“AIA Engineering Limited
Post Results Conference Call”
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Moderator: Ladies and gentlemen, good day. And welcome to the AIA Engineering Limited Post Results Conference Call. This is Sagar. I'll be the moderator for your call today. We have with us, 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 at that time, if you have a question please press star and one.

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

Kunal Shah: Yes, thank you so much. First of all, a very warm welcome to all of you on, on the conference call for AIA to review our second quarter numbers. As usual, I also have Sanjay bhai on the line with us. He's in transit and possibly with us for another 15 minutes. So please pardon him and us that he may have to drop off early and sincere apologies for preponing this again because of this transit issues. And as we know, a lot of people came back to us saying either they're only on holiday or getting on to holiday. And we thought it's best to prepone it and accommodate everyone.

Quickly I'll run through the highlights for this quarter and then a small commentary and then we'll get into Q&A. This quarter continues to be flat in line with the first quarter of this year at 60,000 tons -- 60,330 tons, representing sales of 1,030 crores slightly above about 1,004 crores in the first quarter of this year and compared to 77,000 tons and 1,273 crores of revenue that we've done in the second quarter of last year.

If I'm moving on our other -- our operating income, that the export benefit portion comes to about 28.93. Sorry comes to 13.70 which is in line with our export for this period. Our forex and the Treasury income is at INR90 crores and thereby leading to a limit of INR366 crores. Almost comparable to INR372 crores of EBITDA in the first quarter and down from INR444 crores that we did in the second quarter last year.

Our profit after tax is at INR256 crores, INR256.72 again, almost in line with the first quarter of this year, which was at INR259.58 and down from INR323 crores in the second quarter of last year. We have the note uploaded which mentions the breakup of our other income, which is Treasury, Foreign Exchange and Export benefits, happy to share more detail on what if required.

From a working capital standpoint, this year, we are at about 115 days of total working capital, which includes raw material at 55 you know, and then there is credit days that will get reduced from that. Working capital is in line, and our stock and data represents the lower volume of production and sales that we have seen compared to the previous period.

Coming on to an important slide on breakup of our segment-wise sales, as you will see that our mining sales outside of India is at 39,800, slightly up from 36,700 from the first quarter, but down from 52,000 tons in the second quarter of last year.

Our non-mining is almost flat and in line with what we've done fully or should be in line with what we've done last year. So, the half-year number now is at 120,922 compared to 151,000 tons that we've done in half-year last year. Two quarters of 60,000 tons of sales that we've done.

Some other housekeeping numbers, our net cash is at INR3,212 crores, which is after the buyback pay-out that has been done. There is a small debt of about INR120 crores, and the net cash figure is after that. All our other operating metrics are comparable. We have planned for capex of about INR250 crores, which includes our equity investment in renewable power, the rubber liner plant that we are setting up, and the 36,000-ton expansion for grinding media. So, all of that comes to about INR250 crores, and we'll continue to spend that over this year and whatever spills over the year after that.

So, with that said, I will move on to the commentary for the quarter and the big question on the slower sales in this quarter and last. I think what we are seeing now are three larger themes, and I'll have Sanjay Bhai expand on that a little more, but the key things are that we are seeing some slowdown at some mining customers, where our offtake just looks to be a little lower.

What we thought will be caught up in second and third quarter looks to be a little more systemic and structural. More than three or four large customers are going through a destocking process. So, material that was supposed to be invoiced and shipped out is being deferred to later quarters, and maybe a destocking cycle is something that we may have to face with more customers.

And just supply chain issues that have bogged us for the last few quarters with the consequence where shipping rates not only went up, but containers were not available. We are seeing some pushback from customers on saying there is strategic uncertainty on account of the supply chain and want some more time before they go back to business with us.

So, all put together, it's a 30,000-ton impact for this quarter, but overall, we did 292,000 tons last year. It looks to be a 10% lower revenue volume either way, whichever way you slice it for this full year. So, closer to 260,000-ton, 255,000 ton to 60,000-ton mark for the full year. And there are the conversation on growth and new customer addition. We are, and we maintained this last many quarters about all the efforts that the business, that the management is putting into augment our presence, to sharpen our offering and increase the value that we offer to the customer. We are extremely confident, optimistic about things, but at the same time, conversion is just taking time and it is causing us as much grief just about the time that it is taking.

