INVasset Corporate Insights

RHI MAGNESITA

2nd January, 2024

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India's Best Performing and Most Customer Centric PMS

RHI Magnesita India Ltd has embarked on a transformative journey, guided by visionary leadership, strategic foresight, and an unwavering commitment to excellence. This foundation is a testament to the company's resilience, showcasing its ability to navigate challenges with grace. The company's ascent is not merely a result of financial triumphs but is rooted in a leadership ethos that constantly envisions the future. The company's journey through intricate regulatory frameworks underscores its adaptability and fortitude, essential attributes for a global refractories powerhouse. The ability to not only weather challenges but to thrive in the face of adversity is a hallmark of RHI Magnesita India Ltd's corporate character.

Dependent Industries and Diversification: The demand for refractories, constituting 75% of total sales, is intricately linked with the steel industry, a sector in which RHI Magnesita excels. Moreover, the company's influence extends to diverse industries such as glass, cement, non-ferrous, and petrochemicals, showcasing its adaptability and contribution to multiple sectors.

Strategic Manufacturing Facilities: RHI Magnesita India Ltd has strategically positioned manufacturing facilities across the country. Before the transformative M&A in 2023, the company operated three plants in Bhiwadi, Vizakhapatnam, and Cuttack. The recent acquisitions of Dalmia OCL Limited and Hi-Tech Chemicals Limited have significantly expanded its footprint, adding five facilities in the west and south, including Jamshedpur. This strategic move aligns with the company's vision of becoming a global powerhouse.

Visionary Management Targets: Underpinning its ambitious growth strategy, RHI Magnesita India aims to double its production capacity and revenue by FY 2025-26 compared to the base year of 2020-21. This vision is pursued through a combination of organic and inorganic means, reflecting the management's commitment to sustained and robust expansion.

Merger Scheme and Regulatory Landscape: While proposing a merger scheme with RHI India and RHI Clasil in the past, RHI Magnesita faced regulatory challenges. The NCLT at first rejected the scheme, only to be later directed to be approved without delays. This dynamic regulatory journey underscores the company's resilience and its commitment to navigating challenges to achieve its strategic objectives.

Aspirations of the Leadership: RHI Magnesita India has set an ambitious target to double its production capacity and revenue by the fiscal year 2025-26 when compared to the benchmark. The management's strategy is forward-looking, combining organic and inorganic approaches to ensure sustained and dynamic growth. This commitment to expansion underscores their vision for a prosperous future, leveraging innovative methods and market opportunities to solidify their position as a prominent player in the industry while serving their customers with excellence.

Investment in Expansion: The company has committed approximately Rs. 400 crore of phased investment by FY 2026 to augment its production capacity in India. With an eye on doubling production to nearly 3,00,000 tons per annum by 2026, RHI Magnesita has already invested Rs. 50 crore during FY21-22 to expand the Vizag plant's capacity by 30%. This strategic investment reinforces the company's dedication to meet growing market demands.

Stock Data	
CMP (02-01-2024)	794
52 Week High/Low	892.90/576
Face Value	Rs. 1
Market Cap (In Crs)	16,376
Enterprise Value (In Crs)	16,341
NSE	RHIM
BSE	534076
Bloomberg	RHIM:IN
Sector	Electrodes & Refractories

Shareholding Pattern (in %)		
	SEP 23	JUN 23
Promoter	56.07	55.47
FII	3.68	3.79
DII	13.59	14.08
Public	26.65	26.67

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	6.90	12.91	19.67
RHIM	5.33	22.95	-5.43

Key Ratios	
P/E	N.A (Negative Earnings)
P/S	4.77
P/B	4.02
Debt To Equity	0.13
ROE	14.00%
ROCE	10.80%
Dividend Yield	0.32%

