

## Press Clipping

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 **The Resource Centre**

Q & A

K Srinivasan  
Managing Director

# CUMI eyes the world, set to flex acquisition muscle

CARBORUNDUM Universal Ltd (CUMI), part of the \$ 2 billion Murugappa Group, has been on the growth trajectory both organically and inorganically in the last few years. With a capex of Rs 350 crore for expanding capacity in India and Rs 200 crore invested in six acquisitions, including two Indian companies, in the last 3 years, CUMI is expected to cross the Rs 950 crore mark in 2007-08. While consolidating its latest Russian acquisition of Volzhsky Abrasives Works (VAW), the company is eyeing further acquisitions in Russia, Africa and China during the current year to strengthen its presence globally and make itself self-sufficient in raw materials for its abrasives business. Abrasives are used in various applications like polishing in the woodworks, construction, fabrication and general engineering industries. Managing Director, K Srinivasan spoke to **Shobha Mathur** of *The New Indian Express* about the company's future plans. *Excerpts:*

**CUMI has been growing aggressively through the inorganic route. Your roadmap for the future...**

We will continue to grow both organical-

ly and inorganically during 2008-09. CUMI is looking at further acquisitions in Russia, China and Africa in the abrasives and ceramics business during calendar year 2008. Both Russia and Africa are rich in mineral resources like bauxite and alumina that are needed by the abrasives industry and these acquisitions will enable CUMI secure natural resources and a low cost energy base. The energy cost of Rs 1.80 in Russia is a third of that in India. We are looking at acquiring several companies with a turnover of \$ 5 to 50 million, which are state owned, and marginally profitable manufacturing companies. We can buy them out, modernise them and quickly turn them around. No longer attractive for private equity players, these companies will make CUMI's 'deal pipeline' full. Domestically, a capex of Rs 100 crore is planned for funding growth of over 40 per cent in FY' 09. This will be funded through internal accruals and long-term local borrowings, sale of surplus land around Chennai worth Rs 25 crore and disinvestments of non-core investments worth Rs 50 crore.

**How is your Russian acquisition progressing?**



K Srinivasan

We are consolidating our VAW acquisition. With an upturn in mineral prices by about 30 per cent, VAW will generate a PAT of 10 per cent in the first year of operations. VAW is the largest producer of silicon carbide abrasives in Russia besides bonded abrasives and specialty refractories. With a shortage of SiC and Brown

fused alumina grains production in the world, VAW will do well, achieving sales of \$ 90 million during CY 2008 compared to a target of \$ 80 million. A low energy cost and silicon carbide supply from VAW to CUMI's facilities in India will enable CUMI play a larger role in micro-grid production used in photo voltaic cell manufacture. CUMI's current micro-grid production capacity in India is 2,500 tonnes. This will be scaled up to 10,000 tonnes in the next 3 years opening up a huge market for the company with new solar cell plants planned by Reliance, Moser Baer and others.

**Your plans for China...**

We will make definitive investments in China. At the Jingri-CUMI Super Hard Materials Company Ltd, the joint venture with the Chinese public sector organisation, the new resinoid bonded abrasives facility commenced operations in December 2007. The facility for manufacture of vitrified bonded abrasives has also gone on stream. But due to the forthcoming Beijing Olympics, the government has clamped down on capital creation and raised environmental issues to reduce pol-

lution before the Olympics. This has resulted in cost pressures as well as availability of raw materials to the Jingri plant. The Jingri plant has a production capacity of 3,000 tonnes of bonded abrasives per annum. But the plant will be able to report a revenue of Rs 85 crore compared to a target of Rs 100 crore in the first year, due to the above. We plan to further strengthen our presence in China by setting up a greenfield or brownfield project or through another acquisition this year.

**When will production start at the Metallised Cylinder plant at Hosur?**

The Metallised Cylinders project at Hosur will become operational from September 2008. The plant will produce ceramics cylinders, which are the heart of switchgear; used in the manufacture of vacuum interrupter bottles that provide stability in power transmission lines. Some of the orders booked for the first year are from Eaton Corp. ABB and Crompton Greaves. The plant will generate sales of Rs 50 crore per annum, but this year the plant is expected to achieve half of it.