“Carborundum Universal Limited

Q1 FY '26 Earnings Conference Call”

August 08, 2025

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '26 Earnings Conference Call of Carborundum Universal Limited hosted by Equirus Securities. As a reminder, all participant lines will be in the 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harshit Patel from Equirus Securities. Thank you, and over to you, sir.

Harshit Patel: Hello. Good afternoon, everyone. On behalf of Equirus Securities, I welcome you all to the first quarter FY '26 earnings conference call of Carborundum Universal. We have with us from the management, Mr. Sridharan Rangarajan, Managing Director; Mr. Sushil Bendale, Chief Financial Officer; and Mr. G. Chandramouli, Advisor.

I would like to hand over to Mr. Sridharan Rangarajan, Managing Director for the opening remarks and post that, we will open the floor for Q&A. Over to you, sir.

G. Chandramouli: Good afternoon. I'm Chandramouli. As a practice, let me read out the disclaimer before getting to the call. During the call, we may make certain statements, which reflect our outlook for the future or which could be construed as forward-looking statements. These statements are based on management's current expectations and are associated with uncertainties and risks are more fully detailed in our annual report, which may cause the actual results to differ. Hence, these statements must be reviewed in conjunction with the risks that the company faces. Thank you.

Sridharan Rangarajan: Good Afternoon to all of you, and a warm welcome to our first quarter earnings call. I will give an overview, and then we will open up for question and answer. To start with consolidated sales for the quarter was INR1,207 crores in comparison to INR1,184 crores Q1 FY '25, which is a 1.9% growth compared to the same period last year, and 0.6% compared to Q4 FY '25 of INR1199 crores.

Standalone sales was INR698 crores compared to INR664 crores in Q1 FY '25. This represents a growth of 5.2% and in comparison to Q4 FY '25 that represents a growth of 1.7%. In Q1 FY '26 consolidated PAT declined by 45.2% compared to Q1 FY '25, that is from INR113 crores in Q1 FY '25 to INR62 crores in Q1 FY '26. This is due to the lower volumes in VAW, which we have explained in the last call itself, Rhodius and domestic business. I will explain all of this in detail a little later.

In Q1 FY '26, standalone PAT of INR145 crores grew by 55.4% from INR93 crores in Q1 FY '25. The increase is due to a onetime dividend from SEDCO which is about INR68 crores.

Now I'll cover the consolidated performance. As stated earlier, the consolidated sales for the quarter was INR1,207 crores with a growth of 1.9% compared to Q1 FY '25 and compared to Q4 FY '25, it is 0.6% growth. Softer growth at consolidated level was mainly on account of Rhodius. Rhodius as such is making a change in their logistics partner, which caused a substantial drop in volume. I'll cover that in the Rhodius section separately. The drop in volumes

at VAW, which we have earlier explained in our Q4 last year's call itself, they are moving as per the business plan.

You would note that the Ceramics segment grew by 11.1% and Electrominerals by 6.3%, while Abrasives declined by 8%.

Consolidated PAT for the quarter was INR62 crores. This in comparison to Q1 FY '25 PAT of INR113 crores is lower by INR51 crores. The lower profit is due to lower profits in VAW in comparison to last year's Q1. If you would recall that in January 2025, VAW had sanction and we had this challenges coming forth. This coupled with the drop in profit in Rhodius and the standalone businesses put together accounts for this difference. Roughly, you can say around INR18 crores, INR18 crores, INR 14 crores respectively.

Consolidated PAT for the quarter of INR 62 crores in comparison to Q4 FY '25 PAT of INR29 crores grew by INR33 crores. This is predominantly due to the reversal of deferred tax asset in AWUKO in Q4 '25. If you remember that we had reversed the deferred tax asset that what we claimed so far in Q4 FY '25.

Standalone business: In Q1 FY '26, standalone sales was INR698 crores, which is a growth of 5.2% compared to INR664 crores Q1 FY '25. This was contributed by growth in Electrominerals at 12.3% and Ceramics at 10% and standalone Abrasive business degrew by 5.5%.

