"Carborundum Universal Limited Q1 FY17 Earnings Conference Call"

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Moderator Ladies and Gentlemen, Good Day and Welcome to the Carborundum Universal Limited Q1 FY17 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kashyap Pujara from Axis Capital Limited. Thank you and over to you, sir.

Kashyap Pujara: Hi, Good morning, friends. And thank you for standing by. It is a great pleasure to have with us the Management of Carborundum Universal for their Q1 FY17 earnings call. From the Management side, we are being represented by Mr. Srinivasan, who is the Managing Director and; Mr. Sridharan – the CFO and Mr. Raja Mukherjee – Sr. GM -Internal Audit and Strategy. Without taking too much time, I now hand over the floor to Mr. Srinivasan. Over to you, sir.

K. Srinivasan: Good morning, Kashyap and good morning all of you there. Happy to be talking to you after a very good quarter. And even happier to be talking to you on a day that fledgling 67 year old democracy has demonstrated bipartisan support to do what is good for the country, which even very mature democracies across the world are struggling to do. So it is a good day to start and good numbers to talk with.

Let me quickly take you through the broad numbers, and then we will go more in detail with Sridhar.

Consolidated sales at Rs. 526 crores was up 10.5% on the top-line. Profit at PAT level went up 21% at Rs. 40 crores. So that is broadly the numbers on a consolidated basis. And as you know, all this is now with the new IndAS system, so Sridhar will explain more in terms of how that has impacted us.

Abrasives, we had a good quarter, we had Rs. 246 crores top-line growth of 15% over the corresponding period last year. Sequential growth, which is very unusual actually, because normally in abrasives like you know, Q4 is good and Q1 is normally a very lukewarm quarter, we had a 4% growth. I will come back later in terms of margin, because a significant part of this big growth also were on products which do not make big contributions, but we will come to that a little later.

Good news on the abrasives side is that Volzhsky Abrasives finally came into black and abrasives have started delivering good results and we hope to see this getting better as we go forward with the commissioning of the thin wheel business and scaling up of the coated conversion facility

EMD business, the numbers do not say the good story that we have. We did well, we did Rs. 185 crores against Rs. 182 crores, could have been better. Sequentially, we dropped the percentage, primarily because we lost roughly about 2,000 tons of silicon carbide in Russia. This largely came from the fact that we have an external power supply maintenance issue which the Govt has been saying that they will take2 hours a day and fix this, however has taken longer than expected. We hope to catch up in this as soon as the new transformers are in place. Whatever we have lost about 2,000 ton in quarter one and probably another 1,000-odd tons in quarter two, we will catch up in quarter three and four. So this is something which is going to get deferred but we will eventually get it. In terms of CUMI India, we grew 12% sequentially, 12% on a quarter-on-quarter basis but marginally lower sequentially, again this is Q1 in India. Overall, I think this EMD story would get better as we start commissioning the newer plants one by one from Q3 onwards.

Ceramics is a good story, actually in spite of projects still not happening, the consolidated ceramic business grew 17%. Strong growth from industrial ceramics, strong growth from Australia and we expect this to get even better as new Metz line gets commissioned. So really, ceramics story is getting really strong.

The good news about the whole thing in terms of the overall architecture is, standalone grew +16% quarter one and this is very strong growth. Like I mentioned at the beginning, the PAT on standalone basis grew only 10% but that is really because a significant part of this additional growth came from low margin business. The good news is that the standalone sale had 22% of its sale coming from exports, this is now getting stronger and stronger, a testimony of the competitiveness of the products that we make and we expect this to get even more strong as we go forward.

In terms of CAPEX, you knew already that we have spent about Rs. 160-odd crores last year, we spent another Rs. 27 crores. The Board now has also cleared that we go ahead with the Keerithodu Hydroelectric Project that we had won in a tender in Kerala. This is keeping in mind the fact that we already have a Maniyar Hydroelectric Station, a 12 megawatt hydroelectric project operating in Kerala which very roughly can give us about 35 million units to 38 million units of power a year. The new one will be a 21 megawatt project and should take us about three to four years to be ready and can give us between 55 million units to 65 million units of power when it is fully operational. Hopefully at that level we will meet anywhere up to 70% of our increased power requirement in Kerala, this becomes important because we are putting up more and more fusion capacity in Kerala.

So overall, a significant amount of good work has happened in terms of fling IPs, we now have three of our locations certified under DSIR for R&D activity, the number of new products that are being developed and some of them that would be launched and increased tremendously, I expect quarter two to be better and the bigger growth hopefully should start coming in three and four.

So, a very positive as far as the overall business in Carborundum is concerned. Now I am going to request Sridhar to take you through the numbers.

R. Sridharan: Thank you, sir. Good morning to all of you. And I would first cover a few things on IndAS so that we set the basic understanding of the numbers that we presented. So, CUMI has already adopted the IndAS standards and restated the past also under IndAS. We have put a detailed presentation for your reading, please go through that but I would summarize key impact areas.

The first and foremost key impact area is consolidation of joint ventures. The concept of control has undergone a change under IndAS. As per this we will have a joint management in case of MMTCL and Ciria and in case of Wendt it would be treated as associate.

In the earlier I-GAAP, we used to do a proportionate consolidation line by line, now we will take only a share of profit. So Rs. 132 crores of sales comes down and a net profit from the ordinary business activities comes down by Rs. 15 crores because of this. However, this gets added back in the PAT as share of profits from associates and JVs. So the profit impact is not there, however the PBIT margins of the segment has undergone a change and we have also presented that in the note that we circulated. Ceramic has gone down, for example, from 14% to 12.3% and Abrasive has come down from 9.7% to 9%, this has also impacted the ROCE. However, if you see the segmental results, there is a separate line called profit from share of associates and joint venture, the same number comes back but it is not getting added part of segment results.

The second area is cash discount which is, in IndAS terms we will have to deduct it from the sales and report it. We used to report as expense, today you need to report it as net of sales. So that is about Rs. 8 crores of impact on the sales. Excise duty, we need to show this as cost and also needs to be grossed up in the sales.

And as far as the fourth impact areas which is a new concept called Other Comprehensive Income, OCI. In standalone this predominantly consists of impact of change in fair valuation of equity investment which we have with Coromandel Engineering and any change in being a listed company itself that change would also flow through OCI, we have designated to flow it through OCI.

