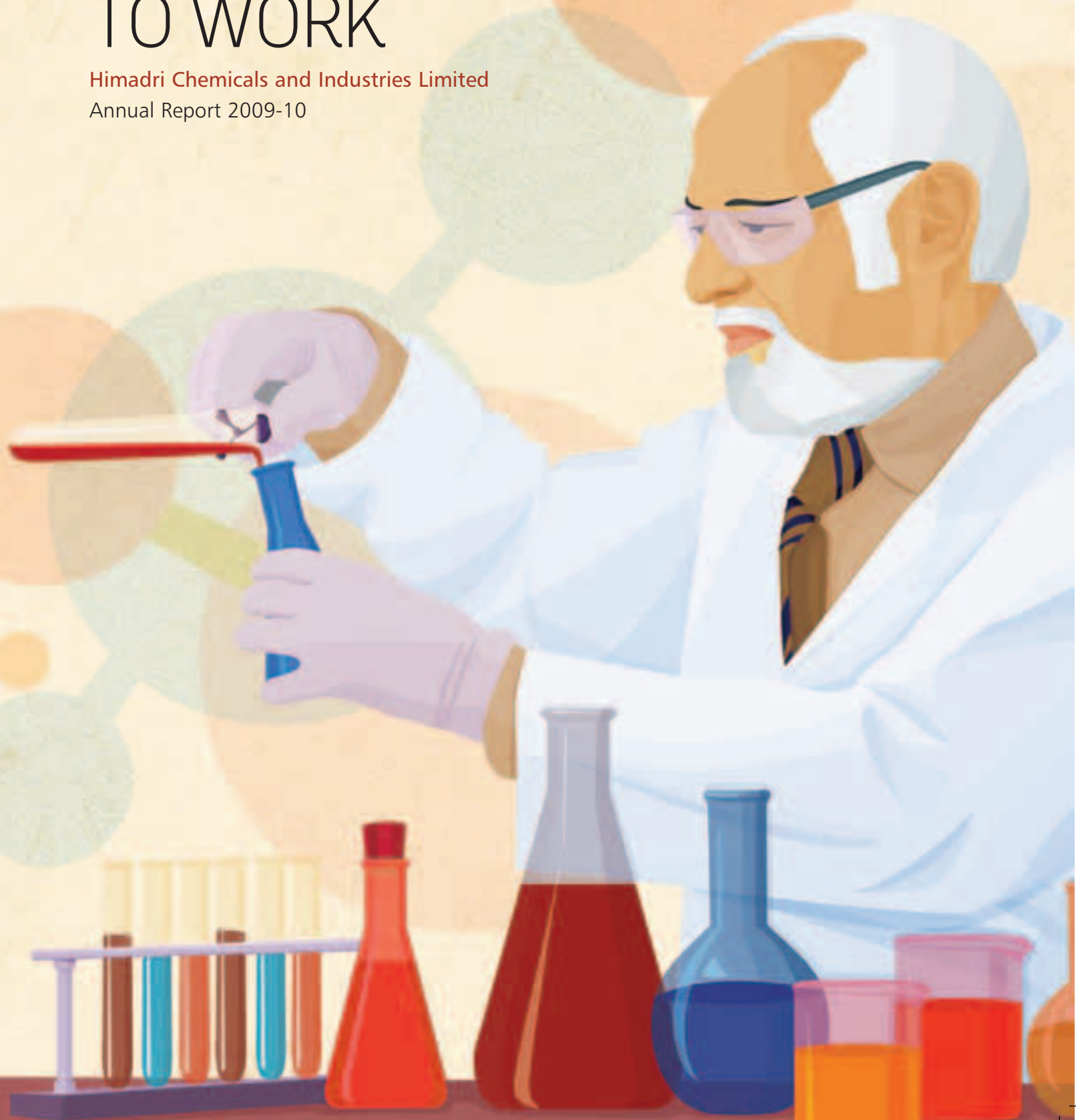


PUTTING KNOWLEDGE TO WORK

Himadri Chemicals and Industries Limited
Annual Report 2009-10



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.

