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**18 February 2025**

To,

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|---|---|
| **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 – third quarter ended 31 December 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 5 February 2025, the transcript of the conference call held on 12 February 2025, for discussion on the earning performance of third quarter and nine months ended 31 December 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
**Company Secretary**
ICSI Membership No. -17021

RHI Magnesita India Limited
RHI MAGNESITA

# "RHI Magnesita India Limited

# Q3 & 9M FY'25 Earnings Conference Call"

# February 12, 2025

MANAGEMENT: MR. PARMOD SAGAR – CHAIRMAN, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – RHI MAGNESITA INDIA LIMITED
MR. AZIM SYED – CHIEF FINANCIAL OFFICER, CHIEF INVESTOR RELATIONS OFFICER – RHI MAGNESITA INDIA LIMITED

**Moderator:** Ladies and gentlemen, good day, and welcome to the RHI Magnesita India Limited Q3 and 9 Month FY '25 Earnings Conference Call. 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 star then zero on your touch note phone.

I now hand the conference over to Mr. Parmod Sagar, Chairman, Managing Director, and Chief Executive Officer from RHI Magnesita India Limited. Thank you, and over to you, sir.

**Parmod Sagar:** Thank you very much. Good afternoon, everyone, and welcome to RHI Magnesita India's Q3 and 9-Month FY '25 Earnings Call. Thank you for joining us today. This quarter marked a significant milestone for RHI Magnesita India as we crossed INR 1,000 crores in quarterly revenue for the first time. This achievement is a testament to our disciplined execution, strong marketing position, and continued strategic expansion.

We are delighted with our performance, especially it comes amid tough market conditions, volatility in raw material prices and increased competition from imports as they continue to pose challenges. We must also remain cautiously optimistic for the short-term and remain focused on improving operational efficiencies and stringent cost control to sustain our profitable growth.

Before we dive into the details, I would like to briefly touch upon the evolving global and industrial landscape impacting the steel and cement industry at large. Despite a slow start to 2025 due to elections and off-season monsoon, India's GDP growth is expected at 6-7%, driven by infrastructure and industrial expansion.

Cement demand is projected to grow 4-5% in financial year '26. The government's planned increase in capex by 10% for financial year '26 on infrastructure spending is expected to boost the demand. India is a net importer of steel, increasing competition for domestic producers. Weaker global demand has led to increased imports of low-cost refractories to India affecting margins across the industry. Despite this, we have expanded our market share through investment in pricing.

In the Cement sector, concerns about cement pricing to the end customer continue to pose challenges. Profitability should improve with increased demand and operational cost reduction measures by cement players in the long term. For RHI Magnesita, these sectors presents both challenges and opportunities.

As a critical supplier of refractory material to the steel and cement sectors, we are actively addressing raw materials security through policy advocacy and sourcing diversification. Our goal of capturing a 40% market share within the next four years remains on track, driven by strategic initiatives in addition to investments in plant modernization and expansion of value-added products. With no additional industry production in the recent budget, we must remain agile and focus on cost control and operational efficiencies.

Looking forward, we remain cautiously optimistic, our focus on strategic expansion while maintaining financial discipline, vigilant about market headwinds including global demand fluctuations and cost pressures, committed to operational efficiency and cost optimization to sustain margin in the coming quarters.

Our priorities remain the same, sustainable growth and better return ratio and our decision-making will be guided by these principles. As we navigate this evolving landscape, we remain committed to safety, innovation, sustainability and strategic growth to reinforce our leadership position.

With that, I will now hand over to our Chief Financial Officer, Mr. Azim Syed, who will take us through the detailed financial performance of Q3 '25.

**Azim Syed:** Thank you, Parmodji. Let me now walk you through our financial performance for Q3, FY '25. I'm pleased to report that revenue from operations for Q3 FY '25, grew 17% quarter-on-quarter, reaching a record INR1,011 crores comparing to INR 867 crores in Q2 FY '25. This strong growth was driven by a 20% increase in shipments.

We were able to gain momentum in our top line through reclaiming our market share, delivering one-time cement and iron-making projects and resumption of production of post-customer downtime.

Production for Q3 FY '25 stood at 86 kt, maintaining levels consistent with Q2 FY '25. Capacity utilization remained steady at 67%, ensuring that additional market demand was met through planned inventory releases. We focus on disciplined working capital execution and only produce what we need as per demand.

EBITDA for the quarter stood at INR132 crores, reflecting quarter-on-quarter growth of 8% driven by our operational efficiencies. Despite the margin dilution even with high raw material costs, our absolute EBITDA growth highlights the strength of our business fundamentals. This was underpinned by operational efficiencies and expanding market share. As Parmodji mentioned, due to increased competition in the cement sector, even with the increased 7% of shipments, we saw a dilution in our realization rates.

