"Carborundum Universal Q2 FY 2016 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Carborundum Universal Q2 FY 2016 results 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Farzan Madon from Axis Capital. Thank you and over to you Sir!

Farzan Madon: Thank you everyone for standing by. We have with us the management of Carborundum Universal represented by Mr. Srinivasan, Managing Director, Mr. Sridharan, CFO and Mr. Raja Mukherjee. Sir, over to you!

K. Srinivasan: Good morning to all of you and let me start by wishing you all a belated Dusshera festival celebration as well as Diwali in advance. I hope things turn out well for all of us as we go forward. We had a good quarter. Topline was as expected on a consolidated basis marginally lower at about Rs.514 Crores which is about 5% lower then the previous quarter, but profit was up 67 Crores PBT which is 122% of the corresponding period last year and sequentially also up 9 Crores which is 15% higher. We have been saying that with the lower losses coming out of South Africa we would definitely start seeing profits going up faster than the topline. The topline is down because we do not have the Thukela refractory sale as well as a weaker rouble when you translate Russian business into India. To give an idea, the standalone sale at 325 Crores is roughly about 63% of the consolidated that is a good sign saying that the indian business is getting more stronger, robust, a sharp focus on the standalone operations that has definitely helped us but even in that the bigger part of it has been a strong growth in exports, it is not so much of sales in India. 20% of our standalone sale was actually exports, so that has actually helped us. I will take us through in terms of the three verticals on the geographies very quickly. Abrasives at 236 Crores consolidated was 2% higher than the last year, sequentially it was 11% higher, you must be again mindful of the fact that when you translate the Russian business it is down by almost 30% in rupee terms. CUMI India had 17% sequential growth and 5% on quarter-on-quarter sales growth. Significant improvements in the economy and infrastructure uptake is yet to happen, but we are still seeing market improvements largely based on our strong operational improvement that we are working on. EMD business has shown the best in terms of performance consolidated Q2 sales Rs.178 Crores vis-à-vis 197 of the last year, again must be mindful of the translation of Russian sales in roubles in to rupee and as well as closing down of the Thukela operations.

On a standalone basis, the business grew by 19 Crores. Profits showed a substantial jump, this is what we have been saying with the loss making business being shut down or closed down and shifted to India profits jumped from Rs.3.3 Crores to Rs.33 Crores in the first quarter and 39 Crores in the current quarter. The margins in Volzhsky also grew because they still have about 35% to 40% export in currencies other than in Rouble. Ceramic business at the consolidated level Q2 sales was 114 Crores versus 125 Crores, there is a drop of 9% you must be aware that this is a business which is the most impacted by lower project sales, lower project sale means less of refractories, less of ceramics, so this business did suffer from lower project sales. But there has been sequential improvement compared to the first quarter, so that is a slightly positive indication.

On the Capex, first quarter we did less by Rs.10 Crores to Rs.12 Crores. This quarter we have done significantly overall at H1 we had at about Rs.90 Crores of Capex, well in line to achieve what we are targeting to do.

Quickly on the geographies I will touch, strong growth still in Europe for us. In Europe I include Russia as well. Russian economy is not doing well, but our competitiveness coming out of being a low cost producer allows us to run flat out in Russia, we are selling well in Europe; we are selling well in Russia, strong sales in the US. In the Australian market significantly impacted by the lower commodity prices yet we have improved our market share second highest sales in profits in that geography ever, though the margins are under pressure, so that is broadly on it and the indian market still to see significant tractions, still to see major projects, but the underpinning recovery is still there and we are pushing ahead based on strong operational excellence in terms of making ourselves more competitive. So with that I am going to ask Sridhar to take you through the numbers.

