



RHI MAGNESITA

RHI MAGNESITA INDIA LTD

(Formerly Orient Refractories Ltd.)

301, 316-17, Tower B, EMAAR Digital Greens

Golf Course Extension Road, Sector 61,

Gurugram, Haryana-122011, INDIA

T +91 124 4062930

E corporate.india@rhimagnesita.com

www.rhimagnesitaindia.com

Transcript of 13th Annual General Meeting of RHI Magnesita India Limited
held on Thursday, September 28, 2023

– **Mr. Sanjay Kumar - Company Secretary, RHI Magnesita India Limited:**

– Good afternoon, dear shareholders. I, Sanjay Kumar – Company Secretary of your company, hereby welcome you all to the 13th Annual General Meeting which is being held through video conference. I hope you and your family members are healthy, safe and well. I would like to take you through certain key points regarding your participation in this meeting.

– The facility to join the AGM through video conference and other audio-visual means is being made available for the members. All members who joined this meeting are, by default, placed on mute mode to avoid disturbance arising from any background noise, and to ensure smooth and seamless conduct of the meeting. When the Question & Answer session starts, the name of the shareholders who have registered as speaker shareholders, will be announced one by one. The name of the speaker shareholder will be announced in the audio-video mute mode, and the operator will unmute their connection after announcing their name during the Question & Answer session. If a speaker shareholder is not able to join through video mode for any reason, the shareholder can speak through audio mode only.

– While speaking, we would request the shareholder to use earphones, so that he/she could be clearly audible, minimising background noises, and ensure that the wi-fi connection is not connected to any other devices, no other background applications are running on the device, and there is proper lighting to have a great audio-visual experience. If it is observed that there's a connectivity issue at the speaker shareholder's end, we would ask the next speaker shareholder to join. If the connectivity improves, we will again request the shareholder who had connectivity issues earlier, to try again once the other shareholders who have registered complete their turn. We would request the shareholders to limit their speech to 3 minutes each. During the AGM, if any shareholder faces any technical issues, he/she can connect on the helpline numbers mentioned in the notice of the AGM or refer to the FAQ section available on the site of NSDL. If at any time during the AGM you get disconnected from your end, check your internet connection and login again using the same process. The shareholders who have not voted during the e-voting period, are requested to kindly vote on the resolutions stated in the notice, during the meeting, and upto 30 minutes post conclusion of this meeting.

– Now, Dr. Vijay Sharma – Chairman, will proceed with the meeting. Thank you.

– **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**

– Good afternoon shareholders. I would like to welcome you all to the 13th Annual General Meeting of your company. I also welcome the board of directors and auditors of the company for this meeting.

– **Ms. Vijaya Gupta - Chief Financial Officer, RHI Magnesita India Limited:**

– I'm Vijaya – Chief Financial Officer of your company.

– **Mr. Sanjay Kumar - Company Secretary, RHI Magnesita India Limited:**

– I'm Mr. Sanjay Kumar – Company Secretary.



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– **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**

– The board of directors and auditors are attending this meeting through video conference from their respective locations. Before proceeding further, let me introduce you to the board of directors. Mr. Nazim Sheikh, kindly introduce yourself.

– **Mr. Nazim Sheikh – Independent Director, RHI Magnesita India Limited:**

– I'm Nazim Sheikh – Independent Director and Chairman of the Nomination and Remuneration Committee, attending this 13th Annual General Meeting. I would like to wish a good afternoon to all the shareholders, directors and other invitees attending this meeting.

– **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**

– Thank you Mr. Nazim Sheikh. Ms. Sonu Chadha.

– **Ms. Sonu Chadha – Independent Director, RHI Magnesita India Limited:**

– Good afternoon. I'm Sonu Chadha – Independent Director, attending this meeting from my office in Gurgaon. A very warm welcome to all the shareholders.

– **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**

– Thank you. Mr. Gustavo Franco.

– **Mr. Gustavo Franco – Non-Executive Director, RHI Magnesita India Limited:**

– Hello everyone. I'm Gustavo Franco. I'm speaking from our office here in Vienna. I'm glad to join this session and I'd like to welcome you, our shareholders.

– **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**

– Thank you. Mr. Erwin Jankovits.

– **Mr. Erwin Jankovits– Non-Executive Director, RHI Magnesita India Limited:**

– Hello. My name is Erwin Jankovits. Namaste! I'm from 8.07. I'm following this call, this video conference call from Austria. And, looking forward to have a good meeting.

