



Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q1 FY2018 Earnings Presentation
August 04, 2017



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Q1 FY2018 Financial Performance

Q1 FY2018 Profit and Loss (Standalone)

- Gross Sales of Rs. 376.3 Crores, an increase of 27.4% y-o-y
- EBITDA increased to Rs. 56.6 Crores, almost double compared to the same period in FY2017; Margin of 16.1%, up by 583 bps
- Net Profit increased to Rs. 29.5 Crores; Margin of 8.4%, up by 440 bps y-o-y

Balance Sheet (Standalone)

- Gross Debt of Rs. 171 Crores (As on 31st March 2017: Rs. 127 Crores)
- Gross Cash position of Rs. 723 Crores (As on 31st March 2017: Rs. 626 Crores)

Operations

- Standalone capacity utilization of 95% in Q1FY2018 (Q1 FY2017: 68%)
- While electrode sale volumes have grown, realization decreased on a y-o-y basis

Industry Overview

- World crude steel production increased by 3.5% y-o-y to 426 million MT in Q2 CY2017
- World steel capacity utilization was 73.0 % in June 2017, compared to 71.6% in June 2016



Mr. K. K. Bangur
Chairman

“Graphite India has delivered a pleasing operational performance during the first quarter of FY2018 supported by a strong order book and an increase in sales volume of 43% y-o-y. EBITDA margin improved significantly to 16.1%, an expansion of close to 6%. Capacity utilization increased from 68% in Q1 FY2017 to 95% in Q1 FY2018. The quarter was positive from a demand and supply perspective with the closure of steel capacities in China leading to the decline in exports of both steel and graphite electrodes from the region. Price realizations of graphite electrodes are firming up with the recent steel price recovery and increase in demand for electrodes is expected to drive revenue growth in the near term.

China has registered a strong steel production growth of 4.2% y-o-y in H1 CY2017 despite the relatively flat outlook for CY2017 as per the World Steel Association. However, Chinese net finished steel exports declined by 32.7% y-o-y which has benefitted the EAF producing countries leading to an increasing demand for graphite electrodes globally.

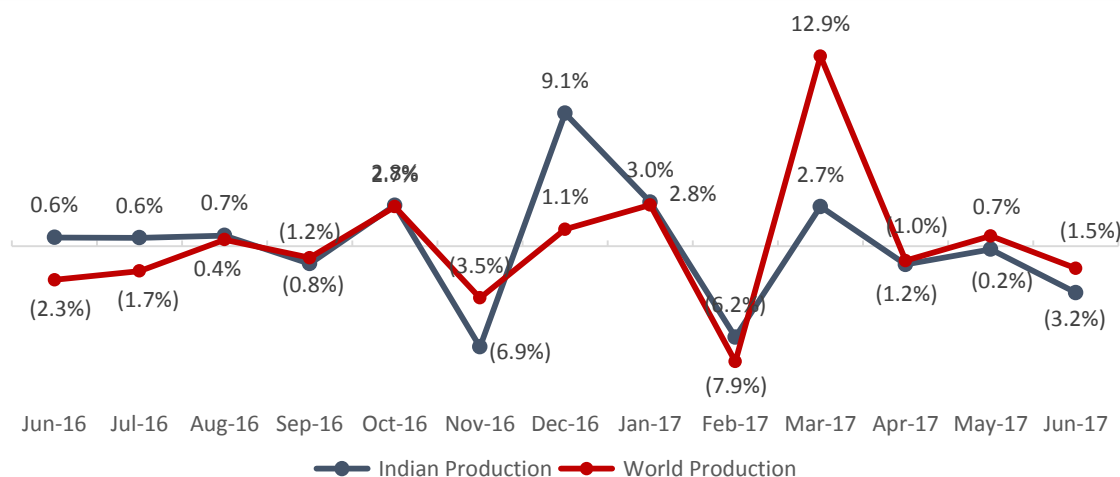
The Indian steel industry continues its growth momentum with steel production growth of 2.8% y-o-y in Q1 FY2018. The growth in the sector is supported by Indian government initiatives such anti dumping duties on major steel products and increased expenditure on affordable housing, roads and infrastructure.

Graphite India continues to be driven by operational excellence and financial discipline which together lead to a sustainable plan for shareholder value creation. The Company with its experienced management team and strong balance sheet is very well positioned to capitalize on the growth opportunities in the near term.”

