



Acrysil Limited
Q2 & H1 FY2021 Earnings Conference Call”

November 06, 2020



**MANAGEMENT: MR. CHIRAG PAREKH – CHAIRMAN & MANAGING
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ACRYSil LIMITED**



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Moderator:

Ladies and gentlemen, good day and welcome to the Acrysil Limited Q2 and H1 FY2021 Earnings Conference Call. This conference call may contain forward looking statements about the company, which are based on 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. 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 and Managing Director of Acrysil Limited. Thank you and over to you Sir!

Chirag Parekh:

Good afternoon everyone. A very warm welcome to the H1 FY2021 Earnings Call of Acrysil Limited. Along with me on this call, I have Mr. Anand Sharma, CFO, and SGA our investor relations advisors.

Coming to the company’s performance, the results and the investor presentation are uploaded on the stock exchange and company website. I hope everybody has had a chance to look at it. I hope you and your loved ones are safe and doing well in these unprecedented time. The company continued to attain new heights and has picked up the momentum in the unlock phase. In spite of Covid imposed lockdown across the globe in Q1 FY2021, we have reported and shown a good performance in Q2 FY2021 in terms of revenue and profitability. Let me share with you a few milestones we achieved during H1 FY2021.

We entered into a strategic partnership with IKEA Supply AG Switzerland for manufacturing and supply of composite quartz kitchen sinks for their global requirement. This agreement will help us establish ourselves as an emerging leader in the production and delivery of high quality quartz kitchen sinks. IKEA has an expertise in distribution and supply of home improvement products. This agreement will help IKEA offer its customers best in class quartz sinks manufactured by Acrysil. We expect that we will start supply to IKEA by the end of this calendar year.

We are expanding our quartz kitchen sink capacity by 20% approximately by 1,00,000 units per annum. This will improve our capacity from existing 5,00,000 sinks to 6,00,000 sinks per annum. This is expected to be commissioned by Q4 FY2021. With this we will have sufficient production capacity to meet the existing demand in the export and domestic market. We also commenced manufacturing of Physical Vapor Deposition (PVD) plant for



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manufacture and coating of designer stainless steel sinks. It will provides metallic finish for our stainless steel sinks, which will enhance aesthetic value of product and value addition to the company. Buoyancy in demand was visible from July 2020 onwards and expect it to continue for the remaining two quarters. We expect H2 FY2021 to be better than H1 FY2021. The demand of our home products is increasing, as during these days, people are spending more time at home. Home is the focal point across the world. As people continue to stay at home, they will be looking for more home improvement products. People feel the need to make their home décor more clean and tidy. Our presence in the home improvement sector ensures good growth opportunities especially the kitchen. It is our belief that there is enough space for the company to grow and to develop as an even stronger player. All our efforts are centered around the consumers we serve and we will continue to add value to their lives through our products and services. We are determined to improvise in technology and designs to continue dominating the market and appealing to maximum consumers through both premium and economical products. At Acrysil we look at the bigger picture. We do see the scenario improving slowly, but steadily in the years ahead. The traction seen in the export market and recent IKEA Supply agreement shall help us grow faster. We are also working towards our global systems to develop a strong network to capitalize on opportunities. We have taken necessary steps in expanding European markets and grow across the globe as a value added trustworthy brand. Our products have a global appeal and have impressed both influencers and consumers all across the world. Acrysil believes in innovation of products. Innovation leads to improvement in the value of our product and helps in adding new dimension. During the first half of the year, Acrysil has introduced quartz antibacterial sinks and stainless integrated worktops. The company has also setup Special Purpose Machines to ensure seamless installation of stainless steel countertops, which will boost the market in India and overseas.

So just to conclude, the company is focused to build brand and distribution channels across India. We are already supplying to more than 55 countries around the world and aim at 75 to 80 countries in the next few years. We look forward to expanding globally by tie up with large retail stores across the world. Having established ourselves as a long term player in the industry, Acrysil is rapidly moving ahead towards becoming complete solutions provider for luxury kitchens and bathroom catering to the most discerning and conscious consumers, while establishing the brand Carysil & Sternhagen as the world's most sought after designer brand in the segment. We are headed towards a future of consistent success and increase value addition. We also see now a demand spike up in the domestic market space. 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.



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Anand Sharma: Thank you so much Sir. Good afternoon everyone. Let me take you through the financial performance of the company for the quarter and half year ended on September 30, 2020.

Firstly let me take you through the Q2 FY2021 performance. The consolidated revenue stood at Rs.75.6 Crores for Q2 FY2021 as compared to Rs.70.7 Crores in Q2 FY2020, year-on-year growth of 7%. This was on the back of improved demand from international market. Our EBITDA margins grew by 330 basis points. Margin for the quarter stood at 20.6% as compared to 17.3% Q2 FY2020. Margins improved on the back of stable raw material prices and cost efficiency measures undertaken by the company. Profit after tax and minority interest stood at Rs.9.4 Crores in Q2 FY2021 as compared to Rs.5.6 Crores of Q2 FY2020 recording a year-on-year growth of 68.1%. Cash profit after tax for Q2 FY2021 stood at Rs.12.3 Crores as compared to Rs.8.7 Crores of Q2 FY2020 a growth of 41.9%.

