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# Presentation

*July 31, 2018*

# Executive Summary



Merger of RHI India Private Limited (“**RHI India**”) and RHI Clasil Private Limited (“**RHI Clasil**”) with Orient Refractories Limited (“**Orient Refractories**”)



Merger will be pursuant to a composite scheme of amalgamation approved by the National Company Law Tribunal (“**NCLT**”) (“**Scheme**”)



The consideration for the amalgamation will be by way of issuance of fresh equity shares of Orient Refractories to the shareholders of RHI India and RHI Clasil



Strengths and competencies of all 3 operating companies in India to be combined under one strong listed company that is well positioned to leverage future growth opportunities and enhance shareholder value



Combined company will have operating revenues of Rs. 12,356 mn and EBITDA of Rs. 2,322 mn (on a FY 2018 proforma <sup>(1)</sup> basis)

**Note:**

1. The proforma figures in this document have been arrived at through a mathematical addition of the respective figures of Orient Refractories, RHI India and RHI Clasil, and certain inter-company adjustments made thereto, where relevant. However, such proforma figures have not been audited or subjected to limited review, and the adjustments made do not represent the full of set of consolidation, inter-company transactions, related party transactions, Ind AS/ IGAAP adjustments or any other form of adjustments. Such proforma figures could change materially if they were to be audited or subjected to limited review/ if all relevant adjustments are conducted and therefore, recipients should not place reliance on such proforma figures.

## **Section 1: Overview of the Scheme**

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# RHI Magnesita in India

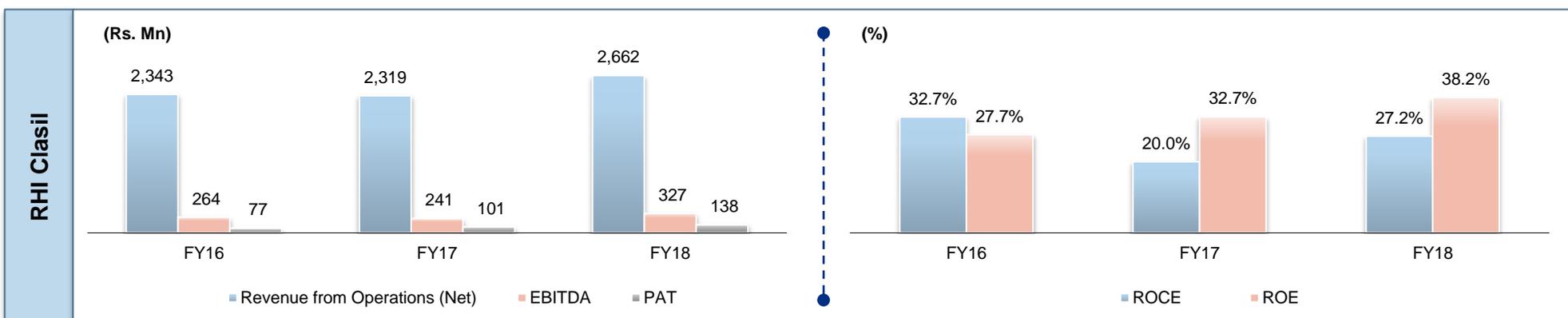
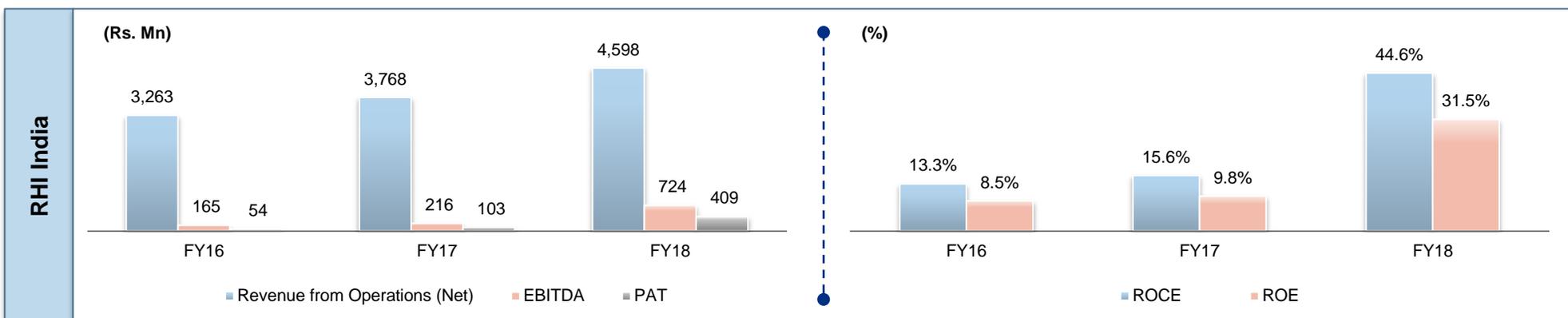
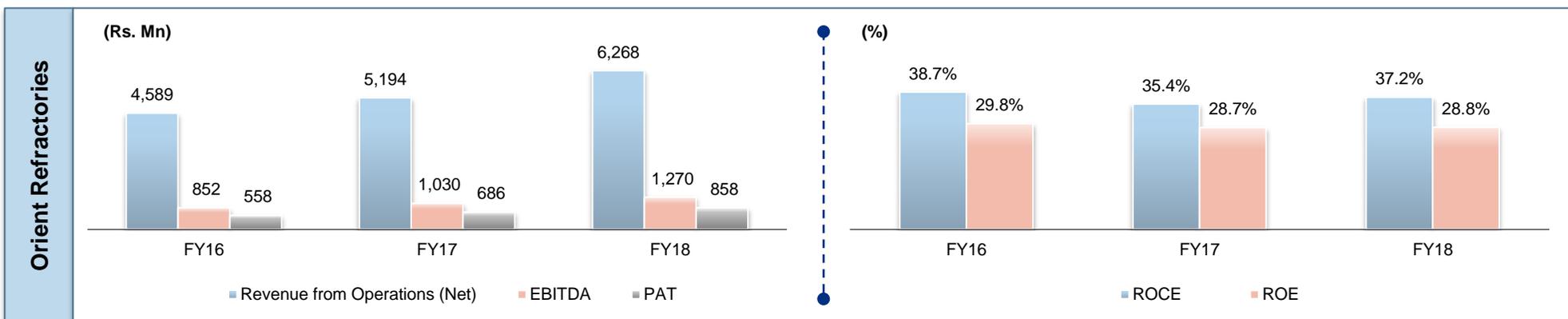
## RHI Magnesita has 3 Operating Companies in India:

	Orient Refractories <sup>(1)</sup>	RHI India	RHI Clasil
Incorporation/ Listing	<ul style="list-style-type: none"> <li>26 November 2010 (Listed on NSE and BSE)</li> </ul>	<ul style="list-style-type: none"> <li>15 June 2007 (Unlisted)</li> </ul>	<ul style="list-style-type: none"> <li>7 December 2005 (Unlisted)</li> </ul>
Nature of Business	<ul style="list-style-type: none"> <li>Manufacturer and supplier of special refractory products, systems and services for the steel industry</li> </ul>	<ul style="list-style-type: none"> <li>Seller of refractories and related services with a focus on the Indian steel industry</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturer and supplier of mainly Alumina based refractories for the steel and cement industries</li> </ul>
Product Portfolio	<ul style="list-style-type: none"> <li>Isostatically pressed continuous casting refractories, slide gate plates, nozzles, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Full range of refractories and related services sourced from various RHI Magnesita group entities to Indian customers</li> </ul>	<ul style="list-style-type: none"> <li>Mainly Alumina based refractories</li> </ul>
Key Production Facilities	<ul style="list-style-type: none"> <li>Bhiwadi, Rajasthan</li> <li>2 franchise services (Toll Manufacturing), Salem, Tamil Nadu</li> </ul>	<ul style="list-style-type: none"> <li>Trading company; No production facilities</li> </ul>	<ul style="list-style-type: none"> <li>Vizag, Andhra Pradesh</li> </ul>
Sales/ Distribution	<ul style="list-style-type: none"> <li>7 sales offices including in cities like Ludhiana, Raipur, Hospet</li> </ul>	<ul style="list-style-type: none"> <li>8 sales offices including in cities like Kolkata, Surat, Jamshedpur</li> </ul>	<ul style="list-style-type: none"> <li>Sales office in Hyderabad</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Approx. 500</li> </ul>	<ul style="list-style-type: none"> <li>Approx. 135</li> </ul>	<ul style="list-style-type: none"> <li>Approx. 90</li> </ul>
Financials (FY18)	<ul style="list-style-type: none"> <li>Operating Revenue: Rs. 6,268 mn</li> <li>EBITDA: Rs. 1,270 mn</li> <li>PAT: Rs. 858 mn</li> </ul>	<ul style="list-style-type: none"> <li>Operating Revenue: Rs. 4,598 mn</li> <li>EBITDA: Rs. 724 mn</li> <li>PAT: Rs. 409 mn</li> </ul>	<ul style="list-style-type: none"> <li>Operating Revenue: Rs. 2,662 mn</li> <li>EBITDA: Rs. 327 mn</li> <li>PAT: Rs. 138 mn</li> </ul>
Key Customers			

