



GRAPHITE INDIA LIMITED

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GIL:SEC: 18/19:

February 6, 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

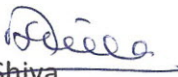
Re : December 2018 Quarterly Results – Earning Presentation

Dear Sir,

Earning Presentation in connection with the Company's un-audited Financial results for the quarter/nine months ended 31st December, 2018 is enclosed for your information and records.

Thanking you,

Yours faithfully,
For Graphite India Limited


B. Shiva
Company Secretary

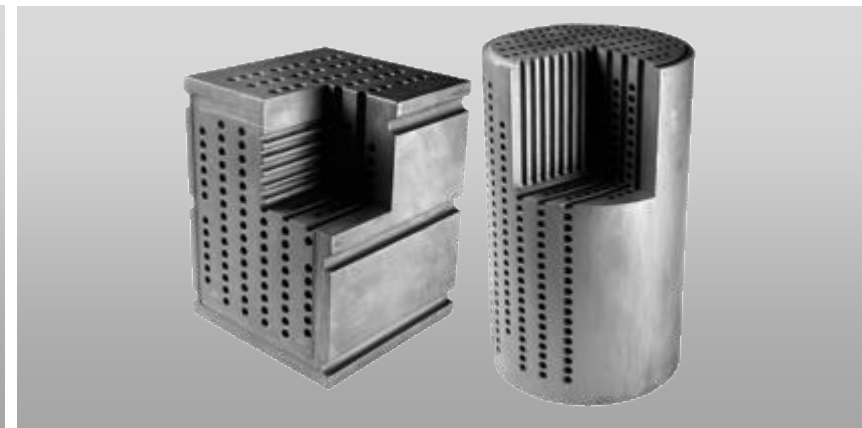
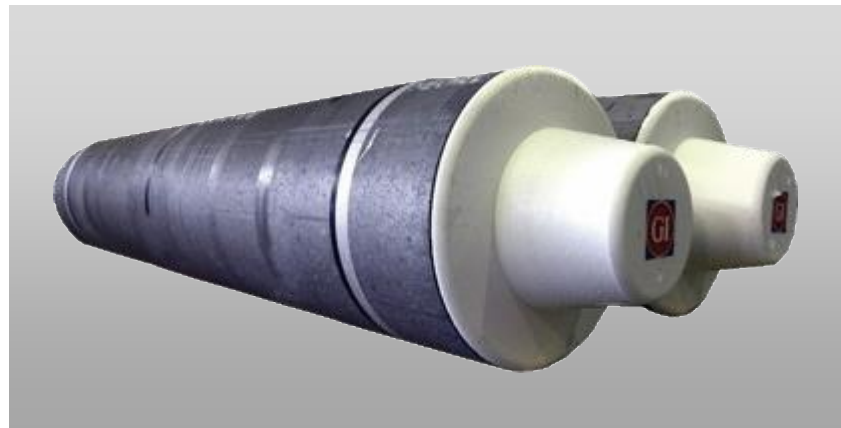
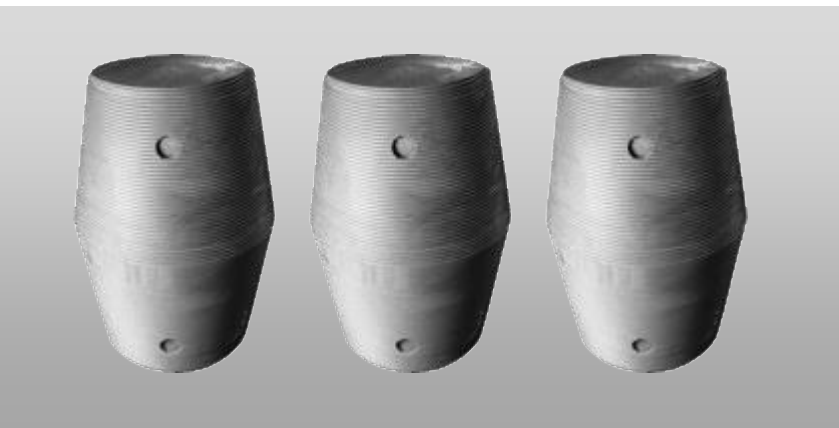
Encl. : As above.



