

# Phillips Carbon Black Limited



*We Touch Lives Every Moment*

*Investor Presentation*  
*May - 2018*

# Part of a Dynamic Conglomerate....




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# Carbon Black Industry

## Global Overview

- Global CB demand is approx. 13 mn tonnes
- Largest 10 players held 63% of total global sales
- 93% of CB demand linked with tyre and rubber industry

## Company Overview

- Largest in India and 7<sup>th</sup> largest globally by volume
- Well spread product mix:
  - Rubber Carbon Black
  - Non Rubber incl Specialty Carbon Black
- Co-generation power plants at each locations
- Over 58 years of rich experience in the industry
- Comprehensive global reach to customers in more than 30 countries
- Seamless capability to switch over various feedstocks

## What is Carbon Black ?



- Pure elemental carbon in the form of black powder
- Produced by thermal decomposition of gaseous or liquid hydrocarbons under controlled conditions
- Largest application - reinforcing agent in tyres
- Its unique properties make it useful for pigmentation, UV stabilization and also as a conductive agent
- Performance is related to properties of specific surface area, particle size and structure, conductivity and colour

# Carbon Black Business Segmentation

## Rubber Carbon Black



Tyre Carcass

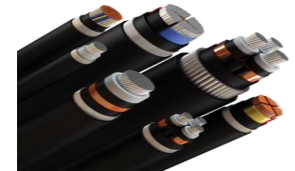
Tyre Tread

- End market demand remains strong
- Large volumes, sold directly to global tyre producers
- In rubber applications, CB provides reinforcement and improves resilience
- Non tyre rubber constitutes 20% of global CB demand

## Non Rubber Carbon Black



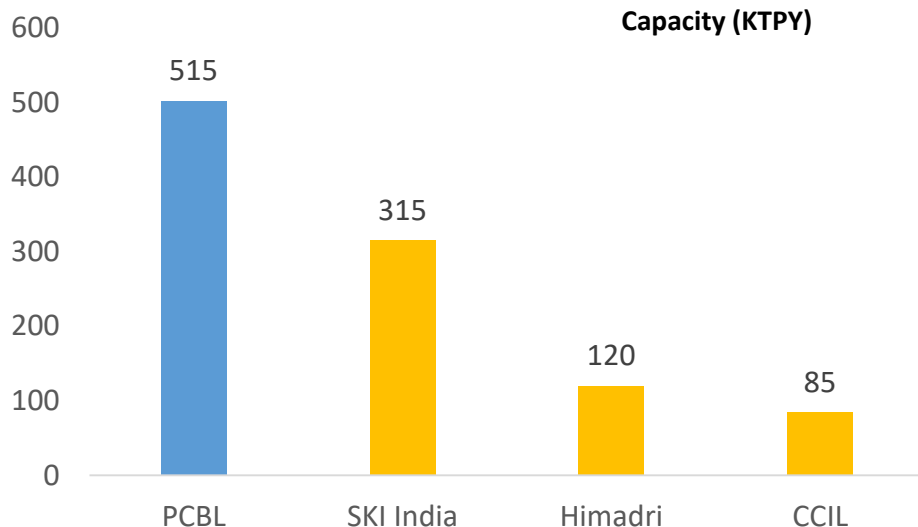
### Pure Specialty



- Advanced technology driven specialty carbon black manufacturing
- High margins relative to rubber
- Non rubber CB functions as a pigment
- Non rubber constitutes 7% of global CB demand

**Enhancing Focus on High Performance Rubber Black and Specialty Carbon Black**

# Manufacturing

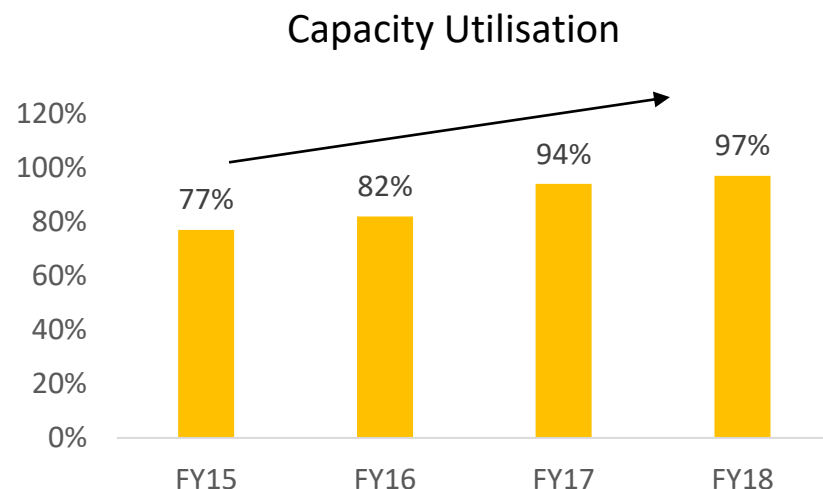


**Current Capacity**

Location	CB (MT)	CPP (MW)
Durgapur, W.Bengal	1,57,000	30
Mundra, Gujarat	1,53,000	24
Palej, Gujarat	1,05,000	12
Kochi, Kerala	1,00,000	10
<b>Total</b>	<b>5,15,000</b>	<b>76</b>

