



Research Report

Carborundum Universal Limited



Prepared By-

SAHIL SHARMA

EQUITY RESEARCH ANALYST

About

Carborundum Universal Ltd (CUMI), a part of Murugappa Group, is one of the largest and oldest conglomerates in India. CUMI is the leading manufacturer and developer of abrasives, ceramics, refractories, aluminium oxide grains, machine tools, polymers, adhesives and electro minerals in India. The company has subsidiaries in India, Russia, South Africa, Australia, China, Thailand and Canada.

Key Business

- **Abrasives:**
 - i) Boanded Abrasives.
 - ii) Coated Abrasives.
 - iii) Metal Working Fluids.
 - iv) Power Tools.
 - v) Tools for Stones
- **Electro Minerals:**
 - i) Alumina.
 - ii) White Fused Alumina.
 - iii) Silicon Carbide.
 - iv) Fused Mullite.
- **Industrial Ceramics Materials -**
 - i) Aluminium Titanate
 - ii) Cumitherm-Z
 - iii) RBSic
 - iv) Zirconia
 - v) Alumina
- **Super Refractories:** Refractory products are basically used in industries for heat resistant and containment.

Synopsis of Financials

- Standalone sales grew by 7.6% in H1 FY'24, driven by Ceramic segment at 10.9%, Electrominerals at 10.9%, and Abrasive segment at 4.1%.
- PBIT for H1 FY'24 was Rs. 295.9 crores, with a margin of 12.8%.
- Consolidated PBIT margin improved from 10.5% in H1 FY'23 to 12.8% in H1 FY'24.

Stock data (as 17th January 2024)

Nifty Price	: 21571.95
52 week High (in Rs.)	: 1,305
52 week Low (in Rs.)	: 893
Market Cap. (in Crore)	: 21,725
NSE Code	: <u>CARBORUNIV</u>

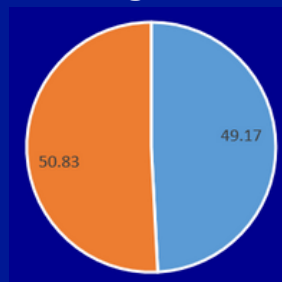
Stock data



-NIFTY50

- Carborundum Universal Limited

Shareholding Pattern (June 2023)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2023	March 2022	March 2021
Sales	4,654	3,325	2,632
Sales Growth %	39.99%	26.33%	1.26%
Operating Profit	655	540	466
OPM %	14%	16%	18%
Profit after tax	442	350	293
EPS in Rs	21.8	17.56	15

Quarterly Results

Particular	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Sales	869	1,140	1,128	1,187	1,200	1,203	1,146
Expenses	758	1,012	965	1,016	1,009	1,034	979
Operating Profit	111	127	163	171	190	169	168
OPM %	13%	11%	14%	14%	16%	14%	15%
Other Income	18	32	18	30	59	41	31
Interest	2	4	5	7	7	5	5
Depreciation	34	43	44	47	53	46	46
Profit before tax	93	112	131	147	190	160	148
Tax %	37%	23%	29%	23%	22%	26%	30%
Net Profit	58	86	94	113	149	118	104

Source: Screener

Key Ratios

Parameter	2022-23	2021-22	Favourable/ (Adverse) in %	Comments
ROCE (%)	21.2	18.2	17	Better returns & effective utilisation of capital employed
Debt Equity (times)	0.05	0.09	45	Due to repayment of current borrowings.
PBT (%) to Sales*	16.4	15.8	4	Increase due to better profitability.
Asset turnover (times)	1.8	1.5	21	Optimal utilisation.
Receivable turnover (days)	53	54	2	Effective control of Receivables
Inventory turnover (days)	58	58	-	At the same level
Interest Coverage Ratio (times)	33.0	422.5	(92)	This is due to the increase in Finance costs consequent to utilisation of borrowings during the current year.
Current Ratio (times)	2.0	1.6	24	Due to repayment of current borrowings.
Operating Profit Margin (%)*	15.2	13.9	9	Increased efficiency.
Net Profit Margin (%)	13.4	11.6	15	Better profitability due to product mix and market growth
Return on Net Worth (%)	17.7	15.5	14	Increase due to higher profits

