

**CARBORUNDUM UNIVERSAL LIMITED**

'Parry House', 43, Moore Street, Chennai - 600 001. India.  
Tel. : +91-44-42216789 Fax : +91-44-42216149 Grams : 'CUMI'  
Email : cumigeneral@cumi.murugappa.com Website : www.cumi.murugappa.com



10<sup>th</sup> November 2010

The Secretary  
Madras Stock Exchange Ltd.  
Second Line Beach,  
Chennai 600 001

*Fax No.25244897*

**Stock Code : CRB**  
**By hand delivery**

Mr Bhushan Mokashi  
DCS-CRD  
Bombay Stock Exchange Ltd.  
1st Floor, New Trading Ring  
Rotunda Building, P J Towers  
Dalal Street, Fort  
Mumbai 400 001

*Fax No.022 22723121 / 22722037*  
*22722041 / 2061 /*  
*22723719 / 2039*

*Tel 022 – 2272 1233 / 34*  
*Extn – 8247 / 8010 / 8014*  
*Direct Tel:022-22721121/2375*  
**Stock Code : 513375**  
**By Speed Post Ack. Due**

The Manager  
Listing Department  
National Stock Exchange of India Ltd.  
Exchange Plaza, 5th Floor  
Plot No. C/1, G Block  
Bandra-Kurla Complex, Bandra (E)  
Mumbai 400 051

*Fax No.022 26598237 / 38*  
*022 26598347 / 48*  
*Tel No.2659 8452 / 26598235 - 36*  
*26598100*

**Stock Code : CARBORUNIV-EQ**  
**By Speed Post Ack. Due**

Dear Sirs,

We enclose herewith 6 copies of the circular sent to Shareholders regarding half yearly Results.

Thanking you,

Yours faithfully  
**For CARBORUNDUM UNIVERSAL LIMITED**

**S DHANVANTH KUMAR**  
Company Secretary.

Encl :



# CARBORUNDUM UNIVERSAL LIMITED

"Pary House", 43 Moore Street, Chennai - 600 001, India

Tel: +91-44-42216789 Fax: +91-44-42216149

Email: [investorservices@cumi.murugappa.com](mailto:investorservices@cumi.murugappa.com) Website: [www.cumi.murugappa.com](http://www.cumi.murugappa.com)



**murugappa**

8<sup>th</sup> November 2010

Dear Shareholders,

## **Unaudited Consolidated Financial Results for the six months ended 30<sup>th</sup> September 2010**

It gives me great pleasure to share with you the performance of the Company during the first half of the current financial year.

### **Consolidated Top Line Summary**

Consolidated Net Sales for the half-year was Rs. 760 crores (Rs. 601 crores for the same period of 2009-10), an increase of 26%. All business segments i.e abrasives, electrominerals and ceramics witnessed substantial growth. This was made possible by the improved market conditions in all major geographies in which the Company operates. Demand pull was strong from all major customer segments. Capacity utilization was at its peak across most business segments driven by high order inflows.

### **Consolidated Earnings Summary**

Operating EBITDA (i.e Earnings before Interest, Tax and Depreciation and Other Income) for the half year grew by 30% from Rs.112 crores to Rs. 146 crores. Depreciation for the half year was higher at Rs.25 crores (previous year Rs.23 crores) consequent to the capital expenditure of the current year and also the full impact of the capital expenditure of last year. Interest costs were lower at Rs.13 crores (previous year Rs.18 crores) as a result of the low interest rate regime, as also higher cash generation from operations. Profit before tax and exceptional items was at Rs.109 crores (previous year Rs.75 crores), a growth of 46%.

The Company continued its strategy of divesting non core assets to fund its growth initiatives. This yielded a one time profit of Rs.23.5 crores. As a result, profit before tax was higher by 77% i.e Rs.132 crores versus Rs.75 crores last year. The Net profit after tax increased by 85% (Rs.85 crores versus Rs. 46 crores).

### **Consolidated Segmentwise Performance**

#### **Abrasives**

Abrasives, which is the largest business segment, registered an increase of 22% in revenues. Consolidated sales for the half year was Rs.328 crores (Rs.268 crores for the corresponding period of last year). This growth was made possible by the higher off take from various market segments in India, Russia and North America.

Sales of abrasives of the company, on a standalone basis registered a growth of 20%. Off take was strong particularly in the direct customer segment. Marketing initiatives were focused on generating sales from the more profitable segments of the market. Bonded abrasives witnessed stronger sales growth than the coated segment, where competition continues to be intense. Competition was stiff both from local and international players. Market share was retained through product differentiation and by leveraging application engineering skills. Sterling Abrasives, which caters to certain high margin segments of the bonded abrasives business, registered a 37% growth in sales. Wendt India, the joint venture with Wendt GmbH, which addresses the super abrasives market, registered a 60% growth in sales.

