



Orient Refractories Limited

(An RHI Magnesita Company)



RHI MAGNESITA

Press Release

Board of Orient Refractories approves merger with RHI India and RHI Clasil

- All three companies are part of the RHI Magnesita group, the leading global supplier of high-grade refractory products, systems and services.
- The merger aims to achieve a simplification of the corporate structure and consolidation of RHI Magnesita's operating entities to tap growth potential in the Indian market, more effectively and efficiently.
- Combined company will have operating revenues of Rs. 12,356 mn (on a FY 2018 proforma basis), 2 production facilities and over 700 employees.

Gurugram, Tuesday, July 31, 2018: The Board of Directors of Orient Refractories Limited ("**Orient Refractories**"), RHI India Private Limited ("**RHI India**") and RHI Clasil Private Limited ("**RHI Clasil**"), at their respective meetings held today, approved the proposal to merge RHI India and RHI Clasil with Orient Refractories, pursuant to a composite scheme of amalgamation (the "**Scheme**"). All three companies are part of the RHI Magnesita group, the leading global supplier of high-grade refractory products, systems and services. Following completion of the Scheme and subject to receipt of necessary approvals, Orient Refractories is proposed to be renamed to RHI Magnesita India Limited.

The key objective of the proposed Scheme is to combine the strengths and competencies of all three operating companies in India under one strong listed company that is well positioned to leverage future growth opportunities and enhance shareholder value.

The proposed Scheme is also in line with RHI Magnesita's strategy to consolidate its Indian operations as it considers India to be one of its key markets and strongly believes that the country and the Asia region have significant growth potential for its refractory products and services. Presently, RHI Magnesita has three operating companies in India: (a) Orient Refractories, a leading manufacturer and supplier of special refractory products, systems and services for the steel industry. The company is 69.6% owned by RHI Magnesita and is listed on the Indian stock exchanges, (b) RHI India, a wholly-owned subsidiary, which is the Indian sales company of the RHI Magnesita group, offering a full range of refractories and related services sourced from various RHI Magnesita group entities to Indian customers, and (c) RHI Clasil, a manufacturer and supplier of mainly Alumina based refractories for the steel and cement industries, which is 53.7% owned by RHI Magnesita.



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Key Benefits

Upon completion, the combined company is expected to benefit from the following:

- Simplification of the corporate structure and consolidation of RHI Magnesita's operating entities in India by forming a leading manufacturer and supplier of refractories with operating revenues of Rs. 12,356 mn (on a FY 2018 proforma basis), 2 production facilities and more than 700 employees.
- Establishing the industry's most comprehensive refractory product portfolio including, among others, Magnesia and Alumina based bricks and mixes for large industrial clients as well as specialty refractory products, with proven supply and sales capabilities.
- Realizing business efficiencies by bundling product offerings, leveraging sales/ distribution networks and optimizing the utilization of resources due to pooling of management, expertise, technologies and other resources.
- Improving the allocation of capital and enhancing cash flows contributing to the overall growth prospects of the combined company.
- Creating a larger asset base and facilitating access to better financial resources.
- Enhancing shareholder value pursuant to economies of scale and business efficiencies.

Commenting on the Scheme, Mr. Parmod Sagar, Managing Director & CEO, Orient Refractories said *"The merger will strengthen our position, significantly expand our product offerings and sales platform to access a much larger client base and allow for a pooling of resources and know-how. We believe that this will act as a strong platform from which we can embark on the next phase of our growth and unlock significant value for the shareholders."*

"The merger marks an important milestone towards expanding RHI Magnesita's market leadership in the refractory market of India. We are convinced that one strong entity, organization and management in India will increase long term value for all stakeholders", said Mr. Stefan Borgas, CEO, RHI Magnesita. *"This merger significantly enhances the profile of RHI Magnesita in India and creates a stable umbrella under which the immense growth potential we see in the Indian market can be tapped more effectively and efficiently."*



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Key Highlights of the Scheme

- As consideration for the merger, fresh equity shares of Orient Refractories will be issued to the shareholders of RHI India and RHI Clasil in the following ratios, as approved by the board:
 - 7,044 equity shares of Orient Refractories (of face value of Re. 1 each) for every 100 equity shares of RHI India (of face value of Rs. 10 each); and
 - 908 equity shares of Orient Refractories (of face value of Re. 1 each) for every 1,000 equity shares of RHI Clasil (of face value of Rs. 10 each).

Jain, Jindal & Co, Chartered Accountants are the Independent Valuers and Keynote Corporate Services Limited provided the Fairness Opinion to the board of directors of Orient Refractories.

- Pursuant to the Scheme, the equity shares of Orient Refractories will increase from approximately 120.1 mn to approximately 161 mn.
- In terms of the Securities and Exchange Board of India (SEBI) Circular dated March 10, 2017, as amended, the percentage shareholding of the public shareholders of the listed entity prior to a scheme involving unlisted companies shall be not less than 25% of the post scheme shareholding pattern of the combined company. Adequate measures will be taken to ensure compliance with this requirement.

Post the Scheme, the shareholding of RHI Magnesita, through Dutch US Holding B.V. and other group companies, in the combined company is likely to be around 70%. Furthermore, around 5% of the shareholding will be held by certain individual shareholders of RHI Clasil who are not part of the RHI Magnesita group.

- The Scheme will be subject to approvals from relevant regulatory authorities including approvals from the stock exchanges, shareholders and creditors of the respective companies, National Company Law Tribunal (NCLT), and necessary corporate approvals and filings with the registrar of companies and the stock exchanges. The merger through the proposed Scheme is expected to be completed over the next 9-12 months.
- JM Financial Limited acted as Financial Advisor, PricewaterhouseCoopers (P) Ltd. as Indian Regulatory Process Advisor and Platinum Partners as Legal Advisor to the transaction.

About RHI Magnesita

RHI Magnesita is the leading global supplier of high-grade refractory products, systems and services which are indispensable for industrial high-temperature processes exceeding 1,200°C in a wide range of industries, including steel, cement, non-ferrous metals, and glass, among others. With a vertically



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integrated value chain, from raw materials to refractory products and full performance-based solutions, RHI Magnesita serves more than 10,000 customers in nearly all countries around the world.

With more than 14,000 employees in 35 main production sites and more than 70 sales offices, RHI Magnesita has unmatched geographic diversification. RHI Magnesita intends to use its global leadership in revenue, greater scale, complementary product portfolio and diversified geographic presence to target markets and regions benefitting from more dynamic economic growth prospects.

The flagship company of the group is RHI Magnesita N.V. The combined company generated proforma €2.7 billion in revenues in the financial year ended December 31, 2017. RHI Magnesita N.V. is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index. For further information please visit www.rhimagnesita.com.

For more information on Orient Refractories, please visit its website: www.orientrefractories.com.

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The proforma figures in this document have been arrived at through a mathematical addition of the respective figures of Orient Refractories, RHI India and RHI Clasil, and certain inter-company adjustments made thereto, where relevant. However, such proforma figures have not been audited or subjected to limited review, and the adjustments made do not represent the full of set of consolidation, inter-company transactions, related party transactions, Ind AS/ IGAAP adjustments or any other form of adjustments. Such proforma figures could change materially if they were to be audited or subjected to limited review/ if all relevant adjustments are conducted and therefore, recipients should not place reliance on such proforma figures.

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