# Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

## Q1 FY2017 Earnings Presentation
## August 10, 2016

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# Executive Summary

Graphite India Limited

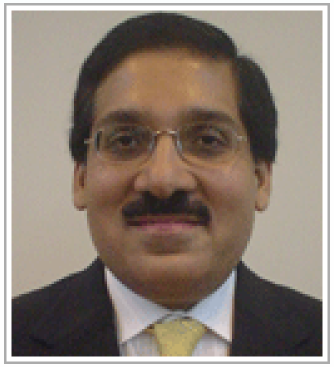
## Q1 FY2017 Financial Performance[1]

| | |
|---|---|
| **Profit and Loss** | ○ Gross Sales of Rs. 291.5 Crores, a decrease of (13.4)% y-o-y<br>○ EBITDA declined by (30.5)% y-o-y to Rs. 28.4 Crores; Margin of 10.3%<br>○ Net Profit decreased (42.8%) to Rs. 11.0 Crores; Margin of 4.0%<br>○ Interest Coverage: 15.4x |
| **Balance Sheet** | ○ Gross Debt of Rs. 110 Crores (As on 30th June 2015: Rs. 234 Crores)<br>○ Net Cash of Rs. 403 Crores (As on 30th June 2015: Rs. 200 Crores) |
| **Operations** | ○ Capacity utilization of 68% in Q1 FY2017 (Q1 FY2016: 69%)<br>○ Sales volumes grew 3% y-o-y during the quarter |
| **Industry Overview** | ○ World crude steel production declined by (0.4)% y-o-y to 410 million MT in Q2 CY2016<br>○ World steel capacity utilization ratio stood at 71.8% in June 2016, as compared to 72.7% in June 2015 |

Note:
1. Financials as per IND-AS

# Chairman's Message

Graphite India Limited



Mr. K. K. Bangur, Chairman

*"The steel industry may be showing signs of bottoming out but we are yet to see a recovery in the graphite electrode sector. With the backdrop of declining industry margins, our focus during the quarter remained on tightening cost controls and maintaining market share.*

*The World Steel Association forecasted in April 2016 that global steel demand will decrease by (0.8)% to 1,488 million tons in 2016, lower than its previous estimate of 1,523 million tons. The decrease is primarily attributable to China, Brazil and Russia. The growth forecast for the developed economies is 1.7%. 2017 is anticipated to be better with global demand estimated to grow by 0.4%, and China expected to be the only country to register a decline in demand. Overall, the global steel demand scenario is expected to remain sluggish and uneven across regions.*

*India, however, remains better placed than most other economies owing to better economic growth and the recent upsurge in public sector spending. Indian steel demand rose 4.5% in FY2016. While the recent measures by the Indian government to support the steel industry are welcome, tangible benefits of such measures may take some time to be realised.*

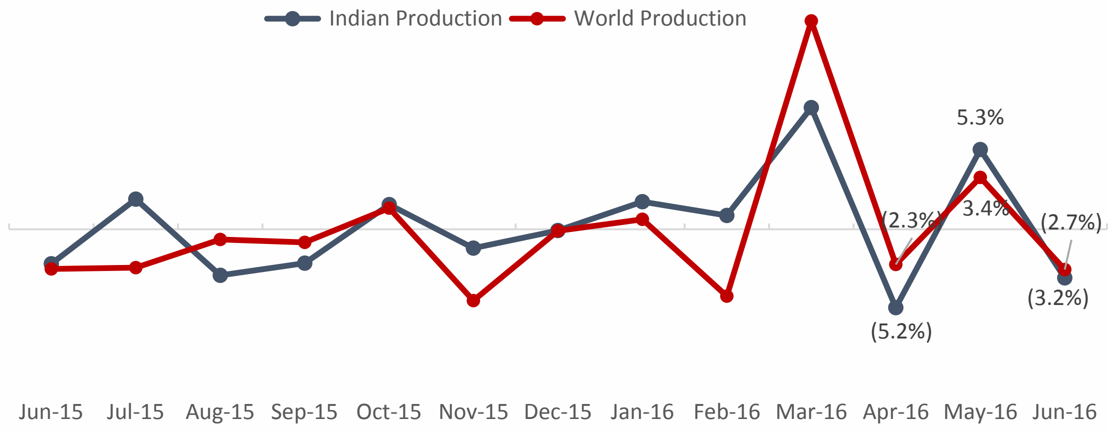
*Despite the ongoing weakness, we are optimistic about the medium to long term demand scenario in the graphite electrode industry. Graphite India is focussed on financial discipline and shielding margins in these challenging times, whilst staying fully committed to its stakeholders."*

