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HEG/SECTT/2024 25th February, 2024

BSE Limited 25th Floor, P J Towers Dalal Street MUMBAI - 400 001. **Scrip Code : 509631**	**National Stock Exchange of India Limited** Exchange Plaza, 5th Floor Plot No.C/1, G Block, Bandra - Kurla Complex Bandra (E), MUMBAI - 400 051. **Scrip Code : HEG**

Sub: Transcript of Earnings Conference Call on Q3 FY24 of HEG Limited

Dear Sir/Madam,

Please refer to our Earnings Conference Call scheduled on 21st February, 2024 intimated vide our letter dated 15th February, 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.hegltd.com.

This is for your kind information and records.

Thanking You,

Yours faithfully,
For **HEG Limited**

Vivek Chaudhary
Digitally signed by Vivek Chaudhary
Date: 2024.02.25 14:33:42 +05'30'

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

Encl: as above

“HEG Ltd. Q3FY24 Earnings Conference Call”

February 21, 2024

MANAGEMENT: **MR. RAVI JHUNJHUNWALA – CHAIRMAN, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, HEG LIMITED**
MR. RIJU JHUNJHUNWALA – VICE CHAIRMAN, HEG LIMITED
MR. MANISH GULATI – EXECUTIVE DIRECTOR, HEG LIMITED
MR. OM PRAKASH AJMERA – GROUP CHIEF FINANCIAL OFFICER, HEG LIMITED
MR. GULSHAN KUMAR SAKHUJA – CHIEF FINANCIAL OFFICER, HEG LIMITED

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

Moderator: Good day, ladies and gentlemen. Welcome to the HEG Limited Q3 FY24 Earnings Conference Call organized by SKP Securities Limited.

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 conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Navin Agrawal: Good afternoon, ladies and gentlemen. It's my pleasure to welcome you on behalf of HEG Limited and SKP Securities to this Financial Results Conference Call with the leadership team at HEG.

We have with us Mr. Ravi Jhunjhunwala -- Chairman, Managing Director and CEO; Mr. Riju Jhunjhunwala, Vice Chairman, along with their colleagues, Mr. Manish Gulati, Executive Director, Mr. Om Prakash Ajmera, Group CFO and Mr. Gulshan Kumar Sakhuja, CFO.

We'll have the opening remarks from Mr. Jhunjhunwala followed by a Q&A Session. Thank you. And over to you, Ravi ji.

Ravi Jhunjhunwala: Friends, good afternoon and welcome to our Q3 Financial Results Conference Call for the Year '23-24.

As per World Steel Associations data, total world steel production did not register any growth in 2023 as compared to 2022 and remains more or less similar at the same level of 1,882 million tons last year. Similarly, world steel production outside of China also remained similar at the similar levels at 2022 at about 868 million tons. Chinese steel production while growing in the first half of 2023 dropped significantly in the second half and full year period of '23 to 1,020 million tons, which was again in the same region as 2022 due to demand erosion. However, persistent low domestic demand within China resulted into increased Chinese steel exports, which increased by about 34% from 67 million tons in 2022 to 97 million tons in 2023, obviously, putting pressure on steel production in rest of the world.

Among some of the large steel producing regions, US stood at the same level in 2023 at about 81 million tons as in 2022, while production in EU declined by about 7%, India at the same time grew by about 12% on the back of healthy domestic demand from infrastructure and real estate sectors. Here, we need to remember that in India, steel production is predominantly through blast

furnace route and also a significant portion of steel is also produced from induction furnaces, which is not our customer segment.

We continue to concentrate on our exports, which remained at above 70% of our total sales in the first three quarters of the current year.

Coming specifically to our “Q3 Performance”:

As you can see from our results, the electrode pricing remains under pressure, although we operated at about 85% capacity utilization for all the three quarters combined at 80,000 tons capacity. Due to long duration of production cycle for our products till the previous quarter, the commercial production from our expanded capacity to 100,000 tons did not go into the market.

We'll start selling electrodes from this quarter from this expanded capacity. However, our capacity utilization remains the highest amongst all the western world graphite electrode companies.

