

Operator

Good evening, ladies and gentlemen, thank you for standing by. This is Sonia, the moderator for your conference call today. Welcome to the post results conference call of AIA Engineering Limited. We have with us today, the management team of AIA Engineering Limited. At this moment, all participants are in a listen-only mode. I would now like to turn the conference over to AIA Engineering management team. Please go ahead.

Kunal Shah, Executive Director, Finance

Thank you, so much. Thank you all for joining us on this call. This is Kunal and I have Sanjay here with me. I'm also introducing my colleague Vivek Rathore on this call who'll be assisting Sanjay and I in our investor interactions. Okay, to start with, I'll start with the highlights for the quarter. We did a top line of 507 crores and EBITDA of about 102 crores and which is about a 20% EBITDA and a profit after tax of about 66 crores.

Now, the first highlight for this quarter is, there is a charge of about 31 crores that we've been speaking and talking about as far as our US litigation matter was concerned. We finally settled the matter with Magotteaux and that brings an end to our ongoing US litigation. The total advance money paid was \$7.2 million dollars and so the balance 1.2 is what we've received back and the \$6 million charge has now been passed into the profit and loss.

So all figures that you see include this charge and this expense in our line items. So please make a note of that. So if you add back that figure, we've got about a percent, a few basis points higher margin compared to the second quarter. Overall, if I were to give a commentary on the quarter, we believe that our efforts to pass through prices is getting fruition. We're continuing to make inroads in our mining space and so that is one of the reasons.

Second is, we've seen a good improvement in our dollar realization as our old contract expire, so the weighted average for this quarter is around 60 to every \$1 that we realized, so that is one of the -- and third is the product mix for this quarter. We've done more castings as compared to what we've done historically in the first and the second quarter of this year. So if I were to go on the rupees per ton realization, it's at about INR120. We've done about 42,000 tons of sales, it's 41,900 odd. So about 42,000 tons of sales in quantities is what we have done which translates to about INR120 a kilo, which is a combination of the dollar/rupee price and the product mix also.

Moving on onto mining sales, we've done about 25,500 tons of mining sales. So we've done incrementally better than what we have done in the first two quarters. From a balance sheet standpoint, we've got cash of 680 crores, we've got loans about 130, got about 550 crores of net cash. Of course, that includes about 60 crores or 65 crores and we still have to pay for the ongoing brownfield expansion. So you can consider net of that proceeds that will flow out. Our cash on hand would be just under 500 crores.

We've got raw material days at about 31, with slight improvement from what we did in September. Inventory finished goods have gone up by two days, it's at 46. Debtors is a little higher at 76 days and creditors are also a little higher at 45 days, so we've done -- our gross block stands at 592 crores. I think that sums up the basic update as far as figures are concerned.

We continue -- I think, we believe that we are at an inflection point, all our efforts over the last four, five years in the mining space has given a sufficient confidence that we are accepted and recognized as a good quality supplier. Clients are willing to place their full orders with us and which demonstrates their confidence in AIA being able to deliver, so that's very encouraging for us.

Our brownfield expansion is expected to get commissioned this month. We are in the final stages of commissioning and we should start commercial production soon, which should give us about 50,000 tons of additional -- 50,000 tons to 60,000 tons of additional capacity. And so in fiscal '14 and '15, we should see net tonnages increase between 20,000 tons and 30,000 tons.

So, this year, for nine months, we've done about 130,000 tons, we're at 128 odd or (inaudible) 130,000 tons. We will do about 44,000 tons, 45,000 tons in the last quarter. So, we should close the year with about 172,000 tons, 174,000 tons and which should add between 20,000 tons and 30,000 tons next year, so it is the guidance for the group at large for the next year.

As far as our profit margins are concerned, we've been maintaining that we work on lot of shifting times, lot of variables that we have to deal with on a day-to-day basis. It's difficult to have a crystal ball and give an estimate on where that figure should be, but

clearly we are past our 16%, 17% ,18% EBITDA base and will be difficult to estimate beyond 20%, 22%. 23% EBITDA margins is what we are confident we should be able to do. And that's what I think will be our guidance for the next year.

Sanjay?

Sanjay S. Majmudar, Independent Non-Executive Director

Yeah. Just a couple of things which I think Kunal may not have highlighted, one is on the status of the current ongoing brownfield expansion. We are on track, most of the work is done and by February, March, we should start looking at it. We have also more or less frozen the CapEx plans for our Kerala Phase I and Phase 2 expansion program GIDC, Kerala, which we had announced in the previous call and also during the interaction with investors from time to time.

We envisage our total CapEx between the first and the second phase of our greenfield expansion and to be in the range of about 640 crores to 650 crores, roughly around that. And the timeframe is -- as we have shown that is the timeframe that we have been talking about is the first phase of it, we are targeting, should come in production somewhere in March '15 and second phase should be about October '15 and we stick to that.

I think overall the going is good. On the mining front, things are looking up, lot of developments are happening across the globe in various mines and currently as we have said last -- previous call also, there is a capacity constraint which will be easing once the brownfield starts regular production. And we do hope that we should continue to see a good traction.

With this, I will request the moderator to begin the Q&A session.

Questions And Answers

Operator

Certainly, sir. Ladies and gentlemen, we'll now begin the question-and-answer session. We have our first question from Mr. Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal, Analyst

Good evening, sir.

