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HEG/SECTT/2026

8th May, 2026

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 Q4 FY26 of HEG Limited

Dear Sir/Madam,

Please refer to our Earnings Conference Call scheduled on 4th May, 2026 intimated vide our letter dated 22nd April, 2026. Please find enclosed the transcript of the said Earnings Conference Call.

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

This is for your kind information and records.

Thanking You,

Yours faithfully,
For **HEG Limited**

(Vivek Chaudhary)
Company Secretary
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“HEG Limited’s Q4 & FY26 Result Conference Call”

May 04, 2026



MANAGEMENT: **MR. RAVI JHUNJHUNWALA – CHAIRMAN, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. RIJU JHUNJHUNWALA – VICE-CHAIRMAN
MR. MANISH GULATI – EXECUTIVE DIRECTOR
MR. OM PRAKASH AJMERA – GROUP CHIEF FINANCIAL OFFICER
MR. RAVI TRIPATHI – CHIEF FINANCIAL OFFICER, HEG LIMITED
MR. PUNEET ANAND – GROUP CHIEF STRATEGY OFFICER
MR. ANKUR KHAITAN – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, TACC LIMITED
MR. SALIL BAWA – GROUP HEAD (INVESTOR RELATIONS)

MODERATOR: **MR. RAJESH MAJUMDAR – 360 ONE WAM**



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Moderator: Ladies and gentlemen, good day and welcome to the HEG Limited Q4 FY26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Rajesh Majumdar from 360 ONE. Please go ahead.

Rajesh Majumdar: Yes, good afternoon, everyone and welcome to the Q4 FY26 HEG Limited Earnings Conference Call.

We have with us today the Management Team represented by Mr. Ravi Jhunjhunwala – Chairman, Managing Director and CEO, and Mr. Riju Jhunjhunwala – Vice-Chairman, Mr. Manish Gulati – Executive Director, Mr. Om Prakash Ajmera – Group CFO, Mr. Ravi Tripathi – CFO, HEG Limited, Mr. Puneet Anand – Group CSO, Mr. Salil Bawa – Group Head, Investor Relations. Apart from this, we have HEG Greentech team as well for any queries on that.

Without much ado on this, I hand over the call to Mr. Ravi Jhunjhunwala – Chairman, Managing Director and CEO. Over to you, sir.

Ravi Jhunjhunwala: Thank you, Rajesh. And good afternoon, everyone and welcome to our Financial Results Conference Call for the 4th Quarter and Full Year ‘25-26.

Let me begin this discussion with some broader industry context:

According to World Steel Association, global crude steel production in Q1, January-March 2026 stood at around 459 million tons, marking a decline of roughly 2% year-on-year, while registering a sequential recovery of about 8% versus Q4 of last year. This is mainly China-driven. We have seen this phenomena of higher production in the last quarter of the year by China a lot of times in the past, and this normally tapers down to more reasonable levels as we come to H2.

China typically follows a cyclical production pattern with output moderating in Q3 and Q4 to align with environmental and policy targets which is close to about a billion tons of steel production, followed by a strong restart in Q1 practically every year. Excluding China, global steel production stood at approximately 212 million tons in Q1 2026, which is a decline of about 1.3% over Q4 2025.

Among some key steel producing regions, India continues to be a standout performer, recording around 5% quarter-on-quarter growth, supported by strong infrastructure and construction activities.



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The US too saw a modest growth driven by steady industrial demand, while Europe remained relatively muted. Japan, Brazil and several other large steel producing countries were broadly flat to slightly negative, reflecting ongoing softness.

China continues to face domestic demand pressure, resulting in elevated export levels. Chinese steel exports are now running at over about 100 million tons on an annual basis, which continues to impact global pricing and drive increased trade protection measures worldwide.

At the same time, current geopolitical tensions amidst conflicts in the Middle East are contributing to volatility in energy markets and supply chains. We are clearly witnessing an acceleration in the regionalization of steel trade, driven by rising protectionist measures globally in response to structural overcapacity, particularly in China.

Measures such as Section 232 in US anti-dumping, safeguard actions in Canada, Mexico, India, Brazil and similar steps across other regions are reshaping trade flows.

In Europe, Carbon Border Adjustment Mechanism, generally called CBAM, is a key structural change. By imposing a carbon tax on imports of steel, it incentivizes lower emission steel production or export, which is only possible through electric arc furnace.

In parallel, the EU's upcoming tariff rate quota regime, coming as early as 1st July 2026, is expected to further restrict steel imports into the EU, and thus increase its own steel production, which has seen a decline constantly, quarter-after-quarter. This is particularly significant for electric arc furnace steel making, excluding China about 50% of steel is already produced through electric arc furnace, and the share is expected to rise further, given its significantly lower carbon intensity compared to blast furnace/basic oxygen furnace routes.

Under CBAM, reduced exports of steel to Europe are expected to increasingly favour electric arc furnace-based steel due to its carbon footprint advantage. As a result, we expect a structural and positive change in electric arc furnace steel production with a strong pipeline of new capacity additions of electric arc furnaces globally. This directly supports long-term demand growth of graphite electrodes.

