AIA Engineering Ltd.

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Moderator: Good evening, ladies and gentlemen. Thank you for standing by. This is Nirav, the moderator for your call today. Welcome to the post results conference call of AIA Engineering Limited. We have with us today the management team of AIA Engineering Limited. At this moment, all participant lines are in a listen only mode later we will conduct a question and answer session. At that time if you have a question please pressing '*' then '1'. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to the AIA Engineering Management team. Thank you and please go ahead, sir.

Kunal Shah: Thank you so much. A very welcome to everyone and good evening. Thank you for joining our call for second quarter result update for AIA. I will dive into numbers and then we can get into Q&A. I also have Sanjay Bhai here with me. I think second quarter has largely been in line with the first quarter with 77,725 metric tonnes of sales which converts to around 1273 Crores of revenue, total EBITDA comes to 444 Crores which is 34.32% and profit after tax at 323 Crores and EBITDA and profit numbers are higher sequentially and also compared to second quarter last year. Same numbers for the half year if I were to compare to H2 last year we did 151,771 ton as compared to 146,000 tonnes 6 months last year converting into sales about 2494 Crores which was 2376 in the 6 months last year. EBITDA was 611 Crores which is 846 Crores this 6 months and PAT was at 435 Crores which is at about 595 Crores so there is improvement in margin and we will go through unpacking some of those details. Our other income there was export benefit of 20.94 Crores which is in line with the benefits under RoDTEP and duty drawback. Our other income which is treasury is at 63 Crores and both these numbers are largely comparable to the first quarter numbers and total other income of 62.32 Crores and 20.94 what we are considering operating other income. Our working capital is in sync with the first quarter. There is a slight improvement in inventory and total number of days now working capital is about 95 days and there is improvement on this one metric which had gone up to 118-120 days right after COVID when we had issues around freight and container availability so there is a fair improvement on the working capital side. Segmental details again are largely comparable to the first quarter. We did 52,000 tonnes in mining which was about 53,000 tonnes in the first quarter, 25,600 tonnes in the other than mining. There is some improvement in cement than otherwise compared to 20,790 in the first quarter so there is about 3300 tonnes of higher sales in the second quarter compared to the first quarter. Our order books and other things are largely in line with what we have reported in the previous quarter with the caveat that order book does not include the value of contracts which are longer term, the supply happens under periodic monthly, quarterly purchase order and that is what we are reporting over here. Our net cash is now at 3135 Crores up from 2757 Crores end of June and 2563

Crores end of March. Our realization is also largely in line, it is about Rs.162 per kilo down from about 163-164 in the previous quarter. So couple of things if I compare first quarter to second quarter there has been an improvement in raw material that just reflects the lower raw material consumed in this quarter compared to the first quarter and raw material continues to be volatile. Ferrochrome has been between 120 at its peak, it went down to about 100 it is back to 110-112 level so it continues to be volatile and there will continue to be a pass through going forward when we see the fluctuation coming on so this quarter a reduction and we will have a pass through mechanism built on it. There is some improvement in power that is a function of the higher captive renewable wind generates the highest in this quarter so there is some reduction in power cost on account of that so there is a 2% sequential improvement in margin on account of these two factors and both will normalize going forward. Another thing when we look at first half last year versus first of this year there is also a Forex from what was about 79 odd is 83 plus, average is about 83 plus in this first half so you see better numbers on account of rupee depreciation also so all of that has flowed in. The freight cost has also seen a reduction and our pass through is in mechanism. I think over next two quarters you will see margin adjustment on account of pass through in freight cost and one last thing is we still had one more quarter now where our product mix helped the realization as well as margin so I think we expect our margins to adjust between 3 and 5% over next few quarters and normalize to a long-term guidance but this is just to unpack the numbers for this quarter. Other highlights it is called a sunset review when the five year anti-dumping duty passes through that tenure and in Brazil that sunset review has started and we are in that process to furnish all information and go defend the duty over there so that is one development, second is we have completed the 30% acquisition of a company in Australia where we are part of the mid-liner capabilities so apart from that business as usual. We are on track to spend 500 Crores between now and end of March 2025 where about 200 Crores goes towards the grinding media expansion, 200 Crores towards overall restructuring and debottleneck, 50 Crores towards captive power and other 50 Crores for land and other requirements so we continue with that. We spend 100 Crores this quarter and we will continue to spend from that budget right up till March of 2025. 80,000 ton grinding media expansion is on track for being commissioned by December 2024. I think that sums up our commentary as far as numbers is concerned. I will have Sanjay just chip in on the business outlook and also some tonnage conversation and then we will go on to Q&A.

