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Graphite India Limited

Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q3 FY2016 Earnings Presentation

January 27, 2016

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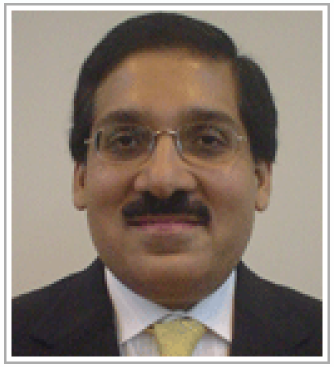
Graphite India Limited

Executive Summary

Q3 FY2016 Financial Performance

Profit and Loss	○ Gross Sales of Rs. 364 Crores, a growth of 11.4% y-o-y ○ Operating Profit (EBITDA) grew 3.5% y-o-y to Rs. 47 Crores; Margin of 13.1% ○ Net Profit decreased by (3.4)% y-o-y to Rs. 20 Crores; Margin of 5.5% ○ Interest Coverage: 26.3x
Balance Sheet	○ Gross Debt of Rs. 159 Crores (Q2 FY2016: Rs. 176 Crore) ○ Net Cash of Rs. 262 Crores (Q2 FY2016: Rs. 209 Crore)
Operations	○ Capacity utilization of 56% in Q3 FY2016 (Q3 FY2015: 63%) ○ 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 (4.5)% y-o-y to 386 million MT in Q4 CY2015 ○ For full year 2015, the global steel production declined by (2.8)% to 1,623 million MT ○ World steel capacity utilization ratio declined from 69.5% in December 2014 to 64.6% in December 2015

Chairman’s Message



Mr. K. K. Bangur, Chairman

“The ongoing deterioration in the global steel industry continued to impact graphite electrode production in the fourth quarter of CY2015. Even though our production declined, an increase in sales volume, driven mainly by higher exports, enabled a reduction in inventory.

Rising Chinese imports of steel into India continue to hamper domestic Electric Arc Furnace (EAF) steel production placing considerable downward pressure on incremental demand and pricing of graphite electrodes. Even though we were able to slightly offset the negative impact from lower realisations through a disciplined control on costs, our EBITDA margins declined 127 bps y-o-y. We expect the pricing pressure to continue into the new year.

With iron ore prices expected to remain low, the EAF route is likely to be less economical for the global steel producers in the near term. However, owing to higher domestic economic growth and rising demand for steel, India remains better placed than most other economies. The Indian government has taken a few steps to protect the domestic steel industry from cheap imports from China. As per news reports, the government is also considering other measures such as increasing the minimum support price of steel and implementing the safeguard duty across a broader basket of steel products. These measures, along with the proposed investments in infrastructure, should facilitate growth in domestic steel demand.

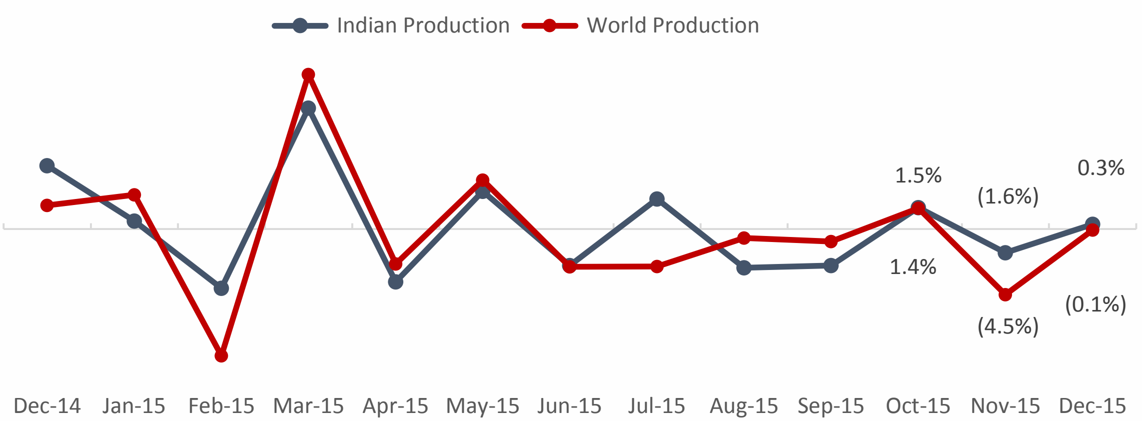
Graphite India continues to stay focused on maintaining a disciplined net cash position to shield the value it has created for its shareholders over the last many years, whilst keeping a control on costs in these challenging times.”

