

Operator

Good evening, ladies and gentlemen. Thank you for standing by. This is Fathima, the moderator for your conference call today. Welcome to the Conference Call of AIA Engineering Limited. We have with us today the management team of AIA Engineering Limited. I would now like to hand the conference over to Mr. Kunal Shah, over to you sir.

Kunal Shah, Executive Director of Finance

Thank you so much. Good evening everyone, thank you all for joining us on this call for the review of the second quarter results. I hope you all had a chance to look at figures for the quarter, we are happy to report one of the highest EBITDA gross margin and profit after tax figures in the ISF till date.

So we are happy that this -- the results for this quarter are testimony to what we've been saying for a long time of about our positioning, as far as, the market is concerned, the strategy with which our product positioning is concerned in terms of various headwinds that we faced that we will continue to face, but the robustness of the model where in -- we are able to pass through, we are able to continue to demonstrate that there is value addition in our product and hence it's get reflected in our results.

I'll walk you through some of the -- some granularity, some details in what we've reported and then we can go in to question and answer.

Our top line is INR473 crore, results seems of about 42,000 tons, this compares to about 44,400 tons in the first quarters which has lowered about 2,400 tons which is partially laying toward about 1,500 ton loss in production in this quarter at one of our plants. EBITDA for the quarter is at 117 crores which is an all time high and our profit after tax is about 73.5 crores. As far as our progress in the mining front, from our basic numbers standpoint is done, sales of 23,600 tons, which is up from (Technical Difficulty) that was done in the first quarter. And we are on track with about 46,000 tons for six months and we expected about 95,000 tons for the rest of the year, for the full year, March 14. As figures on our other income, we've done -- we've got about BTD license and exports benefits of about 17 crores non-operating interest income on our surplus received are 3.5 crores, so apart from that everything else is our operating income.

From a balance sheet standpoint, our better days are at about 72, which is about 378 corers. Our raw material has reduced to 39 days about 40 days, about 48 days in March and June. We've total cash about 624 crores -- 642 crores and we've got debt of about 130, 135 to 140 crores -- 136 crores, so about net cash of about 500 crores and we have pending to pay for our existing Brownfield of about 60 crores. So out of that net cash of 500, you see some deployment over the next three to four months as our project comes to completion. The payouts link to deliveries and commissioning will start getting paid out, so that's the broad -- our order book continues at about INR460 crores.

So, that's the broad outline. As far as figures are concerned, operational from a business standpoint, I think our pass-through, we gain traction, we've benefited a little from the currency in this quarter as well, but like we keep saying that currency gets even doubt in the long term. So our efforts to continue to raise our dollar pricing and the EURO pricing needs to continue, which we hope, we do.

So for the full year, we maintained about 190,000 tons of sales -- about 180,000 tons of sales for the full year and about 95,000 tons of that coming from mines.

As far as our capacities are concerned at 200,000 tons is what we've rated capacities at this time and our Brownfield expansion by another 60,000 tons is on track. It was delayed and it's expected now to get commission by March of 2014. So for the next year, we'll have adequate capacity to continue to continue to keep adding to our top line quantity and revenue standpoint.

I think that comes up my broad overview on this quarter. Moderator, can you please take us to Q&A?

Questions And Answers

Operator

Certainly, sir. Ladies and gentlemen, we'll now begin the question-and-answer session. We have a first question from Mr. Balachandra Shinde from Batlivala & Karani. Mr. Balachandra, please go ahead.

Balachandra Shinde, Analyst

Good evening, sir. Congrats for the good results and happy Diwali.

Kunal Shah, Executive Director of Finance

Thank you.

Balachandra Shinde, Analyst

Sir, first of all, I would like to know the average realization for this quarter?

Kunal Shah, Executive Director of Finance Balachandra Shinde, Analyst

Hundred and?

Kunal Shah, Executive Director of Finance

INR110.

Balachandra Shinde, Analyst

INR110. Okay and in margin improvement, if you can throw some light to basic points.

Kunal Shah, Executive Director of Finance

Please --

Balachandra Shinde, Analyst

Yeah. In margin improvement, what was the major benefit? Was it Forex or anything else?

Kunal Shah, Executive Director of Finance

Margin improvement we will be same sequentially over the last three, four quarters. Which is about 23% EBITDA in the first quarter.

Balachandra Shinde, Analyst

Right, right.

Kunal Shah, Executive Director of Finance

About 1.5% more this quarter. Currency is a part of that improvement, but overall that's a trend that we will be saying that things are stabilizing and we believe that the synergies and leverages that are playing into are -- what they are doing at the bank.

Balachandra Shinde, Analyst

Okay, like in last quarter, we had some freight on board expenses benefit, does it has reoccurred or?

Kunal Shah, Executive Director of Finance

Sorry. Please explain that.

In last quarter, we had some freight on board expenses benefit, so just wanted to know whether the --

Kunal Shah, Executive Director of Finance

Considering -- those are export benefits, you mean.

Balachandra Shinde, Analyst

Yeah.

Kunal Shah, Executive Director of Finance

Yeah. So we have continued that path.