And in consolidation, besides the standalone impact, we will also have the impact FCTR which is Foreign Currency Translation Impact. Please note that this is not a new impact, we used to do this FCTR every time as part of the Reserves, now it goes first in OCI and it flows back to Reserves.

So overall, I would say CUMI IndAS at consolidated level, the sales came down by about Rs. 24 crores, very, marginal and PAT went up by Rs. 61 lakhs, so it is very minor change. So overall, I would say that no impact at all as far as CUMI is concerned. However, please go through the presentation what we have posted.

Now coming to the Q1 performance, at consolidated level we registered a sales growth of Rs. 50 crores over the last year. The operating profit before tax increased by Rs. 7 crores. In standalone, the sales were up by Rs. 52 crores and the profits were up by Rs. 4 crores. The conversion of higher sales into profits were adversely affected by lower other income of about Rs. 3 crores, largely the timing difference coming out of the dividend.

Subsidiary sales dropped by Rs. 2 crores, however, the PBT increased by Rs. 3 crores, this has broadly happened due to lower losses in China. In China we have taken out cost owing to restructuring effort, so you will see that quarter-by-quarter we will start giving better China results.

For sequential movement at consolidated level, we registered a sales gain of Rs. 2 crores, the operating profit before tax was lower by Rs. 6 crores, mainly due to profits from JVs getting reported at PAT level, this results in PAT almost at the same level of Q4 of last year. Standalone sales were lower by Rs. 11 crores, leading to drop in profit before tax of around Rs. 5 crores. The entire Rs. 5 crores drop was contributed by interest, exchange impact and other income impact. That means, the sales volume drop impact on profit before tax was arrested by means of cost control and cost reductions.

Subsidiary sales went up by Rs. 13 crores with nil benefits to profit before tax. This happened due to sales in VAW were marginally higher on a sequential basis owing to better performance in abrasives and ceramics divisions. There were also few benefit out of the translation exchange impact. However, the profits were lower owing to increase in exchange loss which is restatement of their individual P&L and increase in other cost due to the upgradation of the environmental projects that we underwent.

Now let's go by segment:

Consolidated PBIT margin of Abrasives moved from 8.1% in quarter one of last year to 10% in quarter four of last year to 10.9% for the current year. The gain in PBIT in absolute terms compared to last year was about Rs. 10 crores, Rs. 6 crores came from volume increase in standalone – there was sales growth of (+20%) which was converted to Rs. 6 crores in standalone business. Rs. 3 crores came from better performance in VAW Abrasives and lower losses in China by Rs. 1 crores. PBIT gain in absolute terms compared to Q4 was about Rs. 3 crores, VAW contributed to Rs. 2 crores and lower losses in China was about Rs. 1 crores.

EMD – consolidated PBIT margin for Electro Mineral dropped by Rs. 8 crores on quarter-on-quarter basis. Rs. 2 crores of the drop came from Electro Mineral business in India due to higher repair cost and lower power generation in Maniyar. The power generation in Maniyar compared to last year is lower by at least about 20% to 25%. Rs. 6 crores drop came from VAW business-sales dropped by Rs. 13 crores in INR terms lead to a PBIT drop of Rs. 6 crores in INR terms. In rouble terms, sales grew up by 3% and rouble PBIT dropped by 13%. There were slightly lower volumes as Mr. Srinivasan explained and there was higher spend due to environmental upgradation etc. On a consolidated sequential basis, there was a drop of Rs. 2 crores, entirely it came from VAW. Sales were higher owing to benefits out of translation impact. However, the profits were lower due to increase in exchange loss - which is basically restatement in the VAW's P&L and there was higher spend due to the upgradation in terms of the environment.

As far as Ceramics business is concerned – PBIT margins of Consolidated Ceramics business increased by about Rs. 5 crores quarter-on-quarter, largely contributed by the industrial ceramic division in CUMI and CAPL in Australia. On a sequential basis, the PBIT movement was flat and sales was also reflecting the similar trend.

As far as the CAPEX, we did about Rs. 27 crores in the quarter one. We expect to do around Rs. 140 crores to Rs. 150 crores of CAPEX this year. We expect the Rs. 40 crores to Rs. 50 crores of that would be carryover of relocation cost which we have been communicating in the past and fresh CAPEX could be in the range of about say Rs. 50 crores to Rs. 60 crores.

Coming to debt-equity ratio, I think on a standalone basis we are at the lowest, probably at 0.09 as of June 2016 and 0.23 at consolidated level. And the total debt, long and short, working capital all put together is about Rs. 291 crores and the cash in the system is about roughly in the range of Rs. 125 crores. This overall debt stated is without setting off the cash remaining with us.

In terms of the Keerithodu project, we expect the spend will be happening over three years. This year's spend is going to be lower, probably in the range of Rs. 20 crores - Rs. 25 crores at best, then about another Rs. 40 crores - Rs. 45 crores in the balance in the third year. So this spend is not going to happen in one year, we should be in a position to fund this largely out of our internal accruals and probably we will also seek some loan and do that, but predominantly it would be an internal accrual that would help us to fund this project.

If you look at the foreign exchange, how it played overall, the translation gain in consolidation of the sales - quarter-over-quarter about Rs. 24 crores was the gain, translation loss sequentially was about Rs. 17 crores. Foreign exchange loss reported is about Rs. 2.6 crores in the P&L which we can read it separately.

So with that, I would say that by and large the key things for us to focus is completing the projects in terms of Electro Mineral as well as NTK project in industrial ceramics, pretty much in line with the timeline that we are expecting, so that is a key thing to focus and also with reasonable growth that we expect to deliver this year we should be setting a good base for the next year to be the big year for us.

Thank you and let's listen to your question and we will try to answer them.

Moderator: Thank you. We will now begin with the question-and-answer session. We take the first question from the line of Sameer Desai from Finco Capital. Please go ahead.

Sameer Desai: I have only two questions, our consolidated ROCE was 26% in 2012 and current ROCE is 17%, so any plan to achieve that or get the ROCE 26% in coming future?

R. Sridharan: ROCE, see I think we had, this is a trend of 2012 that you are talking about, from that we had black swan moments, few things that happened, we have moved ahead on that. We expect that at least in two years it would get back to that kind of trajectory, first we need to put all these capital work in progress, whatever currently we have, needs to be executed, those should start hitting the sales. So I would expect at least next two to three years we should get back to that level of ROCE.

