

Date: April 7, 2022

To,
BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 524091

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1
'G' Block, Bandra – Kurla Complex
Bandra East,
Mumbai - 400 051
Trading Symbol: ACRYSil

Subject: Submission of Transcript of the Business Update Conference Call held on April 4, 2022 under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

With reference to the Business Update Conference Call held on April 4, 2022, please find enclosed the transcript of the aforesaid business update call.

This is for your information and record.

Thanking you,

Yours Faithfully,

For **Acrysil Limited**

Neha Poddar
Company Secretary & Compliance Officer

Encl.: a/a



“Acrysil Limited Business Update Conference Call”

April 04, 2022

(Disclaimer: E&EO- This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 4th April, 2022 will prevail.)



**MANAGEMENT: MR. CHIRAG PAREKH - CHAIRMAN & MANAGING
DIRECTOR – ACRYSIL LIMITED
MR. ANAND SHARMA – CHIEF FINANCIAL OFFICER –
ACRYSIL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Acrysil Limited Business Update 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 date of this call. The statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Since we have recently ended the quarter, the company shall discuss any questions related to quarter at the time of results declaration. Request participants to limit questions only related to the acquisition. 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 an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chirag Parekh, Chairman and Managing Director, Acrysil Limited. Thank you and over to you Sir!

Chirag Parekh: Yes, thank you. Good afternoon, everyone. A very warm welcome to the business update call of Acrysil Limited. Along with me on this call I have Mr. Anand Sharma, CFO and SGA, our Investor Relation Advisor.

As you are aware our company has been witnessing a strong demand for its products, Quartz Kitchen Sinks, and Stainless-Steel Sinks in domestic and international markets. Accordingly, we had planned expansion for our Quartz Sink manufacturing capacity from 0.5 million sinks in 2020 to 8,40,000 sinks today and further the 360,000 sinks addition in capacity which is going to be in two parts 180,000 each which is going to be completed in Q1 and Q2, respectively. We also had announced that the stainless steel also is going to expand to another 90,000 sinks to 180,000 sinks during Q1.

I am pleased to announce that Acrysil UK Limited which is a wholly owned subsidiary of Acrysil limited has agreed to acquire 100% shares of Tickford Orange Limited, UK along with its wholly owned operating subsidiary Sylmar Technology Limited., UK is one of the major export markets of our company. This acquisition will allow Acrysil to further strengthen its presence and market share in UK market. This is our second acquisition in UK approximate period of six years.

I am talking about the Tickford Orange Limited it is a parent company of its wholly owned subsidiary Sylmar Technology Limited (STL) which is a manufacturer and distributor of customizer of high-quality solid surface products for kitchen and bathroom segment. These products are used for both domestic and commercial purposes catering to the markets across United Kingdom. The manufacturing and distribution facility of STL is centrally located in Alfreton, Derbyshire, UK. STL is a leading player in the UK solid surface market with an

estimated market share of 35%. It generates 80% of its revenue from sale of kitchen products and remaining from bathroom and marine related products which are yacht. STL had three brands Maia, Minerva and Metis. As of CY2021 STL has reported revenues of £12 million and for CY2020 it was £11 million. Although CY2020 was impacted by COVID-19 STL has been profitable and benefit from solid financial base and continued growth. The pre-pandemic level of STL was approximately £14 million for pre-pandemic previous two years.

Talking about the overall cost of acquisition, Acrysil UK will acquire 100% equity shares of a total consideration of £11 million. The acquisition will be funded through a mix of debt and internal accruals. The compliance of the acquisition will take approximately 45 to 60 days for the whole process nevertheless the sales will start kicking in from April. In terms of customers the company has longstanding customer base with leading high street names like Selco, Homebase, Hafele, Magnet, Moores, Fairline, etc. STL has been built on an ethos of customer service without compromise. STL enjoys the strong customer relationships and has worked with large manufacturers for a significant number of years. With this acquisition Acrysil shall gain access to the loyal customer base leading to potential new sales channels and will open up cross-selling opportunities for the company. STL has an outstanding reputation in the market and has been sourcing and manufacturing solid surface product for 35 years. The acquisition was natural fit for us as STL is a highly innovative company focused on continuous R&D to create the new products and to fill existing gaps in the market place thereby enjoying a strong buy and recall and market share.

