



GRAPHITE INDIA LIMITED

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GIL:SEC: 19/20:

February 14, 2020

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 : December 2019 Quarterly Results – Earning Presentation

Dear Sir,

Earning Presentation in connection with the Company's un-audited Financial results for the quarter/nine months ended 31st December, 2019 is enclosed for your information and records.

Thanking you,

Yours faithfully,
For Graphite India Limited

B. Shiva
Company Secretary

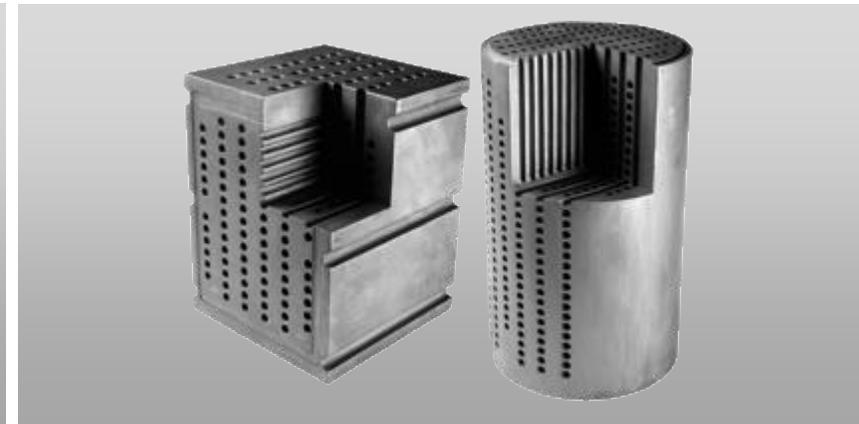
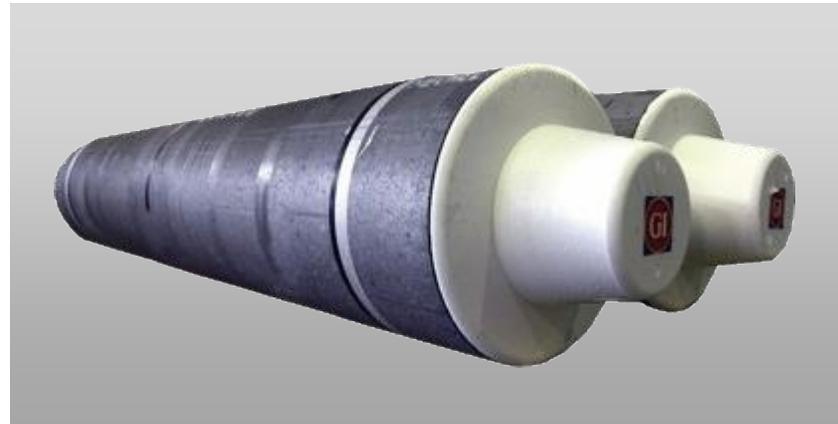
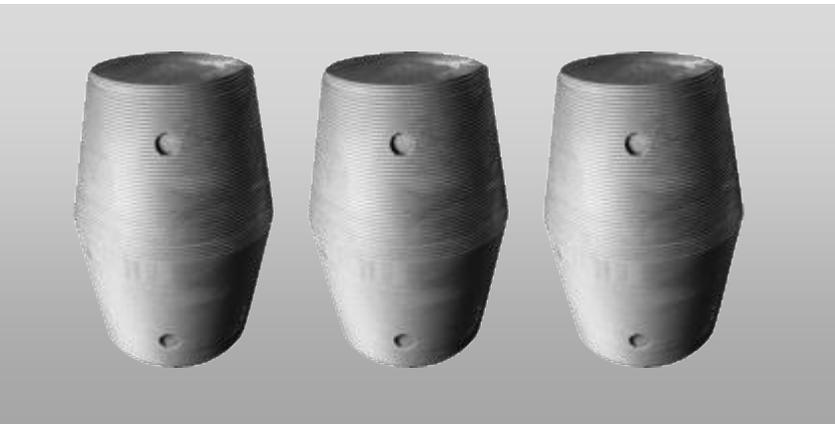
Encl. : As above.



