“Carborundum Universal Limited
Q2 FY '26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to the Carborundum Universal Q2 FY '26 Earnings Conference Call hosted by Kotak 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, please signal an operator by pressing star and zero on a touchtone phone. Please note this conference is being recorded.

I now hand over the conference over to Aditya Mongia. Thank you and over to you, sir.

Aditya Mongia: Thanks, Mark, and good morning, everyone. Welcome to the earnings con call of Carborundum Universal. From the management side today we have Mr. Sridharan Rangarajan, Managing Director; and Mr. G. Chandramouli, Advisor. Without any further delay, I request the management to share with us their opening remarks, post which Q&A can follow. Over to you, sir.

G. Chandramouli: Thank you, Aditya. Good morning. I'm Chandramouli. Let us start the proceeding with the disclaimer. During this 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 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 morning to all of you, and a warm welcome to our second quarter and the first half earnings call for the financial year FY '26. Thank you for joining us today. Hope you all had celebrated Diwali with family and friends. Our warmest Diwali wishes to everyone and trust the festive season bring you joy and prosperity. We will begin this call by giving an overview of the Company's performance for the quarter as well as the first half, then open up for questions.

To start with, consolidated sales in Q2 FY '26 was INR1,287 crores compared to INR1,209 crores in Q2 FY '25. This shows a 6.4% growth as compared to Q2 FY '25. Abrasives grew by 7.4% from INR543 crores to INR584 crores. Ceramics grew by 7.8% from INR280 crores to INR301 crores. Electrominerals degrew marginally by 0.9% from INR402 crores to INR399 crores.

Compared to Q1 FY '26, sales in this quarter grew by 6.6% from INR1,207 crores to INR1,287 crores. Abrasives grew by 15% from INR508 crores to INR584 crores. Ceramics grew by 0.6% from INR300 crores to INR301 crores. Electrominerals degrew by 1.6% from INR405 crores to INR399 crores.

Consolidated sales for H1 FY '26 was INR2,493 crores compared to INR2,393 crores in H1 FY'25. This shows a growth of 4.2% growth. The growth was driven by Ceramics segment, which grew by 9.4% from INR549 crores to INR601 crores. Electrominerals grew by 2.6% from INR783 crores to INR804 crores. Abrasives degrew by 0.3% from INR1,095 crores to INR1,091 crores.

Coming to the PBIT performance. PBIT for Q2 FY '26 was INR111 crores against INR154 crores in Q2 FY '25. Compared to PBIT of INR81 crores in Q1'26, Q2 PBIT grew by 37%. PBIT

for the first half of the year was INR192 crores compared to INR304 crores. The drop is mainly contributed by VAW about INR51 crores, RHODIUS INR26 crores and standalone INR34 crores.

Now I go to standalone. Standalone Q2 FY '26 sales were INR712 crores with a growth of 1% compared to sales of INR705 crores in Q2 FY '25. Compared to Q2 FY '25, Electrominerals grew marginally by 1.2% from INR210 crores in Q2 '25 to INR213 crores in Q2 '26. Ceramics was almost flat. Sales in Ceramics moved from INR227 crores in Q2 FY '25 to INR228 crores. Abrasives degrew marginally by 0.1%.

Standalone sales of INR712 crores in Q2 FY '26 compared to INR698 crores in Q1 FY '26 grew by 2%. Abrasives grew by 7.5% from INR286 crores in Q1 FY '26 to INR308 crores in Q2 FY '26. Electrominerals was almost flat with a growth of 0.2% moving from INR212 crores to INR212.7 crores. Ceramics degrew by 4.3% from INR238 crores in Q1 FY'26 to INR228 crores in Q2 FY '26.

Standalone sales for H1 FY '26 was INR1,410 crores, a growth of 3% compared to sales of INR1,369 crores in H1 FY '25. This was contributed by growth in Electrominerals at 6.5%, which moved from INR399 crores in H1 FY '25 to INR425 crores in H1 FY'26. Ceramics grew by 4.9% from INR444 crores to INR466 crores. Abrasives degrew by 2.8% from INR611 crores to INR594 crores.

PBIT for Q2 FY '26 was INR87 crores compared to PBIT of INR116 crores in Q2 FY '25. Mainly Ceramics contributed to INR17 crores drop here. PBIT for Q1 FY '26 was IN R166 crores. PBIT of Q2 FY '26 dropped to INR87 crores. This is mainly due to lower dividend income. PBIT for the first half of the year grew by 7.9% from INR235 crores in H1 FY '25 to INR254 crores in H1 FY '26.

