“Carborundum Universal Limited
Q4 FY '24 Earnings Conference Call”
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MANAGEMENT: **MR. SRIDHARAN RANGARAJAN – MANAGING DIRECTOR – CARBORUNDUM UNIVERSAL LIMITED**
MR. P. PADMANABHAN – CHIEF FINANCIAL OFFICER – CARBORUNDUM UNIVERSAL LIMITED
MR. SUSHIL BENDALE - CHIEF FINANCIAL OFFICER DESIGNATE – CARBORUNDUM UNIVERSAL LIMITED
MR. G. CHANDRAMOULI – ADVISOR, INVESTOR RELATIONS – CARBORUNDUM UNIVERSAL LIMITED
MR. DENESH KUMAR – SENIOR MANAGER, STRATEGIC PLANNING – CARBORUNDUM UNIVERSAL LIMITED

MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Carborundum Universal Limited Q4 FY '24 Conference Call 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Bhoomika Nair: Thank you. Good morning, everyone. Welcome to the Q4 FY '24 Earnings Call of Carborundum Universal Limited. We have the management today being represented by Mr. Sridharan Rangarajan, Managing Director; Mr. P. Padmanabhan, CFO; Mr. Sushil Bendale, CFO Designate; Mr. G. Chandramouli, Advisor, Investor Relations and Mr. Dinesh Kumar, Senior Manager, Strategic Planning. I'll now hand over the floor to the management for their initial remarks, post which we'll open up the floor for Q&A. Over to you, sir.

Chandramouli: Good morning, Bhoomika. I'm Chandramouli. Let us start the proceedings with the disclaimer clause. Good morning. During this call, we may make certain statements which reflect our outlook for the future or which could be construed as a forward-looking statement. These statements are based on management's current expectations and are associated with uncertainties and risk are more fully detailed in our annual report, which may cause the actual results to differ. Hence, these statements must be reviewed in conjunction with the risk that the company faces. Thank you.

Sridharan Rangarajan: Good morning to all of you, and a very warm welcome to our fourth quarter and full year earnings call for the financial year FY '24. Before I begin, I trust you and your family members are safe and healthy. Today, I'm joined in the call with Mr. Padmanabhan, Mr. Sushil Bendale, Mr. Chandramouli and Mr. Denesh. We will begin this call by providing an overview of the company's performance for the quarter 4 and the full year as well as an outlook for FY '25.

First, I will start with the consolidated business performance. Consolidated sales for FY '24 almost flat and grew at 0.6% to INR4,628 crores. This means a growth rate of 2.7% in Abrasives, 4.8% in Ceramics and Electrominerals with a negative growth of 5.4%. But it's important to understand VAW's performance here to appreciate this INR4,628 crores, how it comes. VAW represents 19.4 percentage of the consolidated CUMI sales. VAW grew by 20.4% in FY '24 in rouble terms. But when it gets translated into INR, it shows a degrowth of 9.5%. That's why it gets reflected both in consolidated total sales as well as in the Electromineral sales.

During the last year, that is FY '23, RUB1 was converted into INR1.23. Whereas in FY '24 RUB1 is converted at INR0.92. Now had the exchange rate remained the same, the overall growth of CUMI would have been 7% instead of 0.6% as we just mentioned. This also means a growth of 8.9% in Electrominerals, 6.3% in Ceramics and 5% in Abrasives.

Coming to quarterly performance. Consolidated sales for Q4 FY '24 was at INR1,183 crores with a sequential growth of 4.7% and almost flat quarter-over-quarter. Sequential growth was contributed by growth of 15.5% in Ceramics, a growth of 3.3% in Electrominerals and 0.8% growth in Abrasives.

Now coming to PBIT. PBIT for FY '24 grew at 15.4% to INR625 crores, with a PBIT margin of 13.5% against INR541 crores in FY '23 with a PBIT margin of 11.8%. The PBIT margin of INR625 crores is the highest in the long term, the last 4-5 years, if one looks at it. This was contributed by Abrasives growth of growth at 73%, Ceramics growth at 14% and a degrowth in Electrominerals by 14%.

PBIT for Q4 FY '24 was at INR171 crores, with a PBIT margin of 14.4% compared to PBIT for Q3 FY '24 shows at INR158 crores with PBIT margin of 14% and PBIT for Q4 FY '23 comparable last year quarter was at INR157.5 crores with PBIT margin of 13.3%. So the growth is 8.3% sequentially and 8.6% quarter-over-quarter. So we have a good growth at the PBIT at full year level and the Q4 level.

Now if I look at PAT. PAT for FY '24 grew at 11.4% to INR461 crores. There was an exceptional income of INR25 crores during FY '23, which you would note that it was called out as exceptional income in the P&L face itself. If we exclude that, profit after tax growth was 18.6% compared to last year. PAT for Q4 FY '24 was at INR135 crores against INR111 crores in Q3 FY '24 that is the immediate preceding quarter, and INR137 crores comparable quarter last year, which included a onetime exceptional income of INR25 crores. So if we exclude that as a significant growth, which is what we just saw.

Standalone performance. Standalone business grew by 4.9% to INR2,593 crores in FY '24 compared to the last year. The growth was majorly driven by Ceramics segment at 5.6%, wherein Refractory grew at 13.5%, Electromineral segment grew at 5.6% and the Abrasives segment grew at 3.9%. On a quarterly basis, standalone grew by 4.4% to INR656 crores in Q4 of this year FY '24 compared to last year's Q4 FY '23 at INR628 crores and sequential basis, the growth was at 3.4%.

If we exclude onetime exceptional income of INR25 crores in FY '23, PBIT for FY '24 grew at 10.8% to INR467 crores with PBIT margin of 18% compared to PBIT of the last year, which was at INR422 crores with a PBIT margin of 17.1%. The growth in PBIT margin came from Abrasives, Ceramics and a fall from Electrominerals.

Q4 FY '24 PBIT was INR124 crores, which grew at 12.8% compared to Q3 of FY '24 and grew by 2% compared to the same quarter of the last year. Profit after tax for FY '24 was at INR350 crores. This is an increase of 5.9% compared to FY '23. PAT for Q4 '24 was at INR94 crores, resulting in 17.6% growth compared to Q3 FY '24 and 17.4% degrowth compared to Q4 FY '23, which included onetime exceptional income of INR25 crores.

Now I'll go to segments. Abrasives. Abrasives' Consolidated revenue for FY '24 was at INR2,091 crores, which grew at 2.7% compared to the last year. The growth is 5%, excluding the growth is,if it is equivalent to 5% if one excludes gross exchange rate impact. The Abrasives consolidated revenue for quarter grew 1.5% quarter-over-quarter to INR533 crores and by 0.8% sequentially.

