AIA Engineering Y 2012 Earnings Call 1 Jun'12

Operator

Good evening ladies and gentlemen, thank you for standing by. This is Sonia the moderator for your conference call today. Welcome to the Post Results Conference Call of AIA Engineering Limited. We have with us today the management team of AIA Engagement Limited. At this moment, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. I would not like turn the conference over to the management team. Please go ahead.

Corporate Participant

Thank you so much. A very warm welcome to all of you for joining this call for the fourth quarter results of AIA. We're extremely sorry for doing the call two days after our results. And some accounting changes that has taken place and good amount of discussions around it.

My friend, Sanjay was on holiday, and he thought better to have the call together, so that when we talking after the call answering other queries on the same page. I'll walk you through a few highlights of the quarter and jump into the key question on the accounting changes. And then we'll move forward with question-and-answers.

The sales for this quarter as you would seen is about 408 crores, sales outside India were 277 crores and in India at 130 crores. So sales outside India representing almost 68% or roughly 70% of our sales which is the highest in many quarters in recent history. From a EBITDA standpoint we have done 88 crores, that includes change in accounting policy related other income and I will come to that in a bit. With profit after tax about 52 crores.

For the full year figure we have done top line of about 1,352 crores, which is almost 19% increase in top line. So, we are happy to note that we have done 40,000 tonnes of sales in the fourth quarter and full year tonnage is at 142,000 tonnes. Our earlier guidance for the full year was 140 but as it is second quarter of last year we did revise that to So, our pace of increase in tonnages in the mining segment continues to be encouraging, we are very happy that customers are started to that, that snowball effect of getting more tonnages seems to be getting traction.

And we are very hopeful that pace of increase in sales in the mining segment will continue. Walking through some more figures, we did 35,000 tonnes of production in the fourth quarter. So, total production for the full year now stands at 148,000 tonnes. We expect to do 160,000 tonnes as extrapolating the fourth quarter tonnages for the full year. We have a quite hopeful of doing about 160,000 tonnes of top line.

For this quarter our average realization is about Rs.100, Rs.101. And assuming the same product mix and the selling price level which is a function of currency and raw materials. We would do about 1,550 crores to 1,600 crores of top line. So between last year and the next year between those two year some of our 1,136 to 1,600 and roughly a 200 crores addition each are, is makes us happy that in a global environment that is trying, that is quite difficult a lot of headwinds in also sorts of parameters.

We are quite optimist about our sales growth. Just walking through some balance sheet figures, raw material had reduced to 30 days, our debtor days are about 100 and finish goods and creditors are roughly the same. So, working capital is by and large at par risk of average.

We have taken on short-term debt over the last six months which is a $5 million working capital loan just to continue our relationships with some of the banks. So, total debt and we also took a stake in one of the Foundries and Trichy where we have a 30% stake. Where there is a 10 crore debt on their books.

So, total debts about 45 crores, as our 7 crore debt on subsidiary Welcast, 10 crore in Trichy 70 and the balance is in or 25 crores is in 22 crores to 23 crores is in AIA. Net, -- cash at the end of the period was 287 crores cost that have to reduced by the debt figure to arrive at the net cash figure.

I think that's about it from our basic operational parameters. I'll go into the point in the relation to the accounting, change in account policy. We had -- I think, I'll start with the basic background which is -- I know lot of you have few questions on the need for the change in accounting policy.

And what those figures represent. In the October 2011, the government introduced duty draw backs skill for our products which is a grinding media and casting and alloy-steel casting.

And the DEPB scheme was phased out. Now the draw back scheme entails a cash payout for the government. The earlier DEPB scheme, got us a license and which can then be sold or used for our own imports and that is when really the income gets accrued. So since October when the duty drawback scheme was introduced a normal DEPB license takes about three to four months form a sale to accrue to us and then of course it depends on when we actually use it.

While the duty drawback takes a couple of weeks between an export and our application and actual deposit of cash into the bank. Now when we have cash being deposited it became impossible for us to keep a track on what invoice it related to and what was the figure et cetera. When you have a license all of that's pretty straight forward. Can be audited et cetera in terms of the license there is no paper being generated, there is no document that we get when the money gets deposited, accept the application that we have made.

And that warrant date that we go on to accrual basis of accounting. So every invoice we make we started showing a income receivable on that invoice for the duty drawback. Now the DEPB when it got phased out one scheme was a duty drawback where into we get cash now other is a focused product scheme which got introduced. And that was, it's was since the early last year. It is again to similar to the DEPB scheme where he get a license.

So, we have old DEPB licenses and we have focused product scheme licenses and that's still in place at this time. So, when we went and that was the old system of accounting or what we prefer which is we book income when we sell that or we us it for our imports. So, now when the duty drawback came in we had a accrual system for the duty drawback and old system which is cash accounting for the DEPB licenses or the license in FPS, focused product scheme or the DEPB license. So, it was forced by the auditor that we cant have two mechanisms, two accounting systems to recognize export benefit income and we switched over to the accrual system. Of course its also an operational benefit because, we will be getting about 35 crore, 40 crores of export benefit in next one year assuming the export benefit rates at the current level. It's important for us to have it in the system so we know that we have not missed out an invoice, whatever we have applied for, we have received it, all of that was being done offline, it was in excel sheet et cetera, but now its now booked in our SAP accounting system.

We were better controlled but of course that's a minor point the important point being we couldn't have to accounting principles for recognizing that income.

So with that said, say the 32 crore approximate income that was qualified as a income attributable to the change in accounting policy. Of that, about 11 crores is because of sealed in the fourth quarter.

Corporate Participant

Okay, so that relates to Q4 only?

Corporate Participant

It relates to Q4, the balance 21 of that 16 crores relates to FY11-12 itself and about 4.5 crores, 5 crores relates to the period before that.

So and that's the broad breakup of that 32 crores. So if you remove the 11 crores, your debt is in about 20 crores, 21 crores that is really now related to the fourth quarter.

And that's -- to that extend the profits are squid if you are looking at the quarter-over-quarter comparison. But unfortunate that such a last figure had to be adjusted in the last quarter. But that's -- that's the way unfortunately its accounting has to be done.

The next question that, then comes around is that our EBITDA margins when you, if you knock off that 20 crores, would be about 16% between 15.5%, 16% EBITDA margins is what or the margin would appear as. There are two things that we would like to go forward. The first is that, when the rupee went to a, all currencies have gone to the extreme volatility over the last one year as you all would know. The rupee was at 52, 53 level for some time, it appreciated downwards to right up till 49.5. When it was around 53, 54 a lot of our customers started to asking us for a lower dollar pricing and which we did, anticipating our weaker rupee, but it started appreciating and this about January, February and we took hedges this about December, January and we took some hedges then to protect at least a 50, 51 level.

So, while the rupee was back at 53 we continued to have a hedge position at a lower rupee value. So, there is about a 10 crore, approximate 10 crore loss on account of currency for this quarter, when we had price in a certain level we has set a lower level of course the currency came backup but that appear and still becomes a loss for that account. We've taken a short-term loan as well from a bank and mark-to-market we had taken it at our 45, 46 level and there is a mark to market loss on that as well about 3 corers. So, and there is a loss on our RSA Vega South Africa where our Zaire we do our accounting in Zaire over there, and the Zaire also weakened. So that gets us lower dollars and hence lower rupee, so there is a loss on that account as well.

So the full year of course some notional because when you have hedge on a forward basis you get a lower rupee realization

on that forward when it's sold and when it's delivered. We've seen about a 35,35 corer loss some of it booked in our books as exchange loss but some of it has a delivered notional loss.
We still have hedges for the next two quarters first and the second quarter at about 52, 53 levels. So we'll still have to there is going to be some head winds on that account, we'll not be able to fully take benefit of a weaker rupee. But we'll be prudent and we'll make sure that we do take advantage of the weaker rupee going forward. So, one is the currency aspect. There are about 5 crores of year end, there are some provisions that were required about 6 crores of year end provisions, some warranty expenses, certain agency commissions being paid. And okay they are mostly, that some of those get continuously accounted but some have to be accounted in the end of the year.

