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HIMADRI CHEMICALS & INDUSTRIES LIMITED

(NSE: HCIL, BSE: 500184)

EARNINGS PRESENTATION Q3 FY2015

February 13, 2015



Important Notice

This presentation contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Himadri Chemical and Industries Limited (“HCIL” or the Company) future business developments and economic performance.

While these forward looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance.

HCIL undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances

Conference Dial-In Numbers: February 18, 2015 (Wednesday) at 4.00 PM IST	
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Financial Highlights

Highlights – Q3 FY2015

- Net Sales of Rs. 3,262 million
- Adjusted EBITDA of Rs. 384 million with margin of 11.8%
- Net Debt of Rs. 10,634 million compared with Rs. 10,497 million as of September 30, 2014
- Net Debt / Equity of 1.27x

Management Commentary

Commenting on the results and performance, **Mr. Anurag Choudhary, CEO of HCIL** said:

“Overall, the economic environment remained challenging during the first nine months of the fiscal year 2015 due to slowdown in the strategic sectors. These macroeconomic factors coupled with subdued demand scenario in the aluminum and steel industry impacted overall performance of Himadri Chemicals.

However, going forward the macroeconomic scenario looks very supportive, with the decline in growth having bottomed out, the current account deficit having narrowed to 1%, inflation trending downwards, oil prices at a historical low and stability of INR. Furthermore, demand for automobiles across the various categories is likely to receive impetus due to expected moderation in interest rate, decline in crude prices and improving consumer sentiments. The aluminum industry is also showing some signs of revival with improvement in LME base metal prices and aluminum prices moving in upward trajectory for the last 12 months

We are well placed to tap any opportunities arising from the positive economic outlook which will benefit our topline. The management’s relentless focus on operational efficiencies, risk mitigation, strengthening existing relationships enables us to improve our margins in mid to long term.”

