"Carborundum Universal Limited Q1 FY 2023-2024 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Carborundum Universal Limited Q1 FY2024 Earnings Conference Call hosted by Kotak Securities 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, 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 Mr. Aditya Mongia from Kotak Securities Limited. Thank you and over to you, Sir.

Aditya Mongia: Thank you Darwin. Good afternoon and welcome everyone to the Q1 FY2024 earnings concall of Carborundum Universal Limited. From the management side, we have Mr. Sridharan Rangarajan, the Managing Director, Mr. P. Padmanabhan, the CFO, Mr. G. Chandramouli, Advisor, Investor Relations and Mr. Denesh Kumar, Senior Manager, Strategic Planning. Without any further ado, I would request the management to share their opening remarks post the results. Over to you Sir.

Sridharan Rangarajan: Good morning to all of you and a warm welcome to our Q1 call. I would request my colleague Chandramouli to read out the general disclaimer and then we will start the call.

G. Chandramouli: Good morning. During this call, we may make certain statement which reflects our output for the future or which could be construed as forward looking statement. These statements are based on the management current expectations and are associated with uncertainties and risks are more fully detailed in our annual report which may cause the actual result to differ. Hence these statements must be reviewed in conjunction with the risk that the company faces. Thank you.

Sridharan Rangarajan: Thank you Mouli, so let us begin the call. I trust all of you are safe, your family are also safe and well. Today I joined in this call with Mr. Padmanabhan our CFO, Mr. Chandramouli our investor relationship person, and Mr. Denesh our strategic planning head. We will begin this call by providing a broad outlook and summary and then we will take your questions. Before I start I would like to place on record the company's appreciation and thanks to Mr. Ananthaseshan who has retired as managing director of the company after reaching 60 years of age. Mr. Ananth served the company over 37 years in various capacities. We wish him well in his retirement.

The Company has begun this financial year with a solid start. We are glad to report yet another quarter of robust performance and the solid start to FY2024. For the quarter, our revenue has grown by 6% quarter-over-quarter to Rs.1191 Crores at consolidated level and by 10% to Rs.659 Crores at standalone level. The growth was majorly driven by ceramics and the growth from abrasives and electrominerals has been steady. All major overseas subsidiaries have performed well. Profit after tax and non-controlling interest grew by 44% to Rs.113 Crores against Rs.79 Crores at consolidated level. You would note that we delivered Rs.137 Crores in Q4 FY2023 and this included an exceptional income of Rs.25 Crores. In the current quarter, we delivered similar PAT without one-time exceptional income. PAT margins improved from 7% to 9.5% quarter-over-quarter at consolidated level. At standalone level, the PAT increased by 28% to Rs.93 Crores from Rs.73 Crores during the last year same quarter. This was mainly on account of margins coming back to normal in abrasive standalone and improvements in margins of ceramic business. PAT margins improved from 12.1% to 14.1%.

Coming to the subsidiaries performance among the overseas subsidiaries CUMI America performed significantly well in terms of topline and the bottom line. CUMI Australia grew well and profits were better. Volzhsky Abrasive Works, Russia and Foskor Zirconia, South Africa were almost flat on topline. CUMI Middle East and CUMI China the company has cut down its operation as you all know. On the other hand, domestic subsidiaries have grown in double digits over the last year whereas our energy generation business SEDCO had some challenge in terms of the bottom line due to a steep rise in gas price and we are working in terms of how to recover. In terms of the capex at consolidated level we spent Rs.55 Crores in the Q1.