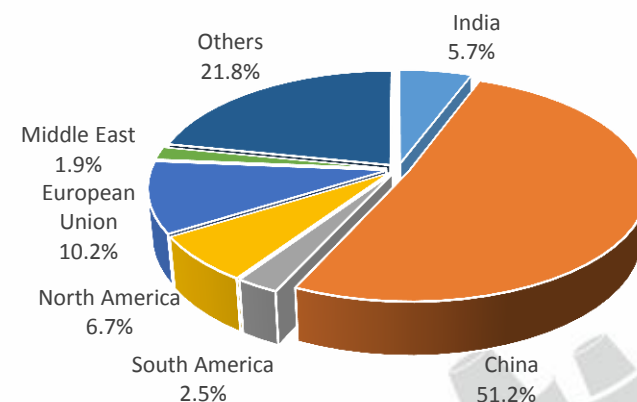
Steel Industry Overview

Crude Steel Production (million MT)	Three Months Ended				
	Jun-17	Jun-16	Y-o-Y (%)	Mar-17	Q-o-Q (%)
Asia	296.3	284.8	4.0%	279.8	5.9%
India	24.4	23.7	2.8%	25.1	(2.8)%
China	218.3	209.4	4.2%	200.8	8.7%
Others	53.6	51.7	3.8%	53.9	(0.6)%
South America	10.8	9.6	12.3%	10.4	3.8%
North America	28.5	28.7	(0.8)%	28.9	(1.6)%
European Union	43.5	41.8	4.2%	42.6	2.2%
Middle East	7.9	7.4	7.2%	7.6	5.0%
Others	39.4	39.9	(1.1)%	39.5	(0.3)%
Total	426.5	412.2	3.5%	408.8	4.3%

M-o-M Growth (%)



Q2 CY2017 Regional Production



- The World crude steel production was 426.5 MT in the three months ended June 2017, a growth of 3.5% y-o-y. India registered a growth rate of 2.8% y-o-y and China 4.2% y-o-y. Sequentially, total world steel production in the quarter grew by 4.3%.
- The world crude steel capacity utilisation ratio in June 2017 was 73.0% as compared to 71.6% in June 2016
- India is currently the world's third largest producer and is heading towards becoming the second largest steel producer overtaking Japan in the coming years. The growth in the Indian steel industry is supported by the recent decline in exports from China together with Indian government initiatives. These include the National Steel Policy which enhances domestic steel consumption and production, and enforces anti dumping duties on major steel products until 2021. India's steel demand is on a growth trajectory with an expected pick up in government spending on affordable housing and a focus on consumption of locally produced steel.
- China's steel production has sustained its strong momentum into 2017 and registered a robust growth of 4.2% y-o-y during Q2 CY2017. Chinese steel exports have declined by 28% in H1 CY2017. Furthermore, China has cut graphite electrode capacity by around 50% amid government mandated closures to curb emissions (*as per S&P Global Platts*). China has reduced 42.4 million tonnes of steel capacity in the H1 CY2017 and this is a positive development for steel manufacturers globally. The World Steel Association forecasts China's steel demand to remain flat in CY2017 and then decline 2% in CY2018
- In Europe, German crude steel production was 11.2 MT in the three months ended June 2017, an increase of 1.5% y-o-y. US steel production during the quarter declined 0.5% y-o-y as imports have continued to gain market share

Standalone Financial Performance

(Rs. Crore)	Q1		y-o-y Growth (%)	Q4	
	FY2018	FY2017		FY2017	q-o-q Growth (%)
Gross Sales (Excluding Other Income)	376.3	295.4	27.4%	397.5	(5.3)%
Net Sales (Excluding Other Income)	351.0	275.2	27.6%	373.4	(6.0)%
Operating Profit (EBITDA) ²	56.6	28.4	99.8%	45.8	23.6%
Margin (%) ³	16.1%	10.3%		12.3%	
Interest	1.0	1.4	(34.0)%	1.1	(13.6)%
Depreciation	12.0	9.7	23.9%	12.6	(4.4)%
Profit Before Tax	43.7	17.2	153.9%	32.1	35.9%
Net Profit	29.5	11.0	168.0%	62.0 ⁴	(52.5)%
Margin (%) ³	8.4%	4.0%		16.6%	
Earnings Per Share	1.51	0.56	168.0%	3.17	(52.5)%

