



Business model. Model business.

## Disclaimer

In this annual report, we have disclosed forward-looking information to help investors comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



## Across the pages...

2 Corporate identity 6 Highlights 2008-09 8 Chairman's perspective 10 Our core strengths  
20 CEO's review 24 Business segment review 31 Our business drivers 38 Industry and business review  
40 Review of financial statements 43 Risk management 46 Directors' Report  
52 Management Discussion and Analysis 56 Corporate Governance 68 Financial Section

# Business model. Model business.

A successful business model maximises the upside during sectoral crests and minimises the downside during industry troughs.

In 2008-09, our business model passed just such a test.

Despite our downstream sectors passing through their most challenging period in memory, we grew our businesses in various ways.

Increased revenues. Enhanced EBIDTA. Strengthened margins.

Indicating better prospects ahead.

## Vision

To become a globally acclaimed leader in coal tar-based products by adopting appropriate eco-friendly technologies and enhancing core capabilities through continuous product improvement, technical innovation and customer satisfaction.

## Mission

Ensure customer satisfaction through building on our core competence of developing products, processes and people towards achieving global standards of excellence.

Be a cost leader, unleashing employee potential to satisfy stakeholders while being a responsible corporate citizen and adhering to our values. Develop employees and encourage them to excel in their professional, personal and social lives. Be proactive in conserving the environment, maintaining high levels of safety and addressing social concerns in the regions in which we operate.

## Business

**Aluminium.** Hundreds of every-day uses. **Tyres.** Facilitator of national movement. **Steel.** National backbone. **Concrete.** Driver of infrastructure growth. Lithium-ion batteries. Heart of computing and communications.

Himadri Chemicals. India's only integrated company to produce coal tar pitch and derivatives that are used in each of these downstream sectors.



## Our 2012 objective

- To figure among the three leading producers of coal tar products in the world
- To become the world's most economical producer of coal tar products
- To be a preferred global supplier of coal tar by-products

## Location

The Company is headquartered in Kolkata, India. Its five facilities – three on the outskirts of Kolkata (West Bengal), one in Visakhapatnam (Andhra Pradesh) and one in Korba (Chhattisgarh) – are strategically located near large consumers. The Company has taken an SNF manufacturing unit at Vapi, Gujarat on lease. The Company has also proposed a large manufacturing facility in China.

## Clientele

The Company's clientele comprises eminent names in India like the National Aluminium Company Limited, Hindalco Industries Limited, Bharat Aluminium Company Limited, Vedanta Aluminium Limited, Graphite India Limited, HEG Limited and large international names like Dubai Aluminium Company Limited, Pt. Indonesia Asahan Aluminium, SGL Carbon SA, Aluminium of Greece, Graftech International Limited and Osaka Gas Chemicals Company Limited, among others.

## Certification

The Company's quality discipline and environmental management system has been certified as per ISO 9001: 2000 and ISO 14001: 2004 standards respectively.

## Products

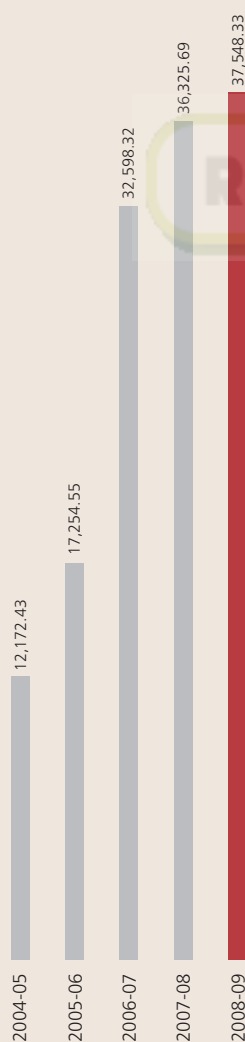
Product name	End use
Coal tar pitch – binder grade	Used as a binder of anodes, a prime input in aluminum manufacture
Coal tar pitch – impregnating	Used as a prime input in graphite electrodes manufacture
Coal tar oils	Used as a carbon black feedstock and furnace oil substitute
Naphthalene	Used in the manufacture of dye and dye intermediates, super plasticizers and tanning agents
Super plasticizers (SNF)	Used in ready mix concrete and for the manufacture of admixtures
Advanced carbon material	Used in making anodes for lithium-ion batteries
Carbon black	Used in tyre, rubber application , plastics, coating, ink and battery
<b>Corrosion protection products</b>	
■ Himcoat Enamel	Provides anti-corrosion protection to underground and off-shore pipelines.
■ Himcoat Primer-B and Himtape	Oil and gas pipelines, tanks, underground structures and fittings, water and sewage pipelines, fire hydrant lines, pipe joints, fittings and couplings
■ Himwrap	Provides complete protection to the underground pipeline, protecting the enamel against soil stress, pipe shift, moisture, bacteria and root growth