Profit after tax increased by 3.5% quarter-on-quarter to INR 48 crores. Cost optimization measures are helping mitigate some of the impacts. Our working capital intensity improved to 35% versus last quarter with improvement in DSO, DIO, and DPO. With our dividend payment of INR51 crores, ECB loan repayment and with a strong top line, our net debt versus EBITDA remains flat.

To summarize, our business fundamentals remain strong. We will continue to strengthen cost controls to manage margin pressure, optimize working capital and maintaining financial discipline, driving profitable growth through strategic market expansion. To reemphasize on what Parmodji said, sustainable growth and better returns ratio will be our guiding principles for our decision-making.

With that, we conclude our financial review and now open the floor for questions from analysts and investors. Thank you.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question is from Rajesh Majumdar from B&K Securities. Please go ahead.

**Rajesh Majumdar:** Congratulations on a decent set of numbers in a difficult quarter, I understand. So, I had some questions on the pricing and the margins. So, if you see your realizations have been falling constantly in the last two quarters, and we've seen an increase in the price of raw materials like chromite sand and alumina. So, have we got a price increase finally on these products? That was the first question.

**Parmod Sagar:** Rajeshji, thank you for your question, and thanks for your compliments. Yes, the situation, as you rightly said, is very volatile, very challenging atmosphere. As a matter of fact, we have not been able to get price increases from most of the customers. And I'm sorry to say even our peers, our competition, nobody is seriously pushing for price increases. I don't know why.

So, we are leading from the front because we are the leader in the market. So, we are reaching out to our customers wholeheartedly to get price increases. But every time we're getting the answer, nobody else is asking for the price increase. So, this put us in a spot, but we will keep on pushing for price increases and I hope we will get some success as well.

**Rajesh Majumdar:** So as of now, even on alumina refractories, there is no price increase in the fourth quarter?

**Parmod Sagar:** As of now, no.

**Rajesh Majumdar:** But raw material prices have fallen. So I was asking a question on alumina or any other RM. Do we have inventories because alumina went to USD 800 and now it's USD 500. So how do we look at the price change in alumina reflecting on our margins going forward?

**Parmod Sagar:** Rajesh, you are talking about fused alumina, okay? So based on that aluminium oxide or white fused alumina or tabular alumina, that has reached to USD 1,050 and now it has come back to about USD800. But the offer we are getting now, we are already having a high-value inventory about 2.5 to 3 months coverage.

And now if then we will place order, it will probably take 3-3.5 months to reach the material, placing orders, and they will take their manufacturing time, then sea freight, etc, etc. So there is always a lag of about 3-3.5 months, before actually the low cost or high cost materials start impacting you adversely.

**Rajesh Majumdar:** And so in terms of margins, sir, we are at 12%, 13%, whatever, and your long-term is 15%. So will we see it in next year that margin coming back or it will take more time than that?

**Parmod Sagar:** Yes. I said in the morning also with my interaction with CNBC that second quarter onwards, FY '26, we should go back to the market guideline, which we keep on telling about 15% margin.

**Rajesh Majumdar:** From Q2 onwards. Okay. But in the meantime, if you are able to get a price increase, then probably we will see it faster, right?

**Parmod Sagar:** Yes. Definitely, there will be upside.

**Rajesh Majumdar:** And sir, on the volumes, and my question is on the volume, we had a huge bump up this quarter. So how should we read into the volumes? Is there any onetime in it? Or what is the stable run rate, like annual run rate of volume we should take in shipments for the company?

**Parmod Sagar:** Rajeshji, the thing is normally December quarter is the strongest quarter for everyone, okay? And the first quarter of calendar year, which is now January, February, March is a bit lean period. Why I'm saying so because cement is the leanest for this time, okay? There's no maintenance, no kiln repair, etc, happens in January, February. They start after 15th of March.

So this will have a short-term impact, but it averages out in a year. So I would not say we will be able to repeat these INR1,011 crores in this quarter, but it will not be far away also. We will be decently placed.

**Rajesh Majumdar:** And in terms of margins for this quarter, sir, what we have seen that there is some recovery in 3Q. So you are saying that RM prices will be almost similar. So there won't be any margin recovery this quarter also?

**Parmod Sagar:** Yes, you are right. I think so.

**Rajesh Majumdar:** And sir, last question, if I can. Interest cost has also gone up a little bit. What is the outlook on that?

