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HIMADRI CHEMICALS & INDUSTRIES LIMITED

Investor Presentation
May 23, 2016

Safe harbor



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Agenda



➤ **Company Overview**



➤ **Journey So Far/ Milestones**



➤ **Business Overview**



➤ **Product Suite**



➤ **Key Strengths**



➤ **Manufacturing facilities**



➤ **Customers**



➤ **Global Presence**



➤ **Management Profile**



➤ **Strategic Outlook**



➤ **Financial Performance**



Company Overview

Company Overview

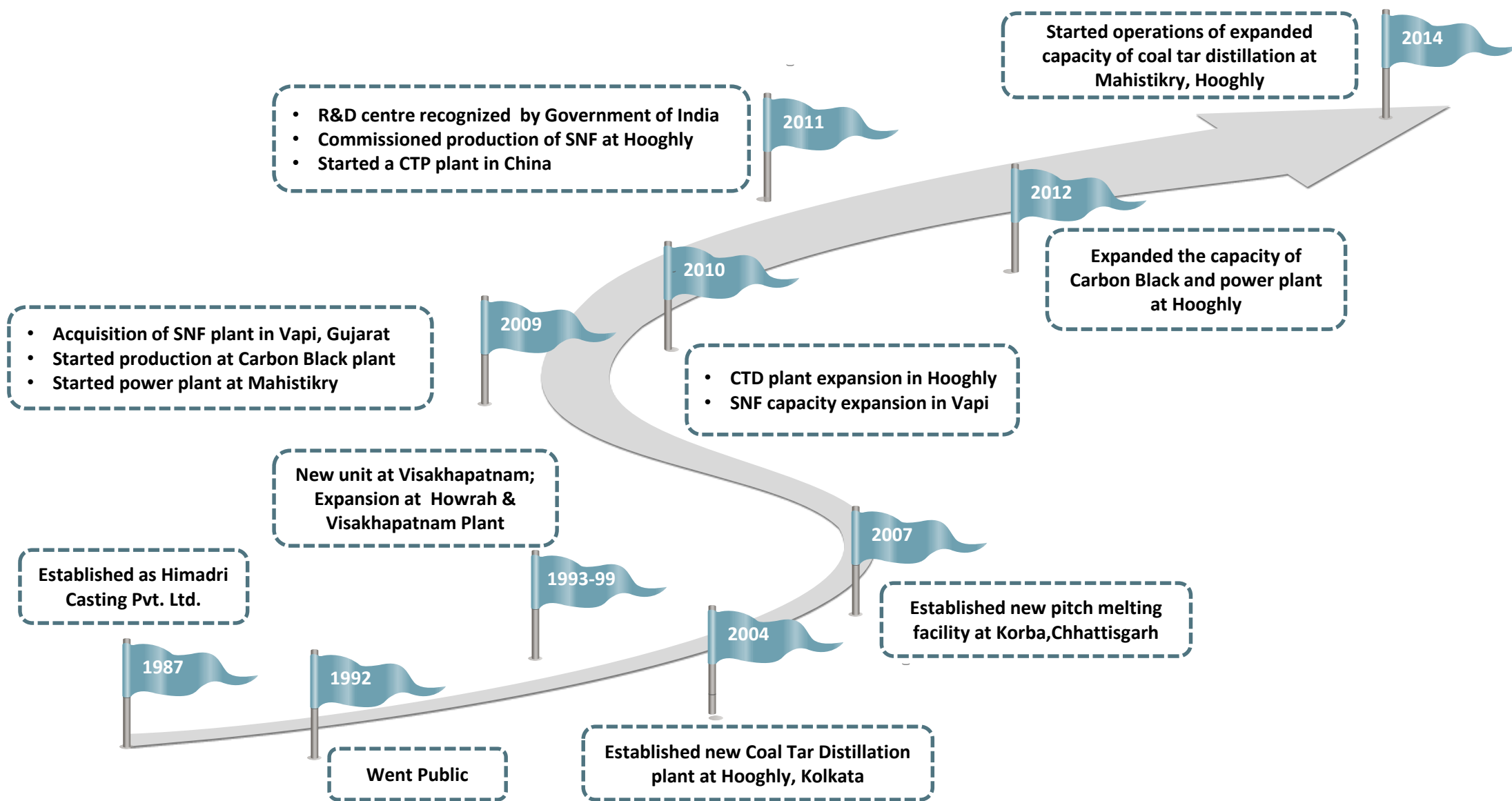


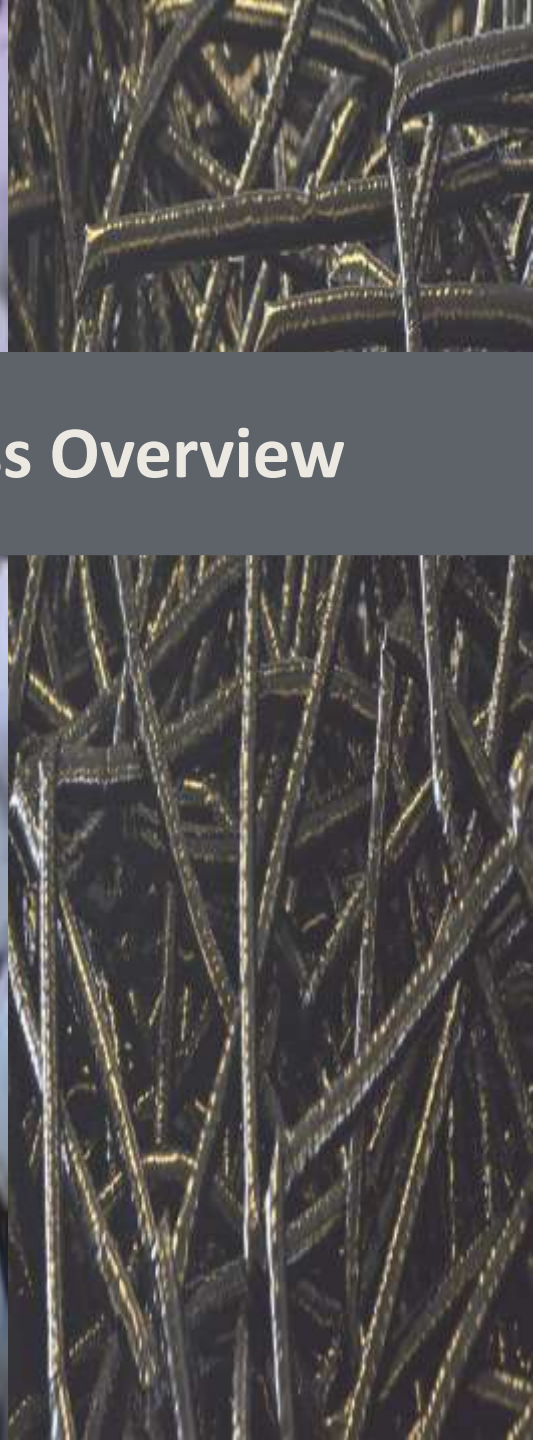
Largest Coal Tar Pitch manufacturing company



- One of few integrated **Speciality Carbon Chemical** companies in the world with global leadership position
- Largest producer of Coal Tar Pitch in India with **~65% market share**
- One of the few global manufacturers to produce **Zero Quinolene Insoluble (QI)** impregnating Coal Tar Pitch
- **Diversified Product Portfolio** with Presence across Carbon Value Chain & wide array of high demand specialized products
- Seven 'zero discharge' strategically located manufacturing facilities spread across India in **West Bengal, Gujarat, Andhra Pradesh and Chhattisgarh**

Journey so far





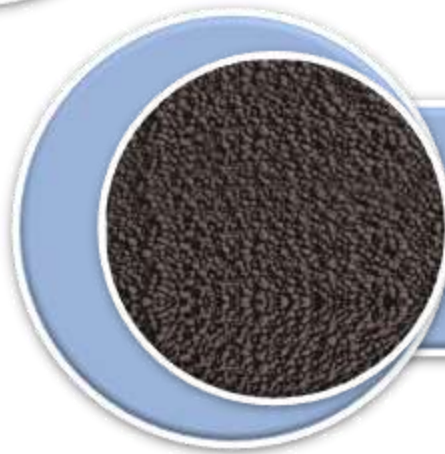
Business Overview

Business Overview



Coal Tar Pitch

Complex speciality chemical with 22 chemical and physical properties obtained through coal tar distillation