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We were once just a coal tar pitch company.

That leveraged its deep product, process and domain knowledge to become a leading speciality carbon corporation.

That employed its technological edge and R&D efforts to graduate from coal tar pitch production to products like advanced carbon material, naphthalene, SNF and carbon black.

That evolved its core competence in one product to core carbon competence on the overall value chain.

THAT SIMPLY PUT ITS
KNOWLEDGE
TO WORK.

HIMADRI CHEMICALS IS INDIA'S LEADING INTEGRATED SPECIALITY CARBON CORPORATION.

Result: Revenues grew 33% in the five years leading to 2009-10. EBIDTA grew more than twice this rate at 72%.

The Company's net sales crossed Rs. 500 crores and net profit Rs. 100 crores in 2009-10.

Himadri Chemicals and Industries Limited had evolved into India's leading integrated speciality carbon corporation. We leveraged our position as India's leading coal tar pitch manufacturing company to profitably extend into multiple products. The result is that the Company has a well-rounded portfolio that offers investors the benefits of risk diversification while staying true to leveraging, in every product, its core competence around the speciality niche of coal tar distillation within the carbon value chain.

- Incorporated in 1987
- Headquartered in Kolkata

- Six manufacturing facilities in India and one (proposed) in China
- One of the few global manufacturers of zero (QI) coal tar pitch used in the graphite electrode industry
- Only fully integrated speciality carbon complex in India to manufacture various value-added carbon products like advanced carbon material
- Only Indian coal tar pitch player in the organised sector
- Establishing India's largest SNF manufacturing base with in-house raw material

Our vision...

- To become a global leader in speciality carbon products by continuously enhancing our core competence through product improvement, technological innovations and customer satisfaction
- As a responsible corporate citizen, we focus on adopting eco-friendly technologies to protect our environment

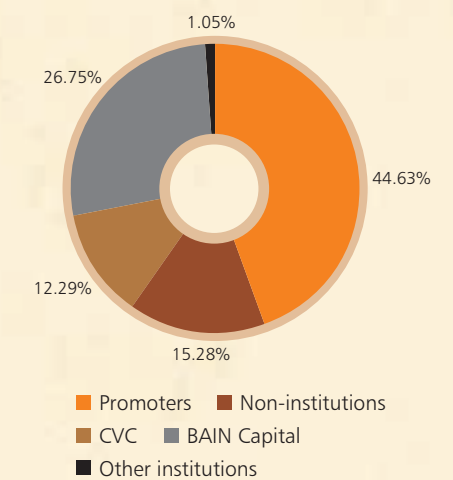
Our mission...

- To ensure customer satisfaction by strengthening our core capabilities and maintaining global standards of excellence
- Become cost leaders and unleash employee potential to satisfy our stakeholders
- Develop our employees so that they excel in their professional, personal and social lives
- Conserve our environment by maintaining high levels of safety and address social concerns in our regions of operation