**Azim Syed:** So I can take this. So the interest cost is higher purely because of our hedging on the ECB loans, okay? So this is one of the reason. This is an ECB term loan that we have. So this, of course, although we are exposed to the rupee volatility, at the moment, we are hedging with the best financial instruments that we can have.

But you can imagine, it's a 3-month hedge normally that we take. And when you look in September versus December, I think we all know how the rupee has depreciated quite heavily. So yes, we'll continue to hedge at least to minimize the damage.

**Rajesh Majumdar:** Okay. But you don't see this worsening further in terms of the hedging losses?

**Azim Syed:** No. I don't think so.

**Rajesh Majumdar:** One more question. Plant-wise utilization data you normally give. Can we have that data?

**Azim Syed:** So normally, as I said, we did 67% total. So that's what we did. Let's say, RHIM stand-alone, we were at 76%. DOCL, we were at 60% or the Dalmia IR entity.

**Rajesh Majumdar:** 60%. And what is the utilization at Hi-Tech?

**Azim Syed:** Hi-Tech is at 56%. Here, we see a sharp decrease as well.

**Rajesh Majumdar:** Okay. Thank you sir.

**Moderator:** Thank you. The next question is from Jinal Sheth from Awriga Capital Advisors. Please go ahead.

**Jinal Sheth:** Just wanted an outlook and what you hear from our clients in regards to capex, whether they are continuing to do that? Is there any slowdown there? What is it that you are hearing and seeing? It will be good to get your views.

**Parmod Sagar:** You are talking about our customers, steel and cement, right?

**Jinal Sheth:** Yes.

**Parmod Sagar:** So it is a mix of feelings. One of the largest steel manufacturing group, their CEO put on records that if government will not put anti-dumping duty, it will be very difficult to compete in the market because Chinese steel is coming at a very, very subsidized rate. So we need to think twice for our further capex. Whatever is in the pipeline, we will do that, but we need to look for spending the money or not, looking at the government policy. So I keep my fingers crossed. As of now, whatever the project is in pipeline, they will materialize for all the big groups.

**Jinal Sheth:** And the remaining -- I mean, whatever capex, whatever is in the pipeline, that continues, but these are just comments coming out. I mean, that could be a form of a strategy, right, saying that, okay, look, we want -- they are wanting government to consider the anti-dumping.

**Parmod Sagar:** Yes, absolutely.

**Jinal Sheth:** Okay, great. Thank you.

**Moderator:** Thank you. Next question is from Akash Sharma who is an individual investor. Please go ahead.

**Akash Sharma:** Thank you for the opportunity. I have a few questions. My first is related to raw material. I just have raw material costs have increased slightly. So like how do we plan to manage these cost pressures, like are these transferable?

**Parmod Sagar:** Yes. As you rightly said, raw material cost has increased, particularly aluminus raw materials and chromite sand, etc. The prices have gone up. And now alumina prices also start declining. We are reaching out to our customers to pass this on, but so far, we are not so successful because no one else is asking seriously for price increases.

We keep on pushing and it has impacted the margins, and we have to live with this for another quarter or so before we really push this pass-through or the raw material prices start coming down. So it is, I would say, to be very honest, this quarter will remain a very challenging quarter like the previous one.

**Akash Sharma:** So sir, is the increase in raw material cost one of the reasons for decline in our EBITDA margins?

**Parmod Sagar:** This is one of the reasons. But you see our absolute EBITDA has gone up by 8%, if you talk about in crores, right? So our base is bigger. So percentage-wise, it looks like we have 1 percentage less EBITDA this quarter. But if you see last quarter to this quarter, our absolute money-wise EBITDA has gone up by 8%.

**Azim Syed:** And if I may add, another one reason what you see is the mix impact because we have the cement seasonality. So normally in the cement, during the peak season the realization rate drops.

**Parmod Sagar:** And this is a more unfortunate situation. Some of our peers, our friends are putting up additional capacity and selling the cement bricks at a zero margin or cost or even in a loss just to enter into the market and spoiling the market pricing.

**Akash Sharma:** Okay, sir. Sir, on the operational side, like how has our repayment of ECB external commercial borrowings have impacted our leverage and interest cost?

**Azim Syed:** So, it has not impacted. So normally, this is an external commercial borrowing that we have done. And it's because it is with different currency not Indian currency, it's in euros that we have taken. So, this was purely a rupee depreciation that had happened for it. Normally, we do hedging. In fact, we have hedged actually. So, we have minimized the impact of it.

But let me also tell you, please look at our finance cost on a 9-month basis, it has actually improved because these hedges have actually protected us from the rupee volatility, not only in the last quarter, but in the previous two quarters. So, if you look at like a 9-month to 9-month comparison, our percentage of our finance cost has reduced quite considerably.