On a full year basis, standalone abrasives was at INR1,150 crores and grew by 3.9% compared to last year. Standalone abrasives grew by 4.2% to INR292 crores quarter-over-quarter and 0.5% sequentially. VAW, on a full year basis, sales grew by 22% in rouble terms. However, in INR, this resulted in a decrease of 8%.

During FY '23, Rouble to Rupees was converted at INR1.23, which I just said, whereas in current year, it is converted at INR0.92. Quarter-over-quarter, the growth in rouble was almost good at 14%. Exchange rate in Q4 '24 was 0.91 against 1.12 of the Q4 of the last year. Now I'll move to RHODIUS. RHODIUS, in Q4 achieved a net sales of EUR17.1 million compared to EUR15.5 million in Q3 of FY '24 and EUR17.4 million in Q4 of the last year. On a full year basis, sales degrew by 2% to EUR63.3 million from EUR64.5 million during the last year.

Coming to the bottom line performance, I'm happy to share that RHODIUS has made a profit of EUR0.6 million in Q4 FY '24, including the PPA write-off. On a full year basis, the loss after tax was EUR1.5 million against a loss of EUR3.7 million during the last year. This is what we have been communicating that they would come down. The interesting point to note here is that if we exclude the PPA write-off of EUR2.8 million on a full year basis, RHODIUS made a profit before tax of EUR1 million in FY '24 itself.

AWUKO: Coming to AWUKO's performance, on a full year basis, we achieved EUR9.13 million sales, which is 3% lower compared to last year and losses after tax at EUR2.3 million against EUR3.7 million during the last year. The sales for the quarter grew by 19% to EUR2.55 million against Q3 FY '24 and EUR2.6 million in Q4 of the last year. The loss after tax for the quarter was at EUR0.4 million against a loss of EUR1.2 million in the same quarter last year. We expect AWUKO to break even at EBITDA level in FY '25, and a small loss of EUR0.7 million to EUR1 million in FY '25.

America, which grew at 8% on a full year basis, has done well. Standalone abrasives on a full year basis grew 3.9% to INR1,150 crores compared to last year. All 3 segments industrial, precision and retail had a single-digit growth with volume growth in industrial and precision, whereas the volume degrow in retail segment, which had the impact, which we have been talking to you for quite some time.

Coming to the bottom line performance of the segment, the consolidated Abrasives PBIT on a full year basis was INR182 crores compared to INR105 crores resulted in a margin improvement from 5.1% to 8.7%. So this is the consolidated PBIT margin. This was mainly due to better performance in standalone, RHODIUS and AWUKO. On a full year basis, the standalone margin has improved, significantly to 17% compared to 13.7% during the last year, mainly on account of the product mix. This is the standalone product mix, softening in input cost, improvement in operational efficiencies and better realisation.

Q4 FY '24, PBIT was INR63 crores against INR38 crores of Q4 of the last year and INR50 crores in Q3 of the current financial year. RHODIUS has delivered profit after tax of EUR0.6

million against the loss of EUR0.7 million in Q3 FY '24, which we just covered. Now I'll move to Electrominerals. Electrominerals on a consolidated basis for FY '24 had a sales of INR1,545 crores compared to INR1,634 crores during the last year. Growth is 8.9%, excluding VAW's exchange rate impact. Electrominerals consolidated revenue for the quarter was INR381 crores versus INR369 crores in Q3 of the current year, resulting an increase of 3.3%, but it degrew 6.1% quarter-over-quarter.

Now let's cover individual sub elements in it. Standalone Electrominerals, for FY '24 was INR741 crores, showing a growth of 5.6% compared to the last year. Revenue for the quarter was at INR179 crores versus INR172 crores in Q3 of the current year, almost flat quarter-on-quarter basis. On a full year basis, the volume growth in aluminas has been very good. It is high-teens alumina volume growth. SiC volumes were marginally better than the last year, but the price realisation were impacted due to the dumping by China producers. Hence, we could not get the benefit of increased volume and sales.

VAW, I'll cover the performance of VAW. On a full year basis, sales grew by 20% to RUB9.7 billion. This is a better performance in rouble terms. The operations are running well. There has been increase in sales volume compared to the last year in all 3 segments: silicon carbide, abrasives and refractories. In FY '23, rouble was converted at an average Indian rupee at 1.23, whereas in FY '24, it is converted to 0.92.

This conversion resulted in net degrowth of 5.4% as a consolidated revenue in Indian rupees compared to FY '23. On a full year basis, the profits increased significantly to RUB1.6 billion compared to RUB1.2 billion of the same period last year. Sales for Q4 FY '24 in local currency grew to RUB2.3 billion compared to Q4 '23. They delivered a profit of RUB384 million in Q4 against RUB349 million during the same period last year.

Capacity utilisation is very good. On a full year basis, the product mix towards Russia sales increased to 59% compared to last year 57% and the pre-conflict time was 45%. They continue to be debt free and outlook remains stable and positive. I'll move to Foskor Zirconia. On a full year basis, Foskor had a lower sales in volume to the extent of 16%, which we communicated earlier largely 3 customers postponed the order. They had an impact in Q2 and Q3 of their quarters.

And Q1 was around 1,000 tons, Q4 was also at 1,000 tons, which is a good sign. So which means 2 out of the 4 quarters, they did well. But the 2 quarters, which they could not do, really impacted them. This was possibly with increased offtakes which is what is happening in Q4. We expect this momentum to continue in FY '25. So we feel that FY '25 will be a better performance in FY '24.

Coming to the bottom line performance of the segment on a full year basis, PBIT was INR237 crores compared to INR275 crores in the last year. This is a degrowth of 13.8%. This is due to the impact of INR28 crores standalone and INR20 crores in Foskor Zirconia. For the quarter, PBIT at consolidated level was INR51.6 crores against INR50 crores in Q3 of current year and INR65 crores in Q4 of the last financial year. This I am covering the entire Electromineral section.

Now I'll move to the Ceramics. Consolidated Ceramics on a full year basis for FY '24 grew by 4.8% to INR1,077 crores. In Q4 FY '24, sales of ceramics was INR281 crores against INR243 crores in Q3 FY '24 and INR265 crores in Q4 FY '23. Standalone Ceramics for FY '24 grew by 5.6% to INR881 crores compared to INR834 crores during the last year. Refractory, Wear Ceramics, Metallised Cylinders grew at high teens on a full year basis. But with the degrowth in Engineered Ceramics, the overall segment resulted in a 5.6% growth. We expect this to get better in FY '25, which I will cover later.