– **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**

– Thank you. Ms. Ticiana Kobel.

– **Ms. Ticiana Kobel– Non-Executive Director, RHI Magnesita India Limited:**

– Hello. My name is Ticiana Kobel. I'm also joining from Vienna from our office. I wish you all a very constructive meeting.

– **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**

– Mr. Parmod Sagar – Managing Director and CEO.



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- **Mr. Parmod Sagar – Managing Director & CEO, RHI Magnesita India Limited:**
- This is Parmod Sagar. I'm attending this meeting online. Looking forward to a very active interactive session with you all. Welcome to the AGM.
- **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**
- Thank you, Mr. Sagar. Mr. Abhishek Rara, representative of the Statutory Auditors, Price Waterhouse Chartered Accountants LLP.
- **Mr. Abhishek Rara- Statutory Auditors, Price Waterhouse Chartered Accountants LLP:**
- Good afternoon shareholders and directors. My name is Abhishek Rara. I'm a partner with Price Waterhouse Chartered Accountants LLP, and I'm joining this meeting from my residence in Gurgaon.
- **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**
- Thank you. Mr. Naresh Verma – Secretarial Auditor.
- **Mr. Naresh Verma – Secretarial Auditor:**
- Namaskar, I'm Naresh Verma – Secretarial Auditor of RHI Magnesita. I'm joining this meeting from my office in Gurgaon.
- **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**
- Thank you Mr. Verma. I hope all the members are safe and in good health. This Annual General Meeting is being held through video conferencing, which is in compliance with the directives of the Ministry of Corporate Affairs. The live streaming of this meeting is being webcast on NDSL's website. The company has taken the requisite steps to enable members to participate and vote on the items being considered at this AGM. The company has received three letters, along with the board resolution, from corporate shareholders appointing an authorized representative under Section 113 of the Company Act, 2013, in respect to 115,792,526 equity shares, representing 56.07% of the paid-up equity capital of the company. Since there is no physical attendance of members, the requirement of appointing proxies is not applicable. Those members who have not voted earlier through remote e-voting, can cast their vote in the course of this meeting through the e-voting facility. The notice for convening this meeting is already circulated to all members, and with your permission, I take the notice as received and read.
- I'm pleased to report that RHI Magnesita India has successfully completed another year of all round healthy growth in 2022-23. The Annual Report for the year ended 31st March 2023, along with the Director's Report and audited annual accounts of the company, have been circulated to you. With your permission, I take them as read. Despite the challenges posed by macroeconomic volatility and geopolitical tensions, RHI Magnesita India Limited has sustained its growth and performed well during the year. We have continued to strengthen our position as a leading refractory company driven our commitment to innovation, customer focus and operational excellence.
- During the financial year, the company successfully completed two strategic acquisitions in the refractory business, to strengthen its long-term growth strategy. The first acquisition was the Indian refractory business of Dalmia Bharat Refractories Limited, completed on 5th January 2023 through a share swap consideration. The second acquisition was Hi-Tech Chemical Refractory business completed on 31st January 2023 through a slump sale as a going concern. These acquisitions would expand the



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company's product portfolio and strengthen its position in the Indian market, as well as for exports. We believe that these acquisitions will create a strong platform for growth and help the company to achieve its long-term objectives. Subsequent to the integration of the two leading refractory makers with RHI Magnesita India the company has emerged as the market leader that aims to act as a responsible leader that would continue to invest in innovative technologies to build a sustainable business. On behalf of the board of directors, I would like to thank you for your support during the M&A process.

