



LNJ Bhilwara Group Company



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HEG/SECTT/2025

17th November, 2025

BSE Limited 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
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Sub: Transcript of Earnings Conference Call on Q2 FY26 of HEG Limited

Dear Sir/Madam,

Please refer to our Earnings Conference Call scheduled on 12th November, 2025 intimated vide our letter dated 4th November, 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)
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HEG Limited

Q2 FY 2026 Results Conference Call

November 12, 2025



MANAGEMENT: **MR. MANISH GULATI – EXECUTIVE DIRECTOR**
 MR. OM PRAKASH AJMERA – GROUP CFO
 MR. RAVI KANT TRIPATHI – CFO
 MR. PUNEET ANAND – CSO
 MR. ANKUR KHAITAN – MD & CEO, TACC LIMITED

MODERATOR: **MR. NAVIN AGRAWAL**
 HEAD, INSTITUTIONAL EQUITIES – SKP SECURITIES LTD



Moderator:

Good day, ladies and gentlemen, welcome to HEG Limited's Q2 FY '26 Results Conference Call organised by SKP Securities Limited. As a reminder, all participant 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 call, please signal an operator by pressing star then zero on your touch-tone 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'm 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. Manish Gulati, Executive Director; along with his colleagues, Mr. Om Prakash Ajmera, Group CFO; Mr. Ravi Kant Tripathi, CFO; Mr. Puneet Anand, CSO; and Mr. Ankur Khaitan, MD and CEO of TACC Limited, a wholly owned subsidiary of HEG Limited.

We'll have the opening remarks from Mr. Gulati, followed by a Q&A session. Thank you, and over to you, Manish ji.

Manish Gulati:

Good afternoon, and welcome to HEG's financial results conference call for Q2 FY '26. Let me begin with a brief overview of global steel industry trends, which continue to shape the demand environment for graphite electrodes. As per the recent World Steel Association, global crude steel production in the first nine months of 2025 stood at 1,373 million metric tons, a 1.5% decline year-on-year, indicating a slowdown in demand across major economies.

China's crude steel output declined by 2.6% year-on-year due to weak construction and production curbs. China's crude steel production saw a sharp sequential decline of 9.9% in last quarter, reflecting extreme caution in domestic demand. China's finished steel exports in Q2 surged 9.2% year-on-year to 58 million metric tons, intensifying global competition and pressuring international steel prices.

Now world ex-China, crude steel production was soft, declining marginally by 0.1% year-on-year to 627.6 million metric tons and 1.5% sequentially in Q2, driven by ongoing macroeconomic headwinds. India remained a standout performer, posting a 10.5% year-on-year increase to 122.4 million metric tons, supported by continued infrastructure and automotive sector growth. Among other major producers, Japan declined 4.5%, South Korea fell by 3.4% and U.S. registered a modest 2.1% increase.

The graphite electrode market continues to face challenging conditions. Customer demand remained muted due to cautious procurement and aggressive export pricing by Chinese suppliers, which intensified margin pressure for producers globally. The recent imposition of 50% reciprocal duty in the U.S. poses potential headwind to our competitiveness in that region. However, we hope that tariffs will settle down to a more reasonable level in coming times.

In any case, HEG has a well-diversified sales footprint across all major global markets. On a positive note, we are proud to announce higher revenues due to higher sales volumes and decent profits for the quarter, demonstrating our operational resilience. We continue to operate



at one of the highest utilization levels in the industry, 90% plus in the last two quarters compared with our peers.

The electrode prices have remained flattish between Q2 and Q1 and so have the needle coke prices. We hope that in two, three quarters, steel production starts to increase and the new electric arc furnace capacities start coming on stream in the next one to two years. Our single location 100,000 ton production base, combined with a structurally low-cost environment in India positions us as one of the most cost-efficient graphite electrode manufacturers globally.

The global transition towards low-emission electric arc furnace steelmaking continues to accelerate, driven by climate goals and regulatory momentum. This transition is expected to generate substantial incremental demand, as we have said in the past calls, estimated at approximately 200,000 tons of graphite electrodes by 2030, excluding China, reinforcing the industry's long-term potential.

As you are aware, we have already announced further expansion of 15,000 tons with a capex of INR650 crores to be completed by end of 2027 and be ready for production in the first quarter of calendar year 2028. Despite ongoing market challenges, we remain confident in the medium- to long-term growth trajectory for our industry. The combination of electric arc furnace-led structural demand growth and supply rationalization should gradually lead to market stabilization and margin recovery.

Regarding the demerger process, the ongoing composite scheme of arrangement has been filed with the stock exchanges and remains under review. While the process has taken longer than anticipated, we are confident of receiving stock exchange approvals in due course. Upon receipt, the scheme will be filed with NCLT for its consideration. Based on the current time table, we expect NCLT approval by April 2026.

With that, I would now like to invite our CFO, Mr. Ravi Tripathi, to present the financial results for the quarter. Thank you. Over to you, Ravi.

Ravi Kant 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 September 2025. For the quarter ended 30th September 2025, HEG recorded revenue from operations of INR697 crores as against INR568 crores in the corresponding quarter of the previous financial year. During the quarter ended 30th September 2025, the company delivered EBITDA of INR226 crores as against INR140 crores in the corresponding quarter of the previous year.

