18th February 2025

BSE Limited
25th Floor, Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai- 400001

Stock Code: 513375

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E)
Mumbai – 400 051

Stock Code: CARBORUNIV

Dear Sir/Madam,

Sub: Transcript of the Investor Call

Pursuant to our letter dated 14th February 2025 informing the upload of audio recording of the investor call, please find enclosed a copy of the transcript of the Investor call and the same can be accessed through the following link.

Link: https://www.cumi-murugappa.com/wp-content/uploads/2025/02/Q3-FY-2024-25-earnings-call-transcript.pdf

Request you to kindly take the above on record.

Thanking you

Yours faithfully
For **Carborundum Universal Limited**

SURENDHIRAN REKHA
SURENDHIRAN REKHA 2025.02.18 19:19:34 +05'30'

Rekha Surendhiran
Company Secretary

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"Carborundum Universal Limited Q3 2025 Earnings Conference Call"

February 14, 2025

MANAGEMENT: **MR. SRIDHARAN RANGARAJAN – MANAGING DIRECTOR, CARBORUNDUM UNIVERSAL LIMITED**
MR. SUSHIL BENDALE – CHIEF FINANCIAL OFFICER, CARBORUNDUM UNIVERSAL LIMITED
MR. G. CHANDRAMOULI – ADVISER, INVESTOR RELATIONS, CARBORUNDUM UNIVERSAL LIMITED
MR. DENESH KUMAR – ASSISTANT GENERAL MANAGER (STRATEGIC PLANNING), CARBORUNDUM UNIVERSAL LIMITED

MODERATORS: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of Carborundum Universal Limited, hosted by DAM Capital Advisors Limited.

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 '*' then '0' on your touchtone phone.

Please note that this conference is being recorded.

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

Bhoomika Nair: Yes. Good morning, everyone. A warm welcome to the Q3 FY '25 Earnings Call of Carborundum Universal Limited. We have the Management today being represented by Mr. Sridharan Rangarajan – Managing Director; Mr. Sushil Bendale – Chief Financial Officer; Mr. G. Chandramouli – Adviser, Investor Relations; and Mr. Denesh Kumar – AGM (Strategic Planning).

At this point, I will hand over the floor to Mr. Rangarajan for his "Initial Remarks", post which we will open up floor for Q&A. Thank you, and over to you, sir.

G. Chandramouli: Good morning. I am Chandramouli.

Let us start the meeting with a disclaimer:

In this call, we may make certain statements, which reflects our outlook for the future or which could be construed as forward-looking. 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 result 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 3rd Quarter Earnings Call for the Financial Year FY '25. I trust that you and your family members are safe and healthy. I will quickly cover an overview, and then we will open up for question and answers.

First, we will talk about the consolidated number:

Consolidated Q3 sales were INR 1,241 crores. This was a growth of 9.8%, compared to Q3 FY '24. This growth was contributed mainly by Ceramics and Electrominerals, whereas the Abrasives was marginally lower. Compared to Q2 FY '25, which is a sequential quarter, we were higher by 2.6%. Ceramics, Electrominerals grew up, and Abrasives was slightly lower.

Consolidated sales on YTD basis stood at INR 3,635 crores. It shows a growth of 5.5% compared to the same period last year. This growth was contributed by Ceramics by 8.6%, Electrominerals 3%, and Abrasives by 4.1%.

I will cover the PBIT, but whatever I am covering about, the PBIT, I will talk about PBIT before exceptional items, and I will cover in specific about the exceptional items little later. PBIT for Q3 FY '25 was INR 141 crores. This was lower by 10.8% over Q3 FY '24. PBIT from Ceramics went up by 14%; and Electrominerals 34%, a little better. However, PBIT from Abrasives were significantly lower. I will cover each of these business PBIT little later. While some of these business PBIT was higher, there was a swing in unallocable expenses, which resulted in overall PBIT coming down, and Sushil will explain this separately.

Compared to Q2 FY '25, PBIT is lower by 8.8%. The PBIT of Electrominerals segment grew up by 17%, whereas PBIT for Abrasives and Ceramics were lower by 18% and 14%, respectively.

PBIT margin percentage at consolidated level came down from 11.3% in Q3 FY '25 from 14% in Q3 FY '24 and 12.8% in Q2 FY '25. PBIT on YTD basis was at INR 444 crores, compared to INR 454 crores in the same period last year. PBIT margin percentage on a YTD business decreased from 13.2% to 12.2%.

Consolidated profit after tax and non-controlling interest for Q3 without exceptional items relating to VAW was INR 111 crores against the same number of INR 111 crores in Q3 FY '24, and INR 116 crores in Q2 FY '25. I will cover this in detail. We feel operation-wise, it's comparable performance and at expected level.

Consolidated profit after tax and non-controlling interest for Q3 FY '25, after the exceptional item was INR 35 crores. Profit after tax on YTD basis was INR 264 crores against INR 326 crores in the same period last year. Again, this is due to exceptional item. If we consider without these exceptional items, profit after tax and non-controlling interest was INR 339 crores, which is a growth of 4%. So, business-wise, this is fine, there are exceptional items, which we will cover later.

I will move to Standalone:

Standalone Q3 was INR 728 crores with a growth of 15% compared to Q3 FY '24. This has been the highest quarterly sales for CUMI. This growth was majorly contributed by Ceramic segment growing at 25%, Electrominerals growing at 22%, Abrasives grew marginally by 1.1%.

Compared to Q2 FY '25, the sales in this quarter grew up by 3.2%. Ceramics grew up by 16.5%; Electrominerals was almost flat; and Abrasives de-grew by 4.6%.

On YTD basis, standalone sales were at INR 2,097 crores with a growth of 8.2% compared to the same period last year. This was contributed by growth in Electrominerals at 8.6%, Ceramics at 7.4%, and Abrasives at 5.4%.

