"AIA Post Results Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the post results conference call of AIA Engineering Limited. As a remainder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now had the conference over to the AIA Engineering management team. Thank you and over to you.

Kunal Shah: Thank you so much. Very warm good evening to everyone on the call and thank you for taking the time to hear our commentary on the first quarterly result. This is Kunal. Sanjay is joining us shortly. I hope you all got a chance to look at the numbers. But a brief summary of what we did. It stands at, sales at 515 crores. EBITDA at 166.76 crores and profit after tax of about 103 crores. So, that is largely in line with as far as the percentages are concerned the first quarter last year. As far as tonnages are concerned we did about 45,000 tonnes of sale of this about 23,500 was at the mining segment and the rest being cement and our utility business.

Just a few highlights of the balance sheet. Total cash at the end of the period was 925 crores. We got loans of about 92 crores. Sort of net cash is about 820 crores. All our other balance sheet line items are in line with the previous period. Raw material about 37-38 days. Finished goods are and WIP inventory of about 50 days, debtors about 78, so on and so forth. We got an order book of about 450-500 odd crores. Our other income, there is our export benefit which is 11.5 crores. There is a reduction in that income compared to the previous periods because the export benefits have now reduced on our product. The standard between 3.5% and 4% there is a little bit of classification between grinding media and castings but about 3.5% and 4% is our export benefit versus between 6% and 7% of FOB sales up till March of this year.

So, a little bit of hit on that count. Other income, otherwise include our income we earned on surplus cash and there is also foreign exchange gain of about **(1265 crores 03:17)**, that is on account of hedges that we have taken, where the hedge rate is more than the invoice rate. So that is really the part of our topline but that reflects in the exchange gain on accounting reasons.

With that said little bit update on the business. We have got nothing of note to report on all that we said on the fourth quarter of last year. You all know better about the turmoil in commodity and the mining space. Lot of our customers have uncertainty around costs around the demand for the product, or the selling price. Lot of these customers are indebted on account of CAPEX plans that they have set forth and the going was good. So to that extent mining customers are not in a happy situation and are doing everything to conserve cash to reduce cost and to that extent the engagement with us also reflects some of those realities. We have reported that there is a destocking cycle that we are seeing in all these plants but they are holding back or trying to absolutely thin down stock of products, all store items that they carry, consumable items that they carry at the sites. So to that extent, we are expecting lower off take for a few months. Apart from that, we are not really seeing mining customers shut down or mines going into closure expect a few that have been reported. So at the end of the day mines are somehow managing to stay afloat to continue to produce ore and to that extent our product does get consumed. But nevertheless there are headwinds in their business and in some form that reflect in our engagement with them. We will not be in a position to, again as we discuss in the last quarter, fourth quarter of last year, it will be difficult for us to reflect on what is going on, on our guidance on tonnages or profits. So we are staying put the figure of 125,000 tonnes in next three years and sustainable margins of 20%-22% of EBITDA. Beyond that it is really difficult to hazard whether what level will it go, where will our profit be as a guidance and to recap on the reasons where we believe it is difficult to crystal gaze is we are setting up significant capacities. We need to go, develop that market and to that extent this being a zero sum game, we are replacing the incumbents and so it brings the players to a case of survival. So to that extent we will need to entry price of our products and make sure that gets tried, so that the benefits are demonstrated and with further feeds into the value engagement that AIA offers. So as far as CAPEX is concerned our Greenfield for about 65,000 tonnes and Brownfield for 15,000 tonnes are both on track. We expect both of these to be commissioned in this quarter or will be early next quarter. So that will take our capacity to 340,000 tonnes. From there we were doing additional Greenfield and taking the total capacity to 440,000 tonnes another 100,000 tonnes is scheduled to come. We have still not launched in that project. But it is expected to be available in 2017 and we will share updates on how that fares. From a CAPEX standpoint we expect to do about 250 crores of CAPEX this year. We expect to do about 150-200 crores of CAPEX is the balance payment cost for the projects for the Greenfield and the Brownfield that they are doing and some portion for the new projects that will take off. So overall a 500 crores project will take us from 260,000-440,000 tonnes. Sanjay is here. So while requesting to share some updates if he has on the market overall and then we will go on t Q&A.