**Akash Sharma:** Okay, sir. And sir, on the inventory side, our inventory levels have slightly decreased or improved, I would say. Like are we taking any strategic actions to optimize inventory management given the volatility in raw materials?

**Azim Syed:** Yes. See, we have a very sophisticated process where we kind of look at our customer demand quite closely, and we produce what we need. So, for example, we were building up inventory so that we can deliver these cement projects or our iron-making projects that we were supplying to OEM. Now we were able to ship it.

So yes, the intention is to continue this close monitoring on all the working capital levers, not just on inventory. But definitely, yes. We want to have a better disciplined working capital investment where we need it and how we need it.

**Akash Sharma:** Okay. Sir, lastly, will this number of days level will be consistent from now on? Or will this improve further? Like what should we take it as a sustainable level of days?

**Azim Syed:** What days? Sorry, your voice was not audible.

**Akash Sharma:** What should we assume as a sustainable days level in terms of inventory receivables and payables?

**Azim Syed:** So our long-term ambition, which Parmodji has highlighted was that, we need to operate at 30% of working capital intensity on a long-range basis. So, this is what we would want to do because India is a very growing market. We need to ensure that we are able to support this growth. So, with this in mind, we believe that on a long range to always be at 30% consistent.

We will take some time to get there because as I'm sure you know that in the latest budget also, which is the right thing from the government is to protect the MSMEs. They have increased the coverage of the MSME suppliers. So, this will put some pressure on payables. Most of our customers are doing quite a bit of a capex investment, as Parmodji was saying earlier.

That means we need to also have an absolute focus on receivables. And we will invest on the inventory where we have growth areas where we see this -- where our demand is saying that we need to optimize our capacity utilization, we'll do it like that.

**Parmod Sagar:** Yes. So let me add here one thing. We are working on our working capital discipline, but at the same time, we are also working on 4PRO or TRM contracts. So, we will be adding maybe 2, 3 more TRM contracts in the coming weeks and months. So that needs inventory. You are managing the steel plant, you are making the inventory, you are handling the inventory. So sometimes it is a business need to keep the inventory.

So, we will need to have a right balance. So, it is not that it is a supply base only. We are doing this steel-per-ton basis contract, long-term contract with steel plant 2-3 are on the table. If it happens, then probably inventory reduction will not be that easy because we have to cater to those customers 100%.

**Akash Sharma:** Okay sir, thank you very much.

**Moderator:** Thank you. Next question is from Mayank Bhandari from Asian Market Securities. Please go ahead.

**Mayank Bhandari:** Thanks for the opportunity. I just want to understand at what price alumina inventory is valued in Q3?

**Parmod Sagar:** Alumina price. So about 6 months back, we were getting this alumina products like white-fused alumina, tabular alumina at about $680 CIF and it went to $1,050, and now what we are getting offer is about $800. So, it is still not going back to the normal level, which was 6 months back.

So, it will not have that significant impact on our costing, but it will have a small impact on our costing and we seriously need to pass on this to our customer, which we will keep on pushing.

**Mayank Bhandari:** So, the sequential drop in the gross margin is solely responsible due to this alumina thing?

**Parmod Sagar:** It is one of the components, not solely on raw material.

**Mayank Bhandari:** Okay. And sir, we have seen capacity addition by Tata Steel and JSW in last few quarters. So, are we indicating our market share has increased in those two customers?

**Parmod Sagar:** Yes, it is very evident from our last quarter's shipments and revenue. Yes, as I said earlier many times when there is a new project, we are the preferred supplier out of 100 tons above70 tons definitely will come to us. So, whenever there is a new addition, we are going to have advantage and we got this advantage last quarter.

**Mayank Bhandari:** Okay. And sir, I just want to understand one more thing in terms of 9-month performance, what would be your domestic growth as well as the breakdown between domestic and export 9-month?

**Parmod Sagar:** Export is roughly 9.5%- 10% only and it is very static from last few quarters. And in the near future, it will remain like that because of geopolitical situation globally. Europe is almost at 25%-30% lower steel production and it will further go down in coming days. So, Ukraine-Russia war is still on, so hardly any shipment to those countries. So, you can say 10% export and 90% domestic.

**Mayank Bhandari:** Okay. And roughly, sir, what would be your total refractory management proportion as of 9 months for the full year?

