

Dalmia Refractories Limited – 47th Annual General Meeting Transcript

Date – 23rd September, 2020

Time – 11:00 AM

Akansha Jain – Good Morning all, I welcome all the members to the 47th Annual General Meeting of your Company. This meeting is being held through video conference in accordance with the circulars issued by the Ministry of Corporate Affairs and SEBI. Before we start the main proceedings of the meeting, I would like to introduce the Board Members and the Key managerial personnel's who are present with us in the Meeting.

Mr. Deepak Thombre, he is an Independent Director, Chairman of the Board and Audit Committee and CSR Committee. Welcome Sir. Mr. Sameer Nagpal

Sameer Nagpal - Namaskar

Akansha Jain – He is the MD of our Company. Mr. C. Nagarathnam, he is an Independent Director and Chairman of Stakeholders Relationship Committee. Mr. M.K. Doogar, he is an Independent Director and Chairman of Nomination and Remuneration Committee. Mr. Manoj Rathi, CFO and myself Akansha Jain, Company Secretary and the Statutory and Secretarial Auditors are also present in the Meeting. Now I would request the Chairman Sir to please take the Chair and welcome the Members.

Deepak Thombre: Thank you Akansha. A very warm welcome to all the Members to the 47th Annual General Meeting of the Company. It is a pleasure to connect with all of you, although this time we meet virtually. On behalf of the Dalmia Refractories Board of Directors, I would like to thank you for taking the time out to join us today. I hope all of you are safe and are in good health. Your support and confidence in us, even in uncertain times like these, drive us to look for more ways to do more, and create greater value. The requisite quorum is present and therefore, I now call the meeting to order. The Company has taken all possible efforts under the current circumstances to enable members to participate through video conference and vote at the AGM. The Statutory Registers required to be made available for inspection at the AGM, has been made available electronically for inspection by the members during the AGM. Now, I would request the Company Secretary to apprise the Members of the legal provisions regarding the Meeting.

Akansha Jain: Thank you Sir. Members may note that this Annual General Meeting is being held through video conference. Facility for joining this meeting through video conference or other audio-visual mean is made available for the members on a first-come-first-serve basis. As the AGM is being held through video conference, the facility for appointment of proxies by the members was not applicable and hence the proxy register for inspection is not available. The Company has received requests from a few members to register them as speakers at the meeting. Accordingly, the floor will be open for these members to ask questions or express their views. The moderator will facilitate this session once the Chairman opens the floor for questions and answers. It may be noted that Company reserves the right to limit the number of members asking questions, depending on the availability of time at the AGM. The Company had provided the facility to cast the votes electronically, on all resolutions set forth in the Notice. Members who have cast their votes yet electronically and who are participating in this meeting will have an opportunity, Members who have not cast their votes and who are participating in this meeting will have an opportunity to cast their votes during the meeting once the Instapoll/ e-voting system through Instavote / e-voting system provided by Karvy once the chairman keeps the voting open. Members can click on "Vote" tab on the video conference screen to avail this feature once the Chairman calls the Items to vote. Members are requested to refer to the Instructions provided in the notice or appearing on the video conference page, for a seamless participation

through video conference. In case members face any difficulty, they may reach out on the helpline numbers. Thank you very much. Now I would request the Mr. Sameer Nagpal, Managing Director of the Company to address the shareholders