Sanjay Majmudar: Thank you Kunal and a very good evening to all of you. As Kunal has explained the Q1 results are before you, so of course I expect the Q&A to be taking care of the nuances of the numbers but broadly over all I think the fact of the matter is that the commodity cycles are indeed at very bottom. We hope it is the bottom with almost all global commodities being very down, obviously mining from an analyst or an investor standpoint we are definitely down but mercifully as we speak we are still not witnessing a situation or having seen a few mines or even one or two mines closing down, what is happening is obviously as Kunal explained there is a bit of deferment of the purchases etc plus coupled with that we are entering into the new aggressive cycle of gaining market share and that is the reason why we have very clearly explained in what the previous also, during the course of my meetings with the investor or Kunal or our meeting with investors, that we are anticipating a bit of a flattish situation in the current year still from a medium to longer perspective we are very confident the basic underlying story remain absolutely as we have been talking about and may be more of a function of the current macro level environment coupled with our own transition phase that we are sounding a bit. Somebody was asking me why are you being defensive, if not getting defensive it is a better of looking into a realistic assessment of the situation and becoming a little cautious in talking. Never the less we think that I would believe that on all the front that we have been talking about situation is quite good. The CAPEX is on track, the progress on the primary sector is good, results are encouraging. We believe that over the next 3-6 months we would be in a much clear situation to give you more clarity on exactly how the things start going to pan out. Having said that we maintain our previous stance we have taken in the previous call and last two weeks that over the 3 years horizon as Kunal explained everything looks good and the number for Q1, I would believe they have been little better than perhaps what was anticipated. Our endeavor will continue to remain as positively strong as possible but the reality has to be taken into consideration. With that I would request the moderator to put the house open for Q&A.

Moderator: Thank you very much. Ladies and gentlemen we will begin the question and answer session. Our first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Sir you mentioned that the volumes this year could be flattish. So you meant in terms of volumes?

Sanjay Majmudar: I think volumes we have broadly said about 200,000-210,000. This is a range we can still maintain frankly.

Ashutosh Tiwari: Gold prices have seen lot of corrections. So are we seeing any pain in that commodity particularly, mine is closing down or something?

Sanjay Majmudar: I think I preempted this question and said that we have not so far seen any mining closing down as yet but definitely the gold price being what they are today there is enthusiasm in buying may wane a bit, the speed of conversion may slow down a bit, but that is it, except for that we do not see any problem.

Ashutosh Tiwari: What was the currency realization in the last quarter**?**

Sanjay Majmudar: I think it is about 63.5

Moderator: Thank you. Our next question is from the line of Balchandra Shinde from B&K Securities. Please go ahead.

Balchandra Shinde: First of all have taken any price cuts because Q-on-Q basis our realizations I think have dropped a bit. So…

Sanjay Majmudar: I do not think it is a matter of taking a price cut. It is a matter of aggressively taking new business at a lower price for all the new market segment or the new mines that we enter. So that process continues and in fact it is a bit more aggressive and it will be a little more aggressive may be in next 1 or 2 quarters at least.

Balchandra Shinde: Till what level we can afford aggression means, I would like to know, do we see that particular lower prices attracts more volume. Is there any benchmark or any rule?

