RHI MAGNESITA

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3 June 2024

To,

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001, India
BSE Scrip Code: 534076

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 051, India
NSE Symbol: RHIM

Dear Sir/ Ma'am,

Sub: Transcript of Conference Call – Q4 FY 2024

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, and further to our earlier intimation dated 23 May 2024, the transcript of the conference call held on 29 May 2024, for discussing the earning performance of fourth quarter and year ended 31 March 2024, is annexed herewith.

The same will also be uploaded on the Company's website at the below link:

https://www.rhimagnesitaindia.com/investors/investor-meet

Kindly take the same on record.

Thanking you,

Yours faithfully
For **RHI Magnesita India Limited**

Sanjay

Sanjay Kumar
Company Secretary
(ICSI Membership No.- A17021)

RHI Magnesita India Limited
RHI MAGNESITA

"RHI Magnesita India Limited Q4 FY '24 Earnings Conference Call"

May 29, 2024

MANAGEMENT:	**MR. PARMOD SAGAR, MANAGING DIRECTOR AND CEO, RHI MAGNESITA INDIA LIMITED** **MR. AZIM SYED, CFO & CHIEF INVESTOR RELATIONS OFFICER, RHI MAGNESITA INDIA LIMITED**
MODERATOR:	**MR. MAYANK – ASIAN MARKET SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to RHI Magnesita India Limited Q4 FY '24 Conference Call hosted by Asian Markets Securities Limited.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, etc, whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks.

As a reminder, all participant lines will be in the 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 an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mayank from Asian Market Securities Limited. Thank you, and over to you, sir.

Mayank: Thank you, Sagar. Good afternoon, everyone. On behalf of Asian Markets Securities, we welcome you all to Q4 FY '24 Earnings Conference Call of RHI Magnesita India Limited.

We have with us today Mr. Parmod Sagar – Managing Director and CEO, Mr. Azim Syed, CFO & Chief Investor Relations Officer. I request Mr. Parmod Sagar to take us through the overview of the Quarterly Results and then we can begin the Q&A session. Over to you. Over to Parmod.

Parmod Sagar: Thank you very much, Mayank. Good evening, investors, ladies and gentlemen. Welcome to our Earning Conference Call for the 4th Quarter of Financial Year 2024.

This was a year of integration where we improved the foundation and operations of business reflected in the profitability, improvement of acquired entities. While demand in our export geographies during this quarter was relatively muted, our year-on-year growth has been robust.

We are now exceptionally positioned to enjoy the understood growth in the steel and cement sector. We will enhance this growth by leveraging synergies from our acquired acquisition and entering into the targeted area where we are underrepresented like iron making, DRI, pellets, etc.

The overall performance of our company has been consistent with our expectations demonstrating a level of efficiency that is aligned with our strategic planning and operational aspirations.

Let's talk about our M&A and consolidated initiatives. The 2024 Fiscal Year saw a strong marketing condition in India, but global demand for refractories has been subdued with a consequent impact on global pricing levels.

Despite this, synergies from our recent acquisitions has continued to enhance our operations. The year-on-year growth in shipments was driven by contributions from the acquired assets leading to higher top line. At the same time, margins at RHIM-IR, erstwhile DOCL plant has also improved significantly reflecting the efficiency at play.

The strategic rationale of our M&A remains intact, and we continue to benefit from a broader product portfolio in both the flow control applications and cement sectors. We are confident to deliver further operational improvements and better utilization of the installed capacity.

Let's touch base upon our CSR activities. Our CSR has improved the infrastructure and accessibility, raising living standards near our plants of society at large. We are cognizant of our impact on the environment and society, and empowering our community is one of our key priorities. Over the last year, we rejuvenated five government schools, provided medical equipment to local hospitals, benefiting over more than 2,000 patients, and offered a technical training to enhance employability where we operate.

All in all, we are going in line with expectations with respect to our leveraging of a strong market share and production capabilities. Our focus on local strategy aligns with the mission of Make in India.

To summarize, I am glad to say that we have successfully navigated through challenging market conditions while successfully integrated M&A to close our fiscal year on a positive note with resilient margins.

Now I would like to hand it over to our new CFO, Mr. Azim Syed, to take us through the financial and operational performance. So, first call on investor relations by Azim.

Azim Syed: Thank you very much, Parmod ji. Hello. Good evening, everyone. It gives me immense pleasure to address you all, especially since this is our first interaction. I indeed look forward to further building on the already close relationship we have with our valued investors.

Let me take this opportunity to walk you through our financial and operating performance during the 4th Quarter and full year. We are proud to have delivered attractive growth and resilient returns. In Q4 FY '24, against the same period last year, we generated 943 crores of revenue, reflecting an 8% increase from Q4 FY '23. The improvement in EBITDA margins to 16.2% was driven by the attractive profitability of new customers and the delivery of operational initiatives in the acquired businesses.

In comparison with the previous quarter revenue and EBITDA, it also showed growth. EBITDA margins improved 340 basis points, demonstrating the efficiency measures that we have been undertaking.

In terms of our full year results, we achieved a 39% year-on-year increase in revenue reaching 3,781 crores. This growth was driven by increased shipments and M&As, despite a headwind from product mix effects and global commodity driven pricing pressure.

EBITDA for the full year stood at 557 crores, marking a remarkable 49% growth with 100 bps improvement in margin, led by operational efficiency and healthy margin expansion in RHIM-IR business.

