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Operator: Ladies and gentlemen, good day and welcome to the AIA Engineering Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the Operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to the management of AIA Engineering Ltd. Thank you, and over to you.

Kunal: Yes, thank you very much. Hello, everyone. Good evening. This is Kunal, and as usual, Sanjay and I are conducting this call for the first quarter of FY27. It was an uneventful quarter, with most of the line items and commentary reflecting everything we have discussed over the last few quarters. Nevertheless, I will summarize the headline figures and numbers, and then we can move into the Q&A.

We are at 64,644 tonnes in the first quarter, compared with approximately 60,000 tonnes in the first quarter last year. This translates into sales of 1,153 crores, EBITDA of 424 crores, and profit after tax of 301 crores.

When you look at the tax item sequentially, if you recall, the tax amount in the fourth quarter included a refund that we had received, which is why that number was somewhat lower than it has historically been. This time, because it is the first quarter, tax will normalize. I think it is about 23%, and it will normalize to approximately 21.5–22% overall.

I think the rest of the figures are in the data sheet that we uploaded, and the numbers remain at par. Operating income, comprising export benefits of 14.78 crores, treasury income of 85.35, and a foreign exchange gain of about 25 crores, led to total other income of 110 crores plus the 14, totaling 124 crores, sorry.

Working capital is at par, with no major update on tonnages. I think they are broadly in line with what we had seen.

From a business standpoint, what we explained and discussed last quarter was the new generation discharge system. We believe that system dramatically influences operating conditions in terms of throughput, fineness, and other variables that influence working conditions at the mine site. It addresses the top three issues at a plant site, most importantly the falling yield of gold and copper metal, and that is an intervention that is very unique to us. It is the sum total of everything that the company has done over these many years.

It is a new system, and the trial and commercial implementation follow a complete lifecycle. We have done similar work at cement plants, where the mill sizes and throughputs are significantly lower. For example, a typical cement mill for a 1-million-ton plant would be, let us say, 30 tons an hour, and a 20% improvement would be an improvement of 6 tons, which is material at a cement plant. That 30 tons an hour can be as high as 2,000–3,000 tons an hour at a mining site, and anything that we do as an intervention is now an order of 70–80 times more severe in terms of operating conditions. The process knowledge and design implications for such systems are things that we are learning, applying, and taking through iterations.

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When we took this up, the strategy was to work through mill sizes that vary from what we would call a smaller size to a larger size, without getting into the minutiae or details, which are not relevant beyond a point. The point is that we start with smaller mills, then move to medium-sized mills, and then to larger mills. All three are areas of opportunity. We have had successful trials at the smaller sizes, and we are now working on the medium and larger sizes.

This journey of conducting a trial and going through iterations is uncertain in the sense that it could take 3 months or it could take 2 years, because every mine site is different and operating conditions are different. All of that will ultimately lead to an optimized design and an optimized system that delivers on throughput.

Having said that, we continue our work on grinding media, recovery improvement, and reagent improvement. That is our grinding media portfolio. Then there is the mill lining and the discharge system as a solution. For the next 3 or 4 quarters, our updates may continue to be bland in terms of simply saying that the status quo remains, because some elements may perform while others may need an iteration, and that is an iterative process. I do not think we will be able to forecast what it means.

Having said that, this quarter has continued at status quo. In all the numbers, there are no major macro events that have impacted us or that we are concerned about. We will continue doing the same for the next year or more, and hopefully there will be good news to share on top of that.

With that caveat, I will have Sanjay share his thoughts, and then we can move into the Q&A.

Sanjay: Thank you, Kunal. Good afternoon, everyone. I have a couple of points from my side.

If you compare Q4 with Q1, you may observe a decline in the EBITDA percentage, reported at 36%, and in operating margin, which was around 27.8–27.9%. I want to draw your attention to 2–3 factors so that I can preempt certain questions.

The first factor is the comparison of foreign exchange between Q4 and Q1, where there has been a sharp decline. The foreign exchange gain, which was about 65 crores in Q4, has come down to about 25 crores. That is the first point as part of other non-operating income, although it nevertheless gets reported.

The second major contributor is the product mix. In the past, we have said that in a given quarter, if the product mix is extremely favorable, with more large castings being sold, the margin will move significantly higher. In this quarter, the product mix was not particularly favorable in terms of the value-added products that were sold. That is the second major contributor.

The third factor relates to other expenses. The ongoing trials and other expenses are also booked under other expenses against revenue. Therefore, there are additional other expenses, as well as additional freight expenses due to the movement in freight.

These are the three main factors why Q4 compared with Q1 appears to be on the lower side. Other than that, Kunal has already explained the situation. Let us open the house for the Q&A.