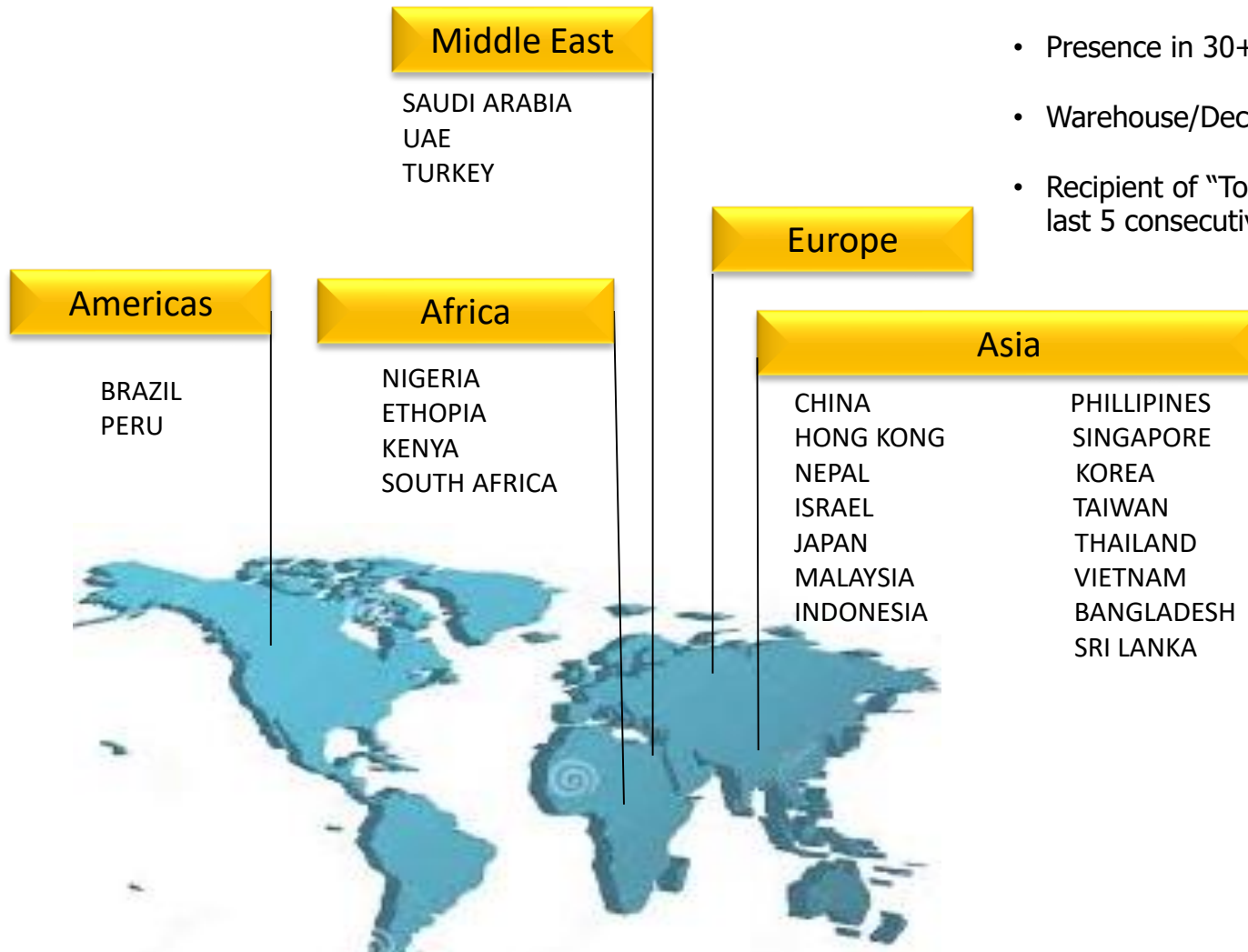
## Market Share of PCBL:

- Over one-third of domestic consumption
- Largest exporter of carbon black from India
- 10% of Asian market excl China





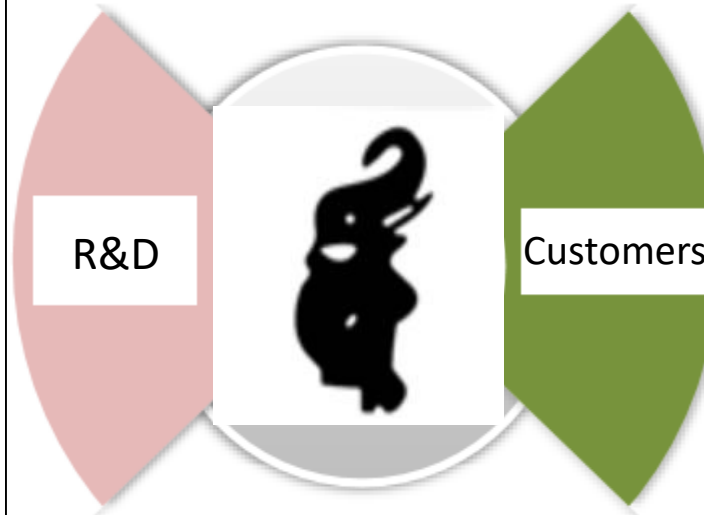
# Global Reach with Regional Expertise....



