

## Acrysil Limited

### Q1 FY20 Quarterly Update

MARKET DATA	
BSE TICKER	524091
Net worth FY19 (Rs in Crs)	132.8
P/BV Ratio (FY19) (x)	1.7
EPS (TTM) (Rs.)	7.1
Market Price (Rs.)	93
P/E Ratio (TTM) (x)	12.5
52 Week High (Rs)	137
52 Week Low (Rs)	84
Market Capitalisation (Rs. Cr)	230

AVERAGE MONTHLY VOLUME	
BSE	7000
NSE	NA

SHARE HOLDING PATTERN	
Promoter	42.4
FII	8.7
DII	0
Public	48.9

RETURN (%)	3M	6M	12M
Acrysil Limited	-15.9	-22.2	-23.5
Sensex	-5.0	1.5	-1.3

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#### Financial performance:

Acrysil India (ACIN) reported strong sets of number for Q1FY20. Company's revenue grew by 13% YoY to Rs. 68.1 cr compared to Rs. 60.2 cr in the corresponding period. The growth was largely aided by quartz sink segment where company expanded its capacity by 20%. Gross margin improved by 20 bps YoY due to softening of crude and steel prices, while prices of Acrysil mineral were more or less flat. Company's EBITDA Margin improved by 290 bps YoY (410 bps QoQ) mainly due to forex loss in the base quarter. Company had forex loss of Rs. 1.25 cr (2% of revenue) in Q1FY19, which it saved in current quarter leading to higher margins. However, the same will be offset going ahead from booking of hedging losses. Interest and depreciation expenses were in line, eventually leading to PAT growth of 33.8% YoY (39.2% QoQ) to Rs. 5.9 cr YoY.

#### Healthy revenue growth expected:

Management is confident of achieving strong sales growth of ~15% going ahead. This will be supported by increased domestic and international sales of existing products, development and marketing of new products, as well as improvement of the existing product portfolio. Besides gaining market share in its existing market, company is also looking to enter new geographies to expand its target base. Firm has added new products such as luxury bath products and 3D tiles via its subsidiary-Sternhagen which is slowly gaining traction. Company has expanded the capacity of Quartz sinks from 4,00,000 units to 5,00,000 units and it'll be fully commercial by Q2FY20. The management also highlighted its focus on Steel Quadro sinks where they are doubling the capacity from 25,000 units to 50,000 units which will be operational by the end of Q2FY20.

#### Tie-up with Grohe and increase of sales of own brand to boost top line

Acrysil entered into an agreement for Supply of Quartz Kitchen Sinks with Leading German Brand "Grohe" which has a potential to bring in significant revenues. Over the next 3 years, company expects revenue from this brand to be ~50-55 cr which is ~20% of company's existing revenues.

Currently, only 10% of company's Quartz revenues come from its brand 'Carysil', while the remaining 90% sales is B2B. They make it for other larger players/brands which are eventually marketed under their own brands. Over next 4-5 years, company wants to increase the sales of its own brand to 30% which can be through organic or inorganic approach.

#### Quarterly Performance:

Particulars (Rs in crs)	Q1 FY20	Q1 FY19	YoY (%)	Q4 FY19	QoQ (%)	FY19	FY18	Y-o-Y
Net Sales	68.0	60.2	13.0	65.3	4.2	251.6	198.6	26.7
RM Consumed	29.5	26.2	12.4	28.0	5.2	109.5	82.6	32.6
RM as % Sales	43.3%	43.5%	-20 bps	42.9%	40 bps	43.5%	41.5%	200 bps
Employee Cost	5.2	4.4	17.0	4.7	9.6	18.5	17.1	8.2
Other Expenses	21.2	20.5	3.3	23.5	-9.9	82.6	71.0	16.3
EBITDA	12.2	9.1	34.8	9.1	34.7	41.0	27.8	0.0
EBITDA Margin	18.0%	15.1%	290 bps	13.9%	410 bps	16.3%	14.1%	220 bps
Interest	2.2	1.9	12.5	1.9	11.9	7.9	6.8	16.2
PBT	8.1	6.1	33.7	5.7	43.2	24.1	16.8	43.5
Tax	2.2	1.7	33.5	1.4	54.9	6.7	4.6	0.0
PAT	5.9	4.4	33.8	4.2	39.2	17.4	12.1	43.8
Minority Interest	-0.1	-0.1	--	-0.1	--	-0.2	-0.3	--
Consol PAT	5.8	4.3	33.5	4.2	39.3	17.2	12.0	43.3
EPS	2.2	1.7	32.9	1.6	38.8	6.6	4.6	43.5