Balachandra Shinde, Analyst

Okay, okay and --

Kunal Shah, Executive Director of Finance

But whatever are -- eligibilities that we have on the product.

Balachandra Shinde, Analyst

Okay, okay. And sir, regarding the mining segment, would like to know your outlook onto global mining, means like how you feel next one to two years?

Kunal Shah, Executive Director of Finance

About the global mining for AIAE or for the mining industries?

Balachandra Shinde, Analyst

Both about the mining production and the global mining?

Kunal Shah, Executive Director of Finance

As far as mining from our standpoint is concerned. I mean, we are continuing to add volumes and we are at a situation today that we can't wait for the new expansion to start, a new commitment capacity. So we have gotten, we have clearly reached an inflation point, as far as, mining is concern. No, we could have sold at least nearly 15,000 tons more this year and we add the capacity.

So I think we will continue to add reasonable volumes year-on-year, as far as mining from AIAE stand point is concerned. Our answer remains the same as it was last quarter or over previous quarter. Global mining industry, I mean When it gives us no immediate concern on slowdown and our earnings, all of that doesn't seem to be -- we will discuss at all. So new capacities are not being added, but downward there is no utilization issues as well. So I think it looks okay. It doesn't look -- the prognosis going forward doesn't look pessimistic. Let me put it like that way.

Balachandra Shinde, Analyst

And in domestic cement industry?

Kunal Shah, Executive Director of Finance

Domestic cement is flat. I mean that I think we have -- from the portfolio that we now have domestic cement is a small part. And it is not material to our -- to the scheme of things, so we just think it as it goes.

Balachandra Shinde, Analyst

So out of total mining segment volumes which you specified, how much will be the domestic?

Kunal Shah, Executive Director of Finance

Domestic mining is not so much. There are two companies that operating this business, so it allow us few thousand tons.

Balachandra Shinde, Analyst

Okay. Thank you sir.

Kunal Shah, Executive Director of Finance

Thank you.

Operator

Thank you sir, we have a next question from Bhoomika Nair from IDFC Securities.

Bhoomika Nair, Analyst

Good evening sir and congratulations on the great set on of numbers. Sir just wanted to see, you said in the opening remarks that you have some production loss of about 1,500 tons, if you could clarify what this was regarding.

Kunal Shah, Executive Director of Finance

It was just a plant shutdown at our plant, at one of our plant, so-Okay. Okay, so which will then catch up and we will still be able to 190,000 in the full year.

Unidentified Speaker

Yeah 183,000 tons is absolutely.

Bhoomika Nair, Analyst

Okay. Sir in this quarter if I see your mining volumes have continued to pick up and despite the mining volume being slightly higher then what they have been, we have seen a sharp margin improvement.

Now obviously there has been a rupee depreciation benefit that has accrued to us. But I just also wanted to understand whether this is because of lower trails that we have actually given to the mining customers or is it because of better pricing, or is it a mix of both, how much will be add to --

Unidentified Speaker

Bhoomika, my answer remains what we have said in the first quarter. And you asked this question there as well, so nothing is

changed between last two quarters. We are just doing all of the above, there is benefit of the rupee, there is certainly there, but more importantly we are making more on road. We are going out to a diverse set of clients where our confidence to say that they will be charging more as there, so it's simply being translated.

Bhoomika Nair, Analyst

So how much price increase we would have taken over the last --

Unidentified Speaker

It's difficult to divide it and respond Bhoomika. We'll have to look at it at a global level beyond this you know.

Bhoomika Nair, Analyst

Right, right Okay. And I mean is there also any Forex loss in the current quarter because of hedges?

Unidentified Speaker

Yeah there is a current Forex loss, but that gets offset as the dollar -- the selling price gets reduced to the defect.

Bhoomika Nair, Analyst

Right, I understand, so I mean obviously the top line will be higher, but then you know the Forex loss will be there. Right. So how much would have been just for an accounting purpose? What would have been the Forex?

Unidentified Speaker Bhoomika Nair, Analyst

15 crores in the second quarter. Okay, great sir. I'll come back in the queue. Thank you.

Operator

Thank you ma'am. We have a next question from Tanuj Makhija from Ambit Capital. Mr. Tanuj, please go ahead.

Tanuj Makhija, Analyst

Hi sir. My question pertains to your competitive advantage. If I am not mistaken your advantage the cost differentiation with key competitor, is that difference due to your better sourcing of raw material or is it due to employee cost or due to lower labor, and power, and fuel cost? What would you attribute to your cost advantage to?

Unidentified Speaker

We don't operate on cost advantage. We are positioning with the customer, is not certainly -- only two players in the world who supplied this product and we are certainly at working towards and achieving a better product quality, and better delivery at customer end and which is where we are getting this market share.

It's not at all related to being a cheaper cost of product supplier. And direct cost is virtually the same for both companies. Raw material is globally scrapped and that is not priced differently in India versus wherever the competitor plants are there.

So there is a difference available to us as far as labor is concerned. That get captured in our margins versus the competitor margins, but the competitive advantage that you said is not cost.

