



Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q1 FY2016 Earnings Presentation
August 11, 2015



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Q1 FY2016 Financial Performance

Profit and Loss

- Gross Sales of Rs. 337 Crore
- Operating Profit of Rs. 38 Crore; Operating margin of 11.7%
- Net Profit of Rs. 16 Crore, Net Profit margin of 5.1%
- Interest Coverage: 14.6x

Balance Sheet

- Gross Debt of Rs. 234 Crore (Q4 FY2015: Rs. 248 Crore)
- Net Cash of Rs. 200 Crore (Q4 FY2015: Rs. 97 Crore)

Operations

- Capacity utilization of 69% in Q1 FY2016 (Q1 FY2015: 70%)
- Secured needle coke supplies until the end of FY2016 at a lower price as compared to FY2015

Industry Overview

- World crude steel production for Q2 CY2015 declined by 2.4% y-o-y to 410 million MT compared to a decline of 1.8% y-o-y in Q1 CY2015
- Global average steel capacity utilization has dropped marginally to 72.3% in Q2 CY2015 from 72.5% in Q1 CY2015 but from 78.5% in Q2 CY2014
- Steel consumption is expected to grow at 0.5% in 2015 and 1.4% in 2016 to reach 1,565 million MT



Mr. K. K. Bangur,
Chairman

"The concerns of surging steel exports from China and subdued economic activity continue to impact the global demand of graphite electrodes leading to lower capacity utilizations. Furthermore, the additional steel supplies into India from other steel-surplus countries like Russia, Japan and Korea have been a deterrent to the overall business environment. Our performance for the quarter is a reflection of the overall market conditions.

Although outlook of the domestic steel industry remains optimistic, pro-active reformist measures by policy makers are likely to expedite the recovery.

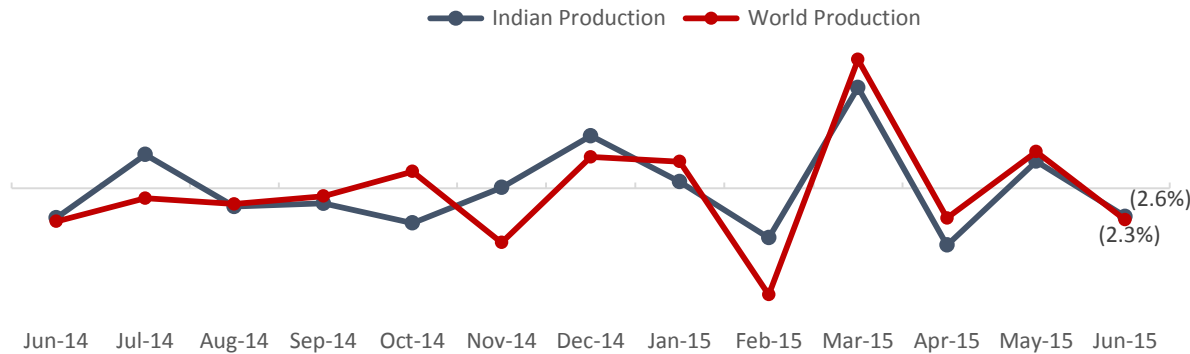
The recently imposed anti-dumping duty on Chinese electrodes has provided a level playing field to the domestic manufacturers. The 'Make in India' initiative is also expected to boost steel demand. India's steel consumption is expected to grow by 7% in FY2016 on the back of higher economic activity against a 2% growth in consumption last year.

We have a strong balance sheet with positive net cash which should enable us to capitalize on the expected rebound in the industry. Enhancing shareholder value, through cost optimisation initiatives, remains management's highest priority as Graphite India moves further into the financial year."

