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HEG/SECTT/2026

16<sup>th</sup> February, 2026

1	<b>BSE Limited</b> P J Towers Dalal Street MUMBAI - 400 001. <b>Scrip Code : 509631</b>	2	<b>National Stock Exchange of India Limited</b> Exchange Plaza, 5 <sup>th</sup> Floor Plot No.C/1, G Block, Bandra - Kurla Complex Bandra (E), MUMBAI - 400 051. <b>Scrip Code : HEG</b>
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**Sub: Transcript of Earnings Conference Call on Q3 FY26 of HEG Limited**

Dear Sir/Madam,

Please refer to our Earnings Conference Call scheduled on 11<sup>th</sup> February, 2026 intimated vide our letter dated 3<sup>rd</sup> February, 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](http://www.heg ltd.com).

This is for your kind information and records.

Thanking you,

Yours faithfully,

For **HEG Limited**

VIVEK  
CHAUDHARY  
Y

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## “HEG Limited’s Q3 FY26 Result Conference Call”

**February 11, 2026**



**MANAGEMENT:**

**MR. RAVI JHUNJHUNWALA - CHAIRMAN, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, HEG LTD**

**MR. RIJU JHUNJHUNWALA – VICE-CHAIRMAN, HEG LTD**

**MR. MANISH GULATI – EXECUTIVE DIRECTOR, HEG LTD**

**MR. OM PRAKASH AJMERA – GROUP CFO, HEG LTD**

**MR. RAVI KANT TRIPATHI – CFO, HEG LTD**

**MR. BASANT JAIN – JOINT MD & CEO, BHILWARA ENERGY LTD**

**MR. ANKUR KHAITAN – MD & CEO, TACC LTD**

**MR. HIREN PRAVIN SHAH – MD & CEO, REPLUS**

**MR. PUNEET ANAND – GROUP CHIEF STRATEGY OFFICER, HEG LTD**

**MR. SALIL BAWA – GROUP HEAD (INVESTOR RELATIONS), HEG LTD**

**MODERATOR:**

**MR. NAVIN AGRAWAL**

**HEAD, INSTITUTIONAL EQUITIES, SKP SECURITIES LTD**

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**Moderator:** Good day, ladies and gentlemen and welcome to HEG Limited's Q3 FY26 Result Conference Call organized by SKP Securities Limited.

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

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

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

We have with us Mr. Ravi Jhunjhunwala -- Chairman, Managing Director and CEO; and Mr. Riju Jhunjhunwala -- Vice-Chairman, along with their colleagues, Mr. Manish Gulati -- Executive Director, Mr. Om Prakash Ajmera -- Group CFO; Mr. Ravi Kant Tripathi -- CFO. We also have Mr. Basant Jain -- Joint M.D. and CEO, Bhilwara Energy Limited, Mr. Ankur Khaitan -- M.D. & CEO, TACC Limited, Mr. Hiren Pravin Shah -- M.D. & CEO, Replus, Mr. Puneet Anand -- Group CSO and Mr. Salil Bawa -- Group Head, Investor Relations.

We will have the "Opening Remarks from Mr. Jhunjhunwala" followed by a "Q&A Session." Thank you, and over to you, Ravi, ji.

**Ravi Jhunjhunwala:** Thank you and good afternoon, friends and welcome to our Financial Results Conference Call for Q3, Financial Year 2025-26.

I would like to begin by setting the context on the global steel market as its underlying trends are critical for understanding the demand conditions for the graphite electrode industry. As per the latest data published by the World Steel Association, global steel production declined by about 2% year-on-year in calendar year 2025, falling to 1,804 million tons, from 1,841 million tons in 2024, reflecting a challenging macroeconomic environment and subdued demand across major steel producing regions.

China, which is the world's largest steel producer, also recorded a 4.4% year-on-year decline in 2025, with crude steel production reducing from 1,005 million metric tons to 961 million metric tons. While China's steel production has declined by approximately 7.5% over the last five years, its steel exports have increased sharply over the same period, rising by 78% from 67 million tons to 119 million tons in 2025 over these five years, significantly intensifying competitive pressures across global steel and downstream markets.



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In contrast, India continue to outperform, with crude steel production increasing by 10.4% YoY, supported by strong infrastructure spending, resilient automotive demand, and ongoing capacity additions.

