



“Acrysil Limited
Q4 FY2019 Earnings Conference Call

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

Moderator: Good day ladies and gentlemen and welcome to the Acrysil Limited Q4 and FY2019 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 involved 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 an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now like to hand over the conference to Mr. Chirag Parekh, Managing Director from Acrysil Limited. Thank you and over to you Sir!

Chirag Parekh: Good morning ladies and gentlemen. A very warm welcome to Q4 FY19 earnings call of Acrysil Limited. Along with me on this call I have Mr. Anand Sharma, CFO and SGA, our Investor Relation Advisor. The results are uploaded on the stock exchange and on the company website. I hope everybody had a chance to look at it. Year 2018 and 2019 was a year of strong foundation in terms of making a strong inroad to the domestic market with our brand Carysil along with strengthening our international position.

Fiscal year 2019 was an outlier as it truly tested the robustness of our business model. We are very fortunate to witness strong growth of 28% on our topline on a YOY basis. Our domestic and exports both grew by 28% each. In today's increasingly brand conscious age, being at the top arouses aspiration and generates pride. It also emerges as a critical value driver. Acrysil is the sole manufacturer of quartz sink in India & Asia to global standard of quality, durability and visual appeal. Your company is increasing its effort to build upon this invisible, yet rock solid pillar called its brands “CARYSIL”, “TEKCARYSIL” and “STERNHAGEN” that continues to reinforce confidence in us and have been able to garner mind space of influencers as well as consumers. Brand development has always been one of the key focus areas for the company.

Also the company's management team comprising eminent and experienced members makes it possible for the company to stay ahead of the curve through proactive capacity creation, competitive cost of manufacturer, world class quality and distribution synergies. In order to further strengthen our team, we at recent board meeting appointed Mr. Rakesh Pardeshi as a Chief Operating Officer. Mr. Pardeshi is US citizen, who has lived in the US having 19 years rich experience as a CTO. In his previous role as the Chief Technology Officer for global operations units at Kraus USA Incorporation, he has been managing business and technology department spread across geographies. He has established track record of achieving results as well as transforming leading world class IT organizations across the supply chain and manufacturing industries. We welcome him on the board and look forward on his contribution to the future growth of Acrysil.

Coming to the business updates. As informed earlier, we are increasing our Quartz Sink capacity by approximately 25% that is by 100000 units, which is expected to be operationalized by Q2

FY2020. The company is strengthening its manufacturing capacity and capabilities to meet its customer aspiration. It will also help company to offer more to the domestic market, which has the potential to become an important business driver over coming years.

On the other brand “Sternhagen” have started gaining traction. This year it contributed about 5 Crores to topline. On our agreement with “GROHE” for supply to Quartz Kitchen Sink, it has potential to bring in about additional revenue of approximately \$7 million to \$8 million in the next three years. Company is focusing on strengthening distribution channel and our dealers & distribution network grown to 1500 and 82 respectively. The company also has 80 galleries including Shop-in-Shop along with three company owned showrooms to display its products. We are in the journey of building largest sink dealer network translating into the dominant market share in the coming years. With a diverse range of innovative products, we currently have a presence in over more than 50 countries and are committed to spread our footprints across 70 countries in coming few years.

Coming to our products. Quartz Sinks- we have developed more than 120 models to cater to various segments and market. It contributes 72% of our consolidated revenue. There is a huge market potential for Quartz Sinks as globally there are only four leading players across the world. On the stainless sinks, the company is manufacturing two kind of steel sinks - press sinks and designer sinks, which is called Quadro Sinks, which caters to high end market who are willing to pay a premium for superior quality, design and finish. Steel Sinks contributes approximately 15% of the consolidated revenue.

Our total capacity to manufacture Steel Sinks stands at 75000 units per annum and demand scenario for the same continue to remain strong. Quadro Sinks capacity is 100% utilized and Press Sink has been about 70% utilization. This validate there is increasing demand for value added products, which has now allowed us to meet the demands of customers who want latest offerings. We have been continuously working on this front; recently we have introduced new innovative products, Micro Radius and Zero Radius Sinks.

Continuing of our philosophy of innovation and developing new products using synergies of technology and the distribution channel, we have started manufacturing 3D composite wall tiles, which makes us a first company in Asia and second in world with this sort of technology.

