



GRAPHITE INDIA LIMITED

REGD. & H.O. : 31, CHOWRINGHEE ROAD, KOLKATA - 700 016, W.B., INDIA
PHONE : 91 33 4002 9600, 2226 5755 / 4942 / 4943 / 5547 / 2334, 2217 1145 / 1146
FAX : 91 33 2249 6420, E-mail : gilro@graphiteindia.com
WEBSITE : www.graphiteindia.com, CIN : L10101WB1974PLC094602

GIL:SEC/SM/20-21/

November 13, 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 : Earnings Presentation – Results for quarter/half year ended 30th September, 2020

Dear Sir,

Earnings Presentation in connection with the Company's un-audited financial results for the quarter/half year ended 30th September, 2020 is enclosed for your information and records.

Thanking you,

Yours faithfully,

For Graphite India Limited

S. Marda
Asst. Company Secretary

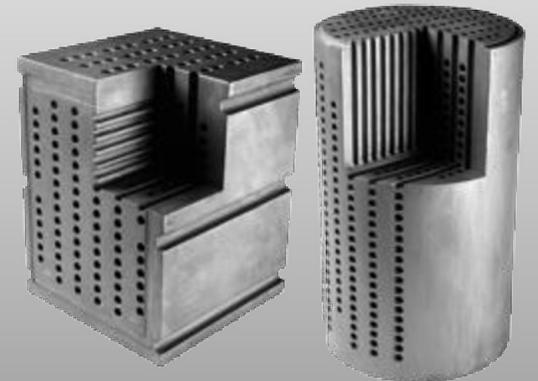
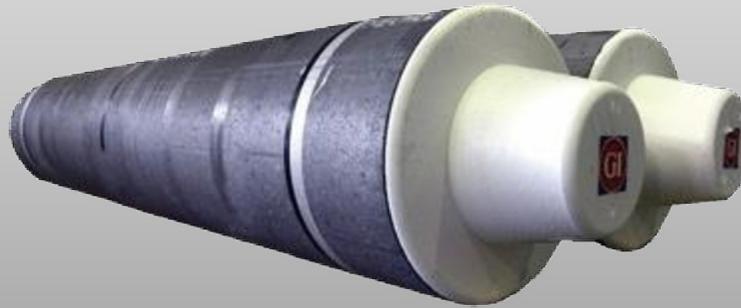
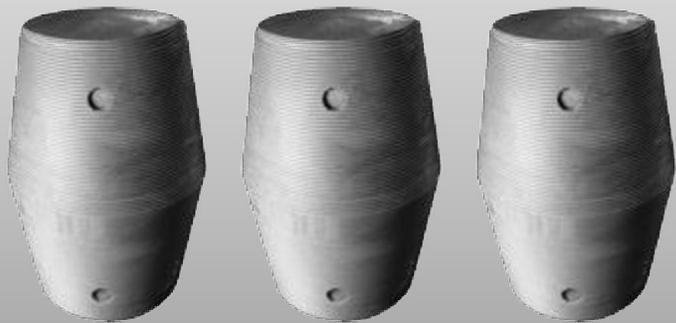
Encl : As above.



Graphite India Limited

NSE: GRAPHITE, BSE: 509488

Q2 FY2021 Earnings Presentation November 13th, 2020



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Q2 FY2021 Financial Performance

Q2 FY2021 Profit and Loss (Consolidated)

- Net Sales of Rs. 485 Crores, an increase of 19% q-o-q
- EBITDA Loss of Rs. 28 Crores
- Net Loss of Rs. 41 Crores
- EPS of Rs. (2.09) per share

Q2 FY2021 Profit and Loss (Standalone)

- Net Sales of Rs. 473 Crores, an increase of 35% q-o-q
- EBITDA of Rs. 12 Crores
- Net Profit of Rs. 5 Crores
- EPS of Rs. 0.26 per share

Balance Sheet (Consolidated)

- Gross Debt of Rs. 318 Crores
- Cash (Net of Gross Debt) of Rs. 2,404 Crores

Balance Sheet (Standalone)

