



GRAPHITE INDIA LIMITED

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GIL: SEC/SM/23-24/55

November 09, 2023

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

Sub: Earnings Presentation – Results for quarter and half year ended September, 2023

Dear Sir,

Earning Presentation in connection with the Company's un-audited financial results (Standalone and Consolidated) for the quarter and half year ended 30th September, 2023 is enclosed for your information and records.

Thanking you,

Yours faithfully,
For Graphite India Limited

S. Marda
Dy. Company Secretary

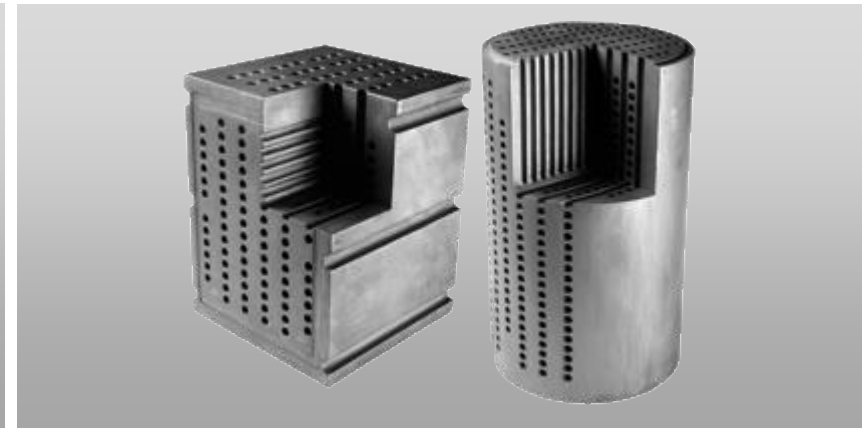
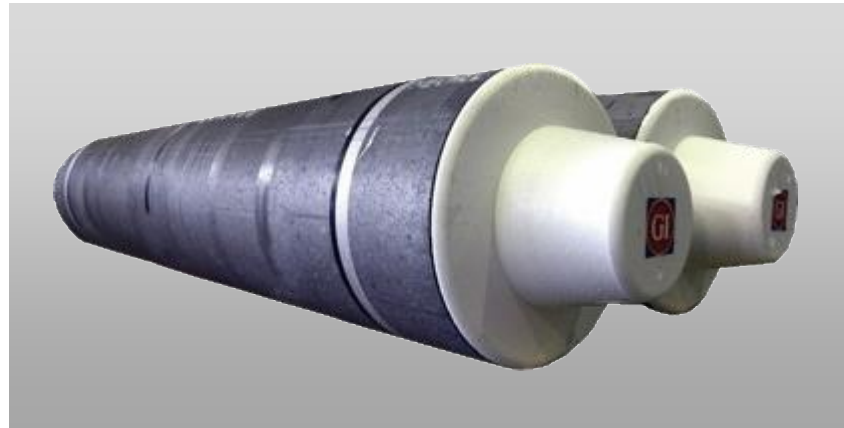
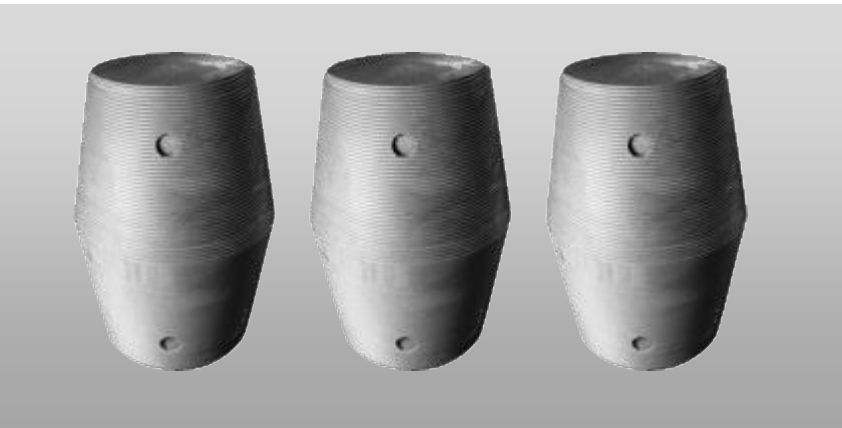
Encl.: As above.



