

Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q2 FY2016 Earnings Presentation
November 9, 2015



1. Executive Summary	3
2. Chairman's Message	4
3. Steel Industry Overview	5
4. Standalone Financial Performance	8
5. Quarterly Performance Trends	11
6. Graphite India: At a Glance	13
7. Statutory Financials	14

Q2 FY2016 Financial Performance

Profit and Loss

- Gross Sales of Rs. 332 Crores
- Operating Profit (EBITDA) grew 24% y-o-y to Rs. 55 Crores; Operating margin of 17.3%
- Net Profit grew 38% y-o-y to Rs. 28 Crores, Net Profit margin of 8.7%
- Interest Coverage: 19.2x

Balance Sheet

- Gross Debt of Rs. 176 Crores (Q1 FY2016: Rs. 234 Crore)
- Net Cash of Rs. 209 Crores (Q1 FY2016: Rs. 200 Crore)

Operations

- Capacity utilization of 63% in Q2 FY2016 (Q2 FY2015: 69%)
- Secured needle coke supplies until the end of FY2016 at a lower price as compared to in FY2015

Industry Overview

- World crude steel production declined by 3.1% y-o-y to 396 million MT compared to a decline of 2.4% y-o-y in Q2 CY2015
- World steel capacity utilization ratio declined from 73.3% in September 2014 to 69.3% in September 2015
- According to the World Steel Association, the global steel demand is expected to decline by 1.7% in 2015 and grow by 0.7% in 2016



Mr. K. K. Bangur,
Chairman

“Against the backdrop of a prolonged slowdown in the global steel industry, we announce our Q2 FY2016 financial results, which speak of Graphite India’s resilience and sound business approach. Despite a y-o-y decline in gross revenues during the quarter, both operating and net profit grew and margins expanded. This is a result of an unrelenting focus on various cost reduction initiatives.

Over the last few quarters, an economic slowdown in China, coupled with uncertain demand prospects in many global economies, has led to surplus steel production. This has resulted in a surge of subsidized steel exports from China further affecting the local steel production of major economies. Overall, this trend has had a negative impact on the demand for graphite electrodes globally.

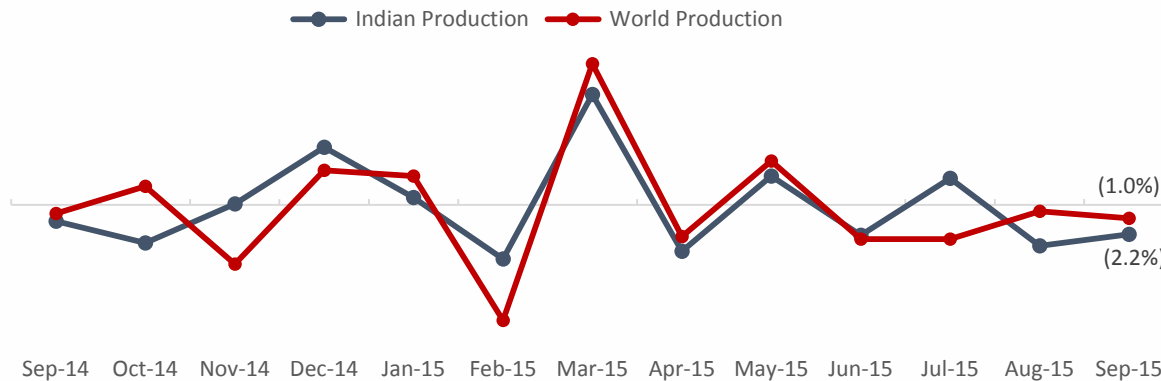
In order to provide a level playing field to the Indian steel manufacturers, the Government of India imposed a 20% safeguard duty on hot rolled coil imports during the quarter. Although such a measure is welcome, its impact would be limited in the absence of a turnaround in the global steel demand.

With a well-capitalized balance sheet including a net cash position, we are confident of overcoming uncertainties and continuing to optimise our performance. Graphite India remains committed to operational excellence and long term shareholder value creation.”