Steel Industry Overview

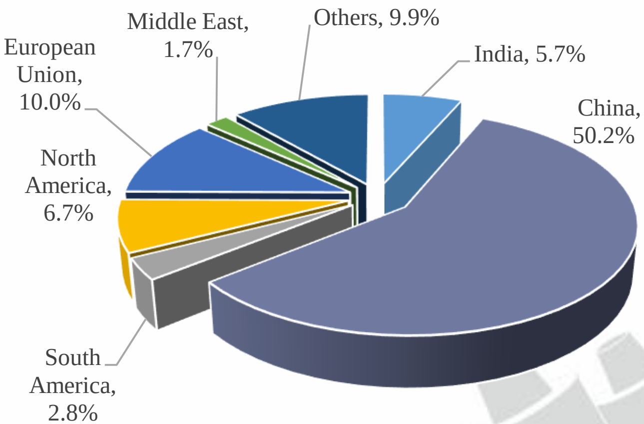
Graphite India Limited

Crude Steel Production	Three Months Ended				
(million MT)	**Dec-15**	**Dec-14**	***Y-o-Y (%)***	**Sep-15**	***Q-o-Q (%)***
Asia	266.4	275.6	*(3.3)%*	271.6	*(1.9)%*
India	21.9	21.8	*0.7%*	22.4	*(2.1)%*
China	193.8	200.5	*(3.3)%*	198.9	*(2.6)%*
Others	50.6	53.3	*(5.0)%*	50.3	*0.7%*
South America	10.7	11.2	*(4.8)%*	11.0	*(2.6)%*
North America	25.8	29.9	*(13.8)%*	28.9	*(10.8)%*
European Union	38.7	41.5	*(6.7)%*	39.3	*(1.6)%*
Middle East	6.5	7.3	*(11.8)%*	6.6	*(2.6)%*
Others	38.3	39.0	*(1.8)%*	38.5	*(0.5)%*
Total	**386.3**	**404.5**	***(4.5)%***	**395.9**	***(2.4)%***

M-O-M Growth (%)



Q4 CY2015 Regional Production



Steel Industry Overview and Outlook

- In the quarter ended December 2015, the global steel industry continued to face headwinds in the form of declining demand and pricing pressure. This was mainly due to a weakening Chinese economy, overcapacities in many key steel manufacturing nations and continued pressure on the global energy sector. World crude steel production declined by (4.5)% y-o-y to 386 million MT in Q4 CY2015. Whilst China's steel production declined by (3.3)% to 194 million MT, India's production was up by 0.7% y-o-y to 22 million MT
- For full year 2015, global steel production fell for the first time in six years, declining by (2.8)% to 1,623 million MT. All of the top ten steel producing countries reported an annual decline in production except India which recorded an increase in production of 2.6% in CY2015. The Chinese steel production declined by (2.3)% and US steel production fell by (10.5)%
- China's steel exports crossed 100 million MT for the first time last year owing to declining local demand. Exports were up 20% from the year before to 112.4 million tons in 2015. The country's demand for steel has decreased owing to a weakening real estate and infrastructure market
- Like many other countries, India too remains under pressure due to cheap imports especially from China, Japan and Korea. However, the domestic economy is better placed because of relatively better demand
- The global demand for graphite electrodes has remained subdued owing to limited incremental demand for steel. Furthermore, falling iron ore prices have made the EAF route less economical as compared to the blast furnace process in the recent past. However, the long term growth potential of the electrode industry continues to be positive
- World steel capacity utilization ratio declined from 69.5% in December 2014 to 64.6% in December 2015