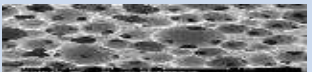




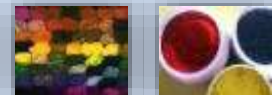





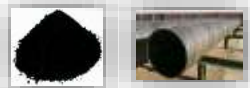




Carbon Black

One of most important industrial chemicals in world with applications in rubber, plastics, coating, inks and batteries




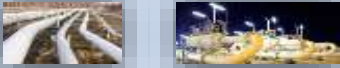


Wide array of high demand speciality chemicals



| Products | | Applicability/developments | |
|--|---|--|---|
| Aluminium grade pitch |  | Aluminium production |  |
| Graphite grade binder pitch |  | Graphite electrode manufacture |  |
| Graphite grade zero QI coal tar impregnating pitch |  | Graphite electrode, nipple impregnation and UHP grade electrode manufacture |  |
| Mesophase pitch |  | Anode material for Li-ion batteries, carbon/carbon composites |  |
| Special pitches |  | Refractories, carbon paste, paints/ultramarine blue and water proofing, among others |  |
| Naphthalene |  | Dyes and dyestuff intermediates, tanning agents, super plasticiser manufacture, pharmaceuticals, disinfectants |  |
| Light creosote oils |  | Paints and asphalt liquefying, manufacture of phenolic disinfectants |  |
| Heavy creosote oil |  | Benzole extraction from coke oven gas and as wood preservative |  |
| Anthracene oil/Carbon black oil |  | Carbon black manufacture as a feedstock and in coal tar enamel manufacture |  |
| SNF |  | Used in Admixture, Dyes and Pigments, Agrochemicals, Leather and Rubber |  |