Graphite India Limited

NSE: GRAPHITE, BSE: 509488

Q3 FY2019 Earnings Presentation February 6th, 2019



Discussion Agenda



Graphite India Limited

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Q3 FY2019 Financial Performance

Q3 FY2019 Profit and Loss (Consolidated)

- Gross Sales of Rs. 1,855 Crores, an increase of 81% y-o-y
- EBITDA increased to Rs. 1,149 Crores; Margin of 62%
- Net Profit increased to Rs. 764 Crores; Margin of 41%
- EPS of Rs. 39.11 per share

Balance Sheet (Consolidated)

- Gross Debt of Rs. 279 Crores
- Cash (Net of Gross Debt) of Rs. 2,553 Crores

Q3 FY2019 Profit and Loss (Standalone)

- Gross Sales of Rs. 1,562 Crores, an increase of 67% y-o-y
- EBITDA increased to Rs. 932 Crores; Margin of 60%
- Net Profit increased to Rs. 609 Crores; Margin of 39%
- EPS of Rs. 31.17 per share

Balance Sheet (Standalone)

- Gross Debt of Rs. 279 Crores
- Cash (Net of Gross Debt) of Rs. 2,063 Crores



Mr. K. K. Bangur
Chairman

"Graphite India delivered consolidated Net Sales of Rs. 1,855 Cr and EBITDA of Rs. 1,149 Cr translating into margins of 62% and Net Profit of Rs. 764 Cr with corresponding margins of 41% for the quarter ending December 2018. In comparison with quarter ending September 2018, topline declined by 21% and EBITDA by 32%. The key dynamics behind these results being a combination of the stabilization of electrode prices globally, lower volumes and increase in needle coke cost. For the nine months of the current financial year, Net Sales was Rs. 6,165 Cr with Net Profit of Rs. 2,834 Cr, an increase of 217% and 476% respectively compared to same period of last financial year.

Steel production across the industry was clearly impacted by increasing concerns of GDP growth having stalled across major global economies including the China, Europe and US. Overall global steel production declined 1.3% with India declining by 0.3% compared to the previous quarter. A slowing Chinese economy together with oversupply of Chinese steel has resulted in an ongoing correction of steel prices. The Indian steel industry performance was subdued during the quarter, however the outlook still remains positive with the prospect of increased infrastructure spending and demand for affordable housing on the horizon.

Graphite electrode prices have since softened due to a combination of factors like weak global steel prices, increased Chinese imports into India and selected trade restrictions placed by the US. Needle coke price increase have continued to impact margins. However, overall cash flow generation remains strong.

Graphite India management team is committed to continued operational excellence and implementation of effective financial controls with an aim to drive sustainable cash flows and further strengthen the balance sheet. The Company retains a strong and flexible capital structure to invest in select opportunities in related carbon space which will further enhance value to our shareholders."

