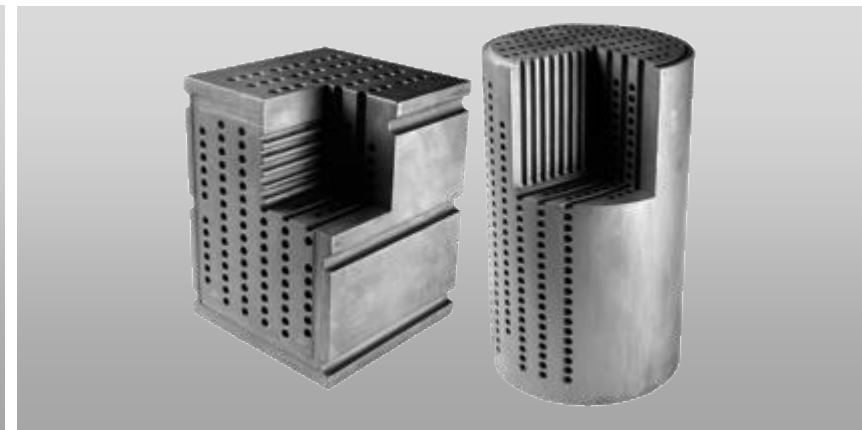
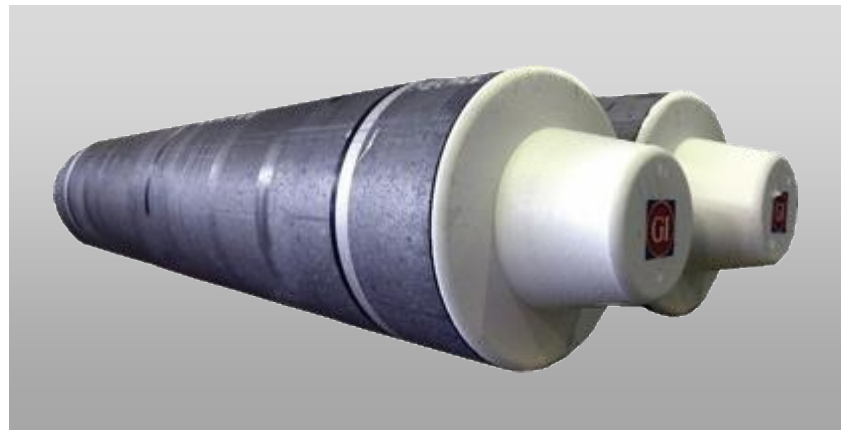
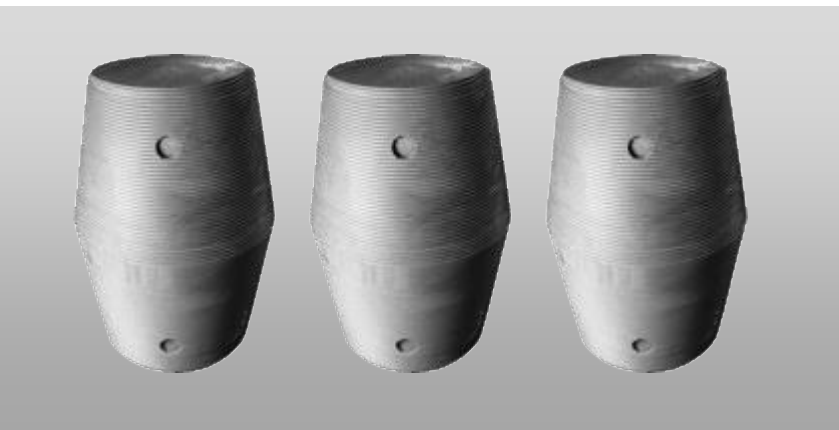




Graphite India Limited

NSE: GRAPHITE, BSE: 509488

Q1 FY2020 Earnings Presentation August 12th, 2019



Discussion Agenda



Graphite India Limited

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Q1 FY2020 Financial Performance

