



RHI MAGNESITA

26th September, 2023



India's Best Performing and Most Customer Centric PMS

RHI Magnesita India Ltd (RHIM), formerly known as Orient Refractories Limited (ORL), stands at the forefront of the refractory industry, manufacturing and marketing specialized refractory products, systems, and services to the global steel industry. With a rich history and a relentless commitment to quality, the company has emerged as a market leader in India while securing a prominent position in the international arena.

RHI Magnesita India Ltd is poised to make significant strides in the refractory industry, backed by its strong market presence, strategic expansions, and visionary management. With a focus on quality, innovation, and sustainability, RHI Magnesita India Ltd continues to shape the future of refractory solutions, making it an appealing prospect for investors seeking long-term growth and stability in their portfolios.

Dependent Industries

The demand for refractory products is intricately tied to the steel industry, accounting for a significant 75% of the company's total sales. Additionally, refractory products find applications in various sectors, including glass, cement, non-ferrous metals, petrochemicals, and more. This broad spectrum of end-users further solidifies the company's market presence and stability.

Manufacturing Facilities

Until the monumental M&A activities in 2023, RHI Magnesita India Ltd operated three state-of-the-art manufacturing plants in Bhiwadi, Visakhapatnam, and Cuttack. Following the acquisitions of Dalmia OCL and Hi-Tech Chemicals, the company expanded its footprint with five additional facilities in the western and southern regions. Furthermore, the Hi-Tech acquisition ushered in the inclusion of the Jamshedpur plant, enhancing its geographical reach and production capabilities.

Management Target

RHI Magnesita India Ltd has set ambitious goals for itself, aiming to double its production capacity and revenue by FY 2025-26 compared to the base year of 2020-21. The company plans to achieve this growth through a combination of organic and inorganic initiatives, demonstrating its commitment to sustainable expansion.

Research and Development Excellence

RHI Magnesita India Ltd places a strong emphasis on research and development (R&D) to maintain its competitive edge. By fostering a culture of innovation, RHI Magnesita India Ltd ensures it can adapt to industry changes swiftly and provide its clients with superior products and services.

Acquisition by RHI Magnesita

In January 2023, RHI Magnesita India Ltd made significant strides through the acquisitions of Dalmia OCL Limited and Hi-Tech Chemicals Limited. The acquisition of a 14.4% stake in RHI Magnesita India Ltd by Dalmia OCL, further solidifies the company's market position. These acquisitions showcase RHI Magnesita's global leadership in the refractories industry, substantiated by its extensive network of manufacturing locations worldwide.

Stock Data	
CMP	727.65
52 Week High/Low	892.90/570.55
Face Value	1
Market Cap (In Crs)	14,863
Enterprise Value (In Crs)	16,584
NSE	RHIM
BSE	534076
Bloomberg	RHIM:IN
Sector	Electrodes & Refractories

Shareholding Pattern (in %)		
	JUN 23	MAR 23
Promoter	55.47	60.11
FII	3.79	2.29
DII	14.08	7.91
Public	26.66	29.69
Others	0	0

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	3.12	17.8	11.8
RHIM	7.15	27.11	8.1

Key Ratios	
P/E	94.7
P/S	4.87
P/B	4.75
Debt To Equity	0.55
ROE	10.9%
ROCE	14%
Dividend Yield	0.33%

Q1 FY 24 Result Update

Q1 FY24 Result Comparison (In Rs Cr)					
	Q1 FY24	Q4 FY23	Q1 FY23	QOQ	YOY
Sales	930	881	602	5.6%	54.48%
EBITDA	136	53.5	120	154.2%	11.7%
EBIT	90	12	110	650%	-9.1%
Net Profit	47	(678)	82	107%	-42.7%
EPS	2.3	-36.11	5.12	106.4%	-55.1%

Result Highlights

In the first quarter of FY24, RHI Magnesita showcased a robust financial performance, marked by substantial growth compared to the previous quarter and the same period last year. The company reported sales of \$930 million, a 5.6% increase from the previous quarter and an impressive 54.48% surge year-on-year (YOY). This growth can be attributed to successful mergers and acquisitions (M&A), with acquisitions contributing significantly that show realization of synergies and capabilities.

Despite a slight 9.1% YOY decline in EBIT, the company managed to report a robust net profit marking a substantial 107% QOQ increase. The EPS for the recent quarter showed a remarkable 106.4% QOQ growth, but a substantial 55.1% YOY decline. Overall, RHI Magnesita's Q1 FY24 results depict a promising trajectory of growth and profitability, driven by successful integration efforts and strategic acquisitions.

