



Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q3 FY2015 Earnings Presentation February 13, 2015



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Profit and Loss

- Gross Sales of Rs. 327 Crore
- Operating Profit of Rs. 45 Crore; Operating margin of 14.3%
- Net Profit of Rs. 20 Crore, Net Profit margin of 6.5%
- Interest Coverage: 9.2x

Balance Sheet

- Gross Debt of Rs. 278 Crore (Q2 FY2015: Rs. 288 Crore)
- Net Cash of Rs. 66 Crore (Q2 FY2015: Rs. 54 Crore)
- Net Worth of Rs. 1,786 Crore

Operations

- Capacity utilization of 63% in Q3 FY2015 (Q3 FY2014: 70%)

Performance Outlook

- The operating environment remains challenging for the steel industry. Decline in the graphite electrode prices have moderated and is expected to stabilise at the current levels
- Focus on improving margins by actively managing production schedules to optimize production costs and plant capacity utilization levels



Mr. K. K. Bangur,
Chairman

"The global steel industry continued to remain under pressure. Weaker than expected performance in the developed economies raises concerns for the overall industry. Indian steel production and pricing have faced the headwinds of the surge in exports from China and Russia to India

Fiscal year 2015 has relatively been a difficult year so far for us. The prevailing slowdown in the industry continues to impact our performance and profitability on a year over year basis. Our performance during the third quarter has been satisfactory with the backdrop of a challenging business environment and pricing pressures

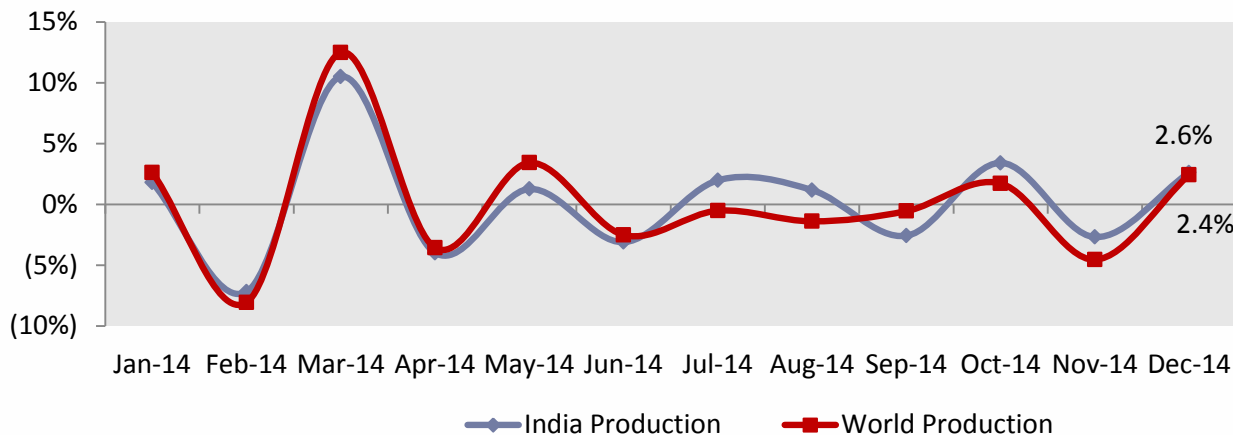
India's economic outlook is improving on account of expected pro-business reforms by the stable Central Government. The last few months have been a period of revival of hope and improved business sentiment across the country. Year 2015-16 is expected to benefit from the revival in the investment cycle. Overall, the Indian steel industry is expected to grow, but at a subdued pace supported by the automobile and construction sectors

Management is cautious in its decision making process, and reducing operational costs remains one of our priorities. Furthermore, we are focused on improving margins and optimizing utilization levels whilst strengthening our existing global customer relationships"

