



Graphite India Limited

Corporate Presentation

June 2010



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.



Agenda

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1. Investment Highlights

Global Market Position

- ◆ **Largest Indian** producer of graphite electrodes and **one of the** largest globally, by total capacity
- ◆ One of the leading players in a highly consolidated industry and accounts for **6.5%** of global electrode capacity
- ◆ High barriers to entry due to technology intensive nature of the industry

Best-in-Class Operations

- ◆ Over **60%** of electrode production **exported** in competition with global players
- ◆ **Brownfield expansion** at much **lower capex** compared to greenfield expansion, significantly enhancing global competitiveness
- ◆ Despite low pricing during a significant part of the last decade, Graphite India was **consistently profitable** while leading players made losses

Attractive Industry Dynamics

- ◆ Graphite electrode demand is dependent on Electric Arc Furnace (EAF) steel production. EAF steel production **increased** from **25%** of global steel production in 1985 to an expected **34%** in 2010
- ◆ Strong secular support for future steel production via EAF route due to significant advantages over traditional blast furnace method
- ◆ **Global client base** with no client accounting for more than **6.5%** of revenues

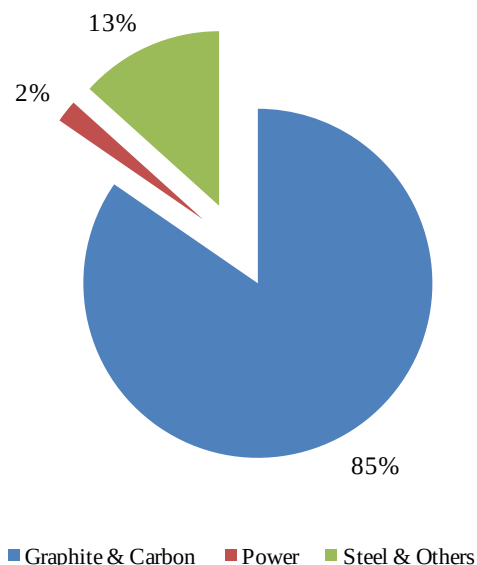
Strong Financial Performance

- ◆ Steady **double-digit revenue CAGR** over the past five years despite a global slowdown
- ◆ Strong **cost management** resulting in average EBITDA margins of approximately **25%** from FY 2007 to FY 2010 despite a slowdown in revenue growth
- ◆ Steady growth of **export business**, which **tripled** in size from FY 2001 to FY 2009
- ◆ Solid balance sheet with low leverage and large cash position as well as steady cash flow generation provides dry powder for organic and inorganic expansion



1. Investment Highlights

FY10 Revenue by Segment



Graphite and Carbon

- ◆ Leading graphite electrodes manufacturer
- ◆ Core expertise in value-added Ultra-High Power (UHP) electrodes
- ◆ 78K tonnes/year capacity, of which 85% is UHP
- ◆ Backwards integrated and manufactures Calcined Petroleum Coke for use in electrode manufacturing
- ◆ Caters to clients in over 50 countries with no single client accounting for over 6.5% of revenues
- ◆ Enhanced product range – large diameter UHP electrodes and specialty graphite products

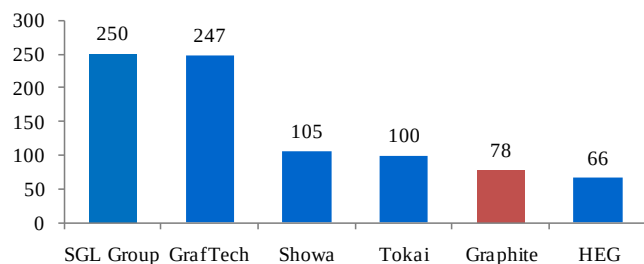
Power, Steel and Other

- ◆ Installed power generation capacity of 33MW through hydel and multi-fuel routes, used primarily as captive supply for the graphite electrodes business. Capacity expected to increase to 83MW with completion of new coal-based power plant at Durgapur
- ◆ The Steel segment manufactures high-speed steel and alloy steel and is the largest producer of high-speed steel in the country with 60% market share
- ◆ Other divisions manufacture impervious graphite equipment and glass reinforced plastic pipes & tanks

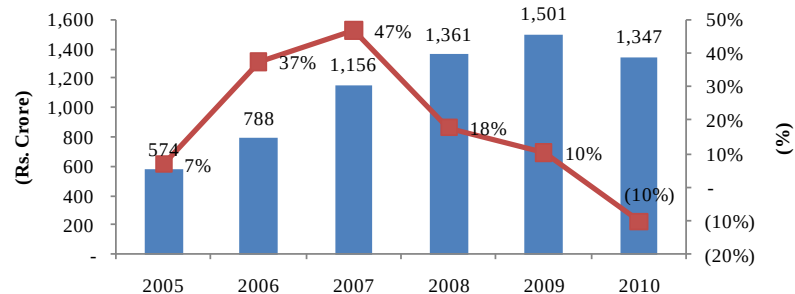


1. Investment Highlights

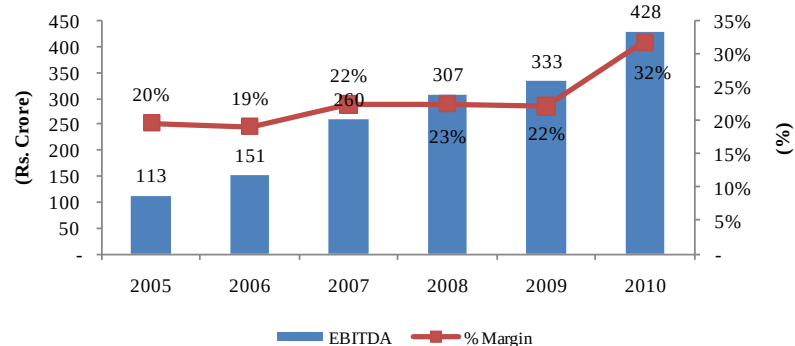
Capacity (in thousand tonnes / year)



