



**“Carborundum Universal Limited
Business Update Conference Call”
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**MODERATOR: MS. BHOOMIKA NAIR – DAM CAPITAL
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Moderator: Ladies and gentlemen, good day, and welcome to the Carborundum Universal Business Update Call hosted by DAM Capital Advisors Limited. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair. Thank you, and over to you, ma'am.

Bhoomika Nair: Yes. Thank you, everyone. Thank you. Good evening, everyone. On behalf of DAM Capital, I would like to welcome you to the Carborundum Universal call for a business update. We have the management today being represented by Mr. Sridharan Rangarajan, Managing Director; Mr. Sushil Bendale, Chief Financial Officer; and Mr. G. Chandramouli, Advisor, Investor Relations. At this point, I'll hand over the floor to Mr. Rangarajan for his initial remarks, post which, we'll open up the floor for Q&A. Thank you, sir, and over to you.

Sridharan Rangarajan: Thank you, Bhoomika, and good evening to all of you. Thanks for your participation in today's call. I would like to provide an update of an event relating to VAW, which is a material step-down subsidiary of CUMI. As per the U.S. Department of State's press release dated 10th January 2025, the set of Russian companies in the manufacturing sector which includes VAW, were added to the U.S. Department of Treasuries, Office of Foreign Assets Control, (OFAC), Specially Designated Nationals and Blocked Person List (SDN list) for operating or having operated in the manufacturing sector of the Russian Federation economy.

As a result of VAW's designation, all of VAW's property and the interest in the property that are in the United States are in possession or control of U.S. persons are blocked. Further, most financial transactions involved in U.S. currency and transactions involving U.S. persons are

not possible for VAW unless authorized by general or specific license of a OFAC.

As such, VAW has no business operation or sales in the U.S. VAW is assessing the impact of its designation. Material update, if any, will be informed post the completion of such assessment. This call will be limited to this event and we will take questions relating to that only. We will try to answer to the best of what we know today. We'll open up the question for the next 15 minutes. This will be a short call, only focused on this event. Thank you.

Moderator: Thank you very much. The first question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Sir, firstly, as you have previously mentioned, close to 40% to 45% of our VAW sales come from Europe. So how much proportion of these sales is denominated in the U.S. dollar, which might be impacted going ahead, as you have mentioned?

Sridharan Rangarajan: Yes. So overall, you're right, about 60% of the businesses is within Russia, and the balance is outside of Russia. We think around 12 percentage of our business is U.S. dollar denominated and this we would be talking to each customer to understand their willingness to switch to other currencies.

Harshit Patel: Sure. So in your preliminary assessment, how long this shift will take, whether we will be able to complete this exercise in this March quarter itself? Or will it take more time and will spill over towards June quarter as well?

Sridharan Rangarajan: So just to refresh and we are going through this multiple discussions within us. I think probably we'll have more update when we meet in the month of February after our earnings call or during the earnings call.

Harshit Patel: Understood. And just a small follow-up to that from my side. What happens to the outstanding receivables that we have in the U.S. dollar?

Sridharan Rangarajan: So we have very, very miniscule outstanding receivable, and these will have to be collected. We understand these are known customers who have been working with us for quite some time and there are individual customers that we need to start working with them to collect. We don't see at this point in time a risk.

Harshit Patel: Understood. Thank you very much for answering my questions and all the very best.

Moderator: Thank you. The next question is from the line of Aditya from Kotak Securities. Please go ahead.

Aditya: Just to clarify, what you're saying is there is no meaningful direct impact of the move on your business in Russia, right?

Sridharan Rangarajan: I'm saying that we are explaining the dynamics of our current structure of the business. We are in the process of assessing the impact it is too early to have a full impact to assist. As you know, it's just 2 working days has passed and we are just trying to understand impact of each of this element. I'm sharing what we know at this point in time and that is what I would summarize.

Aditya: Okay. Maybe to earlier question, but do you expect as in the strategy of growth, which obviously you're not investing from a growth perspective, but do you think through Russia any different light after there is an event came, let's say, a European event incrementally happen? Any thoughts that you would have at this point of time because either one should we be thinking of this as a small event or a precursor and I'm not sure how to think through it?

Sridharan Rangarajan: Yes. Honestly, this year, at this point in time, we have been dealing with Russia for the last 2 - 3 years in a kind of as it comes going through the motions of various progress in terms of geopolitics. And that is how we are looking at it. We don't have any kind of aspiration of growth, and we have been communicating this as well until clarity emerges in this manner. So I would say that's the stand we that continues even now.

Aditya: Understood. Those are my primary questions. Thank you for your responses. Thank you.

Sridharan Rangarajan: Thank you. Aditya.

Moderator: Thank you. The next question is from the line of Mohit Pandey from Macquarie Capital. Please go ahead.

Mohit Pandey: Sir, maybe, a bit early to ask this, but can you please clarify if this development has any impact on your other businesses in the U.S.? And what proportion of your total business is in the U.S. today?

Sridharan Rangarajan: This, as we understand as per our discussion with multiple people involved, this is highly focused on VAW and its business and that is how we understand and we have communicated the same thing also to the investors.

Mohit Pandey: Okay. And yes, so secondly, overall, like 5%, 7% of your sales, console sales could be in the U.S. Is that the right understanding? Or is it a different number?

