



“Acrysil Limited  
Q4 FY2022 Earnings Conference Call”

May 18, 2022

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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 Acrysil Limited Q4 & 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 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chirag Parekh - Chairman & Managing Director. Thank you and over to you Sir!

**Chirag Parekh:** Very good afternoon everyone. A very warm welcome to the Q4 and 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 you 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. FY2022, the year was marked by second and third wave of COVID-19 and cyclone Tauktae, which affected our domestic operation account of statewide restrictions; however, with large scale vaccinations opening up, markets revival and economic activity has led to normalization in businesses.

The last quarter of FY2022 has been impacted by increase raw material prices, elevated freight cost and other geopolitical issues. Despite of these issues we have strong momentum in demand for home improvement product especially the Quartz Kitchen Sinks. Home improvement sector has witnessed traction over last two years post-pandemic and change the perception of consumers spending on home improvement products. Homes have become the half of people lives and they are willing to spend more time on home improvement, products and solutions. Demands for new housing construction and renovation are on increasing trend. Consumer preferences for superior innovative products matching their kitchen has driven demand for diversified basket of products globally.

I am delighted to share the board of directors have recommended a final dividend of Rs. 1.2 per equity share in addition to an interim dividend of 1.2 per equity share declared in February 2022. The total dividend of FY2021-FY2022 amounts to Rs.2.4 per equity share, which is 120%. Coming to our recent acquisition, I am pleased to inform that Acrysil UK Limited our wholly owned subsidiary of Acrysil Limited has acquired 100% shares of Tickford Orange Limited, UK holding company of its operating subsidiary Sylmar Technology Limited on April 1, 2022. Sylmar is a manufacturer, distributor, and customizer of high quality solid surface products for kitchen and bathrooms.

Being a leading player in UK solid surface market, this shall augur well for Acrysil to strengthen its presence and market share in UK and opening up new sales channels and cross selling opportunities for the company. Acrysil UK acquired 100% equity shares of a total consideration of 11 million pounds. The acquisition funded through mix of debt and internal accruals.

Coming to the company's performance. Our company has recorded strong performance in FY2022, which is marked by total income growth of 56% Y-o-Y and company has maintained EBITDA margin of 22.7% for FY2022 despite of high shipping cost and increase of raw material prices.

Our company has been consistently putting effort on controlling costs. Our company's profitability has improved by 66% in FY2022. With shift in preference for Quartz Sinks from traditional sinks the share of business from Quartz Kitchen Sinks has remained at 77% of our total consolidated revenues. With sharp increase in steel prices the price differentiate has narrowed between quartz and steel globally and has seen a significant shift towards Quartz Sinks. Export revenue for a FY2022 stood to Rs.381.8 Crores, a growth of 61% over FY2021. This was an account of robust demand from international markets and tie-ups with large retail houses over the year. Domestic revenue stood at Rs.97.5 Crores, a growth of 53% over FY2021. Demand from domestic market has improved on account of increased consumers spend towards home renovation improvement, we expect this momentum to continue moving forward.

Coming to our capacity expansion. Our expansion plan of 160,000 Quartz Sinks is progressing as per schedule and expected to be completed in the current quarter. This will take the quartz manufacturing capacity from 840,000 sinks to 1 million sinks per annum. The further expansion of 200,000 units of quartz kitchen sinks is expected to complete by Q3 FY2023. Coming to our stainless steel sinks expansion, our company is doubling capacity of stainless steel, which is expected to finish by the Q1 from 90,000 units to 180,000 units per annum.

Let me update you on our incorporation of wholly owned subsidiary of Acrysil Ceramictech Limited. The wholly owned subsidiary incorporated on April 12, 2022 with the objective of manufacturing and selling of Hi-Tech Ceramic kitchen sinks and bath products. Globally, it has a market share about 10% a very few players are manufacturing it. Being a specialized category like the quartz kitchen sink, we will use our expertise to manufacture this product and elaborate our sales channel for ceramic kitchen sinks and bath products.

