

November 5, 2024

## Q2FY25 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		HOLD	
Target Price	1,601		1,650	
Sales (Rs. m)	58,560	66,703	59,058	67,243
% Chng.	(0.8)	(0.8)		
EBITDA (Rs. m)	10,189	12,006	10,306	11,868
% Chng.	(1.1)	1.2		
EPS (Rs.)	34.9	42.0	36.4	41.3
% Chng.	(4.0)	1.6		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	47,022	51,336	58,560	66,703
EBITDA (Rs. m)	7,388	8,368	10,189	12,006
Margin (%)	15.7	16.3	17.4	18.0
PAT (Rs. m)	4,612	5,101	6,646	7,984
EPS (Rs.)	24.2	26.8	34.9	42.0
Gr. (%)	16.6	10.6	30.3	20.1
DPS (Rs.)	4.0	6.4	8.4	-
Yield (%)	0.3	0.5	0.6	-
RoE (%)	15.5	15.3	17.4	18.2
RoCE (%)	17.4	17.9	19.9	21.1
EV/Sales (x)	5.6	5.1	4.4	3.8
EV/EBITDA (x)	35.5	31.2	25.4	21.2
PE (x)	57.8	52.3	40.1	33.4
P/BV (x)	8.5	7.5	6.5	5.7

### Key Data

CRBR.BO | CU IN

52-W High / Low	Rs.1,841 / Rs.1,026
Sensex / Nifty	78,782 / 23,995
Market Cap	Rs.267bn / \$ 3,170m
Shares Outstanding	190m
3M Avg. Daily Value	Rs.208.76m

### Shareholding Pattern (%)

Promoter's	41.05
Foreign	12.71
Domestic Institution	28.03
Public & Others	18.21
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(4.6)	(2.8)	31.7
Relative	(1.1)	(8.9)	7.6

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## Mixed Q2; subsidiaries' performance in focus

### Quick Pointers:

- Management retained Rs51-52bn consol. revenue guidance but cut PBIT margin guidance to a ~100bps decline (from 20-30bps improvement)
- Completed 100% acquisition of Silicon Carbide Products at EV of \$6.66mn.

**We revise our FY25/26E EPS estimates by -9.5%/-4.0% factoring in weaker profitability in AWUKO and Foskor Zirconia, but upgrade the rating to 'Accumulate' from 'Hold' with a revised SoTP-based TP of Rs1,601 (Rs1,650 earlier) given the recent correction in stock price. Carborundum Universal (CU) reported 7.6% YoY sales growth and 131bps YoY rise in EBITDA margin to 15.9%. Demand for ceramics remains strong across geographies from sectors such as carbon black, steel, cement, chemicals, and power distribution. CU's expansion into HPSiC as well as engineered ceramics for semiconductors and defence is on track, with ~Rs3bn capex planned for FY25. Delays and capacity constraints have led management to significantly cut FY25 guidance for AWUKO, while RHODIUS performance is largely in line with plans. Meanwhile, rising alumina costs and strong pricing pressure from Chinese dumping is impacting the Electrominerals business.**

**We believe CU will perform well in the long run given 1) healthy domestic demand, 2) capacity expansion in Electrominerals and Abrasives 3) value-added product launches in Engineered ceramics, 4) strong market reach and exports, and 5) improvement in RHODIUS & AWUKO. However, pricing pressure from Chinese competition will be a key monitorable. The stock is trading at a P/E of 52.3x/40.1x/33.4x on FY25/26/27E earnings. We roll forward to Sep'26 and value Abrasives/Ceramics/Electrominerals at 37x/50x/26x Sep'26E EPS (40x/55x/30x FY26E earlier). Upgrade to 'Accumulate'.**