Consolidated Net Revenues



Consolidated EBITDA



(Rs. Crore)	FY 2010 ¹	FY 2009 ¹	% Change
Net Revenue	1,347	1,501	(10%)
EBITDA	428	333	29%
EBITDA Margin (%)	32%	22%	
Operating Profit (EBIT)	378	289	31%
Net Profit	235	236	-
Basic EPS (Rs.)	13.73	15.26	(10%)
Diluted EPS (Rs.)	12.17	15.26	(20%)

- ◆ Net revenue decreased in FY 2010 primarily due to lower sales volumes and production
- ◆ Improved realization, increased operating efficiency and lower input costs (other than needle coke) resulted in improved margins in FY 2010
- ◆ Significantly higher EBIT and lower interest expense offset by higher taxes, resulting in flat net profit growth

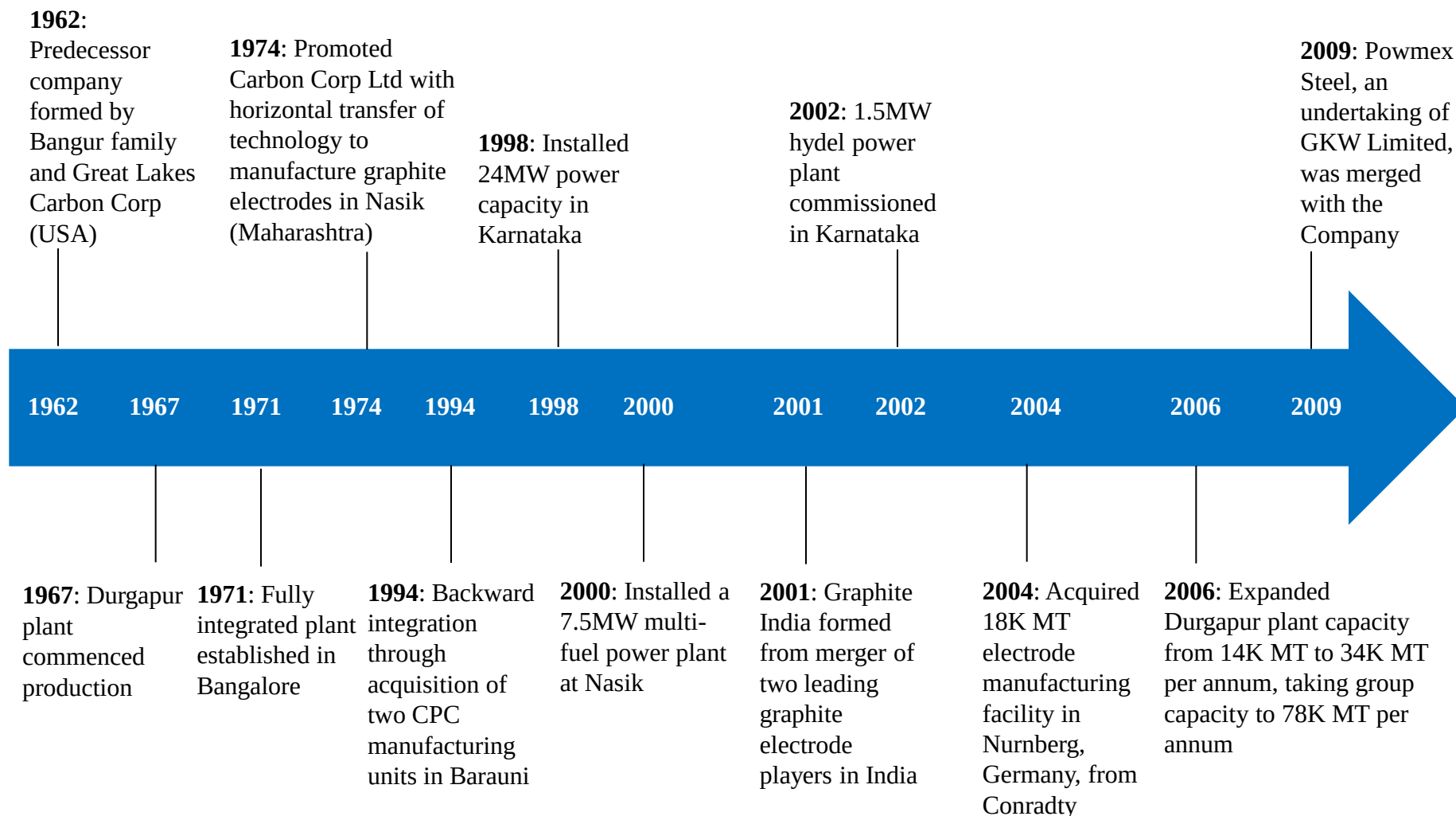
Note:

1 FY numbers are consolidated



2. Business Overview

Over 40 Years of Experience in the Graphite Electrode Industry



2. Business Overview



Product Technology Centered Around Graphite and Carbon

**Strong Focus on
Upgradation And
Development of
Technology**

Graphite and Carbon

- ♦ **Graphite Electrodes:** Ultra-high power graphite electrodes used in applications requiring higher current carrying capacity and strength. UHP consumption per tonne of steel manufactured is lower than High Power (HP) grade electrodes and hence their usage is extensive and growing globally
- ♦ UHP accounts for approximately 85% of revenues from graphite electrodes, while Regular Power (RP) and HP graphite electrodes account for approximately 15%
- ♦ **Specialty Carbon and Graphite:** Products include graphite/carbon based machined components, crucibles, carbon brushes, heating elements, pumps, bricks and other products which are used for a variety of applications in Steel, Aluminum, Metallurgical, Chemical, Glass, Electrical, Electronic, Medical Engineering, moulding, forming and melting
- ♦ **Calcined Petroleum Coke:** Used in graphite electrode and aluminum industries
- ♦ **Carbon Paste:** Finds application in ferro-alloy and aluminum industries

Steel

- ♦ **High Speed Steel (HSS) and Alloy Steel:** HSS is used in the manufacture of cutting tools such as drills, taps, milling cutters, reamers, hobs, broaches and special form tools. HSS cutting tools are essentially utilized in automotive, machine tools, aviation and DIY markets