In Russia, sales of abrasives registered a 72% growth over last year. Growth was driven by improved off-take from auto, auto component and steel markets. The Chinese operations primarily focused on servicing the requirements of thin wheels and other abrasives of the Indian and Russian operations and customers in Europe and Middle East. The operations have been stabilizing and performance will further strengthen in the oncoming quarters. Sales of abrasives to the North American markets, through CUMI America and CUMI Canada stood at Rs.6 crores (previous year Rs.7 crores).

The overall profitability margins of the abrasives business improved. Profit before interest and tax in absolute terms, increased by 45% i.e. from Rs.28.6 crores to Rs.41.6 crores.

## **Electrominerals**

Electrominerals, the second largest business segment continued its strong performance run, with a 33% growth in half-yearly sales (Rs.285 crores vs Rs.214 crores). All major product groups viz. silicon carbide, fused alumina and zirconia did well recording higher sales.

The electro minerals business in India did well registering a growth of 27%. All three major product groups viz. silicon carbide, brown fused alumina, white fused alumina registered higher sales. The market for fused minerals was positive with all user industries doing well. Off take from all user industries viz. abrasives, refractories and engineering was strong. Price realization showed an increasing trend. The photovoltaic market is back strongly after the recessionary trend seen in Europe, during the last year. With an increasing interest from the US, India, China and Japan, the photovoltaic industry is once again in an investment mode and ramping up of capacities. This has helped the Indian operations to increase sales of silicon carbide micro grits compared to last year.

Silicon carbide sales of Volzhsky Abrasive Works, Russia, increased by 34%. In South Africa, Foskor Zirconia Pty Ltd., which is on a comeback trail, consolidated its first half performance with a 71% growth in sales. Profitability of the business continues to be under pressure given the steep appreciation of the South African currency and increase in input costs.

Profit before interest and tax of the electro minerals business, increased by 23% i.e. from Rs.45.8 crores to Rs.56.5 crores. Despite the increase in input costs, the business improved its overall profitability by leveraging the benefit of increased sales coupled with tight control on fixed costs.

## **Ceramics**

The Ceramics business registered a 25% growth in half-yearly sales (Rs.165 crores vs Rs.132 crores). Both product groups viz. Industrial Ceramics and Super Refractories performed well.

In Super Refractories division, both fired refractories and monolithic recorded higher sales. Off take from Carbon Black, Cement and Steel industries was strong. Anti-corrosives recorded lower sales due to lower project orders.

In Industrial Ceramics, sales of metalized cylinders continued to grow at a brisk pace with important new customers being added. Exports of wear resistant tiles continued to do well, with strong off take from North America and South Africa. In Australia, CUMI Australia registered lower sales during the half year due to intense competition from China.

The Company's joint ventures, in the refractory business, viz. Murugappa Morgan Thermal Ceramics Ltd. and Ciria India Limited registered a 33% and 70% growth in turnover respectively.

Profit before interest and tax of the Ceramics business segment, increased by 20% i.e. from Rs.25 crores to Rs.30 crores.

## **Outlook**

With the mood in the domestic economy being positive and the global market segments catered to by the Company's various businesses gathering momentum, the growth trends of the first half of the year is expected to continue during the second half of the year.

The consolidated unaudited financial results for the six months ended 30<sup>th</sup> September 2010, which was published in accordance with Stock Exchange requirements is enclosed.

I thank you all for your continued support and patronage. As we are nearing the end of the year 2010, I would like to take this opportunity to wish yourselves and your families a very Happy and Prosperous 2011.

With warm regards

**M M Murugappan**  
*Chairman*

**CONSOLIDATED FINANCIAL RESULTS FOR THE PERIOD ENDED 30th SEPTEMBER 2010  
UNDER CLAUSE 41 OF THE LISTING AGREEMENT**

(Rs. In Lakhs)

