Graphite India Limited

Q3 FY2012 Earnings Presentation

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 Highlights

Third Quarter FY2012 Standalone Performance

- Net Sales increased by 28% y-o-y
- Operating Profit increased by 25% y-o-y
- Net Profit increased by 27% y-o-y
- Electrode sales volume increased by 19% y-o-y
- Average capacity utilization increased from 84% in Q3 FY2011 to 103% in Q3 FY2012
- Net Debt of Rs. 206 Crore as of December 31, 2011
- Net Worth of Rs. 1,538 Crore as of December 31, 2011

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

"Graphite India continues to reap the benefits of a combination of both higher price realizations and stronger sales volume growth. Our export performance was particularly pleasing and reflects the strength of our long term customer relationships. Management continues to implement operational efficiency programs whilst optimizing capacity utilizations levels. The timing of our expansion plan matches our anticipated business requirements and the additional 20,000 MT is expected to be commissioned in the coming months"

Business Snapshot

Global Market Position

- Largest Indian producer of graphite electrodes by total capacity
- One of the leading players in a highly consolidated industry
- Accounts for 6.5% of global electrode capacity
- Diversified global client base with no client accounting for more than 6.0% of revenues

Best-in-Class Operations

- Strong quality with over 60% of electrode production exported in competition with global players
- Focus on efficiency and productivity resulting in industry leading operating margins
- Secured supplies of key raw material, needle coke, at stable prices
- Access to low cost sources of power

Attractive Industry Dynamics

- Graphite electrodes are critical to the electric arc furnace (EAF) steel making process, with no substitutes available
- Strong secular support for EAF route due to significant advantages over traditional blast furnace method
- EAF[1] is expected to contribute 50% (with current level of 30%) of global steel production by 2020
- Consolidated industry with significant entry barriers due to technology intensive nature of operations

Strong Financial Performance

- Steady double-digit revenue CAGR over the past five years despite a global slowdown
- Strong cost management resulting in average EBITDA margins of approximately 25% from FY 2007 to FY 2011
- Steady growth of exports, which nearly tripled in size from FY2001 to FY2011
- Strong balance sheet with low leverage
- History of consistent profitability even during challenging pricing environments

Graphite India is globally well positioned through its product quality, scale of operations and manufacturing platform base

Note:
1. 08th April 2011, The Financial Express

Q3 FY2012 Financial Performance – Standalone

Standalone Performance

(Rs. Crore)	Q3 FY2012	Q3 FY2011	*% Y-o-Y Growth*	Q2 FY2012	*% Q-o-Q Growth*	9 Months FY2012	9 Months FY2012	*% Y-o-Y Growth*
Gross Sales[1]	452	352	*28.5%*	479	*(5.7)%*	1,266	962	*31.6%*
Net Sales	436	337	*29.2%*	462	*(5.5)%*	1,216	920	*32.2%*
Operating Profit[2]	96	77	*24.7%*	77	*25.0%*	241	237	*1.5%*
% Margin	*22.0%*	*22.8%*		*16.6%*		*19.8%*	*25.8%*	
Net Profit	56	44	*27.1%*	42	*34.1%*	135	128	*5.6%*
% Margin	*12.9%*	*13.1%*		*9.1%*		*11.1%*	*13.9%*	
Basic EPS (Rs.)	2.88	2.39	*20.5%*	2.14	*34.6%*	6.91	6.91	*0.0%*

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

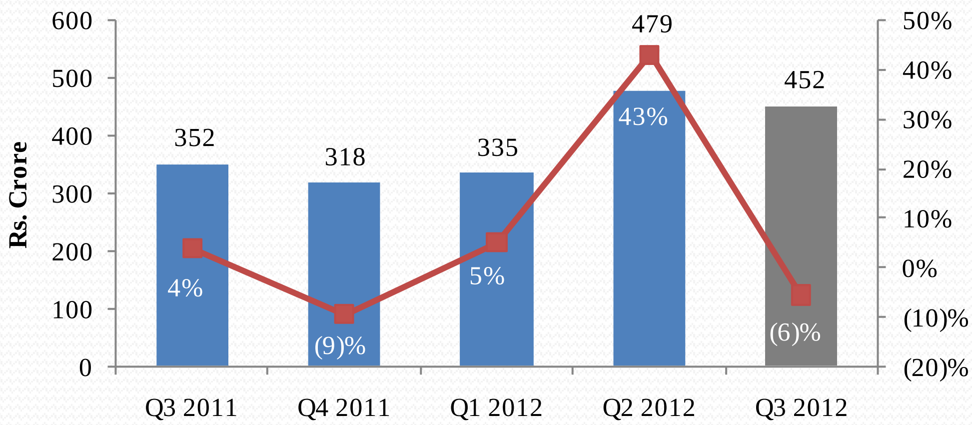
Q3 FY2012 Segment Financial Performance – Standalone