PBIT for Q3 FY '25 was INR 110 crores, similar to Q3 FY '24. You would note that some of the PBIT of the businesses was INR 129 crores compared to INR 114 crores in Q3 FY '24. This was offset by higher unallocable expense, resulting in flat PBIT. The growth in segment results were mainly from Ceramics and Electrominerals, and while Abrasives was lower by INR 7 crores. Ceramics went up by INR 17 crores, and Electrominerals by INR 6 crores.

Compared to Q2 FY '25, PBIT in Q3 FY '25 was lower by INR 6 crores. On YTD basis, PBIT grew marginally by 0.4% to INR 344 crores against INR 343 crores in the same period last year. Profit after tax on a YTD basis grew up by 1.6%, INR 260 crores, when compared with the same period of the last year.

So, I will cover the segment performance now:

We will start with Abrasives:

Consolidated Abrasives sales for 9 months in FY '25 was INR 1,621 crores, a growth of 4.1% when compared to the same period last year. Standalone business grew up by 5.4%, RHODIUS about 7%, AWUKO 16%, showed good growth compared to 9 months in FY '24, whereas the Sterling Abrasives and CUMI America had a negative growth.

Q3 sales was at INR 526 crores, with a small degrowth of 0.4%, compared to Q3 FY '24. Compared to Q2 FY '25, sales were low by 3.1%, largely coming out of the lower sales in standalone and in RHODIUS.

Standalone Abrasives:

YTD sales was at INR 905 crores with a growth of 5.4% compared to the same period last year. Growth was majorly driven by Industrial and Retail and while there was a small degrowth in Precision business. The growth on YTD basis was predominantly coming out of the volume.

In Q3 FY '25, Standalone Abrasives sales grew up by 1.1% to INR 294 crores, compared to Q3 FY '24. Industrial and Precision segments registered growth, while Retail segment was marginally lower, mainly on account of a small volume drop. In comparison to Q2 FY '25, there was a degrowth of 4.6%, mainly due to lower industrial demand.

RHODIUS:

RHODIUS on a YTD basis achieved net sales of €49 million compared to €46 million during the same period last year. This represents a 6% growth over the last year. This was mainly due to volume growth. For the quarter, RHODIUS achieved net sales of 15.3 million, which is 1% lower compared to Q3 FY '24 and lower by 7.5% compared to Q2 FY’25.

And between Q2 and Q3, you have the lower number of days due to Christmas holidays, et cetera, generally, the seasonality will be like this.

On YTD basis, RHODIUS incurred loss after tax of €0.9 million against the loss after tax of €2.1 million in the same period of last year. So, the losses have come down significantly. We expect a growth of 7% on a full-year basis as against 9% what we communicated during the Q2 earnings call.

We expect a loss after tax of €1.9 million on full-year basis against the breakeven we told in Q2 Earnings Call. The losses in FY '25 are expected to be higher by €0.38 million compared to FY '24. This is mainly due to pricing pressure in the market, higher freight costs, and additional costs relating to contract workers. It is to be noted that this is after the PPA write-off of €2.8 million, meaning to add the €2.8 million on a full year basis, it is making a profit.

AWUKO:

AWUKO achieved sales of €7.6 million on YTD basis. This is a growth of 15% compared to the same period last year. For the quarter, AWUKO delivered a sale of €2.3 million, which is 8% growth over the same period last year. Sequentially, it grew by 3% compared to Q2 FY '25. The losses before tax on a YTD basis were €3.7 million compared to €2.7 million in the same period last year. Excluding one-off income in FY '24, AWUKO has improved their performance operationally.

During Q2 Earnings Call, we communicated AWUKO would increase their yearly sales by €2 million and have an EBITDA loss of €4.5 million. At present, we feel that the sales will increase by €1.3 million instead of €2 million, EBITDA loss will still be around €4.5 million.

Now, I will cover the PBIT performance of the business segment:

Consolidated PBIT for Abrasive on YTD basis was lower by 0.5% at INR 118 crores as compared to that of the last year. There was a slight drop in margin from 7.6% in 9 months FY '24 to 7.3% in 9 months FY '25. This was mainly due to standalone drop in PBIT margins, decreasing from 16.4% to 16.1%.

Consolidated PBIT for Q3 FY '25 was at INR 28 crores, with a degrowth of 43% compared to Q3 FY '24. This was due to PBIT degrowth in standalone almost about INR 7 crores, RHODIUS about INR 4 crores and AWUKO about INR 9 crores. While compared to Q2 FY '25, the PBIT was lower by INR 6 crores, this was mainly due to lower PBIT in RHODIUS and standalone.

Now, I will move to Electrominerals:

Consolidated sales for 9 months in FY '25 was INR 1,199 crores, showing a growth of 3% compared to the same period last year. Standalone business grew up by 8.6%, Foskor 24%, showed good growth compared to 9 months of last year. VAW in local currency delivered better performance, about 2% growth compared to the same period last year. However, when it's converted to Indian rupee, it is showing a de-growth of 2.5%.

Q3 FY '25 consolidated sales was INR 416 crores, with a growth of 12.8% compared to Q3 FY '24. The growth was contributed by standalone and Foskor Zirconia. In comparison to Q2 FY '25, sales grew by 3.4%, Foskor had a double-digit growth, standalone was flat and VAW had a small degrowth.

Standalone Electrominerals:

Standalone Q3 sales was at INR 211 crores. This is the highest quarterly sales for Electrominerals business. It is a 22.4% growth compared to Q3 FY '24. This growth was aided by volume increase, higher price realization and also because of higher export sales. Compared to Q2 FY '25, sales in this quarter were marginally higher by 0.3%. This was again aided by price realization and a small volume drop.

