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November 12, 2023

To,
BSE LIMITED
Department of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001
Scrip Code: 524091

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1
'G' Block, Bandra – Kurla Complex
Bandra East,
Mumbai 400 051
Trading Symbol: CARYSIL

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Earnings Conference call held on November 08, 2023

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of Q2 FY2024 Earnings Conference Call for Un-audited Financial Results for the quarter & half year ended September 30, 2023 held on Wednesday, November 08, 2023.

Thanking you,
Yours faithfully,

For **CARYSIL LTD.**

REENA TEJAS SHAH

Digitally signed by REENA TEJAS SHAH
Date: 2023.11.12 18:33:23 +05'30'

REENA SHAH
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl.: a/a

"Carysil Limited

Q2 and H1 FY '24 Earnings Conference Call"

November 08, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges — BSE Limited and National Stock Exchange of India Limited and the Company website on 8th November 2023 will prevail

MANAGEMENT: **MR. CHIRAG PAREKH – CHAIRMAN AND MANAGING DIRECTOR – CARYSIL LIMITED**
MR. ANAND SHARMA – CHIEF FINANCIAL OFFICER & CHIEF OPERATING OFFICER – CARYSIL LIMITED
SGA, INVESTOR-RELATION ADVISOR – CARYSIL LIMITED

MODERATOR: **MR. MANDAR CHAVAN – SGA**

Moderator: Ladies and gentlemen, good day and welcome to Carysil Limited Q2 and H1 FY24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chirag Parekh, Chairman and Managing Director of Carysil Limited. Thank you and over to you, sir.

Chirag Parekh: Thank you. Good afternoon, everyone, and thank you for joining us on the Carysil Limited Q2 and H1 FY24 Earnings Conference Call. I hope everybody had a chance to view our financial results and investor presentation, which were posted on the company's website and stock exchanges. I'm accompanied by our CFO/COO, Mr. Anand Sharma, and SGA Investor-Relation Advisor on this call today. I'm going to begin by providing you with some key economic updates. In the first half of the fiscal year, the global economy began to recover, showing a stable performance in both the Indian and global economic sectors without any major surprises. Notably, factors like rising inflation and energy prices increased and influenced the path of economic growth.

However, some sectors of the global economy have demonstrated impressive resilience, particularly those not closely tied to direct consumer demand. As a result, the consequences of the economic slowdown have been milder than initially anticipated. The market for home improvements has been expanding rapidly in recent years, changing preferences, customers' predeposition towards improved aesthetics, and desire for comfort are important factors of influence.

As a result, consumers are placing a greater emphasis on designing kitchens, bathrooms, and their homes and lifestyles. We have carefully aligned our strategies to make India the world's premier manufacturing hub and top alternative destination. Demand for luxury and premium goods has been propelled by shifting consumer preferences, accelerating urbanization, and emerging new lifestyle products.

Despite the unstable geopolitical circumstances, we continue to witness an improved inflow of new orders and potential prospects that we expect to tap in the near future. Similarly, the cost of raw materials has been stable, and we anticipate this trend should continue. As discussed during the last quarter, we have started the assembly line of the faucets.

We showcased our capabilities at a trade show in Mumbai ACETECH exhibition, receiving an overwhelming response from the audience. Additionally, we intend to create a global impact by boosting exports in the coming year via distribution channels. We see potential branding prospects in countries like the United Arab Emirates, South Africa, Australia, and new markets such as Oman, Saudi Arabia, and Turkey.

To develop the brand identity, we will participate in a number of exhibitions in the UAE and the United States, where we shall showcase case credibility, dedication, and reliability of our new products. The industry risks are considered inevitable and cannot be overlooked. Risks are unavoidable and must be taken seriously in every field. However, the impact can be controlled or mitigated. Our company's adaptability, the resilience of our staff, and our team's willingness to embrace change enable us to accommodate new circumstances readily.

We at Carysil are well positioned to take advantage of multiple existing market opportunities using both organic and inorganic growth strategies. Organic growth is accelerating as we strengthen our existing capacities to meet the demands of more domestic and international markets. Furthermore, we are actively exploring adjacent segments, exploring new opportunities for future expansionto strategically expand, and making strategic acquisitions to expand strategically into our tap markets where our presence was previously limited. This combination approach allows us to leverage our manufacturing capabilities and wide product basket, unlock growth potential, and establish a stronger market presence.