Bath segment, Citing synergies in the usage of Quartz Sinks technology, we have entered the bathroom segment and have developed products, which we believe have set a higher standard benchmark for bathroom designs. We are in the process of building dealers, distributing network for distribution & marketing of our products. These are still early days; however, we are overwhelmed with the response and the feedback visit from end users. We believe going forward bathroom segment would be one of the major pillars of growth.

Kitchen appliances, we foresee multifold growth opportunity in this segment. In this segment, we have introduced many innovative, customer friendly products to meet aspiration of modern

India. We will also be working for expansion of the range and continuously work on the innovation, R&D and design part of the products.

To conclude, we have been steadily moving up the value chain and capturing the brand mind space of niche consumer segment across the categories. The new initiatives in the Quartz segment and the development in all of our new verticals like bath segment and home built in appliances altogether will help us to capture a larger share at the domestic market.

We will continue to focus our efforts on introducing a number of new superior products every year. We believe trend such as changing consumer lifestyle, increasing customer awareness, growing working population base, rising women workforce, growing personal disposable income level and availability of number of financing alternative, suggest that the kitchen has bath products segment in India is expected to multiply in manifolds.

Now, I would like to handover the line to Mr. Anand Sharma, our CFO to update you on the financial performance of the company.

Anand Sharma:

Good morning everyone. Let me take you through the financial performance of the company.

Board of Directors have recommended dividend at the rate of 60% on the equity shares of the face value of Rs.2.

Q4 FY2019 performance, the consolidated revenue stood at Rs.65.3 Crores for Q4 FY2019 as against Rs.50.7 Crores in Q4 FY2018 recording growth of 29% to the corresponding quarter led by strong volume growth in both domestic and export markets. EBITDA of the company stood at Rs 9.1 Crores as against Rs 6.3 Crores of Q4 FY2018 recording growth of 45%.

Profit after tax and minority interest increased by 72% in Q4 FY2019 as compared to corresponding quarter, it stood at Rs 4.2 Crores in Q4 FY2019 as against Rs 2.4 Crores of Q4 FY2018. Cash profit after tax stood at Rs 6.5 Crores against Rs.4.4 Crores.

Now FY2019 annual performance, the consolidated revenue stood at Rs 251.6 Crores for FY2019 as against Rs 196.4 Crores in FY2018 recording a growth of 28% year-on-year. We have achieved EBITDA of Rs.40.4 Crores as against Rs 25.7 Crores a growth of 57%.

The EBITDA margin increased to 16.1% from 13.1%. Profit after tax and minority interest increased to Rs 17.2 Crores from Rs.12 Crores recording growth of 44% in FY2019. Cash profit after tax stood at 25.8 Crores as against Rs 19.1 Crores.

Net debt to equity stood at 0.61. Our ROCE stood at 14.7% as compared to 11.9% in FY2018 with an increase in 280 BPS. ROE stood at 13.25% as compared to 10.4% last year increase by 280 basis points.

Now, we open the call for questions.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Dhavan Shah from ICICI Securities. Please go ahead.

Dhavan Shah: Thank You for the opportunity to ask questions. First, can you please share some more lights on the agreement with GROHE, what kind of synergy do you look at in next three to four years and what kind of revenues can we generate over the period of medium term?

Chirag Parekh: I think I have already mentioned in my speech that we are looking at about positive revenues \$7 million to \$8 million in the next three year time. Why we see is that is a great opportunity because GROHE has identified Acrysil has a single source of supply to the GROHE thing, so we have already started receiving orders from GROHE in bulk quantities. They have already launched our same in the exhibition few months back and then they are again launching at the end of this month i.e. day after tomorrow, they are launching in Shanghai. So they have been pretty aggressive in launching all these things, so we look forward for good opportunity with them.

Dhavan Shah: And we are increasing the capacity by around 1 lakh sinks granite one, which will be coming in the next one or two quarters. So may be in FY2020, we can generate revenues of around Rs 300 Crores, but post that year will be almost at the optimal utilization. So what is your plan in terms of the capex and how will you fund it because the cash generation could be around Rs 5 to Rs 6 Crores every year post dividend payment, so any thoughts on this?