Among other major regions, the United States recorded a 3.1% YoY increase in crude steel production, while Japan's output declined by 4% and South Korea decline by 2.8%.

The European Union (EU) remained under significant pressure, with steel production declining by 2.6% on YoY basis due to very high energy costs and weak industrial activity.

Against this backdrop, the global graphite electrode market continued to face challenging conditions, with customer demand remaining muted due to cautious procurement behavior and sustained pricing pressure, particularly from elevated steel export out of China. And this demand conditions remained uneven across all the regions.

While near-term visibility remains limited, disciplined supply, improving utilization trends in certain markets, and the continued shifts from electric arc furnace steel making provide support to the medium-term industry fundamentals.

In this environment, our focus on operational efficiency, cost discipline, and customer diversification enabled us to deliver resilient performance during the quarter, demonstrating the strength of our model.

We continue to operate at the highest capacity utilizations in the industry, all around the world, at 85% in previous quarter and 89% in the last three quarters combined, both of which are highest in the graphite industry worldwide.

Just to remind you, we have the single-location largest facility in the world, at a place called Mandideep near Bhopal, with a capacity of 100,000 tons.

Combined with a cost structure, which is amongst the lowest, positions us as one of the most efficient and cost-efficient graphite electrode manufacturers globally.

Just to reiterate that these numbers are based on our expanded capacity of 100,000 tons and not 80,000 tons, which was the case until '23-24, reflecting a gain in the market share at a time when the electrode arc furnace-based steel production is more or less flat.

Looking ahead, the global transition towards low-emission EAF steelmaking continues to accelerate, driven by climate goals and regulatory momentum.



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We once again reiterate that this transition is expected to generate incremental graphite electrode demand of approximately 200,000 tons by 2030, excluding China, reinforcing the industry's long-term growth potential.

To the best of our knowledge, about 20 million tons of new Greenfield electric arc furnace capacities have already been added in the calendar years 2024 and 2025, and we believe another 60 million tons will be added between calendar years 2026 to 2028, so which is not too long in the next three years, 60 million tons, and another 30 million tons between 2029 and 2030, Taking the total new Greenfield electric arc furnace capacity by 110 million tons.

It has never happened in the history that the steel industry has added 110 million tons in the last 20, 30, and 40 years probably. This would increase the worldwide electrode demand by approximately 200,000 tons, compared to what it was till calendar year 2025.

Construction activity of our recently announced expansion by a further 15,000 tons is progressing as per schedule, and we stand by our earlier target of completing this by early 2028, which will position us well to cater to the incremental electrode demand all over the world.

I once again reiterate that for the last many years, our exports have constituted around two-thirds of our total sales to more than 30, 35 countries, covering almost the entire geography.

Our composite scheme of arrangement is on track. The NCLT bench at Indore has heard the matter and reserved its order on the first motion application. We expect to receive the order within the next one or two weeks. Upon receipt of this order and in accordance with its directions, we will initiate the process of issuing notices and convening meetings of our shareholders and creditors to seek their approval for the scheme. Once the approval process is completed, we will file the second motion petition. We anticipate that this entire scheme will be approved by NCLT by Q1 FY27.

With that, I would now like to invite our "CFO, Ravi Tripathi to Present the Financial Results for the Quarter," and then we will open up for "Q&A." Thanks. Ravi, over to you.

**Ravi Kant Tripathi:**

Thank you, sir. Good afternoon, everyone. I will briefly walk you through the Company's operating and financial performance for the period ended 31st December 2025.

For the nine months ended December 2025, revenue from operations stood at Rs.1,965 crores compared to Rs.1,616 crores in the same period of last year.

For Q3 FY26, revenue was Rs.656 crores versus Rs.477 crores in the corresponding quarter of the previous year.



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EBITDA for the nine-months period was Rs.623 crores, up from Rs.393 crores of the previous year.

On a standalone basis, profit after tax for the nine-months of FY26 was Rs.344 crores compared to Rs.163 crores in the same period of last year.

On a consolidated basis, profit after tax stood at Rs.455 crores as against Rs.189 crores in the previous year.

Our balance sheet remains strong. The company continues to remain long-term debt-free and maintain a treasury balance of approximately Rs.1,155 crores as of 31st December, 2025.

Looking ahead, we are confident that an improvement in the industry can significantly boost our profits.