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Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ronak Agarwal from I-Thought PMS. Please go ahead.

Ronak Agarwal – I-Thought PMS: Hi, Sanjay, Kunal, good evening, and thank you for the opportunity. I have 2 questions. My first question is on the South America mining conversion. Last quarter, you mentioned that the second mining trial was ongoing and that you expected the outcome in a couple of months. You also mentioned that the client had immediately placed an order for the second mill conversion after the first trial. Could you please give us an update? Has that trial concluded, and what was the outcome for the customer?

Kunal: No, as I said, we will refrain from sharing specific inputs, because ultimately the question is about sustainable growth and tonnages. The idea is that we are conducting trials, and most trials go through an iterative phase. Therefore, selecting one trial and saying that it has worked well does not ultimately provide the relevant answer. Allow us the time to go through that, and we will continue sharing updates.

The material point is that this is a solution that we envisage as being a game changer for mining companies. There are trials, risk aversion, the conservative nature of the industry, the supply chain, pricing, and all sorts of hurdles that we have to overcome before an ultimate sale can happen.

I think we are at stage one today, which is the trial stage, and the trials are ongoing. They are still ongoing, and there is nothing to share at this point that would ultimately provide greater clarity. The update is that it remains a work in progress, and we will wait for the final outcome. It might take a little longer than anticipated because of certain technicalities, but it is a work in progress. That is the short answer.

Ronak Agarwal – I-Thought PMS: My other question is regarding the mining volumes. This quarter, mining volumes were down by 5,400 tonnes quarter-on-quarter. Is this decline purely due to a timing issue, or what is the issue? Could you please explain?

Sanjay: No. As I said, we do not track a quarterly run rate in that manner. It is...

Management: ...an annual matter, so it is more of a timing issue, a product mix issue, and an order execution cycle issue.

Ronak Agarwal – I-Thought PMS: My second question is on competition from China. Are you seeing any Chinese player undercutting us on pricing and posing a real threat to the conversion, especially in markets where we currently do not have anti-dumping protection?

Management: Not really. Chinese players made a dramatic entry into the forged space. As much as the top 2 mines in Chile today use Chinese forged media, China has become the largest producer of forged products and a very important supplier. There are approximately 20 forging companies now in the market, supplying all sorts of mines across the world. Forged products have therefore

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established a dramatic presence in the market.

As far as chrome is concerned, forged products are one product, one grade, and one material, and it is essentially a distribution business. In our case, this is a customized business. Each mine site needs a customized solution, and one needs to engage in an iterative process behind it.

To that extent, I do not think there is currently a Chinese presence in high-chrome products. We do not see Chinese players coming on board at this stage. That may change in the future, but all of that is conjecture. To answer your question, as we speak today, the high-chrome market continues to be served by a limited number of companies that have built front-end solution-engineering capabilities.

Ronak Agarwal – I-Thought PMS: That is all from my side. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Varun Jain from Daulat Capital. Please go ahead.

Varun Jain – Daulat Capital: Hi, good evening, Kunal. Good evening, Sanjay. I have a couple of questions.

First, regarding the NGDS, could you explain the economics of this product? What is the replacement cycle, and is the revenue driven by volume, similar to how mill liner is sold by kilogram? How is it sold and priced?

Management: I am happy to explain that. Ultimately, our goal is to become a meaningful player, and not merely a meaningful player, but to offer an intervention in terms of the benefits arising from the solution, through which AIA becomes the go-to, sticky partner for customers in the mining space. That has been our current business, and that is what we are building for the future.

NGDS is not a new product that will be sold differently. It will continue to be sold on a per-kilogram basis, because kilogram is the metric. A product is not like an iPhone, which is sold in grams. An iPhone is sold in units or numbers. In our case, our unit of measure continues to be weight, which is kilograms.

However, the idea is to sell it as a solution. We are not going to sell the discharge system as a standalone product. The trial phase may have elements where we are working with grinding media, other liners, and the discharge system. Therefore, there are 2 or 3 moving parts. We are working with clients because the risk appetite is different for every customer.

The ideal solution is for the entire package to come from us. If they implement this, there may be changes in the operating conditions inside the mill that require a different grade or alloy of grinding media. That is where we would be selling the full set.

If this comes together, the product mix category and profile may not be very different. For example, let us say 75% of my volume is grinding media and 25% is castings. This also comes from cement, which is a solution involving grinding media and liners. Of course, there is the rest of the mining

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business, where we sell only grinding media and liners, but today they are sold separately. Going forward, they will be part of a solution. Therefore, I do not think our pricing, unit of measure, or any other metric used to evaluate us will change.

