



**Himadri Speciality Chemical Ltd**

(Formerly known as Himadri Chemicals & Industries Ltd.)

**INVESTOR  
PRESENTATION**  
November - 2017

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# Capacity Expansion in High Margin Products

## Advance Carbon Material

- » Set-up of manufacturing facility of Advance Carbon material (HSCP) at West Bengal with annual capacity of 20,000 MT



## Carbon Black

- » Expansion of a new line of carbon black at West Bengal with additional annual capacity of 30,000 MT

## Project Cost

- » Total Project cost for the combined capacity of Advance Carbon Material (HSCP) and Carbon Black would be around Rs 628 Crores

**The Expansion will take Himadri to next level of Growth**

# Strong Growth with Sustainable Performance



## H1FY18 vs. H1FY17

Y-o-Y Growth

**12%**



**Volume (MT)**

**54%**



**Revenue**

**90%**



**EBITDA**

**230%**



**PAT**

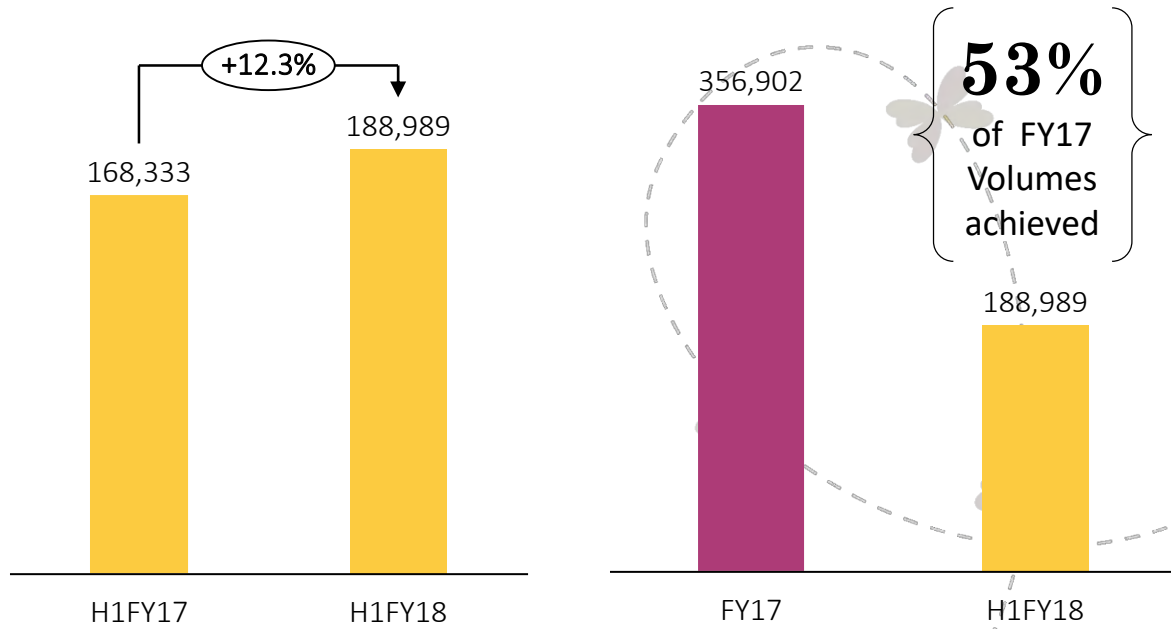
**Significant Achievement**

**72.31 MT of Advance Carbon Material (HSCP)** dispatched in **Q2FY18**  
against commercial orders

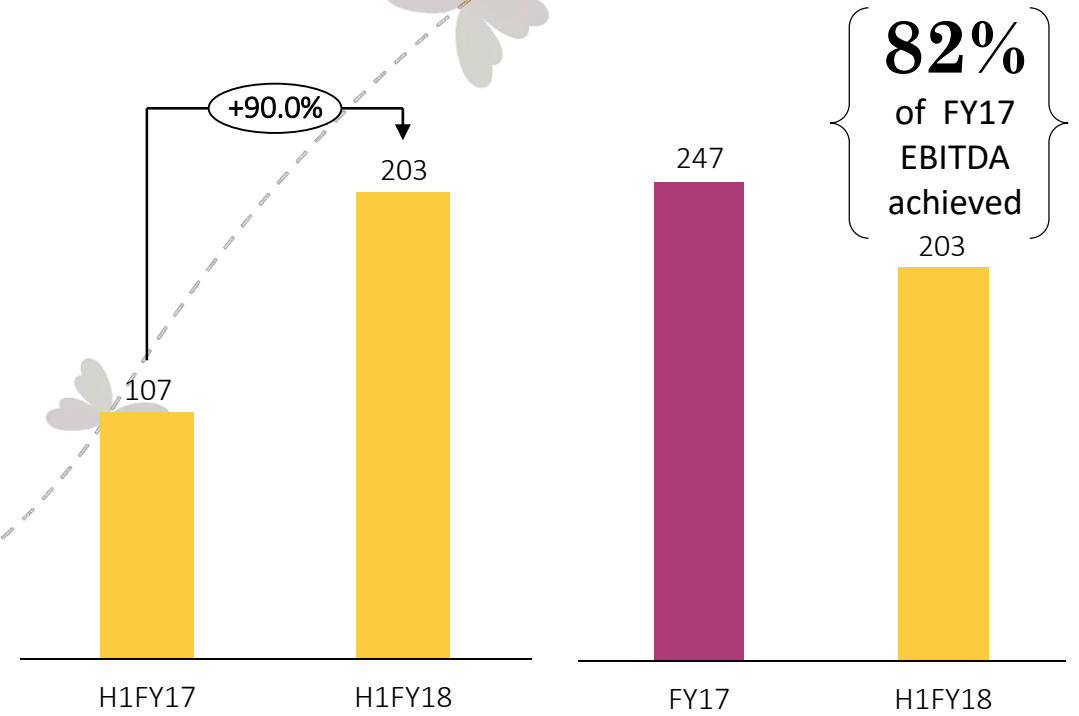
# Performance Parameters



### Total Sales Volume (MT)



### EBITDA (Rs. Crs)

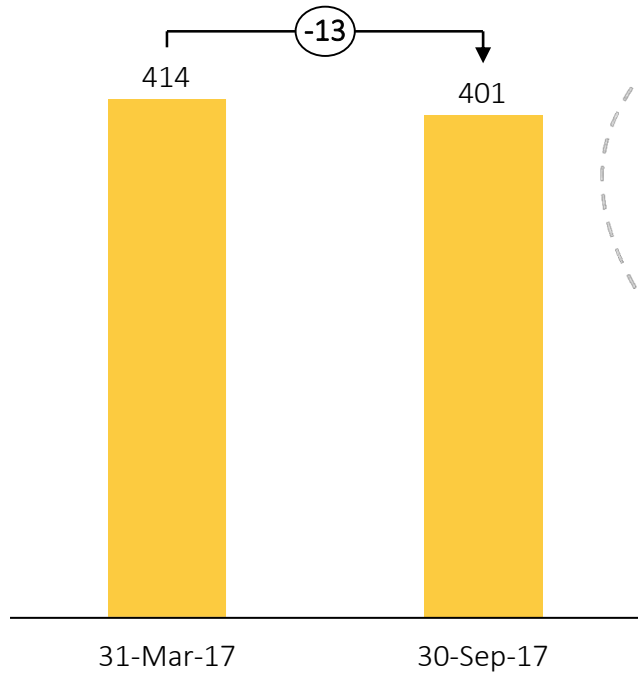


# Debt Profile

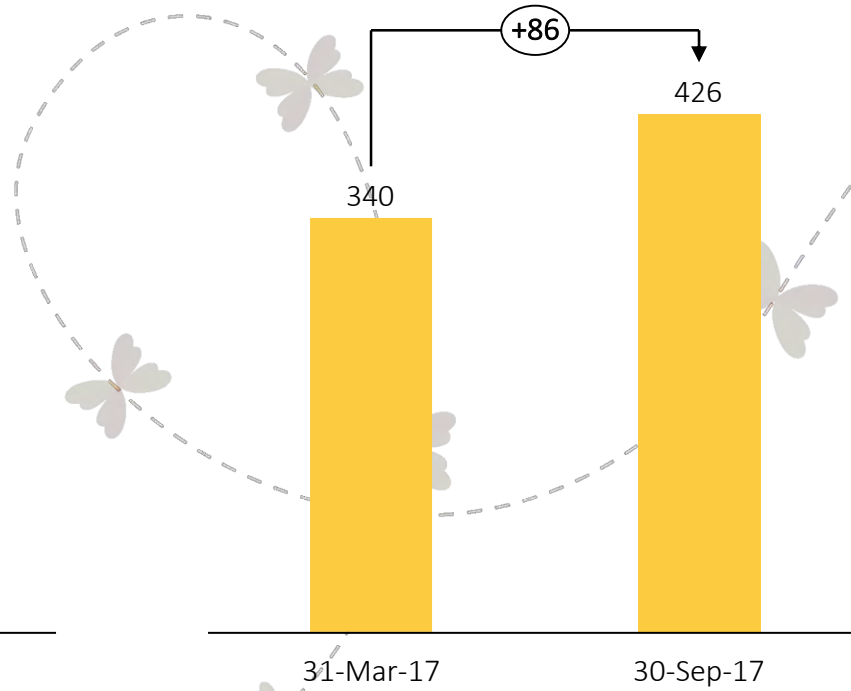


In Rs. Crores

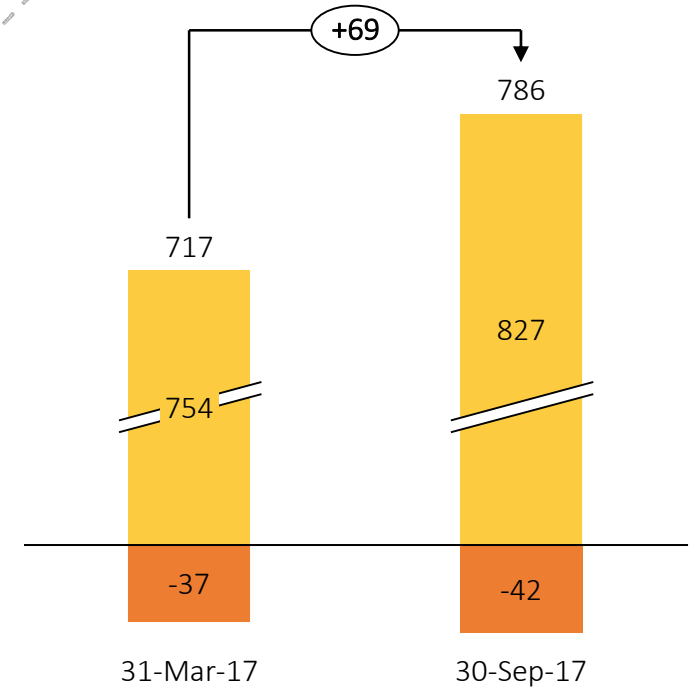
## Long Term Debt



## Working Capital Debt



## Net Debt



# Standalone Profit & Loss



Particulars (In Rs. Crs)	Q2 FY18	Q2 FY17	Y-o-Y (%)	H1 FY18	H1 FY17	Y-o-Y (%)
Revenue from Operations	468.02	382.31		970.69	664.65	
Excise Duty	0	40.56		50.35	67.84	
<b>Net Revenue From Operations</b>	<b>468.02</b>	<b>341.75</b>	<b>36.9%</b>	<b>920.34</b>	<b>596.81</b>	<b>54.2%</b>
Cost of materials consumed	314.94	238.69		635.74	399.89	
<b>Gross Profit</b>	<b>153.08</b>	<b>103.06</b>		<b>284.6</b>	<b>196.92</b>	
Employee benefits expense	11.53	9.17		21.37	17.28	
Other expenses	38.89	38.22		60.19	72.75	
<b>EBITDA</b>	<b>102.66</b>	<b>55.67</b>	<b>84.4%</b>	<b>203.04</b>	<b>106.89</b>	<b>90.0%</b>
Other Income	1.88	1.91		3.06	3.89	
Foreign exchange fluctuation (net)	-0.07	-1.64		-0.62	-5.82	
Depreciation and amortization expense	7.89	7.76		15.78	15.54	
<b>EBIT</b>	<b>96.58</b>	<b>48.18</b>	<b>100.5%</b>	<b>189.7</b>	<b>89.42</b>	<b>112.1%</b>
Finance costs	20.81	18.85		39.40	42.4	
<b>Profit / (Loss) before tax</b>	<b>75.77</b>	<b>29.33</b>		<b>150.30</b>	<b>47.02</b>	
Tax expenses	24.61	10.29		49.11	16.35	