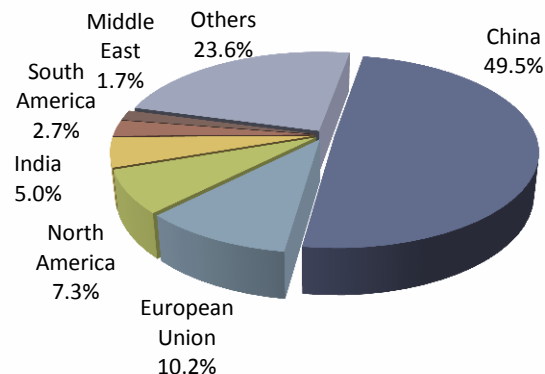
Crude Steel Production (million MT)	Three Months Ended					Full Year Ended		
	Dec-14	Dec-13	Y-o-Y (%)	Sept-14	Q-o-Q (%)	Dec-14	Dec-13	Y-o-Y (%)
Asia	271	269	0.8%	276	(1.8%)	1,132	1,116	1.4%
India	21	20	5.1%	21	1.1%	83	81	2.3%
China	199	198	0.3%	205	(2.9%)	823	815	0.9%
South America	11	11	2.0%	12	(2.0%)	45	46	(1.4%)
North America	30	30	1.6%	31	(3.2%)	121	119	2.0%
European Union	42	42	(1.6%)	40	3.7%	169	166	1.7%
Middle East	7	7	8.6%	7	7.7%	29	27	7.7%
Others	39	42	(5.7%)	41	(3.4%)	165	169	(2.1%)
Total	401	401	0.1%	407	(1.4%)	1,662	1,642	1.2%

- Global steel production growth rate remained subdued in Q4 CY2014 (Q3 CY2014: +2.6% y-o-y) as a result of flat growth in China. Developed economies, particularly US and Europe, have contributed to limit the overall global growth despite a pick up in Indian production
- During the quarter, crude steel production in North America grew by only 1.6% y-o-y (Q3 CY2014: +2.3%) and European Union declined by (1.6%) y-o-y (Q3 CY2014: +0.5%)
- China's growth in steel production remained flat during the quarter (Q3 CY2014: +3.9%). In CY 2014, China's production increased by less than 1% compared with the global growth of 1.2%
- Indian steel production grew at 5.1% y-o-y (Q3 CY2014: +2.9%). Finished steel imports have increased considerably in the recent months due to falling Chinese steel consumption and the depreciation of the Russian Ruble against the Dollar. Both of these factors have placed further pressure on the domestic steel prices
- The average capacity utilization in 2014 was 76.7% compared to 78.4% in 2013. Global average steel capacity utilization has dropped to 73.6% in Q4 CY2014 from 75.8% in Q4 CY2013 and decreased sequentially from 75.2% in Q3 CY2014

M-O-M Growth (%)



CY2014 Regional Production



Industry Outlook

- According to the World Steel Association, global steel consumption is expected to grow at 2.0% growth in 2015 to 1,594 million MT. Global prospects have improved but the road to recovery in developed economies still remains uncertain and relatively volatile
- Steel demand is expected to improve in US particularly due to growth momentum in the local automotive markets and a turnaround in the construction sector. Steel demand in US is expected to increase by 1.9% in 2015. However, Europe is expected to outperform US with expected growth of 2.9% in 2015. Economic slowdown in China, the main driver for both demand and supply in the recent past, continues to impact the overall steel industry
- India's position in global production remained unchanged as 4th largest steel producer in CY2014. The demand for steel in India is expected to increase by 4-5% in CY 2015

Standalone Financial Performance

(Rs. Crore)	Q3		y-o-y Growth (%)	Q2	q-o-q Growth (%)	Nine Months Ended		y-o-y Growth (%)
	FY2015	FY2014		FY2015		FY2015	FY2014	
Gross Sales	327.0	448.6	(27.1)%	409.2	(20.1)%	1,121.9	1,310.3	(14.4)%
Net Sales (including Other Operating Income)	314.1	434.5	(27.7)%	397.3	(21.0)%	1,081.6	1,279.1	(15.4)%
Operating Profit	45.0	78.8	(42.9)%	44.4	1.4%	140.9	240.4	(41.4)%
Margin (%)	14.3%	18.1%		11.2%		13.0%	18.8%	
Interest	3.7	3.8	(4.4)%	2.6	43.4%	9.8	13.0	(24.8)%
Depreciation	9.6	13.5	(29.4)%	10.6	(9.6)%	29.3	40.2	(27.1)%
Profit Before Tax	31.8	61.4	(48.2)%	31.3	1.6%	101.8	187.2	(45.6)%
Net Profit	20.4	42.2	(51.6)%	20.1	1.5%	68.0	126.0	(46.0)%
Margin (%)	6.5%	9.7%		5.1%		6.3%	9.8%	
Basic EPS (Rs.)	1.04	2.16	(51.6)%	1.03	1.5%	3.48	6.45	(46.0)%