Q2 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q2 FY24	Q1 FY24	Q2 FY23	QOQ	YOY
Sales	987	928	600	6.36%	64.50%
EBITDA	151	136	104	11.03%	45.19%
EBIT	107	90	95	18.89%	12.63%
Net Profit	72	47	72	53.19%	0.00%
EPS	3.45	2.26	4.49	52.65%	-23.16%

Result Highlights

RHIM Magnesita India Ltd's Q2 FY24 results showcase a substantial year-over-year (YOY) growth in sales, increasing by 64.50% to 987 crore rupees from Q2 FY23, indicating a strong market position and effective sales initiatives. EBITDA and EBIT followed the upward trend with YOY increases of 45.19% and 12.63%, reflecting operational efficiency and profitability improvements. Notably, the Earnings Per Share (EPS) significantly improved by 52.65% quarter-over-quarter (QOQ) from 2.26 in Q1 FY24 to 3.45 in Q2 FY24, a positive indicator for shareholder value. Despite the YOY decrease in EPS by 23.16%, the QOQ growth suggests recent strategic initiatives may be positively impacting earnings.

Net Profit, however, showed no YOY growth, remaining at 72 crore rupees, which may indicate areas where cost savings or operational enhancements are needed. Overall, RHIM Magnesita India Ltd's performance in Q2 FY24 reflects a robust sales trajectory and operational success, with significant improvements in shareholder earnings QOQ, despite certain metrics indicating room for strategic enhancement.

Strategic Diversification and Global Expansion: RHI Magnesita India Ltd showcased a strategic shift towards diversification by emphasizing its focus on the iron-making division. The company established a dedicated vertical for iron-making and is set to capitalize on the global market, reducing dependency on the steel sector. This strategic move positions the company to explore new avenues, broaden its product portfolio, and tap into emerging opportunities in both domestic and international markets.

Commitment to Technological Advancements: The company's focus on technological advancements and efficiency was highlighted through the discussion of ERP implementation in Jamshedpur. Despite facing a 12-day blackout period due to ERP implementation, RHI Magnesita India Ltd exhibited resilience. The commitment to technological enhancements aligns with industry trends and underscores the company's dedication to optimizing operations and ensuring long-term competitiveness.

M&A Synergies and Consolidation: The company's merger and acquisition activities during the quarter were highlighted as a key driver of growth. Through the consolidation of entities like Seven, RHIMIR, and HITECH, RHI Magnesita India Ltd has successfully leveraged synergies, resulting in increased production and shipments. The positive impact of these acquisitions demonstrates the company's effective M&A strategy, contributing to its overall success and market presence.

Capacity Expansion and Utilization Strategy: RHI Magnesita India Ltd revealed plans for a phased investment of approximately Rs. 400 crores by FY 2026 to expand production capacity in India. The company showed a proactive approach to capacity expansion, evidenced by significant growth in production volumes and a notable improvement in overall capacity utilization. This strategic move positions the company to meet rising demand and strengthens its competitive edge in the refractory industry.

Market Outlook and Growth Prospects: RHI Magnesita India Ltd expressed optimism about the industry's growth prospects, citing demand from various sectors such as steel, cement, non-ferrous, and glass. The anticipation of robust industry growth is supported by government support in the form of budgetary allocations and policies. The company aims to capitalize on these opportunities, leveraging its expertise and market position. The focus on combined organic and inorganic growth strategies position the company to navigate evolving market dynamics and secure a prominent position in the refractory industry.

Concall Highlights

Continued Growth Trajectory: RHI Magnesita India Ltd showcased sustained growth, driven by robust performance across segments. Organic growth strategies, including market penetration and product development, played a pivotal role in achieving the expected results.

M&A Consolidation: Management highlighted the successful consolidation of recent mergers and acquisitions, emphasizing the synergies realized. The acquired assets significantly contributed to increased production and efficient shipment processes, reinforcing the company's strategic growth trajectory. Recent acquisitions, including Seven, RHIMIR, and HITECH, were discussed for providing total refactoring solutions. The integration aims for exponential growth in the iron-making division, deemed a game-changer.