Wide array of high demand speciality chemicals contd...



| Category | Product | Applicability/developments |
|-----------------------------|---|--|
| Carbon Black | Carbon black  | Reinforcing agent for rubber, abrasion-resistant, tear-resistant, improving fracture behavior with improved dynamic mechanical properties  |
| Corrosion protection | Himcoat enamel | Anti-corrosion protection to underground and off-shore pipelines  |
| | Himcoat Primer-B | Oil & gas, water and sewage pipelines, tanks, underground structures and fittings  |
| | Himtape | Oil & gas, tanks, underground structures and fittings  |
| | Himwrap | Protection to underground pipelines by protecting the enamel against soil stress, pipe shift, moisture, bacteria  |

Key Strengths- An Integrated Speciality Carbon Chemical Company with global leadership position



Compelling Competitive Position

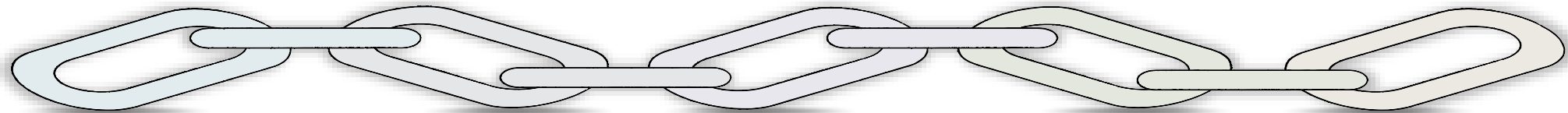
- Engaged in producing a wide range of carbon products - Coal Tar Pitch, Chemical oils, Carbon Black, Naphthalene, Corrosion protection, Sulfonated Naphthalene Formaldehyde (SNF) and clean green Power
- One of few global manufacturers to produce Zero Quinolene Insoluble (QI) impregnating Coal Tar Pitch

Storage & Distribution

- Plants well-connected through various transportation modes (like railways and roads)
- Raw material storage capacity of around 1,00,000 MT
- Liquid Pitch Capability
- Largest dedicated fleet of specially-designed 125 tankers in India
- Only company in India having Liquid Pitch terminal for exports

Strategic Sourcing Advantages

- Long-term relationships with all major Indian raw material suppliers
- Strategically imports raw materials based on prevalent global, economical and demand-supply dynamics, thereby optimizing costs
- Largest purchaser of Coal Tar in India
- Highest share of Coal Tar from nearly all domestic steel plants
- Capability to source Coal Tar globally to take advantage of global price movement



Fungible & Strategically-located 'Zero discharge' Facilities

- Seven manufacturing facilities spread across India in West Bengal, Gujarat, Andhra Pradesh & Chhattisgarh
- Coal Tar Distillation, Carbon Black and SNF capacities of 400,000, 120,000 and 68,000 TPA, respectively
- Plants certified with ISO 9001:2008 and ISO 14001:2004
- Flexible manufacturing plants capable of switching between any type and quality of raw material

Research and Development

- R&D Centre at Mahistikry unit - recognized by the Government of India
- Experienced R&D team with international experts
- Introduction of new value added speciality chemicals, specialized testing of coal tar pitch and carbon black to maintain best in-class quality

Premier Global Customer Base

- Serves aluminium and graphite, lithium-ion battery, tyre and rubber and infrastructure industries
- Strong clientele including BALCO, Hindalco, Nalco, Vedanta, Graphite India, HEG and SGL Carbon SA and other aluminium and graphite players
- Strong relationships and supply contracts with customers globally

