



May 10, 2023

To,  
BSE Limited  
The Corporate Relationship Department  
Phiroze Jeejeebhoy Towers  
Dalal Street,  
Mumbai – 400 001

National Stock Exchange of India Ltd  
Listing Department, Exchange Plaza,  
5th Floor, Plot No C/1, G Block,  
Bandra-Kurla Complex, Bandra (E),  
Mumbai – 400 051

**Scrip Code : 520113**

**Scrip Code : VESUVIUS**

Dear Sirs/Madam,

**Subject: Transcript of the Investors Meet/Interaction - under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

In addition to our earlier communication dated May 3, 2023, regarding the Outcome of the 'Investors Meet' hosted by Vesuvius India Limited on Wednesday, May 3, 2023, in Kolkata, please find enclosed herewith the Transcript of the said 'Investors Meet'.

In accordance with Regulation 46 of the SEBI LODR, the aforesaid Transcript is being disseminated on the website of the Company i.e., [www.vesuviusindia.in](http://www.vesuviusindia.in), which can be accessed through below mentioned path:

[www.vesuviusindia.in](http://www.vesuviusindia.in) → Investors → Announcements

We request you to take the above on record and disseminate the same on your website.

Thanking you,

Yours faithfully,  
For **Vesuvius India Limited**



**Vikram Singh**  
**Company Secretary and Compliance Officer**  
(Membership No.: A16381)



“Vesuvius India Limited”

Investors Meet  
May 03, 2023

**Management:**

Mr. Biswadip Gupta - Chairman

Mr. Patrick Andre – Director

Mr. Nitin Jain – Managing Director

Mr. Henry Knowles – Director

Mr. Vincent Dujardin – President Advanced Refractories, Vesuvius plc

Miss. Nayantara Palchoudhuri, Independent Director

Mr. Rohit Baheti – Finance Director & CFO

Mr. Vikram Singh – Legal Director & Company Secretary

**Vikram Singh:** Please do not expect any answer on UPSI and please refrain yourself from asking any questions regarding UPSI, so we can start now.

**Management:** Sir, we have not heard from you for a very long time, so if you will give some opening comments on the outlook and how you are seeing the progress of the company.

**Biswadip Gupta:** So, did any one of you come for this AGM today?

**Analyst:** Yes. Some of us came.

**Biswadip Gupta:** It might be a repetition for you, but basically the year 2022 for Vesuvius has been very challenging, especially since steel plants were recovering from Covid and the biggest issue that the steel plants or other projects - the return of migrant labourers was a big issue. So, a lot of projects got held-up, delayed because of a shortage of manpower.

The second thing was because of the Russian/Ukrainian war, the logistic costs for all raw materials that were being transported from outside, all of you know how the container prices went up and availability was not there. So, there was a big issue with logistics managing the businesses for us. This was the second issue last year we had faced, and all followed from that.

Then there were two major consolidations that happened, one was on the steel plant side, there was a lot of consolidation that happened. Virtually now you have three -- if I leave out SAIL, you have just three major players now so that gives you a lot of advantage in the sense that you are talking to one company, one purchase man and you are in one go meeting, you are talking a lot of business. On the other hand, it also gives in a particular Indian context, a major issue in terms of purchasing power goes to the purchasers now. Unfortunately, we still work on that L1 concept.

However much we talk about values and all that, it still goes on that. So, to some extent and you cannot afford to lose a customer because we lose that, you lose a big customer. So, this was happening on our side and the other of course was because the export market was going down, a lot of Indian refractory companies who were predominantly exporters, had enough capacities to bring their materials into the country and that somehow causes disturbance.

So, last year was a very, very difficult year as far as these things were concerned, but credit to the team that works here, that brought in here and I am not even talking about the change of CEOs and the other things that we did, which was also if you really look at it, we had I think three different CEOs in a span of 2-3 years, which is not an easy thing for a company, which had stabilities in that. We did not have so many CEOs in the whole of history, but the leadership team took the challenge very well and with a very strong help of Patrick Andre and his team in Europe, we went through these entire issues much, much better. We were able to increase our market shares.

Now, I know there will be a lot more questions on market share because I know you have all attended a lot of other analysts meets and other meets. There was an increase in our market

shares, the costs were brought down significantly, we addressed the logistic issues in the ways we could - globalizing everything, central purchase, etc. and we fought and have been successfully fighting the Indian businesses and we have not lost any markets to anyone for whatever reasons.

So, the other thing that happened very strongly was this is the time when I remember Patrick Andre talking about the only way, we can get away from it is bringing in more technology and more technology and improve quality, improve safety, improve productivity, yield, etc. and we invested a lot of time and effort on these things. So, with these things, the performance as you have seen in 2022 was to my mind, a fairly satisfactory performance.

Could it have been better? Yes, if things were a little different, we could have had a better year, but more importantly, is it sustainable? That is, I think the question that we would like to answer ourselves that, is the performance that the team delivered last year, sustainable over the coming years. That answer is something that unfortunately, I cannot put my finger and say yes, no, maybe. But whatever trend we are seeing so far, and this is the month of April end, it sounds, it seems that Nitin and his team will sustain this momentum. Beyond this, I do not think you expect any more detailed numbers, but the suffice to know that the performance of last year would not be a flash in the pan, would not be just like that, would be systematic deliverable results which have come in with a lot of work and effort which has gone on.

So, the second thing that happened last year was as I said in the AGM, it is a watershed year for us because after 2000 when we acquired part of CUMI in Vizag, we had not done any major investments. We were looking for it but did not somehow work out. Last year, we invested and completed two major expansions, one in Kolkata, one in Vizag at a cost of about close to INR100 crores between the two of them. We bought fresh land in the industrial area in Vizag, not far from our current two factories.

About 21.8 acres of land, we bought and we announced and laid the foundation stone and work has already started on two projects for two different product lines. And as we mentioned there, the product lines are one, mould flux. I am sure you are all aware of it, that Vesuvius now owns the mould flux powder called Metallurgica. So, Metallurgica is transferring its know-how and knowledge for a green field plant in Vizag. So, we will be making the mould flux powders here which are currently imported and we will be supplying them from here, which was not in our product basket earlier, but very much complementing our product range because as you know mould flux powder is used on the casters, where steel is transformed between liquid to solid. So, we will be making that in Vizag within 2024 we will start the production.

