



Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q3 FY2014 Earnings Presentation

February 3, 2014



Important Notice

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’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, 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.



Financial Performance

Standalone Performance: Q3 FY2014 vs. Q3 FY2013

- Gross Sales of Rs. 448.6 Crore
- Operating Profit of Rs. 78.8 Crore, an increase of 12.6%
- Operating margins expanded by 183 bps to 18.1%
- Net Profit of Rs. 42.2 Crore, an increase of 22.2%
- Net Debt / Equity improved from 0.12x (Sept 2013) to 0.07x (Dec 2013)
- Net Debt reduction of Rs. 89 Crore during the quarter

Commenting on the results and performance, **Mr. K. K. Bangur, Chairman of Graphite India** said:

“Despite the ongoing pressures in global electrode demand, our management team has successfully responded with operating initiatives to increase profitability. In particular, production schedules have been proactively managed across facilities to ensure that operating costs continue to be minimized. This has resulted in a strong financial performance, which is particularly pleasing in context of subdued top line growth.

However, the outlook for the coming quarters shows little signs of improvement. As with the global steel producers, the electrode industry has to currently operate with excess capacity and corresponding low utilization levels.

The strength of Company’s capital structure demonstrates the equity value that has been created for shareholders over the years. This financial position provides us with the flexibility to continue to compete successfully in a competitive industry and at a truly global level.”

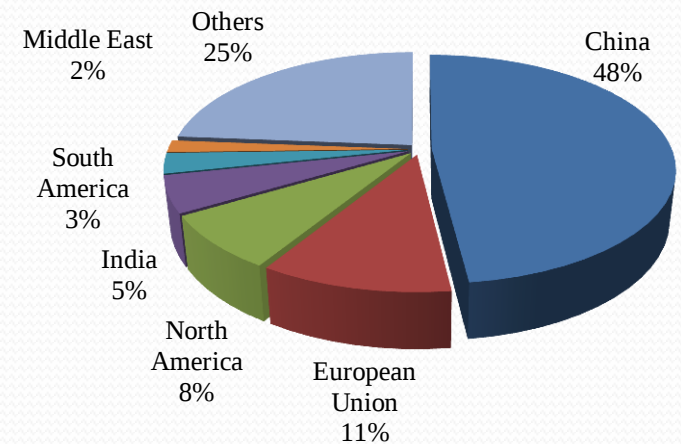


Economic Environment

Steel Industry Highlights

- World crude steel production reached 1,607 mn MT in CY2013, up by 3.5% compared to the last year
- Global steel demand continues to grow although at a slower pace. Major steel producers are continuing to operate at relatively low utilization levels, resulting in a higher level of fixed cost amortization. Overall capacity expansion has slowed globally although the emerging economies continue to expand moderately. This is reflected in the current capacity utilization ratio which has reduced to 75.8% in Q4 CY2013 from the recent peak of 84.5% in April 2010
- Indian steel producers are increasingly focused on cost competitiveness and operational efficiencies to maintain their margins. Although steel consuming sectors such as construction, auto and capital goods continue to underperform. Steel production increased to 81 mn MT in 2013, an increase of 5.1% on 2012
- The Chinese steel industry, which clearly leads global steel production, remains fragmented with high cyclicality and intense competition. Crude steel production in the Middle East reached 26 mn MT in 2013, an increase of 6.9% on 2012
- The global average steel capacity utilization increased slightly from 75.3% in Q4 CY2012 to 75.8% in Q4 CY2013. However, it decreased sequentially from 77.2% in Q3 CY2013

Regional Production: Q4 CY2013



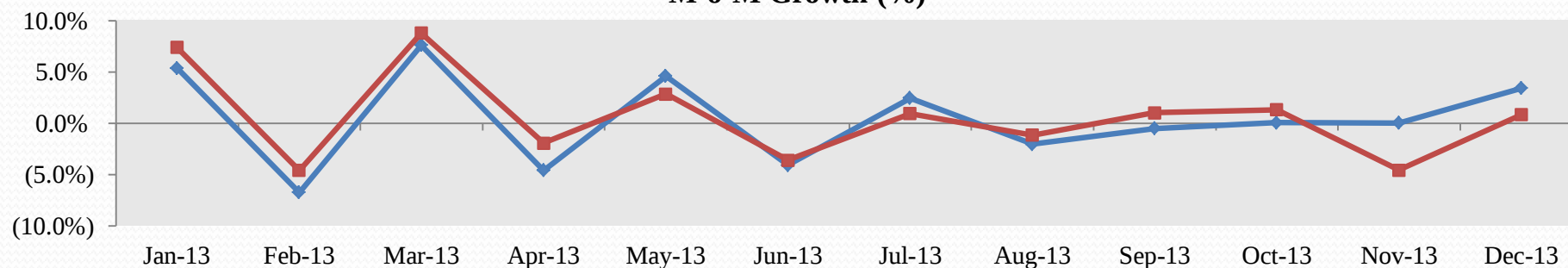
Source: Worldsteel and industry research