The company on a standalone basis, recorded a net profit after tax of INR131 crores in Q2 FY '26 as against amount of INR62 crores in the corresponding quarter of the previous year. And on a consolidated basis, the net profit after tax is INR105 crores in Q2 FY '26 as against INR82 crores in the corresponding quarter of the previous financial year. The company is a long-term debt free and had a treasury size of nearly about INR1,167 crores on 30th September 2025.



Now to take more questions from the participants, a 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.

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

Amit Lahoti: Congratulations on a good set of numbers. My first question is on Q2 performance. So how much revenue increase could be attributed to volumes and product mix and how much to prices?

Manish Gulati: Okay. See, prices, as I said in the remarks, were flat between Q2 and Q1. And rest is the top line which you're seeing is coming from higher sales in Q2 compared to Q1.

Amit Lahoti: Okay. So completely, it is coming from volume?

Manish Gulati: Completely on volume. Ravi, you want to add a point on this revenue?

Ravi Kant Tripathi: Yes. It's completely due to volume increase only. Prices are flattish.

Amit Lahoti: Okay. Second question is on CBAM implementation. So what are you hearing from our customers in terms of demand, EF transition, cost pass-through mechanisms, et cetera? I mean is the industry, which is on the EAF side of steel is like more excited or worried from these regulatory changes?

Manish Gulati: See this CBAM will -- on steel particularly will probably kick in sometime in 2026. So obviously, when there will be some big barriers, and I think there's talk about cut of steel import quotas also in EU. I'm just talking about the EU. So that might be helpful to the steel industry in EU, which is still quite blast furnace space, having EAFs less than 45% or about 45%.

So it will be helpful to the steel industry in EU for both of these reasons, once CBAM takes effect and also the talk about cutting steel import quotas. Certainly, there should be some upswing in steel production in EU.

Amit Lahoti: Okay. And then on tariff, are our customers asking us to absorb some impact of reciprocal tariffs? If you could quantify the net tariff impact that is applicable to us?

Manish Gulati: See, we are now just about completing 2025. Our business in the U.S. is done by the calendar year. So we are hoping that by the time maybe another month or so. In fact, there was a news floating yesterday also, which I don't know, we have to receive confirmation, more confirmation about that. And in times to come, we are very hopeful that duties might settle down to more reasonable levels as has happened with other countries.

U.S., yes, it is an important market for us. And any customer in U.S. would want a similar price compared to the local suppliers. So tariff, whatever it is, of course, if the customer is not going to pay that over and above the price, they will not increase their procurement cost. So we'll take a call once we figure out finally what kind of tariff finally gets applied. I know it's a



little early to say because we are also watching and 2026 is still two, three months, two months away. We'll see what happens.

But we are -- my message to you is -- the answer to your question really is that we are hoping that these tariffs are down. We would, of course, like to remain in U.S. market and we'll try. But yes, our customers, it's very clear. They will -- why should they pay 50% higher price for graphite electrodes. So obviously, whatever it is 10%, 15%, 20%, whatever finally selling down to, that's our hope. What happens we can't guarantee. Obviously, that will have to be taken care of by us. The customer will need a deliver price.

Amit Lahoti:

But let's say, tariffs come down to 25%, is it going to be economical for us to absorb that entirely?

Manish Gulati:

It's hard to say. We will see because, of course, when tariffs are put, of course, we feel that internally prices should also start firming up within U.S. So we will see as it comes, what kind of tariffs finally apply, what is the local price, what happens to the local price in the market, in U.S. market, and then we'll take a call.

I just want to add here. See, HEG, our U.S. portion of our sales is only 10% to 12%. And we are supplying to 35 countries. So of course, I mean, we are very well diversified. We might have to do some -- we might have to see other markets also. But it's not as big a risk for us. It's not like that we are supplying 50% of our production in U.S., then of course, it was a big risk.

Amit Lahoti:

Okay. Got it. And the housekeeping question. At the time of demerger, how much of net debt which is there in the consolidated books right now would be allocated to graphite entity and how much would be to Greentech entity?

Manish Gulati:

Ravi, you go ahead and answer.

Ravi Kant Tripathi:

Yes, we have a total treasury size at approx. INR1,200 crores, out of which INR830 crores we have allocated to the TACC and remaining with the graphite.

Operator:

The next question is from Rohan Baranwal from Arihant Capital.

Rohan Baranwal:

So sir, my question is related to the capacity which you have added. So currently installed capacity of 115,000. And you mentioned that you have a utilization up to 90%. So what kind of growth in volumes terms and margin terms you are looking going forward?

Manish Gulati:

Yes. Rohan, you see, first of all, I just wanted to correct you, it's 100,000 now and 15,000 capacity expansion we have announced, which will get completed by 2027 end. And if you -- now coming to volume growth you are talking about, see, last fiscal '24-'25, we were at roughly 80% capacity utilization. Now in the first half, we are 90% plus. We are hoping that by the time we close the year, we are maybe between 85% and 90%, maybe we are hoping for 90% capacity utilization. So that is the kind of volume growth, which we have seen between '24-'25 and '25-'26, which we expect.



