

Q1 2012 Earnings Call - AIA Engineering

Dt-12 Aug'11

Operator

Good evening, ladies and gentlemen. Thank you for standing by. This is Subbalakshmi, the moderator for your call today. Welcome to the Post-Result 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 listen-only mode. Later, we'll conduct a question-and-answer session. I would now like to turn the conference over to AIA Engineering management team. Over to you sir.

Kunal D. Shah, Executive Director of Finance

Thank you so much. Very warm good evening to all of you and thank you for taking the time to join us on this call. I hope you all had a chance to run through the numbers with we have posted before the Board meeting today morning. I'll quickly give you a some of the one what we have done this quarter and then we'll open up for question-and-answers. I'll start with the top line, we've done total sales of 264 crores of which about 52% came from outside India. Our EBITDA margin was at 61.66 crores, which was about 23.34% of sales and our operating margin was at 68.32 after removing the non-operational income of dividend and those margins are at 22% and our profit after tax were at 39.14 crores.

Our top line has grown from 242 crores in the first quarter last year. And our profit after tax is broadly flat. As far as tonnages are concerned, we've done about 29,800 about 30,000 tonnes in the first quarter, which would give us a weighted average realization of about 88.62 for the ton of products sold. We've done about 10,000 tonnes of sales to the 10,600 actually to the mining segments about 30% of the sales now comes from the mining segment. It's predominantly which is outside India. Some more balance sheet figures, our total cash is at 304 crores.

In fact we've taken some short-term loans in AIA, so our total cash is at 341 and our net including our subsidiary it is 6 crores in our subsidiary well cast and about 12 crores of subsidiary in - if you brought in December.. And there were 18 crores of debt in AIA, which has taken total cash with 341 and reducing about 38 crores of debt to give us a net cash of 304 crores. Our better days have slightly improved from March, they are now at 218 sorry, our better days are virtually flat. They are still about 90, 92 days. Our target is do bring them under 80 days. A lot of this is also because while they are shipping, which is actually sitting as a but a real payment on when the goods reach our customer side which is 30 to So the better days appeared a little longer, but that reflects the inventory in transit for our global predominantly in mining. We've done 30,000 tonnes share business, 36,800 tonnes of production. A lot of that unfortunately a lot of our vertical mill parts continued to be in our inventory. There's just a process time function. We hope to close that gap from next quarter onwards. So from our production standpoint, we believe this would be one of the highest producing quarters.

From a order book stand point, total order book is about 480 crores, which is just marginally above what has been averaged over last few quarters. Like I said, the highlights of this quarter would be, obviously first quarter typically has been, if you look at our trend over last couple of first quarter has been typically 19 to 20% of our full year fee. So we continue to be on track for our stated target of about 150,000 tonnes for the full year. We should - around for the rest of quarters and that's our target. As far as margins are concerned, we've seen a few quarter where we're doing operating margins of between 22 and 23% and which is largely where we've been guiding the market. This quarter specifically we saw a execution of few mining orders which were in fact taken for the project side some in India where our realizations have been very low.

They've been taken in early 2009 during the recession period and the realization was low on that. So one that has played into this quarter's result but beyond that there is some increase in raw material pricing for the product mix may not actually show that but the pricing has not corrected even now despite the turbulence which we're seeing in the European and American debt markets and the correction in oil. Ferro Chrome and scrap still continue to remain strong as far as pricing is concerned. I think that sums up my summary for this quarter. A lot of you will have questions around the mining strategy. I think while we're making very good progress, we are very satisfied with the in roads we are making.

With every single day, more and more customers are getting excited about our products, we're discussing rates of course it's taking a little time in converting into orders because you could discuss the pricing to all of our customers are based in different countries. So once the pricing is in dollars, there is a the conversion from the local currency into dollars as discussion around stocking and the flight and discussion on giving contracts where the prices are continue to we don't like escalation we've to continuously do discussions around escalation contracts to make sure our margins are not affected as they shoot up from here. So all said and done as we enter the mining market, we may see a few quarters where we have to buy the product twice it at an interesting level. The customer obviously, when they have been used to just having one vendor supplying either for all the high - which is their price is some thing that they use to ensure that we get a easy entry. To that extent and which was what we have to do also when we got into the cement market in the early 2000 from 2001 to 2005. 2003 period when we are really making critical entry.

Of course we have passed that stage as far as mining is concerned but as we go to more ores as we go to more countries and - open new interactions with the customers. We believe that for a few quarters, you will have to bear with us when we are using pricing as a strategy

to get into the market. Sanjay will just like to share his thoughts and we'll open up for Q&A.

