



Himadri Speciality Chemical Ltd


(Formerly known as Himadri Chemicals & Industries Ltd.)

**INVESTOR
PRESENTATION**
May - 2017

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Value Creation Journey
by way of
Vertical Integration

Fit for Future: Products &
its Potential

- Accelerating Core Business
- Finding next Core Business

Looking back at Three
Decades of Experience

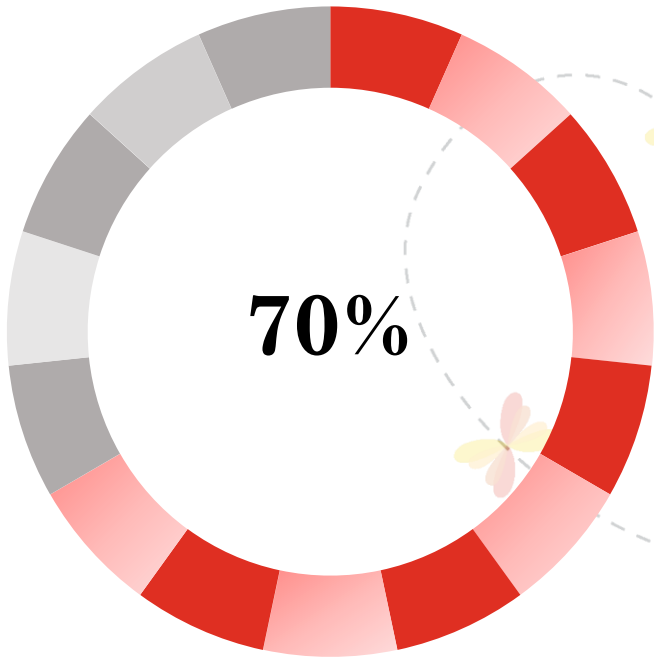
Financial Agenda

Looking Forward with
Confidence

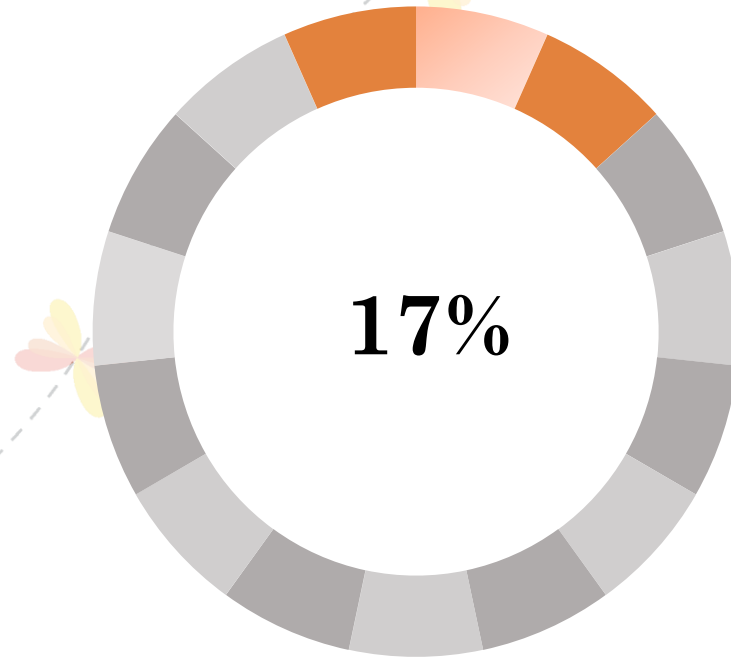
Leadership Position in our Products



Coal Tar Pitch



Carbon Black

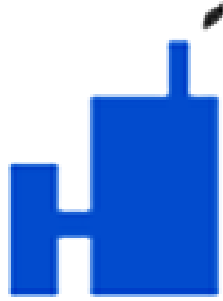


Market Leadership as % of Total Domestic Demand including Imports

Product Development was a Clear Focus



2010



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

2017



Aluminium Grade Pitch
Graphite Grade Binder Pitch
Graphite Grade Zero QI
(Quinoline Insoluble) coal tar
impregnated pitch
Mesophase Pitch (ACM)
Special Pitch
Naphthalene
Refined Naphthalene
Light Creosote Oils
Heavy Creosote Oils

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

Evolving with Emerging Business Paradigms

To make an Impact on the End Markets



Aluminium



Graphite
Electrodes



Missiles



Lithium – Ion
Batteries



Anti Corrosive
Material



Rubber Industries



Paints, Plastic &
Fibre



Power



Infrastructure



Construction
Chemical



Wood Preservative
Oils



Specialized
Products

If You Can Be One Thing, Be Dependable



CTP Clientele



CB Clientele



Others Clientele



Rapid growth through R&D

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



Innovation as a result of R&D

Coal Tar Pitch

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

Carbon Black

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


SNF

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

Advanced Carbon Materials

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

Resulting in Faster Growth



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» **Product Leadership – Accelerating Core Business**

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



Used in Aluminium & Graphite Industry

Caters to **Two-Thirds** of demand for
**Indian Graphite and
Aluminium Industries**

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

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

Critical Input in Downstream Industries



Mesophase Pitch

In anode material for Li-ion batteries, Carbon Composites

Coal Tar Pitch

Graphite Grade Zero
QI Coal tar
Impregnating Pitch

In graphite electrode, nipple impregnation and UHP grade electrode manufacturing

Graphite Grade Binder Pitch

In Graphite Electrode Manufacturing

Special Pitches

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

Aluminium Grade Pitch

In pre-baked anode and soderberg in aluminium manufacturing

Inelastic & Growing Demand



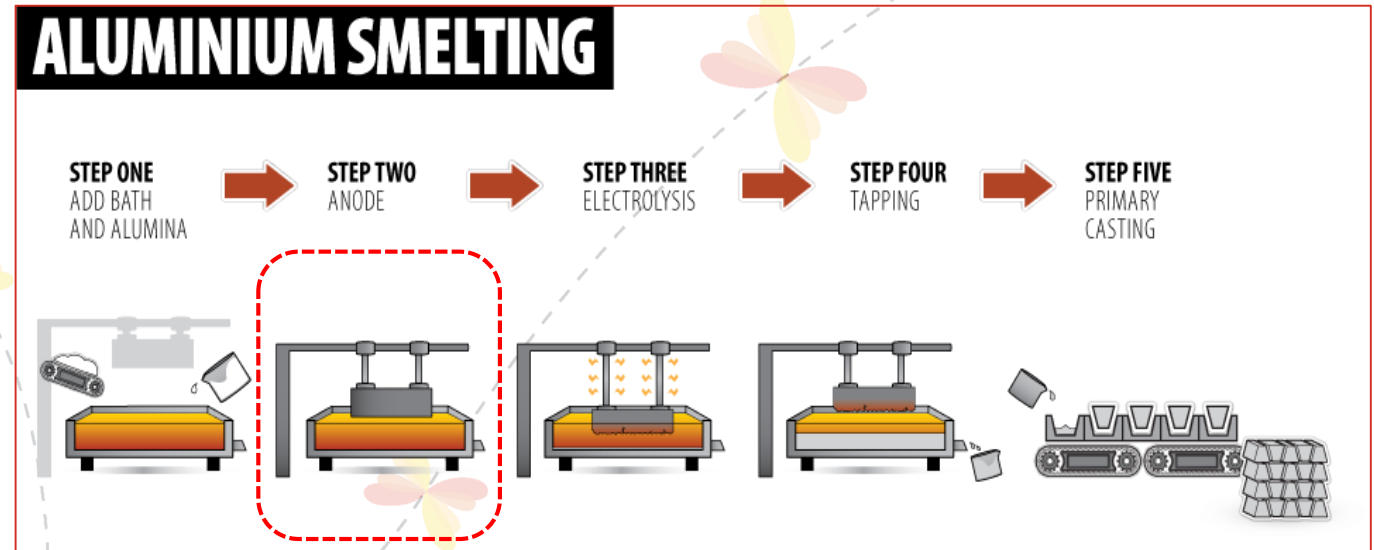
» **Inelastic Demand** : Coal Tar Pitch is used in pre-baked anode in aluminium smelter to produce aluminium. Aluminium Smelting is a Continuous Process - Smelter cannot be stopped and restarted easily