Kunal Shah, Executive Director, Finance

Good evening.

Madan Gopal, Analyst

Sir, congrats for a very good set of numbers.

Kunal Shah, Executive Director, Finance

Yes.

Madan Gopal, Analyst

I wanted to understand, this realization has been improving every quarter now. This quarter you have done around INR120, my calculation says 125. So can you tell us what portion of it was contributed by mix and what portion of it probably had come because of rupee?

Kunal Shah, Executive Director, Finance

Exact arithmetic may be difficult.

Sanjay S. Majmudar, Independent Non-Executive Director Madan Gopal, Analyst

Okay. The remaining INR15 is because of probably -- INR10 is because of rupee depreciation?

Kunal Shah, Executive Director, Finance

INR10, no, it's -- no, what I am saying is, our product mix over a period for our estimation, it's difficult for us to get a break up like that, what I am trying to tell you is 110 is what we should estimate for using for your model going forward.

Madan Gopal, Analyst

Okay.

Kunal Shah, Executive Director, Finance

Because rupee is also difficult to estimate where it will be, all I am saying is that you've done 120, it should be about 120, 112 to 115 in the next quarter, but also product mix has a role to play which is why we estimate to use 110 as guiding schedule when you are doing the model estimate.

Madan Gopal, Analyst

Okay. You said the mix has been better, the volume from castings was better than the grinding wheels, any percentage that you can tell us?

Kunal Shah, Executive Director, Finance

Difficult to do that, of course.

Madan Gopal, Analyst

Okay. What is the volume you said for mining in this quarter?

Kunal Shah, Executive Director, Finance

25,500.

Madan Gopal, Analyst

Okay. Thank you, sir.

Kunal Shah, Executive Director, Finance Madan Gopal, Analyst

Mining is 25,500.

Kunal Shah, Executive Director, Finance

Correct, yeah.

Madan Gopal, Analyst

Yeah, thanks.

Operator

Thank you for your question, sir. We have our next question from Mr. Mayur Patel from DSP BlackRock. Please go ahead.

Mayur Patel, Analyst

Hi, Kunal, hi, Sanjay.

Kunal Shah, Executive Director, Finance

Hi, how are you, sir?

Mayur Patel, Analyst

Good. So just one thing, so our commissioning is almost done you said for the brownfield, so we would be at 260 by March end, right?

Kunal Shah, Executive Director, Finance

Yeah, correct.

Mayur Patel, Analyst

Sir, given this capacity still we are guiding only for 20,000 to 30,000 incremental on a base of 170, 174, which is just 200,000, so is it -- so what's the thought process? Is there an upside?

Kunal Shah, Executive Director, Finance

It will scale up, Mayur, we cannot take orders in anticipation that we'll have 4,000 tons available this month and we start selling, right?

Okay.

Kunal Shah, Executive Director, Finance

It's a highly specialized line. What we are doing here would be among the top three, four lines in terms of capacity it can produce in whole of Asia, okay. It's a large line that we have put up, it's very automated, so it will take time to ramp up. This capacity will not be available all of it on the first day and so we will have to keep scaling up sales as production ramps up basically.

Mayur Patel, Analyst

Fine, sir. Then in future, can we assume, say, if not in FY15 sometime the capacity utilization can go up to 100% or it -- on a normalized basis?

Kunal Shah, Executive Director, Finance

We have in the plan, it has in the past, but ideally 90% is a safe bet to work upon, because --

Mayur Patel, Analyst

90%?

Kunal Shah, Executive Director, Finance

We need to develop capacity for emergency orders and also we can't keep cranking up our equipment to run like that.

Mayur Patel, Analyst

Sure.

Kunal Shah, Executive Director, Finance

So constant equipment maintenance times et cetera, eventually it comes down to 90%, that's what we've seen.

Mayur Patel, Analyst

Sure. And like Sanjay told that you guys have finalized CapEx plan of 640 crores to 650 crores for that Kerala greenfield project, so when is the -- any kind of tendering or ordering of awards or anything is planned, any timelines you can give?

Kunal Shah, Executive Director, Finance

Yeah, we will be starting that for the first phase from next month onwards.

So, Kunal, just last thing, can you guide us any new developments on the mining side, any new customers or anything which is worth sharing with us?

Kunal Shah, Executive Director, Finance

I think, we are on track. Already we've got a large bouquet of clients and customers (inaudible) really I mean it's just on track, nothing significant that stands out, but we are just seeing -- all that has changed over the last six month is that, there is enough confidence to say that, yes, we are okay. I mean 60,000 tons is not a small capacity coming up, especially in such an environment, okay.

Mayur Patel, Analyst

Sure.

Kunal Shah, Executive Director, Finance

And we are talking about consuming that to a large extent in next two years, so that's all, I mean, that we think that we are at an inflection point and I think that macro message is all that we would like to share at this time.

Mayur Patel, Analyst

So, last thing, can you give me this data, what is the forex loss on hedges for this quarter which is booked in other --?

Kunal Shah, Executive Director, Finance

Under 3 crores, because average for the quarter was about 62 or just under and hedges were at about 60.5 or 60.4, so very nominal hedge loss.