Standalone profit after tax for the quarter was INR145 crores as against INR93 crores in Q1 FY '25. This is higher by INR52 crores compared to INR61 crores in Q4 FY '25. PAT of Q1 FY '26 is higher by INR84 crores. This is due to the one-off dividend of INR68 crores from SEDCO.

Now I will cover the segmental performance. To start with in Abrasives, consolidated Abrasives sales in Q1 FY '26 was INR508 crores. This in comparison to Q1 FY '25 sales of INR552 crores which has declined by INR44 crores, that is an 8% decline. Rhodius Abrasives declined by INR26 crores and standalone declined by INR 17 crores.

Consolidated sales in Q1 FY '26 at INR508 crores in comparison to INR538 crores in Q4 FY '25 showed a decline of INR30.5 crores. This is mainly coming from Rhodius Abrasives.

At standalone Abrasives sales for Q1 FY '26 was INR286 crores. Last year, Q1 FY '25 sales was INR303 crores, resulting in a decline of INR17 crores, which is 5.56%. Precision segment grew well. We are seeing softer demand in the channels due to the inventory correction. And as far as Rhodius is concerned, Rhodius recorded a net sale of EUR13.2 million in this quarter compared to EUR17.3 million during the Q1 FY '25. It is a 23% decline in sales. Rhodius has shifted its logistics partner in Q1 FY '26 for better efficiency. This resulted in a significant disruption of operation. This resulted in non-fulfilment of orders on hand, resulting in lower sales. We expect the stability of operation to come by end of August, we expect this would impact the full year sales as well. We expect the remaining 3 quarters sales would be in line with the last year's sales. Rhodius incurred a loss after tax of EUR1.6 million in this quarter against the PAT of EUR0.3 million in Q1 FY '25. This was mainly due to the loss of sales arising out of the logistics issues.

Awuko achieved sales of EUR2.6 million this quarter in comparison to EUR3 million in Q1 FY '25. The loss before tax are at the same level as that of Q1 FY '25.

Now I will cover the PBIT performance of the Abrasives business segment. Consolidated Abrasive PBIT was INR11 crores. In Q1 FY '25, it was INR55 crores and in Q4 FY '25, it was INR34 crores. The drop of INR44 crores in Q1 FY '26 compared to Q1 FY '25 is due to Rhodius amounting to INR26 crores mainly due to loss of sales and Standalone drop of about INR16 crores.

Consolidated PBIT of Q1 FY '26 was lower by INR22 crores in comparison to PBIT of INR34 crores in Q4 FY '25. This is mainly due to Rhodius Abrasives and standalone Abrasives.

I will move to the next segment now, Electrominerals. Consolidated sales in Q1 FY '26 was INR405 crores, showing a growth of 6.3% compared to Q1 FY '25 of INR381 crores. Standalone business showed a good growth of 12.3% compared to Q1 FY '25.

The performance of VAW was lower due to the sanctions imposed in Q4 FY '25. However, consolidated sales in Q1 FY '26 was at INR405 crores was higher by INR30 crores compared to INR375 crores of Q4 FY '25. This is mainly due to better performance in standalone slightly better performance in VAW, etc.

Standalone Electrominerals sales for Q1 FY '26 was INR212 crores with a growth of 12.3% compared to Q1 FY '25 of INR189 crores. Standalone sales in Q1 FY '26 at INR212 crores was higher by INR7 crores when compared to INR206 crores in Q4 FY '25. This was on account of increase in volume as well as price. Standalone Electrominerals saw good growth from export as well as domestic. VAW sales for Q1 FY '26 was RUB1.84 billion which is a 25% decline from RUB2.46 billion in Q1 FY '25.

Sales for Q1 FY '26 was RUB1.84 billion, which is flat compared to RUB1.83 billion in Q4 FY '25. In Q1 FY '26 in rouble terms, the profit after tax was RUB72 million as compared to RUB287 million in Q1 FY '25 and RUB110 million in Q4 FY '25.

FZL: Sales for Q1 FY '26 was INR56 crores which is a 3.7% increase as compared to Q1 FY '25 of INR54 crores and INR6 crores higher than INR50 crores in Q4 FY '25. In Q1 FY '26, this incurred a loss before tax of INR8 crores as compared to INR5 crores in Q1 FY '25 and INR7 crores in FY '25.

