



## AIA Engineering Limited

May 29, 2023

To,  
The Manager (Listing),  
**The BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001  
**Script Code: 532683**

To,  
The Manager (Listing),  
**National Stock Exchange of India Limited**  
“Exchange Plaza”, C-1 , Block – G,  
Bandra-Kurla Complex, Bandra (E)  
Mumbai – 400 051  
**Script Code: AIAENG**

Dear Sir/Madam,

**Sub: Transcript of the Investors' Conference Call held on May 25, 2023**

Pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Conference Call between the Company and Investors on Thursday, May 25, 2023 to discuss the Audited Financial Results and performance of the Company for the Quarter/Year ended 31<sup>st</sup> March, 2023.

The aforesaid transcript is also being hosted on the website of the Company, [www.aiaengineering.com](http://www.aiaengineering.com) in accordance with the Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the same on record.

Thanking you.

Yours faithfully,  
**For AIA Engineering Limited**



**S. N. Jetheliya**  
**Company Secretary**

**Encl.: As above**

CIN : L29259GJ1991PLC015182

**An ISO 9001 Certified Company**

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**“AIA Engineering Limited  
Post Results Conference Call”**

**May 25, 2023**

**MANAGEMENT: MR. SANJAY S. MAJMUDAR– AIA ENGINEERING  
LIMITED  
MR. KUNAL SHAH — AIA ENGINEERING LIMITED**

**Moderator:** Good evening, ladies and gentlemen. Thank you for standing by. This is Lizann, the moderator for your conference call. Welcome to the post results conference call of AIA Engineering Limited. We have with us today the management team of AIA Engineering Limited. As a

reminder, all participant lines will be in the listen-only mode. Later we will conduct a question-and-answer session and that time if you have a question, you may please press star and one.

I would now like to turn the conference over to AIA Engineering management team. Thank you, and over to you, sir.

**Kunal Shah:**

Yes. Thank you so much. A very warm welcome to everyone. We are happy to report end of this year, fiscal year '22-'23. And the numbers for this year are very, very encouraging. We've seen growth after last few years of stall on account of various reasons. We ended the fourth quarter with sales of 73,500 tons on a production of 74,674 tons, translating into sales of INR1,251 crores, an EBITDA line item of INR379 crores and profit after tax of INR268 crores.

Major highlights for this quarter was when raw materials. Also, I'll just talk about the highlights for the year. We've done 291,000 tons for the full year. That's up from 260,000 tons full year last year with a top line of INR4,800 crores compared to INR3,500 crores for full year last year. EBITDA of INR1,475 crores, up from INR877 crores and profit after tax of INR1,055 crores, up from INR619 crores.

A couple of highlights for this year. This year has been the first full year after the COVID interruptions. And the setback that we got for duties, shipping costs going up etcetera. And happy to -- we feel that we're back into that growth mode. In this quarter, there is a reduction in other income related to forex, and that's largely on account of the changes in currency that we saw at the end of March. Of course, the Indian rupee has since recovered and some of that will get reversed.

When I compare sequentially Q3 to Q4, there is about 5% reduction at EBITDA level in currency terms, and there's another 5% on account of your cost of goods sold, and that largely reflects increased change in product mix. There's also a price pass-through, which is adjustment on the lower side. And we also had actually, raw materials go up this quarter from the previous quarter. So while the selling price was reflecting the lower raw material price previous quarter and hence a lower selling price, but my cost on the other side has gone up a little bit.

So on that account, there's a 10% -- almost a 10% sequential reduction in EBITDA, and that's in line with our commentary last quarter that -- this is a super normal margin. And when there's a pass-through both ways, and there is -- there will be a pass-through when raw material prices go down and that's reflected in this quarter's numbers. Of course, the raw material prices have still been up last quarter, and we're seeing a little higher raw material price this quarter as well.

And that's a constant situation. So we don't spend time estimating the future, imagining the future and where it will be. Thankfully, our business model allows us that full pass-through. So it will be where that number ultimately end up that way.

Some key other numbers, our export benefits are a little higher than the first 3 quarters because there's a 1% RoDTEP, remission of duties and taxes on export that has started grinding media.

So there's a little bit of increase on that account. So it's a INR21.75 crores compared to INR16.90 crores in the sequential third quarter.

Our treasury income is at INR48 crores compared to INR42 crores, largely in line with our cash. We are at about INR2,550 crores of net cash and the treasury reflects that. But the main changes in the foreign exchange, which gained, which was at INR75 crores approximately in the third quarter, that's reduced to about INR15 crores. INR60 crores sitting in that account. And I think some part of that will get reversed as we go forward because of the weakening rupee. But that's a change that will keep happening on an ongoing basis.