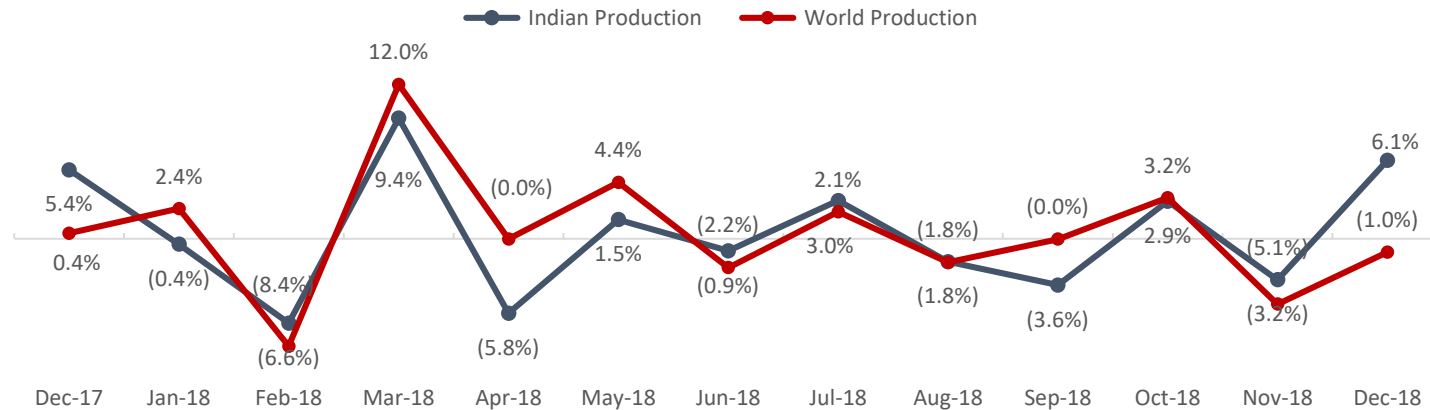
Steel Industry Overview



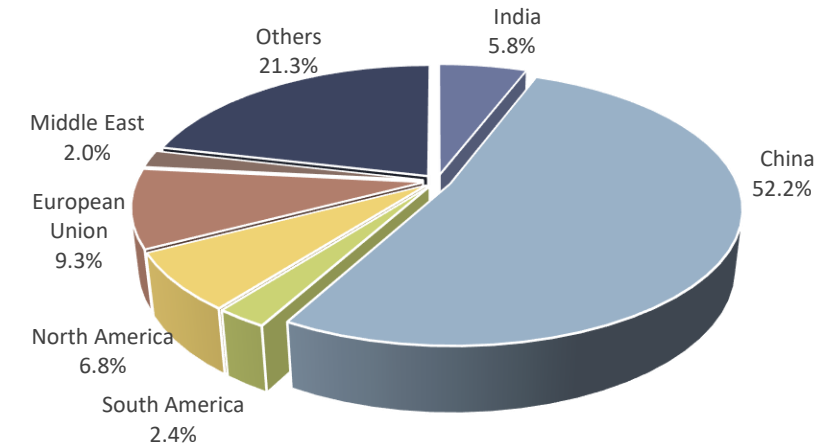
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Crude Steel Production (million MT)	Three Months Ended					Full Year Ended		
	Dec-18	Dec-17	Y-o-Y (%)	Sep-18	Q-o-Q (%)	Dec-18	Dec-17	Y-o-Y (%)
Asia	318.7	297.2	7.2%	325.2	(2.0)%	1,258.0	1,191.4	5.6%
India	26.3	26.4	(0.5)%	26.4	(0.3)%	106.5	101.5	4.9%
China	236.3	216.0	9.4%	242.4	(2.5)%	928.3	870.9	6.6%
Others	56.1	54.8	2.5%	56.4	(0.4)%	223.2	219.0	1.9%
South America	11.0	11.3	(3.0)%	11.5	(4.6)%	44.3	43.7	1.4%
North America	30.9	29.0	6.6%	30.4	1.5%	120.5	115.8	4.1%
European Union	42.1	42.0	0.1%	41.1	2.4%	168.1	168.5	(0.3)%
Middle East	9.2	8.3	10.9%	8.9	4.1%	36.1	32.0	12.6%
Others	40.4	41.8	(3.5)%	41.0	(1.4)%	198.8	193.2	2.9%
Total	452.3	429.7	5.3%	458.0	(1.3)%	1,789.6	1,712.5	4.6%

M-o-M Growth (%)



Q4 CY2018 Regional Production



- According to World Steel Association (WSA), Global crude steel production reached 1.81 billion tonnes for the year 2018, up by 4.6% compared to 2017
- Crude steel production increased in all regions in 2018 except in the EU. The EU produced 168.1 Mt of crude steel in 2018, a decrease of 0.3% compared to 2017. However, EU steel demand is expected to improve, though at a modest pace, mainly driven by domestic demand
- Asia produced 1,271.1 Mt of crude steel in 2018, an increase of 5.6% compared to 2017. China's crude steel production in 2018 reached 928.3 Mt, up by 6.6% on 2017. China's share of global crude steel production increased from 50.3% in 2017 to 51.3% in 2018
- India's crude steel production for 2018 was 106.5 Mt, up by 4.9% on 2017, thus replacing Japan as the world's second largest steel producing country. Japan produced 104.3 Mt in 2018, down 0.3% compared to 2017
- India's per capita consumption of steel stands well below the global average, indicating huge unrealized potential for growth. The ongoing push for infrastructure development and favorable demographics are steadily improving the macroeconomic fundamentals for the Indian steel industry
- Crude steel production in North America was 120.5 Mt in 2018, 4.1% higher than in 2017. The US produced 86.7 Mt of crude steel, up by 6.2% on 2017, largely due to inward looking industrial policies and tariffs imposed on imports by the Government
- The Middle East produced 38.5 Mt of crude steel in 2018, an increase of 11.7% on 2017
- In quarter ending December 2018, Steel production remained muted as compared to the previous quarter due to strained macroeconomic conditions across the globe, including trade policies, tightening of credit market and slowdown in GDP growth. The pace of overall industrial growth has slowed down, however steel industry is expected to grow by 1.4% in 2019 (as per WSA) with Indian steel outlook still remaining positive

