



GRAPHITE INDIA LIMITED

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GIL: SEC/SM/22-23/53

November 11, 2022

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, 2022

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, 2022 is enclosed for your information and records.

Thanking you,

Yours faithfully,
For Graphite India Limited


B Shiva
Company Secretary

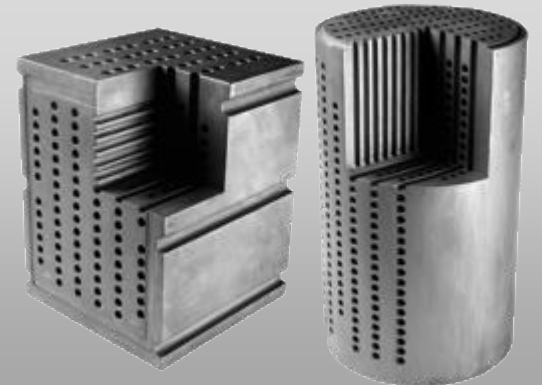
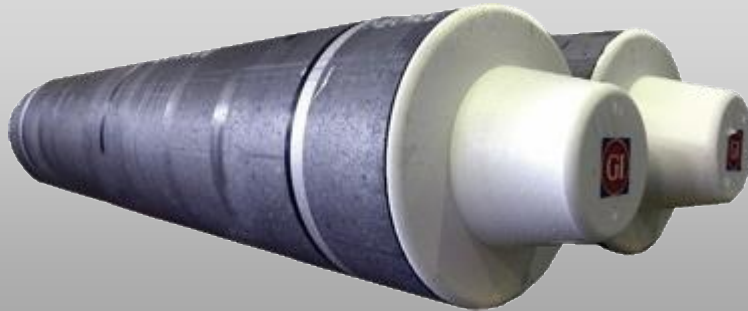
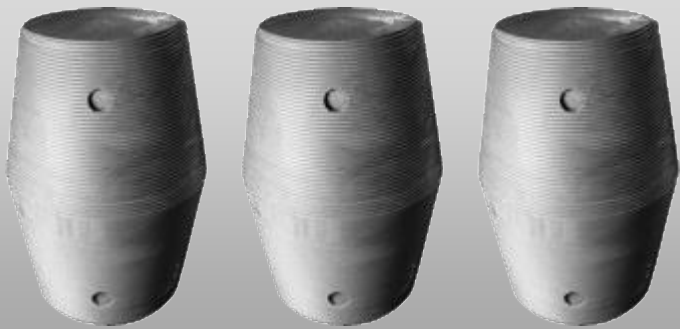
Encl.: As above.



Graphite India Limited

NSE: GRAPHITE, BSE: 509488

Q2 FY2023 Earnings Presentation November 11, 2022



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Q2 FY2023 Financial Performance

Q2 FY2023 Profit and Loss

(Consolidated)

- Net Sales of Rs. 825 Crores, an increase of 19% y-o-y and (5)% q-o-q
- *EBITDA excluding an exceptional item is Rs. 213 Crores as compared to Rs. 188 Crores in Q2 FY22
- Net Profit of Rs. 92 Crores as compared to Rs. 128 Crores in Q2 FY22
- EPS of Rs. 4.72 per share

Balance Sheet (Consolidated)

- Gross Debt of Rs. 415 Crores
- Cash (Net of Gross Debt) of Rs. 2,112 Crores

Q2 FY2023 Profit and Loss

(Standalone)

- Net Sales of Rs. 719 Crores, an increase of 10% y-o-y and (11)% q-o-q
- EBITDA of Rs. 252 Crores as compared to Rs. 192 Crores in Q2 FY22
- Net Profit of Rs. 139 Crores as compared to Rs. 140 Crores in Q2 FY22
- EPS of Rs. 7.13 per share

Balance Sheet (Standalone)

- Gross Debt of Rs. 264 Crores
- Cash (Net of Gross Debt) of Rs. 1,970 Crores

Note:

1) In Q1 FY2023, Damodar Valley Corporation has revised electricity tariff rates and the net charge of Rs. 75 Crores has been combined under 'Power and Fuel' for the quarter and referred as one time charge

