

Carysil Ltd — May 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** Acrysil is successfully transitioning from a pure-play exporter to a diversified global "Kitchen & Bath" solutions provider, with aggressive capacity expansion and inorganic growth (UK acquisition) providing a clear path to a \$100M revenue run-rate.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue grew 35% YoY; FY22 PAT grew 66%.	☐
Earnings Quality	Moderate	Impacted by FX gains (₹1.9 Cr standalone) and inventory-led CFO drag.	☐
Guidance Confidence	Strong	On track for 1.2M unit capacity; IKEA order doubling in FY23.	☐
Management Credibility	Strong	Consistent delivery on capacity milestones; significant improvement in domestic DSO.	☐
Business Quality Signal	Improving	Moving into Hi-Tech Ceramic sinks (niche technology) and solid surfaces.	☐
Key Q&A Exchange	Q#4 + Q#14 (Domestic Growth & Segment Margins)	Domestic growth of 53% and 18-19% sink margins.	☐
The Street's Primary Anxiety	European/US Slowdown & Freight Costs	Mgmt notes home improvement is resilient; 90% of exports are FOB.	☐
Capital Cycle Stage	Investment	Massive greenfield/brownfield capex + UK Acquisition.	☐
Margin / Return Ratio Trajectory	Stable	22.2% ex-ESOP EBITDA vs 23% YoY; ROE improved to 28.9%.	☐
Pricing Power	Expanding	15-20% price advantage over German peers remains while passing on RM.	☐
FCF Conversion & Quality	Weak	CFO/PAT ratio at 79% (Consol) due to ₹1.3 Cr working capital drag.	☐
Competitive Moat Signals	Widening	Schock tech exclusivity in Asia; first Indian co. to enter Ceramic sinks.	☐
Balance Sheet Strength	Adequate	Net Debt increasing to ₹200 Cr peak; D/E still low at 0.54x.	☐
Working Capital Efficiency	Improving (Receivables)	Domestic terms reduced from 90 days to 45 days.	☐
Mgmt Guidance Track Record	Reliable	Capacity targets met; IKEA award won for global supply.	☐
Key Vulnerability / Red Flag	Inventory Build-up	₹104.2 Cr inventory (nearly double YoY) creates cash flow drag.	☐
Management Tone	Confident & Expansionary	Focused on new orbits of growth and technology.	☐

Key Takeaways (Positives & Negatives): **Positives:** * **Capacity Explosion:** Reaching 1M units quartz capacity in Q1FY23 and 1.2M by Q3FY23 ensures volume-led growth is locked in. * **Deepening Global Ties:**

IKEA orders are expected to double in FY23; Grohe has provided a strong commitment for quartz and steel sinks. * **Inorganic Leverage:** The UK acquisition of Sylmar (Tickford Orange) gives a 35% market share in solid surfaces and a ready distribution channel for high-margin cross-selling. * **Domestic Momentum:** Domestic revenue grew 53% YoY, aided by brand building (Vaani Kapoor) and a sharp reduction in receivable days (90 to 45).

Negatives: * **Inventory Bloat:** Inventory rose to ₹104.2 Cr (from ₹54.6 Cr) due to safety stocking (China supply chain fears) and "goods at port" issues, hurting cash conversion. * **Freight Headwinds:** Freight costs surged to 12.6% of sales (vs 8% YoY), though partially offset by the FOB export model. * **Debt Spike:** Acquisition and capex will push debt to a ₹200 Cr peak, though EBITDA growth provides comfort (1.2x Debt/EBITDA). *

Watchpoint: The success of the "Hi-Tech Ceramic Sinks" venture (Ceramictech Ltd) as a Greenfield project will be the next major litmus test for management's execution.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures primary. Concall for Mgmt Commentary.