- In CY 2018, steel exports from China fell by 8.1% to 69.3 million tonnes, the lowest since 2013 as per General Administration of Customs data. This has resulted in an increased steel production in the other EAF steel producing nations
- In 2019, China's steel industry is expected to shift its focus to optimizing capacity structure, thereby reducing overall capacity. There is a reform push to pursue high quality development rather than fast speed development
- Since 2016 China has eliminated about 300 million tonnes of outdated and low grade steel production capacity but around 908 million tonnes still remain. However, the closure of inefficient induction furnaces and highly polluting blast furnaces in China are being replaced by environment friendly electric arc furnaces (EAF's) which is supported by increased availability of scrap
- In China, the share of steel manufacturing capacity using EAF has already risen to 9% in 2017 from 6% earlier. The Chinese government has set a target of achieving 20% steel production through the EAF route by 2020
- India removed antidumping duties on graphite electrodes imported from China in September 2018 which has increased imports. Steel prices also continue to remain under pressure in the near term. These factors have resulted in a correction in electrode prices
- Outlook still remains positive in the medium term with some moderation from the peak levels
- The needle coke industry is highly concentrated and petroleum needle coke demand is increasing due to its use in lithium-ion batteries used in electric vehicles. Hence, availability of needle coke at a reasonable price shall determine the effective utilization of any meaningful addition to electrode capacity across the industry

Consolidated Financial Performance



Graphite India Limited

(Rs. Crore)	Q3		y-o-y Growth (%)	Q2 FY2019	q-o-q Growth (%)	Nine Months		y-o-y Growth (%)	Comments
	FY2019	FY2018				FY2019	FY2018		
Net Sales (Excluding Other Income)	1,855	1,025	81%	2,345	(21%)	6,165	1,943	217%	Price realizations have remained flat while volumes declined from last quarter
Operating Profit (EBITDA) ¹	1,149	554	107%	1,684	(32%)	4,299	777	453%	Increase in needle coke costs have impacted the margins
Margin (%) ²	62%	54%		72%		70%	40%		
Interest	3	3		3		8	6	38%	
Depreciation	13	13		13		39	39		
Profit Before Tax	1,133	538	110%	1,668	(32%)	4,252	732	481%	
Net Profit	764	359	113%	1,113	(31%)	2,834	492	476%	
Margin (%)	41%	35%		47%		46%	25%		
Earnings Per Share	39.11	18.36	113%	56.87	(31%)	145.06	25.18	476%	

Notes:

1. Operating Profit includes Other Income
2. All margins calculated as a percentage of Net Sales (excluding Other Income)
3. 9M FY2018 Net Sales adjusted for net excise

Standalone Financial Performance



Graphite India Limited

(Rs. Crore)	Q3		y-o-y	Q2	q-o-q	Nine Months		y-o-y	Comments
	FY2019	FY2018	Growth (%)		Growth (%)	FY2019	FY2018	Growth (%)	
Net Sales (Excluding Other Income)	1,562	933	67%	2,008	(22%)	5,347	1,746	206%	Price realizations have remained flat while volumes declined from last quarter
Operating Profit (EBITDA) ¹	932	530	76%	1,409	(34%)	3,669	735	399%	Increase in needle coke costs have impacted the margins
Margin (%) ²	60%	57%		70%		69%	42%		
Interest	3	2	50%	3	-	7	4	75%	
Depreciation	11	11		12		34	35		
Profit Before Tax	918	517	78%	1,394	(34%)	3,628	696	421%	
Net Profit	609	341	79%	912	(33%)	2,378	459	418%	
Margin (%)	39%	37%		45%		44%	26%		
Earnings Per Share	31.17	17.43	79%	46.59	(33%)	121.76	23.54	418%	

