

ORIENTAL CARBON & CHEMICALS LTD

Investor Presentation – February 2016

Safe Harbor

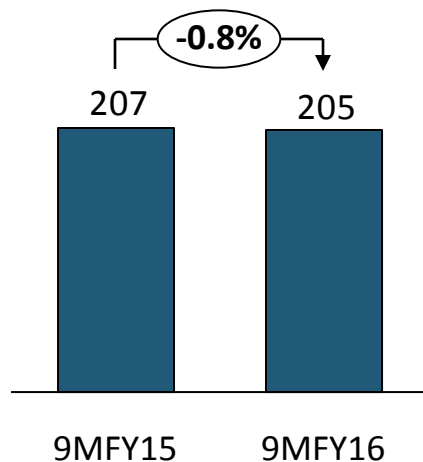
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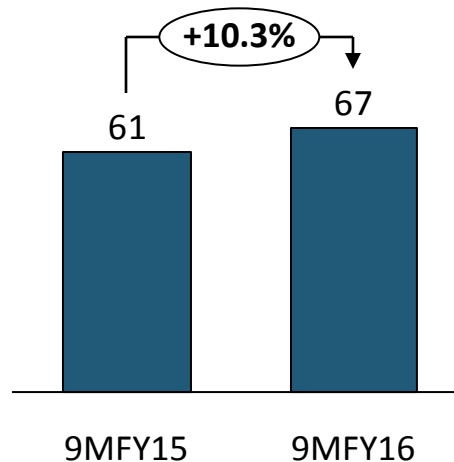
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Highlights: 9M FY16 Performance

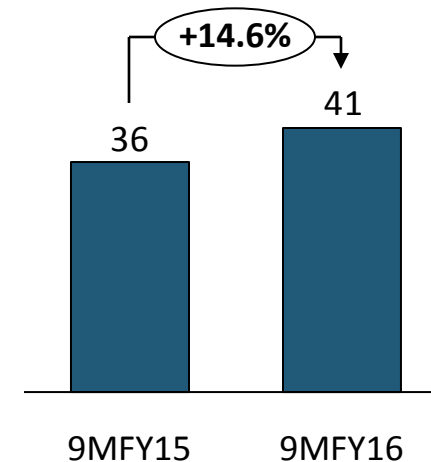
Revenue (Rs. Crs)



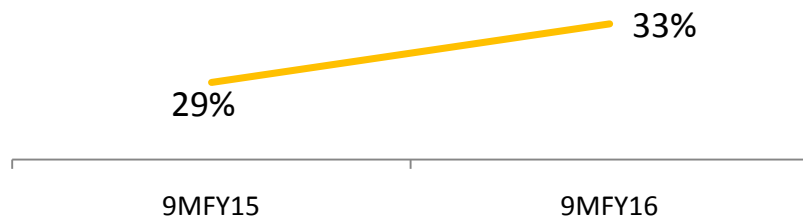
EBITDA* (Rs. Crs)



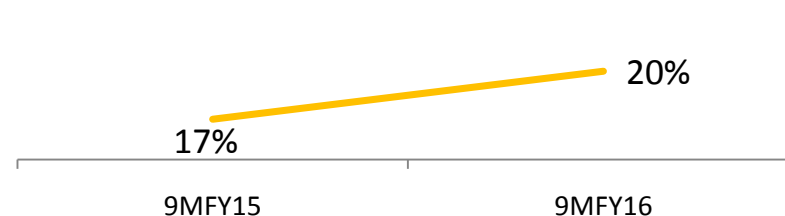
PAT (Rs. Crs)



EBITDA* Margin (%)



PAT Margin (%)



