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Himadri Chemicals & Industries Limited

(NSE: HCIL, BSE: 500184)

Earnings Presentation
Q1 FY2016

August 12, 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: August 17, 2015 (Monday) at 4.00 PM IST	
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Financial Highlights

Highlights – Q1 FY2016 vs Q1 FY2015

- Total Revenue of Rs. 2,758 million
- Adjusted EBITDA of Rs. 237 million; Margins of 8.6%
- Net Debt of Rs. 10,671 million; Net Debt / Equity of 1.32x

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

"The headwinds of the sluggish aluminium and steel sectors coupled with unfavourable currency fluctuations continued to impact our financial performance during this quarter with revenue declining by 21.5% and operating profit by 63.5%.

The slowdown in the steel sector has been prolonged and harsh. It has been reeling under the pressure of overcapacity, waning demand and declining prices. The major steel producing country, China, has been exporting significant amount of steel at lower prices owing to its weakening domestic demand and stagnant economy. Steel demand from India will likely increase in the near to medium term however it is unlikely to be sufficient to offset the decline in China. The steel consumption in India is expected to grow by 7% in FY2016. The aluminium industry is in a tight spot due to surging cheap imports into India and declining LME prices. A proposal has been made to the Government to increase the import duty to bring some respite in the near term.

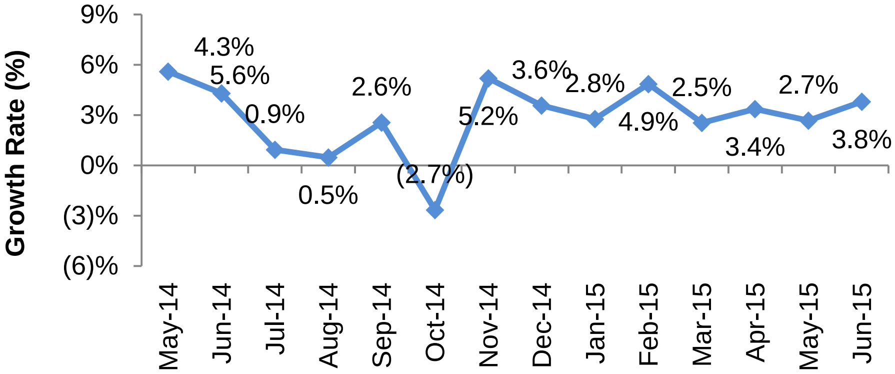
The long term prospects of the steel, aluminium and auto sectors in India is promising as the Indian economy is back on the growth track due to the increased demand from key sectors of economy such as infrastructure, logistics and real estate. The revival in the economy is bound to increase the demand for all our primary products. Himadri is also expected to benefit from the growth in the auto segment primarily the Commercial vehicle segment.

The Company has invested in state-of-the-art distillation plants and captive power units which will cement our position as the industry front runner. Himadri is well positioned to overcome the obstacles and adequately capitalized to benefit from the rebound in the overall economy. Risk mitigation, improving operational efficiencies and enhancing shareholder's value continue to remain our focus."