I will now cover the segmental performance. Abrasives, the abrasives consolidated revenue for the quarter was almost flat at Rs.519 Crores compared to Rs.513 Crores in Q1 of the last year. Standalone grew by 5% to Rs.282 Crores. Sterling, American subsidiary, VAW and AWUKO delivered Rs.24 Crores of incremental sales. Closure of China, lower volumes in Rhodius reduced Rs.14 Crores of sales. On sequential basis sales degrew by Rs.6 Crores. Standalone abrasives Sterling, CUMI America and VAW combined together gave an increment of Rs.12 Crores whereas Rhodius dropped by Rs.15 Crores. Abrasives India has grown 5% compared to Q1 of the last year, but was almost flat sequentially. Coated retail segment is facing challenges after increase in supplies from China and new entrants in the segment. All other segments in abrasives are doing well. We expect to hit overall 8% to a 10% growth at the full year level. The focus has been on improving the margins which have come down significantly in the last few quarters. We focus on product mix optimisation, increasing sales in value-added products and improving internal efficiencies which helped us to bounce back to the previous margins in the range of 15% to 16% compared to 12.1% in Q1 of the last year. Rhodius in Q1 achieved the net sales of €15.5 million compared to €17.4 million in Q4 of FY2023 and €18 million in Q1 of the last year. We communicated in the last call that Rhodius is planning an 8% to 9% growth in FY2024. We also said that the energy cost increase could be in the range of €2.2 million to €2.5 million and our team will try their best to offset these. The price increase put up to offset the cost push resulted in lower order intake which impacted the overall sales. We are also seeing softening of demand in parts of Europe of a revised outlook is flattish top line. Last year, we delivered a loss of 4.7 million which included one off costs of €2 million and a PPA write off of €2.8

million. We expected this year with higher topline we could deliver a small profit, but with softening in demand and increase in energy costs, we can expect a similar loss in line with that of the last year. This is our current outlook. We have eight more months and we are looking into all possible options to minimise this loss and improve the performance.

Coming to Awuko's performance this quarter we achieved €2.5 million sales against €2.6 million in Q1 as well as Q4 of the last year past financial year. Losses in Q1 was 0.7 million against the loss of 1.2 million in Q4. The cost control efforts as well as drop in input costs helped to minimise the losses. We communicated in the last call the losses in FY2024 will be around 2.5 million. We expect Awuko to break-even by FY2025. We maintain the same outlook. Coming to the bottom line performance for quarter, profit and loss before finance cost and tax at consolidated level was Rs.31 Crores against Rs.18 Crores in Q1. The increase predominantly coming from standalone margin moving from 12.1% to 15.3%, better performance at Sterling and closure of China. Sequentially, PBIT margin dropped from Rs.32 Crores to Rs.31 Crores. This is due to lower profits in India, CUMI America, Middle East and China. Margins at consolidated level dropped from 7.3% to 6% sequentially but improved from 3.5% in Q1 of the last year.

Electrominerals, - Electrominerals consolidated revenue for the quarter was Rs.418 Crores versus Rs.406 Crores in Q1 of the last year resulting in an increase of 3%. Standalone electrominerals grew at 10% quarter-over-quarter to Rs.197 Crores from Rs.179 Crores in Q1 FY2023 and grew by 11% sequentially. Volzhsky Abrasive Works, Russia and Foskor Zirconia, South Africa was almost flat quarter-on-quarter and marginally lower when compared to sequentially. For the quarter profit before finance costs and tax at consolidated level was Rs.74 Crores against Rs.59 Crores in Q1 predominantly contributed by better performance of VAW. PBIT at standalone level grew by 59% to Rs.23 Crores sequentially and degrew 25% quarter-over-quarter after easing in commodity price, impacting the realisation of our products and higher input costs.

Coming to performance of VAW, despite challenges due to ongoing Russia Ukraine conflict the team at VAW is continuing to manage the risks well, taking suitable actions every time. The operations are running well and the installed capacitors are being utilised well. VAW delivered its higher ever quarterly sales of ₽2.4 billion in this quarter compared to ₽2.12 billion prior quarter and ₽2.11 billion in Q1 last year. This was mainly on account of higher realisation across all three segments as well as weaker Rouble against US dollar and Euro. They delivered a profit of ₽417 million which is again highest in any quarter. Roubles were converted on average of one Rouble which is equivalent to Rs.1.01 for this quarter compared to Rs.1.16 in Q1 in FY2023. You would note that the average for FY2023 was 1.23. Capacity utilisation is normal when they are able to sell more in Russia. The mix towards Russia sales domestically has increased to 60% in the Q1. VAW is able to collect all its receivable. They continue to be debt free and outlook remains stable and positive.