<b>Profit / (Loss) for the year</b>	<b>51.16</b>	<b>19.04</b>	<b>168.7%</b>	<b>101.19</b>	<b>30.67</b>	<b>229.9%</b>

# Standalone Balance Sheet




Particulars (in Rs. Crs.)	Sep'17	Mar'17
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1,651.5</b>	<b>1,421.8</b>
Property, Plant and Equipment	1,091.3	1,103.00
Capital work-in-progress	22.9	9.4
Financial Assets	393.9	199.6
(i) Investments	340.3	166.6
(ii) Trade receivables	8.0	8
(iii) Loans	45.6	25
(iv) Other financial assets	0.0	0.1
Deferred tax assets	110.6	78.5
Non-current tax assets (net)	4.1	4.1
Other non-current assets	28.7	27.2
<b>Current assets</b>	<b>871.3</b>	<b>752.5</b>
Inventories	404.9	392.1
Financial Assets	352.9	266.7
(i) Investments	0.1	0.3
(ii) Trade receivables	294.2	215.6
(iii) Cash and cash equivalents	23.3	11.3
(iv) Other bank balances other than cash and cash equivalents	17.8	24.7
(v) Loans	3.3	4.2
(vi) Other financial assets	14.2	10.6
Other current assets	113.4	93.8
<b>TOTAL</b>	<b>2,522.8</b>	<b>2,174.3</b>

Particulars (in Rs. Crs.)	Sep'17	Mar'17
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>	<b>1,304.9</b>	<b>1,078.1</b>
Equity Share capital	41.8	41.8
Other Equity	1,263.0	1,036.30
<b>Non-current liabilities</b>	<b>532.8</b>	<b>487.6</b>
Financial liabilities	346.1	396.1
(i) Borrowings	339.1	387.0
(ii) Trade Payables	0	0
(iii) Derivatives	6.7	8.8
(iv) Other financial liabilities	0.3	0.3
Provisions	1.6	1.8
Deferred tax liabilities (net)	185.2	89.7
<b>Current liabilities</b>	<b>685.1</b>	<b>608.6</b>
Financial liabilities	657.9	573.6
(i) Borrowings	425.5	338.7
(ii) Trade Payables	152.9	149.3
(iii) Derivatives	2.2	45.9
(iv) Other financial liabilities	77.4	39.7
Other current liabilities	27.2	34.8
Provisions	0.0	0.2
<b>TOTAL</b>	<b>2,522.8</b>	<b>2,174.3</b>





# Himadri Speciality Chemical Ltd



Value Creation Journey  
by way of  
Vertical Integration

Fit for Future: Products &  
its Potential

- Accelerating Core Business
- Finding next Core Business

Looking back at Three  
Decades of Experience

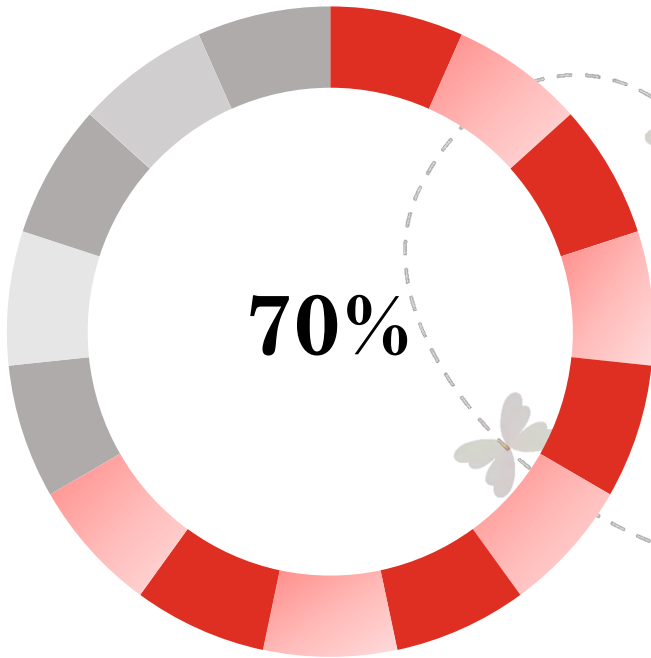
Financial Agenda

Looking Forward with  
Confidence

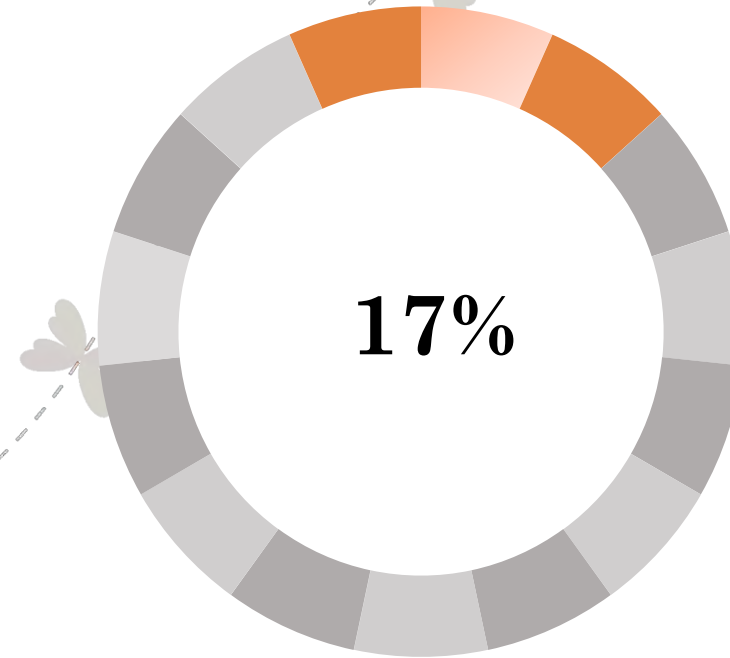
# Leadership Position in our Products



## Coal Tar Pitch



## Carbon Black

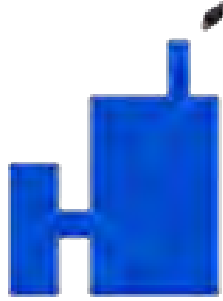


**Market Leadership as % of Total Domestic Demand including Imports**

# Product Development was a Clear Focus



2010



Coal tar pitch – Binder grade  
Coal tar pitch – Impregnating  
Carbon Black  
Advanced Carbon Material  
Naphthalene  
SNF  
C. B. Oil

