



Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q2 FY2014 Earnings Presentation

November 8, 2013





Important Notice

Forward Looking Statements

This presentation contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Graphite India’s future business developments and economic performance.

While these forward looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance.

Graphite India undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances.



Financial Performance

Standalone Performance – Q2 FY2014 vs. Q2 FY2013

- Gross Sales of Rs. 449 Crore an increase of 10%
- Operating Profit of Rs. 87.1 Crore with a margin of 19.8%
- Net Profit of Rs. 44.5 Crore with a margin of 10.1%
- Production schedules optimized across plants to minimize operating costs
- Net Debt / Equity improved from 0.22x (Mar 2013) to 0.12x (Sept 2013)

Commenting on the results and performance, **Mr. K. K. Bangur, Chairman of Graphite India** said:

“Global steel production for the nine months increased by just 2.7% y-o-y, a clear reflection of the ongoing difficult operating environment. This in turn has prompted the rationalization of manufacturing facilities by some of the major electrode manufacturers. However on a more positive note, steel demand in the US is showing some signs of improvement whilst European demand remains volatile although stabilizing.

Despite this challenging environment, we are pleased to report an encouraging set of results. Topline growth of 10% along with operating profit margins of around 20% demonstrate a satisfactory performance. The Company remains focused on expanding margins and optimizing costs through efficient production schedules across facilities. Pricing pressures to some extent have been alleviated by recent favorable rupee movements. We continue to proactively manage inventories and our overall working capital requirements during this difficult period.

Given the ongoing uncertainty, management is not anticipating any immediate change in the current economic scenario. However we are confident that the long term dynamics of steel industry remain intact. Our emphasis continues to be on enhancing new order intakes, improving operational efficiencies and optimizing capacity utilizations levels.”

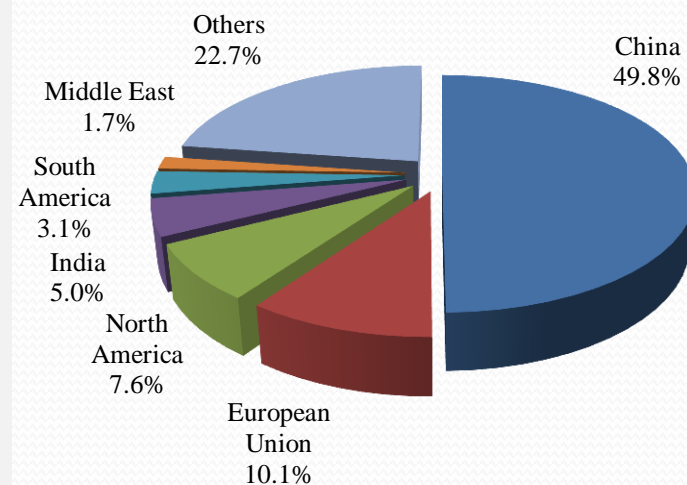


Economic Environment

Industry Highlights

- World crude steel production for Q3 CY2013 was 396 million MT, an increase of 4.7% compared to the same period last year. However the prolonged economic slowdown, overcapacity in the global steel industry, reduced construction and infrastructure activity, and weak business sentiment continue to impact overall steel consumption. Excluding China, steel production was flat year on year
- China registered a 10.0% y-o-y growth in crude steel production. Asian production excluding China was also flat year on year
- In the US, uncertainty due to the government funding and debt ceiling concerns had a temporary impact on the GDP growth. However during the quarter, North American production has shown some signs of improvement, from a contraction of (5.7)% y-o-y in Q2 CY2013 to a growth of 0.9% y-o-y in Q3 CY2013

Regional Production: Q3 CY2013



- Economic stabilization in the Eurozone has resulted in some improvement from a contraction of (4.4)% in Q2 CY2013 to (1.2)% in Q3 CY2013
- China now contributes 49.8% of global steel production followed by the EU with 10.1% and North America 7.6%
- The global average steel capacity utilization has dropped to 77.2% in Q3 CY2013 from 77.5% in Q3 CY2012. It also decreased sequentially from 79.6% in Q2 CY2013
- Brent crude oil prices ranged between \$103 - \$116/barrel in Q3 CY2013, compared to \$98 - \$111/barrel in Q2 CY2013