Graphite India Limited

NSE: GRAPHITE, BSE: 509488

Q3 FY2020 Earnings Presentation February 14th, 2020



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Q3 FY2020 Financial Performance

Q3 FY2020 Profit and Loss (Consolidated)

- Net Sales of Rs. 643 Crores, a decline of 65% y-o-y
- EBITDA Loss of Rs. 445 Crores
- Adjusted EBITDA¹ of Rs. 84 Crores; Margin of 13%
- Net Loss of Rs. 353 Crores
- EPS of Rs. (18.08) per share

Q3 FY2020 Profit and Loss (Standalone)

- Net Sales of Rs. 597 Crores, a decline of 62% y-o-y
- EBITDA Loss of Rs. 451 Crores
- Adjusted EBITDA¹ of Rs. 78 Crores; Margin of 13%
- Net Loss of Rs. 356 Crores
- EPS of Rs. (18.22) per share

Balance Sheet (Consolidated)

- Gross Debt of Rs. 519 Crores
- Cash (Net of Gross Debt) of Rs. 2,004 Crores

Balance Sheet (Standalone)

- Gross Debt of Rs. 519 Crores
- Cash (Net of Gross Debt) of Rs. 1,512 Crores

- Due to steep fall in electrode prices, Inventory has been recognized on Net Realizable Value as per Ind AS, resulting in a fair value adjustment of carrying inventory:
 - Rs. 490 Crores in Q3 FY2020
 - Rs. 645 Crores in 9M FY2020
- The Company has recognized loss of Rs. 39 crores as per the Insolvency Resolution process, towards sales made to one of its customers in earlier period

Notes:

1. Adjusted EBITDA is after eliminating the impact of Fair Value of Inventory as per Ind AS and one-time adjustment of loss from a customer as per Insolvency Resolution process



Mr. K. K. Bangur
Chairman

“During the quarter, the Company’s performance was significantly impacted due to lower volumes and realizations. Furthermore, profitability declined mainly due to a non-cash fair value adjustment of inventory at Net Realizable Value as per Ind AS, of Rs. 490 Cr in Q3 FY20 and Rs. 645 Cr in 9M FY20. The capacity utilization during the quarter was 45% as compared to 80% in Q3 FY19. Net Cash balance at the end of December 2019 was Rs. 2,004 Cr.

The steel and graphite electrode industry continued to face challenges due to overall economic slowdown, lower manufacturing activity, production cuts and declining capital investment around the globe. The world crude steel production further declined by 2.8% q-o-q after registering a decline of 3.0% q-o-q in the quarter ending September 2019. In addition to lower steel production, graphite electrode demand was impacted due to the consumption of electrode inventory built up by many customers last year when electrodes were in short supply. With India’s GDP growth slowing down, coupled with de-growth in industrial production, domestic steel production has declined by 2.3% y-o-y in the quarter ending December 2019.

Looking ahead, the manufacturing activity is expected to pick up with the easing of US-China trade tensions perhaps at a slower pace. Also, the timing of revival of construction and automotive sector and the destocking of graphite electrodes will be important factor to watch for. We are closely monitoring the unfortunate outbreak of Coronavirus in China and its impact on our industry. Overall, the demand for graphite electrode is expected to improve with the pick-up of steel production in developed nations having significant EAF capacities. Further, realignment of key input prices in line with electrode prices is the need of the hour to support the industry.