The detailed presentation has been uploaded on the company's website as well as with the stock exchange for your reference.

We would now be happy to take your questions. Thank you for your time. Over to you, Navin ji.

**Moderator:** We will now begin the question-and-answer session. The first question is from Rohan Khera from Singularity Asset Management. Please go ahead.

**Rohan Khera:** Hi, thank you very much and congratulations for declaring great results. I am very happy to see the utilization that the company has been able to clock. I have three quick questions. Number one is, Ravi, can you repeat the statement that you made about the NCLT order just before the Q&A started? Second is, I wanted to get a sense of the realization that the company has been clocking in this quarter and what is the overall realization that is expected for the full year in dollar terms for the graphite electrode? And third question is, if you can indicate the product mix of the graphite electrodes between ultra high power and high power, please? Thank you.

**Ravi:** See, the first figure that you are talking about, I mean, obviously, it is a competitive world and we do not want to give any number. But, it is not very difficult, I mean, you know the turnover, you know the capacity utilization, you know the total capacity of the plant, it is not very difficult to calculate that, but do not ask me to give that number. And your second question was -?

**Rohan Khera:** Sir, about the product mix between ultra high power and high power?

**Ravi Jhunjhunwala:** It is more or less in the region of 70%-75% ultra high power.



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- Rohan Khera:** Okay, great. Thank you.
- Moderator:** The next question is from Ahmed Madha from Unifi Capital. Please go ahead.
- Ahmed Madha:** Yes, thanks for the opportunity. My question is on the volume growth. So, is it fair to expect our nine-month volumes would have grown by about 20%?
- Ravi Jhunjunwala:** I gave you the utilization rate and our capacity is 100,000 tons. So, it is very simple to calculate from there.
- Ahmed Madha:** Okay, sure. So, I am assuming 20%-plus/minus. Why I am asking this is because I just want to understand if we have improved our volumes by say 18,000-20,000 tons, where have we gained market share from -- either is it from the Japanese competitors or the Chinese players, because GrafTech has improved volumes by about 6%, graphite has improved by a few percentages. So, I am just trying to understand from which players, which sort of geography have we gained market share and which end market, Europe or Middle East or India, which geography have we gained market share if you can just give some sense?
- Ravi Jhunjunwala:** You see, there are only four, five major regions in the world and the US is the only country which produces more than 70%-72% of their total steel through electric arc furnace. So, that is by far the single largest market after China. And then rest everybody is like 30%-35%-40%. Europe is about 45%-50%. So, we have gained market share everywhere. I mean, there is no one specific region that we are catering to. We have been catering to more than 30-35 countries all over the place. So, wherever the market is, I mean, we have gained a little bit of market share.
- Ahmed Madha:** And would like to add from which sort of players have we gained share from -- is it fair to assume you have gained from Japanese players or Chinese players?
- Ravi Jhunjunwala:** There are only basically three or four bigger players in this industry now. I mean, there is an American company, there is a Japanese company and then there are a couple of very small companies. So, it is very difficult to give you a particular name, because everybody sells a little more in one area, a little less in another area. So, obviously, we probably have gained from each one of them a little bit here and there.
- Ahmed Madha:** Okay. Sure. And in terms of your annual pricing arrangement, would you like to give some sense despite, I mean, all the tariffs and everything, we try to assume a broad realization will remain more or less the same or from whatever arrangements or the contracts we have put in for some of the geographies?



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**Ravi Jhunjhunwala:** You see, a lot of these orders have been negotiated on a 12-month basis, especially in the US. And in other countries, some companies negotiate on a quarterly basis, others do it on a six-monthly basis. So, it is not easy to give one simple answer to that. But yes, I could safely say that at least 50%-60% of whatever volume that we are going to sell in the next year, we have settled everything for the 50%-60% kind of a number.

**Ahmed Madha:** Got it. And for that, the pricing sense will be more or less similar to what we have done in the last few quarters or will there be a major -?

**Ravi Jhunjhunwala:** More or less similar. Yes, you are right.

**Ahmed Madha:** Okay, got it. And another question was, still with 18% tariff, I am not sure how much disadvantage or advantage we have compared to the other competitors in the US market. So, for our business mix overall, you have spoken about I think 20% in the US and Americas. So, that sort of number should sustain in US or will there be a significant business mix shift for us for different geographies for 2026?