Positive Industry Outlook: RHIM anticipates robust industry growth, primarily in sectors like steel, cement, glass, and non-ferrous metals, driven by government initiatives and infrastructure development. The company combines organic and inorganic growth strategies to meet this rising demand.

M&A Integration: RHIM demonstrated successful integration of DOCL Limited and Hi-Tech Chemicals, resulting in impressive performance growth. These acquisitions have expanded the company's production capacity and diversified its product portfolio.

Improved EBITDA Margins and Margin Maintenance: The company achieved notable improvements in EBITDA margins, with M&A EBITDA margin rising by 2.3% to reach 13.3% in Q1 FY24. DOCL and Hi-Tech also showed improvements in their respective EBITDA margins, signaling the realization of synergies and capabilities. Despite customer pressures for price reductions, RHIM emphasizes maintaining margin percentages. While there may be a top-line impact due to these pressures, the company remains committed to sustaining its margins through strategic initiatives and efficient operations.

Improvement Drivers: RHIM's margin enhancement can be attributed to various factors, including synergies, network optimization, and benefits derived from an expanded product range. The company successfully realized cost and revenue synergies through initiatives such as recipe and raw material harmonization.

Recent Strategic Acquisitions: RHIM's acquisitions of DOCL Limited and Hi-Tech Chemicals have expanded its production capacity and diversified its product portfolio. Additionally, the acquisition of Dalmia OCL has provided a well-established product footprint and cross-selling opportunities.

Global Presence: RHI Magnesita has solidified its position as a global leader in the refractory industry. With a presence in over 35 countries and a vast customer base spanning diverse sectors like steel, cement, glass, and non-ferrous metals, the company has established a strong global footprint. Its ability to offer comprehensive refractory solutions, a commitment to innovation and customer-centricity, has made RHIM the preferred partner for various industries.

Concall Highlights

Strong Performance and M&A Contributions: In the recent conference call, RHI Magnesita reported a strong performance for the first quarter (Q1) of the fiscal year. Both top-line revenue and adjusted EBITDA were in line with the company's business plan, indicating effective execution of its strategic objectives.

RHI Magnesita has been focused on successful integration processes to ensure that the acquired companies contribute positively to the overall performance. Notably, DOCL Limited, and JSP, Jamshedpur, have demonstrated impressive growth in their performances. This demonstrates the company's commitment to growth through acquisitions and its ability to integrate them effectively. The company's ability to seamlessly integrate and align strategies across various subsidiaries contributes to its overall growth and performance.

Improved EBITDA Margins: The EBITDA margin for M&A activities showed a significant increase of 2.3%, reaching 13.3% in Q1 '24. This increase demonstrates the successful realization of synergies and enhanced operational capabilities stemming from these acquisitions. Specifically, DOCL exhibited an EBITDA margin of 11.7%, up from 10.2% in the previous quarter (Q4 '23). Similarly, Hi-Tech showcased substantial growth in its EBITDA beta margin, reaching 20% from 15.8% in Q4 '23. These margin improvements reflect the positive impact of strategic acquisitions on the financial performance of the company.

Positive Industry Outlook: RHI Magnesita anticipates a robust growth outlook for the refractories industry. This positive outlook is driven by sectors such as steel, cement, glass, and non-ferrous industries. Government initiatives and ongoing infrastructure development projects further contribute to this anticipated growth.

The company is strategically positioning itself to capitalize on this industry growth by combining organic and inorganic growth strategies, ensuring that it can effectively meet rising demand across various sectors.

Customer Pricing Pressures and Profitability Maintenance: Customers in the refractories industry have been seeking price reductions, with demands ranging from 10% to 20%. This pricing pressure is a challenge that the company acknowledges. While some price adjustments have been made to accommodate customer demands, the company remains dedicated to maintaining profitability levels. It recognizes the importance of balancing customer relationships with the need to sustain healthy margin percentages. This reflects its commitment to ensuring profitability even in the face of challenging market dynamics.

Digital Transformation and Industry 4.0 Integration: It's ongoing efforts to embrace digital transformation and Industry 4.0 principles within its operations entails leveraging advanced technologies like IoT (Internet of Things), AI (Artificial Intelligence), and data analytics to enhance efficiency, predict maintenance needs, and optimize production processes. It sees digitalization as a key enabler for staying competitive and meeting customer demands for faster response times and customized solutions.