Sanjay Majmudar: Mr. Shinde, I think you are taking it all wrong. Please understand that this is no question, first and foremost we are not into a commodity play that I have to draw a level of affordability in terms of taking up new business etc. This is a question of whenever we are entering the new mine and the new mindset of the customers, we have to have the price comfort, point number one. So what is the situation? Situation is that we have demonstrated that our product is better. Our solution is significantly superior but given the fact that you paying today x, how much more he is mentally ready to pay to me to give the order. Now in a normal robust buoyant business environment this impact will be not very high but in today's mindset situation is very critical. For me it is an entry level strategy. It is not a situation that I enter at a price and I remain there forever. So it is not a question of what is my affordability. I have to enter into a new mine, obviously I will take a hit on my margins which I perceive as a normal margin. It is only a matter of time that I want to reach back to that normalcy and in that part this is a cycle. So in the past we have seen that we have taken it a stride, we have been able to show that we have been able to increase the prices over a period of time. In today's situation the world itself is very clear that the whole commodity cycle is such a low and you have a kind of ferrochrome price situation, you have a scrap price situation, you have a forge media type situation and we have a product type situation. We believe next couple of quarters we will be a little bit more aggressive in pricing where we are entering into the new markets. However we should bounce back to a reasonable level and therefore we say that even considering all these factors a sustainable margin of these mines looks to be okay, I think we should be able to deliver it over a reasonable period of time.

Balchandra Shinde: How much is the difference between ferro chrome grinding media and forged grinding media?

Sanjay Majmudar: It is not a standard product. I will never be able to answer this question. See I will tell you because which product you are talking about. There are 100s of different grades, so it does not happen that way.

Balchandra Shinde: But on an average see any standard product where…?

Sanjay Majmudar: No, I am sorry. We will not be able to answer that.

Balchandra Shinde: Just would like to clarify one thing. As Kunal sir said 23,000 tonnes was done in mining, right?

Sanjay Majmudar: Yes, currently say 23,500.

Moderator: Thank you. The next question is from the line of Viraj Mehta from Value Quest Capital. Please go ahead.

Viraj Mehta: I have just one question. Even in this environment you are able to grow our topline, is it that we are taking away market share from competitor the space and the conversion just still keeps on happening?

Kunal Shah: It is a combination of both things. It is competitive and which is why we are saying as we go forward, things are uncertain to that extent. We need to make sure the current project and as long as mines are producing then there is case for convert the conventional into high chromium and the downturn environment it gives us an opportunity to engage for us to save their cost additionally when you are doing this consortium**.** So I think that proposition does not change and fundamentally that proposition does not change.

Viraj Mehta: What I wanted to understand is that with this down turn is hurting our competitors more than it is affecting us because our advantage of being much lower cost and they all being much more profitable than this, so the more the downturn last, the more is our ability in spite of lower margins from short term it does not really matter but the ability of ours to take the market share more quicker compared to theirs, is that something that we can look forward to, is that a type of thing you are looking at?

Kunal Shah: Not really.

Moderator: Thank you very much. Our next question is from the line of Sanjeev Kumar Panda from Sharekhan. Please go ahead.

Sanjeev Kumar Panda: I just missed out the volume number that you said in this quarter, can you please repeat that?

Kunal Shah: In Q1?

Sanjeev Kumar Panda: Yes.

Kunal Shah: 45,000 tonnes.

Sanjeev Kumar Panda: Out of that for mining it is 23,500 am I right?

Kunal Shah: Correct.

Sanjeev Kumar Panda: Sir as we know the opportunity or rather I would say that the customers situation in the mining space especially, so given in this condition will it be a good strategy for us to gain market share because the inherent growth of that sector is not happening rather I would say that they are looking conservatively now because within that space we especially in mining we are looking at a very large opportunity size compared to cement where we have a significant share and in that regard what the management is thinking? How should we go ahead and what are the kind of efforts we are putting or you think when entire space is having constraint, you think it is better to go conservatively?

Kunal Shah: Not really, the downturn does not just mean that our customers are under pain. They are suffering. They need to review their cost. The selling price are significantly as such, they have the profit pressures. So to that extent they are going to look to the vendor to try and be good whatever they can. So other than that everything else does not change for us. They are using a product, they are consuming at a certain value which is of large cost for them and we have a proposition whereby it can be reduced. So whether it becomes easier or tough, the whole proposition does not change because there is a down turn there.

Sanjeev Kumar Panda: What is the total market share we would be having now in the mining space?

Kunal Shah: We would be close to 110,000-120,000 tonnes. Our other high chrome competitor would be doing about say…, overall in mining you are saying?

Sanjeev Kumar Panda: Yes.

