

Graphite India Limited

Announces Unaudited Standalone First Quarter Results for FY2012

Standalone Q1 FY2012 vs. Q1 FY2011:

Gross Sales increased by 24%
Electrode sales volume increased by 33%
Average capacity utilization up from 59% to 79%

KOLKATA, India, July 25th, 2011 – Graphite India Limited, the largest Indian graphite electrode producer (referred to as “Graphite India” or the “Company”, NSE: GRAPHITE, BSE: 509488), announced its Unaudited Standalone First Quarter Results, in accordance with Indian GAAP.

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

“Graphite India had a strong start to the fiscal year with significant volume growth, both on a year over year and sequential basis. Electrode prices have remained relatively stable since the beginning of this year. Continued strength in global steel production, particularly through the EAF route, is expected to benefit the electrode industry going forward. We continue to retain flexibility to capitalize on this opportunity through both leading industry margins as well as a conservative balance sheet.”

Standalone Financial Highlights

(Rs. Crore)	Q1		y-o-y Growth (%)	Q4	
	FY2012	FY2011		FY2011	q-o-q Growth (%)
Gross Sales	335	271	23.6%	318	5.1%
Net Sales	319	258	23.3%	303	5.1%
Operating Profit	68	62	9.7%	76	(9.6)%
Margin (%)	21.5%	24.1%		24.9%	
Net Profit	37	34	7.2%	45	(17.2)%
Net Profit Margin (%)	11.6%	13.3%		14.7%	
Basic EPS (Rs)	1.89	1.99	(5.0)%	2.38	(20.6)%

Operational Highlights

Economic Environment¹

The global steel industry continued to show strong growth with crude steel production increasing by 7.6% from 705.2 million MT in the first half of CY2010 to 758.6 million MT during the same period in

¹ worldsteel.org, June 2011



CY2011. Year over year growth in crude steel production was strong in the first quarter of CY2011 and moderated in the second quarter.

Growth in the steel industry during the first half of CY2011 remained significantly diversified across regions. Asia produced 486.1 million MT of crude steel, an increase of 8.6% over the first half of CY2010 (with growth in India and China of 4.3% and 9.9%, respectively). North America's crude steel production during this period was 59.0 million MT, 4.9% higher than the prior year. Steel production growth in the EU and South America was 4.0% and 14.9% respectively, as compared to the prior year. Global capacity utilization in the steel industry remained relatively stable between 82-83% during the first half of CY2011

Crude oil prices declined from approximately \$110/barrel at the beginning of Q1 FY2012 to \$95/barrel at the end of the quarter. This decline was driven by negative economic indicators from the US and Europe, resulting in lower demand for oil.

Business Performance

Q1 FY2012 Gross Sales increased by 23.6% compared to Q1 FY2011. This was primarily due to increased market demand for electrodes driving significantly higher volumes. Electrode sales volumes in the quarter increased by 33% compared to the prior year. This increase was driven by both the Indian market as well as exports. Sales volumes in India grew by 55% and export sales volumes grew by 19% during the quarter. Electrode prices remained relatively steady on a year over year and sequential basis.

Q1 FY2012 Operating Profits increased by 9.7% compared to Q1 FY2011. This growth was primarily due to higher volumes, offset to some extent by an increase in input costs other than needle coke. Average capacity utilization increased from 59% in Q1 FY2011 to 79% in Q1 FY2012. Electrode production increased by 34% compared to the prior year.

Q1 FY2012 Net Profit increased by 7.2% as compared to Q1 FY2011. This was primarily due to higher Operating Profits, offset to some extent by an increase in interest expense. Interest expense increased from Rs. 0.52 Crore in Q1 FY2011 to Rs. 2.64 Crore in Q1 FY2012, as a result of an increase in working capital requirements and increasing interest rates.

Net Sales growth in the non-electrode segments remained relatively flat during Q1 FY2012. Strong growth in impervious graphite equipment and glass reinforced plastic pipes was offset by a decline in the Steel and Power segments. Growth in the Steel segment was impacted primarily by a lock out at the Titilagarh steel plant. The lock out was lifted on June 9, 2011

Balance Sheet

Graphite India remains focused on maintaining a conservative balance sheet in order to preserve flexibility. As of June 30, 2011, the Company had total debt of Rs. 235 Crore, cash and cash equivalents of Rs. 217 Crore, net debt of Rs. 18 Crore and Net Worth of Rs. 1,440 Crore.