To the best of our knowledge, about 20 million tons of new Greenfield electric arc furnaces have already been commissioned in the last 12 to 18 months all over the world, and we believe an additional 60 million tons are at different stages of implementation, which should be in production by 2028, and another about 30 million tons by 2030. The total new installations of electric arc furnaces all over the world, except China, would thus be a little over 100 million tons.



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This kind of a growth in electric arc furnace-based steel industry is unprecedented in the history of the steel industry, and is expected to translate into incremental electrode demand of around 200,000 tons by 2030, excluding China.

And we are very well placed to meet some of this new demand with our recent expansion from 80,000 to 100,000 tons. And as you are aware, we have already announced our next expansion to 115,000 tons, which is likely to be operational by early 2028. In this backdrop, our focus on operational efficiency, cost discipline, and customer diversification has enabled us to deliver a resilient performance during this quarter.

We continue to operate at healthy utilization levels, which is probably the highest all over the world, averaging more than 90% for the whole year, as well as the past three, four immediate quarters. And this is based on our expanded capacity of 100,000 tons, reflecting strong operational efficiency, low cost, and disciplined planning.

At our plant near Bhopal, our plant near Bhopal remains the largest single site location of electrode plants anywhere in the world, with a capacity of 100,000 tons, which makes us one of the most competitive cost companies due to its size and location in India.

Looking ahead, we remain confident of the long-term growth opportunity for our Company. Construction of the additional 15,000 tons expansion is progressing as planned, and we continue to target completion by early 2028. This will further strengthen our ability to serve incremental global demand at a competitive cost.

To summarize:

While near term conditions remain mixed, the structural shift toward electric arc furnace steelmaking, supported by decarbonization policies and trade realignments in the world, continues to strengthen the long-term demand outlook for electrodes. And with our scale, cost leadership, and high utilization levels, we believe HEG is very well positioned to benefit from this transition.

I would like to clarify a point on our investment in GrafTech:

I would like to reaffirm that our position remains unchanged. This was undertaken as a deliberate long-term investment, and our conviction continues to be anchored in the structural foundations, fundamentals of this business, rather than near term market movements. Cyclical volatility is intrinsic to this industry, and interim fluctuations in no way alter our outlook or our resolve.

We remain fully committed to this investment, and we are confident in the long-term value it will create for our stakeholders. We are pleased to inform that the composite scheme of arrangement is



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progressing well. The NCLT convened meetings of the equity shareholders, secured creditors, and unsecured creditors of HEG are scheduled for Tuesday, 5th May, to seek their approval of the same. Subject to shareholder, creditor, and other regulatory approvals, we anticipate that the scheme could be approved by the NCLT sometime in the second quarter of this financial year.

With that, I would now like to hand over to our CFO – Ravi Tripathi, to take you through the ‘Financial Performance’ for the quarter, after which we will open the floor to the question and answer.

Ravi Tripathi:

Thank you, sir. Good afternoon, everyone. Thank you for joining us.

I will briefly explain our performance for the quarter end and for the full year ended 31st March 2026:

Compared to last year, we have shown strong growth in volume as well as in revenue. Our sales volume increased by 20%, which helped our revenue grow from INR 2,153 crores to INR 2,569 crores. Total income also increased to INR 2,660 crores from INR 2,279 crores.

Our EBITDA increased from INR 388 crores to INR 497 crores, with margins increasing from 17% to 19%.

Our operating margins remained stable in the range of 15% to 20% during the year, with more than 90% capacity utilization during the year. PBT has increased from INR 148 crores to INR 246 crores, which is a growth of 66%. Net profit also increased from INR 101 crores to INR 181 crores. This improvement came from higher volumes, better control on input costs and focused monitoring on all fixed costs.

The Company remains financially strong with no long-term debt as of 31st March 2026. It had a treasury of around INR 792 crores.

Coming to the quarterly performance:

We reported a loss of INR 189 crores. This is mainly attributable to fair values and impact on foreign investment, and rapid depreciation of rupees, which led to 5% within this quarter. These are entirely unrealized losses, and we have taken impact of them in the books as per the applicable Indian Accounting Standards.

Excluding the unrealized losses, our operating margins for the quarter is intact and is reasonably comparable with the previous quarters.



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The Board of Directors has recommended a final dividend of INR 3.4 per equity share face value of INR 2, subject to shareholder approval at the upcoming Annual General Meeting. For more details, the full presentation is available on the Company's website and on the Stock Exchange.

We are now happy to take your questions. Thank you. Over to you, Rajesh.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Amit Lahoti from Aditya Birla Capital. Please go ahead.

Amit Lahoti: Good afternoon. Thanks for the opportunity. My first question is on pricing. So, during the quarter, GrafTech announced the price hike and we are getting a sense that there is a growing customer acceptance around the price hike, given that the electrode cost is now less than 1% of the steel prices. So, if you could quantify how much price hike, we are looking to take starting from this financial year and then is there a similar cost increase for needle coke as well?

Ravi Jhunjhunwala: Manish, will you take this question?

Manish Gulati: Yes, sir. Amit, as you know, we book orders, let's say, for three to six months. So, as we speak, we are about booked almost up until September. And for unbooked orders, we are definitely looking at price increase. Now, it depends from region to region how much price we can get. And also, I would say that we already have some increase in cost due to these energies, freights. So, the price increase is very necessary to be done. How much will be the quantum, whether it will be 300, 400, 500 is very difficult to say at this stage. How much every region steel companies are able to absorb and also what our competitors are doing at this stage. But definitely towards H2, our aim is to have price increase, not only to protect our margins, but to help improve further.

