RHI MAGNESITA

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20 August 2024

To,

BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers	Exchange Plaza, Plot No. C/1, G Block,
Dalal Street	Bandra Kurla Complex, Bandra (East)
Mumbai – 400 001, India	Mumbai – 400 051, India
BSE Scrip Code: 534076	**NSE Symbol: RHIM**

Dear Sir/ Madam,

Sub: Transcript of Conference Call – first quarter ended 30 June 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 8 August 2024, the transcript of the conference call held on 14 August 2024, for discussing the earning performance of first quarter ended 30 June 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 KUMAR

Digitally signed by SANJAY KUMAR
Date: 2024.08.21 18:25:19 +05'30'

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

"RHI Magnesita India Limited Q1 FY-25 Earnings Conference Call"

August 14, 2024

MANAGEMENT: **MR. PARMOD SAGAR – MANAGING DIRECTOR & CEO.**
MR. AZIM SYED – CFO & CHIEF INVESTOR RELATIONS OFFICER.

MODERATOR: **MR. ARYAN SHARMA – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED.**

Moderator: Ladies and gentlemen, good day and welcome to the RHI Magnesita India Limited Conference Call hosted by Batlivala & Karani Securities India Private 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 guarantee of future performance and involve risk and uncertainties that 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 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. Aryan Sharma from Batlivala & Karani Securities India Private Limited. Thank you and over to you sir.

Aryan Sharma: Thank you Shubh. Good evening everyone. On behalf of B&K Securities, we welcome you all to Q1 FY25 Earnings Conference Call of RHI Magnesita India Limited.

We have with us today, Mr. Parmod Sagar – Managing Director and CEO, and 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 Parmod sir.

Parmod Sagar: Thank you very much. Good evening and thank you for joining us today. I hope you have had the chance to view our Financial Results for the 1st Quarter and the Company Presentation, which has been published in advance.

I am happy to share that we have reported the highest quarterly operating margin since the acquisition of Hi-Tech and Dalmia. Reflecting the successful execution of our strategic plan to date. Our strategic levers in the area of iron making and flow control are also delivering the results leading to an increase in our market share.

About market updates, end user industries such as steel, cement and industrial businesses see a subdued customer activity due to seasonal slowdown. Further exuberated by cheap imports coming from Southeast Asia and China, and tepid demand in export market. Additionally, rising freight cost stemming from Singapore blockade has significantly increased the cost of imports and increased in raw material of alumina based raw materials**.** We expect this situation will persist in the upcoming quarters as well. Despite these challenges, we are optimistic about the upcoming quarters. We anticipate steel and cement production to ramp up, especially with the support of Union budget "Viksit Bharat" initiative, which has allocated 3.4% of our Indian GDP for infrastructure development.

Looking ahead, as the market leaders, we are well positioned to seize all the growth opportunities in sync with the end user industries. Our focus on penetrating into iron making, including DRI, pellets and other critical application resulted in growth in this segment. I am glad to share that we are witnessing strong order momentum in the blast furnace cast house, with three new contracts secured and two additional opportunities in discussions. Furthermore, we have on-boarded five new customers in tap hole clay and are working on two coke oven projects which will enhance utilization in our silica plant at Rajgangpur in our near future.

Integration efforts are progressing, including the roll out of our global operational excellence program across all our manufacturing facilities, which aims to harmonize operations across acquired entities with best-in-class safety and efficiency standards. We remain committed towards delivering sustainable and profitable growth and long term shareholder value creation. We continue to lead in recycling of raw material and remain committed to reduction of CO2 footprint.

In conclusion, our performance this quarter aligns with our expectations, especially given the temporary weak market condition. We remain committed to delivering sustainable and profitable growth. I would now request Azim Syed, our CFO and CIRO to take you through our quarterly financial performance. Azim.

Azim Syed: Thank you, Parmodji. Good evening everyone and thank you for joining us.

Our consolidated revenue from operations in Q1 FY25 was maintained at Rs.878 crores, while the EBITA increased by 3% to Rs.157 crores. The increase of profitability was driven by better product mix and one time high margin customer orders. The weakness in the top line was well elaborated by Parmodji. Our PAT for the quarter was Rs.73 crores. The improvement was contributed by better margins and negligible use of our short-term working capital financing.

