

CUMI Gets Aggressive

The Murugappa Group company is aiming for a global top slot.

THE PAST 12 MONTHS HAVE BEEN A watershed for Carborundum Universal Ltd (CUMI), part of the Rs 9,582-crore, Chennai-based Murugappa Group. Two international acquisitions and commencement of operations of its Chinese joint venture—all in a year's time—have catapulted CUMI from just being India's largest abrasives maker to a global player with manufacturing operations in China, Russia and South Africa, apart from India.

In June last year, CUMI acquired



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CUMI's Srinivasan: Has set his sights on BRIC countries to gain a competitive edge

the world's second-largest silicon carbide manufacturer—Volzhsky Abrasive Works (VAW)—for \$43 million. Located in the Volgograd region of Russia, VAW has an installed capacity to produce 65,000 tonne of silicon carbide and 50,000 tonne of bonded abrasives. It also manufactures super refractories. The year 2007-08 also saw CUMI commission its Chinese JV, Jingri-CUMI Super Hard Materials Co. Ltd, which can produce 2,000 tonnes of resin-bonded abrasives and 1,000 tonne of vitrified-bonded abrasives a year. It entailed an investment of \$8 million.

More recently, this month CUMI announced that it was acquiring a 51 per cent stake in Foskor Zirconia (Proprietary) Ltd, a South African company (for around \$25 million) and third largest zirconia producer in the world with an annual capacity of 4,200 tonne. "When we drew up our strategic intent, it was decided that CUMI's focus would be on high performance material—abrasives, ceramics and refractories. The game plan was to become a global leader in this segment," says K. Srinivasan, Managing Director, CUMI.

To achieve this, the company had devised a four-pronged strategy that involves organic growth, acquisitions, last-mile connectivity to customers and innovative products. It has invested more than

\$100 million in green field expansions in India over the past four years. This includes a 3,000-tonne bonded abrasives facility in Uttaranchal, tile and met cylinder plants in Hosur and a refractory unit in Ranipet (Tamil Nadu). Its existing facilities are also being expanded. "As far as our acquisitions are concerned, they will preferably be in BRIC countries. Our businesses, by nature, are energy and material intensive. In our view, it is the BRIC countries that will have long-term sustainable competitive advantage when it comes to mineral and energy," says Srinivasan. That explains CUMI's investments in Russia and China. In the US and Europe, it is looking at acquisitions that offer niche brands and customers. "We do not plan manufacturing facilities there," notes Srinivasan.

As a result of these investments and acquisitions, CUMI expects its revenues to jump to Rs 1,500 crore in 2008-09. Its total consolidated income in 2007-08 was Rs 991.70 crore and profits stood at Rs 118.87 crore. "We hope to have consolidated revenues of Rs 2,000 crore by 2010 and emerge among the top three or four players in the world," says Srinivasan, adding, "going forward we think we can be the world leader." It's a different wind that's blowing through the conservative Murugappa Group company.

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