On net debt repayment, during the year ending March 2024, we reduced our debt levels to Rs. 330 crores, a significant decrease by Rs. 857 crores, ending the period with 0.6x net debt EBITDA ratio. This achievement was made possible through strategic debt repayment facilitated by the QIP and preferential fund raise, and most importantly, strong internal cash generation.

In the financial systems, the value of the goodwill on acquisition of DOCL has been reduced by Rs. 326 crores against the amount initially recorded on the balance sheet, which has resulted in a non-cash charge to P&L. This accounting adjustment does not reflect a change in our view on the strength of the acquired business or its future prospects. This is more related to the underlying assumption used to value the business on acquisition.

Production for the year increased by 86% to 331 kilotons led by the expansion in Cuttack and mergers and acquisition. Capacity utilization now stands at 62% and we have ample room to facilitate growth. While demand from export market is relatively weak, we are optimistic about leveraging our strengths to deliver sustained value especially in our strategic initiative of iron making, DRI and pellet business on top of the already attractive growth prospects of steel and cement as mentioned by Parmod ji.

That is all from our side. We can now open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Chetan Doshi from Tulsi Capital. Please go ahead.

Chetan Doshi: Parmod, congratulations for the excellent set of numbers in the last quarter and delivering the results as per the expectations. Now just saw the investor presentation and immediately this Con Call is there. So, it is difficult to even analyze, because this is quite a detailed presentation made after a long time.

Now, one or two questions are there. This last quarter, how you foresee for the current year that this growth what we have shown can be maintained in the current year? And second question is that profit before tax for standalone, when it is a combined entity, PBT has gone down. So how come that the acquired units, you are not making profit still?

Parmod Sagar: So, first of all, my apologies for uploading this presentation late. From next time, I will make sure that you people have ample time to go through the presentation. So that will be taken care of.

Chetan Doshi: Sorry to interrupt, but first slide, you have received lot of awards. So that shows the skill and the interest taken by the company to take care of the customers and feel the presence made to them.

Parmod Sagar: Thank you so much for your kind words. You talk about the margin and growth, and you are asking me to predict whether it is sustainable or not. So, I would say this is sustainable though we have global pressure of pricing. You know, China is over capacity. Their steel production is coming down. Refractory is over capacity. So, everywhere they are expanding. They are export business with a very, very low margin. So, pressure will be there, but we are also working on our cost, how we can keep this cost intact or reduce it so that we can maintain the standard margins which we are seeing in this last quarter.

Secondly, you are saying about the IR or the acquired business margins. You know, when we acquired this was 6.9% EBITDA of Dalmia Group with one timer even. So, from 6.9%, we have reached almost 12%, 11.4% or so now. So, within a year, it is almost double the margins without much CAPEX. So, it shows our improvement in productivity, efficiencies and reduces our scrap rate, rejection, etc. So, I think we have done fairly well in getting these numbers in double digits within a year's time and coming days, we are hoping that number will further improve.

Chetan Doshi: Very good to hear this. And one last question which I would like to ask is the finance cost is going up. Being an MNC, I think, and when you have done QIP, how come this finance cost has been so high in the balance sheet? It is almost 64 crores for the current.

Azim Syed: So, we have the highest FOREX loss in Q3 due to the rupee depreciation. As you know, we have taken ECB loan. Against that we have hedged. So, this is the exposure to the foreign exchange currency. That's what we are seeing right now.

Chetan Doshi: So, next year, this will not be there. This much will not be there.

Parmod Sagar: No, this ECB loan is for, I think, four years more or so. So, hopefully, if the rupee is not depreciated, it can give up positive also. Unfortunately, rupee depreciated and we have an evident impact.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Birla Mutual Funds. Please go ahead.

Jonas Bhutta: Congratulations on the good results under fourth quarter. So, my question, I had a couple of questions. The first was on volumes. So, the implied volume in Q4, it seems, is about 1,23,000 or 1,24,000 tons, which is like a 1%, 1.5% sequential growth and around 10% to 12% on a Y-o-Y basis wherein the base quarter in last year was in a way not fully representative. So, how should one think of volume growth at the consolidated entity for FY '25 considering that some of your peers are already clocking? While we don't have volume numbers for them, their revenue growth is almost 2x that of ours. So, from that context, if you can highlight what could our potential volume growth be.

Parmod Sagar: Yes, thank you very much, Jonas, for your appreciation for the good results. About volume, I would say, as I explained earlier in my calls, that last year we had exceptional issues also. Like Dalmia, there was almost 11-12,000 tons, which as captive material they were using in their cement plants from their refractory plants, which went to zero almost. They started buying from others, though the quality is not consistent with that.

Earlier we were having compulsion. Now we don't have any compulsion. So, it took us almost 8-9 months to upgrade the quality, consistency of these plants and show them that now it is not that plant, it is a RHI Magnesita with consistent quality. And for this year, we already got 11,200 tons of volume and about 8 million euros order. So, we recovered this. So, this will add on to our growth story of volumes.

Apart from this, you know, when you are comparing with our peers with due respect to peers, it is not apple to apple. You are comparing apple with orange. They are more into flow control. If I take out my flow control business from only BhiwadiBhiwadi is also not 100% flow control. Then you will see my revenue growth is comparable or even better than that. Right.

