



“Acrysil Limited
Q2 and H1 FY2020 Earnings Conference Call

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the Acrysil Limited Q2 and H1 FY2020 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involved risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now like to hand over the conference to Mr. Chirag Parekh, Promoter and Managing Director from Acrysil Limited. Thank you and over to you Sir!

Chirag Parekh: Very good afternoon. Ladies and gentlemen, a very warm welcome to the H1 FY2020 earnings call of Acrysil Limited. Along with me on this call, I have Mr. Anand Sharma, CFO and SGA, our Investor Relation Advisor.

The results and investor presentation are uploaded on the stock exchange and on the company website. I hope everybody has had a chance to look at it.

Before going to the financial performance, let me start with the business updates. We continued to make a very good progress even in this challenging environment in the first half of the FY2020 with strong growth in revenue by 12%, EBITDA by 16% and PAT 13% on Y-on-Y basis.

This robust performance was on the back of ongoing consumer demand not only in international market, but also in the domestic market. Export business grew by 13% and domestic sales grew by 10%. The increased contributions from the domestic market is on the back of increase penetration of our Carysil brand.

We expect to increase our revenue from domestic market as a demand for lifestyle products are increasing. Recently, we expanded our Quartz Sinks capacity by 1,00,000 units. Also, we are expanding our Quadro Steel Sinks capacity by 25,000 units, which will double the existing capacity. This expansion is expected to commercialized in the first quarter of the next financial year.

With this new capacity expansion and improvement of efficiencies of existing capacities, we are close to achieve our short-term goal of Rs.300 Crores. Our products are of global standards and well known for quality, durability and aesthetics. By introducing new trends, design, colour on a regular basis, Acrysil has become one of more prominent players in kitchen segment. Our strong brand Carysil, Tek Carysil and Sternhagen had been able to garner influencers as well as consumers. By combining our innovative expertise with consumer’s preference, we are looking

forward to enriching the lives of many homes by giving them a luxurious sense of living with our premium kitchen sinks and appliances of global standards.

Our sanitaryware products like washbasin, composite 3D tiles to a name of few under Sternhagen brand are customer delight. From kitchen sinks to appliances and bathroom, Acrysil is well on its way of redefining kitchen and bathroom experience. For over three decades now, Acrysil has been able to transform ideas to products, easily able to step in other becoming most dominant companies in the kitchen industry. By focusing on innovations and striving to make superior products, Acrysil has become even bigger in terms of stature and influence.

A few quick points I would like to highlight. On modernization, here we feel visualizing the future is utmost important. Acrysil's modern products has provided impetus through its market presence and capture every requirement of the end-user. We have introduced motion sensor chimneys fitted with visual screen to make cooking experience enjoyable. All of products are loaded with features which paves the path for our upcoming endeavors. Our 3D composite style is unique and new to the Asian market. It is a matter of pride as we are the only second company in the world to offer them.

Coming to our New developments. Brand Sternhagen is anonymous with the most exquisite and premium experiences one can have a brand-new SS series been launch with economical and aim to get a mass consumer market and future requirement. Additionally, showers with new ceramic range, range of products we have introduced. We recently launched the new Rose Gold collection of premium sanitaryware and bath fittings at our showroom at Atria Mall, Worli Mumbai with a prominent celebrity Sussanne Khan., in Carysil brand, we have launched chimney, model name Miracle a motion sensor, oil collector with auto clean capabilities etc.

The thought behind innovation is to increase the value of our products in a way it is never considered before. Our cutting-edge technology and designs are meant to impress while being durable. With all the above effort, Acrysil is making foray into new markets like Latin America as our product have well accepted and recognized in US, European, Asian markets. We will keep exploring new markets where we are yet to gain a foothold as we believe the kitchen and bathroom industry is to set to grow manifold.

To conclude, we have become an Indian multinational company after years of hard-work carrying quality as our character. We will adhere to the product offerings in terms of performance and design. We will focus on effective marketing, catch mindsets of more architect, interior designers and consumer, etc., and enhance better value chain.

We look forward to nurture and amplify our progress with aim to become one of the trusted brands. Now, I would hand over the line to Mr. Anand Sharma our CFO to update you on the financial performance of the company.