Varun Jain – Daulat Capital: I think this was helpful, but I would like to understand it in a little more detail. Regarding NGDS, what is the revenue driver? If it runs for 3 months, will a certain amount of revenue accrue? Or if the mine is saving 25 million, will they pay us 20% of that as revenue? How exactly will it be determined how much revenue we can earn? We understand how it works with mill liners or grinding...

Management: I am saying that you need to separate 2 parts. What I am saying is that if I am selling a car, and a car generates a selling price of 1 lakh per car and I earn X% of operating margin, those 2 elements will not change once this solution comes in. Are you with me?

The purpose of having NGDS is separate. What is the pricing part that you are referring to? Ultimately, whatever portion, volume, or percentage comes to us will translate into a selling price and a margin. Both these figures will be in line with where we are today. That is what I am trying to tell you, because it is still a combination of grinding media and linings, which is the non-grinding-media portion of my current business. Therefore, that profile does not change.

The other question you asked is about the benefit and how the customer looks at it. The idea is not that I am earning a 20% operating margin today and want 80% tomorrow. We are not Nvidia in that sense.

The point is that it brings stickiness because today the customer is buying linings from one company, there is no discussion about the discharge system, and grinding media comes from a third company. These are all consumables that are consumed without any consequence for the operating conditions in the customer's plant.

We are a unique company, and this is what we are doing for the rest of the business as well, where we take ownership of the operating condition. We are going to sell all 3 components as a solution.

What does AIA get in return? It gets the stickiness that comes with such a business. It is a recurring-consumption product, and that brings stability and allows us to build on it. Therefore, all I am trying to say is that this does not necessarily translate into a very different margin profile.

Varun Jain – Daulat Capital: My understanding is that NGDS can also be sold in mills where we are not selling liners or media to existing suppliers. If I understand correctly, what is the standalone TAM for NGDS in terms of revenue?

Management: It is not standalone. NGDS is not something that I can sell on its own. NGDS is part of the lining discussion, and I cannot sell it without grinding media. All of it will become a solution. I will sell the whole package.

There is no standalone TAM. I do not want to sell NGDS by itself; technically, I cannot sell it alone. I need grinding media as part of that solution for the full benefit to accrue to the customer, along with the liner. Grinding media, liner, and NGDS together form a package that is sold to the customer.

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Varun Jain – Daulat Capital: I will take that offline and move on to my other question. In Q1 FY27, Sanjay mentioned that the product mix was not favorable. However, when I calculated the realization, it was the highest ever, at more than 180. For the past 2 quarters and over the past couple of years, realization has been very high, but the company continues to guide to 165. Would you like to revise the realization guidance upward?

Management: No. Will you tell me what the dollar will be next year? What will be the cost of ferrochrome? What will be the cost of scrap? How much competition will I face? If you give me those 4 things, I can calculate and give you the answer.

The point is that 160 is indicative. What will the shipping price be? My selling price is influenced by 6 parameters, one of the most important of which is product mix. Product mix also changes because the customer's operating conditions and buying cycle change. Therefore, there is a product mix discussion, a product timing discussion, a cost discussion, a currency discussion, and a shipping-price discussion.

If realization has become 180, we are not separating it to say that 10 rupees came from higher shipping costs and 2 rupees came from additional foreign exchange. The idea behind the 160-165 guidance was what we shared a year and a half ago, based on the operating conditions and variable costs that existed at that time.

Yes, we can change it to 180, but that does not serve the purpose. I think the discussion in front of us today is where growth will come from and what we are doing to build that growth. Once we have somewhat better visibility, hopefully these questions will be easier to answer.

Varun Jain – Daulat Capital: For FY27, will we reach 280,000-290,000 metric tonnes of volume? Also, regarding the outcome of the other 2 trials that were ongoing, namely Peru Copper and Ghana Gold, that is all from my side.

Management: As I said at the beginning of the call, and as Kunal also said, the trials are ongoing. We were very clear even in our conversation with investors last quarter that we would provide growth guidance once we had complete clarity on how things were going to develop.

At this point, we are not giving any guidance. What we are saying is that the trials are ongoing and remain a work in progress. We are encountering certain technicalities that require our team to engage further and provide additional solutions. That process is ongoing, and it is taking somewhat longer than we had anticipated.

Therefore, we ask you to wait for one more quarter, after which we will provide exact guidance. Of course, our target is significantly higher growth than what we are currently anticipating. We want conversions to happen faster. That process is a work in progress, and that is why we are maintaining the status quo at this point.

I cannot give you an exact number for tonnages, but our target is to determine the extent to which we can increase volumes.

Varun Jain – Daulat Capital: Are you confident of crossing 280,000 tonnes? Could you provide some indicative color on that?

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Management: Frankly, I do not have a specific answer to give on this.