Coming to our contract with Ikea we are supplying kitchen sinks for them for the global requirement. The supply of Ikea in FY2023 expected to double twice of FY2022, this

partnership is a testament of our commitment and global standards of our products. We already got the award for the same. We expect our partnership with Ikea to further strengthen as we expect to supply them other kitchen and bath products moving forward. We also got a strong commitment from a leading bath manufacturer Grohe AG Germany, they have strong commitment for the purchase of quartz and stainless kitchen sinks. Company has been focused on increasing penetration in domestic market by increasing marketing and promotion activities. Our recent collaboration with Vani Kapoor for our new Carysil marketing campaign #Th HeartofmyHome has been carried out successfully during the year and it showcases a new range of built in appliances including built in coffee makers, which signifies a cutting edge innovation technology and design pioneered by Carysil.

Carysil has also launched the new carysilshop.com a start of our e-commerce initiative and we have received a very strong response. Acrysil is in partnership with large companies, home retailers like Lowe's Home Depot in the US for supply of the big brands like Kraus and Karren, B&Q for online supplies. Our strategic tie-ups shall lead to more sustainable and repeat business for the company. Tie-ups will drive future growth of the company. Acrysil is well poised to capitalize on the rising consumer demand of lifestyle kitchen and bath products. With the increasing product profile, upcoming capacity and recent acquisition, we are confident of increasing the footprint in geographies and provide value added and innovative products to the end consumers.

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. Over to you!

**Anand Sharma:**

Thank you, Sir. Good afternoon everyone. Let me take you through to the financial performance of the company for the financial year 2022 and the quarter. Q4 FY2022 performance. The total income including foreign exchange gain stood at 141 Crores for Q4 FY2022 as compared to 104.3 Crores in Q4 FY2021, recording a growth of 35%. This growth was on an account of a strong demand from both domestic and international markets. EBITDA of the company stood at 31.3 Crores excluding ESOP expenses as compared to 24 Crores of Q4 FY2021, recording growth of 30%.

EBITDA margin for Q4 FY2022 stood at 22.2% excluding ESOP expenses as compared to 23% Q4 FY2021. Margins have been impacted due to high freight cost and increased raw material prices. Profit after tax and minority interest stood at 16.4 Crores in Q4 FY2022, as compared to 13 Crores of Q4 FY2021 recording a growth of 25%. FY2022 performance, the total income stood at 492.4 Crores for FY2022 as compared to 315.5 Crores FY2021 recording a strong growth of 56% year-on-year. We have reported EBITDA of Rs.115.5

Crores excluding ESOP expenses for FY2022 as against 71.6 Crores for FY2021, a growth of 61% year-on-year. EBITDA margin for FY2022 stood at 23.5%.

Profit after tax and minority interest for FY2022 stood at 64.8 Crores as compared to 39.1 Crores of FY2021 recording a growth of 66% year-on-year. Our debt equity ratio stood at 0.54 times as on March 31, 2022. Our return on capital employed stood at 24% as on March 31, 2022, as compared to 20% as of March 31, 2021. Our return on equity stood at 28.9% as on March 31, 2022, as compared to 22% of March 31, 2021. Now, we will open the call for questions. Over to operator!

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

**Pritesh Chheda:** Thank you for the opportunity, Sir. I wanted to know what is the quartz sink volume that would have done for the full year and when this 1.2 million capacity comes up by let us say quarter three of this year, when do you think that you will be able to fully utilize that capacity?

**Chirag Parekh:** So on your first question, last year we did total 650,000 quartz sinks and the current quarter which we have been the last quarter, I think we are going almost at the rate of about 800,000 annual capacity. Quarter three expected capacity expansion of 1.2 million sinks, see right now coming back to what is that quartz trend is concerned, Mr. Pritesh, that I had just gone on global tour, so something is very interesting and exciting that the quartz sinks volume continue to grow that is number one, number two is that because of the supply chain disruption, there has been a little bit of stocking by the distributors, which is now they will be kind of liquidating in the quarter one for the year, numbers three that whatever the freight cost impact and what we have witnessed we have be able to at least about 40% to 50% pass on to the distributors. Now coming that and coming of a little bit we do not know on the supply chain disruption cycle, we are as of now not changing any of our plans as far as the capacity expansion is concerned, I think we are quite confident based on the current order bookings that there could be a little bit high low because of the little bit of inventory build up by the distributors, so let us see I think we will have a clear picture after quarter one on what is happening to the quarter two and three.

**Pritesh Chheda:** No, I was asking this 1.2 million volume, do you think that you will be able to fully utilize the capacity in FY2024?

**Chirag Parekh:** You know that is what I am saying, as of now we are going on track, if anything inventory plus minus which is happening is happening because of the supply chain disruption, so we will have a more clear picture after quarter one, as of as now things are as per plan.