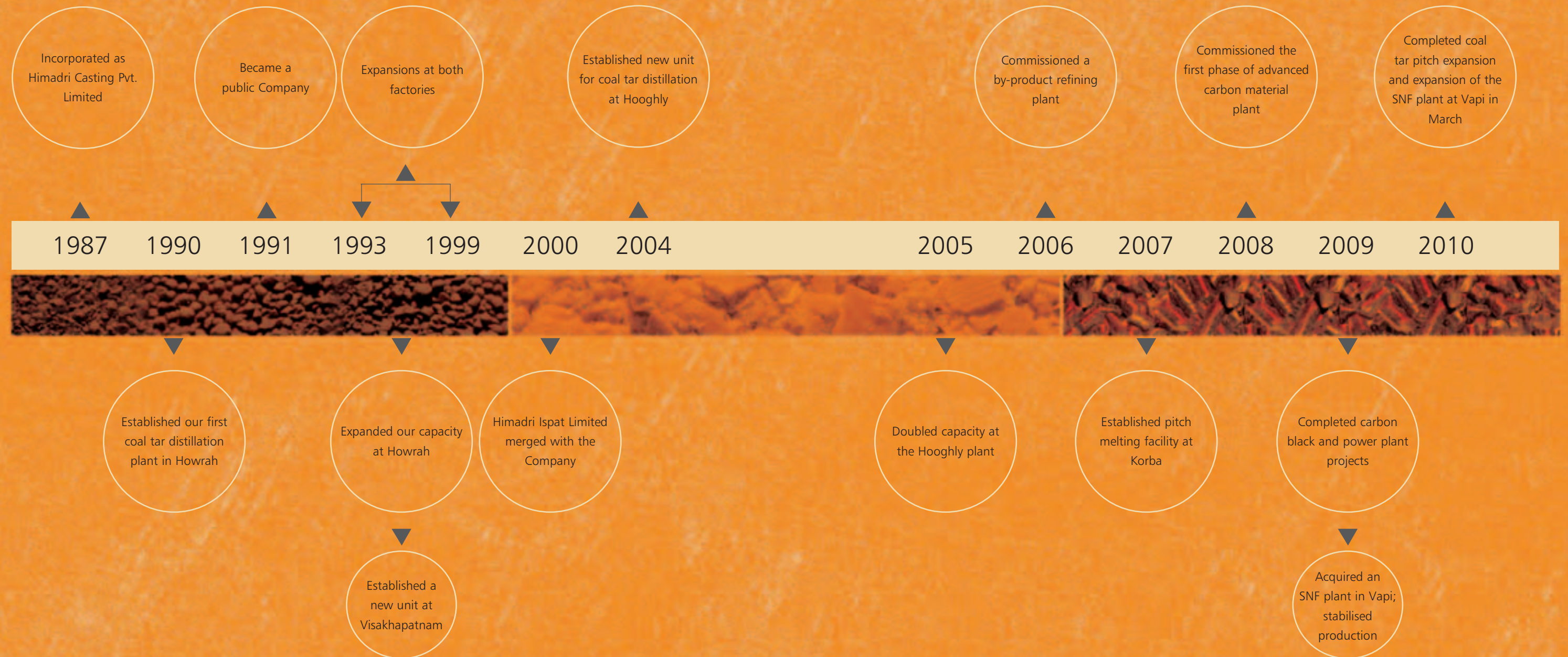
Our product portfolio...

- Coal tar pitch
- Advanced carbon material
- Carbon black
- Coal tar oils of various grades
- Naphthalene
- Sulphonated Naphthalene Formaldehyde (SNF)
- Power from green clean gas
- Corrosion protection products

Our shareholders...



OUR MILESTONES...



INVESTMENTS IN KNOWLEDGE HAVE HELPED DRIVE GROWTH AND RETURNS

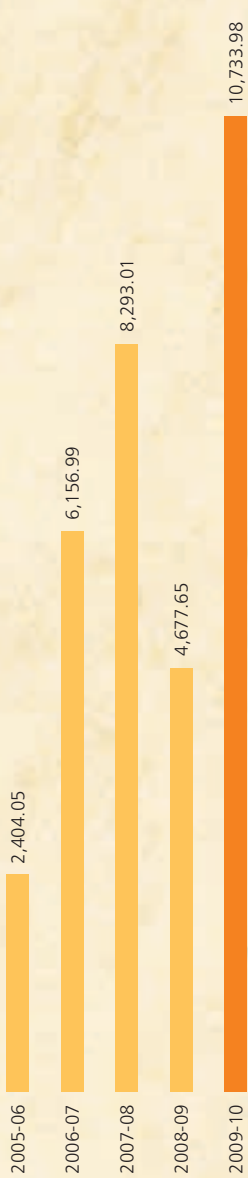
Revenue (net of excise)
(Rs. in lacs)