Q1 FY2020 Profit and Loss (Consolidated)

- Net Sales of Rs. 967 Crores, a decline of 51% y-o-y
- EBITDA of Rs. 352 Crores; Margin of 36%
- Net Profit of Rs. 220 Crores; Margin of 23%
- EPS of Rs. 11.24 per share

Balance Sheet (Consolidated)

- Gross Debt of Rs. 389 Crores
- Cash (Net of Gross Debt) of Rs. 2,734 Crores

Q1 FY2020 Profit and Loss (Standalone)

- Net Sales of Rs. 897 Crores, a decline of 50% y-o-y
- EBITDA of Rs. 314 Crores; Margin of 35%
- Net Profit of Rs. 195 Crores; Margin of 22%
- EPS of Rs. 9.98 per share

Balance Sheet (Standalone)

- Gross Debt of Rs. 389 Crores
- Cash (Net of Gross Debt) of Rs. 2,251 Crores



Mr. K. K. Bangur
Chairman

"During the quarter, the Company registered Net Sales of Rs. 967 Cr, EBITDA of Rs. 352 Cr and Net Profit of Rs. 220 Cr representing margins of 36% and 23% respectively. Graphite India's fundamentals remain strong with quarterly cash flow generation and high EBITDA to cash flow conversion. Net Cash balance at the end of June 2019 was Rs. 2,734 Cr, an increase of Rs. 157 Cr during the quarter.

There is a relative decline in our Q1 FY2020 performance compared to the same quarter last year which was driven by extremely favorable business environment with both strong electrode demand and peak electrode prices globally. In the latter part of FY2019, prices started to decline after brief spell of stabilization. However, prices came under severe pressure with weakening of global economy due to various factors which have impacted the overall demand and supply dynamics, putting further downward pressure on our performance.

The steel industry continues to face these headwinds during the current fiscal year with no sign of relief due to the challenging state of the global economy resulting in lower steel production in the EAF producing nations. Furthermore, the excess production of graphite electrodes in China due to relatively slow ramp up of EAF capacities leading to cheaper graphite electrode exports to other countries. Against the backdrop of the removal of antidumping duties on Chinese electrodes in India, this trend has intensified, forcing companies to reduce prices to maintain market share. From a cost perspective needle coke prices have remained at higher levels placing further pressure on margins.

In this uncertain and challenging business environment, Graphite India management continues to closely work with its customers in delivering high quality products at competitive prices. The company is also implementing cost rationalization initiatives to remain competitive. As a part of our strategy, we are targeting selected new geographies to expand our customer base. The Company aims to further strengthen its balance sheet through efficient working capital management, thereby creating tangible value for all stakeholders."