And there is no change in that conversion cycle timeframe that looks to be coming up. We will be continuing to put in all our efforts and we hope that important conversions from forge to chrome come along soon and we'll be happy to share progress on that as that happens.

We'll have Sanjay Bhai chime in with his thoughts on this and then we can go on to Q&A. Sanjay bhai?

Moderator: Sorry to interrupt, sir. The line for Sanjay sir is disconnected. I'm just reconnecting his line.

Kunal Shah: Okay. While he joins, I think I'll just pre-empt a few questions from investors on the overall market sentiment and this unusual lower tonnage that we have seen in the last two quarters. It's a first for us over more than 18 years that we've been listed. There hasn't been a quarter where we have seen this. We do recognize that things don't – there is this classical situation where more than one thing goes against you or they're just outside your control. And maybe this is one such year. We are hoping that we emerge sharper and stronger out of it. But it is a year that looks like there will be some reduced revenue for the year.

Is Sanjay Bhai back on?

Moderator: Yes, sir. His line is connected.

Kunal Shah: Sanjay Bhai, I've just finished. If you want to add to...

Sanjay Majmudar: Yes. Good afternoon to all of you and Happy Diwali in advance. So, as we explained and as Kunal elaborated, there are three, four very distinctly, I would say a bit unusual circumstances or factors that we are facing, perhaps after a very long period of time. So, one, there is a distinct impact of reduction in offtake by customers who have placed their orders, but they are not following up with POs simply either because of perhaps destocking or perhaps they're waiting for the price to correct. Thanks to the freight still being pretty high, thanks to the supply chain change.

We are not -- I don't see this as a structural you know, reduction, but we are more analysing it and understanding this to be more cyclical rather than structural in nature. So, one fundamental issue is that, while our efforts for conversion continue, it is this reduction or little less order intake that we are receiving from the customers who are generally whose POs are generally coming in very regularly is what is bothering us a little bit.

Having said that, two, three things on the positive side, so we have in fact started our supplies though a bit slow to Canada, similarly, we are working very aggressively on several mines. Supply chain challenges and freight issues are definitely concerning us, but we feel that perhaps freight seems to be going down a little bit and in the coming quarter, it should look a little better.

But as we distinctly did the maths and understood the situation, on a very realistic note, we see a reduction in sales to the extent of maybe 20,000, 25,000, 30,000 tons this year, which as I elaborated is cyclical in nature, nothing structural. We are very hopeful that all the conversions on which we are focused, several mines we are currently working. It might happen that we may be able to catch up, but it's very early in the day to make any guess and it is rather safe to say that there could be a little decline, about 5 to 10% in the overall sales this year.

Having said that, margins continue to remain robust. Everything else, opportunity-wise, everything else remains to be robust. So, we are keeping our fingers crossed and hoping for the best.

Secondly, it is early in the day to hazard a guess about how the next year is going to look like, though if one or two large contracts on which we are working, they fructify, things can very significantly change. So, we are hoping for the best, but on a conservative note, we don't want to give any guidance about next year till maybe we reach the three-quarter, results, and we have a little clarity on the new initiatives that we are working. The regular uptake, for whom we are already there, onboarded through long-term contracts.

So, I think with this, Kunal, let's go on to the Q&A.

Kunal Shah: Okay. Thanks, Sanjay bhai. And if you do drop off, please, Sanjay bhai, it's okay.

Sanjay Majmudar: Yes, Yes. Thank you. Thank you. Actually, I'm just boarding the flight, so it could be a little challenge, actually.

Kunal Shah: Yes.

Sanjay Majmudar: Okay. But I'm there on the call till till at least another few minutes. Yes.

Kunal Shah: Operator, we can move on to the Q&A.

Moderator: Thank you. The first question comes from Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Yes. Hi, Sanjay bhai. Hi, Kunal. Nice. You know, I heard your commentary on the volume kind of a challenge that we are seeing in this year. So, I just want to understand this, that you know, is it that the conversions are taking longer?

We had added actually the mining liner facility as well. You know, so how is, at least that should have seen some growth. And if you can also comment how the U.S. market is panning out, whether volumes are steady there or have they fallen post the ongoing litigation out there.

