



Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q3 FY2018 Earnings Presentation
January 30, 2018



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Q3 FY2018 Financial Performance (Y-o-Y)

Q3 FY2018 Profit and Loss (Standalone)

- Gross Sales of Rs. 933.1 Crores vs Rs. 358.7 Crores in Q3 FY2017
- EBITDA of Rs. 530.0 Crores vs Rs. 49.3 Crores in Q3 FY2017, Margin of 57%
- Net Profit Rs. 340.5 Crores vs Rs. 23.4 Crores in Q3 FY2017, Margin of 36%

Balance Sheet (Standalone)

- Gross Debt of Rs. 213 Crores (As on 30th Sep 2017: Rs. 185 Crores)
- Gross Cash position of Rs. 998 Crores (As on 30th Sep 2017: Rs. 788 Crores)

Operations

- Standalone capacity utilization of 95% in Q3FY2018 (Q3 FY2017: 85%)
- Electrode sale volumes and realization have increased on a y-o-y basis

Industry Overview

- World crude steel production increased by 3.7% y-o-y to 419 mn MT in Q4 CY2017
- World steel capacity utilization was 69.5% in December 2017, compared to 67.7% in December 2016



Mr. K. K. Bangur
Chairman

“The graphite electrode industry continues to benefit from the closure of certain Chinese steel and graphite electrode production facilities in an attempt to curb environmental pollution. This has led to lower volumes being exported thereby improving the market balance. These industry developments have supported the recovery of steel and graphite electrode prices across key markets.

The Indian steel industry has also shown encouraging growth of 6.2% y-o-y in Q3 FY2018. The industry has not only benefited from a recovery in steel prices but also increased demand from the infrastructure sector.

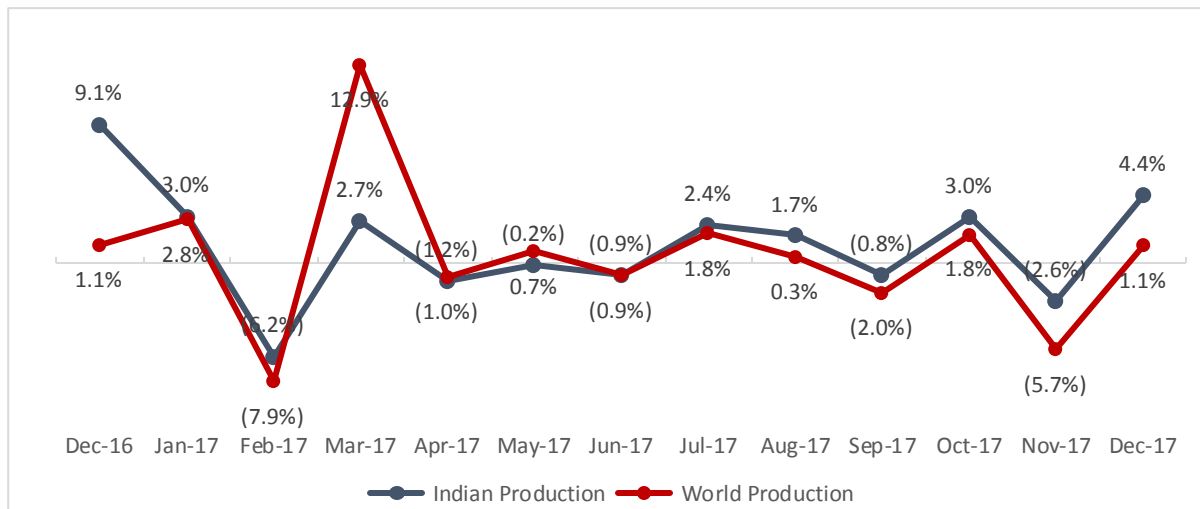
I am pleased to report that Graphite India has continued its strong momentum in the third quarter of FY2018. The company delivered robust sales growth of 160% y-o-y which was primarily driven by improved realizations coupled with an increase in volumes. EBITDA margins consequently expanded from 15% in Q3 FY2017 to 57% in the current quarter. Our strong EBITDA to Net Profit conversion has allowed us to register a net profit of 340.5 crores in the quarter. From an operating perspective, our plant utilization levels increased from 85% to 95% y-o-y. The recovery of graphite electrode demand is likely to continue to drive realizations, however increasing prices of our key raw materials due to limited availability may have some bearing on our margins.