- Gross Debt of Rs. 318 Crores
- Cash (Net of Gross Debt) of Rs. 1,911 Crores



K K Bangur
Chairman

“The second quarter of the fiscal year started on a positive note with partial relaxation in lockdowns and gradual resumption of business activity. We started operations at all our factories from May onwards and ramped up production in a phased manner. During the quarter, Graphite India registered consolidated Net Sales of Rs. 485 Cr, an increase of 19% on q-o-q basis. EBITDA Loss of Rs. 28 Cr and Net Loss of Rs. 41 Cr. Whereas on a standalone basis, the company delivered Net Sales of Rs. 473 Cr, EBITDA of Rs. 12 Cr and Net Profit of 5 Cr. The consolidated capacity utilization was 60% as compared to 36% in the previous quarter. The performance was encouraged by improvement in business activity which was offset by lower realizations as pricing continues to remain under pressure. Our balance sheet remains robust with a consolidated Net Cash balance of Rs. 2,404 Cr at the end of September 2020.

During the quarter, the global economies showed an improvement in key macro indicators and business sentiments after experiencing a major decline in economic activity in the first half of the year. As per the World Steel Association (WSA), most countries have registered an increase in steel production on a q-o-q basis however, the recovery was uneven across the countries depending upon the severity of the pandemic. The steel consuming sectors and industries continues to operate at a lower level as infrastructural development remained subdued. The developing countries are still struggling to contain the outbreak and developed countries are experiencing second wave of the pandemic, as a result outlook remain uncertain.

Domestic steel industry registered a strong rebound in the quarter with steel production increasing by 73% on q-o-q basis to 27.1 Mt driven by improvement in industrial activity and higher exports. Our volume growth during the quarter was also driven by demand from domestic steel players however realization remained under pressure.

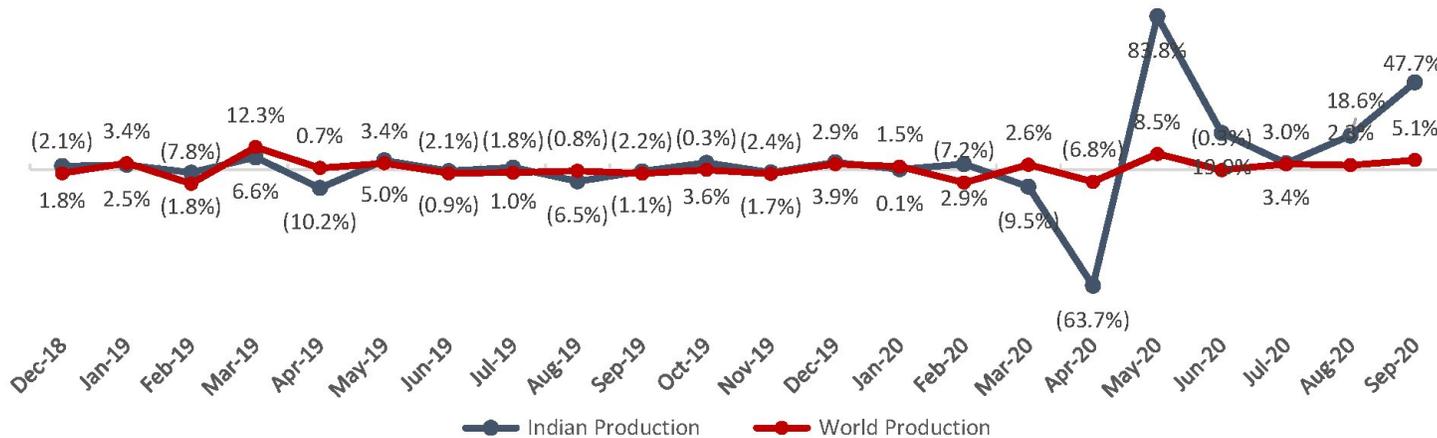
We remain cautiously hopeful that the down cycle of the electrode industry is bottoming out and with the uptick in overall economic activity, we can expect a growth in the medium term. In the current market conditions, Graphite India continues to focus on operational excellence and prudent capital management to emerge stronger.

