

# ORIENTAL CARBON & CHEMICALS LTD

Investor Presentation – July 2015

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# About The Company

01

# A Duncan JP Goenka Group Company



CAPACITY

INCREASE

**7.5x** ↑

CUSTOMER  
BASE

**+40** ↑

MARKET

SHARE

**11 %** ↑



REVENUE

10 Years CAGR

**21 %** ↑

EBITDA

10 Years CAGR

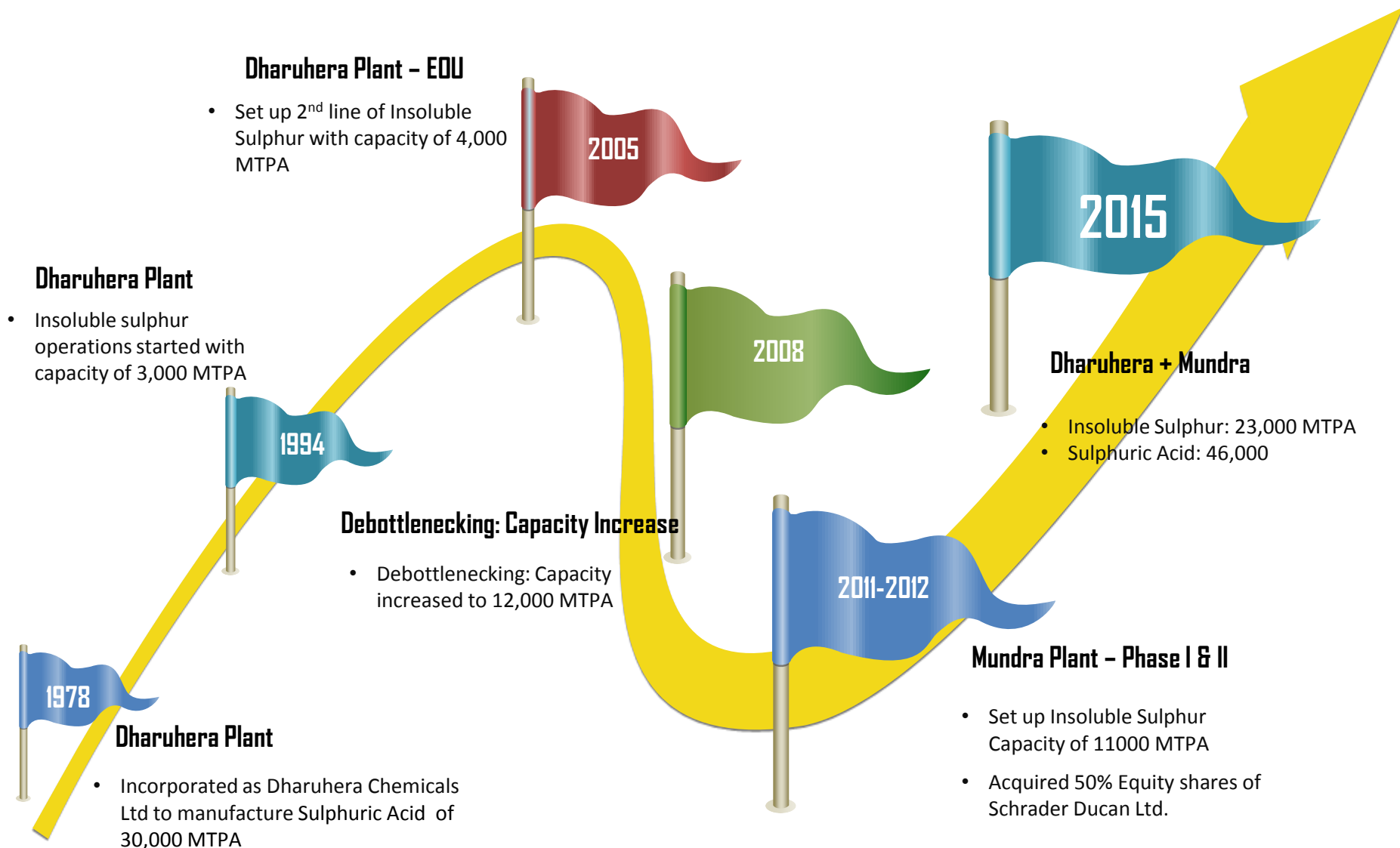
**31 %** ↑

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

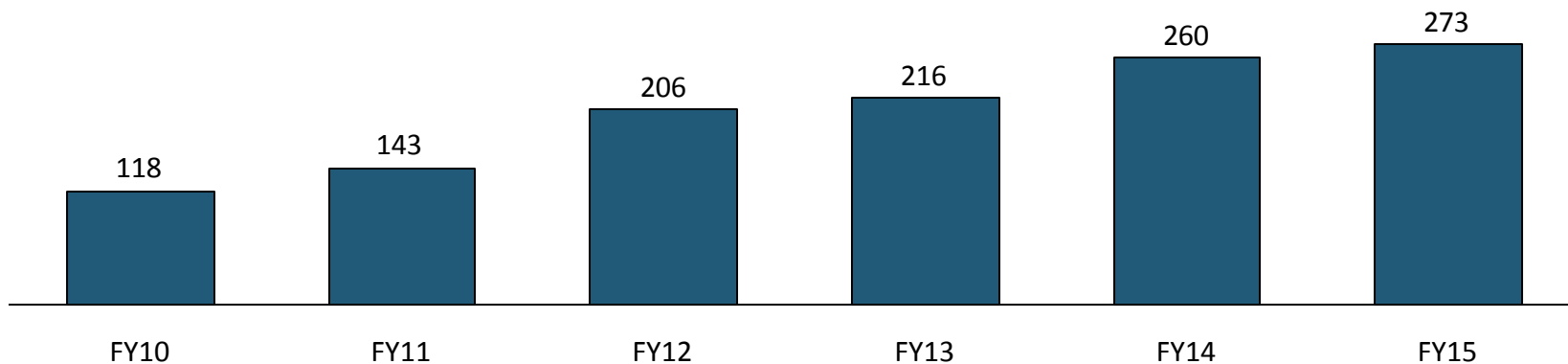