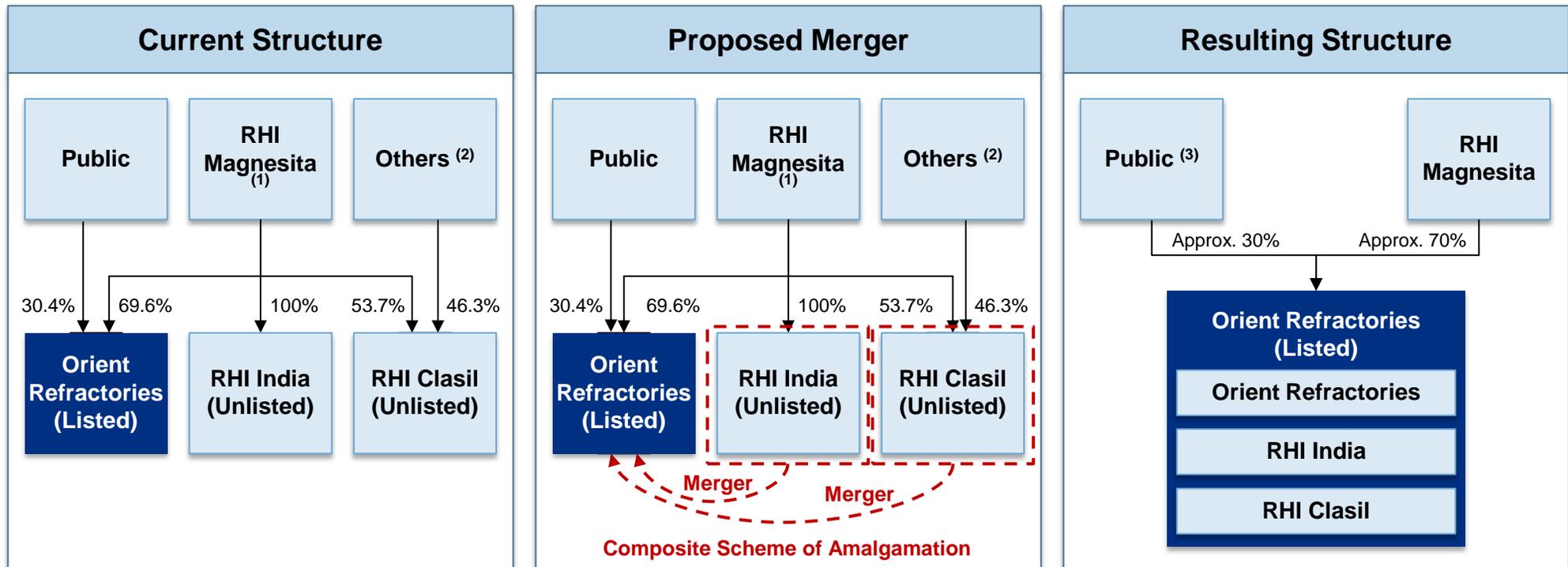
**Note:**

1. Orient Refractories was acquired by RHI Magnesita through Dutch US Holding B.V. in March, 2013 and is listed on the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).

# Brief Financials: Orient Refractories, RHI India and RHI Clasil



# Establishing One Strong Listed Company



- ✓ Combination through a Composite Scheme of Amalgamation
- ✓ Combine the strengths and competencies of the three operating companies in India under one strong listed company that is well positioned to leverage future growth opportunities and enhance shareholder value
- ✓ Following completion of the Scheme and subject to receipt of necessary approvals, Orient Refractories is proposed to be renamed to RHI Magnesita India Limited

**Notes:**

1. Shareholding through Dutch US Holding B.V. (in Orient Refractories), Dutch Brasil Holding B.V. and VRD Americas B.V. (in RHI India), and VRD Americas B.V. (in RHI Clasil).
2. Consists of certain individual shareholders of RHI Clasil who are not part of the RHI Magnesita group.
3. Shareholding of individual shareholders of RHI Clasil (who are not part of the RHI Magnesita group) has been included as part of Public for the purposes of this calculation.

