GRAPHITE INDIA LIMITED

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GIL:SEC:16/17:
February 14, 2017

Bombay Stock Exchange Limited
The Corporate
Relationship Department
1st Floor, New Trading Ring,
Rotunda Bldg., P.J.Towers,
Dalal Street, **Mumbai 400 001.**
DCS-CRD
Scrip Code - 509488
Corp.relations@bseindia.com

The Manager
Listing Department
National Stock Exchange
ExchangePlaza,5th Floor,
Plot No-C/1, G Block,
Bandra-Kurla Complex,
Bandra (E)
Mumbai 400 051
cmlist@nse.co.in

Sir,

Re : December 2016 Quarterly Results.

Dear Sir,

An Earning Presentation made by the Company in connection with our unaudited Financial results for the quarter/nine month ended 31st December, 2016 is enclosed for your information and records.

Thanking you,

Yours faithfully,
For Graphite India Limited

B. Shiva
Company Secretary

Encl : As above.
E\Letter to S.Exchanges 14.02.2017

Graphite India Limited

(NSE: GRAPHITE, BSE: 509488)

Q3 FY2017 Earnings Presentation
February 14, 2017

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Executive Summary

Graphite India Limited

Q3 FY2017 Financial Performance[1]

Profit and Loss

- Gross Sales of Rs. 351.9 Crores, a decrease of (3.4)% y-o-y and an increase of 5.0% q-o-q
- EBITDA of Rs. 49.3 Crores and a margin of 14.6%
  - EBITDA increased 36.6% q-o-q; Margin expanded by 331 bps q-o-q
- Net Profit of Rs. 23.4 Crores and a margin of 6.9%
  - Net Profit increased 46.7% q-o-q; Margin expanded by 194 bps

Balance Sheet

- Gross Debt of Rs. 120 Crores (Sep 2016: Rs. 122 Crore)
- Cash (Net of Gross Debt) of Rs. 439 Crores (Sep 2016: Rs. 460 Crore)
- Interest Coverage: 16.4x

Operations

- Capacity utilization of 85% in Q3 FY2017 (Q3 FY2016: 56%)
- While electrode sale volumes have grown, realization decreased on a y-o-y basis

Industry Overview

- World crude steel production increased by 4.5% y-o-y to 403 million MT in Q4 CY2016
- World steel capacity utilization was 68.1% in December 2016, as compared to 65.3% in December 2015

Note:
1. Financials as per IND-AS

Chairman's Message

Graphite India Limited

Mr. K. K. Bangur
Chairman

"Our performance during the quarter was satisfactory as we observed an encouraging performance trend over the last two quarters. Graphite India's capacity utilization improved significantly from 56% in Q3 FY2016 and 75% in Q2 FY2017 to 85% in Q3 FY2017. This reflects an improving demand scenario for the graphite electrode industry.

Our sale volumes remained robust, however pricing was under pressure. Despite significant pressure on price realization, our unwavering focus on operational excellence and financial discipline has helped the Company to sustain profitability and margins during Q3 FY2017.

We believe that we are at the bottom of the cycle and expect realizations to improve going forward coupled with key raw material input prices also increasing.

Global steel prices have increased sharply over the last two months, primarily due to temporary raw material supply constraints as opposed to a structural improvement in demand. US and Japan both have been focusing on expansionary fiscal policies to drive domestic steel consumption growth.

China accounts for about 45% of the global steel demand and hence remains the key driving force. Given limited change in China's demand outlook, global steel demand is expected to be muted in the near term. However, we believe that Chinese steel capacity consolidation is a step in the right direction.