**Ravi Jhunjhunwala:** Our product mix is not going to change much here and there, I mean, it could be a couple of percent plus/minus, but not more than that. We are not going to lose market share in any part of the world because of any reason. And whether it is the US or Europe or Southeast Asia or wherever, of course, to the extent that we will have to still pay 18% duty. To that extent, there will be a hit, but for the long-term basis, we do not want to lose the customer. So, we will absorb that cost.

**Ahmed Madha:** Sure. Got it. Thank you.

**Moderator:** The next question is from Rajesh from 360 One Capital. Please go ahead.

**Rajesh:** Yes. Hi. Good evening, everybody. So, I was wondering about the investment in GrafTech. Now, it is worth half the value that we invested in. And the GrafTech is going in another two quarters that company may actually close down partially, from what I understand. Is that a correct assessment first of all? And secondly, what do we do with the investment?

**Ravi Jhunjhunwala:** No, we do not think so. I mean, there is no scope for any company in this industry to close down, because with the kind of growth in the electrode demand that we are talking about, we are talking about 150,000 to 200,000 tons increase in the demand of electrodes in a market where the total production capacity is not more than 500,000 tons. So, we are not anticipating any situation where any one of us is going to go out of business. I mean, something or the other will have to happen to every one of us. Otherwise, I mean, if you are talking about a 175,000-tons company, which is what GrafTech is, closing down, you are talking about what? About 30% of the total world capacity going out of business.



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**Rajesh:** I am not talking about full closure. I am talking about partial closure because as per GrafTech cash cost of production is now somewhere around \$3,700. And from next quarter, the U.S. tariff is also going to come down to 18% for Indian exporters. And they have mentioned in the call that, that would lead to lower realizations going forward. Does that mean that the company's networth -?

**Ravi Jhunjhunwala:** No. See, the U.S. customers generally decide everything, practically 100% of their needs at the beginning of the year for the whole year. So, the prices and the quantities and everything is more or less frozen for the whole of 2026. So, there is no negotiation happening right now, in America especially.

**Rajesh:** Okay. But assuming prices to remain where they were and they are already at the kind of peak realization of \$4,000, and they are still making about 65 million losses every quarter, I do not see it coming down significantly. So, that is a dire scenario for a company with a net worth of just about \$450 million. That is what I thought that maybe some capacity, because we have seen it even in Asia-Pac, that some capacities have closed. Is it possible that some capacity of GrafTech gets closed?

**Ravi Jhunjhunwala:** I do not see that. I mean, if you heard their conference call and if you saw all their reports, they are saying the same thing. Everybody is saying the same thing that the demand of electrode is likely to increase by 150,000 tons to 200,000 tons in the next two, three years. And as I gave you the figure recently, I mean, in the last two, three years, capacity of 20 million tons of new electric arc furnaces have already been added. With that 20 million tons additional capacity means about 30,000 tons of demand. In the next two years, we have the data for each company, each location of the new plants which are coming in, let us say, US. US is the main country where more and more and more electric arc furnaces are being built, because US is the only one place where 70%-plus steel is produced through electric arc furnaces. Minus, without US, that average is about 40%, 42%. And so, as I said, 20 million tons has already been added in the last two years. Between now and end of '28, which is only two and a half, three years away, we have a list of at least 50 to 60 million tons which are coming, and we more or less know which plant is going to be commissioned in which month, in which quarter in the next two years. And so, at least this 20 tons plus 60 tons, which is likely to come in the next two, two and a half years, is 100% coming. Because where 15%, 20%, 30%, or 50% work has already happened at the site, and these companies committed millions of dollars of investment. So 20%, 30%, 40% investment has already committed, work has started, orders have been placed for all the equipment's. So, all these are bound to come. And unless there is a total U-turn in the world towards carbon emissions and everything, it is not likely to happen. And all this additional (EAF), electric arc furnaces, are only coming because of carbon emissions. As you know the same steel produced through electric arc furnace versus blast furnace emits one-fifth the carbon. That is the only reason why new and more and more electric arc furnaces are coming. So, that story is not going to go away anytime soon. So, it is possible instead of 100



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million tons, 80 million tons will come. But for this industry, even 80 million tons or even 70 million tons of new electric arc furnace, resulting into additional demand of 125,000 tons to 150,000 tons, is a very big, huge number.