Graphite India Limited

NSE: GRAPHITE, BSE: 509488

Q2 FY2024 Earnings Presentation November 09, 2023



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Q2 FY2024 Financial Performance

Q2 FY2024 Profit and Loss (Consolidated)

- Net Sales of Rs. 793 Crores, a decline of 3.9% y-o-y and an increase of 6.2% q-o-q
- EBITDA of Rs. 61* Crores as compared to Rs. 213 Crores in Q2 FY23
- Net Profit of Rs. 802** Crores as compared to Net Profit of Rs. 92 Crores in Q2 FY23
- EPS of Rs. 41.13 per share

Q2 FY2024 Profit and Loss (Standalone)

- Net Sales of Rs. 786 Crores, an increase of 9.3% y-o-y and 9.2% q-o-q
- EBITDA of Rs. 72* Crores as compared to Rs. 207 Crores in Q2 FY23
- Net Profit of Rs. 815** Crores as compared to Net Profit of Rs. 139 Crores in Q2 FY23
- EPS of Rs. 41.74 per share

Balance Sheet (Consolidated)

- Gross Debt of Rs. 341 Crores
- Cash (Net of Gross Debt) of Rs. 3,520 Crores

Balance Sheet (Standalone)

- Gross Debt of Rs. 266 Crores
- Cash (Net of Gross Debt) of Rs. 3,120 Crores

Notes:

1. *The Company, in accordance with the applicable Ind AS, has recognized its carrying inventory on Net Realizable Value (NRV) basis to the extent applicable and has taken a charge on the cost of inventory of Rs. 69 Cr during Q2 FY24 thereby impacting the profitability
2. **Q2 FY24 net profit includes a gain from sale of Bengaluru land
3. All margins calculated as a percentage of Net Sales (excluding Other Income)



K K Bangur
Chairman

“In Q2 FY2024, Graphite India delivered Consolidated Net Sales of Rs. 793 Cr, a decline of 3.9% compared to the same quarter last year and a growth of 6.2% compared with Q1 FY2024. Sales volume increased during the period. However, realisations were lower as compared to same period previous year. The Company delivered EBITDA of Rs. 61 Cr in Q2 FY2024 as compared to Rs. 213 Cr in Q2 FY2023. The standalone capacity utilisation during the quarter was 87% as compared to 64% in Q2 FY2023. During the quarter, Graphite India sold its land in Bengaluru for a cash consideration of Rs. 986 Cr. From a balance sheet perspective, our capital structure remains robust with a strong Net Cash balance of Rs. 3,520 Cr at the end of September 2023.

Across major economies annual steel production grew by just a moderate 2.0% due to the impact of high inflation and rising interest rates on industrial consumption. Recovery in steel demand in advanced economies is expected to be slow in 2024 due to the delayed effects of tightened monetary policy, while emerging economies, particularly in Asia, are poised for faster growth. Infrastructure and manufacturing capital allocation in China has kept production growth at 2.8% during the quarter. However, the Indian economy remains stable and steel demand is expected to continue its high growth momentum with 15.9% production growth, with government spending on infrastructure being a key driver.

