“Carborundum Universal Limited
Q2 FY '27 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to Carborundum Universal Q2 FY '27 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 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 Mr. Kartik Kohli from Kotak Securities. Thank you, and over to you, sir.

Kartik Kohli: Hello. Good afternoon, everyone. Welcome to the Q2 FY '27 earnings call of Carborundum Universal Limited. From the management side today, we have Mr. Sridharan Rangarajan, Managing Director, Mr. Sriram Seshadri, Chief Financial Officer, and Mr. Chandramouli, the advisor. At this point, I would like to hand over the call to the management for their opening remarks, post which we can take up the Q&A. Thanks, and over to you, sir.

G. Chandramouli: Good morning. I am 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 result to differ. Hence, these statements must be reviewed in conjunction with the risks that the company faces. Thank you.

Sridharan Rangarajan: Thank you. Good morning to all of you, and thank you for joining us on this call, and a very warm welcome to our second quarter earnings call. I trust you and your family are doing fine and safe and healthy as well. We will provide a brief overview, followed by, we will take up a few questions from you. First, I will start with the business performance of Q2.

I will first go with standalone sales. In Q2 FY '27, standalone sales was INR 911 crores compared to INR 712 crores. This is a growth of 28%. This is the highest ever quarterly sales reported, as well as I think 14 quarters, the quarter-on-quarter growth is pretty high. On a sequential basis, standalone sales increased by 7.7% from INR 846 crores to INR 911 crores.

As of H1, standalone sales was INR 1,757 crores compared to INR 1,410 crores in H1 FY '26. This is a growth of 24.6%. All three segments recorded double-digit growth at the standalone level. I will start with Ceramics. Ceramics recorded a growth of 37.2%, and Electrominerals recorded a growth of 31.3%, Abrasives recorded sales of 15.9%.

On a sequential basis, standalone sales increased from INR 846 crores in Q1 FY '27 to INR 911 crores in Q2 FY '27. This is a growth of 7.7%. Ceramics grew 14%, Abrasives grew about 8.6%, Electrominerals are flat. For H1 FY '27, standalone segment sales was INR 685 crores for Abrasives and INR 587 crores for Ceramics and INR 561 crores for Electrominerals. And this represents a growth of 15.3% for Abrasives, 25.9% for Ceramics, and 32.1% for Electrominerals.

I will now move to consolidated sales. In Q2 FY '27, consolidated sales was INR 1,455 crores compared to INR 1,287 crores in Q2 FY '26. This is a growth of 13.1%. On a sequential basis,

consolidated sales increased by 3.1% from INR 1,411 crores to INR 1,455 crores. As of H1 FY '27, consolidated sales was INR 2,865 crores with a growth of 14.9% compared to H1 FY '26.

In Q2 FY '27, Ceramics sales were INR 410 crores compared to INR 301 crores in Q2 FY '26, which is a growth of 36.1%. Electromineral sales grew from INR 399 crores to INR 443 crores. This is a growth of 11.1%. And Abrasives grew from INR 584 crores to INR 607 crores, which is a growth of 4%.

On a sequential basis, Ceramics sales increased from INR 349 crores in Q1 FY '27 to INR 410 crores in Q2 FY '27, with a growth of 17.6%. Electromineral sales decreased from INR 473 crores to INR 443 crores in Q2 FY '27. Consolidated Abrasive sales decreased from INR 610 crores to INR 607 crores. For H1 FY '27, consolidated segment sales was INR 1,217 crores for Abrasives, INR 759 crores for Ceramics, INR 916 crores for Electrominerals. This represents a growth of 11.5% for Abrasives, 26.3% for Ceramics, and 14% for Electrominerals.

I will briefly touch the standalone PAT. Standalone PAT was INR 72 crores in Q2 FY '27 compared to INR 64 crores in Q2 FY '26, marking a growth of 12.4%. Sequentially, PAT dropped from INR 88 crores to INR 72 crores. In H1 '27, PAT was INR 160 crores compared to INR 209 crores of last year at the same period. But you would note that last year we had a one-time dividend of INR 68 crores from one of its subsidiaries.

In Q2 FY '27, PAT dropped by INR 16 crores compared to Q1 '27. This is mainly due to the higher dividend in Q1. This is normally the seasonality of the business. But however, you would note that the segmental results are stronger, and we will discuss this at a later point in time.

I'll also briefly touch on consolidated PBT and PAT. In Q2 FY '27, consolidated profit before exceptional items and tax was INR 138 crores, which is a 22.9% growth compared to INR 113 crores in Q2 FY '26, and a growth of 16% compared to INR 119 crores in Q1 FY '27. As of H1 FY '27, profit before exceptional items and taxes was INR 257 crores compared to INR 198 crores in the same period last year. That represents a growth of 29.8%.

Consolidated profit after tax and non-controlling interest was INR 12 crores compared to INR 75 crores in Q2 FY '26.

Sequentially, PAT after non-controlling interest dropped from INR 76 crores to INR 12 crores. H1 profit after tax and non-controlling interest was INR 89 crores compared to INR 136 crores in the same period last year.