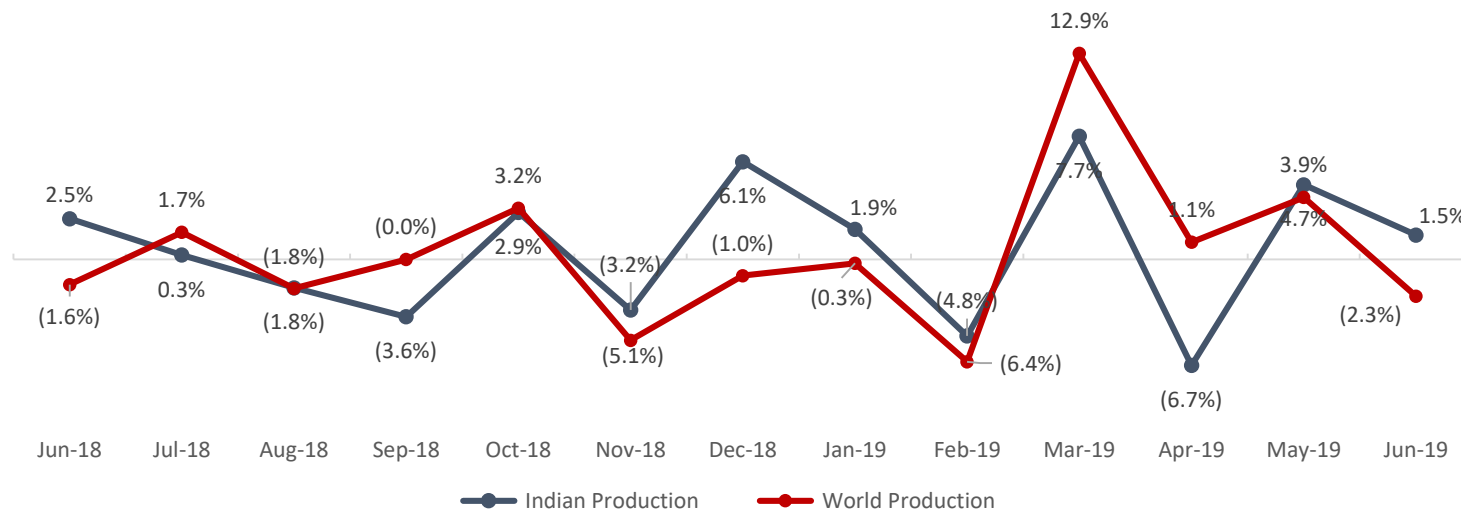
Steel Industry Overview



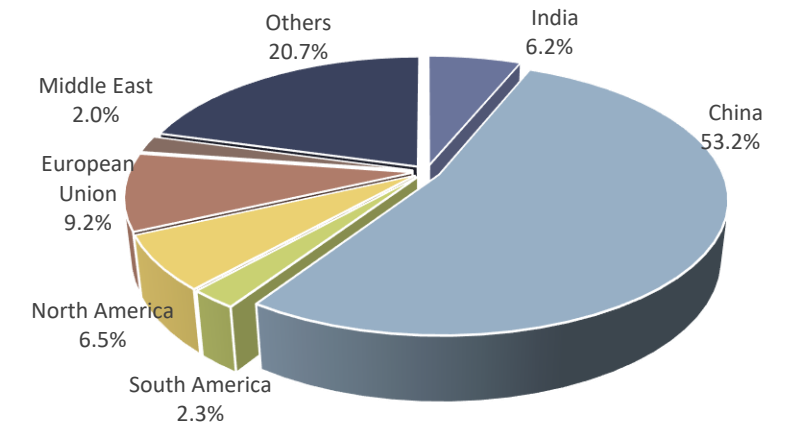
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Crude Steel Production (million MT)	Three Months Ended					Six Months Ended		
	June-19	June-18	Y-o-Y (%)	Mar-19	Q-o-Q (%)	June-19	June-18	Y-o-Y (%)
Asia	345.1	319.2	8.1%	308.1	12.0%	660.2	614.5	7.4%
India	27.3	26.4	3.5%	27.3	(0.0)%	57.0	54.2	5.0%
China	261.7	236.1	10.8%	226.3	15.6%	492.2	447.8	9.9%
Others	56.1	56.8	(1.1)%	54.5	3.1%	111.0	112.5	(1.3)%
South America	10.7	10.9	(1.4)%	10.5	2.7%	21.5	22.2	(3.0)%
North America	30.6	29.8	2.7%	30.7	(0.3)%	60.1	59.3	1.4%
European Union	42.3	43.8	(3.4)%	41.8	1.3%	84.7	86.9	(2.5)%
Middle East	9.4	9.2	2.1%	9.3	0.7%	18.3	17.6	4.3%
Others	40.3	40.8	(1.4)%	38.6	4.2%	80.2	81.5	(1.6)%
Total	478.4	453.7	5.4%	439.0	9.0%	925.1	882.0	4.9%

M-o-M Growth (%)