Sridharan Rangarajan: Yes. I would share more details as we go to our earnings call. We are our focus is largely into this event, and I'm trying to address any questions relating to this event.

Mohit Pandey: Sure, sure, sir. And my other question was even before this event, just wanted to understand how repatriation was happening from VAW to the parent or CUMI International, if you could help us understand that?

Sridharan Rangarajan: So typically, the dividend is paid and that is how the repatriation of dividend happens using the banking channels. And we think that, that should continue to happen.

Mohit Pandey: Okay. And this does not get impacted by the USD restrictions. Is that correct?

Sridharan Rangarajan: Correct.

Mohit Pandey: Okay. And I understand, I mean earlier, I think sometimes some quarters back, if I remember correctly, it was mentioned around 30% of VAW is like repatriated as dividend. Is that the right understanding or?

Sridharan Rangarajan: It varies, Mohit, depending on their capex need, their local requirement, etcetera. But generally, the companies policies, 30% of the profit is generally being repatriated -- I mean, paid out as dividend.

Mohit Pandey: Understood, sir. Okay, sir. Thank you. That was it for my side. Thank you.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from DAM Capital Advisors Limited. Please go ahead.

Bhoomika Nair: Sir, just one small clarification. You mentioned that 12% of the revenues of VAW is in U.S. dollars. Now where is the end revenues of this 12% happening? Is it more in Europe? Or is it more U.S. or any other geography, if you can just elaborate on that, so we understand how easy it will be to probably shift to other currencies?

Sridharan Rangarajan: So it is typically no Europe, no U.S. sales, as I said in my opening remarks, and it typically happens outside of the Europe, this 12%. So that respective countries have to look at customers that we look at whether they can shift to other currencies.

Bhoomika Nair: Okay. So to that extent, in case somebody is not willing to move, that will be the possible worst-case situation loss till the market or till this issue gets resolved with the U.S. government?

Sridharan Rangarajan: Correct, correct.

Bhoomika Nair: Okay. Fair point sir, thank you so much.

Moderator: Thank you. The next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Just a small follow-up, sir, are there many Russian firms producing silicon carbide who are exporting directly to U.S.A.? And if so, could

there be a material change in the silicon carbide prices in the global market, is that a possibility that you see which is happening at the moment?

Sridharan Rangarajan: So silicon carbide is a very large market. And as I said, that VAW has not been selling to U.S. in the past as well.

Harshit Patel: Right, understood. Thank you very much sir.

Moderator: Thank you. The next follow-up question is from the line of Aditya from Kotak Securities.

Aditya: If you could just refresh us with any other restrictions that are presently there in VAW. I think there is some export duty adverse imposed. It would just be helpful if you could kind of give us a sense of any other restrictions, whether on repatriation or on duties being put or any other sanctions that are there that are applicable to the Russian entity.

Sridharan Rangarajan: No other restriction to our knowledge exists. This is the first time we have faced and that's what we are sharing with you.

Aditya: Thank you. That clarifies. That was my only question. Thank you.

Moderator: Thank you. The next question is from the line of Bhavin from SBI Mutual Funds. Please go ahead.

Moderator: Sorry to interrupt, Mr. Bhavin, I would request you to please use your headset.

Sridharan Rangarajan: A little bit closer to mic, please.

Bhavin: So pardon me if I mention changes, I joined in a bit late. So what I understand is about 45% of the revenues or within Russia and balance was exports. Now, the question is can the Euro as the currency be used because...

Moderator: Sorry, Mr. Bhavin, we are not able to hear you.

Bhavin: Question was 45% of revenue was domestically sold to the Russian entity where 55% is exports. Are there distractions on Euro sales? Can the Euro sales be continued? And as you said, 15% of the sales were EU entities within the Europe, would it be possible to switch to Europe, Euro as a currency?

Sridharan Rangarajan: Yes. Sorry, Bhavin. I think you came in late. We covered this almost 60 percentage is locally sold in Russia and 40% is actually exported. It is a reverse of what you are telling. And basically, of that 12 percentage of that sales is currently U.S. dollar-denominated. And we have to work with each customer to see whether they are willing to shift from their current dollar-denominated sales. And that is the process that we have engaged and it will take some time to give you an update.

Bhavin: But sir, the question also was invoicing in Euro as a currency in your view, should not be a problem?

Sridharan Rangarajan: Yes. As we understand, the limitation is that we cannot use dollar currency.

Bhavin: Okay. Sure. Another follow-up question. What percentage would be to China? And is it possible in case of worst case scenario to pivot to China given that they have other arrangements in Russia?

Sridharan Rangarajan: We hardly sell anything to China, Bhavin.

Bhavin: Okay. This is the last question. Is the high-purity SiC program that is embarking and the pilot plant is in India, but would there be any impact on that program given the current situation?

Sridharan Rangarajan: We don't see any impact of that, that's happening in India and it will continue to progress in that direction.

Bhavin: Thank you so much for taking my questions.

Sridharan Rangarajan: Thank you, Bhavin.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: Yes, sir. Thank you very much, sir, for giving us an opportunity to host the call and answering all the queries on a relevant event and thank you to all the participants. Any closing remarks from your side, sir?

Sridharan Rangarajan: No, thank you for all of you for coming in and showing interest and I think we'll continue to update you as we progress on this event as we learn more. Thank you.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.