Kunal Shah: They may be doing say around 200,00-250,000 tonnes. So about 350,00-400,000 tonnes and all max. 350,000 tonnes.

Sanjeev Kumar Panda: Can we expect that by default the conversion opportunity will grow up and then we can push our volume I mean basically what I am trying to understand because mining is a space where the opportunity is very large and we are small, **(Inaudible-22:09)** to a small space can we aggressively push our space.

Sanjay Majmudar: Just one very fundamental difference perhaps what you are looking and perhaps what we are looking at, I want to highlight. You are believing that because mining is currently in absolute doldrums may be this is not a right time for us to aggressively push on converting our customers into high chrome. This is one assumption or one hypothesis on which you are perhaps thinking. What we believe is that perhaps this could be actually the right time for us to aggressively try because we are talking of a situation where they are in fact saving more in terms of the consumption rather than paying more. They might end up paying a little higher per kg but their consumption will dramatically fall. So logically they will be a little more amenable to listen to us. This is our situation however I agree with you slightly because it is more theoretical. However to put it very clearly it does not deter at all from going aggressively in taking the market share. In fact what is happening, we have come to a situation where we are going to the next level of high growth. We have put more capacities, we have identified markets where we believe that we should now be really there. We have taken a lot of trials in primaries and we are very successful and now we are going to go in aggressively increasing that also over next 3-6 months. So when all these things are happening it is also very coincidental that at this point in time the market for mining per se worldwide is very bad. So what happens while the process will continue, perhaps the reasons that I may get may be it will slightly delay. The mind set of any human being in a relatively different set of…

Moderator: We have unmuted the line from Mr. Panda from Sharekhan.

Sanjeev Kumar Panda: Yes sir, I got your point. Just a last thing I wanted to understand, as you said the mining opportunity overall the size when they are in challenging situation, are we putting efforts to increase our own share and strength and if yes what are the efforts that we are putting if you can help us to understand that will be more than comfortable.

Sanjay Majmudar: As I was saying before this technical disruption took place our efforts of conversion are continuing with absolute same force as we have talked about in the past. What we cautioned the investors in the first quarter, I mean in the last call and then whenever we met, that considering the present external environment the speed at which the conversion can happen is slightly getting impacted. So what happens, so does that means there is a change in the direction or the strategy, no. What we have seen is that ultimately it happen, ultimately the fact of the matter is that the value proposition that we bring on table is very much there. Possibly there could be a little laxity or slackness in terms of the speed at which the conversion we would expect in a normal situation. That is all. There is no other change, the business remains the same, the dynamics remain the same, the opportunities landscape remains the same and it is only a matter of little more time that is all we are talking about?

Sanjeev Kumar Panda: The CAPEX plan that we are talking was the last leg of CAPEX plan, are we going to delay considering the…?

Sanjay Majmudar: No we are not, in fact 80,000 tonnes is on ground trials that is on. So June commercial that is what we have announced and that is what we are there. Another 100,000 tonnes in the last call we said that since the 1st Phase was delayed on a matching basis the 2nd Phase would also be surrounding third or fourth quarter of FY16-17 we are absolutely on track on that. There is no question of any delay or any holding back of CAPEX.

Moderator: Thank you. The next question is from the line of Utsav Mehta from Ambit Capital. Please go ahead.

Utsav Mehta: Couple of very quick ones. I noticed that your other expenses year-on-year has not increased significantly so I think it is around 2% or so. Could you just take us through what the constituent of other expenses are and what helped keeping it down?

Kunal Shah: Other expenses include stores, power and fuel, labor charges, freight invert, repair maintenance, other manufacturing expenses, freight, admin sales, and distribution, these are the main components of other expenses. The question is, so power and fuel for example is in this line item eventually.

Sanjay Majmudar: See earlier one major culprit was foreign exchange which is now not there. That is why you find it a little more consistent.

Utsav Mehta: I find it consistent but if I am not mistaken even last year same quarter, the FOREX gain was in the other income line item. So this year if I am just looking at it year-on-year other expenses seems to have gone up only 2% year-on-year. So any particular measures that you have taken which is helping you keep these cost lower. What particular line items with in other expenditure is more going to decline?

