



“AIA Engineering Limited Post Results 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 reminder all participants line will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. If you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Shah, thank you and over to you, sir.

Kunal Shah: Thank you so much. Very warm welcome to everyone Sanjay Bhai you are on the line, yes?

Sanjay Majmudar: Yes, absolutely.

Kunal Shah: So thank you all for joining us on the call, I will quickly take you through the highlights of the quarter. We had a small update on various figures so that will give you I hope you had a chance to look at it.

Nevertheless, this quarter we have done 63,500 tonnes of sales of which about 24,000 tonnes was mining. We have done Rs. 581 crores of top-line taking the total top-line to 2,053 crores for the full year. Total sales for the full year was 185,800 tonnes so about 186,000 tonnes.

Our EBITDA for the quarter is at 192 and for the year is 670 and profit after-tax for the quarter is 134 crores and for the full year stands Rs. 424 crores. So by in large this year has been flat as compared to the last year we were guiding for a possible lower close to the year but it seems that we are near flat or on a year-to-year basis. This was one of the tougher years for us as far as tonnages was concerned because of the turmoil that you are all aware that is going on in the Mining business and there is intense turbulence going on in terms of things happening at the customer's end. We have seen commodity prices drop to lowers than 2008-2009 level. We have seen customers talking about closures all sorts of thing but in large and we have seen you know certain countries where we have reduced our presence like Ukraine currency weaknesses like in countries like South Africa and so on and so forth.

So despite of all that, we are happy to report a flat figure and we live to fight another day. As far as key other metrics are concerned we have done production of 190,000 tonnes for the full year.

Some balance sheet highlights. We have got net cash of Rs. 831 crores, we paid out Rs. 200 crores of special and interim dividend including tax in March. So after payment of that our net cash stands at Rs. 831 crores which was at Rs. 730 crores, I think Rs. 728 crores end of last year so there is a cash accumulation of about Rs. 100 crores. Net cash increase of about Rs. 100 crores. Cash without debt as increase Rs. 826 crores to Rs. 1,014 crores and our debt as increase of Rs. 98 crores to Rs. 183 crores, we have taken some working capital limits in the packaging credit limits utilized to this year which will continue at that level for the rest of the

year. So net cash is at Rs. 830 crores. We have seen reduction in our inventory levels from Rs. 460 crores to Rs. 390 crores but that is largely on account of the decrease in stock and finished growth which got pushed off this quarter otherwise without that exceptional push this would have been flat. Likewise, debtors are higher at Rs. 430 crores compared to Rs. 394 crores but is a push that happened in the last quarter.

Other than that, so basically, reduction in stock and adjustments of debtors and other liabilities are working capital reduce of Rs. 710 crores to about Rs. 610 crores about Rs. 100 crores which was our welcome relief this year.

Our order books at about Rs. 530 crores but as you all know order book we have got orders for longer period but we still have quarter-to-quarter order will be release by the customers. Fixed asset addition was at Rs. 180 crores approximate Rs. 180 crores which was predominant in the Greenfield that we are doing.

In addition to that, if I have to give you some key highlights from where we are going from here our capacity addition plan stand as they are will be going to 440,000 tonnes in fiscal 2017-2018, the current plan is to finish that by October 2017 but our realistic target would be in FY'17-FY'18 may be a few months beyond that. That will take our total capacity from 340,000 tonnes to 440,000 tonnes. Work has started on that project we are placing orders civil work is in progress, so we expect that capacity to come up in that time frame.

Our total CAPEX for 2016-2017 on account of that Brown field expansion at the Kerala GIDC site is about Rs. 150 crores. So that is the CAPEX target for next year 2016-2017.

So with that said, overall we continued to be excited about the future that High Chrome wear parts presents as far as the Mining business is concerned we are making inroad into a lot of mines where our solution offers tangible benefits to the customers in a clear case from conversion from the forging side of things to high chromium. And we hope that that momentum should continue into the next year.

