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To

Ref : Listing Code: 500184 BSE Limited Corporate Relationship Department P.J. Towers, Dalal Street, Mumbai- 400 001	Ref: Listing Code: HSCL National Stock Exchange of India Ltd Exchange Plaza, C-1, Block-G Bandra Kurla Complex, Bandra (E) Mumbai- 400 051
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Dear Sir,

Sub: Transcript Analyst/ Investor Conference Call

This has reference to our letter Ref No. HSCL /Stock-Ex/2017-18/044 dated 2 August 2017 regarding the Conference Call, and pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the copy of the transcript of the Conference call held on Friday, the 4 August 2017. The same is also available on the website of the Company i.e. www.himadri.com.

Thanking you,

Encl: a/a

Yours faithfully,

For Himadri Speciality Chemical Ltd


Company Secretary
FCS: 8148



Himadri Speciality Chemical Ltd

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Himadri Speciality Chemical Ltd

“Earnings Conference Call Q1 FY2018”

August 04, 2017

**MANAGEMENT: MR. ANURAG CHOUDHARY – CEO, HIMADRI
SPECIALITY CHEMICAL LTD**

**MR. SOMESH SATNALIKA - VP STRATEGY AND
BUSINESS DEVELOPMENT, HIMADRI SPECIALITY
CHEMICAL LTD**

**MR. KAMLESH AGARWAL – CFO, HIMADRI SPECIALITY
CHEMICAL LTD**



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Moderator: Ladies and gentlemen, good day and welcome to the Himadri Speciality Chemical Ltd Q1 FY2018 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would hand the conference over to Mr. Anurag Choudhary, CEO, Himadri Speciality Chemical Ltd Thank you and over to you Sir!

Anurag Choudhary: Thank you. Good afternoon ladies and gentlemen and a warm welcome to all. Along with me I have Mr. Somesh Satnalika, VP - Strategy & Business Development, Mr. Kamlesh Agarwal, Chief Financial Officer and SGA our Investor Relations Advisor. The results and the presentation are available on the stock exchange and our company website and I hope everyone has a chance to look at it.

Before we go on to the quarterly performance, we are pleased to inform you that your company has reported the best quarterly performance ever and we are confident of sustaining the same in future as well. In line with your company’s strategy to move towards high value addition we have conceived few projects and channelized our resources to innovate and develop the next generation products that will build your company to last.

We are happy to inform that these initiatives are bearing fruits and the products are generating higher demand. We have delivered EBITDA growth of 96% year-on-year on back of better product mix with share of high margin products, improved operational efficiency, higher capacity utilization and strong customer relationship.

Coming to the business update coal tar pitch as you all are aware we are the largest producer in India and catering to more than two-thirds requirement of graphite and aluminum industry. Currently we have 70% market share and we are confident of further improving the same in the coming years.

The aluminium capacity in the country is expected to increase from 2.75 million metric tonne per annum to 4 million metric tonne per annum by FY2019. As a thumb rule CTP



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constitutes 10% of the volume in aluminium production and 44% of the volume in graphite electrode production.

Himadri is a major supplier to aluminum industry majors like Hindalco, BALCO, NALCO, Vedanta, which supply as high as 95% of CTP requirement of certain smelters. This product has high entry barriers, as it is a complex chemical with 22 to 25 chemical and physical properties obtained through coal tar distillation process.

Coal tar pitch is transported in liquid form and needs to be handled and shipped at 250 degree centigrade through a special fleet of tankers. We have 148 dedicated fleet of specialized tankers to transport coal tar pitch.

With our expertise and infrastructure we are best placed to cater the increasing demand and therefore we are in the process of debottling of our coal tar distillation capacity, which will increase the capacity by 25% to 500,000 metric tonne per annum from 400,000 metric tonne per annum currently.

Now coming to carbon black, we are among the leading manufactures of carbon black in India with a production capacity of 120,000 metric tonne per annum. In the last two years we had taken a few initiatives to improve the profitability of this segment. We have developed special grades of product along with customers for niche applications in non-tyre segment.

We have made progress in the speciality carbon black, which is used in plastic master batch, fiber, wire and cable pipes, engineering plastics, films, inks, coatings, etc. This product has a good demand from international clients and will open up global market for us in future.

Our product quality is superior as we use low sulfur-based raw material. We have selectively supplied material and focused on profitable growth as the market has appreciated our quality and a demand outlook remains strong and robust.

We have formed customer engagement cell, which works with customers on product development, quality testings and approvals to help realize products to work. We are in the process of supplying to locations, which we are logistically advantage. We have created a roadmap for us where these initiatives would lead to significant enhancement in the bottom-line of the company. The initiatives are performing on expected lines resulting in improvement of long-term sustainable profitability.



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Now coming to advanced carbon material, we are the only producer in India and one of the few globally with a proprietary technology for advanced carbon material. Advanced carbon material is used in lithium ion batteries, which find application in sunrise sector like electrical vehicles, energy storage, mobile phones, laptop, tablet, etc.