6M CY2019 Regional Production



- World Steel Association (WSA) forecasts global steel demand will reach 1,735 million tonnes in 2019, a modest increase of 1.3% and 1,752 million tonnes in 2020, an increase of 1.0% over 2019
- World crude steel production was 925.1 million tonnes in first six months of CY2019, up by 4.9% compared to same period in CY2018
- The EU produced 42.3 Mt of crude steel in Q2 CY2019, a decline of (3.4)% compared to Q2 CY2018. EU steel demand continues to be impacted by deteriorating trade environment and growing economic uncertainty and production is impacted due to increased imports
- Asia produced 345.1 Mt of crude steel in Q2 CY2019, an increase of 8.1% compared to Q2 CY2018. This was primarily driven by increased steel production in China, producing 261.7 Mt representing a robust growth of 10.8% in Q2 CY2019
- India's crude steel production for Q2 CY2019 was 27.3 Mt, a modest increase of 3.5% from Q2 CY2018. India continues to remain the world's second largest steel producing country whereas Japan produced 26.1 Mt in Q2 CY2019 , down (1.7)% compared to Q2 CY2018
- Crude steel production in North America was 30.6 Mt in Q2 CY2019 , 2.7% higher than in Q2 CY2018. The US produced 22.3 Mt of crude steel, up by 5.2% on Q2 CY2018, largely driven by import restrictions
- The Middle East produced 9.4 Mt of crude steel in Q2 CY2019, marginal increase of 2.1% compared to Q2 CY2018

- Since 2016 China has closed about 300 million tonnes of outdated and highly polluting steel production capacity but around 908 million tonnes still remain. Such closures are being replaced by environment friendly electric arc furnaces (EAF's) which is supported by increased availability of scrap
- China's EAF steel output is expected to increase to 87 million tonnes in 2020, 12% of its steel output from 53 million tonne which is 6% of the steel output in 2017. Further, China is expected to have graphite electrode capacity totaling 1.5 million tonnes by 2020, up 66.7% from 0.9 million tonnes in 2017 to support newly installed EAF capacities
- Electrode capacities have been ramped up in China. However, EAF capacities have not kept pace due to higher scrap cost and electricity cost thus creating an imbalance. Excess electrode volumes are being exported to other countries at cheaper rates
- Global slowdown in steel demand coupled with increased steel exports from China is expected to impact demand of electrodes
- India removed antidumping duties on graphite electrodes imported from China in September 2018 which has resulted in increased imports. Steel prices also continue to remain under pressure and combination of these factors have resulted in significant correction of electrode prices
- The needle coke industry is highly concentrated and the demand is growing due to its use in lithium-ion batteries and therefore prices continue to remain high

Consolidated Financial Performance



Graphite India Limited

(Rs. Crore)	Q1		y-o-y Growth (%)	Q4	q-o-q Growth (%)	Full Year		y-o-y Growth (%)	Comments
	FY2020	FY2019		FY2019		FY2019	FY2018		
Net Sales (Excluding Other Income)	967	1,965	(51)%	1,693	(43)%	7,858	3,266	141%	Lower volumes and realizations as compared to previous quarter
Other Income	57	30	90%	70	(19)%	210	89	136%	
Total Income	1,024	1,995	(49)%	1,763	(42)%	8,068	3,380	139%	
Operating Profit (EBITDA) ¹	352	1,466	(76)%	934	(62)%	5,233	1,533	241%	Increase in average needle coke cost has impacted the margins
Margin (%) ²	36%	75%		55%		67%	47%		
Interest	5	2	182%	4	25%	12	8	49%	
Depreciation	13	13		23	(43)%	62	52		
Profit Before Tax (before Exceptional items and Associates)	334	1,451	(77)%	907	(63)%	5,159	1,473	250%	
Share of Profit/(loss) of an Associate	(1)	0		(2)	(50)%	(3)	0		
Exceptional Items ³	0	0		(55)	-	(55)	0		
Profit Before Tax	333	1,451	(77)%	850	(61)%	5,101	1,473	246%	
Net Profit	220	957	(77)%	562	(61)%	3,396	1,032	229%	
Margin (%)	23%	49%		33%		43%	32%		
Earnings Per Share	11.24	49.08	(77)%	28.74	(61)%	173.80	52.81	229%	