2017



Aluminium Grade Pitch  
Graphite Grade Binder Pitch  
Graphite Grade Zero QI  
(Quinoline Insoluble) coal tar  
impregnated pitch  
Anode Material for Lithium-  
ion Batteries  
Special Pitch  
Naphthalene  
Refined Naphthalene  
Light Creosote Oils  
Heavy Creosote Oils

Anthracene Oil/Carbon  
Black Oil/ CT Oil  
SNF  
PCE  
Carbon Black  
Speciality Carbon Black  
Himcoat enamel  
Himcoat Primer-B  
Himtape  
Himwrap

**Evolving with Emerging Business Paradigms**

# To make an Impact on the End Markets



Aluminium



Graphite  
Electrodes



Missiles



Lithium – Ion  
Batteries



Anti Corrosive  
Material



Rubber Industries



Paints, Plastic &  
Fibre



Power



Infrastructure



Construction  
Chemical



Wood Preservative  
Oils



Specialized  
Products

# If You Can Be One Thing, Be Dependable



## CTP Clientele



## CB Clientele



## Others Clientele



# Rapid growth through R&D



- » R&D Centre recognised by the Department of Science and Technology and the Department of Scientific and Industrial Research - **Government of India**
- » R&D Centre is an NABL (**National Accreditation Board for Testing and Calibration Laboratories**) - accredited lab
- » Research activities of the Company have been published in **Research Journals across the world**



## Innovation as a result of R&D

### Coal Tar Pitch

- Developed zero QI pitch – one of the three global manufacturer
- Developed special pitch for use in long range warhead missile

### Carbon Black

- Launched a series of application specific Speciality Blacks with superior performance parameters

### SNF

- Developed next - generation product in PCE
- Developed application specific SNF for non-construction segment (Agro chemical/ gypsum/ latex)

### Advanced Carbon Materials

- Only company in India with technology to manufacture anode material for Lithium-ion Batteries

***Resulting in Faster Growth***



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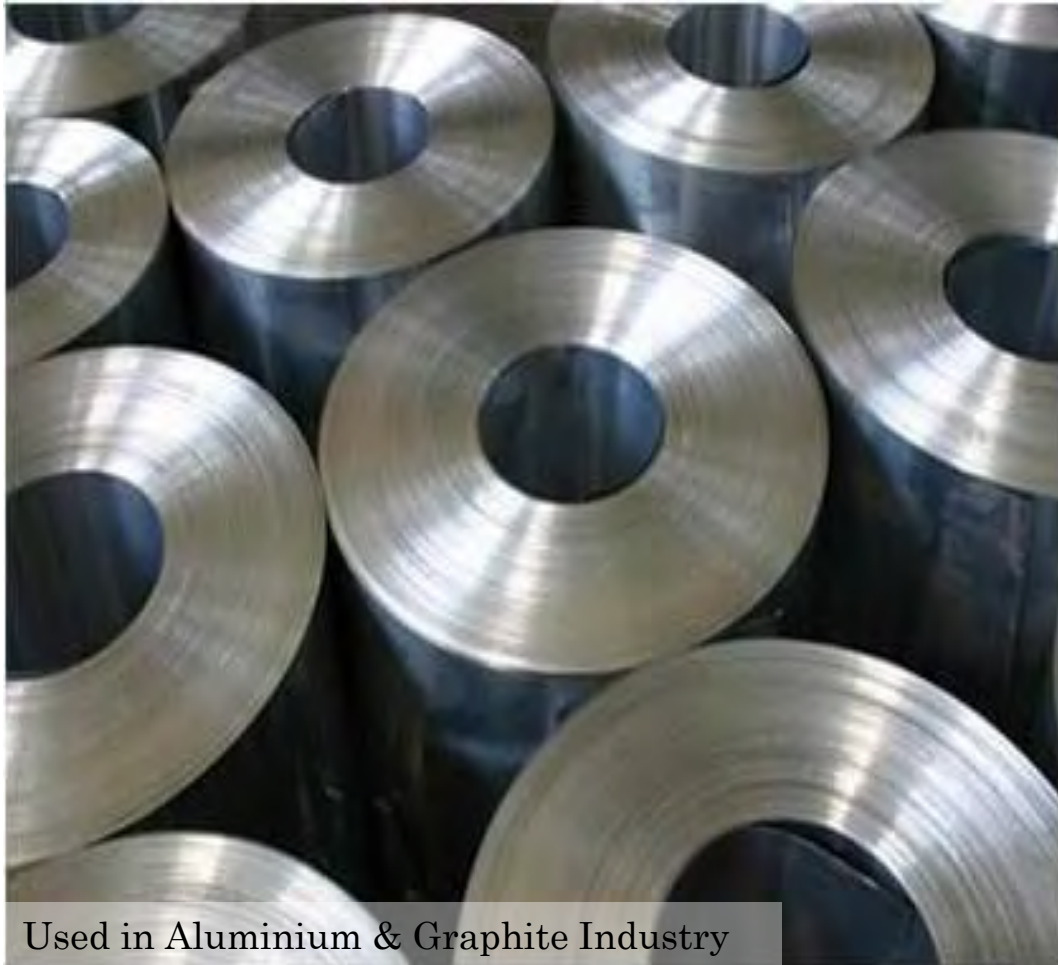
Looking Forward with  
Confidence



## » Product Leadership – Accelerating Core Business

- Coal Tar Pitch
- Carbon Black
- Naphthalene
- Sulphonated Naphthalene Formaldehyde (SNF)

# Coal Tar Pitch



Used in Aluminium & Graphite Industry

Caters to more than **Two-Third** of demand for **Indian Graphite and Aluminium Industries**

Supplier of upto **95% of Coal Tar Pitch** requirements of certain Smelters

One amongst the **Few Global Manufacturers to Produce Zero QI (Quinolene Insoluble)** – coal tar impregnated pitch and Advanced Carbon Material

# Critical Input in Downstream Industries



## Anode Material

Used for  
Li-ion batteries

## Coal Tar Pitch

Graphite Grade Zero  
QI Coal tar  
Impregnating Pitch

In graphite electrode, nipple  
impregnation and UHP grade electrode  
manufacturing

## Graphite Grade Binder Pitch

In Graphite Electrode  
Manufacturing

## Special Pitches

Used by DRDO in long range warhead  
missiles. In carbon composites,  
refractories, carbon paste, paints/ultra-  
marine blue and water proofing among  
others

## Aluminium Grade Pitch

In pre-baked anode and soderberg in aluminium manufacturing

# Inelastic & Growing Demand

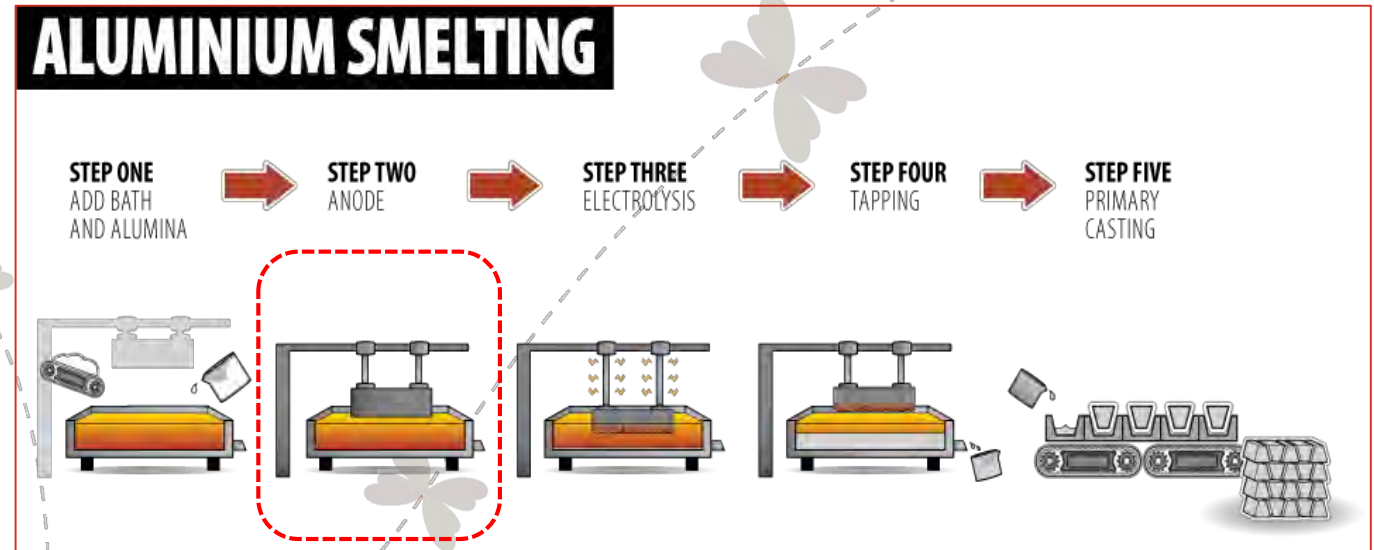
» **Inelastic Demand** : Coal Tar Pitch is used in pre-baked anode in aluminium smelter to produce aluminium. Aluminium Smelting is a Continuous Process - Smelter cannot be stopped and restarted easily

» **Complex Chemical** : Coal Tar Pitch is a Complex chemical with 22 Chemical and Physical Properties obtained through Coal Tar Distillation (CTD)