And then, of course, the expansion will take two and a half years to come. And once it comes, we feel that the new electric arc furnaces, which are coming on stream, there will be at least 20 million metric tons, which will get added. And we -- and even more importantly than that, we -- once the steel production, which has been languishing for the last 2, 3 quarters, I'm sure you have been tracking that, that when it takes up, it should bring additional demand for graphite electrodes from existing capacity as well as the new capacity.

Rohan Baranwal: Got it, sir. That's very good. So the next question is like what kind of product mix which you have between like the UHP and steel electrodes, sir? And how do you see it like evolving over the next two years?

Manish Gulati: See, our focus has always been and continues to be in the Ultra-High Power segment only, in UHP electrodes only. And proportion-wise, if you ask is probably a 70-30 or something kind of portion between UHP and non-UHP because some of our regular long-term customers when we supply electric UHP electrodes also expect that we supply the HP electrodes to them.

But it's not a significant portion really, as I said, in excess of 70% or maybe 75% is UHP only. And in the coming expansion also, whatever capacity we'll be building will be focused only on UHP electrodes.

Rohan Baranwal: And sir, what impact do you expect from the recent global capacity like closures on the pricing and the order visibility?

Manish Gulati: I see the two plants which one of our big competitors announced closure, one in Malaysia and one in China. China didn't have an impact globally. The other plant probably was not anyway not running full. I mean -- but that's -- but you see the kind of utilization the whole industry as an average has.

These capacities going out have not really created a big impact just because the demand environment itself is slow. But yes, when the demand goes up and the industry level, all industry, I'm not talking about HEG, all the average utilization levels will increase, then, of course, prices should start to come up.

Rohan Baranwal: One last question from my side. After that, I'll join in the queue. Can you share your plans for the expanding capacity or new opportunity you're looking into?

Manish Gulati: See the new opportunities, Puneet ji will take this question because there are several new products which the company is going to do. Puneet ji, please?

Puneet Anand: Yes. Thank you so much, Manish ji. After the demerger, HEG Greentech will comprise of four businesses. One is the anode material manufacturing, which is currently going on.

Second is the existing Hydro Power assets. BEL currently holds 51% equity in the hydro assets and has signed a definite agreement to acquire the remaining 49% from Statkraft. Upon completion, HEG Greentech will own 100% of Malana and Allain Duhangan, which represent around 278 MW of Hydro Capacity.



Third business is BESS EPC business. The EPC business has an installed capacity of 1 GWh with plans to expand to 6GWh by quarter 1 FY '27. It caters for both stationary energy storage and mobility applications. We are strengthening our order book and in-house BMS and EMS systems, which will support disciplined scale up in the BESS EPC segment .

Fourth vertical focuses on the is the IPP, which is BESS plus Solar. The IPP vertical is focused on C&I and B2B segment with participation in the state and central tenders. The first 200 MWh project is expected to be operational by Q2 FY '27. An additional 1,000 MW/2000 MWh tender is targeted for commissioning by Q2 FY28.

We are expanding this business and expect the IPP business will contribute considerably in the HEG Greentech EBITDA. These are the four strategic pillars we are developing at HEG Greentech following the demerger.

- Rohan Baranwal:** Got it, sir. And will you be adding the manufacturing facility for the BESS side?
- Puneet Anand:** On the BESS side, we already have an installed capacity now of 1 GWh which is primarily for assembly. We procure cells and assemble them in our own plant in Pune. We are now expanding this capacity from 1 GWh to 6GWh.
- Rohan Baranwal:** So like the containers and the battery energies are all sourced from like -- are imported and then assembly is done. Am I right, sir?
- Puneet Anand:** Yes. However, our focus now is to manufacture in India. We will do as much as possible within India itself, through our own plant in the coming quarters.
- Moderator:** The next question is from Chirag Pachisia from SKP Securities.
- Chirag Pachisia:** So my question is on the Greentech side you had guided about INR500 crores, INR600 crores and INR200 crores to INR225 crores EBITDA for FY '26. So could you share what the actual contribution was in H1? And how you see visibility shaping up by end of April, especially post the demerger?
- Puneet Anand:** The H1 EBITDA is primarily from the hydro assets , which are already operational. The revenue for the other HEG Greentech businesses will start flowing in from **Q4 FY27** for the anode segment, once the plant is commissioned. The RePlus business is contributing, but since we are currently in an expansion phase, the margins and EBITDA are low. However, these will improve over time. For the IPP business, revenue and positive EBITDA are expected to begin from **Q2 FY27**.
- Chirag Pachisia:** Got it. So I think it will be premature for an FY '27 number as of now...
- Puneet Anand:** For FY27, we do have some anticipations and projections, but it is still too early to comment with certainty because these projects are currently under execution. Once they are completed, we will have better visibility. Broadly, your understanding of the FY26 numbers is correct, and we expect that the EBITDA should at least double in FY27 compared to the FY26 figures we just discussed.



Chirag Pachisia: Got it. Makes sense.

Puneet Anand: So the full contribution to the EBITDA will be coming from Q1 FY28, once the anode plant is operational, the Replus business has been live, and the IPP projects, which is roughly 650 MW/1300MWh based on the tender we have won.

