



LNJ Bhilwara Group Company



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HEG/SECTT/2024

19th November, 2024

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 FY25 of HEG Limited

Dear Sir/Madam,

Please refer to our Earnings Conference Call scheduled on 15th November, 2024 intimated vide our letter dated 4th November, 2024. 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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Transcript

HEG Ltd Q2 FY25 Earnings Conference Call

November 15, 2024



Management:

Mr. Ravi Jhunjunwala – Chairman, Managing Director & CEO

Mr. Riju Jhunjunwala – Vice Chairman

Mr. Manish Gulati – Executive Director

Mr. Om Prakash Ajmera – Group CFO

Mr. Ravi Kant Tripathi – CFO

Mr. Puneet Anand – CSO

SKP Securities Ltd

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Moderator: Good day ladies and gentlemen. Welcome to the HEG Limited Q2 FY25 results conference call organized by SKP Securities Limited.

As a reminder all the participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. 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 call 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. 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. Puneet Anand – CSO.

We'll have the "Opening Remarks" from Mr. Jhunjhunwala, followed by Q&A session. Thank you and over to you Raviji.

Ravi Jhunjhunwala: Thank you Siddhant. Friends, good afternoon and welcome to our Financial Results Conference Call for the 2nd Quarter of Fiscal Year '24-25.

As per the recent data published by the World Steel Association, global crude steel production for the first nine months of 2024 declined by about 2% to 1,394 million tons. While production for the previous quarter July-September saw a larger drop of 5.5% compared to the same period last year. This declining trend shows notable differences across major steel producing regions. While US saw a decline of 1.6%, Japan decreased by 3.3%, South Korea by about 5% and Russia by about 6%. In contrast India's steel production went up by 5.5% reaching 110 million tons, supported by government's push on infrastructure projects. Germany and Turkey also experienced some small increases of 3.8% and a large one in Turkey 12.1% respectively.

Meanwhile China by far the largest steel producer of the world declined by about 4.8%. It is important to highlight here that China produces a little over 55% of the total world steel in the first half of the current year. Chinese steel exports have surged to around 81 million tons till September which is on track to reach close to 100 million tons by the end of the year. This impacts the demand of graphite electrodes the world over which brings pressure on sales prices



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and the production obviously. Operationally, our performance was more or less similar to past two quarters.

Now coming to the outlook:

As you are aware our expansion from 80,000 tons to 100,000 tons is now fully operational and stabilized. And this makes us by far the single largest plant in any location in the entire western world, leading to certain cost advantages over all the other large producers. For Q2 '25, our capacity utilization for the quarter was about 80% which is highest amongst all the other producers around the world. We do expect this to continue for the rest of the year. The electrode pricing continues to remain under pressure due to reduced demand. The needle coke prices kept correcting through the past year due to difficult market conditions but the spread between electrode prices and needle coke prices narrowed down bringing pressure on margins. While we are currently facing some near-term margin pressures but we are positive about our industry in the mid to long term.

Decarbonization has now become an irreversible process. We are consistently tracking more and more announcements as they happen for new greenfield electric arc furnaces from different parts of the world. Already more than 100 million tons of new capacities have been announced which would be in operation between now and 2030. As we have been exporting about two-thirds of our production to more than 25-30 countries for a very long time, we are in a good position to meet this increasing demand all over the world. We remain one of the most competitive plants due to our large capacity at a single location. The next few quarters may see margins remaining under pressure but we are hoping that the demand would come back sometime from second half of 2025 and we are fully equipped to take advantage of that. We have all the technological capabilities, operational efficiencies and market reach to take our company forward to succeed and thrive in all emerging situations to create long term value for our shareholders.

Now friends, coming to our “Quarterly Performance”:

As you have seen from our results Our profit before tax has been much higher in this quarter as compared to the previous one. I would like to mention about the impact of one of our treasury related investments in the equity shares where we have taken a mark to market gain due to increase in stock price of that company and booked it under the head of other income while in the previous quarter, we had a mark to market loss due to fall in its stock price.