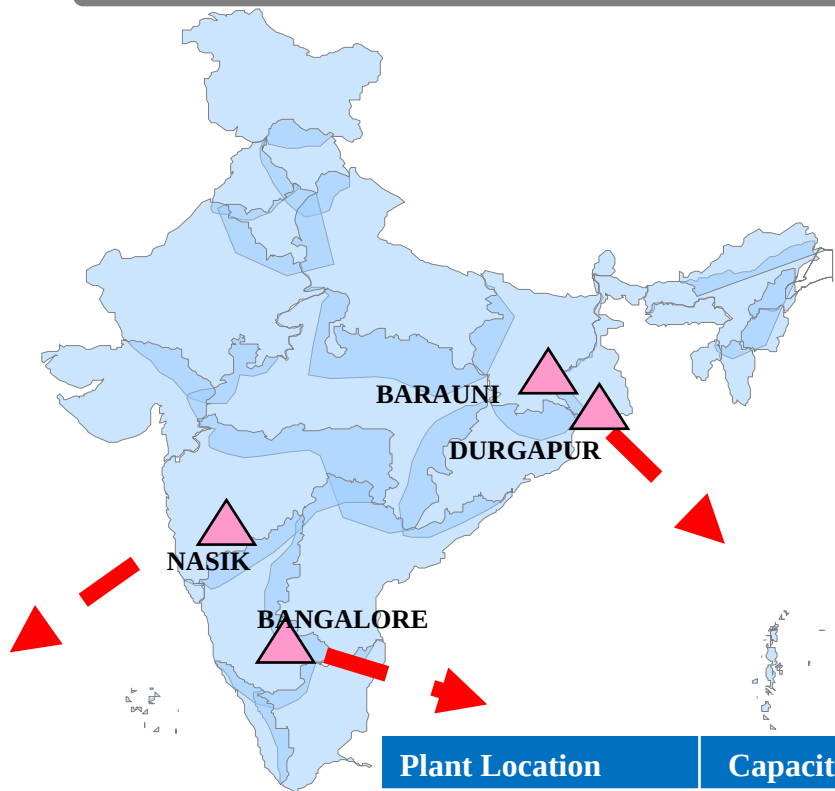
Other

- ♦ **Impervious Graphite Equipment:** Heat Exchangers, Pumps, Columns, HCl Synthesis, finds application in corrosive chemical industries such as pharmaceuticals, agro-chemical, chloro-alkali and fertilizer industries
- ♦ **GRP Pipes & Tanks:** Used for water supply, sewage/industrial effluent collection and disposal, cooling towers, industrial process pipelines, seawater pipelines, industrial ducting and gasoline storage



2. Business Overview

Strategically Placed Manufacturing Locations



Plant Location	Capacity (MT/Year)
Durgapur (India)	34,000
Bangalore (India)	13,000
Nasik (India)	13,000
Nurnberg (Germany)	18,000
Total	78,000

- ❖ Indian Plants are located close to the three main ports of India, offering logistic advantages to clients overseas
- ❖ Closer to customers in Indian markets
- ❖ German Plant caters to the needs of European customers and is located close to the EU market



2. Business Overview

Globally Diversified Client Base



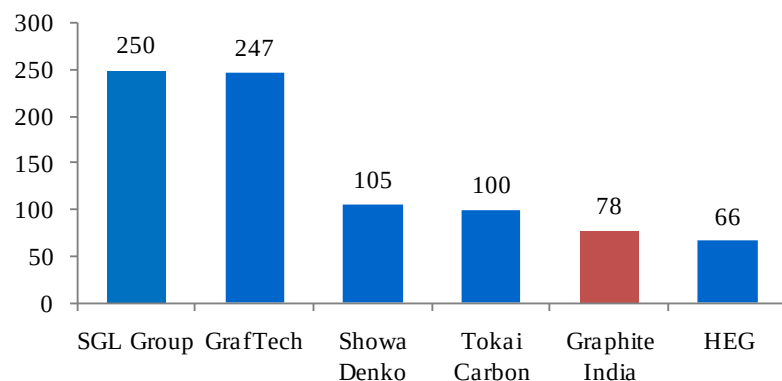
- ❖ No client accounts for over 6.5% of global revenues
- ❖ Manufacturing contracts have moved from being 6-month to 1-year contracts pre-recession to 3-6 months contracts currently. These are expected to revert back to longer terms upon pickup in demand for steel
- ❖ This slide shows a limited cross-section of GIL's valued customers



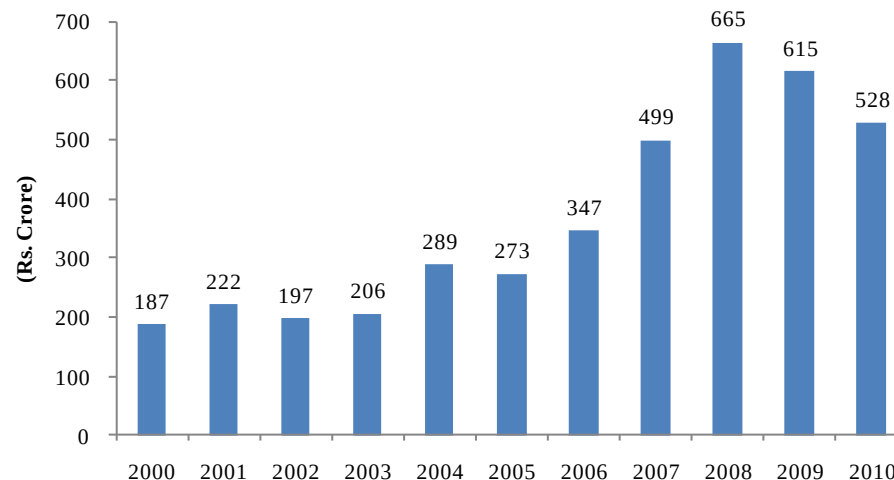
2. Business Overview

Strong Competitive Position

Capacity (in thousand tonnes / year)



