

Operator

Good evening, ladies and gentlemen. Thank you for standing by. This is Prajakta, 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. I would now like to turn the conference over to AIA Engineering team. Over to you, sir.

Kunal Shah, Executive Director, Finance

Thank you so much. Very good afternoon to everyone and thank you all for taking the time to join us in this call. As usual, I'll start with a brief update on this quarter and we'll follow them up with question and answers. I hope you all got a chance to look at the figures. Nevertheless, key highlights are as follows. Our total sales for this quarter are at 469 crores with a sales volume of 44,000 tonnes. We have done, of that 71% is outside India and 29% is in India.

We've done our EBITDA of 107.9 crores, which represents about 23% EBITDA margin and operating margin of 104.9 crores, which is about 22.3%. Our profit after tax stands at 55.73 crores, which is the highest ever for AIA both in terms of top line and in terms of bottom line, so we are very happy to report the figures for this quarter. Just running through a few more highlights for the quarter, our -- as our old hedges expire, our weighted average current dollar to rupee number is high upwards so the figure for this quarter was 54.40, above higher than 53.28, which was the figure for the fourth quarter of last year.

And this will progressively keep ending higher, but with the average rupee at 54.40, which was a hedge and the average rupee for the quarter, it rapidly deteriorated in June, but for April and May, the rupee was still under around 55 level. So our hedging losses to that account, which is a difference between a spot and the hedge, has reduced for this quarter.

Nevertheless, we had losses on account of short-term borrowings, which we have done, which is a packing credit and buyer's credit. There's about \$10 million, so we lost about 2.5 crores on that amount. And about a notional loss, which is a loss between spot and the hedge is about 7 crores to 8 crores. So overall, with the net realization at 54.14, we have Moving on, we did about 20,000 tonnes of sales in mines this year and the balance being formed by cement and utility. Cement has seen an improvement over what we did last year, but we believe the fourth quarter in this quarter were both seasonal adjustment as opposed to any longer term trend. So, we don't read into this let's say in the cement's volume. Of course, we are the dominant player in that segment across the world. So any growth, any improvement in any segment will naturally flow in to our business. Walking through some balance sheet highlights, our debtor days expanded 77, which was about 74, 75 days in March, about roughly flat. Creditors, they were flat at about 46 days. Our finished good inventory has reduced and WS inventory has reduced from 250 crores to 220 crores. We have seen some working capital reduction on that account. So it stands at 54 days to now at 43 days.

Raw material is flat. Our net cash -- our total cash at the end of June was 624 crores and we've got borrowing of about 175, which includes 100 crores of ECB, about 50 crores of short-term borrowings, about 15 crores in our subsidiaries. So an approximate 175 crores, which leaves us with a net cash about 450 crores. Of course, we've got our CapEx at our brownfield Moraiya facility that takes our capacity higher by 60,000 tonnes of grinding media production, and we are here to spend about 75 crores, 80 crores for that project.

So the net cash, effective net cash would be little different once that comes into play. We've also got some provisions in payout et cetera coming up, so that will also further adjust to that expense.

I'll request Sanjay to walk you through the broad headway, the wins in our business and then, we can open up for Q&A.

Sanjay S. Majmudar, Independent Non-Executive Director

Thanks, Kunal. Good afternoon, everyone. As you can see, our Q1 numbers, they are definitely looking better. And broadly, I think our CapEx plans at about 380 odd crores that we have discussed last quarter, they remain absolutely firm on ground.

By this December, maybe by January 2014, we should be able to complete our brownfield expansion at Moraiya and as much as our mining liner facility greenfield plant is concerned, we have received all the drawings and other designs et cetera from our US-based

consultants and now the actual work is starting so that we remain on board with our target that by March 15, we should have total 2 lakh tonnes capacity available.

Again, talking about the macro economic factors, the fact remains that we are, for growth, still remain focused on the mining segment on those as you would be aware, we are seeing some softness in terms of the global pricing of metal, then the demand of metals, the concern being probably eliminating from the fact that still the metal pricing is down, what could be possibly the impact on our off take.

I am happy to state that we still continue to remain cautiously optimistic in the sense that we are not witnessing any material headwinds in terms of reduction in demand et cetera from AIA, and moved, in, fact as we are explaining the fact, which mining scenario is slightly down side, may be it makes mines more conscious about the cost factor. And that actually helps us in surveying our point a little more forcefully in the sense that our whole economics depend on the replacement of a high chrome part or a steel part, whichever part, I don't know remember, or rather I would say on a combination of better design, better efficiency, better deliverables, better pricing, et cetera.

So we are there not witnessing any significant or any material or worrisome factor from that angle, nevertheless, we remain extremely conscious. And I would say we are cautiously optimistic and we would like to hold ground. Just on the margin front, we have seen better margin happening this year, I mean this quarter.

We had indicated in the past that our 20% EBITDA margin looks to be the bottom below which we should not fall. However, of course in the Q1, we have seen a very good margin. However, the target remains to see that we remain range amount [ph] in the margin, is about 20%. However, we believe it is a big premature for us to give you any firm guidance in terms of doing margins that what level they can go up et cetera. We want to wait and watch and see how things plan out for cut of quarter.

Questions And Answers

Operator

Your first question from Mr. Bhalchandra Shinde from Batlivala & Karani Securities. Please go ahead, sir.