With this I'll now pass on the floor to our CFO – Ravi Tripathi who will take us through the financial figures. Following that our Vice Chairman – Riju, Executive Director – Manish, Chief Strategy Officer – Puneet and I will be delighted to address any queries that you may have. Over to Ravi.



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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 2024:

For the quarter-ended 30th September 2024, HEG recorded revenue from operation of Rs. 568 crores as against Rs. 614 crores in the corresponding quarter of the previous financial year. During the quarter ended 30th September 2024, the company delivered EBITDA of Rs. 140 crores as against 130 crores in the corresponding quarter of the previous year.

The company on a standalone basis recorded a net profit after tax of Rs. 62 crores in Q2 FY25 as against similar amount of Rs. 62 crores in the corresponding quarter previous year. And on consolidated basis, the net profit after tax is Rs. 82 crores in Q2 FY25 as against Rs. 96 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 923 crores as on 30th September, 2024. 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 very much sir. We will now begin the question and answer session. Our first question is from line of Saumil Shah from Paras Investments.

Saumil Shah: On consolidated basis our EBITDA margin is in the range of 17% for this quarter. So where do we see this range settling for the remaining half of this year?

Ravi Kant Tripathi: Yes we are expecting the similar range in the coming quarters too.

Saumil Shah: Considering the current demand scenario any guidance you would like to give for FY26?

Ravi Jhunjunwala: As I said in my opening remarks we don't see much of a difference in the next couple of quarters. But as I said something like 20-25 million tons of new capacities which we talked about out of 100 million tons. We expect about 20-25 of them to be operational, let's say sometime in the second half of next year. So that will obviously increase the demand.

Saumil Shah: Any update on this demerger of HEG Greentech?

Ravi Jhunjunwala: I will ask Puneet, our Chief Strategy Officer who is pursuing that.

Puneet Anand: So, our scheme of arrangement is today with the stock exchange, I think in a couple of weeks it will go to SEBI for the approval. Once SEBI approves it then it will go to NCLT. We feel that by October or September 25, the entire process will be completed and the company will be listed, the HEG.

Ravi Jhunjunwala: This is what we had originally said. I mean we are more or less on track.



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- Puneet Anand:** There was a big delay of one month due to the split which we have done in between. But everything is on track.
- Saumil Shah:** And one of the interviews we had mentioned that we are looking at an EBITDA of 1,000 crores in next 2-3 years for HEG Greentech. So, I mean anything you would like to say about that?
- Puneet Anand:** So, it is too early to say because the anode project which we are envisaging and we are putting it has some lag for a quarter or two. So, we expect that by next conference call will give you the better timeline on the EBITDA for the coming years for the new company. But the business is on track.
- Saumil Shah:** So as of now is there any sales from this company, HEG Greentech? I'm sorry I'm not tracking this.
- Puneet Anand:** So if you ask me about HEG Greentech, today that it holds the hydro assets which has the business and they are generating the revenue and the EBITDA which has been shown in the HEG books also. Apart from this our battery storage company is also doing very well. And we have won couple of contracts there. So, we are expecting to have a good turnaround in our company. Apart from this we have some wind assets which are generating the EBITDA. The future revenue and EBITDA will be coming from the anode part which is the major asset we have here.
- Saumil Shah:** So as of now Greentech EBITDA would be how much?
- Puneet Anand:** As of now Greentech EBITDA will be in a range of...at a consolidated basis you're asking?
- Saumil Shah:** Yes consolidated.
- Riju Jhunjunwala:** So, it would be around 125 crores, that is the dividend that we received from the Hydro assets today.
- Puneet Anand:** On a consolidated basis the EBITDA is between 270-300 crores.
- Riju Jhunjunwala:** That is once the scheme is approved and 100% of Bhilwara Energy shares belong to the Greentech.
- Puneet Anand:** Correct. So yes, post the consolidation of the entire hydro asset under HEG Greentech, the EBITDA is between 275 to 300 crores seeing the numbers today.
- Moderator:** Our next question is from line of Aryan Sharma from B&K Securities.