In Q4 FY '24, sales of Ceramics was INR220 crores against INR211 crores in Q4 FY '23 and INR213 crores in FY '24. Subsidiaries in Australia and America registered a mid-teens growth. Coming to the bottom line performance of the segment. On a full year basis, consolidated PBIT was INR286 crores with a growth of 13.9% compared to the last year. All companies in this segment contribute to margin improvement. So the PBIT margin has improved from 24.4% to 26.5% on a full year basis.

I'll request Padmanabhan to cover the PBIT margin, debt positions, Capex, cash flow and return on capital employed. Thank you.

P. Padmanabhan: Consolidated on a full year -- PBIT margin is at 13.5% in the current year compared to 11.8% during last year. This is due to better performance in Abrasives and Ceramics. Abrasives' margin improved from 5.1% to 8.7% and Ceramics margins improved from 24.4% to 26.5%. PBIT margin at consolidated level for Q4 FY '24 was at 14.4% compared to 14% in Q3 FY '24 and 13.3% in Q4 of last year.

Standalone on full year basis, standalone PBIT margin is at 18% in the current year compared to 17.1% during last year, excluding onetime exceptional income of INR25 crores. The drop in margins is coming mainly from Electrominerals segment. Its PBIT margins dropped from 14% to 9.5%. Other 2 segments did better than last year. Abrasives' margin improved from 13.7 % to 17%, and Ceramics' margins improved from 24.6% to 25.1%.

PBIT margin for the quarter improved from 17.4% in Q3 of FY '24 to 18.9% in Q4. Abrasives, on a full year basis, consolidated PBIT margins improved from 5.1% to 8.7%, mainly contributed by standalone on Abrasives business, its margin increasing from 13.7% to 17% and losses coming down in RHODIUS and AWUKO.

At consolidated level, PBIT margins for the quarter improved from 7.3% in Q4 FY '23 to 11.9% in Q4 of FY '24. Also improved by 237 basis points sequentially. This was due to increase in the margins of standalone Abrasives business from 15.8% in Q4 of FY '23 to 18.7% in Q4 of FY '24. This is mainly on back of the better realisations and improved operational efficiencies. Standalone Abrasives' margins improved by 144 basis points sequentially as well.

In respect of the Electrominerals. On a full year basis, the PBIT margins have decreased from 16.9% during last year to 15.4% in the current financial year. This drop is a result of standalone business and the South African subsidiaries performance. The margins of standalone business dropped from 14% to 9.5%. On a full year basis, volume growth in Alumina has been good, and SiC volumes were marginally better than last year, but price realisations were impacted due to dumping by Chinese producers. This resulted in drop in PBIT to the extent of INR28 crores. PBIT margins at consolidated level for Q4 current year was at 13.6% at the same level of Q3 of the current year. Quarter-on-quarter, it dropped by 245 basis points.

The margins of standalone business dropped from 7.8% in Q3 to 6.2% in Q4 and by 119 basis points quarter-on-quarter. The drop in margins is mainly due to lower price realisation despite securing higher volumes. In respect of Ceramics, the consolidated PBIT margins improved from 24.4% to 26.5% and standalone margins increased from 24.6% to 25.1%. All 3 subsidiaries, CUMI America, CUMI Australia and VAW Russia have better margins than last year.

At a consolidated level, PBIT margins for the quarter improved from 23.2% in Q4 to 25.2% in Q4 of the current year and improved by 50 basis points sequentially. The margins of standalone business dropped from 23.7% in last quarter to 23.5% in Q4 of the current year and by 73 basis points quarter-on-quarter, mainly on account of mix between the industrial ceramics and refractories and product mix within the industrial ceramics.

The debt position: there was no debt in the standalone books and the total debt at the consolidated level was at INR113 crores at the end of FY '24 compared to INR230 crores at the end of FY '23. The debt-to-equity ratio at 0.04 at consolidated level. Cash and cash equivalent net of borrowings was INR442 crores against INR166 crores at the end of last year.

In respect of the Capex on a full year basis, we did Capex investment of INR219 crores at the consolidated level. Cash flow: Our free cash flows on a full year basis for FY '24 at consolidated level is at 86% of PAT compared to 33% of PAT during last year. At a standalone level, it is 90% of the PAT compared to 60% of PAT during last year. This is mainly on account of significantly higher net cash inflow from operations and better working capital management compared to last year.

The return on capital employed on a full year basis at consolidated level is at 18.5% compared to 17% during last year. At standalone level, it is at 20.3% compared to 20% in last year. On Y-On-Y for a consolidated basis, the return on capital employed for Ceramics has improved from 42.4% to 46.9%. For Abrasives, it has improved from 7.8% to 13.1% and for Electrominerals, it has decreased from 29.9% to 26.7%.

For standalone businesses, the return on capital employed for Ceramics has improved from 48.3% to 52.2%. For Abrasives, it has improved from 40.9% to 44.2%, but for Electrominerals, it has decreased from 38.9% to 26.2%. Unallocable expenses at the standalone level in FY '24 is at INR19.8 crores, while in FY '23, unallocable expenses was INR32.77 crores. The expense is lower by INR12.95 crores. This is mainly due to higher dividend income in FY '24.

Compared to Q3 of FY '24, the expenses in Q4 of FY '24 are lower INR10.56 crores due to higher dividend income. Similarly, compared to Q4 of last year, the expenses are higher by INR4.96 crores, primarily due to higher professional fee spend. Consolidated - the unallocable expenses at the consolidated level for FY '24 was at INR57.6 crores. While in FY '23, unallocable expense was at INR72 crores, primarily due to the withholding tax related to VAW in FY '23 and lower professional fees in FY '24. Unallocable expenses was higher by INR4.13

crores quarter-on-quarter, and sequentially, it was higher by INR8.9 crores, primarily due to the exchange losses in the current quarter and the professional fee spend.

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

Sridharan Rangarajan: Thank you. I'll cover about FY '25, what we are looking at. The Indian economy continues to remain resilient against the challenging global environment. The medium-term outlook is positive. We are cautiously positive about the key geographies and sectors in which we operate. In this background, we expect the full year consolidated sales growth could be 9% to 11% on a stable currency basis. We expect the consolidated sales could be INR5,100 crores to INR5,200 crores. We expect the growth in Abrasives around 11% to 12%, Ceramics 12% to 14% and Electrominerals 5% to 6%. Abrasives' growth would be driven by 3 elements: India Abrasives, RHODIUS and AWUKO. India Abrasives' growth to be 9% to 11%.