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

Q2 FY2020 performance, the consolidated revenue stood at Rs.71 Crores for Q2 FY2020 as against Rs.64 Crores in Q2 FY2019 recording growth of 11%. This was led by strong volume growth in both domestic and export markets. EBITDA of the company stood at Rs.12.2 Crores in Q2 FY2020 as against Rs.10.7 Crores of Q2 FY2019 recording growth of 14%. EBITDA margin grown by 60 basis point due to improvement in economies of scale.

Profit after tax and minority interest stood at Rs.5.6 Crores in Q2 FY2019 as against Rs.5.7 Crores of Q2 FY2019, a marginal lower due to increase in depreciation on capex, the benefit of which is expected to realize from FY2021. We have made provision for tax based on existing rates and not adopted the revised rates mainly due to ongoing capex and additional depreciation benefit available there on. We will make the necessary comprehensive review of benefit of new tax rate vis-à-vis to existing tax rate at the end of financial year and will decide accordingly. Cash profit after tax for Q2 FY2020 stood at Rs.8.7 Crores as against Rs.7.8 Crores of Q2 FY2019 a growth of 11.5%.

H1 FY2020 performance, the consolidated revenue stood at Rs.139 Crores for H1 FY2020 as against Rs.124 Crores of H1 FY2019 recording a growth of 12% year-on-year. We have achieved EBITDA of Rs.24 Crores in H1 FY2020 as against Rs.21 Crores of H1 FY2019, a growth of 14%.

The EBITDA margin increased to 17.6% from 16.9% improvement of 68 basis points. Profit after tax and minority interest for H1 FY2020 stood at Rs.11.4 Crores as against Rs.10 Crores for H1 FY2019 recording a growth of 14%. Cash profit after tax stood at Rs.17 Crores as against Rs.14 Crores a growth of 21%. Our net debt equity stood at 0.57x. On annualized basis our return of capital employee stood at 17% whereas return on equity stood at 15.6%.

Now, we will open the call for questions.

Moderator: Thank you, Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Dixit Doshi from White Stone. Please go ahead.

Dixit Doshi: Thanks for the opportunity. My first question is regarding the Quartz market abroad. So, if you can just highlight a bit about the culture in the global market as far as Quartz and stainless steel is concerned? and how the market is shifting towards the Quartz product globally? if you can share some data points like how much percentage of market share is there between Quartz Sink and stainless steel?

Chirag Parekh: I will be happy to answer that. So globally, one thing is quite clear and which we can see that the trend is definitely moving towards the Quartz Sinks. The last results of our competitors shows

that they have out beaten the stainless-steel sinks by Quartz Sinks for the first time. We also have seen the trends more towards the Quartz Sinks selling in countries like Germany, UK, France and I think gradually the same trend is now shifting to America and most of the Asian countries. So, that is a very good and a positive sign for us. While the market may not be growing in terms of overall growth, but the Quartz Sinks are taking share of the stainless-steel sinks. Second thing is globally ratio of the market share of the Quartz Sinks to the Stainless-Steel Sinks, we do not have exact numbers on those trade or anything now. We can probably give you rough idea and it is about 8% approximately as the Quartz Sink market share in the world. The total Quartz Sinks being manufactured tentatively based on whatever the best data are available to us especially on the Schock technology sinks and the other higher technology Quartz Sinks seems to be around 4 million to 5 million sinks. In this category of the Quartz, we have seen this growing at pace of about 15% a year.

