

Dalmia Refractories Limited

TRANSCRIPT OF ANNUAL GENERAL MEETING HELD ON 22ND SEPTEMBER, 2021 THROUGH VIDEO CONFERENCING

Moderator : Ladies and gentlemen, apologies for the delay. We will start in now. Akanksha ma'am, over to you.

Ms Akansha : Thank you. Thank you moderator. Good morning everyone. I welcome all the members to the 48th Annual General Meeting of your Company. This meeting is being held through video conferencing because of the prevailing situation. This is in compliance with the circulars issued by the Ministry of Corporate Affairs, Government of India and Securities and Exchange Board of India. Proceedings of this meeting are being recorded for compliance purposes. Before we start with the main proceedings of the meeting, I would like to introduce the Board Members and the Key Managerial Personnel present in the meeting.

So we will start with Mr. Deepak Thombre. He's the Chairman of the Board and Chairman of Audit Committee and CSR Committee. Mr Deepak Thombre. Next, Mr. Sameer Nagpal, Managing Director of the Company.

Mr Sameer : Good morning.

Ms Akanksha : Mr. Nagaratnam. He is an Independent Director and Chairman of Nomination and Remuneration Committee and Stakeholders Relationship Committee.

Miss Leena Rawal. She is a Non Executive Director of the Company.

Mr. Manoj Kumar Rathi, Chief Financial Officer.

And myself, Akansha Jain, Company Secretary.

And the Statutory and Secretarial Auditors of the Company are also present in the meeting. I would request the Chairman sir to please take the Chair.

Mr Deepak : Thank you. Thank you Akanksha. Very warm welcome to all members to our 48th Annual General Meeting of Company. It is a pleasure to connect with all of you through virtual Mode. However, the virtual format has enabled lot of our shareholders to participate in the AGM from the safety of their homes.

On behalf of the Board of Directors of Dalmia Refractories, I want to thank you all for taking the time out to join us today. I hope all of you and your loved ones are safe and keeping well during these tough times. I also hope that all of you are vaccinated or on your way to getting there, so that we can emerge out of this pandemic stronger and return back to our normal lives. 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.

We are in the midst of a humanitarian crisis. Its scale, severity and geographical spread are unseen in a century. Almost all of us have borne the brunt of this pandemic. Within our one large Dalmia Family, the suffering of any member becomes suffering of all.

I, together with my colleagues on the Board offer our heartfelt condolences to all those in our Dalmia Family who have lost their loved ones to this pandemic.

With utmost grief I would also like to inform you that our beloved Promoter, Shri Jai Hari Dalmia Ji has also moved to a higher realm on July 8, 2021.

A leader remembered for his generosity and charismatic personality, Shri Jai Hari Dalmia lived a life in service for humanity. He has been the guiding light for the Dalmia Bharat Group and played a crucial leadership role for over five decades with the Group and he will be deeply missed. May his values and blessings continue to guide us.

Let us observe a minute of silence for all the parted souls. Thank you.

<One Minute Silence>

Shall we move on?

Ms Akansha : Yes sir.

Mr Deepak : Moving ahead with the proceedings of the Meeting, as confirmed by Kfin Technologies, the requisite quorum is present and therefore, I call the meeting to order.

The Company has taken all feasible 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 general legal provisions regarding the Meeting.

Ms Akansha : Thank you so much sir. Members may note that this Annual General Meeting is being held through video conferencing. Facility for joining this meeting through video conferencing or other audio visual means is made available for the members on a first come first serve basis. As the AGM is being held through video conferencing, 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 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 the session once the Chairman opens the floor for questions and answers. It may be noted that the Company reserves the right to limit the number of members asking questions depending on the availability of time at the AGM. In accordance with the provisions of the Companies Act and the SEBI Listing Regulations, the members have been provided with a facility to exercise their right to vote by electronic means, both through remote E voting and E voting at the Annual General Meeting. Remote E voting facility was made available to all the members holding shares as on the cutoff date of 16 September 2021. During the period commencing from 9am on Sunday, that was September 19, 2021 till 5pm on Tuesday, that is September 21, 2021. Remote E voting has been blocked on September 21, 2021 at 5pm. Members who have not cast their votes yet electronically and who are participating in this meeting will have an opportunity to cast their votes during the meeting through the Instapoll E voting system provided by KFin, our RTA. Members can click on vote tab on the video conferencing 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 conferencing page for a seamless participation through video conferencing. In case members face any difficulty, they may reach out on the helpline numbers. Thank you very much. Now, I would request Mr. Sameer Nagpal, Managing Director of the Company to address the shareholders.