The needle coke prices keep correcting due to difficult market conditions, but there is always a time lag between needle coke procurement time and sales of finished electrodes. As you know our production cycle varies between 2, 2.5 months to 5, 5.5 months. Our raw material inventory levels are now normalized and we do not have any inventory overhang.

Global economic uncertainty continues to limit steel demand and thus constraining steel production. We do not see much improvement in steel production in 2024 also. However, the positive for our industry is that the decarbonization efforts has now become an irreversible process with more and more Greenfield electric arc furnaces being announced every month. Till date, as per our information, more than 90 million tons of new Greenfield capacities have already been announced in different parts of the world with the US and EU leading these numbers and we keep seeing such announcements regularly. Out of this, about 9 to 10 million tons is already into operation, another 30 million tons is expected to be operation between current year and 2025 and rest of it post '25.

As we have said in our earlier calls, we expect graphite electrode demand to increase gradually by about 150,000 to 200,000 tons by 2029, 2030. This is a significant increase over current demand of about 500,000 to 600,000 tons of. Ultra-high power electrodes excluding China.

Just to repeat the context for anyone who is new listening to this call, steel industry causes 7% to 8% of total man-made pollution in the world, and about 23% of all industrial pollution. Steel produced through blast furnace emits about four times more carbon than the same steel produced through the electric arc furnace. And this is what is giving a very strong push all over the world,

where companies are switching from blast furnaces to electric arc furnaces. The western world production through electric arc furnaces without China, which used to be around 44%, six, seven years ago, has already reached 50% in 2023 and is likely to exceed 55% in the next three, four years. Friends, as you know, we have successfully completed our expansion and our new facilities are running perfectly well.

Other than HEG, no other Company has announced any new capacities in the western world. It takes at least four to five years to build a new Greenfield capacity and about two to three years to expand an existing Brownfield plant. On the contrary, one of the leading graphite companies has recently announced closure of one of their plants in US with the capacity of about 25,000 tons.

You are aware that HEG has been exporting more than two-third of its production to some 30-plus countries for a very long time, and we have a diverse and established customer base and we are working hard to get a larger piece of the requirement and we also keep adding new customers from time-to-time in several countries. In this backdrop, our expanded capacity of 20,000 tons p.a. has come at an opportune time when the electrode market is likely to expand at a fairly fast pace around the world.

While we remain solidly upbeat about the continuous growth of electric arc furnace production in the coming decades, resulting into continuous rise in electrode demand, at present, we are seeing a period of subdued steel production due to several global factors, which is likely to continue through the first half of 2024, resulting into subdued demand for our products for the next few quarters.

We believe electric arc furnaces will grow at a CAGR of about 3% to 3.5% in the next decade, which would directly translate into a substantial increase in electrode demand. And in the backdrop of fairly high technology area that we are operating in, we don't see any newcomer or any new electrode Company coming into business.

We at HEG have been operating world's largest graphite plant under one roof with the capacity of 80,000 tons for a long time. And currently, with our expansion to 100,000 tons which is now operational, we are now amongst the lowest cost producers in the world due to economies of scale and our operational efficiencies.

Now, a couple of words about our new subsidiary, TACC:

Due to economies of scale in the CAPEX outflow and considering the huge demand expected in the EV sector, the board has approved the decision to start with the 20,000 tons graphite anode

powder plant in one go, which initially we were planning to do in two phases of 10,000 tons each. The land is already acquired and the construction has started, which we intend to complete by mid-2025. We will keep you informed about this progress from time-to-time.

In conclusion:

Friends, our 3rd Quarter '23-24 has been satisfactory given the tough market conditions under which we are operating. The next two, three quarters may see margins remaining under some pressure, but we are hoping that the demand would come back sometime from second-half of 2024 and we are going to take full advantage of our expanded capacity. We have all the technological capabilities, operational efficiencies and market reach to take our Company forward and to succeed and thrive in an all emerging situations, creating long-term value for our shareholders.

With this, I will now pass on the floor to our CFO – Gulshan, who will take us through the" Financial Figures," following that, our Vice Chairman – Riju and our Executive Director – Manish and I will be delighted to address any enquiries you may have regarding electrodes and also graphite anode powder. Over to Gulshan.

