

# ORIENTAL CARBON & CHEMICALS LTD



Investor Presentation – February 2017



# Safe Harbor

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01

## Performance Highlights

02

Company Overview

03

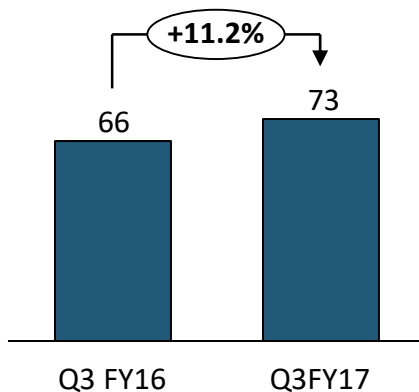
Growth Opportunities

04

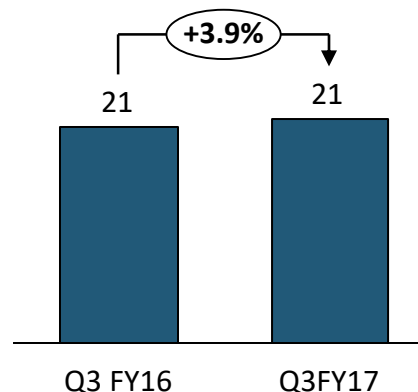
Financials

# Result Highlights: Q3 FY17

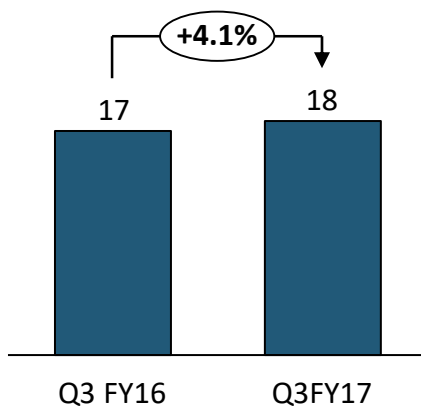
## Revenue (Rs. Crs)



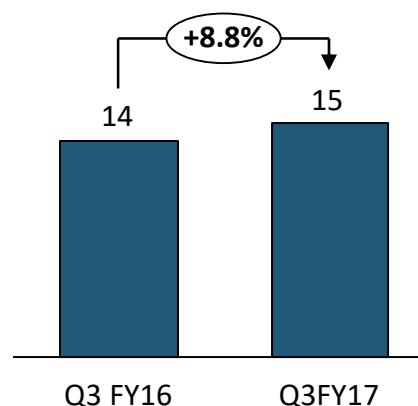
## EBITDA (Rs. Crs)



## EBIT (Rs. Crs)

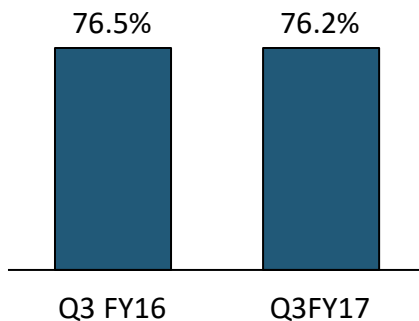


## PAT (Rs. Crs)

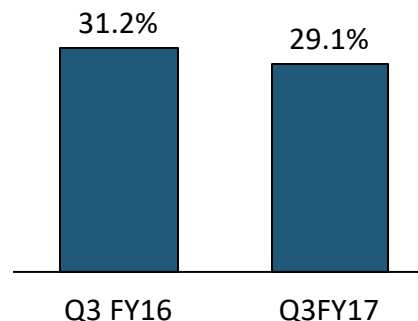


# Margin Profile: Q3 FY17

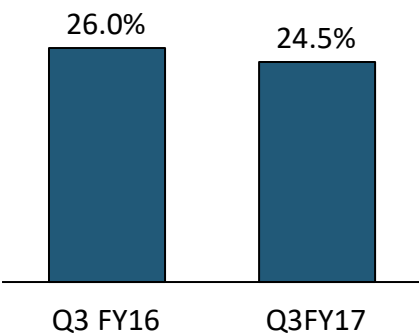
## Gross Profit (%)



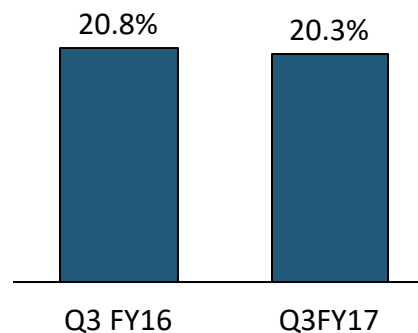
## EBITDA (%)



## EBIT (%)

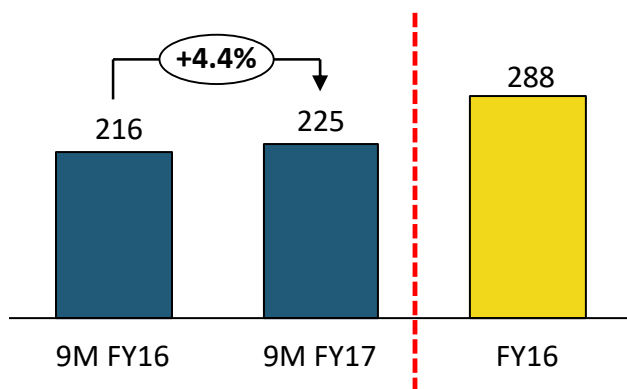


## PAT (%)

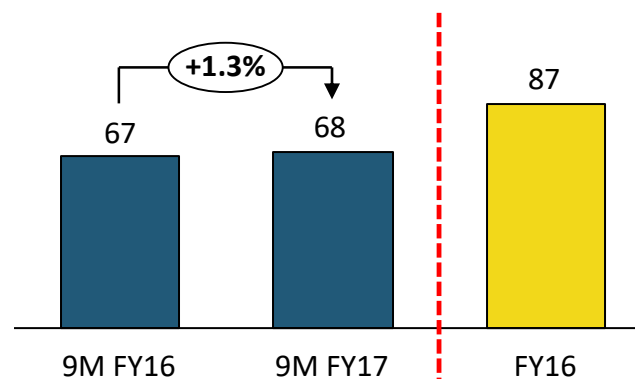


# Result Highlights: 9M FY17

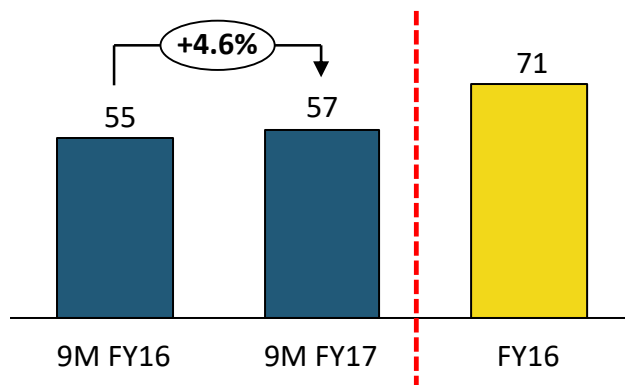
## Revenue (Rs. Crs)