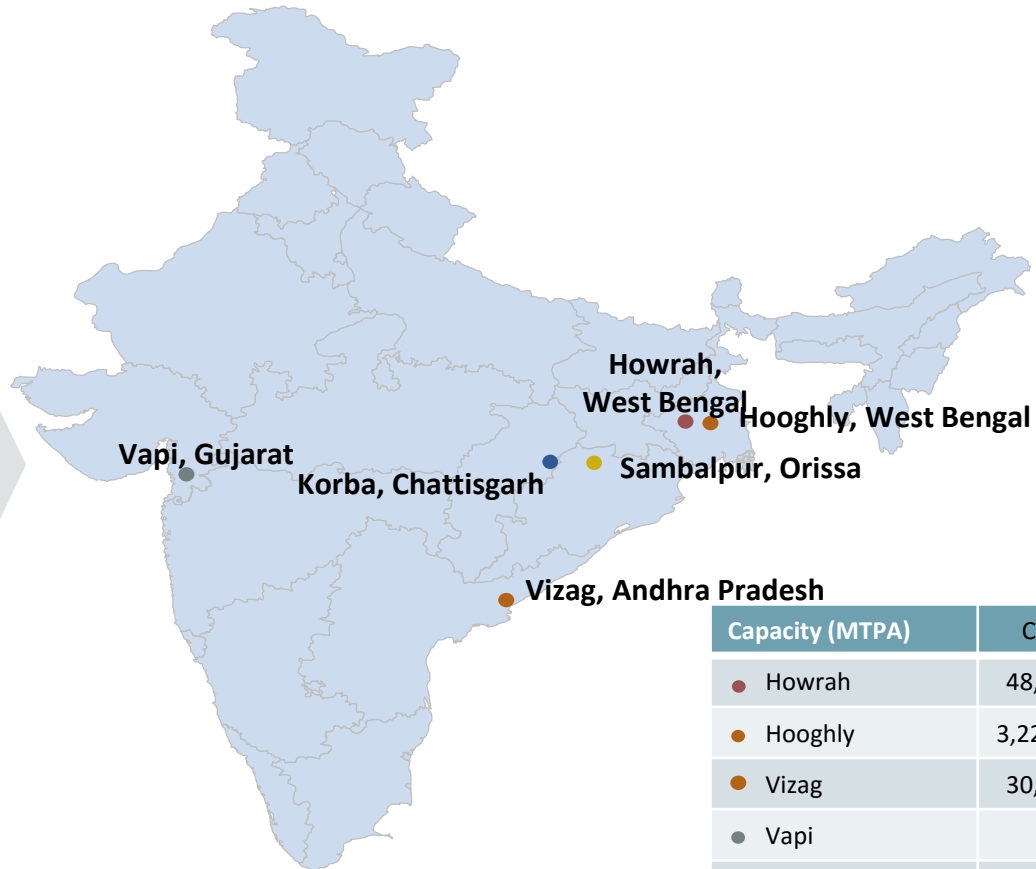
Manufacturing Facilities



Strategically Located Manufacturing Locations



Manufacturing Facility in India



| Capacity (MTPA) | CTD | CB | SNF |
|-----------------|-----------------|-----------------|---------------|
| ● Howrah | 48,000 | | |
| ● Hooghly | 3,22,000 | 1,20,000 | 50,000 |
| ● Vizag | 30,000 | | |
| ● Vapi | | | 18,000 |
| ● Total | 4,00,000 | 1,20,000 | 68,000 |
| ● Korba* | 60,000 | | |
| ● Sambalpur*~ | 40,000 | | |

*Melting Facility | ~Under Construction

Blue Chip Customers



PACIFIC ALUMINIUM



GRACE



Strong Global Presence





Professional Management Team

| | |
|---|--|
| Anurag Choudhary CEO | <ul style="list-style-type: none">➤ More than two decades of experience in finance and overall operations of Company➤ Under his leadership company gained reputation in international markets, undertook expansion projects, raised capital through prominent investors viz; CVC & Bain Capital(US) |
| Dr. Soumen Chakraborty President | <ul style="list-style-type: none">➤ PhD, B.Tch, M.Tech, IIT Bombay➤ 37 years experience in the carbon chemicals and allied industries |
| Manual Cimas Gonzalez Head International Business Development | <ul style="list-style-type: none">➤ Spanish National, Ex MD of I.Q.Nalon➤ 34 years experience in carbon chemicals➤ Expert on CTP and anode production |
| Monojit Mukherjee Business Head, Carbon Black | <ul style="list-style-type: none">➤ B. Sc, B.Tech, PGDM, IIM Ahmedabad➤ 25 years+ experience in the carbon black industry➤ Leadership roles across Profit Centres, Marketing and New Initiatives |
| Tapas Bhaumik Business Head, SNF | <ul style="list-style-type: none">➤ B.Tech with 30 years+ experience in the chemical and specialty chemical industry➤ Leadership roles across Profit Centres and Supply Chain |
| Somesh Satnalika Head Strategy | <ul style="list-style-type: none">➤ MBA (ISB, Hyderabad) and Chartered Accountant➤ 12 years+ experience across Management Consulting and FMCG |
| Rene Genin Head Technical | <ul style="list-style-type: none">➤ A French national with 37 years experience in CT distillation➤ Pioneer in development of process technology in CT distillation |
| Kamlesh Agarwal CFO | <ul style="list-style-type: none">➤ Chartered Accountant and Company Secretary➤ 21 years+ experience in Finance function with last 10 years in leadership role |