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

**Vinayak Mohta:** Good evening and congrats on a good set of numbers. I broadly had two questions so the first question was, just trying to understand what is our right to win in quartz sink market, are we the lowest cost producer or you know because there are four more competitor as you have mentioned, so how are we able to differentiate ourselves among them and if you could just broadly give us the market share of the larger players as well and the second question would be you know with all the capacities coming on stream, we are broadly looking at a double like given all the capacities are doubling, so we are broadly looking at 1,000 Crores of revenue from the current business and broadly 100 Crores revenue run rate that the acquired business is on, so just totaling on 20% growth that we expect, so by when do you think this 1,100 to 1,300 run rate of revenue can be reached, these are the two questions I have?

**Chirag Parekh:** As far as the quartz kitchen sinks are concerned I think we are definitely the lowest player in the world, approximately about 15% to 20% cheaper and while I say that also I would like to reckon the fact that our quality is very high expected even in competition with the other global players, so we are very confident with the breakthroughs we have with large accounts in US, UK and Europe and with Ikea, we should be able to continue our momentum of growth so that is one. Number two as far as the market share of the other four competitors largely 80% of the shock technology has been commanding the market share across four players. The last news what we have is that I would not like to name, but one of our competitor have increased the capacity to 1.3 million sinks and it is also they almost utilized, so the momentum of the quartz sink is there, especially of the quartz technology, we should be between the market share between the four players I do not know exactly, but between the four players we account like a shock technology 80% of the quartz in the global market share that is two and the three, I was not able to get your question very clearly, was it on the when you are we going to touch the 1,200 Crores run rate, annual rate?

**Vinayak Mohta:** Yes, Sir, basically in the current business takes to you to 1,000 Crores considering the current revenue and that is applied within the 100 Crores revenue run rate, right, so that total gets down to 1100 and with the acquired business something a 1,200 Crores mark, just a broad idea on the capacity utilization?

- Anand Sharma:** No, I think is some gap in understanding that is not the right understanding, current turnover is 493 Crores and with the additional capacity comes in add another 20% to 30% to the industry line up and apart from that there will be additional from the acquisition, so it is not going to 1000 Crores of your understanding I think your maths is not correct.
- Vinayak Mohta:** But you capacity is doubling so should not revenue rightly double up?
- Anand Sharma:** It is doubling up for steel sink, what we heard in the steel sink we are doubling capacity of steel sink.
- Vinayak Mohta:** But quartz is also on 6 lakhs to 1.2 million right like from FY2021?
- Anand Sharma:** Yes.
- Chirag Parekh:** Anand let me answer this, so the current base on the quarter four run rate to take we did about 140 something Crores plus, that is about 560 Crores plus you add about 100 Crores on the capacity expansion and plus the UK acquisition, so I think we are at about \$100 million rate at this point of time, if we take all into consideration. We expect that after all the initiatives of our company is being done which we expect to be done by end of this current year we would like to continue our momentum of growth of 30% to 40% with our initiatives of ceramic kitchen sink, faucets and built in appliances I think you know we should let us say next year what happens, but as of now I think as far as the current situation the capacity expansion and the acquisition looks like about \$100 million run rate.
- Vinayak Mohta:** Understood, thank you and all the best.
- 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 my question. Firstly, just want to clarify that 160,000 capacity that has come in this quarter, is it on the Greenfield?
- Chirag Parekh:** No, that is not on the Greenfield, it is part of the expansion of our current plant manufacturing.
- Udit Gajiwala:** Secondly, can you just highlight, what will be our export geographic distribution for 2022 and what are the impacts of geopolitical situation like you know demand must have soften and like you said that the dealer have already stocked up inventory, so how do you see the year panning out?

**Chirag Parekh:** So, I think coming at the first point I think US would be still about 25% to 30% of our market share following by UK and Europe by another 30% and then it will be the India would be another about 20% to 25% and then balance 15% to 20% will rest of Asia and Gulf, so this is just a broad market segmentation. At this time we believe that the geopolitical situation there is unrest in Europe, yes, there is, but like I said that the secondary phase have not dropped, they still it has a great momentum, so maybe partially on the quarter one side as of now we have not witnessed significantly. But we cannot ignore the geopolitical situation what is happening, so as of now I think things are on track, but like I said that we would see after quarter one, I think we will have a much clearer picture after quarter one what is going on, but as of now things on track if we have some stock with the distributor, a little bit of orders deferment can go from quarter one to quarter two.

