

# Result Update

## *Oriental Carbon & Chemicals Ltd.- Growth continues*



Kyon ki bhaiya, sabse bada rupaiya.

Aided by increased sales volume and improved realizations OCCL posted higher than expected 36.9% rise in Q1FY12 Net Sales to Rs 46.6 crore as compared to Rs 34.0 crore posted in corresponding period of last year. The growth in topline was primarily driven by Insoluble Sulphur sales which grew by 39.8% on YoY basis to Rs 42.7 crore for the current quarter. On the other hand, sales for the Chemical division (Sulphuric Acid and Oleum) for the current quarter remained flat at Rs 6.0 crore. As the company was not able to pass on the entire increased RM cost to the end consumer, EBITDA margin for the current quarter declined by 260 bps to 28.2%. As a result of lower operating profitability and increased tax provisioning, Net margin for the current quarter decline by 480 bps to 16.5% in the current quarter. Tax provisioning for the current quarter grew by 103.3% on yearly basis to Rs 3.8 crore.

### **Capacity expansion at Mundra to cater to global markets**

OCCL is undertaking a capacity expansion in two stages at Mundra SEZ, which will nearly double its capacities to 23,000 tpa from the current 12,000 tpa and cater 100% to its export requirements. The trial runs for Phase I expansion (5500 MT) have already started and production from the facility should contribute to the topline Q2FY12 onwards with entire production being already sold out. In addition, the company has initiated the work on Phase II (5500 MT) expansion which is expected to be commissioned by end of this fiscal year. We believe that the Mundra SEZ apart from providing fiscal benefits would result in significant savings in freight in servicing the export orders.

### **Valuation and recommendation**

On the back of enhanced capacities from the current 12000 tpa to 23000 tpa by FY13, increased production of value added IS products, thrust on exports (69% of total FY11 revenues), increased realization of the Indian tyre industry and inelastic nature of demand, revenues are expected to grow at a CAGR of 29.5 % to Rs 275.9 crore by FY13 from the Rs 161.5 crore clocked in FY11. Further as the company has moved to quarterly contracting system stabilization of pricing due to reduced volatility will help improve visibility of margins leading to improved profitability. We reiterate a BUY on OCCL with a revised Price Objective of Rs 270 over a period of 12 months representing a potential upside of 92.9% (target PE of 5x FY13E)

**27-Jul-2011**

**CMP: 140.0 Nifty: 5546.8**

**Rating:**

**Sector:**

**Equity Cap (Rs Cr): 10.3**

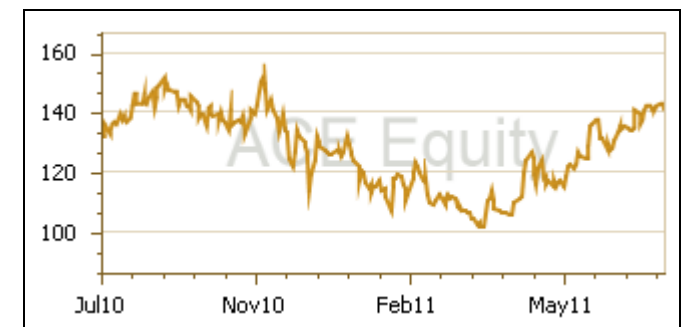
**Face Value: 10**

**52 Week High: 158.0**

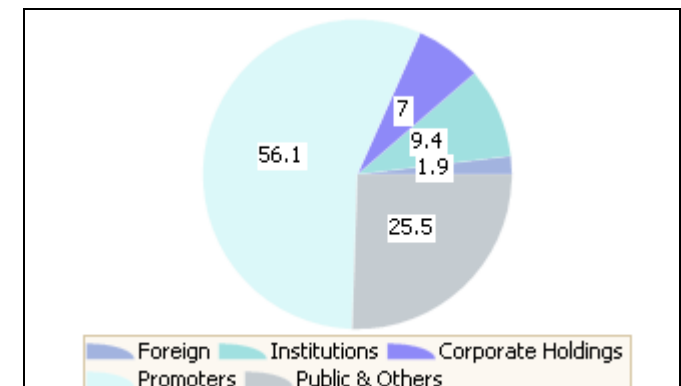
**52 Week Low: 100.0**

**Market Cap (Rs Cr): 144.0**

### **Price Chart**



### **Shareholding Pattern:**



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Kyon ki bhaiya, sabse bada rupaiya.

(Rs. In Cr.)