- Four manufacturing facilities located near port
- Presence in 30+ countries
- Warehouse/Decanting Stations near customers
- Recipient of "Top Exports" award from AIRIA for last 5 consecutive years

## ....With Strong Brand Recall

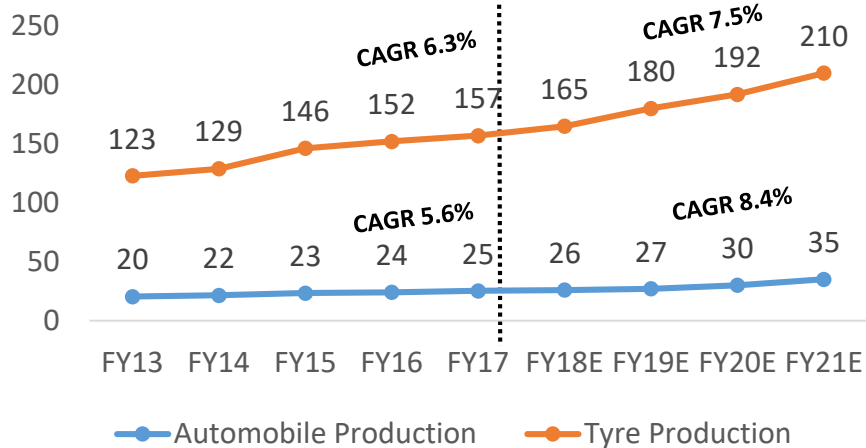
- Over 50 grades across rubber and non rubber black
- Driving innovation in application with customers
- Focus on high performance rubber and specialty carbon black
- Seamless capability for multiple feedstock
- Diversified sourcing of feedstock





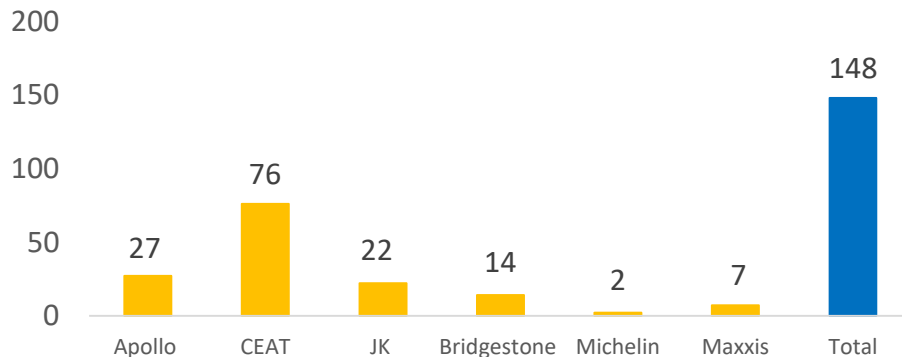
# Tyre Demand in India Growing Rapidly

## Automobile Production Vs Tyre Production (Mn Units)



Source: SIAM and ATMA

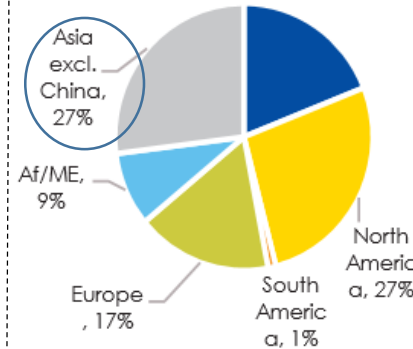
## Capacity Addition plans for Indian tyre companies in FY21 (Mn Units)