I'll go to the segment performance.

Abrasives, consolidated Abrasives. Sales of H1 FY '26 was INR 1091 crores when compared to INR1,095 crores, almost remained flat. Q2 FY '26 sales was INR584 crores with a growth of 7.4% compared to INR544 crores in Q2 FY '25. This growth was contributed by AWUKO INR9 crores, RHODIUS INR25 crores and CUMI America.

Compared to Q1 FY '26, sales was higher by 15%, moving from INR508 crores to INR584 crores. This is largely driven by sequential recovery in standalone INR 22 crores, recovery in RHODIUS about INR 49 crores, which has seen a loss in Q1 on account of the transition to a new third-party logistics provider.

Standalone Abrasives: In Q2 FY '26, standalone Abrasives sales of INR308 crores remained flat compared to the same period last year. Sales of H1 FY '25 was INR594 crores with a degrowth of 2.8% compared to INR611 crores in H1 FY '25. Sequential growth is encouraging and looking forward to a better H2.

RHODIUS Abrasives: In H1 FY '26 achieved a net sale of EUR30.6 million compared to EUR33.8 million in H1 of FY '25. This represents a 9% degrowth over last year. For the quarter,

RHODIUS achieved net sales of EUR17.4 million, which is 5.4% growth over Q2 FY '25, which saw sales of EUR16.5 million. Q2 FY '26 sales is higher by 31.6% compared to EUR13.2 million in Q1 '26, reflecting the resolution of operational challenges relating to logistics.

In our previous call, we had said that we expect the stability of operation to come by end of August. We are almost resolved and back to normal and we had also said that Q1 performance would impact the full year sales as well. We said that we expect the remaining 3 quarters sales would be in line with the last year's sales. In Q2, we are seeing a 5.4% growth. We still maintain the same outlook.

In H1 FY '26, RHODIUS incurred a loss of EUR2.2 million against a loss of EUR0.1 million same period last year. This is after the PPA write-off of EUR1.4 million, reflecting the loss of sales in Q1 impacting the profitability. At the full year FY '25, RHODIUS made a loss after tax of EUR0.2 million in FY '25. We expect the loss after tax to be about EUR3.5 million to EUR4 million this year. This is after PPA write-off of EUR2.8 million.

AWUKO achieved a sale of EUR5.5 million for the first half of the year. This is a growth of 5.3% when compared to the sales of EUR5.3 million last year. For the quarter, AWUKO delivered sales of EUR2.9 million, which is a 31% growth over last year EUR2.2 million. Sequentially, it was higher by 12.7% compared to EUR2.6 million in Q1 '26. The losses before tax in H1 versus this year has remained flat. At the full year, we expect the sales growth to grow by about 20%. We maintain the same outlook. The losses before tax could decrease slightly.

Now I will cover the bottom line performance of the segment. Consolidated Abrasives PBIT for the first half of the year was INR45 crores compared to PBIT of INR90 crores in H1 FY'25. Margins have declined from 8.2% to 4.1%. The margins were impacted by RHODIUS and standalone business.

Consolidated Abrasives PBIT for Q2 FY '26 was INR33 crores compared to PBIT of Q2 FY '25 at INR34 crores. Compared to Q1 FY '26, the PBIT was higher by INR22 crores. Q1 FY '26, was INR11 crores. This is mainly due to RHODIUS and standalone Abrasives.

Electrominerals consolidated sales for H1 FY '26 was INR804 crores compared to sales of INR783 crores in H1 FY '25. Standalone business and Foskor Zirconia helped to grow this. Standalone business grew by 6%, Foskor grew by INR20 crores and VAW degrew by about INR83 crores.

Q2 sales was INR399 crores compared to sales of INR402 crores in Q2 FY '25. The degrowth was on account of the VAW. Sales in Q2 FY '26 was INR399 crores compared to INR405 crores in Q1 FY '26. This is also largely arising from VAW.

Standalone Electrominerals. Standalone Q2 sales was INR213 crores. This is a 1.2% growth compared to sales of INR210 crores in Q2 FY '25. The growth was largely aided by volume, while prices remained flat. Exports continue to perform well in this segment. Compared to Q1 FY '26, the sales in this quarter was almost flat. Sales for H1 FY '25 was at INR425 crores with a growth of 6.5% compared to INR399 crores in H1 FY '25. This growth was aided by volume and price. Export definitely helped a lot.