Varun Jain – Daulat Capital: No problem. I will come back in the queue. Thank you.

Management: Certainly.

Operator: Thank you. The next question is from the line of Priyank Vishwas from JM Financial. Please go ahead.

Priyank Vishwas – JM Financial: Good evening. We have always discussed conversions in Latin America, but recently, based on some of your pages on Vega and the other pages that we have seen, it appears that we are also making inroads in the Philippines and the Middle East. Could you elaborate on the other geographies? Are we making good progress and seeing traction, and what competition do we face in these geographies?

Management: Priyank, there are 2 points. First, why Latin America? We are conducting trials with very large mines there. Second, it is itself a huge market. We are talking about more than 500,000 tonnes of grinding-media consumption, along with the entire range of products that go into one concentrated market there. That is why we discuss Latin America so often.

However, you are right that other markets are important. If you look at the world as a whole, the Philippines and other markets are certainly important, but they are much smaller than the Latin American market we are discussing.

When we say that the opportunities across the 3 ores we are discussing are at least 1–1.5 million tonnes, and 30–40% of that comes from only one geography, naturally our concentration will be on that geography. Having said that, other markets are important, and we will continue working in all other markets. It is not that we will not work in other geographies.

Priyank Vishwas – JM Financial: In other large markets, Australia was also quite a large market at one point. Are we seeing any progress in countries such as Australia, Indonesia, and Africa, which are key geographies?

Management: Australia is an iron-ore and gold market, and we have established a reasonable presence there. As a company, the work we are doing in South America, which is almost a million-tonne market, is in a geography with an extraordinary problem of declining yield. There is a solution that nobody else is offering, which allows us to create a sticky proposition with reasonable margins and sustainable growth for a few years. That is what we are trying to solve for.

While we are doing that, if 50,000, 60,000, or 1 lakh tonnes come from elsewhere, we will be very happy for that business to come along, but it does not move the needle. We will work on all of those markets. I do not have meaningful updates to share on all of them, because the total Australian market may allow us to do another 20,000 tonnes. The same applies to Brazil and Canada, where there are already duty actions and an incumbent.

In South America, it can become a 300,000–400,000-tonne market for us. A 300,000–400,000-tonne market for us, while solving for several things at the same time, is something that excites us. The rest of the world will continue as well, and hopefully we will have

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some progress to share, but it may still not move the needle beyond a point.

Priyank Vishwas – JM Financial: That is very clear. What I understand is that if your strategy with NGC and the other initiatives works out, then in the long term, over 5–10 years, we could potentially see volumes doubling from current levels. As you said, it can be a 300,000–400,000-tonne market. Is that the right way to think about it?

Management: If I am getting a concentrated opportunity that solves all of these issues, it requires a serious and deep effort. It requires us to choose where we apply the bandwidth we have. That is where we are now applying ourselves disproportionately.

That does not take away the opportunity elsewhere. Now that the trials are progressing and we have set that process in motion, hopefully the rest of the strategies, geographies, and other initiatives that we are putting in place will show some progress. However, there is nothing to report at this time, Priyank.

I think the opportunity has not changed. There is a large opportunity. We have a strong balance sheet. Hopefully, a few things will come together. Beyond that, we will share more once the volume comes along.

It is not appropriate to keep saying that we will do this tomorrow and that the day after. We need to get the space and time to do the work and come back and deliver sustainable growth.

Priyank Vishwas – JM Financial: Just one more question, if I can squeeze it in. Parallel to NGC, you had also developed a full suite of mill-liner capabilities, including steel, composite, and ceramics. How would you compare this with competitors who are predominantly focused on composite products? Also, because of this new technology, what sort of cross-selling opportunities are you seeing, particularly in the mill-liner area?

Management: Structurally, one needs to understand that one is a material discussion, while the other is a solution discussion. I do not think comparing the two is the right way to look at it.

If I make a metal liner, a rubber liner, or a composite liner, the choice of material is determined by the operating condition. One material serves the particular nature of the operation. If you take the larger mills, they predominantly use metal liners. Smaller mills use rubber liners, and composite liners are used across both spectrums where they are a better material.

If I am a metal-liner player, a rubber-liner player, or a composite player—for example, rubber and composite or metal and composite—I can bring intervention and innovation only in the material and perhaps obtain a little more benefit. Then it becomes a cost discussion.

What we bring to the table comes from the design discussion that we are having. A design intervention only happens if you understand the process. None of the incumbents across the spectrum deal with the process.

When I go to a cement plant and tell them that they have a 150-ton-per-hour mill and I am going to improve that by 20%, I need to take ownership of the entire grinding process. When we think of ourselves, we think of ourselves as grinding-mill experts, grinding experts, design experts, and

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metallurgists. That combination comes together to design a solution.

