



GRAPHITE INDIA LIMITED

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GIL:SEC/SM/20-21/38

August 12, 2020

Bombay Stock Exchange Limited
The Corporate
Relationship Department
1st Floor, New Trading Ring,
Rotunda Bldg., P.J.Towers,
Dalal Street,
Mumbai 400 001.

Scrip Code – 509488

The Manager
Listing Department
National Stock Exchange
Exchange Plaza, 5th Floor,
Plot No-C/1, G Block,
Bandra-Kurla Complex,
Bandra (E)
Mumbai 400 051
Symbol - GRAPHITE

Sir,

Re : Earnings Presentation – Results for quarter ended June 30 2020

Dear Sir,

Earnings Presentation in connection with the Company's un-audited financial results for the quarter ended 30th June, 2020 is enclosed for your information and records.

Thanking you,

Yours faithfully,
For Graphite India Limited

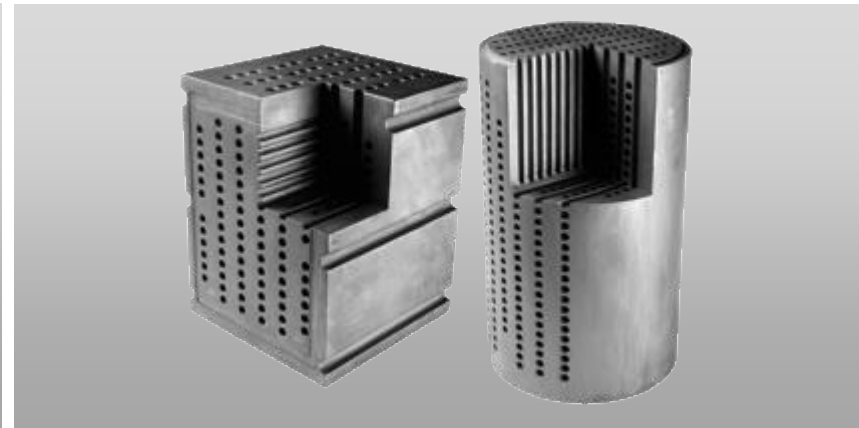
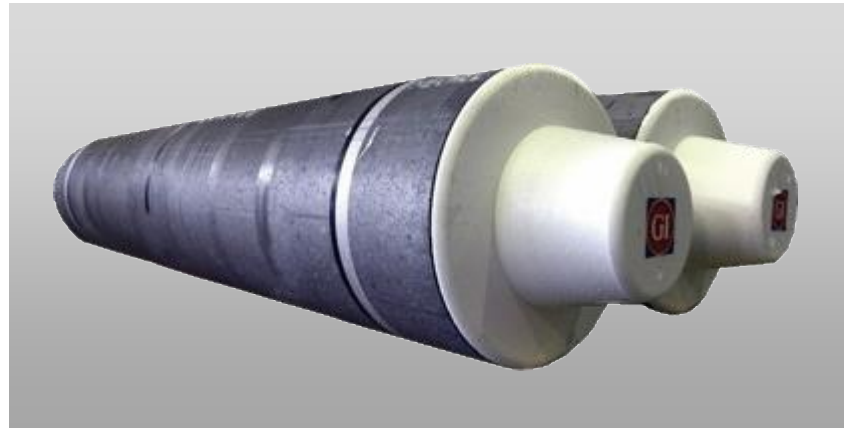
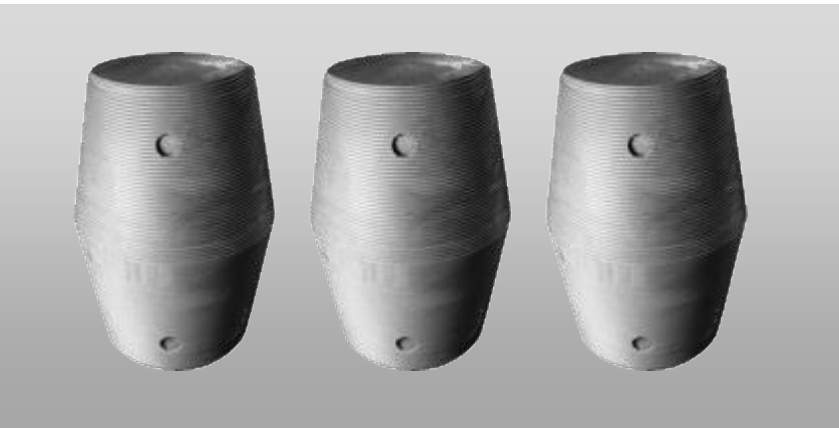
Sanjeev Marda
Asst. Company Secretary