So, we are talking about consolidated where there are a lot of market dynamics are there, like cement last quarter or historically the first quarter of the year, cement is subdued. They have, you know, their plan of maintenance and controlling inventories and all those things. And as I said, the overcapacity all over the globe is there. So, earlier that lead time of refractory was about 16 weeks or so, and today it is about six weeks. So, the order placing cycle has also changed, and they are reducing their inventory levels, because the market is subdued in first quarter, but it is cyclic. It will come back.

Azim Syed: Sorry, to respond to this lead time reduction, you can see even in our inventory results that we have reduced our inventory by 12%. So, we want to be just in time. We don't want to take a burden on our working capital. So, we are applying our inventory policy to reflect these lead time changes as well. Hence, you don't see a Q3 versus Q4 comparison.

Jonas Bhutta: Sir, the second question was on CAPEX. While it seems from the cash flow statement that we spent about 80 crores this year on a consolidated basis as CAPEX, what is the expectation for next year? And if at all, if you can highlight what will you spend on in that sense? Then I have one more question after that.

Parmod Sagar: So, basically this 80 crores CAPEX is not on modernization and upgrading of systems. It is maybe 60% is maintenance regular CAPEX to run these plants. And we spend about say 35 crores or so on some equipment. So, going forward also our CAPEX will be of the same tune of 70 to 80 crores and half of it will be maintenance CAPEX and half of it will be modernization or replacing the outdated equipment with the new equipment which will help us to increase the productivity and reduce the scrap rate further.

Azim Syed: We are also reflecting this based on our capital allocation strategy. That is once we have a good operating cash flow, the first priority would be given, as Parmod ji said, on maintenance CAPEX and then based on the other, if there is left over, that's when we will modernize as per the business case that comes in front of us.

Jonas Bhutta: Sir, lastly on the working capital intensity, where should we think in terms of conversion days that what is our targeted net working capital intensity that we would want to get to in the next one or two years given that…

Parmod Sagar: My wishful thinking is it should be about 25%, 26%. This is my wishful thinking.

Jonas Bhutta: But realistically?

Parmod Sagar: 30. 28% to 30% should be realistically sustainable, but I would like to keep it to 25, 26 if all goes well in the next two-three years' time.

Azim Syed: Yes, that's a long-term number just to kind of highlight that.

Jonas Bhutta: And if I can squeeze in one more, Parmod ji, if you can highlight the efforts that the company is making on the flow control side because there seems to be quite a bit of capacity addition that is coming up from one of your competitors and just wanted to know whether that sort of crowds you out because you are a relatively new player in that market given that an existing player is sort of doubling down on capacities?

Parmod Sagar: As you know me for many years, I am not afraid of competition. You know, they are good in their field, but we are also equally good. And with this Jamshedpur plant, hi-tech plant, we also have now all the top-end products with us along with the technology. So, I am not overtly worried. Actually, it's good if we have a healthy competition and we have also if we talk about only ISO, we now are getting into slab caster and thin slab caster area where my competition and you are mentioning, I know where you are hitting it, they are strong in that.

So, that is an opportunity for us to grow a business in that area and long product, we are the market leader already. Right? And apart from this, if we talk in general about flow control, then I think I already explained that we have bought technology from Urmitz for our purging refracting technology which has helped us to improve our market and reduce our working capital inventory etc.

Moderator: Thank you. The next question is from the line of Ashish Kejriwal from Nuvama Wealth Management. Please go ahead.

Ashish Kejriwal: Many congratulations, sir, for good set of numbers after disappointing Q3. So, my question is on terms of volume because if I look at the sales volume, at least we are not seeing any sales volume increase from third quarter to 4th Quarter. It is more or less flat, whereas we have already seen higher volume in second quarter of last year. So, why we are not able to increase volumes or in terms of capacity utilization, if you can share what is the capacity utilization of Dalmia assets and our erstwhile RHI assets?

Parmod Sagar: Volume, as you said, is almost flat, 1.5% or 1.7% growth quarter-on-quarter basis, whereas steel grew by 3% in this quarter. So, it is not a very substantial difference between that, but as I explained replying to earlier question that we suffer because of some orders, which we could not get last year from Dalmia group, which we got now around 11,000 tons and it start from April onwards. Already the supply started. And at the same time there is a serious market situation globally. Export is really hitting us bad. Everybody, you know, if you check my competition, their export is, you know, that's like anything. So, it is hitting us as well, which is because of geopolitical situation.

At the same time, a lot of material is on the way, which we could not invoice it which is inco terms is CIF and the material is on the way because of the Red Sea situation. Earlier, the container from China to India was about 25 days. Now it is more than 60 days. It is shipments at Colombo, at Singapore, at many places. So, it also is hitting us, and other players are totally manufacturing in India. We are also getting imports from other countries, and it also has impact a little bit on volume, but I am sure this new quarter and this new fiscal, we will recover this.

Ashish Kejriwal: So, sir, is it possible to share how much is the export volume as a percentage of total volume in a Quarter 4 versus quarter three?

Parmod Sagar: No, I don't have a number ready with me, but as we earlier said, our total export is about 10.5%, 11%, which probably last quarter was a bit 8% or so, but I don't have an exact number. It is just a rough estimation.

Ashish Kejriwal: So, sir, you are saying that Quarter 4, our exports should be something like 11% of the total volume versus 8% in quarter three?

