so we have gone for a three times increase during the calendar year. So I think we should be fine honestly, but we will see anything which comes over the next calendar year. But right now I think we have secured the margins of the company by passing on the price impact to our customers.
- Anand Sharma:** Just to add here whenever there is an increase in domestic sales of the quartz sink the overall price realization will be lower and since we are in the second quarter the domestic sales have increased, so it there is some impact of domestic market. Number two we are focusing more on the FOB price so overall if CIF component is lower FOB is higher then the per sink realization will also be lower but it has no impact on a margin. We have protected our margin and whatever increase required to pass on the cost we have already done, it is already explained by Sir.
- Moderator:** Thank you. The next question is from the line of Ajay Vora from Edelweiss Financial Services Ltd. Please go ahead.
- Ajay Vora:** Hi Sir congratulations on good set of numbers. Just wanted to check when we are talking about this existing product range and the interesting opportunities which you are looking at, broadly what do you think is really missing within the product basket which we are offering right now and what are we looking at in terms of growth opportunity?
- Chirag Parekh:** Good question. So first of all we are trying to convert as much as the traded activities are concerned, all traded products we are going to start manufacturing. So Last time I said that we are planning to start to manufacture kitchen hoods, made in India because we are looking at a big demand coming from export and from India. When you are aligned with large customers like IKEA, GROHE, Menards and many large customers across the world so you have a huge basket of kitchen and bathroom products which you can put in the channels. Like I said that in China there is a lot of issues with supply chain and we have a large opportunity so I think first of all we try to convert into manufacturing and we want to gain our competitive edge on that in terms of technology also. Second thing is on the ceramic products side we have been receiving a lot of inquiries. But those are high technology ceramic products which I believe that kind of technology in India is not available, so these are all could be interesting projects which we can manufacture. The bathroom products can give a boost to the Sternhagen category. If at all we come, it would be a big boost to the Sternhagen category and we will be able to compete with the local manufacturers in India and we will gain a large market share. The other interesting business opportunity is like which we have been seeing a huge surge in faucets right now. The kitchen

taps are going along with the kitchen sink and it is kind of integral part of the sink then if the company tries and look at opportunities to make kitchen faucets so you can pack it with the sinks and grow as many things you sell. One can sell faucets so there are opportunities around the company where we are constantly trying to see. We do not want to move our focus right now because the demand of the kitchen sinks is so high but as and when the time permits and when we see increasing opportunities we will be immediately jumping onto it.

Ajay Vora: Sure very interesting perspective. So this ceramic thing I am assuming that if that happens it will be through inorganic route?

Chirag Parekh: There are different possibilities but all I can say if we get into ceramic it will be a very different kind of high technology ceramic products where we will get a potential to sell to the large players across the world.

Moderator: Thank you very much. The next question is from the line of Akshay Chheda from Canara Robeco Mutual Fund. Please go ahead.

Akshay Chheda: Thank you for the opportunity. Sir on the domestic side just I wanted your sense like now we will be focusing strongly on the domestic side, so how do you see the competitive intensity in the domestic market like I assume that it could be largely dominated by the steel sink and it would be more of the unorganized players so how do you see that? Secondly also how would you be tapping the domestic market like would we continue with our dealer distributor network or then we would be also looking to tie up with some large developers like say Godrej Properties or something more on the B2B side?

Chirag Parekh: I will take the last sentence on the project because like we obviously tried to get a huge tie-up with Godrej Properties for stainless sink so largely our low priced sinks which we are trying to sell to the large builders and property developers. Yes we have some tie-ups with large property developers but that is our cheaper range of stainless steel sinks. But our company has been always very margin focused so we do not go below a level. So 'Acrysil' as a brand has always been a premium product and we are not a mass seller like other brands so I think that is one and number two is there is always a clear strategy between the quartz and the stainless steel sinks. So for quartz sinks, more of the preference is based on the market geographies we have been selling across the dealers and also into the builder segment. Many geographies in India they only like stainless steel sinks so we try to offer them the new stainless steel Quadro sinks which one gentleman was talking it is higher priced than quartz sink so I think there is a market differentiation strategy for us with which we want to penetrate the market. I do not know if I have answered your question.