**Udit Gajiwala:** Right and Sir, lastly if you can just help on the margin front like that the acquisition that we did is below our benchmark margins like it is 18% margin and we are seeing RM inflation and everything so how do you see margin going ahead at this time coming if you can throw some light that will be helpful?

**Chirag Parekh:** It is a good question, Acrysil I know about 10 to 12 years back we also had an EBITDA margin of maybe 10% to 12%, so I think it is that comes in our capabilities of company how do we increase the current 14% to 15% margin to 18% to 20%, so we have already laid a plan for it; how are we going to do it, so there are many opportunities that you can do it, I think for a surface company like the kitchen woktop up company based in UK, fabrication manufactured in UK, I think has a great margin, but overall I am saying as a market I think 15% to 16% margin is a great EBITDA margin to us. Yes, for our company, our endeavor will be that, we have a plan in place how do we improve slowly and gradually the margins close to 18% to 20%.

**Moderator:** Thank you. The next question is from the line of Nikhil Gada from Abakkus Asset Manager. Please go ahead.

**Nikhil Gada:** Sir, thanks for the opportunity and congrats on a very strong growth. Sir, first question is a sort of a follow up to the previous participants, so when we say that there can be an order deferment from Q1 to Q2 and there was significant inventory built up by the distributors, did it aid our sales for Q4 and that can have a ripple effect on Q1 where we might have a lower order booking, is that understanding correct?

**Chirag Parekh:** I do not see there is going to be a significant difference, I think we are as per quarter one also we are on a very strong path of growth, the backlog what we had if you remember the last quarter in the investor calls, we had a huge backlog of orders which customers are filling it with orders so one good part is that the backlog is cleared now. People are getting

delivery time in less than six weeks now, so I think that is a good thing. Till now nothing major, I think it is not significant deferment which will happen, if it happened it will be a little bit of deferment may be by not all customer, but few customers, as of now our order booking is quite good, but like I said that deferment with few customers of countries can take place, but nothing significant.

**Nikhil Gada:** But for Q4 we did not see any more lifting by the channel than what we generally would have seen because of the geopolitical issue?

**Chirag Parekh:** No, there has been a huge backlog for us in quarter four, which is very hard to know for the inventory build up could be mostly I think for the backlog because people think that the company is going take 10 weeks lead time then might well as order by one shot otherwise we will not get the sinks, because the home improvement sector is still witnessing a good growth across the world, so because of that we think the situation where the customer would have probably ordered a little bit more thinking we may not get the things on time, but nothing significant.

**Nikhil Gada:** Understood, my second question, so we have now reached a very decent run rate in the domestic market as well and we are also doing the branding part as well, so firstly how do we see the domestic business shaping up for FY2023, we are at around 90 Crores odd, so can we grow at double the speed as in like 50% to 60% for FY2023 and what was the A&P spends for FY2022?

**Chirag Parekh:** So, it is a very good question, on domestic we have witnessed a very strong growth and we have never able to witness such a strong growth in the last few years and because of a collaboration with Vaani or our new range of appliances by able to supply more sinks to the domestic market because now we have the capacity in place, we have witnessed a very strong growth even quarter-on-quarter about 24%, and we expect based on the current order booking, which we have and we closing the April month looking at the May and June order booking it seems we will have a significant growth as far as the domestic market is concerned exciting for us, so I think that is one, number two the A&P spend for us for the domestic market I think it is about 6% of total sales.