Standalone Performance

(Rs. Crore)	Q3 FY2012	Q3 FY2011	*% Y-o-Y Growth*	Q2 FY2012	*% Q-o-Q Growth*	9 Months FY2012	9 Months FY2011	*% Y-o-Y Growth*
Net Sales	**436**	**337**	***29.2%***	**462**	***(5.5)%***	**1,216**	**920**	***32.2%***
Graphite and Carbon	373	294	*27.1%*	398	*(6.3)%*	1,043	780	*33.7%*
Power	8	9	*(11.7)%*	11	*(31.0)%*	25	24	*3.9%*
Steel	30	26	*15.8%*	28	*6.7%*	66	70	*(5.9)%*
Unallocated	37	21	*72.2%*	38	*(3.7)%*	114	75	*52.2%*
Less: Intersegment	(12)	(12)		(14)		(33)	(30)	
EBIT	**94**	**69**	***36.9%***	**84**	***12.2%***	**238**	**195**	***21.8%***
Graphite and Carbon	83	54	*52.9%*	64	*31.0%*	198	155	*27.3%*
Power	6	7	*(19.6)%*	10	*(42.2)%*	19	19	*3.9%*
Steel	1	1	*17.9%*	1	*(24.6)%*	0	1	*(73.8)%*
Unallocated	4	6	*(35.4)%*	9	*(55.4)%*	20	20	*1.6%*

Quarterly Financial Performance – Standalone

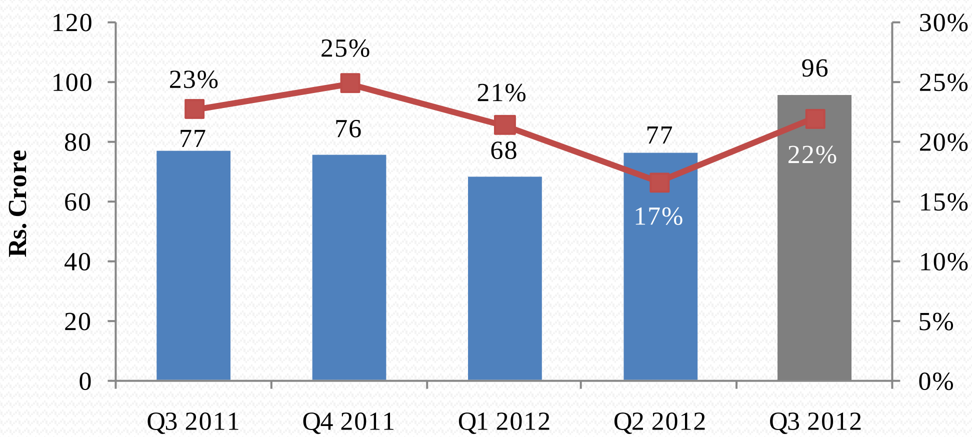
Gross Sales and Growth



Historical Trends

- ❖ Lower electrodes sales volumes in Q3 FY2012. In Q2 FY2012, it was higher due to the clearance of backlog orders
- ❖ Robust sales volume growth of ~40% coupled with the steady pricing in Q2 FY2012
- ❖ Higher volumes and steady electrode prices in Q1 FY2012 on a y-o-y and sequential basis
- ❖ Deferral of some shipments resulted in lower electrode sales volumes in Q4 FY2011
- ❖ Q3 FY2011 electrode volume growth increased by 34% y-o-y and 7% q-o-q, offset to some extent by moderation in electrode prices
- ❖ Strong steel segment volume growth in Q3 FY2011

Operating Profit and Margins



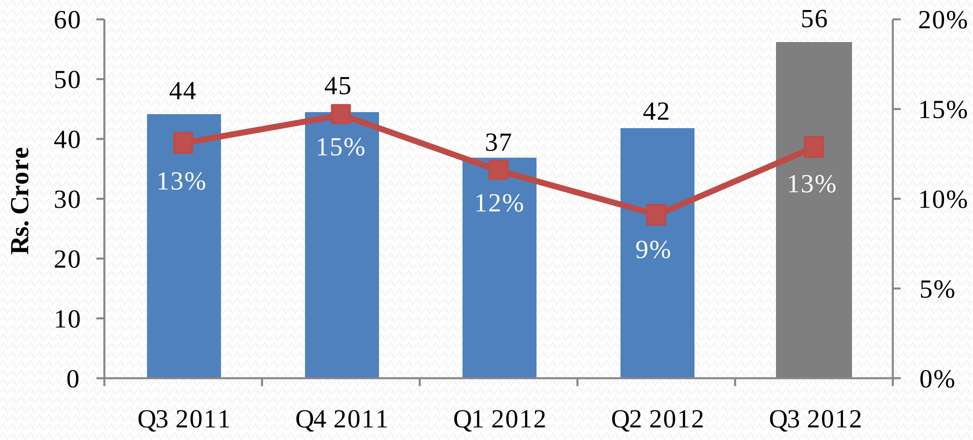
- ❖ Margins benefited from improved productivity and optimum capacity utilizations in Q3 FY2012
- ❖ Higher operating profits offset by increasing input costs and adverse forex fluctuations in Q2 FY2012
- ❖ Increase in input costs other than needle coke in Q1 FY2012 on a y-o-y and sequential basis
- ❖ Combination of lower volumes, moderating electrode prices and higher input costs in Q4 FY2011, compared to the prior year
- ❖ Moderation in electrode prices, rising non-needle coke input costs and one-time rise in employee costs impacted margins in Q3 FY2011