Gulshan K Sakhuja: Thank you, sir. Good afternoon friends. I will now briefly take you through the Company's "Operating and Financial Performance" for the quarter-ended 31st December 2023:

HEG recorded revenue from operations of Rs.562 crores as against Rs.614 crores in the previous quarter and Rs.530 crores in the corresponding quarter of the previous year, revenue for the quarter saw a decrease of 8.5% as compared to the previous quarter. During the quarter ended 31st December 2023, the Company delivered EBITDA including other income of Rs.110 crores as against Rs.130 crores in the previous quarter and Rs.170 crores in the corresponding quarter of the previous financial year.

The Company on a standalone basis recorded a net profit after tax of Rs.37 crores for the quarter ended 31st December 2023 as against Rs.62 crores in the previous quarter and Rs.103 crores in the corresponding quarter of the previous financial year. The Company is a long-term debt free and having treasury size of nearly Rs.950 crores as on 31st December 2023. A detailed presentation has been uploaded on the Company's website and on the stock exchanges.

Now, we would like to address any questions or queries you have in your mind.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Pritesh from Lucky Investments. Please go ahead.

Pritesh: Sir, you mentioned the capacity utilization is at 85% in the nine months. Can we give us the capacity utilization for Q3?

Ravi Jhunjhunwala: Q3 alone, it's more or the same, a couple of percentages plus/minus, it's in the same region. We have been consistently running, let's say at that level for the last three quarters.

Pritesh: So which means the volume growth in nine month over nine month is largely flat, right, it's a flat volume?

Manish Gulati: See, you will see a volume growth compared between the two fiscals. So nine months, yes, there has been a volume growth and by the time we close the year, we believe that we would have sold about 10% to 12% more than last year. So you can take this figure of 10% to 12% for the nine months.

Pritesh: Sir, on the spread side, what we see is that there is a continuous spread reduction from Q1 to Q2 to Q3 the capacity utilization is largely similar. So, if you could just share the spread in dollar terms, what should be the spread?

Manish Gulati: Dollar terms will become a very specific answer to be given in public domain, but if you just take our results, I think you can make a very good guess yourself about how our spreads have fared between the three quarters. They have been coming down. That is sure, that is what you see in our bottom line. And the main reason for that is see, the needle prices have also been coming down. But, actually there's a lag effect where electrodes take two months to make and needle take five months to make. So this when electrodes fall, it takes time for the spread to adjust. The consumption needle coke price is higher and the electrode prices are lower for that particular quarter. So that's what hurts. That's very unique to us just because of long process times.

Pritesh: We are hearing about this electric arc furnace-led capacity addition from your side and electric arc furnace-led steel growth from your side is for the last five, six quarters now. So, let's say when you're giving this steel production number of 1,883 million and saying, it's flat, what is the electric arc production from electric arc furnace and the growth rate?

Ravi Jhunjhunwala: See, as I as I gave you that figure in my short speech. It used to be 44% till about five, six years ago minus China which has gone up to about 50%. So in the international concept, 44 to 50 is like 15%, 17% increase, which is pretty substantial if you look at the whole world, and in the next three, four years, this is probably going to go beyond 55% to 58%, so which will be like from 45% to 57%, 58%, or close to 60% over a six, seven, eight-year period.

Pritesh: I was asking about Calendar Year '23. What is the production growth from electric arc furnace, is there any growth?

Manish Gulati: I will give color to that. You see, the electric arc furnace steel will be about 430-odd MMT in rest of the world and add about 110 or 120 coming from China they will be late to come with figures. So if your question is how much of that 1,888 MMT is electric arc furnace, my answer would be about 540 to 550.

Pritesh: And this 430-odd MMT, has it grown this year?

Ravi Jhunjhunwala: See, 430-odd MMT as you have seen in the figures in the world steel association, we also mentioned in the call, it's absolutely stagnant for all regions. China did grow in the first half and dropped in the second half and then the rest of the world is exactly at the same level. If you look at '22 and '23 steel figures add up to almost exactly the same number barring 1 or 2 million tons in such a large base. So the steel production has been stagnant and thus the electric arc furnace as a proportion of that has also been stagnant.