**Anand Sharma:** Sorry, there is a correction, this A&P is only 2% of a total sales, It is 5% of the domestic sales.

**Nikhil Gada:** Understood, I was just assuming there would be some one off because we signed a Bollywood celebrity?

**Chirag Parekh:** No.

- Nikhil Gada:** Understood, I will come back in the queue, I have two more questions as well.
- Moderator:** Thank you. The next question is from the line of Pranav Mehta from Equirus Securities. Please go ahead.
- Pranav Mehta:** What we understand is that the three German supplier might be facing a lot of difficulty due to this ongoing crisis and so are we seeing any demand generation switching to us because of that? update on tie-up with other big box retailers across the world if you can throw some light on that, my second question was related to the consolidated debt that the peak debt that you will be seeing after this acquisition of UK and new capacities coming up?
- Chirag Parekh:** We have not heard or witnessed anything by the German players they are having a tough time because of the geopolitical situation that is one. I news we have that all the companies have increased the capacity towards the demand in quartz sinks I think that is one and number two question was on debt, right?
- Pranav Mehta:** Yes, Sir.
- Anand Sharma:** Our current debt consolidated is Rs.136 Crores, with the new acquisition loan it will increase by another Rs.53 Crores for this year, so another Rs.189 crores so it is of about Rs.200 Crores max.
- Pranav Mehta:** So, max would be Rs.200 Crores?
- Chirag Parekh:** Yes.
- Pranav Mehta:** Sir, any update on your let us say tie-up with other big box retailer that you have been mentioning?
- Chirag Parekh:** Yes, I missed, I just noted this point, so we are in advanced talks with some large retailers across the world, there are more and more opportunities for us, so as and when it goes through we shall let you know.
- Pranav Mehta:** Sir, one related question, what was the contribution from Ikea this year?
- Chirag Parekh:** We unfortunately not able to as per contracts with the customers, we were not able to disclose part of the confidential information.
- Pranav Mehta:** As you said that you would be also getting orders from Ikea let us say one or two years down the line for your bath products as well s, so can you throw some more light on that, Sir?

- Chirag Parekh:** So as of now like I said we have been awarded to double our sales with Ikea and necessary investments have been done. We should start within the next two to three months, Grohe also we have done investment in quartz and steel, that also takes momentum and third on the Ikea on the kitchen sink front is that we are now exploring the possibility of adding the new product lines along with this, the team is going to visit us soon and then we will see the outcome how it goes. But if it starts all the Greenfield projects will take about a year's time.
- Pranav Mehta:** Sure, Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Prateek Agrawal from Ask Investment Managers. Please go ahead.
- Prateek Agrawal:** In the event of because of European thing if there is a slowdown in that part of the world, can you not push volumes in this country, in the past calls you had indicated that because of supply side constraints, the market share in India was constrained and you could look to build that up?
- Chirag Parekh:** So, we will be exactly doing that, we would be passing on the capacity to India if we witness if any slowdown in the orders from US comes in.
- Prateek Agrawal:** Yes, exactly that is what I was wondering, second now the steel sink and quartz sink prices have converged in fact the better steel sink may be costing more than quartz sinks in that context you should be seeing a very strong demand not only from the replacement market, but also from the OEM market?
- Chirag Parekh:** We are already seeing that right and that is why we are able to witness such a sharp growth.
- Prateek Agrawal:** Right, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Vivek Gautam from GS Investment. Please go ahead.
- Vivek Gautam:** So, this extra demand due to COVID in India as well as abroad will it sustain beyond COVID?
- Chirag Parekh:** Fundamentals of the company as far as the quartz sinks are very strong, so I do not think anything is going to move on the long-term, the demand for the quartz sink has continued to improve and will continue to improve, so there is no question on that.
- Vivek Gautam:** The recent rise in interest rate in US housing market is there any negative impact on our sales, Sir?

- Chirag Parekh:** No, we are not still witnessed any. The home improvement sector overall I witnessed more than we would have had a news about 15% to 20% of the inflation home improvement and most of the company has been able to pass onto the consumer able to maintain the margins because the home improvement sector overall is very encouraging at this point of time, not all sectors are able to pass on this price increase and we have seen some dramatic fall in the bottom lines of the other companies, so I think we are in a quite fortunate and a sweet spot in this part of time.
- Vivek Gautam:** And in the earlier call you had mentioned that the increased freight cost are not having much impact on us and we are able to pass it on and today you are mentioning that something that we cannot pass on the entire price increase in freight?
- Chirag Parekh:** See, 90% of the export sales are FOB, so 90% of the freight cost is already passed on and whatever the 10% beyond is there it is not a significant impact on the company, company is still be able to more or less sustain the margins.
- Moderator:** Thank you. The next question is from the line of Jehan Bhadha from Nirmal Bang. Please go ahead.
- Jehan Bhadha:** Good evening. If I look at the raw material as a percentage of sales it has come down in Q4, but in your early your commentary you said that EBITDA margins have come down because of raw material and freight, so can you throw some more light on this exactly on the raw material what do you mean packaging or something?
- Chirag Parekh:** We have been able to take packaging as a part of the raw material.
- Jehan Bhadha:** Because if I look at just other line item of RM to sales that has gone down?
- Chirag Parekh:** Correct, packaging it is not raw materials, it is the material cost more than the raw materials and more it is on the quarter side, the trend is increasing for the raw materials so that has impacted quarter four as well as the entire year.
- Jehan Bhadha:** So, overall if we were to look at next year that is FY2023, last year for the first three quarters our EBITDA margins were at close to 22% and this quarter, quarter four it has come down slightly to 20.5% around that region, so going forward should assume quarter four as the base for coming years?
- Anand Sharma:** There is two things, I think one is the freight cost, which is increasing if we compared with last year, last year the freight cost was around 8% of the sales now it is 12.6% of sales, it is a 4.65% increase already happened between last year and current year and which is