The Company also operates windmills (2.5 MW) in Dhule, Maharashtra

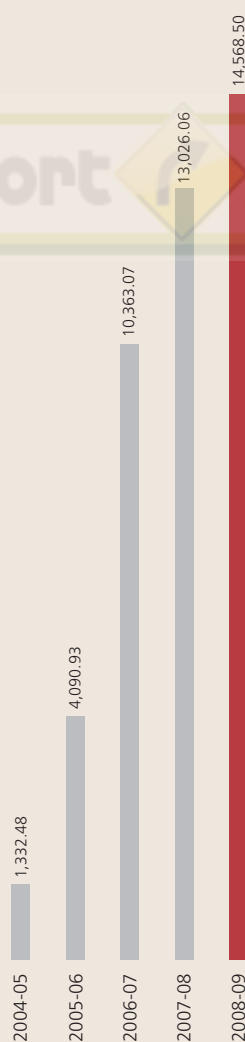
# The strength of our business model is reflected in our numbers.



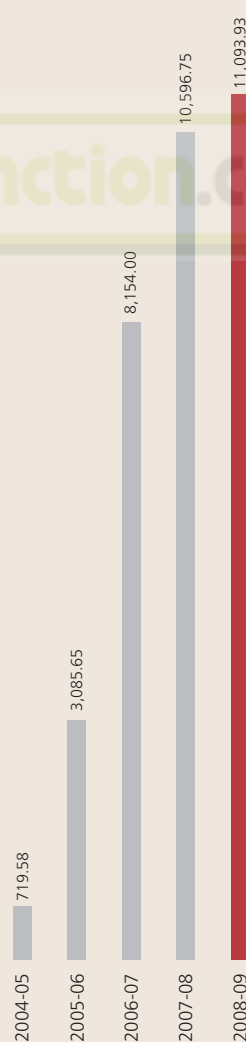
Revenue (net of excise)  
(Rs. in lacs)



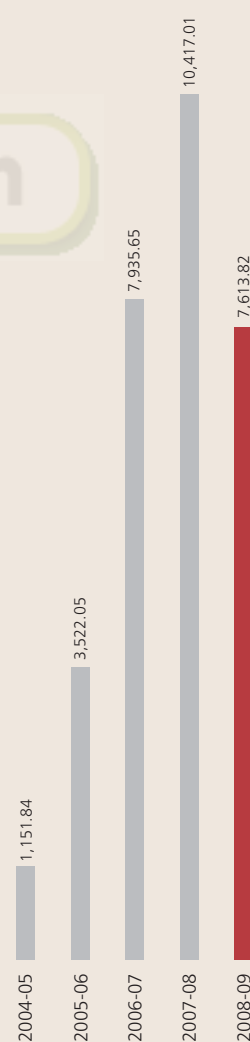
EBIDTA (Rs. in lacs)



PBT (excluding foreign  
exchange variations and  
exceptional items)  
(Rs. in lacs)

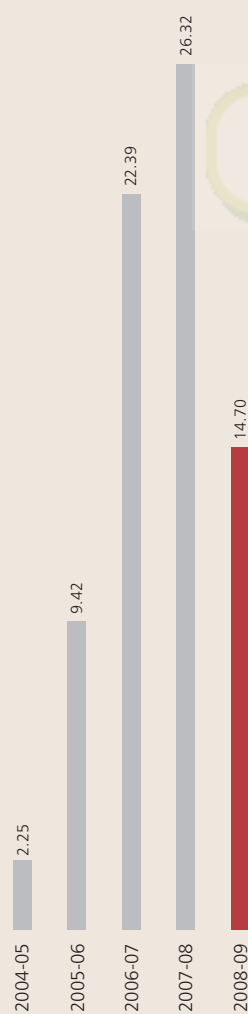


Cash profit (Rs. in lacs)