**Decent growth across segments with better margin in Ceramics:** Consol. sales grew 7.6% YoY to Rs12.1bn (PLe: Rs12.3bn). Abrasives sales rose 6.4% YoY to Rs5.4bn led by standalone, AWUKO, RHODIUS and VAW. Abrasives EBIT margin fell to 6.3% (vs 7.3% in Q2FY24) owing to lower profits in Sterling Abrasives, America & AWUKO. Ceramics sales grew 5.5% YoY to Rs2.8bn on higher volume & price realization in standalone business, and better performance in Australia & America. Ceramics margin stood at 28.5% (vs 27.8% in Q2FY24) driven by higher standalone profitability. Electrominerals sales grew 6.5% YoY to Rs4.0bn driven by higher volume, realization and export sales in standalone, along with growth in VAW & Foskor Zirconia (FZL). Electrominerals margin fell to 14.3% (vs 16.3% in Q2FY24) due to increase in alumina cost and pricing pressure from Chinese imports, while FZL was impacted by strengthening of RAND vs USD. Consol. EBITDA grew 16.4% YoY to Rs2.0bn (PLe: Rs2.1bn). EBITDA margin expanded by 131bps YoY to 15.9% (PLe: 17.3%) on account of lower other expenses (-3.4% YoY to Rs2.7bn vs a high base in Q2FY24), partly offset by a lower gross margin. Adj. PAT increased by 13.7% YoY to Rs1.2bn (PLe: Rs1.4bn), driven by an improved operating performance while other income fell 42.3% YoY to Rs113mn.

**Sequential dip in RHODIUS & AWUKO:** RHODIUS Q2FY25 sales stood at €16.5mn (+8.5%/-4% YoY/QoQ) while loss after tax stood at €0.4mn (vs €0.3mn PAT in Q1FY25). AWUKO Q2FY25 sales stood at €2.2mn (+17%/-20% YoY/ QoQ). AWUKO/RHODIUS saw Rs50/90mn sequential decline in PBIT.

