



“Acrysil Limited Q4 FY’18 Earnings Conference Call”

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MANAGEMENT: **MR. CHIRAG PAREKH – CHAIRMAN & MANAGING DIRECTOR,
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Moderator: Ladies and Gentlemen, Good day and welcome to Acrysil Limited Q4 FY2018 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 involve 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. Inow hand the conference over Mr. Anand Sharma – CFO, Acrysil Limited. Thank you and over to you Mr. Sharma.

Anand Sharma: Good Morning, Ladies and Gentlemen. A very warm welcome to the Q4 Financial Year ‘17-18 Earnings Call of Acrysil Limited. My sincere apology to you for Mr. Chirag Parekh. He will join in next 10-15 minutes. He is on the way so pardon me for that. I would like to start the call with an opening remark and along with me on this call I have SGA, our Investor Relation Advisors. The results are uploaded on a stock exchange and the company website. I hope everybody has a chance to look at it. Let me give you a brief update about the Acrysil Limited. May be many of you must be already aware, but at the cost of repetition we are just giving some brief about the Company.

Acrysil Limited incorporated in 1987 is a leader in lifestyle kitchen product. The Company is located in Bhavnagar, Gujarat and currently has two plants with the combined annual capacity of 4 lakh quartz sink. Schock GmbH, Germany as our technology partner who provided the technology for manufacturing of Quartz Sinks and they are also equity holder in the company. Globally, there are only four players in

the world producing quartz sink. Acrysil is a sole manufacturer of quartz sink in India and Asia too the global standard of quality, durability and visual appeal. Until FY2012, the Company was mainly into export being 95%. This scenario has, however, changed as of FY2018. Exports pie is now changed because we have started focusing on the domestic market also. Now the export is 67% and domestic is roughly 33%.

This scenario is changed due to change in perspectives and preferences with the nuclear families on the rise in urban India and also modular kitchen concept being preferred.

The Company currently has a presence of over 43 countries and the Company aspires to increase it in the coming years. Domestically, Acrysil sells its kitchen products under the brand name 'CARYSIL'. The company has increased its domestic presence to strengthen its brand 'CARYSIL' by increasing its dealer network from 400 to 1300 and our distributor network from 30 to 80 from FY13 to FY18. Company also has 65 franchise galleries and shop in shop. Presently, 95% of industry makes use of stainless-steel and approximately 5% make use of quartz sink. So, it is an emerging market, market is growing because dominance is of the steel sink. Therefore, in order to retain and maintain the stickiness with this dealers and distributors, company has started production of stainless-steel sink and kitchen appliances too. The company manufactures two kinds of steel sink Press Sink and Quadro, designer sink. Designer sink which caters to the high-end segment who are willing to pay a premium for superior quality, design and finished and have inclines towards the steel sink. The demand for Quadro sink have increased in the last quarter. We have doubled our capacity from 12,000 units to 24,000 units. On the other hand, we have manufactured certain model

of chimneys, but all other kitchen appliances are mainly traded goods, sold under the brand Carysil.

Recently, the company has entered into the bath segment, as synergy in quartz sink technology helped in developing patented high quartz materials to take bathroom design to new level. Thereby, launching luxury brand 'STERNHAGEN' via its wholly-owned German subsidiary Acrysil GmbH. The company has developed full bathroom concept and has a whole range of bathroom product including fittings WC, high lighter wall tiles. This brand is here to penetrate the premium segment at comparatively lower price.

Now, I like to hand over mike to our Chairman & Managing Director – Mr. Chirag Parekh who has just joined the call and from here he will take you through opening remark.

Chirag Parekh:

Sorry I was in emergency. My father health was not good. So now I continue the speech further. Mould is a major part of the capital expenditure required for an expansion in our capacity and the same is imported. Currently the company has more than 100 moulds and 300+SKUs. A mould can be utilized for more than 15 years. The Company needs moulds as per customer needs and specification. For further penetration, the Company has made a strategic acquisition of Products Limited, UK, kitchen product distribution company, with 75% stake in June 2014 for Rs. 26.5 crore. Currently we hold 98.75% stake in Homestyle Products Limited, UK. The product sold under Homestyle Products Limited, UK are Quartz Sinks, Steel Sinks, taps and accessories and other traded products. From the above, Acrysil itself manufactures quartz sinks sold via Homestyle Products Limited, UK.