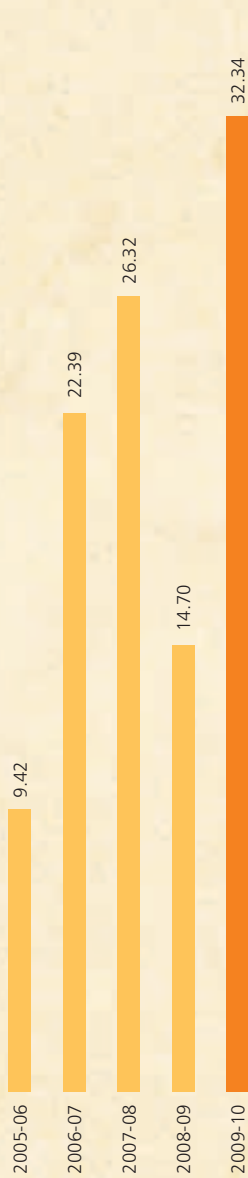
EBIDTA
(Rs. in lacs)



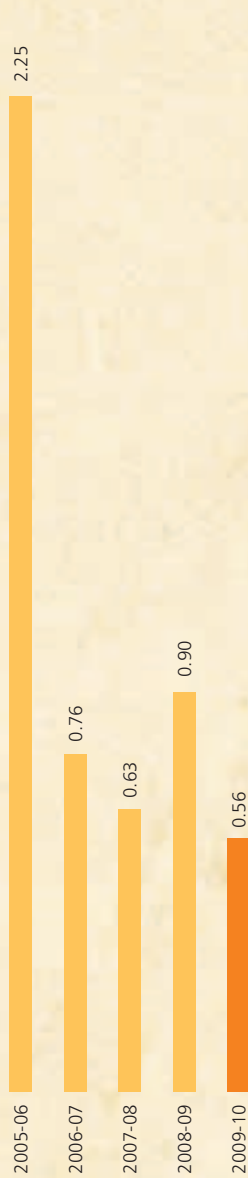
PAT
(Rs. in lacs)



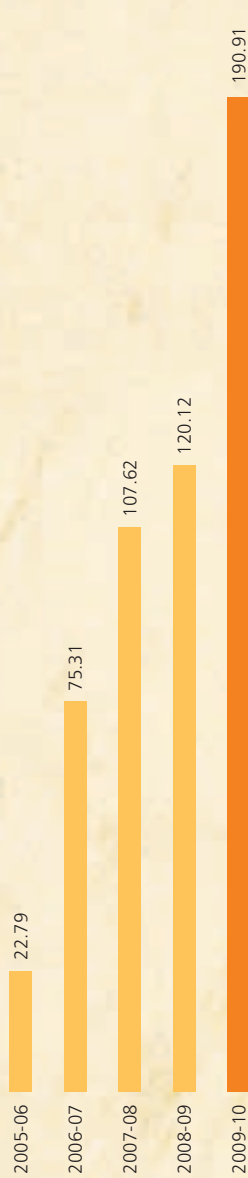
EPS (basic)
(In Rs.)



Debt-equity ratio



Book value per share
(In Rs.)



WHAT WE ACHIEVED IN 2009-10

Financials

- Revenues increased 34.74% from Rs. 37,548.33 lacs in 2008-09 to Rs. 50,593.23 lacs
- EBIDTA increased 54.01% from Rs.12,852.13 lacs in 2008-09 to Rs. 19,793.58 lacs
- EBIDTA margins increased 489 basis points from 34.23% in 2008-09 to 39.12%
- Net profit increased 129.47% from Rs. 4,677.65 lacs in 2008-09 to Rs. 10,733.98 lacs
- EPS (basic) increased 120% from Rs. 14.70 in 2008-09 to Rs. 32.34
- Bain Capital acquired a stake of 26.75% as on March 2010