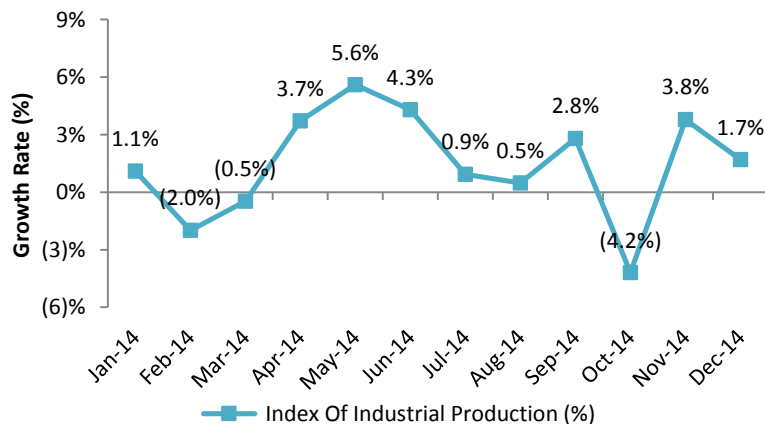




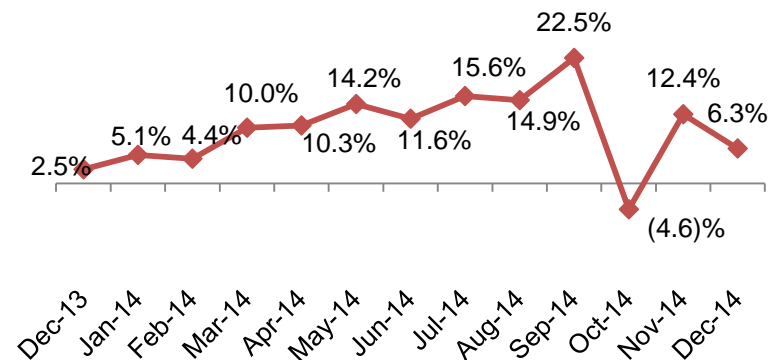
Economic Environment

- Indian steel production grew at 5.1% y-o-y. A slowdown in China, due to the structural transformation of the country's economy, has been a key factor in restraining the overall growth for the steel industry
- LME aluminum experienced correction during the quarter from \$1,990/mt on September 2014 to \$1,814/mt at the current levels although premium has remained at elevated levels for the aluminum industry
- The index of industrial production (IIP) recorded its highest growth in past five months of 3.8% in November 2014. However industrial growth slowed down to 1.7% in December 2014 because of the poor performance of the mining and manufacturing sector
- The Wholesale Price Index (WPI) rose 0.1% y-o-y in December, mainly due to fall in commodity prices. Manufactured products inflation eased further to 1.6% from 2.0% in December 2014, indicative of weak consumer demand. CPI inflation stood at 5.11% in January 2015, within the RBI's medium term target of 6%
- Production in the Indian auto sector increased by 4.2% y-o-y during the quarter but declined sequentially by 5.4%. The passenger vehicles and two-three wheelers grew by 2.8% and 4.3% y-o-y respectively. The passenger vehicle demand is expected to be muted in the near term but will bounce back in FY2016, while the commercial vehicle is expected to show revival with the pick up in the industrial activities

Index of Industrial Production Y-o-Y (%)



Automotive Production Growth Y-o-Y (%)





Performance Overview

Standalone Financial Highlights

(Rs. Million)	Q3	Q2	q-o-q	Q3	y-o-y	Nine Months Ended		y-o-y
	FY2015	FY2015	Growth (%)	FY2014	Growth (%)	FY2015	FY2014	Growth (%)
Net Sales	3,262	3,570	(8.6)%	3,347	(2.5)%	10,347	9,908	4.4%
Adjusted EBITDA ¹	384	417	(7.8)%	537	(28.5)%	1,255	1,347	(6.8)%
Adj EBITDA Margin (%)	11.8%	11.7%		16.0%		12.1%	13.6%	
EBITDA	283	417	(32.1)%	537	(47.3)%	1,154	1,347	(14.3)%
EBITDA Margin (%)	8.7%	11.7%		16.0%		11.1%	13.6%	
Profit After Tax (PAT)	(95)	(33)	nm	218	nm	16	(588)	nm
Adjusted PAT ²	(11)	68	nm	107	nm	92	492	(81.4)%
Adj PAT Margin (%)	nm	1.9%		3.2%		0.9%	5.0%	
Basic EPS (Rs.)	(0.25)	(0.09)	nm	0.56	nm	0.04	(1.52)	nm

Note 1: Adjusted for write down in inventory valuation by Rs. 60.0 million and Rs. 41.1 million on account of expenses related to previous year

2. Adjusted for foreign currency gain / (loss) and other income of Rs. (83.6) million in Q3 FY2015, Rs. (101.2) million in Q2 FY2015 and Rs. 110.2 million in Q3 FY2014



Performance Overview

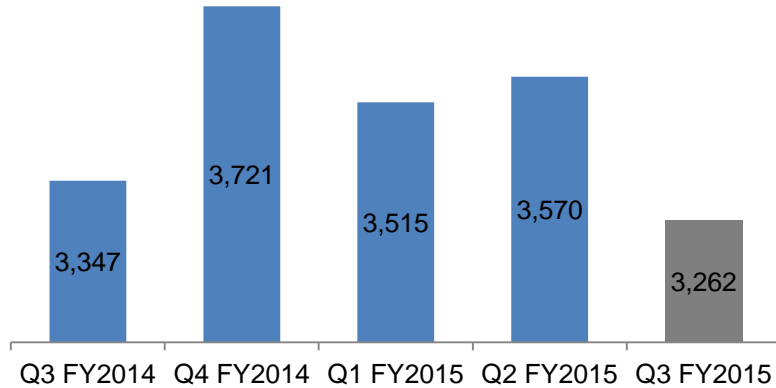
Highlights – Q3 FY2015 vs. Q2 FY2015 (Standalone)

- **Net Sales:** Net Sales were Rs. 3,262 million, a decline of (8.6)% as compared to Q2 FY2015. Sales volume increased for CTP by 21% but was offset by decline in volumes for carbon black by 24% sequentially.
- **EBITDA:** EBITDA was Rs. 283 million for Q3 FY2015, a decrease of (32.1)% compared to the previous quarter. EBITDA margin was at 8.7%. Realisations were lower for CTP although it were marginally higher for carbon black
- The adjusted EBITDA was Rs. 384 million with margins of 11.8%. This was due to the write down in inventory valuation by Rs. 60 million and Rs. 41.1 million on account of expenses related to previous year
- **Profit After Tax (PAT):** The Company had a net loss of Rs. (95) million as compared to a loss of Rs. (33) million in Q2 FY2015. PAT for the quarter was impacted due to lower operating profit
- Q3 FY2015 PAT adjusted for foreign currency gain/(loss) and other income was Rs. (11) million. Adjusted PAT was affected due to lower operating margins