We are also starting up a basic monolithic plant which is also going to be a top product line - we are missing a lot of businesses in those two areas. So, these are two things that have started and as Patrick was mentioning in the morning, this 21.8 acres land has a lot of potential to have new businesses, new product lines in the future which we are looking into very, very seriously. I mean I do not think we are in a position to disclose any more than that and as far as this is concern, but it is an opportunity for us which we found that in one site we can perhaps have four

or even maybe even five new product lines coming up there. Two have already been announced more will be coming, when we do not know, but it is a possibility.

As far as inorganic expansions are concerned, as usual, we have our eyes open, but we really do not see something that fits our strategies and profiles at the moment, including some of the ones that went on recently to other people which we can discuss later, but at the moment we are looking around, but we have not found anything which will be suiting us, but we have kept our provisions we have kept enough funds with us we are well equipped, in case something happens we will jump into it.

So, this was last year in short and other than that I do not think there is anything left Nitin Jain in terms of highlights for last year, I do not think so.

**Nitin Jain:** I think well summarized. Maybe you may add a few comments about working capital management which has been quite efficient.

**Biswadip Gupta:** And as I was saying that people always talk about you having so much money why do not you give it back to us and things like that you know we discussed we see this. So, I was saying this is a backhanded compliment for us. The business is good, business is doing well and that is generating good cash and we are seeing that. So, when you are saying that even after spending about a year marking INR100 crores to INR200 crores. How much money did we spend last year in total capex about INR150 crores - INR200 crores?

**Rohit Baheti:** Last year was INR112-113 crores.

**Biswadip Gupta:** And this year also we have kept a significant amount. Even after that if your cash reserves are not going down which is good, I think it tells that something is being done well right in our way. So, that is one. And working capital management, there is a huge amount of pressure for reducing stocks, getting the debtors cleared up, talk to the customers making sure that we get paid on time. We have an inherent issue which is basically our way of working is on a solution-selling basis which means, we supply material today and once only once when it is used that we can make the final billings.

So, and then every customer has its cycle of payment period. So, by the time you may have supplied the materials or used the raw materials, there is a time lag when you get paid. So, that is being addressed we are looking into that how to reduce that there have been a lot of discussions we even tried factoring this out and all that, but it did not work out very well. So, we are working on that issue. But inventories, the debtor management's - trade working capital as we call that TWC is, very much within thing I think we are talking of a value of 20 - less than 18%-20%.

**Nitin Jain:** Slightly above, but yes.

**Biswadip Gupta:** Average is about 18%, 20%.

**Nitin Jain:** But if you look at our last four years it has continued to go better.

- Rohit Baheti:** Our net working capital or cash conversion cycle has reduced significantly over the last three years.
- Biswadip Gupta:** So, that is it and Patrick anything else I missed?
- Patrick Andre:** No.
- Biswadip Gupta:** So, that is the little bit of background. So, how do we do this? Everybody will have a question.
- Rohit Baheti:** So, let us just probably restrict the number of questions to one per person given the number of people we have, and I am sure a lot of questions will be repeated so probably we can start from this table and then we go around the corner does that work?
- Vikram Singh:** So, regarding this, can you please first speak your name because the transcript will be made public.
- Abhishek Poddar:** So, I am Abhishek Poddar from HDFC Mutual Fund. So, my question is regarding the expansion that you have just concluded. If you could give us, how should we assume the benefit of this will go into the number meaning how the ramp up will happen over the years? There will be some understanding of that? And also, in terms of the new expansion that you are talking about what kind of capex commitment will be there, when it will be finished and how we will be able to do that?
- Biswadip Gupta:** The first one is the expansion in the Kolkata plant. That expansion has resulted in an increase of capacity by about 35% to 40%. I was told that it could even be 50%. So, the isostatic press products that we have has increased by about 50%. And also, what has happened is, many of you may have seen the plant or may not have seen the plant. What has happened is that expansion has allowed us to ergonomically lay out our existing facilities also. That old factory plant which we had "old" i.e., now being laid out a little different way because now we have more space. So, that cramping is gone now ---- movement and flow of materials are much better. So, this is the first one.
- The second one is, in Vizag, we were running short of monolithic precast products. We have big backlogs coming up and we had to work hard to get that. So, we had to add additional capacities. So about 50% capacity increase from the precast facility has happened. So, if you recall the Vizag there are two factories now. One is, we where we make the monolithic mixes and the second one is where we convert those mixes into precast blocks - different shapes and blocks. Also, the one part of side of that factory we also make the taphole clays. So, I am talking of the aluminium silicate that is this side of business i.e., the precast. So, that has doubled. So, two have doubled and the total investment in these two plants as I said is about close to INR100 crores that is done already. These are working. They have already started working.
- And in the new factories that we mentioned (the new plants the two product lines), the total capex intended will be roughly...

**Rohit Baheti:** For the two new plants which are coming up, the total capex will be close to INR93 crores, the basic mono and the flux plant we are talking about.

**Patrick Andre:** To understand the benefits we have an ambition to double our business in India in the next 5 to 10 years and for this, we need new capacity because our business has been running well in India over the past few years, we are now reaching close to full capacity for a certain number of product lines. By increasing our isostatic capacity by 50% or precast capacity by also 50%, we are laying the foundation for the continuous expansion of the business. And what is very interesting and it is one of the big attractions of Vesuvius is to see the low capital intensity of our business.

We were talking INR93 crores to INR100 crores to increase two of our key product lines by 50% is very cheap. It's very cheap. We are a low capital-intensive business, and we want to remain a low capital-intensive business and the reason why we are not and we do not want to be integrated into mining. We don't believe that mining has any interest for a business of ours because we grow through technological differentiation with a low capital intensity and that's the reason why our business always remains free cash flow generative whether in good times or in bad times. We always generate free cash flow for our shareholders which is extremely positive, and this free cash flow enables us to fuel the growth of the business going forward.