VAW sales in local currency in Q2 FY '26 degrew by 37.2% compared to FY '25 from RUB2.4 billion to RUB 1.6 billion. In INR sales, the degrowth was 27%. The exchange rate used in Q2 FY '25 was 0.94 compared to the exchange rate used in Q2 FY '26 is about 1.08. Sales in local currency degrew by 15%, that is RUB1.8 billion to RUB 1.6 billion compared to Q1 FY '26.

VAW delivered a profit after tax of RUB222 million in Q2 FY '26 against RUB466 million during same period last year and RUB71 million in Q1 FY'26. In local currency, H1 FY '26, the sales was RUB 3.4 billion compared to RUB4.9 billion in H1 FY '25. This is a decline of 31%. We communicated this expectation earlier. In INR terms, the sales decline was from INR459 crores to INR364 crores, resulting in a decline of 21%.

H1 FY '25 profits were RUB294 million compared to RUB753 million during the same period last year. This is a decline of 61%. In terms of H1, profit from INR70 crores, it declined to INR31 crores. With respect to the full year performance at VAW, we had earlier committed a drop in volume by about 25%. We maintain the same guidance now.

Foskor Zirconia.: For the quarter, sales was ZAR114 million compared to sales of ZAR82 million in Q2 FY'25. The loss after tax was ZAR24 million compared to loss after tax of ZAR21 million in Q2 FY '25.

Sridharan Rangarajan: In Q1 FY '26, sales was ZAR121 million and in Q2 FY '26, the sales was ZAR114 million. In Q1 '26, the loss after tax was ZAR18 million compared to the loss after tax in Q2 '26 of ZAR24 million. In H1FY '26, sales was ZAR235 million compared to H1 FY '25 sales of ZAR203 million. In H1 FY '26, loss after tax was ZAR42 million compared to ZAR32 million in H1 FY '25.

I'll move to Ceramics business. Consolidated sales for H1 FY '26 was INR601 crores compared to INR549 crores in H1 FY'25. This is a growth of 9.4%. Growth was driven by standalone operations and the Australian subsidiary. Q2 FY '26, the sales was INR301 crores compared to INR280 crores in Q2 FY '25. This is a growth of 7.8% and was driven largely by our Australian subsidiary.

Standalone Ceramics Q2 sales was INR228 crores, which is flat compared to Q2 FY '25. Compared to Q1 '26, sales in this quarter degrew by 4.3%, basically from INR238 crores to INR228 crores. Sales for H1FY'26 was INR466 crores. This is higher by 4.9% to INR444 crores in the same period last year.

To cover the PBIT of the segment, consolidated PBIT for Q2 FY '26 was at INR62 crores compared to the PBIT of INR75 crores in Q1 FY '26, mainly due to product mix and volume. Consolidated PBIT of H1 FY '26 was INR137 crores compared to INR144 crores in H1 FY '25. Standalone Ceramics PBIT decreased by 3.8% to INR107 crores from INR111 crores in H1 FY '25.

There was no debt in our standalone books. Total debt at consolidated basis was INR210 crores at the end of Q2 FY '26 compared to INR172 crores at the end of Q1 FY '26 and INR103 crores at the same period last year. The debt-to-equity ratio is 0.06 at consolidated level. Cash and cash

equivalent at the consolidated without cash in VAW is about INR215 crores, which means debt net of cash is 0.

During the H1 FY '26, our capex investment was INR162 crores against INR124 crores in H1 FY '25. This is against our full year plan of INR350 crores as we communicated during the last call. So we are progressing as per the plan. At the standalone level, the capex was INR120 crores compared to INR69 crores same period last year.

Now I'll provide an update on the outlook for the current year. I maintained the outlook shared last time, which is as follows. Consolidated sales growth could be 5.5% to 6.5%. Consolidated Ceramics growth could be 16% to 18%, same as earlier communicated. EMD growth guidance is about 1% to 2%, same as last time communicated. Abrasives sales in our last call, we communicated 4% to 5% growth for the year.

Margins at consolidated level, Ceramics section, we communicated 23.5% to 23.7% on a full year basis, maintained the same. EMD in the last call we said 4.5% to 5.5%. Abrasives last time we said PBIT margin could be 6% to 6.5% on a full year basis. We said that last time the overall PBIT margin could be 8.2% to 8.5%, we maintained the same. Capex side, we would spend about INR350 crores. We have spent about INR162 crores in H1. So we think we will meet the capex plan.