| Sl. No. | Particulars                                                                               | Quarter ended (Unaudited) |              | Half year ended (Unaudited) |              | Year ended (Audited) |
|---------|-------------------------------------------------------------------------------------------|---------------------------|--------------|-----------------------------|--------------|----------------------|
|         |                                                                                           | 30.09.2010                | 30.09.2009   | 30.09.2010                  | 30.09.2009   | 31.03.2010           |
| 1.      | Gross Sales/Income from Operations                                                        | 42682                     | 33637        | 79373                       | 62294        | 133082               |
|         | Less: Excise duty recovered                                                               | 1838                      | 1183         | 3362                        | 2194         | 5107                 |
|         | Net Sales/Income from Operations                                                          | 40844                     | 32454        | 76011                       | 60100        | 127975               |
| 2.      | Other Operating Income                                                                    | 1803                      | 266          | 2819                        | 857          | 2692                 |
|         | <b>Total Income (1 + 2)</b>                                                               | <b>42647</b>              | <b>32720</b> | <b>78830</b>                | <b>60957</b> | <b>130667</b>        |
| 3.      | Expenditure                                                                               |                           |              |                             |              |                      |
|         | a) (Increase)/decrease in stock in trade & Work in progress                               | (178)                     | 693          | (562)                       | 1209         | 613                  |
|         | b) Consumption of raw materials                                                           | 11906                     | 9371         | 23210                       | 17137        | 36994                |
|         | c) Purchase of traded goods                                                               | 2315                      | 1383         | 3482                        | 2204         | 3571                 |
|         | d) Employees cost                                                                         | 4604                      | 3856         | 9066                        | 7520         | 18078                |
|         | e) Power & Fuel                                                                           | 5835                      | 3622         | 10817                       | 6739         | 16476                |
|         | f) Depreciation                                                                           | 1279                      | 1145         | 2517                        | 2262         | 4448                 |
|         | g) Other expenditure                                                                      | 9794                      | 7598         | 18240                       | 14967        | 31059                |
|         | h) Total                                                                                  | 35555                     | 27668        | 66770                       | 52038        | 111239               |
| 4.      | Profit from Operations before Other Income, Interest & Exceptional Item                   | 7092                      | 5052         | 12060                       | 8919         | 19428                |
| 5.      | Other Income                                                                              | 95                        | 223          | 134                         | 294          | 728                  |
| 6.      | Profit before Interest & Exceptional Item                                                 | 7187                      | 5275         | 12194                       | 9213         | 20156                |
| 7.      | Interest                                                                                  | 611                       | 758          | 1298                        | 1750         | 3083                 |
| 8.      | Profit after Interest but before Exceptional Item                                         | 6576                      | 4517         | 10896                       | 7463         | 17073                |
| 9.      | Exceptional Item (Refer Note No. 4)                                                       | -                         | -            | 2349                        | -            | 70                   |
| 10.     | Profit from ordinary activities before tax                                                | 6576                      | 4517         | 13245                       | 7463         | 17143                |
| 11.     | Tax expense                                                                               | 2116                      | 1545         | 4065                        | 2561         | 5604                 |
| 12.     | Net Profit from ordinary activities after tax                                             | 4460                      | 2972         | 9180                        | 4902         | 11539                |
|         | Add: Share of Profit / (Loss) from Associate                                              | 9                         | (132)        | (125)                       | (70)         | 29                   |
|         | Less: Minority Interest                                                                   | 358                       | 193          | 597                         | 265          | 1395                 |
| 13.     | Net Profit after tax                                                                      | 4111                      | 2647         | 8458                        | 4567         | 10173                |
| 14.     | Paid up Capital (Face value Rs. 2 per share)                                              | 1867                      | 1867         | 1867                        | 1867         | 1867                 |
| 15.     | Reserves excluding revaluation reserve                                                    |                           |              |                             |              | 57149                |
| 16.     | Basic & Diluted Earnings per share (Rs.) not annualised                                   | 4.40                      | 2.84         | 9.06                        | 4.89         | 10.90                |
| 17.     | Aggregate of public shareholding                                                          |                           |              |                             |              |                      |
|         | - Number of Shares                                                                        | 53187345                  | 53101661     | 53187345                    | 53101661     | 53113577             |
|         | - Percentage of shareholding                                                              | 56.97%                    | 56.88%       | 56.97%                      | 56.88%       | 56.89%               |
| 18.     | Promoters and Promoter group Shareholding                                                 |                           |              |                             |              |                      |
|         | a) Pledged/Encumbered                                                                     |                           |              |                             |              |                      |
|         | - No. of shares                                                                           | 876400                    | 941400       | 876400                      | 941400       | 876400               |
|         | - Percentage of shares (as a % of the total shareholding of promoters and promoter group) | 2.18%                     | 2.34%        | 2.18%                       | 2.34%        | 2.18%                |
|         | - Percentage of shares as a % of the total share capital of the company)                  | 0.94%                     | 1.01%        | 0.94%                       | 1.01%        | 0.94%                |
|         | b) Non-encumbered                                                                         |                           |              |                             |              |                      |
|         | - No. of shares                                                                           | 39304487                  | 39310939     | 39304487                    | 39310939     | 39366255             |
|         | - Percentage of shares (as a % of the total shareholding of promoters and promoter group) | 97.82%                    | 97.66%       | 97.82%                      | 97.66%       | 97.82%               |
|         | - Percentage of shares (as a % of the total share capital of the company)                 | 42.09%                    | 42.11%       | 42.09%                      | 42.11%       | 42.17%               |