Someone may make a forged ball, which is an indistinct product. It is then a question of distribution. There is nothing else being added for the consumer. If I am a conventional liner maker, I have no other role; I am simply a vendor.

Today, in India, there are 2 telephony providers. That does not make them better than telephony providers in China. It is a GSM technology or whatever technology is being used. The question is the money they put into the business or the distribution they have. These are the elements through which some people have an advantage in a market or with a customer.

We are making a very different offering altogether. A liner is, at best, a discussion about liner life or cost, which is limiting. The liner life is 6 months; perhaps you can make it 7 months because you have better material. That is the extent of the intervention at the customer's end. Alternatively, if I am a forged-ball maker, I have an insignificant influence on the customer's operating conditions. The customer will buy it from another vendor, a third vendor, or one of the 30 forged-product manufacturers in China.

If there is a plant next door and we are getting the business, that is great, but there is nothing beyond that. What we are doing is shifting that approach and saying, "I am a copper producer, and I have grinding mills where I am grinding 2,000 tonnes per hour. Can you help me improve the throughput?" This is exactly what we started with in cement and are now applying to mining.

If somebody asks us, "What is the price of NGDS?", I do not want to sell an NGDS. I am not a parts supplier. If I am not discussing with the customer how to make the performance of the plant or the plant manager extraordinarily better, I should not exist. Do you understand, Priyank?

The liner is in sync with grinding media, and together they become a solution that we are attempting to take to the customer, offer, and discuss in terms of throughput, power, and recovery improvement at the mine site.

Priyank Vishwas – JM Financial: If I understand this correctly, this is a complete solutions approach.

Management: Yes.

Priyank Vishwas – JM Financial: To clarify that I have understood it correctly, this is a fully solutions-oriented approach that you are offering. Of course, design is the key strength, among other things. However, since a mine has several variables to consider, how do you proceed? The computations would be significantly complex and would require substantial computing power. How have you solved that problem?

Management: That is what we have been solving for the last 30 years. That is my business. Can I solve that for a smaller mill and a smaller operating condition at a cement mine site? A cement site is exactly what I deal with.

We work on complex simulations. We work extensively on process flow and fluid-flow dynamics. There is metallurgy, and there is process knowledge. The intervention is not only design; the intervention is also process.

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There is the grinding process itself, which is independent of the process, and then there is the material. Therefore, there is material science, design, and process understanding. We study the grinding process and determine that for a given set of operating conditions, we should try a particular design and a particular alloy or material to deliver the benefits that we discuss.

In that mix, we have now introduced NGDS. This is an absolute solution approach compared with every other incumbent that is discussing a product. They are vendors to their customers. There is a tender, an RFQ, and they supply a price, winning some orders and losing some orders. If one does not get the business, the second, third, or fourth player gets it.

I do not think AIA exists in that space, which is why, unfortunately, I am not able to provide many of these standard modeling answers. If I were operating at a 10% margin, I might be in a very different space, where I could continue to grow through distribution, for example, but that is not where I operate.

AIA does not operate in plain-vanilla commodity products or product-led sales. It is a solution-led sale, and that requires us to solve these more difficult problems.

With that comes the attractive aspect of the business, where the customer partners with us because we make the customer look good. We are solving for things that the customer may not be able to do independently.

Priyank Vishwas – JM Financial: Understood.

Operator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal – Axis Capital: Hi, Kunal. Hi, Sanjay. Thank you for the opportunity. My first question is regarding Sanjay's initial comment, in which you said that the product mix was slightly inferior on a relative basis during the quarter. Were you referring to a quarter-on-quarter comparison or a year-on-year comparison?

Second, in relation to that, the increase in realization that we are seeing—is this a function of a change in product mix, or is it the result of raw-material inflation being passed through, which is leading to higher realization?

Management: First, I was referring to a quarter-on-quarter comparison, on a sequential basis between Q2 and Q1. The product-mix change was also a factor, but as Kunal explained, as freight costs rise and raw-material prices rise, and as we pass those costs through, realizations will increase. Other expenses will also increase.

Therefore, it is a function of product mix and of the pass-through mechanism that we have built for freight and all the other costs that have risen in the current quarter. In addition, there is the raw-material pass-through effect and the product mix. It is a combination of multiple factors, which is why you may have seen that realizations have actually increased. However, if you look carefully, other expenses would also have increased.

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Ankur Periwal – Axis Capital: The increase in other expenses that you mentioned includes freight costs. Therefore, is the correct way to look at it that realization increased because of higher freight, and the same is reflected in the cost line items?

Management: Correct.

