

RHI MAGNESITA INDIA

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	464
12 month price target (INR)	499
52 Week High/Low	756/376
Market cap (INR bn/USD bn)	96/1.1
Free float (%)	33.5
Avg. daily value traded (INR mn)	506.7

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	56.07%	56.07%	56.07%
FII	4.99%	5.01%	5.16%
DII	12.97%	12.65%	12.35%
Pledge	0%	0%	0%

FINANCIALS

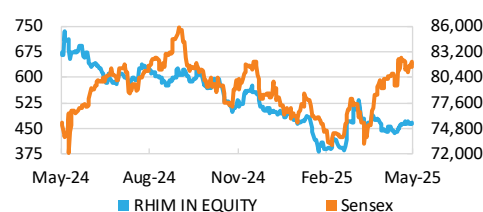
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	37,811	36,745	39,550	43,505
EBITDA	5,459	4,791	5,510	6,410
Adjusted profit	2,257	2,025	2,541	3,433
Diluted EPS (INR)	10.9	9.8	12.3	16.6
EPS growth (%)	5.3	(10.3)	25.5	35.1
RoAE (%)	6.7	5.2	6.2	7.9
P/E (x)	42.8	47.7	38.0	28.1
EV/EBITDA (x)	18.3	20.5	17.3	14.2
Dividend yield (%)	0.5	0.5	0.5	0.5

CHANGE IN ESTIMATES

(INR mn)	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	39,550	43,505	-1.4	-1.4
EBITDA	5,510	6,410	-7.4	-4.1
Adjusted profit	2,541	3,433	-9.8	-1.7
Diluted EPS (INR)	12.3	16.6	-9.8	-1.7

PRICE PERFORMANCE



Navigating through overcapacity market

During Q4FY25, RHI reported lower-than-expected EBITDA of INR930mn (our estimate: INR1.2bn), down 26% QoQ due to lower volumes and stiff competition from Chinese imports/domestic producers. Better product mix led to higher GM (40.5% versus 37.5% in Q3FY25), but this was offset by higher employee and other expenses, pushing EBITDA margin lower QoQ by 230bp to 10.1%.

Despite overcapacity in the market, RHI guides 8–10% YoY volume growth in FY26 with improved margins. Falling RM costs and improved pricing in select products shall lift EBITDA margin to 14–15% from Q2FY26E. In all, we are cutting FY26E/27E EPS by 10%/2%, yielding a TP of INR499 (earlier INR507), based on 30x FY27E EPS; retain 'HOLD'.

Volume decrease hurts revenue, down 9% QoQ

Consolidated revenue at INR9.2bn was down 9% QoQ primarily due to lower volume (down 13% QoQ to 124kt), partially offset by higher realisation (INR74,093/t, up 4.6% QoQ). Volume was down due to lower cement demand (seasonality effect) and one-time project delivered in Q3FY25. Moreover, management did not get involved in a pricing war and thus had to forego few low-priced commodity grade orders, affecting volume. Generally, specialised products constitute 25–30% of volume.

EBITDA declines 26% QoQ amid lower volume and higher opex

Management's focus on foregoing low-priced orders and focusing on specialised products helped to garner gross margin of 40.5% (Q3: 37.5%). However, this came at the expense of lower volume. Cheap Chinese imports and intense domestic competition did not allow RHI to pass on higher-priced RM cost. Moreover, Q4FY25 was affected by higher employee cost (up 16% QoQ to INR1.06bn) and other expenditure (up 7% QoQ to INR1.73bn). As a result, EBITDA margin dipped to 10.1% (down 230bp QoQ) and EBITDA/t of INR7,503, down INR1,265/t QoQ. RHI's exports (9–10% of total sales) continued to be lacklustre amid poor demand. Amid lower EBITDA, PAT was lower at INR362mn, down 24% QoQ.

