

August 1, 2024

## Q1FY25 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		ACCUMULATE	
Target Price	1,650		1,631	
Sales (Rs. m)	51,943	59,057	51,943	59,057
% Chng.	-	-	-	-
EBITDA (Rs. m)	8,649	10,305	8,649	10,305
% Chng.	-	-	-	-
EPS (Rs.)	29.6	36.4	29.4	36.1
% Chng.	0.7	0.6	-	-

### Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	46,543	47,022	51,943	59,057
EBITDA (Rs. m)	6,519	7,388	8,649	10,305
Margin (%)	14.0	15.7	16.7	17.5
PAT (Rs. m)	3,954	4,612	5,634	6,922
EPS (Rs.)	20.8	24.2	29.6	36.4
Gr. (%)	18.6	16.6	22.1	22.9
DPS (Rs.)	3.5	4.0	7.1	8.7
Yield (%)	0.2	0.2	0.4	0.5
RoE (%)	15.3	15.5	16.7	17.9
RoCE (%)	16.5	17.4	18.5	20.0
EV/Sales (x)	7.0	6.9	6.2	5.4
EV/EBITDA (x)	49.9	43.7	37.2	30.9
PE (x)	82.7	70.9	58.0	47.2
P/BV (x)	11.6	10.5	9.1	7.9

### Key Data

CRBR.BO | CU IN

52-W High / Low	Rs.1,841 / Rs.1,026
Sensex / Nifty	81,741 / 24,951
Market Cap	Rs.327bn/ \$ 3,906m
Shares Outstanding	190m
3M Avg. Daily Value	Rs.427.54m

### Shareholding Pattern (%)

Promoter's	41.16
Foreign	12.76
Domestic Institution	28.24
Public & Others	17.84
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	2.9	52.8	42.0
Relative	(0.5)	34.2	15.5

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## Decent quarter; growth remains on track

### Quick Pointers:

- Management retained guidance across business segments, with 9-11% revenue growth and 20-30bps PBIT margin improvement at consolidated level.
- VAW and Foskor Zirconia accounted for ~Rs170mn drop in consol. PAT.

**We downgrade the rating to 'Hold' from Accumulate with a revised SoTP-based TP of Rs1,650 (Rs1,631 earlier) given the run-up in stock price. Carborundum Universal (CU) reported decent quarterly performance with flattish revenue YoY and EBITDA margin improving by 208bs YoY to 16.2%. Strong investment-led growth in industrial & construction activities in India is expected to sustain demand for Abrasives. AWUKO & RHODIUS also continue to show improvement in performance, and remain on track to increase profitability. The company is also expanding its offerings in Ceramics for applications such as semiconductors, electronics, aerospace & defence, and is accordingly setting up new capacities. Ceramics for body & vehicle armour in defence presents a significant import substitution opportunity. Meanwhile, pricing pressure from Chinese dumping in abrasives & electrominerals is bottoming out and should not continue for long.**

**We believe CU will perform well in the long run given 1) healthy domestic demand, 2) product launches across segments, 3) capacity expansion in electrominerals and abrasives 4) strong market reach and exports, and 5) improvement in the performance of AWUKO and RHODIUS. The stock is trading at a P/E of 58.0x/47.2x FY25/26E. We value Abrasives/Ceramics/Electrominerals at 40x/55x/30x FY26E EPS (same as earlier).**

**Abrasives performs well while Ceramics & Electrominerals drag:** Consolidated revenue was flattish at Rs12.0bn (PLe: Rs12.7bn). Abrasives sales rose 6.3% YoY to Rs5.5bn and EBIT margin expanded to 10.0% (vs 6.0% in Q1FY24) mainly due to better performance in standalone, AWUKO and RHODIUS. Ceramics revenue declined 6.1% YoY to Rs2.7bn primarily due to drop in standalone business while American subsidiary saw good growth. Ceramics margin fell to 24.0% (vs 28.2% in Q1FY24) due to margin decline in standalone business owing to product mix. Electrominerals revenue fell 8.9% YoY to Rs3.8bn and margin dropped to 11.4% (vs 17.7% in Q1FY24) due to FX impact in VAW and drop in realizations in standalone business and Foskor. Gross margin increased by 368bps YoY to 64.8% (PLe: 62.2%). EBITDA grew 14.3% YoY to Rs1.9bn (PLe: Rs.2.0bn). EBITDA margin expanded by 208bps YoY to 16.2% (PLe: 15.6%) led by gross margin expansion which was partly offset by higher employee costs and other expenses. PAT remained flat at Rs1.1bn (PLe: Rs1.0bn) as forex restatement losses of ~Rs0.2bn in VAW led to lower other income (Rs70mn vs Rs309mn in Q1FY24).