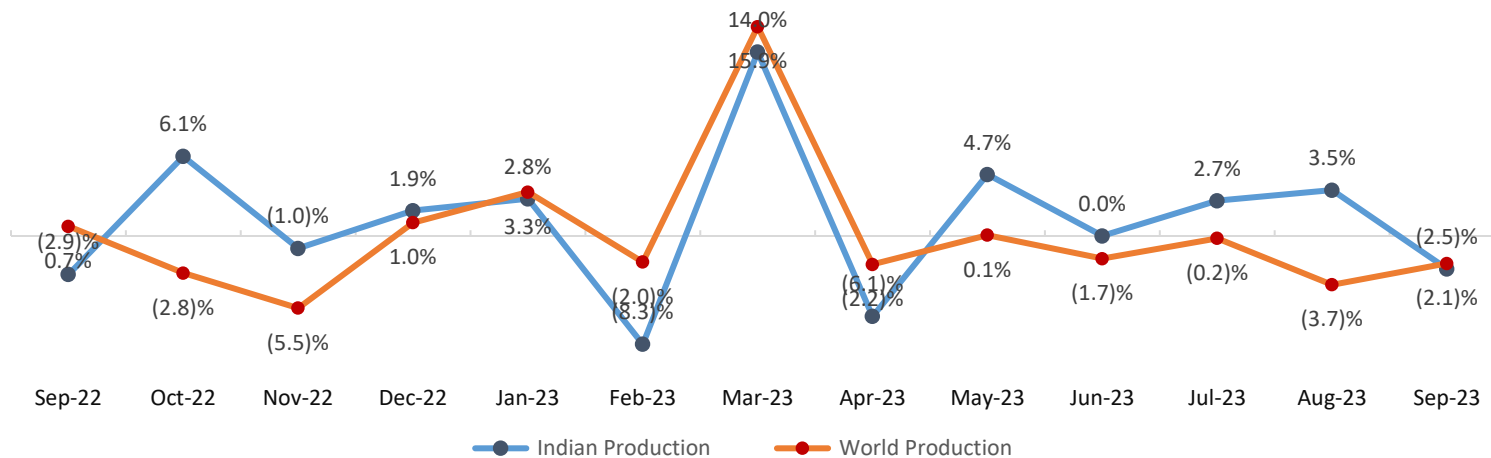
The demand for graphite electrodes continued to remain subdued due to constrained steel production levels resulting from the current global economic uncertainty. The decline in raw material prices are not commensurate with the fall in electrode prices resulting in our operating margins remaining under continued pressure with the steel industry continues to decarbonize, the demand for graphite electrodes for electric arc furnace production is expected to increase in medium to long term. Overall, we remain cautiously optimistic about the electrode industry, with a potential growth in construction and infrastructure activity going into next year. Graphite India remains committed to prioritizing customer relationships, operational excellence and prudent capital management.”

Steel Industry Overview

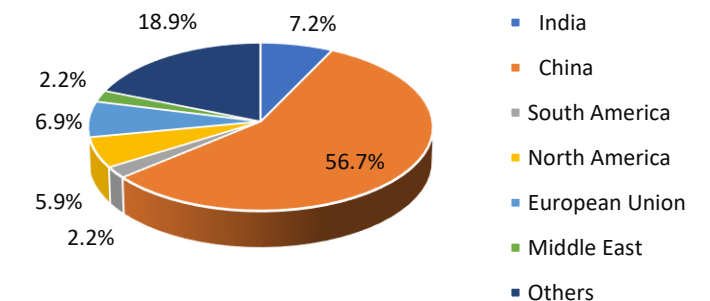


Crude Steel Production (million MT)	Three Months Ended				Nine Months Ended			
	Sept-23	Sept-22	Y-o-Y (%)	Jun-23	Q-o-Q (%)	9M 2023	9M 2022	Y-o-Y (%)
Asia and Oceania	346.3	335.7	3.2%	360.3	(3.9)%	1,052.2	1,035.6	1.6%
India	35.0	30.2	15.9%	33.1	5.7%	101.3	92.8	9.2%
China	259.3	252.3	2.8%	273.8	(5.3)%	794.7	775.8	2.4%
Others	52.0	53.2	(2.3)%	53.4	(2.6)%	156.2	167.0	(6.5)%
South America	10.2	10.7	(4.7)%	10.5	(2.9)%	31.0	32.5	(4.6)%
North America	27.6	28.3	(2.5)%	28.0	(1.4)%	82.4	85.7	(3.9)%
European Union	30.0	32.1	(6.5)%	33.3	(9.9)%	96.4	105.1	(8.3)%
Middle East	9.5	10.2	(6.9)%	12.8	(25.8)%	31.2	31.3	(0.3)%
Others	36.9	34.4	7.3%	37.0	(0.3)%	191.8	221.3	(13.3)%
Total 64 Countries as per WSA	460.5	451.4	2.0%	481.9	(4.4)%	1,401.7	1,400.7	0.1%

M-o-M Growth (%)



9M 2023 Regional Production



Note: Source: World Steel Association, the figures are estimates that may be revised with next month's production update. Above table represents a total of 64 Countries as per WSA which accounts for 98% of total world crude steel production