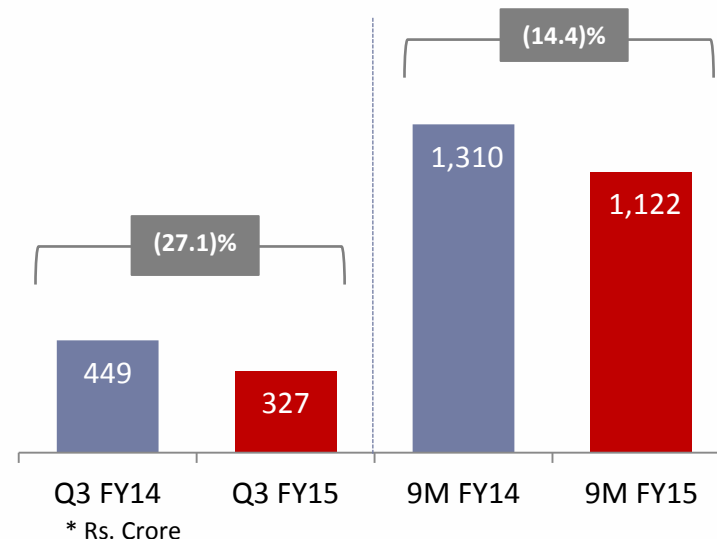
Notes:

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)

1

Sales

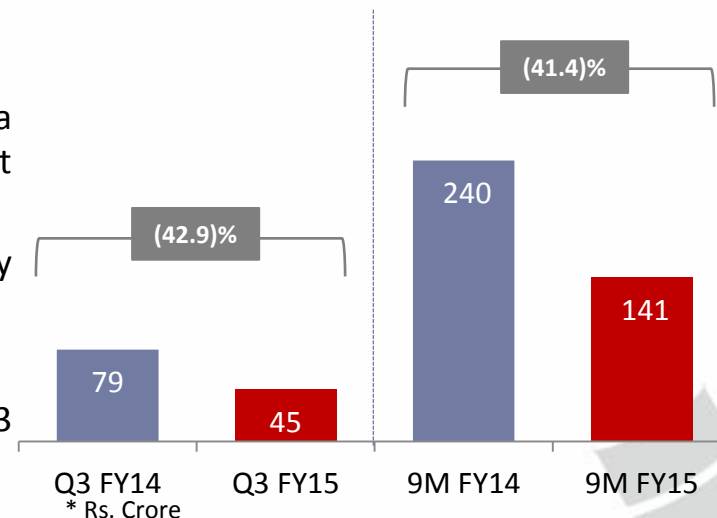
- Gross Sales decreased by (27.1)% y-o-y to Rs. 327 Crore
- During the quarter, electrode prices along with sales volume were lower on a year over year basis. Sales volume decreased by 16% y-o-y during Q3 FY2015
- Both export and domestic sales volumes were impacted due to the global subdued steel demand scenario



2

Operating Profit

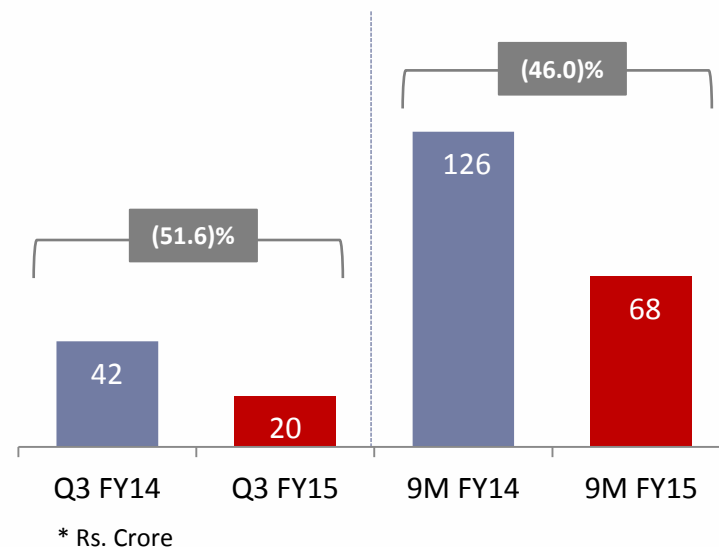
- Operating Profit for the quarter was Rs. 45 Crores, a decline of (42.9)% compared to the same period last year
- Lower operating margins in the quarter were mainly due to lower volumes and decline in price realisations
- Electrode production volumes decreased by 10% y-o-y
- Other Income decreased from Rs. 10.3 Crore in Q3 FY2014 to Rs. 3.3 Crore in Q3 FY2015