Now I'll cover the PBIT of Electrominerals segment. Consolidated EMD PBIT for Q1 FY '26 was INR4 crores. In Q1 FY '25, the PBIT was INR43 crores. The drop of INR39 crores in Q1 FY '26 to Q1 FY '25 is due to VAW amounting to INR27 crores, standalone business amounting to INR9 crores and Foskor amounting to INR3 crores. Consolidated PBIT of INR4.4 crores in Q1 FY '26 was lower by INR 4.6 crores in comparison to PBIT of INR9 crores in Q4 FY '25.

Ceramics consolidated sales in Q1 FY '26 was INR300 crores, showing a growth of 11.1% compared to Q1 FY '25 of INR270 crores. Standalone business showed good growth of 10% compared to Q1 FY '25. Consolidated sales in Q1 FY '26 at INR300 crores was higher by INR30 crores compared to INR270 crores in Q4 FY '25.

Standalone Ceramics sales for Q1 FY '26 was at INR238 crores with a growth of 10% compared to Q1 FY '25 of INR217 crores was higher by INR9 crores when compared to INR229 crores sales in Q4 FY '25. This was on account of increase in volume and price. In Industrial Ceramic business, Metallized Ceramic, Engineered Ceramics drove the growth and in refractory, monolithic and corrosion-resistance grew as well.

Now turning to the PBIT performance of Ceramic segment. Consolidated Ceramic PBIT for Q1 FY '26 was INR75 crores with a growth of 16% compared to INR65 crores of Q1 FY '25. Compared to INR74 crores in Q4 FY '25 the PBIT grew by 1.5%.

Standalone Ceramic PBIT for Q1 FY '26 was INR62 crores with a growth of 25.4% compared to INR49 crores of Q1 FY '25. In comparison to Q4 FY '25 of INR 55 crores, the PBIT grew by 13%.

I'll request Sushil to cover the PBIT margin, debt position, capex, cash flow and the ROCE.

Sushil Bendale: The PBIT margin for the consolidated was at 6.7% for the quarter compared to 8% in Q4 of FY '25 and 12.6% in Q1 of FY '25.

For the quarter, standalone PBIT margin was at 23.8% compared to 11.8% in Q4 of FY '25 and 18% in Q1 FY '25. This also includes the one-off dividend income from SEDCO.

Abrasives for the quarter, consolidated Abrasives margin declined from 10% in Q1 of FY '25 to 2.2% in Q1 FY '26 due to a drop in volumes at Rhodius and the standalone business. Standalone margins dropped from 17.6% to 13.1%. The drop in margin was mainly due to drop in volume and increase of freight and fixed cost. The consolidated margin declined by 398 basis points compared to Q4 of FY '25. Standalone margins declined from 16.2% in Q4 of FY '25 to 13.1% in Q1 of FY '26.

Electrominerals. For the quarter, consolidated Electrominerals margin declined from 11.4% in Q1 of FY '25 to 1.1% in Q1 of FY '26. The decline was mainly attributable to the lower volumes in VAW coupled with lower realisation. Standalone margins dropped from 8.5% to 3.3%. This is mainly due to higher input costs. The consolidated margin declined by 132 basis points compared to Q4 of FY '25. Standalone margins improved from 2.8% in Q4 of FY '25 to 3.3% in Q1 of FY '26.

Now Ceramics. For the quarter, consolidated Ceramics margins improved from 24% in Q1 of FY '25 to 25% in Q1 FY '26. The standalone margins improved from 22.7% to 25.9%. The consolidated margins increased by 10 basis points compared to Q4 of FY '25. Standalone margins improved from 23.9% in Q4 of FY '25 to 25.9% in Q1 FY '26.

Now I'll talk about the debt position. There was no debt in our standalone books and total debt at the consolidated basis was at INR172 crores at the end of Q1 FY '26 compared to INR120 crores at the end of Q4 FY '25 and INR112 crores at the end of Q1 FY '25. The debt-to-equity ratio was at 0.05 at the consolidated level.

In Q1 FY '26, our capex investment was INR64 crores against INR63 crores in Q1 FY '25 at a consolidated level.