**CONSOLIDATED SEGMENTWISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT**

| Sl. No. | Particulars                                                           | Quarter ended (Unaudited) |               | Half year ended (Unaudited) |               | Year ended (Audited) |
|---------|-----------------------------------------------------------------------|---------------------------|---------------|-----------------------------|---------------|----------------------|
|         |                                                                       | 30.09.2010                | 30.09.2009    | 30.09.2010                  | 30.09.2009    | 31.03.2010           |
| 1.      | <b>Segment Revenue</b>                                                |                           |               |                             |               |                      |
|         | Abrasives                                                             | 18004                     | 14441         | 32824                       | 26848         | 55073                |
|         | Ceramics                                                              | 8621                      | 6809          | 16547                       | 13241         | 28571                |
|         | Electrominerals                                                       | 15261                     | 11979         | 28528                       | 21394         | 47891                |
|         | Others                                                                | 601                       | 560           | 1199                        | 1144          | 2412                 |
|         | <b>Total</b>                                                          | <b>42487</b>              | <b>33789</b>  | <b>79098</b>                | <b>62627</b>  | <b>133947</b>        |
|         | Less: Inter-Segment revenue                                           | 1643                      | 1335          | 3087                        | 2527          | 5972                 |
|         | Net Sales/Income from operations                                      | 40844                     | 32454         | 76011                       | 60100         | 127975               |
| 2.      | <b>Segment Results (Profit (+) / Loss(-) before interest and tax)</b> |                           |               |                             |               |                      |
|         | Abrasives                                                             | 2453                      | 1640          | 4161                        | 2864          | 5170                 |
|         | Ceramics                                                              | 1491                      | 1271          | 3036                        | 2488          | 5553                 |
|         | Electrominerals                                                       | 3575                      | 2666          | 5646                        | 4575          | 10276                |
|         | Others                                                                | 56                        | 160           | 171                         | 317           | 660                  |
|         | <b>Total</b>                                                          | <b>7575</b>               | <b>5737</b>   | <b>13014</b>                | <b>10244</b>  | <b>21659</b>         |
|         | Less : (i) Interest                                                   | 611                       | 758           | 1298                        | 1750          | 3083                 |
|         | (ii) Other un-allocable expenditure / (income) net                    | 388                       | 462           | 820                         | 1031          | 1503                 |
|         | Add: Exceptional Item (Refer Note No. 4)                              | -                         | -             | 2349                        | -             | 70                   |
|         | <b>Total Profit Before Tax</b>                                        | <b>6576</b>               | <b>4517</b>   | <b>13245</b>                | <b>7463</b>   | <b>17143</b>         |
| 3.      | <b>Capital Employed (Segment Assets - Segment Liabilities)</b>        |                           |               |                             |               |                      |
|         | Abrasives                                                             | 35408                     | 37989         | 35408                       | 37989         | 41204                |
|         | Ceramics                                                              | 28886                     | 26679         | 28886                       | 26679         | 28446                |
|         | Electrominerals                                                       | 24892                     | 19742         | 24892                       | 19742         | 26651                |
|         | Others (including unallocable)                                        | 24183                     | 24439         | 24183                       | 24439         | 11793                |
|         | <b>Total</b>                                                          | <b>113369</b>             | <b>108849</b> | <b>113369</b>               | <b>108849</b> | <b>108094</b>        |