## Revenue Break-Up

Segments	FY19	FY18
Quartz Sink	72%	70%
Steel Sink	15%	18%
Appliances & Others	13%	12%

## Changes in our estimates:

Particulars	Previous		New	
	FY20E	FY21E	FY20E	FY21E
Revenue	288.9	323.0	285.4	318.2
EBITDA	46.8	54.5	46.2	52.2
EBITDA Margin	16.2%	16.9%	16.2%	16.4%
PAT	21.7	25.7	21.5	24.5

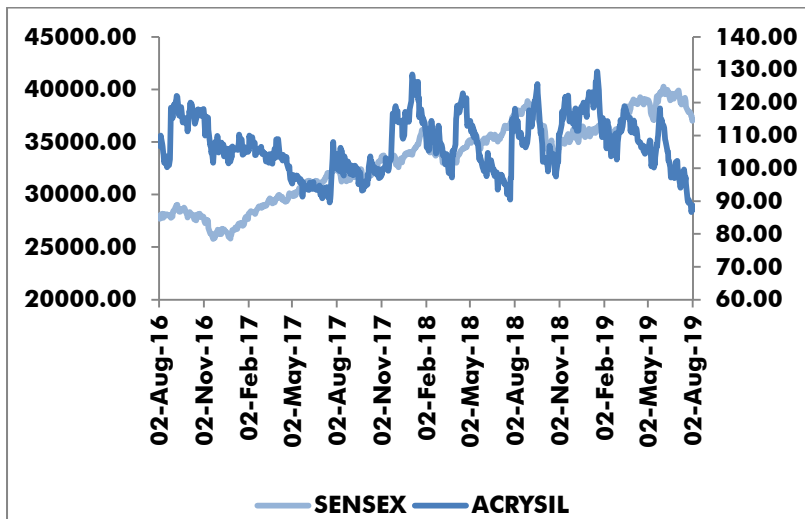
- Given the slowdown in overall economy we have slightly reduced our revenue growth assumption.
- Accounting for loss of operating leverage gains, the margins are also revised downwards.

## Valuation & View:

We like Acrysil as it is the market leader in Asia in an industry which has huge growth potential in the global market. Given company's strong track record of 18% CAGR growth in revenue and 20% growth in profits, we believe it is in a strong position to capture the growing pie of the Quartz sinks and premium accessories market. Alliance with strong brand like Grohe, focus on increase revenue of its own brands and increase in dealer networks to ~1500 dealers are step in the right direction to continue to charter the growth path.

We are valuing Acrysil with a one year forward price objective of Rs.107 using a P/E multiple of 15x on FY20's expected EPS of 7.1, which represents an upside of 15% from the current market price.

## Price chart:





Acrysil Ltd.- Income Statement (INR cr)					
DESCRIPTION	FY17	FY18	FY19	FY20E	FY21E
<b>Net Sales</b>	<b>181.0</b>	<b>196.6</b>	<b>251.8</b>	<b>285.4</b>	<b>318.2</b>
COGS	69.5	82.6	109.7	124.6	140.0
Operating & Manufacturing Expenses	31.1	33.3	40.0	46.4	51.9
Selling and distribution expense	19.5	20.6	24.9	28.3	31.3
General and admin expense	21.3	18.7	18.2	19.0	20.2
Employee Cost	12.7	14.4	18.5	20.9	22.6
<b>EBITDA</b>	<b>27.0</b>	<b>27.0</b>	<b>40.4</b>	<b>46.2</b>	<b>52.2</b>
Other Income	2.5	3.5	2.1	1.7	1.8
Depreciation	5.7	7.1	8.6	9.4	10.4
Interest	11.1	6.5	9.7	7.8	6.2
Exceptional Items	0.0	0.0	0.0	0.0	0.0
PBT	12.7	16.9	24.2	30.7	37.4
Tax	4.7	4.7	6.7	9.2	12.9
<b>Profit After Tax</b>	<b>8.0</b>	<b>12.2</b>	<b>17.5</b>	<b>21.5</b>	<b>24.5</b>
Minority Interest	-0.7	-0.3	-0.4	-0.5	-0.6
Consolidated Net Profit	7.3	12.0	17.1	21.0	23.9
Adj. EPS	2.8	4.6	6.6	7.1	8.1

