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HEG/SECTT/2025 30th May, 2025

BSE Limited 25th Floor, P J Towers Dalal Street MUMBAI - 400 001. **Scrip Code : 509631**	**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**

Sub: Transcript of Earnings Conference Call on Q4 FY25 of HEG Limited

Dear Sir/Madam,

Please refer to our Earnings Conference Call scheduled on 26th May, 2025 intimated vide our letter dated 20th May, 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.hegltd.com.

This is for your kind information and records.

Thanking You,

Yours faithfully,
For **HEG Limited**

Vivek Chaudhary
Digitally signed by Vivek Chaudhary
Date: 2025.05.30 12:49:08 +05'30'

(Vivek Chaudhary)
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Encl: as above

“HEG Limited Q4 FY'25 and Full Year FY'25 Results Conference Call”

May 26, 2025

MANAGEMENT: **MR. RAVI JHUNJHUNWALA - CHAIRMAN, MANAGING DIRECTOR AND CEO, HEG LIMITED**
MR. RIJU JHUNJHUNWALA - VICE CHAIRMAN, HEG LIMITED
MR. MANISH GULATI - EXECUTIVE DIRECTOR, HEG LIMITED
MR. OM PRAKASH AJMERA - GROUP CFO, HEG LIMITED
MR. RAVI TRIPATHI – CFO, HEG LIMITED
MR. ANKUR KHAITAN - MD AND CEO OF TACC LIMITED, HEG LIMITED

MODERATOR: **MR. NAVIN AGRAWAL – SKP SECURITIES LIMITED**

Moderator: Good day, ladies and gentlemen. Welcome to the HEG Limited Q4 FY'25 and full year FY'25 results conference call organized by SKP Securities Limited.

As a reminder, all participants' lines will be in the listen-only mode, and you will be able to ask questions after the management's opening remarks. Should you need assistance during the conference call, please signal an operator by pressing '*', then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Navin Agrawal, Head Institutional Equities at SKP Securities Limited. Thank you and over to you, sir.

Navin Agrawal: Good afternoon, ladies and gentlemen. I am pleased to welcome you on behalf of HEG Limited and SKP Securities to this Financial Results Conference Call with the Leadership Team at HEG Limited.

We have with us Mr. Ravi Jhunjhunwala – Chairman, Managing Director and CEO; and Mr. Riju Jhunjhunwala – Vice Chairman, along with their colleagues Mr. Manish Gulati – Executive Director, Mr. Om Prakash Ajmera – Group CFO; Mr. Ravi Tripathi – CFO; and Mr. Ankur Khaitan – MD and CEO of TACC Limited, a subsidiary of HEG Limited.

We will have the opening remarks from Mr. Jhunjhunwala followed by a Q&A session. Thank you and over to you, Raviji.

Ravi Jhunjhunwala: Thanks. Friends, good afternoon and welcome to our financial results conference call for the fourth quarter and full year '24-'25. As per the World Steel Association, global crude steel production in Q1 2025 declined slightly by 0.3% to 468 million tons compared to 470 million tons in Q1 of 2024. Similarly, steel production excluding China also came down by 1.5% to 209 million tons in Q1, indicating continued weakness across major steel producing regions due to weak demand and pricing challenges. Chinese production, however, rose by 0.8% to 259 million tons, enabling stronger export volumes and impacting global pricing. India was one of the exceptions and continued its upward momentum with a 6.8% year-on-year increase in steel output to 40 million tons in Q1, driven by infrastructure investments and other demand.

In contrast, large steel producing countries like US, Germany, Japan, South Korea, Turkey all witnessed notable declines ranging between 0.6% in US to as high as 12.6% in Germany reflecting regional economic slowdowns leading to weaker demand. Chinese steel exports once again surged, intensifying global competition and further pressurizing the international prices. Consequently, it also impacted demand of our products, keeping prices under pressure. The recent imposition of 10% import duties in the US, if not withdrawn, will have some impact on our business. However, given HEG's very well diversified sales, sales footprint across all major global markets, the overall impact is expected to be limited. Our EBITDA quarter-on-quarter has been going up. It was 16% in Q1, which went up to 21% in Q3. And in last quarter, Q4, it

was as high as 27%, with a full year average being 21%. Excluding mark-to-market loss on investments in the shares of GrafTech International, operationally last quarter was our best quarter.