2) In Q2 FY2023, we have an exceptional item of Rs. 45 Crores which is related to the closure of the German electrode production*



K K Bangur
Chairman

“During a challenging financial quarter, Graphite India reported consolidated Net Sales of Rs. 825 Cr, a growth of 19% y-o-y. EBITDA, before a one time charge of Rs. 45 Cr, was Rs. 213 Cr and Net Profit was Rs. 92 Cr (after the one time charge). From a manufacturing perspective, capacity utilization during the quarter was 56% as compared to 71% in Q1 FY2023. The year on year sales growth was primarily driven by improvement in realizations while volumes remained subdued. The company has a consolidated Net Cash position of Rs. 2,112 Cr at the end of September 2022.

As reported earlier, the Russia - Ukraine conflict has led to high energy costs which have resulted in our German electrode operations becoming unviable. Hence it was decided to shut down the graphite electrode production as of now and restructure the speciality and coating operations.

Alongside these geopolitical headwinds, central banks across the world continue to address the challenge of rising inflation levels by increasing interest rates. This has impacted construction and infrastructure projects across the world, which in turn has lowered the steel production, directly impacting the demand for electrodes.

In the last nine months, India stands out as one of the few major economies delivering over 6.0% steel production growth. However, the levy of 15% duty on steel exports continues to impact the Indian steel industry.

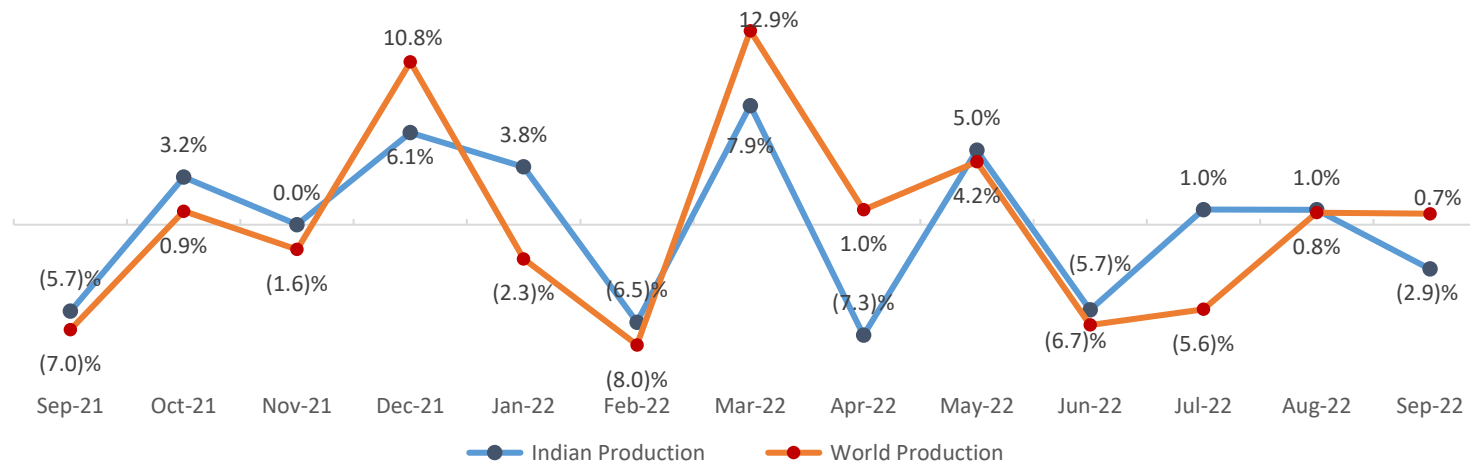
In summary, Graphite India is well positioned to navigate through these volatile times, with management focused on long term customer relationships and the ongoing pursuit of operational efficiencies.”