Akshay Chheda: I wanted to understand like if there is a possibility of a margin hit going ahead but that is fine. Thank you Sir.

- Moderator:** Thank you. The next question is from the line of Yash Kothari from Citrus Advisors Pvt. Ltd. Please go ahead.
- Yash Kothari:** Firstly amazing results congratulations on that. I just wanted to know in your last concall you had said that every additional one lakh units that the company brings in as capacity it adds to around Rs.45 Crores to Rs.50 Crores of revenue, so does that still hold true?
- Chirag Parekh:** So our current price realization is about Rs.5,500. So I think every 100,000 units would add probably about Rs.50 Crores or Rs.55 Crores of revenues.
- Yash Kothari:** So in that way I would assume that two lakh units that are coming that would obviously add to Rs.100 Crores of topline?
- Chirag Parekh:** Yes.
- Yash Kothari:** So following up on that, you had given a target of Rs.500 Crores revenue to be achieved in I think five years in your last concall and in the one before that. Looking at the figures I think you have already reached Rs.400 Crores topline for the trailing 12 months. So do you think you can probably make an adjustment to this target and give a higher target to us probably since you are almost 90% there now and in less than obviously five years?
- Chirag Parekh:** That was a good question. So I honestly feel that the long-term has become short term for us. I think this is a very good sign honestly from the company's perspective. If you look at the last quarter Rs.122 Crores in terms of sales we have done so we already have an annual run rate of Rs.500 Crores and we have a lot of expansions and things in place so I think the times are quite interesting. You will probably see some statements coming from my new vision statements coming in soon that how we are going to now realign our growth strategies and what are the new targets we are going to set for the company.
- Yash Kothari:** Alright looking forward to that.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management Pvt. Ltd. Please go ahead.
- Aman Vij:** Just one question from my side so if you can talk about currently how much does IKEA, Menards, and GROHE sell in terms of sinks globally and what kind of market share are we targeting in next two to three years? do you think we can cross Rs.100 Crores per customer?
- Chirag Parekh:** We do not have data but all we know that in their presentation what they list that the granite sinks is at a phenomenal level and the buying power what these guys have along with the reach they have across the world it is very, very huge. As far as we are concerned all we can say is that unfortunately because of the contracts we cannot unveil what we are doing with them while the numbers are concerned all I can say they are substantial. They will be substantial and I would say

we have just last month got a e-mail from IKEA saying that you have complied 100% with the deliveries and we have got a five star on them. With more and more this kind of accolades we have, all I can say is that the business with them can only further increase. Yes I think there is Rs.100 Crores or more that company would obviously would like to maximize the share of business with these companies. The company is doing every bit. We are continuously expanding our sales with them by adding new models and by increasing the production and capacity.

Aman Vij: In terms of quartz sink are we number one, number two, number three supplier to these companies as of now?

Chirag Parekh: So we have just a good relationship. As far as GROHE is concerned we are a single source for GROHE. As far as IKEA is concerned we are one of the sources. But like I said that they are very happy with our commitment and all we can see is, in future just our business share increasing year-on-year with them.

Aman Vij: Can you talk about Menards?

Chirag Parekh: Menards has been going very strong. I am in US right now as we are talking and I have concalls with my customers here so I think there is very strong surge that is there and there is a huge demand. It has been going quite well and we are adding more and more models in the United States. For example the kitchen and bath international shows is the largest American show which is taking place in February 2022 in Orlando, Florida. We decide with our strategic partners with a largest display of quartz sink in that show so that there would be probably the largest range of quartz sinks in North America which we will be able to exhibit there. So there is a lot of commitment from our side for the US market and with many partners like Karran, Menards, Kraus, all we can see is that we just basically want to support this demand which is coming up in the U.S market.

Aman Vij: Thank you for the clarification.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that will be the last question for today. I will now hand the conference over to Mr. Parekh for closing comments.

Chirag Parekh: Thank you. I would take the opportunity to thank everyone for joining on this call. I hope we have been able to address all your queries. For any further information please get in touch with our strategic growth advisors and our investor relations advisors. Thank you once again and stay safe. God bless.

Moderator: Thank you very much. On behalf of Acrysil Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.