We made some progress with copper and gold mines of course for sensitivity reasons we will not be able to share names of customers, but I mean we have seen good progress as far as that is concerned. Two things that is of interest for investors generally are the growth plans and the margins that we expect. So for next three years we continue with the guidance for 120,000 tonnes of addition to sales as far as margins are concerned, keep explaining the shifting stands in the variable that we work with namely the demand at the customer end, low price entry strategy to get business, the volatility in raw material prices they are reducing and they are seeing an upward trend, cost of shipping as that bottoms out and that moves in a certain way and the cross currency risk where our cost are in Indian rupees and where other emerging market currencies where we are selling to mining customer they may weaken more to as compared to Indian rupee when compared vis-à-vis the U.S. Dollars. So as a combination of all

of these things our margins are something that the board reviewed this year and we said we move away from 20%-22% guidance and we restrict that to we will not give our guidance on margins for next one year, for next two years, or for next three years rather, so that is something that end as more clarity emerges on where they will stand we will try and share a little more granularity on that. Sanjay Bhai you want to add anything on that?

Sanjay Majmudar:

No, just I think last quarter overall quite good in terms of the volume growth in sales and the margins that we have actually done. The directional thrust of the company remains the opportunity remains very strong and exciting and I would believe that as we go forward the overall composition of Mining segments on which we are focused currently being gold and copper being on a very high focus and then iron and platinum et cetera that continues, I think overall the Q4 was quite satisfactory in terms of what volumes we achieved. Obviously, as Kunal explained after having deliberated see we have been delivering consistently better margins and there is a dichotomy in terms of what we believe could be a minimum sustainable margin so, we have decided that while our endeavor will be obviously to ensure that our profitability is good and consistently better, it is better we felt to avoid giving any guidance on the margins and we do not want to send any confusing signals.

I think with that we can ask the operator or moderator to open the house for Q&A.

Moderator:

Thank you very much. We will now begin the question and answer session. First question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari:

Sir, if I look at depreciation charges for this year it is around Rs. 67 crores on console basis versus Rs. 70 crores last year and this is despite the fact that our new capacity came up so, is it the peak while they have decline and will it sustain at these levels?

Kunal Shah:

See Ashutosh, last year the depreciation factored that one time impact also I believe of the new rates and new schedule, but we will throw some more light on this. I think what we have currently charged is correct...

Ashutosh Tiwari:

So that Rs. 80 crores number will sustain going ahead?

Sanjay Majmudar:

Yes, of course as we keep on capitalizing the new projects it might go up but at least for the current year you can treat it as sustainable level.

Ashutosh Tiwari:

So (Inaudible) 10.51 completely capitalized the first phase?

Kunal Shah:

Yes, fully.

Ashutosh Tiwari:

Okay. And do you think the depreciation charge would be slightly higher because in the books for the current period it is only for two quarters?

- Kunal Shah:** For the full year but some of the expansion that we have done capacity addition in 2007 is coming off so we do not expect material depreciation changes.
- Ashutosh Tiwari:** Okay. And second thing on the Mining side how do you see now I mean these destocking over now that you talked about earlier calls and do you think that things will look upbeat from here?
- Kunal Shah:** I think these destocking as a cycle is done with we need to focus on more on now taking the market making. As long as customer are we need to there is an element now of fear that some of the customers that we supply to whether they will remain solvent whether they honor our payment so these are something, these are the things that are also now consideration over the last quarter or so you know. **So keeping all that in mind, I think 120,000 tonnes over the next three years is not a small target** and we are okay, we are comfortable in going forward assuming that that will be possible.
- Ashutosh Tiwari:** And how would have the hedge rate for the current quarter, how it will be for next year?
- Kunal Shah:** The hedge rate?
- Ashutosh Tiwari:** The Dollar hedge rather you have for the fourth quarter and now it will be over next coming quarter?
- Kunal Shah:** Next coming quarter, I think it should be around 67, it is merely at spot rate plus a little premium. We have reduced our we are keeping the six-month target for over this last two quarters because of the volatility a lot of things going on, we do not want to take a hedge and be caught on the wrong side this is emerging currencies were weakening at a much more rapid pace so, I think the hedge rate it would be 67 for the full year last year, 67-30 around that much I do not have the exact figure but around 67.30 would be the average hedge rate.
- Ashutosh Tiwari:** Okay. And you had talked about earlier that South African currency had depreciated a lot and also the Brazilian currency and that should impact the margin, but we are not seeing that impact. So can it come going ahead further or do you think that what are the impact it has to happen already has happened?
- Kunal Shah:** No, it does happen, it may weaken now but that gets comes into effect after six months because when we are already or there may be orders in the pipeline that are going produced being supplied, it will convert into an order at a different rate, it will get produced, it will get supplied, translate then credit, and then the payment right, and I mean, so when by the time it gets invoiced there is a lag effect in such things, right.
- Ashutosh Tiwari:** But this currency depreciation mainly happens in second quarter already fourth quarter is over so, I think will it be fair to assume that impact has already come through now?