Tanuj Makhija, Analyst

Okay so sir what differentiates product quality of your product versus Alligator [ph]? If you can elaborate?

Unidentified Speaker

I don't think it's a question of only product quality. I think it's a question of a better solution that we are able to offer, point number one. And a better service as a package and a little -- I would say more responsiveness and little better penetrative efforts. Of course our quality is also very good in terms of what we are able to offer. But let us say it's a package -- I would say. We are little more, let us say, successful in ramping up things faster and giving solutions faster.

Tanuj Makhija, Analyst

Great, great and sir how is the current global mining activity. You mentioned it is a little bit slow, so your mining volume growth, is it largely from market share gain or from the general growth of the market?

Unidentified Speaker Tanuj Makhija, Analyst

Okay, okay. Sir can you give me the segregation of your domestic cement revenue and imported cement revenue last year, and for the volume numbers as well?

Unidentified Speaker

No, we are not dissecting numbers. We are giving mining volumes just to give the -- just to give sense on our process in the mining segment.

Tanuj Makhija, Analyst

Okay. And sir what would be the price difference between your domestic cement realization and international cement realization. Would there be a 20% mark-up?

Unidentified Speaker

Not really.

Tanuj Makhija, Analyst

Sir, if I think it would be almost the same for domestic and international business with extra cost on international cement?

Unidentified Speaker

We are talking about the realized rate in domestic.

Tanuj Makhija, Analyst

Yes, okay, okay. And sir one -- some accounting question. Your other current assets have increased significantly in this quarter, what would be the main reason for that?

Unidentified Speaker

Other current assets?

Tanuj Makhija, Analyst

Yes, if I am not mistaken, yes sir. -- Other currents assets and consolidated balance sheet have increased to about 5.5 billion or 55 crores versus 80 lakhs last year?

I will have to come back to you. I don't know the answer now.

Tanuj Makhija, Analyst

Okay. And sir there is a huge jump in your current investments, and you are still continued to hold that in your balance sheet. So I mean -- wouldn't it could be better if you could repay your debt for these current investments?

Unidentified Speaker

Yes, one thing our current assets are higher by 23 crores. You want the break-up of that 23 crores.

Tanuj Makhija, Analyst

Of other current assets, yes. Sorry I mean the other current assets break-up.

Unidentified Speaker

Yeah, other current assets -- I'll have to look into.

Tanuj Makhija, Analyst

Sure.

Kunal Shah, Executive Director of Finance

It could be a little confusing but (Technical Difficulty) I think most probably it would be advances.

Unidentified Speaker

I will give you before the end of the call - I will tell. No I think, most probably it would be advance --

Tanuj Makhija, Analyst

Okay. Advances from customer.

Unidentified Speaker

I will come back to you

Tanuj Makhija, Analyst

Okay In the next call I will give you the answer.

Tanuj Makhija, Analyst

Sure, sure and sir just one last question. Your current investments have increased sharply in the last six months, and you still continue to hold that, so wouldn't it be better if you would repay your debt rather than making current investments. You're lots of --

Unidentified Speaker

First and foremost if you see carefully my total debt in the form of ECB it's about 100 crores and the level is very, very marginal, it's about five, seven crores. And we're not utilizing any working capital at all on an annualized turnover of 1,800 crores plus, correct.

Tanuj Makhija, Analyst

Yes.

Unidentified Speaker

And ECB we have got an extremely fine rate, we had therefore utilizing the ECB to -- at sensibly of course as per the ECB guidance the funding fixed effects are there, but correspondingly to that effect my working capital is low, though there cannot be a completely idealistic situation. We are defacto a zero debt company in the sense of working capital utilization is zero, I believe [ph] there is come back and -- it has very, very fine rate as we had explain in the past that helped us 300 something, 285 to be precised.

So, therefore, we will continue and we have some -- in fact we are already looking at some aggressive CapEx plans as well and we will come back to you as things prettify. So, we're not really worried about this debt at all.

Tanuj Makhija, Analyst

Okay. Sir, just a follow-up. You mentioned on aggressive expansion plans. If you also have planned to add capacity more than the 100,000 ton plant?

Unidentified Speaker

No, no. Currently that is -- what is on ground is there, even that we've 200,000 tons. Adding 100,000 tons is not a small expansion. It is what we're saying that we're only pursuing plans to add capacity, which reflects our confidence in -- our ability to send this product.

Tanuj Makhija, Analyst

Absolutely right. I was asking that beyond the 100,000 tons actually you planned by -- if I put in that --? We announced (inaudible) I think we got enough on our place to -- for an immediate base.

Tanuj Makhija, Analyst

Okay. And just one last thing, I think your ECBs are not hedged if I'm not mistaken, you are open right? So, there would also be a hedging cost if you would to hedge them in your interest cost?

Unidentified Speaker

We've taken interest rates, we've not paid interest for currency.

Tanuj Makhija, Analyst

No. My question pertains to so if you'd look at your interest cost of ECBs, you said LIBOR plus 300 basis point but if you convert that to rupee, your actual interest cost would be much higher, right?

