August 14, 2024

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 August 12, 2024

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 held between the Company and Investors on Monday, August 12, 2024 to discuss the Unaudited Financial Results and performance of the Company for the Quarter ended 30th June, 2024.

The aforesaid transcript is also being hosted on the website of the Company, 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

Satyanarayan Chhogalal Jetheliya

Digitally signed by Satyanarayan Chhogalal Jetheliya
Date: 2024.08.14 17:07:59 +05'30'

AIA ENGINEERING LIMITED AHMEDABAD 382410

S. N. Jetheliya
Company Secretary

Encl.: As above

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"AIA Engineering Limited Q1 FY 2025 Post-Results Earnings Conference Call"

August 12, 2024

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

Moderator: Good evening, ladies, and gentlemen. Thank you for standing by. This is Dorwin, 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 participants are in a listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question, please press "*" and "1".

I would now like to turn the conference over to the AIA Engineering Management Team. Please go ahead, sir.

Kunal Shah: Thank you. Good afternoon, good evening to everyone on the call. Thank you for joining us. I hope you got a chance to look at our numbers.

I have Sanjay bhai here with me, this is Kunal. As usual, I will do her number recap, Sanjay bhai will sum up the quarter in discussion, and then we will move on to Q&A.

Starting off, this was a quarter where there is an optical top line shrinkage in terms of tonnages for the quarter, we were at 60,592 tonnes as compared to 74,000 odd tonnes in Q1 of last year, and 71,000 odd tonnes in Q4 of sequential last quarter. And I will explain some of the macro issues there.

Total production was 68,000 tonnes and that translated into a revenue of Rs. 1,000 crores, Rs. 1,004 crores. An EBITDA of Rs. 372.32 crores, and a profit after tax of Rs. 259.58 crores. So, from a margin standpoint, this quarter has been great. From a number standpoint, there is a deficit in terms of tonnages, for reasons I will explain.

Moving on for our other income:

Total other income stood at Rs. 82 crores, of which Rs. 15.23 crore was export benefits, and about Rs. 73 crore was treasury, Rs. 72.96 crores, and Rs. 9 crores as part of foreign exchange, ForEx gain for a total of Rs. 82 crores. Working capital has been a little higher, receivables have moved from Rs. 66 crores to Rs. 77 crores, I think it is just our timing adjustment because we had poor sales reflecting a higher number of absolute receivables, otherwise it's at par with regular.

Raw material has moved from 31 to 52 days, and uh stock has moved from 69 to 79 days. So, overall, slight increase in working capital, all which is generally seasonally adjusted, nothing macro to look at. Of course, there is extra stock and that is also linked to our questions on the tonnage, so I will answer that.

From a number standpoint, we did 60,592 tonnes, off which almost 37,000 tonnes came from mining and 24,000 tonnes came from the non-mining site. If I were to compare sequentially, mining's come off from about 45,000 tonnes to 37,000 tonnes, and non-mining from 26,500 tonnes to about 23,800 tonnes. So, both these segments have seen a seen a reduction.

One of the major reasons is, so there are two parts to the tonnage answer. If I look at sequential 71,000 tonnes in Q4 to 60,500 tonnes, it's approximately about 10,000 tonnes, 11,000 tonne reduction. This saw about 4,000 tonnes to 5,000 tonnes of orders that just will get shipped next quarter. That's an annual order that moves, over the last two, three years it was generally being invoiced in the first quarter, I think it will happen in the second quarter. So, that is one transfer.

The second is the non-mining, which is about 3,000 tonnes, 4,000 tonnes, it’s just the cyclicality of work, nothing that's structural. I think you see ups and downs in different quarters, in terms of when the order was placed, what is transit and what is getting invoiced but. There is an additional 2,000 tonnes, 3,000 tonnes which are all clustered for want of containers. So, this quarter has been difficult not just higher shipping cost but also unavailability of containers.

And what that leads to is, has increased transit time reflected in a higher FG and delay of supply. So, one of our supplies to the Americas, we were without containers, what we wanted in June is coming to us in end of October. And there are a variety of reasons, I am sure all of you are aware about of just serious container shortage, a large part of that linked to the whole America-China trade and the Trump Administration or new administration duty strategy that China is possibly following.

Hopefully, all of that will easen up. But as we speak, our business remains a little in that uncertain domain as far as customers are concerned, because pricing has gone haywire and container availability is an issue. And that while the 2,000 tonnes, 3,000 tonnes of shrinkage on the container account will get made, mostly be made good the rest of the year. But customers all of a sudden have gone back to what we saw post COVID which is on a wait and watch, as far as new conversions are concerned. They want to be sure that price remains predictable, and the current shipping regime does not allow for that. And the timeline of the supply chain remains predictable, which also is a challenge.

So, I think these are the two macro reasons why the numbers and the tonnages this quarter are a little less. Moving forward, we are happy to announce a Brownfield expansion which is one of our factories in GIDC, Kerala, where we are adding composite mill rubber and composite liner plant, or the ability to produce liners in that material. And we have discussed the mill lining strategy where our endeavor is not just to improve ware, which most other incumbents are attempting to do with the customer. Our endeavor is to improve throughput, reduce power consumption and bring a whole host of operational benefits for the customer. That requires us to work on the design.

And while we have been in the market now actively for last few years, we realize that this ability to offer rubber and composite becomes even more important so for us to be perceived as a company offering the whole full suite of products. So, we are very excited about it. This CAPEX has required us to spend about Rs. 65 crores. We expect this facility to be commissioned towards the end of this year. So, it should not take a lot of time, because it's being done in an existing facility that we have.

We expect about 20,000 tonnes of additional capacity in this configuration to be available to us. Of course, mill liner sales and penetration and all of that we have discussed at length in the past few quarters. We remain excited about that space. With the new facility that we have for metal liners, and now with the composite rubber offering, I think our positioning as far as the customer, we expect it to be significantly different, and of course our ability to bring disproportionate benefit for the customer. So, that is the highlight for this quarter in terms of things we have done.

We have also done a buyback; Board approved a buyback of Rs. 500 crores. So, that should be getting through in the next few days, next few weeks. Our net cash stands at about Rs. 3,500 crores, that will get adjusted for the buyback cash and the dividend that has to flow out from that. A large part about CAPEX, the plan for capital outlay this year, we are doing about Rs. 35 crores on captive power, there's Rs. 65 crores on the mill liner composite facility, and money that we are spend on the first phase of the grinding media, which is about Rs. 150 crores. So, total as we speak, our outlay remains at about Rs. 250 crores, and we will keep updating as things evolve from here.

So, with that said, I will request Sanjay bhai for a quick update. And then we will get into Q& from there.

Sanjay Majmudar: So, good evening, everyone. Just a very quick additional couple of points which I thought I want to elucidate and clarify. So, yes, there is a definite challenge that we are facing in this quarter, entirely and to a very large extent relating to logistics issues.

As Kunal explained, containers availability has become an extremely challenging process now. The whole problem is because of various geopolitical issues, but more necessarily because of the Red Sea crisis. So, just to give an analogy, the freight cost for sending a container from here to say Latin America, which was about $100, has gone up now to $400 per tonne. And more importantly, the container availability is just not there with the result at around 5,000 tonnes, 6,000 tonnes of orders which were supposed to be shipped this quarter, could not be shipped. Having said that, now the whole supply chain time has also extended. What we used to do in 30-40 days is now taking more than two, two and a half to even three months. So, that's indeed a challenge which we are trying to circumvent.

The other part is a little bit cyclical nature of some businesses. Having said that, on a positive note, we remain extremely bullish and committed on all our mind conversion. So, there is no question of any customer not being there or any of those processes being interrupted. It's just that this absolute uncertainty makes us a little worried about what exactly is going to happen in terms of all these logistics issues. So, it's a very major problem apart from the cost.

And you please appreciate we work on cost plus, that means freight is complete pass through, and that is the reason why he explained some of the customers are also a little apprehensive about the absorbability of this entire phase. So, akin to one-year post-COVID situation, which we have realized that it is not as simple as we were earlier thinking, and it may take a little more time. That is the first part. But having said that, our focus, our conversions, our opportunity, everything remains the same. So, this is just an aberration, let us see as. As we move ahead, in the second quarter hopefully we should get more how things are moving, and that is one aspect.

On this rubber and composite liners that we talked about; I want to clarify two things. One, it is so to say an extension of my metal liner capability, and the focus remains the same. We do not think there is anybody else today who can offer the same or similar solution. The composite plus rubber is more to complete the whole line of offering which the customer requires. The focus remains the same, that is to offer unique process benefits which nobody, no competitor has that capability or design or ability to offer.

So, the focus remains niche. It is the material of composition that changes to complete the offering suite. And because you cannot tell a customer that now I will not, he wants for his SAG mills as well as ball meal. So, this is ordered to ensure that we become comprehensive and we give the same focus and same solution in all these materials that this capability has been added. It's a quick Brownfield expansion, we expect it to be over in the next three, four months. And that should see us making a much more comprehensive solution provider niche area only, and not me-too kind of product. That's what I just wanted to highlight.

So, I think with this let's put the house open for Q&A. Moderator?

Moderator: Certainly, sir. Thank you. The first question is from the line of Bhoomika Nair DAM Capital. Please go ahead.

Bhoomika Nair: Sir, you elaborated on the reasons for the miss in terms of the lower volumes during the quarter. Now, given this challenge in terms of the logistics aspect of it, while we may be competitive on a plant wise or a production cost perspective, but is the logistics cost driving or the time that it is taking from what you elaborated, it's taking now two, three months versus earlier a few weeks. Is that what is driving a little lower conversion than what we had expected? And thereby what we are looking at a 30,000 incremental volumes on an annual basis could be at risk?

Sanjay Majmudar: Well, Bhoomika, you are in a way right that, yes, it is a serious concern. And I will be very honest, the targeted volume growth year-over-year target and the opportunity remains the same. But in all honesty, we want to wait and watch at least for one more quarter before we give you a clear volume guidance, at least for this year. This is a very honest position in which we are today. So, it's a short-term problem, but yes, indeed it is a problem. It's wrong to say that, no, there is no problem.

Again, let me explain, conversion from an acceptability of the solution is not an issue. But the whole problem of logistics is far more worrisome than what it appeared in the initial phases. And as we go deep here, please appreciate, the problems globally are accentuating in terms of the geopolitical tensions, now Iran is a new factor. There are so many issues. But having said that, this could be a short-term problem. Let us be clear, our target and the opportunity for incremental volume growth remains. Having said that, what could be the exact number we are looking at this quarter, we are not able to tell you, at least till the end of the second quarter. We want to wait and wait for a few more months.

Bhoomika Nair: So, sir, is there a possibility of us to kind of invest much more in terms of warehousing capacities or to absorb some bit of the logistics cost which is --?

Sanjay Majmudar: Bhoomika, I will be very honest, we are not going to hazard any gas. We are seriously evaluating various options. So, please give us some more time and we will come back to you, maybe in a couple of months, that's all. Warehousing alone may or may not be a solution. We are working at it. All I can share is that we are consciously working at this as perhaps a long-term problem rather than only a short-term problem. That's all I can say at this point in time.

Bhoomika Nair: Sir, the second question was about our foray into this whole rubber and composite mill lining. I fully understand it's a whole suite of products that we are offering which will help in terms of faster conversion. But in terms of say from other peer set, how competitive will we be in terms of cost aspect, if you can elaborate a little more on that aspect?

Kunal Shah: So, for all these solutions that we are introducing, actually the whole cost and pricing becomes moot because the benefits which we are offering are in a very, very different realm. So, I do not think it's going to be a price discussion at all. I think the conversion is going to be linked or the operating or the sales cycle is going to be linked to their comfort and confidence, and ability to be the willingness to try a new solution. How urgent is the area that you are attempting to solve, right? It will be a combination of those things and surely not a price.

Sanjay Majmudar: So, if I put it a little differently, I do not think any competition can offer a directly comparable product or a solution. You get my point? So, if it is not comparable, there's no question of price discussion. Material competitors could be offering, there are many people who can offer composite and rubber, but not the design and not the solution.

Bhoomika Nair: So, what we are saying is that we are going to differ not in terms of what you are trying to say, if I understood correctly, it's not that there aren't other offerings of rubber and composite in the market.

Sanjay Majmudar: In metal as well there people, in select metal, non-cast, everyone is giving in metal. But our offering was on a different pedestal. The same philosophy applies to rubber and composites as well.

Bhoomika Nair: Which is on the increased throughput power consumption?

Sanjay Majmudar: Significant efficiency related solution, efficiency improvement, massive cost reduction due to improved throughputs or increased efficiency.

Bhoomika Nair: Any update on the various litigations which is ongoing, and particularly the latest one on the US, any update on that aspect?

Kunal Shah: No, not really. See, it's a nine-month project. As you know, the US is in a way sub judice, where it's a closed room process where we submit the data. So, we are fully cooperating and making sure giving all information as required. You know that Brazil dumping is already terminated. The countervailing duty part, which is 6.5%, that's under the sunset review, and we hope to hear in next two months on the outcome of that, two to three months.

Bhoomika Nair: So, the US we are continuing to supply the volumes as things stand?

Kunal Shah: Yes.

Moderator: Thank you. The next question is from the line of Taran Agarwal from Old Bridge Capital. Please go ahead.

Taran Agarwal: Just wanted to double check on your opening commentary. You said about 3,000 tonnes to 4,000 tonnes of volumes were deferred because of it's just a shift from one quarter to the other quarter, and a similar number was impacted because of lack of container availability, correct?

Kunal Shah: Yes. So, one order which is about 4,000 tonnes has moved to the next quarter, but that is just billing. I was just trying to make a difference between what was the timing issue versus what is container and backlog. So, about 3,000 tonnes is container and backlog, and that's a timing issue. It's a consequence of containers being delayed and about 4,000 tonnes is the order that is just getting invoiced this quarter.

Taran Agarwal: And now that almost one and a half into the second quarter, how are things currently? I mean, we understand, we have been reading about it, and it does not seem like on the ground situation has improved.

Sanjay Majmudar: No perceived real improvement. I will be very honestly.

Kunal Shah: Yes. And see, what happens in such things is, as you know, where they say hurricane is going to come and all milk and bread gets wiped out of shell, where everybody is trying to get more containers than what they need. In fact it worsens for a period even if nothing changes on the ground. So, today I think it's just very, very uncertain period right now.

Sanjay Majmudar: Yes, because we were discussing, the containers that we were booking for August, June came in August, August is now September end or October first week. So, there's a lag of whole one month at least. The whole thing is, when China related issue was there, the whole supply chain got disturbed. This is a similar situation due to this Red Sea.

Moderator: Thank you. The next question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Firstly, this delay, I hope it's not impacting the production at the customer level as of now?

Sanjay Majmudar: Not much, not really, because we do have adequate. See what happens, if you see my finished goods stock, it has moved up. This is because the transit time has gone up, correct? If you look at my own production, we have done 68,000 tonnes, 69,000 tonnes. So, order, production everything is there even at our end and their end. But the only problem is, because you are not able to exactly commit on the supplier time, there is a little bit of pull back, I mean, rather push back and people are just evaluating the way customers evaluate. But I do not think any customer we have any serious issue. Some customers are continuing, new customer conversion process is a bit slow, but nothing has stopped anywhere. It's just that things are uncertain, that's all.

Ashutosh Tiwari: Because see, I can understand that there will be delayed conversion because of this thing. But if some customer's production gets impacted, then probably it can have bigger implication that people may not look at because of the uncertainty on that. So, as of now that's not the case. It's just that things are getting delayed. But it ultimately reaches the time and probably we have enough stock at warehouses to manage those things. That is not a challenge.

Kunal Shah: Correct.

Kunal Shah: And second thing for this rubber and composite liners, this is in-house developed, or we have some tie-up?

Kunal Shah: It's all in-house.

Ashutosh Tiwari: And once the plant becomes ready, then we will go to customer for trials and all or something is already started a small scale?

Kunal Shah: We have already done work on it. We have done trial work; with very small investment we have done our own pilot project to see how it works. We have done more than six to eight trials. It's a very interesting offering to fill out the whole suite of products.

Ashutosh Tiwari: And lastly, this quarter the selling price realization that we got would have benefited from higher cement mix because that has castings as well it's higher priced. Is that correct?

Kunal Shah: Overall, if you have seen the numbers, the product mix is better where there is higher casting, higher priced product. And you are right, that is reflected in the higher selling price, yes, higher realization.

Moderator: Thank you. The next question is from the line of Anupam Gupta from IIFL Securities. Please go ahead.

Anupam Gupta: Sir, two questions, firstly on this mill liner thing. So, when you say 20,000 tonnes of incremental capacity, will this use castings from your existing plants or how will it work? Because Rs. 65 crores CAPEX seems to be a bit small for this sort of a capacity.

Kunal Shah: No, it is an additional capacity. It is where you are adjusting. That's why it's a Brownfield, right, where melting capacity is available, some from an existing where we are able to do balancing equipment for melting and the rubber part is being added additional.

Anupam Gupta: And second question relates to the disruption which is there. So, two parts to it, one is, you said conversion is slow, have you seen your Magotteaux taking advantage of this at all?

Kunal Shah: No, as far as their chrome capacity is concerned, as we understand, they are capacity constraint, they are fully utilized for last few years. So, there is only so much that they are able to do. The container issue that is there adds to our requirement to put more in transit so that customer does not suffer. If we prevail that they did okay during COVID it means a little more finished goods for us, it puts a little bit of additional timing pressure for new conversions. More than existing, I think it's not so much of an issue.

Anupam Gupta: When you said earlier that this seems to be more of a structural issue now given the number of times that has happened in the last four, five years, that obviously there has to be some options which you are looking at. So, the idea would be ideally investing outside or having a party somewhere who is manufacturing closer to the customer, right, so that should be the right way to look at it?

Sanjay Majmudar: Anupam, give us some time. We will come out with clarity. You are right, we are evaluating various options, but that's all. I mean, at this point in time, let's put it at this that yes, we are evaluating seriously various things.

Kunal Shah: And listen, the how often will the Red Sea thing continue, the world is in a state of flux, right. So, we have to make sure that we are not doing decision making in response to something that could have been short lived in a longer time spent journey, right. And then you are stuck with the structural flaw if you do something to deal with something that was short term, right. It's happened again does not mean its long term.

Anupam Gupta: So, the question obviously was coming from because you have a very well entranced position in India in terms of manufacturing, the overall ecosystem you have set up pretty well for yourself. So, that's why the question was, and you have always said that you do not want to be outside India given the sort of advantage which is there.

Kunal Shah: While we say never say never, the point is that a negative event like this turns up logistics in this case, I think we do a hard introspection on what could be other measures that we can look at. I think we are doing an internal review on that. But India may, will and likely continue to be where, I mean, that is where our current position is, right. So, no change on that as we speak. If there is anything else, we will see.

Moderator: Thank you. Next question is from the line of Priyankar Biswas from BNP Paribas. Please go ahead. Yes, Priyanka.

Priyankar Biswas: So, first of all, speaking on a relatively long-term basis, so you had duties in Canada and Brazil, so kind of now removed on that front. So, what should be the volume trajectory from this geography? Let's say, keeping aside this Red Sea issue, so what sort of volume trajectory can we expect? And what is exactly the status of Canada right now?

Sanjay Majmudar: So, of course, as Kunal explained, US investigations have commenced, Canada has finished.

Kunal Shah: So, Canada, the way the duty structure is there, I think they have a certain duty component or a minimum price that we have to sell at, and we are comfortable with that. We do not believe there was a case for a dumping scenario. But it's a whole process that every country goes through sometimes to protect its own local industry, sometimes on the behalf of the local incumbent. There are various aspects of it, right? It's not a very, very 100% objective process. I think we are fairly satisfied with the outcome. There was fair review done for all that was submitted. And we are in the market, and we will try and be an active participant, and that shall happen in due course. I do not think that that is a deterrent in that sense for us. Our objective has always been to be selling at a fair price, and that's not changed. And if that does not change, our opportunity in the market does not change. So, as far as Canada is concerned, the market is available to us and we will make efforts to, like I said, to be an active participant over there, that's ongoing.

Sanjay Majmudar: Similarly in Brazil, that has come to an end.

Kunal Shah: Exactly. As far as long term, your question was that I think while these countries are important, we have always maintained that there's a large opportunity globally also. At least 15 countries, every country has its own set of challenges for a new entrant to come in, and that's what leads to time. That's what we have seen. But we are excited because there is a solution which has disproportionate benefit, feeding into something that is really active problems or the pain area for the customer. And as we have discussed, for copper mines and coal mines where we can increase throughput, we can improve recovery, our solutions find a lot of interest. And based on that we remain optimistic that our opportunities not just in Canada, Brazil which we are hopeful of participating in, but also in all these other geographies that remain where there is not just a chrome supplier, but also a large forge opportunity for us to service. So, I think nothing changes. No duty per say changes that proposition. These are short term things that keep happening and we adjust to that looking at the longer-term lens.

Priyankar Biswas: So, just harping back on that, since you highlighted about copper and gold, what sort of penetration are we there in copper specifically? Because Chile and Peru happen to be the largest geographies there, so how far are we succeeding over there?

Sanjay Majmudar: So, of course between copper, gold, and iron, these remain the three ores or metals of absolute focus. From an opportunity standpoint, all the three are very exciting for us. At this point in time, I think before one year or two years, I would say, we were just about beginning to enter copper. Now we are a serious player in quite a few copper mines. We are working very hard on some very, very large mines. I can only share this much. Gold, of course, we are there with all leading mines and we will continue our allocation, same is the case with iron. So, between the three, I would not say we are equal, but we are slightly heavyweight right now on gold. And I am a little lower on copper, but we are catching up very soon. So, over a longer period, all the three would be more or less equally driving our growth, that is what we perceive.

Priyankar Biswas: So, essentially what you are saying is, right now you are ramping up on copper, so you are heavy on gold. So, essentially like going forward, when the Red Sea situation resolves, so based on that maybe 25, 30 KT annual volumes could be achieved under those circumstances based on higher penetration?

Sanjay Majmudar: Absolutely.

Priyankar Biswas: And just one last question from my side. Just for the sake of investor clarity, if you can. For a mine, let's say where you are now offering your integrated solutions like mill liners plus the grinding media, because you are offering it as an integrated solution nowadays. So, can you just give some examples of a savings that the customer can get in, let's say, absolute dollar terms? So, essentially like if they switch over from, let's say, forged media to grinding media and get mill liners from you, there would be some additional cost aspect, but how much you are saving respect to that, maybe some examples.

Kunal Shah: Yes. So, I think first of all, we have done some case studies in this year's annual report, and you will see that once that gets published. But benefits, first of all, there's no extra cost. Please understand, these are consumable, they are nevertheless buying, they are buying this whole primary, secondary, tertiary ball mills, grinding media mills. They are buying grinding media linings which are being worn out and replaced. So, they already have an OPEX budget. What we are saying is, if you buy from us, there will be disproportionate benefit that we will bring to your process, to the grinding process. So, now if it's a spend of $10 million to $15 million a year for a mine, if it's only rare benefit, it could be 20%, 30%, 40%, so that can vary from let's say $2 million to $5 million, right. Now if you add the power saving on it, that could be a few million dollars. There is recovery improvement, that's another few million dollars. If it's throughput, that can be tens of millions of dollars because there is absolute contribution of additional product being ground. So, for a copper customer that can vary from, on the lowest side it is only $2 million to $5 million, on the higher side to maybe $150 million a year. And his input cost does not change which is he still have to buy these consumables. So, depending on how the depth of the solution and what levers are we adding or what the opportunity exists at the customer site, that determines the value addition for the customer.

Priyankar Biswas: Well, that's great. We actually look forward to maybe the case studies in the annual report that you mentioned. Thank you so much. Thanks.

Moderator: Thank you. The next question is from the line of Chirag Muchhala from Centrum Broking. Please go ahead.

Chirag Muchhala: Sir, just a few clarifications on the mill liner part. So, the earlier capacity that we had of 50,000 metric tonnes and this new plant of 20,000 tonnes, so these both would not be fungible, correct?

Kunal Shah: No, so it is because it is. That's why it's a Brownfield where we have already got melting facilities which we will be using, plus we are augmenting the capacity. So, totally in our setup there will be additional 20,000 tonnes of this rubber or composite product. The rubber part is the new factory, the composite part is partially there, partially from an existing facility. So, you will have to look at it now in totality and not just as one vertical separate plant.

Chirag Muchhala: And as far as our segmental reporting is concerned, this entire mill liner gets booked in mining segment, right? Or any part is also present in others?

Sanjay Majmudar: Mining.

Kunal Shah: Correct, it is a mining product.

Chirag Muchhala: And lastly on that Brazil clarification, so basically now since the sunset review has ended, so it would be a zero duty, correct? And have we reapproached customers and how things look like? So, if you can share some data as to before that duty was levied, what were our volumes and currently what are our volumes, let's say, in last year?

Kunal Shah: So, the duty had two components in Brazil, one is what's called the dumping duty, and the other is what's called the countervailing duty. Basically any benefits that you get on export, they are reimbursed back, that becomes sort of a duty, that's called countervailing duty or CVD. So, 11.8% has reduced to 6.5% because 6.3% was the dumping duty. And that's terminated, so there's not going to be any sunset review or a future risk for now that comes out of a sunset review, even if it was 2% or 3%, it comes up for review after five years. Now, the whole that application is terminated.

As far as countervailing duty is concerned, which is at 6.5%, a sunset review is going on and it will be whatever the outcome of that is, I would not hazard a guess on that just now. But there will be a new number on it once that investigation is concluded, right? So, 11.8% as it as it stands, it is reduced to 6.5%, and whatever further it will get changed to. So, that is the first part. Second is, Brazil is an important market. While the existing market that we lost because of the duty is now what we will pursue, but in the meantime, we have also done work on the forged conversion. And back of that we see a bigger volume coming from the market. Going forward, in next 12 months, it will be surely upwards of 20,000 tonnes is what we expect in the market.

Chirag Muchhala: Sir, just last question on this rubber composite mill liners. So, how large the addressable end user market is? Suppose if they do not want to convert from rubber to metallic etc., and only focus on rubber, then what is the addressable opportunity we are looking at?

Kunal Shah: It is a few times larger than our capacity. I mean, for us, we are working with the captive consumer base that we have that we want to work with where we know we have a disproportionate solution. So, I mean, which is where we have not done a 50,000 tonnes or a larger capacity because this is what we believe is a great start and allows us to go out to enough customers to offer this solution.

Sanjay Majmudar: But you can say, at least 300,000 tonnes could be addressable market, total, between all of our products.

Kunal Shah: But rubber itself, rubber composite could be upwards of 100,000 tonnes. This is just a number, we have not done much more because we are not looking to convert all of it to our solution, right? So, today we are looking at our subsets that we want to target through this.

Moderator: Thank you. The next question comes from the line of Jyoti Singh from Nuvama. Please go ahead.

Jyoti Singh: Sir, I just wanted to get a sense on how the increase in gold price will be benefiting AIA. Also, if you can share the revenue bifurcation under mining, like how much is done from gold, iron ore and copper, individually?

Sanjay Majmudar: So, Jyoti, first let me make it clear, we do not give this bifurcation for several reasons. We have never given that. But to a previous question, I did answer that all the three are equally important. And more or less, over a longer period, their weights would be equal in terms of the opportunity as well as sales, this is what our target is. Though today the weight of copper could be a little lesser than gold and iron, correct? So, this is one.

Now, more importantly, we have been quite clear that upward or downward price movement of that particular commodity or metal is not a driving force for demand or the addressable market opportunity that we are looking at. So, today, just on a very conservative side and just to make my position clear, our entire focus is conversion of all these mines from usage of forged or other type of liner solutions to our high chrome or, if I talk of liner high chrome plus composite solutions that we are offering.

Now, the penetration today of the high chrome solutions in these markets is about 20%, 25% of the addressable market of 1.5 million to 2 million tonnes if I just talk of these three focused metals, correct? Meaning, that by the time working on that 70-odd-percent opportunity for conversion of those mines from their conventional forge or other related solutions to my solution. So, even if the prices of gold do not move or they move up, if their CAPEX cycles are aggressive or not aggressive, of course in a given scenario when the market scenario is robust and very buoyant, logically people will be more open to spend more on these type of my solutions. But as Kunal explained earlier also, there is no CAPEX requirement as such, it's just the OPEX part that we are substituting.

So, a price movement upward or downward of the finished metal is not really what works to propel our demand or to increase our conversion rates. But it is just this opportunity, plus it's a very, very tough situation that you have to work very hard. It takes one, one and a half, two years for us to convert a mine. There is tremendous working back and forth, our engineers, their engineers. So, it's a very intense and very engaging exercise. It's not that I just walk in, show something and they buy. And that makes it tough but also it creates a very, very strong entry barrier, so that once the client is onboarded generally, we keep on supplying for years together and we keep on increasing our allocation. So, this is where we are.

Moderator: Thank you. The next question is from the line of Uttam Kumar from Avendus Park. Please go ahead.

Uttam Kumar: So, firstly, I mean, two parts to my first question. So, just from a long-term perspective, I want to understand on the demand scenario. Secondly, which geographies are we continuing to see an increased traction with regards to mining activity, I mean, which could result us in a better demand for our products? That is number one.

And the second part of the question is that, could you give more color with regards to how many sites or which of the sites or the number of sites where we are currently doing trials, trying to penetrate in terms of product offerings? And of these sites where you are doing all these trials, where are we? And some could be at the mid-stage or the at the fag end of the trial stage which could convert or give us a more confidence, because to be surpassing the 3 lakh tonnes of charges which we you should talk about and sustaining about of those levels?

Sanjay Majmudar: I think we need to quickly, of course, given the fact this is a common platform and for many of our friends this could be repetition, but I will try to very quickly address your questions. So, your first was the market demand supply scenario. So, as I explained, if we talk of cement, it is roughly about 300,000-odd tonnes, and ex-China it is about 180,000 tonnes. We have a 35%, 37% market share across the world. In India we have a 95%, 97% market share. And our total supplier, including India, is about 75,000 tonnes to 80,000 tonnes, and that market is completely converted globally into high chrome. So, the growth in cement is directly proposed in proportion with the growth in the cement capacity, and it is therefore very, very moderate, tepid growth. This is point number one.

The bigger opportunity is mining where the market is more than 3 million tonnes annually. Addressable market if I just look at the three metals where I am focused could be 2 million or a little more than that. Out of that, today, hardly 25-odd-percentage serviced by high chrome solution players like me, Magotteaux, and a few other players on the liner segment and few other local players. However, we too are the predominant ones. Rest all are the forged, grinding media suppliers like Molycorp, etc. And this is where we are working very hard to convert.

We believe we have excellent solutions. It is just that we keep on facing all these issues which many of them are beyond our control we being a global company. So, if I talk of number of customers or number of countries where I am present, in cement it is more than 125 countries across the world. In mining, as we speak, more than 30, 35 countries. Several locations, so each mining site is my customer. So, you would have 100-plus mining sites across the 35-odd countries. But focus obviously is North America, Latin America, Africa, Australia, CIS, and then Philippines and a few other Far East Asian countries. So, this is the mix. Europe does not figure much in mining. Just if you want me to elaborate. But wherever this mining occurs, today I am present, and I am working on several new sites, as we speak, for conversion.

Uttam Kumar: Sir secondly, with regards to this Brownfield CAPEX which you talked about, 20,000 million capacity, is there any, I mean, are the realizations similar to what we have in the existing portfolio or is it a tad bit lower? Or could you give some color with regards to what can be the revenue capability of this 20,000 tonnes? And over the next year, how should we look at the capacity utilization levels for this particular segment?

Kunal Shah: I think this is just enhancing our product profile. Hi, this is Kunal. For now, pricing, all of that, I think we are still to be in the market, figure out what's the best way. But more likely than not pricing is not going to be a conversation breaker, right? Realization may not be vastly different. So, for now you may consider similar levels.

Sanjay Majmudar: Similar levels and average utilization levels.

Moderator: Thank you. The next question is from the line of Vijay Kumar from Trustline PMS. Please go ahead.

Vijay Kumar: I would like to know about the status of your 70% subsidiary which you Welcast Limited, you recently tried delisting. Is there any update? Are you planning to increase the sourcing from there? Or is it in the process of merging? Any update on that status of that company?

Sanjay Majmudar: Yes. As we speak, yes, we attempted for delisting, but somehow it did not succeed. So, as it stands now, it is status quo. We have not taken any other call. So, there is nothing on that front as we speak as of now.

Vijay Kumar: Is there any sourcing or is there not going to be any more sourcing from that subsidiary, or how is that?

Sanjay Majmudar: it may continue, of course, at a little reduced level, but it definitely continues. You would have seen even Welcast results we published a few days back. So, we continue to do the minimalistic kind of volume from Welcast facility. And that will continue till any other corporate decision in this regard is taken.

Vijay Kumar: Thank you, sir. You can look at ICICI and ICICI Securities kind of merger, which will eventually get the company delisted.

Sanjay Majmudar: So, very honestly, some banks have indicated and drawn our attention, but we are evaluating. So, we cannot say anything till we have a clarity on the course that we want to take.

Moderator: Thank you. Sir, we do not have any questions in the queue at this point in time.

Kunal Shah: Lovely, then we can look to wrap up. As usual, Sanjay bhai and I are available to take questions offline and look forward to connecting with you at the end of the second quarter. Take care and have a good evening. Thanks.

Sanjay Majmudar: Thank you.

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