About The Company

01

A Duncan JP Goenka Group Company



CAPACITY

INCREASE

7.5x ↑

CUSTOMER
BASE

+40 ↑

MARKET

SHARE

10 % ↑



REVENUE

10 Years CAGR

21 % ↑

EBITDA

10 Years CAGR

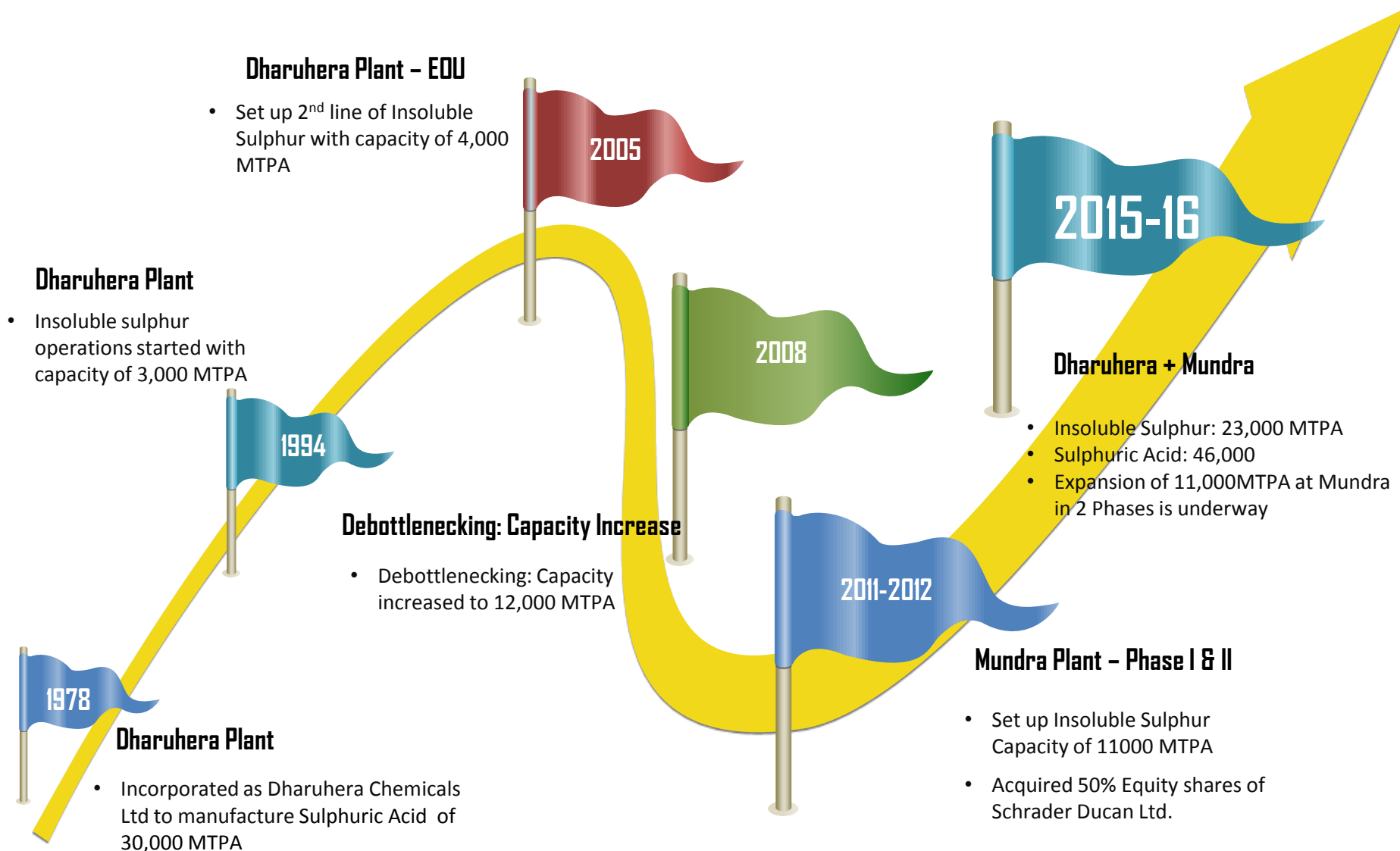
31 % ↑

PAT

10 Years CAGR

41 % ↑

Ongoing Capacity Expansion



Management Team

Mr. J. P. Goenka: Promoter & Chairman

- Graduate from Kolkata University – An Industrialist associated with the renowned multi-Industry group name Duncan
- Having 55 years of Experience in the industries of diverse business interests such as Jute & Cotton Textiles, Wool-Tops, Industrial Explosives, Rubber Chemicals & Engineering products

Mr. Arvind Goenka: Promoter & Managing Director

- Commerce Graduate from Kolkata University
- Having 30 years of Experience in managing jute, lubricants and carbon black industry with expertise in finance and international marketing
- Responsible for the Long-term Goal Setting & Monitoring the progress of the Company

Mr. Akshat Goenka: Promoter & Jt. Managing Director

- Graduate in Economics & International Relations from University of Pennsylvania, USA
- Lead the team for setting up new Plant for manufacturing Insoluble Sulphur at SEZ Mundra, Gujarat

Mr. Anurag Jain: Chief Financial Officer (CFO)

- Part of the company from last 24 years
- He brings dynamism to the Financial & Commercial Operations of the company & has played a key role in the Growth and Restructuring of the company over the years

Mr. Vijay Sabbarwal: Sr. Vice President (Operations)

- He is an IIT graduate & heading the Operations of the company from 2014
- Has over 25 years of experience in divers Industrial segments like Chemicals, FMCG, Consumer Durables, Auto etc

Mr. Muneesh Batta: Vice President (Marketing)

- An M.B.A (International Business) with over 14 years of experience in International business
- Responsible for international marketing of Insoluble Sulfur & increasing market share of Diamond Sulf overseas

Manufacturing Facilities



Product name	Annual Capacity (MT)	Location	No. Of Lines
Insoluble Sulphur	12,000	Dharuhera (Haryana)	2
Insoluble Sulphur	11,000	SEZ Mundra (Gujarat)	2
Sulphuric Acid / Oleum	46,000	Dharuhera (Haryana)	1

Business Overview

02

Product Profile



Insoluble Sulphur (IS)

- Insoluble Sulphur is sold under the brand “DIAMOND SULF”
- Application : Used as vulcanising agent in application where sulphur loading levels are required above the sulphur solubility rating of particular elastomers
- DIAMOND SULF is offered in various grades to satisfy diverse compounding requirements majorly for Tire industry
 1. High Dispersion Grades
 2. High Stability Grades
 3. Special Grades

