



Carborundum Universal Ltd

NSE CARBORUN BSE: 513375

CMP - 788

Carborundum Universal Limited manufactures and sells abrasives, ceramics (industrial ceramics and refractories) and electro minerals. The Company's segments include **Abrasives, Ceramics and Electro minerals**. Abrasives are substances which clean or remove solid material by rubbing action or by impact. The company's operations are carried out through over 10 manufacturing facilities located pan India, Russia and other countries.

It offers electro minerals for surface engineering, refractories, energy and environment. Its product includes fused alumina, silicon carbide, zirconia and specialty minerals. The Ceramics segment consists of super refractories, industrial ceramics, anti-corrosives and bio ceramics. Its user industries include power generation and transmission, coal washers, grain handling, ballistic protection and construction.

It manufactures refractory products for protection of boiler pipes used in waste heat incinerators. The Electro minerals segment includes abrasive/refractory grains, micro grits for the photovoltaic industry and captive power generation from hydel power plant. Its product range includes white and brown fused alumina, silicon carbide, fused zirconia, alumina zirconia and zirconia mullite. Its geographical segments include India and Rest of the world.





Products & Revenue growth		
Abrasives	Ceramics Material	Electrominerals
<p>The Abrasives segment consists of bonded, coated, processed cloth, polymers, power tools and coolants. Its products are used in several end user industries, such as manufacturing of machinery, electrical and electronic equipment, transportation and metal fabrication, among others.</p> <p>Abrasives Revenues: 29% in FY21.</p>	<p>The Ceramics segment consists of technical ceramics and super refractory solutions to address wear protection, corrosion resistance, electrical resistance, heat protection and ballistic protection</p> <p>Ceramics & Plastics: 27% in FY21.</p>	<p>The Electro minerals Business has emerged as a significant global player offering raw material security and variety driven by innovation, leading to building businesses around specialty products.</p> <p>Others - 23% in FY21.</p>

Pros	&	Cons
<ul style="list-style-type: none"> ○ Company is virtually debt free. 		<ul style="list-style-type: none"> ○ Inefficient use of assets to generate profits - ROA declining in the last 2 years
<ul style="list-style-type: none"> ○ Company has been maintaining a healthy dividend payout of 19.69% 		<ul style="list-style-type: none"> ○ The company has shown a poor profit growth of 8.64% for the Past 3 years.
<ul style="list-style-type: none"> ○ Company has a healthy liquidity position with current ratio of 3.90. 		<ul style="list-style-type: none"> ○ High promoter stock pledges
<ul style="list-style-type: none"> ○ The company has an efficient Cash Conversion Cycle of 43.80 days 		<ul style="list-style-type: none"> ○ The company is trading at a high PE of 56.30.
<ul style="list-style-type: none"> ○ The company has a good cash flow management; CFO/PAT stands at 1.16. 		<ul style="list-style-type: none"> ○ The company is trading at a high EV/EBITDA of 35.71.



Key Financials

Key Financials(As Published)	FY 20-21	FY 21-22	Growth 21-22 vs 20-21
Revenue from Operations	16723	22152	25%
Operating Profit (PBIT)	466	540	14%
Profit Before Tax	395	477	17%
Net Profit for the period	284	333	15%

Revenue from Operations	1672	2215	22.9%
OP Margin (on Net Revenue from Operations)	18%	16%	
Return on Capital Employed (ROCE)	20%	20%	
International Revenues	49%	45%	
Business Assets Turnover times	1.11	1.11	
Earning per share	15	17	

Key ratios

Current Ratio	2.13
Debt to equity ratio	0.09
PE ratio	43.91
P/BV	6.19
EV/EBIT	34.41
EV/EBITDA	27.07
EV/Sales	4.37
PEG Ratio	3.39
Dividend Yield	0.39%
ROCE	20.20%
ROE	14.90%



Valuations

Ratings and Outlook: Carborandum Universal LTD reported a poor fourth-quarter performance in 2022. Revenues for the quarter decreased by 9.8 percent based on growth. The overall performance of the abrasives industry from 2021 to 22 was not expected. **Abrasive** alone accounted for 39 percent of the company's revenue, and the company generated 128 Cr in revenue from abrasives, which is 29 percent higher than the previous year 2020-21. **Ceramics and electro minerals** accounted for 24 and 40% of revenue, with 79 and 131 Cr respectively, and grew by 27 and 23% year on year in 2020-21. **The company generates 55 percent of its revenue in India and the remaining 45 percent outside of India.**

Carboruniv shares are currently trading at a P / E of 43.0 times based on the earnings of 2022. Applying a 33x EV / EBIT multiple of FY22 and expected 25x multiple, the range for the stock come out **724 (L) to 1121 (H)** sides.