



GRAPHITE INDIA LIMITED

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GIL:SEC: 19/20:

October 30, 2019

Bombay Stock Exchange Limited
The Corporate
Relationship Department
1st Floor, New Trading Ring,
Rotunda Bldg., P.J.Towers,
Dalal Street,
Mumbai 400 001.

Scrip Code – 509488

The Manager
Listing Department
National Stock Exchange
Exchange Plaza, 5th Floor,
Plot No-C/1, G Block,
Bandra-Kurla Complex,
Bandra (E)
Mumbai 400 051
Symbol - GRAPHITE

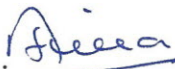
Re : Earnings Presentation – Results for quarter/half year ended 30th September, 2019

Dear Sir,

Earnings Presentation in connection with the Company's un-audited financial results for the quarter/half year ended 30th September, 2019 is enclosed for your information and records.

Thanking you,

Yours faithfully,
For Graphite India Limited


B. Shiva
Company Secretary

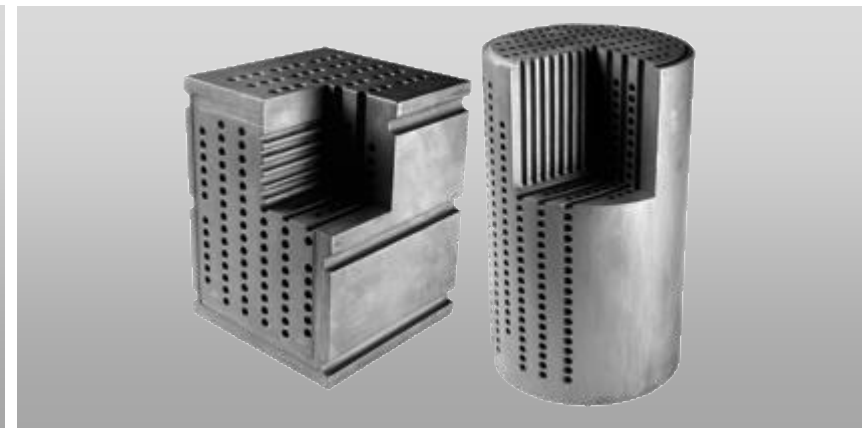
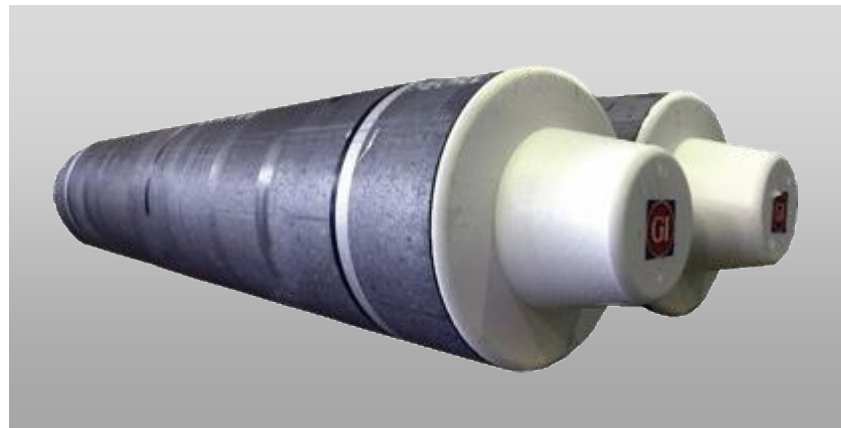
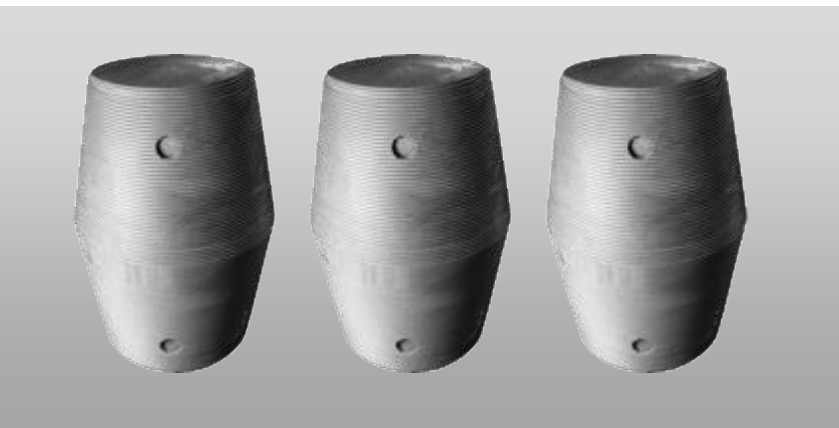
Encl : As above.