1



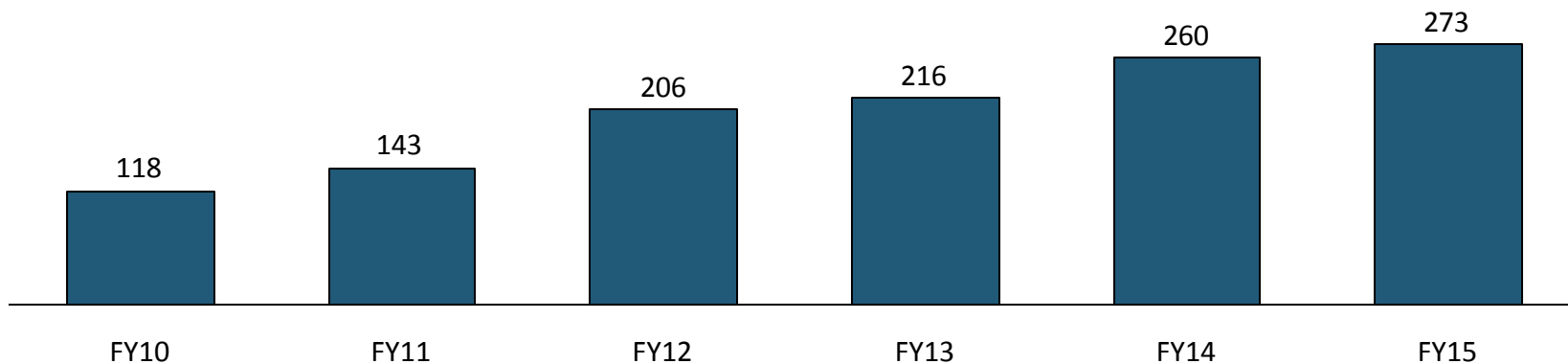
Sulphuric Acid

- Manufactures both Commercial Grade and Battery Grade Sulphuric Acid and Oleums
- Application : Dehydrating agent, catalyst, active reactant in chemical processes , solvent , detergents and absorbent
- Offered in following Grades
 1. Grades of exact purity : Storage battery ,rayon, dye, Detergent and pharmaceutical industries
 2. Grades of less specifications :Steel, heavy chemical and superphosphate industries

2

Product Performance

Insoluble Sulphur (Revenue Rs. Crs)



Sulphuric Acid (Revenue Rs. Crs)



Cost Optimization Strategy

Raw Material

- Key Raw Materials :
 - Sulphur available easily due to ample supply
 - Naphthenic Oil is procured from domestic as well as international players

Freight

- Presence at the Port gives Location Advantage of reduced Logistic & Freight Cost
- ~71 % of the sales constitutes Exports

Power Cost

- Self-Sufficiency of steam for Plant at Dharuhera
- Benefits from Lower Power Cost in SEZ Gujarat

Fixed Costs

- With increase production at the plants Operating Leverage to play out
- Future Expansion will result in reduced Fixed cost/ Overheads per MT as R&D and Utilities will be shared

Tax Exemption

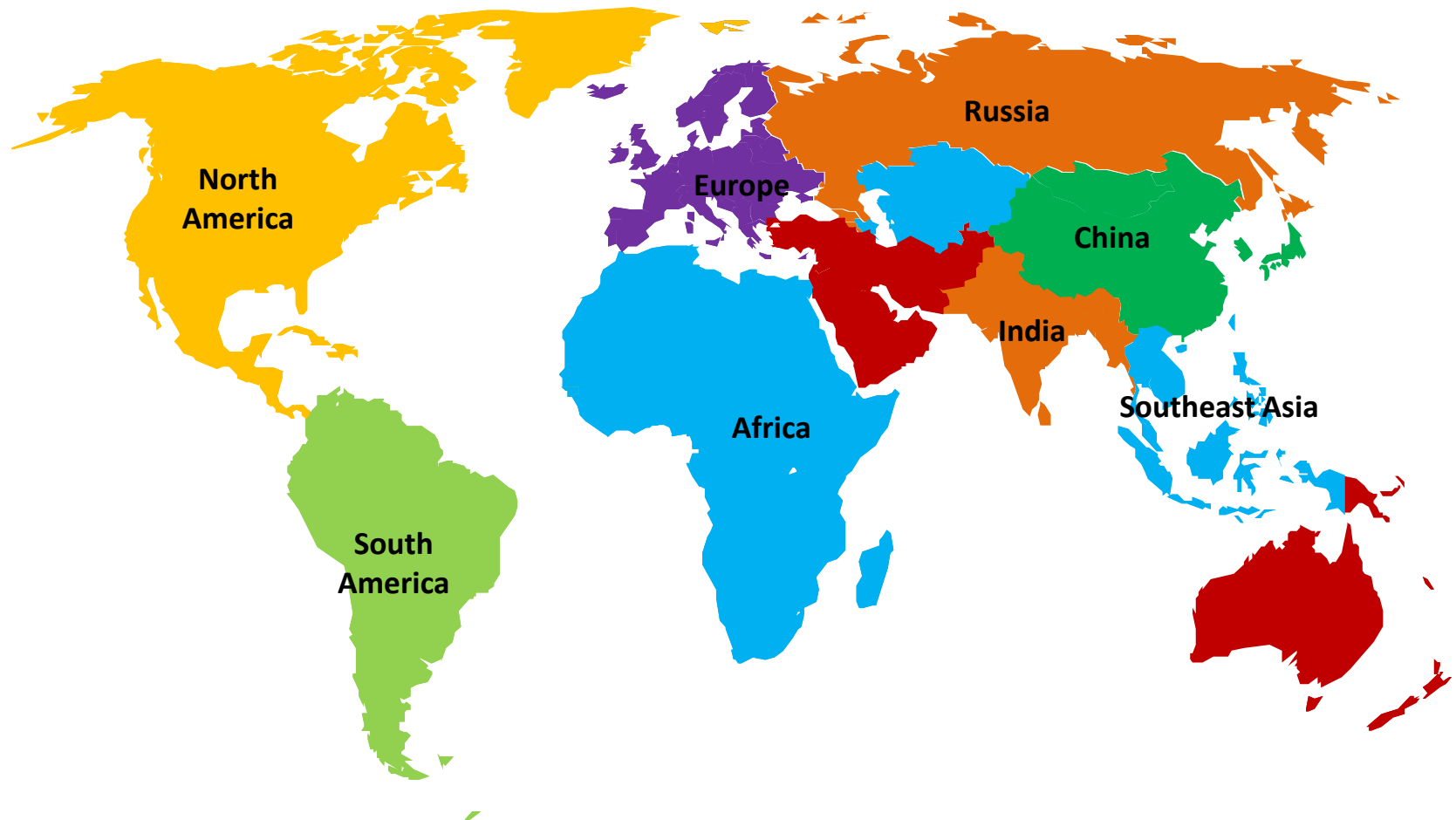
- SEZ location of Mundra Plant - Income Tax Exemption benefit