Globally a new wave of Greentech is disrupting conventional industries. This is a growing emphasis on cleaner energies and fuels. This will drive the demand for electric vehicle and renewable energy storage. This coupled with shift in government policy and technological advancement is driving the demand for lithium ion batteries. Himadri has best in class proprietary technology with cost leadership in advanced carbon material. We have in house access to high quality raw material and captive power, which are the two key cost elements in production of advanced carbon material.

We therefore are well poised to capitalize on such demand. In the last year, we had made a significant breakthrough by converting the manufacturing process of advanced carbon material from batch processing to continuous processing. This has eliminated the batch-to-batch variation in quality, reduced processing cost by conserving energy and significantly improving the quality of anode material, which will speed up the approval cycle from large lithium ion battery manufacturers. Currently we have 5 metric tonne capacity of continuous processing reactor. We are in the process of setting up 50 metric tonne per month continuous process reactor, which will be operational by September 2017.

ISRO has developed technology for manufacturing lithium ion batteries in India where it has recommended uses of anode material developed by Himadri.

Anode material is expected to be next core business and it will take your company to the next growth trajectory.

Now coming to Naphthalene. We doubled our capacity to manufacture refined naphthalene, which is a value-added product of naphthalene derived as a byproduct from coal tar distillation. The product has been very well received by the customer industries. Looking at SNF, (Sulfonated Naphthalene Formaldehyde) is the next generation product, which is used in construction and infrastructure industry, globally the uses of SNF is mandatory in high segment construction. In India the penetration remains low, currently, which has huge potential to grow in future. Currently we are developing a special grade SNF for application in latex, gypsum and agro chemical.



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Our initiatives in different business verticals have yielded positive results and we have built a robust sustainable base. We are extremely positive and envisage strong growth across all our business vertical. Our focus is to maintain leadership position in our core segment and also to develop our next core product that find application in sunrise sector. Now I will request Kamlesh to take you through the financial numbers for the quarter.

Kamlesh Agarwal:

Good afternoon ladies and gentlemen. Coming to the financial results for the quarter our volume grew by 25% from 75,661 metric tonne in Q1 FY2017 to 94,769 tonnes in Q1 FY2018.

Our Net Income from operations stood at Rs.452 Crores as against Rs.255 Crores during Q1 FY2017, year-on-year increase of 77%. Average realization grew by 42% year-on-year to Rs. 47,729 per metric tonne in Q1 FY2018 as compared to Rs. 33,711 per metric tonne in Q1 FY2017.

EBITDA in the quarter increased by 96% from Rs.51 Crores in Q1 FY2017 to Rs.100 Crores in Q1 FY2018. Our EBITDA per tonne for the quarter improved by 56% over the corresponding quarter in the last year. As per the provision of the accounting standard earlier we used to provide central excise duty on the closing stock of finished goods, now GST coming into force, there is no more requirement of providing excise duty. Because of that provision of excise duty on closing stock of finished goods as on March 31, 2017 aggregating to Rs.18.27 Crores has been reversed during Q1 FY2018 under the head other expenses and added to change in inventories clubbed with cost of the raw material consumed, hence cost of materials consumed is higher by Rs.18.27 Crores and other expense are lower by the same amount during FY2018, which has neutral effect in the profitability of the company.

Interest cost for the quarter reduced by Rs.2 Crores due to reduction in debt as compared to Q1 FY2017. We have delivered a net profit of Rs.50 Crores as against Rs.12 Crores during Q1 FY2017 Y-o-Y increase of 330%. Long-term debt of the company reduced by Rs.104 Crores from Rs.414 Crores at the end of March 2017 to Rs.310 Crores at the end of June 2017. Working capital loan of the company has increased by Rs.155 Crores in this quarter from Rs. 340 Crores at the end of March 2017 to Rs.495 Crores at the end of June 2017. This is all from our side, I would now like to open the floor for the question and answer and our CEO will reply your queries.



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- Moderator:** Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We take the first question from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.
- Nagraj Chandrasekar:** Congrats for an excellent quarter and thank you for taking my question. I had a question on the split on your Coal Tar Pitch revenue, so how much of it is from Coal Tar Pitch and how much are from Coal Tar Oil derivatives that are also produced along with the distillation of coal tar, just change in prices have been very volatile, but they were sort of flattish this last quarter, so also wanted as a follow-up how our benzene notations and other downstream benzene derivative prices are also holding up?
- Anurag Choudhary:** Actually, we are not into benzene derivatives, the prices have been fairly stable for Coal Tar. In terms of volume it is split the Coal Tar Pitch is around 73% and Carbon Black division is around 27%.
- Nagraj Chandrasekar:** Within Coal Tar Pitch I want an idea of your Coal Tar versus other byproducts revenue split?
- Anurag Choudhary:** We do not give product by product revenue mix, we allocate it in Coal Tar division and Carbon Black division, so Coal Tar division in terms of volume, so total volume that we achieved in this quarter in terms of sales is 94,769 metric tonne out of which 27% is carbon black and 73% comes from coal tar distillation.
- Nagraj Chandrasekar:** On the coal tar pitch side again around 15%-20% of your production is exported just wanted to get an idea of export pricing and the spread between Coal Tar Pitch and Coal Tar global markets where you are seeing this going?
- Anurag Choudhary:** During the Current quarter, we have not exported any Coal Tar Pitch from India, and it mainly goes to aluminium graphite industry in India.
- Nagraj Chandrasekar:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Congratulation for a good quarter. Sir my question is on the capex side, if you could elaborate for this year, next year and secondly you indicated 25% increase in capacity, so how much was specifically for that as well?