Moderator: Next question is from Rajesh Majumdar from B&K Securities.

Rajesh Majumdar: So I had a few questions. First of all, we've seen the Indian players operating at a very high utilization rate last quarter. And GrafTech is also operating at 65%. So what is your guess of the global industry utilization -- capacity utilization rate currently, excluding China?

Manish Gulati: Rajesh ji, you have seen our utilization, we have seen our Indian peer contribution and you also know GrafTech. That only deals with two main suppliers, that is one, which is Resonac and then followed by Tokai. I believe this should be around GrafTech levels should be. But I can't hazard a guess because their figures are not public, but it's just a guess that they should be around them because they are located also in similar countries and catering to similar demand. So my guess is that should be around that only.

Rajesh Majumdar: So which means the overall industry utilization rate could be about 70%, 75%, if you...

Manish Gulati: About 70%, maybe, I think so. If you combine maybe around 65% or 70% something like that.

Rajesh Majumdar: And in your experience, what is the industry utilization rate where the prices can actually take an upturn? Is it 75%, is it 80%? Or where do you think that inflection point can happen from the current 50-odd percent level?

Manish Gulati: Amazing question. Yes, yes. I have that experience. Maybe it should be -- when it crosses average utilization crosses 85% once it starts close to between 80%, 85% when the prices start to firm up. That's the past experience.

Rajesh Majumdar: Okay. 80%, 85% is a good kind of guess?

Manish Gulati: Yes, it's the number when prices start to come up.

Rajesh Majumdar: And secondly, sir, we are hearing some murmur of some price coming in the HP electrode side this quarter. Is that true? Or do you see any kind of uptick in the HP electrode prices happening?

Manish Gulati: You mean in the October to December quarter, where we are?

Rajesh Majumdar: Yes, October, December quarter, correct.

Manish Gulati: Yes, yes, but that's very marginal. That was only in HP because HP prices are already low, but this is a -- globally, if we see this market is quite dominated by Chinese players. So the pricing -- I mean, I'm just talking about, I would say, Indian context that's a very slight price increase. And globally also, I'm not sure really whether we can really pull up an average of basket of wherever we supply and actually demonstrate a price increase.



It will be -- I would still say it will be the same level. And the increase in domestic was very marginal. It was not -- just to cover our costs.

Rajesh Majumdar:

So it is only in the domestic market, is it the price increase?

Manish Gulati:

No. See, in some markets, we have a little bit here and there. But as I said, if I actually pick up that average of all the players, I probably will not be able to demonstrate an increase. So somewhere we're getting a better price, not a better price. Actually, as I said, it's so much dominated by China that depends on our sales mix, where we sold, how much we sold, which customers.

So if I pull up an average of Q2 versus Q3 later, still 1.5 months to go, I don't think we'll be able to demonstrate even a 5% or a 10% increase. I don't think so. Globally average. Global average, yes. Right. Correct.

Rajesh Majumdar:

And sir, what is the cost of needle coke for 2Q? And what is the inventory now at needle coke that you have?

Manish Gulati:

See, price, I won't be able to divulge honestly, but it's not difficult for you to find out. And they've been pretty static for 2, 3 quarters, just like electrode prices have been at a similar level for 3 quarters, the coke prices have also been that way. And the inventories of plant are comfortable. It's our standard. I can't disclose the real number of inventory, but it's enough.

It's -- I see it as an average, we are not low on inventory. I would say rather we are a plus on inventory on inventory at plant and transit, we are rather on the -- slightly on the higher side, not lower side.

Rajesh Majumdar:

Right. And if I could have a last question. Suddenly, we see a kind of capacity increase announced by the Indian players after so many years. And I was under the impression that needle coke availability is a big issue in the industry. So where are we getting all this needle coke from to announce the capacity? And if you combine that with your competitor, the total increase is nearly 40 kt over three years. So that kind of a needle coke volume is coming from some new installation? Or is it because of the capacity getting closed? That's last question.

Manish Gulati:

No problem. See, the way the graphite industry, as we just talked, is somewhere between 65 to 70. Similarly, presently, the needle coke capacities are also not running full because they're also tied to us and these refineries for big refineries, our suppliers, it's not difficult to switch over their cokers from one product to other.

So once the demand comes in, I'm sure when it makes business sense for them and they will see a long-term shift in demand, definitely, we expect them to increase their capacity because they have the technology, they have all the wherewithal, they have big refineries themselves. It's just about adding cokers or switching cokers from one grade of coke to another grade of coke. So I don't think it will -- it's difficult for them. Yes, something happens temporarily. Of course, it takes time for capacity to ramp up.



See, everybody is banking on one thing that, yes, the shift to electric arc furnaces is clear, but this is happening. This is an irreversible process. This will bring additional demand. That's also clear. The capacity increase which we have announced and another peer has announced also will take two and half years to come. And by the time we are banking on the new electric arc furnace capacities. So I don't think needle coke will be that much of a problem.

Moderator:

The next question is from Akhilesh Kumar from Emkay.