So there is some amount of skewed effect because of that. And last but not the least grinding media and mining were about 35% of the sales in this quarter. We did 17,000 tonnes of grinding media to mines in this quarter of a total sales of about 40,000 tonnes. So, 40% tonnage of revenue equivalent went into mining. And as we have been saying that this is a entry level price. We did have to lower or dollar pricing for the weakened currency because their base currency where they would have had to import would also have had weekend against the dollar.

So they didn't want to increase the net dollar.

There net local currency cost of imports and we had to go with them on that. But we believe that -- and that's the -- it's the causality of volatility more than price pressure. We went out, we hedged considered on several strategies and unfortunately we know there is net loss on their account. We believe that over next two, three quarters, we should be back up to 20% plus EBITDA margins.

There is - of this fourth quarter is not something that's bothering us for various reasons that I have explained. And we remain, continuous to remain optimist about the way forward.

We should do about 80,000 tonnes plus in this year. For fiscal '12-'13 we remain on track for 80,000 plus to the mining segment. There is a total volume of about 160,000 tonnes. So, that was one of the major concern. Second was that our results have been reclassified to comply with schedule 6 company law requirements and which is why and we apologies for the pain that we have cause to try and understand and basic for those figures. There were some queries on relation to our other expenses they seem to have grown by about 45%, please note that in the previous reporting structure of raw material and stores were clubbed, now raw materials is a line item and stores are now clubbed with other expenses.

So, that is one but not withstanding that other expenses higher because our currency loss goes into other expenses, one. Two is that we have seen a significant increase in a power costs, if you compared that with the fourth quarter last year it was virtually a 20% increase in power costs in terms of surcharges that Gujarat Electricity Board has passed on over last--.

More so over last four, five months than anything else and that's also reflected in our other expenses and then general increase in our labor cost et cetera. I think that basically sums up our first introductory or walk through our numbers.

Sanjay you want to add anything to it?

Sanjay S. Majmudar, Independent Director

No, I think Kunal has covered most of the points. Just one more point while we you mentioned about grinding media to mining it is also equally important to understand that the product mix in this quarter almost 70% of the sales again came from Grinding media alone. As we have been repeatedly reiterating, we can't control quarter-over-quarter sales because that is typically followed as per the customers requirements.

So to that extent, to some extent as we have been quite clear about it that the grinding media is relatively a lower margin item as compared to other products and therefore on a blinded basis again there were some compressions but after adjusting for the abnormalities which Kunal pointed out I still, I think that for the quarter the EBITDA it would be in the range of around 17% to 18%.

And for the year it is at the range of around 18.5% to 19% slightly of the mark, but I think as Kunal clearly explained we are not worried because we know how going forward the product mix is going to pan out. Another thing on the

Corporate Participant

About 700 crores total.. all put together.

Sanjay S. Majmudar, Independent Director

Including the land is about 100 crores and the balance 170 plus we will be spending over next...

Corporate Participant

About 90 crores.

Sanjay S. Majmudar, Independent Director

Yeah, by about

Corporate Participant

90 crores is what we spent this year.

Sanjay S. Majmudar, Independent Director

Yeah, and the rest we will be spending during this year and the subsequent year that CapEx plan is on absolutely in fact we are also looking at some further CapEx which is currently at the planning stage and in next few months we will be able to declare some further CapEx plans which also reflects that our overall optimism about the business model and the growth that we envisage in the mining space, cement continuous to slog, cement continuous to remain poor. However in this fiscal whatever growth is being targeted primarily it is coming out of mining. And some head ways we have made some very encouraging head ways we are made on out crushing part business which is also doing quit well. We have the complete marketing infrastructure in place in the markets of the North America and the Western European countries.

And we have started production and we are quit confident that we should be able to some descent - it is again high value product with a descent profitability.

China is also encouraging. We have done a good tonnage in China about around closed to 4,000 tonne and we believe that is all -- that is also likely to grow significantly in the current fiscal year, and going forward.

So overall our medium to long term business direction remains quite optimistic. And there are no structural changes except for quarter where the product mix plus other factors. Mind you as Kunal emphasized Q4 unfortunately is totally as provisioning minus first nine months provisioning or items are expenses that you have provided, so some of those provisions are also on the higher side.

I think with this I would request the moderator to through the house open for question-and-answer.

Questions And Answers

Certainly sir. Ladies and gentlemen we'll now begin the question-and-answer session. [Operator Instructions]. We have our first question from Krishna Gupta from PD Inc Research. Please go ahead sir.

Analyst

Yeah, good evening sir.

Sanjay S. Majmudar, Independent Director

Good evening.

Analyst

Sir my question pertains to your quantum of price cuts you have undertaken for overseas customers due to sharp rupee depreciation?

Sanjay S. Majmudar, Independent Director

Yes.

Analyst

No, you said that you had to take some price cuts due to the depreciation on request right?

Sanjay S. Majmudar, Independent Director

The net net effect on this quarter is roughly about 10 crores, which you can say, it was not absolutely normal. This quarter the impact of that foreign currency fluctuation was in the range at a console level at about 9 crore to 10 crore.

Analyst

Out of the total 35 crores, 35 crores you - for the full year?

Sanjay S. Majmudar, Independent Director

Yeah.

Analyst

Out of that 10 crores was for ForEx account right?

Sanjay S. Majmudar, Independent Director

See what has happened there are as explained, there are two ways in which we hedge one is we take a plain, absolute plain when in up forward. In fact gets adjusted in our EFC account doesn't directly translates in our books. But our angle there is a loss when I get the realization at 50 or 51 and this prevailing dollar rate is 53 and the price in dollar terms that we have negotiated is on certain basis, correct. So,although there is a translation gain or a translation loss we get netted of when you consolidate. So, that overall loss regard in, where which has impacted the Q4 is roughly about 9 crores to 10 crores.

Analyst

Sir do you expect further price cuts later, if the rupee depreciates it's so near on?

Sanjay S. Majmudar, Independent Director

See what happens as we, in fact as a policy that we follow we are continuously taking forwards and on that basis we are giving the pricing now in that situation where today on the assumption that rupee is at say 55 or 56 while we are talking. The customer would say that, boss I will not give you $2 but you give me $1.80, I am just giving an example, okay.

And I agree on that basis. And we try to book forward we maybe successful, we may not be successful depending on whether adequate contracts at good prices are available or not. And when we effect that export suddenly we find that we have realized this at say 51.

In fact in the last quarter this kind of fluctuations happen too fast. And, so it is very difficult to continuously cover although you maybe very agile. So it happens that you have given a price on the basis of X and you actually realize Y which lower than X and that is how it results into a loss. You cannot always cover your entire exposure it is very difficult, for example, today. If I try to cover, if I don't get at an decent price, I will not cover I will wait for a while.

Many times if the fluctuations are too fast and too sudden corporates are taken of guard in spite of the most alert and agile focus on part of the treasury department to try to cover at a very good price. This is what happens. It is very difficult to actually explain in a practical - but this is exactly what happens, you have to remain now 24 X 7 agile and take on positions many times your position will be right, many times your positions may be boomerang. And that is how you keep on averaging.

Analyst

So, don't you think, don't you expect any major benefit due to rupee depreciation going ahead?

Sanjay S. Majmudar, Independent Director

Sir my, I lastly said Rathore who is actually, he is actually Kunal will answer on the exact policy of what is my, take on the rupee-dollar.

Kunal D. Shah, Executive Director(Finance)

Whether you, can you please repeat your question you think -- what's our view on the rupee?

Analyst

Yeah, no I just want to know like going ahead will the company benefit from any depreciation from here on?

Kunal D. Shah, Executive Director(Finance)

It will not for next one or two quarters because we have a significant part of our exports hedged our recievables hedged.

Analyst

You said two quarters of sales are hedged?