That's exactly the reason why you will find no debt on the balance sheet of Vesuvius India and despite the investment that we are currently undertaking and the investment that we are planning to do in the coming years to grow even further our capacity both in existing product lines and in new product lines like fluxes that we may decide to integrate and introduce in India. We in all the simulations that we are doing we should remain with a very strong balance sheet meaning that we would not need to tap the debt market and even less to increase our share capital. I think this is quite important. It's one of the specifics of the Vesuvius business model - strong cash generation.

**Abhishek Poddar:** And I think there's a follow up on this. There was some understanding that the capacity commissioning which has happened in Kolkata and Vizag, how will the ramp up of the plant happen and how many years should we assume that the plant would be fully occupied?

**Patrick Andre:** If I tell you that our ambition is to double the business in 10 years, I sincerely hope that before the next five years, we will not have enough. So, the objective is that we saturate this new capacity in the coming five years. And I hope sooner, which will be good news. If we need to invest a little bit more sooner than that, it will be that we will be ahead of our plan, which will be a very good news.

**Ambar Singhania:** Hi, sir. This is Ambar Singhania from Nippon Mutual Fund. I have two questions. One is on the export side. Like now we are seeing India is evolving as an export hub for many industries and for many products as such. We have an advantage in terms of low-cost production and good quality products as such. We as a house still have a slightly lower export as such. So, what is the reason there? What are we doing to increase the exports maybe to the parents, sister concerns.

How can we make India a larger contributor to the global parents' requirements in terms of exports? And what are your internal target maybe 2 to 5 years horizon in terms of what will be the export as a percentage of sales that is first? And the second is that 3 - 4 new product line which sir has just spoken about or there are four to five new product lines. What is the overall market potential size of those products? And what kind of revenue we are looking at more from a longer term particularly as three to five years coming in from those additional products or the newer products?

**Patrick Andre:**

Regarding your first question, it is not a strategy of Vesuvius India to develop exports. We are very clear and transparent. We have at a global Vesuvius Group level a strategy of being local. So, we produce in China for China. We don't export much from China. We produce in India for India and Southeast Asia. We produce in Europe for Europe, in North America for North America, in South America for South America. So, export is not the main focus of our strategy. The focus of our strategy is the domestic market of India and to a lesser extent Southeast Asia, but mostly the domestic market of India which would be one of the fastest growing markets going forward. So, we are investing primarily to support the growth of the Indian market with a strong focus on the satisfaction of our Indian customers.

**Biswadip Gupta:**

This has been our strategy from day one. There could have been opportunistic sales once in a while here and there. Suppose some plant in Europe is not working and they need something urgently or something like that. That could switch but generally, it has always been India for India.

**Ambar Singhanian:**

But we have 25% of our traded goods that can be impacted.

**Patrick Andre:**

We don't trade goods. This is a very important point. I think you are referring to other players in the industry, we don't. From the beginning what Vesuvius has been selling in India is what's produced in India. So, Make in India has been a Vesuvius strategy for the past 30 years with Mr. Gupta. So, 95% of what we sell in India is produced in India and it was already like that 10 years ago. When we increase our sales in India, we invest in manufacturing capabilities in India including for new product lines that we are now progressively introducing and this will be the case in the future.

The reason why we are doing that is because we believe that the world is becoming more fragmented. We are not convinced that choosing one region to export to the rest of the world is a sound long-term strategy. By the way, we are seeing it for people trying to import into India. India is not an exception. You see that, Indian customers are more and more demanding that the goods that they purchase have to be produced in India. But India is not the only one in the world to have this kind of strategy.

You will find that everywhere. In the US, US customers want more and more the goods that they are purchased to be produced in the US. Brazilian customers want more and more the goods that they are purchasing to be produced in Brazil. The Make in India strategy that you know very



well, there is also a Make in America strategy, a Make in Brazil strategy, a Make in China strategy.

So, each region has its own geopolitical vision and we believe that those people producing locally will have an advantage. So, these are strategies that we are adopting everywhere in the world. So, what we produce, what we sell in India we believe has to be mostly produced in India. This is already the case and will continue to be the case going forward. What is consumed in other regions, most of the cases will be produced in other regions.

**Ambar Singhania:**

And secondly about the new products which you are going to add, what will be the potential size of the market and what kind of market share we are targeting over the longer period of time in that?

**Patrick Andre:**

So, this is confidential information about what market share we are targeting, so we will tell you when we get there. But what I can tell you is that, first, I have to confirm that the decision we have made to introduce the mould flux product line in India is not the only one we will make in the coming years. There will be other similar decisions taken in the coming years to introduce also other manufacturing product lines for a product which for the time being, are not manufactured by us in India.

And the second thing is that, generally when we introduce something we have strong ambitions and that we never introduce a product line to keep the status quo in terms of what our presence is on the market. So be it for the mould fluxes or for other product lines that we may introduce in the coming years in India, we will have strong ambitions to gain market share based on this new manufacturing setup.

**Ambar Singhania:**

Any number you can put there in terms of market size? Any ballpark number?

**Patrick Andre:**

No, because market is not given, the market is also something, especially in the type of product where we are operating, the market is something that you create, that you convince also the customers to use the products which they didn't use before. If I had asked you 30 years ago, if you needed an iPhone, you probably have told me, what is that thing? I will never have any use for that. So, there is a little bit of that in our industry also to convince customers to use different types of products, new generations, new technologies which sometimes some of them are not even aware that they could benefit from.

**Ambar Singhania:**

Last question if I can squeeze in. In the overall industry as we have seen a lot of consolidation has already happened. One of the largest competition has already acquired a couple of companies and taken the market share significantly higher. So, any comments from your side, how are you seeing the industry panning out? For us if the competition is increasing because of that or how do you see the overall industry panning out? Is it that the fringe players are getting away and it is making the top three players stronger, or the competition is becoming tougher now?

**Patrick Andre:**

You know, first and to come back to a very important point that Mr. Gupta mentioned already, our customers are consolidating. I think this is a point that is important to remind. It's true

worldwide but it's especially true in India where the customer industry, the steel industry in particular has been over the past few years consolidating quite significantly. So, the fact that the refractory industry is itself consolidating is a relatively logical development and we see that positively. Because when the industry consolidates, generally all players benefit from this. So, we support, generally speaking, we have a positive view on the idea that the industry, the refractory industry could or will consolidate even further.