Oriental Carbon & Chemicals Ltd.	Q1FY12	Q1FY11	% Chg.	Q1FY12	Q4FY11	% Chg.	FY201103	FY201003	% Chg.
Net Sales	46.6	34.0	36.9	46.6	43.3	7.7	158.2	125.7	25.9
Other operational Income	0.7	1.3	-44.6	0.7	0.4	80.5	3.3	2.0	61.9
Total Oper. Income(TOI)	47.3	35.4	33.8	47.3	43.7	8.4	161.6	127.8	26.5
Raw Materials Cons.-	14.4	10.3	39.7	14.4	13.9	3.5	46.6	29.4	58.6
% to TOI	30.4%	29.2%	-	30.4%	31.9%	-	28.8%	23.0%	-
Stock adj. (-)Inc / (+)Dec-	3.1	-1.0	LP	3.1	-1.3	LP	-4.8	5.4	PL
% to TOI	6.6%	-2.8%	-	6.6%	-3.0%	-	-3.0%	4.2%	-
Net Raw Mat adj. for stock	17.6	9.3	87.9	17.6	12.6	39.0	41.8	34.8	20.2
% to TOI	37.1%	26.4%	-	37.1%	28.9%	-	25.9%	27.2%	-
Other expenses	13.2	12.2	8.4	13.2	13.9	-4.7	55.9	43.5	28.6
% to TOI	27.9%	34.4%	-	27.9%	31.7%	-	34.6%	34.0%	-
Contribution Net_Sales	16.6	13.8	19.8	16.6	17.2	-3.6	63.9	49.5	29.0
Personnel	3.3	3.0	9.9	3.3	3.6	-9.0	13.1	9.5	37.8
% to TOI	6.9%	8.4%	-	6.9%	8.2%	-	8.1%	7.5%	-
Total expenditure	34.0	24.5	38.9	34.0	30.1	13.1	110.7	87.7	26.2
Operating Profit	13.3	10.9	22.5	13.3	13.6	-2.1	50.8	40.0	26.9
<i>% to TOI</i>	<i>28.2%</i>	<i>30.8%</i>	<i>-</i>	<i>28.2%</i>	<i>31.2%</i>	<i>-</i>	<i>31.5%</i>	<i>31.3%</i>	<i>-</i>
Non-Operating Income	0.4	0.2	86.9	0.4	0.4	-4.9	1.0	1.4	-26.4
Interest	0.8	0.6	32.7	0.8	0.0	2700.0	3.2	2.4	30.4
Exceptional Items			-			-	0.0		0.0
Gross Profit	12.9	10.5	23.2	12.9	14.0	-7.9	48.7	39.0	24.9
Depreciation	1.3	1.3	3.5	1.3	1.3	2.4	5.0	4.7	7.1
PBT before Extra-ord	11.6	9.2	25.8	11.6	12.7	-8.9	43.6	34.3	27.3
% to TOI	24.5%	26.0%	-	24.5%	29.1%	-	27.0%	26.8%	-
Extraordinary Items			-			-	0.0		0.0
PBT	11.6	9.2	25.8	11.6	12.7	-8.9	43.6	34.3	27.3
Tax Rate	32.8%	20.3%	-	32.8%	12.9%	-	14.3%	14.1%	-
Prov. for Tax	3.8	1.9	103.3	3.8	1.6	131.7	6.3	4.8	29.8
% to TOI	8.0%	5.3%	-	8.0%	3.8%	-	3.9%	3.8%	-
Profit after Tax	7.8	7.3	6.1	7.8	11.1	-29.8	37.4	29.5	26.9
<i>% to TOI</i>	<i>16.5%</i>	<i>20.8%</i>	<i>-</i>	<i>16.5%</i>	<i>25.4%</i>	<i>-</i>	<i>23.1%</i>	<i>23.1%</i>	<i>-</i>
Face Value	10.0	10.0	0.0	10.0	10.0		10.0	10.0	0.0
Equity Share capital	10.3	10.3	0.0	10.3	10.3	0.0	10.3	10.3	0.0
EPS (Rs.)	7.6	7.1	6.1	7.6	10.8	-29.7	36.3	28.6	26.9
CEPS (Rs.)	8.8	8.3	5.7	8.8	12.0	-26.5	41.1	33.1	24.2

Source: ACE Equity

### Profit & Loss Statement

Y/E March, Fig in Rs Cr	FY2010	FY2011	FY2012e	FY2013e
<b>Net Sales</b>	<b>127.7</b>	<b>161.5</b>	<b>194.1</b>	<b>275.9</b>
% Chg.	3.0	26.5	20.1	42.2
<b>Total Expenditure</b>	<b>87.7</b>	<b>110.8</b>	<b>132.5</b>	<b>188.2</b>
% Chg.	-19.5	26.3	19.6	42.1
<b>EBDITA</b>	<b>40.1</b>	<b>50.8</b>	<b>61.6</b>	<b>87.7</b>
<i>EBDITA Margin %</i>	<i>31.4</i>	<i>31.4</i>	<i>31.7</i>	<i>31.8</i>
Other Income	1.4	1.0	1.0	1.7
<b>PBDIT</b>	<b>41.4</b>	<b>51.8</b>	<b>62.6</b>	<b>89.3</b>
Depreciation	4.7	5.0	6.5	10.3
Interest	2.4	3.2	8.0	11.3
Exceptional items	-	-	-	-
<b>PBT</b>	<b>34.3</b>	<b>43.6</b>	<b>48.0</b>	<b>67.8</b>
Tax Provisions	4.8	6.2	6.2	13.3
<b>Reported PAT</b>	<b>29.5</b>	<b>37.4</b>	<b>41.8</b>	<b>54.5</b>
<i>PAT Margin (%)</i>	<i>23.1</i>	<i>23.1</i>	<i>21.6</i>	<i>19.8</i>
<i>Raw Materials / Sales (%)</i>	<i>27.3</i>	<i>30.0</i>	<i>29.7</i>	<i>29.3</i>
<i>Employee Exp / Sales (%)</i>	<i>7.5</i>	<i>8.1</i>	<i>8.5</i>	<i>8.6</i>
<i>Other Mfr. Exp / Sales (%)</i>	<i>33.9</i>	<i>30.5</i>	<i>30.1</i>	<i>30.3</i>
<i>Tax Rate (%)</i>	<i>14.0</i>	<i>14.3</i>	<i>27.3</i>	<i>25.0</i>

