

Ref. No: HSCL / Stock-Ex/2016-17/90

Date: 22 February 2017

E-mail: blsharma@himadri.com

To

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

Dear Sir,

Sub: Transcript Analyst/Investor Conference Call

This has reference to our letter **Ref. No: HSCL / Stock-Ex/2016-17/88** dated 14th February 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 Thursday the 16th February 2017. The same is also available on the website of the Company i.e. www.himadri.com.

Thanking you,

Yours faithfully,

For Himadri Speciality Chemical Ltd

FCS: 8148

Company Secretary



"Himadri Speciality Chemical Ltd Q3 FY17 Earnings Conference Call"

February16, 2017



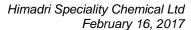




MANAGEMENT: MR. ANURAG CHOUDHARY- CEO,

HIMADRI SPECIALITY CHEMICAL LTD

MODERATORS: MR. MANISH MODI- MAYBANK KIM ENG SECURITIES





Moderator:

Good day ladies and gentlemen and welcome to the Q3 FY17 Earnings Conference Call of Himadri Speciality Chemical Ltd hosted by MayBank Kim Eng Securities. 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 you may signal the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference to Mr. Manish Modi from MayBank Kim Eng Securities. Thank you and over to you Mr. Modi.

Manish Modi:

Good afternoon everyone. On behalf of MayBank Kim Eng, I welcome you all to this conference call to discuss the third quarter results of Himadri Speciality Chemical Ltd From the management team we have Mr. Anurag Choudhary – CEO of Himadri Speciality Chemical Ltd. I will now hand over the call to Mr. Anurag Choudhary who will give a brief on the results and then the floor will be open for questions. Over to you sir.

Anurag Choudhary:

Thank you Manish. Good afternoon everyone. I would like to extend a warm welcome and thank you for joining Himadri Speciality Chemical Q3 FY17 earning conference call to discuss the business and financial results. I hope all of you have received our results and must have gone through them by now. For those who have not, you can view them along with our presentation on the website.

Himadri Speciality Chemical is a leading integrated Speciality Carbon Chemical Corporation. We have a diversified portfolio with presence across carbon value added chain and wide array of high demand specialized product. We are the largest producer of coal tar pitch in India with a market share of 70% and cater to more than $2/3^{\rm rd}$ requirement of graphite and aluminum industries in the country. We are also one of the few integrated global manufacturers to produce zero QI impregnating coal tar pitch. We are amongst the leading manufacturers of Carbon Black in India. Carbon black is one of the most important industrial chemical in the world and has wide application across industries including rubber, plastic coating, inks and batteries. We have eight zero discharge strategically located manufacturing facilities spread across India with the total installed capacity of 4,00,000 tons of coal tar distillation, 1,20,000 tons of carbon black, 68,000 tons of SNF and 20 MW of power plant.

Our research and development unit at Mahistikry is recognized by government of India and has an experienced R&D team with international experts. The team focuses on introducing new value added speciality chemicals, specialized testing of coal tar pitch and carbon black to maintain high standards in quality and class. We have successfully introduced four grades of speciality black in last one year. Looking forward wide range of speciality carbon black will be introduced which will improve the contribution per metric ton.

Regarding advanced carbon material, I am pleased to inform that we have successfully developed continuous process furnace and this will result in significant improvement in quality of advanced carbon material produced and will also be very cost effective compared to batch



type furnace. The product is in advanced stage of testing with a world leading manufacturer of lithium ion battery and we expect to get the final approval shortly.