# Steel Industry Overview

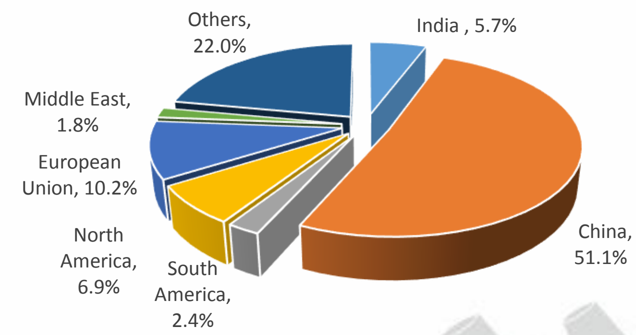
Graphite India Limited

| Crude Steel Production | Three Months Ended | | | | |
|---|---|---|---|---|---|
| **(million MT)** | **Jun-16** | **Jun-15** | ***Y-o-Y (%)*** | **Mar-16** | ***Q-o-Q (%)*** |
| Asia | 283.1 | 281.2 | 0.7% | 264.1 | 7.2% |
| *India* | 23.5 | 22.7 | 3.5% | 22.9 | 2.4% |
| *China* | 209.4 | 207.8 | 0.8% | 191.7 | 9.2% |
| *Others* | 50.2 | 50.7 | (1.0)% | 49.5 | 1.5% |
| South America | 9.6 | 11.2 | (14.1)% | 9.6 | 1.0% |
| North America | 28.4 | 28.3 | 0.5% | 27.4 | 3.9% |
| European Union | 41.6 | 44.1 | (5.6)% | 41.1 | 1.3% |
| Middle East | 7.2 | 7.4 | (2.4)% | 6.6 | 8.6% |
| Others | 40.0 | 39.6 | 1.1% | 37.7 | 6.3% |
| **Total** | **410.0** | **411.8** | ***(0.4)%*** | **386.4** | ***6.1%*** |

## M-O-M Growth (%)




## Q2 CY2016 Regional Production



# Steel Industry Outlook



- The World crude steel production was 410.0 MT in the three months ended June 2016, a decline of (0.4)% y-o-y. India registered the highest growth rate of 3.5% y-o-y followed by China with a growth of 0.8% y-o-y. Sequentially, total world steel production in the quarter grew by 6.1%.

- World steel capacity utilization ratio stood at 71.8% in June 2016, as compared to 72.7% in June 2015.

- Recently, US, EU and India have imposed anti-dumping duties on various kind of steel imports. While the US recently raised the tariff on some of the steel products to more than 500%, the EU has levied duties ranging from 19.7-22.1% for Chinese companies and from 18.7-36.1% for Russian producers.

- India has imposed an anti-dumping duty of $474-557 per tonne on ‘hot-rolled flat products of alloy or non-alloy steel’ imports from Brazil, China, Indonesia, Japan, Russia and South Korea for a period of six months starting 8th August 2016. This follows an extension of the Minimum Import Price (MIP) on 66 items for a period of two months until October 2016. Such measures are likely to help revive the domestic steel sector.

- World Steel Association has forecasted that Indian steel demand will grow at 5.4% in both CY2016 and CY2017 on the back of major infrastructure projects relating to road, railway and port development.