YTD sales was INR 610 crores, with a growth of 8.6% compared to the same period last year. This was on account of increase in volume and a higher price realization. The other feature of the growth is also higher exports.

VAW:

The operations were doing well, and we will cover in detail the issues that we face.

Sales in local currency for Q3 FY '25 grew by 6.4% compared to Q3 FY '24 and grew by 6% compared to Q2 FY '25. On YTD basis, they delivered a 2.2% growth.

They delivered a loss after tax of RUB 718 million in Q3 FY '25, including onetime exceptions against a profit after tax of RUB 392 million in Q3 FY '24, and profit of RUB 466 million in Q2 FY '25. If you exclude the exceptions, profit after tax for Q3 FY '25 would have been RUB 479 million, comparable to the other quarters. Profit on YTD basis, RUB 35 million compared to RUB 1.23 billion during the same period last year. If you exclude the exceptions, profit after tax on YTD basis for FY '25 would have been RUB 1.23 billion.

I will now cover in detail about the issues relating to VAW:

As per the press release of United States Department of State dated 10th of January, a set of companies which includes Volzhsky Abrasive Works, our subsidiary Company, has been designated as “Specially Designated Nationals and Blocked Person”, SDN list, part of the U.S. Department of Treasury's Office of Foreign Assets Control, OFAC, for operating or having operated in the manufacturing sector of the Russian Federation economy. So, as a result of this, the assets held in U.S. will be blocked. Transaction in U.S. currency is not possible for VAW. Transaction involving U.S. or with U.S. is not possible. Transacting in euro currency is not possible as bankers and financial institutions would not risk themselves for a secondary sanction.

We made a detailed assessment of the situation with the background of the learning and consulting from various experts. VAW used to export around 40% to 45% of sales. Of this, U.S. dollar-denominated sales is about 12%, and euro-denominated sales is about 25%. VAW does not have any customer in U.S. Going forward, VAW will not be able to export in U.S. dollar or in euro.

VAW will be able to carry out only Domestic business. In the meantime, we have provided for receivables in U.S. dollars and euro including the deposits in dollars. This would result in 100% provisioning on carrying value of the foreign currency receivables and deposits in VAW's books, including CUMI Group. This amounts to RUB 1.59 billion before tax. Post tax, it would be equivalent to RUB 1.19 billion. This position is at VAW's level. CUMI has to pay to VAW. After netting off the payable, the impact before tax is INR 104 crores, and post-tax and non-controlling interest, impact would be about INR 76 crores.

In Q4 FY '24, VAW made a sale of RUB 2.3 billion and a PAT of RUB 384 million. Q3 FY '25, VAW made sales of RUB 2.6 billion and a PAT of RUB 479 million, before exceptional item. So, we are also considering this. It's changing day by day, depending on various outcomes, but we have considered lower sales, and a lower profit compared to Q4. So, I would say at this point, we have to learn this, but we're going every quarter at this point in time.

Now I will move to Foskor Zirconia:

During the first 9 months of FY '25, Foskor Zirconia in local currency witnessed a sales growth of 19% compared to the same period last year. The growth was majorly driven by growth in volumes. And for the quarter, sales grew by 45% compared to Q3 FY '24 and grew by 29% as compared to Q2 FY '25. On YTD basis, Foskor incurred a loss of INR 10.2 crores as compared to the loss of INR 10.7 crores in 9 months FY '24.

During the Q2 Earnings Call, we communicated that Foskor's loss would be in the range of INR 16 crores to INR 17 crores. Because of better profit in Q3, we feel the loss would come down and it would be in the range of about INR 9 crores to INR 10 crores.

Now I will cover the PBIT of this segment:

Consolidated PBIT for Q3 FY '25 was INR 67.5 crores. This was a growth of 34% compared to Q3 FY '24. Standalone business, Foskor Zirconia, VAW contributed to this growth. In comparison to Q2 FY '25, it was a growth of 17%, again mainly due to better performance in Foskor.

PBIT margin at a consolidated level was 16.2% in Q3 FY '25 compared to 13.7% in Q3 FY '24 and 14.3% in Q2 FY '25. On YTD basis, PBIT was INR 168 crores compared to PBIT of INR 186 crores in the same period last year. This resulted in margins decrease from 16% to 14%. For 9 months period, the drop is largely on account of VAW. Standalone Electrominerals, PBIT was similar to that of the last year.

I will move to the Ceramics Section:

Consolidated sales on YTD basis was INR 864 crores compared to INR 795 crores in the same period last year. This represents a growth of 8.6%. The growth was mainly driven by CUMI India.

Q3 FY '25 consolidated sales was at INR 315 crores compared to INR 243 crores in Q3 FY '24. The growth was contributed majorly by CUMI India. Compared to Q2 FY '25, consolidated sales grew by 12%. Standalone business and VAW showed also a decent growth.

Standalone Ceramics:

Standalone Ceramics' Q3 sales was INR 265 crores, with a growth of 25% compared to Q3 FY '24. This growth was aided mainly by volume increase, offset by small impact due to lower price realization, mainly arising out of the refractories. Compared to Q2 FY '25, sales in this quarter grew by 16.5%. The growth was majorly aided by volume increase. Prices were impacted by Monolithic segment of the Refractory business.

YTD sales were INR 710 crores. It was higher by 7.4%, compared to the same period last year. Fired and Mono Refractories, Metallized & Engineered Ceramics business at standalone level grew as compared to the same period last year, and sales were lower in Wear Ceramics and Corrosion Resistance business.

I will cover now the PBIT of this segment.

Consolidated PBIT for Q3 FY '25 was at INR 68 crores. This was a growth of 14% compared to Q3 FY '24. This was majorly contributed by PBIT growth in standalone by 34%. In comparison to Q2 FY '25, There was a degrowth of 14%. Standalone PBIT grew by 9%. There was a decrease in PBIT in overseas subsidiaries, which is basically Australia and America. PBIT margin in Q3 FY '25 was at 21.8% compared to 24.7% in Q3 FY '24 and 28.5% in Q2 FY '25.