So that's broadly my opening remark, and I think I'll open up for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ravi Swaminathan from Spark Capital.

Ravi Swaminathan: My first question is with respect to the standalone segments of Abrasives and Ceramics and Refractories. The growth were subdued during this quarter. So if you can give a bit more granularity in terms of quality of growth in Abrasives in the retail side and industrial supply side. Similarly, for Ceramics and Refractories between the Wear Ceramics, Metallized Cylinder and Refractories, how the individual subcategories were growing, that will be great, sir?

Sridharan Rangarajan: Thank you. I think -- so the growth in the standalone segment, particularly Electrominerals was about 6.5%, Ceramics 4.9% and Abrasives degrew at 2.8%. But the growth sequentially in Abrasives at 7.5% is encouraging. We expect that trend to continue for the second half. And that's the broad outlook that we have.

And as far as the Ceramics is concerned, the H2 will be strong, largely because of the way the order books were built and some of the projects requirement are coming along. So we expect that H2 will be heavily loaded compared to the H1. So hence, we feel that the growth compared to the H1 versus H2 will be different and Electrominerals will continue the trajectory that we have been committing. That should continue. That's what broadly guiding to.

Ravi Swaminathan: And within the subcategories, any flavour, sir? So for example, Ceramics and Refractories, how Wear had performed, how Refractories had performed, how Metallized Cylinders have performed?

Sridharan Rangarajan: Yes. So Metallized Cylinders and Engineered Ceramics have performed over 20%. And I think there were challenges basically on the Wear Ceramics side. Both Wear and some of the Refractory side, the project-based dependence, there's a delay, which should pick up in the next quarter and we should see overall growth. At H1 level, we are at about 11% growth. We expect that, that would pick up.

Ravi Swaminathan: Okay. And which sectors would be -- Wear Ceramics would be catering to where this delay? Is it like steel, cement...

Sridharan Rangarajan: So it is steel, cement, glass, all these sectors, there are some project delays.

Ravi Swaminathan: Understood. And similar flavour on Abrasives side, retail vis-a-vis industrial supply, how it is doing? Any flavour on that?

Sridharan Rangarajan: So I think industrial and precision are doing fine. Retail is a bit subdued, but the encouraging thing is that the inventories at the dealer level have really come down, which sees that Q3 and Q4, we should see a pickup. The lot of festival pickup helped to move their inventory level. So that is something is encouraging to look at Q3 and Q4.

Ravi Swaminathan: Got it, sir. And my final question with respect to the Electrominerals business, you had highlighted that there is a bit of Chinese competition in aluminium oxide and how it is panning out. So is there increased competition which is there or is it maintaining? Any views on that?

Sridharan Rangarajan: It is maintaining and no difference that we see at this point.

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

Harshit Patel: Sir, my first question is on standalone Ceramics. I think the margins over there have been the weakest we have seen in last 4 years, about 20% or so. You have highlighted adverse product mix as one of the reasons. What could be the other factors over here? Also, we had expected a strong revenue growth as clean energy sales to the U.S.-based customers are reviving. However, we have posted only flattish sales. So if you could explain, co-relate these things, that will be very helpful?

Sridharan Rangarajan: So I think product mix and the other one is the top line. There's base level fixed cost absorption needs to happen. So since there's a top line is a bit soft. So that's why we expect the H2, we could pick up. I mean, we will bounce back better in the H2 and that should start showing the margin pickup. And that's why even in the overall margin guidance, I still maintained what was earlier said.

Harshit Patel: Right. Just a follow-up to that, sir. But sir, when our Metallized Cylinders and Engineered Ceramics are doing so well, which are obviously the higher-margin businesses for us vis-a-vis the Wear Ceramics and Refractories, shouldn't the product mix be good for us? Should that not be an accretive product mix?

Sridharan Rangarajan: It does and that is why it is helping us a bit. But if you look at the wear plus the Fired Refractories business, they are not bad. Their margins are also very encouraging. But the volumes that they

hold to the total business when it is not growing, it does have the impact of the mix. And that's why we used the word mix.

Harshit Patel: Understood. Sir, my second question is on the subsidiary level Electrominerals business. Here, the sales seem to be very strong despite the continued sanctions on VAW. Margins have also improved on a sequential basis. So how have we achieved this improvement in the first place?