Sanjay Majmudar: Well good evening to everyone and thanks for joining this call. While Kunal has taken you through all the relevant highlights just quick one or two small clarifications. I think what Kunal meant was that we acquired a 30% stake in that Australian company as announced on the stock exchanges as well. That is pretty strategic in the sense that it is a high technology design capability company and it will help us to significantly push our penetration into the overall mill liner opportunity that is point number one, point number two as you would have seen we have done fairly decent in terms of margins while the reported margins of 34 odd percent in Q2 at the operating level it is about 29% as Kunal explained we have the benefit of a very good product mix and of course reduction in freight which has helped in improving the percentages in terms of comparability. On the capex on all our medium to long-term opportunities we remain very intact. As you would have seen we have done close to about 151,000 tonnes of sales in the first half as against 291,000 sales in the last year and we believe that we have given an indication that we are working on several exciting opportunities and as we have also demonstrated in the past that conversion from ferro chrome is our complete area of focus based on all the key conversion drivers that we have and the focus as a market opportunity as well as the technological with all that we have. We do expect the incremental tonnage to also come up more or less in the same indicative range. The only thing is it may take a little more time that is the indication that is available today so we may not be able to do maybe 25 to 30,000 tonnes for this year. It might be slightly lower. We do not know exactly how much it could be lower. It could be maybe anywhere between 10 and 20,000 having said that the overall direction remains the same. It could be a little bit of tonnage shift from this year to next year but that does not in any way change the direction or the opportunity or the strategy with which we are going. I think with this overall business remains very bullish. We continue to remain very bullish on all the prospects and I will open the house open for Q&A. Moderator over to you.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Bhumika Nayar from Dam Capital. Please go ahead.

Bhumika Nayar: Yes good evening Sir and thank you for the opportunity. Sanjay bhai what you mentioned right now that there has been from an incremental tonnage perspective we are looking at lower number, if you can just give some more clarity around this that why are we seeing this kind of a slippage into the next year and what is the reason for the delay in the acceleration of volume or slower pace of conversion, if you can just talk about it.

Sanjay Majmudar: Bhumika what I wanted to convey that from a conversion process opportunity as well as the number of mines on which we are working it remains absolutely the same or rather more we are a little bit more aggressive. The only problem is that the time is exactly not under our control so today when we were evaluating first half vis-à-vis our earlier target of 23-25,000 the indications available that there could be for this year maybe a shortfall of 10 or 15,000 tonnes just because that conversion is taking more time. You just cannot control the time. What we wanted to convey was that there could be a little bit of slippage so there is a very strong probability that next year the volumes could be actually more aggressive supposing I am working on say 10-20 mines and we are looking at an opportunity of converting say 100 200,000 tonnes in immediate future out of that some will happen this year, some may slip to next year that is all I wanted to say. Whatever team told us that we cannot control the exact quarter wise rate but there is absolutely no dilution from an opportunity standpoint.

Bhumika Nayar: Understood so basically what you are saying is next year could then kind of look.

Sanjay Majmudar: But again see let us get confined to this year so for example earlier we were saying a 25 30,000 tonne volume growth that volume growth may go down a little bit from say 15 20,000 tonnes having said that next year it could be a little more aggressive but I do not want to give you any number about next year till I reach Q3 or maybe a little closer to Q4. This is just the nature of business we cannot help it.

Bhumika Nayar: Understood the other question was related to the Australia entity so if you can just throw some light in terms of what is the addressable market for this stake.

Sanjay Majmudar: Okay we are looking at an addressable market for mining liners at say around 300,000 tonnes plus for the metal segment correct. Now we have one design capability already this is one more incremental so this particular company the Australia based company was very strong in designing a wide variety of mill liners so we have enhanced our designing capability and technological progress. They also have a very good access to certain markets so this adds one more feather in our cap for aggressively converting the mill liner opportunity and improvement of our volumes in that segment that is all. We work with a very complex set of parameters where it is very difficult to explain to you from a layman's perspective that what exactly as you know over last 10 years our journey is to keep on strengthening our technological progress and our solution giving capability. This is one more acquisition which is more on a technology and design side and they already have a steady sort of a business which they are currently doing correct and we are supplying to them lot of liners so it is a very complimentary kind of a situation.