Our net debt-to-EBITDA ratio improved from 0.6x to 0.3x. This is contributed by strong cash generation from operation and improved working capital by efficient management of our inventories. We are optimistic about leveraging our strengths in iron making, DRI and the pellet business. Our focus remains on capturing attractive growth prospects in our customer sectors. Going forward, we continue to focus on sustainable growth and delivering better return ratio for our shareholders. We are well positioned to support the growth of our customers.

Let me take this opportunity to inform two announcements:

Based on the recommendation of nomination and remuneration committee, they have appointed Mr. Kamal Sarda as an Additional Independent Director of the company for a period of five years, with effective from 14th of August 2024, subject to approval of shareholders in the ensuing AGM. Further, Mr. Sarda is a Chartered Accountant and also law graduate. He has 35 years of professional experience in senior level positions, primarily in manufacturing industry, currently he serves as CEO of Alumna Industrial Company LLC, and has 26 years of rich experience in refractory industry, and was Chairman of IRMA twice.

It gives me an immense pleasure also to inform that based on the recommendation of nomination and remuneration committee, they have appointed Mr. Parmod, Managing Director and CEO of the company, also as Chairman of the company, post completion of tenurity, of Dr. Vijay Sharma as Independent Director and Chairman of the company, with effective from 12 November 2024. The designation of Mr. Parmod Sagar would be Chairman, Managing Director and CEO of the company. Congrats Parmod and all the best for your new additional role.

Parmod Sagar: Thank you.

Azim Syed: Now we can open up for questionnaire.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Chetan Doshi an Individual Investor. Please go ahead.

Chetan Doshi: Congratulations, Parmod for the promotion and the new designation, which has been given to you, much more responsibilities and congratulations for the excellent set of numbers. Now coming to the specific question is, that you have got three new contracts for blast furnace cast house and five new customers in tap hole clay. So, what is the market size for this, and by what time duration you will be completing these contracts and this technological transfer from Brazil, which is going to take place. So, what further addition will be done in the Indian market. And second question is that, regarding pellet, you have increased your market share by backing three new projects. So, what is the market size for this?

Parmod Sagar: Okay. So, first of all, thank you very much for your congratulatory message and your best wishes. I can assure you and all investors, the shareholders that I will try my best to fulfill your aspiration and justify the faith embedded on me by the management and with the investment committee . Thank you very much. And about this three blast furnace contracts and five tap hole clay new customers. We already got the orders, and the execution should start by beginning of October of these orders, and maybe it will take three to five months to complete these contracts. So, it will start in last quarter of this year and end up in a 1st Quarter of next calendar year. About pellet plant, yes we got a big order and we are also in talk with the two, three more customers. We are going to build a team for this project. And probably it will start mid of October. The size of this blast furnace iron making market, I would say, including tap hole clay and coke oven, etc., is about €220 million, and which is about Rs.2000 crores and about pellets, it is about €25 million.

Chetan Doshi: Okay. And regarding this iron making OEM projects, so it is written that, you are in long term discussions with the OEMs for coke oven and blast furnace stores. So, you have already cracked some OEM, or it is still in initial discussions are there and you plan to do it?

Parmod Sagar: I would not say initial discussion, nothing is cracked, but we are in some cases, in a very advanced stage of discussion. And there are quite a bit of projects that are coming up in next two to three years time, and we already have good business opportunities in the pipeline for this coke oven stoves, but it is not through OEM, we are in talk with OEM. It will take some time, but it is in advance stage.

Chetan Doshi: Yes, but if you tie up with OEM, then it is, I would say it's a cakewalk at the end user end, because once OEM says that you have to use RHI, then nobody can stop you from getting order from the customer.

Parmod Sagar: Absolutely. Actually, we got the order through SMS **Paul Wurth**, and we are executing that order already. Manufacturing and supply has started. In the past also we did, but now we are going on a bigger scale for other OEMs, global OEMs, apart from SMS Paul Wurth India. And you are rightly saying, if we have this agreement or relationship with the OEM, and they will require us. Yes, definitely it will have an edge over our competition.

Chetan Doshi: Correct. And I would congratulate your team members, because the investor speaks for lot of things, and they answer a lot of questions also, which normally I would be, inclined to ask. But most of things are getting cleared by the investor presentation. But this time also Parmod, I would say, it was just before the concall maybe 10, 15, minutes it got uploaded on the site. So, next time, at least we need couple of hours to go through the presentation, but this time it is quite in detail, I would appreciate that and one last question.