Following three successful acquisitions in the U.K., we made our fourth acquisition in the United States, the United Granite LLC. This acquisition will be a complement to our existing product range and first-of-its-kind organized fabrication business with seamlessly integrated kitchen tops with workstations, kitchen faucets, and accessories. This will stimulate the growth of a wide range of products. Architects and consumers will be pleased to choose prefabricated kitchen tops from various brands, each of which includes a complete integrated with a full complement of accessories. For the acquisition of United Granite, we have retained the entire team except the promoter. The current senior management will lead the business in the future.

Currently, the United Granite's capacity utilization is ~60%, but we are confident that we can increase utilization to 90% in coming quarters with improved efficiency. Our goal is to expand our business network across the United States. Currently, it operates in three regions, Washington, D.C., Virginia, and Maryland. The United Granite's EBITDA has between 7% and 11% over the past three years. We estimate this to increase to more than 15% in the coming quarters with increased capacity and better material sourcing and operating leverage. We always look for acquisitions with strong cash flow and profitability. So that the acquisition debt can be serviced straight from the acquired entity's cash flow. United Granite has sufficient cash flow to pay the interest, principal for the debt taken for acquisitions without putting any strain on its parent company. The United States market is huge, and we believe that the offer of complete things, including quartz sinks, steel sinks, appliances, faucets, countertops, fab business, we can expand our market base and strengthen our position in the United States.

Further more, we'll be introducing this technology in India's , allowing us to backward integrate our production processes, ultimately lowering the cost of production.

Carysil believes that the technology is critical for growth, and we are committed to showcasing modern designs that successfully combine form and function cutting-edge technology. We have designed a new chimney that will be in the best of the class.

We are committed to improving our research and development efforts to achieve this excellence. The dedication not only ensures long-term success of our company but creates more value of our stakeholders.

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

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

Q2 FY24 performance.

Consolidated total income stood at INR164.5 crores for Q2 FY24. It grew by 18.1% year-on-year and 15.2% on quarter-on-quarter basis. EBITDA for Q2 FY24 stood at INR13.9 crores, grew by 48.7% Y-o-Y and 23.9% quarter-on-quarter basis. EBITDA margin for Q2 FY24 stood at 20.6%, increased from 19.2% quarter-on-quarter and 16.3% on Y-o-Y basis. Profit after tax and the minority interest stood at INR15.4 crores. Q2 FY '24, grew by 67.1% on Y-o-Y and 33.4% quarter-to-quarter basis.

Coming to H1 FY '24 performance, sales volume for quartz sink stood at 253,000 units. Stainless steel sink stood at 54,000 units. Kitchen appliances and others stoods at 28,000 units in FY '24. Consolidated total income stood at INR307.3 crores for H1 FY '24 as compared to INR310.6 crores in H1 FY '23. EBITDA of the company for FY '24 stood at INR61.3 crores as compared to INR57.2 crores in H1 FY '23, growth of 7.2% Y-o-Y.

EBITDA quarter 4 H1 '24 stood at 20%. Profit after tax and minority interest stood at INR27 crores in FY '24 as compared to INR27.9 crores H1 FY '23. Gross debt stood at INR216 crores as of 30 September, 2023. Debt to equity stands at 0.66 as of September 30, 2023. Cash and bank balance stood at INR12.5 crores.

Thank you. Now I open the floor for question and answer. Over to the operator.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Garvit Goyal from Nvest Analytics.

Garvit Goyal: Congrats for a good set of numbers. My first question is on the domestic operations. So despite a substantial expansion in our distribution network, there appears to be a disparity in the growth of domestic revenues, like the current outlook for domestic revenues in H1 FY '24 stands out at INR66 crores. That is falling short of our projected yearly guidance of INR160 crores to INR170 crores for FY '24. So can you please provide insights into the factor impeding the growth? And how the outlook is going to be in H2?

