

## Acrysil Ltd

|                                 |                 |
|---------------------------------|-----------------|
| No. of shares (m)               | 26.7            |
| Mkt cap (Rs/\$m)                | 2166/288.5      |
| Current price (Rs/\$)           | 812/10.8        |
| Price target (Rs/\$)            | 994/13.2        |
| 52 W H/L (Rs.)                  | 913/161         |
| Book Value (Rs/\$)              | 74/1.0          |
| Beta                            | 1.2             |
| Daily NSE volume (avg. monthly) | 139250          |
| P/BV (FY22e/23e)                | 9.7/7.1         |
| EV/EBITDA(FY22e/23e)            | 19.8/15.4       |
| P/E (FY22e/23e)                 | 33.0/25.3       |
| EPS growth (FY21/22e/23e)       | 74.8 /67.8/30.5 |
| OPM (FY21/22e/23e)              | 21.6/21.8/21.5  |
| ROE (FY21/22e/23e)              | 26.5/33.8/32.5  |
| ROCE(FY21/22e/23e)              | 18.0 /23.8/24.3 |
| D/E ratio (FY21/22e/23e)        | 0.6/0.5/0.4     |
| BSE Code                        | 524091          |
| NSE Code                        | ACRYSIL         |
| Bloomberg                       | ACRY IN         |
| Reuters                         | ACRI.NS         |

## Shareholding pattern%

|                             |              |
|-----------------------------|--------------|
| Promoters                   | 44.0         |
| MFs / Banks / FIs           | 6.2          |
| Foreign Portfolio Investors | 0.4          |
| Govt. Holding               | -            |
| Public& Others              | 49.4         |
| <b>Total</b>                | <b>100.0</b> |

As on September 30, 2021.

## Recommendation

### BUY

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## Company Brief

Acrysil is one of the largest producers of quartz kitchen sinks in the world using Schock technology. Other major business verticals include steel sinks, kitchen appliances and bathroom suites.

## Quarterly Highlights

- Despite the pandemic-induced lockdowns the global home improvement industry has seen little moderation in demand over the past year, all thanks to rising mortgage & interest rates and surging new home prices that are driving spending in home improvement activities. This growing trend of renovation has in turn has shifted consumer interest toward modern equipped kitchens, which is expected to fuel the demand for quartz kitchen sinks worldwide.
- Acrysil's products are accepted in international markets and have gained the distinct export quality status, which makes it the only Indian company having the potential to match the stringent international quality standards. Their dedicated distribution channel consists of 1500+ dealers, 80+ galleries and 82+ distributors. With the help of its strong network of distributors, Acrysil presently caters to over 55 countries.
- USA, Germany, UK, and France are the biggest markets for the company at present. It is well-equipped with more than 1,500 customer touch-points in India to cater to growing domestic needs and is gearing up to make the most of the existing upcoming trends. At the same time envisaging huge potential for future growth, the company is scaling its operations through international tie-ups and penetrating distribution networks to reach deeper into the aforementioned territories.
- The stock currently trades at 33.0x FY22e EPS of Rs 24.58 and 25.3x FY23e EPS of Rs 32.08. Keeping in mind that this sudden spurt in growth could be due to the pent-up demand and the trend might not be sustainable in the long-term, the management is increasing the capacities in a phased manner, thereby maintaining its market share. Growth in the coming years would largely depend upon increased capacity utilizations of both existing and new capacities of quartz sinks (8.4 lakhs units in FY22 and 12 lakhs units in FY23). Earnings are estimated to grow by 67.8% to Rs 65.61 cr this fiscal and by 30.5% to Rs 85.65 cr in FY23. Balancing odds, we assign a BUY rating on the stock with a target of Rs 994 based on 31x FY23e EPS of Rs 32.08 over a period of 9-12 months.

| Consolidated (Rs crs)              | FY19   | FY20   | FY21   | FY22e  | FY23e  |
|------------------------------------|--------|--------|--------|--------|--------|
| Income from operations             | 251.60 | 276.23 | 309.72 | 474.85 | 627.44 |
| Other Income                       | 2.13   | 4.73   | 8.01   | 10.56  | 11.18  |
| EBITDA (other income included)     | 44.52  | 52.34  | 74.89  | 113.84 | 146.08 |
| Consolidated Net Profit (Adjusted) | 17.24  | 22.08  | 39.11  | 65.61  | 85.65  |
| EPS(Rs)                            | 6.65   | 8.38   | 14.65  | 24.58  | 32.08  |
| EPS growth (%)                     | 44.6   | 26.2   | 74.8   | 67.8   | 30.5   |

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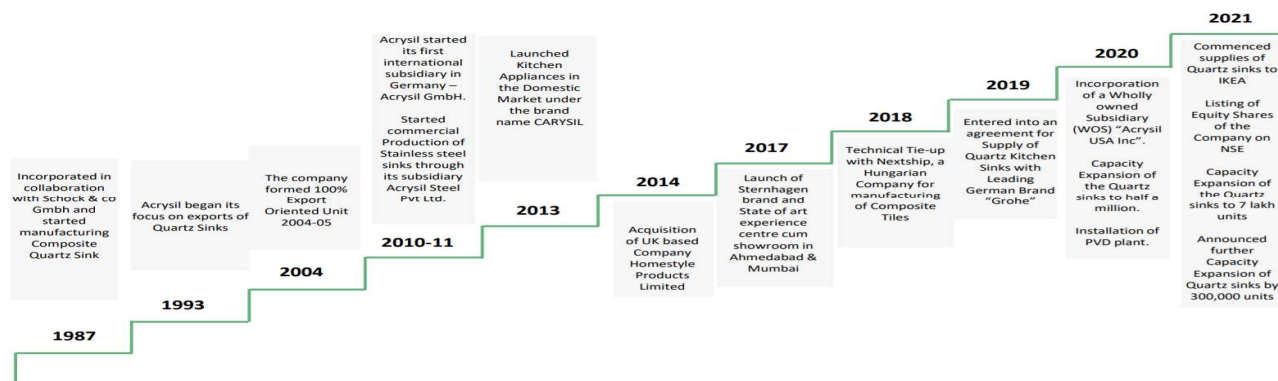
## Company Profile

Incorporated in 1987 and headquartered in Bhavnagar, Gujarat, Acrysil Ltd. is a pioneer in composite quartz sink technology and is one of the largest producers of quartz kitchen sinks in the world. Promoted by the Parekh Family who has over three decades of experience in the kitchen sink industry, it is the only manufacturer in Asia and amongst the 4 global players manufacturing quartz sinks with the German Schock Technology. Creating a benchmark with quartz kitchen sinks, Acrysil has diversified into stainless steel kitchen sinks, built-in kitchen appliances and bathroom suites.

