



Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q2 FY2018 Earnings Presentation
October 23, 2017



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Q2 FY2018 Financial Performance (Y-o-Y)

Q2 FY2018 Profit and Loss (Standalone)

- Gross Sales of Rs. 461.9 Crores, an increase of 35.8%
- EBITDA increased to Rs. 149.2 Crores, up 314%; Margin of 32.3%,
- Net Profit increased to Rs. 89.9 Crores, up 464%; Margin of 19.5%

Balance Sheet (Standalone)

- Gross Debt of Rs. 185 Crores (As on 30th June 2017: Rs. 171 Crores)
- Gross Cash position of Rs. 788 Crores (As on 30th June 2017: Rs. 723 Crores)

Operations

- Standalone capacity utilization of 89% in Q2FY2018 (Q2 FY2017: 75%)
- Electrode sale volumes and realization have increased on a y-o-y basis

Industry Overview

- World crude steel production increased by 6.3% y-o-y to 143.6 mn MT in August 2017
- World steel capacity utilization was 72.2 % in August 2017, compared to 68.9% in August 2016



Mr. K. K. Bangur
Chairman

“The recent few years have been challenging for the graphite electrode industry due to lower demand and realization globally, coupled with oversupply from China. However, the momentum has shifted in FY2018. China shutting down selected steel and electrode capacities on account of environmental considerations has led to an increase in the steel output in other EAF steel producing countries. These developments supported the recovery of volume and price of graphite electrodes.

Building on a positive start to FY2018, I am pleased to report another quarter with robust all round financial performance. Graphite India delivered a sales growth of 36% y-o-y which was driven by an increase in volume coupled with improved realizations. EBITDA margin expanded from 11% in Q2 FY2017 to 32% in the current quarter. Capacity utilization increased from 75% to 89% y-o-y. While the momentum in improvement of realization is expected to continue, the concern going forward is rise in the prices of major inputs and reduced availability.

The Indian steel industry has registered an encouraging growth of 5.9% y-o-y in the first five months of FY2018 (April-August). The industry is supported by a strong recovery in steel prices which augurs well for the graphite electrode industry.

We are optimally placed to build on our existing market position, with our continued focus on resource optimization, margin improvement, strong cash flow generation and value creation for all stakeholders.”

- The world crude steel production was 143.6 MT in the month of August 2017, a growth of 6.6% y-o-y. India registered a growth rate of 4.1% y-o-y and China 8.7% y-o-y.
- The world crude steel capacity utilization in August 2017 was 72.2% as compared to 68.9% in August 2016.
- According to WSA's short range outlook, the global steel demand expected to reach 1,622 MT in 2017 and 1,648 MT in 2018.
- Steel demand in India is increasing with the government's investment in the infrastructure sectors. India's finished steel consumption increased by 4.3% to 43 MT in the six months upto September, while the output grew 5.0% to 52 MT. India is set to surpass Japan as the world's second largest steel producer by 2022. The optimistic outlook for the industry has led to strong volumes and a price recovery driven by a higher demand for steel products.
- China is believed to have closed most of its outdated induction and blast furnaces in 2017. With these closures, the demand is now satisfied by large steel makers. They have ramped up output earlier this year, as higher prices, supported by the government's supply side reforms and infrastructure push, expanded profit margins particularly for construction steel products.
- The US economy continues to remain robust with increasing consumer spending and improved business confidence. Concern about tensions within the EU particularly over migration policies is receding and the EU economic recovery is broadening. Japanese steel demand is showing better than expected performance benefitting from the government stimulus package, improving exports and preparations for the 2020 Olympic games.

