RHI MAGNESITA

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Date: 15 November 2023

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/ Madam,

Sub: Transcript of Conference Call - second quarter and half year ended 30 September 2023

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 6 November 2023, the transcript of the conference call held on 9 November 2023, for discussing the earning performance of the quarter and half year ended 30 September 2023, 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 KUMAR
Digitally signed by SANJAY KUMAR
Date: 2023.11.15 20:34:06 +05'30'

Sanjay Kumar
Company Secretary
(ICSI Membership No. -17021)

"RHI Magnesita India Limited

Q2 FY'24 Earnings Conference Call"

November 09, 2023

MANAGEMENT: **MR. PARMOD SAGAR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – RHI MAGNESITA INDIA LIMITED**
MS. VIJAYA GUPTA – CHIEF FINANCIAL OFFICER – RHI MAGNESITA INDIA LIMITED

MODERATOR: **MR. RAHUL TRIVEDI – ADFACTORS PR**

Moderator: Ladies and gentlemen, good day and welcome to RHI Magnesita India Limited Q2 and H1 FY24 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the belief, opinion and expectation of the company as on the date of this call. The statements are not the guarantees of future performance and involve risks and uncertainties which are difficult to predict.

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 conclude. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Parmod Sagar, Managing Director and CEO, RHI Magnesita India Limited. Thank you and over to you, sir.

Parmod Sagar: Thank you, Rahul. Thank you very much. Hello and good afternoon, ladies and gentlemen. Welcome to our quarterly earnings call for the second quarter of FY24. We have continued our growth trajectory into the second quarter of this fiscal. The performance being in line with the expectations.

Organic growth across segments coupled with synergies from the acquisitions has helped deliver better top-line and EBITDA on a sequential basis. We talk about consolidation of M&A activities this quarter with next continued synergies from the recent acquisitions. As production and shipments grew substantially on the back of contributions from acquired assets.

Blended EBITDA margin improved quarter on quarter basis due to relatively low employee and other expenses. The improvement can be attributed to factors including synergies, network optimization and product range benefits. We talk about micro view of our strategy.

Post the acquisitions, we are focusing on increasing our share of industrial and other non-steel segments through product diversification. Some of these products along with higher flow control products would also fetch better profit margins. Here I would like to add that we are focusing a lot on iron making segment also.

Last week on 2nd of November at Calcutta, we did a conference for iron making and pellets and induction furnace. We have more than 100 of our customers or would be customers, top executives attended that. We get a very good response and in that we announced a special vertical, independent vertical for iron making division.

Head by one of our original leaders, Sanat Ganguli and a dedicated team for that. So that will be the focus area in coming days for us. This diversification should not only reduce our dependence on steel sector but also help broaden our market share globally.

The industry is poised to witness robust growth driven by demand from various sectors like steel, cement, non-ferrous and glass. This will be complemented by the government support in the form of budget and policies. RHI Magnesita aims to leverage its expertise, capabilities and market position to capitalize on these market opportunities.

We are strategically combining organic and inorganic growth strategies to cater to the rising demand. Benefits of the recent acquisitions are reflecting in the form of higher production and shipments as well as more diverse product portfolio. These moves position the company to cater to a wider range of end applications.

Now I would like to hand it over to Ms. Vijaya Gupta, our CFO, to take us through financial performance highlights.

Vijaya Gupta: Thank you, sir, and a warm welcome to all the participants. First I will cover a Y-o-Y quarter. In quarter 2, FY24, revenue increased by 64% Y-o-Y. It was mainly driven by 83% rise in shipments. High contribution from RHIMIR, that is erstwhile, Dalmia OCL, complemented this growth offsetting the impact of lower realization per ton. Increase in employee and other expenses exerted pressure on EBITDA margins on a Y-o-Y basis, which stood at 15.3% in the Q2 FY24 and was partly offset by reduction in material cost.

Now coming to comparison on sequential basis versus previous quarter, revenue grew by 6% on the back of 8% rise in shipments. EBITDA margin improved by 70 basis points to 15.3%. This was mainly due to lower employee cost and other expenses. A change in product mix during this quarter led to a 1% drop in average realization.

Now moving to financial updates, we were able to reduce our debt levels to INR424 crores as of September 23, which comprises mainly of ECB loan and working capital. Proceeds from preferential issue and internal accruals together helped reduce the debt level during this quarter.