Coming to the standalone financial results for the quarter, we have adopted new Indian Accounting Standards with effect from 1st of April, 2016. Our performance in Q3 FY17 shows the mark positive increase over the corresponding period last year in line with our strategy of focusing on profitable growth. Our net sales stood at Rs. 351.76 crores, a year-on-year increase of 15.14% compared to Rs.305.51 crores during Q3 FY16, mainly account of increase in demand from aluminum industry. Exports contributed to 16% of the revenue. Our volume grew 22% compared to corresponding quarter last year from 79,182 tons in Q3 FY16 to 96,337 tons in Q3 FY17. EBITDA increased by 28% from Rs. 52.92 crores in Q3 FY16 to Rs. 67.66 crores in Q3 FY17. Our EBITDA margin for the quarter expanded by over 190 basis points compared to Q3 FY16 from 17.32% to 19.23%. The growth in EBITDA was driven on account of operational efficiency, an increase in capacity utilization. The financial cost reduced by Rs. 4.45 crores from Rs. 24.77 crores in Q3 FY16 to Rs. 20.32 crores in Q3FY17due to insignificant reduction in debt. Net debt of the company reduced by Rs. 222 crores from Rs. 1001 crores at the end of Q3 FY16 to Rs. 779 crores at the end of Q3 FY17. The financial cost as it appears in the result is Rs. 24.24 crores in Q3 FY17 which includes notional interest on account of exchange fluctuation loss of 3.92 crores. During the current quarter, the total FX loss transferred to P&L account is Rs. 10.94 crores of which 7.02 crores is disclosed as exchange fluctuation loss as separate line item and the balance 3.92 crores is added to actual financial cost towards notional interest on account of exchange fluctuation loss and disclosed under finance cost in the result.

In line with our strategy of focusing on reducing the working capital, net working capital of the company reduced significantly from 49% of net sales in Q3 FY16 to 41% of net sales in Q3 FY17. During the quarter we have delivered a net profit of Rs, 20.11 crores as compared to Rs. 6.49 crores in Q3 FY16 leading to increase in PAT by Rs. 13.62 crores. Average realization was at 35,932 per metric ton in Q3 FY17 as compared to 38,543 per metric ton during the corresponding quarter last year. The average cost of raw material consumed was 19,302 per metric ton in Q3 FY17 as compared to 18,372 per metric ton in corresponding quarter last year. The average cost of goods sold(raw material consumed plus inventory adjustments) was Rs. 24,478 per metric tons as compared to Rs. 26,178 per metric ton in the corresponding quarter of the previous year.

We are seeing increasing demand from our end-user sectors like auto, aluminium and infrastructure that is leading to increase in demand for our products. The long-term outlook for aluminium looks strong as the leading aluminium smelters are ramping up capacities. Coal Tar Pitch is a key input for aluminium industry. With all this positive happening in this industry we have been able to see an increase in our capacity utilization, volumes and realizations. Our endeavor continues to be on boosting our bottom line attending our product mix wherein we are looking to add more value and more high value added products and niche products. The



company has been bringing down its debt over the last three years. Thank you with this I would like to take question and answers session.

Moderator: Thank you very much. We will now begin with the question and answer session. The first

question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Just wanted to check is there a Q-o-Q drop in realization and what is the reason? And my

second question is this 96,000 tons of volume that we have today—from the initial comment you said that the aluminium capacities are ramping up—so four quarters from now what kind

of volumes on the ramp of those aluminium capacities is possible for us?

Anurag Choudhary: Compared to the last quarter the realization has come down because the raw material cost has

come down. As you know we pass on the benefit to our customers, whatever the fluctuation is there in the raw material cost that is transferred to the customers. So average realization came down from Rs. 38,543 to Rs. 35,932 and at the same time the raw material cost also came

down from Rs. 26,178 to Rs. 24.478.

Pritesh Chheda: But the carbon black realization should have gone up, so despite that your overall realization

has come down?

Anurag Choudhary: Yes the quarter-on-quarter the carbon black realization has gone up. But if we are looking at

corresponding quarter last year it has come down.

Pritesh Chheda: So I'm looking at quarter-on-quarter only.

Anurag Choudhary: Quarter-on-quarter it has improved.

Pritesh Chheda: So despite that your overall realization has come down?

Anurag Choudhary: Yes because the domestic price of coal tar, the raw material was lower.

Pritesh Chheda: When you are looking at 96,000 tons and obviously, the major growth driver from here on

would be Vedanta's Smelter. So what are the volumes that we are selling today or at what capacity is Vedanta operating and four quarters from now what should be the corresponding

volumes for us and their capacity?