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- Anurag Choudhary:** The capex this year we envisage is around Rs.20 Crores that is for debottlenecking the capacity from 400,000 to 500,000, tonne, the work is in progress and we expect that to commence in the third quarter.
- Ritesh Shah:** Sir any other capex besides this?
- Anurag Choudhary:** There is no other capex.
- Ritesh Shah:** In FY2019?
- Anurag Choudhary:** In FY2019, to ramp-up our Advance Carbon Material we may incur Capex but that is still in the initial stage, once we finalized we will come back with the numbers.
- Ritesh Shah:** Sir my second question is on CTP side, how are the pricing trends been on Coal Tar Pitch and what is the sort of pricing contracts that we have with our customers?
- Anurag Choudhary:** The contract we have is on delta, we have fixed delta on raw material price and if there is a change in raw material price our finished product price also changes.
- Ritesh Shah:** Sir would it be possible for you to provide some color on how the pricing has been for this quarter versus last year or on a sequential basis?
- Anurag Choudhary:** The raw material prices have gone up in this quarter like our average cost of goods sold per metric tonne for the Q1 FY2017 was Rs. 21,316 vis-à-vis current year it is Rs. 31,923 and accordingly the realizations have also improved.
- Ritesh Shah:** Sir I am assuming you are not sharing the blended realizations, do we have share it? I am not very sure?
- Anurag Choudhary:** We share the composite realization, so the composite realization per metric tonne is Rs. 47,729.
- Ritesh Shah:** What is the frequency of our pricing contract, so is it like on a monthly basis or on a quarterly basis?
- Anurag Choudhary:** It is a long-term yearly contract, but the prices vary depending on month-to-month whatever the raw material price is there, it passed on to the customers.



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- Ritesh Shah:** That helps. Thanks a lot Sir.
- Moderator:** Thank you. We will take the next question from the line of Baidik Sarkar from Unifi Capital. Please go ahead.
- Baidik Sarkar:** Good evening Anurag Ji, congrats on a very strong quarter. Obviously, your volume growth in Q1 has been very strong, to just put it in context could you help us understand what is the bifurcation in Q1 FY2017 was? I understand 94,769 for this quarter, but just put it in context what was the number last quarter YOY?
- Anurag Choudhary:** Last Q1 FY17 we have achieved the sales volume of 75,661 out of which 30% was carbon black, 70% was coal tar division.
- Baidik Sarkar:** In terms the delta in your revenues up 76%, I am sorry I missed this in your opening remarks, how much was this led by better realizations?
- Anurag Choudhary:** Of our total revenue growth 25% was attributed to volume growth and rest was on account of better realization due to product mix, the improvement in absolute terms in EBITDA/tonne is approx Rs.3,000.
- Baidik Sarkar:** So that is Rs. 3,000 per tonne that is the absolute betterment in realization?
- Anurag Choudhary:** Yes.
- Baidik Sarkar:** So, you just give us a number of Rs. 47,729 for this quarter, so what was it last quarter Y-o-Y?
- Anurag Choudhary:** Y-o-Y it was Rs. 33,709.
- Baidik Sarkar:** This is how Q1 of FY2017?
- Anurag Choudhary:** Yes, that is right.
- Baidik Sarkar:** For blended FY2017 and the whole would you remember what the number was?
- Anurag Choudhary:** Kamlesh you have the figures?
- Kamlesh Agarwal:** Blended FY2017 would be something like Rs. 37,102.



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- Baidik Sarkar:** Your exit for Q4 FY2017, what was your exit?
- Anurag Choudhary:** Rs. 47,729 was in the current quarter and Q4 FY17 was Rs. 40,717.
- Baidik Sarkar:** So, which means there has been marginal improvement Q-o-Q as well?
- Anurag Choudhary:** Yes correct.
- Baidik Sarkar:** What is driving this dramatic improvement, if you could just help us break the Rs. 3,000 into CB and CTP what is driving it?
- Anurag Choudhary:** There are few factors, basically the improvement in the realization is on the account of the cost improvement and the better realization, because of operational efficiencies we have been able to reduce our cost and improving the contribution of high value added products are the factors for improvement in the realization., In our carbon black business contribution of speciality black is increasing in percentage terms, plus in addition to that we are focusing on high value added customers and selling product to customers who gives the better price for the product based on the quality, so this is leading to improvement in the margins.
- Baidik Sarkar:** So out of this Rs. 3,000 again to rephrase the question how much would be productivity led and how much be marginal led?
- Anurag Choudhary:** 30% will be productivity led and 70% will be margin led.
- Baidik Sarkar:** Our capacity in carbon black is stood about 120,000 metric tonnes, is that right?
- Anurag Choudhary:** That is right.
- Baidik Sarkar:** We have almost 90% utilization right?
- Anurag Choudhary:** No, last quarter we were at 84% utilization.
- Baidik Sarkar:** Given bulk of the projects is driven by carbon black, what are the capex plans for this year in this segment?
- Anurag Choudhary:** There is no capex plan in carbon black for this current year.