Chirag Parekh: Yes, sure. All right. So let me answer this. I think the first 6 months, we've been trying to expand our dealer network. We're trying consolidate efforts in domestic. And I think the realization you seek starts coming from quarter 3. Secondly, we also are reorganizing our distribution network. I think we are all set. We already closed a good October. And I think you'll see increase in domestic sales starting from quarter 3.

Garvit Goyal: So are we still intact to the guidance of 30% to 40% growth in domestic revenues over FY '23?

Chirag Parekh: Yes. So we will have no efforts left to try to achieve this. Yes.

Garvit Goyal: Okay. And on the topic of EBITDA margin and PAT margin side. So do you anticipate that EBITDA and PAT margins, which are currently at 20% and 10%, respectively, for the quarter, will be sustained in the upcoming quarters as revenue increases? Or alternatively, are there any expectations of a decline possibly influenced by the ongoing consolidation of the U.S. acquisition in Q3 and a potential rise in marketing expenses, as you highlighted in the presentation?

Chirag Parekh: So I believe there is a potential for margin expansion. If the revenues grow, which we expect it to be. Second thing, I think the raw material prices are stable. The rest of the other input costs are stable. So I think the company is doing their best to try to maintain at least 20%.

Yes, the U.S. consolidation will come into play. And -- but as also same time with the revenue growth, the -- we are still quite confident that we're able to maintain and sustain our EBITDA margins around 20%. I think we've always given a range of 18% to 20%, but our efforts will be always, how can we sustain at 20%.

Moderator: Our next question is from the line of Chandrakanth Danukanth from CD Equity Search.

Chandrakanth D: Sir, how have you been able to grow exports despite the stress in the Western markets?

Chirag Parekh: Yes. So I think it's a good question, and I told this last time that there would be more opportunities for us because the manufacturing, where most of our competition were 90% completion comes from the West. So we have grabbed a lot of market share from our competition.

We've been doing -- as far as our company is concerned, we had explained last time doing everything. We try to be very cost-efficient products. So I think that's coming into play. And we've been able to grab a lot of new customers. We've been able to increase our market share. And I think we are very confident that, moving forward, the momentum is going to be on.

I think we are probably the worst of the home improvement scenario. And still, I think our company is doing quite well. And I think we still have more opportunities in the coming quarters.

Chandrakanth D: Okay. So sir, if we look at the Q2-fiscal year '24, we have around INR129 crores in export revenue. And in Q2 fiscal year '23, we had INR106 crores. So the increase of INR23 crores is mostly from which part, like the market share increase or new customers or something like that?

Chirag Parekh: So both. We have increased our market share and we have our new customer base.

Chandrakanth D: Okay, sir. So sir, my second question is how much is the gestation period for quartz Sink orders in the new export market?

Chirag Parekh: I think the gestation period takes about 90 to 120 days.

Moderator: Next question is from the line of Vaidik from Monarch Networth Capital Limited.

Vaidik: Congratulations on a good set of numbers. So my question is that despite of gross margin improvement of 369 bps on a Y-o-Y basis and EBITDA margin improvement of 200 bps on a Y-o-Y basis? And also, we can see that the volume numbers for quartz has increased by 17%, 17.5% this quarter. But the realization in costings has not shown such an improvement. Like on a quarter-on-quarter basis, it has decreased by around 7%. So any comments on that?

Chirag Parekh: No, sir. I think nothing is alarming. I think it's just a product mix. So it depends upon which country too. It depends on that. I think it's just a result of a product mix. So it may also happen that it may change and go up the next quarter.

Vaidik: But sir, I still can't understand why there is such a sharp dip on Q-o-Q because we are seeing an improvement in the gross and EBITDA margins. So is there? Have we taken any price cut or something? Or are there any discounts going on to increase our sales of quartz sink?

Chirag Parekh: No, I don't think.

Anand Sharma: Sorry, I think on the realization side, the numbers that we have, we have not seen any decline if I go by the average rate also. So our average rate is Rs 5630 what happens when there is FOB pricing and CIF pricing. That depends on which customers we are serving. So there may be some variation quarter-to-quarter. But if we compare Y-o-Y, already -- there's an increase.