Graphite India Limited

NSE: GRAPHITE, BSE: 509488

Q2 FY2020 Earnings Presentation October 30th, 2019



Discussion Agenda



Graphite India Limited

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Q2 FY2020 Financial Performance

Q2 FY2020 Profit and Loss (Consolidated)

- Net Sales of Rs. 882 Crores, a decline of 62% y-o-y
- EBITDA of Rs. 191 Crores; Margin of 22%
- Net Profit of Rs. 185 Crores; Margin of 21%
- EPS of Rs. 9.51 per share

Balance Sheet (Consolidated)

- Gross Debt of Rs. 394 Crores
- Cash (Net of Gross Debt) of Rs. 1,934 Crores

Q2 FY2020 Profit and Loss (Standalone)

- Net Sales of Rs. 833 Crores, a decline of 59% y-o-y
- EBITDA of Rs. 160 Crores; Margin of 19%
- Net Profit of Rs. 167 Crores; Margin of 20%
- EPS of Rs. 8.56 per share

Balance Sheet (Standalone)

- Gross Debt of Rs. 394 Crores
- Cash (Net of Gross Debt) of Rs. 1,427 Crores



Mr. K. K. Bangur
Chairman

"During the quarter, the Company registered Net Sales of Rs. 882 Cr, EBITDA of Rs. 191 Cr and Net Profit of Rs. 185 Cr representing margins of 22% and 21% respectively. The performance was impacted due to lower volumes and realization as compared to same period last year. Net Cash balance at the end of Sep 2019 was Rs. 1,934 Cr, post FY2019 final dividend payment of Rs. 824 Cr.

The demand for steel decelerated in 2019 due to geopolitical issues, trade tensions and uncertainty over world economic growth which has impacted the investor sentiments, capital investments and trade. Manufacturing sector, particularly the auto industry, has performed poorly in many countries. The global economic factors has resulted in a lower steel production and destocking, across majority of the EAF steel producing nations. Furthermore, in Q3 CY2019 total steel production declined by 3% on q-o-q basis. As a result of lower steel production and demand globally, there has been steep cut in the demand for electrodes, impacting graphite electrode prices. In the domestic market, we are facing intense competition from the Global graphite electrode manufacturers including China due to imbalance between electrode demand and supply and removal of antidumping duty on Chinese electrodes.

The Indian steel industry is growing at a slow pace due to liquidity crisis, auto sector challenges and economic growth which is expected to register a five-year low. However, with expected increase in spending on infrastructure, affordable housing, urban metro rail, water supply, sewage and railway projects under the various government initiatives, the steel demand in India is likely to revive.

Graphite India continues to focus on delivering high quality products and add new geographies and customers. The Company maintains financial discipline with an aim to further strengthen its balance sheet in these challenging times."