» **High Barriers for Import** : Liquid Coal Tar Pitch needs to be handled and shipped at 250°C and requires special fleets

» **Growing Demand** : 1MT of Aluminium requires 100 kgs of Coal Tar Pitch and 1MT of Graphite requires 440kgs of Coal Tar Pitch

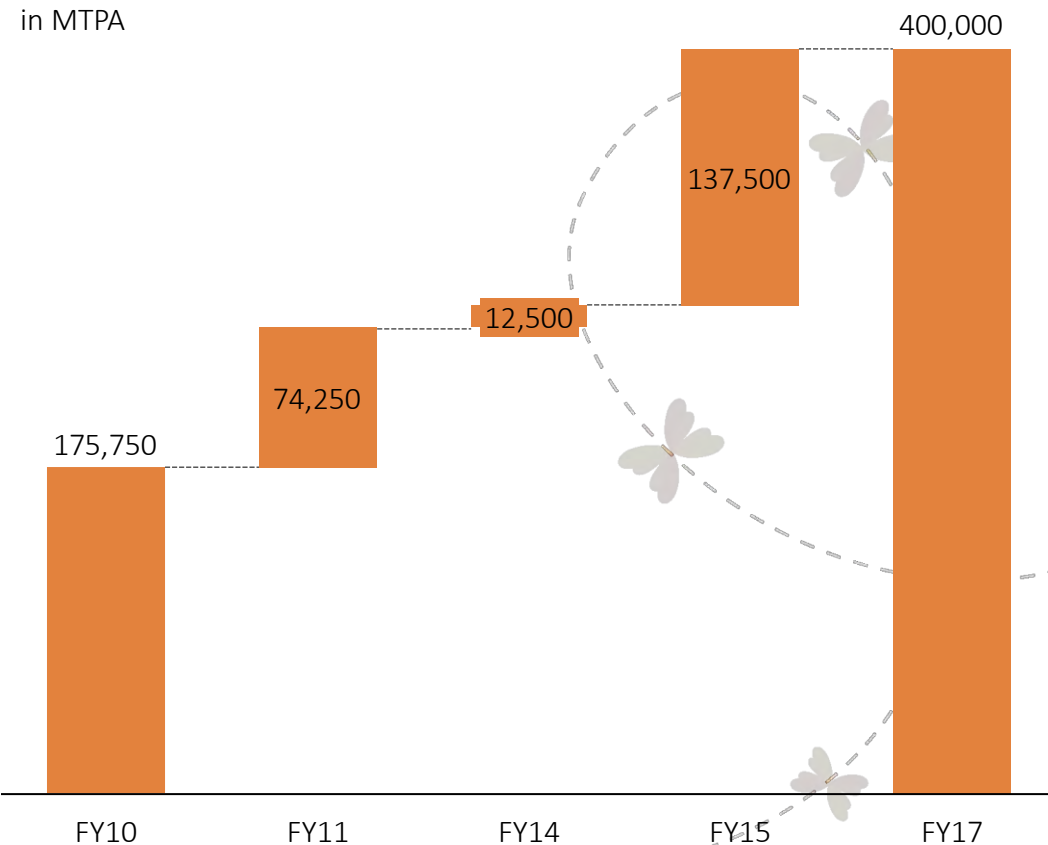
» **Aluminium Capacity Outlook**: India's aluminium production capacity expected to increase from 2.75 MTPA to 4 MTPA by end-FY19



# Capacity Built Up to Support Growth



## Distillation Capacity Built Up in India



### » Raw Material Procurement:

- Largest Purchaser of Coal Tar in India from almost all domestic steel plants
- Strategically imports Coal Tar based on prevailing global demand supply dynamics

### » Pricing:

- Value based pricing
- Increase in Raw Material and other costs passed on to Customers



Anything that is  
manufactured Black  
has  
Carbon Black

**Forward Integration** to convert  
Coal Tar Oil into Carbon Black

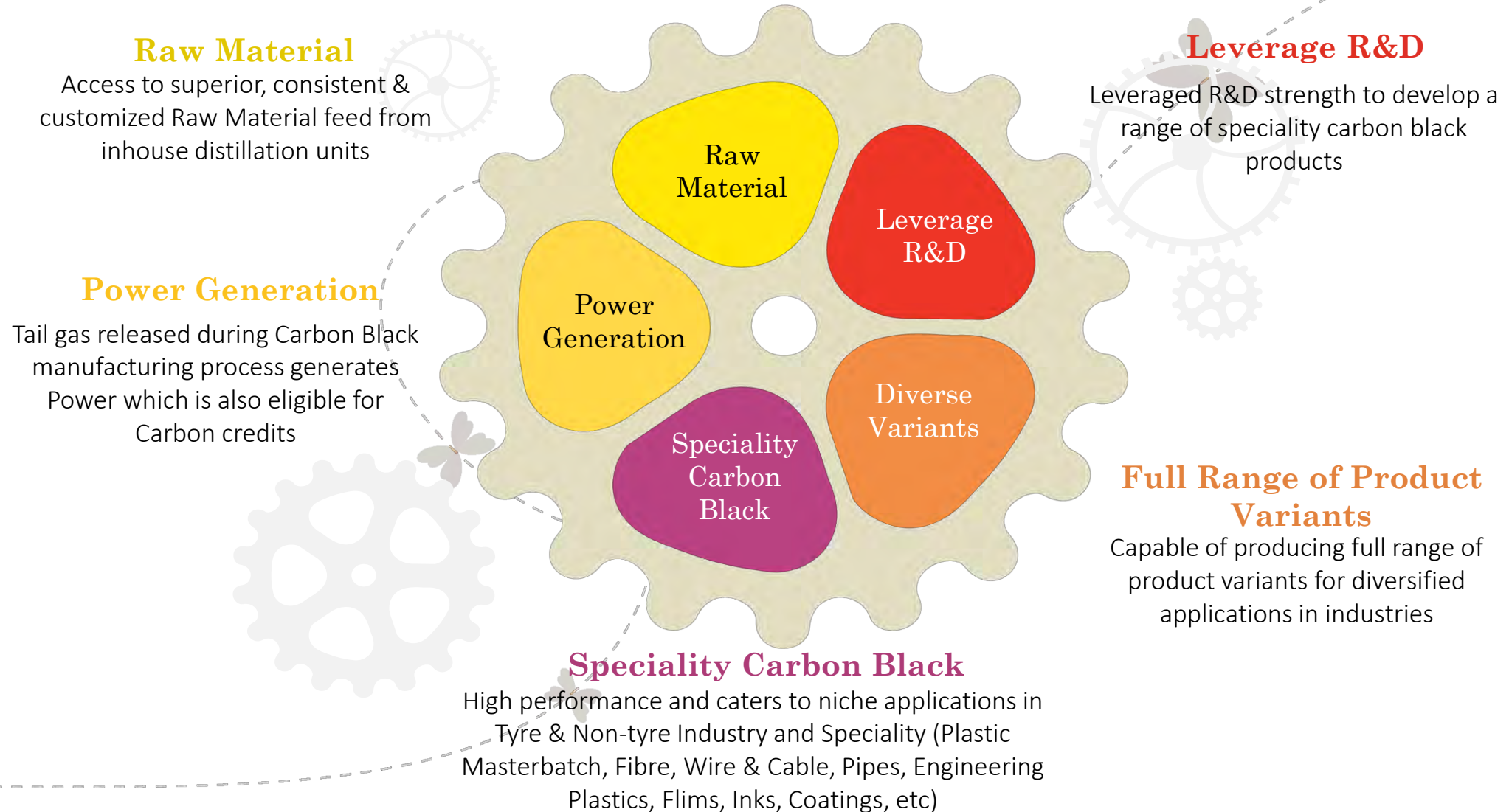
3<sup>rd</sup> Largest Carbon Black Producer in India  
with

**120,000 MTPA**

With **Superior Inhouse Raw  
Material & R&D**

**Capabilities** launching  
**Speciality Carbon Black**  
range with niche application

# Benefits of Forward Integration

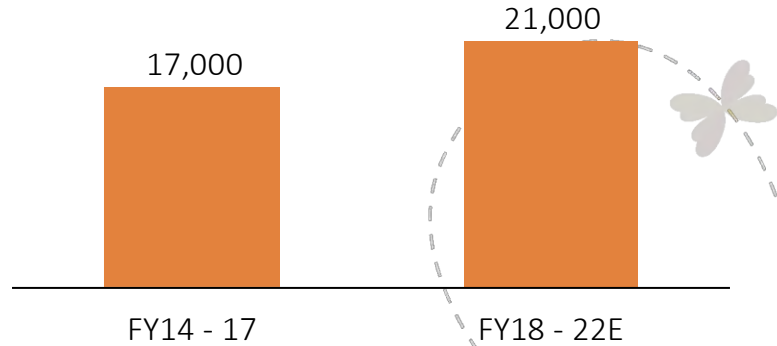


# Large Market Potential



## Indian Tyre - Commissioned Projects

Rs. Crore

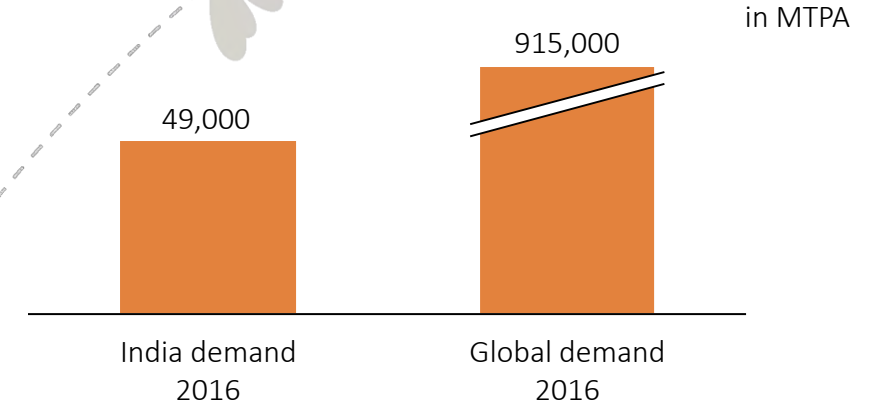


Indian Tyre Market is ~ **Rs. 500 Bn** in FY16

**40% Carbon Black** Revenue is generated from **Tyre Industry**

**13 Distributors** across India to focus on Sales to **Non-Tyre** Rubber Application

## Speciality Carbon Black



Speciality black market in India is currently small at less than **5% of Total Volume** but growing rapidly