R. Sridharan: Thank you Sir. Good morning to all of you and as usual we will summarize the sales change as well as the profitability change. At the consolidated level, we registered a sales drop of 27 Crores on a quarter-on-quarter basis, which is about 4.9%. Standalone grew by 21 Crores and the profit also went by 24 Crores. So JV and subsidiaries put together about 48 Crores of sales drop. Thukela refractories and Foskor Zirconia had an adverse impact on sales to the extent of Rs.16 Crores largely due to the closing down of TRI operation as well as Bubble plant in Foskor Zirconia. Volzhsky sales were lower by 23 Crores in Indian rupees a drop of 17%; however, on Rouble terms they were growing up by about 36%. In Q2 of the last year, the Rouble to INR remained at about 1.67 while now we are converting at about 1.02 that’s a 39% depreciation. Had the exchange rate remained the same, the sales from Volzhky should have gone up by Rs.50 Crores instead of reporting 23 Crores lower than the corresponding quarter last year.

On a sequential basis at consolidated level, we registered a sales gain of 27 Crores, which is 5.5% gain. Standalone represents 41 Crores increase and JVs and subsidiaries put together about 14 Crores drop. This is largely coming out of Volzhky sales 17 Crores, which is a 13% drop; however on Rouble terms as we explained they are gone up by 2.5% sequentially. In Q1 of this year, the Rouble to INR conversion rate remains that about 1.2 versus the Q2 at 1.02. On an YTD basis, net sales were lower by Rs.55 Crores while standalone sales were up by Rs.36 Crores of which means the subsidiaries and JVs were lower by about Rs.91 Crores. Thukela and Foskor Zirconia, bubble plant shut down resulted in lower sales of Rs.34 Crores, Volzhky reporting lower sales in INR about Rs.42 Crores, subsidiaries, JVs put together about Rs.15 Crores. The first half of last year, the average rate of Rouble to INR worked out to about 1.69 while average rate for this year first half is about 1.11, a depreciation of 34%, so Volzhky in Rouble terms did better, however, when you convert to INR, it results in 14% lower sales. Had the exchange rate remained the same the consolidated sale should have gone up by about Rs.134 Crores, of which Volzhsky alone represents about Rs.127 Crores.

As far as profits are concerned, at PBT level for consolidated quarter-on-quarter increased by about Rs.36 Crores, standalone contributed to 2 Crores, I have eliminated the dividend received from CIL, then the Thukela Refractories business exit and shutdown of bubble plant helped reducing the losses in the last year same period to the extent of 21 Crores. Better performance in Volzhsky and other subsidiaries and lower losses in China are the reasons for the better results. On a sequential basis, the operating PBT increased by 9 Crores, standalone contributed to 4 Crores and JVs and subsidiaries about 6 Crores. On YTD basis, the operating PBT increased by 51 Crores, standalone contributed to Rs.12 Crores net of dividend, Tugela and Foskor shutdown contributed to 26 Crores of gain, better performance in Volzhsky resulted in Rs.12 Crores. So that is the summary of the results.

Now, we go segment wise; abrasives, PBIT margin in abrasive increased from 8.3% in Q2 of the last year and 8.9% in Q1 of this year to 10.8% in Q2 of this year. The margins have improved largely because of the better performance in India, out of the 6 Crores of profit expansion on quarter-on-quarter basis 5.5 cr came from standalone similarly Rs.6.5 Crores out of sequential expansion, 5.7 cr came from standalone. EMD consolidated PBIT margin in electro mineral business had an increased of 36% on a quarter-on-quarter basis, this came from a better electro mineral business in India about 4 Crores lower losses in Thukela and Foskor Rs.21 Crores, better performance in Volzhky 12 Crores. On a sequential basis, the gain was at Rs.7 Crores with entirety of it coming from Volzhsky and CUMI standalone.

Ceramics: PBIT margin of ceramics dropped by 5 Crores on a quarter-on-quarter basis which mainly came from standalone due to lower volumes. The JVs such as MMTCL, Ciria etc., also had lower profit to report.

On a sequential basis, the profit movement went down by Rs.2 Crores almost entirely coming from standalone. Capex as Mr. Srinivasan said that we spent about Rs.90 Crores so far. We said we will do a plan of Rs.175 Crores on a full year basis, last call we said we will be doing it roughly in the range of about Rs.150 Crores, so we still maintain the same. As far as debt equity ratio on a standalone basis, the ratio is currently 0.07 as of June 2015 to 0.11 as of September 2015. Total debt on a standalone basis increased from 62 Crores to 97 Crores as of 2015. On a consolidated basis, the ratio marginally decreased from 0.29 in June 2015 to 0.30 as of 2015. As usual we have been managing the foreign exchange on a prudent basis.