Amit Lahoti: Okay. But does it implicitly mean that we are going to have some cost impact in the first half of the year, even before the price hike rolls in?

Manish Gulati: It will be there, but not to that extent, because you see some of these energy prices are because of our longer product cycle, let's say, for example, if gas price are going today or furnace oil are going today, but then they will actually use products are made in two months and get shipped. So, there will be a lag in that. But yes, certainly, there will be some cost increase, sorry.

Amit Lahoti: Yes, noted. And my second question is on Greentech, particularly for TACC, where are we in terms of customer qualification process? And how fast can we ramp up once it gets commissioned? Basically, my question is, are there any technology or qualification bottlenecks that are left to be resolved over the next 6 to 12 months?



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- Riju Jhunjunwala:** So, Ankur is there, Ankur can answer directly then.
- Riju Jhunjunwala :** So, in terms of the customer acquisition, I mean, you are aware that we had set up a pilot plant for sampling, etc., more than 18 months back. And you will be very happy to know that we have made a very, very good progress with all the leading OEMs across the world, because Indian cell capacity is delayed, it seems. But we are actively working with all the Indian ones, as well as the companies like LG, Panasonic, CATL, etc., where we are in different stages of sampling. But the sampling works are going extremely well, as well as the plant commissioning. There is no change in the plant commissioning date from April. And we hope that in the first year itself, we will be able to have a decent 40% to 60% kind of capacity utilization, because of the customer acquisitions that are going on right now. So, there are no issues on technology that we are facing currently.
- Amit Lahoti:** Okay, noted. Thank you so much. Thank you.
- Moderator:** Thank you. The next question comes from the line of Rajesh Majumder from 361. Please go ahead.
- Rajesh Majumder:** Yes, good afternoon again, sir. I want to know the sales volume for the quarter and why the revenue is low? Is it because of lower realizations or lower sales volume?
- Manish Gulati:** Yes, Rajeshji, about this Q4, there is a slightly less volume to the tune of, I guess, about 1000 tons and some depression in price, but that is only because of how the regional sales mix. See, we are shipping to 40 countries. So, which lots, which customers, where they are going, but there is no depression in price per se, because in the market, it's just because of our size mix and order mix, which goes quarter-on-quarter. So, this quarter, we had some low-price orders going, which dragged down the price a little bit. But that's in April by June, you will see it quickly coming back up. So, it's very temporary. So, that did cause some dent in the operating profits.
- Rajesh Majumder:** Just a related question, is there any disruption because of the Middle East and what proportion of sales are we selling there?
- Manish Gulati:** See, annually, we do about 20% sales in Middle East and MENA region, Middle East, North Africa. Yes, absolutely, there is disruption. The orders, which we had from all these customers, like Kuwait and Saudis, and they all have to be postponed. So, instead, we had orders from other customers. So, they are being given precedence. So, they are going now. And as soon as the State of Hormuz opens and business normalizes, the pending orders, which we are holding for Middle East, they will also quickly be shipped.
- Rajesh Majumder:** And sir, one more question from my side is that we have seen a huge rally in crude oil. So, that will impact the needle coke prices. So, as you are covered till September, you said on your contractual side, are you covered for the needle coke side as well? How much are you covered for? And how



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much will that cost increase percolate to us from which half? And will the price increase happen simultaneously with that?

Manish Gulati:

Yes. You see, we are covered for needle coke purchases, needle coke shipments, starting from the origins till end of June. So, by the time they arrive, they take 45 days to arrive, and our electrode product processing is another 45 days. So, it safely covers our costs until September from the needle coke side. However, it doesn't protect us from the other materials which we get from India or doesn't protect us from energy. But purely on needle coke side, we remain protected until September.

Rajesh Majumder:

Okay. And so, one strategic question, one last question from my side is that, do you see the rise in gas and energy prices as an impediment to the electric arc furnace and the CBAM team because as I understand that the energy requirement in electric arc furnace is almost nearly 3x more than that of a blast furnace.

Manish Gulati:

Yes. You see, these energy prices actually depends in Europe, etc., power is a major cost for an electric arc furnace steel plant. So, that energy and the mix of power generation which they have in Europe and US, I don't think it will cause any direct hit to electric arc furnace steel making economics because it depends on power at what price they can get the power in their country. So, there may be some indirect connection, but there are gas-based power plants, but they are more in the Middle East than in US or Europe. So, maybe there is marginal impact, but that doesn't change anything actually.

Rajesh Majumder:

And CBAM is on track, there is no derailment of that, right?

Manish Gulati:

CBAM is applied already actually. They will see a reduction in steel imports in EU, which will encourage the local steel plants to run at a higher utilization and higher demand of graphite electrode from Europe.

Rajesh Majumder:

Thank you, sir.