Steel Industry Overview

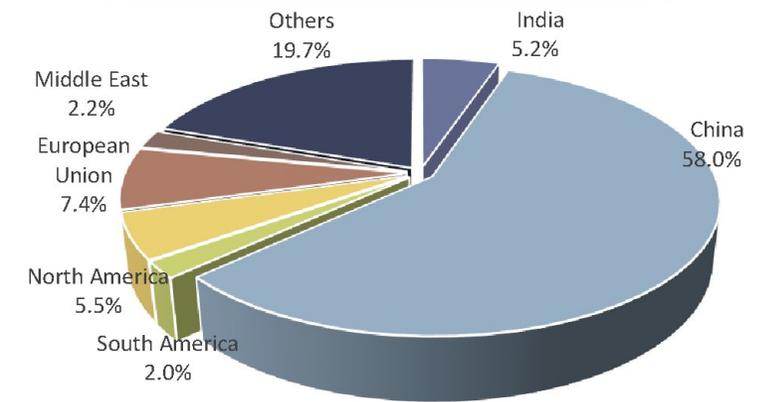


Crude Steel Production (million MT)	Three Months Ended					Nine Months Ended		
	Sep-20	Sep-19	Y-o-Y (%)	June-20	Q-o-Q (%)	Sep-20	Sep-19	Y-o-Y (%)
Asia	359.7	337.9	6.4%	326.8	10.0%	1,001.7	999.5	0.2%
India	27.1	27.1	(0.2)%	15.6	73.3%	70.2	84.1	(16.5)%
China	282.6	256.2	10.3%	264.6	6.8%	781.6	748.1	4.5%
Others	50.0	54.6	(8.4)%	46.7	7.2%	149.9	167.3	(10.4)%
South America	9.8	9.9	(0.6)%	7.5	30.5%	27.3	31.7	(13.9)%
North America	23.9	29.7	(19.6)%	20.7	15.6%	74.0	90.6	(18.2)%
European Union	31.1	37.1	(16.2)%	30.0	3.7%	99.4	121.0	(17.9)%
Middle East	9.6	10.1	(5.1)%	9.4	1.2%	29.3	29.8	(1.9)%
Others	40.3	39.2	2.9%	35.7	13.0%	115.8	119.6	(3.2)%
Total	474.3	463.8	2.3%	430.1	10.3%	1,347.4	1,392.3	(3.2)%

M-o-M Growth (%)



9M CY2020 Regional Production



- Covid-19 pandemic has significantly impacted the steel industry with the extended lockdown around the world in first half of CY2020 however, gradual recovery in steel production was visible in Q3 CY2020
- World crude steel production was 474 Mt in Q3 CY2020, an increase of 2.3% y-o-y and 10.3% on q-o-q basis
- The EU produced 31.1 Mt of crude steel in Q3 CY2020, a decline of 16.2% y-o-y and an increase of 3.7% on q-o-q basis
- Asia produced 360 Mt of crude steel in Q3 CY2020, an increase of 6.4% y-o-y. China crude steel production for Q3 CY2020 was 283 Mt, representing a growth of 10.3% y-o-y and 6.8% on q-o-q basis
- India's crude steel production for Q3 CY2020 was 27.1 Mt, a marginal decline of 0.2% y-o-y and robust growth of 73.3% on q-o-q basis
- Japan produced 18.9 Mt in Q3 CY2020, decline of 22.6% y-o-y and an increase of 6.4% on q-o-q basis
- Crude steel production in North America was 23.9 Mt, a decline of 19.6% y-o-y and an increase of 15.6% on q-o-q basis
- The Middle East produced 9.6 Mt of crude steel in Q3 CY2020, a decline of 5.1% y-o-y and an increase of 1.2% on q-o-q basis