- Your company has gradually started realizing the synergies from these acquisitions during the 1st half of the current year, as evident in the financial results of the first two quarters. While the company boasts of the best of talent coming from erstwhile three companies, it has been able to increase profitability of the refractory business of DBRL, now known as RHI Magnesita India Refractories Limited, from single-digit to double-digit. The acquisition, particularly that of Dalmia's, has also brought to us new business development opportunities. Apart from helping us strengthen our position in the cement segment, we have now have opportunities to make inroads into iron-making and other segments, which we intend to drive with a dedicated sales and technical team.
- During 2022-23, your company successfully implemented several initiatives to enhance its production capabilities and efficiency, while maintaining high standards of quality and safety. Our investments in making import substitute products through technology exchange with the parent company, have also yielded promising results, enabling us to offer innovative and sustainable solutions to meet the evolving needs of our customers.
- In the year ended 31st March 2023, your company's revenue grew 37% year-on-year to Rs. 27,263 million, while Adjusted EBITDA grew 12% to Rs. 4,388 million. Through impairment of investment in a subsidiary and cost of integration of the two new acquisitions, adversely impacted the PAT, which is expected to be of one-time in nature.
- While the company continues to grow in the market, we have put in place well-defined and adequate internal control system, to commensurate to the size of the business and the nature of the industry we operate in. The Internal Control system ensures safeguarding and protecting the assets of the company. RHI Magnesita Code of Conduct sets out our commitment to uphold high ethical standards wherever we operate. We train our employees on ethical business conduct, and we expect them to follow the Code. Any reported ethical concerns are investigated thoroughly by our Internal Audit, Risk & Compliance team.
- Two of the primary users industries for your company – steel and cement, is witnessing a considerable growth, and is estimated to grow at a CAGR of 6-7% over the next 5 years. In line with this, the refractory industry demand in India is estimated to grow at a CAGR of 5-6% during the same period. RHI Magnesita is well prepared now to tap this opportunity, with an unravelled product portfolio, local production footprint, talent pool and reach to service our customers. Riding on the growth in the domestic market, your company aspires to develop India as a key refractory manufacturing, R&D and service hub for larger regions of India, middle east and Africa, as well as on track towards realizing this.
- Now, I will take questions from the registered shareholders. The 1st shareholder who has registered himself for this, is Mr. Satish Jayantilal Shah. Mr. Shah, please come up with your question. Thank you.
- Okay, we can come back to Mr. Shah later on. Mr. Bimal Kumar Agarwal.
- Ms. Lekha Shah. Ms. Shah, are you there?



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- Mr. Rajendra Jamnadas Seth.
- Mr. Chandragupta Acharya.
- **Mr. Chandragupta Acharya – Shareholder:**
- My name is Chandragupta Acharya. Thanks a lot for this opportunity, sir. I am a shareholder since almost the last 10 years, and this is the first time I have requested for being a speaker at the AGM. So, I just wanted to thank Mr. Sagar for sharing this company all these years. The last few years have been very event full and I've been seeing all the developments that have taken place, starting with the mergers, also the pandemic, and then these acquisitions that we have done this year now. So, we have done very well. Many thanks to Mr. Sagar for successfully steering the company. I'm also very happy to see that our investor communication has improved a lot lately. We have started quarterly conference calls and the investor presentations... and the presentations are also very insightful and informative. So, many thanks. I think Vijaya ma'am is doing that. So, many thanks to her for really excellent investor presentation, because I can compare with other companies are publishing and I can see that ours is much better than that. The Annual Report was also very insightful and informative. So, many thanks for that, as well as lot of thanks to the parent company for all their support all these years.
- Sir, I have 2-3 questions. I had sent the questions by email and I have received the answers also. A couple of clarifications are required still. So, the first question is about the royalty paid to the parent company, which has increased very rapidly lately in the last couple of years. So, I just wanted to understand, on which components of the revenue this royalty is calculated and at what rate it is calculated, because the growth in the royalty payment is much faster than the growth in our revenues. So, I just wanted to understand that. So, please clarify that point.
- Second point is, I have wanted some information on the customer concentration risk. How much our top 3 or 5 customers contribute? I have got the standalone numbers. But, at a consolidated level, if you could clarify how much does the top 5 or top 10 customers contribute to our revenue, that would be great.
- And the third point is, I just wanted to know, have we ever considered venturing into the ramming mass segment? It is basically used in induction furnaces. What I understand is, it is made from quartz, which is available in plenty in Rajasthan where we have our plant. So, why don't we enter into that product line as well. So, if you could shed some light on this?
- So, these are the questions I had. And, one last final request is, if you could arrange for a plant visit for retail shareholders, or atleast people like me who have been a shareholder for almost a decade now. I have seen the company grow from very small to what it is today, and who also hold more than token quantity of shares. So, if you could arrange for a plant visit, or if you have a plant visit for institutional shareholders, where I could join, that would be great.
- This is all I had to say. Thanks a lot for this opportunity.
- **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**
- Thank you. Mr. Vijaya, can you answer the 1st and 2nd question. The 3rd and 4th Mr. Sagar can take up.