- Dixit Doshi:** I have just one thing, you mentioned 8% is Quartz Sink and rest would be Stainless Steel?
- Chirag Parekh:** Yes, so it would be a mix of ceramics and other materials, but we expect Stainless Steel to be around 90%, about 3-4% others and Quartz Sinks to be around 7% to 8% market share.
- Dixit Doshi:** This you mentioned about the global market, right?
- Chirag Parekh:** Yes.
- Dixit Doshi:** Second question is if I look at your slide number four, where you have given the domestic and export revenue of HI, we did around 98 Crores exports and 40 Crores domestic. So you consider Homestyle, UK in this exports, in this 98 Crores?
- Chirag Parekh:** It is on consolidated. Yes, the Homestyle, UK is considered.
- Dixit Doshi:** So, this 40 Crores is purely India sales?
- Chirag Parekh:** Yes.
- Dixit Doshi:** Can you just give us a breakup between of the 40 Crores in terms of Quartz, SS and our appliances and Sternhagen?
- Chirag Parekh :** We will move to the next question till we just get the details.
- Dixit Doshi:** Just last one question, so if I see your inventory and receivables, this is almost equivalent to a quarter. So, if you can just elaborate a bit about our production cycle that would be helpful. Is it such large or is there way where we can reduce the inventory days?
- Chirag Parekh:** I think we have improved our working capital cycle to a large extent. We have been able to reduce the debtors and were able to reduce the overall working capital compared to the previous

quarters. As we are getting stronger in the market, our endeavor is to reduce this working capital cycle and this is the top priority of the company. Unfortunately, with the current market situation, both globally and India we are in a situation where we would not be able to command and reduce the working capital cycle at this point of time. I think we are in a situation where lot of uncertainties is there at the same time there is a lot of not good sentiments in the market. So, we can command on it, but I am sure when we achieve a larger scale and enhancing our brand, we should be able to bring it down further.

- Dixit Doshi:** Thank you. That is, it from my side.
- Anand Sharma:** Coming to your breakup of domestic, our Quartz sale is Rs.19.78 Crores, SS Sink is Rs.8.54 Crores and appliances is Rs.9.2 Crores and miscellaneous is Rs.2.48 Crores.
- Moderator:** Thank you. The next question is from the line of Jatin K from Alpha Capital. Please go ahead.
- Jatin K:** Thanks for taking my question. Sir, my first question would be what would be the price differential between Quartz Sink and a Stainless-Steel Sink?
- Chirag Parekh:** Predominantly in the Stainless-Steel Sinks there are lots of categories inside it. But in general, I would say it is about 25%.
- Jatin K:** Stainless Steel would be 25% cheaper?
- Chirag Parekh:** Yes.
- Jatin K:** So, the people would move to Quartz because of aesthetic appeal, only right?
- Chirag Parekh :** Not just aesthetic appeal, it has also become a statement now to use Quartz and has high durability, people do not appreciate this ting, ting sound which gives irritating sound when you are in or around your kitchen. People realize it. Second thing is they also realize that it is much more durable than the Stainless Steel and much more hygienic. I think the third point is that it is more of lifestyle sink to have Quartz Sinks in the kitchen.
- Jatin K:** Sir, in terms of current quarter our growth of 11% is quite low compared to our recent last few quarters with domestic market also degrowing. So, any comment on this and what would be the guidance for the second half?
- Chirag Parekh:** We do not see the demand has dropped. Due to prolonged monsoon, there has been large level of disruption in the dispatches, construction activities and building activities. We would now see the market opening up and we will be seeing better growth for the sinks.
- Jatin K:** Sir, margin also dipped this quarter compared to the last, so that would be based on what Sir?

Chirag Parekh: This margin has been dipped mainly which we explained it is on a onetime expense only which we had to book in Q2. It is explained in our footnote also.

Jatin K: I am talking about EBITDA margins. So that would be some one time?

Anand Sharma: Yes, that has an impact on our EBITDA because that is the part of our other expenditures.

Jatin K: For coming second half, what would be the margin we would be expecting?

Anand Sharma : So, we think that we should go by the first quarter EBITDA, we should be on that range.

Jatin K: That is, it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Ganesh Radhakrishnan from Crystine Portfolio. Please go ahead.

Ganesh Radhakrishnan: Thanks for the opportunity. Just wanted to understand your go to market strategy, do you have any kind of tie ups with the big builders like Godrej or Lodha because all your bathroom fittings and the Sinks, they can go along with the new construction rather than looking for replacement market. So, just wanted to know what is your approach towards that?