As far as we are concerned, first I would like to remind when the industry consolidates, everybody benefits because you have less players, it means that there is less competition, so everybody benefits. So as far as we are concerned, we have some appetite for inorganic growth, but we have two important things. First, we have priority on organic growth because we are lucky enough to have differentiated products and to have strong organic growth opportunities. So, the first priority of the strategy is organic growth. Not all companies have these organic growth opportunities.

Vesuvius happens to have them because of our investment in R&D. So, our first priority, because this is the most profitable, this really corresponds to the core of our business, is to grow as quickly as possible, organically. And when I was mentioning earlier our plan, our objective, to double the size of Vesuvius in India in the next five to ten years, I was only referring to organic growth. If there would be inorganic growth, it would come on top of that. So, we really believe that we have the potential to at least double our business in India, only based on organic growth and this is today our absolute priority.

Regarding inorganic growth, if there is one day, an attractive opportunity to grow inorganically on top of organic growth, we will look at it with a lot of attention for the time being, but this has not been the case. And what I mean is attractive, we need two criteria for a company to be attractive to us. The first one is that it should bring us something from a technological point of view. It should be something that we believe we are not able to do ourselves from a technological point of view. For the time being, we have not seen that.

And the second important thing is that it should be available at a reasonable price because we are extremely disciplined in our approach to external growth. We don't want to buy something which we know already how to do at a too high price. Because if we already know how to do it, it's much less expensive in terms of capital allocation to invest ourselves in the production capacity to manufacture directly what we already know how to do. And this is really the philosophy behind our decision to expand by 50% our isostatic capacity in Kolkata.

So, the cost to increase by 50% of isostatic capacity in Kolkata is less than one-tenth the cost of acquisition. So, why would we waste money in an acquisition when it would be a rip-off for our shareholders if we would do that? So why would we waste our money by making an acquisition when we can do it ourselves for one-tenth of the cost? So, this is our philosophy, but maybe at some point, we'll find there will be a potential acquisition for a company doing things that we don't know because we don't know everything. We are good at what we do, but we know what we know, but we also know what we don't know. So, if a company can bring us something to

add to our technology portfolio and at the same time enable us to penetrate new markets in an efficient and quick way, this is something that we may consider at some point in time if the opportunity would arise.

**Deep Master:**

My name is Deep Master, I'm one of the Financial Consultants. We've been invested in Vesuvius for over two decades. So, thanks for doing this in person again after a while. So, you mentioned two product lines, one was the mould flux and the monolithic. So, are these products now taking you more into steel making because historically we were in flow control and ironmaking we were stronger. We didn't have a play on the steel-making side. So, do this mark an entry for us into steel making or are they still within the flow control?

**Patrick Andre:**

So, flux is completely into the flow control part. Flux is typically a flow control product line. It's where we are expanding worldwide. We made some acquisitions; we acquired a German company Metallurgica ten years ago. Then we had a US company, then a Brazilian company and now we are setting foot here in India. It could be our first footprint in Asia for this product line. And it's typically flow control. Basic monolithic is both - basic monolithic is very useful in the continuous casting area which is close to flow control but can also be used in the melting refining for BOF and EAF gunning which is also an area where we are planning to expand.

**Deep Master:**

I have another question about your margins. We've seen the best margins a few years ago and we had to kind of get back to our heydays. So just trying to understand that with all the activity happening should it be expected that the company is now also focused on boosting the margins? Not asking for a number and not asking for a time frame. But if you can just give some commentary on how you are looking at margins.

**Patrick Andre:**

I can tell you how we as shareholders of Vesuvius, we are looking at the potential of Vesuvius. After that, it is the role of Nitin to make it happen. But we as shareholders of Vesuvius, believe that the margin potential of Vesuvius India, long term, is what we've seen, that the recovery that you've seen over the past couple of years, which I would like to congratulate the management for that, I think that it's a good job, that this recovery I believe is only the beginning of the story. We are absolutely convinced as shareholders and this is the way we are expressing ourselves at the board, that the potential for margin, long term margin of Vesuvius India is probably even greater than what you've seen in 2022. And I am very confident that the management of Vesuvius India will make it happen.

**Analyst:**

So just speaking on that, can you just elaborate on what happened in the last year, due to which we went into that range? We've come down on that range, so just to understand what we did through this.

**Patrick Andre:**

I think the real question is what did it drop? Because the real question is what did it drop from three years ago?

**Analyst:**

In what kind of range that we used to deliver?

**Analyst:**

18% in 2017.

**Nitin Jain:** So, I think it's a mixed bag. If you look at the last four years, I think Mr Gupta addressed some elements of internal leadership challenges, right? And then external markets over the last three, four years have also been. It has gone from the 19's steel industry going through bankruptcy, a lot of focus on cost and a lot of consolidation to the 20's COVID when the market itself had a very significant turn. And what has happened over the last four years, especially at the initial part of 18, 19, and some part of 20 when customers were very, very cost focused, they lost focus on solutions, some of them.

And when the markets start to improve late part of 20 and 21, customers realize that the total cost of ownership of refractory (with Vesuvius) is better than others. So, the recovery that we see today is both in the sense of market share gain, where we have a lot of recovery of market and the new solution that we have been able to introduce. So, it's a mixed bag. I think external had a strong play in it, market in 2019, then COVID in 2020. Customer focus on cost and capacity management and things like that. In a market where 2021, excitement about growth and a lot more demand and we see that in 2022, and we see that going forward, all this new capacity coming up will only benefit customers who take a solution approach.

And consolidation, another positive side of consolidation is that larger customers are, I will not say maturity, but more inclined towards better solutions. They are willing to pay for it, and that's where we excel. So, we also see that customers, as they are focused on high-quality steel, high grades of steel, they're looking to improve their own operations, we see that increasing appreciation for solutions, and that's where we excel. So, it's a mixed bag of a story, but overall, as the volume picks up, you have a stronger trickle-down effect in your bottom line.

