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Himadri Chemicals & Industries Limited
(NSE: HCIL, BSE: 500184)

Earnings Presentation
Q2 FY2016

November 9, 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

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Financial Highlights

Highlights – Q2 FY2016 vs Q1 FY2015

- Net Sales of Rs. 3,099 million up 12.4%
- Adjusted EBITDA of Rs. 367 million, up 54.8%; Margins of 11.8%
- Net Debt of Rs. 9,564 million; Net Debt/Equity ratio of 1.20x

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



“Against the backdrop of a continued slowdown in the global aluminium and steel industries, we announce our Q2 FY2016 financial results, which are a sign of the strength of Himadri Chemicals’ business operations. Demand for our key product, Coal Tar Pitch, went up as compared to last quarter, which reflected in improved volumes, pricing and capacity utilisation.

During the quarter, total revenues rose 12.4% q-o-q and adjusted EBITDA improved by 54.8% q-o-q. Margins expanded 324 bps to 11.8% as a result of our continued focus on controlling costs and implementing operational efficiencies. Depreciation of the domestic currency resulted in substantial foreign exchange losses. Loss after tax, adjusted for this forex impact and other extraordinary items, stood at Rs. 10 mn as compared to a loss of Rs. 128 mn in Q1 FY2016. During the quarter, we reduced our net debt by 9.1% q-o-q to Rs. 9,564 million.

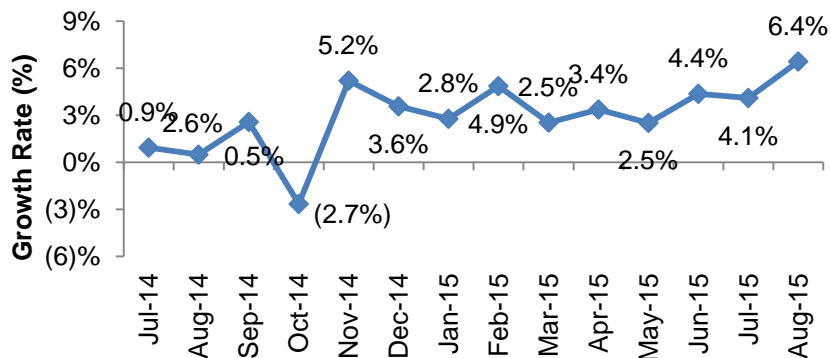
An economic slowdown in China, coupled with uncertain demand prospects in many global economies, has led to surplus steel production and eventually in subdued demand for graphite electrodes, one of the main applications for coal tar pitch. The aluminium industry too is suffering from over-capacity and pricing pressures. Over the last few quarters, this trend has served to undermine our performance. Similarly, the auto industry, which uses our other key product, Carbon black, is undergoing a recovery that is segment specific and not broad based. We are confident of a more pronounced global recovery in FY2017, which is expected to eventually translate into higher demand for our key products.”