Earnings bottoming; margin improvement likely Q2FY26E onwards

We reckon margins shall improve from Q4FY25 levels despite persistent competition from Chinese imports and domestic producers (particularly in cement), which disallows RHI from raising prices. Management has been successful in raising prices selectively. A fall in RM cost (likely to show up in P&L in Q2FY26) would help RHI to revive EBITDA margin to ~15% from Q2FY26. Volumes should revert to normalcy with ~8% YoY growth likely in FY26E/27E.

Financials

Year to March (INR mn)	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	9,180	9,433	(2.7)	10,107	(9.2)
EBITDA	930	1,483	(37.3)	1,251	(25.7)
Adjusted Profit	362	679	(46.7)	475	(23.9)
Diluted EPS (INR)	1.8	3.3	(46.7)	2.3	(23.9)

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	37,811	36,745	39,550	43,505
Gross profit	15,432	14,901	16,057	17,794
Employee costs	3,744	3,835	4,219	4,641
Other expenses	6,228	6,275	6,328	6,743
EBITDA	5,459	4,791	5,510	6,410
Depreciation	1,825	1,999	2,039	2,080
Less: Interest expense	642	426	180	40
Add: Other income	110	261	106	301
Profit before tax	3,103	2,627	3,397	4,590
Prov for tax	846	601	856	1,157
Less: Other adj	(3,258)	0	0	0
Reported profit	(1,001)	2,025	2,541	3,433
Less: Excp.item (net)	(3,258)	0	0	0
Adjusted profit	2,257	2,025	2,541	3,433
Diluted shares o/s	207	207	207	207
Adjusted diluted EPS	10.9	9.8	12.3	16.6
DPS (INR)	2.5	2.5	2.5	2.5
Tax rate (%)	27.3	22.9	25.2	25.2

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
EBITDA margin (%)	14.4	13.0	13.9	14.7
Net profit margin (%)	6.0	5.5	6.4	7.9
Revenue growth (% YoY)	38.7	(2.8)	7.6	10.0
EBITDA growth (% YoY)	51.7	(12.2)	15.0	16.3
Adj. profit growth (%)	15.7	(10.3)	25.5	35.1

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	6.2
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	82.8	84.0	86.5	86.5
Sales volume(Kt)	495	500	540	583
Gross margin(%)	40.8	40.6	40.6	40.9

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	42.8	47.7	38.0	28.1
Price/BV (x)	2.5	2.4	2.3	2.1
EV/EBITDA (x)	18.3	20.5	17.3	14.2
Dividend yield (%)	0.5	0.5	0.5	0.5

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	207	207	207	207
Reserves	38,251	39,780	41,804	44,722
Shareholders funds	38,457	39,986	42,011	44,928
Minority interest	0	0	0	0
Borrowings	3,626	2,458	458	458
Trade payables	5,825	6,217	6,392	7,031
Other liabs & prov	1,945	1,795	2,586	2,763
Total liabilities	51,154	51,758	52,750	56,484
Net block	6,506	6,394	5,855	4,775
Intangible assets	21,545	20,903	20,903	20,903
Capital WIP	488	633	633	633
Total fixed assets	28,539	27,930	27,391	26,311
Non current inv	0	0	0	0
Cash/cash equivalent	533	992	1,654	5,860
Sundry debtors	8,169	7,330	8,217	9,039
Loans & advances	0	0	0	0
Other assets	13,279	14,719	14,701	14,487
Total assets	51,154	51,758	52,750	56,484

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
PBT	(155)	2,627	3,397	4,590
Add: Depreciation	1,825	1,999	2,039	2,080
Interest (net of tax)	642	426	0	0
Others	3,648	(24)	0	0
Less: Changes in WC	(2,400)	(574)	98	208
Operating cash flow	2,706	3,731	4,679	5,722
Less: Capex	(821)	(1,191)	(1,500)	(1,000)
Free cash flow	1,885	2,540	3,179	4,722