- Manufactures both Commercial Grade and Battery Grade Sulphuric Acid and Oleums
- Application : Dehydrating agent, catalyst, active reactant in chemical processes , solvent , detergents and absorbent
- Offered in following Grades
  1. Grades of exact purity : Storage battery ,rayon, dye, Detergent and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

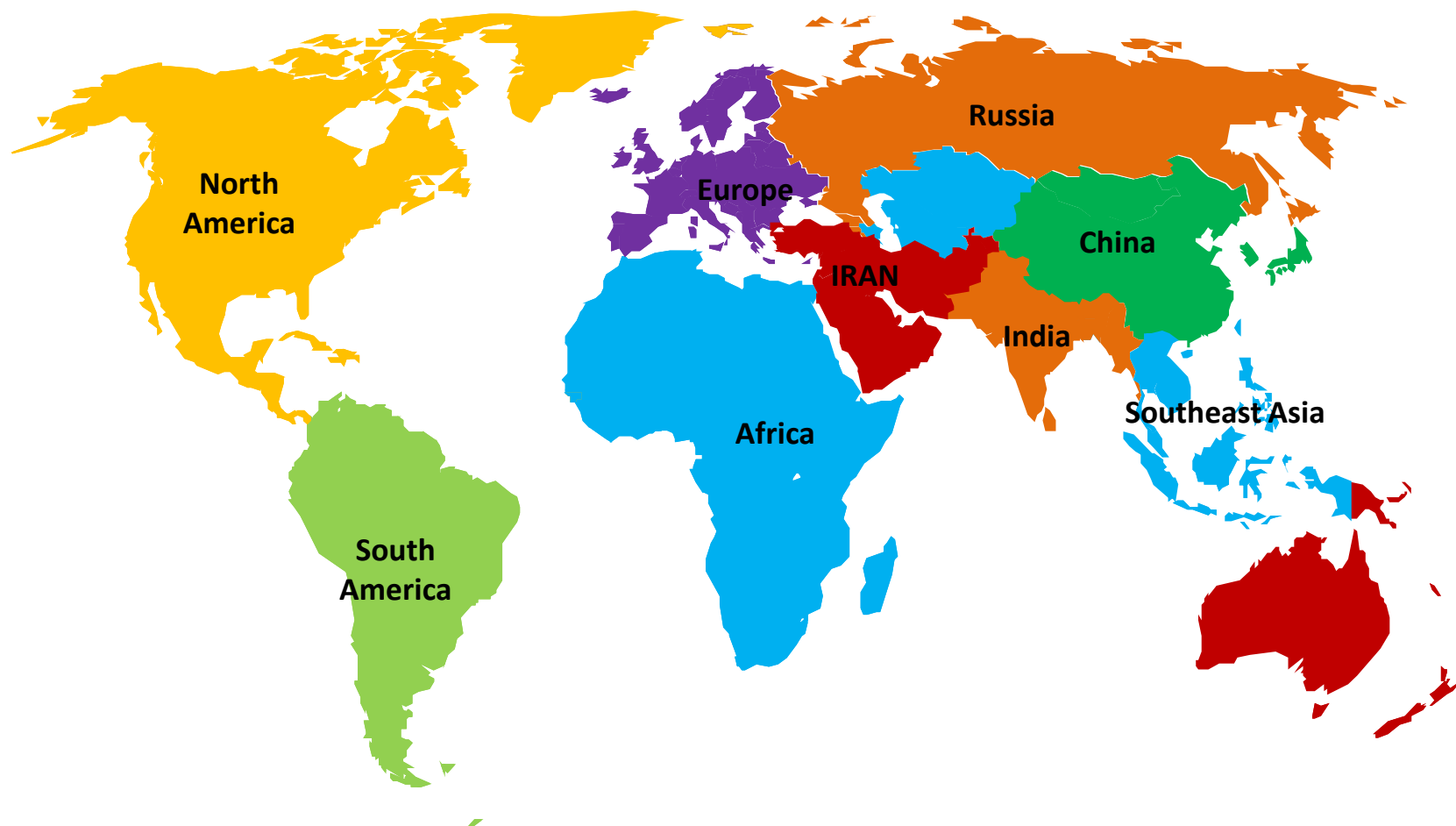
- SEZ location of Mundra Plant - Income Tax Exemption benefit