**Exhibit 1: Improved operating performance drives healthy growth in PAT, despite sharp fall in other income**

Consolidated (Rs mn)	Q2FY25	Q2FY24	YoY gr.	Q2FY25E	% Var.	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
<b>Sales</b>	<b>12,093</b>	<b>11,234</b>	<b>7.6%</b>	<b>12,290</b>	<b>-1.6%</b>	<b>11,841</b>	<b>2.1%</b>	<b>23,934</b>	<b>23,144</b>	<b>3.4%</b>
Other Operating income	149	229	-35.2%	145	2.5%	134	10.6%	283	352	-19.6%
<b>Total Revenue</b>	<b>12,241</b>	<b>11,463</b>	<b>6.8%</b>	<b>12,435</b>	<b>-1.6%</b>	<b>11,975</b>	<b>2.2%</b>	<b>24,217</b>	<b>23,496</b>	<b>3.1%</b>
Gross Profit	7,826	7,417	5.5%	8,033	-2.6%	7,757	0.9%	15,583	14,768	5.5%
Margin (%)	63.9	64.7	(77)	64.6	(67)	64.8	(84)	64.3	62.9	150
Employee Cost	2,000	1,786	12.0%	1,865	7.2%	1,918	4.3%	3,917	3,584	9.3%
as % of sales	16.5	15.9	64	15.2	136	16.2	34	16.4	15.5	88
Power & Fuel	1,214	1,201	1.1%	1,181	2.8%	1,124	8.0%	2,338	2,514	-7.0%
as % of sales	10.0	10.7	(65)	9.6	43	9.5	55	9.8	10.9	(110)
Other expenditure	2,663	2,755	-3.4%	2,860	-6.9%	2,780	-4.2%	5,443	5,300	2.7%
as % of sales	22.0	24.5	(250)	23.3	(125)	23.5	(146)	22.7	22.9	(16)
<b>EBITDA</b>	<b>1,950</b>	<b>1,675</b>	<b>16.4%</b>	<b>2,126</b>	<b>-8.3%</b>	<b>1,936</b>	<b>0.7%</b>	<b>3,885</b>	<b>3,369</b>	<b>15.3%</b>
Margin (%)	15.9	14.6	131	17.1	(117)	16.2	(24)	16.0	14.3	170
Depreciation	520	459	13.3%	530	-2.0%	514	1.1%	1,034	916	12.8%
<b>EBIT</b>	<b>1,430</b>	<b>1,217</b>	<b>17.5%</b>	<b>1,596</b>	<b>-10.4%</b>	<b>1,422</b>	<b>0.6%</b>	<b>2,852</b>	<b>2,453</b>	<b>16.2%</b>
Margin (%)	11.7	10.6	107	12.8	(116)	11.9	(19)	11.8	10.4	133
Other Income	113	196	-42.3%	180	-37.1%	70	61.4%	184	506	-63.7%
Interest	37	49	-24.4%	30	22.7%	33	11.2%	70	100	-30.3%
<b>PBT (ex. Extra-ordinaries)</b>	<b>1,506</b>	<b>1,364</b>	<b>10.4%</b>	<b>1,746</b>	<b>-13.7%</b>	<b>1,459</b>	<b>3.3%</b>	<b>2,965</b>	<b>2,859</b>	<b>3.7%</b>
Margin (%)	12.3	11.9	40	14.0	(174)	12.2	13	12.2	12.2	8
Extraordinary Items	-	-	-	-	0.0%	-	0.0%	-	-	-
<b>PBT</b>	<b>1,506</b>	<b>1,364</b>	<b>10.4%</b>	<b>1,746</b>	<b>-13.7%</b>	<b>1,459</b>	<b>3.3%</b>	<b>2,965</b>	<b>2,859</b>	<b>3.7%</b>
Total Tax	458	437	4.8%	445	2.9%	429	6.9%	887	855	3.8%
Effective Tax Rate (%)	30.4	32.1	(163)	25.5	492	29.4	102	29.9	29.9	1
<b>PAT before JVs/MI</b>	<b>1,048</b>	<b>927</b>	<b>13.1%</b>	<b>1,301</b>	<b>-19.4%</b>	<b>1,030</b>	<b>1.8%</b>	<b>2,078</b>	<b>2,003</b>	<b>3.7%</b>
Share of Profit/loss from JVs/MI	111	92	20.4%	80	38.1%	100	10.7%	210	148	42.4%
<b>Reported PAT</b>	<b>1,159</b>	<b>1,019</b>	<b>13.7%</b>	<b>1,381</b>	<b>-16.1%</b>	<b>1,130</b>	<b>2.6%</b>	<b>2,288</b>	<b>2,151</b>	<b>6.4%</b>
<b>Adj. PAT</b>	<b>1,159</b>	<b>1,019</b>	<b>13.7%</b>	<b>1,381</b>	<b>-16.1%</b>	<b>1,130</b>	<b>2.6%</b>	<b>2,288</b>	<b>2,151</b>	<b>6.4%</b>
Margin (%)	9.5	8.9	58	11.1	(164)	9.4	3	9.4	9.2	29
<b>Adj. EPS</b>	<b>6.1</b>	<b>5.4</b>	<b>13.7%</b>	<b>7.3</b>	<b>-16.1%</b>	<b>5.9</b>	<b>2.6%</b>	<b>12.0</b>	<b>11.3</b>	<b>6.4%</b>

