Carysil Ltd — Aug 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strategic Beat **One-line:** Q1 FY23 marks a pivotal transformation as Acrysil transitions from a "component manufacturer" to a "lifestyle kitchen solutions provider" through the consolidation of Sylmar Technology (UK) and a massive 117% jump in domestic revenue.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Revenue grew 73% YoY, significantly outperforming organic expectations due to STL consolidation and domestic surge.	□
Earnings Quality	High (Core driven)	Growth driven by volume expansion in domestic sinks (+100% units) and strategic inorganic contribution.	□
Guidance Confidence	Strong	Reaffirmed □1,000 Cr revenue vision; IKEA doubling orders; Grohe adding PVD sinks.	□
Management Credibility	Strong	Capacity expansion of 160k units delivered on time (June 28); STL integrated seamlessly.	□
Business Quality Signal	Improving	Transitioning revenue mix (Domestic now 22%) reduces reliance on a single geography; entry into worktops expands TAM.	□
Key Q&A Exchange	Q# 14 — Domestic Growth	Mgmt expects 30-40% domestic growth for 4-5 years; "Carysil" brand recall is hitting a tipping point.	□
The Street's Primary Anxiety	European Slowdown	Analysts pressed on "revenge travel" and macro headwinds; Mgmt admitted Q2 softness but expects Christmas recovery.	□
Capital Cycle Stage	Investment / Expansion	Simultaneous capacity ramp (Sinks) and backward integration plans (Worktops).	□
Margin Trajectory	Structural Compression	EBITDA margins fell from 23.7% to 20.1% due to consolidation of lower-margin STL (~16-17%).	□
Pricing Power	Stable	Maintaining core margins at 22%+ despite RM volatility; PVD sinks adding premium realizations.	□
FCF Conversion	Strong	OCF of □51.6 Cr (FY22) vs PAT of □65.3 Cr; STL is asset-light, requiring minimal maintenance capex.	□
Competitive Moat	Widening	Only manufacturer in Asia with Schock technology; now holding 35% UK solid surface market share.	□
Balance Sheet Strength	Adequate	Net Debt increased to ~□150 Cr for STL acquisition, but interest coverage remains robust (PPT: 11.5x in Q4, ~9.3x now).	□
Working Capital	Stable	Inventory levels high globally, but Mgmt expects tapering as supply chains normalize.	□
Mgmt Track Record	Reliable	Consistent history of meeting capacity deadlines and successfully scaling UK subsidiaries.	□
Key Vulnerability	Macro Concentration	72% of revenue still tied to Exports; significant sensitivity to UK/EU consumer sentiment.	□
Management Tone	Confident/ Pragmatic	Bullish on long-term "Green Sink" and IKEA, but honest about temporary Q2 export softness.	□

Key Takeaways (Positives & Negatives): * **Positives:** The **IKEA partnership has entered a new orbit** with orders doubling and new stainless-steel sink contracts starting. Domestic business is no longer a peripheral story, now contributing **22% of revenue** with a clear roadmap to 30%+. The acquisition of **Sylmar Technology (STL)** gives Acrysil a dominant 35% UK market share in solid surfaces, enabling "seamless integration" of sinks and worktops—a higher-value product bundle. * **Negatives: Consolidated EBITDA margins have reset** from the ~23% range to ~20% due to the STL mix; this is a permanent structural shift unless STL margins are aggressively optimized. **Q2 Export headwind:** Management explicitly flagged a "seasonal" softening in Europe/US due to "revenge travel" (consumers spending on vacations rather than home improvement), creating a potential short-term growth lull. * **Analyst Concern:** The Street is worried about European recessionary risks. **Mgmt Response:** They are countering this by grabbing market share from high-cost European manufacturers struggling with energy prices and shifting focus to the resilient Indian market. * **Forward Watchpoint:** The proposed name change to **"CARYSIL Limited"** is a major branding signal, aiming to unify global identity and improve retail brand recall.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: PPT figures primary. Concall used for volume and STL-specific splits.*

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	171.3	↑ 73.6%	↑ 22.1%	↑	Driven by Domestic (+117%) and STL consolidation (~□34 Cr).
Gross Margin (%)	47.6%	↓ 8.0%	↓ 18.2%	↓	PPT: RM costs jumped from □43.6 Cr to □89.8 Cr YoY.
EBITDA (□Cr)	34.4	↑ 46.4%	↑ 9.9%	↑	Absolute EBITDA up, but margin percentage compressed.
EBITDA Margin %	20.1%	↓ 360 bps	↓ 210 bps	↓	STL has lower margins (16-17%) vs Core (~22-23%).
PAT (□Cr)	18.8	↑ 39.3%	↑ 13.9%	↑	Strong growth despite higher interest costs (□3 Cr).
ROCE (%)	24.0%*	↑ 330 bps	-	↑	*FY22 basis. STL is asset-light, expected to boost ROCE.
Cash Flow (OCF)	51.6	↑ 13.7%	-	↑	FY22 annual figure; Q1 FY23 cash details not in PPT.
Net Debt (□Cr)	~150.0	↑	↑	↓	Utilized debt for STL acquisition; sanctioned □180 Cr.
Interest Coverage	9.3x	↓	↓	↓	Concall: Still healthy, but rising due to acquisition debt.
Volume: Quartz Sinks	170,035	↑ 35%	↑	↑	Domestic volume doubled (33.4k units).
Volume: SS Sinks	28,608	↑	↑	↑	PVD technology driving demand in Canada/Australia.
Revenue (Domestic)	38.0	↑ 117%	↑	↑	Massive surge; dealer network now 1,880 (target 3,000).
International Rev (Mn GBP)	~10.0	↑	↑	↑	UK operations (Acrysil UK + STL) now a major hub.