Key Growth Drivers

- ❑ Maintaining domestic leadership in Coal Tar Pitch
- ❑ Leverage significant demand for Carbon Black in tyre and speciality segments
- ❑ Expand product basket for construction chemicals and admixtures
- ❑ Prudent selection of products and focus on end-user industry
- ❑ Focus on value-added products and develop appropriate products and markets
- ❑ Growth to be supported by greenfield and brownfield aluminium smelters

Strategic Objectives

- ❑ Be amongst top three producers of Coal Tar products globally
- ❑ Become lowest cost producer of Coal Tar products in the world
- ❑ Adequate capacities provide flexibility & opportunity to capture expected demand growth
- ❑ Create strong customer base and serve niche speciality market for carbon black
- ❑ Improve operational efficiency, strengthening order book & win businesses from existing & new clients
- ❑ Setting up of integrated speciality carbon chemical complex



Annual Financial Highlights

-
-
-
-

Financial Highlights - Standalone



565bps ↑

Gross Profit Margin

27.9%

26% ↑

EBITDA

Rs 155 cr

455bps ↑

EBITDA Margin

13.5%

0.98 ↓

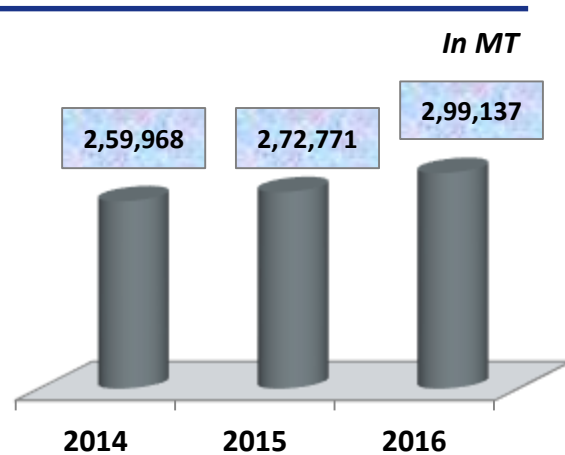
Debt Equity Ratio

1.32 in FY15

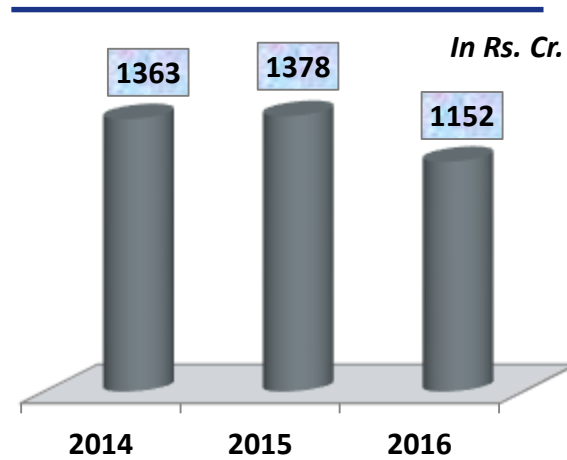


Annual Financial Highlights - Standalone

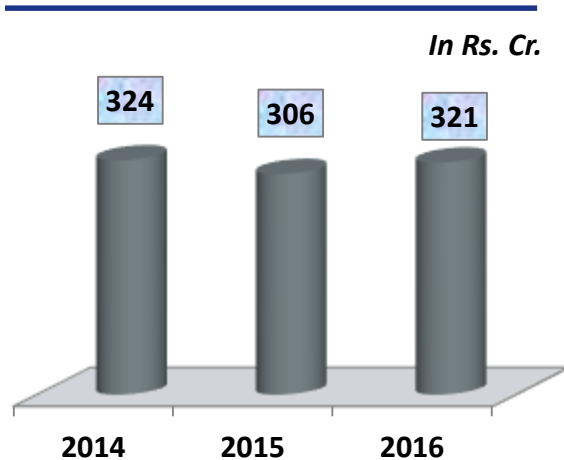
Sales Volumes



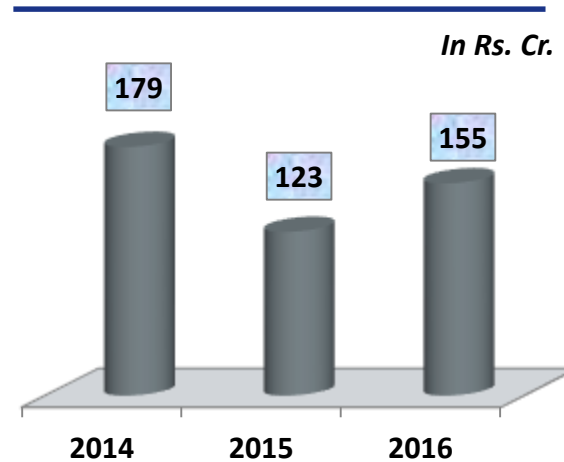
Revenue from Operations



Gross Profit