Steel Industry Highlights

Crude Steel Production (million MT)	Three Months Ended					Twelve Months Ended		
	Dec-13	Dec-12	Y-o-Y Change (%)	Sep-13	Q-o-Q Change (%)	Dec-13	Dec-12	Y-o-Y Change (%)
Asia	260	242	7.4%	266	(2.5%)	1,059	999	6.0%
India	20.3	19.5	3.9%	20.2	0.2%	81	77	5.1%
China	188	174	8.1%	197	(4.5%)	779	725	7.5%
South America	11	12	(2.7%)	12	(5.3%)	46	46	(0.8%)
North America	30	29	2.4%	30	(1.5%)	119	122	(1.9%)
European Union	42	40	6.0%	40	5.5%	166	169	(1.8%)
Middle East	7	5	35.1%	7	1.6%	26	24	6.9%
Others	42	42	0.0%	41	1.6%	191	193	(1.0%)
Total	392	369	6.1%	396	(1.2%)	1,607	1,553	3.5%

M-o-M Growth (%)



Source: Worldsteel

— India Production — World Production



Financial Performance

Standalone Performance

(Rs. Crore)	Q3		y-o-y	Q2		q-o-q	Nine Months Ended		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	FY2013	Growth (%)	FY2014	FY2013	Growth (%)
Gross Sales	448.6	436.2	2.9%	448.9		(0.0)%	1,310.3	1,272.2	3.0%
Net Sales (incl Other Operating Income)	434.5	429.1	1.2%	440.9		(1.5)%	1,279.1	1,253.7	2.0%
Operating Profit	78.8	69.9	12.6%	87.1		(9.6)%	240.4	233.7	2.9%
Margin (%)	18.1%	16.3%		19.8%			18.8%	18.6%	
Net Profit	42.2	34.5	22.2%	44.5		(5.3)%	126.0	121.5	3.7%
Margin (%)	9.7%	8.0%		10.1%			9.8%	9.7%	
Basic EPS (Rs)	2.16	1.77	22.2%	2.28		(5.3)%	6.45	6.22	3.7%

Notes:

1. Gross Sales includes excise duty
2. Operating Profit defined as earnings before depreciation, interest, exceptional items and taxes; includes Other Income
3. All margins calculated as a percentage of Net Sales (including Other Operating Income)



Financial Performance

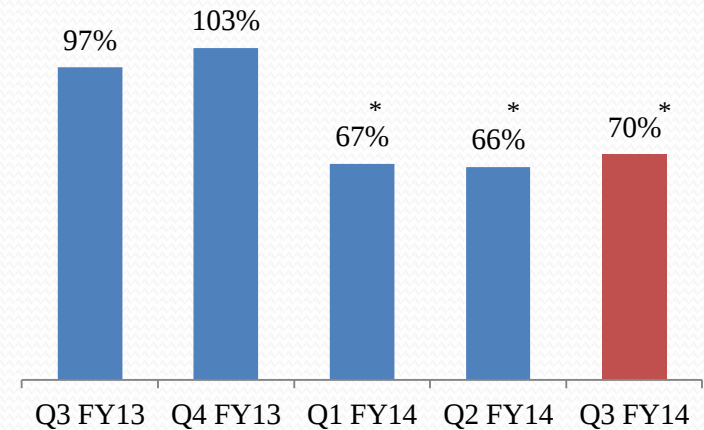
Standalone Performance Discussion and Analysis

- **Revenue:** Q3 FY2014 Gross Sales increased by 2.9% y-o-y. During the current quarter, domestic sales delivered strong volume growth y-o-y while export volumes were effectively flat. Export realizations benefited to some extent on account of the depreciation of the Rupee. Electrode prices continue to experience moderation due to subdued demand
- **Operating Profit:** Q3 FY2014 Operating Profit increased by 12.6% y-o-y and margins expanded by 183 bps to 18.1%. This was driven by cost optimization initiatives through efficient production schedules across facilities and the reduction in average cost of needle coke consumption