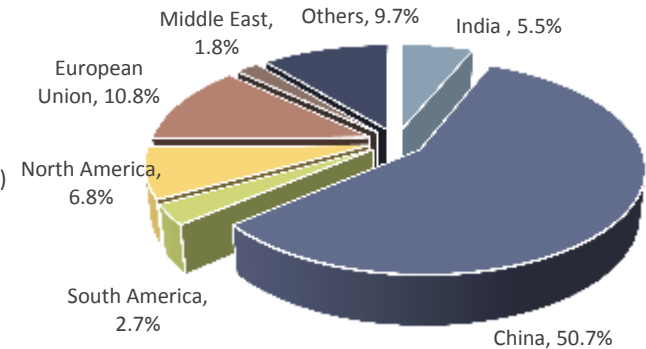
Crude Steel Production (million MT)	Three Months Ended				
	Jun-15	Jun-14	Y-o-Y (%)	Mar-15	Q-o-Q (%)
Asia	280	285	(2.0%)	273	2.4%
India	22	22	0.6%	23	(0.2%)
China	208	210	(1.1%)	200	3.9%
South America	11	11	(0.2%)	11	1.5%
North America	28	30	(6.7%)	28	0.9%
European Union	44	44	1.0%	44	0.5%
Middle East	7	7	1.1%	7	6.8%
Others	40	42	(6.6%)	38	3.5%
Total	410	420	(2.4%)	401	2.2%

- The steel sector is currently facing headwinds due to a muted demand scenario both domestically and globally. The global steel industry continued to show further weakness in Q2 CY2015. World crude steel production for Q2 CY2015 declined by 2.4% y-o-y to 410 million MT compared to a decline of 1.8% y-o-y in Q1 CY2015
- Graphite Electrode industry continues to be impacted by the de-growth in the global steel industry and the lower electrode demand from electric arc furnaces
- During the quarter, China's steel production was 208 million MT, down 1.1%. China is the world's largest steel producer though in the recent years, it has been consolidating operations and eliminating obsolete production capacities. This has led to a significant increase in exports of steel by China
- Crude steel production in the European Union increased by just 1.0% y-o-y compared to a decline of 0.6% in Q1 CY2015. Germany, the largest producer in the Eurozone, declined by 1.0%. The de-growth in North America continued and production declined by 6.7% y-o-y
- The domestic Indian steel industry is experiencing major investments in the sector including modernization of the older steel plants and upcoming new green field plants with state-of-the-art technologies
- Average capacity utilization has dropped marginally to 72.3% q-o-q from 72.5% and from 78.5% y-o-y

M-O-M Growth (%)



C2 CY2015 Regional Production



Outlook

- According to the World Steel Association, global steel consumption is expected to grow at 0.5% in 2015 and at 1.4% in 2016 to reach 1,565 million MT
- Recently, Moody's changed its outlook for the Asian steel industry from 'stable' to 'negative', citing steelmakers' declining profitability and concerns related to over-supply
- The growth prospects in developed economies are anticipated to strengthen in the coming months while a slowdown is expected to persist in the emerging economies. Steel demand in the Eurozone is forecasted to increase at 2.8% in 2016 while the US is likely to grow at 0.7% in 2016
- Steel industry in China is expected to remain under pressure as a result of weak trends in domestic real estate, infrastructure and manufacturing
- India's demand for steel is likely to increase on the back of a substantial deficit in infrastructure and rural development. The Government of India is expected to take pro active steps to revive the economy, which should augur well for the steel industry

Source: World Steel Association & Moody's

Standalone Financial Performance

(Rs. Crore)	Q1		y-o-y Growth (%)	Q4	q-o-q Growth (%)
	FY2016	FY2015		FY2015	
Gross Sales	336.8	385.6	(12.7)%	429.3	(21.5)%
Net Sales (including Other Operating Income)	322.5	370.2	(12.9)%	415.7	(22.4)%
Operating Profit	37.8	51.5	(26.6)%	45.1	(16.2)%
Margin (%)	11.7%	13.9%		10.9%	
Interest	2.0	3.6	(43.6)%	2.4	(16.5)%
Depreciation	11.2	9.2	22.4%	9.5	18.2%
Profit Before Tax	24.6	38.7	(36.6)%	27.6	(11.0)%
Net Profit	16.3	27.5	(40.6)%	14.2	14.9%
Margin (%)	5.1%	7.4%		3.4%	
Earnings Per Share:					
After Exceptional Item	0.84	1.41	(40.3)%	0.73	15.1%
Before Exceptional Item	0.84	1.41	(40.3)%	1.01	(17.2)%