Chirag Parekh: We will complete this expansion in Q2 and then we will see how it goes in Q3. If we have some big deals, which we seize by the end of Q3, we may go for another expansion of another 100000 Sinks. Coming back Granite Sinks, based on the profits what we are anticipating this year and coupled with the investments what we look to gain about 100000 Sinks plus, it is not a very large investment. We would be able to manage with little bit of debt and little bit of internal cash flow.

Dhavan Shah: Is there any scope of operating margins improvement, currently we are at around 16% and working capital to sales is around 30%, so is there any scope of improvement between these two items operating margin and the working capital?

Chirag Parekh: Operating margin working capital, sorry, can you just say as of first, what you are looking for?

Dhavan Shah: The operating margins currently is around 16% EBITDA margin excluding the other income on the yearly business, so is there any scope of improvement in the next two to three years. Currently, if you look at the working capital, working capital to sales is around 30%, you know 110 or 120 days is there. So is there any scope of improvement in the working capital as well over the period of time?

Chirag Parekh: One thing is operating margins of the company will improve of which there is a large factors, which forex gain & loss contributes to our company. But nevertheless, the view in manufacturing unit is that its is working in more efficient way as we also investing in lot of automation and the

raw material prices of MMA, which was the Acrylic prices, which was high last year, it now started to fall down. So we would be looking improvement in the operating margin. As far as the bank working capital is concerned, which is about 30% would also drop because we do not have any large capex plan and plus if we are looking at the performance in this FY2019-FY2020, I think the company will have enough cash flows rather than try to borrow more working capital from the bank.

Dhavan Shah: Got it, and Sir, if I can ask one more question, can you share some more thoughts on the inventory we are carrying for MMA, which is methyl metha acrylate. So any thoughts on this, what kind of inventory level can we keep for a year?

Chirag Parekh: We do generally keep for MMA, which is an imported item and a very important item. So generally we carry our inventory about 90 day time. So all this acrylic price which is coming down, we may get impacted.

Dhavan Shah: Right and there has been increase in the other expenditure during this quarter by around Rs 4 Crores to Rs 5 Crores on a Q-O-Q basis, so is there any forex active in this?

Anand Sharma: Other expense is an increase only because of increase in manufacturing. So other expenses is the manufacturing and sales expense. So if you go by pro-rata it has not increase, it has actually decreased.

Dhavan Shah: No, on quarter-o-quarter basis, if I look at in Q3 standalone revenue was around Rs 50 Crores and other expenditure was around Rs 17 Crores to Rs 18 Crores, in Q4 standalone revenue is Rs 49 Crores and other expenditure is around Rs 21 Crores?

Chirag Parekh: Right there is a Marketing expenditure of about Rs 1.2 Crores, which we incurred in Q4 to add our brand appearance for next quarter sales.

Dhavan Shah: And rest around Rs 2 Crores to Rs 3 Crores?

Chirag Parekh: That are related to export expenses, freight and all other expenses related to sales.

Dhavan Shah: Thank you. That is all from side.

Moderator: Thank you. Next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: Good morning Sir and congrats for the great set of numbers. So, I am following this company recently so pardon my naivety, could you give us breakup of sales and also volume data if it is possible for Quartz Sinks, Quartz Stainless Sinks and appliances?

Chirag Parekh: I will give you first segment wise revenue. I think we have already shared.

Harsh Shah: Volume and value both, value I can get it from the presentation; I am looking for volume may be?

Chirag Parekh: So, the volume is 345000 sinks with Rs 166.5 Crores value, stainless steel sinks 55600 approximately Rs 22 Crores, appliances 18300 quantity approximately Rs 16 Crores value, faucets and food waste disposer 2022 quantity of Rs 1.21 Crores revenue and Sternhagen and other bathroom is about 6000 and Rs 5 Crores revenue, so total Rs 210 Crores.

Harsh Shah: I would like to ask your export sales is doing tremendously well with the growth of around 28% to 30%, just want to know what is driving this growth in the export market and could you also breakdown the growth in terms of revenues, which are generating from the replacement/ renovation order in the market and how much from the new construction market?

Chirag Parekh: From the export side, we would see probably not have any data on what is, how much is new construction because export is normally go out of western countries where normally new household is about 10% to 20%. 80% to 90% is more home renovation. So that is point number one. The point number two is the increase in sales in the exports as like we have said is due to market expansion, new plants, new products purely it is from the US market has been one of the biggest growth divers and plus we are 30% of the contribution coming from new territories like Mexico, Australia etc. All these are about five to six new territories, so about 30% contribution is by new market development.