Power & Fuel expenses decreased from Rs. 81.5 Crore in Q3 FY2013 to Rs. 59.2 Crore in Q3 FY2014 as a result of a normalized level of inventories during this quarter. Other Income increased from Rs. 3.3 Crore in Q3 FY2013 to Rs. 10.3 Crore in Q3 FY2014. Electrode production volumes decreased by (4.0)% y-o-y

- **Net Profit:** Q3 FY2014 Net Profit increased by 22.2% as compared to same period last year and margins expanded by 166 bps to 9.7%. Profitability benefited from better operating margins and lower finance costs. Interest expense decreased from Rs. 5.2 Crore in Q3 FY2013 to Rs. 3.8 Crore in Q3 FY2014. This is primarily a result of a decrease in working capital requirements and specifically better inventory management. Interest coverage improved from 10.1x in Q3 FY2013 to 15.5x in Q3 FY2014
- **Operations:** Average capacity utilization of YTD FY2014 is approximately 68%. Expansion of 20,000 MT capacity at Durgapur plant has been effective from Q1 FY2014 and capacities have been calculated accordingly

GIL Capacity Utilization (standalone)



* Based on expanded capacity at Durgapur



Segment Performance

Standalone Performance

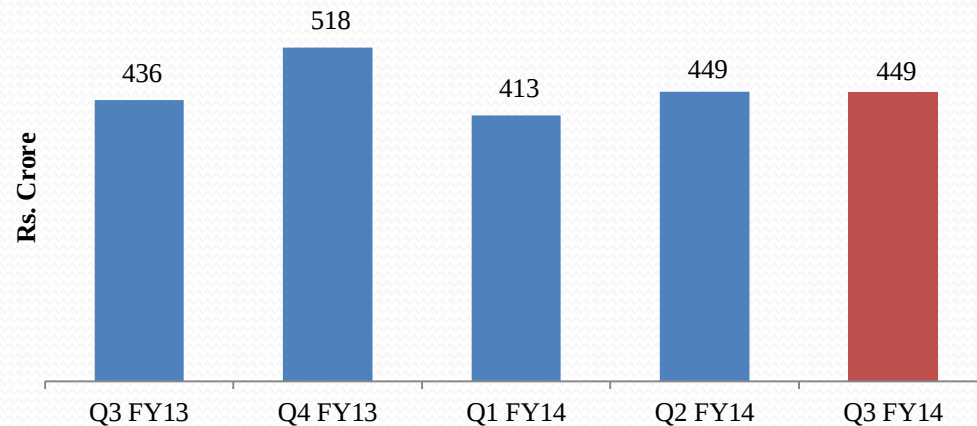
(Rs. Crore)	Q3		y-o-y	Q2		q-o-q	Nine Months Ended		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	FY2013	Growth (%)	FY2014	FY2013	Growth (%)
Segment Revenue	434.5	429.1	1.2%	440.9	439.4	(1.5)%	1,279.1	1,253.7	2.0%
Graphite and Carbon	414.6	396.0	4.7%	411.1	410.2	0.9%	1,197.3	1,166.3	2.7%
Steel	14.9	24.5	(39.2)%	18.2	22.1	(18.3)%	52.1	57.1	(8.7)%
Unallocated	5.0	8.8	(42.7)%	11.8	7.1	(57.4)%	29.9	30.7	(2.6)%
Less: Inter Segment Sales	(0.0)	(0.2)		(0.2)	(0.4)		(0.2)	(0.4)	

Segment Results	62.1	70.9	(12.5)%	87.3	116.2	(28.9)%	230.0	217.7	5.7%
Profit before tax and interest									
Graphite and Carbon	62.6	70.0	(10.5)%	87.4	115.7	(28.3)%	227.7	216.9	5.0%
Steel	(0.2)	1.4	nm	0.6	2.1	nm	4.0	1.2	nm
Unallocated	(0.4)	(0.5)	(26.5)%	(0.6)	(1.4)	(41.0)%	(1.8)	(0.4)	nm