Unidentified Speaker

Sorry, I can't get you. Can you please elaborate your question?

Tanuj Makhija, Analyst

Sir, my question pertains to you mentioned that you've taken loan at very attractive lower rates -- low interest rate of LIBOR plus 300 basis point, but I think you'd also have to factoring your currency hedging cost, right because I think you capitalize your currency volatility on ECBs in the balance sheet, so if you're just for that cause the total --

Unidentified Speaker

Yeah, it was 70% net export turnover, I have significant benefit that comes in terms of the currency becoming and those benefits applied into our profit also. And in that situation even if I consider the cost of hedging is it still working out to be cheaper.

Tanuj Makhija, Analyst

Okay. Perfect. Thank you very much and congratulations for the great set of numbers.

Unidentified Speaker

Thank you.

Operator

Thank you sir. We have our next question from Sonali Salgaonkar from Axis Capital. Ms. Sonali, please go ahead.
Good evening sir and congratulations for the excellent set of numbers.

Unidentified Speaker

Thanks.

Sonali Salgaonkar, Analyst

Yeah. Sir, my first question is pertaining to the hedging policy. So, I just wanted to understand what will be the company's USD to INR hedge in Q2 FY'14 versus that in Q2 FY'13?

Unidentified Speaker

I don't have that on hand right now, but that comparison is not really -- I will help to understand -- what is your root question?

Sonali Salgaonkar, Analyst

No, sir I just wanted to understand at what --

Unidentified Speaker

I will explain.

Sonali Salgaonkar, Analyst

Yeah.

Unidentified Speaker

Sorry, we will explain but what's your root question? What you are trying to --

Sonali Salgaonkar, Analyst

Yeah. I wanted to understand at what rate was the hedging done in this quarter versus that compared to the same period in last year.

Unidentified Speaker

It's difficult to give. But what we are saying is that currency for us -- walk with us on the way we look at hedging. The idea is that we don't like volatility. So, if we have hedged at 50 -- if the rupees at 50, 55, or 60 then we have lead and a lag as far as our pricing. I just mean in the U.S. dollar or EURO's concerned. But if the hedging allows us -- we use hedging to mitigate some of this different interest.

Okay. All right.

Unidentified Speaker

The pricing is not something, which we are not selling scrap, for example where the global price is in dollar, so whatever is the rupees, what you actually realize and our pricing is in dollar, but we decide the dollar pricing.

Sonali Salgaonkar, Analyst

Okay.

Unidentified Speaker

You understand? So comparing with the last quarter will not help you, better understand this quarter performance.

Sonali Salgaonkar, Analyst

Okay. All right.

Unidentified Speaker

We are trying to mitigate that risk because we have to twice -- so in our effort to increase our pricing with the customers or decide on fair pricing with the customer, currency becomes a discussion, but I would agreed up on the price and that the currency changes. We come across another discussion to spend adjusted U.S. dollar prices because the customer asks us to review the dollar price, which is where we are in the process over right now. If the dollar reduces and the rupee appreciates we've to engage with the client, customers to increase the dollar price. And then the currency hedging is just to mitigate some of these changes.

Sonali Salgaonkar, Analyst

All right. All right. My second question is pertaining to the EBITDA margin guidance in FY'14 and FY'15 if any?

Unidentified Speaker

We avoided giving EBITDA guidance's because -- I am sure -- you want to appreciate that more as an analyst. It is very difficult to have a crystal ball and say this is what we'd do, what we said and maintained over last five year since we have got enlisted of six years. Is that our business model is robust enough to deliver 20% to 22%, 23% EBITDA margins.

Sonali Salgaonkar, Analyst

Okay.

Now, that depends on a variety of factors on what where we will end up, but beyond that we believe the business can do better for that contingent on a lot of external factors where it's difficult to put a failure or a guidance on.

Sonali Salgaonkar, Analyst

Sure, sir.

Unidentified Speaker

So we continue to 20% to 22% if something that we are comfortable. We have -- I think you will see the results. Its okay.

Sonali Salgaonkar, Analyst

Sure, sir. My third question is with respect to any update on the CapEx front, now just as a follow up question your Brownfield would be operational by Q4 FY'14. And Greenfield would be --

Unidentified Speaker

On 2014, yes.

Sonali Salgaonkar, Analyst

And Greenfield is still stands to be operational the end of FY'15, right?

Unidentified Speaker

Yeah, correct. Greenfield is there, but we keep on -- we'll guide once we start on that project. It's still under designing stage.

Sonali Salgaonkar, Analyst

Alright, but we should be, it could be operational by around end of FY'15?

Unidentified Speaker

Correct.

Unidentified Speaker

Yeah.

Sonali Salgaonkar, Analyst Unidentified Speaker

Say it again?

Sonali Salgaonkar, Analyst

Sir there has been significant improvement in the raw material cost in this quarter, so any particular reason to that?

Unidentified Speaker

Raw material cost because we have seen is -- as raw material cost are in rupees, while our sale also includes the dollar-rupee, as for as inviting this concern, right. So it appears lower as a percentage but then you have removed that 15 crore currency effect that we have in our phase.