As far as ceramics business is concerned, ceramics consolidated revenue for the quarter were higher by 18% at Rs.287 Crores as against Rs.243 Crores in Q1 of the last year and sequentially it was Rs.265 Crores. Standalone ceramic grew by 19% to Rs.231 Crores on quarter-on-quarter basis on account of strong demand across end user industries and geographies and grew 9% sequentially. Subsidiaries in Australia and America registered significant growth as well. Profit before finance costs and tax at consolidated level grew by 39% to Rs.81 Crores from Rs.58 Crores on quarter-on-quarter basis and grew 31% sequential at standalone level. It grew by 38% to Rs.62 Crores quarter-on-quarter. This was majorly on account of growth in volume, realisation and product mix. There was Rs.58 Crores of debt at standalone books and total debt that consolidated basis was at Rs.178 Crores compared to Rs. 230 Crores as of March 2023. The debt to equity ratio was at 0.06 at consolidated level. Cash and cash equivalent including deposits with maturity exceeding three months at net of borrowing was Rs.190 Crores.

I would like to end the opening remark with a small summary. Performance of the company in Q1 is good. Electrominerals, ceramics and non-retail portion of the abrasives are performing well. Russia and South Africa are doing fine. Awuko progress is in line. There is a softening of demand in Europe and Rhodius is working on an effective response plan. The company remains debt free. We feel stable standalone growth could be in the range of 15% percent and consolidated could be in the range of 10% and standalone and consolidated PBIT margins compared to FY2023 should improve. With that I think we will complete the opening remark. We will be happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhoomika Nair from DAM Capital (erstwhile IDFC Securities). Please go ahead.

Bhoomika Nair: Yes, good afternoon Sir. Sir my first question is on the abrasive segment on this standalone basis the demands still continues to remain fairly muted the revenues are still at around sub 5% kind of a growth or just above that so what is the outlook in the domestic market and how is the competition from the Chinese which have kind of picked up in the last six months. Does that still continue? so that is my first question.

Sridharan Rangarajan: Yes, so I think as I said except the retail segment we are doing fine in rest of the segment and the growth rates are in double digits. We feel the challenge is largely in the retail segment where there could be some dumping happening from China and of course there is going to be a response which will take some time and as I said that we could be looking at a broad 10% growth which is what I indicated at the full year level. We feel that retail could be flat or slightly lower. This is our current thinking and our team is putting together a response plan for that. Other than that I think this standard industrial side, precision side and international exports are all doing fine.

Bhoomika Nair: Sir, 10% would be the abrasive standalone entity growth?

Sridharan Rangarajan: Yes.

Bhoomika Nair: Okay Sir obviously Rhodius there is a challenge as you mentioned but there was also a plan to kind of bring the technologies and the practices that they have the lower impact out here what is the progress on that aspect for improving their previous cost competitiveness in the local market?

Sridharan Rangarajan: So bringing technology of Rhodius is not to address the cost competitiveness in India but it will address the cost competitiveness in Europe. By having product manufactured here we will be able to supply to the Europe well which are all like the baseline products which is I think we are progressing well. I think we will take 18 months by the time we will have this work that whatever we are doing currently we will do that which requires like for example we are currently working on OSR certification which is a base level requirement and the audits are currently going on. Once that is there then we will have the next step which is basically creating an environment of manufacturing at their quality level and start supplying to that so that program is very much on.

Bhoomika Nair: Okay. Sir, my second question is EMD segment and our new initiatives out there what is the progress of the high purity SiC that we were looking at? We were already in pilot stages out there in Russia sector was much ahead than India so what is the progress out there and also if I may just squeeze in on the progress of the SOFC within the ceramic segment?

Sridharan Rangarajan: So as far as in terms of the high purity silicon carbide we are doing it at both in Koratty as well as in Russia and these are at the I would say lab scale where we are testing these products and creating confirmatory results for various parameters which requires like are we able to achieve the 4 N and 5 N capability and that is what we have done and we have reasonably achieved the 4 N capability and we are progressing towards work towards on the 5 N side of it and we are also in the meantime setting up a plant in India and that we will convert it from a lab scale to a small mini plant at this point in time that is what we will get into that. As far as SOFC is concerned I think the progress is quite decent. We have been fully utilising our capacity. One of our major customer is doing well and that progress is really well as far as CUMI is concerned and the progress in terms of further parts that we can supply in the SOFC field is also very much in line with the time scale that we are working with the customers.

Bhoomika Nair: Sure, so just one follow-up on the high quality silicon when do we see them progressing from a large pace to a revenue and within the SOFC what is the kind of revenues that you are operating at and what can possibly get to over the next two to three years?