Moderator: The next question is from the line of Mihir Vyas from 9Rays Equiresearch. Please go ahead.

Mihir Vyas: I wanted to ask, can you give some color on potential revenue and margins from the anode business?

Riju Jhunjhunwala: The potential see, we are investing around 2,000 crores into this particular business and the investment to output ratio should be more or less 1:1 or depending on the quality is around 1:1.3. And as of today as per our business plan, we are assuming a safe margin of around 25% to 30% EBITDA on this particular business going concern, I mean, second year onwards kind of you can say. The plant production should start around March or April of 2025.

Mihir Vyas: How much drop in EBITDA margin is expected due to the drop in demand and excess supply from China?

Riju Jhunjhunwala: If you're asking about the anode powder, today, India does not produce any anode powder.

Mihir Vyas: I'm asking about the electrodes.

Manish Gulati: See, you are specifically asking about what is the impact going to be because of China. My answer to that would be that China predominantly makes and also exports the high power grade, which is not high power grade, they're not yet established as the main players are, they are trying, but we do not relate in this way that because of China, what is going to be the margin reduction, we don't look at it this way, we look at our segment in which we operate when we are strong

that is ultra-high power grade where the western producers are the main competitors in that segment.

Mihir Vyas: So I hope there won't be any reduction in the capacity utilization because of these reasons, right?

Manish Gulati: No, we have operated at 85% all through the year. We are working at higher capacity utilization in all of the industry. And as we go to this '24, we'll be counting ourselves as 100,000 tons capacity. Of course for some one or two quarters just because this we now base our system, utilization percentage on 1,00,000 tons, you will see a little bit of reduction in that but we will climb up on that and we are sure that within a matter of one year, we will be back at 85% on 100,000 tons also.

Ravi Jhunjhunwala: We have only three or four main competitors in the world, I mean, if you exclude China and, as Manish rightly explained, we are not really competing with China in that segment. So, in this higher segment, there are only three, four companies in the world. And if you are tracking them, it's all public information. At least one of them is operating at 40%, low 40s to 45% kind of utilization. The others are in the region of 60%, 65% and still believe that we are at 85% which is probably the highest in the industry.

Mihir Vyas: How is our arrangement with the suppliers contracts on quarterly, half yearly or yearly basis?

Ravi Jhunjhunwala: In a declining market of electrodes and a declining market of raw material, it is quarterly.

Moderator: The next question is from the line of Saurabh Jain from Sunidhi Securities. Please go ahead.

Saurabh Jain: My question is about graphite anode facility. Recently, there has been a news article that says after Toyota, BMW has also said goodbye to electric cars. So what are your thoughts for our upcoming anode facility considering the huge CAPEX we are doing? Also, there have been other articles saying that lithium and battery performance has reached a plateau in recent years, and using silicon instead of graphite enables significantly higher energy density and faster charging. So that's why it's been focused by many Global OEMs like GM, Mercedes, even Airbus. So I know on the last call also, you had clarified that you don't seem threatened by this development, but this news has been quite persistent for the last couple of quarters and now a strong signal for after Toyota, what BMW did last week. Your thoughts please.

Riju Jhunjhunwala: There are new developments happening almost on a weekly basis, new kinds of technologies, new kind of things. But as far as core goes, I think lithium ion batteries are here to stay for at least two to three decades, and some kind of improvisation will keep happening, mixing of silicon, mixing of some other elements, but graphite as the core conductor of this thing we do not foresee a big change in volume. Again, like you have lithium ion batteries. Everyone's talking

about sodium ion batteries as far as the stationary application go. There also, I mean, we will be in a position to produce the raw material for sodium ion batteries as well. And in the next few years, I think lithium ion has the main infrastructure for moving batteries is not something that we at least seem to do this thing about of being replaced by something else. You will keep seeing changes, you will keep seeing whatever, but the infrastructure once made for lithium ion in terms of charging, etc., we do not see that thing changing, and plus the big plants of lithium ion batteries that are coming up in India. They have already been announced and they have already been implemented and they have more than 50,000 GWh of facility that is coming up within India by established names like Exide, Amar Raja, Reliance, Ola, etc., That itself means the the powder consumption of around 50,000 tons which will include stationary applications also. So, I mean this question will keep happening, I mean every one month some new technology will come and innovation happening over there and rest assured, there's a lot of innovation happening at our own end also how to keep pace with all these innovations so that we can keep trying to produce the raw material that will ultimately be required for these applications.