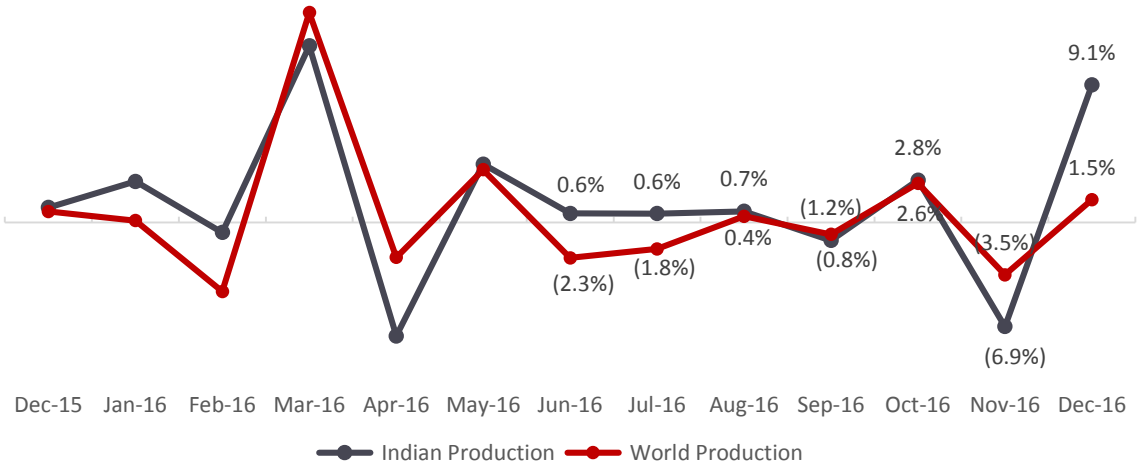
Indian steel production growth continued to remain strong at 9% y-o-y during 9M FY2017 due to import restrictions together with increasing exports. The success of the Indian government's investment plan in infrastructure and other key sectors will underpin the long term growth of the Indian steel industry."

Steel Industry Overview

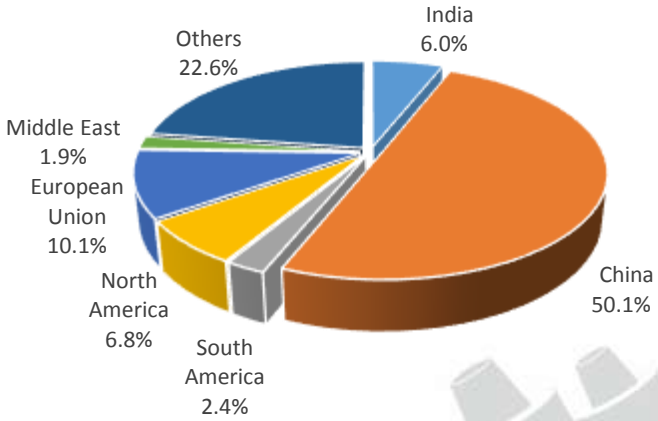
Graphite India Limited

Crude Steel Production (million MT)	Three Months Ended					Nine Month Ended		
	Dec-16	Dec-15	*Y-o-Y (%)*	Sep-16	*Q-o-Q (%)*	Dec-16	Dec-15	*Y-o-Y (%)*
Asia	277.6	266.6	4.1%	278.9	(0.5)%	840.1	816.2	2.9%
India	24.4	21.9	11.3%	24.3	0.4%	72.3	66.5	8.8%
China	202.0	194.1	4.1%	203.5	(0.8)%	615.0	598.1	2.8%
Others	51.2	50.5	1.4%	51.1	0.2%	152.7	151.6	0.8%
South America	9.7	10.7	(9.3)%	10.3	(6.5)%	29.6	32.9	(9.8)%
North America	27.2	25.8	5.4%	27.7	(1.8)%	83.6	83.1	0.7%
European Union	40.9	38.6	5.7%	38.7	5.5%	121.4	122.1	(0.6)%
Middle East	7.6	6.1	24.7%	7.3	3.7%	22.3	20.1	10.9%
Others	40.0	37.7	6.2%	38.8	3.2%	118.7	115.4	2.8%
Total	**403.0**	**385.5**	***4.5%***	**401.8**	***0.3%***	**1,215.6**	**1,189.7**	***2.2%***

M-o-M Growth (%)