Now I will take you'll through H1 FY2021 performance. The consolidated revenue stood at Rs.121.6 Crores for H1 FY2021 as compared to Rs.138.7 Crores of H1 FY2020. Half yearly revenue was impacted on account of COVID-19 impact in Q1 FY2021. However, the growth momentum has started picking up from Q2 FY2021 onwards. EBITDA margin for H1 FY2021 improved by 317 basis points to 20.8% from 17.6% of H1 FY2020. Profit after tax and minority interest for H1 FY2021 stood at Rs.14 Crores as compared to Rs.11.4 Crores for H1 FY2020 recording a growth of 23%. Cash profit after tax stood at Rs.19.7 Crores for H1 FY2021 as compared to Rs.16.9 Crores recording a growth of 16.6%. Our debt to equity stands at 0.5 times as on September 30, 2020. On annualized basis return on capital employed stands at 17.7% whereas return on equity stands at 16.6%. We are pleased to share that external credit rating of the company was upgraded to A- by ICRA from BBB+ with stable outlook. 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. Ladies and gentlemen we will wait for a moment while the question queue assembles. We will take the question from the line of Saket Goradia from VC Investments. Please go ahead.

Saket Goradia: Congratulations Chirag Bhai on great set of numbers and very interesting results. Just wanted to get your sense and if you can give more colour on the IKEA arrangement. What is the nature of the tie-up? Is this going to be in the line of kind of an order book or is it going to be at a retail level? Secondly, we have this fully owned subsidiary now in USA, so what is the broader thought about it?

Chirag Parekh: I will come to your first question related to IKEA. With respect to IKEA arrangement, there would be investment in moulds and new designs will be prepared for IKEA. The



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arrangement is supplying to IKEA retail stores starting in European market, Eastern markets and Russia markets in the first phase. We have been identified as one of the key suppliers in the IKEA supplier list, so we expect quite a large demand coming from IKEA in this COVID time. We have heard that all home improvement store including IKEA sales have grown, so we expect supplies to start by the end of this calendar year. I am sure that the momentum is going to pick up quarter-on-quarter with IKEA. IKEA would be distributing to all the retail stores across Europe and Russia and Eastern markets. I am mentioning now that we are tremendously focusing on Europe at this point and the results we have seen. The idea to have a US subsidiary is to have a close connection with the customers in America and at the same time we want to increase our market share in the US market. Our idea to have the subsidiary there is because we want to also tap the large retail stores in America to further penetrate in that market. . We will slowly start the recruitment process. We have postponed it because of the pandemic and, the election. We do not know what is going to happen, so once the election is over and things fall in line, we will start the recruitment by Q4 FY2021.

Saket Goradia:

Sure. Just one last question from me. How much are we foreseeing IKEA to utilize in terms of our capacity? What is the margin profile like? Is it in line with what we do at a broad retail level? How does that pan out in terms of arrangement with IKEA?

Chirag Parekh:

I will not be able to comment on what exact capacity IKEA will require. But we have new tie up with IKEA and I think our expansion shows that we will need extra capacity looking at the current demand and the tie ups what we have made. Second question on the margin side I think it is quite fortunate that the new tie ups what we have done are in line with the current margin levels. So we believe margins should continue to sustain.

Saket Goradia:

Okay great. Thank you Chirag Bhai I will come back in the line for further questions.

Moderator:

Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda:

Thank you for the opportunity and congratulations for a good set of numbers. Sir two questions one referring to slide five where we have given the quarterly consolidate revenues and try to highlight the pre-COVID and the post COVID numbers. From your commentary you are saying incrementally you will start looking at growth in H2 FY2021 onwards so what kind of growth should one look in H2 FY2021 or FY2021 whatever you are comfortable with now on the revenues? Lot of the EBITDA margin expansion that we saw



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in the first half is also driven by gross margin. Could you comment in terms of both sustainability of gross and the EBITDA margin incrementally?

Chirag Parekh:

The Company has worked very hard, which I have shared in the earlier calls too. During this COVID time and during the lockdown, the company is trying its best, and I absolutely believe the company is not leaving any stone unturned to capture any opportunities at this time. We are working very hard to surpass our current quarters and to strive to deliver better results. As I said in my speech that this is why we are confident about the current demand of the granite sink as well as with the new tie ups I think it should help us to improve the company's performance. While I say this, we also know we are impacted by the external factors such as the US election and second wave of COVID. So the company is trying its best to perform for the next quarters. As far as margins are concerned like I said that we are also striving very hard to sustain these margins. At this point the forex rates are in our favour. The company has also got a very good rate based on the guidelines with the forex rates. The second thing is that the tie-ups or with the growth, the company is expecting to receive better price value realization. So I hope that company will do its best to try to sustain its margins.