Just to summarize we have so far gone through is that we have taken decision so wherever restructuring was needed. This we have taken last year that the costs were also considered. The stoppage of loss helps our results at this point. Currently, the physical movements of all these actions are taking place. We feel from a year to 18 months from now these capacities will come in. We are pleased with better performance in abrasives in India. When the uptake in the market happens we will be ready to make use of it. We have lower debt and better balance sheet strength as of now. So that is the overall broad summary and we will be glad to take questions from you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Good morning Sir. Congrats on good set of numbers. Sir, my first question is on the domestic abrasive side, till last year we had some market share erosion here, but you seemed to have come back quite strongly in second quarter. If you can broadly explain, what is happening in the market in terms of volume and pricing and how we have performed that will be helpful.

K. Srinivasan: I would say that we are still coming back. We still have some more work to do and we are working on it. We believe that there is still more headroom for getting back market share and to do better. Multiple steps have been taken in terms of our products, in terms of reaching out to markets, distribution etc. Basically nothing major has changed in the market dynamic itself; it is only that we are getting more organized, sharper focus on operational excellence.

Madan Gopal: How was the market done Sir in the first half?

K. Srinivasan: The market has remained about the same as earlier. There is nothing dramatic that has changed in the market. There is no adverse or positive impact in the market. The market remains as it is. There are no new projects, there are no major movements. So, I would say that it is sharper focus on operational excellence that is driving us to get back to market share.

Madan Gopal: Okay. Second on the domestic ceramics and plastics that is standalone ceramics and plastics business, there is a decline in revenue as well as margin has sort of come off. I see the similar thing happening with your peer also. Is there anything changing in this market that is worrying or it is just a quarterly phenomenon?

K. Srinivasan: I think both of us have different things under the same heading, so that you must be mindful of. We do not have the same in that heading. Our heading of ceramics has two parts. It has got the wear ceramic and it has got heat containment ceramic which is refractory. So in our business, traditionally about 50% of this goes towards project revenue. So this is to do for power plants, steel plants, aluminum plants for coal washery, so largely driven on the back of project revenue. Project revenues are still not where it should be or where we expected it to be, so consequently this has been at a bit of disappointment or a stress as of now. What we have done in the last quarter and you will see it increasingly hearing more as we go forward is, in the ceramic part of it, we are doing more of engineered ceramic or value-added ceramic. These are predominantly going through exports, these are metallized parts, engineered ceramics, etc for fuel sales and stuff like that and this business is picking up and it is getting better. As we had already said we have bought a plant from one of the large manufacturers of this in Japan and the plant is also being brought into India with that we see this to a large extent compensating for whatever less growth we would have on the project based ceramic business.

Moderator: Thank you. The next question is from the line of Sandeep Baid from Quest Investment. Please go ahead.

Sandeep Baid: Good morning Sir. Thanks for the opportunity. When we compare your consolidated financials with standalone financials it seems your margins on electro minerals in Russia are closer to 30%, so question is how sustainable are these margins and second when we look at the abrasive numbers, it seems while you are making decent on abrasives in India, but overseas you are just about breaking even, so wanted your comment on that as well.

K. Srinivasan: The Russian margin like I explained in the beginning itself is largely coming out of the back at about 35% or so, we have been exporting in different currencies either in Euro or Dollar. Since the cost is still largely for us in Rouble, this margin has helped us significantly. We have not gone and reduced price or something, because our silicon carbide is not the commoditized part of it. We work together with customer to build requirements and consequently we have not gone ahead and discounted our price, so that has helped our margin. If you ask me if it is sustainable as of now we are completely sold out for the year, we are probably sold out for the first quarter. We cannot produce enough of the silicon carbide, so as of now it looks good. We will have to take it how the currency moves etc.