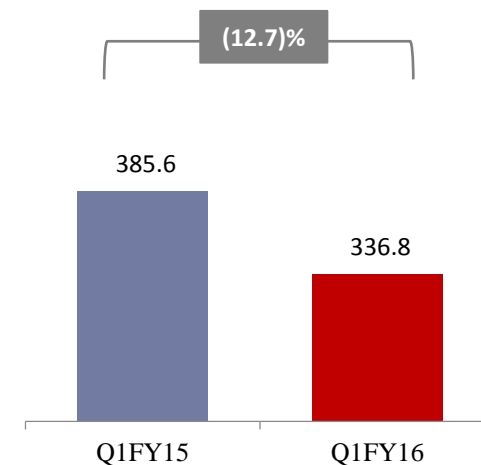
Notes:

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)
4. Exceptional item represents provision for diminution in value of long-term investments

1

Sales

- Gross Sales decreased by 12.7% y-o-y to Rs. 336.8 Crores
- A decline in sales volume of 6% y-o-y in Q1 FY2016 coupled with a decline in electrode prices had an adverse effect on Gross Sales

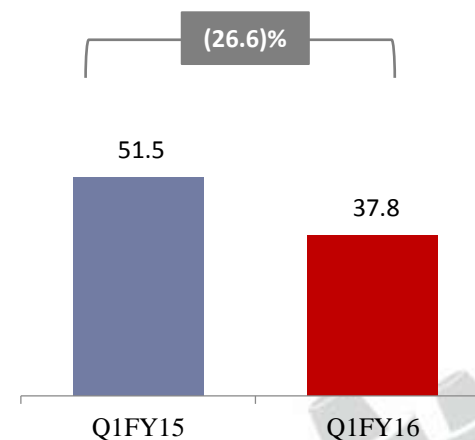


* Rs. Crore

2

Operating Profit

- Operating Profit for the quarter was Rs. 37.8 Crores, a decline of 26.6% y-o-y
- This was primarily due to the lower price realizations, offsetting the benefits of lower input costs
- Electrode production volumes decreased by 2% y-o-y
- Other Income decreased from Rs. 13.9 Crore in Q1 FY2015 to Rs. 4.5 Crore in Q1 FY2016 due to lower income from investments

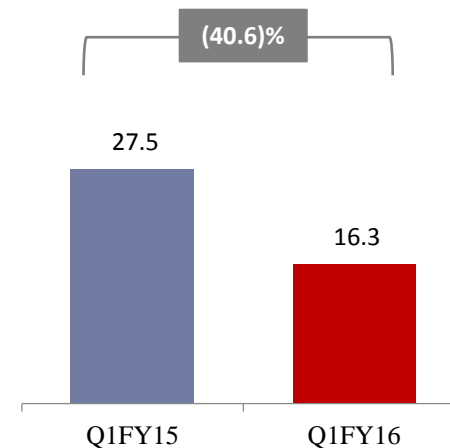


* Rs. Crore

3

Net Profit

- Net Profit for the quarter was Rs. 16.3 Crores, a decline of 40.6% compared to Q1 FY2015
- Interest cost decreased from Rs. 3.6 Crores in Q1 FY2015 to Rs. 2.0 Crores owing to debt reduction with better working capital management and cash accruals.
- Interest coverage was 14.6x during Q1 FY2016
- Q1 FY2016 Net Profit decreased by 40.6% y-o-y due to lower operating margins in the current quarter and lower tax incidence during the corresponding quarter last year
- The depreciation for Q1 FY2016 increased by Rs. 1.7 Crores due to identification of significant components with different useful lives as prescribed by The Companies Act, 2013