The company utilized its cash reserves in an optimal manner over the quarter. Healthy cash flows were utilized towards working capital, purchase concentration payments, capex, and debt repayment. While keeping funds aside for dividends, at the close of quarter, cash flow level stood at INR78 crores. Our cash conversion cycle increased to 97 days versus 87 days in the previous quarter. This was due to longer inventory cycles, mainly raw material purchases and shorter payable cycles, which had a bearing on the overall working capital cycle.

Now moving to production and capacity utilization, production volumes grew 144% year-on-year and 5% quarter-on-quarter basis to 90,000 tons in Q2 FY24. This was a combination of organic rise coupled with contributions from Jamshedpur and RHIMIR. Production from RHIM expanded 5% year-on-year and 3% quarter-on-quarter to 39,000 tons.

Volume from RHIMIR grew 10% to 43,000 tons. This together offset the 11% decline in volume in Jamshedpur, which was due to ERP implementation due to blackout period of 12 days. Capacity utilization improved 67% overall in the current quarter, up from 64% in previous quarter on a consolidated basis.

For RHIM, it increased from 85% to 88% and RHIMIR to 59% from 54% in the previous quarter. Lastly, in RHIMIR, we saw 22% revenue growth, backed by 18% rise in shipments. These developments give an optimistic outlook for the second half of the year. This is all from our side. Now we can open the floor for questions. So Rahul, back to you.

Moderator: The first question is from the line of Manan Puladia from MKP Securities. Please go ahead.

Manan Puladia: First of all, congratulations on posting a great set of numbers. What I am trying to understand is, the last time we spoke, you said that we could do about 80% to 85% in terms of utilization. We have obviously done a bit more in RHIM and RHIMIR and JSP and lower. So what I want to understand is going forward over the next 4 to 8 quarters, in what sense do we see where our capacity utilization stabilizing at? And in terms of margin, do we see if there is a jump in capacity utilization, what kind of margin increase do we see from 15% going forward?

Parmod Sagar: Okay, so we expect that in the coming quarters, the volume growth should go up in RHIMIR plant more than 10%, double digit. But it also depends upon how the market is behaving, the cement plant, the steel plant, etcetera. As of now, the outlook is good. Looks like we will continue that trajectory of growth. Still, with a pinch of salt, we are considering double digit growth in this plant.

And margin-wise, I would still say we have done exceptionally well in last quarter. From single digit in first quarter we reached to double digit and now it is above 30%. So our IR plant, I would say it is the optimal level. We will continue in this level in the coming years.

Manan Puladia: Correct, correct. I just have one more question. So based on now that the open offer has ended for RHI N.V. from Ignite Holdings and last time I am sure you couldn't comment on it. What I want to understand is, has there been any change in the strategy per se after Rhone capital has acquired that stake? Because there has been an uptick in the kind of acquisition that RHI N.V. has been doing with respect to China and otherwise. So, is there a change in our strategy at a group level as well?

Parmod Sagar: Not really. As of now, there is nothing changed, not in board, not in management. And it is totally unlikely that it will have any impact in the short term.

Manan Puladia: All right, sir. Perfect. Thank you. Thank you so much.

Moderator: Thank you. The next question is from line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: Yes, good afternoon, sir. Good afternoon, ma'am. So, my first question is, sir, can you help me? Sir, the numbers are a little bit -- because if I subtract...

Moderator: There is a break in between, sir. We are not able to hear you properly. Can you please get back in the queue, sir?

Rajesh Majumdar: Okay. So my question is, basically, if I subtract, can you help me reconcile the margin for a little bit? Because if I subtract the standalone from console, which we assume is RHIMIR, I am getting a margin of 17%. But it seems that turnover in RHIMIR is slightly higher. So is this an interdivisional sale from standalone to RHIMIR? Otherwise, the margin is not getting reconciled. If I just subtract console from standalone from console?

Parmod Sagar: Rajeshji, there is inter-company also in between, which you are not considering. So there is some sale from, say, RHIM to RHIMIR plants. So if we take out that inter-company, then the margin will be 13.9%, not 17%. The actual margin is 13.9%.

Rajesh Majumdar: And what will be the standalone margin then, sir? What will be the standalone margin then?

Parmod Sagar: 14.5.

Rajesh Majumdar: 14.5. So my follow-up question is, the benefit of raw material price, which RHIM globally also has mentioned, is going to flow through in the next few quarters. And I understand that you have taken a price cut as well this quarter in the standalone business. So is it true that the RM benefits will start flowing in the next few quarters, the following RM price?