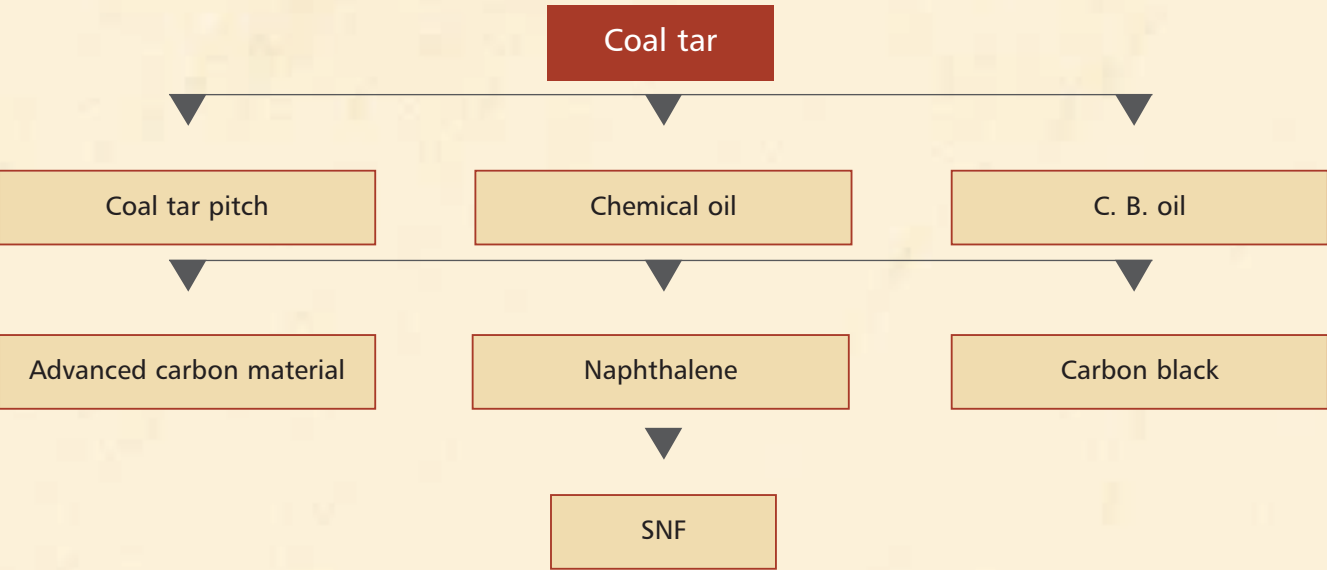
Marketing

- Established a national and international distribution network for carbon black
- Received acceptance for SNF product from the domestic market

Projects

- Completed a coal tar distillation capacity expansion
- Commissioned a carbon black facility to consume oil generated in-house
- Commissioned a power plant
- Increased SNF capacity
- Commissioned work to establish a coal tar pitch capacity in China

OUR PRODUCTS



Products application

Product	Uses
Coal tar pitch – binder grade	Binder of anodes and electrodes used in aluminium and steel production
Coal tar pitch – impregnating	Prime input in graphite electrodes used in steel production
Carbon black	Manufacture of tyres, rubber hoses, conveyor belts, coatings and printing inks, among others
Advanced carbon material	Manufacture of anodes of lithium-ion batteries
Naphthalene	Manufacture of dyes, dye intermediates, super plasticisers and tanning agents
Sulfonated naphthalene formaldehyde	Ready mix concrete and the manufacture of admixtures
C. B. oil	Carbon black feedstock

STRENGTHS

Core competence

Over the years, Himadri strengthened its core competence in the speciality carbon value chain through an integrated business model that added profitable by-products to its primary product of coal tar pitch.

Result: Himadri will be India's largest coal tar pitch, naphthalene and SNF manufacturer.

Quality

Himadri works closely with customers to strengthen coal tar pitch quality, resulting in a customised product.