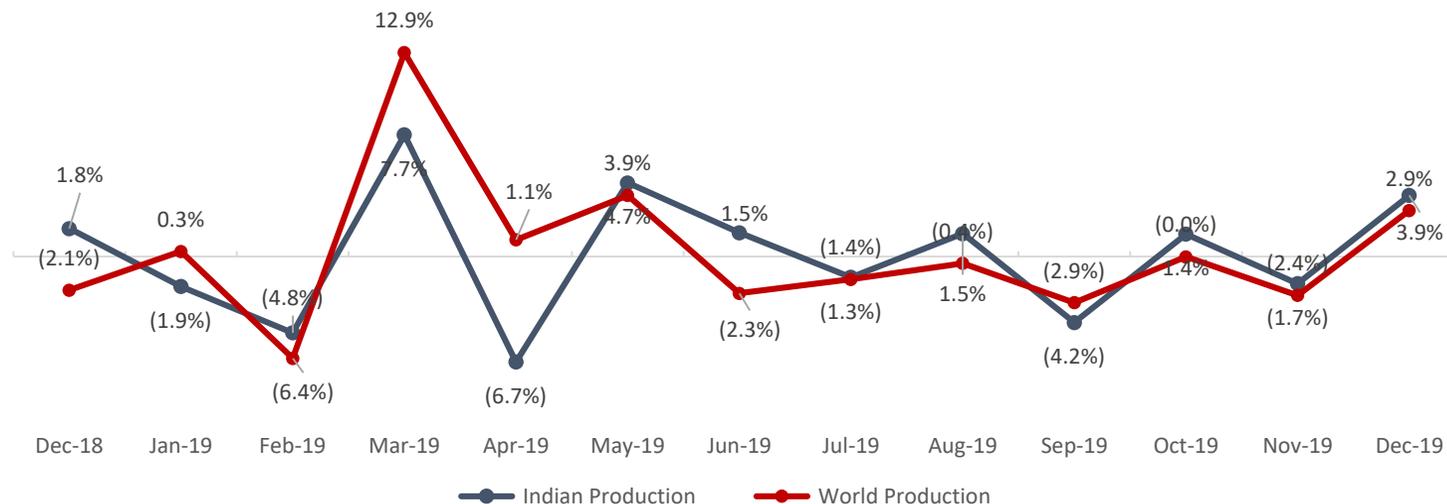
Graphite India continues to focus on delivering high quality products and add new geographies and customers. Our senior management team remains fully committed to maintaining financial discipline, improve operational efficiencies and steer ourselves cautiously in these challenging times.”

Steel Industry Overview

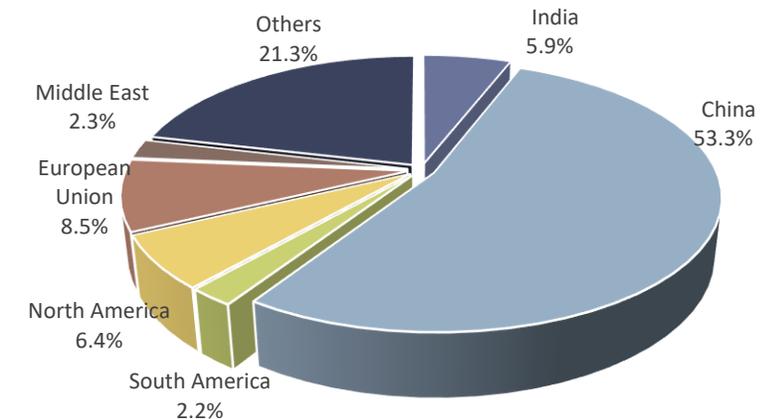


Crude Steel Production (million MT)	Three Months Ended				Year Ended			
	Dec-19	Dec-18	Y-o-Y (%)	Sep-19	Q-o-Q (%)	Dec-19	Dec-18	Y-o-Y (%)
Asia	326.7	318.9	2.4%	338.0	(3.4)%	1,327.9	1,254.5	5.9%
India	27.3	28.0	(2.3)%	27.5	(0.8)%	111.2	109.3	1.8%
China	246.1	234.7	4.8%	255.2	(3.6)%	996.3	920.0	8.3%
Others	53.3	56.2	(5.2)%	55.2	(3.5)%	220.3	225.2	(2.1)%
South America	9.9	11.2	(12.2)%	9.7	1.1%	41.2	44.9	(8.4)%
North America	29.8	30.5	(2.3)%	29.8	0.0%	120.0	120.9	(0.8)%
European Union	37.5	41.8	(10.3)%	38.5	(2.6)%	159.4	167.7	(4.9)%
Middle East	9.8	9.1	8.1%	9.3	5.4%	42.9	35.6	20.5%
Others	37.8	40.0	(5.4)%	38.9	(2.9)%	178.5	184.9	(3.4)%
Total	451.4	451.4	0.0%	464.2	(2.8)%	1,869.9	1,808.4	3.4%