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

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

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

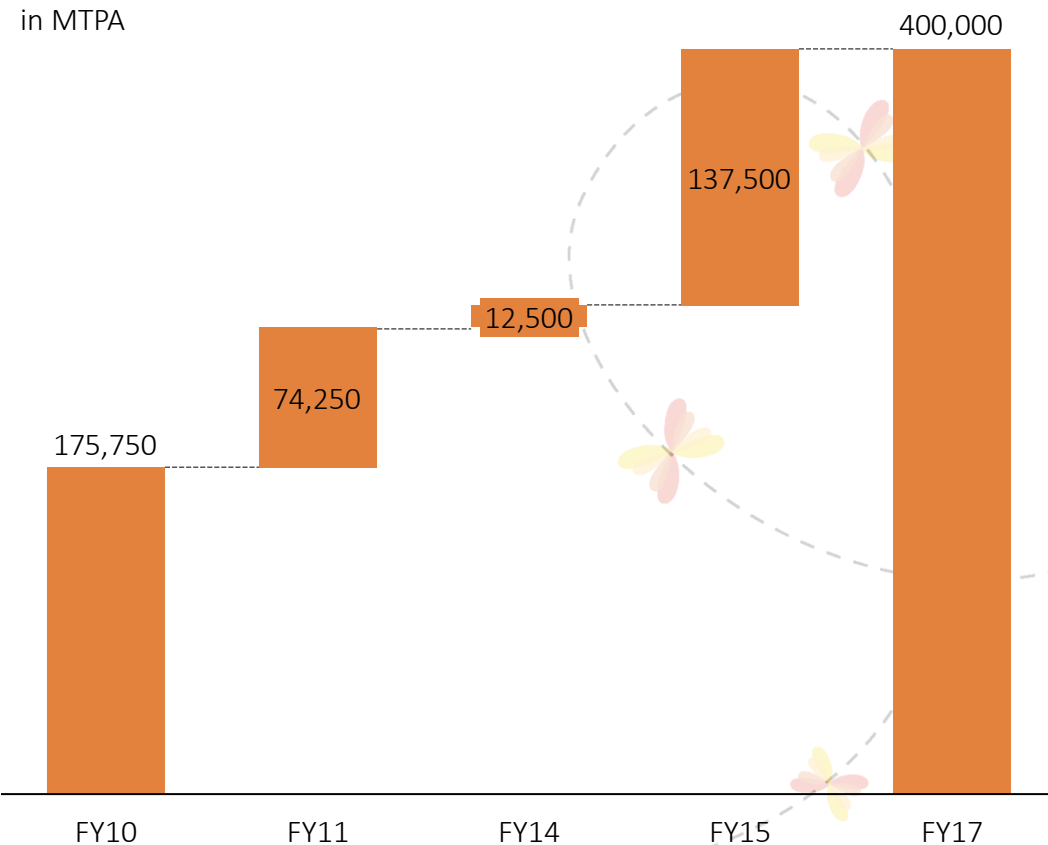
» **Aluminium Capacity Outlook**: India's aluminium production capacity expected to increase from 2.75 MTPA to 4 MTPA by end-FY19



Capacity Built Up to Support Growth



Distillation Capacity Built Up in India



» Raw Material Procurement:

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

» Pricing:

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



Anything that is
manufactured Black
has
Carbon Black

Forward Integration to convert
Coal Tar Oil into Carbon Black

3rd Largest Carbon Black Producer in India
with

120,000 MTPA

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

Capabilities launching
Speciality Carbon Black
range with niche application

Benefits of Forward Integration



Raw Material

Access to superior, consistent & customized Raw Material feed from inhouse distillation units

Power Generation

Tail gas released during Carbon Black manufacturing process generates Power which is also eligible for Carbon credits

Speciality Carbon Black

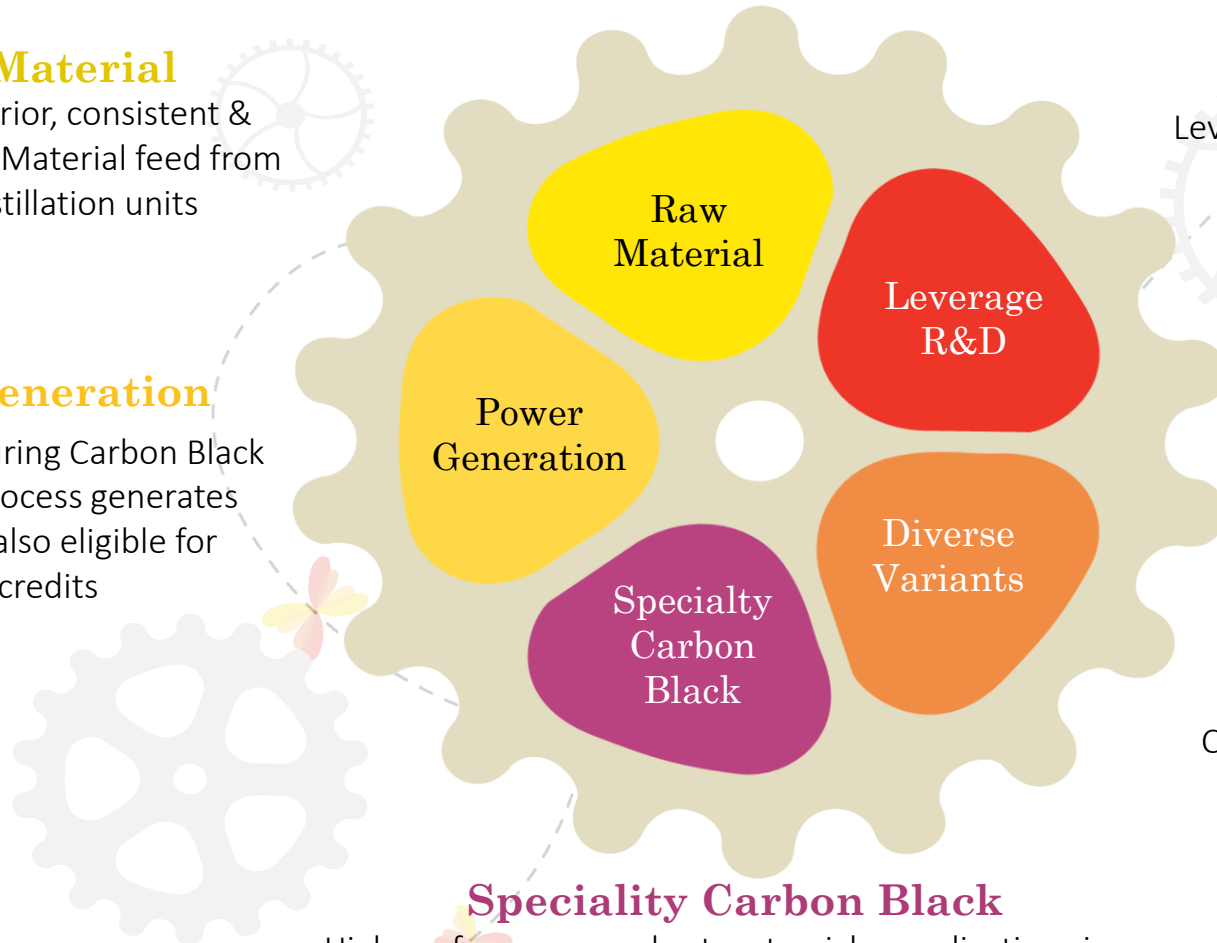
High performance and caters to niche applications in Tyre & Non-tyre Industry and Speciality (Plastic Masterbatch, Fibre, Wire & Cable, Pipes, Engineering Plastics, Films, Inks, Coatings, etc)