Kunal D. Shah, Executive Director(Finance)

Yeah two quarters of receivables are hedged.

Analyst

Two quarters of -- and how much is that amount basically?

Kunal D. Shah, Executive Director(Finance)

You will have to, I'll have to do the math whatever...

Sanjay S. Majmudar, Independent Director

Firstly major part of it.

Analyst

And can you please explain this other operating income of 46 crores this time which is shown other in quarterly results?

Sanjay S. Majmudar, Independent Director

We had a very elaborate explanation on that figure of 46 which includes a figure of 32 crores.

Analyst

Okay. I got your point. That 32 was included here itself?

Kunal D. Shah, Executive Director(Finance)

No out of 46, 13 crores, 14 crores relates to this quarter alone. Now in -- further breakdown 32, out of 32 another 11 also pertains to this quarter and about 21 pertains to previous quarter.

Analyst

Okay. Thank you. My question is answered.

Kunal D. Shah, Executive Director(Finance)

Right sir.

Operator

Mr. Gupta are you through sir.

Analyst

Yeah. Yeah. Thanks.

Operator

Thank you sir. We have a next question from Mr. Ankit Bubble from Shubham Ventures. Please go ahead.

Analyst

Yes sir. Good evening. Ankit here.

Kunal D. Shah, Executive Director(Finance)

Good evening.

Analyst

Sir, just a couple of questions. First is that, did we succeed in getting any price hikes with any of our customers. Specially in the mining segment, where we have already demonstrated the quality of a product and initially we were quoting at entry level prices and afterward which we had witnessed in last quarter also. So have we succeeded in getting any price hikes?

Kunal D. Shah, Executive Director(Finance)

Yeah, yeah absolutely. - that we have started about two years back in our fact, the comfort is there where they have looked at our ability to deliver on time and of course where there is advantage in performance and price becomes a secondary point of discussion. Have you seen price increases, that's not an issue.

Analyst

Yeah sir. Just for example sir at entry level you were quoting at Rs.100 now that 100 has become 101 or whatever it is.

Kunal D. Shah, Executive Director(Finance)

No that is 15, yeah.
110 okay. Sir just one basic question very basic is that your USP is that considering the life cycle of your product now at the end your product ultimately proves to be cheaper to the client as against other substitute right? Now just wanted to know suppose in case of cement company what's the kind of saving which is achieved in the cost of producing cement to the client?

Sanjay S. Majmudar, Independent Director

Actually I'll tell you in cement it is a question of reduction of overall cost of ownership apart of savings in terms of the ware part cost, this is also savings in the power better throughputs, improved yields et cetera. It's a very very proven thing, overall you can say we are able to reduce that cost of ownership by anywhere between 8% to 10% at the minimum.

Analyst

Sir 8% to 10% of this.

Sanjay S. Majmudar, Independent Director

Cost of ownership that means their cost of power goes down, their throughputs improve, their yields improve, the plant run in full capacity and so all those, these are the intangibles that we bring on table when you talk of cement. In terms of mining presently at that current level of products which is a very basic product this equation doesn't work, it works as a pure savings in consumable cost.

Analyst

Sir that means.

Sanjay S. Majmudar, Independent Director

Result - mining a very very different. Ankit I will recommend that you don't -- there are many listeners who have, my point is let us take this call on the very basic concept as an offline call, it would be much better for the benefit of those others who are just doing the follow up. The audience is very large. I would be happy to do a 15-20 minute call with you separate.

Analyst

Okay fine. Sir, just, okay fine I got your point. Sir, just couple of more things. Now if structurally rupee remains above 50 level. Now say suppose for the next four to six quarter it remains at say suppose 51-52 on an average. Now, would it help you to improve your margins or you will have to pass on the benefit to the customer.

Kunal D. Shah, Executive Director(Finance)

Our customers are, hello Ankit this is Kunal. Our customers are spread across the world. We are not importing that own trading currency based -- often other than U.S. dollars. So the rupee has weaker, way likely the currency on the other side is also weaker, could be a Brazilian real, it could be South African rand, it could be Australian - or Canadian So the currency in the other side has weakened there is pressure now to reduce the dollar pricing. So, really we are agnostic to the dollar movement.

Analyst

Okay.

Kunal D. Shah, Executive Director(Finance)

So we just have to keep correcting a dollar pricing to reflect, to make sure that our rupee margin is protected.

Analyst

Okay.

Kunal D. Shah, Executive Director(Finance)

So, this 55 we will have to adjust the dollar pricing to it, doesn't mean we'll just gain 10% on 50 to 55 the rupee remains at.

Sanjay S. Majmudar, Independent Director

The problem is that it is so volatile and so rapidly fluctuating it is very difficult to take a call all the time here on the in the correct context you get my point?

Analyst

Yeah, yeah I got it sir, okay. And sir lastly sir just on the guidance which you had given. Last quarter you had given a guidance of 20% top line growth for FY13 and now you are reducing to around 10% to 12% anything went wrong in just one quarter?

Sanjay S. Majmudar, Independent Director

No, no let us be clear. We at the very, very minimum level. See, we are talking of a overall tonnage in the range of 150 plus, it could be the target is between 162,000 to 170,000 it can go a little higher also. We repeat we are in not giving any guidance at all. So please remove that word guidance from your notes.

Analyst

Okay.

Sanjay S. Majmudar, Independent Director Analyst

So, sir this 142, if suppose it goes to 160, so this whole incremental 18 would be coming from the mining only. That's what you mean to say?

Sanjay S. Majmudar, Independent Director

No, it could be hardly out of crushing part, partly due to some new products like mining liner but yes predominant the driver will be mining. Unfortunately, cement is still very, very flat.

Analyst

Yeah.

Sanjay S. Majmudar, Independent Director

I don't think cement can grow any thing, at least as of today in FY13 as well.

Analyst

Okay. So, this 64,000 mining can go to about 80, 000-85,000?

Sanjay S. Majmudar, Independent Director

To 80-85 it can go to 90 also but.

Analyst

Depending upon the customers?

Sanjay S. Majmudar, Independent Director

Since that we are in a slugs, we don't want to give you any guidance but we are saying we are very confident about the business and demand under.

Analyst

Okay. But sir just for the comfort of investors and other analyst and all those this the 18%, 18.5% EBITDA margins would be maintained, right, from that angle, there won't be any negative surprise?
As any corporate, we believe that endeavor will be to improve upon this EBITDA which is a function of many, many things, one the function of pricing, two is the function of product mix which is very important, three any uncertainty any sudden hits we are trying to make sure that we are trying to do all possible tools to hedge against all those uncertainties. But I think medium to long-term EBITDA should improve definitely. But when and how much I don't want to guide you.

Analyst

So it will take us slightly longer time to go back to that here 22% to 24%?

Sanjay S. Majmudar, Independent Director

Kunal said next two to three quarters.

Analyst

Sir two to three quarters to 22% to 24%?

Sanjay S. Majmudar, Independent Director

No, sir you are unnecessarily putting words in my mouth, we are not going to say 22 or 24. That's very clear.

Analyst

Okay. Thank you, sir.

Operator

Thank you Mr. Angad. We have our next question from Mr. Punit from Enam Securities. Please go ahead.

Kashyap Pujara

Hi this is Kasyap here.

Sanjay S. Majmudar, Independent Director

Hi, Kashyap.

Kashyap Pujara

I am fine. Hope you had a good trip?

Sanjay S. Majmudar, Independent Director Kashyap Pujara

Basically my question pertains to this DPB, now if you could just tell me that the DBP when it was discontinue the duty structure there was 10% right?

Sanjay S. Majmudar, Independent Director

No. We will make it very simplistic.

Kashyap Pujara

Yeah.

Sanjay S. Majmudar, Independent Director

DPB was a license.

Kashyap Pujara

Correct.

Sanjay S. Majmudar, Independent Director

And this license, I was able to transfer sale in the market. The percentage was at that time I think around 4% to 5%.

Kashyap Pujara

Okay.