Sameer Nagpal: Thank you Akansha. Dear Shareholders, Welcome to the 47th Annual General Meeting of Dalmia Refractories. Fire within, the zeal and commitment, to achieve highest levels of success and eagerness to rise beyond all expectations - these are characteristics that have helped Dalmia Refractories Limited maintain its leadership position for well over 40 years now. Dalmia Refractories is a pioneer in Alumino-Silicate refractories with a market share of over 50% in Alumina bricks used in manufacturing of cement. In the Financial Year ending 31st March 2020, your Company had a strong growth and delivered outstanding financial performance. Our revenue grew 47% over the prior year to 290 Cr. Our EBITDA margin expanded to 33 Cr and Net profit stood at 17 Cr as compared to 7 Cr during the prior year, on a standalone basis. The growth was primarily led by revenue from new project orders and export sales. The company remains committed to its stakeholders and will continue to leverage its technology and manufacturing capabilities to expand its reach in international market and actively continue to pursue M&A opportunities both inside and outside of India. Now let me take you through our journey in the financial year 19- 20. Financial 19-20 has been a unique year. While on one hand Your Company scaled new heights in growth and revenue, the COVID-19 outbreak right towards the end of the financial year has brought us into uncharted territory. The good news is that India has gotten back on its feet quickly on back of some firm policy initiatives taken by Govt of India. I will take you through some highlights of the year 2019-20. You will recall last year's announcement regarding acquisition of Europe's GSB Group by Your Company. I am happy to share we have successfully completed the operational integration with us. GSB Group has since been rechristened Dalmia GSB. The 45,000 tonne per annum state-of-the-art production line in Katni commissioned under Your Company's JV with Seven Refractories of Europe and went into full line production in May 2019. The company is called Dalmia Seven Refractories. Our customers now have access to a variety of high end made-in-India monolithic refractories, that not only helped your Company create deeper and bigger partnerships with our customers, but also in retaining and strengthening its image of being a dependable and constantly-evolving company. The growth achieved in financial year is mainly an outcome of two factors. First has been our growth in Exports. We have been focussing on international markets for quite some time and in last year we had some good break throughs. As a result of which we were able to expand our international markets and export our products to the continents of North America, Africa, Europe and Middle East. Exports contributed roughly 11% in terms of revenue. The second important contribution has been made by projects. One of the biggest projects executed by your company, which is going to get completed soon was turnkey project for pet coke calcination at Visakhapatnam. The project involved design, supply and application of approx. 25000 tonnes of refractories. Let me talk a little bit about the future now. Your Company continues to work towards enhancing its capabilities on the service side. Besides refractory design, application, and turnkey projects, we have now started executing gunning and shotcreting assignments for several customers Your Company is in a good position to make the most of India's march towards becoming 'Atmanirbhar'. We expect a lot of steel and cement makers in India to switch to made-in-India refractories over imports. This outlook appears positive specially for our advanced monolithic refractories used in cement and steel industries. Your Company is also poised to make fresh and profitable inroads into Europe via Dalmia GSB, which is headquartered in Germany.

I would also like to apprise the members that during the year, the Board of the Company has approved a Scheme of Amalgamation and Arrangement amongst the Company and its subsidiary GSB Refractories India Private Limited called GSB India and Dalmia Bharat Refractories Limited called DBRL and Dalmia OCL Limited called DOCL and their respective shareholders and creditors in terms of Sections 230 to 232 and all other applicable provisions of the Companies Act, 2013. Pursuant to this Scheme, DRL and GSB India will stand dissolved. The appointed date of the said Scheme will be 1 April, 2020. The primary objective of such restructuring is to consolidate the entire refractories

business of Dalmia Bharat Group into a single entity in a manner which will enable creation of a consolidated refractory business of a considerable size thereby leading to economies of scale and enhancement of value of the company and its respective shareholders. Pending the necessary regulatory approvals and other compliances, no effect of the above-mentioned schemes has been considered in the financial statements. Let me talk a little about covid nineteen first. Though the impact of covid nineteen on your company has been similar to the rest of the companies in India. We all witnessed disruptions because of a nationwide lockdown. However, we are relatively insulated from the damaging effects of COVID-19 on the demands of our product due to the nature of the business we are in. We all know refractory is a critical input to industries such as iron, steel, cement, glass, copper and other metals, that power long-term economic growth of the nation. Because of which we were given a little more flexibility and we started our operations a little early. Thank you very much and now I would request Manoj, our CFO of the Company to give a brief presentation on the summary of financials of the Company for FY 2020 for your better understanding about the Company's performance. Over to you Manoj.