To sum up, currently Quartz dominate the revenue with 70% contribution whereas steel sinks and the appliances together do the

remaining 18% and 12% respectively. We have also pioneered setting up the state of art experience center in Ahmadabad, the commercial hubsof India in most progressive state of Gujarat.

To conclude, we have been steadily moving up the value chain and capturing the brand and space of the niche consumer segment across all the categories.

We believe on the nuclear families on the rise in urban India and also modular kitchen being preferred, quartz sink market to take off as we see it multiplying in folds in our business.

Now I would like to hand over the line to Mr. Sharma once again to update you on the financial performance of the company.

Anand Sharma: Good Morning everyone. Let me give you brief about the financial performance of the company Q4 FY18 performance on the consolidated basis:

Our revenue stood at Rs. 51.2 crore for quarter FY18, as against 41.7 crore of Q4 FY17, recording a growth of 23% year-on-year led by growth in the domestic market. The company reported EBITDA of 6.8 crore a growth of 83.8% year-on-year. Profit after tax and minority interest increased by 33.8% year-on-year to Rs. 2.4 crore in Q4 FY18.

FY18 performance:

The consolidated revenue stood to 198.7 crores for FY18 as against 181.3 crore in FY17. We have adjusted the impact of excise duty to make it comparable FY18-17, recording a growth 9.6% year-on-year led by improved domestic sales. Our domestic market sales have increased from 5% in FY12 to 32% in FY18.

The company reported EBITDA of 27.9 crore a growth of 6% year-on-year. EBITDA margin remained at 14%. Profit after tax and minority

interest increased by 65% year-on-year, to Rs. 12 crore in FY18. For FY18 we include a total CAPEX of around 18 crore which was funded through mix of term date and internal accruals. The CAPEX plan for FY19 is between 10 crore to 12 crore. Promoters are infusing Rs. 8.5 crore by way of subscription to the warrant for the growth of company.

Now I open the call for questions.

Moderator: We will now begin with the question and answer session. The first question is from the line of Vijay Sarda from Cresita Investment. Please go ahead.

Vijay Sarda: Just wanted to get more perspective in terms of the growth, what we have seen in the last two years is nearly consolidation that has happened the turnover has inched up meagerly from 174 to 200 so this year is in the first year after the adjustment that what we have seen in exports markets as well as the BREXIT impact that caused panic. So what we are seeing last year 10% growth overall so how we see the journey going forward for next two to three years with now domestic is also firing as per your expectation?

Chirag Parekh: So I think it is a very valid question. So we are very optimistic on the granite sink or the quartz kitchen sink sales both in India and in exports. I will first take the export market then I will touch the Indian market. We have invested substantial amount of investment CAPEX in terms of developing new moulds with export customers. So majorly we have done this for more in the US market, UK market and the some emerging countries. So, we see that momentum picking up because it takes about two to three years' time to the market to get mature. So by the time the sink gets launched and get to the stores and repeat order comes, for this year 2 to 3 year cycle getting matured. So, we see that cycle getting matured from this year onwards. So we are optimistic for the current year as far as exports are concerned. Plus, we have also put

lot of thrust in developing new export market that is one. And two is for the India we have seen a great movement in terms of granite sink, the quartz sinks and the appliances and more on the quartz sink and the appliances. I mean there has been growth we are working on new strategy how to grow in the stainless-steel area because it is a low value-addition area and we are doing more on premium side of this thing. I will touch the stainless-steel side later but let me come back to the quartz sink. So we have seen a lot of advertising promotion in the last two years company has invested for brand building, opening new stores, placement of the products and across India we have more than 1000 dealers.

A lot of efforts have been put in the last two years and hence, you have seen that our bottom line not to the expectation in the last two years comparatively what it should be. So we feel that this year whatever the sales promotion expense advertising which we have done in the past two years I think which may not be required this year. We will see a substantial decrease in the marketing cost and at the same time we have already seen a rise in the sales in terms of order booking in Indian market. So, both export in India looking at it, we have again planned to raise capacity of the quartz sinks to another 50,000 to 60,000 sinksto cater to both export and Indian market.