Source: Company, PL

**Exhibit 2: Decent sales growth across segments; weakness in subsidiaries impacts Abrasives & Electrominerals margins**

Consol. Segment Breakup	Q2FY25	Q2FY24	YoY gr.	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
<b>Revenue (Rs mn)</b>								
Abrasives	5,434	5,105	6.4%	5,516	-1.5%	10,950	10,294	6.4%
Ceramics	2,796	2,650	5.5%	2,696	3.7%	5,492	5,520	-0.5%
Electrominerals	4,021	3,775	6.5%	3,808	5.6%	7,830	7,956	-1.6%
Others	414	360	15.2%	418	-0.8%	832	702	18.4%
Less: Intersegmental	573	655	-12.5%	597	-4.0%	1,170	1,329	-12.0%
<b>Total</b>	<b>12,093</b>	<b>11,234</b>	<b>7.6%</b>	<b>11,841</b>	<b>2.1%</b>	<b>23,934</b>	<b>23,144</b>	<b>3.4%</b>
<b>EBIT (Rs mn)</b>								
Abrasives	345	371	-7.1%	551	-37.4%	895	683	31.0%
Ceramics	796	737	8.0%	647	23.2%	1,443	1,547	-6.7%
Electrominerals	576	615	-6.4%	433	33.1%	1,009	1,355	-25.6%
Others	(61)	(51)	-	(17)	-	(78)	(111)	-
<b>EBIT Margin (%)</b>								
			<b>YoY bps</b>		<b>QoQ bps</b>			<b>YoY bps</b>
Abrasives	6.3%	7.3%	(92)	10.0%	(364)	8.2%	6.6%	154
Ceramics	28.5%	27.8%	66	24.0%	449	26.3%	28.0%	(176)
Electrominerals	14.3%	16.3%	(197)	11.4%	296	12.9%	17.0%	(415)
Others	-14.8%	-14.2%	(61)	-4.0%	(1,080)	-9.4%	-15.8%	644

Source: Company, PL

**Exhibit 3: SoTP valuation – Ceramics segment accounts for ~52% of value**

Particular	Sep'26 EPS	Multiple (x)	Net Value/share
Abrasives	12.5	37	461
Ceramics	16.7	50	836
Electrominerals	11.8	26	307
Others	(2.5)	1	(3)
<b>SoTP</b>			<b>1,601</b>

Source: Company, PL

## Conference Call Highlights

- **Management maintained 9-11% consol. revenue growth guidance** to Rs51-52bn in FY25, but reduced PBIT margin guidance to a 100bps fall (from 20-30bps improvement), owing to expected underperformance in AWUKO and FZL.
- **FY25 capex** guidance stands at Rs3bn (vs Rs3.5bn previously). Capex incurred in H1FY25 stood at Rs1.2bn (vs Rs970mn in H1FY24).
- **Consol. abrasives:** Standalone, RHODIUS and AWUKO drove sales growth, while better profits YoY in standalone and RHODIUS enhanced margins in H1FY25. However, margin declined sequentially in Q2 due to increased losses in AWUKO and negative margin in RHODIUS. Policy change on de-husked rice impacted Sterling Abrasives' cone polisher sales, while shift of a major customer's facility from USA to LatAm affected CUMI America's performance (ex. this customer, growth in America is good). Management reduced FY25 guidance to 10% revenue growth (from 11-12%) owing to a shortfall in AWUKO, and flat PBIT margin (from 100bps improvement).
- **Standalone abrasives:** Growth was mainly driven by Industrial and Retail segments led by volume increase, while, there was small de-growth in Precision segment. Management retained 9-11% growth guidance in India.
- **RHODIUS:** Q2FY25 revenue grew 8.5% YoY but fell 4% QoQ to €16.5mn. PBIT fell Rs90mn sequentially in Q2FY25. H1FY25 revenue stood at €33.8mn (+10% YoY), growing 11.6% in INR terms, and loss after tax reduced to €0.1mn (vs €1.4mn in H1FY24). Management moderated FY25 guidance to 9-10% revenue growth (from 10%) and PAT breakeven (vs marginal profit previously).
- **AWUKO:** Q2FY25 sales grew 17% YoY but fell 20% QoQ to €2.2mn. H1 sales stood at €5.3mn (+18% YoY) and loss before tax is flattish at €2.3mn. Management has downgraded its FY25 guidance to €2mn increase in sales (vs €8-10mn previously) and €4.5mn EBITDA loss (vs breakeven previously) due to 1) change in product portfolio resulting in capacity constraints and higher lead times, 2) delays in achieving acceptable levels of quality, and 3) target market not developing as planned. The company is now working on a new strategy to improve AWUKO's performance.
- **Consol. Ceramics:** Margin improved sequentially led by standalone and CUMI Australia, but declined in H1 due to weaker standalone margin. Demand remain strong across sectors such as cement, steel, carbon black, chemicals, and power distribution in India as well as overseas. Management maintained guidance of 12-14% revenue growth and flat margins in consol. Ceramics and 12-13% growth in Refractories in FY25, but revised Industrial ceramics growth guidance downward from 13-15% to 12% on account of an expected shortfall in engineered and wear ceramics. Metalized cylinder business can grow at 15% YoY for the next 2-3 years, with scope to debottleneck some capacity which is currently operating at 80%+ utilization. The company's expansion projects include engineered ceramics for semiconductor fabs and defence vehicle armor & body, which can aid margin improvement going forward.