Manoj: Thank you Sameer. So as we already have our annual report available with us, so what I will do is I will take you through the key aspect of the financials for the financial year 2019 – 20. Move on to the next slide please. So, revenue from operations have grown by 45% on standalone basis and on consolidated level it has gone up by 84%. PAT which is profit after tax has gone up by 149% on standalone basis and 309% on consolidated basis. Numbers for the consolidated basis, they look a little on the higher side and the reason for that is that for the current financial year which is financial year 19 – 20 it includes 12 months of results for GSB, our new acquisition whereas in the last financial year only 3 months were added. That's where they look more dramatic but having said that on a stand-alone basis 45% growth and 149% growth that we see on revenue and profit side. Two things two key events in this financial year that our Managing Director Mr. Sameer Nagpal talked about, is one successful integration of GSB operations in the current financial year and installation of state-of-the-art customer production line in our joint venture with Dalmia Seven for 45 thousand annual capacity installation that we did. So those are two major key events that we had seen in the last financial year. Let's move to the next slide please. On a standalone basis the key financial metrics are looking like this. Total income from 203 Cr last year to 296 CR this year which is a 45% growth. PAT has gone up you know from 7 to 18 Cr, EBITDA from 18 to 33 which is 86% and 149% kind of a growth, EPS is also gone up by 149% from 22.3 to 55.6. That's a standalone thing, we will also look at consolidated numbers. Next slide please. But before we do that let's look at the entities that are consolidating into Dalmia refractories financials. From a one side we have got 51% joint venture with Seven refractories of Europe that is Dalmia seven refractories which DRL holds 51% and on the other side our new acquisition Dalmia GSB refractories, Germany where DRL holds 100% and also holds 41.81% in GSB India and through the Germany company it is holding 58.19%. So that's how the 100% in GSB India is held. SO that how the consolidation happens when we talk about consolidated numbers let's look at it from this perspective. Next slide please. On a consolidated basis revenue has gone up from 246 cr to 454 cr, EBITDA 20 to 50 cr and PAT from 4 to 16Cr. So these are a 84% to 309% of a growth and EBITDA would be, so we also look at certain key operating metrics to understand the financial year better and health of our operation a little better. Next slides please. Some of the key financial ratios if you look at it like EBITDA on a standalone basis has gone up from 9% to 11% on a standalone basis and on a consolidated basis the same thing has gone up from 8% to 11 % which is we have improved our margins. On a PAT it has gone up from 3% to 6% on standalone side, on consolidated side it has gone up from 2% to 4%. Current ratios have also improved a bit from 1.08 or 1.13 to 1.23, close to 1.22. We have healthy interest coverage ratio of 3.79 in the current financial year. Debt equity ratio has also marginally gone up. So this looks like a well-rounded performance for the current financial year on all the financial metrics on all the financial issues. Next slides please. On the industry side, those are all past financials, how the future looks like for us so when we look at industry we look at 2 perspectives. First is domestic business and second is international business. On the domestic business the market size is 9000 cr which has grown by you know at the rate of 6% over last year and with the current focus of Indian govt on make in India all companies are trying to curb a control, reduce their imports, so that's where Indian refractory business is seeing a lot of opportunities and possibilities. And we are in a, your company is in a good position to be in India's march towards Atmanirbharta. This is as far as domestic market is concerned internationally the refractory business is you know is sized at 30 billion dollars which is expected to grow at a rate of 4% over the next 5 years. And we expect good business coming from the industries of aerospace, automotive, glass, cement industries. As you must have noticed in the current financial year our export business has been one of the key growth drivers for us and we expect this international business to

grow further in the coming financial years and continue to remain as a growth driver for us. That is the broad you know certain key aspects of the financials. That's all from my side on the financials, thank you.

Akansha Jain: Thank you Sir. The Members may note that the Statutory Auditors, M/s Chaturvedi & Shah LLP, and Secretarial Auditors, Mr. N.C. Khanna, has expressed unqualified opinion in the respective audit reports for the financial year 19-20. There were no qualifications, observations or adverse comments on financial statements and matters, which have any adverse bearing on the functioning of the Company. The Statutory Auditors' report on the standalone financial statements and consolidated financial statements for the financial year 19-20 are available on Page numbers 50 and 101 respectively of the annual report. Secretarial Auditor report for the financial year ended 31st March, 2020 is enclosed as Annexure 3 to the Board's report on Page number 24 of the annual report. Thank you. Over to you Chairman Sir.

Moderator: Chairman Sir, you are requested to unmute yourself sir. Thank You sir.

Deepak Thombre: Thanks Akansha. As the Notice is already circulated to all the members, I take the Notice convening the meeting as read. Before we proceed, I am pleased to bring to your notice that, as required under the Companies Act, 2013, the Company had provided you all the facility to cast your vote electronically, on all resolutions set forth in the Notice. Members who have not cast their vote electronically and who are participating in this meeting have an opportunity to cast their votes through the e-voting system provided by KFIN. The e-voting window will open after the resolutions are tabled. May I now request the Company Secretary to take up the resolutions as set forth in the Notice. We will open the floor for any questions by members after all the resolutions are tabled. Over to you Akansha.