- Kunal Shah:** I mean you may have answer in finite situations but it is difficult for us to gauge like that boss we are struggling as we speak on currencies having weaken mode in the Indian Rupees vis-à-vis the U.S. Dollar and we will see some of that impact going forward.
- Ashutosh Tiwari:** Okay. So some price cuts are possible.
- Kunal Shah:** 100% possible I mean I cannot explain to you beyond that in terms of second quarter - fourth quarter, we are saying that we are seeing pressure on pricing on account of weakening of those currencies, right. That may not have you are looking at the chart and saying that one is the second quarter or the third quarter but I explain to why it has not come and it is yet to come.
- Ashutosh Tiwari:** Okay. So I mean you would retain the three-year target of volume rather than giving a one-year volume as of now?
- Kunal Shah:** Exactly.
- Sanjay Majmudar:** Yes, just to add obviously, you should see definitely an increase in volume even in this year itself 2016-2017.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir, you have taken short-term debt while our current investments are lying any specific reason?
- Kunal Shah:** This is a treasury management exercise. We are borrowing this at about 3%, Libor plus three quarter of a percent and we have a dollar exposure which we are hedging to an extent we are realizing more than that on the surplus that we have generated in our...
- Ravi Naredi:** Like treasury transaction?
- Kunal Shah:** It is a treasury transaction, exactly.
- Ravi Naredi:** Okay. And sir, our total production for this year is 190 tonnes and capacity is 340,000 tonnes around 56% we have utilized our capacity, is it right?
- Kunal Shah:** yes.
- Ravi Naredi:** And in spite of that 56% capacity utilization we are planning more expansion for further year so, how you see the scenario in near future?
- Kunal Shah:** It is that 340,000 tonnes, we added capacity in January so, utilization we have not been look at it like that, no, given 260,000 tonnes of which we have sold 185,000 tonnes, correct for the

year till January for the last year if you look at the capacity it was only 260,000 tonnes, you agree with that?

Ravi Naredi: No, but you think this 190 oblique 340 the capacity utilization will be higher in current year?

Kunal Shah: We are saying that from 180,000 we are planning to add 120,000 tonnes on that correct?

Ravi Naredi: Okay.

Kunal Shah: So that will take us to about 300,000 tonnes, correct. Now the point is that the 120,000 tonnes we are seeing three years that may happen earlier also when we are going and taking to our customers who can offer us 20,000 tonnes we cannot tell them because we have projected only one-third of the business so we cannot more than that no, first point. Second point is that when we have a capacity, we cannot assume 100% availability at all times as you would know in production capacities that capacity is we will have to assume over 80%-90% utilization, correct. So when you factor both of those things we are at 340, effective capacity available is about 300,000 tonnes. On a full year basis what I can effectively plan to produce, and that is what we are planning to add to sell in next three years but while we are doing that if we sell 300,000 tonnes then start to set about the next set of expenses will take another three years. So the point is that we believe that the opportunity is there and it just that we cannot have a crystal ball and expect that it will happen in 10 months and 14 months and 20 months correct there are efforts going on there are external situations that we cannot control sometimes it take time but to that extent we believe that not having capacity will only better our ability to sell and go more aggressive in the market. We believe the opportunity is there and capacity should not constrain us. And we are not taking borrowings around that, we are only spending only Rs. 150 crores next year or 2016-2017, right to that extent it is not it is within our conservative planning for growth really.