2B. SEGMENT BREAKDOWN

Segment	Rev (₹ Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
Quartz Sink	104.5	↑	High	↑	Above	61% of Rev; Capacity hit 1Mn units in June.
Steel Sink	17.1	↑	Mid	↑	Below	10% of Rev; Expansion to 180k units by Oct-22.
Appliances/ Other	15.4	↑	Mid	↑	Below	9% of Rev; Launching faucets assembly line Dec-22.
STL (Worktops)	34.2	First Entry	16-17%	→	Below	First quarter of consolidation; UK market leader.

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 ₹276 Cr/quarter avg. Q1 (171 Cr) is 62% of required rate.	Strong	High. Needs STL scale + Domestic sustain.
Guidance	Volume	1.2 Million Quartz Sinks (Q3 FY23).	Needs 200k addition. Currently at 1Mn.	On Track	Supply chain disruptions.
Guidance	Distribution	3,000 Dealers by Mar-23.	Needs 1,120 new dealers in 3 quarters (373/qtr).	Met	Moderate execution risk.
Guidance	Margins	Maintain 20%+ Consolidated.	Requires STL margin optimization & freight softening.	Met	RM/Gas prices in Europe.
Strategy	Branding	Change name to "Carysil".	Subject to regulatory approval.	New	Minimal.
Strategy	Innovation	"Green Sink" Global Patent.	Launch of sustainable charcoal/ beetroot sinks.	New	Adoption risk.
Macro	Exports	Q2 FY23 Softness.	Mgmt warns of flat/seasonal dip in EU/US demand.	New	Macro slowdown/ Inflation.

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Keval Ashar (DSP)	Market Size	Business	What is the total opportunity size for quartz sinks in India?	Mgmt estimated the organized premium sink market at 1.5M units; Acrysil currently sells ~120k, implying only 8-10% penetration. This signals a massive multi-year domestic runway for the "Carysil" brand.	None	4.0	Quantified runway
2	3.5	Keval Ashar (DSP)	Competition	Business	How do you stand apart from Morbi-based players setting up quartz sink plants?	Mgmt stated they have 20 years of technical lead and high-quality German technology, whereas Morbi players often "burn their fingers" on quality. This confirms the "Schock" technology remains a strong barrier to entry against low-cost local peers.	None	4.0	Confident moat
3	4.5	Keval Ashar (DSP)	Energy Crisis	Macro	Is the European energy crisis driving orders to India?	Mgmt confirmed high energy/labor costs in Europe make competitors unsustainable at current prices, driving more traction toward Acrysil. This is a significant mid-term tailwind for market share gains in the EU.	None	4.5	Strategic tailwind
4	4.0	Vinayak Mohta (Stallion)	Demand	Outlook	Are you seeing a demand slowdown in the US/ Europe?	Mgmt noted that high "revenge travel" is temporarily softening home improvement	None	3.5	Pragmatic tone

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						demand, but secondary sales remain strong. This clarifies that the Q2 "softness" is seasonal behavior rather than a permanent loss of structural demand.			
5	5.0	Vinayak Mohta (Stallion)	IKEA	Capex	Any update on the IKEA ramp-up and new product development?	IKEA has doubled its requirements, and Acrysil is now entering the stainless-steel sink category with them after a successful quartz stint. This de-risks the revenue growth target and validates Acrysil's status as a top-tier global vendor.	None	5.0	Specific/ Quantified
6	3.5	Pranav Mehta (Equirus)	Renovation	Business	How is renovation demand global, and any cross-selling update for STL?	Renovation cycles in the West remain under 5 years, and STL is already beating Q1 forecasts due to luxury yacht and kitchen demand. This confirms the STL acquisition was not just for assets but for immediate market-beating performance.	None	4.0	Synergies confirmed
7	3.0	Udit Gajiwala (Yes Sec)	New Orders	Business	Are Grohe orders new or existing?	The Grohe orders for PVD sinks are entirely new business, providing incremental growth on top of the base. This expands the	None	5.0	Incremental upside