Chirag Parekh: Our approximate 20% sales go to projects and our company is very careful in selecting the projects. While the demand can be very high from these groups and I am not trying to name any of the groups, we know most of the builders are quite cash struck. So we would not be able to jeopardize the company's business by just to drive the topline and to have a debt line. We are carefully choosing the builders. We are into most of this all largely boutique builders, we are working with all the good builders where we do not see any receivable issue.

Ganesh Radhakrishnan: As you see the penetration level of Quartz Sink at 8% vis-à-vis to Steel Sink and I think lot of marketing effort is withheld to do this percentage, so because we are the lone player in India for this Quartz Sinks, how do you think that we can improve the visibility of these products?

Chirag Parekh: We do recognize the fact that the percentage of the Quartz Sinks business is less, but you have to understand that it is a premium product and it is not a mass product. That is number one. Number two is company in the last more than 10 years have been consistently improving their market share in the Indian market as well as in the global market. The trend is on the upward. No magic will happen to have market share rise or a rapid increase. But the good thing is, we are constantly growing, and we are finding & looking at new strategies to gain larger market share. On market branding yes, we agree that our company is not that visible, but we are visible with the architects and with the dealers or from the point of sales where the customers go and buy the products. So, we are very careful in marketing portion, we can get carried away and you can really erode the bottomline of the company.

Ganesh Radhakrishnan: My last question is regarding this home appliances, again that is we already have some biggies in that so what is the strategy in that?

Chirag Parekh: It is with our current distribution channels, Home appliances, which we call as built-in appliances, they are not like what we see at home. They are built-in appliances, which fits inside, so we use the same channels to penetrate. Yes, we are not satisfied with the growth in the appliances, but it is on a steady growth path. There is a perception issue on customers. Because when you term yourself as kitchen sink company for the past decades and then suddenly you come into appliances, there is a perception issue, which will truly change and the company is making all its efforts to change it and will also be recognized as a leader in built in appliances company.

Ganesh Radhakrishnan: Thank you.

Moderator: Thank you very much. The next question is from the line of Piyush Khorasia from JM Financial. Please go ahead.

Piyush Khorasia: Sir I had one question on the domestic sales side that we are seeing the dips and then we heard the comments that it is because of the prolonged monsoon that builders are not approaching for the same, but I am just curious to know that is it all about the Quartz Sinks or the Stainless Steel side of it, so are we approaching the Quartz Sink?

Chirag Parekh: No. There has been a delay in the whole category. It is not just Quartz Sinks, it is across all categories.

Piyush Khorasia: So, it was across. Another question was that Sir we have seen the dealer's network has gone up domestically. So just wanted to know are we planning anything to incentivize that push for emphasizing our product brochure or something like that? So that we get the domestic sales going up?

Chirag Parekh: We have changed a little bit of our strategy because just by dealer expansion the growth rate what we expected has not happened. So we are now looking for enhancing the brand. From FY2020-21, we are going to start with the franchises model. So we are going to open large franchisees galleries for brand building and there will be special incentive offered to them based on the sales what they do.

Piyush Khorasia: Sir another question was that regarding the capacity utilization of the Quartz Sinks what would be the capacity utilization as of now?

Chirag Parekh: We are almost 90%.

Piyush Khorasia: But then Sir we are 90% right now, but we see inventory buildups can you explain on that?

- Anand Sharma:** This capacity because of the change in the model and the moulds it cannot be 100% utilized. There is a lay over time, so effective utilization can be 90% or 95% max. Whatever new customer we have added is all customized sinks, so we have to add more capacity to increase our sales and inventories are built up model wise.
- Piyush Khorasia:** It is not that one mould does the entire thing?
- Anand Sharma:** No, It is all customized. Most of 90% of the case are be customized.
- Piyush Khorasia:** Sir last one about the other expenses, I see it is going up year-on-year just wanted to know that what is the attributing.
- Anand Sharma:** It is including all your manufacturing, selling, distribution, overheads and miscellaneous expenses. This quarter there is a onetime expense, which we have already put in the footnote. Otherwise, all the operating level expenses are under our control.
- Piyush Khorasia:** Thank you and best of luck.
- Moderator:** Thank you very much. The next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.
- Viraj Mithani:** Good evening Sir. I just have one question. The stock in trade is considered as increased by almost Rs.6 Crores to Rs.7 Crores why is that? Is this because of some orders, which we are going to do in this quarter or in the next coming quarter or something or it is old inventory lined up?
- Anand Sharma:** We have stated earlier that there is an issue with the rain situation and the flooding in different parts of India. We have built stock for the Diwali sales, but due to this logistic issue and most of the part is submerged in water, we could not able to dispatch. This is only a seasonal issue and there is no issue on demand side and the stock is as per requirements. So this will be going to liquidated in this quarter.
- Viraj Mithani:** That will be cleared in the coming quarter, right?
- Chirag Parekh:** This quarter, Q3 should be liquidated.
- Viraj Mithani:** Thank you Sir. That is, it from my side. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Dipak Agrawal from Impetus Advisor. Please go ahead.
- Dipak Agrawal:** I would just like to know about your composite tiles, what is the status there and what is your outlook?