Global Customer Relationships



Global Sales Network

Presence in 21 Countries across the World



Opportunities

03

Key Growth Drivers

Radialisation

- An increase in rate of Radialization in Commercial Vehicles in India will lead to an increase in requirement of Insoluble Sulphur

Product Portfolio

- To shift to 100% Production of High Stability, High Dispersion & Special grades of Insoluble Sulphur



Geographical Penetration

- North America is the largest market for Insoluble sulphur with potential for growth to increase share
- Insoluble sulphur requirement increasing at a fast pace in Asia – High Growth Market

Capacity Expansion

- Capacity expansion at Mundra
- In-house technology and Common Infrastructure available
- Strategic Location to meet Exports demand
- Approval from all Large Global Tire Companies

Trends driving Insoluble Sulphur Demand

01

Increase in Automation in Tire Industry



02

Higher Performance Expectation from Tires



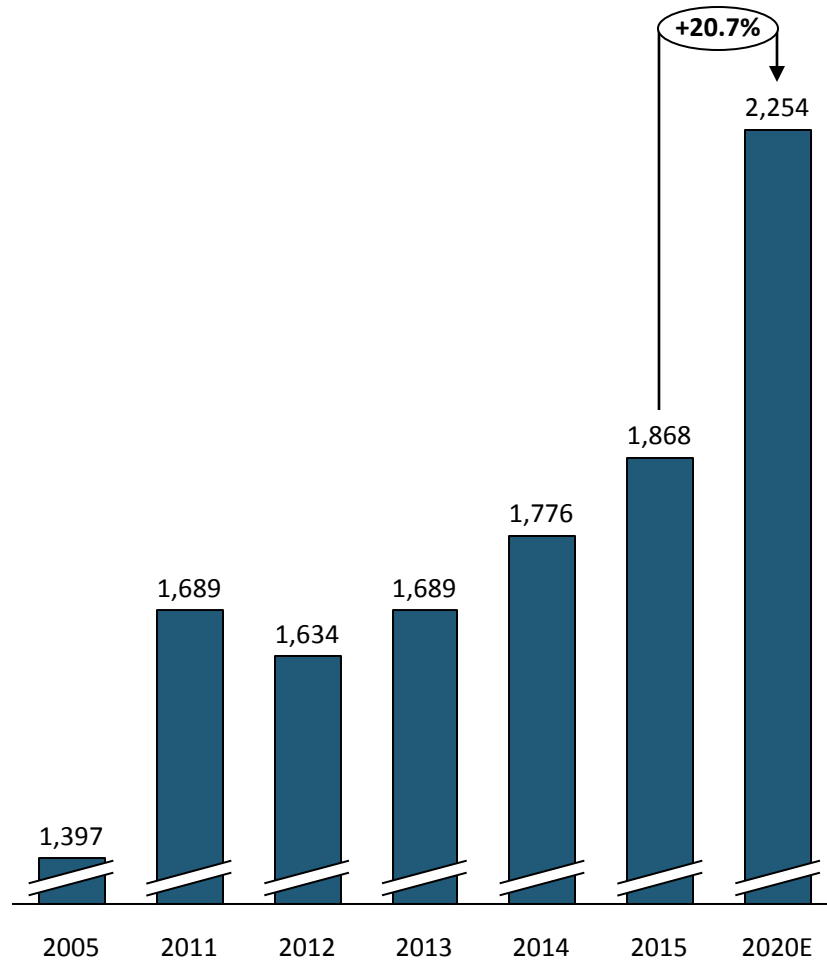
03

Radial Revolution

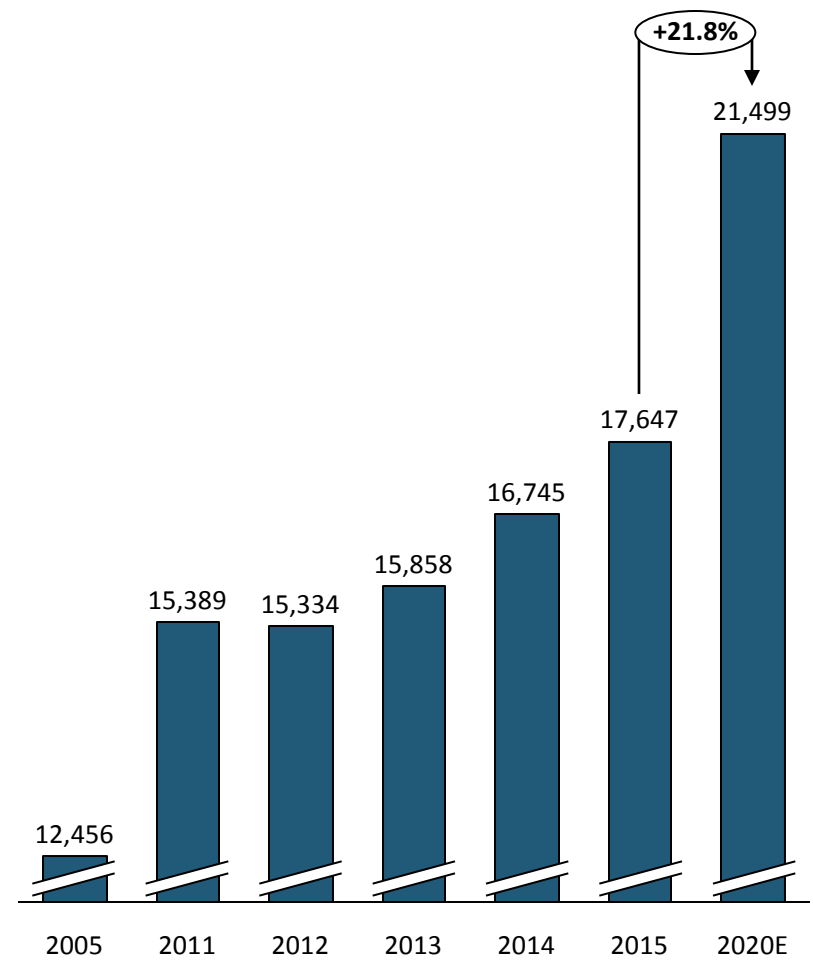
Radialization in Asia
Fast Growing Market