Vijay Sarda:

Sir just coming to the other part of business on the appliances, what are the business you are excited about in terms of the growth what you draw parallel to the quartz sink and secondly just last in terms of the margins, so earlier what you have seen your margin was in range of 16% to 18% but with now domestic kicking in with appliances may be slightly breaking even or whatever so it is impacted so when you see the margin again getting aligned to 17%, 18%.?

Chirag Parekh: The excitement is that we have still a very small piece of market share and the total market share in appliances segment in India is looking at 500 crores which is growing quite substantially. We have seen the competitor sales all posting good number, so we are very excited about is that because we see a synergy in the channels currently which was selling a sink using the same channels distribution channels for the appliances. So, we see that growing very fast the placement of the product, so we also see an upturn in the appliances. Also, second very important point appliances excited about that we are launching this year lot of new product which the competitors do not have. So, most of them if you see they are more of the appliances on the offers, the combo offers.

Vijay Sarda: Actually, in the kitchen range only?

Chirag Parekh: Yes. We know that the quartz sink is a premium product so lot of excitement from the market has come that Carysil should not follow the traditional way of how the people are doing the appliances, Carysil should come up with some premium product line which now we are launching about not very large, but product line we have already launched few of them under the brand TEKCARYSIL which will help us to improve the margins of the company as well as the increase sales in the company. Number two, as far as the margins are concerned like I said that we see a consolidation in terms of the marketing cost this year and of the combination of product mix of high value-added products which would help the company to get back on track for earlier margin for the year.

Vijay Sarda: Sir just last question to Anandji with this increase or with this depreciation in rupee, how you see the scenario now? Last year it was acting against you because of the Brexit and UK currency going down.

Now with rupee going down would you get benefit or that benefit will pass on to the client?

Anand Sharma: Last year if you see the appreciation of the rupee that has impacted our export earnings and on the other part on the Brexit, there was a loan in dollar against the pound so there was an adverse impact we suffered a loss of around 3.15 crore, In fact, in FY18 we got income of 1.72 crore. So that cycle is already reversed and reflected in March '18 position. Earlier pre-Brexit pound and dollar was around 1.5 which came down to 1.2 in the last financial year FY17 and by the end of FY18 it was around 1.42 because of that we got the income of 1.72 crore. So that cycle is already reversed in FY18, but this volatility is happening in the FOREX market, again pound came back to 1.33 or 1.34 so this volatility will continue but it is not operational, it is MTM so it is not going to have any impact on our performance as such.

Moderator: The next question is from Pravin Sahay from Edelweiss Broking. Please go ahead.

Pravin Sahay: As you had mentioned in your presentation the target to reach to around 500 crore or 1000 odd crore, can you give some timeline in this and as well as how will be the mix of the product like how much is contribution you are expecting from the quartz sink to the steel, to bathroom fitting, and to the appliances?

Chirag Parekh: So I think it is a vision what we have set for the company to achieve this 1000 crore. This short term is always about 3 years' time and mid-term we see at about 5 to 6 years and we see the long-term is about 10 to 12 years' time. So I think that is the vision which we have set obviously very hard to predict and what year which will do but at least the company's will is there to move towards it. As far as product mix is concerned at the mid-term level I would say so we feel that 50% of the

revenue will come from kitchen skins. We see 25% revenue coming from the appliances and 25% coming from the bath business.

Pravin Sahay: In the kitchen sink you mean the both mix of a steel and quartz way forward?

Chirag Parekh: Correct yes.

Pravin Sahay: And also, you had mentioned the statement regarding the steel because the steel sink has grown quite a faster in the past year, so what is like you do not want to continue with this the a low-end steel sink or what because I am just confused with that because you had given a higher growth and you had given some negative statement on that more focused on the quartz not on the steel?

Chirag Parekh: Just to clarify so we have the stainless-steel sink side we would like to grow the stainless-steel so year-on-year there is a growth of already 40% in the steel sink. So, it is not that steel is not growing steel is growing 40%. What I was saying in terms of how do we make better margin from the stainless-steelsinks. So we are working on new model in the stainless-steel sinks to improve the value-addition and top line rather than I said that working on low value-added products which is being sold at a very cheap price which is a very crowded market which Carysil is not into that space of low-value stainless-steel sinks.

Pravin Sahay: On the domestic and export, as I can see that continuously our export contribution to the total is reducing and now we are focusing on domestic market aggressively. However, we also make a comment like 43 countries already penetrated and expected to go to around 70-odd countries. The export market still in the focus or will maintain this 70%-odd contribution in our sales from the export.