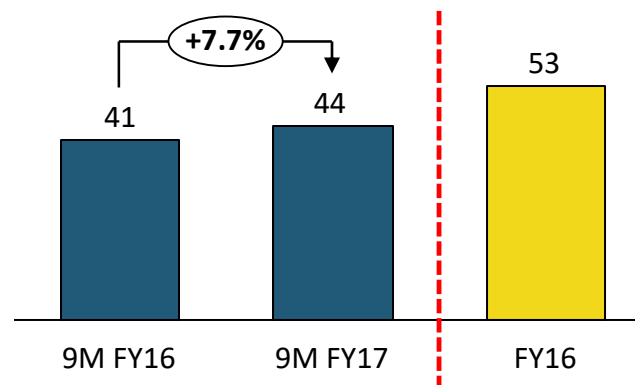
## EBITDA\* (Rs. Crs)



## EBIT (Rs. Crs)

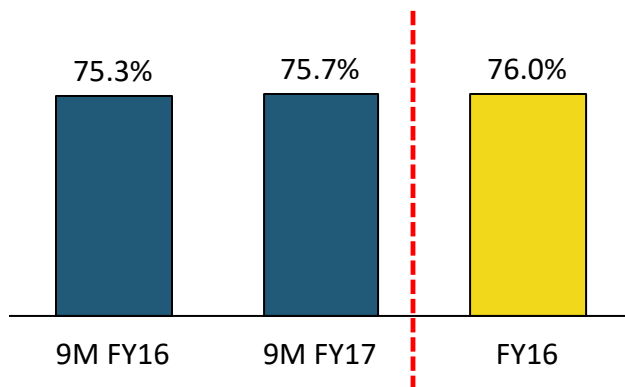


## PAT (Rs. Crs)

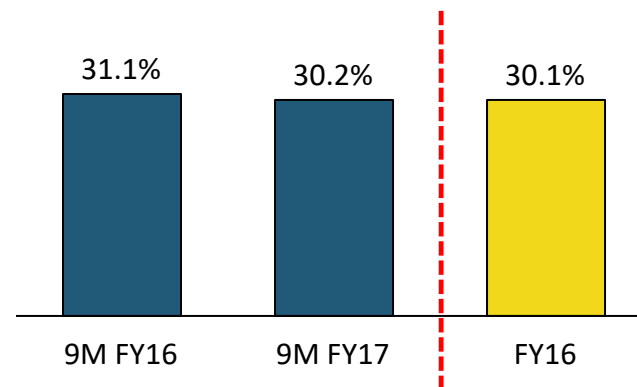


# Margin Profile: 9M FY17

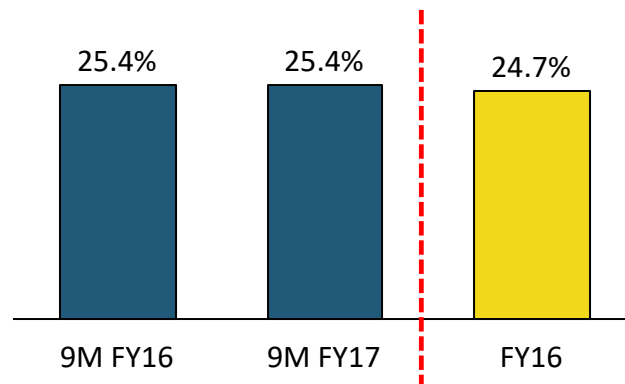
## Gross Profit (%)



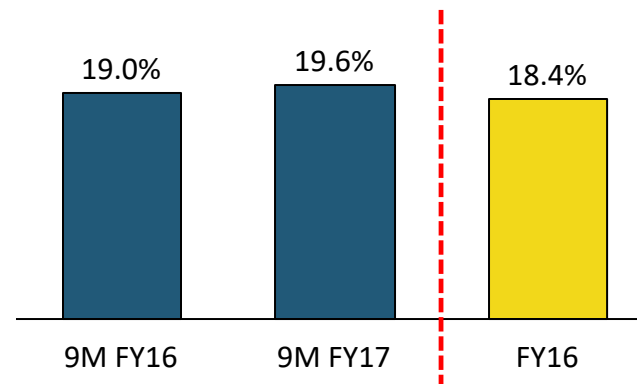
## EBITDA\* (%)