If you can just give some color where exactly are you seeing, are you seeing this drop in any specific or kind of a thing which is more platinum, iron ore or something like that, then that can help us understand a little more?

Because if I look at it, if you're looking at something like 260,000, 270,000 kind of volumes for the full year, then almost for over a four-year period, we've not really seen growth. While I understand it's too early to give guidance for next year then logically the next year, should we come back to that 320, 330 kind of a number, which is still just barely a 20, 30,000 kind of incremental volumes over 24? Or do you find that that would be a big challenge as of today to even provide that kind of visibility?

Kunal Shah: Yes, I agree. Thank you for your question. And you got a few questions rolled into it. So, I'll try and address each one by one. Let me start by a question on US, right? I think the matter is every jurisdiction takes it quite seriously. And we are only allowed to say so much on public platforms while the matter is subjudice. But our business there broadly continues as is. I mean, there are nuances there. But, I mean, we are using the disclosure that we made about the interim CBD that has been applied. And so, we continue to cooperate, work, defend and do make sure we put up the most relevant information promptly. So, US continues as is. And we are doing everything that we can for the dumping.

Bhoomika Nair: Volumes there in the US market are intact and they have not seen any kind of a decline. Would that understanding be correct?

Kunal Shah: Yes, Yes, Yes. Broadly, yes. The volume looks to be okay. I mean, like I said, I will be constrained in speaking much about it. But the business continues. It's a steady business for us that has been developed over many years and that continues as is.

So, moving on to the next question that you had which is about the OAR. So, the offtake, I think there are all these, there is two pillars of the issue that we are seeing. One is the logistics and the supply chain and just the anxiety or the discomfort customers would have around that uncertainty, right?

So, that is one pillar and that's on and off and that's going along. And the other is around the what's happening at the customer's I think there are all types where there's just general it's a little optical commentary that you would hear from mining companies suggest things are okay and things look to be okay.

But we are just seeing a soft conversation. Now, whether that is temporary, whether it's going to be a little longer tenure, it's still too early to call that one out. But, and that, one of the consequences for that is the restocking, conversation where they're just saying that, okay, we've got more stock we'll just not buy for the next two quarters or next one quarter or maybe next three quarters and continue the conversation forward.

Now, that restocking generally does not happen, unless they're looking at a little softer outlook, right? So, but we are too small a cog in the wheel to have any view beyond this. But we are just seeing softness at the customer's end and that's resulting in the situation. So, that is one aspect.

And the second, the pillar that I said, which is the supply chain is just real, right? In our case, where any new customer coming on board or customers who've been having a conversation or just bought it for a period want a little more comfort on the whole supply chain issues, right? They are all like Sanjay bhai mentioned. It looks like the worst is behind us, right? What happened with the rates, the whole China container thing came along, right? The global geopolitical space is a very funny situation where it's impossible for any company to have a certain view about which way to go with it.

So, we are staying in play, right? We are there, we are making sure we are giving all comfort. We are not defaulted on or delayed on any delivery, right? We added more stock last quarter to make sure that no customer is impacted, but it is a conversation and there is some consequence on us for now. You asked about the mining liner. I think it remains at, continues at slack.

We've not been able to add what we were looking to add this year from that space and variety of factors. The irony is that we are becoming, the more confident we get about the consequences that we can participate in at the customer's end and the more the irony about it that it's just taking longer and there's nothing else I can say to allay that question.

But it's all business as usual right now. It's just this interim stage. It looks like, but that volume, the 292,000 tons the 10% lower volume this year compared to last, looks to be a reality for now.

What happens next year, I would just take a quarter or two. Is this a early sign of mining companies feeling a little less excited about the future? You know, these are things that we don't know today. This is just a temporary housekeeping action. But we are seeing more than one ore type and more than one geography face that. So, it may not be as we cannot dismiss it, yet it is not something that we can say for sure that it's an issue.