# 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

## Capacity Expansion in Tire Industry

World Investment  
\$ 28 bn



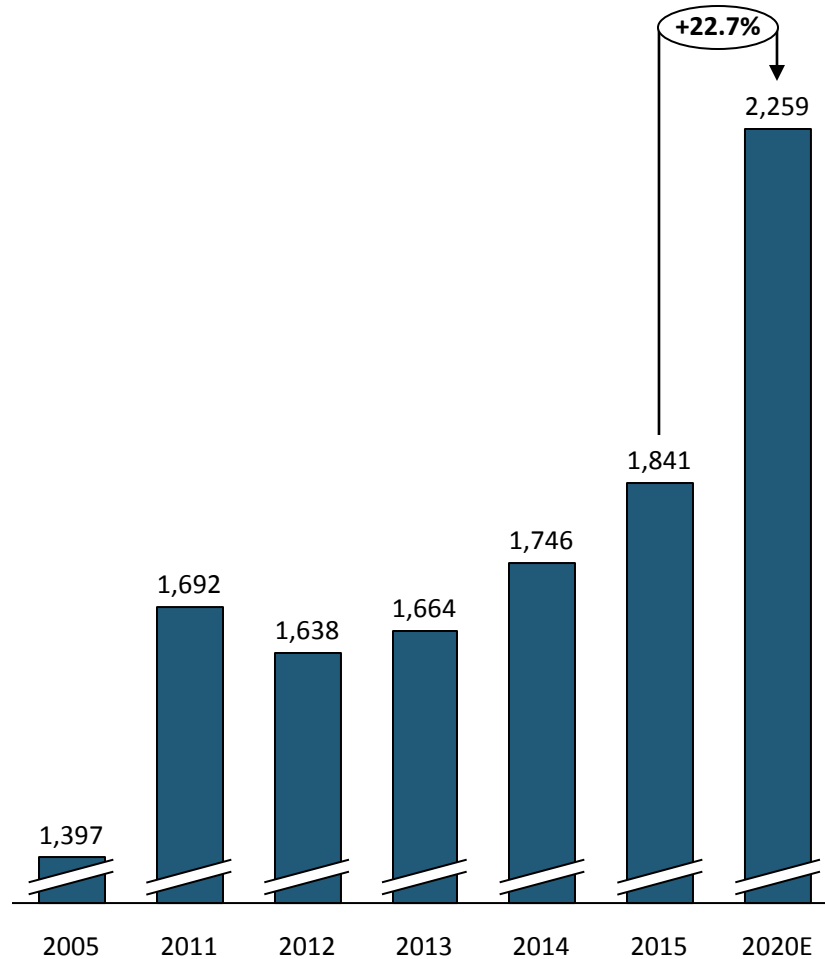
## Radial Revolution

Radialization in Asia  
Fast Growing Market

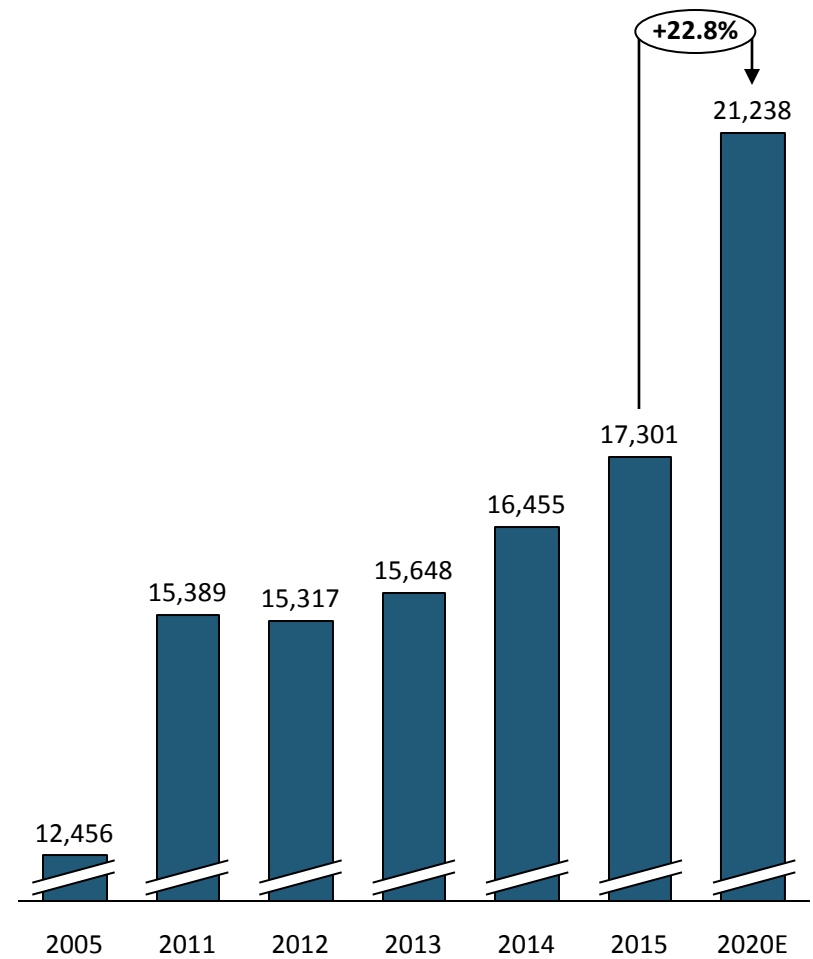