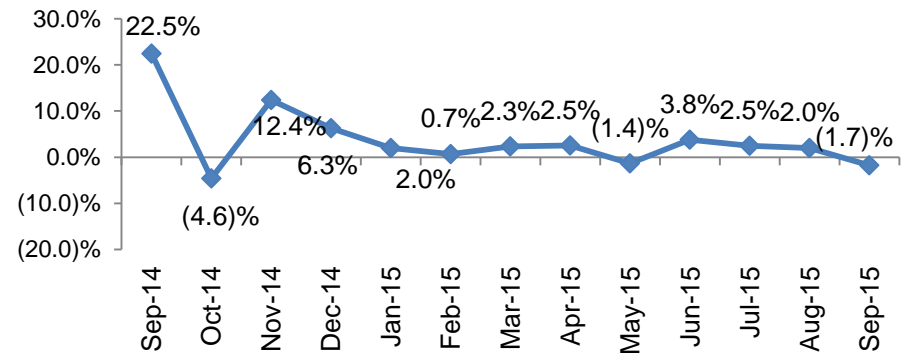
Economic Environment

- Index of Industrial Production (IIP) increased to its three year high of 6.4% in August 2015 from 4.1% in July due to growth in the manufacturing segment, led by the double-digit expansion in capital goods and consumer durables
- The Wholesale Price Index (WPI) declined for the eleventh consecutive month in September at (4.5)% y-o-y. The Consumer Price Inflation (CPI) for September 2015 increased to 4.4%
- Global steel production decreased by (3.1)% y-o-y to 396 million MT in Q2 FY2016. In China, the crude-steel production declined by (2.9)% y-o-y to 199 million MT. The steel production in India declined by (0.2)% y-o-y to 22 million MT. Cheap imports from China and sluggish domestic demand continued to have an adverse impact
- Average LME prices for Aluminium for the quarter was \$1,594/mt, a decrease of (19.8)% y-o-y and (9.8)% q-o-q. It further declined to \$1,450 towards the end of October. The oversupply in China has hit global markets, with prices for aluminium declining, hurting the margins of the industry
- The total domestic auto production grew by 0.8% in the quarter led by medium commercial vehicles which grew by 41% y-o-y and Passenger vehicle segment which grew by 7% y-o-y. The Indian tyre industry is facing strong price competition from Chinese imports

Index of Industrial Production



Automotive Production Growth Y-o-Y (%)





Economic Environment

Industry Outlook

- As per the International Monetary Fund (IMF), India's GDP is expected to grow to 7.3% in FY2016 and 7.5% in FY2017. India would still remain the fastest growing economy in the world as China's economic growth is estimated to fall to 6.8% in 2015 as compared to 7.3% last year. Increasing capital expenditure by the Government and the effect of gradual implementation of a number of structural reforms is also expected to contribute to higher growth in India
- The World Steel Association has predicted that the global steel demand could decline by 1.7% in 2015 and thereafter grow by 0.7% in 2016. Developed economies are expected to underperform the developed economies in the near future. Steel demand in the Eurozone is forecasted to increase at 2.8% in 2016 while the US is likely to grow at 0.7% in 2016. The steel demand in India is expected to grow by 7.6% in 2016 and 7.3% in 2015
- The aluminium prices are expected to fall further in the near term due to surplus from China and declining domestic demand. Over the short to medium term horizon, the current scenario of muted commodity prices is likely to weigh on the financial performance of the sector. However, the major aluminium producers in India are expected to ramp up in the near term
- According to ICRA, the MHCV segment (Trucks) is likely to grow by 12-14% , while LCV sales may decline by 2-4% in FY2016. The key growth triggers for the segment would be full revival in rural economy, an uptick in overall consumption demand as well as moderation in interest rates.
- The domestic tyre industry is expected to moderate in the near term and to grow at single digit on muted demand and soft raw material prices. Rural demand is unlikely to lift in next 6-8 months, however, some positive triggers are visible on the commercial vehicle side. The industry has probed for the imposition of safeguard duty on cheap imports from China. The benefits of lower natural rubber prices would be neutralized unless the Government changed the lopsided duty structure whereby natural rubber imports attracts 20% import duty while finished tyre products attracts less than 10%



Performance Overview

Standalone Financial Highlights

(Rs. Million)	Q2	Q2	y-o-y	Q1	q-o-q	Half Year Ended		y-o-y
	FY2016	FY2015	Growth (%)	FY2015	Growth (%)	FY2016	FY2015	Growth (%)
Net Sales	3,099	3,570	(13.2)%	2,758	12.4%	5,857	7,085	(17.3)%
Adjusted EBITDA ¹	367	421	(12.8)%	237	54.8%	604	735	(17.9)%
Adj EBITDA Margin (%)	11.8%	11.8%		8.6%		10.3%	10.4%	
EBITDA	357	417	(14.4)%	166	114.9%	522	871	(40.0)%
EBITDA Margin (%)	11.5%	11.7%		6.0%		8.9%	12.3%	
Profit After Tax (PAT)	(97)	(33)	nm	(201)	nm	(298)	110	nm
Adjusted PAT ²	(10)	68	nm	(128)	nm	(138)	103	nm
Adj PAT Margin (%)	nm	1.9%		nm		nm	1.4%	
Basic EPS (Rs.)	(0.25)	(0.09)		(0.52)	nm	(0.77)	0.28	nm

Note:

- Adjusted for write down in inventory valuation by Rs. 9.3 million in Q2 FY2016, 3.9 million in Q2 FY2015 and 46.9 million in Q1 FY2016, and on account of expenses related to previous year by 1.0 million in Q2 FY2016 and 24.1 million in Q1 FY2016
- Adjusted for foreign currency gain / (loss) and other income of Rs. (87.7) million in Q2 FY2016, Rs. (72.6) million in Q1 FY2016 and Rs. (101.2) million in Q2 FY2015



