

Workspace for 'Acrysil Q2FY21 Concall'

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H1 FY21

We entered into a strategic partnership with IKEA Supply AG Switzerland for manufacturing and supply of composite quartz kitchen sinks for their global requirement.

Acrysil. We expect that we will start supply to IKEA by the end of this calendar year.

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.

Innovation

During the first half of the year, Acrysil has introduced quartz antibacterial sinks and stainless integrated worktops.

company has also setup Special Purpose Machines to ensure seamless installation of stainless steel countertops, which will boost the market in India and overseas.

CAPEX

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.

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.

we have enough land bank with us at least to reach 8,00,000 to 9,00,000 sinks

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

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

Global Footprint

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.

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 Acrysil & Sternhagen as the world's most sought after designer brand in the segment.

We have done some very important tie up with some of the customers. So when your German subsidiary for US and through our UK subsidiary,

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.

Q2 FY21 Revenue

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%.

on the back of improved demand from international market.

EBITDA margins

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.

PAT

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%

CFO

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%.

H1 FY21 Revenue

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.

EBITDA Margins

EBITDA margin for H1 FY2021 improved by 317 basis points to 20.8% from 17.6% of H1 FY2020.

PAT

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%.

CFO

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%.

D/E Ratio

debt to equity stands at 0.5 times as on September 30, 2020.

Annualized Return Rates

On annualized basis return on capital employed stands at 17.7% whereas return on equity stands at 16.6%.

Break-up

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.8.58 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.

we have seen a decline in the volume because of the Q1 FY21 sales loss. But in terms of value we have gained

IKEA Agreement

there would be investment in moulds and new designs will be prepared for IKEA

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.

I think our expansion shows that we will need extra capacity looking at the current demand and the tie ups what we have made.

these tieups what we have done are in line with the current margin levels. So we believe margins should continue to sustain.

On US Subsidiary

We also commenced manufacturing of Physical Vapor Deposition (PVD) plant for manufacture and coating of designer SS sinks

It will provides metallic finish for our SS sinks, which will enhance aesthetic value of product and value addition to the company

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.

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 will start the recruitment by Q4 FY2021.

What apart from Sinks?

the idea when we launched the built-in appliances to give a one stop solution to the customers. So when you enter a Acrysil 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.

the built in appliances what we are selling in the market are of very high quality and not very cheap quality.

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.

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.

MOAT?

We have a clear strategy. The main competency of the company is manufacturing quartz sinks followed by stainless steel sinks

We have a full-fledged design team

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.

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

we are slowly and gradually building our Acrysil brand in the export market like singapore, aus, nz

so we are quite fast in approach and that is the speed Acrysil is driving on development in a very short period of time.

Granite sinks are just 10% or even lesser than the total sink market share so there is still lot to grow under this category.

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.

some people in India also trying to do this because people are seeing the growth of the quartz sinks going up

about strength of Acrysil, the technology is obviously the schook 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

There are only four schook technology licenses, which are there in the world.

Second thing is we are more cost efficient supplier for sure and as I said cost efficient also with a better quality.

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.

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.