Acrysil Ltd. Balance Sheet (INR crore)					
DESCRIPTION	FY17	FY18	FY19	FY20E	FY21E
Share Capital	5.2	5.2	5.2	5.9	5.9
Reserves & Surplus	106.5	113.1	129.7	153.1	174.1
<b>Shareholder's Funds</b>	<b>111.7</b>	<b>118.3</b>	<b>132.8</b>	<b>159.0</b>	<b>180.0</b>
Minority Interest	1.9	1.3	1.8	2.3	2.8
Total Borrowings	80.1	91.6	96.8	73.8	62.7
Long Term Provisions	0.4	0.4	0.4	0.5	0.5
<b>Noncurrent Liabilities</b>	<b>81.7</b>	<b>94.3</b>	<b>99.7</b>	<b>76.7</b>	<b>65.7</b>
Trade Payables	28.1	39.6	31.2	39.1	45.3
Other Current Liabilities	10.9	7.7	8.0	11.4	14.0
<b>Current Liabilities</b>	<b>39.0</b>	<b>47.3</b>	<b>39.3</b>	<b>50.5</b>	<b>59.4</b>
<b>Total liabilities</b>	<b>234.3</b>	<b>261.2</b>	<b>273.5</b>	<b>288.6</b>	<b>307.9</b>
Total Net block	100.3	113.3	122.9	122.2	126.2
Other Non Current Assets	3.9	4.2	3.5	3.5	3.5
<b>Non current assets</b>	<b>104.3</b>	<b>117.5</b>	<b>126.4</b>	<b>125.7</b>	<b>129.7</b>
Inventories	41.0	48.2	53.7	57.6	64.3
Sundry Debtors	38.2	48.2	54.3	58.6	64.0
Cash and Bank	22.2	17.5	14.0	12.0	12.0
Other Current Assets	28.6	30.0	25.1	34.6	37.9
Total Current Assets	130.0	143.8	147.1	162.9	178.2
<b>Total assets</b>	<b>234.3</b>	<b>261.2</b>	<b>273.5</b>	<b>288.6</b>	<b>307.9</b>



DESCRIPTION	FY17	FY18	FY19	FY20E	FY21E
<b>Operational &amp; Financial Ratios</b>					
Earnings Per Share	2.8	4.6	6.6	7.1	8.1
Book Value (Rs)	43.1	45.6	51.2	53.5	60.6
<b>Margin Ratios</b>					
PBIDTM (%)	14.9%	13.7%	16.1%	16.2%	16.4%
EBITM (%)	13.2%	11.9%	13.5%	13.5%	13.7%
PATM (%)	4.4%	6.2%	6.9%	7.5%	7.7%
<b>Performance Ratios</b>					
ROE (%)	6.3%	9.5%	11.7%	12.4%	13.3%
ROCE (%)	11.8%	9.7%	14.6%	16.3%	18.1%
Fixed Asset Turnover(x)	0.77	0.75	0.92	1.01	1.05
Fixed Asset Turnover (x)	1.82	1.30	1.48	1.55	1.61
<b>Efficiency Ratios</b>					
Receivable days	74.4	89.4	69.8	75.0	73.4
Inventory Days	80.0	82.8	69.8	67.7	70.0
Payable days	54.7	62.8	51.3	45.0	48.4
<b>Financial Stability Ratios</b>					
Total Debt/Equity(x)	0.7	0.8	0.7	0.5	0.3
Current Ratio(x)	3.3	3.0	3.8	3.1	2.9
<b>Financial Stability Ratios</b>					
Price to Earnings Ratio	31.7	19.3	13.5	12.6	11.0
Price-to-Book Ratio	2.1	2.0	1.7	1.7	1.5

Acrysil Ltd. Cash Flow Statement (INR cr)				
Particular	FY18	FY19	FY20E	FY21E
Net income	12.0	17.1	21.0	23.9
Depreciation	7.1	8.6	9.4	10.4
Changes in WC	-5.7	-14.2	-2.9	-8.3
CFO	13.4	11.5	27.4	26.0
Cash from warrants		0.0	8.3	0.0
Capex	-20.0	-16.5	-12.1	-14.5
Dividends	-0.5	-0.5	-0.5	-0.5
Free Cash Flow post Div.	-7.1	-5.5	23.0	11.0
Opening Cash	21.8	17.5	12.0	12.0
Net Borrowing/Repayment	2.8	0.1	-23.0	-11.0
Closing Cash	17.5	12.0	12.0	12.0



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