Standalone Financial Performance

Graphite India Limited

(Rs. Crore)	Q3 FY2016	Q3 FY2015	y-o-y Growth (%)	Q2 FY2016	q-o-q Growth (%)
Gross Sales	364.3	327.0	*11.4%*	332.4	*9.6%*
Net Sales (including Other Operating Income)	356.6	314.1	*13.5%*	318.3	*12.1%*
Operating Profit (EBITDA)	46.6	45.0	*3.5%*	55.1	*(15.4)%*
Margin (%)	*13.1%*	*14.3%*		*17.3%*	
Interest	1.2	3.7	*(66.8)%*	2.1	*(42.7)%*
Depreciation	11.1	9.6	*16.5%*	11.1	*0.1%*
Profit Before Tax	34.3	31.8	*7.7%*	41.8	*(18.1)%*
Net Profit	19.7	20.4	*(3.4)%*	27.7	*(29.0)%*
Margin (%)	*5.5%*	*6.5%*		*8.7%*	
Earnings Per Share	1.00	1.04	*(4.4)%*	1.42	*(29.7)%*

Notes:

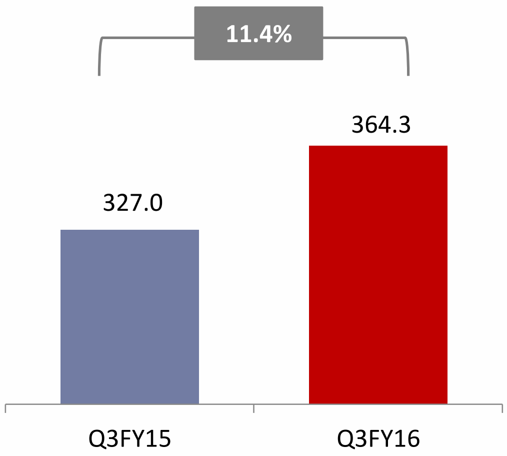
1. Gross Sales includes excise duty
2. Operating Profit defined as earnings before depreciation, interest, exceptional items and taxes; includes Other Income
3. All margins calculated as a percentage of Net Sales (including Other Operating Income)

Standalone Financial Performance

Graphite India Limited

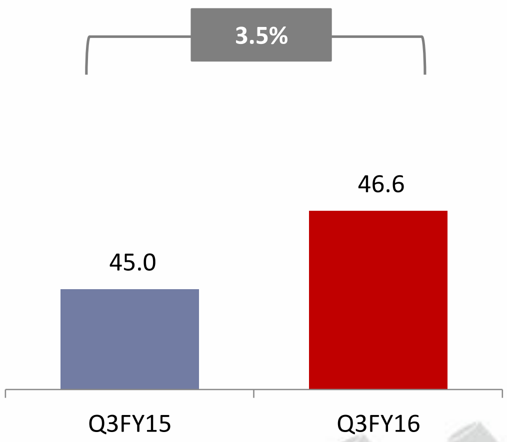
1 Sales

- Gross Sales increased by 11.4% y-o-y to Rs. 364.3 Crores
- Net Sales increased by 13.5% y-o-y to Rs. 356.6 Crores
- Sales were positively impacted due to higher volumes in the quarter



2 Operating Profit

- Operating Profit (EBITDA) for the quarter was Rs. 46.6 Crores, an increase of 3.5% y-o-y
- Operating profit margins declined by 127 bps due to lower average realisation
- Other Income increased from Rs. 3.3 Crores in Q3 FY2015 to Rs. 4.4 Crores in Q3 FY2016 due to higher investment income