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- Aryan Sharma:** Actually, I had a question about the pricing scenario. So, since we saw one of the major global players Resonac increased pricing by around 20% in September. So, we are still saying that margins will remain subdued. What would be your outlook on spread for the rest of the year? And what do you think about this price hike which the global player came out with?
- Ravi Jhunjunwala:** We have seen that announcement that you are talking about. But we haven't seen that on the ground. But the obvious question is if the demand, there is a pressure on demand, there is extra capacity worldwide. So, we are basically not seeing any impact of that 20% increase. Everybody is attempting to do that but it is not going through.
- Aryan Sharma:** You mentioned that we have the highest capacity utilization globally currently. So, could you mention what is the average global capacity utilization in HEG right now?
- Ravi Jhunjunwala:** We are at about 80% and some of these major foreign players are more or less at about 50%-55% and probably the other Indian companies at about 60%-65%. These are all public data. This is all available. They're all listed names.
- Moderator:** Our next question is online of Pradeep Rawat from Last Blue.
- Pradeep Rawat:** Can you name some of the major global player in graphite electrode business?
- Ravi Jhunjunwala:** Basically, there are only 4-5 of us. Apart from us and Graphite India in our country there are two large competitors of ours who have more or less 1.8X to 2X of our capacity. But they have several plants. I mean one company is called GrafTech International which used to be Union Carbide about 20 years ago and about till recently it was part of Brookfield and now it's a professionally run independent company. They have about 180,000 tons. And then there is a Japanese company called Showa Denko. It's a very large conglomerate where graphite business is a very minuscule kind of percentage. They have about 200,000-210,000 tons but again at four different locations. And all these locations are in Europe, America and Japan. So obviously over these locations we have certain advantages of cost.
- Pradeep Rawat:** What is the status for our graphite anode plant?
- Riju Jhunjunwala:** The status of our anode plant is as follows and I'll be as candid as I can be. So, the global battery prices, the cell prices for which we will supply this product have sharply come down as you may know from around \$85 to \$100, 85 cents to \$1 per KWH. And now they've come down to around the level of 55 to 60 cents per KWH. Now this obviously depends on different applications like energy storage or EV car. So, for the sake of prudence, we are taking our top line which we were expecting two years back let's say at 9,000 to 10,000. We are doing all the project planning at 6,000. So, we are going back to the state government, trying to get some more subsidy on power because power will be the major component in this around 15,000 units of power per kg of production in this particular product. So, while we have the land in place, we've leveled the land,



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we are ready to place the machinery order but we are still fighting with different state governments for giving us slightly more subsidy to make the project commercially viable from day one. So that is the status right now, we are ready to break ground tomorrow. I mean after this call technically we can break ground but we are purposely holding back. And I think by the end of December, middle of January we'll have two very good letters from two different state governments giving us different power rates, beneficial power rate and capital subsidies that will help us make this project even more successful at \$6000 per ton also. So, after doing all the sensitivity of \$7000-\$8000 or \$5000 for BESS, \$6000 is a very conservative number that we've taken. And we are going to start construction of this plant as soon as we get these extended benefits from the state government in hand.

Moderator: Our next question Dhawal Doshi from Dymon Asia.

Dhawal Doshi: Just continuing on the previous question. So, if we can just elaborate a bit more in terms of the kind of return expectations that we have assuming status quo which is no incremental subsidies that any of the state governments are offering, how would that be and what would change with the state subsidies coming in?