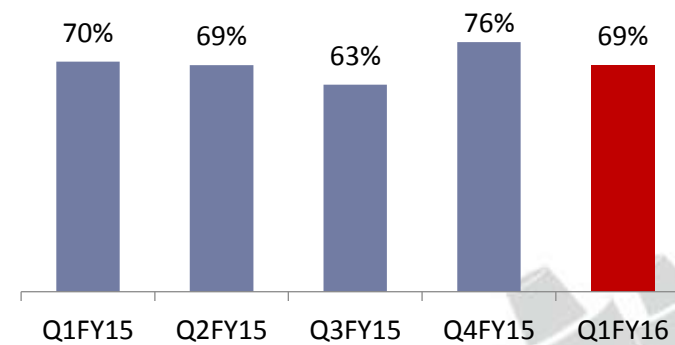


* Rs. Crore

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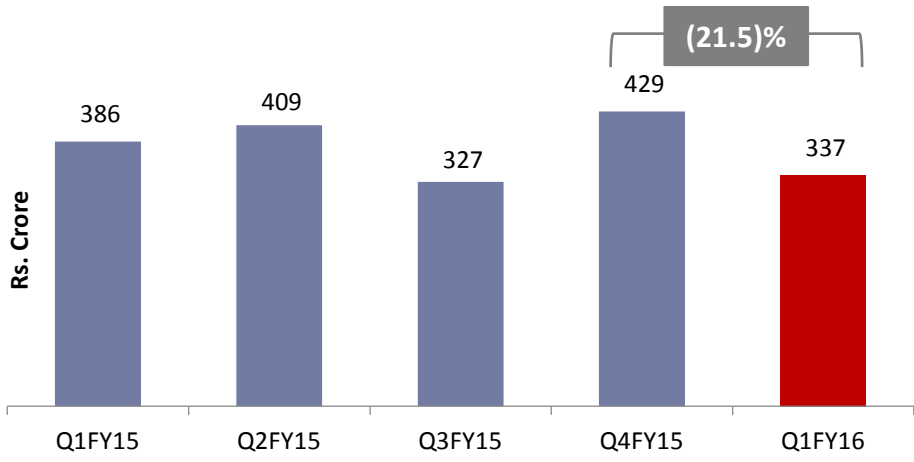
Operations