Chirag Parekh: Like I said in my first question to the gentleman that there is a thrust in the export market and in India as far as the quartz and both have sold a good upturn in the terms of orders. Yes, export market we have crossed already 50 countries. We are targeting 75 countries in the next two years' time and plus new customers and emerging new countries are adding up to a list so there is no question so both the market are grow it is very hard to say whether this ratio is going to change maybe it is going to change in few percentage here and there, but I think the export it looks that it could be say 70 to 65 domestic could be 30 to 35 that could be the little bit change. So, since both segments are growing at that space ratio could remain the same.

Moderator: The next question is from Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: We wish all you for a good health of your father just you were telling. At what capacity level you are running in quartz sink, stainless-steel appliances?

Chirag Parekh: FY18 we are running the quartz sink at 83%, stainless-steel sink is running at about 60%.

Ravi Naredi: And appliances?

Chirag Parekh: Appliances we do mostly assembly and trading.

Ravi Naredi: Sir, one more thing stock and debtors are 48% of sale and the debt is also 5x of cash profit so what is your plan to improve it?

Chirag Parekh: So I will just come to the first question number two Mr. Sharma will reply to it. So, first question on this working capital, we all know what the use is. I think it is mostly to do with the export market since the transit time of the container is very high. It takes about 45 to 50 days for our container to reach the port anywhere in the world average I am

saying especially in America and Europe, where about 70% of the sales coming from those areas and plus we have to keep a stock about 3 months. So, we are working on it and we have already had this when we also believe that this cycle should come down, so we have worked quite hard on this and you will see improvement on this coming this financial year. As far as the domestic market, gradually our plan is to cut the credit period to half way, but we have already reduced it by 21 days, so we already see an improvement in the domestic this year. And third very important point on the stocks is that the company because of its diversification into appliances and into various kind of different product which we have added to the company that has been a tremendous stock which we have to one time bring inside the company to sell it because we do not know which product is going to move and you would also see a substantial decrease in the inventory level also this year.

Anand Sharma: So regarding the borrowing actually we have expanded in last two financial year. We have CAPEX of around 18 crore in FY18, 12 crore around FY17. So we invested 30 crore in CAPEX and to fund that CAPEX we borrowed 14 crore from the bank. This may look a little higher side because whatever CAPEX investment we have that is mainly in the mould and factory building. So that mould we have already installed, and the production started coming out. So, with the growth in sales in the current year, it will look much better because we have invested in the moulds and that mould approval from the customer and commercial sales that takes quite a long time for the approval it takes around 8 to 9 months to realize into commercial sale. So, it may look little higher but there is a good asset turnover and once that commercial sales start coming, it will look better.

Ravi Naredi: You were telling something about warrant issues to the promoter and what price it has been issued and what price it will convert?

Anand Sharma: So the price is fixed as 550 as per the SEBI guidelines, we have worked out the price. So it will convert at Rs 550.

Ravi Naredi: 8 crores will something infusion by promoter, right?

Anand Sharma: 8.5 crore approx.

Moderator: The next question is from Ashish Kacholia from Lucky Investments. Please go ahead.

Ashish Kacholia: Can you just tell us what is your expected growth rate for FY19 over FY18?

Chirag Parekh: We are looking at 20% improvement in the top line for FY18.

Ashish Kacholia: Are you seeing a similar growth rate over domestic and exports?

Chirag Parekh: As of now same, it will be little bit here and there, but I think we are expecting and looking at current position also both domestic and export has shown us a good improvement. I think approximately yes about 20%-20% in the domestic and exports.

Ashish Kacholia: If you achieve this 20% growth, what is the kind of EBITDA margin you are expecting in FY19?

Chirag Parekh: So, we see a good improvement I think the current EBITDA margin stands in FY18 at 13% approximately, if we achieve this turnover we see the EBITDA margins at 16% to 17%.

Ashish Kacholia: What are the key factors that you feel that will drive this 20% growth in the domestic and export market?

Chirag Parekh: As we have found some very major contracts with some big companies and those contract which we had mentioned in last year also so those commercial sales of that contract now has been implemented this year.