increasing trend number one. Number two, raw material prices are also increasing, but it all depends on our ability to pass on, which we are doing every quarter, there may be a spillover between the quarter-to-quarter, but we have that capacity to pass on the cost. But there may be spillover between quarter-to-quarter. So I do not think that quarter four is the benchmark, I think we should take a year as a benchmark.

**Jehan Bhadha:** Great, thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Priyam Khimawat from Ask Investment Managers. Please go ahead.

**Priyam Khimawat:** Sir, when I try and calculate out realization for quartz sink it comes to around Rs.5,700 per sink in FY2022 and if I recollect correctly it was at a similar level in FY2021 as well, so how do we see this going forward?

**Chirag Parekh:** So, that is all depends upon the product mix.

**Priyam Khimawat:** So, going forward this ramp up our entire 1.2 million sink capacity, what realization are we looking at?

**Chirag Parekh:** As of now we were able to maintain that.

**Priyam Khimawat:** Okay, no scope for further improvement, due to mix improvement?

**Chirag Parekh:** No, see that is what I am trying to say that country to country the price varies, the Indian market is more smaller sinks than largest sinks, but proportionately the RM cost and other material cost also will go down so the margins will not impacted, now just at the beginning of the year, so it is very tough to predict what is going to be the product mix because it is like on a monthly basis it changes.

**Priyam Khimawat:** Understood, so what was our steel sink volume in a FY2022 and quarter four?

**Chirag Parekh:** FY2022 quartz sink volume is 650,000 sinks for the year, steel sink was 104,000 versus 68,000, 104000 for the year.

**Priyam Khimawat:** Got it.

**Moderator:** Thank you. The next question is from the line of Anant Jain an Individual Investor. Please go ahead.

- Anant Jain:** Thanks for the opportunity, Sir. One question that I has is that because of the inflation and some kind of slow down in the housing market that we are witnessing in the States, are there any forward looking numbers in terms of order book or any other such parameter that you could specify which tells on a comparative basis how this year is, the beginning of the year is versus how the beginning of last year was and in terms of what kind of visibility, any numbers that you could give?
- Chirag Parekh:** No, number wise we do not have anything at this point of time, but we are still able to see momentum in the US real estate because primarily it has not been driven by new homes.
- Anant Jain:** Renovation?
- Chirag Parekh:** Yes, correct so the home improvement continues to do very well even now in the US.
- Anant Jain:** More like there were some demand coming out from various players who are our partners in US and Europe, there is anything that you can indicate what is coming out from there?
- Chirag Parekh:** No, as of now I think the order booking as per US part is concerned is good, it is in place as per target. Last year was a different scenario because COVID was hit and there were a lot of issues during last time regarding the backlog of orders, so it would not be a right comparison any ways to referring to last year.
- Anant Jain:** Okay, just one more question, bookkeeping question, Sir, I would want to understand kitchen appliances numbers and also our bathroom products sales numbers in last five years, if you could me some information around that, how has that shaped up?
- Chirag Parekh:** So, on the appliances side, I think we have touched the turnover of close to 20 Crores and I think five years back was I think less than 5 Crores may be, but if you can share e-mail we can send you the details last five years what has happened and as far as the bathroom products we launched only five years back and bathroom is not a category which we are focusing, this year now we have done collaboration with Susan Khan and Farah Khan so we will see a sharp increase in bathrooms sales, but currently the bathroom sales for us is about insignificant is about 1% of our total sales of the company.
- Moderator:** Thank you. The next question is from the line of Harshil Shethia from AUM Fund Advisors. Please go ahead.
- Harshil Shethia:** Sir, earlier you said that your debt can go up as high as 200 Crores, is that number right for FY2023?