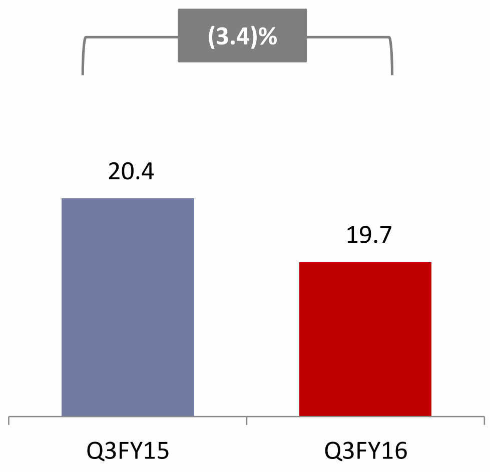
Note: Figures in Rs. Crore

Standalone Financial Performance

Graphite India Limited

3 Net Profit

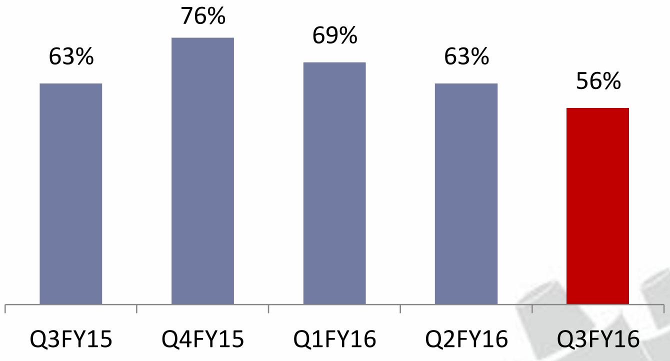
- Net Profit for the quarter was Rs. 19.7 Crores, a decrease of (3.4)% compared to Q3 FY2015
- Interest cost decreased from Rs. 3.7 Crores in Q3 FY2015 to Rs. 1.2 Crores, a decline of (66.8)%
- Interest coverage was 26.3x during Q3 FY2016
- Q3 FY2016 Net Profit was negatively impacted by lower average realisation and a higher tax expense



Note: Figures in Rs. Crore

4 Operations

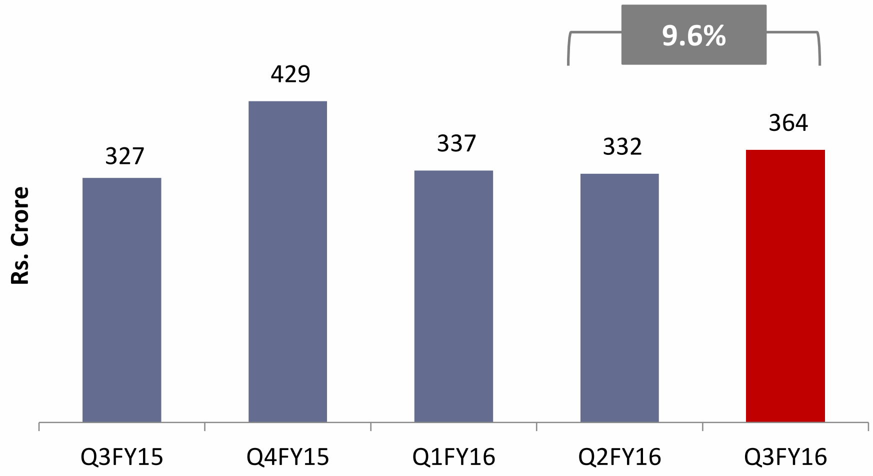
- Q3 FY2016 capacity utilization was 56% as compared to 63% in Q3 FY2015