Sridharan Rangarajan: No. So I think if I look at Abrasives, we have done fairly well outside, of course, there's a domestic Abrasives pickup, equally Foskor Zirconia top line pickup. These two are helping us in terms of our overall pick up. But you have also a fall of almost INR83 crores in the top line as far as VAW is concerned. But the eliminations, the intercompany eliminations are lower compared to the last year because we no more source from VAW. So that benefit also accrues to us. So that is how the overall we are in better shape as far as Electrominerals is concerned.

Harshit Patel: Sir, just lastly, a book-keeping question on our others segment, wherein we combine the results of PLUSS, SEDCO as well as the IT business. Here, we have posted the positive PBIT after consecutive losses of 14 quarters. Anything you could highlight here?

Sridharan Rangarajan: I think I don't want to track individually these smaller businesses, but I think all of them are doing fine. So all of them have fired well, and that is the basic reason for that.

Moderator: The next question is from the line of Amit Anwani from PL Capital.

Amit Anwani: First question on VAW again. So obviously, you have highlighted that there would be 25% reduction in volumes. I wanted to understand any development which has happened on sanctions. And in case of sanction continuing, what kind of volumes are we expecting any strategy or any hope of sanction getting lifted? How should one think of this business slightly medium term?

Sridharan Rangarajan: Look, I think this is a very tough area to guess because this is a geopolitical question. I would like to stay away from that. I think you are as good as mine or more than mine in terms of knowing the geopolitical situation as everyone reads instantaneously, as everyone treats.

I feel that our focus at this point in time is to stay within the ambit of what we can do and that I think is what we will stay. What is helping us is a debt-free company and also highly focused way of running the business helps us to stay afloat and we hope sooner some better prospects would come.

Amit Anwani: Sir, on the 2 subsidiaries, AWUKO and RHODIUS, I would love to understand are we on track for breakeven and when are they happening? And second, with respect to what is driving the demand? I understand there's a lot of sales there is global in nature. So just wanted to understand what is the situation on demand side for these subsidiaries? There's some improvement which has happened and we are expecting H2 to be slightly better. So updates on that?

Sridharan Rangarajan: Sure. So I think the RHODIUS drop in Q1 is a one-off event largely driven by the way the logistics was handled, but they are out of that and they are back to normal and the demand, I would say, it is good and it is continuing the way we are planning as far as RHODIUS is

concerned. As I said that we continue to look at RHODIUS as a good company, would get back to the profitability even after PPA soon. That is what we are broadly looking at.

As far as AWUKO is concerned, we feel that getting to about roughly about EUR12 million to EUR14 million top line for this year is the first milestone that we should hit. So far, it looks like the trajectory is towards that. And then at the end of the year, we will again update you in terms of how we are looking beyond that. So by and large, both are traveling as per what we were looking at.

Amit Anwani: Sure, sir. Lastly, sir, on the new product development. Last time I recollect you highlighted the high-performance SiC pilot plant is on track, though we do not expect the volumes in FY '26, FY '27. So any update on that? And apart from that, we're seeing a lot of activities happening on semiconductor, CG Semi installed the plant and even L&T is talking about it.

So -- and we also talked about some ceramic-based products for semiconductor. So just wanted to understand with respect to product developments, what one should look at in near to medium term, which can materialise in 2, 3 years?

Sridharan Rangarajan: Sure. So semiconductor, basically ceramics for semiconductor fab equipment is what our focus area. And that facility is coming up very much in line. And we expect these would start benefiting in the next year onwards, which is what our earlier guidance also. So that would continue.

And the defence program, aerospace and defence program investment is also very much on track. The investment on HP SiC is also very much on track, all the programs that we broadly talked about. As far as our long-term strategy is concerned, everything is pretty much on track. That's why you see a strong capex spend, which is very much in line with our spend as well. In fact, the INR160-odd crores is probably the highest at this point in time. So we are progressing based on our long-term trajectory.

Amit Anwani: Sir, are we seeing any contribution coming in from these projects in the next 2 years or it will be beyond years?

Sridharan Rangarajan: So as far as the semiconductor, we expect that it would start contributing from next year and then aerospace and defence, partly next year, but mostly year after. And then as far as the HP SiC, we said 2 years, we need to wait because these are all seeding time, which is what we are currently doing.