Pritesh Chheda:

Just lastly on the large order, so when we reach Rs.45 Crores does it mean that it is Rs.45 Crores annual order to be executed or it depends upon when the supply schedule pickup as and when given by the large clients?

Chirag Parekh:

Are you talking about Rs.45 Crores of incremental 1,00,000 sinks?

Pritesh Chheda:

Yes Sir.

Chirag Parekh:

I think we are quite confident that we meet up this 1,00,000 sinks capacity with the current demand and order booking that we have. So in Q4 FY21, we should start commencing our supplies out of this new 1,00,000 units expansion, which will result into the incremental value.

Pritesh Chheda:

Is it a new product line for IKEA that they have introduced or it is existing product line within which they are adding a supplier?

Chirag Parekh:

It is an existing product line for IKEA. The model, which is given to us are proven models, which are already being supplied to their current customer through their global supplies. So we would be taking probably the market share of the current supply. The current model of IKEA are proven track record that they have been a very successful model, so IKEA is



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handing over to us the supply contract of this successful model, which is already being sold in the market.

Pritesh Chheda: Does the annual supply with IKEA continues once it starts for a number of years you have?

Chirag Parekh: Correct.

Pritesh Chheda: So every year would Rs.45 Crores worth material ideally remain in the supply?

Chirag Parekh: I would not state that everything is for supply to IKEA because we have done tie-ups with lot of other companies also in US, in Europe from our UK subsidiary Homestyle, so it is going to be a mix of all.

Pritesh Chheda: Okay thank you very much Sir.

Moderator: Thank you. The next question is from the line of Aayush Agrawal from MAPL Value Investing Fund. Please go ahead.

Aayush Agrawal: Good afternoon Sir and congratulations on a very good set of numbers. I have three questions and one is on the longer-term perspective and one is on the shorter-term perspective. I will start off with the shorter term perspective. One is like you said that you have good order book visibility on Europe and US, as we can see that Europe is already under the second wave and day by day the cases are peaking in the US. So what kind of visibility would you have in both these markets as these are key markets for us given the second wave both in US and Europe?

Chirag Parekh: The answer is that it is not the first time we are facing this situation. We have already passed through this COVID times and the complete lockdown was there in India and across the world. These are unprecedented times and if the second time lockdown will happen we hope that we will be able to swim through the second wave like we did for the first one. I had also mentioned in one of my statements earlier that a lot of online sales has been happening through our global customers. So even if you have a lockdown, companies like Amazon and other online companies continue to sell and show phenomenal growth. So the orders and the supplies are going to continue even during the lockdown. and we believe that any country even if the second lockdown will happen, we feel that we will be able to sail through this second wave too since we have passed through this situation.



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Aayush Agrawal:

That is really comforting to hear Sir. Sir on a longer term perspective we are seeing really good traction in our products even in these uncertain times and not a lot of companies are coming up with expansion in this financial year itself and we are one of the few. We are expanding capacity by 20%, but to understand potentially on a longer term perspective what are our plans to double our capacity from 5 lakh units not 6 lakh units I would say to grow to 1 million units from here, do we have enough land for that? How to reach that capacity if we have thought about it on a longer term perspective?

Chirag Parekh:

To answer your first question yes we have enough land bank with us at least to reach 8,00,000 to 9,00,000 sinks. We do have surplus land, which we are trying to negotiate at this point. We will see how this financial year ends and we will take up the call. But for immediate if we were to expand to 8,00,000 to 900000 sinks we do have the land capacity. Second thing is we are still bullish in our approach since we have been able to overcome this what we call a perfect storm for our company in these times. While we stay very cautious, we try to keep very close contact with customers and we try to see that everything is in line and nothing falls out of line. So we are keeping a very strong track with our customers. We have done some very important tie up with some global customers through our German subsidiary for US and through our UK subsidiary. At the same time we are very equally happy to know that the Indian market demand is also showing a great spike in the last two months. The company honestly is struggling to supply since we have a high order book position, so we expect that if this demand continues to grow in same momentum I think then the company will be able to sustain the growth levels of say 20% a year. So that is all I can say at this point of time, but equally at the same time we have to be very cautious on what we do.

Aayush Agrawal:

That is really good to hear Sir. My followup question on this would be what is the peak revenue that we can do from existing capacity? As one of our participants had asked that a part of our margin expansion also came from the gross margin expansion because the crude cycles were lower, but is there any more room in other cost efficiencies that we can take or a special improvement that can happen?

Chirag Parekh:

Sorry you are not very clearly audible.

Aayush Agrawal:

The first is that what is the peak revenue that we can do from the existing capacity and second is are there any room for any more cost efficiencies or operational improvements, apart from the gross margin expansion that we saw already?