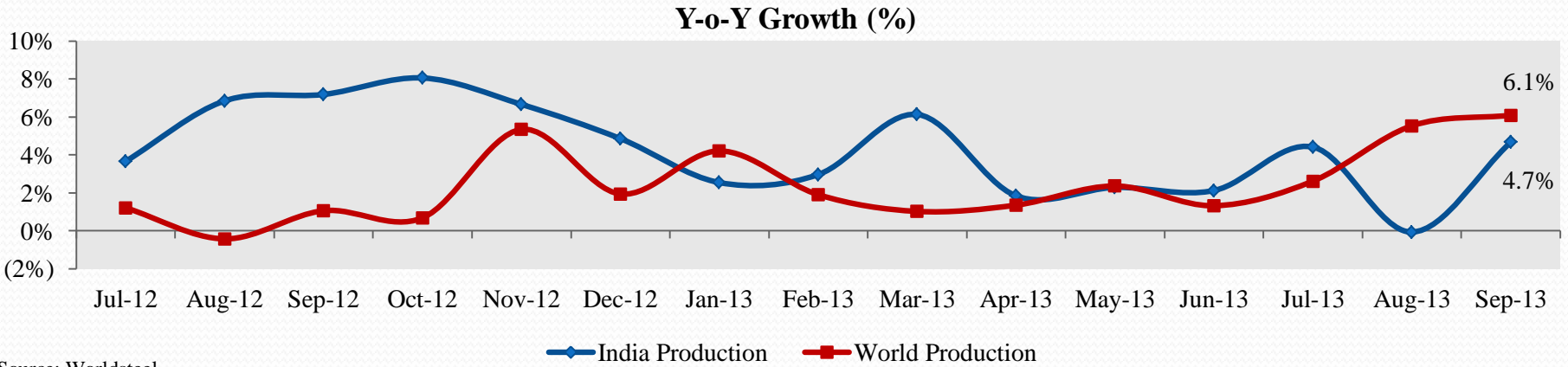
Source: Worldsteel and industry research



Economic Environment

Industry Highlights

Crude Steel Production (million MT)	Three Months Ended					Nine Months Ended		
	Sep-13	Sep-12	Y-o-Y Change (%)	Jun-13	Q-o-Q Change (%)	Sep-13	Sep-12	Y-o-Y Change (%)
Asia	266	248	7.3%	268	(0.6%)	795	751	5.9%
India	20	19	3.0%	20	(0.2%)	60	58	3.0%
China	197	179	10.0%	197	(0.1%)	587	544	8.0%
South America	12	12	4.6%	12	3.3%	35	35	(1.2%)
North America	30	30	0.9%	29	4.1%	89	93	(4.1%)
European Union	40	40	(1.2%)	43	(6.7%)	124	129	(4.2%)
Middle East	7	6	16.4%	6	2.5%	19	18	6.8%
Others	41	42	(3.6%)	42	(2.8%)	124	129	(3.5%)
Total	396	378	4.7%	400	(1.0%)	1,186	1,155	2.7%



Source: Worldsteel



Financial Performance

Standalone Performance

(Rs. Crore)	Q2		y-o-y	Q1	q-o-q	Half Year		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	Growth (%)	FY2014	FY2013	Growth (%)
Gross Sales	449	408	10.0%	413	8.7%	862	836	3.1%
Net Sales (including Other Operating Income)	441	407	8.3%	404	9.2%	845	825	2.4%
Operating Profit	87.1	86.1	1.2%	74.5	16.9%	161.7	163.7	(1.3)%
<i>Margin (%)</i>	<i>19.8%</i>	<i>21.2%</i>		<i>18.5%</i>		<i>19.1%</i>	<i>19.9%</i>	
Net Profit	44.5	46.5	(4.2)%	39.3	13.2%	83.8	87.0	(3.7)%
<i>Margin (%)</i>	<i>10.1%</i>	<i>11.4%</i>		<i>9.7%</i>		<i>9.9%</i>	<i>10.6%</i>	
Basic EPS (Rs)	2.28	2.37	(3.9)%	2.01	13.2%	4.29	4.45	(3.7)%

Notes:

1. Gross Sales includes excise duty
2. Operating Profit defined as earnings before depreciation, interest, exceptional items and taxes; includes Other Income
3. All margins calculated as a percentage of Net Sales (including Other Operating Income)



Financial Performance

Standalone Performance Discussion and Analysis

- **Revenue:** Q2 FY2014 Gross Sales increased by 10.0% y-o-y. Electrode prices declined on a year on year basis. However the recent depreciation of Indian Rupee has enabled the Company to withstand the adverse impact of declining electrode prices

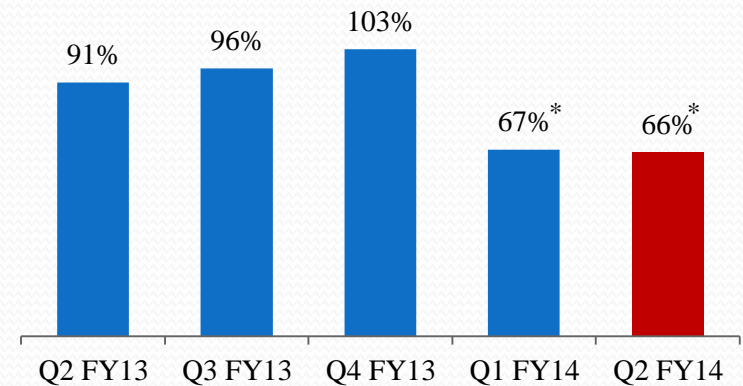
During the current quarter, domestic sales volumes experienced a steady growth y-o-y while export volumes remained under pressure

- **Operating Profit:** Q2 FY2014 Operating Profits increased by 1.2% y-o-y. During the quarter, Graphite India experienced margin contraction on year on year basis due to increased input costs

Electrode production volumes decreased by (3.0)% on a year over year basis. Other Income decreased from Rs. 8.7 Crore in Q2 FY2013 to Rs. 5.3 Crore in Q2 FY2014

- **Net Profit:** Q2 FY2014 Net Profit decreased by (4.2)% y-o-y. Interest expense remained relatively flat at Rs. 4.8 Crore in Q2 FY2014, compared to Rs. 4.5 Crore in Q2 FY2013
- **Operations:** Q2 FY2014 capacity utilization was 66% compared to 91% in Q2 FY2013 and 67% in Q1 FY2014. Capacities in Q1 FY2014 and Q2 FY2014 have been calculated based on the incremental capacity of 20,000 MT at Durgapur

GIL Capacity Utilization (standalone)



* Based on expanded capacity



Segment Performance

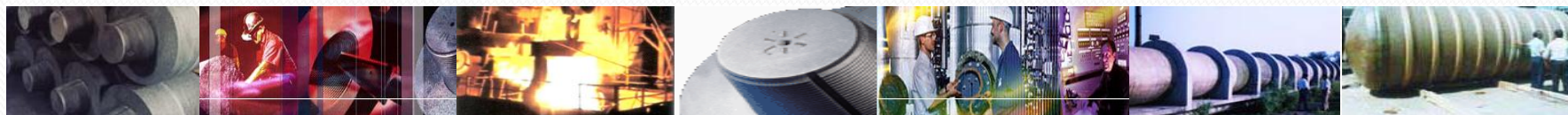
Standalone Performance

(Rs. Crore)	Q2		y-o-y	Q1		q-o-q	H1		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	FY2013	Growth (%)	FY2013	FY2012	Growth (%)
Segment Revenue	441	407	8.3%	404	372	9.2%	845	825	2.4%
Graphite and Carbon	411	391	5.1%	372	350	10.6%	783	770	1.6%
Steel	18	9	112.6%	19	18	(4.7)%	37	33	14.2%
Unallocated	12	7	62.8%	13	15	(9.2)%	25	22	13.5%
Less: Inter Segment Sales	(0)	0		0	0		0	0	

Segment Results	87	67	30.8%	81	78	8.4%	168	147	14.4%
Profit before tax and interest									
Graphite and Carbon	87	67	29.9%	78	64	12.3%	165	147	12.4%
Steel	1	0	nm	4	7	(84.0)%	4	(0)	nm
Unallocated	(1)	0	nm	(1)	2	(23.8)%	(1)	0	nm