Parmod Sagar: No, I am talking about a year-on-year basis. It is around 10.5% or 11% of our total revenue.

Ashish Kejriwal: Revenue, okay. So, sir, last quarter, you mentioned that we were voluntarily tightening some of the customers because of the credit risk criteria. Have we solved that or still the situation remains the same?

Parmod Sagar: No, it is solved to some extent. Still, we have one PSU plant which is not doing well. Though the payments are secured because it is a government plant, they are in not a really good shape. So, we are very cautious when it comes to shipping the material. We cannot have unlimited exposure to a customer, whether it is a government plant or private. So, we are a bit cautious. Though it will hit us, the revenue will be affected, but at the same time, we need to have a limited exposure.

Ashish Kejriwal: And sir, is it possible to share at what capacity utilization we are operating, or we have operated in Quarter 4 for Dalmia assets as well as our erstwhile RHI assets?

Parmod Sagar: We overall at 62% capacity level. If we talk about Dalmia plants, I think it is 54% and rest is around 75% or so.

Ashish Kejriwal: So, sir, the question is the same because at least in Dalmia plants, we are unable to ramp up volumes. I understand that in steel also we are saying that Q4 steel production has increased by 3% and we are just 1%, but because of the higher capacity which we have, don't we think that we should exceed the industry standard?

Parmod Sagar: No, no, you know, we are growing at a reasonable level. As I explained, we lost almost 12,000 tons refractory because Dalmia Cements did not give us order because of their issues, their past experience with those plant's quality consistency. So, now there we got back this.

So, this is history. This is gone, and we could not do anything because their assumption, their experience was bad with their parent company at that point of time, and we could not reverse it immediately because we have to prove that now that it is RHI Magnesita standard quality plus the export volumes.

So, this is a test, and the export still will be a pain. It will not improve in the very near future. You all know what is the situation all over the globe. If you talk about Europe, it is almost 35% less steel production than last year.

Ashish Kejriwal: Sir, is it possible for you to guide us for FY '25 volume growth as well as revenue growth?

Parmod Sagar: You know, I can tell you about the volume growth. It will be around 8%, but revenue is totally driven by market pricing. So, it is really difficult because if the market further goes down, there is a less selling price. Then the revenue will be less than 8%. It's really very difficult to predict.

And now the other situation is the freight is going up. Right? So, container availability like in '22, the situation is almost going back to the same level. Availability of raw material and availability of finished goods will be really a tough task and we are going to reach out to our customers, warning them, cautioning them that they should have enough sufficient inventories and all those things. At the same time, we will be asking for a freight surcharge from our customers if it will not subdue in the near future.

Ashish Kejriwal: And sir, lastly, when we are talking about that we have got a good integration with Dalmia's plant and with our standard, so do we think that, and then earlier we have a plan of around 300 crore to be spent in next three years toward the asset development. So, where we are? And do we think that we can increase the margins of those plants and get it in line with our plants?

Parmod Sagar: You know, first our target was how we can improve the productivity, reduce the scrap rate without putting very substantial CAPEX. We are successful in that. In last year, we improved this 6.9% to 11.4% EBITDA margins. So, now we are selectively putting the money. I said 300 crore definitely, and I stand by that in three, four years' time. But just spending the money doesn't make any sense, right?

So, we are cautious, and we will keep on investing. Like I said, about 80 crores we invested including maintenance CAPEX in last year. Out of that, 35 or 40 crores is for modernization. Same, almost same way we will be doing this cautiously. And next year, probably the CAPEX will be more because we want to increase our footprint in iron making area. So, we will be modernizing some iron making activity in India in next year, and there for that we will increase our CAPEX as well, but the total number will remain within 300 crore in next few years' time, what I said.

Ashish Kejriwal: And sir, lastly, is it safe to say that Q4 could be the bottom for us at least for a year?

Parmod Sagar: I would say yes.

Moderator: Thank you. The next question is from the line of Sahil Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Sanghvi: Good evening, sir, and congratulations for a very good set of numbers despite very difficult demand situations. My first question is regarding the Dalmia facility. So, you said that the utilization levels were roughly 64%, right? That's for Q4 or for the full year?

Parmod Sagar: First of all, thank you very much for your kind words. Yes, Overall is 62% and Dalmia plant is 54%.

Sahil Sanghvi: So, revenue also, quarter by quarter, we have gone a little bit lower, right sir? I mean, at Dalmia?

Parmod Sagar: You know, now we should not start looking at standalone level. We should be thinking of consolidating because we keep on shifting product from one plant to another to see how we can leverage the synergies, right? So, like I said, we shifted some product from Dalmia to RHI Magnesita India and from RHI Magnesita India also some product to Dalmia. So, comparing revenue quarter by quarter of standalone, it will not reflect the true picture.

Sahil Sanghvi: So now, you know, depending on whatever CAPEX you have done, small CAPEX at Dalmia and whatever full-year capacity we have, what is the optimum revenue you think you can perform at Dalmia of scale?

Parmod Sagar: Again, you are saying Dalmia, it will be difficult, but as I said on consolidated level, we are planning to grow about 8%, though in Dalmia, our business plan, the revised business plan is about 14%, 15% growth for this year.

Azim Syed: If I may also add, in Q3 is a very wrong comparison because we had a lot of one-time project orders in Q3 in RHIM-IR or ex-Dalmia plant.