- Q1 FY2016 capacity utilization was 69% as compared to 70% in Q1 FY2015

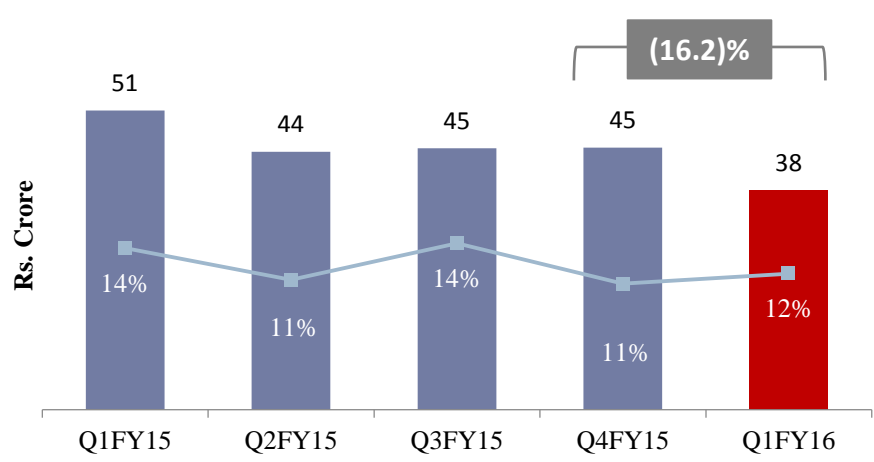


Quarterly Performance Trends

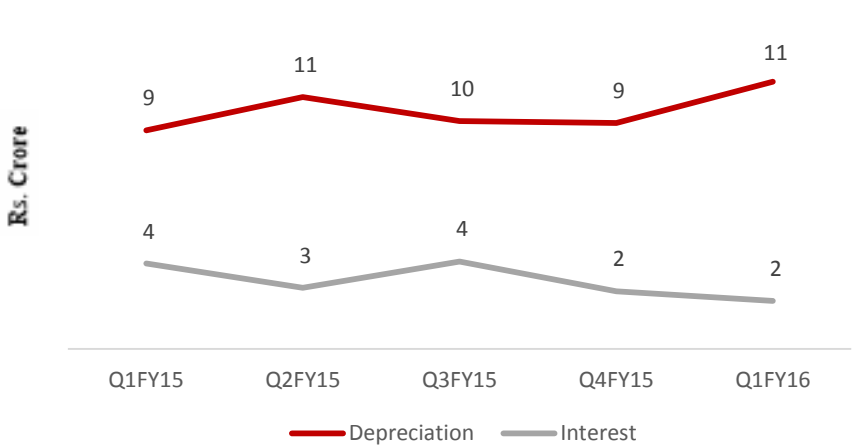
Gross Sales



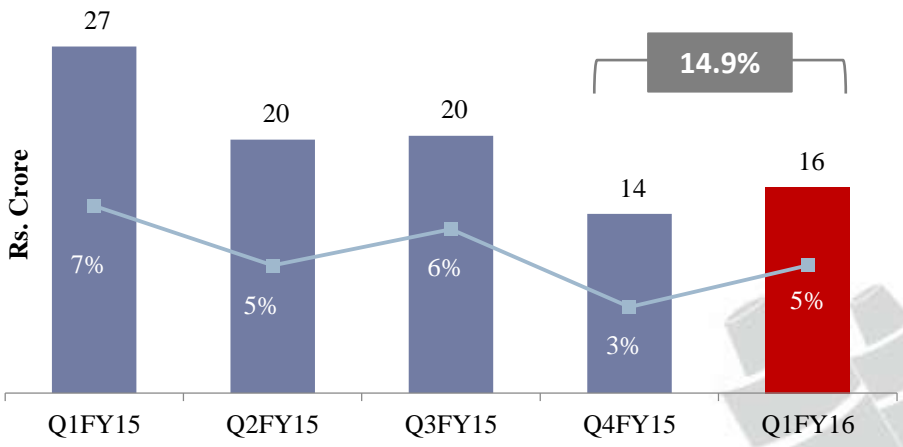
Operating Profit and Margins



Depreciation and Interest



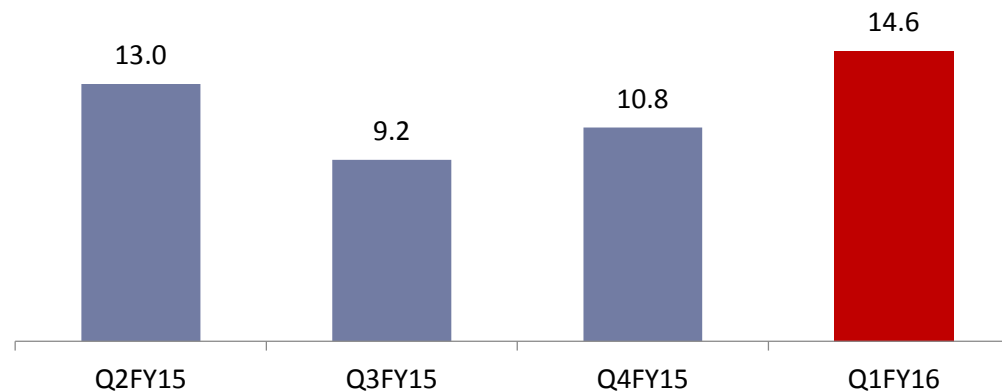
Net Profit and Margins



Significant financial flexibility available for future organic / inorganic growth

(Rs. Crore)	30.06.2015	31.03.2015	30.06.2014
Secured Debt	143	213	201
Unsecured Debt	91	36	110
Total Debt	234	248	311
Less: Cash & Cash Equivalents	434	345	425
Net Debt / (Net Cash)	(200)	(97)	(114)

Interest Coverage Ratio



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.

Unaudited Standalone Results for the quarter ended 30th June 2015 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

PART I Particulars	₹ in Lakhs)			
	Quarter ended			Year ended
	30th June 2015 (Unaudited)	31st March 2015 (Unaudited)	30th June 2014 (Unaudited)	31st March 2015 (Audited)
Income from Operations				
Gross Sales / Income from Operations	33,678	42,925	38,561	155,111
Less: Excise Duty on Sales	2,029	2,171	1,858	7,414
Net Sales / Income from Operations	31,649	40,754	36,703	147,697
Other Operating Income	601	811	314	2,025
Total Income from operations (net)	32,250	41,565	37,017	149,722
Expenses				
Cost of materials consumed	11,972	15,145	19,067	69,400
Purchases of stock-in-trade	-	-	-	-
Changes in inventories of finished goods, work-in-progress and stock-in-trade	1,494	6,133	(2,895)	(1,970)
Employee benefits expense	3,579	3,490	3,504	13,847
Consumption of stores and spare parts	2,488	3,459	3,133	12,890
Power and fuel	5,318	4,846	6,573	22,079
Depreciation and amortisation expense (Refer Note 1)	1,121	948	916	3,875
Other expenses	4,067	4,882	3,874	17,948
Total Expenses	30,039	38,903	34,172	138,069
Profit from operations before other income, finance costs and exceptional items	2,211	2,662	2,845	11,653
Other Income	449	901	1,387	3,074