Notes:

- Operating Profit includes Other Income
- All margins calculated as a percentage of Net Sales (excluding Other Income)
- Exceptional Items: The Company has provided for compensation payable to its employees/workers at Bengaluru unit consequent to closure of its operations
- FY2018 Net Sales is Net of Excise

Standalone Financial Performance



Graphite India Limited

(Rs. Crore)	Q1		y-o-y Growth (%)	Q4	q-o-q Growth (%)	Full Year		y-o-y Growth (%)	Comments
	FY2020	FY2019				FY2019	FY2018		
Net Sales (Excluding Other Income)	897	1,777	(50%)	1,390	(35%)	6,737	2,958	128%	Lower volumes and realizations as compared to previous quarter
Other Income	54	28	93%	63	(14%)	197	89	121%	
Total Income	951	1,805	(47%)	1,453	(35%)	6,934	3,072	126%	
Operating Profit (EBITDA) ¹	314	1,328	(76%)	734	(57%)	4,403	1,441	206%	Increase in average needle coke cost has impacted the margins
Margin (%) ²	35%	75%		53%		65%	49%		
Interest	5	1	400%	4	25%	11	6	83%	
Depreciation	11	11		22		56	46		
Profit Before Tax (before Exceptional items)	298	1,316	(77%)	708	(58%)	4,336	1,389	212%	
Exceptional Items ³	0	0		(55)	(100%)	(55)	0		
Profit Before Tax	298	1,316	(77%)	653	(54%)	4,281	1,389	208%	
Net Profit	195	858	(77%)	427	(54%)	2,806	914	207%	
Margin (%)	22%	48%		31%		42%	31%		
Earnings Per Share	9.98	44.00	(77%)	21.85	(54%)	143.61	46.76	207%	

Notes:

1. Operating Profit includes Other Income

2. All margins calculated as a percentage of Net Sales (excluding Other Income)

3. Exceptional Items: The Company has provided for compensation payable to its employees/workers at Bengaluru unit consequent to closure of its operations