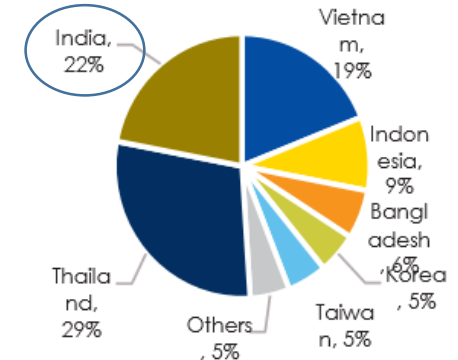
Source: Deutsche Bank Markets Research

## Tyre Industry - key growth driver for Carbon Black

\$22 Billion in Total Investments in Tyre Industry between 2016-21



\$5.9 Billion to be invested in Asia Pacific excl. China



Source: Edelweiss Research

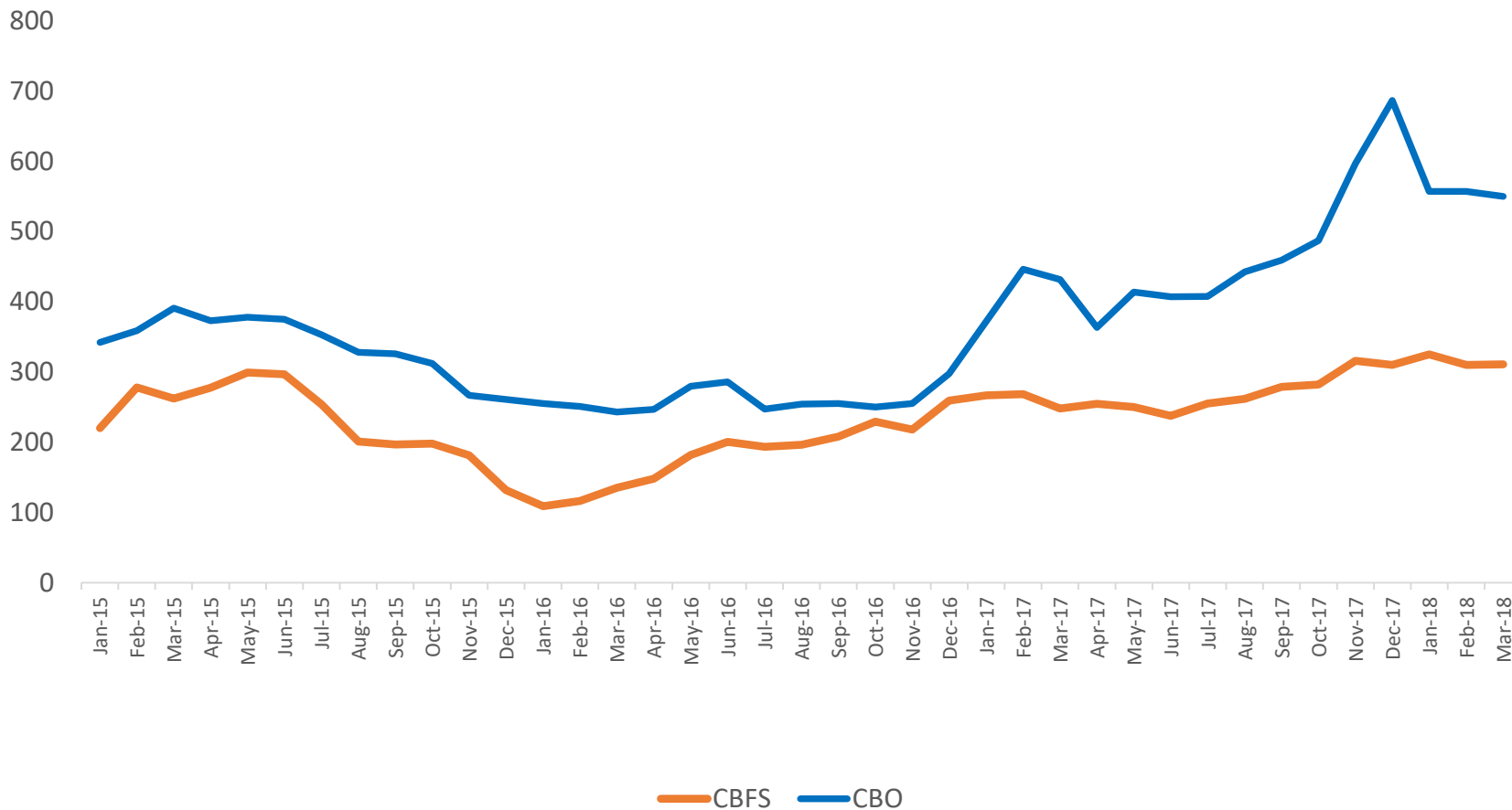
- Tyre Industry in the last 5 years has outperformed the growth of automobile production on back of higher demand from replacement market
- India and Thailand witnessing highest investments in the tyre segment within the Asia-Pacific region excl. China
- Utilisation levels will go up as demand outstrips supply addition