Q3 CY2023 Steel Production ⁽¹⁾

- As per the World Steel Association (WSA) global crude steel production was 460.5 Mt in Q3 CY2023, an increase of 2.0% y-o-y and a decrease of 4.4% on q-o-q basis. Global crude steel production excluding China increased by 1.1% on y-o-y and decreased by 3.3% q-o-q basis
- China crude steel production for Q3 CY2023 was 259.3 Mt, representing an increase of 2.8% y-o-y and a decline of 5.3% on q-o-q basis
- India's crude steel production in Q3 CY2023 was 35.0 Mt, an increase of 15.9% y-o-y and 5.7% on q-o-q
- The EU produced 30.0 Mt of crude steel in Q3 CY2023, a decline of 6.5% y-o-y and 9.9% on q-o-q basis
- Japan produced 21.5 Mt in Q3 CY2023, a decline of 0.9% y-o-y and 2.7% on q-o-q basis
- North America produced 27.6 Mt of crude steel in Q3 CY2023, a decline of 2.5% y-o-y and 4.5% on q-o-q basis
- The Middle East produced 9.5 Mt of crude steel in Q3 CY2023, a decline of 6.9% y-o-y basis and 25.8% on q-o-q basis

Steel Industry Outlook ⁽²⁾

- The World Steel Association released an update of the Short Range Outlook for 2023 and 2024. It forecasts that steel demand will grow by 1.8% in 2023 and reach 1,814.5 Mt after contracting by 3.3% in 2022. In 2024, steel demand will see a further increase of 1.9% to 1,849.1 Mt
- Manufacturing is expected to lead the recovery, but high interest rates will continue to weigh on steel demand
- The World Steel Association expects the situation in China's property market will stabilise in the latter part of the year and China's steel demand will record slight positive growth thanks to government measures. The 2024 outlook for China remains uncertain depending on the policy directions to tackle the current economic difficulties
- Despite the weakening of construction activities due to high-interest rates, infrastructure investment is showing positive momentum in many regions, even in the advanced economies, reflecting the effect of decarbonisation efforts

Note:

1) Source: World Steel Association, the figures are estimates that may be revised with next month's production update. Above data represents a total of 64 Countries as per WSA which accounts for 98% of total world crude steel production

2) Source: [World Steel Association](#)

- The evident focus on substantial decarbonization measures in the developed world indicates that the growth of Electric Arc Furnace (EAF) will surpass that of Blast Furnace / Bessimer Oxygen Furnace (BF/BOF)
- Governments around the world are introducing stringent environmental regulations to reduce pollution. This is expected to drive the demand for graphite electrodes in the steel industry
- The growing demand from the steel industry for electric arc furnace (EAF) steelmaking, increasing usage of EAFs as a more cost-effective and sustainable steel production method and rising demand for high-quality steel products in various sectors such as automotive, construction and infrastructure, is fueling the market's growth
- India's steel capacity has crossed 161 million tonnes and the industry is poised for continuous growth. As per the National Steel Policy India has an ambitious target of installing 300 metric ton steel capacity by 2030. India is the world's 4th largest automobile market and is expected to grow at a CAGR of 8 - 10% over the next 10 years
- Moreover, the manufacturing sector saw a CAGR of 7 - 8% and this is driving the demand for steel in both the sectors
- The production linked incentive scheme has been progressing well in the steel sector. The industry has invested about Rs. 10,000 crore investment out of the committed Rs. 29,500 crore
- The Indian government's decision to remove basic customs duty on metal scrap in the Union Budget 2023 is expected to boost the production of steel through electric arc furnaces
- The prices of needle coke have also corrected but the fall is not commensurate to the decline in electrode prices

Consolidated Financial Performance



Graphite India Limited

(Rs. Crore)	Q2		y-o-y	Q1	q-o-q	Half Yearly		y-o-y	Comments
	FY2024	FY2023	Growth (%)	FY2024	Growth (%)	FY2024	FY2023	Growth (%)	
Net Sales	793	825	(3.9%)	747	6.2%	1,540	1,685	(8.6%)	
Excluding Other Income									
Other Income	91	111	(18.0%)	78	16.7%	169	103	64.1%	
Total Income	884	936	(5.6%)	825	7.2%	1,709	1,788	(4.4%)	
EBITDA / (Loss) excluding One Time Income and Expense	61	213	(71.4%)	(13)	nm	48**	272*	(82.4%)	Y-o-Y and Q-o-Q Sales volume improved but impacted due to lower realizations
Margin (%)	7.7%	25.8%		(1.7)%		3.1%	16.1%		
EBITDA / (Loss)	61	213	(71.4%)	(13)	nm	48**	272*	(82.4%)	Increase in treasury income due to land sale proceeds and favorable market condition
Margin (%)	7.7%	25.8%		(1.7)%		3.1%	16.1%		
Interest	4	4	-	6	(33.3%)	10	6	66.7%	
Depreciation	19	15	26.7%	18	5.6%	37	29	27.6%	
Profit / (Loss) Before Tax (before Exceptional items)	38	194	(80.4%)	(37)	nm	1	237	(99.6%)	Increase in Finance Cost due to higher interest rates
Exceptional Items #	954	(45)	nm	-	nm	954	(45)	nm	
PBT after Exceptional Items	992	149	nm	(37)	nm	955	192	nm	
Net Profit	802	92	nm	(30)	nm	772	116	nm	
Margin (%)	101.1%	11.2%		(4.0)%		50.1%	6.9%		
Earnings Per Share	41.13	4.72	nm	(1.56)	nm	39.57	5.95	nm	