**Analyst:** But sir, the 18% margin, which was about 4-5 years back, it also was a function of some one-off orders which you executed on the export side?

**Nitin Jain:** Won't be able to comment on 18,

**Analyst:** 18%, A couple of years had a large export business of INR200 crores plus, and from what we have understood, is it correct or not? So, we need not look at those margins, but we can look at...

**Nitin Jain:** I think what we should look at, what matters to all of us is year-on-year improvement, right? So, now that being said, , two comments, right? Number one, local for local, that Patrick talked about, and Mr. Gupta talked about. Today, what we produce in India is as good as, what we produce anywhere else in the world. So, the product that we produce -- for the steel industry, and that to some extent cement as well, the (performance) demand in India is not any less than the customer that we face in Europe and America.

In fact, it's more because of the new capacity which is coming up with new technology, and the demand for higher-refractory technology is not less than what we see in Europe or America. Because of the strategy that (Vesuvius) Group had, and it's not new, it has been a historical strategy - local for local, our manufacturing setup, and it's not just the plant, it's the people that produce it at the end of the day. The skill set of the people in the management team is available today, which has developed over decades to produce those high-quality products. Our plants in

India are as efficient or more efficient than our best global plants. So that gives us a market edge in terms of -- we don't have to develop those skills, we already have those skills in our organization.

**Analyst:** So, should we look at -- just to comprehend it much better, should we look at the margin profile of the relative geographies of Vesuvius, relative companies of Vesuvius, when you say local for local, we should look at the more recent margin of 14% as a reference. Because the range is very large. So, when we look at local for local, then we look at the relative geographies of product lines as similar.

**Nitin Jain:** Margin is a function of the external market.

**Analyst:** That you said, address.

**Nitin Jain:** And of course, we stay away from giving any future guidance -- but what Patrick and Mr. Gupta said....

**Patrick Andre:** there is no reason, there is no structural reason why the Indian market should be less profitable than other markets. So, this is -- I know there is a lot of mythology about it. My answer is no. There is no reason why India should be a less profitable market than the US market or the Brazilian market or the Italian market or whatever. If I may, in some respect, for the reasons that Nitin mentioned, it could even be the other way around. Because the business of Vesuvius is to propose products and solutions that competitors are unable to propose. It's to differentiate technologically for this you need demanding customers.

The worst customers for Vesuvius, the ones with low profitability, are the customers who are not demanding, which are producing easy steel, the type of non-differentiated type of steel, where they don't need special solutions to reach the best quality steel. This is not the way I'm seeing India developing. One of the specifics of India is that most, if not all, steel makers have the ambition to go up the technological ladder to produce quality steel in India which is at par, with the best steel producers outside of India. And for these reasons, if they want to do it, they will need to use high-quality flow control or advanced refractories consumables. And this is exactly what Vesuvius is doing.

And so, I see no reason why, from a longer-term perspective, the profitability of our activity in India would not be at the same level, if not better than the profitability of the equivalent activity in other parts of the world. And then the problem of export and not export becomes in some respects, a bit irrelevant. Already today, many export markets are less profitable than the Indian market. Several export markets in some Middle Eastern countries, for example, are less profitable than the Indian market because the customers there are less sophisticated than the Indian customers and are less inclined to valorise the quality of the consumables.

**Analyst:** Sir, two questions. One on the management and the royalty fee side, which was raised in the last couple of years from 1% to 3%. Is it not fees for a certain year or it tends to be every year and we need to figure it out over the years?

- Patrick Andre:** It's very simple. The management fees of Vesuvius are set at a level where it is the same for all regions in the world, which is a requirement from a tax point of view, you can make a difference.
- Analyst:** Sir, whatever level is set, is set for one year or there is a certain time period for which it is set?
- Patrick Andre:** There is a time period up until the moment we decide to change, as always, up or down. This is something that we are reviewing regularly. Depending on the level of activity of the respective regions, because globally, and these are OECD rules, so this is not something specific to Vesuvius, for management fees to be acceptable from a tax point of view, you need to use the same rules everywhere in the world.
- And those rules are not something carved in stone where you say, the result is not carved in stone, the formula is carved in stone. It's associated with the turnover, to the number of people. So as this is not stable in time, this can be revised from time to time. And I will say, generally speaking, the more regions become proportionately important in the global consolidated figures, the higher the percentage.
- Analyst:** The question is, how much of the portion of our business is capital refractory in nature, and how much is the consumer refractory in nature?
- Management:** 95% plus consumables. Our business is consumable. We nearly have no capital goods. We are really, really consumables, and we will remain so, even if we are developing in robotics. Robotics for us is, I don't know if the analogy with coffee, but robotics is for us the coffee machine of an espresso system. So, robotics is a way to accelerate the sales of consumables. So, we sell a little bit of robotics, but we sell robotics exactly like a coffee machine is made to make you consume more coffee capsules. Robotics for us is a way to accelerate the penetration of our consumables with our customer base.
- Priyank Chheda:** I am Priyank Chheda from Vallum Capital. My priority is to know more about Vesuvius and we are very sure that the growth path ahead is very clear for us. I need clarity on this, we have a service income that has grown from INR300 crores to INR600 crores, and that's the whole delta that has come for the full year in the total revenues. So, if you can provide more clarity on what is the nature of this service income, sustainability, would this help in gaining margins, or is this a re-classification or is this a one-time -- I mean if you can clarify that, that's one?
- Second, need a clarification on the press release that we had, that we had announced INR500 crores of capex plans, but what I can reconcile is the INR90 crores capex plan that you have given clarity on. So, if you can provide more clarity on the rest of the balanced capex, how and when we would do that? And the third clarity I want is on the exports. So, on your conference call, with your investors globally, you did mention that India would be a manufacturing hub across the Asia. So, would it be that it is only restricted to India or would it be restricted to Asia, more clarification on that.
- Nitin Jain:** Indian service, so a large part of our business that we do, we don't only supply refractory, we also guarantee the performance. And customer benefit because they can rely on the expertise of

Vesuvius in terms of refractory. And what we have seen over the years, customers increasingly give more trust to Vesuvius in delivering and managing the refractory requirement. In return, we also benefit by maximizing performance for customers and customer rewards for it. Now that being the background, over the years if you see the history, the service part of the business continues to grow as more and more customers move towards total service management, which basically helps us in maximizing the benefit for customers. And in return, customers also become increasingly more demanding of performance. So that's the background.