Source: Annual Report

Yearly Results

Particulars	Mar 2023	Mar 2022	Mar 2021
Equity Capital	19	19	19
Reserves	2,802	2,345	2,113
Preference Capital	0	8	5
Borrowings	277	232	57
Other Liabilities	774	700	491
Total Liabilities	3,872	3,296	2,679
Fixed Assets	1,527	1,006	777
CWIP	87	58	28
Investments	161	138	127
Other Assets	2,096	2,094	1,747
Total Assets	3,872	3,296	2,679

Synopsis Quater Results

Con-Call Nov 23: Key Highlights

Sales and Revenue:

- Consolidated sales for H1 FY'24 were Rs. 2,314 crores, with growth in Ceramics at 11%, Abrasives at 3.2%, and Electrominerals with a negative growth of 2.5%.
- The Abrasives segment saw consolidated revenue of Rs. 1,029 crores in H1 FY'24, with 5% growth in Q2 FY'24.
- The Russian subsidiary, VAW, saw growth in local currency and delivered its highest-ever quarterly sales.
- RHODIUS is planning to be flat in terms of top-line due to softening demand in parts of Europe and competitive pricing.
- Standalone Abrasives grew by 4% in H1 FY'24, with challenges in the Retail segment due to increased supplies from China and new entrants.
- Electrominerals had a decrease in sales of 8% in Q2 FY'24, but volume growth in alumina and refractories remained strong.
- The Ceramics segment grew by 11% in H1 FY'24, with a blip in Engineered Ceramics due to a customer switching models.

CAPEX:

- The CAPEX for the full year '24 is expected to be around Rs. 260 to Rs. 280 crores.

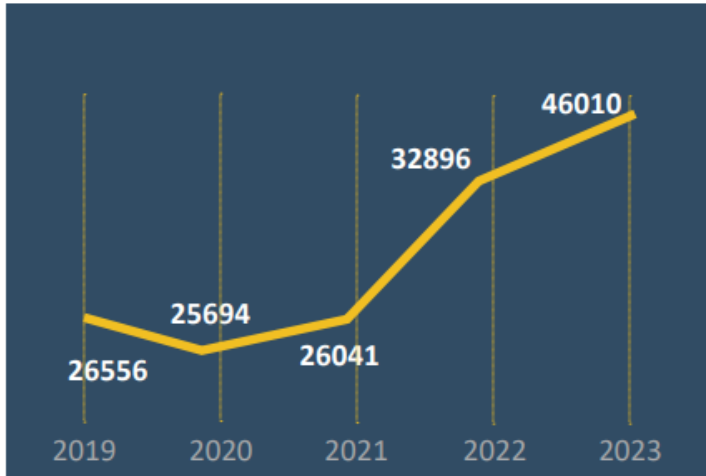
Guidance and Future Outlook:

- The company remains focused on expanding its Retail network and improving product mix optimization in order to address competition in the Abrasives market.
- The company is confident in its long-term growth prospects and expects margins to improve in the Ceramics segment.