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- Chirag Parekh:** We should be starting our capacity expansion commencing in Q4 FY21. Just for the knowledge of all participants that the company is doing expansion in a record time, which we have never done in the history. Normally expansion of our 1,00,000 sinks would take about six to eight months, the company is right now planning to install this capacity as soon as within four months of time. We have gone to an extent to even vacate our offices so that the plant manufacturing can be fit in, So this is the commitment level shown by the team of our company.. Secondly since the new expansion, we have been learning on every expansion what we have done in our company. We have said that we have taken a lot of measures for improvement in terms of cost reduction and improving productivity. It is our continuous endeavour to increase value addition and cost reduction would continue. The new plant, which we are going to setup will have a better productivity and we expect to have better operating margins in that plant.
- Aayush Agrawal:** That is really wonderful to hear Sir.
- Aayush Agrawal:** Sure I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Naresh Kataria from Money Curve Investment. Please go ahead.
- Naresh Kataria:** Congratulations Sir on the exceptional performance. Most of my questions are answered, just a minor point on working capital. So I see that we are entering a very good growth phase which is commendable, but our receivables are probably 75 to 80 days. So is there any plan to bring that a little bit lower so that our growth does not block a lot of capital in working capital?
- Chirag Parekh:** To answer your question I think if you have seen compared to the past, Anand will be able to tell you that working capital cycle has been improved a lot than the past quarters. The second thing is that the new customer tie-ups what we have done are with a lesser credit period. So I am quite hopeful that the company is doing its best to reduce the credit period and then in turn which will help to improve the working capital cycle.
- Naresh Kataria:** Very good Sir. Thank you. Just my second question is on technology. I see that we are one of the only players in Asia to make this quartz sinks so of course I have seen your product exceptionally well engineered products. So I would say what would stop a competitor from entering this, is it technology, machinery, what exactly or the moulds what is special about our products in making them?



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Chirag Parekh:

I think it a very good question. The quartz sinks are being manufactured by Chinese and a lot of other countries in Eastern Europe, so it is not that we do not have competition in this one. There are some people in India also trying to do this because people are seeing the growth of the quartz sinks going up. So when you talk about strength of Acrysil, the technology is obviously the shock technology which is a very superior technology. It is not just a technology that you can buy from the market, but you need decades of experience to come to that quality level. Today Acrysil is being compared to possess the quality better than even German competition, this is because of our continuous R&D and also we are experienced into this. Second is I think the team of the company, the strong stand and the delivery time, so it is a gamut of lot of things put together. For example we have a policy in the company that any export customer across the globe and whatever the time difference is you have to reply the e-mail within 24 hours. People appreciate such response times as it is not very common for people do this. So this technology is obviously you know it is a great technology. Like said you cannot just go off, but experience is the main thing along with the technology. Our company's strength is to absorb this technology than what we have been given by the Germans to further improve on their technology by enough R&D which enables to even further improve our products.

Naresh Kataria:

Absolutely. Thank you so much and best wishes Sir.

Moderator:

Thank you. The next question is from the line of Riddhima Chandak from Roha AMC. Please go ahead.

Riddhima Chandak:

Thank you for the opportunity Sir. My first question is regarding the volume of the quartz sinks, steel sinks and appliances category quarter-on-quarter and half yearly?

Anand Sharma:

For the current half year, we have sold 1,78,179 units of quartz sinks and the value is Rs.90.99 Crores, steel sink we have sold 26,126 units, value is Rs.8.38 Crores, appliances we have sold 5,963 units, value is Rs.5.05 Crores and Sternhagen, tiles and others we have sold 4,594 units and value is Rs.91 lakhs. Food disposers, we sold 742 units and the value is Rs.42 lakhs for the current half year.

Riddhima Chandak:

So what would be the volume growth in the quartz sinks and steel sinks half yearly to half yearly?

Anand Sharma:

So half year H1-21 to half year H1-20, we have seen a decline in the volume because of the Q1 FY21 sales loss. But in terms of value we have gained, I will just give you the figure, last year first half was Rs.90.62 Crores and this year quartz sinks Rs.90.99 Crores. So on



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the value terms we have exceeded the last year half year numbers in spite of loss of sales in Q1 FY21 because of the better value realization, better price and probable exchange rate in export market for the quartz sink. Now coming to the steel sink as you know most of our products sold are in domestic market where we had seen quantity down by 24%. But if I compare current half with the last year half, our value was down by 18% that means we have realized a better value addition and this decline is mainly because of the domestic market, which was mostly closed in the Q1 FY21. So in the Q2 FY21 we have recovered the sales and we have even exceeded the last year corresponding Q2 FY20 figures. Similarly, with the appliances, sales were down by 40% on the volume term and 44% on the value term because of the domestic oriented product. These are the numbers and this is primarily because of the lockdown imposed in the domestic market.

Riddhima Chandak: In the last year FY20, for the quartz sinks contribution was approximately Rs.35 Crores in the domestic market and in the export market it was remaining Rs.147 odd Crores. Currently how much revival in demand have we seen in the domestic market and in the export market?