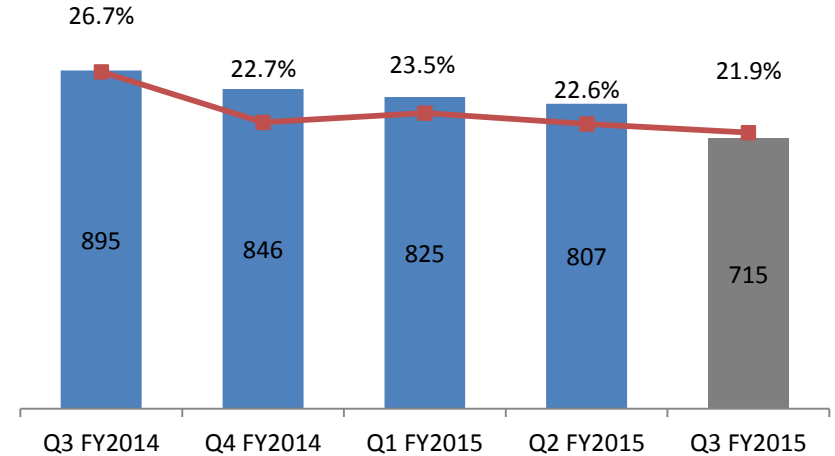


Performance Overview

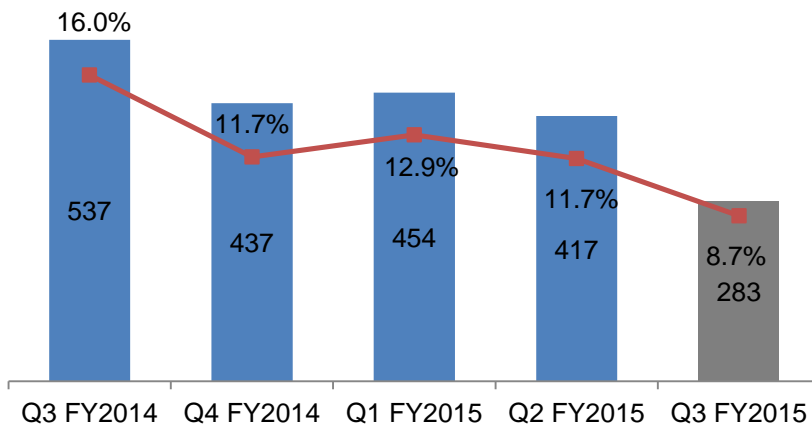
Revenue (Rs. Million)



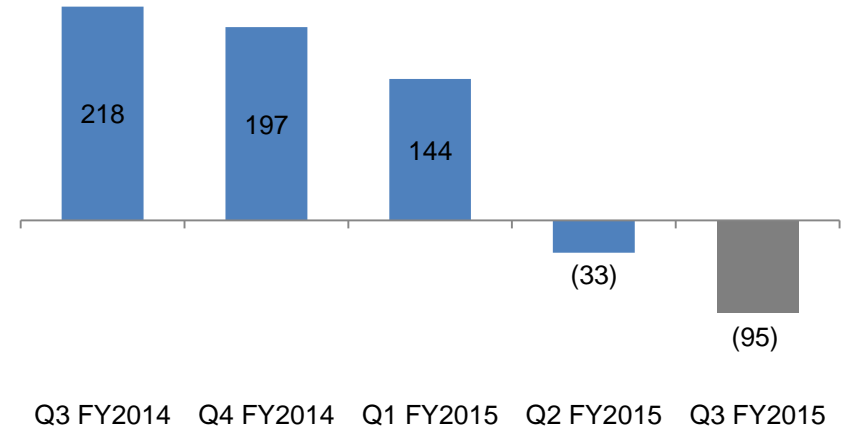
Gross Profit (Rs. Million) and Margin(%)



EBITDA (Rs. Million) and Margin (%)



PAT (Rs. Million) and Margin (%)