# Global Tire Industry – Growth Projections

## Tire Production (mn units)

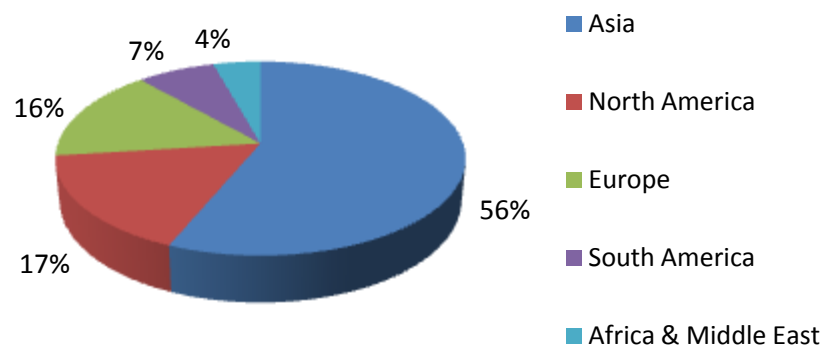


## Tire Rubber Consumption ('000 tonnes)

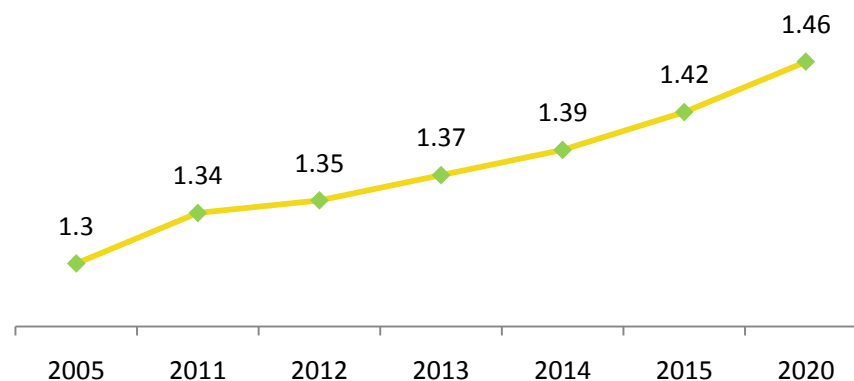


# Insoluble Sulphur - Demand Forecast

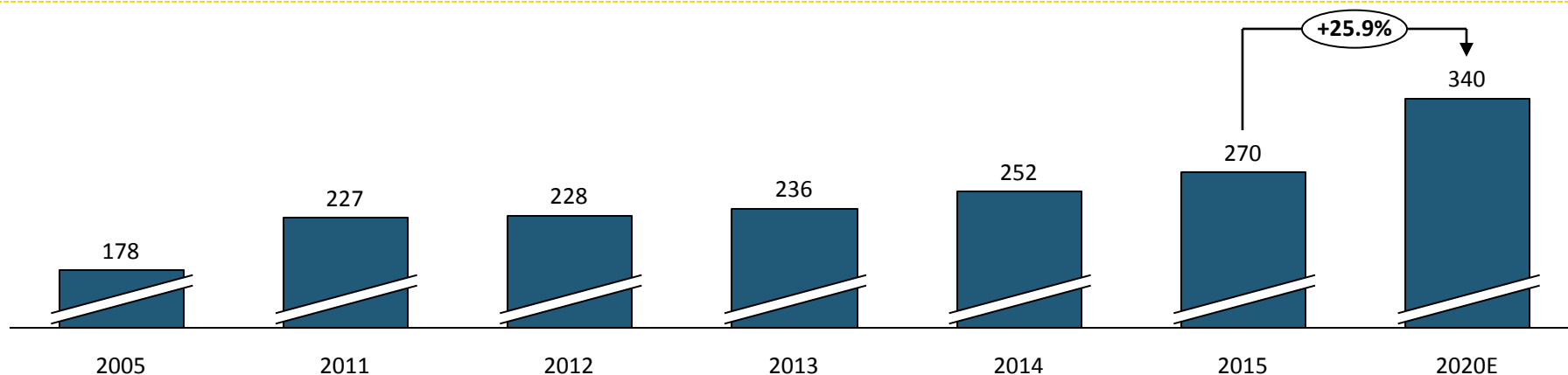
## Geographical Breakup - \$28 bn Investment