Chirag Parekh: 5270 to 5630.

Vaidik: Yes, I agree to that, that on a Y-o-Y basis, there is an improvement. But on a Q-o-Q basis, there is a sharp decline of 7%...

Anand Sharma: On -- that is what I'm explaining. It depends on the customer. If there's a CIF pricing, the average pricing will increase. If the FOB -- normally U.S., what we are doing in FOB. So when there is a more than in the US, you'll say that -- you'll see the prices are lower. When it moves to the European country, their contract are CIF it will go up. But it has nothing to do with the profitability EBITDA…

Vaidik: So sir, you mean to say that our exports in the US have increased? And over there, the realization is less whereas in -- whereas our sales in Europe, our realizations were higher? So that is the reason behind it?

Anand Sharma: Yes.

Anand Sharma: A higher contract. Once we have FOBs, the prices will usually be lower. whereas CIF, insurance and freight is added to the price, it will go up. So otherwise, it has no impact on any in EBITDA profitability.

Vaidik: Okay, sir. Got it. That's it from my side.

Moderator: Thank you. Our next question is from Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Yes. Hi, sir. So the past four quarter, five quarters, you were talking about inventory overhang in the system, which was curtailing your sales growth. And we see this quarter that you are virtually back to your peak number. So, should we assume further built on these numbers as we go ahead? And that inventory overhang as it got resolved, and we had added a lot of customers. So, can we expect growth momentum to pick up from these numbers?

Chirag Parekh: Yes, absolutely, Mr. Pritesh. I think that the overhang of the customer stock is over. We also have a lot of new customers over the horizon with large -- so we are in advanced stage for a very large quantity for coming quarter 4 and year. So we should be -- we have a good tailwind. And I think looking at the current position, I think we are looking at a good growth in the coming quarters.

Pritesh Chheda: Okay. What is the Sink volume that you recorded for quarter 2? Was it about the 1.5 lakh closer to that number?

Chirag Parekh: Yes, granite sink was close to 1.5 lakh. Yes.

Pritesh Chheda: So basically, quarter 1 was 1 lakh, quarter 2 was 1.5 lakh, and we see numbers building up over this 1.5 lakh, right? That's how we should look at it?

Chirag Parekh: Yes.

Pritesh Chheda: Okay. Then, on the progress- on the India side of the business, what kind of growth do you see for FY '24?

Chirag Parekh: So I think the internal plan within us as the company is next year, we want to INR200 crores next year. We had started the first initiative by launching a lot of new products in the ACETECH exhibition. That is basically for the FY '24. Gestation period takes about a couple of months. So we got an overwhelming response in the ACETECH.

And I think we are all distributor excited architects projects. As last time announced, we also have a new B2B team, which is now focusing only on architects and projects. We are also able to grab a lot of new project orders. So I think we are quite confident next year that our aim would be to cross INR200 crores in domestic next year.

Pritesh Chheda: Okay. So between now and, let's say, in two quarters to three quarters, we will actually see the capacity utilization of your capacity going up . We will also see the faucet export building up and you have the stainless steel capacity. I don't know whether it is uptrend running. If you could just comment there.

Chirag Parekh: Yes, I think yes. So you're right on the first one and two points. On the faucet also, we have started assembling for India. There are also many export opportunities, which have got inquiries as you plan to pack it like in a sink and a faucet in a box. So as far as the -- your question was on for the appliances, right?

So the stainless steel sink side, the IKEA business will commence in Quarter 4. We also have new customer, which we have been awarded large volumes in stainless steel sink and should start from quarter 4. So I think we are also looking at a good business coming FY '24 win for the stainless steel sinks.

Moderator: Thank you. Sorry to interrupt Mr. Chheda. Maybe we request you to rejoin the question queue for follow-up question please. Next question is from the line of Bala Murali Krishna Jonnalagad from Oman Investment Advisors. Please go ahead, sir.

Bala Murali: Regarding the capex of built-in appliance, kitchen appliance. So could you please update on the state of that? I think we do it earlier a little bit delayed by three quarters. So what could be the status now?