Sahil Sanghvi: And just a bit more understanding on the impairment front, I mean, would this be a continuous process and would there be...

Parmod Sagar: Sahil, you are a friend. Why you are asking this? It cannot be continuous. It is a one-timer. We have a very strong fundamental and it is a very considered decision that let's give a reasonable resilience growth to you all guys, right. It is one-timer normally.

Azim Syed: Just to kind of underline Parmod ji's point, it is coming purely in the export geographies. This is the fundamental assumption that has changed, and we don't see in the medium term, this assumption would change because of the whole macroeconomic environment. That's the fundamental driver for this change.

Sahil Sanghvi: And my last question would be on the pricing front. I mean, last year the raw material costs had fallen by a good 8%, 10%. I think probably right now what we are looking at is that we are kind of staying on the same levels when it comes to pricing because there is some bit of rate hike also which has happened. So, is there a pricing pressure that could come maybe in a medium or medium-to-longer term?

Parmod Sagar: Pricing pressure will definitely come. That's what I am trying to say. There is already pricing pressure, but what is our total focus is how we can maintain the margin, irrespective of pricing pressure, selling price and all those things.

And for just your information, in the last, say, one month or so, aluminous raw materials like tabular alumina, white-fused alumina**,** bauxite, the trend is now upward, which in the long run I would say is a healthy situation, good for every industry, not only for RHI Magnesita India, but as a whole refractory industry, it is good that market is reviving from sub-dual mode or depression, we are going back to normal level. Though we need to really pass on these increases to our customers, it will be a challenge, but definitely as we did in the past, we will do this in coming days also.

Moderator: Thank you. The next question is from the line of Chetan Doshi from Tulsi Capital. Please go ahead.

Chetan Doshi: Now, two specific questions. As I was going through the presentation, see market leadership of 30% is quite a big number as far as India is concerned. So, almost our presence in most of the companies is there. So, where you want RHI to move ahead from this 30%?

And second question is what backup we are going to get from our principles for launching new products, new technologies? And what are the plans? When we intend to do it in our Indian operations?

Parmod Sagar: A good question. Actually, our intention is to go to 40% market share in next five years' time. That is what our global CEO also, when he was in India, talked about in his TV interview. So, that shows that it is not local management, but the global management, global CEO is also looking India as a growth market, and there is a full support from our RHI Magnesita global management.

Last month, we also had the first time in the history of our RHI Magnesita, the total board came to India, spent almost one week, visited the new acquired companies, had long discussion with the local management team about growth plans and they extend their full support to the local management also for coming days.

So, ultimate aim is to reach 40%. We have the support from global. We are shifting some products from our other erstwhile global plants, whether it is in Europe or in South America or in China to Indian plants to increase our utilization and bring synergy and it will also help us to reduce our working capital. It will help us to improve our margins.

Chetan Doshi: But any specific timeline as to when this technology transfer or maybe production transfer from the Europe or U.S. is going to take place?

Parmod Sagar: Actually, this is an ongoing process, but I would say probably one to two years, we will be having almost whatever we wanted to shift to India, we will be there.

Chetan Doshi: And one last question. This takeover of Dalmia and Hi-Tech, when you personally feel that you are able to utilize these two entities in full strength?

Parmod Sagar: Normally, full strength means that you will never be able to utilize the capacity at 100%. There will be mode changing. There will be maintenance plants. There will be all sort of

Chetan Doshi: Sorry to interrupt. See, full strength means not capacity. In the sense, when you have invested so much amount in these two entities, you must suppose currently both the entities are adding 200 crores turnover. So, transferring the product from RHI to that place, whatever it is, from those units, you want minimum say 500, from 200 to 500 in next 3 years. That is what the plan is. Then it makes sense because now the products are moving in the single name. Now there is no Dalmia or Hi-Tech, but when you utilize them and certain products are as a combination when you supply, then definitely it adds up to the total turnover.

Parmod Sagar: Yes, but if I understood your question correctly, first let me clarify. When I am saying shifting products or technology from European or South American plants or anywhere else to India, it is shifting import to local for local. It is not additional business. Right? So, this will help us to fill up our plants to some extent, reduce our fixed costs and reduce our working capital. So, these advantages we will have and local for local means a little bit of margin improvement as well. So, these are the three things which will happen after getting some product shifted from our outside plant to Indian plants.

Chetan Doshi: So, when an MNC at present may be that merging of the two units and taking a feel of the products and relaunching certain grades and getting the rejections at the lowest level, For MNC to take price increase of 2% to 3%, once the quality gets accepted, then customer is left with limited choice but to come to the company. So, in margins improvement, I foresee in next 1.5 years, the margins will definitely, you may surpass the competition may be in 1.5 years or 2 years' time. That is my observation.

Parmod Sagar: No, your observation is absolutely right. In the next two years' time, margin definitely should improve, but at the same time, there will be a lot of pressure. You know, in India, what is happening now is everybody is adding capacity, whether it is Vesuvius, IFGL, Tata Krosaki, XYZ. So, there will also be in the coming days, overcapacity or more capacity, right?

So, this will also make us a bit more conservative when we talk about giving a guideline to the market about the margins. If it will improve, then probably there will be more chances of having a competition more. And that's why I keep on saying, if we can maintain this margin, present margins, that will be a great achievement, in spite of those challenges in the market.