Global Tire Industry – Growth Projections

Tire Production (mn units)

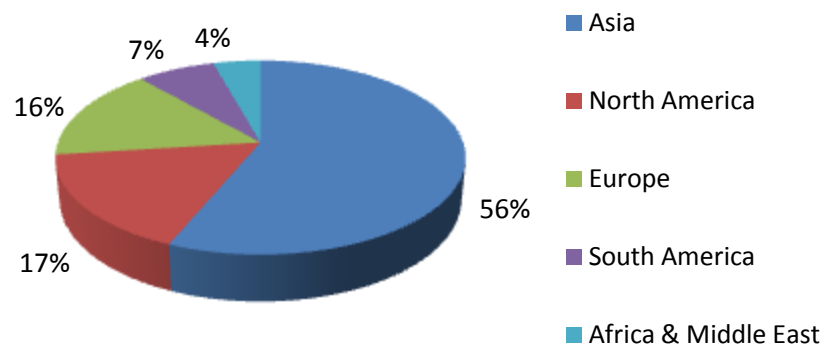


Tire Rubber Consumption ('000 tonnes)

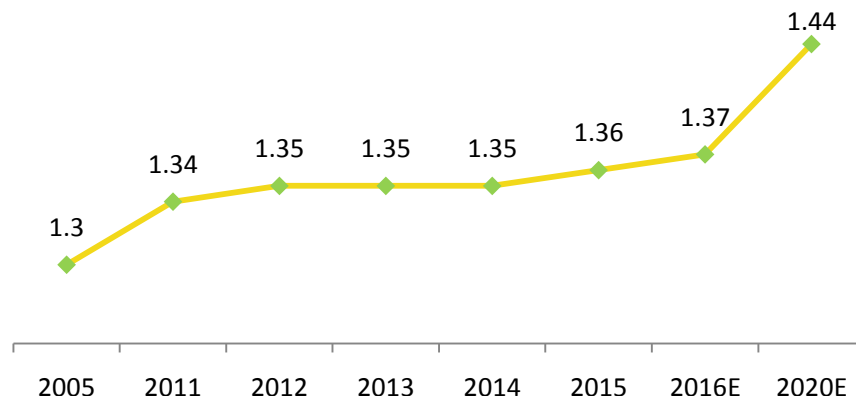


Insoluble Sulphur - Demand Forecast

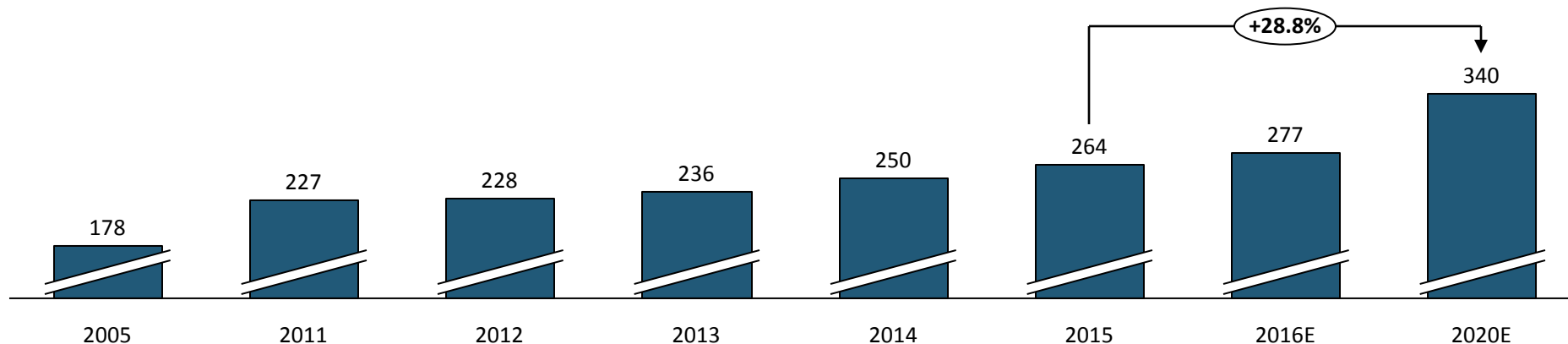
Geographical Breakup - \$28 bn Investment