Anand Sharma: So we actually have two issues with the domestic market. One is that the market did not pick up in Q1 FY21 and when it started picking up in the Q2 FY21, we faced constraints to supply also because we had a lot of export order in hand. But in the given scenario whatever capacity we can dedicate for the domestic supply we are doing that. I will give you the value. We have reached the last quarter of domestic sale at Rs.17.22 Crores against Rs.18.41 Crores for the corresponding period of the last year. So we are trying to catch up because the market has now started improving. In terms of the capacity constraint, we are going to get over of that constraint by Q4 FY21.

Chirag Parekh: By Q4 FY21 there would be additional capacity and the supplies would start from Q1 next year for Indian market. So right now we are trying to do our best supplies to strike a good balance between export and Indian market. So what we are doing is trying to improve our matters to supply to Indian markets. There is an opportunity that we can give lesser credit period in domestic market, which will help us in our cash flows in terms of our working capital.

Riddhima Chandak: My next question is on the realization difference between the domestic and export market so for the quartz sink as specifically in the Q4 FY20 you stated that it was approximately Rs.1500 difference so is it same right now?



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- Chirag Parekh:** The average value difference could be that I need to check up ~ average of Rs.1000 to Rs.1500, but that is because in domestic market you have more single bowls getting sold, which is approximately 60% to 70% of our normal value sink. But as far as the gross margins are concerned it is almost at same as exports. There is a little bit of struggle in the domestic on the net margin side, due to more marketing expenditure involved there. Next year we are trying to increase our capacity and everything will be good in the domestic market. We expect a good year for India next year and are likely to see the spike in demand in quartz sink in India.
- Moderator:** The next question is from the line of Ronak Vohra from AUM Advisors. Please go ahead.
- Ronak Vohra:** Could you repeat the volume numbers for the quartz and the steel sinks in H1 FY2021 I just missed it out?
- Anand Sharma:** Yes sure. So for H1 FY2021 we have sold 1,78,179 units of quartz sinks.
- Ronak Vohra:** What about steel sinks?
- Anand Sharma:** For Steel sinks, we sold 26,126 units.
- Ronak Vohra:** I just wanted to understand that with the second wave of lockdown that is happening in Europe, how do we see your orders there that are in hand for us?
- Chirag Parekh:** So we do not have any delay in orders.
- Ronak Vohra:** Can we say that these EBITDA margins of ~20% would sustain in the second half?
- Chirag Parekh:** I have already answered this that company is probably trying to do its best to sustain these margins at the same time we have to be also aware about the external factors, but company is doing its best they can.
- Ronak Vohra:** Sir could you share what is the maximum utilization levels that the Company can achieve with the current capacities in quartz sink?
- Chirag Parekh:** Current year at 100%.
- Ronak Vohra:** With 1,00,000 new sink capacity coming in by the end of the year, can we say that FY2022 can operate at around minimum of 95% utilization level?



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Chirag Parekh: Definitely, that is the plan that we are trying to expand the capacity based on the demand and the orders.

Ronak Vohra: Thank you Sir. That is it for me.

Moderator: Thank you. Rohit Ohri if you can hear us please unmute your line and go ahead.

Rohit Ohri: Sir I have two questions and two parts. So if we look at the entire pie with the domestic and the exports, the domestic pie is slightly increasing, so I wanted to know, which are the geographies or which are the states in the domestic pie where you have seen traction or you are seeing growth? From where are the revenues flowing from?

Chirag Parekh: I think our sales are evenly balanced between South, West, and North. South of India continues to be one of our strongest domestic market.

Rohit Ohri: So in the immediate future with the expansion plans and the revenue guidance that you have given I understand that there are certain issues and we are taking care of them. But next year same time can you see that you will be somewhere around Rs.300 odd Crores?

Chirag Parekh: I think we are expanding by 1,00,000 sinks, so we are doing our best and that approximately brings you ~ Rs.45 Crores to ~Rs.50 Crores of value for the next year plus we expect good growth from our UK subsidiary too. We also see a good increase in our stainless steel division too so we are doing our best to try to sustain the topline and bottomline.

Rohit Ohri: With your medium term target wherein you said that you will try to achieve Rs.500 Crores. So taking a run rate of around ~ 9% or ~10% will you be able to reach the target in the next six years right?

Chirag Parekh: So I think I have said it last time and it completely depends on the current situation we are in. and also with the kind of growth we are doing. So like I said it in one of my previous interview also that the company plans to achieve its big turnover within five years of time, so we will continue our endeavour to achieve Rs.500 Crores in less than five years.

Rohit Ohri: My second question is that with the great projection that we have and the confidence the management is having why is not the promoter and the promoter group trying to increase the shareholding from 44% odd to around reputable 51%? Why are we not looking in that direction?