Free cash flows in Q1 of FY '26 at a consolidated level, 98% to PAT compared to 37% in Q1 of FY '25. At a standalone basis in Q1 FY '26, free cash flow to PAT was 104% compared to 47% in Q1 of FY '25.

Now for ROCE, for Q1 of FY '26, the ROCE at a consolidated level is 8.1% compared to 16.9% during Q1 of FY '25 and at a standalone level, it was at 24.6% compared to 20% in Q1 of FY '25. For consolidated segments, ROCE in Q1 FY '26 for Abrasives decreased from 15.5% in Q1 of FY '25 to 2.8% this quarter, Ceramics has decreased from 41.5% to 37.8%and Electrominerals has decreased from 17.8% to 1.8%.

For our standalone businesses, ROCE in Q1 of FY '26 for Abrasives has decreased from 45.4% to 26.3% this quarter and Ceramics has improved from 44.5% to 47.2%, and Electrominerals has decreased from 22.3% to 8.4%.

Now the unallocable expenses net of income, at the standalone level, unallocable expenses in Q1 of FY '26 was an income of INR60 crores. If you exclude one-time dividend from SEDCO of INR 68 crores, this would be an expense of INR7.3 crores.

In Q1 of FY '25, the unallocable income was INR72 lakhs, and the difference is due to lower dividend in few companies in Q1 FY '26. In Q4 of FY '25, the unallocable expense was INR26 crores due to seasonality in dividend receipts.

Now I request Mr. Sridharan to take you through the next section related to the future outlook.

Sridharan Rangarajan: Thank you. So just to summarise, I think Ceramics sales, we communicated a sales growth of 16% to 18% last time at the full year level at consolidated and we hold our guidance for the consolidated Ceramics segment.

EMD sales, we gave a guidance of 1% to 2% growth in Electromineral Division in last call, we retain the same guidance.

Abrasives sales in our last call, we communicated 5% to 6% for the year. This could be about 4% to 5%, considering the lower sales in RHODIUS in Q1 FY '26.

So overall, last time we said 6% to 7%, we are now looking at 5.5% to 6.5%.

Consolidated margin in the Ceramics section last call, we communicated PBIT margin of 23.5% to 23.7% on a full year basis, we maintain the same.

EMD in the last call, we said 6.5% to 7.5% on a full year basis, we currently look at 4.5% to 5.5%.

Abrasives, last time we said the PBIT margin could be 8% to 8.5% on a full year basis. Currently, we are looking at 6% to 6.5%.

We said that last time, the overall consolidated PBIT margin could be a drop of 100 to 150 basis points compared to FY '25 base of 11.2%. Now we are looking at 250 to 300 basis point drop compared to that level.

Just to summarise, I think one, Rhodius, the transfer of logistics issue is quite an unexpected one and we did not consider in our forecast. There is a complete chaos in terms of software breakdown, physical movement of goods were impacted. So now we are trying to address this. We expect end of August all this will be addressed. We expect that rest of the quarters, the sales will be in line with the last year.

In EMD standalone, the margins drop due to higher alumina costs which I think is now passed on because the inventory, whatever we had was completely liquidated. We are back to normal and that should get us back to the proper margin what we were gaining. Besides these two, I think the major challenge was Abrasives local India drop, which also we feel that will get back from Q2 onwards.

You have seen that our free cash flow is in good shape, delivered 100-plus percentage in standalone, very healthy free cash flow in consolidated. Balance sheet is quite strong. We have done all our programs as far as the long-term strategy is concerned, we're tracking very well. So those are in good shape. We will address these the one-off blips that we will come back strongly in the coming quarters. Thank you.

Moderator: Thank you very much. We will begin the question and answer session. The first question is from the line of Bhavin Vithlani from SBI Fund Management.

Bhavin Vithlani: Sir, three questions. So first is on VAW. So could you help us understand the way forward given that now we almost have 6 months since the sanctions? What is your thought process in mitigating and how do we get back to normal levels and when in your view?

Sridharan Rangarajan: Okay. You said three questions or I'll answer one by one?