## EBIT (%)



## PAT (%)



01

Performance Highlights

02

**Company Overview**

03

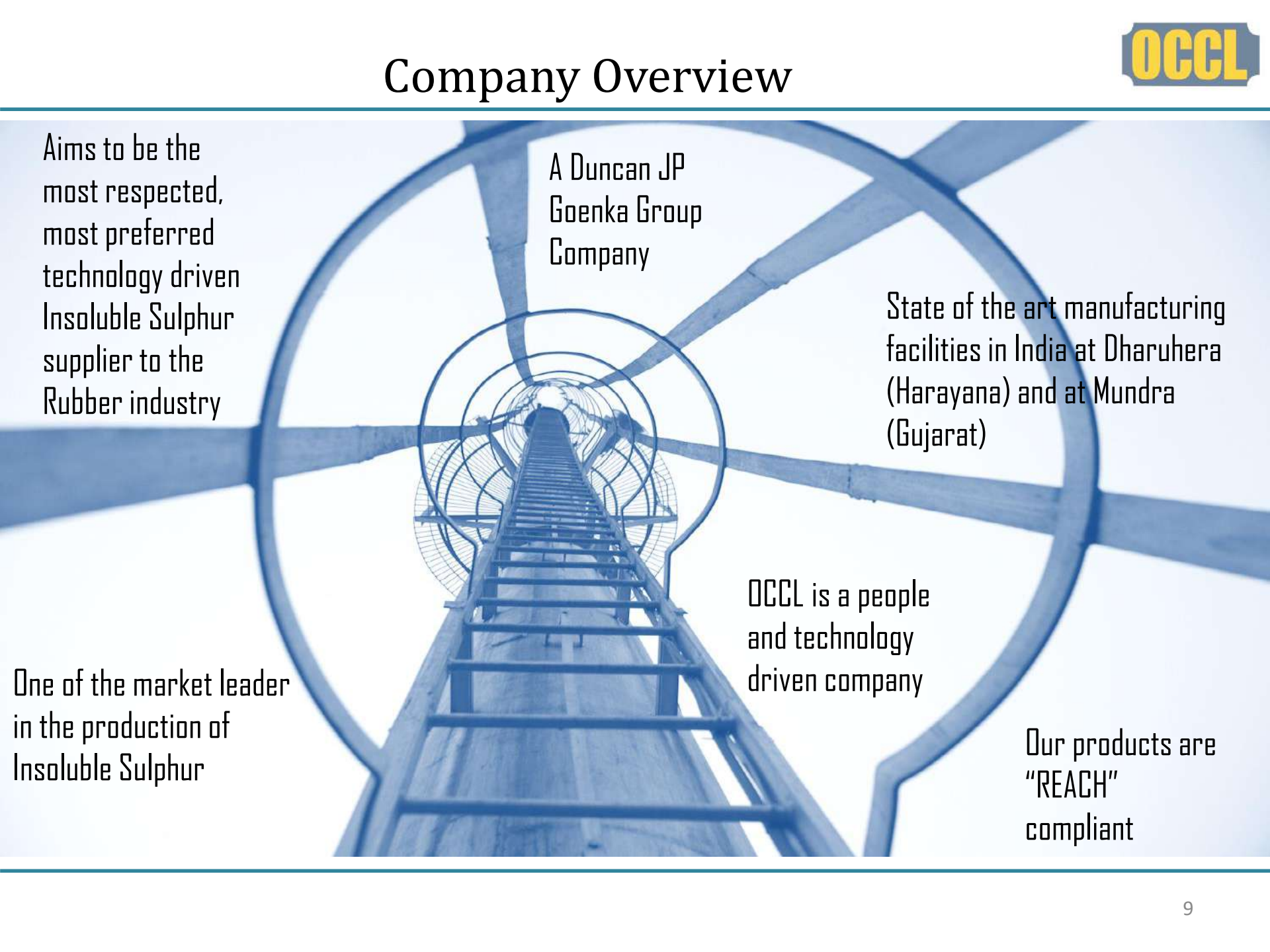
Growth Opportunities

04

Financials



# Company Overview

The background of the slide features a large, blue-tinted image of a ship's steering wheel. In the center of the wheel, there is a long, straight staircase that recedes into the distance, creating a strong sense of perspective and depth. The overall color scheme is a monochromatic blue with yellow accents from the logo and text.

Aims to be the most respected, most preferred technology driven Insoluble Sulphur supplier to the Rubber industry

A Duncan JP  
Goenka Group  
Company

State of the art manufacturing facilities in India at Dharuhera (Harayana) and at Mundra (Gujarat)

One of the market leader in the production of Insoluble Sulphur

OCCL is a people and technology driven company

Our products are "REACH" compliant

# OCCL - A Duncan JP Goenka Group Company



MARKET SHARE

**10 %**

CAPACITY INCREASE

**7.5x**

CUSTOMER BASE

**+40**

REVENUE - 10 Years CAGR

≡ **+18 %**

EBITDA - 10 Years CAGR

**+24 %**

PAT - 10 Years CAGR

**+30 %**

# 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. 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. Vijay Sabbarwal: 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. Arvind Goenka: Promoter & Managing Director

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

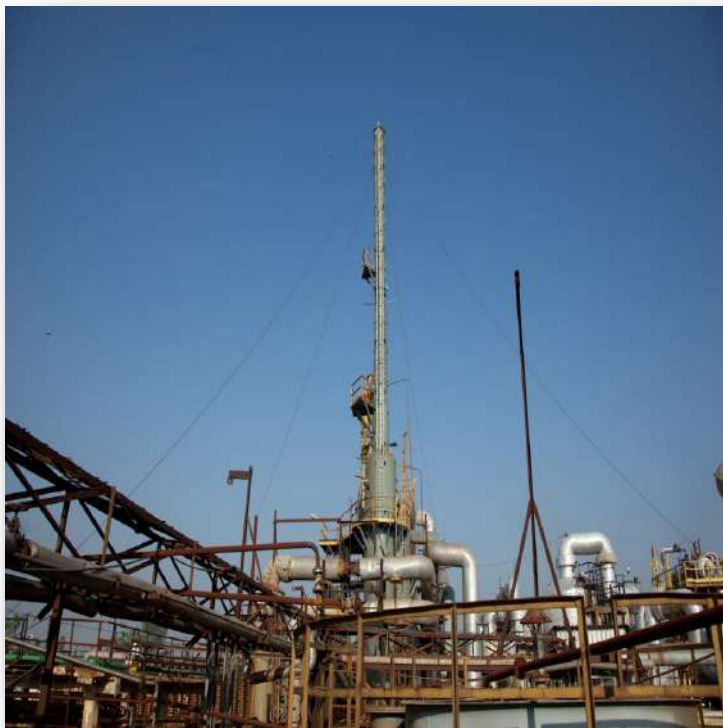
## Mr. Anurag Jain: Chief Financial Officer (CFO)

- 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. Muneesh Batta: Vice President (Marketing)