So we have already seen a good upturn in the orders in the current quarter and plus we have added about 7 to 8 new countries in the exports and whatever the investment required for the mould for those countries has been already done in last year. So as I said it takes about 8 months 9 months for the kitchen sink to gets matured in the market so we see that maturity is happening in this year.

Ashish Kacholia: What was the size of the domestic business in FY18 the year that has gone by?

Chirag Parekh: So we have approximately done domestic business about 60 crores last year.

Ashish Kacholia: What was the sale of STERNHAGEN in FY18?

Chirag Parekh: Approximately sale of STERNHAGEN currently about 5% of the domestic business.

Ashish Kacholia: 5% of the domestic business that means 3 crores.

Chirag Parekh: Yes.

Ashish Kacholia: That is a huge under performance right compared to what we were expecting any reasons and how do you see STERNHAGEN shaping up in FY19?

Chirag Parekh: We have like I also told you when we met that for luxury brand last year because we have two impacts in two years. One was the demonetization impact and second was the GST impact so this two and third which like I said last time also there has been Delhi which is the largest market of the luxury product where there was a ceiling act come in all the showrooms have been shut down two of our showroom in Delhi had shut down. So I think that was a major impact a far as luxury not for us across there was a drop for the luxury sales. This year

we are looking for bathroom STERNHAGEN segment to be somewhere about increase by 3 times growth over last year.

Ashish Kacholia: What kind of growth rate are you expecting in first quarter FY19 the current quarter that is going on you are saying 20% for the full year so what do you expect in the first quarter?

Chirag Parekh: First quarter also I think we should be doing crossing 20%.

Moderator: The next question is from Bhaskar C from Entrust Capital. Please go ahead.

Bhaskar C: How much freecash did you generate in FY18 and 17?

Anand Sharma: It is around 24 crore.

Bhaskar C: For FY18?

Anand Sharma: Yes.

Bhaskar C: You said 12 crore CAPEX for FY19.

Anand Sharma: Yes.

Bhaskar C: Post that CAPEX, what kind of steady asset turnover ratio should you have?

Anand Sharma: So whatever CAPEX we invest we get the sales in one-year time because whatever we are investing in FY19 we will get turnover in FY20 that is why whatever we have invested last 1 and half year we are getting sales this year. So depend on our capacity and sales expected we invest into the moulds so whatever 20% growth we are talking about that is based on whatever investment we did in last financial year. So whatever investment we are talking 12 crore that will

give the additional sales in next financial. Coming to the asset turnover it is roughly between 2.5 to 3 times.

Bhaskar C: So when do you think Mr. Sharma you will need to raise capital again?

Anand Sharma: No, we do not have any no immediate plan. There is a warrant already issued to the company, promoter is putting their money, so our target is reach 300 crore and then we will think on that side we do not have any immediate plan.

Bhaskar C: So you can reach 300 crore revenue without raising any fresh capital that is what you are saying except the promoter warrant conversion of course?

Anand Sharma: Yes.

Moderator: The next question is from Dhavan Shah from KR Choksey. Please go ahead.

Dhavan Shah: I just wanted to understand about the raw material so basically, we have four kind of raw material, so what kind of increase have you witnessed in the raw mat post increase price in crude price and from where procure all this raw material and are we passing on the increase to the end users?

Chirag Parekh: So I think the major impact which you have seen last year in terms of the margin is due to the high price ,there is sharp increase in the imported rasins which has short up price about 2.5 times across the world. So I think that has about 4% to 5% of the impact on the imported raw material side so that is the only raw material which has come. So we have taken action from the company side this year to pass on this to the customer side. So we have been able to pass on at least by about 30% to 40% of that the customer the balance 60% we are still in negotiation with the customer.

Dhavan Shah: In standalone accounts I mean that has been increase in the other income for Q4 FY18?

Chirag Parekh: That is mainly because of the benefit of export what we are getting MEIS so export in increase and the rate of our exponents will be also increase so that is why it is this.

Dhavan Shah: But on normalized level we can see around Rs 4 to 5 million of other income per quarter, right?

Anand Sharma: Yes that should be.

Dhavan Shah: And gross margin will be sustained at this level or will there be any chance for improvement?

Anand Sharma: We are working for improvement and we are expecting that it should improve.

Moderator: The next question is from the line of Sandeepan Gosh from Individual Investor. Please go ahead.