Consolidated PBIT on YTD basis was at INR 213 crores compared to INR 215 crores same period last year. This resulted in margin decrease from 27% to 24.6% for the 9 months period. This was mainly due to underperformance in Australia and America.

I would request now Sushil to cover the PBIT margin percentage, debt, CAPEX, cash flow and return on capital employed. Thank you.

Sushil Bendale: Thank you. Let us speak about the PBIT margin at a consolidated level. On a YTD basis, the consolidated PBIT margin was at 12.2% compared to 13.2% in the same period last year. For the quarter, consolidated PBIT margin was at 11.3% compared to 14% in Q3 FY '24 and 12.8% in Q2 '25.

Now the standalone:

Standalone PBIT margin on a YTD basis was at 16.4% compared to 17.7% during the same period last year. For the quarter, standalone PBIT margin was at 15% compared to 17.4% in Q3 '24 and 16.4% in Q2 '25.

Abrasives:

The consolidated PBIT margins of Abrasives on a YTD basis decreased from 7.6% to 7.3%. And standalone Abrasives margins were at 16.1% with a dip of 30 basis points as compared to last year.

RHODIUS reduced their losses and AWUKO has improved their performance operationally. For the quarter, consolidated Abrasives margins declined from 9.5% in Q3 '24 to 5.4% in Q3 FY '25. This was due to decline in standalone margins from 17.2% to 14.6%, and the margins dropped by 95 basis points compared to Q2 '25.

Electrominerals:

The consolidated PBIT margins of Electrominerals on a YTD basis declined from 16% to 14%. And the standalone PBIT margin of 9 months was at 9.3% compared to 10.5% in FY '24 9M. The drop is mainly due to higher input costs and pricing pressures that we see in the market.

For the quarter, consolidated Electrominerals margins improved from 13.7% in Q3 FY '24 to 16.2% in Q3 '25. Standalone Electrominerals PBIT margins increased from 7.8% in Q3 of FY '24 to 9.1% in Q3 '25.

The consolidated margins of Electrominerals improved by 192 basis points compared to Q2 '25, which is contributed by profits delivered by Foskor in Q3 '25 compared to losses in the previous quarter. The standalone margin percent in Q3 '25 decreased by 113 basis points compared to Q2 '25.

Now the Ceramics business:

Consolidated Ceramics margins on YTD basis decreased from 27% to 24.6%. The standalone Ceramics PBIT margins declined by 50 basis points to 25.1%. Profits from CUMI Australia and CUMI America were slightly lower compared to last year.

For the quarter, consolidated Ceramic margins declined from 24.7% in Q3 '24 to 21.8% in Q3 of FY '25. This is mainly attributable to CUMI Australia and CUMI America. In comparison to Q2 '25, the consolidated Ceramics margins decreased from 28.5% to 21.8% in Q3 of '25. The standalone margins in Q3 '25 decreased by 186 basis points compared to Q2 '25.

Now about the debt position:

There was no debt in our standalone books. And total debt at a consolidated basis was at INR 109 crores at the end of Q3 FY '25, compared to INR 103 crores at the end of Q2 '25, and INR 119 crores at the end of Q3 '24. The debt-to-equity ratio was at 0.03 at a consolidated level. On a YTD basis, the CAPEX, our investment was about INR 202 crores.

ROCE:

On the YTD basis, our return on capital employed at a consolidated level is 17% compared to 18.3% during the same period last year. And at a standalone level, it is at 18.2% compared to 20.5% last year. For consolidated business, ROCE in 9 months for Abrasives declined from 11.4% to 11.1%; Ceramics declined from 46.5% to 38.2%; and Electrominerals from 27.1% to 24.6%.

For standalone businesses, the ROCE on YTD basis for Abrasives has marginally decreased from 42.9% to 38%, and Ceramics has declined from 51.4% to 46.6%. Electrominerals has decreased from 27% to 20.1%.

Now the unallocable expenses at a standalone level:

At the standalone level, the unallocable expense in Q3 '25 was at INR 19.8 crores compared to Q3 '24. This was higher by INR 16 crores, primarily due to lower dividend, higher project-related costs, higher employee costs on account of new headcount additions, ESOP benefits and leaves benefit valuations. Compared to Q2 '25, it was marginally higher by INR 2 crores due to higher dividend receipts in Q2 '25.

On the YTD basis, unallocable expense was INR 37 crores compared to YTD Q3 '24. Unallocable expense was higher by INR 10 crores, primarily due to lower dividend, higher project-related costs, higher employee costs on account of new headcount addition and ESOP benefits.

At a consolidated level, unallocable expense at the consolidated level in Q3 was INR 22 crores. Compared to Q3 '24, unallocable expense was higher by INR 24 crores, primarily due to higher exchange loss in CUMI International on translation of certain closing balances, higher project-related costs, higher employee costs on account of new headcount addition, ESOPs and leave benefit valuations.

Compared to Q2 '25, the unallocated expense increased by INR 11 crores, primarily due to exchange loss in CUMI International on account of translation on certain balances versus exchange gains in Q2 of '25. On a YTD basis, the unallocable expense at a consolidated level was INR 45.4 crores almost at a similar level of YTD Q3 '24.

Now I request Mr. Sridharan to talk about the future outlook.

Sridharan Rangarajan: Right. So, I will comment about what we talked about in Q2 Earnings Call and what we are now looking at.

We communicated full-year consolidated sales to be 9% to 11% growth. We said about INR 5,100 crores to INR 5,200 crores. We expect a shortfall of INR 200 crores to INR 300 crores. So, the overall growth will be accordingly adjusted.