Graphite India Limited

NSE: GRAPHITE, BSE: 509488

Q1 FY2021 Earnings Presentation August 12th, 2020



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Q1 FY2021 Financial Performance

Q1 FY2021 Profit and Loss (Consolidated)

- Net Sales of Rs. 409 Crores, a decline of 58% y-o-y
- Inventory write down of Rs. 159 Crores*
- EBITDA Loss of Rs. 63 Crores
- Net Loss of Rs. 78 Crores
- EPS of Rs. (4.04) per share

Q1 FY2021 Profit and Loss (Standalone)

- Net Sales of Rs. 350 Crores, a decline of 61% y-o-y
- Inventory write down of Rs. 85 Crores*
- EBITDA Loss of Rs. 5 Crores
- Net Loss of Rs. 13 Crores
- EPS of Rs. (0.69) per share

Balance Sheet (Consolidated)

- Gross Debt of Rs. 308 Crores
- Cash (Net of Gross Debt) of Rs. 2,290 Crores

Balance Sheet (Standalone)

- Gross Debt of Rs. 308 Crores
- Cash (Net of Gross Debt) of Rs. 1,787 Crores

Note*: In line with the previous periods, the Group, in accordance with the applicable Ind AS, has recognised its Inventory on Net Realisable Value (NRV) basis to the extent applicable and has taken a further charge on the cost of inventory during the current quarter, thereby, impacting the profitability of the Group for the quarter ended 30th June, 2020



K K Bangur
Chairman

“The quarter started on an unprecedented note with the announcement of the nationwide lockdown in an attempt to contain the outbreak of Covid-19. From mid April, we gradually started resuming operations at our factories and offices in a calibrated manner. Graphite India registered consolidated Net Sales of Rs. 409 Cr, EBITDA Loss of 63 Cr after inventory write down of Rs. 159 Cr and Net Loss of Rs. 78 Cr during the quarter. The capacity utilization was 36% as compared to 75% in Q1 FY2020. Despite challenging environment, our balance sheet remains robust with a Net Cash balance of Rs. 2,290 Cr at the end of June 2020.

The global health crisis caused by the Covid-19 pandemic has morphed into an economic crisis. The lockdowns, curfews, temporary closure of factories and work from home have resulted in sharply lower economic and business activity. The steel industry has been hit hard by the pandemic and as per the World Steel Association (WSA), most countries excluding China have registered a decline in steel production on a y-o-y with world steel output being reduced by 25% in Q2 CY2020. The consumption of inventory was at a slower pace than expected due to lower steel demand resulting in subdued graphite electrode demand and pricing.

Steel production in India also significantly declined during the quarter due to the prolonged lockdown, restricted inter-state movement and migration of labor. The steel consuming sectors such as infrastructure, construction, automobiles remain heavily impacted. The pandemic is rapidly spreading and the rising number of cases poses a serious threat to human lives and the domestic economy. It is difficult to ascertain the full impact of Covid-19 on our business but management is staying close to its customers, suppliers and employees during these difficult times.

Business activity has shown early signs of picking up with the relaxation in lockdown restrictions, people accepting the social distancing norms and work from home as a new normal. However, economic recovery is expected to be slow as the adverse impact of Covid-19 is here to stay till suitable medical solutions are readily available. In the near term, the graphite electrode industry may benefit from lower exports of steel from China to the rest of the world driving steel production in the regions having EAF capacities. Graphite electrode demand and realization continues to remain under pressure. Needle coke prices are still not fully aligned with electrode prices and we expect them to soften further.

Graphite India has initiated several cost rationalization measures which will enable the Company to navigate through these difficult times.”