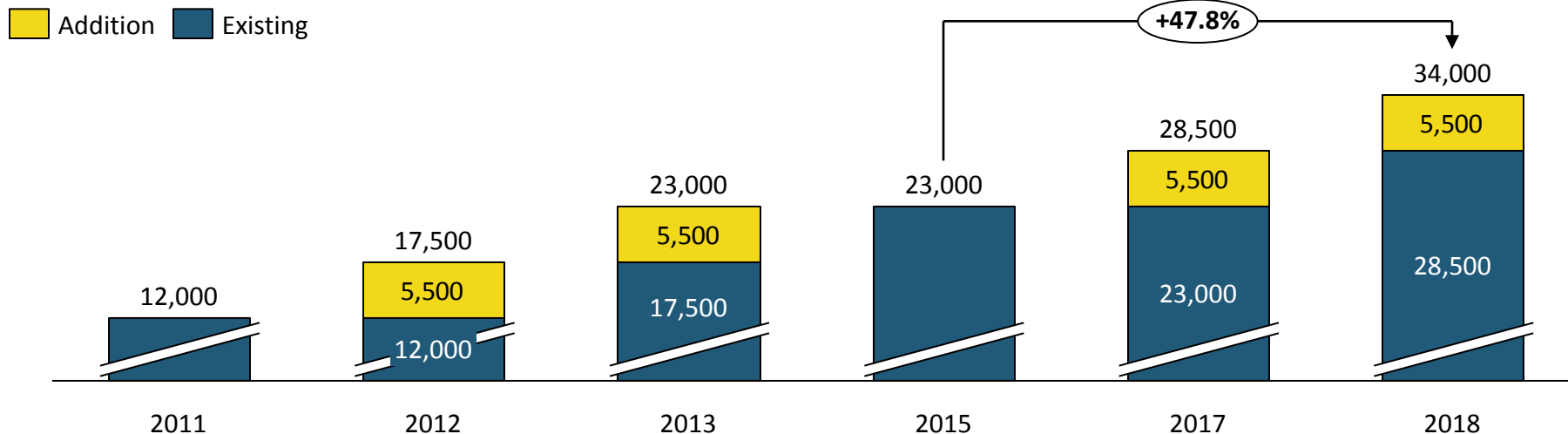
## Radialisation: Insoluble Sulphur to Tire Rubber Ratio



## \*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
  - 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

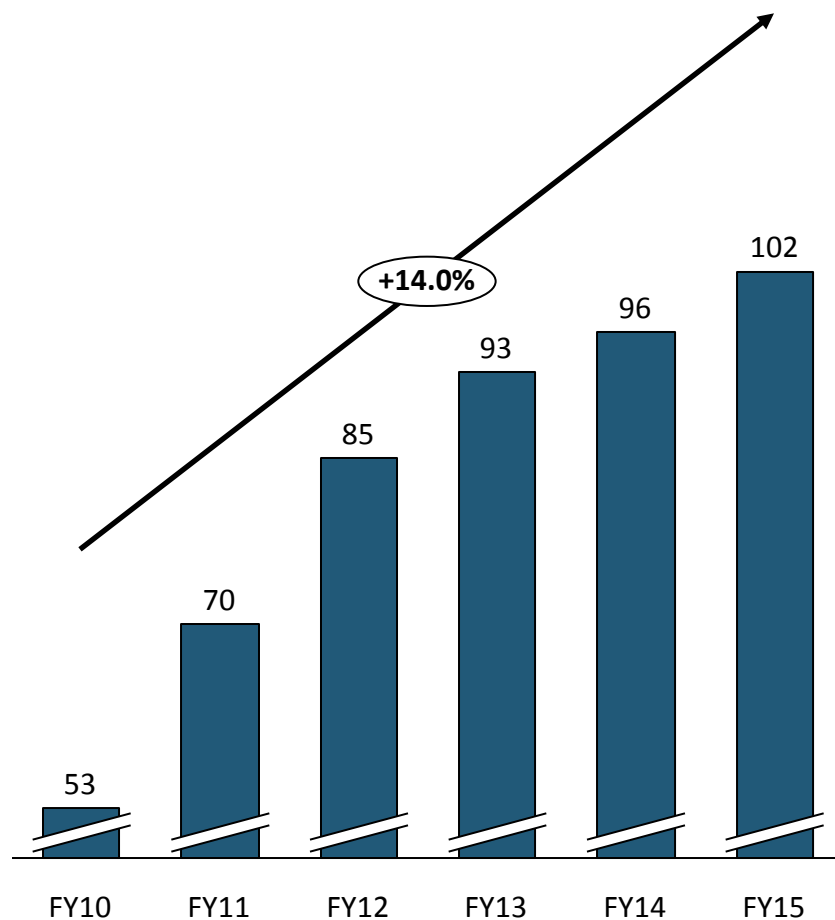
- Edge over the others -
  - Land & Common Infrastructure available for further expansion at Mundra
  - In-house Technology