Sandeepan Gosh: I have the question regarding STERNHAGEN you mentioned the 9 crore of the topline **total** business in the next financial year so may I know the EBIT margin that it does generate and what is the capacity and capacity utilization?

Chirag Parekh: So STERNHAGEN is a combination of manufactured quartz products and traded products. In terms of the gross margins as far as the manufactured product is concerned it is close to 60 to 70%. Valued added products in term of the traded goods which we do ceramics specially we have a gross margin of about 40% currently. So as far as the capacity of the STERNHAGEN is concerned we are still underutilized we are only doing 20% as far as the manufacturing is

concerned and balance is the traded. So, if you ask me what the ratio of is the manufactured versus the traded it will be about 50-50%.

Sandeepan Gosh: So what is the current capacity and capacity utilization in quartz sink and Homestyle sink, steel sink do you think?

Chirag Parekh: Homestyle is completely a trading unit. So we do not have any manufacturing there, but I can throw you some light if this answer if it helps you is that the reason we bought Homestyle was to supplement our quartz sink into the channel as we had no exports to UK market. So currently if you ask me from the total sales revenue of the Homestyle 30% of the revenues comes with a quartz sink and which is 100% Acrysil products. Also, the synergy since they were importing the stainless-steel sink from china we are now substituting that with our stainless factory in India which is going to help the stainless factory in India in terms of utilization.

Sandeepan Gosh: Another thing about the 3d concrete tile what is the market outlook there, what is the capacity you are planning and what is the EBIT margin can you throw some light on that please?

Chirag Parekh: Sorry I am not able to hear you properly can you please repeat your question?

Sandeepan Gosh: 3d concrete tile I am talking about; can you throw some light about market outlook over there and our business?

Chirag Parekh: So Concrete tile are going to be launched under brand STERNHAGEN in India. So what we have got the market feedback for the STERNHAGEN in India is that though the sales are low, but it has been pursued is probably that the top three luxury brand in India at this point of time and this obviously because of the design in the engineering of the product in the STERNHAGEN what we have. So

this concrete tile which we call the composite tile which is going to be a combination quartz concretes and the mineral other which is going to be launch in 3d design like we have done the quartz tile for STERNHAGEN. So quartz tile in the STERNHAGEN cost is very large it is about 100,000 of molds which we have to invest. Hence, we have to go for an alternative technology to help us to spin the growth with new design which is at a lower cost. So the concrete tile is the collaboration technology one of the leading Hungarian company which is the only company in the world which does it. We would be the second company in the world putting this 3D concrete tile. So we would be the only company in India and second company in the world to launch this kind of 3D tiles not in India but also across the world. Excitement about this is that the pricing of this concrete tile should be approximately half of what the current STERNHAGEN Quartz tiles what we have. So the pricing we are going to match what suits the Indian market. So if we are able to do this we obviously see a big turn in volumes in India to start with. We are still in the process of tile market the 3d world tile market. The future should be huge opportunities should be huge of this also we could have many OEM opportunities also to contract this tile for some other large companies, so this is also some opportunity we see moving forward.

Moderator: The next question is from the line of Devang Patel from Crest Wealth. Please go ahead.

Devang Patel: I wanted to know of the standalone revenue of 155 crore, how much is export revenue?

Anand Sharma: Export is 110 crore.

Devang Patel: So that grown kind of 20% last year?

Anand Sharma: No 10%.

- Devang Patel:** It was 92 crores I think in the previous year.
- Anand Sharma:** It is 100 crore.
- Devang Patel:** I wanted to understand who is the end client for this export business are, how much of it goes to home décor major or retail chain in the US and what is the end market growth in this business?
- Chirag Parekh:** The majority of revenues of exports come from US and Europe which is about 60% of revenue come in from Europe and US and what is your next question?
- Devang Patel:** How much of it comes from retail chain or how much of it goes into the wholesale channel though who are your end clients?
- Chirag Parekh:** So we are all the export business primarily is OEMs so we do 75% to 80% OEMs and 20% 25% is with our Carysil brand and out of all the export what we do we do not do direct retail business in the export everything is through wholesalers and distributors.
- Devang Patel:** In one of the comments you said there are some big clients that we have tied up because you were expecting growth to pick up next year, so are these some of the big retailers?
- Chirag Parekh:** So these are not the direct retailers this is a company who own large retail chain. So which has several hundred of stores across.
- Devang Patel:** And quartz sink as a category, do you have any sense at what rate this is growing in the developed market?
- Chirag Parekh:** We do not have data of growth, but we do know that what is the market share what is happening inside that so there is the quartz sinks are eating away the stainless-steel sink market share. For example, Germany if I talk about Germany last year we have got data first time