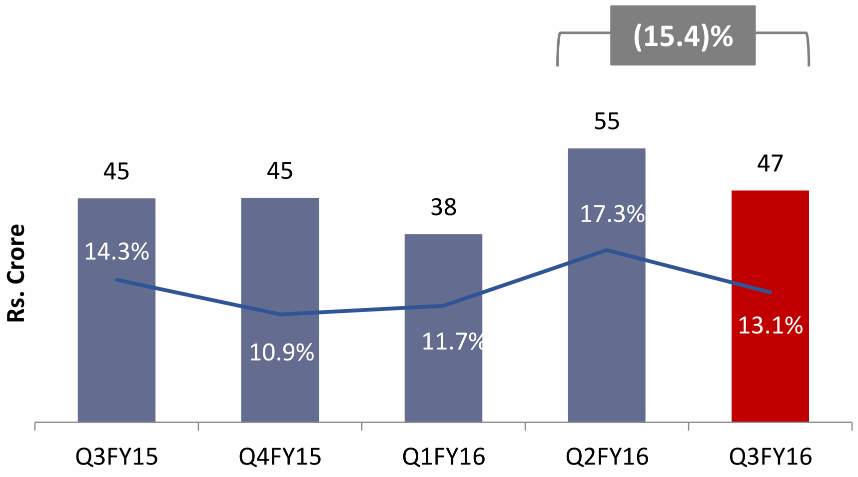
Quarterly Performance Trends

Graphite India Limited

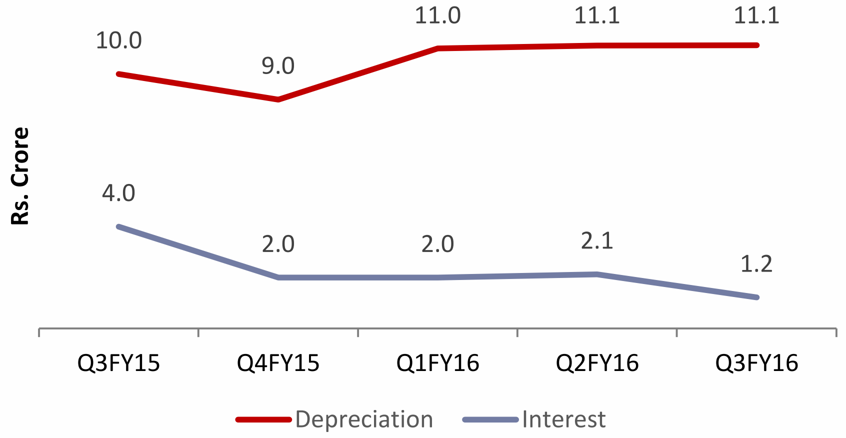
Gross Sales



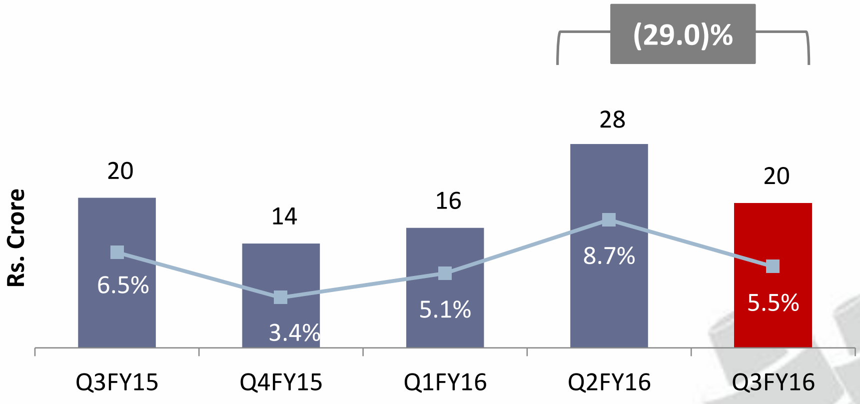
Operating Profit (EBITDA) and Margins



Depreciation and Interest



Net Profit and Margins

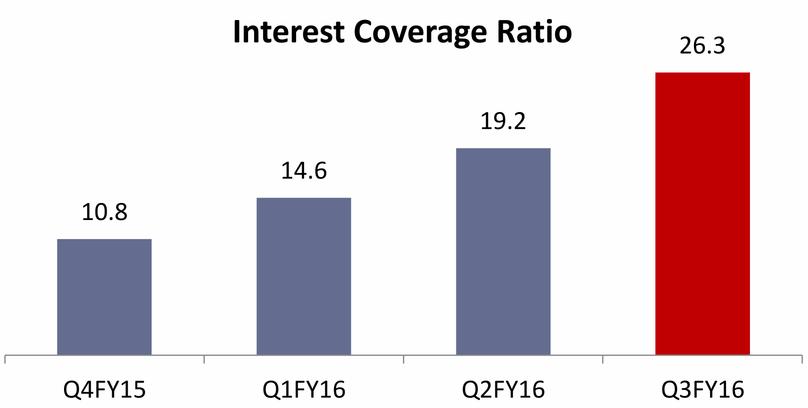


Standalone Financial Performance

Graphite India Limited

Significant financial flexibility available for future organic / inorganic growth

(Rs. Crore)	31.12.2015	30.09.2015	30.06.2015
Secured Debt	144	126	143
Unsecured Debt	15	50	91
Total Debt	**159**	**176**	**234**
Less: Cash & Cash Equivalents	(421)	(385)	(434)
Net Debt / (Net Cash)	**(262)**	**(209)**	**(200)**



Note:
1. Interest Coverage Ratio calculated as (Net Profit + Depreciation + Interest) / Interest

Graphite India - At a glance

Graphite India Limited

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.

Statutory Financials

Graphite India Limited

Unaudited Standalone Results for the quarter ended 31st Dec 2015
(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

(₹in Lakhs)

Particulars	Quarter ended			Nine months ended		Year ended
	31st December 2015 (Unaudited)	30th September 2015 (Unaudited)	31st December 2014 (Unaudited)	31st December 2015 (Unaudited)	31st December 2014 (Unaudited)	31st March 2015 (Audited)