**Rajesh:** I understand that. In the GrafTech call, they also mentioned that China has a capacity of 800 KT, of which nearly 200 KT-odd is coming in the UHP market. And that is also operating at about 50% utilization. So, is it possible that the additional demand gets filled by Chinese electrodes? That was my related question actually.

**Ravi Jhunjhunwala:** See, China, of course, produces much more than the rest of the world produces in terms of electrodes. But they are still pretty far away from producing the right ultra high power electrodes that we talk about. So, while they are taking away the market share from all of us on the small-size electrodes, what we call non-ultra high power, but they are very far away from meeting the quality standards that we are able to meet or Americans are able to meet or the Germans or Japanese, all the Western players associated. So, that risk is not there at least in the foreseeable future.

**Rajesh:** Right. So, last question on this. Because we already invested about Rs.283 crores at a much higher level, so, do we increase our investment in GrafTech or we stay put or what is the final decision on this?

**Ravi Jhunjhunwala:** We are staying put. I mean, when we took this view and started buying some shares of GrafTech, we were very clear that we are in it for a long-haul. You see, till that last Friday when the results were declared, these shares were \$19. And it went up from current level of \$7 to \$19 over the last six, nine months. So, these bumps will keep coming in any industry, but we are here on a long-term basis. We are not bothered about this. Neither we were going to sell at \$18, nor we are going to sell at the current price, \$17.

**Rajesh:** Okay. Thank you so much.

**Moderator:** The next question is from Rohit from iThought PMS. Please go ahead.

**Rohit:** Yes. Good evening, sir. Congratulations on really very strong numbers and congratulations on the new order as well. Sir, my first question was, so can you just help us understand given where we are in the cycle and you have been talking about it in the last many calls in terms of realizations being really low, but you continuously posted very good margins, so, I mean, if you can really share some more insights on what is enabling us, because if you look at the Indian peer, and even if you look at some of the Chinese company numbers, whatever is available, everybody, needless to say, GrafTech, but we are outlier in this, so, what has really happened in the cycle that has enabled us to do this kind of divergence, if you can please share that, that will be really, really useful?



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**Ravi Jhunjhunwala:**

I cannot talk about my competitor. And obviously, the facts are facts. I mean, you know what is the annual revenue, you know the price of electrode, and by that, you know what is the tonnage that they have sold and what is the tonnage that we have sold. Obviously, there is a difference in cost of production. I mean, that is the advantage of a plant in India versus a plant in Germany or France or Japan. And the second thing is, if you look at all the graphite players, which is GrafTech and the Japanese company Resonac, and two of us in India, we have by far the single largest plant at one location. Our plant is 100,000 tons. The average of the other plants will be like 50,000-55,000 tons. And except Graphite India, who has a plant in India, all other plants are either in Germany or France or Italy or US or Spain, Japan. So, obviously, we have a cost advantage being in India and the size. When you are talking about 100,000 tons plant located in India versus a 50,000 tons average in Germany or France or US or Japan, it makes a huge difference.

**Rohit:**

So, the other question was, sir, I mean, if I look at the realizations, you also mentioned the realizations have been at pretty low numbers for many quarters now, and if you look at the utilization for the industry also, it is much lower. Even GrafTech in its call, they mentioned that they do not see any uptick in realization and extremely competitive market is continuing, and you also mentioned that for '26, you do not see much change in realization. So, I mean, given that there is this consistent overcapacity in the industry despite shutdowns, at the same time, you have been saying that this additional 30,000 tons of electrode market has been there and another 30,000-35,000 tons electrode market is going to come in the next few years, but still the pricing is still a challenge. So, I mean, what is your sense on that?