Standalone Financial Performance

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1	q-o-q Growth (%)	Half Year		y-o-y Growth (%)
	FY2018	FY2017		FY2018		FY2018	FY2017	
Gross Sales ¹ (Excluding Other Income)	461.9	340.2	35.8%	376.3	22.8%	838.2	635.6	31.9%
Net Sales ² (Excluding Other Income)	461.9	319.6	44.5%	351.0	31.6%	812.9	594.8	36.7%
Operating Profit (EBITDA) ³	149.2	36.1	313.6%	56.6	163.3%	205.8	64.4	219.5%
Margin (%) ⁴	32.3%	11.3%		16.1%		25.3%	10.8%	
Interest	1.5	1.8	(15.9)%	1.0	61.1%	2.5	3.3	(23.9)%
Depreciation	12.0	9.7	24.4%	12.0	(0.3)%	24.0	19.4	24.1%
Profit Before Tax	135.6	24.6	451.6%	43.7	210.7%	179.3	41.8	329.1%
Net Profit	89.9	15.9	464.2%	29.5	205.4%	119.4	26.9	343.3%
Margin (%) ⁴	19.5%	5.0%		8.4%		14.7%	4.5%	
Earnings Per Share	4.60	0.82	464.2%	1.51	205.4%	6.1	1.38	343.3%

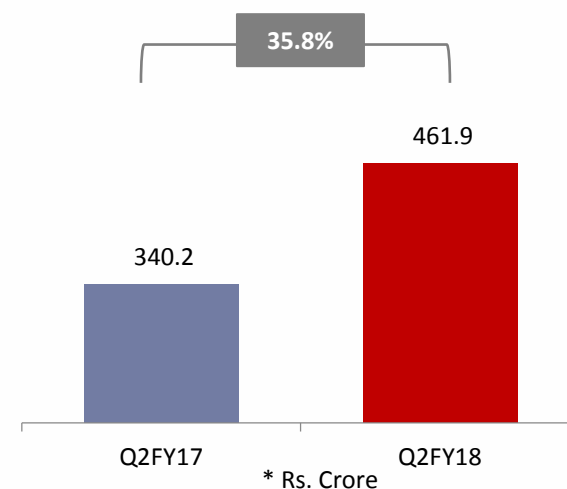
Notes:

1. From Q2 FY2018 onwards gross sales is net of GST
2. Net Sales in Q2 FY2018 is same as gross sales because there is no excise duty due to levy of GST, previous quarter net sales is net of excise duty
3. Operating Profit includes Other Income
4. All margins calculated as a percentage of Net Sales (excluding Other Income)

1

Gross Sales

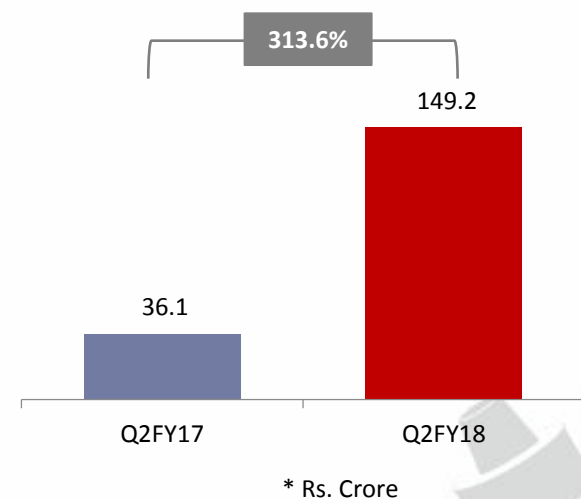
- Gross Sales increased by 35.8% y-o-y to Rs. 461.9 Crores
- The sales volume and realizations improved during the quarter