Corporate Participant

Just one point I would like to add to what Kunal is saying. The issue is that when you are into mining, what we have experienced over last couple of quarters or past few quarters when we have been aggressively trying to make in rounds into mining. There is an mind set issue on part of the buyer in the sense that is a big buyer is talking of large volumes. And he - although we have been able to clearly demonstrate that our product is better, he still expects us to sort of as an entry level strategy sign talk about a little better price then what is either currently paying to our competitor or to for example, or to the -- player. And in that process, what we have found out is that he is also trying to use the distance we are also competing with the supplier like a steel wall manufacturer who is just next door and this as we being located at 20,000 miles. Strategy therefore clearly is to enter the market and then once obviously once the product superiority is clearly established there is the volume - we feeling quite confident that going forward, pricing would automatically fall inline and that is the reason why currently the last couple of quarters and as Kunal said for the next few quarters we'll see quite a bit of challenge, but we reiterate that in terms of the acceptability, in terms of the products superiority, in terms of the business volumes that we're talking about it seems to be a very-very good and a very successful entry and with this I would request the moderator to put the call upon for question-and-answer session please.

Questions And Answers

Operator

Certainly sir. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] We have a first question from Mr. Ankit - from -

Analyst

Sir good evening Ankit here.

Corporate Participant

Yeah Hi Ankit.

Analyst

Yeah sir my first question is that if I see at your raw material price, on a consolidated basis it is around 127 crores and on standalone basis it is 151 crores. So I was just wondering how come console material total consumption is less than your standalone?

Corporate Participant

No. I'll it is what as I see you have to also see. So 138 -. The question is that standalone raw material. Do you see

Corporate Participant

I have already adjusted the traded goods and the increase and decrease in the stock and trade and work in progress. So the debt adjustment have already done. And after that it is coming to these levels, means on a consolidated basis it went 27 crores and standalone 151 crores.

Corporate Participant

So, see I tell you what happens that when I consolidate, whatever sales I have made here to my subsidiary that becomes inventories and subsidiaries. That's what I was - Yeah, so when we take the examples, that includes about 2,000 tonnes been sold through mine in Alaska in U.S.A. So that's about 15 crores of sales just there, because it's in transit right now. It will reach maybe end of sometime this month the customer. All of that is still from standalone standpoint. But it's inventory, in our subsidiary.

Analyst

And I was just wondering that on a total income basis, your standalone and console sales are almost equal. But on the expenditure side, there is lot of discrepancies like your employee cost, your raw material cost and but still your total expenditure is the same. So I was just wondering that how is it like. Where there is so much of discrepancies between the expenditure and going forward now since already your standalone costing is higher and there is...

Corporate Participant

No. Discrepancy is I think not an appropriate word, you ask for an explanation, I'll be happy to give you that. Okay. Independence is only for AIA when you consolidate your well cast and Trichy that two are the foundries that we have added to the consolidated figures.

Analyst

Okay.

Corporate Participant

From a sales standpoint, all inter company sales get knocked out, yeah. But from our production standpoint, when you consolidate, all that gets added to the consumption of raw material and stores.

Analyst

Okay.

Corporate Participant

So there are lot of inter company things that get knocked off.

Analyst

Okay. So, that's...

Corporate Participant

So if you look at what is getting compensated, your 136 crores of consumption of raw material becoming 176, because you're adding consumption of raw material from the other two factories, okay.

Analyst

Okay.

Corporate Participant

And their purchase status goods, so standalone sample what material what it gets produced in well cast and so what by AIA, the bulk manufactures for the company, right.

Okay.

Corporate Participant

So standalone you bought that but on a consolidated that is not, you don't see that in the consolidated side, do you?

Corporate Participant

That's raw material then.

Analyst

Okay.

Corporate Participant

So that becomes, the actual raw material goes in the raw material section. So if the consolidated, this is the matter of consolidation. Do you understand?

Analyst

Okay.

Corporate Participant

So when you look at the consolidated figures you will get as a group what you have done, from a sale standpoint all Vega company gets expends 10 point line item get consolidated.

Analyst

Okay.

Corporate Participant

Again when I build from AI into my Vega subsidiary, consolidation that get occupied and sales get converted into inventories that is why we see the stock increase on a consolidated basis is higher than stock increase on a standalone basis correct.

Analyst

Exactly.

Corporate Participant Analyst

Okay.

Corporate Participant

Standalone sales are also including sales to Vega consolidated sales are only sales to independent third parties and whatever is that enter company that is AI to Vega gets captured in the increase in the inventory, right. And that is I would strongly recommend it you have to really look at the consolidated financials to get the correct picture. There is no question of any discremental all accounting and consolidation accounting standard.

Analyst

I got your point. Sir second was that as you just said that a production was around 36,800 and 29,800 was your sale. And you said that the inventories mainly from the vertical mill part when do you expect to

Corporate Participant

That is one of the reasons why there is more inventory this quarter..

Analyst

But there are no deferment kind of thing that -?

Corporate Participant

We don't have deferment issues of

Corporate Participant

2008-09 [Non-English].

Analyst

Okay fine. Thank you so much sir.

Operator

Thank you, Mr. Ankit. We have a next question from Vinay Pandit from - Securities.

Analyst

Yes, good evening sir.

Yes, good evening.

Analyst

Sir what health has brought margin improvement in the business?

Corporate Participant

See again quarter-to-quarter, as we let's see overall gross margin improvement is there.

Analyst

Correct.

Corporate Participant

We are increasing the we are trying our level best to but frankly

Corporate Participant

It's not a significant increase, I mean if this is a small range that it.