Consolidated Abrasives, we expect a growth of 5% against 10%, what we communicated earlier. This shortfall is mainly coming from AWUKO. We communicated growth in the last call, €2 million, whereas now they are talking about €1.3 million.

Abrasives India growth would be in the range of 6% to 7% against 9% to 11%, what was communicated earlier.

RHODIUS is doing well. We communicated earlier, the growth of 9% to 10%, but now we are revising. We feel it could be about 6% to 7%.

We communicated about sales growth of 12% to 14% consolidated Ceramic segment. We expect it to be 10% to 12%. For Industrial Ceramics business in India, we communicated growth projection would be 12% because of some shortfall in Engineered and Wear Ceramics segment. It would be 10% on a year-on-year basis. Refractory, we expect 8% to 9% growth over the last year, against 12% to 13%, as communicated earlier.

We communicated about sales growth of 5% to 6% in consolidated Electrominerals business. We expect some shortfall from VAW what we have planned. This will lead to flat marginal improvement over the last year.

Growth from standalone business is slightly better than what we communicated earlier, about 10% growth.

The PBIT performance, we communicated consolidated PBIT would be 12.7%, 12.8%. We expect a drop of by about 100 to 120 bps. We said that consolidated Abrasives and Ceramic margin will be similar to that of FY '24. At present, we expect to drop by about 150 basis points.

In our last call, we said that consolidated Electrominerals margin will be in the range of 13.5% to 14%. We expect the margin decrease by 100 bps.

For CAPEX side, we said that we would spend about INR 350 crores. So, far, we spent about INR 202 crores in 9 months. We feel we should be spending about INR 300 crores.

So, overall, we expect the top line to be INR 4,800 crores to INR 5,000 crores. We expect PAT to be around INR 450 crores without considering the exception effect. We would be spending about INR 300 crores of CAPEX. We will be continuing to be debt-free. While delivering the current business, we have also prepared a good strategic plan for the future. We will share more in the near future.

So, with this, I will conclude the opening remarks and open up for the Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" star and 2. Participants are requested to use handset while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Hi, sir. Thank you very much for the opportunity. So, my first question is on VAW. As you mentioned, we won't be able to transact, both in U.S. dollars as well as in euro. So, is there that much of an appetite in the local Russian market that we will be to absorb those lost sales? Or what exactly could be impact of these measures, both in the near term as well as how do we plan to mitigate this over a medium to long term?

Sridharan Rangarajan: So, Harshit, we said that we will not be able to sell and we will not be able to compensate. We will only be selling what we were selling domestically. And we are just looking 1 quarter at a time to see how this whole thing develops. So, that is why we said that as far as the next quarter, we have made this adjustment. That is why we are bringing down the top line also in our projection. So, that is what we are looking at, at this stage. But we feel that given what they have been doing in domestic, they should be able to continue to do the same.

Harshit Patel: Understood. Just a follow-up to that. You have also mentioned that the cash worth around INR 123 crore, which is not available for use by any entities within the group due to the temporary repatriation restrictions. So, is this the entire cash balance of VAW or just 1 portion of it? And why can't we repatriate that to India? I mean we can at least transact between Ruble and INR, right? There shouldn't be any restrictions on that?

Sridharan Rangarajan: Yes. So, Harshit, just an accounting technical term is being used. This represents the cash in VAW. And typically, the cash repatriation means that Rupee-Ruble trade is possible only to the extent of the trade-related transaction. CUMI India doesn't own VAW directly. It is owned by Cyprus, and it has to come through Cyprus. And that is where we feel that at this point in time, it is not repatriable and hence, it is mentioned so.

Harshit Patel*:* Understood, sir. Perfect. Sir, my second question is on our Ceramic segment. While the standalone business has done exceedingly well, the growth has been more than 20% after quite a long period of time. However, the margins seem to be weak. Our understanding was that when the Engineered Ceramics business will revive, there would be a decent margin expansion on that. First, that is not visible.

And secondly, even the Ceramics margin at the subsidiary level seems to be very weak. So, is there any one-off impact of the consolidation of that American entity, which is silicon carbide products that we have consolidated for the 2 months of this particular quarter. So, what was the revenue and PBIT contribution from that acquired Company in this particular quarter?

Sridharan Rangarajan: So, to start with, there are some one-off issues in Australia and America. Australia is largely there are provisions in terms of the inventory, and in terms of the receivables. And that is the broad reason. Plus, there is also product mix change in terms of the lower project-based orders. That is the reason for that.

As far as the Americas is also concerned is that we used to ship them, including the freight, but now we have changed the terms. The freight is absorbed by our American entity. And hence, there is a drop in the margin from their level. So, I would say, these are not relating to operations side of the business. More at this point in time, one-off I would say.

Now as far as the margins that you are looking at, in terms of the PBIT, we had a standalone Ceramics margin of 25.3% of Q3 FY '25 versus the last year at the same period, about 23.7%. And sequentially, we were at 27.2% and moved to 25.3%, showing improvement in margin as you observed that the volume is going, mix is better and the margin percentage is also better.

Harshit Patel: Sir, just on that Silicon Carbide Products, Inc...

Sridharan Rangarajan: So, that Company is fine. We will share more details, it's a very small english Company. They are in line with our expectations.

Harshit Patel*:* Perfect. Sir, just a small 1 question, if I can squeeze in. The standalone EMD margin had benefited from the higher fused alumina prices in the last quarter, that is second quarter of FY '25. So, how was that particular situation in 3Q FY '25, because we see a sequential margin drop in this particular aspect?

Sridharan Rangarajan: So, to start with, if you look at always EMD, the Q3 PBIT margins were lower than the Q2. It's a seasonality effect. You can check many quarters and you will see this trend, right?