Q4 CY2016 Regional Production



Steel Industry Outlook

Graphite India Limited

- World crude steel production was 403.0 MT in the quarter ended December 2016, an increase of 4.5% y-o-y. India registered a growth of 11.3% y-o-y while China recorded a growth of 4.1% y-o-y. World steel capacity utilization was 68.1% in December 2016, as compared to 65.3% in December 2015.
- Chinese domestic steel prices have increased significantly over the past few months driven by an improvement in domestic demand and cost push from higher iron ore and coking coal prices. A slower pace of exports from China and a rebound in Chinese steel prices have improved sentiment towards global steel prices which are now higher than import parity prices in India.
- China recently announced the closing of some excess capacities through consolidation and providing stimulus for worker retrenchment schemes. Fiscal support to the infrastructure sector is also expected to provide an impetus to the Chinese domestic steel demand.
- India is the third largest producer of steel globally after China and Japan and registered the highest y-o-y growth of 7.4% in CY2016. The total steel production in India for CY2016 was 95.6 MT. India's current steel capacity is 122 MT and the Indian government's draft New Steel Policy has set a target of 300 MT by 2030. This target reflects the significant investment required to meet the anticipated future growth of the construction, housing and infrastructure sectors.
- US steel production for CY2016 was 78.6 MT which is a (0.3)% decline compared to CY2015. Steel demand in the US has benefited from trade protection measures. Demand is expected to improve in the medium term with a higher spending allocation to infrastructure by the new administration.
- EU steel production was down (2.3)% to 162.3 MT during CY2016. However, Q4 CY2016 production volumes increased by 5.7% y-o-y and 5.5% q-o-q led by an improvement in demand, coupled with stable production rates and trade protection measures.

Standalone Financial Performance[1]

Graphite India Limited

(Rs. Crore)	Q3		y-o-y Growth (%)	Q2	q-o-q Growth (%)	Nine Months		y-o-y Growth (%)
	FY2017	FY2016		FY2017		FY2017	FY2016	
Gross Sales	351.9	364.3	*(3.4)%*	335.1	*5.0%*	978.6	1,033.4	*(5.3)%*
Net Sales (including Other Operating Income)	337.6	356.6	*(5.3)%*	319.6	*5.6%*	932.4	997.4	*(6.5)%*
Operating Profit (EBITDA)[2]	49.3	49.9	*(1.2)%*	36.1	*36.6%*	113.7	152.0	*(25.2)%*
Margin (%)	*14.6%*	*14.0%*		*11.3%*		*12.2%*	*15.2%*	
Interest Expense	2.1	1.3	*65.9%*	1.8	*17.6%*	5.4	5.6	*(3.7)%*
Depreciation	9.6	11.1	*(13.8)%*	9.7	*(0.6)%*	29.0	33.5	*(13.4)%*
Profit Before Tax	37.5	37.5	*0.2%*	24.6	*52.6%*	79.3	112.9	*(29.8)%*
Net Profit	23.4	22.9	*1.9%*	15.9	*46.7%*	50.3	76.1	*(33.9)%*
Margin (%)	*6.9%*	*6.4%*		*5.0%*		*5.4%*	*7.6%*	
Earnings Per Share	1.20	1.17	*1.9%*	0.82	*46.7%*	2.58	3.89	*(33.9)%*

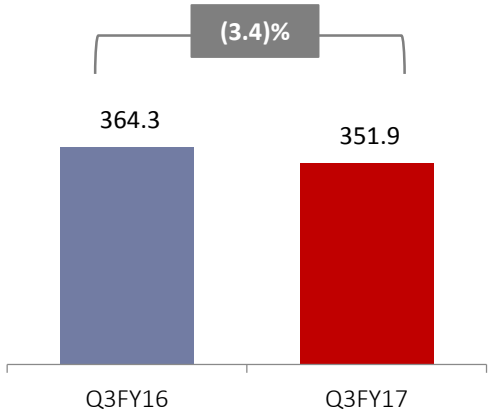
Notes:
1. Financials as per IND-AS
2. Operating Profit includes Other Income
3. All margins calculated as a percentage of Net Sales (including Other Operating Income)

Standalone Financial Performance

Graphite India Limited

1 Sales[1]

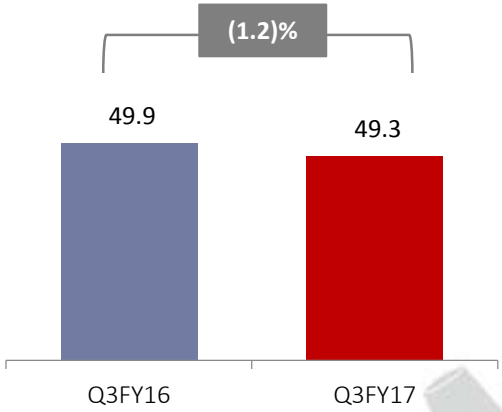
- Gross Sales decreased by (3.4)% y-o-y to Rs. 351.9 Crores
- Increased sales volume offset by lower price realization