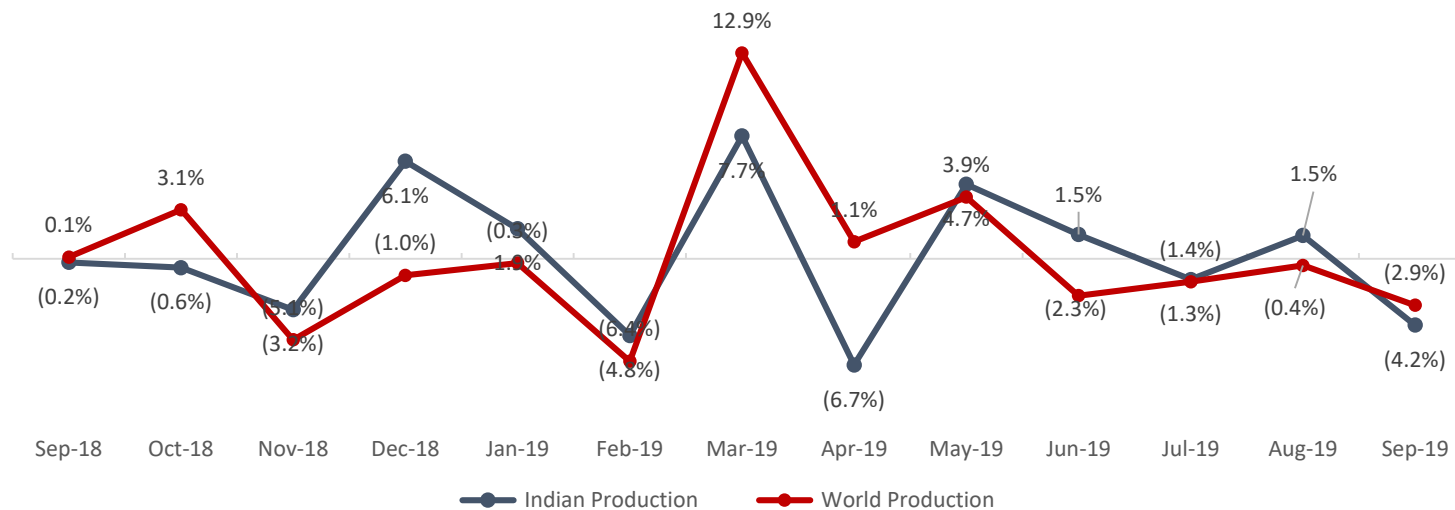
Steel Industry Overview



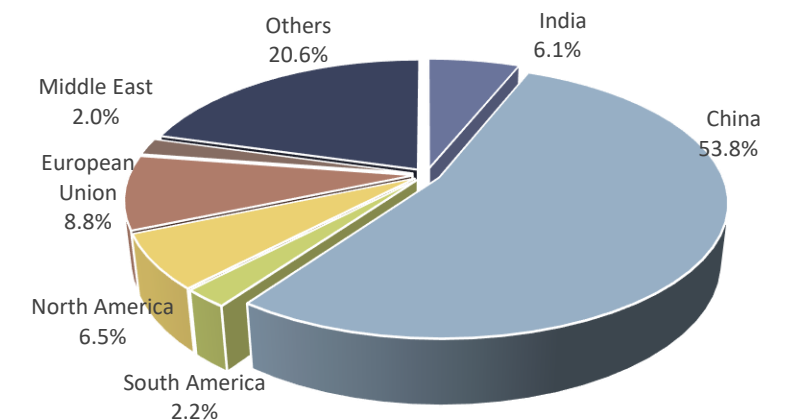
Graphite India Limited

Crude Steel Production (million MT)	Three Months Ended					Nine Months Ended		
	Sep-19	Sep-18	Y-o-Y (%)	June-19	Q-o-Q (%)	Sep-19	Sep-18	Y-o-Y (%)
Asia	338.0	325.5	3.8%	345.1	(2.1)%	1,000.1	940.4	6.3%
India	27.5	26.7	3.0%	27.3	0.8%	84.2	81.3	3.5%
China	255.2	242.5	5.3%	261.7	(2.4)%	747.8	690.2	8.4%
Others	55.2	56.3	(2.0)%	56.1	(1.6)%	168.1	168.9	(0.5)%
South America	9.7	11.6	(16.3)%	10.7	(9.2)%	31.3	33.7	(7.2)%
North America	29.8	30.7	(2.9)%	30.6	(2.7)%	90.6	90.4	0.3%
European Union	38.5	39.9	(3.6)%	42.3	(9.0)%	122.5	126.0	(2.8)%
Middle East	9.3	8.9	5.2%	9.4	(0.8)%	27.6	26.5	4.3%
Others	38.9	41.1	(5.2)%	40.3	(3.3)%	119.1	122.5	(2.8)%
Total	464.2	457.7	1.4%	478.4	(3.0)%	1,391.2	1,339.5	3.9%

M-o-M Growth (%)



9M CY2019 Regional Production



- World Steel Association (WSA) has revised its forecasts for global steel demand, which is now expected to reach 1,775 million mt in 2019, a growth of 3.9% as compared to earlier forecast of 1.3% growth or 1,735 million mt. However, this growth is primarily driven by China, which is expected to register 7.8% growth to 900.1 million mt in 2019. The rest of the world is expected to record marginal growth of 0.2%, 874.9 million mt.
- World crude steel production was 464 million mt in Q3 CY2019, up by 1.9% compared to Q3 CY2018
- The EU produced 38.5 million mt of crude steel in Q3 CY2019, a decline of (3.6)% compared to Q3 CY2018. EU steel demand continues to be impacted by deteriorating trade environment, growing economic uncertainty, poor auto sector performance and production is impacted due to increased imports
- Asia produced 338 million mt of crude steel in Q3 CY2019, an increase of 3.8% compared to Q3 CY2018. This was primarily driven by increased steel production in China, producing 255 million mt, representing a robust growth of 5.3% in Q3 CY2019