Steel Industry Overview

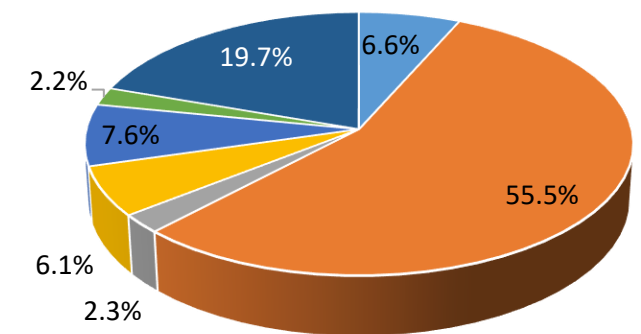


Crude Steel Production (million MT)	Three Months Ended				Nine Months Ended			
	Sept-22	Sept-21	Y-o-Y (%)	June-22	Q-o-Q (%)	9M 2023	9M 2022	Y-o-Y (%)
Asia and Oceania	335.7	330.9	1.5%	367.0	(8.5)%	1,034.0	1,066.0	(3.0)%
India	30.2	29.4	2.8%	30.7	(1.6)%	92.8	87.3	6.3%
China	252.3	244.2	3.3%	280.1	(9.9)%	775.8	805.9	(3.7)%
Others	53.2	57.3	(7.1)%	56.2	(5.3)%	165.4	172.8	(4.3)%
South America	10.7	11.8	(9.4)%	11.1	(3.6)%	32.4	34.1	(5.0)%
North America	28.3	30.1	(6.0)%	28.9	(2.1)%	85.3	88.6	(3.7)%
European Union	32.1	36.4	(11.9)%	37.0	(13.2)%	105.9	114.8	(7.8)%
Middle East	10.2	7.2	42.4%	10.2	0.0%	30.6	28.9	5.9%
Others	34.4	42.9	(19.7)%	36.2	(5.0)%	110.3	128.7	(14.3)%
Total 64 Countries as per WSA	451.4	459.2	(1.7)%	490.4	(8.0)%	1,398.5	1,461.1	(4.3)%

M-o-M Growth (%)



9M 2022 Regional Production



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

Q3 CY2022 Steel Production

- As per the World Steel Association (WSA) global crude steel production was 451.4 Mt in Q3 CY2022, a decline of 1.7% y-o-y and 8.0% on q-o-q basis. Global crude steel production excluding China declined by 7.4% on y-o-y and 5.3% q-o-q basis
- China crude steel production for Q3 CY2022 was 252.3 Mt, representing a growth of 3.3% y-o-y and declined of 9.9% on q-o-q basis
- India's crude steel production in Q3 CY2022 was 30.2 Mt, an increase of 2.8% y-o-y and decline of 1.6% on q-o-q
- The EU produced 32.1 Mt of crude steel in Q3 CY2022, a decline of 11.9% y-o-y and 13.2% on q-o-q basis
- Japan produced 21.7 Mt in Q3 CY2022, a decline of 9.4% y-o-y and 1.3% on q-o-q basis
- North America produced 28.3 Mt of crude steel in Q3 CY2022, a decline of 6.0% y-o-y and 2.1% on q-o-q basis
- The Middle East produced 10.2 Mt of crude steel in Q3 CY2022, a strong increase of 42.4% y-o-y basis

Steel Industry Outlook

- The WSA (October outlook) has forecasted steel demand will contract by 2.3% in 2022 to reach 1,796.7 Mt after increasing by 2.8% in 2021
- High inflation, monetary tightening and China's slowdown contributed to a difficult 2022, but infrastructure demand is expected to lift 2023 steel demand slightly
- India's demand is expected to remain strong in steel markets over the next 12-15 months, as domestic consumption is expected to grow at a high single-digit rate

- Growth in EAF steel production globally is expected to drive demand for electrodes in the near term
- The demand for graphite electrodes and realisations are expected to remain volatile in the near term while cost inflation may further squeeze margins
- In 2021, China has approved the construction of 43 new EAFs with a total crude steel capacity of 29 million mt/year through capacity swaps, while in 2020, only about 10 million mt/year of new EAFs got construction approvals
- The recent announcement of the 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 production and electrode demand
- Countries around the world are moving towards their carbon neutrality goals and therefore corporates are becoming environmentally conscious and adopting environment friendly manufacturing processes. Steel manufacturers are gradually moving towards the EAF process which is expected to create sustainable demand for graphite electrode in the longer term
- Needle coke price and other input costs are stabilising