Exports



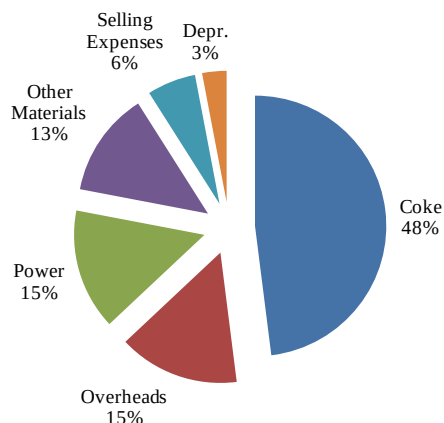
- ❖ Graphite India is one of the largest graphite electrode manufacturers globally and the largest in India
- ❖ Capacity utilization in FY10 was 52% and expected to increase to 70-80% in FY11
- ❖ Export markets gained by seizing market share from existing players. An increase of 2.4x from FY01 to FY10
- ❖ Steady growth in exports despite global recessions in 2001-2003 and 2007-2009



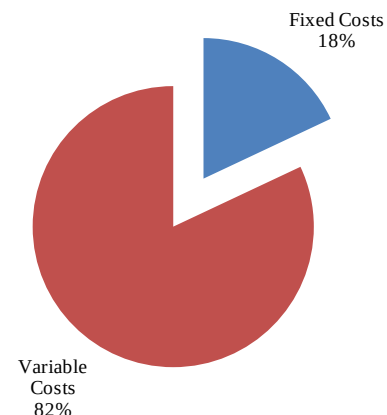
2. Business Overview

Supply Risks Mitigated

FY10 COGS Breakdown



FY10 Fixed vs. Variable COGS

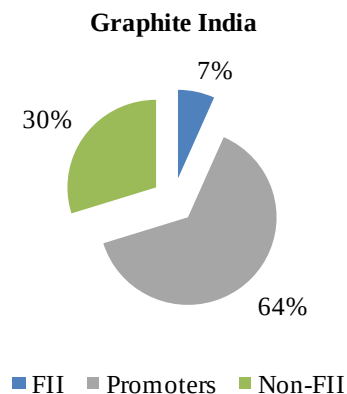
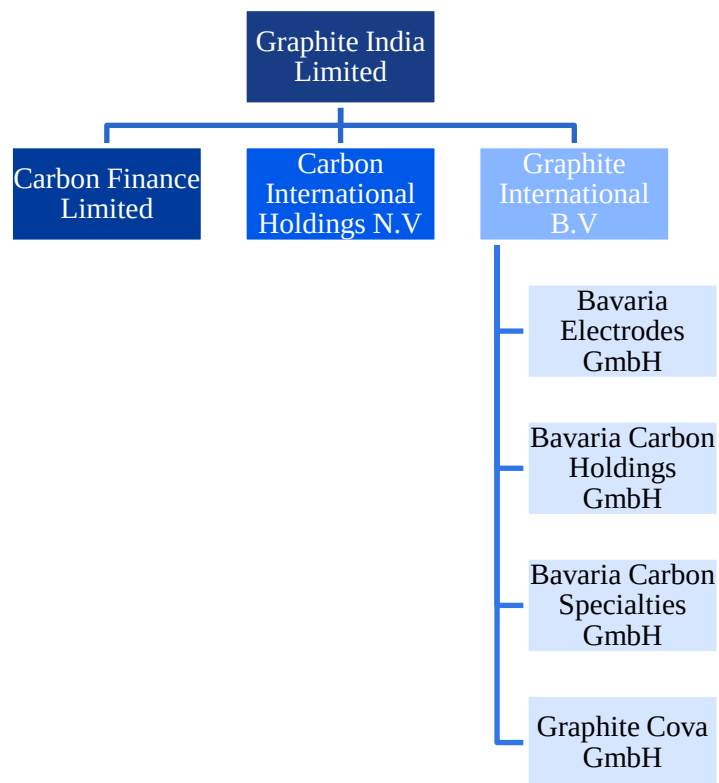


- ❖ Captive power generation capacity provides low cost and reliable source of power and mitigates risk of rising power costs:
 - 33MW installed capacity and an additional 50MW power capacity in the pipeline
 - **Bangalore Plant:** 100% of power needs met by 18MW hydel power plant;
 - **Nasik Plant:** power needs met by MSEB; Agreement with KSK Energy to obtain low cost power expected from CYQ410
 - **Durgapur Plant:** existing requirement met through supply from DVC; 100% power needs of expanded production facility to be met by upcoming 50MW power plant
- ❖ Long-standing relationships with leading providers of needle coke
- ❖ Lower percentage of fixed overheads resulting in greater flexibility to adjust costs.



2. Business Overview

Group Organizational Structure and Ownership



Convertible Bonds Due 2010

- ❖ Rs. 136 Crore outstanding
- ❖ Post-conversion the equity would increase to Rs.39.10 Crore, an increase of Rs. 4.80 Crore
- ❖ Shares outstanding as of Mar 31, 2010 are 171,510,110

Incorporated in India
 Incorporated in Netherland Antilles
 Incorporated in The Netherlands
 Incorporated in Germany

Note: All subsidiaries are 100% owned by the respective parent



2. Business Overview

Senior Management Team

Key Executives	Background
K.K.Bangur <i>Chairman</i>	• Please refer to Board of Director biographies
M.B.Gadgil <i>Executive Director</i>	• Please refer to Board of Director biographies
K.C.Parakh <i>Senior VP Finance</i>	• Mr. Parakh, Sr. V P (Finance), is B.Com., FCA, and is the head of Finance of the Company. He has been with the Company for the last 30 years. He is responsible for all accounts and financial aspects of the Company
S.Chaudhary <i>Senior VP Corporate</i>	• Mr. Chaudhary, Sr. V P (Corporate), is B.Com (Hons), LL.B, FCA, has been with the Company for the last 30 years and is responsible for coordinating the entire affairs of the Company
B.Shiva <i>Senior VP Legal & Company Secretary</i>	• Mr. B. Shiva, S. V P (Legal) & Co. Secretary, is a Law graduate and Fellow member of The Institute of Company Secretaries of India. He has been with the Company for 17 years
A. K. Dutta <i>VP, Marketing</i>	• Mr A. K. Dutta is an Electrical Engineer with post graduation in management from IIM Calcutta and has 28 years of experience in marketing. He joined GIL in 2006