# Standalone Financial Performance

Graphite India Limited

| (Rs. Crore) | Q1[1] FY2017 | Q1[1] FY2016 | y-o-y Growth (%) |
|---|---|---|---|
| Gross Sales | 291.5 | 336.8 | *(13.4)%* |
| Net Sales (including Other Operating Income) | 275.2 | 322.5 | *(14.7)%* |
| Operating Profit (EBITDA)[2] | 28.4 | 40.8 | *(30.5)%* |
| *Margin (%)*[3] | *10.3%* | *12.6%* | |
| Interest | 1.4 | 2.1 | *(31.8)%* |
| Depreciation | 9.7 | 11.2 | *(13.3)%* |
| Profit Before Tax | 17.2 | 27.5 | *(37.4)%* |
| Net Profit | 11.0 | 19.2 | *(42.8)%* |
| *Margin (%)*[3] | *4.0%* | *6.0%* | |
| Earnings Per Share | 0.56 | 0.98 | *(42.8)%* |

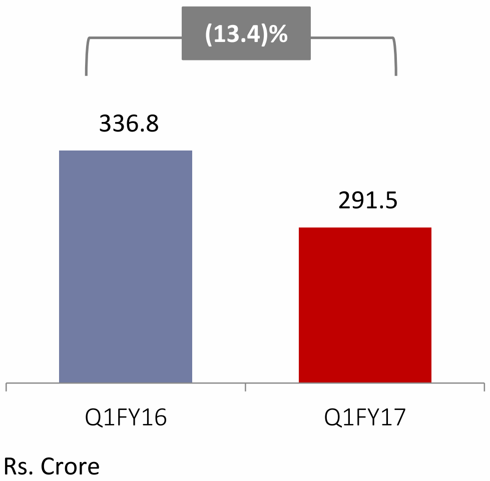
Notes:
1. Financials as per IND-AS
2. Operating Profit includes Other Income
3. All margins calculated as a percentage of Net Sales (including Other Operating Income)

# Standalone Financial Performance



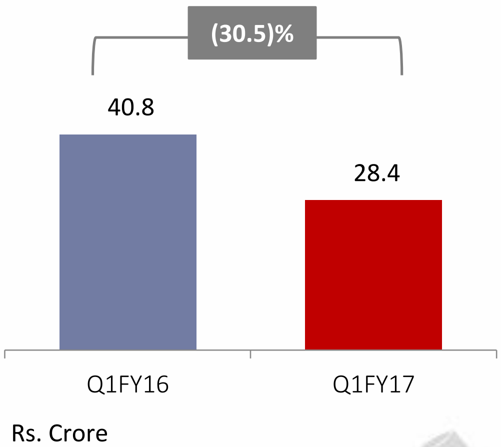
## 1 Sales[1]

- Gross Sales decreased by (13.4)% y-o-y to Rs. 291.5 Crores
- Sales were impacted due to lower price realizations across markets




## 2 Operating Profit[1]

- Operating Profit (EBITDA) for the quarter was Rs. 28.4 Crores, a decrease of (30.5)% y-o-y
- This decrease was primarily driven by the decline in Gross Sales as a result of lower realizations