Sameer Desai: And consolidated EPS also was around Rs. 12 in 2012, so we can achieve that in next two to three years, that level?

R. Sridharan: The overall investment that we have in terms of the plant and machinery and other capacities that we have could definitely take us to at least Rs. 3,300 crores to Rs. 3,500 crores of what we have. So, once these numbers start setting I think it should start translating into better profits and obviously better EPS.

Moderator: Thank you. We have the next question from the line of Pawan Parikh from HDFC Securities. Please go ahead.

Pawan Parikh: Sir, my first question is, in the previous call we had mentioned about three to four growth projects we take it for all the segments, so just wanted to check, I mean what is the development and what is the revenue potential of these projects? And maybe if you can add some more color on these things.

R. Sridharan: You are talking about the relocation of CAPEX ?

Pawan Parikh: Not only that sir, you had said that we are transitioning our business and we are adding some newer projects and newer products to the pipeline, so…

R. Sridharan: Yes, we have communicated largely in terms of the movement of the projects which we relocated from South Africa into India. So that largely consists of three broad segments, one in refractory and two in minerals. In minerals, it consists of semi-friable adding alumina's capacity and then the Bubble Zirconia capacity. We expect Bubble Zirconia capacity to take us to at least in the range of Rs. 85 crores to Rs. 100 crores, semi-friable would be in the range of about at least Rs. 40 crores to Rs. 50 crores and about Rs. 20 crores in terms of the refractories. So that is a broad thing that we discussed last time.

Pawan Parikh: Ok. Sir, if I look at the Ceramics segment, especially in the standalone basis, the growth has been quite good in the last two quarters, it is in good double-digits, while you have always mentioned that projects are not taking off. So just wanted to understand the segment better, where is this growth coming from exactly?

K. Srinivasan: If you look at the Ceramic vertical, there are two parts to it, like you already know, one is industrial ceramic and the other one is the refractory business. The standalone part- industrial ceramic has grown significantly, they have recorded a growth of above 20%. Since we do not have it as a separately vertical, I can give your number, so it is definitely above 20% in the first quarter. And a large part of it is coming from what we call as engineered ceramic which includes the metalized cylinders and a lot of other specialized products going for high end customers. Now this is a space that is developing significantly and we are into this and here we co-create products for high-end applications. See, globally what is happening is we are moving clearly from a metal centric world to a composite or a non-metal world significantly in many of the new applications. Which means, a lot of products are getting developed which uses specialized ceramic and things like that, and there we are now into the chain by which you co-create products for customers and applications. There are many customers with whom we are doing it and this seems to be growing very well. I would not be able to tell you specific customers because we have strong NDA so that we do not disclose that we make it for them. But I can tell you that these are high end products, high end customers.

Pawan Parikh: And sir, lastly, obviously in your opening remarks you have shown a lot of confidence in terms of growth being better in H2 of this financial year, so is this across all the three segments or how would you want to break that up?

K. Srinivasan: Let me go back again to the three verticals. See, Abrasives still is about 70% domestic and here the growth is largely coming from increased activity in the Indian market itself, and that we are very confident. Projects that you are doing on the various fronts in addressing the Indian market, both in terms of premium products using our own specially developed grains, getting better distribution, getting more technology into our sales process, all that is going to help us to continue to grow. We have done double-digit growth in the first quarter, we expect to accelerate even going forward.

Now, Abrasives globally, big piece again for us is Russia, Russia I told you that after a long time we are in black, it will continue to grow. We have the challenge in US but the market is growing but that is a business where we have lost money, we still lose money there, but that is probably one of the finest or the biggest market that we need to address, the business overall in the US market is roughly about $15 million of all three verticals combined. So the Board has approved that we should go ahead and invest up to about $5 million to improve our working capital requirement, etc., and to grow the US market. Significant part of that would be to grow the Abrasive business there and we have to work around and see how we are going to grow this in the US, because that not only is a big market but also allows you to work with some of the high end customers and that will allow you to make products or co-create products which will eventually also be useful in other parts of the world, so that we are mindful of it. And this is true for Abrasives as well as the other parts.

Now Abrasives, rest of the place is pretty small, I mean we have exports to almost 50 countries but this is not very big. As far as China Abrasives is concerned, Sridhar had mentioned, the business model has been completely changed, we have practically shut down our own manufacturing, we now do toll manufacturing with three other companies. These facilities are managed by our people, quality certified by our people, process is controlled by our people and these are being audited by third party customers who have approved it, so they call them the Carborundum line in these factories, and we are actually now delivering products of these lines not only to India but to our customers elsewhere in the world. So you will see that the China losses in Abrasives will practically disappear once the transaction is completed, and that will actually start growing in sales and profit as we go forward. So Abrasives vertical, we have overall, double-digit growth, increasing profits.

The Ceramic vertical, like I said, the refractories and the wear Ceramic largely driven by project is still not happening, and it may not happen for some time, we are mindful of it. But we use the interim period to do a tremendous amount of work in the R&M space, we have established several new applications, in fact, at the AGM we did share a lot of it. And this is actually picking up traction, the R&M activity is picking up traction.

The Australian growth which was traditionally largely driven on coal has also moved to other than coal activities, which is again giving us traction. We are not making the same kind of margins that we used to but the sales is growing and the profits are coming back. And you see that Australia did deliver a good result in the quarter one as well. So Ceramic vertical overall, I would say it is more R&M driven, strong focus on engineered ceramics which we, like I mentioned, we are co-creating products with key customers globally, which means strong growth, strong margins and this business would have strong high double-digit growth with increasing margins.

As far as the Electro Mineral business is concerned, we did see a worse than what we would have expected in quarter one. One single reason if I have to flag off if the 2,000 ton that I would have otherwise delivered out of Volzhsky. 2,000 tons, very quickly translated is $2 million, that is what Sridhar said a Rs. 13 crores sale, which immediately you can do the numbers that is what actually hit us. And this is, I would take it as not a lost opportunity as much as a deferred sale. Hopefully we should get it back, you probably will see a little bit of overhang into Q2 but by Q3, Q4 I hope to get approval to go ahead and fuse higher than approved capacity so that I am able to catch up for this 3,000-odd ton that I have lost. So Q3, Q4 I will be probably back as far as Russia is concerned. Otherwise, till we put up further capacities we cannot do more than 70,000-odd tons that we do. Selling is not an issue, prices are good, market is good.