This acquisition will catapult us to the new orbit of growth to enable the company to enter the new product segment in the home improvement products category expanding the current portfolio of the company. We believe this is a significant step towards achieving a formidable leadership position in lifestyle kitchen and bathroom segment globally. It will also help to scale up company growth and its long-term vision of 1,000 Crores quite significantly. With complete unique product basket in kitchen and bathroom segment we are confident towards moving up the business trajectory and foresee a future of consistent success and value addition. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ronak Mehta from Equirus Securities. Please go ahead.

Ronak Mehta:

Hello Sir, thank you for taking my question. Sir, to understand on this acquisition first, so you said about the sales of the company before and during the pandemic, but how is that on the margin front so EBITDA margin will it be lower than our consolidated EBITDA margin at entity level or will it be equal to that so wanted to understand on that front? the second

thing I wanted to understand is that you said you will be gaining traction in newer product segment so can you elaborate further on that as well? Thank you.

Chirag Parekh:

So, the current EBITDA margin of the company is around 15% to 16% and moving forward we do have some initiatives which company will take once we have it in our hand which is going to be from this month. There are some significant changes we will do, and which will try to improve the margins further. Nevertheless, we need to understand that we are still in a pandemic situation and based on that I think 15%, 16% is a good EBITDA so it is quite close to it is not significantly there is not a big gap, but it is quite close. Second the opportunities is that you need to understand it is a great value proposition because we are getting such a large access to the customer base and there are lot of opportunities that we are going to significantly grow the current home style the Acrysil Products Limited business which is into primarily kitchen sinks and faucets, so we have already given you the names of largely retail outlets and all, so I think that is probably going to be a significant increase benefit to us. Second thing we need to understand is that we are entering into the worktop market which is where we find a great synergy along with the kitchen sink that is a multi billion dollar market and it is not in UK but across the world, so while these companies into solid surfaces which is as a 35% market share the solid surfaces market as a category is only 10% of the global worktop category. As we all know there is a significant opportunity as far as the quartz kitchen tops are concerned , the company do have plans to introduce quartz tops and use these channels to significantly improve sales. Third thing, bathroom category is what we were never in the UK market. We have a strong brand called Sternhagen, Germany and we plan to take this brand, use these channels in the bathroom to launch the bathroom products in UK. Thank you.

Ronak Mehta:

Just a related question whether this acquisition will also help you in getting the footprint in the European market or is it something that you will first concentrate on the UK itself and then over the next four, five years you might want to move into the European market?

Chirag Parekh:

So, Europe is definitely a potential since it is quite close to UK and we have a great technology, but I think what we have is there is a thin gap for the UK market so we will see a large growth opportunity in UK itself. So, I think for a few years we will be focusing on UK and then at the right time we will see we will take across geography.

Ronak Mehta:

Sure Sir. Thank you very much. That's it from my side.

Moderator:

Thank you. The next question is from the line of Udit from Yes Securities. Please go ahead.

Udit: Thank you for taking up my question. Sir this question is like in the last two, three years of course the COVID pandemic has hit the company's performance how do you see the growth trajectory in the company that we have acquired?

Chirag Parekh: So now I think that the world is coming back to normalcy gradually and we have started habituated in which way to live in this pandemic situation and I think whatever the pre-covid level sales we have, I think it should normalize by this year so we should get back to the £14 million level.

Udit: You mentioned in your opening remarks that we start to come into our books after H1 is that understanding correct?

Chirag Parekh: Yes, the sales consolidation will start from April Q1 itself.

Udit: Can you explain the debt to internal accrual proportion that will be used for this cost?

Chirag Parekh: Yes, so the total acquisition of £11 million out of which £7.7 million is the debt and £3.3 million is internal accruals and if you understand these are both in our UK book so the 3.3 internal accruals have been through our UK subsidiaries.

Udit: Understood thank you Sir.

Moderator: Thank you. The next question is from the line of Keval Ashar from DSP Mutual Fund. Please go ahead.

Keval Ashar: Congratulations Chirag bhai as far as this acquisition and us expanding your toilet market. So, Chirag bhai what is the size of opportunity that we have in slab market and at what rate do we see this market growing for us?

Chirag Parekh: I think for a company we have always seen the surfaces has to be one of the greatest premium product to add with our kitchen sinks which has always been a massive market across the world so this is going to be our first step in UK by which like I said is going to be a great value proposition you are actually entering a huge market, now like I said that when you have the solid surface which is just doing about £12 to £14 million in UK while the whole Quartz Worktop share is still pending so we plan to introduce that very soon into this and plus the new channels just when we acquired the company there has been some breakthroughs with some new customer within UK so I believe within the next three to four years we should be able to at least we are targeting to double our revenue in UK.