Riju Jhunjunwala: I'll tell you in terms of simple very simple words, if we get no subsidy from the state government then also our project payback on paper becomes 9 to 10 years. But if we get those subsidies from the state government, the project payback goes back to around 6 years which is basically a higher rate of return. At 6 years we are looking at more than 20% return on equities which is what we desire at this point in time. Having said that all the cell companies also which were putting up their cell capacities in India, they've all kind of seeing the decline in prices. They also are doing the same kind of work that we are doing. And with our pilot plant we are already working with those companies and seeing a lot of success as to how much we will be able to sell the product at and the quality.

Dhawal Doshi: So, in terms of the product approvals at what stage are we?

Riju Jhunjunwala: So, in terms of product approval fortunately our pilot plant is fully up and running in the last 1 year and we are working on at least 28 different permutations and combinations of raw material that we need. And we are working very closely with all the cell companies whether they are in India or abroad. And on the technical front, I can assure you that on almost all parameters we are not only achieving the global standard but we are also beating them. So, this plant is definitely coming, whether 3 months here 3 months there I cannot say. And whether we sell in the domestic market or export market and once again from the point of view of the question that you are, I mean we are assuming 45% capacity utilization in year one going up to 60 then going up to 75 and going up to 90. Because this is not a commodity product like you said we have to work very closely with the cell maker so that there is complete standardization of that product. But the pilot plant is greatly helping us to kind of resolve that problem. So once the plant is up and running, we want to run it at least at 45% capacity utilization from day one.



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Dhawal Doshi: So, our assumption in terms of the payback, is assuming what kind of utilization is 45-60-70 and 90 what you mentioned?

Riju Jhunjunwala: Yes, 45-60-75 and 90 and that's all included in the payback calculation and taking \$6000 as the most pessimistic price for the per ton selling of the product.

Dhawal Doshi: And how long do you think so will the construction take once we break ground?

Riju Jhunjunwala: So, let's say if we start tomorrow, this will take around 18 months. The longest lead time in this is the 220 KVA line. But we can start production even before that because you would not be operating at 100% capacity utilization. In short, I mean right now we've taken Rs. 6 as the power cost but we are trying hard to negotiate with the governments to get us power at Rs. 4.5 per unit. Once that happens there is absolutely zero problem in this project.

Dhawal Doshi: So, given we have our existing plant, can't we use them as an in terms of restructuring PPAs or because Bhilwara Energy plants will be a part of the demerged company, right?

Riju Jhunjunwala: No, but that company, Bhilwara Energy, it's a run of the river plant and it has its own reservoir which basically produces 60% of its energy at peak power. So, we are able to sell that power at Rs. 8-9 to the state government and the average cost of selling that power becomes around Rs. 6. I mean keeping this at arm's length, why should we take that power which we are able to sell tomorrow to the state government at Rs. 6 and make more money there. We'd rather negotiate with the state governments to give us cheaper power over here or also at the same time looking at solar PPAs captive power etc. as all the options. So, when I speak to you, before the last concall and this call, a lot of work has actually happened on the ground in terms of trying to work with the different companies. But yes, the captive power plant that you're talking about for Bhilwara Energy which will be part of this company, we don't want to mix the two things up because there we are already getting an advantage of selling the power at an average of easily more than Rs. 6 per unit. So, it'll be foolish for us to use that power for this particular project.

Ravi Jhunjunwala: And moreover, transmitting and moreover sending this power from Himachal to let's say Madhya Pradesh is more or less impossible. It's too expensive.

Riju Jhunjunwala: Because green power the government has exempted like you can put up power in Karnataka power plant in Karnataka and sell the power to your this thing. But that is only limited to solar power. So as the Chairman just mentioned that getting this power from Himachal Pradesh to Madhya Pradesh or Odisha wherever we set up this plant, there will be so many government surcharges etc. that Rs. 1-1.5 will actually go into that. So instead of selling the power straight at Rs. 6 and getting that advantage to Bhilwara Energy, we are not even looking at that option of kind of selling that power to this particular plant. But we are very confident, I mean Odisha as a state let's say already has a policy of Rs. 4.5 power. But again, that would mean going and buying new land, going and doing an entire new setup, environment approval. So, as I talked to



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you today, we are in the position tomorrow to open LCs for all the machine give out all the civil costs. But we are just holding back on that for 3 more months so that we can get cheaper rates from the government. And having said that all the cell capacities also that were coming up in India they are coming but they are also world delayed by a year or two. So, we don't see a problem in kind of a 3 to 6 month delay on this project and no money has been spent except for buying the land in any case. So, you don't have stuck money which is going into kind of making the project not viable.