Mayur Patel, Analyst

And nine months, what is the accumulated FX loss?

Kunal Shah, Executive Director, Finance

It will be much larger, but like I said, it'll be close to 40 crores.

Mayur Patel, Analyst

Around 40 crores?

Kunal Shah, Executive Director, Finance

Yeah.

Fine, sir. Thanks a lot. I'll come back for more questions.

Operator

Thank you for your question, sir. We have our next question from Mr. Pranav Gokhale from Religare Investments. Please go ahead.

Pranav Gokhale, Analyst

Hello?

Kunal Shah, Executive Director, Finance

Yeah.

Pranav Gokhale, Analyst

Yeah. Good evening, sir. Congrats on good set of numbers. Sir, just as a cross check, if I look at 25,500 being your mining volumes, is there a significant decline in the other segment or non-mining this quarter?

Kunal Shah, Executive Director, Finance

There is no decline, but, yes, cement, I think we expect -- we did about 70,000 tons or 60,000 tons, we should do about 65,000 tons this year, full year.

Pranav Gokhale, Analyst

Okay.

Kunal Shah, Executive Director, Finance

Cement has slightly degrowth this year, this quarter actually.

Pranav Gokhale, Analyst

Yeah, because last I think --

Kunal Shah, Executive Director, Finance

And full year tonnage will also be lower than last year, you are right.

Pranav Gokhale, Analyst Kunal Shah, Executive Director, Finance

No, we have assumed flat pace for the next year. [ph]

Pranav Gokhale, Analyst

Okay. Sure. And, sir, just in terms of the new customers which you have acquired, you must have acquired them during the course of the year, right?

Kunal Shah, Executive Director, Finance

Correct.

Pranav Gokhale, Analyst

In the mining segment, so you will always get the existing -- the full year impact in next year and plus new customers, right?

Kunal Shah, Executive Director, Finance

No, I understand new customers, but we don't have tenure contracts, so who has bought from us for this three months may decide not to buy for six months. So, I mean if you have done 70,000 tons last year, it doesn't mean (inaudible) gets added to that 70, it's a live environment. The tonnage we set in a period is a combination of all we do this year basically. It could include a customer we sold two years back, it could include new customers, so how do you classify customers more for last year and not more for six months in between?

Pranav Gokhale, Analyst

But given your history or given your record, do you constantly see minors moving between yours and the other forged very quickly or is there some inherent stickiness when it comes to --

Kunal Shah, Executive Director, Finance

There is an inherent stickiness, but I am just answering that I cannot answer your question with a specific number.

Pranav Gokhale, Analyst

Sure.

Kunal Shah, Executive Director, Finance

But of course there is a stickiness, that we have been talking about the business model for a while now.

Sure. So the second question is in terms of realization. Earlier on the con-call, say, H1 con-call, you had highlighted that you are -- whatever is the currency gain, in some portion you are transferring it to the minors in a way or you are looking at more volume uptick by sacrificing on some realizations a bit. Still I see realizations improving. It's only product mix or has that changed a bit?

Sanjay S. Majmudar, Independent Non-Executive Director

No, I think what you have to understand is that there is a constant process where new mining customers would be added. Wherever a new customer is added, we do a little bit of competitive pricing as a penetration pricing et cetera. At the same time, all the existing customers slowly and gradually we are moving them to a higher price realization bracket which we have been able to successfully do. Then there is also a factor of a product mix. So, as Kunal explained, if you have higher share coming from the larger castings, then naturally the product mix improves to that extent and realizations will go up.

The third factor is that there is also a currency gain effect which would reflect in good set of numbers and that is what you will see that the normalized EBITDA this quarter is looking even healthier, correct?

Pranav Gokhale, Analyst

Yeah.

Sanjay S. Majmudar, Independent Non-Executive Director

If I knock-off the one-time effect, then the normalized EBITDA looks at about 25%, 26%, right.

Pranav Gokhale, Analyst

Correct.

Sanjay S. Majmudar, Independent Non-Executive Director

And again that we have been continuously guiding or saying that our target achievable, sustainable, continuous guidance is about 22% odd, correct?

Pranav Gokhale, Analyst

Right, sir.

Sanjay S. Majmudar, Independent Non-Executive Director

That does not discount the situation that there is not any further room for margin expansion, however, as a company where we have entered a new segment and now we are entering many new customers, yes, our confidence level is much higher. We see a lot of traction now happening in the existing set of minor customers, as well as the new customers that are coming onboard. We are seeing a very good demand coming from this segment and that strong undercurrents are clearly visible which is making us comfortable and that is why this aggressive expansion, right.

Right, sir.

Sanjay S. Majmudar, Independent Non-Executive Director

However, taking a very strict view, therefore we do not see that should -- that is why Kunal said that about 110 odd for realization looks to be a very sustainable realization at this point in time. That does not mean it cannot improve, it can improve due to many other factors. But it is not that we keep on cutting the pricing or reducing the prices to mines [ph] to increase volumes, that is a wrong interpretation.

Pranav Gokhale, Analyst

Sure, sir. Thank you. The last question is, sir, in terms of this 650 crores CapEx, could you highlight the timing between [ph]this 650 crores you'll expect to be your next --

Sanjay S. Majmudar, Independent Non-Executive Director

About 18 to 24 months.