Yes, it's increasing. It has increased over last year because we had a number of new projects, new capacity which came up with our own solutions and then some existing customers who also moved to our total service management. So that's the background. Now going forward, whether it will go up or not, it's difficult to comment, but I don't see any reason for any structural change significantly either way.

**Biswadip Gupta:**

So that's on the service then. It depends also on which are the customers which take service contracts from you. And what are the plans for increasing capacity production? So, if you take the four or three major customers groups, all of them are on service contracts. So, sustainability is certainly guaranteed because when they increase that production, that service contract part goes up. So that part will continuously go on increasing. Not as Patrick said, the small, non-differentiated steel plants that have, say, small batches of stainless steel, can't use it for long periods.

So, service contracts are basically for those big groups. And that's how it started. We wanted to differentiate Vesuvius from the others and it still works. There's also another advantage to service contracts. It's not just products. It's the knowledge that goes and skill that goes along with people who manage those contracts. This, the competitor finds it very difficult to emulate. Today, if you see a differentiator, a key differentiator between Vesuvius and other competitors, one of them is that we are very strong in service contracts, whereas others are trying to develop this and they are not as good as Vesuvius at the moment.

**Nitin Jain:**

The other question on capex and export, I think it has been addressed already. So, I will not comment on it.

**Patrick Andre:**

I've not made the math, but I think that what we have already invested in between Kolkata, Vizag, and the acquisition of the Vizag land. We are probably today, I think it would correct me, but probably closer to 150 plus.

**Biswadip Gupta:**

More than that, 62 crores only on land

**Patrick Andre:**

We are probably between INR150 and INR200 already. Now, not INR93. The INR93 was also partial. We are probably between INR150 and INR200. The other ideas that we have in mind over the coming three to five years will bring us, in my opinion, probably above the INR500 crores. But this, we'll discuss it at the right time. When we will communicate on those investments the day, we are breaking ground on it. But the ideas that we have in mind that we

are currently studying very seriously on top of what has already been launched will, in my opinion, bring us at least INR500 crores.

**Priyank Chheda:** So, you said INR150 crores to INR200 is the number that we should look for Vizag in coming years.

**Biswadip Gupta:** We have visibility on that.

**Patrick Andre:** INR150 to INR200 crores is what has already been done, what will be completed beginning of next year. The path which has already been launched, is already under construction and will be completely over and operational by the first quarter or second quarter of 2024. This is already done. On top of that, but we have other projects which will bring the total to, I think, at or probably above INR500 crores.

**Priyank Chheda:** And all of these are books of Vesuvius India?

**Patrick Andre:** Yes.

**Priyank Chheda:** The export just wanted to continue because, you know, there's a bit of a misunderstanding. Because we, in the global, all we've done, we've said that we'll be looking to export to Southeast Asia market out of India. And here there is a bit of a disconnect where we say that we'll want to manufacture locally for each of our jobs. What would be your strategy exactly for exporting to Southeast Asia? And one added question on that, whether that market we are already serving from some of our plants outside India that the business is already with Vesuvius, plc. and it has been through India or it's a fresh business that we need to gain in that market?

**Patrick Andre:** I will clarify this. Our manufacturing strategy is regional. So, we have defined, we say, big regions in the world. It's not country by country. Because otherwise, if we need to have one plant in every 173 or 174 countries in the world, I think it would not be very capital efficient. So, it's region by region. In Asia, we have two main manufacturing hubs. One is India. The other one is China. India is serving primarily India. And this is the main objective of India, is to serve India but is also exporting flow control products to Southeast Asia.

And China is serving primarily China but is also exporting flow control products to North Asia. So, Korea, Taiwan, Japan. So, in fact, in terms of flow control, we have two manufacturing hubs, India and China, for the whole of Asia. Not only for India and China but for the whole of Asia. For advanced refractory products, we are more granular. Some limited number of advanced refractory products are also exported from India and China to the rest of Asia. We also have manufacturing plants for advanced refractory products in Malaysia, Australia and Taiwan.

**Priyank Chheda:** So, with regards to the Southeast Asia opportunity in exports, what could be the potential market size? Because it's of India globally, that is one of the markets which is growing, you know, high single digits in scale. So, what could be the market opportunity size for exports to these markets?



- Patrick Andre:** I think it's a growing market. The Southeast Asian market is growing rapidly. Vietnam in particular is growing rapidly. And I think that Vietnam in particular, but for Southeast Asia, for flow control products will become relatively sizeable in the years to come. And the natural supplier of this Southeast Asian market for flow control products, again, not for advanced refractories, but for flow control products will be India.
- Analyst:** But sir, basically the competitive market with our largest competitor, we've seen that the margin that they are delivering is between high-teens and low-teens. So, what I want to understand is, sir, just mentioned that the service income has grown and that's the whole data. What I want to understand is this gap in the margin. Is that because of product mix or is that because we're not fully increasing?
- Biswadip Gupta:** Can I take this one?
- Management:** Yes, please, please.
- Biswadip Gupta:** You have to also see what our competitors offer. Perhaps they have a majority of items that we don't offer.
- Analyst:** Right, so that's what I want to understand...
- Management:** Obviously worldwide, not just in India, worldwide, these companies have product ranges where Vesuvius primarily had not been active. It doesn't mean that we are not going to be active. And beyond that, we cannot discuss at this moment and this is where I think Patrick Andre was holding back. So, yes, they have a basket of products that we do not cater to for the moment. They have developed this over the years. They have resources...
- Analyst:** One more thing sir, so they made a recent acquisition that you also just spoke about. DOCL acquisition that's happened, do our products compete with those products?
- Management:** So, let me clear this out for everybody because I'd been hearing and reading a lot about these two acquisitions they made, which one is Hi-tech and the other is Dalmia-OCL. Let's look at it this way. As Patrick Andre said, we do not want to do any inorganic acquisition growth which does not add value to our products.
- Analyst:** I understand that.
- Management:** So, at least bear with me for a minute. High-tech as a company is making good refractories. But this Hi-tech is 30 years old Vesuvius-like plant. When I built this plant in Kolkata 30 years back, the same equipment suppliers, the same people who manage those, same companies have built that plant. So, that's what Patrick said at so much. One tenth the cost. We got 50% of our capacity enhanced on product technology, on the same product line.
- So, therefore that was one reason why we had no interest. Now, to bring it to our levels, the high-tech plant, they might need to do a lot of changes, a lot of investments. Dalmia-OCL has

been a primarily big brick maker. They have dolomite. They have other basic bricks. So, they're primarily bricks. Viso flow control products have a Japanese technology, which they are also a margin, also player, but they're not a big name in India, even in Indian markets.