Segment Analysis

(Rs. Crore)	Q1		y-o-y Growth (%)	Q4	
	FY2012	FY2011		FY2011	q-o-q Growth (%)
Net Sales	319	258	23.3%	303	5.1%
Graphite and Carbon	272	212	28.3%	251	8.3%
Power	6	7	(13.4)%	10	(43.9)%
Steel	9	22	(58.4)%	10	(6.1)%
Unallocated	39	25	52.9%	44	(12.4)%
Less: Inter Segment Sales	(7)	(8)		(13)	
Profit before Tax and Interest	60	57	5.4%	68	(11.4)%
Graphite and Carbon	51	47	8.1%	49	4.5%
Power	4	4	(4.1)%	7	(46.9)%
Steel	(2)	0	nm	(1)	nm
Unallocated	7	6	26.5%	13	(42.6)%

Strategic Initiatives and Performance Outlook

The electrode capacity expansion by 20,000 MT at Durgapur Plant is progressing well and is expected to be completed by Q4 FY2011-12. The Company had earlier signed an agreement with KSK Energy to obtain low cost power for its Nasik plant. This supply is now expected to commence from Q2 FY2012.

Steel consumption² is expected to grow 5.9% y-o-y in CY2011 and 6.0% y-o-y in CY2012. Strong economic growth coupled with large infrastructure needs and expansion of industrial production in India is expected to drive domestic steel demand. India's steel demand is projected to grow by 13.3% y-o-y in CY2011 and 14.3% y-o-y in CY2012. Average global steel production capacity utilization (currently 82-83%) is expected to remain high due to this increased demand, which will directly benefit the graphite electrode industry.

Graphite India remains well positioned to capitalize on this expected demand through increased capacity and continued focus on cost efficiency and productivity. The Company is targeting a consolidated capacity utilization of approximately 85-90% in FY2012. Graphite India has also taken steps towards ensuring stability in key input costs, particularly needle coke.

² worldsteel.org, Apr 2011



Analyst / Investor / Media Enquiries

S. Chaudhary, Graphite India Limited	+91 (0) 33 2229 3792
Vikram Rao, Churchgate Partners	+91 (0) 22 3953 7444
Sudhir Shetty, Adfactors Public Relations	+91 (0) 22 2281 3565

For further information on Graphite India see www.graphiteindia.com

Notes:

1. Gross Sales: Sales/Income from Operations, including excise duty
2. Operating Profit: Earnings before interest, depreciation, exceptional items and tax, and includes Other Income
3. All financial margins are calculated based on Net Sales
4. Net Worth: Share Capital and Reserves and Surplus
5. Basic EPS: Face value of Rs. 2.00; 19.54 Crore shares

Safe Harbour

This release 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.



Graphite India Fact Sheet

1. 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 78,000 tonnes per annum is spread over four plants at Durgapur (34,000 MT), Bangalore (13,000 MT), Nashik (13,000 MT) and Nurnberg in Germany (18,000 MT). The Company accounts for approximately 6.5% of global electrode capacity and has over 40 years of technical expertise in the industry. With its corporate office in Kolkata, India, the Company services its clients in over fifty countries, with no client accounting for over 6% of revenues. Exports account for approximately 50% of revenues and export volumes increased over 3 times from FY2001 to FY2011. Graphite India manufactures the full range of graphite electrodes but stays focused on the higher margin, large diameter, ultra-high power (“UHP”) electrodes. Approximately 85% of the Company’s total capacity is currently UHP.

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 five 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 currently manufactures Calcined Petroleum Coke (“CPC”) for use in electrode manufacturing. It is also 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. A capacity expansion plan has been initiated in its Durgapur (West Bengal) plant, to increase capacity by 20,000 MT per annum, taking the total capacity towards 100,000 MT per annum.

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, which will be enhanced to 83 MW with installation of a 50 MW thermal power plant

2. 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.

Due to the global economic recession, demand for electrodes is currently less than total installed capacity of 1.2 million MT, of which UHP capacity is 0.9 million MT. Global steel production continues to recover post-recession.

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 396 million MT in 2010.