Sanjay S. Majmudar, Independent Director

Just finish your question, Kashyap.

Kashyap Pujara

No, my question was just that, what is the difference between what you are getting in DPB and what your getting in duty drawback?

Kunal D. Shah, Executive Director(Finance)

The DPB is now replaced by two schemes, one is the duty drawback the other is a focus product scheme. Next it's getting 100 last year, we will get about 110, 120 this year. Maybe 110 this year.
Okay, okay.

Kunal D. Shah, Executive Director(Finance)

But it's being higher exports and which is why our export benefit is more basically.

Kashyap Pujara

Okay, fair enough.

Punit Srivastava

Sir, hi this is Punit, just to add to a couple of more questions we wanted. If you can just give us the break up about the other expense? we missed that, sorry.

Kunal D. Shah, Executive Director(Finance)

Break up of the other expense, it includes the currency losses in there.

Punit Srivastava

No can you quantify it, if you can give us approximate numbers also would be helpful.

Sanjay S. Majmudar, Independent Director

About 10 crores.

Sanjay S. Majmudar, Independent Director

Currency loss over there.

Punit Srivastava

Okay.

Sanjay S. Majmudar, Independent Director

Right, there is an abnormal increase in power costs.

Punit Srivastava

Okay that is 20% you said higher than last year.
Yeah so that's about 20%.

Kunal D. Shah, Executive Director(Finance)

Six crores are approximately.

Punit Srivastava

Okay.

Sanjay S. Majmudar, Independent Director

Increase of 12 crore but then there is a higher production as well. So, I don't have the exact.

Punit Srivastava

Okay. Fair enough, fair enough. And what about how much was stores in this expense?

Sanjay S. Majmudar, Independent Director

Stores is not this inline with the other expense. I don't have the total with me because it's divided into the line items.

Punit Srivastava

Okay.

Sanjay S. Majmudar, Independent Director

But there is not a significant increases in stores per say as a percent.

Punit Srivastava

Okay. So, sir can I for the next couple of quarters considering this has been alined as per schedule VI. This currency cost would probably move up and down but your power cost and your stores cost would now come in as expense. So, if you look at it from a quarterly run rate point of view, barring the 10 crores of currency loss which is changes every quarter. You can assume a standard run rate, is that fair to assume.

Kunal D. Shah, Executive Director(Finance)

No. You may even knock out further 5 crores which is the incremental provisioning - quarter. And then you can think...

Punit Srivastava Kunal D. Shah, Executive Director(Finance)

Fair that. That question as a theoretical answer Punit.

Punit Srivastava

Yeah, what just wanted to get like is the extent of price rates 15% is what I am trying to get to.

Kunal D. Shah, Executive Director(Finance)

Yeah absolutely.

Punit Srivastava

Okay.

Kunal D. Shah, Executive Director(Finance)

This is the currency that would, I mean parameters on which costing has changed - has also changed.

Punit Srivastava

Right, right right.

Sanjay S. Majmudar, Independent Director

There are low of new customers also that are getting added every quarter. Some customers who are taking price increase new customers we are facing those pricing pressures. However pertaining to the basic product grinding media which is the very very entry level product. As explained over some other - it is also adding some value added products within the mining stage correct.

Punit Srivastava

Right.

Sanjay S. Majmudar, Independent Director

We are in the process of negotiation of, these products are at a process of trials. There are of bigger size balls or mining liners et cetera. We are also aggressively pushing crushing part. So these are the products which have the potential of improving my margins.

Absolutely Sanjay bhai.

Sanjay S. Majmudar, Independent Director

I am not able to tell you -- that is the only thing you can't exactly predict.

Punit Srivastava

I understand that sir. What I am trying to get to is, I mean this quarter has been a large component of sales has come from grinding media as you mentioned earlier. Now if you look at historically how we've as a company the trend has been that the value added products or the higher margins products if I would put it that way generally come in the second half of the year, which was seen in the third quarter, third quarter the numbers were pretty good because there was a large component of value addition that we could sort of send out to our customers.

Kunal D. Shah, Executive Director(Finance)

Actually Punit that's something that you've discussed, just leave it at that, I mean mining the point is that..

Punit Srivastava

Sure sure.

Kunal D. Shah, Executive Director(Finance)

It hits the mining business, getting it in to there pricing and there is fair optimism that will be - unfortunately the currency - and provisioning that further skewed the figure.

Punit Srivastava

Right. Okay. Sure I'll leave there I just want one more question from my side. If you can give us some broad color on new mining customers that we've added whatever you can share would be helpful.

Kunal D. Shah, Executive Director(Finance)

Say again sorry and just I am getting -- I think there is no first half second half more casting or more value added. I think that's also, that's not a trend.

Punit Srivastava

Okay, okay.

Kunal D. Shah, Executive Director(Finance) Punit Srivastava

Sure sure.

Sanjay S. Majmudar, Independent Director

See overall,

Kunal D. Shah, Executive Director(Finance)

What's your question?

Punit Srivastava

Yeah, if you can just give out the broad sense, just some light on new additions of customers during the year throughout, not specifically quarter four but is it in line with what we anticipated it to be or is it, are we on track?

Sanjay S. Majmudar, Independent Director

It is absolutely in line and very encouraging, simply because we...

Kunal D. Shah, Executive Director(Finance)

We've gotten up very wide base of customers who are engaging in with now to take this forward.

Punit Srivastava

Right.

Kunal D. Shah, Executive Director(Finance)

And it previous had - with many quarters they have been talking about it. But every single day acquiring a blue chip mining customers making billions of dollars in profit, to come and talk to a small company in Ahmadabad that here at AIA we can bring value addition to you and hence you please buy from us. It's a big challenge and it's something that I think we are on track 60,000 tonnes, 70,000 tonnes were the target for this year.

Punit Srivastava

Right.

Kunal D. Shah, Executive Director(Finance) Punit Srivastava

Sure.

Sanjay S. Majmudar, Independent Director

And by way of addition of new mines from the same customer as well as new mining Groups.

Punit Srivastava

Okay.

Sanjay S. Majmudar, Independent Director

So, that's absolutely on track. Now about 10 to 12 new mines are getting added over the next couple of quarters you get my point?

Punit Srivastava

Yeah, exactly sir. This is what, it's very encouraging I just wanted to sort of get to that that's it.

Kunal D. Shah, Executive Director(Finance)

No a top line tend to, of course the number in such a, it's a double, triple vary for us it is a margin sale.

Punit Srivastava

Sure.

Kunal D. Shah, Executive Director(Finance)

And we can only talk about it improves in next couple of quarters for those numbers to come right

Punit Srivastava

Sure.

Kunal D. Shah, Executive Director(Finance)

And is there for, which is there to stay today lot of companies have gone through trouble times which is profits have increased because of the pressure on competitiveness right, that's not the case for us.
Right, right.

Kunal D. Shah, Executive Director(Finance)

Still thinking about growth of 10%, 15%, 20% what X amount percentage is next year, and margin, then and better margins than what we have done this quarter or an average of what we have seen.

So I think we continue to remain optimistic about it. Next year is going to be better than this year that's very, that's a clear optimism well in our mind.

Punit Srivastava

Sure, sure. Thanks a lot of sir. Best of luck.

Kunal D. Shah, Executive Director(Finance)

Alright.

Operator

Thank you for your question sir. Mr. Shah, Mr. Kunal Shah?

Kunal D. Shah, Executive Director(Finance)

Yes, ma'am.

Operator

Sir, there is slight echo coming from the line sir. Just wanted to inform you.

Kunal D. Shah, Executive Director(Finance)

Okay, fine.

Operator

We have our next question from Mr. Jinal Seth from --. Please go ahead sir.

Analyst

Good afternoon Mr. Majmudar.

Sanjay S. Majmudar, Independent Director Analyst

I just had a question. Since, our products have little bit of technology involved out here, how important is R&D in regards to a company and for the future? Because I don't see in the annual report that we have been spending any money on R&D? So just wanted some understanding on that?