Bhalchandra Shinde, Analyst

Good evening, sir and congratulation for good set of numbers. Sir, first of all, I would like to have a price realization, what was the average price realization?

Sanjay S. Majmudar, Independent Non-Executive Director

Average price is INR103.

Bhalchandra Shinde, Analyst

INR103. And, sir, this rupee depreciation, do you see increase in realization in remaining FY14 or realization will stay at these levels?

Kunal Shah, Executive Director, Finance

Realizations are not function not just of currency, but if you look at it in the fourth quarter last year, it was about 105, it has reduced to 103 in the first quarter. So it's also a function of productions et cetera for, but we'll be maintaining 103 to 105, because it's difficult to give an exact number on where does it stack up.

Bhalchandra Shinde, Analyst

Okay.

Kunal Shah, Executive Director, Finance

So that is just one variable that effects that average realization, but more importantly, it is a product mix

.

Bhalchandra Shinde, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

Of course we keep on buying forward contract as when the pricing looks more favorable. So between Q1 and Q3, maybe by Q4, you may end up doing an average realization of 60 at today's level. However, we will have to see as the things move, that's not fine.

Bhalchandra Shinde, Analyst

Yeah, you are right.

Sanjay S. Majmudar, Independent Non-Executive Director

I'm talking of every realization in terms of rupee dollars.

Bhalchandra Shinde, Analyst

Right. And so --

Sanjay S. Majmudar, Independent Non-Executive Director

So, Q2 maybe (foreign language) because most of it is put forward at lower price.

Bhalchandra Shinde, Analyst

Okay, okay. But like just correct me, as the hedging benchmark right now is at 54.4, sir, means if currency stays at these levels, will it not create any hedging loss for us?

Sanjay S. Majmudar, Independent Non-Executive Director

Sorry, repeat again.

Bhalchandra Shinde, Analyst

Since our hedges are at lower prices, won't it create any M2M losses for us considering current currency rate?

Sanjay S. Majmudar, Independent Non-Executive Director

It will be, but when we were at 55, it is at a 51.

Bhalchandra Shinde, Analyst

Okay.

We have seen that every quarter that that's only a notional -- our sales does get inflated to that extent, but a rupee realization is where what our dollar price reflect the rupee realization.

Bhalchandra Shinde, Analyst

Okay. So, sir --

Sanjay S. Majmudar, Independent Non-Executive Director

So it is 54 per se.

Kunal Shah, Executive Director, Finance

And you see this quarter there is a notional loss because of the variation between the currencies and the average rate at which --

Sanjay S. Majmudar, Independent Non-Executive Director

But you are right, there could be -- there is always just like a raw material pass through, you may always have a lag as far as business concerns when the rupee is sharply depreciated, some other currency would have also depreciated where we are giving out new credits, the visible 51, it all will be equivalent to local currency, but we raise at 55, but that's a lag effect, we have to play catch up. We did for 51 to 55, one part has moved again to 55 to 51, so that's something that we have been doing this thus far, it's the process of pass throughs per se.

Bhalchandra Shinde, Analyst

Okay. And sir, mean, would like to know how much was the mill internal content in this quarter sales?

Sanjay S. Majmudar, Independent Non-Executive Director

Ever kilo that we have sold in mill internal.

Bhalchandra Shinde, Analyst

In both mining and cement?

Sanjay S. Majmudar, Independent Non-Executive Director

Everything that we sell is only mill internal, it is that we are trying to ask between grinding media and leather casting.

Bhalchandra Shinde, Analyst

Right.

You see as a matter of policy, we don't share this data on this call.

Bhalchandra Shinde, Analyst

Okay, okay. Fine, fine. And sir, last question regarding the other expenses, means like, comparatively other expenses have been lower, any specific reason?

Sanjay S. Majmudar, Independent Non-Executive Director

See other expenses are the FX effects of past actually.

Bhalchandra Shinde, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

But, I think there is no other reason, and if there is a higher element of FX loss through the transition, it's passed in other expenses.

If there is an income, then to that extent the other expense is also calculated. But, I don't think there is any other reason -- are you looking at stand-alone or consolidated?

Bhalchandra Shinde, Analyst

Consolidated.

Kunal Shah, Executive Director, Finance

He is talking about currency.

Sanjay S. Majmudar, Independent Non-Executive Director

Currency, primarily the currency.

Bhalchandra Shinde, Analyst

Okay. So, how much was the Forex again?

Sanjay S. Majmudar, Independent Non-Executive Director

There wasn't a gain, the losses have reduced than the last time.

Bhalchandra Shinde, Analyst Sanjay S. Majmudar, Independent Non-Executive Director

Because, the spot and the hedge prices are narrowing.

Bhalchandra Shinde, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

It's narrow for this quarter.

Bhalchandra Shinde, Analyst

Okay. Okay. Okay, thank you very much, sir.

Operator

Thank you for your question, sir. Your next question is from Viraj Mehta from Franklin Templeton Investments. Please go ahead, sir.

Viraj Mehta, Analyst

Yeah. Hello, thanks a lot for giving me an opportunity. First of all, congrats for great sort of numbers. Just -- just a couple of questions, sir. If you look at the gross margin for the company, it has come significantly both on YoY or is it quarter-on-quarter basis, to around 56.5% from 63% last quarter and 60.5% for a year before, is that any specific reason for this or --

Sanjay S. Majmudar, Independent Non-Executive Director

The gross margin you're saying?