Result: The Company generated a major portion of its revenues from long-standing institutional clients in 2009-10.

Technological superiority

Himadri is respected for its proprietary technology, developed through decades of R&D. This makes Himadri the only player in the organised sector in this line of business.

Result: The Company has created all its products without entering into technology collaborations. Over the years, our technical experts have worked closely with the customers, improving the quality of electrodes.

Market leadership

Himadri is the largest coal tar pitch manufacturer in India today.

Result: The Company's clients comprise brand-enhancing names like National Aluminium Company Limited, Hindalco Industries Limited, Balco, Vedanta Aluminium Limited, Graphite India Limited and HEG in India.

Innovation

Himadri established a reputation for being able to derive products that are unique.

Result: The Company is one of only three global manufacturers to produce Zero Quinolene Insoluble (QI) impregnating coal tar pitch.

Research

Himadri demonstrated its capability in commissioning cost-competitive plants without compromising product quality.

Result: The forward integrated products like carbon black and SNF manufactured by the Company were very well accepted in the market and the capital cost per MT of establishing coal tar distillation plant is among the least in the world.

Value chain

Himadri evolved from the standalone manufacture of coal tar pitch to a broad basket of downstream products.

Result: The Company serves the core sectors of the economy – metal, steel, automobile, infrastructure, lithium ion batteries and power.

Logistical fleet

Himadri's dedicated fleet of 80 temperature-controlled tankers (with a specially designed heating system) transports liquid pitch at 220 degrees to customers.

Result: The Company enjoys a major market share in its products.

Proximity

Himadri's four plants are proximate to large customers. Its Korba plant is next to BALCO in Chhattisgarh.

Result: The Company's largest customers have been buying from the Company for the last several years.

CHAIRMAN'S STATEMENT



“Going ahead, we will improve our topline and bottomline by enhancing capacity and commencing the production of more value-added products. With market leadership, superior technology and aggressive capacity expansion plans, we are well placed to leverage our strengths, capitalise on growing opportunities and report enhanced value for our shareholders.”

THIS IS AN INTERESTING AND OPPORTUNE TIME TO BE COMMUNICATING WITH YOU. FOR YEARS, WE WERE PRINCIPALLY A COAL TAR COMPANY. WE ARE NOW A LEADING INTEGRATED SPECIALITY CARBON CORPORATION.

In 2009-10, we achieved two significant milestones: our net sales crossed Rs. 500 crores and net profit crossed Rs. 100 crores.

We grew our revenues 34.74% from Rs. 37,548.33 lacs in 2008-09 to Rs. 50,593.23 lacs in 2009-10 and our EBITDA 54.01% from Rs.12,852.13 lacs in 2008-09 to Rs. 19,793.58 lacs. This performance gives me the optimism to state that we have the capability to report attractive growth in 2010-11 and beyond.

Himadri is the largest and integrated manufacturer of coal tar pitch (CTP) and by-products in India. The principal users of CTP are aluminium and graphite manufacturers. Over the coming decade, Asia's consumption of CTP will increase exponentially due to a shift of aluminium production from Europe to the Middle East, China and India. The Indian aluminium industry is now emerging as a key global player owing to growing consumption, low production costs and vast bauxite reserves coupled with captive power generation. Moreover, there is growing

room for an increase in production and consumption as India's per capita metal consumption is a mere 0.8 kg compared with 25 kg in the US, 19 kg in Japan and 10 kg in Europe. Seeing this reality, all major Indian aluminium players are raising their production capacities by charting out aggressive expansion.

The graphite industry accounts for a good share of the country's CTP production as graphite finds its application in graphite electrodes, used in steel making through the electric arc furnace (EAF) route. The increasing preference for the EAF route of steel production and the robust outlook of the steel industry will strengthen the demand for graphite electrodes, which in turn will spur the demand for our Zero QI impregnating pitch.