Bhavin Vithlani: Okay. I'll outline. Second is in the domestic Abrasives segment, if you could give us a bit more colour on where are we seeing slowdown given that we have three segments that you outlined. One is the retail, another is industrial, and third is the precision, where exactly is the impact? Optically, it looks the precision is it, and hence, the margins have got lowered. So more colour here will be helpful.

Third is, if you could just help us understand on the German subsidiaries, what is the one-off that was there in the quarter? How do you see these two Rhodius and Awuko on the balance a 9- month period and the full year basis, excluding this? I mean, what should be the revenue and profitability in the balance 9-months period? These are my three questions, sir?

Sridharan Rangarajan: Correct. So as far as VAW is concerned, I think we broadly guided last time that we expect the volumes should be lower 25% to 30%, in the last call we have that guided that. This time also, they are lower by about 25% compared to the same period last year. We are constrained to selling only inside Russia. We are continuing to do that. They are profitable within that set of the business.

But the future depends on how the settlement as far as Russia, Ukraine is concerned will turn out. And based on that, developments will happen. I don't want to hazard a guess given that multiple forces are at play. As far as Abrasives segment is concerned, you're right, there are three broad segments. We have Precision, we have Industrial, and we also have Retail. The challenge that currently we are facing is on the Retail side.

And as I was telling that there is a reasonable growth in the rest of the segment, which is what is making us confident about it. This is quite a few major distributors have to focus on the stock clearance and that is what caused this decline in sales.

As far as the German subsidiary, Rhodius, is concerned, as I told that this quarter, we had lost about EUR4 million compared to the same period last year. We expect that the remaining three quarters, we will be in line with the last year sales. What we have lost, we will not be able to recover.

Meaning, this order will serve that is a thing. But since there's a significant delay has happened, we expect that we will not be able to recover. But of course, we are trying our best to see how do we serve this order as well as be able to serve the future orders.

The issue is largely in terms of the change of software cost a significant delay, which is one major reason. So the pick and pack we were not able to perform. We could not physically move the inventory from the previous warehouse to the new warehouse. Even in the new warehouse, we were not able to have a proper location. These are outsourced warehouses. So this caused quite a bit of a challenge. It's getting addressed. We expect end of this month, we will completely address this issue.

Bhavin Vithlani: Sure. Sir, just one more question, a book keeping question. Employee expenses for the consolidated is up by 24% and if I look the subsidiary piece, which is minus the standalone, they are up by little over 30%. So if you could just help us understand that?

Sridharan Rangarajan: Sure. I will get back to you with the answer to you. Can we move on to the other question. In the meantime, we will try to find the answer.

Moderator: The next question is from the line of Ravi Swaminathan from Avendus Spark.

Ravi Swaminathan: My first question is with respect to the standalone Electrominerals business. The margins are kind of still on the compressed side. You had mentioned that it was because of raw material prices going up, and now we are passing it on. But earlier, you had mentioned that there was also competition from Chinese players especially in alumina, et cetera.

What is the status with respect to the competition from Chinese players in this particular category? That is my first question. And with respect to the second one, in terms of the other option value kind of products like high purity silicon carbide and supply of ceramic to emerging product categories like EVs, et cetera, what is the status of that?

Sridharan Rangarajan: Okay. So thank you, Mr. Ravi Swaminathan. So first of all, as far as the Electrominerals is concerned, the alumina price, literally went up in the 6 months, it doubled. It went up as high as

about $800. And then it fell down to $350 per ton and the fall is in the matter of 3 to 4 months. So the inventory that we held because we bought this at a higher price had to be liquidated, and that is what is causing us this problem that we have in Q1.

The price pressure continues to be there. We don't see there's anything new, but that is continuing aspect. As far as the high-purity silicon carbide program, it is progressing well on track, and we are progressing on some of this qualification process. We are progressing on track. As I guided, it won't be major sales for this year, and we are not looking at an immediate short-term type of revenue arising from that.

Ravi Swaminathan: And with respect to Ceramics sales for EVs and semiconductor industry, is that a big driver of growth, likely to be a big driver of growth over the next 1, 2 years or 3 years?