Akansha Jain: Thank you Sir. The items in the notice are as follows. Item No. 1 is regarding the adoption of Financial Statements. The Financial Statements of the Company including the consolidated financial statements for the year 19 – 20 including the reports of Board of Directors and Auditors have already been provided to the members. Item No. 2 of the Notice is regarding the confirmation of Interim Dividend paid to the Shareholders as Final Dividend. To confirm the interim dividend of ₹ 1.50/- per equity share of face value of ₹ 10 each as final dividend for the financial year ended 31 March 2020. Item No. 3 of the Notice is to appoint a Director in place of Ms. Leena Rawal, who retires by rotation and, being eligible, seeks re-appointment. If any member desires to ask any question pertaining to any item on the Notice, he/she may do so now. Members are requested to keep their questions brief and specific. The moderator will facilitate the questions on the video feature. Members may also note that the Company reserves the right to limit the number of members asking questions depending on the availability of time. Before we go live with the Q&A, here are some points to note for your convenience. Kindly turn on your video when you are projected on the broadcast screen, kindly unmute yourself, and proceed to ask the question. Please mention your name, Folio Number, and the location from where you are joining. Each shareholder will have two minutes for their questions. Once you have asked your question, you can continue to watch the proceedings. I would now request the moderator to facilitate shareholders to speak / raise clarifications regarding the accounts and operations of the Company during the year 2019-20.

Moderator – Thank you Ma'am. We would like to invite our first speaker Mr. S Bharath Kumar from Tiruchirappalli. Sir You are requested to unmute yourself and switch on the camera please. Mr. S Bharath Kumar from Tiruchirappalli. We have not received any input from the speaker and we would like to move to our next speaker Mr. Amit Chokhani from Chennai. Sir You are requested to unmute yourself and turn on your camera please.

Amit Chokhani: Good morning everyone. My name is Amit Chokhani. My folio number is I N 3054959872578. My question is how and to what extent the prevailing India China issues is going to impact the company.

Moderator – Thank you Sir. We would like to move to our next speaker Mr. Asaithambi D from Tiruchirappalli. Sir

You are requested to unmute yourself and switch on your camera please. We have not received any input from the speaker and we would like to move to our next speaker Mr. K Anbalagan from Tiruchirappalli. Sir You are requested to unmute yourself and switch on your camera please. We would like to move to our next speaker Mr. Shubham Gujral from Gurgaon. Sir You are requested to unmute yourself and switch on your camera please.

Shubham Gujral: Hello, good morning all. My name is Shubham Gujral and I am holding shares in the company and the folio number 1208870005173364. My question to you is that they see a major increase in revenue during the year as compared to last year. What are the reasons for the same?

Moderator – Thank you Ma'am. Sir we have received a video from one of the shareholders Ms. Reshma Srivastava from New Delhi. With your due permission we would like to play the video now. Thank you.

Reshma Srivastava (Video Visual): Good Morning sir, *Mera Naam, Reshma Srivastava hai. Main is company ki share holder hunn. Mera portfolio number, IN 30051321696088. Mera question ye hai ki company ka future growth plan kya hai. Thank You sir.*

(Spoken in Local Language)

Moderator: We have finished with all the speakers at the moment. Over to You ma'am.

Akansha Jain: So I understand basically the two questions that we could hear out were mainly relating to what were the major reasons for increase in revenue this year so I would request Sameer Sir so that you can elaborate the reason to the speaker for the same.

Sameer Nagpal: Yeah. So you know, the major reason for increasing the revenue on the standalone basis was to one as I said, the back the major order for Petco calcination. Last year, most of which was executed last year, that was a total order value of that project was around 75 crores, and majority of it was executed last year. So that gave us a bump up in the revenue. Second was, we have also now penetrated into international cement companies. So we got some good orders for their plants in different parts of the world. And that led to a significant growth. So these were the two growth drivers on a standalone basis. Thank you.

Akansha Jain: Thank You Sir. So the second question, as I understand, is regarding the future growth plans of the company.

Sameer Nagpal: So the company is very well established in the cement segment. And we have maintained our share to more than 50% and Illumina bricks to be supplied to the cement industry. And we intend to continue that way. Our growth is, you know, we are driving our growth through our joint venture Dalmia seven, which is now making very high and giving us access to other application areas of the cement, cement manufacturing setup. And we have started doing gunning projects. So we are now able to sell high end castables. So that's going to be one area of future growth. We are also now having access to European market to our subsidiary Dalmia GSB. And we expect that we should be able to cross sell some of our products into European markets. Other than that, we continue to look for, you know, inorganic opportunities of growth and if any suitable opportunity comes up, we'll be willing to and very happy to consider that.