## 1. Statement of Assets and Liabilities

(Rs. in lakhs)

|                                                       | As at<br>30.09.2010 | As at<br>30.09.2009 | As at<br>31.03.2010 |
|-------------------------------------------------------|---------------------|---------------------|---------------------|
| <b>Shareholders' Funds</b>                            |                     |                     |                     |
| Share Capital                                         | 1867                | 1867                | 1867                |
| Capital Reserve on Consolidation : Joint ventures     | 206                 | 206                 | 206                 |
| Reserves and Surplus                                  | 64706               | 52057               | 57214               |
|                                                       | <b>66779</b>        | <b>54130</b>        | <b>59287</b>        |
| <b>Minority Interest</b>                              | 5233                | 4424                | 4900                |
| <b>Loans Funds</b>                                    |                     |                     |                     |
| Secured Loans                                         | 24150               | 38144               | 26887               |
| Unsecured Loans                                       | 17054               | 11988               | 16860               |
| Long Term Lease Liability                             | 153                 | 163                 | 160                 |
|                                                       | <b>41357</b>        | <b>50295</b>        | <b>43907</b>        |
| <b>Deferred Tax Liability (Net)</b>                   | 4545                | 4151                | 4494                |
| <b>Total</b>                                          | <b>117914</b>       | <b>113000</b>       | <b>112588</b>       |
| <b>Fixed Assets (Net)</b>                             | 51020               | 50204               | 48763               |
| Capital work-in-progress (including capital advances) | 2066                | 3253                | 4393                |
|                                                       | <b>53086</b>        | <b>53457</b>        | <b>53156</b>        |
| <b>Goodwill on Consolidation</b>                      | 8506                | 7877                | 8485                |
| <b>Investments</b>                                    | 6666                | 7683                | 7790                |
| <b>Current Assets, Loans &amp; Advances</b>           |                     |                     |                     |
| Inventories                                           | 25219               | 23176               | 23518               |
| Sundry Debtors                                        | 31099               | 25796               | 28003               |
| Cash & Bank Balances                                  | 6297                | 4013                | 4693                |
| Loans & Advances                                      | 7763                | 10984               | 6089                |
|                                                       | <b>70378</b>        | <b>63969</b>        | <b>62303</b>        |
| <b>Less: Current Liabilities &amp; Provisions</b>     |                     |                     |                     |
| Current Liabilities                                   | 20701               | 19986               | 17039               |
| Provisions                                            | 21                  | —                   | 2107                |
|                                                       | <b>20722</b>        | <b>19986</b>        | <b>19146</b>        |
| <b>Net Current Assets</b>                             | <b>49656</b>        | <b>43983</b>        | <b>43157</b>        |
| <b>Total</b>                                          | <b>117914</b>       | <b>113000</b>       | <b>112588</b>       |

- During the current quarter, the Company has allotted 12,000 equity shares pursuant to exercise of Employee Stock Options.
- The above results were reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings, held on 27<sup>th</sup> October 2010 and has been subjected to limited review by the Statutory Auditors of the Company. The limited review of the financial results of Subsidiaries, Joint Ventures and an Associate for the quarter has been carried out by the Statutory auditors of the respective Companies
- Exceptional item comprises of profit on sale of land and building amounting to Rs. 2349 lakhs.
- Figures for the previous periods have been regrouped and reclassified, wherever considered necessary.
- There was no complaint pending at the beginning of the quarter ended 30th September 2010. The Company had received 3 investor complaints, of which 2 were resolved during the quarter and 1 was resolved subsequently.
- Summary of Key Standalone Financial Results and Ratios of Carborundum Universal Limited is as follows:

(Rs. in lakhs)

| Particulars                                    | Half year ended |            | Year ended |
|------------------------------------------------|-----------------|------------|------------|
|                                                | 30.09.2010      | 30.09.2009 | 31.03.2010 |
| Total Income                                   | 43421           | 34946      | 75100      |
| Profit Before Tax                              | 8633            | 4161       | 8417       |
| Net Profit After Tax                           | 6259            | 2879       | 5801       |
| Paid up Debt Capital                           | 5000            | 5000       | 5000       |
| Debenture Redemption Reserve                   | 625             | 312        | 625        |
| Debt Service Coverage Ratio (DSCR) (Times)     | 2.46            | 1.47       | 2.39       |
| Interest Service Coverage Ratio (ISCR) (Times) | 9.27            | 5.58       | 6.03       |
| Debt Equity Ratio (DER) (Times)                | 0.51            | 0.81       | 0.66       |

DSCR = Profit Before Interest, Exceptional Item, Depreciation and Tax / (Interest + Long Term Debt Repayments made during the period)

ISCR = Profit Before Interest, Exceptional Item, Depreciation and Tax / Interest

DER = Loan funds / Networth.

- The Company has opted to publish the Consolidated financial results from the current financial year. Standalone financial results are available at the website of the Company : [www.cumi.murugappa.com](http://www.cumi.murugappa.com) and Stock Exchanges: [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com) & [www.madrasstockexchange.in](http://www.madrasstockexchange.in)

for Carborundum Universal Limited

Chennai  
October 27, 2010M M Murugappan  
Chairman