Covid-19 Industry Impact

- Covid-19 caused an unprecedented health and economic crisis around the world
- Complete or partial lockdown of countries disrupted global economic activity
- Overall economic slowdown and sharply lower manufacturing activity has led to steel production cuts and declining capital investments
- The global and domestic demand for graphite electrode has been impacted by the partial closure of steel capacities, lower steel production and destocking of customer electrode inventory at a slower pace than anticipated

Graphite India Business Response

- Closure of factories and offices from 24th March 2020
- The Company started partial operations from middle of April onwards and restarted its factories in a phased manner. Currently engaging with the permitted workforce and taken adequate safety protection measures
- Allowed work from home for all employees and promoted audio-video conferencing for all internal and external meetings
- Corporate offices were also opened at the end of May 2020 with the permitted employees
- The Company has been strictly following Government health guidelines and taken various initiatives such as operating at a lower capacity, temperature screening at regular intervals, social distancing, distributing sanitizers and masks

Graphite India Business Impact

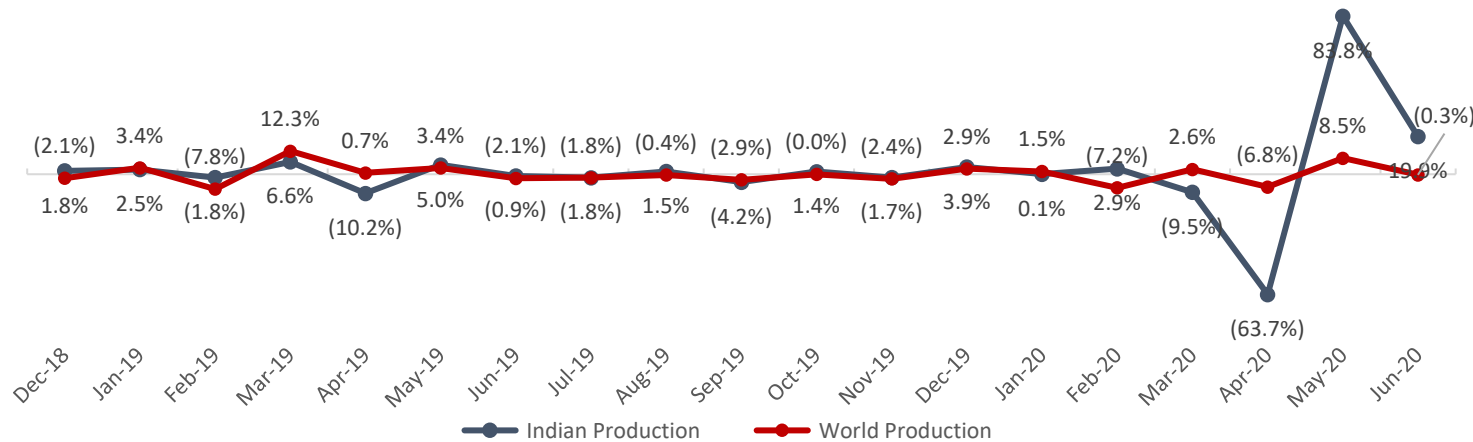
- The Company re-started partial operations from the middle of April, however due to the prolonged lockdown and restrictions on inter-state movement, production and sales were lower than expected in the quarter, which in turn adversely impacted profitability
- The demand for graphite electrodes is expected to remain subdued in the near term due to lower steel production and destocking of electrode inventory at customer's end
- Lower exports of steel from China to the rest of the world, especially to the regions having higher EAF capacities, could lead to an increase in domestic steel production and may result in higher demand for electrodes
- In the medium term, it is expected that increased government spending on Indian infrastructure and the revival of key sectors such as construction, mining, capital goods and automobiles could have a positive impact on steel demand
- Potential changes in international market dynamics may be beneficial for the Company in the coming years