# Enhanced Combined Capabilities

## 2x the Revenue

Rs. 12,356 mn FY 2018 Proforma  
Combined Operating Revenue <sup>(1)</sup>

vs.

Rs. 6,268 mn FY 2018 Orient  
Refractories Operating Revenue

**Rs. 2,322 mn**

FY 2018

Proforma Combined EBITDA <sup>(1)</sup>

## Comprehensive Portfolio

of Refractory Products and related  
Services

## 2 Production Facilities

## Upgraded Sales/ Service Capabilities

16 Sales Offices and more than  
1,000 Clients

## More than 700

Employees

## Listing on NSE & BSE

Continued Listing and High  
Corporate Governance

**Note:**

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# Strong Proforma Financials

Particulars	Proforma FY 2018 <sup>(1)</sup> (Rs. mn)
Revenue from Operations	12,356
EBITDA	2,322
<i>% EBITDA margin</i>	18.8%
PAT	1,406
<i>% PAT margin <sup>(2)</sup></i>	11.2%
Return on Capital Employed (ROCE) <sup>(3)</sup>	37.4%
Return on Equity (ROE) <sup>(4)</sup>	30.3%

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- For calculation of PAT margin, interest/ other income has also be considered in revenue.
- $$\text{ROCE} = \frac{\text{Pre Tax EBIT (Orient Refractories + RHI India +RHI Clasil)}}{\text{Capital Employed (Orient Refractories + RHI India +RHI Clasil)}}$$
- $$\text{ROE} = \frac{\text{PAT (Orient Refractories + RHI India +RHI Clasil)}}{\text{Average Networth (Orient Refractories + RHI India +RHI Clasil)}}$$

# Key Benefits from the Scheme

## Simplified Corporate Structure

Consolidation of RHI Magnesita's operating entities in India into one listed company

## Comprehensive Product Portfolio

Covering, among others, Magnesia and Alumina based bricks and mixes for large industrial clients as well as specialty refractory products, with proven supply and sales capabilities

## Realize Business Efficiencies

By bundling product offerings, leveraging sales/ distribution networks and optimizing the utilization of resources due to pooling of management, expertise, technologies and other resources

## Healthy Growth Prospects

Improving the allocation of capital and enhancing cash flows contributing to the overall growth prospects of the combined company