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- Baidik Sarkar:** So, which means by March 2018 we will run out of capacity anyway?
- Anurag Choudhary:** Yes, that is right.
- Baidik Sarkar:** So, you do not think we should have an outlook for 2019, so given how profitable this segment is for us?
- Anurag Choudhary:** In carbon black, we are not envisaging any big expansion but the focus for carbon black is to go on speciality black for which we are envisaging a separate line, so expansion will be there and we are working on that, currently it is a preliminary stage.
- Baidik Sarkar:** Could you give a sense of how aluminium demand outlook is looking like for H2 of this year, we are given to understand H2 is really the season of aluminium and at least anecdotally Q1 does not mean that grade, so your comments on that please?
- Anurag Choudhary:** Aluminium production like we expect that current capacity of aluminium is 2.75 million tonne, which is operational, we expect this to ramp up to 4.0 million tonne by the end of FY2019, so there will be a gradual ramping up of capacity, so as far as demand for coal tar pitch is concerned we do not see any upside in the demand for Q2, but from Q3 onward there will be 10% growth in the volumes and the balance growth we think will come in FY2019.
- Baidik Sarkar:** Sir this is my last question as a base case the volumes that we did for Q1 FY2018 that will be protected right, so Q2, Q3 and Q4?
- Anurag Choudhary:** Definitely, there will be a growth in that.
- Baidik Sarkar:** Up to in EBITDA level I think margins that you displayed in Q1 that will hold as against base case level?
- Anurag Choudhary:** Definitely, yes.
- Baidik Sarkar:** Okay. Thanks. I will come back in the queue.
- Moderator:** Thank you. We will take the next question from the line of Jigar Shah from MayBank. Please go ahead.



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Jigar Shah: Anurag Ji congratulations to all of you for super performance. My question pertains to the selling price I think it has already discussed just now, but I want to understand a little bit better that quarter-on-quarter increase from Rs.40,717 to Rs.47,729 per tonne essentially is led by what kind of increase is due to the increase overall in general for the selling prices for both of the key products and how much is because we are increasing on a very strategic basis, the speciality component in our mix, so can you give a little more color on this aspect?

Anurag Choudhary: Basically, the cost of goods sold for the Q4 FY2017 was Rs. 26,882, which have gone up to Rs. 31,923. This is led to the increase in selling price from Rs. 40,717 to Rs. 47,729 per metric tonne. But in spite of the raw material prices is increasing the realization has improved further because of better product mix as I told you in carbon black section and in other sections also, so like refined naphthalene we have expanded our capacity from 700 to 1500 metric tonne, so that is also giving us the high value addition, previously we were selling technical grade naphthalene, now we are selling refined technical grade naphthalene, so all these factors are improving the realization.

Jigar Shah: Coming to lithium-ion can you give little more idea about when our commercial production will start and how do you see further development, what are the milestones for this to become reasonably large business for us over the next three to five years?

Anurag Choudhary: Lithium-ion as I told earlier in my opening remarks also we have current capacity of 5 metric tonne per month of continuous processing reactor. the material we are producing from continuous process is already now being commercialized and we are selling it to the existing clients. Now we are escalating that capacity from 5 metric tonne per month to 50 metric tonne per month, which will start by September 2017, post commencement of the capacity we will be selling 50 tonnes per month. After that we are already planning for big expansion, so all the basic engineering and the work is going on, once we are through with that will be announcing a big expansion.

Jigar Shah: Anurag Ji, this 50 tonnes once you start it is all basically going to export market?

Anurag Choudhary: All export market. There is no producer of lithium ion battery in India.

Jigar Shah: So, all will go to export market and what would – you said that there could be a larger expansion, so what will drive that larger expansion means you are waiting for what signal to work on that expansion or announce that expansion?