3

Net Profit

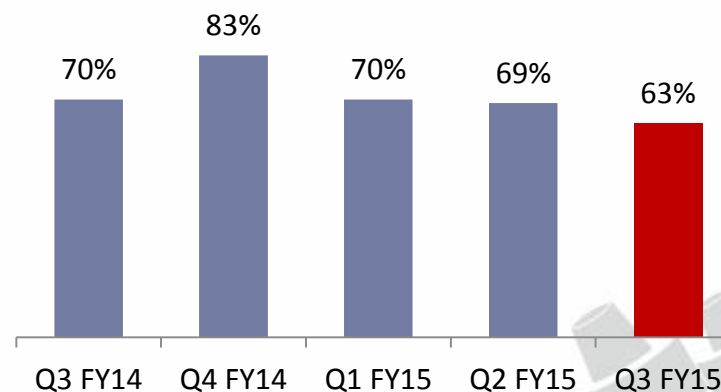
- Net Profit for the quarter was Rs. 20 Crores, a decline of (51.6)% compared to the same period last year
- Interest cost remained relatively flat at Rs. 3.7 Crores. Interest coverage of 9.2x during Q3 FY2015
- The Company has revised the useful lives of fixed assets in accordance with the provisions of Schedule II to the Companies Act, 2013. As a result, depreciation for Q3 FY2015 is lower by Rs. 2.84 Crores



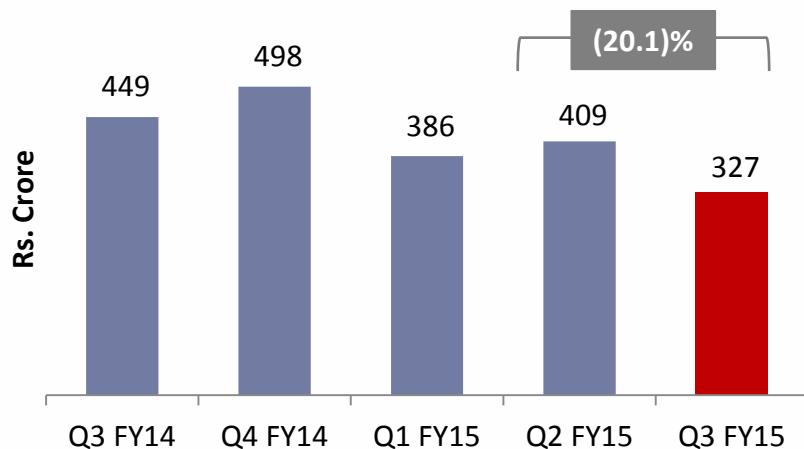
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Operations

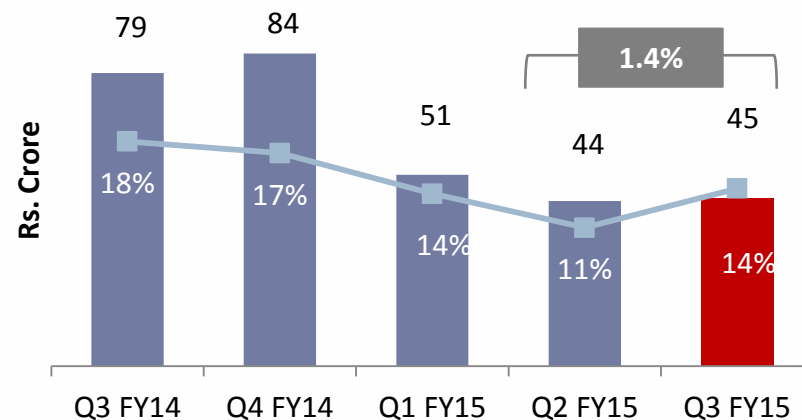
- Q3 FY2015 capacity utilization was 63% as compared to 70% in Q3 FY2014