The key drivers of the growth would be go-to-market expansion for retail and mass industrial products. with specific 3 focus areas: basically increased our work in East and North, where we need to scale up our presence and do that; building the reach and white spaces of West and parts of North to focus on demand generation; structured key account management. All these will go to help the go-to-market expansion.

And multiple NPD currently in pipeline will hit the market across the retail industrial by mid of financial year. This should also help the increase in select segments. Introduction of new products in market via traded route to match the costs, especially some value-added segments which we need to really focus on.

Dedicated focus on special new categories like cutting blades in non-South markets. Focus on key account management for top 50 precision customers. These areas, the strategy initiatives that we are looking at, will help us to grow in the Abrasives and standalone. RHODIUS, we are targeting a growth of 10%, roughly about EUR5 million to EUR7 million. Moderate economic activity recovery in Germany and other European countries coupled with demand pickup in private label business would help to get the 10% growth. These are numbers which they have done in the past, say, in 2022, like that.

AWUKO, we are targeting a growth of EUR8 million to EUR10 million. Our team has done an extensive market sizing, reaching out to key customers who have moved away from AWUKO during the last 4 to 5 years before takeover of CUMI. The key drivers of growth would be: one, focus on wood and leather industry. Two, get back star customers. The list of 70 customers we have made where we have worked, supplied in the past, but they're not dealing with us currently. Three, overall reduction of lead time. These 3 focus areas will help us to get the higher volume that we are targeting.

Our Industrial Ceramics, the growth rates are, India and America are the 2 key drivers. Australia will be marginal growth. We expect the growth to be 13% to 15%. We expect all 3 sub-segments of Industrial Ceramics, where metallised cylinders, engineered ceramics will do well. Growth drivers include medium voltage, T&D industry, pickup, mobility, high-speed rail, mines, minerals, defence sector will be the growth drivers for Industrial Ceramics.

Refractory, we expect the growth to be 12% to 13%. The drivers of growth would be a global in class, super alloys, chemical processing industry in North America, Europe and MENA regions. Market opportunity in iron and steel, cement, carbon black. Electrominerals it would consist of growth in India and Foskor Zirconia.

As far as VAW, we are planning similar performance as that of the last year. Foskor Zirconia, the reason for the growth, as I said that we missed 2 quarters in the last year below 1,000 tons of run rate. We have reorganised the marketing, reaching out to all customers with higher demand in Q4. We started participating in exhibitions, etcetera. The run rate is 1,000 tons in Q4. We expect this to continue in FY '25.

As far as India, the volume growth was good in FY '24 itself, and we expect this would continue. We are also expecting a stable price environment. We had a steep price impact last time, which was about 7% to 8%. We expect a growth of 10% in India. The demand drivers are for the performance of the refractory and abrasive industries. In FY '24, we delivered a PBIT margin of 13.5% at consolidated level. We expect in FY '25, this could improve by 20 to 30 basis points. Abrasives in FY '23, it was 5.1%, moved to 8.7% in FY '24. We expect that it could improve another 100 basis points in FY '25.

Ceramics FY '23, it was 24.4%, moved to 26.5%. We expect a similar performance in FY '25. Electrominerals, in FY '23 was 16.9%, went down to 15.4%. We expect 20 to 30 basis point improvement in FY '25. Capex, we spent on an average INR195 crores annually in the last 5 years. In FY '23, we spent around INR219 crores.

In FY '25, we are expecting a spend of INR350 crores. We acquired the assets of DRONCO Germany in FY '24. We acquired the brand and technology of DRONCO. We have moved assets into India. We are setting up this facility in India, it would take 2 years for us to set up this facility.

Similarly, we are setting up a 6 tons per month high-purity silicon carbide facility. This will take about 18 months. We are also planning IT infrastructure and safety-related Capex. Now I'd like to close my opening remarks with a summary.

In standalone business, good volume growth in Electromineral business, VAW ceramics, metallised cylinders, refractories, corrosion-resistance products. In Abrasives, good volume is there in industrial and precision. We faced price pressure in EMD business due to China dumping. We have challenges in abrasive retail market. There were some challenges in engineered ceramics during the last 3, 4 quarters, but we are getting back on track. VAW Russia is doing well given the difficult conditions. South Africa business was impacted in Q2 and Q3, but now better shape. We are expecting a similar performance as that of Q4 continuing in FY '25.

RHODIUS has delivered a profit in Q4 FY '24, and we're expecting same momentum in the coming quarters. Losses in AWUKO are lowering, and we expect we have a planned breakeven at EBITDA level in FY '25. CUMI America and Australia are doing well, plus loss is coming down and will break even in FY '25. Free cash flow to PAT is very good at 86%. The company continues to be debt free. In the meantime, we have also strengthened the leadership team in the last 9 months.

Adrian Gansen joined as COO of RHODIUS. Markus Massa has joined as CFO at RHODIUS and AWUKO. Sushil Bendale has joined as CFO. Ajit Kolhe has joined as IT Head. Rammohan has joined as EHS Head. Padmanabhan will take over as chief Risk Officer on Global Taxation Head. Shyam Raman will become the Chief Human Resources Officer. Srikanth will be heading the Abrasives business. So this has strengthened the leadership team, both at global as well as strengthening the leadership team at my level.

So we've created a good base. The business is in good conditions. We also equally worked on the future, which I think we will share this in a year's time as we progress on that. With that, I will complete the opening remarks, and I will open up for Q&A. Thank you.

Moderator: Thank you very much. The first question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: My first question is on the improvement in RHODIUS and AWUKO. There is -- I remember last quarter, we actually slashed the volumes number there and kind of flattish guidance there. So just wanted to understand how is the capacity utilisation which is shaping up in these 2 businesses? And is our strategy on track?

I remember when we acquired, we talked about cross-selling products, we talked about bringing technology here and raw material from India to supplying to these subsidiaries? And third thing, I wanted to understand what kind of volume growth we are factoring in for FY '25? And what actually very specifically led to the decline in the losses for 4Q?

Sridharan Rangarajan: Yes. I think when we talked last time itself, we have guided that RHODIUS may lower the losses than expected. This was the guidance that I shared last time, and that is how they are also performing. And AWUKO's loss are also coming down. This is what we communicated. As I said that we expect a 10% growth in RHODIUS and substantial growth. It's not right to consider growth of 60%, 50% because it may look so absurd for this one. But they have been growing at about EUR8 million to EUR9 million this year.

And they can have a potential of getting to say EUR30 million. So we are looking at getting to about EUR17 million to EUR18 million this year. As I said, the strategy is to focus on wood and leather. Second is to get back to the 70 customers with whom we have dealt in the past, but they have moved away from AWUKO because of their challenges that AWUKO went through before our acquisition. Those customers we have reached out and we will be in a position to get back to them, strengthening of the marketing team, etcetera.