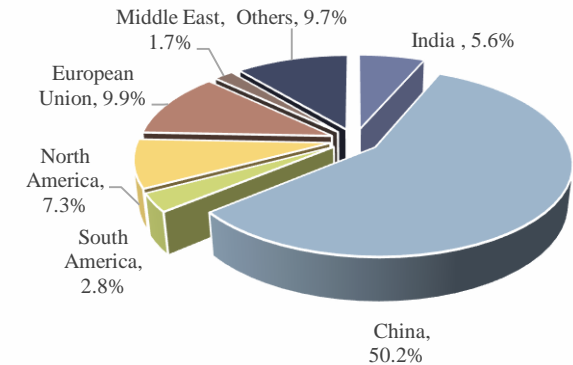
Crude Steel Production (million MT)	Three Months Ended				
	Sep-15	Sep-14	Y-o-Y (%)	Jun-15	Q-o-Q (%)
Asia	271	279	(2.7)%	281	(3.4)%
<i>India</i>	22	22	(0.2)%	23	(1.7)%
<i>China</i>	199	205	(2.9)%	208	(4.3)%
<i>Others</i>	50	52	(3.2)%	51	(0.5)%
South America	11	12	(4.1)%	11	(1.1)%
North America	29	31	(6.8)%	28	3.1%
European Union	39	40	(2.1)%	44	(10.7)%
Middle East	7	7	(2.9)%	7	(10.0)%
Others	38	40	(4.1)%	40	(4.0)%
Total	396	409	(3.1)%	412	(3.8)%

- The global steel industry continued to be impacted by a prolonged commodity sector slowdown. World crude steel production declined by 3.1% y-o-y to 396 million MT compared to a decline of 2.4% y-o-y in Q2 CY2015
- China's steel production, which accounts for half of the world's output, was 199 million MT in Q3 CY2015, down 2.9% y-o-y. Slowing economic growth and local real estate downturn has led to overcapacity resulting in downward pressure on prices. Despite the Chinese government's efforts to restrict excess steel production, the lack of domestic and export demand has led to continued over supply as manufacturers are reluctant to cut production levels
- To protect the domestic steel industry from dumping of imported steel, the European Union has published definitive anti-dumping duties on imports of stainless steel cold-rolled flat products (SSCR) originating in China and Taiwan. EU has been particularly impacted from Chinese competition, high energy costs, and slowing demand. Low cost imports from China have also led to substantial cuts in Britain's steel output
- As a result of the global industry dynamics, the demand for graphite electrodes from electric arc furnaces (EAF) has remained sluggish. However, the long term growth of the electrode industry continues to be promising due to the attractiveness of the electric arc furnace process. Whilst the EAF steel output constitutes 65% of the market in the United States, the blast furnace production currently constitutes a majority in many of the other nations
- Demand for steel in India has remained relatively strong and production declined only marginally during Q3 CY2015. The Government has taken pro-active steps to protect the industry from low cost imports. This includes a 20% safeguard duty on hot rolled coils in September 2015
- World steel capacity utilization ratio declined from 73.3% in September 2014 to 69.3% in September 2015

M-O-M Growth (%)



Q3 CY2015 Regional Production



Outlook

- According to the World Steel Association, global steel demand is expected to decline by 1.7% in 2015 and grow by 0.7% in 2016
- Steel demand in the developed economies is forecasted to grow by 1.8% in 2016, compared to a 0.2% growth forecast for emerging and developing economies
- The steel industry in China is likely to remain under pressure due to weak domestic demand and oversupply. Demand is projected to decline by 3.5% in 2015 and decline by 2.0% in 2016
- Indian steel demand is expected to remain relatively strong. World Steel Association has revised the estimates of steel demand in India up by 110 bps to 7.3% in 2015 and up by 30 bps to 7.6% in 2016