To convert that into a real threat to Vesuvius, it will take a lot of effort, a lot of time, a lot of money, and a lot of technology. Vesuvius is not prepared for those things. So, therefore these two acquisitions do not affect us at all. Because we are now going to put in our technologies through our expansions, through new modern machines. You know, it's a completely different thing.

**Analyst:** So, you're competing in a different sector.

**Biswadip Gupta:** So, it's a different sector. So, when you talk of margins, I think we're not comparing apple-to-apple. Exactly.

**Analyst:** That is my question, sir.

**Biswadip Gupta:** This question will come, and I'm sure it's absolutely correct question. Everybody says refractory. If I say that in our field of refractories, we have 55% of the market share in India. Balance 45% is held by five other companies. I won't be wrong.

**Analyst:** Fair enough because they're different refractories.

**Biswadip Gupta:** So, there are different refractories. So, we are focusing on that but does not prevent us from doing, you know, selectively looking at other areas. Which we might do.

**Analyst:** But how fast we can change people? How fast we can talk to them?

**Biswadip Gupta:** We have some similar products abroad. Today they don't make products here, these products. They're all imports.

**Analyst:** Sir, I have one more question.

**Biswadip Gupta:** I think that's what they do. They don't make it here, no?

**Analyst:** There is one more question. My question is, nowadays a lot of MNC since post-Covid and what's happening in China. Russia and Ukraine war. They've been shifting their base from China to India to other countries. Secondly, there has been talk of China plus one and now Europe plus one. Europe had a power crisis because of the Ukraine war. Still, things are not clear. What is Vesuvius seeing about it? Because I read an article where a lot of power-consuming production is shifting to India and other countries.

And advanced and refractories consume a lot of power when you make it. So, is there a plan even for a parent to make this company export to Europe at some point of time in life? Is that on the drawing board right now?

**Patrick Andre:**

No, it's not for several reasons. The main reason is that we are not energy intensive. Our business, our manufacturing base is not energy intensive. The type of products where we are active are not very energy intensive. To give you an order of magnitude on a consolidated basis, energy costs in the global cost structure of the business worldwide were probably before the energy crisis, probably 2-3% or more. So, energy is absolutely not a deciding factor in terms of where we locate our activity.

The most important deciding factor is where our customers are. And so, no we are not planning to relocate in India or elsewhere activity because of energy concerns. On top of that, we look at energy on a long-term basis. To make investment decisions, we don't want to look at energy for the next one year or two years. We look at energy costs or whatever costs for the next 10 or 20 years. In that respect, I'm not convinced that the situation in Europe will remain what it is today for the next 10 years.

Europe has probably couple of years or even five years of difficulties, but the substitution is going very fast. Probably by the end of next year or even by the end of this year, there will be no need for Russian gas in Europe anymore. New sources of energy are coming onstream, so I would not bet that energy prices in Europe will remain what they are five years from now and for the long term. We are not making the analysis that it's big enough to justify a switch.

**Analyst:**

And about China, a lot of MNCs are shifting because of the behaviour of the Chinese government. People are scared, especially MNCs are scared, the data are getting stolen. This is all international press reporting. Do we have any such plan of locating from China?

**Patrick Andre:**

We are not planning to supply Chinese customers from India, if this is your underlying question. No, our customer base for our Chinese manufactory is Chinese. So, if we want to supply Chinese customers, we should supply them from China.

**Analyst:**

Just two questions from my side. So, first on the margins, again, harping on the same thing, I think that mix is different between the two companies. But if I look at the gross margins of both the companies, RHI India, and Vesuvius India they are probably the same at 40%.

And below that then, the difference in margins comes from, one big issue is the royalty, which is about 3.5% for us, versus they take about 0.8%, 0.9%. So, 2.5%-3% difference comes from there. And then there is about 2.5% differential between the employee costs and the other variable costs. So, they are at 18%, we are at about 12, 12.5%. I believe that this royalty might not be going down as low as the RHI.

But then there are other levers. So, just wanted to get some sense that, you know, what are the other levers that you can go to the RHI level, or is the royalty, a big factor, which will not happen? So, then the margins will remain, and the difference in margins between the two companies will remain where it is.

**Patrick Andre:**

I think you should look at the coming years and make your opinion based on what will happen, what will happen in the years to come.