Leverage R&D

Leveraged R&D strength to develop a range of speciality carbon black products

Full Range of Product Variants

Capable of producing full range of product variants for diversified applications in industries

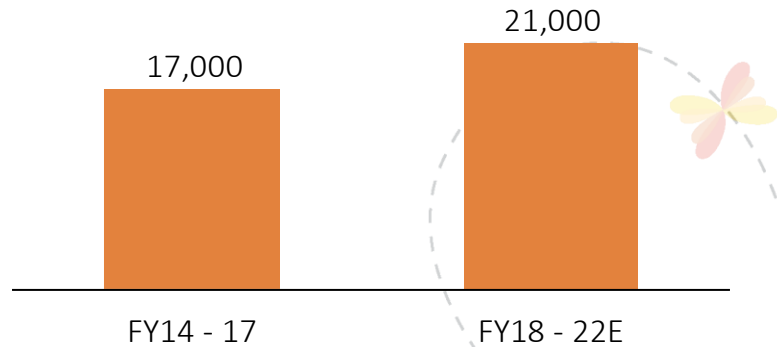


Large Market Potential



Indian Tire - Commissioned Projects

Rs. Crore



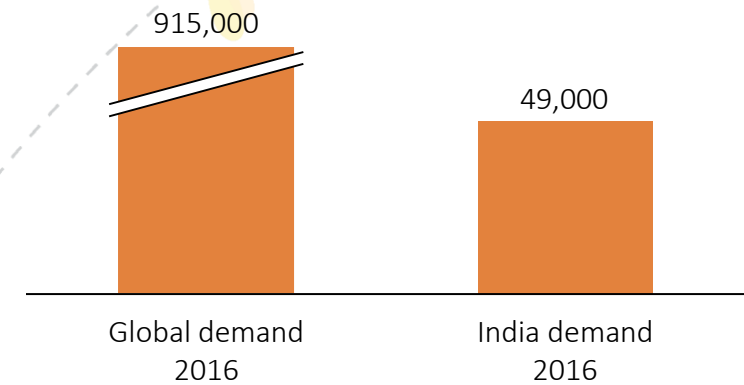
Indian Tire Market is ~ **Rs. 500 Bn** in FY16

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

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

Specialty Carbon Black

in MTPA



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

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

Naphthalene



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

**Capacity to
Double** for
refined Naphthalene
in future

Also formulate
Special Grade Naphthalene



Naphthalene Value Proposition



Special Grade Naphthalene

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



Naphthalene Moth Ball

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

Sulphonated Naphthalene Formaldehyde (SNF)

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



Sulphonated Naphthalene Formaldehyde (SNF)



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

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

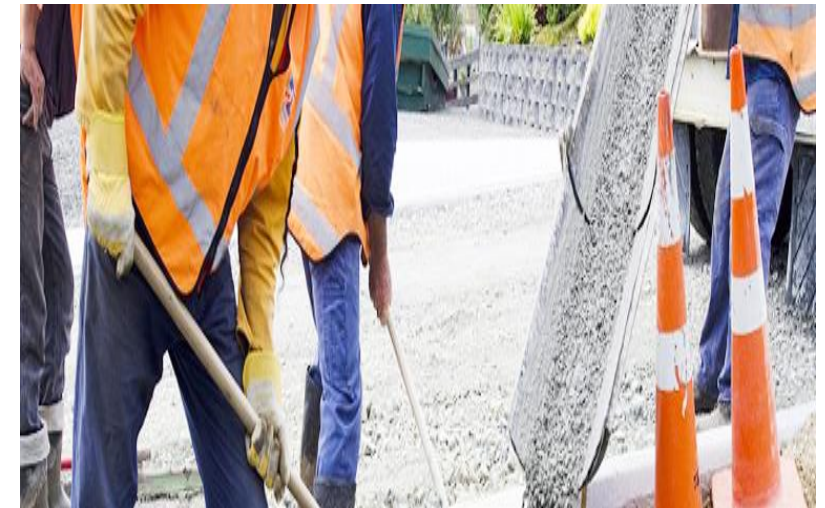
Highest Purity SNF manufactured from
In-house produced Naphthalene

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



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

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



» Future Products – Finding Next Core Business

- Advance Carbon Material



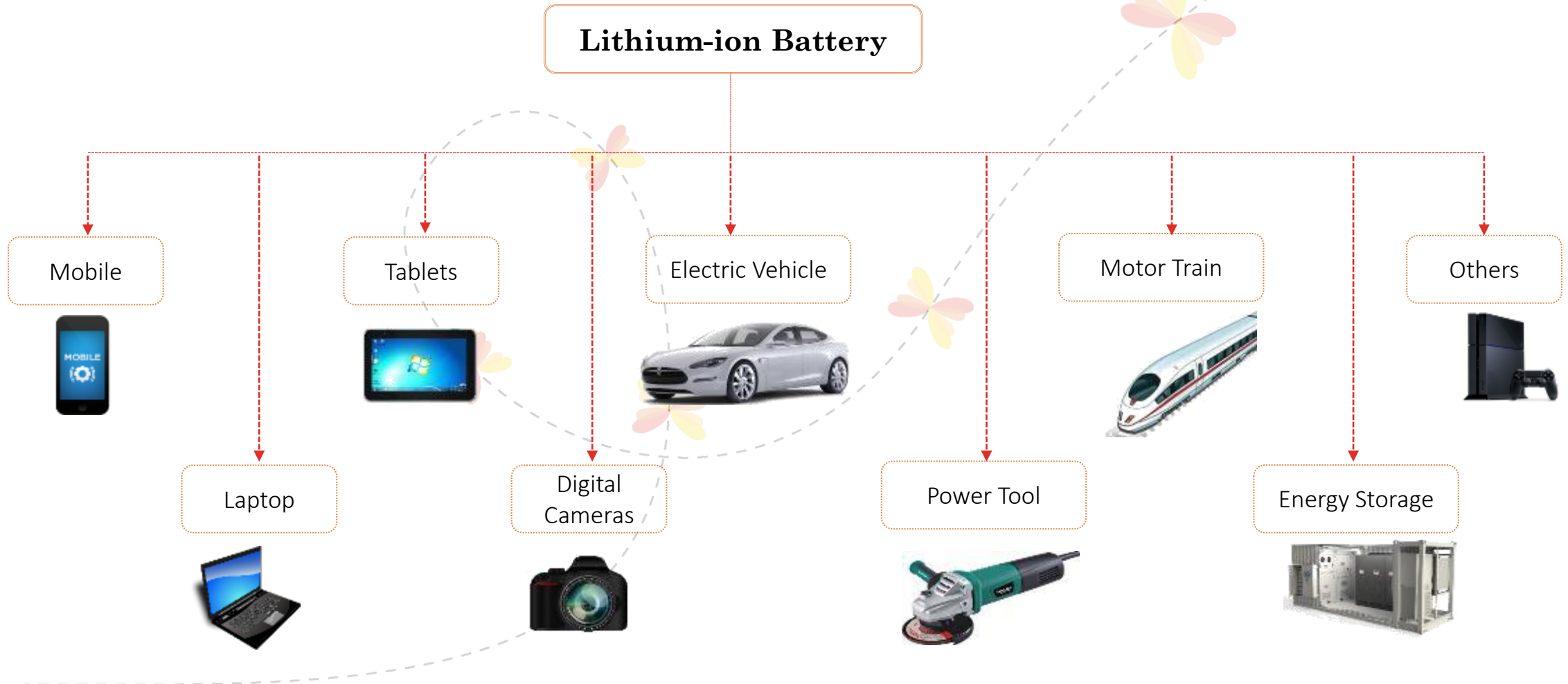
Forward Integration to convert
Coal Tar Pitch into
Advance Carbon Material