Corporate Participant

It is a point is if you knock out the other income you still around 21% EBITDA,

Corporate Participant

22 is our - operating.

Corporate Participant

Yeah,

Corporate Participant

Operating result 22%.

Corporate Participant

Yeah. And that is what we have been last couple of quarters also we'll be in the range of yeah they're right. Last quarter we would have seen we would have said it was 20 this quarter it's 22. We believe that 20 or 22 is not our target, our target is high as you know. Right.

Corporate Participant

And we believe that going forward anytime over a next few quarters will see a definite improvement in margins only question is then as on today we can't say, but we are very confident if you talk from business end perspective I think the acceptability in mining is response we are getting from - is very good, there are obvious issues so we are trying to talk and we are trying to definitely push up the numbers, the volumes on the mining that is why we very clear we are saying that for a few quarter they will see this kind of margin play only which is not our.

Analyst

Also the other question is sir - continue to hold strong. This is what we'll be looking in over the last.. Specific information on that but broadly yes we are in the process. Let's put it like that. It would be difficult for me to give you exact details on this.

Vinay

Okay. And ForEx movement in your numbers sir? Any gain or loss on account of foreign exchange and what is the status of mark to market as of date?

Corporate Participant

Yeah. See mark to market is just about 9 crores. But the forward opportunity - this quarter is much lesser. I think it is only about a few lakhs. Because of the fact that the market were quite close, that the foreign currency was quite close to around 44 at a target at which we have done, so that actual loss was not much lower this quarter. Let us put it like that.

Vinay

That's it from my side. I'll come back if I have more questions. Thank you.

Operator

Thank you Mr. Vinay. We have a next question from Mr. Ritesh from RBI. Mr. Ritesh?

Ritesh

Thank you sir for giving me an opportunity. Sir you said that stand alone includes the export to Vega and consolidated is only for the third party sales.

Corporate Participant

Yeah.
So in that sense, improvement in gross margin which we can see on the consolidated result is not a true reflection, is my assumption right?

Corporate Participant

Though you work out the gross margin from the consolidated basis only. Just forget about stand alone. That is my humble request actually.

Ritesh

No, the reason is we can see the inventory

Corporate Participant

Whenever the Ritesh, whenever we talk about any margins, we talk of only consolidated, to be honest actually.

Ritesh

Okay. And sir just to repeat because - I haven't got that financial release. Production is 36,800 and sales is 29,800 tonnes.

Corporate Participant

That's right.

Ritesh

And 10,600 in mining?

Corporate Participant

Yeah.

Ritesh

So our sales assumption of sales target of 150,000 you still stand by despite the

Corporate Participant

150,000 tonnes and we are working towards that actually.

Analyst Corporate Participant

quarter-over-quarter, basically what happens again,

Analyst

No Y-o-Y basis

Corporate Participant

Yeah. But our first and second quarter, they're generally not very strong.

Analyst

Okay.

Corporate Participant

Quite a few things in pipelines. I think you will see it definitely getting momentum as we go further.

Analyst

Okay. And sir, can you give some more clarity on your expansion plans, what is the stage

Corporate Participant

We have actually announced the CapEx plan of about 200 crores at various locations. We have definitely, we have already - up the plan for expansion at our existing - units our - expansion. We have acquired some land near - when we are also acquiring some more land near our - facility, where some further shades and other things will be brought. But our target is broadly 200 core CapEx plan is - as on today. This doesn't include the crusher part expansion, but it is the part of the current ongoing facility creation. So as we go forward, we tend to a target, that we are going to at another 100,000 tonnes over next couple of years, which is definitely on actually.

Analyst

Okay.

Corporate Participant

And this it is not a single location expansion.

Analyst Corporate Participant

As on today, I would say out of that 100%, 50,000 to be very - 42,000 is absolutely firm and clear. We've started placing orders and started going in that direction.

Analyst

Okay.

Corporate Participant

So over a period of two years, definitely we'll see because as we move ahead, we will have more clarity as to which products we want to focus a little more on and that is why we have kept a bit open, but firmly 200 crore CapEx plan has been anywhere approved 200 to - and we're moving on that.

Analyst

Okay. Sir one final question. In short while we've seen quite volatile metal prices. Do you see any chance where minors are delaying the decision process?

Corporate Participant

Yeah, I think first let us get that I think we are now into a phase where the minors delaying the decisions will not depend on the metal prices actually. And as being the decision will depend upon the commercial - that which we supply to them or we agree to supply to them.

Analyst

Okay.

Corporate Participant

So I think we are beyond that worry actually. Let's not worry about that.

Analyst

Okay, okay. That's all from my side. Thank you sir.

Operator

Thank you Mr. Ritesh. We have a next question from Mr. Pranav Gokhle from Religare Asset Management.

Pranav Gokhle Corporate Participant

Yes, please tell us.

Pranav Gokhle

Yeah. Sir can I just have the numbers for utilities in terms of the total tonnage this quarter?

Corporate Participant

We're not sharing details of our revenues in generally. Mining tonnage is only simply to give a broad sense on where we are.

Pranav Gokhle

Okay. Could I just have the volume of export sir in that case please?