As far as the Indian part of the Mineral business is concerned, the traditional products are running flat, no big movement either in price or in markets, etc. The new projects are all coming up and these are high margin businesses and there the good news is we have established key accounts already and, I wouldn't say customers are waiting to get it, but they are quite happy to get it as soon as we can start delivering. So this will start coming in little bit in Q2, strongly in Q3, Q4 onwards, and that is going to be the big thing that is going to drive growth. There, it is product made in India, partly used internally and in India but a significant part would be exported. So really that would be consumed in other parts of the world, Europe, America and the rest of the world.

So Mineral business, Russia will come back Q3, Q4; back to usual and with strong margins. Probably, you will see trends of it already in Q2 if I can get the transformer running quickly. So I hope to have it by the next week. And South Africa, again it is a small piece, with all this removed it is only the Calcia Stabilized and Monoclinic which does about 700 tons a quarter. And so that is going to be above water kind of a business but that is not something which we are going to bank on for any big growth or anything like that.

So broadly, quite positive on all the things that is happening. You will see improvement in Q2, but big improvements in Q3, Q4; all across all three verticals.

Moderator: Thank you. We have the next question from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Sir, on the Abrasive front, sorry I came in late so I might have missed your initial explanation, the growth in terms of 20% is very impressive in the domestic market, can you give some idea of volume and price, what was the volume and price growth?

K. Srinivasan: Yes, Madan, I think in Abrasives we did double-digit but not 20%, I wish it is 20% and hope to get there soon.

Madan Gopal: Okay, sorry adjusted numbers.

K. Srinivasan: So the growth is coming up, domestic like I said accounts for +70% of our sales and the growth rate is coming up strongly. If you ask me, it is happening in areas across the board, it is happening in vitrified and the technical product which goes through auto, engineering, etc. The growth is also there for the trade product which is really the sheet goods, hardware items, fabrication tools, etc a whole lot of things. What is not growing as much as we would all like to see growing is the fabrication product which really is the barometer of new projects getting executed. This is still something which all of us are hoping to see happening soon. So in a sense, people are getting more production out of existing plants and existing projects, new projects are not happening as much as we would like to see it happen.

Madan Gopal: Because the number I am referring to is, we have done standalone abrasive Rs. 208 crores compared to Rs. 173 crores, right?

R. Sridharan: You are right, it is quarter-on-quarter we have delivered 20%, that is the number you are referring to. But generally he is explaining that sequential it is not that kind of growth, so he is just explaining the general trend about the overall scenario.

Madan Gopal: But this is something which going forward would sort of moderate in your opinion, this kind of year-on-year growth rate that we are seeing?

K. Srinivasan: It would continue to increase, the growth rate maybe at least that level.

Moderator: Thank you. We have the next question from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.

Ujwal Shah: Sir, I just wanted to understand, Sridhar sir actually mentioned about some environment upgradation happening in VAW, so how much are we spending over there on that?

R. Sridharan: It is roughly in the range of about Rs. 2 crores to Rs. 4 crores broadly is the number in different areas that we are spending.

K. Srinivasan: It has been done actually, we have done that during Q1, so it is already done.

Ujwal Shah: And sir, also in terms of the EMD revenue and margin targets that we had set for FY17, do we still hold by them, do we think we would be able to achieve the lot in second half of 2017?

R. Sridharan: Yes, I think by and large we expect that I think we would still be broadly in line with the numbers that we are expecting. I think Mr. Srinivasan just said that, the challenge is that temporary impact in the volumes in VAW, we would get back to that. So subject to that, I think we will definitely be broadly in line with that.

Ujwal Shah: And sir, also wanted to understand about the Maniyar power plant, so what percentage of our revenue and PBIT is contributed by Maniyar power plant in EMD standalone?

R. Sridharan: We would broadly tell, in terms of our consumption requirement, roughly in the range of 25% to 30% of our consumption is met through Maniyar.

Ujwal Shah: And sir, considering that the rainfall is quite good this season, do we expect better numbers from Maniyar power plant again?

R. Sridharan: See, as far as the general trend, you are right, but in Kerala if you go into the details of it, there is a slight delay in monsoon starting in terms of the rainfall and the disbursement of rainfall is slightly lower compared to the last year, that is why you see that a small drift that is happening in terms of the power generation, but we expect typically Q2 and Q3 is the season there and we expect this to be at least same as last year and we hope that it is better than last year.

Ujwal Shah: And sir, lastly, you did mention that new CAPEX of around Rs. 50 crores to Rs. 60 crores we are planning to do in FY17, where will this investment go particularly, are we enhancing capacity in some conversion?

R. Sridharan: It is largely spread over all the three segments that we have and if you really see our depreciation in a year is roughly in the range of somewhere between Rs. 80 crores to Rs. 100 crores between standalone and consolidated. So Rs. 60 crores is debottlenecking, maintenance capex etc., no particular specific capacity addition is being planned in any big way, there could be some small increases that happens because of the debottlenecking but the major capacities or the movement that we have been doing that, that continues and that is what will happen.

Moderator: Thank you. We take the next question from the line of Vineet Maloo from Birla Sunlife. Please go ahead.

Vineet Maloo: I just wanted to know you spoke about good traction in metallized cylinders, etc., and you explain that these are premium products for premium high end customers. Just want to know what kind of applications go into just to understand a little bit of basics?

K. Srinivasan: See in a power transmission, you heard that it is like our switch. I mean you switch electricity at home with a switch and in large power transmission for high voltage they have what is called as circuit breakers. Now the traditional circuit breakers are either oil quenched, etc. The new range of circuit breakers are called vacuum circuit breakers. So there is a vacuum inside so that when you make and break contact the contact points in it do not get oxidized because there is a high sparking otherwise, so in vacuum you cannot have sparking. Now vacuum to be maintained in ambient temperature, that is outside in the atmosphere for a long period of time, we are talking of 20 years - 25 years you need to have it in material which does not corrode, which can hold vacuum, is almost impermeable, almost zero porosity, i.e it does not get degraded in ambient conditions, temperature, heat, water rain and all that, so that is why ceramic is chosen. What we make is metallized cylinders which are the housing in which this circuit breakers is assembled. So we call them the metz cylinders because they look like a cylinder. Ceramic and metal do not sit together so that is the process, there are very few companies in the world that can make a brazable ceramic joint with the metal and that is the technology part. So we are good at it we probably have in terms of the strength, in terms of the process capability and what we can deliver we rate ourselves at least number one or number two in that and at the moment our current capacities can take us anywhere between 0.8 to 1 million cylinders a year depending on the mix and with the new NTK plant that we have bought. shifted and are in the process of re-commissioning, we can go overall to about 1.6 million cylinders to 1.8 million cylinders a year.