Financial Performance Highlights: A Symphony of Growth and Prudence: RHI Magnesita India Ltd's latest quarter reflects exceptional financial prowess, with a remarkable 64.50% YoY revenue surge driven by an 83% rise in shipments. The company's strategic financial management is evident through effective debt handling and optimal cash utilization, fostering confidence among stakeholders.
A standout feature is the noteworthy QoQ improvement in blended EBITDA margins. This enhancement is attributed to a seamlessly executed synergy plan, efficient network optimization, and leveraging the benefits of an expanded product portfolio. In essence, RHI Magnesita India Ltd's financial performance highlights a harmonious blend of robust growth and strategic prudence, positioning the company as a formidable force in the refractory industry.

Strategic Focus on Diversification and Global Expansion: Post-acquisitions, RHI Magnesita has strategically pivoted towards diversification aimed at fortifying its position in both industrial and non-steel segments. This strategic shift is exemplified by the establishment of a dedicated vertical for the iron-making segment, showcasing the company's forward-looking approach to product diversification and market resilience. Simultaneously, the company has set its sights on global expansion. RHI Magnesita's recent conference, specifically centered on iron-making, serves as a testament to its commitment to diversifying its market presence. The creation of an independent vertical for this division signifies a deliberate effort to navigate sector-specific fluctuations and establish a robust global footprint. This two-pronged strategy positions RHI Magnesita for sustained growth and stability in an ever-evolving market landscape.

Industry Growth Prospects: RHI Magnesita expressed optimism about robust industry growth driven by demand from multiple sectors. The anticipation of continued government support, both in budgetary allocations and favorable policies, positions the company strategically to capitalize on emerging market opportunities.

Combined Organic and Inorganic Growth Strategies: The company's strategic approach combines both organic and inorganic growth strategies, ensuring a comprehensive response to increasing demand. Recent acquisitions were integral to achieving higher production, enhanced shipments, and a more diverse product portfolio, reflecting a balanced growth strategy.

Capacity Expansion and Utilization: The disclosed plan for a phased investment of approximately Rs. 400 crores by FY 2026 underscores the company's commitment to expanding production capacity. The noteworthy increase in production volumes and the overall improvement in capacity utilization reflect efficient operational planning.

Timely Completion Targets: The refurbishment project is set to unfold over the next 2-3 years, allowing for a comprehensive overhaul of the plant's infrastructure and systems. With an emphasis on precision and quality, the company envisions completing the project by 2025, taking into account the timelines associated with equipment ordering, delivery, and installation.

Export Share Dynamics: RHI Magnesita India Ltd underscores its global market presence with a comprehensive overview of its export share dynamics. The company strategically maintains an overall export share of 10%, signifying a substantial footprint in international markets. The primary contributor to this export share is identified as the RHIM plant, highlighting the pivotal role this facility plays in catering to global demand for RHI Magnesita's refractory products.

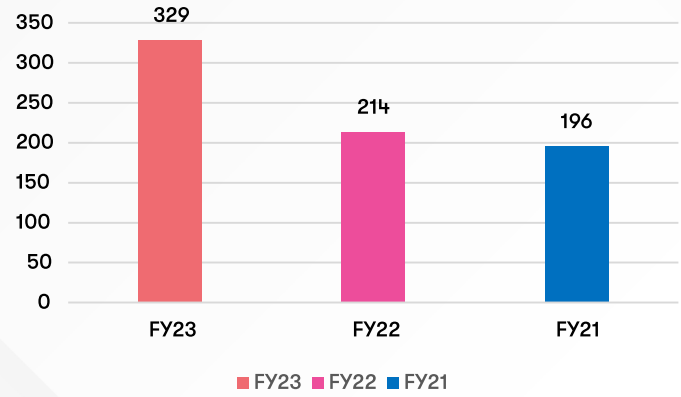
Outlook and Future Plans: Management expressed confidence in the second half of the year, highlighting positive trends in revenue growth and shipments. Future plans include strategic capacity expansion, diversification into new markets, and a focus on global exports, positioning RHI Magnesita for sustained growth.