Second is that there is a cost pressure. Definitely, alumina price increase versus our ability to put on the price is a continuing process, plus the competition from China is also a factor that puts us also pressure in terms of putting up the price. So, that is what I would look at it largely, and that is where you see this margin about 9.1% compared to last year's same period at 7.8%. So, that's a broad thing. The drop from 10.3% to 9.1% is more a seasonality linked basis.

Harshit Patel*:* Understood, sir. Those were my questions. Thank you very much, and I will get back to the queue.

Sridharan Rangarajan: Okay. Thank you. Thank you, Harshit.

Moderator: Thank you. Participants who wish to ask a question, may press "*" and 1. Next question is from the line of Amit Anwani from PL Capital.

Amit Anwani: Hi, sir. Thanks for taking my question. First question is on Abrasives. You mentioned that the guidance has been lowered to 6% to 7%. And also for consol, Abrasives RHODIUS has been lowered to 6% to 7%. So, domestically, you have been highlighting in the past that standard

Abrasives have been facing Chinese impact. I wanted to understand more color post the tariff wars and slowdown in China continues, what is the outlook in domestic market for Abrasives? Will it be 6% to 7% for longer period of time or there's some improvement affecting it?

And also, what is the status on now RHODIUS and AWUKO as well with respect to sales? Are we sticking to what we guided, because in 3 months' time, we changed the guidance drastically? So, just wanted to understand more details on Abrasives side and subsidiaries.

Sridharan Rangarajan: Yes. See, Abrasive demand is largely, I would say, at this point in time, holding on. Definitely, the market industrial activity is showing pressure in terms of the demand, that is there. And also at the same time, there's an increased infrastructure spend. The government also has announced, so should be able to again put up some demand for the Abrasives one. So, it is going to be a period where we need to watch, in terms of how the demand is going to play out.

So, as far as the tariff type of question, I am not going to do crystal ball guessing now. So, let us see how this is going to pan out, and then we will take it if it comes, because it's going to be tough to do this.

AWUKO and RHODIUS, in terms of the top line, so as I said that I think it's AWUKO, we have just revised from €2 million to €1.3 million. That is the only revision that we are doing. But a large portion of the RHODIUS is a challenge of cost pressure rather than the top line. And I would say that in terms of the top line, we are still feeling that what we said earlier versus now is still holding. Large issue is in terms of the pricing pressure and some logistics costs going up, and employment of contract workforce. A combination of this is what is pulling the margin down. But they should be in a position to address. We will share more colour as we meet in the month of May.

Amit Anwani: Again, on the VAW, you said 12% of sales is happening, USD. That has impacted. And I recollect, we were doing a lot of sales in Europe, which is 60-40%, 60% was Russia, 40% on Europe. So, any color? So, shall we assume that large part of the sales will be impacted or you'll be diverting more towards Russian markets or some other geographies? If you could give more colors on the business aspect of VAW now, how should we read?

Sridharan Rangarajan: So, I told, Amit, in my opening remarks, 60% is domestic sale and 40% is export. And of that, 12% is dollar-denominated and 25% is euro-denominated. We feel that euro on dollar, they will not be able to export. And the focus of the Company would be more on Domestic side of the business, which is what they used to do, 60% of the business. And we are looking now quarter-by-quarter.

For this quarter, whatever we are feeling for the remaining 2 months, we have made this adjustment. We have worked on that. That is why we are sharing this adjustment. Beyond that, we will have to wait and see as things develop. There are many developments happening every day. There's lot of development. So, let's wait and see without making a broad-based guess for the future.

Amit Anwani: Sure, sir. Thank you. Thanks so much.

Sridharan Rangarajan: Thank you.

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

Aditya Mongia: Thank you for the opportunity. Again, 2 questions on VAW. Firstly, when you say that the euro-denominated businesses will also go down and it will only be a Domestic business, is this coming in from the customers? Or is this a thought process that you have at this point of time?

Sridharan Rangarajan: So, it's largely coming from the fact that the bankers are not in a position to transact in dollar or in euro. So, that is the basic problem that they are facing.

Aditya Mongia: Okay. Understood. And let's assume, as you were saying, the revenue levels fall to 60% of where things are today in VAW. Could you give us a sense of how does it a, impact the profitability in local currency, because there will be fixed costs that have to be taken into account?

And then secondly, from a repatriation perspective, what are the needs that we have of extracting the incremental profits and the cash from there?

Sridharan Rangarajan: Sorry, could you repeat the second portion of the question, repatriation?

Aditya Mongia: So, of whatever incremental money we make in VAW, I am not clear whether we can repatriate them or not because of the comment that was made on the call on cash. We're just trying to get a sense of both aspects; a, what will be the profitability? And b, what will be the means to make it come to us, incremental profit that is?

Sridharan Rangarajan: Sure. So, Aditya, first of all, as I said earlier is, we are taking 1 quarter at a time. The model of the business will be Domestic business. And obviously, the business have to be sized for that, which means costs have to reflect that volume of the business, right? So, all those aspects needs to be looked into that. The team is definitely looking all these aspects of it.

As we go and meet in the month of May, we will have better picture emerging and we will share what we are looking at going forward. But as I said, Domestic business is possible. Domestic space is there. They have been doing this for the last 3 years, as you know, as they change their product mix and positioning of the product. And we feel that that should be in good stead for them, once they have resized their operation accordingly. And we have considered, when we talked about this year, the impact of that for the, let's say, the 3 months of Q4 is part of that consideration. But beyond which, I would like to wait to see how this is going to play out. We feel that some better picture should emerge.

Aditya Mongia: Sure. Again, just to a clarity, is repatriation a problem or not? A simple question on incremental profit.

Sridharan Rangarajan: So, repatriation of dividend is a challenge, because you cannot repatriate using dollar or euro. So, that is the issue. And the money they have to make use of it for their own investment purpose. And we will have to wait and see once better days comes.