**RHODIUS & AWUKO continue to improve:** RHODIUS sales grew ~12%/1% YoY/QoQ to €17.3mn while PAT came in at €0.3mn (vs loss of €0.8mn in Q1FY24). AWUKO sales grew 20% YoY to €3.0mn with net loss narrowing to €0.6mn (vs €0.7mn in Q1FY24).

**Exhibit 1: Ceramics segment accounts for ~50% of SoTP**

Particular	FY26 EPS	Multiple (x)	Net Value/share
Abrasives	11.7	40	469
Ceramics	15.1	55	832
Electrominerals	11.7	30	351
Others	(2.2)	1	(2)
<b>SoTP</b>			<b>1,650</b>

Source: Company, PL

**Exhibit 2: Healthy margin improvement driven by Abrasives segment; lower other income drags down PAT - Consolidated**

Y/e March (Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY gr. (%)	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
<b>Revenue</b>	<b>11,909</b>	<b>11,234</b>	<b>11,305</b>	<b>11,834</b>	<b>11,841</b>	<b>(0.6)</b>	<b>0.1</b>	<b>46,282</b>	<b>46,010</b>	<b>0.6</b>
Other Operating income	123	229	210	178	134	9.4	(24.5)	740	533	38.9
<b>Total Revenue</b>	<b>12,032</b>	<b>11,463</b>	<b>11,514</b>	<b>12,012</b>	<b>11,975</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>47,022</b>	<b>46,543</b>	<b>1.0</b>
Expenditure	10,338	9,788	9,590	9,918	10,040	(2.9)	1.2	39,634	40,024	(1.0)
<i>as % of sales</i>	<i>85.9</i>	<i>85.4</i>	<i>83.3</i>	<i>82.6</i>	<i>83.8</i>			<i>84.3</i>	<i>86.0</i>	
Consumption of RM	4,681	4,047	4,135	4,264	4,218	(9.9)	(1.1)	16,973	17,141	(1.0)
<i>as % of sales</i>	<i>38.9</i>	<i>35.3</i>	<i>35.9</i>	<i>35.5</i>	<i>35.2</i>			<i>36.1</i>	<i>36.8</i>	
Employee Cost	1,799	1,786	1,754	1,863	1,918	6.6	2.9	7,201	6,923	4.0
<i>as % of sales</i>	<i>14.9</i>	<i>15.6</i>	<i>15.2</i>	<i>15.5</i>	<i>16.0</i>			<i>15.3</i>	<i>14.9</i>	
Other expenditure	3,858	3,956	3,701	3,790	3,904	1.2	3.0	15,460	15,960	(3.1)
<i>as % of sales</i>	<i>32.1</i>	<i>34.5</i>	<i>32.1</i>	<i>31.6</i>	<i>32.6</i>			<i>32.9</i>	<i>34.3</i>	
<b>EBITDA</b>	<b>1,694</b>	<b>1,675</b>	<b>1,925</b>	<b>2,094</b>	<b>1,936</b>	<b>14.3</b>	<b>(7.6)</b>	<b>7,388</b>	<b>6,519</b>	<b>13.3</b>
Depreciation	457	459	482	510	514	12.4	0.8	1,908	1,873	1.8
<b>EBIT</b>	<b>1,237</b>	<b>1,217</b>	<b>1,443</b>	<b>1,584</b>	<b>1,422</b>	<b>15.0</b>	<b>(10.3)</b>	<b>5,481</b>	<b>4,645</b>	<b>18.0</b>
Other Income	309	196	136	125	70	(77.3)	(44.0)	767	767	(0.1)
Interest	52	49	47	36	33	(35.9)	(7.8)	183	235	(22.1)
Extra ordinary items	-	-	-	-	-	-	-	-	249	-
<b>PBT</b>	<b>1,494</b>	<b>1,364</b>	<b>1,532</b>	<b>1,674</b>	<b>1,459</b>	<b>(2.4)</b>	<b>(12.9)</b>	<b>6,064</b>	<b>5,426</b>	<b>11.7</b>
Total Tax	418	437	514	371	429	2.7	15.5	1,958	1,382	41.7
<b>Reported PAT</b>	<b>1,076</b>	<b>927</b>	<b>1,017</b>	<b>1,303</b>	<b>1,030</b>	<b>(4.3)</b>	<b>(20.9)</b>	<b>4,106</b>	<b>4,044</b>	<b>1.5</b>
(Profit)/loss from JV's/Ass/MI	56	92	96	46	100	78.5	118.4	289	96	202.3
<b>PAT after JVs/MI</b>	<b>1,132</b>	<b>1,019</b>	<b>1,113</b>	<b>1,348</b>	<b>1,130</b>	<b>(0.2)</b>	<b>(16.2)</b>	<b>4,395</b>	<b>4,140</b>	<b>6.2</b>
<b>Adj. PAT</b>	<b>1,132</b>	<b>1,019</b>	<b>1,113</b>	<b>1,348</b>	<b>1,130</b>	<b>(0.2)</b>	<b>(16.2)</b>	<b>4,395</b>	<b>3,954</b>	<b>11.2</b>
<b>Adjusted EPS</b>	<b>6.0</b>	<b>5.4</b>	<b>5.9</b>	<b>7.1</b>	<b>5.9</b>	<b>(0.2)</b>	<b>(16.2)</b>	<b>-</b>	<b>20.8</b>	<b>(100.0)</b>
<b>Margins (%)</b>	<b>Q1FY24</b>	<b>Q2FY24</b>	<b>Q3FY24</b>	<b>Q4FY24</b>	<b>Q1FY25</b>	<b>YoY bps</b>	<b>QoQ bps</b>	<b>FY24</b>	<b>FY23</b>	<b>YoY bps</b>
Gross	61.1	64.7	64.1	64.5	64.8	368	28	4.4	6.4	(199)
EBITDA	14.1	14.6	16.7	17.4	16.2	208	(127)	15.7	14.0	171
EBIT	10.3	10.6	12.5	13.2	11.9	159	(132)	11.7	10.0	168
EBT	12.4	11.9	13.3	13.9	12.2	(24)	(175)	12.9	11.7	124
PAT	9.4	8.9	9.7	11.2	9.4	2	(179)	9.3	8.5	85
Effective Tax rate	28.0	32.1	33.6	22.2	29.4	144	723	32.3	25.5	682