Sameer Nagpal: Good morning once again, everyone. Dear shareholders, welcome to the 48th Annual General Meeting of Dalmia Refractories. This has been a difficult year for so many of us. But despite all the pain and suffering, the unbreakable human spirit has shone through in the kindness, empathy, compassion displayed by our families, our colleagues, our customers and our suppliers. Global cooperation has never been more important. The vaccines developed in record time for covid are one of the greatest examples of collaboration and pioneering science. In these last 18 months as a community, so much has changed. We have unlearned old habits, welcomed technology into our lives in ways never considered before and challenged ourselves to adapt to new ways of working. Despite a global pandemic, disrupting business in different and unprecedented ways 2020-21 turned out to be a pivotal for your Company in many ways.

The unpredictable lock downs and restrictions forced us to reimagine and reset the way we do business. The need to insulate ourselves better from external factors such as raw material supplies, logistics, talent availability etc, gave us an opportunity to evaluate and prepare your Company as a future proof business. We have closed financial year 2021 with revenue of 218.76 crores, nearly a 25% drop from prior year.

Unsurprisingly, this is simply an impact of nationwide lockdown during the first quarter of the year, which also saw delays in implementation of projects requiring refractories as inputs. Net profit dropped to 7.14 crores, in line with our overall business performance in a disrupted year. In Europe, however, despite weaker demand for steel, our plant managed to achieve revenue at par with that recorded in the prior financial year. The Company remains committed to its stakeholders and will continue to leverage its technology and manufacturing capabilities, expand its reach in international markets, pursue innovative technologies, invest in enhancing local high quality refractory production and actively continue to pursue M&A opportunities both inside and outside of India. The Company continues to be engaged in the business of manufacturing, distribution and service of refractory products and services during the financial year 2021.

Refractories are key input to basic industrial materials such as iron and steel, cement, glass and non ferrous metals. All these industries form the backbone of economic progress of any nation, including India. You may have come across news about how many Indian steel makers are investing in enhancing capacities by millions of tonnes in annual production. This is good news for refractory makers like your Company, as demand for refractories will consequently shoot up in times to come. The Atma Nirbharta campaign is also pushing Indian customers to opt for refractory sources from within India vis a vis imports.

Your company has taken steps to ensure that production lines run at high capacities so as to not lose any business going to inability to manufacture and deliver as per customer expectations and timelines. Exports gains made by your Company in prior years towards increasing penetration in global markets are getting accelerated as international customers are seeking refractory resources as an alternative to China. India has emerged as a preferred source of supply of refractories in this respect. Your Company already has rich experience in meeting the refractory requirements of international customers, and is seen as a capable and attractive partner in all major consuming segments i.e. iron & steel, cement and glass.

With several cross selling opportunities available, Dalmia GSB has been able to successfully complete several trials for Made in India refractories which are progressively getting converted into proper and regular orders. All in all, your Company is in a very good position to emerge stronger in all aspects to realise its aim of becoming a preferred refractory partner to its customers.

The Board of Directors of Company in their meeting held on 14th November 2019 had approved a scheme of amalgamation and arrangement amongst Dalmia Refractories Limited, its subsidiary GSB Refractories India Private Limited, Dalmia Bharat Refractories Limited and Dalmia OCL Limited and their respective shareholders and creditors in terms of sections 230 to 232 and all other applicable provisions of the Companies Act 2013. Subsequently, on 05 April 2021, based on the recommendations of the Audit Committee, the Board of Directors of the Company approved modification of the aforesaid scheme. The modification involved removal of the step with regard to transfer of refractory undertaking from DBRL to DOCL. As a result, the name of the modified scheme has changed to scheme of amalgamation of DRL

and GSB India with DBRL and their respective shareholders and creditors. Scheme now involves amalgamation of the Company and its subsidiary GSB India with DBRL.