HEG continues to be amongst the lowest cost producer of electrodes in the world, more so with our last expansion which brought our capacity to 100,000 tons. This should be seen against the backdrop where we have recently seen most of our Western competitors not only completely shutting down some of their plants, but also downsizing some of their plants in Malaysia, China, US, Spain, France, Mexico, and Japan.

If you look at these closures and reduction of capacities, which have all been announced in the last 12 months or so, over the past, we have seen 4 plant closures, 4 full plant closures, and additional downsizing of 4 other plants, leading to a combined capacity reduction of 120,000 tons, which is equivalent to about 16% of global total capacity excluding China and Russia. These are very significant and meaningful reductions in recent years in our business, which points to tightening of supply and possible implications on future pricing dynamics. This should help the industry to regain some pricing power in the medium term. All these reductions have happened at a time when we at HEG have increased our capacity from 80,000 tons to 100,000 tons last year. Even after our expansion, HEG continues to operate at the highest capacity utilization in our industry at between 80% and 85% as compared to an average of 50% to 60% of our international Western peers.

Moreover, world's largest graphite electrode Company, Resonac of Japan, with a total capacity of approximately 210,000 tons, spread across 6 plants worldwide, US, Spain, Austria, Japan, Malaysia, and China, representing about 30% of the world's graphite electrode capacities, excluding China and Russia is considering sale of its graphite electrode business by end of this year. It has also recently announced closure of 2 of their plants in Malaysia and China, resulting in a total reduction of 44,500 tons, which constitutes a 21% cut in their total capacity. Similarly, in July 2024, Tokai Carbon of Japan had announced a capacity downsizing their German plant from 30,000 tons to 20,000 tons and the closure of a plant in Japan, which was about 14,000 tons, resulting in a total capacity reduction of 24,000 tons, which is equivalent to about 25% of their overall capacity. All these are in addition to GrafTech International having closed their US plant early this year with a capacity of 24,000 tons in US. All these closures add up to about 120,000 tons. And with these, the total graphite electrode industry today stands at a total of about 633,000 tons as against about 752,000 tons about 2 years ago, a reduction of 18%.

You are aware that given their high cost structure and incurring significant losses, most of our international peers had announced their intent to increase electrode prices by about 15% to 20% in last 2 quarters. While we do see some price increases being absorbed in the market, we hope in the coming quarters the impact of significant closures of above capacities would help the industry to get back in a healthy state.

Now let me take you through our investment in equity of GrafTech International US, a significant player in the electrode industry. GrafTech is the second largest graphite Company in the world with a capacity of about 178,000 tons with 3 plants in Mexico, Spain, and France. In addition, they also have a backward integrated needle coke plant, our key raw material located in Texas, US, with a capacity of about 140,000 tons, which meets a significant part of the needle coke requirement. As part of our treasury operation, we have invested a total of Rs. 282 crores to buy Rs. 2.57 crore shares of GrafTech, which is 9.98% of their equity at an average price of $1.32 per share. As you are aware, as per accounting standards, we have to record our investment at fair value as per the quarter closing price of the share. As such, as on 31st March 2025, the share was trading at $0.87 dollars per share, because of which we had to fair value them at a closing price and take the hit of MTM, mark-to-market of Rs. 160 crores for the quarter 4 of FY'25 and Rs. 80 crores for the full year of 2024-'25 purely on account of this investment.

This is evident when you look at our other expenses, which looks abnormally higher in the quarter as compared to the last quarter. Excluding this MTM loss on GrafTech investment shares, our PBT would have been Rs. 88 crores for Q4 and Rs. 228 crores for the full year 2024-25, which makes Q4 as the best performing quarter in the previous year. Our capacity utilization for the year 2024-25 was close to 80% based on our expanded capacity of 100,000 tons and we hope to maintain this in the current year too, if not increase this a little bit. We do remain the most cost competitive graphite electrodes Company in the western world, supported by low fixed costs and a large capacity of 100,000 tons at single location while the total graphite industry's average plant size stands at about 40,000 tons today.

Despite near-term challenges, we remain optimistic about the mid- to long-term outlook. The global shift towards decarbonization is now irreversible. And we continue to closely monitor new greenfield electric arc furnace projects, which are expected to drive future demand of graphite electrodes. We believe over the last 18 months or so, approximately 11 million tons of new greenfield electric arc furnace capacities have already been commissioned and in the next 18 months, this figure is likely to be in the region of another 25 to 30 million tons. So which will make it close to 35, 40 million tons in the next 18 months, 35 to 40 million tons of new electric arc furnace capacities.