Saurabh Jain: My last question is, if you can point out some difference or your opinion on how come our utilization is around 85% while other players are running at 40% to 60%, 65?

Manish Gulati: We are more competitive. This is the relative performance. That's all I can say. Competitive on cost, competitive in marketing, whatever, I mean this, but that's true.

Moderator: The next question is from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: So I had a few questions. I just wanted to know, you mentioned about the world's largest producer operating at 40% utilization. It's a common knowledge now. So, is there any takeover opportunity for any M&A activity available within the space right now?

Ravi Jhunjhunwala: I mean, there are only three, four players. There's nothing hidden in this industry. If you really study whatever is available there are only three, four players. So if at all it happens, it has to be only between these three, four, nothing else.

Rajesh Majumdar: Actually, let me ask this question the other way around. Even at 40% utilization, the cash losses are above $1,000 for this player. So how is it likely to play out -- either it shuts down or it gets acquired and then the prices start moving up or will the prices start moving up on its own? And the related question to that, if the prices started moving up again, is there enough capacity in the world today to absorb the new demand because if the industry is operating at around 50% or 60% rate, then even if the demand grows in the next two or three quarters, then there's adequate capacity available to absorb this, it can put a cap on the prices?

Ravi Jhunjhunwala: You see as far as your first question is concerned, I mean, obviously, nobody can talk about it in public domain. For the second question, yes, you are right, I mean, whatever is the overall capacity utilization, whether it is 40% or 70% or 80%, it will keep going up as the demand keeps growing. But just to clarify one point which is very typical in our industry. It takes, as I said between two to two and a half months for the easiest electrode to produce and it takes as long as five to six months for something called nipples, which is the pin which joins the two electrodes. So although the weight is only 4%, but without that nipple, the electrodes are of no use. So that takes anywhere between five to six months, depending on the size, quality and things like that. So given that the process is very long… and not just long, but there are four or five different processes within which the electrode is produced. So, even in the very peak demand or highest prices that this industry saw in 2017, 2018, 2019, the overall capacity utilization of each one of us combined or separately, I don't remember the exact number, but it would not be more than 90%. Because it's not easy to run the entire plant with five different processes at more than 90%, 91%. I mean something or the other in the large plant does break down and that has an impact on the whole production chain. So given this peculiar issue with regard to our industry where 100% is 90 and not 100%. So this is what it is. So the demand of electrode, I mean, if we are talking about 90 million tons which is already 90 million tons of new electric arc furnace capacities which are already announced, and a lot of this information is in public domain as to who is putting up how, what size of a plant and when are these plants going to be operational. The growth is going to be very large. I mean once this 90 million tons is all established and operational, the increase in demand will be, I mean, I'm just quoting somebody else, somebody else meaning, one of our competitors, they are talking in terms of 200,000 tons and this 90 million tons is not a fixed number. I mean, as you can imagine, we track this this part of the information very closely every month, every week and this number keeps increasing, I mean as late as three, four weeks ago, this number used to be 84, 85 million tons. So in the last 30 days itself there have been new announcement of 5, 6 million tons. So it keeps increasing because this carbon emission and environment is here to stay, it is not going to go away anytime soon and especially in America and Europe and other parts of the western world, they are taking it extremely seriously. So, basically this is the answer to your enquiry.

Rajesh Majumdar: My other question was regarding additional 20 Kt. Who is the supplier of needle coke for this? Because as I understand that there are limited number of petroleum grade needle coke suppliers and that is a big constraint in the graphite electrode space?