Source: Company, PL

**Exhibit 3: Strong performance in Abrasives across the board; meanwhile Ceramics and Electrominerals lag**

Segmental breakup	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY gr. (%)	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
<b>Revenue (Rs mn)</b>										
Abrasives	5,189	5,105	5,287	5,330	5,516	6.3	3.5	20,910	20,353	2.7
Ceramics	2,870	2,650	2,435	2,813	2,696	(6.1)	(4.1)	10,767	10,274	4.8
Electrominerals	4,182	3,775	3,685	3,806	3,808	(8.9)	0.1	15,447	16,338	(5.4)
Others	343	360	421	394	418	21.8	6.0	1,517	1,386	9.4
Less: Intersegmental	(674)	(655)	(523)	(508)	(597)	(11.4)	17.5	2,360	2,340	0.9
<b>Total</b>	<b>11,909</b>	<b>11,234</b>	<b>11,305</b>	<b>11,834</b>	<b>11,841</b>	<b>(0.6)</b>	<b>0.1</b>	<b>51,002</b>	<b>50,690</b>	<b>0.6</b>
<b>EBIT (Rs mn)</b>										
Abrasives	312	371	501	632	551	76.2	(12.9)	1,817	1,048	73.4
Ceramics	810	737	601	708	647	(20.2)	(8.7)	2,856	2,507	13.9
Electrominerals	740	615	503	516	433	(41.5)	(16.1)	2,374	2,753	(13.8)
Others	(60)	(51)	(41)	(72)	(17)	(72.2)	(76.7)	(224)	(175)	28.0
<b>EBIT (margin)</b>										
						<b>YoY bps</b>	<b>QoQ bps</b>			<b>YoY bps</b>
Abrasives	6.0	7.3	9.5	11.9	10.0	396	(188)	8.7	5.1	354
Ceramics	28.2	27.8	24.7	25.2	24.0	(424)	(120)	26.5	24.4	213
Electrominerals	17.7	16.3	13.7	13.6	11.4	(633)	(219)	15.4	16.9	(148)
Others	-17.5	-14.2	-9.8	-18.2	-4.0	1,353	1,419	-14.8	-12.6	(214)