The present capacity of quartz sinks and stainless steel sink stands at 8,40,000 units and 90,000 units respectively, manufactured at three facilities in Bhavnagar. Acrysil caters to over 55 countries, with USA, Germany, UK, and France being the biggest markets for the company at present. All the products that Acrysil manufactures are lifestyle cum need-based and are either emerging-affluent or mass-affluent. The products are innovative, have an established niche and provide an aesthetic value to the consumers, that's why, sells at premium prices.

The company is a custodian of renowned brands – Carysil, TekCarysil and Sternhagen. Carysil is an affordable brand of Acrysil that was earlier used to design and manufacture kitchen sinks of composite quartz. The brand has continued to grow bigger and better spanning into stainless steel sinks and the built-in-appliances industry providing a range of kitchen fittings, accessories and appliances. The Carysil brand is not that visible at the national level but is visible with the architects and with the dealers or at the point of sales where the customers go and buy the products. In the export market, 75-80% of the sales are through contract manufacturing and 20-25% is through this in-house brand.

TekCarysil is a new top-of-the-line brand featuring kitchen sinks, faucets and appliances that are of a super-premium range and complement the specifications of modular kitchens. Sternhagen is a premium brand from Germany for bathroom interiors, for both domestic as well as international markets. The brand caters to fast growing market of premium sanitary ware, fittings and highlighter tiles. The brand is owned by Acrysil GmbH, the company's wholly owned German subsidiary. Sternhagen products incorporate cutting edge elegance in design and have been the recipient of the prestigious Red Dot and IF design awards. It has also developed Sani-Q, a patented high-tech quartz material with silk finish, for its sanitary ware and highlighter tiles. Sani-Q is CE and IAPMO certified and since it is not brittle and made of quartz, it has excellent durability.



Source: Acrysil Ltd.

## Product Profile

Acrysil basically operates in four major business verticals namely quartz sinks, steel sinks, kitchen appliances and bathroom suites.

### Steel Sinks

Unlike most stainless steel sink manufacturers, Acrysil caters to the high-end segments that are willing to pay a premium for superior quality, design and finish. The company expects to make a dent in this market through its innovative and classic

product ranges, including quadro, micro radius sinks and square sinks. The company's distribution company in the UK outsources stainless steel sinks and helps in sell it to the top customers in that country, thus boosting exports.

Currently, this segment contributes 15% to the company's top-line. Its annual manufacturing capacity of stainless steel sinks is 90,000 units, which comprises of 60,000 press sinks and 30,000 quadro sinks. Quadro sinks are the designer ones with the capacity utilization rate of almost 100%.

In FY20, Acrysil installed a state-of-the-art physical vapor deposition (PVD) plant at its Bhavnagar plant, aimed to supplement manufacturing and coating for designer steel sinks. The plant coats up to 50,000 designer steel sinks per annum. Given the recent surge in demand for colored steel sinks across the globe, the company has created an exclusive collection with three colors: rose gold, yellow gold, and gun metallic. The PVD technology involved mainly enhances the life of the coating and adds value to the aesthetics.

Moreover, the company has lately announced doubling production capacity of stainless steel sinks from the existing 90,000 units p.a. to 180,000 units p.a. The proposed capex for the expansion is some Rs 10cr and the new capacity is expected to come on-stream from Q4FY22.

## Quartz Sinks

Granite sinks (also called composite quartz sinks) contain 70-80% quartz while the rest is a mixture of various chemicals and resins. Quartz is largely procured domestically and is engineered to meet the required standard.

Acrysil started manufacturing quartz sinks via a technical tie-up with Germany's Schock & Co, one of the world's leading decorative moldings companies. This segment now contributes almost three-fourth to the overall top-line. It is the only company in Asia and among a few companies worldwide: manufacturing quartz kitchen sinks to global standards of quality, durability and visual appeal using the Schock technology.

The quartz sinks are manufactured in its two state-of-the-art plants having a combined capacity of 8,40,000 units annually. Quartz sink is a high margin product and is generally made as per the customer needs and largely sold under white labels. However, its in-house brand- Carysil and TekCarysil- also accounts for substantial share. The company has more than 130 moulds and 350+ SKU's required to manufacture the sink. The life cycle of moulds is nearly 15 years and all of it is currently imported.

Moreover, the company has announced expansion of production capacity by an additional 1,60,000 units p.a. through greenfield project at Bhavnagar at a proposed capex of ~ Rs. 38 cr. This will be followed by a further 2,00,000 units expansion at a proposed capex of ~ Rs. 20 cr. These additions will take the overall capacity to 12,00,000 sinks. The former expansion is likely to be completed by Q1FY23 and the latter one by Q2FY23.

## Bathroom Suites

This segment includes a host of premium and luxurious products ranging from bath-ware fittings, sanitary-ware, and highlighter tiles. Sternhagen, Acrysil's in-house premium brand, brings the artistic suite experience to life through its visually exciting tiles, artistic sanitary ware, sensorial showers and matching accessories.

In FY19, It launched Golden and Seerose faucets, Relax 06 (a new shower range), Polo and Opale (a new ceramic range), Platz series of ceramic vanity basin, health faucets, and urinals in black color.

In FY20, Acrysil launched a new SH serie to serve the mass consumer market. Furthermore, the company unveiled showers with a new ceramic set and the latest Rose Gold line of premium sanitary and bathroom fittings at showrooms in Mumbai and Bengaluru. The Company has also partnered with a leading Hungarian firm to produce 3D composite wall tiles, becoming Asia's first firm and the world's second-largest company to do so.

## Kitchen Appliances

With its foray into this segment, Acrysil boasts a diversified range of products, including chimneys, hobs, microwave ovens, cook tops, wine chillers, barbeque grillers, food waste disposers, etc. Cooking ranges were also added to the portfolio, with customer satisfaction in mind. With such a long list of products, Acrysil looks to explore more markets and increase global footprint with its top-of-the-line design and quality. The company engages in both manufacturing and trading of appliances.

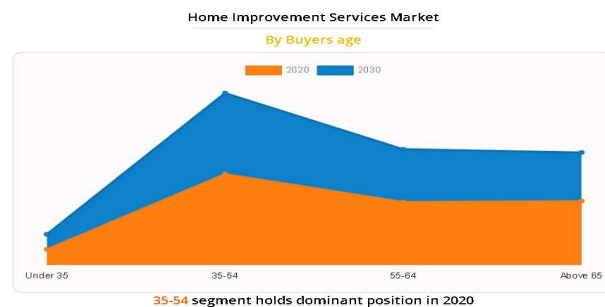
## Investment Thesis

### Home Improvement Industry

According to a report by GM Insights, the global home improvement industry, which encompasses the sale of building materials, appliances, décor, and other home enhancements, along with the services offered by contractors and other workers to build and upgrade homes, is estimated to have surpassed \$763 billion in 2020. While other industries were grappling with the impact of COVID-19 on the economy, the home improvement business was booming. In fact, as per some industry reports, the home improvement industry today is stronger than it has been in over ten years.