Akhilesh Kumar:

Congratulations on the good numbers. So sir, my first question is on the realization. So when I take the said utilization of 90% for 2Q, I get the realization of around USD 3,500 per ton. So is it around the same levels of GE prices which you are tracking? Or is it at some premium or discount, if you can shed some light on that?

Manish Gulati:

We are in a very simple business, you can catch the turnover. And when I say capacity utilization, I said it for 2 quarters of 90% capacity utilization production-wise. And in the same breath, I said that we sold more in Q2 versus Q1. If you put all this together because I will neither be able to confirm the price nor deny the price, but we are close. But I won't be able to confirm the average price because it depends on all markets, all put together, grades, everything. But since we are only in graphite business, it's easy for you to calculate.

Akhilesh Kumar:

Right. So the only part where I am not clear is that is it some -- trading some kind of premium or discount? So let's say, if I take a standard price of GE of \$3,000, so then I get a premium of around USD 500 per ton. So am I tracking on the right lines? Or am I missing something else?

Manish Gulati:

My dear friend, as I said, I won't be able to confirm or deny it. But I can only say if it is helpful that whatever price levels of today are actually at the bottom because you can see around peer group, it's very difficult to margins, make margins at this price. And everybody in the industry hopes that this price should firm up from wherever they are today. They are one of the lowest we have seen in past years. So we are expecting a firm up on prices. So \$3,000, the \$500 premium, I won't be able to -- I won't comment on that piece. But yes, wherever they are, they are at one of the lowest.

Akhilesh Kumar:

Okay. Okay. Got it. Sir, and my second question is on the general spread between the graphite and the needle coke prices. So if you can guide us on that part.

Manish Gulati:

Okay. So spread is also at the same level for last 2, 3 quarters because electrode prices are where they are and the coke prices have also not changed and electrode prices are also at the same level. And spread continues to be at the same level, and that converts cut out the variable costs and everything, and that's what you see in the profit figures.

Akhilesh Kumar:

So if I track the historical prices for these 2, the spread generally comes out to be 1/3 of -- for needle coke prices, it comes out to be 1/3 of GE prices. So is that trend still holding up?

Manish Gulati:

It is -- the question you want to ask, it's not possible for me to answer. But yes, you have your own thumb rule. Maybe you have observed it in the past, but I won't be able to attach a formula to it that 1/3. But it's generally maybe, yes, you might be close, but then it changes. It



changes with time up and down. But which you have seen in the industry. You know how it changes.

Akhilesh Kumar: Okay. Okay. And another question is on the utilization. So the kind of utilization we have seen in 1Q and 2Q, is this level of utilization expected to even go and extend it to FY '27 and '28 also?

Manish Gulati: I think this year, FY '26 is not a great year for the industry, and we are hoping for better days ahead in next year and another year because the moment the steel production with an uptick and new capacity is coming, we are expecting better demand levels in the next, next fiscal year, which will be helpful for capacity utilization also and firming of price also.

Akhilesh Kumar: Right. Good to have that kind of confidence, sir. And sir, another question is on the graphite anode project. And basically, just want to get some unit metrics there, what kind of realizations and we are expecting there, what kind of ROCs and debt to equity, how we are going to fund it? So if you can shed some light on those -- that project?

Manish Gulati: Puneet ji, that will be answered by my colleagues, Puneet ji, Ankur ji. So please go ahead, Puneet ji.

Puneet Anand: So Ankur, do you want to take first on the business side? I take on the numbers.

Ankur Khaitan Yes. So in case of anode, I mean, the realizations are pretty as per the current market scenario, where also we are seeing an uptrend. And we are -- right now, we are pretty secured as far as our funds are also concerned. And the financial -- the production part is the production will start from 2027. So we are pretty secure in all that. And the market is quite stable because apart from China, people are expecting the new players to come up, and we are amongst the first ones to come up in the non-China anode space.

Akhilesh Kumar: Sir, what kind of IRR and EBITDA margin we are expecting from this project?

Ankur Khaitan We are expecting EBITDA margins in the range of about 30%, rather 35% to 40%. And IRR also in quite encouraging numbers.

Akhilesh Kumar: Okay. Okay. And last one, if I can squeeze that in also. So the question is that our capex intensity looks higher than the competitor for the extended that 15,000 tons of capacity, we are doing INR650 crores. So why is that happening? If you can throw some light there also?

Manish Gulati: Yes, I'll take this question. See, you're comparing us with the peer group. As you might have also noticed that for the first part, I think they said 1 year, while we are saying 2.5 years. So that clearly shows that, of course, every plant has an opportunity to debottleneck some of the facilities. Some of the equipments have very long lead times, some are shorter. So I'll just restrict myself with that.

And we would not like to, say it on competitors. We can only talk about ourselves because, for example, if we have to expand, we have to see what we have, what we further need to take this capacity from X to Y. Similarly, everybody does that. So I can't say what they have and what



they're adding. But I know what we have and what we're adding. I know what it requires to take up the capacity from 100 to 115.

Akhilesh Kumar:

And would you say that the kind of capex intensity what we are having is the industry average or better than the industry average?