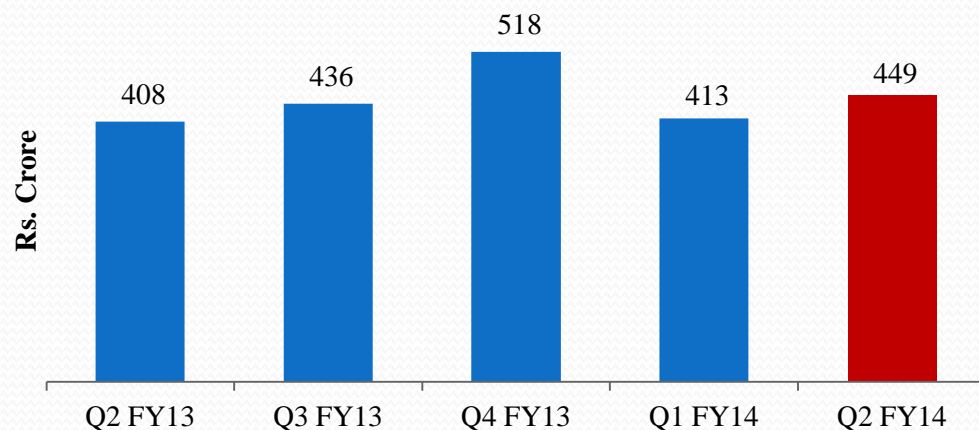
Note:

- Financials are rounded off to the closest integer



Quarterly Financial Trends – Standalone

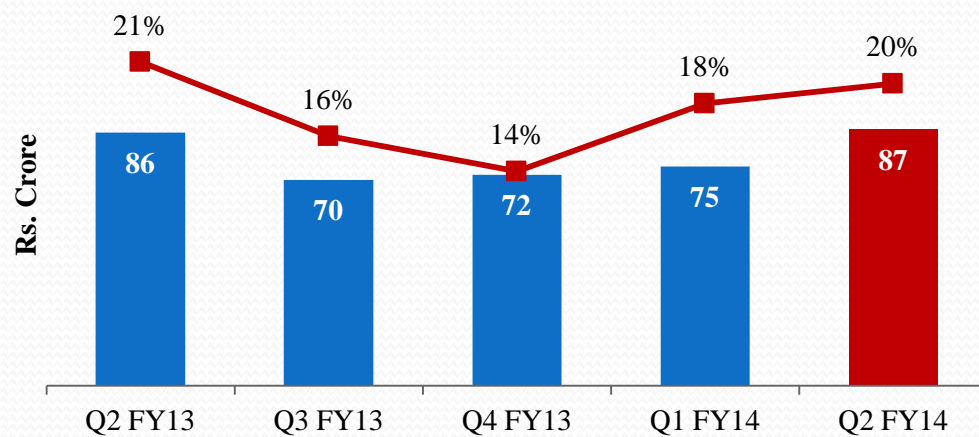
Gross Sales



Historical Trends

- Higher electrode sales volume and better price realisation in rupee terms in Q2 FY2014
- Lower sales volumes have impacted Q1 FY2014 Gross sales
- Increase in Q4 FY2013 sales due to higher volumes
- Q3 FY2013 Gross Sales were higher due to relatively better performance of steel and other divisions
- Contraction in Q2 FY2013 volumes partly due to subdued demand scenario and temporary closure of the Bangalore plant