Bhumika Nayar: Okay so does that mean that our mix in terms of accelerating growth while the overall volumes might be muted but mix might shift a little more favorably towards mill liners per se given our capacity.

Kunal Shah: Bhumika the point is that obviously grinding media is a product of interest right and mill linings complement that conversation because we are bringing in all these other benefits alongside so even with what we are doing in Australia like Sanjay bhai explained it is deepening the engagement with the customer what we are saying we will go out and sell some more mill liners right. Our objective is to get the whole piece of that grinding circuit which is mill linings and grinding media and to that extent grinding media to non- grinding media ratio will vary quarter over quarter and maybe for a period because something comes before the other but generally the product of interest remains to be grinding media so think of it that way.

Bhumika Nayar: Okay and Sir lastly in terms of the margin profile. I mean obviously this quarter was very strong and last two quarters we have seen that very strong improvement in the margin profile so do we think that while it may take some time to pass on the benefits of the lower cost to kind of client so this might remain elevated for the next one or two quarters and then kind of settle down towards our medium to long-term trajectory of 21-23%.

Sanjay Majmudar: I think a little more realistic trajectory could be a slightly about 23 24%. While we continue to report much better margins so as I said now we believe that this 23-24% seems to be a very consistently reasonable bottom that we can look at, it could be fluctuating quarter over quarter but it should maintain at a decent level.

Kunal Shah: And we live in a very volatile world right? I mean raw material like we cannot imagine everything else is corrected back to a certain level, our raw materials have not and they are going down and coming back up so in that situation there is quite a bit of uncertainty that is there and so going out and seeing years of margin is also a tough question for us also exactly so I mean freight and product mix will correct over a few quarters and what that number will be, at least for next one year like Sanjay bhai is saying it may be upwards of 20-22 and over a longer period it will get normalized to around 20-22% then.

Bhumika Nayar: Okay sure. I will come back in the question queue. Thank you.

Moderator: Thank you. Next question is from line of PA Garvit from Invest Analytics. Please go ahead.

PA Garvit: Hi thanks for the opportunity and congrats for a good set of numbers. My question is on the sales realization side, what is the range expected for second half?

Kunal Shah: The sales realization.

PA Garvit: Right.

Kunal Shah: It will vary between 150 and 165 depending on like I said a variety of factors rupee weakening was not part of this estimation when we have done last year right and the product mix changes so closer to 155-160 over next four quarters is what we can estimate right now.

PA Garvit: I think earlier it was 165 to 170 right.

Kunal Shah: No it is the same more or less because factors keep changing today it is this. I mean I do not recall when it was 165-170 but for now where we stand 150 to 163 is a fair estimation of where it could be.

PA Garvit: Understood and what is the exact reason means why these delays are happening in the conversion like you are negotiating with the customers and mines.

Sanjay Majmudar: Let me elaborate so we are working on say X number of mines say 20, 25, 30 new mining locations where there is a lot of debate, it is not a question of debate it is a question of process so you do trials and errors. You engage into discussions with their technical guys. They may come for a further evaluation then they may want to negotiate on the terms. This process typically takes one to one and a half years maybe a little longer in case of certain more complicated situations. Now to add to this there are local factors there are other local limitations that also we have to counter so it is a sum of all this where we have evaluated after the second quarter results where at the board there was a presentation done that how things are panning out and how things are looking, we felt that it could be a little shift from maybe one or two quarters that is all. We have not said that the opportunity has gone and as I said this is 100% beyond us. We are trying our level best. Our teams are engaging. They are very excited. There are lot of locations where we are working and as I said because technically our year ends by March 2024 we are talking of now two more quarters. It is possible that the volumes could come much better in Q4 than we anticipate but it is something that we felt that whatever we felt internally that this is what the reality we should convey to you that is all we will say.

PA Garvit: So going by that FY2025 can we expect 35-40,000 kind of volumes in FY2025.

Sanjay Majmudar: I told to the previous participant that we will come with a more precise number but broadly here you can look at least 30-40,000 minimum but again we will come to you with some more specific number as we approach the fourth quarter.