Steel Industry Overview

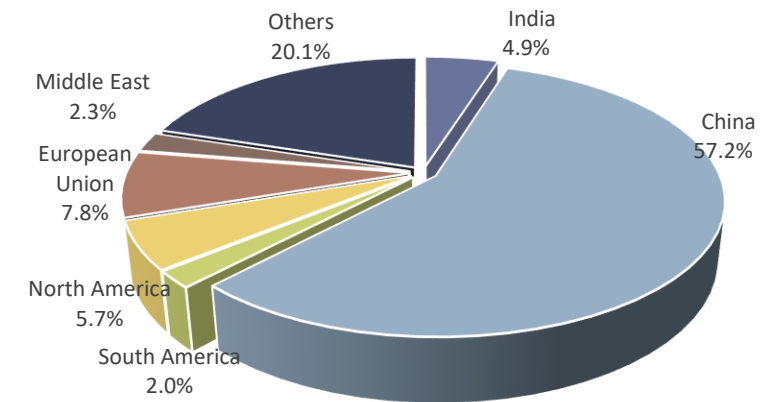


Crude Steel Production (million MT)	Three Months Ended				Half Year Ended			
	June-20	June-19	Y-o-Y (%)	Mar-20	Q-o-Q (%)	June-20	June-19	Y-o-Y (%)
Asia	331.2	346.4	(4.4)%	310.8	6.6%	642.0	661.6	(3.0)%
India	15.8	27.9	(43.2)%	27.3	(42.1)%	43.1	56.9	(24.2)%
China	268.9	261.1	3.0%	230.1	16.8%	499.0	492.0	1.4%
Others	46.5	57.4	(18.9)%	53.3	(12.7)%	99.9	112.7	(11.4)%
South America	7.3	11.0	(33.1)%	10.1	(27.5)%	17.5	21.8	(19.9)%
North America	21.0	30.2	(30.5)%	29.2	(28.2)%	50.2	60.9	(17.6)%
European Union	31.4	41.7	(24.8)%	36.9	(15.0)%	68.3	83.9	(18.7)%
Middle East	9.0	10.2	(12.4)%	10.7	(16.3)%	19.7	19.8	(0.3)%
Others	34.3	40.7	(15.9)%	41.2	(16.9)%	75.5	80.5	(6.1)%
Total	434.2	480.2	(9.6)%	439.0	(1.1)%	873.1	928.4	(6.0)%

M-o-M Growth (%)



H1 CY2020 Regional Production



- Covid-19 pandemic has significantly impacted the steel industry with the extended lockdown around the world resulting in the partial closure of manufacturing facilities
- World crude steel production was 434 Mt in Q2 CY2020, a decline of 9.6% y-o-y and 1.1% decline on q-o-q basis
- The EU produced 31.4 Mt of crude steel in Q2 CY2020, a decline of 24.8% y-o-y and 15.0% decline on q-o-q basis
- Asia produced 331 Mt of crude steel in Q1 CY2020, a decline of 4.4% y-o-y. China crude steel production for Q2 CY2020 was 269 Mt, representing a growth of 3.0% y-o-y and increase of 16.8% on q-o-q basis
- India's crude steel production for Q2 CY2020 was 15.8 Mt, a significant decline of 43.2% y-o-y and 42.1% decline on q-o-q basis
- Japan produced 18.1 Mt in Q2 CY2020 , decline of 30.6% y-o-y and 24.7% on q-o-q basis
- Crude steel production in North America was 21.0, a decline of 30.5% y-o-y and 28.2% decline on q-o-q basis
- The Middle East produced 9.0 Mt of crude steel in Q2 CY2020, a decline of 12.4% y-o-y and 16.3% decline on q-o-q basis

Steel Industry Outlook

- Global steel industry will continue to be impacted by the ongoing partial lockdown of countries resulting lower demand of steel from key sectors such as automobiles, construction and infrastructure. However, with the easing of lockdown restrictions, economic activity has started to recover but is expected to be uncertain and depend on the containment of Covid-19
- As per WSA, global steel demand is expected to decline by 6.4% to 1,654 Mt in 2020 due to the ongoing Covid-19 pandemic. In 2021, global steel demand is expected to increase by 3.8% to 1,717 Mt. Steel demand in developing economies excluding China is expected to decline by 11.6% in 2020 and recover by 9.2% in 2021

- Since 2016 China has closed about 300 million tonnes of outdated and highly polluting steel production capacity but around 908 million tonnes still remain. Such closures are being replaced by environment friendly electric arc furnaces (EAF's) which is supported by increased availability of scrap
- China's EAF steel output is expected to increase to 87 million tonnes in 2020, 12% of its steel output from 53 million tonne which is 6% of the steel output in 2017. Further, China is expected to have graphite electrode capacity totaling 1.5 million tonnes by 2020, up 66.7% from 0.9 million tonnes in 2017 to support newly installed EAF capacities
- Electrode capacities have been ramped up in China. However, EAF capacities have not kept pace due to higher scrap cost and electricity cost thus creating an imbalance. Excess electrode volumes are being exported to other countries at cheaper rates
- Global slowdown in steel demand coupled with increased steel exports from China is expected to impact demand of electrodes
- India removed antidumping duties on graphite electrodes imported from China in September 2018 which has resulted in increased imports. Steel prices also continue to remain under pressure and combination of these factors have resulted in significant correction of electrode prices
- Due to COVID-19 crisis, destocking of electrode inventory at customer end is delayed and is at a slower-pace than anticipated
- Needle coke prices have softened however not yet fully realigned with the electrode prices