Manish Gulati:

If you put up a green -- see, we are adding this capacity in the existing plant. So of course, it will be lower. If you go and set up a greenfield plant and build every process right from scratch to finish, it will be more than double of that. You see -- if you remember, we -- in the last expansion of 20,000 tons, which we did, there was a capex of INR1,200 crores. Now we are talking about 15,000 at INR650 crores. So you can now relate even you need the 2 things. But that was probably a bigger requirement of more processes, more shops, and this is probably lesser because 20,000 because we made a fresh plant mainly directed towards making nipples.

Moderator:

The next question is from Rohit from itthought PMS.

Rohit:

Sir, just on the overall industry, I mean, of course, China is a very big part of this industry. And we've been reading -- they've been talking about reducing their overall supply in steel. And this is also further extended to other industries also where they've been talking about not trying to be too price competitive and price was kind of a thing. So have you seen any initial impacts of that trickling down to the GE -- one to the overall steel demand outside -- I mean, steel exports from China and hence, any other production improvements in other countries because of the decline in steel from China?

And two, as a downstream towards that, any impact on GE right now? Or how do you see -- I mean, do you see any impact, if not yet, do you see any impact of this happening if it plays out?

Manish Gulati:

Let me answer it in a way that you see -- it's true, what I mentioned in the opening remarks that Chinese production is down. And Chinese consumption is down even further. So there actually steel exports are increasing. So they are exporting more steel to the world in 2025 than they did in 2024. And because of the rest of the world making about 50%, 51% of the steel from electric arc furnace route.

So of course, any exports of steel from China do impact the production levels in other -- all globe put as a whole ex-China. To that extent, yes, of course, if China was exporting less, the other countries, which are more electric arc furnace based to the extent of 51%, they would be producing more steel.

And then they would be producing more steel, more electrodes would be required where -- and that demand come to us, ex-China, all the industry. Yes, their exports matter, their production is down. But as I said, consumption is down even further. So actually, exports are increasing from China, which, of course, caused a dent. We may -- it's very clear. It will cause a dent to the rest of the world.

Rohit:

Understood. And actually, one reads that they are probably exports of steel also, they don't want exports to grow. At least that is what the news articles are -- at least that is what their



intent is. I don't know whether there is a mismatch between the intent and what is happening. As clearly you are saying there is. So, I mean, of course, the last up cycle that happened in '15 and I mean, after 2017, there was a huge factor of China in that where they cut -- shut down capacities and capacity.

And there was a talk of also EAF going up -- China share of EAF were also going up. There are still -- I mean, China is still saying that the year share, while they could not do what they said last time, but they're still saying that the EAF share is going to go up for them. How do you see -- it's an open-ended question, sir.

I mean, I just want to get your sense because things seem to be somewhat coming together again, at least at the outside, things are somewhat from a China perspective, but they are sort of in numbers or talks which are pointing to what may have -- what could happen like back in 2016, '17, '18, something similar. Do you see that as well? Or it is still too hypothetical and one should not really read too much into it?

Manish Gulati:

You see, you also keep hearing these talks of that they will take the electric arc furnace share to 20%. But the reality is that they are still at 11%, 12%. So it's very difficult for us to hazard a guess what they will do or not do and how serious or how, as a country, they will actually take up the electric arc furnace portion, of course, because rest of the world is at a much higher level of electric arc furnace share and they are the lowest. But we should remember that they are more than 55% of the total steelmaking of the world.

So anything which they do towards electric arc furnace will be very helpful, I would say. So there have been statements of taking it to 20%. But so far, years are passing by, but they've not yet reached that level. So that speed which was announced that they will change over and do this and do that is not as much seen and that's all I can say really. Very difficult to answer your question.

Rohit:

No, I understand. Sir, just one small addition to the plan going from 11%, 12% to 15% or 20%, does China have the capacity, existing capacity to put more capacity for graphite electrodes?

Manish Gulati:

Sorry. Yes, they have a lot of capacity. Yes, yes, they have a lot of capacity of electrode making, most of which is the HP grade variety and some of it is UHP grade variety. So internally, within China, there are many electrode companies making electrodes, they are exporting a lot of electrodes, which are predominantly HP grade, to other countries. So internally, if the year goes up, actually it will be helpful because they'll be able to use the excess capacity of electrodes within China and not impact the rest of the world with their exports.

Rohit:

And sir, last question on your -- like you are all the largest shareholders of GrafTech. So I mean, what are your thoughts on them -- I mean, is this purely a financial investment for you? Or are you also thinking about -- I mean backward integrated as you also highlighted?

Manish Gulati:

So as we speak, it's purely investment. It's purely investment. As we speak.

Moderator:

Next question is from Amit Lahoti from Emkay.