Sonali Salgaonkar, Analyst

Right, Okay, okay. Then just I missed in your starting commentary you mentioned that tonnage for this quarter I missed the numbers. Could you please give me the overall tonnage as also the mining tonnage in this quarter?

Unidentified Speaker

Overall tonnage is 42,000 tons, second quarter same --

Sonali Salgaonkar, Analyst

Yeah.

Unidentified Speaker

Mining was 25,000 tons

Sonali Salgaonkar, Analyst

Okay, and.

Unidentified Speaker

23,500, sorry.

Sonali Salgaonkar, Analyst

Sorry 23,500 500.

Sonali Salgaonkar, Analyst

Then 42,000 versus what in the earlier quarter?

Unidentified Speaker

Earlier quarter was 44,540 I mean.

Sonali Salgaonkar, Analyst

Sorry, so Q2 FY'13 42, 44,500?

Unidentified Speaker

Q2 FY'13 or.

Sonali Salgaonkar, Analyst

Yeah.

Unidentified Speaker

Q2 was about 41,000 ton.

Sonali Salgaonkar, Analyst

Alright, sir and your entire sales guidance, you are confident of achieving sales of around 180 to 190 crores on the top line, right. This year?

Unidentified Speaker

No, no 1,800 tons.

Sonali Salgaonkar, Analyst

All right and in terms of revenues?

Unidentified Speaker

Revenue should be about 1,900 crores.
I'm sorry, I missed that number.

Unidentified Speaker

1,900 crore rupees.

Sonali Salgaonkar, Analyst

Okay, okay all right. Sir, thanks and all the best and happy Diwali.

Operator

Thank you ma'am. We have our next question from Ms. Sharada Sridhar from Edelweiss. Ms. Sharada, please go ahead.

Sharada Sridhar, Analyst

Hi, Kunal and Sanjay bhai congrats on a very good set of numbers.

Kunal Shah, Executive Director of Finance

Thank you.

Sharada Sridhar, Analyst

Just trying to understand the gross margin and the EBITDA margin trajectory. So, if we have to dissect how much would be the currency rate benefit in the gross level?

Kunal Shah, Executive Director of Finance

It's difficult to dissect Sharada.

Unidentified Speaker

We really don't do this exercise. See I'll tell you the gross has combination of several factor as we have been repeating, but there is definitely some effect of currency as -- is very evident.

Sharada Sridhar, Analyst

Okay, it would be 200 bits or I mean simply --

Kunal Shah, Executive Director of Finance Sharada Sridhar, Analyst

And below the line, I mean after gross margin the other expenses level what is the reason for this jump?

Kunal Shah, Executive Director of Finance

The other expense also includes that gets added in the sale -- that the realized loss come downs in the other exchange loss that 1,500 crores.

Sharada Sridhar, Analyst

No, I am saying other expenses have also come down drastically on a year-on-year basis, it's because of what?

Kunal Shah, Executive Director of Finance

Other expenses, we are not looking at sequential, -- we are looking.

Sharada Sridhar, Analyst

Year-on-year I'm saying.

Kunal Shah, Executive Director of Finance

I know particular reason, I mean just this includes a portion of currency I think you know.

Sharada Sridhar, Analyst

Okay.

Kunal Shah, Executive Director of Finance

I need a break up for those.

Sharada Sridhar, Analyst

Okay sure. And also wanted to understand the realization trajectory so you said we had INR110 right? So if we had to take a trajectory, now you said we are getting now lot of firm orders from trial orders. So can we assume that this 110 assuming the currency where it is should sustain?

Kunal Shah, Executive Director of Finance

Yeah in the currency -- yes it's correct.

Okay, and thirdly you said cement is flattish, but in this challenging scenario are we gaining some market share in cement segment?

Kunal Shah, Executive Director of Finance

Not really, cement is continuously flat.

Sharada Sridhar, Analyst

And what is our market share in cement and in mining?

Kunal Shah, Executive Director of Finance

Cement could be worldwide excluding China about 30% to 35%.

Sharada Sridhar, Analyst

Okay.

Kunal Shah, Executive Director of Finance

Mining we are still, I don't think we have started calculating our market share what we are currently focusing on increasing the volumes to the best and I think we will start talking of mining market share may be next year.

Sharada Sridhar, Analyst

Okay, fair enough. And just on mining, since we are talking, how many -- after the overall order book that we have, how many are trial orders and how many would be recurring orders now? Now, we have a firm base right so?

Kunal Shah, Executive Director of Finance

But that's difficult to say that, there is nothing called recurring.

Sharada Sridhar, Analyst

In the sense, these are like firm clients --

Kunal Shah, Executive Director of Finance

All of these are firm clients, but they have choice of another supplier right, so how can we think it to that extent.

Sharada Sridhar, Analyst Kunal Shah, Executive Director of Finance

I think, their expensive front, I was just looking at the numbers just to answer your question.

Sharada Sridhar, Analyst

Sure.

Kunal Shah, Executive Director of Finance

There is a little reduction primarily going to foreign exchange loss effect, that's it.