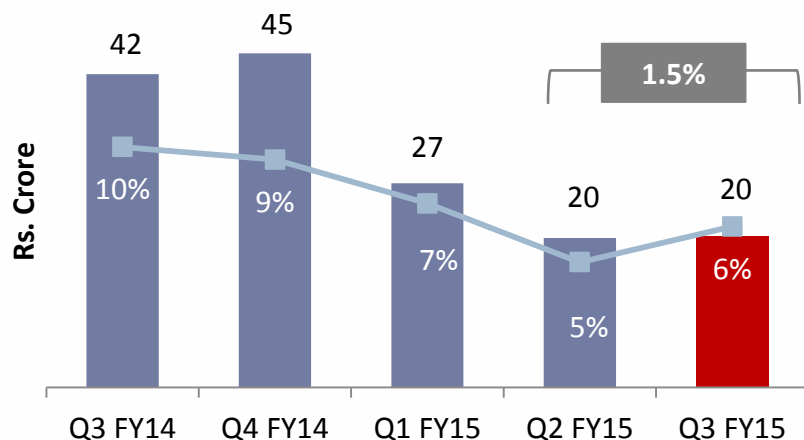
Gross Sales



Operating Profit and Margins



Net Profit and Margins



- Contraction in Q3 FY2015 Gross Sales, due to muted demand and lower price realizations.
- Operating margins increased by 316 bps q-o-q. Better margins in Q3 FY2015 due to moderation in input costs and operating expenses.
- Q3 FY2015 Net Profit margins increased by 144 bps q-o-q.

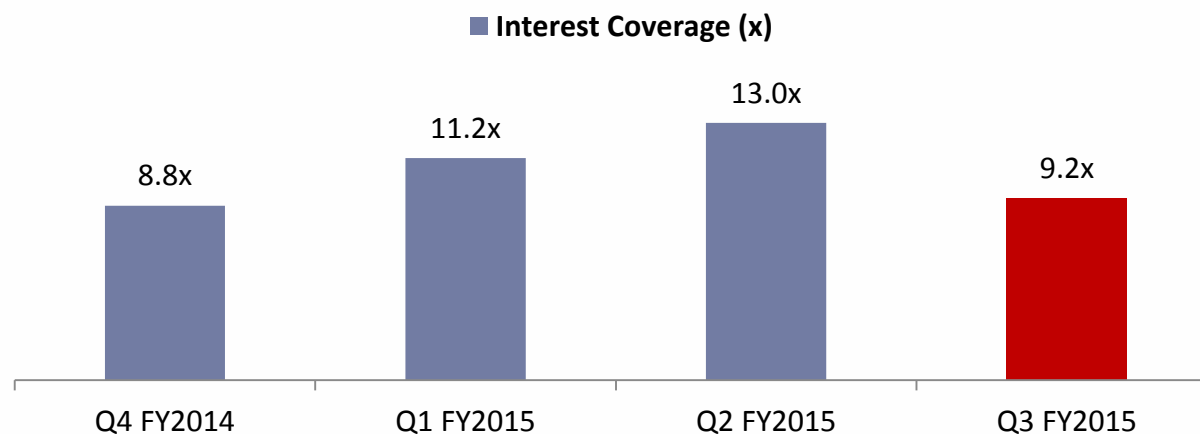
Standalone Financial Performance

(Rs. Crore)	Q3		y-o-y Growth (%)	Q2	q-o-q Growth (%)	Nine Months Ended		y-o-y Growth (%)
	FY2015	FY2014				FY2015	FY2014	
Segment Revenue	314.1	434.5	(27.7)%	397.3	(21.0)%	1,081.6	1,279.1	(15.4)%
Graphite and Carbon	284.5	414.6	(31.4)%	343.8	(17.2)%	965.5	1,197.3	(19.4)%
Steel	22.3	14.9	50.3%	21.1	5.8%	64.8	52.1	24.4%
Unallocated	7.4	5.0	47.0%	32.5	(77.2)%	51.7	29.9	72.9%
Less: Inter Segment Sales	(0.2)	(0.0)		(0.0)		(0.4)	(0.2)	