Performance Overview

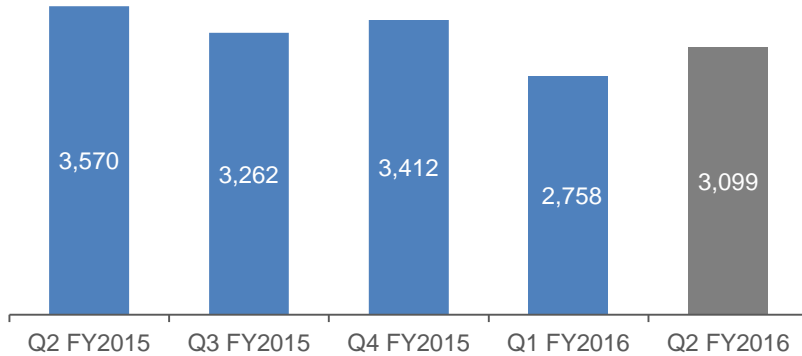
Highlights – Q2 FY2016 vs. Q1 FY2016 (Standalone)

- **Net Sales:** Net Sales were Rs.3,099 million, an increase of 12.4% as compared to Q1 FY2016. The overall revenues increased due to uptick in the revenues and pricing of our major segments including Coal Tar Pitch (CTP) and Carbon Black (CB)
- **EBITDA:** EBITDA was Rs. 357 million for Q2 FY2016, an increase of 114.9% compared to the previous quarter. EBITDA margin was at 11.5% vs 6.0% in Q1 FY2016
- The Adjusted EBITDA was Rs. 367 million with margins of 11.8%. This is adjusted for write down in inventory valuation by Rs. 9.3 million and Rs. 1.0 million on account of expenses related to previous year
- **Profit After Tax (PAT):** The Company had a net loss of Rs. (97) million as compared to a loss of Rs. (201) million in Q1 FY2016
- Q2 FY2016 adjusted PAT stood at Rs. (10) million. The PAT was adjusted PAT for foreign currency gain/(loss) and other income of Rs. (87.7) million

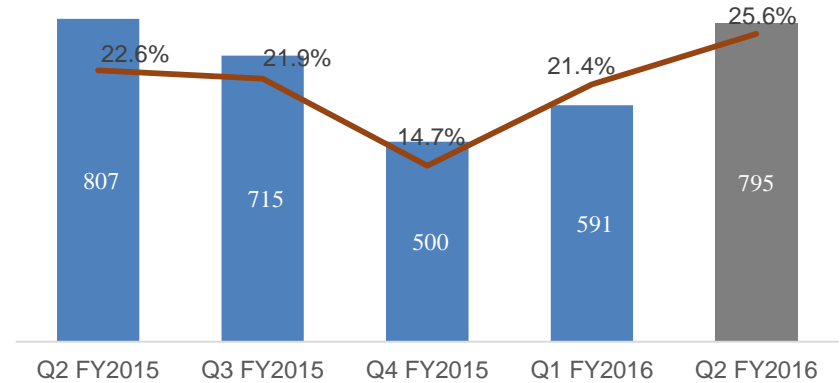


Performance Overview

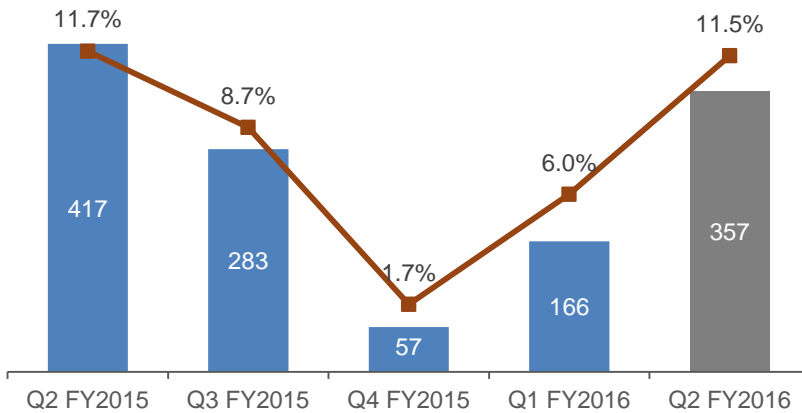
Revenue (Rs. Million)