Operating Profit and Margins

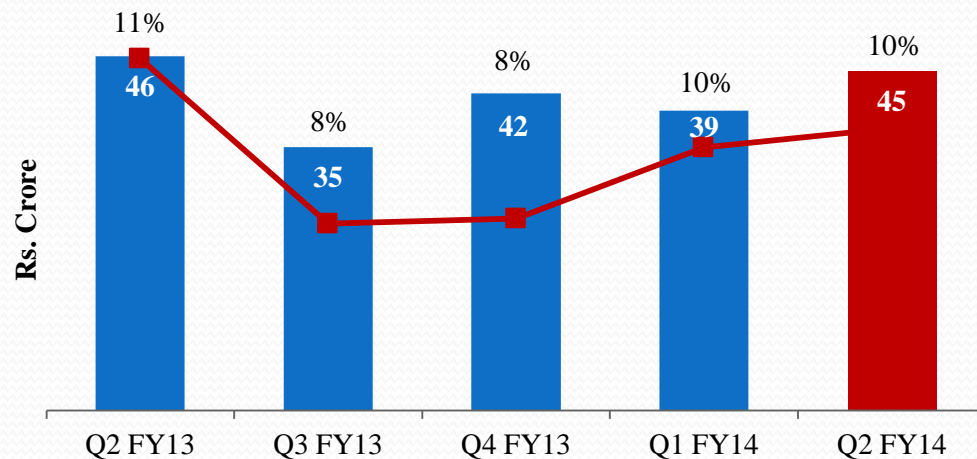


- Q2 FY2014 operating margins expanded by 131 bps due to better power generation at hydel plant coupled with favorable forex movement during the quarter
- Better operating efficiencies from expanded capacity at Durgapur coupled with improved export realizations due to Rupee depreciation benefitted Q1 FY2014 margins
- Margins in Q4 FY2013 were impacted due to increase in input cost
- Lower operating margins in Q3 FY2013 were due to higher input cost and moderation in price realisations
- Better margins in Q2 FY2013 due to higher price realisations coupled with favourable foreign exchange fluctuations



Quarterly Financial Trends – Standalone

Net Profit and Margins



Historical Trends

- Q2 FY2014 Net Profit margins increased by 36 bps due to higher operating margins
- Better margins in Q1 FY2014 due to higher operating margins and lower interest expense
- Higher margins in Q4 FY2013 due to lower tax incidence
- Q3 FY2013 lower operating profits due to higher interest costs and depreciation
- Higher Q2 FY2013 Net Profits due to better operating margins and lower interest costs

(Rs. Crore)	Standalone 30.09.2013	Standalone 31.03.2013
Secured Debt	315	360
Unsecured Debt	152	244
Total Debt	467	604
Less: Cash & Cash Equivalents	254	242
Net Debt / (Net Cash)	213	362
Net Worth	1,729	1,645
Net Debt / Equity (x)	0.12x	0.22x

Capital Structure

- Outstanding shares as of September 30, 2013 are 195,375,594
- Significant financial flexibility available for future organic / inorganic growth

Note:

1 All numbers shown are for the standalone business



Performance Outlook

Steel Industry

- Global steel consumption is expected to increase by 3.1% to 1,475 million MT in CY 2013 and by 3.3% to 1,523 million MT in CY 2014
- The economic scenario in the Eurozone has shown signs of stabilization in the recent months. Steel consumption is expected to decline by (3.8)% in CY 2013 from a de-growth (9.5)% in CY 2012. A slow recovery path is expected to result in a small positive growth of 2.1% in CY2014
- US steel consumption is expected to remain flat in CY 2013 and to grow further at 3.0% in CY 2014. This is a result of increased activity in the automotive, energy and residential construction sectors
- Chinese steel demand in 2013 is now forecasted to grow by 6.0% reflecting the impact of the Government's stimulus measures focused on infrastructural activities
- Steel demand in India is projected to grow at 3.4% in 2013 and at a higher rate of 5.6% in 2014 as a result of accelerated attempts to implement structural reforms. India is currently the 4th largest producer of crude steel in the world

Graphite India

- In context of the volatile industry dynamics, the Company remains focused on margin enhancement through improving operational productivity across its facilities globally and implementing cost optimization measures
- In particular, the Company actively manages its production schedules to optimize its production costs and enhance plant capacity utilization levels
- Graphite India continues to build on its longstanding relationships with its existing customers
- The Company continues to target a consolidated capacity utilization range of 60-70% for FY2014

Source: Worldsteel and industry research





Graphite India: At a Glance

Company Background

Graphite India is the largest Indian producer of graphite electrodes and one of the largest globally, by total capacity. Its manufacturing capacity of approximately 98,000 tonnes per annum is spread over four plants at Durgapur (54,000 MT post expansion), Bangalore (13,000 MT), Nashik (13,000 MT) and Nurnberg in Germany (18,000 MT). The Company has over 40 years of technical expertise in the industry. Exports account for approximately 65% of total revenues. Graphite India manufactures the full range of graphite electrodes but stays focused on the higher margin, large diameter, ultra-high power (“UHP”) electrodes.