Harsh Shah: That explains it, and we are talking about the global slowdown and trade war and stuff like that, so how do you look at this export market of yours next say couple of years?

Chirag Parekh: There is volatility not only in global, but also in India. I think everywhere there is a situation probably we will already be in and cannot escape from this. But we at Acrysil see this as an opportunity, for example, if there is a trade war in China with US, you will have more opportunities in India than in China. So we would try to look as more as an opportunity than more of a threat, so that is number one. Number two is, even we are in the world times in the economy global slowdown, that Acrysil will yes, the growth had slowed down from average 20% to about 10%, but this kitchen sinks primarily is a necessity, so it goes in a kitchen is that is the first thing you change when somebody change the house, so kitchen sink is a platform, so to a large extent we are fortunate that this market has not been very affected. Now coming back to the Indian market, we are not much dependent upon the builders market, so we are still on a same more of a home renovation market so to that extent our risk is low.

Harsh Shah: Would we having any data of how much of Acrysil products do China export into the US and how much do we export? the purpose of asking is especially recently they import additional tariff of around 10% to 25%, just want to know are you seeing any shift of demand coming towards India from China?

Chirag Parekh: We will give to you offline.

- Harsh Shah:** Sure. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from White Stone. Please go ahead.
- Dixit Doshi:** Sir, my first question is you mentioned Steel Sink Sales of around 56000 against the capacity of 75000 units and this is out of this 75000, 25000 is Quadro Sink right?
- Chirag Parekh:** Yes.
- Dixit Doshi:** So, that 25000 you mentioned is something of 100%?
- Chirag Parekh:** Yes.
- Dixit Doshi:** Any thoughts on expanding that capacity because I think we are seeing more of a demand in Quadro then Press Sinks?
- Chirag Parekh:** As a company as a strategic call we will be focusing more on this Quadro sinks, so we now planning to increase capacity, we have already started second shift from last month and then we have already invested, we have already placed orders for new machinery and building. So we would be looking to doubling the Quadro capacity in Q2 also.
- Dixit Doshi:** So, like 25000 to 50000?
- Chirag Parekh:** Yes, because we also have more, we also got enquires for export market. So we are now planning to build the Quadro capacities. So may be after Q2 if we sale some export demand with some, we have been able to get some contracts, we also go for a third expansion in Q3.
- Dixit Doshi:** Sir, secondly you have mentioned that we started the second shift, so after second shift also we can maximum do 25000 units or we can do more?
- Chirag Parekh:** Second shift will increase its capacity by 30% to 40% as of now. So by the new machineries, which we have ordered should be coming in few months, I think a month or two, so we are looking basically capacity expansion doubling by Q2.
- Dixit Doshi:** That will require another Rs 5 Crores to Rs 6 Crores, right, I think last time we doubled with Rs 2 Crores to Rs 3 Crores capex?
- Chirag Parekh:** Yes.
- Dixit Doshi:** Secondly on our home style business, in the home style breakup the entire Quartz Sinks is procured from Acrysil only?
- Chirag Parekh:** Yes.

- Dixit Doshi:** And are we planning to Steel Sink from Acrysil for a home style?
- Chirag Parekh:** Sorry.
- Dixit Doshi:** I think home style to 39% of sales from Steel Sink?
- Chirag Parekh:** We are right now Acrysil sales to home style stainless steel sink is about 15% and to 15%, which now this year we are planning to increase it to 30% about 25% to 30%. Gradually the plan is to substitute, but more if you see on the Quadro line then to do with the press line because press line in India we are not competent enough with the Chinese prices.
- Dixit Doshi:** Lastly, if you can elaborate little bit on the Sternhagen, so how do we see in the next year to do, we did expand our dealer network this year also, but more or less the change is flat, so if you can elaborate what are your thoughts?
- Chirag Parekh:** The sales have increased for Sternhagen, which is a very small sale, you know it has increased from Rs 3.3 Crores to Rs 5 Crores. We are probably about a year or two short in what our target is. I think the main reasons are, one the luxury market in India is quite slow at this time. Number two is the dealers which we had and the sales team in place, we were not competent enough to sell this product. So last month, we have rejigged the whole sales team and marketing team and we would be surely getting new team on board by next month. So in Sternhagen, you will see this a new drive in sales in Q1 or Q2. Plus this Sternhagen, the concrete tiles, has now started to gain momentum because now we had some problems with manufacturing, because since this is outsourced Hungarian technology we had some quality issues mostly with the lead part in India, which has been resolved about 90% to 95%. So you would look at increase in Sternhagen sales even from the tiles side. So we are looking at doubling our sales this year and set up the distribution network. So I think the momentum will soon come once we cross this Rs 10 Crores to Rs 15 Crores. So once the market is set up the distribution side then you will see a momentum coming very fast then.
- Dixit Doshi:** Thank you. That is it from my side.
- Moderator:** Thank you. We will take the next question from the line of Ganesh Radhakrishnan from Pristine Portfolio. Please go ahead.
- Ganesh Radhakrishnan:** Thank you. Congratulations to the management team for the good set of numbers. Just want to ask you that when you are going for this kitchen appliances and bath and those areas what is the plan for capital investments for manufacturing this products, they are already increased or they are going to be a better?
- Chirag Parekh:** If I am able to get you question right, you are talking mostly on the side of the appliances, right?
- Ganesh Radhakrishnan:** That is true.