Sanjay Majmudar: Of course we have been conscious about the cost part and we have been able to control it properly. I mean some element of overheads are fixed I measure, so if there is an increase in the volume being fixed in nature, they will not increase in the same proportion; however, supposing the volume jump by another 100,000 tonnes, this will move.

Utsav Mehta: So there is no particular one off in there which is unlikely to repeat or something of those lines?

Sanjay Majmudar: No.

Utsav Mehta: Second question is on cement and utilities volume, I see it is a very impressive 9% year-on-year growth, if you could just take us through just the underlying dynamics of that industry and what has driven that growth?

Sanjay Majmudar: Usually we remain centric to India frankly and like all of you we are also hoping that it really starts moving. We will see if all this new policies about coal and other things give fillip to power plant production, so it is nothing much to talk about in actually utility. In cement also very honestly it could be that this particular quarter we have a little better this thing but more or less our take on cement at least even as of now remains the same. We do not anticipate any real growth in cement this year.

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

Bhumika Nair: In this quarter you mentioned there has been a Q-o-Q decline in realization because you cut prices and given some discounting, etc., but somehow that is not really visible in margins in fact there has been an improvement in margins despite lower export incentives. So just wondering is it there has been such a drastic change in product mix between grinding media and castings, etc., that has driven this margin expansion or is it just pure rupee depreciation or currency benefits that really flown through?

Sanjay Majmudar: I think Bhumika it is a mix of factors, I would say that the product mix has been decent this quarter, there is nothing drastic.

Bhumika Nair: Has there been a dramatic shift between 4Q and 1Q sir?

Sanjay Majmudar: Well, the exact break up generally we are not giving but….

Kunal Shah: More of that will be flawing in the next few quarters because raw material also gone down. So selling prices have reflected, will reflect going forward some of that as well. So the lower prices will be a combination of various things strategically between getting into new customer that should be one because the customer is in dire trouble and he is saying I will only buy this price and we are giving him at a rock bottom price and the third being lower raw material being a lower cost and hence the lower selling price, combination of all these three will drive what we are talking about going forward. This quarter I think fundamentally in line with previous quarters, nothing exceptional to talk about really. Maybe a little here and there but nothing to read into beyond that, we are saying going forward, we will see some of this impacts flowing in. We saw that in tonnages this quarter, it is 45,000 tonnes, we have done better than first quarter last year, but on a sequential basis that reduced from 50 what we did in the last to say 45 this quarter. So there is some amount of destocking, the volumes clearly will be affected in this quarter and makes sure from margins standpoint that we will see that over next few quarters where some amount of normalization is coming.

Sanjay Majmudar: We do expect things to really start again looking up from may be Q3 or Q4. So overall we maintain than 100-200 odd thousand tonnes that we are talking about from volume standpoint.

Bhumika Nair: So you are saying volumes should bounce back in second half perhaps to achieve the numbers but margins obviously will trend downwards?

Kunal Shah: We are saying numbers from tonnage standpoint destocking is what we are seeing in our customers' end we are not seeing mines being shut. Like coal goes down below $7000 that will take down a lot of production. So a lot of things that we have not expected are going on. So to that extent if the mining situation continues as it is now and mines do not shut we expect destocking cycle to end sometime this year and if that happens we will see volumes flowing in. So from a volumes standpoint 200,000 to 210,000 is a reasonable guidance, we will keep updating if any more forward in second end or third quarter and from a realization standpoint I already explained that over next three quarter we will be seeing some headwinds on that account.

Bhumika Nair: Absolutely, the other thing was that you mentioned that your entry into primary crushing and that should be launched in the next 3-6 month, so will there because of that also lot of discounted pricing and thereby a pressure on margins as well apart from just cutting prices on our old production.