Source: Company, PL

### Conference Call Highlights

- Consol. abrasives:** Standalone, RHODIUS and AWUKO showed good sales growth YoY. Domestic subsidiary Sterling Abrasives was impacted by slowdown in domestic agro business despite good performance in exports. Americas fell ~4%/13% QoQ/YoY mainly impacted by logistics challenges, but the program for the full year is intact. Margins rose YoY owing to better performance in standalone, losses coming down in AWUKO and higher margins in RHODIUS, but fell QoQ due to lower profits from AWUKO & RHODIUS. Maintained guidance of 11-12% revenue growth and ~100bps margin improvement in FY25.
- Standalone abrasives:** Growth was mainly driven by Industrial and Retail segments led by volume increase. However, there was single-digit de-growth in Precision segment mainly due to exports, while domestic volumes and price remained at similar levels YoY. Margin rose 233bps YoY due to product mix, softening of input costs, improvement in operational efficiencies and better realizations. Retained 9-11% growth guidance in India, which is a Rs100bn+ market driven by growing industrial and construction activities (buildings, bridges, roads, etc.) led by government investments.
- RHODIUS:** Q1FY25 revenue grew 11.6% YoY to €17.3mn (9% from volumes and 1% from price & mix). Growth was largely driven by higher sales to Europe and Americas. PAT improved YoY to +€0.3mn vs loss of €0.8mn loss in Q1FY24 aided by favourable RM costs and better volumes; however PAT declined from +€0.6mn in Q4FY24 due to sequential increase in RM costs and one-time employee payments. Management retained ~10% growth guidance for FY25. PPA write-offs should taper down in 3 years starting after FY25.
- AWUKO:** Q1FY25 revenue grew 20% YoY €3.0mn. Loss narrowed YoY to €0.6mn (vs €0.7mn in Q1FY24) but increased sequentially from €0.4mn in Q4FY24. Management retained FY25 guidance of €8-10mn increase in sales, EBITDA breakeven, and €0.7-1mn net loss.