Graphite India Limited

31, Chowringhee Road, Kolkata 700 016

Unaudited Standalone First Quarter Results for Fiscal 2012 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Particulars	Quarter ended 30th June		Year ended 31st March 2011 (Audited)
	2011	2010	
Gross Sales/Income from Operations	33,469	27,086	128,004
Less: Excise Duty on Sales	1,617	1,262	5,744
Net Sales/Income from Operations	31,852	25,824	122,260
Other Operating Income	-	-	-
Total Income	31,852	25,824	122,260
Expenditure			
(Increase)/decrease in stock in trade and work in progress	(1,894)	(1,337)	(12,222)
Consumption of raw materials	14,408	11,687	59,713
Consumption of stores and spare parts	4,164	2,329	13,746
Purchase of traded goods	-	-	-
Employees cost	2,062	1,936	8,440
Electricity charges	3,922	2,491	12,772
Depreciation	985	984	3,933
Other expenditure	3,045	2,777	11,896
Total	26,692	20,867	98,278
Profit from Operations before Other Income, Interest & Exceptional Items	5,160	4,957	23,982
Other Income	691	288	3,377
Profit before Interest & Exceptional Items	5,851	5,245	27,359
Interest	264	52	504
Profit after Interest but before Exceptional Items	5,587	5,193	26,855
Exceptional items	-	-	1,273
Profit from Ordinary Activities before tax	5,587	5,193	25,582
Tax expense (Net) (Note-6)	1,900	1,754	8,350
Net Profit from Ordinary Activities after tax	3,687	3,439	17,232
Extraordinary Item	-	-	-
Net Profit for the period	3,687	3,439	17,232
Paid-up equity share capital (Face Value Rs.2/- each)	3,908	3,478	3,908
Reserves excluding Revaluation Reserve			136,442
Earnings Per Share (EPS)-Face Value Rs.2/- each			
Basic EPS (Rs.)	1.89	1.99	9.19
Diluted EPS (Rs.)	1.89	1.89	8.82
Earnings Per Share (EPS) before Exceptional Items - Face Value Rs. 2/- each			
Basic EPS (Rs.)	1.89	1.99	9.65
Diluted EPS (Rs.)	1.89	1.89	9.26
Public shareholding			
- Number of shares	83,558,735	64,879,799	83,558,735
- Percentage of shareholding	42.77	37.31	42.77
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	111,816,859	109,016,859	111,816,859
- Percentage of shares (as a % of the total shareholding of the promoter and promoter group)	100	100	100
- Percentage of shares (as a % of the total share capital of the company)	57.23	62.69	57.23

Graphite India Limited

31, Chowringhee Road, Kolkata 700 016

Unaudited Standalone First Quarter Segment Results for Fiscal 2012
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	Particulars	Quarter ended 30th June		Year ended 31st March, 2011 (Audited)
		2011	2010	
1	SEGMENT REVENUE -			
	Graphite and Carbon	27,184	21,181	103,123
	Power	587	678	3,446
	Steel	914	2,199	8,021
	Unallocated	3,893	2,546	11,947
	Total	32,578	26,604	126,537
	Less: Inter Segment Revenue	726	780	4,277
	Sales/Income from Operations-Net	31,852	25,824	122,260
2	SEGMENT RESULTS -			
	Profit before tax and interest			
	Graphite and Carbon	5,099	4,715	20,425 *
	Power	372	388	2,567
	Steel	-182 #	29	61
	Unallocated	730	577	3,277
	Total	6,019	5,709	26,330
	Less:			
	Interest	264	52	504
	Other un-allocable expenditure /(income)(net)	168	464	244
	Total Profit Before Tax	5,587	5,193	25,582
3	CAPITAL EMPLOYED -			
	(Segment Assets - Segment Liabilities)			
	Graphite and Carbon	133,910	100,820	131,878
	Power	5,108	5,594	5,245
	Steel	17,394	17,543	17,762
	Unallocated	10,300	8,720	10,574
	Total	166,712	132,677	165,459

* after exceptional items

Refer Note 5 below

Graphite India Limited

31, Chowringhee Road, Kolkata 700 016

Notes to Unaudited Standalone First Quarter Results for Fiscal 2012
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Notes :

- 1 The above results have been reviewed by the Audit Committee and approved by the Board at its meeting held on 25th July, 2011. The Auditors of the Company have carried out a Limited Review of the financial results for the quarter ended 30th June, 2011 in terms of Clause 41 of the Listing Agreement with Stock Exchanges.
- 2 Other income for the quarter ended 30th June, 2011 and for the year ended 31st March, 2011 includes exchange gain of Rs. 267 lakhs and Rs. 1252 lakhs respectively, whereas other expenditure for the quarter ended 30th June, 2010 includes exchange loss of Rs. 333 lakhs.
- 3 Generation of power at hydro electrical plants is seasonal in nature.
- 4 No investor complaint was pending at the beginning of the quarter ended 30th June, 2011. During the quarter, nine complaints were received. All the complaints were disposed off / attended to and no complaint was pending as on 30th June, 2011.
- 5 Lockout declared on 6th March, 2011 in Powmex Steel Division was lifted on 9th June, 2011.
- 6 Tax expense comprises current tax and deferred tax.
- 7 Figures for the previous year/period have been re-grouped / re-arranged wherever necessary.

By Order of the Board
For Graphite India Limited

Place : Kolkata
Date : 25th July, 2011

K.K.Bangur
Chairman