Azim Syed: And on top of that, as Parmod already mentioned, there is quite a bit of global overcapacity of refractories. So, you have a pure price elasticity game on demand versus supply. That is one of the most important driving factors for pricing. So, we should look inwards and see how we can improve or manage our margins.

Moderator: Thank you. The next question is from the line of Harsh from Marcellus. Please go ahead.

Harsh: My question is with regards to the interview which the global CEO gave. He gave certain guidance with respect to the export business. So, can you elaborate on that? How large can the export be and some timelines there?

Parmod Sagar: You know, Stefan said, our global CEO said, yes, we want to have India as export hub. But at present, the situation is not conducive to that because of less production in European plants or the other areas, right? So, our strategy is this. Our planning is this, but I think it will take time to shoot this on an upward scale.

Harsh: Can we reach like export can reach 20% of our total top line in the next two years or so?

Parmod Sagar: You know, if marketing improve, I think 20%, 25% is not a very difficult task to reach. But it all depends on the market geographical situation.

Moderator: Thank you. The next question is from the line of Manoj Rajani from Rajani family office. Please go ahead.

Manoj Rajani: So, sir, sorry, I actually joined the call a bit late. So, wanted to know an outlook for our exports market, basically, given the current global scenario. So, like, if you could give some insights into it broadly.

Parmod Sagar: You know, the market is really bad. If we talk about export, hardly any country is producing, I would say. China is reducing their steel production. They have an overcapacity of refractory. Europe is almost 30%, 35% lower steel production. They have now also overcapacity of everything, right? So, wherever we were even selling or exporting, they have inventories.

So, it is slow down from last, say, year or so. So, I don't see any revival in the near term, rather near-to-mid-term. So, maybe it will take at least two years when the situation, geopolitical situation becomes normal. And then we will definitely be pushing for export. Now even we are pushing, but actually the market is not there.

Manoj Rajani: And sir, my second question is that, if you could just provide a detailed update on the current status of the working capital? And also additionally, I would appreciate it if you could elaborate on the specific strategies that we are implementing to enhance and optimize the working capital at the same time.

Azim Syed: As you can see, you already are seeing our initial implementation plan of some of our working capital initiatives in some of our acquired business. You can see this very clearly in our inventory where we have reduced close to about 12% of value. We expect that this we would reduce.

We would also be a bit cautious on this on a short-term perspective because of the Red Sea crisis and the container availability situation in China. So, this is the first aspect on the receivables.

On a mid-term basis, we would apply credit tightening only to the customers where we see a high risk from an insurance perspective. So, these are the only places we will shy away from the business. So, we expect the receivable intensity to be on the short-term basis at least till the end of the year almost at the same level.

On the payables, we have taken a very deliberate approach to ensure that we are complying with the MSME compliance on the payable. So, we believe that we will operate at this level.

Having said that, this is completely for the short-term perspective, but from a medium-term perspective, we expect our inventories to reduce and our receivables to be reducing as well. This is our midterm strategy. Parmod has given a very long-term ambition previously, but I would be very cautious in terms of we will be operating at that almost at that level aspirationally over a long-term perspective. I hope that answers the question.

Manoj Rajani: Yes, sir. I just had these two questions mainly.

Moderator: Thank you. The next question is from the line of Mayank from AMSEC. So, please go ahead.

Mayank: Sir, my first question is on the volume growth that you have shown year-on-year in FY '24 is almost 50%, whereas our value growth is almost 38%. So, the difference of 12%, what exactly is driven by?

Parmod Sagar: You know the situation, market situation as of now is that revenue or the selling price will be under pressure. So, that's why the revenue growth is lower, volume growth is more.

Mayank: So, sir, but you are guiding for, going forward, you are guiding for 8% volume and 14% to 15% value growth, is that correct?

Azim Syed: We are talking about the outlook, we are saying 8%, so is this something we are considering?

Parmod Sagar: 8% volume growth, we keep on saying from last one year and we still stand by that. It will be growth by 8%, but if we talk about revenue, it is totally linked with the market pricing, market situation. So, I cannot predict revenue growth, but volume growth, it will be 8+.

Azim Syed: And on your initial comment about the acquired business, why we have a lesser realization, it is very simple that it is the acquired Dalmia entity, it is more the commodity business and that is why it is not very comparable if you compare the average realization from Dalmia.

Parmod Sagar: It is more of bricks and mixes plants, not flow control plants.

Mayank: Yes, so basically it is a mix change and correction in commodities, is it what we understood?

Parmod Sagar: Yes.

Mayank: So, will you be able to give any idea how much is due to correction in commodities? That fall in the revenue, fall in the realization, how much is due to the commodity price correction or?

Parmod Sagar: Actually, we do not have this segregation of numbers, but it is a good idea. We will also look into it.

Azim Syed: And also, please remember that some of them are project order business. So, there is quite a significant mix component in cement kind of businesses as you might be already aware of. So, yes, it will be unmeaningful to compare those numbers in my opinion. But going forward, because we have full-year results for FY '24, we will have comparable business in the future, and we can probably break it down in the future orally.

Mayank: And secondly, sir, one of your competitors globally had highlighted that there is increased export from China, which is facing the industry. I am just wondering, you have been highlighting that the demand is low, but one of your global competitors is highlighting that the demand is sound across the geographies, particularly in the steel sector. As there is increased export from China consistently, China is doing good business in the steel side. So, why is there a difference in the commentary? I am not able to understand.