Chirag Parekh: The appliances we have started assembling the product from our side and we would be probably manufacturing some of it by next quarter. This will improve the margins, obviously will reduce the inventory level to a large extent. So our plan is, in the next three years' time, we would like to have at least 30% of our manufactured sales of appliances. As far as the ceramic is concerned, in Sternhagen, we do not have any plans as of now to put up manufacturing of ceramics, but we do have Quartz wash basins, the Quartz tiles and the Concrete tiles all three are being manufactured in Acrysil. So Sternhagen would be approximately about 50% manufacturing by this year. Since all the Quartz and Concrete we are manufacturing, the ceramic comprise about 50% of our sales. So 50% ceramics and 50% Acrysil manufacture products.

Ganesh Radhakrishnan: The next question is when you are building this kitchen and this bath ceramic area, there are already some large players there, so what kind of advertisement and promotional expenses we foresee in the next few years we are going to expand the capacity of sales?

Chirag Parekh: So, when we started this kitchen appliances about five to six years back, we obviously did a lot of brand building exercise, company had spend a lot in the commercial and advertising and all. I think we are at a position right now that we are using all the Carysil kitchen sinks, showrooms, the channels, synergies to grow & strengthening our distribution base. So we would like to position our brand more of premium brand and than on mass selling brand where more commercial and more newspaper advertising is there. So I think the company has changed its focus on more of our premium brand, which Carysil is and we do not want to make it a mass brand. So they are two reasons, one is commercial advertising is very expensive and looking at the sales revenue what company is getting we would not be able to absorb this kind of large expenses. So we are focusing more on having our own franchises. In this franchises, we would try to have the showroom at the more world class showrooms than the others. so all the point of sales that we are trying to create the best sales point in the appliances and I think same goes for the Sternhagen. I mean purely our product more will be architect driven than more of a consumer pull that I would say. So we are doing more marketing in terms of getting any architect driven magazines or usual media, where is more architect driven.

Ganesh Radhakrishnan: What is the current capacity utilization of the Quartz Sinks, I know that you are going to expand it by another 100K, but it would be already run that say 100% utilization?

Chirag Parekh: Yes, we almost there. Hence, we have gone for this 100000.

Ganesh Radhakrishnan: My last question is on the German tie up with GROHE, do they sell the Carysil branded products or you will it be a contract manufacturing?

Chirag Parekh: Contract manufacturing.

Ganesh Radhakrishnan: So, the products will go into the brand?

Chirag Parekh: Yes.