And the focus on reducing the lead time, which was one of the major cause people have shifted. So we feel that these will help us to get back to a normalcy and I think as far as the synergy goes, I think I just shared with you is that we are trying to set up a 50 million thin wheel capacity, which we acquired from a company called DRONCO, which is similar to RHODIUS in Germany, which went bankrupt. But we did not acquire the company. We acquired the assets, technology and brand. We moved these assets as we speak in the last month and that, we will start setting this up using the RHODIUS technology. That is how the synergies will start playing out.

Amit Anwani: So how was the capacity utilisation, sir, in these 2 subsidiaries?

Sridharan Rangarajan: We have enough capacity to utilise.

Amit Anwani: Sure. Second question on ceramics business. You highlighted that we witnessed a high teen growth for ware ceramics and met cylinder and there were some issues, I think lesser customer offtake for ware ceramics and this year, we are guiding for almost, I think, 13%, 14% top line growth. So what kind of volume growth you are factoring in for ceramics in all these 3, 4 subsegments?

Sridharan Rangarajan: I don't want to get into the specifics of volume and price. Probably I would stay with whatever I guided there. But I think in the engineered ceramics space, we are getting back to normalcy. That is what I expected. There was drop last year because of 1 customer's delay. We are assuming that customer orders will continue to be the same, right? And that is the basic assumption.

On top of that, we have confidence in getting the growth there because of some specific work that we have done in the last 18 months to get back to other areas, be it in devices and higher cylinder production as well as in terms of the defence. This will help us to get back to higher volumes in engineered ceramics. Wear ceramics and metallised cylinders are doing fine in the past and will continue to do also well in FY '25.

Amit Anwani: Sure. Lastly, sir, with the geopolitical situation, any disruptions we are facing with respect to supply to any area? That is my last question.

Sridharan Rangarajan: I'm not sure which political disturbance you are telling. There are all around so many political disturbances happening. But I think we are continuing to navigate our business in compliance with many things and there are delays because of this Israel conflict and which I think every industry these days are facing. There is also an increase in logistics costs due to that. So those are, I would say that every industry, every business is facing today and everyone is trying to find the best possible alternate to overcome that. So we also continue to do that.

Moderator: Next question is from the line of Sagar Gandhi from Invesco Mutual Fund.

Sagar Gandhi: Yes. Sir, my question is on this acquisition of DRONCO, which you mentioned. Can you please highlight what is the peak revenue that this company has done over the last 5 years? And if you can give some more details on this acquisition?

Sridharan Rangarajan: No. So first of all, I want to clarify, this is not an acquisition of a company. This is an acquisition of an asset, right. It has a capacity of 50 million thin wheel can be produced and we expect this could give about INR250 crores to INR300 crores of top line.

Sagar Gandhi: INR250 crores top line in rupee terms?

Sridharan Rangarajan: Yes.

Sagar Gandhi: Yes, from FY '25 onwards.

Sridharan Rangarajan: I wish we have a magic wand to put all capacity just like that. But I told it will take 18 months to set up this facility itself. So I would expect this would start flowing in from FY '27 and probably late FY'26 onwards.

Sagar Gandhi: Okay. And sir, margin profile, anything there?

Sridharan Rangarajan: I would not guess at this stage.

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

Ravi Swaminathan: So first question is Abrasives growth...

Moderator: Sir, we're not able to hear you clearly.

Sridharan Rangarajan: I think you are on speaker, Ravi, can probably come out of the speaker, yes.

Ravi Swaminathan: Yes. So with respect to the Abrasives business standalone, past couple of years has been in that 4% to 5% range. So is it like the growth would have been slower because of industry growing and competition being higher or the entire industry itself being slow growth? If you can throw more light on terms of industry growth?

Sridharan Rangarajan: We have clarified this question earlier calls also is that industry has been growing well. No issues on the industry growth. It's just that we could not capture certain market share. This is what is our thing and I have a feel that it's largely a question of in select products, select region, there are competition which have taken market share than us. Competition then organized competition like us. So there are definitely people who are either imported products and started selling or light manufacturing and started selling is what has taken place.

Ravi Swaminathan: Okay and this year, the margins were very good at 17%. Is that kind of sustainable at an EBITDA, I'm asking with respect to a standalone Abrasive business?

Sridharan Rangarajan: Yes. So this is a combination of many things, as I described in my opening remarks, lot of that is a function of soft commodity prices happening. So I would expect there could be a small dip. I would say we should be able to maintain that, but subject to many other things that would happen in this field. So you should factor in 50 bps dip to a 20 bps pickup.

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

Harshit Patel: Sir, I missed your comment on setting up the high-purity silicon carbide facility. If you could elaborate on this?

Sridharan Rangarajan: Yes. I think this facility is set up in Kerala. We will serve 2 markets. One is market is for serving the semiconductor industry where high-purity silicon carbide will be used. Second is in the technical ceramics field. So these are the 2 fields that we will be addressing. The capacity is capacity is 6 tons per month capacity is what we are setting this up. Of course, we will scale up depending on getting the capacity utilization, we will scale this up. We expect 18 months to set this up.

Harshit Patel: What kind of Capex it would require setting up these 6 tons per month?

Sridharan Rangarajan: So I don't want to share an exact Capex one. It is part of the number that we shared already as overall Capex number at this point, yes.

Harshit Patel: Understood. Sir, just a small follow-up to that. So what kind of realisations this high-purity silicon carbide would have? Would it be 10x, 20x or maybe 50x of what the commodity silicon carbide that we are selling? So is this the right ballpark or it would be different than this?

Sridharan Rangarajan: I think at least, say, 20, 25x higher than the current realisation. I would ready to share many things on this. Step 1 is from a lab; we have moved to establishing a plant. That's the first step. We are confident of setting this up. We are confident of establishing this product because we have supplied a few from the lab level itself. So now we will have to then work in terms of getting to the next level, set this up, start working with the customers, and then we will share more details at that point.

Harshit Patel: Understood. My second question in on AWUKO and RHODIUS. In your opening remarks, you mentioned that the RHODIUS sales declined by 2% in FY '24 and AWUKO declined by close to 3%. Now what was the volume growth? I believe the prices would have declined so I believe the prices would have grown significantly, so the volumes must have declined at least in high single digits. So if you could give some flavour on the same?