Income from Operations						
Gross Sales / Income from Operations	36,427	33,235	32,702	103,340	112,186	155,111
Less: Excise Duty on Sales	1,609	2,018	1,639	5,656	5,243	7,414
Net Sales / Income from Operations	34,818	31,217	31,063	97,684	106,943	147,697
Other Operating Income	845	610	345	2,056	1,214	2,025
Total Income from operations (net)	**35,663**	**31,827**	**31,408**	**99,740**	**108,157**	**149,722**
Expenses						
Cost of materials consumed	12,171	11,412	16,708	35,555	54,255	69,400
Purchases of stock-in-trade	-	90	-	90	-	-
Changes in inventories of finished goods, work-in-progress and stock-in-trade	3,880	902	(5,391)	6,276	(8,103)	(1,970)
Employee benefits expense	3,503	3,359	3,345	10,441	10,357	13,847
Consumption of stores and spare parts	2,743	2,658	3,067	7,889	9,431	12,890
Power and fuel	4,741	4,679	5,200	14,738	17,233	22,079
Depreciation and amortisation expense (Refer Note 1)	1,113	1,112	955	3,346	2,927	3,875
Other expenses	4,404	4,087	4,304	12,558	13,066	17,948
Total Expenses	**32,555**	**28,299**	**28,188**	**90,893**	**99,166**	**138,069**
Profit from operations before other income, finance costs and exceptional items	**3,108**	**3,528**	**3,220**	**8,847**	**8,991**	**11,653**
Other Income	439	869	327	1,757	2,173	3,074

Statutory Financials

Graphite India Limited

(₹in Lakhs)