- **Standalone Ceramics:** Higher volumes and price realization drove growth in Q2. Refractories, wear ceramics and Metallized cylinders combined grew 14% YoY in H1. Margin fell in H1 due to mix between industrial ceramics and refractories, and product mix within industrial ceramics, but improved sequentially in Q2 owing to higher price realization and favourable product mix.
- **Consol. Electrominerals:** Margin declined YoY on the back of lower profitability in standalone and FZL, but improved sequentially due to better margins in standalone and VAW. Global rise in alumina prices is impacting most electromineral products. Silicon Carbide (SiC) is the company's largest overseas business, with 80-85,000 MT capacity in Russia vs ~10,000 MT in India. Management maintained guidance of 5-6% revenue growth in consol. Electrominerals in FY25, but cut margin guidance to a 150-200bps decline (from 20-30bps improvement) owing to rising costs and pricing pressure in standalone business as well as pricing pressure in FZL.
- **Standalone Electrominerals:** Q2FY25 sales grew 9.2% YoY aided by volume growth, better realizations and higher exports YoY. Margin declined YoY due to pricing pressure in the market, but improved sequentially on account of higher price realization. The company has been able to pass on higher alumina prices to customers. Management guided for standalone Electrominerals sales to grow ~10% in FY25.
- **High Purity SiC (HPSiC):** Greenfield expansion is on track and may be fully operational before Dec'25 (earlier than planned). The company has sent some products to a few geographies for trials and has received good feedback. SiC being the preferred material for semiconductors will help drive demand for HPSiC.
- **VAW:** Q2FY25 sales grew 1.7%/1.0% YoY/QoQ with growth in both Abrasives and Ceramics, while PAT rose to RUB486mn (vs RUB413mn YoY). H1FY25 PAT stood at RUB753mn (vs Rs836mn YoY), with no major impact of INR/RUB FX rate. Electrominerals sales were flattish YoY in H1 in RUB terms, but declined in INR terms, while PBIT fell by ~Rs180mn due to export duties and higher trade costs.
- **Foskor Zirconia:** Q2FY25 sales rose 38% YoY driven by higher volumes, but fell 32% QoQ due to pricing pressure from Chinese competition. In H1FY25, revenue grew 9% YoY on account of 26% volume growth partly offset by 17% decline in price realizations. H1FY25 saw losses of Rs147mn (vs Rs61mn in H1FY24), with RAND strengthening by ~10% against USD. Management expects H2 losses to come down to ~Rs20mn, implying total loss of Rs160-170mn in FY25 (vs Rs74mn in FY24).
- **Silicon Carbide Products (SCP):** CU acquired a 100% stake in SCP at an EV of \$6.66mn. SCP specializes in manufacture of high-quality nitrate-bonded silicon carbide products and is widely recognized for its advanced firing & forming process. It closed CY23 with \$4.2mn revenue and \$0.4mn PBT. CU aims to leverage synergies in market access, technology and raw material supply, including:

- SCP's expertise in furnace design, patterning and tooling to strengthen offering in the Indian market, particularly in the critical thermal application such as power, steel, and mining sectors.
- SCP's well-established customer base in America to introduce products to tap into glass, super alloys, petrochemicals, non-ferrous and heat treatment.
- Supply raw materials to SCP and jointly develop new products and technologies.
- These identified synergies could generate an additional ~\$5mn in annual revenue over the next 5-6 years, thereby doubling SCP's current sales.
- **Consol. debt** decreased to Rs1bn (vs Rs1.4bn YoY and Rs1.1bn QoQ). Debt/Equity ratio stood at 0.03. Standalone debt remains zero.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>47,022</b>	<b>51,336</b>	<b>58,560</b>	<b>66,703</b>
YoY gr. (%)	1.0	9.2	14.1	13.9
Cost of Goods Sold	16,973	18,378	20,554	23,012
Gross Profit	30,049	32,958	38,005	43,690
Margin (%)	63.9	64.2	64.9	65.5
Employee Cost	7,201	8,008	9,018	10,206
Other Expenses	15,460	16,581	18,798	21,478
<b>EBITDA</b>	<b>7,388</b>	<b>8,368</b>	<b>10,189</b>	<b>12,006</b>
YoY gr. (%)	13.3	13.3	21.8	17.8
Margin (%)	15.7	16.3	17.4	18.0
Depreciation and Amortization	1,908	2,222	2,429	2,645
<b>EBIT</b>	<b>5,481</b>	<b>6,145</b>	<b>7,761</b>	<b>9,362</b>
Margin (%)	11.7	12.0	13.3	14.0
Net Interest	183	121	84	55
Other Income	767	536	705	811
<b>Profit Before Tax</b>	<b>6,064</b>	<b>6,561</b>	<b>8,382</b>	<b>10,117</b>
Margin (%)	12.9	12.8	14.3	15.2
Total Tax	1,741	1,772	2,112	2,550
Effective tax rate (%)	28.7	27.0	25.2	25.2
<b>Profit after tax</b>	<b>4,323</b>	<b>4,790</b>	<b>6,270</b>	<b>7,568</b>
Minority interest	149	168	219	265
Share Profit from Associate	439	479	596	681
<b>Adjusted PAT</b>	<b>4,612</b>	<b>5,101</b>	<b>6,646</b>	<b>7,984</b>
YoY gr. (%)	16.6	10.6	30.3	20.1
Margin (%)	9.8	9.9	11.3	12.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>4,612</b>	<b>5,101</b>	<b>6,646</b>	<b>7,984</b>
YoY gr. (%)	11.4	10.6	30.3	20.1
Margin (%)	9.8	9.9	11.3	12.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,612	5,101	6,646	7,984
<b>Equity Shares O/s (m)</b>	<b>190</b>	<b>190</b>	<b>190</b>	<b>190</b>
<b>EPS (Rs)</b>	<b>24.2</b>	<b>26.8</b>	<b>34.9</b>	<b>42.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>19,669</b>	<b>22,469</b>	<b>24,969</b>	<b>27,669</b>
Tangibles	19,669	22,469	24,969	27,669