2. Business Overview

Board of Directors

Key Board Members	Background
K.K.Bangur <i>Chairman</i>	Mr. Bangur is the Promoter Director of the Company, designated as Chairman. He has over 30 years of business management experience
M.B.Gadgil <i>Executive Director</i>	Mr. Gadgil is a Mechanical Engineer with a Management Degree and has been with the Company for the last 33 years. He is responsible for the management of whole of the affairs of the Company and is actively involved in strategic/ investment decisions
Bhaskar Mittar <i>Director</i>	Mr. Mittar, a Bar-at-law from London, has vast expertise in corporate law. He is closely connected with businesses world and has acquired significant experience over a range of business operations. He was past President of the Associated Chamber of Commerce and Industry of India and Director of Reserve Bank of India, Life Insurance Corporation of India, Unit Trust of India and ICICI Limited
P.K.Khaitan <i>Director</i>	Mr. Khaitan, B.Com, L.L.B., Attorney-at-Law (Bell Chambers Gold Medalist) is an eminent legal personality. He is a member of the Bar Council of India, Bar Council of West Bengal, Incorporated Law Society, Kolkata and Indian Council of Arbitration, New Delhi. His areas of specialization are Commercial and Corporate Laws, Tax Laws, Arbitration, Intellectual Property, Foreign Collaboration, Mergers and Acquisition, Restructuring and De-mergers. Mr. Khaitan is on the Board of several well-known Indian companies
S.Goenka <i>Director</i>	Mr. Goenka is a noted industrialist and Vice-Chairman of the RPG Group. The RPG Group's activities extend to industries like power, tires, entertainment, organized transmission engineering, retailing, IT and multiple business. Currently, he is Chairman, Board of Governors, IIT, Kharagpur and a member of the Board of Governors, International Management Institute, New Delhi. Mr. Goenka is also member of the Indo-French Group and India-China Eminent Persons Group set up by the Ministry of External Affairs. Mr. Goenka is also a member of the National Integration Council and Central Board of Film Certification. He is Honorary Consul of Canada in India



2. Business Overview

Board of Directors

Key Board Members	Background
N.S.Damani <i>Director</i>	Mr. Damani is an industrialist and is presently Chairman and Managing Director of Simplex Mills Limited. He is a science graduate and has completed business management studies
A.V.Lodha <i>Director</i>	Mr. Lodha is a Chartered Accountant and Country Managing partner of Lodha and Company, Chartered Accountants, one of India's leading accountancy and consulting firms
R.Srinivasan <i>Director</i>	Dr. R. Srinivasan has more than 40 years of experience in the banking industry. He held several positions in various banks including being Chairman and Managing Director of New Bank of India, Allahabad Bank and Bank of India. He was Chairman of Indian Banks Association for several years, a director of IDBI, Discount & Finance House of India, New India Assurance Co. Ltd. And ECGC. He was also on various high level Committees constituted by RBI
D.J.Balaji Rao <i>Director</i>	Mr. Balaji Rao has more than 25 years of experience in finance. He was formerly with ICICI Ltd., holding various positions and finally as Deputy Managing Director (Operations & Human Resources Development). Prior to his retirement, he was Managing Director of Infrastructure Development Finance Co. Ltd
J.D.Curravala <i>Director</i>	Mr. Curravala is a qualified Chartered Accountant and a Law Graduate having wide experience in Finance, Administration, Corporate Management and Business Operations. He is the Managing Director of GKW Limited for the past 11 years. Prior to that he was the Director – Finance from 1988, and prior to that he held various positions in that Company
N.Venkataramani <i>Director</i>	Mr. Venkataramani is a qualified engineer with rich experience in managing companies. He joined the erstwhile Graphite India Limited in June, 2001 and was elevated to the post of Executive Director in September, 2001. He was earlier associated with the Company from October 1988 including being President from April, 1993 – September, 1995 and was thereafter associated with another Company as President of a division



3. Financial Performance

Consolidated Historical Profit & Loss Statement

(Rs. Crore)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Net Revenue	574	788	1,156	1,361	1,501	1,347
% Growth	7%	37%	47%	18%	10%	(10%)
EBITDA	113	151	260	307	333	428
% Margin	20%	19%	22%	23%	22%	32%
Interest Expense	12	23	37	43	35	14
Profit Before Tax	76	95	281	223	254	364
Income Tax	16	27	59	81	18	129
Net Profit	60	68	222	142	236	235
% Margin	11%	9%	19%	10%	16%	17%
Basic EPS	4.11	4.65	9.32	9.62	15.26	13.73
% Growth	13%	13%	100%	3%	59%	(10%)
Diluted EPS	4.11	4.65	7.70	7.50	15.26	12.17
% Growth	13%	13%	66%	(3%)	103%	(20%)
Dividend/Share (Rs.)	0.90	1.20	3.00	3.00	3.00	3.50

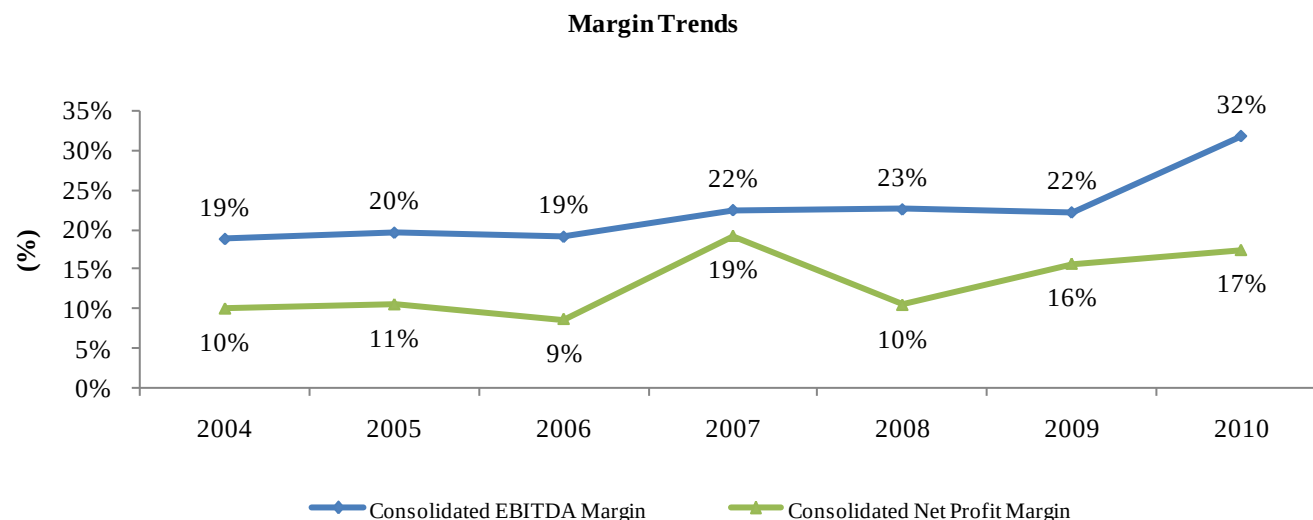
Notes:

- 1 EPS for FY05 adjusted for 1:5 split in order to be able to compare with FY06
- 2 EPS for FY07 excludes non-recurring income from sale of real estate



3. Financial Performance

Discussion of Key Trends



- ❖ Net profit margins in 2007 spiked due to non-recurring income of Rs.96 Crore related to sale of surplus real estate in Bangalore
- ❖ EBITDA margin between 19% to 23% from 2004 to 2009. Higher margin in 2010 due to improved realization, lower input cost (excluding needle coke) and cost reduction initiatives
- ❖ Increasing net profit margins due to greater profitability as well as deleveraging resulting in lower interest costs



3. Financial Performance

Consolidated and Standalone FY 2010 Performance

(Rs. Crore)	Standalone FY 2010	Standalone FY 2009	% Y-o-Y Growth	Consolidated FY 2010	Consolidated FY 2009	% Y-o-Y Growth	Comments
Gross Revenue¹	1,178	1,183	-	1,394	1,558	(11%)	Y-o-y sales volumes and production were lower resulting in a drop in consolidated revenues
EBITDA²	409	261	57%	428	333	29%	Ongoing cost optimization and better price realization
% Margin	36%	23%		32%	22%		
Net Profit	232	194	20%	235	236	-	Increased profitability and reduced interest costs leading to large increase in net profit margin on standalone basis. Lower contribution from German subsidiaries impacted consolidated Net Profit
% Margin	21%	17%		17%	16%		
Basic EPS (Rs.)	13.58	12.55	8%	13.73	15.26	(10%)	

Notes:

1 Gross Revenue includes excise duty

2 EBITDA defined as earnings before depreciation, interest and taxes and includes other income



3. Financial Performance

Consolidated and Standalone FY 2010 Segment Performance

(Rs. Crore)	Standalone FY 2010	Standalone FY 2009	% Y-o-Y Growth	Consolidated FY 2010	Consolidated FY 2009	% Y-o-Y Growth	Comments
Gross Revenue¹							
Graphite and Carbon	954	1,050	(9%)	1,167	1426	(18%)	Volumes declined significantly for the fiscal year. Volume decline was larger for export business than domestic
Power	29	60	(52%)	29	60	(52%)	Lower generation of captive power due to lower production and high operational cost of DG sets
Steel	69	9	644%	69	9	644%	Segment acquired in Feb 09, hence y-o-y numbers not comparable
Unallocated	112	88	27%	115	90	29%	
EBIT							
Graphite and Carbon	313	237	32%	323	307	5%	Improved realization, increased operating efficiency and lower input costs (excluding needle coke)
Power	18	17	6%	18	17	6%	
Steel	(3)	(2)	n/a	(3)	(2)	n/a	
Unallocated	33	19	74%	35	19	89%	

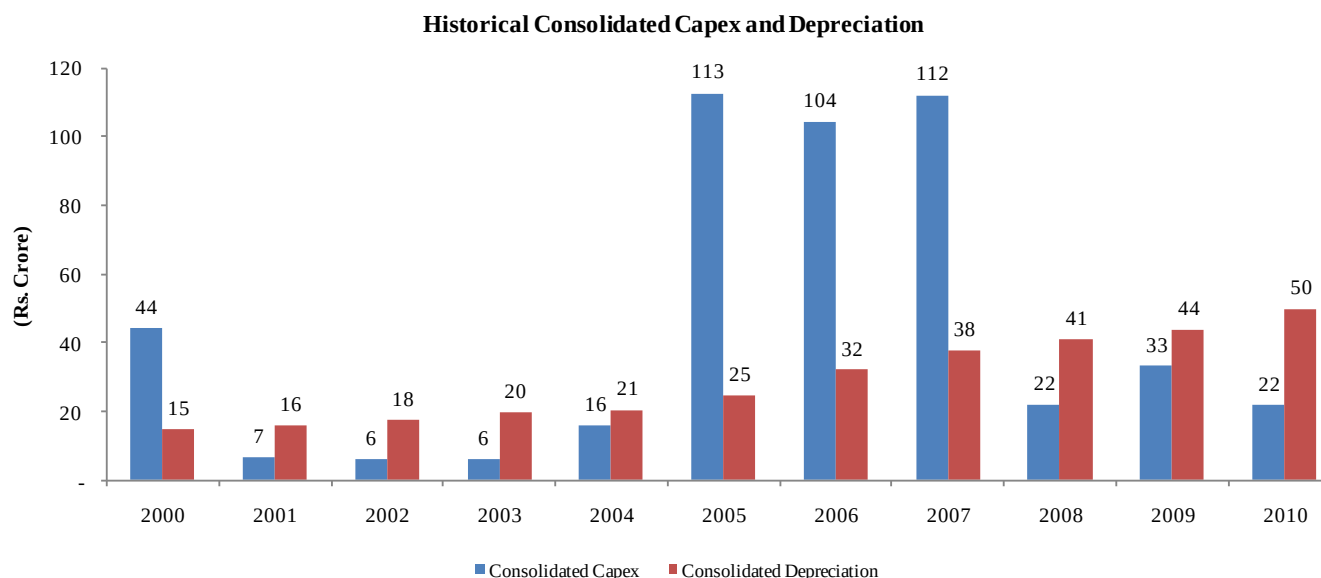
Notes:

1 Gross Revenue includes excise duty



3. Financial Performance

Capex and Depreciation Trends

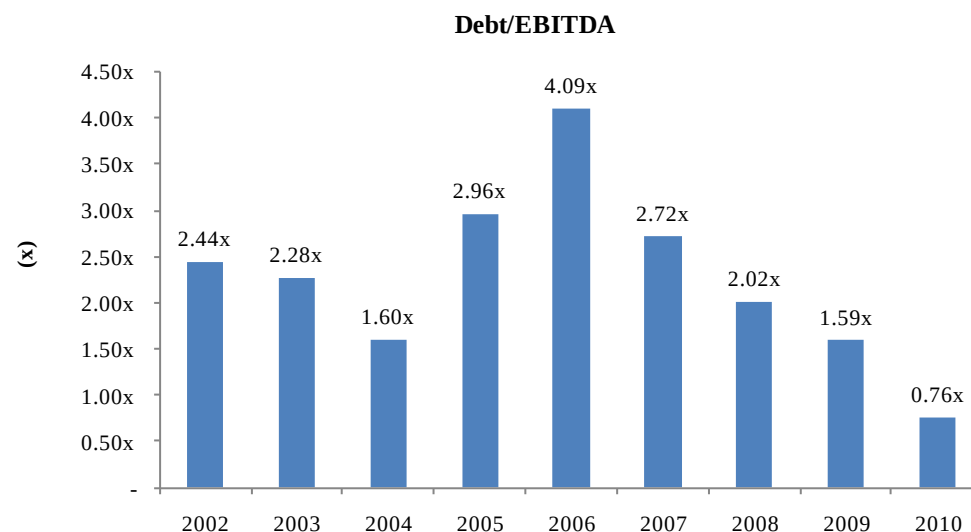
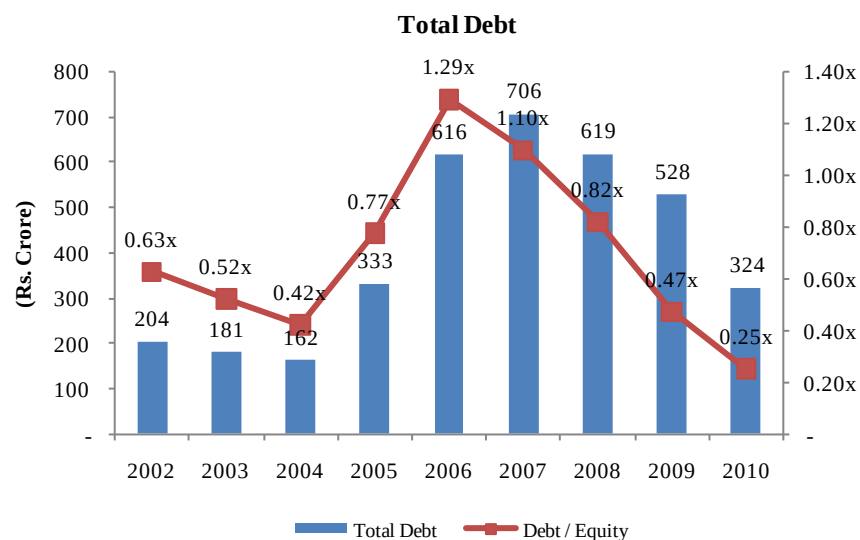


- ❖ Timely and efficient capex investments primarily in brownfield projects
- ❖ Spike in capex in FY2005-FY2007 due to expansion of Durgapur plant capacity from 14K MT to 34K MT per annum and rebaking furnaces at Nasik
- ❖ Acquisition of a manufacturing facility in Germany in FY2005 also resulted in higher capex
- ❖ Annual maintenance capex estimated at approximately Rs.15-20 Crore
- ❖ Durgapur plant expansion by 20K MT expected to incur Rs. 255 Crore in capex, while the new 50MW power plant will incur Rs. 214 Crore. This additional capex will be funded through a balanced mix of internal accruals and borrowings



3. Financial Performance

Conservative Leverage Profile



Agency	Instrument	Rating	Comment
ICRA	Short-Term Funds	A1+	Indicates highest-credit-quality rating to short term debt instruments. Instruments rated in this category carry the lowest credit risk in short term
ICRA	Long-Term Funds	LAA	Indicates high-credit-quality rating. The rated instrument carries low credit risk

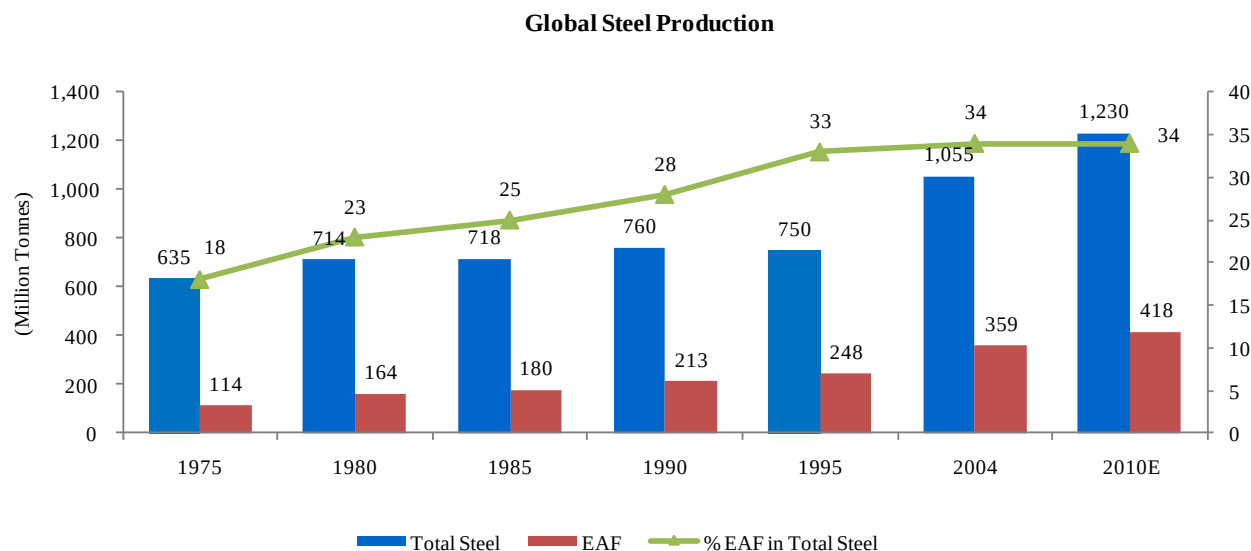
- ❖ Significant deleveraging over the past four years with Debt/EBITDA decreasing from 4.09x in 2006 to 0.76x in 2010
- ❖ Total debt as percentage of equity has remained at conservative levels
- ❖ Significant financial flexibility available for future capacity expansions or inorganic acquisitions