R. Sridharan: One more point is that the last year the first half, the exchange rate versus current one versus the second half, exchange rate of Rouble to Dollar, it has already depreciated, so that benefit also may not really repeat at this point in time in the second half while broadly yes we will get the gain in terms of the export realization getting better.

Sandeep Baid: Do you think that standalone margins will improve going forward on that?

K.Srinivasan: Sorry.

Sandeep Baid: The standalone margins, do you think that will improve going forward on electro minerals?

K. Srinivasan: The standalone margin is something which should sort of take it quarter-on-quarter, as of today the standalone margin on H1 is about 20.8% on EBIT which is pretty good. I believe we should try and keep it around this that is the best we should look at. We do not think it is going to get any better than this.

Sandeep Baid: If you can comment on the abrasives numbers please?

K. Srinivasan: Can I have your question on abrasives again?

Sandeep Baid: It seems that Indian margins or the standalone margins have improved, when I did up the standalone numbers for consolidated, it seems you are just about breaking even in the international market.

K. Srinivasan: In fact we are actually losing money in the international I could share with that. We explained this. The Russian abrasive business actually went down 30% when I reported back into rupee. The absolute abrasive consumption in Russia has further declined with the recession there and the economic activity being low and this business is entirely targeting CIS market. The abrasives have further shrunk. We have taken out some cost. We are trying to restructure it and we are going forward, so Russia is not contributing. We still have reduced the losses in China, but this is still work in progress, so once we close out on our factory and get this completely into the outsourced model, you will see this making margin profits. The rest of it is fairly small. What we do in other parts in the US, Europe and other places relatively small. So the margin is entirely from what we make in India. The rest of them are still work in progress we still have to get our act together.

Sandeep Baid: Exporting from the Russian facility is not a possibility?

K. Srinivasan: At the moment, we are not doing it. It is a possibility with such a low Rouble rate, but we should get this organized.

Sandeep Baid: If I may ask one more question. You have a product for the solar industry. How do you see that evolving over the next couple of years because there is some pickup in the solar industry?

K. Srinivasan: You are right in that. There is a pickup, we are being cautious because we went if you remember 2011-2012 it was peak of solar and from there we came to very, very low level. There is a pickup. We can see the things are getting better, but we would like to wait and watch how it develops.

Sandeep Baid: Which are the markets for you for the solar product?

K. Srinivasan: Europe and South East Asia.

Sandeep Baid: Product goes into manufacturing of solar cells?

K. Srinivasan: What we make is micro silicon carbide, this actually goes to wafering the poly silicon or the monocrystalline silicon ingot, and they are used in the wafering process.

Sandeep Baid: There is no market in India for that I guess?

K.Srinivasan: None of them are actually doing any wafering in India though there was a talk about it. Most of the people here are only getting the panels and doing the end product.

Moderator: Thank you. The next question is from the line of Kalpak S from Sharekhan. Please go ahead.

Kalpak S: Good morning Sir. I would like to ask you what would be your broad outlook on the next 12 to 18 months given that our strategies which we thought about have been applied now, so what could be the scenario of sales growth in margins.

R. Sridharan: We shared this in the last call. We still maintained the same. We will be roughly in the range of about Rs.2100 Crores to Rs.2150 Crores that range is what we expect for current year and year after we need to wait and see how the whole thing progresses we do not have such a long visibility at this point in time. As far as the margins are concerned, I think on a consolidated basis, we expect the margins on abrasives would be in the range of 10% to 11%, ceramics could be in the range of 14% to 16%, electro minerals will be in the range of 16% to 19%. This is what we expect at this point in time for the full year.

Kalpak S: Okay sir. Incase Industrial uptake takes up light of project expenditure actually starts, so what do you see how much delta you see how much more we can do apart from this, this is status quo projection ? right?