These digital initiatives are also aimed at improving supply chain visibility, enabling real-time tracking of orders and inventories, and ensuring timely deliveries to customers.

The company's commitment to digital transformation underscores its dedication to innovation and staying at the forefront of technological advancements in the refractory industry.

Expansion into Emerging Markets: RHI Magnesita expressed its interest in expanding its presence in emerging markets to tap into growing opportunities.

The company discussed plans to leverage its recent acquisitions and local manufacturing capabilities to penetrate new markets effectively. Emerging economies were highlighted as key targets, with a focus on regions exhibiting increased industrialization and infrastructure development. This expansion strategy aligns with RHI Magnesita's goal of diversifying its customer base and revenue streams while capitalizing on global growth trends.

Refractory Management Services: Consolidated Refractory Management Services revenue currently constitutes 31% of the total revenue. Recent acquisitions, however, contribute less to the overall RMS revenue. The company is actively shifting towards production-linked solution-based services, ensuring customer. This transition towards Total Refractory Management contracts creates customer dependency and offers higher margins linked to customer performance.

Cautious Capex Strategy: The company has adopted a prudent approach to capital expenditures (capex). Rather than immediate, significant expenditures, the focus is on optimizing existing production facilities and enhancing operational efficiency. This approach underscores the company's commitment to maximizing the use of its current capacity before embarking on substantial growth-oriented capex projects. It allows for resource allocation and capital preservation.

Strategic Acquisitions

Dalmia OCL

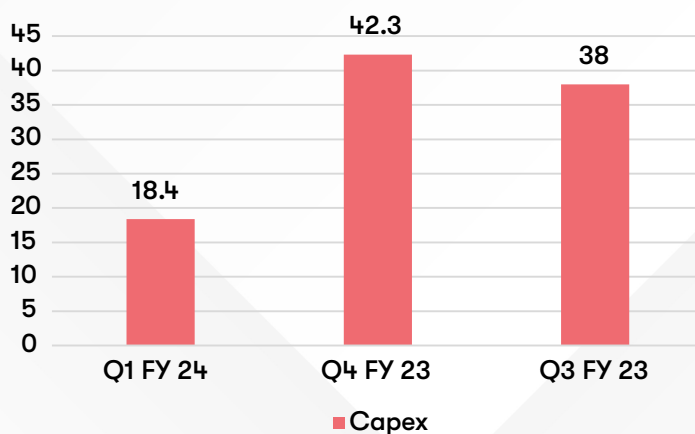
- Two quartzite, one bauxite, one dolomite Mining sites
- Operating majorly in Steel, Cement and other industrial Segments
- Well established operations in west and south India
- A strong industrial product offering
- Well-established product offering across all segments and industries
- Synergies expected from cross-selling
- Improved cost baseline from fixed cost optimisation, resource bundling and economies of scale

Hi-Tech Chemicals

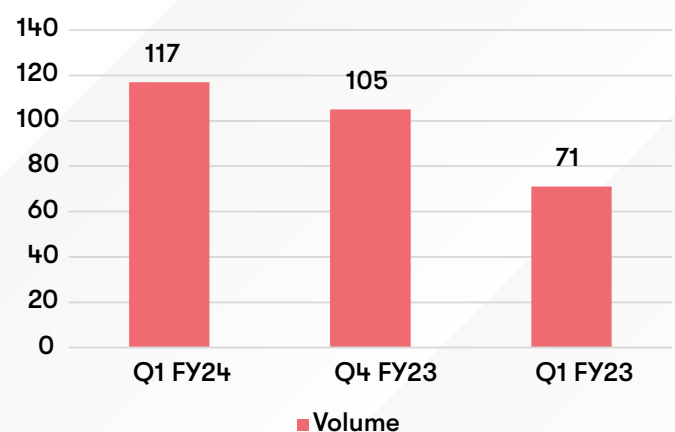
- A Product Portfolio of Nozzle opening compound, ISO, taphole clay, monolithic tundish mixes, slide-gates, dart, others
- Operating in the steel industry
- Established Operations in Jamshedpur
- Increase RHIM's flow-control production capacities in India with market standard low-pressure technologies
- Significant cross-selling synergies and cost synergies from production optimization with Bhiwadi plant
- Semi-automated, modern production plant in a low cost and high growth market