Moderator: The next question is from the line of Rupesh Uttvani from Nayan M Vala Securities Private Limited.

Rupesh Uttvani: I just would like to know that over the past 2-3 quarters, if I am to look at your other expenses, they are on a standalone basis, they have grown on a higher trajectory, which has been affecting your overall margins. So if you could maybe just shed some light on what is causing that increase, that would be really helpful?

Sridharan Rangarajan: I think other expenses, what you call as unallocable at the consol level is very much comparable at H1 to H1 level and standalone level, there is a marginal increase of about INR10 crores. So I see that it is very much in line. We don't see abnormality, except there are some dividend income movement, which is like we also disclosed that close to some INR68 crores plus is the dividend that we had kind of one-off dividend, other than that, I think if you exclude that, I mean, as we exclude we see that it is very much in line.

Rupesh Uttvani: Okay, sir. And I just wanted to confirm that you had said that -- in this call, you had said that VAW is not exporting raw materials to the Indian subsidiary for, let's say, from the Electrominerals perspective. So I mean, would that affect our margins anyway in the Abrasives or any other segment?

Sridharan Rangarajan: I don't think we had any link to the -- our domestic Abrasives business. We never sourced for our domestic Abrasives business and has no connection to that. And we are not sourcing. I mean that stopped here.

Moderator: The next question is from the line of Bhavin Vithlani from SBI Mutual Funds.

Bhavin Vithlani: Sir, the question number one is with respect to your comment to the earlier where I also was observing a 35% increase in capital expenditure. If you could help us what is the planned outlay for the current financial year and the next? And if you could also give us a breakup between the key projects that we are planning this capital expenditure?

Sridharan Rangarajan: Yes. So Bhavin, I think we did guide INR350 crores of capex at the full year level is what our guidance is and we have spent about INR160-odd crores now. Second half, we will have the rest and this is as per our long-term strategy program that what we have worked on. So it is very much in line.

Individual project details will be difficult to share, but these are coming for, let's say, semiconductor facilities, facilities for aerospace and defence, investment in HP SiC facility, investment in thin wheel relocation. All these are the programs that we are working on.

Bhavin Vithlani: Sir, pardon me for hopping this. What would be the total planned outlay for the semiconductor for the aerospace, defence, Ceramics and HP SiC over a 2 to 3-year basis, the total planned outlay for getting the project up and running in the Phase 1 of our plan?

Sridharan Rangarajan: So Bhavin, I think it is a reasonable facility and based on our expected returns and the top line is the normal way that we evaluate and put. Individually, we are unable to share how much is this, etc. But be rest assured that it is based on anchor customers' programs that we have in place to support that, and that is how we are making these investments.

Bhavin Vithlani: Sure. My other question is on the Electrominerals and when I look at the subsidiaries performance, which is standalone minus consolidated, the revenue run rate that I see for the quarter is about INR186 crores and prior to the sanction, it used to be about INR190 crores to INR200 crores. So it's not very different despite the sanctions. VAW is a continuous process business, so could you help us understand, is the impact that we are seeing is largely the realisation where we've been able to push out the volumes, maybe at a lower margins? And in

this quarter also, we've seen a remarkable improvement on the profitability front. I mean, if I look at the EBIT of the division where it was negative in the previous quarters, about INR2 crores, INR3 crores and it is about INR13 crores positive. So the effort that we are putting, it will be helpful to understand and what transpired such an improvement despite the sanctions?

Sridharan Rangarajan: So first of all, sanction does affect. It is not that it is not affected. So it's told that at H1 level, we have an INR83 crores of impact on the Electrominerals business. So it does affect. But what helps us is the standalone growth, growth in Foskor is helping us to a large extent to offset this. So that is what I would say rather than anything else.

And obviously, that helps us also to some extent a margin stabilisation. And so I think had VAW performed at its normal level, we would have enjoyed a far better results than this. I hope to see that day soon.

Bhavin Vithlani: Sure. And if you could -- I mean if possible, what would be the plan assuming the sanctions go on for years? What is the plan of action for the Company to get to alternative markets, alternative customers?

Sridharan Rangarajan: See, I think -- I'm sure this is very difficult to even work through a simulated experience of answering this question because it's very tough. From our side, we have an approach where focus highly on what VAW can do with the limitations what they have. So that's number one.