Note:

1 All numbers shown are for the standalone business

Quarterly Financial Performance – Standalone

Net Profit and Margins



Historical Trends

- ❖ Q3 FY2012 Net Profit increased due to higher operating profits despite an increase in interest expense
- ❖ Q2 FY2012 Net Profit margins moderated due to lower operating margins due to foreign exchange loss
- ❖ Lower Operating Profit along with higher incidence of taxation in Q1 FY2012
- ❖ Lower Operating Profit and higher interest expenses in Q4 FY2011
- ❖ Q3 FY2011 Net Profit margins impacted by lower electrode pricing and higher non-needle coke costs

(Rs. Crore)	**Standalone Q3 FY2012**	**Standalone Q2 FY2012**
Secured Debt	284	312
Unsecured Debt	145	112
Total Debt	**429**	**424**
Less: Cash & Cash Equivalents	223	248
Net Debt / (Net Cash)	**206**	**176**

Capital Structure

- ❖ Outstanding shares as of December 31, 2011 is 195,375,594
- ❖ Net debt position of Rs. 206 Crore
- ❖ Significant financial flexibility available for future capacity expansions or inorganic acquisitions

Note:
1 All numbers shown are for the standalone business

Strategic Initiatives

Durgapur Plant Expansion

- Electrode capacity expansion plan of 20,000 MT per annum
  - Continue to position Graphite India as the largest Indian producer of graphite electrodes
  - Key drivers are access to capital at competitive costs and anticipated improvement in electrode demand in the medium term
  - Eco-friendly advanced technology and greater energy efficiency
  - Cost of expansion is expected to be Rs. 255 Crore, to be funded through internal accruals and debt
  - Project completion by Q4 FY2012

Performance Outlook

Revenues

- Traction in graphite electrode demand due to increased capacity utilization by steel manufacturers
- Improved electrode pricing environment in the near term
- Exports to continue to show strong volume growth
- Capacity expansion at Durgapur Plant is expected to be completed by Q4 FY2012

Costs

- Annual consolidated capacity utilization expected to be 85-90% in FY2012
- Needle coke supplies secured for FY2012 at prices comparable to FY2011. In-discussions to secure supply contracts for next fiscal year

Graphite India: Fact Sheet

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 78,000 tonnes per annum is spread over four plants at Durgapur (34,000 MT), Bangalore (13,000 MT), Nashik (13,000 MT) and Nurnberg in Germany (18,000 MT). The Company accounts for approximately 6.5% of global electrode capacity and has over 40 years of technical expertise in the industry. With its corporate office in Kolkata, India, the Company services its clients in over fifty countries, with no client accounting for over 6% of revenues. Exports account for approximately 50% of revenues and export volumes increased over 3 times from FY2001 to FY2011. Graphite India manufactures the full range of graphite electrodes but stays focused on the higher margin, large diameter, ultra-high power ("UHP") electrodes. Approximately 85% of the Company's total capacity is currently UHP.

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 five 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 currently manufactures Calcined Petroleum Coke ("CPC") for use in electrode manufacturing. It is also 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. A capacity expansion plan has been initiated in its Durgapur (West Bengal) plant, to increase capacity by 20,000 MT per annum, taking the total capacity towards 100,000 MT per annum.

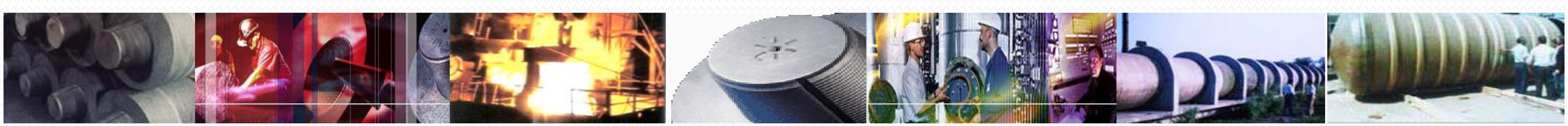
The Company also has facilities designed for the manufacture of impervious graphite equipment and glass reinforced plastic pipes and tanks. It has an installed capacity of 33 MW of power generation through hydel and multi-fuel routes.

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.

Due to the global economic recession, demand for electrodes is currently less than total installed capacity of 1.2 million MT, of which UHP capacity is 0.9 million MT. Global steel production continues to recover post-recession.

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 396 million MT in 2010.



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