# Financial Highlights

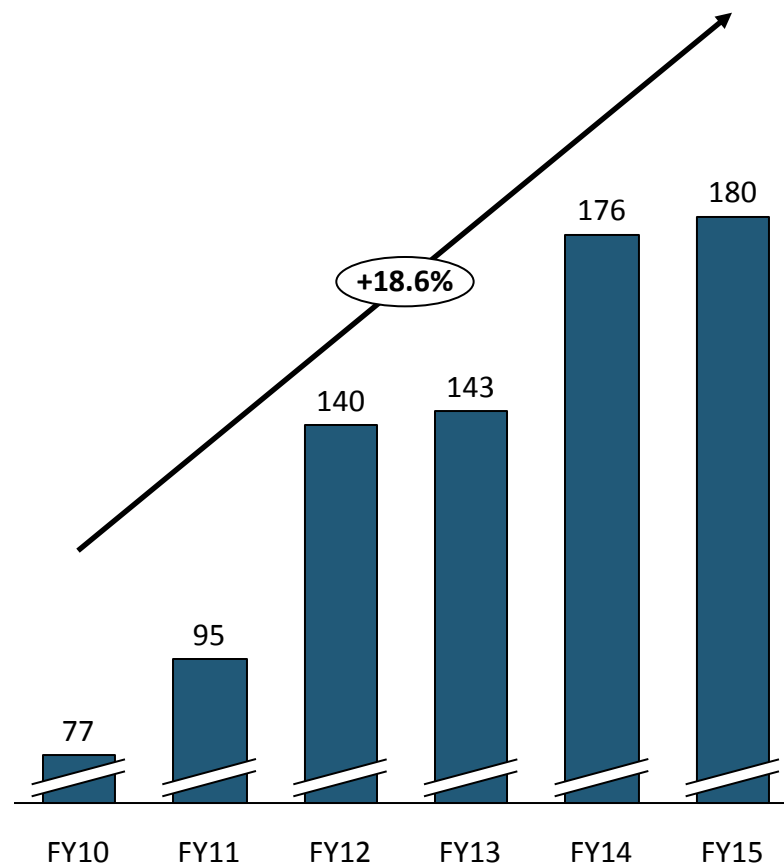
04

# Revenue Breakup

## Domestic (Rs. Crs)



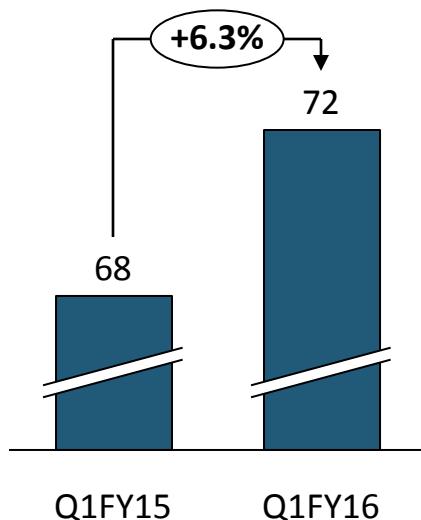
## Exports (Rs. Crs)



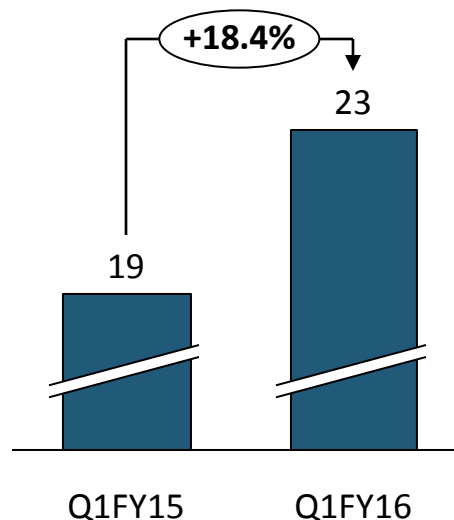


# Quarterly Highlights

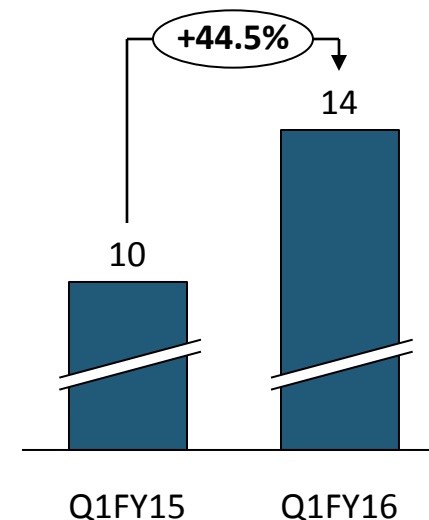
## Revenue (Rs. Crs)



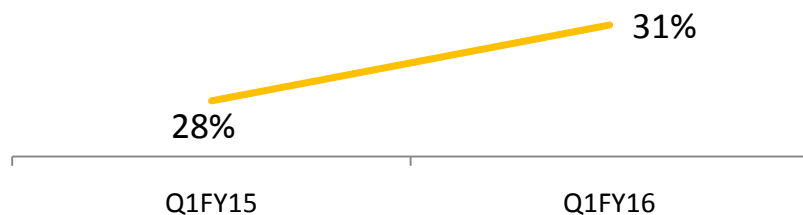
## EBITDA\* (Rs. Crs)



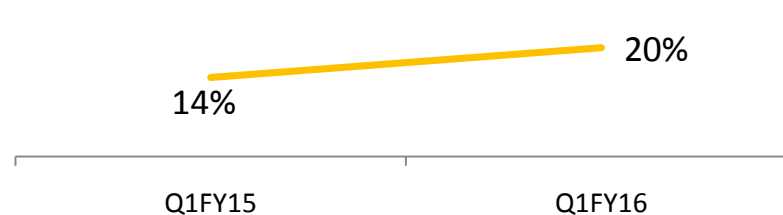
## PAT (Rs. Crs)