Ankur Periwal – Axis Capital: One more clarification on the ongoing trial expenses that you mentioned.

Management: They are also part of other expenses. They are part of other expenses, along with raw material.

Ankur Periwal – Axis Capital: These trial expenses should also have been present in the last quarter and probably will continue. Was there a significant increase that you are referring to?

Management: The intensity, volume, and other factors may change. It will depend on the customer's requirements and the outcome at a particular stage. Whatever is required, we have to immediately adjust. This is a continuous process.

Ankur Periwal – Axis Capital: Keeping the freight-rate pass-through and the ongoing trial expenses aside, on a pure product-by-product basis, in terms of contribution or gross margin, there should be a reasonable increase on a year-on-year basis, but a decline quarter-on-quarter. Is that the correct understanding?

Management: Whether you look at contribution or gross margin, it is generally in the range of 60–61%. That is our consistent gross-margin scenario. Whether there is an improvement or not, we will have to wait and see.

As you know, I do not provide any guidance on margins. That point is very clear. Our entire focus is on ensuring that our solutions are eventually accepted and that we continue working on them.

At the end of the day, 36% appears lower than 39%, but from an operating standpoint, 27% or 29% is not very far apart. However, I would always say that you should look at it on a year-over-year basis rather than make a quarterly comparison. It is very difficult for me to establish a yardstick on a quarterly basis because I do not sell standard products. I sell multiple combinations of products, which can definitely make the picture look different.

Ankur Periwal – Axis Capital: Regarding the investment in renewable power and the approximately 30-crore capex, by when should we see the benefit from that investment?

Management: It has already been implemented, I believe. It became operational very recently. Therefore, you should see the benefit in the coming quarters.

Ankur Periwal – Axis Capital: That is fair. Thank you for all the answers, and all the best.

Management: Thank you.

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

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Chirag Muchhala – Centrum Broking: Thank you, and good evening.

Management: Good evening.

Chirag Muchhala – Centrum Broking: My first question is on our overseas manufacturing plants. For Ghana and China, have we finalized the timelines and the capex amount?

My second question relates to an earlier discussion in which we said that our core focus is on scaling up Latin America because the opportunity size is largest there. Would a plant in that region, such as Chile or another large country like Peru, not accelerate our scale-up potential there?

Management: No, the problem today is not that. The supply-chain situation is certainly a friction point in terms of the time it takes, as well as shipping uncertainty, the Red Sea situation, and all of those factors.

Today, the phase we are in involves getting the customer to say, "Yes, I have a problem, I like your solution, let us conduct a trial. What is the pathway for the trial?" We then need to go through the iterations and reach the point where the customer says, "I think we are ready to proceed. Let us now discuss the commercial terms, pricing, delivery, and supply-chain risk."

I do not think we have reached that point yet. If I set up a factory and the customer says, "I do not want to use your product because I think it will fail," what do I do then?

Manufacturing in South America may be a logical consideration. However, manufacturing our type of products requires a local ecosystem. I cannot be one foundry among 10 in an entire country, with everything else needing to be imported from India. That does not work.

By and large, for now, we are not jumping the gun. We believe that India remains a very attractive location for our type of products because it offers reasonable costs, adequate manpower with the technical skills, engineers, diploma holders, and all the other capabilities that we need to offer the solutions we have discussed.

We continue to believe that we will remain based in India. Today, that does not appear to be the only issue that needs to be solved, although it is one of the issues.

Adding to that, we have discussed Ghana and China. In both cases, the intent was to determine whether there is a way to address the longer-duration shipping issue. For different reasons, both are remote countries. They have their own local conditions that we need to understand and solve for, as well as the required capabilities.

Taken together, while the intent continues, I do not have meaningful progress to report for different reasons. We will continue sharing updates, but we are still at the nascent stage of considering manufacturing outside India. For now, we will continue to be based in India for all practical purposes going forward.

Chirag Muchhala – Centrum Broking: So we may or may not proceed with those plans. Is that the point?

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Management: No, that is not the point. For example, in Ghana, we have identified the location and are now in dialogue with the government to ensure that everything we understand and require is available.

In China, we have set up a small laboratory-type facility. We are now exploring the possibilities regarding the type of infrastructure or investment we should make in phases. We have not shelved those plans; they are currently progressing slowly.

Chirag Muchhala – Centrum Broking: Regarding the Chile order that we received for high-chrome grinding media, I think in October last year, for around 300 crores, how are supplies progressing for that project? Is it fair to assume that an incremental volume of 3,000–4,000 metric tonnes would come from that order on a quarterly basis?

Management: That project is progressing well. That is a fair point to raise. It is going well and is adding approximately 3,000 tonnes as we speak. There is a complete supply chain and invoicing process, but between 3,000 and 4,000 tonnes per quarter are coming from that project. That is correct, and it appears that this will continue going forward.