Graphite India continues to maintain its disciplined approach to operational cost controls, best practices and capital allocation. This will ensure that we are well positioned to continue to build on our financial results going forward. Our management team remains committed to optimizing Graphite India's global market position with the aim of delivering sustainable long term value for all its stakeholders.”

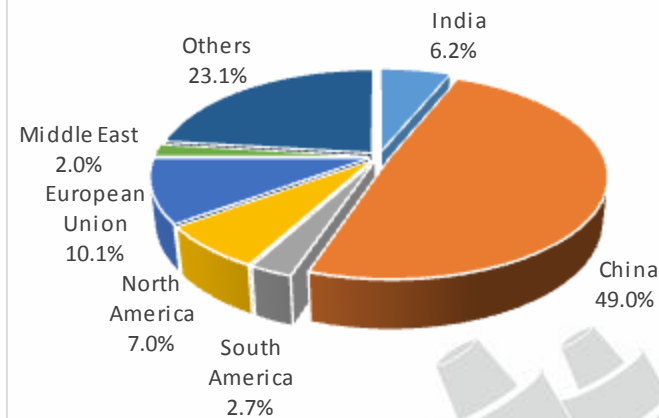
Steel Industry Overview

Crude Steel Production (million MT)	Three Months Ended				Twelve Month Ended			
	Dec-17	Dec-16	Y-o-Y (%)	Sep-17	Q-o-Q (%)	Dec-17	Dec-16	Y-o-Y (%)
Asia	286.7	279.3	2.7%	301.1	(4.8)%	1,162.5	1,103.5	5.3%
India	25.9	24.4	6.2%	25.2	2.7%	101.4	95.6	6.2%
China	205.6	202.0	1.8%	220.4	(6.8)%	831.7	786.9	5.7%
Others	55.2	52.9	4.5%	55.5	(0.5)%	229.4	221.1	3.8%
South America	11.4	10.3	10.7%	11.1	2.2%	43.7	40.2	8.7%
North America	29.2	26.9	8.6%	29.1	0.1%	116.0	110.6	4.8%
European Union	42.4	40.7	4.3%	40.3	5.2%	168.7	162.1	4.0%
Middle East	8.3	7.6	9.1%	8.7	(5.1)%	32.4	29.0	11.8%
Others	41.5	40.0	3.9%	41.4	0.2%	162.4	156.1	4.0%
Total	419.4	404.6	3.7%	431.9	(2.9)%	1,691.2	1,605.1	5.4%

M-o-M Growth (%)



Q4 CY2016 Regional Production



- The world crude steel production was 1,691.2 MT in CY 2017, a growth of 5.4% y-o-y. India registered a growth rate of 6.2% y-o-y and China 5.7% y-o-y.
- The world crude steel capacity utilization in December 2017 was 69.5% as compared to 67.7% in December 2016.
- India remained the world's third-largest steel producer for the third year in a row in CY2017 after recording the highest production growth of 6.2% in CY2017 among major steel producing nations. Japan's production during the year saw a marginal decline, thus brightening India's prospect of moving upto the second spot in 2018. Lower export from China augurs well for the Indian steel industry with recovery in demand and steel prices.
- The closure of inefficient induction furnaces and highly polluting blast furnaces in China is expected to be replaced by environment friendly electric arc furnaces (EAF's) which is supported by increased availability of scrap. These developments will further drive the demand for graphite electrodes.
- The US and EU steel industry continues to benefit from lower imports from China thus providing much needed impetus to domestic steel producers which further led to recovery of steel prices. Steel production grew by 4.0% y-o-y in both the regions, driven by higher domestic capacity utilisation and supply side balancing. The Middle East steel production also increased by 11.8% y-o-y in CY2017. These all are major EAF producing regions and increased capacity utilization in these regions augers well for electrode demand.