Sharada Sridhar, Analyst

Okay. Forex loss was higher last year is what you are saying?

Kunal Shah, Executive Director of Finance

Yeah. Yeah.

Sharada Sridhar, Analyst

Okay. And just lastly on the working capital cycle, if you can give us some sense how do we see this improving going forward?

Kunal Shah, Executive Director of Finance

Working capital will continue to grow with our sales. That's the model we've chosen right, which is manufacturing in one location, supply across the world. So to that extent, we will not be adding, we have special warehouses for certain markets like South Africa, which we don't expect to have similar stocking. So, it should not grow beyond this as a ratio, but it should -- it would continue to be at these levels.

Sharada Sridhar, Analyst

Okay. And just geographically mining wise will it be possible to just give a breakup?

Kunal Shah, Executive Director of Finance

Sorry?

Sharada Sridhar, Analyst

Geographically, will it be possible to give a breakup of the mining, customers that we have?
Not really. I don't have it on the top. But it's all of these geographies, Brazil, Australia, US, little bit in Asia, Africa.

Sharada Sridhar, Analyst

All right. Okay. But just with three major geographies if you can just give the contribution?

Kunal Shah, Executive Director of Finance

It will be Africa and America.

Sharada Sridhar, Analyst

Right. Right. Sure. Sure. And trajectories for mining since you said we are going at 25%, 30%, it looks like that should sustain, right? Because in such a challenging environment if we are seeing this growth, so ideally it should continue going forward also, right?

Kunal Shah, Executive Director of Finance

Yes, we would certainly hope so.

Sharada Sridhar, Analyst

Okay, sure.

Kunal Shah, Executive Director of Finance

See on the working capital, actually there is a little reduction in inventory, if you carefully see at constant level.

Sharada Sridhar, Analyst

Yeah. But again receivables has gone up, so I mean it can --

Kunal Shah, Executive Director of Finance

That's actually minor adjustments, if you --

Sharada Sridhar, Analyst

Right.

Kunal Shah, Executive Director of Finance Sharada Sridhar, Analyst

Sure. Sure. Okay, fine then. All the best and very Happy Diwali to both of you.

Kunal Shah, Executive Director of Finance

Thank you.

Unidentified Speaker

Thank you.

Sharada Sridhar, Analyst

Yeah.

Operator

Thank you, ma'am. We have a next question from Mr. Pranav Gokhale from Religare. Mr. Pranav, please go ahead.

Pranav Gokhale, Analyst

Yeah. Good evening sir. Sir, congrats on good set of numbers. Sir, just a couple of queries. Hello?

Unidentified Speaker

(Foreign Language)

Pranav Gokhale, Analyst

Yeah. Sir, this loss which -- the products loss which you have adjusted with the balance sheet is this the change which has happened from the current quarter or had we reached any numbers for the last quarter?

Kunal Shah, Executive Director of Finance

No. As per AS 11

Pranav Gokhale, Analyst

Okay. So, the adjustment -Okay. You are talking of the migration to AS 30?

Pranav Gokhale, Analyst

Yes. AS 30.

Kunal Shah, Executive Director of Finance

Yeah, that is from the current quarter.

Unidentified Speaker

It is from the current quarter. These all are hedges, which are beyond our data. The on those hedges it's from this quarter onwards, we will be adjusting again from a general reserve.

Pranav Gokhale, Analyst

But, last year, the similar quarter, do you have such kind of process with (Technical Difficulty)?

Kunal Shah, Executive Director of Finance

No. We didn't decrease we were only booking -- we were

Unidentified Speaker

Let me clarify.

Pranav Gokhale, Analyst

Yeah.

Unidentified Speaker

We have always been following AS 11 in terms of booking the realized losses or translation losses. Correct?

Pranav Gokhale, Analyst

Correct.

Unidentified Speaker

Realized losses is the difference between the rate at which -- the prevalent rate, reserves is related which we have booked forward, point number one, in terms of sales which had impacted during the particular period.
Okay.

Unidentified Speaker

And translation losses means translation of your data as well as creditors in foreign currency at the prevailing rates on the day when you close the current quarter. Correct?

Pranav Gokhale, Analyst

Sure. Correct.

Unidentified Speaker

So, that is AS 11, that is always booked. This quarter, we also have adopted AS 30.

Pranav Gokhale, Analyst

Okay.

Unidentified Speaker

We have also adopted AS 30, whereby for further foreign forward contracts or interest rates, bonds, et cetera, that are relating to future periods, that is after 30, September, 2013. Whatever set further forward (technical difficulty) for which sales have not been affected or which have not been coming to effect, that is we have valued it at the market value concept or the prevailing rate of foreign currency at foreign exchange as of 30th September. And the difference, we loss or gain will be adjusted in directly in the reserve.

This is to show a mark-to-market future -- current market value of the mark-to-market position. This is an additional safeguard that we have done. Okay? This was not -- this treatment was not there in previous funding quarter.

Pranav Gokhale, Analyst

Sure. Got it. Right. Sir, and this 177 odd crores of other expenditure in the current quarter, what is the quantum of Forex loss which we have booked?