Above capacity reductions across the graphite electrode industry coupled with higher electrode demand are likely to help stabilize the demand supply dynamics, easing margin pressures, and paving the way for a more balanced market environment in the coming years. We hope these reductions in electrode capacities will help in selling prices firming up soon as the current prices are unsustainable for the industry, which is reflecting in most of the Western world's actions in the recent past as described above.

Now a word about demerger of HEG. Our scheme has been filed with stock exchanges and all other relevant authorities, after which it will go to NCLT. We expect to get all the required approvals by end of calendar year 2025.

With this, friends, I would now request our CFO – Ravi Tripathi to take you through the financials of the Company for the last quarter as well as for the year 2024-25. And then we will be very happy to address all your questions and queries. Thank you.

Ravi Tripathi: Thank you, sir. Good afternoon, friends. I will now briefly take you through the Company's operating and financial performance for the year ended 31st March 2025.

For the year ended 31st March 2025, HEG recorded revenue from operation of Rs. 2,153 crores as against Rs. 2,395 crores in the previous financial year. The revenue for the quarter of FY2025 was Rs. 537 crores as against Rs. 547 crores in the corresponding quarter of the previous year. During the year ended 31st March 2025, the Company delivered EBITDA of Rs. 388 crores as against Rs. 526 crores in the previous Financial Year. The Company on a standalone basis recorded a net profit after tax of Rs. 101 crores in FY'25 as against Rs. 232 crores in the previous Financial Year. And on a consolidated basis, the net profit after tax is Rs. 115 crores in FY'25 as against Rs. 312 crores in FY'24.

The Company is long-term debt-free and had a treasury size of approximately Rs. 875 crores as on 31st March 2025. The board of directors have recommended a 90% of final dividend that is through Rs. 1.80 per equity share of the face value of Rs. 2 each for the Financial Year 2025 subject to the approval of the shareholders at the ensuing AGM. To take up more questions from the participants, the detailed presentation has been uploaded on the Company's website and on the stock exchange.

We would now like to address any questions or queries you have in your mind. Thank you. Over to Navinji.

Moderator: Thank you very much. We will now begin the question and answer session. We will take first question from the line of Suraj Khaitan from SKP Securities Limited. Please go ahead.

Suraj Khaitan: My first question is regarding the graphite anode plant. What is the date on the commissioning timeline of the graphite anode plant?

Ravi Jhunjhunwala: So Ankur would you like to take that question?

Ankur Khaitan: Sir that will be in April 2027.

Suraj Khaitan: And sir what is the CAPEX that we have incurred so far and what is the expected remaining spend?

Ankur Khaitan: Sorry, can you repeat the question again?

Suraj Khaitan: So what is the CAPEX that we have incurred so far and what is the expected remaining spend?

Ankur Khaitan: So we have right now we have all the land and the permissions related to the site. We have started our groundwork and we have also finalized our machinery. So in next one quarter, we will be finalizing all the, we will be placing all the orders of the main machinery and our site work is already started.

Suraj Khaitan: Can you please quantify the CAPEX that we have incurred so far still now?

Ankur Khaitan: So in terms of implementation, a little bit more than Rs. 100 crores we have already spent and we have started committing against the main machinery.

Suraj Khaitan: What is the expected CAPEX that we can incur on this plant in this FY'26?

Ankur Khaitan: The total CAPEX is around Rs. 1850 crores and we would be spending a large amount of that. We would be committing almost 100% within this Financial Year.

Suraj Khaitan: How do we plan to structure the capital for this project like it will be all through internal accruals or debt?

Ankur Khaitan: It will be a mix of debt and equity.

Suraj Khaitan: And sir, any recent development around the US tariffs that is going on that...?

Ankur Khaitan: Yes, definitely.

Ravi Jhunjhunwala: You're talking about US tariffs or something else?

Suraj Khaitan: Yes, sir, US tariffs.

Ankur Khaitan: So right now, in case of anode, the biggest change which has happened is that almost all the customers outside China have started opting for China Plus One because of the uncertainty in US and various other geographies. So that is giving us a very clear advantage of the product being manufactured in India.

Suraj Khaitan: The graphite electrode that on the Forex side, what is the current hedging policy that we are opting right now and how are we managing currency volatility, especially given our export exposure?