All the profit drops were on account of the exceptional items of INR 80.3 crores included in Q2 FY '27. I will cover this specifically later when I cover AWUKO.

I'll now cover the segmental performance, standalone ceramics. In Q2 FY '27 standalone ceramics was INR 313 crores compared to INR 228 crores in Q2 FY '26. This is a growth of 37.2%.

Sequentially, sales increased from INR 274 crores in Q1 '27 to INR 313 crores. This is a growth of 14%. In H1, sales were INR 587 crores compared to INR 466 crores in H1 FY '26. This is a growth of 25.9%.

Growth was driven both by industrial ceramics as well as refractory business. In industrial ceramic segments, all the segments did well. Metallized Cylinders, Engineered ceramics, ceramics used in SOFCs, wear ceramics, all of them grew.

Consolidated ceramics in Q2 FY '27, consolidated ceramics were INR 410 crores compared to INR 301 crores in Q2 FY '26, marking a growth of 36.1%. Sequentially, sales increased from INR 349 crores to INR 410 crores with a growth of 17.6%.

In H1 FY '27, sales were at INR 759 crores compared to INR 601 crores in H1 FY '26, with a growth of 26.3%. Ceramic growth was driven in all the 3 regions, that is India, Americas, as well as in Australia.

I'll move to the EMD segmental performance, standalone Electrominerals. In Q2 FY '27, standalone Electrominerals sales were INR 279 crores compared to INR 213 crores in Q2 FY '26, with a growth of 31.3%. Sequentially, sales dropped marginally. For H1 FY '27, sales were INR 561 crores compared to INR 425 crores in H1 FY '26, marking a growth of 32.1%. The standalone Electrominerals growth is both from domestic as well as exports. Strong demand from refractory and Abrasive customers both in India and abroad helped achieve this growth.

Consolidated Electrominerals. In Q2 FY '27, consolidated Electromineral sales was INR 443 crores compared to INR 399 crores in Q2 FY '26. This is a growth of 11.1%. The growth is predominantly from standalone after adjusting the drop in sales in Foskor Zirconia. Sequentially, sales dropped from INR 473 crores to INR 443 crores, which is a drop of 6.3%. The drop is predominantly due to lower sales at Foskor Zirconia. In H1 FY '27, sales was INR 916 crores compared to INR 804 crores in the H1 FY '26, this is a growth of 14%.

VAW Russia. In Q2 FY '27, VAW Russia sales were RUB 1.55 billion, almost at the same level compared to Q2 FY '26. The sales in Q1 FY '26 -FY '27 was RUB 1.58 billion. In Q2 FY '27, PAT was RUB 98.7 million compared to RUB 222 million in Q2 FY '26. Sequentially, PAT increased from RUB 52.1 million in Q1 FY '27 to RUB 98.7 million in Q2 FY '27.

Foskor Zirconia. Foskor, a 51% subsidiary of CIL, was determined commercially unviable due to sustained losses as well as rising input costs and the market pressures that it was facing.

Accordingly, in FY '26, the consolidated FY '26 financial included an asset write-down of INR 16 crores. In Q2 FY '27, Zirconia continued low level of operation with the sales of ZAR 53 million and a loss of ZAR 24 million.

Abrasives

Standalone Abrasives. Standalone Abrasives sales were INR 357 crores compared to INR 308 crores in Q2 FY '26. This is a growth of 15.9%.

Sequentially, sales increased from INR 328 crores to INR 357 crores, marking a growth of 8.6%. As of H1 FY '27, sales were INR 685 crores compared to INR 594 crores in H1 FY '26, marking a growth of 15.3%.

Growth in Abrasives is broad-based across precision, industrial, and retail segments. Growth is predominantly driven by volumes. Price realization contributed a small extent. The growth is aided by growth in industrial activities, construction, and infrastructure-led demand, new geographical coverages, new product introductions, and better go-to-market initiatives from our team.

Consolidated Abrasives -in Q2 FY '27, consolidated Abrasives sales were INR 607 crores compared to INR 584 crores in Q2 FY '26. This is a growth of 4%. Sequentially, consolidated Abrasives sales decreased from INR 610 crores to INR 607 crores. H1 sales were INR 1,217 crores to INR 1,091 crores compared to the same period last year. This is a growth of 11.5%. I will move to RHODIUS Abrasives.

In Q2 FY '27, RHODIUS sales were EUR 14.5 million compared to EUR 17.4 million in Q2 FY '26. This is a drop of 16.8%. Sequentially, sales dropped from EUR 15.6 million to EUR 14.5 million.

The Q-o-Q decline was on account of the base effect of Q2 FY '26. In Q1 FY '26, there was an impact on sales due to an operational transition that the company was undergoing, and this resulted in a EUR 4 million to EUR 5 million shortfall in Q1 FY '26, which was picked up in Q2 of FY '26. This resulted in a higher Q2 FY '26. The sequential softness in Q2 compared to Q1 is on account of the regular seasonality in business. In Q2 FY '27, RHODIUS reported a loss of EUR 0.3 million compared to a loss after tax of EUR 0.6 million in Q2 FY '26. Sequentially, the loss decreased from EUR 0.7 million to EUR 0.3 million. In the last call, we said RHODIUS could grow by 5% in FY '27, and there could be a small loss at PAT level. We now expect sales to be flat compared to the last year and the loss to be lower than the last year.