Standalone Financial Performance

(Rs. Crore)	Q3		y-o-y Growth (%)	Q2		q-o-q Growth (%)	Nine Months		y-o-y Growth (%)
	FY2018	FY2017		FY2018	FY2017				
Gross Sales ¹ (Excluding Other Income)	933.1	358.7	160%	461.9	102%	1771.2	994.3	78%	
Net Sales (Excluding Other Income)	933.1	337.6	176%	461.9	102%	1746.0	932.4	87%	
Operating Profit (EBITDA) ²	530.0	49.3	976%	149.2	255%	735.8	113.7	547%	
Margin (%) ³	57%	15%		32%		42%	12%		
Interest	1.7	2.1	(20)%	1.5	12%	4.2	5.4	(22)%	
Depreciation	11.3	9.6	18%	12.0	(6)%	35.3	29.0	22%	
Profit Before Tax	517.0	37.5	1,278%	135.6	281%	696.3	79.3	778%	
Net Profit	340.5	23.4	1,357%	89.9	279%	459.9	50.3	814%	
Margin (%)	36%	7%		19%		26%	5%		
Earnings Per Share	17.43	1.20	1,357%	4.60	279%	23.5	2.6	814%	

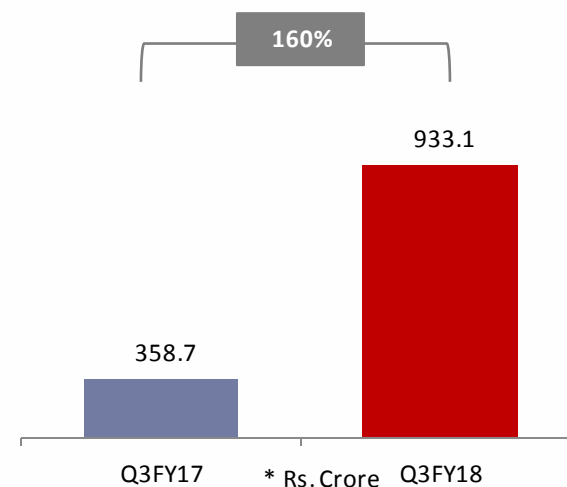
Notes:

1. From Q2 FY2018 onwards gross sales is net of GST
2. Operating Profit includes Other Income
3. All margins calculated as a percentage of Net Sales (excluding Other Income)

1

Gross Sales

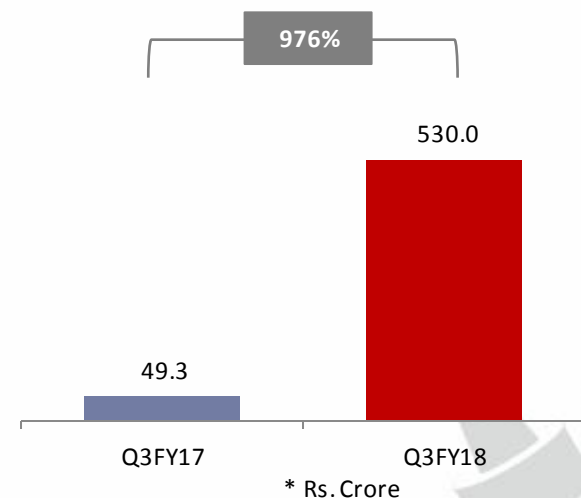
- Gross Sales increased by 160% y-o-y to Rs. 933.1 Crores
- Sales were driven by improved realizations and increased sales volume



2

Operating Profit

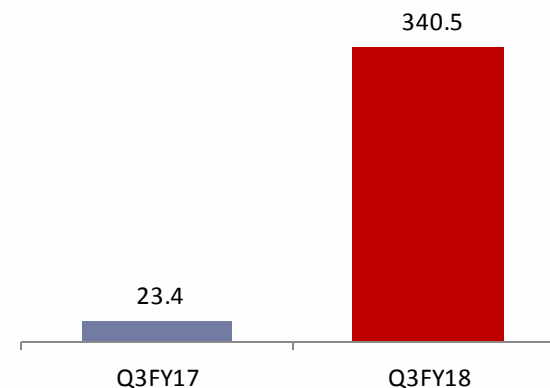
- Operating Profit (EBITDA) for the quarter was Rs. 530.0 Crores, an increase of 976% y-o-y
- EBITDA margins improved from 15% in Q3 FY2017 to 57% in Q3 FY2018 supported by improved realization with higher volume and optimum capacity utilization