Anode Material used in
Lithium-ion Batteries

Only Producer
of Advance Carbon Material in India

Best in class
Proprietary Technology
With **Cost Leadership**

Application in Sunrise Sector



At early stage of Growth

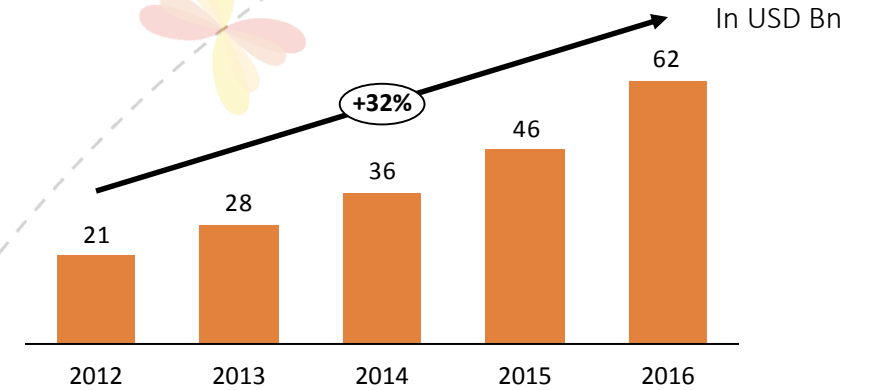


- » First Indian Company to develop **anode material** of both Synthetic and Natural varieties for **lithium-ion batteries**
 - **Best-in-class Proprietary technology** which involves Coal Tar Pitch treatment into specialised pitch, carbonisation, classification and graphitisation
 - **Only few Japanese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

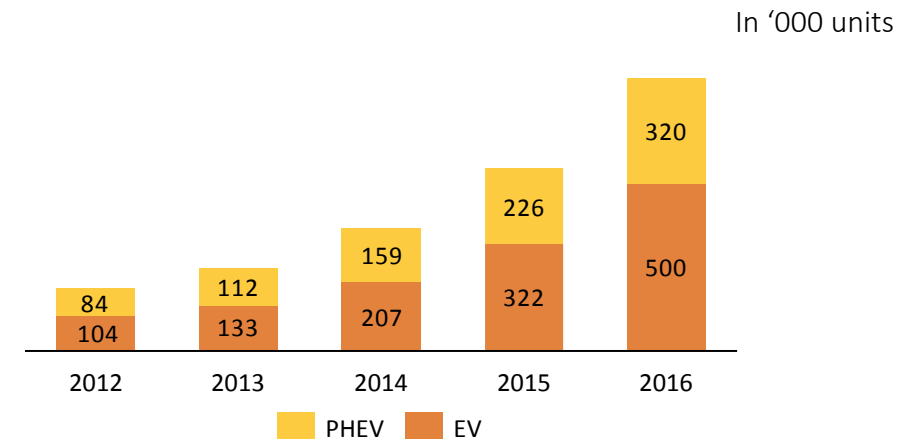
Capacity Expansion to Capitalize Growth

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

Global Lithium Battery Demand



Global Electric Vehicles Sales





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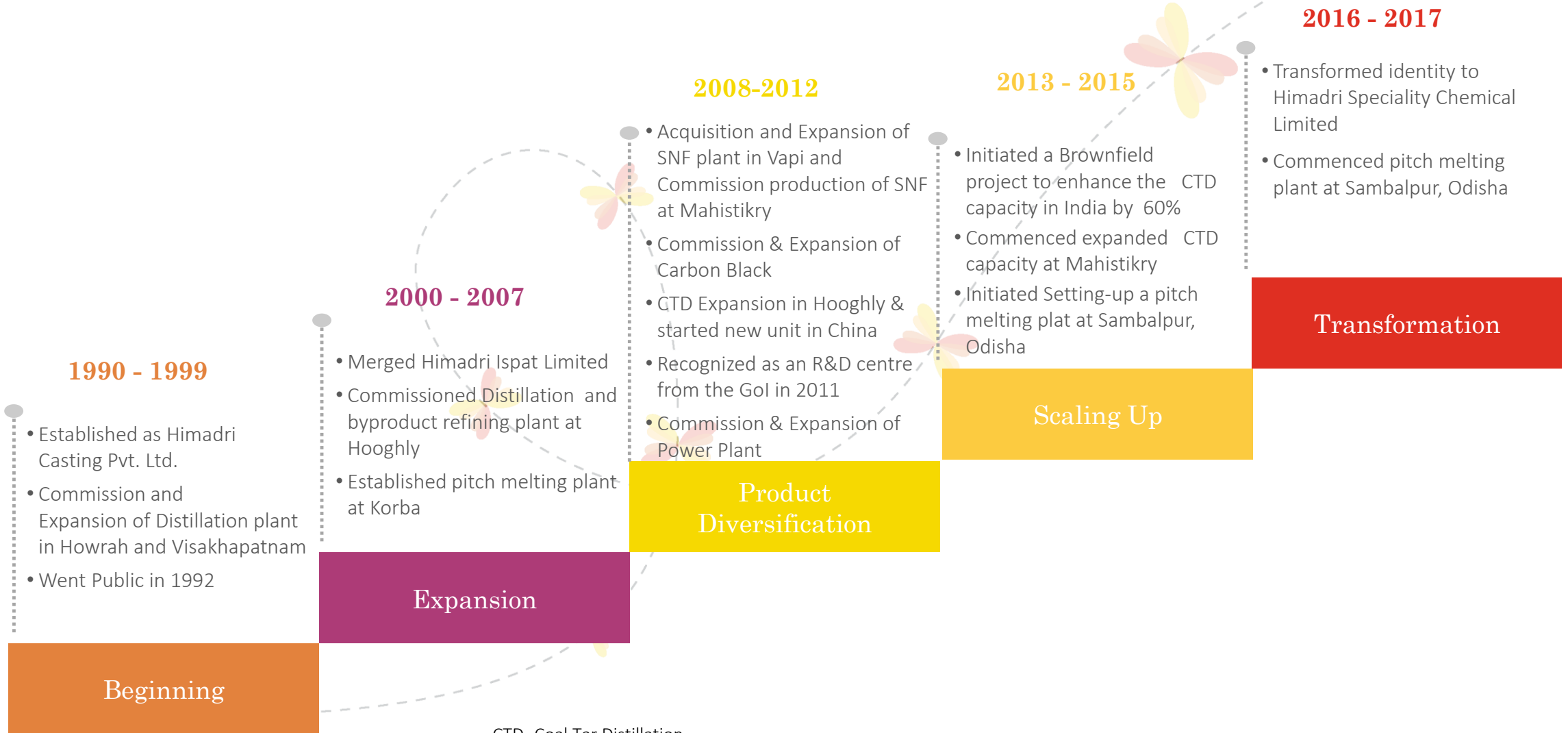
- Accelerating Core Business
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Looking back at Three
Decades of Experience

Financial Agenda

Looking Forward with
Confidence

Evolving...