PA Garvit: Understood and Sir on your margin side so which are improving consistently over the quarters which is obviously a good thing but the problem is the reason for the same is not clear to me like it does not seem the operating leverage because our volumes are not that high if I compare with the past.

Sanjay Majmudar: You must understand our business is not running on operating leverage. Our business is primarily driven by an extremely wide product mix where we have products ranging from

Rs.80, Rs.100 a kilo all the way to Rs.250-300 a kilo. It is a function of product mix then it is a function of pass through so where every quarter or every 6 months when there is a price adjustment due to pass through on the raw materials in a few quarters we could be at an advantage that raw materials have actually come down a little bit but the impact is not passed down and therefore there could be a quarterly strength that might reflect in margin. Secondly more important it is also a function of the currencies as last year average currency rate was 79 now this year we are looking at 82-83 so that currency also moves in my favor because my imports or my foreign currency outgoes are minimalistic or they are practically zero and my inflow is very, very strongly positive now. It is very difficult to do a math and say that X is the contribution of Y factor etc, so it is a mix of all these three factors which keep on fluctuating but overall a sustainable margin at this point in time definitely looks to be upward of 22 to 24% as a pure operating EBITDA. Again freight has come down drastically so that also has an impact when you do a math as per percentage. Freight is actual cost pass through but when the numerator and denominator contains a lower amount as a percentage you will see an improved percentage.

PA Garvit: Understood but like you mentioned in the first sector like passing on raw material is causing all this things but Sir this thing can improve our absolute sales but the margin and the absolute EBITDA cannot improve significantly.

Sanjay Majmudar: See this quarter we had a very strong sales coming from non-grinding, grinding media and non-grinding, now non-grinding media comprises of tube mill liners, then mining liners plus all my VSMS those large castings where definitely our margins and profitability overall is much better while we do not share the internal segment wise numbers for strategic and competitive reasons so our product mix play I would say a very significant part and that is what is driving our margin.

PA Garvit: So what kind of product mix do you expect in the upcoming two quarters like is it going to be the same or how it is going to shape up?

Sanjay Majmudar: We have always guided that our long-term sustainable margin should be in the range of 23 24%. We are not saying that Q3 mien X hoga or Q4 mein Y hoga. We do not do that. We do not share the quarterly margin numbers. We just give an indicative guidance. You have all my historical data with you so I think we should always try to work and improve from what we are guiding but this is what our guidance remains from a margin standpoint.

PA Garvit: Okay Sir thank that is it for my side.

Moderator: Thank you. Next question is from line of Ashish Shah from JM Financial. Please go ahead.

Ashish Shah: Yes good evening and thank you for the opportunity. Sir could you help me with what was the average raw material prices like say steel and ferrochrome for the quarter versus May last year so how has been the Y-o-Y movement.

Kunal Shah: Listen it will get little too granular to start sharing. The idea of sharing raw material price was only to say that it continues to be at an elevated level and volatile otherwise your raw material is rare from an accounting reported number will be our average raw material price to our selling price. We will be unable to share exact price. You can just look at a ferrochrome at a scrap benchmark to see how things have moved.

Ashish Shah: Right fair enough second point Sir that while we have said that the freight rates and we can see that the freight rates have also come down historically, last few months they have been coming down but because of whatever is happening around in terms of the geopolitical issues are we seeing that go up again, have we seen any indications that in the coming months or quarters.

Kunal Shah: No not yet.

Ashish Shah: Not yet right and just a last bit so we obviously in our business model we pass on the impact of raw material and freight but what happens to the currency depreciation so is that a benefit that we as a structure retain that or we also pass on some benefit of the currency depreciation.

Kunal Shah: So except US and some countries end currency is not US dollar right. US dollar is a transacting currency. There is always importing currency on the other side and a lot of our pricing is ultimately a cross currency conversation. Yes generally a weakening rupee is better than an appreciating rupee but it is not fair to say that all rupee weaken becomes close to the bottom line. Generally it gets adjusted in our pricing because other importing currency would also have moved in tandem with Indian rupee so dollar pricing keeps getting adjusted as far as these cross currencies move.

Ashish Shah: Right got it. Thank you.

Moderator: Thank you. The next question is from the line of Puneet Pathani from CED Capital. Please go ahead.

Puneet Pathani: My first question is how difficult it is to manufacture high chrome grinding media and what prevents any new player from manufacturing and scaling up the same.