Kunal D. Shah, Executive Director(Finance)

Sure, that's a common misconception that is drawn when one looks at our balance sheet, because our R&D is not we are not the pharma company where have laboratories and people in white suit, white aprons doing R&D.

A lot of our R&D happens at the customers side in live action where we are actually proposing new solutions, we are giving new designs, new alloys, doing process changes at the customer end all the time. That the incremental knowledge been built on every sale that we do. And which is why that brick walling happened with the customers. There is incrementally new knowledge been learned and new designs alloy or process changes being applied at the customer side and that's really is our R&D to an extend.

What we are doing in the mining space is a classic example you know the competitor or - could be supplying a certain alloy. Or the local income then we go in we do our bill audits and we try and design an alloy that's different from what's been used there and you know and trying see where advantage bring where advantages is for the customer.

So, a lot of our work happens, we do have a laboratories of our own but nothing that can get classified as typical conventional research and development. A lot of that happen on the, we are looking at products and the quarry space for example, that's a completely new business segment. which would typically get classified as R&D in the pharma company or but for us that's actually we are going out to customers, meeting suppliers, having failures, customers coming back and saying of our parts actually being broken for different reasons and us going and fixing them, understanding the mechanism why it led to a faster - or a breakage.

And then they are making, tweaking our own designs alloys. That's why to make a successful solution for the customer. So, to answer a question it is, in a nutshell that our R&D is not spread across our expenses is really. See they are not classified in an accounting sense in the R&D line item.

Sanjay S. Majmudar, Independent Director

I will tell you. In many these companies where you see an R&D cost as an accumulated amount in the P&L it is the reason specifically because they would have the DS, a IR approved R&D set up where they would be eligible to claim a weighted deduction of 150% or 200%.

And in our case the R&D happens at the customers end as Kunal explained, and there is a tremendous element of expenditure which is actually spread across all the head, we are not deliberately a DS, IR set up approved set up because that - sharing a lot of information which we do not want to share, you get my point. And we don't care that damn about claiming on 150% or 200% deduction and therefore our costs are not accumulated as a separate R&D cost. That is a strategic decision at our end actually

Punit Srivastava

Understood. In that case, if today Bhadresh Shah, state if that were to become minority would we have to pay any royalty to make it out.
Sir let us answer that question because it is irrelevant at this point in time we have never thought about it.

Punit Srivastava

Okay. And just lastly in regards to your working capital, I mean I know you've explained to me this in to past but your inventory days have shorten a lot. Is that in connection with your mining business, but can you give some light on that?

Sanjay S. Majmudar, Independent Director

You are absolutely right, our currency has gone up because of the stocks that we're maintaining for the mining space.

Punit Srivastava

Then as for the last three years, that number has been increasing. So any, I mean...

Kunal D. Shah, Executive Director(Finance)

But that's - sales basically.

Punit Srivastava

Sorry?

Sanjay S. Majmudar, Independent Director

Three years it is inline with the growth in sales.

Punit Srivastava

Okay. Alright thank you all right.

Sanjay S. Majmudar, Independent Director

Thanks.

Operator

Thank you for your question sir. We have our next question from Mr. Vinay Pandit from PUG Securities. Please go ahead sir.

Vinay Pandit

Yeah, hi evening sir.
Good evening.

Vinay Pandit

Just to clarify one point you have said that for the whole year you've done 64,000 mining right?

Sanjay S. Majmudar, Independent Director

63.

Vinay Pandit

63,000 which is effectively for this quarter at 17,500 tonnes or...

Kunal D. Shah, Executive Director(Finance)

Right.

Vinay Pandit

And why was the average realization at 102, and in spite of that our margins been on the lower side. I mean because primarily if you were doing grinding media for mining there the average realization per kilogram is on the lower side.

Sanjay S. Majmudar, Independent Director

No, no. We are here not talking about realized. When you talk about margins and realizations are two different things. Realization is a function of the alloys that have sold and the products we have sold. Mining necessary is not Rs.20 kilo product. Okay. So, 101 reflects the raw material price in the margins that we're making. So that's, grinding media have been sold or that's not really co-related. Another thing is not our sale. When you look at last year, this year, the average Rupee value that have converted of dollars is also higher. Some amount of that is also there in our export sales basically.

Vinay Pandit

Okay. and in the other expenditure the increase of 54 crores you said that currency losses 10 crores, power is 6 crores. The store reclassification what amount is that, if you?

Sanjay S. Majmudar, Independent Director

Stores I don't have the break up, because it's of a couple of line items so I can share that with you tomorrow.

Vinay Pandit Sanjay S. Majmudar, Independent Director

Those - 36 -- last is 41 corers this quarter.

Vinay Pandit

Sorry could you come back?

Kunal D. Shah, Executive Director(Finance)

36 crores odd was the stores consumption last year. 41 crores, 42 crores approximate this quarter.

Vinay Pandit

And Sanjay you were saying that you are doing our CapEx over a number of that you are doing some new CapEx which is in the planning stage. So this is one new products or what is it exactly?

Sanjay S. Majmudar, Independent Director

No see that is a point I can you see the issues is that 270 crores CapEx for 100,000 odd tonne capacity expansion is very much on card, going on plus we are also looking at some new CapEx essentially for the new avenues like crusher parts, for that mining liners et cetera which is at the planning stage.

{A:Vinay Pandit:} Okay.

Kunal D. Shah, Executive Director(Finance)

And that my suggestion a hint was that those products have now crossed the frontiers of development and having commercialized currently they are serviced out of existing capacities but they have a decent potential for a independent CapEx which could be anywhere between 50 crores to 100 crores but it could be even more but that will get fructified on frozen on one next a few months. And then we will make an announcement regarding that, the idea was to give an indication that these are all positive developments and we are quite aggressively pursuing the new verticals which have now fructified to the level that we will commit a CapEx as well.

That was the whole idea.

Vinay Pandit

Okay, sir my next question is that on the global side. We are seeing a lot of big players like BHP, Bulletin talking about slowdown, Joy Global talking about slow down, Caterpillar talking slow down. How do you interpret this in your business?

Kunal D. Shah, Executive Director(Finance)

In the mining space we are largely dependent on the consumption right, which is since there are large 2 to 2.5 million tonnes - unless there. So unless there is reduction in utilization on the plant I think we should be alright.

Vinay Pandit

Okay.

Kunal D. Shah, Executive Director(Finance)

Really focused on the growing side of in the mining space.

Vinay Pandit

Okay because we've seen that happening in cement, it slowed down globally and of course it impacted you. So in your case and mining would it be fine to break through with new customers is then aggressive entry strategy?

Kunal D. Shah, Executive Director(Finance)

I didn't get your question you're saying how does slow down...

Vinay Pandit

No, basically in cement where you are dominant before there is a lot of slow down that's happened in cement which has effectively impacted your cement volumes in your grinding media business right?

Kunal D. Shah, Executive Director(Finance)

We already have 35% 40% of market share in - China in the cement space.

Vinay Pandit

That's right so now you are in a stage we are trying to build up your in a stage where you are trying to build up your market share on the mining side?

Kunal D. Shah, Executive Director(Finance)

We are a 60,000 tonne in a 2.5 million space is nothing 3% market share.

Vinay Pandit

That's right. So, what I am trying to ask is are you having to put an aggressive pricing strategies to breakthrough with customer at this point of time?

Kunal D. Shah, Executive Director(Finance)

Yeah, having to put an pricing strategy not because of slowdown because that slowdown is virtually today linked with new CapEx plans of these plants of these companies. We have been having to do aggressive pricing because we have to From us go into a -company here is we know what we can do for you we can save some money let's us do a trial. I mean they would not just come out and open their door, because we are too small for them in a -. So, to out, get their attentions, speak with them, get them to stop their mail in fact to do our trial, we some time have to put our men specially over there to get them to stop, because at least of we'll stop this lots of production of them.