Notes:

- *EBITDA includes onetime expense of net charge of Rs. 75 Cr (after netting off corresponding provision created in earlier years) charged under 'Power and Fuel' expenses during H1 FY23. EBITDA includes Other Income
- **The Company, in accordance with the applicable Ind AS, has recognized its carrying inventory on Net Realizable Value (NRV) basis to the extent applicable and has taken a charge on the cost of inventory Rs. 69 Cr, Rs. 157 Cr and Rs. 226 Cr during Q2 FY24, Q1 FY24 and H1 FY24 respectively thereby impacting the profitability
- #Exceptional Items - Q2 FY24 and H1 FY24 represents sale of Bengaluru land and in the corresponding period Rs. 45 Crores which is related to the closure of the German electrode production
- All margins calculated as a percentage of Net Sales (excluding Other Income)

Standalone Financial Performance



Graphite India Limited

(Rs. Crore)	Q2		y-o-y	Q1	q-o-q	Half Yearly		y-o-y	Comments
	FY2024	FY2023	Growth (%)	FY2024	Growth (%)	FY2024	FY2023	Growth (%)	
Net Sales Excluding Other Income	786	719	9.3%	720	9.2%	1,506	1,517	(0.7%)	Y-o-Y and Q-o-Q Sales volume improved but impacted due to lower realizations Increase in treasury income due to land sale proceeds and favorable market condition Increase in Finance Cost due to higher interest rates
Other Income	87	104	(16.3%)	72	20.8%	159	87	82.8%	
Total Income	873	823	6.1%	792	10.2%	1,665	1,604	3.8%	
EBITDA / (Loss) excluding One Time Income and Expense	72	207	(65.2%)	(14)	nm	58**	304*	(80.9%)	
Margin (%)	9.2%	28.8%		(1.9)%		3.9%	20.0%		
EBITDA / (Loss)	72	207	(65.2%)	(14)	nm	58**	304*	(80.9%)	
Margin (%)	9.2%	28.8%		(1.9)%		3.9%	20.0%		
Interest	4	2	100.0%	4	nm	8	4	100.0%	
Depreciation	17	11	54.5%	16	6.3%	33	22	50.0%	
Profit / (Loss) Before Tax (before Exceptional item)	51	194	(73.7%)	(34)	nm	17	278	(93.9%)	
Exceptional Item #	954	-	nm	-	nm	954	-	nm	
PBT after Exceptional Item	1,005	194	nm	(34)	nm	971	278	nm	
Net Profit	815	139	nm	(27)	nm	788	202	nm	
Margin (%)	103.7%	19.3%		(3.8)%		52.3%	13.3%		
Earnings Per Share	41.74	7.13	nm	(1.39)	nm	40.35	10.39	nm	

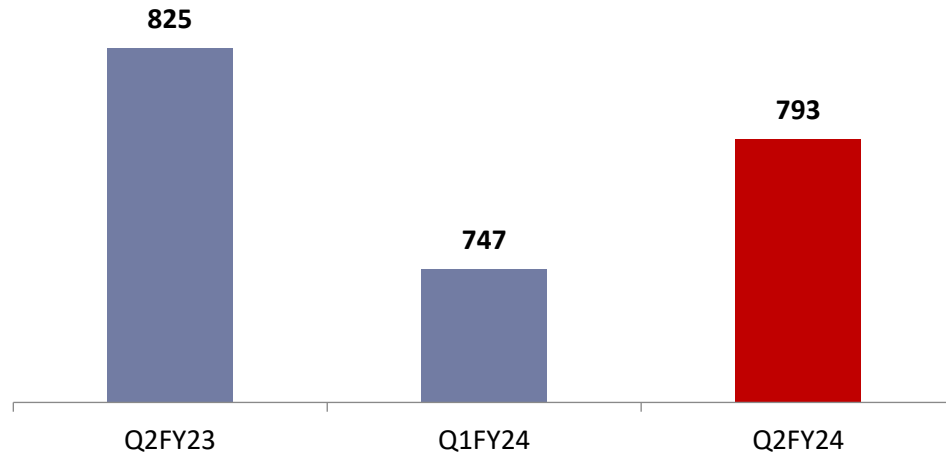
Notes:

- *EBITDA includes onetime expense of net charge of Rs. 75 Cr (after netting off corresponding provision created in earlier years) charged under 'Power and Fuel' expenses during H1 FY23. EBITDA includes Other Income
- **The Company, in accordance with the applicable Ind AS, has recognized its carrying inventory on Net Realizable Value (NRV) basis to the extent applicable and has taken a charge on the cost of inventory Rs. 69 Cr, Rs. 157 Cr and Rs. 226 Cr during Q2 FY24, Q1 FY24 and H1 FY24 respectively thereby impacting the profitability
- #Exceptional Item - Q2 FY24 and H1 FY24 represents sale of Bengaluru land
- All margins calculated as a percentage of Net Sales (excluding Other Income)

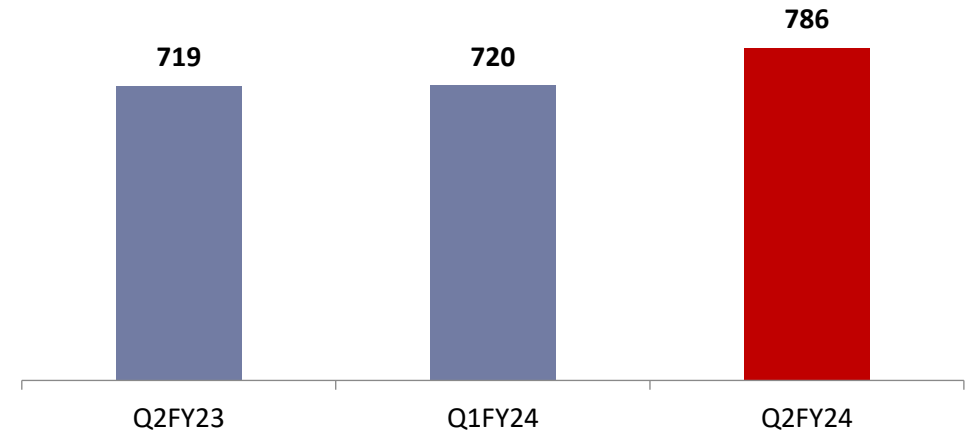
Quarter Performance Trends



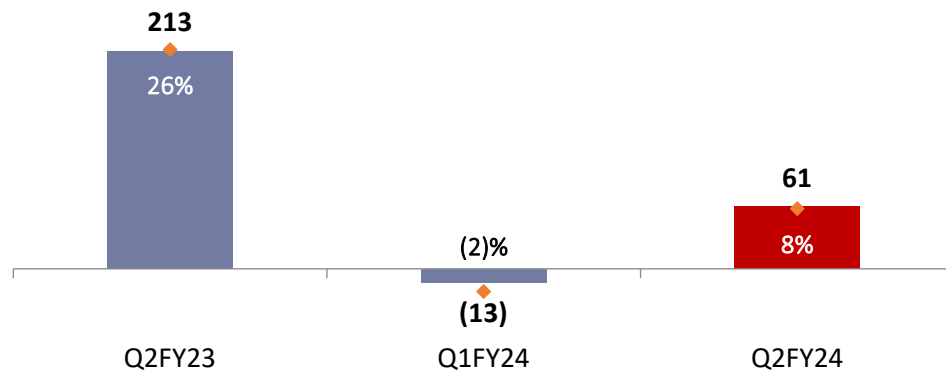
Consolidated Net Sales



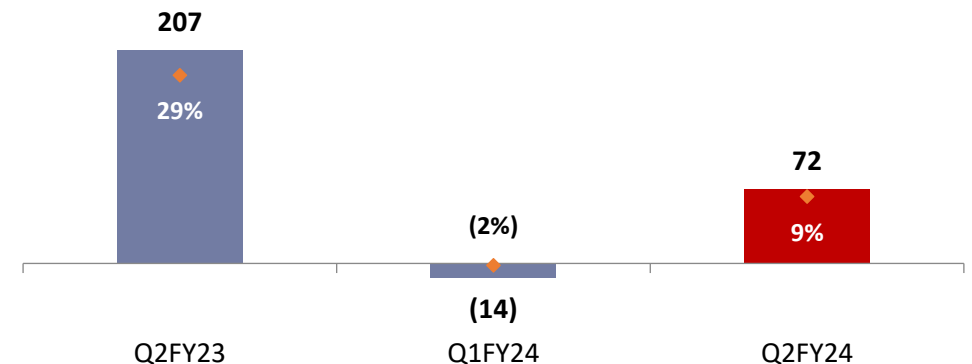
Standalone Net Sales



Consolidated Operating Profit / (Loss)



Standalone Operating Profit / (Loss)



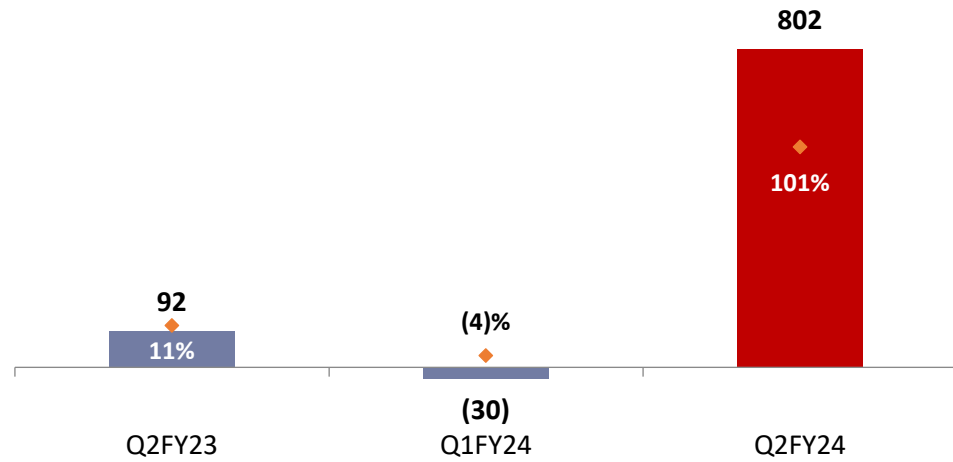
Notes:

1. Operating Profit / (Loss) is including Other Income
2. All numbers in Crores unless specifically mentioned

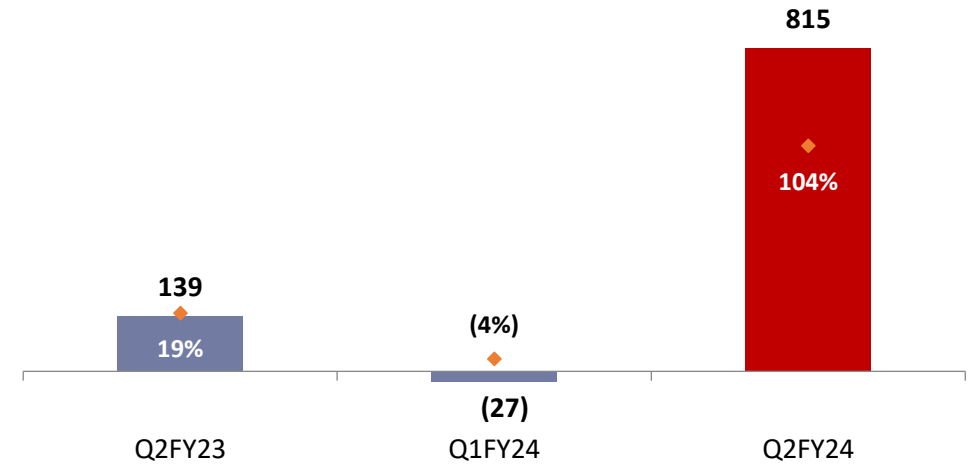
Quarter Performance Trends



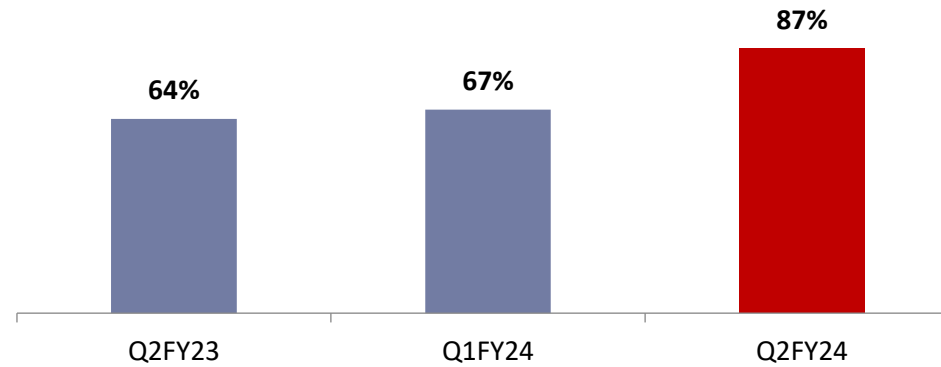
Consolidated Net Profit / (Loss)



Standalone Net Profit / (Loss)



Capacity Utilization (Standalone)



Notes:

1. All numbers in Crores unless specifically mentioned

Significant financial flexibility available for future organic and inorganic growth

Consolidated Leverage Profile

(Rs. Crore)	Sept- 23	June- 23	Mar- 23	Dec- 22	Sept- 22
Cash & Cash Equivalents ¹	3,520	2,475	2,356	2,376	2,527
Total Debt	(341)	(360)	(425)	(345)	(415)
Net Cash	3,179	2,115	1,931	2,031	2,112

Standalone Leverage Profile

(Rs. Crore)	Sept- 23	June- 23	Mar- 23	Dec- 22	Sept- 22
Cash & Cash Equivalents ¹	3,120	2,222	2,106	2,085	2,234
Total Debt	(266)	(280)	(335)	(221)	(264)
Net Cash	2,854	1,942	1,771	1,864	1,970

Notes:

1. Cash and cash equivalents include investments

Quarterly Segment Performance



Graphite India Limited

Consolidated Segment Performance

(Rs. Crore)	Q2		y-o-y	Q1	q-o-q
	FY2024	FY2023	Growth (%)	FY2024	Growth (%)
Graphite and Carbon	741	734	1.0%	692	7.1%
Others	53	92	(42.4)%	56	(5.4)%
Less: Inter Segment Sales	1	1	-	1	-
Segment Revenue	793	825	(3.9)%	747	6.2%
Graphite and Carbon	(31)	89	nm	(105)	(70.5)%
Others	(1)	36	nm	11	nm
Profit / (Loss) before tax and interest	(32)	125	nm	(94)	66.0%
Finance Cost	4	4	-	6	(33.3)%
Unallocated (Income) / expense	(74)	(73)	1.4%	(63)	17.5%