# Competitive Raw Material Prices

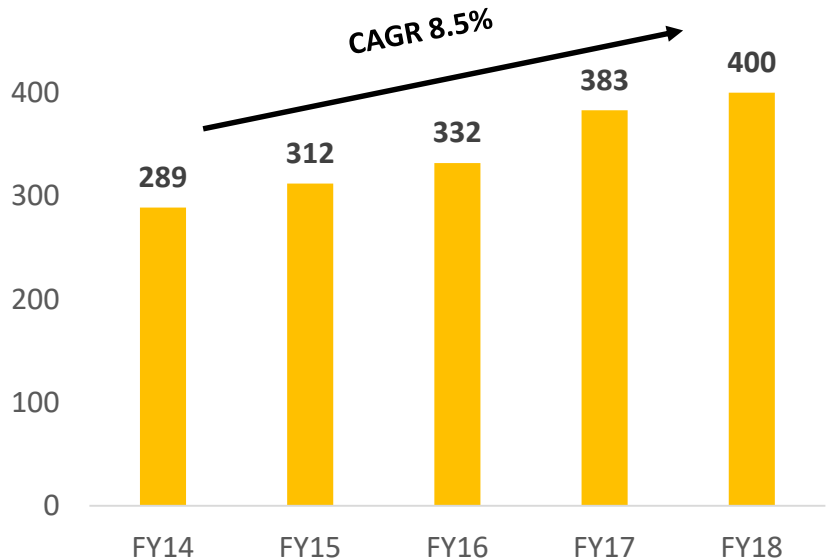
**Spread between CBO and CBFS**

\$/MT

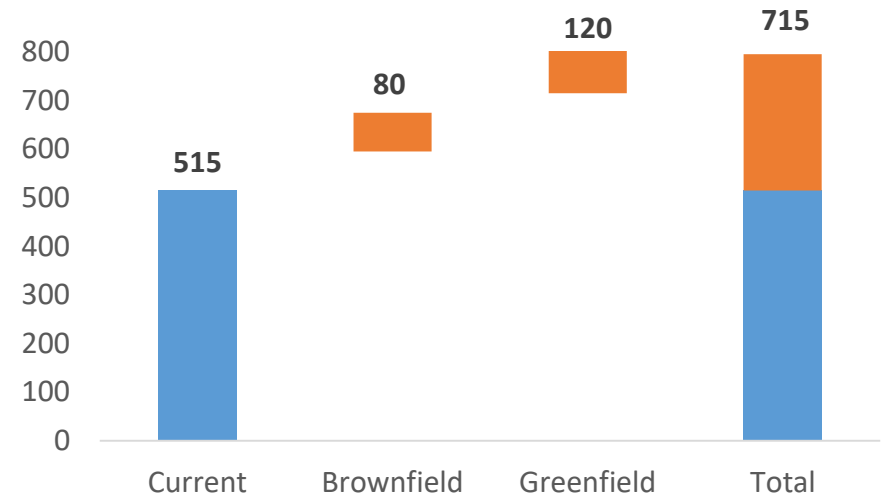


# Volume Growth..

**PCBL's CB Production Trend (KTPA)**



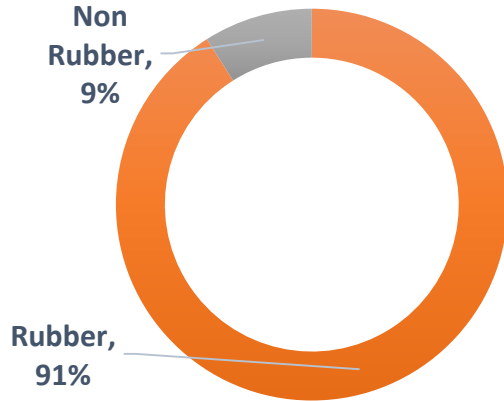
**Capacity Expansion Plans (KT)**



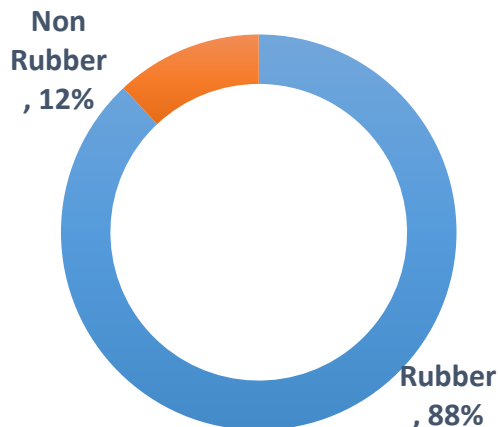
- Brownfield expansion of 80,000 tonnes with an investment of Rs 400 crs by FY19
- Greenfield expansion 120,000 MT of regular carbon black in South India

# Increasing focus on Non Rubber application

## Sales Volume



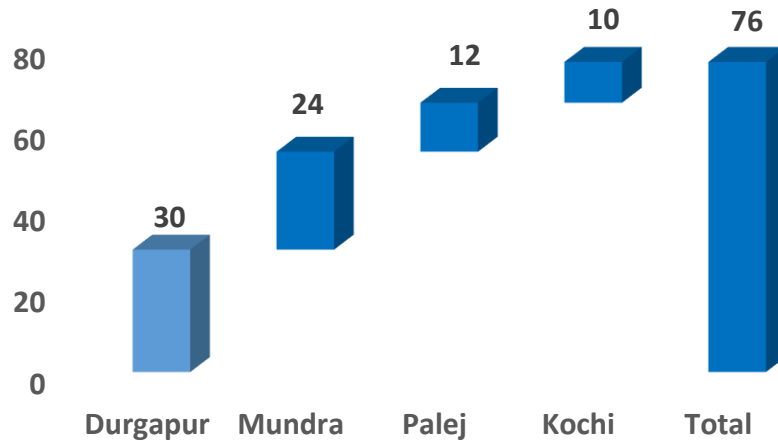
## Revenue



- Non rubber carbon blacks are higher margin products
- PCBL is India's leading manufacturer of specialty blacks
- Focus on increasing penetration in non rubber segment
- Ramping up specialty portfolio to reduce India's dependence on imports
- Moving up value chain to cover more than 90 % of product basket in plastic application ( largest market segment )
- Inhouse R&D to develop new grades for ink and paint applications