Segment Results	41.0	62.1	(34.0)%	37.3	9.8%	119.4	230.0	(48.1)%
Profit before tax and interest								
Graphite and Carbon	37.9	62.6	(39.4)%	33.3	13.7%	104.7	227.7	(54.0)%
Steel	1.0	(0.2)	nm	0.1	nm	6.4	4.0	57.4%
Unallocated	2.0	(0.4)	nm	3.9	(47.7)%	8.4	(1.8)	nm

Significant financial flexibility available for future organic / inorganic growth

(Rs. Crore)	31.12.2014	30.9.2014	30.6.2014	31.3.2014
Secured Debt	226	221	201	235
Unsecured Debt	52	67	110	106
Total Debt	278	288	311	341
Less: Cash & Cash Equivalents	344	342	425	373
Net Debt / (Net Cash)	(66)	(54)	(114)	(32)
Net Worth	1,786	1,766	1,748	1,736



The operating environment remains challenging for the steel industry

- Declining graphite electrode prices have moderated and are expected to stabilise at the current levels
- Steel consumption in India is expected to pick up in end-user industries such as infrastructure, consumer durables and automobiles
- Focus on improving margins by actively managing production schedules to optimize production costs and plant capacity utilization levels
- Graphite India's capital structure remains robust and provides financial flexibility for the future
- Management continues to target a consolidated capacity utilization in the proximity of 65% for FY2015

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 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 60% 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. 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 almost 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. EAF production in 2013 was 453 million MT, which was approximately 30% of the total steel production.

Unaudited Standalone Results for the quarter ended 31st December 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

(₹ in Lakhs)

Particulars	Quarter ended			Nine Months ended		Year ended
	31st December 2014 (Unaudited)	30th September 2014 (Unaudited)	31st December 2013 (Unaudited)	31st December 2014 (Unaudited)	31st December 2013 (Unaudited)	31st March 2014 (Audited)
Income from Operations						
Gross Sales / Income from Operations	32,702	40,923	44,864	112,186	131,027	180,780
Less: Excise Duty on Sales	1,639	1,746	1,839	5,243	5,453	7,681
Net Sales / Income from Operations	31,063	39,177	43,025	106,943	125,574	173,099
Other Operating Income	345	555	420	1,214	2,339	3,709
Total Income from operations (net)	31,408	39,732	43,445	108,157	127,913	176,808
Expenses						
Cost of materials consumed	16,708	18,480	18,895	54,255	58,531	79,811
Purchases of stock-in-trade	-	-	-	-	-	-
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(5,391)	183	(19)	(8,103)	(3,297)	(2,069)
Employee benefits expense	3,345	3,508	3,495	10,357	9,748	13,473
Consumption of stores and spare parts	3,067	3,231	2,920	9,431	8,984	12,617
Power and fuel	5,200	5,460	5,924	17,233	18,128	24,429
Depreciation and amortisation expense (Refer Note 1)	955	1,056	1,353	2,927	4,017	5,360
Other expenses	4,304	4,888	5,381	13,066	14,207	20,120
Total Expenses	28,188	36,806	37,949	99,166	110,318	153,741
Profit from operations before other income, finance costs and exceptional items	3,220	2,926	5,496	8,991	17,595	23,067
Other Income	327	459	1,029	2,173	2,432	4,021