Viraj Mehta, Analyst

Yeah, gross margin. Gross margin has come down?

Sanjay S. Majmudar, Independent Non-Executive Director

If you look it adjusted for increase, decrease in stock.

Viraj Mehta, Analyst

Yeah, yeah. I looked at it adjusted only.

We don't think so, we will have to see because, we don't see rise, because there is a impact, the EBITDA has gone up. And our --

Viraj Mehta, Analyst

No, but that is only because other expense --

Sanjay S. Majmudar, Independent Non-Executive Director

But again, that is a function for FX loss or gain in a particular quarter because that FX gain comes in the other expenses no.

Viraj Mehta, Analyst

Sure, sure. No I gave --

Sanjay S. Majmudar, Independent Non-Executive Director

Just look at that and then look at this figure variably.

Viraj Mehta, Analyst

No, no, no. So, I did, I'm only talking gross margin, which only include cost of raw material and digested part of inventories and --?

Sanjay S. Majmudar, Independent Non-Executive Director

You are looking at it as a percent of sales.

Viraj Mehta, Analyst

Which is a function of FX is what you are seeing?

Sanjay S. Majmudar, Independent Non-Executive Director

Exactly, when we don't see it is hedged up at a lower round, the balance is going into other expenses, that's what I am saying. You are comparing like that, just like you are adjusting for stock, just for that currency gains -- losses as well.

Viraj Mehta, Analyst

Sure. Got it.

Sanjay S. Majmudar, Independent Non-Executive Director Viraj Mehta, Analyst

Got it.

Sanjay S. Majmudar, Independent Non-Executive Director

Okay.

Viraj Mehta, Analyst

Hello?

Sanjay S. Majmudar, Independent Non-Executive Director

Yeah.

Viraj Mehta, Analyst

Yeah. So another question is sir, the 44,000 that you said, what was the comparative figure last year in the same quarter?

Sanjay S. Majmudar, Independent Non-Executive Director

First quarter last year?

Viraj Mehta, Analyst

Yeah.

Sanjay S. Majmudar, Independent Non-Executive Director

It was 40,000 tonnes.

Viraj Mehta, Analyst

Okay. And the 10 crore -- approximately 10 crore FX losses what you've said for this quarter, what was the same number last year?

Sanjay S. Majmudar, Independent Non-Executive Director

I don't have last year figures so that currency -Last year (inaudible)

Sanjay S. Majmudar, Independent Non-Executive Director

I will tell you later. First quarter last year it was about 16 crores.

Viraj Mehta, Analyst

16 crores.

Sanjay S. Majmudar, Independent Non-Executive Director

But there is a notional on top of it. I just have a real life losses, notional figure I'll have -- I have to peck [ph] it off hang on, hang on, hang on, it was 24. See I have a -- 24.5 crores was the comparative figure of last year.

Viraj Mehta, Analyst

Okay. So 16 crore actually changed happened at the FX level in other expenses?

Sanjay S. Majmudar, Independent Non-Executive Director

It is actually -- further there as well.

Viraj Mehta, Analyst

Sure.

Sanjay S. Majmudar, Independent Non-Executive Director

About only 15 crore was higher last year, which is far from gross margin per se, but it's been classified as other expenses.

Viraj Mehta, Analyst

Sure, sure. Sir, just one last thing, on our ECB loans that we would have taken upon 100 crores is what it is right now. On that also, we would have mark to market losses, right?

Sanjay S. Majmudar, Independent Non-Executive Director

Correct.

Viraj Mehta, Analyst Sanjay S. Majmudar, Independent Non-Executive Director

No, we have taken -- we have done one-time auction and we will be capitalizing the --

Kunal Shah, Executive Director, Finance

This is as per the AS 11 adoption where if it is relating to capital expenditures, you can take it to the respective asset account and the currency getting readjusted, the loan getting readjusted. It doesn't come to P&L.

Viraj Mehta, Analyst

Got it. But then, would it actually increase our brownfield CapEx from, let's say, around 130 crores or 135 crores?

Sanjay S. Majmudar, Independent Non-Executive Director

No, no, it will increase our gross to that extent, yeah.

Viraj Mehta, Analyst

Got it. Thanks a lot.

Operator

Thank you for your questions, sir. We have next question from Ms. Bhoomika Nair from IDFC securities. Please go ahead ma'am.

Bhoomika Nair, Analyst

Sir, this is Bhoomika, sir.

Sanjay S. Majmudar, Independent Non-Executive Director

Yes.

Bhoomika Nair, Analyst

Yeah. Sir, just wanted to understand this whole forex thing a little better because there seems to be some confusion. Sir, last year there is a 15 crore forex loss and this extra 10 crores which takes it up to 24.5 crores is led by what, sir, sir I don't get?

Sanjay S. Majmudar, Independent Non-Executive Director Bhoomika Nair, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

One is that if I book that hedge at 55. Okay.

Bhoomika Nair, Analyst

Correct, correct.

Sanjay S. Majmudar, Independent Non-Executive Director

Of that 55, you know it is booked at 60.

Bhoomika Nair, Analyst

Correct.

Sanjay S. Majmudar, Independent Non-Executive Director

Correct. And I realize at 55.

Bhoomika Nair, Analyst

Correct.

Sanjay S. Majmudar, Independent Non-Executive Director

Is a notional loss.