Radialisation: Insoluble Sulphur to Tire Rubber Ratio



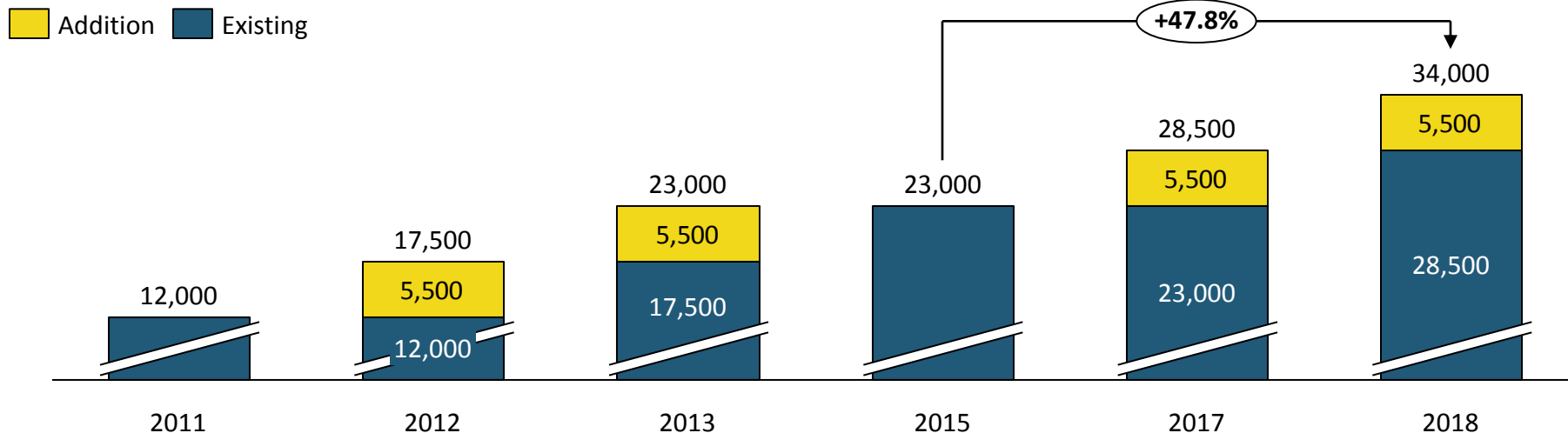
*Insoluble Sulphur Demand ('000 tonnes)



Source: Notch Report

* Also incl. Insoluble Sulphur used for Non-Tire Goods

Planned Capacity Expansion



Brownfield Expansion – To cater to the Growth in Insoluble Sulphur Demand

- ✓ Large Tire manufacturers expanding their business in Asia – High Growth Market
- ✓ Grabbing opportunities of increasing Radialisation in India
- ✓ Strong R&D and in house Technology to support future expansion
- ✓ Increase in market share in the Domestic & International market
- ✓ Increase presence in North American Market
- ✓ Increase from Natural Growth of Existing Customers

Capital Investment till 2018

- ✓ Capital investment would be of ~Rs.159 crs : funded with debt equity ratio of 2:1. It includes
 - Rs.7 crs for Working capital margin
 - Rs.15 crs for Coal Fired Boiler expected to be operational by April '16; Resulting in savings in Power & Fuel cost at Mundra Plant
 - Expected Project IRR is in excess of 25% and projected payback ~4 years

Entry Barriers: An Advantage

Product Portfolio

- Various grades to satisfy diverse compounding requirements of leading tire manufacturers
- Ongoing development of New Grades to meet Customer requirements

Customer Approvals

- Minimum 24 months required by Customers to approve & validate product from new supplier
- Widely accepted around the world as a preferred vendor by leading tire manufacturers

In house Technology

- In house R&D team works on a continuous basis to improve Quality of product and its Properties
- In house technology team to maintain the technical and quality edge at each production stage

Capital Intensive

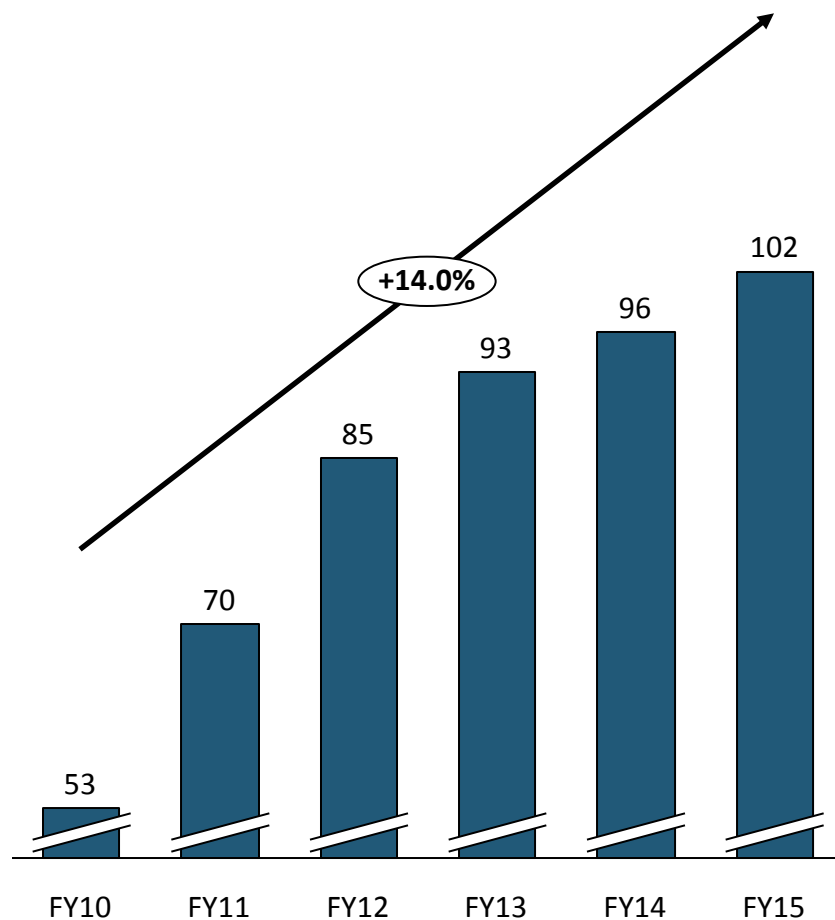
- Edge over the others -
 - Land & Common Infrastructure available for further expansion at Mundra
 - In-house Technology