Story Through Charts

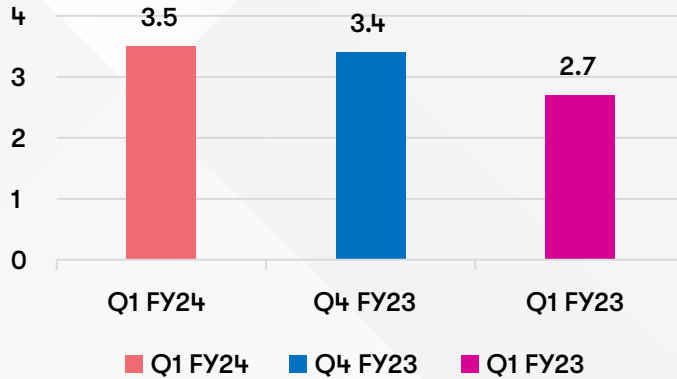
Capex(In Crs)



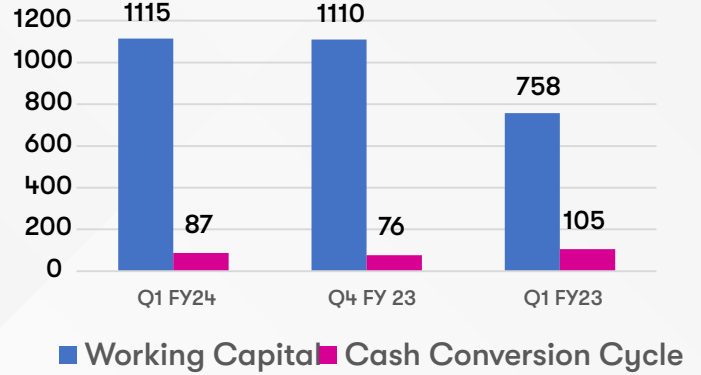
Volume (kt)



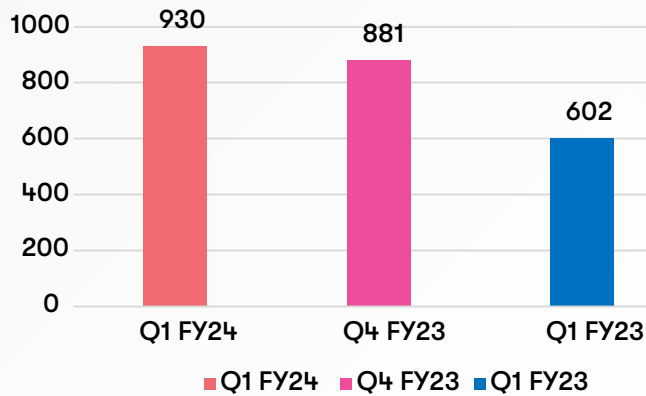
Debt to EBITDA



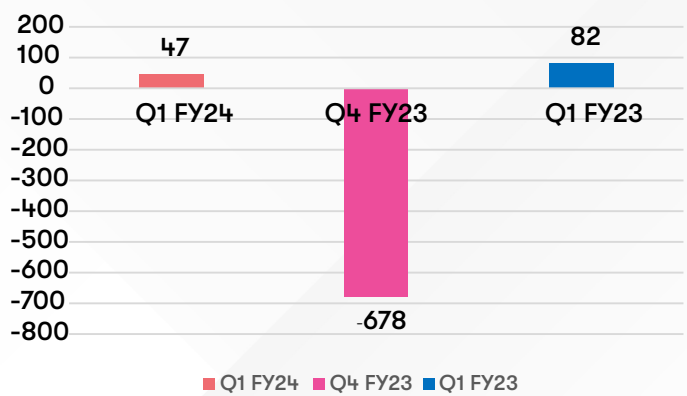
Working Capital



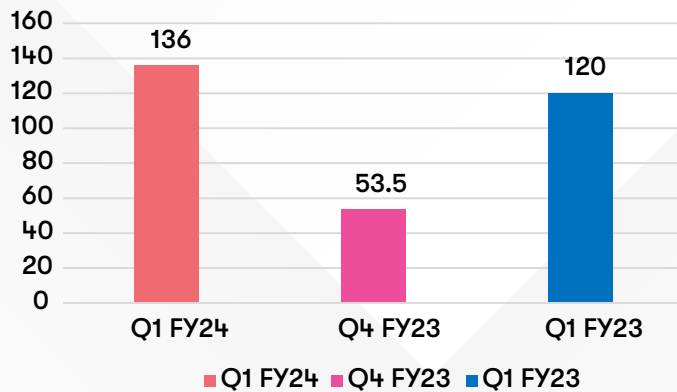
Revenue (In Cr)