Sridharan Rangarajan: See high purity silicon carbide setting up could take a year and then we will start supplying these products so I would say it might take a year to set up and then establish ourselves another year. SOFC, I think we do not share an individual component wise details as far as the industrial ceramic piece is concerned but it is a very sizable portion of our business and we are progressing well there.

Bhoomika Nair: Sure Sir. I will come back in the question queue. Thank you very much.

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

Bhavin Vithlani: Good afternoon gentlemen. My question Rhodius results are a little disappointing for your expectations so could you talk about the cost take out initiatives given that passing on price increase and increase cost is difficult so how do you scale up in the revenue which is very critical for you to turn around and is the eventual plan of 11% still in there?

Sridharan Rangarajan: I missed your first sentence. Could you repeat? Are you talking about Rhodius?

Bhavin Vithlani: Yes, the question is on the Rhodius where the performance has been below your expectations and so how do you take out cost as you are not able to pass on the price hikes and your guidance of 11% margins?

Sridharan Rangarajan: Very fair question. So first of all the biggest portion of it is the energy cost. So these costs are contracted much in advance and that is okay. We had the benefit of that in our favor last year but that is impacting us in the current year so as we see the cost of gas prices has come down and I think our contract is over. In the current year we expect that will tap it down and that is we are currently seeing that and the second is we are also working in terms of improving the product output which is basically some re-work in terms of material preparation investment that we have done as well as in terms of line balancing that the work that Rhodius is doing. We feel that would also help us to bring the cost down. To your question of whether will we get to the 12% that we indicated to you in terms of the PBIT margin we are still confident of getting. I do not think we have any doubts on that. It is temporary phase I would say that the softening what we are currently seeing. Products are in demand but at the same time we have to recognise the fact Europe is going through a demand challenge so hence I think it is important to bring this up and that is how we are sharing the current outlook. As I said that we still have eight months to work on in terms of any other possibility of bringing these and see some of these contracts are with private label partners happens much in advance so hence we need to work with each one of them and win this orders which we are definitely working on. How can we load the business in such a way that we get the benefit of the volume and that is what we are currently working on as well.

Bhavin Vithlani: Actually second question is on industrial ceramics piece of the business and within that where we are seeing that refractory is a piece where we are running full out despite the strong growth could you just give us an outlook on the new expansion initiatives in the refractory space and also the other expansions in the ceramics segment?

Sridharan Rangarajan: So ceramic segment I think has got two components refractories and industrial ceramics. Both the components are doing well and in fact the refractory side of it is definitely edging higher than industrial ceramics at this point in time and all our programs in terms of the capacity expansions and investments in latest process all that is fully on stream, nothing is held back. We do not see capacity coming in way as a constraint.

Bhavin Vithlani: Okay so just a follow-up here what is the outlet towards the expansions in the industrial and the refractories and what will be the volumetric exponent will it like double or so the current capacities?

Sridharan Rangarajan: See, if you really see this year I think they have Q1 they have grown at about 19% and we should expect a 20% plus growth is very much possible.

Bhavin Vithlani: Okay yes thank you so much for taking my questions.

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

Harshit Patel: Thank you very much for the opportunity Sir. Sir my first question is on the standalone electrominerals margins? We have that 11.6% in this Q1 which is very much below our guided range of 14% to 15%? While I understand that we had done some structural improvements in the past couple of years such as producing the synthetic version of a Brownfield alumina, modernisation of furnaces to increase the process yields and so on and so forth so any specific reasons you would want to call out here?

Sridharan Rangarajan: Absolutely a great observation and I think largely coming out of the softening of the market coming basically import from China that is coming in this way. That is the biggest reason for the drop but we still feel that at a full year level 13% to 14% we will be looking at as a EBIT margin that is still our aim and I think the outlook for the next few quarters when we went through that we feel confident about that.

Harshit Patel: Sir just a followup to that in the VAW Russia since we are already operating at flat out capacities how we are planning to grow over there because as I understand the realisations are coming down and if we are not able to grow the volumes because of the capacity constraint then how will we achieve any kind of revenue growth over there?

Sridharan Rangarajan: So I think I would look at it in two parts. I am not sure where you are getting the idea that the realisations are coming down. Average realization in Rouble terms is higher. They are able to flux the mix more towards the domestic one but your observation of the volume growth is a fair observation but given the market conditions which is largely a geopolitical issue we are waiting and watching. We did one cell expansion last year and I think that is on stream and that will help us to a bit but I think we would wait for things to stabilise before we take the next call.

