

Graphite India Limited

Announces

Unaudited Standalone Second Quarter and Half Year Results for FY2012

Financial Performance Q2 FY2012 vs. Q2 FY2011

Gross Sales increased by 41%

Electrode sales volume increased by 40%

Average capacity utilization up from 78% to 97%

KOLKATA, India, November 14th, 2011 – Graphite India Limited, the largest Indian graphite electrode producer (referred to as “Graphite India” or the “Company”), announces its Unaudited Standalone Second Quarter and Half Year Results for FY2012, in accordance with Indian GAAP.

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

“Electrode revenues during the quarter have been encouraging, being supported primarily by strong volume growth. Our manufacturing units are currently close to full capacity utilization levels and our Durgapur expansion plan is progressing as per schedule. Although global EAF steel markets are expected to grow, we remain cautiously optimistic on the industry outlook. Management remains focused on strengthening customer relationships, implementing operational efficiencies and enhancing our technical capabilities.”

Financial Highlights

(Rs. Crore)	Q2		y-o-y	Q1		q-o-q	Half year		y-o-y
	FY2012	FY2011	Growth (%)	FY2012	FY2011	Growth (%)	FY2012	FY2011	Growth (%)
Gross Sales	479	339	41.3%	335	335	43.0%	814	610	33.4%
Net Sales	462	324	42.5%	319	319	44.9%	780	582	34.0%
Operating Profit	77	98	(21.8)%	68	68	12.2%	145	160	(9.6)%
Margin (%)	16.6%	30.3%		21.5%	21.5%		18.6%	27.6%	
Net Profit	42	49	(14.9)%	37	37	13.6%	79	84	(5.8)%
Margin (%)	9.1%	15.2%		11.6%	11.6%		10.1%	14.4%	
Basic EPS (Rs)	2.14	2.74	(21.9)%	1.89	1.89	13.2%	4.03	4.66	(13.5)%

Operating Profit (net of foreign exchange gains/losses)	96.5	90.1	7.1%
Margin (%)	20.9%	27.8%	

Operating Profit includes all foreign exchange gains or losses. For Q2 FY2012 foreign exchange losses of Rs. 19.8 Crore have been shown under the head “other expenditure” (refer to Note 3 of Notes to Accounts). These foreign exchange losses are due to the impact of the unprecedented depreciation of the Rupee to the US Dollar primarily on foreign currency loan facilities availed by the Company. **Q2 FY2012 Operating Profit, prior to foreign exchange losses, is Rs 96.5 Crore which would result in an operating margin of 20.9%** (compared with an adjusted Operating Profit of Rs 90.1 Crore for Q2 FY2011 with margins of 27.8%).



Economic Environment

Global crude steel production¹ has increased by 8.2% from 1,048 million MT in the first nine months of CY2010 to 1,134 million MT during the same period in CY2011. This compares with year on year growth for the last quarter of 10.3% and 7.6% for the first half of CY2011.

Steel Production (million MT)		Nine Months Ended	
Region	Sep-11	Sep-10	Change (%)
Asia	728.3	665.2	9.5%
<i>India</i>	53.9	51.2	5.3%
<i>China</i>	525.7	474.9	10.7%
North America	89.3	84.1	6.1%
South America	36.8	32.7	12.5%
European Union	135.7	130.1	4.3%

The global average steel capacity utilisation has increased significantly from 74.8% in Q3 CY2010 to 78.8% in Q3 CY2011 but decreased from 82.4% at the end of the last quarter. These utilization levels have ranged between 76% to 83% during the first nine months of CY2011.

Crude oil prices declined from approximately \$115/barrel at the beginning of Q3 CY2011 to \$103/barrel at the end of the quarter.

Operational Highlights

Q2 FY2012 Business Performance

Q2 FY2012 Gross Sales increased by 41.3% compared to Q2 FY2011. This was primarily due to increased market demand for electrodes driving significantly higher volumes. Electrode sales volumes in the quarter increased by 40% compared to the same period last year. This increase was driven by both the domestic market as well as exports. Sales volumes in India grew by 10% and export sales volumes grew by 58% during the quarter. Net Sales growth in the non-electrode segments was also relatively strong during Q2 FY2012.

Operating Profits increased by 12.2% compared to the previous quarter. During the quarter, the Company has witnessed increase in input costs other than needle coke. Average capacity utilization increased from 78% in Q2 FY2011 to 97% in Q2 FY2012. Electrode production has increased by 24% during this quarter, compared to the same period last year.

Q2 FY2012 Net Profit increased by 13.6% compared to previous quarter and decreased by 14.9% as compared to Q2 FY2011. This was due to the unprecedented depreciation of the Rupee to the US Dollar primarily on foreign currency loan facilities availed by the Company. Interest expense increased from Rs. 0.85 Crore in Q2 FY2011 to Rs. 2.50 Crore in Q2 FY2012, as a result of an increase in working capital requirements and firming of interest rates.

¹ worldsteel.org



Balance Sheet

Graphite India remains focused on maintaining a conservative balance sheet in order to preserve strategic and operational flexibility. As of September 30, 2011, the Company had total debt of Rs. 424 Crore, cash and cash equivalents of Rs. 248 Crore, net debt of Rs. 176 Crore and Net Worth of Rs. 1,482 Crore.