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	6.7	5.2	6.2	7.9
RoCE (%)	8.6	7.2	8.4	10.5
Inventory days	90	98	98	87
Receivable days	77	77	72	72
Payable days	70	60	58	56
Working cap (% sales)	36.7	38.8	35.8	32.0
Gross debt/equity (x)	0.1	0.1	0	0
Net debt/equity (x)	0.1	0	0	(0.1)
Interest coverage (x)	5.7	6.6	19.3	108.2

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	5.3	(10.3)	25.5	35.1
RoE (%)	6.7	5.2	6.2	7.9
EBITDA growth (%)	51.7	(12.2)	15.0	16.3
Payout ratio (%)	nm	25.5	20.3	15.0

Exhibit 1: Consolidated financial snapshot

INR mn	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY26E	FY27E
Revenue	9,180	9,433	-2.7	10,107	-9.2	36,745	39,550	43,505
Raw material expenses	5,459	5,393	1.2	6,321	-13.6	21,844	23,493	25,712
Employee Expenses	1,059	933	13.4	913	16.0	3,835	4,219	4,641
Other Expenses	1,732	1,623	6.7	1,622	6.8	6,275	6,328	6,743
Total Expenditure	8,250	7,950	3.8	8,856	-6.8	31,954	34,040	37,096
EBITDA	930	1,483	-37.3	1,251	-25.7	4,791	5,510	6,410
Depreciation	467	443	5.4	548	-14.8	1,999	2,039	2,080
Other income	9	42	-78.8	68	-86.9	261	106	301
EBIT	472	1,082	-56.4	771	-38.8	2,792	3,471	4,330
Interest	94	135	-30.5	128	-27.1	426	180	40
Profit Before Tax	378	(2,310)	-116.4	643	-41.2	2,627	3,397	4,590
Tax	16	269	-93.9	168	-90.2	601	856	1,157
Reported Profit	362	(2,579)	-114.0	475	-23.9	2,025	2,541	3,433
Adjusted Profit	362	679	-46.7	475	-23.9	2,025	2,541	3,433
Diluted Shares	207	207	-	207	-	207	207	207
Adjusted Diluted EPS	1.8	3.3	-46.7	2.3	-23.9	9.8	12.3	16.6
As a % of revenue								
Dec/(Inc) in stock	59.5	57.2		62.5		59.4	59.4	59.1
Employee costs	11.5	9.9		9.0		10.4	10.7	10.7
Other Expenses	18.9	17.2		16.1		17.1	16.0	15.5
Total expenditure	89.9	84.3		87.6		87.0	86.1	85.3
EBITDA	10.1	15.7		12.4		13.0	13.9	14.7
Reported net profit	3.9	(27.3)		4.7		5.5	6.4	7.9
Tax rate	4.3	(11.6)		26.1		22.9	25.2	25.2

Source: Company, Nuvama Research

Exhibit 2: Operational performance

(INR/t)	Q4FY25	Q3FY25	QoQ (%)	Q4FY24	YoY (%)
Volume (000 t)	124	143	-13.2	124	-0.1
Realisation/t	74,093	70,812	4.6	76,089	-2.6
Adjusted EBITDA/t	7,503	8,768	-14.4	11,963	-37.3

Source: Company, Nuvama Research

Q4FY25 conference call: Key takeaways

Q4FY25 operating performance

- Q4FY25 sales volume decreased 13% QoQ to 124kt, primarily due to oversupply created by competitors at lower prices. This led to few order cancellation as RHI refused to accept orders at lower margins (4–5%).
- Capacity utilisation at the consolidated level decreased to 60% (versus 67% in Q3). Production was 77kt (versus 86kt in Q3), down 11% QoQ.
- RHI has acknowledged intense supply from incumbent competitors resulting in pressure on volume and margins for the company. However, the company is not vouching for lower prices and thus lower margins for want of volume growth. Management is aiming to improve the value proposition by focusing on R&D, product portfolio enhancement through transfer of technology from the parent company and focusing on cost optimisation.
- The competitive pressure is in the commodity product range (such as Laddle furnace, brick, Tundish, etc.) while in the speciality product segment (used in flow management) demand and margins are intact as customers continue to prefer quality over prices. The speciality segment is 25–30% of RHI's volume.
- Employee cost (up 16% QoQ to INR1.06bn) was high amid general inflation, government-mandated increase in minimum wages in Odisha and implementation of HR policy across three legal entities. This should sustain