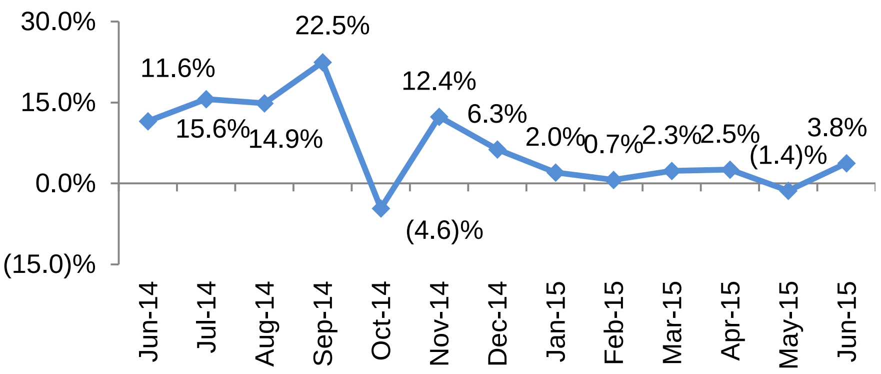
Economic Environment

- Index of Industrial Production (IIP) increased to four month high of 3.8% in June 2015 from 2.7% in May due to growth in the manufacturing segment
- The Wholesale Price Index (WPI) declined for the eighth consecutive month in June at (2.4)% y-o-y. However, Consumer Price Inflation (CPI) for June 2015 increased to 5.4% compared to the 5.0% in May 2015.
- Global steel production continued to remain weak and contracted by (2.4)% y-o-y to 410 million MT in Q1 FY2016. However, steel production in India increased by 0.6% y-o-y to 22 million MT. In China, the crude-steel production declined by (1.1)% y-o-y to 208 million MT. The quarter remained challenging due to an adverse demand scenario and cheap imports hurting the revenues of Indian steel manufacturers. The revival for demand is anticipated as significant investments are being made in the domestic Indian steel industry including modernization of the older steel plants and upcoming new plants.
- Average LME prices for Aluminium for the quarter was $1,765/mt, a decrease of (2)% y-o-y. Prices remained under pressure due to rising Chinese production and relaxed load-in-load-out rules leading to improved metal availability.
- The total domestic auto production grew by 1.6% in the quarter led by medium commercial vehicle and three wheeler segments. The tyre industry continued to benefit from softening of natural rubber and crude oil prices.

Index of Industrial Production



Automotive Production Growth Y-o-Y (%)



Economic Environment

Industry Outlook

- As per the global rating agency Fitch, India's GDP is expected to grow by 7.8% in FY2016. This growth would be aided by uptick in private consumption demand, new investments, faster implementation of stalled infrastructure projects and a rebound in mining activity.
- During CY2015, the global steel consumption is expected to remain relatively flat at 1,544 million MT. In the near term, the Indian steel sector will continue to remain under pressure due to high import from China at lower prices. However, the recent 2.5% hike in steel import duty is expected to provide some protection in the near term. In the long term, the steel sector is poised for growth due to revival in demand from the construction, infrastructure, engineering, fabrication and auto sectors. The consumption of steel in India is expected to grow by 7% in FY2016 as compared to 2% growth in consumption last year.
- The near term outlook for the aluminium industry remains challenging due to increasing imports from China and Middle-East, continuously sliding prices, subdued demand and rising cost of production. A proposal has been made to the Government to impose and import duty on aluminum which could help Indian players. LME prices have been on a downward trend over the past few months and are expected to remain subdued in the near term. In June, aluminum prices have fallen to $1,685/MT, which has significantly affected the global aluminum market.
- The recovery in the passenger vehicle segment (PV) is slow and manufacturers are trying to use the excess capacity to boost exports and compensate for the subdued domestic demand. However, the long term potential of the sector remains intact and India is expected to become the world's third largest PV market by 2020. The M&HCV (Truck) segment is expected to grow by 12-14% in FY 2016 driven by trend towards replacement of ageing fleet and demand uptick from infrastructure, mining and industrial sectors. The LCV segment will grow at modest rate of 4-6% in FY2016 as the segment's prospects continue to be influenced by overcapacity issues and constrained financing environment. The Indian CV industry is also witnessing sizeable investments by global OEMs towards upgrading their product portfolio, introducing new models and expanding manufacturing capacities.
- The domestic tyre demand is expected to grow by 4- 8% over the next three years. Over the medium term, the competitive intensity in the tyre industry will rise with expected commissioning of several Greenfield and Brownfield capacities by domestic as well as international players.