Make sure that we run this in a way which is within the framework of what is possible, highly focused on cash conservation, making sure that they have reasonable margins and able to survive. At the same time, thinking beyond how can we do beyond this is a very, very difficult task, Bhavin. We have limitations of what we can do. So definitely, and as a group, we will not do what is not possible.

Bhavin Vithlani: Sure. Sir, my last question is on the Abrasives front. As we've highlighted, there are 3 broad segments, retail, industrial and precision. Retail is where the pressure was. But I also understand is that within the precision and the industrial, automotive as a sector has a greater salience.

And as we are seeing pickup in the automotive production, I mean if you could just give us an outlook in terms of do we see rate of growth for the standalone Abrasives improving, because yesterday, our competitor also reported and they reported kind of a 6% growth. So your outlook over the next 3, 4 quarters, given the automotive pickup and how you are seeing will be helpful?

Sridharan Rangarajan: I think as I said that our own reading is that the H2 for the Abrasives going to be better. First of all, if you look at Q2 versus Q1, we are seeing a pickup in terms of growth and we have grown about 7.5% plus and we expect Q3 and Q4 will be better on a few things.

One, our own retail network, the kind of inventories with them is kind of far more thinner at this point in time because of what they had experienced in the last quarter. So the benefit of GST plus the festival growth, etc., we should see this coming up in Q3 and Q4. So I would say that our expectation for us is definitely better in H2.

Moderator: The next question is from the line of Viraj from SiMPL.

Viraj: I joined the call a little late. So pardon me if my question is repetitive. Sir, my question is largely on recent developments at Wendt. So post exit of 3M, we are primarily the de facto promoters in the company. And in the past, we have seen transfer of talent from them to CUMI as well. And recently, we have seen exit of top leadership as well from them. So question is what is our play here now with the entity? And what is our aspiration and expectations from that company? And what will help us achieve those?

Sridharan Rangarajan: So thanks for this question. I would stick to commentary on the performance of CUMI here and I'm sure you appreciate our constraints on that. We should talk about CUMI, and I encourage you to focus on CUMI.

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

Aditya Mongia: I just wanted to check with you, sir. So standalone business started to kind of grow over the last 3, 4 years at mid-to-high single-digit more towards mid and high. I'm talking overall business. Could you give us a sense of what needs to change to accelerate the growth to higher levels? That's the first question and linked up to that is of the INR350 crores that you are spending in, is the split a lot more towards existing businesses or is it a lot more towards new lines of work?

Sridharan Rangarajan: Sorry, your second question is not audible. Could you be clear on that?

Aditya Mongia: Sure. What I was asking was that in that INR350 crores of capex, is it more inclined towards existing lines of work or is there a fairly meaningful share of new lines of work?

Sridharan Rangarajan: Okay, good. So I think what needs to happen to have a higher growth is the first question as far as standalone business is concerned. So I think this is the program that we have for a 5-year horizon from now till FY '30 is where the LTS work that we have prepared ourselves.

I think each of this business have come up with a set of actions, which would take the growth from the current level to a higher growth rate. We feel that each of them are definitely working towards that. I think we broadly shared last time around that. I think the Abrasives is largely going to focus on sharpening the go-to-market, introducing newer products through the NPD program.

Similarly, we also have a program of how do we source and scale. And these are the programs and of course, there are specific geographies today we are not present or have our market share is lower. So how do I make use of those. So these are the opportunities that we should see and pursue this.

In the Electrominerals, we said that scaling up in alumina more towards the treated grinds, whether it is heat treated or silent treated or sol-gel-treated, blue-treated, zirconia-treated grinds, thereby increasing our alumina portfolio. At the same time, focus on the value-added products through additions of zirconia, zirmul, stabilized zirconia, etc., and getting into new areas like thermal spray powders, etc. These are the programs as far as Electrominerals is concerned.

As far as Industrial Ceramics is concerned, our focus is largely in terms of how do we serve in newer areas like semiconductor, electronics, aerospace and defence and how do we prepare

ourselves for that, which is what is the program that each of them are working and in terms of the Refractory, it is mostly to scale up on the monolithic refractories.

Just broadly summarizing it. So these are the programs which will help us to accelerate the growth. What you have observed as there is a pickup, but will it pick up further. So the answer is yes, and these are the programs that we would work on. Of the INR350 crores, are you investing in new areas? And if so, how much? I would say a majority of this investment goes into newer areas is what I would share with you.

Moderator: The next question is from the line of Mohit Pandey from Citi.