2

Operating Profit

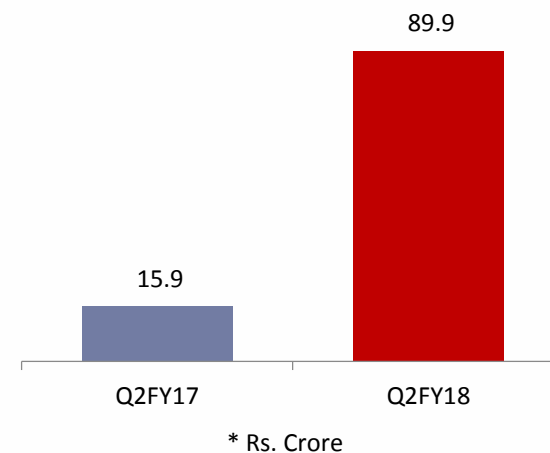
- Operating Profit (EBITDA) for the quarter was Rs. 149.2 Crores, an increase of 313.6% y-o-y
- EBITDA margins improved from 11.3% in Q2 FY2017 to 32.3% in Q2 FY2018 due to recovery of electrode prices, improved realization with a higher volume and optimum capacity utilization



3

Net Profit

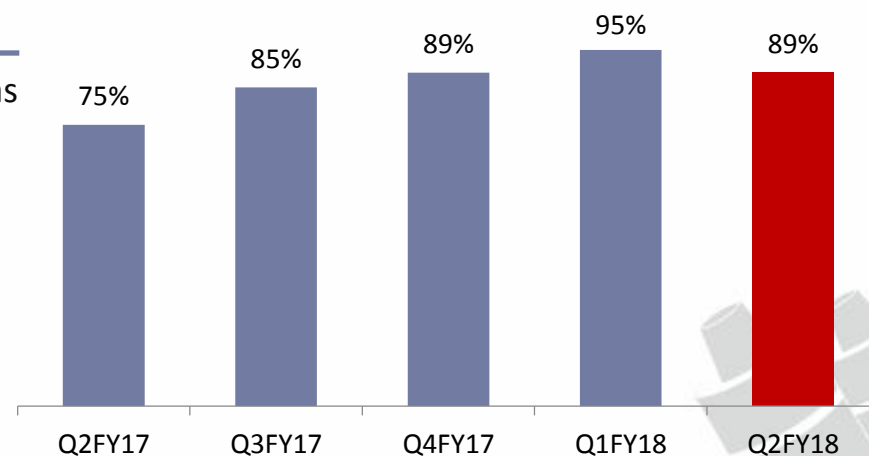
- Net Profit for the quarter increased to Rs. 89.9 Crores in Q2 FY2018 as compared to Rs. 15.9 Crores in Q2 FY2017
- Depreciation increased by 24.4% y-o-y due to commencement of capital projects for upgradation of facilities



4

Operations

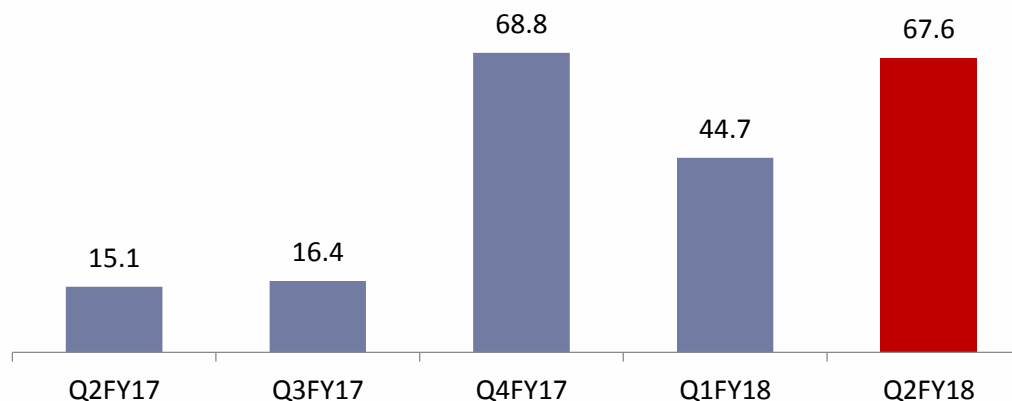
- Q2 FY2018 capacity utilization was 89% as compared to 75% in Q2 FY2017



Significant financial flexibility available for future organic / inorganic growth