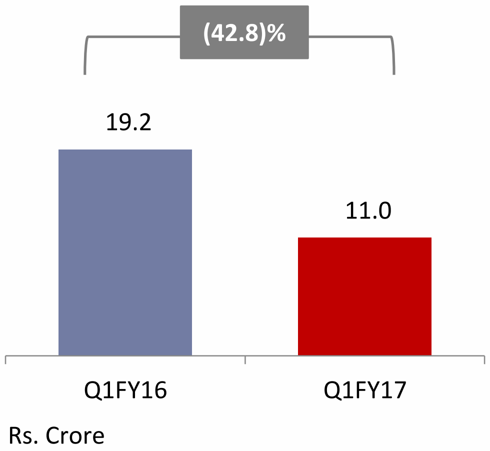

Note:
1. Financials as per IND-AS

# Standalone Financial Performance

Graphite India Limited

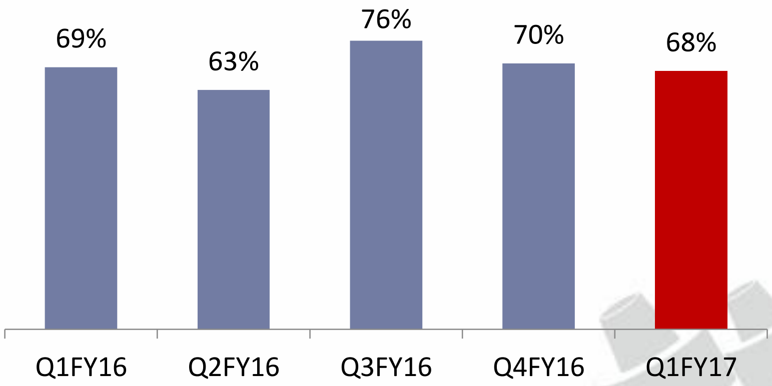
## 3 Net Profit[1]

- Net Profit for the quarter was Rs. 11.0 Crores, a decrease of (42.8)% compared to Q1 FY2016
- Interest cost decreased from Rs. 2.1 Crores in Q1 FY2016 to Rs. 1.4 Crores, a decline of (31.8)%. Interest coverage was 15.4x for the quarter
- Net Profit was impacted due to lower operating profit, coupled with a higher effective tax rate




## 4 Operations[1]

- Q1 FY2017 capacity utilization was 68% as compared to 69% in Q1 FY2016



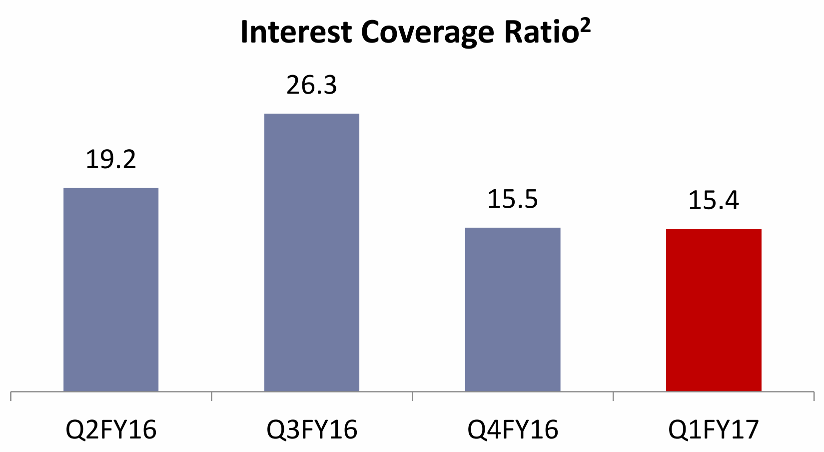

Note:
1. Financials as per IND-AS

# Standalone Financial Performance

Graphite India Limited

**Significant financial flexibility available for future organic / inorganic growth**

| (Rs. Crore) | 30.06.2016 | 31.03.2016 | 31.12.2015 | 30.09.2015 |
|---|---|---|---|---|
| **Total Debt** | **110** | **180** | **159** | **176** |
| Less: Cash & Cash Equivalents | (513)[1] | (409) | (421) | (385) |
| **Net Debt / (Net Cash)** | **(403)** [1] | **(229)** | **(262)** | **(209)** |




Notes:
1. Cash and cash equivalents as of 30th June 2016 include Mutual Fund investments restated at fair value as per IND-AS
2. Interest Coverage Ratio calculated as (Net Profit + Depreciation + Interest) / Interest

# Standalone Financial Performance

Graphite India Limited

## Quarterly segment comparison[1]

| (Rs. Crore) | Q1 FY2017 | Q1 FY2016 | y-o-y Growth (%) |
|---|---|---|---|
| **Segment Revenue** | **295.6** | **342.8** | ***(13.7)%*** |
| Graphite and Carbon | 263.1 | 315.6 | *(16.6)%* |
| Steel | 18.0 | 20.0 | *(10.4)%* |
| Unallocated | 14.5 | 7.2 | *102.7%* |
| Less: Inter Segment Sales | 0.17 | 0.01 | |