**Parmod Sagar:** Refractory management, we are roughly 32%-33% of our...

**Azim Syed:** 35 percentage of our revenue, you can assume for your modelling purposes, YTD number.

**Moderator:** Thank you. The next question is from Ravi Purohit from Securities Investment Management. Please go ahead.

**Ravi Purohit:** Just wanted to have a more strategic long-term question, right? I mean, we've been tracking Orient Refractories and then RHI for more than 10 years now and have been shareholders for a fairly long period of time. So somewhere in '22, when we did all these acquisitions and all, there has been a significant dilution that we had done and there was also big increase in our overall capital employed net worth in the business because of the acquisitions.

Prior to that, for the previous 10- 15 years, our ROCE used to be 40%- 45% pretax ROCE, and ROEs were like 20% plus, 25% plus. Now given the current profit numbers, given the current scale and compared to what capital employed we have in our business, when do we reasonably estimate to achieve even 15% ROE, return on equity?

Let's say, our net worth is INR4,000 crores, 15% of that would be around INR600 crores after-tax profit. Is there a visibility or should we assume that this M&A activity that we did in '22 has permanently kind of impaired our ability to generate high ROEs?

**Parmod Sagar:** Purohit ji that's a very important question. Seriously, we are also looking at 15% ROE. This is our aim as well, but with the product mix came along the acquisition particularly Dalmia, cement plant, etc, it will not be easy, but definitely our target is to reach there. And we have a lot of discussion internally and we are working on many areas to improve ROE,

So nowadays, I think from last 1-1.5 years, if you remember in any talk with you guys, I always talk now about how much cash we are generating, how much is our return ratio. So, these are the things we are not only looking at EBITDA, but we are looking at these and we are working towards that. And I'm sure we will improve, but it will take time to reach to 15%, but our aim is to reach there along with you.

**Azim Syed:** Just to add a couple of pointers in this. Our belief in M&A business case has not changed. We believe that it's still a good deal because you can see this growth in some of our growth initiatives. For example, in iron making where we are seeing quite a bit of increased revenue that's coming through. It is giving the product portfolio, it's giving the reach and also the validation with the customers. Just to kind of put a couple of examples, some of the largest iron-making deliveries that we did in Q3 were with the OEM suppliers.

Normally OEM people would like to go for preferred names because they don't want to have any failures during start-up. So, this is also kind of validating our product portfolio that we got with some of our acquisitions as well. So, yes, we have a path to go there. Our long-term internal objective for ROE is still at about 15 percentage. We are already improving the profitability in the acquired entities. You are able to see this as well. And also in the market dynamics, nothing has changed. So, I think it will improve over a period of time.

**Ravi Purohit:** So, are we referring to 15% post-tax ROE or pretax ROE? I mean, see, in the sense, our competitors, no matter what we say have actually not diluted their equity for the capex that they wanted to do, which effectively means it allowed them to continue reporting reasonably good ROEs, whereas we took the M&A route. Now the thing is we have a INR4,000 crores net worth, 15% after-tax ROE would mean INR600 crores PAT, which effectively would mean INR150 crores PAT per quarter. We are one-third of that today. So, when we say...

**Azim Syed:** Yes, just to clarify that. And of course, it comes through operational efficiencies and some of it will also come through plant modernization and realizing our top-line business growth as well. And this will come through some of the initiatives that Parmod ji already highlighted. This is coming through the improvement in steel production domestically. So, this will kind of help us to kind of get this 7% growth in the absolute revenue terms, hopefully in the future which is what the steel producers are currently forecasting.

**Ravi Purohit:** Okay. Thanks a lot and all the best.

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

**Pratim Roy:** Thanks for the opportunity again. In the PPT we have mentioned that there is a one-time favorable warranty provision release in Q2 FY '25. So, if you can keep some light on this, what is the thing?

**Azim Syed:** Yes. So, you're referring to the last quarter provision release. Actually, we had reported this under other income last quarter. So, these were some of the warranties in the acquired businesses, that we were able to confidently after the period of time of the warranty is completed we were able to release quite comfortably. So, this is our product performance warranty that we had provisioned earlier pre-acquisition.

This is basically we had to get the good performance of those products at the site wherein we need to get the certification from the customer saying that it has achieved its contractual performance as well. This has happened post-acquisition with RHI. Does that help?

**Pratim Roy:** So, what is the quantum for that?

**Azim Syed:** Sorry, your voice is not clear. Can you repeat?

**Pratim Roy:** So, what is the quantum of that particular provision release?

**Azim Syed:** Yes. This is a one-time release. This is not repeatable.

**Pratim Roy:** No, I'm just asking what will be the number for that, how much?

**Azim Syed:** That would be around INR12 crores.

**Pratim Roy:** And one more question, sir that you have just mentioned that in 3Q you have delivered one of the largest iron-making projects. So, is there any such projects in our pipeline in the coming days or what will be means will be the one-time or we can expect a frequent these kind of projects in the coming days, if you can throw some light on this?