I will move to AWUKO Abrasives. Further to our intimation on 30th March '26 regarding the decision of the board of CUMI International Limited to initiate closure of AWUKO Abrasives, which is a wholly owned step-down subsidiary of CUMI. The financial information of CAAG was prepared on a realizable basis, that is a non-going concern basis, and we accounted INR 119 crores under the heading exceptional items in consolidated financial results in Q4 '26. This represented write-down of various assets and recognition of restructuring costs.

As part of the closure process, AWUKO Abrasives entered into agreements in October '26 for the sale of all its property, plant, equipment, and inventory for an aggregate consideration of INR 5.34 crores. AWUKO has also entered into a reconciliation of interests and social plan with all its employees in accordance with applicable German labor law requirements. The financial impact arising from these actions has been recognized as an exceptional item of INR 18.3 crores under the heading exceptional item in the consolidated financial results. This represents the write-down of various assets, recognition of restructuring costs disclosed in the notes to the financial statement of Q2 FY '27. With the completion of the above steps, AWUKO is now proceeding with the final liquidation and de-registration in accordance with applicable German

labor law. While the process was underway, AWUKO continued limited operation to service its outstanding orders. Consequently, in Q2, the sales were EUR 1.1 million compared to EUR 2.9 million in the last year same period.

Now I request our CFO, Sriram, to cover the PBIT and other financial performance.

Sriram Seshadri: **Thank you sir,** Good morning, everyone. Segment results and PBIT for standalone. In Q2 FY '27, standalone segment results were INR 134 crores compared to INR 112 crores in Q2 FY '26, marking a growth of close to 20%. Abrasives PBIT was INR 37 crores compared to INR 47 crore, marking a drop of 19.9%. Ceramics PBIT was INR 67 crores compared to INR 45 crore, marking a growth of 48.2%. Electrominerals, PBIT was INR 29 crores compared to INR 20 crore, marking a growth of 49.1%.

On a sequential basis, standalone segment results increased from INR 132 crores in Q1 FY '27 to INR 134 crores in Q2 FY '27, marking growth of 1.6%. Abrasives PBIT increased from INR 34 crores to INR 37 crore. Ceramics PBIT increased from INR 59 crores to INR 67 crore, marking 14.4% growth.

Electrominerals, PBIT dropped from INR 39 crores to INR 29 crores and for H1 FY '27, standalone segment results were INR 265 crores compared to INR 218 crores in H1 FY '26, marking growth of 21.9%.

Now moving to segment results and PBIT for consolidated. In Q2 FY '27, consolidated segment results were INR 163 crores compared to INR 129 crores in Q2 FY '26, a growth of 26.3%. Sequentially, the segment results increased from INR 133 crores in Q1 FY '27 to INR 163 crore, 22.4% growth. For H1 '27, the segment results were grown by 36.1%.

Ceramics PBIT, in Q2 FY '27, consolidated Ceramics PBIT was INR 101 crores compared to INR 62 crores in Q2 FY '26, a growth of 62.1%.

Sequentially, PBIT increased from INR 74 crores in Q1 FY '27 to INR 101 crore, marking growth of 36.5%. In H1 FY '27, PBIT was INR 176 crores as compared to INR 137 crores in the same period last year. which is 28.1% increase.

At the consolidated level, Ceramics PBIT was INR 67 crores in Q2 FY '27 compared to INR 45 crores in Q2 FY '26, marking growth of 48.2%. Sequentially, PBIT increased from INR 59 crores in Q1 '27 to INR 67 crore, growth of 14.4%. So H1 FY '27, PBIT was INR 126 crores compared to INR 107 crore, growth of 17.6%.

Now I move to Electrominerals. In Q2 FY '27, standalone Electrominerals PBIT was INR 29 crores compared to INR 20 crores in Q2 FY '26, marking growth of 49.1%. Sequentially, PBIT dropped from INR 39 crores to INR 29 crore, marking a drop of 24%. For H1 FY '27, PBIT was INR 68 crores compared to INR 27 crore, marking a growth of 155%. The better margin in Electrominerals was on account of factors like product mix, geography, and cost.

In Q2 FY '27, consolidated Electrominerals PBIT was INR 26 crores compared to INR 33 crores in Q2 FY '26, marking a decline of 20.9%. Sequentially, PBIT was 17.8% at higher at INR 26 crores in Q2 FY '27 than PBIT of INR 22 crores in Q1 FY '27.

Now quickly moving to Abrasives PBIT. At the consolidated level, Abrasives PBIT was INR 40 crores in Q2 FY '27 compared to INR 33 crores in Q2 FY '26, marking a growth of 20.8%. Sequentially, PBIT was at a similar level. For H1 FY '27, PBIT was INR 80 crores compared to INR 45 crores in H1 FY '26, growth of 78.8%. On quarter-over-quarter basis, Q2 FY '27 consolidated PBIT went up by INR 7 crore, while standalone PBIT went down by INR 9 crore.