Globally, the speciality CB market is **10-12% of Total Volume**



# Naphthalene



Value-additions through  
**Refined  
Naphthalene and  
SNF**

**Capacity  
Doubled** for  
refined Naphthalene

Also formulate  
**Special Grade Naphthalene**



# Naphthalene Value Proposition



## Special Grade Naphthalene

Special Grade Naphthalene is formulated to cater customer's niche requirements in dyestuff and dyes intermediates application



## Naphthalene Moth Ball

Moth Balls is made by using superior grade chemical composition and leading-edge techniques in compliance with predefined quality standards for use in natural fragrances

## Sulphonated Naphthalene Formaldehyde (SNF)

SNF is a water soluble Chemical admixtures, improves the concrete mix workability and compressive flexural strength. Mainly used in the construction/infrastructure industry



# Sulphonated Naphthalene Formaldehyde (SNF)



**SNF – Next Generation Product**  
for the Construction Chemical Industry (Admixture),  
Agro chemicals, Latex, Gypsum

**Largest Indian manufacturer** of  
**SNF** with an installed capacity of  
**68,000 MTPA**

**Highest Purity SNF** manufactured from  
In-house produced Naphthalene

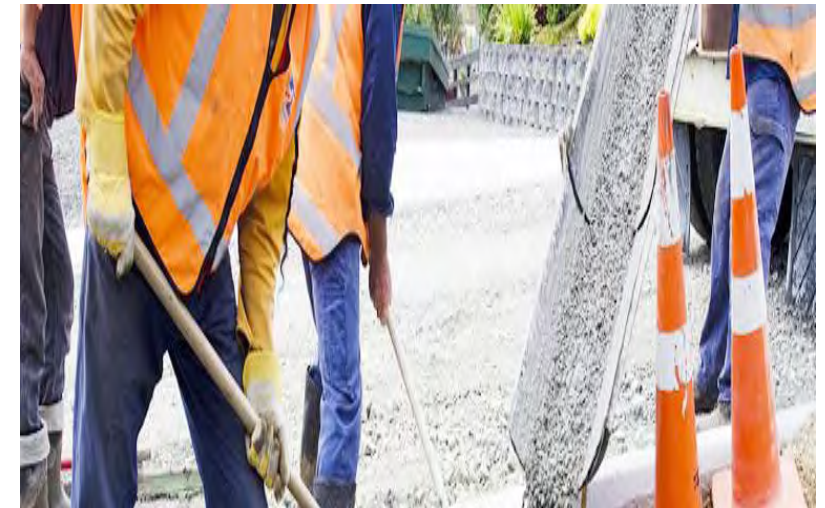
**Penetration of SNF** admixture in concrete  
in India is **less than 10% against a high  
global average**

# High Performance Construction Chemicals



- » **Sulphonated Naphthalene Formaldehyde (SNF)** is a speciality chemical condensate that helps improve concrete mixes by dispersing cement particles for extended workability and reinforcing compressive flexural strength
  - Naphthalene, one of the by product of Coal Tar Distillation is used in-house to manufacture SNF

- » Himadri has emerged as the largest Indian manufacturer of SNF, with an installed capacity of **68,000 tonnes per annum**.
- » Although concrete finds mass usage across India, **the penetration of SNF** admixture in concrete is **less than 10%** against a high global average
- » Used in growing Industries like **Construction Chemical Industry (Admixture), Agro chemicals, Latex, Gypsum etc**



## » Future Products – Finding Next Core Business

- Advance Carbon Material

# Advance Carbon Material



## Forward Integration

from Coal Tar to  
Advance Carbon Material

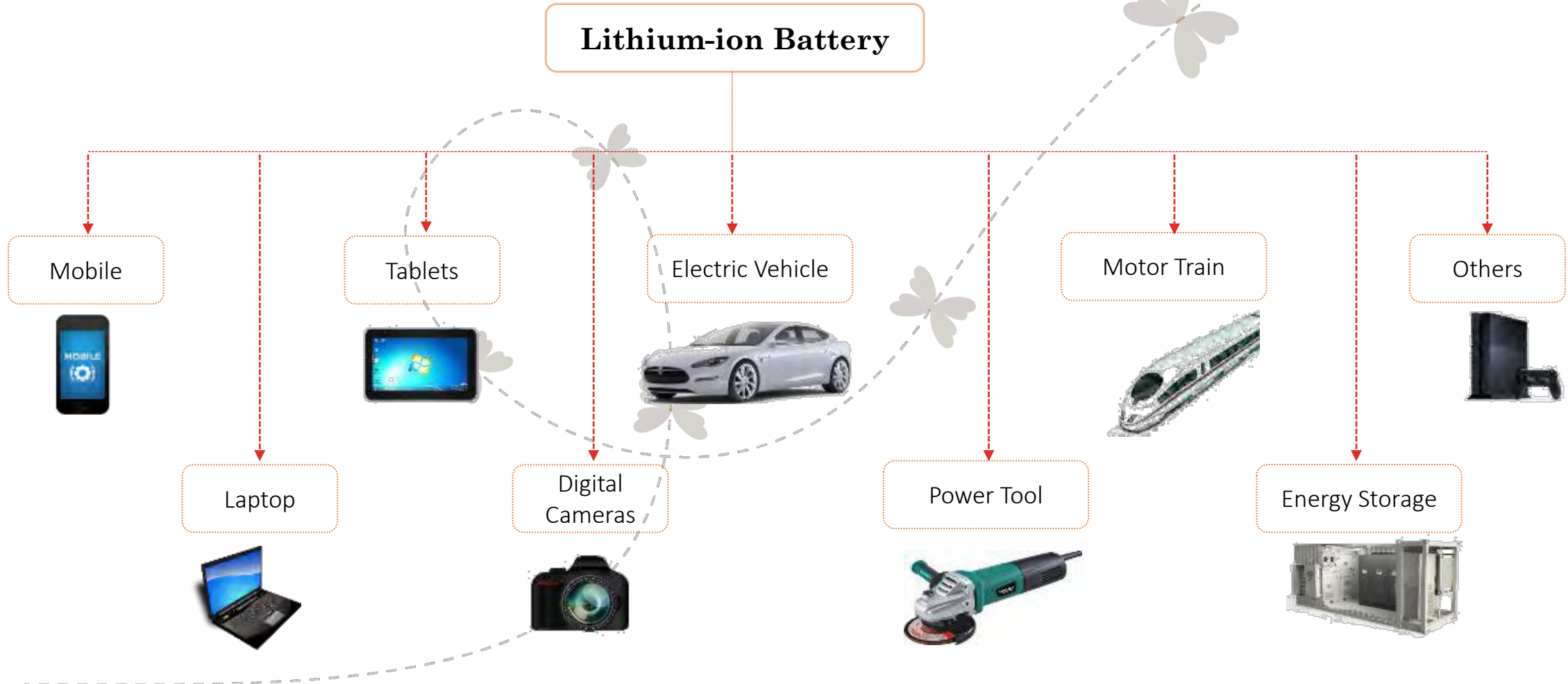
**Anode Material** used in  
Lithium-ion Batteries

**Only Producer**  
of Advance Carbon Material in India

Best in class

**Proprietary Technology**  
With **Cost Leadership**

# Application in Sunrise Sector



# At early stage of Growth

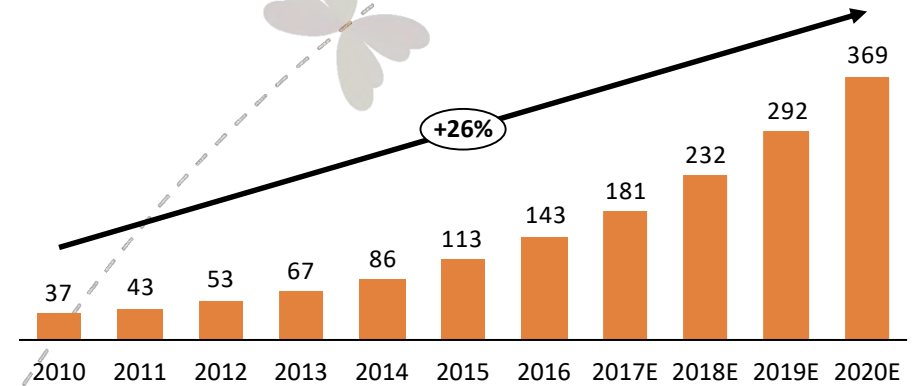


- » First Indian Company to develop **anode material** of both Synthetic and Natural varieties for **lithium-ion batteries**
  - **Best-in-class Proprietary technology** which involves Coal Tar treatment into Advance Carbon Material, carbonisation, classification and graphitisation
  - **Only few Japanese Companies manufacture anode material through Coal Tar route having superior performance**
  - **Cost Leadership :**
    - **In-house access to raw material**
      - ✓ High Quality Material
      - ✓ Captive Power