Rs. Crore

2 Operating Profit[1]

- Operating Profit (EBITDA) for the quarter was Rs. 49.3 Crores, a decline of (1.2)% y-o-y
- Lower price realizations coupled with higher power & fuel costs had a negative impact on EBITDA. However, a favourable decline in needle coke prices was beneficial
- EBITDA margins improved by 61 bps



Rs. Crore

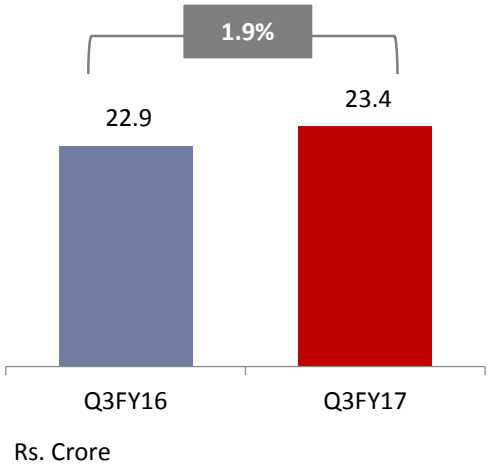
Note:
1. Financials as per IND-AS

Standalone Financial Performance

Graphite India Limited

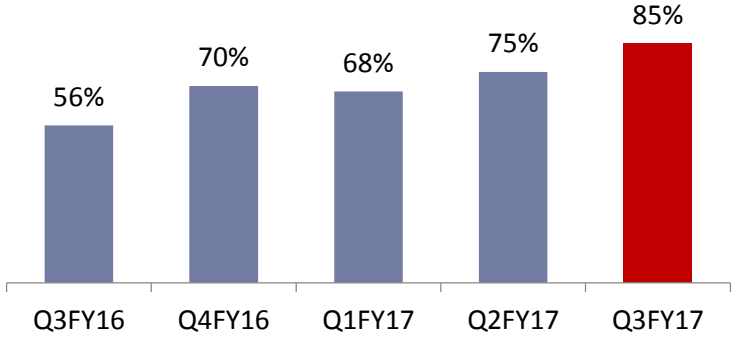
3 Net Profit[1]

- Net Profit for the quarter was Rs. 23.4 Crores, an increase of 1.9% compared to Q3 FY2016
- Interest cost increased from Rs. 1.3 Crores in Q3 FY2016 to Rs. 2.1 Crores, primarily due to higher working capital borrowing on account of increased capacity utilization
- Interest coverage was 16.4x for the quarter
- Other Income increased significantly due to investment gains in accordance with IND-AS



4 Operations

- Q3 FY2017 capacity utilization improved significantly to 85% as compared to 56% in Q3 FY2016



Note:
1. Financials as per IND-AS

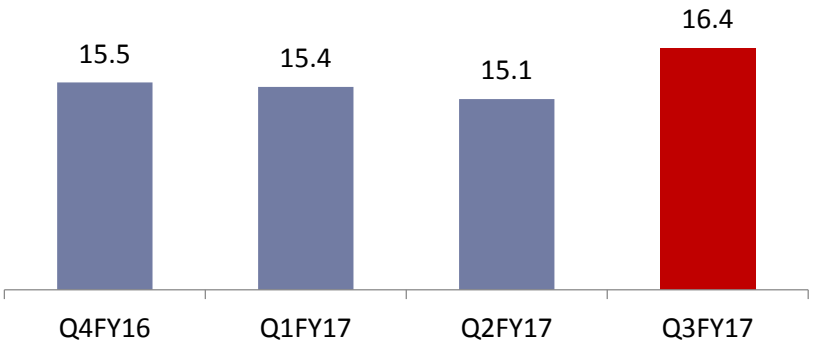
Standalone Financial Performance

Graphite India Limited

Significant financial flexibility available for future organic / inorganic growth

(Rs. Crore)	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Total Debt	**120**	**122**	**110**	**180**
Less: Cash & Cash Equivalents	(559)[1]	(582)[1]	(513)[1]	(409)
Net Debt / (Net Cash)	**(439)** [1]	**(460)** [1]	**(403)** [1]	**(229)**

Interest Coverage Ratio



Notes:
1. Cash and cash equivalents include Mutual Fund investments restated at fair value as per IND-AS
2. Interest Coverage Ratio calculated as (Net Profit + Depreciation + Interest) / Interest