Ravi Jhunjhunwala: It's not a constraint. I mean there are four or five suppliers, but yes, if electrode industry gets back to 90%, 92%, 95% capacity utilization, then the demand of needle coke and the capacity of needle coke and the demand of needle coke for the graphite industry will be more or less matching. There is still enough capacity to supply. I mean there will be occasional mismatch where maybe one month, two months, three months, somebody will be short of supplies, but at

current level of 80, 90 million tons of additional capacity of electric arc furnaces coming in, resulting into more demand of electrode, the supply of needle coke and demand of needle coke is more or less going to match.

Rajesh Majumdar: Is there any capacity coming in with needle coke anywhere in the world, any envisaged capacity?

Ravi Jhunjhunwala: No, nothing. And I don't have that figure in mind, but probably the last needle coke plant would have been put about 45, 50 years ago. So it's exactly like graphite. I mean we came into production in 1977 and today we are in 2024, so close to 47 years. There has not been any new Greenfield plant anywhere in the world. So it's exactly the same situation in needle coke. Probably I'm wrong when I'm saying 47, 50 years. I mean last needle coke plant would have been more than like 60, 65 years. In both the cases it's not a question about technology.

Moderator: The next question is from the line of Sahil Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Sanghvi: So my question is more of about the supply/demand dynamics. While we on this call only we discussed that probably the world ex-China demand for electrodes has not gone up or down much, and on the other side world ex-China electrode manufacturers utilization has slightly reduced. So I just wanted to understand that why in that case is the pressure so much on pricing, and because one of the reasons is the Chinese electrodes because I hear that some of the HP electrodes also can be blended along with the UHPs, so just if you can explain this a little bit in detail.

Ravi Jhunjhunwala: I will take the second part first. It's not possible to replace UHP electrode by HP. I mean because there is a difference in definition. I don't know what that you mean by HP and UHP. These are very loosely used terms, but to answer specifically in a furnace, if you require a particular quality of electrode which is let's say called UHP, you can't replace it by HP. Basically, it's not a matter of that instead of 2 kilos per ton of steel, you can use 3 kilos per ton by switching from UHP to HP. HP will just not work. It is not a question of 20:20, 40% more consumption. You need an electrode which will withstand the high temperatures in the UHP furnace. So that's the first answer? And what was the second question, if you just repeat that?

Sahil Sanghvi: So my question was that, what is the primary reason for pressure on the prices of electrodes because I mean on one side, we are saying that the demand for electrode world ex-China has not grown or moved much, and on the other side there has been these utilizations of a few companies ex-China which has come down, so I mean what's the real reason for the pricing pressure?

Ravi Jhunjhunwala: I mean, you're answering your own question. I mean, obviously there are four or five players in the industry and whoever is more competitive will sell more. I mean, we believe our quality is as good as anybody else, and we also believe that our cost structure is better than most of the others. So this is obvious.

Moderator: The next question is from the line of Sandeep Machhar from Machhar Industries Limited. Please go ahead.

Sandeep Machhar: I'm an investor. I have two questions. One, you said that you are already running at a capacity utilization of 85% and now as I understand that we are ready with the additional expanded capacity of 20,000 tons. So that means, first, we'll be able to achieve 100% capitulation of existing capacity, then only we can I think go for the additional expanded capacity. So by when we expect the additional capacity to be used? That is my first question. The second question is regarding the new expansion you just mentioned that you have started construction for the graphites which are used by EV industry. So, I just wanted to know by when we expect that expansion to be completed and commercial production in place?

Ravi Jhunjhunwala: I will answer the second one, which is easy. I already said in my opening remarks, we expect to be in production by let's say second half of 2025, so let's say sometime in July, August, September. And your first question is about capacity utilization. It can be one to two years really depends. I mean it's a very difficult I mean to pinpoint a month or a period when the demand will increase. It's an extremely difficult question. But only thing which is very satisfying for us is that we are still operating at 75%, 80%, 85% of utilization, so which obviously indicates that our quality is acceptable, our margins are better than most of the other players, so which obviously means that we have some competitive advantage and our quality is similar to what others are doing.

Moderator: The next question is from the line of Vipraw Srivastava from InCred Research. Please go ahead.