Guidance

- Q4FY25 is a lean demand period in cement. High-cost fused alumina inventory continued to hit margins. Alumina price spiked from INR60,000/t to INR95,000/t, but prices have decreased to ~INR77,000/t. The inventory period is about two months. Hence, we will see the benefit of lower raw material cost July onwards (Q2FY26) and can hit EBITDA margins of ~15% (Q4 ~10%).
- Management guided for 8–10% volume growth YoY in FY26 despite overcapacity in the market. It took some price increase selectively, which shall be effective July onwards.
- Management guided for FY26 capex of INR1.5bn (65–70% shall be for erstwhile Dalmia's plant), primarily to increase operating efficiencies and enhance the product mix. The benefit of this capex will be visible FY27 onwards

Others

- Export market is still dull (~10% of volume) with no signs of improvement yet. RHI's long-term target remains to ensure exports constitute 30% of volume
- In India, competition is likely to add 150–175ktpa capacity within FY27. This will keep pressure on the overall industry margins amid overcapacity

Exhibit 3: Key assumption

Key assumptions	FY22	FY23	FY24	FY25	FY26E	FY27E
Sales volume (kt)		329	495	500	540	583
Gross margin (%)	40.2	37.4	40.8	40.6	40.6	40.9
EBITDA margin (%)	19.2	13.2	14.4	13.0	13.9	14.7
Net debt/EBITDA (x)	0.0	3.2	0.6	0.3	-0.2	-0.8

Source: Company, Nuvama Research

Exhibit 4: Change in estimates

New			Old		Change (%)	
INR mn	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	39,550	43,505	40,125	44,138	-1.4	-1.4
EBITDA	5,510	6,410	5,953	6,681	-7.4	-4.1
Margin (%)	13.9	14.7	14.8	15.1		
PAT	2,541	3,433	2,819	3,492	-9.8	-1.7
EPS	12.3	16.6	13.6	16.91236	-9.8	-1.7

Source: Company, Nuvama Research

Exhibit 5: Valuation

Particulars	FY27E
EPS (INR/sh)	16.6
P/E (x)	30
Target Price (INR/sh)	499

Source: Company, Nuvama Research

Company Description

RHI Magnesita India (RHI) is a manufacturer of wide range of refractories and monolithic for steel and iron industry having its clientele based in both India and international market. The company has a market share of ~30% in the Indian refractory market following the Dalmia OCL and Hi-Tech acquisition with a total capacity of ~512ktpa. Approximately 70% of its products caters to steel sector and rest to industrials (cement, glass, non-ferrous etc). RHI, headquartered at Gurugram, has a pan India manufacturing presence and has its manufacturing Unit in Bhiwadi, Vishakhapatnam and Cuttack. With the acquisition of Dalmia OCL and Hi-Tech, the company has its footprint now in Jamshedpur and West and South India market as well.

Investment Thesis

With RHI's total capacity increased to ~512ktpa after acquiring Dalmia OCL (300ktpa) and Hi-Tech with 62ktpa capacity. RHI has become the market leader in India with 30% market share.

We believe RHI's acquired capacity is currently operating at ~60% capacity utilisation, thereby providing RHI an unused capacity of 150kt, which would be ramped up in the next 3-4 years. This gives RHI enough room to cater to the increasing demand from steel industry.