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

Ravi Swaminathan: We have seen other cost coming off considerably during the year compare to the previous quarter. Has there been any advantages that we have got in terms of power cost or freight cost that we have seen during the quarter?

Kunal Shah: Freight cost have reduced you know almost half on the pre-freight days we also play a lot of local cost for exports but those have continued at the same levels but you are right freight cost has absolutely gone down we have seen, so that is one part of it. And other costs are general manufacturing cost.

Ravi Swaminathan: Okay. Power we usually I mean sometimes we use to purchase from IEX do we have we done that this quarter by any chance?

Kunal Shah: Power yes, absolutely we have done it.

Ravi Swaminathan: Okay.

Kunal Shah: You can look at our total power cost, we have produced 200,000 tonnes and our power cost was Rs. 225 crores. We produced 190,000 ton this year and we have done Rs. 210 crores it is absolutely, so power is at par compared to last year.

Ravi Swaminathan: Okay. And employee cost have also come off by around 8% is it a one-off thing or what is it?

Kunal Shah: Not really, it is flat, no.

Ravi Swaminathan: Rs. 27.5 crores to Rs. 23 crores.

Kunal Shah: For the quarter you are saying?

Ravi Swaminathan: Yes, for the quarter, yes.

Kunal Shah: For fourth quarter last year are you saying?

Ravi Swaminathan: Yes, fourth quarter last year was on...

Kunal Shah: No, look at it on a whole year basis, we have gone up is that performance this can be paid out in the year our is about 90 this is 102 this year not quarter, look at it on a whole year basis, you know actually these are some of these cost cannot be looked on quarterly basis.

Ravi Swaminathan: Okay. And one more on tax rate it was 22% effective tax rate this also should I look at it at a full year basis?

Kunal Shah: Yes, that is also full year basis, some of these final calculations only happen at the end of the year, right?

Ravi Swaminathan: Yes, I understood. So effective tax rate can be assumed 30% going forward is that a right...

Kunal Shah: 50%, Sanjay Bhai.

Sanjay Majmudar: See I think what you should do is effective tax rate you assume around 29 or 30 whatever between that range.

Kunal Shah: So 30% is okay.

Ravi Swaminathan: Okay, understood. And in terms of Mining volumes we have seen after say three quarters of flat platform for slight decline, in this quarter we have seen an improvement, is it can we

assume this as a kind of trend which is reversing and do we see some amount of primary volumes in this, sir?

Kunal Shah: Are you talking quarterly or are you talking on annual basis?

Ravi Swaminathan: Quarterly, sir.

Sanjay Majmudar: Quarterly we will not reply, quarterly it doesn't work. But there is a clear directional thrust in a positive direction. We are working on several mines across the world, we have started getting a decent traction there is absolutely nothing that we believe can now deter us from taking it to the next logical level but to give you any kind of a quarterly indication is not correct, it does not fit our model. Directionally when I said three years and when I am talking that this year definitely you will see an increase in the volume I think there is an element of confidence based on the outcome of ongoing developmental activities which makes us a little better confident to make a clear positive statement.

Ravi Swaminathan: Okay. And have we started seeing volumes in primary grinding media I mean...

Kunal Shah: Yes, absolutely.

Ravi Swaminathan: Okay. I mean this quarter also we must have done some work...

Sanjay Majmudar: Yes, quite good.

Ravi Swaminathan: Okay. And in South America, Latin America key countries like Chile, Peru et cetera.

Sanjay Majmudar: We have started getting orders from Chile as well, yes.

Ravi Swaminathan: Okay, got it. And typically what would be the ticket size for full-fledged business?

Kunal Shah: See when you do an initial start up the ticket size is not representative but I think it would be good on this forum to say that the overall response from Latin American countries is quite positive and we are quite encouraged to you know to go aggressive after volume growth also now.