Dhawal Doshi: And what is the project cost that we're looking at total?

Riju Jhunjunwala: We are looking at 1,750 which is including a 100 crores unnecessary cost of a 220 KVA line that we have to build over 52 km. So that is the long lead item actually. But the total project size for the 20,000 tons is around 1,750 crores.

Dhawal Doshi: Just one more question with regards to the electrode pricing. So, the Chairman did mention that the prices aren't getting absorbed on the ground despite of the announcement by Resonac for a 20% hike. Is it to do with the Chinese electrodes still coming into the market and coming at much lower pricing or it is to do with the overall weak demand environment as well?

Ravi Jhunjunwala: It's a combination of both. Chinese electrodes are coming and they are coming quite a lot in India especially. But as we have always maintained that we also produce about 25%-30% of our products which are what we call non-ultra-high power. So, in that segment China we do compete with China and to that extent I mean Chinese prices are crazily low. So, you don't even want to compete with that.

Riju Jhunjunwala: Sorry if I'm just commenting in between, like Iran is completely kind of blocked from our market right now because of all the sanctions. So, all the Chinese products are getting dumped in Iran. Now with all the geopolitics changes happening etc., we don't know what's going to happen tomorrow. If that market reopens for us then obviously it takes a lot of pressure off our head in terms of volumes because till 4 years back Iran used to be a major market for us. So right now, I think when the Chairman is talking about 80% capacity utilization etc., it is all without Iran. Tomorrow if Iran actually comes on the global map by any chance, you don't know what's going to happen 3 months, 4 months down the line, then definitely our supplies will increase to that region also because we were always very strong over there.

Ravi Jhunjunwala: And Iran is a large market. They consume about 40,000-45,000 tons every year and they used to buy practically everything from India 7-8 years ago, till the sanctions were put on them.

Dhawal Doshi: Right now if you were touch a bit more on the realization part, the current realizations and do we see any bit of an improvement or practically no more improvements?



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Ravi Jhunjunwala: Very difficult to put a number. I mean basically if I were to guide it, I would say more or less similar numbers.

Dhawal Doshi: So, the global plants operating at below cash cost, we will need to see how long do they take to blink. Is that the correct understanding?

Ravi Jhunjunwala: That is exactly what I said when I said we have the single largest plant and that plant happens to be in India versus most of the major plants in Japan, Europe and US. So, we do have that advantage and that is why you see the difference between our capacity utilization versus others.

Moderator: Next is a follow up question from line of Dhawal Doshi from Dymon Asia.

Dhawal Doshi: If you can just elaborate, how do you see the CBAM mechanism changing the industry Dynamics going into CY25 and '26?

Ravi Jhunjunwala: No, we are very bullish. As I said about 100 million tons of new electric arc furnace capacities have already been announced. And when I'm saying 100%, I mean 100 million tons has been announced. Out of that 100 million tons, we believe that somewhere in the region of 70 million tons are such where the grounds have been broken, the orders have been placed for all the equipment because as you know electric arc furnaces of large capacities of 1 million, 1.5 million, 2 million tons, they take about 2.5-3 years to build and these are all greenfield plants. So, our confidence is coming from the fact that out of that 100 million tons which have been announced till now, about 65 to 70 million tons are due to start operations between 2025-26 and let's say first half of '27. So, our confidence is coming from that number that 65-70 million tons are definitely coming. I mean the grounds have been broken, obviously the construction has started, the equipment have been ordered. I don't want to publicly give the number the breakup of that 65 million tons. But we do have certain numbers for '25-26 and '27 separately. So, we are pretty confident there. And we have an advantage that we have been in exports for more than 30-35 years. And for 30-35 years, our exports have been more or less in the region of two-thirds and one-third. So, one-third Indian market, two-third exports. So, we have relationships, we have been selling to all these customers for last 30-35 years. we've been exporting two-thirds. So, it's only a matter of time. I mean and obviously these existing customers are the ones who are adding all these 100 million tons capacities. There are not too many total newcomers so to say. So, it's only a question of, they building these new capacities of electric arc furnace, needing more electrodes. So even if we continue to sell the same market share that we today have with them running at 80%-85% is not a problem.