- Anand Sharma:** Yes, based on current numbers what we have we had at about 136 Crores, which includes term debt and the working capital borrowing both.
- Harshil Shethia:** That is for FY2022?
- Anand Sharma:** Yes, FY2022, for FY2023, there will be a borrowing of Rs.54 Crores coming for the acquisition, so adding everything together with some working capital we have benchmarked Rs.200 Crores for FY2022-FY2023.
- Harshil Shethia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Chintan Mehta from North Star Fund. Please go ahead.
- Chintan Mehta:** Sir, I wanted to know on the raw material side, what percentage of raw material goes into manufacturing of one sink how much percentage of mold, coated silica, PMA, MMA like that?
- Chirag Parekh:** 30% approximately.
- Chintan Mehta:** Individually you can give the breakup, Sir?
- Chirag Parekh:** Individually means?
- Chintan Mehta:** How much of mold is used, how much of silica is used, so what is one quartz sink?
- Chirag Parekh:** That is a part of our formulation.
- Chintan Mehta:** Sir, how much do we import, Sir?
- Chirag Parekh:** The import is about 50% of our material cost.
- Chintan Mehta:** So, 50% that we import and the components and spare parts are still 100% imported, Sir?
- Chirag Parekh:** I do not have the details what are the spare parts for built in appliances all imported.
- Chintan Mehta:** Thank you so much, Sir.
- Moderator:** Thank you. We will move onto the next question from the line of Kartik Soni from Satco Capital Markets. Please go ahead.

- Kartik Soni:** My question is on the acquisition, 2021 the profit of Tickford Orange was 1.8 million pound that is around 19 Crores to 20 Crores, the acquisition cost that 11 million pounds, so we have got is at a very less rate, that seem a bit cheap enough so this is distress sales or this is a normal process?
- Chirag Parekh:** Yes, it is a normal sales, it is just the promoter to realize the value of the company, so there was no distress, but we are lucky enough to get discounted because it is already our client and we had a great comfort level, so that is why we are able to do it.
- Kartik Soni:** Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** Thank you very much to give me this opportunity. First of all, thank you very much for the nice result you are giving year by year, can you bifurcate margin between exports sale and domestic sale?
- Chirag Parekh:** Yes, Mr. Sharma you will answer that?
- Anand Sharma:** Yes, our export margin is around 24% in exports and around 18% to 19% in domestic for the quartz sink.
- Ravi Naredi:** And how much capex plan for financial year 2023 and 2024?
- Anand Sharma:** 2023 and 2024, we have not yet planned.
- Ravi Naredi:** Not yet planned, but whatever you have mentioned in the investor presentation that is only there right?
- Chirag Parekh:** Yes, as on date whatever we have planned we have already announced.
- Ravi Naredi:** Thank you very much, Sir.
- Moderator:** Thank you. The next question is from the line of Nikhil Gada from Abakkus Asset Management. Please go ahead.
- Nikhil Gada:** Sir, thanks for the followup, my question is on the working capital side, we have seen a very strong improvement in our receivable cycle and on the other hand some amount of increase in the inventory days, so could you help us understand as in what has changed over here especially on the receivable days?

**Chirag Parekh:** So, on the export side, we were able to reduce the receivables with improvement with few customer by 30% very important customers, the new customers also have a very short credit line and as far as the domestic market we had earlier 90 days payment term cycle, now it has gone below 45 days so these are the two major improvements.

**Nikhil Gada:** If I may ask when have we done the changes has not this been in this particular quarter because can we see a further improvement in 2023 and 2024 for the same?

**Chirag Parekh:** So, we have been doing this exercise based on our last call also where I had mentioned that the company wants to continuously improve our working capital, so the endeavour is on we obviously want to continuous improvement the company would thrust on it, so we believe we can see some improvement quarter-on-quarter

**Nikhil Gada:** Sir, just on the inventory side?

**Anand Sharma:** So, on the inventory side I will dissect into the different inventories like finished goods we have around 12 Crores goods at the port which is not sent because of vessel issues so that which we have taken in the books. Raw material, imported raw material particularly we had increased our safety stock because of this China issue and lock down and logistics issues, so our imported items which is our raw material and plumbing kit we have increased stock, I think this is temporary, once things normalize we have heard that China is normalizing so let us see within month or two I think we will back to again to the earlier level and we will have all the plan to reduce the inventories.