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

Utsav Mehta: Sir, just two questions. One on the dividends, we declare dividend of around Rs. 18 this year per share should we expect the same quantum going ahead in FY'17 and FY'18 as well at least this much?

- Sanjay Majmudar:** No, see what is happening, we had as you can see there was a special one-time commemorative dividend that we have declared our dividend policy as of now, it was 20% as a distribution this was one time extraordinary dividend also build up, but yes, going forward our endeavor will be to increase the percentage distribution as we start getting a little perfect clarity on the incremental CAPEX and other fronts the dividend will go up but the same quantum cannot be replicated, at least not in this year.
- Utsav Mehta:** So what I was saying was this year despite having a special dividend we seem to have a some access cash left over so, I was just wondering if there should be a new sort of base that we should consider?
- Sanjay Majmudar:** No, see I told you the same level cannot be repeated but if you normalize it remove the effect of external dividend there is definitely going to be a hike in the current year. Again I explained to you the opportunity in Mining is actually huge. Our developmental efforts have started bearing fruits. We see a lot of traction going forward so we want to remain a little more conservative at least for one or two more years in going overboard and declaring very massive dividends. Having said that I do not dispute that there is a need for us to review the policy and also come up a little more aggressive on the distribution which I assure you that is what the management is in all alertness looking at. Now how much more I cannot say today, but definitely we are considering a little higher payout as we go forward.
- Kunal Shah:** But in our dividend policies it is very clear it will be about 20% of our profit after-tax on a consolidated basis so that is what should continue whether that 20 becomes 25 is a board decision. As of now there is no discussion around that.
- Utsav Mehta:** Okay, understood, thank you. And just one if I may chip in, so just pulling on the thread earlier in terms of the other expenses and employee cost being flat year-on-year on in other expenses case even going down, now that there is new capacity which is being commissioned should we expect this to go up next year or would you say that the control over the cost is enough to keep it flat even next year?
- Kunal Shah:** No, some of these other expenses reduced because production is lower by about 5%-7% compare to 200,000 tonnes of production last year we did 190,000 so it is 5% lower. So first of all those other expenses reduced by 5% the production is lower by that amount, correct.
- Utsav Mehta:** Right.
- Kunal Shah:** So that is the main impact over here, the rest of the things I don't think is something that can be looked at beyond that say some power trading benefit or some other benefit that we have had. So I think what we have seen last year on a normal inflationary basis it should continue to increase other cost or direct cost and that is linked to the market prices.

- Moderator:** Thank you. Our next question is from the line of Ambar Singhania from Asian Market Securities. Please go ahead.
- Ambar Singhania:** Sir, this time on non-Mining side in the full year you have done around 90,000 tonnes versus 81,000 tonnes last year and more so it has happened in this quarter. So not on the quarter perspective but on the full year also we have seen around 15% growth or 12%-13% growth. What has led to this non-Mining growth and where exactly we are seeing traction happening in this segment?
- Kunal Shah:** Not, really, I do not think you can look at it beyond that. Cement was 67,500 tonnes last year we have done 700,000 tonnes about 71,000 tonnes but Cement varies between 65,000 tonnes and 72,000 tonnes each year. So that includes OEM business that materializes sometime, it does not materialize. So Mining has reduced by about 6,000 tonnes and that has been made good by the other two businesses really.
- Kunal Shah:** There is some 8,000 tonnes - 9,000 tonnes contribution from utilities also no, in 85.
- Kunal Shah:** No, but that is not, that is flat compare to the previous year, there is no increase there.
- Ambar Singhania:** But still if I see your numbers if you have given on full year basis on the fourth quarter non-Mining is 90,000 tonnes so 71,000 tonnes is like 9,800 tonnes.
- Sanjay Majmudar:** If you look at the sale the non-Mining sales with 85,000 tonnes and the mining sale is 100,000 tonnes making it is 185,000 tonnes for full year.
- Kunal Shah:** Where are you getting confused boss.
- Ambar Singhania:** I am looking at quarter number which we have said in all the previous call also, so I am just adding those.
- Kunal Shah:** Fourth quarter of when, boss let us keep it simple what is your query?
- Ambar Singhania:** My query is when I am adding the four quarter, one quarter, two quarter, three quarter, four quarter of this year, we have done roughly 1,85,000 tonnes in total and in Mining we have done around 96,000 tonnes.
- Kunal Shah:** No, Mining we have done about 100,700 tonnes. Look at our note that we have uploaded, no.
- Ambar Singhania:** So it is 107,000 tonnes?
- Kunal Shah:** 100,000 tonnes my friend 100,700 tonnes, it is there on our sheet that we have uploaded on our website, sheet number four.