Sridharan Rangarajan: See, honestly, AWUKO and all, it is too early to look at price, volume, etcetera. As I said, we have enough and more to do there. I would rather focus in terms of increasing from the current EUR9 million to the next year about EUR17 million to EUR18 million. That's step one. That should be our focus. RHODIUS is also is that these are blips that happen based on the current demand-supply situation. We are getting back to 10% growth, which is more or less what they have done in 2022 or so. So it is very much doable, and I would wait to focus on price volume analysis on a company like this.

Harshit Patel: Sir, just lastly, on the standalone Electrominerals business, we have seen the deterioration in the margins in the last 2 to 3 quarters because of the Chinese dumping. So what are the steps we are taking to arrest this decline in the margins? And what could be the sustainable margins in this segment going forward? That would be my last question.

Sridharan Rangarajan: So I think the Electromineral margin this year, we did about 9.5% standalone, right? And last year, we were at 14%. I would like to think, maintaining in the range of 9%, 9.5% is possible. and it should improve as this dumping will start reversing and I think we'll have to give some more quarters before this stops. There are quite a few steps that we are looking at in terms of bringing our cost down, both in terms of productivity, sourcing and energy cost reduction. So these are the measures that we are trying to counter that. But I think in the initial phase, we are also parallelly trying to work with the government in terms of explaining to them to look at this antidumping measures. But it's a lengthy process, but I think these are the steps that we are taking.

Moderator: Next question is from the line of Saif Sohrab Gujar from ICIC Prudential AMC.

Saif Gujar: Just on the Russian subsidiary, VAW. Can you just repeat the PAT amount in roubles and what would be in INR terms? And how much of that we have utilised, say, for dividend taken to the standalone entity and reinvestment out of that, sir?

Sridharan Rangarajan: We said that: one, profit increased significantly to RUB1.6 billion, so it's roughly about INR145 crores to INR150 crores and we have a policy of taking 1/3 of this as a profit dividend, which will come to our holding company, not to the standalone.

Saif Gujar: But it will eventually flow to the standalone, right? So what I'm trying to understand on the cash flow part,

Sridharan Rangarajan: That will get used for servicing our debt for acquisition, etcetera, which we have already completed. That's why we said that all the debts are paid. Now we have an opportunity to reuse this for various purposes, including repatriating back to India.

Saif Gujar: Okay sure and my second question is on the dumping part but on the abrasive side. So similar thing just in terms of -- like for abrasive -- for Electrominerals you talked about taking up with the government. Are similar actions possible on the abrasive side? Or these imports have been there always, so there is no scope there?

Sridharan Rangarajan: No, no. I think there are similar possibility exists in abrasives, which we have done effectively along with the people in the industry. While the Ministry of Commerce recommended for a dumping, Ministry of Finance did not agree to this. We have gone for an appeal against that.

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

Bhoomika Nair: Yes. Sir, on the EMD segment now. On a standalone basis, we are broadly around 20%, 25% is a specialty EMD. How do you see that changing over the next 3, 4 years as this high-purity silicon facility is commissioned?

Sridharan Rangarajan: Bhoomika, I think I just want to clarify a few things, which I will do now, is that we are at about 11% to 12% is our specialty material compared to the regular one. That's number one. It's not at 25%. The second is that our aim, yes, we are expecting by 2030, we will get to 75%-25% is what is our current program that we will take us.

Bhoomika Nair: Understood. So sir, when this shift happens where you will probably, as you said, sometime move towards 25% kind of specialty business. How is the margin profile shift? Will it remain around this 9%, 10% kind of a range? Or do you think it will settle more towards 14%, 15% per se?

Sridharan Rangarajan: Yes. So let me give a colour. So the core product that we are talking is WFA brown fused semi-friable silicon carbide is our core product. The specialties that we are looking at is Alumina Zirconia zirmol thermal spray products, sol-gel, zirconia are the specialty one and the transformational, which is HPSIC and graphene and silicon nitride. These are the 3 that we are looking at as a transformation.

So let's put these 2 together as core and specialty in a very a simplistic sense, right? So we expect this would take the contributions up at least by 10% to 15% higher is what is our expectation in this mix change because you will move from currently, let's say, 89-11 to 75-25 in this mix. So definitely, the PBIT profile would go up. Now I don't want to hazard a guess at this point. but I think it would definitely give a greater push in terms of moving the PBIT margin up.

Bhoomika Nair: Understood. Sir, similarly, in terms of high-purity silicon, we were also looking at launching this product in Russia. So is that also being set up in Russia where the existing facility is being shifted towards that? Are we looking at adding capacity there? Because Russia also is running at a fairly high utilisation. So would it be more of a value growth out there with a very small marginal volume growth? And if you can just touch upon the high purity in that market as well?

Sridharan Rangarajan: So right now, our focus is set this up in Cochin. We are not looking at setting up this in Russia. So that's the point one I want to clarify. We want to get some stability there geopolitical-wise before we get to further investments there.

Bhoomika Nair: Okay, okay. And from a VAW perspective, what will drive growth because, I mean, utilisations are already very high? So can we expect like a 10%, 15% kind of growth possible out there? Or will it be more subdued because of the higher utilisation?

Sridharan Rangarajan: It will be more subdued because of high utilisation. As I said, that we are taking a very, very -- 2% to 3% growth rate. Under the current circumstances, it's not right to go anything beyond at this point in time. Let's look at how the things change. Based on that, we can do that. There are pockets of growth possible, higher refractory growth, higher abrasives growth in VAW, which is definitely we are working on and those can give us some headroom and also the relationship between India and Russia in terms of making use of their refractory products into India, we are strongly exploring that. That is another area of growth that we are looking at.

Bhoomika Nair: Okay. Okay. Sir, and just one last thing on the high-purity silicon in India. You said that it's moving from the lab basis to the plant aspect of it. Do we have some client tie-ups out or your anchor clients for our offtake once the plant is operational, say, 18-odd months later?

Sridharan Rangarajan: Yes, yes. That's a good question. We have clearly an anchor customer in silicon carbide for our ceramic business because they will get into preparing themselves into serving semiconductor-based ceramics, defense side of ceramics, electronic-based ceramics. All these will requires the HPSIC material and that is what they would get into that. So clearly, these 2 capacities are tied up, and that is for a clear anchor customer within us, we will have that.

Now outside of the anchor customer for the semiconductor use, we will start. we are just seeing this supplying to a few customers for them to use the product and accept this, which will take time. But definitely, we have more than 50 percentage of the production, we will have an internal tie-up.

Moderator: Next question is from the line of Alok Ranjan from 360 One Asset Management Company.

Alok Ranjan: Sir, first question is, if you can help me understand what is the power transmission exposure as an end segment from our ceramics business?

Sridharan Rangarajan: So power transmission exposure for ceramics segment, my guess is about, say, 18% to 20%.