EBITDA*

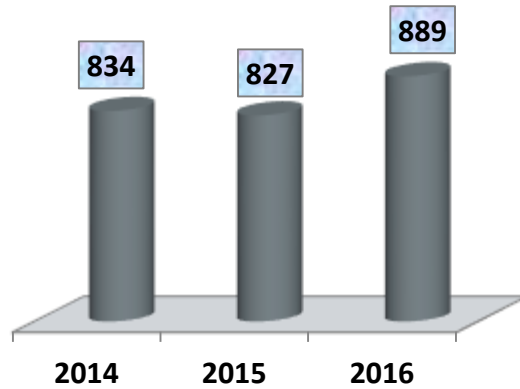


*EBITDA is inclusive of other operating income, but excludes other income and Foreign exchange fluctuation. Provision for doubtful debts in FY14 only also excluded in EBITDA

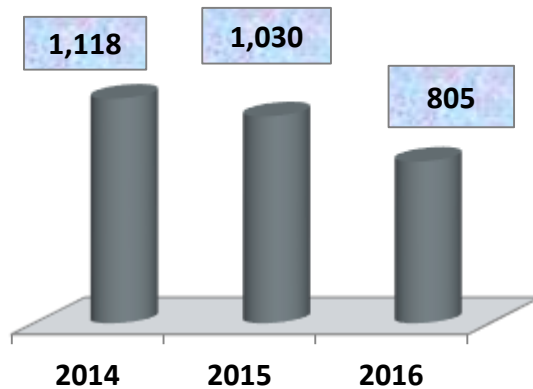


Annual Balance Sheet Highlights - Standalone

Net Worth

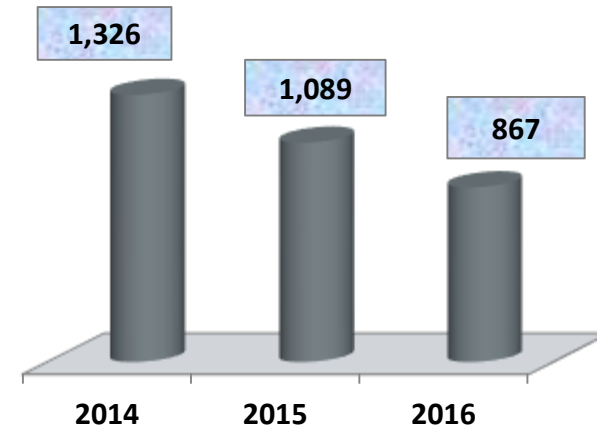


Net Debt

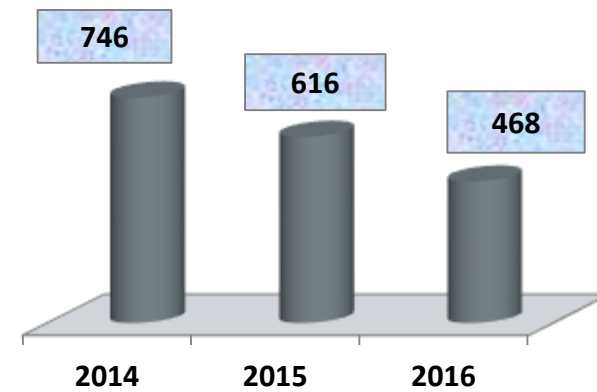


Total Debt

In Rs. Cr.



Net Working Capital





Consolidated annual profitability highlights

| In Rs. Cr. | FY-16 | FY-15 | YoY |
|-----------------------------------|----------------|----------------|----------------|
| Revenue from Operations | 1,182.6 | 1,436.3 | (18%) |
| Other Operating Income | 0.8 | 1.7 | |
| Total Income | 1,183.4 | 1,438.0 | (18%)% |
| Raw Material & other direct costs | 845.0 | 1,097.3 | (23%) |
| Employee Cost | 32.0 | 32.6 | (2%) |
| Other costs | 146 | 177.0 | (18%) |
| Total Expenditure | 1,023.0 | 1,306.9 | (22%) |
| EBIDTA | 160.4 | 131.0 | 22.4% |
| EBITDA Margin (%) | 13.6% | 9.1% | 495 bps |
| Other Income | -11.0 | 6.3 | |
| Depreciation | 67.1 | 59.2 | 13% |
| Interest | 103.3 | 102.6 | 1% |
| Profit Before Tax | -21.0 | -24.5 | (14%) |
| Tax | 4.4 | -12.0 | (137%) |
| Profit After Tax | -16.6 | -12.5 | 33% |
| Less Minority/ Add Associates | -0.3 | -0.1 | |
| Consolidated PAT | -16.2 | -12.4 | |
| PAT Margin % | -1.4% | -0.9% | |