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- Chirag Parekh:** So I believe if you know that the company has already taken out warrants a year back.
- Anand Sharma:** Last year only it is converted into capital.
- Chirag Parekh:** Last year we did subscribed to warrants, so we have already invested Rs. 8.5 crores.
- Rohit Ohri:** The question is more towards the shareholding pattern looking at 51% is what I was asking?
- Chirag Parekh:** See I do not have immediate answer to this, but the promoters will see and keep a track on the environment and what is necessary to be done, the action will be taken
- Rohit Ohri:** Last question is before I get back to the queue by when do you think that you can come back to the return on capital employed of around 20% odd because I think last year it was seen in around 2016, so now in the immediate future does the management have any projection of getting back to 20% ROCE?
- Anand Sharma:** We are already at 17.7% and with the volume we are expecting to grow our margin and it will also improve because most of the capex will go from the internal accruals. So I think 20% what you are saying it is possible and we can achieve in the coming years.
- Rohit Ohri:** Like by when if you can give a rough idea maybe eight quarters or 12 quarters?
- Anand Sharma:** We cannot make any comment on this quarter wise, but yes we are very close to it and you can see the progress in the coming quarters.
- Rohit Ohri:** Okay Sir that is helpful. Thank you. Thanks a lot.
- Moderator:** Thank you very much. The next question is from the line of Manjeet Buaria from Solidarity Investment Managers. Please go ahead.
- Manjeet Buaria:** Thanks for taking my questions. My first one is I just wanted to reconfirm that I heard in the earlier question's answer that there are globally just four players in quartz sink mainly because of technology being an entry barrier, did I understand that right?
- Chirag Parekh:** Yes you are right. There are only four schock technology licenses, which are there in the world.
- Manjeet Buaria:** Can these four licenses give out the rights to use the technology to multiple players basically?



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- Chirag Parekh:** No
- Manjeet Buaria:** Okay. Sir my second question was in terms of the quartz business and you had mentioned that it is 3x asset turn business. So I also wanted to understand what was the typical working capital intensity and the EBIT margins for this segment?
- Chirag Parekh:** As far as the EBITDA margin is concerned for the quartz sink whatever we have seen in the financials comprising of. Acrysil is doing the best of order manufacturing. Mr. Anand will be able to support this answer.
- Anand Sharma:** For asset turn we had built up the infrastructure, which can be scaled up with the addition of the moulds and machinery. So we are expecting asset turns s between 2.5 to 3 or whatever additional CAPEX we are looking and the currently fixed assets base what we have.
- Manjeet Buaria:** The margins and the working capital for the quartz segment is similar to the company level is what you mentioned?
- Anand Sharma:** Yes, it is very much similar.
- Manjeet Buaria:** Got it. Sir my question was when it comes to the kitchen appliances category, you know the products which we are trying to sell have very strong incumbent brands. So could you tell what is our right to win in this category?
- Chirag Parekh:** So the idea when we launched the built-in appliances to give a one stop solution to the customers. So when you enter a Carysil showroom you are buying kitchen sink you can also get the kitchen appliances. The idea is to have a one stop from where you can buy everything for your kitchen, so that is the reason we have launched it. The second thing that the built in appliances what we are selling in the market are of very high quality and not very cheap quality. So there products are with high quality and with better user friendly advantages. We are also focusing on very different kind of built in appliances like wine chillers. Different kind of dish washers, and different kind of ovens We are doing a lot of marketing., Even during these COVID times we have probably outperformed as far as the dish washers and the built in appliances are concerned. I think our company continues to focus on high quality appliances and with better user friendly features for the future.
- Manjeet Buaria:** Sir final question, I just wanted to understand the management team structure. For the different segments or verticals are there vertical heads who are reporting to you or you take responsibility of all the verticals just to understand how the structure is built today?



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Chirag Parekh: So we have different heads for all the verticals. The domestic vertical head reports to the Vice President sales and the we have a export head separate for UK and for Germany, the US head search is in progress. For export development and export market, these export managers' report to one export General Manager and they in turn report to me.

Manjeet Buaria: Does the business development team work especially in abroad near the customer geographies or do they work out of India?

Chirag Parekh: They work out of India and they also work in UK and Germany.

Manjeet Buaria: Is there a permanent set of teams, which is sitting in Europe for the business?

Chirag Parekh: Yes.

Manjeet Buaria: Okay Sir I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Thank you for the opportunity. This is my first call with the company so I just wanted to understand a couple of things. How does one see this company growing in the next three to five years? Would kitchen sink continue to be main product? Secondly, you are supplying to companies like IKEA and other players so is this under your own brand or this is just a white label kind of a supply? What is the company's game plan ultimately in the long term, would you like to establish a brand or would you prefer to be a supplier?