Ravi Jhunjhunwala: You see, our exports are much larger than our imports. I mean, our main raw material, needle coke, is also imported. So on an overall basis, our exports proceeds are larger than what our dollar spends are. So we do take a view from time to time and either we book a little bit in advance, or we just leave it open based on the market speculation, if you want to call it. And so this is what it is. It's partly covered, partly not covered.

Suraj Khaitan: Okay sir, thank you for the opportunity.

Moderator: Thank you. We will take our next question from the line of Shlok Bhartiya from Svan Investments. Please go ahead.

Shlok Bhartiya: So in your initial remark you indicated that near about 120,000 tons of the supply out of the market. So right now, the current capacity is around 630,000 tons. So just wanted to understand in terms of the demand perspective, what was the total demand in Financial Year '25 and with the new 11 MT that will commission in 18 months and another 25 million ton likely to come in 18 months, what could be the incremental demand on electrode do we see in next 18 to 24 months?

Ravi Jhunjhunwala: You see, on an average, any electric arc furnace steel producer uses about 1.5 to 2 kilos of electrode per ton of steel. So if we are talking about 25, 30 million tons of new capacities, partly which have already been commissioned, and the other part which is likely to be commissioned in the next 6 to 8 months, you would more or less multiply that by 1.5 to 2 kilos and that is the additional demand for electrode that gets created. But to answer your second part of the question, as we spoke, in addition to whatever has been commissioned in the last 12 months and whatever is likely to be commissioned in the next 12 months, we believe that in addition to that, there is about 50 million tons more which is at different stages of commissioning. I mean, at some places, the equipment has been ordered. At some places, the construction has started. So from all the various data that we collect from different sources, the total new electric arc furnace capacities including the last 12 months actual commissions of about 10, 12 million tons, it's more than 100 million tons.

Shlok Bhartiya: And sir, in FY'25, what was the actual demand of electrodes globally?

Ravi Jhunjhunwala: I mean, it's very difficult to answer that very specific question. All I can tell you is that, as I said, you look at the electric arc furnace production of steel, and you more or less multiply it by 1.5 to 2 kilos. And electric arc furnace steel capacity, I mean production, I mean it changes from month to month. So without China, Manish what would you say, what is the general production has been last year or let's say this year minus China?

Manish Gulati: Yes sir. Sir I would like to put this in a way that if we look at the capacity utilizations of all the producers, Western producers, HEG, Graphite India. So if let's say GrafTech was working at 58 or something, I don't remember the figure accurately. So that was the figure and we let's say take

65% for Japanese, this Resonac and others put together, industry put together. If we put a figure of let's say around 65% multiplied by 6.5 -- 650,000 ton of capacity. So this is where we are. So these are, it depends on the utilization of the electric arc furnace industry, which we can say for the markets which they cater to, if the electric arc furnace steel is running at an average capacity utilization of let's say 75%. We can look at the individual companies, GrafTech's, Resonac's, our's, Tokai's Graphite India's capacity utilization. So I think we will come in demand of around between 450,000 to 500,000 tons for these 6 six companies combined.

Shlok Bhartiya: Sir, thanks for that answer. Just wanted to understand, definitely globally given China One Plus coming back but in terms of the electrodes, can you help us in understanding suppose all this capacity 120,000 tons is going up the system. What role does China play in terms of the overall export of electrodes and in terms of the impact on the overall pricing? Because in first quarter also, we have seen some increase in the pricing now after this closure of Japan's Resonac there was some increase, but the benefit of the same is yet to get reflected on our numbers.

Ravi Jhunjhunwala: See the impact of China, if you see, number on the question that you just asked, but just to tell you generally China still does not have the technology and we do compete with China, but very small segment in the market which is the lower part of the segment of the let us say 500-1000 tons of electrode demand or whatever Manish was spoke about. So the impact on people like us or Graphite India or the Japanese or Americans is minimal because of Chinese production of electrode and exports. But again, I'm very clearly saying that China produces very large amount of electrodes, but they are not yet there in the real sense what you call the high-grade electrodes or the ultra-high-power electrodes where we are only competing with the two Japanese companies and GrafTech in America.

Shlok Bhartiya: So overall, it seems that because of this closure and no competition from China, there could be a decision enough of the price appreciation for the graphite electrodes for the forthcoming years. And that's an augur as well for us, GrafTech, and the other manufacturers. Is it time to assume that?