Particulars	Quarter ended			Nine months ended		Year ended
	31st December 2015 (Unaudited)	30th September 2015 (Unaudited)	31st December 2014 (Unaudited)	31st December 2015 (Unaudited)	31st December 2014 (Unaudited)	31st March 2015 (Audited)
Profit from ordinary activities before finance costs and exceptional items	**3,547**	**4,397**	**3,547**	**10,604**	**11,164**	**14,727**
Finance Costs	122	213	367	537	981	1,223
Profit from ordinary activities after finance costs but before exceptional items	**3,425**	**4,184**	**3,180**	**10,067**	**10,183**	**13,504**
Exceptional Items (Refer Note 2)	-	-	-	-	-	560
Profit from ordinary activities before tax	**3,425**	**4,184**	**3,180**	**10,067**	**10,183**	**12,944**
Tax expense	1,455	1,410	1,140	3,690	3,385	4,725
Net Profit from ordinary activities after tax	**1,970**	**2,774**	**2,040**	**6,377**	**6,798**	**8,219**
Extraordinary Items	-	-	-	-	-	-
Net Profit for the period	**1,970**	**2,774**	**2,040**	**6,377**	**6,798**	**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 (₹)	1.00	1.42	1.04	3.26	3.48	4.21
Diluted EPS (₹)	1.00	1.42	1.04	3.26	3.48	4.21
Earnings Per Share (EPS) (before exceptional items and before & after extraordinary items) -Face Value ₹2/- each (not annualised)						
Basic EPS (₹)	1.00	1.42	1.04	3.26	3.48	4.49
Diluted EPS (₹)	1.00	1.42	1.04	3.26	3.48	4.49

Statutory Financials

Graphite India Limited

(₹in Lakhs)

	Particulars	Quarter ended			Nine months ended		Year ended
		31st December 2015 (Unaudited)	30th September 2015 (Unaudited)	31st December 2014 (Unaudited)	31st December 2015 (Unaudited)	31st December 2014 (Unaudited)	31st March 2015 (Audited)
1	**SEGMENT REVENUE -**						
	Graphite and Carbon	32,614	29,067	28,452	91,482	96,546	133,066
	Steel	1,534	1,610	2,233	4,923	6,482	8,086
	Unallocated	1,533	1,151	741	3,355	5,166	8,608
	Total	**35,681**	**31,828**	**31,426**	**99,760**	**108,194**	**149,760**
	Less: Inter Segment Revenue	18	1	18	20	37	38
	Sales/Income from Operations-Net	**35,663**	**31,827**	**31,408**	**99,740**	**108,157**	**149,722**
2	**SEGMENT RESULTS -**						
	Profit/ (Loss) before tax and interest						
	Graphite and Carbon	3,365	4,595	3,792	11,448	10,466	14,246
	Steel	195	96	102	208	636	655
	Unallocated	159	34	203	162	839	627
	Total	**3,719**	**4,725**	**4,097**	**11,818**	**11,941**	**15,528**
	Less:						
	Interest	122	213	367	537	981	1,223
	(Including other finance costs)						
	Other un-allocable expenditure/(income)(ne	172	328	550	1,214	777	1,361 *
	Total Profit Before Tax	**3,425**	**4,184**	**3,180**	**10,067**	**10,183**	**12,944**
3	**CAPITAL EMPLOYED -**						
	(Segment Assets - Segment Liabilities)						
	Graphite and Carbon	139,734	144,820	158,221	139,734	158,221	157,159
	Steel	21,705	21,814	20,450	21,705	20,450	20,493
	Unallocated	3,218	3,252	3,589	3,218	3,589	2,899
	Total	**164,657**	**169,886**	**182,260**	**164,657**	**182,260**	**180,551**

* includes Exceptional items (Refer Note 2)

Notes :

1. 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 nine months ended 31st December, 2015 is higher and the profit before tax is lower by ₹171 lakhs and ₹503 lakhs respectively.
2. Exceptional items represent provision for diminution in value of long-term investments.
3. Figures for the previous periods have been regrouped / rearranged wherever necessary to conform to current period's
4. The above results have been reviewed by the Audit Committee and approved by the Board at its meeting held on 27th January, 2016. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 31st December, 2015 in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements)

By Order of the Board
For Graphite India Limited

Place : Kolkata
Date : 27th January, 2016

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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