Anurag Choudhary: Four quarters from now I think Vedanta has started ramping up with SEZ and today they are

operating at 35%-40% and the idea is from the investor presentation I think they will ramp it up till 75%-80%. So looking forward we can see a 20%-25% growth in our volume in four

quarters.

Pritesh Chheda: 35% of 1 million ton is what they're using?

Anurag Choudhary: No, they are using 10% as our raw material, so we can see a growth of 20%-25% in volumes.



Pritesh Chheda: My question was of their 1 million ton they are utilizing the capacity at 35%?

Anurag Choudhary: That's right.

Pritesh Chheda: And that they will utilize at 80% so that's about 800,000 tons?

Anurag Choudhary: Yes.

Pritesh Chheda: And you would have 10% of that 800,000 which means 80,000 tons versus which you are

selling about 30,000-35,000 tons.

Anurag Choudhary: 40,000 you can say now.

Pritesh Chheda: And any other capacity coming up in the corresponding timeframe?

Anurag Choudhary: BALCO is also ramping up, so that capacity will also be in place.

Pritesh Chheda: Can you give the extra volume possible there at BALCO capacity?

Anurag Choudhary: Yes.

Pritesh Chheda: Can you give that number over the next four quarters?

Anurag Choudhary: BALCO is currently running up their new smelter at around 60%-70%, so they may go up to

100%. So 350,000 is running at around 220,000, so another 130,000 that will give us increase

requirement of 13,000 tons per year.

Pritesh Chheda: Any other capacity coming up?

Anurag Choudhary: No other capacity.

Pritesh Chheda: This can be manufactured done through your existing distillation capacity, right?

Anurag Choudhary: That's right.

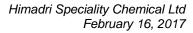
Pritesh Chheda: This existing distillation capacity to what volumes you can scale it up?

Anurag Choudhary: We have a distillation capacity of 400,000 tons. We can run up to 520,000-525,000 tons.

Moderator: The next question is from the line of Ram Modi from Prabhudas Lilladher. Please go ahead.

Ram Modi: Just wanted to check this 96,000 what we sell is purely coal tar pitch or is there the mix

between the Carbon Black and the coal tar pitch?





Anurag Choudhary: Yeah it's a combination of all the products.

Ram Modi: Can you just give me the breakup of at least in percentage wise how much is carbon black and

how much is coal tar pitch which we sell directly?

Anurag Choudhary: Around 72%-75% you can say coal tar pitch and its product and 25-28% is Carbon Black.

Ram Modi: And with coal tar pitch going forward means the consumption in coal tar pitch would be

definitely, the growth in coal tar pitch would be higher than the carbon black, am I correct to

say?

Anurag Choudhary: Yeah carbon black we are already running at more or less or less full capacity, close to full

capacity. So whatever growth will come, will come from coal tar pitch only.

Ram Modi: The 4 lakh tons which you mentioned was distillation capacity for coal tar pitch.

Anurag Choudhary: Yes.

Ram Modi: And carbon black would-be how much?

Anurag Choudhary: 1,20,000.

Ram Modi: So there we are running a turn on the full capacity.

Anurag Choudhary: Yes.

Ram Modi: Where we procure our raw material from?

Anurag Choudhary: We procure from all the integrated steel plants in India and we import from global suppliers.

Ram Modi: And just wanted to check whether this coal tar pitch the price volatility comes due to crude or

what is the benchmark where the prices move and so that the coal tar pitch...?

Anurag Choudhary: It's not related to crude actually, the coal tar is the by-product from Coke Oven batteries when

you convert coking coal into low ash metallurgical coke, the gas which comes out is converted into coal tar. So there is no direct correlation between crude prices and coal tar but since it's also a part of energy there is also a calorific value so lagging effect is there. But there is no direct correlation. The prices mostly determined because of the demand and supply equation.

Ram Modi: So it doesn't even move with the coking coal prices?

Anurag Choudhary: No it doesn't.



Ram Modi: And in terms of power capacity this is for whole internally consume so we do not sell outside?