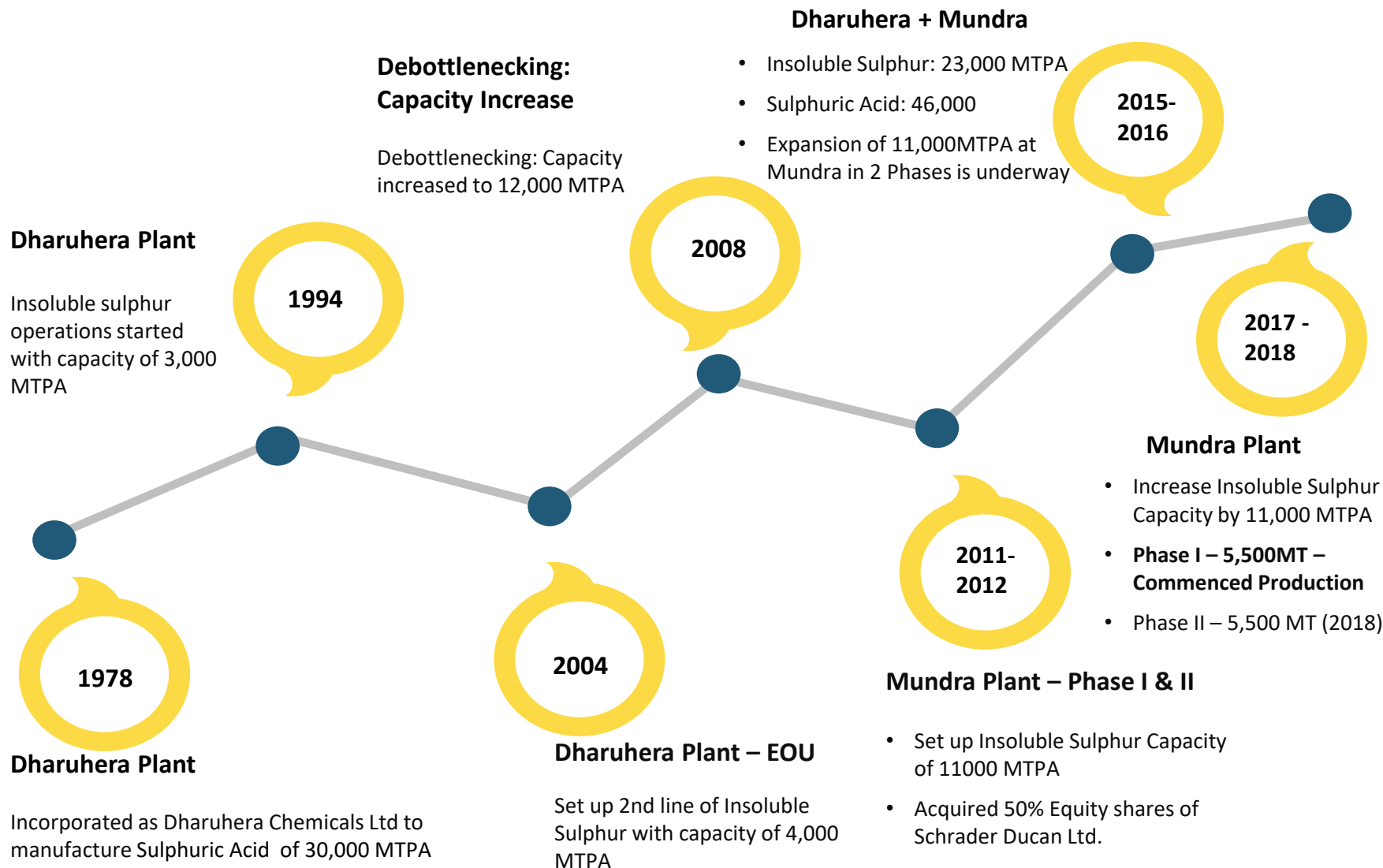
- An M.B.A (International Business) with over 14 years of experience in International business
- Responsible for international marketing of Insoluble Sulfur & increasing market share of Diamond Sulf overseas

# Manufacturing Facilities



Product name	Annual Capacity (MT)	Location	No. Of Lines
Insoluble Sulphur	12,000	Dharuhera (Haryana)	2
Insoluble Sulphur	16,500	SEZ Mundra (Gujarat)	3
Sulphuric Acid / Oleum	46,000	Dharuhera (Haryana)	1