- Ganesh Radhakrishnan:** Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Manav Shah from Arjava Partners. Please go ahead.
- Manav Shah:** Sir, congratulations on the good set of numbers. I just have one question, we have heard that you give lifetime warranty for your products, is this true and if it is true, how do you account for it, how do you provide for it?
- Chirag Parekh:** What we call a limited lifetime warranty. It is not a guarantee, so this is with any kind of manufacturing defect.
- Manav Shah:** Sorry, I could not hear you, could you repeat it?
- Chirag Parekh:** This is more limited lifetime warranty, which is against any manufacturing defect.
- Manav Shah:** If that defect happens, how do you account for it, do you make any provision for it?
- Chirag Parekh:** Yes, we do whatever the returns what we get that we account in our book and then in turn we do also raise the debitnotes to our suppliers.
- Manav Shah:** Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Hrudyam Verma from Augmen Catalyst. Please go ahead.
- Hrudyam Verma:** Sir, just had some clarifications actually, you mentioned that we are increasing our capacity from 4 lakhs to 5 lakhs units this year, and then you again mentioned that after that you are again thinking to increase the capacity, so has that finalized or this is something that you contemplating right now?
- Chirag Parekh:** I think if you are looking at this kind of growth and whatever we have things going on in the pipeline, so it may call for three quarter or quarter fourth for new expansion on 100000 sinks, expanding upon the base on contracts we have numbers through.
- Hrudyam Verma:** On the Steel Sink side, you mentioned that we have a capacity of 25000 Quadro sinks, so the rest is press sinks right?
- Chirag Parekh:** Yes.
- Hrudyam Verma:** On the press sinks side, we are not compatible with the Chinese prices is that correct?
- Chirag Parekh:** Yes.

HrudyamVerma: We are increasing the capacity of Quadro; we are doubling the capacity of Quadro sinks from 25000 to 50000, so that plan is finalized, right?

Chirag Parekh: Yes.

HrudyamVerma: So, when will that happen?

Chirag Parekh: So, we like had said in my earlier call, we already started the second shift, if require we will do a third shift depends when we get the machinery, but we are looking at from Q2 also.

HrudyamVerma: Sir, just a basic question, I mean when you say second shift, so what is that actually mean, because you mentioned that we are increasing the second shift will increase the capacity by 30% to 40%, so what is that means?

Chirag Parekh: Right Now, Company is running on a one shift basis, which is of eight hours.

HrudyamVerma: Overtime you mean like?

Chirag Parekh: No, not overtime, we do a second shift, so on the 24 hours you can do three shifts. Acrysil Composite Sinks works 24 hours on three shifts basis, so stainless steel plant also we planned to do run a second shift now.

HrudyamVerma: So, our Quartz Sink is already working on 24 hours shift?

Chirag Parekh: Yes.

HrudyamVerma: But stainless steel was not, so now that will also will start working on 24 hours shift?

Chirag Parekh: Second shift.

HrudyamVerma: I mean Sternhagen last year what was the annual revenue of Sternhagen last year?

Chirag Parekh: Last year was Rs 3.3 Crores.

HrudyamVerma: And this year is Rs 5 Crores, right?

Chirag Parekh: Yes.

HrudyamVerma: Sir, home style last year total revenue?

Chirag Parekh: Home style last year was Rs 45 Crores and this year is about Rs 57 Crores, increase of 25.6%.

HrudyamVerma: That is great. Thank you. That is from my side.

- Moderator:** Thank you. We will take the next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir, any margin expansion, are you expecting in this year along with the topline growth?
- Chirag Parekh:** Yes.
- Ravi Naredi:** Can you tell how much margin and how much topline we are expecting this year?
- Chirag Parekh:** On the topline, we are planned to sustain our growth, which we have been doing about 20%, so I think the margin side also we have improved over last year, so I think if we able to do there will be still improvement about I think 30% to 35% margin growth.
- Ravi Naredi:** Any return on capital employed will be high, 20% topline growth and margin expansion?
- Chirag Parekh:** Yes, Acrysil is never very high capex driven company, so ROIs have been very good and very short period.
- Ravi Naredi:** Sir, our bathroom segment they look very attractive and India is so much big country and 50 countries we are working, do you think Rs 250 Crores turnover is very less for the company of Acrysil and like you have small management team, can you tell something about in the next five years where you see the company?
- Chirag Parekh:** You are talking on the bathroom segment?
- Ravi Naredi:** Yes, bathroom segment.
- Chirag Parekh:** In bathroom segment, you are right that we are very small in terms of sales because we are very niche player into this. We are not a mass player so that is number one, because when you have other larger brands it is very hard to compete with them if you do not have any uniqueness in the product, but when I am talking at the same time the Sternhagen the 3D products, which are not only first time in India, but first time in the world we have launched, which is about three times the price of a normal WC, which you would buy. So these products are not very cheap, anything opening of a showroom, making a showroom take typically about three months time. So I think the cycle to build showrooms, get people to see this new brand coming in it will take a little bit of time, but we are very optimistic is over the period of five years. If any of the vertical, which you are identified in our business is about Rs 100 Crores vertical, so bathroom and tiles segment do get we are looking at about Rs 100 Crores topline revenue, but in five years' time we may look around Rs 50 Crores or something. But I am sure the pace is going to be generated once we have the network in place.
- Ravi Naredi:** How much this year the turnover of the bathroom segment?
- Chirag Parekh:** This year we are looking at doubling our growth in the bathroom side.