Quarterly Financial Trends – Standalone

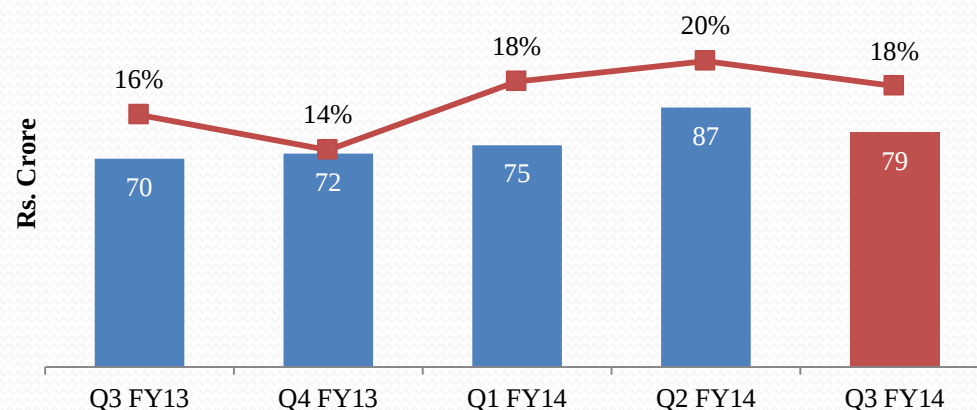
Gross Sales



Historical Trends

- Higher electrode sales volumes offset by lower price realizations in Q3 FY2014
- Higher electrode sales volume and better price realizations in rupee terms in Q2 FY2014
- Lower sales volumes have impacted Q1 FY2014 Gross sales
- Increase in Q4 FY2013 sales due to higher volumes
- Q3 FY2013 Gross Sales were higher due to relatively better performance of steel and other divisions

Operating Profit and Margins

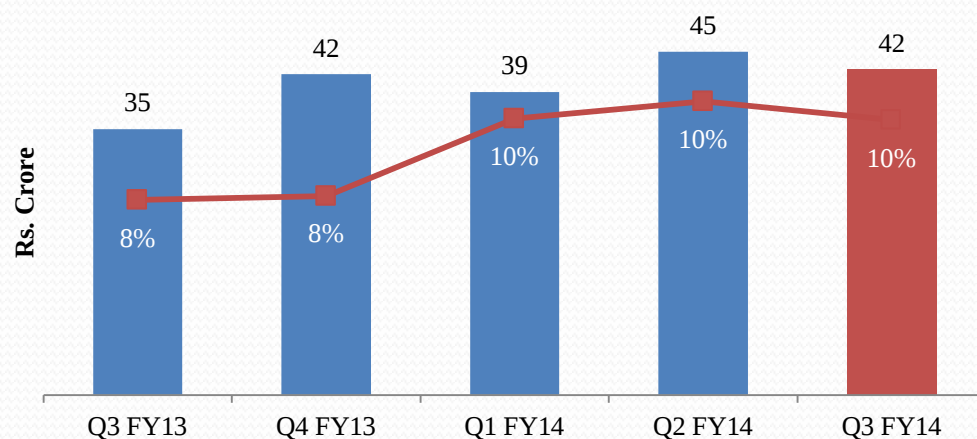


- Q3 FY2014 margins impacted due to lower realizations and an increase in other operating expenses
- Q2 FY2014 operating margins expanded by 131 bps due to better power generation at hydel plant coupled with favorable forex movement during the quarter
- Better operating efficiencies from expanded capacity at Durgapur coupled with improved export realizations due to Rupee depreciation benefitted Q1 FY2014 margins
- Margins in Q4 FY2013 were impacted due to increase in input cost
- Lower operating margins in Q3 FY2013 were due to higher input cost and moderation in price realisations



Quarterly Financial Trends – Standalone

Net Profit and Margins



(Rs. Crore)	Standalone 31.12.2013	Standalone 30.09.2013
Secured Debt	284	315
Unsecured Debt	98	152
Total Debt	382	467
Less: Cash & Cash Equivalents	258	254
Net Debt / (Net Cash)	124	213
Net Worth	1,771	1,729
Net Debt / Equity (x)	0.07x	0.12x

Note:

1 All numbers shown are for the standalone business

Historical Trends

- Q3 FY2014 Net Profit was lower than Q2 FY2014 despite having benefited from lower interest costs and a lower effective tax rate
- Q2 FY2014 Net Profit margins increased by 36 bps due to higher operating margins
- Better margins in Q1 FY2014 due to higher operating margins and lower interest expense
- Higher margins in Q4 FY2013 due to lower tax incidence
- Q3 FY2013 lower operating profits due to higher interest costs and depreciation

Capital Structure

- Outstanding shares as of December 31, 2013 are 195,375,594
- Continue to maintain significant financial flexibility for future organic / inorganic growth