Alok Ranjan: And sir, given the commentary, which is not only restricted to India but on a global level also. Can we assume that although we have guided for the ceramics business growth to be in the range of 12% to 14%, but this must be growing at a rate higher than 20%- 25%?

Sridharan Rangarajan: Yes. I think there are subsegments, which I think metallised cylinders, which goes into the medium voltage, which is what I also mentioned, is on a higher trajectory, I agree.

Alok Ranjan: Got it. And sir, second question, if you can help me understand regarding this high-purity silicon carbide. Can you just help me understand the value chain like who will be the customer for us? And also, given the kind of semiconductor-related Capex being announced by Tata in terms of 50,000 wafer capacity, what could be the other opportunity which Carborundum can think to participate?

Sridharan Rangarajan: So the high-purity silicon carbide would get used, as I said, we are looking at 2 broad areas of application: one is in the semiconductor; the other one is in the technical ceramics. Technical ceramics is basically, as I said, ceramics that would get used in semiconductor equipment, which is a very large space, which we can look at it.

The second area is in the electronics, EV vehicles and also the areas of defense. All these areas would require high-purity silicon carbide, largely on the industrial ceramics application is concerned. The second application goes is in the silicon carbide-based wafer manufacturers would require the HPSIC material. So these are the 2 sets of things. As far as the data semiconductor that you just mentioned, they are based on silicon-based semiconductor fabs.

Alok Ranjan: Got it. Got it. Sir, just 1 clarification here. Given that we are putting up a capacity closer to 6 tons per month, what could be the typical size of a global market? And whether this capacity is initially to start with since we are moving from lab to plant scale. And in terms of the runway, it could be much, much higher? How to think about it, sir, the growth journey here?

Sridharan Rangarajan: So I think the growth journey, we are putting up a reasonable capacity because 6 tons per month. So definitely, it is a decent capacity. Head rooms are definitely there. After establishing definitely we'll be in a position to take a relook at this. Second is that we had to focus, as I said, we are just not focusing only on the semiconductor. We are also focused on the ceramic application, which I think since it's going to be integrated in our own value chain, we'll be more keen to look at it that way.

Alok Ranjan: Got it. Sir, last question. We are seeing commodities are moving up again. So like alumina prices have moved up from $378 kind of per ton to more than $400. So it's around 8% sharp move that we are seeing. How does that impact our Electrominerals business this movement, which we have seen in alumina?

Sridharan Rangarajan: It's difficult to directly correlate on the alumina side, alumina movement exactly, but definitely, it will have an impact into our own input material costs. So it has to be worked in terms of passing on the cost. Those aspects will start flowing through.

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

Bhavin Vithlani: Congratulations for a good set of numbers. Sir, actually, first is some data-related questions. I missed the numbers of AWUKO and RHODIUS. If you could just help me with full year revenues, EBITDA and PAT for RHODIUS? That will be helpful. And the guidance that you gave of incremental EUR8 million, EUR9 million, I just got a little confused. Can you help me again on the guidance front?

Sridharan Rangarajan: Let me take my notes paper. So AWUKO, as I said, I think it's a full year EUR9.13 million sales. And the loss after tax was EUR2.3 million. Now last year's loss after tax was EUR3.7 million, that is FY '23. RHODIUS, I mentioned EUR63.3 million is the top line and the full year basis, the loss after tax was EUR1.5 million compared to EUR3.7 million of the last year, FY '23.

Bhavin Vithlani: Sure. So in terms of guidance, what are we guiding individually on revenues and margins' front for AWUKO and RHODIUS in '25?

Sridharan Rangarajan: So RHODIUS, as I said, we will grow by 10% more higher growth, and we will make a small profit and AWUKO, we said that we'll go up by EUR8 million to EUR10 million than the current numbers and we are looking at an EBITDA breakeven there.

Bhavin Vithlani: Sure. And so was RHODIUS' EBITDA positive in '23 given that it was a small loss?

Sridharan Rangarajan: No, no. EBITDA positive, RHODIUS is EBITDA positive and I said, in fact, even at the current one, if I take the PPA out of EUR2.8 billion, it is equivalent to a profit of EUR1 million at the PBT level.

Bhavin Vithlani: I understand. Sir, the second question is on the Ceramics division, wherein you highlighted that the year gone by, we had mid-teens growth in ware Ceramics and Refractories. It's the Engineered Ceramics which declined. So what was the decline in the Engineered Ceramics last year and going forward as the customer which postponed, which you believe, will come back? Then the growth that you're guiding for 11% to 13% seems lower than you guided in the past calls of 20% to 25% growth you are anticipating for the Ceramics division?

Sridharan Rangarajan: Yes. There are 3 sub-segments - industrial ceramics, ware engineered and metallised cylinders. Sum of all these 3 put together, we are flat compared to FY '23 to FY '24. We are not sharing individually their sub elements and their growth. We feel that the Engineered Ceramics growth that we are looking at the next year, considers a similar sales of last year from the customer that we had a shortfall and we have picked up higher sales on certain select segments like night vision lamps, defense industry and few other devices' customers, which helps us to get to the growth back.

So hence, we are gaining growth at this point in time. Overall growth rate that we are looking at and on the refractory, again, there are 2 broad sub-segments, which is basically -- so 3 broad segments, fired, monolithic and composites put together. These are the 3 subsegments there. They have grown substantially well last year, and we are expecting a similar performance to continue in the next year. Earlier, you were telling that you guided us 20%, now you are saying

13% to 15% and I would like to be conservative here and exceed rather than tell something and come below that.

Bhavin Vithlani: I appreciate that. Just 1 more question on the SOFC customer where there was a changeover in the model and hence, there was a deferment of the sales. Are you getting -- I mean, is there something more than just a changeover in the model where they are running off the older inventory than the demand impact that your discussions with the customers suggest? And is that -- I mean, are you seeing that the growth can come back on a 3-year basis, not talking we not expecting on 1 or 2 quarters that we have expected?

Sridharan Rangarajan: Absolutely. so we told, I think last call itself, I did clarify, there is a model change is one reason. The other one is their business in South Korea also went down and hence, it affected. They got back to the South Korea orders from Q4 of calendar year FY '25, which is what I did mention in the last call. So we feel that, as you rightly said, in a 3-year time frame to come, they will get back to higher growth rate and I think it's a very strong customer. They are doing fine in their own business and they should be back.

Bhavin Vithlani: So on the EMD and high-purity SiC, our capacity of 6 tons per month, if you could just help us with what would it be versus the global demand totally? I mean, I just want know what could be our share in the market once our capacities get commissioned?