Chirag Parekh: We have a clear strategy. The main competency of the company is manufacturing quartz sinks followed by stainless steel sinks. We would be focusing on our own category of manufacturing and expanding the markets. At this point of time, the quartz sinks take a front seat because the momentum of the quartz sink across the world is increasing tremendously. We have been seeing the growth levels reaching to ~ 15% to 20% levels coming in at this point of time. So we hope that we continue to grow. At this time the company is putting in all its efforts to do this, so if we are able to continue to grow like this I think our plan to reach a midterm goal can be achieved. As far as the branding strategy is concerned we have a very clear strategy, we cannot fight with larger brands across the world which are much larger brands So as far as the exports are concerned approximately 80% we are doing white labelling including IKEA. We will be doing the white labelling for IKEA. Around 20% we are slowly and gradually building our Carysil brand in the export



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market in countries like Singapore, Australia, New Zealand, South Africa and Vietnam. So we will be gradually building our parallel brand too. For example, so when the opportunities come for us to do strategic partnerships across the world by building a brand or by co-branding the company we will surely do that. As far as the large home store retailers are concerned across the world, they all sell through their dealers so that will completely be under the white label.

Tushar Sarda: Okay thank you. That helps a lot. I will come back in the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Nikhil Upadhyay from Securities Investment. Please go ahead.

Nikhil Upadhyay: Good afternoon. Sir two things one is like you mentioned that the demand for the quartz sink has been growing very strongly and even in your opening commentary you said that the demand, which you are seeing from Europe and USA has been increasing. So I just want to understand now there are two things because on the export side, developing in the markets and everything we have been doing it for the last three to four years so one is the effort, which the company has been putting in and secondly what we have also seen is like there is a tailwind that with more people doing work from home there is a more demand for decorating their homes and seeing the homes better. So have we reached an inflexion point in terms, that now the customer globally are recognizing us as a result there are more tie ups or more openings, which are happening for us. As you said like in US we have a tie up, UK we have a tie up, so are those tie-ups increasing for us because of increasing visibility or is it because the demand is so strong and they are looking for a credible supplier and we become one of those? So what are the key factors, which are supporting us in getting in this strong demand? The whole idea is that how do you see the sustainability of it over the next three to five years?

Chirag Parekh: The demand can only increase when the visibility gets into place. Now the market share of granite sinks globally is less than 10%. Before 10 years it was less than 3%, which is better now. The company expects by next year we should cross double digit and have more market share of stainless steel sinks. The more visibility has come as people in the world have started looking for natural products, stone based products, quartz based products that has been a phenomena, which is growing on this way. At the same time, all the consumer preferences over a time has changed. It has been enough to use the stainless steel sinks and now it is something that people want to move towards the new products. For years and decades and centuries, stainless steel have been dominating, now the people prefer more natural products, stone based products, quartz based products and from there comes more



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visibility., From this thought, there has been more visibility which has come by large retailers across the world and India by our branding by our groups. It has expanded our presence giving more visibility to people who can touch and feel the product and this is generating good demand. As we all know that the natural marble stone and quartz surface across the world has been highest selling. We do not sell stainless steel worktops because there is availability of stainless steel worktops, but people prefer more natural product. I strongly believe that we are at the tip of the iceberg, still we have a lot to achieve. Granite sinks are just 10% or even lesser than the total sink market share so there is still lot to grow under this category.

Nikhil Upadhyay:

Secondly just in continuation on this and you said like there are only four players who have the license to produce quartz sinks using the schock technology and you also said like in IKEA it was already a product, which was being sold and we just got a share from the existing supplier. Now if we have to add up all the tie up, which we are having or all the opportunities of the customers you know as of now, what would be the total size of the quartz sink market as of today? Would it be completely supplied by the rest of the three larger players?

Chirag Parekh:

Are you talking only related to IKEA or overall?

Nikhil Upadhyay:

No I am asking overall globally because you said there are only four players who have the schock license technology to produce and now we are just entering into the market and taking market share so would it be right in understanding that most of it is being supplied by the three other players?

Chirag Parekh:

Whatever with half million sink capacity Acrysil is producing, but we feel we are only 10% of all the total quartz business what we are doing. So there is ample room for the our company to grow. Second thing is we are more cost efficient supplier for sure and as I said cost efficient also with a better quality. People like IKEA and other players like Grohe, Menards ,B&Q, & Homebase across the world are able to recognize Acrysil as one of the key suppliers because there is a big benefit to them as far as the costs are concerned. We would be looking at grabbing more of market share from our competitors and at the same time the market is going to. So we have both advantages at this time, market is growing and we have an opportunity where people are shifting to Acrysil as a more preferred supplier.

Nikhil Upadhyay:

Lastly one small thing, when we are supplying or we are getting the order or getting the tie-up, is the design and everything being defined by us? Is it like we are designing the products because then the IT and design creation everything belongs to us? Is it like while



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supplying to IKEA you said it was an existing product, which is we are just manufacturing and supplying?

Chirag Parekh:

Yes.

Nikhil Upadhyay:

How much time does it take for us to evolve from customer providing us design to we providing the design and everything? So how much time does it take and as of now what kind of tie-up we have here?