Profit / (Loss) Before Tax (Before Exceptional Items)	38	194	(80.4)%	(37)	nm
Exceptional Items	954	(45)	nm	-	-
Profit / (Loss) Before Tax	992	149	nm	(37)	nm

Standalone Segment Performance

(Rs. Crore)	Q2		y-o-y	Q1	q-o-q
	FY2024	FY2023	Growth (%)	FY2024	Growth (%)
Graphite and Carbon	731	652	12.1%	673	8.6%
Others	56	68	(17.6)%	48	16.7%
Less: Inter Segment Sales	1	1	-	1	-
Segment Revenue	786	719	9.3%	720	9.2%
Graphite and Carbon	(22)	121	nm	(94)	(76.6)%
Others	3	14	(78.6)%	3	-
Profit / (Loss) before tax and interest	(19)	135	nm	(91)	(79.1)%
Finance Cost	4	2	100.0%	4	-
Unallocated (Income) / expense	(74)	(61)	21.3%	(61)	21.3%
Profit / (Loss) Before Tax (Before Exceptional Item)	51	194	(73.7)%	(34)	nm
Exceptional Item	954	-	-	-	-
Profit / (Loss) Before Tax	1,005	194	nm	(34)	nm

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 60 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 18 MW of power generation through hydel route.

Graphite India Limited, through its subsidiary has progressively acquired and now owns 60.12% stake in General Graphene Corporation, a US based company which has developed a breakthrough proprietary technology which would allow them to produce large area, high quality, low cost graphene sheets in Industrial applications in scaled up commercial volumes.

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.



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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