Moderator: Sameer Sir, this is your moderator here. We have received 2 more questions as a part of the other correspondences that we had. With your permission, I would like to read them out. The first one is from Mr. Asaithambi, who is not able to connect and his folio number is NAT012502. The question is I understand that there is some restructuring scheme going on in the company. Can you please tell us what is the status of the proposed scheme at present and when it is expected to be completed?

The second question is from Mr. K Anbalagan: His folio number is NAT016580 his question is do you expect any major impact on the performance of the company due to COVID-19 in future?

Thank you for providing the opportunity to read out the questions. Over to you.

Sameer Nagpal: Thank you. So, let me take the second question and for the question relating to restructuring, I will Request Manoj CFO to take that question. So, COVID-19 is a situation which is still evolving, we do not know the exact route which it will take, but I think our company has taken significant measures to make sure that all our plants run properly with all the protections and guidelines in place to protect employees from COVID-19. From an industry perspective, we have seen that the Indian infrastructure industry is coming back quite fast. Steel production has for last key companies at least has improved a lot and even cement companies have reported good production levels. So, while I cannot predict how this will plan out, but we expect that from the impact on business probably the worst is behind us and from here onwards things should get better. For the restructuring question Manoj, I pass it on to you please. Thanks.

Manoj: So, as far as far as scheme is concerned, so, scheme has been filed with NCLT Chennai and is currently pending for admission and post admission by NCLT the scheme will be placed with older shareholders and creditors of the respective companies for their approval, we are expecting to receive all the requisite approvals by March 21. Thank you.

Moderator: Sir sorry to be bothering you or interfering, but we again received a question from Mr. Bharat Kumar from Tamilnadu, and his folio number is NAT100131. Since you have already answered the question, but I would still like to read it out if the question is related to can you elaborate on the benefits that we as shareholders will receive as a result of the ongoing restructuring scheme of the company.

Manoj: So, there are two aspects to it. The first one is that this restructuring scheme will result in consolidation of the entire effective business into a single entity, which will obviously lead to economies of scale and enhancement of value for all the companies involved and the respective shareholders. That is one aspect which will benefit the shareholders. The second aspect is that this key the entire scheme has been worked out based on fair valuation. So the scheme provides issue of shares to all the shareholders of DRL at fair value. Basis the swap ratio and the valuation of both DRL and DBRL, a shareholder in DRL holding 100 equity shares will be issued 768 equity shares of DRL so that's the unlock of value so that shareholders will be benefiting it. So that's the answer to this question.

Akansha Jain: Thank You Sir, there remains one more question which needs to be answered that we have received from the shareholder. This is How and to what extent the prevailing India China issue is going to impact the company.

Sameer Nagpal: If we think about India, China's situation, the company imports some bauxite from China, that's the primary engagement for the company with China. And based on the evolving situation, the company has taken some actions to de-risk itself from any disruption in supply. And we have developed some local supplies to act as an alternative to any disruption, if at all happens. Additionally, we are also taking action to stock up the Chinese bauxite to the extent required.

Akansha Jain: Thank You Sir. With this we are over with Q& A session. We would request the Shareholders whose queries still remain unresolved or whom we could not register as Speaker, for technical or other reasons, to please mark us a mail with your query. We will ensure that you get a suitable response to your query. With that, I will hand over back to Mr. Chairman.

Deepak Thombre: Thank you, Akansha. Thank you everyone. Members may note that the voting on the KFIN platform will continue to be available for the next 15 minutes. Therefore, members who have not cast their vote yet are requested to do so. The Board of Directors has appointed Mr. R. Venkatsubramanian, Practicing Company Secretary, as the scrutinizer to supervise the remote e-voting and e-voting process.

Further, on receipt of the consolidated report from the scrutinizer, the results of the voting will be declared. I hereby authorize Akansha, the Company Secretary, to declare the result of the voting and place the results on the website of the Company at the earliest. The resolutions, as set forth in the Notice, shall be deemed to be passed today subject to receipt of requisite number of votes. We are grateful to all our shareholders who joined us today through video conferencing. Thank you all for attending the meeting and I hereby declare the proceedings as closed. Thank you very much. Stay Safe.