Vijaya Gupta: See, the RM cost of own manufactured goods has come down by 2%, okay? So it is flowing, to answer your question. Because the 30% what we import are traded goods where the cost is higher.

Rajesh Majumdar: What is the traded volume this quarter, ma'am?

Vijaya Gupta: Traded 30% of revenue.

Rajesh Majumdar: And what is the outlook for that going forward? Will it come down?

Parmod Sagar: You know, we keep on saying that we want local for local. The more we start producing here, the more we bring technologies from our peer company to our local plants, it will go down. So ultimate target is to reduce it year by year.

Vijaya Gupta: If you recall earlier, last year it used to be 50%. So from 50%, we have brought it down to 30%.

Parmod Sagar: It will further go down, but it will take time.

Rajesh Majumdar: So I'll tell you, sir, where the question is coming from. If you look at the peer results, everybody is reporting this quarter margins of 18%, 20%, against that we are just 14.5%. So there's some disconnect between the two, maybe because of the fact that JSW still has had a flat production this quarter, who is one of your large clients. But what is the other explanation is obviously of the traded side. So what is the realistic margin that we can assume going forward in the standalone business, not in RHIMIR?

Parmod Sagar: Standalone also, we will be maintaining 15%, 15.5%. You cannot compare with others. We have a dynamic situation. We are producing a lot of low cost, low margin products also in RHIIMR only. Like, Vizag plant, , Katni is having a commodity ladder fixed business, etcetera, whereas if we are talking about our competition, some specific competition, they are in flow control only. So if we segregate and carve out our flow control margin, it will also be 18%, 19%, maybe 20%.

Rajesh Majumdar: So the temporary shutdown of Hi tech also impacts the margin profile, correct? So if that comes back full-time, then it will change?

Parmod Sagar: Yes, absolutely. If we increase the production in Jamshedpur plant, the margin should improve, definitely.

Moderator: Thank you. The next question is from the line of Mohan Ranganatham, an individual investor. Please go ahead.

Mohan Ranganatham: My festive greetings to Mr. Parmod Sagar and the entire RHI team for doing very well. I'd like to know, actually, you have a very good capacity and consolidation. Are you focusing on the domestic market or would you like to cater export market like Make in Bharat and get export benefits also?

Parmod Sagar: Mr. Mohan, we are very keen to expand our business outside India market, particularly my extended region of West Asia and Africa, along with that East Asia and Europe is also under our radar. So we want to increase our export business. And we also in the past said that we want to double our exports in the next five years' time or so.

Mohan Ranganatham: So thank you, all the best.

Moderator: Thank you. The next question is from the line of Chetan Doshi, an individual investor. Please go ahead.

Chetan Doshi: Good afternoon, Parmod. And first of all, congratulations to you and the entire team. With such a short span of six months, I think you have merged two entities and the top line is just phenomenal. This type of growth, I would definitely say it needs a lot of efforts and ground level responsibilities are also taken care of.

Now, my question is, in the presentation, you mentioned that the product mix or change in sales mix, what is this which is impacting you as far as your bottom line is concerned? And second question is, any customers where Hitech or Dalmia was present and RHI got an inroads in those customers?

I think you need to specify if you have got the advantage of these type of customers where RHI was not present. But due to these two entities, you have got inroads and the potential of business in those customers is very high, so if that some highlight is given on this aspect, I would be grateful?

Parmod Sagar: Yes, first of all, thank you very much for your encouraging words. Just to your question, we with this acquisition, particularly Dalmia, the product mix base has changed dramatically. We have some products which is having a low selling price, low margin, which in percentage wise impact our bottom line. But if you talk about absolute value contribution, it is phenomenal.

Secondly, we have many ~~clients~~ plants where RHI was not present or partially present, but with Dalmia and Hitech, we have increased our value over there. Particularly, we talk about Dalmia and Hitech combined and Dalmia, the Seven refractory, which was joint venture and which we in July acquired 100%. We are now able to enter iron making where standalone RHIM was zero.

So with them, that's what I announced in the beginning that we have created an independent vertical to cater to this iron making region. You know, almost 70 million tons of steel is produced through glass furnace. So, this is a big market which we were not representing and now we have focused and we will be pursuing this very seriously.