Source: GM Insights



Source: Allied Market Research

As COVID-19 put a strain on the tourism related and other social activities, many homeowners, particularly in US and other developed countries, were engaged in DIY and home improvement projects to make their residential properties more comfortable. Some of the most common home improvement projects among American homeowners were landscaping the yard, replacing or acquiring new appliances, and repainting interior of the home. According to Statista, the total U.S. home improvement expenditure amounted to some \$457 billion in 2020. Home center stores in the United States generated revenues that were nearly \$300 billion, a significant increase from the year before.

GM Insights pegs the home improvement market to stand at some \$1 trillion in 2027 growing at a CAGR of 4.3% during forecast period. Much of this growth would largely be driven by rising consumer aspirations and rapid urbanization along with stringent regulations to promote sustainable construction. Latin America will likely be the fastest-growing market at a CAGR of 5.2% by 2027. However, the fluctuating cost of raw materials, delay in remodeling projects and limited availability of skilled workforce coupled with an extensive demand-supply gap could hamper the market growth going ahead. Moreover, a lack of efficiency in the production processes and service operations across the entire supply chain may pose a major challenge in the market.

Factors including rising mortgage & interest rates and surging new home prices are driving millennial spending in home improvement activities. This coupled with shifting preferences of homeowners for energy-efficient and luxurious living spaces are significantly contributing to the industry expansion. Rising disposable income along with government initiatives to provide incentives & tax credits on green construction has further stimulated the market growth. The rising popularity of coordinated sanitary ware, concept washroom and other fittings & accessories also provides for a strong business outlook. Moreover, the growing number of experienced retail centers in the region where customers can virtually view the version of their bathrooms post-renovation will further fuel the market growth.



The DIY home improvement market size crossed \$290 billion in 2020 and is likely to grow at a CAGR of 4.5% through 2027, as per the GM Insights report. A rapid growth in e-commerce sales channels has surged the demand for DIY home renovation solutions. Majority of consumers are increasingly opting for these solutions given its cost-accretive and highly flexible nature, and a sense of satisfaction and personalized experience. This coupled with availability of technologically advanced systems upgrades will propel home remodeling activities globally.

DIY Home Improvement Market Market Share by Distribution Channels in % 2020



Source: Mordor Intelligence

Market Share of the DIY Home Improvement Worldwide (in %)



Source: Mordor Intelligence

Source: Mordor Intelligence

Source: Mordor Intelligence

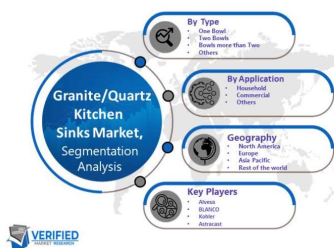
According to Facts and Factors, the global smart kitchen appliances market was worth \$11.76 billion in 2020 and is expected to reach USD 33.55 billion by the end of 2026, growing at a CAGR of roughly 19.1%. The growing preference for modular kitchens will lead to higher sales in the smart kitchen appliances category, especially backed by affluent households aspiring to create a smarter home. Escalating demand for easy add-ons such as self-regulating dispensers, motion-sensing water faucets, and one-touch feature of chillers will further fuel the adoption.

## Kitchen Sinks Industry

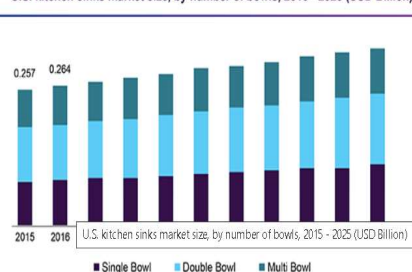
Kitchens are the most carefully crafted zones in homes around the globe, irrespective of the scale and splendor of the construction. As per a research, on an average, 60% of the time in a kitchen is spent on the sink in general. According to Persistence Market Research, the global market for kitchen sinks was valued at \$3.1 Billion in 2020 and is estimated to witness a CAGR of 4% over 2020-2030. As per some estimates, the global market of kitchen sinks is somewhere between 80-90mn units, out of which the non-stainless steel sink market is ~10%.

Global Granite/Quartz Kitchen Sinks Market Segmentation Analysis

The Global Granite/Quartz Kitchen Sinks Market is Segmented into Type, Application And Geography.



U.S. kitchen sinks market size, by number of bowls, 2015 - 2025 (USD Billion)

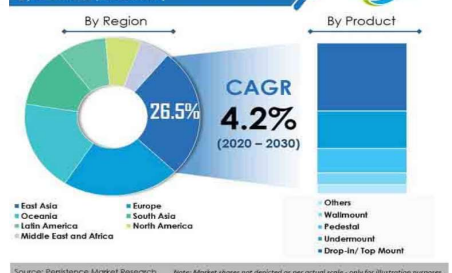


Source: www.grandviewresearch.com

Source: Verified Market Research

Source: Grandview Research

Global Kitchen Sink Market Share (%) By Product, (2020-2030)



Source: Persistence Market Research Note: Market shares not depicted as per actual scale - only for illustration purposes

Source: Persistence Market Research

Europe holds the largest market share in the global kitchen sink market, followed by North America. These geographies have higher sedentary lifestyles, thus promoting an increased expenditure on lavish and elegant looks for kitchens. The population desires comfort and convenience-oriented products, and a balanced amalgamation of technology and aesthetics. The stay-at-home quotient induced by the pandemic has further fuelled the demand for kitchen sinks. The growing trend of renovation of old conventional kitchen with all modern equipment and facilities, increasing construction activities, and rise in access to clean water and sanitation facilities in developing countries have been boosting the demand for kitchen sinks.

Stainless steel sink is the most popular category owing to its corrosion resistance characteristics, fire and heat resistance, hygiene, ease of fabrication, impact resistance, antibacterial characteristics and long-term value. Moreover, the easy availability of metallic sinks compared to other variants is also boosting the segment growth. According to Market Watch, the global stainless steel sink industry was worth \$1,358 Million in 2020 and is expected to reach \$1530 Million by 2027, witnessing a CAGR of 2% from 2020. Increasing demand for stainless steel sink from various end-user industries including residential kitchens, commercial kitchens is expected to drive the consumption in this market during the forecast period.