Standalone Financial Performance

Graphite India Limited

Quarterly segment comparison[1]

(Rs. Crore)	Q3		y-o-y	Q2	q-o-q	Nine Months		y-o-y
	FY2017	FY2016	Growth (%)	FY2017	Growth (%)	FY2017	FY2016	Growth (%)
Segment Revenue	**358.7**	**372.7**	***(3.8)%***	**340.2**	***5.5%***	**994.3**	**1,054.0**	***(5.7)%***
Graphite and Carbon	335.4	339.7	*(1.3)%*	298.7	*12.3%*	897.3	964.0	*(6.9)%*
Steel	18.8	17.3	*8.7%*	19.6	*(4.3)%*	56.4	55.3	*1.9%*
Unallocated	4.5	15.9	*(71.7)%*	21.8	*(79.4)%*	40.8	34.9	*17.1%*
Less: Inter Segment Sales	(0.02)	(0.2)		(0.0)		(0.2)	(0.2)	

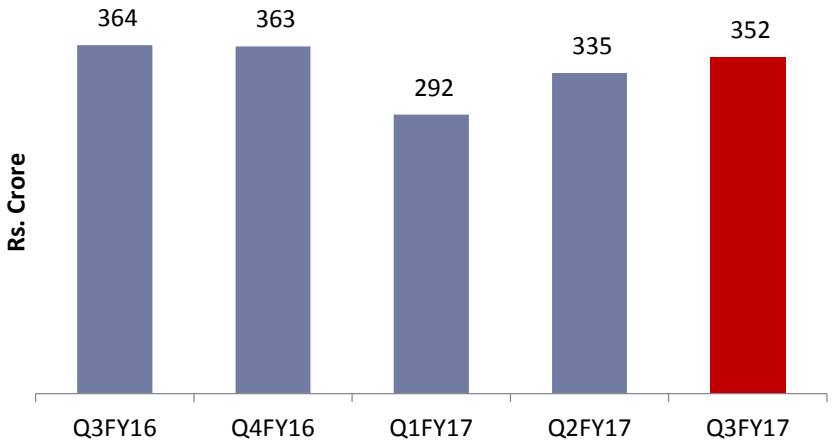
(Rs. Crore)	Q3		y-o-y	Q2	q-o-q	Nine Months		y-o-y
	FY2017	FY2016	Growth (%)	FY2017	Growth (%)	FY2017	FY2016	Growth (%)
Segment Profit before tax and interest	**35.6**	**39.4**	***(9.8)%***	**16.2**	***119.4%***	**65.3**	**121.9**	***(46.4)%***
Graphite and Carbon	32.0	33.6	*(4.6)%*	7.3	*336.1%*	45.3	112.0	*(59.5)%*
Steel	4.3	4.1	*5.4%*	5.2	*(16.6)%*	13.5	8.6	*57.1%*
Unallocated	(0.8)	1.8		3.7		6.5	1.3	

Note:
1. Financials as per IND-AS

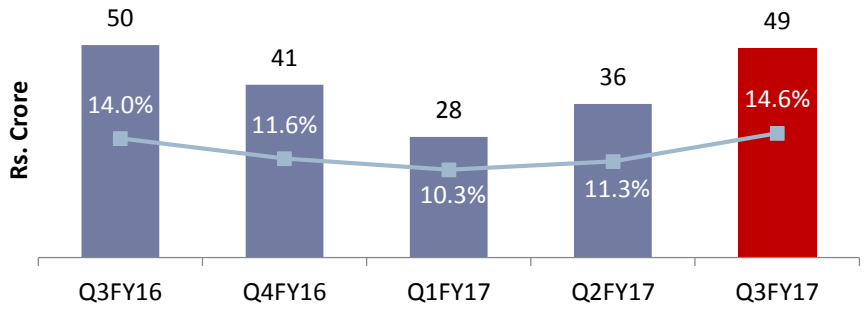
Quarterly Performance Trends

Graphite India Limited

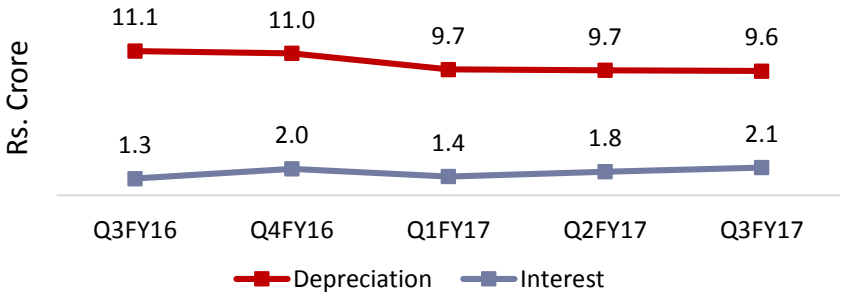
Gross Sales[1]