Performance Outlook

Steel Industry

- Global steel consumption is expected to grow by 3.3% to reach 1,523 MT in CY2014. In developed regions, the steel industry will benefit from the ongoing upgrade of infrastructure. However, mid to long term volume growth is expected in regions such as Latin America, Asia, Africa and the Indian sub-continent as these developing regions initiate transformational infrastructure projects
- Steel consumption in CY2014 is expected to grow y-o-y at 3.0% in the US and at 2.1% in Europe. Within the US, government consumption and investment is likely to be impacted by the continued austerity measures at the federal, state and local level. The major economies in Europe have reached economic stability although unemployment remains at a record high
- India's position in world's steel production remained unchanged as the 4th largest steel producer in CY2013. World Steel Association has forecasted steel demand in India to grow at 5.6% y-o-y in CY 2014. Despite a modest improvement in steel demand, major increases in steel prices are not expected in the near term due to the prevailing overcapacity in the domestic steel industry

Graphite India

- The operating environment remains challenging for the steel industry. Electrode prices are expected to be under pressure for the coming months on the back of depressed demand
- Graphite India is focused on preserving margins through proactively managing production schedules and cost control initiatives across facilities
- The management team is confident of achieving a consolidated capacity utilization of around 65% for FY2014. The Company is well positioned to capitalize on improvements in global steel demand in the mid to long term
- In addition, the capital structure remains robust and provides financial flexibility for future

Source: Worldsteel and industry research



Graphite India: At a Glance

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 approximately 98,000 tonnes per annum is spread over four plants at Durgapur (54,000 MT post expansion), 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 65% of 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. The Company experienced steady double digit revenue CAGR over the past six

years despite a global slowdown. 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. The Company has successfully expanded capacity 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 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.

The EAF method of manufacturing steel is becoming increasingly attractive due to its low capital costs, lower breakeven tonnage, and flexibility in locating plants closer to consumption points and significantly lower pollution levels than in the blast furnace steel plants. As a result, EAF production has increased from 180 million tonnes in 1985 to 410 million MT in 2012.



Statutory Financials



Unaudited Standalone Third Quarter and Nine Months Ended Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Standalone Unaudited Financial Results for the quarter and the nine months ended 31st December, 2013

PART I							(₹ in Lakhs)
Particulars	Quarter ended			Nine Months ended		Year ended	
	31st December	30th September	31st December	31st December	31st December	31st March	
	2013 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	2013 (Audited)	
Income from Operations							
Gross Sales / Income from Operations	44,864	44,886	43,619	131,027	127,224	179,021	
Less: Excise Duty on Sales	1,839	1,820	1,702	5,453	5,161	7,132	
Net Sales / Income from Operations	43,025	43,066	41,917	125,574	122,063	171,889	
Other Operating Income	420	1,021	993	2,339	3,305	4,597	
Total Income from Operations (net)	43,445	44,087	42,910	127,913	125,368	176,486	
Expenses							
Cost of materials consumed	18,895	18,587	22,363	58,531	58,218	78,883	
Purchase of stock-in-trade	-	-	799	-	1,345	1,345	
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(19)	581	(6,720)	(3,297)	(11,581)	(7,738)	
Employee benefits expense	3,495	3,162	3,359	9,748	8,814	11,997	
Consumption of stores and spare parts	2,920	3,228	3,571	8,984	9,890	14,115	
Power and fuel	5,924	5,611	8,149	18,128	22,546	30,394	
Depreciation and amortisation expense	1,353	1,352	1,292	4,017	3,637	5,004	
Other expenses	5,381	4,738	4,722	14,207	14,424	19,599	
Total Expenses	37,949	37,259	37,535	110,318	107,293	153,599	
Profit from operations before other income, finance costs and exceptional items	5,496	6,828	5,375	17,595	18,075	22,887	
Other Income	1,029	533	327	2,432	1,654	2,635	