Sanjay Majmudar: And just to Kunal add, Bhoomika I don't think it is, as I said in the opening remarks, I don't think it is ore specific nor it is structural, but more cyclical. Let's hope for the best how it goes. We are keeping our fingers crossed. As I said, we are working on several opportunities that run into more than six-digit opportunity, you see. So, it's not that we have stopped working on those opportunities, but it's just very unfortunate that the volume offtake from the customers has not happened the way we want or we had anticipated. And we cannot force them to buy, as you know. So, we have to just see how it goes. But I think we are still very, very optimistic about the medium to long term prospects. That's all I can say at this point in time.

Bhoomika Nair: So maybe if we can get some comfort around what is the kind of new customer interactions while the conversions might be happening a little slower, because one part is the existing customers kind of destocking. So, which is where there is a decline in terms of volumes, but then that will be partly offset against some kind of new customers additions and conversions that are happening.

Sanjay Majmudar: Bhumika, I indicated that we are working on several opportunities which can sum up beyond a six-digit easily opportunity. As you know, we don't share more details. We cannot. We are under confidentiality for our own protection of our own interest. And I mean, that's all I can say at this point in time. So, nothing, no work has stopped. Obviously, as we say, US is also turning out to be quite reasonable, as you know, we have already disclosed. Canada indicated we have started doing some supply. So, let's see. Let's wait for the third and the fourth quarters. We are quite working very hard we will not like to face this kind of situation. But then we have to accept the reality. This is what it is.

Bhoomika Nair: So, in that said, are we looking to kind of go a little slow on an expansion given utilization levels are kind of dipped a little bit? Any thought on that?

Sanjay Majmudar: No, no, no, no, nothing, nothing, nothing. See, our expansions will take its own pace. We are already working on a further 36,000 tons beyond 460. And this will and capex plans are still INR250 crores to INR260 crores, there is no let down. So, had I anticipated something long term or medium term, I would have stopped my capex, but no, that is not the case, clearly not the case.

Kunal Shah: And also, we've already scaled down to the 80,000 became 36. And 36 is modular. So, in that sense we will take a call, it's not money committed one way, it's a ground field. And it is modular. So, I mean, if we see that the next quarter also remains this way, we can always scale that down further. But it's like Sanjay was saying, in any case, it's not a material amount, large amount that we're adding in. The big decision was scaling down the 80 to 36, which we have already done. And which is again, which is a start stop for us to see if we want to further delay that.

Bhoomika Nair: Okay, okay. Got it. Got it. Thanks. I'll circle back in the queue. Thanks so much.

Moderator: The next question comes from Priyankar Biswas from BNP Paribas. Please go ahead.

Priyankar Biswas: Happy Diwali in advance, Sanjay bhai and Kunal bhai.

Sanjay Majmudar: Yes, happy Diwali to you. Thank you.

Priyankar Biswas: Thank you. Thank you. So, my first question is, like, as you were highlighting that there has been a destocking angle at this moment. So, is my understanding correct that we have not lost any customers as such? It's just a cyclical thing. So, there has been no existing customer loss, at least, whatever we had?

Sanjay Majmudar: So, let me correct here a little bit. What we said that we are trying to understand the circumstances under which the uptake has reduced. Okay. So, one factor could be destocking. Yes, in a few cases, we clearly know the customer is carrying larger stocks and therefore is slow on placing the order. But honestly, that's not the only reason. There could be multiple reasons. I think another reason worth considering is the fact that because of the supply chain and the freight challenges, our pricing has become a little less attractive because we do generally add everything. Correct.

So, some people would have anticipated that, yes, since prices are going down, I mean, the rates are going down, let's wait for a while and then we will place the order. We have enough money here. There is a possibility that all these factors can reverse, can reverse quickly than what we anticipate. At this point in time, we have thought it conservatively to wait and watch and see how things pan out.

Priyankar Biswas: So, if I may put it this way, like what I understand that at least what I can understand from my interactions in the forged market, especially in China, so there has been excess capacity and they have been flooding the market with very cheap material at this point and supplying finance also in some of the mining geographies. Is it also one of the reasons the differential between, let's say, ferrochrome and forged has become quite high in certain places and that's why there is a reluctance to convert? Or is there some other reason?

Sanjay Majmudar: I don't -- Kunal, if you can throw some lights on this.