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>8,814</b>	<b>11,036</b>	<b>13,465</b>	<b>16,110</b>
Tangibles	8,814	11,036	13,465	16,110
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>10,855</b>	<b>11,433</b>	<b>11,504</b>	<b>11,559</b>
Tangibles	10,855	11,433	11,504	11,559
Intangibles	-	-	-	-
Capital Work In Progress	781	1,035	924	998
Goodwill	4,755	4,906	5,026	5,139
Non-Current Investments	1,922	2,260	2,544	2,865
Net Deferred tax assets	(196)	(146)	(81)	(8)
Other Non-Current Assets	1,106	1,327	1,592	1,910
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	8,502	9,733	11,114	12,659
Trade receivables	6,790	7,369	8,256	9,404
Cash & Bank Balance	5,579	6,410	8,948	12,129
Other Current Assets	692	873	1,171	1,334
<b>Total Assets</b>	<b>41,519</b>	<b>45,943</b>	<b>51,762</b>	<b>58,774</b>
<b>Equity</b>				
Equity Share Capital	190	190	190	190
Other Equity	31,067	35,311	40,543	46,741
<b>Total Networth</b>	<b>31,257</b>	<b>35,502</b>	<b>40,733</b>	<b>46,932</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	275	275	275	275
Provisions	244	257	264	267
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	852	652	452	252
Trade payables	3,978	4,360	4,813	5,300
Other current liabilities	2,008	2,218	2,326	2,585
<b>Total Equity &amp; Liabilities</b>	<b>41,126</b>	<b>45,943</b>	<b>51,762</b>	<b>58,774</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	6,503	6,561	8,382	10,117
Add. Depreciation	1,908	2,222	2,429	2,645
Add. Interest	183	121	84	55
Less Financial Other Income	767	536	705	811
Add. Other	(276)	-	-	-
Op. profit before WC changes	8,318	8,904	10,894	12,817
Net Changes-WC	(206)	(1,802)	(2,025)	(2,132)
Direct tax	(2,097)	(1,772)	(2,112)	(2,550)
<b>Net cash from Op. activities</b>	<b>6,015</b>	<b>5,330</b>	<b>6,757</b>	<b>8,136</b>
Capital expenditures	(2,184)	(3,055)	(2,460)	(2,837)
Interest / Dividend Income	425	-	-	-
Others	(106)	15	294	347
<b>Net Cash from Invt. activities</b>	<b>(1,865)</b>	<b>(3,040)</b>	<b>(2,165)</b>	<b>(2,489)</b>
Issue of share cap. / premium	137	-	-	-
Debt changes	(1,190)	(200)	(200)	(200)
Dividend paid	(793)	(856)	(1,415)	(1,785)
Interest paid	(152)	(121)	(84)	(55)
Others	(130)	(378)	(546)	(615)
<b>Net cash from Fin. activities</b>	<b>(2,129)</b>	<b>(1,555)</b>	<b>(2,245)</b>	<b>(2,656)</b>
<b>Net change in cash</b>	<b>2,021</b>	<b>735</b>	<b>2,347</b>	<b>2,991</b>
Free Cash Flow	3,822	2,275	4,297	5,299

