



Carborundum Universal's consolidated Q4 net sales up by 35%

Consolidated Q4 PAT up by 59%
Consolidated PBT (before exceptions) up by 30% for FY0910

Chennai, 3rd May 2010: The Board of Directors met today and approved the results for Q4 and the audited financial results for the year ended 31st March 2010.

Q 4 stand alone performance

Net Sales at Rs. 201 crores (previous year Rs. 162 crores) registered a growth of 24%. All business segments registered double digit growth rates. Abrasives grew by 30%, Electrominerals by 23% and Ceramics by 23%. The revival in various user markets in India helped in achieving the steep growth rates.

Operating profits of the Abrasives Division dropped primarily on account of continued pricing pressures in the marketplace and product mix. Electrominerals profitability was lower on account of product mix and higher power costs. However, Ceramics business improved its profits by 10%.

With the growth in sales and control on fixed costs, operating EBITDA grew by 43% from Rs.22.6 crores to Rs.32.3 crores. Interest cost was lower by 35% (Rs.285 lacs) as a result of the strong cash generation and lower interest rate regime. This helped to compensate the drop in Other non-operating income (which comprises primarily of dividend income) which was lower by Rs.283 lacs primarily on account of the timing of the dividend payouts by various subsidiaries and joint ventures. Consequently, the effect of the increase in operating EBITDA was sustained on the profit before tax which increased by 72% from Rs.11.9 crores to Rs.20.4 crores.

Profit after tax increased by 89% from Rs.7.7 crores to Rs.14.5 crores.

Q 4 consolidated performance

Consolidated net sales (including income from JVs) grew by 35% to Rs.353 crores from Rs.261 crores. Operating EBITDA grew by 46% from Rs.43 Crores to Rs.63 Crores. Apart from the strong performance of the Indian operations, the overseas subsidiaries in Russia, Australia and South Africa, besides SEDCO in the domestic market, performed strongly to boost the overall performance.

Profit before tax registered a 77% growth from Rs.29 Crores to Rs.52 Crores. **Profit after tax grew by 59% (Rs.32 crores vs. Rs.20 Crores).**

2009-10 standalone performance

Net Sales grew by 12% with domestic sales registering an increase of 15%. Exports were at last year's levels.

Due to the weak sentiment in the economy during the first two quarters, the Company managed to register a growth of 3% in its turnover for the first six months compared to prior year levels.



However, the Company registered quarter on quarter growth commencing from the fourth quarter of 2008-09.

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From October onwards, confidence returned steadily to the markets. There was good off-take from several user industry segments including auto, auto components, bearing, steel and general engineering. However project orders was not so encouraging as several major projects got postponed, particularly for super refractories.

As a result, sales for the second half of the year registered a growth of 21% compared to the corresponding period of 2008-09. On a sequential basis, sales for H2 constituted a growth of 13% over H1.

Export sales however continued to be subdued due to the sluggish demand from European and North American markets which continued to be impacted by the recession. Export competitiveness was also gradually being eroded by the steady appreciation of the Indian rupee during the year. However a few of the Asian markets offered some relief. Further, some of the export product lines, catering to select industry sectors, remained relatively less impacted by the downturn.

Despite the weak markets overseas and the appreciating rupee, exports sales were maintained at last year levels of Rs.136 Crores.

Aided by the buoyancy in the second half of the year, all business segments registered double digit growth rates for the full year. With the economy just returning to normalcy, pricing was under pressure, with all players trying to capture the shrinking pie.

Capital expenditure during the year was about Rs.44 Crores, with investment primarily in establishment of the facility for manufacture of silicon carbide microgrits and which was at an advanced stage of completion in the Cochin Special Economic Zone, as of the year end. The anti corrosives project in Katpadi Taluk, Tamil Nadu, which was being executed in a phased manner, has been fully completed. Apart from the new investments, the Company made considerable progress in getting the desired benefits from the various capital expenditure projects commissioned in the past few years.

Operating earnings before interest, depreciation and tax (EBITDA) margins increased by 28% primarily due to 12% top line growth coupled with control on fixed costs and prudent foreign exchange cover policy. Depreciation was higher by Rs.5.6 Crores as a result of the full year effect of capital expenditure projects completed in 2008-09. Interest costs were lower by 12% (i.e. Rs.23.9 Crores vs Rs.27.2 Crores) as a result of the soft interest rate regime and efficient working capital management. Profit on sale of land and building was lower at Rs.70 lakhs as compared to the previous year of Rs.28.75 Crores. Consequently, profit before tax was lower at Rs.84.2 Crores, as compared to Rs.86.1 Crores during the previous year.

CUMI Consolidated Performance

Consolidated sales recorded a growth of 7.5 % aided by the strong performance of the Indian operations.

In Volzhsky Abrasive Works, Russia, sales at RUB 2.1 billion, was at last year levels for the twelve months period ended March 2010. Silicon carbide sales increased by 5% over the previous



year which helped to offset the drop in sales of abrasives and refractory products. The abrasives business showed a decline in sales primarily due to a steep downturn of the Russian economy. The favorable currency movements, lower prices of key inputs, focus on process efficiencies and continued high capacity utilization of the silicon carbide facilities helped the Company to increase profits by 31 %.