**Nikhil Gada:** Understood, I just have one more question if I can ask, Sir?

**Chirag Parekh:** Yes, sure.

**Nikhil Gada:** Sir, just from your perspective you know since we are seeing improvement in working capital as well as very strong operational performance, what sort of an internal estimate you have on the free cash flow generation that we can have over the next two years because we are raising our debt cycle as well right from 120 to 200?

**Anand Sharma:** So, you can see our debt and EBITDA, our EBITDA is about 115 Crores, debt we had currently is 136, so it is a very comfortable position it is a 1.2 time of the EBITDA, coming to the 2022-2023 when we are talking for 200 Crores benchmark, EBITDA we are expecting around 150 Crores, so we are keeping our debt in a very comfortable position, debt equity is 0.53, in all the probability will not go beyond 7 max, so within that parameter we are vigilant about the debt and we are keeping within the limits and as per our plan.

- Nikhil Gada:** Understood, that was really helpful. Thank you for answering all my questions, all the best.
- Moderator:** Thank you. The next question is from the line of Suhrid Deorah from Paladin Capital. Please go ahead.
- Suhrid Deorah:** There was an enabling resolution taken a few quarters ago, that is for an equity fund raise, I just wanted the current thoughts on that?
- Chirag Parekh:** We are in the process.
- Suhrid Deorah:** The use of those funds will be for?
- Chirag Parekh:** These are the new expansion plan, which we will for the ceramic, faucet and built in appliances.
- Suhrid Deorah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Agarwal from Prithvi Finmart. Please go ahead.
- Abhishek Agarwal:** Sir, my question is regarding your expansion thing like as we in last two to three years we are expanding aggressively so this expansion is backed by order, how it is can you explain on this?
- Chirag Parekh:** The expansion is based on growth it is more on the quartz growth and expansion and whatever the contract we have signed with the new customer.
- Abhishek Agarwal:** So, whatever expansion, whatever we have planned as of now, we can easily absorb in the next two to three years, correct?
- Chirag Parekh:** Yes.
- Abhishek Agarwal:** Sir, what is our main raw materials and what is the source of that?
- Chirag Parekh:** Raw materials mainly are quartz with which few are imported and few from India.
- Abhishek Agarwal:** Can you get a break up what percent is coming from India?
- Chirag Parekh:** So, approximately 50% Indian and 50% abroad.
- Abhishek Agarwal:** That is from my side.

- Moderator:** Thank you. The next question is from the line of Anika Mittal from Nvest Research. Please go ahead.
- Anika Mittal:** Sir, my first question is, how the profitability at overall level for Acrysil is going to be impacted which inclusion of overseas acquisitions like in this quarter also we have already saw a dip in margin, so do we expect further dip in margins with the inclusion of subsidiaries?
- Chirag Parekh:** Mr. Sharma, can you answer that I am not able to understand?
- Anand Sharma:** Yes, first of all this quarter is not because of acquisition I know this margin is down as we explained earlier this only because of the increase in the freight cost and the input costs, which normally we pass onto the customer, we have already taken steps to increase the prices so it should normalize, so it is still going from quarter to quarter number one. Number two, the current margin of the acquisition company is around 17% to 18%, now with the company acquiring the other company we have plan to increase its margin, so overall company level we had benchmarked 20 plus EBITDA margin going forward, so we do not see anything impact of the acquisition on our margin profile.
- Anika Mittal:** Got it. Sir, my next question is can you please put colour on Acrysil Ceramic Limited like in the terms of when the operations are likely to be commence or what is the size of market opportunity is there?
- Chirag Parekh:** Sure, like I had said that we are exploring the opportunity and to tie-up with large customers of ours and is in the process, so once it is done I could expect it to have this within the next three months time and it is going to be a Greenfield project and this is going to be the Hi-Tech. So, the whole manufacturing procedure ceramic is going to be for Hi-Tech ceramic sinks which only a few companies in the world have that technology and we have been able to get access to this technology. This will be the first company in India to manufacture Hi-Tech ceramic kitchen sink, so we are already in the process of negotiation with very large customers across the world and once if we put up the manufacturing facility it will be on at least about 60% to 70% buyback arrangement and we will use this as a leverage for the products for bathroom.
- Anika Mittal:** Next two to three months we will get a clear picture on this?
- Chirag Parekh:** Yes.
- Anika Mittal:** Thank you very much.

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

**Chirag Parekh:** I would like to 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.

**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.