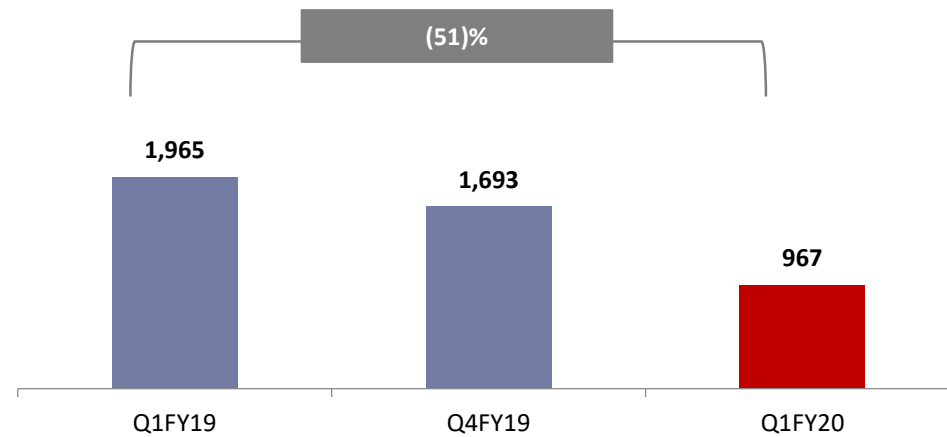
4. FY2018 Net Sales is Net of Excise

Quarter Performance Trends

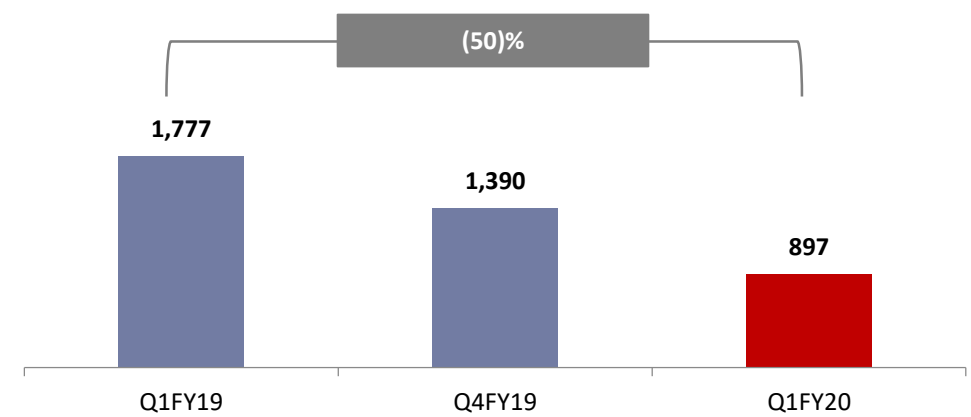


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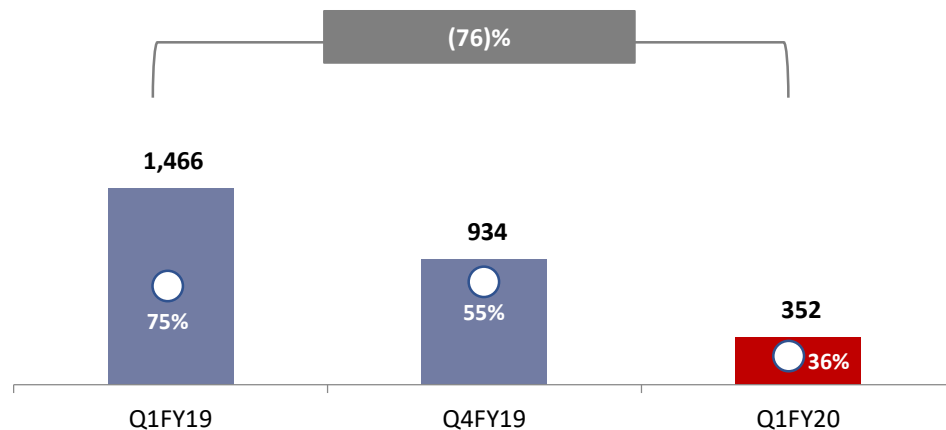
Consolidated Net Sales