Performance Overview

Standalone Financial Highlights

(Rs. Million)	Q1 FY2016	Q1 FY2015	*y-o-y Growth (%)*	Q4 FY2015	*q-o-q Growth (%)*
Net Sales	2,758	3,515	*(21.5)%*	3,412	*(19.2)%*
Adjusted EBITDA[1]	237	315	*(24.7)%*	406	*(41.6)%*
Adj EBITDA Margin (%)	*8.6%*	*9.0%*		*11.9%*	
EBITDA	166	454	*(63.5)%*	57	*188.6%*
EBITDA Margin (%)	*6.0%*	*12.9%*		*1.7%*	
Profit After Tax (PAT)	(201)	144	*nm*	(160)	*nm*
Adjusted PAT[2]	(128)	35	*nm*	(201)	*nm*
Adj PAT Margin (%)	nm	1.0%		nm	
Basic EPS (Rs.)	(0.52)	*0.37*		(0.41)	

Note:
1. Adjusted for write down in inventory valuation by Rs. 46.9 million in Q1 FY2016, (139.6) million in Q1 FY2015 and 340.9 million in Q4 FY2015, and on account of expenses related to previous year by 24.1 million in Q1 FY2016 and 7.5 million in Q4 FY2015
2. Adjusted for foreign currency gain / (loss) and other income of Rs. (72.6) million in Q1 FY2016, Rs. 41.3 million in Q4 FY2015 and Rs. 108.6 million in Q1 FY2015

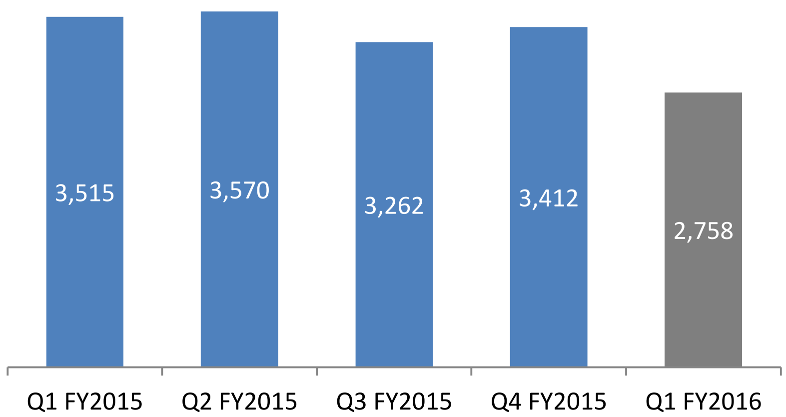
Performance Overview

Highlights – Q1 FY2016 vs. Q1 FY2015 (Standalone)

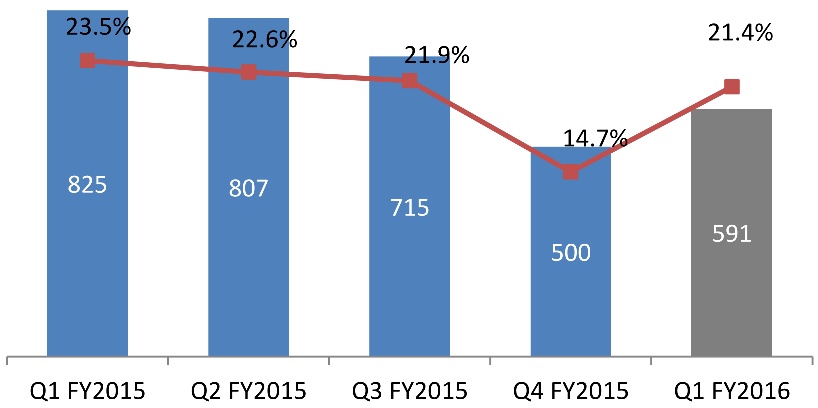
- **Net Sales:** Net Sales were Rs.2,758 million, a decline of (21.5)% as compared to Q1 FY2015. This was primarily driven by decline in sales price y-o-y
- **EBITDA:** EBITDA was Rs. 166 million for Q1 FY2016, a decrease of (63.5)% compared to the same period last year. EBITDA margin was at 6.0% vs 12.9% in the same period last year primarily due to lower realisations
- The adjusted EBITDA was Rs. 237 million with margins of 8.6%. This was due to the write down in inventory valuation by Rs. 46.9 million and Rs. 24.1 million on account of expenses related to previous year
- **Profit After Tax (PAT):** The Company had a net loss of Rs. (201) million as compared to a profit of Rs. 144 million in Q1 FY2015. The depreciation increased from 138 million in Q1 FY2015 to 158 million in Q1 FY2016. PAT for the quarter was impacted due to lower operating profit
- Q1 FY2016 PAT adjusted for foreign currency gain/(loss) and other income was Rs. (128) million