So while we go through that 12 process the purchase manager knows that the highest leverage he has with us is at the time of placing the first order. And we have seen when we took a strategy of not really decreasing a prices, we saw that price negotiations went up on six, eight months and there the customers has lost interest, so we said let get off put in the door which is what the actually has to do for cements space as well.

Between 2002 and 2004 and 05 for the first three, four years its exactly we are going to a similar deja wu process, 10 years hence. So we are saying that they are put in the door, we know the customer, once they like us once they have trusting that this company is not just trying, - yes they can supply, yes the quality is consistent, they can provide services that we look for.

And the pricing becomes a non-issues because that's what they are really looking for, they are looking for a reliable supplier, right. So and that' the strategy that we are working on and then the testimony like some one ask before we actually seen a pricing go up by 10%, 15% over last two years.

And when the customers stops asking as about prices. He is happy to have us, he knows that there are not lot of suppliers in the market space. And gradually price becomes a non- and that's the strategy we are working with at this time.

Sanjay S. Majmudar, Independent Director

And just to add Vinay, to answer your question straight. As of today, I think the way the trials are going on then employees are coming. I don't see there any impact on a consumable product, getting less consumed. Our supply to mining is 100 % consumable which is a repeat consumption item which is not linked to the CapEx plans.

So, as of now, I don't see any impact on AIA inquiries or new customers built up, because of the slowdown. Of course this situation becomes there as abnormal as it happened in iron ore space in FY 2008-09, that's a different story but, to be very honest we don't see that happen in as of now.

Vinay Pandit

And having being acquired you see - and materials getting aggressive or how you are seeing them playing out in the market right now?

Kunal D. Shah, Executive Director(Finance)

We always treat them as a major competition even before attribution and today also they remain with the same status. We have to be always careful and respect the competition and make sure that we are always there with a right price and a better service. But no, no major difference in terms of a business decision making process on - side.

Vinay Pandit

Okay, okay. That's it from my side sir.
Hello?

Operator

Thank you for your question sir. We have our next question from Mr. Manish Jain from Axis Holding. Please go ahead.

Manish Jain

Yeah, I just wanted to know that whether any quarry sales where there in the fourth quarter which was just concluded?

Sanjay S. Majmudar, Independent Director

Yeah, symbolic amount but yes about, close to about 1,000 tonnes.

Manish Jain

Thanks.

Sanjay S. Majmudar, Independent Director

Yeah.

Operator

Thank you for your question Mr. Jain. We have our next question from Mr. Singhania from Quantum Capital. Please go ahead Mr. Singhania.

Analyst

Hello? Yeah, hi sir thanks for taking my question. I have couple of questions. As you've mentioned about sluggishness in the cement sector as such. Have you seen any degrowth in the volume during the quarter?

Sanjay S. Majmudar, Independent Director

No, but somehow we have maintained our volumes but we are not predicting any growth in cement volumes in FY13. There is no degrowth. Yeah, more or less they are at the same level.

Analyst

Okay. And also you are not seeing any degrowth going forward as on way in basis like more of a flat?

Sanjay S. Majmudar, Independent Director Analyst

Okay. And sir have you added any new mining client during this quarter?

Sanjay S. Majmudar, Independent Director

Yes, we, for us a new mine is a new client. It is possible that it could be for example of new mine which we have started servicing but which is a part of CBID Group or Rio Tinto Group but for us the new mine is the new customer and we have added quite a few new mines over last three to four months

Analyst

Okay, like could you just...

Kunal D. Shah, Executive Director(Finance)

If you can see even supplying of first mall commercial quantity is effectively adding a new mine.

Analyst

Okay. So, roughly what kind of rough cut volume you might have seen from these new clients in this quarter sir?

Sanjay S. Majmudar, Independent Director

There is volumes no, that analysis new clients -- but their initial contribution could be insignificant not more than 1,000, 2,000 tonnes. See it takes time for them to go to an optimum level because they will not change completely in one stroke, what they will do they will slowly start buying form us and stop buying form the conventional suppliers and over a period of three to six months or may be even nine months effectively change or migrate from a old solution to a new solution. They do not do in one go. That doesn't happen.

Analyst

So we'll see volume coming from these client in FY14 basically?

Kunal D. Shah, Executive Director(Finance)

Definitely FY13, FY14 it will ramp up.

Analyst

Okay, sir also have you gained any volume from Magneto's client during this quarter or during the year in FY13?
Sir, that is an ongoing process and I think we may not want to discuss on the call. But yes it keeps on happening, we keep on fighting. At times we gain at times we loose. It's a part of the process.

Analyst

Okay, sir just one question towards your crushing business. As you mentioned that you have done roughly around 1,000 tonnes during this quarter. And now going forward you are rolling out your full marketing infrastructure as well as a new production that has been started. So what kind of rough cut volume we can estimate in FY13 like will it be more than 5,000 tonnes we can safely say?

Kunal D. Shah, Executive Director(Finance)

See, we don't want to give you any...

Analyst

No I am asking your guidance. Just like, - you are worried...

Kunal D. Shah, Executive Director(Finance)

Well our target is at least 3,000 to 4,000 tonnes in this year at the minimum level.

Analyst

Okay. And roughly what is your target for the China operation sir this year.

Kunal D. Shah, Executive Director(Finance)

China we should do about 7,000 to 8,000 tonnes this year. That's our target. But from all those things that is why we say that we are talking of a range of between 160,000 to maybe 170,000 tonnes as a target. We always talk in terms of a range and not any specific figure.

Analyst

Okay. And sir how comfortable you are with this 160,000 tonnes or do you think it is too conservative.

Kunal D. Shah, Executive Director(Finance)

No 160 to 170 that is the target which we are fairly confident otherwise we'll not talk about it.

Analyst

Okay. And any significant realization improvement you are seeing from the current level from the import level.
I think we should see average realization of around Rs.100.

Analyst

Rs.100 odd. Okay, fine. Thank you sir, that's all from my side.

Operator

Thank you for your question sir. We have our next question from Mr. Apurva Doshi from HSBC. Please go ahead.

Apurva Doshi

Yes sir. Just wanted the break up for export and domestic for the full year FY12. In terms of revenues and volumes both.

Kunal D. Shah, Executive Director(Finance)

64% export.

Apurva Doshi

64% export?

Kunal D. Shah, Executive Director(Finance)

Correct.

Apurva Doshi

Okay.

Kunal D. Shah, Executive Director(Finance)

And about 52% in terms of the revenue.

Apurva Doshi

Can you -- I just got confused.

Kunal D. Shah, Executive Director(Finance)

It was 64% tonnage and 64% in revenue both.
Even 64 also revenue front. Okay. And what was it roughly last year?

Kunal D. Shah, Executive Director(Finance)

60 and 40 last year.

Apurva Doshi

60 and?

Kunal D. Shah, Executive Director(Finance)

40.

Apurva Doshi

Okay. 60% volume and 40% revenue?

Kunal D. Shah, Executive Director(Finance)

No 60%, I don't have the tonnage figures as revenue figures it is 60% outside India 40% in India.

Apurva Doshi

Okay, okay. That's fine. But essentially what you are saying that whatever rupee depreciates there would not be any incremental positive for you because you have to pass it on to those customers.

Kunal D. Shah, Executive Director(Finance)

Exactly which is we are not selling to the U.S. This question is more relevant for companies whose end customer is in a dollar zone basically.

Apurva Doshi

Correct.

Kunal D. Shah, Executive Director(Finance)

Customers - who are actually importing they also using dollar as a trade currency. Their ultimate import cost is in their base currency which could be one of the very several as I mentioned.

Apurva Doshi Kunal D. Shah, Executive Director(Finance)

So, as import cost goes up if I don't change my dollar pricing.

Apurva Doshi

But now a days if you see the volatility is so sharp and very quick, how I mean what is the period of you are talking with those thing of customers. You talked on a fortnightly basis monthly quarterly how do you deal with them?