(Rs. Crore)	30.09.2017	30.06.2017	31.03.2017	31.12.2016
Total Debt	185	171	127	120
Less: Cash & Cash Equivalents ¹	(788)	(723)	(626)	(559)
Net Debt / (Net Cash)¹	(603)	(552)	(499)	(439)

Interest Coverage Ratio



Notes:

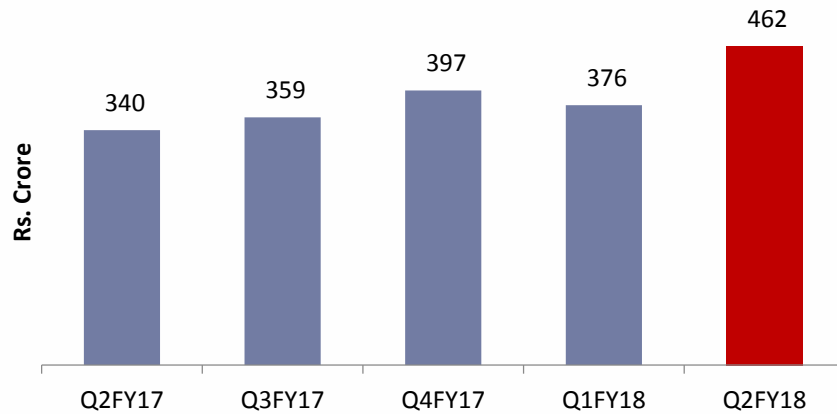
1. Cash and cash equivalents include Mutual Fund investments
2. Interest Coverage Ratio calculated as (Net Profit + Depreciation + Interest) / Interest
3. Q4 FY2017 Net profit include non recurring benefits arising out of favorable income tax orders

Quarterly segment comparison

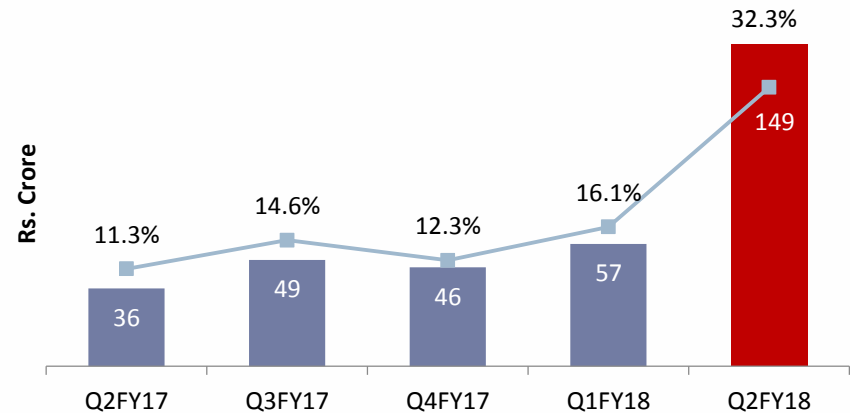
(Rs. Crore)	Q2		y-o-y	Q1		Half Year		y-o-y
	FY2018	FY2017	Growth (%)	FY2018	Growth (%)	FY2018	FY2017	Growth (%)
Segment Revenue	461.9	340.2	35.8%	376.3	22.8%	838.2	635.6	31.9%
Graphite and Carbon	439.5	298.7	47.1%	351.6	25.0%	791.2	561.9	40.8%
GRP Pipes	3.0	21.5	(86.0)%	8.3	(63.9)%	11.3	36.0	(68.5)%
Others	19.4	19.9	(2.7)%	16.4	18.6%	35.7	37.9	(5.6)%
Less: Inter Segment Sales	(0.04)	(0.0)		(0.0)		(0.1)	(0.2)	