- Revenue from operations at Rs 1,183 crore, mainly on account of decrease in price realisation; **volumes have grown 10% YoY**
- **Exports – 12% of revenues**
- EBITDA at Rs 160 crore, **YoY increase of 22%**
- EBITDA margin of 14%, **increase of over 400 bps**
- **Proposed Dividend of 5%**



Consolidated balance sheet highlights

| In Rs. Cr. | FY-16 | FY-15 |
|---|----------------|----------------|
| Shareholder's Funds | 846.9 | 788.5 |
| Share capital | 41.8 | 38.6 |
| Reserves & Surplus | 805.0 | 749.9 |
| Minority Interest | - | 0.3 |
| Non-current Liabilities | 475.3 | 654.9 |
| Long term borrowings | 366.8 | 532.1 |
| Defer Tax liabilities | 47.8 | 52.2 |
| Other Long-Term liabilities | 59.7 | 69.8 |
| Long-Term Provisions | 1.0 | 0.8 |
| Current Liabilities | 712.0 | 798.3 |
| Short Term Borrowings | 411.9 | 526.3 |
| Trade Payables | 115.3 | 108.5 |
| Other Current liabilities | 181.6 | 162.7 |
| Short-term provisions | 3.2 | 0.8 |
| Total Equities & Liabilities | 2,034.2 | 2,242.1 |

| In Rs. Cr. | FY-16 | FY-15 |
|-----------------------------|----------------|----------------|
| Non-current Assets | 1,332.5 | 1,365.9 |
| Fixed assets | 1,211.3 | 1,242.4 |
| Non-current Investments | 2.0 | 2.0 |
| Long-term loans & advances | 111.2 | 113.2 |
| Other non-current assets | 8.0 | 8.4 |
| Current Assets | 701.7 | 876.1 |
| Current investments | 21.0 | 21.0 |
| Inventories | 319.6 | 367.5 |
| Trade receivables | 204.0 | 321.3 |
| Cash & Cash equivalents | 46.6 | 41.3 |
| Short-term loans & Advances | 101.6 | 122.3 |
| Other Current Assets | 9.0 | 2.7 |
| Total Assets | 2,034.2 | 2,242.1 |