Kunal Shah: We are revolving within 65,000 tonnes, it took us 30 years to do that much in cements, right? We have done 100,000-110,000 in mines over 5 year period. But now from 110,000 we are adding another 200,000 tonnes of capacity. That is a different tier altogether, right? So the point is that we are looking at large volumes that does not necessarily exist only in the primary stake, it could be secondary, tertiary as well. So when we are doing that level of quantity we need to be sure that we take the market first, the whole set of logic that we had explained in the '11-12 some part of '12-13 where margins were dipping and we were going out to new customers, new sites, etc. So that cycle is that is something that slightly when we are doing this next level of sales to these new customers. So it is not because of the primary and this is what whatever that we are going to be selling it is especially because it is a zero sum game. We will be taking out business from someone, the market itself is not growing.

Bhumika Nair: Here is where we come back to the same question, sorry to harp upon this which earlier participants have asked on this conversion rate. If we are cutting prices to match and our value proposition is much better and we are cutting prices should not then the conversion be much faster in that sense?

Kunal Shah: Conversions we believe what we done 100,000-110,000 in 5 years is a not a bad conversion first of all. Second of all this is not just one country, we are not talking about one country, one customer one, or one OR type right, this is spread all over, there are whole host issues that one needs to resolve and that is what we have been explaining them it takes us good two years. The product may be good. But then they want a local supplier. They are saying you cannot, supply is coming from elsewhere or there need stocking and there is currency issue, lot of these mining country currencies have gone for a toss. We would not have imagined that Canadian dollar weakening 30% over last one year. That was just not possible for anyone to check the rein. So these are the real when the Indian rupee has not moved as much or Australian currency or the Brazilian Real, some of these currencies have moved far more than the Indian rupee. So the point is that the value addition is there, but the assumptions we may keep getting tested as new information gets available or as times are dramatic changes we are seeing in the market place. So to that extent we are seeing that the focus is to get market share. The idea is to get market share, margins have to follow. It is a fundamental theory that we are seeing we went through that in the first round in 2011 and 2012, it is we have more business with taking more customers. It is not about taking more. It is just that it is the prerequisite to get in. You understand, the product is good but the point is that to get in if requires us to use all tools available for us to make the conversions as attractive as possible and that is all we have talked about in 2011 and 2012. This is not something that we are explaining the first time around. So while we are launching over this new capacity at the same time we may into use that as a tool to get in, not to accelerate growth, whatever you are doing is the best possible case**.** We have enough capacity to take on as much but again there are limitations to estimating the time frame it will take to convert for this other host of issues that we need to address. In addition to product being superior to the incumbent which is why there is a natural time lag that it will take and we will just have to deal with it and which is why we are giving a 3-year guidance. We are not saying we will do next quarter; it is not linked to an economy; it is not linked to a set of finite factors which we can follow and track and link our prospects to that. So that is the challenge that is there in front of us. So I think the pricing is linked to doing the business, getting the opportunity to get in rather that catalyzing or accelerating more conversion.

Moderator: Thank you. The next question is in the line of Kashyap Pujara from Axis Securities. Please go ahead.

Kashyap Pujara: Basically I wanted to first take the volume because I missed that one. What was the quarterly volume?

Sanjay Majmudar: 45,000 tonnes and 23,500 in mining.

Kashyap Pujara: Would you also, broadly you kept the guidance of 200,000-205,000 tonnes for the full year intact for now?

Kunal Shah: Correct.

Kashyap Pujara: Second thing is that about the margins are you still maintaining the stand that sustainable margins are between say 21%-23% range or have you moved upwards on that?

Kunal Shah: Not really, we believe that long term sustainable margin for the business is 20%-25% EBITDA.

Kashyap Pujara: Lastly just on the primary side, since you discussion on that front, going forward over the next 3 years what kind of volumes do you envisage there could you basically give us an idea of what the global market today is overall and where do you see, I am basically taking up share of primary over the next 3 years?

Sanjay Majmudar: Currently we have got 1-1.5 million tonnes that we are talking about, is what you will be current in business mix and the current addressable market that we are talking about. Obviously, once we reach a particular position we will revisit that but as of now we are not considering that in our budget so whatever we broadly talk about 120,000 odd tonnes coming in next three years is based on what we are currently doing. Do you get my point?