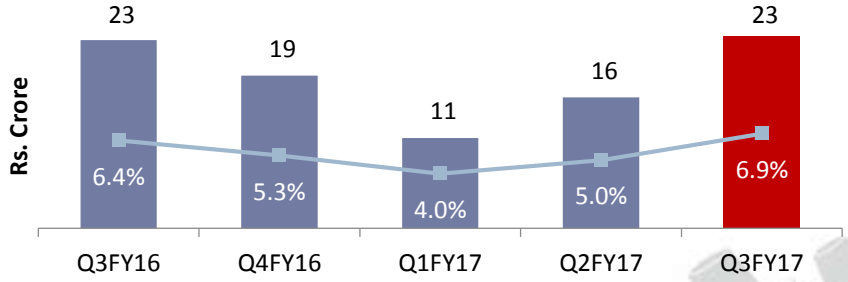
Operating Profit (EBITDA) and Margins[1]



Depreciation and Interest[1]



Net Profit and Margins[1]



Note:

1. Q3 FY2017, Q2 FY2017, Q1 FY2017 and Q3 FY2016 financials as per IND-AS

Graphite India - At a Glance

Graphite India Limited

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 is further targeting focused reductions in its manufacturing costs after the successful capacity expansion 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 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.

Statutory Financials

Graphite India Limited

Unaudited Standalone Results for the quarter ended 31st December 2016
(All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

S. No.	Particulars	Quarter ended			Nine months ended	
		31st December 2016	30th September 2016	31st December 2015	31st December 2016	31st December 2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
1	**Income from operations**					
	(a) Revenue from operations	35,193	33,510	36,427	97,857	103,340
	(b) Other operating income	677	506	845	1,572	2,056
	Total Income from operations	**35,870**	**34,016**	**37,272**	**99,429**	**105,396**
2	**Expenses**					
	(a) Cost of materials consumed	12,605	13,503	12,171	39,128	35,555
	(b) Purchases of stock-in-trade	-	-	-	-	90
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(799)	(49)	3,880	(1,581)	6,276
	(d) Employee benefits expense	3,880	3,709	3,473	11,096	10,351
	(e) Consumption of stores and spare parts	3,199	3,000	2,743	8,321	7,889
	(f) Power and fuel	6,246	5,989	4,741	17,493	14,738
	(g) Excise duty	2,114	2,053	1,609	6,191	5,656
	(h) Depreciation and amortisation expense	959	965	1,113	2,896	3,346
	(i) Other expenses	4,990	4,402	4,390	12,686	12,903
	Total expenses	**33,194**	**33,572**	**34,120**	**96,230**	**96,804**
3	**Profit from operations before other income, finance costs and exceptional items (1 - 2)**	**2,676**	**444**	**3,152**	**3,199**	**8,592**
4	Other Income	1,291	2,197	723	5,272	3,259
5	**Profit before finance costs and exceptional items (3+4)**	**3,967**	**2,641**	**3,875**	**8,471**	**11,851**
6	Finance costs	214	182	129	540	561
7	**Profit before exceptional items (5 - 6)**	**3,753**	**2,459**	**3,746**	**7,931**	**11,290**
8	Exceptional Items	-	-	-	-	-
9	**Profit before tax (7 + 8)**	**3,753**	**2,459**	**3,746**	**7,931**	**11,290**
10	Tax expense	1,415	865	1,452	2,900	3,682
11	**Net Profit for the period (9 - 10)**	**2,338**	**1,594**	**2,294**	**5,031**	**7,608**
12	**Other comprehensive income, net of income tax**					
	A. Items that will not be reclassified to profit or loss	(23)	(23)	(30)	(69)	(90)
	B. Items that will be reclassified to profit or loss	-	-	-	-	-
	Total other comprehensive income, net of income tax	(23)	(23)	(30)	(69)	(90)
13	**Total comprehensive income for the period (11 + 12)**	**2,315**	**1,571**	**2,264**	**4,962**	**7,518**
14	Paid-up equity share capital (Face Value Rs. 2/- per equity share)	3,908	3,908	3,908	3,908	3,908
15	Earnings per share (of Rs. 2/- each) (not annualised):					
	(a) Basic (Rs.)	1.20	0.82	1.17	2.58	3.89
	(b) Diluted (Rs.)	1.20	0.82	1.17	2.58	3.89