## EBITDA Margin (%)



## PAT Margin (%)



# Profit & Loss Statement

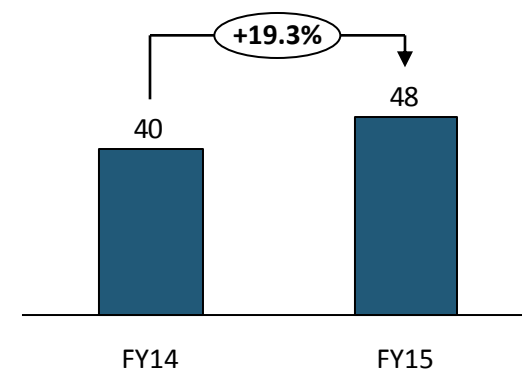
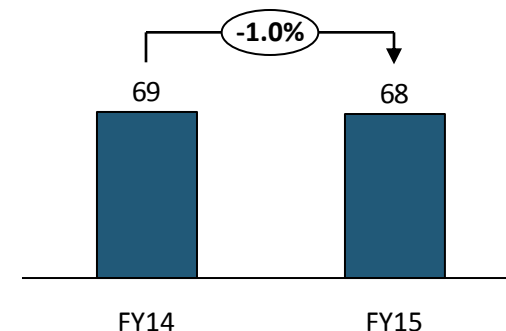
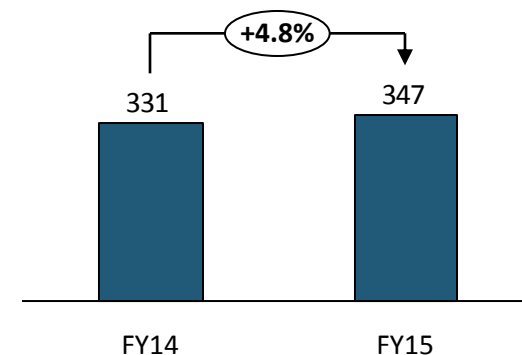
Particulars (Rs. In Crs)	Q1FY16	Q1FY15	Y-o-Y	FY15
Sales from Operations	71.38	67.67		282.13
Other Operating Income	0.73	0.17		0.44
<b>Total Income from Operations</b>	<b>72.11</b>	<b>67.84</b>	<b>6.3%</b>	<b>282.57</b>
Other Income	1.46	2.03		12.86
<b>Total Income</b>	<b>73.58</b>	<b>69.87</b>		<b>295.43</b>
Total Raw material	20.74	20.98		85.07
Power & Fuel Cost	9.33	10.39		40.38
Employee Cost	7.30	6.68		27.95
Other Expenses	13.48	12.63		57.89
<b>EBITDA</b>	<b>22.73</b>	<b>19.19</b>	<b>18.4%</b>	<b>84.14</b>
<b>EBITDA (%)</b>	<b>30.9%</b>	<b>27.5%</b>		<b>28.5%</b>
Depreciation	4.73	3.07		13.08
<b>EBIT</b>	<b>18.00</b>	<b>16.13</b>		<b>71.06</b>
<b>EBIT (%)</b>	<b>24.5%</b>	<b>23.1%</b>		<b>24.1%</b>
Interest	1.53	2.18		8.10
<b>Profit Before Tax</b>	<b>16.47</b>	<b>13.95</b>		<b>62.96</b>
Provision for Tax	2.12	4.02		11.65
<b>PAT</b>	<b>14.35</b>	<b>9.93</b>	<b>44.6%</b>	<b>51.32</b>
<b>PAT (%)</b>	<b>19.5%</b>	<b>14.2%</b>		<b>17.4%</b>

# Balance Sheet - Standalone

Particulars (Rs. Crs)	FY15	FY14	Particulars (Rs. Crs)	FY15	FY14
<b>Shareholder's Fund</b>	<b>244.18</b>	<b>203.87</b>	<b>Non-current assets</b>	<b>248.43</b>	<b>242.21</b>
Share capital	10.31	10.31	Fixed assets (inc. CWIP)	191.75	195.70
Reserves & Surplus	233.87	193.55	Non-current Investments	14.71	14.70
<b>Non-current liabilities</b>	<b>66.49</b>	<b>83.76</b>	Long Term Loans & Advances	41.97	31.81
Long term borrowings	44.09	64.01	<b>Current assets</b>	<b>142.68</b>	<b>114.20</b>
Deferred Tax liabilities (net)	21.12	18.44	Current Investments	26.61	11.16
Other Long term liabilities	1.29	1.31	Inventories	37.26	37.92
<b>Current liabilities</b>	<b>80.43</b>	<b>68.78</b>	Trade receivables	51.49	47.12
Short term borrowings	25.73	18.44	Cash and bank balances	17.72	10.22
Trade payables	15.35	13.53	Short term loan and advances	5.16	3.50
Other current liabilities	39.35	36.81	Other current assets	4.44	4.28
<b>Total Liabilities</b>	<b>391.10</b>	<b>356.41</b>	<b>Total Assets</b>	<b>391.10</b>	<b>356.41</b>