Germany quartz kitchen sink sales has taken over the stainless sink sales. France also this has been the case UK is a predominant stainless sink; quartz sink eating away the market stainless sink they are expecting in next two, three years' time quartz seems to take over the stainless-steel sink. America which was again predominant stainless-steel sink manufacturer the quartz sinks are eating away the margins of the stainless-steel sinks. Obviously, it is a very huge market but everywhere we see right now all the countries we export at this point of time there has been a sharp increase in terms of the quartz sink sales. So, in the global market share already non-stainless-steel share is about 10%. Our industry expecting that in the next 3 to 5 years at least by 5-year time this could go to another 10%. The next five years' time we are looking at about 10% of the non-stainless industry. About 20% non-stainless steel market share in the world.

Moderator: The next question is from the line of Ravinder Naik from Sunidhi Securities. Please go ahead.

Ravinder Naik: Sir regarding this Homestyle that you have invested in 2014 if closely invested around 26 to 27 crore in this company?

Chirag Parekh: Yes.

Ravinder Naik: And currently the company is deriving around 30 crores of revenue if I am not wrong?

Anand Sharma: No, the revenue is around 39 crores.

Ravinder Naik: So this is predominantly dealing with Acrysil product or it is also third party product is also dealing with?

Anand Sharma: 30% Acrysil product rest they have their own source of supply.

Ravinder Naik: So what is the plan going ahead this company will be a solution provider in UK or it will be completely a distribution company of Acrysil product and third party products?

Chirag Parekh: So the UK Homestyle the company will continue its edge or niche what they had in trading of kitchen products and will now this year we will diversify into the bathroom segment so we are launching STERNHAGEN bathroom products by mid of this year in UK.

Ravinder Naik: Sir if I see your financial it in on the revenue stream UK is also closely driving around 30 crores of revenue, US is also deriving 30 crores of revenues.

Anand Sharma: No 39 crores as I said Homestyle.

Ravinder Naik: No, I am talking about US?

Chirag Parekh: US would be about 20%.

Ravinder Naik: Such type of initiative we require in US or any other country for growth or it is not required.

Chirag Parekh: I think the growth we are seeing not just from the US. We are seeing more from the US, but it is across the boards. So we are seeing it more coming from US and Germany. So Germany, US and UK, but we expect our growth overall about say 20% across.

Ravinder Naik: You are expecting Homestyle sale products to expand in Europe or along with US or only Europe?

Chirag Parekh: The Homestyle is only dedicated to UK market only.

Ravinder Naik: So you do not need such type of investment in US market for growth?

Chirag Parekh: No.

Ravinder Naik: Recently you have entered in the bath fitting segment you are very nascent stage as of now, how do you see the domestic market to pick up because this channel for this two markets are completely different.

Chirag Parekh: Fortunately, the reason I would like to explain it again why we have ventured into the bathroom products and we see in the next midterm at about 500 crore revenue about 25% of the revenue coming from the bathroom. Reason is that channels of kitchen sink sales in India which we have 1000 dealers plus across PAN India more than 95% of our dealer network are bathroom dealers and hence it would be wise to look at the opportunity. So STERNHAGEN hence brand STERNHAGEN we have launched is to start with the luxury, but slowly we are going to have top to bottom strategy want to establish a luxury brand but gradually move into the larger pie of the market.

Ravinder Naik: Because you know if you see the product profile it is completely catering with the premium segment, so do you think a solution centric approach will help you to grow in the domestic market?

Chirag Parekh: I think there is a big space which is lacking in India where the premium and luxury space is empty in India. So STERNHAGEN has gone into this space and the second portfolio coming from STERNHAGEN which is going to be a more of a project driven design and pricing which we expect to be under the category of mid to premium segment. We have lot of inquiries from the institutions, hotel industry and lot of other builders. So, we plant to cater this market this year by adding new product line, but with a suitable pricing level.

Ravinder Naik: So you will be investing or STERNHAGEN will be investing in this?