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	24.2	26.8	34.9	42.0
CEPS	34.3	38.5	47.7	55.9
BVPS	164.2	186.5	214.0	246.6
FCF	20.1	12.0	22.6	27.8
DPS	4.0	6.4	8.4	-
<b>Return Ratio(%)</b>				
RoCE	17.4	17.9	19.9	21.1
ROIC	15.1	16.0	19.4	21.7
RoE	15.5	15.3	17.4	18.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	88	91	91	92
<b>Valuation(x)</b>				
PER	57.8	52.3	40.1	33.4
P/B	8.5	7.5	6.5	5.7
P/CEPS	40.9	36.4	29.4	25.1
EV/EBITDA	35.5	31.2	25.4	21.2
EV/Sales	5.6	5.1	4.4	3.8
Dividend Yield (%)	0.3	0.5	0.6	-

Source: Company Data, PL Research

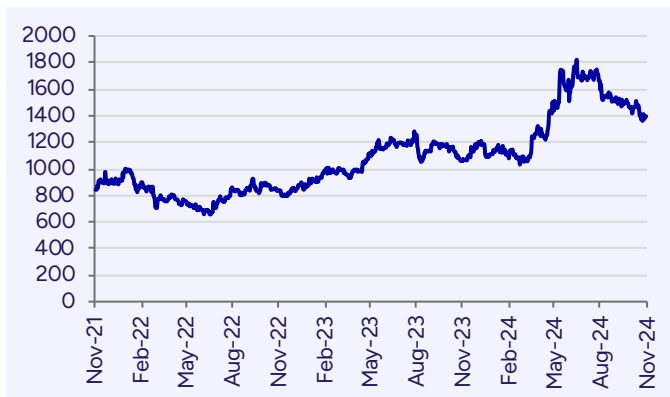
**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>Net Revenue</b>	<b>11,514</b>	<b>12,012</b>	<b>11,975</b>	<b>12,241</b>
YoY gr. (%)	(3.0)	0.1	(0.5)	6.8
Raw Material Expenses	4,135	4,264	4,218	4,415
Gross Profit	7,379	7,748	7,757	7,826
Margin (%)	64.1	64.5	64.8	63.9
<b>EBITDA</b>	<b>1,925</b>	<b>2,094</b>	<b>1,936</b>	<b>1,950</b>
YoY gr. (%)	12.5	10.0	14.3	16.4
Margin (%)	16.7	17.4	16.2	15.9
Depreciation / Depletion	482	510	514	520
<b>EBIT</b>	<b>1,443</b>	<b>1,584</b>	<b>1,422</b>	<b>1,430</b>
Margin (%)	12.5	13.2	11.9	11.7
Net Interest	47	36	33	37
Other Income	136	125	70	113
<b>Profit before Tax</b>	<b>1,532</b>	<b>1,674</b>	<b>1,459</b>	<b>1,506</b>
Margin (%)	13.3	13.9	12.2	12.3
Total Tax	514	371	429	458
Effective tax rate (%)	33.6	22.2	29.4	30.4
<b>Profit after Tax</b>	<b>1,017</b>	<b>1,303</b>	<b>1,030</b>	<b>1,048</b>
Minority interest	7	77	19	3
Share Profit from Associates	103	123	119	114
<b>Adjusted PAT</b>	<b>1,113</b>	<b>1,348</b>	<b>1,130</b>	<b>1,159</b>
YoY gr. (%)	2.0	14.3	(0.2)	13.7
Margin (%)	9.7	11.2	9.4	9.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,113</b>	<b>1,348</b>	<b>1,130</b>	<b>1,159</b>
YoY gr. (%)	2.0	(1.7)	(0.2)	13.7
Margin (%)	9.7	11.2	9.4	9.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,113</b>	<b>1,348</b>	<b>1,130</b>	<b>1,159</b>
Avg. Shares O/s (m)	190	190	190	190
<b>EPS (Rs)</b>	<b>5.9</b>	<b>7.1</b>	<b>5.9</b>	<b>6.1</b>

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Hold	1,650	1,469
2	01-Aug-24	Hold	1,650	1,719
3	08-Jul-24	Accumulate	1,631	1,690
4	07-May-24	Accumulate	1,631	1,516
5	12-Apr-24	BUY	1,347	1,273
6	04-Feb-24	BUY	1,347	1,116
7	09-Jan-24	BUY	1,408	1,132

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,833	7,930
2	Apar Industries	Accumulate	10,353	9,430
3	BEML	Accumulate	4,484	3,664
4	Bharat Electronics	BUY	341	270
5	BHEL	Accumulate	260	230
6	Carborundum Universal	Hold	1,650	1,469
7	Cummins India	Accumulate	4,081	3,624
8	Engineers India	BUY	247	187
9	GE T&D India	Hold	1,601	1,661
10	Grindwell Norton	BUY	2,528	2,151
11	Harsha Engineers International	Hold	566	502
12	Hindustan Aeronautics	Hold	4,515	4,257
13	Kalpataru Projects International	Accumulate	1,368	1,242
14	KEC International	Hold	880	1,032
15	Larsen & Toubro	BUY	4,088	3,408
16	Praj Industries	BUY	804	700
17	Siemens	Accumulate	7,374	7,247
18	Thermax	Reduce	4,186	5,193
19	Triveni Turbine	BUY	719	671
20	Voltamp Transformers	BUY	14,326	10,516

PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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