Ravi Jhunjhunwala:

Just to add, these European steel companies basically have no option. I mean, as you all know, electric arc furnace emits about 25%-30% of carbon as compared to the same steel produced through blast furnace. So, with the CBAM and ex-Euro per ton duties and everything that Europe is applying now from 1st of July, whether the cost is x or x plus something, they will have no option. There is no way that they can pay that kind of CBAM duty and still be able to export their steel. So, they will have to shift from blast furnaces to electric arc furnaces already. Europe is already 50%-55%. And Europe is adding at least 25-30 million tons of electric arc furnaces. Some of them have already come in. Some of them are under construction. So, by 2030, according to our information and we believe this figure is more or less accurate because we are exporting 70% of our products to all parts of the world. So, people are always on the road meeting this customer here and that customer there. So, close to 100 million tons of new electric arc furnaces are scheduled to come in, out of which 20-22 are already in



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operation. And we believe about 30 million tons is going to be operational within 2026, 2027, and 2028. And another 30-35 million tons in 2028 and 2030. So, that adds up to about 100 million tons. And that requires a lot of electrodes. And except our expansion, there is nobody who has even announced anything as yet. It takes two to three years to even make a small Brownfield expansion, as you know, in our case..

Moderator: Thank you. The next question comes from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: Yes, thank you for the opportunity. Just picking up from the questions you answered before my turn. For Q4, if you can quantify what was the sales volume, we have quoted 94% capacity utilization. But in terms of sales volume, compared to last quarter, we can quantify how many thousand tons have been impacted because of logistics or any other reason.

Manish Gulati: Yes, did I say a thousand tons almost between Q3 and Q4, hardly a thousand tons got impacted because these orders had to be postponed.

Ravi Jhunjunwala: But only postponed, you will divert it here and there.

Manish Gulati: Either divert it, see most of it, most of the postponements got diverted and there is the impact of only a thousand dollars less in Q4 compared to Q3.

Ravi Jhunjunwala: Okay. And Manish, as you were telling me, I mean, because the situation is so desperate, you see the steel companies in the Middle East are desperately placed as far as the raw material and everything is concerned. They don't want to close their plant and they are prepared to pay \$200-\$300 extra for electrode to be sent by road. Instead of \$20-\$30 cost that we were incurring to take the electrodes to any Middle Eastern country, I believe there is a way that you can take the electrode to some Middle Eastern port by ocean. Then it takes as much as \$200-\$300 to truck it down to the location of the plant and they are prepared to pay for that. I mean, obviously \$300 per ton of electrode means nothing to them rather than closing the steel plant.

Ahmed Madha: Correct. Sure, got it. And in terms of pricing, as you said, you are already booked till September, but I am assuming post-September contracts you will be probably doing now or maybe a few months down the line. So, in that renewed committed volumes, do you see any significant price increase or are you already into those conversations of increasing the price? We can probably give some qualitative and quantitative comments on the same.

Manish Gulati: All the new inquiries we are receiving, now we are pricing it accordingly. We are taking into account how much our costs have increased and some price increase was anyway necessary. So, all inquiries don't come in one go. They keep coming every two days, three days, one week, 10 days. Every



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customer has their own buying ways. So, we are offering increased prices in the market, and we are quite hopeful that some amount of the price increase should get absorbed and the steel industry should be willing to do that. But it also depends on what our peer group is doing, how much seriously they are pursuing the price increase. So, we will see. But we have started offering increased prices for the uncommitted volumes.

Ahmed Madha:

Sure.

Moderator:

Thank you. Our next question comes from the line of Karthikeya Kumar Pandey. Please go ahead.

Karthikeya K. Pandey:

Yes. Thank you for the opportunity, sir. And so, sir, although I understand the old investment rationale and the multi-year tailwinds that we have, there are some nuances that I wanted to understand from you. So, needle coke capacity supply is a constraint that we have in our industry. Now, that capacity, the demand for that is from our industry as well as from the anode industry. Now, when we are saying that we are adding 120 KT of incremental demand, so, and again, there are reports of around 100 KT of addition of demand from anode side. Now, somewhere down the line, the whole math is not adding up to the existing needle coke capacity. And then there are no efficient capacity additions also happening in the needle coke industry. So, I just wanted to understand how are we going to fulfill the 120 KT of demand given the fact that we are also not a backward industry like West players. So, some lights on that from your side.

Ravi Jhunjunwala:

I will tell you a little bit. It is motivating me to tell you something which somebody asked and we didn't answer that question very clearly. The only reason that we decided to invest whatever we invested to buy GrafTech shares was primarily because that is the only graphite company in the world who is 75 to 80% backward integrated. I am talking of GrafTech. That's the only graphite company who has a needle coke plant of its own to the extent of about 75% of their own capacity. So, if you go back to 5 years ago, 6 years ago, when the electrode prices went up by 3x, 4x, 5x, over a period of time, the same thing happened with needle coke. And the needle coke prices went up from about \$1,000 to about \$4,000 in a matter of 5, 6, and 7 quarters. GrafTech was the only company which had about 80% of their captive requirement was being met by their own coke plant. So, while they made a lot of money like all the other graphite companies made because of price increase on electrodes, they were in a unique position that they made an additional \$2,000 to \$3,000 on the needle coke. While people like us or the Japanese or Graphite India or anybody else except GrafTech had to buy needle coke at about \$3,000 to \$4,000 higher than what it used to be in a matter of less than a year. So, our logic of buying these shares about 2 years ago, 1.5 years ago, was simply this that if and when we see the same time and the same days as we saw 5, 6 years ago, when electrode prices will go up and backed up by needle coke, all others except GrafTech will make a lot of money in electrodes. But this is the only company in a unique situation that they will not only make money on electrodes, they will also make a lot of money on needle coke.