Sridharan Rangarajan: Right. So you are right. I think that's a good driver of the growth, and that is also one of the reason why we have a very good growth in Ceramics segment at this point in time.

Ravi Swaminathan: Okay. And within Ceramics and Refractories, one last question. With respect to wear ceramics, the technical ceramics, metallized cylinder and refractories, if you can break up the growth, how it was in the overall 10% growth that we have seen this quarter, which is growing faster, which is seeing better traction, even kind of a broad commentary or colour on it, that will be great?

Sridharan Rangarajan: Yes. I think we are seeing our Engineered Ceramics business; Metalized Ceramics business are growing well. We are also seeing Monolithic business going well, quite decent. And we're also seeing our Corrosion-Resistance business doing well. There is a few softness in terms of wherever projects are getting executed. That is where there are some delays in that. That is why some of the expected projects, there is some delay. Otherwise, the business overall is doing well.

Ravi Swaminathan: Project will be which end user industry, sir?

Sridharan Rangarajan: we typically serve many industries, carbon black, cement, steel. The refractory products goes into many industries. So that happens to diversified industries.

Moderator: The next question is from the line of Harshit Patel from Equirus Securities.

Harshit Patel: Sir, firstly, on the U.S. tariffs, what would be the impact on our Abrasives and Ceramics exports because we export quite substantial amount to the North American base? Could there be a substantial impact on our supplies to that clean energy customer in the U.S. from where we have started seeing some pickup from CY '25 onwards?

Sridharan Rangarajan: Yes. So thank you, Harshit. See, so far, it is evolving. I won't call it we have any conclusive answers on this. And as you would know that the world itself is just grappling with this. We do not know what is the final outcome going to be but what I can see is that broadly, it is a function of few things which I want to lay out here is, are there equivalents available getting manufactured in U.S.?

Are there equivalents available from other countries? And how fast the process of qualification is going to take place and also suitability for the manufacturer to adopt to the new supplier and

a function of what is the differential duty versus what we can absorb? And the ability of three parties to share this difference, whether it is the customer or intermediary manufacturer in U.S. and the supplier from India.

So these are the parties who are going to deal with this. Plus, of course, there are other factors like what the Indian government is going to provide their support, all that factor. So I would say, at this stage, we do not have any immediate threat or any issues that we foresee. We have made reasonable examination of all these factors that I laid out. But I would like to get to a full picture to understand what exactly would be the impact in all this. We seem to be in a decent position.

Harshit Patel: Understood. Sir, my second question is on the capex. What are our capex plans for the next two years, FY '26 as well as FY '27 across all three of our major segments? I think you have highlighted doing some capex for fused alumina-based products in Electrominerals, supplying to the semiconductor OEM equipment from Ceramics, doing bullet-proof armour as well as vehicle armour related products. So if you could highlight all the areas and quantum across all 3 major segments that will be very helpful?

Sridharan Rangarajan: Yes. So we don't normally provide that kind of guidance. I think if I remember, it is about INR350 crores was the capex program that we guided last call that we will spend for this year. So that we are sticking to the same one and all the programs are in line with that.

Moderator: The next question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: So only one question I have on the standalone Abrasives, is the industry not growing? Is it the demand or competition? And any colour on that will be helpful there.

Sridharan Rangarajan: See, I would say Industry is growing. I don't think there's a decline in the industry. Definitely, there is growth in industry. Of course, you have the other published player, you are very much aware about that what is the kind of results that we are getting in that, more or less comparable. There are minor variations here and there. I feel the industry is growing.

And as I have laid out in the last call also, we feel that there are segments where today, products getting imported and coming into India is growing substantially high. So definitely, overall growth in the Abrasives sector is growing. We have a specific challenge of our major distributors or particularly stock clearance and their own credit locks, those mechanisms. But other than that, I won't say that the challenge is industry led.

Moderator: The next question is from the line of Bhoomika Nair from DAM Capital.

Bhoomika Nair: So my first question is on VAW. It's been a tough quarter. You spoke about the 25%, 30% kind of decline. But if I look at the revenue numbers, the consol minus standalone, it seems fairly stable. Can you explain why we're seeing the revenues being stable? And if you can call out the VAW loss during the quarter?