Graphite India is well poised in the global graphite electrode industry through its quality, scale of operations and low cost production base. The Company’s competitive edge was particularly evident during the last decade, when low prices for graphite electrodes resulted in many of the leading players generating losses, but Graphite India however remained consistently profitable and declared dividends. The Company experienced steady double digit revenue CAGR over the past six

years despite a global slowdown. Graphite India currently has a conservative leverage profile, with significant financial capacity for organic or inorganic expansion.

The Company’s strategy is to become further vertically integrated, continue its penetration of new markets and clients as well as pursue value enhancing inorganic growth opportunities. Graphite India also manufactures Calcined Petroleum Coke (“CPC”) for use in electrode manufacturing. It is enhancing its presence in value added graphite products for the auto, aerospace, chemical, pharmaceutical, metallurgical and machine tool industries.

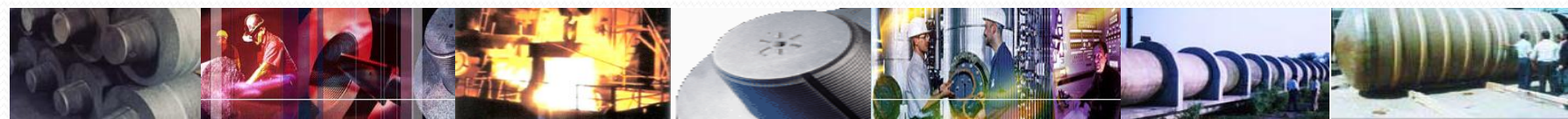
The Company is further targeting focused reductions in its manufacturing costs. The Company has successfully expanded capacity by 20,000 MT per annum at its Durgapur (West Bengal) plant.

The Company also has facilities designed for the manufacture of impervious graphite equipment and glass reinforced plastic pipes and tanks. It has an installed capacity of 33 MW of power generation through hydel and multi-fuel routes.

Industry

Graphite electrodes are used in electric arc furnace (“EAF”) based steel mills and is a consumable item for the steel industry. The graphite electrode industry is highly consolidated with the top five major global players accounting for 75% of the high end UHP electrode capacity. Majority of this capacity however, is currently located in high cost regions like US, Europe and Japan. The manufacturing process, for the high end UHP electrodes is technology intensive and is a significant barrier for the entry of new players.

The EAF method of manufacturing steel is becoming increasingly attractive due to its low capital costs, lower breakeven tonnage, and flexibility in locating plants closer to consumption points and significantly lower pollution levels than in the blast furnace steel plants. As a result, EAF production has increased from 180 million tonnes in 1985 to 410 million MT in 2012.

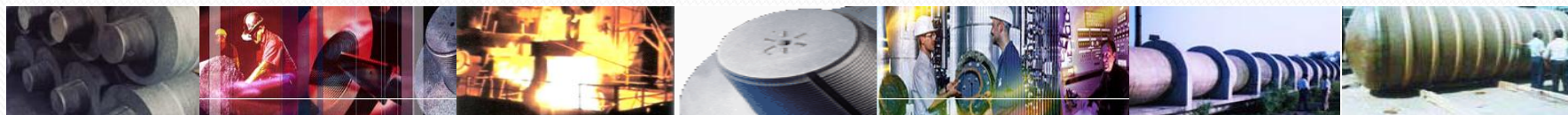


Statutory Financials



Unaudited Standalone Second Quarter Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