# Ongoing Capacity Expansion





# 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

## 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



# Cost Optimization Strategy

01

## Raw Material

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

02

## Freight

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

03

## 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

04

## Power Cost

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

05

## Tax Exemption

- SEZ location of Mundra Plant - Income Tax Exemption benefit

# Global Customer Relationships

**BRIDGESTONE**

**Continental**

**JK TYRE**  
TOTAL CONTROL

**PIRELLI**

**CEAT**

**COOPERTIRES**

**Hankook**  
driving emotion

**SUMITOMO**  
RUBBER INDUSTRIES

**MRF**

**apollo**

**GOODYEAR**

**nokian**  
**TYRES**

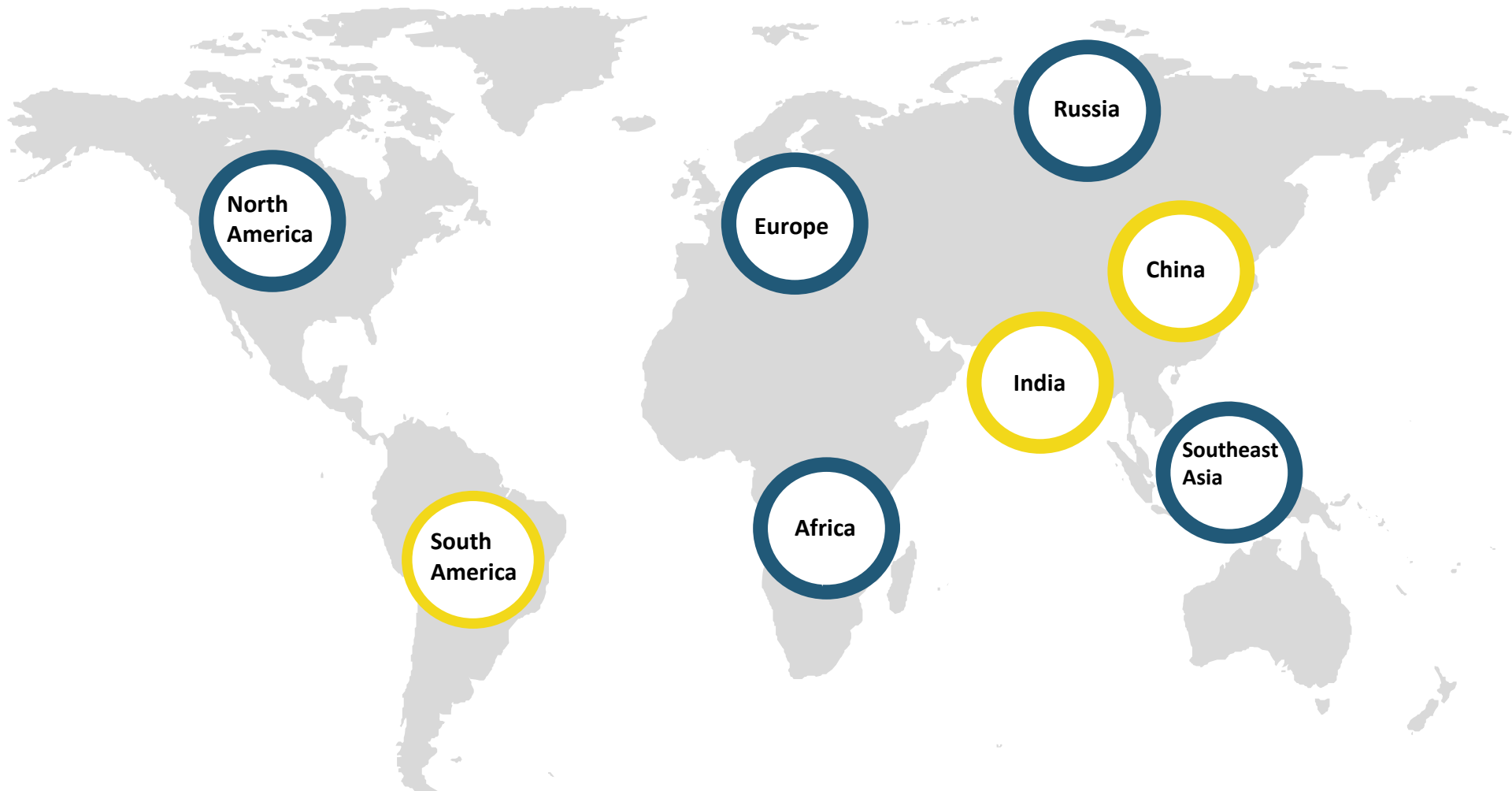
**BIRLA**  
**TYRES**  
Unbeatable!