S.No.	Particulars	Quarter ended			Nine months ended	
		31st December 2016	30th September 2016	31st December 2015	31st December 2016	31st December 2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
1	**SEGMENT REVENUE -**					
	Graphite and Carbon	33,544	29,871	33,971	89,731	96,398
	Steel	1,878	1,962	1,727	5,635	5,530
	Unallocated	450	2,184	1,592	4,083	3,488
	Total	**35,872**	**34,017**	**37,290**	**99,449**	**105,416**
	Less: Inter Segment Revenue	2	1	18	20	20
	Sales/Income from Operations	**35,870**	**34,016**	**37,272**	**99,429**	**105,396**
2	**SEGMENT RESULTS -**					
	Profit/ (Loss) before tax and interest					
	Graphite and Carbon	3,201	734	3,357	4,531	11,196
	Steel	432	518	410	1,348	858
	Unallocated	(75)	370	176	649	132
	Total	**3,558**	**1,622**	**3,943**	**6,528**	**12,186**
	Less:					
	Interest	214	182	129	540	561
	(Including other finance costs)					
	Other un-allocable expenditure/(income)(net)	(409)	(1,019)	68	(1,943)	335
	Total Profit Before Tax	**3,753**	**2,459**	**3,746**	**7,931**	**11,290**
3	**SEGMENT ASSETS -**					
	Graphite and Carbon	154,222	149,699	164,800	154,222	164,800
	Steel	25,754	25,770	25,426	25,754	25,426
	Unallocated	7,272	7,050	5,585	7,272	5,585
	Total	**187,248**	**182,519**	**195,811**	**187,248**	**195,811**
4	**SEGMENT LIABILITIES -**					
	Graphite and Carbon	27,266	25,191	25,864	27,266	25,864
	Steel	1,457	1,691	1,683	1,457	1,683
	Unallocated	1,784	2,055	2,422	1,784	2,422
	Total	**30,507**	**28,937**	**29,969**	**30,507**	**29,969**

Unaudited Standalone Results for the quarter ended 31st December 2016
(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 its meeting held on 14th February, 2017. The Auditors of the Company have carried out a Limited Review of the above financial results for the quarter ended 31st December, 2016 in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2 This statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable. Beginning 1st April, 2016, the Company has for the first time adopted Ind AS with a transition date of 1st April, 2015.

3 The format for un-audited quarterly results as prescribed in SEBI's Circular CIR/CFD/CMD/15/2015 dated 30th November, 2015 has been modified to comply with requirements of SEBI's Circular dated 5th July, 2016, Ind AS and Schedule III (Division II) to the Companies Act, 2013 applicable to companies that are required to comply with Ind AS.

4 The statement does not include Ind AS compliant results for the previous year ended 31st March, 2016 as the same is not mandatory as per SEBI's Circular dated 5th July, 2016.

5 The reconciliation of net profit reported in accordance with Indian GAAP to total comprehensive income in accordance with Ind AS is given below:

(Rs. in Lakhs)

S.No.	Particulars	Quarter ended 31st December 2015 (Unaudited)
	Net Profit as per Indian GAAP	1,970
	Add/(Less):-	
(a)	Provision for expected credit losses on Trade Receivables/Written back	14
(b)	Gain on measuring investments in mutual funds at fair value	284
(c)	Increase in borrowing cost pursuant to application of effective interest rate method	(7)
(d)	Reclassification of net actuarial loss on employee defined benefit plans to other comprehensive	30
(e)	Deferred Tax on above items	3
	Net profit as per Ind AS	**2,294**
	Other comprehensive income, net of income tax	(30)
	Total comprehensive income for the period	**2,264**

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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