Pranav Gokhale, Analyst

18 to 24 months. Yeah, sure.

Sanjay S. Majmudar, Independent Non-Executive Director

So between FY14 and '15 and '15, '16, predominantly most of it will be spent.

Pranav Gokhale, Analyst

Okay. Sir, and the last question is on the current hedging, is it over the next six -- what are you hedged at, what rate and how many months of forex are you hedged at currently?

Sanjay S. Majmudar, Independent Non-Executive Director

See, as per our policy, we keep on taking hedge positions by selling forward as we move quarter over quarter.

Pranav Gokhale, Analyst

Yeah.

Sanjay S. Majmudar, Independent Non-Executive Director

Maybe March quarter we are nearly hedged, I would say, to 18%, 19%. June quarter we would be hedged to maybe 25%, 30% and then the September quarter maybe 10%, but as we speak that process continues, it doesn't stop. It's a rolling process on this.

Sanjay S. Majmudar, Independent Non-Executive Director

Yeah.

Pranav Gokhale, Analyst

But what could be the average rate, is it closer to 60.5?

Sanjay S. Majmudar, Independent Non-Executive Director

Actually as we go further, the rate will improve for example this quarter rate is better than the previous quarter.

Pranav Gokhale, Analyst

Okay, sure. Thank you, sir.

Sanjay S. Majmudar, Independent Non-Executive Director

Thank you.

Operator

Thank you for your question, sir. We have our next question from Mr. Ankur Mehra from Motilal. Please go ahead.

Unidentified Participant

Yes, congratulation for the good set of numbers, sir. This is (inaudible) here.

Kunal Shah, Executive Director, Finance

Thanks.

Unidentified Participant

Sir, just one question in terms of the debt in terms of going forward in terms of the expansion for 650 crores, we would be utilizing the existing cash that we have as well as from the operating cash flows, right?

Kunal Shah, Executive Director, Finance

Correct, yes.

Right. So there will be very little reason to borrow any kind of debt going forward?

Kunal Shah, Executive Director, Finance

No, we will need -- today our net cash is under 500 crores and then we will need working capital for the brownfield that comes on-stream.

Unidentified Participant

Okay.

Kunal Shah, Executive Director, Finance

We will look to borrow about INR300 crore -- INR300 crore to INR350 crore.

Sanjay S. Majmudar, Independent Non-Executive Director

But as of now we have not frozen the final -- we will see how it goes.

Unidentified Participant

Okay. So we will be looking to borrow about 300 crores?

Sanjay S. Majmudar, Independent Non-Executive Director

Yeah. But, as I said, it is still in a fluid stage, we will try to -- actually we are going to get the complete pert chart of the project including the monthly cash flow from our engineering section and that will decide, because as Kunal said, we will need some working capital as we increase the capacities and there is a concentrated debt still. [ph]

Unidentified Participant

Right. And my second question was in line with a similar question asked earlier. So in terms of ramp up of capacity, we will be already at 260, so -- and we have this very strong expansion plan going forward. So, in FY15, do we believe that what we are guiding for right now at about, say, 15% in terms of volume growth is more on the reasonable lines and it can overshoot to a great extent?

Sanjay S. Majmudar, Independent Non-Executive Director

Volume growth actually can be higher and as Kunal said, how quickly we are able to ramp up our capacity in terms of actual production, see, today at about 175, 180, I am completely using my existing capacity to be optimum. Correct?

Unidentified Participant

Right.

Sanjay S. Majmudar, Independent Non-Executive Director

Once the 60,000 comes onboard how soon we are able to increase our production is all that will depend.

Kunal Shah, Executive Director, Finance

That also and we can't keep customers on hold saying, boss, I have your order, by the way my production may come up online, maybe scaled up to this that we are in June also. As it gets materialized, we will have to go out and look for orders, so -- and all of this is going to the mines, please understand. So we did about 90,000 to mines, approximately this year, 90,000 tons, 95,000 tons and adding another 50,000 tons is more than 60%, right. So I mean, scaling up 60% in one year is easier said than done.

Unidentified Participant

Right.

Kunal Shah, Executive Director, Finance

So, overall, that 20,000 to 30,000 tons is a fair target for next year.

Unidentified Participant

Right. Sure, thanks. That's it from my side.

Operator

Thank you for your question, sir. We have our next question from Tarun Makhija [ph] from Ambit Capital. Please go ahead.

Unidentified Participant

Hi, sir, thank you for taking my question. Two questions. So you plan to add 240,000 tons of capacity the next three years, what gives you confidence that there is such a strong demand for your product from mining applications in three years?

Kunal Shah, Executive Director, Finance

Actually, Tarun, the brownfield is 60,000, which is already added this year, de facto by the end of this year, we will have that capacity, another 180.

Now you see, as we have explained at length that our philosophy of approaching mining is not only from the current context, but we want to create a different positioning for the company. So we are looking at a much bigger market space where we don't talk of only the secondary or tertiary, but we talk of the whole gamut of products including the primary plus the mining liners, so we become the only company in the world who is able to offer the complete range of products for the mining segment.

Unidentified Participant

Okay. Sir, guide us a little bit from which geography or which metal do you expect this growth to come?