- Amit Lahoti:** So when we say needle coke refineries can bring in new capacity faster than typically what graphite electrode players can do, would it be fair to say that our pricing power would be better than them when the demand turns? Is that the right understanding?
- Manish Gulati:** See, their electrode prices and needle prices, they go in tandem. When electrode prices go up, of course, they wouldn't be left behind, and they would also like a share of the good times of profits. So of course, as we have seen, you must have noticed in 2017, '18 and '19 that the needle coke prices went up very high because electrode prices were also high. So it follows with a lag once electrode prices start to firm up and needle coke prices start to firm up, that's usual.
- Amit Lahoti:** But from a demand-supply perspective, when we say that they can bring new capacity faster than us, they can come into oversupply also, which is faster than the graphite guys. So with that respect, their price hike should be lower than the graphite guys. So that is what I was thinking.
- Manish Gulati:** Let me clarify this point. See, these are big refineries. These needle coke plants are attached to refineries. They have the technology. And they have the cokers and everything is there. They have all the wherewithal to increase rather than a new company coming in and setting up a needle coke plant, they will be faster. That's what I meant when I said that when they -- the needle coke supplies when they see an actual step-up of requirement, they have all the technology, the resources and the wherewithal to increase their capacity, better than any new player coming in.
- Amit Lahoti:** Okay. Understood. Yes. And then secondly, in the last quarter, we were highlighting expectation of improvement in demand in second half of FY '26. So I realize that expectation still remains, but any incremental color you could provide, specifically on Q3, which is the running quarter?
- Manish Gulati:** Q3 is going to be -- it's going to remain the same. And we keep hoping about it, and things are just not -- they're taking time to turn around. See, the steel production, just look at steel production. Every time there's a forecast from World Steel Association, the next year, this will happen that will happen. When the year comes, it doesn't happen. So -- and you see what the geopolitical situation is. So once that the economic boom is there and then the steel follows the economic boom and so will the electrode demand.
- So the comments which we made earlier there, we are hoping that there should be firming in price. If you're asking about the quarter which we are already in, no, it is taking time to happen. No, it's not happening this quarter or next. But it must -- the moment we see an uptick, it should be a quick turnaround.
- Moderator:** The next question is from Ahmed Madha from Unifi Capital.
- Ahmed Madha:** Sir, I had this question. So current quarter utilization is so high. Is there an element of bunching up of shipments to U.S. or anything as such? Or you think Q2's utilization is sustainable in second half also based on your visibility of contracts and volumes?



Manish Gulati:

Okay. So for the first 2 quarters, which went by, as I said, it's slightly above 90%. And I also said that by the time we close the year, we should be around that figure, close to 90%, a little less than 90%. That's it. So we should be able to sustain this. It's not about U.S. orders getting bunching up quarter-to-quarter sales. Historically, if you see it varies which orders are there, what deliveries we have, what order book we have. But it is -- you can see if you compare with '24-'25, where we were at 80%.

Now first half, we are at 90%. And we hope in the next 2 quarters also, we should be close to that level, should be close, maybe marginally under 90%, marginally over. So you can see a clear difference between the 80s of '24-'25 versus the 90% of '25-'26 or slightly under 90%. It is very difficult to hazard a guess because you see we are booking orders quarter-by-quarter. So as we speak, okay, I can still be reasonably confident about the quarter we are in. But Jan to March order book is still being booked.

Ahmed Madha:

Okay. Got it. And in terms of U.S. market, assuming the tariffs don't go down quickly, then in that case, next year, we have to diversify our volumes from U.S. to non-U.S. markets. In that case, what would be the realization gap for us in U.S. market and non-U.S. markets, where you think we can sell the volumes?

Manish Gulati:

I wish I had an answer, but we'll cross the bridge when we come to it. So right now, we are living with a hope that as all the trade deals all over globally have been almost done, only we remain, and we are really hoping that it settles down. So as I was saying, there was some news floating around yesterday. I was looking for confirmations about anything happening between U.S. and India.

But yes, the talks are on. They are not stalled. That's what we believe that both the countries are talking to each other. There may be some tricky issues to resolve. But I think with India, globally, only India is at 45%. Maybe I think Brazil is also of that level. But let's see. I mean I can't comment more than that, except saying that we'll cross the bridge when we come to it. Sure.

Ahmed Madha:

And regarding the non-Indian competitors, obviously, everyone has closed down 1 or 2 of the inefficient plants. But how do you see -- because today, they are at breakeven, right? So breakeven in terms of their profitability. So is there a scope or a discussion of those players thinking of price hikes so that they can come to a certain level of profitability and eventually, we can also later come up with price hikes. Is there any sort of such discussion for new contracts? Or is it far away?

Manish Gulati:

See, I have seen some public announcements. Everybody, all the industry needs a price increase to have healthy margins and to continue expanding and continue doing that. So -- but that's about it. Now what we -- the 2026 orders open up, we'll see how much is happening on the ground. So right now, we are in November. And once we -- in times to come, we will see and maybe 1, 2, 3 months, we'll see how much price coming up is happening or not happening because the demand is still subdued. But the graphite industry as a whole, everybody needs a price increase.