Consolidated Financial Performance



Graphite India Limited

(Rs. Crore)	Q1		y-o-y Growth (%)	Q4 FY2020	q-o-q Growth (%)	Year Ended		y-o-y Growth (%)	Comments
	FY2021 ¹	FY2020				FY2020	FY2019		
Net Sales (Excluding Other Income)	409	967	(58%)	602	(32%)	3,094	7,858	(61%)	<i>Lower volumes and realization has impacted the sales and margins on a year on year basis</i>
Other Income	68	57	19%	23	-	174	210	(17%)	
Total Income	477	1,024	(53%)	625	(24%)	3,268	8,068	(59%)	
Operating Profit/ (Loss) – EBITDA ² Margin (%) ³	(63) (15)%	352 36%	-	(3) (0)%	-	95 3%	5,233 67%	(98%)	
Interest	2	5	(60%)	4	(50%)	18	12	50%	
Depreciation	13	13	-	13	-	51	62	(18%)	
Profit / (Loss) Before Tax (before Exceptional items and Associates)	(78)	334	-	(20)	-	26	5,159	(99%)	
Share of Profit/(Loss) of an Associate	(2)	(1)	100%	(3)	(33%)	(7)	(3)	-	
Exceptional Items	-	-	-	-	-	-	(55)	-	
Profit / (Loss) Before Tax	(80)	333	-	(23)	-	19	5,101	(100%)	
Net Profit / (Loss) Margin (%)	(78) (19)%	220 23%	-	(7) (1)%	-	45 1%	3,396 43%	(99%)	
Earnings Per Share (Rs)	(4.04)	11.24	-	(0.37)	-	2.30	173.80	(99%)	

Notes:

- In line with the previous periods, the Group, in accordance with the applicable Ind AS, has recognised its Inventory on Net Realisable Value (NRV) basis to the extent applicable and has taken a further charge of Rs. 159 Crores on the cost of inventory during the current quarter, thereby, impacting the profitability of the Group for the quarter ended 30th June, 2020
- Operating Profit includes Other Income
- All margins calculated as a percentage of Net Sales (excluding Other Income)

Standalone Financial Performance



Graphite India Limited

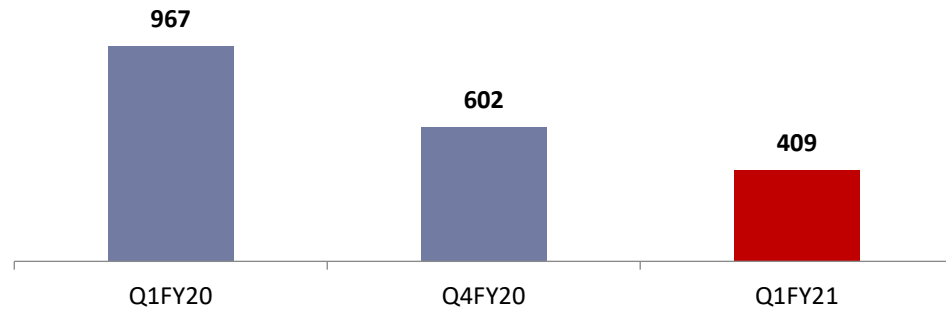
(Rs. Crore)	Q1		y-o-y Growth (%)	Q4 FY2020	q-o-q Growth (%)	Year Ended		y-o-y Growth (%)	Comments
	FY2021 ¹	FY2020				FY2020	FY2019		
Net Sales <small>(Excluding Other Income)</small>	350	897	(61%)	548	(36%)	2,875	6,737	(57%)	<i>Lower volumes and realization has impacted the sales and margins on a year on year basis</i>
Other Income	67	54	24%	18	-	157	197	(20%)	
Total Income	417	951	(56%)	566	(26%)	3,032	6,934	(56%)	
Operating Profit / (Loss) -EBITDA ² Margin (%) ³	(5) (1.4)%	314 35%	-	39 7%	-	62 2%	4,403 65%	(99%)	<i>In addition, EBITDA was impacted due to inventory write down of Rs. 85 Cr in Q1 FY2021</i>
Interest	2	5	(60%)	4	(50%)	17	11	55%	
Depreciation	11	11	-	11	-	44	56	(21%)	
Profit / (Loss) Before Tax (before Exceptional items and Associates)	(18)	298	-	24	-	1	4,336	-	
Exceptional Items	-	-	-	-	-	-	(55)	-	
Profit / (Loss) Before Tax	(18)	298	-	24	-	1	4,281	-	
Net Profit / (Loss) Margin (%)	(13) (4)%	195 22%	-	25 5%	-	31 1%	2,806 42%	(99%)	
Earnings Per Share (Rs)	(0.69)	9.98	-	1.28	-	1.60	143.61	(99%)	