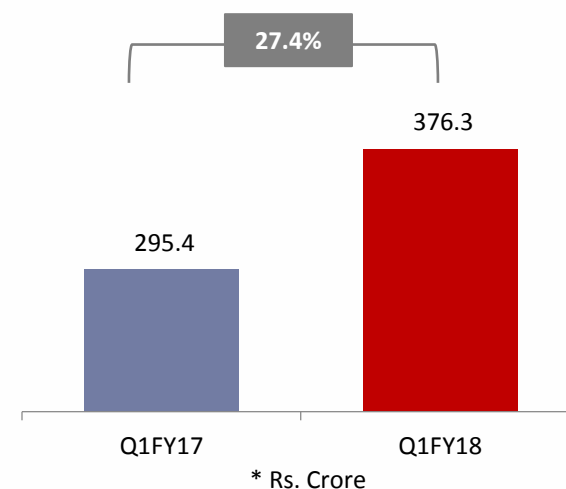
Notes:

1. Gross Sales includes excise duty
2. Operating Profit includes Other Income
3. All margins calculated as a percentage of Net Sales (excluding Other Income)
4. Q4 FY2017 Net profit include non recurring benefits arising out of favorable income tax orders

1

Gross Sales

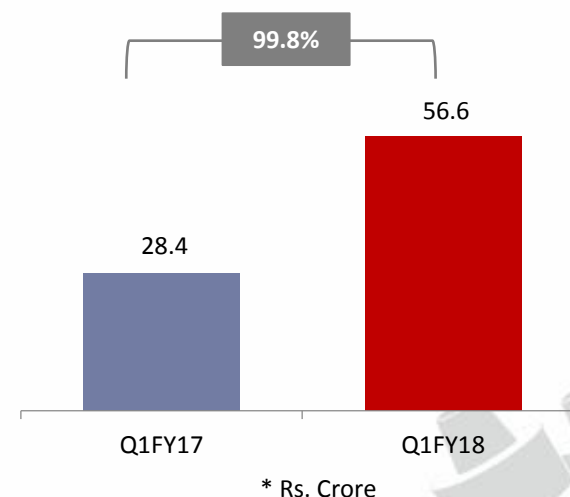
- Gross Sales increased by 27.4% y-o-y to Rs. 376.3 Crores
- The increased sales volume was offset by lower price realization



2

Operating Profit

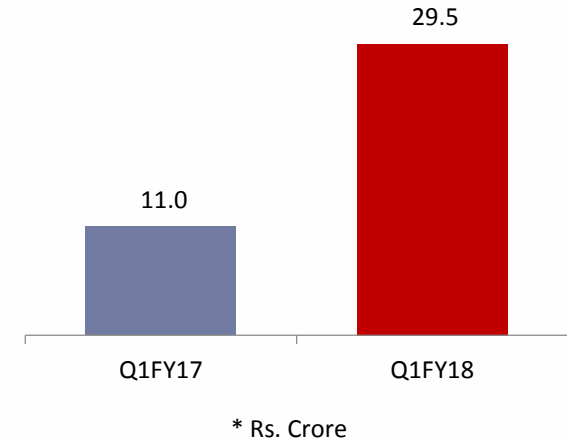
- Operating Profit (EBITDA) for the quarter was Rs. 56.6 Crores, an increase of 99.8% y-o-y
- EBITDA margins improved from 10.3% in Q1 FY2017 to 16.1% in Q1 FY2018 due to economies of scale arising out of higher capacity utilization



3

Net Profit

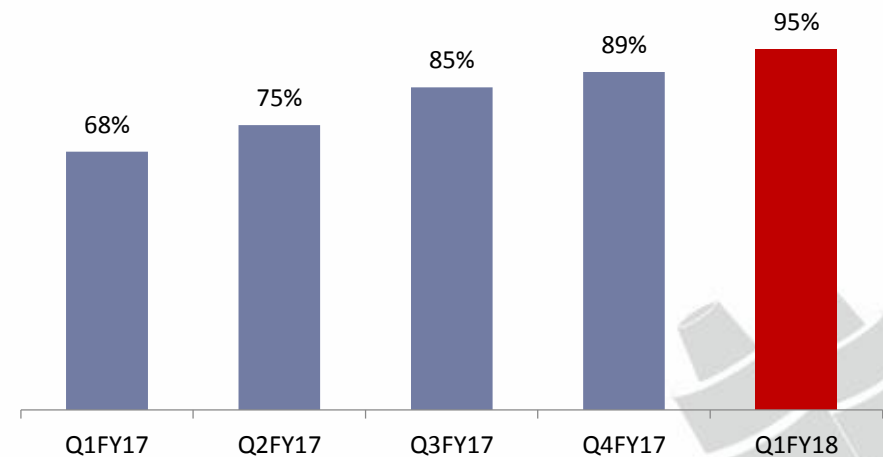
- Net Profit for the quarter increased to Rs. 29.5 Crores in Q1 FY2018 as compared to Rs. 11.0 Crores in Q1 FY2017
- Depreciation increased by 23.9% y-o-y due to commencement of capital projects for upgradation of facilities