Sridharan Rangarajan: I think I tried to answer this in the earlier question also is that, see, these are niche demands globally. We feel that what we have kept as a capacity to start with is a decent capacity to get in and once we establish, it will give us a reasonable share. So I feel that we would be able to share this more once we establish, start doing that, we will be able to come back to you and share. But I think it's a reasonable size to start at 6 tons a month.

Bhavin Vithlani: Sure. I'm sorry to hop on this again, would our capacity be like sub-5% of the world demand? I mean, we want to know the headroom that the kind of...

Sridharan Rangarajan: There will be enough headroom...

Bhavin Vithlani: Great. Just last part of it, in the EMD historically, we have been working on a certain battery-related materials like graphene and high-purity graphite. Any progress on that? And if you could just give us some colour on that would be helpful?

Sridharan Rangarajan: Yes. I think in the last call, I did clarify these 2 points very well. and about our intentions, etcetera. But to start with, let me get to the graphene again. And see, I feel that we are focusing as far as graphene is concerned, on 3 broad areas and one is in terms of auto detailing, the other one is the bio pack. The third one is the super capacitor application. Fourth and fifth, work is on, which is on the cement and tires, many usual -- going through the rubber mark. So these are the 5 areas that we are looking at. Of these 3, we will take it up, and that is how we are getting to the next step.

As far as the graphite is concerned, we have clarified in the last call is that it takes a long time. We need to establish our synthetic graphite facility, which I think will take time. I would get back to you as and when we establish and we have a path forward, we will then share. At this point in time, as I said, the HPSIC and graphene is the 2. And these are the 5 areas that we will focus on graphene of these 3, we have a clearly laid part, which will take it forward.

Bhavin Vithlani: Sure. Appreciate this. Last question, if I may. So we have seen the pollution control board have laid a significant penalties on the tire companies and that now there is a mandate for them to recycle. So do we have any products or solutions which can help them on this recycling part?

Sridharan Rangarajan: Yes. I think this is one area where we are focusing on is how by adding graphene, we get back to similar to virgin rubber, from a retraded or reused material, is the work that currently we are working on. As we start establishing, as we start progressing well technically. We have done technical work in terms of few people associated with us and some universities outside of India. Would get back to you in a specific one as and when we have a good path forward. But as I said, it's 1 of the 5 areas of our focus.

Moderator: Next question is from the line of Tarang Agrawal from Old Bridge AMC.

Tarang Agrawal: A couple of questions. One on the India business. If I look at FY '24, the Abrasives and the Ceramics segment has grown by about 4% to 5%, right? And the outlook for FY '25 seems to suggest that you all are baking in anywhere between 10% to 12% for the India business. Are you seeing increased level of activity overall from a market perspective? Or do you think it's going to be a function of everything that you mentioned, so it will be more micro rather than market led?

And second, the 4% to 5% growth that we witnessed in FY '24. Is there a way to probably comment whether we have lost market share or where we are because that number seems to be a bit soft? And the third on VAW, what percentage of, if you could give us a segmental split of VAW between Electromineral, ceramics and abrasives?

Sridharan Rangarajan: I think. so as far as the growth for FY '25 is concerned, I think let's split this into 2 elements, ceramics and abrasives, which is what your question is. So ceramics, I think, largely, 2 broad components, industrial ceramic and refractory are the 2 subcomponents in that. Refractory grew 20% plus, but we have a challenge on the Industrial Ceramics, which was flat, largely because of the engineered ceramic business, which we talked in a few questions earlier and how we think that we will get back to higher growth rate, we explained this clearly. So it has nothing to do with the market one like, as in your own words, it's a micro-management of the business, and we will get there. So that is how the growth path of 5%, 6% this year to guided higher percentage the reason for ceramic side.

Abrasives, similar explanation. It is not the market, which is, I think market is there, market is growing. In a way you have mentioned that does it mean you have lost market share? Yes, in some specific pockets, yes, we have lost, we have to get back. That is a program that I described also what we will do in abrasives to get back this. As far as VAW is concerned, it's predominantly Electromineral business. I would not like to share the individual segments, but this is the broad guidance I can give.

Tarang Agrawal: Would it be fair to presume about 75% to 80% of VAW would be Electrominerals?

Sridharan Rangarajan: It's a predominantly Electromineral business.

Moderator: Next question is from the line of Amar from Lucky Invest.

Amar: My question has been answered.

Moderator: Next question is from the line of Mohit Pandey from Macquarie Capital.

Mohit Pandey: Sir, on the high-purity silicon carbide, so firstly, India business, but what are the commissioning time lines for the plant being set up? And secondly, in earlier calls, I think you used to mention about a certain level of purity that you are looking to achieve, like 99.999%. So is it fair to assume that, that has been achieved now? Yes.

Sridharan Rangarajan: I think we are looking at a fine purity, which we have established, it would take 18 months to set up this plant.

Mohit Pandey: Okay, sir. And is there work also ongoing on further and levels of purity being targeted? Or...

Sridharan Rangarajan: No. I think in this method of manufacturing; we have probably the best.

Mohit Pandey: Understood. Sir, and secondly, on abrasives domestic margins. So are there apart from softer raw material prices, what would be the self-help measures like cost controls, etcetera, contributing to the margin expansion, if you could give some sense around that as well?

Sridharan Rangarajan: Yes, I think there are 3 or 4 drivers which we described. One is the commodity, the other one is product mix, the third one is the cost measures and the fourth one is some of the price improvements that we put up in the select areas.

Moderator: Thank you. Ladies and gentlemen, that was the last question of the day. I now hand the conference over to Ms. Bhoomika Nair for closing comments. Over to you, ma'am.

Bhoomika Nair: Yes. Thank you very much for giving us an opportunity to host the call, sir. Wishing you all the very best, and thanks to all the participants. Sir, any closing remarks from your end, sir?

Sridharan Rangarajan: I think, I, first of all, thank DAM Capital for hosting this conference. I would like to summarise and leave a few thoughts here is that we have quite a decent volume growth in most of the business segments that we have. And we have clearly done an excellent performance in terms of the profitability. The profit growth is very good. PAT ratio is at 10% plus.

Cash conversion is good at 86%, and it continues to be a Zero debt company. Good balance sheet and the companies that we acquired are started performing well, both at RHODIUS and AWUKO, it is on the trajectory of the right growth. We have done a good job in terms of reorganising and strengthening the leadership team at various levels. And we are currently working on a long-term strategy and a vision going up to 2030.

So summary is that a good base business, trajectory of growth identified, leadership team is in place, we are working towards getting to the next level of the growth path. So that's probably the summary I would like to leave.

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.