Metric	Current Qtr (Q4FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹141.0 Cr	↑ 35.2%	↑ 32.9%	↑	Volume growth in Quartz + strong domestic demand.
Gross Margin (%)	53.7%	↓ 800 bps	↓ 440 bps	↓	Impacted by RM inflation and packaging costs.
EBITDA (Consol)	₹31.3 Cr*	↑ 30.4%	↑ 39.1%	↑	*Excluding ESOP; Volume offset by freight/RM.
EBITDA Margin %	22.2%	↓ 80 bps	↑ 100 bps	□	Pass-through of costs to 40-50% of distributors.
PAT After MI	₹16.4 Cr	↑ 25.4%	↓ 5.2%	□	Higher depreciation/interest from new capex.
ROCE (%)	24.0%	↑ 400 bps	N/A	↑	Improved from 20% in Mar-21.
Cash Flow (OCF)	₹51.6 Cr	↑ 13.6%	N/A	↑	Full year FY22 figure vs FY21.
Net Debt / Equity	0.54x	↑ (Prev 0.42x)	N/A	↓	Funding capex and UK acquisition.
Interest Coverage	9.1x (Consol)	↑ 3.4%	↓ 5.2%	□	EBIT/Finance Cost; still robust.
Quartz Volume	6.5 Lakh units	↑ 24% (FY)	N/A	↑	FY22 total vs 5.25L in FY21.
Steel Volume	1.04 Lakh units	↑ 53% (FY)	N/A	↑	Sharp shift in premium Quadro designer sinks.
Domestic Revenue	₹97.5 Cr	↑ 53% (FY)	↑ 24%	↑	Success of Carysil brand and gallery expansion.
Freight Cost %	12.6%	↑ 460 bps	N/A	↓	Freight surged from 8.0% to 12.6% of sales.

2B. SEGMENT BREAKDOWN (FY22 Consol)

Segment	Revenue Contribution	Growth (YoY)	Sink Margins	Trend	vs Company Avg	Key Development
Quartz Sinks	77%	High	24% Export / 18% Dom	↑	Above Avg	Reaching 1.2M units capacity.
Stainless Steel	14%	High	Not Disclosed	↑	Inline	Doubling capacity to 180k.
Kitchen Appliances	~5%	High	Not Disclosed	↑	Below Avg	Touched ₹20 Cr revenue.
Bath (Sternhagen)	~1%	Emerging	Not Disclosed	↑	Not Comp.	Ceramictech to boost this segment.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	\$100 Million (₹60 Cr) run-rate.	Needs 54% growth on FY22 base; feasible with UK acquisition + 43% capacity jump.	Delivered 56% growth in FY22.	Global macro slowdown.
Guidance	Margins	20%+ EBITDA Benchmark.	Needs continued RM pass-through and acquisition ramp-up from 17%.	Maintained 22.7% for FY22.	RM/Freight volatility.
Guidance	Volume / Capacity	1.2 Million Quartz sinks by Q3 FY23.	Commissioning next 360k units on schedule.	600k to 840k completed on time.	Greenfield delays.
Guidance	Partnerships	Double IKEA sales in FY23.	Requires immediate supply ramp-up starting Q1/Q2 FY23.	Awarded "Global Standard" supplier.	Concentration risk.
Strategy	Capital Allocation	₹200 Cr Peak Debt benchmark.	Acquisition debt (₹54 Cr) + working capital need.	ROE improved to 28.9%.	Interest rate hike.
Strategy	Diversification	Launch Hi-Tech Ceramic Sinks.	Greenfield project; 60-70% buyback arrangement sought.	N/A (New venture).	Technology absorption.
Balance	Working Capital	Reduce inventory levels.	Clearing "goods at port" and safety stock.	Receivables improved significantly.	Supply chain disruption.