**Ravi Jhunjhunwala:**

You see, this 20 million tons, new electric arc furnace capacities have just been finished, let us say, in the last six months, nine months, 12 months. And that is a number which everybody knows. I mean, if we speak to you one-to-one, we can give you the names of this 20 million tons in the country and the size and everything. And being in a steel industry, I mean, when you put up a 20 million tons new capacity, it takes two months, three months, six months to stabilize, to reach 80%, 90%, 95%. So, gradually, these capacity utilizations are increasing. And as I said, between now and '28, two, two and a half years, again, we have a list of 60 million tons. We know the names, we know the country, we know the locations. And we practically know at what stage is plant-A, plant-B, plant-C, plant-D. Because most of these investments and new capacities are being added by our existing customers. Practically, there is no new steel company emerging anywhere in the world. So, all these expansions are happening by all the established names, which are already our customers. And since we are a regular supplier to them, we keep meeting them at their work locations. So, we know more or less whether they are coming in July of 2026 or '27 or '28 or whatever. So, even if it is 40-50 million tons instead of 60 million tons, it is fine. I mean, these things will happen. Six months here and there, delays are bound to occur in any case. So, 20 million tons has already come in, which will, let us say, stabilize more and more this year, and another 40-50 million tons, if not 60 million tons is coming in the next two, three years. So, every ton means, I mean, you need more



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or less one and a half to two kilos. So, a million ton means 1,500 to 2,000 additional tons of electrodes required. So, you are talking about 20, 25 million tons, you are easily talking about 20,000 to 35,000 tons of new demand. And the plants which have been closed down in the last three, four years, it will be very difficult to restart those plants. After closure of two, three years in the Western world, to restart that plant is not going to be very easy. And especially, you will be surprised when I tell you that HEG, we came with this plant in Bhopal in 1976, which is exactly 50-years today. This is the last new Greenfield plant put up anywhere in the world. So, all these plants that we are talking about, the American companies and the European companies and the Japanese companies, they are much, much older than 1976. So, it is easy to close these plants because of their cost structure, because of their size. Again, I mean, if you go through the list of the plants which have closed down in the last two, three years, they are all in the region of 30,000 tons, 35,000 tons, 40,000 tons. So, it is simple to calculate a 30,000 tons, 40,000 tons plant in Germany or Japan or US or France, their cost versus a 100,000 ton plant in India. And in fact, despite everything that we spoke about, we just announced about six, nine months ago that we are adding another 15,000 tons. And the work has already started. We have already placed most of the long-term delivery items. And we should be ready by middle to end of 2028, between two, two and a half years from now. So, as we keep adding more and more capacity, obviously, our cost per ton keeps coming down. And we have this advantage of one large plant, and that large plant being in India versus Germany, versus Japan, versus US. This is an inherent advantage of any plant in India.

**Rohit:**

Right. Thank you very much, sir, for that very detailed answer. So, one more question was, as this new addition sort of comes through in terms of end customers putting in new plants, and both the Indian players are almost now at peak utilization, if you will, so, do you see that being a very big reason or that could be one contributing reason for the realization to start inching up, because as you said, all the other plants are losing money and it does not make sense to run those plants at these kinds of realizations, so, does that then probably lead to an improvement in realization at some time as these new plants come in sometime this year and in the next couple of years?

**Ravi Jhunjhunwala:**

Yes, exactly. I mean, obviously, demand has to increase. I mean, this 20 million tons which is already in operation, it may take another six months, nine months, 12-months to reach 70%, 80%, 85% capacity utilization. So, these 20 million tons itself will require 25,000 tons to 30,000 tons of electrodes. And then we are talking about another 40-50 million tons before 2028.

**Rohit:**

And the capacity that we are putting in or even what the other Indian companies putting in, would that not sort of put a break on the price increases because we will have those volumes to sort of cater to, I mean, we can continue to gain more market share and outsize the other players, so, what is your sense on that?

**Ravi Jhunjhunwala:**

Manish, would you answer that?



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**Manish Gulati:**

Yes, sir. See, like Chairman said, so the demand which is coming is much larger than what we are adding. So, we are talking about 200,000 tons and coming up to 2030. And the plant which we are building today, that 15,000 tons additional capacity is going to come on stream in the first quarter, early 2028. So, by that time, a couple of more Electric Arc Furnace Plant would have come up. And we also think that for the last two, three years, the steel has been stagnant, declining in some regions, and there will be a turnaround. So, we expect that this 15,000 tons would easily get absorbed.

**Ravi Jhunjunwala:**

And if you follow some of our international competitors and even Graphite India, you will probably hear the same thing. Everybody is talking about the same 20 million tons, 30 million tons, demand increasing by 50,000 tons, 100,000 tons. So, everybody has the data from the same source. And basically the source is all our customers themselves.