# Profit & Loss Statement - Consolidated

Particulars (Rs. Crs)	FY15	FY14
<b>Total Income from Operations</b>	<b>346.80</b>	<b>330.82</b>
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
<b>Operating EBITDA</b>	<b>68.19</b>	<b>68.92</b>
<b>Operating EBITDA (%)</b>	<b>19.7%</b>	<b>20.8%</b>
Other Income	13.63	5.03
Depreciation	16.38	12.94
Exceptional item	0.00	2.70
<b>EBIT</b>	<b>65.43</b>	<b>63.70</b>
<b>EBIT (%)</b>	<b>18.9%</b>	<b>19.3%</b>
Interest	10.35	13.54
<b>Profit Before Tax</b>	<b>55.08</b>	<b>50.16</b>
Provision for Tax	9.82	9.63
<b>PAT before Minority Interest</b>	<b>45.27</b>	<b>40.54</b>
Minority Interest	-3.02	0.05
<b>PAT after Minority Interest</b>	<b>48.29</b>	<b>40.49</b>
<b>PAT after Minority Interest (%)</b>	<b>13.9%</b>	<b>12.2%</b>

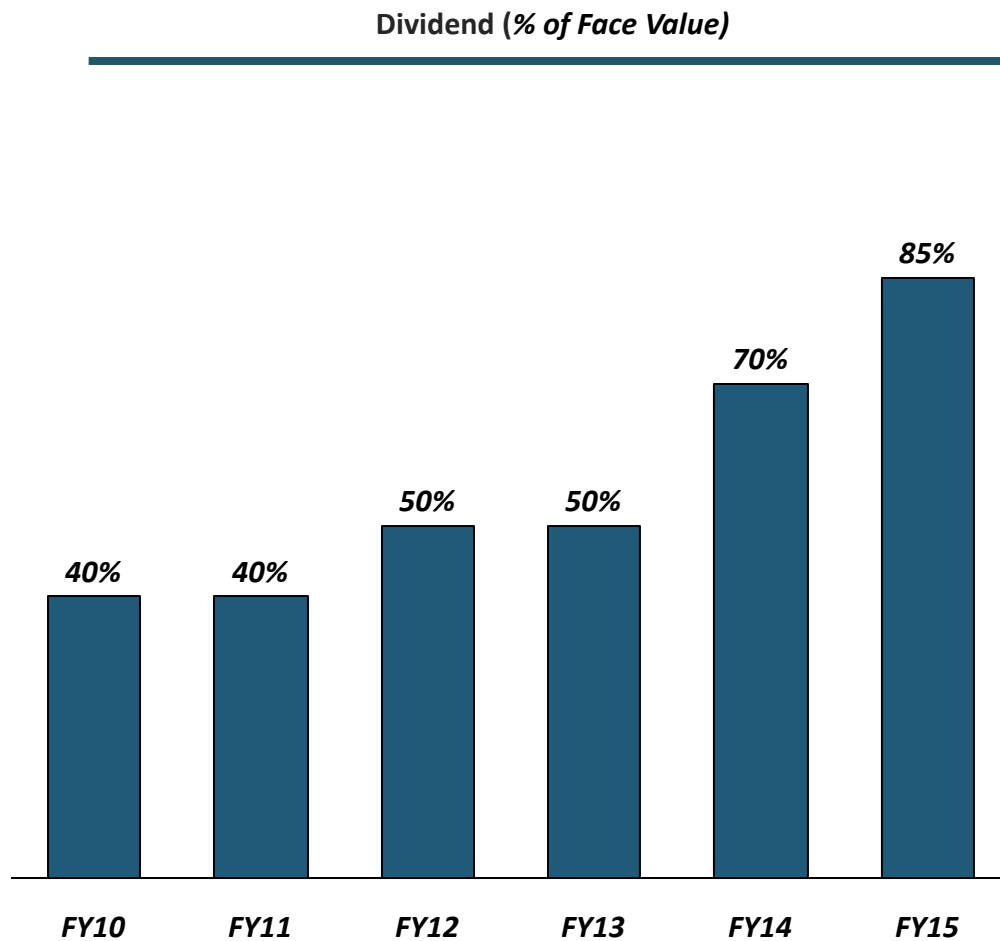


# Balance Sheet - Consolidated

Particulars (Rs. Crs)	FY15	FY14
<b>Shareholder's Fund</b>	<b>244.22</b>	<b>206.93</b>
Share capital	10.31	10.31
Reserves & Surplus	233.91	196.62
<b>Minority Interest</b>	<b>14.57</b>	<b>17.59</b>
<b>Non-current liabilities</b>	<b>66.92</b>	<b>86.36</b>
Long term borrowings	44.09	66.33
Deferred Tax liabilities (net)	21.12	18.44
Other Long term liabilities	1.72	1.59
<b>Current liabilities</b>	<b>113.61</b>	<b>94.33</b>
Short term borrowings	39.79	30.08
Trade payables	29.65	23.09
Other current liabilities	44.17	41.16
<b>Total Liabilities</b>	<b>439.32</b>	<b>405.22</b>

Particulars (Rs. Crs)	FY15	FY14
<b>Non-current assets</b>	<b>262.40</b>	<b>257.79</b>
Fixed assets (inc. CWIP)	219.12	224.37
Non-current Investments	0.18	0.31
Long Term Loans & Advances	43.10	33.11
<b>Current assets</b>	<b>176.92</b>	<b>147.44</b>
Current Investments	26.61	11.16
Inventories	53.03	49.71
Trade receivables	67.58	64.65
Cash and bank balances	18.25	12.36
Short term loan and advances	6.90	5.25
Other current assets	4.54	4.32
<b>Total Assets</b>	<b>439.32</b>	<b>405.22</b>

# Consistent Dividend Record



## For further information, please contact:

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