- India's crude steel production for Q3 CY2019 was 27.5 million mt, a modest increase of 3.0% from Q3 CY2018. India continues to remain the world's second largest steel producing country whereas Japan produced 24.5 million mt in Q3 CY2019 , down (4.3)% compared to Q3 CY2018
- Crude steel production in North America was 29.8 million mt in Q3 CY2019 , down (2.3)% compared to Q3 CY2018. The US produced 22.0 million mt of crude steel, down (0.1)% as compared to Q3 CY2018
- The Middle East produced 9.3 million mt of crude steel in Q3 CY2019, an increase of 5.2% compared to Q3 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
- Needle coke prices remained high during the quarter under review and has started moving down in the current quarter

Consolidated Financial Performance



Graphite India Limited

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1 FY2020	q-o-q Growth (%)	Six Months		y-o-y Growth (%)	Comments
	FY2020	FY2019				FY2020	FY2019		
Net Sales (Excluding Other Income)	882	2,345	(62%)	967	(9%)	1,849	4,310	(57%)	Lower volumes, realization and increase in average needle coke cost has impacted the sales and margins as compared to same period last year
Other Income	51	44	16%	57	(11%)	108	74	46%	
Total Income	933	2,389	(61%)	1,024	(9%)	1,957	4,384	(55%)	
Operating Profit (EBITDA) ¹ Margin (%) ²	191 22%	1,684 72%	(89%)	352 36%	(46%)	543 29%	3,150 73%	(83%)	
Interest	5	3	67%	5	-	10	5	100%	Tax expenses for Q2 FY2020 and H1 FY2020 includes a credit of Rs. 58 crores due to change in the corporate income tax rate
Depreciation	13	13		13	-	26	26		
Profit Before Tax (before Exceptional items and Associates)	173	1,668	(90%)	334	(48%)	507	3,119	(84%)	
Share of Profit/(loss) of an Associate	(1)	*	-	(1)	-	(2)	*	-	
Profit Before Tax	172	1,668	(90%)	333	(48%)	505	3,119	(84%)	Tax expenses for Q2 FY2020 and H1 FY2020 includes a credit of Rs. 58 crores due to change in the corporate income tax rate
Net Profit Margin (%)	185 21%	1,113 47%	(83%)	220 23%	(16%)	405 22%	2,070 48%	(80%)	
Earnings Per Share (Rs)	9.51	56.87	(83%)	11.24	(15%)	20.75	105.95	(80%)	