Profit from ordinary activities before finance costs and exceptional items	3,547	3,385	6,525	11,164	20,027	27,088
Finance Costs	367	256	384	981	1,304	1,696
Profit from ordinary activities after finance costs but before exceptional items	3,180	3,129	6,141	10,183	18,723	25,392
Exceptional Items	-	-	-	-	-	-
Profit from ordinary activities before tax	3,180	3,129	6,141	10,183	18,723	25,392
Tax expense	1,140	1,120	1,925	3,385	6,125	8,300
Net Profit from ordinary activities after tax	2,040	2,009	4,216	6,798	12,598	17,092
Extraordinary Items	-	-	-	-	-	-
Net Profit for the period	2,040	2,009	4,216	6,798	12,598	17,092
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						169,683
Earnings Per Share (EPS) (before and after extraordinary items) -Face Value ₹ 2/- each (not annualised)						
Basic EPS (₹)	1.04	1.03	2.16	3.48	6.45	8.75
Diluted EPS (₹)	1.04	1.03	2.16	3.48	6.45	8.75

PART II

Particulars	Quarter ended			Nine Months ended		Year ended
	31st December 2014	30th September 2014	31st December 2013	31st December 2014	31st December 2013	31st March 2014
PARTICULARS OF SHAREHOLDING						
Public Shareholding						
- Number of shares	68,181,434	68,262,202	69,336,871	68,181,434	69,336,871	68,476,252
- Percentage of shareholding	34.90	34.94	35.49	34.90	35.49	35.05
Promoters and Promoter Group Shareholding						
a) Pledge/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	127,194,160	127,113,392	126,038,723	127,194,160	126,038,723	126,899,342
- 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)	65.10	65.06	64.51	65.10	64.51	64.95

Particulars	Quarter ended 31st December 2014
INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	Nil
Received during the quarter	7
Disposed of / attended to during the quarter	7
Remaining unresolved at the end of the quarter	Nil

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

(₹ in Lakhs)

	Particulars	Quarter ended			Nine Months ended		Year ended
		31st December 2014 (Unaudited)	30th September 2014 (Unaudited)	31st December 2013 (Unaudited)	31st December 2014 (Unaudited)	31st December 2013 (Unaudited)	31st March 2014 (Audited)
1	SEGMENT REVENUE -						
	Graphite and Carbon	28,452	34,377	41,456	96,546	119,734	163,644
	Steel	2,233	2,111	1,486	6,482	5,212	6,862
	Unallocated	741	3,246	504	5,166	2,988	6,325
	Total	31,426	39,734	43,446	108,194	127,934	176,831
	Less: Inter Segment Revenue	18	2	1	37	21	23
	Sales/Income from Operations-Net	31,408	39,732	43,445	108,157	127,913	176,808
2	SEGMENT RESULTS -						
	Profit/ (Loss) before tax and interest						
	Graphite and Carbon	3,792	3,334	6,261	10,466	22,771	29,402
	Steel	102	8	(16)	636	404	1,200
	Unallocated	203	388	(36)	839	(177)	(217)
	Total	4,097	3,730	6,209	11,941	22,998	30,385
	Less:						
	Interest	367	256	384	981	1,304	1,696
	(Including other finance costs)						
	Other un-allocable expenditure/(income)(net)	550	345	(316)	777	2,971	3,297
	Total Profit Before Tax	3,180	3,129	6,141	10,183	18,723	25,392
3	CAPITAL EMPLOYED -						
	(Segment Assets - Segment Liabilities)						
	Graphite and Carbon	158,221	156,222	176,600	158,221	176,600	163,790
	Steel	20,450	20,648	19,751	20,450	19,751	20,439
	Unallocated	3,589	4,748	2,963	3,589	2,963	4,461
	Total	182,260	181,618	199,314	182,260	199,314	188,690

Notes :

- 1 The estimated useful lives of fixed assets have been revised in keeping with the provisions of Schedule II to the Companies Act, 2013 effective 1st April, 2014. Pursuant to the said revision in useful lives, the depreciation expense for the quarter and the nine months ended 31st December, 2014 is lower and the profit before tax is higher by ₹ 284 lakhs and ₹ 788 lakhs respectively.
- 2 Figures for the previous periods have been regrouped / rearranged wherever necessary to conform to current period's classification.
- 3 The above results have been reviewed by the Audit Committee and approved by the Board at its meeting held on 13th February, 2015. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 31st December, 2014 in terms of Clause 41 of the Listing Agreement with Stock Exchanges.

By Order of the Board
For Graphite India Limited

Place : Kolkata
Date : 13th February, 2015

K.K.Bangur
Chairman

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 Limited’s (“Graphite India” or the “Company”) 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.

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