# Global Sales Network

## Presence in 21 Countries across the World



01

Performance Highlights

02

Company Overview

03

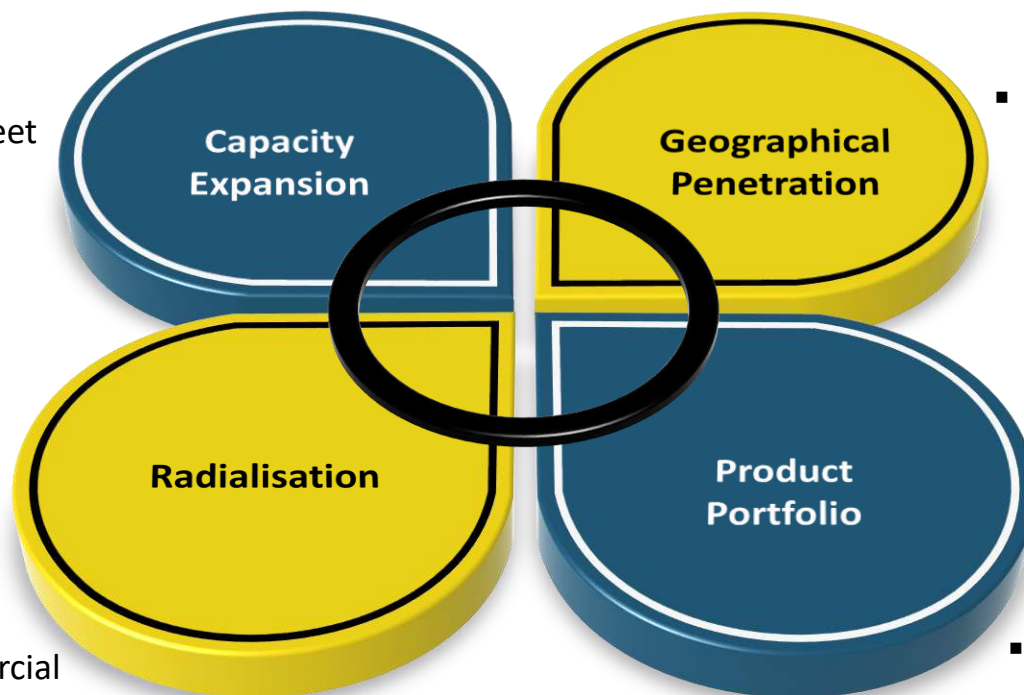
**Growth Opportunities**

04

Financials

# Key Growth Drivers

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



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

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

# Trends driving Insoluble Sulphur Demand

01

## Increase in Automation in Tire Industry



02

## Higher Performance Expectation from Tires

03

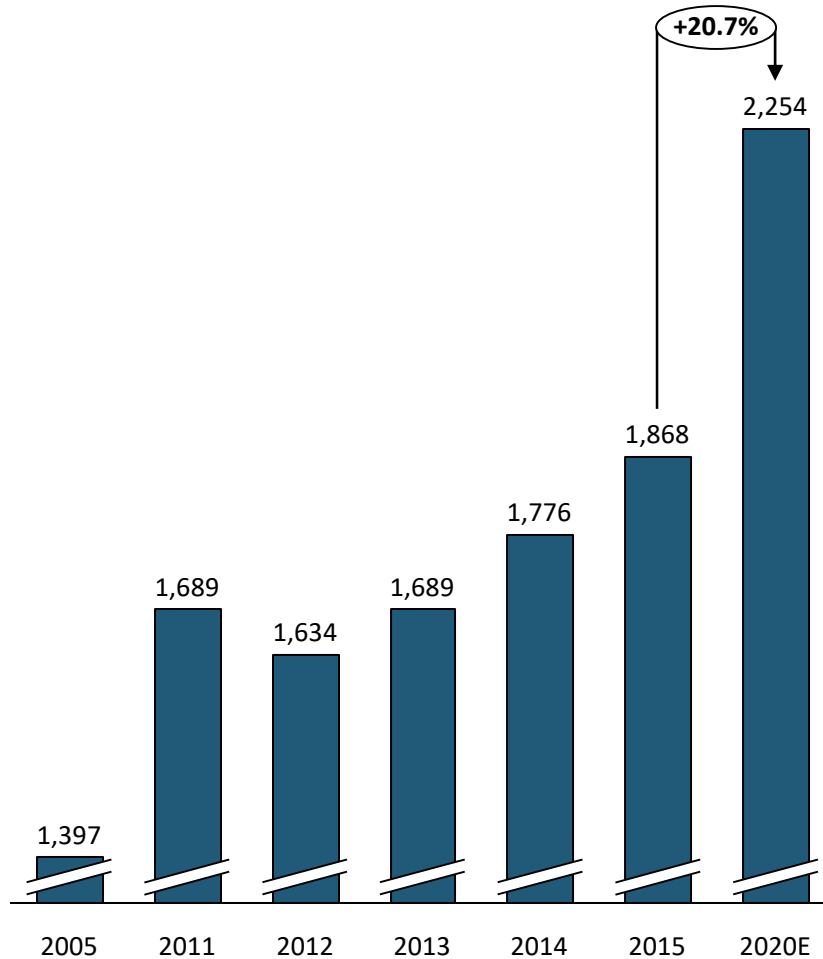
## Radial Revolution:

Radialization in Asia  
Fast Growing Market

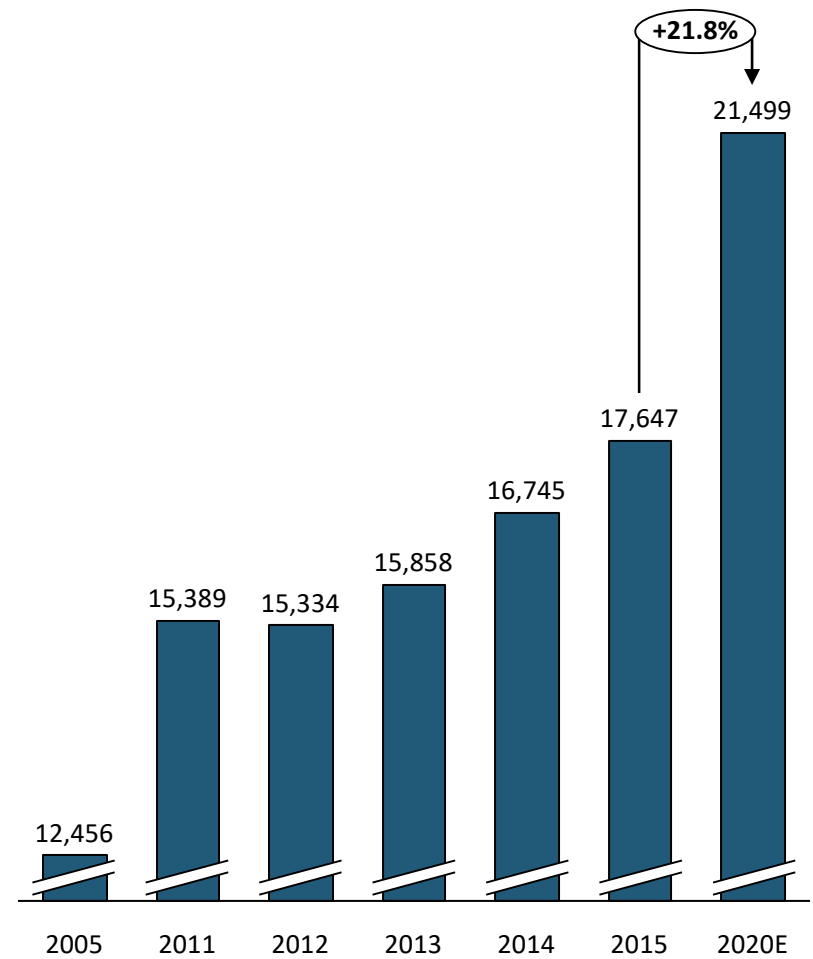


# Global Tire Industry – Growth Projections

## Tire Production (mn units)

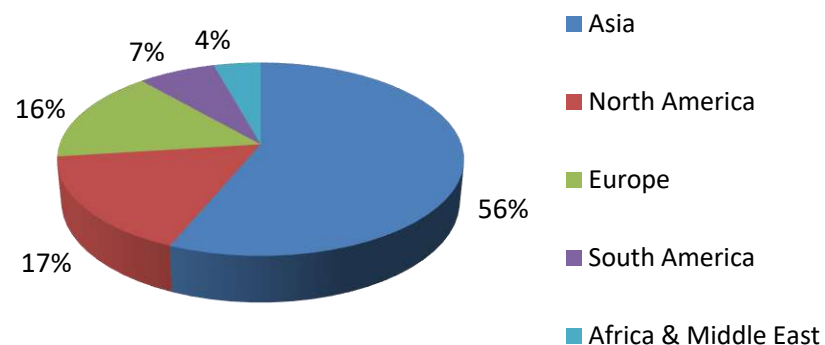


## Tire Rubber Consumption ('000 tonnes)

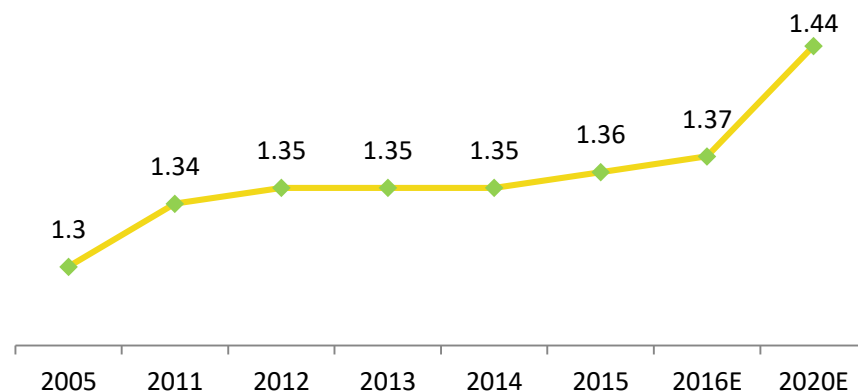


# Insoluble Sulphur - Demand Forecast

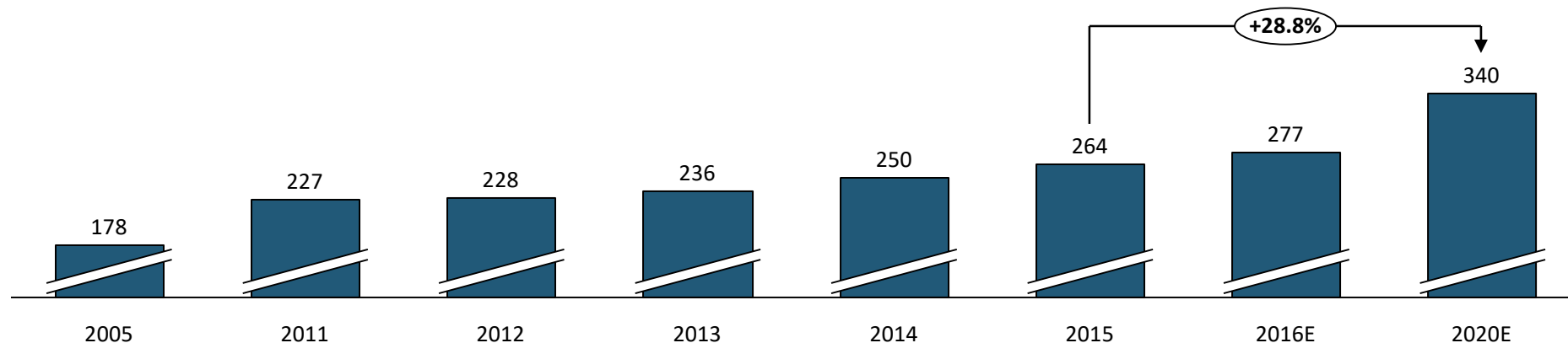
## Geographical Breakup - \$28 bn Investment



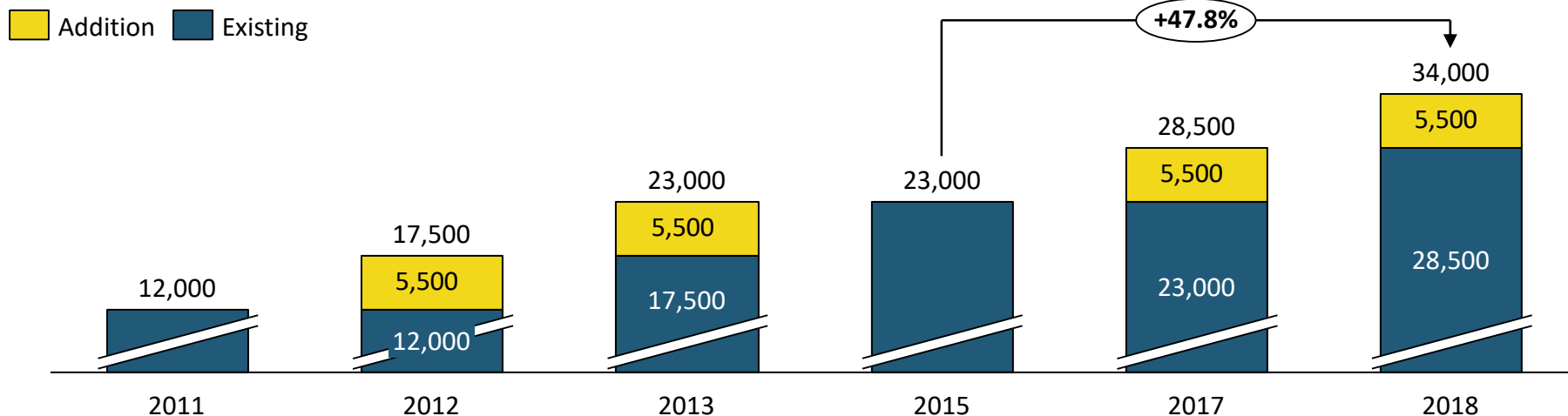
## Radialisation: Insoluble Sulphur to Tire Rubber Ratio



## \*Insoluble Sulphur Demand ('000 tonnes)



# 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
  - Working capital margin
  - Coal Fired Boiler at Mundra Plant which was commissioned in April-16
  - 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