- Notes:
- In line with the previous periods, the Group, in accordance with the applicable Ind AS, has recognised its Inventory on Net Realisable Value (NRV) basis to the extent applicable and has taken a further charge of Rs. 85 Crores on the cost of inventory during the current quarter, thereby, impacting the profitability of the Group for the quarter ended 30th June, 2020
 - Operating Profit includes Other Income
 - All margins calculated as a percentage of Net Sales (excluding Other Income)

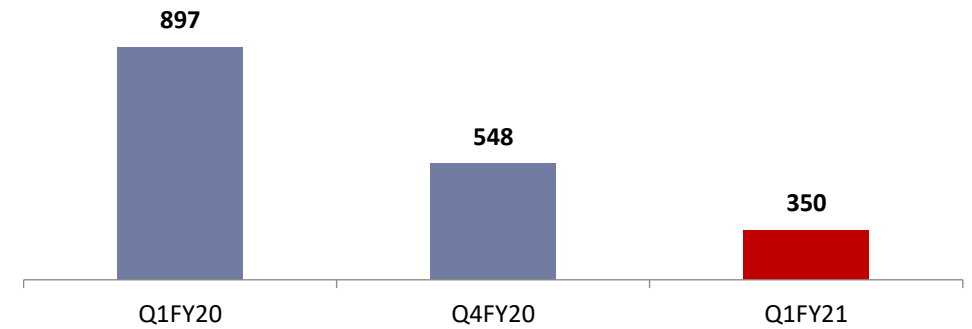
Quarter Performance Trends



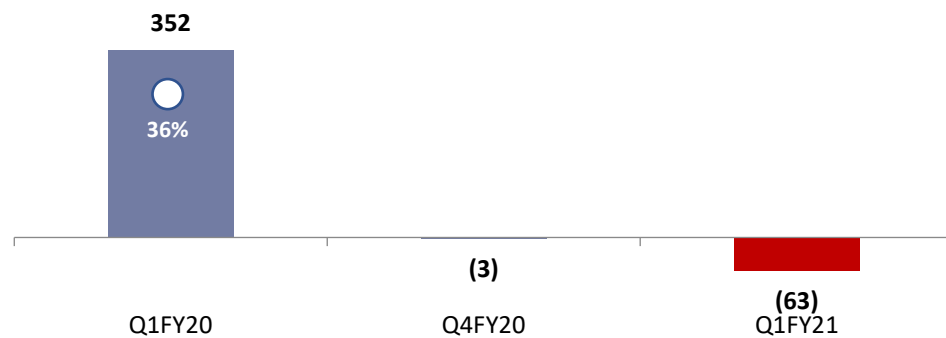
Consolidated Net Sales



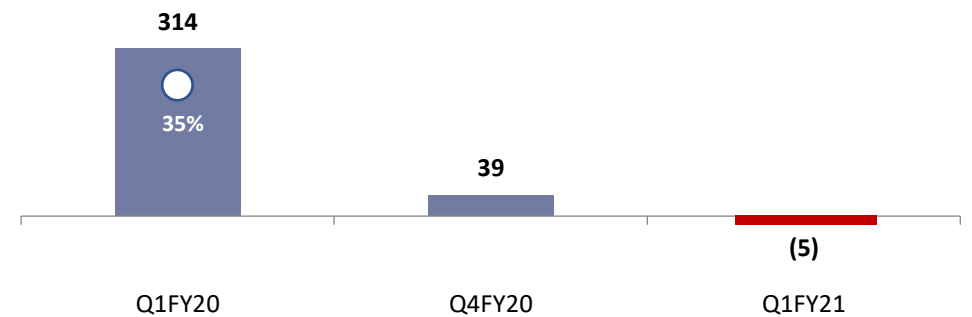
Standalone Net Sales



Consolidated Operating Profit / (Loss)