However, due to the scratching property of stainless steel, granite sinks are gaining popularity among consumers. In recent times, quartz sinks are being more preferred over their stainless-steel counterparts. This trend has been observed in America, Germany, UK and France. People in the world have started looking for natural, stone-based products, particularly the quartz one. Comparatively, these are expensive than metallic sinks, hence the demand observed in developed geographies is higher. As per some industry reports, ~5 million units of quartz sinks is made by using Schock technology per year. The global quartz sinks is estimated to grow at a CAGR of 25% in the near-term. Increasing per capita spending on home decor products and adoption of Western lifestyle, along with rise in the standard of living, has shifted consumer interest toward attractive home decor and modern equipped kitchens, which is expected to expand the demand for quartz kitchen sinks worldwide.

In India, the rise in the number of nuclear families, rapid urbanization, more women in the workforce, the concept of open kitchens and increased penetration of online distribution channels in Tier 2+ cities have been driving the growth of the kitchen sinks. This segment now relies heavily on innovation as new trends continue to capture the market.

## Partnership with Marquee Clients

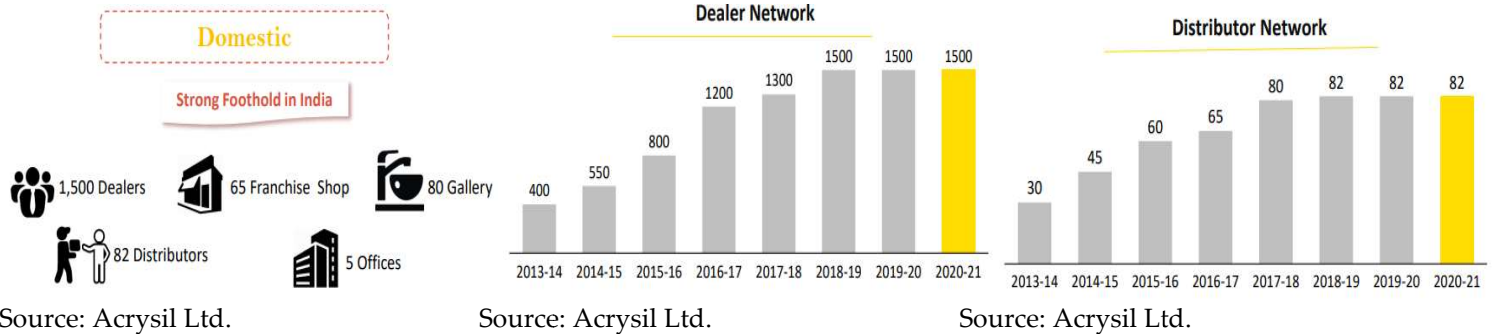
Associating with global majors to supply composite quartz sinks has been one of the key cornerstone of Acrysil's robust turnover growth. In 2019, for the supply of quartz kitchen sinks, Acrysil tied up with a leading German sanitary brand Grohe, a client with huge potential to bring in revenues. Last year, this association further strengthened as the company entered into another tie-up with the German brand for supply of stainless steel kitchen sinks. In FY21, the company entered into a strategic agreement with IKEA Supply AG, Switzerland for manufacturing and supply of quartz kitchen sinks to meet their global requirement. This partnership with IKEA is no puny affair for Acrysil as the former is one of the leading players in the home improvement products and Acrysil aims to take the market share of current suppliers to IKEA. Recently, Acrysil has also tied-up with Menard, 3rd largest retail chain after Home Depot and Lowe's in US, to initially distribute around 1,00,000 quartz sinks in all Menards stores across the US. These collaborations would drive the business forward and play a crucial role in aiding the company fulfill its near-term target of Rs 500 crs in revenues.

## Brand Development

Lately, the company has been paying special focus on asserting brand dominance, which is evident from its global partnership with reputed retailers. It largely seems that the emphasis is to enhance brand awareness by increasing market influence, expanding the distribution network and introduce new products in the domestic market. Earlier, Acrysil had tied up with Sussanne Khan, the famous designer, to promote the brand with builders and architects. Recently, the company has also signed famous Bollywood celebrity 'Vaani Kapoor' for new marketing campaign of its 'Carysil' brand with an objective of creating a brand recall for lifestyle products among the youth. It is also promoting the brands on TV and in print media, along with exposure through sponsorship of events like Times Food and MasterChef Australia.

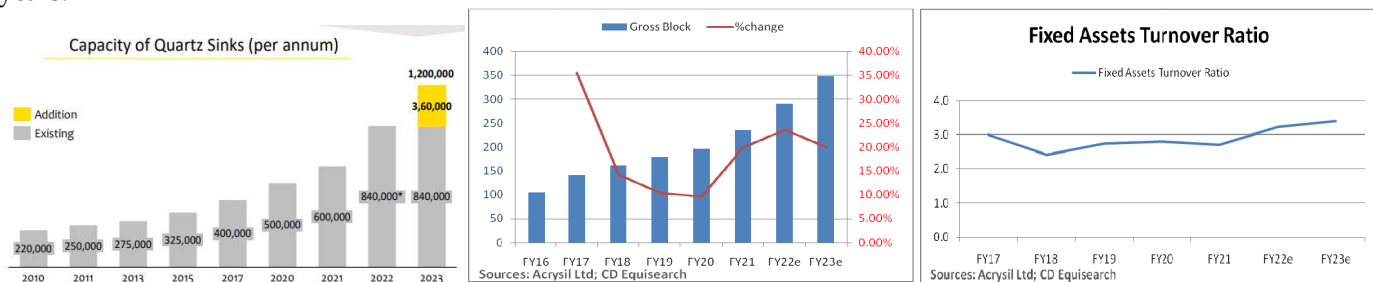
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Moreover, the company has been undertaking broader activities of upgrading the dealer network. This is particularly aimed at elevating a prototype display dealer to a category where they keep at least 10 models of sinks both granite and steel and few built in appliances. And further upgrading the latter category into an approximately 500 - 1000 square feet of a display showroom categorized as a franchisee model.



## Capacity Expansion

Acrysil has been consistently ramping-up production capacities in response to the spurt in demand. Over the past one and a half year, it has increased its quartz sink manufacturing capacity at Bhavnagar plant by almost 70% to 8,40,000 units annually. Going by current trends in home improvement industry, the company is further augmenting its quartz sink and stainless steel sink capacity to 1.2 million units and 0.18 million units respectively, at a combined capex of 68 cr. Aimed at expanding its global footprint, Acrysil has invested sufficiently enough for new product development and capacity enhancement over the last five years.



Source: Acrysil Ltd.