Segment Analysis

(Rs. Crore)	Q2		y-o-y	Q1		q-o-q	Half year		y-o-y
	FY2012	FY2011	Growth (%)	FY2012	Growth (%)		FY2012	FY2011	Growth (%)
Net Sales	462	324	42.5%	319	44.9%		780	582	34.0%
Graphite and Carbon	398	275	45.0%	272	46.5%		670	487	37.7%
Power	11	8	34.2%	6	92.0%		17	15	12.9%
Steel	28	23	20.3%	9	202.6%		37	45	(18.2)%
Unallocated	38	28	36.3%	39	(1.5)%		77	54	44.2%
Less: Inter Segment Sales	(14)	(10)		(7)			(21)	(18)	
Profit before Tax and Interest	84	70	20.3%	60	39.2%		144	127	13.6%
Graphite and Carbon	64	54	18.2%	51	24.7%		115	101	13.5%
Power	10	8	30.0%	4	166.9%		14	12	18.5%
Steel	1	0		(2)			(1)	0	
Unallocated	9	8	12.4%	7	23.8%		16	14	18.3%

Performance Outlook

The World Steel Association² now expects global steel consumption to grow year on year by 6.5% in CY2011 and 5.4% in CY2012. These forecasts assume that developing economies would continue to drive global growth and the impact of the European sovereign debt crisis on Asian demand is contained. The recovery of steel demand in the developed countries will be relatively modest compared to the more robust growth across Asia. India's steel demand is projected to grow by year on year 4.3% in CY2011 to 67.7 MT and 7.9% in CY2012. In context of these forecasts, global steel capacity utilization, currently between 76% to 83%, is expected to remain relatively high. This coupled with an increasing contribution of EAF share to total crude steel production will directly benefit the graphite electrode industry.

Although Graphite India's standalone capacity utilisation levels are currently 97%, the Company maintains a targeted consolidated annual capacity utilization of approximately 85-90% for FY2012. The Company has secured needle coke supplies until the end of FY 2012. Graphite India has initiated discussions with needle coke manufacturers to secure supply contracts for the next fiscal year. The electrode capacity expansion at Durgapur Plant by 20,000 MT is progressing as per schedule and is expected to be completed by Q4 FY2012.

² worldsteel.org



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Accounting 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: At a Glance

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.

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

Particulars	Quarter ended 30th September		Half year ended 30th September		Year ended 31st March, 2011 (Audited)
	2011	2010	2011	2010	
Gross Sales/Income from Operations	47,919	33,904	81,388	60,990	128,004
Less: Excise Duty on Sales	1,763	1,518	3,380	2,780	5,744
Net Sales/Income from Operations	46,156	32,386	78,008	58,210	122,260
Other Operating Income	-	-	-	-	-
Total Income	46,156	32,386	78,008	58,210	122,260
Expenditure					
(Increase)/decrease in stock in trade and work in progress	3,700	(1,810)	1,806	(3,147)	(12,222)
Consumption of raw materials	16,741	14,317	31,149	26,004	59,713
Consumption of stores and spare parts	5,162	3,447	9,326	5,776	13,746
Purchase of traded goods	-	-	-	-	-
Employees cost	2,227	1,936	4,289	3,872	8,440
Electricity charges	4,172	3,152	8,094	5,643	12,772
Depreciation	989	984	1,974	1,968	3,933
Other expenditure	6,595	2,898	9,640	5,342	11,896
Total	39,586	24,924	66,278	45,458	98,278
Profit from Operations before Other Income, Interest & Exceptional Items	6,570	7,462	11,730	12,752	23,982
Other Income	112	1,365	803	1,320	3,377
Profit before Interest & Exceptional Items	6,682	8,827	12,533	14,072	27,359
Interest	250	85	514	137	504
Profit after Interest but before Exceptional Items	6,432	8,742	12,019	13,935	26,855
Exceptional items- Payments under Voluntary Retirement Scheme	-	1,273	-	1,273	1,273
Profit from Ordinary Activities before tax	6,432	7,469	12,019	12,662	25,582
Tax expense (Net) (Note-6)					
- Current	2,280	2,550	4,180	4,304	8,350
- Earlier Years	(36)	-	-36	-	-
Net Profit from Ordinary Activities after tax	4,188	4,919	7,875	8,358	17,232
Extraordinary Item	-	-	-	-	-
Net Profit for the period	4,188	4,919	7,875	8,358	17,232
Paid-up equity share capital (Face Value ₹ 2/- each)	3,908	3,908	3,908	3,908	3,908
Reserves excluding Revaluation Reserve					136,442
Earnings Per Share (EPS) -Face Value ₹ 2/- each					
Basic EPS (₹)	2.14	2.74	4.03	4.66	9.19
Diluted EPS (₹)	2.14	2.52	4.03	4.28	8.82
Earnings Per Share (EPS) excluding Exceptional Items-Face Value ₹ 2/- each					
Basic EPS (₹)	2.14	3.22	4.03	5.13	9.65
Diluted EPS (₹)	2.14	2.95	4.03	4.71	9.26
Public shareholding					
- Number of shares	78,138,736	84,808,735	78,138,736	84,808,735	83,558,735
- Percentage of shareholding	39.99	43.41	39.99	43.41	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	117,236,858	110,566,859	117,236,858	110,566,859	111,816,859
- Percentage of shares (as a % of the total shareholding of the promoter and promoter group)	100.00	100.00	100.00	100.00	100.00
- Percentage of shares (as a % of the total share capital of the company)	60.01	56.59	60.01	56.59	57.23



