



## Acrysil Limited Q2 FY19 Quarterly Update

### MARKET DATA

BSE TICKER	524091
Net worth FY18 (Rs in Crs)	118.3
P/BV Ratio (FY18) (x)	2.5
EPS (FY18 )(Rs.)	2.9
Market Price (Rs.)	552.5
P/E Ratio (FY18) (x)	24.4
52 Week High (Rs)	685
52 Week Low (Rs)	421.5
Market Capitalisation (Rs. Cr)	286.7

### AVERAGE MONTHLY VOLUME

BSE	3906
NSE	NA

### SHARE HOLDING PATTERN

Promoter	42.4
FII	8.7
DII	0
Public	48.9

### RETURN (%)

	3M	6M	12M
Acrysil Limited	-5%	1.8%	12.3%
Sensex	-8%	1.1%	2.5%

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### Financial performance:

Sales increased by 23% YoY and by 6% QoQ. The increase in sales was due to higher volumes as well as due to price hikes. Compared to H1FY18, the volume of quartz sinks sold increased by 21%, volume of stainless steel sinks increased by 12%, while the volume of appliances sold increased by 41% in H1FY19. Also, the company increased selling price of products in line with increasing input prices; product prices were hiked between 3% and 5%. Due to the price hike, the company was able to protect its gross margin. The EBITDA margin increased by 251 BPs YoY in Q2FY19; the margin increased primarily due to operational leverage- there was a lower increase in employee expenses and manufacturing expenses when compared with sales. The 31% increase in interest cost can be largely explained by currency fluctuation for the PCFC loan taken by the company. The interest cost of that working capital loan increased as the rupee depreciated. PAT increased by 41% YoY

### Healthy revenue growth expected:

Management is confident of achieving at least 20% sales growth. 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. The sales of existing products will be expanded by enhancing capacity (25% capacity expansion of quartz sinks and 100% capacity addition of Quadro sinks) to meet increased demand. In addition, the company is focused on enhancing its distribution network and adding large clients; Acrysil has added 3 new large clients this year and aims to add 3 more by the end of the year. Acrysil aims to enhance the appliances product portfolio by increasing their aesthetic appeal and via eco-friendly appliances. Firm has added new products such as luxury bath products and 3D files via its subsidiary-Sternhagen. However, this business unit has not performed as well as expected

### Good performance of appliances division:

The company posted the best performance in the appliances division; this division witnessed a growth of over 41% YoY in H1FY19. Although the base is small, the growth is encouraging in this competitive industry. Unlike the other products made by Acrysil, all the sales of this division occur domestically. As the sales volume increases, the EBITDA margin should increase due to operational leverage. Furthermore, the margin will be boosted by greater in house manufacturing of appliances as opposed to traded products. Acrysil is now manufacturing its chimneys in house; this product line currently contributes 70% of appliances revenues.

### Quarterly Performance:

Particulars (RS in crs)	Q2 FY19	Q2 FY18	YoY (%)	Q1 FY19	QoQ (%)	FY18	FY17	Y-o-Y
Net Sales	63.85	51.86	23%	60.22	6%	198.67	181.28	10%
RM Consumed	27.97	22.85	22%	26.21	7%	82.62	69.46	19%
RM as % Sales	43.81%	44.06%	-26 bps	43.52%	28 bps	41.59%	38.32%	327 bps
Employee Cost	4.6	4.19	10%	4.41	4%	17.13	15.07	14%
Other Expenses	20.59	17.46	18%	19.26	7%	71.08	70.48	1%
EBITDA	10.69	7.38	45%	10.33	3%	27.84	26.27	6%
EBITDA Margin	16.74%	14.23%	251 bps	17%	-41 bps	14.01%	14.49%	-48 bps
Interest	2.03	1.55	31%	1.92	6%	6.87	7.05	-3%
PBT	7.65	5.63	36%	6.05	26%	16.84	12.6	34%
Tax	1.84	1.5	23%	1.67	10%	4.65	4.72	-1%
PAT	5.81	4.13	41%	4.38	33%	12.19	7.88	55%
EPS	11	7.8	41%	8.36	32%	22.9	13.8	66%