Parmod Sagar: First of all, apologies about this time lag. Azim wants to convey his apology

Azim Syed: Yes, a sincere apology from our side. We intended to have this meeting on Friday, but we said, since it's a long weekend and a lot of people will be on holiday, so we said okay, we will try to do this today,. So, we thought, we will do this for the convenience of investors, but we have taken a note onhe feedback, and we also take the compliment of presentation has improved. Chetan, thank you very much.

Chetan Doshi: Thank you. And last question, Parmod are we supplying anything to back to our principles?

Parmod Sagar: Supplying means material?

Chetan Doshi: Finished product?

Azim Syed: Can you repeat the question, it was not clear for us.

Chetan Doshi: Are we exporting any product from India, manufactured in India to our principles, and they are selling to any other?

Parmod Sagar: Yes, we are selling through our other BUs or other companies outside our BU, like Europe and East Asia, through our parent company.

Azim Syed: So, our export volumes are close to about 9%, just to kind of give you some number around that.

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

Pratim Roy: Congratulations for the good set of numbers. Firstly, I just want to know that, sir right now as the presentation says that the net debt to EBITDA has come down from 0.6x to 0.3x, so can we expect any further new CAPEX plan, or acquisition to enhance the market share further?

Parmod Sagar: Acquisition, we are open for anything, if it fits into our scheme of thing. But nothing is on the table as of now, we don't see any big opportunity for a large-scale acquisition in the near future. About CAPEX, yes, we are ramping up, and next year we will have a CAPEX of about Rs.80 crore or so. So, it will be like Rs.80 to 100 crores for the next three years, every year.

Azim Syed: Exactly.

Pratim Roy: Okay, thank you. And our another thing is that sir, can you please share the data on the capacity to use inside for Dalmia, DOCL and Hi-Tech for this quarter and the last quarter, how much improvement, is there any improvement happen or not, if you can give some data on that basis?

Azim Syed: I would be happy to provide that information. So, on a consolidated level, our capacity utilization remains flat. So, last quarter, we did 61% and we have similar set of numbers this time as well, including Jamshedpur and India, we were at about 72% to 71%. And for excluding Jamshedpur we were at about 78% last quarter. Now we operate at 75%. I am sure you are also expecting Jamshedpur number. So, we had a remarkable improvement from 54% to 58%. And in anticipation of a next question, the capacity utilization the Dalmia plant has dropped, primarily because our South Indian customers, cement customers had lesser cement production. So, this kind of an ensure that our capacity, especially in our Vizag plant and Dalmia plant had a lower utilization compared to the last quarter. So, that's the color behind reduced utilization in the Dalmia plant.

Pratim Roy: Okay, sir. And just you mentioned that the EBITDA margin that improved due to the better product based on one time higher margin customer orders. So, how often we can expect this kind of order to come in future also?

Azim Syed: So, this basically, the way it happens is that most of it is performance bonus related, which is a factor of multiple things. So, it's not just only the product mix, we also had an impact of the product mix as well. So, let me give some color about this one-time performance order. So, this comes when the performance or when we get a new product of for example let's say, like a converter order. So, these are very non-cyclic and unpredictable in nature. So, we will not be able to say when next this big bump will come. It comes when the customer, there's a requirement at the moment. So, that's how you can model it at the moment.

Pratim Roy: If we just substract that part. So, what will be the original EBITDA margin reported for the quarter or, if you can quantify the number, what is the impact on EBITDA on that particular one time?

Parmod Sagar: I would reply in other way, the sustainable EBITDA in coming days is sure to be +15%. I am upgrading my statement, I keep on saying 14% to 15% but now, with the efficiency which we are bringing to the plants, it will have +15% in coming days also, that is our perception. And we cannot quantify this bonus part, because it is cyclical. Sometime in one quarter it can come in next quarter it cannot come it depends upon when the converter is down. So, we cannot predict it whether every quarter we will have this or not. So, we should take the number with a pinch of salt that it can vary a little bit quarter-to-quarter, but on yearly basis, I would say +15% is a sustainable number.

Azim Syed: In addition to what Parmod said, as you are aware that we also cater to multi segment sector. So, one time, we also can get some sale win from some of the bigger project, from industrial business example non-ferrous and glass that also can be there. And again, it's very cyclical, very seasonal in nature. But what we confirm to our investor right now is that we are upgrading our margin forecast to be +15% in the upcoming quarters.

Pratim Roy: And sir lastly, just try to say that as JSW Steel is one of the prime customers. So, JSW Steel in the call they have mentioned that they are going to take a maintenance shutdown of the plant. So, anyhow, we can expect the lower volume on that site?