Around 50 MW was the power capacity which we have?

Anurag Choudhary: No, we have 20 MW of power plant capacity out of which we generate around 14-14.5 MW, 6

MW to 6.5 MW is consumed in-house, 8 MW is sold to the grid.

Ram Modi: And what is the average cost of borrowing right now?

Anurag Choudhary: Our average cost is around 8.5%.

Moderator: The next question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: Can you quantify the spread that you made it on your CTP, coal tar pitch this quarter and how

the spreads have moved over the last quarter I mean 2Q FY17 to 3Q FY17?

Anurag Choudhary: If you look at the spread, the cost of goods sold this quarter was Rs. 24,478 and our average

realization was Rs. 35, 932. So around Rs.11, 500 was the contribution and post that if you reduce the expenses you get the EBITDA. So 11,500 has been the contribution and if I look at

the Q3 FY16 this was also in the same region. It was around Rs. 12,000 only

Bhavesh Chauhan: Looking for the breakup between your coal tar and carbon black, so how those spreads have

moved?

Anurag Choudhary: We don't do product wise spread. We operate in the single segment that is Carbon chemicals.

Bhavesh Chauhan: But can you just give a qualitative comment as in how the mix between both these spreads

have been?

Anurag Choudhary: In terms of volume I have already given the mix like 96,000 is the total sale. Out of that if we

look at it 75% is coal tar pitch, naphthalene etc and balance is carbon black.

Bhavesh Chauhan: How is the market looking as of now, read from reports that China is curbing capacities and

even on aluminium side even on the coal tar pitch side, so is the market expected to remain

tight what is your view on the same?

Anurag Choudhary: China, we are not bothered about China because there is no import of coal tar pitch in India

directly by the consumer industry from China. So whatever imports are there in terms of raw material we are only importing. So there is no threat as far as China is concerned. Plus regarding carbon black, the prices in China for carbon black has gone up substantially plus there is an antidumping duty in carbon black being imported from China so that threat is also

not there.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.



Pritesh Chheda: What is this other comprehensive income on loss net of tax which become swinging one

what is this other comprehensive means on 1055 net of the which become swinging one

quarter after the other?

Anurag Choudhary: This is as per the accounting policy; you have to mark your non-current investments on a mark

to market basis. So non-current investments which are there they are on quarterly basis they are mark to market. So it has nothing to do with the P&L actual cash profit or loss. It is just an accounting entry which goes into the balance sheet, so last quarter if you see there was a 14 crores income on account of this. This quarter there is a loss, so if the noncurrent investment we are holding in Himadri Chemical that value is fluctuating because of that this mark to market losses are there, profit or loss whatever it maybe. So it has nothing to do with the actual

profit and loss.

Pritesh Chheda: And the FX line which you report that has to do with the foreign currency borrowing which is

there in your balance sheet or ...?

Anurag Choudhary: Yes actually FX I will like to explain also; what happens as you know three years back 2013-

14 we had 95% of our loan in terms of US dollar which now we have reduced to around 25%. So that time there was a big movement in rupee dollar so we had a big mark to market loss. Significant part of it went to P&L and part of it went through balance sheet, so the part which went through balance sheet is now being written-off in P&L on a quarter-on-quarter basis. So every quarter we are writing-off this amount, so March quarter will be the last quarter or writing it off. So from next year Q1 you will see a normalized profitability. So actually if you today look at the profitability of the company we have reported a PBT of Rs. 30 crores but the

actual normalized PBT should be (+) 41 crores.

Pritesh Chheda: There is 7 crores FX?

Anurag Choudhary: FX is 7 crores plus 4 crores has gone to the interest account. Interest cost is actually 20 crores

but we have shown it as 24 crores. So 4 crores of FX loss has gone to that account is the notional interest which is debited to P&L to interest account on account of exchange

fluctuation.

Pritesh Chheda: So both these items won't be there next year?

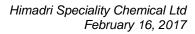
Anurag Choudhary: The interest part may be there but the balance sheet part will definitely not be there.