Unidentified Speaker

About 15 crores.

Pranav Gokhale, Analyst

15 crores?

Unidentified Speaker Pranav Gokhale, Analyst

Yes. Sir, just the other thing is on -- you still highlight what is your average -- what is the average booking of those data at foreign currency level, what have you booked at? So, incrementally --

Unidentified Speaker

That is -- we actually see what we do. We keep on doing booking forward, and as we keep on doing the forward booking, it gets averaged out. The average rate could be INR55, INR57 notwithstanding what is the prevailing dollar rate for this quarter, but if you keep on reading forward booking if the rates also keep on improving.

Pranav Gokhale, Analyst

Sure. Sir, could you also -- sir, your realize in per ton has gone up despite mining volumes going up. Is that something incrementally --?

Unidentified Speaker

(Technical Difficulty) and also current tendency.

Pranav Gokhale, Analyst

Okay, sure. Got it. Thank you, sir, and wish you the very best.

Unidentified Speaker

See there is one more question about other current assets going up by 55 crores, it is also linked to this answer of AS 30 migrations. So, what happens is there were 17 crore loss which is our MPM loss on our hedges beyond our data. So -which comes from our asset of 55 crores which is our -- which is what is realizable from the banks, and a liability of 74 crores. So, when we sell it into the market, this is what we will be -- on those market as per current rate. So to apply this 17 crore loss to the general reserve, the corresponding

entries are increasing liabilities by 74 crore and increasing current assets by 55 crores.

Kunal Shah, Executive Director of Finance

It's all that effect of AS 30.

Unidentified Speaker

It is the effect of AS 30, which is why our current assets have gone up by from 80 lakhs to 55 crores. It is just the compensating two entries for the AS 30. The one leg is in the other liabilities, the other is in the other current asset. Okay, we can go to the next question.

Thank you.

Operator

Thank you, sir. We have our next question from Mr. Pawan Parakh from Emkay Global. Mr. Pawan, please go ahead.

Pawan Parakh, Analyst

All my question had been answered, sir. Thank you.

Kunal Shah, Executive Director of Finance

Thanks.

Operator

Thank you, sir. We have our next question from Nalin from Tata AIG. Nalin, please go ahead.

Unidentified Speaker

Thank you.

Nalin Ladiwala, Analyst

Yeah. Hello, sir, and congratulations for great set of numbers. During the course of the call you briefly mentioned that you've been gaining market share. Now my question was do we have some sense of our relative market share gain vis-a-vis Megator in the mine segment?

Kunal Shah, Executive Director of Finance

Yeah.

Nalin Ladiwala, Analyst

If you could just help us what has been the broad trend, I mean maybe not the number, but have you been gaining market share from Megator itself?

Kunal Shah, Executive Director of Finance

We're gaining market share from them as well as the four suppliers in the market.

Nalin Ladiwala, Analyst Kunal Shah, Executive Director of Finance

That is difficult to estimate, it depends on a particular quarter, we have done more on before, the other quarter we may have done a little more, so that depends.

Nalin Ladiwala, Analyst

Okay. I understand. And then the other question was recent loss in the patent case in US. So, the \$7.2 million damages, when would they go out or when would -- they will be paid out?

Kunal Shah, Executive Director of Finance

We are in litigations with U.S. on this matter.

Nalin Ladiwala, Analyst

Okay. Okay. So it's still not closed?

Kunal Shah, Executive Director of Finance

Yeah.

Nalin Ladiwala, Analyst

Okay, I understand. So what is the next course of action, you would be appealing in the higher court and --?

Kunal Shah, Executive Director of Finance

Yeah we've already filed the appeal.

Nalin Ladiwala, Analyst

Okay.

Kunal Shah, Executive Director of Finance

So we are taking appropriate steps, there are various options in front of us we are pursuing them.

Nalin Ladiwala, Analyst

Okay. So by when would the matter get resolved due to this year as aware?
See that depends on the outcome of at each of these options -- each of the levels.

Nalin Ladiwala, Analyst

Okay. Okay.

Kunal Shah, Executive Director of Finance

So, but we hope that we have -- but we'll keep announcing updating material developments on that front occur. We hopeful to have some news on it in the next few weeks time, we'll keep everyone updated on it.

Nalin Ladiwala, Analyst

Okay. And in the events the judgment is unfavorable what would be the business impact?

Kunal Shah, Executive Director of Finance

No, there is not be any business impact per say, because today we are not selling this product in U.S. markets at all.

Nalin Ladiwala, Analyst

Of course, yeah that I'm aware, but?

Kunal Shah, Executive Director of Finance

We had to pay for anything we'll see what to do, how that account for it.

Nalin Ladiwala, Analyst

No, I am not talking about the damages, I mean, I am talking about what kind of a business opportunity -- those of it.

Kunal Shah, Executive Director of Finance

No, no, the current business doesn't get impacted at all.

Nalin Ladiwala, Analyst

I'm aware sir. Current business not, but in terms of the future potential how do we understand?

Kunal Shah, Executive Director of Finance

No, not the future, it's not really.
Nothing materials you know.