### Balance Sheet

Y/E March, Fig in Rs Cr	FY2010	FY2011	FY2012e	FY2013e
Share Capital	10.3	10.3	10.3	10.3
Reserves & Surplus	82.5	115.0	145.6	191.5
Minority Interest	-	-	-	-
Total Loans	18.6	56.5	76.5	86.5
Deferred Tax Liability	6.9	6.5	6.5	6.5
<b>Total Liabilities</b>	<b>118.3</b>	<b>188.3</b>	<b>239.0</b>	<b>294.9</b>
Gross Block	113.5	121.1	196.1	251.1
Less: Acc. Depreciation	48.5	53.3	59.8	70.1
<b>Net Block</b>	<b>65.0</b>	<b>67.8</b>	<b>136.3</b>	<b>181.0</b>
Capital Work in Progress	8.3	54.0	30.0	20.0
Investments	0.5	5.5	5.5	5.5
<b>Net Current Assets</b>	<b>44.5</b>	<b>61.0</b>	<b>67.2</b>	<b>88.4</b>
Deferred Tax Assets	-	-	-	-
<b>Total Assets</b>	<b>118.3</b>	<b>188.3</b>	<b>239.0</b>	<b>294.9</b>

### Key Ratios

Y/E March, Fig in Rs Cr	FY2010	FY2011	FY2012e	FY2013e
<b>Per Share Data (Rs)</b>				
EPS	28.7	36.3	40.6	53.0
Cash EPS	33.2	41.2	47.0	62.9
DPS	4.0	4.0	4.0	4.0
Book Value	90.1	121.7	151.4	196.0
<b>Capital, Liquidity, Returns Ratio</b>				
Debt / Equity (x)	0.2	0.5	0.5	0.4
Current Ratio (x)	4.3	3.9	3.7	3.5
ROE (%)	31.8	29.8	26.8	27.0
ROCE (%)	29.9	24.3	23.0	26.2
Dividend Yield (%)	2.9	2.9	2.9	2.9
<b>Valuation Ratio (x)</b>				
P/E	4.9	3.9	3.4	2.6
P/BV	1.6	1.2	0.9	0.7
EV/Sales	1.5	1.2	1.0	0.7
EV/EBIDTA	4.7	3.7	3.0	2.1
<b>Efficiency Ratio (x)</b>				
Inventory (days)	37.7	42.2	42.1	40.7
Debtors (days)	54.0	64.5	64.8	63.0
Creditors (days)	30.7	37.5	37.5	37.5

### Cash Flow Statement

Y/E March, Fig in Rs Cr	FY2010	FY2011	FY2012e	FY2013e
Profit After Tax	29.5	37.4	35.4	50.7
Depreciation	4.7	5.0	6.5	10.3
Working Capital Changes	0.6	-13.0	-8.4	-20.7
Others	0.2	-0.5	-	-
<b>Operating Cash Flow</b>	<b>35.0</b>	<b>28.9</b>	<b>33.6</b>	<b>40.3</b>
Capital Expenditure	-20.7	-53.4	-51.0	-45.0
Change in Investment	-0.1	-5.0	0.0	0.0
<b>Cash Flow from Investing</b>	<b>-20.8</b>	<b>-58.4</b>	<b>-51.0</b>	<b>-45.0</b>
Proceeds from equity issue	-	-	-	-
Inc/(Dec) in Debt	-3.9	37.9	20.0	10.0
Dividend Paid	-4.8	-4.8	-4.8	-4.8
<b>Cash Flow from Financing</b>	<b>-8.7</b>	<b>33.1</b>	<b>15.2</b>	<b>5.2</b>
<b>Net Change in Cash</b>	<b>5.4</b>	<b>3.6</b>	<b>-2.2</b>	<b>0.4</b>
Opening Cash Balance	5.3	10.8	14.3	12.1
<b>Closing Cash Balance</b>	<b>10.8</b>	<b>14.3</b>	<b>12.1</b>	<b>12.6</b>

# Result Update



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**Source: ACE Equity**

**Ventura Securities Limited**

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