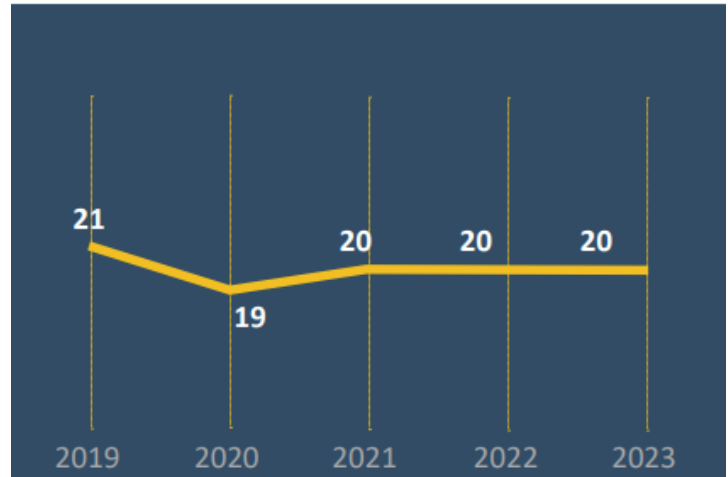
Revenue Highlights



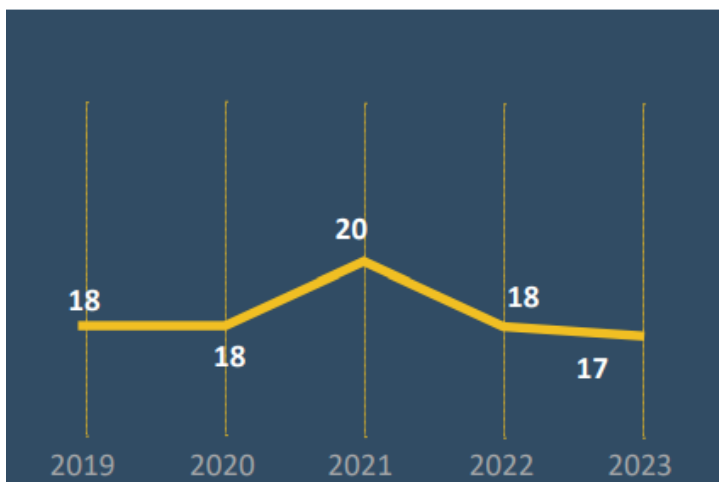
Net Sales ₹ Million



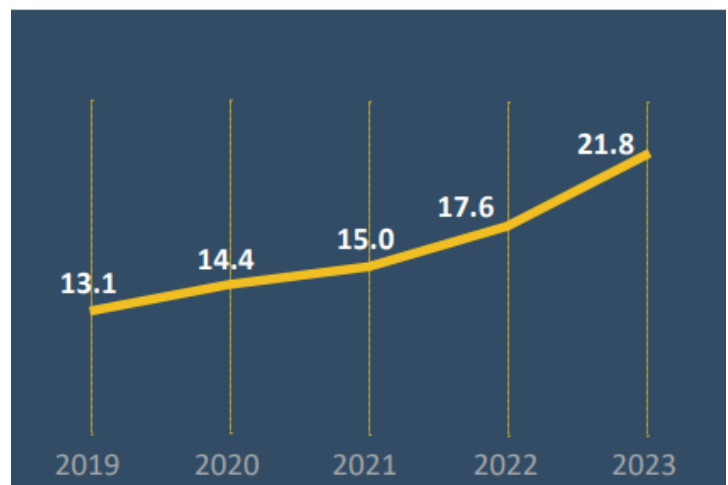
Return on Capital Employed %



EBITDA Margin %



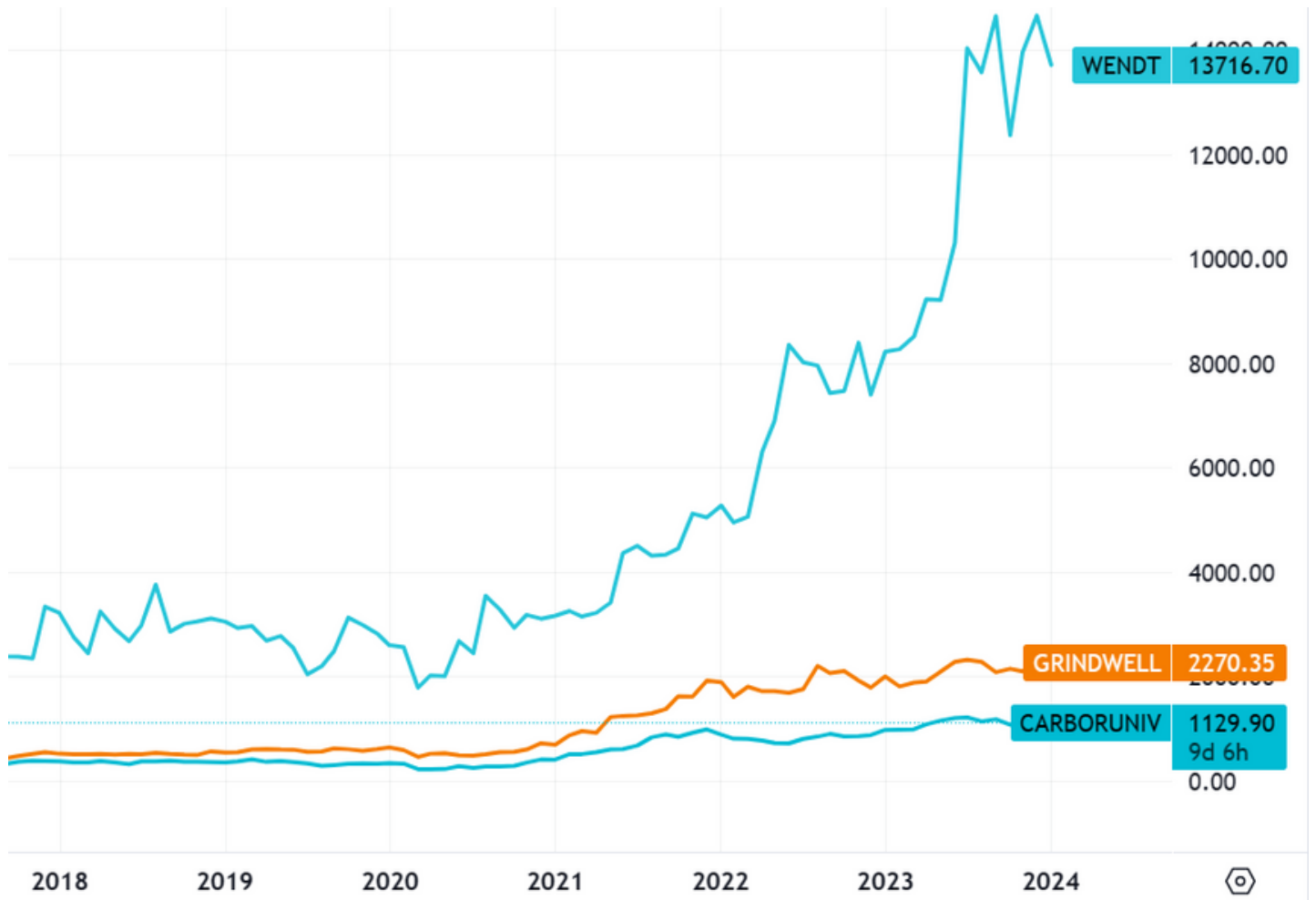
Earnings Per Share



Peer Comparison



Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Grindwell Norton	2259.85	66.40	25048.65	0.64	102.31	13.14	667.40	5.16	27.60
2.	Carborundum Uni.	1129.75	48.27	21463.95	0.31	103.88	14.48	1146.34	1.65	19.66
3.	Wendt India	14200.00	69.54	2839.39	0.56	8.95	-10.50	51.00	-2.76	28.82
4.	Orient Ceratech	53.80	44.01	645.66	0.46	4.48	142.16	82.99	34.42	7.08
5.	Welcast Steels	1521.50	442.61	97.37	0.16	2.09	93.52	25.91	170.74	11.18

Source: Screener

Final Outlook

CARBORUNIV: HOLD | LTP: 1,130

Over the last 5 years, Debt to Equity ratio has been 6.02%, where the industry average is 35.42%. The CUMI is almost Debt free. Over the last 5 years, market share increased from 4% to 4.5%. Over the last 5 years, Revenue has growth at a yearly rate of 14.7%, where the industry Average growth in 11.9%. To Rs 1,146 crore, total revenues increased 2% year over year. Operating profit increased to Rs. 168 crore, a 3% year-over-year decrease in fuel and power costs. In contrast to our projections of 14.5%, OPM improved by 16 bps year over year to 14.6%. PAT exceeded our forecast by 14.5% year over year to Rs 102 crore, mostly as a result of slower-than-anticipated sales growth. Abrasives and ceramics saw year-over-year sales growth of 6% and 4%, respectively, while the electro minerals section saw an 8% decline due to Chinese producers' dumping, which resulted in a drop in product pricing.

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