K. Srinivasan: Generally visibility on projects happens at least three to six months in advance. We start getting orders, because we get into project deliveries. Ours go even before the first smoke stack comes up the refractories in the ceramics. As of today, there are significant pipeline of quotations and tenders which we are there, but practically none of them have even come to a technical closure, so I do not see anything dramatic happening in the project at least for the next two to three quarters.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: Hi, good morning and congratulations on a good set of numbers to Mr. Srinivasan and Mr. Sridharan. Ceramics also standalone EBIT margin is comparatively low than the consolidate level. If I remove from consolidate to standalone then it working out. So on international side we are getting much better margin in ceramics?

R. Sridharan: Always international ceramic margins are higher and it is largely…

Bharat Sheth: But almost it is doubled than the domestic?

R. Sridharan: The domestic this time is lower, but relatively our PBIT margin on international business is very high, largely because of the value additions the Australian business does.

K. Srinivasan: There are two issues you must keep in mind. Ceramic like I said vertical has got two parts, it has got the alumina ceramic part and the refractory part. The refractory part always tends to have significantly lower margin compared to the alumina ceramic part. The international business is almost predominantly only the alumina ceramic part. So, it is really not a like-to-like comparison.

Bharat Sheth: Are we seeing in Australian, Canadian and US businesses some kind of stability and growth on ceramics?

K. Srinivasan: Australia has always been for us a very stable growing business. We have a very significant market share though the market itself is under stress. We have actually improved our market share. Our margins are under pressure but the volumes are strong, profits are strong. We are trying to establish a more sustainable business model for the North American market including South America I must say and that is still work in progress that is at this moment not contributing any margin that is at the moment not making money.

Bharat Sheth: Further on the ceramic business as you said that we are working on from moving project side comparatively to more of engineering side, apart from this acquisition, what are the initiatives that we have taken to grow on the ceramics engineering side that you are talking?

K. Srinivasan: What we are bringing in from Japan is only a plant that is being bought and shifted. We are not actually acquiring any business per se. We are only relocating a plant and the customer profile we will take along with that, but there is no acquisition of the company per se. we believe this business has got significant headroom for growth. The engineered ceramic and the metallized device, metallized cylinder business and that would continue to grow. We are doing well and we will continue to grow on this.

Bharat Sheth: Can you give some abrasive currently bonded in coated what level we are operating in each region where we have presence?

R. Sridharan: Roughly in the range of coated we are operating above 85%, bonded we should be operating in the range of 65%.

Bharat Sheth: This is for the consolidated level or standalone?

R. Sridharan: Consolidated, we do not have any Coated. For bonded, we have significant room, but it is better to look at only standalone.

Bharat Sheth: You said that from going ahead first half we have already achieved in electro minerals EBIT margin of round 20% and whereas your full year around 19%. Do we see that EBIT margins, because of this Rouble YOY stabilizing, we are going to have little lower EBIT margin?

R. Sridharan: I think one comment I would like to add here is that our standalone EBIT margin on electro mineral business will have seasonality. The first two quarters we will have the benefit from the Maniyar power generation and what happens is that the second two quarters we do not normally have. So that will definitely pull down the PBIT margin of Maniyar, I have considered that. I have considered movement of exchange rate and the product mix and that is how I gave the range.

Bharat Sheth: Lastly the plant which we are shifting from South Africa this Foskor and Thukela when are we likely to see that adding up on topline?

K. Srinivasan: There are basically three plants that are coming in. One is refractory plant, which is now being commissioned at Jabalpur. We expect it to start coming into commercial production little by little, but basics start up will be in Q4, nothing dramatic will happen in Q4, but it will start up in Q4. The second is the fusion facilities of Thukela which is going into Edappally in Cochin. Again here we expect to start it up in two phases Q4 as well as in Q2 of next year. One will start, half of it will start in Q4, the second will start in Q2 of next year; we will scale up gradually. The bubble plant will probably come and start up only at Q2 or Q3 of next year, because that is a very significant plant and that is going to start up only Q2, Q3 of next year, anything substantial will start happening from there on. So, really what you must project is it is going to be almost one at a time coming in from Q4 of this year, every quarter will have some incremental capacity addition happening.

Bharat Sheth: Sir this 150 Crores Capex that we are planning, which areas we are spending largely?