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So, this was a very simple logic for which we invested. And of course, in the stock market, you can never be 100% right or you can never be 100% wrong. So, at the price, when we started buying, it looked like a steal and it did go up by 30-40% and we decided not to sell, and it went down by 30%-40%. It has recovered a lot in the last 2-3 months. But again, it's just a matter of time. As soon as we see some uptake and some of these 100 million tons of electric arc furnaces starting operations, which some of this has already started, as soon as we see that, we see a shortage of electrodes. If there is a shortage of electrodes, there will be a shortage of needle coke for sure. So, that was the simple reason that we went ahead and invested that money.

Karthikeya K. Pandey: Fair enough, sir. Understood. I get your point. Sir, but according to GrafTech, like the 120 KT of extra demand that we have seen. So, if I am not wrong, they have mentioned that currently of around 650 KTs, one-third has already been supplied by Chinese players. Now, this is not what I am saying. I guess this is what GrafTech is saying and this is in the UHP market. So, I mean, although quality issues are there but what do you read from this because incrementally, can we get market share in this 120 KT or Chinese players are also increasing its share?

Ravi Jhunjunwala: What is this 120,000 tons supply that you are talking about?

Karthikeya K. Pandey: No, sir. If you go to GrafTech's commentary in the annual report, they are mentioning that around one third of existing 650 KT of demand that is there in the graphite electrode market currently is met by Chinese players that is bringing down the overall capacity utilization of the industry to 60% to 65%. Now, my question is that what's stopping them from doing the same in the incremental 120 KT of capacity that's required?

Manish Gulati: Sir, can I answer this question?

Ravi Jhunjunwala: Go ahead.

Manish Gulati: What you are saying in their commentary, we can't say what, they have their own reasons and logic to say that 120,000 tons of UHP is being supplied from the Chinese, which is fine, you see. In China, they are exporting a lot of electrodes. And predominantly, they are all the high-power grade but yes, we will not deny that they do not export UHP electrodes. They do export UHP electrodes of almost the same order. We believe it's probably 100,000 out of the 400,000 they export. And in the low-powered furnaces and sizes, let's say, mostly up to 24 inches, they are definitely doing that. And GrafTech, of course, in their concall in their talks about China, they are talking about impact on them. So, they talk about China, they also talk about India, which is fine. And the capacity utilization, they are running whatever is written there, 65 or something in the last quarter. But please remember, HEG is running at (+90%). So, they have to explain for themselves and we have to talk about ourselves. So, they have to explain to their stakeholders why they are at this. So, they are giving this



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reason, which is fine, which is totally fine. But you are saying, what is stopping them? See, if you are talking about HEG, we are, I would say, a very cost-competitive plant because of our size and our location, being in India. And so, certainly, our costs are lower. So, in our calls, we don't mention that because of Chinese, so many UHP exports, we are being dented.

Moderator:

Thank you. We have the next question coming from the line of Mr. Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia:

Hi, sir. Thanks for the opportunity. So, first question on, again, the quarterly number that's come out. You said there are unrealized losses in the investments and that's been the reason driving the loss. If you could, like, quantitatively tell us if we pull out the graphic loss and the loss on the FOREX instruments, is there a shipping cost hit also that is large in the other expenses jump that has happened this quarter? And secondly, if you could tell me, from your contracts, when you have a fixed price contract, say, six months ahead, is there a force majeure clause within it above a certain level of oil price or shipping prices per se?

Manish Gulati:

No, I will answer the last question first. You see particularly in Middle East, where freight costs shot up from \$20, \$30 to more than \$300, of course, we had to tell our customers. And we did send letters of force majeure wherever we are impacted. See, some little bit cost increase, it is expected that supplier will bear. So, anything out of the ordinary, of course, we have the right to go to our customers and tell them. And we did that for Middle East. And they are taking material, FOB Mumbai, and they are paying for the extra freight. But the freights have also increased for US and Europe, but they are not yet of the order where we go back and breach our contract or request them because it is still absorbable. See, once you book a six-month contract, there is some costs which will go up and down throughout the execution of the order. It can go up 5%. So, it is expected. It sometimes gets lower because for us, needle coke, pitches, electrical power, they are our major cost. So, during a course of six months, when we commit to a certain price, unless something goes really wrong, we don't usually approach our customers and ask them for a price increase because they can do it likewise. Suppose they keep track of our essential raw materials and if the price goes down a shade, they don't come back to us for a renegotiation of the contract. So, we try to do as much visibility we have. If we have a three-month, our needle coke is tied up and electrical power is tied up, then we take a safe call as to how much. But during the course of time, some increase/decrease does happen.

Manan Poladia:

Right, sir. And on the first question, with the other expenses.

Manish Gulati:

That Ravi Tripathi – Our CFO will answer.



