

Acrysil Limited

Q4 FY19 Quarterly Update

MARKET DATA	
BSE TICKER	524091
Net worth FY19 (Rs in Crs)	132.8
P/BV Ratio (FY19) (x)	2.2
EPS (FY19) (Rs.)	6.6
Market Price (Rs.)	113
P/E Ratio (FY18) (x)	17.1
52 Week High (Rs)	137
52 Week Low (Rs)	84
Market Capitalisation (Rs. Cr)	293

AVERAGE MONTHLY VOLUME	
BSE	8500
NSE	NA

SHARE HOLDING PATTERN	
Promoter	42.4
FII	8.7
DII	0
Public	48.9

RETURN (%)	3M	6M	12M
Acrysil Limited	8.8	-1.8	12.8
Sensex	8.7	10.7	11.5

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Financial performance:

Acrysil India (ACIN) reported strong sets of number for Q4FY19. Company's revenues grew by 28.9% YoY to Rs. 65.3 cr. Growth was witnessed both, in domestic and export markets and across all the three business verticals of the company. Company's EBITDA grew by 51.6% YoY (+16.5% QoQ) to Rs. 9.1 cr with the margins improving 210 bps YoY (-360 bps QoQ) to 13.9%. Company's results couldn't be compared on QoQ basis, since Q3 is usually the best for the company because of festivities in both, domestic and export markets. The numbers below EBITDA were largely in lines leading to PAT growth of Rs. 4.2 cr, which is a growth of 70.4% YoY (34% QoQ)

Healthy revenue growth expected:

Management is confident of achieving strong sales growth 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.

Agreement with Grohe 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. Partnership with Grohe will not only increase company's product portfolio but it'll also help them in expanding their geographic presence. This agreement will also be market accretive for the company given the premium pricing of Grohe brand.

Revenue Break-up

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

Quarterly Performance:

Particulars (RS in crs)	Q4 FY19	Q4 FY18	YoY (%)	Q3 FY19	QoQ (%)	FY19	FY18	Y-o-Y
Net Sales	65.3	50.7	28.9	62.2	4.9	251.6	198.6	26.7
RM Consumed	28.0	18.8	48.8	27.4	2.3	109.5	82.6	32.6
RM as % Sales	42.9%	37.1%	580 bps	44.0%	110 bps	43.5%	41.5%	200 bps
Employee Cost	4.7	4.3	10.8	4.8	-1.7	18.5	17.1	8.2
Other Expenses	23.5	21.6	8.8	19.2	22.5	82.6	71.0	16.3
EBITDA	9.1	6.0	51.5	10.9	-16.5	41.0	27.8	0.0
EBITDA Margin	13.9%	11.8%	210 bps	17.5%	-360 bps	16.3%	14.1%	220 bps
Interest	1.9	2.1		2.0		7.9	6.8	0.0
PBT	5.7	3.5	63.8	4.9	16.5	24.1	16.8	43.5
Tax	1.4	1.0	--	1.8	--	6.7	4.6	0.0
PAT	4.2	2.5	69.8	3.1	37.1	17.4	12.1	43.8
EPS	1.6	0.9	72.0	1.2	36.8	6.6	4.6	43.5



Changes in our estimates:

Particulars	Previous		New	
	FY20E	FY21E	FY20E	FY21E
Revenue	283.4	323.4	288.9	323.0
EBITDA	47.5	58.5	46.8	54.5
EBITDA Margin	16.8%	18.1%	16.2%	16.9%
PAT	19.3	25.3	21.7	25.7

- Rising commodity price, increase marketing spends and increase in other fixed overheads caused us to reduce our margin estimates.
- Reduction in working capital cycle will bring down the interest cost and thus add to the profitability of the company.
- Earlier we had taken tax at full rate of 34.5%, however due to MAT credit on the books yet to be fully utilized, tax for FY19 will be lower leading to higher PAT.

Conference Call Highlights:

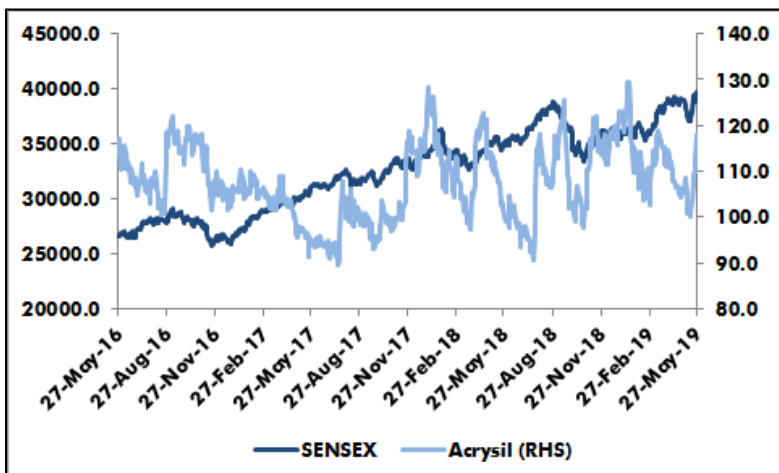
- Grohe Agreement
 - The Grohe agreement will bring in significant growth potential for the company.
 - GROHE has presence in 130+ countries and is a dominant player in bathroom solutions and kitchen fittings.
 - They have an aggressive launch pipeline so growth from this tie up will be strong for next 2-3 years
- Still some scope for margin expansion as RM prices is seen to be stabilizing. Plus, change in sales mix and some automation in back end operations will also lead to some improvement in margins.
- During the year, Domestic business grew at ~27% on YoY basis, with revenue contribution of ~Rs. 74 Cr while export s business grew at ~28% to Rs. 178 cr.
- Sternhagen- started getting traction and it contributed to Rs. 5 cr of top line during current year and will grow significantly over the next 2-3 years.
- The Quadro steel capacity is running at nearly 100% capacity and company will be doubling the capacity to 50,000 units by the end of H2FY19.