Ravi Jhunjhunwala: Can you repeat the question? Your voice is not very clear.

Shlok Bhartiya: Just wanted to understand now since you said that the Chinese is not a big player in the technology, so the closure of the current unit and the price hike that has happened in the June to March quarter. So I do assume that the coming quarters of FY'26, we should have a decent price increase for the graphite electrodes and that should be sustainable for the full year?

Ravi Jhunjhunwala: I hope so. I mean, these closures have just been announced. I mean, it takes some time to even close the plant. But there have been very significant announcements in the last 2, 3 quarters, as I just explained who has announced what kind of capacity reductions. So it's a very sizable number. And as I said, we continue to operate. We were, let's say, operating at about 75%, 80% about 2 years ago of 80,000 tons and we are still operating at 80% with a new capacity of 100,000

tons. So obviously our production has gone up and we have taken somebody's market share and as I said we are probably the lowest cost producer in the world and again to repeat what we've been saying for a very long time, exports constitutes about two thirds of our sales. So we are fairly well-entrenched in the export market and we are exporting to more than 25-30 countries from smallest ones to the biggest ones.

Shlok Bhartiya: Last question from my side. I mean, last 4 quarters definitely we have seen a sequential improvement in operating leverage and which has driven the overall margin for us. So is it fair to assume the last quarter margin of 21% is a sustainable numbers to work with or probably there could be some pressure on that?

Ravi Jhunjhunwala: See, it will all depend on the pricing. I mean what can I tell you? I mean, I can't pinpoint the number of 20%, 22%. We will keep on reporting to you whatever happened in the last quarter. But from all indications and from all the happenings in this industry for the last 2, 3 quarters, where substantial closures have been announced, these, obviously, these will take a couple of quarters, at least 1 or 2 more quarters to be closed down. So while the capacities of electrodes are getting closed in high cost economies of the world and the new electric arc furnaces coming up in the world which will need more and more electrodes. So directionally what you are saying is absolutely right. I mean it's a matter of time that we will see, we will start seeing some impact on the pricing.

Shlok Bhartiya: That's all from my side. Thank you and all the best. Thank you.

Moderator: Thank you. We take next question from the line of Kaushal Patel, an individual investor. Please go ahead.

Kaushal Patel: Hi, thanks for that. Just to piggyback on the last question, that's an additional 100,000 - 120,000 of new graphite electrode capacity, sorry, EAF, steel products and capacity coming online. Do you expect the China electrode would be a major competitor in that new capacity or is it all like large mills and requires ultra high power and it should not be a major part of competition from China?

Ravi Jhunjhunwala: No, most of these new capacities of electric arc furnaces which are coming up, these 100 million tons that we are talking about, these are all in the western economies. So obviously they are putting up large furnaces which will require big size electrodes which we call ultra high power and that's where the competition from China is minimal. These are all large furnaces which are now coming up. I mean nobody is going to put 100,000 or 200,000 tons electric arc furnaces in today's world.

Kaushal Patel: Also, there was a report last December coming out of South Korea saying POSCO, the major steel producer there, is trying to phase out their graphite electrode imports, which South Korea doesn't produce currently. And say their sister Company is trying to produce the graphite

electrode themselves. Do you have any thoughts on that? Do you see any other player coming up in South Korea that produces graphite electrode?

Ravi Jhunjhunwala: Manish, would you take this question?

Manish Gulati: See, what you're mentioning, this Korea thing, POSCO, we have also heard this, but nothing beyond that, nothing concrete we have come across. We did hear that they are considering putting up a plant somewhere here, there. So beyond that, nothing came over. This news is, I think, about 3 to 4 months old. So maybe, but we will check up. But so far, there is nothing concrete on that. But we did hear it.

Kaushal Patel: Thank you. Also, to come to your new anode production facility, can you explain us with new policy like China Plus One, where US might be looking to import their material from other countries other than China, what is the current situation? What are the other major countries that is providing to this anode materials for the EV batteries. And where do you see yourself? Because it seems like because of the China competition, other countries are also struggling right now where they sell their material below their cost. So where do you see this going like if this anti-China policy from up in US? And where do you see India playing role in that?