R. Sridharan: Largely, Capex of movement in Thukela and Foskor, that is what is the biggest one. The rest is all broadly maintenance capex and including this acquisition of plants from Japan for the metallized cylinders.

Bharat Sheth: Can you just give me what will be average tax rate portfolio because first half is around 37%?

R. Sridharan: I think you should see the same continuing going forward until we stabilize the unwinding of both Thukela and Foskor, so we should be in the range, but gradually step wise it will come down, it may take two years, but it will come down.

Bharat Sheth: Okay, to marginal rate?

R. Sridharan: Correct.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from IDFC Securities. Please go ahead.

Bhoomika Nair: Good afternoon Sir. Congratulations on a great set of numbers. On the EMD, I had couple of questions. We are shifting these plants of Thukela and Foskor to India, two questions on this, one is on the cost aspect, how much cheaper will we be terms of producing the same material versus what we would be producing in South Africa and (b) is in terms of from what I understand is in South Africa we had two issues, one was on the production itself where we were not able to scale up the production at a particular cost and two was able to actually get a certain clientele or product acceptance in the market. So while may be the first aspect may be resolved in India by shifting the operations to India and getting the cost structure in control, but how will we address the second part of it. So if you could just address both of these aspects?

K. Srinivasan: I will have to clarify a little bit on this. So there are three plants that are being shifted. There is a refractory plant of Thukela Refractories which was primarily catering to the steel refractory industries in South Africa. South Africa used to produce at its peak about 7 million tonnes of steel; they don't produce even less than half of it now. This plant actually did not have customers, because steel refractories generally are not carried overseas long distance, so predominantly they tend to look for local markets. Historically Carborundum did not address the steel refractory business for various reasons we had explained it earlier, so this plant is being relocated to Jabalpur to address the steel refractory business in India. It will start coming into production from January, so clearly here this plant is to address the Indian market, so it will be competitive, it will make products which are suitable for the Indian market, largely with European technology which was used in addressing the South African market. The original plant was built by RHI which were world leaders in refractories. That is the technology we can use and that is the market, the steel refractories in India is the market we are going to address this with this.

Bhoomika Nair: This refractory plant you can generate what kind of revenue, what kind of capacity will it have?

K. Srinivasan: We will have to go step by step. The plant itself that is being brought here has got again the fired product and the castable; very roughly I am going to give you numbers. It can do initially to start with about 15 Crores a year, so it is nothing very big, so we are going to do it step by step. The investment we are talking of bring in setting it up in Jabalpur, all put together is about Rs.7 Crores to Rs.8 Crores, so it is also not a big investment. Now, the second plant is again the fusion plant at Thukela Refractories which is being shifted to Cochin. The plant was there making largely raw material going into the refractory industry. We are using those equipment and we are modifying it and we are put it in Cochin that is why we are going to do in two parts, commissioning it first, going to commission part of it in Q4 and second part of it into Q2, Q3 of next year. This would make a value-added alumina product. I do not want to specify which alumina product, because it is an export product and we are doing extremely well with this. It is a specialty alumina product that we are going to make out of this. We needed capacity in the sense that we can make it, we are making it, they are exporting it and this plant is being modified to address that business. So to that extent it is coming into manufacture for not making the same product what we made it Thukela. We are only using that equipment. This reshifting and setting up this plant is roughly costing us about Rs.25 Crores. This is not to make the same product; it is to address another business where we already won scale and size.

Bhoomika Nair: Okay and this could be what kind of capacity or potential revenue?

K. Srinivasan: I am going to now give you only half and half, because the first phase of this which is what is going to do in Q4 when run at full capacity can give me roughly about 10,000 tonnes. This really all of it is not the resettling cost, this is a new project per se, and the equipment that we take from South Africa is less than half of the total project cost. Now, the third part is the Bubble Zirconia. This is a plant which is probably even today the finest engineering equipment that I have seen for tilt furnace for blowing bubble, here was a technology challenge. Now this plant is going to be recommissioned in India and that is why I said this is going to happen only in Q3 next year. This is an outstanding product; the challenge has always been how to run it. So we expect that when we recommission it in India with all the training and ways of doing it, we will be able to run it efficiently and deliver products to the global market. There is no cost advantage what we make here would still more than two-thirds or even more of it would be exported. We are only bringing it and doing it in India for the technological challenge. To sum up, one and two are to address Indian market and exports, but for completely different reasons. It is not really simply recycling the same and doing the same. Three is recycling the same that was existing there, doing the same, but we could not do it well in South Africa, we are doing it in India.