I think our working capital is largely in line -- receivable at 63 days comparable to the third quarter, WIP and raw material, again, a number of days terms largely flat. Our growth are 73,000 tons, 3/4 of that, about 48,000 tons came from mining and 25 is non-mining, which is cement and thermal power and quarry, the 3 industries that we service. And so for the full year, we are about 192 in mining versus 170 in the full year last year. And non-mining has grown from about 90,000 tons to 98,000 tons, and that's the breakup for the growth of that 30,000 tons.

A few other key numbers, if I were to reflect on. We are -- as a business, we are doing some restructuring of our plants, our manufacturing footprint as far as our non-grinding media is concerned. There's some amount of automation, upgrade, debottlenecking, creating some warehouses, etcetera, to allow for some improvements in operations.

So we have overall earmarked INR200 crores towards that reorganization, which is land for that warehouses, we need to build some extra storage places, some decongestion automation. And they're doing some extra molding lines which will not enhance capacity, just increases our ability to do some type of parts. So all of that put together is about INR200 crores.

As a result, there will be operational and productive outcomes, but there will also be about 20,000 tons of non-grinding media capacity that we will see an increase with. And it should take about 4 to 6 months for some of that to come through. So I think we expect between October and December, that additional 20,000 tons of capacity, non-grinding media capacity to come up.

So over and above that INR200 crores, we are already working on a grinding media project, which is 80,000 tons enhancement. That project from where we stand, some delays in that execution on the design, procurement, etcetera, will take up to end of 2024 to get implemented.

And there's about INR150 crores capex on that account. So we have a INR350 crores total capex, both these line items, and about a INR50 crores in renewable investment that we are looking to do. So after that investment, after the INR50 crores renewable, we should -- on this year, power consumption, almost 40% of our power will then come from captive and renewable sources. And this is largely constrained by the regulatory aspect within the states that we operate, I think.

From we were at 18% or 20% the year before, this year, we are at about 23%, 25% -- 27%. And we'll go up to 40%, 42% going forward on current year production. As we grow

production and consume more and have more connected load, probably we can add more captive renewable sources and take it from there.

So about a total INR400 crores broad capex, the grinding media capex will be between this year and next. Let's say, half an hour. The debottleneck for our non-grinding media and the wind will be surely -- some part of it may be next year, but wind is surely this year, the other part. So as of now, this is the total capex spread between this year and next, about INR400 crores.

Okay. So besides that, we are happy to announce that the board has today declared a dividend of INR16 a share and that'll roughly be about INR150 crores of outflow for the company. So that's what we are happy to report. Our order book is at about INR770 crores, but as we explained that these are orders, not reflecting the contractual commitments, underlying those orders.

From a business standpoint, multiple efforts and which we have kept talking about in the past, where we are doing interventions with the customer in terms of our mill lining abilities, mill liners and the whole proposition that we have on that side. We continue to focus on the chrome benefits as far as the down process, the benefits are concerned for gold and copper. And continue to reinforce with existing customers and adjacent customers in those geographies.

I think with that said, I think we look to be comfortably placed to grow at a 30,000-plus rate as of now and continue with a guidance of 20%, 22% operating margin, and more, if we can, but that's the model going forward. Our weighted -- our realization per kilo is at INR170, which is comparable to what it was last quarter. And it reflects a product mix change also. I think there's a little more of casting this quarter versus grinding media. And that's why -- you're seeing -- otherwise, given the price pass-through, this would have been 3%, 4% lower. That's the only thing that I would remark about.

I'll have Sanjay Bhai share his opening thoughts, and we can get to...

**Sanjay Majmudar:**

Good evening to all participants. Thanks, Kunal. Just a couple of very quick observations from my side. So one, of course, this year end and quarter marks a milestone for AIA in the sense that we have crossed -- the total income has crossed INR5,000 crores with INR5,143 crores being the total income reported. And the profit also has simultaneously across the important benchmark of INR1,000 crores with our PAT after minority interest reporting at INR1,055 crores.

A couple of very quick observations. If you see in the last call, we were very candidly clear that this 39% should not be read as something which is constant and we've been sort of vindicated in the sense that, that one-off INR75-odd crores of FX gain has significantly reduced plus the impact of the pass-through on the negative side has come in this quarter, which has resulted into the Operating EBITDA becoming in a more realistic range of about 30-odd percent.

And on an entire year basis, it is about 24%, 25%, which is also reflecting what we have been saying. As we know, quarter-over-quarter amendments and adjustments are not something that

we look at, but it is more on an annual basis, and that is what we were actually quite clear about.

Second point, in our presentation, we are talking of a capex of INR200 crores. But actually, the total -- that INR200 crores is only with respect to ongoing brownfield expansion plus the wind part and the real actual picture is what just Kunal said, INR400 crores. So we'll also make some adjustments and amendments and because it's a little bit in a hurry. So we will be, again, uploading it.

But this is just for the benefit of all, broadly that the current year broadly capex is INR400 crores. Bulk of it, close to INR300 crores coming this year, and about INR50 crores to INR100 crores going next year. This is the broad. And lastly, all of our growth drivers are very much intact. The business opportunity is absolutely the same, tremendous efforts all over the key markets are being on with a total focus on mining, conversion from port to hydro, that being our main stay. A lot of new business directions are also being added through mill liner efforts. So all in all, the story remains the same. We are all remaining equally committed and excited. And I think going forward, we should be able to see how the things unfold. I think with this, I request the moderator to open the house for Q&A.

**Moderator:** Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

**Ashutosh Tiwari:** Congrats on a good set of numbers. So firstly, on the realization part, you mentioned that obviously, this quarter is a bit higher due to this mix change with costing being higher. But that number, say, 3%, 4%, lower than this, will that sustain going ahead? Or is there some pass-through of that or plate or RM or anything remaining?

**Kunal Shah:** What are you saying whether this...

**Sanjay Majmudar:** Whether INR170 will sustain.

**Ashutosh Tiwari:** You said INR170 is maybe 3%, 4% higher than normal and because of castings and all. So if you remove like, say, then INR160 plus is sustainable number going ahead in terms of realization per ton -- per kg?

**Moderator:** Ladies and gentlemen, we seem to have lost the audio from the management line.

**Kunal Shah:** Ashutosh, INR170 at current raw material should hold. It's a product mix issue. So to that extent, it can change maybe. As of current raw material and current situation, between INR160 and INR170 is where it should stay. I mean there are too many variables for us to answer, give an objective answer.

**Ashutosh Tiwari:** Yes, I got it. Got it. But the freight cost, everything is now fully passed on. There is no something on that is nothing remaining as such.

**Kunal Shah:** No, no. It's fully passed on to the customer. And it's reducing. So there is some amount of pass-through that will happen.

**Ashutosh Tiwari:** It will happen in next quarter?

**Sanjay Majmudar:** Yes, it is an ongoing process.

**Ashutosh Tiwari:** Then the margins are probably settling at higher levels than what probably is a longer-term thing maybe because -- is it because maybe South Africa was lower margin, and that's why is that the reason why margin is probably settling at higher level?

**Kunal Shah:** I don't think there is -- there are plenty of variables, no Ashutosh, for us to say one thing like that. But your question was freight, there's some amount of pass-through to the customer that will still happen over -- that's an ongoing process like Sanjay Bhai said. I mean these are costs -- and our ability is there to pass-through. And then that will be -- that's all I think we can help you with just now on it.

**Ashutosh Tiwari:** Okay. Got it. And secondly, you mentioned this 20,000 tons of non-grinding media capacity, this is liner or castings?

**Kunal Shah:** Castings, castings. We have the whole order of cluster where we do...

**Ashutosh Tiwari:** Yes, yes. But that is mainly for cement, right?

**Kunal Shah:** No, no, no. We have mill lining. We're doing vertical mills. We're doing thermal power stuff over there. And it's integrated with our new plant also, right? So we are doing some parts, some work with the new plant also where the flexibility of the parts, the parts we can make have required some amount of equipment. And sometimes you to invest. Your headline capacity is there at 50, right? But then their ability to produce what is also -- they're doing right from 50 kilos to 20 tons and it's not always possible to estimate.

We take a certain amount of estimate to say let's start with this equipment. So just now based on what we are foreseeing for non-casting, there will be some amount of investment just to widen our product portfolio within the sizes of castings that we are handling right now. Of course, and these are older plants we need to bring in automation. We need to decongest, right? So we are retooling them for next 10 years, basically.

**Ashutosh Tiwari:** Okay. Okay. Got it. And liner, also the volumes this year?

**Kunal Shah:** Liner volume was about 25,000, 26,000 tons.

**Ashutosh Tiwari:** Okay. And this should grow to around 35,000-plus next year, say '24?

**Kunal Shah:** We'll do 10,000 each year, I mean, 25,000 should be closer to 35,000 next year, at least. I'm talking of mining liners.

**Ashutosh Tiwari:** Yes, yes. Okay. And in terms of like the demand outlook, is there any change or demand remains strong? And which metals right now are doing better for you in terms of growth cost...

**Kunal Shah:** The same is -- business as usual because we are not with a 0 underlying business, economic trend that affects our business. Gold and copper and cement are commodities that will -- and

they will continue to be produced and used with a small variation here and there. Their end prices may change to market sentiment, economics, etcetera. But I don't think it just -- it's a -- we continue to do the boring job.

We have to go to the customer do all of that, right? And we are replacing -- converting from an incumbent to us, that's the journey that we have to do, generally unaffected by global factors. Higher shipping price and all of those things are more important to us than really how is gold doing or how is copper doing or how is iron doing.

**Ashutosh Tiwari:** No. I meant mainly the cost of relation that we work in copper and gold. So will copper and gold...

**Kunal Shah:** Nothing to report over the last quarter or 2, Ashutosh.

**Sanjay Majmudar:** It's the same, Ashutosh. Our focus is absolutely the same.

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

**Ravi Swaminathan:** Congrats on a good set of numbers. My first question is with respect to the mining efforts that we are taking in terms of new geographies, etcetera. Any thoughts on that? Are we looking at newer countries in terms of addressable market? Any thoughts on that?

**Sanjay Majmudar:** So Ravi, actually, all the key markets, which are very, very important would include, of course, the North American market, the LATAM. They remain the markets of absolute star focus. Australia remains a very important market. CIS remains a very important market. So all those markets -- the whole issue is that -- as we explained, it's an agonizingly long process of conversion. And the market, the dynamics, everything remain absolutely the same. Chile, Peru. These are all extremely critical, Brazil. So similarly North America, Canada, they are all very, very important. Gold and copper remain the key driving force. Iron, of course, is there. So it's absolutely the same.

New customer development continues. A lot of new mines are under discussion, regulation. Again, onboarding important, good number of people. Training them continuously, that all processes have to continue to make sure that our bandwidth is available. And conversion, as you know, is a very long process. So we are at it, absolutely.

**Ravi Swaminathan:** Got it, sir. One more question. So working capital has kind of improved this year significantly.

**Kunal Shah:** Yes, you're right. Yes.

**Ravi Swaminathan:** Any reason behind that? Or...

**Sanjay Majmudar:** It will -- I would -- it's a little more conscious efforts and also the fact that because of improvement in shipping times and other things, the inventory which was in transit, that impact is also reducing a little bit.

**Kunal Shah:** And that's what we have guided as well, right, that we are carrying extra inventory during COVID and uncertainty around shipping times, I think it's just a little bit of alignment back...



- Sanjay Majmudar:** So 7-8 days improvement in finished goods holding, a few days improvement in data realization. So yes, there is an overall...
- Kunal Shah:** It is an ongoing process, but the COVID shipping is what helped us with the finished goods.
- Moderator:** The next question is from the line of Garvit Goyal from Nvest Research. Please go ahead.
- Garvit Goyal:** Sir, my question is from other income side. So like you earlier mentioned in the other income, forex gains are constituting a significant part. So can you give me a number, how much is for closing FY '23 out of this INR240 crores of other income is the forex gain.
- Kunal Shah:** Out of -- there is a...
- Sanjay Majmudar:** We have given the breakdown.
- Kunal Shah:** Forex gain for the full year was INR58 crores last year and INR99 crores this year.
- Garvit Goyal:** And you are mentioning it is likely to give us in FY '24, right?
- Kunal Shah:** No. I was saying that at the end of Q3, our foreign exchange gain was at INR75 crores, right? In Q3 -- between Q2 and Q3. Essentially, that was the difference. Some realized some not because the rupee came down and then weakened in that quarter. And as you would know that in the fourth quarter, January to March, rupee is tender, right? While the rupee has subsequently in this quarter, weakened again, I mean, that -- I was just explaining the drastic reduction from INR75 crores in third quarter to INR15 crores in the fourth quarter.
- Garvit Goyal:** Understood. Understood, sir. And sir, again, on the realization side. So like currently, these are INR170,000 kind of. So my question is on the -- how much of this realization is the kind of permanent one, like due to the product mix only?
- Sanjay Majmudar:** No. So it's very, very difficult to give you exact math because it is a function of several factors. One is the product mix, which is a very important factor. Second is there's always a lag of pass-through either on the increase of raw material in freight and decrease of raw material in freight. Again, the product mix variation is also very, very vast. If you see the lower end to upper end, we are talking of INR80, INR90 all the way going to INR250. Again, so there are multiple sets of factors that work. We, therefore, generally, historically, we have been giving this data.
- Actually, internally, we do as a percentage of operating EBITDA, which is the best yardstick for us also. And I think that's what we have been always saying 22% to 23% is what we have been consistently focused on. Yes, some quarters, we have done better. Couple of quarters, we might not do as good, but over a longer period, a consistent percentage pure operating EBITDA is what would be the best yardstick to monitor us.
- Moderator:** The next question is from the line of Dhavan Shah from AlfAccurate Advisors. Please go ahead.

- Dhavan Shah:** My question is in the last con call, I think we mentioned that the volume guide for '23 was roughly 2,95,000 to 3 lakh tons, against which we did roughly 2,91,000 tons. Can you please share, I mean, what led to miss the roughly 5,000 to 10,000 volumes for this FY '23? And this will be shifted in the next fiscal or not? Because your guidance is roughly 30,000 tons, which you already shared the last con call also that the FY '24 guidance would be roughly 30,000 to 40,000 tons. So this incremental 5,000 to 10,000 missed will be added in the FY '24 numbers? Is that understanding correct or not?
- Kunal Shah:** Okay. So I'll just answer that question quickly. It's more indicative in directional. There are -- we shell to more than 120 countries, there is shipping involved, right? So there's always a few thousand tons that move here and there. 30,000 tons, whether we did -- I guided 2,95,000, we did 2,91,000, so it will be 30 plus 34, it doesn't work that way. It's only directional. So we'll do additional 30,000 -- Exactly. So -- it's only directional. We may do 25,000, we may do 34,000. Directionally, we are saying that it looks to be headed that way next year.
- Dhavan Shah:** Okay. And can you share the ferrochrome price for the last quarter Q4. I think in Q3, the price was roughly INR120 a kg. So is that almost the same or not?
- Kunal Shah:** That was lower -- it's gone to -- I don't -- see, it's difficult for us to -- we work with several alloys. These are all directional answers. It will be difficult for us to do. But ferrochrome as we speak is about 5% to 10% higher than what it was end of fourth quarter -- end of third quarter.
- Moderator:** The next question is from the line of Dhananjai Bagrodia from ASK Group. Please go ahead.
- Dhananjai Bagrodia:** Wanted to ask you, sir, our freight cost, is it till boat or till the final customer?
- Kunal Shah:** It depends. For majority of the customers, it's still the final customer. We generally do a delivered basis. But there will be customers who want if FOB, CIF at the port, etcetera. So all those combinations are possible, but largely delivered to the customer.
- Dhananjai Bagrodia:** Okay. And maybe I missed this with all the noise going on, but just roughly what -- any volume guidance you would give for the company as a whole for next year, '24?
- Kunal Shah:** About 30,000 tons for next year.
- Dhananjai Bagrodia:** Okay. And any margin guidance?
- Kunal Shah:** No. 20%, 22% is our -- 20% to 22% is a directional profit guidance.
- Dhananjai Bagrodia:** And sir, lastly, I just wanted to ask then, let's say, in mining or now in cement, are we seeing any particular increase happening in overall capex between any of the clients we have? Because on the other side, we're not seeing so much mining growth happening in some of the commodities we track. Are you all seeing that?
- Sanjay Majmudar:** No, no. So let me first clarify that our growth is more of a function for our conversion cycle getting positive in our favor, given the fact that there is a very significant headroom between the current role of penetration of ferrochrome vis-a-vis the current market. So assuming for a moment that -- okay, so we all know that mining continues worldwide with a growth of maybe

single-digit 3%, 4%, 5%, 6%, whatever it could be. But assuming that there's no growth, even then with the current penetration of, say, about 25%, I have a headroom for growth for conversion. And that is what is driving our growth.

So our is completely, we are very agnostic to the industry growth and capex cycles. Having said that, copper and gold both are very, very bullish, overall the approach, as you know, in EVs and everywhere copper is required. Gold is a commodity. Gold is a metal, which is always in demand. Iron continues to be the metal, which is normal growth with the overall world growth. So I think generally, as I explained, we are not very particular about the capex cycles. Having said that, we see some positive capex cycle, but our total focus is on conversion rather than those capex cycles.

- Dhananjai Bagrodia:** Okay, sir. No, definitely. Perfect. And you said INR400 crores capex over the next 2 years.
- Sanjay Majmudar:** Yes. Yes.
- Dhananjai Bagrodia:** And sir, would working capital...
- Sanjay Majmudar:** That's the minimum. That could be a little higher, but this is as of now.
- Dhananjai Bagrodia:** Sure. And will working capital be in the similar range as it is now?
- Sanjay Majmudar:** I think you can take it in the similar range. Number of days, overall.
- Moderator:** The next question is from the line of Priyankar Biswas from Nomura. Pleas go ahead.
- Priyankar Biswas:** Congratulations, Sanjay Bhai and Kunal Bhai for the good set of numbers. The first quick question is, I see some debt that you have taken all of a sudden, I mean, a bit of a surprising. So...
- Sanjay Majmudar:** No, no, no. So that is -- basically, Priyankar, the working capital foreign currency borrowings...
- Kunal Shah:** I think these are normal treasury operations, Priyankar.
- Sanjay Majmudar:** It's basically packing credit. Exactly. They're all optimizing our treasury.
- Priyankar Biswas:** So packing credit, those sort of things, essentially. Like that -- like on the balance sheet that it was just present, something like that.
- Sanjay Majmudar:** Yes, around INR400 crores, correct.
- Kunal Shah:** So cash is INR3,000 crores, we've got INR400 crores, INR450 crores or debt. So you have a net cash of whatever, right? So we haven't reported gross cash -- but these are treasury operations that are normal and customary at this level of working capital.

- Priyankar Biswas:** Okay, understood. The second part is typically in fourth quarter, your non-mining volumes tends to be quite high. But this time, what we are seeing is that the March quarter non-mining volumes are lower than December. So any...
- Kunal Shah:** But I keep explaining every time there is no trend, there is no trend. I'm happy it's that way because I can now get away from that question on the fourth quarter. It does us no good to report a great fourth quarter. There's no reporting on an annual basis. You guys grill us every quarter, nevertheless, right? So I mean, it happened that way. There are so many -- every container is an invoice for us and there are various -- what happened that quarter, the concentration of customers, the delivery lead times, etcetera, that comes into play.
- Sanjay Majmudar:** No, there is nothing cyclical about our business, so to say, really.
- Priyankar Biswas:** Also, additionally...
- Sanjay Majmudar:** It is all driven by a particular requirement...
- Kunal Shah:** This quarter also see the West has cement plant shutdowns because of winter. There are times when they place it in the third quarter, sometimes in the fourth quarter. So there are underlying things, but nothing that's a given saying fourth quarter will always be more. Understand.
- Priyankar Biswas:** Okay. Understood. So it was merely just it used to happen like earlier, I mean no definite trend?
- Kunal Shah:** Exactly, correct.
- Priyankar Biswas:** So what I see is this time the other operating income is higher. So you explained that there was a 1% RoDTEP received -- So this should continue in FY '24 and '25, right? So essentially by that quantum it should be higher?
- Kunal Shah:** Yes, yes. As long as the policy continues.
- Priyankar Biswas:** Same policy if it continues, as you -- Also, one more question, if I can squeeze in. So any developments in Canada or Brazil related to the antidumping matters?
- Kunal Shah:** Not really. Our Brazil duty will come up for review middle of this year and will take another year for its process. But like I said, it's now -- this is something that we have to deal with. Canada is there's a well-settled administrative process in place and which we are complying with.
- Sanjay Majmudar:** And our dispatch is continue.
- Priyankar Biswas:** Okay. So when can we hear anything about Canada?
- Kunal Shah:** Sorry?
- Priyankar Biswas:** So when can we hear about any updates from Canada?

**Kunal Shah:** We shared Canada to say we lost volume when there's a duty thing. Now it's part of all the other countries that we're doing. I don't think Canada needs special attention beyond that.

**Sanjay Majmudar:** And our volume growth is economic to that.

**Kunal Shah:** Everything else that we're doing that Canada is not a material part of our things. It's an important market. And we'll deal with it, right? The growth cannot be contingent on things happening there. I mean the mindset in which business is being structured.

**Moderator:** The next question is from the line of Ganesh from Dhanalakshmi Investment. Please go ahead.

**Ganesh:** Sir, I just wanted to know about the strategy of our company broadly. So when we say that lining market and the grinding market is shifting from legacy players, we are also seeing some lining kind of composites or polymers or even ceramic-based grinding media. So how do you see our right to win in chrome-based media and lining? And how do you evaluate that currently? so that will be my first question.

**Kunal Shah:** I think there are 2 parts to the answer. One is underlying structure of the business for the contrary to everyone else on the call, I think it will be a longer answer, and Sanjay Bhai and I can help you offline with that. Ceramic is a print solution, right? There is -- as far as grinding media is concerned, there is force in this cast hychrome. We do not offer commercial third spherical medium to grind input feed. So today, I think these are -- there will always be fringe elements, small parts here and there being used. But -- and they may be in that zone for many, many years or decade. So from a grinding media standpoint, there is no alternate material coming in.

As far as mill linings are concerned, you always had -- the current market also uses metal hybrids and rubber, and each has its own independent silo. And we will also have a strategy for hybrids like others may and there is enough market for all of us to grow. I mean today, 50,000 tons capacity that we have, I think we are not too much bothered by the macro hybrid versus rubber versus steel and all of that.

I mean it's a far more layered solution that we have, where we are going and talking about increasing throughput reduction in power and other things within the metal side, right, today. And then that's a large market for us to not really worry about those -- there's no point in debating or discussing another company strategy or another person's view over here. I mean there is a market for hybrids and there's a market for rubber and a market for steel liners. I think we'll leave it at this for now, and happy to do offline for overall strategy for the business.

**Sanjay Majmudar:** Just a quick add, what solution we have in mill liner, I don't think anybody else can offer. I mean that is the uniqueness of our solution.

**Ganesh:** Okay, sir. Got it, sir. Thank you for that. Sir, coming to the chrome-based media in particular. So how do you evaluate our current competency or current competitiveness in this market?

**Sanjay Majmudar:** Now -- see, very honestly, we believe that we have climbed up the knowledge chain quite a bit in terms of our competencies. So in cement, I think unquestionably, we would be a quality

leader across the globe and the kind of solutions that we have, any type of mill, any type of equipment, we have that solution. Similarly, now in mining with our focus on the chrome and the wear rate advantage that our product brings, plus the DP or the down process benefit that we have demonstrated and the mill lining uniqueness of the solution.

Again, we believe that we are a very unique company offering all these under one roof. On a very composite basis, there is -- of course, there is competition. So there are companies like Meghatop, they compete with us. Then on the forging side, you have the Molycop and the Electmetal. And then on the mill line, you have Bradken and Norcast etcetera. But one company having all these capabilities and also very unique benefits or solutions that we can bring on table, I think, that's a very sweet spot to us, and we continue to remain very focused in taking advantage of that situation.

**Ganesh:** Okay, sir. And my last question would be on the cash and other investments that we have in our books. So do we have any planned out any strategy for...

**Sanjay Majmudar:** No. So -- right now, yes, we understand there's a very decent amount of we are generating and utilizing. However, having said that, significantly large capex is still on cards. And we believe that we should reach at least a significant level of penetration. Any opportunity can come across. We should be ready with any situation. So we believe that we want to remain a little more comfortable with higher level of cash, at least, for maybe minimum one more year or maybe even a little longer. That's our internal thought process.

**Moderator:** The next question is from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.

**Aniket Mittal:** A few questions. So firstly, on the mill liner part, it seems to me that we've done about 5,000 to 6,000 tons from the new mill liner facility this year. And the plan is to go or add another 10,000 over the next 1 year. So if you could just throw some light on what lenses that visibility to ramp this up in FY '24 in terms of the trials that are undertaken.

**Kunal Shah:** We have already shared our overall guidance that we'll add about 10,000 tons of mill lining a year. Idea is to fully utilize the plants in 4 months -- 4 years -- 50,000 rated capacity, so we should be able to do between 40,000, 45,000 and comfortably add 10,000 tons of -- is the current plan. So that's all within our current utilization.

**Aniket Mittal:** Could you maybe just throw some light with geographies, you're probably getting traction on for these ramp-up in mill liners? What is the number of sites where trials are happening?

**Kunal Shah:** Yes. So there are 3 types of customers. Our existing customers who has a -- who -- where we can try and open up a relationship. Second is new customers where we are doing it with our own design. Third is with the new design, right? So there's a whole variety of these people are -- it's a very conservative market. People don't want to change their incumbents or existing peers. The ultimate strategy is to sell more grinding media.

The idea is not just to sell mill liners. So our wish list is to go to a customer where we can sell a whole solution, which is mill liner and grinding media and offer the whole gamut of benefits

that accrue by using our old combination, right? So that it takes within these 3 parts. And this is to customers wherever there is mining being done. So no special focus on one geography.

**Aniket Mittal:** So our current mix is also fairly diversified, that would be fair to say for the mill liners?

**Kunal Shah:** Current split is -- so current sales you're saying is also split amongst geographies, right? That's your question? Yes, there's no one country doing 50% sales or one customer doing 50% of that.

**Aniket Mittal:** The second question was just to harp on the non-mining front. You talked about this being fairly volatile in nature. And we've seen that over the past 4 quarters, but let's say, going ahead, how do we look at, let's say, the volume growth of...

**Kunal Shah:** So it is not volatile. We said billing invoicing cannot be sharpened to every quarter. I mean there is -- it moves between quarters here and there. But broadly, we've done about 90,000, 95,000 tons. We don't expect a lot of growth coming in from there. So -- I mean it is linked to the cement market overall and the thermal power in India, and these are not industries that are fundamentally growing and most conversion has happened to chrome. So we are not factoring growth or budgeting any of that. Whatever the market grows or additional requirement comes in, we'll be a natural beneficiary of that.

**Aniket Mittal:** What would we expect between, let's say, cement and utility within the...

**Kunal Shah:** I don't think it will help any further analytics because that's our pocket of -- we are not sharing further granular information on it and probably won't help any further evaluation of the business.

**Moderator:** The next question is from the line Bhoomika Nair from DAM Capital. Please go ahead.

**Bhoomika Nair:** Congratulations on a good set of numbers. Sir, my question was you're talking of an incremental 30,000 tons of volumes annually. Now with the mining liners capacity coming up and a lot of our solutions, which are now much more like a solution base rather than just only the castings or the grinding media and everything because it's kind of a complete integrated solution that we are offering. I mean we're looking at a 10% kind of a growth as such going forward. So shouldn't actually the volume scale up be faster now that we are having a much better integrated solutions and offering now?

**Kunal Shah:** You're absolutely right, and that's what we are working towards, right? But there is an overriding layer of context to this industry, which is customers being conservative, right? There is an element of decision-making. There are these other variables which are a strong influence. And what that does is it limits our ability to forecast and give a certain figure, right? For us to go out and say 50,000 may or may not be easier. It's easier to do, but it's easier -- it's difficult to forecast.