Azim Syed: Yes, that's one of the material effect you also see in our Q1 top line performance. Of course, we are waiting for them to kind of, come back on and our volumes also will increase proportionately.

Pratim Roy: That will impact much likely on that performance, right?

Azim Syed: Can you repeat it, sorry your question was not clear.

Pratim Roy: That will impact marginally in our performance if they took shut down the cement plant?

Azim Syed: Which plant are you referring to, JSW sorry?

Pratim Roy: JSW Steel, I am talking about JSW Steel.

Azim Syed: Yes, they already had very subdued Q1 volume production, or steel production. So, yes, we would see the impact on it already in the top line numbers in Q1, I hope that was clear.

Moderator: Thank you. The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan: Sir, if I just look at our business and then you look at two acquisitions, which we did, how the Dalmia business and the Hi-Tech business have actually ramped up, and how much they would actually contribute in the growth for this year?

Parmod Sagar: Okay. So, I would say ramp up is a bit slow, because Dalmia primarily, as you know was more dominating in industrial business than steel and the industrial business, in the beginning as we were also saying, cement was not doing well, particularly in Southern part of India. The Dalmia cements or Ultra Tech, it is almost 13%, 14% low production than usual. So, this has impacted the volume growth of these plants, of Dalmia, but at the same time, we have increased the efficiency of the plant, we have reduced the rejection levels, we are working on circular economy and the margins from when we took over less than 7% to now a sustainable margin of about 12%. So, it is more of looking into increasing the margin than only increasing the volume. And when it comes to Hi-Tech, we have not delivered the business plan as we wanted to, because of various reasons particularly subdued exports, CIS countries, and this war in Ukraine and Russia, Europe is witnessing 35% low in steel production. So, these have impacted our plans, but at the same time, now from last two months we have ramped up some production, and the margins are fantastic, it is more than 21% in there. So, that is also encouraging. So, all-in-all, I would say for profitability front, we are on track. Rather we are better than what we were assuming. When it comes to volumes, we are still lacking behind, and we need to look into it and see whether we can add some volumes from other businesses than the usual business we had in our business plan.

Lakshminarayanan: Okay. Sir the approximate Rs.878 crores of revenue from operation for this quarter. How much is actually exports now for us?

Parmod Sagar: About 9%.

Azim Syed: 9%, yes.

Lakshminarayanan: 9%. And if I look at the business coming from steel production, where we cater to the life's of the integrated steel manufacturers, how much that would be sir?

Azim Syed: So, overall, we don't give the integrated steel separately. Overall, our steel revenue is close to about 75% to 80% mark, let's call it like that. We don’t give the specifics just to model, you can do between 75% to 80%.

Parmod Sagar: In other terms, if it's steel, India is producing about say, 11- 11.5 million tonne of steel, 7.5 million tonne is from bigger integrated plants put together sale and private sector. So, rest is from mini steel plant and induction furnace.

Lakshminarayanan: Got it. Sir like-for-like if you look at that steel thing which you talked about that number, how much it has actually grown when compared to the same time last year, just that steel refractories?

Azim Syed: In the absolute value, the growth has been subdued as we mentioned earlier, because of the lower performance, lower output that we have kind of garnered. The second part, basically also is that, there is also material weakness coming from the export part of the steel business as well. We have a 26% drop year-on-year comparison.

Lakshminarayanan: So, I am just looking at, see if you look at export as an external, it's an issue which is outside our control. I am just looking at the domestic steel, if you just look at Rs.878 crores, so how much would be domestically made and domestically sold, and how much was that number last year, and how it has actually performed?

Azim Syed: So, I can give you this number separately, but we don't give that on the investor call just to be honest with you guys, but let me put it differently that, from a manufacturing perspective, we do 60% from our in-house, 40% we do trading. On top of it, if we try to, it's very difficult for you to bifurcate that number as well. So, that's why we don’t want to give that specificity because it becomes quite detail information.

Lakshminarayanan: Sir, the point I was trying to understand is, have we gain market share in the domestic steel refractory market?

Parmod Sagar: I would say, we have gained market share in the under-representing the market like iron making pellet, DRI, definitely we have increased our market share when it comes to a stable business, or our strong hold cement or steel. We lost somewhere because of the commodity competition from Chinese suppliers like lateral business or some mixes where we don't want to have a rat race and competing with them and reducing our profitability unnecessarily.

Lakshminarayanan: Got it.