(Rs. Crore)	Q2		y-o-y	Q1		Half Year		y-o-y
	FY2018	FY2017	Growth (%)	FY2018	Growth (%)	FY2018	FY2017	Growth (%)
Segment Profit before tax and interest	131.4	11.1	nm	36.0	265.5%	167.3	21.0	696.9%
Graphite and Carbon	130.5	7.3	nm	37.8	245.0%	168.4	13.3	nm
GRP Pipes	0.9	3.7	(76.3)%	(0.4)	(300.0)%	0.4	7.6	(94.2)%
Others	(0.0)	0.1		(1.5)		(1.5)	0.1	

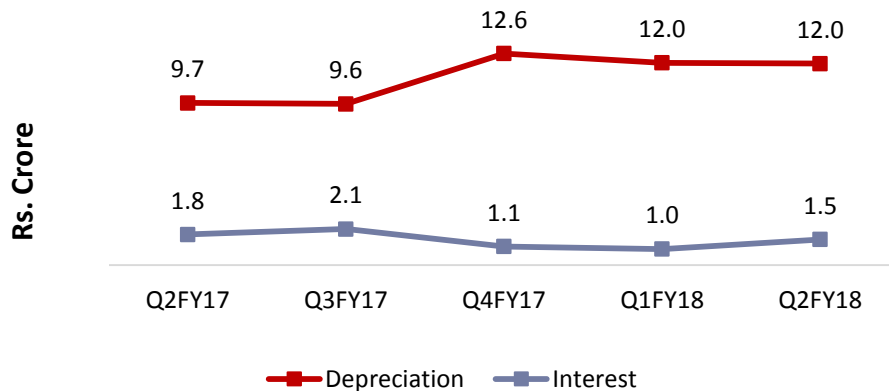
Gross Sales



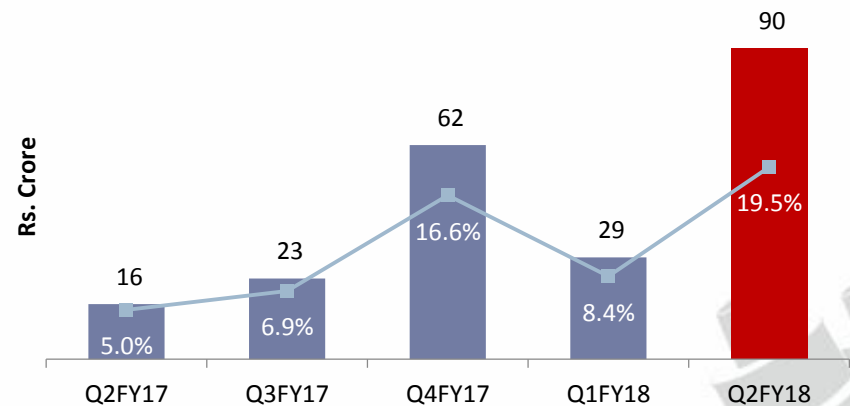
Operating Profit (EBITDA) and Margins



Depreciation and Interest



Net Profit and Margins



Note: Q4 FY2017 Net profit include non recurring benefits arising out of favorable income tax orders

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 also has facilities designed for the manufacture of impervious graphite equipment and glass reinforced plastic pipes and tanks. It has an installed capacity of 27 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.

Standalone Unaudited Results for the quarter and half year ended 30th September 2017 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