01

Performance Highlights

02

Company Overview

03

Growth Opportunities

04

**Financials**

# Profit & Loss Statement – Standalone

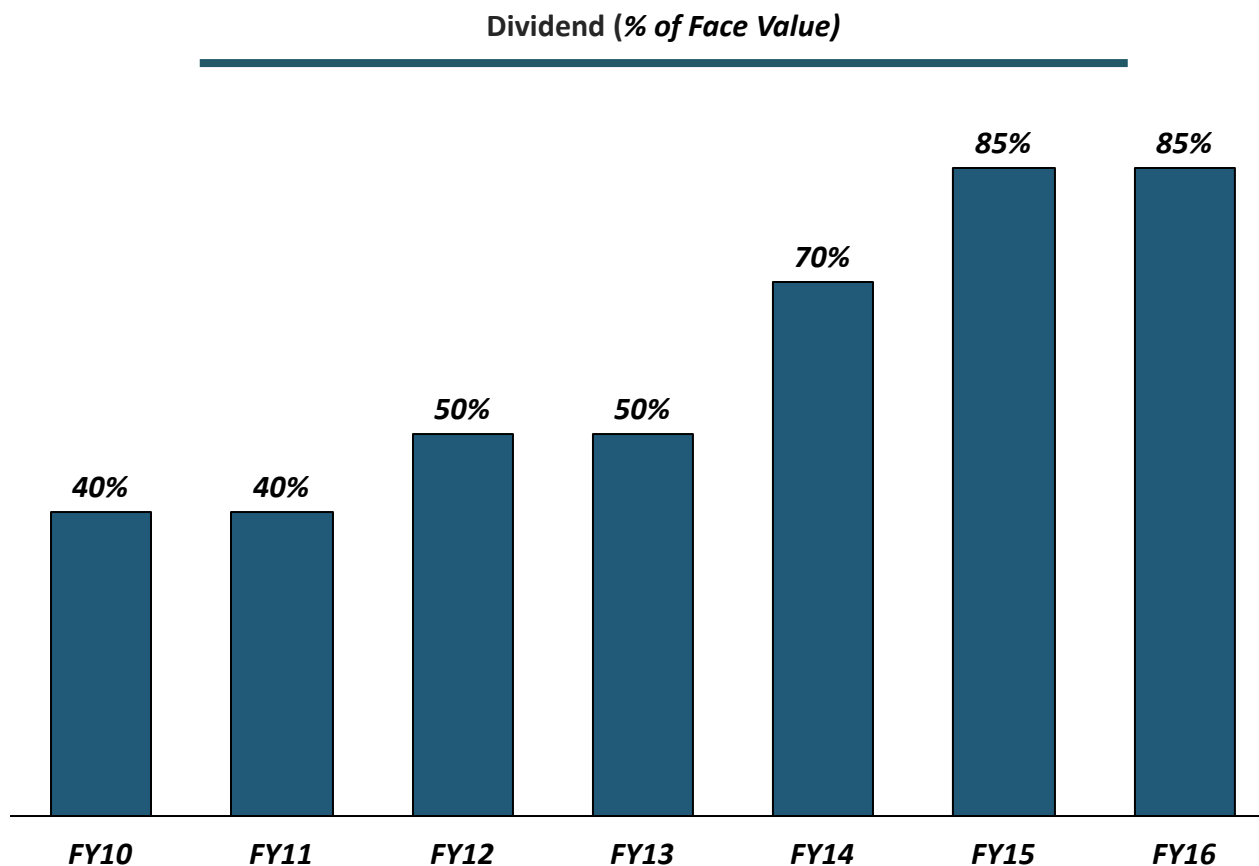
Particulars (Rs. Crs)	Q3 FY17	Q3 FY16	Y-o-Y	9M FY17	9M FY16	Y-o-Y	FY16
Gross Sales	72.7	64.9		222.0	213.0		284.7
Other Operating Income	0.6	0.9		3.0	2.6		3.4
<b>Revenue from Operations</b>	<b>73.3</b>	<b>65.9</b>	<b>11%</b>	<b>225.0</b>	<b>215.6</b>	<b>4%</b>	<b>288.2</b>
Other Income	2.1	2.8		5.4	5.0		5.7
<b>Total Income</b>	<b>75.4</b>	<b>68.6</b>	<b>10%</b>	<b>230.5</b>	<b>220.5</b>	<b>5%</b>	<b>293.9</b>
Total Raw Material*	17.5	15.5		54.6	53.3		69.2
Employee Expenses	8.4	8.1		26.8	23.1		32.8
Power & Fuel	8.7	7.9		25.2	26.3		34.0
Excise Duty	3.0	3.3		9.7	10.2		13.5
Other Expenses	16.4	13.4		46.2	40.7		57.6
<b>EBITDA</b>	<b>21.3</b>	<b>20.5</b>	<b>4%</b>	<b>67.9</b>	<b>67.0</b>	<b>1%</b>	<b>86.8</b>
<b>EBITDA Margin (%)</b>	<b>29.1%</b>	<b>31.2%</b>		<b>30.2%</b>	<b>31.1%</b>		<b>30.1%</b>
Depreciation	3.4	3.4		10.7	12.3		15.7
<b>EBIT</b>	<b>17.9</b>	<b>17.2</b>	<b>5%</b>	<b>57.2</b>	<b>54.7</b>	<b>5%</b>	<b>71.1</b>
<b>EBIT Margin (%)</b>	<b>24.5%</b>	<b>26.0%</b>		<b>25.4%</b>	<b>25.4%</b>		<b>24.7%</b>
Finance Cost	0.9	1.6		3.2	4.6		6.3
<b>Profit before Tax</b>	<b>17.1</b>	<b>15.5</b>	<b>10%</b>	<b>54.0</b>	<b>50.1</b>	<b>8%</b>	<b>64.8</b>
Tax	2.2	1.9		9.9	9.2		11.8
<b>Profit After Tax</b>	<b>14.9</b>	<b>13.7</b>	<b>9%</b>	<b>44.1</b>	<b>41.0</b>	<b>8%</b>	<b>53.0</b>
<b>PAT Margin (%)</b>	<b>20.3%</b>	<b>20.8%</b>		<b>19.6%</b>	<b>19.0%</b>		<b>18.4%</b>
<b>EPS</b>	<b>14.44</b>	<b>13.29</b>		<b>42.86</b>	<b>39.79</b>		<b>51.46</b>

\*Total Raw material cost incl. change in Inventories

# Balance Sheet - Standalone

Particulars (Rs. Crs)	Sept-16	Mar-16	Particulars (Rs. Crs)	Sept-16	Mar-16
<b>Shareholder's Fund</b>	<b>312.2</b>	<b>286.6</b>	<b>Non-current assets</b>	<b>327.4</b>	<b>285.3</b>
Share capital	10.3	10.3	Fixed assets (inc. CWIP)	267.3	222.3
Reserves & Surplus	301.9	276.3	Non-current Investments	14.7	14.7
<b>Non-current liabilities</b>	<b>75.1</b>	<b>44.4</b>	Long Term Loans & Advances	45.4	48.3
Long term borrowings	51.1	21.4	<b>Current assets</b>	<b>130.1</b>	<b>132.0</b>
Deferred Tax liabilities (net)	22.0	21.1	Current Investments	15.8	15.5
Other Long term liabilities	2.1	1.9	Inventories	31.7	38.7
<b>Current liabilities</b>	<b>70.2</b>	<b>86.3</b>	Trade receivables	52.1	48.1
Short term borrowings	15.2	27.7	Cash and bank balances	7.4	10.0
Trade payables	12.5	10.2	Short term loan and advances	15.1	14.6
Other current liabilities	42.5	48.3	Other current assets	8.0	5.2
<b>Total Liabilities</b>	<b>457.5</b>	<b>417.3</b>	<b>Total Assets</b>	<b>457.5</b>	<b>417.3</b>

# Consistent Dividend Record



Interim Dividend of Rs. 3/- per equity share (i.e. 30% of FV of Rs. 10) was paid on November 23, 2016

## For further information, please contact:

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### Company :

Oriental Carbon & Chemicals Ltd.  
CIN: L24297WB1978PLC031539  
Mr. Anurag Jain - CFO  
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<http://www.occlindia.com/>

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