

## Acrysil Limited

Instrument	Amount	Rating Action
Long Term-Fund Based-CC	37.00 (enhanced from Rs.29.00)	[ICRA]BBB+ (Stable) upgraded
Long Term-Fund Based-Term Loan	12.40 (enhanced from Rs.6.90)	[ICRA]BBB+(Stable) upgraded
Short Term-Non Fund Based-LCs/BG	10.00	[ICRA]A2 upgraded
Short Term-Non Fund Based-FC	0.96	[ICRA]A2 upgraded

ICRA has upgraded the long term rating from [ICRA]BBB (pronounced ICRA triple B) to [ICRA]BBB+(pronounced ICRA triple B plus) assigned to the Rs 37.00 crore<sup>1</sup> (enhanced from Rs.29.00 crore) fund-based cash credit facilities and Rs 12.40 crore (enhanced from Rs.6.90 crore) term loan facilities of Acrysil Limited (Acrysil). The outlook assigned to the long term rating is stable. ICRA has also revised the short term rating to [ICRA]A2 (pronounced ICRA A two ) from [ICRA]A3+(pronounced ICRA A three plus) rating assigned to Rs 10.96 crore short-term non fund based bank facilities of Acrysil<sup>2</sup>.

The upgrade of rating takes into account the healthy ramp of operation on account of increased acceptance of the product in the domestic demand, strong realisations owing to limited competition in the granite sink segment leading to robust growth in operating income as well high operating margins. Furthermore, equity infusion by way of private placement in FY16 to the tune of Rs.30.00 crore resulted in significant improvement in capital structure. The ratings also continue to take into account the long standing experience of the promoters in the granite based kitchen sink business and its favourable market position by virtue of being an established player in an industry with limited domestic competition. Further, the ratings also take note of the advantages expected to accrue to Acrysil following its diversification into trading of home appliances and increased stake in Home-Style Products Limited. The Ratings also consider the favourable outlook for quartz sink demand supported by rising per capital incomes, lifestyle changes and increasing investment in the kitchen decor segment

The ratings however continue to be constrained by the relatively high working capital intensive nature of business as evident from NWC/OI of 34% primarily on account of elongated receivables. ICRA also notes the company's susceptibility to foreign exchange currency fluctuations in the absence of a formal hedging mechanism though the exports provide natural hedge to an extent.

ICRA expects AL's consolidated revenue to improve by 10%-20% in FY 2016-17 compared to 2015-16 on account of increased marketing efforts made by the company for establishing the brand name "CARYSIL" in the domestic market. Overall the operating margins and net margins for the Acrysil Group as a whole has remained in the range of 17% to 19% in past three fiscals and the net margins stood robust at 8.24% in FY 16. The gearing as on 31<sup>st</sup> March 2016 stood comfortable at 0.84 times as compared to 1.75 times as on 31<sup>st</sup> March 2015 primarily on account of healthy net worth supported by deployment of funds in business through private placement. ICRA expects the working capital indicators to remain moderate on account of inventory holding required to be maintained as the as the company manufacturers kitchen sinks of various colours and it has maintain stock of silica granules of various colours

It is to be noted that, while assigning the rating that ICRA has taken a consolidated view, along with its subsidiary Acrysil Steel Limited, Sternhagen Bath Private Limited, Acrysil Appliances Limited, Acrysil GmbH, Germany, Acrysil UK Limited and Home-Style Products Limited- UK (step down Subsidiary).

### Company Profile

Acrysil Limited was incorporated in 1987 by first generation promoter Mr. Ashwin Parekh and is engaged in manufacturing of granite based kitchen sinks which is referred as "Composite Quartz Sink". The company started through a technical collaboration with "Schock & Co." of Germany which is a leading decorative mouldings company in the world. The registered office of the Company is situated at Mumbai. The

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



manufacturing plant of the Company is located at Bhavnagar, Gujarat and is ISO: 9000:2000 certified. At present, the unit has a total installed capacity of manufacturing 4, 25,000 sinks per annum in FY 2015-16. Acrysil has also entered into manufacturing of stainless steel kitchen sinks to cater mainly to the domestic market, through its subsidiary Acrysil Steel Limited (rated ICRA BBB-/A3) wherein Acrysil Limited holds 93.84% stake, apart from ASL, AL holds 100% stake in Acrysil GmbH Germany and Acrysil UK limited. Home-style Products UK Limited is a step down subsidiary of AL through which AL has entered the UK market.

#### **Recent Results**

During FY16, the AL(group) reported an operating income of Rs. 171.91 crore and a net profit of Rs. 12.15 crore. In FY15, the company reported an operating income of Rs. 127.79 crore and net profit of Rs. 9.01 crore

**September 2016**

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