Corporate Participant

Our total revenue outside India, I think we'll just shape it because that's above 150 crores.

Pranav Gokhle

150 crore.

Corporate Participant

Yeah.

Pranav Gokhle

Sir, just to have a sense of this mining of 10,600 tonnes, what was the volume last year because I have the number which is 11,000 so has it gone down?

Corporate Participant

One second, I will just - for the first quarter last year you are saying?

Pranav Gokhle

Yes sir for the first quarter last year.
It was 11,000, you're right.

Pranav Gokhle

So, has the volume gone down actually?

Corporate Participant

30,000 tonnes full year and I mean we'll do about more than that this year. So first quarter, I don't it's just comparable event. I think the complete share by over supply that we're going would not be comparable at all..

Analyst

Sir but in terms on our preparation to along with the minor, what it was, why your backlog or what it is now? As a business which will be in hurry?

Corporate Participant

Yeah you know what much more stronger situation today, then I would believe for over last year.

Analyst

Okay. So in the guidance of 150,000 have you enunciated what is the proportion of mining volumes?

Corporate Participant

Yeah correct. That's what the target is actually.

Analyst

So how much is it?

Corporate Participant

Around 150,000.

Analyst

No how much is mining on that?

Corporate Participant

Mining should be at least.
30%

Corporate Participant

Yeah 50 to 60,000 at least.

Analyst

Okay and the last question which I have is, is there a particular difference between pricing of your mining as well as what you are doing for non mining?

Corporate Participant

We would not be in a position to answer that because it's a different economic all together actually.

Analyst

Sir because you have commented that the could be instinct, so just at least a sense on how much raw. Is that raw material on mining significantly because of difference in value terms and in cement?

I'll tell you what in mining the volumes are much higher, we are entire much higher volumes. In cement it is a different volume. In cement it's a mix of various products that we are talking about. So at this point in time I would say that whatever with the content we are doing is strictly not comparable with is our targets, and therefore it will be very difficult for me to answer your question directly. Let's take it as a blended margins standard there today. And it is going to take may be a few more quarter for us to reach the optimum targeted margins level which is obviously high.

It could be a function of many things. And we have some limitations, we would not be in position to talk so much about separate segment wise margins definitely.

Analyst

Okay sir second correlate a drop in, hello?

Corporate Participant

Yeah I am with you.

Analyst

If I could totally the drop in volumes of mining to the increase in the gross margin?

Corporate Participant

No. I think.
That should not be co related right?

Corporate Participant

So you should not co relate. It is a very misleading co-relation actually.

Analyst

Okay. Sure. Thank you sir. Thanks a lot. And all the best sir.

Operator

Thank you Mr. Pranav. We have our next question from Mr. Rujit Ghare from Kotak Securities.

Analyst

Hi sir, questions have been answered. Thank you.

Operator

Thank you Mr. Rujit. We have our next question from Rajashri Mahendra from Enam Securities.

Analyst

Hi sir, my question was also - for mining segment it's been answered. Sir you said that the guidance, you expect 50 to 60 so it's answered.

Operator

Thank you Mr. Mahendra. We have next question from Mr. Nainesh from Tata Mutual Fund.

Analyst

Good evening sir. Just couple of questions from my end, first of all in the expansion plan.

Corporate Participant

Could you be slightly louder please?

Analyst

Can you hear me now?

Yeah, much better.

Analyst

Yeah I just wanted some details on the expansion plan. We will actually looking to expand a million tons as we wanted to expand by 100,000 tons in the next one year which is what?

Corporate Participant

No. Next one year it was not possible, actually we said that our target is that by FY end '13 that is '11, '12 about FY13-14 may our target was to make available the capacity of addition 100,000 ton.

Analyst

Okay.

Corporate Participant

What we have done is out of that we have summed up certain part of that CapEx. And we have summed up those plans. And it would be in obviously in phases it will not be all at one location.

Analyst

Okay.

Corporate Participant

That is what I said when I summed up a CapEx of 200 crores, we have procured land, we are doing some brown field, we are doing some greenfield, we are doing some capacity - some relocation. So it's a fairly complex thing that we are doing.

Analyst

Sir earlier if I'm not mistaken, we wanted 1lakh tonne of capacity at one particular location

Corporate Participant

Now that's not happening for various reasons, point number one. The reason is that at one location, 1 lakh tonne is not getting feasible in terms of land availability and logistics. And we've dropped that Engineering, SEZ thing altogether. Thirdly, we have done some re-engineering so that at our L1 that is our Murraya facility only we are adding significant capacities now, and it's a combination of great fit and ground

Analyst Corporate Participant

That is at Murraya alone.

Analyst

Which is actually a in the current capacity, the current plant itself.

Corporate Participant

Sorry.

Analyst

At the current location at such?

Corporate Participant

It is a - yes at current location

Analyst

What exactly needs to be done. Because I believe there was a land issue even in that location as such so

Corporate Participant

So what we have done is, we have done some internal re adjustment in the plant lay out etc cetra and we are adding additional capacities in term of moulding lines etc cetra within the existing location, which would be the fastest actually.