Chetan Doshi: Okay, congratulations once again. And whatever you have shown in top line, we expect in coming quarters, the same should reflect in bottom line also?

Parmod Sagar: I hope so.

Chetan Doshi: Thank you so much. Thank you. Thank you.

Moderator: The next question is from the line of Sanjay Kumar from I thought PMS. Please go ahead.

Sanjay Kumar: Hi, sir. Of the 125,000 tons capacity of RHI standalone, how much is flow control or isostatic and how much is construction or lining products?

Parmod Sagar: The flow control historically is about 25% of the business.

Sanjay Kumar: Okay. And this 25% is, we are saying we are operating at 18%, 19% operating margin. Is it correct?

Parmod Sagar: Yes, sir.

Sanjay Kumar: Okay. And second, if standalone is operating at 88% utilization, going forward our growth will come from RHIMIR, which is margin dilutive, right because that's more of construction products or lining products. Are we going to increase capacity in flow control products?

Parmod Sagar: Yes, you are right. If we simply talk about RHIMIR plants, the margins will be under stress. But with Jamshedpur, this is a flow control plant. So there we are operating at 50% capacity level. So there we will increase our capacity, our sales, and that will help us to mitigate a lower margin of IR plants.

Sanjay Kumar: Okay. And what is the margin at the Jamshedpur plant, sir?

Management: It should be around 20% to 21%.

Sanjay Kumar: And finally, can you comment on the Magnesia bricks situation in India? Are we still net importers? Is there any scope to substitute these imports given we have idle capacity in RHIMIR

Parmod Sagar: This is -- we are having an capacity of above 30,000 ton in India, which we will be producing and selling. Still, about 50,000 tons to 60,000 tons is coming from abroad. And we have a planning to enhance the capacity of our Cuttack plant from 30,000 tons to 45,000 tons to 50,000 tons. And in coming days, if the market remains like that, we would like to have one more plant or in the existing plant, one more line. And in western coast also, to promote local-for-local trading.

Sanjay Kumar: Okay. Thank you, that's it from my side.

: Thank you very much.

Parmod Sagar

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

Sahil Sanghvi: Yes. Thank you for the opportunity and first of all, very congratulations to Sagar sir, ma'am and the whole team for a very commendable turnaround at Dalmia-OCL. A couple of my questions have been already answered. But I just wanted to understand, do we have any further land at Bhiwadi for the expansion or the Jamshedpur plant will be the sole plant for flow control now?

Parmod Sagar: Mr. Sahil, thank you very much. As of now, I dont feel, we should be spending money on Bhiwadi plant. We already did some expansion in Jamshedpur plant and the focus area should be and would be to increase our production in Jamshedpur plant.

Sahil Sanghvi: Right, sir. Would you be able to guide us on what was the export percentage of the revenue right now? I mean, current levels or Q2 levels?

Parmod Sagar: It is around 10% to 11%. But as I said earlier, we want to double it in the next five years' time and I'm sure we will be able to do that.

Sahil Sanghvi: Okay. And my third question is, can you just give us more information about the refurbishment plant at Dalmia-OCL? I understand in a couple of interviews, you have said that you'll be spending some INR200 crores, INR300 crores over two years at the plant. Would that also mean that there will be some capacity expansions that would come along and post these refurbishments, can the margins at Dalmia-OCL go much beyond 15%? Just if you can give us some understanding on these fronts and your plans on the refurbishment?

Parmod Sagar: Yes, the plan is to spend this money, what you are saying, definitely. But what we did in this year without much capex or hardly any capex, we tried to increase capacity, reduce our scrap level, etcetera.. That's why the margin has gone up. With the modernization capex, I don't see the capacity enhancement, I would say, the productivity enhancement.

Productivity improvement will be there, which will give us some synergies. We are already at, say, more than 5,20,000 ton capacity levels. So capacity will not increase, we don't want to increase the capacity, but we will replace 10 presses with two new presses state of the art. So that will help us to reduce our fixed cost absorption and improve productivity, improve consistency of quality of product and reduce the scrap rate.

Sahil Sanghvi: So that definitely would entail some expansion on the margins also, right, from Dalmia-OCL?

Parmod Sagar: Yes, there will be some incremental improvement in margins as well.

Sahil Sanghvi: Okay, got it. That's all from my side. Thank you, sir, and all the best.

Parmod Sagar: Thank you, Sahil..