Sanjay Majmudar: So it is 85,000 tonnes and 100,000 tonnes so...

Kunal Shah: Yes, broadly it is 100 plus 85 correct.

Sanjay Majmudar: Directionally it is the same more or less.

Ambar Singhania: Okay, fine. Sir, secondly in terms of what was the FOREX gain this quarter we have booked?

Kunal Shah: Total cost is about Rs. 12 crores. It is also there in our note it is about Rs. 13.25 crores.

Ambar Singhania: Okay. And third thing on the CAPEX side, you mentioned about FY'17 but what is the total CAPEX for this second phase which is there?

Kunal Shah: Total Rs. 350 crores.

Ambar Singhania: Rs. 350 crores, so remaining Rs. 200 crores will come in FY'18?

Kunal Shah: Correct.

Ambar Singhania: Okay, fine. And I understand that you are not giving any guidance on the margin part, just one direction what I wanted to understand your view on that. If we remove the FOREX incentive and the FOREX part so are we seeing because of the aggressiveness going into the market capturing and all we can see a significant drop in the margin overall removing those variable part?

Sanjay Majmudar: See I will answer your question little differently. We have been talking about sustainable margin of 20% - 22% over last few quarters but we have also managed to do quite well. Now direction wise the aggression of the management remains in getting new orders, new jobs. The problem arises that although on a conservative estimate we believe that this could be the bottom margin, we decided that while history itself we have created consistently over last few quarters and definitely there is a possibility that there could be compression as we aggressively go ahead in taking more volumes, it is very difficult to define exactly what. Therefore, the best part is, we have a very clear cut picture that we have an opportunity, we have to create capacity which we are doing. We have to do aggressive marketing that we are doing we want to do a decent volume growth that is what we are aiming at. Let us not go into this margin game trying to stage 22%, 23%, 24%. What I am saying is we believe that we have now a very decent direction and a very broad based growth strategy. We want to go gung-ho about it and let us not confuse the markets or create conflicting situation by explaining why we are talking of ex-margin and then doing better or not doing better or whatever. So we say this is a long-term view we are taking, obviously as a management anybody in any economic endeavor our efforts will be to going forward again assuming that there could be a slippage in the margins for a couple of quarters or a few quarters we do not know we do not want to guide you anything on that. All we are saying is this is my top-line, this is my strategy, this is what I have done in the past and because of this

imponderables or difficult factors to exactly quantify we decided not to guide you for any margin.

Ambar Singhania: Okay, fine. Just one last question last quarter you mentioned about the primary thing you would like to share more sacrosanct details with...

Sanjay Majmudar: No, I think we have been doing pretty good on that segment now, that is all I can say.

Ambar Singhania: Okay. But any plan you would like to share where in what is our thought process behind on that?

Sanjay Majmudar: See the thought process remains the same. See what happens as we are going ahead in the market in various markets across the four minerals that I am talking about that is gold, copper, platinum and iron, then there is a lot of opportunity. We are now working equally aggressively on the bigger sized balls and we have started getting a decent traction. We are therefore encouraged and we are going ahead full speed with our second phase expansion. the whole economic considerations remain the same that is to say. You see apart from the cost reduction due to lower ware weight we believe that our solutions are capable to bring other benefits like improved process efficiencies, reduction in other consumable cost, I am not talking about the high chrome grinding media cost I am talking about other consumables, improved environmental benefit which are the growth drivers now apart from the cost consideration. So between the Q3 call and today our position has gone ahead and we are in the absolute same direction there is nothing which has happened which makes me say that no this is not working. So what I am trying to say, we have consolidated our efforts, we have put more efforts in making sure that we get maximum number of new mine customer that will also increase our volumes with existing mining customers on the set of these focused parameters and we remain focused on that.