Pritesh Chheda: Which is like 13 crores for nine months and 7 crores for third quarter?

Anurag Choudhary: Yes that's right.

Pritesh Chheda: And initially when you mentioned you said that 75% of your volumes are sold in India, right?

Anurag Choudhary: No, 16% is exported, so 84% is sold in India.





Pritesh Chheda: And what is your market share corresponding for CTP?

Anurag Choudhary: 70%.

Moderator: The next question is from the line of Ram Modi from Prabhudas Lilladher. Please go ahead.

Ram Modi: Just wanted to check you mentioned that next year onwards you will not have any at least the

Forex loss on the extraordinary side, so how much is the outstanding left now?

Anurag Choudhary: It's around 6-7 crores, so that will be there in the Q4 post that there will be no FX loss which

will be transferred from balance sheet to P&L.

Ram Modi: And the 25% of the loans the book which is the outstanding is in USD term, so that...

Anurag Choudhary: That is also completely hedged.

Ram Modi: Just wanted to know what's our CAPEX plan?

Anurag Choudhary: There is no CAPEX plan as such. The idea is to stabilize and consolidate the business.

Ram Modi: So we will continuously see your debt going down?

Anurag Choudhary: Yes definitely.

Ram Modi: And what are the debt repayment plans for next year at least on the term side?

Anurag Choudhary: Repayment plan for the actual debt which will be due for repayment is around 50-60 crores.

But our idea is to repay higher debt, so whatever the cash flow will be there we will be using for repaying debt. If you compare the last quarter to the current quarter the debt reduction is to

the tune of Rs. 222 crores. So in one year time we have reduced the debt by 222 crores.

Ram Modi: Any scope in terms of further also because that....

Anurag Choudhary: Definitely, by March you will see much lower debt compared to what it is.

Ram Modi: That would be primarily driven by the reduction in the working capital?

Anurag Choudhary: Yeah positive cash flow that we are having.

Ram Modi: What is the target working capital range, so you've mentioned that we have already come

down to 41% of our sales in terms of working capital? So what are we looking in that term?



Anurag Choudhary: If we go back to 1.5 years our working capital used to be 54%. So we took the target of

bringing it down to 40% and we are very close to achieving that. This quarter we have already

achieved 41%, so by next quarter we will be below 41%.

Ram Modi: What can be a risk to our margin because what we are seeing is we have expanded our margins

and they are pretty volatile if I look at on quarter-on-quarter basis? So how does we need to

look at the margins from here on?

Anurag Choudhary: If you look at the margins I think whatever risk was there in margin has been mitigated. We

used to be at (+) 30% EBITDA margin but last three years have been bad years because the depreciation in the rupee which has impacted the cost of raw material because of that the margins came down and there were other reasons. So from last 4-5 quarters margin has more or less stabilized, it is in the region from 17% to 20%. This quarter it is 19.2%, so we feel that

the margin should be in this range and should be stronger looking forward.

Ram Modi: And what can be the risk to margin?

Anurag Choudhary: We have gone through many risks in last three years. I don't think there is going to be any risk

of now and we have become more and more stronger with these risks. Currency risks, crude risks all those risks that we have now built up lot of strengths and policies within the company

to mitigate all these risks.

Ram Modi: So now we are at least more hedged in terms of both from material as well as Forex?

Anurag Choudhary: Yeah definitely.

Ram Modi: I know Vedanta so they would be giving an annual contract, so how is our pricing contract

with them?

Anurag Choudhary: Pricing is based on raw material prices, so whatever the raw material prices is accordingly

same is the finished product prices is determined.

Ram Modi: And this is rolled over every month?

Anurag Choudhary: Yeah, it's a variable pricing contract.

Ram Modi: So it's a one-month, is it a lag or how much is the lag?

Anurag Choudhary: No, it's not a lag. Its online means every month you give the price and you have the finished

product price.

Ram Modi: You gave us coal tar pitch we can understand that we would be largely going to the aluminium

smelters and how is in terms of carbon black in terms of what we supply to batteries, just

abroad mix how is it divided?