Performance Overview

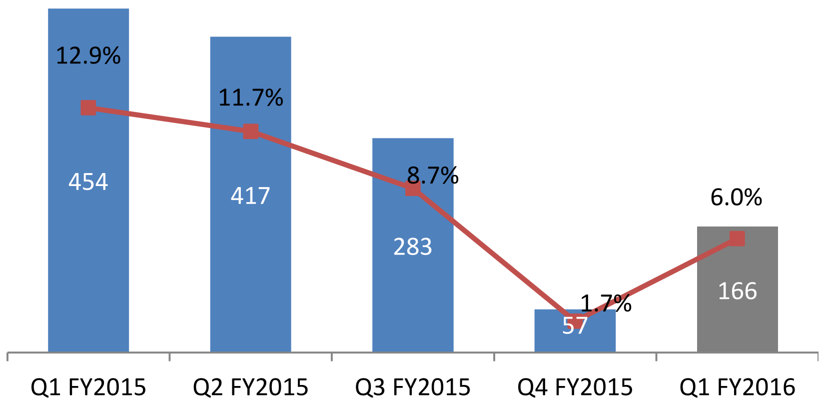
Revenue (Rs. Million)



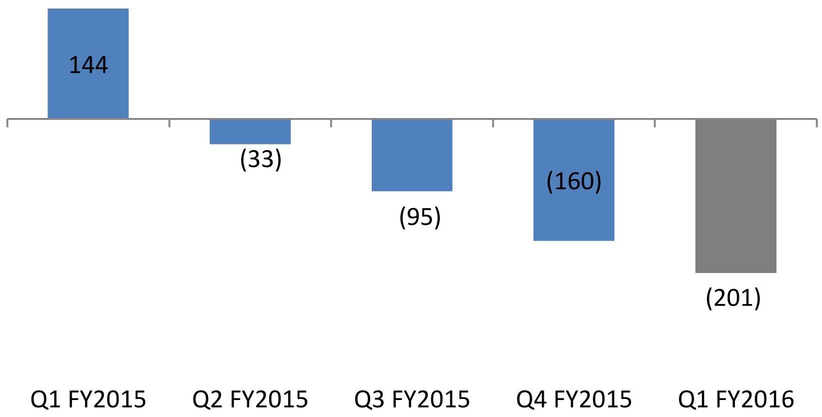
Gross Profit (Rs. Million) and Margin(%)



EBITDA (Rs. Million) and Margin (%)



PAT (Rs. Million) and Margin (%)



*Standalone financials

Segment Analysis

Standalone Segment Analysis

(Rs. Million)	Q1 FY2016	Q1 FY2015	y-o-y Growth (%)	Q4 FY2015	q-o-q Growth (%)
Sales					
Carbon Materials and Chemicals	2,725	3,500	*(22.2)%*	3,398	*(19.8)%*
Power	66	47	*41.0%*	46	*43.7%*
Total	**2,791**	**3,547**	*(21.3)%*	**3,444**	*(19.0)%*
Less: Inter segment revenue	32	32	*(1.5)%*	25	*25.1%*
Total	**2,759**	**3,515**		**3,419**	
Profit before Tax and Interest					
Carbon Materials and Chemicals	(44)	284	*nm*	*(95)*	*nm*
Power	53	34	*56.5%*	29	*81.6%*
Total	**9**	**318**		**(65)**	