- Ravi Naredi:** How much is the turnover in 2018-2019?
- Chirag Parekh:** Rs 5 Crores.
- Ravi Naredi:** So, we are looking up to Rs 10 Crores this current year, right?
- Chirag Parekh:** Yes.
- Ravi Naredi:** Thank you very much. All the best.
- Moderator:** Thank you. The next question is from the line of Shikhar Mundra an Individual Investor. Please go ahead.
- Shikhar Mundra:** Congrats on the good set of numbers. Just wanted to understand industry outlook for Quartz Sinks like how big is the market and who are the major players except us, you said there are four major players and how much of the market they have?
- Chirag Parekh:** Approximately the Composite Sinks market in the world is about 5% to 5.5% sinks, the larger players will contribute, which is the Top technology players are Blanco, Franke and Schock, which comprises about 60% to 70% of the total Quartz sales in the world.
- Shikhar Mundra:** So, we have the remaining 30%?
- Chirag Parekh:** No, not the remaining 30%. The 30% are other Quartz Sinks, who does not have, they make it from polyester resins and cheaper products made from Quartz.
- Shikhar Mundra:** Sir, what is the price realization difference between the cheaper Quartz Sink and premium Quartz Sink, which we make?
- Chirag Parekh:** I don't know what the cheap Quartz is, because that is another segment all look together. But I think whatever information we have, this sinks would be about 20% to 30% cheaper than us.
- Shikhar Mundra:** How do you see the Quartz Sink as an industry growing, are we capturing the stainless steel sink market is there a shift happening, how is it?
- Chirag Parekh:** The Quartz Sinks primarily people call it as a term it as Granite Sinks and why people are liking the Granite Sinks is purely because they find it more of natural product. So most of the homes in India or abroad they use natural stones for our kitchen. So they will like to have another Granite Sinks, Quartz Sinks, which has fantastic colour, shapes, matching with you kitchen décor and so across the world this momentum of the granite has been picking up quite fast.
- Shikhar Mundra:** And what is the price realization difference between stainless steel sink and a Quartz Sink?

- Chirag Parekh:** India or abroad because it is all very different, but approximately I can tell you it is like about stainless steel also you have some like Quadro. So our Quadro Sinks are almost the same price of a Quartz Sinks, so in fact compare to the large mass the Press Sink then the price difference be about 30%.
- Shikhar Mundra:** Alright and amongst the different products, one is the Quartz Sink, one is the Stainless Sink and other is the bathroom segment, so are the margin profile similar in all the products?
- Chirag Parekh:** You know the gross margins normally are almost the same especially in the Quartz, the Sternhagen, and also the appliances. The Stainless Steel Sinks on Quadro is also the same. Only stainless steel press is low.
- Shikhar Mundra:** Thanks for answering the questions.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Thank you for this opportunity. I would like to know the GROHE will we have the same margin, which we are having in other products?
- Chirag Parekh:** Can you please repeat, sorry?
- Ravi Naredi:** GROHE where we are expecting 7 to 8 million turnovers in the next three and half year, we will have same margin, which we are having for other products at GROHE?
- Chirag Parekh:** More or less, yes.
- Ravi Naredi:** Thanks a lot.
- Moderator:** Thank you. As there are no further questions from the participant, I would now like to hand the floor back to Mr. Parekh for closing comments. Over to you Sir!
- Chirag Parekh:** Thank you for your questions. I think always it helps us to look at what we need improve upon them, so thanks to all the questions. We are happy with our performance of FY2019, but obviously there is a lot of scope of improvement and we need to lead by greater emphasis of the team towards enhancing operational efficiencies. We are encouraged by the improving macroeconomic factors and believe the momentum of the sector would continue. We are focused towards creating value for all stakeholders. We are very much thankful to all our investors and participants for joining on this concall. Thank you.
- Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Acrysil Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.