Standalone Operating Profit / (Loss)



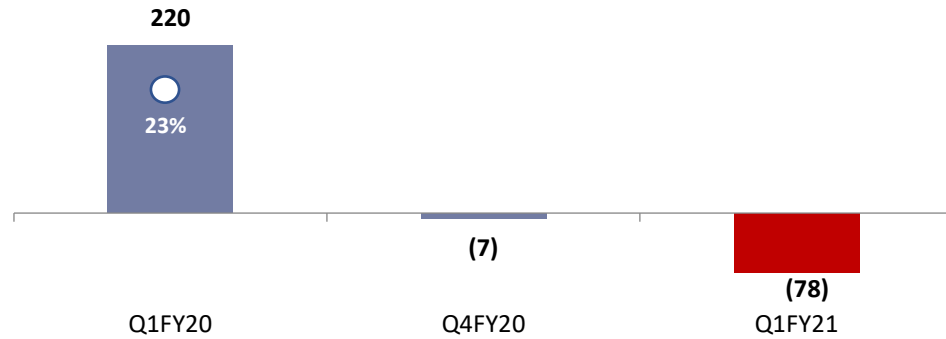
○ Margins%

* All numbers in Crores unless specifically mentioned

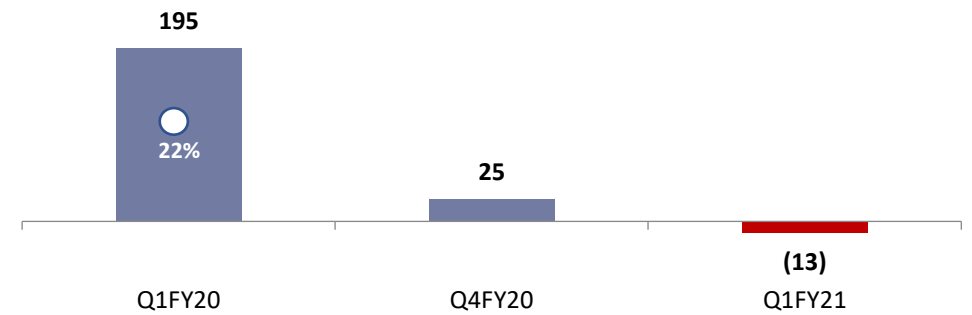
Quarter Performance Trends



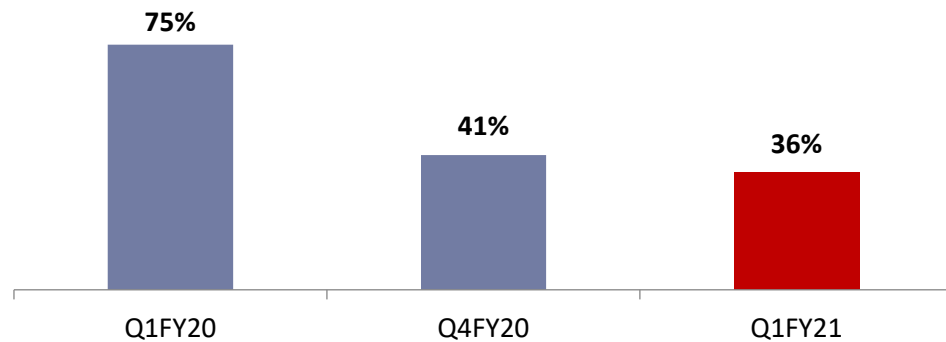
Consolidated Net Profit / (Loss)