Kunal D. Shah, Executive Director(Finance)

Commodity, we cant talk about currencies but we've every order because raw materials keep changing. So we discuss prices on most orders basically.

Apurva Doshi

Okay.

Kunal D. Shah, Executive Director(Finance)

We don't keep a period for some customers, we do have a quarterly price discussion but other wise.

Sanjay S. Majmudar, Independent Director

Its order driven if he given out an offer and its not close for two months the price pay for two months but that's it, but in the next quarter we would like to discussed.

Apurva Doshi

Okay. And what would be the roughly order book as on March '12?

Kunal D. Shah, Executive Director(Finance)

Order book is 450 crores.

Apurva Doshi

450 and out of that exports would be?

Kunal D. Shah, Executive Director(Finance)

Same range it's about 70%.
70% would be exports, okay. And roughly on the volume front if you, can you break it up in to what would be the cement and what would be the mining, I think already given. So, what would be the cement number?

Kunal D. Shah, Executive Director(Finance)

Its about 66,000 tonnes.

Apurva Doshi

So, 63 is mining, 66 is cement and rest it would be utility, right?

Kunal D. Shah, Executive Director(Finance)

Yeah, correct.

Apurva Doshi

And break up between cement India and Abroad?

Kunal D. Shah, Executive Director(Finance)

Utilities and others in that last part sorry what that question.

Apurva Doshi

Out of 66,000 cement how much is India and how much is Abroad?

Sanjay S. Majmudar, Independent Director

27, I don't have that break up but India is about 30%, you know 25%.

Apurva Doshi

25% is India?

Sanjay S. Majmudar, Independent Director

25%, 30% on top of that I don't know.

Apurva Doshi

I think historically you are around 20,000 tonnes or something like that?
So that's what that's for that.

Apurva Doshi

Yeah, that's what it comes to, okay. And basically you are not seeing any new cement plant coming in, so there is no OEM India cement demand, its all replacement?

Sanjay S. Majmudar, Independent Director

I think, I should ask the investors, to ask you the question?

Apurva Doshi

You maybe involved at various stages, so you would have know that?

Sanjay S. Majmudar, Independent Director

It is in taking your question and answer every quarter. There is no new way OE demand really coming up.

Apurva Doshi

And, one more question Sanjay finally I think somebody asked it and I mean the cost of repetition historically we are working at historically we are working at 23%, 24% EBITDA. And suddenly over the years we have come down to 18-19.

So, how confident are you that if, we would go back to those levels, I am not asking for two quarters, three quarters, I am saying long-term. Or what is the long-term sustainable, because as per my understanding the more we go toward mining the EBITDA margins starts to come down?

Kunal D. Shah, Executive Director(Finance)

Apurva, all I can say is I will explain again. Because it's hail me out. I can do this 22 or 24 or an 18 as an arithmetic, that's variety of factors. I need to be, I need to have a crystal ball to say that. But here is what our explanation is that, we went through a similar cycle in cement, I have seen that when I joined AIA in 2002, I have seen that margins expand, how we use to price our export product then I have use complain and saying, why are we doing it at such a competitive rate this, that.

It being about four years in from 2005 onwards I have seen the margins expand, okay. Because in cement, we are seeing a similar interaction or engagement with the mining customer, okay. When we are going there we know, what is the choice that they had, right. Customer wants competitive, wants at least to supplier for the - space, if I am the customer and based on another supplier coming in for a product, why would he hesitate? Why would he give 100 to one and 10 to another or 80 another.

Okay. It's happening with the our competitor. Is happy to have an alternate supplier. The market is, our customers making a robust amount of money, they are not customer's who are short on cash and order 15 in nature basically. With a lot of value addition at their end, we are going out and doing all sorts of things display our knowledge and expertise in the grinding space, right.
It is a cultural, acclimatization if I were to say that, that's needs to happen where they, it's not a one day to another day, and I would just give you an example, that when the - who hasn't met a customer for a long time but he visited customers in Brazil and South Africa over last four months, he was just recalling that, recounting the day before yesterday. Four our customer to take us out their CEO comes out we made one of the large mining Groups in South Africa.

He spent a whole day, okay, we are very small compared to what do are they are, right, he spend a, sorry about that, he spent a whole day meeting with him understanding our plans, understanding what AIA is doing took him out for dinner, in fact -- for hat at evening.

And the same thing for Brazil a company like - a large company for them to take time 15 people has gathered to hear him to meet him senior level, since there are very senior management. Point is that they are very happy that tentative whether it's a company will be able to supply from India buy and large mining companies don't like they are very strong with - and which is a same thing we saw with cement, 10 years back.

So, it's maintenance product, I see that for our plants when - manufacturing plants if I wanted to introduce a product that is half the cost or 25% cheaper it take me one year to do that in India being a private company because of maintenance guys used to a certain products. They are tentative about it, they are anxious whether it will work, whether that some -- levels will be there. It's so important, even for simple things I faced that for a - last week. When a service provider was not there, one of our better companies in the world and we face sort of issues is why it did not go to the local guy. So, these are things that these guys go through. Seeing that once we get that traction once they get that comfort you have to only believe us when we are saying that and we'll have to prove it. So we are not asking to believe us, we're just going to give you our perspective on it that once we are in there it is in his interest to not discuss prices beyond a point.

Apurva Doshi

Yeah correct because his plant will stop if you stop supply.

Kunal D. Shah, Executive Director(Finance)

In fact he wants us. See there no point in the making us bleed right, but same time for the purchase guy he knows that the highest leverage for negotiation is when you are not inside you understand.

Apurva Doshi

Correct.

Kunal D. Shah, Executive Director(Finance)

If we are there that reference, that the company or the plant itslef is going to

give us more business and we don't' want to engage in a prolong discussion on that. We don't to spend eight months trying to haggle over that 10% or a 15% price. So as a strategy we are saying here is a $100 price you would have bought it and we stood along, I think here 90 and they welcome us with open arms we are in there and we'll say over next two years we believe that pricing is not going to be our point of discussion.

Apurva Doshi Kunal D. Shah, Executive Director(Finance)

So it should, so here is where we are we are not supplying competing with 6 other companies or 7 other companies, we are proud to be one of the guys who are adding the large mining company - so to that extent if that's the case why would one want us to be it in a sense. So a competitor is based in the western world, their costs are, you know the cost differences. So to an extent we are optimist and that's why we are saying optimist.

Apurva Doshi

Correct.

Kunal D. Shah, Executive Director(Finance)

In Apurva in the fourth quarter of next year and...

Apurva Doshi

Sir lastly on the...

Kunal D. Shah, Executive Director(Finance)

Apurva, we don't know 22 or 25. We are trying very hard to mix our top line growth. We are happy to have those customers because - is been having this business for last 15 years. So, once that business is there hopefully margin expansion will follow.

Sanjay S. Majmudar, Independent Director

And Apurva,

Apurva Doshi

Definitely

Sanjay S. Majmudar, Independent Director

And you know all those factors will come in play but as I, as Kunal very elaborately mentioned it's very difficult to say when.

Apurva Doshi

Correct, correct.
And to what percent.

Apurva Doshi

Yeah, sir final question on the capacity, I think currently the capacity would be 2 lakhs, right?

Kunal D. Shah, Executive Director(Finance)

That' right.

Apurva Doshi

So, do you see historically, if I go back to history we are -- asset turnover was around 5.5 then come, came down to 4.5 and recently it's around 3 because we are adding capacities. Now, even for this year today what ever you guide 160, 170 next year you catch to, you still have capacities for next two years. So does it make sense to invest at current point in time, another...

Kunal D. Shah, Executive Director(Finance)

I will answer. Again, then again I'll have to dive a little deeper, your big questions.

2006 I'll give you an example 2006 we started, that's a first - for mining okay. And it all happened in my presence, I very closely look at that transaction as a company called I'll not name the company in Australia a large mining iron ore mining company in Australia okay. Spend one year chasing that customer they consumed about 5,000 tonnes each year okay. 4,500 tonnes each year.