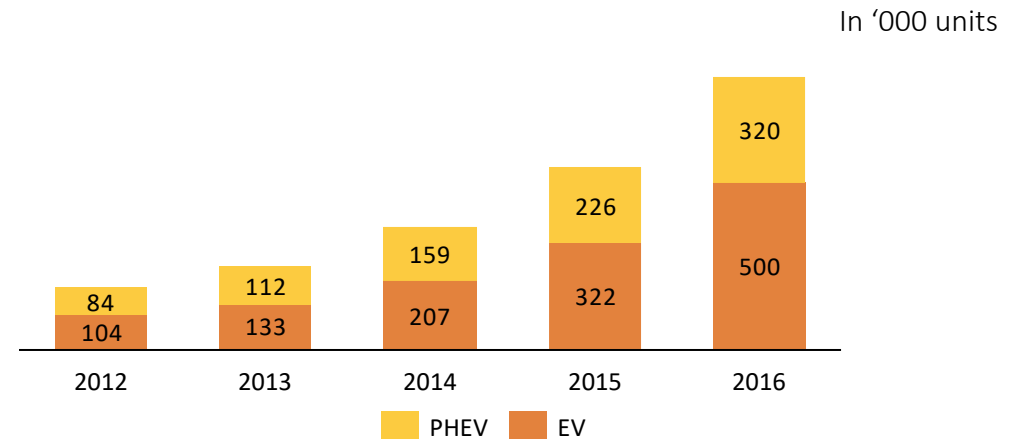
## Capacity Expansion to Capitalize Growth

- » Advantage of its integrated manufacturing facility to reduce logistics and energy costs
- » To leverage cutting-edge product to develop next-generation materials

**Global Shipments of Lithium-ion Battery Anode Materials** In Kt



**Global Electric Vehicles Sales** In '000 units







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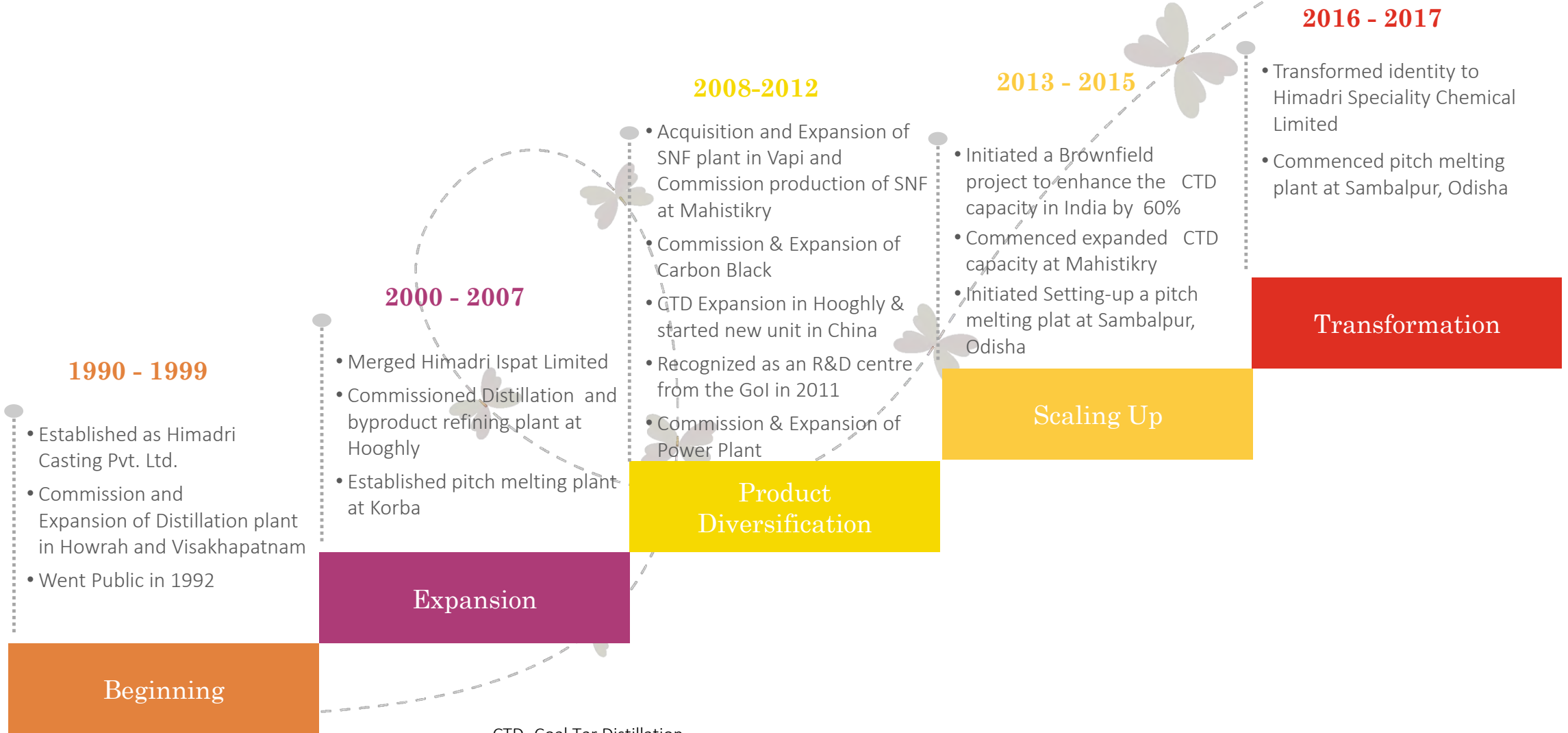
- Accelerating Core Business
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# Evolving...



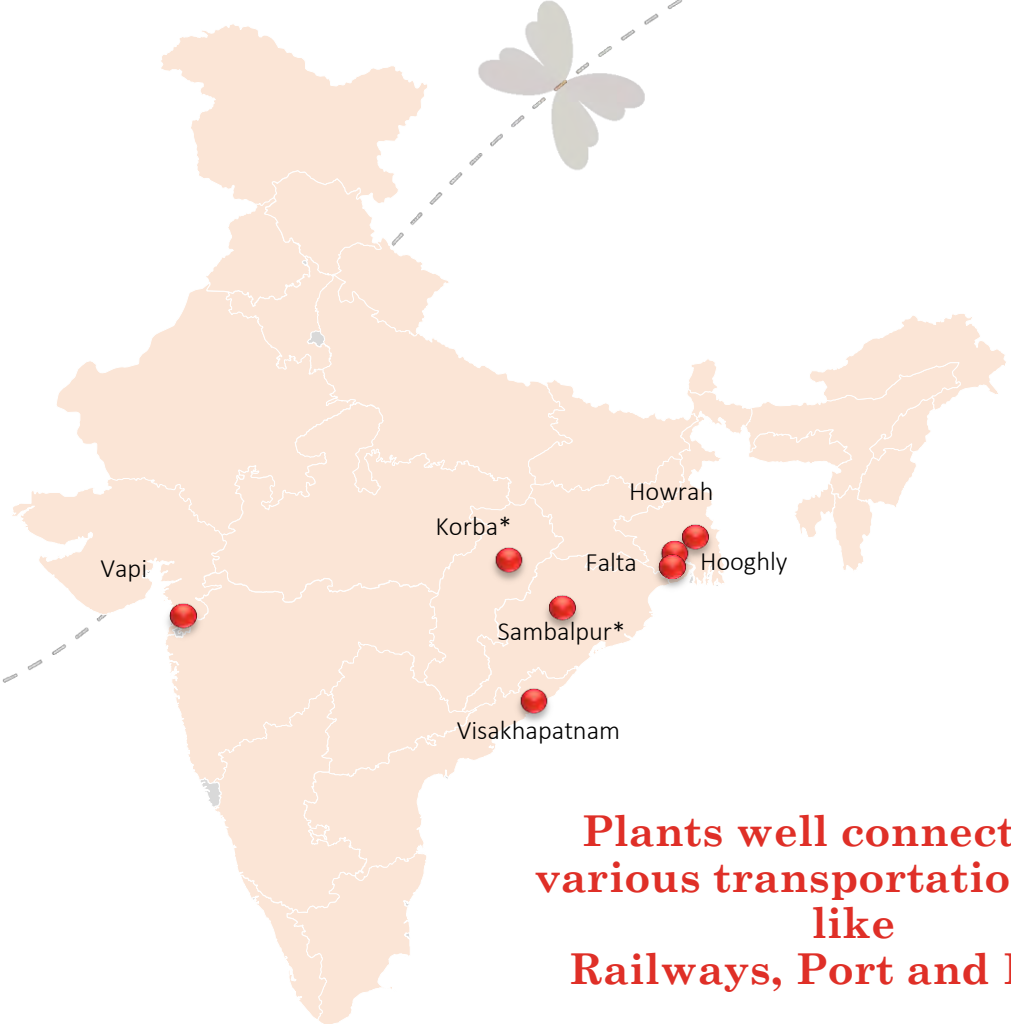
CTD- Coal Tar Distillation

# ...with Presence at Strategic Locations in India...

## Product Capacity

Plant	Existing Capacity
Coal Tar Distillation Capacity	400,000
Carbon Black – MTPA	120,000
Power Plant (Co. generation) – MW	20
SNF - MTPA	68,000