PART I							(₹ in Lakhs)
Particulars	Quarter ended			Half Year ended		Year ended	
	30th September	30th June	30th September	30th September	30th September	31st March	
	2013 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	2013 (Audited)	
Income from Operations							
Gross Sales / Income from Operations	44,886	41,277	40,810	86,163	83,605	179,021	
Less: Excise Duty on Sales	1,820	1,794	1,342	3,614	3,459	7,132	
Net Sales / Income from Operations	43,066	39,483	39,468	82,549	80,146	171,889	
Other Operating Income	1,021	898	1,237	1,919	2,312	4,597	
Total Income from Operations (net)	44,087	40,381	40,705	84,468	82,458	176,486	
Expenses							
Cost of materials consumed	18,587	21,049	17,783	39,636	35,855	78,883	
Purchase of stock-in-trade	-	-	546	-	546	1,345	
Changes in inventories of finished goods, work-in-progress and stock-in-trade	581	(3,859)	(3,280)	(3,278)	(4,861)	(7,738)	
Employee benefits expense	3,162	3,091	2,849	6,253	5,455	11,997	
Consumption of stores and spare parts	3,228	2,836	3,214	6,064	6,319	14,115	
Power and fuel	5,611	6,593	6,974	12,204	14,397	30,394	
Depreciation and amortisation expense	1,352	1,312	1,198	2,664	2,345	5,004	
Other expenses	4,738	4,088	4,882	8,826	9,702	19,599	
Total Expenses	37,259	35,110	34,166	72,369	69,758	153,599	
Profit from operations before other income, finance costs and exceptional items	6,828	5,271	6,539	12,099	12,700	22,887	



Statutory Financials

Unaudited Standalone Second Quarter Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Other Income	533	870	874	1,403	1,327	2,635
Profit from ordinary activities before finance costs and exceptional items	7,361	6,141	7,413	13,502	14,027	25,522
Finance Costs	485	435	453	920	987	2,214
Profit from ordinary activities after finance costs but before exceptional items	6,876	5,706	6,960	12,582	13,040	23,308
Exceptional Items	-	-	-	-	-	-
Profit from ordinary activities before tax	6,876	5,706	6,960	12,582	13,040	23,308
Tax expense relating to						
- Current period	2,425	1,775	2,315	4,200	4,340	8,000
- Earlier period	-	-	-	-	-	(1,000)
Net Profit from ordinary activities after tax	4,451	3,931	4,645	8,382	8,700	16,308
Extraordinary Items	-	-	-	-	-	-
Net Profit for the period	4,451	3,931	4,645	8,382	8,700	16,308
Paid-up equity share capital (Face Value ₹ 2/- each)	3,908	3,908	3,908	3,908	3,908	3,908
Reserves excluding Revaluation Reserve as per balance sheet of previous accounting year						160,592
Earnings Per Share (EPS) (before and after extraordinary items) - Face Value ₹ 2/- each (not annualised)						
Basic EPS (₹)	2.28	2.01	2.37	4.29	4.45	8.35
Diluted EPS (₹)	2.28	2.01	2.37	4.29	4.45	8.35



Statutory Financials



Unaudited Standalone Second Quarter Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

PART II

Particulars	Quarter ended			Half Year ended		Year ended
	30th September	30th June	30th September	30th September	30th September	31st March
	2013	2013	2012	2013	2012	2013
PARTICULARS OF SHAREHOLDING						
Public Shareholding						
- Number of shares	70,571,078	71,842,906	73,793,736	70,571,078	73,793,736	72,753,944
- Percentage of shareholding	36.12	36.77	37.77	36.12	37.77	37.24
Promoters and Promoter Group Shareholding						
a) Pledged/Encumbered						
- Number of shares	-	-	-	-	-	-
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-
- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-	-
b) Non-Encumbered						
- Number of shares	124,804,516	123,532,688	121,581,858	124,804,516	121,581,858	122,621,650
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00	100.00	100.00	100.00
- Percentage of shares (as a % of the total share capital of the company)	63.88	63.23	62.23	63.88	62.23	62.76

Particulars	Quarter ended 30th September 2013
INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	Nil
Received during the quarter	9
Disposed of / attended to during the quarter	9
Remaining unresolved at the end of the quarter	Nil



Statutory Financials



Unaudited Standalone Second Quarter Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Segment-wise Revenue, Results and Capital employed in terms of Clause 41 of the Listing Agreement

(₹ in Lakhs)