Moderator: Thank you. The next question is from the line of Mayank Bhandari from Asian Market Securities. Please go ahead.

Mayank Bhandari: Thanks for the opportunity. Sir, I wanted to understand, in the stand-alone revenue of INR718 crores over INR600 crores last year, what would be the volume growth here and realization, breakdown of, is it possible to give?

Vijaya Gupta: So, yes, it's essentially volume growth only. If you see, when you compare with the previous quarter, you're saying, or year-on-year?

Mayank Bhandari: Year-on-year.

Vijaya Gupta: Year-on-year. Okay, so, versus previous quarter, there is a 10% drop in realization, but, and there is increase in shipments. Balance is volume growth.

Mayank Bhandari: No, Y-o-Y, I'm asking. Year-on year. There is a growth of almost 20% in the stand-alone?

Vijaya Gupta: Yes, 20%. So, shipment growth is 21% for RHIM stand-alone and for realization, there is a drop by 1%.

Mayank Bhandari: 1%. Okay. So, 21% is the volume growth and secondly, we had plans of shifting some flow control products to India from the overseas facilities, which was highlighted, I think, two quarters back. So, how are we doing on that front?

Parmod Sagar: I said that we want to increase our flow control portfolio from Jamshedpur for export. So, this is work-in-progress. So, our colleagues from other regions, like East-Asia and Europe have visited this plant and they discuss about possibilities and now the time will be made, the mode will be made and we will do some trials at various locations outside India. Maybe next six months is a trial period and then probably we'll start getting commercial orders.

Mayank Bhandari: Any particular product lines, specific product lines that you are looking for?

Parmod Sagar: Mainly, it will be flow control ISO, isostatic products.

Mayank Bhandari: Isostatic products?

Parmod Sagar: Yes, SCN, MDS, etcetera.

Mayank Bhandari: Okay. And, sir, just from the industry perspective, how is the pricing power now? I mean, we have seen very strong increase in margin of cover of competitors. So, has the pricing power increased for you as well? I mean, how the industry? I mean, also from a Chinese player dumping perspective, I mean, how is the situation now? If you can highlight, give some comments around that?

Parmod Sagar: If we talk about pricing power, yes, it has improved. Now we have a bigger volume and we are working on that and this reflecting synergies also. At the same time, when the global refractory industry is under pressure, the Europe is under recession, China is cutting down their steel production, North America is in a very extensively situation, South America has a saturation point. So, India looks like only growing market.

So, everybody wants to come to India. So, Chinese, as you rightly said, traders, or raw material suppliers, or finished goods suppliers, everybody, they have a huge inventory, so they wanted to sell it off. So, there will be a lot of price pressure in coming days from Chinese traders. But still, we believe in our strength, the customer-centric approach, the on-site services, the expertise we have in our engineering capabilities, the innovation which we are bringing to the table, we will still be continuing our growth strategy.

Mayank Bhandari: Okay, sir. That's it from my side. Thank you.

Parmod Sagar: Thank you.

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

Sanjay Nandi: Thank you for the opportunity, sir. Sir, just, ma'am, mentioned there has been some blackouts for 12 days in this quarter. So, what kind of incremental revenue can we expect from that in the coming quarter?

Parmod Sagar: Jamshedpur?

Sanjay Nandi: Yes, sir.

Vijaya Gupta: Yes, you are referring to Jamshedpur blackouts for 12 days for ERP implementation. That is what you are referring?

Sanjay Nandi: Yes.

Vijaya Gupta: Yes, so in Jamshedpur, because of ERP implementation, there was 12 days of blackout period, in which production dispatches did not happen. So, that impacted the production is what I was mentioning.

Sanjay Nandi: Yes. So, what kind of incremental revenue that we can expect from that in the coming quarter? Like, is it the revenue that will happen?

Parmod Sagar: We think that it will be to the tune of INR25 crores to INR30 crores every month, revenue for this year.

Sanjay Nandi: Okay. Got it. And what's the current operating margin for Dalmia plant, sir? Like you told in last conference call you were trying to improve it to double digit. So, what's the current exactly operating run rate here?

Parmod Sagar: Last quarter it was 13.9%. Previous quarter it was 12% something.

Sanjay Nandi: Okay. So, this is the operating margin right now for the Dalmia plant?

Vijaya Gupta: Can you repeat?

Sanjay Nandi: I'm asking you, what is the current operating margin for the Dalmia plant, if you can throw some light on that?