Sanjay Majmudar: My friend of course I will try to do a little bit of justice but for this I think you need to understand our business in a little greater detail. I will be happy to take it offline but just to very quickly give you a heads up we are 100% focused on providing customized solution so we understand a given application and design part to suit that particular application. We would have retrofitted hundreds of thousands of mills and equipments across the world in more than 125 countries. We have more than 100 different alloy combinations ranging from 5% to 32%. We have different heat treatment cycles for different types of solution. It is fairly complex so it is not easy for anybody to emulate the capability of providing a customized solution though it is not a rocket science we are a foundry and there would be hundreds and thousands of foundries across the world but there are very stiff entry barriers because once we provide a solution to a customer, there is almost 100% assured customer stickiness. We do not only reduce the costs but we reduce the overall cost of ownership and make their processes more efficient. We improve their profitability and all this we do as a package which is therefore very compelling so this is all a culmination of several factors over last 30 years that have given rise to all these entry barriers so even today on a very comprehensive basis we still an oligopoly between us and Magotteaux.

Puneet Pathani: Okay and the second question is just the extension of the first. I understand that it is very difficult to persuade and convince a minor to switch to high chrome grinding media and is there a possibility that once a minor adopts high chrome media or competitor could employ undercutting strategies to cannibalize our customer base.

Sanjay Majmudar: Do you mean to shift back to forge.

Puneet Pathani: No you have converted your customer to high chrome media and any other manufacturer for example Magotteaux undercut you and forge that customer.

Sanjay Majmudar: Theoretically it is always possible practically it is very difficult because Magotteaux operates under different operating circumstances. We do operate under a very different set of circumstances. All our plans are in India we have huge cost advantages as compared to Magotteaux but yes theoretically it is very much possible practically it is extremely improbable if not impossible.

Puneet Pathani: Okay just one last question. On what attributes do you differentiate your products vis-à-vis your competition and why we do not face a lot of competition from China.

Sanjay Majmudar: I will address the second part first. China quality of grinding media and the approach of Chinese players no way matches our quality standards between when I say it is AIA and Magotteaux both so vis-a-vis China we operate on a similar platform because we have the same or similar solution giving capabilities. However, therefore if you see overall so there could be one or two odd instances of some Chinese also quoting alongside us but when it comes to quality or when it comes to the addressing the customer requirements I think there no serious competition from China, this is point number one. Having said that China itself is a large market for cement and also a little bit of mining however bulk of that market is currently addressed by some Chinese players. We at AIA we are present in a very special range of products called larger castings or VSMS. We do not supply grinding media in China. Now your second question as compared to Magotteaux. As I said while we have significant advantages in terms of superior operating conditions, all plants in India significant cost arbitrage vis-à-vis the fact that Magotteaux operates with about 15 16s smaller midsize plants across various parts of the world. There is also another advantage that we are far more responsive and focused and we are able to give much quicker and better solutions from a quality standpoint. Certain things like for example mill liners technology which is a patented technology that we have plus certain designs of mill liners etc we have access to but I think Magotteaux does not have that so maybe from a capability standpoint we score a little higher but from an overall comparability they are more or less the same but it is just the equation of costs versus our capability.

Puneet Pathani: Okay that is it from my side and thanks for the opportunity.

Moderator: Thank you very much. Next question is from the line Santosh Kesari from Kesari Financial Service. Please go ahead.

Santosh Kesari: Hello Sir thank you so much for taking my question so I had two questions one is about accounting so in the consolidated accounts you can see that there is a withholding tax provision of 8 Crores 33 that is there in the note four to the quarterly financials so I was just wondering that what it is about if you can tell us and secondly if this withholding tax in the other country then is not it available as a foreign tax credit to you in India why should we make a provision.

Sanjay Majmudar: See this particular withholding tax was in one particular country, I mean there was no withholding tax as such but the government has withheld the tax. Our claim is for allowing us the refund but that refund claim is pending this is an African country where there are certain issues and therefore this withholding tax has been kept as it. Probably in our accounts we would have written of this. I think we have written it off correctly.

Kunal Shah: We are looking for a refund. We are working towards that but just to be conservative currently it stands as a as a write off but we continue to work towards getting a refund. It is a new jurisdiction that we are working with and that is one tax issue that we are trying to figure out a way around.

Sanjay Majmudar: Secondly from I mean this tax credit perspective we do get tax credits everywhere as per the DTSS there is no problem wherever it is available we get there is no issue. This is a one specific solitary instance.