Mohit Pandey: Sir, first question is on Metallized Cylinders. So I believe you mentioned in this quarter, there has been 20% growth. So just wanted to understand what are the capacity utilizations there now? And are there any expansion plans here? The end market does look like growing quite smartly here. That would be question number one.

Sridharan Rangarajan: Yes. I think you are right. I think the end market is growing very strong. And I shared over 20% growth, which is what we are telling. And we are also parallelly looking at how do we prepare ourselves for an accelerated growth and so clearly, we have a program to address that.

Mohit Pandey: All right, sir. Sir, secondly, on the aerospace and defence ceramics. Is it possible to share more color around your offerings here where exactly which sub segments are they likely to find applications in? And have you already entered into any partnerships with any defence customers for R&D for them or how are you thinking about this?

Sridharan Rangarajan: Good. So the 2 broad areas that we work on is basically vehicle protection and body protection. These are the 2 broad areas that we are working on and so our strength is to prepare ourselves and supply the ceramics needed for that, for which we have some collaboration with DRDO and CGCRI, which are very much in place and the capabilities are very much there.

The third area is certification in terms of various international certification in terms of the penetration. So those are also fairly we have got about 4 different levels of certifications that we have got for our products and we are working with some of the leading suppliers for aerospace and defence in India. And definitely, these are the 4 broad kind of indicators that I can share. This is how we are working on.

Mohit Pandey: Okay. Sir, just to clarify, so this is not just domestic opportunity. This is possibly international because I understand you said about some certification? Is that fair?

Sridharan Rangarajan: No, certification is required even to supply to the domestic market. And hence -- because that's basically -- you need to make yourself qualified to supply, and that's the basic threshold. So that is what we are doing. Our focus is domestic to start with.

Mohit Pandey: Okay, okay. Yes. Sir, and last question is more near term. So Ceramics, you mentioned in H2, you're looking at on standalone Ceramics a pickup. If you could give more color around whether this is based on certain order backlog that you already have or what should drive this pickup in H2 in Ceramics standalone?

Sridharan Rangarajan: Right. This is based on the order backlog and the project execution time from the customers. So those are the basis for the estimation.

Moderator: The last question is from the line of Anupam Goswami from SUD Life.

Anupam Goswami: Sir, my first question is on the Ceramics. How do we look at it in a little long-term growth? We had good run until now and its kind of supporting the other segments. So from here onwards, even beyond, let's say, '26, FY '27, '28, how is the market turning up for us? How is the newer product doing? And how do you see the growth sustaining?

Sridharan Rangarajan: In the Ceramics, I think I was just talking a little bit earlier, the growth trajectories are -- so there is an existing set of business and their own growth trajectory, which is basically either Engineered Ceramic products or Metallized Cylinders and the wear products. That's the growth engines.

The second is the newer investments that we are making, which is basically in terms of semiconductor, electronics, aerospace and defence. So that will help us to accelerate the growth currently what we have. So these will be the 2 broad engines and which would drive the future growth of Ceramics.

Anupam Goswami: So until now we had about 20%, 22% sort of growth in Ceramics. Can we take this number going forward? Do we have that conviction here?

Sridharan Rangarajan: So we have been guided individually, but we have shared a broad guidance 2 calls back in terms of what we are looking at in the long-term trajectory. I think those should help you to make your projection, but we are quite upbeat about what we are trying to do.

Anupam Goswami: Okay. Sir, last on the new areas. Where do you see the revenues coming in? And how much of a contribution we can see from that? What is the scale of we can look at?

Sridharan Rangarajan: I think we broadly guided at the overall company level, 2 times in this period of the next 5 years. That's what we have broadly guided. So individually, we haven't shared any guidance but programs, we did share about that.

Moderator: That was the last question. Ladies and gentlemen, I now hand over the conference over to the management for the closing comments.

Sridharan Rangarajan: Good. I think thank you all for participating. I would summarize, number one is what we have been guiding for this year, we are very much on track. Capex program is very much on track. Balance sheet is strong and the trajectory that we all looked at for the LTS 2030, we are progressing well towards that.

So I would say that in terms of some of the specific items like issues on VAW, we need some resolution at the geopolitical level, which will help us to take this forward. But other than that, we are very much on track in rest of the programs that what we are looking at.

So thank you and all the very best.

Moderator: On behalf of Kotak Securities, thank you for joining us. You may now disconnect your lines.