Kunal Shah, Executive Director, Finance

See, currently we are talking across the world, in all major mining pockets like North America, Latin America, then we have South Africa. We have many parts African subcontinent. We have Australia, so Indonesia. There are many, many pockets which we are looking at and we are not really confining ourselves to any particular geography to be honest. Like in cement, we are in more than 95 countries. We believe in mining we will be across the globe wherever mining is happening. And the ores we are talking of, they are the same, that is iron ore obviously, then gold, platinum and copper.

Unidentified Participant

Okay. Sir --

Kunal Shah, Executive Director, Finance

As I explained, we are widening the application bucket which I don't think anybody else in the world in high chrome space has done it so far. And that is where our whole effort is to put us in a different orbit, honestly .

Unidentified Participant

Okay, great. Sir, if I compare the numbers of Magotteaux and Molycorp over the last three years, they also have been growing above the growth rate of metal mining, for example, the growth rate of copper, iron ore and platinum. So who exactly is losing market share globally and from whom are we getting market share in grinding media?

Kunal Shah, Executive Director, Finance

We don't think Magotteaux or Molycorp are growing at all.

Unidentified Participant

Sir, if I look at their published numbers --

Kunal Shah, Executive Director, Finance

That includes acquisitions they have done, my friend. You'll have to maybe dig a little deeper before we come to that.

Unidentified Participant Kunal Shah, Executive Director, Finance

Yes.

Unidentified Participant

I believe that rubber liners were earlier prominently used for mining applications. So --

Kunal Shah, Executive Director, Finance

So, rubber is used in certain applications.

Unidentified Participant

Okay.

Kunal Shah, Executive Director, Finance

For certain type of grinding only metal liners are used.

Unidentified Participant

Can you elaborate a little bit more on that, which type of --

Kunal Shah, Executive Director, Finance

So, there are applications where only rubber is useful, where more impact is there, where it is much more prominent where metal liners are the proven solution.

Unidentified Participant

Okay.

Kunal Shah, Executive Director, Finance

That is what we are targeting.

Unidentified Participant

And sir --

Kunal Shah, Executive Director, Finance Unidentified Participant

Okay, you are not targeting that. Great. And sir, can you give me your split of Indian share from mining and from cement volumes?

Kunal Shah, Executive Director, Finance

India share is, whatever is the growth in India that's very small.

Unidentified Participant

Okay. And, sir, just one final question. Sir, what were your non-mining volume sales last year in third quarter FY13?

Kunal Shah, Executive Director, Finance

I do not have it on me right now.

Unidentified Participant

Okay.

Kunal Shah, Executive Director, Finance

20,000 tons.

Unidentified Participant

Sir, it's about 20,00 tons?

Kunal Shah, Executive Director, Finance

I think, but that exact numbers we don't have right now, but we can check.

Unidentified Participant

Sir, I see a very sharp decline in cement year-on-year, have we lost some client or is there any one-off in this?

Kunal Shah, Executive Director, Finance

No, cement is de-growing worldwide, there is a lot of other countries where cement was doing okay are also seeing signs of slow down as far as new projects are concerned or capacity utilization is concerned. So this year we expect cement -- it should go about 65,000 tons versus about 70,000 tons that we have done.

Okay. And how much --

Kunal Shah, Executive Director, Finance

There is much more cement in the first quarter. See, that depends on their order cycle, just a -- which is why we keep saying there's order mix, there's a product mix that keeps getting changed. If we don't -- we are not doing just one product right, so the first quarter cement sales were much higher, that overall will compensate and normalize.

Unidentified Participant

Okay. And, sir, last question. Any guidance for your volume sales for utility segment for thermal power plants?

Kunal Shah, Executive Director, Finance

No, they will be at flat.

Unidentified Participant

Flat, about 12,000 tons if I'm not mistaken?

Kunal Shah, Executive Director, Finance

Or in that vicinity.

Unidentified Participant

Okay. Thanks a lot for answering my questions.

Kunal Shah, Executive Director, Finance

Thank you.

Operator

Thank you for your questions, sir. We have our next question from Mr. Manish Goyal from Enam Holdings. Please go ahead.

Manish Goyal, Analyst

Yeah. A very good afternoon, sir. Sir, you mentioned in your opening remarks that we have sold larger size casting, so is it that we have sold more of liners and other relative products?

Kunal Shah, Executive Director, Finance Sanjay S. Majmudar, Independent Non-Executive Director

So it's basically vertical kind of larger castings mix of it.

Kunal Shah, Executive Director, Finance

But this product mix is not indicative of larger or smaller, we're just doing castings.

Manish Goyal, Analyst

Okay. So, no, basically if I look at your numbers this quarter, particularly what we have seen is that as compared to sequential quarter that your raw material cost has come down by almost 400 bps and your other expenses have gone up. So that would be basically a function of change in the product mix. And as you mentioned, you sold more castings, so that is where I am inferring from?

Kunal Shah, Executive Director, Finance

Correct.

Manish Goyal, Analyst

So, what it means is that we would have sold more liners and other vertical mill products.

Kunal Shah, Executive Director, Finance

We've done, not significantly account [ph] all of that, but, yes, we have done more casting this quarter, yes.