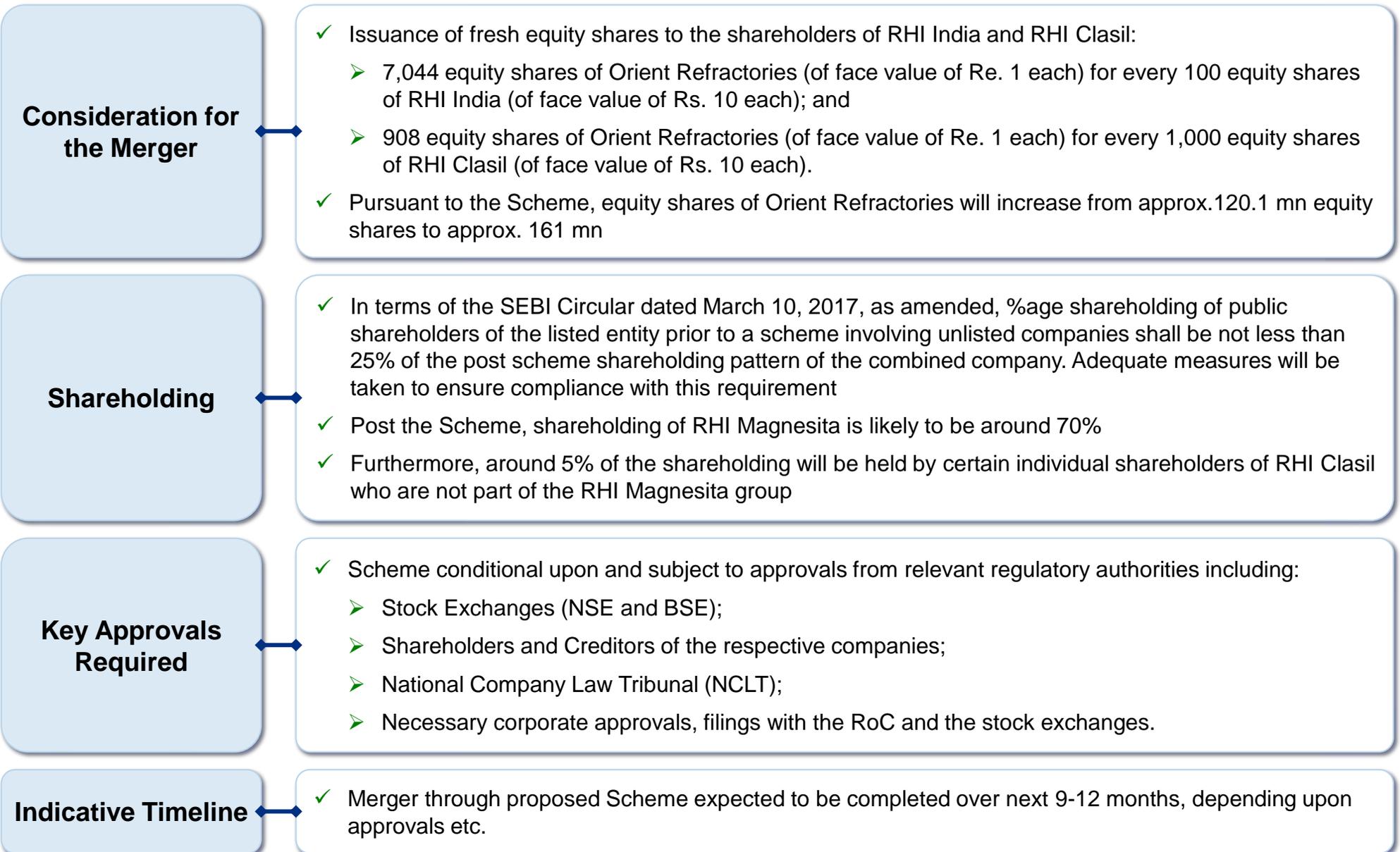
## Superior Financing Terms

Creating a larger asset base and facilitating access to better financial resources

## Value Creation for Shareholders

Enhancing shareholder value through economies of scale and business efficiencies

# Key Highlights of the Scheme



# Transaction Advisors

**Financial Advisor**

**JM Financial Limited**

**Indian Regulatory Process Advisor**

**PricewaterhouseCoopers (P) Ltd.**

**Legal Counsel**

**Platinum Partners**

**Independent Valuer**

**Jain, Jindal & Co, Chartered Accountants**

**Fairness Opinion**

**Keynote Corporate Services Limited**

## **Section 2: Overview of RHI Magnesita**

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# RHI Magnesita – A World Leader in Refractories