Notes:

1. Operating Profit includes Other Income
2. All margins calculated as a percentage of Net Sales (excluding Other Income)
3. * Amounts are below the rounding off norm adopted by the company

Standalone Financial Performance



Graphite India Limited

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1 FY2020	q-o-q Growth (%)	Six Months		y-o-y Growth (%)	Comments
	FY2020	FY2019				FY2020	FY2019		
Net Sales (Excluding Other Income)	833	2,008	(59%)	897	(7%)	1,730	3,785	(54%)	Lower volumes, realization and increase in average needle coke cost has impacted the sales and margins as compared to same period last year
Other Income	43	42	2%	54	(20%)	97	70	39%	
Total Income	876	2,050	(57%)	951	(8%)	1,827	3,855	(53%)	
Operating Profit (EBITDA) ¹	160	1,409	(89%)	314	(49%)	474	2,737	(83%)	
Margin (%) ²	19%	70%		35%		27%	72%		Tax expenses for Q2 FY2020 and H1 FY2020 includes a credit of Rs. 58 crores due to change in the corporate income tax rate
Interest	4	3	33%	5	(20%)	9	4	125%	
Depreciation	11	12		11		22	23		
Profit Before Tax (before Exceptional items and Associates)	145	1,394	(90%)	298	(51%)	443	2,710	(84%)	
Profit Before Tax	145	1,394	(90%)	298	(51%)	443	2,710	(84%)	
Net Profit	167	912	(82%)	195	(14%)	362	1,770	(80%)	
Margin (%)	20%	45%		22%		21%	47%		
Earnings Per Share (Rs)	8.56	46.59	(82%)	9.98	(14%)	18.54	90.59	(80%)	

Notes:

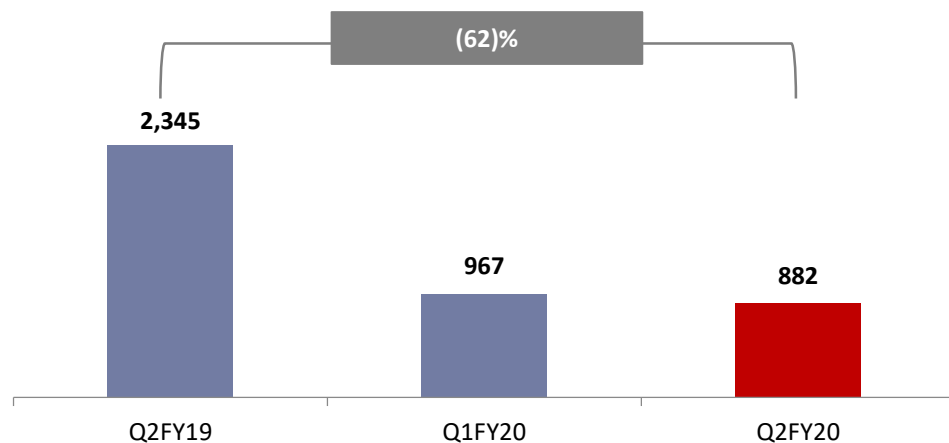
1. Operating Profit includes Other Income
2. All margins calculated as a percentage of Net Sales (excluding Other Income)