Steel Industry Outlook

- As per World Steel Association (WSA), global steel demand is expected to decline by 2.4%, to 1,725.1 Mt due to the Covid-19 pandemic. In 2021 steel demand is expected to recover to 1,795.1 Mt, an increase of 4.1 % over 2020
- In Q3 CY2020, recovery in steel demand in the rest of the world was stronger than expected however second wave of the crisis still pose a major concern on the steel demand and outlook

- 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
- As per S&P Platts estimates, Chinese EAF steelmaking capacity will reach 197 million mt by end 2021 constituting 15% of the total China's crude steel capacity, up from 175 million mt i.e. 14% of total capacity at the end 2019
- 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
- Due to COVID-19 crisis, destocking of electrode inventory at customer end which was delayed has now resumed
- Needle coke prices have softened however not yet fully realigned with the electrode prices

Consolidated Financial Performance



Graphite India Limited

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1 FY2021	q-o-q Growth (%)	Six Months Ended		y-o-y Growth (%)	Comments
	FY2021 ¹	FY2020				FY2021	FY2020		
Net Sales (Excluding Other Income)	485	882	(45%)	409	19%	894	1,849	(52%)	<i>Lower volumes and realization has impacted the sales and margins on a year on year basis</i>
Other Income	50	51	(2%)	68	(26%)	118	108	9%	
Total Income	535	933	(43%)	477	12%	1,012	1,957	(48%)	
Operating Profit/ (Loss) – EBITDA ² Margin (%) ³	(28) (6)%	191 22%	(115%)	(63) (15)%	56%	(91) (10.2)%	543 29.4%	(117%)	<i>Q-o-Q improvement is driven by higher volumes however realization remain subdued</i>
Interest	2	5	(60%)	2	-	4	10	(60%)	
Depreciation	13	13	-	13	-	26	26	-	
Profit / (Loss) Before Tax (before Exceptional items and Associates)	(43)	173	(125%)	(78)	45%	(121)	507	(124%)	
Share of Profit/(Loss) of an Associate	(2)	(1)	-	(2)	-	(4)	(2)	-	
Profit / (Loss) Before Tax	(45)	172	(126%)	(80)	44%	(125)	505	(125%)	
Net Profit / (Loss) Margin (%)	(41) (8)%	185 21%	(122%)	(78) (19)%	47%	(119) (13)%	405 22%	(129%)	
Earnings Per Share (Rs)	(2.09)	9.51	(122%)	(4.04)	48%	(6.12)	20.75	(130%)	

Notes:

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

Standalone Financial Performance



(Rs. Crore)	Q2		y-o-y Growth (%)	Q1 FY2021	q-o-q Growth (%)	Six Months Ended		y-o-y Growth (%)	Comments
	FY2021 ¹	FY2020				FY2021	FY2020		
Net Sales (Excluding Other Income)	473	833	(43%)	350	35%	823	1,730	(52%)	<i>Lower volumes and realization has impacted the sales and margins on a year on year basis</i>
Other Income	47	43	9%	67	(30%)	114	97	18%	
Total Income	520	876	(41%)	417	25%	937	1,827	(49%)	
Operating Profit / (Loss) -EBITDA ² Margin (%) ³	12 2.5%	160 19%	(93%)	(5) (1)%	340%	7 0.9%	474 27%	(99%)	<i>Q-o-Q improvement is driven by higher volumes however realization remain subdued</i>
Interest	2	4	(50%)	2	-	4	9	(56%)	
Depreciation	11	11	-	11	-	22	22	-	
Profit / (Loss) Before Tax (before Exceptional items and Associates)	(1)	145	(101%)	(18)	94%	(19)	443	(104%)	
Profit / (Loss) Before Tax	(1)	145	(101%)	(18)	94%	(19)	443	(104%)	
Net Profit / (Loss) Margin (%)	5 1%	167 20%	(97%)	(13) (4)%	(138%)	(8) (1)%	362 21%	(102%)	
Earnings Per Share (Rs)	0.26	8.56	(97%)	(0.69)	(137%)	(0.43)	18.54	(102%)	