- Chirag Parekh:** Sorry I am not able to get your question. Repeat again.
- Dipak Agrawal:** Your composite tiles business if you can tell me what is the status there as in what is the current sales and what is the outlook there?
- Chirag Parekh:** We had said the last time in my meeting that when we started the production of the 3D tiles, there was some quality issues, which we had sorted in last three months . We have now started again displaying these tiles through the showrooms across India through our channels. The response is encouraging and in the forthcoming quarters, you will see the demand going up on that.
- Dipak Agrawal:** Thank you. That is, it.
- Moderator:** Thank you very much. The next question is from the line of Shekhar Mundra an Individual Investor. Please go ahead.
- Shekhar Mundra:** Can I get a split of your sales this quarter between the Quartz, Stainless Steel and the Sternhagen and Homestyle, UK?
- Anand Sharma:** This quarter, our Quartz is Rs.46 Crores, Steel Sink is Rs.6 Crores, appliances Rs.4.21 Crores and others is Rs.1.15 Crores, total Rs.57 Crores , India revenue.
- Shekhar Mundra:** Sir this appliance include the Sternhagen brand is that right?
- Anand Sharma:** Appliance is separate. Sternhagen included in others Rs.1.15 Crores.
- Shekhar Mundra:** That is Sternhagen? Sir then appliances can you explain to me the appliances business what are the typical margins as of now and how do you see it going forward and like what are the products over her?
- Chirag Parekh:** The typical margins, the gross margins around 40% to 45% and the range of the built-in appliances are mostly the kitchen hood, the cooktops, the oven, microwave, dishwashers, built in refrigerator and wine chillers.
- Shekhar Mundra:** We are basically trading this is that correct most of the players?
- Chirag Parekh:** 95% trading. We have started manufacturing the hoods in our company now, but we have the thought to gain up comparative edge in 2020, the company should start manufacturing the kitchen hoods chimneys.
- Shekhar Mundra:** Sir these are mostly sold in India. It is part of the domestic business is that correct?
- Chirag Parekh:** Yes.

- Shekhar Mundra:** For the Homestyle UK, so I think it was Rs.26 Crores acquisition, so how much is it contributing to the bottomline. Can you share some details?
- Chirag Parekh:** Homestyle UK we can tell you the H1 bottomline in rupees, for the H1 profit before tax was Rs.5.66 Crores and profit after tax is Rs.4.65 Crores. So that approximately contributes 40% to 45% of the profit.
- Shekhar Mundra:** Basically, it is a distribution company and distributing the kitchen products is that right?
- Chirag Parekh:** Yes.
- Shekhar Mundra:** How do you see this business going forward? What do you expect the growth rates on the Homestyle UK business?
- Chirag Parekh:** The sales have increased by 47%. EBITDA has improved by 32.8% and PAT by 27% and we expect that once this Brexit issue is solved, we even expect the larger demand and profit and we expect the pound to go stronger.
- Shekhar Mundra:** Thank you. That is, it from my side.
- Moderator:** Thank you very much. The next question is from the line of Pravin Sharma an Individual Investor. Please go ahead.
- Pravin Sharma:** Sir can you explain more on this onetime expense of Rs.78 lakh? Is it written off expense and what kind of inorganic opportunities we are looking at? and is it an expansion and what kind of companies you are looking at?
- Anand Sharma:** This expense is for some synergies in our business for inorganic growth opportunities. We as a company target to grow on both way organic growth as well as some inorganic growth, which we can get. So in the line of what we made acquisition of Homestyle, which is very profitable you can see from the numbers, we are exploring other opportunities like that. So this is onetime expense, which we incurred on our due diligence and travel cost.
- Pravin Sharma:** Would it continue because if it is ongoing process wherein we are looking at the opportunities so should we not expect this expense to continue?
- Chirag Parekh:** No. This is what we have targeted, identify and have taken the next step. So, for the time being, it is closed. When new opportunity comes we will explore. This is one-time expenses for the quarter.
- Pravin Sharma:** We do not expect it to reoccur in the near future?
- Chirag Parekh:** No.