Vineet Maloo: Sir, who are the other players in the industry?

K. Srinivasan: There are not many this left and I think there is a player in Korea that is about the big one is left.

Vineet Maloo: Okay. And sir, about abrasives also you spoke about that you put some technology in your sales process.

K. Srinivasan: Yes, so in fact we did launched it yesterday at the AGM as well to show that we have now apps based tracking of where, what product, where is it available. Depending on who you are whether you are retailer, the wholesaler, a customer or even an investor - How you can get into use an apps based solution to transact in terms of buying products, getting technology support and whole host of things. This is the new one.

But even otherwise we are getting more and more tech based selling I mean all our retail jawan's as we call them who support the retail counters, etc., All have now technology support which is really smart phone based and they could book orders, they can transfer orders they can give deliveries, and they can do a lot of things through that.

Vineet Maloo: And then last question, so how is that China business likely to evolve I mean could you just throw some more light where do you see it in next two to three years?

K. Srinivasan: See China is an enigma it still accounts for a very significant percent of all the manufactured goods at the world be it making steels, cement, aluminum, a whole lot of thing. Consequently, the consumption of all that we make in China is again significant. So, it is something you cannot wish it away. We have to learn to compete, we have to learn to collaborate, and we have to learn to work in China. We have been at it now for at least 20 years and I think what we have now evolved into is to not try and make products there the way we did because realized that there is an asymmetry of cost for manufacture between multinational company and the local Chinese company. So we are now trying to have the advantage of our technology, our knowledge, our people but have the cost advantage of a Chinese manufacturer. So, we now have toll manufacturing process as far as select goods are concerned. Again we will have to pick and choose what we want to do with this way. The high-end premium products which we globally supply those will still be made in India and shipped out there for sales and support. What we will make is what is specific for the Chinese market and for exports which we will do through the toll manufacturing route. We will have a strong sales, technical support process out there in China. There significant sourcing opportunity that is out there. We also have people who scout around continuously to find what is best available in China which can be a part of our value chain.

Vineet Maloo: Okay. And so, our whole idea is that to service mainly the Chinese market only?

K. Srinivasan: Yes, see the we manufacture there to supply to Chinese market as well as to export something into our global operations.

Vineet Maloo: Okay. But predominantly to supply to Chinese market?

K. Srinivasan: The Chinese market is supplied both by premium products made by us in India and elsewhere as well as what is made there so, it is again both. I explain that the high end technical products which we globally supply would still continue to be made in India and those also have good markets in China.

Moderator: Thank you. We take the next question from the line of Aditya Mongya from Kotak Securities. Please go ahead.

Aditya Mongya: Sir, my question was more on the comment made by you earlier on the ROCE of the business going move towards 24%-26% once again over the next two years to three years. Just want to get a sense of when you are thinking through this aim of yours, what is the improvement that you are kind of factoring in terms of let us say utilization where they are right now and when then the will become incremental let us say margin improving and possibly certain key products which will help you reach that return?

R. Sridharan: See, I think typically what we feel at this point in time is that in our capital employed one is utilization is lower and the second is that there are capacities which are on the move. So lets say in the range of say Rs. 100 to Rs. 150 crores of capex that is on the move. On top of that we are going to spend something more to put these costs in India. So when you consider these and then you start utilizing this, then the capacity utilization goes up is what we expect. The ROCE would then improve and that is the basis on which we are telling this.

Aditya Mongya: So, if I were to kind of put it in other way essentially normalization of business operations by itself can lead to such good ROCE so it is less dependent let us say very strong growth happening in the sector as such, decent growth in the sector and normalization operations, it is fine for us to reach at those levels?

R. Sridharan: Absolutely. And also taking it out for example, the reestablishing the China operation from manufacturing capital intensive model to light-capital model in terms of the outsourcing the manufacturing and then addressing few loss making entities. So all these encourages us to expect that the ROCE would go up.

Aditya Mongya: Sir, what was the loss that we booked on the abrasives business in Russia last year?

R. Sridharan: Russia is about roughly on average about Rs. 6 crores to Rs. 8 crores in a year.

Aditya Mongya: And the China loss was how much sir?

R. Sridharan: About Rs. 10 crores China annual basis.

Aditya Mongya: So from a Rs. 68 crores loss in Russia you are basically now…

R. Sridharan: Rs. 6 crores to Rs. 8 crores not Rs. 68 crores.

Aditya Mongya: That is what I was trying to get, sir.

Moderator: Thank you. We take the next question from the line of Kashyap Pujara. Please go ahead.

Kashyap Pujara: I had a couple of questions. One was regarding the power plant, you mentioned that we would be able to generate 50 million - 55 million units of power from the new power plant that we are proposing. Now assuming that in the geography you are, the power rates would be close to Rs. 5.5 - Rs. 6 so, we are talking of had we been purchasing from outside, we would be looking at spending close to Rs. 33 odd crores and if we generate on our own we would basically generate at close to Rs. 7 crores - Rs. 8 crores so which means that the saving would be in the range of Rs. 25 crores which would straight flowdown to PBT so, would that be a right understanding?

R. Sridharan: At the current power cost is because if you see the Kerala power cost has not been increased and it is almost at the same level and one of the lowest power costs in the entire India. In the current cost, you are right and it would in the range of Rs. 25 crores to Rs. 35 crores of adding the profitability.

Kashyap Pujara: So basically on a Rs. 125 crores investment which you could basically lever up to an extent you are going to be comfortably making Rs. 25 crores PBT which is pretty encouraging from IRR perspective.

R. Sridharan: Yes. The IRR would be 21% to 23%.

Kashyap Pujara: That is pretty good decent number. Second thing would be the Russia impact while everyone has discussed and I was pretty upbeat about when I heard that abrasives are now in Russia getting better so, to understand what Mr. Srinivasan said that we did lose out some 3,000 odd tonnes this year which we will make it back in the coming quarters and since you are running flat out which means we would continue to do so. So incrementally the SIC growth towards the end of the year would largely be a function of the export realization and Rouble devaluation in terms of how we look at it from Indian perspective. So, if we are able to make back the 3,000 tonnes in Q3, Q4 my number from SIC Russi, should be higher current year versus last year purely because of export realization and Rouble devaluation - is that a right understanding?