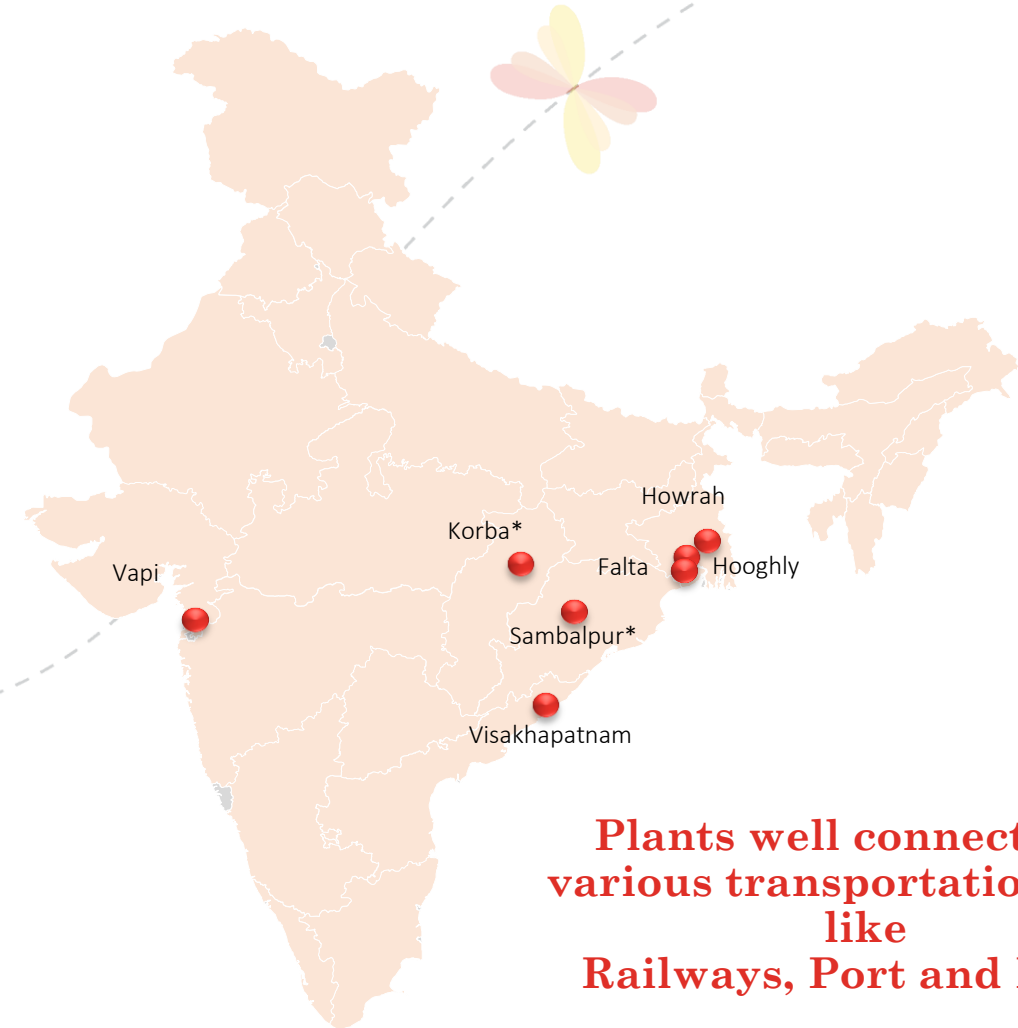
CTD- Coal Tar Distillation

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

Product Capacity

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

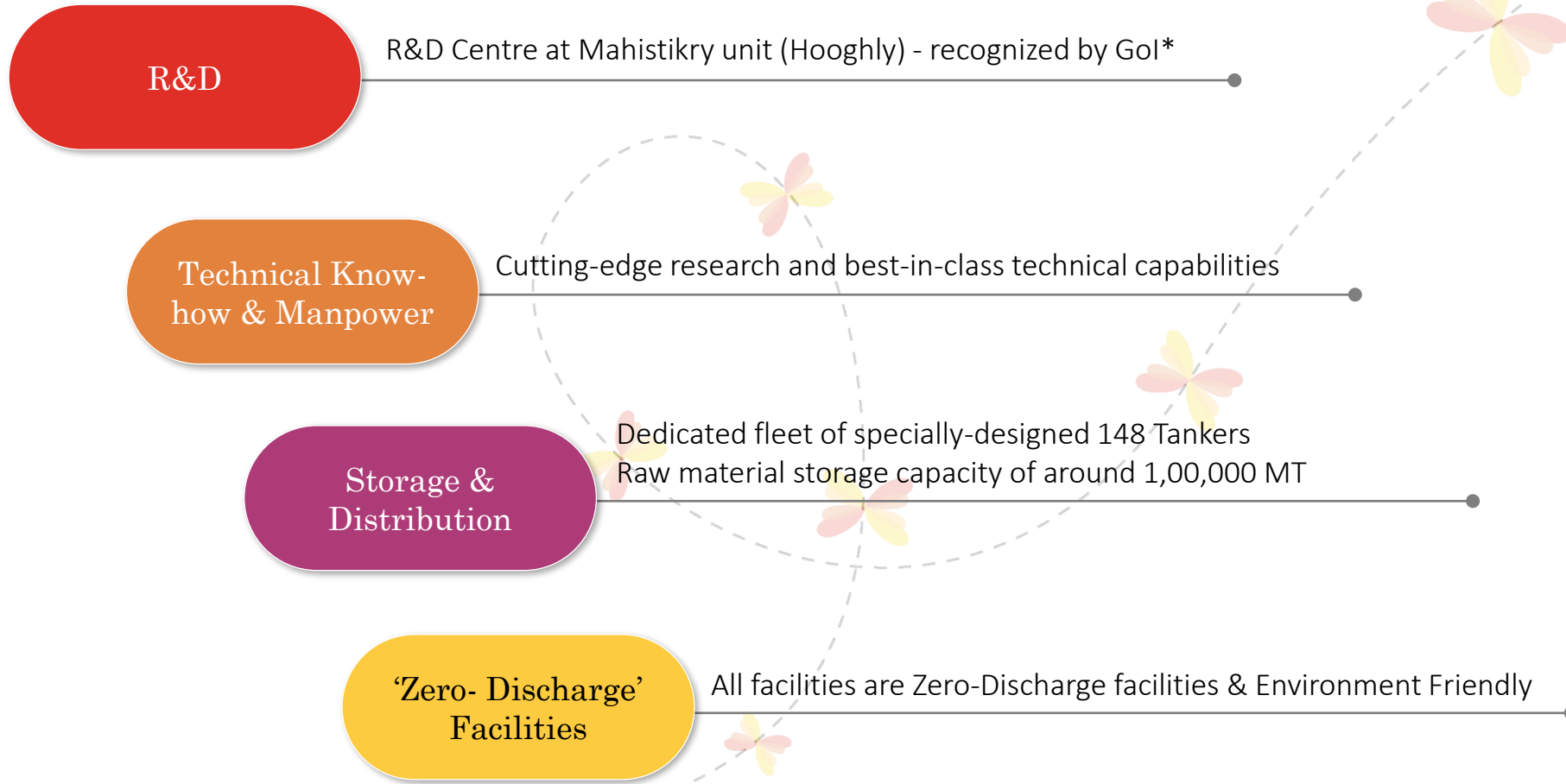
All our facilities are Zero-Discharge Facilities