Azim Syed: I will put some color on it as well. We are very careful in choosing our order. We genuinely believe what we are selling always is that it's all about sustainable growth and better returns for our shareholders. So, that is why we would be on this path as much as possible, which doesn't discount that we say no to all the others, the question is, are we able to internally align our product portfolio which can deliver sustainable profitability, that's the way we internally look at order-by-order. So, yes, definitely in the last quarter as Parmod mentioned, we lost in the area where we have quite a significant competition from the imported refractory especially from China.

Lakshminarayanan: It would be helpful if you can actually, perhaps if it's appropriate, give some kind of granular information on the PPT in terms of the industry if you represent, what is the, what is trading, what is not and naturally give it in one shot it becomes easier. And another question sir from my side, if you look at the steel refractory business domestic. What is your outlook for this upcoming financial year, or ongoing financial year FY25. How you think this business can deliver. I am just looking at India made, India sold steel refractory, because the other one you have of course you mentioned industrials, etc., there has been subdued and cement. Just looking to the steel, which is a major contributor, what's your outlook and how you think it will pan out?

Parmod Sagar: If we talk about long term, steel will grow for sure. Government of India is pushing lot of infrastructure projects. They are going to take some corrective action about imports from various countries, Southeast countries. So, long term, I don't have any issue. It will be at the protection, what we gave about say, six months back, that India will keep on growing at around 7%, 6% to 7% in steel minimum that is still there. Short term, yes it was some steel plants were producing less because of very low selling price of steel, and imports are much cheaper. But historically, if you see October, November, December are always a good month for steel because of festival season, stainless steel market goes up because a lot of people buy stainless steel utensils and all those things. So, I still believe the last quarter will be a good quarter. Only hiccup is not for us, but total refractory industry is supply chain challenges, because of this Red Sea issue, because of bottleneck at Singapore port, because of Colombo port, the raw material which used to come from China, within 30 to 35 days, is taking 50 to 70 days. So, supply chain will remain a challenge. If we can bring material on time, all refractory industry, it's going to be a good quarter, last quarter, I would say. And long term, I said it will be good in any case.

Lakshminarayanan: Got it. Because I thought Chinese imports will not suffer the Red Sea crisis is what I always believe in. But nevertheless, if you look at it, the main raw material for refractory making is actually you get from Hindalco, right?

Parmod Sagar: No sir, it is just a reactive. All raw material, 90% of worlds raw material is coming from China, I would say. Not for us, for everybody, we are still better place, we have backward integration. And if need be we can bring material from our other mines from Turkey or Europe or Brazil or North America, but others don't have that backward integration also, if something goes wrong with China, we are doomed. We cannot produce steel, cement anything.

Lakshminarayanan: Got it. And is this issue you find it more pronounced in the large steel or the mid-tier steel, because, as a company our stronghold is actually in the mid-tier steel companies, relatively when compared to the large steel company. So, where do you see the demand issue. So, you are seeing more of a raw material supply issue and less of a demand issue is that what I can decipher?

Parmod Sagar: No, you are still not thinking about this as Orient Refractory Limited, which was having a very strong presence in mid-size or small scale. After this integration of this plants of RHI India, Clasil and now Dalmia, Hi-Tech, we are the strongest player in bigger steel plants. We have much more bigger sales than Tata Krosaki, Vesuvius, IFGL can reach, so our challenge is there also.

Lakshminarayanan: Okay. So, is it right to assume that there are supply chain issues in terms of raw materials, but the local cement remains strong?

Parmod Sagar: Yes, that's what I am saying, after this monsoon time, October onwards, we think that steel will go back to normal level. Now it is subdued because of, when the monsoon comes, the construction work virtually is on stand still, so there is a less demand locally for construction steel after which October onwards will go back to normal level. And supply chain issue, as they are talking about timing, the containers freight has gone up from say, $1,200 per container from China to almost +$5,000 per container. So, this and timing is from 30 days to 60 days. So, timing is more, transportation cost more is that can I am just giving a heads up to you, all investors, that these are the challenges which we are facing, as well as other refractory industry will be facing.

Moderator: Thank you. The next question is from the line of Smit Shah from Monarch Network Capital Limited. Please go ahead.

Sahil Sanghvi: Hi, this is Sahil Sanghvi from Monarch. First of all, congratulations Parmod for the added responsibilities, and also congratulations for a good growth on profitability and margins. First of all, I wanted to understand this with utilization number Azim sir, you said 61% on a whole and roughly Hi-Tech is at what utilization?

Azim Syed: 58% last quarter Q1.