Aditya Mongia*:* Sure. And if INR 100 is the volumes or revenues of this Company, how much are being consumed internally, let's say, coming to India and then being used up? Is that any meaningful proportion?

Sridharan Rangarajan: Question is not clear. Could you repeat the question?

Aditya Mongia: Are there any sales that happened from VAW to standalone entity? I am just trying to get a relevance from an internal perspective.

Sridharan Rangarajan: No. We have very, very little sales to CUMI India and has no impact to CUMI India business. And there will not be any transaction between CUMI India and VAW.

Aditya Mongia: Noted. I have more questions, but I will get back into the queue. Thank you.

Sridharan Rangarajan: Yes. Please.

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

Bhavin Vithlani: Good afternoon. Yes. The question again is on VAW. Now that it is a restriction, is there a thought of because the acquisition was made with a thought process of security of raw material. Now that is not possible. Is there a thought of divesting this business completely as repatriation also is getting challenged?

Sridharan Rangarajan: Yes. Bhavin, it's a good question. From our point of view, we need to allow some time to understand what this means to us, right? And we don't want to extend our thinking beyond the current management of what we are doing.

These things can change. It's a geopolitical issue. So, we need to wait and see. So, we will have to give some time to see how this development will turn. So, I will focus more on 1 quarter at a time and see how do we take this forward.

Bhavin Vithlani: Sure. Could you give us an update on the projects within the Ceramics division, the couple of expansions which were underway in terms of armored or the semiconductor one? And also, a couple of quarters back, we had issues with respect to the new energy hydrogen SOFC related. Where are we in that? Have we seen a ramp-up on that front?

Sridharan Rangarajan: Okay. So, as far as the projects are concerned, they are very much on track, and we are tracking to the time as well as to the cost. We feel that it should progress as per our time line. No challenges, no issues.

I am not clear about your second comment in terms of, we have not shared any challenges relating to hydrogen-related stuff. I am not sure where you are coming from.

Bhavin Vithlani: Okay. So, we had seen a drop in sales, because the customer...

Sridharan Rangarajan: Okay. So, that is not hydrogen related, probably let me come in. It is a solid oxide fuel cell manufacturer, and they are not into Hydrogen business. So, they would basically generate electricity out of that, and that is what is their core business. That business is back. As we communicated, this is from Q1, that is calendar year Q1 onwards FY '25, which is what, like Jan to March, what currently we are running, which is Q4 for us. Their order intakes are fine, and they are very much in line with the trend what they have communicated to us.

Bhavin Vithlani: Okay. Just a couple of follow-ups on the 2 expansion projects, especially on the armor side. If you could give us like, are the customers for which we are building, are their projects also in line because we would be Tier 1, Tier 2 suppliers. So, if you can give some update on that front on both the projects? While we may be ready, the customers also should be correspondingly ready.

Sridharan Rangarajan: The customers are ready, and they are definitely very much part of this progress, and they have been updated. They also keep updating us. And it is progressing as expected.

Bhavin Vithlani: Perfect. So, ramp-up could be pretty quickly as soon as we see expansion getting commissioned. Would that be a fair assumption?

Sridharan Rangarajan: So, first, let's start the project, kick-start the production, start our sale, and then we will share more details as we progress.

Bhavin Vithlani: Great. Yes. Those were my questions. Thank you so much.

Sridharan Rangarajan: Right. Thank you, Bhavin.

Moderator: Thank you. The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan K. G.: Sir, I have 2 questions. First is that if I look at India made and India sold, what has been the last 9 months sales growth, made in India and sold in India?

Sridharan Rangarajan: It's roughly at about around 8%. I don't have a precise number, but indicatively, what Abrasives, refractories and some of the Electrominerals sales put together, I should look at it that way.

Lakshminarayanan K. G.: And if you look at this segment, what has negatively surprised you in the last 3 months or maybe 6 months?

Sridharan Rangarajan: Negatively surprised is definitely Volzhsky Abrasive Works...

Lakshminarayanan K. G.: No, I am just looking at the India made, India sold. How does that actually stand out?

Sridharan Rangarajan: I don't think there's any major surprise, I would say, either positive or negative. We feel that it is continuing to be the same, and we expect probably the momentum might pick up because of this renewed commitment from the government of India in terms of the CAPEX programs, infrastructure spend, et cetera, should probably also more money put in the people, the demand driving could also happen. And so it should probably look at as more positive.

Lakshminarayanan K. G.: And in this business, what is the mix of direct OE sales versus distribution? And which has actually grown faster between these 2 segments, India made India sold?

Sridharan Rangarajan: So, we have the entire Electrominerals, Refractories for business to business. And as far as Abrasives is concerned where the dependence on the distributor is high. So, that, I would say, for example, is the biggest distributor-led business. The rest is all business-to-business-led growth. And overall, we are looking at more similar experience. Maybe in the distributor side, there are pressures in terms of their collections and probably some inventory piling up, all those we are looking at. Other than that, I don't think any significant observation, which I can have.

Lakshminarayanan K. G.: Correct. And my second part of the question is in terms of India made and exports, what has been the growth for the last 9 months? And how do you expect this year to conclude for the Export business from India?

Sridharan Rangarajan: Export has significantly grown than the domestic growth. And I will feel that should continue the same way. I don't see this as a challenge

Lakshminarayanan K. G.: You have a number, sir? You have a number in terms of how much is the India made and exported from India? For the last 9 months, what is the revenues and then how it has grown over the similar period last year?

Sridharan Rangarajan: Yes. We have grown almost about, say, 18% to 20% in the export side of the business.

Lakshminarayanan K. G.: And how much of that is the total business, if you look at India, India made?

Sridharan Rangarajan: We will share more details to you, Lakshminarayanan. Yes.

Lakshminarayanan K. G.: Okay. Thank you, sir. That's all my questions.

Sridharan Rangarajan: Right. Thanks.