R. Sridharan: Yes, see just to give you a broad perspective is that 2014 - 2015 to 2015 - 2016, there is a huge swing in currency. From 2015 - 2016 to 2016 - 2017, I expect that the currency movements to be normal. So far the movement is decent, having not much swing. Average rate at which we did the translation was about 1.02 last year and currently we are doing at 1.02. So broadly if you talk about 4.2 billion of Rouble sales which is what we are doing and a PAT of roughly about 600 million Rouble to 700 million Rouble. So unless I think there is some exchange movement which happens between Rouble to dollar, euro, etc., it is very difficult to predict these numbers, so I would say that on a Rouble term we expect this volume. If we recover this back we should be in a position of pick-up in Rouble term. Beyond that getting into INR, guessing, etc., is going to be a tough one.

Kashyap Pujara: Sure. But the point I am trying to also add on here is that since your abrasives in Volzhsky are now turning better it would start contributing positively. So then my Volzhsky number which was Rs. 70 crores PAT contribution in consolidated last year has to move up this year including the abrasives which will start kicking in.

R. Sridharan: See, abrasives typically what happens is that the Q4 of abrasives is very low and Q1 always picks up, we see a sign of that you know this trend could continue. We need to wait and watch this. Plus as we said we have been communicating existing capacity is not going to give us anything better than what we have been doing but we are working on two things one is working on thin wheel based project in and Russia and also the converted coated product in Russia. That is what gives us an optimism what we are seeing in the market in terms of seed marketing to see that how it is being responded that is what should really kick start and giving us this one. I do not think the existing capacity would give us an additional volume. So that is how I view the abrasives.

Moderator: Sure. We take the next question from the line of Pavan Kumar from Unifi Capital. Please go ahead.

Pavan Kumar: Sir, I had just two questions, when is sir Bubble Zirconia plant and NTK expected to be commission and what is our present capacity utilization possible?

K. Srinivasan: The NTK plant is being installed as we speak and the machines one by one will have to be tested and put to use, I expect a significant part of it should come into operation in Q3 and Q4 because the biggest external thing on which we have left control is really is getting the gas station which really is from an outsider which is the government thing. All other things are in our control. So, Q3 under the gas station and the gas station comes up Q4 we will be ready so that is about it but it will start kicking in gradually. Infact, whatever equipment we can commission and start it will help us to scale up.

Pavan Kumar: Revenue potential of this additional thing sir additional?

K. Srinivasan: It can give us about 0.8 million cylinders, 0.6-0.8 depending on the product mix and again depending on the product mix anywhere between Rs. 40 crores at least about Rs. 40 crores but it will give a high contribution products.

Pavan Kumar: About the bubble Zirconia plants.

K. Srinivasan: Yes, the bubble Zirconia plant again we hope that it will all be installed and ready in Q3 and we should start blowing in Q4, Q4 we should start seeing sales happening.

Pavan Kumar: Okay. And roughly you gave in an answer to one of the previous participant's question you just talked about Rs. 3,000 to Rs. 3,500 crores of revenues at some point of time but over what kind of time period would you like are you planning to target that particular number?

K. Srinivasan: Yes, at the moment you know that we are at above Rs. 2,056 crores last year and hopefully this year if we try and hit a good double-digit growth we should be able to get to at least about 2,300 - 2400 whatever so we will see how it moves again. Like I said part of it outside of India that is dependent on the translation and whole a lot of things and which is really where big projects are all happening in Q4. So, if market stays and things settle down, next year should be a big year and then the year after we should definitely be stretching everything all the capacities will be on a big stretch and those numbers or even better should happen.

Pavan Kumar: Okay. And would my understanding be right that if in future the next two year - three years whenever you will be stretching those capacities not much of investments would be needed at that point of time since our capacities are right now at may be 70% around.

K. Srinivasan: See we have a number saying that what we are putting on ground will take us to about Rs. 3,500 crores now this is a bit of an excel exercise in the sense we are assuming that all our current production would come as per the plans. I always worry a little bit on this because there are technology changes that will happen, are happening and so there would be always this capability creation kind of an investment that we continuously think of and that is where the whole R&D technology sale is working and we are sort of saying that is always going to be the Rs. 60 crores - Rs. 70 crores that we have to invest to keep this capacity live and contemporary. That would continue to see otherwise what will happen is a lot of it would get dated. So that would be there to keep this capacity and anything beyond that we will really have to come up not just putting the same thing but also the new capacity building capacities so we will have to think it step by step and we must be mindful of the fact that we are clearly moving from a passive material to an active interactive material world.

This is not going to be all very linear it is some step jumps are going to be out there in the next couple of years and the more I look at what we are doing at the R&D the more we interact with leading companies, we find that there are some exciting things that is out there. So, good to take it step by step. So I would say Rs. 3,500 very visible. We have got all our acts together we will get there. I would think there are very exciting things out there. It really leaves it to our capability and imagination how we leverage our current competency capabilities to participate in that very exciting thing that is out there.

Pavan Kumar: And sir, one last question on the R&D spend are what is our trajectory right now and what is the spend that is expected this year and next year?

K. Srinivasan: I will give in two ways as you see a number that is really how it is recorded and the DSIR registered things and what is tax allowed kind of thing and that is 0.71% or something like that. But I would look at something more than what really gets registered. There is this developmental working. So these are guys who are working in our technical cells, technology, the trails that they do, the work and all of that and that we have normally booked off as regular expense and I think that would be another 3% or so, I think there is a quite a good amount of work that is going on out there. So do not judge us by 0.71% that we spend on what you see in the number there.

Pavan Kumar: And if any kind of technological changes happen you will have to spend extra as usual?

K. Srinivasan: I think we will have to drive those changes and I think we will participate in those changes, the changes will not happen on us we would be a part of the change.

Moderator: Thank you. We take the next question from the line of Jignesh Kamani from GMO. Please go ahead.

Jignesh Kamani: Just want to check about your vision and the utilization level from that you mentioned about Rs. 3,000 crores to Rs. 3,500 crores revenue at the peak level so, can you bisect it into what kind of peak revenue each 3 division can have abrasives, ceramic and electro mineral. And second thing, since most of you can say cost are fixed in nature apart from the gross margin so, considering operating margin what kind of peak margin these three division can have?