M-o-M Growth (%)



CY2019 Regional Production



- As per World Steel Association (WSA) Global crude steel production reached 1,869.9 Mt for the year CY2019, up by 3.4% compared to CY2018. Crude steel production contracted in all regions in CY2019 except in Asia and the Middle East
- In CY2019, Asia crude steel production increased by 5.9% which was mainly driven by China which increased 8.3% whereas India registered a modest increase of 1.8% year on year
- World crude steel production was 451 Mt in Q4 CY2019, flat as compared to Q4 CY2018
- The EU produced 37.5 Mt of crude steel in Q4 CY2019, a decline of 10.3% compared to Q4 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 327 Mt of crude steel in Q4 CY2019, an increase of 2.4% compared to Q4 CY2018. This was primarily driven by increased steel production in China, producing 246 Mt, representing a robust growth of 4.8% in Q4 CY2019
- India's crude steel production for Q4 CY2019 was 27.3 Mt, a decline of 2.3% from Q4 CY2018. India continues to remain the world's second largest steel producing country whereas Japan produced 23.7 Mt in Q4 CY2019, down 7.8% compared to Q4 CY2018
- Crude steel production in North America was 29.8 Mt in Q4 CY2019, down 2.3% compared to Q4 CY2018. The US produced 22.1 Mt of crude steel, down 1.5% as compared to Q4 CY2018
- The Middle East produced 9.8 Mt of crude steel in Q4 CY2019, an increase of 8.1% compared to Q4 CY2018
- As per WSA global steel demand is expected to reach 1,805 Mt in 2020, a growth of 1.7%. Chinese steel demand is expected to grow by 1.0%, whereas steel demand in the rest of the world will grow by 2.5%, driven by 4.1% growth in the emerging and developing economies excluding China

- 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 have softened however not yet fully realigned with the electrode prices

Consolidated Financial Performance



Graphite India Limited

(Rs. Crore)	Q3		y-o-y Growth (%)	Q2 FY2020	q-o-q Growth (%)	Nine Months		y-o-y Growth (%)	Comments
	FY2020	FY2019				FY2020	FY2019		
Net Sales <small>(Excluding Other Income)</small>	643	1,855	(65%)	882	(27%)	2,492	6,165	(60%)	<i>Lower volumes and realization has impacted the sales and margins as compared to same period last year</i> <i>In addition, EBITDA was impacted due to fair value adjustment of inventory amounting Rs. 490 Cr in Q3 FY20 and Rs. 645 Cr in 9M FY2020</i>
Other Income	43	66	(35%)	51	(16%)	151	140	8%	
Total Income	686	1,921	(64%)	933	(26%)	2,643	6,305	(58%)	
Operating Profit (EBITDA) ¹ Margin (%) ²	(445) (69)%	1,149 62%	(139%)	191 22%	(333%)	98 4%	4,299 70%	(98%)	
Interest	4	3	33%	5	(20%)	14	8	75%	
Depreciation	12	13	(8%)	13	(8%)	38	39	(3%)	
Profit Before Tax (before Exceptional items and Associates)	(461)	1,133	(141%)	173	(366%)	46	4,252	(99%)	
Share of Profit/(loss) of an Associate	(2)	(1)	100%	(1)	100%	(4)	(1)	300%	
Profit Before Tax	(463)	1,132	(141%)	172	(369%)	42	4,251	(99%)	
Net Profit Margin (%)	(353) (55)%	764 41%	(146%)	185 21%	(291%)	52 2%	2,834 46%	(98%)	
Earnings Per Share (Rs)	(18.08)	39.11	(146%)	9.51	(290%)	2.67	145.06	(98%)	

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)	Q3		y-o-y Growth (%)	Q2		Nine Months		y-o-y Growth (%)	Comments
	FY2020	FY2019		FY2020	q-o-q Growth (%)	FY2020	FY2019		
Net Sales <small>(Excluding Other Income)</small>	597	1,562	(62%)	833	(28%)	2,327	5,347	(56%)	<i>Lower volumes and realization has impacted the sales and margins as compared to same period last year</i>
Other Income	42	64	(34%)	43	(2%)	139	134	4%	
Total Income	639	1,626	(61%)	876	(27%)	2,466	5,481	(55%)	
Operating Profit (EBITDA) ¹ <i>Margin (%)</i> ²	(451) (76)%	932 60%	(148%)	160 19%	(382%)	23 1%	3,669 69%	(99%)	<i>In addition, EBITDA was impacted due to fair value adjustment of inventory amounting Rs. 490 Cr in Q3 FY20 and Rs. 645 Cr in 9M FY2020</i>
Interest	4	3	33%	4	-	13	7	86%	
Depreciation	11	11	-	11		33	34	(3%)	
Profit Before Tax (before Exceptional items and Associates)	(466)	918	(151%)	145	(421%)	(23)	3,628	(101%)	
Profit Before Tax	(466)	918	(151%)	145	(421%)	(23)	3,628	(101%)	
Net Profit <i>Margin (%)</i>	(356) (60)%	609 39%	(158%)	167 20%	(313%)	6 0%	2,379 44%	(100%)	
Earnings Per Share (Rs)	(18.22)	31.17	(158%)	8.56	(313%)	0.32	121.76	(100%)	

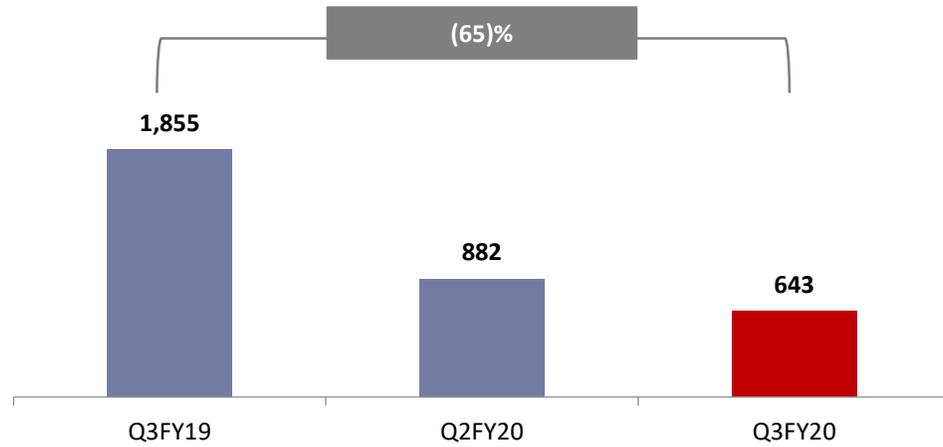
Notes:

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

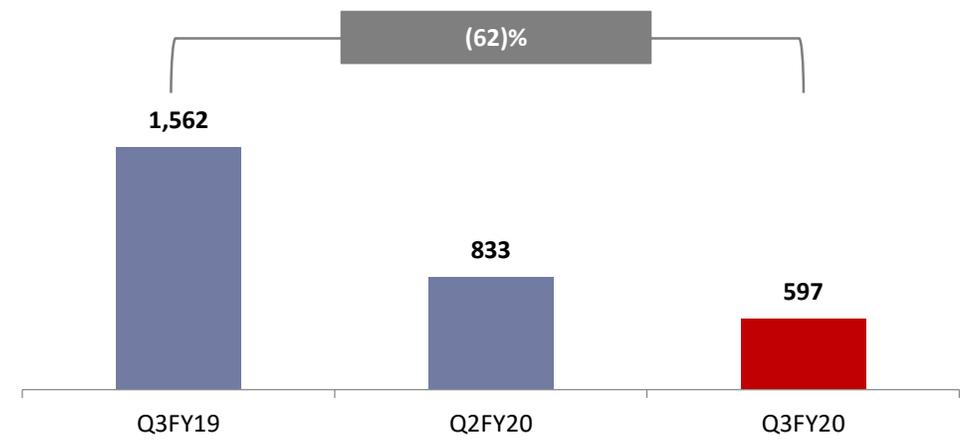
Quarter Performance Trends



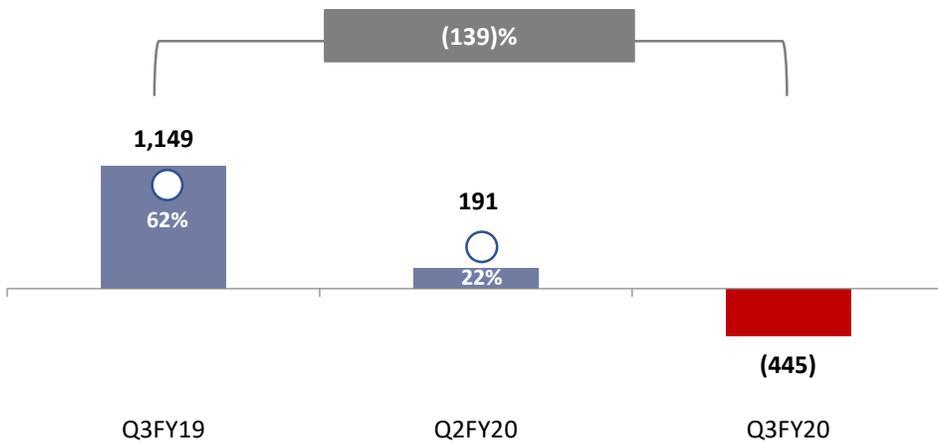
Consolidated Net Sales



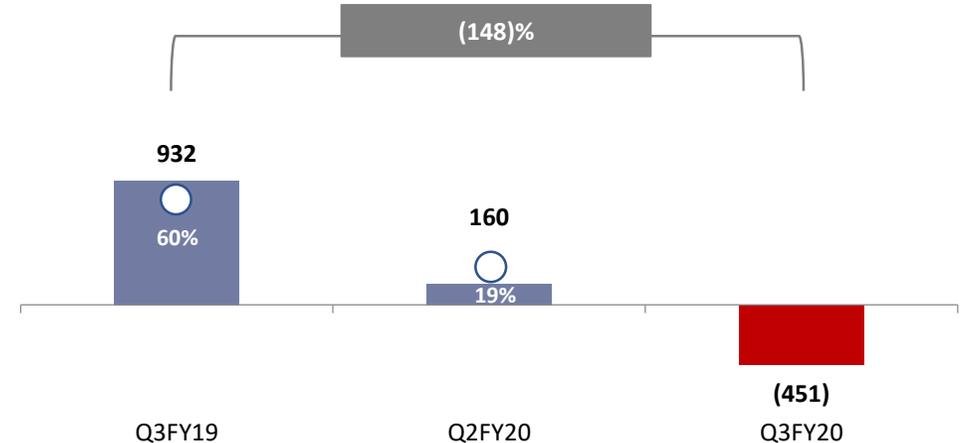
Standalone Net Sales



Consolidated Operating Profit



Standalone Operating Profit



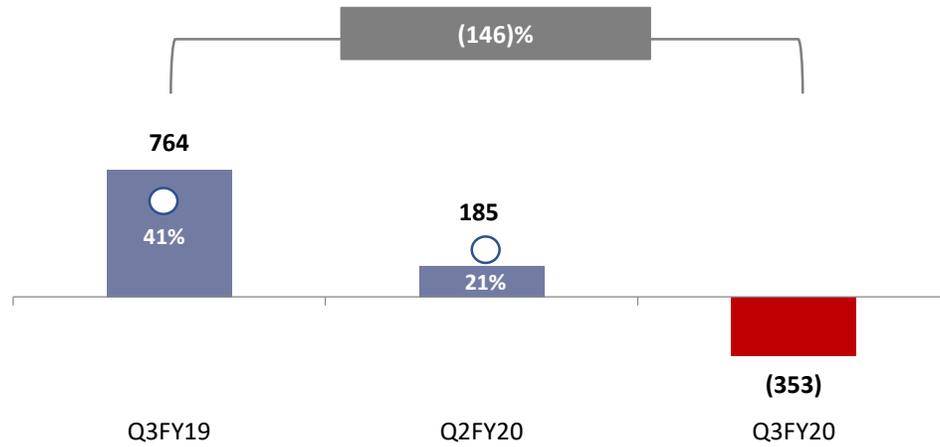
○ Margins

* All numbers in Crores unless specifically mentioned

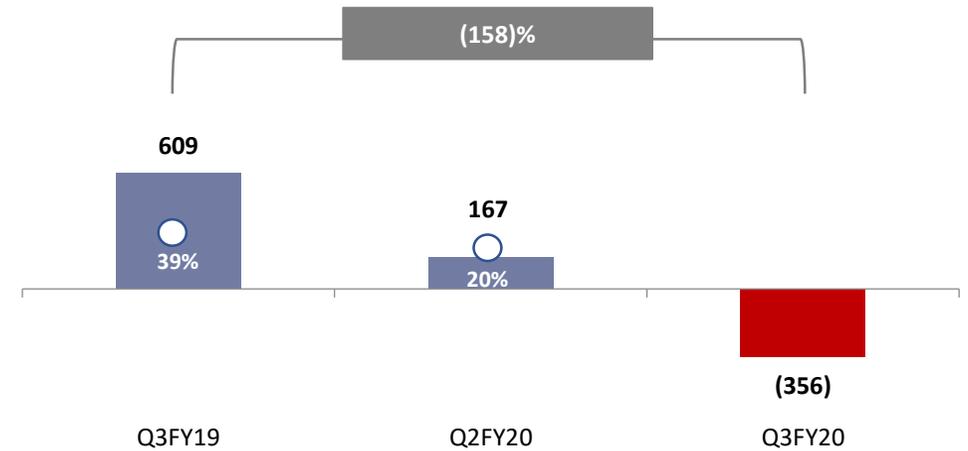
Quarter Performance Trends



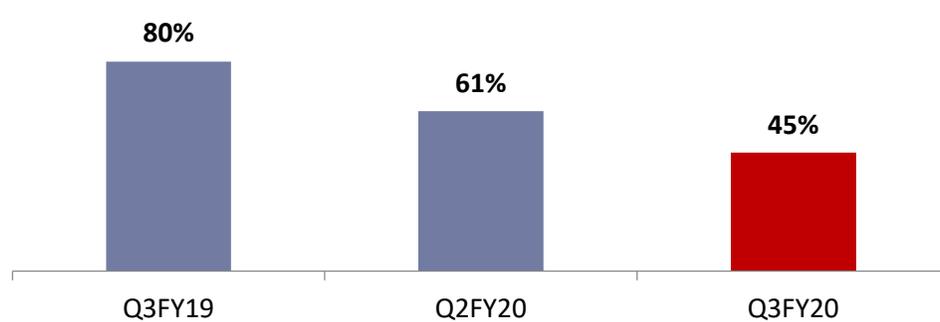
Consolidated Net Profit



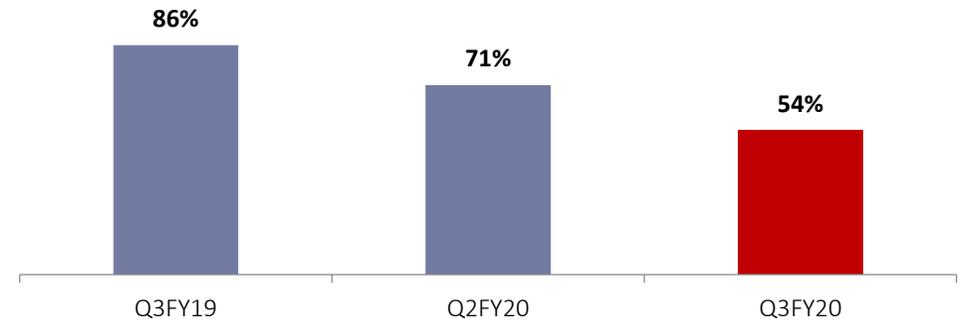
Standalone Net Profit



Consolidated Capacity Utilization



Standalone Capacity Utilization



○ Margins

* All numbers in Crores unless specifically mentioned

Significant financial flexibility available for future organic / inorganic growth

Consolidated Leverage Profile

(Rs. Crore)	Dec-19	Sep-19	June-19	Mar -19	Dec -18