Parmod Sagar: I cannot comment on the competition's commentary, but you can check that number. All the countries have adjusted downward their steel production for this year. So, our calculation says all the plants, all the countries are reducing their steel production, including China. Only exception is India and a small country in Southeast Asia, Vietnam, etc., who are still producing handsomely. But otherwise, I cannot see any country, as you know, positive outlook for steel production except India.

Mayank: And sir, lastly, on the margin side, in the presentation, it is mentioned that there is an improvement in the acquired entity margin. So, can you highlight what is the margin that we have in Dalmia now?

Parmod Sagar: When we acquired this, it was 6.9% with the one timer also, including that. So, now it is 11.4%, around 6.9% within a year's time.

Mayank: That is in Dalmia?

Parmod Sagar: Yes.

Mayank: And what about Hi-Tech Chemicals?

Parmod Sagar: Hi-Tech, we cannot carve out the numbers because we merged that into RHI Magnesita India Limited in August. So, now it is a combined entity, and we cannot carve out that number. But I can only say with caution that the way we wanted to grow business in the Jamshedpur plant or

Hi-Tech plant, it is still not that level, again, because of the lower exports, which we thought we will be exporting a lot from that plant, flow control, ISO-products. And it is because of market, not because of any other reason.

Azim Syed: And on top of it, it was also cut off supply in the sanctioned markets as well.

Parmod Sagar: Yes. So Dalmia's and Hi-Tech were also exporting to sanctioned countries like Iran, Syria, etc., which we stopped. As a European company, we are not supposed to supply to these countries. So, that also impacted, and that impact will remain till the sanction is lifted.

Moderator: Thank you. The next question is from the line of Pratim Roy from B&K Securities. Please go ahead.

Pratim Roy: I think, I just missed it that are you quoting any EBITDA or the guidance from the longer-term perspective?

Parmod Sagar: I would still maintain 14% to 15% is sustainable margins.

Pratim Roy: And one more thing, sir, as in the last-to-last call that we made a comment that we are losing orders from the SAIL as we are right now Dalmia, Hi-Tech or are the same company. So, is there any development on that side? And what kind of order flow we can expect in FY '25? You can throw some light on that.

Parmod Sagar: You know, I told all you investors and analysts that because of the government plans, the standard system, there were three companies competing and now it's one company. So, there was a business loss of about 3%, which we are compensating with entering into iron making area. And as I said earlier, it's even over a cable, not a compensate with 3% loss of business, but we will add one or 2% more business. So, that we are not worried about. We are already working on it and numbers are encouraging.

Pratim Roy: And one more thing, sir, just to verify. You mentioned that Dalmia also the capacity utilization is 54%, right? 5-4?

Parmod Sagar: Yes.

Moderator: Thank you. The next question is from the line of Dhavan Shah from AlfAccurate Advisors. Please go ahead.

Dhavan Shah: I joined a little bit late, so pardon me if my questions are repetitive in nature. So, basically, I just wanted to understand, I mean, when can we optimum utilize the acquired assets and what could be the incremental revenue we can see by that time?

Parmod Sagar: You know, our intention is to take this to the optimum level of 75%, 80% in next four to five years' time. And if we are growing by 8% by volume, if market remain like this, I cannot predict revenue growth, but by volume 8% on, I will say, C-A-G-R basis, CAGR basis.

Dhavan Shah: But don't you think, I mean, that is very much conservative in nature, given that your competitor is growing at around 20%, 25%?

Parmod Sagar: Again, we are comparing apple with orange. They are flow control companies. So, they are 20% of 1,000 crore is 200 crore. The base is so big. We are talking about 4,000 crore almost now. And with every year, the base will be bigger and bigger and bigger. So, we should talk about absolute value or absolute number. That will be more representative than percentage. Right?

Dhavan Shah: Right. And what is our contribution from the flow right now? And when you reach to the optimal utilization, what could be the flow contribution to the overall top line numbers?

Azim Syed: Now, we are still predicting 8% CAGR growth on volumes. As Parmod already mentioned, due to global pricing pressure, we are not giving any guidance on how the volume will grow up. So, as we said, we have a very volatile global mass pricing dynamic situation. We would not comment on that at this moment, on the top line growth.

Moderator: Thank you. The next question is from the line of Sanjay Nandi from VT Capital. Please go ahead.

Sanjay Nandi: Sir, can you please guide us on the share of our flow control in total sales?

Parmod Sagar: Share, normally, historically flow control is about 25% and 75% is a lining in there.

Sanjay Nandi: And sir, what has been the utilization for the full year? Like you mentioned, 62% for this quarter, right? Like you mentioned, 62% has been utilization for this quarter, right? So, what has been the utilization for the full year FY '24?

Parmod Sagar: 62% is the present utilization.

Sanjay Nandi: Like for quarter four, right?

Parmod Sagar: No, no. Quarter 4 is 59. It is an overall 62%.

Moderator: Thank you. The next question is from the line of Ashish Kejriwal from Nuvama Wealth Management. Please go ahead.

Ashish Kejriwal: Sir, just to retreat, our CAPEX plan for FY '25 is something like 80-90 crore, which includes maintenance as well as modernization of the plant.