Consolidated Financial Performance



Graphite India Limited

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1 FY2023	q-o-q Growth (%)	Half Year Ended		y-o-y Growth (%)	Comments
	FY2023	FY2022				FY2023	FY2022		
Net Sales (Excluding Other Income)	825	692	19%	866	(5%)	1,685	1,302	29%	<i>Y-o-Y Sales growth was driven primarily driven by improved realizations</i>
Other Income	111	79	41%	31	258%	103	157	(34%)	
Total Income	936	771	21%	897	4%	1,788	1,459	22%	
EBITDA / (Loss) excluding One Time Expense	213	188	13%	134	59%	347	407	(15%)	<i>Q-o-Q Sales growth was driven by a slight increase in realizations, although volumes decreased</i>
Margin (%)	26%	27%		15%		21%	31%		
EBITDA / (Loss) Margin (%)	168 20%	188 27%	(11%)	59 7%	185%	272 16%	407 31.3%	(44%)	<i>In Q1 FY2023, Damodar Valley Corporation revised electricity tariff rates and the net charge of Rs. 75 Crores has been grouped under 'Power and Fuel'</i>
Interest	4	0	nm	2	100%	6	1	500%	
Depreciation	15	13	15%	14	7%	29	27	7%	
Profit / (Loss) Before Tax (before Exceptional items and Associates)	149	175	(15%)	43	247%	192	379	(49%)	
Share of Profit/(Loss) of an Associate	-	(4)	nm	-	-	-	(11)	nm	
Exceptional Items	45	-	nm	-	nm	45	-	nm	
Profit / (Loss) Before Tax	194	171	13%	43	351%	237	368	(36%)	
Net Profit / (Loss) Margin (%)	92 11%	128 18%	(28%)	24 3%	283%	116 7%	278 21%	(58%)	<i>In Q2 FY23, German electrode production was stopped with a Rs. 45 Crores exceptional charge</i>
Earnings Per Share (Rs)	4.72	6.55	(28%)	1.23	284%	5.95	14.25	(58%)	

Notes:

1. EBITDA excluding One Time expense of Rs. 75 Crores which was charged by Damodar Valley Corporation (DVC) on account of electricity charges
2. EBITDA excludes an exceptional item of Rs. 45 Crores which was incurred for the closure of the German electrode production during Q2 FY23
3. EBITDA includes Other Income
4. All margins calculated as a percentage of Net Sales (excluding Other Income)

Standalone Financial Performance



Graphite India Limited

(Rs. Crore)	Q2		y-o-y Growth (%)	Q1 FY2023	q-o-q Growth (%)	Half Year Ended		y-o-y Growth (%)	Comments
	FY2023	FY2022				FY2023	FY2022		
Net Sales (Excluding Other Income)	719	654	10%	798	(10%)	1,517	1,197	27%	<i>Y-o-Y Sales growth was primarily driven by improved realizations</i>
Other Income	104	68	53%	22	373%	87	144	(40%)	
Total Income	823	722	14%	820	-	1,604	1,341	20%	
EBITDA / (Loss) excluding One Time Income and Expense	252	192	31%	172	47%	379	404	(7)%	<i>Q-o-Q Sales growth was driven by a slight increase in realizations, although volumes decreased</i>
Margin (%)	35%	29%		22%		25%	34%		
EBITDA / (Loss)	207	192	8%	97	113%	304	404	(25%)	<i>In Q1 FY2023, Damodar Valley Corporation revised electricity tariff rates and the net charge of Rs. 75 Crores has been grouped under 'Power and Fuel'</i>
Margin (%)	29%	29%		12%		20%	34%		
Interest	2	-	nm	2	-	4	1	300%	
Depreciation	11	11	-	11	-	22	23	(4%)	
Profit / (Loss) Before Tax (before Exceptional items and Associates)	194	181	7%	84	131%	278	380	(27%)	
Profit / (Loss) Before Tax	194	181	7%	84	131%	278	380	(27%)	
Net Profit / (Loss)	139	140	(1%)	63	121%	202	297	(32%)	
Margin (%)	19%	21%		8%		13%	25%		
Earnings Per Share (Rs)	7.13	7.19	(1%)	3.26	119%	10.39	15.22	(32%)	