Ankur Khaitan: Hi, Ankur this side. So yes, right now the major part of the anode is happening in China. China is in fact supplying more than 90% of the synthetic anodes. And there is a very big difference between production in the Western countries versus India. As we speak about the electrode business, the same is applicable about the anode as well because while manufacturing in India, we have a very significant advantage to have a control over our fixed cost, which is one of the most important factors for the long run. Second part is that when with expertise of HEG over the last 50 years, our team plus our technological aspects are very well settled in terms of the finalization of the product, the making, the graphitization and several other processes. That is why for a newcomer in especially in the Western world, there is a lot of work which has to be done in terms of research and development, which HEG has already been doing over the last many years. So we definitely enjoy at least a very big advantage of the R&D as well as of our expertise over the years. And while we are coming up with our commercial plant today, the fact of the matter is that we have been working on the project in terms of the research, in terms of the demo plan, since a much longer time. So when we discuss today with the OEMs across Europe and US, there is a clear distinctive advantage to have a facility in India and supplying to the Western world versus compared with actually having facility in the Western world or in fact competing with China.

Riju Jhunjhunwala: And also if I can just tell you quickly about the domestic market, I think by the year 2030 you will see a demand of between 100,000 tons to 140,000 tons based on the cell battery that will be produced in India. So we are looking at not only the global market but actually the India market itself would be mature enough to consume 120,000 tons of graphite anode powder. So our first

stage, of course, we are starting with 20,000, but we hope that in the same location we will be able to least double that capacity in the next 4 to 5 years.

Kaushal Patel: And what is the current supply dynamics in India?

Riju Jhunjhunwala: Currently, they are importing from China. There is hardly any cell manufacturing in India but couple of companies who have started cell manufacturing like Ola, Exide and all, they are sourcing their anode from China which is not a problem right now because obviously, but one day the Indian companies start producing the same anode powder, then they would rather buy here for localization promotion and they will be getting more and more benefits if they buy out of the Indian factories rather than import from China.

Kaushal Patel: And what is the main raw material that is used in this plants to produce the EV battery anode factories? Like is it same as the graphite electrode like the petroleum needle coke or like is it something else?

Ankur Khaitan: It is very similar to the petroleum needle coke, but the only major difference is that we don't use calcined materials, so it is normally green coke and the two major raw materials are the needle coke as well as power. So again like electrodes, anode is also a very highly power intensive manufacturing process.

Kaushal Patel: And who are the major supplier for those currently?

Ankur Khaitan: So we have very good tie-ups with the Western players, including P66. And we have, again, relationship with HEG has. So we have good material which they are also providing. And then we do have material in Japan as well available. So these are some of the sources because again, even in the raw material, there is a difference of the customers who are non-Chinese raw material. And for our kind of capacity, we don't see a challenge of this quantity from the Western and the Japanese producers.

Kaushal Patel: Okay, and my last question to Ravi sir. You have said this many times in the past, conference call saying current qualified prices are unsustainable. And we have seen that over the years, like closing down substantial capacity of about like 18%, 16% of the ex-China of qualified products. If this continues for a little while, where do you see ex with HEG and Indian players being the low cost players, I would assume that you are very well protected from this. But where do you see major cut downs coming from, if you have to take a good guess, like whether China, USA, and yes, where do you see that? But the reason I am asking is because you're putting a substantial amount of confidence in buying 10%, about 10% of GrafTech and just trying to understand like if you see if this continues for a little while, do you see any major write down that Company can incur?

Ravi Jhunjhunwala: You see, obviously we increased our capacity about 4 or 5 years ago from 60,000 to 80,000 tons, which more or less happened during the COVID years. And as I mentioned in my talk, we were operating at about 80% after expansion from 60,000 to 80,000 tons 2 years ago. And currently, we are still operating at 80% when we are at 100,000 tons. So our capacity utilization has more or less been in that region of 75%, 80%, 85% at 60,000 tons, 80,000 tons, and now 100,000 tons. And this indirectly also tells you that we are probably the best cost producer, the lowest cost producer. And we have twin advantages. One is the size. If you, after all these new closures that we just saw in the last 3, 4 months from the Japanese and Americans, the average size of all other plants is like 40,000, 45,000, 50,000 tons at the most. So if you're comparing a capacity of 40,000 to 50,000 tons in Japan, Germany, France, Spain, US, versus a 100,000 ton plant in India, I mean, you have the answer. And as I said, we have been exporting about two thirds, not for the last 5, 7 years, but for the last 25, 30 years. So we are fairly well-established in most of the geographies of the world. And obviously, unless our quality was as good as anybody else provides, we would not be exporting 65%, 70% for 30 years. And we are pinning a lot of hope with this new electric arc furnaces. I probably finished my answer. There was some interruption in between.