Chirag Muchhala – Centrum Broking: Based on this project and our supplies, since those markets have not used high-chrome grinding media before, have we been able to receive more inquiries from adjacent mines over the past 2–3 quarters?

Management: We will continue to report on it. I do not think it helps to provide that detail. As I said, I am drawing everyone's attention to this, including you and others who may have similar questions. There are many details that I wish I could share, but beyond a point, we ourselves do not have clarity on many of them.

If I say that we have received more inquiries, it does not answer the larger question of whether those inquiries will convert into sales. However, from an optical perspective, this is the only chrome presence, and that statement itself has value.

We hope that this converts into business, but the point is that it is not just about grinding media. We have to sell a solution. In the overall context, it is a significant step forward. On its own, what does it mean? Does it mean 100,000 additional tonnes, or when will that happen? I do not know.

We will continue sharing more information. It is clearly well accepted. It is well accepted, and it is a meaningful development that will have an impact. It provides comfort, if nothing else, that there is now a customer who has tried the product, seen progress, and seen the benefits accrue from everything we have discussed.

Unfortunately, I do not have the answer to the next question, which is what it means in terms of tonnages and timelines. Having said that, it is a material progress milestone for us.

Chirag Muchhala – Centrum Broking: Thank you.

Management: Thank you.

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Operator: Thank you. The next question is from the line of Raman KV from Sequent. Please go ahead.

Raman KV – Sequent: Can you hear me?

Management: Yes.

Raman KV – Sequent: I have 2 questions. The first is regarding realization. When I look at it on a year-on-year basis, considering only sales and excluding export benefits, I think there has been a decline in realization year-on-year. What led to the decline in realization?

To add to this, you said that margins were impacted by elevated shipping costs and elevated raw-material costs. How long will it take us to pass on this high-cost inventory or high-cost product to our customers?

Management: Our guidance continues at 20%. I do not think we will provide a bridge for any margin above that. Our operating-margin guidance is 20–22%, and I believe this quarter continues to remain above that. I do not think we would want to provide a bridge explaining why it is above that level.

As far as realization is concerned, I will repeat what I said to another participant earlier. It is the sum total of 6 factors. We are not separating each factor and explaining why 160 became 170, because it is the sum total of several things.

Higher realization does not mean higher margin. It depends on the product mix, the cost at that point in time, shipping, foreign currency, and all of those factors. For example, if the rupee moves from 85 to 95, we will see some increase in realization.

In our view, realization is at par with or higher than last quarter. However, if you look at every quarter, there is no single trend underlying it. I do not think I can provide a forensic analysis to say exactly what it means. It is the sum total of the factors affecting us today.

Raman KV – Sequent: My last question is regarding the new discharge system that you are working on. I want to understand 2 things. First, how large is the market opportunity for this product? Second, from the customer's point of view, how will it help the end user, and why would they switch to this new product?

Management: As Kunal explained in an earlier question, I will present it slightly differently. The market opportunity for converting the consumable wear parts that we are focusing on remains the same.

This particular system has been designed recently and is under trial in large mines as part of the total-package solution that we are discussing, with the aim of improving recovery, saving costs, and so on.

As he explained, we will never sell NGDS alone. It is part of the mechanism used in overflow ball mills or SAG mills, where we try to apply a theory that radically changes how this equipment operates during the grinding and crushing cycle.

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We sell it as part of a package comprising liners and NGDS, and we also want to promote our own grinding media to provide optimum results. Therefore, the TAM technically remains the same. You may consider it to be 1-1.5 million tonnes, because it is not sold as a standalone product.

No mine will allow us to walk in and say, "Just sell this product." We have to demonstrate its benefits, conduct trials, and work through multiple technical issues that may arise in the process. We have to ensure that the customer is satisfied at every stage and that we are able to demonstrate whatever we claim.

Broadly speaking, that total opportunity of {? 2.5 ?} million tonnes, narrowed down across gold, copper, and iron, is approximately 1-1.5 million tonnes. It includes grinding media, liners, and some tonnage of this particular product for the mines that we are able to convert. However, it is part of the lining system. You can look at it that way.

Raman KV – Sequent: Am I audible and clear?

Management: Yes. Thank you very much.

Raman KV – Sequent: Thank you.

Operator: Thank you. The next question is from the line of Devang Shah, an individual investor. Please go ahead.

Devang Shah – Individual Investor: Thank you. Am I audible?

Management: Yes.

Devang Shah – Individual Investor: I have 2 questions. Is there any plan to ramp up production utilization? If I am not mistaken, it is currently only around 65-70%. We are producing 60,000-65,000 tonnes every quarter. Are there any such plans? Also, is there any plan for...