Note: Global ratings agency, Moody's owns 28.5% of ICRA



4. Industry Dynamics

Global Steel Industry

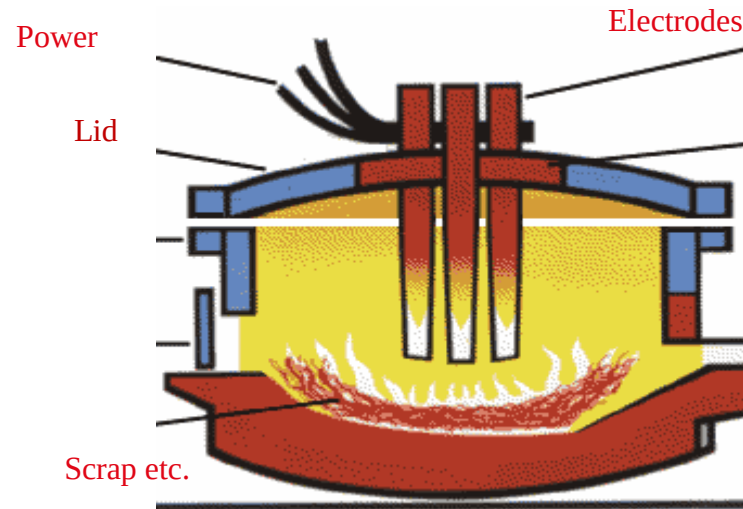


- ❖ Crude steel production continues to recover post-recession due to significant stimulus programs by governments worldwide
- ❖ EAF route of manufacturing is gaining share due to :
 - lower capital investment
 - lower break-even tonnage
 - flexibility in locating plants closer to consumption
 - less polluting than integrated steel plants



4. Industry Dynamics

Graphite Electrodes Usage



- ❖ An electric arc furnace (EAF) is a furnace that heats charged material by means of an electric arc
- ❖ Arc furnaces range in size from small units of approximately one tonne capacity (used in foundries for producing cast iron products) up to about 400 tonne units used for secondary steelmaking
- ❖ Electric arc furnace temperatures can be up to 1,800 degrees Celsius and the electrode tip & arc temperatures can go as high as 3000-4000 degrees Celsius
- ❖ Graphite Electrodes are consumed in an electric arc furnace
 - An electrode typically lasts for 22-30 heats /batches or 10 hours
 - A single graphite electrode can weigh over 2 tonnes
 - Electrode demand is driven by the production of steel through the EAF method



4. Industry Dynamics

Graphite Electrodes Industry Dynamics

- ❖ Five largest global players account for 75% of capacity
 - Most of this capacity is in high cost locations including US, Europe and Japan
 - Globally, no greenfield capacity being installed
 - A few industry players in South Asia have initiated brownfield expansion
- ❖ The technology involved in manufacturing ultra high power electrodes is restricted to major players, including Graphite India, and is a significant source of barriers to entry
- ❖ Electrode costs as % of steel selling price has reduced by 40 % over last 6 years supporting the prospect of a sustainable increase in electrode price / MT
 - Graphite electrodes constitute approximately 2% of the cost of production in the EAF method
- ❖ There are no substitutes for graphite electrodes in the EAF steel making process
- ❖ The graphite electrode industry is not sensitive to steel prices but is impacted by the volume of steel production through the EAF method



5. Strategic Outlook

Clearly Defined Group Strategy

2002

Single country location

Small and vulnerable size

Low brand equity

Dominant in India but not in international markets

Rationalize operational locations and processes

Backward integration in power to further reduce costs

Grow capacity and explore opportunities in other low cost locations

Enhance higher value products in sales mix

Integrate Indian & global operations

Grow Graphite Electrodes, Equipment and Specialty Products into global businesses

Evaluate other value enhancing alternatives such as an international stock listing

2010 and **Beyond**

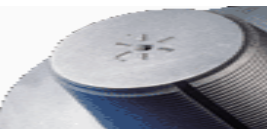
Multi country location (**Explore inorganic growth opportunities**)

Globally one of the largest producers (**aspire to be amongst top 3 players**)

Strong brand equity

Dominant in India and selected global markets (**to further improve penetration in untapped markets**)

Global presence in IGE and Specialty



5. Strategic Outlook

Near Term Strategic Plan by Segment

Graphite and Carbon

- ◆ Rationalize production operations between plants
- ◆ Stepped up construction activity on the 20,000 tonnes per annum electrode capacity expansion plan at the Durgapur Plant, in view of the competitive capital cost and the anticipated improvement in electrode demand in the medium term
 - The focus of the expansion plan is to provide facilities with eco-friendly advanced technology and greater energy efficiency
- ◆ Aggressively pursue value enhancing inorganic growth opportunities
- ◆ Target focused reduction in manufacturing costs
- ◆ Penetrate into new markets and clients
- ◆ Use low cost base & high product quality to expand customer base at competitive prices
- ◆ Enhance presence in value added graphite products
- ◆ Grow impervious graphite equipment business

Power

- ◆ In order to attain self-sufficiency and uninterrupted availability of quality power at economical rate, Graphite India has decided to set up a coal based thermal power plant of 50 MW capacity at Durgapur at an investment of Rs.214 Crores
- ◆ This will increase power generation capacity from current 33 MW to 83 MW and will enable Graphite India to further optimize its cost of production and increase its competitiveness in the global market.





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