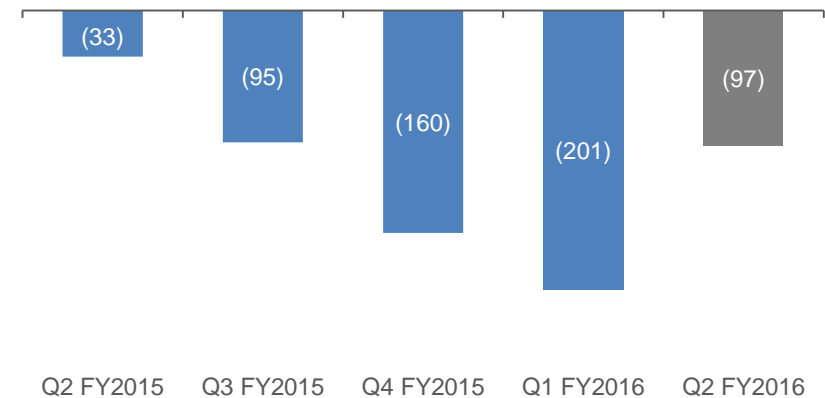
Gross Profit (Rs. Million) and Margin(%)



EBITDA (Rs. Million) and Margin (%)



PAT (Rs. Million) and Margin (%)



*Standalone financials



Segment Analysis

Standalone Segment Analysis

(Rs. Million)	Q2		y-o-y	Q1	q-o-q	Half Year Ended		y-o-y
	FY2016	FY2015	Growth (%)	FY2016	Growth (%)	FY2016	FY2015	Growth (%)
Sales								
Carbon Materials and Chemicals	3,059	3,560	(14.1)%	2,725	12.3%	5,783	7,060	(18.1)%
Power	80	29	174.7%	66	20.8%	147	76	92.1%
Total	3,139	3,589	(12.5)%	2,791	12.5%	5,930	7,136	(16.9)%
Less: Inter segment revenue	37	17	118.9%	32	15.6%	69	49	39.8%
Total	3,102	3,572		2,759		5,861	7,087	
Profit before Tax and Interest								
Carbon Materials and Chemicals	134	256	(47.7)%	(44)	nm	90	540	(83.3)%
Power	65	16	312.7%	53	22.6%	118	50	137.8%
Total	199	272		9		209	590	

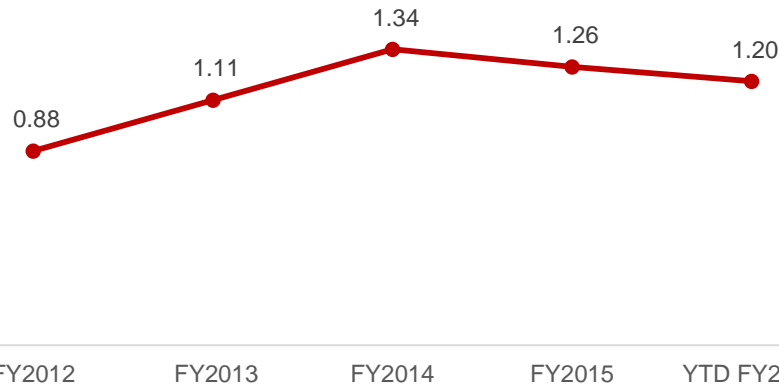


Capital Structure

Particulars (Rs. Million)	30 Sep 15	30 Jun 15*
Total Debt	10,223	11,170
Less: Cash & Cash Equivalents	(659)	(649)
Net Debt / (Net Cash)	9,564	10,521
Net Worth	8,000	8,088
Net Debt / Equity (x)	1.20x	1.30x

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)



*does not include Letter of Credit (Discounted)