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- Anurag Choudhary:** We have already started work on that expansion. Only thing is first we need to do the basic engineering, and then detailed engineering, so once we are completed with our basic engineering and progress in our detailed engineering then we will announce the same.
- Jigar Shah:** Thank you so much and wish you the very best.
- Moderator:** Thank you. We will take the next question from the line of Raj Gandhi from Sundaram Mutual Fund. Please go ahead.
- Raj Gandhi:** Sir just on this 4 lakh to 5 lakh what timeline did you mention Sir for Q3 of FY2017?
- Anurag Choudhary:** FY2018.
- Raj Gandhi:** You mentioned about refined naphthalene and all of that helping you on this gross margin and so it was with product mix improvement and also is it sustainable to maintain the gross contribution at this current level of almost 16,000 per tonne?
- Anurag Choudhary:** Yes, definitely because see the profitability we have been able to improve is not speculative. We have added higher value-added products with customer centric approach, which has really helped us to improve the profitability, so they are clearly sustainable on a long-term basis.
- Raj Gandhi:** There are no one-offs or anything, any of the high-grade wing sold or nothing like that in this, which is kind of one off in nature?
- Anurag Choudhary:** No, there is no one off in the entire quarter.
- Raj Gandhi:** Thanks a lot.
- Moderator:** Thank you. We take the next question from the line of Jignesh Kamani from GMO. Please go ahead.
- Jignesh Kamani:** Gentlemen congratulation for good set of number. On the speciality carbon black side what is the total demand in India and globally?
- Anurag Choudhary:** Total demand in India is around 48,000-50,000 tonnes per annum and globally it is a 1.6 million tonne per annum.



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- Jignesh Kamani:** Speciality grade?
- Anurag Choudhary:** Speciality grade.
- Jignesh Kamani:** Right now, who are the main suppliers for speciality carbon black?
- Anurag Choudhary:** Orion and Cabot.
- Jignesh Kamani:** Based on your understanding what is the margin difference between the normal grade and speciality grade?
- Anurag Choudhary:** The margin difference between normal and speciality with low end of speciality starts with 250% to 300% and goes up to 2000% plus.
- Jignesh Kamani:** How much time it will take to ramp up to the client because I am sure that 40,000 is already supplied by some of the as you said the client, existing competitor, so incrementally it would be either replace?
- Anurag Choudhary:** Mainly, it is being imported.
- Jignesh Kamani:** Mainly imported and domestic price will be much more competitive?
- Anurag Choudhary:** There is no competitive nature in this business in speciality, you will be able to generate high value and their market is also growing, so you can easily sell your product.
- Jignesh Kamani:** But for the customer who is already buying, so they must be replacing the import versus you or the other competitors so what is the benefit we can offer versus say Chinese import or the other imports?
- Anurag Choudhary:** Chinese people are not in this market for speciality black, it is basically the western and the Japanese play, so we will be giving them high quality and with some price advantage to begin with which will go up in the span of time.
- Jignesh Kamani:** Any aim we have in the next three to five years, what kind of percentage revenue we want from the speciality grade or the carbon black division?



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Anurag Choudhary: In three to five years' time we are looking to expand this in a big way, so it is premature to give numbers to that, but if you ask me a speciality black that is the area which we are focusing more.

Jignesh Kamani: I understood. Okay. Thanks a lot.

Moderator: Thank you. We take the next question from the line of Ayush Sharma from Investec Capital. Please go ahead.

Ayush Sharma: Thank you for taking my question. I wanted to understand the volume in SNF, so how do you look at it, how has the business been and how does it look going forward?

Anurag Choudhary: We do not give volume product wise. we club it into coal tar division and in terms of volume. The coal tar division is 73% of our overall sales, so you will get fair idea what it is around the coal tar division. Second thing is SNF division is doing fairly well. In fact, penetration in India is improving day-by-day. In India, today the penetration level is 10% or even less. Globally it is mandatory to use the SNF in RMC because it increases the fluidity of the RMC, it increases the strength of the RMC, but in India the concept is picking up, so looking forward there will be a big upside in this demand.

Ayush Sharma: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Anil Sarin from Edelweiss. Please go ahead.

Anil Sarin: Gentlemen congratulations on a great set of numbers and it was especially hardening to hear that these margins are defensible going forward, people before me have already asked the question, so I have no questions to ask, once again congratulations.

Anurag Choudhary: Thank you so much.

Moderator: Thank you. We will take the next question from the line of Shaleen Kumar from UBS Securities. Please go ahead.

Shaleen Kumar: Thank you so much for this opportunity. I joined call a little late, so I am sure if this question has already been asked, so I just want to understand from you about your anode material for your lithium ion battery if I heard it correctly the capacity is around 5,000 tonne?