Keval Ashar: So, would it be only the revenues from slabs or the total revenue considering quartz sink and slab both?

Chirag Parekh: No, I am talking as a UK business as whole; there are a lot of cross selling opportunities like I said.

Keval Ashar: If we currently see quartz sink is the major growth driver for us and also major revenue contributor for Acrysil now since you have acquired this, and this is a high growth segment in next three to five years how much revenue do you see contributed from this segment for Acrysil?

Chirag Parekh: Like I said that UK this is about 120,130 Crores business and our Acrysil UK products is going ahead about at a annual rate of about 100 Crores so UK itself is about 220 –230 Crores of revenue. If we are able to continue, as we assume a general history that Acrysil product six years back, we acquire a 2 million revenue company which should built to 10 million approximately in the last five or six years so that shows that the company has the bandwidth capacity and the market to significantly multiply sales. So, I think we should be probably going with that confidence to at least double our revenue in the UK in the next four to five years' time.

Keval Ashar: Got it Sir. Thank you so much and all the best for the coming years.

Moderator: Thank you. The next question is from the line of Nikhil Gada from Abakkus Asset Management Company. Please go ahead.

Nikhil Gada: Hi Sir, congratulations on the acquisition. A few questions from my end. Firstly, if you could help us with the market size of UK because when we say that we have a 35% market share and if I look at the revenue of the company from solid surfaces, which would be around.100 odd Crores so are we saying that the market is around 300 to 500 Crores in UK for this product?

Chirag Parekh: Yes, you are right so these are solid surfaces these are specialized ATH based surfaces. It's a very niche category and this technology is that they do a seamless integration of kitchen sinks to the worktop in one piece, while I say that this would be around I think about 35 markets percent share so this should be about approximately 500 Crores market but there is another 1000 Crores plus market which is there for the quartz tops so while we are doing this to access larger market share in the solid surfaces we will also be planning to add a lot of quartz tops along with this.

Nikhil Gada: Sir just on the quartz top is there a technology which is there already with the company we are acquiring for quartz as well or the technology something which we already have in-house, and it is just that a channel will help us introduce the product for cost?

- Chirag Parekh:** No, I think both Acrysil and UK do know how to fabricate the worktops and install it, so we are going to quickly use these channels.
- Nikhil Gada:** Secondly could you help us what kind of capacity STL has and what is the utilization currently and is there any near-term capex plan over there?
- Chirag Parekh:** So whatever the information I have still and actually finding in UK soon about whatever information we have that the STL is doing about 65% to 70% capacity at this point. There is a significant land which is available next to it and I think we have enough room for expansion further into the solid surfaces and we also have the place to even to do the fabrication for the quartz top surfaces.
- Nikhil Gada:** Just a last bit on the asset base could you help us what will be the asset base of the company as of now what is the gross block and the working capital deployed?
- Anand Sharma:** Nikhil this company is more on a light asset base so around 400,000 pounds is the Gross Block.
- Nikhil Gada:** Okay £400000, right?
- Anand Sharma:** Yes.
- Nikhil Gada:** What would be the working capital deployed in the market as of now?
- Anand Sharma:** Working capital?
- Nikhil Gada:** What would be the working capital of the business as of now?
- Anand Sharma:** Working capital is around 70 days.
- Nikhil Gada:** Chirag bhai just one last question I understand this product is very similar to acrylic solid panels and I think India also has large share market of 700 to 1000 Crores which is largely imported so are we also looking at introducing this product in India?
- Chirag Parekh:** So I think we have definitely an idea to do a backward integration in long-term, what we see this product has to be a perfect fit for India because India does not have the seamless integration the worktops to a sink like we do know this because Carysil Sinks when I see my Carysil sink getting fitted into any of the worktop we always see that the fabrication is not up to the mark what the Europeans and the other country. So India itself would be a significant market for this technology and for the worktops. Second on doing the backward integration there is a huge potential for us moving forward to put up the own manufacturing

because if we get 100 - 120 Crores of business we can do it for captive consumption and this is going to help to setup a base for the worktops both acrylic and for the quartz tops and this is how we plan to grow across the world. So, this is going to be a big steppingstone for us moving forward.

Nikhil Gada: Thank you.