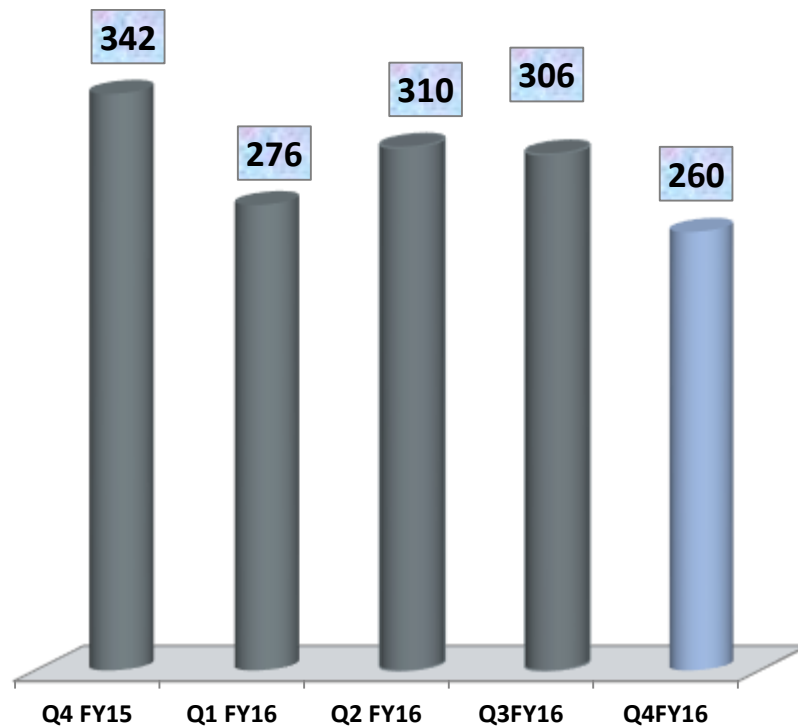
Quarterly Financial Highlights



Standalone Quarterly Highlights – Last Five Quarters

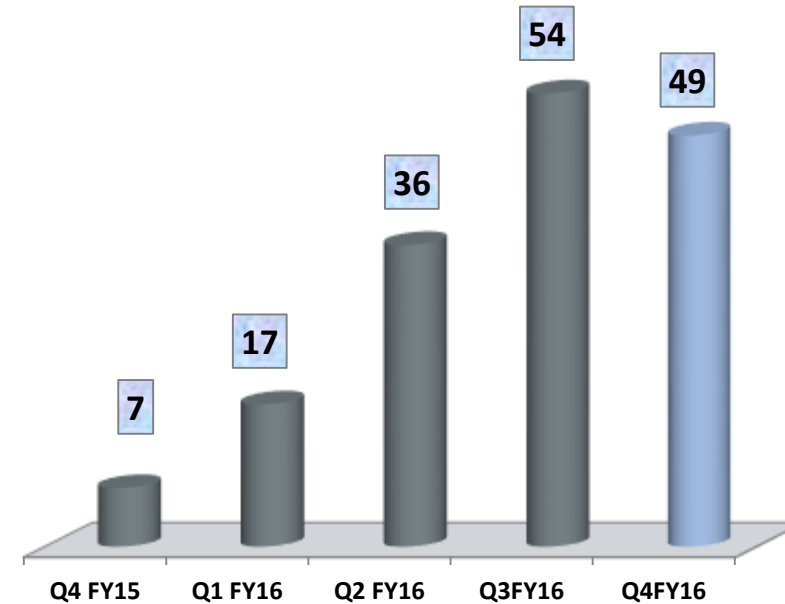
Revenue from Operations

In Rs. Cr.



EBITDA*

In Rs. Cr.



*EBITDA is inclusive of other operating income, but excludes other income and Foreign exchange fluctuation



Quarterly Highlights - Standalone

| Particulars (In Rs. Cr.) | Q4 FY16 | Q4 FY15 | YoY | Q3 FY16 | QoQ |
|-------------------------------------|--------------|--------------|------------------|--------------|----------------|
| Total Income from Operations | 260.2 | 341.9 | (24%) | 305.5 | (15%) |
| Total Expenditure | 211.2 | 335.4 | (37%) | 252.0 | (16%) |
| EBIDTA | 49.0 | 6.5 | 657% | 53.5 | (8)% |
| EBITDA Margin (%) | 18.8% | 1.9% | 1,694 bps | 17.5% | 132 bps |
| Depreciation | 15.9 | 13.0 | 23% | 16.0 | (1%) |
| Interest | 18.9 | 16.2 | 17% | 25.4 | (26%) |
| Tax | 5.9 | -8.0 | | 4.0 | |
| Profit After Tax | 11.8 | -16.0 | 174% | 6.0 | 97% |
| PAT Margin (%) | 4.5% | -4.7% | 920 bps | 1.9% | 260 bps |

| Segmental Performance (In Rs. Cr.) | Q4 FY16 | Q4 FY15 | YoY % | Q3 FY16 | QoQ% |
|---|----------------|----------------|---------------|----------------|---------------|
| Carbon Materials & Chemicals | | | | | |
| Revenue | 255.6 | 339.8 | (25)% | 300.2 | (15%) |
| EBIT | 25.6 | -9.5 | 371% | 29.0 | (12%) |
| EBIT Margin | 10.0% | -2.8% | | 9.7% | 30 bps |
| Capital Employed | 1,624.5 | 1,834.4 | (11%) | 1,747.1 | (7%) |
| Power | | | | | |
| Revenue | 8.9 | 4.6 | 93% | 9.9 | -10.2% |
| EBIT | 7.5 | 2.9 | (155%) | 8.5 | -12.5% |
| EBIT Margin | 83.6% | 63.4% | | 85.9% | |
| Capital Employed | 57.9 | 56.5 | 2% | 59.0 | (2%) |

- Revenue from operations at Rs 260 crore, mainly on account of decrease in price realisation; However **volumes grew 5% YoY to 79,834 MT**

- **Over 650% YoY growth in EBITDA**

- EBITDA margin of 19%, **YoY increase of over 1,600 bps**, on account of operating efficiencies & increased capacity utilization

- Interest **increased YoY but declined QoQ** - During the year, foreign currency loan as % of total debt decreased significantly resulting in increase in average cost of borrowing. Going ahead, finance cost expected to reduce

- **PAT of Rs 12 crore v/s Loss of Rs 16 crore in Q4FY15 and 97% QoQ increase**

- PAT margin at 5%, **QoQ increase of over 260 bps**



Recent Developments

Conversion of Deep Discount Bond

- Conversion of 12,300 Deep Discount Debentures (12.2% pa) into 3,26,75,297 equity shares of Re. 1/- each
- Conversion price at Rs. 19/- per shares (including premium of Rs. 18/- per share) resulting in increased promoter holding.

| Shareholding | Pre-DDD conversion | Post DDD conversion |
|------------------------|--------------------|---------------------|
| Total number of shares | 38,57,32,570 | 41,84,07,867 |
| Promoter holding | 17,21,39,910 | 20,48,15,207 |
| Promoter % Holding | 44.6% | 48.9% |

Repayment of FCCB

- Repaid **US\$ 9.22 mn** on 4th April 2016 against **FCCB** issued in 2009

Reduction in Long term debt; Improved Profitability; Increased Cash Flow

Thank You



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HCIL

Bloomberg HCI IN

REUTERS  HMCH.NS



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