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 Sep 2015

PART I							(Rs. in Crores)
Statement of Standalone Unaudited Financial Results for the quarter and six months ended September 30, 2015							
Particulars	Three months ended 30.09.2015	Preceding Three months ended 30.06.2015	Corresponding Three months ended 30.09.2014 in the previous year	Year to date figures for the current period ended 30.09.2015	Year to date figures for the previous period ended 30.09.2014	Year ended 31.03.2015	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	
1 Income from Operations							
(a) Net Sales/Income from Operations (Net of excise duty)	309.91	275.81	356.98	585.72	708.45	1,375.82	
(b) Other Operating Income	0.27	0.11	0.24	0.38	0.24	1.68	
Total Income from Operations (net)	310.18	275.92	357.22	586.10	708.69	1,377.50	
2 Expenses							
(a) Cost of materials consumed	232.92	197.71	292.84	430.63	562.39	1,134.05	
(b) Changes in inventories of finished goods and work-in-progress	(1.64)	20.41	(14.87)	18.77	(16.62)	(62.49)	
(c) Employee benefits expense	7.12	6.98	7.54	14.10	14.10	29.37	
(d) Depreciation	15.98	15.80	14.25	31.78	28.09	55.36	
(e) Other expenses	35.86	34.11	29.81	69.97	61.50	153.77	
Total expenses	290.24	275.01	329.57	565.25	649.46	1,310.06	
3 Profit from operations before other income, finance costs and exceptional items (1-2)	19.94	0.91	27.65	20.85	59.23	67.44	
4 Other Income:							
Miscellaneous Income	1.52	1.52	1.64	3.04	12.09	14.96	
Foreign exchange gain/(loss)	(5.24)	(4.92)	(5.25)	(10.16)	(4.37)	(7.25)	
Total	(3.72)	(3.40)	(3.61)	(7.12)	7.72	7.71	
5 Profit/(Loss) from ordinary activities before finance costs and exceptional items(3+4)	16.22	(2.49)	24.04	13.73	66.95	75.15	
6 Finance costs	30.37	27.50	29.36	57.87	54.95	101.51	

Statutory Financials



Unaudited Results for the quarter ended 30th Sep 2015

(Rs. in Crores)

7	Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5-6)	(14.15)	(29.99)	(5.32)	(44.14)	12.00	(26.36)
8	Exceptional items	-	-	-	-	-	-
9	Profit/(Loss) from ordinary activities before tax (7+8)	(14.15)	(29.99)	(5.32)	(44.14)	12.00	(26.36)
10	Tax expense	(4.42)	(9.93)	(1.97)	(14.35)	0.99	(11.96)
11	Net Profit/(Loss) from ordinary activities after tax (9-10)	(9.73)	(20.06)	(3.35)	(29.79)	11.01	(14.40)
12	Extraordinary items (net of tax expense Rs. Nil)	-	-	-	-	-	-
13	Net Profit/(Loss) for the period (11-12)	(9.73)	(20.06)	(3.35)	(29.79)	11.01	(14.40)
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						788.57
16	Earnings per share (before and after extraordinary items) (of Re 1 per share) (not annualised) :						
	a) Basic	(0.25)	(0.52)	(0.09)	(0.77)	0.28	(0.37)
	b) Diluted	(0.25)	(0.52)	(0.09)	(0.77)	0.28	(0.37)
17	Debenture Redemption Reserve				54.26	45.93	50.10
18	Paid-up Debt Capital				1,022.30	1,089.57	1,088.63
19	Debt Equity Ratio				1.28	1.28	1.32
20	Debt Service Coverage Ratio				0.45	1.19	0.81
21	Interest Service Coverage Ratio				0.73	1.90	1.35



Unaudited Results for the quarter ended 30th Sep 2015

PART II						
Select Information for the quarter and six months ended September 30, 2015						
Particulars	Three months ended 30.09.2015	Preceding Three months ended 30.06.2015	Corresponding Three months ended 30.09.2014 in the previous year	Year to date figures for the current period ended 30.09.2015	Year to date figures for the previous period ended 30.09.2014	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	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 30.09.2015					
B INVESTOR COMPLAINTS						
Pending at the beginning of the quarter	1					
Received during the quarter	110					
Disposed of during the quarter	109					
Remaining unresolved at the end of the quarter	2					