Kunal Shah: The first question is, I don't think that in the scheme of things where we are seeing there is a 2 million plus market, chrome is very less presence already. Even if I go from 15% to 20%, there is still a 100,000, 200,000 additional chrome market. I don't think that is a material factor where anything happening in the forged market can influence it. I mean, that's a one-way street as far as we are seeing it. Just on the order of -- the cost differential is, let's say, 2%, but we are adding 98% of value in terms of throughputs and other things, right?

The recovery process and all of that. So, it is never -- the whole premise on which you are building the chrome opportunity is on all the other benefits that chrome offers along forged. Any additional lower cost of forged does not change that the value proposition. I think that is the growth portion that we are talking of.

The earlier question that you had is, what is happening and what the earlier participant was asking is, it is a combination of all of these things. There could be a customer or two that are... there are very few other players in the space. So, there could have been situations where the order has moved from here to there, but it is a combination of all of these things. It will not be fair to say one way it is this that has led to the situation.

Priyankar Biswas: And if you can share, like, which geographies are impacted because, as you said, that US is not that impacted and Canada you have resumed. So, I'm wondering where exactly is the impact?

Kunal Shah: Canada is really yet to resume. It's been there at a pre a presence there is still yet to come through. I think we will not want to get into more details. Like Sanjay bhai explained, it's a -- there are plenty of nuances here in our business and it will be difficult to really get granular beyond this, Priyankar.

Priyankar Biswas: And just last question from my side, because we used to be quite a meaningful player in Brazilian iron ore earlier. And what I understand is, we had continued discussions in LATAM, copper, particularly Peru and Chile, those geographies. So, what are our progress in these two areas at the moment? Because Brazil, the anti-dumping duties are now gone. So, how are we progressing and how does the market look?

Kunal Shah: So, Brazil anti-dumping, there's only the CVD portion, as they call it, there's one portion that's still active. The dumping has been, the duty has been terminated in Brazil. So, again, South America needs to be a large, it's one of the largest ore markets. And as you know, copper is one of the largest commodities in that region. And it is absolutely a market of interest. And all our work is fitting in with that opportunity.

So, there is absolutely zero hesitation in saying that we have a solution that brings disproportionate benefits to the clients, correct? Especially in a context where their costs are going up, they won't have their credit, the throughputs are going down. We believe that our product fits in.

It is a little frustrating for the time that is required to do that, but that's the effort that we have to make, right? That's the investment the company has to make in terms of resources and just continuing to keep up with the customer. So, South America, to answer your question, remains absolutely a market of interest and there's no change in that thesis.

Priyankar Biswas: So, what about Brazil?

Sanjay Majmudar: Strong efforts are continued in those markets for conversion. Humongous efforts right now.

Priyankar Biswas: So, what about Brazil? I don't know, because we used to be quite strong, like with Vale and others. So, how is it looking? I mean, we were very strong in, I don't know, at that point. So, how is it looking there?

Kunal Shah: Well, again, a granular question and one market and one customer may not be the whole story, right? So, I think we'll just defer back to requesting not to get too granular, but nothing's changed. It is business as usual, as far as we are concerned. There's no structural situation that we are looking at that probably changes that thesis.

Priyankar Biswas: And just one more in. So, in the other expenses, I see that the other slide item that is there is on the higher side, despite lower production in this quarter. So, any expenses that may have gone up initially, just for my understanding.

Moderator: Sorry, the line for the Chairperson is disconnected. So, please stay connected while I reconnect the line. Ladies and gentlemen, we have the line for the Chairperson reconnected. So, please go ahead.

Kunal Shah: Yes, other expenses include professional and legal expenses and a lot of our legal trade defence costs in this two quarters, because a lot of work for the US has happened in those milestones in this quarter. So, that is where it's appearing that way.

Priyankar Biswas: Okay, completely understood. Thank you.

Sanjay Majmudar: Yes, the freight still continues to be a major component, freight.

Kunal Shah: Yes, the rest is all balancing. Nothing that is worth noting.

Priyankar Biswas: Okay, okay. Thank you so much.

Moderator: Thank you.

Kunal Shah: If you have no further questions, I think we can wrap up the call.

Moderator: Yes, as there are no further questions, I now hand the conference over to the management for the closing comments. Please go ahead, sir.

Kunal Shah: Thank you, everyone. I do realize there may be more questions that you may have around this.