Moderator: Thank you. We will take our next question from the line of Suraj Khaitan from SKP Securities. Please go ahead.

Suraj Khaitan: Thank you for your follow-up question. My question is regarding the US impact on the graphite electrode front. What the tariffs that they are imposing? What will be the impact that we can see in graphite electrode?

Ravi Jhunjhunwala: No, it is 10%. For the time being, it is 10% not only from India, but from all over the world. So we will have to see, wait and see. I mean, the real date is the 9th of July, when this 10%..until when it is 10%, we never know whether it will come back to zero or it will remain at 10% or… I mean, it's just speculation today.

Suraj Khaitan: Thank you.

Moderator: Thank you. We will take our next question from the line of Aryan Sharma from B&K Securities. Please go ahead.

Aryan Sharma: So, from what I get, there are multiple capacity closures you just told us. Yes, we have already seen some price increases I think. So could you quantify like what we could expect in price realizations when it electrodes going forward? Like are there any price increases which we have asked for expected near term? And steel price now also better comparatively?

Ravi Jhunjhunwala: Manish, would you take that?

Manish Gulati: Yes, sir. You see, Aryan, the price increases which they have announced, you would have noted that they have said for future business booked. So any Company, if we talk about ourselves, so we are of course booked for the next 2 months, 3 months. So these things take some time to take effect. And of course, these capacity reductions are helpful in a way. And if you look at the financials of the peer group, everybody is eager, they are dying to increase prices because only then everyone, the industry can sustain itself. Some are in better shape, some are not so better shape, but price, everybody needs prices to rise. It may take a while, it may take a quarter for you to actually see it happening on the ground. But what the sense we are getting at is that yes, some price increase may be on the way, but we have to wait for a while because the orders which we have on hand, of course, they have to be executed. So towards, let's say the second half, I think, and we hope that prices should increase. Extent will be known, how much, the steel production is still down. As Chairman said in his speech, the rest of the world we cater to, it is still down. So once the steel production starts to improve, I am sure there will be price increase. But please wait for, give us a quarter or two to provide clear direction.

Ravi Jhunjhunwala: And in addition to what Manish just explained, I mean, the impact of these very recent closures, I mean, these recent closures that we just spoke about, especially the Malaysian plant and the German plant and this and that, it takes some time to... It's not like an electric arc furnace operation that you switch it off in one day and from tomorrow morning, you don't have any capacity. It's a very long drawn process even to shut it down. So the shutting down process of all these plants that we just spoke about in the Western world, it takes some little bit of time before the whole thing is shut down. And till then, obviously, they would have electrodes at different stages. So they will have to finish and produce those electrodes before they completely shut down. But as Manish said, it's a matter of maybe a quarter or two before this total capacity of I think something in the region of 100,000 - 120,000 tons that we spoke about which disappears from the horizon.

Aryan Sharma: Sure, thank you for the elaborate answer. Sir, could you just tell us about what we think about the spreads going forward? Like, what are the needle coke price trends that we're seeing right now, sir?

Manish Gulati: See, the needle coke prices have been stable. Needle coke prices have been stable in the last 3 quarters. Now they are also, of course, needle coke prices are tied to the electrode prices. So let's say in the next 1 or 2 quarters, we think they should be in the same range because the electrode prices are also going to be in the same range. But once needle coke prices start to increase, then we will figure out what needle coke people have to say. But so far, they have been stable in the last 3 quarters and the same continues for the April to June quarter. And I hope they will keep the same for July to September quarter, because whatever price increase happens will actually happen beyond that, even if people start booking orders now at increased prices, but they'll take effect later.

Aryan Sharma: Sure, sure. Previously you mentioned that it takes a lot of time to shut down the plants. Obviously, it takes some time. But my question is in regards to how much time it will take to restart production from these plants. So like what we see going forward is a lot of EF capacities are coming up. Plus the graphite electrode capacities are going down. So there could be significant supply and demand gap. So like how much time will it take to correct that gap if it happens?