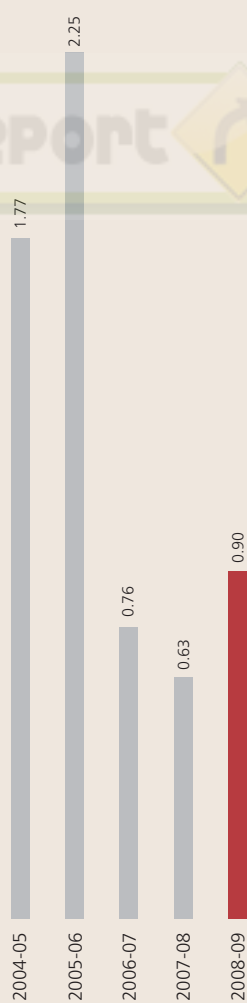




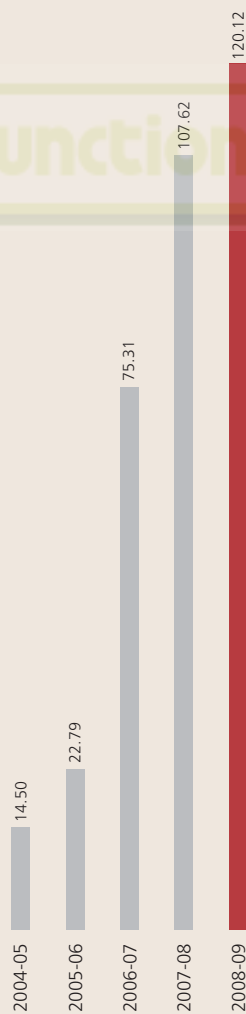
Earnings per share  
(basic) (Rs.)



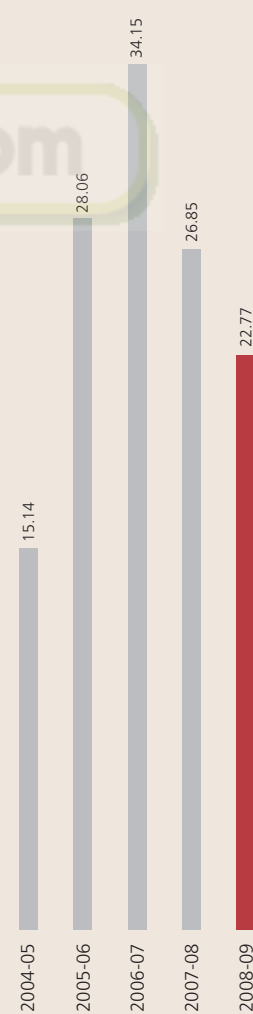
Debt-equity ratio



Book value per share (Rs.)



Average return on  
capital employed (%)



## Numbers

- Net revenues increased 3.37% to Rs. 37,548.33 lacs in 2008-09
- EBIDTA increased 11.84% to Rs. 14,568.50 lacs in 2008-09
- EBIDTA margin increased 294 basis points to 38.80% in 2008-09
- Post-tax profit declined 43.60% to Rs. 4,677.65 lacs in 2008-09
- Earnings per share (basic) declined 44.15% to Rs. 14.70

## Operational

- Power consumption declined from 34.601 units/MT of production in 2007-08 to 29.428 units/MT of production in 2008-09.
- Fuel consumption declined from 24.843 litres/MT in 2007-08 to 23.987 litres/MT of production in 2008-09.

## Marketing

- Exports increased 70.87% to Rs. 7,805.70 lacs in 2008-09.
- Entered the super plasticizer and advanced carbon material segments.
- Added several new customers in overseas market.