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						premium product mix and improves realizations per unit.			
8	3.5	Rajesh Kothari (Alpha Eq)	Acquisition	Strategy	What is the rationale for the UK worktop acquisition?	Mgmt explained that worktops and sinks are an integrated purchase; STL gives them control over the channel and a future path to manufacture worktops in India. This transforms the business from selling parts to selling complete kitchen "surfaces."	None	4.0	Clear synergy
9	4.0	Manish Ostwal (Nirmal Bang)	Margins	Financials	Will STL continue to dilute consolidated margins?	Mgmt indicated that falling freight and input costs will improve STL's margins over time. This suggests the current 20% margin floor is secure with potential for 100-150 bps expansion.	None	3.5	Margin floor set
10	3.0	Akshay Kothari (Envision)	Growth	Outlook	What is the volume growth guidance for the next 2 years?	Mgmt is targeting 25-30% volume growth, supported by the massive capacity expansion from 0.8M to 1.2M units. This provides high visibility for a revenue doubling over the next 3-4 years.	None	4.0	Clear guidance
11	3.0	Harshil Shethia (AUM)	Mix Shift	Strategy	Can domestic growth replace the	Mgmt believes the domestic surge (shifting from 80/20 to	None	4.0	Risk mitigation

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					export sluggishness?	70/30 export/ domestic mix) will largely compensate for any temporary western softness. This pivot improves the company's risk profile against global geopolitical shocks.			
12	4.0	Pritesh Chheda (Lucky)	Volume Split	Business	What were the domestic volumes last year vs this year?	Domestic quartz sink volumes grew from ~16k to 33k units in Q1, with an annual target of 150k units. This 100% volume growth confirms the Vaani Kapoor branding campaign is yielding high ROI.	None	5.0	Volume verified
13	4.5	Nikhil Chandak (JM)	Geo Sensitivity	Macro	What is the revenue split between US and Europe?	US and Europe each contribute ~25% of exports (approx 18% of total revenue each), with UK at 15%. This granular data allows investors to model specific regional recession impacts more accurately.	None	5.0	Detailed data
14	4.5	Aman Vij (Astute)	Domestic Focus	Strategy	What is changing in India that warrants a 3,000-dealer target?	Mgmt believes "Carysil" has become synonymous with quartz in India, and they are doubling the sales team to capture the "next big thing" in Indian kitchens.	None	4.5	Strategic pivot

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						This aggressive stance marks a shift from a reactive exporter to a proactive domestic brand leader.			
15	4.0	Chintan Shah (JM)	Bandwidth	Governance	How are you preparing the organization for the □1,000 Cr+ scale?	Mgmt has promoted a COO, hired heads for International Marketing, European Sales, and American Sales, and appointed Deloitte for a 5-year strategy. This institutionalization reduces "key man" risk and prepares the structure for the next growth leg.	None	5.0	De-risking scale

PATTERN FLAGS & SENTIMENT * **Theme: The Domestic Pivot.** Analysts were surprised and impressed by the 117% domestic growth. The concern moved from "can you grow in India?" to "is this sustainable?". Management was highly confident, citing a permanent consumer shift toward quartz. * **Theme: European Softness.** Multiple questions focused on the "revenge travel" comment. Analysts were cautious about whether this was a polite way of describing a recessionary hit. Management's posture was transparent—acknowledging a flat Q2 but pointing to strong secondary sales (sell-out) as a reason for optimism. * **Analyst Sentiment Verdict:** Overall sentiment was **bullish on strategy but cautious on near-term macro**. The STL acquisition was praised for its strategic fit and valuation. Management's credibility remains high as they are proactively hiring professional leadership (COO, VP Sales) and consulting with Deloitte to move beyond the "family-run" feel toward a global corporate structure.

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5. WHAT CHANGED vs PRIOR QUARTER

Comparison against previous full-year trends and management's long-term guidance.

What Changed	Prior Status (FY22)	This Quarter (Q1 FY23)	Direction
Consolidation	Standalone Sink Focus	STL Integrated (Worktops)	↑
Revenue Mix	87% Export / 13% Domestic	72% Export / 22% Domestic	↑
EBITDA Margin	23.5% (Full Year FY22)	20.1%	↓
Capacity	840,000 Units	1,000,000 Units	↑
IKEA Relationship	Standard Supplier	Doubled Orders + SS Sinks Contract	↑
Branding	"Acrysil" Company Name	Moving to "CARYSIL Limited"	↑
Sustainability	Conventional Products	Filing patent for "Green Sink"	↑
Debt Profile	~₹98 Cr Gross Borrowings	~₹150 Cr Utilized (for STL)	↓
Sales Team	Domestic focus	Doubling sales team + Int'l Heads	↑

INVESTOR NOTES: * **Thesis Integrity:** The long-term thesis is intact and arguably stronger due to the domestic surge. The margin compression to 20% is the "price" paid for entering the massive UK worktop market. * **Working Capital Lever:** CFO-to-PAT remained healthy in FY22; however, rising inventory (to shield against supply chain issues) is a minor watchpoint for Q2. * **Structural Shift:** The name change to "Carysil" is the most underrated signal—it marks the company's final transition from an industrial OEM to a consumer lifestyle brand.