Source: World Steel Association

Standalone Financial Performance

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1	
	FY2016	FY2015		FY2016	q-o-q Growth (%)
Gross Sales	332.4	409.2	(18.8)%	336.8	(1.3)%
Net Sales (including Other Operating Income)	318.3	397.3	(19.9)%	322.5	(1.3)%
Operating Profit (EBITDA)	55.1	44.4	24.0%	37.8	45.7%
Margin (%)	17.3%	11.2%		11.7%	
Interest	2.1	2.6	(16.8)%	2.0	5.4%
Depreciation	11.1	10.6	5.3%	11.2	(0.8)%
Profit Before Tax	41.8	31.3	33.7%	24.6	70.2%
Net Profit	27.7	20.1	38.1%	16.3	69.9%
Margin (%)	8.7%	5.1%		5.1%	
Earnings Per Share:					
After Exceptional Item	1.42	1.03	38.1%	0.84	69.0%
Before Exceptional Item	1.42	1.03	38.1%	0.84	69.0%

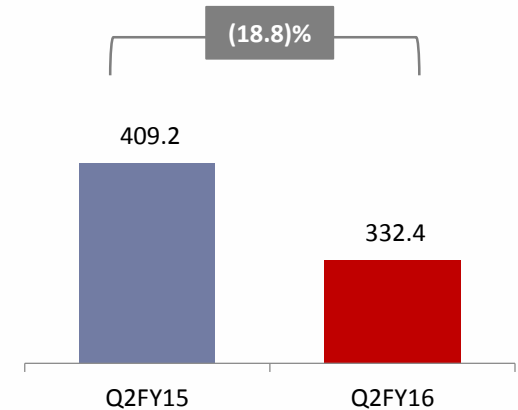
Notes:

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

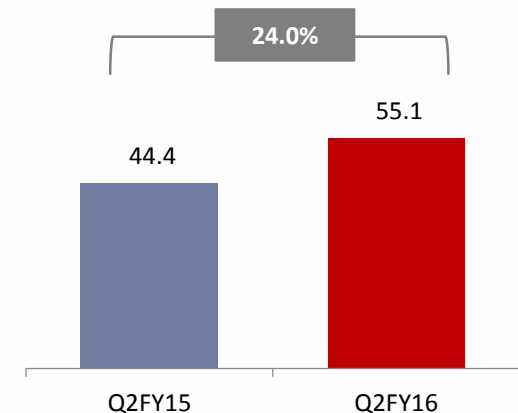
- Gross Sales decreased by 18.8% y-o-y to Rs. 332.4 Crores
- Sales were impacted by a decline in sales volume of 4% y-o-y and also a decline in sales realisation in both domestic and export markets



2

Operating Profit

- Operating Profit for the quarter was Rs. 55.1 Crores, an increase of 24.0% y-o-y
- The operating margins benefitted by lower input costs, mainly in needle coke prices
- Other Income increased from Rs. 4.6 Crores in Q2 FY2015 to Rs. 8.7 Crores in Q2 FY2016 due to favorable exchange rate movements

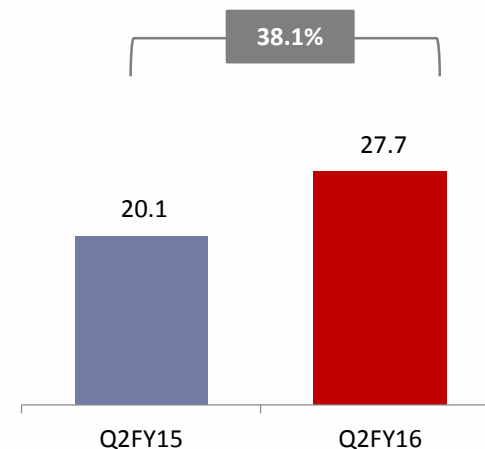


Note: Figures in Rs. Crore

3

Net Profit

- Net Profit for the quarter was Rs. 27.7 Crores, an increase of 38.1% compared to Q2 FY2015
- Interest cost decreased from Rs. 2.6 Crores in Q2 FY2015 to Rs. 2.1 Crores, a decline of 16.8%
- Interest coverage was 19.2x during Q2 FY2016
- Q2 FY2016 Net Profit increased by 38.1% y-o-y due to decrease in material cost, increase in Other Income and lower finance costs