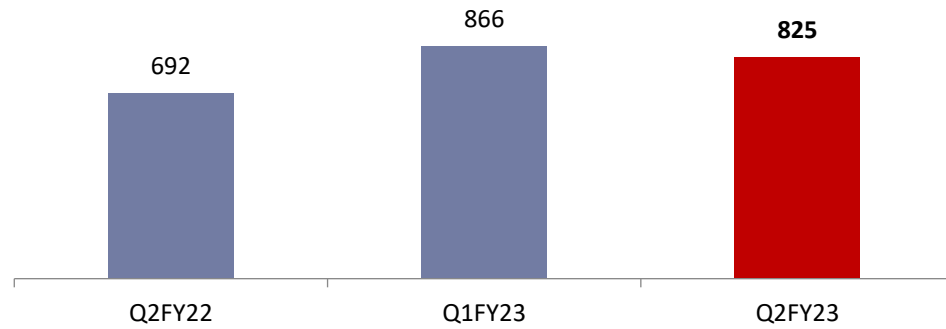
Notes:

1. EBITDA excluding One Time expense of Rs. 75 Crores which was charged by Damodar Valley Corporation (DVC) on account of electricity charges
2. EBITDA includes Other Income
3. All margins calculated as a percentage of Net Sales (excluding Other Income)

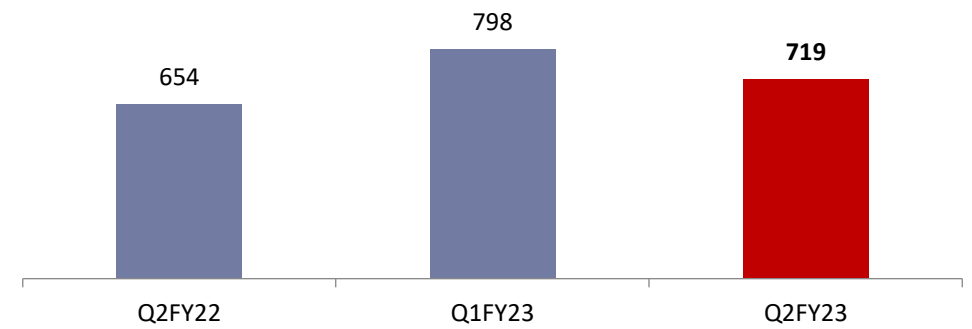
Quarter Performance Trends



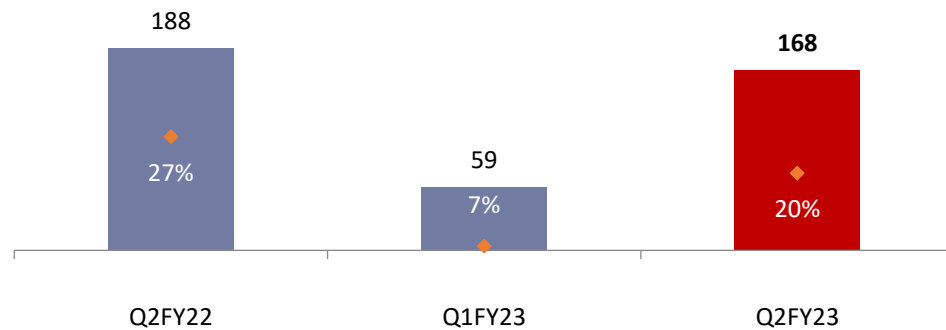
Consolidated Net Sales



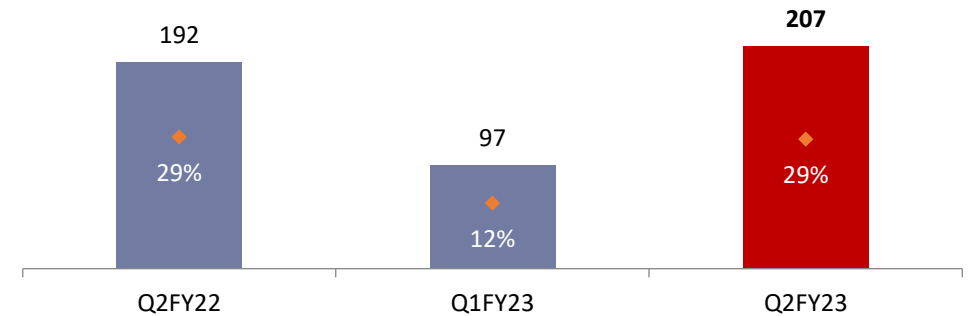
Standalone Net Sales



Consolidated Operating Profit / (Loss)



Standalone Operating Profit / (Loss)



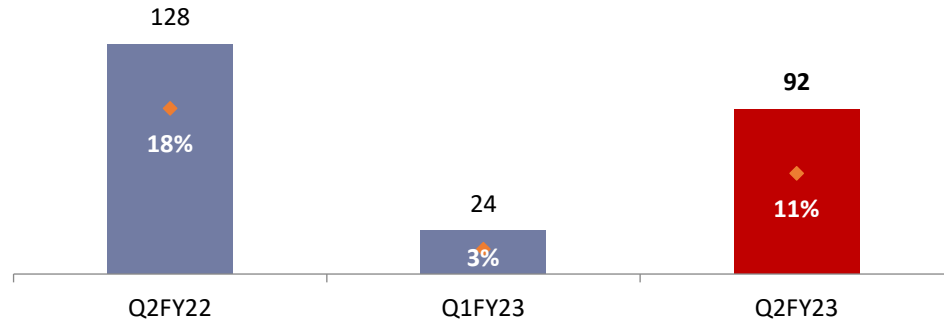
Notes:

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

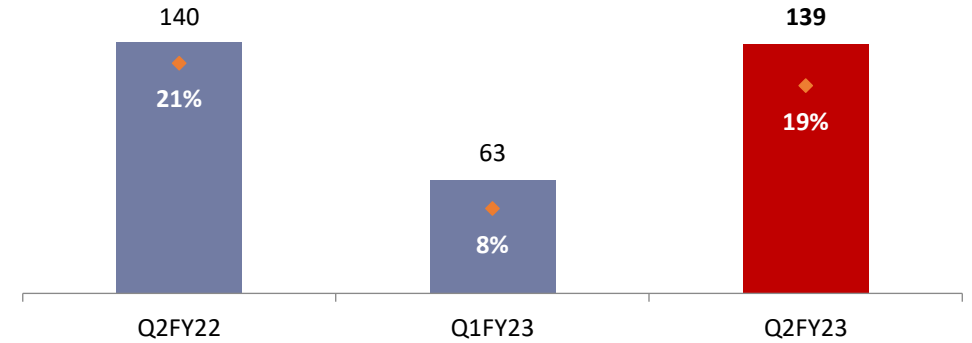
Quarter Performance Trends



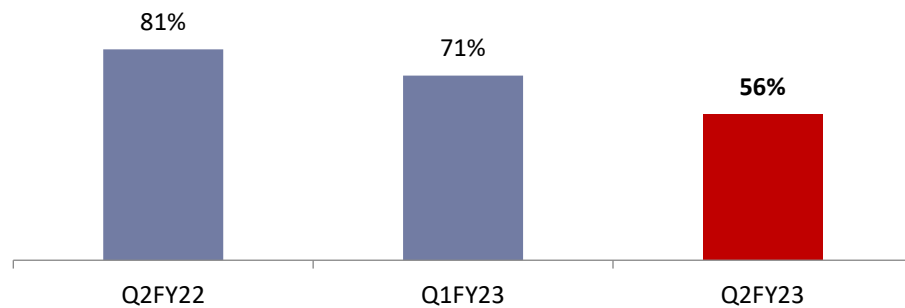
Consolidated Net Profit / (Loss)