Profit from ordinary activities before finance costs and exceptional items	2,660	3,563	4,232	14,727
Finance Costs	202	242	358	1,223
Profit from ordinary activities after finance costs but before exceptional items	2,458	3,321	3,874	13,504
Exceptional Items (Refer Note 2)	-	560	-	560
Profit from ordinary activities before tax	2,458	2,761	3,874	12,944
Tax expense	825	1,340	1,125	4,725
Net Profit from ordinary activities after tax	1,633	1,421	2,749	8,219
Extraordinary Items	-	-	-	-
Net Profit for the period	1,633	1,421	2,749	8,219
Paid-up equity share capital (Face Value ₹2/- each)	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 (₹)	0.84	0.73	1.41	4.21
Diluted EPS (₹)	0.84	0.73	1.41	4.21
Earnings Per Share (EPS) (before exceptional items and before & after extraordinary items) - Face Value ₹2/- each (not annualised)				
Basic EPS (₹)	0.84	1.01	1.41	4.49
Diluted EPS (₹)	0.84	1.01	1.41	4.49

PART II

Particulars	Quarter ended			Year ended
	30th June 2015	31st March 2015	30th June 2014	31st March 2015
PARTICULARS OF SHAREHOLDING				
Public Shareholding				
- Number of shares	67,888,836	67,888,836	68,262,202	67,888,836
- Percentage of shareholding	34.75	34.75	34.94	34.75
Promoters and Promoter Group Shareholding				
a) Pledged/Encumbered				
- Number of shares	-	-	-	-
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-
- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-
b) Non-encumbered				
- Number of shares	127,486,758	127,486,758	127,113,392	127,486,758
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00	100.00
- Percentage of shares (as a % of the total share capital of the company)	65.25	65.25	65.06	65.25

Particulars	Quarter ended 30th June 2015
INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	Nil
Received during the quarter	11
Disposed of / attended to during the quarter	11
Remaining unresolved at the end of the quarter	Nil

Segment-wise Revenue, Results and Capital employed in terms of Clause 41 of the Listing Agreement
(₹ in Lakhs)

	Particulars	Quarter ended			Year ended
		30th June 2015 (Unaudited)	31st March 2015 (Unaudited)	30th June 2014 (Unaudited)	31st March 2015 (Audited)
1	SEGMENT REVENUE -				
	Graphite and Carbon	29,801	36,520	33,717	133,066
	Steel	1,779	1,604	2,138	8,086
	Unallocated	671	3,442	1,179	8,608
	Total	32,251	41,566	37,034	149,760
	Less: Inter Segment Revenue	1	1	17	38
	Sales/Income from Operations-Net	32,250	41,565	37,017	149,722
2	SEGMENT RESULTS -				
	Profit/ (Loss) before tax and interest				
	Graphite and Carbon	3,488	3,780	3,340	14,246
	Steel	(83)	19	526	655
	Unallocated	(31)	(212)	248	627
	Total	3,374	3,587	4,114	15,528
	Less:				
	Interest	202	242	358	1,223
	(Including other finance costs)				
	Other un-allocable expenditure/(income)(net)	714	584 *	(118)	1,361 *
	Total Profit Before Tax	2,458	2,761	3,874	12,944
3	CAPITAL EMPLOYED -				
	(Segment Assets - Segment Liabilities)				
	Graphite and Carbon	147,620	157,159	158,175	157,159
	Steel	19,857	20,493	20,505	20,493
	Unallocated	3,144	2,899	3,984	2,899
	Total	170,621	180,551	182,664	180,551

* includes Exceptional items (Refer Note 2)

Notes :

1. The Company has 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 ended 30th June, 2015 is higher and the profit before tax is lower by ₹ 170 lakhs.
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 classification.
4. The above results have been reviewed by the Audit Committee and approved by the Board at its meeting held on 11th August, 2015. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 30th June, 2015 in terms of Clause 41 of the Listing Agreement with Stock Exchanges.

By Order of the Board
For Graphite India Limited

Place : Kolkata
Date : 11th August, 2015

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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