The appointed date of the said Scheme is 1 April, 2020. Pursuant to NCLT Orders dated 23 February, 2021 and 16 April, 2021, the Company has held its Shareholders and Creditors Meeting on 3 June, 2021 and 27 May, 2021 respectively to seek their respective approvals to the aforementioned Scheme of Amalgamation and both the Shareholders and the Creditors of the Company have approved the Scheme with requisite majority. Now, the Scheme is pending before the NCLT, Chennai for its approval.

I would also like to talk about the impact of Covid 19 a little bit. Towards the end of financial year 2019-2020 and during the period under review, the entire global economy has faced an unprecedented disruption owing to covid 19 pandemic. The covid 19 outbreak has severely impacted the business of the company with shattered supply chains, halted production and deliveries to the Customers. The Plant facilities of company were closed due to nationwide lockdown announced by the Government of India.

However, with the extraordinary effort by the Company to manage supply chains effectively, the impact has been minimised. Subsequently, the Company has resumed its operation in a gradual and phased manner with available workforce in strict compliance with standard operating protocols issued by the Government, Union Government and the State Governments from time to time and with requisite permissions from the authorities. The health and safety of employees remains the main focus of the Company. May I ask Manoj, our CFO to share the presentation on performance.

Manoj Rathi : Thank you so much. Can we put up the presentation please? Thank you. Move to the next slide. Good morning, everyone. So, Dalmia Refractories Limited, that is DRL, on a standalone basis, we saw a 25% drop in revenue. But if we just look at you know, little bit diagnostics on this revenue where the drop actually happened. Let's first understand our business. We can categorise our business into two parts. One is the Maintenance Business. The other part is which has to do with the customer expansion, which we call as Projects Business. And this business we do in India, which is domestic business and also in the international market, which is export business. So if you look at our maintenance business despite having covid impact, it actually grew by 14% over last year. And we could hold on to our export business levels same as, you know, last year's levels. So where actually the drop has happened. It has happened on the customer expansion side, which is the project business, where customers put their expansion projects on hold. And that has essentially led to the drop in revenue that you see as a 25% drop. And this drop in revenue obviously impacted our profit abilities. So EBITDA margins, they have gone down and also reduced our EPS numbers. This is on standalone slide.

Move to the next slide please. As you know that your Company has subsidiaries also you know hold some of these entities. So, we acquired a company called Dalmia GSB Refractories in Germany, which also has a subsidiary in India which is GSB India. And this is how the shareholdings are being reflected We also

have a 51% joint venture with Seven Refractories, it's called Dalmia Seven Refractories. So, all these put together is the consolidated financial that we are going to look at in the next slide.

Next slide please. On a consolidated basis, the drop is 12% as against 25% drop that we saw on a standalone basis. The reason being we saw 36% growth in our Dalmia Seven Refractories business despite covid impact. And again in Germany business, we saw somewhere around 8% kind of a growth over last year. So, hence we can see that at a consolidated level, our drop in revenues is only 24%. But since it's a drop, so it has definitely impacted our EBITDA and PAT level and EPS.

Next slide please. Quickly looking at the financial ratios, margins are down compared to last year on both standalone basis and consolidated basis. And that's why interest coverage ratio has also gone down. But if you look at current ratio both on the standalone consolidated side, it is holding on to last year's levels. Which means that you know we, despite, a severe covid impact last year, we could manage our working capital really very well, especially on the collection side. And as a result of strong collections, if you see, debt equity ratio has improved in current financial year, which is financial year 21 as compared to last year. So, because of the strong collections, we actually could repay some of our debts instead of taking a new debt in the covid year, which most of the companies have done it, but we have actually repaid it. So, this has resulted in a better debt equity ratio in the current financial year.

Next slide please. This is just to provide the footprint of you know, of the landscape of plants and mines that we have in the organizations. We have got five plants, including Germany. And the total capacity in terms of you know 1000 metric tonne is 184. So 184,000 tonnes is the total capacity. And we have bauxite mines with an annual capacity of expansion of 80,000 tonnes.

Next slide please. Okay so, let's quickly look at the industry outlook, you know for the refractory business. Both cement and steel manufacturers, have announced an increase in their capacity. This is good news for refractory business.