**Parmod Sagar:** Yes, this is not one-time. This will keep repeating. Only I think mid of Jan, we got an order of 1,200 TPD in DRI which is the largest and the confidence of customers now is so much on our products after 1.5 years of performance. We've got the biggest order of DRI, biggest 1,200TPD which is the biggest DRI plant in India.

We got that order. Also, pellet order which we got last year one is under execution another will start in April or so. So, this will also be happening in this financial year. And two, three more projects are in the pipeline. We are very positive about our growth story in the iron-making pellet and DRI segment.

**Pratim Roy:** And sir, lastly, just if you give some idea that in this quarter in 3Q, the utilization level of standalone DOCL you have mentioned, but if you compare what is the improvement over 2Q?

**Parmod Sagar:** Actually, in 2Q, I think IR plant, Dalmia plant it was 63% now it is 60% and IN plant is almost at the same level, I would say 1% here there, but I don't have the exact number right now with me.

**Pratim Roy:** And Hi-Tech sir?

**Parmod Sagar:** Hi-Tech, we keep on adding products and it is improving day-by-day. I think 56% or so. How much is it?

**Azim Syed:** The capacity utilization at Jamshedpur we have improved from 56% to 68% quarter-on-quarter.

**Parmod Sagar:** 56% to 68% quarter-on-quarter.

**Pratim Roy:** Thank you so much.

**Management:** My bad, means 68 to 56 percentage apologies.

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

**Sahil Sanghvi:** Parmod sir and Azim. Many congratulations. It was really good to see the INR1,000 crores mark and in such a challenging time, sir. And this has come with a very good mix of product portfolio also. So really good to see that, sir. Sir, would it be possible to give me the contribution from the iron DRI pellet side in our total revenues in, say, 3Q, a percentage or absolute number, anything possible?

**Azim Syed:** We basically have YTD of iron-making business close to about 12% of our revenues.

**Sahil Sanghvi:** 12%. Any sort of comparable number you would have what was this last year? Was it really present or this is very negligible?

**Parmod Sagar:** No, it is 1.5x growth from last year. Because the business was so small, so it doesn't have a serious impact. But I remember in million Euros start thinking in Euros. So, it was 29 million last year and now it will be something like 45 million or so. So, it is 1.5x growth from last year to this year.

**Sahil Sanghvi:** This is really good. So, sir, in this products, the realization is usually -- is it fair to say it is lower than the realization of the steel products, products going to steelmaking and flow control? Is the pricing lower?

**Parmod Sagar:** Yes, it is a very competitive market. And we have to enter this market with 2%-3%, even a lower price than the market price for the entry. So we are not doing like our competition, they are doing in cement 20% lower than our price and we don’t try to enter like that. We are trying just net-to-net 1%,-2% lower than that. And with our brand image, people are giving us order on that. But having said that, the margins are comparatively lower than steel but better than cement.

**Sahil Sanghvi:** Got it, sir. And now that you have told us that you have a few orders which will come on stream in next few quarters. So, this 12% of the top line, what could that number go in next year, say, FY '26 or what is your target where do you want this number to reach?

**Parmod Sagar:** Long-term, my statement will remain same, 8% to 9% in volume growth. We are increasing the portfolio, we are increasing the base, 8% to 9% is a very decent number and the market will be growing maybe 7% or so. So, we want to grow a little more than market.

**Sahil Sanghvi:** Got it, sir. Secondly, sir, I must congratulate you on the TRM side. In FY '24, we were at 31%-32% of our revenue. We are at 35% now. And you are looking at working -- adding four more customers. So, does that mean we are approaching 40% levels on the TRM contracts?

**Parmod Sagar:** I don't know whether we will reach 40% with these three, four contracts or maybe 38%, but ultimate target is to reach 40% in very short-term.

**Sahil Sanghvi:** Got it, sir. Thirdly, sir, are we a preferred supplier for flow control refractory still to all the large integrated steel plants or has it changed, sir?

**Parmod Sagar:** One of our competition and we are preferred supplier, in one or two cases we outperform also like last quarter in JSW SMS4 we got the first robotic solution and slag detection system and ladle shroud handling through robots. So that was a very big break-through and it is a substantial business about INR95 crores business in next 5 years contract.

So, I don't think now there's a much gap between our competitor and us. We are the only two preferred supplier for flow control. And when it comes to converter lining or furnace lining or Degasser we are the preferred supplier only.

**Sahil Sanghvi:** Got it. And sir, when it comes to these new capacities, say, Tata or JSW whichever have been commissioned recently, most of our supplies to these new capacities are with a lead as in before the commissioning happens, all of it is supplied or is there still some supplies that will happen for these new capacities?