3

Net Profit

- Net Profit for the quarter increased to Rs. 340.5 Crores in Q3 FY2018 as compared to Rs. 23.4 Crores in Q3 FY2017, driven by improved realization and higher capacity utilization
- Depreciation increased by 18% y-o-y due to commencement of capital projects for upgradation of facilities in the last fiscal year

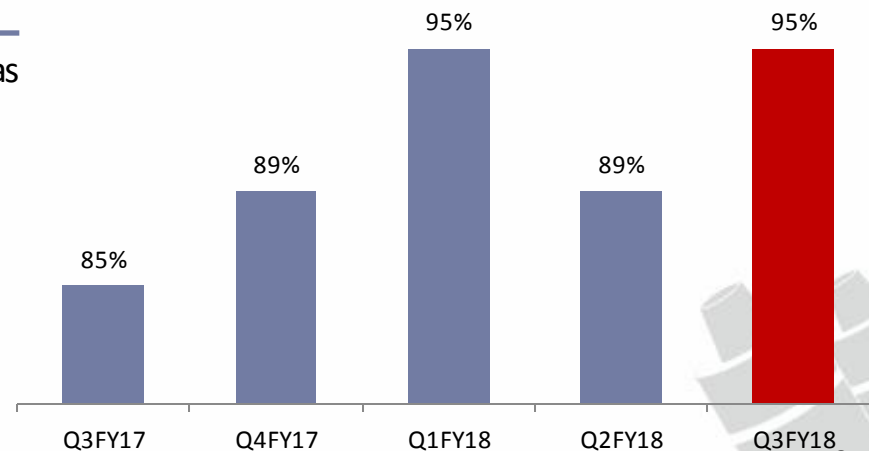


* Rs. Crore

4

Operations

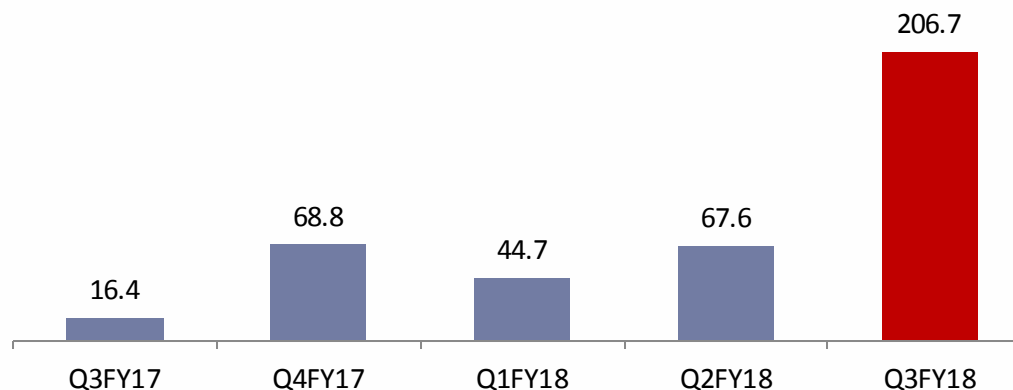
- Q3 FY2018 capacity utilization was 95% as compared to 85% in Q3 FY2017



Significant financial flexibility available for future organic / inorganic growth

(Rs. Crore)	31.12.2017	30.09.2017	30.06.2017	31.03.2017
Total Debt	213	185	171	127
Less: Cash & Cash Equivalents ¹	(998)	(788)	(723)	(626)
Net Debt / (Net Cash)¹	(785)	(603)	(552)	(499)

Interest Coverage Ratio



Notes:

1. Cash and cash equivalents include Mutual Fund investments
2. Interest Coverage Ratio calculated as (Net Profit + Depreciation + Interest) / Interest
3. Q4 FY2017 Net profit include non recurring benefits arising out of favorable income tax orders