*Standalone financials



Segment Analysis

Standalone Segment Analysis

(Rs. Million)	Q3	Q2	q-o-q	Q3	y-o-y	Nine Months Ended		y-o-y
	FY2015	FY2015	Growth (%)	FY2014	Growth (%)	FY2015	FY2014	Growth (%)
Sales								
Carbon Materials and Chemicals	3,260	3,560	(8.4)%	3,330	(2.1)%	10,320	9,847	4.8%
Power	32	29	8.9%	57	(44.2)%	108	171	(36.8)%
Total	3,292	3,589	(8.3)%	3,387	(2.8)%	10,428	10,018	4.1%
Less: Inter segment revenue	22	17	31.4%	37	(39.5)%	72	107	(32.9)%
Total	3,270	3,572		3,350		10,356	9,911	
Profit before Tax and Interest								
Carbon Materials and Chemicals	135	256	(47.4)%	372	(63.7)%	673	834	(19.3)%
Power	17	16	7.0%	39	(56.6)%	67	122	(45.1)%
Total	152	272		411		740	956	

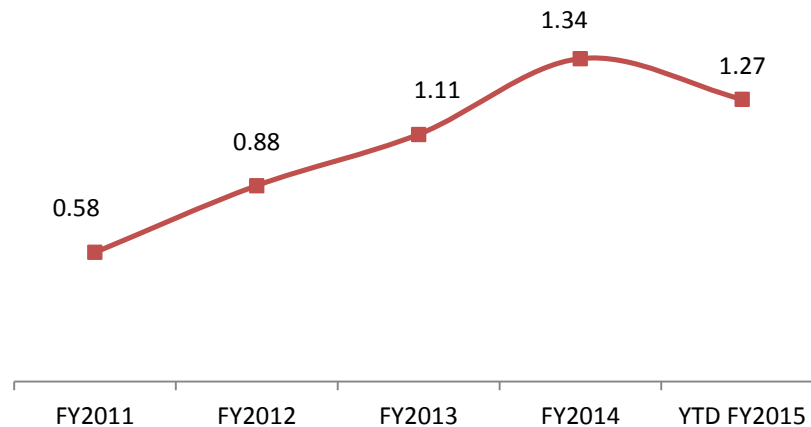


Capital Structure

Particulars (Rs. Million)	31 Dec 14	30 Sept 14
Total Debt	11,215	11,137
Less: Cash & Cash Equivalents	(581)	(640)
Net Debt / (Net Cash)	10,634	10,497
Net Worth	8,390	8,485
Net Debt / Equity (x)	1.27x	1.24x

Credit Ratings (CARE)		
Instrument	Rating	Comment
Short-term Debts	CARE A1+	Considered to have very strong degree of safety regarding timely payment of financial obligations
Long-term Facilities	CARE A+	Considered to have adequate degree of safety regarding timely servicing of financial obligations
Non-Convertible Debentures	CARE A+	

Net Debt / Equity (x)





Near Term Outlook

Industry

- Domestic steel demand is expected to start recovering from H2 FY2016 driven by improving business sentiments, new government's thrust on affordable housing and recovery in infrastructure investment
- The outlook for aluminum remains encouraging over the medium term due to positive demand trends and deficit in the rest of the world (ex-China). The global aluminum deficit is expected to shrink in 2015 as more than 5 million tonnes of new capacity partially offsets rising demand. The Indian Aluminum industry is also expected to grow further with ongoing expansions by the majority of the aluminum smelters
- In near to mid term, IIP is expected to continue to improve further on the back of improvement in manufacturing in infrastructure sector, pick up in exports and increase in auto production
- Global auto demand is expected to continue to recover in the wake of the global economic meltdown due to expansion in the key markets

Himadri Chemicals






- Himadri Chemicals is well placed to capitalize from the opportunities arising from the improvement in overall business sentiments driving the overall improvement in the key economies
- The Company remains focused on disciplined capital allocation and is well positioned to leverage its market leading position with the growth revival of key end consumer sectors such as auto, steel and aluminum.
- Management affirms its optimistic stance and viability of the long term prospects of the Company and is focused on securing additional contracts, enhancing capacity utilization and streamlining operations



Company Factsheet

- Himadri Chemicals is the largest producer of Coal Tar Pitch in India with ~65-70% market share, catering to around two-thirds requirements of the Indian Graphite and Aluminium industries; only Indian company using advanced technology for coal tar distillation
- HCIL specializes in carbon, developing coal tar by-products and derivatives (advanced carbon material, carbon black, corrosion protection and naphthalene)
- HCIL has seven manufacturing facilities spread across India in West Bengal, Gujarat, Andhra Pradesh and Chhattisgarh
- The Company caters to ~65% of the Indian aluminium and the graphite electrode industry's requirement of coal tar pitch
- One of the few global manufacturers of zero quinolene insoluble (QI) pitch, a critical input of graphite electrodes manufacture