Notes:

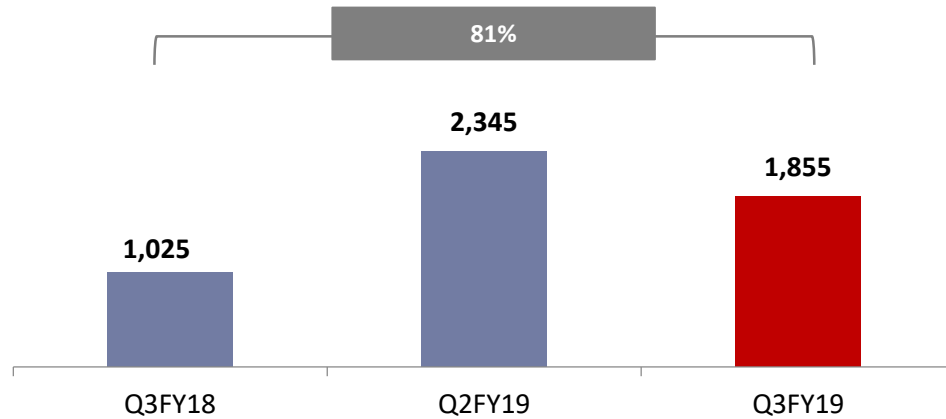
1. Operating Profit includes Other Income
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3. 9M FY2018 Net Sales adjusted for net excise

Financial Performance Trends

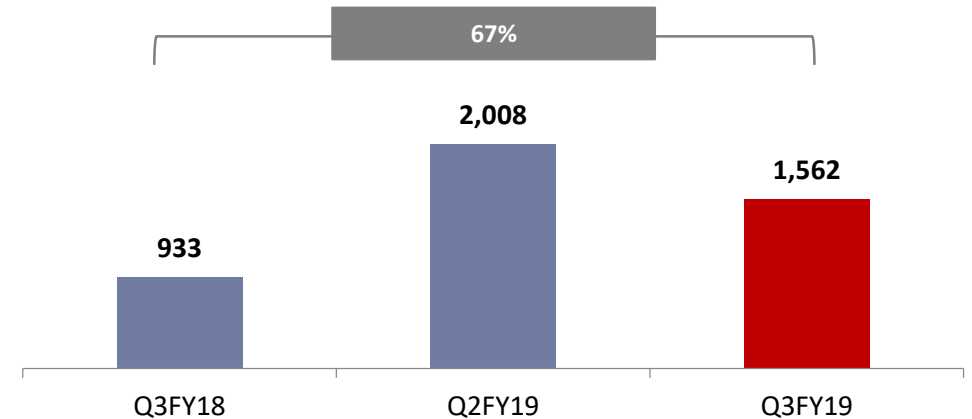


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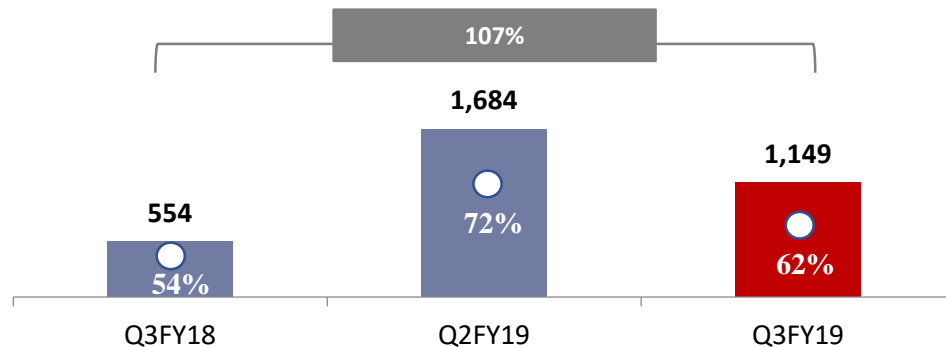
Consolidated Gross Sales