Bhoomika Nair, Analyst

Correct.

Sanjay S. Majmudar, Independent Non-Executive Director

You get that?

Bhoomika Nair, Analyst Sanjay S. Majmudar, Independent Non-Executive Director

And this is what we would have earned every book to debt, but you know it, because the sales is being recognized at 60.

Bhoomika Nair, Analyst

Correct. Sales is being recognized --

Sanjay S. Majmudar, Independent Non-Executive Director

So there is a notional loss and they have announced, then they have got loss or cancellation of contracts where we are -actually when we deliver this contract.

Bhoomika Nair, Analyst

Right.

Sanjay S. Majmudar, Independent Non-Executive Director

Okay, it will get accounted in the books, then there is a loss on short term borrowings that we have done. We had that, there was about \$5 million loan last year as well. Okay.

Bhoomika Nair, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

So all three put together a notional, et cetera, then our average realization in the first quarter was 49.52.

Bhoomika Nair, Analyst

Last year, 49.52

Sanjay S. Majmudar, Independent Non-Executive Director

Correct. When the average spot rate was 54.

Bhoomika Nair, Analyst

Okay.
So, we got a net loss of INR5 to that extent.

Bhoomika Nair, Analyst

Correct.

Sanjay S. Majmudar, Independent Non-Executive Director

You understand Bhoomika?

Bhoomika Nair, Analyst

Yes sir, yes sir.

Sanjay S. Majmudar, Independent Non-Executive Director

These translates to about 24.5 crores, total.

Bhoomika Nair, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

All three spot markets put together, this -- for this first quarter, if I add those to three contracts, the amount would come to 10 crores where our average realized were 64.74, but the average spot was about 56.59

Bhoomika Nair, Analyst

56.59. Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

About rupees, every five below the average spot.

Bhoomika Nair, Analyst

Okay. Okay. Fair enough.

Sanjay S. Majmudar, Independent Non-Executive Director

So let's say the difference is -- every quarter and which is why our hedges, it was less in the fourth quarter also. The difference was less in the fourth quarter last year when the average was 63.90, we were hedged at 53.26.
Correct.

Sanjay S. Majmudar, Independent Non-Executive Director

But that notional incurred, but when we realized 53.90, we realized 54.70 that is incremental gain of all my extra dollars right.

Bhoomika Nair, Analyst

Correct, correct, correct. Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

So that ultimately even (inaudible) Correct, so when we are complaining, there is a part improvement in our realizations because rupee has moved up, but at the same time, the dollar pricing has to be readjusted lower. Okay.

Bhoomika Nair, Analyst

Right, right.

Sanjay S. Majmudar, Independent Non-Executive Director

So, when we are comparing, it may look a little odd sometimes, but that is why we try and speak with you at the EBITDA level, that this is something that get ultimately adjusted in that and reflects at the EBITDA level.

Bhoomika Nair, Analyst

Okay. And sir, just to understand one more line, so this may not entirely lie in other expenses, it might also be a part of the Forex loss and also be part of raw material or only is the part of other expenses?

Sanjay S. Majmudar, Independent Non-Executive Director

No, no, no, only other expenses.

Bhoomika Nair, Analyst

Okay. Because if I look at it, I mean, the other expenses have actually gone down on the consolidated level from about 157 crores to 150 crores and this is despite Forex losses being much lower in this current quarter, I mean, if you look at it sequentially, it's gone down from 175 --?

Sanjay S. Majmudar, Independent Non-Executive Director

How can you say it has gone down?
175 --

Sanjay S. Majmudar, Independent Non-Executive Director

It has gone down, no Bhoomika.

Bhoomika Nair, Analyst

No, sir, even if I --

Sanjay S. Majmudar, Independent Non-Executive Director

About 15 crore, see Bhoomika, let me elaborate. The same amount in this first quarter --

Bhoomika Nair, Analyst

Right.

Sanjay S. Majmudar, Independent Non-Executive Director

Is about 10 crores, which is the part of other expenses.

Bhoomika Nair, Analyst

Correct

Sanjay S. Majmudar, Independent Non-Executive Director

Correct. And the same amount in the corresponding first quarter of the previous year was about 24 crores. So other expenses were at higher to the extent of about 15 crores in Q1 of the last year.

Bhoomika Nair, Analyst

Okay, okay. Because I am also looking at it sequentially, sir, which has also come of quite tough?

Sanjay S. Majmudar, Independent Non-Executive Director

No, you can't -- no, you can't look at the FX impact sequentially, it is very difficult to predict --

Kunal Shah, Executive Director, Finance

No, I'll tell you, 5 crores is a reduction in freight outward as well where you have more sales on FOB basis, okay.
Okay, okay, okay.

Sanjay S. Majmudar, Independent Non-Executive Director

5 crores are sequentially, Bhoomika.

Bhoomika Nair, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

5.3 crores is a reduction on freight outward expenses.

Bhoomika Nair, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

Had it been there, it would have been reflected in sales also to the extent.

Bhoomika Nair, Analyst

Understood. Fair enough.

Sanjay S. Majmudar, Independent Non-Executive Director

Okay. So the 5.3 is there and balance is in currently between the sequential quarters.

Bhoomika Nair, Analyst

Okay. Sir, just, also just trying to, moving on to mining segment, how has we, you know, in terms of existing customers, are we still seeing price increases, how has the demand been, if you could just give some color on that?