4

Operations

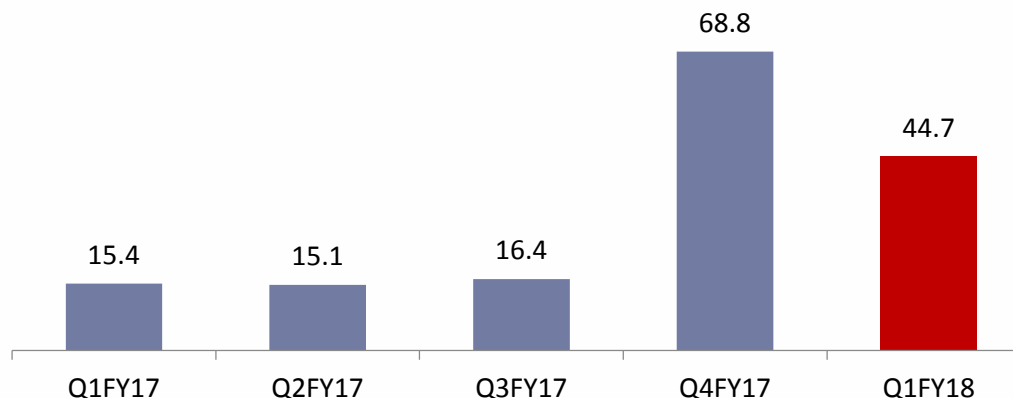
- Q1 FY2018 capacity utilization was 95% as compared to 68% in Q1 FY2017



Significant financial flexibility available for future organic / inorganic growth

(Rs. Crore)	30.06.2017	31.03.2017	31.12.2016	30.09.2016
Total Debt	171	127	120	122
Less: Cash & Cash Equivalents ¹	(723)	(626)	(559)	(582)
Net Debt / (Net Cash)¹	(552)	(499)	(439)	(460)

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

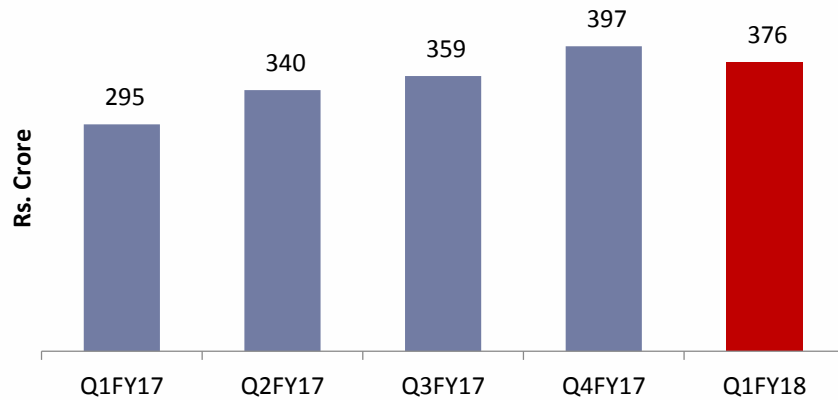
Quarterly Segment Comparison

(Rs. Crore)	Q1		y-o-y	Q4	q-o-q
	FY2018	FY2017	Growth (%)	FY2017	Growth (%)
Segment Revenue	376.3	295.4	27.4%	397.6	(5.3)%
Graphite and Carbon	351.6	263.2	33.6%	360.1	(2.4)%
GRP Pipes	8.3	14.5	(42.5)%	22.8	(63.5)%
Unallocated	16.4	18.0	(8.9)%	14.7	11.0%
Less: Inter Segment Sales	(0.04)	(0.2)		(0.2)	