Analyst

Okay.

Corporate Participant

And we are also adding some, for example if I'm talking about - this comes here, then there could other vertical mill part, it will go from other locations. We have procured land near -. we have procured near - also. So some part of that will come in these new slots where we are constructing new shades.

Analyst

But wouldn't this fragmentation of - capacities in various locations, create a bottle neck or in terms of stabilization of Even today, out of my 200,000 it is spread over definitely over four locations, in fact five. See we have -, we have cluster of plants, we have - that is N1 and then we have Nagpur, then we have well in Bangalore, now we have a plant in Trichi so that doesn't matter. What you are doing at which location is very important.

Analyst

Okay. Fair enough. So this 42,000 tonnes by. At least this..

Corporate Participant

I mean this is just for your information.

Analyst

Yeah, yeah. Approximately it can be anywhere between 40 to 50, I wouldn't put you on a number as such but did this expansion that we're talking about by when is this expected to at least?

Corporate Participant

At least one year.

Analyst

At least one year so the numbers...

Corporate Participant

I have about 200,000 tonne capacity available today, right.

Analyst

That's right, sir.

Corporate Participant

I am targeting about 150 this year and maybe another 15-20% growth next year correct.

Analyst

Okay.

Corporate Participant Analyst

Fair enough sir.

Corporate Participant

What am I doing is I am now creating capacities from 13-14 considering the lead time that you have between creating a capacity and making it available, you have to start today.

Analyst

Fair enough.

Corporate Participant

As we decided that instead of doing one place greenfield, let us do in a manner that is in a phased way and everything becomes available the way we want. So brown field was a very important decision that implementation for it is just about a year and the year and a half. So definitely for 13-14, I have another 40 - 50,000 tonnes available for sure.

Analyst

Okay.

Corporate Participant

By that time as we go ahead, we have naturally we had to look at the land which we've located. We had to procure land which we've procured now. So it is all our counting of land is over and we have to put - land actually.

Analyst

Fair enough sir, no issues at all. The second thing please do correct me if I am wrong, we had actually targeted for FY'12 more than anywhere between 160 to 165,000 tonnes is that a correct statement?

Corporate Participant

See the question is we had earlier talked about it, what currently we're talking about is a target of around 150,000 tonnes. In case the range is 150 to 160, we would be obviously I would say we would be in a better position to tell you about that maybe somewhere in the third quarter.

Analyst

Okay.
But currently the target is definitely 150,000 tonnes.

Analyst

Sir that's not an issue. Just wanted to understand are you getting a sense from your customers that they want to slowdown in terms of

Corporate Participant

No.

Analyst

Nothing of that sort.

Corporate Participant

No. It is just the fact that we are working on over 10, 15 more mines.

Analyst

Okay.

Corporate Participant

It is the process involved. bb

Analyst

Okay.

Corporate Participant

That process sometimes goes a little, if more time goes than maybe - get maybe a quarter or so.

Analyst

Okay.

Corporate Participant

But there is nothing at all on the macro side to indicate any kind of the delay or deferment.
Correct.

Corporate Participant

It - that business is - a product which takes lot of time to customize.

Analyst

Okay.

Corporate Participant

Takes lot of time for the business to materialize. We have already taken the first few steps, now we are taking the next few steps. We don't see any macro level weakness. Just we

Analyst

Fair enough. Sir just the last question would be, there are rumors as far a global acquisition that AIA Engineering is planning any thoughts on that or any comments on that?

Corporate Participant

Please, we cant talk anything about it today.

Analyst

But are you looking at something or?

Corporate Participant

No. I think it would not be appropriate for me to comment.

Analyst

Alright. No issues at all. Thanks a lot and all the very best sir.

Operator

Thank you Mr. - We have our next question from Mr. Gagan from BNP Securities.

Analyst

Good evening, sir.
Hi, Gagan.

Analyst

Sir other income what would have been the DPP income contribution.

Corporate Participant

DPP would be about 4 crores.

Analyst

4 crores. And what would the DPP income have been for Q1 of last year.

Corporate Participant

Q1 of last year it was about 6 crores.

Corporate Participant

The total other income was 9.8 crores.

Corporate Participant

DPP were about 4 crores.

Corporate Participant

Last year was 6 crores.

Corporate Participant

Last year was 6, this year is 4 that's what I told Gagan.

Corporate Participant

Corporate Participant

Now it is at 4.83.

Okay. Sir you also indicated that this quarter there was an increase in I mean goods in transit of that is why it is increasing stock - what would have been the?

Corporate Participant

Just don't forget we are creating significant - in South Africa.

Analyst

Right sir. So it's prior to be able to compare your inventories at this time today with your inventories a year ago. I mean how much would they differently if you could give an indication of inventory believe as we have?

Corporate Participant

Higher by almost at 20% as compared to last year.

Analyst

Okay and you indicated that you are creating significant inventories in South Africa. So should one assume that now that's because

you need to stay so much outside India this becomes a characteristic that difference?

Corporate Participant

Yes I believe it does at least for this year.

Analyst

Okay.