We spent one year with them we quoted big order for 3,000 tonnes okay. 70% of their requirement. 2006 and 2007, 2006 was a boom period of cement we didn't have any capacity to take off what was our bread and butter in growing business then okay. We had to go back and tell them boss we'll only be able to do 1,000 tonnes okay. They got so pissed up with us today in 2012 they did not, they black listed us, they did not even allow us to meet them till February 2012. It took us six years okay, to undue that situation.

So, once and in the mining, so once we're there in the mining space, we need adequate capacity adjustment. A customer buying 2,000 tonnes tomorrow needs 6,000. If I say no sorry. I can't do. Maybe it'll take me five more year to come back and tell him I have more capacity.

So, we are adding capacities, is a new segments that we are doing we're adding capacities to a - we're adding capacities to grinding media, which we are very confident will confident to grow and capacity takes two years to come up, 18 months to come up. We don't want to be behind schedule on that.

Apurva Doshi

Correct. But..

Kunal D. Shah, Executive Director(Finance) Apurva Doshi

Correct.

Kunal D. Shah, Executive Director(Finance)

Lot of capacities have been added over a period of time, and next year if I reach theoretically, hypothetically say 1,650 or something then also it is more than 4.5 times and then I don't need I don't need a single rupee to be spend for this year's sales or even theoretically for next years sales when I start close to 1,800 crores, 1,900 crores.

Apurva Doshi

No, no sir if you look at your last year gross flow it was 410 crores, you've add whatever you have added this time. I mean you come at 44 crores, 64 crores, 70 crores next year and again you are saying you'll add 70 crore-80 crores. So, average you are talking about on 484 crores, 500 crores gross log on that 1,600 top line will give you a three time the asset turnover?

Sanjay S. Majmudar, Independent Director

Correct, correct. You are right that asset turn may change, I mean our business cannot be guided by assets.

Apurva Doshi

Sir that's what I am saying when it will change, that will have impact of ROE and that 's where retrun should increase?

Sanjay S. Majmudar, Independent Director

We have that but the point remains is that lets so if we invest 200 crores for a 100,000 tonnes facility, okay. 50 crores for 100,000 tonne facility that can clearly get us another 700 crore, 800 crores of revenue.

Apurva Doshi

Easily I think, yeah.

Sanjay S. Majmudar, Independent Director

Correct, 4 may become 3.75, yeah. And asset would not be significantly different even for a new capacity because they are trying that whatever we do next can give us we would not be at 10,000 or a 20,000 tonnes plan unless we are doing special plan for a particular product.

Apurva Doshi

Yeah, that's a different issue.

Sanjay S. Majmudar, Independent Director

Correct, I think our asset turn will not get, and if that arithmetic becomes a 3.2 or 3.5 for a intervening period, so be it. But by and large the way we look at it our 250 crore investment should get us about 700 crore, 800 crores of revenue.

Apurva Doshi

Okay, so anywhere between 3.7, 3.8 kind of asset turn which is ideally you look at?

Sanjay S. Majmudar, Independent Director

So part of that is, we are trying for automation, we can't afford to engage more people as we trying grow more volumes, correct, India is efficient but things have changed over last three years, very drastically it has changed. So things that we are doing using 30 people in a process we would now spend five times amount of that equipments to ensure to use five people on that process. So some of those dynamics also have to be recognized when we are doing a new CapEx plan.

Kunal D. Shah, Executive Director(Finance)

And we have become the expenses.

Apurva Doshi

Correct, correct.

Sanjay S. Majmudar, Independent Director

I think a historical asset turn is, cannot be used for our projects that we are doing now but still our asset turn will not become 2 for example.

Apurva Doshi

Yeah, I get that okay. Fair enough.

Sanjay S. Majmudar, Independent Director

So, we will see, where it comes to.

Apurva Doshi

Yes, I guess yes. Thank you sir and best of luck.

Sanjay S. Majmudar, Independent Director Sanjay S. Majmudar, Independent Director

I think moderator we may conclude the call with the last question if there is any because most of the questions would have been answered by now.

Operator

Certainly sir. We have last question from Ms. Bhoomika Nair from IDFC Securities. Please go ahead ma'am.

Bhoomika Nair

Yeah, good evening sir. Sir, most of my questions have been answered. Just one clarification. We did about 10 crore of ForEx loss in the current quarter and for the full year we have done about 30 crore to 35 crore ForEx loss. Is that correct?

Sanjay S. Majmudar, Independent Director

That's correct but from an accounting standpoint. What we are trying to say is that when a price of, my contract at 63 which is a spot, okay. Right there are two that can happen, I could have taken a forward that gets delivered when the money comes in at 51 for example.

Bhoomika Nair

Correct.

Sanjay S. Majmudar, Independent Director

Correct, if the rupee has gone down to 50, I have taken the forward at 51 then right?

Bhoomika Nair

Right.

Sanjay S. Majmudar, Independent Director

That's the 51 doesn't appear as a exchange loss.

Bhoomika Nair

Okay.

Sanjay S. Majmudar, Independent Director Bhoomika Nair

Right, right.

Sanjay S. Majmudar, Independent Director

Correct. So, if I account for my notional losses as well as my actual losses the total loss for the year comes to 40 crores. And I not hedged at all. Correct, there is the company their policy to not hedge at all our realization would have been, our profit would have been higher by 40 crores at a PBT level.

Bhoomika Nair

Okay.

Sanjay S. Majmudar, Independent Director

That's what I am trying say, okay. But if you look at the accounting figure, our accounting loss - that's a an accounting treatment that figure would have been a little different.

Bhoomika Nair

Okay, okay. So, how much would have been that been from an accounting stand point of view?

Sanjay S. Majmudar, Independent Director

Total about 18 crores, 17 crore, 18 crores. 18 point some odd figure.

Bhoomika Nair

Okay, okay. And sir, now I mean -- just on the mining segment, now this year we've done about 63,000 crores in the current year. And we've going about 80,000 tonnes in the next year.

So, that will broadly be about 50% for our annual volumes that we looking at next year. So to that extent, and giving that there would be some amount of ForEx losses continuing into the next two quarters at least. There would be pressure in for FY13 margins as such?

Sanjay S. Majmudar, Independent Director

Bhoomika, see the question here is that you are asking a straight question that whether margin will be 18, 18.5, 19, 20 or 17, correct?

Bhoomika Nair

Yes, sir, I mean like would it be similar to something probably not as low as fourth quarter, but?
As Kunal has been explaining and I have been explaining. Our endeavor is to ensure that, that would at least some improvement possibly in the margins over the entire year however maybe for one or two quarters you may see these margins hovering in the range of 18%, 19%, 20% you get my point.

Bhoomika Nair

Yes sir.

Sanjay S. Majmudar, Independent Director

It may not be 18 it could be 19 it would be 20 we could surprise you the way we surprised you in the third quarter, it's also product mix on an entire annual order we see a better product mix quarter-over-quarter it may not work. But yes our endeavor is to ensure that some how as the quarter...

Kunal D. Shah, Executive Director(Finance)

We think it should be upwards of 18% EBITDA which we at the end of the first quarter.

Bhoomika Nair

Okay somewhere between 18 only depending on how the rupee moves.

Kunal D. Shah, Executive Director(Finance)

Exactly we will give you some more flavor around it in the end of the first quarter, at the end of the first quarter.

Bhoomika Nair

Fair enough sir. That's all from my side. Thank you very much.

Kunal D. Shah, Executive Director(Finance)

Thank you.

Operator

Thank you Ms. Nair. Sir you may please proceed sir

Kunal D. Shah, Executive Director(Finance)

Alright thank you so much everyone for joining for call. I and Sanjay remain available for any queries that you may have. And we'll look forward to having you all again on at the first quarter conference call. Take care have a good evening.
Ladies and gentlemen this concludes your conference for today. So thank you for your participation and for using TATA DOCOMO conferencing services. You may please disconnect your lines now. Thank you and have a great evening.