Kashyap Pujara: Yes. Which is not the crushing piece, it is just secondary right? I mean this is not a primary. This is more on the…?

Sanjay Majmudar: Very little bit of that going but as the regular long term project we will probably talk about it, just 6 months down the line.

Kashyap Pujara: But basically there, I mean the realization there would be far higher, so eventually would it be fair to basically say that we will have higher value added business coming from here and there are relatively even fewer players in this place. So that will basically take us to a whole new orbit in terms of both realization and margins.

Sanjay Majmudar: It should happen but we believe it is a bit premature for us to talk about it right now.

Moderator: Thank you. The next question is from the line of Lakshmi Narayanan from Catamaran. Please go ahead.

Lakshmi Narayanan: I have two question. First in on the export volume in terms of tonnes for the concluded quarter and second you mentioned there is some destocking that is taking place across several mines, can you be specific on which type of mines or which continent you are actually seeing this slow down or broadly the total tonnage where by ore type will also be helpful. So these are my two questions.

Kunal Shah: I think broadly following mining cycle goes down 50% from its top, copper is significantly down, Iron is down more than 50%, platinum is down almost 40%. So all of these ore types have suffered. Now there are variety of reasons why those have fallen. Clearly world demand on this metal is something that you all will know better than us and these prices, a lot of these mines are at risk. A lot of these newer mines that have come up in the last bull-run. We had assumptions of higher operating cost to mine the ore and with current prices some of this may not be sustaining. The point is that in such an environment we are dealing with the customer who is under severe crisis, it will just happen rapidly over a few months. So they are going on from a bull-run, a long super cycle to an extreme crisis. In that situation for us to go out and say this is where it will grow, this is what will happen, here is how it will convert is pretty mature. So the point is, what we are saying is that customer is facing a headwind, all of it, there would be clients where the cost of gold production may be still 60% of the current prevailing prices and hence they are okay and with the clients where there is a portfolio where the average price is already under. So to that extent we do not know what will happen tomorrow. As of now what they are saying is that all of these guys are conserving cash. They have not reduced production but these productions are getting reduced which means mines are getting shut is when there is a material milestones in terms of risks on our**….** Till that happens as long as the product is being used, the pricing may being a part or profits being a part will at least the proposition fundamental does not change. That is the limited point that we are trying to make. It is a difficult environment for us and our customers are in such severe headwinds, but nevertheless as long as they produce and consume we are okay, that is where our consumable nature of business put us in, puts us in good step. Fortunes do not swing from 0 to 100 and back to 0, one day to another day.

Lakshmi Narayanan: If I understand right, across all the old tides there is a decline and it is like across the board that is what I get to understand. Am I right?

Kunal Shah: Of course right, across the board there are issues.

Lakshmi Narayanan: Now does it mean that our receivable cycles will go up from here because we have the balance sheet till last financial year, what kind of account receivable cycle you are actually anticipating given this continues over next 3-6 months?

Kunal Shah: We do not expect. We are consumables, if they do not pay us what happens next is there is not a supply right? They need us all the time. No, we do not worry. We just need to be extra alert and make sure we do not air. We keep tracking what is going on with their balance sheet. We do a lot of work at our end to make sure that we are not giving credit to a client who is already risk. Apart from that nothing is this time. In this time they are okay where we are as far as debtors is concern.

Sanjay Majmudar: We are in fact very conscious about it. So we are very alert. We do not allow debtors to slip at all.

Lakshmi Narayanan: Any outlook on, that is the first question on percentage of exports for us in terms of tonnage?

Sanjay Majmudar: In terms of tonnage it will be slightly difficult but generally exports **(sales from 46.02)** India constitutes about 70%.

Moderator: Thank you. Our next question is from the line of Shraddha Seth from Edelweiss. Please go ahead.