Sahil Sanghvi: 58% and what RHI stand alone, the previous entity is 75%?

Azim Syed: Yes.

Sahil Sanghvi: And Dalmia plant, Dalmia entity?

Azim Syed: 54%.

Sahil Sanghvi: Okay. Secondly, can I also know the sales numbers, would that be roughly same as the utilization numbers, or is there a drastic difference?

Azim Syed: Sorry, can you repeat the question.

Sahil Sanghvi: The sales number, the sales volumes on a split basis?

Azim Syed: I can send that to you Sahil, that's okay with you. I can repeat it as well.

Sahil Sanghvi: No, worries. So, the second thing is, like you guys have discussed, there is still a lot of subdued demand from the cement side. So, how is that right now, how do you look what is the outlook for this year when it comes to the cement side of demand?

Azim Syed: We have a very strong order book for cement for the upcoming three months. In fact, a couple of our Dalmia plants lines are sold out for the next two and a half months. So, we see a strong uptake, which is normal seasonality in the cement Sahil, okay.

Sahil Sanghvi: Got it sir. And lastly, also wanted to confirm so the pellet order size that you said is 5.5 million?

Azim Syed: Normally we don't give out that specific Sahil, as you know that's too detailed information. But what you can assume is that quarter-on-quarter, we have a 7% growth, you can assume that as a very good stuff for modeling purposes.

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

Harsh: Can you give an update on how the iron basket is trending for the last three, six months?

Azim Syed: Sorry, which one can you repeat the question?

Harsh: Can you tell us how the iron prices are trending over the last three months?

Azim Syed: So, iron pricing.

Parmod Sagar: So, raw material prices for Magnesita is not moving so fast, there is a upside of about 3% to 5% of various grades. But when it comes to aluminous raw material, it has gone up by 30% almost. For example, white-fused alumina was being sold at about Rs.60,000, Rs.61,000 a tonne and now it is at Rs.82,000 to Rs.84,000 a tonne.

Harsh: And just to understand this right, when Magnesita prices go up, we are a beneficiary of it right?

Azim Syed: At the moment, as Parmod basically mentioned that, as you know that our end customers are also facing a quite a bit of pricing pressure. If you look at cement or from a steel perspective. So, definitely, normally it's an opportunity for us to ask for price increases, but looking at our end customers pricing, it looks a bit challenging, so it definitely puts some pressure on our margins, for sure. But let me repeat myself what Parmod said already that we are still going with the outlook of +15%.

Moderator: Thank you. The next question is from the line of Rakesh Vyas from Quest Investment Advisors. Please go ahead.

Rakesh Vyas: My question is answered.

Moderator: Thank you. The next question is from the line of Mayank Bhandari from Asian Market Securities. Please go ahead. The current participant seems to have disconnected. We will take the next question. The next question is from the line of Arijit Dutta from Kotak Mutual Fund. Please go ahead.

Arijit Dutta: I have few questions, starting from your assessment of raw material prices, which have moved up significantly, the freight container availability is a problem. The freight prices are doubled or tripled at the same point of time you are struggling to pass on the cost rise to the customer for various reasons. How do you get the confidence of increasing your margin in this scenario. So, what would be the trigger that we can, if you can share some bit?

Parmod Sagar: That's why we are not saying we will further increase the margin. Rather, we are saying that we should take the 17.9% with a pinch of salt, because of these headwinds and challenges we are facing, there can be a little bit of correction in the numbers, and still we will deliver more than 15% margins, but there is no chance of increasing further profitability under this present scenario.

Azim Syed: Yes. And the reason why we are confident about the three things. One is the investments we have done post integration in terms of operational excellence, productivity improvement and improvement of scrap rate. The second part, basically is that we are constantly our technical marketing team is constantly investing into bettering our recipes and plans. So, this is also giving us quite a bit of improvement. Third, as you also mentioned, Parmod earlier said, one of the side effect of improving our circular economies through improve our recycling, so we are further ensuring that our raw material, in other words our recipes, and also our product mix, we are suiting to the needs of the customer what they are doing. Hence, what we can control, we can control, and we believe that we have a sustained mechanism in place to ensure that we are able to continue at that level despite the external market impact.

Arijit Dutta: Thank you for the elaborate answer. Sir, on the recycling part, how much you have recycled in Q4, Q1 and what is the expectation in Q2 and Q3?