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- Anurag Choudhary:** The current capacity we are making lithium ion material through batch processing, so there we had a capacity of 50 metric tonnes, but now in last two quarters we have developed a continuous process, so currently the continuous process capacity is 5 metric tonne, which is fully sold out. Now we are expanding that capacity from 5 metric tonne to 50 metric tonnes, which we will commence by September 2017 this year, so post that they will be selling 50 tonnes and once we achieve that we will be going for big expansion.
- Shaleen Kumar:** Can you tell me like what was the difference between when you shift from batch to continuous process, how it has impacted the revenue and margins and now what is the plan or your customer, why big expansion?
- Anurag Choudhary:** The biggest difference from batch to continuous, in batch what happens there is a variation from batch to batch irrespective of how much precaution you take from one batch to another since it is a batch process there is always a variation, so once you start processing in a continuous process that variation is completely eliminated. Further we have improved on the quality parameters when we have started processing on a continuous basis, so that capacity like in terms of the anode material what we make there is a terminology called capacity of the anode material, so that has significantly improved with continuous process, so that is giving us a lot of advantage compared to any other material, which is there in the market right now. So, these are the two advantages which we have and once we are able to set up 50 tonnes will ramp up in big way.
- Shaleen Kumar:** So, do you have a revenue visibility like again using the term ramp up in a big way, so like we have a very strong revenue visibility with that we have a contract, we have signed contract with them because we only are on 5 metric tonne, we are expanding from 5 to 50 and then we are talking about big ramp up after that?
- Anurag Choudhary:** The CAGR of this product is more than 40%. The way the demand is going up you do not need to sign any MoU, the product once you are able to produce the material – so you are able to ramp up the production capacity then you will be easily sold out.
- Shaleen Kumar:** So, what will be the revenue impact, how much will be revenue contribution from 50 tonne Sir once you reached 50 tonne?
- Anurag Choudhary:** 50 tonne will be very small revenue contribution, our idea is to ramp up in a big way as I told you, so once we are able to achieve that then there will be a significant contribution; it will be the next core of Himadri



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- Shaleen Kumar:** Any timeline capex for that?
- Anurag Choudhary:** For the expansion, we will be able to decide in next three to six months and when we will decide on that, that will be just setting up the Greenfield or Brownfield project.
- Shaleen Kumar:** Last bit on this only who are we supply this to right now in terms of the customers, any customer you can name?
- Anurag Choudhary:** We have NDA so I cannot give you the exact name, but we are supplying to the large players who are there in the industry.
- Shaleen Kumar:** The final product is going into?
- Anurag Choudhary:** Lithium ion battery.
- Shaleen Kumar:** Lithium ion batteries are, there are multiple uses of lithium ion batteries.
- Anurag Choudhary:** It goes into electric vehicle it is going to mobile phones, laptops; our material is being tested for all the users.
- Shaleen Kumar:** Okay, great. Thank you so much Sir that is it from my side.
- Moderator:** Thank you. We take the next question from the line of HR Gala from Finvest Advisors. Please go ahead.
- HR Gala:** Congratulations for great set of number. Sir just wanted to know this 5 to 50 tonnes per month will involve how much capex?
- Anurag Choudhary:** The capex has been small capex, which has already been done.
- HR Gala:** It has already been done, so there is not going to be any capex, which will be capitalized in the books in FY2018?
- Anurag Choudhary:** No, it will be capitalized in the books in FY2018.
- HR Gala:** Which has been already been done.
- Anurag Choudhary:** But we have already paid that amount.



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- HR Gala:** Paid is okay, but as far as the accounting is concerned will there be anything it might be lying in the capital work-in-progress?
- Anurag Choudhary:** Yes, that is why it is lying in capital work-in-progress; once we commenced the production will capitalize.
- HR Gala:** How much is that amounting if you can tell, roughly?
- Anurag Choudhary:** Roughly it will be around Rs.7- .8 Crores.
- HR Gala:** Rs.7 Crores to Rs.8 Crores only.
- Anurag Choudhary:** Yes.
- HR Gala:** Sir on this subject only I just wanted to know that currently we have got the average sales realization of about Rs. 48,000 per tonne, this particular material can give how much realization, advance carbon material?
- Anurag Choudhary:** Advance carbon material is currently being sold at a price from Rs. 600,000 to Rs. 700,000 per metric tonne.
- HR Gala:** It is rupees per tonne.
- Anurag Choudhary:** Rupees per tonne. This is the current selling price.
- HR Gala:** This is the current price. Sir going ahead do you think that the contribution from this will start now coming from September onwards, so basically, I think then as we progress on the ensuing quarters our sales realization will definitely improve, is it not although 50 tonnes per month is not that high?
- Anurag Choudhary:** Since it is a too small number, it will not have any impact on the sales realization as such, but once we are able to setup big capacity for this product then definitely it will be a big game changer.
- HR Gala:** Can you say Sir global demand is how much for this quarter?
- Anurag Choudhary:** Currently it is around 220,000 tonnes in next three years it is expected to double.



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- HR Gala:** When do you think India will be ready with it?
- Anurag Choudhary:** It will take some time, till we have Li – ion batteries being produced in India.
- HR Gala:** But there are no take that India will get it?
- Anurag Choudhary:** India is progressing, the government has come out with the policy that 2030 all will be electric vehicles, so that is going to be a big push to this and if you have seen recently Volvo has also come out with a news article that post 2019 they will stop making combustion type engine. They will convert everything into electric vehicles. So, in electric vehicles basically it is lithium ion battery and motors are used. Lithium ion batteries is made up of anode material, cathode material, electrolyte, separator, BMS and casing is there, so anode material is a very critical raw material for that.
- HR Gala:** Thank you very much Sir. Wish you all the best.
- Moderator:** Thank you. We take the next question from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.
- Bhavesh Chauhan:** What we are seeing is sequentially we have improved our EBITDA per tonne very sharply, which is Rs. 2,800 per tonne; I want to know if there was some benefit out of rupee appreciation, fall in crude prices.
- Anurag Choudhary:** No there is no benefit from fall in crude prices or rupee appreciation. It is all based on the actual working of the company. There are no notional profits.
- Bhavesh Chauhan:** Directionally both the segments, which is your Coal Tar Pitch and Carbon Black have seen EBITDA improvement or is it that one product was doing very well?
- Anurag Choudhary:** No, actually both the products have seen improvement.
- Bhavesh Chauhan:** Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Mix of carbon black is 27% for the quarter, right?