Anurag Choudhary: Carbon black basically we are supplying to tyre and non-tyre segment. Tyre segment is all the

tyre companies we are supplying.

Ram Modi: So how much would be that for us?

Anurag Choudhary: Around 45% to 50% we are supplying to tyre company and balance 55% to 50% we are

supplying to non-tyre application. Non-tyre application includes host of applications from conveyor belt to profiles to plastic black, wherever it is rubber is there carbon black is there. And basically wherever you see black other than a natural black it is carbon black is used.

There is a huge set of applications.

Ram Modi: And in terms of coal tar pitch what we give it to graphite electrode how much would be that in

terms of what goes to the aluminium smelter in the graphite industry?

Anurag Choudhary: The cost to them?

Ram Modi: No the mix between for the coal tar pitch because I understand we supply it to both?

Anurag Choudhary: Yeah we supply to both.

Ram Modi: So what would be graphite and what would be aluminium smelter?

Anurag Choudhary: In terms of volumes?

Ram Modi: Yeah.

Anurag Choudhary: In terms of volume it should be 15% goes to graphite electrode and 85% goes to aluminium

industry.

Ram Modi: And what was the normal maintenance CAPEX for us?

Anurag Choudhary: Maintenance CAPEX is debited to the P&L account only.

Ram Modi: So it's all revenue?

Anurag Choudhary: Yes all revenue.

Moderator: The next question is from the line of Dhananjay Rawat from Pi Square Investments. Please go

ahead.

Dhananjay Rawat: I just wanted to find out like following your comment that there is no additional CAPEX that is

going to be taken upon, so what is the source of our revenue growth going to be because we

are already running at 100% capacity utilization if I'm not wrong?



Anurag Choudhary: It will go up to 125% of capacity utilization when we are building the plan we have built in

that scope for going up to 125% so still we have 25% to ramp up.

Dhananjay Rawat: So that is only source does that you're looking at?

Anurag Choudhary: Yeah that the only source we are looking at.

Moderator: The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

Nitin Gandhi: Can you share some thoughts on likely cost of your debt, how is it likely to shape up, what is it

current and next two quarters was your plan to reduce it further?

Anurag Choudhary: Whatever the cash flow is generated from the business idea is to repay the debt, bring down the

short-term and long-term debt and currently the banks are also reducing the interest cost. So with that I think the overall debt cost for Himadri should come down by 100 to 150 basis

points.

Nitin Gandhi: Right now how much it is?

Anurag Choudhary: 8.5%.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please

go ahead.

Pritesh Chheda: What is the CAPEX number for 18 and what will be the maintenance CAPEX numbers?

Anurag Choudhary: Maintenance CAPEX is debited to P&L account, so it may be in the range of 12 to 15 crores

which will be debited to P&L account only and other than that we don't have any plan for big

CAPEX. Small CAPEX will be there that's that, there is no big CAPEX.

Pritesh Chheda: What's your debt repayment schedule next year and year after?

Anurag Choudhary: Next year schedule is only 50-60 crores but our plan is to reduce more.

Pritesh Chheda: How much?

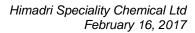
Anurag Choudhary: Maybe 100-150 crores.

Pritesh Chheda: And do have any convertible on your balance sheet?

Anurag Choudhary: No convertible, we have already paid that debt. That convertible has been repaid. There was

with FCCB which has been repaid in last April.

Pritesh Chheda: So there is absolutely no convertible on the balance sheet?





Anurag Choudhary: There is no convertible on the balance sheet.

Pritesh Chheda: No warrants outstanding, nothing?

Anurag Choudhary: No warrant outstanding, no further chance of equity increase.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference

over to Mr. Anurag Choudhary for closing comments.

Participant: Thank you everyone for joining the conference call of Himadri Speciality Chemical Ltd the

management is committed to enhancing shareholder 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. Thank you once again for joining the conference call.

Moderator: Thank you. On behalf of MayBank Kim Eng Securities that concludes this conference. Thank

you for joining us and you may now disconnect your lines.