Corporate Participant

I think we are able to grow the sales market 20% in terms of value, just to give an example. The number of days whatever level you see it should remain more or less this range at least for this year. In next year when we have a further growth, probably something can come down, but not this year.

Analyst

But will this impact your working capital this year?

Corporate Participant

No.

It doesn't. It doesn't really.

Analyst

Okay. And sir would it?

Corporate Participant

It's part of the business cycle if I have a wonderful fix such a turnover, but looking at the nature of the business and the demand of the customers if we have to put a little more on the working capital and it's still the - are still comfortable. Get my point.

Analyst

Yeah I get your point sir. Would it make sense for AIA to put up a manufacturing facility outside India given that you might being cut down on your logistics cost?

Corporate Participant

I think we may consider, but nothing on the drawing board today. I mean I think it's we see there is an having plants in a fewer locations. Your locations. So the cost of setting plants, compliances et cetera much more - outside India. And so a certain strategic market, we may see, we may consider but nothing on the drawing board today.

Analyst

Okay. And you've indicated that you've sort of working on 10 or 15 mines. Could you indicate what's the time it takes to do the testing phase in a mine?

Corporate Participant

Testing phase, the whole process the initiation to successful introduction although the order will take, anywhere commercial would take between 9 to 12 months. It's in average live spend. Now that is basically depending on how complicated the - is? What is the life

cycle of - there? Who is the competitor? So the average that is what it takes.

Analyst

From...

Corporate Participant

For that you know the price is, raw material price is changed. Their currencies fluctuate and the whole dialogue may have to be done again. But not the testing part and commercial discussions.

Sir from what I understand the testing could be done in two options. Either you replace the entire charge at one go.

Corporate Participant

We never do it.

Analyst

And do the test or you do it or you replace it...

Corporate Participant

We never do the whole chart. There is always a trial phase, always which is up both in the customers, we want to make sure that what we're supplying will meet the expectation of their cost as well.

Analyst

No sir. What I am trying to say is that from whatever literature I could read, the trial phase itself can be done in two ways. Either when you are doing the trials on the entire mine scale rather than the land scale. You replace the entire charge of the mill at one shot and then run the test for a years time or you replace with charge in a phase manner and run it over more than one years time.

Corporate Participant

That is I don't think we have done the whole charge and done that.

Analyst

Okay.

Corporate Participant

Technically that's not a test. That's too much risk attached with this.

Analyst

Okay.

Corporate Participant

We always do a - test. It is a small charge 30-40 tonnes charge.

Analyst Analyst

Yes, in that case from whatever literature I have read. It takes more than in fact the indication for that it takes a bit more than that.

Corporate Participant

Can't argue it, our practical experience is 9 to 12 months, I mean it's not argue over that.

Analyst

Okay sir. And you indicate that there is no question in the fact that your product has been accepted superior. Could you specify any technical parameters on which you consider that you established your superior.

Corporate Participant

There are several debts, I will tell you, one is that when we do -- which is the reason why we always do - don't do trials on just one. Because other than just hard core appraisal in the ore and which can also vary, there is also corrosion because some of the grinding happens in the through wet process. To a rare elements are known, but there is always a chance of us being stumped. So we buy more than four or five alloys when we grow the alloy base. It is idea as not to just give the more rare resistance, but also make a economical alloy out of it. So what we do is we use four or five alloy the first task is obviously to without risk of failure try and that alloy that will give you the longest real life, and then what can combinations where we can reduce cost, from a quality standpoint.

So one is we try and arrive at alloy which can be cheaper than the competitor, and still give a better way of live. Because of which we can give a proposition to the customer whereby the total cost will go down. That's one. Second is that the product quality itself we are comparing ourselves to-- the first media. But even compared to - does the quality of a product when you compare Apple to Apple, is superior just on the production and a quality control stand point. In India, every single ball virtually every single ball goes through hand infection so there's a much more control on quality, there's no amount of what you have there could be small things which is acceptable.

But we try and reduce this as well. And like in South Africa, we know for sure that the -- there where we compete, which is metal. A product is 15% better as far as their performance is concerned.

Analyst

Sir apart from rare performance, reagent consumption, power consumption could also be parameters?

Corporate Participant

Power consumption - I think for mining, these guys are very large operators, power is not really a consideration for them. Their rare cost itself is so large. As you know it can be 10% of the total cost. So just saving rare cost itself is a significant incentive for them and that's where the focus really is.

But one part, I mean a big portion of the power consumption would be for the combination part itself. I mean from whatever I understand, out of the total power consumption in the entire mining process, it's the combination which holds a whole major chunk probably more than 45,50%.

Corporate Participant

Correct. But our customers, today they are talking only with rare about rare in the customer. It was - the biggest incentive for them is to first reduce the rare cost. It is as high as 10%.

Analyst

And -- the same

Corporate Participant

Sorry.

Analyst

Post thought flotation leaves are also impacted by the grinding media that you use. So that also

Corporate Participant

Today they are not using that as a marketing tool. Because we don't have very thorough analysis to really prove them on a -- basis.

Analyst

Okay. You are also moving into aggregates. In aggregates if I understand correctly as - I'm based growing was there also used as - in India.