Talking about the cement business, cement industry. So, they are expecting to increase their, production by 10 to 12%, which is again a good news for us. So, overall in all our customers segments steel, cement, metals, glass and non ferrous, we are expecting refractory industry to grow by 8% to 10% in the current financial year. And if you're talking about, Europe, there was definitely a big impact of covid 19. But still German plant, with you know, certain restrictions we could actually achieve similar levels as last. In fact, we grew by 7% to 8%. So, that is just to give you overall industry perspective in the current financial year. So, that's all. Thank you so much.

Akansha Jain : Thank you so much sir, for explaining us the performance and financials in more detailed manner. The members may note that the Statutory Auditors, M/S Chaturvedi & Shah, LLP and Secretarial Auditor, Mr. N C Khanna has expressed unqualified opinion in the respective audit reports for the financial year 2021. There were no qualifications, observations or adverse comments on financial statements and

matters, which have any material bearing on the financials of the Company. The Statutory Auditor's Report on standalone financial statements and consolidated financial statements for the financial year 2021 are available on page numbers 45 and 84, respectively, of the Annual Report. Secretarial Auditor Report for the financial year 31st March 21 is enclosed as annexure 3 to the Board's Report on page number 20 of the Annual Report. Thank you. Over to you Chairman sir.

Mr Deepak : As the Notice has already been 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.

I would 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.

Ms Akansha : Thank you sir. I will just read the items in the Notice for everybody's reference. So with regard to ordinary business, there were three items.

Item number one of the Notice was with regard to adoption of financial statements to consider and adopt the audited standalone financial statements of the Company for the financial year ended March 31 2021 and the Reports of the Directors and Auditors thereon. And audited consolidated financial statements of the Company for the financial year ended March 31 2021 and the Reports of the Auditor's thereon, which have already been provided to the members.

Item number two of the Notice was with regard to the dividend. Approval for declaration of final dividend for the financial year 2020-21. To declare the final dividend of rupees 1 that is 10% per equity share of face value of rupees 10 each for the financial year ended 31st March 2021.

Item number three of the Notice is with regard to the reappointment of Miss Leena Rawal, that is to appoint a Director in place of Miss Leena Rawal, who retires by rotation and being eligible seeks reappointment.

Coming to the special business.

Item number four of the Notice is with regard to approval for reappointment of Mr. Nagaratnam, as an Independent Director of the Company for second term. To consider and approve the reappointment of Mr. Nagaratnam, as an Independent Director of the Company for another term of one year, effective from September 11, 2021.

Item number five of the Notice is with regard to reappointment of Mr. Deepak Ambadas Thombre, as the Independent Director of the Company for second term. To consider and approve the reappointment of Mr. Deepak Thombre, as an Independent Director of the Company for another term of two years, effective from September 19, 2020.

That completes the agenda.

We can start with a question and answer session now. Members are requested to keep their questions brief and specific. The moderator will facilitate the questions on video feature. Members may also note that the Company reserves the right to limit the number of speakers asking questions depending upon the availability of time. Before we go live with Q&A, there 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've 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 2021.

Moderator : Thank you, Chairman sir. With your permission I would like to start off with the Q&A session. We have received videos from the speaker shareholders who have desired or wished to speak during the AGM. I'll be playing them in the sequence with which they have been provided. Our first speaker is Mr. Sumeet Chadha. I will be playing his video with your permission

Mr Sumeet : Good morning. My name is Sumeet Chadha and my folio number is I N 30154951781837. Now my question is that, what is the status of merger of Dalmia Refractories? And when will we be issued the shares of Dalmia Bharat Refractories Limited? Thank you.

Mr Sameer : I will take that question. Yeah, I think it's a good question. So the scheme will probably be approved by the NCLT during this year and the matter is listed for hearing with the NCLT in the end of September once the NCLT passes the necessary order, Thereafter, the shares of DBRL will be issued in place of the existing shares of DRL. So we await the final NCLT order on this matter. Thank you.

Moderator : Our next speaker who has shared his video is Maria Selva Rex and we'll just play his question to the Board. Thank you.

Mr Maria : Good morning to all. My name is Maria Selva Rex. My folio number is IN 100203. Thank you for giving me the opportunity to ask question in AGM of the Company. My question is, I want to know if there was any specific reason apart from this lockdown last year which led to dip in the performance, profit or turnover of the Company as compared to the last year of 2019 and 20?