Shraddha Seth: Just wanted to understand what will our sustainable realizations that we want to maintain because what will be the strategy. This is in phase of our capacity expanding about almost 70% and also with our gap widening with our traditional media, I mean at what level are we comfortable in terms of pricing, will we be dropping the pricing aggressively and we will be maintaining 110 kind of level.

Sanjay Majmudar: I think you can go ahead with the current level more or less.

Shraddha Seth: Because we will be having such huge capacity sitting on our books so what is going to be strategy in terms of pricing with so much slow-down in mining globally?

Sanjay Majmudar: Now on a very bit of a conservative note, if you factor the possibility of slight price reduction on account of raw material price, plus product mix and the entry level pricing, may be could be safer to say about, but you know we do not do like that. That is the whole thing. This is a function of product mix also.

Kunal Shah: So question is if you were to just hazard a guess, it does not serve us well. We do not known what level of price correction we will see in our raw materials. We do not know the mode of entry level pricing that we may have to go down to. So it become a theoretical answer. We do expect our selling price to certainly go down on account of these three factors, what will it be is a question, you will have to bear with us as we announce our quarterly numbers.

Shraddha Seth: Second question, just on the conversion, Sanjay Bhai you highlighting it has gotten a bit extended. So what is the length of the cycle in terms of how it would have traditionally, if I can say two years back compared to the way things are right now, I mean what is the kind of cycle in terms of conversion right now?

Sanjay Majmudar: Again as we say each customer is unique. Each process is unique. If it is taking anywhere between 6-12 months maybe it might take 15 months, very difficult to again pin point with absolute exact attitude what is that is going to happen. What we are trying to say, given the fact that there is a slowdown in the mining sectors, a) does it impact my business immediately, answer is yes and no. No because long term conversion continues, the efforts continue, and the process continues. Yes because, because of the mindset, because as Kunal explained the customer if facing many issues, many headwinds then what will he do. His mindset would be that he will take a very cautious attitude and he will take his own sweet time. Now how can you define that? It is very difficult to define or quantify that how much long time the customer is going to take but what we are perceiving that we have to be ready and therefore we are very alert and we are trying to make sure that we do the best in the given circumstances and we believe that over a medium-to long-term we will probably not be discussion all this things again.

Shraddha Seth: Just extension to this lastly is that while the conversation might be taking time are we seeing any down trading in the existing customers in the current environment?

Sanjay Majmudar: Not much, no.

Shraddha Seth: So the existing customers are sticking with our product.

Sanjay Majmudar: Yes, more or less. Yes, absolutely.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Could you broadly give the breakup of mining volumes between coal, copper, platinum, and iron ore?

Kunal Shah: No I think that could be difficult for us to discuss.

Ravi Swaminathan: I mean rough share as to how much I could be?

Sanjay Majmudar: We would take it offline.

Ravi Swaminathan: Second question is in this conversion from forge to high chrome grinding media are we taking the share from Molycorp who is the largest player over there, I mean will we be doing this over say past 3-4 year period or is it the other players apart from Molycorp?

Kunal Shah: It will be difficult to discuss in great detail I mean that is a competitive information**,** I do not think we will be able to discuss that on a public forum.

Ravi Swaminathan: What are the broad continents, I mean regions which we are targeting?

Kunal Shah: Wherever there is mining, we are present in all mining centers, wherever Australia, North America, South America, Africa, some Asian countries where are there where there is mining.

Ravi Swaminathan: I was going through Molycorp's presentation recently and they were targeting the Latin American and the Central American markets for this forge media, they were talking about sizeable opportunities over there, are we also looking at the same direction or…

Kunal Shah: Yes. We are looking at wherever there is mining. They are looking over there because there is an already a large market share for them there, probably it remains the large area where they grow. For us we are not looking at grow there but we are looking to convert what is existing there. So that is also part of our overall strategy.

Moderator: Thank you very much. Members of management, that was the last question. Would you like to add any closing comments?

Kunal Shah: Sorry about the interruption that we had and we lost the call. Thank you all again for being patient on the call and we look forward to engage again after second quarter numbers. Have a good evening and look forward to engaging with you.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of AIA Engineering Limited that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.