Vijaya Gupta: Operating margin this is EBITDA margin 13.9%. So, operating margin will be 20%.

Sanjay Nandi: Okay. Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead.

Gokul Maheshwari: Thank you for the opportunity. So, you've completed your acquisition your product portfolio and that allows you to offer client total refactoring solutions. So, any major successes that you would want to highlight in terms of your ability to offer total refactoring solutions in that direction?

Parmod Sagar: So, you are talking about the what benefit we have with this acquisition, right?

Gokul Maheshwari: Yes. So, my question is if I may repeat it is your ability to now provide total refactoring solutions to your clients. Have you made any progress in that front?

Parmod Sagar: Yes, as I said in my earlier statement that we with the now Seven and RHIMIR and HITECH put together, have a total portfolio for this iron making division. So, that is a big step forward. So, we are working on that and we think we can grow exponentially over there. That will be a game changer.

Gokul Maheshwari: Okay. Secondly, on the numbers, the H1 numbers you crossed INR1,900 crores of revenues usually second half is better for you for getting the production and the customer also. So, we should be crossing that INR4,000 crores sales mark quite easily for FY '24?

Parmod Sagar: That is what I am hoping so. I am confident that we will be able to cross this.

Gokul Maheshwari: Okay. And more as a broader direction giving your impetus on exports as well as your ability to gain share in the domestic market, over the next three years to four years, is it possible to grow like low to mid-teens kind of growth rate as a trend growth rate?

Parmod Sagar: Yes, absolutely. We are aiming at growing at about 8% by volume. So, in the next four years or five years' time we would like to have at least 35% to 40% market share.

Gokul Maheshwari: Okay. Thank you so much. Thank you.

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

Ashish Kejriwal: Hi, thanks for the opportunity. Good afternoon everyone. So, my question is on the prices because in this quarter we mentioned that the price declined quarter-on-quarter was account of adverse product mix. But in the last quarter also I think we mentioned that we were under pressure to pass on the fall in raw material cost and we were asking for more than 10% reduction also.

So, my first question is assuming that on a like-to-like basis, we still have not passed on the fall in raw material cost. So where is the status now? Do we think that our realisations are going to fall further irrespective of the product mix?

Parmod Sagar: Yes, I would say, we were fortunate that we could manage to hold prices for quite a long time. There is a lot of pressure from our customers and in coming days, definitely we have to yield to their pressure because the market other than us is also bringing down the price level and all so there will be pressure on selling price I would say, but if we talk about margin in percentage term, we would like to keep this margin intact.

Ashish Kejriwal: Understood. And second thing is, accounting thing, obviously we have created a large goodwill on account of our acquisition which depresses our calculated ROE and stock value also, so is there any plan to impair goodwill or how we are going to treat goodwill going forward ?

Vijaya Gupta: Goodwill is tested for impairment every time, every quarter. And as long as business results are better, there is no impairment. So at present, so that same accounting standards will continue is what we think.

Ashish Kejriwal: Understood. Thirdly because the way steel capacity in India is increasing I think next two or three years we'll chair on 30 million ton coming in. Then in this scenario why we are trying to increased our exports from 11% to 20%. Do we think that demand of refractory in the Indian market will some more reduce or why we have to target export market not only domestic market and second thing is in besides that ~~there's~~ thus we have two or three years of visibility in terms of volume growth from our capacity but beyond that do you want to go for either organically or inorganically ?

Parmod Sagar: First of all there is no link between domestic and export, we want to increase our exports but we want to grow exponentially or more than market in India market as well. That is what we said that we'll be growing by 8% by volumes. So market value grow by 6% 6.5%. So we want to grow more than market in India but as the same time we want to grow in export because now we have products and capacity in flow control to export the products from outside as from India to outside world.

Ashish Kejriwal: And sir about growth opportunities both organic or inorganic?

Parmod Sagar: As of now We are still working on consolidation, on integration and bringing synergy is putting up capex etcetera. But I would not rule out the possibility of inorganic growth as well in coming days. We still believe yes, we can have one or two more companies in our portfolio but nothing is on the table as of now.

Ashish Kejriwal: Understood. And sir, lastly when do we expect entire Dalmia assets to reach to 85%, 90% utilization.

Parmod Sagar: 85%, 90%, it will take four - five years time.

Ashish Kejriwal: Four – five year

Parmod Sagar: Yes

Ashish Kejriwal: Thank you, sir and all the best.