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- Ravi Tripathi:** Yes, in other expenses, if you compare it with the previous quarter, then you can see that we have added whatever the fair valuation losses we have added in the other expenses. That's why the other expenses is looking higher as compared to the previous quarter.
- Manan Poladia:** Right, sir. That's in your note. I am just curious. Apart from that, there is still large jump that has not been disclosed in the note. If you could just quantify some of that for us.
- Ravi Tripathi:** So, another impact of the exchange gain loss during the quarter due to the rapid rupee depreciation. As I said in my initial opening remarks, that approx. 5% rupee depreciated within quarter. That impact is also there. So, that's why the other expenses is higher as compared to the previous quarter.
- Manan Poladia:** All right, sir. I understood. Thank you. Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Mr. Raj Kiran Gandhi from SBI Mutual Fund. Please go ahead.
- Raj Kiran Gandhi:** Hi, thanks for the opportunity. Is it possible to quantify this FX loss, which has been reflected in other expenses?
- Ravi Tripathi:** Yes, this is Raj. See, this FX loss is completely unrealized loss that we should quantify in the range of INR 35 crores to INR 40 crores within the quarter.
- Raj Kiran Gandhi:** Okay. Got it. And given that rupee has depreciated further from the quarter end, so we should expect something next quarter as well? And by when will this reverse because as you mentioned, this is unrealized.
- Ravi Tripathi:** Yes, in case the suppose if rupee appreciates, then definitely this will reverse. You can see some reversal in the next quarter.
- Raj Kiran Gandhi:** Okay. Got it. And any particular reason, let's say, even if on the gross margin side itself, if I were to look on a per ton basis, there has been some contraction Q-on-Q. So, any particular reason for that?
- Manish Gulati:** Yes, Raji, I explained that. See, when this war happened, all these orders needed to be shuffled up and down. There were some Middle East orders which didn't go and some other orders which went. So, quarter-to-quarter, there is always a slight movement up and down. And because of this war thing, the Middle East orders had to be postponed till the situation normalizes and some other orders. So, it depends on which orders are going in which particular quarter. So, it's not a cause of concern. And you will see that coming up in April to June. We are very hopeful that by the time these issues will get resolved, because Middle East is next door and we will start pushing material as soon as the situation is clear.



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- Raj Kiran Gandhi:** Got it. So, mix turned adverse in the sense that when Middle East, I presume, is a better margin geography. So, mix change is resulted in a bit of--
- Manish Gulati:** Yes. Logistic costs are much lower for Middle East.
- Ravi Jhunjunwala:** Okay. No, but the prices can be different. I mean, we can't talk about which area is better.
- Raj Kiran Gandhi:** Sure. And just in terms of your OPEX, how much of it is rupee denominated or and how much is FX denominated? I am just trying to presume because of the sharp depreciation in rupee. Maybe over time, how much of realization benefit can come to EBITDA?
- Ravi Jhunjunwala:** No. We gain by rupee depreciation for sure. Our foreign exchange outgoes only on account of needle coke, which is a smaller part compared to the total realization So, obviously, we are a net exporter. So, we gain more by rupee depreciation.
- Raj Kiran Gandhi:** Right. So, just trying to understand what is ex of RM, how much of our cost is dollar-denominated, which will also then go up along with depreciation. And then I am just trying to understand net-net, how much benefit do we retain of the rupee depreciation?
- Ravi Jhunjunwala:** We can take it offline. We don't want to talk about specifics numbers.
- Raj Kiran Gandhi:** Sure. Perfect. Thanks.
- Moderator:** Thank you. The next question comes from the line of Ajas Lakhani from Unifi AMC. Please go ahead.
- Ajas Lakhani:** Okay. So, thanks for the chance. So, I wanted to understand that given that needle coke is also being used in batteries, and this is, again, premium or super premium battery-grade material, I want to understand a little bit more about the raw material sourcing and availability and capacities globally. So, one is, could you talk about where do you procure your needle coke from? What is that manufacturer's capacity? Are they adding capacity? Globally, is needle coke capacity additions taking place? Only to understand broadly that if the demand for needle coke gets repivoted more towards the battery side, what kind of scarcity that could do for decarbonization in the air? That's broadly what I am trying to understand. Thanks.
- Ravi Jhunjunwala:** So, I will take this question. You see, about four or five years ago, when the electrode suddenly went into a serious shortage, and the prices went up by 3x, 4x, and so did the needle coke, I mean, obviously. So, at that time, obviously, we talked to all our three, four suppliers of needle coke. So, firstly, needle coke is also a very technology-based product. And I don't think there has been any new Greenfield needle coke plant put anywhere in the world in last 78 years. And there has not been



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any new entrant in this last 70, 80 years. And there are only three, four suppliers in the world from Japan and US. And so, what we realized at that time, five years ago, when the needle coke prices went up by three, four times, so did the electrode price. At that time, we realized that what the price that we can pay for needle coke, the battery guys cannot pay. Because I believe in the battery, needle coke is one of the maybe seven, eight, nine things which goes as part of their raw material. And so, needle coke can be replaced by one of these six, seven other raw materials that you can mix. But for graphite electrode, there is nothing that you can do. You have to only use this particular needle coke, which is produced by these three, four companies. So, at that time, also, while we could pay whatever sharp increase happens in the needle coke price, the battery guys could not pay that kind of a price. They had an option to replace needle coke by something else. And that something else probably is three, four, five, six different raw materials. So, if they were using, let's say 10%, 12%, 15% of needle coke, they replace this 10%, 15% of needle coke by other four, five products that they were mixing in any case. And needle coke capacities have not gone up. Just like graphite electrodes, if you see the last 40, 50 years of graphite industry in the world, except HEG, there has not been any new expansion anywhere else in the world, whether in India or in Europe or America or Japan. On the contrary, the capacities have shrunk in the last four, five years. So, to that extent, there was no need for the needle coke guys also to expand. They could not sell whatever they were producing for the last five, seven years.