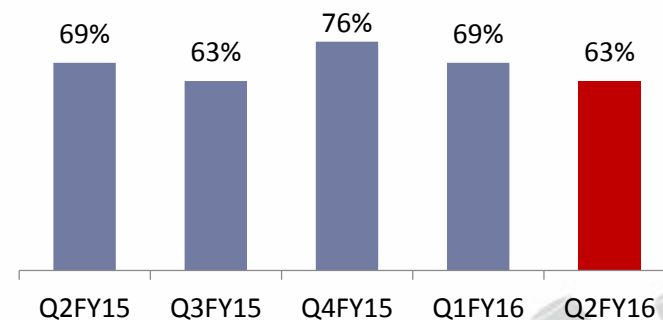


Note: Figures in Rs. Crore

4

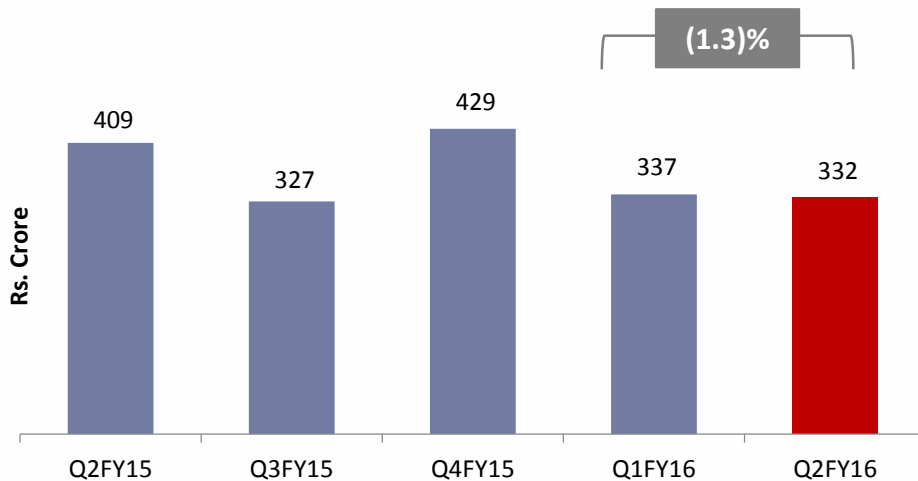
Operations

- Q2 FY2016 capacity utilization was 63% as compared to 69% in Q2 FY2015

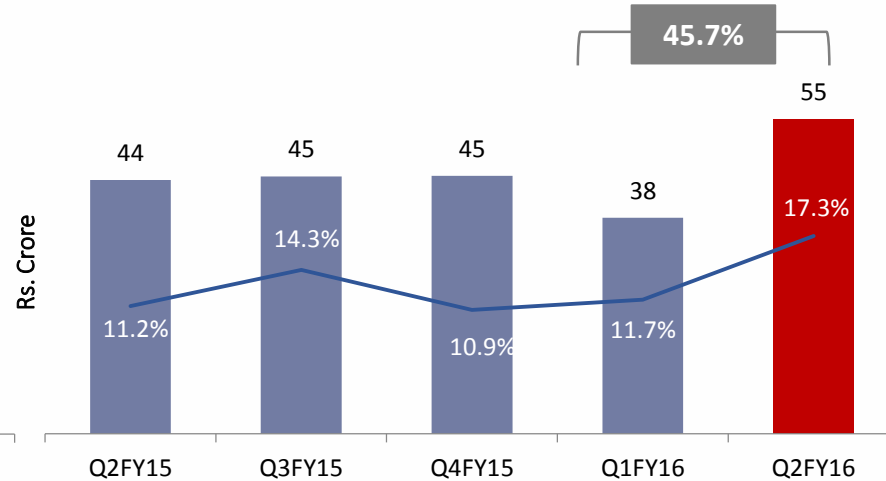


Quarterly Performance Trends

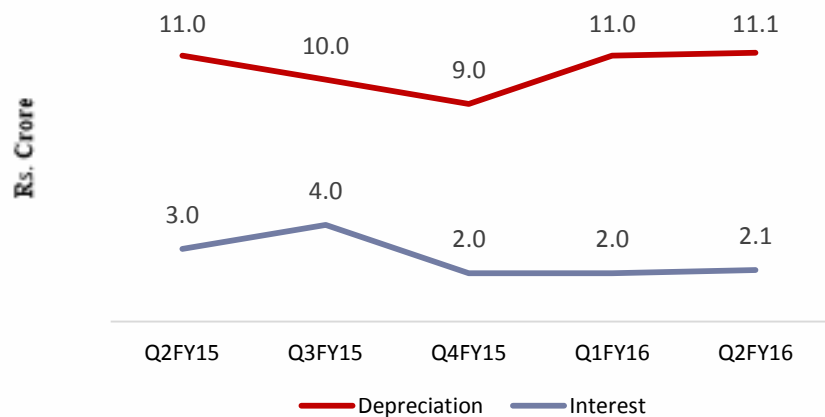
Gross Sales



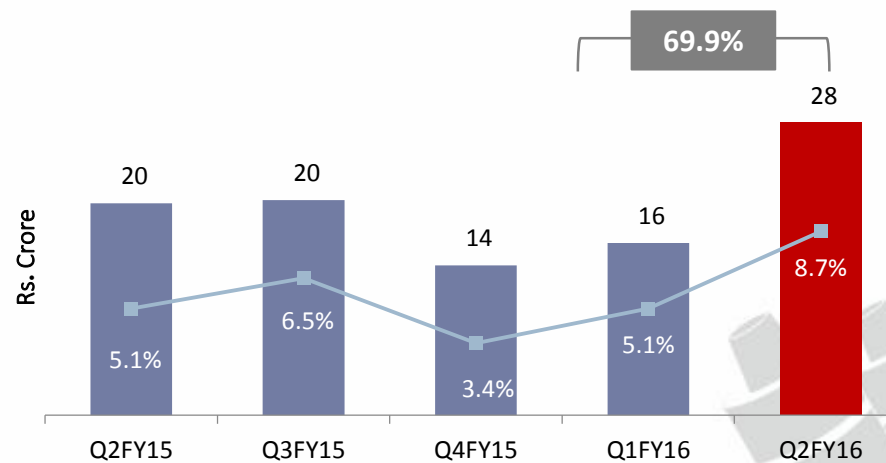
Operating Profit (EBITDA) and Margins



Depreciation and Interest



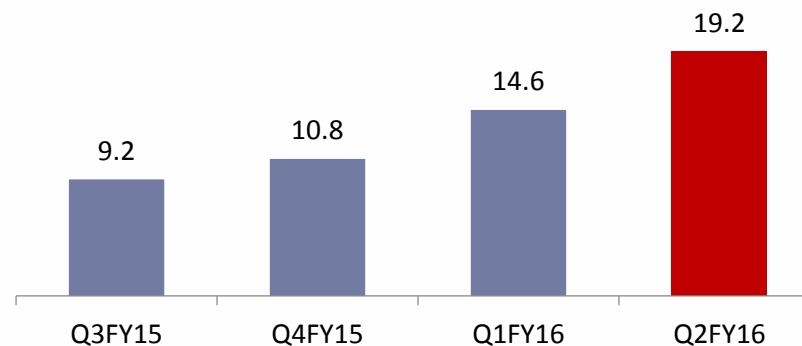
Net Profit and Margins



Significant financial flexibility available for future organic / inorganic growth

(Rs. Crore)	30.09.2015	30.06.2015	31.03.2015
Secured Debt	126	143	213
Unsecured Debt	50	91	36
Total Debt	176	234	248
Less: Cash & Cash Equivalents	(385)	(434)	(345)
Net Debt / (Net Cash)	(209)	(200)	(97)

Interest Coverage Ratio



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), 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 half of the 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 after the successful capacity expansion 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 2014 was 426 million MT, which was approximately 25.6% of the total steel production.