Manish Goyal, Analyst

Okay. And, sir, of the total volumes, if we have to see, not on quarterly basis, but yearly basis, say, if we probably look at grinding media balls, how much would it be constituting to overall volumes and what would be the rest where we have lot more value addition in terms of --

Kunal Shah, Executive Director, Finance

We are not sharing that information, we are only sharing tonnages for perspective on the progress in the mining segment.

Manish Goyal, Analyst

Okay. And in terms of greenfield capacity what we are putting up of 180,000, how much would be in terms of grinding media balls as well as liners?

I think it would be roughly about 120,000 tons would be on the grinding media side, but that too there is a much bigger capacity that we are talking about in terms of size, point number one. And rest all could be liners actually, mining liners 50 to 60.

Manish Goyal, Analyst

Okay, exactly. And this brownfield also, what I recollect from the analyst meet which we attended that this new brownfield capacity which has come up will probably have a capability to mimic a larger size grinding media balls up to 120 mm, and which probably what I understand is that it helps us to make entry into primary segment as well as gold and copper mining.

Sanjay S. Majmudar, Independent Non-Executive Director

True, correct.

Manish Goyal, Analyst

So, in terms of gold and copper mining, have we got any breakthrough orders and we expect the volumes to improve going forward, say, in FY15, FY14?

Kunal Shah, Executive Director, Finance

See what happens, if you recollect the time gap between the analyst meet, the previous con-call and today, in total, gross is not more than three months and this business does take a lot of time in materializing. We are working on these products for more than

two years now, you get my point.

Manish Goyal, Analyst

Sure.

Kunal Shah, Executive Director, Finance

So the trend is clear, the indications are positive, but quarter-over-quarter or over a period of just one or one and half months, no major breakthroughs can really happen, honestly. But indications are very comfortable and we are quite bullish, that's all we can say actually.

Manish Goyal, Analyst

Fine, sir. Okay. Thank you very much, I'm done with it.

Kunal Shah, Executive Director, Finance

Thanks.

Thank you for your question, sir. We have our next question from Ms. Shradha Sheth from Edelweiss. Please go ahead.

Shradha Sheth, Analyst

Hello, Kunal and Sanjay, congrats on a very good set of numbers.

Sanjay S. Majmudar, Independent Non-Executive Director

Thank you, Shradha.

Shradha Sheth, Analyst

Sir, just wanted to understand, since we are putting up so much capacity and we always hear about this huge addressable demand of 1.5 million to 2 million tons. So if you can just try to give some color or break it up, ore-wise where are we seeing the maximum potential in terms of maybe some hard ores where the more volume is -- can come up.

Kunal Shah, Executive Director, Finance

I think Shradha there is a large market and we are just talking about really 100,000 or 200,000 tons within that. So we are focusing on everything, there's not one particular area that we are looking at.

Shradha Sheth, Analyst

Right. But by usage --

Kunal Shah, Executive Director, Finance

I mean, all of that discussion is to share more flavor on what it is, right?

Shradha Sheth, Analyst

Right.

Kunal Shah, Executive Director, Finance

The 100 alloys we deal within the 100 application per se within that market, but I mean all of it is 2 million tons. We can't give up while we did that in 2008 when we focused just on iron ore and then when it called away -- after Lehman when it didn't do well, we suffered after that. So today, I mean if you're not doing that we are going after one at the cost of other.

Shradha Sheth, Analyst

Right. But maybe some -

Kunal Shah, Executive Director, Finance

Which is why -- and having made the breakthroughs in a fairly good cross section of these applications, we have the confidence that we should be fine. That is where -- that's all we can share.

Shradha Sheth, Analyst

Sure. Maybe just some study where the potential of the ore is being spoken about?

Kunal Shah, Executive Director, Finance

I wish if you come across a study (inaudible) industry. No, but, okay, there is very little per se empirical evidence. I mean this is something that the testimonies what we are doing, because what types for us also to estimate -- we are making estimates, please understand.

Shradha Sheth, Analyst

Right. But like application-wise typically gold is where more ore is used, so may be potential in terms of higher volume and --

Sanjay S. Majmudar, Independent Non-Executive Director

But why should we wait and -- I mean internally we are not doing that, that's may answer to you. Entirely we are going to each one -- each mine that comes to us. We're not saying gold is the largest and doing more, so let's target gold. We are going out to practically as many mines as possible.

Shradha Sheth, Analyst

Sure. For us to, yeah, just to appreciate it better in terms of the demand.

Sanjay S. Majmudar, Independent Non-Executive Director

So -- Kunal said, we do not get driven by macro level statistical analysis, but what each and every mine that we meet and what is the indication that they give about their requirements that drives us. Obviously, gold, platinum and copper obviously are -- and iron ore all of them are I think equally important in terms potential. I think that is what between this four of them about 1.5 million as an addressable market out of maybe 2.5 million is what we are really looking at.

Possibly it could be 100,000 tons more or less, but the point where we are today, it doesn't matter if it is 50,000 tons more or less at the macro level, you get my point?

Shradha Sheth, Analyst

Sure.

Sanjay S. Majmudar, Independent Non-Executive Director Shradha Sheth, Analyst

Okay. Sir, so what is on the table with so much capacity we are putting up? I understand it is difficult to give that picture right away, but is it possible that we can go to 100% utilization over the next three-four years based on the current demand?