	Particulars	Quarter ended			Half Year ended		Year ended
		30th September	30th June	30th September	30th September	30th September	31st March
		2013 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	2013 (Audited)
1	SEGMENT REVENUE -						
	Graphite and Carbon	41,106	37,172	39,126	78,278	77,025	164,087
	Steel	1,818	1,908	855	3,726	3,264	7,858
	Unallocated	1,182	1,302	726	2,484	2,189	4,581
	Total	44,106	40,382	40,707	84,488	82,478	176,526
	Less: Inter Segment Revenue	19	1	2	20	20	40
	Sales/Income from Operations-Net	44,087	40,381	40,705	84,468	82,458	176,486
2	SEGMENT RESULTS -						
	Profit / (Loss) before tax and interest						
	Graphite and Carbon	8,735	7,775	6,723	16,510	14,687	27,866
	Steel	58	362	(57)	420	(22)	888
	Unallocated	(61)	(80)	12	(141)	10	(399)
	Total	8,732	8,057	6,678	16,789	14,675	28,355
	Less:						
	Interest	485	435	453	920	987	2,214
	(Including other finance costs)						
	Other un-allocable expenditure/(income)(net)	1,371	1,916	(735)	3,287	648	2,833
	Total Profit Before Tax	6,876	5,706	6,960	12,582	13,040	23,308
3	CAPITAL EMPLOYED -						
	(Segment Assets - Segment Liabilities)						
	Graphite and Carbon	179,911	183,058	183,287	179,911	183,287	197,293
	Steel	19,795	19,698	18,143	19,795	18,143	19,422
	Unallocated	4,591	4,444	4,741	4,591	4,741	4,855
	Total	204,297	207,200	206,171	204,297	206,171	221,570



Statutory Financials



Unaudited Standalone Second Quarter Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Notes :

1 Statement of Assets and Liabilities -

(₹ in Lakhs)

Particulars	As at	
	30th September 2013 (Unaudited)	31st March 2013 (Audited)
A. EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	3,908	3,908
Reserves and Surplus	168,974	160,592
Sub-total - Shareholders' funds	172,882	164,500
Non-current liabilities		
Long-term borrowings	14,663	12,675
Deferred tax liabilities (net)	9,505	9,504
Other long-term liabilities	100	174
Sub-total - Non-current liabilities	24,268	22,353
Current liabilities		
Short-term borrowings	27,871	44,087
Trade Payables	20,532	16,761
Other current liabilities	11,322	10,403
Short-term provisions	5,293	12,432
Sub-total - Current liabilities	65,018	83,683
TOTAL - EQUITY AND LIABILITIES	262,168	270,536



Statutory Financials

Unaudited Standalone Second Quarter Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

B. ASSETS		
Non-current assets		
Fixed assets	66,645	66,257
Non-current investments	15,152	10,933
Long-term loans and advances	814	771
Other non-current assets	-	4
Sub-total - Non-current assets	82,611	77,965
Current assets		
Current investments	24,373	23,641
Inventories	93,759	97,770
Trade receivables	45,826	50,960
Cash and bank balances	1,058	602
Short-term loans and advances	13,041	17,578
Other current assets	1,500	2,020
Sub-total - Current assets	179,557	192,571
TOTAL - ASSETS	262,168	270,536



Statutory Financials

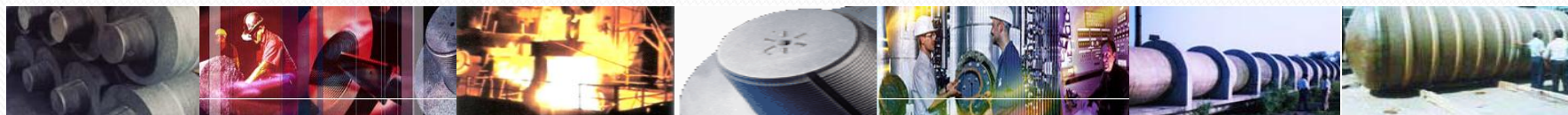
Unaudited Standalone Second Quarter Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

- 2 The Company has invested ₹4,219 lakhs in share capital of Graphite International B.V, its wholly owned subsidiary, during the quarter ended 30th September,2013.
- 3 Figures for the previous periods have been regrouped / rearranged wherever necessary to conform to current period's classification.
- 4 The above results have been reviewed by the Audit Committee and approved by the Board at its meeting held on 8th November, 2013. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 30th September, 2013 in terms of Clause 41 of the Listing Agreement with Stock Exchanges.

By Order of the Board
For Graphite India Limited

Place : Kolkata
Date : 8th November, 2013

K.K.Bangur
Chairman





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