- Ahmed Madha:** Last question, in terms of our European business, can you give, what share of our volumes come from Europe region? And if there are duties as there is discussion going on and import quotas and I'm assuming the production of European players will go up. In that case, do you see any sort of benefits coming to us next financial year?
- Manish Gulati:** See, this is going to happen in 2026. So when they announce, what they announce, it will actually depend on that. The steel they are talking about and CBAM, all this is going to happen in 2026. What is the quantum, we will know next year. And how much impact it will have, how much there will be internal increase in production within EU. So I can't say today really, honestly.
- Ahmed Madha:** Okay. But can you tell what is our share of volume from Europe?
- Manish Gulati:** I would say about...
- Ahmed Madha:** US you said 10%, 12% for Europe and [inaudible 0:56:16].
- Manish Gulati:** We are very well -- in all economies, we are actually quite evenly spread. So if I hazard a guess, maybe it's around, close to, let's say, close -- a little less than 10%.
- Moderator:** The next question is from Rohan Baranwal from Arihant Capital.
- Rohan Baranwal:** My question is on the margin side. So what kind of margin improvement we are looking going forward in FY '26, sir? And how it will improve going forward? Like will it be coming from the side of pricing -- price normalization or from the side of cost benefits, sir?
- Manish Gulati:** See, the needle coke prices continue to be where they are. They are not increasing nor decreasing. And the electrode prices as we already in Q3, half of Q3 has already gone. So here, we do not -- in Q3, we do not see any margin improvement. Q4 order book is under construction. We will see how it plays because as I just said that we are booking quarter-by-quarter. That's what is happening in our industry.
- So I don't have any -- had I some long-term orders, even if I were to book for, let's say, 60%, 70% of the volumes, like input prices, it used to happen that way. But we are not -- we just booking quarter-by-quarter. So if there's any uptick, maybe in Jan to March, I can't say. But this quarter, it doesn't seem because half of it is already gone. So but margins will be similar, similar to the last 2 quarters, I would say.
- Rohan Baranwal:** In the long term also, sir?
- Manish Gulati:** No, in the long term, of course, we are putting expansion, doing this and doing that. We, of course, expect that with the kind of demand, which should come in because with new electric arc furnaces, demand should go up and so the prices should also firm up. I'm only talking about these next 2 quarters. The Q3's and the Q4. But medium- to long-term, we are, of course, bullish about the electrode industry.
- Rohan Baranwal:** Got it. Sir, any numbers to put on that side, sir?



- Manish Gulati:** No, not possible. I wish it was, but it is not.
- Rohan Baranwal:** And sir, one last question is on the debt side, actually. So can you provide a time line of how much debt we are expecting to add going forward like in FY '26 or FY '27, sir?
- Ravi Tripathi:** As I explained in our opening remarks that we are long-term debt free, and we are not going to add any debt in future also.
- Moderator:** Next question is from Ahmed Madha from Unifi Capital.
- Ahmed Madha:** Just wanted to understand when you say the new EAF capacities coming up globally. So I mean, obviously, we can search a bit and see what kind of capacities are coming up. In your sense over FY -- not FY '26 rather CY '26 and CY '27, what sort of capacity you see coming up in electric arc furnace? Is there any math around it to understand incremental demand for electrodes?
- Manish Gulati:** It's about 20 million tons, which should get added in the next 2 years, '26 and '27. So if you roughly divide it by, let's say, 1.5 kg per ton, that translates to about 30,000 tons demand increase. I'm just talking about next 2 years.
- Ahmed Madha:** Okay. And in terms of inventory situation, as the steel industry as a whole, do they have a lot of inventory for electrodes available? Or are they keeping low inventories currently considering prices have been falling from the last few quarters?
- Manish Gulati:** Now it is quite stable. We don't have -- there's no over inventory of electrodes with our customers. It's the usual sales depending on which country you are, somebody gives a month, if the supply is locally, somebody gives 2 months, if they are an offshore supplier. So these are -- the steel industry, I believe, has normal level of inventories today. There's no over inventory situation with our customers because we can see from the buying behavior also, they're consistently buying, buying and exactly as their demand is. So I don't think there is an over-inventory situation in steel customers.
- Ahmed Madha:** And in terms of China supply of electrodes, right, with the new demand coming up either because of the increase in non-China steel production or with the new year's capacity, is it possible that the incremental demand goes to Chinese people who are probably selling the product at lower prices? Are they increasing their own supply? Is there any sense we have?
- Manish Gulati:** See, we are also a competitive cost producer just according because of our size being big at one location in India. And I think we are in a good position to compete. Yes, of course, this low pricing and this -- of course, it hurts. But still, we also have a reasonable level of cost. We should be able to compete in the market. And again, the Chinese capacity, which they have is predominantly on the HP grade variety and lesser on the UHP grade variety. So yes, we have to survive. We have to be competitive at all times.
- Ahmed Madha:** Okay. And is there any sense on China supply of electrodes we have? Has there been any new capacity addition, deletions in recent quarters or recent years? So I think that the capacity is broadly similar. So that is [inaudible 0:62:34].



- Manish Gulati:** Yes, it's similar. They have not added. They have not deleted either. So they are at the level which they were maybe in the last 3 years, the capacities of electrode have remained at the same level, they have not increased it.
- Moderator:** That was the last question in queue. As there are no further questions, I would now like to hand the conference over to Mr. Gulati for the closing remarks.
- Manish Gulati:** Thank you. Thank you very much, friends, for listening to our Q2 conference call. And hopefully, when we talk next quarter or next, maybe we will be able to provide a better outlook for 2026. Thank you so much.
- Moderator:** Thank you very much. On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.
- Ravi Tripathi:** Thank you.
- Manish Gulati:** Thank you.