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

* Pitch Melting Plant

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



*Government of India

...with validation through Awards & Recognition



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



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





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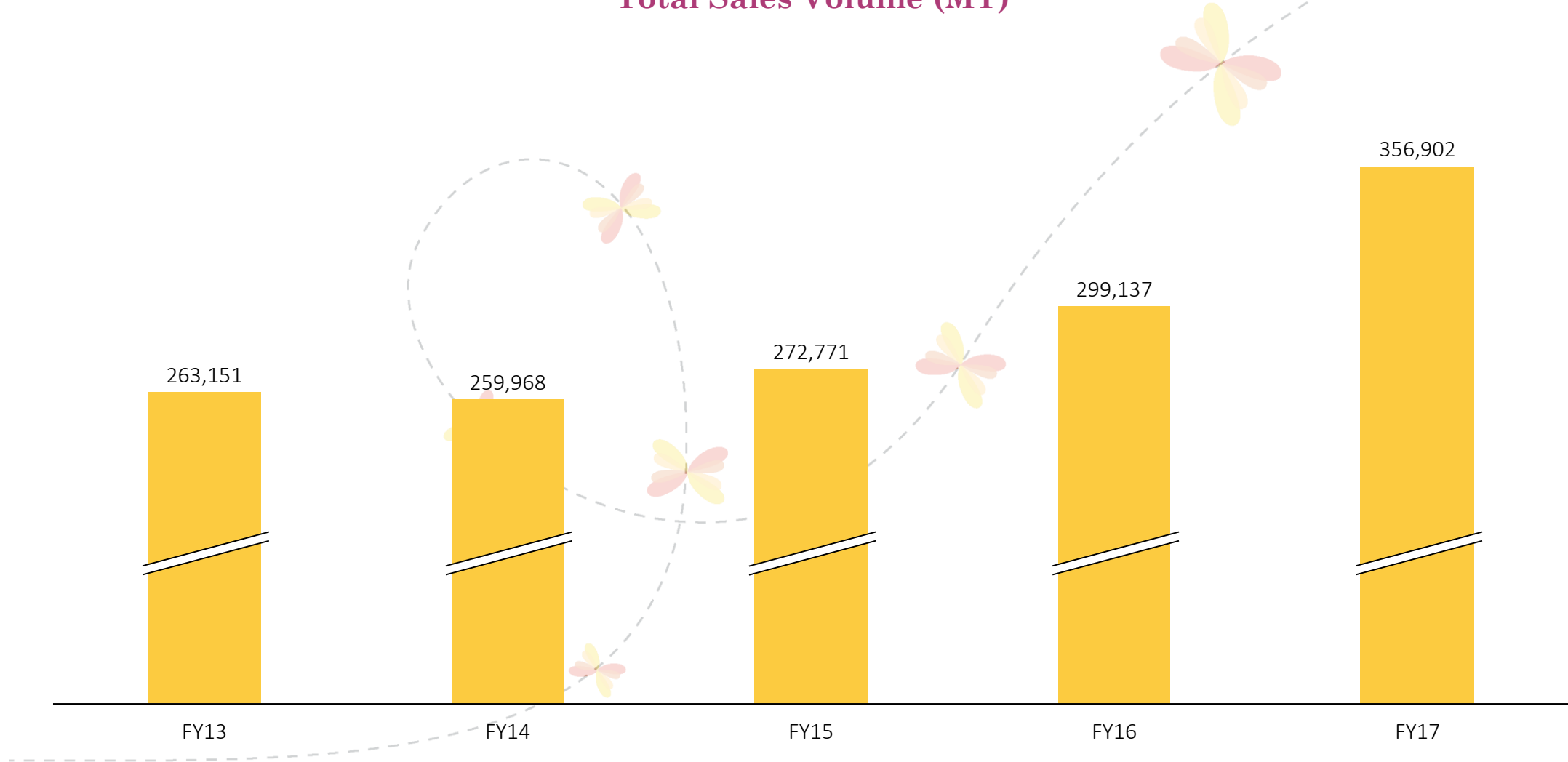
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Key Performance Indicator



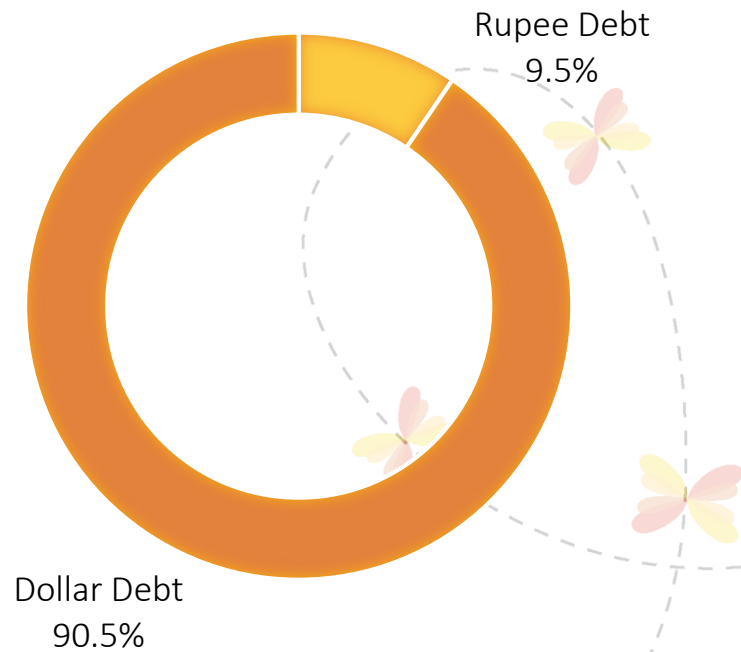
Total Sales Volume (MT)