- Analyst:** Because the gross margins are the same, so then it doesn't...
- Patrick Andre:** We will see if it will remain the same, we will see.
- Rohit:** And if you notice from last year, the margins increased by 3%. And I think as Patrick Andre mentioned, hopefully, we are on the right track probably for further margin improvement, but hard to comment anything further on that.
- Analyst:** Last question. Last year I remember that the total market size of refractories in India was about INR8000 crores, which was mentioned in the AGM. And sir said that about 20% to 20% is the, you know, the size of the market that we cater to where we have 55% market share if I am not wrong. Now, with these new product introductions, where can we, like, perfect INR8,000 to INR9,000 crores market size in India? Where can, how much can we cater to out of that?
- Patrick Andre:** I think the first is too soon to answer your question. And second, we are not, and we will not, we will continue not to target the full refractory market in India. So, we are not, and we do not want to be a generalist refractory supplier. So, you see, this is what makes Vesuvius different from others. Vesuvius is absolutely not interested in supplying every type of refractory. Other companies have different strategy. We don't want to be a one-stop shop where you can buy whatever refractory you need.
- We are only interested to expand in this sub-part of the refractory market where technological differentiation is possible. The commoditized part of the refractory market, where profitability is structurally lower, is not of big interest to us.
- Analyst:** Because that has to show in the margins, which is not getting shown. Because the other player is catering to everything, and his margins are better than ours. So, something is not getting shown.
- Patrick Andre:** Because we believe that, I leave it to you to ask the question to the other players as you want, but we do not believe that being a generalist brings value. We accept that others have different opinion, but we do not believe that being a generalist brings any type of value. Because when you are in the commoditized part of the market, anybody can enter the market. And if it's not today, it will be tomorrow. When there is no barrier to entry, there will always be somebody to enter.
- And especially in a very entrepreneurial country such as India where it's not very costly to enter the business. Some part of the refractory market is a little bit of money. You create a plant, you create a newcomer, it's not very complicated. So, we are not interested. We are looking at a long-term strategy. We are not interested to remain or to go in those places where there is little barrier to entry.
- Rajesh:** So, Rajesh from Ganges Securities. Correct me if I'm wrong. If the steel industry grows by 5% to 6% then the refractory industry in value terms grows by about 8% to 9%. While it requires using your spare cash to get into monolithic and mould fluxes are laudable, the areas mould

fluxes especially are very low right now. So, we expand the market in monolithic as well. It will take a much longer time. So, is it conceivable that we grow only at the market rate for some period of time 8%-9% or should we grow more than that?

**Patrick Andre:** First, I'm not sure why the refractory market will grow faster than the steel market.

**Rajesh:** I'm just saying in value terms because the plants are growing over a period of time.

**Nitin Jain:** On a constant price, it should not be right.

**Patrick Andre:** It's rather the other way around because steelmakers are becoming more efficient in the conception of refractory. So, the refractory market, the natural growth of the refractory market is a little bit less than the steel market, not more, a little bit less. And our ambition is to grow faster than the steel market. So, it means gaining market share on the product lines where we decide to be active.

**Rajesh:** Yes, so if you mention the fact that there are three or four large players, of which we've already seen JSW finishing a large part of the expansion. And we know the solutions contracts in JSW the particular period went to. So, how are you placed in terms of, say, Tata Steel or Arcelor? If you can get more granular in terms of how you see the market share in those expansions where we can really see the kind of growth that we're in this idea.

**Patrick Andre:** No, we cannot be more granular, but by definition, it means that if we want to grow our market share globally, it means that our ambition in terms of market share for the expansion is higher than our existing market share. -----

**Rajesh:** So, last 10 years or so, we have seen a very flattish kind of manufacturing revenue growth. I understand from the conversation it would be led to some of the products that we didn't have globally as well as in India some of this would be because of constraints. And also, business solution side, the test and advantage of both are good now if they are having global, targeting global more product addition. Carrying more product capacity addition in India and as we believe in FY'22 numbers, we believe the ----- is also improving, next five years the growth to be better than last 10 years. Is this something that we can assume?

**Nitin Jain:** It's a good assumption. I mean the steel industry (growth) itself in the next five years seems to be better than the last five years. So that itself creates a trajectory. Then on top of that if we're introducing products that we did not have in the Indian portfolio, but we had in the global portfolio. It's not that we didn't have those products in the global portfolio, but we didn't have them in the Indian portfolio. So, for example, mould flux, it's one product that we talked about, we had mould flux, Metallurgica for over a decade.

So, we started to understand our market for mould flux over the last few years. Now we believe we are mature enough and we understand the market well, and the market is ready to accept the solution. So, if underlying market will grow faster than the past five years and then we would

be able to introduce new products and hopefully successfully penetrate the market, then we should, we can only assume that we will grow faster than the market.

**Jinal Sheth:** Sir, question here. Jinal Sheth from Auriga Capital. So, globally, there's a concept of a part of remuneration linked to shareholder returns. Now, is there such a metric within Vesuvius India considering the last five-year returns have been around 6% - 7%, which is risk-free data?

**Nitin Jain:** Whether the management team has incentives tied to the equity value. Right?

**Jinal Sheth:** Of the Indian entity?

**Patrick Andre:** No.

**Viraj:** Sir, this is Viraj, I have one more question from Jupiter Financial. How does green steel affect us? Like, whether it's a lot of green steel, is it, I think it's beneficial to us since we are a technologically advanced company.

**Patrick Andre:** I think that there are several aspects. It's a big question. First, we don't believe that there will be any negative impact of green steel. I don't think everybody can say that, but we don't see any negative impact on our business of green steel, because most of our, if not all of our products are being sold in part of the steel production process, which will not be affected by the evolution of processes towards greater steel (industry). In particular, as we are specialized in the continuous casting area, you always have a continuous caster, be it after an electric furnace, or after a glass furnace, you always have a continuous caster.

The interesting question is, could it be a positive for us? And this, I would say, depends a lot on which region we are in. So, we see in some regions of the world, some important push from some steel customers to change their processes, to adopt, we don't say greener, but less CO2 emitting type of steel processes. And then we can help those steel producers accelerate their transition towards green steel. And then I believe it can be an advantage for these users. At the same time, there are other regions of the world where for the time being, we don't see much action on the ground from the steel producers.

And the preoccupation is there, so there is more and more talk about it. We don't see yet a lot of investment decisions, practical investment decisions, to change the way steel is being produced. And for the time being in India, as you know, the vast majority of development in India is still using the very efficient, but also historical production route of blast furnaces. And this remains, at least today, in India, the main route being chosen by steel producers for their expansion.

So, we don't see it yet, I think it will come at some point, we don't see yet any inflection, any big inflection points in India. We are starting to see that in other regions of the world.

**Viraj:** So, question on the raw material.

- Nitin Jain:** So, we will have to conclude, I think we have flights to catch. It has been a fascinating discussion, so it has been a very, very nice discussion.
- Biswadip Gupta:** I could only suggest that if you have further questions, just send it to Rohit or Vikram. I'm sure they'll get in touch with us and sorry for the delayed start.
- Rohit:** And thank you all. I think a lot of you have come down from Bombay and other places. Thank you for coming down for this investors meet.