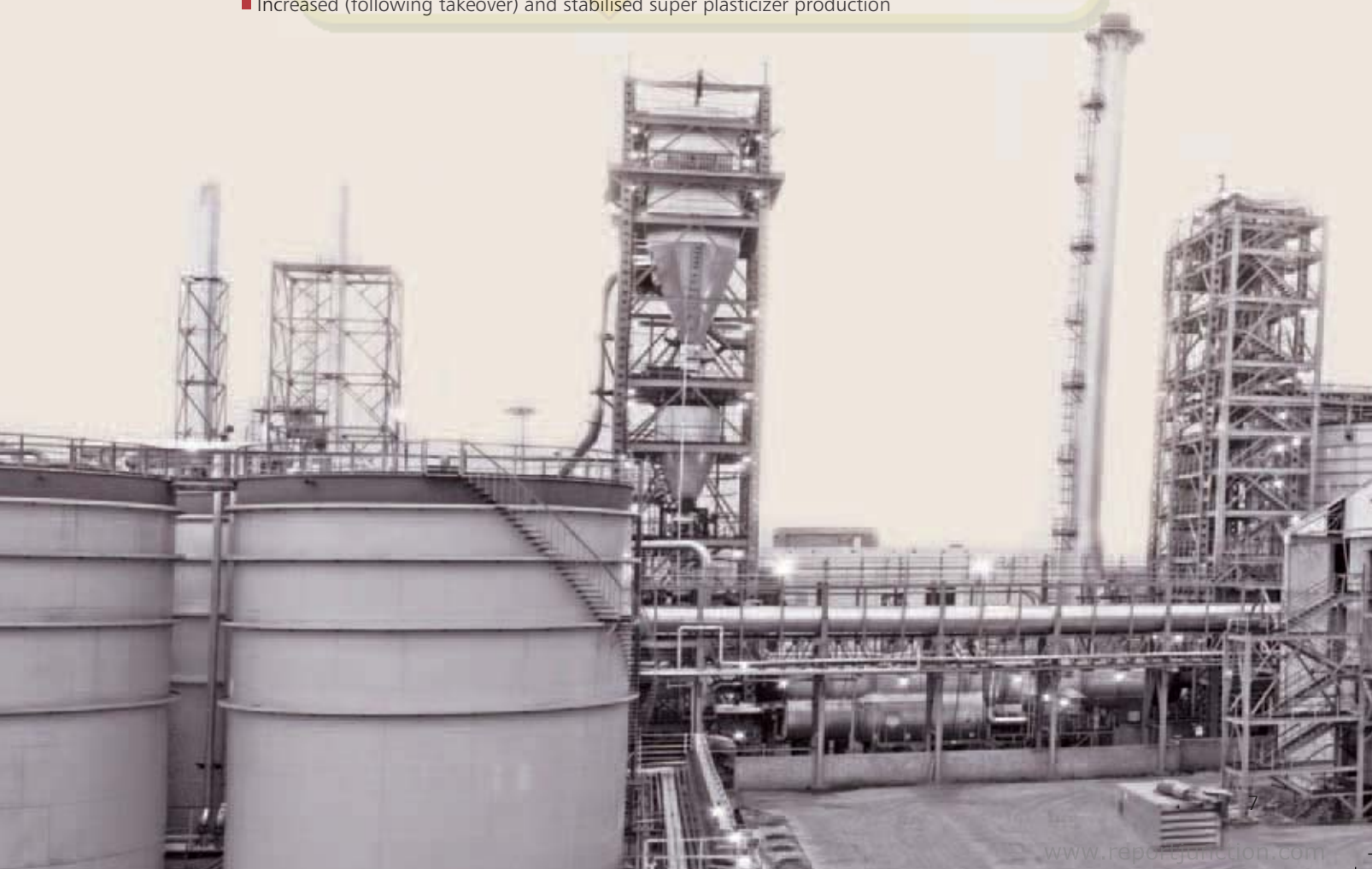


## Projects

- Acquired an SNF facility under lease in March 2009
- Entered into a joint venture and acquired land to set up a greenfield coal tar pitch plant and liquid terminal in Longkou Port (China) to service the growing demand for coal tar pitch in China, the Middle East, South America, CIS and South Africa
- Accelerated the commissioning of a carbon black plant and a 12 MW power plant (from waste heat gas) at Mahistikry on the outskirts of Kolkata

## Post-balance sheet developments

- Revenue declined 7.25% from Rs. 9150 lacs in Q1 2008-09 to Rs. 8487 lacs in Q1 2009-10.
- EBIDTA escalated 7.42% from Rs. 3479 lacs in Q1 2008-09 to Rs. 3737 lacs in Q1 2009-10
- Post-tax profit jumped 7.95% from Rs. 2101 lacs in Q1 2008-09 to Rs. 2268 lacs in Q1 2009-10
- Commissioned a carbon black unit of 50,000 TPA
- Commissioned a 12 MW waste heat gas based power plant
- Increased (following takeover) and stabilised super plasticizer production



## Chairman's perspective

For years, we invested in our business model with a singular perspective: to protect profits even at the extreme ends of a cyclical curve.

I am pleased to state that during the last financial year, we survived the cyclical test and vindicated the robustness of our business model: we grew our revenues from Rs. 363.26 crores in 2007-08 to Rs. 375.48 crores in 2008-09 and our EBITDA from Rs. 130.26 crores in 2007-08 to Rs. 145.68 crores in 2008-09.

Remarkably, challenges notwithstanding, we reported encouraging numbers; during the first quarter of 2009-10, despite a 7.25% decline in topline from Rs. 9,150 lacs in Q1 2008-09 to Rs. 8,487 lacs in Q1 2009-10, our EBITDA strengthened 7.42% from Rs. 3,479 lacs to Rs. 3,737 lacs and our post-tax profit grew 7.95% from Rs. 2,101 lacs to Rs. 2,268 lacs.

This performance gives me the optimism to state that for Himadri Chemicals the worst is indeed over and we have the capability to report attractive growth in 2009-10 and beyond.

### Externals and internals

Himadri is in the right region at the right time with the right product profile. Even through the global economic crisis, Asia performed well compared with the rest of the world, with the Sino-Indian economies emerging robust. Asia's growing aluminium requirement will drive coal tar pitch demand. Also, India's per capita aluminium consumption is one of the world's lowest, a convincing rationale for sustainable growth. Although the external environment is challenging and transitory, our capabilities are enduring. Consequently, we