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- Anurag Choudhary:** Right.
- Shashank Kanodia:** What will be the corresponding share in EBITDA as in EBITDA of 100 odd Crores, what will be the share of carbon black?
- Anurag Choudhary:** We do not give product wise carbon EBITDA, it is a composite EBITDA, and if you look at the composite EBITDA per tonne is Rs. 10,592 per metric tonne.
- Shashank Kanodia:** That is true, but the sequentially on Q-o-Q basis maximum improvement has happened towards the pitch segment of the business or towards the carbon black segment of the business?
- Anurag Choudhary:** It is an overall improvement in the entire, all the business of the company.
- Shashank Kanodia:** Secondly, we worked on a fixed margin basis, fixed EBITDA per tonne or split basis, which give us a better view whether the EBITDA per tonne is sustainable?
- Anurag Choudhary:** Yes, we work on EBITDA per tonne basis.
- Moderator:** The line for the current participant has dropped. We will take the next question from the line of Suhani Doshi from Edelweiss. Please go ahead.
- Suhani Doshi:** Congratulation for the entire team. My one question is what is the working capital cycle currently?
- Anurag Choudhary:** Currently we have sundry debtor of around 45 days, raw material of around 50 days and finished goods of around 42 days and it is going to improve in future.
- Suhani Doshi:** This will be improving in future.
- Anurag Choudhary:** This will improve in future, in coming quarters it will improve.
- Suhani Doshi:** For material how many days?
- Anurag Choudhary:** For raw material it is 50 days, for finished goods it is 42 days and for the receivables it is 45 days.
- Suhani Doshi:** For the full year, it is going to improve.



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- Anurag Choudhary:** Yes.
- Suhani Doshi:** Thanks.
- Moderator:** Thank you. We take the next question from the line of Siddharth Bhattacharya from Suyash Advisors. Please go ahead.
- Siddharth B:** Good afternoon, just wanted to clarify one thing on this lithium ion batteries material would be supplying an intermediate or would this be the final product, the context is so your current average realization on your regular product is about Rs. 50,000, so what is the incremental cost involved and is your own current realization about Rs.6 lakh that is what I wanted to clarify?
- Anurag Choudhary:** To being with we will be supplying the intermediate product, but the idea is to eventually supply the finished product, so it is a journey, we will start with intermediate product and within a short span of time will go to final product.
- Siddharth B:** Could you clarify the steps involved if I may ask?
- Anurag Choudhary:** Steps means it is only the approval process, so once you go and sell the intermediate product it becomes easier to sell the finished product because raw material gets approved in the cycle.
- Siddharth B:** So, you are saying that your current realization of an intermediate itself is Rs.6 lakh, Rs.7 lakh, so if you talk about the final product, what would be the realization be like?
- Anurag Choudhary:** The final product will be Rs. 600,000 to Rs.700,000. The intermediate will be lower than that.
- Siddharth B:** Do you mind clarifying what are the current realizations?
- Anurag Choudhary:** And what is happening in intermediate also there are different stages of intermediate, so depending on which stage are you selling to which customer, which also varies, so the value addition will change.
- Siddharth B:** Correct and when you go for a capacity expansion would that be for an intermediate stage or for the final stage?



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- Anurag Choudhary:** Our idea is not to go for a final stage capacity expansion. We will only go for intermediate stage because for the final stage the capacity is really available on outsourcing basis.
- Siddharth B:** Right and what would be typical tolling charges you would pay for these facilities be roughly, current run rates would be in what ranges?
- Anurag Choudhary:** It depends, but it will vary from which grade you are doing, which grade you are having that in anode material there are different grade, depending on the application where it was finally we used, so it varies from which grade you are making for which application you are making, but to answer your question if I make a capex of then the cost will be much higher compared to the cost at which these are easily available on conversion basis.
- Siddharth B:** Understood. Thank you very much for answering this question.
- Moderator:** Thank you. We will take the next question from the line of Sunil Shah from Axis Securities. Please go ahead.
- Sunil Shah:** Just one question, which is our revenue mix currently 73% coal tar pitch and 27% carbon black, so next year that is FY2019 we will be having those 50 tonnes of special carbon material per month kind of capacity, Sir how will our revenue mix change for FY2019 from the current level?
- Anurag Choudhary:** FY2019 it will not be 50 tonnes. This will be much bigger. FY2018 it will be 50 tonnes because FY2019 I think will have a bigger capacity, so that time there will be shift in the revenue mix, but FY2018 I do not think there will be a shift because 50 tonnes will hardly.
- Sunil Shah:** Assuming a 50 tonne capacity for a 12-month period wherein that case how does our revenue mix change?
- Anurag Choudhary:** Even 50 tonnes for 12-month period is also not going to change that big because the topline of your company will be more than with a current run rate it will be Rs. 2,000 Crores. So, 50 tonnes in that will not be a big – it would not be a big game changer.
- Sunil Shah:** Sir in terms of the EBITDA improvement, currently our composite EBITDA, so in terms of the percentage increase in our composite EBITDA because of this special carbon material what is the trajectory that we see ourselves shipping up to?