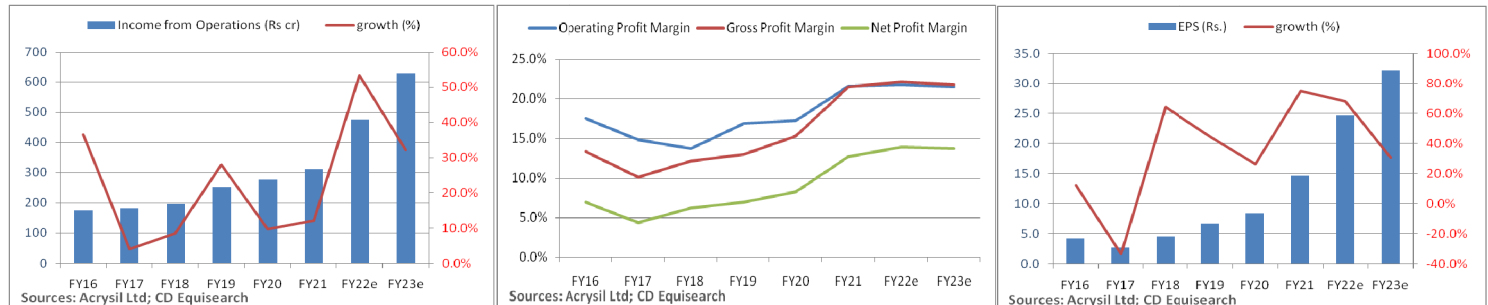
## Financials and Valuation

The near ravaging impact of second wave of Covid-19 and cyclone on consumer demand and sentiment had barely put any breaks in Acrysil's capacity expansion plans, as it timely commenced commercial production of additional 1,00,000 units of quartz sinks in June'21 and another 1,40,000 units in October'21 taking the total capacity to 8,40,000 units. The company further announced greenfield expansion of 3,60,000 units at a proposed capex of Rs. 58 crores expected to come aboard in phases by mid-FY23 (1.6L units by Q1FY23 and 2L units by Q2FY23). The management has guided that this expansion would add some Rs. 180cr -200cr to the overall top-line. The top-line would be further galvanized by the 90,000 additional units of steel sink capacities expected to come on-stream late this fiscal.

Bolstered by improved capacity utilization due to the booming home-improvement market, Acrysil's income from operations rose apace in Q2 with the quartz sinks accounting for nearly three-fourth of the whole. The company clocked in highest-ever quarterly revenues of Rs 119.41 cr in Q2FY22, up by a massive 57.9% year-over-year and 22.4% quarter-on-quarter. With this increased sales velocity, operating profits jumped by a dazzling 67.0% to Rs 25.96cr compared to Rs 15.55cr in the same quarter a year ago, thus bolstering OPMs by a pleasing 119 bps to 21.7%.

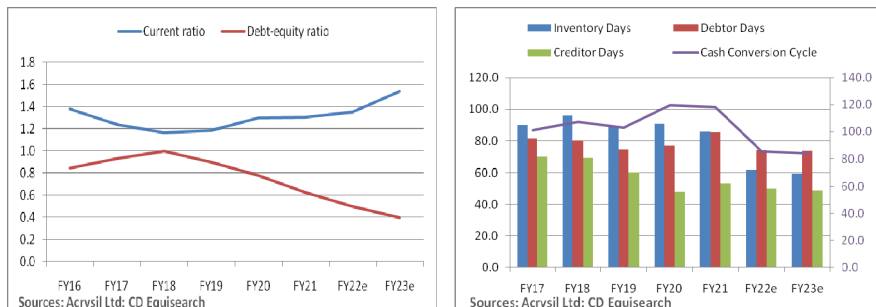
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Combined effect of improved demand and higher price realizations across most of the product portfolio boosted PBT growth to 76.1% (PBT improved from Rs 12.76 crs to Rs 22.47 crs). Post tax consolidated earnings rose by 88.4% to Rs 17.69 crs from Rs 9.39 crs in the same quarter a year ago, and by 31.5% from the first quarter of this fiscal.



Despite no so strong revenue booking in the first quarter of FY22, Acrysil achieved a growth revenue growth of 78.4% to Rs. 216.96 cr in H1FY22 on account of deeper penetration in the export market. Revenues from overseas markets, contributing almost 80% to the overall mix, grew by some 79% to Rs 172.2cr in H1FY22 compared to the corresponding period in the prior fiscal, whereas the domestic market that raked in some Rs 44.80cr grew by 77.1%.

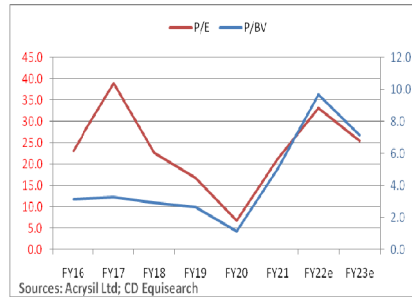
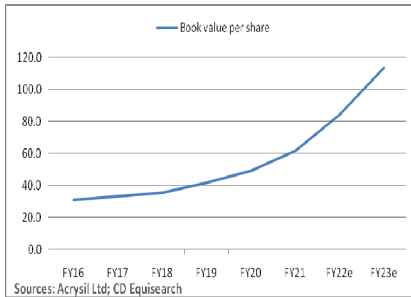
Due to company's continued focus on increasing operational efficiencies and consistent value addition, volume off-take in its marquee product, quartz sinks, stood at 3,01,273 units in the first half of this fiscal compared to 1,78,179 units in H1FY21 and 4,13,476 units in FY21. As per recent production trends, we expect that the total production for this fiscal to near 7,10,000 units and 9,21,000 units in FY23. Assuming that the current demand-supply imbalance is likely to sustain, the company would likely be able to maintain its present margins. Operating margins of 21.8% is estimated for FY22 and 21.5% for FY23 (vs. 21.6% in FY21); gross profit margin on the other hand, is estimated at 22.1% in FY22 and 21.8% in FY23 (vs. 21.5% in FY21).



The stock currently trades at 33.0x FY22e EPS of Rs 24.58 and 25.3x FY23e EPS of Rs 32.08. Abundant raw materials availability domestically and majority of customers contracted on FOB basis provides the company with no small competitive advantage in dealing with near-term supply-chain difficulties. Better negotiating power and economies of scale arising out of future investments will improvise the company's cost structure and provide it with necessary economic moat. Given the prevalent strong industry tailwinds observed in sharp uptick in spending towards home improvement and rising consumer preference for aesthetic superior products globally have little stymied growth prospects for the next fiscal. Earnings are estimated to grow by 67.8% to Rs 65.61 cr this fiscal and by 30.5% to Rs 85.65 cr in FY23. We initiate coverage on the stock with a 'BUY' rating and set a target of Rs 994 based on 31x FY23e earnings, over a period of 9-12 months.