Chirag Parekh: So the built-in appliances factory, I think you're talking about. We already started assembling in quarter 3. We already started our project. We already started manufacturing and assembling the built-in appliances. So the project has already started.

Bala Murali: A follow up on that. So can we expect some contribution to the top line in Q4?

Chirag Parekh: Yes, both of faucet are built-in appliances, you're able to see some contribution coming from quarter 3.

Bala Murali: Got it. And by Q4, if we can achieve this utilization level of 80% to 90% in Quartz sink. So we can expect around 2,00,000 Quartz sink from Q4 onwards? And then maybe we might need to go for some other capex in expansion costs into expansion. Do you have any plans on that? Still or later.

Chirag Parekh: So I would not comment on the 2,00,000 sinks. What I can only comment on is that we are in advanced negotiations with customers. We already have good order booking up, but further for Q4 FY '24, we are already in advanced talks with some large customers for bulk quantities, very large quantities. Then I think that should come into play. So we are just hoping our best. Our aim to utilize our capacity as much as we can in FY '24.

Bala Murali: Thank you.

Moderator: Thank you. Our next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.

Udit Gajiwala: Congratulations on great set of numbers. So firstly, sir, can you explain the US acquisition you have made? So when do you expect it to get consolidated into our financials?

Chirag Parekh: So it will start from quarter 3.

Udit Gajiwala: Okay. So this puts you on the road map to achieve your INR1,000 crores revenue for '25, correct?

Chirag Parekh: Yes.

Udit Gajiwala: With this acquisition, so on a blended basis, you are there in your near term. So are you planning that 2 lakh sinks capacity that we had deferred last year? So once you just mentioned that the order book is filled till Q4. So are you planning to make that live again, the 2 lakhs that we had deferred?

Chirag Parekh: See, I'm like, again, I think I want to say I cannot confirm this. I think we endeavour to use the increase in capacity utilization for the granite sink and the stainless steel sink in FY '24. Companies putting tremendous efforts. Also repeating, we are in advanced talks with some large quantities and very prominent customers next year. I think everything gets realized. I think, we will aim to maximize the capacity utilization in FY '24.

Regarding the US business, we started listing there from quarter 3, and we are very confident. We have some more potential opportunities in the coming quarters. And we feel that we are all in track for 1,000 next year, which we will start seeing coming from quarter 3.

Udit Gajiwala: That's great, sir. And on a stand-alone basis, sir, we have seen the margins increase to 23%. So, just on the stand-alone front, are these margins sustainable? Or there also, you just want to keep your guidance of 20% for consolidation?

Chirag Parekh: You see our guidance of 20%, which will be always there, but I think the company has done a great job. Our team has done a great job. We are able to control our cost. And so, I think potential, yes, I think 20%. Yes, I think is a good, safe thing to do, always margin 18%, 20% because we need to understand, we are still in a very, very uncertain environment. But if the volumes grow further to this, yes, there is a potential for the margins to expand.

Moderator: Thank you, sir. We move to the next question from Darshil from Crown Capital. Please go ahead.

Darshil: Yes, just wanted to know, with the US subsidiary consolidation happening, what kind of guidance do we give for H2 FY '24? And will our margins take a bit of a hit in FY '25 because US business has a bit lower margins? So, how do we see FY '25 and the remaining FY '24 panning out in terms of revenue and margins?

Chirag Parekh: So I think as far as the U.S. consoling business, I think that's not a very large. It's less than 10% of our business revenue. So even if you console that, it would not have much impact on the margin. That's number one. And your second question on the U.S. margin, I don't think so. That's a correct statement. I think the previous gentlemen answered that it was on the price year. There has been value because Europe is [CIF]. On an apple-to-apple basis, the U.S. business is the most profitable on the FOB prices. So the more U.S. business increases, the more possible the margin expansion is.

Darshan: So just wanted to confirm, so FY'25, we are on track for a INR1,000 crores revenue with 20% plus margins?

Chirag Parekh: Yes, I think so. Based on what I commented on earlier statements I had made, that company is putting every effort to be on the track of thousand next year.

Darshan: Any sort of risk that we see for that, like any speed bump that we need to be aware of that can come in for that? Any what? Speed bump or risk that we see for that target?