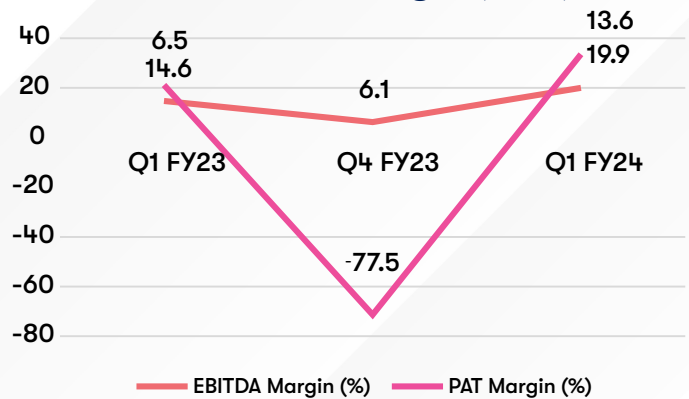
PAT (In Cr)



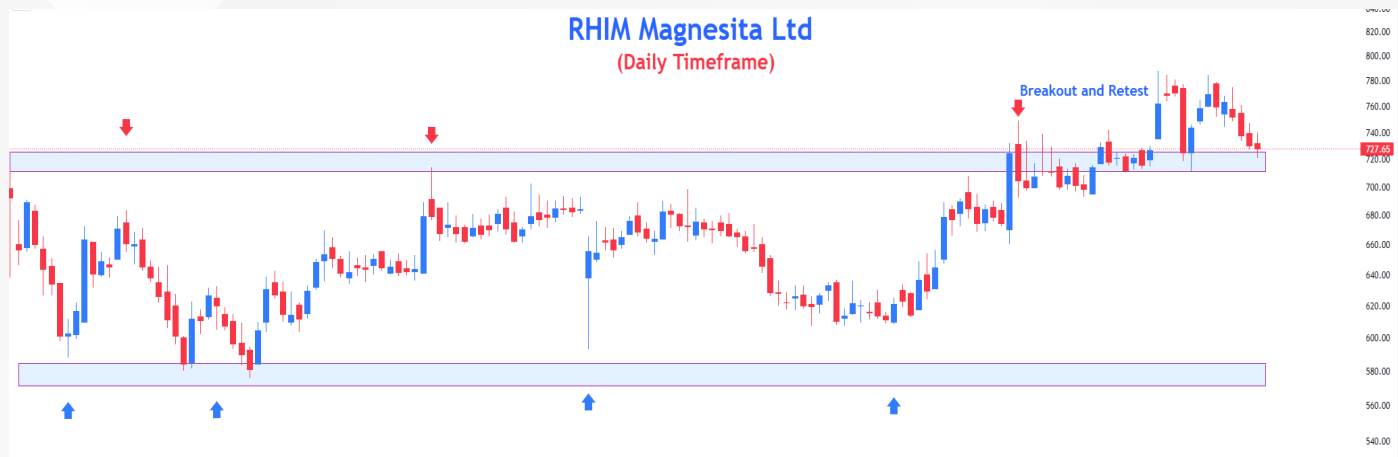
EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



RHIM Magnesita Ltd Breaks Consolidation, Gears Up for New Highs: With a strong momentum fueled by improved fundamentals and successful acquisitions and being a global leader in refractories, RHIM Magnesita is poised for potential new highs.

The MACD histogram has displayed a robust increase in momentum alongside the stock's upward price movement, reinforcing the strength of the Bullish Trend.

The current stock price is displaying positive momentum and an optimistic outlook as a result of the recent crossover between the 20-day moving average and the 50-day moving average. This technical indicator suggests that the shorter-term average, represented by the 20-day moving average, has surpassed the longer-term average, the 50-day moving average.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	742.13	738.30
10	746.69	742.43
20	740.57	736.43
50	697.65	710.52
100	678.92	692.40
200	700.01	675.59

Pivot Levels : FIBONACCI			Relative Strength Index (RSI)	Daily	Weekly
R1 767.47	Pivot 750.15	S1 732.83		49.33	56.26
R2 778.18		S2 722.12			
R3 795.50		S3 704.80			

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