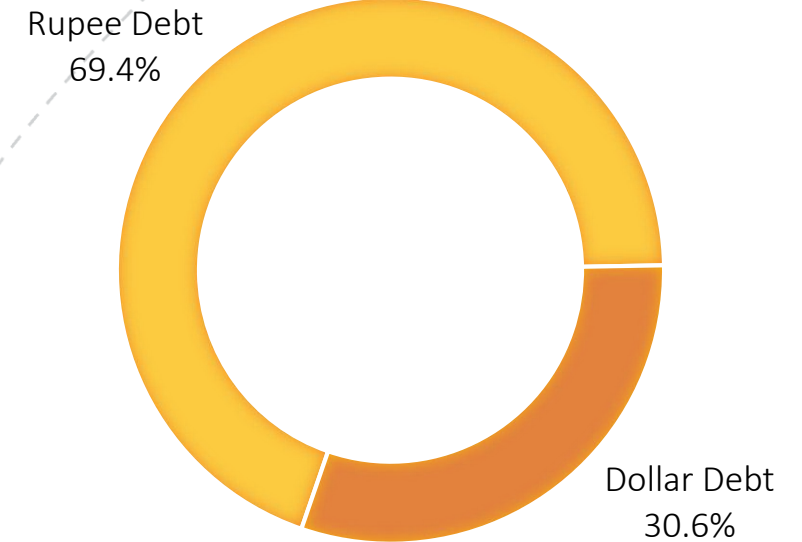
Change in the Debt Composition



Total Debt Profile FY12



Total Debt Profile FY17



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

Currently all **Dollar Denominated Debt** is completely **Hedged**

Debt Repayment of over Rs. 500 Crores



Rupee Debt

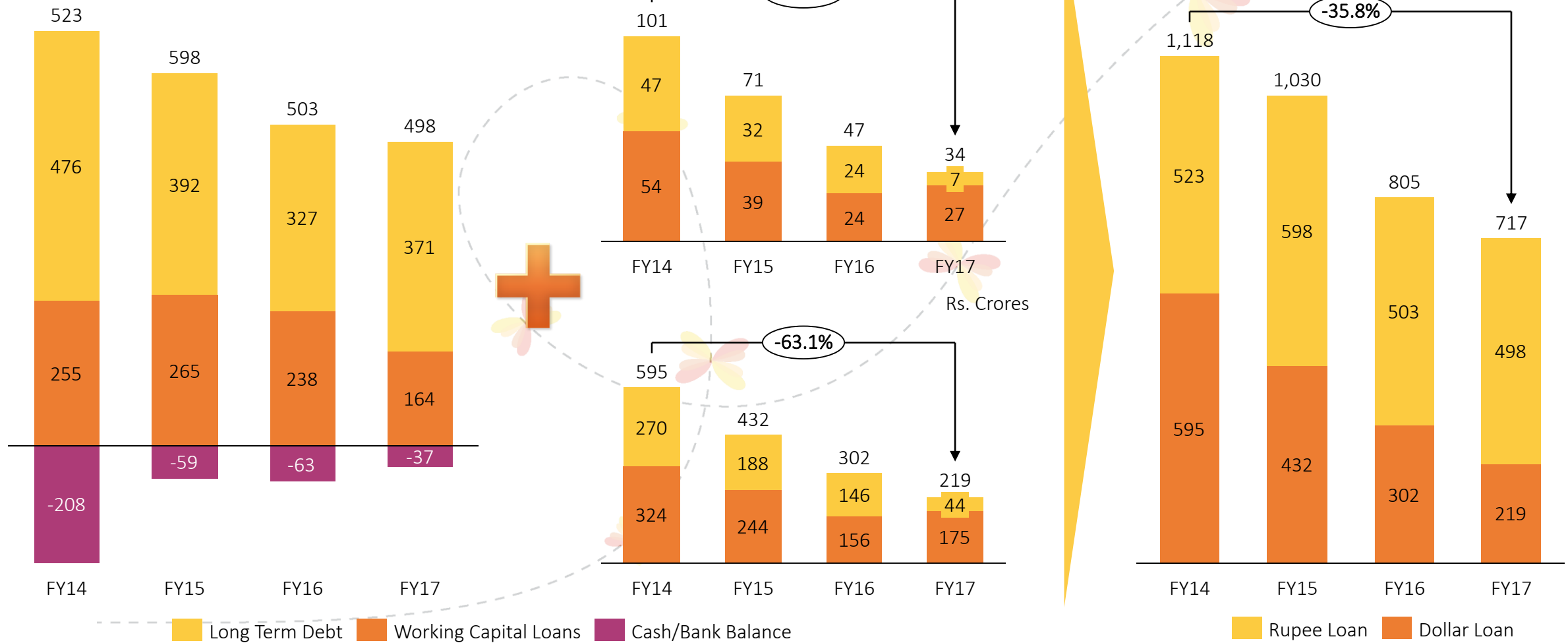
Dollar Debt

Net Debt

Rs. Crores

\$ million

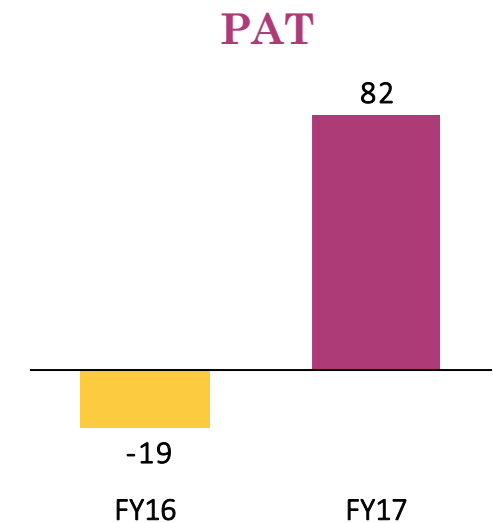
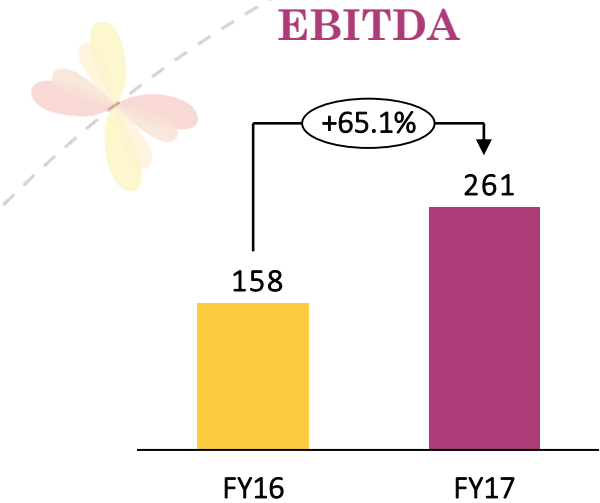
Rs. Crores



Consolidated Profit & Loss



Particulars (In Rs. Crs)	FY17	FY16
Revenue from Operations	1,490.09	1,322.38
Excise Duty	147.08	138.94
Net Revenue From Operations	1,343.01	1,183.44
Cost of materials consumed	881.62	845.01
Gross Profit	461.39	338.43
Employee benefits expense	37.31	31.96
Other expenses	162.77	148.22
EBITDA	261.31	158.25
Other Income	5.84	8.89
Foreign exchange fluctuation (net)	-28.12	-12.44
Depreciation and amortization expense	32.78	67.05
EBIT	206.25	87.65
Finance costs	81.58	111.11
Profit / (Loss) before tax	124.67	-23.46
Tax expenses	42.23	-4.52
Profit / (Loss) for the year	82.44	-18.94



Standalone Profit & Loss- Q4FY17 & FY17



Particulars (In Rs. Crs)	Q4 FY17	Q4 FY16	YoY (%)	FY17	FY16	YoY (%)
Revenue from Operations	415.28	291.33	42.5%	1471.25	1290.78	14.0%
Excise Duty	39.68	31.1		147.08	138.94	
Net Revenue From Operations	375.6	260.23	44.3%	1324.17	1151.84	15.0%
Cost of materials consumed	252.42	172.26		886.99	830.99	
Gross Profit	123.18	87.97	40.0%	437.18	320.85	36.3%
Employee benefits expense	9.57	7.85		35.85	29.61	
Other expenses	41.18	31.56		154.35	138.27	
EBITDA	72.43	48.56	49.2%	246.98	152.97	61.5%
Other Income	1.97	2.47		7.9	10.95	
Foreign exchange fluctuation (net)	-7.19	-1.34		-20.03	-11.1	
Depreciation and amortization expense	7.73	15.93		30.97	63.71	
EBIT	59.48	33.76	76.2%	203.88	89.11	128.8%
Finance costs	13.83	20.83		80.47	109.99	
Profit / (Loss) before tax	45.65	12.93		123.41	-20.88	
Tax expenses	15.25	6.22		42.23	-4.52	
Net Profit / (Loss)	30.4	6.71	353.1%	81.18	-16.36	-