Chirag Parekh:

I think it is a very good business related question , So there is a combination of both. Sometimes we get the drawings directly from the customers and we make it exactly based on the design. Sometimes we get a demand from the customer to design those three to four moulds with some different kind of features and to answer that question it is a very important question for the growth of the company. We have a full-fledged design team to do this. Our intend to do this, so we can approximately design any new product what a customer wants within 30 days and which is also not that all the companies can do this because of the larger labor cost. But our company has a full-fledged design engineering team to do it, so we are quite fast in approach and that is the speed Acrysil in driving on development in a very short period of time. So the speed of our company helps to achieve the customer goods and we do it in a very short period of time.

Nikhil Upadhyay:

What is the mix of customer provided products and we developing our design in our current pie which we are selling?

Chirag Parekh:

Roughly I would say it will be kind of 50:50 ratio, I do not have figures at hand.

Nikhil Upadhyay:

Okay fine. Thanks a lot Sir.

Moderator:

Thank you. The next question is from the line of Mithun Aswath from Kivah Advisor. Please go ahead.

Mithun Aswath:

My question is regarding what is the size of the US opportunity because you know we have been doing quite well in Europe with our UK subsidiary. I just wanted to understand how large is the quartz market because US being the largest property market so just wanted to get a sense there and obviously we have expanded capacity, but will we need to expand capacity at a much faster pace if we were to get say similar opportunity like IKEA? You have so many other players in the US where you could supply similar amounts for even much bigger numbers, so just wanted to get a sense on that?



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Chirag Parekh: You are asking just for US market, right?

Mithun Aswath: That is right.

Chirag Parekh: You are absolutely right. UK and Europe are matured as far as the quartz sinks are concerned. The more amount of quartz sinks sold in Germany and UK than the stainless steel sink, which is a very good sign. US, we all know it is the largest consumer base in the world. India, US and China obviously, but in US actually the market for the quartz sinks or the granite is growing substantially because US predominantly they like the stone products, quartz sink and we all know that it has been doing very well in America. What we know is that US is growing as far as the quartz sinks are concerned at the rate of 15% to 20% year-on-year onward. I think if I am not wrong the quartz sinks market just in the US is in millions and hence we are seeing a lot of opportunities in the US to go. As far as the expansion I think you are right. The company is looking at quarter-on-quarter on how do we reduce the lead time. So as we are looking further, as we do have enough land. So what we will be doing next after the 1,00,000 sinks., Next thing is that we are parallelly building the infrastructure of the building and basic machinery to go for higher lead time. Then if we want to do expansion by another 1,00,000 sinks and it would take less than three to four months time to build a plant. So this is what company is doing for future.

Mithun Aswath: Right. My second question is slightly unrelated since you have spoken so much about sinks. Well about the tiles opportunity I remember a few quarters back you had mentioned that even this is something, which is quite interesting and a growing opportunity. I just wanted to understand how much of time are you spending on this or your focus is completely on the sinks opportunity? Because we are seeing a lot of pickup even on the tiles especially in Indian market, So just wanted to understand with these tie ups with IKEA can those opportunities also come about and do you have any plans on that?

Chirag Parekh: I do not think so I am spending as far as my time is concerned at this point of time, which is about 1% or 2%. The whole idea is to bring on the tiles is the 3D composite tiles which adds to the range of Sternhagen bath suite collection is to cluster the full range matching to the bath suite, that was the whole idea. Sternhagen as many people have said that segment is not good, but it is a very promising segment. It may take time because we have positioned ourselves as a luxury product. Average Sternhagen product will be about Rs.50,000. Now the company is adding a complete new line of Sternhagen products, which is more of affordable prices below Rs. 20,000. We expect a big rise in sale with this, along with the bathroom suite, we will see the concrete tiles matching to the collection. So it is not like



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company is doing any large emphasis on this, as and when this Sternhagen suite sales moves, the tiles could go along with it.

Mithun Aswath: Thank you Sir.

Moderator: Thank you. Due to time constraint, we will take our last question, which is from the line of Aditya Jadhav from SIDBI VC. Please go ahead.

Aditya Jadhav: Congratulations for the great set of numbers. I am a personal investor in Acrysil for the last couple of years and I have used your product Sir. But a couple of questions regarding IKEA private label has been already answered. I have just a few set of questions can you help us let us know the NSE listing? Was it a conscious decision?

Moderator: Sir he has left the queue. Would you like to continue with the answer?

Anand Sharma: He is asking the question of NSE listing. Company is eligible for NSE listing and there is a lot of benefit for the investor where they can trade on the largest exchange. Our shares and securities also will get visibility as there is a higher liquidity and it is adding value to the company also. So considering all the factors and since the company eligible for NSE listing, we are going ahead with this listing process.

Moderator: Thank you Sir. I would now like to hand the conference over to Mr. Chirag Parekh for closing comments.

Chirag Parekh: I take this opportunity to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with our CFO or Strategic Growth Advisors, our Investor Relation Advisors. Wish you all a very Happy Diwali and a Prosperous New Year and be safe. Thank you once again.

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