## Changes in Model:

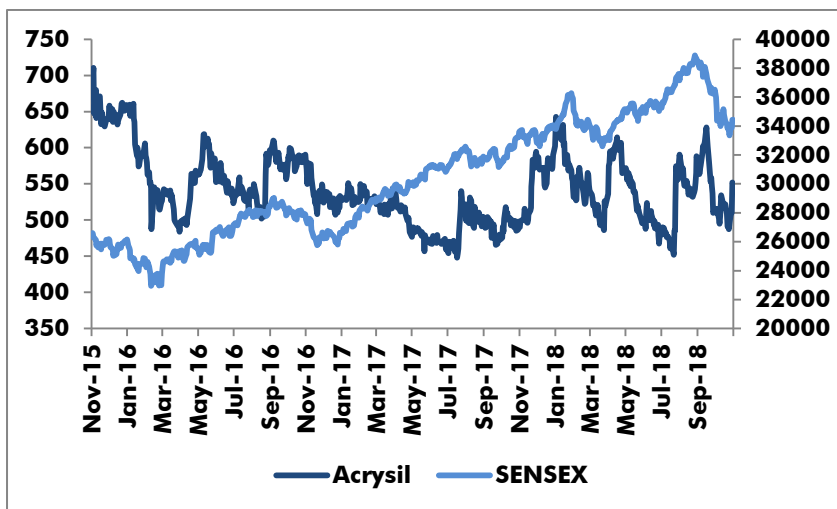
- Capex of 2cr will be done in FY19 for the production of Quadro sinks. This amount has been added to capital expenditure and revenue forecasts have been adjusted accordingly. Earlier model had assumed that the capex will be done in Q1FY20
- Selling price increase of quartz sinks is changed to 3.5% in line with management guidance from earlier estimate of 2%

## Valuation & View:

We like Acrysil as it is the market leader in Asia in an industry that faces strong tail winds. It is in a good position to benefit from the favourable industry dynamics as it already has the required intellectual property, brand recognition, and distribution network; those factors are necessary to grow.

We are valuing Acrysil on a P/E multiple basis. We value the company with a price objective of Rs.637 using a P/E multiple of 18x based on FY19E EPS of 35.4. The calculated share price represents an upside of 15%.

## Share Price:



## Conference Call Highlights:

- The company has been able to pass on higher input costs to customers
- The new capacity of both quartz sinks as well as Quadro sinks will be added by Q4
- A key area that management is looking at now is Sternhagen. New business and sales heads have been hired for Sternhagen. The company is focusing its effort on marketing this product line. Management expects to double the dealer network (current strength is 60) by Q4. 3D wall tiles were launched last quarter and have got great response- 100 show rooms have enquired about putting it on display. It is taking longer than expected to build the brand as time is required to place products in show rooms and acquire customer loyalty. The firm ran out of stock for some items, if this hadn't happened it would have achieved higher sales.
- Export sector looks better on the margin side due to depreciation of INR with respect to the key export currencies- USD, Euro, GBP. Exports will be more attractive even if rupee maintains its current level against those currencies
- Company has estimated that primary demand (from project sales) is 20%, while retail sales via dealers accounts for 80%. Management estimates that 60-70% of demand is for new homes and 30% is for renovation
- Going ahead the management will take more rupee based debt to shield itself from currency fluctuations



Acrysil Ltd.- Income Statement (INR cr)					
DESCRIPTION	FY17	FY18	FY19E	FY20E	FY21E
<b>Net Sales</b>	<b>181.3</b>	<b>198.7</b>	<b>242.3</b>	<b>283.2</b>	<b>323.4</b>
COGS	69.5	82.6	104.3	121.3	137.8
Operating & Manufacturing Expenses	34.8	35.0	43.4	50.4	57.7
Selling and distribution expense	16.3	16.7	20.1	23.3	26.2
General and admin expense	19.4	19.4	20.3	21.4	22.4
Employee Cost	15.1	17.1	18.4	19.4	20.9
Loss on Foreign Exchange	3.2	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>26.3</b>	<b>27.8</b>	<b>35.7</b>	<b>47.5</b>	<b>58.5</b>
Other Income	2.3	3.0	1.5	1.5	1.5
Depreciation	5.7	7.1	8.0	9.3	10.3
Interest	7.1	6.9	8.5	9.9	10.8
Exceptional Items	0.0	0.0	0.0	0.0	0.0
PBT	12.6	16.8	20.7	29.7	38.9
Tax	4.7	4.7	5.2	10.4	13.6
<b>Profit After Tax</b>	<b>7.9</b>	<b>12.2</b>	<b>15.5</b>	<b>19.3</b>	<b>25.3</b>
Minority Interest	-0.7	-0.3	-0.4	-0.4	-0.5
Consolidated Net Profit	7.2	11.9	15.2	18.9	24.8
EPS	13.8	22.93	29.24	35.38	46.41