Quarter Performance Trends

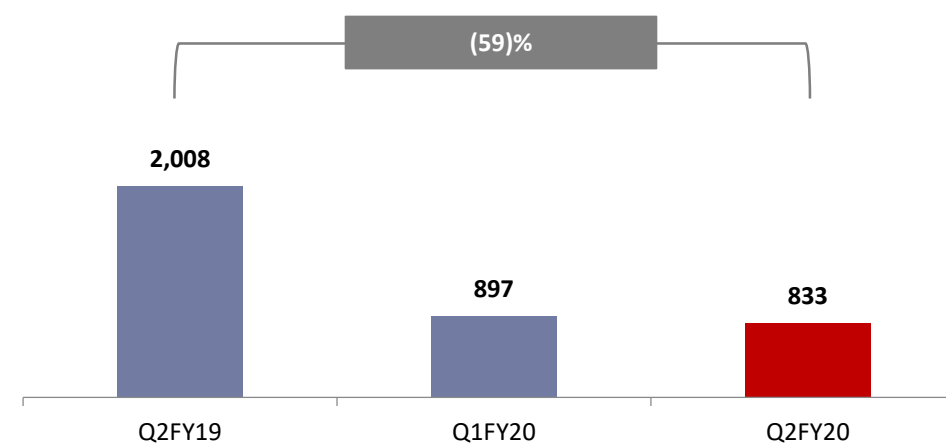


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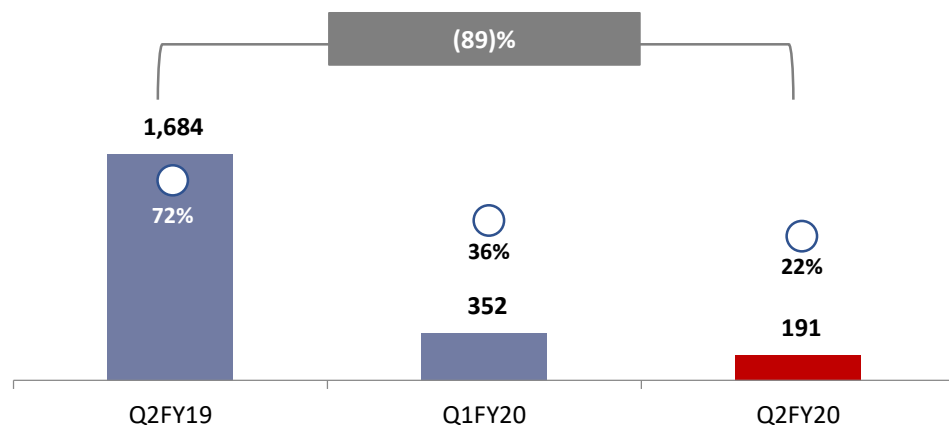
Consolidated Net Sales