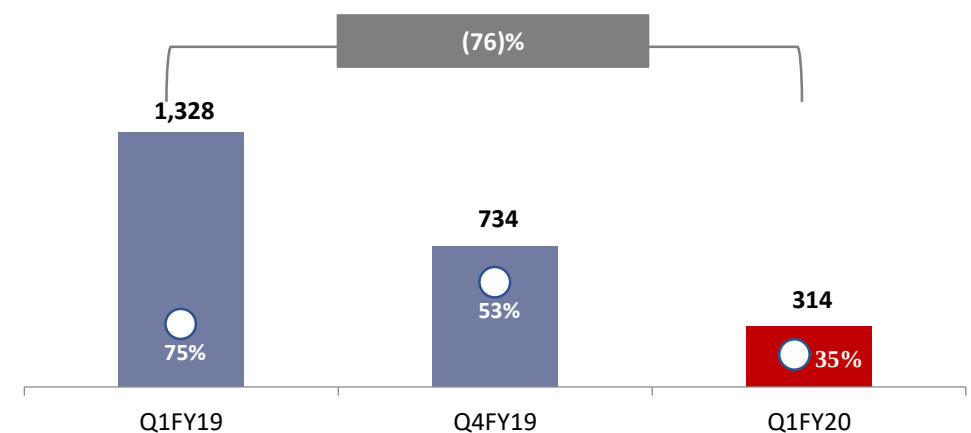
Standalone Net Sales



Consolidated Operating Profit



Standalone Operating Profit



○ Margins

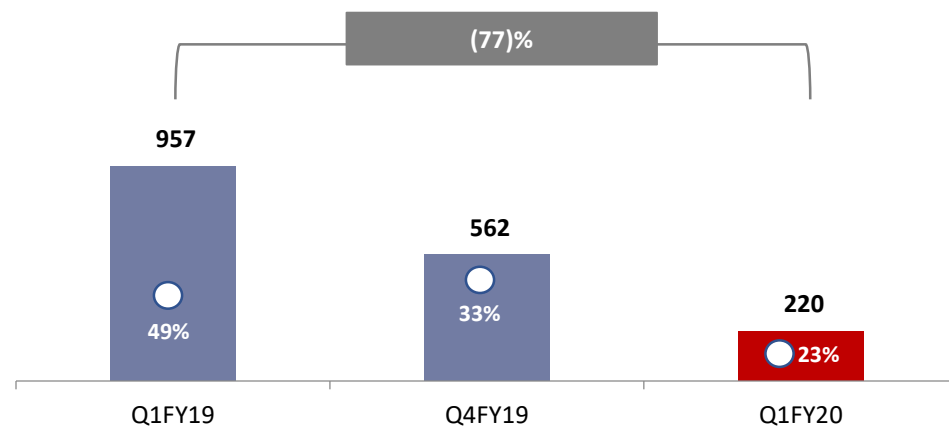
* All numbers in Crores unless specifically mentioned

Quarter Performance Trends

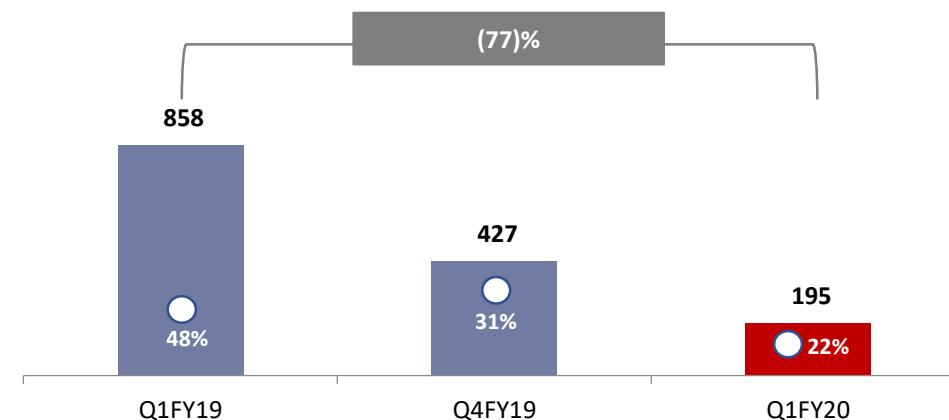


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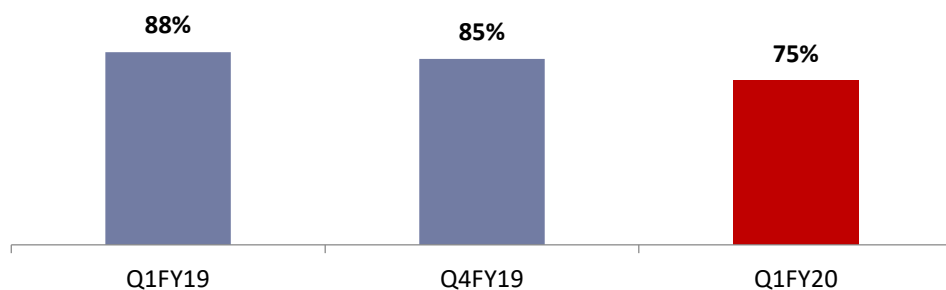
Consolidated Net Profit