Product Portfolio

Coal Tar Pitch	A complex chemical with 22 chemical and physical properties obtained through coal tar distillation	
Carbon Black	One of the most important industrial chemicals in the world used in rubber, plastics, coating, inks and batteries	
Advanced Carbon	Used in the manufacture of lithium ion batteries	
Power	Value-added product derived from Naphthalene. Used in ready mix concrete	
SNF	Commissioned its captive power plant running on carbon black off-gas and connected to the grid	

Statutory Financials



Unaudited Standalone Results for the quarter ended 31st December 2014

PART I							(Rs. in Crores)
Statement of Standalone Unaudited Financial Results for the Quarter and Nine Months Ended December 31, 2014							
Particulars	Three months ended 31.12.2014	Preceding Three months ended 30.09.2014	Corresponding Three months ended 31.12.2013 in the previous year	Year to date figures for the current period ended 31.12.2014	Year to date figures for the previous period ended 31.12.2013	Year ended 31.03.2014	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	
1 Income from Operations							
(a) Net Sales/Income from Operations (Net of excise duty)	326.22	356.98	334.67	1,034.67	990.76	1,362.90	
(b) Other Operating Income	0.73	0.24	0.37	0.97	0.37	0.37	
Total Income from Operations (net)	326.95	357.22	335.04	1,035.64	991.13	1,363.27	
2 Expenses							
(a) Cost of materials consumed	284.48	292.84	241.96	846.87	814.71	1,092.28	
(b) Changes in inventories of finished goods and work-in-progress	(31.86)	(14.87)	3.08	(48.48)	(62.10)	(52.65)	
(c) Employee benefits expense	7.19	7.54	6.18	21.29	17.83	24.34	
(d) Depreciation	14.27	14.25	13.17	42.36	40.05	54.52	
(e) Other expenses	38.13	29.81	29.76	99.63	93.13	127.23	
Total expenses	312.21	329.57	294.15	961.67	903.62	1,245.72	
3 Profit from operations before other income, finance costs and exceptional items (1-2)	14.74	27.65	40.89	73.97	87.51	117.55	
4 Other Income:							
Miscellaneous Income	1.25	1.64	1.49	13.34	11.97	14.09	
Foreign exchange gain/(loss)	(0.11)	(5.25)	15.84	(4.48)	(91.03)	(78.02)	
Total	1.14	(3.61)	17.33	8.86	(79.06)	(63.93)	

Statutory Financials



Unaudited Standalone Results for the quarter ended 31st December 2014

5	Profit/(Loss) from ordinary activities before finance costs and exceptional items(3+4)	15.88	24.04	58.22	82.83	8.45	53.62
6	Finance costs	30.34	29.36	29.09	85.29	86.85	116.51
7	Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5-6)	(14.46)	(5.32)	29.13	(2.46)	(78.40)	(62.89)
8	Exceptional items (Refer Note 2)	-	-	-	-	7.05	7.05
9	Profit/(Loss) from ordinary activities before tax (7+8)	(14.46)	(5.32)	29.13	(2.46)	(71.35)	(55.84)
10	Tax expense	(5.00)	(1.97)	7.37	(4.01)	(12.55)	(16.75)
11	Net Profit/(Loss) from ordinary activities after tax (9-10)	(9.46)	(3.35)	21.76	1.55	(58.80)	(39.09)
12	Extraordinary items (net of tax expense Rs. Nil)	-	-	-	-	-	-
13	Net Profit/(Loss) for the period (11-12)	(9.46)	(3.35)	21.76	1.55	(58.80)	(39.09)
14	Paid-up equity share capital (Face Value Re 1 per share)	38.57	38.57	38.57	38.57	38.57	38.57
15	Reserves excluding Revaluation Reserves as per Balance Sheet as at March 31	-	-	-	-	-	795.65
16	Earnings per share (before and after extraordinary items) (of Re 1 per share) (not annualised) :						
	a) Basic	(0.25)	(0.09)	0.56	0.04	(1.52)	(1.01)
	b) Diluted	(0.25)	(0.09)	0.56	0.04	(1.52)	(1.01)