Investment for Efficiency Gains: The company is committed to a substantial investment in the refurbishment project, underscoring its dedication to achieving efficiency gains and maintaining high production standards. This capital infusion is intended to address technological obsolescence, optimize processes, and improve overall plant performance.

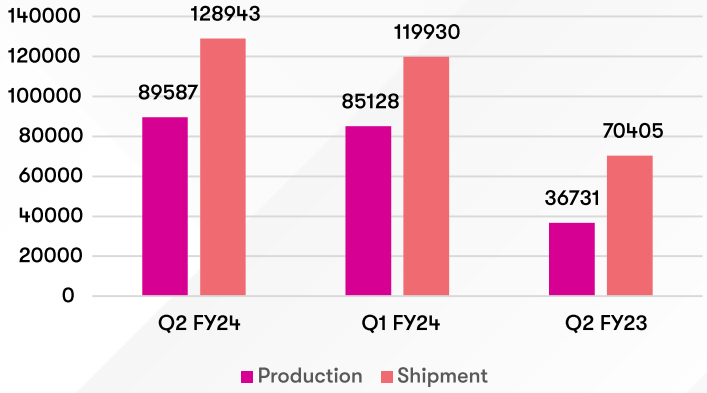
Modernization Plan: RHI Magnesita India Ltd unfolds refurbishment and modernization of the Rajgangpur plant. This undertaking is positioned as a pivotal step to ensure it stands as a formidable and competitive asset within the refractory industry. The company's vision extends beyond the immediate needs of maintenance; it is a forward-looking initiative aimed at reshaping the plant to meet the dynamic demands of the market. By embracing cutting-edge technologies, RHI Magnesita India Ltd seeks not only to enhance operational efficiency but to establish the Rajgangpur plant as a technological beacon in the refractory landscape. The strategic essence of this modernization plan lies in its multifaceted approach. Beyond the realm of structural improvements, the company envisions a facility that seamlessly integrates with evolving market requirements. The modernized plant will be a nexus of innovation, reflecting company's commitment to staying at the forefront of technological advancements

Story Through Charts

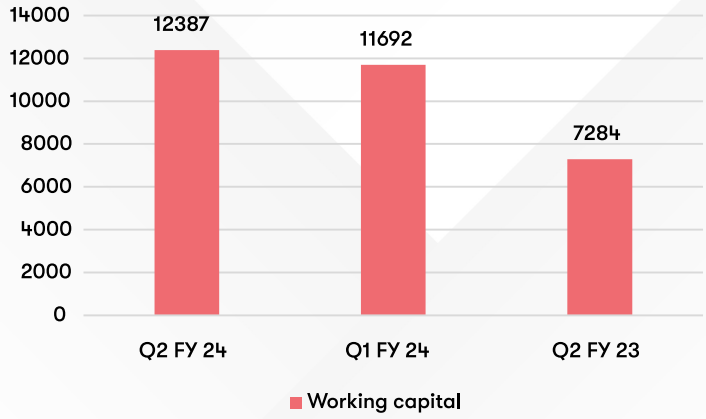
Volume (kt)



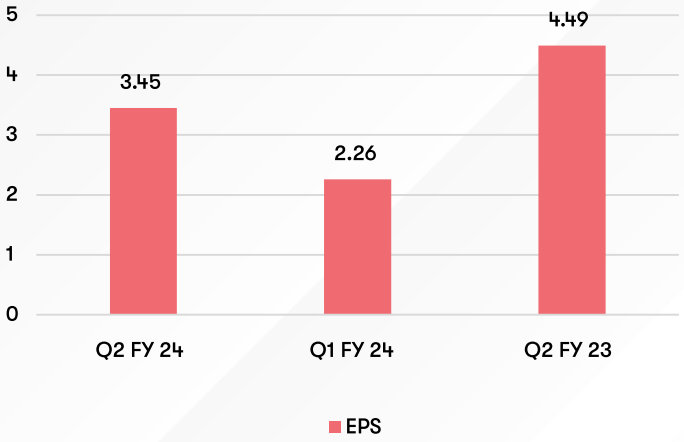
Manufacturing Output (kt)