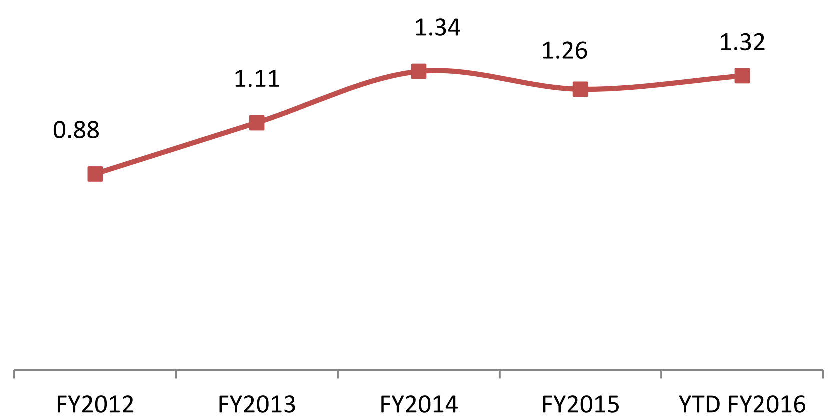
Capital Structure

Particulars (Rs. Million)	30 Jun 15	31 Mar 15
Total Debt	**11,320**	**11,011**
Less: Cash & Cash Equivalents	(649)	(586)
Net Debt / (Net Cash)	**10,671**	**10,425**
Net Worth	**8,088**	**8,271**
Net Debt / Equity (x)	**1.32x**	**1.26x**

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)



Company Factsheet

- Himadri Chemicals is the largest producer of Coal Tar Pitch in India with ~65% 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 Results for the quarter ended 30th June 2015

	PART I				(Rs. in Crores)
	Statement of Standalone Unaudited Financial Results for the first quarter ended June 30, 2015				
	Particulars	**Three months ended 30.06.2015**	Preceding Three months ended 31.03.2015	Corresponding Three months ended 30.06.2014 in the previous year	Year ended 31.03.2015
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
1	**Income from Operations**				
	(a) Net Sales/Income from Operations (Net of excise duty)	**275.81**	341.15	351.47	1,375.82
	(b) Other Operating Income	**0.11**	0.71	-	1.68
	Total Income from Operations (net)	**275.92**	341.86	351.47	1,377.50
2	**Expenses**				
	(a) Cost of materials consumed	**197.71**	287.18	269.55	1,134.05
	(b) Changes in inventories of finished goods and work-in-progress	**20.41**	(14.01)	(1.75)	(62.49)
	(c) Employee benefits expense	**6.98**	8.08	6.56	29.37
	(d) Depreciation	**15.80**	13.00	13.84	55.36
	(e) Other expenses	**34.11**	54.14	31.69	153.77
	Total expenses	**275.01**	348.39	319.89	1,310.06
3	**Profit from operations before other income, finance costs and exceptional items (1-2)**	**0.91**	(6.53)	31.58	67.44
4	Other Income:				
	Miscellaneous Income	**1.52**	1.62	10.45	14.96
	Foreign exchange gain/(loss)	**(4.92)**	(2.77)	0.88	(7.25)
	Total	**(3.40)**	(1.15)	11.33	7.71
5	**Profit/(Loss) from ordinary activities before finance costs and exceptional items(3+4)**	**(2.49)**	(7.68)	42.91	75.15
6	Finance costs	**27.50**	16.22	25.59	101.51

Statutory Financials

Unaudited Results for the quarter ended 30th June 2015

(Rs. in Crores)

7	**Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5-6)**	**(29.99)**	(23.90)	17.32	(26.36)
8	Exceptional items	-	-	-	-
9	**Profit/(Loss) from ordinary activities before tax (7+8)**	**(29.99)**	(23.90)	17.32	(26.36)
10	Tax expense	**(9.93)**	(7.95)	2.96	(11.96)
11	**Net Profit/(Loss) from ordinary activities after tax (9-10)**	**(20.06)**	(15.95)	14.36	(14.40)
12	Extraordinary items (net of tax expense Rs. Nil)	-	-	-	-
13	**Net Profit/(Loss) for the period (11-12)**	**(20.06)**	(15.95)	14.36	(14.40)
14	Paid-up equity share capital (Face Value Re 1 per share)	**38.57**	38.57	38.57	38.57
15	Reserves excluding Revaluation Reserves as per Balance Sheet as at March 31	-	-	-	788.57
16	**Earnings per share (before and after extraordinary items) (of Re 1 per share) (not annualised) :**				
	a) Basic	**(0.52)**	(0.41)	0.37	(0.37)
	b) Diluted	**(0.52)**	(0.41)	0.37	(0.37)