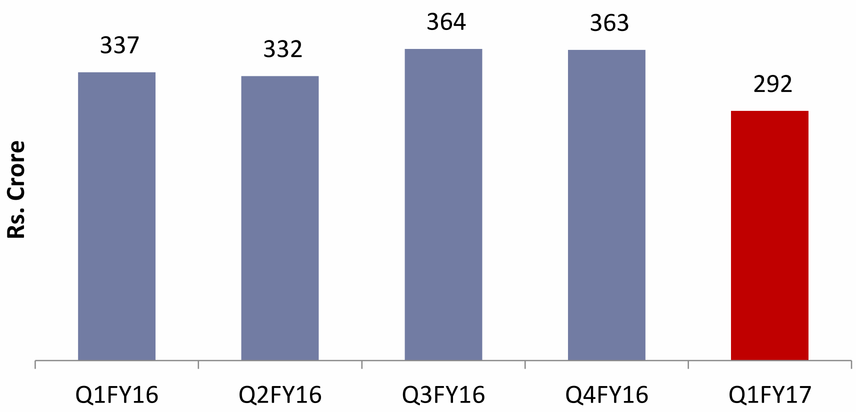
| (Rs. Crore) | Q1 FY2017 | Q1 FY2016 | y-o-y Growth (%) |
|---|---|---|---|
| **Segment Profit before tax and interest** | **13.5** | **34.1** | *(60.5)%* |
| Graphite and Carbon | 6.0 | 33.9 | *(82.4)%* |
| Steel | 4.0 | 0.8 | *417.4%* |
| Unallocated | 3.5 | (0.5) | |

Note:
1. Financials as per IND-AS

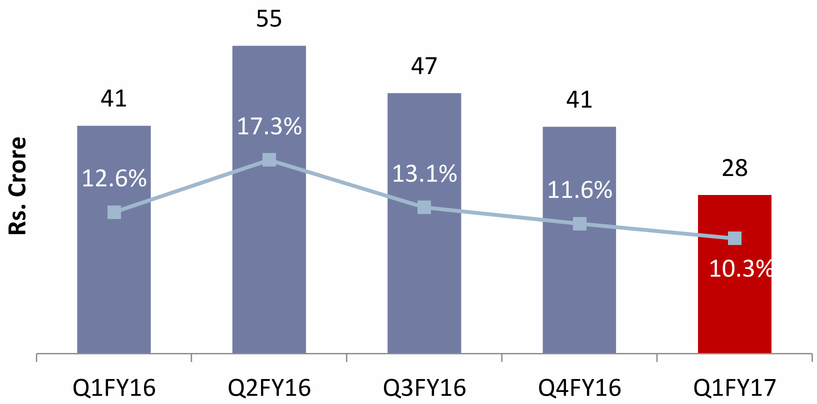
# Quarterly Performance Trends

Graphite India Limited

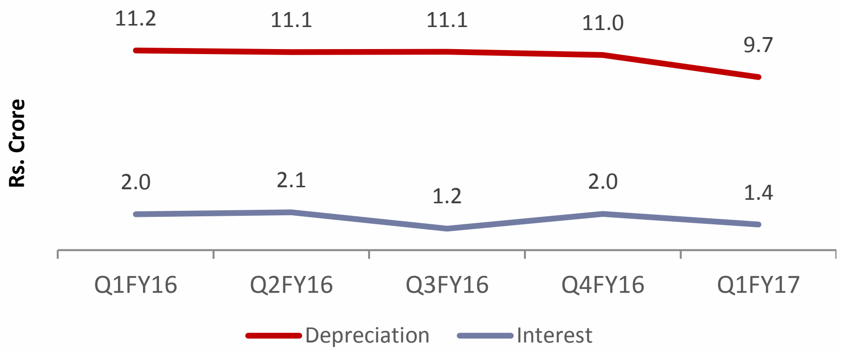
## Gross Sales[1]