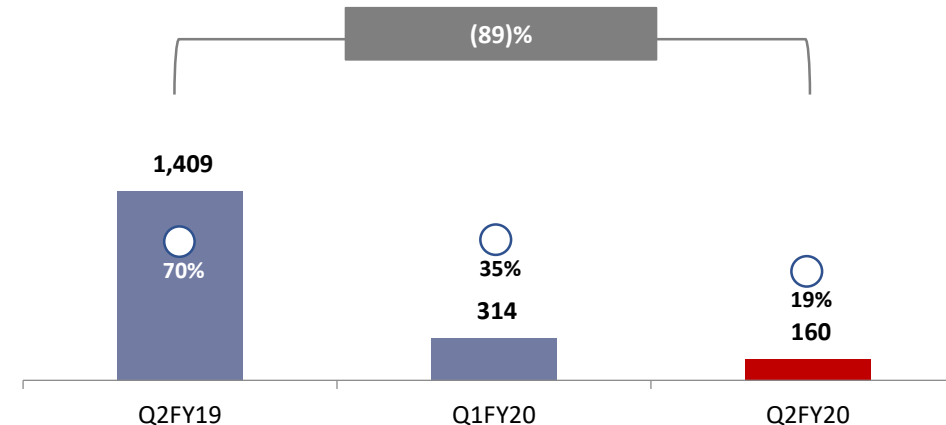
Standalone Net Sales



Consolidated Operating Profit



Standalone Operating Profit



○ Margins

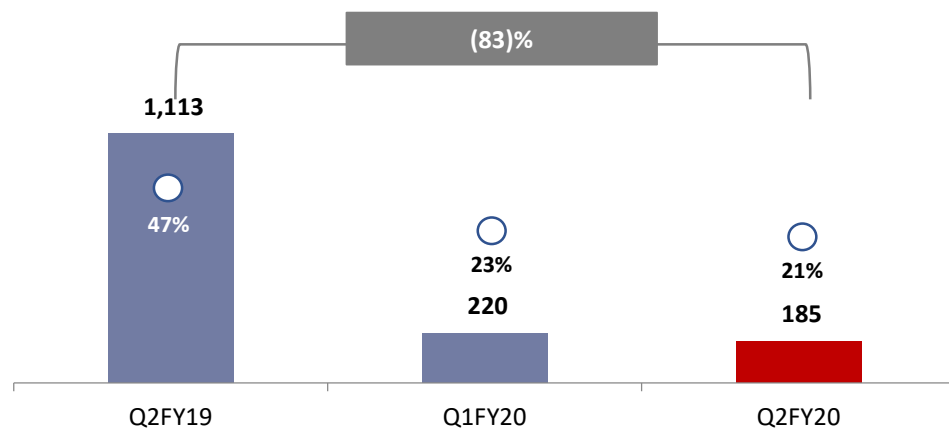
* All numbers in Crores unless specifically mentioned

Quarter Performance Trends

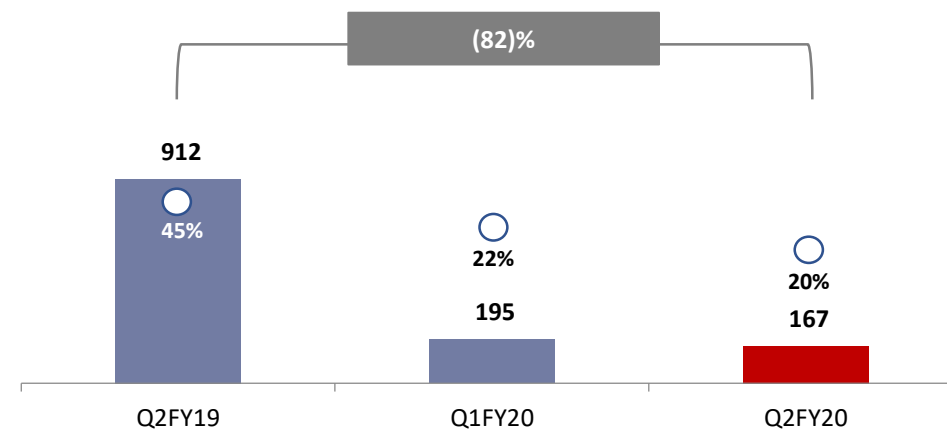


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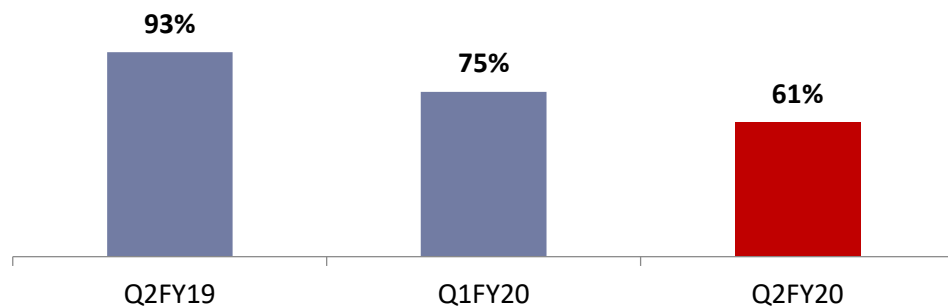
Consolidated Net Profit