Financial Highlights

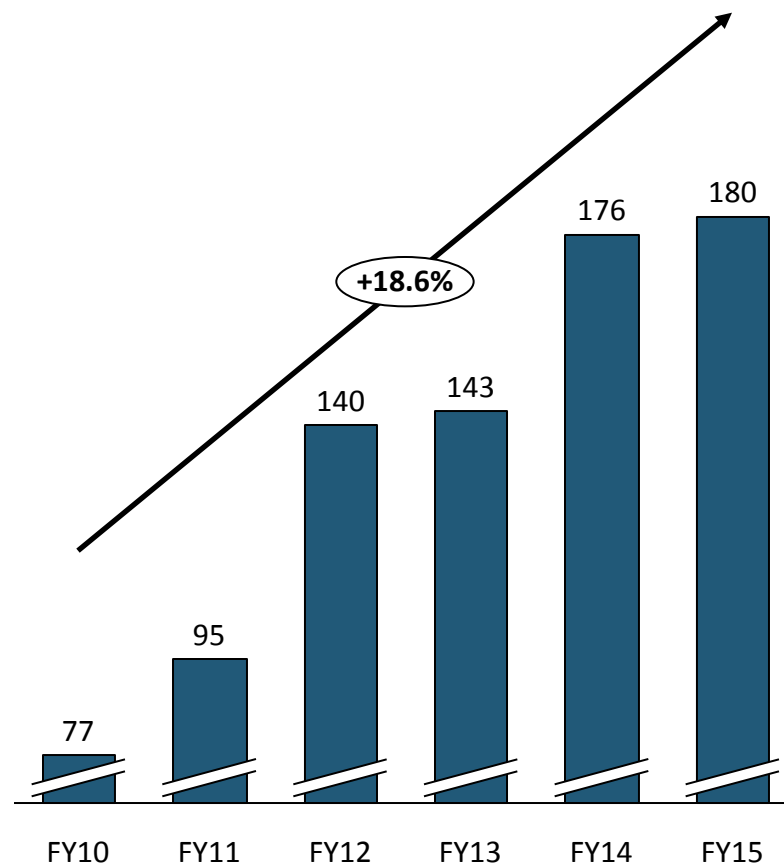
04

Revenue Breakup

Domestic (Rs. Crs)



Exports (Rs. Crs)



Profit & Loss Statement - Quarterly

Particulars (Rs. In Crs)	Q3FY16	Q3FY15	Y-o-Y
Sales from Operations	61.64	64.56	
Other Operating Income	0.93	0.05	
Total Income from Operations	62.57	64.61	
Other Income	2.76	1.82	
Total Income	65.33	66.43	
Total Raw material	15.47	16.19	
Power & Fuel Cost	7.90	10.22	
Employee Cost	8.06	6.94	
Other Expenses	13.37	13.13	
EBITDA	20.52	19.94	3%
EBITDA (%)	32.8%	30.9%	
Depreciation	3.37	3.25	
EBIT	17.15	16.69	3%
EBIT (%)	27.4%	25.8%	
Interest	1.62	1.83	
Profit Before Tax	15.53	14.86	5%
Provision for Tax	1.85	2.15	
PAT	13.68	12.71	8%
PAT (%)	21.9%	19.7%	

Profit & Loss Statement – 9M FY16

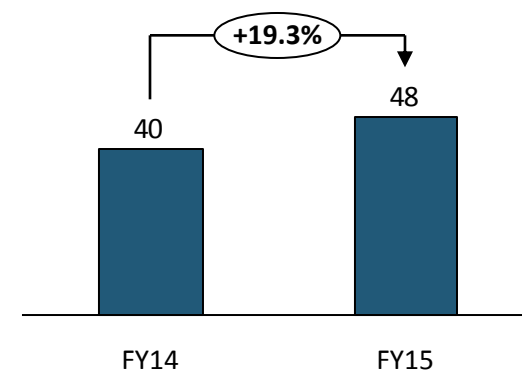
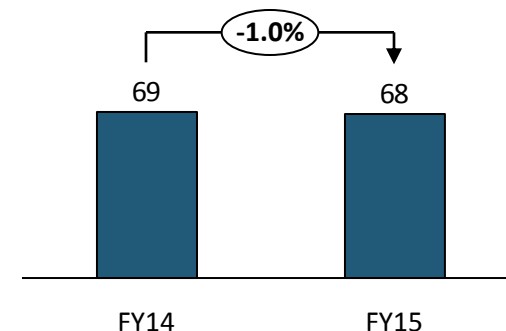
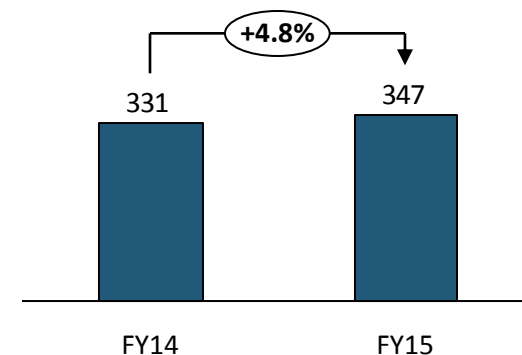
Particulars (Rs. In Crs)	9MFY16	9MFY15	Y-o-Y
Sales from Operations	202.76	206.57	
Other Operating Income	2.59	0.38	
Total Income from Operations	205.35	206.95	
Other Income	4.98	7.66	
Total Income	210.33	214.60	
Total Raw material	53.33	60.78	
Power & Fuel Cost	26.27	32.01	
Employee Cost	23.08	20.78	
Other Expenses	40.67	40.32	
EBITDA	66.98	60.70	10%
EBITDA (%)	32.6%	29.3%	
Depreciation	12.28	9.67	
EBIT	54.71	51.03	7%
EBIT (%)	26.6%	24.7%	
Interest	4.59	6.01	
Profit Before Tax	50.12	45.02	11%
Provision for Tax	9.15	9.27	
PAT	40.97	35.75	15%
PAT (%)	20.0%	17.3%	