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## Risks and Concerns

### Delay in timely execution of orders

The sudden spurt in growth currently witnessed by the company is primarily fuelled by the structural changes brought about by the pandemic. As majority of the capacity expansions has been undertaken in the past two years and the company doesn't have any prior experience in handling order books this large, there is a good possibility that the company might not be able to timely cater to the large orders ordered by major global retail chains.

### Volatility in raw material prices

The company is impacted by volatility in raw material prices. But the company has entered into FOB contracts with majority of its clients to hedge against unprecedented sky-high freight costs.

## Financials

### Consolidated Quarterly Results

Figures in Rs crs

|                                       | Q2FY22        | Q2FY21       | % chg.      | H1FY22        | H1FY21        | % chg.       |
|---------------------------------------|---------------|--------------|-------------|---------------|---------------|--------------|
| <b>Income From Operations</b>         | <b>119.41</b> | <b>75.63</b> | <b>57.9</b> | <b>216.96</b> | <b>121.61</b> | <b>78.4</b>  |
| Other Income                          | 2.91          | 1.84         | 58.3        | 5.65          | 2.87          | 97.0         |
| <b>Total Income</b>                   | <b>122.32</b> | <b>77.47</b> | <b>57.9</b> | <b>222.61</b> | <b>124.48</b> | <b>78.8</b>  |
| Total Expenditure                     | 93.44         | 60.09        | 55.5        | 169.78        | 96.33         | 76.2         |
| <b>EBITDA (other income included)</b> | <b>28.87</b>  | <b>17.38</b> | <b>66.1</b> | <b>52.83</b>  | <b>28.15</b>  | <b>87.7</b>  |
| Interest                              | 1.99          | 1.72         | 15.6        | 3.91          | 3.69          | 5.8          |
| Depreciation                          | 4.41          | 2.91         | 51.9        | 8.01          | 5.68          | 41.0         |
| <b>PBT</b>                            | <b>22.47</b>  | <b>12.76</b> | <b>76.2</b> | <b>40.91</b>  | <b>18.77</b>  | <b>117.9</b> |
| Tax                                   | 4.65          | 3.29         | 41.2        | 9.59          | 4.75          | 102.1        |
| <b>PAT</b>                            | <b>17.82</b>  | <b>9.46</b>  | <b>88.3</b> | <b>31.32</b>  | <b>14.02</b>  | <b>123.3</b> |
| Minority Interest                     | 0.13          | 0.07         | 75.8        | 0.18          | 0.05          | 299.8        |
| <b>PAT after Minority Interest</b>    | <b>17.69</b>  | <b>9.39</b>  | <b>88.4</b> | <b>31.14</b>  | <b>13.98</b>  | <b>122.8</b> |
| EO                                    | -             | -            | -           | -             | -             | -            |
| <b>Adjusted Net Profit</b>            | <b>17.69</b>  | <b>9.39</b>  | <b>88.4</b> | <b>31.14</b>  | <b>13.98</b>  | <b>122.8</b> |
| EPS(Rs)                               | 6.63          | 3.52         | 88.4        | 11.67         | 5.24          | 122.8        |

### Consolidated Income Statement

Figures in Rs crs

|                                       | FY19          | FY20          | FY21          | FY22e         | FY23e         |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Income From Operations</b>         | <b>251.60</b> | <b>276.23</b> | <b>309.72</b> | <b>474.85</b> | <b>627.44</b> |
| Other Income                          | 2.13          | 4.73          | 8.01          | 10.56         | 11.18         |
| <b>Total Income</b>                   | <b>253.73</b> | <b>280.96</b> | <b>317.72</b> | <b>485.41</b> | <b>638.62</b> |
| Total Expenditure                     | 209.21        | 228.62        | 242.83        | 371.57        | 492.54        |
| <b>EBITDA (other income included)</b> | <b>44.52</b>  | <b>52.34</b>  | <b>74.89</b>  | <b>113.84</b> | <b>146.08</b> |
| Interest                              | 11.67         | 9.93          | 8.40          | 8.70          | 9.33          |
| Depreciation                          | 8.64          | 11.93         | 12.66         | 17.26         | 22.09         |
| <b>PBT</b>                            | <b>24.21</b>  | <b>30.48</b>  | <b>53.83</b>  | <b>87.88</b>  | <b>114.66</b> |
| Tax                                   | 6.72          | 7.62          | 14.51         | 21.97         | 28.67         |
| <b>PAT</b>                            | <b>17.48</b>  | <b>22.86</b>  | <b>39.32</b>  | <b>65.91</b>  | <b>86.00</b>  |
| Minority Interest                     | 0.23          | 0.79          | 0.19          | 0.30          | 0.35          |
| <b>PAT after Minority Interest</b>    | <b>17.25</b>  | <b>22.08</b>  | <b>39.12</b>  | <b>65.61</b>  | <b>85.65</b>  |
| EO                                    | 0.01          | 0.00          | 0.01          | -             | -             |
| <b>Adjusted Net Profit</b>            | <b>17.24</b>  | <b>22.08</b>  | <b>39.11</b>  | <b>65.61</b>  | <b>85.65</b>  |
| EPS (Rs)                              | 6.65          | 8.38          | 14.65         | 24.58         | 32.08         |