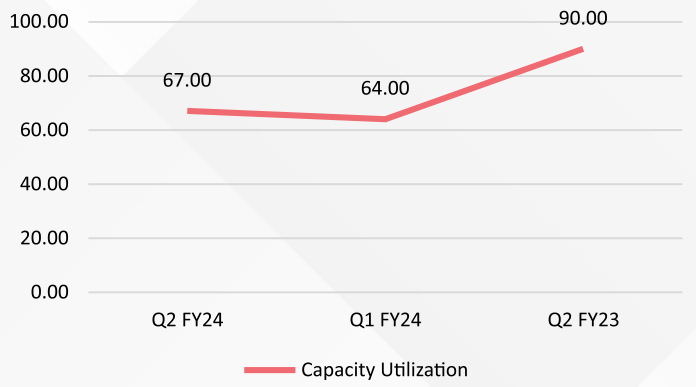
Working capital Management (kt)



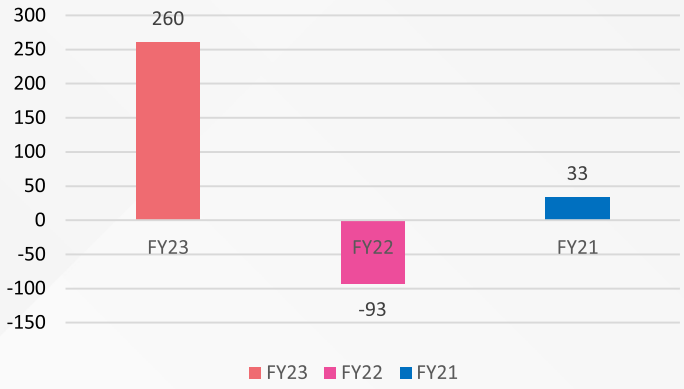
Earnings per Share (Rs)



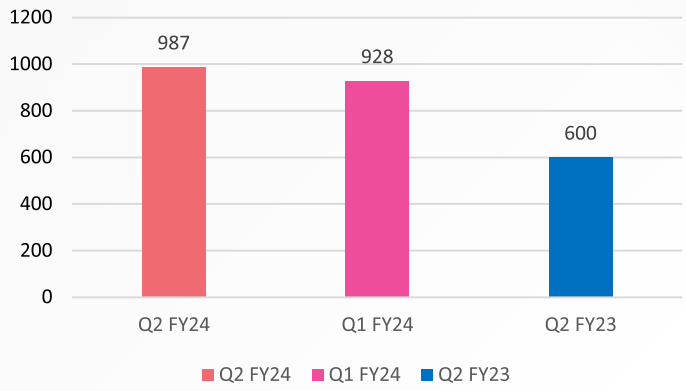
Capacity Utilization (In %)



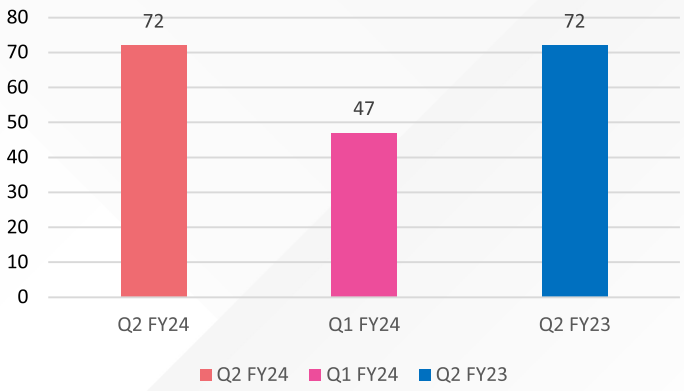
Cash Flows (In Cr)