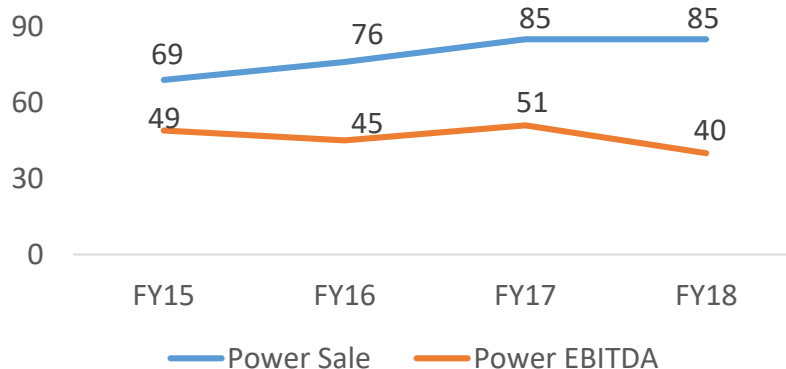
# Accelerating Contribution by Power Segment

**Power Capacity Across Plants (MW)**



	FY15	FY16	FY17	FY18
CB Production (MT Lakhs)	3.12	3.32	3.83	4.00
Power Generation (MU)	342	372	484	450
Power Export (MU)	199	225	304	272

**Power Segment Performance (Rs Crs)**

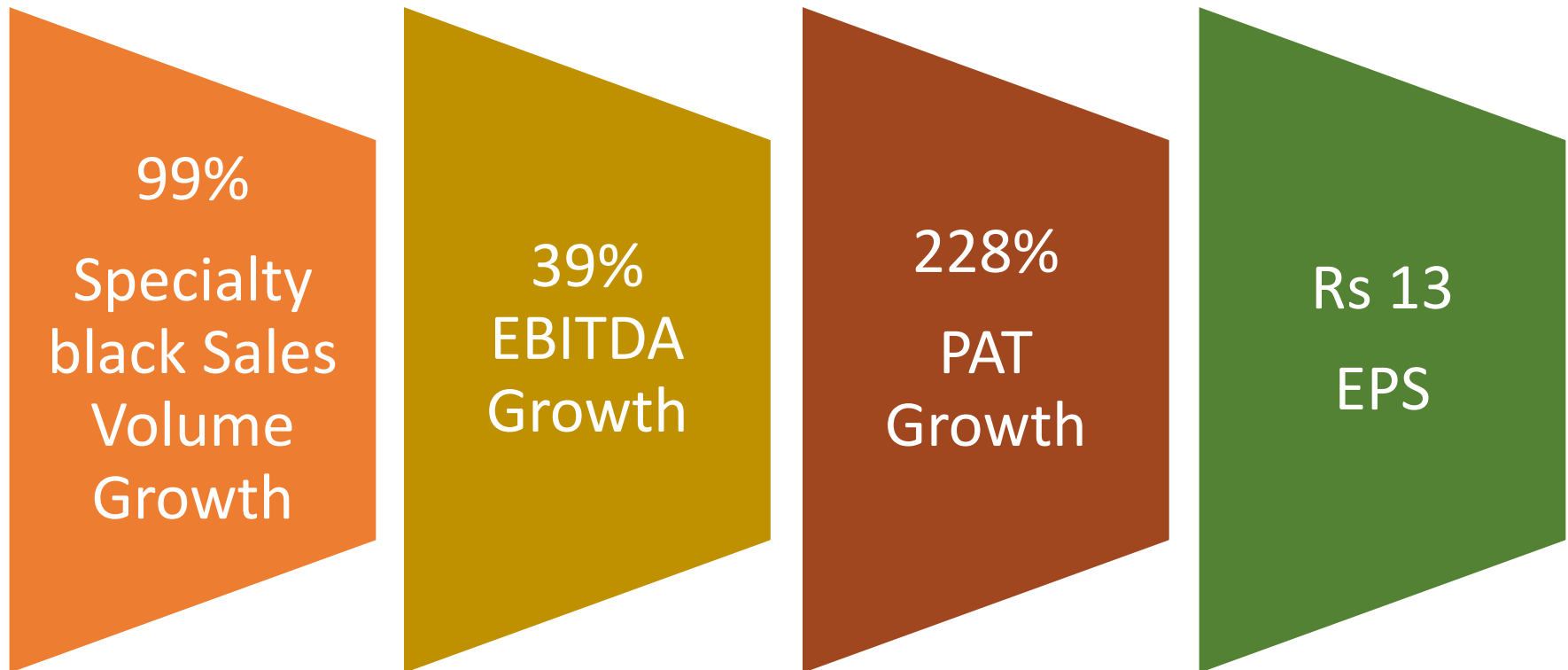


Approximately 35% of power generated is used to meet captive requirement, balance 65% is exported to grid