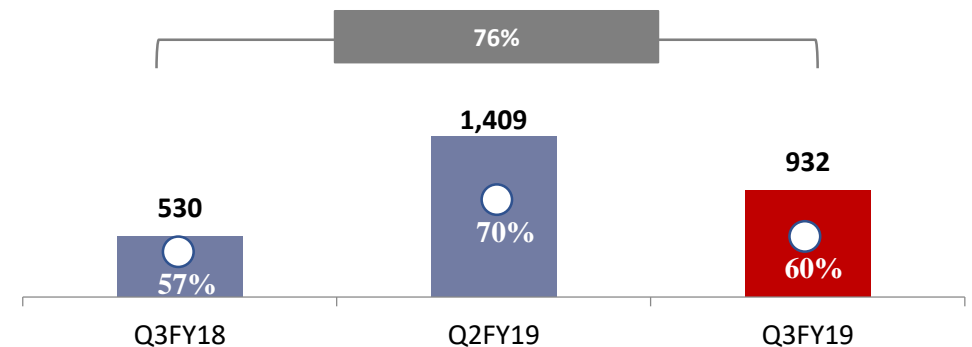
Standalone Gross Sales



Consolidated Operating Profit



Standalone Operating Profit

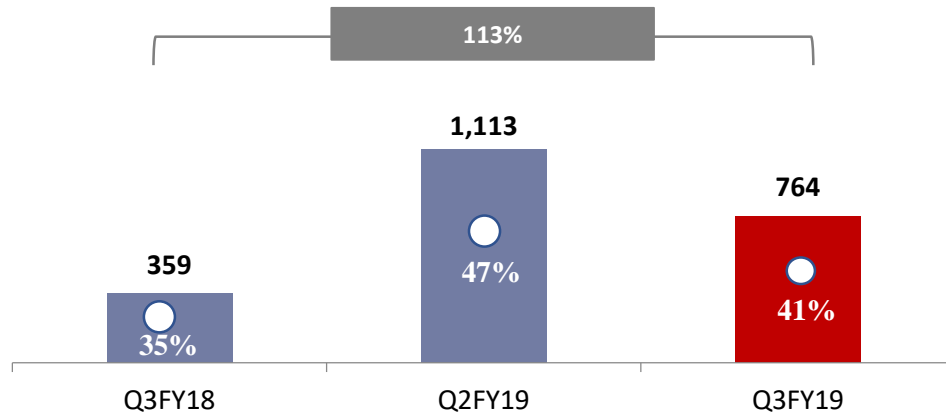


Financial Performance Trends

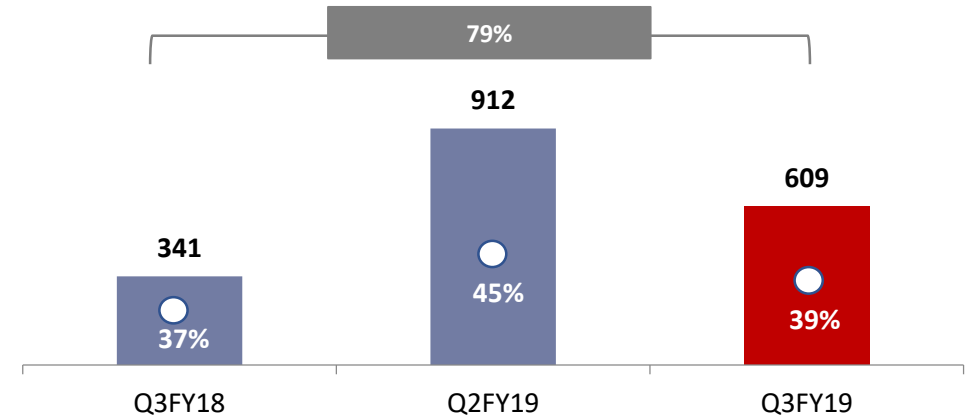


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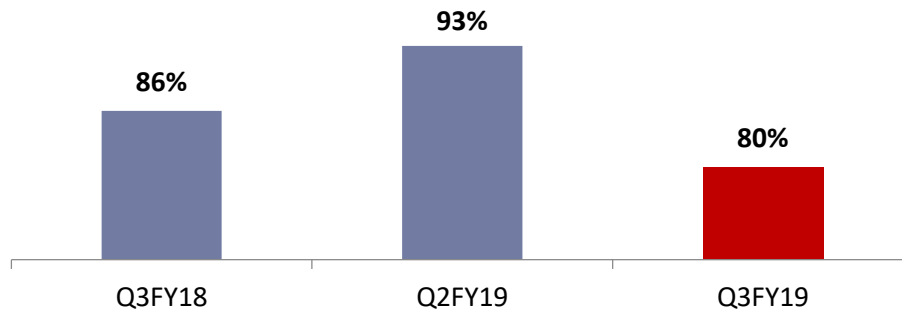
Consolidated Net Profit