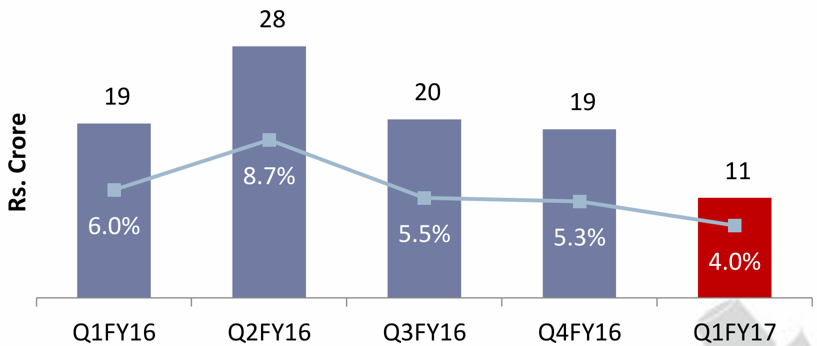

## Operating Profit (EBITDA) and Margins[1]




## Depreciation and Interest[1]




## Net Profit and Margins[1]




Note:
1. Q1 FY2017 and Q1 FY2016 financials as per IND-AS

# 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.

Graphite India Limited

## Unaudited Standalone Results for the quarter ended 30th June 2016
## (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

GRAPHITE INDIA LIMITED
Regd.Office: 31,Chowringhee Road, Kolkata 700 016
Statement of Standalone Unaudited Results for the quarter ended 30th June, 2016
(₹ In Lakhs)

| S. No. | Particulars | Quarter ended | |
|---|---|---|---|
| | | 30th June 2016 | 30th June 2015 |
| | | (Unaudited) | (Not subjected to review/audit) |
| 1 | **Income from operations** | | |
| | (a) Revenue from operations | 29,154 | 33,678 |
| | (b) Other operating income | 389 | 601 |
| | **Total Income from operations** | **29,543** | **34,279** |
| 2 | **Expenses** | | |
| | (a) Cost of materials consumed | 13,020 | 11,972 |
| | (b) Changes in inventories of finished goods, work-in-progress and stock-in-trade | (733) | 1,494 |
| | (c) Employee benefits expense | 3,507 | 3,549 |
| | (d) Consumption of stores and spare parts | 2,122 | 2,488 |
| | (e) Power and fuel | 5,258 | 5,318 |
| | (f) Excise duty | 2,024 | 2,029 |
| | (g) Depreciation and amortisation expense | 972 | 1,121 |
| | (h) Other expenses | 3,294 | 4,211 |
| | **Total expenses** | **29,464** | **32,182** |
| 3 | **Profit from operations before other income, finance costs and exceptional items (1 - 2)** | **79** | **2,097** |
| 4 | Other Income | 1,784 | 861 |
| 5 | **Profit before finance costs and exceptional items (3+4)** | **1,863** | **2,958** |
| 6 | Finance costs | 144 | 211 |
| 7 | **Profit before exceptional items (5 - 6)** | **1,719** | **2,747** |
| 8 | Exceptional Items | - | - |
| 9 | **Profit before tax (7 + 8)** | **1,719** | **2,747** |
| 10 | Tax expense | 620 | 825 |
| 11 | **Net Profit for the period (9 - 10)** | **1,099** | **1,922** |
| 12 | **Other comprehensive income, net of income tax** | | |
| | A. Items that will not be reclassified to profit or loss | (23) | (30) |
| | B. Items that will be reclassified to profit or loss | - | - |
| | Total other comprehensive income, net of income tax | (23) | (30) |
| 13 | **Total comprehensive income for the period (11 + 12)** | **1,076** | **1,892** |
| 14 | Paid-up equity share capital (Face Value ₹ 2/- per equity share ) | 3,908 | 3,908 |
| 15 | Earnings per share (of ₹ 2/- each) (not annualised): | | |
| | (a) Basic (₹) | 0.56 | 0.98 |
| | (b) Diluted (₹) | 0.56 | 0.98 |