R. Sridharan: Yes, Jignesh, I think broadly in terms of abrasives we are talking about anywhere between 65% to 75% in some of the capacities on coated side it will be even as high as about 85 plus percentage so it is difficult to put one number to our business in terms of capacity say…

Jignesh Kamani: No, I am talking about potential revenue possibly from other receivable say

R. Sridharan: Yes, that is what I am broadly taking the potential revenue could be in the range of Rs. 3,500 crores and we would not like to put a number at this point in time per segment at this stage.

Jignesh Kamani: Sure. And what kind of peak margin considering operating leverage benefit in all the three can be possible?

R. Sridharan: Yes, abrasives can be in the range of 11% to 12%, ceramics would be in the range of 15% to 16%, electro mineral could be 18% to 20% these are broad indications that one can look at it. It depends on how things really span out at that point in time but it is possible in that range.

Jignesh Kamani: Sure. And my last question is considering all the large part of loss in the international operations is getting over, you are ramping up the new products and everything. So, next two years or three years and considering the current capacity utilization is also minimum , so where will the free cash flows generation in excess of Rs. 500 crores in next three years to four years be utilized?

R. Sridharan: See I do not know where you get that Rs. 500 crores but by and large we expect that it should be in your direction of expectation. We will continue to pay back our debts however little at this point in time. We will continue to invest in CAPEX programs and there are other opportunities at that point in time we can look at it in terms of in terms of expanding capacities as well as rewarding the shareholders.

Moderator: Thank you. We take the next question from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Sir, what will be the effective tax rate for the year?

R. Sridharan: Standalone we are at about 30.5 and consolidated about 32.4 or 32.5 this is what on Q1 basis, I think it should be around when you forecast this should be 32% to 34% consolidated level and it should slowly come down to the level to 31% to 32%. As the losses from China U.S. and all of that goes off, we will be getting back to the level of 30% to 32%.

Moderator: Thank you. We take the next question from the line of Rajendra Mishra from IDFC. Please go ahead.

Rajendra Mishra: Sir, would it possible to throw some light on Wendt India and also some color on the super abrasives markets?

K. Srinivasan: Yes, as far as Wendt India is concerned they had a normal year. They did not do as well as what we would have liked them to, but major things have happened in terms of the repositioning to get it practically there now two years without any kind of technology assistance from the mother company. So they are now independent. They have their own brand largely using the Carborundum brand and exports the Wendt India brand. They have developed their formulations. They have now contemporary products. So I think it has been three years of readjusting the business to live without a partner. They have now crossed all those hurdles. You would see a strong growth in Q1 was good for them. It is a listed company. Numbers are out there. As far as the dispute is concerned, now with CLB being wound up, it has now moved to Bangalore with new national tribunal and we will probably have to sort it out there. We expect that we should find a resolution. I mean there has not been an actual pursue of the settlement of the dispute in the sense. Both parties are actually trying to see whether we can find the resolution.

We are very clear that we would like to buy out the shareholders and make it a part of our super aggressive growth strategy. So that our position from day one, it stays and we have not changed.

Rajendra Mishra: And some understanding on the other super abrasives market is I mean is it different from the normal abrasives or is some different direction there?

K. Srinivasan: See, in Wendt business if you look at it, they did roughly about Rs. 140 crores now on their consolidated because they also have operations out of Thailand and Middle East. About 55% to 60% is real super abrasives and about 40% is now what they call as non-super abrasives which is really precision components and CNC machines etc. So, that is the break up. As far as the super abrasives market in India is concerned, the Wendt part of it is really the premium grinding solution which is really a high end of what we already do in Carborundum. That is the reason why there is a huge connect. Like we do the standard traditional grinding and then you go to a high end CNC machines. You then go to super abrasives for grinding those high end components. So really that is a seamless continuity of our own business and so that needs to be there. And if you look at a trend globally the business in the middle is really not growing which is really the traditional grinding. What is growing is the bottom end of it which is really the cheap and dirty quick finish kind of thing. What is also growing in the top end which is really high end premium grinding which is either being done with ceramic grains today which is what Carborundum builds as well as with super abrasives which is what Wendt does. So, overall this is an existing business that we would like to stay and grow that.

Moderator: Thank you. We take the next question from the line of Vineet Maloo from Birla Sunlife Insurance. Please go ahead.

Vineet Maloo: Sir, another question on China, just wanted to understand so, I understand it might be a big market sector but as you mentioned, there is asymmetry in cost versus a foreign player and a local player. So what is our value addition what do we bring to a table in terms of competing versus those players in China.

K. Srinivasan: See we do not compete with those Chinese players. There is still a significant amount of foreign owned manufacture that happens in China. Almost all the major automotive companies in the world are there. Major auto component companies are there. Quite a few foreign owned enterprises still manufacture in China and they are used to buying a certain standards of products and that is the market that is accessible to us. Today they consume products from a few Chinese company and a decent amount of it is still imported and that is the market that is addressable one by our own manufacture in China as well as the real high end products are actually made in India and shipped to them.

Vineet Maloo: Right. So I understand about the high end product part. So I am just looking at only where we have actually manufacturing or toll manufacturing in China. So this market that you are talking about then who are we competing with this in market and is there a II Tier market in China where sort of slightly inferior quality products is completely different market.

K. Srinivasan: Absolutely, see China is not even II Tire it is multi Tired market. The market we are playing in is a mid-premium segment. The mid segment is what we will make there. We will make for the Chinese market as well as exports which will export through the CUMI channel, be it in Middle East or Europe or U.S. wherever it is and that is the CUMI product certified by the buyer and more that is made in China. It is still significantly cheaper than doing the same thing out of India. So that is the product that we have to continue to build out of China that is mid-tier product that is not the cheap and dirty one, it is mid-tier product but it is a trade product but the high end premium customer product would still be all imported from India.

Vineet Maloo: Okay. And who are we competing with this in mid segment?

K. Srinivasan: There are quite a few Chinese companies, Korean companies, Japanese companies, European companies as well.

Vineet Maloo: Okay. So versus these companies I mean where do we stand in terms of what we bring in versus competition?