Sanjay S. Majmudar, Independent Non-Executive Director

I think, it's okay. We are as you know, as we move forward, we are becoming a recognized player in the segment. We are not having to go and introduce our sales as we are in the cement segment but we are now clear in the mining, definitely bringing value added to the customer, that's also being recognized and we are not just grinding media, now we are doing mining liners as well.

Right, we are doing the whole gamut of grinding media over there, so clearly the strategy is to work with the customer for a full set

of mill internal requirement.
Sure.

Sanjay S. Majmudar, Independent Non-Executive Director

And to the extent we are differentiating our sales.

Bhoomika Nair, Analyst

Okay

Sanjay S. Majmudar, Independent Non-Executive Director

Notwithstanding that, and this response that I'm now sharing you applicable to generally our business that we are faced with an extreme volatile situation, you know, right from currency to end user demand to specific country issues, it has become very choppy as far as and you know how is the situation in India, we are getting different types of thing happening every single day. So, within that environment, we believe that our products are specific positioning as far as customer and talk about value addition to the customer has shown as far as our last two quarter results are concerned. Right?

Bhoomika Nair, Analyst

Okay, okay.

Sanjay S. Majmudar, Independent Non-Executive Director

All of that, in a certain choppy environment, we still able to transition from 40 crores per quarter to 50 crores, which is now 60 crores of profit per quarter. You've seen that happening over last two years. Right?

Bhoomika Nair, Analyst

Absolutely.

Sanjay S. Majmudar, Independent Non-Executive Director

We have reached up from 40,000 tonnes for mining to 60,000 last year. So approximately 80,000 tonnes this year. But, if the customer is going through intense volatility and uncertainty at their level, it doesn't mean that our businesses go down by 30%, or just being very, very extreme reaction, but, at the same time, the dialogs became a little different than what it was say six months back.

Bhoomika Nair, Analyst

Okay.
And they commit their own expansion plans, they've borrowed money to set up expansions which they are frozen. A lot of mineral ores are going through their own price corrections at which level they know -- ores like platinum are like five or ten-year low as far as ore pricing is concerned.

So, within that environment, we are trying are best, so what is -- philosophy is to offer a distinguished product. If you do that everything gets, we have to polish it accordingly. Right, we have to -- which is why we are doing the whole suite of products. We are trying to consists -- continuously introduce new allow to make sure that we continue to bring more rare benefits to the customer.

Bhoomika Nair, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

Right. Our raw materials have been volatile, currently has been volatile, freight cost we -- on one side here, we have freight costs going down and on certain sectors, we have seen shipping companies undergoing consolidation and the tariff going up.

Bhoomika Nair, Analyst

Correct.

Sanjay S. Majmudar, Independent Non-Executive Director

The customer -- lot of customers in South Africa, for example, are talking about certain mines being shut because of ore prices.

Bhoomika Nair, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

You are hearing stories about China reducing their ore consumption and then the consequential effect on iron ore production. So, all said and done, I think, we are doing decently okay. When you are talking about price increases, it's not just the strategy for differentiating and hence asking for a better price, it's also dialog today for raw materials and currency.

Bhoomika Nair, Analyst

Okay, okay.

Sanjay S. Majmudar, Independent Non-Executive Director Bhoomika Nair, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

So, within that, I believe that, that 55, we'd reached a level, we've crossed that margins to have reached a comfortable situation. Unfortunately, the currency has again gone for a toss and that caused the Indian rupee most emerging currency there (inaudible).

Bhoomika Nair, Analyst

Right.

Sanjay S. Majmudar, Independent Non-Executive Director

So to that extent we again in an adjustment mode, next two quarters will again be in an adjustment mode in some places because given dollars considering at 51, while we are hedged at 55 or 57. So, and again, so there is no reset of prices at 51 given at hedged situation more than our pricing.

Bhoomika Nair, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

So, I think going back to original question, yes, we will establish the comfort with the customer and we are seeing price increases

come through. At the same time, the environment remains challenging because the conversation is not just price increase because we are a better supplier or a more value added supplier, but also because of raw material, currency et cetera.

Bhoomika Nair, Analyst

Okay, okay. Sir, just lastly in terms of the mining liners, we are staring to see traction in that with sale as also because we are looking at a lot of mining volumes coming in from mining liners this year?

Sanjay S. Majmudar, Independent Non-Executive Director

Correct. This year we are expecting about 7,000 tonnes to 10,000 tonnes. We did about 3,000 tonnes to 4,000 tonnes last year. We expect that to progress in the scale up. We are also looking at a facility to manufacture those casing coming up in due course and discuss about that last call.

I think 8,000 tonnes of casting is not a small number because that involves assessment [ph] issue, that involves performance issue. So we are going to get it processed or getting established making our learning, findings on their But, fundamentally when you go to a customer and you exhibit the ability to supply the whole suite, it still distinguishes us you know.

Bhoomika Nair, Analyst

Okay. Okay. Fair enough.

Sanjay S. Majmudar, Independent Non-Executive Director

So we again play for mining liners, and we hope to do at least quite this amount next year at least twice, but the feed -they are to scale up in that business.

Bhoomika Nair, Analyst

Okay. Okay. Fair enough, sir. And sir, just lastly the total volumes are 44,000 in this quarter, right?

Sanjay S. Majmudar, Independent Non-Executive Director

Correct, correct. Sales is 40 for production is about 41,000 tonnes.