The lower loss in consolidated is lower loss in AWUKO contributed to this. At the standalone level, Abrasives PBIT was INR 37 crores in Q2 FY '27 compared to INR 47 crores in Q2 FY '26, marking a drop of 19.9%. Sequentially, PBIT increased from INR 34 crores to INR 37 crore, marking a growth of 9%. For H1 FY '27, PBIT was INR 72 crores compared to INR 84 crores in H1 FY '26, marking a drop of 14.8%.

Abrasives cost of manufacturing went up due to higher fuel prices, increase in input costs such as phenol, resins arising out of oil price increases. We could pass on a very small portion of the cost increase to the market. This resulted in a drop in margins.

Capex for H1 FY '27, we spent a capex of INR 127 crores compared to last year INR 162 crore. Cash and debt position, consolidated debt was at INR 362 crores and cash was INR 251 crore. This is excluding cash at VAW, leaving a net debt of INR 111 crore. Consolidated debt-to-equity ratio is at 0.09. Unallocable expenses, standalone net unallocable expenses were INR 33 crores in Q2 FY '27. These were INR 17 crores in Q1 FY '27 and INR 24 crores in Q2 FY '26. The difference in unallocable expenses is due to the timing of dividend receipts.

Now I request our MD to talk about guidance.

Sridharan Rangarajan: So we start with the consolidated sales. I communicated earlier that consolidated sales could be approximately 4% to 4.5% in FY '27, the growth. However, if we exclude the revenue contribution from Foskor and AWUKO, which accounted for INR 343 crores in FY '26, the comparable growth could be 11% to 12%. In the last earnings call, we revised this earning the sales increase to 15%, and we maintain the revised guideline.

Consolidated Abrasives, I gave a guideline of 5.5% to 6%, however, if we exclude the revenue from AWUKO, which is about INR 108 crore, the growth could be 11% to 12%. I retain the same guidance.

Consolidated Ceramics, we initially communicated a growth of 15% to 15.5%. In the last earnings call, we revised this to 23% to 25%. We further now revise upward to 25% to 28%.

Consolidated Electrominerals sales, in consolidated Electrominerals, we communicated decline of 6.5% to 7% on account of the closure of Foskor. However, if we exclude the revenue contribution from Foskor Zirconia and compare it with what we were planning to do in FY '27, the growth will be 8% to 9%. In the last earnings call, we revised it upwards to 9% to 10%. We retain the same guidance.

As far as margin is concerned, consolidated Abrasives in FY '26, the reported margin was 4.3%. However, if we exclude the AWUKO loss, the comparable margin for FY '26 would be 7.9%. We gave a guidance of 9.5% to 10% margin. Considering the standalone margin drop in H1, the cost pressures, we expect the full year margin to be 8% to 8.5%, excluding AWUKO.

Consolidated Ceramics margins were expected to be 20.5% to 21% as per the last guidance. We expect this to go up to 22.5% to 23.5%.

Consolidated Electrominerals margins were expected to be 9% to 9.5%. In FY '26, the reported margin was 5.6%. If we exclude Foskor Zirconia loss, it would be 9.1%. I retain the same guidance.

We retain the capex guidance of INR 400 crores at consolidated level.

So just to sum up, as of H1, we have grown over 25% in standalone and 15% at consolidated level. The growth is across all the 3 segments of the business. Segment results grew 36% at consolidated level in the first half. This signifies a strong operational performance. We are progressing well in terms of the closure of AWUKO and Foskor Zirconia.

All programs of growth are pursued well. capex are on track. With this, now I will open up for your questions and comments. Thank you.

Moderator: Thank you very much sir. Ladies and Gentlemen we will now begin with question and answer session. Anyone who wishes to ask question may please press star and one on the touchtone phone. If you wish to withdraw yourself from question you may press star and two. Participants are requested to use only hand asking question. We will wait for the moment while questioning you may please press star and one for asking questions. The first question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: Hi sir Good morning and Congratulations for the good set of numbers. So first question on Ceramics, you revised your guidance upward in terms of growth and margins. Just wanted to have some colors on the different sub-segment of Ceramics. Where are we expecting better growth? And second, is this also because of much higher growth in exports? If you could elaborate that. And third was any update how the Bloom Energy-related business in Ceramics growing at this time and the outlook? That is the first question.

Sridharan Rangarajan: All right, thank you. In Ceramics, as I told in the opening remark, all the 3 segments are growing well. Of that, obviously, the industrial Engineered Ceramics growth is the highest, where we find the Bloom-related product would be part of that, as well as the growth from Metallized Cylinders. These are the 2 vectors of growth. Bare ceramics business is as well growing, but not to the extent of these 2 business segments.

The trajectory of growth is projected based on the strong demand coming from these segments, and that is the logic of our projecting higher top-line growth as well as the margin expansion.

