Carysil Ltd — Apr 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strategic Beat **One-line:** Acrysil's acquisition of Sylmar Technology (STL) for £11 million (~□110 Cr) at an attractive ~5.4x EV/EBITDA multiple significantly accelerates its "lifestyle kitchen" thesis by providing immediate access to the UK's massive worktop market and a 35% market share in solid surfaces.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Acquisition adds ~□120 Cr (£12M) top-line; capacity expansion ahead of schedule.	□
Earnings Quality	High (Core driven)	STL is a debt-free, profitable entity with 16.7% EBITDA margins.	□
Guidance Confidence	Strong	Reaffirmed □1,000 Cr revenue vision with a clear inorganic/organic path.	□
Management Credibility	Strong	Disciplined capital allocation (buying 35% market share at <6x EBITDA).	□
Business Quality Signal	Improving	Transitioning from a component supplier (sinks) to a systems provider (worktops + sinks).	□
Key Q&A Exchange	Q# 5 + Cross-selling — 20-30% growth expected.	Management expects cross-selling to drive double-digit growth in UK.	□
The Street's Primary Anxiety	Integration risk and margin dilution from STL.	Mgmt confirmed STL margins (16.7%) are close to consol. levels.	□
Capital Cycle Stage	Investment / Expansion	Simultaneous organic capacity ramp-up and inorganic expansion.	□
Margin / Return Ratio Trajectory	Stable	STL margins are healthy; scale benefits likely to offset integration costs.	□
Pricing Power	Expanding	Solid surface products are niche, high-value, and "seamless."	□
FCF Conversion & Quality	Strong	STL is asset-light (£0.4M gross block) and profitable.	□
Competitive Moat Signals	Widening	35% market share in UK solid surfaces; unique "seamless integration" tech.	□
Balance Sheet Strength	Adequate	Funding acquisition primarily via debt (£7.7M) in UK books.	□
Working Capital Efficiency	Stable	STL working capital cycle is ~70 days.	□
Mgmt Guidance Track Record	Reliable	Previous UK acquisition (HomeStyle) grew 5x in 6 years; suggests strong playbook.	□
Key Vulnerability / Red Flag	Concentration Risk	Heavily reliant on UK market for international growth.	□
Management Tone	Confident and Opportunistic	Focused on synergies and scaling the "Carysil" brand globally.	□

Key Takeaways (Positives & Negatives): Positives: * **Strategic Market Capture:** Acquisition of STL gives Acrysil a dominant 35% share in the UK solid surface market and a gateway into the multi-billion dollar worktop category. * **Asset-Light Growth:** STL operates on a very low capital base (Gross Block of only £0.4M or ~□4 Cr) while generating £12.3M (~□123 Cr) in revenue. * **Synergy Potential:** Immediate cross-selling opportunities with high-street retailers (Homebase, Hafele, Wickes) that Acrysil previously couldn't penetrate. * **Valuation Discipline:** Buying a market leader at ~5.4x EV/EBITDA is highly accretive for a high-growth company like Acrysil.

Negatives: * **UK Concentration:** While UK is a strong market, the company's growth is becoming increasingly sensitive to UK macro-economic conditions. * **Debt Addition:** The acquisition adds £7.7M (~□77 Cr) of debt to the UK subsidiary's books.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — numbers from concall. (Conversion used: £1 = □100 for materiality clarity, though reported in original GBP where specified).

Metric (Target Entity: STL)	Current Qtr (CY2021)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (STL)	□123 Cr (£12.3M)	↑ 11.8%	First entry	↑	Pre-pandemic levels were □140 Cr (£14M).
EBITDA (STL)	□20.5 Cr (£2.05M)	Not in doc	First entry	→	Margin is 16.7%.
EBITDA Margin % (STL)	16.7%	Not in doc	First entry	→	"Quite close" to Acrysil's consolidated margins.
PAT / PBT (STL)	□18 Cr (£1.8M PBT)	Not in doc	First entry	→	Debt-free company at time of acquisition.
Capacity (Quartz Sinks)	840,000 units	↑ 68%	First entry	↑	Expanding further by 360,000 units in Q1/Q2 FY23.
Capacity (SS Sinks)	180,000 units	↑ 100%	First entry	↑	Expansion from 90,000 to 180,000 in Q1 FY23.
Gross Block (STL)	□4 Cr (£0.4M)	Not in doc	First entry	→	Highly asset-light business model.
Net Debt / (Cash)	□77 Cr (£7.7M debt)	New Debt	First entry	↓	Debt taken specifically for this acquisition.
Working Capital (STL)	70 Days	Not in doc	First entry	→	Standard for UK distribution/ manufacturing.
UK Revenue Run-rate (Combined)	~□220 - 230 Cr	↑	First entry	↑	Acrysil UK (~□100 Cr) + STL (~□120 Cr).