**Parmod Sagar:** Initially, yes, we need to build up inventory. And we put this inventory in those plants and they got delayed for 2-3 months. We have to live with that. And then when they start, then we need to replenish these inventories time to time. So, this is ongoing process. And I would say every month we will be adding the inventory into those plants. We are running at a decent level. And I assume, if China don't do some spider game, we will continue to enjoy this growth.

**Sahil Sanghvi:** And my last question will be, sir, sometime back I think it's been time now that we visited your facility, but you were -- your R&D centre was working on a few new products also like taphole, sleeves and some bit of advanced nozzles and all of that. What is our pipeline of new products? And what kind of potential do you see in that?

**Parmod Sagar:** We are trying to keep on adding new products or products which we are importing from our parent company to India. Now we are working on two, three products for Rajgangpur plant from our global network and transfer of technology is in the pipeline. People are coming, people are talking to my R&D team. And probably in next 2 months, 3 month's time, it will happen, and then we'll start doing the trial production in those plants and maybe in 6 month's time, we will shift everything to India.

But having said so, now our local production is about 68% and import is 32%. It will have an incremental impact, it will go to 70:30 or 72:28. It will not eliminate imports, but gradually we are trying to reduce and bring it to a level of 80%, 85% local by local.

**Sahil Sanghvi:** Would you be able to name, sir, these products?

**Parmod Sagar:** You will not understand this. This is High-ended bricks for cement and RhV gases and 1 or 2 flow control products, which we are not at present making in India.

**Moderator:** Next question is from Jonas Bhutta from Birla Mutual Fund.

**Jonas Bhutta:** Firstly, congratulations on a decent show in a very challenging time. Couple of questions. I joined the call late-- maybe 1 or 2 of them may be repetitive…

**Parmod Sagar:** Your voice is cracking. Initially, it was okay, but now it is totally cracking. We are not able to hear anything properly.

**Jonas Bhutta:** So, I joined the call a bit late and 1 or 2 questions may be repetitive. But what I heard was that the pricing pressure that we are facing due to the spike in alumina prices in the earlier part of the year, we are finding it difficult to sort of pass it on to the customer. Just wanted to understand because historically, the industry had a fair bit of pricing power -- and from your comments, it seems to suggest that, that has gone down.

Do you believe that this is more a structural phenomenon given that there's been a fair bit of local capacity addition that has come through and the Chinese imports are here to stay. So structurally, the pricing power for the industry has sort of reduced.

**Parmod Sagar:** Jonas, I think what you are trying to say is because the competition, the refractory industry add capacity. So just to fill up their plants, they are not asking for price increase because they need to have production volumes, right?

**Jonas Bhutta:** Yes. And is this structural in nature?

**Parmod Sagar:** Yes. This is the same thing. I also observed that some of our peers who is trying to enter into this market, they just don't have a business acumen to decide the right pricing. So, the small player, but they go all out to sell the product at any price just to be in the market. So, we are not into that rat race. We have our own strategy. Below certain margin, we will not enter into the business. And I believe all these 4-5 big players were also on the similar thought process.

**Azim Syed:** Exactly. For example, traders because they buy on a bulk basis, they need to get rid of this because the cash is also expensive. So, on the small players, they are also motivated to sell at any cost.

**Jonas Bhutta:** Yes. Understood. And given that our sales mix will be sort of going towards iron making, you mentioned that it is 12% today, it was insignificant last year and probably will further increase based on what we have in progress?

**Parmod Sagar:** Jonas, again, the voice. Although it's not chirping, we cannot understand the question.

**Jonas Bhutta:** Maybe I'll rejoin the queue.

**Moderator:** We'll move to the next question. The next question is from Harsh from Marcellus.

**Harsh:** So from the call, I could figure out that there are various headwinds, first being competitive intensity from China, both in our market as well as the end customer market. The cement and the steel folks are also with respect to the business. And the export piece is also not going to fire up in a material way, at least for the next 2- 3 quarters. So, in this context, what gives you like the optimism that we'll reach again the 15% EBITDA margin mark from Q2 onwards, Q2 FY '26 onwards?

**Azim Syed:** See, in our business, if you look from a long-term perspective, it's always been cyclical, right? One basic phenomenon, what you see is that we already see raw material prices coming down, okay? That's one piece that we have. Second basically is that India will continue to produce, and we have this broad product portfolio, wherein we also give very high-margin products like flow control, and we also get the seasonality of cement, wherein our margins will get diluted.