Bhoomika Nair, Analyst

Okay, sir. Thank you so very much, sir. And all the best.

Sanjay S. Majmudar, Independent Non-Executive Director

Thanks.

Operator

Thank you for your question ma'am. We have next question from Ashutosh Tiwari from Equirus Securities. Please go ahead, sir.

Ashutosh Tiwari, Analyst

Yeah, hello, sir. Congratulations on a very good set of numbers.

Sanjay S. Majmudar, Independent Non-Executive Director

Thank you.

Ashutosh Tiwari, Analyst Sanjay S. Majmudar, Independent Non-Executive Director

Yeah, the court case, we are going through the major appellant level in the US so it's expected to be heard in September and October still subdued, so we are going through an appeal process on that verdict.

Ashutosh Tiwari, Analyst

And this is only related to that ceramic, the walls essentially for immigrates?

Sanjay S. Majmudar, Independent Non-Executive Director

It is related to the ceramic technology for sale of that products in the US.

Ashutosh Tiwari, Analyst

In the US only. And how also the volumes you are currently doing in that segment, ceramic walls?

Sanjay S. Majmudar, Independent Non-Executive Director

Over the last few years we have not done any sales, hardly any sale of that product.

Ashutosh Tiwari, Analyst

Okay, okay. And the key market is US only?

Sanjay S. Majmudar, Independent Non-Executive Director

Actually it's prospective product for us, not a current product for the technology for US.

Ashutosh Tiwari, Analyst

Okay. And sir, second thing on this other expense, if I look at sequentially, it has also gone down considerably. So from say 177 crores to 149 crores, so despite of the fact that volumes have gone up sequentially also by certain percent. So, I mean what is the worst loss in Q4 and Q4 FY13 and such?

Sanjay S. Majmudar, Independent Non-Executive Director

See one aspect you must also remember that in Q4, it is the last quarter for whatever provisioning or whatever is short fall everything gets booked in Q4. So it is very difficult to exactly pinpoint, however broadly speaking, this last year, in the first two quarters, in the first quarter, we did 24 crores, this year, we have done 10 crore loss.

So basically, this has gone down, but if you talk of last year Q4, the total loss of making was hardly not more than 3 crores. That's my point on a sequential basis.

Okay. (inaudible) reduction in the expenses I believe?

Sanjay S. Majmudar, Independent Non-Executive Director

And for the expense rate also.

Ashutosh Tiwari, Analyst

(inaudible) 5 crores item. Apart from that, is there any other item which has gone down?

Sanjay S. Majmudar, Independent Non-Executive Director

No. I don't think, more or less, we are -- our power cost has also gone down. One additional thing, it's lower than about 4 to 5 crores this quarter on account of power trading, we've got a limited time opportunity there, power has been traded at under INR2. So, we are making the full advantage of that situation.

The open access customers, buying of the power exchange and we have saved about 4 to 5 crores this quarter on that account.

Ashutosh Tiwari, Analyst

Sequentially.

Sanjay S. Majmudar, Independent Non-Executive Director

Bhoomika -- Sorry, that is additional achieved, that's an additional cost reduction on that account. Sequentially about -we saved about 12.5 crores in the fourth quarter last year. We did about 5 crores in the first quarter, so it can do the max between the first quarter last year and the sequential fourth quarter.

Ashutosh Tiwari, Analyst

Okay (inaudible).

Sanjay S. Majmudar, Independent Non-Executive Director

Currency -- then your export trade outward, that was done late in this quarter compared to the other two. So I think these are the three reason why other expense has been lower and not comparable.

Ashutosh Tiwari, Analyst

Okay, okay, okay. And on the volumes front, we still are actually (inaudible) for this year?

Sanjay S. Majmudar, Independent Non-Executive Director Ashutosh Tiwari, Analyst

Okay, okay, okay. Okay, sir, thanks. That's all from us, sir.

Sanjay S. Majmudar, Independent Non-Executive Director

Thank you, sir. Thanks.

Operator

Thank you for your question, sir. We have next question from Mr. Kashyap Pujara from Axis Capital Limited.

Kashyap Pujara, Analyst

Hi, good evening to both of you.

Sanjay S. Majmudar, Independent Non-Executive Director

Good evening, sir.

Kashyap Pujara, Analyst

Thanks for an elaborate explanation, most of my questions have been answered. Having said that, if you can just shed light on one more point, while you explained about the global situation of the mining industry, if you can just shed some light on how the domestic cement market is poised? Because, do you see any cracks in utilization levels and actually some amount of off tick --?

Sanjay S. Majmudar, Independent Non-Executive Director

Hey, Kashyap, that question is your utilization to the cement industry or AIA?

Kashyap Pujara, Analyst

No, I'm just asking your view as to how you read the situation? I think you guys are doing a brilliant job in terms of, in a way managing the current atmosphere, I mean, the kind of numbers that are being reported in such a challenging time. But having said that, if you can just give some insight of as to what you read the situation as?

Sanjay S. Majmudar, Independent Non-Executive Director

-- 29% of our business, first of all. Second of all, we're doing mining, cement and utility. So to that extent, our 2,000 tonne production if at all, in the Indian cement market is not material to our global scheme of paying.

Kashyap Pujara, Analyst

Fair enough, fair enough.