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- Anurag Choudhary:** Once we are going to ramp up this capacity then there will be a significant change in the EBITDA numbers. The idea is to find our next core and which we have already got advance carbon material, today if we look at it, we have two core businesses one is coal tar pitch, other is carbon black and we are developing the next core, so advance carbon material, the anode material is going to be our next core. So, looking forward if you ask me three to five years' time span then this product is going to have a significant percentage in terms of topline and bottom-line.
- Sunil Shah:** Just to get some sense because we are having composite EBITDA of 10,592 per tonne today now we get into that expansion phase and say three years, five years down the line what is the kind of this EBITDA composite number that we can look at, significant we look at 10,000 upping up to 20,000 kind of a number, how would you just get a sense on that?
- Anurag Choudhary:** What happens, volume in terms of per metric tonne volume amount it will be big for advance carbon material it will be big, but when you add it to the total numbers, so it is very preliminary for me to project numbers to that, it will take time. Once we are able to ramp up to 50 then second phase comes. Once we have the clearer blue printing on 20,000 tonnes capacity that we want to expand then I will be able to give you clear number on that.
- Sunil Shah:** Fine Sir. Thank you very much and all the best.
- Moderator:** Thank you. We will take the next question from the line of Yogesh Bhatia from Sequent Investment. Please go ahead.
- Yogesh Bhatia:** Congratulations on very good set of numbers. Can you tell me the chemical that we supply for lithium ion batteries, what is the realizations and what are the margin?
- Anurag Choudhary:** Sir the anode material that is used in lithium ion batteries selling at around Rs. 600,000 to Rs.700,000 per metric tonne.
- Yogesh Bhatia:** What is the EBITDA margin?
- Anurag Choudhary:** EBITDA margins since we are not making that at present I am not giving any numbers to that, but the EBITDA margin will be considerably higher than our existing EBITDA margins.
- Yogesh Bhatia:** Any guesses when we do 55 metric tonne, what will be the margin at that time because...



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- Anurag Choudhary:** That time the EBITDA margin like first we will be selling the intermediary product, so then we will be selling the final product, so first in the 50 tonnes will start with intermediate product, again in the intermediate product there are three-four quality of intermediate product. So, it depends on which product, how much you are selling, they are different, it varies you can say the margin will vary from 35% to 60%.
- Yogesh Bhatia:** That would be helpful.
- Moderator:** Thank you. We take the next question from the line of Jehan Bhadha from JM Financials. Please go ahead.
- Jehan Bhadha:** What is the kind of topline that you can guide for FY2018 and 2019?
- Anurag Choudhary:** I think topline will be in the range of around the gross sales like this quarter we had gross sales of around Rs.500 Crores, so we do not give specific guidance in terms of quarter-on-quarter, but this is the minimum topline you can expect for every quarter with improvements.
- Jehan Bhadha:** On the profitability front should our margins improve from here onwards or any sort of color on that if you can provide Sir?
- Anurag Choudhary:** Profitable margins clearly sustainable and we will try our best to improve the same.
- Jehan Bhadha:** That is all. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Kishore Kumar from Karvy Stock Broking. Please go ahead.
- Kishore Kumar:** I have only one question pertaining to dollar composition that so at what price dollar denominated debt has been hedged Sir?
- Anurag Choudhary:** What price?
- Kishore Kumar:** Dollar denominated debt has been hedged?
- Anurag Choudhary:** We are hedging on a gradual basis, so it varies from you can say 64.90 to 64 currently.
- Kishore Kumar:** 64.90 to 64 Okay Sir. Thank you.



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- Anurag Choudhary:** Regular you have an exposure, ongoing exposure.
- Kishore Kumar:** Thank you Sir.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Anurag Choudhary for closing comments.
- Anurag Choudhary:** Thank you everyone for joining the conference call of Himadri Speciality Chemical Limited. The management is committed to enhancing shareholders value by providing our customers with high quality products and services with continuous focus on health and environmental issues. We look forward for your continued support and interest in our company. I hope we have been able to address your queries. For any further information kindly get in touch with our investor relation advisors, Strategic Growth Advisors. Thanks once again for joining the conference.
- Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of Himadri Speciality Chemical Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.