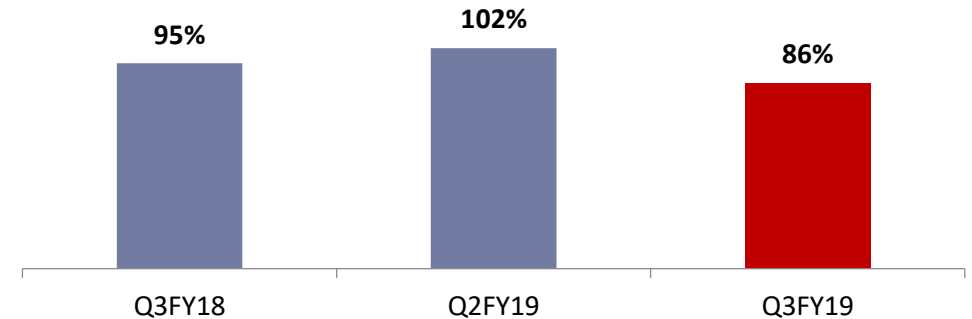
Standalone Net Profit



Consolidated Capacity Utilization



Standalone Capacity Utilization



Leverage Profile



Graphite India Limited

Significant financial flexibility available for future organic / inorganic growth

Consolidated Leverage Profile

(Rs. Crore)	Dec - 18	Sept - 18	June-18	Mar-18	Dec-17
Total Debt	(279)	(265)	(218)	(272)	(356)
Cash & Cash Equivalents ¹	2,832	2,298	1,741	1,263	1,055
Net Cash	2,553	2,033	1,523	991	699

Standalone Leverage Profile

(Rs. Crore)	Dec - 18	Sept - 18	June-18	Mar-18	Dec-17
Total Debt	(279)	(216)	(169)	(155)	(213)
Cash & Cash Equivalents ¹	2,342	2,158	1,671	1,197	998
Net Cash	2,063	1,942	1,502	1,042	785

Notes:

1. Cash and cash equivalents include Mutual Fund investments

* All numbers in Crores unless specifically mentioned

Segment Performance



Graphite India Limited

Consolidated Segment Performance

(Rs. Crore)	Q3		y-o-y	Q2	
	FY2019	FY2018	Growth (%)	FY2019	q-o-q Growth (%)
Graphite and Carbon	1,813	982	85%	2,302	(21)%
Others	42	43	(2)%	43	(2)%
Less: Inter Segment Sales	*	*		*	
Segment Revenue	1,855	1,025	81%	2,345	(21)%
Graphite and Carbon	1,085	538	102%	1,642	(34)%
Others	(2)	4	(150)%	7	(127)%
Profit before tax and interest	1,083	542	100%	1,649	(34)%
Finance Cost	3	3		3	
Unallocated Income / (expense)	51	(1)	-	22	132%
Profit Before Tax	1,133	538	110%	1,668	(32)%

Standalone Segment Performance

(Rs. Crore)	Q3		y-o-y	Q2	
	FY2019	FY2018	Growth (%)	FY2019	q-o-q Growth (%)
Graphite and Carbon	1,524	890	71%	1,967	(23)%
Others	38	43	(12)%	41	(7)%
Less: Inter Segment Sales	*	*		*	
Segment Revenue	1,562	933	67%	2,008	(22)%
Graphite and Carbon	872	515	69%	1,371	(36)%
Others	(4)	5	(180)%	4	(200)%
Profit before tax and interest	868	520	67%	1,375	(37)%
Finance Cost	3	2	50%	3	0%
Unallocated Income / (expense)	53	(1)	-	22	141%
Profit Before Tax	918	517	78%	1,394	(34)%

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

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 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 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 significant barrier for the entry of new players.



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