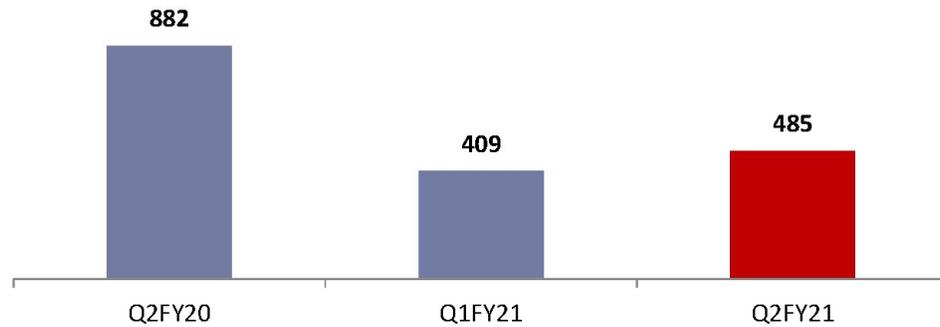
Notes:

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

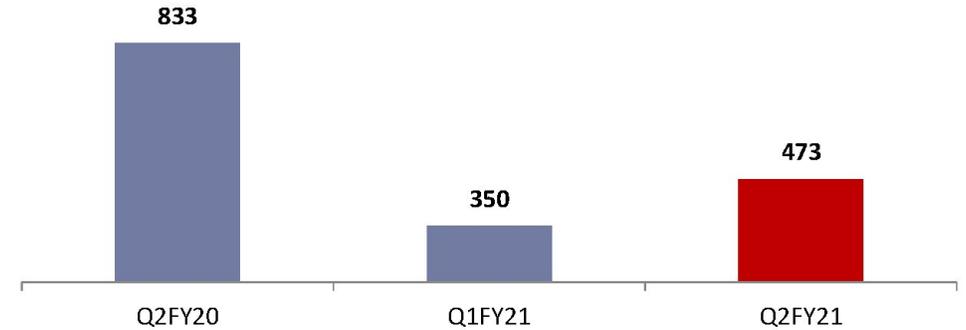
Quarter Performance Trends



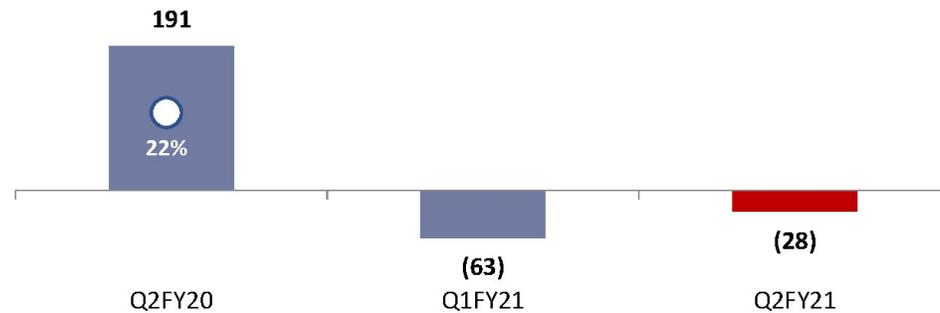
Consolidated Net Sales



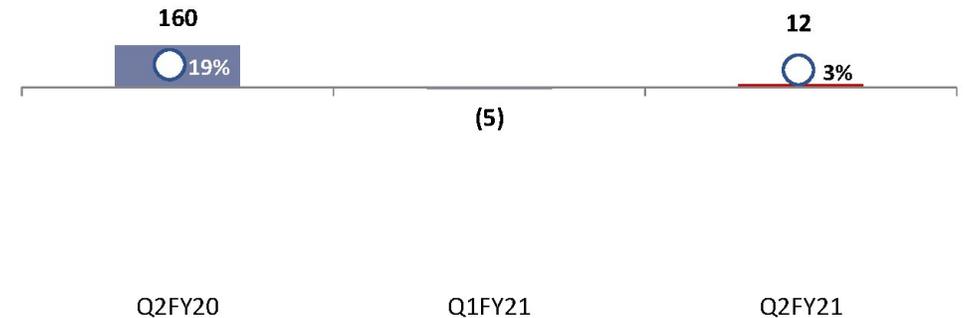
Standalone Net Sales



Consolidated Operating Profit / (Loss)