Amit Anwani: And sir, what's the exports number for H1 in Ceramics?

Sridharan Rangarajan: So typically, they do an export of 85% plus, so the kind of same percentage is maintained.

Amit Anwani: So second question is on RHODIUS. So we were able to sequentially reduce the losses despite this year the revenue guidance is kind of flattish. So just wanted to have more color, where are we able to save and reduce losses with the gross margin, other expenses there, and how has been the volumes there and the expectations on the volumes there? I recollect earlier, I think few quarters where it was like 40% or so. Just wanted to understand the update there.

Sridharan Rangarajan: Yes. I am not sure what you mean by 40%, but we never had such a high volume. So as far as why the losses are going down is that, as we told last year, we had a movement of the warehouse which led to a shortfall in top line as well as higher cost due to this movement. These are now no more there, having addressed this, so the margins are getting better, the losses are coming down. And as we guided, I think as at the full year, we will probably be at that same level of top line and slightly lower losses. That is what we are expecting.

Amit Anwani: Right. Sir, last question on the VAW update. What are the expectations in terms of volumes for H2, and is the status quo remains the same? Any follow-up update there for this quarter?

Sridharan Rangarajan: The status quo predominantly remains the same. No specific update. We continue to operate at the same level of constraints, and that is what currently is continuing.

Amit Anwani: Are we expecting any volume improvement there?

Sridharan Rangarajan: No, the status quo, that's what I said. We will continue the status.

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

Harshit Patel: Thank you very much for the opportunity Sir, firstly, on the semiconductor equipment components, I think you had mentioned a capex of about INR 66 crores that we have already incurred for our anchor customer. And you had also mentioned that the revenues will start picking up from FY '28, and they would reach the maximum potential by FY '30. You had also flagged the total investment could scale up to about 3 to 4 times of whatever we have already invested. Now, opportunity and the cumulative capex…

Sridharan Rangarajan: Harshit, there was a slight drop. Could you please repeat the last sentence?

Harshit Patel: Sir, you had also flagged that the total investment would scale up to about 3x to 4x of whatever we have already invested. My question is, what could be the peak revenue potential for us by FY '29, by FY '30, and what kind of cumulative capex we will invest towards the semiconductor equipment component segment? That is my first query.

Sridharan Rangarajan: So Harshit, I think whatever you said is you have captured all the data properly, and the peak would happen from FY '30 is the right one, and there are phases of the expansion, and what you captured is also appropriate at this point in time. We expect the top line from this segment could be somewhere in the range of about INR 300 crores to INR 350 crores.

Harshit Patel: Right, this INR 300 crores to INR 350 crores, is we are talking about FY '30? Would that be the right understanding?

Sridharan Rangarajan: It will be progressively '30, '31 like that it will happen, but around that time.

Harshit Patel: Understood. Sir, similarly, if you could also highlight the similar nature of the business and the potential revenues from the electronic substrate program. There also, I think we have an anchor customer, and the trials and those first articles would get completed in this year only. Also, you had mentioned about INR 50 crores of capex towards armor line. So here also, in these 2 programs, this metallized substrate as well as armor line, if you could highlight the revenue potential, that will be very helpful.

Sridharan Rangarajan: So electronics, we would feel that we should require some more time. I mean, we are progressing as per our milestones. All the right steps are being taken. Wherever the technology support is required, we have been able to secure those anchor customers' work. All the base-level works we have initiated, we will take at least a year before we get a kind of complete this program. So we will share it at an appropriate time.

Harshit Patel: Understood. Sir, just a small follow-up on this. All these newer areas, this semiconductor equipment, components, electronic substrates, armor, all these areas, here the segment-level PBIT margins, will it be much higher than the baseline 20%, 21% that we usually cite? Or initially, this could be much lower? Just some sense on the margin front of this.

Sridharan Rangarajan: In a stable state, it will be higher.

Harshit Patel: Understood, sir. Perfect. Sir, just one bookkeeping question. You mentioned about the quantum of AWUKO revenues, which was, I think, about EUR 1.1 million in this particular quarter. What was the loss before tax that we have incurred in this particular quarter?

Sridharan Rangarajan: This quarter, because we had most of these were treated as exceptional items, kind of a very, very small number. It's a negligible number at this point in time, the operational side of it.

Harshit Patel: Understood. Sir, we are very confident about exiting this Foskor zirconia in the current quarter before December, or this could maybe prolong to the March quarter as well? That is my last question.

Sridharan Rangarajan: Let me say that realistically think that we can complete it in this quarter.

Moderator: The next question from the line of Akshay Thakur from Helios Capital.

Akshay Thakur: Hello sir, Very Good Afternoon. Thanks for taking my question. Sir, my question is a follow-up on the previous participant question. You are entering AMB and DBC substrate for power electronics. Your current strength is primarily in metallized alumina for vacuum interrupters. I would like to know the strategy behind why AMB specifically, and how are we established to compete against the established Japanese and Chinese suppliers who have significant scale and qualifications with the OEMs?

So what would be the strategy to transition to a newer technology or newer chemistry?