Dhawal Doshi: My question was more to do with how China is likely to react and also to do with the pricing. I completely understand in terms of the overall volume game that you're trying to say but that was a similar story probably a few years back as well before China actually started ramping up their electrode production into the global market.



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Ravi Jhunjunwala: So just to remind you I mean see, any steel producers electric arc steel producer who buys electrode, he buys more or less three-fourth of his electrodes which is called ultra-high power. And 25%-30% is the small ladle furnace as they call. So, while we do compete with China but our competition is limited to that 25%-30% of the non-ladle furnace segment. Most of these new furnaces which are coming up in the western world, they are all going to be million tons, 1.5 million tons, 2 million tons kind of furnaces which will require 65%-70%-75% ultra-high power. So, we don't compete with China in that segment, and it is not just us but all the other 4-5 international graphite players.

Dhawal Doshi: Correct me if I'm wrong, but China is gaining acceptance even in the UHP segment?

Ravi Jhunjunwala: It's a very loose term. I mean it's not easy to explain on a call but we can have a one-to-one call and I can explain to you in detail, it's a very loose term what is UHP, what is non UHP. But yes, if you go literally then China can produce something which is on the very low end of UHP but beyond that China cannot. And one thing again I'll remind you, the cost of electrode for a steel company is less than 1.5% to 2%. So, they don't want to take any chance on a product where it costs them only 1.5% to 2%. They want to be very sure about the quality and they don't want to give that take that chance that to save that 1.5%- 2%, if they buy an inferior product then what they lose is much more than that 1.5% cost that they say.

Dhawal Doshi: Secondly with regards to China once again, when I said CBAM mechanism and its impact on China, this time I'm referring more to the mode of steel production. Do you see China shifting more towards its electric arc furnace production despite of a higher cost, probably running into the second half of next calendar year?

Ravi Jhunjunwala: No, I'll tell you. You see until about 4-5 years ago, if you remember the electrode boom which came in 2018-19, China was at that time also producing more than 50% of the world steel. And while rest of the world was producing 40% of their total steel through electric arc furnace, China which was the other half, China was only producing 5%. So, the difference between China and rest of the world in which I am literally taking each country, South America and everybody, so that part of the world was producing 40% through electric arc furnace and China was producing 5%. And when that boom happened it basically happened because China announced on a particular day 5-6 years ago that they want to close 140-150 million tons of blast furnaces simply to control their pollution and replace this by 150 million tons of electric arc furnace, again to control the environment and the pollution and all those things. So, while they had announced their intentions to go from 5% to 30% in the next 5-6 years, they have reached about 13%-14% by now. So, China has more than doubled their share of electric arc furnace but it still is very small at 13%-14% compared to the rest of the world which was already at 40%. And now to complete the story, the rest of the world which was 40% about 5-6 years ago has already gone up to 50%. So, in the world context, where the growth is hardly 1% 2%-2.5% every year a growth from 40% to 50% is like 25%. Electric arc furnace in the last 5-7 years minus China has gone



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up by 25%, 40% to 50%. And in the near future it is likely to go to 60%-65% as and when we are talking about that 75 to 100 million tons of new capacities coming in. So, the rest of the world will go up to 65%-70%. And that is where we are hoping that the electrode demand should rise by anywhere in the region of 150,000 to 200,000 tons which is exactly what our other two major international competitors from US and Japan have been talking about. I mean these are all public information, it's all on their website. Our numbers and their numbers are more or less matching. Everybody is saying that this 40 has become 50, 50 is going to become 60. So, 40 to 60 in the world context is a huge number. You're talking more than 50%.