Standalone Operating Profit / (Loss)



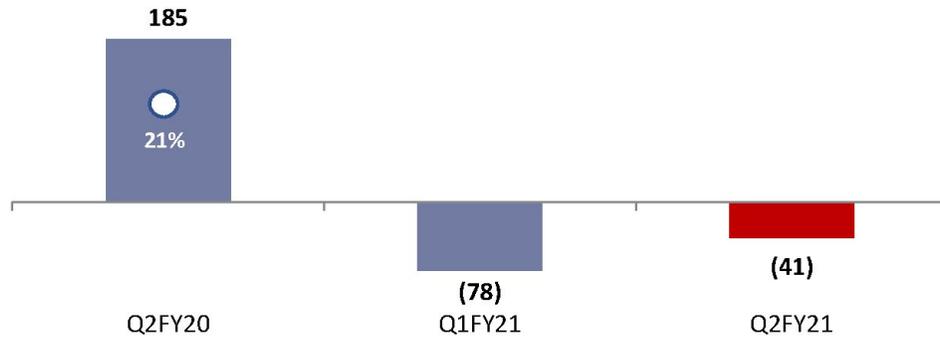
○ Margins%

* All numbers in Crores unless specifically mentioned

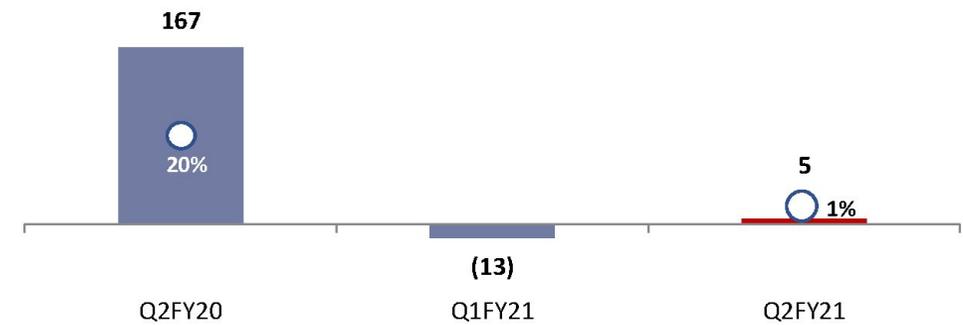
Quarter Performance Trends



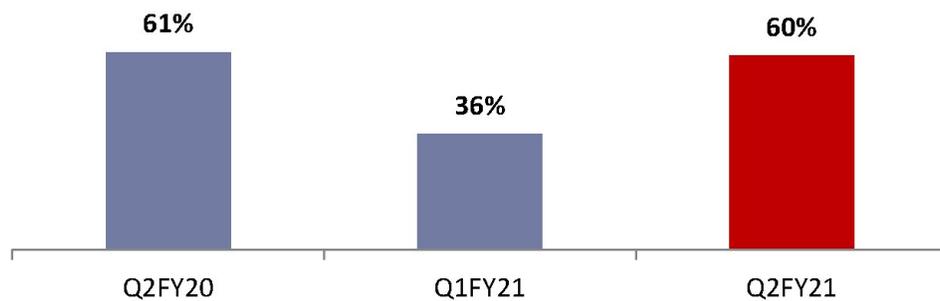
Consolidated Net Profit / (Loss)