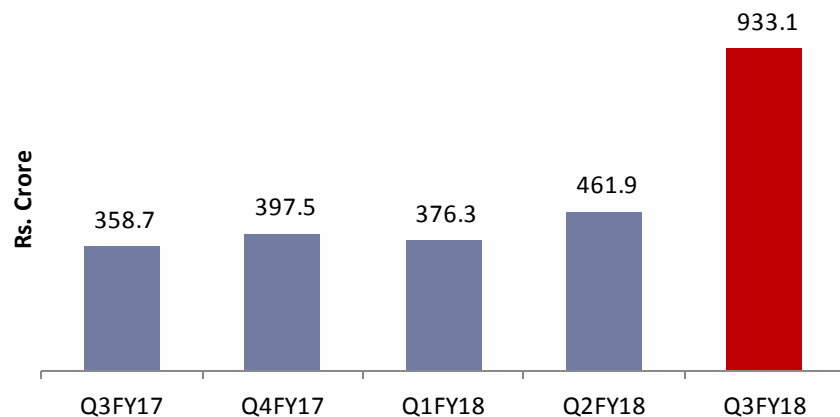
Quarterly segment comparison

(Rs. Crore)	Q3		y-o-y	Q2		Nine Months		y-o-y
	FY2018	FY2017	Growth (%)	FY2018	Growth (%)	FY2018	FY2017	Growth (%)
Segment Revenue	933.1	358.7	160%	461.9	102%	1,771.2	994.3	78%
Graphite and Carbon	890.3	335.4	165%	439.5	103%	1681.5	897.3	87%
GRP Pipes	24.1	4.4	445%	3.0	699%	35.4	40.4	(12)%
Others	18.9	18.9	(0)%	19.4	(3)%	54.6	56.7	(4)%
Less: Inter Segment Sales	(0.17)	(0.0)		(0.0)		(0.3)	(0.2)	

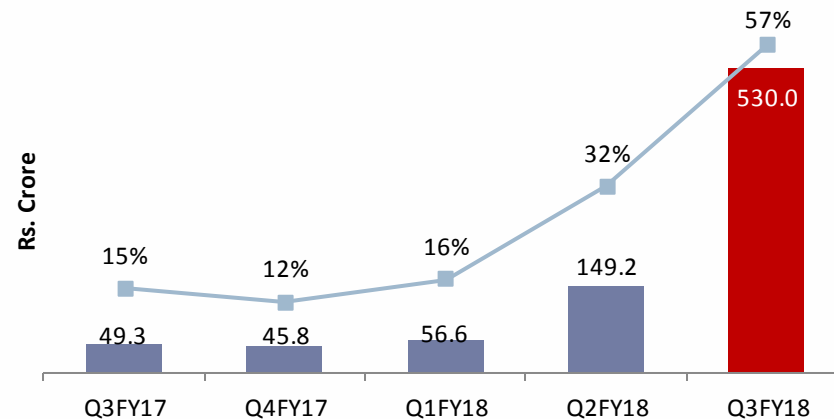
(Rs. Crore)	Q3		y-o-y	Q2		Nine Months		y-o-y
	FY2018	FY2017	Growth (%)	FY2018	Growth (%)	FY2018	FY2017	Growth (%)
Segment Profit before tax and interest	519.9	32.6	1,497%	131.4	296%	687.2	53.6	1,183%
Graphite and Carbon	515.4	32.0	1,510%	130.5	295%	683.8	45.3	1,409%
GRP Pipes	3.6	(0.4)	-	0.9	311%	4.1	7.3	(44)%
Others	0.9	0.9	(8)%	(0.0)	-	(0.6)	1.0	(163)%