Management: Devang, we have created significant capacity for 2-3 reasons. Capacity creation itself takes time, although brownfield expansion can happen faster. Today, we have approximately 450,000, or 440,000-odd, tonnes of capacity.

The first reason is that when a conversion happens and a customer is ready to place an order, we cannot respond by saying that we will first set up a plant and then they can come to us. Therefore, we need to continuously plan for surplus additional capacity.

Second, you are right that there is currently a flat run rate of 60,000-65,000 tonnes per quarter. Having said that, we are working very hard on radically different solutions that can significantly help us increase our overall production, uptake, and sales to customers through a combination of multiple products forming part of a package.

We have to be ready with additional surplus capacity. Technically, we can easily reach 70-75% utilization. With our current capacities, I can easily produce up to 3-3.5 lakh tonnes. However, I will continue adding capacity to ensure that capacity is available as and when these conversions begin, because the market is very large.

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Devang Shah – Individual Investor: My other question is whether there is any timeline. For almost 3 quarters, we have been hearing that cash on the books is significantly higher. Is there any update?

Management: You are right. In the past, we have discussed this. Our total cash is {? 4.5 to maybe 5,000 crores ?}. However, as we have explained, we are in the middle of something very remarkable, which requires a great deal of focus.

At the board level, we currently believe that once we start gaining traction and reach the optimum level, an opportunity may come our way. Therefore, we are holding somewhat higher cash for at least a few more quarters. After that, we will certainly consider the other options available, what we should do, and how we should distribute it.

Devang Shah – Individual Investor: I believe another company tried this. There is a very small company called Wellcast, with only 70–80 crores, which tried to buy back all of its shares, but it was not successful. How is the situation with AIA?

Management: As I said, we are not contemplating it in the near future. However, we are very conscious of it and will certainly take a decision at an appropriate time.

Devang Shah – Individual Investor: That is fine. That is all from my side. Thank you very much.

Management: Thank you, Devang.

Operator: Thank you. The next question is from the line of Varun Jain from Daulat Capital. Please go ahead.

Varun Jain – Daulat Capital: I have 2 quick questions. First, regarding the Q1 capex of {? 50 crores ?}, where was this spent? Also, the FY27 capex guidance was {? 130 crores ?}, I believe. Is that still the guidance for FY27, and where will this amount be spent during the year?

Management: We spent this capex in Q1. Approximately 30 crores was spent on our hybrid solar-wind project, and the balance of approximately 20 crores was spent on multiple maintenance activities, including some debottlenecking.

This year, we discussed at the board level that we are increasing our capex guidance to approximately 350–400 crores. We have recently contracted for a dedicated plot of land for our corporate house, on which we will spend approximately 170–200 crores, primarily this year and partly next year. That is an additional component.

Second, as mentioned in response to the previous question, we will now be considering additional capex for further land that we may need for additional brownfield or greenfield expansion. Taking all of this together, we are working on the details and will provide the exact figure in Q2, but the capex this year will be at least close to 350–400 crores.

Varun Jain – Daulat Capital: For clarity, out of this 350–400 crores, will 200 crores be spent on the land and building for the new corporate house, with 50...

Management: More than 170 crores will be spent on the new corporate house this year. Another 50–100 crores may be spent on additional land that I will procure for further expansion. We have

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already started that process, and we will know in the next couple of months about availability and other details.

Varun Jain – Daulat Capital: How has the freight situation been in July, through August, and currently?

Management: What are you referring to in terms of freight?

Varun Jain – Daulat Capital: Freight.

Management: Freight is currently around 8,000–9,000 dollars per container. It depends on the locations. Freight is still at an elevated level, but it is declining rather than increasing.

We believe it has started to come down somewhat, but it all depends on whether the war extends further and on the situation involving Iran, including whether shipments from there will be stopped for now. Currently, we have a problem with transshipment ports becoming congested. The availability of containers and freight are both slightly problematic as we speak.

Varun Jain – Daulat Capital: There is no issue with raw materials, such as ferrochrome and steel scrap, correct?

Management: Raw-material prices are somewhat elevated, but we are passing the increase through. Therefore, we are not particularly worried about it, although prices are fairly elevated at present. Ferrochrome is also currently on the higher side.

Varun Jain – Daulat Capital: Understood. That is all from me. Thank you, and all the best.

Management: Thank you.

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

Management: Thank you, and thank you for joining us. We look forward to connecting again next quarter. Sanjay and I remain available offline for any further questions. Take care, and have a good evening. Thank you.

Management: Thank you.

Operator: Thank you. On behalf of AIA Engineering Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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