Sanjay S. Majmudar, Independent Non-Executive Director

We can have you speak with our cement those guys and may be as you draw much more specific answer to this, but nothing that we expect that could be material to our prospects.

Kashyap Pujara, Analyst

Fair enough, fair enough. Thank you so much and all the best to you.

Sanjay S. Majmudar, Independent Non-Executive Director

Thank you, Kashyap. Thank you.

Operator

Thank you for your question, sir. We have next question from Tanuj Mukhija from Ambit Capital.

Tanuj Mukhija, Analyst

Hi, sir. This quarter we have seen a --

Sanjay S. Majmudar, Independent Non-Executive Director

Can you be a bit louder, please? We can't hear you.

Tanuj Mukhija, Analyst

Okay. Hi, sir. This quarter, we have seen 11% growth in mining volumes. Can you tell me how much is that due to market share gain? At what -- industry grown approximately? Have you continued to gain market share from Megator? Is that a primary reason for high

growth rate?

Sanjay S. Majmudar, Independent Non-Executive Director

See, it's a function of a several factors. One is, in the high growth space in second areas or segment, yes we would be looking at some market share growth. However, it is also function of the new ores that we are attacking where Megator is not present, but then it would in those cases shift from the conventional use. So it's a combination of both.

Okay, sir. Approximately as per you what would be the industry growth rate for macromedia in this quarter and what is your outlook for this industry growth?

Sanjay S. Majmudar, Independent Non-Executive Director

Yeah, it's my way of explaining, the outlook for this industry, if you look at the entire global scenario is currently quite soft. It is not encouraging because the price is of base metals worldwide are falling. And the demand therefore continues to remain soft. China, which is the biggest buyer of commodities worldwide is also slowing down. However, as we explained, the opportunity per se is big.

So we are looking at primarily focusing on conventional part being substituted by our (inaudible) which are opening more advantages. These advantages become more evident when there the depressed scenario is there slightly as compared to boom time conditions.

Having said that, we estimate that mining itself is a little slow, possibly quarter-over-quarter you may not see the same level of traction, but overall, as we explained, we don't see any reasons to get worried about the way the market positioning is. Frankly, we are not really facing too much of a difficulty in Chinese.

Tanuj Mukhija, Analyst

Okay. That's great. Thank you.

Sanjay S. Majmudar, Independent Non-Executive Director

Yeah.

Operator

Thank you for your question, sir. We have next question from Pranav Gokhale from Religare Asset Management. Please go ahead, sir.

Pranav Gokhale, Analyst

Hello?

Sanjay S. Majmudar, Independent Non-Executive Director

Yeah, good afternoon.

Pranav Gokhale, Analyst

Hi, good evening.

Kunal Shah, Executive Director, Finance Pranav Gokhale, Analyst

Hi, just a question --

Sanjay S. Majmudar, Independent Non-Executive Director

Please go ahead, please go ahead.

Pranav Gokhale, Analyst

Hello?

Sanjay S. Majmudar, Independent Non-Executive Director

Yeah, please go ahead, we can hear you.

Pranav Gokhale, Analyst

Yeah, yeah. Sir, what will be your revised for FY14, you are sticking to that 1,80,000 sort of a guidance --?

Sanjay S. Majmudar, Independent Non-Executive Director

No, no, no. We have clearly said that we are not revising anything.

Pranav Gokhale, Analyst

Okay. The second question is, sir, the growth in mining is actually is not happening or maybe as a market share we have still worry small, so the growth could actually be going at the incrementally high, but we are still in that mid single digit kind of a growth. So is it a question of capacity utilization or it's a question you going strategically slow in certain areas?

Sanjay S. Majmudar, Independent Non-Executive Director

See, first and foremost, as we have been elaborately explaining that, the growth is definitely visible and as much as we are concerned, we are working on several new mines and the process of working on those mines continues, however the basic nature of our industry is such that you cannot save a quarter-over-quarter consistently at the same level or a positive or a negative. Possibly, in one of the quarters, you may have a little bit, there could be a little strong quarter in terms of the sales going in a particular, but you must view the company on an annual basis. Annually, we are currently considering the size the capacity and therefore, this year, we are a big modest.

I don't see reason why we will not be in a position to grow comfortably next year. However, as I explained, given the current extremely volatile situation, we don't want to guess in terms of the exact number or putting a number on the growth.

We have been -- our endeavor is to do better and that endeavor will continue. I think in this context, if we make this statement, it should be a fair statement, because if I tell you on a counter question that can you predict what will be dollars next quarter and the third quarter and what will be the global economy, you will not be able to reply. So let's expect the current position, and then, expect from the way the current situation is.

Pranav Gokhale, Analyst

Okay. Sir, because last two three quarters you have seen the growth actually differing of it mining and then that is why this question was asked?

Sanjay S. Majmudar, Independent Non-Executive Director

Correct. The growth is ascending, I think we are doing -- Sorry to interrupt, you are absolutely right, but which is why we're giving you an asset guidance on where we should be, where would be. Like we said, the mining guys in sales are going through a lot of challenges of their own, this is in fact a time for us to go out and further establish that we can save cost for this.

Overall quarter if you see a little bit of disturbance. First of all, we are very happy that the rate has become 30% or 40% lower, which is true for most engineering companies. Okay. We are -- to be supplying to a completely a replacement side of things. In an environment like this, we are continuing to gain more market share. It may be at a lower rate, and there's a variety of reasons for that, but we continue to remain optimist that there is enough on the plate for us to continue to take additional growth over there

and all of that growth, please remember, has to come at a profitable way. It cannot just come by selling it at cost.