Azim Syed: So, we don't give any outlooks on that, and we don't give any specificity, but let me tell you that, we are the market leader even in India and also in our group also we see we are the leading recycle percentage. You can always assume that we are doing consistently 13% and above for our, based on the raw materials that we use. Of course, the number fluctuate based on what product mix that we do, but we do far, far ahead, more than +13%.

Arijit Dutta: Sir my question was more on the delta that we are getting on this recycling. I understand that you don't give the recycling percentage, but on the basis point if you can throw some light that how much it is improving in one year?

Parmod Sagar: I gave you this answer. Actually, we are primarily not using this recycled material or secondary raw material to increase our profitability. It is more of sustainability, we want to use less prime material so that we emit less CO_2 emission, right. So, it is first our responsibility towards our planet, towards our environment, towards our society. So, this is the primary driver to use this recycle material. Secondly, we are technology leaders, so we are not picking up a used brick, crushing it and adding it into our products. We are doing this proper processing of this technological way of using it. So, it will not give us a quantum jump in our profitability, but it will reduce our reliability of imports of our raw material. Now, if the freight has gone up, if we will use a recycle material, local recycle material, it will help us to mitigate that dilution of margins. So, that way, indirectly it will help, but if we talk about in percentage, what is the profitability that will go up, I can say to get this answer, because it will not have a real material number which we can give you. Hope you understand the situation.

Arijit Dutta: Yes, sir well clarified. The third question is about China imports. Sir, I am talking about the raw materials part. How much do you see that our process are nearest big competitors, in terms of import, are we import on the same quantity, or our import is bit on the higher side because of our mix?

Parmod Sagar: It depends upon how much we are producing. So, in RHI Magnesita India, we will produce about 3,30,000 tonne of refractory and our nearest competition is producing only say, 80,000 tonne. So, their import will be proportionately lower than us, or might be the same.

Arijit Dutta: I am talking about the percentage of the total materials, do you see that our dependence on China as a percentage basis, not on the absolute basis, is more versus competitor, is the understanding correct?

Parmod Sagar: It will be more or less on equal levels in percentage wise, but in absolute value, we will be importing much more than that. At the same time, as I said earlier, we have a comfort if need, we can bring raw material from our own mines also.

Azim Syed: Group mine.

Arijit Dutta: Yes, basically I was looking for that, that if our own mine is giving us some advantage till now, or it is not there?

Parmod Sagar: We have three mines also in India, two quartz mine, one bauxite mine, and we are getting that, advantage from that mines also where, though it is not high value mining. The quartz is the lowest value product, I would say. But still, we have a comfort that we can extract those, minerals from those mines. But when it comes to our group mines, we have only the comfort that if something goes wrong with China, we can bring that material and keep on running Indian economy, the steel, the cement and other plants, whereas the competition doesn't have that luxury. But if we bring the material from say Brazil, where we have biggest mine, because of transportation costs, etc., it will be a bit costlier. But still, when it comes to the percentage of cost in a steel manufacturing, we are at about 2.5% to 3% of the total cost. So, if it goes by 10% instead of 2.5% it will be 2.75% so it will not have a material impact on their cost, but they can rely on us. I can just share with you during this COVID time, all big players were talking to us that, can we bring material from Brazil or from Europe and Tata Steel gave us order part converter from Brazil and but few days back, I got information that Brazilian converters behave much better than Chinese converter from our plants only. So, we have that comfort, and the bigger plants want to have some backup so that supply chain remain intact we have more in the those plants outside China, we have a supply chain, logistics and all those things in place. And if need be, we can convert it as the order from China to our other locations.

Arijit Dutta: Thank you, sir for being so elaborative. My last question is on the flow control materials, the feedback that we are getting that the competition has even intensified more versus what we have seen. I understand, in iron making we are in a very comfortable stage right now, but in steel making, per se because of the capacity the competition is detrimental to the entire industry that is shaping up, is my understanding correct?

Parmod Sagar: Absolutely, your understanding is correct. What we did globally, as well as in India and our global CEO, Stefan Borgas is very vocal about this. Refractory industry should not add capacity. We should do the consolidation. So, what we did, we acquired Dalmia, we acquired Hi-Tech. We have not added the capacity, the same capacity is there in India. So, we have consolidated that. But our competition is putting up new plants, which is adding the capacity, and when we will have over-capacity, then we will kill this market. We should not be doing this. We should not be doing the overcapacity. Everybody is running now, following us that, RHI Magnesita did this much expansion. It is not expansion, it is consolidation, but they are doing expansion, and eventually they will harm the refractory industry as a whole.