- **Consol. Ceramics:** Sales fell due to due to standalone business, while American subsidiaries registered good growth Australian subsidiary was flat YoY. Margins fell across standalone, America and Australia. Maintained 12-14% revenue growth guidance in FY25 with similar margin level as FY24. Industrial ceramics expected to grow 13-15% driven by India, America and Australia. In Australia, H2 will be better than H1 so will see marginal growth in FY25 – based on order books and projections from key customers. Refractories estimated to grow 12-13% led by strong order books, despite some delays in scheduling of orders in Q1.
- **Standalone Ceramics:** Refractories, wear ceramics and Metallized cylinders combined grew 17% YoY and 1.4% QoQ. But de-growth in Engineered Ceramics resulted in overall de-growth. Margin fell due to mix between industrial ceramics and refractories, and product mix within industrial ceramics.
- **Working on various new areas in Ceramics**, including for semiconductors, electronics, aerospace & defence. Aerospace & defence should start showing results in a year, while capacity for Electronics needs to put up before it starts showing results in 18-24 months.
- **Ceramics for Body & Vehicle Armour in Defence** is a niche but large market. These are currently being imported into India, so this is an import substitution opportunity. Company is incurring Rs300-400mn capex for this.
- **Consol. Electrominerals:** Sales were flat QoQ but fell 9% YoY mainly due to VAW and standalone. Standalone and Foskor PBIT fell YoY due to lower price realization, while VAW was impacted by FX. Retained guidance of 5-6% revenue growth and 20-30bps margin improvement in FY25. HPSiC capex is on track and expected to start showing benefits from FY26 onwards.
- **Standalone Electrominerals:** Good volume growth in aluminas and silicon carbide sequentially. Margin was hit by 4-6% drop in price realization YoY owing to lower price of domestic imports. Prices have been falling since Q1FY24, but there has been some correction now with Chinese prices starting to inch up. Company will also do price corrections and get back to normalcy as volumes remain intact.
- **VAW:** Q1FY25 sales were flat YoY at RUB2.4bn, while profit fell to RUB287mn vs RUB423mn in Q1FY24 owing to negative impact of USD/RUB FX. Significant growth in volumes QoQ in Refractories and Abrasives by 28% and 14% respectively, while silicon carbide volumes were also very good. Sales declined YoY in INR terms due to strengthening of RUB to Rs0.92 (vs Rs1.01 in Q1FY24). Abrasives sales were flat YoY as drop in volumes was compensated by better realizations. Mix of export sales rose to 43% (vs 40% in Q4FY24). Capacity utilization is good, debottlenecking and capex is ongoing, company remains debt free, and outlook is stable and positive. Overall, FY25 sales are expected to remain at similar level as FY24.
- **Foskor Zirconia:** Volume rose 12% YoY (but fell 3% QoQ0 to 1,050MT. Decrease in realization and weaker product mix impacted profitability. Expect Q2 and rest of the year to be better, but will likely fall short of plans for the year.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>46,543</b>	<b>47,022</b>	<b>51,943</b>	<b>59,057</b>
YoY gr. (%)	40.0	1.0	10.5	13.7
Cost of Goods Sold	17,141	16,973	18,180	20,493
Gross Profit	29,402	30,049	33,763	38,564
Margin (%)	63.2	63.9	65.0	65.3
Employee Cost	6,923	7,201	6,986	7,766
Other Expenses	15,960	15,460	18,128	20,493
<b>EBITDA</b>	<b>6,519</b>	<b>7,388</b>	<b>8,649</b>	<b>10,305</b>
YoY gr. (%)	21.5	13.3	17.1	19.2
Margin (%)	14.0	15.7	16.7	17.5
Depreciation and Amortization	1,873	1,908	2,222	2,423
<b>EBIT</b>	<b>4,645</b>	<b>5,481</b>	<b>6,426</b>	<b>7,883</b>
Margin (%)	10.0	11.7	12.4	13.3
Net Interest	235	183	88	63
Other Income	767	767	757	898
<b>Profit Before Tax</b>	<b>5,426</b>	<b>6,064</b>	<b>7,095</b>	<b>8,718</b>
Margin (%)	11.7	12.9	13.7	14.8
Total Tax	1,382	1,741	1,788	2,197
Effective tax rate (%)	25.5	28.7	25.2	25.2
<b>Profit after tax</b>	<b>4,044</b>	<b>4,323</b>	<b>5,307</b>	<b>6,521</b>
Minority interest	277	149	212	261
Share Profit from Associate	373	439	538	662
<b>Adjusted PAT</b>	<b>3,954</b>	<b>4,612</b>	<b>5,634</b>	<b>6,922</b>
YoY gr. (%)	18.6	16.6	22.1	22.9
Margin (%)	8.5	9.8	10.8	11.7
Extra Ord. Income / (Exp)	186	-	-	-
<b>Reported PAT</b>	<b>4,140</b>	<b>4,612</b>	<b>5,634</b>	<b>6,922</b>
YoY gr. (%)	24.2	11.4	22.1	22.9
Margin (%)	8.9	9.8	10.8	11.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,140	4,612	5,634	6,922
<b>Equity Shares O/s (m)</b>	<b>190</b>	<b>190</b>	<b>190</b>	<b>190</b>
<b>EPS (Rs)</b>	<b>20.8</b>	<b>24.2</b>	<b>29.6</b>	<b>36.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>18,221</b>	<b>19,669</b>	<b>22,469</b>	<b>24,669</b>
Tangibles	18,221	19,669	22,469	24,669
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>7,772</b>	<b>8,814</b>	<b>11,036</b>	<b>13,459</b>
Tangibles	7,772	8,814	11,036	13,459
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>10,449</b>	<b>10,855</b>	<b>11,433</b>	<b>11,210</b>
Tangibles	10,449	10,855	11,433	11,210
Intangibles	-	-	-	-
Capital Work In Progress	875	781	1,035	814
Goodwill	4,818	4,755	5,247	5,389
Non-Current Investments	1,805	1,922	2,225	2,487
Net Deferred tax assets	(250)	(196)	(153)	(90)
Other Non-Current Assets	762	1,106	1,327	1,592
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	8,989	8,502	10,129	11,529
Trade receivables	6,274	6,790	7,456	8,487
Cash & Bank Balance	4,001	5,579	6,226	8,992
Other Current Assets	910	692	883	1,181
<b>Total Assets</b>	<b>39,244</b>	<b>41,519</b>	<b>46,554</b>	<b>52,355</b>
<b>Equity</b>				
Equity Share Capital	190	190	190	190
Other Equity	28,016	31,067	35,844	41,224
<b>Total Networkth</b>	<b>28,206</b>	<b>31,257</b>	<b>36,034</b>	<b>41,414</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	429	275	275	275
Provisions	238	244	260	236
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,872	852	602	352
Trade payables	3,359	3,978	4,412	4,854
Other current liabilities	2,950	2,008	2,247	2,238
<b>Total Equity &amp; Liabilities</b>	<b>39,244</b>	<b>41,126</b>	<b>46,554</b>	<b>52,355</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	5,799	6,503	7,095	8,718
Add. Depreciation	1,873	1,908	2,222	2,423
Add. Interest	235	183	88	63
Less Financial Other Income	767	767	757	898
Add. Other	(450)	(276)	-	-
Op. profit before WC changes	7,458	8,318	9,406	11,204
Net Changes-WC	(1,531)	(206)	(2,218)	(2,313)
Direct tax	(1,625)	(2,097)	(1,788)	(2,197)
<b>Net cash from Op. activities</b>	<b>4,302</b>	<b>6,015</b>	<b>5,400</b>	<b>6,693</b>
Capital expenditures	(2,917)	(2,184)	(3,577)	(2,150)
Interest / Dividend Income	277	425	-	-
Others	68	(106)	267	458
<b>Net Cash from Inv. activities</b>	<b>(2,572)</b>	<b>(1,865)</b>	<b>(3,310)</b>	<b>(1,692)</b>
Issue of share cap. / premium	28	137	-	-
Debt changes	(313)	(1,190)	(250)	(250)
Dividend paid	(765)	(793)	(856)	(1,542)
Interest paid	(220)	(152)	(88)	(63)
Others	(64)	(130)	(345)	(570)
<b>Net cash from Fin. activities</b>	<b>(1,334)</b>	<b>(2,129)</b>	<b>(1,539)</b>	<b>(2,425)</b>
<b>Net change in cash</b>	<b>396</b>	<b>2,021</b>	<b>551</b>	<b>2,576</b>
Free Cash Flow	1,373	3,822	1,823	4,543