4. ANALYST Q&A

Q#	Rel. (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
1	4.5	Pritesh Chheda / Lucky Inv.	Capacity	Business	Utilization of the 1.2M sink capacity.	Management expects full utilization tracking by FY24, noting quartz trends remain strong despite distributor stocking. Implies high volume visibility and confidence in global shift toward quartz.	Clear volume targets	4.5	Specific timeline
2	4.0	Vinayak Mohta / Stallion	Moat	Strategy	Right to win vs German competitors.	Mgmt cited 15-20% lower cost vs German peers and owning Schock technology as the key competitive levers. Confirms cost-leadership position in a premium niche.	Exact mkt share by peer	4.0	Clear and quantified
3	4.0	Udit Gajiwala / Yes Securities	M&A	Financials	Margin impact of UK acquisition.	Acquired entity margins are 17-18%, and mgmt plans to improve them toward 20% through operational efficiencies. Implies slight initial mix-dilution but long-term synergy potential.	None	4.0	Directional evidence
4	4.5	Nikhil Gada / Abakkus	Demand	Business	Inventory build-up and order deferment.	Backlog was cleared in Q4; inventory surge is temporary due to safety stocking for China lockdowns and vessel issues. Easing of lead	None	4.0	Verifiable logic

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						times to 6 weeks should normalize working capital.			
5	4.5	Pranav Mehta / Equirus	Balance Sheet	Financials	Peak debt levels post-acquisition.	Debt will peak at ~₹200 Cr in FY23, which remains comfortable at 1.2x EBITDA. Reassures investors on leverage sustainability during high growth.	None	5.0	Specific quantified
6	3.5	Prateek Agrawal / ASK	Regional	Strategy	European slowdown risk.	If Europe slows, management will redirect export capacity to the domestic Indian market which has high pent-up demand. Demonstrates regional fungibility of supply.	None	4.0	Strategic clarity
7	4.0	Vivek Gautam / GS Inv	Inflation	Financials	Passing on freight costs.	90% of exports are on FOB basis (customer pays freight); remaining 10% impact is not significant. Significant protection against global logistics price spikes.	None	4.5	Specific on model
14	4.0	Ravi Naredi / Naredi Inv	Margins	Financials	Export vs Domestic margin delta.	Export sink margins are 24% while domestic are 18-19%. Mix shift toward exports remains the primary margin driver.	None	5.0	Precise data
15	4.0		Funding	Capex				3.0	

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		Suhrid Deorah / Paladin			Plans for the equity fundraise resolution.	Process is ongoing to fund new expansion plans for Ceramic, Faucets, and Appliances. Signals further dilution or QIP may be imminent.	Use of funds beyond 'expansion'		Evasive on timing

PATTERN FLAGS & SENTIMENT Analyst questioning focused heavily on **Inventory and Supply Chain (Q4, Q13)** and **Macro Resilience (Q6, Q10)**. There is a palpable anxiety regarding the ₹104 Cr inventory and whether the European geopolitical situation will dampen the quartz sink replacement cycle. Management responded with high transparency, distinguishing between the FOB export model (protecting margins) and the "safety stock" rationale (protecting volumes).

Analyst Sentiment Verdict: Analysts appear convinced by the growth narrative but cautious on cash flow conversion. The reduction in domestic receivables (90 to 45 days) significantly improved management credibility, balancing the concerns over inventory build-up. The primary unresolved issue is the **CFO-to-PAT divergence**, which analysts will expect to see normalized in Q1FY23 as the ₹12 Cr "goods at port" are invoiced.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY22)	This Quarter (Q4FY22)	Direction
Quartz Capacity Target	840,000 units	1,200,000 units (Confirmed Q3FY23)	↑
UK Presence	Distribution only (Homestyle)	Manufacturing + Distribution (Sylmar)	↑
New Tech Entry	Not active	Incorporated Acrysil Ceramictech (Ceramic Sinks)	↑
Domestic Receivables	~90 days	~45 days	↑
Freight Cost Burden	~8% (FY21)	12.6% (FY22)	↓
Inventory Levels	₹54.6 Cr (Mar-21)	₹104.2 Cr (Mar-22)	↓
Debt Ceiling	~₹130 Cr	₹200 Cr (Target peak)	↓
Revenue Run-rate	~₹400-450 Cr	~\$100 Million (₹760 Cr) target	↑

STOP HERE.