Moderator: Thank you. The next question is from the line of Rishab Dugar from CD Equisearch Private Limited. Please go ahead.

Rishab Dugar: Good afternoon. I just want to know how much could be the potential sales from cross selling opportunities arising from the acquisition.

Chirag Parekh: Like we said there are lot of opportunities, and we plan to see at least somewhere around 20% to 30% growth year-on-year and I think based on that we should be able to multiply revenue in few years time.

Rishab Dugar: So, you are saying 20% to 30% growth on Acrysil's book?

Chirag Parekh: UK business I am saying.

Rishab Dugar: This will be contributed from the STL's book you are saying that?

Chirag Parekh: Not just the STL books but the Acrysil Products and the STL put together so because STL will have lot of advantage in Acrysil Products, and so all in all as a UK business we expect a good growth.

Rishab Dugar: Since you have talked about cross selling opportunities, I just want to know that what would be your competitive advantage in pitching your sinks to STL's clients?

Chirag Parekh: Being a branded business and for a long time more than 35 years into the UK there are various national distributors, which currently the Acrysil products has does not ever entry into it like example Wickes, Homebase and large retailers, now this is going to give us a big entry into this and that is how it is going to help you scale up the Acrysil business. While this STL does the worktop integrate the sinks into it since it is now our company, we would be able to transfer all the sinks which is integrated to the worktop with Acrysil sinks.

Rishab Dugar: The clients of STL so they do not sell Quartz Sinks?

Chirag Parekh: So, there are a few common clients between Acrysil products and STL but there is large client's customer base which Acrysil still does not sell Quartz Sink and with the help of STL we will have the access to that.

Rishab Dugar: How would you justify these valuations?

Chirag Parekh: I think any acquisition at 15% - 16% EBITDA level and where you see the growth trajectory to be very good in the next few years time, we see about the return investment in about six to seven years and like I said there are many opportunities with this acquisition and the technology which we are getting seamless technology, we are getting the branded business in the UK which we are going to now going to come out with the bathroom products, we may add our kitchen faucets, we may add kitchen appliances to it, so we are going to take the full advantage of the customer base what they have in UK and plus we need to understand that Acrysil Products which currently is distributing sinks and taps will get a significant advantage to it and so that is going to help us significantly to get our strong presence in UK market and help to scale the growth.

Rishab Dugar: Thank you.

Moderator: Thank you. The next question is from the line of Harshil Shethia from AUM Fund Advisors. Please go ahead.

Harshil Shethia: Thanks Sir. The products that STL manufacture basically is high quality solid surfaces is it like kind of kitchen tops which are granite based in India?

Chirag Parekh: No, these are based on ATH like you have the DuPont Korean kind. So these are very different than what we have it in India. So, these are the advantages these are much softer surfaces so you can actually do its installation at site with good working. You do not need large Quartz cut and tools to cut this so at the site you can do a great finishing work with the wooden equipments.

Harshil Shethia: Okay Sir thank you that is it from me.

Moderator: Thank you. The next question is from the line of Nakshita Mehta from Credent Asset Management. Please go ahead.

Nakshita Mehta: Thank you for the opportunity. I just wanted to understand the debt position of STL do they have any debt and if you can just elaborate on that?

Anand Sharma: It is a debt free company they do not carry any debt on their books.

- Nakshita Mehta:** All right okay perfect that is all I wanted to know. Thank you.
- Moderator:** Thank you. The next question is from the line of Dhruv Rathod. Please go ahead.
- Dhruv Rathod:** Good afternoon, Sir. Actually, I just wanted to know how the revenue and profit numbers?
- Anand Sharma:** The revenue for the financial year FY2021 they follow the calendar year January to December, so the turnover was £12.3 million, EBITDA was £2.05 million, 16.7%, and profit before tax £1.8 million.
- Dhruv Rathod:** Thank you very much. Also, I wanted few on the technology front the technology which you are using that is a shock technology on the sinks front is that technology will be shared with the new subsidiary coming in?
- Chirag Parekh:** No, we will not be sharing.
- Dhruv Rathod:** Sure, thank you very much Sir.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question for today. I would now like to hand the conference over to Mr. Chirag Parekh for closing comments.
- Chirag Parekh:** I would like to take this opportunity to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information please get in touch with Strategic Growth Advisors, our investor relation advisors. Thank you once again. Stay safe.
- Moderator:** Thank you. On behalf of Acrysil Limited we conclude this conference. Thank you for joining us and you may now disconnect your lines.