Corporate Participant

In aggregate question we are not in that's a very small - very seldom use, they are not at all used actually.

Analyst

Okay.

Corporate Participant

85% of the market - is done by crushers.
Okay.

Corporate Participant

And we are there in the impact done and vertical sharp impact is horizontal and vertical sharp impact and it's looking equipment.

Analyst

Okay.

Corporate Participant

The crushing we are targeting and which is where we are trying to supply our products.

Analyst

You're saying that it's impact us?

Corporate Participant

These are casting

Corporate Participant

I'm sorry to insult interrupt. I think it's getting a bit too technical my suggestion is.

Corporate Participant

We'll just quickly answer and then we'll move on.

Corporate Participant

They are like casting there is no - media in the grinding applicators - aggregate is concern.

Analyst

Okay. When you say aggregates are you referring to queries or are you referring to?

Corporate Participant

-resource if the stone grounds on query, so query is a broad segment.
Okay.

Corporate Participant

I think it is a total been ground and produced and the crushers are the equipments. So alternately eitehr of the three words get used when we refer to this industry.

Analyst

Okay fine thanks. And if again I mean this is puerly driven by what media reported, I think there was an auction related to mega term it was which is being underway or being conducted?

Corporate Participant

That in media, so why are you asking me?

Analyst

No what I am asking you is that certain names for given as those who are interested in the bidding process, some names some India were also indicated, I would just like to know your name was not there?

Corporate Participant

There is from India if you can ask me.

Analyst

Sir I think it was GSW.

Corporate Participant

Anyways, Gagan my point is we would not really want to discuss anything about it, because its not the correct time. Lets put it like that.

Gagan Thareja

Okay. Thank you sir. Thank you.

Operator

Thank you Mr. Gagan. We have our next question from Mr. Abhijeet from Macquarie Security.

Analyst Corporate Participant

Sorry, sorry, sorry.

Analyst

Geography wise sales volumes. How much went into Europe, how much to China, and..

Corporate Participant

No, no, no. Generally you know we are in more than 75 countries. And it will be very difficult but broadly our composition is about 20% in the Americas.

Analyst

Okay.

Corporate Participant

The North America.

Analyst

Right

Corporate Participant

Around 25% in Europe.

Analyst

Okay.

Corporate Participant

And about 15-20% around 15% in Latin America also and then the rest of the world including India. But these are very, very ballpark indicator. I've not really worked out this geography wise sales for this quarter.

Analyst

No problem. Sir, how is China doing? You had some plans there, right? Vertical value products. We explained very well we are very happy as I indicated last year we did about 2500 tonnes. This year we feel confident that we should do at least 5000 tonnes and even more. The response is too good and we are very happy.

Analyst

So its on track, right?

Corporate Participant

Absolutely on track, absolutely.

Analyst

Okay. And sir how many mining customers are with you right now as in if you could...?

Corporate Participant

About, in terms of individual mines, about 10 to 12. And another 15 are at trial stage about at least 15.

Corporate Participant

Right.

Analyst

Okay. So there is significant addition I believe in the last few months.

Corporate Participant

Mine you I said mine wise. Because one location belonging to customer A and location two belonging to customer A are for me two different mines.

Analyst

Okay. Okay. Fine sir. I just wanted to understand the seasonality in your sale. I agree that first half is quite as compared to your whole year. But is it driven because of mining activity.

Corporate Participant

See let us actually see when the mining activity [Non-English] seasonality

Analyst Corporate Participant

But we believe that things we are currently in the possible ramping up in product mine and also with the existing customer. That real correct trend is not emerging, frankly speaking. Two example, lots of customers we have been talking about. Some of the trial orders have gone. Now the regular orders may happen next quarter, may happen in the third quarter. But overall [Non-English] at the first half because of the fact that many people including in Europe and U.S.A.

People go on vacations. Hence, these are rainy season element. So though that impacts a little bit. And - rainy season element so though that impacts a little bit and second half generally we see a better traction. But to be very honest there is no clear cut seasonality which you can really attribute it to.

Analyst

Right, right, right sir. Thanks. And last question on this pressure market. I don't have the - discussion on this. But I think - idea where you're integrating so much for area as such what is your take now as in is it on track this projects towards crusher market? Since last quarter I believe you said that you're trying to develop some products. How is the response there?

Corporate Participant

I'll tell you. We have announced the product is really accepted. We are happy with it. We have started creating the marketing set up which is different, then the standard marketing set up for a mine or a cement player. This requires a little more elaborate marketing set up which we are in a process of creating. I think by the end of this current quarter, that is the second quarter, it should be more or less quite well established.

And I think from third quarter, we'll start seeing some volumes going up on crusher side also. This is what our target is actually.

Analyst

Okay. So this would be in North America, right - market?

Corporate Participant

Largely, yes.

Analyst

Okay.

Corporate Participant

And some parts of Europe also.

Okay, fine sir. All the best for your rest of three year.

Corporate Participant

Thank you sir. Thank you.

Operator

Thank you Mr Abhijeet. We have our next question from Mr. Puneet - from Enam Securities. Mr. Puneet, please go ahead.