Following the aggressive expansion of our coal tar distillation capacities, we are well placed to capitalise on the rising demand of CTP from growing aluminium and graphite industries. With market leadership and sophisticated technology, we expect to continue to be a leader in the Indian CTP market.

The Company plans to extend beyond India to China through organic and inorganic initiatives. The Chinese consumption of aluminium is expected to grow rapidly. Besides, there is a

abundant coal tar availability in China at attractive prices, which, combined with our cutting-edge technology, will enable us to corner a formidable market share in China. Additionally, the Company is strategically evaluating opportunities in select developed markets.

Over the recent past, the Company climbed the value chain following the production of value-added products like carbon black (from oil), SNF (from naphthalene) and advanced carbon materials (from coal tar). In the SNF segment, we are the only organised player and expect to carve out a substantial market share of India's super plasticiser segment over the next three years.

Going ahead, we will improve our topline and bottomline by enhancing capacity and commencing the production of more value-added products. With market leadership, superior technology and aggressive capacity expansion plans, we are well placed to leverage our strengths, capitalise on growing opportunities and report enhanced value for our shareholders.

Sd/-
Mr. D. P. Choudhary

CEO'S PERSPECTIVE



Mr. Anurag Choudhary, CEO, Himadri Chemical & Industries Limited, reviews the Company's performance.

Q. Were you happy with the performance of the Company during 2009-10?

A. I was very pleased with the Company's performance during the year. On the face of things, we strengthened our financials. However, this is just the beginning. We still have a long way to go.

This improvement in our financials transpired on account of a number of factors, one of the most relevant being our ability to commission our plants in time. In an environment where a number of factors were outside our control, we did well to focus on timely commissioning and the result is reflected below:

- We succeeded in commissioning our carbon black capacity on schedule in July 2009, resulting in revenues for three quarters of the last financial year.
- We commissioned our clean and green gas power plant on schedule in July 2009, resulting in attractive cost savings.
- We commissioned the expansion in our distillation capacity in March 2010.
- We increased our SNF capacity at Vapi in March 2010

I must also mention that in addition to commissioning assets on schedule, we succeeded in maximising asset utilisation; for instance, we achieved almost 100% utilisation of our

distillation capacity during the course of the year, which justified our decision to expand.

Besides, we were carrying inventory at a written down value and negative foreign exchange adjustments from last year, which helped our profitability.

These various initiatives, in addition to our competitive advantage, translated into superior financials during the year under review.

Q. The Company now has a number of products. It would be easy to lose focus. How is the Company positioning itself?

A. The Company is not just a coal tar pitch producer any longer. Its successive forward integration has positioned it as an integrated speciality carbon corporation serving the growing needs of the core diversified industrial sector. Consider the following:

- Coal tar pitch, used to manufacture anodes in the smelters, is a critical raw material in aluminium manufacture.
- SNF is used in the manufacture of ready-mix concrete, which finds application in the infrastructure sector.
- Clean and green power is generated from the gas derived from carbon black manufacture.
- Carbon black is used in the manufacture of tyres and other rubber products that find application in the

automobile industry.

■ Advance carbon material is used in the manufacture of lithium ion batteries, which represents clean and green power for the future and is used in electric vehicles.

Q. What was special about the Company's earnings in 2009-10, which may not be easily evident?

A. What emphasises the robustness of our business model is that all our revenues are derived from integrated production and value-added products; one of our products is derived from the basic or speciality chemistry of the coal tar distillation chain. Given the background of rising revenues and attractive profitability, this underscores the point that our operations are synergistic and the result of a well planned business model which we have been able to convert into a model business. This is visible in our profitability: we reported an EBIDTA margin of 39.12% in 2009-10 compared with 34.23% in 2008-09, which is considerably higher than the broad industry average.

From a holistic perspective, it would be important to communicate with our shareholders that the various building blocks of our organisation are now in place, the capacities are up and running, we have achieved respectable utilisation levels, these products have been well accepted in a competitive