Consolidated Balance Sheet



Particulars (in Rs. Crs.)	March'17	March'16
ASSETS		
Non-current assets	1,410.0	1,357.2
Property, Plant and Equipment	1,173.8	1,179.9
Capital work-in-progress	13.0	31.4
Financial Assets		
(i) Investments	86.6	31.7
(ii) Trade receivables	8.0	7.9
(iii) Loans	18.7	18.0
(iv) Other financial assets	0.1	0.0
Non-current tax assets (net)	4.1	4.1
Other non-current assets	105.7	84.2
Current assets	780.4	705.0
Inventories	395.9	319.6
Financial Assets		
(i) Investments	0.4	21.0
(ii) Trade receivables	221.2	203.9
(iii) Cash and cash equivalents	12.1	29.7
(iv) Other bank balances other than cash and cash equivalents	24.7	16.9
(v) Loans	4.8	1.9
(vi) Other financial assets	8.6	9.0
Other current assets	112.7	102.9
TOTAL	2,190.4	2,062.2


Particulars (in Rs. Crs.)	March'17	March'16
EQUITY AND LIABILITIES		
EQUITY	1,029.7	878.6
Equity Share capital	41.8	41.8
Other Equity	988.3	836.9
Non-controlling interest	-0.4	-0.1
Non-current liabilities	487.6	474.3
Financial liabilities		
(i) Borrowings	387.0	366.0
(ii) Trade Payables	0.0	0.0
(iii) Derivatives	8.8	59.4
(iv) Other financial liabilities	0.3	0.3
Provisions	1.8	1.0
Deferred tax liabilities (net)	89.7	47.6
Current liabilities	673.0	709.2
Financial liabilities		
(i) Borrowings	358.2	411.9
(ii) Trade Payables	178.3	115.3
(iii) Derivatives	45.9	2.5
(iv) Other financial liabilities	39.8	140.0
Other current liabilities	50.6	38.9
Provisions	0.2	0.7
TOTAL	2,190.4	2,062.2

Standalone Balance Sheet



Particulars (in Rs. Crs.)	March'17	March'16
ASSETS		
Non-current assets	1,421.8	1,358.8
Property, Plant and Equipment	1,103.0	1,100.8
Capital work-in-progress	9.4	27.3
Financial Assets		
(i) Investments	166.6	111.7
(ii) Trade receivables	8.0	7.9
(iii) Loans	25.0	22.7
(iv) Other financial assets	0.1	0.0
Non-current tax assets (net)	4.1	4.1
Other non-current assets	105.7	84.2
Current assets	752.5	675.2
Inventories	392.1	315.0
Financial Assets		
(i) Investments	0.3	21.0
(ii) Trade receivables	215.6	199.9
(iii) Cash and cash equivalents	11.3	18.2
(iv) Other bank balances other than cash and cash equivalents	24.7	16.9
(v) Loans	4.2	1.3
(vi) Other financial assets	10.6	10.8
Other current assets	93.8	92.1
TOTAL	2,174.3	2,034.0

Particulars (in Rs. Crs.)	March'17	March'16
EQUITY AND LIABILITIES		
EQUITY	1,078.1	920.9
Equity Share capital	41.8	41.8
Other Equity	1,036.3	879.1
Non-current liabilities	478.6	474.3
Financial liabilities	396.1	425.7
(i) Borrowings	387.0	366.0
(ii) Trade Payables	0.0	0.0
(iii) Derivatives	8.8	59.4
(iv) Other financial liabilities	0.3	0.3
Provisions	1.8	1.0
Deferred tax liabilities (net)	89.7	47.6
Current liabilities	608.6	638.8
Financial liabilities	573.6	614.1
(i) Borrowings	338.7	392.1
(ii) Trade Payables	149.3	88.5
(iii) Derivatives	45.9	2.5
(iv) Other financial liabilities	39.7	131.1
Other current liabilities	34.8	24.0
Provisions	0.2	0.7
TOTAL	2,174.3	2,034.0



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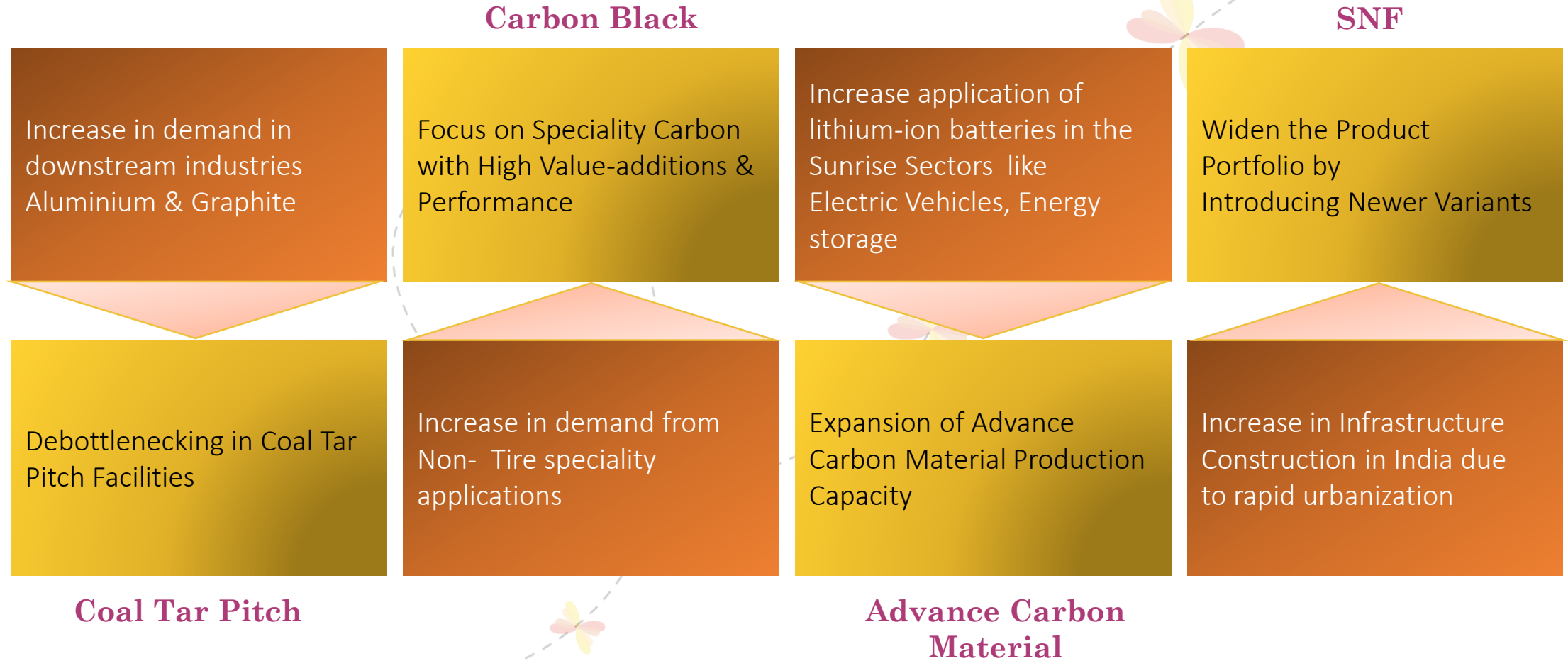
Financial Agenda

Looking Forward with
Confidence

Strongly positioned to capture Growing Markets



Strategic Growth Priorities



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