Analyst

Yeah hi sir.

Corporate Participant

Hello Puneet, hi.

Analyst

Just actually one question, you mentioned the order book is 480 crores, right?

Corporate Participant

That's right.

Analyst

If you can just give it to me in balanced terms is it possible?

Corporate Participant

Sorry?

Analyst

In terms of talent, if you can give it to me?

Corporate Participant

Just - sorry I will have to give you that - spetrate because it is not available.

Sure. I'll take it offline. No worry. Thanks.

Operator

Thank you Mr. Puneet. We have our next question from Mr Vaibhav Goel from SBI Life insurance. Mr Vaibhav, please go ahead.

Analyst

Sir my questions have been answered, thanks a lot.

Corporate Participant

Thanks.

Operator

Thank you Mr Goel. We have our next question from Ms. Bhoomika Nair from IDFC Securities. Ms. Nair, please go ahead.

Analyst

Yeah. Good evening sir. Sir I discussed a lot on the other segments. If you could just throw some light on how the cement industry is panning out in international and domestic markets for us in terms of demand?

Corporate Participant

Boohmika it's frankly, cement industry, except for a few pockets is really not doing well. And now with this scenario emerging, I don't think at least for this year we will see any spark, if you talk of the North American market, so if you talk out most of the part of the Western European market. India still somehow new capacities are continuously being created and replacement we're very, very good, very strong in India obviously. I would say parts of some of the African markets are good, some of the Gulf markets are good. I think largely except for this, obviously we're pushing vertical main parts China and China is producing quite a bit of cement. So frankly since we're not dependent on the and we're focusing more on replacement, obviously we're not really impacted but we don't see a wonderful growth in cement at least for a year actually.

Analyst

Okay. So could there be a decline in cement volumes in the current year because of this?

Corporate Participant

No, no. Even in the worse of the periods we have been able to either arrest or accuse some growth because we have been very aggressive in pushing because a new territories, new markets, new product ranges. - to for our focus was too

Analyst

And sir the China vertical mill parts, I mean would they have similar kind of realizations and margins as our traditional cement business?

Corporate Participant

Of course, of course.

Analyst

Okay, okay. The other thing was on the cashier market that we talked about. Sir, what kind of volumes we could possibly be doing in the current year and what potential it has...

Corporate Participant

Current year, very honestly in our target we haven't factored anything significant maybe. May be 4 to 5,000 tons maybe and may not even

that it's bit premature. But as an opportunity I would say it is at least 20 or 30,000 tonnes that we are immediately targeting over next few years.

Analyst

Okay.

Corporate Participant

And in next couple of years we should see a lot happening in this results.

Analyst

So 20, 30,000 would be like an annual kind of percentage in around three years up?

Corporate Participant

That is what we are targeting actually.

Analyst

Okay.

Corporate Participant Analyst

Yeah, I mean okay, I understand that. And sir what kind of average realization we mentioned about 150 would be the kind of 150,000 would be the kind of volumes that we doing. But what kind of average realization one can reflect in the current year?

Corporate Participant

Unless what we have got 87, 88.

Analyst

Okay.

Corporate Participant

I mean at the current year I think more or less yes.

Analyst

Okay, great sir. Thank you so much.

Corporate Participant

Yes.

Operator

Thank you Ms. Bhumika. We have our next question from Mr. Ranjit Shivraman from B&K Securities.

Analyst

Good evening sir. Thanks for taking my question, most of my questions have been answered. Only thing sir the employee cost have gone up substantially we got any particular reason for that?

Corporate Participant

You are right. We struggled with the employee cost as much as every an organization. This is reflects, the increments that have come about in this quarter and some of it could be related to the increment level probably in the previous year, as bonus that have been paid out this year.

Corporate Participant Analyst

How much.

Corporate Participant

But we have to retain good people and we have to give them increments et cetera. So you know that's a part of life.

Analyst

Okay. And sir any idea like how much intake in terms of employees we have taken this quarter?

Corporate Participant

It's very difficult to give the employee number.. Saying that this doesn't reflects a lot of new people. It reflects like I said increment about 15-20%, increment that is purely gone out, about 2 crores of that would be just increment cost the board been handed out.

Analyst

Okay.

Corporate Participant

Small portion of bonuses for the full year, some could be due to related to the full year. Some portion could be the previous year. And some related to some thing we have recruited for mining and sales outside India.

Analyst

Okay. And sir, can you just throw some color for the full year like how much this increment can

Corporate Participant

I think it should be proportional. It should not be vastly different from here.

Analyst

So

Corporate Participant

Last year it was about 60 crores for full year.
Okay. Okay. Thank you. Thank you sir.

Corporate Participant

Thank you.

Operator

Thank you Mr. Ranjit. [Operator Instructions].

Corporate Participant

I think as there are no questions.

Corporate Participant

I think most of it is answered. So we may kindly conclude the call please.

Operator

Certainly sir. Ladies and gentlemen, this concludes the conference for today. We thank you for your participation and for using Tata Indicom conferencing services. You may please disconnect your lines now. Thank you. Have a pleasant evening.