Parmod Sagar: Thank you very much, sir.

Moderator: Thank you. The next question is from the line of Manan Poladia from MKP securities. Please go ahead.

Manan Poladia: Thank you for giving me the opportunity again. My first question is on the market side. I just want understand, if you can segregate it by the flow control products that you have in RHI standalone versus the products you acquired within Dalmia OCL, what would you say is the market size for these entity separately and what we will you says a market share in increased and decreased?

Parmod Sagar: I really did not get your question right but what I understood you are asking market size so total market size in India is about 15,000 crores.

Manan Poladia: Could you break that down between flow control and cement products had we have acquired within Dalmia OCL?

Parmod Sagar: As I said, flow control historically is above 25% of total market share.

Manan Poladia: Okay, correct, sir. Thank you. Sir, my second question is one of our peers that is listed as well has started a service business which has been driving a lot of delta within the top line and bottom line. Do we have something similar are we intending to charge something similar on those line?

Parmod Sagar: Service business, yes. It is a becoming part of the core business. Now a days customer is asking for total solution, bigger customer then they are coming up as a new plants in their facility. They ask for robotics and automation and all those things as part of the refactory services. We are also pursuing that and this is India where everybody would like to grow. It is an expensive proposition but it eliminates manual intervention and a much more safer environment. We are also working on that and we are talking to our two to three customers on these lines.

Manan Poladia: Is there any indication of what the potential revenue size annually from these kind of contacts could be and what the margin would be on those?

Parmod Sagar: It is very premature to say what is the revenue maybe in two three years stand with INR50 INR40 crore and margins should be around -15% to 20%

Manan Poladia: Okay, sir. I understand. Thank you.

Moderator: Then next question is from the line of Pratim Roy from BNK Securities. Please go ahead.

Pratim Roy: Thank you for the opportunity. First question is that what is the first half TRM contribution of the business and how do you growing? If you can throw some light on that?

Vijaya Gupta: Okay. TRM contribution is standalone 44%

Pratim Roy: 44%?

Vijaya Gupta: Yes, and on consolidation, it is just 30%.

Pratim Roy: Okay, and what is the growth you have seen in the half yearly basis if we compare to the last year to current year?

Vijaya Gupta: See as a percentage of revenue it will be you know it has been around 45% or so, so it is as revenue is growing this is also growing.

Pratim Roy: Okay, and second question is , what is the improvement of Tata Steel market share as we are not there and through Hi tech we get the opportunity? So, how much market share as a customer we get from Tata Steel right now?

Parmod Sagar: Tata Steel you know we whatever we were doing we are better off now and percentage-wise I would not be able to say but we have entered into two three markets where we were not there even with the - Neelachal ISPAT which they took over six months back or so. So, we got some orders from that plant also and flow control also we are working with the Jamshedpur plant and Tata KTO.

Pratim Roy: Okay, sir and my last question to you is that when you can expect the refurbishment of the Rajgangpur plant as in the plant visit we have got to know that the refurbishment is required to further enhance the utilization level of the plant and for the emerging as well. So, is there any update on that part?

Parmod Sagar: Yes, in coming times we will be doing this refurbishment and modernization. The capex is in place but we will be using the money very judiciously need place but in next say two three years time we will be spending extra money to modernize this plant.

Pratim Roy: So, by when we can expect that to be, end by 2024 or what?

Parmod Sagar: At least two years from now. Whatever we will be ordering it is a delivery time is eight months to 14 months for various types of equipment's. So, whatever we will be ordering in the beginning of 24 it will reach end of 24 or so and the commissioning 25. So, let's expect everything will happen in 25.

Pratim Roy: Okay, and last question sir one more just what is the export contribution for the full business for this quarter and what is the export contribution from RHIMIR plant if you can give some number?

Vijaya Gupta: The export contribution and domestic is more or less in line with each other. We generally do not provide separately. So, but export share if you ask overall is 10% and mainly just from RHIM plant.

Pratim Roy: Sorry, sorry can you repeat once?

Vijaya Gupta: It is mainly from standalone entity there is very little exports from RHIMIR plant.

Pratim Roy: Okay, 10%?

Parmod Sagar: 10% of the consolidated level and this all comes from RHIM plant not from Dalmia plants.

Pratim Roy: Okay, thank you for thank you sir. Thank you.