Chirag Parekh: The world is a very uncertain place, isn't it? So it's nothing that you and me can do. But there are geopolitical situationss in which the cloud is on our head at this point. So, we don't know the US elections are coming up. There's a lot of uncertainty around the world. So those are the geopolitical risks.

Second is, I think on the other side, the inflation is very high, the interest costs are very high. But also I think what we see on the sunshine on the horizon is that it seems that the interest should soften by coming 2024. And if that softens, then the housing market can boom again, at least for signs of recovery. So what we are showing you the growth is probably the most adverse time in the home improvement business ever. So, yes, I crossed my finger that interest rates will go down next year. I think you may see better demand coming from India and globally. Thank you.

Moderator: Thank you, sir. We move to the next question. Next question is from the line of Moksha Shah from yellow jersey. Please go ahead.

Moksha Shah: So my question is, if you can please help me understand, how is the demand panning out, especially in the export markets? Like, is it improving? What are the further growth levels which we are seeing in export markets?

Chirag Parekh: So, hi, so, like I said that we've been maximizing our market share by taking more, adding more customers, expanding our product range. So I think overall globally, we are maximizing our market share since most of our competition was 90% comes from Europe, which are quite, it's quite challenging times in terms of production costs. So, yes, there are more opportunities.

Second, we have, we are in advanced talks with some large export customers. So that can come into realization in quarter four. So I think we, if that all comes into play, you will see upside on export sales coming from quarter four.

Moksha Shah: Okay, thank you. And my second question was, in which markets are we seeing slowdown in the demand for quartz, whether domestic or export? And when can we get back to the historical growth rates in this segment?

Chirag Parekh: So I think one thing is we are very clear, and we want to stick to the fundamentals of our business, which is that granite things are on the rise globally. So not a single market is right now on a decline. It may happen because of geopolitical situations like Israel and Jordan and some of the Gulf countries, but I think there's a demand, and the demand is only increasing. It's not going down. The second question was on the historical part of that. Historical, I mean, numbers.

Moksha Shah: Historical growth rates in the thing.

Chirag Parekh: We are on a track on a 1000 Crore goal for next year. We have large opportunities coming in, in our way. And I think we are on track. I think, you know, we will be doing our best to reach the historical numbers. Yes.

Moderator: Thank you. We move to the next question. Our next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.

Nikhil Gada: Yes. Hi, sir. Thanks for the opportunity and congrats on a great set of numbers. So my first question is on United Granite. So you mentioned that we are running this business at business was running at 60% utilization. So is it fair to assume that this business can deliver somewhere within INR150 to INR170 crores of revenue at peak utilisation?

Chirag Parekh: So I think on the, on the peak, you can do about $15 to $16 million. So I think that could be INR120, INR130 crores. Yes.

Nikhil Gada: Understood. And for this business, is it just the technology of doing the entire fabrication together? Or are there some assets, which are being used to make this product, entire product announced?

Chirag Parekh: So these are all completely CNC machine. So you get a drawing and then you customize. I mean, it's all based on bespoke. So every kitchen gives us designs and we do the CNC and then we install it.

Nikhil Gada: Understood.

Anand Sharma: So this is based on technology. They still take what United Granite has and can make the fully integrated, seamless tops with the accessories, faucets, and sink.

Nikhil Gada: So what I wanted to understand, so I got that. So what is the basically the asset in this, the gross block in this?

Anand Sharma: It's an asset light model. Gross block is around INR20 crores.

Nikhil Gada: Understood. Got it. So my second question then is on this INR200 crores of plan that we want to achieve in domestic business. What kind of margins range are we targeting to achieve this INR200 crores? Are we trying to work around 15% or 20%, or do you think it can be much lower than the export market margins?

Chirag Parekh: No, no. So I think we have always said that in domestic business, with our growth expansion, the margin also will be between 17% to 18%. So I think we are because the new product launches is a good high valuation, high value-added products, and so with the growth in the revenue, the margin expansion will also happen in the domestic market.

Nikhil Gada: So we believe 17% or 18% is possible with this INR200 crore revenue?

Chirag Parekh: Yes.