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

Bhumika Nair: Sir, you talked about little bit volume growth of incremental volumes of about 120,000 tonnes over next two years to three years. Now just wanted to get some sense on what you are feeling in terms of the market which is giving you this confidence of being able to grow volumes given that the last three years has been fairly tough because of the way commodity prices and client has behaved in terms of de-stocking etc. So what kind of traction are you seeing, will you have to cut prices to drive more conversion into ferrochrome, etc.?

Sanjay Majmudar: See Bhumika, I will see that okay let us say you are right the last two years were very tough from a macroeconomic perspective but we have gone a bit overboard in clarifying that a) we do not think that we have seen any compression in our opportunity because of the falling commodity prices per se, b) except for one solitary instance of one of the mines in Brazil shutting for extraneous considerations or reasons, not attributable to economic factors. We have not seen any of our customers shutting down. Thirdly, against all odds whatever we have been saying we have

also now demonstrated that we have sold about (+53,000) tonnes in the current quarter which means that there are factors which are now working in our favor and we believe that over a period of time on a sustained basis we should be able to grow our volumes. So our message is extremely clear that we have not been impacted really by the macroeconomic situation in terms of falling commodity prices nor we have seen any traction or rather any compression of the opportunity landscape rather we believe the opportunity to landscape is a little more attractive than what we were perhaps considering before a year. So directionally we are on track and the same story is there vis-à-vis Q3 and Q4 rather and we have shown that Q4 results are quite good and we have now given that you are reasonable positive indication that internally we do not feel nervous at all we rather feel quite confident.

Bhumika Nair:

Absolutely. Sir, the thing is as Kunal Bhai mentioned earlier that South African currencies are depreciating and we will have to compete accordingly or we will have to give more amount of free trials or reduce pricing from our side to then be able to capture, is that anything of that perspective if you could just throw some light on those lines?

Sanjay Majmudar:

See I think it is a combination of everything, now if I have completely new customer I might go overboard in giving him an extremely aggressive price to put an entry. Now when I do that I have to take into consideration every possible external factor which is prevalent in that particular customer's geography. So whether there are any anti-dumping duties which are being levied by that geography what is the status of the currency this is a very dynamic situation, every day things change. So you cannot say that today I have done x so now I am immune forever. So from a marketing standpoint every customer is a different challenge, every customer is also a different opportunity we have to balance it and then we have to enter that customer. What I am trying to say that this continues so there would be a situation A in one country today and it could be situation in terms of currency, today South African Rand might be in a problem tomorrow Euro now people talk of **pre-tax 38.30** people talk of ABCD people talk of capital outflows in July August from India about \$26 billion, every day something new will come. What we are saying, we are trying to become as much agnostic to all these extraneous considerations as possible by focusing on the intrinsic qualities or attributes or benefits that we can bring on table to a mining customer and improved ware rates, reduced cost, reduced environmental threats, improved benefit other than direct cost of consumable, etc., and make it a compelling proposition that given everything else you will still buy from me this is our single minded focus and I think we will have to leave it forever you will not find a day where it is completely no problem today and we all go on a roman holiday, not possible.

Moderator:

Thank you. Our next question is from the line of Laxmi Narayanan from Catamaran. Please go ahead.

Laxmi Narayanan:

I have one question regarding your client additions and second regarding, if you look at your total 107,000 odd tonnes in mining how much had come from new clients broadly for that year and how does it compare for the last two years?"