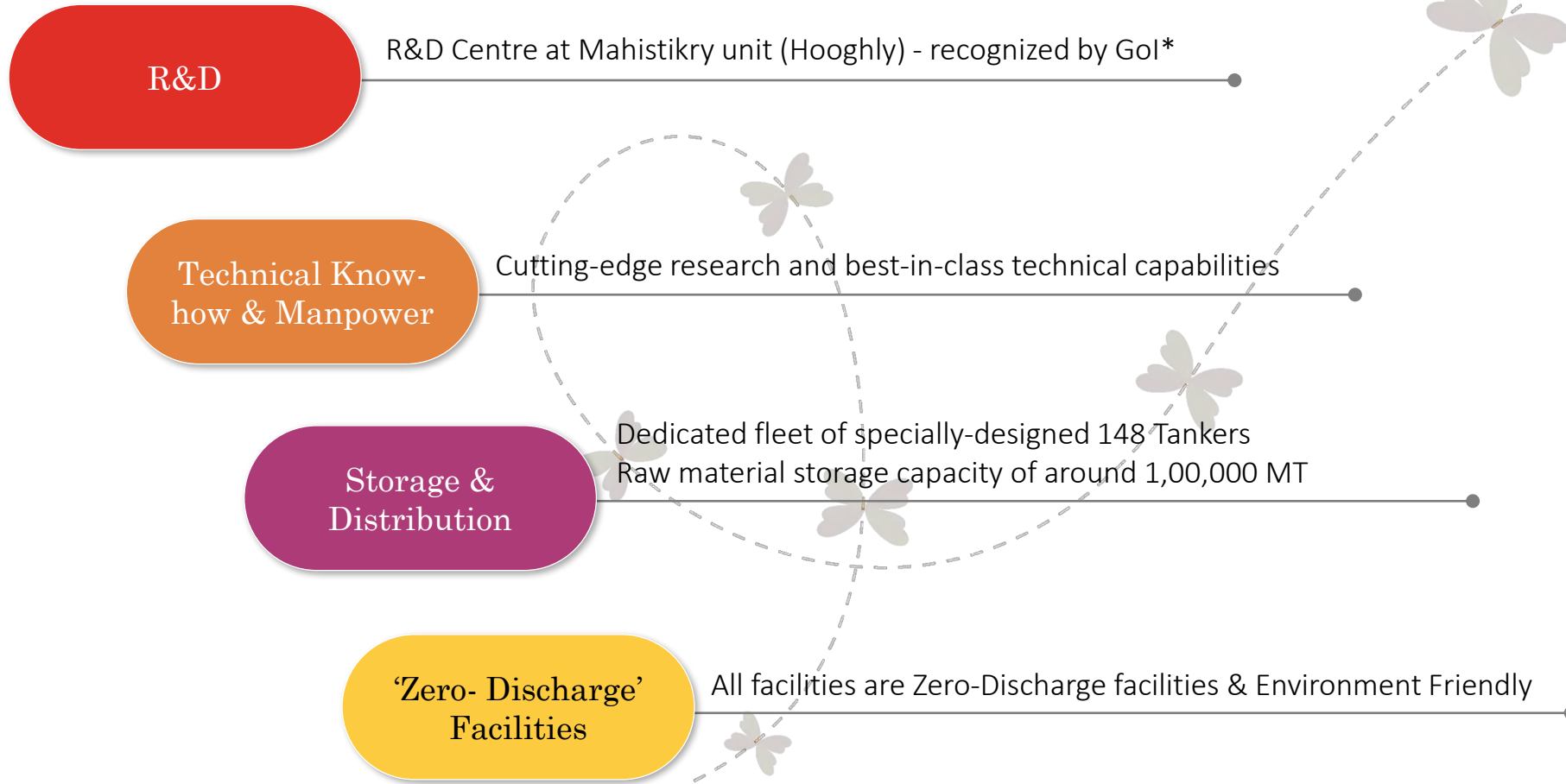
**All our facilities are Zero-Discharge Facilities**



**Plants well connected to various transportation mode like Railways, Port and Roads**

\* Pitch Melting Plant

# ...supported by Key Elements in Business Model...



\*Government of India

# ...with validation through Awards & Recognition




**'Best Large Corporate' of WB  
in INR 1,000+ Cr Category**



**'Highest Job Creator' of WB  
in INR 1,000+ Cr Category**





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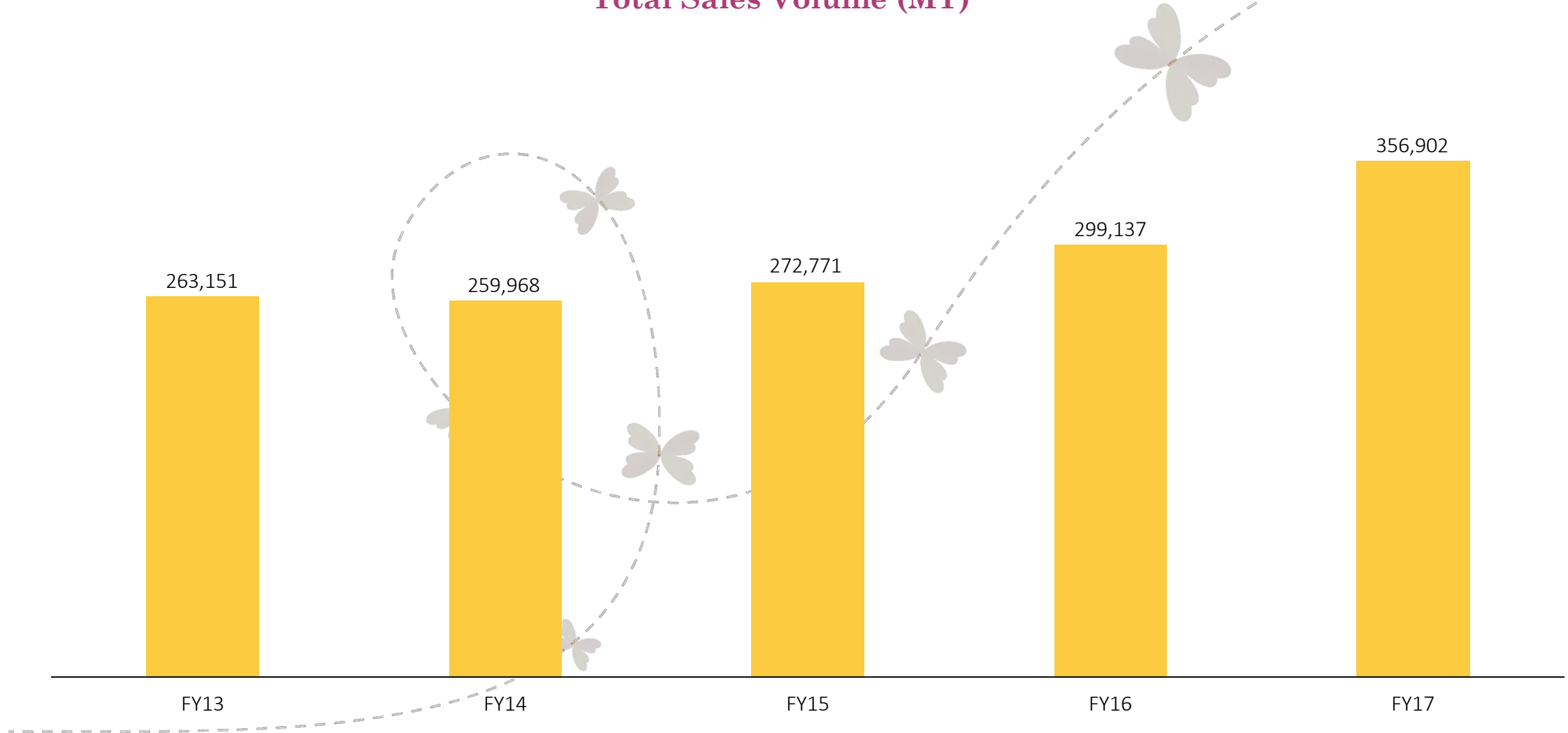
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# Key Performance Indicator



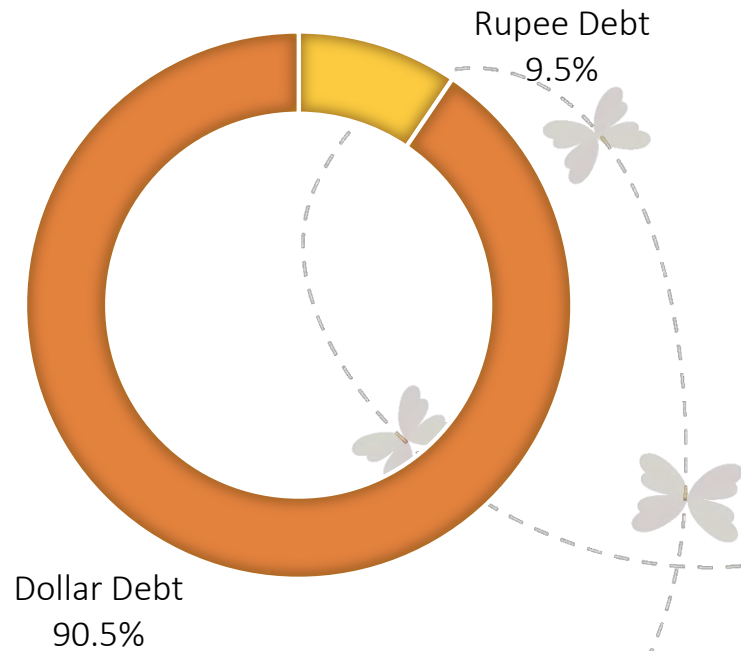
## Total Sales Volume (MT)