Sanjay S. Majmudar, Independent Non-Executive Director

Absolutely, 90%, let us say, I think Kunal was clear, we should take 90%.

Shradha Sheth, Analyst

And just in terms of the breakthroughs, the kind of mining contracts we have, if you can just give a little more color from initial trial orders --

Sanjay S. Majmudar, Independent Non-Executive Director

See, we are working on the new category of products, correct, as we have been discussing. And I think once we are there, then there could be a plethora of orders. We are currently very conservative in terms of what we are committing and we are working on a much bigger picture. I think let us remain happy with what we have shared with you so far on this.

Shradha Sheth, Analyst

Sir, no, what I'm saying is in terms of orders --

Sanjay S. Majmudar, Independent Non-Executive Director

No, but we can't share with you any breakthrough details contract-wise or customer-wise, it's not possible.

Kunal Shah, Executive Director, Finance

And that's not possible for us to share. Please understand this is very concentrated market. I mean we are doing this because we have to help you understand where we stand but beyond that I mean we can't be discussing day to day business on that scale, on that level. It's difficult to do that. I mean --

Sanjay S. Majmudar, Independent Non-Executive Director

It's not (inaudible) also. There are some confidential issues we don't want -- we can't share.

Shradha Sheth, Analyst

Fair, I appreciate that. Alright, thank you and all the very best.
Thank you.

Operator

Thank you for your question, ma'am. We have our next question from Mr. VK Karthikeyan from Suyash Advisors. Please go ahead, sir.

VK Karthikeyan, Analyst

Yeah. Hi, Kunal.

Kunal Shah, Executive Director, Finance

Hi.

VK Karthikeyan, Analyst

Hi, Kunal just wanted to clarify the 650 crore investment you speak about, is it possible to stagger this or would it largely be spent at one --

Kunal Shah, Executive Director, Finance

Yeah. It will be staggered but like Sanjay said we are still on the drawing board with that. This is a broad figure and it will contain -- how many years it will be spent, how do we spend fund it, all of that as and when we keep making decisions around it is what we'll share.

VK Karthikeyan, Analyst

No, sorry, let me clarify. What I really meant was, I mean are there larger pieces in this which you have to anyway spend it one go, say, land acquisition for example.

Kunal Shah, Executive Director, Finance

No, it is in pieces. The whole investment is going to be in pieces.

VK Karthikeyan, Analyst

Okay.

Kunal Shah, Executive Director, Finance

It's not going to be at one go.
It won't be at one go?

Kunal Shah, Executive Director, Finance

No.

VK Karthikeyan, Analyst

Right.

Kunal Shah, Executive Director, Finance

So for this year it may be around 300 crores, but that remains because we know we have to factor in equipment delivery lead times and things like that, so it depends. So we will come out with what we need this year and next year shortly.

VK Karthikeyan, Analyst

Yeah, I mean the timelines given are October 2015, so we are talking about roughly, what, 18 months' time, 21 months?

Kunal Shah, Executive Director, Finance

Maybe (inaudible) during this year and next year, correct.

VK Karthikeyan, Analyst

Right. Okay, fine. Great. Thanks very much.

Operator

Thank you for your question, sir. We have our next question from Mr. Rajiv Mehra from JM Financial. Please go ahead.

Rajiv Mehra, Analyst

Hello, congratulations on a good set of numbers. Is there any number which you could share with the client, a new clientele which you have taken in this quarter or maybe in the coming year you are looking forward to add to your clientele list?

Kunal Shah, Executive Director, Finance

Sorry.

The number of clients which you could share, I know you can't share the names and --

Kunal Shah, Executive Director, Finance

But we are okay, let me put it like that. Currently we are already servicing, say, 30, 35, 40 mining locations, correct.

Rajiv Mehra, Analyst

Right.

Kunal Shah, Executive Director, Finance

We are adding another 20 to 30, we are working on another 20 to 30 new mines at various stages of development.

Rajiv Mehra, Analyst

Okay. No, so since there is various stage of development in that --

Kunal Shah, Executive Director, Finance

For me each mining location is a new customer, alright.

Rajiv Mehra, Analyst

Right. Okay, got it, fair enough. And I just coming back to the previous question which one of the participants had asked, the capacity which you are looking at is basically when Kunal had said that around close to 85% to 90% would be a fair enough number to look at, say, going down couple of years when your capacity would be like 440,000 tons. Within that if I assume, say, a 90% of ballpark [ph] figure, it would be close to 350,000. It's more, say, basically from the current capacity of selling close to 2 lakh ton, you are doubling your capacity of sales in the next coming couple of years or say three years.

Kunal Shah, Executive Director, Finance

In terms of the rated capacity, yes?

Rajiv Mehra, Analyst

Yeah. So within that what is the mining mix where you are looking at if you could just share the number again as a percentage?

Kunal Shah, Executive Director, Finance

I would say that going forward almost more than 70% could be coming from mining.

Okay, more than 70% would be coming from mining. And that is obviously to do with because the cement cycle is not really doing well and you're seeing a part of --

Kunal Shah, Executive Director, Finance

No, even if you are assuming cement cycle is doing well, that market per se is very small that what we are looking at. Today cement is flattish at about per se around outside of China maybe around 180,000, 190,000 tons per year, total market outside China whole world including India. Now supposing even if it comes back to a growth trajectory, it can grow by about 5,000, 10,000 tons per year.