Cash & Cash Equivalents ¹	2,523	2,327	3,123	2,937	2,641
Total Debt	(519)	(394)	(389)	(359)	(279)
Net Cash	2,004	1,934	2,734	2,577	2,362

Standalone Leverage Profile

(Rs. Crore)	Dec-19	Sep-19	June-19	Mar -19	Dec -18
Cash & Cash Equivalents ¹	2,031	1,821	2,640	2,516	2,342
Total Debt	(519)	(394)	(389)	(359)	(279)
Net Cash	1,512	1,427	2,251	2,156	2,063

Notes:

1. Cash and cash equivalents include investments

Quarterly Segment Performance



Graphite India Limited

Consolidated Segment Performance

(Rs. Crore)	Q3		y-o-y	Q2	q-o-q
	FY2020	FY2019	Growth (%)	FY2020	Growth (%)
Graphite and Carbon	625	1,813	(66)%	860	(27)%
Others	18	42	(57)%	22	(18)%
Less: Inter Segment Sales	*	*	-	*	-
Segment Revenue	643	1,855	(65)%	882	(27)%
Graphite and Carbon	(490)	1,086	(145)%	155	(416)%
Others	(4)	(2)	100%	(2)	100%
Profit before tax and interest	(494)	1,084	(146)%	153	(423)%
Finance Cost	(4)	(3)	33%	(5)	(20)%
Unallocated Income / (expense)	37	52	(29)%	25	48%
Profit Before Tax (Before Exceptional Items and Associates)	(461)	1,133	(141)%	173	(366)%
Share of Profit/Loss of an Associate	(2)	(1)	100%	(1)	100%
Profit Before Tax	(463)	1,132	(141)%	172	(369)%

Standalone Segment Performance

(Rs. Crore)	Q3		y-o-y	Q2	q-o-q
	FY2020	FY2019	Growth (%)	FY2020	Growth (%)
Graphite and Carbon	579	1,524	(62)%	811	(29)%
Others	18	38	(53)%	22	(18)%
Less: Inter Segment Sales	*	*	-	*	-
Segment Revenue	597	1,562	(62)%	833	(28)%
Graphite and Carbon	(495)	872	(157)%	125	(496)%
Others	(4)	(4)	0%	(2)	100%
Profit before tax and interest	(499)	868	(157)%	123	(506)%
Finance Cost	(4)	(3)	33%	(4)	0%
Unallocated Income / (expense)	37	53	(30)%	26	42%
Profit Before Tax (Before Exceptional Items)	(466)	918	(151)%	145	(421)%
Exceptional Items	-	-	-	-	-
Profit Before Tax	(466)	918	(151)%	145	(421)%

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

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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