Dated: 3 Nov 2025

Carborundum Universal (CU) – REDUCE

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.901	**Rs.900**

Rationale:

- Weak and in-line operational results, still lacking consistency.
- Q2FY26 results were in line with PBT with a higher tax rate and weak associate profit driving a PAT miss.
- Guidance of a better H2 and majority of capex being spent on new lines of work were key positives.
- The stock, at 34X FY27, still looks expensive & requires reliance on success of new lines of work and the end of sanctions in Russia for the risk-reward to turn attractive
- We cut FY27/28 estimates by 3-4%; retain REDUCE, with a revised FV of Rs900.

Positives:

- CUMI (consolidated) reported 6%/(-)20%/(-)29% yoy growth in revenues/EBITDA/PBT, a beat of 0%/5%/1%.
- The beat at an EBITDA level was driven by fast normalization in revenue and profitability in the abrasives and electro minerals segments.
- CUMI has shared prospects of an uptick in ceramics, and thus, normalization in the margin profile.

Negatives:

- PBT weakness reflects weakness in VAW financials (11% impact) and losses in Rodius (4%).
- 34% yoy decline in PAT (12% miss), driven by a higher tax rate and weak performance of associates (Wendt).
- All three segments reported yoy decline in EBIT at standalone level.

(EBITDA: Earnings before interest, depreciation, amortization and tax, PAT: Profit after tax, PBT: Profit before Tax)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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