Santosh Kesari: Okay so here we are not sure that FTC would come.

Sanjay Majmudar: We have written it off yes.

Santosh Kesari: Okay fine now my second question is about the demand situation in the order book so I think you have spoken about the demand situation. If you can tell us the present status of the order book and give us some outlook for the future from the order book perspective.

Sanjay Majmudar: So the order book that we publish is the actual purchase orders on hand which is close to about 700 Crores generally quarter over quarter but most of our contracts are long-term. We only produce on a made to order basis. We do not produce on stock and sell basis except so based on our long-term contracts, which is typically 3 to 5 years or even longer we have a very clear understanding and visibility of what is our run rate and how things are going ahead. Order book only reflects the quarterly situation.

Santosh Kesari: Okay so we are sure of whatever we are producing to sell right.

Sanjay Majmudar: I have a clear visibility of almost the entire year or even next year but the order book only reflects the current POs on hand.

Santosh Kesari: Got it sir so the demand situation is better than compared to the past two, three years because I will tell you the context where I am coming from see post COVID it was consensus that investment in mining is not so much and then world needs a lot of mining capabilities to come up in the near future so if that situation continues or the mining capabilities investments are done with and now we are looking at the replacement demand or the normal demand.

Sanjay Majmudar: See from our standpoint of course while the mining industry may continue to grow at say 3-4% or may not grow at all. Let us assume a situation does not grow, what we are talking about is that our entire focus is on the conversion opportunity 70-75% of the mining industry today does their grinding operations based on forge grinding media correct. Now what we are doing is we have come up with a much superior solution so between the ores that is gold copper and iron ore we talking of a very decent opportunity of anywhere between one and a half to 2 million tonnes vis-à-vis the penetration of 400, 500 tonnes between us and a few other players like Magotteaux and a few players on the liner side correct so liner ko separate kar lo even then we are talking of at least a million, million and a half unconverted opportunity which we are working on to convert so this is a pure 100% conversion based replacement based market opportunity and therefore we are agnostic to the mining sector growth. We believe our solution has a very significant benefit to offer vis-a-vis conventional forge media. The only difficulty is that the whole process is painstakingly slow because of a host of factors, local competition, local pulls and pressures, governmental road blocks like anti-dumping or some kind of similar duty opposition trade barriers then the mindset of the customer, the mining manager working with a limited budget where he is not really jumping and clapping his hands when I show him the profit that he can earn. All those factors collectively make my journey very harder having said that we are extremely confident that this should happen over a period of time and we see this as a longterm 5 to 10 year growth opportunity, rather than one or two years.

Santosh Kesari: Great to hear this Sir. At the same time the customer who are convinced and who are buying your products they are also sort of happy with the solution that they are getting right.

Sanjay Majmudar: Of course they are then they keep on buying for life and they need me every 15 days, one month, one day depending on how fast the consumption goes.

Santosh Kesari: Okay great to hear this Sir. Thank you so much for answering this in detail.

Moderator: Thank you. Next question is from the line of PA Garvit from Invest Analytics. Please go ahead.

PA Garvit: Hi thanks for the followup. Sir just want to know how economic activities are going on like what is the near to medium-term outlook in Australia as well as in Brazil in terms of mining.

Kunal Shah: Nothing significant to report. I mean the world continues as is copper and gold continue to be commodities of interest given end use that they have but nothing stand out to report in that sense.

PA Garvit: Okay Sir thank you.

Moderator: Thank you. Next question is from line of Nayan Chaturvedi from HSBC Mutual Fund. Please go ahead.

Nayan Chaturvedi: Yes thank you Sir. Thank you for the opportunity. Sir can you elaborate on this anti-dumping duty in Brazil. I missed some of your commentary on that part.

Kunal Shah: The five year period has just ended. They are going to do a reassessment there is a whole prescribed method to go about it and we are we are participating in that process right now by March of next year 2024 we should know the new regime that will come in once hey investigate and analyze data in last five years.

Sanjay Majmudar: And it is not disrupting my current supplies to Brazil it will continue.

Nayan Chaturvedi: If it goes against us right I mean so what could be the volume profile that we are supplying to Brazil.

Kunal Shah: Last year we did between 6 and 8,000 tonnes. This year we should be doing a little more. We do not expect a very adverse outcome in any case the duty is there right, the worse can be duty continues which we are living with right now.