Key Risks

- Dependent on raw material sourcing through imports
- Key segment recovery delay
- Slowdown in steel sales momentum can affect RHI sales growth projections, as it is the biggest revenue driver.
- Dalmia's stake of 13% in RHI with a lock period, which ended on 31st August 2023, providing risk of share supply
- Delay in turnaround of RHIRL's assets

Additional Data

Management

Chairman	Dr. Vijay Sharma
MD & CEO	Parmod Sagar
CFO	Azim Syed
Company Secretary	Sanjay Kumar
Auditor	PwC LLP

Holdings – Top 10*

	% Holding		% Holding
Axis AMC	2.73	Nippon Life AMC	1.00
ICICI Pru	2.63	Bandhan AMC	0.89
HDFC AMC	1.97	UTI AMC	0.78
Aditya Birla AM	1.25	Canara Robecco	0.67
Vanguard	1.22	Sundaram AMC	0.51

*Latest public data

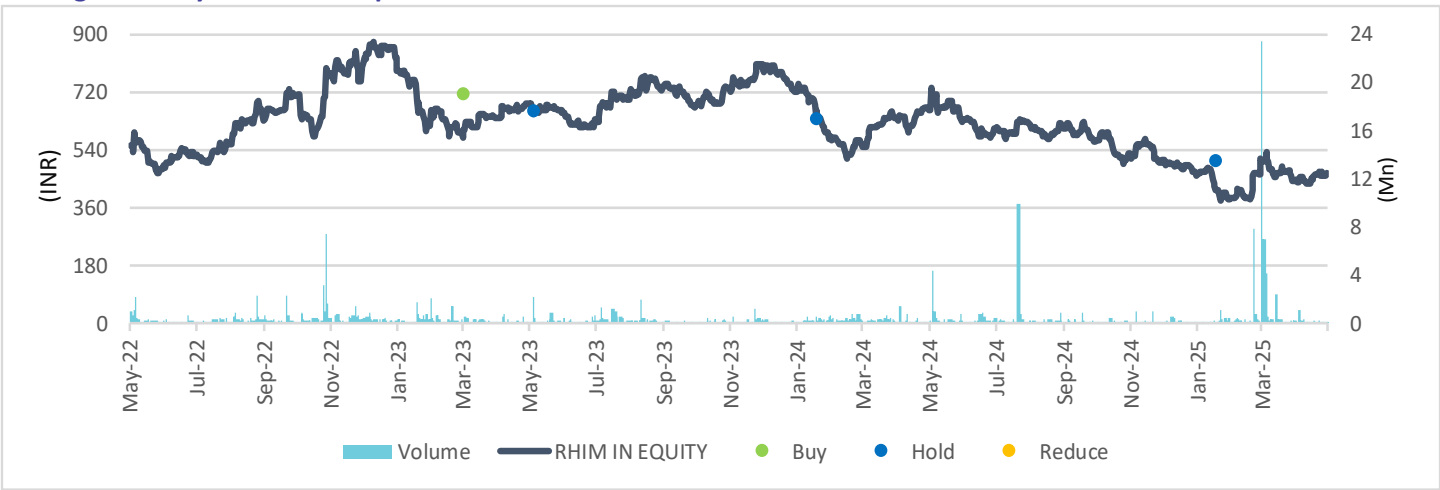
Recent Company Research

Date	Title	Price	Reco
13-Feb-25	Margin recovery delayed; <i>Result Update</i>	438	Hold
09-Nov-24	Input cost pressure hits margins; <i>Result Update</i>	574	Hold
14-Aug-24	Better product mix burnishes EBITDA; <i>Result Update</i>	591	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
27-May-25	Timken India	Margins improve; Bharuch key for growth; <i>Result Update</i>
24-May-25	Balkrishna Industries	Entry into new segments: A challenge; <i>Result Update</i>
23-May-25	Flair	Nothing to write home about; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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