Sridharan Rangarajan: Sorry, what was the last part of the question?

Bhoomika Nair: The loss at VAW, sir, at Russia?

Sridharan Rangarajan: Yes, yes. So I think your question is that consol minus standalone is stable is what to our observation, if I understood you correctly.

Bhoomika Nair: In EMD, yes, in EMD.

Sridharan Rangarajan: Yes. Right. So I think that you are very good in your observation because I think there, we source product from VAW and then use that product, which got stopped. So what happened, the elimination of -- so we actually show the sales outside only to the customer. That is what is the total sales that we do. So since that has stopped, hence, the elimination has come down, you see a flat number.

That is what you have observed, which is the right observations. But per se, the sales of VAW has come down, which is in line with what we have guided. The second question you asked is the margin on the EMD, right?

Bhoomika Nair: Yes, yes.

Sridharan Rangarajan: So EMD losses -- just hold on. Sorry, you continue your question. I will gather and come back. Sorry.

Bhoomika Nair: Okay, sir. I mean, if you can get back to me on what is the quarterly revenue and profit at VAW that would help. Second is in terms of...

Sridharan Rangarajan: We shared that. Just give me a second.

Bhoomika Nair: Sure, sir. In the meanwhile, we were looking to commission an HP SIC plant later this year...

Sridharan Rangarajan: Sorry, VAW sales was RUB1.84 billion in Q1 FY '26, compared to RUB2.46 billion in same period last year, Q1 FY '26. So that was a number that we shared. Yes, in rouble terms, the profit after tax was RUB72 million as compared to RUB287 million and RUB110 million in Q4 FY '25. These are the numbers we read. Yes, please go ahead, Bhoomika.

Moderator: The next question is from the line of Bhoomika Nair from DAM Capital.

Bhoomika Nair: Yes, sir. You can hear me?

Sridharan Rangarajan: Yes, we can hear you. I don't know where we got dropped, but I was just telling that -- you were able to get it or shall I...

Bhoomika Nair: Yes. I got that, sir. I got that. My question was on HP SIC. We had this pilot plant to be operational at the end of the calendar year. What is the status of that? And how are we seeing the progress in terms of the client offtake and things like that?

Sridharan Rangarajan: We are very much on target as far as the HP SIC pilot plant is concerned. As I told in the previous question also, our samples that we are working with various clients have been seeded. They're in the process of testing, very much on target. And I just want to repeat the same thing I told in the earlier answer. We do not expect any huge sales arising from HP SIC business in this year or in the near-term future.

Bhoomika Nair: Okay, sir. So the next question is on the Rhodius segment, part of the business which you call, there were some logistics-related challenges which impacted the ability to kind of drive revenues, and we expect that from September onwards, it will kind of normalise. Now if I take a step back, it's been about 3 to -- 3, 4 years since you've taken over Rhodius. If you can just help us understand what has been the benefit?

How are we seeing the profitability and the revenues kind of grow out there? There is a PPA impact, which I do understand, but how do we see the turnaround at the consol level for the international subsidiaries for Abrasives? If you can just explain a little bit out there?

Sridharan Rangarajan: So I just want to lay out here is that since the time we acquired without PPA, we have been making continuous profit, right? And this year, with this exception of the EUR4 million loss, we expect a loss, right? and we expect that the remainder of the three quarters, we will be same as last year in terms of the top line. But we will not be able to recover this lost volume.

Hence, we will have a loss for this year. We expect that the -- last year, we had -- without PPA, we were profit in the last 3 years that whatever we have been operating. And this year, we could be in the range of roughly about EUR2 million type of a loss.

Bhoomika Nair: Sure, sir. And how is the demand outlook? And how are you seeing this kind of improve into FY '27, '28, if you can just talk about that?

Sridharan Rangarajan: I do not have a crystal ball, but it all depends. It's very tough to predict that far...

Bhoomika Nair: And I was just trying to understand how the demand in general is panning out? What are you hearing on ground? That is where I was coming from.

Sridharan Rangarajan: So I mean, it's same as what everyone of us hears. I think we need to wait for some more stability to emerge in terms of this multiple things that's floating around. So we'll wait for some more time sense to provide details.