- Pravin Sharma:** Sir how is the traction with the business with Grohe? We estimated certain quantum of business over a period of three years with them so do we see any traction going there and do we see the business expanding further from what we thought initially?
- Chirag Parekh:** One good news is that Grohe has already achieved its target for the first year what the estimation given to us in seven months time. So I think this should answer your question.
- Pravin Sharma:** Because that can have a very large force or multiplier effect the way they are branded globally.
- Chirag Parekh:** Correct. I was in Germany last month where we had exhibited. Germany has been one of our fast growth drivers in the export market. Currently with UK and US, but Germany especially whatever the company efforts have made to set up Acrysil GMBH , seven, eight years back is reaping fruits. Germany, we may expect one of the biggest growths in the next two to three years. Grohe is a large fish in the ocean, so that can spin the sales to another level. It could be game changer for us.
- Pravin Sharma:** Correct. Sir we are very near to our near-term target of Rs.300 Crores annual sales and when we say Rs.500 Crores as medium term what does it translate into timeframe? What kind of time frame we are looking at on an aspirational basis?
- Chirag Parekh:** Three to four years' time.
- Pravin Sharma:** Thank you Sir. That is, it from my side.
- Moderator:** Thank you very much. The next question is from the line of Piyush Khorasia from JM Financial. Please go ahead.
- Piyush Khorasia:** Thank you. How are we approaching the US market? On the UK acquisition, we tapped UK chairman from European market. Are we seeing any opportunities in the USA and are we trying to enter it aggressively or how are we going to do that?
- Chirag Parekh:** US business for us is one of the key businesses, which we started about seven to eight years back. Approximately 15% of our sales are through the American market now. In the future, we see just by Germany, UK and US will be our key growth drivers in terms of what business because the Quartz Sink are in high demand right now. So, we have as far as the strategy is concerned, the company has partnered with one or two new partners over there to have a large penetration there in the US market. We are also now looking at bringing about a whole range of new product line for the US market to satisfy the US demand. Second, we are looking to launch a portal on online sales in America with a different product category. Online is getting very popular not just in US, but across, so online is going to be a big focus for us in 2020 for the company. The company has called for a global sales meet regarding related to online sales, which we identified online as one of the key growth drivers in the future. The emphasis is there on the US and if we are able to

penetrate the US properly, USA would be a game changer for the company. Just to add to this as you know that, we have a new COO, Mr. Rakesh Pardeshi who is an American citizen, who has joined the company. He has about 15 years of expertise in the IT services, online sales and all. So, he would be supporting the company's vision for digital online and he would be one of the greatest anchors for our company to drive this digital online growth.

Piyush Khorasia: Another question is on the subsidiary performance Sir. So how are we looking Homestyle growing because it has shown up commendable numbers in the past quarters? Are we approaching the entire Europe market or we like kind of?

Chirag Parekh: Just the UK market. Homestyle also I forgot a point. We have Homestyle with one of the leading digital technology company in the world as we would be soon signing an agreement that is for one of the most sophisticated water taps in the world. So this water taps is a four floor tap, which gives you not just hot and cold water, but also drinking water, which has the O2 osmosis built in and also fourth thing you can have boiling water for your tea or coffee from the same tap.

Piyush Khorasia: Thank you very much.