Sridharan Rangarajan: Great question, Akshay, I think to start with our...

Moderator: Sir, I am sorry to interrupt you. Mr. Thakur, please mute your line as there is a follow-up at your line. Sir please continue.

Sridharan Rangarajan: Yes. If you look at our ability in terms of competing on many other areas, it is a global competition, whether it is Engineered Ceramics, metallized ceramics. So lot of the customers today are expecting and diversifying their sourcing. And since we have established our capability in metallized products over a couple of decades, and also acquired this capability to get into AMB, we feel that we will be a worthy competition and we will be able to compete and provide value to the customers. That is why we chose this line, and we chose clearly we are not looking at a mere substrate alone, but we are looking at value-added substrate.

So that is our core strength, and we feel that we have gone through reasonable amount of validation in our hypothesis. Wherever testing required, we also have conducted that. Hence, we feel that we have a reasonable right to win in this area. You are still on mute.

Moderator: Akshay Thakur, you are on mute.

Akshay Thakur: Thank you, sir, for the answer. I have one more question related to our blended tax rate. And also, like we have -- we also primarily have Ceramics as export-oriented, but we are also doing different CFRP products, and there is Indian Abrasives sections also. For the new age businesses, do we get any tax incentives from the government or any clarity, any color you can throw on that?

Sridharan Rangarajan: No. there is no specific program tax benefit currently being made available. If you see the new tax codes, they have dispensed with many of these incentives. We are all at the normal tax rates. So there is no specific benefit that we are enjoying.

Moderator: The next question is from the line of Bhavin Vithlani from SBI Mutual Funds. As there is no response, we will move on to the next question from the line of Shabbir Taher from DAM Capital, please go ahead.

Shabbir Taher: My first question is on Abrasives. So standalone Abrasives margins have declined to around 10% over the last 2 quarters. What is the expected trajectory from here on? Have the margins sort of bottomed out?

Sridharan Rangarajan: **So** if you see, our trajectory of margin should be in the range of 15% to 16%, historically, if you take a look at our margins that we have been making, right? So yes, the answer is the margins is bottomed out is my view. These are specific issues that we are facing largely because of the sudden cost increases, particularly on the phenolic resins, all the oil-based products, and that cost, and of course, you don't stock these items much.

And because of this war, the prices have shot up, and our ability to pass on this was not there. Hence, we kind of went through this phase, but we are now slowly working on multiple areas to address this challenge, and we would get back. But the trajectory we should aim to get to, a level of say, 15%, that is our normal trajectory that we should aim for.

Shabbir Taher: Okay. Sir, just a follow-up on Abrasives. We were integrating the Uttrakhand thin wheel operations into Hosur. So how has the ramp-up been there, and what sort of operational or cost benefits do we expect from this integration?

Sridharan Rangarajan: This is not yet done. We have established a thin wheel facility in Hosur, which is what we have announced earlier. And that program definitely is very much on the program now. There we started working with at least 6, 7 major international customers in terms of the qualification process, and that program is well on track at this point in time.

Shabbir Taher: Okay. Thank you, sir. My second question is on Electrominerals. Standalone Electromineral margins have declined on a Q-o-Q basis. What is this decline attributable to? And also, we have seen a surge in Electromineral imports in China during the first half of the year. So how do these way on our domestic realizations?

Sridharan Rangarajan: So I think the Electrominerals margin drop is largely the product mix and the industry that we serve mix. These are the 2 major factors that is driving this margin drop, but it's not significant. I think this happens, and we should get back. And as far as the import into India, I think it is continuously happening. It is not an anomaly. Perhaps with the strong dollar and weak rupee, this is also pretty expensive for the importers into India, and my expectation is that probably it will slowly taper down.

Shabbir Taher: Okay. Sir, if I may just squeeze in one last question. Sir, do we expect any further write-offs for AWUKO?

Sridharan Rangarajan: Not really.

Moderator: The next question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Yeah thank you for taking my questions Sir, first one on this German exit. How much of the INR 80 crores is still to be paid in cash and with assets held for sale at approximately INR 16 or INR 17 crores against the INR 5 crores sale price? Should we expect a further loss coming from here?

Sridharan Rangarajan: No, Sajal, I think I just answered that we don't expect any further loss. And what we've shown as assets held for sale is based on an agreed contract that we have, and in fact, the money is also received.

Sajal Kapoor: Now, that's reassuring. Thank you, sir. Second, there is an aberration in terms of our operating cash flow. So working capital, I can see, has absorbed about INR 250-odd crores, meaning about INR 25 crores, INR 26 crores from operating cash flow. How much reversal is practically possible in H2? From looking for some sort of a mean reversion because H1 is looking very weak on operating cash.

Sridharan Rangarajan: Yes. I think your observation is correct, and this should get reversed in H2, is our view. We are also working towards this. Two broad reasons is that receivable going up is one major reason. If you see that the volume, the sales growth is pretty high, and these are happening when you look at the September month sales, and that gets collected in October and November.