Statutory Financials



Unaudited Standalone Results for the quarter ended 31st December 2014

PART II						
Select Information for the Quarter and Nine Months Ended December 31, 2014						
Particulars	Three months ended 31.12.2014	Preceding Three months ended 30.09.2014	Corresponding Three months ended 31.12.2013 in the previous year	Year to date figures for the current period ended 31.12.2014	Year to date figures for the previous period ended 31.12.2013	Year ended 31.03.2014
A PARTICULARS OF SHAREHOLDING						
1 Public shareholding						
- Number of shares	213,592,660	213,592,660	213,592,660	213,592,660	213,592,660	213,592,660
- Percentage of shareholding	55.37	55.37	55.37	55.37	55.37	55.37
2 Promoters and Promoter Group Shareholding						
(a) Pledged/Encumbered						
- Number of Shares	Nil	Nil	Nil	Nil	Nil	Nil
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil	Nil	Nil
- Percentage of shares (as a % of the total share capital of the company)	Nil	Nil	Nil	Nil	Nil	Nil
(b) Non-encumbered						
- Number of Shares	172,139,910	172,139,910	172,139,910	172,139,910	172,139,910	172,139,910
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100	100	100	100	100	100
- Percentage of shares (as a % of the total share capital of the company)	44.63	44.63	44.63	44.63	44.63	44.63

Particulars	Three months ended 31.12.2014
B INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	3
Received during the quarter	7
Disposed of during the quarter	10
Remaining unresolved at the end of the quarter	Nil

Statutory Financials



Unaudited Standalone Results for the quarter ended 31st December 2014

Segment wise Revenue, Results and Capital Employed under Clause 41 of the Listing agreement

(Rs in Crores)

Particulars	Three months ended 31.12.2014	Preceding Three months ended 30.09.2014	Corresponding Three months ended 31.12.2013 in the previous year	Year to date figures for the current period ended 31.12.2014	Year to date figures for the previous period ended 31.12.2013	Year ended 31.03.2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1. Segment revenue						
a. Carbon materials and chemicals	325.99	355.99	333.01	1,031.98	984.68	1,355.43
b. Power	3.18	2.92	5.70	10.81	17.11	20.74
Total	329.17	358.91	338.71	1,042.79	1,001.79	1,376.17
Less: Inter segment revenue	2.22	1.69	3.67	7.15	10.66	12.90
Total income from operations (net)	326.95	357.22	335.04	1,035.64	991.13	1,363.27
2. Segment results						
a. Carbon materials and chemicals	13.48	25.64	37.18	67.30	83.39	111.58
b. Power	1.69	1.58	3.89	6.67	12.16	13.41
Total	15.17	27.22	41.07	73.97	95.55	124.99
Less : i) Interest expenses	30.34	29.36	29.09	85.29	86.85	116.51
ii) Unallocable expenditure (net of unallocable income)	(0.71)	3.18	(17.15)	(8.86)	80.05	64.32
Profit before tax	(14.46)	(5.32)	29.13	(2.46)	(71.35)	(55.84)
3. Capital employed (Segment assets- Segment liabilities)						
a. Carbon materials and chemicals	1,871.24	1,862.56	1,939.56	1,871.24	1,939.56	1,956.96
b. Power	56.98	58.09	57.93	56.98	57.93	56.32
c. Unallocable	(1,089.18)	(1,072.16)	(1,187.13)	(1,089.18)	(1,187.13)	(1,179.06)
Total Capital employed	839.04	848.49	810.36	839.04	810.36	834.22



Unaudited Standalone Results for the quarter ended 31st December 2014

NOTES :-

- 1) The above results have been reviewed by the Audit Committee and approved at the meeting of the Board of Directors of the Company held on February 12, 2015.
- 2) Exceptional item in previous period represents profit of Rs.7.05 Crores on account of sale of shares of a wholly owned subsidiary of the Company.
- 3) Pursuant to the Companies Act, 2013 ("the Act") being effective from 1 April 2014, the Company has revised depreciation rates on fixed assets as per the useful life specified in Part "C" of Schedule II of the Act. As a result, depreciation expense for current quarter is lower by Rs 3.29 crores (preceding quarter Rs. 3.23 crores). In respect of the fixed assets whose useful life is already exhausted as on 1 April 2014, depreciation of Rs 2.39 crores (net of deferred tax) has been adjusted in Reserves and Surplus in accordance with the requirements of Schedule II of the Act.
- 4) Tax expense is net of MAT credit entitlement and deferred tax.
- 5) The limited review of the unaudited results have been carried out by the Joint Statutory Auditors of the Company.
- 6) The figures of the previous period/ year have been regrouped/ reclassified, wherever necessary to conform to the classification for the quarter and nine months ended December 31, 2014.

On behalf of the Board of Directors

Place: Kolkata

Date: 12 February 2015

Bankey Lal Choudhary
Managing Director



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