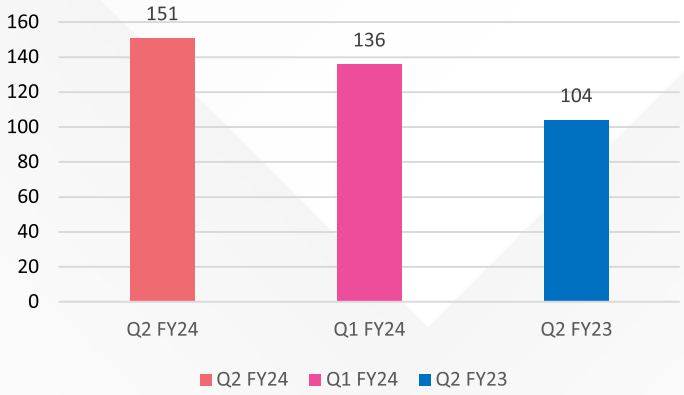
Revenue (In Cr)



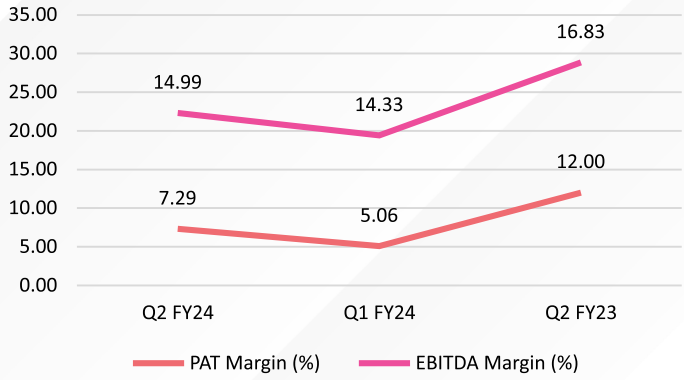
PAT (In Cr)



EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



The price chart illustrates a bullish 'Breakout - Retest' pattern, indicative of a potential uptrend continuation. The current price is testing a resistance level, which if surpassed could become new support, reaffirming the bullish trend. Volume spikes correspond with significant price movements, underscoring key trading days. Moving averages reveal a bullish market sentiment, with the short-term 5-day SMA and EMA closely aligned with the current price, while the long-term 200-day indicators diverge, suggesting a sustained uptrend.

RSI readings above 50 on both daily and weekly timeframes indicate buying pressure, with daily RSI slightly lower, suggesting stronger long-term bullishness. The price well above the 50-day and 100-day SMAs and a significant gap from the 200-day moving averages suggest strong momentum and potential for higher future prices if the trend persists.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	798.89	796.78
10	791.26	789.77
20	770.55	774.56
50	732.06	748.18
100	728.58	727.65
200	687.34	704.48

Pivot Levels : FIBONACCI		
R1 819.94	Pivot 802.75	S1 797.26
R2 830.56		S2 792.77
R3 847.75		S3 785.52

	Daily	Weekly
Relative Strength Index (RSI)	59.92	62.34

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This research has been done by the Core Fundamental Research Team of InvAsset PMS Desk.

Anirudh Garg
anirudhgarg@invasset.com

Harshal Dasani
harshaldasani@invasset.com

Bhavik Joshi
bhavikjoshi@invasset.com

INVASSET

India's Best Performing and Most Customer Centric PMS

MUMBAI
911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM
4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA
1401, Aspen 2, Centara Greens,
Pakhowal Road, Opp. Riviera Resort,
Ludhiana 141001

1800-309-2172
98158-10172

info@invasset.com

www.invasset.com