So, what happens, suddenly there is a surge. That should get reversed, and we should get it. The second is the normal inventory going up, which is also typical of you need to prepare yourself for a higher growth in H2, so you need to prepare yourself. So, we will get it reversed, and that's normal course. I do not see any concern here.

Sajal Kapoor: Sure. Can I just squeeze in one more, sir?

Sridharan Rangarajan: Well, I'm yes, I think you should give some chance to other colleagues also.

Moderator: We'll take the next question from the line of Mohit Surana from Monarch Network Capital.

Mohit Surana: First of all, congratulations on the good set of numbers. Sir, my first question is with respect to your comment that all base product price increased, and we were not able to pass on the cost to our customers. Will there be a lag, or is it because of the competition that we are not able to pass on the cost increase? And if you can also give some thoughts on -- some opinion on the export duty rebate, which is now no longer with Chinese companies. Is that helping us in terms of improving the sales growth in the Abrasives segment?

That is my first question.

Sridharan Rangarajan: We say couldn't pass on, it's largely a timing difference, as you rightly observed. We are now working in terms of trying to pass on this in the market. Of course, it's always a balance between what is our cost push versus what market can absorb due to various competition. So this fine balance will continue to happen. As far as the export duty withdrawal, I think we have talked in the last 2, 3 quarters about this.

It's a welcome thing as far as the Indian manufacturers are concerned. So we see that it's a good step from our point of view, and that could also play a role in the growth. But we feel that, I think, this general industrial activity itself is picking up well.

Mohit Surana: Understood, sir. Thank you. Sir, my next question is with respect to Foskor and RHODIUS. Do we expect some kind of impairment in Foskor considering we are going to hive off this segment, this business as well? Secondly, RHODIUS has been loss-making for the last few quarters. Can we expect some impairment in RHODIUS as well? What is the sustainable level of margins in the RHODIUS business as well?

Sridharan Rangarajan: As far as Foskor is concerned, if you look at it, we have brought this on a realizable basis reporting, and hence we feel that we are fairly provided for and accounted on what we can get from the market. And we don't see anything extraordinary coming as a challenge. Of course, I won't be able to tell with certainty because we are exploring a few options, which I think shortly we'll be able to conclude. As far as RHODIUS is concerned, we don't believe that there's any current write-offs that as you are describing.

Mohit Surana: So sir, what is the sustainable level of margins at RHODIUS in a few quarters from now?

Sridharan Rangarajan: So we feel that step one is that they should get to a break-even by Q1 of next year, and that's the first step that we are looking at. Then onwards, they should have some small profit picking up,

and then they will build on to this. And there's a large program that we are working with the local team, along with management consultants, in terms of how to address and speed this up, the whole process. So it's a large program that currently we have deployed and people on the ground as well, we have.

Mohit Surana: Understood. Sir, one last question on the consol numbers. Just if you can give some indication of the price and volume mix in the overall revenue growth.

Sridharan Rangarajan: It's predominantly volume growth. You are talking since you're talking consolidated, because it's a mix of many things. So I would attribute the growth is predominantly to volume-driven growth. But in standalone, you have a mix. Again, I would draw predominantly to a volume-driven growth.

Moderator: The next question is from the line of Ravindar, an Individual Investor. As there is no response, we will move on to our next question from the line of Akshay Thakur from Helios Capital.

Akshay Thakur: Thank you for taking my question. Sir, with respect to Electrominerals segment, our core, which is brown and white fused alumina, are currently 85% of the revenue. And you had guided to move towards treated and specialty and transformational products. So we have a bit of clarity on applications for transformational products, which would be SOFC and some applications in semiconductors, etc. I wanted more clarity on treated and specialty products.

What could be the application industries where this would go, and how more likely are these products easy for you to pass on cost escalation there?

Sridharan Rangarajan: So the treated products goes to the same industry as we currently serve, which is basically Refractories and Abrasives, and within Abrasives, multiple application. So that is an application where this treat goes, because it is basically, it treats, whether it is heat treatment or a chemical treatment or a coating, which basically strengthens and enhances the property, which again gets addressed in Abrasives and in Refractories. So it definitely is a value add, and obviously, because it is value add, the customer also likes to have that.

Akshay Thakur: So my other question is with respect to the chemistry of zirconia. With the call-off or winding down Foskor, how will our supply chain be impacted in terms of sourcing zirconia? Can you throw some light on that?

Sridharan Rangarajan: So our current Zirconia facility is independent of our capability in South Africa. So we have established source, and we will continue to source those products from the current source. We have no disruption of the source.

Akshay Thakur: One more question on, your JV partner, Morgan, is planning and doing some restructuring, and focus is more on India as well. How will that impact us?

Sridharan Rangarajan: It's probably unconnected question. It will be difficult to answer for Morgan. We feel that we stay put into the India-based business, and we continue to focus on the Indian market, and we will continue the path that we have been following so far.

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

Bhavin Vithlani: Just a couple of questions on the standalone Ceramics. If you could just help us with what has been the year-on-year growth in the 3 cohorts that we have, and maybe on a even if you could give us a little bit of an outlook in terms within these 3 cohorts, how are you seeing the growth and competitive landscape?