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– **Ms. Vijaya Gupta - Chief Financial Officer, RHI Magnesita India Limited:**

- Sure. Thanks Mr. Acharya for continuing to hold shares in our company. It's a matter of pride for us as well. Many thanks for going through and taking such an active interest. I really thank you for going through all the presentations, which is really good. As we had replied to you, see, if my revenue is growing by 37% year-on-year, we'll have to do something different, right? This year, as you know, in 2021-22, all the three companies got merged together – Clasil, ORL and Cuttack. So, because of these three mergers, in the last year there was much more of technology transfer from the group. See, what we produce basis group technology, we have to pay royalty at the rate of 3.2%. And it is only 1% of the revenue. So, you should see in the total combination of things and not just why the royalty cost has gone up. So, as and as we grow, and there is more indigenisation and technology transfer from the group, we will see. But we expect it to be in this range only, because we will see an uptick in revenue. I hope I'm able to address your royalty question?

– **Mr. Chandragupta Arya – Shareholder:**

- Very well. You can go to the next.

– **Ms. Vijaya Gupta - Chief Financial Officer, RHI Magnesita India Limited:**

- Yes. Now, on customer concentration, that 40-45% which we responded, is on a consolidated basis. Now, all the numbers which we are reporting, will be on consolidated basis. And, to your last point on plant visit, we did have our analyst visit in the month of August, and it was participated very actively by all the analysts. They had visited Jamshedpur and Rajgangpur. Point taken. In the next visit, we do plan to have these visits regularly. So, in the next visit, we'll invite you and we'll be happy to have you join the plant visit.

– **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**

- Thank you Ms. Vijaya. Mr. Sagar, can you please?

– **Mr. Parmod Sagar – Managing Director & CEO, RHI Magnesita India Limited:**

- Yes, I'm happy to share. Thank you very much Mr. Acharya for actively participating, following your company and for your good feedback. It's always a pleasure to listen to good things about the company. Thank you very much.
- I wanted to further talk about the royalty. What Vijaya is saying, as she said, you have to look into a larger picture. So, royalty to me is a very good tool, not a bad tool. It is a very good tool for the company to grow faster. If we are bringing any technology from our parent company here, we are saving our working capital. Now, if we transfer purge plug technology from our Urmitz plant, we transfer our tap hole technology from Contagem. Earlier it was two months inventory on the sea, two months inventory in India to cater to customers. When we shifted this, we have 15 days inventory. Margins have gone up because European production cost and Indian production cost is lower. So, even after paying 3% royalty, you are having much better margins, much better working capital. So, it's good to have this. Don't worry about that. don't look into the numbers, see the percentage, okay?
- So now, you talked about the ramming mass. So, ramming mass, quartz based ramming mass is a very low-value product; we don't want to venture into that. But people with a higher capacity induction furnaces at 20 ton and above, they are going for neutral ramming mass, which we are trying to enter



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into. The normal quartz quality size is Rs. 8 per kg. Neutral ramming mass is more than Rs. 1 lakh per ton. So, that is the value addition. So, we are seriously pursuing to go into that segment.

- Then, about these customer risk, we have equally divided our revenue. Say, 30% revenue is coming from 500 customers in steel plant, where we have a very strong presence. And if we talk about our 5 top customers, they are JSW Group, JSPL, Tata, Arcelor Mittal and SAIL. So, it is equally divided. So, we are very well placed. I hope I'm able to answer your questions.
- **Mr. Chandragupta Arya – Shareholder:**
- Yes, thanks a lot.
- **Mr. Parmod Sagar – Managing Director & CEO, RHI Magnesita India Limited:**
- You're welcome.
- **Mr. Vijay Sharma - Chairman, RHI Magnesita India Limited:**
- Thank you Mr. Sagar. Now, we will once again see if the other shareholders who have registered their questions are there available. Mr. Satish Jayantilal Shah, are you there sir? Mr. Bimal Kumar Agarwal? Ms. Lekha Shah? Mr. Rajendra Jamnadas Seth? So, if there are no further questions from the shareholders, we can proceed with the meeting further. Thank you.
- I, on behalf of the board of directors, would like to thank all our valued shareholders, including our customers, vendors, lenders and shareholders for continuing their support and upholding their confidence and trust in us. I also thank the directors, Statutory and Secretarial Auditors, for joining the meeting through audio-video mode. We remain deeply grateful to all our employees for their contribution and commitment to the growth of the organisation. I would like to authorise Mr. Sanjay Kumar – Company Secretary, to conduct the voting procedure and conclude the meeting. The e-voting results would be announced within 48 hours of conclusion of the meeting, and the same would be submitted to the stock exchange and uploaded on the website of the company and NSDL.
- With your consent, I and all the board of directors, would like to close this meeting. Thank you very much.
- **END OF MEETING / E-VOTING BEGINS FOR NEXT 30 MINUTES.**