Statistical Financials

Unaudited Results for the quarter ended 30th June 2015

PART II				
Select Information for the first quarter ended June 30, 2015				
Particulars	**Three months ended 30.06.2015**	Preceding Three months ended 31.03.2015	Corresponding Three months ended 30.06.2014 in the previous year	Year ended 31.03.2015
A PARTICULARS OF SHAREHOLDING				
1 Public shareholding				
- Number of shares	**213,592,660**	213,592,660	213,592,660	213,592,660
- Percentage of shareholding	**55.37**	55.37	55.37	55.37
2 Promoters and Promoter Group Shareholding				
(a) Pledged/Encumbered				
- Number of Shares	Nil	Nil	Nil	Nil
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil
- Percentage of shares (as a % of the total share capital of the company)	Nil	Nil	Nil	Nil
(b) Non-encumbered				
- Number of Shares	**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
- Percentage of shares (as a % of the total share capital of the company)	**44.63**	44.63	44.63	44.63

Particulars	**Three months ended 30.06.2015**
B INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	Nil
Received during the quarter	5
Disposed of during the quarter	4
Remaining unresolved at the end of the quarter	1

Statistical Financials

Unaudited Results for the quarter ended 30th June 2015

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

(Rs. in Crores)

Particulars	Three months ended 30.06.2015	Preceding Three months ended 31.03.2015	Corresponding Three months ended 30.06.2014 in the previous year	Year ended 31.03.2015
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
1. Segment revenue				
a. Carbon materials and chemicals	**272.47**	339.79	350.00	1,371.77
b. Power	**6.64**	4.62	4.71	15.43
Total	**279.11**	344.41	354.71	1,387.20
Less: Inter segment revenue	**3.19**	2.55	3.24	9.70
Total income from operations (net)	**275.92**	341.86	351.47	1,377.50
2. Segment results				
a. Carbon materials and chemicals	**(4.41)**	(9.46)	28.37	57.84
b. Power	**5.32**	2.93	3.40	9.60
Total	**0.91**	(6.53)	31.77	67.44
Less : i) Interest expenses	**27.50**	16.22	25.59	101.51
ii) Unallocable expenditure (net of unallocable income)	**3.40**	1.15	(11.14)	(7.71)
Profit before tax	**(29.99)**	(23.90)	17.32	(26.36)
3. Capital employed				
(Segment assets- Segment liabilities)				
a. Carbon materials and chemicals	**1,830.16**	1,834.40	1,953.04	1,834.40
b. Power	**57.39**	56.50	55.74	56.50
c. Unallocable	**(1,078.74)**	(1,063.76)	(1,155.45)	(1,063.76)
Total Capital employed	**808.81**	827.14	853.33	827.14

Statutory Financials

Unaudited Results for the quarter ended 30th June 2015

NOTES :-

1) The above unaudited results have been reviewed by the Audit Committee and approved at the meeting of the Board of Directors of the Company held on August 12, 2015.

2) The figures for the quarter ended March 31, 2015 are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the third quarter of the financial year ending on March 31, 2015.

3) Tax expense is net of MAT credit reversal and deferred tax credit.

4) The limited review of the unaudited results have been carried out by the Joint Statutory Auditors' of the Company who have expressed an unqualified opinion.

5) The figures of the previous year/ period have been regrouped/ reclassified, wherever necessary to conform to the classification for the quarter ended June 30, 2015.

On behalf of the Board of Directors

Bankey Lal Choudhary
Managing Director
(DIN : 00173792)

Place: Kolkata
Date: 12 August 2015

Himadri Chemicals & Industries Limited

Contact Details:

Himadri Chemicals & Industries Limited

(CIN: L27106WB1987PLC042756)

Ruby House, 8, India Exchange Place

2nd Floor, Kolkata - 700 001, West Bengal

Ph: +91 33 2230 9953

Fax: +91 33 2230 9051

www.himadri.com

Contact Details

Anurag Choudhary ***Himadri Chemicals and Industries Ltd.***	+91 33 2230 9953 *anurag@himadri.com*
Bijay Sharma / Ankit Aggarwal ***Churchgate Partners***	+91 22 6169 5988 *himadri@churchgatepartnersindia.com*