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

Mohit Pandey: Yes. Good afternoon, sir. My first question is on Ceramics subsidiaries. Sir, if you could please provide more color on the challenges that were faced in this quarter in the subsidiaries, especially CUMI America that impacted the margins? Because historically, as per my understanding, this has been a very profitable subsidiary. So, that would be very helpful.

Sridharan Rangarajan: Yes. Mohit, we covered this, largely 2 businesses, Australia and America is where we had some of the one-offs. There's a provisioning on the inventory receivable plus big business mix change in Australia. Logistics costs going up in America. And these are the broad drivers, and probably some higher employee benefits, because of the law change in Australia. Other than that, those are all normal. And we still feel if you exclude them, their business performance is good, and we feel that these are one-offs.

Mohit Pandey: Okay, sir. So, sir, provisioning, et cetera, you think is more or less done in this quarter for inventory and receivables?

Sridharan Rangarajan: Yes, yes. Yes. They are done, yes.

Mohit Pandey: Okay Sir, secondly, on RHODIUS margins, so you indicated the cost pressure that is hurting profitability, but you also said demand seems to be holding fine. So, going forward, do you see possibility of passing on the cost pressures? If you could also give more color on the nature of these cost pressures, that would be really helpful

Sridharan Rangarajan: So, I said that there's a price pressure, which is basically the expectation from the customer is a price drop. And at the same time, there is also a cost pressure. That is the combination of it. And I don't think cost is a significant portion. It's mainly the market price is where the challenge comes.

Mohit Pandey: Okay, sir. Understood. And sir, last question on VAW. So, fixed cost notwithstanding, is the Domestic business inherently more profitable on the gross margin compared to whatever exports have been done so far from VAW?

Sridharan Rangarajan: Yes. So, we feel, as I said in my earlier response also is that Domestic business, they should be able to do fine. And they are readjusting and repositioning themselves as far as the fully focused Domestic business model is concerned. And we feel that, that should be helpful for them, and they should be in a position to manage it.

Mohit Pandey: Okay. And sir, last question on the unallocable expenses. So, any outlook if you could provide here? So, these project costs that were mentioned, these are linked to the newer R&D works that you're undertaking. Is that a fair understanding? So, this can remain elevated? Or how should we think about it?

Sridharan Rangarajan: See, this could change. Last year, we spent about, say, - INR 58 crores of total unallocable costs. We should expect should be in the range of about around INR 60 crores plus. So, that's the broad expectation one can have.

Mohit Pandey: Okay, sir. And so last question was on the longer-term plan that you briefly alluded to. So, any time lines you have in mind around when you're looking to announce that? That would be my last question.

Sridharan Rangarajan: Yes. We will share more details when we meet again in the month of May.

Mohit Pandey: Okay, sir. That's it from my side. Thank you so much. Bye.

Sridharan Rangarajan: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, this will be our last question. It's from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Yes, sir. Just wanted to ask on the Abrasives business. In terms of the end market, we saw Precision was quite impacted. But now there seems to be some improvement. So, if you can talk about the outlook for Industrial, Retail and Precision? And because this quarter was fairly muted in standalone from a growth perspective, how do we see the growth coming back? And also some comments on the Chinese competition.

Sridharan Rangarajan: So, Bhoomika, I talked about the overall Abrasive business. We feel that it will continue to be in that range, 8% to 10% growth. Industrial is doing fine. Retail is doing fine. Precision is largely in terms of the dependence on how the industrial outlook is there. So, to some extent, it is linked to, I would say, like say, bearings and some of the high-end auto components business turnaround. So, that should also be doing fine is my own guess. So, overall, I should say that they should be able to travel around 7% to 8% type of a growth.

Bhoomika Nair: Sure. Sir, on the other side, in terms of Ceramics, you talked about the one-offs that we saw in Australia and in Americas. When you mean one-off, does that mean that this will not recur going forward and it will normalize to the business level margins as we move ahead into the next quarter or the next year?

Sridharan Rangarajan: Correct, correct, correct. That's correct.

Bhoomika Nair: Okay. Okay. And lastly, on VAW, with exports being a challenge, which is 40%, and as the revenue scale comes down, will there be a hit on the profitability because of the fixed cost and lower revenues?

Sridharan Rangarajan: So, as I said, the business is relooking at the model, and repositioning themselves the cost also accordingly, because you cannot afford to run the business at the same level with 100% business possible, whereas you are only doing domestic. So, that repositioning is parallelly happening, and they have to resize this operation accordingly. So, they are very much aware, and they are definitely on the job to do that.

Bhoomika Nair: So, how long do you think it will take to resize the business and cost structure accordingly? Will it take like 3, 6 months or longer timeframe?

Sridharan Rangarajan: My own guess is that they should be able to reposition this in this quarter.

Bhoomika Nair: Okay. Okay. Fair point. Got it, sir. This was my questions. Thank you very much for giving us an opportunity to host the call and also the participants for being there. Thank you very much, sir, and wish you all the very best.

Sridharan Rangarajan: Thank you. Thank you. Thank you so much. And I'd just like to say that if you exclude the exceptions arising out of the Russia challenge, we feel that the business has performed, operation-wise, quite decent, and that should continue is what we feel. As far as Russia is concerned, we are keenly watching and see how we need to respond to each of the situation.

And as I said, we will take 1 quarter at a time, and see how do we tread this part. It's a geopolitical issue, and we need to see how this will evolve. And you're all keenly watching the news. So, you must also be tracking this parallelly.

So, I feel that other than this, the business is doing fine. The balance sheet in good stead. We feel that we have done a fair bit of work in terms of the future, in terms of how a long-term strategy can be looked at. And we will share a portion of that when we come and meet in the month of May. So, thank you for all your patient hearing and asking the right questions, and wish you all the best. Thank you.

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