Balance Sheet - Standalone

Particulars (Rs. Crs)	Sep-15	Mar-15	Particulars (Rs. Crs)	Sep-15	Mar-15
Shareholder's Fund	271.47	244.18	Non-current assets	251.91	248.43
Share capital	10.31	10.31	Fixed assets (inc. CWIP)	193.77	191.75
Reserves & Surplus	261.16	233.87	Non-current Investments	14.71	14.71
Non-current liabilities	54.10	66.49	Long Term Loans & Advances	43.44	41.97
Long term borrowings	31.60	44.09	Current assets	147.01	142.68
Deferred Tax liabilities (net)	21.12	21.12	Current Investments	31.85	26.61
Other Long term liabilities	1.38	1.29	Inventories	44.18	37.26
Current liabilities	73.34	80.43	Trade receivables	45.62	51.49
Short term borrowings	20.98	25.73	Cash and bank balances	14.55	17.72
Trade payables	18.99	15.35	Short term loan and advances	7.28	5.16
Other current liabilities	33.38	39.35	Other current assets	3.54	4.44
Total Liabilities	398.92	391.10	Total Assets	398.92	391.10

Profit & Loss Statement - Consolidated

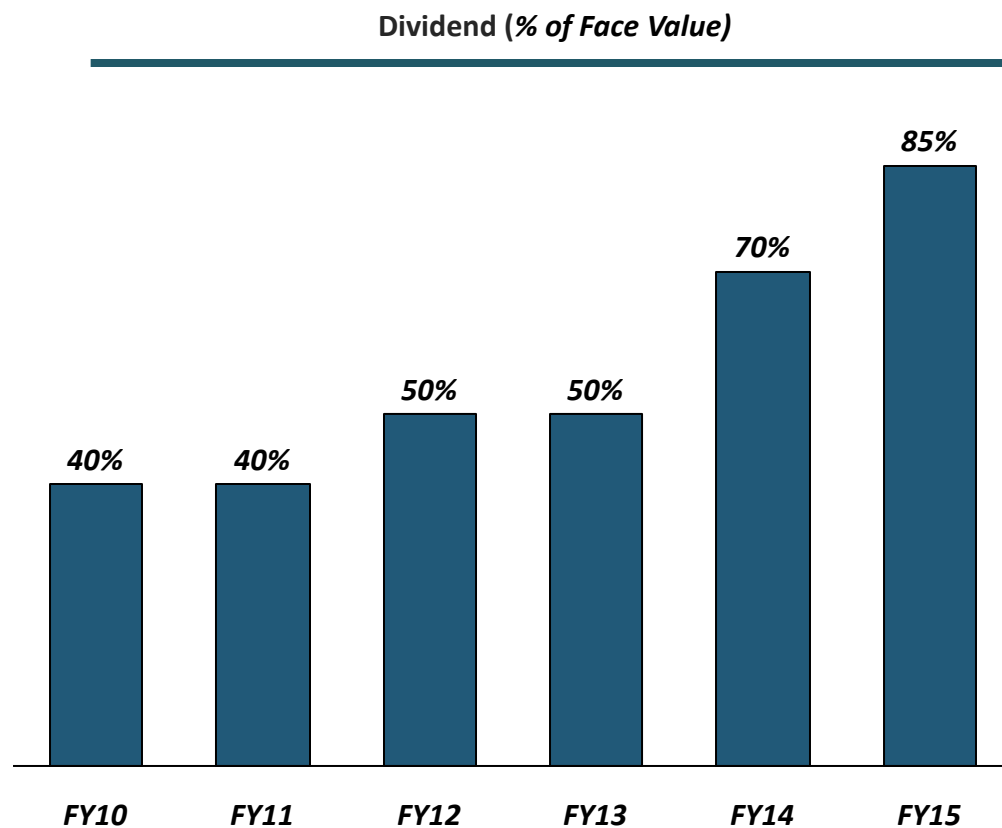
Particulars (Rs. Crs)	FY15	FY14
Total Income from Operations	346.80	330.82
Total Raw material	129.29	115.83
Power & Fuel Cost	42.01	44.25
Employee Cost	39.41	33.43
Other Expenses	67.91	68.39
Operating EBITDA	68.19	68.92
Operating EBITDA (%)	19.7%	20.8%
Other Income	13.63	5.03
Depreciation	16.38	12.94
Exceptional item	0.00	2.70
EBIT	65.43	63.70
EBIT (%)	18.9%	19.3%
Interest	10.35	13.54
Profit Before Tax	55.08	50.16
Provision for Tax	9.82	9.63
PAT before Minority Interest	45.27	40.54
Minority Interest	-3.02	0.05
PAT after Minority Interest	48.29	40.49
PAT after Minority Interest (%)	13.9%	12.2%



Balance Sheet - Consolidated

Particulars (Rs. Crs)	FY15	FY14	Particulars (Rs. Crs)	FY15	FY14
Shareholder's Fund	244.22	206.93	Non-current assets	262.40	257.79
Share capital	10.31	10.31	Fixed assets (inc. CWIP)	219.12	224.37
Reserves & Surplus	233.91	196.62	Non-current Investments	0.18	0.31
Minority Interest	14.57	17.59	Long Term Loans & Advances	43.10	33.11
Non-current liabilities	66.92	86.36	Current assets	176.92	147.44
Long term borrowings	44.09	66.33	Current Investments	26.61	11.16
Deferred Tax liabilities (net)	21.12	18.44	Inventories	53.03	49.71
Other Long term liabilities	1.72	1.59	Trade receivables	67.58	64.65
Current liabilities	113.61	94.33	Cash and bank balances	18.25	12.36
Short term borrowings	39.79	30.08	Short term loan and advances	6.90	5.25
Trade payables	29.65	23.09	Other current assets	4.54	4.32
Other current liabilities	44.17	41.16	Total Assets	439.32	405.22
Total Liabilities	439.32	405.22			

Consistent Dividend Record



Interim Dividend of Rs.3 per equity share (i.e. 30% of FV of Rs.10)

For further information, please contact:

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