Statutory Financials

Unaudited Standalone Third Quarter and Nine Months Ended Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Profit from ordinary activities before finance costs and exceptional items	6,525	7,361	5,702	20,027	19,729	25,522
Finance Costs	384	485	521	1,304	1,508	2,214
Profit from ordinary activities after finance costs but before exceptional items	6,141	6,876	5,181	18,723	18,221	23,308
Exceptional Items	-	-	-	-	-	-
Profit from ordinary activities before tax	6,141	6,876	5,181	18,723	18,221	23,308
Tax expense relating to						
- Current period	1,925	2,425	1,730	6,125	6,070	8,000
- Earlier period	-	-	-	-	-	(1,000)
Net Profit from ordinary activities after tax	4,216	4,451	3,451	12,598	12,151	16,308
Extraordinary Items	-	-	-	-	-	-
Net Profit for the period	4,216	4,451	3,451	12,598	12,151	16,308
Paid-up equity share capital (Face Value ₹ 2/- each)	3,908	3,908	3,908	3,908	3,908	3,908
Reserves excluding Revaluation Reserve as per balance sheet of previous accounting year						160,592
Earnings Per Share (EPS) (before and after extraordinary items) - Face Value ₹ 2/- each (not annualised)						
Basic EPS (₹)	2.16	2.28	1.77	6.45	6.22	8.35
Diluted EPS (₹)	2.16	2.28	1.77	6.45	6.22	8.35



Statutory Financials

Unaudited Standalone Third Quarter and Nine Months Ended Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

PART II

Particulars	Quarter ended			Nine Months ended		Year ended 31st March
	31st December	30th September	31st December	31st December	31st December	
	2013	2013	2012	2013	2012	
PARTICULARS OF SHAREHOLDING						
Public Shareholding						
- Number of shares	69,336,871	70,571,078	72,869,666	69,336,871	72,869,666	72,753,944
- Percentage of shareholding	35.49	36.12	37.30	35.49	37.30	37.24
Promoters and Promoter Group Shareholding						
a) Pledged/Encumbered						
- Number of shares	-	-	-	-	-	-
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-
- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-	-
b) Non-Encumbered						
- Number of shares	126,038,723	124,804,516	122,505,928	126,038,723	122,505,928	122,621,650
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00	100.00	100.00	100.00
- Percentage of shares (as a % of the total share capital of the company)	64.51	63.88	62.70	64.51	62.70	62.76

Particulars	Quarter ended 31st December 2013
INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	Nil
Received during the quarter	9
Disposed of / attended to during the quarter	9
Remaining unresolved at the end of the quarter	Nil



Statutory Financials



Unaudited Standalone Third Quarter and Nine Months Ended Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Segment-wise Revenue, Results and Capital employed in terms of Clause 41 of the Listing Agreement

(₹ in Lakhs)

	Particulars	Quarter ended			Nine Months ended		Year ended
		31st December	30th September	31st December	31st December	31st December	31st March
		2013 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	2013 (Audited)
1	SEGMENT REVENUE -						
	Graphite and Carbon	41,456	41,106	39,603	119,734	116,628	164,087
	Steel	1,486	1,818	2,445	5,212	5,709	7,858
	Unallocated	504	1,182	880	2,988	3,069	4,581
	Total	43,446	44,106	42,928	127,934	125,406	176,526
	Less: Inter Segment Revenue	1	19	18	21	38	40
	Sales/Income from Operations-Net	43,445	44,087	42,910	127,913	125,368	176,486
2	SEGMENT RESULTS -						
	Profit / (Loss) before tax and interest						
	Graphite and Carbon	6,261	8,735	6,998	22,771	21,685	27,866
	Steel	(16)	58	144	404	122	888
	Unallocated	(36)	(61)	(49)	(177)	(39)	(399)
	Total	6,209	8,732	7,093	22,998	21,768	28,355
	Less:						
	Interest	384	485	521	1,304	1,508	2,214
	(Including other finance costs)						
	Other un-allocable expenditure / (income)(net)	(316)	1,371	1,391	2,971	2,039	2,833
	Total Profit Before Tax	6,141	6,876	5,181	18,723	18,221	23,308
3	CAPITAL EMPLOYED -						
	(Segment Assets - Segment Liabilities)						
	Graphite and Carbon	176,600	179,911	193,770	176,600	193,770	197,293
	Steel	19,751	19,795	18,629	19,751	18,629	19,422
	Unallocated	2,963	4,591	4,365	2,963	4,365	4,855
	Total	199,314	204,297	216,764	199,314	216,764	221,570



Statutory Financials

Unaudited Standalone Third Quarter and Nine Months Ended Results for FY 2014 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Notes :

- 1 Figures for the previous periods have been regrouped / rearranged wherever necessary to conform to current period's classification.
- 2 The above results have been reviewed by the Audit Committee and approved by the Board at its meeting held on 3rd February, 2014. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 31st December, 2013 in terms of Clause 41 of the Listing Agreement with Stock Exchanges.

By Order of the Board
For Graphite India Limited

Place : Kolkata
Date : 3rd February, 2014

K.K.Bangur
Chairman





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