Chirag Parekh: STERNHAGEN is 100% our brand Acrysil owned brand.

Ravinder Naik: So they will be investing in this retail chain or it will be your own investments?

Chirag Parekh: It will be our STERNHAGEN brand trademark is owned by Acrysil only the STERNHAGEN Germany is a trademark by Acrysil only. So, we only would be investing in this.

Moderator: The next question is from BajrangBafna from Sunidhi Securities. Please go ahead.

BajrangBafna: Sir on the bath fitting side just to dwell upon this you supposed to launch the few affordable product under the Carysil brands, so what is the status on that and what kind of volume or value that we are seeing that we could do in this year and the next year in the bath fitting side?

Chirag Parekh: I think just to follow on with my first reply that we are seeing a space we starting with luxury space but we want to get into the build space also where we are going to see the volumes are going to drive into that. So we have taken a very conservative figure currently moving this in to the starting of bathroom venture but we see it multiplying it in fold once we established our distribution channel and once we have established our product line. So this year we are looking at less than 10 crore this year, but figure could multiply moving forward.

BajrangBafna: Sir on the 3D tile front what kind of investment that we have done and since you said that it is launched under STERNHAGEN brands, so you have guided that 3 crore will become 9 crore so what kind of that works out to roughly 4, 5 crore kind of sale for the even if we consider the incremental sales come through the tile segment. So, since this is a blockbuster product considering the characteristics and the uniqueness in the Indian as well as in the global market, so if you could slightly guide us you know what kind of response that you have seen so far

since it is going to be launched in maybe in one or two months so some sort of guideline on that front?

Chirag Parekh: Whatever the test marketing we have done till now and we are already launched similar kind of tiles two years back in the STERNHAGEN quartz tile only thing is that pricing is very high which is about 1200 square feet. Most of the Indian companies in products and all looking at about 200 to 300 rupees a square feet. And obviously we did not want to do a heavy capital investment into a product line which we were not afraid about the pricing level. Hence, we got opportunity for the concrete tile. Number one is the pricing level we will try to figure to suit the Indian in the market it will be about 300 to 500 rupees a square feet which would be about one third of half the price one third of the price of the current quartz tile. Whatever market research we have done the test marketing we have done is that people are expecting it to that the STERNHAGEN tile in the leader in India because there is no competition in this space. So, we have to wait, and watch till we launch but we see a great amount of excitement in the market.

BajrangBafna: What kind of capacity that we have built in over could be the potential capacity that we will be having in the first phase of this tile in terms of value?

Chirag Parekh: Sorry I did not answer one of your questions. So the total investment current year for the concrete tile we would be investing including the technology know how transfer fees should be anywhere about 3 to 4 crore this year and out of 4 crores 50% would be the technology transfer fees. 2 crores would be the investment in the machinery and the building. With this the first phase of what we are investment we are doing the estimated capacity is about 5 to 6 crore annually.

Moderator: The next question is from Jaykishan Parmar from Angel Broking. Please go ahead.

Jaykishan Parmar: Actually, I have two questions related to debt part. So, one is that can you give bifurcation of debt like foreign borrowing and domestic and second what is your debt repayment plan or any debt equity ratio you want to maintain over a period of time for next two, three years?

Anand Sharma: Okay so I divide this borrowing into two parts. First is borrowing which is done in India so borrowing is for working capital it is a 53 crore and for term loan it is around 15 crores and we have outstanding term loan in foreign currency around 12.5 crore in UK subsidiary. So, the total we have around 80.5 crore of the borrowing against that it is ratio debt equity is around 0.8 we wanted to maintain it around 1 on a maximum side.

Jaykishan Parmar: Any repayment plan?

Chirag Parekh: Repayment is normally Indian term loan as a period of 5 years and the foreign loan is going to be repaid in next 3 years.

Moderator: Thank you very much. Due to time constraint we will take that as a last question. I would now like to hand the conference back to Mr. Parekh.

Chirag Parekh: Thank you. We are happy with our performance for FY18 led by greater emphasis of the team towards enhancing operational efficiency and also, we have crossed the milestone of 200 crores in FY18. We are encouraged by improving macroeconomics factor I believe the momentum in the sector would continue. We are focused towards creating value for all the stakeholders. Thank you very much.

Moderator: On behalf of Acrysil Limited we conclude this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.