Source: Company Data, PL Research

**Key Financial Metrics**

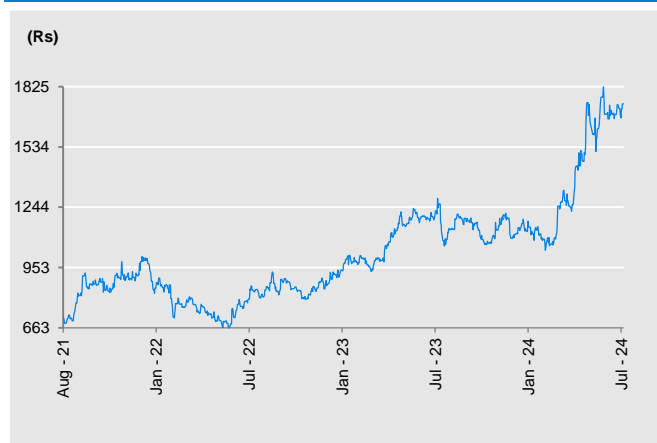
Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	20.8	24.2	29.6	36.4
CEPS	30.6	34.3	41.3	49.1
BVPS	148.2	164.3	189.4	217.7
FCF	7.2	20.1	9.6	23.9
DPS	3.5	4.0	7.1	8.7
<b>Return Ratio(%)</b>				
RoCE	16.5	17.4	18.5	20.0
ROIC	14.3	15.1	16.9	19.3
RoE	15.3	15.5	16.7	17.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	93	88	93	94
<b>Valuation(x)</b>				
PER	82.7	70.9	58.0	47.2
P/B	11.6	10.5	9.1	7.9
P/CEPS	56.1	50.2	41.6	35.0
EV/EBITDA	49.9	43.7	37.2	30.9
EV/Sales	7.0	6.9	6.2	5.4
Dividend Yield (%)	0.2	0.2	0.4	0.5