Rajiv Mehra, Analyst

Okay.

Kunal Shah, Executive Director, Finance

So, but as against that, this is a big market. Most of it is yet required to be converted into high chrome use.

Rajiv Mehra, Analyst

Right.

Kunal Shah, Executive Director, Finance

I don't say all of it is addressable, but whatever addressable, a major chunk of it for high chrome, 80%, 90%, I would say 80% of it is still serviced by fold media. [ph]

Rajiv Mehra, Analyst

Right.

Kunal Shah, Executive Director, Finance

And fold products, so this is the market which we are targeting.

Rajiv Mehra, Analyst

Okay. Fair enough. Thank you, sir, and all the best for the future.

Operator

Thank you for your question, sir. We have our next question from Mr. Richard D'souza from SBI Mutual Fund. Please go ahead. Yeah. Good evening, Kunal. Congrats on a good performance.

Kunal Shah, Executive Director, Finance

Thank you.

Richard D'souza, Analyst

Yeah. I just wanted to ask you when we look at your volumes over past three quarters, your overall volumes are stagnated in the past two quarters at around 42,000. And if you look at your cement volumes, I think first quarter you did somewhere around 24,500 tons and now you are doing about 15.5.

Kunal Shah, Executive Director, Finance

No, first quarter was less than that. It was about 19,000 tons.

Richard D'souza, Analyst

19,000 tons. Yeah, maybe I've got something wrong. But those volumes, cement volumes you expect to continue the declining trend?

Kunal Shah, Executive Director, Finance

Not declining, see, first and the third quarter there's been balancing the volume, but overall like I said from 70,000 tons last year, we expect cement to do about 65,000 tons this year.

Richard D'souza, Analyst

Okay. Is this out of choice in the sense you have your overall volumes which are overall capacity which is stagnant, so that's why you're compensating or how is it?

Kunal Shah, Executive Director, Finance

Cement we are taking everything that is there. Very clearly cement everything that is there we are creating. Unfortunately the market is not growing. Unfortunately the -- so we are trying whatever is best possible. This only indicates that the market has shrunk to this extent. That's all I'm going to tell you.

Richard D'souza, Analyst

Okay. Thanks a lot, Kunal.

Kunal Shah, Executive Director, Finance

Okay, right, sir.

Richard D'souza, Analyst

Yeah.

Operator

Thank you for your question, sir. We have our next question from Mr. Anupam Gupta from IIFL. Please go ahead, sir.

Anupam Gupta, Analyst

Hi, Kunal and Sanjay, just a small question on other expense. So this quarter you saw a jump and over the last three quarters you had a steady increase in other expenses. So, anything specific which went into this quarter, anything one-off which was there?

Kunal Shah, Executive Director, Finance

I think there were certain claims payable et cetera that we had to recycle, so that's all. Nothing is -- otherwise it's a steady other expenses. It's also related to other manufacturing expenses.

Anupam Gupta, Analyst

Okay.

Kunal Shah, Executive Director, Finance

So some portion or the product mix also comes in there. Only raw material goes on the other thing. The rest of it comes over here.

Anupam Gupta, Analyst

Okay. And secondly on CapEx, so this year what will be CapEx FY14?

Kunal Shah, Executive Director, Finance

FY14 --

Sanjay S. Majmudar, Independent Non-Executive Director

About 100.

Anupam Gupta, Analyst

Okay.
About 100 crores, correct.

Anupam Gupta, Analyst

Okay. Next two years would be 640 crores or so is what you said?

Kunal Shah, Executive Director, Finance

Correct. Yeah.

Anupam Gupta, Analyst

Okay, fine. Thanks. Thank you.

Kunal Shah, Executive Director, Finance

Yeah. Thanks.

Operator

Thank you for your question, sir. We have our next question from Mr. Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan, Analyst

Sir, congrats on a good set of numbers.

Kunal Shah, Executive Director, Finance

Thank you.

Ravi Swaminathan, Analyst

Sir, I just wanted to know what is the under cement what is the India volumes, you said 65,000 tons will be the volume for the full

year in cement, what will be India volumes out of that?

Kunal Shah, Executive Director, Finance

Sir, India is not a material figure, for confidential and other reasons for -- there are only few players in this market, so we are not going into that level of granularity. So about --

Ravi Swaminathan, Analyst Sanjay S. Majmudar, Independent Non-Executive Director

Roughly around that, okay.

Ravi Swaminathan, Analyst

Okay. Sir, my next question is, you have written off this 31 crores as exceptional items, so is this tax deductible?

Kunal Shah, Executive Director, Finance

Yeah, it's a tax deductible, correct.

Ravi Swaminathan, Analyst

Tax deductible, right?

Kunal Shah, Executive Director, Finance

Yeah.

Ravi Swaminathan, Analyst

Okay. Thanks a lot.

Operator

Thank you for your questions, sir.

Kunal Shah, Executive Director, Finance

Okay. It seems like we are done with questions then, operator then I'll just take this to the closing.

Operator

Certainly, sir. You may please proceed.

Kunal Shah, Executive Director, Finance

All right. Thank you all for joining us on the call and showing your interest AIA. We'll look forward to talk with you again towards the end of March quarter now. Thank you so much.