Sridharan Rangarajan: Yes, I think, Bhavin, we do not share this individually, the numbers, and you know this very well. Definitely, the growth in the key sectors within it, which is basically Engineered Ceramics and Metallized Cylinders, are the 2 driving force of the growth, and that would continue. The third broad element is largely the wear side of the business. So these are the 3 broad verticals. As I said, definitely, all the 3 are growing, but the 2 out of the 3 are growing at a faster pace.

Bhavin Vithlani: Sure. Maybe if you could give us, on a softer aspects, how should one think, I mean, in terms of the underlying outlook, Refractories, when we look through the other listed players, the underlying growth momentum has not that encouraging. Competitive landscape is intensifying. Some of the softer aspects, if you could talk about the individual cohorts, that will be very helpful.

Sridharan Rangarajan: So I think our Ceramics business consists of 2 broad segments, which is Industrial Ceramic and Refractories. And within Industrial Ceramics, I talked about 3 sub-segments. In the Refractories business, what we are seeing is the continued demand, both for our fired and monolithics, not only in India, but also the export market that we serve. Plus the corrosion resistance product which we serve in India at this point in time, as well as outside of India. So from our point of view, we stay outside of the Refractories as consumable business. That is not our core stay.

We are in the higher temperature Refractories business, so hence we are highly project-dependent business. So definitely, we are seeing a strong momentum. The project orders are also pretty strong, and that is how we are seeing at this point in time.

Bhavin Vithlani: The question is on the mix impact on the Abrasives. Historically, when we have seen CV cycle turn positively, the engineered part or the bonded part of the Abrasives rises at a faster clip, and that has a positive rub-off on the margins. But when we look at the past 2 quarters, while we have seen CV cycle and tractor cycle being positive, margins have actually gone the other way. So on the mix front, we would like to understand, and also you could talk about the Chinese competition, which I don't see as a part of the comment, which you were very worried about a year or two ago.

Sridharan Rangarajan: Your observation on the CV cycle picking up, in fact, our precision side of the business is doing fine. The growth rates within that is also really good. So your observation is bang on. It's largely challenges that we are facing currently is our ability to pass on the cost push that we have been facing. And so we will work towards addressing this, which we have now clear program laid out to address this.

As far as Chinese competition is concerned, continues to be definitely be affected by the Chinese competition. It is getting better because of this export duty benefit withdrawal, plus the strong

dollar and weak rupee. A combination of this also makes the import slightly unattractive, but otherwise, the threat continues. There is nothing called we are out of it.

Moderator: Ladies and gentlemen, this will be the last question for today from the line of Kartik Kohli from Kotak Securities. Please go ahead.

Kartik Kohli: Thank you for taking my question. It is a small one and more linked to the Ceramics segment. Just wanted to understand when we compare the consolidated numbers with the standalone numbers, we see that the contribution coming from subsidiaries is dramatically increasing from INR 17 crores to INR 34 crores on a Y-o-Y basis coming from subsidiaries on an EBIT level. So just wanted to understand which subsidiaries are essentially contributing to this. Is it the Silicon Carbide Products LLC that you had mentioned in the last call, which was helping you win critical businesses in the U.S. or is it CUMI Australia? So just wanted to get a sense there what is working for the company and what geographies are working well.

Sridharan Rangarajan: So as I told in my opening remark, all the 3 geographies are doing well, which is U.S., Australia, and India and that is why you are seeing these margins in the others, that is consol minus standalone also seems to be on a good picket. That is the reason for that.

Kartik Kohli: Understood, sir. On the Abrasives side, what sort of a demand environment are you seeing for 2H?

Sridharan Rangarajan: So I think you see, I think we have grown around, let's call it 15% at H1 level, and the demands are pretty good. We see that industrial activity, construction, infrastructure-led demand are all at a good state, and we are seeing that this demand is continuing.

Moderator: As that was the last question, I would now like to hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Sridharan Rangarajan: Right. Thank you all for patiently participating in our call. I just want to reiterate the point that I made earlier is that as of H1, we have grown over 25% in standalone and 15% at consol. All the 3 segments are doing fine. We know that we have certain issues, particularly with AWUKO and Foskor.

We have been transparently communicating with you. We have reasonably addressed AWUKO. Foskor Zirconia work in progress. We expect this to be addressed soon. The segment results, which is without looking at the exceptional impact, sees a growth of 36% on a 15% top-line growth. This just shows that very strong operational performance.

All our programs that we want to pursue in terms of Aspiration 2030, we are pursuing this well. capex programs and our investments are all very much on track. Many other programs in terms of making high-performance organization, rejuvenating our R&D and innovation in terms of manufacturing excellence, sales excellence programs, digitizing program across various processes that we have.

All program that we have designed are well on track. All of this is built on a core ESG as our compliance program across all the four businesses are also very well progressing. So, I look

forward to meeting you again. In the meantime, Happy Diwali and Happy Dhanteras on Friday. Thank you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Kotak Securities, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.