Bhoomika Nair: Sure. And lastly, if I may ask, what is our overall U.S. exposure while we understand that it is difficult to gauge what will be the actual outcome and might not be much...

Sridharan Rangarajan: On console sales, roughly about 8 to 10 percentage of our sales is U.S.-based.

Moderator: The next question is from the line of Aditya from Kotak Securities.

Aditya: The first question I had was on the Abrasives segment, not focusing on where the market is and where the competition is, but if CUMI as the company has pursued certain steps that they would want to take to improve their competitive positioning on the retail side of things and outside, could you give us a sense of the progress that has been made over there and when should we start expecting benefits coming out of the same for us?

Sridharan Rangarajan: So we have rolled out the programs in terms of our Abrasives growth. We are seeing the benefit of it and we are working towards each of these dimensions that we said we will work. As I said, this quarter is an issue relating to some of these inventory corrections in the dealer side of it. But

otherwise, our ability to cover newer states which we have -- so far, our market share is definitely progressing well.

We've started right on us there. NPD programs are firing well. So that is also well on track. In some of this go-to-market work in terms of our agility, ability to work and getting better productivity, that is also on track well. So we think that the programs are on track. It is on the ground, we are seeing the efforts type of our -- these are like, for example, the number of calls that each one makes, the number of productive calls each one makes, the coverages that each one makes, all that tracking whatever we are seeing are progressing well. And probably, we will start seeing the results soon.

Aditya: Okay. Is there a need to do a similar kind of maybe benchmarking study or re-assess our competitive positioning on the standalone Electrominerals side, where obviously, there is an element of Chinese competition, but do you envisage any amount of work that needs to be done to get that segment back on track from a competitive positioning perspective?

Sridharan Rangarajan: Honestly, our competitive position in terms of the India EMD position is really reasonable. That is why we have in the LTS program, how do we go beyond aluminas and what all the programs which we have laid out in the last call is positioned towards that, and we are very much on track, and we are progressing towards that.

Aditya: Okay. The last question I had was more on DRONCO, which is essentially assets that you want to re-commission inside the country. My sense is about INR200 crores, INR250 crores is something that can be achieved as incremental sales from the Abrasives business. What could be the time line of the same and how could we see the contribution gearing up to these kinds of revenue levels from that asset?

Sridharan Rangarajan: Sorry, I'm not aware that I guided that kind of a sale, but the program of DRONCO, this one is very much on. We are on the ground, the equipments have come. They are in the process of assembling it. So those program are very much in time for execution dates. So as per program, whatever we said we will do, we are going ahead with that.

Aditya: Could you clarify what is the capacity or the revenue number at full capacity that can come from that kind of acquisition and obviously the part of liquidity?

Sridharan Rangarajan: So it is not an acquisition. It is an asset purchase, where we had it is roughly about INR80 million to INR100 million worth of wheels we will be able to manufacture. That is our capacity.

Aditya: And the sales number that can come from there would be roughly EUR80 million to EUR100 million?

Sridharan Rangarajan: We have not told anything like that at this point. As soon as the commissions at that time, we will start sharing that.

Moderator: That was the last question for the day. I now hand the conference over to the management for the closing comments. Over to you, sir.

Sridharan Rangarajan: So thank you all for your participation. I just want to reiterate the facts that CUMI is well on track as far as strategy that it wants to implement, whatever we have laid out in the last call. Every program is being pursued right on us. We have a specific challenge in terms of Rhodius, which completely was unexpected.

Warehouse move impacted us in a huge way about EUR4 million. The high cost inventory that EMD holding is getting liquidated. In fact, it's completely done so that margin pressure that what we have seen in EMD would go away.

We see that the sales pressure that we have seen in Abrasives, particularly on some of the distributor sales due to the stock clearance we would not push that we would be able to get back. So on the whole, I would say that we are very much on track and progressing in terms of our long-term strategy well.

Our balance sheet is quite strong. Cash flows are really good. The focus on free cash flow is really good at this point. So we will continue to update you as we meet in the next quarter. Thank you.

Moderator: Thank you. On behalf of Equirus Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.