Unaudited Standalone Results for the quarter ended 30th Sep 2015 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

PART I Particulars	(₹ in Lakhs)					
	Quarter ended			Half Year ended		Year ended
	30th September 2015 (Unaudited)	30th June 2015 (Unaudited)	30th September 2014 (Unaudited)	30th September 2015 (Unaudited)	30th September 2014 (Unaudited)	31st March 2015 (Audited)
Income from Operations						
Gross Sales / Income from Operations	33,235	33,678	40,923	66,913	79,484	155,111
Less: Excise Duty on Sales	2,018	2,029	1,746	4,047	3,604	7,414
Net Sales / Income from Operations	31,217	31,649	39,177	62,866	75,880	147,697
Other Operating Income	610	601	555	1,211	869	2,025
Total Income from operations (net)	31,827	32,250	39,732	64,077	76,749	149,722
Expenses						
Cost of materials consumed	11,412	11,972	18,480	23,384	37,547	69,400
Purchases of stock-in-trade	90	-	-	90	-	-
Changes in inventories of finished goods, work-in-progress and stock-in-trade	902	1,494	183	2,396	(2,712)	(1,970)
Employee benefits expense	3,359	3,579	3,508	6,938	7,012	13,847
Consumption of stores and spare parts	2,658	2,488	3,231	5,146	6,364	12,890
Power and fuel	4,679	5,318	5,460	9,997	12,033	22,079
Depreciation and amortisation expense (Refer Note 2)	1,112	1,121	1,056	2,233	1,972	3,875
Other expenses	4,087	4,067	4,888	8,154	8,762	17,948
Total Expenses	28,299	30,039	36,806	58,338	70,978	138,069
Profit from operations before other income, finance costs and exceptional items	3,528	2,211	2,926	5,739	5,771	11,653
Other Income	869	449	459	1,318	1,846	3,074

Profit from ordinary activities before finance costs and exceptional items	4,397	2,660	3,385	7,057	7,617	14,727
Finance Costs	213	202	256	415	614	1,223
Profit from ordinary activities after finance costs but before exceptional items	4,184	2,458	3,129	6,642	7,003	13,504
Exceptional Items (Refer Note 3)	-	-	-	-	-	560
Profit from ordinary activities before tax	4,184	2,458	3,129	6,642	7,003	12,944
Tax expense	1,410	825	1,120	2,235	2,245	4,725
Net Profit from ordinary activities after tax	2,774	1,633	2,009	4,407	4,758	8,219
Extraordinary Items	-	-	-	-	-	-
Net Profit for the period	2,774	1,633	2,009	4,407	4,758	8,219
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						171,453
Earnings Per Share (EPS) (after exceptional items and before & after extraordinary items) - Face Value ₹2/- each (not annualised)						
Basic EPS (₹)	1.42	0.84	1.03	2.26	2.44	4.21
Diluted EPS (₹)	1.42	0.84	1.03	2.26	2.44	4.21
Earnings Per Share (EPS) (before exceptional items and before & after extraordinary items) - Face Value ₹2/- each (not annualised)						
Basic EPS (₹)	1.42	0.84	1.03	2.26	2.44	4.49
Diluted EPS (₹)	1.42	0.84	1.03	2.26	2.44	4.49

PART II

Particulars	Quarter ended			Half Year ended		Year ended
	30th September 2015	30th June 2015	30th September 2014	30th September 2015	30th September 2014	31st March 2015
PARTICULARS OF SHAREHOLDING						
Public Shareholding						
- Number of shares	67,779,002	67,888,836	68,262,202	67,779,002	68,262,202	67,888,836
- Percentage of shareholding	34.69	34.75	34.94	34.69	34.94	34.75
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	127,596,592	127,486,758	127,113,392	127,596,592	127,113,392	127,486,758
- 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)	65.31	65.25	65.06	65.31	65.06	65.25

Particulars	Quarter ended 30th September 2015
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