Vipraw Srivastava: I just had a question on Turkey. So based on the data, as far as electrodes imports are concerned, China has a very big player in Turkey. So wanted to understand, what kind of electrodes does bulky import from China, is it UHP or would it pose a threat to rest to our business, how do you look at that?

Manish Gulati: See, most of the electrodes, the data which you're referring to, you will find that most of them are HP grade. You will also see some quantities here and there of the ultra-high power grade because the furnaces are different and there are very high powered furnaces, there are low powered furnaces. So you yourself look at the data you will be able to figure out in Turkey also they might be doing a trial here and there. But all I can say is that if you look at the big steel

companies, they're not at that level yet that they will be reliably given 30%, 40% of the business consistently year-after-year. That level is not there. Of course we can make trial here and there.

Vipraw Srivastava: My second question was on the anode subsidy coming up. So just have two questions on that. First of all, about the technical expertise required for manufacturing of anodes, do we have that technical capabilities or are we doing it in tie-up with some other Company, how are we going about that?

Riju Jhunjhunwala: So in terms of what you are referring, that consists of six, seven various processes, but the main process there also remains graphitization. And in graphitization, we are talking more about the older type of furnaces that HP does not almost used today which are the adjacent furnaces, which are widely used for the anode application. So there we already have a very good pool of resources in-house, which we are already deploying on the design and development phase also of the facility. The rest of the facilities are more or less machine-led which do not require too much of manual intervention, but yes, there's a lot of R&D required on which kind of a raw material to process, and so there's a lot of trial and error over there, for which one to work very closely with the customers that we are already doing with our pilot phase currently. So we already have a state-of-the-art pilot plant that is fully producing around 10 tons per month. And with that, we've already started sampling with some large companies and trying to work along with them for their kind of requirements. So, there is no technical tie-up with one particular Company, but from time-to-time we will be taking help from whichever technical resources required.

Vipraw Srivastava: The other thing is the manufacturing of anodes. One significant cost is power cost, right because it's a very big component of anode manufacturing. So how will be the facility sourcing power for this in your perspective.

Riju Jhunjhunwala: So we selected the state of Madhya Pradesh for this particular industry which we are getting a lot of subsidies from the government and one particular subsidy is around the 50 paisa reduction on the power cost for this particular facility. So the net cost of power to us should not be more than Rs.5.50 paisa for this facility when it comes up. And apart from that, obviously, the whole focus of the buyers in this particular industry is how much of the green electricity are you producing for which you're already in touch with a lot of solar and wind manufacturers to work closely along with us, to have a kind of dedicated facility of 200 MW, 100 MW, that kind of a number in which we can do a buyback arrangement from them for electricity. So that is still work-in progress, but that will further bring the cost of power down for us, which we hope will not be more than Rs.5 as a weighted average cost of power. We have assumed around Rs.5.5 to Rs.6 in our business plan, but I'm quite sure by the time we work on it, we should be able to save some power costs over there.

Vipraw Srivastava: So as far as India and whole market is concerned, how do you see it developing, I mean are there customers who are thinking of manufacturing batteries in-house because currently a lot of these batteries are imported from China. So how do you see this landscape changing? How is the ecosystem developing as far as the whole manufacturing in India is concerned?

Riju Jhunjhunwala: So the Indian battery we have this thing. You must have already read around 50 GWh of lithium ion battery manufacturing has already been signed up by the government. They have increased this by 10 GWh more. So there is a lot of scope for anode production over there. And apart from us, Himadri or some other two more players, no one has now very, very serious kind of capacities for the lithium-ion batteries so I mean HEG has to be the leader in this as far as the timing goes, and that's what Chairman also mentioned when he said that we will start commercial production by the second half of 2025.

Moderator: Ladies and gentlemen, 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. Jhunjhunwala for closing remarks. Over to you, sir.

Ravi Jhunjhunwala: Thank you, friends, for asking some very pertinent and very pointed questions. I'm grateful to you for your interest in our Company and I will continue to engage with you on a quarterly basis and hopefully with some better results, with some better numbers. Thank you very much for that and see you again after about three months.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of SKP Securities Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines.