



LNJ Bhilwara Group Company



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HEG/SECTT/2025

8th August, 2025

1	BSE Limited P J Towers Dalal Street MUMBAI - 400 001. Scrip Code : 509631	2	National Stock Exchange of India Limited Exchange Plaza, 5th Floor Plot No.C/1, G Block, Bandra - Kurla Complex Bandra (E), MUMBAI - 400 051. Scrip Code : HEG
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Sub: Transcript of Earnings Conference Call on Q1 FY26 of HEG Limited

Dear Sir/Madam,

Please refer to our Earnings Conference Call scheduled on 4th August, 2025 intimated vide our letter dated 30th July, 2025. Please find enclosed the transcript of the said Earnings Conference Call.

The said transcript is also available under the Investors Section of the website of the Company i.e www.heg ltd.com.

This is for your kind information and records.

Thanking You,

Yours faithfully,
For **HEG Limited**

(Vivek Chaudhary)
Company Secretary
M.No. A-13263
heg.investor@lnjbhilwara.com

Encl: as above

HEG LIMITED

Corporate Office :

Bhilwara Towers, A-12, Sector-1
Noida - 201 301 (NCR-Delhi), India
Tel.: +91-120-4390300 (EPABX)
Fax: +91-120-4277841
GSTN No.: 09AAACH6184K2Z6
Website: www.lnjbhilwara.com

Regd. Office :

Mandideep (Near Bhopal) Distt. Raisen - 462046
(Madhya Pradesh), India
Tel.: +91-7480-405500, 233524 to 233527
Fax: +91-7480-233522
GSTN No.: 23AAACH6184K1ZH
Website: www.heg ltd.com

E-mail: heg.investor@lnjbhilwara.com

Corporate Identification No.: L23109MP1972PLC008290





“HEG Limited

Q1 FY26 Earnings Conference Call”

August 04, 2025



MANAGEMENT:

**MR. RAVI JHUNJHUNWALA – CHAIRMAN – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – HEG LIMITED**
MR. RIJU JHUNJHUNWALA – VICE CHAIRMAN – HEG LIMITED
MR. MANISH GULATI –EXECUTIVE DIRECTOR – HEG LIMITED
**MR. OM PRAKASH AJMERA – GROUP CHIEF FINANCIAL OFFICER –
HEG LIMITED**
MR. RAVI TRIPATHI – CHIEF FINANCIAL OFFICER – HEG LIMITED
MR. PUNEET ANAND – CHIEF STRATEGY OFFICER – HEG LIMITED
**MR. ANKUR KHAITAN – MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER OF TACC LIMITED**

MODERATOR:

MR. NIKUNJ PACHISIA – SKP SECURITIES LIMITED

Moderator:

Ladies and gentlemen, good day and welcome to HEG Limited Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nikunj Pachisia from SKP Securities Limited. Thank you, and over to you, sir.



Nikunj Pachisia:

Good afternoon, ladies and gentlemen. I'm pleased to welcome you on behalf of HEG Limited and SKP Securities to this financial results conference call with the leadership team of HEG Limited. We have with us Mr. Ravi Jhunjhunwala, Chairman, Managing Director and CEO; Mr. Riju Jhunjhunwala, Vice Chairman; along with their colleagues, Mr. Manish Gulati, Executive Director; Mr. Om Prakash Ajmera, Group CFO; Mr. Ravi Tripathi, CFO; Mr. Puneet Anand, CSO and Mr. Ankur Khaitan, MD and CEO of TACC Limited.

We will have the opening remarks from Mr. Jhunjhunwala, followed by Q&A session. Over to you, Ravi ji.

Ravi Jhunjhunwala:

Thank you, Nikunj. Good afternoon, friends, and welcome to our financial results conference call for the Q1 '25-'26. Let me begin with a brief overview of the global steel industry trends, which continue to shape the demand environment for Graphite Electrodes. According to the World Steel Association, global steel production in the first 6 months of 2025, calendar year '25 stood at about 934 million tons, which is a decline of about 1.9% year-on-year and 952.4 million tons in the corresponding period of last year, indicating a slowdown in the demand across major steel producing economies.

China steel production declined by about 2.4%, primarily due to weaker construction activities there and the government-imposed production curbs. At the same time, finished steel exports surged 9.2% Y-o-Y to 58 million tons, increasing global competition and exerting additional pressure on international steel prices.

Production outside of China fell by about 1.2% to 419 million tons, driven by ongoing macroeconomic headwinds and a muted industrial recovery in most of the countries. In contrast, India remained a standout performer with a 9.2% year-on-year increase to about 81 million tons in the first 6 months, supported by our continued infrastructure spending and automotive sector growth.

Another large producer of steel, Japan, reported a 5% decline, South Korea fell by 2.8%, Turkey dropped by 1.7%, while United States registered a modest 0.8% increase, highlighting relative market resilience. In this kind of a macro environment, Graphite Electrode market continues to face challenging conditions during the quarter.

The recent imposition of 25% duty in the U.S., an important market for us and the leading consumer of graphite electrodes, is being studied, and we hope that this is eventually settled down to some reasonable level as we believe discussions between the two countries are ongoing.

However, given HEG's well-diversified sales footprint across all major markets, we will do our best to see that its impact on us is minimal. On the near- to medium-term demand, the global transition towards low-emission electric arc furnace steelmaking continues to gather momentum, underpinned by regulatory actions and decarbonization targets.

Electric arc furnaces, which offer a significantly lower carbon footprint versus its traditional blast furnaces, are central to the steel industry's transformation. The global shift towards electric arc furnace steelmaking continues to accelerate, driven by climate goals. This transition is expected to generate substantial incremental demand for our products, which is estimated at



150,000 to 200,000 tons annually by 2030, excluding China, reinforcing industry's long-term growth potential.

As per our data, in last 2 years, about 11 million tons of new electric arc furnace capacities have already been installed in the Western world, while we expect another 50 million to 55 million tons to be in operation by 2027 and added 40 million tons or so between 2028 and 2030. All this totals up to a staggering figure of about 100,000 tons of new capacities, which we have never seen before.

As you are aware, this is all due to continued focus on lower carbon emission by every country in the world, which electric arc furnace steel provides. HEG continues to operate at highest utilization levels in the industry despite a stagnant demand. Last quarter, we operated at 90% plus -- and in this background, we have to remember that this 90% on our newly expanded capacity of 100,000 tons.

Our single location, a large production base, combined with a competitive cost positions us as one of the lowest cost producer globally. Despite market challenges, we remain confident in the medium- to long-term growth of our industry. The combination of electric arc furnace-led structural demand growth, supply rationalization by some other industry majors in the world and current unsustainably low prices -- low price levels should gradually lead to market stabilization and pricing recovery.

Considering all these, we have recently announced another expansion plan to increase our existing capacity from 100,000 tons to 115,000 tons, which will require a capex of about INR650 crores to be completed in 2.5 years from now with expected production in January-March 2028, which will help us to further reduce our costs and increase our market share.

Regarding demerger, the scheme is filed with stock exchanges and all other relevant authorities, after which it will go to NCLT, and we do expect to get NCLT approval by end of the calendar year 2025. With this, I would now like to invite our CFO, Ravi Tripathi, to present the financial results for the quarter and along with our Vice Chairman, Riju; Executive Director, Manish and Chief Strategy Officer, Puneet.

We will all be very happy to answer your questions about electrode business as well as other diversifications, which are under implementation. Thank you, and over to you, Ravi.

Ravi Tripathi:

Thank you, sir. Good afternoon, friends. I will now briefly take you through the company's operating and financial performance for the quarter ended 30th June 2025. For the quarter ended 30th June 2025, HEG recorded revenue from operations of INR613 crores as against INR571 crores in the corresponding quarter of the previous financial year.

During the quarter ended 30th June 2025, the company delivered EBITDA of INR154 crores as against INR59 crores in the corresponding quarter of the previous year. The company on a stand-alone basis, recorded a net profit after tax of INR72 crores in Q1 FY '26 as against INR3 crores in the corresponding quarter of the previous year.



And on a consolidated basis, the net profit after tax is INR105 crores in Q1 FY '26 as against INR23 crores in the corresponding quarter of the previous financial year. The company is long-term debt free and had a treasury size of nearly INR977 crores as on 30th June 2025. Now to take out more questions from the participants, the detailed presentation has been uploaded on the company's website and on the stock exchange.

Now we would like to address any questions or queries you have in your mind. Thank you. Over to Navin -- over to Nikunj.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Amit Lahoti from Emkay Global.

Amit Lahoti: Congratulations on a good set of numbers. My first question is on our expansion plan of 15,000 tons. So given that there were capacity curtailments globally, so there must have been an option to acquire something for cheap valuations, but we have decided to expand capacity that comes with a time period of 2 to 3 years. So if you could provide some color in terms of the thought process that has gone behind in making this decision to build instead of going inorganic?

Ravi Jhunjunwala: See, we obviously looked at all these opportunities that you are talking about. And yes, as you are probably aware, one of the two major producer, international producer has formally announced that they are wanting to exit this business. So while we are pursuing that, we are in contact with them.

We will probably -- at the right time, whenever they are ready, we'll probably go look at the plant and then take a view. But our gut feeling has been in the last 20, 30 years that these opportunities were available to us even in the past. And as you know, most of the other graphite production happens in all the expensive countries of the world, basically Japan, Germany, France, Spain, Italy, U.S.

So with the cost structure that we believe that they have and most of these are listed companies. So a lot of data is available to everyone to see. So we believe that it is still better to spend 2.5 years and to build more capacity in our own country, where our costs are significantly lower than if we were to acquire any plant in any Western world.

First of all, these plants are very, very, very old. I mean, to my memory, probably the last plant, which is -- which was built -- some of these plants which are currently on the block, probably the last one would have been built 60, 70 years ago or at least more than 50 years ago. And they have not done much in those plants.

So it probably doesn't make sense to acquire a very old plant in a European or a Japanese or an American economy where obviously, the costs are much higher than ours. So in the long term, we looked at all the permutation combinations, and we again came to a conclusion. And secondly, it's not easy.

I mean, even if you start looking at some possibility today, it's a very long-drawn process. I mean, it will take at least 6, 9 months, 12 months to even conclude that deal. So when we are



more or less certain that expanding in India at the existing site gives us a much more competitive edge.

We -- while we will look at it, but in the last 25 years, we have looked at all these opportunities, and we have stepped back and expanded here. So we didn't want to waste another 6, 9 months, 12 months and then come to that conclusion. But of course, so long as we are amongst the cheapest cost producer, which we are based in India, we'll continue to look at that opportunity. Nobody stops us to acquire one of the good plants, which is on the block, even after expanding to 115,000.

Amit Lahoti: Okay. Understood. And does this capex that we have announced of INR600 crores, does it include captive power plant as well, or we will continue to procure from the grid?

Ravi Jhunjhunwala: No, we have always continued to buy the power from the grid. We don't have any captive power plant. We had built it long, long back. But as we have formally announced long ago, we had closed that down, maybe more than 10 years ago.

Amit Lahoti: Okay. And lastly, just a housekeeping question. How much was the production volume in Q1?

Ravi Jhunjhunwala: In excess of 90%. Yes, as I said, we were -- we operated at more than 90% last year -- last quarter. And we are more or less in that same range, maybe a couple of percentage plus and minus.

Moderator: The next question is from the line of Kirtan Mehta from Baroda BNP Paribas Mutual Fund.

Kirtan Mehta: Would you be able to share your assessment of the demand-supply balance outside China? And what would be the average utilization level at this point of time? That was the first question?

Manish Gulati: Okay. Shall I answer, sir?

Ravi Jhunjhunwala: Yes, go ahead.

Manish Gulati: Yes. Sir, it's ex China, we can safely say that electric arc furnaces in rest of the world is between 70% to 75% utilization as a total.

Kirtan Mehta: I was actually referring to the utilization of the graphite electrode plant as an industry outside China?

Manish Gulati: Okay. Sure. See, from -- we hear what you hear from the peer group. I mean, one of them said they were at 65% in the last quarter. And the others would be from -- I mean it's all market hearsay. I mean only one of them provides a number, rest of them do not do that. I believe the others would also be at a level of 60%, I would say.

One of them is clear because we can -- you know whom I'm referring to. That was 65% and others would also be in that same range, 60 -- between 60% to 65%.

Kirtan Mehta: Great. As a follow-up, typically, we have seen the pricing sort of flexibility returning whenever the industry utilization level goes above 80% or so. So how far we are away from the situation?



And addition of our plants, would it sort of delay that positioning or keep the market oversupplied for a few more years? And one more related question was in the U.S., now the duties has been increased. So could it lead to restart of any of the U.S. plant?

Manish Gulati:

Yes. See, your -- first, I'll answer the second question. U.S. makes about 72% of the steel from the electric arc furnace route. So their utilizations, I mean, I would -- I was reading a paper, they were around 75% in U.S. And the other question, I just missed the other question. What was the first question?

Kirtan Mehta:

Sorry, sir, I was asking, in terms of the U.S., basically, do we see a risk of the start of any graphite electrode plants, which could add supply to the industry?

Manish Gulati:

Okay. Understood. So you see the electrode -- in U.S., particularly, the plants which -- there's no risk of restart in the sense because there's nothing on the ground other than the ones which are running. There's one competitor's plant, two Japanese, and the plants are on the ground and running.

The one of the other competitor, which was mothballed, I think, it runs partly or something, whatever we hear from the public documents, maybe some half of the operation is going on, some machining or something. So there is no other plant other than these 2, which are already operational, which would come up in U.S. per se.

And there's one more graphite plant in Mexico, and that's also a running plant. So there's nothing we can see that there's some closed plant which will come up, other than the one small plant I referred to, which runs half of it, half of the process, the less value-added advance.

Kirtan Mehta:

Understood, sir. And the first question was about basically, as you are noting that the industry utilization is in the range of 60% to 65%. We have announced capacity expansion of 15 Kt. Our Indian competitors have announced also the capacity expansion of another 25 Kt. So will this supply addition delay utilization level improving in the industry and thereby, keep the prices under pressure for a few more years? Would you see that possible?

Ravi Jhunjunwala:

I'll answer that. I mean, in my opening remarks, I clearly said that x amount of new electric arc furnaces have already started production in the last 2 years. And in the next 4, 5 years, we believe that about 100 million tons of new electric arc furnace capacities are being added all over the Western world. We are not talking of China.

And this is the first time in the history that most of the large steel companies around the world, and it is -- it actually includes every country, which produces steel, not selected some countries. They are stopping their blast furnaces and converting them -- not converting them, but they are replacing them by electric arc furnaces only because of the carbon emission.

The electric arc furnace steel emits about 20%, 22% of the carbon compared to the same steel produced by the blast furnace. So given the sensitivity of the subject of carbon emission now, about 100 million tons of new electric arc furnaces are coming up somewhere in the world -- in the Western world, out of which about 11, 12 have already come in, 20, 25 are coming within the next year -- within this year and next year.



And in total, we do have a list of about 100 million tons. So this 100 million tons will add demand for 150,000 to 200,000 tons of electrodes. And in the backdrop of this demand increase of 150,000 to 100,000 -- 200,000 tons, of course, this will take some time. It's not going to happen overnight, but it has started happening.

New electric arc furnaces are already operational. They need more electrodes. And new ones are coming up every 2 months, every 3 months, every 6 months for the next 3, 4 years. So the demand is likely to go up. Supply -- on the supply side, as you probably have seen, as we have seen, some capacity closures have taken place in the last 2, 3 years in Europe and in America.

So the total capacity, which used to be on the ground 2, 3 years ago, has substantially come down and some more are in the offing. So -- and of course, I mean, whatever I just said is very important. But as I also started off by saying that we believe we are the lowest cost producer of the graphite electrode anywhere in the world. So that gives us a certain advantage.

And if we increase the capacity, when we increased from 80 to 100, we practically didn't increase any fixed cost. And when we now increase from 100 to 115, of course, there will be some increase in fixed cost, but it will be nowhere in the region of proportionate increase. So at a marginal increase in capital -- in running cost, in production cost, if we are adding more and more capacity, it adds to our competitiveness, it adds to our bottom line.

Kirtan Mehta:

Understood, sir. Quite clear. One last question was about, we have around 10% stake in GrafTech. So what would be our ambition there? And how do we plan to develop further there?

Ravi Jhunjhunwala:

So our intention when we started buying, and we clearly mentioned it in the last couple of calls, our intention is simply the share price. And as we have explained in the past, GrafTech happens to be the only company in the Graphite business, which has a backup of their own raw material, needle coke.

And as we are very bullish about the graphite demand -- graphite electrode demand, so simultaneously, there will be a demand for additional needle coke. And GrafTech happens to be the only graphite company, which has a substantial backup in terms of backward integration of coke. So when the electrode prices start rising on the back -- on the background of demand, the needle coke prices also go up.

So when that happens, that will be the only graphite company, which will have a twin advantage of increased prices of needle coke and increased prices of electrodes. And when we took this decision to buy a bit of GrafTech shares on that day, about 9, 10 months, 12 months ago, the market cap was unreasonably low. I mean it was probably 1/3 of ours.

So it didn't justify the kind of market cap they had with practically double the capacity of electrodes plus a backup of their raw material, which nobody else has. So in the backdrop of what we expect the demand of electrodes to grow, needle coke demand to grow, we took a view that it's a very safe bet.

Moderator:

The next question is from the line of Chirag Pachisia from SKP Securities.



Chirag Pachisia:

Sir, the new 15,000 ton per annum expansion has a lower capex per ton than your previous phase. So what key factors are driving this improved capital efficiency? And can we expect similar cost advantages in the future expansion?

Manish Gulati:

Yes. You see -- you rightly noticed that it's less than before. See, the last expansion was unique in its own way because we wanted a totally different facility to make nipples, which are the critical part along with electrodes. Now here, what we are doing is this 15,000 -- because now we have ample nipple capacity.

So the investment in the last project was higher. And another thing is that now we have a big 100,000 ton plant, and we have an opportunity, there are one or two shops where -- 1 or 2 processes where the capacity already exists to some level. That is why we just streamlined all our processes to make all equivalent to that 115,000.

So we will end up saving some money here in this -- to have a synergy with already 100,000 ton plant because there are 6 different processes. So one of the processes we already had that capacity. So that is how we save money.

Moderator:

The next question is from the line of Rohit from iThought PMS.

Rohit:

So just two, three questions. One was, sir, in terms of the realizations in the graphite business. So I think you had mentioned in the last call that the capacity cuts that have happened are yet to sort of -- it takes time for them to get materially -- I mean, get sort of to operationalize. So how do you -- so now that probably they would have gotten operationalized or more closer to getting operationalized, how do you see the realization happening now, let's say, in the coming year? Any thoughts on that?

Manish Gulati:

See, you have seen the steel production figures. See, graphite electrodes is a derived demand. For every ton of steel made, let's say, it consumes 1.5, 1.6 kg per ton. So the steel production, I mean you know the geopolitical situations. For the last 2 years, steel has been stagnating. But what is happening now is, of course, it is not going to continue like that forever.

So even the existing electric arc furnace capacities are underutilized at a 75% level. The moment -- see, electric arc furnace is a start and stop operation. The plant manager decides in the morning how many heats I can make today, while the blast furnace either works or it doesn't work. So electric arc furnaces work both ways.

They are very quick to ramp up their production and very quick to adjust also. So once the steel production -- so once we get out of this geopolitical situations going on and of course, this is in addition to the new electric arc furnaces, which are coming. So we believe the prices is just a factor of demand.

The moment all industry capacity utilizations of graphite electrode industry crosses 80%, 85% then of course, there's firming up of prices. So we are a little away from that. Maybe it takes two quarters, three quarters, I don't know. But yes, every electrode company in the world needs the price to rise because it's an unviable price to work on.



We're just keeping ourselves afloat just because of our size and being at one location and being a lower cost producer. Otherwise, so firming of prices, I don't know what is the timing, maybe two more quarters, but it should happen because this is -- we are at the lowest end now.

Rohit: Okay, sir. And sir, we mentioned a bit about ex China, but some early reports or whatever we see, read that there is generally a view in the Chinese industry also not specific to us, but others that they also want to cut capacity or sort of not get into extreme price war kind of a scenario. So are you sharing anything or any signs that you're seeing for our industry in the Chinese market as well or nothing of that sort are you hearing there?

Manish Gulati: First of all, we are not supplying to China. And whatever you have heard about their internal electrode capacities being close, let me say this, that China is a huge capacity of making electrodes, huge. And there's a huge exporter also all over the world. But most of the exports and which they are going are for the ladle furnaces, which we call the HP variety or the non-UHP variety, that forms the lion's share of their exports.

So what is happening inside China, probably the electric arc furnaces, which were projected to be 20% of their production is not 20% still. So they're going -- I mean they're running behind their own schedule. So it's very difficult for us to comment what is exactly happening inside China because there are only 5 or 6 integrated companies and rest are one process shops. So who's closing capacity where it's very difficult to comment.

Rohit: Okay. And last question was on your investment in GrafTech, which you outlined to the previous participant. So I mean, given that while you've outlined the thesis before as well, but they also have a large portion of debt, which they refinance or -- not refinance, but they've gotten some extensions on the liquidity part.

Given that the debt and -- the fact that they have debt and they have interest payments as well, how do you view that, sir, given that it will take more time than all of us anticipate. So how do you view that as a risk to that investment, whatever you can share?

Manish Gulati: Sir, shall I answer?

Ravi Jhunjunwala: Yes, go ahead.

Manish Gulati: Yes. So see, you're talking about that one shot debt payment of \$900 million something, which is now payable. After the rescheduling, it's now payable in December 2029. Now you see with the things, with the new years coming up and the expectation of steel production at least from next year to start increasing, I think that '27-'28 or '28-'29 should definitely be good years, and they should be able to repay some of the debt.

And, of course, and rescheduling possibility is always there when the industry looks good. So I think when we still have 3 more years to go, I think, it should be fine. I mean there should be a turnaround in that time frame when the steel production also goes up, the new electric arc furnace also come up, prices get firm up.



There are enough margins to pay off the debt. That's what we think. So we think our 10% stake is very much safe.

Moderator:

The next question is from the line of Praful from Dymon Asia.

Praful:

A couple of points. When you say America as a region, does it include other geographies, like Canada or Mexico? What does it include?

Manish Gulati:

No. When we said.

Ravi Jhunjunwala:

About 8% to 10% that we sell to America is U.S.A. We are not including Canada and that Mexico.

Praful:

Okay. And any mitigants in terms of -- that you guys are working on for minimizing the impact in terms of procurement or any other levers that you guys have as management to use or is it something that you want?

Ravi Jhunjunwala:

We have heard of a couple of options wherein by importing some raw material from U.S., the duty gets adjusted. But it's very, very new. I mean all these things have just come up in the last three, four, five days. So we are in the middle of studying all that, and we are probably going to take some legal opinion before we come to a conclusion. So I really can't tell you anything more than that at this stage.

Praful:

Fair enough. Sir, recently on GrafTech earnings call, they mentioned that the realizations from USD 3,800-odd per ton is upward of USD 4,200 for them. How does it work generally? Do you -- it's a similar pricing all over the globe that people follow or they can be different. So how does it converge over time?

And they've been guiding very bullishly on that all the electric arc furnace guys, given 73% of U.S. is in electric arc furnace production, are very happy with the price hikes because they want the industry to thrive and do well from here, given the nature of the industry today. So how does it work for us?

Manish Gulati:

See, let me -- I'll answer this by saying that pricing is different in different markets. For this product, the pricing is different in U.S., pricing different in Japan, pricing different in Middle East and different in Southeast Asia. So it varies. So of course, since they are in U.S. and since with the help of tariffs, et cetera, they will, of course, enjoy that protected marketplace.

So that's what they might be feeling upbeat about because that's one market which is higher rate of electric arc furnaces. So of course, in that market where pricing is already elevated compared to other markets which are much more competitive, so they must be getting that additional price increases.

Ravi Jhunjunwala:

And typically, we have seen in the last many, many years, we've also seen that American customers tend to pay a slightly higher price if they are happy with the company, if they are happy with the quality, if they are happy with their consumption, after sales service...



Praful: Ravi sir, I wanted to broadly get the trend of realizations, in terms of trend. I don't want to pick up a quarter, but broadly the trend, how the realization trend given that one of the biggest players in the industry has indicated a 10% Q-on-Q realization jump and he's saying that customers have absorbed it very well. So broadly, I want to understand the trend of the realizations for you. That's all?

Manish Gulati: No, if the trend...

Ravi Jhunjhunwala: Sorry. Yes, go ahead.

Manish Gulati: As Chairman said that only about 10% of our sales goes to U.S. and 90% is other than U.S. and which is Middle East, Southeast Asia, Europe, everywhere. So that price trend, which they are talking about the 10%, we are not seeing that happen much in other areas, regions, maybe slight, I mean, here and there, but in some customers, some -- but not generally, it's -- I cannot say that this 10% we are getting everywhere in Middle East and in Europe or in Southeast Asia. So U.S. is, of course, when the moment you have tariffs, that gives them an opportunity to raise prices.

Praful: And in terms of EU?

Moderator: Sorry to interrupt, sir, but I may request you to rejoin the question queue for follow-up questions.

Praful: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Jatin Damania from SVAN Investments.

Jatin Damania: Am I audible?

Ravi Jhunjhunwala: Yes, you are.

Moderator: There's an echo from your side. Could you go to a better reception area or better area, where there's no echo?

Jatin Damania: Sir, just on the previous participant's questions in terms of the pricing. During Jan Feb, March, we have seen the broad-based increase in the graphite electrode realization. But -- and we know that China is not that a big competitor for us given the technology and the quality that we are using it.

So there could be some amount of the benefit that should come to HEG or the other domestic players who are into UHP and HEG specific. So by when one can assume that, there could be a benefit of the realization that was taken globally could be beneficial for us?

Manish Gulati: I think, for us, I was just looking at the pricing, which you mentioned for the Jan to March quarter and April to June quarter, this is just about the same, a very slight increase in what we saw in April to June, but at the same level. And about when we see the firming of our price, we have to wait.

We have to wait until the steel production turns around and show some healthy increase. And as I said, EAFs will be the first one to capture the opportunity because they just decide in a matter



of days that when they have to ramp up production. Maybe it takes two quarters or more. But I can only say that -- our feeling is that this is about the lowest it could get.

But at this point, the inefficient plants start to close down, which you have seen. So it cannot go below this. So now how long it takes, it's anybody's guess, 2 quarters, 3 quarters, but there should be some firming up of price, which is dependent on how steel production does in the rest of the world ex China.

Ravi Jhunjhunwala:

So 1 more point, rather than only talking about the price and the price increase, if you talk about the margins, probably that is more relevant. And then the costs have also been pegged when the electrode prices are more or less at the same level, they are very, very slightly going up, in some regions going up, in some regions not going up. So the impact is not visible, but directionally, everybody believes in the industry that probably we have reached the bottom.

But then you also have to look at the cost. The costs have also not gone up, which means the raw material prices, power prices, all other costs have not gone up in the last couple of years. And we have a slight advantage that now we are able to sell another 15,000, 17,000 tons within the same fixed cost.

Jatin Damania:

But now since as you mentioned that even the cost, I mean, has not gone up. So can you throw some light in terms of how do you see a supply of needle coke in the near to medium term and the cost dynamics for the same?

Ravi Jhunjhunwala:

It's impossible for anybody to answer that question. I mean it all depends upon what is the demand for electrode and the demand for needle coke, which is our raw material, depends on that. There are only a few suppliers. So every information is available to everybody. So when - - obviously, when the electrode prices start increasing, the needle coke prices will also follow. It's only a matter of time.

Jatin Damania:

Okay, sir. And in terms of the capex that we announced that now we are moving from 100 crores to 115 at an estimated cost of near about INR650 crores without power. But at the same time, sir, one of our competitors also announced the expansion of 25,000 tons of capacity with a capex of INR600 crores, which includes the power. So just wanted to understand, because if you look on the per ton basis, we are on the higher side.

So is there any change in technology or the different -- or you can probably answer why we are on the higher side?

Ravi Jhunjhunwala:

We can only speak about ourselves. We can't speak about somebody else. I mean, I don't know what they are doing and how they are doing. The only thing I can only tell you is that I mean we will not compromise on the equipment. We will not compromise on the cost of the equipment. We are only focusing on the quality.

Jatin Damania:

Okay, sir. And what sort of IRR or the payback period we can...

Moderator:

Sorry to interrupt, sir, but I may request you to rejoin the question queue.



Jatin Damania: It's a follow-up question. So just on the IRR, one on this -- on the new capex?

Ravi Jhunjunwala: I'll let Puneet answer that question.

Puneet Anand: So we are expecting a double-digit IRR on this, and the payback is around lower than between 4 to 5 years.

Moderator: The next question is from the line of Saumil Shah from Paras Investment.

Saumil Shah: Congratulations on a good set of numbers. Sir, for this quarter gone by, our capacity utilization was 90% plus. So I mean, what's the outlook for the remaining year? Do we see our capacity utilization going up further from here?

Manish Gulati: I would say that 85% maybe -- I'm sorry...

Ravi Jhunjunwala: Go ahead.

Manish Gulati: Sir, I would say that this quarter was 90% plus. For the remaining quarters 3 -- as we book quarter-by-quarter, it's very difficult to answer for more than 1 quarter at a time or two quarters at a time. I think it should be around 85% -- in the region of 85% for the balance three quarters.

Saumil Shah: Okay. And sir, what is the reason for our -- I mean, margins are fluctuating every quarter? I think it's -- you're mentioning there is a mark-to-market profit or loss for GrafTech International. So I mean, how can we look at EBITDA margins for next one, two quarters?

Manish Gulati: See, that mark-to-market ends up confusing a lot of investors. But if you take it out, our EBITDA would be very similar in the last 2 quarters and are likely to stay that way in the July to September quarter as well. So -- but what confuses people is that mark-to-market sometimes there's a drop in price and sometimes increase in price. So -- and we always mentioned in the notes, if you just take that out, and so you will know this quite stable EBITDA levels operationally.

Saumil Shah: Okay. But then why do we do it every quarter? Can't we do it every year, I mean, once in a year?

Manish Gulati: No, that's what IndAS and that's what auditors tell us. You have to do it every quarter. That's the rule. Can't help it.

Saumil Shah: Okay. Okay. And so once we remove it, I mean 17%...

Manish Gulati: Yes, that's right.

Ravi Jhunjunwala: Yes. No, no, I have a sheet in front of me for the EBITDA, which obviously talks only about the operational EBITDA. It doesn't have to do anything with whether you made money or lost or the investments and all that. So our EBITDA in '22-'23 was 28%, '23-'24 was 21%, which dropped down to 17% in '24-'25. So immediate previous year was 17%, and this quarter was about 23%. So 28%, 21%, 17%, 23%. So this has been the trend.

Saumil Shah: Okay. Sorry. This you are saying after -- excluding this mark-to-market, 23% for previous quarter?



- Ravi Tripathi:** So this is including the mark-to-market gain. This is including the...
- Saumil Shah:** So without that, it will be, what, 17%?
- Ravi Tripathi:** Yes. Without this, 17%.
- Saumil Shah:** Okay. And sir, my final question, sir, I wanted to know more on the Greentech business. So what's the current revenue and margin -- and how much can we scale this business in next 1, 2 years?
- Ravi Jhunjhunwala:** Can you repeat your question, please?
- Saumil Shah:** So I wanted to know more on the HEG Greentech, your anode business. So what's the current revenue and margins in that business? And how much can we scale this business in the next 1, 2 years?
- Puneet Anand:** So on the HEG Greentech thing, like, we have already told, we are setting up the anode plant there, 20,000 tons, that will be operational by March '27, and you can see the revenue after that. Today, if you ask me, there are 2 revenue streams from the HEG Greentech platform. One is our hydro assets, which are in Himachal.
- And secondly, our battery company, which is RePlus. Both of these companies are generating the revenue. So for the FY '26, you can see -- consider a revenue of, say, INR500 crores to INR600 crores plus EBITDA of around INR200 crores to INR225 crores in this. So apart from this, the other businesses, which we have actually announced in HEG Greentech, will take some time. And we feel that by FY '28, the other businesses will commence and then we will see the actual revenue and the EBITDA there.
- Saumil Shah:** So basically, the quarter gone by, even -- this is including this HEG Greentech business?
- Puneet Anand:** So the quarter gone by only includes the hydro because today, like we -- HEG owns around 40% of the equity in this opposed the infusion by the singularity in the BEL. Once the company gets merged and the HEG Graphite business gets demerged, then only you will see the exact revenue and the profitability from the HEG Greentech side.
- Moderator:** The next question is from the line of Rajesh Majumdar from B&K Securities.
- Rajesh Majumdar:** So I was wondering that after a long time, we are seeing some capacity announcements by the Indian companies in Graphite Electrodes. Is it fair to assume that this is coming from the needle coke availability from the capacity closures in the world? And just second part of this question is the capacity closures are in the region of 100 to 120 kt and the capacity increases announced are in the region of, say, total 40 kt, including you and graphite?
- So does that mean that there will be ample availability of needle coke in the future for at least the next 3 to 4 years to kind of avoid a large spike in needle coke prices? That was the first question, sir?



Ravi Jhunjunwala:

I don't think we can give a very clear answer to that. But yes, what your calculations are more or less in the ballpark that over the last 2, 3 years, some capacities of electrodes have closed down in the Western world. So obviously, to that extent, there is excess needle coke available. This will also have to be seen whether some of these capacities of electrodes, which were closed down in the last 2, 3 years.

As I said in answer to some other question earlier, there are -- all these plants, which were built before HEG, I'm not even sure if any plant was built within 5 or 10 years just before HEG came in. So most of the European and Japanese plants will be like maybe 60, 65, 70 years plus of age.

So I'm not able to answer that question very clearly. After having closed down the plants, whether some of these equipments have been derailed, they have been taken away, maybe at some plants, they have removed everything and started using it for real estate as we heard about 3, 4 years ago in one of the plants in Germany.

So -- and after closing a plant, which has been in operation, which was built 60, 70 years ago, and after having closed for 2, 3, 4 years, whether it is as easy as it looks like that you go one day and restart suddenly and start operations. So these are very vague questions to answer. Nobody has the correct answer to that. If suddenly electrode demand was to shoot up by 30, 40, 50, 100,000 tons, so obviously, there will be a clamor to restart some of these plants.

Now which plant will be in what condition that day? And at what cost would you be able to restart, not just the restarting cost, but the cost of operation -- operating that plant. That plant was closed in the last 2, 3 years because it was not viable. So it will become viable to restart that plant at a cost.

Obviously, the cost means the electrode prices will have to go up to justify restarting that plant. And whether you can restart that plant in 6 months, 9 months, 12 months, 2 years, this is anybody's guess. I mean as I said, most of these plants are more than 50, 60, 70 years old. So it's a very difficult question to answer. Each plant will have a different story.

Rajesh Majumdar:

No, that's fair. Sir, actually, my other question was that because of the tariff war that we are seeing from U.S., Japan on Chinese electrodes, is it fair to assume that there will be a price pressure at least in the HP side of the market for a considerable period of time, at least in the near term because obviously, that Chinese exports -- I don't know what the figure is for the first 6 months, perhaps you could share that as well. Is it going to put some pressure on the pricing at least on HEG?

Ravi Jhunjunwala:

No, I don't think -- if you're talking of the lower grade, what you call HP and not UHP, high power and ultra-high power. So there, with the situation that Europe and America has created for China, Manish will tell you probably in one case, the duty is as high as 100% in some country, Europe or America, I don't know.

But in both these countries, the Chinese electrodes are facing huge amount of duties. I mean, in India, it's only 20%, 25%, which it is very possible that there is some negotiation going on. But Manish, you will -- you remember, it is 93%, 94% in one country? Is it America or Europe?



Manish Gulati:

That was recent in Japan, 93.5%. And in U.S., depending on the supplier, it was as high as 159%, that and plus the 25% which they had put extra. So I can answer Rajesh's question. You see this HP pricing has always been competitive. And we have been -- it comprises about 25% of our business.

And even earlier also, it's not about today, earlier also because of Chinese low-priced HP grade products, their margins have been always lower compared to the ultra-high power grade. So that remains competitive. Nothing has changed there. It still continues the same way. We have to -- we have our own set of customers. We have our own country, India, where the people buy -- whosoever buy electric arc furnace electrodes from us also tries and buy ladle furnace electrodes from us.

But -- so that competitiveness is there. We can't help it. It's not something new which has happened. So therefore, years since China developed excess capacity of graphite electrodes in the HP grade.

Rajesh Majumdar:

And is our export domestic ratio still at 70-30, or has it changed any?

Manish Gulati:

Yes. It's the same. It's the same. No change. It's around 70-30 only.

Moderator:

The next question is from the line of Shashank Kanodia from ICICI Securities.

Shashank Kanodia:

Just wanted to check what would be the capex outlook for this year and next year, given that we are heavy on the anode side, the expansion of graphite electrodes as well as some maintenance capex that is supposed to be spent? And secondly, how do you plan to fund it through -- do we see an interim debt on the balance sheet because that will be kind of a bridge loan and stuff? So if you can guide on the capex and the funding the same?

Puneet Anand:

Shashank, Puneet on this side. Shashank, the capex of anode has already been mentioned before. So there is capex of between INR1,800 crores to INR1,900 crores for the 20,000 tons, for which the HEG has put INR750 crores of equity and the rest we are doing the financial closure.

For this expansion, which we are planning, which will be done in next 2, 3 years, this will be done through internal accruals plus some loans. Since HEG generates cash, so -- and the money will go in the phased manner. So we will be planning it internal accruals and some debt around it.

Shashank Kanodia:

So this year, could we see INR1,000 crores of cash outflow on the capex part, anode and graphite all put together this year and next year?

Puneet Anand:

Yes, easily.

Shashank Kanodia:

So around INR1,000 crores of capex, right, for both the things put together?

Puneet Anand:

Like I said, the plan of anode is going full-fledged and the capex and machinery order has already started. So I think it could also increase.



- Shashank Kanodia:** Okay. And interim, we should have some debt on the books as well, right, incrementally because the cash flow is hardly INR300 crores, INR40-odd crores per year and you have some amount of liquidity on the balance sheet as well?
- Puneet Anand:** Right. So interimly, yes, we will be -- we are raising -- we are doing the financial closure for the anode project that is undergoing. For the expansion, we already have started the paperwork and all. So interim, we will be having certain debt here.
- Moderator:** The next question is from the line of Rohit from Marshmallow Capital.
- Rohit:** I mean first off, I would like to thank the management. Your calls are always very educational. My question is basically a follow-up on what the Chairman said earlier on GrafTech. So you mentioned that around 10 months back when we bought it, GrafTech was around one-third of the market cap of HEG itself, and that's why the purchase made sense.
- And today, if I see, I think GrafTech is 1/4 the market cap. And so when you allocate capital to graphite electrode capacity, right, you chose to expand over, let's say, increasing further stake in GrafTech. So for the \$70 million that we are putting out, we could have bought maybe 15%, 20% additional GrafTech.
- So how would you take the decision on expanding capacity or 15%, 20% of GrafTech is sort of equivalent to getting additional 30,000, 40,000 tons capacity, right? So how do you make the decision? And why not have more capacity in GrafTech instead of doing an organic expansion?
- Puneet Anand:** So Rohit ji, Puneet Anand this side. I'll take this thing. So Rohit ji, see, since, if you see the history of HEG, we never invested in equity. The investment in GrafTech is because we understand this business. But that doesn't mean that we put all our eggs in one basket. So when we are doing an expansion, that is the core business of HEG and we are positive about that.
- Secondly, if you -- like our Chairman already discussed earlier also, there is a huge cost difference between GrafTech and HEG cost of production. So GrafTech share is only for investment purposes, which we will keep and whenever we feel there is a substantial profit we are making for the shareholders, we will exit. But business we are doing for a longer duration, and we will do the expansions.
- And just to add, Rohit ji, here one more thing. So the shares which we have bought, these are bought under OPI route, which doesn't allow us go beyond 10%. And the management is not of any opinion to change it into the ODI route. If we have any change in the investment decision that we will discuss with the Board and we will inform the investors.
- Rohit:** Okay. So there's some sort of a regulation which sort of restricts us going beyond 10 at this point in time as well. Is that correct?
- Puneet Anand:** Yes. So Indian companies are only allowed to do so through 2 routes. We have taken the OPI route to do it.



Rohit: Understood. And second opposing question on GrafTech. It's sort of a follow-up on a previous participant. See, we -- I mean, at least if I see the last year's annual cash flow, they have generated an operating cash loss of around INR100 crores and their available liquidity is around \$300 million to \$400 million -- sorry, \$100 million cash loss -- \$90 million to \$100 million of cash loss against the available liquidity of around \$300 million to \$400 million.

And I understand there are covenants around the liquidity also because they're coming off some working capital as well or line of credit there as well. So I mean, while I think Manish, sir, did mention that over the next 2 years, we should see upturn. But given the available liquidity covers their cash flows.

If you just take the last year's cash flows only for 3, 4 years, isn't there a risk in that context, wouldn't that have been a better option to go for instead of equity? So here, I'm sort of contradicting my first question. So in that context, it wouldn't have been better to expand capacity further here? Why go for GrafTech at all given this possible bankruptcy, given the cash flow loss that they have last year? And if that is analyzed, we can see them getting bankrupt in 2, 3 years?

Puneet Anand: So Rohit ji, what's your question here? I didn't understand your question.

Rohit: No. So do you -- I mean, so the operating cash loss last year is around 90 million to 100 million. And the available liquidity, I believe, is around INR300-odd million. So they seem to have runway only for 3 years. So how do you think of that risk there given that some amount of liquidity is coming from line of credit, which has covenants attached to it?

Puneet Anand: Correct. So I can discuss the only things which I know through the announcement done by GrafTech. We are not privy to any other information from the management directly. The thing is that we are positive about turning of this business in the next few quarters also, and it might turn very swiftly.

So yes, there is a risk that 25 million every quarter, they are burning and they have a \$300 million of liquidity there. But also, they have certain lines of credit, which they can also withdraw if they need money. So this INR900 million of debt, which is there, it was due in '27. The creditors actually extended it to '29, plus they have given them the additional lines also if it is required.

But we are hopeful that in next 2, 3 years and 3 years is a very large period of time, we are very hopeful that the entire industry will change. The kind of new EAF plants are coming. So we feel that the pricing and things will change.

Rohit: Understood. Fair enough. I mean this is very -- yes, sorry.

Puneet Anand: We always evaluate our investments and diligently and see from the risk perspective. So whenever the management or the Board of Directors feel that it is going on a different route, so we will take the call that way.

Rohit: Yes. Understood. Fair enough. I mean this was very helpful. Thank you so much for the opportunity. I will get back in the queue.



Moderator:

Thank you. Ladies and gentlemen, on behalf of SKP Securities and HEG Limited, thank you for attending the HEG Quarterly Concall for Q1 '26. I now hand the conference to Mr. Jhunjunwala for closing comments.

Ravi Jhunjunwala:

Thank you, friends. And as always, we -- I hope you've been able to answer most of your questions, may not -- all of them may not have been totally to what you expected, but under the circumstances that we are talking publicly we have to be reserved in some cases, but we have always been -- we have always tried to be as open as possible to the extent that we can be in the public domain.

So I thank you for all your interest. It was a long -- probably the longest call. And I hope you keep taking so much of interest, which will make us more and more alert. Thank you.

Moderator:

Thank you. On behalf of SKP Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.