Arijit Dutta: Sir, somebody gave a rough estimate. The last one is like, the feedback that I got that the way the capacity has been added by the competition, it's like it can cater to another 50 million tonne of steel that is coming. Is that statement you also concur?

Azim Syed: We cannot comment on our competition, it's their perspective you need answer.

Arijit Dutta: On the industry capacity that is getting adding which we can cater to?

Parmod Sagar: I can give you this answer, if the competition is start making in India the greenfield project and replacing export, then it's a good sign. But if imports keep on coming, import keeps on coming from there, and we are cannibalizing only the local production, then it is detrimental for the industry. We should look at it, what we are doing intentionally. We brought the technology from Brazil to India to make tap hole clay to truck mass. We brought this forged plug from European plant, make in Bhiwadi plant. We bring this from Europe plant to Bhiwadi plant. So, we are shifting products from our other locations to India, so that we have this initiative of government of India, for Make in India. We are supporting that, if they will do the same thing, then they will do justice to the investments what they are doing. But if import, keep on coming, and then they are taking the pie of other suppliers who are Indian manufacturers, then we are killing the industry.

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

Mayank Bhandari: Sir my first question is on the volume number you have given in the presentation for Q1 FY25 it's 114 million tonne right, shipment.

Azim Syed: 114 kilotons.

Mayank Bhandari: Kiloton, sorry. So, 114 kiloton you indicated like your capacity utilization for Dalmia is 54% which gives me almost 41 kiloton of number for Dalmia, which leaves me that the rest of the business is almost at 74 kiloton which is a decline of 6% Y-o-Y in terms of volume, is my understanding, or is this number correct?

Parmod Sagar: We have mentioned 6.8% decline in volumes.

Azim Syed: Again in Dalmia we already said earlier that.

Parmod Sagar: Your understanding is absolutely right.

Mayank Bhandari: So, it’s a volume decline in both Dalmia as well as in control business?

Parmod Sagar: Yes.

Mayank Bhandari: Okay. And last quarter conference call you mentioned 12,000 tonnes will be back, which we had lost in some contract. What is the update on that?

Parmod Sagar: We got it, but it is a saving out it is, as I said because, to be very upfront, I told that 11,000 - 12,000 tonne is the order we got from Dalmia, which were lost last year. But at the same time, we are saying that Dalmia plants has produced 14% of lower production in the cement plant. So, their consumption of refractory is a bit slow, which will ramp up, probably as there is seasonality in the cement plant. So, probably next quarter onwards they will ramp up the production and we will deliver our promise.

Mayank Bhandari: Okay. So, this is still to be materialized?

Parmod Sagar: Yes.

Mayank Bhandari: And sir you mentioned the number for these new contracts you won in the iron making, what exactly is that?

Parmod Sagar: Number means what?

Mayank Bhandari: The orders you have got?

Parmod Sagar: I don't have number in my hand.

Azim Syed: We don't give the industry specific number, unfortunately.

Mayank Bhandari: No, the orders that you received for the iron making and pellet plus iron making, you had initially mentioned a number?

Parmod Sagar: We got three blast furnace order and five new order from tap hole clay. But if we talk about numbers, we don't have ready numbers, order by order, this was 1 million, this was half a million, and this, but it is quite substantial,

Mayank Bhandari: Okay. So, in terms of the scope of the order that you will execute, it's written that it's more like a project order, iron making OEM and project order. So, it also involves, apart from the refractories, it is kind of OEM plus projects, which could be a different margin structure?

Parmod Sagar: Now, when we are talking about these order, these are not project, these are not OEM through order. These are regular order, which is like a consumables, maintenance order it is not new project.

Mayank Bhandari: Okay, it is purely consumables only?

Parmod Sagar: Yes.

Mayank Bhandari: So, in tap hole clay, what kind of market share we would be having as of now, any number?

Parmod Sagar: We probably have about 16%, 17% market share.

Mayank Bhandari: And how big would be the market in India for tap hole clay?

Parmod Sagar: It should be about Rs.600 to Rs.700 crores tap hole clay market.

Moderator: Thank you very much. In the interest of time, this was the last question for today's conference call. I now hand the conference over to Mr. Parmod Sagar for closing remarks.

Parmod Sagar: Thank you. Thank you very much, analyst and shareholder, for your time. Your support as usual and we from RHI Magnesita family, wishing you all a very Happy Independence Day. God bless you all. Have a nice time off, thank you.

Azim Syed: Thank you. Happy Independence Day to all as well.

Moderator: Thank you, sir. On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.