Quarterly Performance Trends

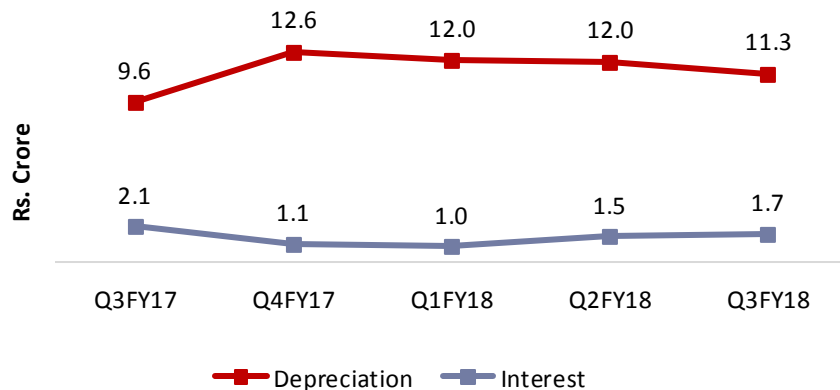
Gross Sales



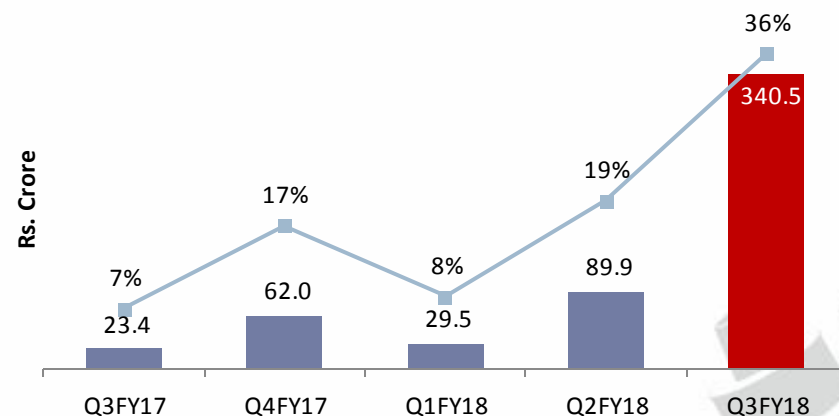
Operating Profit (EBITDA) and Margins



Depreciation and Interest



Net Profit and Margins



Note: Q4 FY2017 Net profit include non recurring benefits arising out of favorable income tax orders

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 also has facilities designed for the manufacture of impervious graphite equipment and glass reinforced plastic pipes and tanks. It has an installed capacity of 27 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.

Standalone Unaudited Results for the quarter and nine months ended 31st December 2017
(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

S. No.	Particulars	Quarter ended			Nine months ended		Year Ended
		31st December 2017	30th September 2017	31st December 2016	31st December 2017	31st December 2016	31st March 2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Revenue from Operations (Refer note 3)	93,306	46,190	35,870	177,121	99,429	139,175
2	Other Income	1,148	1,924	1,291	5,185	5,272	8,389
3	Total Income (1+2)	94,454	48,114	37,161	182,306	104,701	147,564
4	Expenses						
	(a) Cost of Materials Consumed	17,874	14,698	12,605	45,390	39,128	51,732
	(b) Changes in Inventories of Finished Goods and Work-in-progress	332	(1,603)	(799)	(1,694)	(1,581)	2,009
	(c) Excise Duty (Refer note 3)	-	-	2,114	2,523	6,191	8,598
	(d) Employee Benefits Expense	4,464	4,500	3,880	13,078	11,096	15,204
	(e) Consumption of Stores and Spare Parts	4,304	3,464	3,199	11,210	8,321	11,836
	(f) Power and Fuel	7,965	7,292	6,246	22,347	17,493	23,825
	(g) Finance Costs	171	153	214	419	540	650
	(h) Depreciation and Amortisation Expenses	1,128	1,200	959	3,532	2,896	4,156
	(i) Other Expenses	6,512	4,847	4,990	15,869	12,686	18,411
	Total Expenses	42,750	34,551	33,408	112,674	96,770	136,421
5	Profit before Exceptional Items and Tax (3 - 4)	51,704	13,563	3,753	69,632	7,931	11,143
6	Exceptional Items	-	-	-	-	-	-
7	Profit Before Tax (5+6)	51,704	13,563	3,753	69,632	7,931	11,143
8	Income Tax Expense						
	- Current Tax (*Net of adjustment for earlier years)	17,362 *	4,200	862	22,642 *	1,766	328 *
	- Deferred Tax	289	370	553	999	1,134	(413)
9	Net Profit for the Period (7 - 8)	34,053	8,993	2,338	45,991	5,031	11,228

Standalone Unaudited Results for the quarter and nine months ended 31st December 2017 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