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 and increase in dealer networks to ~1500 dealers now 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.132 using a P/E multiple of 18x on FY20's expected EPS of 7.3, which represents an upside of 17% from the current market price.

Price chart:





Acrysil Ltd.- Income Statement (INR cr)					
DESCRIPTION	FY17	FY18	FY19	FY20E	FY21E
Net Sales	181.0	196.6	251.8	288.9	323.0
COGS	69.5	82.6	109.7	126.9	142.2
Operating & Manufacturing Expenses	31.1	33.3	40.0	47.0	52.3
Selling and distribution expense	19.5	20.6	24.9	28.6	31.7
General and admin expense	21.3	18.7	18.2	19.3	20.5
Employee Cost	12.7	14.4	18.5	20.4	22.0
EBITDA	27.0	27.0	40.4	46.8	54.5
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	7.4	5.7
Exceptional Items	0.0	0.0	0.0	0.0	0.0
PBT	12.7	16.9	24.2	31.7	40.1
Tax	4.7	4.7	6.7	9.5	13.8
Profit After Tax	8.0	12.2	17.5	22.2	26.3
Minority Interest	-0.7	-0.3	-0.4	-0.5	-0.6
Consolidated Net Profit	7.3	12.0	17.1	21.7	25.7
Adj. EPS	2.8	4.6	6.6	7.3	8.5

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	153.8	176.5
Shareholder's Funds	111.7	118.3	132.8	159.7	182.4
Minority Interest	1.9	1.3	1.8	2.3	2.9
Total Borrowings	80.1	91.6	96.8	74.7	62.7
Long Term Provisions	0.4	0.4	0.4	0.5	0.5
Noncurrent Liabilities	81.7	94.3	99.7	72.3	59.9
Trade Payables	28.1	39.6	31.2	39.6	46.0
Other Current Liabilities	10.9	7.7	8.0	11.5	14.1
Current Liabilities	39.0	47.3	39.3	51.1	60.2
Total liabilities	234.3	261.2	273.5	290.5	310.5
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
Non current assets	104.3	117.5	126.4	125.7	129.7
Inventories	41.0	48.2	53.7	58.3	65.3
Sundry Debtors	38.2	48.2	54.3	59.4	65.1
Cash and Bank	22.2	17.5	14.0	12.0	12.0
Other Current Assets	28.6	30.0	25.1	35.0	38.4
Total Current Assets	130.0	143.8	147.1	164.8	180.8
Total assets	234.3	261.2	273.5	290.5	310.5



Acrysil Operation Ratios					
DESCRIPTION	FY17	FY18	FY19	FY20E	FY21E
Operational & Financial Ratios					
Earnings Per Share	2.8	4.6	6.6	7.3	8.6
Book Value (Rs)	43.1	45.6	51.2	53.8	61.4
Margin Ratios					
PBIDTM (%)	14.9%	13.7%	16.1%	16.2%	16.9%
EBITM (%)	13.2%	11.9%	13.5%	13.5%	14.2%
PATM (%)	4.4%	6.2%	6.9%	7.7%	8.1%
Performance Ratios					
ROE (%)	6.3%	9.5%	11.7%	12.7%	14.1%
ROCE (%)	11.8%	9.7%	14.7%	16.8%	19.4%
Fixed Asset Turnover(x)	0.77	0.75	0.92	1.01	1.06
Fixed Asset Turnover (x)	1.82	1.30	1.48	1.57	1.63
Efficiency Ratios					
Receivable days	74.4	89.4	69.8	75.1	73.5
Inventory Days	80.0	82.8	69.8	67.3	69.8
Payable days	54.7	62.8	51.3	44.7	48.4
Financial Stability Ratios					
Total Debt/Equity(x)	0.7	0.8	0.7	0.4	0.3
Current Ratio(x)	3.3	3.0	3.8	3.1	2.9

Acrysil Ltd. Cash Flow Statement (INR cr)				
Particular	FY18	FY19	FY20E	FY21E
Net income	12.0	17.1	21.3	25.3
Depreciation	7.1	8.6	9.4	10.4
Changes in WC	-5.7	-14.2	-4.2	-8.7
CFO	13.4	11.5	26.5	27.0
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	22.1	12.1
Opening Cash	21.8	17.5	12.0	12.0
Net Borrowing/Repayment	2.8	0.1	-22.1	-12.1
Closing Cash	17.5	12.0	12.0	12.0



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