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

Sahil Sanghvi: I just wanted the revenue numbers for the Hi-Tech and RHIM capacity I mean the facility like I think needed around INR612 crores in Q1. What would be that number in Q2?

Vijaya Gupta: So, RHIMIR plant or RHIM plant you are saying? It is INR718 crores for RHIM. and INR 330 crore for RHIMIR. But then these are gross numbers that on consolidated level, there are inter-company eliminations.

Sahil Sanghvi: What will be the number for Hi-Tech if you can give me?

Vijaya Gupta: Hi-Tech is merged with RHIM, so we do not have the numbers now.

Sahil Sanghvi: It includes Hi-Tech also. Would that be right?

Vijaya Gupta: Repeat, Sahil it is now part of RHIM, so we do not have, it's one SAP, so we do not have it separately.

Sahil Sanghvi: INR718 crores would include Hi-Tech, right?

Vijaya Gupta: Yes, that would include Hi-Tech.

Sahil Sanghvi: Thank you.

Moderator: Thank you. The next question is from the line of Vipul Shah from RW Equities. Please go ahead.

Vipul Shah: Thank you for the opportunity and congratulations on a great set of numbers and also the very detailed presentation put up by the team. You know, this question is mainly for the CFO, whereas ma'am we understand that goodwill on your books and the intangible assets on your books pertain to the cash generating unit and hence it is tested, that is fairly well understood ma'am.

No questions on that. But what stops the company from going to NCLT and putting up a scheme of arrangement where the goodwill and the intangibles can be adjusted against the other equity, so that makes our company's balance sheet and the ratios much more appealing and better. We understand perfectly well that, what you stated and that the auditors attest goodwill for the CGUs but nothing stops us from actually putting up a scheme of arrangement before the NCLT, where we can adjust these non-cash items on the balance sheet against the reserves. It would be helpful to understand your perspective?

Vijaya Gupta: Yes, thanks Vipul for this idea. In fact, what we will do is, if you are saying then we will explore this and get back.

Vipul Shah: Thank you.

Moderator: Thank you. The next question is from the line of Kamlesh Kotak from Asian Market Securities. Please go ahead.

Kamlesh Kotak: Hello, yes, good afternoon everyone. Thanks for the opportunity. Sir, my question is a broader question about the industry. If we look at the quarterly numbers of the steel companies, volume growth has not been more than 6%- 8%, whereas the industry, all the large refractory players have reported strong volume growth across all the players. So just wanted to understand, where is it coming from? Is it incremental coming from exports market or is it that the import which is now curtailed or how we read about it, sir?

Parmod Sagar: I think your second observation is right. The local from local is picking up quite fast and it has given some better margins to these players. As also some markets are opening up in East Asia, particularly Vietnam where there was, the big players were having shutdowns, the blast furnaces are stopped for last three months, four months, time. They have started operating from last April onward or so. So that also gave some opportunity to the players to do more exports.

Kamlesh Kotak: So sir, any idea you can give from industry's perspective, INR15,000 crores, how much of that would be import percentage and how much of that would be exports, if you can help us, industry level, please?

Parmod Sagar: I don't have the numbers, let me come back to you with the numbers.

Kamlesh Kotak: Sure, great. And one last thing, sir, you did a very great presentation, very insightful. Just one thing if you can add, now that you also have Dalmia's number, if you can just get some understanding of the factual breakup of the revenue, maybe steel, cement and other non-ferrous and other, that will be of great help? Otherwise, it's a fabulous presentation you have given. So thanks for that.

Parmod Sagar: You mean segment-wise the breakup? Thanks for the idea.

Kamlesh Kotak: And yes, you can just share how it has played out this quarter or half year if it's possible, handy with you?

Parmod Sagar: Sure, we will do this from next time.

Kamlesh Kotak: Thank you, sir. Thank you very much and all the best.

Moderator: Thank you. In the interest of time, we shall have to end the call, request others to get in touch with the investor relation team for further questions. I now hand the conference over to Mr. Parmod Sagar, Managing Director for closing comments.

Parmod Sagar: Thank you, Rahul. Thank you everyone for taking the time out to join us today. We look forward to interacting with you again next quarter. You can get in touch with our investor relation team for any further queries. Thank you very much for your time and the support and encouraging words. Thank you.

Moderator: Thank you. On behalf of RHI Magnesita, that conclude this conference. Thank you for joining us and you may now disconnect your lines.