Ajas Lakhani:

Sorry, sir. If I understand the last bit correctly, you said that the needle coke suppliers were not able to sell their desired quantity for the last four, five years?

Manish Gulati:

Yes, that's right. I mean, they were underutilized for a while. So, it's not that battery and electrodes are using exactly the same kind of product. There is anode-grade coke, which all these companies also make. So, the needle coke per se, there is lakhs and lakhs of tons of demand for the battery coke. So, had it been true, then needle coke suppliers would be running more than full. But we have seen when the capacity utilization of GE Industry was down in the last one or two years, they had extra capacity to make that there is abundant supply of needle coke, which clearly shows that it was not exactly going to the battery application.

Moderator:

Thank you. The next question comes from the line of Kirtan Mehta from Baroda BNP Paribas Mutual Fund. Please go ahead.

Kirtan Mehta:

Thank you, sir, for this opportunity. Just one follow-up question again on the needle coke. You mentioned that we haven't seen any material increasing in graphite electrode.

Moderator:

Sir, all the lines are connected.

Ravi Jhunjhunwala:

So, maybe we have lost Kirtan.



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- Moderator:** So, apologies for that. The previous questioner's question has been dropped. We have the next question, which is coming from the line of Mr. Ronak Agarwal from ithoughtPMS. Please go ahead, sir.
- Ronak Agarwal:** Yes, go ahead. Since GrafTech has taken up lines, do we expect this FY28 to get full price hike?
- Moderator:** I am sorry to interrupt. Ronak sir, your line is not very much clear. If you are using any other mode, may we request you to use the handset, please?
- Ronak Agarwal:** Yes. So, if GrafTech has taken a price hike of around \$600 to \$1,200. So, by the end of this current financial year, for FY28 volumes, can we expect a full price hike to be seen in our volumes also?
- Manish Gulati:** See, everybody is talking about unlimited volumes. Sorry.
- Ravi Jhunjunwala:** I hope by GrafTech or we announcing that we are taking a rise of \$600, \$1,200, I wish the market behaves, the market accepts whatever we are talking about. I mean, it's one thing to say that I want to do this and there is always the other side who negotiates with you. And in this business, as you know very well, it's a very long process-driven industry. Some products take, the minimum time taken to produce electrode is about 2-2.5 months and the longest time takes as much as 4 to 5 months. So, obviously, in this kind of a business, we have to take orders at least for the next three to six months. Otherwise, we can't even meet the delivery schedules. And then if you are exporting 70% to more than 30 countries, it takes time for the products to reach America. America will take like 40-45 days to reach. So, we are committed on a certain price for a certain period of time. And similarly, we are also committed to buy needle coke for a certain period of time at a fixed price. So, there is a time lag between when you announce that you are taking a price increase and the time that you start getting it.
- Ronak Agarwal:** Yes, sure. That's it from us.
- Moderator:** Thank you. The next question comes from the line of Rohit Potti from Marshmallow Capital. Please go ahead.
- Rohit Potti:** Thank you for the opportunity. Your commentary is always very helpful to understand the industry as a whole. On needle coke specifically, we mentioned that we have supplies till June, which will last us till September given how the manufacturing works. But is there any indication as to with the Middle Eastern crisis going on, how much of an increase we are seeing in needle coke prices right now? Because I am guessing some amount of negotiation would have begun for the next shipment, right?



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- Manish Gulati:** So far, there is no indication. We have not heard from them. And maybe in the month of June or maybe by 15 June or something, when we actually sit down and discuss the next quarter's contracts, I don't know what they will come up with.
- Rohit Potti:** Understood. But with the crude price increase and there is a needle coke raw metal as a derivative, there should be a price increase. Is that correct?
- Manish Gulati:** Yes, it eventually comes from oil. It comes from decant oil. So, when oil goes up, of course, they are impacted. And we will see how the oil prices are behaving. They might come down, they might stay where they are. So, probably the right time when we will come to actually know if it will be sometime in the middle of June.
- Rohit Potti:** Thank you. The second question is that in the opening commentary, Chairman Sir spoke about the regionalization of trade even in our industry, right? So, there is a lot of protective measures, including the CBAM measures in Europe, against steel imports. And then there is talk of countervailing and anti-dumping duties in US against Indian and Chinese imports, which apparently they expect to see an outcome by September. So, in this increasing regionalization that's happening, how do you see our volumes over the next two, three years? Do you think it would affect our volume that we can export or it won't impact us because of our cost competitiveness?
- Ravi Jhunjunwala:** It depends upon how the whole thing goes. I mean, obviously, we have taken a very strong law firm from India, and we have taken a very strong law firm in US. And they have taken all the data and everything from us. And we will know in the next four, five months as to what happens. But we don't think that we are doing something seriously wrong, at least in America, where our pricing is amongst the highest. So, but it's a matter of legalities. I mean, we will see what happens. But the whole world is becoming very protective as we have seen in the last 10-15 years. All I can say is that we are the lowest cost producer. So, to some extent, if they are, if these duties or taxes, whatever you want to call, that's at a reasonable level, we can probably absorb it.
- Rohit Potti:** Understood. That was helpful. And the price increase you spoke about, the primary driver of price increase for us in the graphite electrode industry would be driven by the cost increases related to what's happening in Middle East, right? There is no other reason why there is a price increase or is it something else driving the price increase?
- Ravi Jhunjunwala:** No, their costs are much higher than ours. So, it's not just a Middle East problem. Even before the Middle East problem, if you go through the quarterly results of 2-3 international companies. So, they have been losing money pretty big time, even before the war.
- Rohit Potti:** So, my confusion is more around why now, right? So, this is what you have been saying has been going on for 3-4 years probably. But around this time, is the crisis more a coincidence or is it the