S. No.	Particulars	Quarter ended			Half Year ended		Year Ended
		30th September 2017	30th June 2017	30th September 2016	30th September 2017	30th September 2016	31st March 2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Revenue from Operations (Refer note 3)	46,190	37,625	34,016	83,815	63,559	139,175
2	Other Income	1,924	2,113	2,197	4,037	3,981	8,389
3	Total Income (1+2)	48,114	39,738	36,213	87,852	67,540	147,564
4	Expenses						
	(a) Cost of Materials Consumed	14,698	12,818	13,503	27,516	26,523	51,732
	(b) Changes in Inventories of Finished Goods and Work-in-progress	(1,603)	(423)	(49)	(2,026)	(782)	2,009
	(c) Excise Duty (Refer note 3)	-	2,523	2,053	2,523	4,077	8,598
	(d) Employee Benefits Expense	4,500	4,114	3,709	8,614	7,216	15,204
	(e) Consumption of Stores and Spare Part	3,464	3,442	3,000	6,906	5,122	11,836
	(f) Power and Fuel	7,292	7,090	5,989	14,382	11,247	23,825
	(g) Finance Costs	153	95	182	248	326	650
	(h) Depreciation and Amortisation Expens	1,200	1,204	965	2,404	1,937	4,156
	(i) Other Expenses	4,847	4,510	4,402	9,357	7,696	18,411
	Total Expenses	34,551	35,373	33,754	69,924	63,362	136,421
5	Profit before Exceptional Items and Tax (3 - 4)	13,563	4,365	2,459	17,928	4,178	11,143
6	Exceptional Items	-	-	-	-	-	-
7	Profit Before Tax (5+6)	13,563	4,365	2,459	17,928	4,178	11,143
8	Income Tax Expense						
	- Current Tax	4,200	1080	529	5,280	904	328
	- Deferred Tax	370	340	336	710	581	(413)
9	Net Profit for the Period (7 - 8)	8,993	2,945	1,594	11,938	2,693	11,228

Standalone Unaudited Results for the quarter and half year ended 30th September 2017 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

S. No.	Particulars	Quarter ended			Half Year ended		Year Ended
		30th September 2017	30th June 2017	30th September 2016	30th September 2017	30th September 2016	31st March 2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
10	Other Comprehensive Income						
	A. (I) Items that will not be reclassified to profit or loss	(70)	(70)	(23)	(140)	(46)	(267)
	(II) Income tax relating to Items that will not be reclassified to profit or loss	24	24	-	48	-	92
	B.(I) Items that will be reclassified to profit or loss	-	-	-	-	-	-
	(II) Income tax relating to Items that will be reclassified to profit or loss	-	-	-	-	-	-
	Total Other Comprehensive Income, net of Income Tax	(46)	(46)	(23)	(92)	(46)	(175)
11	Total Comprehensive Income for the Period (9 + 10)	8,947	2,899	1,571	11,846	2,647	11,053
12	Paid-up equity share capital (Face Value ₹ 2/- per equity share)	3,908	3,908	3,908	3,908	3,908	3,908
13	Other Equity						181,278
14	Earnings per share (of ₹ 2/- each)						
	(a) Basic (₹)	4.60	1.51	0.82	6.11	1.38	5.75
	(b) Diluted (₹)	4.60	1.51	0.82	6.11	1.38	5.75
See accompanying notes to the financial results							

Standalone Unaudited Assets and Liabilities as at 30th September 2017 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Particulars	As at 30th September, 2017	As at 31st March, 2017
	(Unaudited)	(Audited)
ASSETS		
Non - current Assets		
(a) Property, Plant and Equipment	60,760	61,552
(b) Capital Work-in-progress	4,772	3,206
(c) Intangible Assets	76	109
(d) Financial Assets		
(i) Investments	9,950	9,849
(ii) Loans	734	832
(iii) Other Financial Assets	7	6
(e) Other Non - current Assets	978	913
Total Non-current Assets	77,277	76,467
Current Assets		
(a) Inventories	48,282	51,263
(b) Financial Assets		
(i) Investments	75,061	56,543
(ii) Trade Receivables	36,518	40,681
(iii) Cash and Cash Equivalents	1,339	88
(iv) Bank Balances other than (iii) above	304	4,018
(v) Loans	322	329
(vi) Other Financial Assets	1,068	422
(c) Current Tax Assets (Net)	476	-
(d) Other Current Assets	14,171	8,485
Total Current Assets	177,541	161,829
Total Assets	254,818	238,296