Nayan Chaturvedi: Okay thank you.

Moderator: Thank you. The next question is from the line of Raja Kumar individual investor. Please go ahead.

Raja Kumar: Good evening Sir thanks for the opportunity. Sir I want to know is there any update on the Peru subsidiary and as well as the Canadian operations and the second question is the volume guidance which you are reducing now is that got anything to do with the impending global slowdown.

Kunal Shah: It is not linked to that no. What was the first question?

Raja Kumar: Update on your Peru subsidiary and any update on the Canadian operations and do you think the current standoff between India and Canada will impact us in anyway.

Kunal Shah: Not really ours is strictly a trade matter and in any case I mean it is a matter that is under subjudice meaning because we are party to that arrangement that is there as far as their last investigation was there and it continues. We are doing all we can to continue to sell in that market and nothing to report on that front right now.

Sanjay Majmudar: Nothing to do with the current standoff whatever yes.

Raja Kumar: Okay and update on Peru subsidiary. I think in last quarter you mentioned that we have started a subsidiary in Peru.

Kunal Shah: Because a lot of these places we have staff we have people on the ground. We need permanent establishment and that requires us to be creating those companies so it is more structure thing rather than a market thing.

Sanjay Majmudar: And of course we continue to work very aggressively on the South American opportunity including Peru, Chile everywhere.

Raja Kumar: Okay and Sir this global slowdown is not going to impact us from a growth standpoint.

Sanjay Majmudar: Let us just understand this is Europe. There is hardly any impact of overall European slowdown on our operations. South America, Australia all those geographies continue to do pretty well in terms of mining so no. Frankly there is no impact of the global slow down as such.

Raja Kumar: Okay Sir thank you.

Moderator: Thank you very much. Next question is from the line of Suraj from Asian Market Securities. Please go ahead.

Suraj: Thank you for the opportunity so any update on our capex expansion plan.

Sanjay Majmudar: Yes we are on track as Kunal explained. We have a capex plan of 500 Crores between this year and next year. This year we should do upwards of 300 plus that should increase our capacities the grinding media, Kerala JIDC Kerala plant of 80,000 capacity enhancement project should be over by December 2024 then there are some other debottlenecking or reorganizing plants which should add another 15-20,000 tonnes so we are absolutely on track so you should see about 440 going to close to 540 by end of next year.

Suraj: Okay thanks.

Moderator: Thank you. Next question is from the line of Kamlesh Kotak from Asian Market Securities. Pease go ahead.

Kamlesh Kotak: Good evening gentlemen. Sir just I do not know whether you touched upon this, can you help us understand how the mill market opportunity, how big it is what are the key markets which are the key competitors, how we are positioned that will be of great help, thank you.

Kunal Shah: So mill liner market is about 300,000 tonnes plus of annual consumption and according to our information there are three or four organized players operating in that industry. We have set up a new Greenfield plant with a 50,000 tonne capacity and we have got about 25,000 tonne capacity in our existing plant so there is about a 75,000 tonne market opportunity that we looking in this segment and the whole opportunity is not just to sell more liners but it allows us to engage with these customers in offering them solutions around increase in through put, lower par consumption in sync with our grinding media offering.

Kamlesh Kotak: So is it more of a cross-selling opportunity for our existing clients or we are taping new clients?

Kunal Shah: Both.

Kamlesh Kotak: And could you give names of who are the key players as you mentioned I mean if you can help us.

Kunal Shah: There is there is a company called Elecmetal. I can share that on an e-mail. If you can send me an email I will share you. We have got these other names I may not be able to spell each one but if you can send me an e-mail I will share all those details with you.

Kamlesh Kotak: Sure. Thank you very much Sir that is it from my side.

Moderator: Thank you. As there are no further questions I would like to hand the conference over to the AIA Engineering management team for closing comments.

Kunal Shah: Thank you for joining and Sanjay bhai and I remain available offline for any questions and we look forward to connecting end of third quarter. Take care and enjoy. Happy Diwali to everyone in advance.

Sanjay Majmudar: Yes happy Diwali thank you.

Moderator: Thank you very much. Ladies and gentlemen this concludes your conference for today. We thank you for participation and for using Chorus Call Conferencing Service. You may please disconnect your lines now. Thank you and have a great evening.