K. Srinivasan: Which is the same as we do in India. I mean what we build in India the advantage is our formulation, our input material, the way we put together product is usually superior. I will give a very large understanding of the abrasives industry and our competitiveness and that will probably explain. You look at it - very few industries in India has been not inundated with foreign investments or foreign players after it opened out in 1991. Today you can import a grinding wheel, you pay no duty or you pay 5% of whatever it is. Still in India it's a bipolar almost a bipolar market we hold a significant market share. It is not because of any kind of protectionism it is really coming out of technology in the sense what we have developed in formulations in terms of our ability to engineer a product the way we put it together. So we are competitive and I mentioned also that we have significant exports into developed country again not the cheap and dirty product. So there is a huge amount of competitive advantage in what we make, it does not come only from let us say cheap labor it really comes from the formulations, the input, the design, the way we fabricated the kind of grains we use, the kind of treatment we do to it. There are 20 steps to 25 steps in making a product and the way we make is superior to what others would do and the kind of yield that we will get in this 25 steps rolled through is significantly different from what the normal company can make or get.

Vineet Maloo: Sure. Sir, just pardon me for pressing on this, I just want to understand so, some of these companies you know you mentioned that Chinese, the Korean, and the Japanese so I presume they are already doing business with our target segment customers, right ! They would have also gone through some of these processes in terms of developing products and all. So what I want to understand that what is our strategy to penetrate or you know take away some market share from them this is what I was wanting to understand.

K. Srinivasan: There is no one company that I can mention – not one Chinese company or one Korean company that does it all that we do. So let us say, what is our general competitive advantage, there are certain applications if you want an auto product - let us say if you are looking at a piston rings or cam grinder or a crankshaft grinder - the kind of comprehensive solution that we can bring into that kind of product is significantly different from what others can do. We can take a machine, we can tell them what wheel, what abrasives, what product, we can set it up, we can get them cycle times, we can get them a CPK value, we can get them a kind of output from their machine which very few companies can do so, that is where the advantage that we would bring to.

Moderator: Thank you. We take the next question from the line of Kashyap Pujara. Please go ahead.

Kashyap Pujara: To basically just summarize whatever the discussion has been so far would be that India looks to be a bit doing better you have a positive outlook there. Your Russia business is definitely going to hold on what it is done and most likely improve from here. Thukela losses are behind us. Your China we had loss around Rs. 20 crores - Rs. 21 crores at PAT level last year which hopefully his year or by next year will get completely covered up. So what remains now would be your losses from CUMI America which is around Rs. 5 crores so, do we expect that to get plugged in this year as well that it will go to zero?

R. Sridharan: Kashyap, I think you are getting Rs. 20 crores hopefully from the Annual Report I encourage you to look at that number in a different way so, you are looking at I hope page 84.

Kashyap Pujara: Correct.

R. Sridharan: And that is how you are saying that it is Rs. 20 crores. So, what we have done is we took a standalone impact of China and we took a hit in the China and that is how you are seeing the Rs. 20 crores but this has not impacted the consolidated result of us. So what we have done is that if you have to read the same Rs. 142.7 crores what is reported there in last year in the Annual Report, page 84. I am referring to.

Kashyap Pujara: Yes.

R. Sridharan: That number what you need to do is that you need to make two adjustments to that. One is remove 117 from CUMI abrasives as well as remove 117 from the intercompany elimination at consolidation level -that is step one. Step two is that CUMI International you are seeing a negative Rs. 221 in the same page, you need to add back positive 386 in that number and you need to eliminate same negative 386 intercompany adjustments would leave the same two numbers to be read as 164 for CUMI International Limited and China abrasives should be read as negative 89.3 which is about 9 crores of loss. So, I would read it that way rather then what is being presented.

Kashyap Pujara: So minus Rs. 386 from intercompany and international and negative Rs. 9 in China?

R. Sridharan: CUMI International is today negative Rs. 221.84 in the page.

Kashyap Pujara: Correct yes, from that you need to deduct it to negative Rs. 386 and you offset that with intercompany?

R. Sridharan: Yes, you add386, deduct Rs. 386 from the intercompany elimination. Negative Rs. 221 will turn into a positive Rs. 164 and then the China abrasives losses would turn into negative Rs. 89.3 still the overall number will remain as Rs. 142.7 crores. So what I am trying to convey here is that the Presentation and the Annual Report stays as it was presented by the respective individual companies and that is the way to present. However, in a consolidated way what we look at it is these losses have already been taken by us in the consolidated books in the earlier year so, you need to negate those losses in the intercompany elimination that is what I have done in these two explanations that I gave. I would rather view it as a loss of Rs. 9 crores . Thukela loss of Rs. 7 crores, then you have CUMI USA loss that is how I would read that.

Kashyap Pujara: Sure, understood. But having said that would our international CUMI International and inter segment as a philosophy would it always be offsetting each other?

R. Sridharan: Yes, because what happens is that CUMI International gets a dividend from VAW but that is not going to add to the total overall consolidated result because it is moving from one company to the other so, it has to be eliminated and that is how the elimination happens and plus besides that we have also taken a hit in the CILs standalone on this one. So to make it un-complicated you view it as a simple number of a loss of Rs. 9 crores in China which is a right way of looking it and a loss of about Rs. 7 crores into Thukela factories say about Rs. 5-6 crores of loss in U.S.

Kashyap Pujara: Sure, fair enough and your Foskor Zirconia which is reporting a Rs. 6 crores number now Foskor Zirconia would typically also have the bubble Zirconia facility for at least half of the year, so would it be so - is this a like to like comparison for the earlier capacity?

R. Sridharan: The entire last year there was no bubble Zirconia because we started moving the capacities. We have shut even a year before if you remember that. What we have is just the current capacity and the current profit. And there is as Mr. Srinivasan was just telling there is an interest cost relating to that is there. The Rs. 6.3 crores should go up because we have already paid down the loan all that has happened so it should improve.

Kashyap Pujara: Sure, okay, fair enough. And lastly the in your IndAS accounting when you put the JV, etc., below in terms of profit contributions from there basically you were mentioning about the Morgan Ceramics, Wendt, and Ciria, right?

K. Srinivasan: Correct.

Moderator: Thank you. That was the last question. I now hand over to Mr. Kashyap Pujara for his closing comments.

Kashyap Pujara: Thank you everybody for standing by and thanks to the management of Carborundum Universal Limited to give us time for answering all the questions in a very detailed way. Thank you so much, sir.

K. Srinivasan: Thank you all for your patience, thank you. Thank you.

Moderator: Thank you. On behalf of Axis Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.