Nalin Ladiwala, Analyst

Nothing material. Okay I understand. And sir could you help me with the dollar realization -- average dollar realization during the quarter?

Unidentified Speaker

Realization means -- at what price was our invoice is booked.

Nalin Ladiwala, Analyst

Thant's correct sir.

Unidentified Speaker

Invoicing average price is about 62.

Nalin Ladiwala, Analyst

62. Okay, okay. And, sir you have mentioned that our net realization average -- net realization during the quarter is INR1,10,000 a ton, but when I do a simple division of that net sales with our total volume of 42,000, I'm getting net realization of 1,12,849. So how to --

Unidentified Speaker

It was just an approximate answer of net -- approximately 110 that varies every quarter sir.

Nalin Ladiwala, Analyst

Okay, okay.

Unidentified Speaker

So and depends on the product features, there are variety of factors, approximately 110 -- 111, 112 whatever that is arithmetic is.

Nalin Ladiwala, Analyst

Okay. Okay great. That's all from my end. Thanks a lot for taking my questions and wish you guys a very happy.

Kunal Shah, Executive Director of Finance Unidentified Speaker

Thank you.

Operator

Thank you sir. We have our next question from Mr. Vinay Rohit from ICICI Prudential Life insurance. Mr. Vinay, please go ahead.

Vinay Rohit, Analyst

Good evening sir, congratulation on a very good set of number. Just wanted to check even that your outlook is good that we continue to maintain why 180,000 this year and we also adding capacity. So what is the CapEx outlook for this year and next year?

Kunal Shah, Executive Director of Finance

We are doing Brownfield to take a capacity from 200,000 to 260,000 tons, that 60 gets commissioned by March 2014. We are doing Greenfield of 40,000 tons, which is in the design phase which we expect to complete by March 2015.

Vinay Rohit, Analyst

As looking in the expense, what is the estimated expense for --?

Kunal Shah, Executive Director of Finance

It would be about 120 crores for the 60,000 tons, about 250 crores for the 40,000 tons, because it is Greenfield.

Vinay Rohit, Analyst

Okay, okay. So 120,000 -- I'm sorry, 120 crores this year and 250 crores next year?

Kunal Shah, Executive Director of Finance

Yeah.

Vinay Rohit, Analyst

Okay. Thank you.

Unidentified Speaker

Yeah.

Thank you, sir. We have our next question from Kirti Dalvi from ENAM Asset Management. Kirti, please go ahead.

Kirti Dalvi, Analyst

Good evening, sir, and congratulations for good set of numbers. Just a thing, you didn't mentioned that 1,80,000 would be our volume, that's our expectation for current year and similarly your sales would be around 19,000 crore. What I am saying is, you did INR110 per kg for first half, that means, second half you are seeing significant decline in our realization. Because to achieve --.

Unidentified Speaker

No, no. Kirti -- it was a ballpark figure that you are saying.

Kirti Dalvi, Analyst

Sure sir, no sir. Probably will maintain the same range, would it be fair to assume for the realization?

Unidentified Speaker

Yeah, actually.

Kirti Dalvi, Analyst

Okay. So there is no --

Unidentified Speaker

So there is no rupee, but if the rupees varies -- the same should be -- that's depends on the rupee, et cetera, but 1,900 crores is the broad figure, we did about 950 in the first quarter in the first six months.

Kirti Dalvi, Analyst

Correct.

Unidentified Speaker

And just saying, explaining on it.

Kirti Dalvi, Analyst

Okay, okay. So but will maintain around INR109 to INR110 realization for the -- ?

Unidentified Speaker Kirti Dalvi, Analyst

Okay, okay. Second question would be on a tax rate. Do we see our effective tax rate this year and the next year?

Unidentified Speaker

29% to 30%, yeah.

Unidentified Speaker

To 30%.

Kirti Dalvi, Analyst

For both years?

Unidentified Speaker

Yeah.

Kirti Dalvi, Analyst

Okay. Thanks and wish you good luck.

Unidentified Speaker

Thank you.

Operator

Thank you ma'am. We have our next question from Ms. Sonali from Axis Capital. Ms. Sonali, please go ahead.

Sonali Salgaonkar, Analyst

Yeah, thanks for the follow up question. So just one question which I missed out, what was the Forex loss in Q2 FY13?

Unidentified Speaker

The Q2?

Unidentified Speaker

FY13 last quarter.

Unidentified Speaker

We don't have it.

Unidentified Speaker

No.

Sonali Salgaonkar, Analyst

All right. Sir was it higher than 15 crores or lower?

Unidentified Speaker

We don't know really.

Sonali Salgaonkar, Analyst

All right, all right.

Unidentified Speaker

Could be higher -- will be higher.

Sonali Salgaonkar, Analyst

Would be higher, right sir. I just wanted to understand whether we have like how much we have gained from current, that's all?

Unidentified Speaker

Yeah.

Sonali Salgaonkar, Analyst

All right, sir. Thank you.

Operator

Thank you ma'am.

Kunal Shah, Executive Director of Finance Operator

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