**€2.7bn**

2017 pro-forma  
revenue

**10,000**

Customers served  
globally

**14,000**

Employees spread  
over 37 countries

**35**

Main production sites  
across 16 countries

**180**

Countries shipped  
worldwide

**10**

Main raw material  
sites in 4 continents

**>€37m**

Annual investment in  
Research

# Refractories are Critical to High Temperature Processes

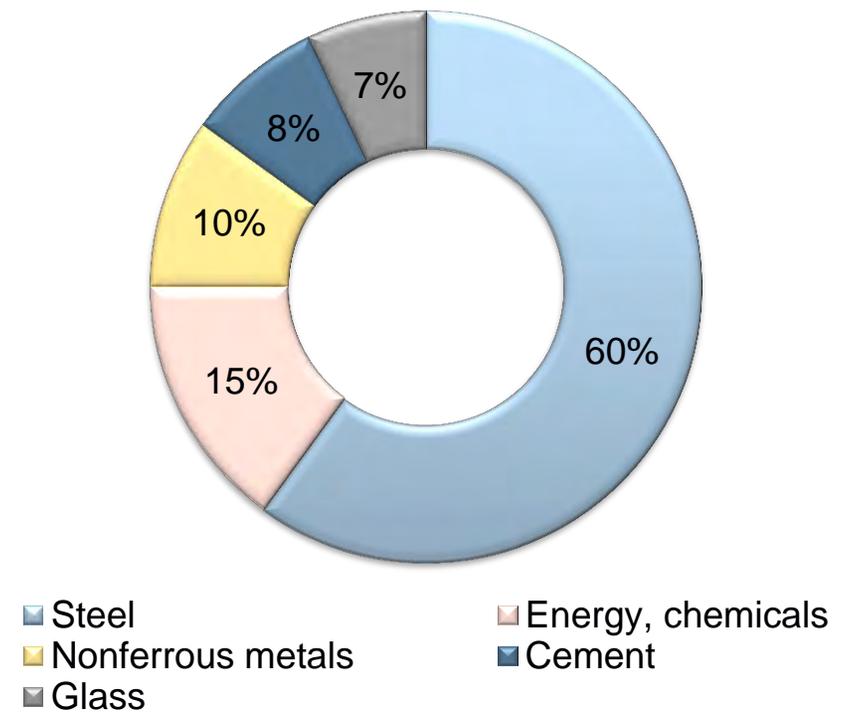
- ✓ Refractory products are used in all the world's high-temperature industrial processes
- ✓ These range from bricks and lining mixes to flow control products such as slide gates, nozzles and plugs

➤ Refractories are critical consumable or investment goods for high-temperature manufacturing processes

➤ Essentially fireproof materials consumed whilst protecting clients' production processes, retaining physical and chemical characteristics when exposed to extreme conditions

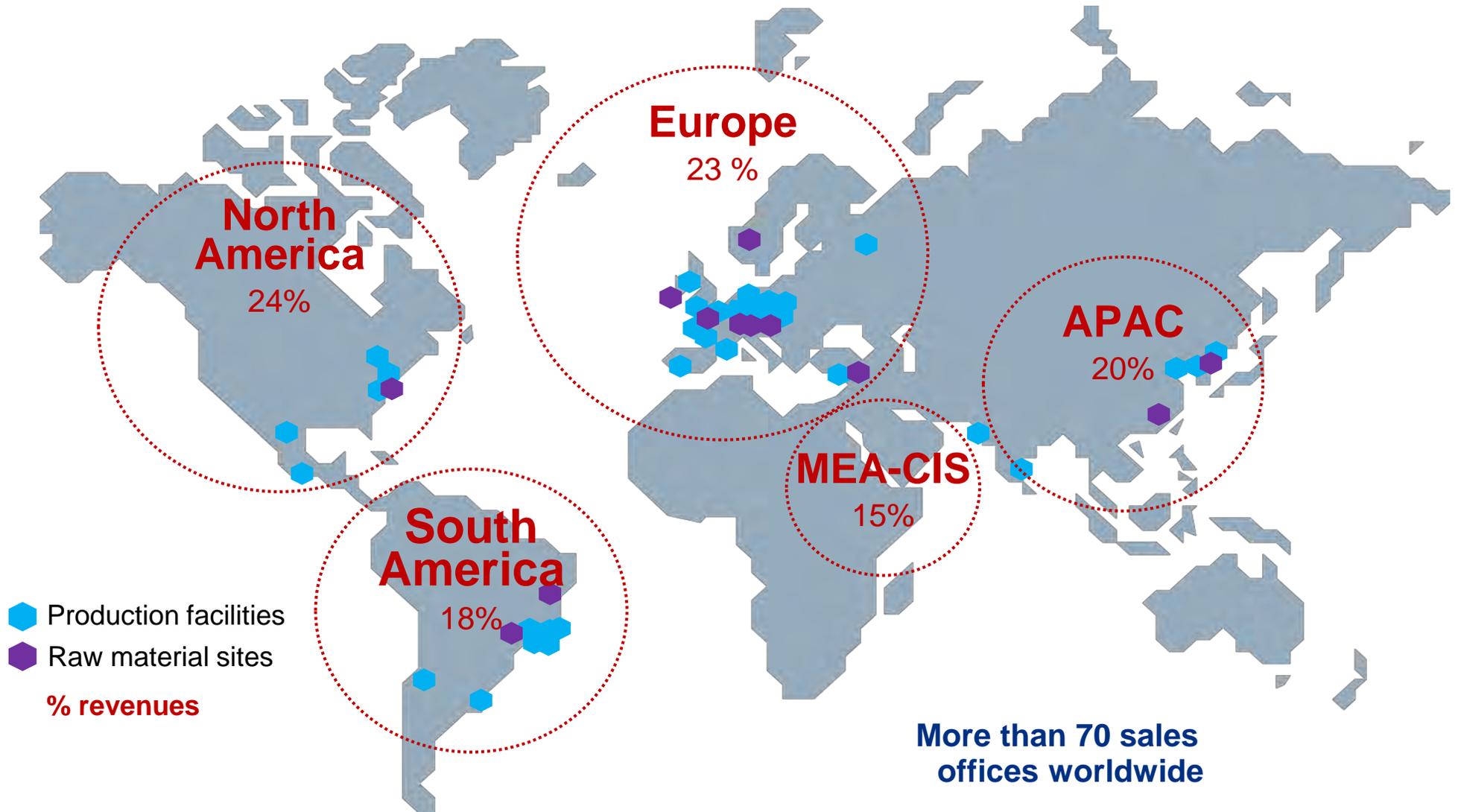
➤ Critical, yet represent less than 3% of COGS in steel manufacturing and less than 1% in other applications