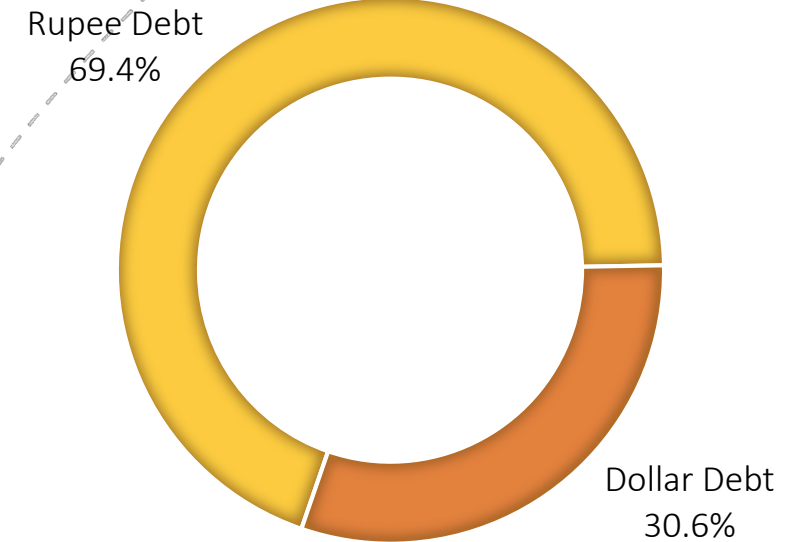
# Change in the Debt Composition



### Total Debt Profile FY12



### Total Debt Profile FY17



Change in **Debt Composition** from **~91%** of Foreign Currency Loans to **~31%** in FY17



# Debt Repayment of over Rs. 500 Crores



## Rupee Debt

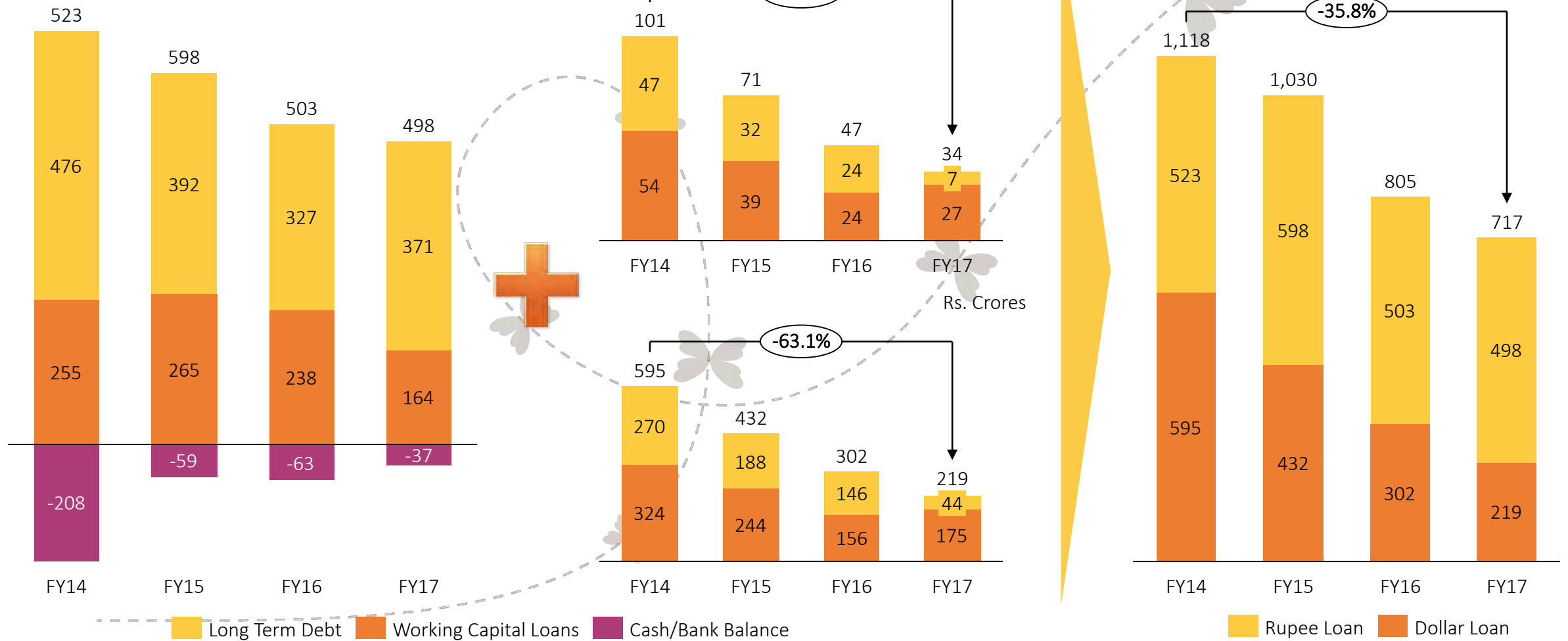
## Dollar Debt

## Net Debt

Rs. Crores

\$ million

Rs. Crores





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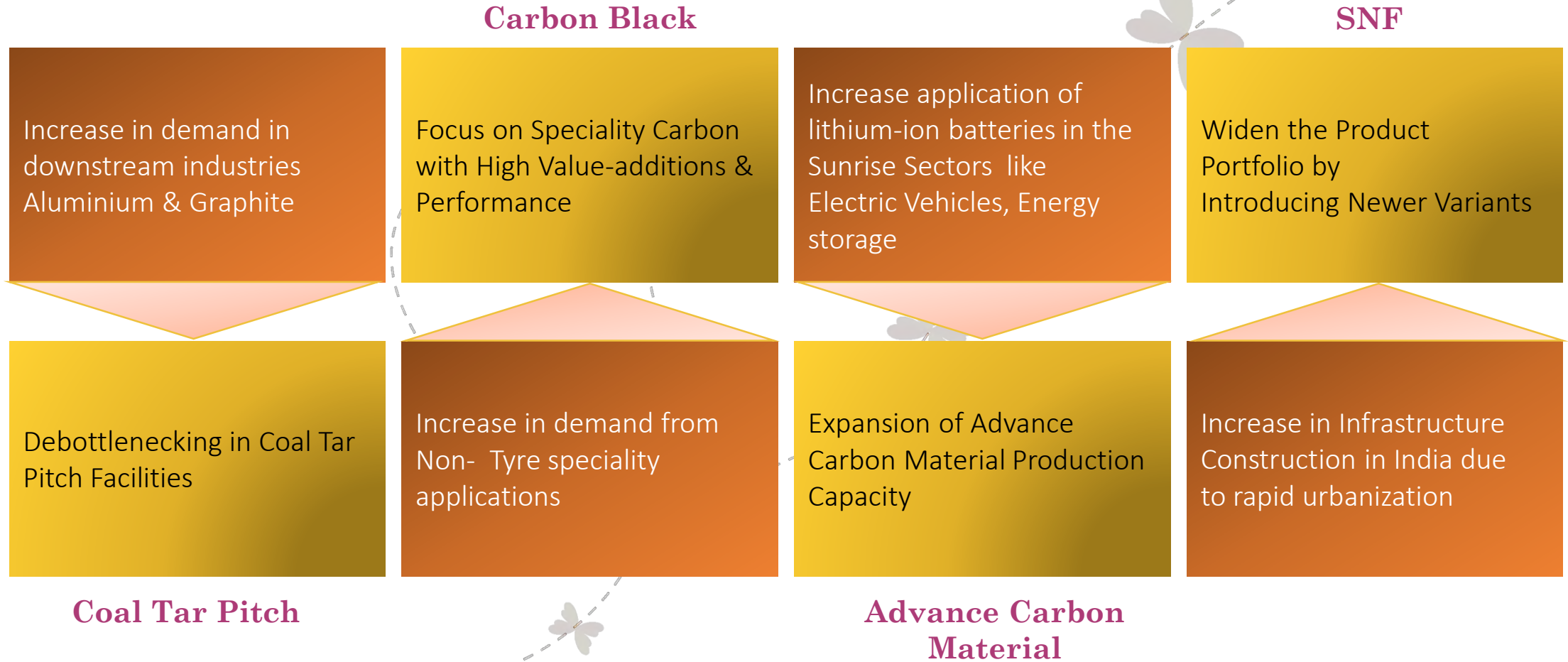
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# Strongly positioned to capture Growing Markets



# Strategic Growth Priorities



**For further information, please contact:**



Company :

**Himadri Speciality Chemical Ltd**

CIN: L27106WB1987PLC042756

Mr. Somesh Satnalika  
VP Strategy & Business Development

Email: [ssatnalika@himadri.com](mailto:ssatnalika@himadri.com)

[www.himadri.com](http://www.himadri.com)

Investor Relations Advisors :

**SGA** Strategic Growth Advisors

CIN: U74140MH2010PTC204285

Ms. Payal Dave / Ms. Hina Agarwal  
+91 9819916314/ +91 9619906166

Email: [Payal.Dave@sgapl.net](mailto:Payal.Dave@sgapl.net) / [Hina.Agarwal@sgapl.net](mailto:Hina.Agarwal@sgapl.net)

[www.sgapl.net](http://www.sgapl.net)