Particulars	As at 30th September, 2017	As at 31st March, 2017
	(Unaudited)	(Audited)
EQUITY AND LIABILITIES		
EQUITY		
(a) Equity Share Capital	3,908	3,908
(b) Other Equity	188,420	181,278
Total Equity	192,328	185,186
LIABILITIES		
Non - current Liabilities		
(a) Financial Liabilities		
(i) Trade Payables	-	178
(ii) Other Financial Liabilities	1	2
(b) Deferred Tax Liabilities (Net)	9,113	8,403
Total Non - current Liabilities	9,114	8,583
Current Liabilities		
(a) Financial Liabilities		
(i) Borrowings	18,457	12,682
(ii) Trade Payables	22,063	21,084
(iii) Other Financial Liabilities	1,673	1,685
(b) Other Current Liabilities	9,121	6,790
(c) Provisions	2,062	2,208
(d) Current Tax Liabilities (Net)	-	78
Total Current Liabilities	53,376	44,527
Total Equity and Liabilities	254,818	238,296

Standalone Unaudited Segment Wise Revenue, Assets and Liabilities for the quarter and half year ended 30th September 2017

(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

S. No	Particulars	Quarter ended			Half Year ended		Year Ended
		30th September 2017	30th June 2017	30th September 2016	30th September 2017	30th September 2016	31st March 2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	SEGMENT REVENUE -						
	Graphite and Carbon	43,954	35,161	29,871	79,115	56,187	125,740
	GRP Pipes	301	833	2,154	1,134	3,603	6,326
	Others	1,939	1,635	1,992	3,574	3,787	7,147
	Total	46,194	37,629	34,017	83,823	63,577	139,213
	Less: Inter Segment Revenue	4	4	1	8	18	38
	Revenue from Operations	46,190	37,625	34,016	83,815	63,559	139,175
2	SEGMENT RESULTS -						
	Graphite and Carbon	13,053	3,784	734	16,837	1,330	5,328
	GRP Pipes	88	(44)	372	44	763	2,119
	Others	(2)	(145)	8	(147)	7	(36)
	Total	13,139	3,595	1,114	16,734	2,100	7,411
	Less:						
	Interest	153	95	182	248	326	650
	(Including other finance costs)						
	Other un-allocable expenditure/(income)(net)	(577)	(865)	(1,527)	(1,442)	(2,404)	(4,382)
	Profit Before Tax	13,563	4,365	2,459	17,928	4,178	11,143
3	SEGMENT ASSETS -						
	Graphite and Carbon	152,938	153,193	149,699	152,938	149,699	151,507
	GRP Pipes	4,340	3,690	6,655	4,340	6,655	4,465
	Others	9,716	9,867	10,348	9,716	10,348	10,196
	Total Segment assets	166,994	166,750	166,702	166,994	166,702	166,168
	Un-allocated Assets	87,824	81,643	64,942	87,824	64,942	72,128
	Total Assets	254,818	248,393	231,644	254,818	231,644	238,296
4	SEGMENT LIABILITIES -						
	Graphite and Carbon	31,156	29,554	25,191	31,156	25,191	27,659
	GRP Pipes	1,912	1,807	2,017	1,912	2,017	1,640
	Others	989	1,716	1,730	989	1,730	1,688
	Total Segment Liabilities	34,057	33,077	28,938	34,057	28,938	30,987
	Un-allocated Liabilities	28,433	27,234	24,306	28,433	24,306	22,123
	Total Liabilities	62,490	60,311	53,244	62,490	53,244	53,110

Standalone Unaudited Results for the quarter and half year ended 30th September 2017 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Notes to the financial results:

- 1 This Statement has been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 23rd October 2017. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 30th September, 2017 in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 2 Figures for the previous periods have been regrouped/rearranged wherever necessary to conform to current period's classification.
- 3 In accordance with the requirements of Ind AS, revenue (as indicated in serial no 1) for the quarter ended 30th September, 2017 is net of Goods and Services Tax ('GST'). However, revenue for the period upto 30th June, 2017 is inclusive of excise duty (as indicated in serial no 4(c)).

Place : Kolkata

Date : 23rd October, 2017

By Order of the Board
For Graphite India Limited

K.K. Bangur
Chairman

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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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