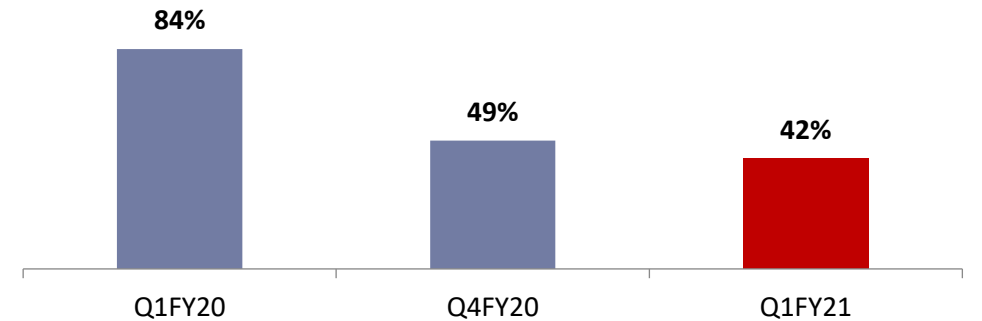
Standalone Net Profit / (Loss)



Consolidated Capacity Utilization



Standalone Capacity Utilization



○ Margins

* All numbers in Crores unless specifically mentioned

Significant financial flexibility available for future organic and inorganic growth

Consolidated Leverage Profile

(Rs. Crore)	June-20	Mar-20	Dec-19	Sep-19	June-19
Cash & Cash Equivalents ¹	2,598	2,424	2,523	2,327	3,123
Total Debt	(308)	(416)	(519)	(394)	(389)
Net Cash	2,290	2,008	2,004	1,934	2,734

Standalone Leverage Profile

(Rs. Crore)	June- 20	Mar- 20	Dec- 19	Sep- 19	June- 19
Cash & Cash Equivalents ¹	2,094	1,935	2,031	1,821	2,640
Total Debt	(308)	(416)	(519)	(394)	(389)
Net Cash	1,787	1,519	1,512	1,427	2,251

Notes:

1. Cash and cash equivalents include investments

Quarterly Segment Performance



Graphite India Limited

Consolidated Segment Performance

(Rs. Crore)	Q1		y-o-y Growth (%)	Q4 FY2020	q-o-q Growth (%)
	FY2021	FY2020			
Graphite and Carbon	364	933	(61)%	577	(37)%
Others	45	34	31%	25	80%
Less: Inter Segment Sales	*	*	-	*	-
Segment Revenue	409	967	(58)%	602	(32)%
Graphite and Carbon	(153)	311	-	(30)	-
Others	25	*	-	9	-
Profit / (Loss) before tax and interest	(128)	311	-	(21)	-
Finance Cost	(2)	(5)	(60)%	(4)	(50)%
Unallocated Income / (expense)	52	28	86%	5	-
Profit / (Loss) Before Tax (Before Exceptional Items and Associates)	(78)	334	-	(20)	-
Share of Profit/Loss of an Associate	(2)	(1)	100%	(3)	-
Exceptional Items	-	-	-	-	-
Profit / (Loss) Before Tax	(80)	333	-	(23)	-

Standalone Segment Performance

(Rs. Crore)	Q1		y-o-y Growth (%)	Q4 FY2020	q-o-q Growth (%)
	FY2021	FY2020			
Graphite and Carbon	326	863	(62)%	527	(38)%
Others	24	34	(29)%	21	14%
Less: Inter Segment Sales	*	*	-	*	-
Segment Revenue	350	897	(61)%	548	(36)%
Graphite and Carbon	(72)	271	-	22	-
Others	3	5	(40)%	1	-
Profit / (Loss) before tax and interest	(69)	276	-	23	-
Finance Cost	(2)	(5)	(60)%	(4)	(50)%
Unallocated Income / (expense)	53	27	96%	5	-
Profit / (Loss) Before Tax (Before Exceptional Items)	(18)	298	-	24	-
Exceptional Items	-	-	-	-	-
Profit / (Loss) Before Tax	(18)	298	-	24	-

* Amounts are below the rounding off norm adopted by the company

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 three plants at Durgapur and Nashik in India and Nurnberg in Germany. 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 19.5 MW of power generation through hydel route.

Graphite India Limited, through its subsidiary has signed a definitive agreement to acquire 46% stake in General Graphene Corporation, a US based company which has developed a breakthrough proprietary technology which would allow them to produce large area, low cost graphene sheets in industrial volumes for commercial applications.

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 constraint for the entry of new players.



Disclaimer

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, macroeconomic, 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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