S. No.	Particulars	Quarter ended			Nine months ended		Year Ended
		31st December 2017	30th September 2017	31st December 2016	31st December 2017	31st December 2016	31st March 2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
10	Other Comprehensive Income						
	A. (I) Items that will not be reclassified to profit or loss	(70)	(70)	(23)	(210)	(69)	(267)
	(II) Income tax relating to Items that will not be reclassified to profit or loss	24	24	-	72	-	92
	B.(I) Items that will be reclassified to profit or loss	-	-	-	-	-	-
	(II) Income tax relating to Items that will be reclassified to profit or loss	-	-	-	-	-	-
	Total Other Comprehensive Income, net of Income Tax	(46)	(46)	(23)	(138)	(69)	(175)
11	Total Comprehensive Income for the Period (9 + 10)	34,007	8,947	2,315	45,853	4,962	11,053
12	Paid-up equity share capital (Face Value ₹ 2/- per equity share)	3,908	3,908	3,908	3,908	3,908	3,908
13	Other Equity						181,278
14	Earnings per share (of ₹ 2/- each) (not annualised except for the year ended March):						
	(a) Basic (₹)	17.43	4.60	1.20	23.54	2.58	5.75
	(b) Diluted (₹)	17.43	4.60	1.20	23.54	2.58	5.75

See accompanying notes to the financial results

Standalone Unaudited Segment Wise Revenue, Assets and Liabilities for the quarter and nine months ended 31st December 2017

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

S.No	Particulars	Quarter ended			Nine months ended		Year Ended
		31st December 2017	30th September 2017	31st December 2016	31st December 2017	31st December 2016	31st March 2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	SEGMENT REVENUE -						
	Graphite and Carbon	89,032	43,954	33,544	168,147	89,731	125,740
	GRP Pipes	2,405	301	441	3,539	4,044	6,326
	Others	1,886	1,939	1,887	5,460	5,674	7,147
	Total	93,323	46,194	35,872	177,146	99,449	139,213
	Less: Inter Segment Revenue	17	4	2	25	20	38
	Revenue from Operations	93,306	46,190	35,870	177,121	99,429	139,175
2	SEGMENT RESULTS -						
	Graphite and Carbon	51,538	13,053	3,201	68,375	4,531	5,328
	GRP Pipes	362	88	(38)	406	725	2,119
	Others	85	(2)	92	(62)	99	(36)
	Total	51,985	13,139	3,255	68,719	5,355	7,411
	Less:						
	Interest	171	153	214	419	540	650
	(Including other finance costs)						
	Other un-allocable expenditure/(income)(ne	110	(577)	(712)	(1,332)	(3,116)	(4,382)
	Profit Before Tax	51,704	13,563	3,753	69,632	7,931	11,143
3	SEGMENT ASSETS -						
	Graphite and Carbon	179,501	152,938	154,222	179,501	154,222	151,507
	GRP Pipes	4,196	4,340	6,902	4,196	6,902	4,465
	Others	10,240	9,716	10,293	10,240	10,293	10,196
	Total Segment assets	193,937	166,994	171,417	193,937	171,417	166,168
	Un-allocated Assets	111,243	87,824	64,305	111,243	64,305	72,128
	Total Assets	305,180	254,818	235,722	305,180	235,722	238,296
4	SEGMENT LIABILITIES -						
	Graphite and Carbon	42,981	31,156	27,266	42,981	27,266	27,659
	GRP Pipes	2,588	1,912	1,752	2,588	1,752	1,640
	Others	1,566	989	1,489	1,566	1,489	1,688
	Total Segment Liabilities	47,135	34,057	30,507	47,135	30,507	30,987
	Un-allocated Liabilities	31,711	28,433	26,036	31,711	26,036	22,123
	Total Liabilities	78,846	62,490	56,543	78,846	56,543	53,110

Standalone Unaudited Results for the quarter and nine months ended 31st December 2017 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Notes to the financial results:

- 1 This Statement has been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 30th January, 2018. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 31st December, 2017 in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 2 Figures for the previous periods have been regrouped/rearranged wherever necessary to conform to current period's classification.
- 3 In accordance with the requirements of Ind AS, revenue (as indicated in serial no 1) for the period after 30th June, 2017 is net of Goods and Services Tax ('GST'). However, revenue for the period upto 30th June, 2017 is inclusive of excise duty (as indicated in serial no 4(c)) .

Place : Kolkata

Date : 30th January, 2018

By Order of the Board
For Graphite India Limited

K.K.Bangur
Chairman

Telephone No: 91 33 40029600; Fax No: 91 33 40029676

CIN: L10101WB1974PLC094602

Email: gilro@graphiteindia.com; Website: www.graphiteindia.com

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

Ravi Gothwal

Churchgate Partners

+91 22 6169 5988

graphite@churchgatepartners.com