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31, Chowringhee Road, Kolkata 700 016

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

Segment Reporting as per Clause 41 of the Listing Agreement

(₹ in Lakhs)

	Particulars	Quarter ended 30th September		Half year ended 30th September		Year ended 31st March 2011 (Audited)
		2011	2010	2011	2010	
1	SEGMENT REVENUE -					
	Graphite and Carbon	39,828	27,470	67,012	48,651	103,123
	Power	1,127	840	1,714	1,518	3,446
	Steel	2,766	2,299	3,680	4,498	8,021
	Unallocated	3,833	2,812	7,726	5,358	11,947
	Total	47,554	33,421	80,132	60,025	126,537
	Less: Inter Segment Revenue	1,398	1,035	2,124	1,815	4,277
	Sales/Income from Operations-Net	46,156	32,386	78,008	58,210	122,260
2	SEGMENT RESULTS -					
	Profit before tax and interest					
	Graphite and Carbon	6,360	5,381 *	11,459	10,096 *	20,425 *
	Power	993	764	1,365	1,152	2,567
	Steel	122	15	(60)	44	61
	Unallocated	904	804	1,634	1,381	3,277
	Total	8,379	6,964	14,398	12,673	26,330
	Less:					
	Interest	250	85	514	137	504
	Other un-allocable expenditure/(income)(net)	1,697	(590)	1,865	(126)	244
	Total Profit Before Tax	6,432	7,469	12,019	12,662	25,582
3	CAPITAL EMPLOYED -					
	(Segment Assets - Segment Liabilities)					
	Graphite and Carbon	147,857	105,340	147,857	105,340	131,878
	Power	5,080	5,596	5,080	5,596	5,245
	Steel	17,338	17,706	17,338	17,706	17,762
	Unallocated	10,580	10,127	10,580	10,127	10,574
	Total	180,855	138,769	180,855	138,769	165,459

* after exceptional item



Graphite India Limited

31, Chowringhee Road, Kolkata 700 016

Unaudited Standalone Balance Sheet as of September 30th, 2011 (All amounts are in Lakhs of Indian Rupees, unless otherwise stated)

Notes :

1 Statement of assets and liabilities -

(₹ in Lakhs)

Particulars	As at 30th September		As at 31st March
	2011 (Unaudited)	2010 (Unaudited)	2011 (Audited)
Shareholders' Funds			
(a) Share Capital	3,908	3,908	3,908
(b) Reserves and Surplus	144,317	135,516	136,442
	148,225	139,424	140,350
Loan Funds	42,419	6,989	26,516
Deferred Tax Liability (Net)	7,257	6,698	6,302
Total	197,901	153,111	173,168
Fixed Assets	60,361	48,775	55,312
Investments	27,319	26,808	27,278
Current Assets, Loans and Advances			
(a) Inventories	78,125	62,518	75,982
(b) Sundry Debtors	37,251	27,937	28,554
(c) Cash and Bank Balances	4,688	764	3,024
(d) Other Current Assets	454	435	420
(e) Loans and Advances	18,544	11,285	15,251
	139,062	102,939	123,231
Less: Current Liabilities and Provisions			
(a) Liabilities	24,718	21,106	20,923
(b) Provisions	4,123	4,305	11,730
	28,841	25,411	32,653
Net Current Assets	110,221	77,528	90,578
Total	197,901	153,111	173,168

- 2 The above results have been reviewed by the Audit Committee and approved by the Board at its meeting held on 14th November, 2011. The Auditors of the Company have carried out a Limited Review of the financial results for the quarter and the half-year ended 30th September, 2011 in terms of Clause 41 of the Listing Agreement with Stock Exchanges.
- 3 Other expenditure for the quarter and the half-year ended 30th September, 2011 includes exchange loss of ₹ 1981 lakhs and ₹ 1714 lakhs respectively. Other Income for the corresponding quarter and the half-year ended 30th September, 2010 includes exchange gain of ₹ 804 lakhs and ₹ 471 lakhs respectively. Such gain for the year ended 31st March, 2011 was ₹ 1252 lakhs.
- 4 Generation of power at hydro electrical plants is seasonal in nature.
- 5 No investor complaint was pending at the beginning of the quarter. During the quarter, ten complaints were received. All the complaints were disposed off / attended to and no complaint was pending as on 30th September, 2011.
- 6 Tax expense - Current comprises current tax and deferred tax. Tax expense - Earlier Years relates to fringe benefit 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 : 14th November, 2011

K.K.Bangur
Chairman