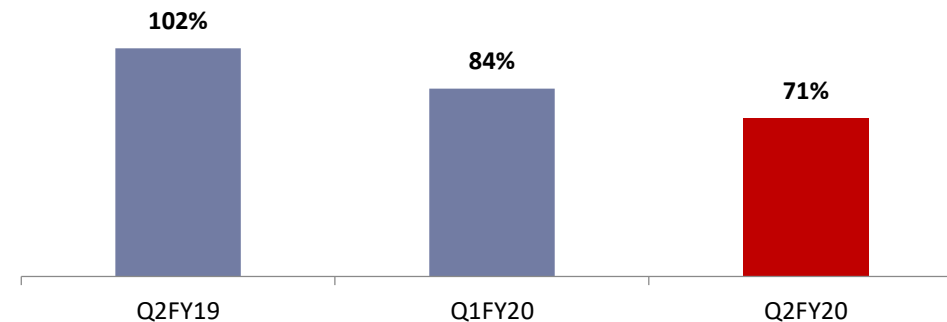
Standalone Net Profit



Consolidated Capacity Utilization



Standalone Capacity Utilization



○ Margins

* All numbers in Crores unless specifically mentioned

Leverage Profile



Graphite India Limited

Significant financial flexibility available for future organic / inorganic growth

Consolidated Leverage Profile

(Rs. Crore)	Sep-19	June-19	Mar -19	Dec - 18	Sept -18
Total Debt	(394)	(389)	(359)	(279)	(265)
Cash & Cash Equivalents ¹	2,327	3,123	2,937	2,641	2,298
Net Cash	1,934	2,734	2,577	2,362	2,033

Standalone Leverage Profile

(Rs. Crore)	Sep- 19	June- 19	Mar -19	Dec - 18	Sept -18
Total Debt	(394)	(389)	(359)	(279)	(216)
Cash & Cash Equivalents ¹	1,821	2,640	2,516	2,342	2,158
Net Cash	1,427	2,251	2,156	2,063	1,942

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)	Q2		y-o-y Growth (%)	Q1	
	FY2020	FY2019		FY2020	q-o-q Growth (%)
Graphite and Carbon	860	2,302	(63)%	933	(8)%
Others	22	43	(49)%	34	(36)%
Less: Inter Segment Sales	*	*	-	*	-
Segment Revenue	882	2,345	(62)%	967	(9)%
Graphite and Carbon	155	1,642	(91)%	311	(50)%
Others	(2)	7	(127)%	0	-
Profit before tax and interest	153	1,649	(91)%	311	(51)%
Finance Cost	(5)	(3)	67%	(5)	0%
Unallocated Income / (expense)	25	22	14%	28	(11)%
Profit Before Tax (Before Exceptional Items and Associates)	173	1,668	(90)%	334	(48)%
Share of Profit/Loss of an Associate	(1)	*	-	(1)	-
Profit Before Tax	172	1,668	(90)%	333	(48)%

* Amounts are below the rounding off norm adopted by the company

Standalone Segment Performance

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1	
	FY2020	FY2019		FY2020	q-o-q Growth (%)
Graphite and Carbon	811	1,967	(59)%	863	(6)%
Others	22	41	(46)%	34	(35)%
Less: Inter Segment Sales	*	*	-	*	-
Segment Revenue	833	2,008	(59)%	897	(7)%
Graphite and Carbon	125	1,371	(91)%	271	(54)%
Others	(2)	4	(150)%	5	(140)%
Profit before tax and interest	123	1,375	(91)%	276	(55)%
Finance Cost	4	3	33%	5	(20)%
Unallocated Income / (expense)	26	22	18%	27	(4)%
Profit Before Tax (Before Exceptional Items)	145	1,394	(90)%	298	(51)%
Exceptional Items	-	-	-	-	-
Profit Before Tax	145	1,394	(90)%	298	(51)%

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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