So I think that's where we are coming from that -- the beauty of the business is not going to be a rapid J-curve growth. It's the steady stability that comes with that growth is because the customers pay, right? I don't have to go fish for that one more order, one more customer which

somebody else is trying to pry away, right? That's the beauty of this business, that -- it could be a slower growth, but it's a surer growth throwing out reasonable free cash flow and profit. I think that's the nature of our business.

I mean, the joy is not to go and say we did 100,000 tons a year, right. The joy is to go become the largest in the world and whatever time and effort it takes towards that. But answering -- the short answer is yes, we would hope and wish that it's more. But the experience has taught us that there is some variable that can go against us. And we don't know what that is. And that's why rather than forecasting and trying to explain variance, we're saying here's what's possible. It's more directional answer, as you know. This is not a studied specific answer.

**Bhoomika Nair:** Right. Because where I was coming from is that we are already at 440 by the end of this year with the additional capacity coming in, and we'll be at 520. And then we are talking of also debottlenecking a little bit, which will further add capacity. And if we are adding 30,000 on an annualized basis, that would mean that utilization levels and asset on would kind of fall quite a bit because you would have 350-odd or if I take broadly a 30,000 tons of incremental. So -- will we possibly go slow on expansion

**Sanjay Majmudar:** Bhoomika, no, no, so let me stop you there. See, 30,000 is a doable number as we speak today. But as we explained, there are several mines on which we are working. There are many, many opportunities on which we are working. A significant conversion or a major conversion can ramp up the volumes much better than what we are talking, and that is the reason why we're feeling encouraged to go on expanding our capacities, correct? .

The problem is, as we have explained again and again. This conversion process, we work with several constraints. The mines, they work with a fixed budget. They need a lot of conviction. Our solution has fantastic results, and there are a lot of demonstrating the fact that we have also talked to the mines. It takes a little while. Now there would be an inflection point where we can say that, yes, we can grow much faster. We hope we should reach that inflection point sooner and as we reach things can change. So -- but let's -- as of now, let's go with this number, at least, for this year. Let's not talk very long term. Otherwise, there's no point in my expanding, no.

**Bhoomika Nair:** Sure, sure. So the other aspect was on the margin profile. Now obviously, margin has kind of moved up whether we look at it on a per ton or a percentage basis, etcetera. Now as we're expanding our volumes and driving volume growth, how is the competition? Do you think that we'll need to scale down if you want to grow volumes a little more aggressively? Or do you think that can happen hand-in-hand together?

**Sanjay Majmudar:** No. So frankly, we have to have a mix of everything. So then wherever the chrome advantage is moderate, we have to be very competitive in pricing. Wherever we want to have a breakthrough in a mine and that mine manager doesn't want to budge with his budget, we have to again be competitive. But over a period of time, we have demonstrated that for certain pockets and certain businesses where our titration is more based on significant value add, the pricing as a stress is not the only point that really can impact us.



So I would say at this point in time, a 22-odd percent sustainable pure operating EBITDA is something that we are very, very sure of. There is definitely room for improvement. But at this point in time, for the same reasons, we are not giving any guidance for any margin expansion. Having said that, there is good room for margin expansion. Let's see how it goes. You have to wait and watch.

**Bhoomika Nair:** Sure, sir. Sir, just lastly, we have about roughly INR2,500 crores, INR2,600 crores of net cash on books. And obviously, every year, we are generating a huge amount of free cash flow, which can easily fund working capital and capex requirements. So any thoughts on usage of cash? While we have announced a INR16 dividend, yet I think the cash is quite high.

**Sanjay Majmudar:** INR16.

**Bhoomika Nair:** Yes, yes. But despite that, I mean, there's decent amount of cash that is left behind.

**Sanjay Majmudar:** No, no, I agree. So as I said, we have conservatively decided to have a little higher holding at least for another year. I assure you there will be -- there is a very conscious and continuous discussion in every board meeting on this. And there would be at an opportune time, something that we will do with extra cash, either consider giving you back or doing something which is there. But I think let's wait for a while.

**Moderator:** The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead. There seems to be no response from the current participant.

**Kunal Shah:** Operator, I think the queue is over then, right?

**Moderator:** Yes, sir.

**Kunal Shah:** All right. Cool. All right. Thank you, everyone, for joining the call. And Sanjay Bhai and I remain available offline for any more questions. Thank you.

**Sanjay Majmudar:** Thank you.

**Moderator:** Thank you, members of the management team. Ladies and gentlemen, that concludes your conference call for today. We thank you for your participation and for using Chorus Call Conferencing Services. You may please disconnect your lines now. Thank you, and have a great evening.