Nikhil Gada: Okay, so just one last question, sir. Now that we have commenced these faucets and appliances, in this INR1000 crores of estimates that we have for FY'25, how much would these two categories contribute in our assumption?

Chirag Parekh: Yes, so right now I think what we have current break up is 50% granite, out of the total I'm talking, console sales, 50% granite, I think it's 20% is surfaces, and then you have 15% of stainless steel and 12% of built-in appliances. So that's the break up. So we assume that this share, I think the granite thing, share should slightly improve on this coming, on the next 2025.

Nikhil Gada: So basically this 60% includes faucets as well in this granite thing, so will the faucets be the remaining 2% or 3%?

Chirag Parekh: No, the faucets are currently 2%, 3% which is a very insignificant number we added in the sink.

Nikhil Gada: Understood, understood. Okay, fair enough, sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Nitya Shah from KamayaKya. Please go ahead.

Nitya Shah: Hi, sir. Congrats on a good set of numbers. So I just wanted to understand, I saw a big spike in the receivables of H1 of this year versus H1 of last year. So could you throw some light on that, please?

Anand Sharma: Okay, receivables as well. So we have improved the receivables number of days we took. We have improved on the numbers.

Nitya Shah: No, I'm saying as a percentage of sales. So you've done say around about INR300 crores of top line in H1 of this year. The receivables against that are quite high, it's close to 40% of sales. So I just wanted to understand that.

Anand Sharma: So it's only something depend on the country to country export market. Like if we sell in France, the number of days are high. If we sell on the US side, number of days are less. But it's overall, it's on the decline trend because we have around 60 days on the domestic side, we have reduced our credit number of days. So it's only a cyclic, and it is nothing, I mean, number of days are not increased.

Nitya Shah: Okay.

Anand Sharma: Sorry, just the effect of the consolidation because the new consolidation of the company, TAP factory, also came here, which was not there earlier.

Nitya Shah: Okay, fair enough, sir. And my second question was on the dealer network expansion. So now your dealer network has reached around about 3,200 dealers. So, how has been the response of this entire network and how is the competitive scenario in India, just to understand the consumer preferences in India, what has been your experience so far with the expansion?

Chirag Parekh: So I think we've been talking about whatever the galleries we need to upgrade our current galleries in the last two years. So we've been upgrading to increase galleries from 10 to more than 60. And now, from quarter 3, we have again started expansion of the dealer network, which I have one of the gentlemen ask. So on quarter 3, you will see that there'll be a sharp increase in domestic sales.

On second thing, I think on the consumer preference side, the more-and-more inquiries we are getting to open up franchisees or the displays as the same kind of built-in appliances. So we can see that our Carysil brand is emerging to be a very prominent brand, not just in sink, but also built-in appliances in India. And I think this was the same feedback we got in ACETECH exhibition in Mumbai also.

Third thing on the preferences, I think we see a great shift that people are moving from stainless sinks to the granite sinks. So I think that preference is coming into play. The more colors are coming into play now. And this idea of a one-stop solution on one service by a click of a button on a WhatsApp, you can service your Carysil kitchen sinks and the built-in appliances. I think it's going to ease the customer pain. I think they like it. So, we believe that Carysil is strongly emerging as a prominent brand in India.

Moderator: Thank you. We move to the next question. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Hello, sir. Congrats on a good set of numbers, and thank you for taking my question. Sir, my question is, for next year, have you given guidance of INR1,000 crores? So, any guidance you would like to give for this year also?

Chirag Parekh: In my last call, I think we will be in the annual rate. We are going to start hitting the annual rate from this quarter around INR720 -750 crores. I think we are quite in line with that.

Ankur Kumar: So from the Q3, we expect that?

Chirag Parekh: Yes.

Ankur Kumar: Got it. And sir, on the demand side, how are we seeing it? Because it's like a big signal. We are seeing a lot of issues on the export side, but our company has done well. So, can you comment on that, please?

Chirag Parekh: So number one, fundamentals of business. Again, I'm saying that granite sinks are the fastest moving category in the home improvement section at this point in time. Second, India, especially Carysil, has a massive opportunity in terms of maximizing its market share. We have lots of inquiries, global inquiries. People want to come and source sinks from India. Because our 90%, which is about 4 million to 5 million sinks of competition comes from the Western countries, which they are finding very challenging types with increasing costs.