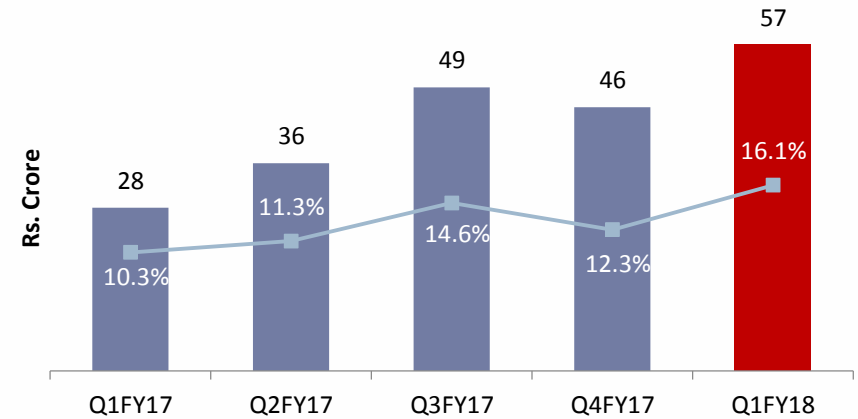
(Rs. Crore)	Q1		y-o-y	Q4	q-o-q
	FY2018	FY2017	Growth (%)	FY2017	Growth (%)
Segment Profit before tax and interest	36.0	9.9	264.6%	20.6	74.9%
Graphite and Carbon	37.8	6.0	534.9%	8.0	374.8%
GRP Pipes	(0.4)	3.9	nm	13.9	nm
Unallocated	(1.5)	(0.0)		(1.4)	

Quarterly Performance Trends

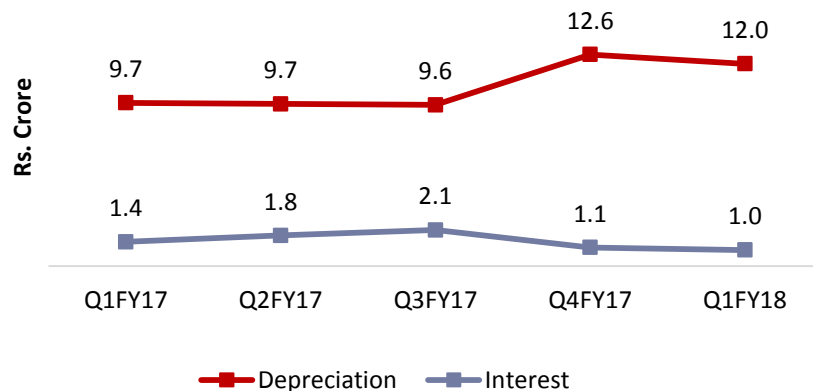
Gross Sales



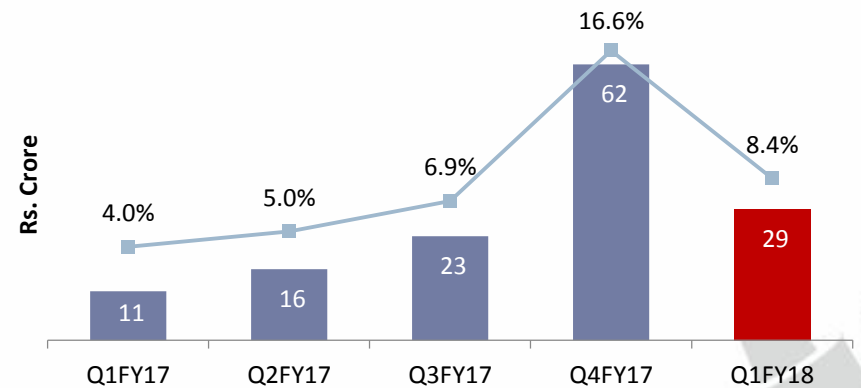
Operating Profit (EBITDA) and Margins



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 ended 30th June 2017
(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