In CUMI Australia, sales of AUD 13.44 million were marginally higher by 2% over last year levels of AUD 13.14 million. While business from coal washeries continued to be the mainstay of the business, the Company expanded customer base by adding clients from other mining sectors. While the Operating performance continued to be very strong, there was a 5 % drop in profits for the year due to higher employee cost.

In South Africa, Foskor Zirconia started the year on a very weak note. The plant was shut down for a period of three months in the first quarter due to high inventories in the plant coupled with downturn in the steel industry resulting in low off take for refractories. The strengthening of the South African currency (Rand) further eroded the competitiveness of the business. These resulted in the Company declaring an after tax loss of Rand 7 million in the first quarter. However concerted efforts were taken by the Marketing teams to increase customer base, explore new geographies and diversify into other industry segments. Sales picked up from August 2009. The new initiatives helped the Company end the year with a turnover of Rand 133 million constituting a 7 % increase over the previous year. As a result of the overall improvement in operating levels in the last three quarters, the Company ended the year with a marginal loss of Rand 0.6 million (compared to the first quarter loss of Rand 7 million).

The demerger of the Chinese joint venture into two separate entities, one for abrasives and the other for diamond / diamond tools business was completed on 30th December 2009. Effective that date, the assets and liabilities of the Abrasives division were transferred to a wholly owned subsidiary CUMI Abrasives and Ceramics Company Limited. However, other statutory approvals were not received till end March 2010. Consequently, the Consolidated results reflect the financials for the nine months period ending December 2009 only. The CUMI consolidated results for the year, includes a loss of Rs.6.3 Crores, arising out of the Chinese operations in the first nine months ending December 2009. Performance of the joint venture was impacted due to lower capacity utilization of the abrasives facilities and high overhead costs of the Joint venture. With CUMI getting full control over the abrasives business, a concrete plan has been worked out for stepping up operating levels and leveraging the presence in China.

In the Middle East, CUMI Middle East did well and the CUMI branded products continued to gain wider acceptance. The Company has been building a good network of dealers and customers and revenues grew by 22 % despite the difficult market conditions. CUMI America registered significantly lower sales during the current year at USD 0.6 million as compared to last year sales of USD 1.2 million due to tepid market conditions in the USA. Due to the lower turnover, the Company ended the year with an after tax loss of USD 0.12 million. At CUMI Canada, sales were lower at CAD 2.4 million compared to CAD 3.2 million last year. The Company's efforts to refocus on Ceramics product lines helped it to offset to some extent the lower sales resulting from the downturn in the housing market. The Company ended the year with a loss of CAD 0.8 million, compared to the previous year loss of CAD 1.1 million.

In India, Murugappa Morgan Thermal Ceramics Limited, the joint venture with the Morgan Crucible plc. (which is in Fibre Refractory business) improved sales by 13 % over previous year. Ciria India Limited, which is also a joint venture with the Morgan Crucible Group, engaged in



designing and installation of refractory systems, registered sales of Rs.333 million, about 3% lower than last year. Wendt India Limited's consolidated performance grew by about 11% in spite of a 29% drop in exports, with the Company focusing on supply of precision components along with the traditional super abrasive tooling business, for select customers. Sterling Abrasives continued to register good performance with a growth of 11% in sales by focusing on niche product lines. With tight control on costs and focus on high margin products, the Company registered a 47 % increase in net profits. Southern Energy Development Corporation Limited, the natural gas based power generation Company operated at near full capacity. The power generated by the Company helped the various manufacturing facilities of CUMI located in Tamil Nadu to mitigate the difficulties arising of the power cuts. Net Access India Private Limited which is in IT facilities management increased revenues marginally by 4%. Net profits increased by 28% through cost reduction efforts.

Consolidated PBT, before exceptions, registered a growth of 30% from Rs.131 Crores to Rs.171 Crores. After considering exceptions, consolidated PBT grew by 7% (Rs.171 crores versus Rs.160 crores in the previous year). Profit after tax was lower at Rs.102 crores (previous year Rs.104 crores) primarily because of higher non operating profits due to asset disposals during previous year.

Dividend

The Board has recommended a dividend of Rs.2 per share on face value of Rs.2 per equity share for 2009-10. Last year, a similar dividend of Rs.2 per share was paid.

The audited financial results are enclosed.

About Murugappa Group:

Headquartered in Chennai, the Rs. 15,907 crores (USD 3.14 bn) Murugappa Group is one of India's leading business conglomerates. Market leaders in diverse areas of business including Engineering, Abrasives, Finance, General Insurance, Cycles, Sugar, Farm Inputs, Fertilizers, Plantations, Construction, Bio-products and Nutraceuticals, its 29 companies have manufacturing facilities spread across 13 states in India. The organization fosters an environment of professionalism and has a workforce of over 32,000 employees. The Group has forged strong joint venture alliances with leading international companies like Mitsui Sumitomo, Foskor, Cargill and Groupe Chimique Tunisien to consolidate its status as one of the fastest growing diversified business houses in India. For further information about Murugappa Group visit www.murugappa.com

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