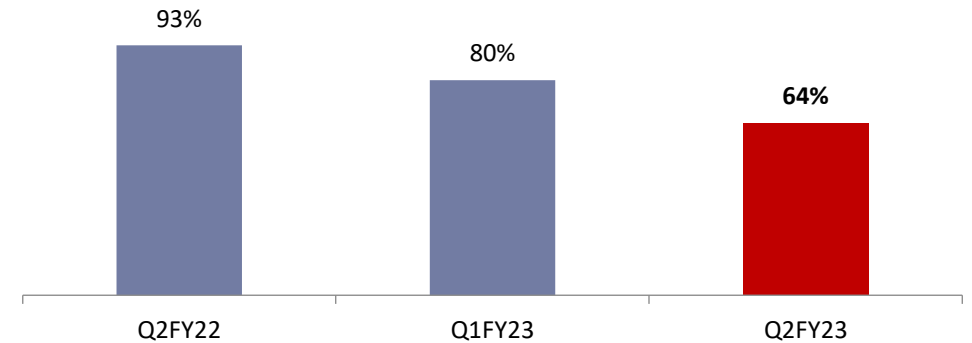
Standalone Net Profit / (Loss)



Consolidated Capacity Utilization



Standalone Capacity Utilization



Significant financial flexibility available for future organic and inorganic growth

Consolidated Leverage Profile

(Rs. Crore)	Sept- 22	June- 22	Mar- 22	Dec- 21	Sep- 21
Cash & Cash Equivalents ¹	2,527	2,667	2,774	2,785	2,906
Total Debt	(415)	(464)	(428)	(333)	(275)
Net Cash	2,112	2,203	2,346	2,452	2,631

Standalone Leverage Profile

(Rs. Crore)	Sept- 22	June- 22	Mar- 22	Dec- 21	Sep- 21
Cash & Cash Equivalents ¹	2,234	2,474	2,482	2,468	2,466
Total Debt	(264)	(356)	(343)	(249)	(258)
Net Cash	1,970	2,118	2,139	2,219	2,208

Notes:

1. Cash and cash equivalents include investments

Quarterly Segment Performance



Graphite India Limited

Consolidated Segment Performance

(Rs. Crore)	Q2		y-o-y	Q1FY23	q-o-q
	FY2023	FY2022	Growth (%)	FY2023	Growth (%)
Graphite and Carbon	734	645	14%	798	(8)%
Others	92	48	92%	68	35%
Less: Inter Segment Sales	(1)	(1)	-	-	-
Segment Revenue	825	692	19%	866	(5)%
Graphite and Carbon	89	103	(14)%	69	29%
Others	36	11	227%	16	125%
Profit / (Loss) before tax and interest	125	114	10%	85	47%
Finance Cost	(4)	0	nm	(2)	100%
Unallocated Income / (expense)	73	61	20%	(40)	(283)%
Profit / (Loss) Before Tax (Before Exceptional Items and Associates)	194	175	11%	43	351%
Share of Profit/Loss of an Associate	-	(4)	(100)%	-	-
Exceptional Items	(45)	-	nm	-	-
Profit / (Loss) Before Tax	149	171	(13)%	43	247%

Standalone Segment Performance

(Rs. Crore)	Q2		y-o-y	Q1FY23	q-o-q
	FY2023	FY2022	Growth (%)	FY2023	Growth (%)
Graphite and Carbon	652	611	7%	730	(11)%
Others	68	44	55%	68	0%
Less: Inter Segment Sales	(1)	(1)	-	-	-
Segment Revenue	719	654	10%	798	(10)%
Graphite and Carbon	121	114	6%	94	29%
Others	14	8	75%	22	(36)%
Profit / (Loss) before tax and interest	135	122	11%	116	16%
Finance Cost	(2)	-	nm	(2)	0%
Unallocated Income / (expense)	61	59	3%	(30)	(307)%
Profit / (Loss) Before Tax (Before Exceptional Items and Associates)	194	181	7%	84	131%
Profit / (Loss) Before Tax	194	181	7%	84	131%

* 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 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 55% 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 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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