- Kunal Shah:** I think that question is difficult to answer at the top of our head and our mix keeps changing. But directionally this is where we are going we said that and what we are okay to share with is that there is about 10,000 tonnes - 12,000 tonnes of existing business of last year that has gone more than that actually and which we have made good by new business obviously, once you supply their quantities may last longer time somebody may have picked up material for four months and then the order comes on the third month or the fourth month thereafter. So not possible to compare like-to-like but your question is to understand whether we can do as we are projecting for next three years where is your question coming from so I think we can better answer that.
- Kunal Shah:** You shared earlier that once the client starts working with you the relationship is actually very sticky and you continue to do that. So we are trying to see that how much of new additions have actually happened this year and how it is actually there for last year. So if it 80 from your existing clients and 20 from new and just trying to see a pattern that are we able to get into more clients so, that is the rationale.
- Kunal Shah:** I think it will difficult to share that Sanjay Bhai.
- Sanjay Majmudar:** See one way I can try to help you Laxmi Narayan is by saying that is there any increase in overall mining locations where we are working definitely yes significant increase over say last couple of years there is considerable increase in number of mining locations and for me each mining location is a new set of customer, point #1. Point #2, therefore I have definitely not reached an optimum level of customer services at each location there is still a lot of opportunity even amongst the existing mining location that I am catering to as of 31st March 2016 which would mean that some growth will definitely incremental will come from the new set of customers that have been added including existing customers. Second way to look at it is, are new mines under development clearly yes aggressively yes. Third is, have I lost a critical customer so that after having started buying we have stopped, no it has not happened. There is a possibility that I might have anticipated an x person growth from the same customer it might not have happened in this year it will happen next year. So I think overall we are definitely in a situation where we feel more confident that this number of 120,000 tonnes is definitely achievable, we have said three years our endeavor could be even shorter period let us see as time unfolds.
- Laxmi Narayanan:** My other question is that typically in a mind is it what is logically the highest amount of tonnage you can actually pass on, even if I assume that there are 50 mines you actually work with is it that your median services will be around 2,000 tonnes a year per mine or theoretically how much you can go per mine?
- Sanjay Majmudar:** May be again median theory could be little less little more against it all depends if mine particular location may want 5,000 tonnes performance year another mine could be 1,000 tonnes. it all depends on which metal at what depth, see as the mine keeps on going deeper and deeper the consumable ware part consumption actually goes up. So at which stage that mine is in terms

of its own lifecycle so any theoretical median or any other logical yardstick may be difficult but anywhere between 1,000 tonnes to 2,000 tonnes can become a median.

Moderator: Thank you. Our next question is from the line of Damodaran Kutty from edelweiss, Please go ahead.

Shraddha: Sir, just one question, somewhere in your commentary you sounded very confident that we will bounce back in volumes this year, so just wanted to understand are there any green shoots in the sense Q4 we saw from 40,000 - 45,000 quarterly volume we have gone to (+53,000). So are there really any green shoots or is it only the volatility which has come down which is helping this volume come back, so if you can give some color on how we are seeing the environment.

Sanjay Majmudar: If we do not find greens hoots the way you used in expression then perhaps we then we would sound a little muted but what we are trying to tell you that the efforts are yielding fruits, new opportunities as we envisaged are happening, positive results have started to come and therefore we find a reason to say that this year you should see a volume growth. If you want to say 120 divide by three, I do not want to answer all I am going to say that volume growth will be there thanks to this green shoot thanks to the developmental efforts paying notwithstanding all sorts of adversities that we find and we will continue to find.

Shraddha: Sir, in the sense if you can give some color it is mainly mine wise new customer or where exactly?

Sanjay Majmudar: So I will tell you, we will not be able to share in such micro detail, you will have to pardon us for that but the broad direction we are sounding better off and I think we should continue to show some growth over period of time. again to one of the other participant I made it clear that I cannot give you a quarterly rundown number, nothing of that sort. A better benchmark would be at least an annual horizon and you will see some volume growth definitely this year and reasonably decent volume growth.

Moderator: Thank you. Ladies and Gentlemen as there are no further questions I would now like to hand the floor over to AIA Engineering Limited management team for closing comment. Thank you and over to you.

Kunal Shah: Thank you again everyone for joining the call. Sanjay and myself remain available for any queries that you may have. Have a good evening. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of AIA Engineering limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.