Moderator: Really sorry to interrupt, sir. We have a last-minute registration from Mr. S Gujjar from ICICI Mutual Fund. Please go ahead, sir.

Sanjay Majmudar: Yes.

S Gujjar: Yes, thanks for the opportunity. Sorry, I joined a bit late. So, pardon me if I'm being repetitive. So, there's a question around because the supply chain issue, we had seen this in COVID and now, right? At what point do we actually go back to the drawing board to think about any expansion out of India?

Sanjay Majmudar: So, I'll be very candid with you. This is something which we at the board level are very seriously debating over last couple of quarters. Even in today's board meeting, we had extensive discussions, some technical presentations. I will only say at this point in time that we are looking at it quite seriously, but it's not so easy to take a call on this.

Kunal Shah: I think the fundamental point is that our thesis remains for what we are doing out of India and everything else that we are doing. There will always be a conversation and discussion on what mitigation measures exist and when we will consider them. A plant outside India may or may not be in consideration, but like what you said is that we have to be in the marketplace and we have to make sure we work on a strategy that works to our advantage.

So, I think if and when that becomes a serious consideration, we'll be very happy to discuss. But for now, our focus continues with all that we are doing. Like I said, with the previous participant, the point is that it is business as usual. I mean, we've had a little unusual lower offtake with a few customers and things that we discussed, but otherwise nothing really that requires urgent effort or actions on top of that.

S Gujjar: Sure. Thanks. And all the best.

Moderator: Thank you. Sir, we have two more questions.

Sanjay Majmudar: Please go ahead.

Moderator: The next question comes from Ashish Kejriwal from Nuvama. Please go ahead.

Ashish Kejriwal: Yes. Hi. Good evening, everyone. Sir, my question is in one of the answers you said that maybe because customers may be thinking that there could be some reduction in prices and because of that fact, maybe they have reduced the volume. So, my question is, do we think that if we can reduce prices or take some hit on the margins, we'll be able to increase volumes or it will not?

Kunal Shah: I think what we meant was the freight cost. I don't think, again, I'll go back to a macro point is that our thesis does not rely on cost, right? When my solution can offer, can solve the problem of a hedge-grade worsening or recovery worsening or where I can improve throughput into the system and produce more metal, this cost becomes incidental, right?

It is not something that is a strategic conversation with the customer. What we were referring to was that one of the pillars of friction right now is the whole uncertainty around the shipping situation, which is unavailability of containers and the high shipping cost and customers, it would sometimes get on the fence is that there is some amount of uncertainty. Should I just wait it out and get till things stabilize a bit? You know, I think that's where the argument is.

Sanjay Majmudar: There was no question of renegotiating on the pricing. Yes. No, sir.

Ashish Kejriwal: I was just looking at for new customers.

Kunal Shah: I should be sorry to finish the question. Lower pricing is not the answer. It is not a price conversation, right? I hope I have explained that in that. It is not saying I need a discount or a lower price. There is much more effort and engagement that is required at all times with the customer to make sure he gets a significant disproportionate benefit in all these other things that we bring to the table.

Ashish Kejriwal: Understood. So secondly, obviously, this is the case which we have been highlighting for so many years. But if you look at the numbers for last six years, actually, our sales volume in the mining segment is more or less stagnant. So, is it that we are not or you know, we are taking much more time to convert or our customers?

Kunal Shah: I appreciate that. What I was saying is that it's a little unfair to just paint the canvas with one brushstroke.

Sanjay Majmudar: You do know that. Kunal, one sec, one sec. Let me be a little more clear on this. So, Ashish, you are right that volumes look stagnant. But please consider over the last five years, we have actually lost more than 50,000 tons and then gained them through new customer acquisitions. Correct. So, there was an anti-dumping scenario, first starting with Brazil and Canada, then South Africa in a different context. But nevertheless, so you lost more than 50,000 tons. Still, the volumes not only held, but they showed 5%, 6%, 7%, 8%, 10% growth, which means that my conversion continued to happen.