And we also get projects of like an industrial project as well. So conservative -- I mean, if you look at it from a long-term perspective, and this is where we strongly advise us not to look on a quarter-on-quarter basis. If you look at it from a long-term perspective, our portfolio, our long-term contracts and some of our contract structure in terms of how we -- how some of our products perform gets paid out.

These are the 3 pillars where we think that we would be able to achieve the 15% margin. Regarding the Chinese import, it's definitely a prevailing threat for us. But most of these people play in the commodity area of the business, which is, again, is very cyclical. So here is where we have the threat.

We have seen these kind of threats in 2018, even 3 years back as well. So, we believe that on the long-term, our business fundamentals, our product portfolio optimization on our contracts, we think that we should be able to hit from Q2 '26 onwards that we should be able to go back to 15% level.

And this is where we are also thinking that the market will put down on the raw material pricing, the expensive inventory will go out. We can have a larger play in terms of what material to use, what to supply and so on and so forth. I hope that answered the question.

**Harsh:** Yes. And how much of our total top line is from this aluminium chromite-based refractories where we are seeing this RM price volatility?

**Parmod Sagar:** It is about 30%- 32% of our total portfolio.

**Harsh:** Okay. So, a meaningful part of the portfolio. And any other raw material where we are seeing this sort of volatility apart from alumina?

**Parmod Sagar:** Yes. Now after Chinese New Year, this fused magnesia also has gone up by about $40- $45. So, it will have actual material impact after 4 months or so when the material start coming after ordering to India, to everybody, not only us, to everybody.

So, we now have a visibility that this is going to come up and how we are going to mitigate that risk of further dilution of margin by circular economy or looking at various project optimization at the same time, reaching out to our customers well in advance for the price adjustment and all those things. So, this is easy one. We can correct it because we know now that this is going to happen. Aluminium prices every week are going up like anything.

**Harsh:** Okay. And this $40- $45, how much would be the increase in percentage terms?

**Parmod Sagar:** About 3%- 3.5%

**Moderator:** The next question is from Sanjay Nandi from VT Capital.

**Sanjay Nandi:** Sir, can you just share the numbers for the flow control in our entire sales mix?

**Parmod Sagar:** Normally, flow control is about 25% of the total steel portfolio. 70-75% is lining business, 25% is flow control business in any steel plant roughly.

**Moderator:** Next question is from Chetan Doshi who is an Individual Investor.

**Chetan Doshi:** Congratulations, Parmod and the team for the excellent set of numbers. First time we have reached a milestone of INR1,000 crores. Now the presentation this time doesn't highlight as to how you're going to sustain this figure in coming months or coming quarters? And second question is that from the parent company, we were expecting a lot of support in terms of technology transfer, but nothing is there. This kind of presentation, I'm not at all happy with the kind of inputs given?

**Parmod Sagar:** Yes, thank you very much for highlighting these 2 issues. One is in previous questions, we answered this that we are looking at a similar type of sustainable growth with some seasonality. As I said, cement in Jan, Feb, March is at its lowest level. There's no maintenance, etc, so, there will be a dip from that angle, I would say. But yes, we could have put it in our presentation.

And the parent company, when you're saying in every call, we keep on appraising all the investors, the analysts, how much products we are shifting even now in this call about 2, 3 questions back, I explained that we are bringing more products to Indian plants from parent company. And in the past also, tap hole sleeve, porus plug, tap hole clay from Brazil. So, we keep on bringing those products and we are sharing on call. But we have not put in the presentation, but we are sharing all the information very transparently to all of you.

**Chetan Doshi:** Products are getting well accepted in the market. Sorry?

**Azim Syed:** Just let me complete, Chetan, if you allow me. One basically is that normally, we give the exhaustive presentation in the half year full year presentation. So, I know that you are referring to all the products like laser part and other things that you were mentioning earlier. So, this kind of exhaustive presentation, we will definitely do in the first half and second half full year presentation.

You'll see a very comprehensive view. To answer your question on these kind of products acceptable, as Parmod Ji mentioned earlier, we are one of the first companies where we have implemented the robotic solution in the whole of India. So, these kind of products are getting accepted and approved, but it also goes through its own validation period from an acceptance perspective, so on and so forth.

**Moderator:** Thank you very much. That was the last question in queue. I now hand the conference over to Mr. Parmod Sagar for closing comments.

**Parmod Sagar:** Yes. Thank you very much all the investors and analysts for a very interactive discussion, including questions also. So, it's very good to have a real interaction, and we try to be very transparent, open with all of you as usual. And we will keep on transparently sharing all the information with all of you. Thank you very much for your support as always and looking forward to your support in the future as well. Thank you very much.

**Moderator:** Thank you very much. On behalf of RHI Magnesita India Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

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