Moderator: Thank you very much. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir we are more in sink business. Our Sternhagen brand is a big one, but we are not able to exploit the same in an aggressive way so what is your plan because I am a shareholder since the last five years, but I am not getting the results on the ground level?

Chirag Parekh: I think if you see our company's growth, we have been consistently growing at a good growth rate. As far as the returns are concerned I think I cannot comment if it related to which you are looking at the share prices and all, the company has been increasing its dividend on year-on-year basis. We have a certain policy of sharing the dividend with the shareholder. I think we have been consistently growing and consistently rewarding the shareholder.

Ravi Naredi: That is okay, but Sternhagen as a brand we have always highlighted this, but total turnover in Sternhagen the topline is very minimal?

Chirag Parekh: The Sternhagen is as I said in my last shareholder's speech that we have changed the host on Sternhagen. The whole six months Sternhagen was without sales because there is a change in strategy. The way we were doing the Sternhagen strategy in terms of distribution and sales, it was not good and whole sales team was also bad. We got a new sales team on board and from Q4 2020 you will see how fast the results will start coming in.

- Ravi Naredi:** Whatever our catalogue we have seen in the annual report that this is the bathroom company like this. But when we see the result, it looks only sink business. So it requires major overhauling of the system of the marketing and everything?
- Chirag Parekh:** I think the company absolutely understands the point. I myself said in the shareholder meeting that I am unhappy. Obviously, the topline is not even to talk about it. The bathroom overall India is so huge and that is why we have entered this segment. The company has taken the necessary action what it needs to build a good team and a new strategy to do this, so you would be seeing the changes from Q4 FY2020.
- Ravi Naredi:** All the best.
- Moderator:** Thank you very much. The next question is from the line of Gulshan Patni from Individual Investor. Please go ahead.
- Gulshan Patni:** I have two questions. One is, I just want to know what is your outlook for second half for domestic sales?
- Chirag Parekh:** We expect a good outlook for the H2. We believe that Q2 was majorly disturbed. The retail market in India of course has slowed down, but with that we were able to bridge it by penetrating Tier 2 and Tier 3 cities where the demand is larger. On the economic situation in India, the outlook as what we see is not that great right now. I think the government is taking all the necessary steps to improve the economy of the country. So I think by the government initiatives and plus we had a good monsoon too, so we should be able to reap the fruits in H2.
- Gulshan Patni:** Sir what will be your capex for the second half?
- Chirag Parekh:** The second half would be I think another approximately Rs.5 Crores.
- Gulshan Patni:** Rs.5 Crores and I just wanted to know is it possible you can fund your capex through your own cash flows rather than keep on increasing your debt and interest cost. So that is my question?
- Anand Sharma:** What we are doing, we are doing a mix of debt and equity. Basically, we are taking 50% to 60% debt and rest 40% to 50% is going in the form of equity.
- Gulshan Patni:** Constantly, the debt is growing and that is the concern?
- Anand Sharma:** Only to the extent of what new capex we have taken debts and the capex is going on. There is also debt repayment going. So overall, we have not increased the debt. Our debt equity of 0.5 level, should be good enough to indicate the kind of debt level we are having in the company.
- Gulshan Patni:** My question is it possible to fund the capex through our own cash flows rather than keep on increasing?

- Anand Sharma:** Once we reach to the desired volume numbers, the level which we are growing I think may be a year or two will be in that zone.
- Gulshan Patni:** FY2021 and FY2022?
- Anand Sharma:** Yes, with the kind of growth we foresee, we should be able to have a sustainable model for capex from our own accruals.
- Gulshan Patni:** Thank you.
- Moderator:** Thank you very much. As there are no further questions, I now hand the conference over to Mr. Chirag Parekh for closing remarks. Over to you Sir!
- Chirag Parekh:** We are happy with our performance led by greater emphasis of the team towards enhancing operational efficiencies. We are continuously focusing on growth driver and expect improvement in macroeconomic factors to entail and enhance momentum in the sector. We are committed to create value for our stakeholders. We are thankful to all the investors and participants for joining on this concall. Goodbye and have a nice a day.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen, on behalf of Acrysil Limited that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.