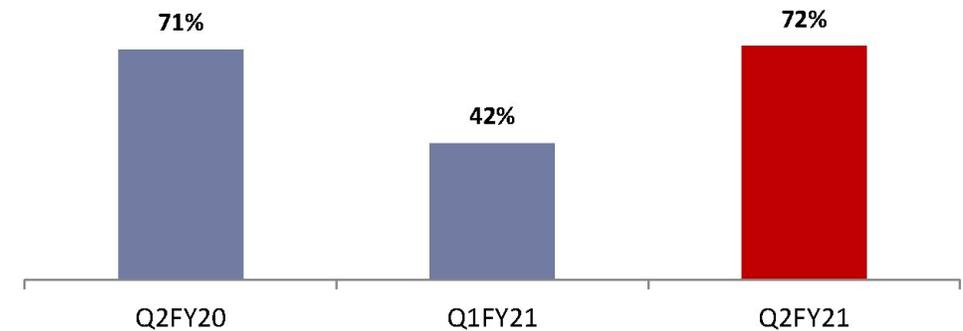
Standalone Net Profit / (Loss)



Consolidated Capacity Utilization



Standalone Capacity Utilization



Margins

* All numbers in Crores unless specifically mentioned

Significant financial flexibility available for future organic and inorganic growth

Consolidated Leverage Profile

(Rs. Crore)	Sep-20	June-20	Mar-20	Dec-19	Sep-19
Cash & Cash Equivalents ¹	2,722	2,598	2,424	2,523	2,327
Total Debt	(318)	(308)	(416)	(519)	(394)
Net Cash	2,404	2,290	2,008	2,004	1,934

Standalone Leverage Profile

(Rs. Crore)	Sep-20	June-20	Mar-20	Dec-19	Sep-19
Cash & Cash Equivalents ¹	2,229	2,094	1,935	2,031	1,821
Total Debt	(318)	(308)	(416)	(519)	(394)
Net Cash	1,911	1,787	1,519	1,512	1,427

Notes:

1. Cash and cash equivalents include investments

Quarterly Segment Performance



Graphite India Limited

Consolidated Segment Performance

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1	
	FY2021	FY2020		FY2021	q-o-q Growth (%)
Graphite and Carbon	454	860	(47)%	364	25%
Others	31	22	41%	45	(31)%
Less: Inter Segment Sales	*	*	-	*	-
Segment Revenue	485	882	(45)%	409	19%
Graphite and Carbon	(82)	155	-	(153)	46%
Others	8	(2)	-	25	(68)%
Profit / (Loss) before tax and interest	(74)	153	(148)%	(128)	42%
Finance Cost	(2)	(5)	(60)%	(2)	0%
Unallocated Income / (expense)	33	25	32%	52	(37)%
Profit / (Loss) Before Tax (Before Exceptional Items and Associates)	(43)	173	-	(78)	45%
Share of Profit/Loss of an Associate	(2)	(1)	-	(2)	-
Exceptional Items	0	0	-	0	-
Profit / (Loss) Before Tax	(45)	172	(126)%	(80)	44%

Standalone Segment Performance

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1	
	FY2021	FY2020		FY2021	q-o-q Growth (%)
Graphite and Carbon	446	811	(45)%	326	37%
Others	27	22	23%	24	13%
Less: Inter Segment Sales	*	*	-	*	-
Segment Revenue	473	833	(43)%	350	35%
Graphite and Carbon	(37)	125	-	(72)	49%
Others	5	(2)	-	3	67%
Profit / (Loss) before tax and interest	(32)	123	(126)%	(69)	54%
Finance Cost	(2)	(4)	(50)%	(2)	0%
Unallocated Income / (expense)	33	26	27%	53	(38)%
Profit / (Loss) Before Tax (Before Exceptional Items)	(1)	145	(101)%	(18)	94%
Exceptional Items	0	0	-	0	-
Profit / (Loss) Before Tax	(1)	145	(101)%	(18)	94%

* 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 18 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.



Disclaimer

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’s 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, macroeconomic, 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.

Graphite India Limited

(CIN: L10101WB1974PLC094602)

31 Chowringhee Road, Kolkata 700 016

Phone: +91 33 4002 9600

Fax: +91 33 4002 9676

www.graphiteindia.com

M.K. Chhajer

Graphite India Limited

+91 33 40029622

mkchhajer@graphiteindia.com

Ravi Gothwal

+91 22 6169 5988

Churchgate Partners

graphite@churchgatepartners.com