Dhawal Doshi: Correct me if I'm wrong, but this 40 to 50 and 50 to 60....?

Ravi Jhunjhunwala: 40 to 50 has already happened.

Dhawal Doshi: No, what I am trying to understand is this 40 to 50 and 50 to 60 is a function of the share or the absolute production on the blast furnace side coming down, right?

Ravi Jhunjhunwala: Exactly.

Dhawal Doshi: It's not it's not to do with the absolute production of electric arc furnace going up. So, while the percentage share does look good, what I am trying to understand is will this mechanism actually lead to an increase in production from the electric arc furnaces because still the absolute production starts going up?

Ravi Jhunjhunwala: No, I understand what you're saying. But if you see the steel production number minus China, it has declined by maybe 1%-1.5%, 2%-2.5%, in the last 2-3 years it's a very abnormal situation. I mean we just got out of the COVID in 2021-22. So that was a different reason. And then all the geopolitical scenario that we have seen in the last 2-3 years, it's not going to be permanent like that. So, coming from COVID and the last 2 years because of the Ukraine Russia and Israel and Gaza and things like that. So, it has to stabilize one day. I mean it's been 4-5 years now. So obviously it's not related to electrode but everything is impacted by the world situation. But the only good part in our business is that 40 has become 50 and 50 is likely to go to 60. And in that context, as we are always speaking about, that our expansion came from 80 to 100 at the same location at 80,000 tons already we were having certain advantages of cost in India. So that cost has further been impacted positively for us in the last 9 months or so since we have gone to 100,000 tons. So, until last year while we were speaking that our capacity utilization was 70%-75%-80% that was based on a capacity of 80,000 tons. So, in the last 9 months and today, now we are talking of 80% on 100,000 tons. So, if you look at the total tonnage, 80% of 80,000 versus 80% of 100,000. So, we are able to produce more additional 10,000-11,000-12,000 tons and find a market for that in a situation in a world where the total electrode demand has gone down, total consumption has come down for the reason that we just spoke about. So, we have been able to increase our market share basically. I'm not talking of India; I am talking of India plus the rest of the world.



*HEG Limited
November 15, 2024*

- Moderator:** Our next question is a follow up from line of Pradeep Rawat from Last House Blue.
- Pradeep Rawat:** I have only one question. So, for 1 MTPA EF plant how much graphite electrode would be required?
- Ravi Jhunjunwala:** See it's depending upon the kind of furnace they are putting up, depending on the size of the transformer that they use, it's about 1.5 to 2 kilos per ton of steel. So, let's say a million ton will mean 1,500 to 2,000 tons per annum. If you convert that 100 million tons—I mean we are talking about 100 million tons, if that 100 million—additional capacity is built then you're talking of an additional demand of anywhere between 150,000 to 200,000 tons.
- Pradeep Rawat:** That's annually?
- Ravi Jhunjunwala:** Annually which is not small. I mean currently as we speak, the world demand minus China is about half a million tons, 500,000 tons. So, you're talking of 150 to 200, that's a big number.
- Moderator:** Thank you. That was the last question in the queue. As there are no further questions, I would now like to hand the conference over to Mr. Jhunjunwala for closing comments.
- Ravi Jhunjunwala:** So, thank you friends. I mean we had some very good discussion; very pointed questions and we tried to be as much as frank and as detailed in our explanation. I hope that helps. Thank you and I look forward to talking to you again.
- Moderator:** Thank you very much sir. On behalf of SKP Securities Limited, that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines. Thank you.