S. No.	Particulars	Quarter ended			Year ended
		30th June 2017	31st March 2017	30th June 2016	31st March 2017
		(Unaudited)	(Refer Note 2)	(Unaudited)	(Audited)
1	Revenue from Operations	37,625	39,746	29,543	139,175
2	Other Income	2,113	3,117	1,784	8,389
3	Total Income (1+2)	39,738	42,863	31,327	147,564
4	Expenses				
	(a) Cost of Materials Consumed	12,818	12,604	13,020	51,732
	(b) Changes in Inventories of Finished Goods and Work-in-progress	(423)	3,590	(733)	2,009
	(c) Excise Duty	2,523	2,407	2,024	8,598
	(d) Employee Benefits Expense	4,114	4,108	3,507	15,204
	(e) Consumption of Stores and Spare Parts	3,442	3,515	2,122	11,836
	(f) Power and Fuel	7,090	6,332	5,258	23,825
	(g) Finance Costs	95	110	144	650
	(h) Depreciation and Amortisation Expense	1,204	1,260	972	4,156
	(i) Other Expenses	4,510	5,725	3,294	18,411
	Total Expenses	35,373	39,651	29,608	136,421
5	Profit before Exceptional Items (3 - 4)	4,365	3,212	1,719	11,143
6	Exceptional Items	-	-	-	-
7	Profit Before Tax (5+6)	4,365	3,212	1,719	11,143
8	Income Tax Expense				
	- Current Tax (*Net of adjustment for earlier years)	1,080	(1438)*	375	328*
	- Deferred Tax	340	(1,547)	245	(413)
9	Net Profit for the Period (7 - 8)	2,945	6,197	1,099	11,228

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

S. No.	Particulars	Quarter ended			Year ended
		30th June 2017	31st March 2017	30th June 2016	31st March 2017
		(Unaudited)	(Refer Note 2)	(Unaudited)	(Audited)
10	Other Comprehensive Income, Net of Income Tax				
	A. (I) Items that will not be reclassified to profit or loss	(70)	(198)	(23)	(267)
	(II) Income tax relating to Items that will not be reclassified to profit or loss	24	92	-	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)	(106)	(23)	(175)
11	Total Comprehensive Income for the Period (9 + 10)	2,899	6,091	1,076	11,053
12	Paid-up equity share capital (Face Value ₹ 2/- per equity share)	3,908	3,908	3,908	3,908
13	Reserves (Excluding Revaluation Reserve as per Balance sheet of previous accounting year)				181,278
14	Earnings per share (of ₹ 2/- each) (not annualised):				
	(a) Basic (₹)	1.51	3.17	0.56	5.75
	(b) Diluted (₹)	1.51	3.17	0.56	5.75

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

S. No	Particulars	Quarter ended			Year ended
		30th June 2017	31st March 2017	30th June 2016	31st March 2017
		(Unaudited)	(Refer Note 2)	(Unaudited)	(Audited)
1	SEGMENT REVENUE -				
	Graphite and Carbon	35,161	36,009	26,316	125,740
	GRP Pipes	833	2,282	1,449	6,326
	Unallocated	1,635	1,473	1,795	7,147
	Total	37,629	39,764	29,560	139,213
	Less: Inter Segment Revenue	4	18	17	38
	Sales/Income from Operations	37,625	39,746	29,543	139,175
2	SEGMENT RESULTS -				
	Profit/ (Loss) before tax and interest				
	Graphite and Carbon	3,784	797	596	5,328
	GRP Pipes	(44)	1,393	391	2,119
	Unallocated	(145)	(135)	(1)	(36)
	Total	3,595	2,055	986	7,411
	Less:				
	Interest	95	110	144	650
	(Including other finance costs)				
	Other un-allocable expenditure/(income)(net)	(865)	(1,267)	(877)	(4,382)
	Total Profit Before Tax	4,365	3,212	1,719	11,143
3	SEGMENT ASSETS -				
	Graphite and Carbon	153,193	151,507	152,599	151,507
	GRP Pipes	3,690	4,465	5,658	4,465
	Unallocated	9,867	10,196	9,815	10,196
	Total	166,750	166,168	168,072	166,168
4	SEGMENT LIABILITIES -				
	Graphite and Carbon	29,554	27,659	21,656	27,659
	GRP Pipes	1,807	1,640	2,126	1,640
	Unallocated	1,716	1,688	1,566	1,688
	Total	33,077	30,987	25,348	30,987

Standalone Unaudited Results for the quarter ended 30th June 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 at its meeting held on 4th August, 2017. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 30th June, 2017 in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 2 The figures of quarter ended 31st March 2017 are the balancing figures between the audited figures in respect of the full financial year ended 31st March 2017 and the unaudited published year-to-date figures up to the third quarter ended 31st December 2016, which were subject to limited review.
- 3 Figures for the previous periods have been regrouped/rearranged wherever necessary to conform to current period's classification.

Place : Kolkata

Date : 4th August, 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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