Harshit Patel: Understood Sir my second question is on the standalone abrasives so the revenues have been stagnant around Rs.280 Crores since last seven quarters now so you have already mentioned about the heightened competition from Chinese products especially in the retail counters so just wanted to check if we have deliberately scaled down a particular product group or a customer site or is this softness entirely due to the normalcy coming back to the Chinese imports?

Sridharan Rangarajan: So I would like to split this into two parts. One, the part that is on the retail side of the abrasive business and the part which is on the industrial side of the abrasive business both on precision and standard industrial product side. We feel that on the retail side we see this challenge coming and but on the rest of the side we are able to see the growth and as I said that the growth on those sides will be double digit. With the retail side at flat or slightly lower in the last year we are expecting about 9% to 10% growth but I think this is our current outlook. Our people are working in terms of how should we work on a response plan in terms of addressing this. It is a fact that we have been flat for a couple of years. We are conscious and we will get back I think give us about six quarters in terms of how do we respond to that. We are working on multiple strategies to address this.

Harshit Patel: Understood. Sir just a small follow up to that. Have we reduced the prices of our products as input costs have started coming down or the pricing remains at the same level as before?

Sridharan Rangarajan: So prices are responded based on the market condition which is as the input cost is coming down definitely people expect this and we are also responding based on the market situation but at the same time we are able to improve the margin. If you look at our margin has gone up. We are in the range of 15.3 or 15.4%

Harshit Patel: Right Sir. Understood Sir. Thank you very much for answering my questions and all the best.

Moderator: Thank you. The next question is from the line of Amit Anwani from Prabhudas Lilladher Private Limited. Please go ahead.

Amit Anwani: Thanks for taking my question. My first question is on the industrial ceramic side where we are witnessing a strong growth which you just highlighted at least 20% growth? I just wanted to understand Sir we have been talking about product advancement here and largely this business being global in nature would like to understand are we increasing our addressable market with new products in pipeline if you would highlight like we did for metalised cylinder and at the same time if you would like to highlight the contribution from metalised cylinder and industrial ceramics and how the growth has been there?

Sridharan Rangarajan: Yes, I think we are definitely trying to improve our product range and service the customer and as the customer also expects us to move along with their own growth as well like a lot of our customers are asking us can we supply a part which probably they are sourcing elsewhere at this point in time. So definitely these programs are there and some of them are very interesting areas that we are working on which I think we will start playing out in future. Similarly, even in the refractories also we see that quite an interesting demand overseas exports is really picking up and that is also helping us in terms of the growth so I would say that both these engines are currently firing well and we are doing the right steps in terms of addressing that.

Amit Anwani: Right my next question is on abrasives you did highlight on retail site? We are facing headwinds so how much is the retail portion in abrasives and second question on the Rhodius abrasives you did highlight it that the major advantage would be taking cost advantage in India and selling products there so what is the utilization there and how we are actually thinking to increase utilisation in Rhodious abrasives in coming quarters?

Sridharan Rangarajan: So as far as the retail is concerned we are in the range of about 30% to 35% is our share of our business is the retail and as far as the Rhodius abrasive they are operating pretty much on a very high capacity utilisation so that is not a challenge and what we are really looking at is the challenge of price drop or expectation of the price drop from the customer vis-à-vis our situation of passing on the cost and thereby the price increase so that is where this current struggle is and we are working towards that.

Amit Anwani: Right my last questions Sir on electrominerals. VAW we did highlight in the last quarter we are already at 85% and we are witnessing a decent growth there so any thought on capex there or any outlook you would like to give on the capacities in the VAW?

Sridharan Rangarajan: No as I said in the previous question we are operating at probably to the brim there and we just added a cell last year and we will not hesitate adding capacities. We will wait for some stability in the geopolitical situation before we start adding capacities. The normal capex programs that we do besides the silicon carbide in terms of the refractories and abrasives are all very much on and that we have made an on ground investment there.

Amit Anwani: How much is the capacity Sir in VAW right now?

Sridharan Rangarajan: How much is that.

Amit Anwani: Capacity in VAW?

Sridharan Rangarajan: Capacity is about 90,000 tonnes of silicon carbide.

Amit Anwani: Thank you Sir. All the best.