So, we are not compromising on margins, on the contrary, we are trying to improve our margins by adding more value to the customer and at the same time, dealing with the customers when he is facing a very unexpected or volatile situation. So given that, our growth rates could be much higher, it could be lower given the situation. Today, we don't want have a guess and say, we should be doing this, when we frankly would like to take a pause and actually deliver on that, that's all.

Pranav Gokhale, Analyst

Sure. Appreciate sir. Thank you, sir. I'm wishing you the very best.

Sanjay S. Majmudar, Independent Non-Executive Director

Thank you.

Operator

Thank you for your questions, sir. .

Sanjay S. Majmudar, Independent Non-Executive Director

We have to conclude the call moderator, if there are no further questions.

Operator Sanjay S. Majmudar, Independent Non-Executive Director

Okay.

Operator

Mr. Vishal, please go ahead, sir.

Vishal Shah, Analyst

Yeah. Good evening, sir. Thanks for the opportunity. My question, again, the first question is on Forex actually, you said that the average hedging rate for this quarter was 54.4. Would you be able to tell me for the whole of last year on an average, what was the hedging, the forward rate at which you had hedged the revenue last year?

Sanjay S. Majmudar, Independent Non-Executive Director

One second, 52, I think.

Vishal Shah, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

Around 52.

Vishal Shah, Analyst

And, sir --

Sanjay S. Majmudar, Independent Non-Executive Director

It is around 52, yeah, we finished at 52.

Vishal Shah, Analyst

Okay, okay. Sir, while I understand that it's a notional loss in terms of average spotted and hedging loss, in an actual sense, you actually gained from a realization perspective with a depreciating rupee, so would it be --?

Sanjay S. Majmudar, Independent Non-Executive Director

See we don't have to reduce our dollar pricing, but since our customers are also -- dollar being a transaction currency, our customers at the end also have a local currency, which by and large in emerging countries, have weakened, we have

Vishal Shah, Analyst

Okay. So if there is a --

Sanjay S. Majmudar, Independent Non-Executive Director

We've been maintaining that, we are agnostic to the dollar, so my contrary, you are a 42 or 44 to \$1 margin for our exchange level. And today then the dollar is at 60.

Vishal Shah, Analyst

Okay. So your agreement with the customer is in their local currency, so if their currency is also depreciating, you actually do not get the benefit?

Sanjay S. Majmudar, Independent Non-Executive Director

Exactly. So by and large see the weakening, our model cannot be based on currency weakening and you making more money.

Vishal Shah, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director

You understand?

Vishal Shah, Analyst

Yes.

Sanjay S. Majmudar, Independent Non-Executive Director

We've been trying to explaining over last five years is that there -- the sum of all moving parts, which is raw material, other costs, currency, demand environment, all of that put together, we are striving to arrive at a 20%, 22% in the margin, because our pricing is fundamentally set by us.

Vishal Shah, Analyst

Okay.

Sanjay S. Majmudar, Independent Non-Executive Director Vishal Shah, Analyst

And sir by --

Sanjay S. Majmudar, Independent Non-Executive Director

The import cost will go directly, but I will be out priced then. So I have to -- the dollar price does keep getting reset for us to make our reasonable margin there. But there will be lag effect, there could be periods when we gain out of it, where we will lose out of it. But that's business, right. But notwithstanding the lag and lead effects, I think currently is a pass-through for us. That's how we look at it.

Vishal Shah, Analyst

Okay. And sir, your hedging policy as far as revenue is concerned, you hedged six months forward revenue, is that the same?

Sanjay S. Majmudar, Independent Non-Executive Director

We hedged 100% for forward three months. So, if we have now (inaudible) that you will be hedged till October.

Vishal Shah, Analyst

Okay. And sir, --

Sanjay S. Majmudar, Independent Non-Executive Director

So it declines [ph] our current quarter plus one and then partial for the quarter and after that, because court will be giving out notes, converting to other may be in a month or two months time, supplying the third or the fourth month in payment in the fifth or the sixth month, you know.

Vishal Shah, Analyst

Okay. And, sir, the Forex loan has not been hedged, so although it must be mark to market --?

Sanjay S. Majmudar, Independent Non-Executive Director

It's not been hedged right.

Vishal Shah, Analyst

Okay. Okay. And, sir, just around the court case you said that that it's on for hearing, but what could be the maximum liability if at all the case doesn't go in favor?

See, the deposit that we have already given out, which is \$7.2 million.

Vishal Shah, Analyst

Okay. Okay. Thanks a lot, sir.

Sanjay S. Majmudar, Independent Non-Executive Director

Thank you, sir.

Kunal Shah, Executive Director, Finance

Okay.

Operator

Thank you for your questions, sir. As there are no more questions, I would now like to hand over the conference to AIA Engineering management team. Over to you, sir.

Sanjay S. Majmudar, Independent Non-Executive Director

Thank you so much. Again, thank you all for joining on the call. As always, if there's any more queries, Sanjay and I remain available to for any clarifications. Thank you. Have a good evening.

Operator

Ladies and gentlemen, this concludes your conference for today. We thank you for your participation for using TATA DOCOMO conferencing services. You may please disconnect your lines now. Thank you. Have a great evening.