So we believe in coming years, we can not only emerge to be as strong, but there is a large potential for us to become one of the strongest player in the world in terms of granite sinks manufactured from India. So that's what the flavor is right now.

Ankur Kumar: Got it. And sir, in this quarter, we have seen a reduction in the COGS. So gross margins have expanded this quarter. So can we expect this kind of numbers to continue?

Anand Sharma: So the material prices for this quarter were still down and stable. So I think, we believe that this material cost will remain in the same territory for quarter 3. So let see. And the margins should sustain because if the material prices remain stable, we should have the same kind of margin.

Moderator: Thank you, sir. We move to the next question from the line of Sampath Nayak from Tiger Asset. Please go ahead.

Sampath Nayak: Yes, congratulations on good set of numbers. So my question is mainly on like United States -- US acquisition. So can you give numbers on like FY '23 sales and EBITDA numbers for the US acquisition?

Chirag Parekh: You are talking about FY '23 projector?

Sampath Nayak: Yes.

Chirag Parekh: Okay. So I can tell you the FY, how much was the FY? Yes, it was $4.8 million to $5 million. So based on that rate, I think you are looking at close to $9.5 million to $10 million in sales this year. We got it consoled from end of October only. So I think we will get the benefit to that extent in the quarter 3.

Sampath Nayak: Yes. And you said, sir, that we will be improving the EBITDA margin from 7% to 8% to 15%. Can you shed some light on how exactly we plan to do that?

Chirag Parekh: So I think this company had issues with lot of working capital and that is why they could only source the material locally. While we were able to strategize that to buy bulk quantities at a lower rate. So I think that is going to start soon. So moving forward, you will see improvement in EBITDA margin.

Moderator: Thank you, sir. We move to our next question, which is from the line of Aditya Pal from Motilal Oswal. Please go ahead.

Aditya Pal: Congratulations on the good set of numbers. We have a couple of questions. So when we look at exports. So exports have grown well. So just wanted to understand geographies are the growth pockets are coming from?

Chirag Parekh: From where growth is coming? Yes.

Chirag Parekh: So the opportunities right now that I think across are mostly coming from the United States, but the countries around the world are also showing signs of improvement. So there will be more momentum from the US and Europe, since there are some large bulk opportunities we are looking forward to coming in the horizon in quarter 4. But overall, I think the trend is improvement across globally.

Anand Sharma: But if you were to pinpoint a particular geography or a bunch of geographies, where the growth has come from and where the growth where you -- management seeing the opportunities coming from?

Chirag Parekh: I see that the number one, a large growth coming from the US. That's one. Number two, all the more opportunities in the emerging countries, like I mentioned in my speech, that our new territories, UAE, Australia, Turkey, is all are doing. They are doing quite well, including Australia, South Africa also. I think that's where we're going to see a very strong growth. That's two.

There is the acquisition in the UK, which we had done with the TAP Factory and the Sylmar. So that distribution is coming into play. So if you'd have seen the UK sales, they're almost in par with during the COVID time, we had done here. So sales are at about you, Carysil Product Limited. It is about GBP 4.8 million, which has grown about 30%, if I'm not wrong. So that's where we will expand the customer base by as more as 30% in the UK.

So, yes, so I think the next will be the Germany and the UK, Germany, UK, Denmark, Sweden. Ikea is now bouncing back with some new orders and models. They started in India. So I think that would be the growth we are looking coming from those countries and those customers. Thank you.

Moderator: Thank you, ladies and gentlemen. That was the last question of our question-and-answer session. I would now like to hand the conference over to Mr. Chirag Parekh for closing comments.

Chirag Parekh: Thank you, everyone. I hope we have been able to answer all your questions satisfactorily. However, if you need further clarification or want to know more about the company, please contact SGA team, our investor relation advisors.

On behalf of my colleagues in Carysil Limited, I wish you all a very happy Diwali and hope the year and the New Year bring you and your dear ones happiness. Please be safe. Thank you.

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