Acrysil Ltd. Balance Sheet (INR crore)					
DESCRIPTION	FY17	FY18	FY19E	FY20E	FY21E
<b>SOURCES OF FUNDS</b>					
Share Capital	5.2	5.2	5.2	5.3	5.3
Reserves & Surplus	106.5	113.1	125.7	141.9	164.0
<b>Shareholder's Funds</b>	<b>111.7</b>	<b>118.3</b>	<b>130.9</b>	<b>147.3</b>	<b>169.4</b>
Minority Interest	1.9	1.3	1.7	2.1	2.6
Long Term Borrowing	20.0	18.6	18.5	28.6	30.6
Long Term Provisions	0.4	0.4	0.5	0.6	0.7
<b>Noncurrent Liabilities</b>	<b>134.0</b>	<b>138.7</b>	<b>151.6</b>	<b>178.6</b>	<b>203.2</b>
<b>Current Liabilities</b>					
Short Term Borrowings	52.4	62.4	76.4	74.9	76.3
Trade Payables	28.1	39.6	50.0	58.1	66.0
Other Current Liabilities	12.2	13.9	16.9	19.7	22.5
Provisions	4.8	3.0	3.0	3.0	3.0
Deferred Tax Liability	1.2	2.3	2.3	2.3	2.3
<b>Current Liabilities</b>	<b>98.7</b>	<b>121.1</b>	<b>148.6</b>	<b>158.0</b>	<b>170.1</b>
<b>Total liabilities</b>	<b>232.7</b>	<b>259.8</b>	<b>300.2</b>	<b>336.6</b>	<b>373.4</b>
<b>APPLICATION OF FUNDS</b>					
Total Net block	75.2	87.7	98.4	106.1	114.8
Good Will	22.9	23.5	23.5	23.5	23.5
Capital Work in Progress	2.3	2.1	0.0	0.0	0.0
Long Term Loans & Advances	1.3	1.5	1.8	2.1	2.4
Other Non Current Assets	2.6	2.7	2.7	2.7	2.7
<b>Non current assets</b>	<b>104.3</b>	<b>117.5</b>	<b>126.4</b>	<b>134.4</b>	<b>143.4</b>
<b>Current assets</b>					
Inventories	41.0	48.2	60.0	69.0	77.7
Sundry Debtors	38.2	48.2	61.6	75.1	88.4
Cash and Bank	22.2	17.5	17.5	17.5	17.5
Other Current Assets	15.8	18.1	22.0	25.7	29.4
Loans and Advances	11.2	10.5	12.8	15.0	17.1
<b>Total Current Assets</b>	<b>128.5</b>	<b>142.3</b>	<b>173.8</b>	<b>202.2</b>	<b>230.0</b>
<b>Total assets</b>	<b>232.7</b>	<b>259.8</b>	<b>300.2</b>	<b>336.6</b>	<b>373.4</b>



Acrysil Ltd. Cash Flow Statement (INR cr)				
Particular	FY18	FY19E	FY20 E	FY21E
Net income	11.9	15.2	18.9	24.8
Depreciation	7.1	8.0	9.3	10.3
Changes in WC	-7.0	-15.6	-15.2	-14.8
CFO	12.1	7.6	13.0	20.3
Cash from warrants			8.3	
Capex	-18.2	-19.0	-17.0	-19.0
Dividends	-2.6	-2.6	-2.7	-2.7
Cash required/generated	-8.7	-14.0	1.6	-1.4
Beginning cash	22.2	17.5	17.5	17.5
Ending cash	17.5	17.5	17.5	17.5
Beginning ST debt	52.4	62.4	76.4	74.9
Ending ST debt	62.4	76.4	74.9	76.3

Acrysil Operation Ratios					
DESCRIPTION	FY17	FY18	FY19E	FY20E	FY21E
<b>Operational &amp; Financial Ratios</b>					
Earnings Per Share	13.82	22.93	29.24	35.38	46.41
Book Value (Rs)	215.26	227.94	252.18	275.76	317.17
<b>Margin Ratios</b>					
PBIDTM (%)	14.5%	14.0%	14.7%	16.8%	18.1%
EBITM (%)	10.8%	11.9%	12.0%	14.0%	15.4%
PATM (%)	4.3%	6.1%	6.4%	6.8%	7.8%
<b>Performance Ratios</b>					
ROA (%)	3.4%	4.7%	5.2%	5.7%	6.8%
ROE (%)	7.1%	10.3%	11.9%	13.1%	14.9%
ROCE (%)	10.7%	11.9%	12.9%	15.8%	18.0%
Asset Turnover(x)	0.78	0.76	0.81	0.84	0.87
Inventory Turnover(x)	1.69	1.72	1.74	1.76	1.77
Debtors Turnover(x)	4.91	4.16	3.94	3.77	3.66
Fixed Asset Turnover (x)	2.41	2.27	2.46	2.67	2.82
<b>Efficiency Ratios</b>					
Receivable days	74.39	87.72	92.72	96.72	99.72
Inventory Days	215.66	212.81	209.81	207.81	205.81
Payable days	147.56	174.81	175.00	175.00	175.00
<b>Financial Stability Ratios</b>					
Total Debt/Equity(x)	0.55	0.61	0.62	0.64	0.61
Debt/EBITDA(x)	2.35	2.60	2.27	2.00	1.77
Current Ratio(x)	1.30	1.18	1.17	1.28	1.35



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