Bhoomika Nair: For the Bubble plant, there are enough customers at what we are looking at? Where is the market there?

K. Srinivasan: More than two thirds will be exported. There is a huge market for the kind of product and quality that we would make and with the kind of efficiency this process would allow us to run this plant at, so it is not a market related issue but we will have to get it technically sorted out, here the approximate investment in this project is going to be about 50 to 55 Crores, more than half of it would be for what we would bring from the equipment there, rest of it is the infrastructure other things we will build around it in this place.

Bhoomika Nair: For the Bubble plant, what kind of user industry will be our customers and what kind of export are we looking in?

K. Srinivasan: I am not going to give all the customers. I am going to say broadly this can go to the refractories to color pigments, to nuclear industry, to a whole lot of industries. So you will realize, let say non-cyclical kind of industries and very high value-added kind of industry, where people would be reluctant to make major changes in sources. So these are good industries to work with it.

Bhoomika Nair: Okay, fair enough. That is on the international bit on the domestic micro grit facility, if you can throw some color on domestic because there also we have seen an uptake in terms of both revenues and also margins over the last six months in the first half of the current year. So what is driving the improvement on the topline and also thereby the margin improvement?

K. Srinivasan: In the last call we mentioned that there is an improvement, at least we can smell it coming back, and that the photovoltaic at least we are seeing a few customers coming back. One of the earlier callers also asked about it and I mentioned. I do not want to give too much information on this, but we can see the basic photovoltaic business at least some sense of things coming back, so that what is reason for both the questions that you asked.

Moderator: Thank you. The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.

Manish Bhandari: Good morning Sir. One thing on your commentary which I missed is if you could add up. What kind of turnover we could generate from these three relocations of the facilities when the full completion is over and maybe six months have already gone?

R. Sridharan: I think as Mr. Srinivasan said that as the plant ramping up would take time both from the technical challenges as well as the marketing acceptance and all that type of thing. So if I have to take let us say on a stabilized state these plants we can look at it something like about somewhere in the range of about 4000 tonnes of Bubble Zirconia and we will also have the other alumina because of the relocation that we have. So by and large if you put together, we can look at it something like about $20 to $25 million in terms of topline growth on a stabilized state. Now it could take time but there is broadly one can look at it as number we can look at it.

Manish Bhandari: Are you telling all the three locations put together?

R. Sridharan: Predominant one as we stabilize it could add up to more utilization but I am just looking at it an idealistic situation like average capacity utilization etc.

K. Srinivasan: It is easier to take some tonnages and leave the turnover at the moment, I think we will have to settle down on product mix and how we are going to flow it through. 4000 to 5000 tonnes of bubble about 20,000 tonnes of alumina and about 3000 tonnes of refractory, so this is broadly the capacities, let us see how the value addition comes up.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to the management for closing comments.

K. Srinivasan: All we can say is I must thank the team that has worked very hard in this transition and relocating of plant, it has not been easy. We did not take the easy way out. We did not abandon anything and we have stayed true to our course. We are clearly working on our key strategic levers, sharp focus on operational efficiencies which is what is driving down cost, which is what is making us productive and which is what is making us competitive in all geographies irrespective of what is happening in the external environment. The second one has been to continue to stay highly innovative with a long-term focus. We are not saying there is our quarterly numbers, but I can assure you that significant amount of IPs are being created so that the company continues to address emerging opportunities as we go forward and the third has been to take those tough decisions on the portfolio itself to relocate businesses, close down businesses or to move them into another plane which is more competitive and which has got greater opportunities. We will continue to work on these three and we will see how we can create better value going forward. Thank you all for your patience and for listening to us.

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