# Statutory Financials

Graphite India Limited

(₹ in Lakhs)

| S.No | Particulars | Quarter ended | |
|---|---|---|---|
| | | 30th June 2016 | 30th June 2015 |
| | | (Unaudited) | (Not subjected to review/audit) |
| 1 | **SEGMENT REVENUE -** | | |
| | Graphite and Carbon | 26,316 | 31,562 |
| | Steel | 1,795 | 2,003 |
| | Unallocated | 1,449 | 715 |
| | **Total** | **29,560** | **34,280** |
| | Less: Inter Segment Revenue | 17 | 1 |
| | **Sales/Income from Operations** | **29,543** | **34,279** |
| 2 | **SEGMENT RESULTS -** | | |
| | Profit/ (Loss) before tax and interest | | |
| | Graphite and Carbon | 596 | 3,385 |
| | Steel | 398 | 77 |
| | Unallocated | 354 | (53) |
| | **Total** | **1,348** | **3,409** |
| | Less: | | |
| | Interest | 144 | 211 |
| | (Including other finance costs) | | |
| | Other un-allocable expenditure/(income)(net) | (515) | 451 |
| | **Total Profit Before Tax** | **1,719** | **2,747** |
| 3 | **SEGMENT ASSETS -** | | |
| | Graphite and Carbon | 1,52,599 | 1,70,158 |
| | Steel | 24,724 | 23,214 |
| | Unallocated | 6,040 | 4,544 |
| | **Total** | **1,83,363** | **1,97,916** |
| 4 | **SEGMENT LIABILITIES -** | | |
| | Graphite and Carbon | 21,656 | 23,168 |
| | Steel | 1,534 | 1,809 |
| | Unallocated | 2,158 | 1,447 |
| | **Total** | **25,348** | **26,424** |

**Notes to the financial results:**

1 This statement has been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on 10th August, 2016. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 30th June, 2016 in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2 This statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable. Beginning 1st April, 2016, the Company has for the first time adopted Ind AS with a transition date of 1st April, 2015.

3 The format for un-audited quarterly results as prescribed in SEBI's Circular CIR/CFD/CMD/15/2015 dated 30th November, 2015 has been modified to comply with requirements of SEBI's Circular dated 5th July, 2016, Ind AS and Schedule III (Division II) to the Companies Act, 2013 applicable to companies that are required to comply with Ind AS.

4 The Ind AS compliant corresponding figures in the previous year have not been subjected to review/audit. However, the Company's management has exercised necessary due diligence to ensure that such financial results provide a true and fair view of its affairs.

5 The statement does not include Ind AS compliant results for the preceding quarter and previous year ended 31st March, 2016 as the same is not mandatory as per SEBI's Circular dated 5th July, 2016.

6 The reconciliation of net profit reported in accordance with Indian GAAP to total comprehensive income in accordance with Ind AS is given below:

(₹ in Lakhs)

| S.No. | Particulars | Quarter ended 30th June 2015 (Not subjected to review/audit) |
|---|---|---|
| | Net Profit as per Indian GAAP | 1,633 |
| | Add/(Less):- | |
| (a) | Provision for expected credit losses on Trade Receivables | (144) |
| (b) | Gain on measuring investments in mutual funds at fair value | 412 |
| (c) | Increase in borrowing cost pursuant to application of effective interest rate method | (9) |
| (d) | Reclassification of net actuarial loss on employee defined benefit plans to other comprehensive income | 30 |
| | **Net profit as per Ind AS** | **1,922** |
| | Other comprehensive income, net of income tax | (30) |
| | **Total comprehensive income for the period** | **1,892** |

By Order of the Board
For Graphite India Limited

Place : Kolkata
Date : 10th August, 2016

K.K.Bangur
Chairman

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CIN: L10101WB1974PLC094602
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**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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