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
		2015 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)	2015 (Audited)
1	SEGMENT REVENUE -						
	Graphite and Carbon	29,067	29,801	34,377	58,868	68,094	133,066
	Steel	1,610	1,779	2,111	3,389	4,249	8,086
	Unallocated	1,151	671	3,246	1,822	4,425	8,608
	Total	31,828	32,251	39,734	64,079	76,768	149,760
	Less: Inter Segment Revenue	1	1	2	2	19	38
	Sales/Income from Operations-Net	31,827	32,250	39,732	64,077	76,749	149,722
2	SEGMENT RESULTS -						
	Profit/ (Loss) before tax and interest						
	Graphite and Carbon	4,595	3,488	3,334	8,083	6,674	14,246
	Steel	96	(83)	8	13	534	655
	Unallocated	34	(31)	388	3	636	627
	Total	4,725	3,374	3,730	8,099	7,844	15,528
	Less:						
	Interest	213	202	256	415	614	1,223
	(Including other finance costs)						
	Other un-allocable expenditure/(income)(net)	328	714	345	1,042	227	1,361 *
	Total Profit Before Tax	4,184	2,458	3,129	6,642	7,003	12,944
3	CAPITAL EMPLOYED -						
	(Segment Assets - Segment Liabilities)						
	Graphite and Carbon	144,820	147,620	156,222	144,820	156,222	157,159
	Steel	21,814	19,857	20,648	21,814	20,648	20,493
	Unallocated	3,252	3,144	4,748	3,252	4,748	2,899
	Total	169,886	170,621	181,618	169,886	181,618	180,551

* includes Exceptional items (Refer Note 3)

Notes :

1 Statement of Assets and Liabilities -

(₹ in Lakhs)

Particulars	As at	
	30th September 2015 (Unaudited)	31st March 2015 (Audited)
	A. EQUITY AND LIABILITIES	
Shareholders' Funds		
Share Capital	3,908	3,908
Reserves and Surplus	174,679	171,453
Sub-total - Shareholders' funds	178,587	175,361
Non-current liabilities		
Long-term borrowings	2,192	4,172
Deferred tax liabilities (net)	8,144	8,211
Other long-term liabilities	1	1
Sub-total - Non-current liabilities	10,337	12,384
Current liabilities		
Short-term borrowings	8,828	14,399
Trade Payables	17,487	18,681
Other current liabilities	15,103	13,655
Short-term provisions	5,453	10,270
Sub-total - Current liabilities	46,871	57,005
TOTAL - EQUITY AND LIABILITIES	235,795	244,750
B. ASSETS		
Non-current assets		
Fixed assets	58,157	60,040
Non-current investments	19,804	21,306
Long-term loans and advances	1,993	2,058
Other non-current assets	1	12
Sub-total - Non-current assets	79,955	83,416
Current assets		
Current investments	32,447	26,701
Inventories	75,712	85,499
Trade receivables	38,402	38,788
Cash and bank balances	812	1,134
Short-term loans and advances	7,386	7,583
Other current assets	1,081	1,629
Sub-total - Current assets	155,840	161,334
TOTAL - ASSETS	235,795	244,750

Notes :

2. The Company had reviewed its tangible fixed assets as at 1st April, 2015 and identified certain significant components with different useful lives from the remaining parts of the asset in keeping with the provisions of Schedule II to the Companies Act, 2013. The depreciation has been computed for such components separately effective 1st April, 2015. As a result, the depreciation expense for the quarter and the half year ended 30th September, 2015 is higher and the profit before tax is lower by ₹ 162 lakhs and ₹ 332 lakhs respectively and the net book value aggregating ₹ 1,181 lakhs (net of deferred tax ₹ 569 lakhs) relating to assets, where the revised useful lives have expired by 31st March, 2015 has been adjusted against opening balance of retained earnings as on 1st April, 2015.
3. Exceptional items represent provision for diminution in value of long-term investments.
4. Figures for the previous periods have been regrouped / rearranged wherever necessary to conform to current period's classification.
5. The above results have been reviewed by the Audit Committee and approved by the Board at its meeting held on 9th November, 2015. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 30th September, 2015 in terms of Clause 41 of the Listing Agreement with Stock Exchanges.

By Order of the Board
For Graphite India Limited

Place : Kolkata
Date : 9th November, 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.

Contact Details:

Graphite India Limited

(CIN: L10101WB1974PLC094602)

31 Chowringhee Road, Kolkata 700 016

Phone: +91 33 4002 9600

Fax: +91 33 4002 9676

www.graphiteindia.com

M.K. Chhajer

Graphite India Ltd

+91 33 40029622

mkchhajer@graphiteindia.com

Ankul Adlakha /

Jitesh Bhatia

+91 22 6169 5988

Churchgate Partners

graphite@churchgatepartnersindia.com