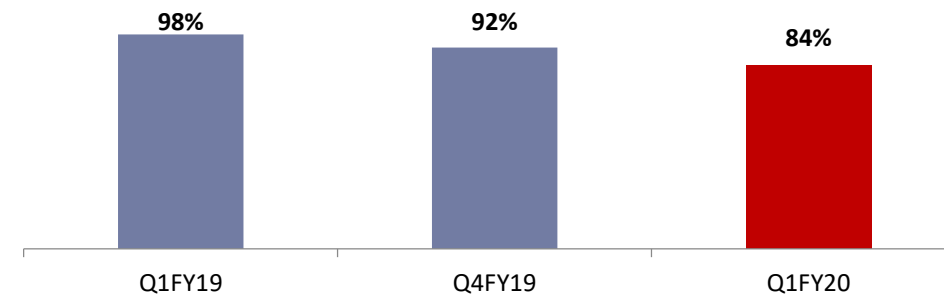
Standalone Net Profit



Consolidated Capacity Utilization



Standalone Capacity Utilization



Leverage Profile



Graphite India Limited

Significant financial flexibility available for future organic / inorganic growth

Consolidated Leverage Profile

(Rs. Crore)	June-19	Mar -19	Dec - 18	Sept -18	June-18
Total Debt	(389)	(359)	(279)	(265)	(218)
Cash & Cash Equivalents ¹	3,123	2,937	2,641	2,298	1,741
Net Cash	2,734	2,577	2,362	2,033	1,523

Standalone Leverage Profile

(Rs. Crore)	June- 19	Mar -19	Dec - 18	Sept -18	June-18
Total Debt	(389)	(359)	(279)	(216)	(169)
Cash & Cash Equivalents ¹	2,640	2,516	2,342	2,158	1,671
Net Cash	2,251	2,156	2,063	1,942	1,502

Notes:

1. Cash and cash equivalents include Mutual Fund investments

* All numbers in Crores unless specifically mentioned

Quarterly Segment Performance



Graphite India Limited

Consolidated Segment Performance

(Rs. Crore)	Q1		y-o-y	Q4	q-o-q
	FY2020	FY2019	Growth (%)	FY2019	Growth (%)
Graphite and Carbon	933	1,912	(51)%	1,663	(44)%
Others	34	53	(35)%	32	7%
Less: Inter Segment Sales	0	0		(2)	
Segment Revenue	967	1,965	(51)%	1,693	(43)%
Graphite and Carbon	311	1439	(78)%	905	(66)%
Others	0	5	(100)%	(1)	(100)%
Profit before tax and interest	311	1,444	(78)%	904	(66)%
Finance Cost	(5)	(2)	150%	(4)	25%
Unallocated Income / (expense)	28	9	211%	7	300%
Profit Before Tax (Before Exceptional Items and Associates)	334	1,451	(77)%	907	(63)%

Standalone Segment Performance

(Rs. Crore)	Q1		y-o-y	Q4	q-o-q
	FY2020	FY2019	Growth (%)	FY2019	Growth (%)
Graphite and Carbon	863	1,725	(50)%	1,359	(36)%
Others	34	52	(35)%	33	3%
Less: Inter Segment Sales	0	0		(2)	
Segment Revenue	897	1,777	(50)%	1,390	(35)%
Graphite and Carbon	271	1,304	(79)%	704	(62)%
Others	5	4	25%	0	-
Profit before tax and interest	276	1,308	(79)%	704	(61)%
Finance Cost	(5)	(1)	400%	(4)	25%
Unallocated Income /(expense)	27	9	200%	8	238%
Profit Before Tax (Before Exceptional Items and Associates)	298	1,316	(77)%	708	(58)%

* All numbers in Crores unless specifically mentioned

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 three plants at Durgapur and Nashik in India and Nurnberg in Germany. 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 19.5 MW of power generation through hydel route.

Graphite India Limited, through its subsidiary has signed a definitive agreement to acquire 46% stake in General Graphene Corporation, a US based company which has developed a breakthrough proprietary technology which would allow them to produce large area, low cost graphene sheets in industrial volumes for commercial applications.

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 constraint for the entry of new players.



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