Statutory Financials



Unaudited Results for the quarter ended 30th Sep 2015

Segment wise Revenue, Results and Capital Employed under Clause 41 of the Listing agreement						
Particulars	Three months ended 30.09.2015	Preceding Three months ended 30.06.2015	Corresponding Three months ended 30.09.2014 in the previous year	Year to date figures for the current period ended 30.09.2015	Year to date figures for the previous period ended 30.09.2014	Year ended 31.03.2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1. Segment revenue						
a. Carbon materials and chemicals	305.86	272.47	355.99	578.33	705.99	1,371.77
b. Power	8.02	6.64	2.92	14.66	7.63	15.43
Total	313.88	279.11	358.91	592.99	713.62	1,387.20
Less: Inter segment revenue	3.70	3.19	1.69	6.89	4.93	9.70
Total income from operations (net)	310.18	275.92	357.22	586.10	708.69	1,377.50
2. Segment results						
a. Carbon materials and chemicals	13.42	(4.41)	25.64	9.01	54.01	57.84
b. Power	6.52	5.32	1.58	11.84	4.98	9.60
Total	19.94	0.91	27.22	20.85	58.99	67.44
Less : i) Interest expenses	30.37	27.50	29.36	57.87	54.95	101.51
ii) Unallocable expenditure (net of unallocable income)	3.72	3.40	3.18	7.12	(7.96)	(7.71)
Profit before tax	(14.15)	(29.99)	(5.32)	(44.14)	12.00	(26.36)
3. Capital employed (Segment assets- Segment liabilities)						
a. Carbon materials and chemicals	1,725.75	1,830.16	1,862.56	1,725.75	1,862.56	1,834.40
b. Power	57.91	57.39	58.09	57.91	58.09	56.50
c. Unallocable	(983.65)	(1,078.74)	(1,072.16)	(983.65)	(1,072.16)	(1,063.76)
Total Capital employed	800.01	808.81	848.49	800.01	848.49	827.14

Statutory Financials



Unaudited Results for the quarter ended 30th Sep 2015

STATEMENT OF ASSETS AND LIABILITIES		Standalone	
		As at current half year ended 30.09.2015 (Unaudited)	As at previous year ended 31.03.2015 (Audited)
Particulars			
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital		38.57	38.57
(b) Reserves & surplus		761.44	788.57
Sub total : Shareholders' funds		800.01	827.14
2 Non-current liabilities			
(a) Long-term borrowings		458.18	523.64
(b) Deferred tax liabilities		37.88	52.20
(c) Other long term liabilities		76.39	69.80
(d) Long-term provisions		0.78	0.78
Sub total : Non - current liabilities		573.23	646.42
3 Current liabilities			
(a) Short-term borrowings		457.74	507.63
(b) Trade payables		110.70	91.57
(c) Other current liabilities		193.78	138.37
(d) Short term provisions		0.57	0.79
Sub total : Current liabilities		762.79	738.36
TOTAL - EQUITY AND LIABILITIES		2,136.03	2,211.92
B ASSETS			
1 Non-Current Assets			
(a) Fixed assets		1,142.95	1,157.82
(b) Non-current investments		81.98	81.98
(c) Long-term loans & advances		117.41	115.87
(d) Other non-current assets		8.25	8.40
Sub total : Non - current assets		1,350.59	1,364.07
2 Current Assets			
(a) Current investments		21.00	21.00
(b) Inventories		329.84	359.33
(c) Trade receivables		280.17	315.66
(d) Cash and cash equivalents		43.71	36.63
(e) Short- term loans & advances		106.71	110.63
(f) Other current assets		4.01	4.60
Sub total : Current assets		785.44	847.85
TOTAL - ASSETS		2,136.03	2,211.92



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 November 9, 2015.

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

3) 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.

4) Information as required under clause 29 of the Listing Agreement for Debt Securities is computed as under :

Paid up Debt Capital = Long-term and Short term borrowings including Current maturities of Long term Borrowings

Debt Equity Ratio = Paid up Debt Capital / Equity; (Equity: Equity Share Capital + Reserves and Surplus)

Debt Service Coverage Ratio (DSCR) = Earnings before interest, depreciation and tax / [Interest (gross of interest capitalised) + principal repayment]

Interest Service Coverage Ratio (ISCR) = Earnings before interest, depreciation and tax / interest (gross of interest capitalised). Repayment of loans amounting to Rs. 122.10 Crores taken against pledge of investments have not been considered for the purpose of calculation of DSCR for period ending 30 September 2014 and year ending 31 March 2015.

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

On behalf of the Board of Directors

Place: Kolkata

Date: 9 November 2015

Bankey Lal Choudhary

Managing Director

DIN : 00173792



Contact Details:

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