Moderator: Thank you. The next question is from the line of Karan Gupta from Varanium Capital. Please go ahead.

Karan Gupta: Basically my question is related to the industry front where we are working on abrasives or ceramics, and industrial ceramics so we are more on B2B product right so how do you see the B2B products panning out in the premiumisation story where the B2C products which is on a year all the consumer products right which goes to direct the end consumer? They are all on the premiumisation part so where do you see the next five years or may be 10 years the B2B products segment which is all using the manufacturing side right so that is not panning out in India about the manufacturing story and industrialisation this thing so how do you see this thing?

Sridharan Rangarajan: Yes, I think it is a great observation. I think India is witnessing a lot of investment in high-tech manufacturing as well as some of the new tech industries coming into India so definitely the B2B what you call as industrial products definitely will be in demand and products that we have practically do not have any business to consumer type of a product we have all B2B and probably a channel could be different but I think by and large it is that type of application and we see I think a great opportunity for a company like us in terms of what India would present to us as it goes from the current to say third position as the government wants to by 2030. Definitely a far more greater opportunity for companies like us will be there.

Karan Gupta: Okay so the differentiation in the products will be on the basis of the competitive advantage in making in the B2B segment which is more related to the cost effectiveness right on the basis of cost advantage we can make the competitive advantage or anything we can introduce in this B2B segment as overall industrial basis not abrasives may be anything which is related with the manufacturing side so I am just trying to get your broader view on this?

Sridharan Rangarajan: Look I think some of the businesses that we are all in actually it require a lot of processing and technology skill sets are required. It is just not the costs which acts as a competitive advantage. Perhaps you start with cost as an advantage but predominantly it is the value that we create both out of the technology as well as out of the processing capability plus the integrated value chain that we possess in terms of the minerals that we will have and which is manufactured by us helps us to get integrated into both abrasives, ceramics and the refractory products so these are value opportunity that we will be able to create and bring the differentiation.

Karan Gupta: Okay and just the last one is how to tackle this thing the China or the other let us say manufacturing countries are dumping the product so how do you tackle in the long term so that is something related to my previous question?

Sridharan Rangarajan: I will give a very generic response because we are in a very wide sector that we are looking at. In the long run you have to compete on the values and that is the only way you can compete in any country for that matter and that is what we are working on.

Karan Gupta: The policy will be also beneficial if the governments are implementing about the dumping part so that will be helpful kind of thing?

Sridharan Rangarajan: All right that government should work on taking an active look at antidumping support systems which is I think a very good observation.

Karan Gupta: Sir in the long term let us say you as a company dumping your products in another country right let us say you have two to three segments you are dumping your products in another country so in the long run you will be beneficial in terms of financials or you will be demonstrated? It is just hypothetical question?

Sridharan Rangarajan: I think I am not getting your question right but I think if you are asking us whether we will be going and dumping in some other country the answer is no. That is not our interests and probably we are not playing in those type of field and our scales are not that high for us to start looking at dumping as a way to survive.

Karan Gupta: Fair enough. Thank you.

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

Aditya Mongia: Thank you for the opportunity. The first question was more focused on Russia? Now you talked about a constraint on the supply side but assuming there is no constraint from a supplier perspective given where the globally things are going in China plus one what kind of growth let us say on a five year group block can you see out of Russia?

Sridharan Rangarajan: Aditya I wish we have able to do such kind of a forecast in a country like Russia. You would appreciate that it is amongst many things that is going on at this point in time but what I can tell is that what is going in favor or Russia as a country has got a lot of minerals. This is not going to change overnight and the demand for those minerals will continue to be there irrespective of the political situation that it is facing and the cost positions that they have are really attractive so these are core I would say values that or the advantage that Russia possesses at this point in time and hence I would like to look at it that way and it is difficult for me to give a forecast let us say five years from now what would be the growth if things are normal I think we can definitely look at all possible ways to expand there and this is a good place to work on.

Aditya Mongia: Understood, the second question that I had was again related we talked about realisations from Russia and going up what are the kind of drivers kind of driving that thing up just want to get a sense of because as the mix change that is happening how much more realisation growth can actually happen from here on if capacity is a constraint?

Sridharan Rangarajan: I think the way I would like you to look at it is that so there is a demand inside Russia, right and those demands were met by us as well as by imports. Now the Russian government is also looking at similar programs like Atmanirbhar in terms of supporting the Russian industries as well as supporting the consumption that should happen in a domestic manufactured industry so hence they are also looking at how can they support their ecosystem and they are also facing in terms of sourcing products from outside of Russia so obviously these things help at this point in time so I would say that that is a reason we are also having capability to change the mix and improve the mix in what we sell in Russia and thereby we are able to continue to progress well.

Aditya Mongia: Understood then the final question from my side. First of all congratulations for the new role of the company. From the perspective of how you see through the growth happening from here on how much importance would you be giving to acquisitions from here and I understand the interior supply chain and how it kind of feeds inside does that make you more open to be doing acquisitions and if you can give us some sense across segments that will help us out?

Sridharan Rangarajan: Yes, I think see CUMI has been doing acquisition based on the need it had and how that acquisition brought value to its existing positions. So I think if you ask me I think we will continue that program and we will continue the program in terms of our core areas that would be the area that we will look at it largely in terms of where it can add value in terms of the technology, to support growth in let us say in the ceramics in particular and similarly some of the growth areas that we would look at it in terms of high performing materials. These are areas where definitely we would look at it and similarly we are also looking at how should we revitalise our research setup and improve our capability and bring in let us say not short term objective but really on the long term how CUMI can add value in terms of bringing products- a differentiated product through the research. This is something will be our focus going forward.

Aditya Mongia: Understood. Many thanks for your answers. I will let others ask questions. Thank you.

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

Harshit Patel: Thank you very much for the followup. Sir my question is on Pluss Advanced Technologies. I think in the last annual report you have mentioned quite a lot about what are the new products that you are developing over there including those vacuum insulation box and one order that you have received from a power utility company as well. Sir, could you give us some outline about what would be the growth drivers over there? What kind of growth that we are looking at would that be in excess of more than 20% to 25% or not over the next three to four years and what are the actions we are taking to become profitable over there? I think last time you had mentioned that for the full year FY2024 that segment will become profitable so are we on track with respect to that or not?

Sridharan Rangarajan: All right so I think as far as Pluss is concerned they are working on multiple segments. The key focus segment is building is one key focus area which is basically how do you reduce the energy intensity of a building. Then the second area is the cold chain which is largely how do you supply products from what is produced is efficiently supplied to the market and there are current methods of serving them in terms of reefer trucks type of the model and how do you make use of PCM as an alternate. Similarly, the other area is transportation of vaccines and transportation of medicines. All these areas auger well in terms of the PCM product applications. They also have polymer as the third vertical. That is also that key focus area. What currently we are doing is bringing out newer and newer applications and demonstrating to the customers in terms of the use of it and convincing them to shift and this is actually is the process that takes time because there is going to be an initial first cost which is going to be higher but a lifetime cost is going to be lower but also you are having a very, very green conscious cost that you will have but it takes time. In India it’s not going to be easy for converting from a traditional solution to a solution like this but that is what our team is working on. From a small base their growth rates can be higher and that size I still feel that we should give them a couple of more years before we start presenting and reviewing them in terms of focused lens. People like you can start looking at that so I would say it is something that we nurture at this point in time. Let us allow them that space and then we will wait for their growth.

Harshit Patel: Understood Sir. Thank you very much.

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

Bhavin Vithlani: Thank you for the followup. Sir regarding the previous answer many confusion? You mentioned the SiC prices in Russia have been going up but in the domestic EMD you mentioned about drop in the realization so if you could answer in two ways? One is the quantum of price increases in Russia and quantum of price drop in India over the last quarter in the Y-o-Y items and if you could just help us understand this better?

Sridharan Rangarajan: Yes, I think it is a good observation. I think what we talk in India is largely alumina based material and what we are talking in Russia is a silicon carbide and material coming from Russia into India is pretty expensive and that is not to be compared so here we are talking about materials coming from China into the Indian market and bringing the prices down. Basically it is I would say not on a fair basis but let us say it is a dumping that would happen but I do not believe that they can continue to keep on doing this so we feel that we are able to match sometime the prices based on the volume and we are able to continue to keep the utilization and the capacities on stream and that is why you are seeing that the growth sale, margin improvement is there and we feel that there will be also continued such programs but at the same time we are also moving lot of value added products that gets supplied which helps us to not based on a commodity based discussion but actually the value adds that we could bring down so that is what we are currently working on.

Bhavin Vithlani: Could you give us the price realisation change in Y-o-Y in this quarter both in domestic and in Russia?

Sridharan Rangarajan: I am sorry Sir at this point I will not be able to discuss that.

Bhavin Vithlani: No worry. Sir so last question is what is the capital expenditure planned for the current and the next financial year and how would that be across the three divisions?

Sridharan Rangarajan: So last year we spent about to close to Rs.300 Crores is the consolidated capex spend and we would generally we should be ballpark in that range this year as well.

Bhavin Vithlani: And how would that be different across the three segments?

Sridharan Rangarajan: I would say for ease I think you can take one third and one third but it could be some somewhere 25% and somewhere it could be 35% but ballpark it is one third.

Bhavin Vithlani: Thanks for taking my questions.

Moderator: Thank you. The next question is from the line of Jason Soans from IDBI Capital. Please go ahead.

Jason Soans: Thank you for taking my question. What I just wanted to know is when I really do understand that you are well backward integrated through your electromineral section for manufacturing abrasives as well as certain ceramics as well but I just wanted to know like in the terms of proportion how much do you source in house and how much is taken externally or bought externally as a percentage?

Sridharan Rangarajan: So typically let me call it about 25% to 30% would be sourced our abrasive division would source from our electromineral and the rest is all sourced outside.

Jason Soans: Right okay so 25% to 30% is sourced internally in the abrasive segment and the rest everything is sourced from outside?

Sridharan Rangarajan: Right.

Jason Soans: Yes thanks for that sir and Sir my next question is when you did speak about the increase in Chinese competition in your abrasives segment as well as electro minerals segment as well especially towards the Alumina side now I just wanted to know the ceramics business also I think around 50% to 60% is exports and China is basically stepping up intensity there in terms of competitive intensity so just wanted to know from your sense how is the Chinese competition playing out in terms of the ceramics business there in terms of the global scenario how are you seeing Chinese competition play out in your ceramics business?

Sridharan Rangarajan: So as far as the ceramic business is concerned look I think we have wear ceramics and we have the other one is the industrial ceramic side of it. There could be competition coming in the wear mass ceramic side of it which is like base level ceramic that will be coming for protecting against the ware but on the other side we do not see a competition. Obviously on the wear side we are definitely getting into the value added solutions like engineering solution plus supplying the entire rubber backed ceramics, lined ceramics so all those are value added products so where you really work in terms of what the customer finally gets as a value addition in product rather than looking at per kilogram of ceramic supplied so that is how we work.

Jason Soans: Sure Sir and just a follow-up to that I mean you do also supply to emerging areas such as electric vehicles or SOFC and renewable energy so there also would you say the competition the Chinese competition is minimal?

Sridharan Rangarajan: On the SOFC field definitely we do not see that and definitely it is very, very minimum and people actually work with you the customers work with you for quite long time to be part of their design itself so it is not going to just a quick buying decision but it takes time first of all to bring you on board and then it is also going to take time for them to make any change so hence I would say these are areas where people really compete on values.

Jason Soans: Sure thanks for taking my question.

Moderator: Thank you. The next question is from the line of Amit Anwani from Prabhudas Lilladher Private Limited. Please go ahead.

Amit Anwani: I just wanted to understand one thing you did mentioned about wear ceramics and technical. Any proportional breakup if you can provide within industrial ceramics?

Sridharan Rangarajan: Normally we do not share this Amit. The proportion of technical ceramics on the higher side.

Amit Anwani: Okay thank you Sir. Thanks.

Moderator: Thank you. That was our last question. I would now like to hand the conference over to the management for closing comments. Over to you Sir.

Sridharan Rangarajan: Thank you for being part of this call and actively participating in our business. Your questions and comments really help us in a lot of times. I would like to summarise here is that I think the performance of Q1 is really good and electrominerals, ceramics, non-retail portion of abrasives are performing well. Russia and South Africa is doing fine. Awuko is progressing well. Softening of demand in Europe it needs to be addressed as far as Rhodius is concerned. The Company is debt free and I think the margins are improving. We will have a reasonable growth for this year and I think with that I would like to complete the call and looking forward to seeing you in the next call. Thank you.

Moderator: Thank you. On behalf of Kotak Securities that concludes this conference. Thank you for joining us. You may now disconnect your line.