Increasing efficiency and CB production volume has been driving growth of power revenue

# Growth Driven by Sustained Performance....

As per FY18

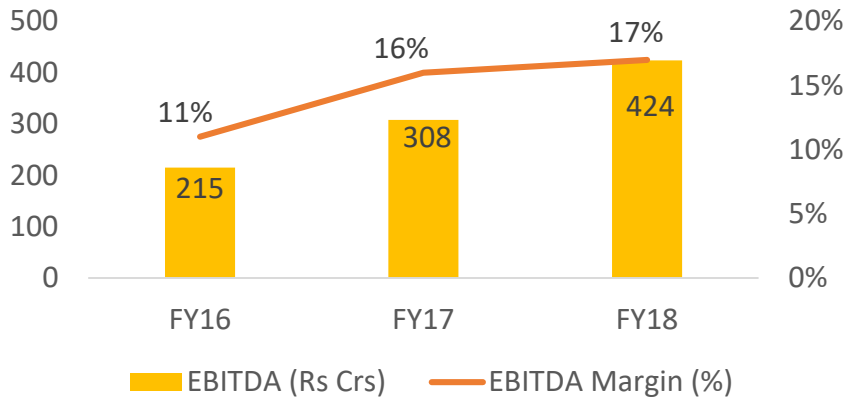




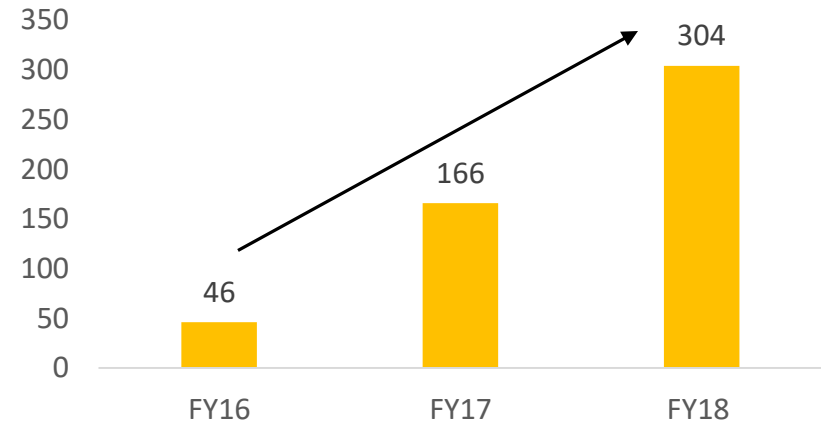


# ... Resulting from Strong Business Metrics

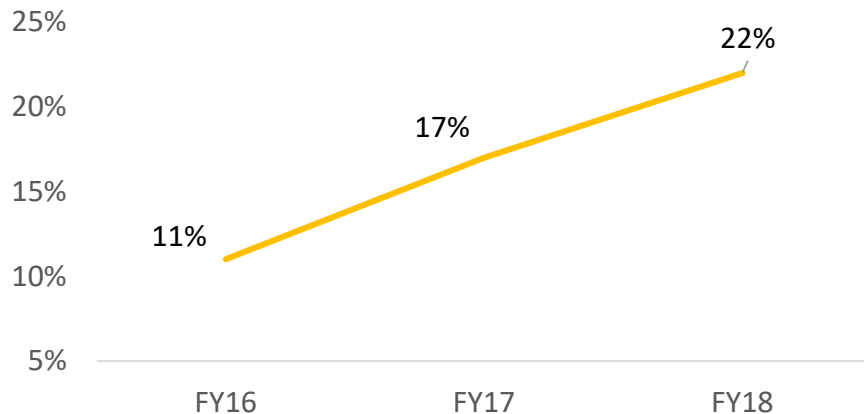
**EBITDA and EBITDA margins**



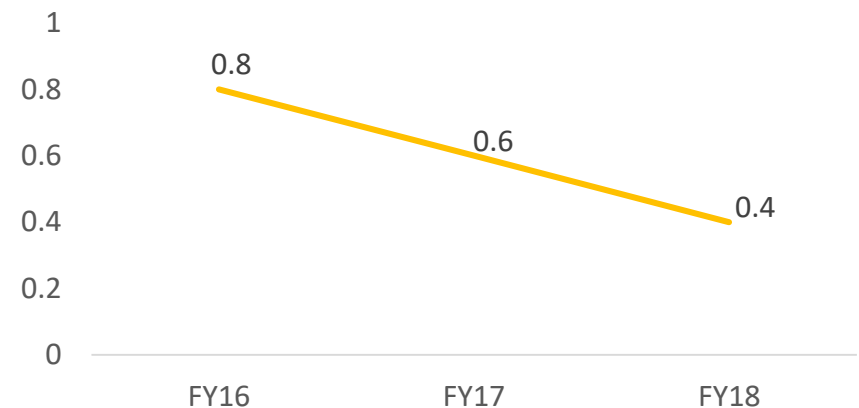
**PBT**



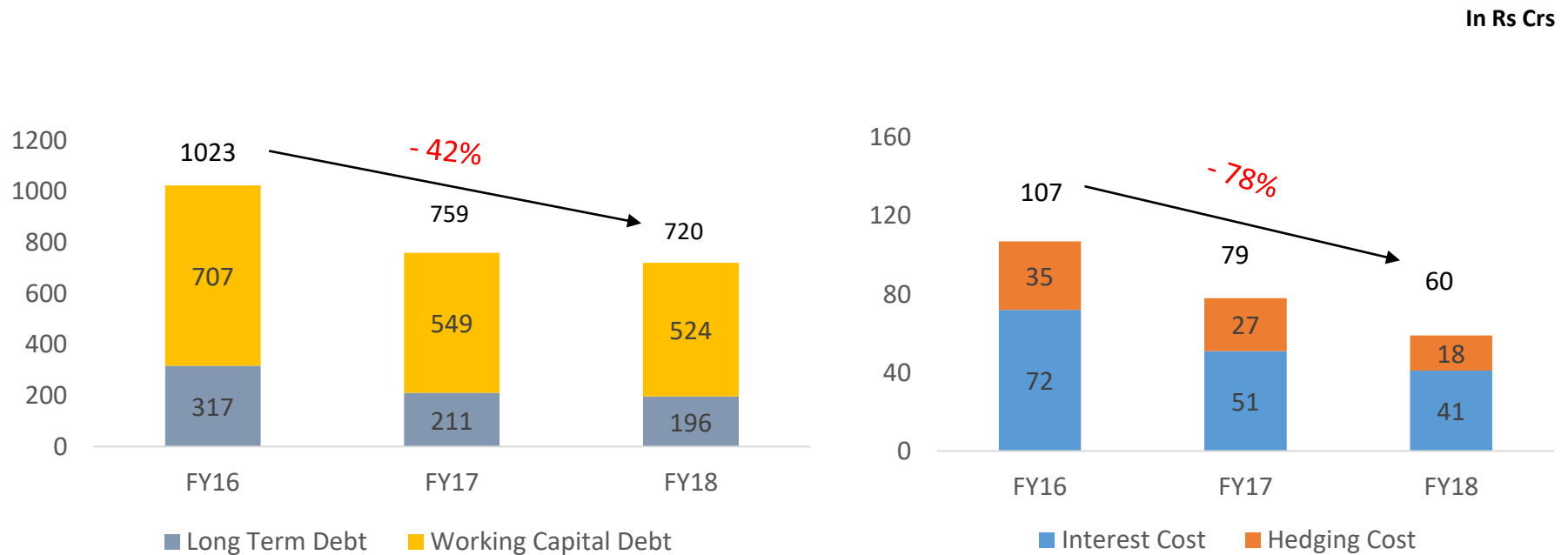
**Return on Capital Employed**



**Net Debt /Equity**



# Borrowing Position



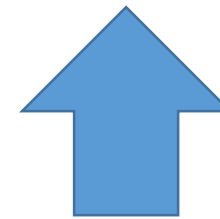
- Reduced leverage with increase in cash flow and improved working capital management

# Strong Financial Performance

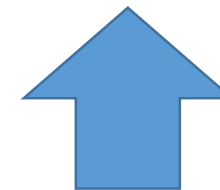
Rs Crs

	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Total Income	2,132	2,150	2620
Raw material cost	1,291	1,221	1651
Other Expenses	624	624	545
<b>EBITDA</b>	<b>217</b>	<b>305</b>	<b>424</b>
Finance Cost (incl hedging cost)	107	79	60
Depreciation	62	60	60
<b>PBT</b>	<b>48</b>	<b>166</b>	<b>304</b>
Tax Expenses	31	96	74
<b>PAT</b>	<b>17</b>	<b>70</b>	<b>230</b>

YoY Change



**39%**  
**EBITDA Growth**



**228%**  
**PAT Growth**

# To Summarise: Factors Building Our Future

Specialty and High Performance Product Mix

Manufacturing Efficiency & Optimization

Long Lasting Relationship with Major Tyre  
Customers

Strong Customer Reach: Warehouse/Decanting  
Stations near Customers

Robust Financial: Low Borrowings

Maximizing Benefit from Industry Growth

# Thank You