Parmod Sagar: Yes.

Ashish Kejriwal: That's right?

Parmod Sagar: Absolutely. And then, subsequently, I said it may go up because we wanted to put some thrust on iron making area. It may go up maybe by 10-20 crore more.

Ashish Kejriwal: So, is it fair to assume that next two years we will be something like 200 crore?

Parmod Sagar: In two years, yes. Probably 170 to 200 crore.

Ashish Kejriwal: And any plans for any inorganic opportunity which we are looking at because now our balance sheet is still under control?

Parmod Sagar: We, in general, think that we need to consolidate this in the next two years' time. We are not looking at any big acquisition as of now, but we are not stopping anything. If something comes up on the table, it fits well into our scheme of things, we will definitely look into it. But nothing is on the table, but we are open to any discussion with anybody.

Ashish Kejriwal: Sir, only thing is when we are looking for inorganic expansion, are we looking for volume or some kind of technology which we don't have or which if we can develop, that will take some time? Or what is the threshold which one should look at? Because in the case of Dalmia, it seems that it's because of the volume which we have taken, but we have paid at a higher price. So, going forward, when we look at any acquisition, what could be in our mind?

Parmod Sagar: It will not be technology. It will not be capacity. We have enough technology within us, and we have enough capacity also. It will be connecting the dots. If some product is missing within our portfolio and it can increase our revenue, our presence in the market, that definitely we will be looking at. And we have something in mind, what are the areas where we can really have something and increase our market presence.

Ashish Kejriwal: And sir, when we are talking about the guidance, because obviously you are conservatively giving the guidance of 14%, 15% on a long-term basis, but the way we try to increase efficiencies in Dalmia assets as well as our assets, don't we think that our margins could be higher assuming that macro remains stable?

Parmod Sagar: I would say in other words, if we talk about Dalmia, this is a mostly commodity business where we should expect maybe 12% to 14% EBITDA margin. And when we talk about erstwhile high-end product, it can be 16%, 17%. So, combining together, it will always be 14%, 15%. One quarter can be 1% higher and one quarter lower, but you should look at a long-term sustainable growth of the company which is there.

Ashish Kejriwal: Sir, why I am asking is that because obviously when you look at your revenue breakup, obviously besides a product, we have something like total refractory management services, which obviously keeps on increasing because of the equation which we have with our customers. So, don't we think that this segment at least will keep on increasing despite the pressure on the prices or something which we are witnessing in product?

Parmod Sagar: If we talk about assured business, yes, it will keep on growing and we are looking at it, but when we talk about the margin, you know, when some company is giving you 100% business, they are expecting lower their cost of production. If now their cost is Rs. 1,000, they will say, okay, you take it at 9,000 for Rs. 50. I will give you 100% business. Otherwise, why they will give? And from that, the margin 2%, 3%, 4%, lower margin, then we start doing our product efficiency, our management in that plant to reach to the level where we should be. So, it will never be a high-end margin segment. If we can manage at the same level, average margin, it will be great. At least we have assured business, we have visibility.

Ashish Kejriwal: No, sir, because in terms of percentage margin, it changes, but when we look at on a per ton basis, then we can have some sense on profitability, because normally we say that we try to pass it on the increase or decrease in raw material prices. So, our top line can change this. So, is it possible to guide us when you are guiding 14% to 15% margin, is it possible to guide in terms of tonnage?

Parmod Sagar: Tonnage, as I said, we did a lot of research and the strategy team did a deep dive, and we believe that average growth in India will be about 6% to 7%. And we are talking long term, not one year or so, and we are planning to grow more than the market by +8%, right?

And at the same time, as I said, we are looking at various other products where we are underperforming or underrepresented. If those projects materialize, the numbers can change, but as of now, we don't have anything on the table. We are just exploring possibilities. Maybe a year or so, we will revise our guidelines, but as of now, I don't have any prediction.

Ashish Kejriwal: No, sir, I was talking about the similar guidance, which we are giving in terms of percentage. Is it possible to give in terms of EBITDA per ton?

Parmod Sagar: No, we are not calculating EBITDA per ton, you know.

Azim Syed: There are three reasons for it. Number one, as you know that we get quite a bit of one time of project business, which has a completely different product mix.

Second is because of the cyclical nature of cement business, especially, and also the relining of furnaces. This also happens on a project basis. This has a completely, totally different product mix. So, this is the second reason.

And the third reason basically is that our broad product portfolio and in the new areas that we are growing. So, basically, these are the three things that kind of influences. So, this number can be totally misrepresented if you look at it, because some months we will have higher mixes falling, which are higher in tonnages versus flow control products, which will kind of in as a stable consumption that would happen. Hence, I think this will be a totally wrong way to look at the numbers in our humble opinion.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Parmod Sagar: Thank you very much, dear investors, dear friends, analysts, for your continuous support, believing in the company, believing in the management. It's a really privilege talking to you guys. It gave us a lot of confidence and rest assured; we will deliver whatever we are promising to you guys. And we look forward to our next interaction next quarter, and apologies for late presentation upload. Next time, we will make sure that you have ample time to go through the presentation, have your questions ready. Apologies for that. Thank you very much. Thank you very much, dear investor relations team, to reaching out to us, helping us out with this call. So, all the very best to all of you. Thank you very much. Talk to you soon.

Moderator: Thank you. On behalf of Asian Markets Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.