## Consolidated Balance Sheet

Figures in Rs crs

|   | FY19          | FY20          | FY21          | FY22e         | FY23e         |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Sources of Funds</b>                     |               |               |               |               |               |
| Share Capital                               | 5.19          | 5.34          | 5.34          | 5.34          | 5.34          |
| Reserves                                    | 129.71        | 152.47        | 186.08        | 245.82        | 325.59        |
| <b>Total Shareholders' Funds</b>            | <b>134.90</b> | <b>157.81</b> | <b>191.41</b> | <b>251.15</b> | <b>330.93</b> |
| Minority Interest                           | 1.58          | 2.36          | 2.56          | 2.86          | 3.21          |
| Long Term Debt                              | 16.57         | 21.21         | 21.71         | 22.71         | 26.71         |
| <b>Total Liabilities</b>                    | <b>153.05</b> | <b>181.39</b> | <b>215.68</b> | <b>276.72</b> | <b>360.84</b> |
| <b>Application of Funds</b>                 |               |               |               |               |               |
| Gross Block                                 | 178.54        | 195.83        | 234.68        | 290.19        | 348.19        |
| Less: Accumulated Depreciation              | 59.06         | 70.99         | 82.77         | 100.04        | 122.12        |
| <b>Net Block</b>                            | <b>119.48</b> | <b>124.84</b> | <b>151.90</b> | <b>190.15</b> | <b>226.06</b> |
| Capital Work in Progress                    | 3.50          | 9.09          | 10.01         | 9.50          | 0.00          |
| Investments                                 | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| <b>Current Assets, Loans &amp; Advances</b> |               |               |               |               |               |
| Inventory                                   | 53.70         | 59.74         | 54.55         | 71.23         | 89.03         |
| Trade receivables                           | 54.32         | 62.27         | 83.02         | 109.21        | 144.31        |
| Cash and Bank                               | 13.99         | 19.53         | 20.13         | 22.10         | 39.84         |
| Short term loans (inc. OCA)                 | 41.93         | 44.18         | 63.18         | 80.57         | 97.67         |
| <b>Total CA</b>                             | <b>163.94</b> | <b>185.73</b> | <b>220.88</b> | <b>283.11</b> | <b>370.85</b> |
| Current Liabilities                         | 134.33        | 139.34        | 165.22        | 205.28        | 236.55        |
| Provisions-Short term                       | 0.34          | 0.76          | 1.03          | 1.13          | 1.24          |
| <b>Total Current Liabilities</b>            | <b>134.68</b> | <b>140.10</b> | <b>166.25</b> | <b>206.41</b> | <b>237.80</b> |
| Net Current Assets                          | 29.26         | 45.63         | 54.63         | 76.69         | 133.06        |
| Net Deferred Tax Liability                  | -2.49         | -1.99         | -3.98         | -3.50         | -3.00         |
| Net long term assets ( net of liabilities)  | 3.29          | 3.82          | 3.11          | 3.87          | 4.72          |
| <b>Total Assets</b>                         | <b>153.05</b> | <b>181.39</b> | <b>215.68</b> | <b>276.72</b> | <b>360.84</b> |

## Key Financial Ratios

|                         | FY19  | FY20  | FY21  | FY22e | FY23e |
|-------------------------|-------|-------|-------|-------|-------|
| <b>Growth Ratios(%)</b> |       |       |       |       |       |
| Revenue                 | 28.1  | 9.8   | 12.1  | 53.3  | 32.1  |
| EBITDA                  | 41.0  | 17.6  | 43.1  | 52.0  | 28.3  |
| Net Profit              | 44.6  | 28.0  | 77.2  | 67.8  | 30.5  |
| EPS                     | 44.6  | 26.2  | 74.8  | 67.8  | 30.5  |
| <b>Margins (%)</b>      |       |       |       |       |       |
| Operating Profit Margin | 16.8  | 17.2  | 21.6  | 21.8  | 21.5  |
| Gross profit Margin     | 13.1  | 15.4  | 21.5  | 22.1  | 21.8  |
| Net Profit Margin       | 6.9   | 8.3   | 12.7  | 13.9  | 13.7  |
| <b>Return (%)</b>       |       |       |       |       |       |
| ROCE                    | 13.3  | 13.7  | 18.0  | 23.8  | 24.3  |
| ROE                     | 17.3  | 18.5  | 26.5  | 33.8  | 32.5  |
| <b>Valuations</b>       |       |       |       |       |       |
| Market Cap/ Sales       | 1.1   | 0.5   | 2.7   | 4.6   | 3.5   |
| EV/EBITDA               | 8.3   | 4.4   | 12.1  | 19.8  | 15.4  |
| P/E                     | 16.7  | 6.7   | 21.1  | 33.0  | 25.3  |
| P/BV                    | 2.7   | 1.1   | 5.0   | 9.7   | 7.1   |
| <b>Other Ratios</b>     |       |       |       |       |       |
| Interest Coverage       | 3.1   | 4.1   | 7.4   | 11.1  | 13.3  |
| Debt Equity             | 0.9   | 0.8   | 0.6   | 0.5   | 0.4   |
| Net Debt-Equity Ratio   | 0.8   | 0.6   | 0.5   | 0.4   | 0.3   |
| Current Ratio           | 1.2   | 1.3   | 1.3   | 1.4   | 1.5   |
| <b>Turnover Ratios</b>  |       |       |       |       |       |
| Fixed Asset Turnover    | 2.7   | 2.8   | 2.7   | 3.2   | 3.4   |
| Total Asset Turnover    | 2.1   | 2.0   | 1.8   | 2.2   | 2.2   |
| Inventory Turnover      | 4.1   | 4.0   | 4.2   | 5.9   | 6.1   |
| Debtors Turnover        | 4.9   | 4.7   | 4.3   | 4.9   | 4.9   |
| Creditor Turnover       | 6.1   | 7.6   | 6.9   | 7.3   | 7.5   |
| <b>WC Ratios</b>        |       |       |       |       |       |
| Inventory Days          | 88.9  | 90.6  | 85.9  | 61.8  | 59.4  |
| Debtor Days             | 74.3  | 77.0  | 85.6  | 73.9  | 73.7  |
| Creditor Days           | 60.3  | 48.1  | 53.2  | 50.0  | 48.9  |
| Cash Conversion Cycle   | 102.9 | 119.5 | 118.3 | 85.7  | 84.2  |

## Cumulative Financial Data

| Figures in Rs. crs        | FY18-20 | FY21-23e |
|---------------------------|---------|----------|
| Income from operations    | 724     | 1412     |
| Operating profit          | 117     | 305      |
| EBIT                      | 101     | 283      |
| PBT                       | 72      | 256      |
| PAT                       | 51      | 190      |
| Dividends                 | 10      | 18       |
| OPM (%)                   | 16.2    | 21.6     |
| NPM (%)                   | 7.3     | 13.5     |
| Interest coverage         | 3.5     | 10.7     |
| ROE (%)                   | 15.8    | 29.3     |
| ROCE (%)                  | 12.2    | 21.3     |
| Debt-Equity*              | 0.8     | 0.4      |
| Fixed asset turnover      | 2.7     | 3.1      |
| Debtors turnover          | 4.8     | 4.6      |
| Inventory turnover        | 4.0     | 5.0      |
| Creditors turnover        | 7.3     | 7.3      |
| Debtor days               | 75.9    | 80.1     |
| Inventory days            | 90.9    | 73.6     |
| Creditor days             | 49.8    | 50.0     |
| Cash conversion           | 116.9   | 103.7    |
| Dividend payout ratio (%) | 19.7    | 9.4      |

FY18-20 implies three year period ending fiscal 20

\*as on terminal year

A robust growth in in spending on home improvement products and increasing consumer preferences for aesthetic superior products explains much of the 94.9% rise in cumulative revenue from operations (projected) during FY21-23e when compared to that in the preceding three year period. Moreover, aided by micro-environment factors such as maintaining quality control efficiencies, competitive raw material sourcing and favorable pricing contracts, cumulative operating profits is estimated to grow by a pleasing 160.8%; OPM would surge to a record 21.6% in FY21-23 period as against 16.2% in the preceding three year period. Partly helped by taxes, cumulative post tax earnings would also grow along the similar lines at a massive 271.5%.