2B. SEGMENT BREAKDOWN (STL Only)

Segment	Revenue (CY2021)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Kitchen Products	80% of STL Rev	Not in doc	High	↑	Higher	Main focus for cross-selling sinks and taps.
Bathroom/ Marine	20% of STL Rev	Not in doc	Niche	→	Lower	Entry point for Sternhagen brand in UK.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	□1,000 Cr Vision.	Needs ~25-30% CAGR; acquisition adds ~12% to consol. top-line immediately.	Met (Previous UK acq grew 5x).	Execution risk.
Guidance	UK Growth	Double UK revenue in 4-5 years.	Requires ~15-18% CAGR in UK business.	First entry.	UK macro-slowdown.
Guidance	Synergies	20-30% YoY growth in UK business via cross-selling.	High but feasible given new access to Homebase/Hafele.	First entry.	Integration delays.
Guidance	Capacity	1.2 Million total Quartz sinks by Q2 FY23.	On track; 180k adding in Q1, 180k in Q2.	Reliable.	RM supply chain.
Strategy	Products	Intro Quartz Worktops in UK.	Massive market (£100M+); technology already exists in-house.	First entry.	Market competition.
Macro	Industry	STL market share at 35%.	Leading position in niche; 10% of total worktop market.	Verified.	Substitution risk.

4. ANALYST Q&A

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
1	4.5	Ronak Mehta / Equirus	Margins & Trajectory	Financials	Will STL dilute Acrysil's consolidated EBITDA margins?	Management stated STL margins are 15-16% and they have initiatives to improve this further once integration begins. Higher volume through existing channels should lead to operating leverage and margin expansion.	None	4.0	Clear and directional
1a	4.0	Ronak Mehta / Equirus	Growth Strategy	Business Overview	How does this acquisition change the product portfolio?	The acquisition allows entry into the "worktop" market, which is significantly larger than the sink market, and provides a platform for the bathroom segment. This transforms Acrysil from a component manufacturer into a full-service kitchen solutions provider.	None	4.5	Specific roadmap
2	3.5	Udit / Yes Securities	Financials	Financials	What is the funding mix and consolidation timeline?	Acquisition cost of £11M is funded by £7.7M debt and £3.3M internal accruals, with consolidation starting from	None	5.0	Quantified

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						April (Q1 FY23). This clarifies that the balance sheet impact will be visible immediately in the next fiscal year.			
3	4.5	Keval Ashar / DSP	Market Size	Management Commentary	What is the size of the slab/worktop market and the growth target?	Management identified the UK worktop market as multi-billion dollar, with STL currently in a niche (solid surface) that is only 10% of the category, leaving 90% (Quartz) for expansion. They target doubling the UK revenue in 4-5 years by introducing Quartz slabs into these channels.	None	4.0	Specific timeline
4	4.0	Nikhil Gada / Abakkus	Capacity & Assets	Capex and Allocation	What is the asset base and utilization of the acquired company?	STL is an asset-light business with a £400k gross block and is currently operating at 65-70% capacity with room to expand. This indicates high ROCE potential as growth will not require heavy immediate capex.	None	5.0	Specific and quantified
4a	4.5			Strategy			None	4.0	

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		Nikhil Gada / Abakkus	India Opportunity		Can this "seamless integration" technology be brought to India?	Management plans to bring this technology to India to address poor local fabrication quality and potentially set up backward integration. This opens a significant long-term domestic growth lever for the premium "Carysil" brand.			Directional evidence
5	4.0	Rishab Dugar / CD Equisearch	Synergies	Business Overview	How much growth can be expected specifically from cross-selling?	Management expects 20-30% YoY growth in the UK business by pushing Acrysil sinks into STL's established retail accounts like Homebase and Wickes. This validates the "plug-and-play" nature of the acquisition.	None	3.5	Vague but consistent
8	3.0	Dhruv Rathod	Technology	Strategy	Will Acrysil's core "Schock" sink technology be shared with STL?	Management explicitly stated they will not be sharing the proprietary sink technology with the new subsidiary. This suggests a clear separation of	None	5.0	Clear denial

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						IP while maintaining manufacturing control in India.			

PATTERN FLAGS & SENTIMENT * **Theme: Synergistic Growth.** Analysts were highly focused on how STL's customer base (retailers like Homebase/Wickes) would benefit Acrysil's existing sink business. Management's confidence in a 20-30% growth rate suggests the acquisition is more about "distribution access" than just "product addition." * **Theme: Capital Efficiency.** Several questions touched upon the asset-light nature of STL and its debt-free status. Analysts appeared satisfied with the low gross block (£0.4M), which implies the acquisition will be ROCE-accretive quickly. * **Analyst Sentiment Verdict:** Analysts were generally bullish and curious about the "orbit change." The move from being a 0.5M sink company to a global kitchen lifestyle brand (sinks + worktops + taps) is being well-received. Management's credibility remains high due to the low valuation paid for a market leader. The primary unresolved issue is the speed of Quartz slab introduction into the new UK channels.

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Acquisition Status	No pending acq	Acquired Tickford Orange (STL)	↑
UK Revenue Run-rate	~□100 Cr	~□220-230 Cr	↑
Product Portfolio	Sinks & Faucets	Added Solid Surface Worktops	↑
Market Access	Limited to current distributors	Access to 35% of UK solid surface market	↑
Debt Profile	Not specified	Added £7.7M (~□77 Cr) debt	↓