**Main end markets**  
**>€20 billion worldwide industry**



Source: Company Estimates

# RHI Magnesita has Truly Global Reach



# Serving Blue Chip Clients in every Industry

## Steel



Serving 1,060 of  
1,250 plants<sup>(1)</sup>

## Cement



Serving 1,376  
of 1,537 plants<sup>1</sup>

## Glass



Serving 800 of  
900 plants<sup>1</sup>

## Metals



Serving 650 of  
2,000 plants<sup>1</sup>

Note  
1. ex-China

# Premium UK Listing and Corporate Governance

## Listing in the UK underscores RHI Magnesita's International Scope



**Listed in the Premium Market in the London Stock Exchange**



**Strong commitment and full adherence to the UK corporate governance code**



**Majority independent Board targeted**



**No controlling shareholder (or shareholder agreement)**



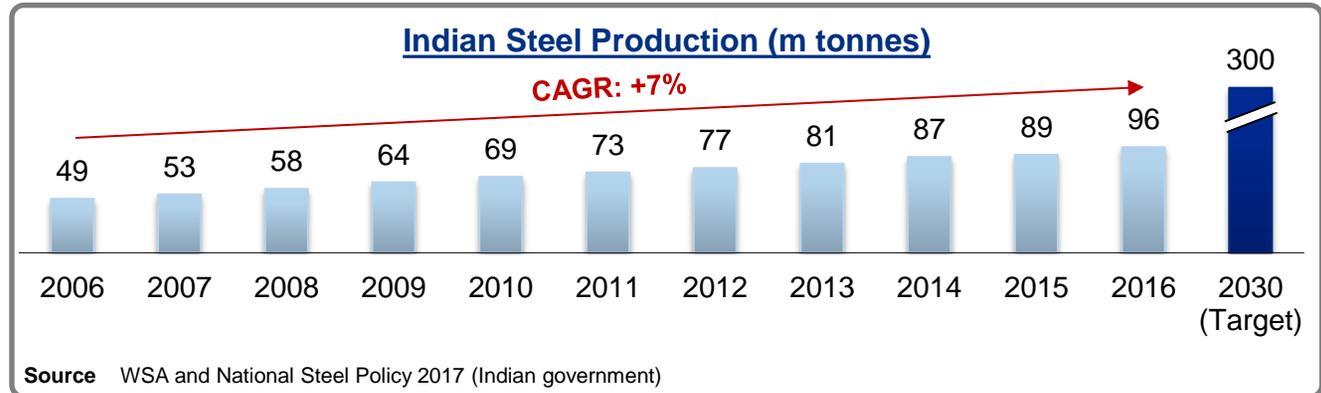
**London**  
Stock Exchange

**RHIM**

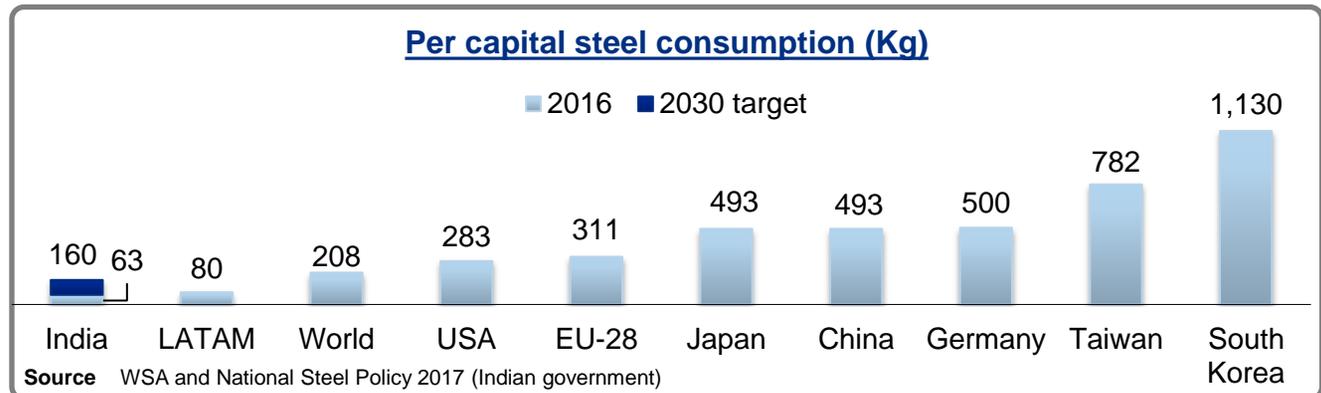
**PREMIUM**

# India is A Key Growth Market for RHI Magnesita

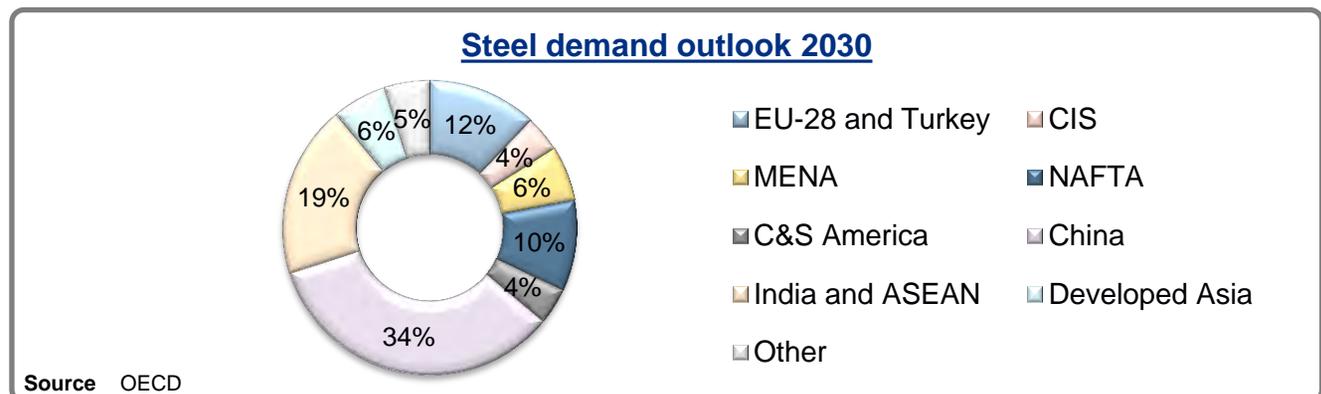
➤ India became the **3rd largest steel producer** in the world after a decade of solid growth



➤ An ambitious government program aims to reach **300m tonnes of steel production by 2030**, triple 2016 output



➤ Per capita consumption should increase from **63kg (2016) to 160kg**



# Disclaimer

*Certain information contained in this document constitutes “forward-looking statements”, which can be identified by the use of terms such as “may”, “will”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend”, “continue”, “target” or “believe” (or the negatives thereof) or other variations thereon or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Such statements express the intentions, opinions, or current expectations of the parties with respect to possible future events and are based on current plans, estimates and forecasts, which the parties have made to the best of as per their respective knowledge, concerning, among other things, the respective business, results of operations, financial position, prospects, growth and strategies, statements regarding the transaction and the anticipated consequences and benefits of the transaction, and the targeted closing date of the transaction. Due to various risks and uncertainties, actual events or results or the actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Such risks and uncertainties include, but are not limited to, regulatory approvals that may require acceptance of conditions with potentially adverse impacts; risks involving the parties’ respective ability to realize expected benefits associated with the transaction; the impact of legal or other proceedings; and continued growth in the market and general economic conditions in the relevant market(s).*

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**Orient Refractories Limited**

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