Increase in margins would hugely help improve return on capital ratios, further aided by higher fixed asset utilization efficiency (fixed asset turnover in FY21-23 period is pegged at 3.1 vs. 2.7 in the previous three year period). Given the large growth in sales, debtor days may increase to 80 days from 76 days, though conversion cycle would dip to 104 days from almost 117 days in the preceding three year period (see table). Buoyancy in earnings will help push interest coverage ratio further higher in FY21-23 period (see table).



## Financial Summary- US Dollar denominated

| million \$                    | FY19 | FY20 | FY21 | FY22e | FY23e |
|-------------------------------|------|------|------|-------|-------|
| Equity capital                | 0.8  | 0.7  | 0.7  | 0.7   | 0.7   |
| Shareholders' funds           | 15.6 | 17.3 | 22.4 | 29.8  | 40.4  |
| Total debt                    | 14.0 | 13.5 | 13.9 | 14.9  | 16.0  |
| Net fixed assets (incl. CWIP) | 14.4 | 14.6 | 18.8 | 23.4  | 26.9  |
| Investments                   | 0.0  | 0.0  | 0.0  | 0.0   | 0.0   |
| Net current assets            | 3.7  | 5.6  | 7.0  | 9.8   | 17.2  |
| Total assets                  | 18.2 | 20.5 | 25.7 | 33.2  | 44.3  |
| Revenues                      | 36.0 | 39.0 | 41.7 | 63.2  | 83.6  |
| EBITDA                        | 6.4  | 7.4  | 10.1 | 15.2  | 19.5  |
| EBDT                          | 4.7  | 6.0  | 9.0  | 14.0  | 18.2  |
| PBT                           | 3.5  | 4.3  | 7.3  | 11.7  | 15.3  |
| PAT                           | 2.5  | 3.1  | 5.3  | 8.7   | 11.4  |
| EPS(\$)                       | 0.10 | 0.12 | 0.20 | 0.33  | 0.43  |
| Book value (\$)               | 0.60 | 0.65 | 0.84 | 1.12  | 1.51  |

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs75.08/\$).  
All dollar denominated figures are adjusted for extraordinary items.

## Recommendation

Foreseeing huge potential for future growth, Acrysil has been not only penetrating deep into the existing markets but also unfailingly foraying into other diverse markets as well, backed by extensive R&D and marketing. Strong tailwinds prevalent in the global home improvement industry brought about by factors such as rising personal disposable income, urbanization, growing housing and commercial building construction and most importantly renovation of existing facilities has little demand suppressing potential for global home improvement good manufacturers. No less worthwhile is the demand propelling impact of GOI's phenomenal schemes under 'Atmanirbhar Bharat' that is primarily aimed at boosting the country's manufacturing sector.

The company's established relationship with its dealers and customers has helped in establishing strong brand equity. Its partnership with global marquee clients acts as a key catalyst in leveraging market presence and will bring in the synergy that would drive future progress. It has already commenced supplies of quartz sinks to IKEA from the month of March this year. Its second agreement with German brand Grohe for supply of stainless steel sinks is yet another example of its successful business collaboration. Acrysil sees no small potential for kitchen appliances and bathroom suites for it has been extensively marketing, developing numerous showrooms and offering the first-hand experience of its products to buyers.

Acrysil has been continuously focusing on to capitalize on innovation and R&D strengths in order to obtain a competitive edge in its space. In FY21 the company has spend some Rs 27.56 lakhs towards R&D and other technologies. They have enhanced their manufacturing process by introducing touch panels in the casting unit which ensures better quality and reduces cycle time. They have also redesigned their sinks to make them more waste collection efficient. The company's demand and influence in various geographies, through its wide distribution network and cost-effective approaches, continues to be dominant. Going ahead, the management targets to take their distributor network to 100+ and add 30+ new galleries and spread wings to 70+ countries.

Yet risks cannot be undone. As almost 80% of Acrysil's revenues come from exports, its profitability remains vulnerable to volatility in the price of key raw materials because of its limited ability to pass on any price increase for ongoing orders; and adverse forex movements, although the risk is naturally hedged by imports to some extent. Though the company is favorably placed in terms of cost efficiency given the fact that the manufacturing operations are based in India, it faces the risk of high competitive intensity from other established players in the overseas markets. Another thing likely to be taken into consideration is the fact that majority of this spurt in growth was a result of structural changes brought about by the pandemic. So, even though the company is seeing strong growth, it is unable to gain market share in quartz sinks given the presence of only selected few and established players. And if what is currently observed turns out to be the pent-up demand, the steady progress towards normalization could fizzle out this end consumer market demand. Moreover, long repeat purchase cycle of sinks and others home improvement products could cast some doubt on the sustainability of this demand.

The stock currently trades at 33.0x FY22e EPS of Rs 24.58 and 25.3x FY23e EPS of Rs 32.08. Moving forward, a favorable environment could uplift overall revenues by 53.3% this fiscal to Rs 474.85 cr and by some 32.1% next fiscal to Rs 627.44 cr. EPS is expected improve by a massive 67.8% this fiscal and by 30.5% the forthcoming one. Not least due to the vivacity in earnings- ROE is pegged at 33.8% in FY22 and 32.5% in FY23 compared to 26.5% in FY21. Near peak utilization of sinks capacity would galvanize fixed asset turnover (from 2.7 in FY21 to 3.2 in FY22 and 3.4 in FY23) with a substantial perceptible impact on return on capital. Higher volume of quartz sinks does lend scalability to its business over the next few years; yet cyclicality of the business cast its shadow on future demand. Weighing odds, we assign 'BUY' rating on the stock with a target price of Rs 994 based on 31x FY23e earnings, over a period of 9-12 months.

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buy: >20%    accumulate: >10% to ≤20%    hold: ≥-10% to ≤10%    reduce: ≥-20% to <-10%    sell: <-20%

Exchange Rates Used- Indicative

| Rs/\$    | FY18  | FY19  | FY20  | FY21  |
|----------|-------|-------|-------|-------|
| Average  | 64.45 | 69.89 | 70.88 | 74.20 |
| Year end | 65.04 | 69.17 | 75.39 | 73.50 |

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.