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
<b>Net Revenue</b>	<b>11,463</b>	<b>11,514</b>	<b>12,012</b>	<b>11,975</b>
YoY gr. (%)	1.6	(3.0)	0.1	(0.5)
Raw Material Expenses	4,047	4,135	4,264	4,218
Gross Profit	7,417	7,379	7,748	7,757
Margin (%)	64.7	64.1	64.5	64.8
<b>EBITDA</b>	<b>1,675</b>	<b>1,925</b>	<b>2,094</b>	<b>1,936</b>
YoY gr. (%)	2.8	12.5	10.0	14.3
Margin (%)	14.6	16.7	17.4	16.2
Depreciation / Depletion	459	482	510	514
<b>EBIT</b>	<b>1,217</b>	<b>1,443</b>	<b>1,584</b>	<b>1,422</b>
Margin (%)	10.6	12.5	13.2	11.9
Net Interest	49	47	36	33
Other Income	196	136	125	70
<b>Profit before Tax</b>	<b>1,364</b>	<b>1,532</b>	<b>1,674</b>	<b>1,459</b>
Margin (%)	11.9	13.3	13.9	12.2
Total Tax	437	514	371	429
Effective tax rate (%)	32.1	33.6	22.2	29.4
<b>Profit after Tax</b>	<b>927</b>	<b>1,017</b>	<b>1,303</b>	<b>1,030</b>
Minority interest	20	7	77	19
Share Profit from Associates	112	103	123	119
<b>Adjusted PAT</b>	<b>1,019</b>	<b>1,113</b>	<b>1,348</b>	<b>1,130</b>
YoY gr. (%)	14.5	2.0	14.3	(0.2)
Margin (%)	8.9	9.7	11.2	9.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,019</b>	<b>1,113</b>	<b>1,348</b>	<b>1,130</b>
YoY gr. (%)	14.5	2.0	(1.7)	(0.2)
Margin (%)	8.9	9.7	11.2	9.4
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,019</b>	<b>1,113</b>	<b>1,348</b>	<b>1,130</b>
Avg. Shares O/s (m)	190	190	190	190
<b>EPS (Rs)</b>	<b>5.4</b>	<b>5.9</b>	<b>7.1</b>	<b>5.9</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	Accumulate	1,631	1,690
2	07-May-24	Accumulate	1,631	1,516
3	12-Apr-24	BUY	1,347	1,273
4	04-Feb-24	BUY	1,347	1,116
5	09-Jan-24	BUY	1,408	1,132
6	30-Oct-23	BUY	1,408	1,076
7	05-Oct-23	BUY	1,482	1,192
8	05-Aug-23	BUY	1,482	1,259

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,400	8,679
2	Apar Industries	Accumulate	10,399	9,110
3	BEML	Hold	4,520	5,060
4	Bharat Electronics	Accumulate	341	321
5	BHEL	Reduce	264	316
6	Carborundum Universal	Accumulate	1,631	1,690
7	Cummins India	Hold	3,719	4,134
8	Engineers India	Hold	264	268
9	GE T&D India	Reduce	1,100	1,690
10	Grindwell Norton	Accumulate	2,749	2,650
11	Harsha Engineers International	Hold	436	572
12	Hindustan Aeronautics	Hold	4,515	5,552
13	Kalpataru Projects International	Accumulate	1,413	1,327
14	KEC International	Hold	880	874
15	Larsen & Toubro	BUY	4,130	3,519
16	Praj Industries	BUY	804	700
17	Siemens	Accumulate	7,030	7,884
18	Thermax	Reduce	3,923	5,605
19	Triveni Turbine	Hold	653	633
20	Voltamp Transformers	Accumulate	14,922	14,174

**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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