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match that the market needed to increase prices, why this year and will it continue over the next year?
Is it difficult to answer these questions given the volatility?

Ravi Jhunjunwala: What exactly was your question when you said why now?

Rohit Potti: No. So, what you said about the supply has been shutting down in the industry over the last 3-4 years. The losses in GrafTech and the Japanese players have been going on for 2-3-4 years. But we are seeing finally price increases potentially happening now in the graphite electrode space. So, what is driving the price increases to happen this year and will it continue over the next year or is it too difficult to answer this question?

Manish Gulati: Well, sir, the graphite electrode industry was looking for a price rise not from now for the last almost 2 years because this is unsustainable for them. For our peer group, incurring losses quarter-by-quarter was unsustainable. So, everybody was hoping for things to turn around and price rises to happen. But if you say why now, probably the last straw in the camel's back that now with this additional Middle East thing war, it's not totally unsustainable for them. So, I think now this was the right time. If not now, then when? It's like that. But as you said about the timing, then I should say that all of us including HEG were looking for a price increase to happen for last quite a few quarters and it didn't happen. And over and above, now there is a Middle East situation, rise in energy, rise in freight. So, this is the last straw in the camel's back.

Rohit Potti: And thank you for your answers. It's been very helpful. Thank you so much.

Moderator: Thank you. The next question comes from the line of Akhilesh from Emkay Global. Please go ahead.

Akhilesh: So, my first question is on the utilization of graphite electrode. So, how much exactly it has been for the fourth quarter because as we say the volume is only impacted by 1000 tons but it does not reconcile with the Q3 numbers because in Q3 we had said that 85% utilization is there. So, on my numbers, it is coming at around 2,500 tons for this quarter difference. So, can you please explain that?

Manish Gulati: See the capacity utilization when you say we are talking about production, how much we produce and then the sales also. If you strictly talk about capacity utilization on production, actually it's 95% for the quarter. Sales wise, it is less than that. Overall, for the year, it is more than 90%.

Akhilesh: Okay. So, on production wise, two and a half thousand tons of number, the difference what I am getting is correct. So, on the sales volume, we are down 1000 tons.

Manish Gulati: Down 1000 tons. Absolutely.



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- Akhilesh:** Okay. Sure. And the second question is that why other income has gone down during the quarter? Does it only constitute the interest income or any other part of income is also included in this? And how should we see it going ahead on quarter-on-quarter basis?
- Ravi Tripathi:** Yes. The other income in the quarter is lower due to the loss in the fair valuation loss which we have classified in the other expenses. That's why the income is coming in the quarter is lower as compared to the previous quarter. And going forward, it will be in the same line as we are in the previous quarter.
- Akhilesh:** Okay. And lastly, sir, from my end, last quarter in Q3, we had guided for the sustenance of EBITDA margin of around 22% for the next couple of quarters. Then in Q4, because of all these Middle East crisis, we could not sustain that kind of margin. So, how should we see it now going ahead for the quarters and for FY27-28, if we could shed some light on that?
- Manish Gulati:** According to me, in the first two quarters, April to June, July to September, all along these quarters, as Ravi Tripathi said, we have been between 15 to 20. And we have closed this year also at 20. Now, these two quarters where we have committed volumes maybe around 17-18 or something. I can't hazard a guess. It depends upon what happens in the balance of the quarter. Should be around that number. Tripathi ji, if you want to correct me, please go ahead.
- Ravi Tripathi:** Sir, these are correct. So, the EBITDA range will be the 20% we can say for the next 1st Quarter and to 2nd Quarter.
- Akhilesh:** And for this whole year, it will be more than 20? Is it good to say that? Yes.
- Manish Gulati:** Should be?
- Ravi Tripathi:** Yes, (+20%).
- Manish Gulati:** Should be? Okay.
- Akhilesh:** Yes. That's it from me. Thanks.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to Mr. Ravi Jhunjhunwala for closing comments.
- Ravi Jhunjhunwala:** So, I guess if there is no further question, so let me thank all of you for taking so much of interest and asking us some very, very probing queries. And this forces us to think about answering all these things, and a couple of things that maybe we would not think about otherwise. So, thank you very



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much. And I hope you continue to ask us these uncomfortable questions, and we are able to satisfy you. Thank you very much. And I look forward to meeting you again in three months' time. Thanks.

Moderator:

Thank you, members of the Management. On behalf of HEG Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.