Mr Sameer : , Yeah, thank you for the question. I think covid was the primary disrupter and the lockdowns imposed because of covid, which led to this drop of revenue. As Manoj earlier explained, our Germany operations have grown over the prior year. Even our Indian business on the maintenance side, registered a growth. However, because of the lockdown, the projects of our customers were halted, the execution was halted. You know, even after the lockdown, were slowly lifted. The availability of people was a very, very big constraint. And I think it was that part of the business which could not be executed because of the lockdown measures which led to this drop. So I will say primarily, it was covid induced drop in the numbers both on growth, sale and profitability Thank you.

Moderator : Our third speaker is Miss Sundari.

Ms Sundari : Good morning everyone. Myself, Sundari, having folio number NAT015879. My question is, what are the future plans of the company?

Mr Sameer : Again, thank you for the question. I think what we have seen post covid, that there has been a resurgence of demand for our customers, both steel and cement are doing well. And we believe that in line with our customers, we will continue to grow. Of course all this is subject to how new waves of covid come about. We have seen a deadly second wave already. However, the vaccination rate has picked up significantly and the expectation is that we will not see a major disruption like we saw last year. And therefore, in line with our customers' growth we expect this year to be significantly better than last year.

Of course, you know these growths are supported by various schemes being pushed by the Government of India, like housing for all, like Pradhan Mantri Awas Yojna. So, there are many schemes which are being run by Ministry of Road Transport and Highways, by National Infrastructure Pipeline, which is being expanded. So all these augur very well for the growth of Company. We of course, continue to look for opportunities even for inorganic growth within and outside India. So, overall we believe that the future of the Company is quite bright Thank you

Moderator : We move on to our next speaker, Miss Reshma Srivastava.

Ms Reshma : *Namaskar,.mera naam Reshma Srivastava hai, aur mai is company ki shareholder hu. Mai janna chahti hu ki Dalmia Refractory ne Covid ke samay lockdown me apne logo ko protect karne ke liye kya steps liye hain?*

Mr Sameer : Okay Thank you for the question. I think as a Company, we responded, in my assessment quite well, to the onset of covid and the actions thereafter. We followed all the guidelines issued by different Governments, state, local to ensure that employees were well protected and taken care of. Of course, we went beyond the notifications. As a part of the, you know, initiatives by our group, Dalmia Bharat group, there were a lot of actions which were initiated to support employees in this difficult times. We constituted a team called, Feet On Street, whose primary role was to support anyone who needed help,

from they were either suffering from covid illness or any of their family members had this issue. If they required any hospitalisation help, any medicine help, any food deliveries, anything. You know, that's what we did to support our employees and their families.

Of course, we also made adequate arrangements to ensure that the Company continued to, Company's work continued, work from home and necessary infrastructure support was provided to the employees. Thereafter, as the situation's have improved, changed, we have moved to a hybrid model of work from home and work from office. But our primary focus remains protection of our employees from covid. Even in our plants, we have taken adequate steps to protect workmen from this disease. Thank you.

Moderator : Thank you. We would move on to our next speaker, Mr. R Balamurugan. Sir, we request you to kindly unmute yourself, switch on the camera and proceed with asking the question. Thank you Mr. R Balamurugan.

Chairman sir, we are not receiving any feedback from Mr R Balamurugan. He was the last speaker who had registered. Request you to kindly proceed with the rest of the event. Thank you.

Deepak Thombre : Thank you.

Akansha : Thank you. So I think that was all we had in Q&A session, since Mr. Balamurugan is not able to present his question. So we'll move forward. We would request the shareholders whose query still remains 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.

I understand, Chairman sir is facing some technical issues today. So on his behalf, I will proceed with the meeting. The members may note that voting on 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. N C Khanna, Practising Company Secretary, as the Scrutinizer to supervise the remote E voting and E voting process at the meeting. Further, on receipt of the consolidated report from the Scrutinizer, the results of the voting will be declared. So I would request the Chairman sir, to authorise myself or the CFO sir, to declare the results 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've joined us today through video conferencing. So, on behalf of the entire Board and the Chairman sir, thank you all for attending the meeting. And we hereby declare the proceedings as closed. Thank you very much.