Then came this geopolitical tensions and the whole world going into a tailspin and the shipping freight going through the roof 5 times, twice in the last three, four years. Please understand the challenges and the fact my opportunities. And then we have continuously upgraded in terms of our capabilities. So, we're talking about DP benefits. We're talking about fantastic mining liner solutions. We are also talking about cost reduction, which, as Kunal explained, is incidentally therefore important.

But does it undermine my opportunity? Does it reduce my opportunity from a two million or one and a half to two million to maybe 500,000 tons are knocked off? Clearly, no. What happens? Yes, conversion is not exactly happening the way we think. Multiple challenges continue every new day. There's a new challenge. But the strength of our solution is so materially powerful that there are 70 people globally working in various geographies in continuous interaction, duly supported by another hundred people from India. You see, it's a massive exercise.

I don't think one or two soft quarters will change the whole course of the company. But at the same time, being realistic is what we thought we should convey to investors very transparently that if my own clarity is not perfect, how can I tell you A, B or C? And that is exactly what we are conveying. That does not mean that now my market is undermined or I am now facing an opportunity which is not exactly what I was talking about six months ago. So, you have actually gained the market. And now there are chances that we will regain the markets that are lost. But we continue to face new challenges. But we are undeterred, absolutely undeterred about it.

Ashish Kejriwal: I think that's very appreciative that you have pre-commented that. The thing is that no, obviously conversion is a slow business or slow-moving business. But in this time, are we facing resistance from the customers to convert or because of which China is aggressively because they have excess production. So, China is excessively marketing it and the gap between our product and the conventional product is so huge that people don't want to change. Are we seeing such kind of infection or not right now?

Kunal Shah: Clearly China and we've discussed China as you know, on a strategic note that it is more of a commodity product supply. I think the whole thesis for AI across both verticals and product lines is the value that we bring in terms of designs and solutions that we offer as a package. And China always had a large internal market and low technology products. So, it's not something that is new today. And they were always for any product that they have a larger market, they always have more capacity. So, it's been there for the last 15 years. So broadly, nothing changes on China. Nothing has changed between five years ago and now.

Ashish Kejriwal: So last question. Okay, short term, maybe some hiccups are there. But do we envisage that in next five years, our number can double from here?

Sanjay Majmudar: I definitely think so.

Ashish Kejriwal: Okay, that's fine. Thank you and all the best.

Sanjay Majmudar: Thank you. Kunal, I'm sorry, I will have to drop off. Thank you everyone and all the very best. Thank you.

Moderator: Thank you. The next question comes from Parikshit Gupta from Fair Value Capital. Please go ahead.

Parikshit Gupta: All right, thank you very much for the opportunity. And just as a context, I am new to this company and a segment. So please pardon my lack of information. I just have one structural question. I understand that the grinding media is the largest business segment for the company along with expansion plans already undertaken.

So, I understand that you are already mindful of the rate of growth of the requirement of grinding media. Would it be possible for you to please articulate if this growth will come mostly from the mining sector, which contributes to I think about 70% of the business? Or if you could touch upon the other segments?

Kunal Shah: All of it is expected from the mining sector, not mostly, all of it.

Parikshit Gupta: Just to follow up on this, please, considering the cement manufacturers' expansion along with consolidation in the industry, especially in the southern parts of it, would they…

Kunal Shah: So, it is a global business for us. India happens to be an important market. But in the global sense of things, yes, India is a larger market and will be natural beneficiaries of any growth that comes along. But we are also introducing newer solutions with higher wear rates, etcetera. So, in the scheme of things, the growth in cement in India per se may not be a material game changer on the overall volume. But we will surely add volume. We are just not talking and estimating that. These are sometimes longer gestation projects. And estimating things, when it will fall on what calendar year or fiscal year, what volume will come, is difficult to estimate.

Parikshit Gupta: Understood. Thank you very much. Appreciate your time and best wishes for this year.

Moderator: All right. Thank you. Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Kunal Shah: All right. As usual, thank you so much. It's been a -- it's not been a regular quarter last two quarters. And I understand many of you may have still more follow-up questions. I hope we can spare Sanjay bhai on the Diwali, the weekend coming up. But I am available offline and both of us obviously will be available from next week onwards. So please do feel free to call us and we'll try our best to help you get a better sense on this. I wish you all a very happy Diwali and a good evening. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, this 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. Have a great evening.