Manish Gulati: The electrode production has to go up. The moment it goes up, see electric arc furnace is very quick to respond to market changes because it's a stop and shut operation. The moment demand grows up, the electric arc furnace industry is the first to capitalize on that because they increase their heats melted per day. And since graphite electrode is a derived demand and every ton of steel consumed, takes 1.5 to 2 kg of graphite electrodes. So the demand starts to come rather quickly. So how much time is going to take? We just have to watch the steel production in the major steel producing countries of the world making it through the electric arc furnace route, which means Americas, which means Europe, which means Middle East. So these are the countries where the moment steel production starts to go up, the electrode demand will come very soon because it's derived from every ton of steel made. Whether it takes one quarter or everybody can hazard a guess.

Aryan Sharma: Sure, sir. Thank you for the elaborate answer. One final question is with regard to power consumption. So what is the power consumption in units per ton of graphite production and what is our average cost per unit? Also, could you just quantify what percentage of captive we do for power requirement?

Ravi Jhunjhunwala: No, let's not get into how many kilowatt hours and the pricing. I mean, we don't want to talk about it publicly for obvious reasons. But as far as your answer to your second question, more captive, we have a 15 megawatt hydro power plant just about 2 hours away from where we produce electrodes. So that's a very insignificant consumption of power that we do on our own. Majority, a big large chunk is purchased on the electricity board.

Aryan Sharma: Sure sir, that is it from my side. Thank you for answering my questions.

Moderator: Thank you. We will take our next question from the line of Amol Rao from One Up Financial Consultants. Please go ahead.

Amol Rao: So just a clarification Mr. Jhunjhunwala. Sir, we are still holding on to the 6-month contracts for needle coke and our finished product pricing, right?

Ravi Jhunjhunwala: No, I do not think we ever said that. There is no fixed formula that we hold 6 months that we order needle coke 6 months in advance or produce electrodes 6 months in advance. There is no basis for that. I mean, we produce 6, 7, 8 different sizes of electrodes, 2, 3 different kinds of electrodes, UHP, non-UHP and all that. So there is no fixed formula. I mean, but because of our

experience, we know in which category, on which size and which quality of electrodes we normally sell. It takes a very long time to produce electrodes. So we have to make some estimates based on our past experience. And that's how the production cycle goes.

Amol Rao: Got it. So secondly, just to get into the small part of our utilization, did you mention that we operated at 80% of our expanded total capacity of 1,00,000 tons for last year, right?

Ravi Jhunjhunwala: Correct. Correct.

Amol Rao: Yes, sir. And sir, we expect it to be around the same level this year. So probably next year is an inflection point once all..

Ravi Jhunjhunwala: A little higher.

Amol Rao: A little higher. All right. And sir, just to get into the last participant's question. So there is this whole thing about sourcing from the renewable sources and all that stuff at concessional rates. So any moves by our Company on that to reduce the power costs probably in the future, sourcing from renewable sources?

Manish Gulati: Yes, we are working on that. We see, there are two things which we have. Our power consumption is very high considering that we are making 80,000 tons of electrodes. So one is that hydro plant, the power of which is sold to the exchange. Then we have some 3 megawatts solar plant inside. Another three is being put up. And there is option available from the Madhya Pradesh Discom that they are ready to sell us renewable energy, but that it costs higher, more than 50 paisa higher. So we have to, in times to come, we will take a call on that, but we remain totally conscious of this fact that going forward, we would start to use more and more renewable. And as you can see, the solar power prices are coming down day by day, so let's see once they once the MP Discom becomes a little more reasonable and provides us renewable power at a bit more competitive rate. Certainly, we look at that.

Amol Rao: Okay, so it's a tactical call based on the prices basically.

Manish Gulati: Absolutely.

Amol Rao: So yes, whenever it's in our favor.

Manish Gulati: Yes. Absolutely.

Amol Rao: Thank you so much sir. Thank you. Wish you all the best.

Manish Gulati: Thank you.

Moderator: Thank you. As there are no further questions, I now hand over the conference to the management team, Mr. Jhunjhunwala, for closing comments. Over to you, sir.

Ravi Jhunjhunwala: So there is nothing much to talk more than what we already spoke. So based on all these descriptions that we gave that the 100,000-120,000 tons capacities have been shut down very recently, more and more new electric arc furnaces are coming up, which is a fact of life. I mean, we are not speculating there. So the demand for electrodes will keep going up. And since we are the only ones who have added more and more capacities and we claim to be the lowest cost producer, so we are just waiting for better days to come. It may be a couple of quarters away, it may be 4 quarters away, nobody can predict that. But we are pretty bullish about this industry in the long term. Thanks.

Moderator: Thank you. On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.