**Rohit:**

Right. And one more question on GrafTech if I can. So, I mean, you mentioned to a previous question that you do not see them going under. But, just from their survivability, or for them to make even decent amount of profits, the realizations have to significantly go up from where they are right now. So, I mean, I understand that it is not like a year or even two years that you are looking at, this is a long-term investment and you are looking at the overall industry dynamics. But I mean, clearly, they are an inefficient player, given where they are located. So, how do you see their survivability, not only survivability but them making like at least half your margins or half your tough margins, forget peak margins, because the costs are what they are, right, you cannot change them, you cannot change where the plants are located?

**Manish Gulati :**

No, we should not be talking about them, honestly, or what are their cost. That is, you missed their call which happened a few days back. So, you are on the wrong call with this question. You cannot say, yes, of course, prices should go up for everybody. The prices prevalent today are one of the lowest. All these are very right. We have a big plant at one place. So, of course, our costs are lower than doing India. But I think we would like to avoid answering questions on competitors' costs and all that.

**Rohit:**

Thank you.

**Moderator:**

The next question is from Varun Pinto from Negen Capital. Please go ahead.

**Varun Pinto:**

Hi, sir. Congratulations on a wonderful set of results. I just had a few questions regarding the bookkeeping. So, currently, the dividends that we get from, like the hydropower assets, in which segment is that reported -- does that come under the share of profit & loss from the associate?

**Ravi Jhunjunwala:**

Yes, my colleague is going to answer that question. Puneet.



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- Puneet Anand:** Hi., BEL, which owns the hydro asset, has not given any dividend to HEG in the last couple of years. Whenever the revenue will come, the revenue will be shown in the other income. So, the profit you see on the associate is the profit which Bhilwara Energy has made. And since it is an associate, so we show a proportionate profit in the consolidated financials of HEG.
- Varun Pinto:** Understood. But then the revenue that comes under or the share of profit that comes from Bhilwara, that is technically from the power business only, right?
- Puneet Anand:** Currently, yes, Bhilwara Energy largest revenue is coming from the hydro assets. Apart from that, we have the BESS company underneath that, which will generate the profits in the coming quarters. Plus, since Bhilwara Energy is also sitting on Surplus liquid, it is earning other income, mainly from funds kept in which is being in FDs.
- Varun Pinto:** Understood. So, currently the other income that we are seeing in the P&L, what does that include?
- Puneet Anand:** Other income which you see in the P&L is primarily the income of the liquidity and liquid assets which we have in HEG.
- Varun Pinto:** And sir, currently, apart from the hydropower assets, if you are looking at the HEG Greentech business, we have the energy storage, the best for the IPP and the best for the commercial and industrial use, right? Currently, do we have any sort of revenue from that business?
- Puneet Anand:** Yes, we have revenue from our BESS company, which is Replus, but it is not significant compared to the hydro revenue, which we are making. You will see meaningful revenue from energy storage business and our IPP business including revenue from BESS, which we have already won, and in which we have been declared as L1 bidder, from, say, the Q1 of FY28. And HEG Greentech will also hold the anode business, which will also contribute in the revenue.
- Varun Pinto:** But that will come in FY29, right?
- Puneet Anand:** So, our plant is getting commissioned by the Q1FY28. And so, we have assumed a certain capacity realization in FY28. But yes, the peak revenue will come from FY29, but you will see a contribution from TACC also in FY28.
- Varun Pinto:** Understood, sir. And so, lastly, like post the demerger, will there be any debt in the Greentech business?
- Puneet Anand:** Surely, there will be a debt. The debt we will raise to fund the projects, which are the anode, the CNI and IPP businesses will carry project-level debt. As mentioned, we made a detailed



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presentation on HEG Greentech in January, outlining the projects we plan to execute over the next two to four quarters, along with the associated debt requirements.

**Varun Pinto:** Understood, sir. Can you just call out the number what could be the debt in the Greentech business post the demerger?

**Puneet Anand:** So, if you ask me, post the demerger, which will be done in by Q1 FY27, the debt will be negligible there. Once the demerger is done, it will be negligible. There will be no debt there, per se. But once the company is formed, and all the projects will be on full execution mode, that time the debt will start coming in. So, for example, the BESS tender which we have won in Gujarat, and the Maharashtra tender where we been declared L1 bidder, whenever those projects PPAs are signed, funds will be mobilized for that. Similarly, in the anode business, we have not taken any debt as of today. There has been contribution a significant equity from the company. We are utilizing that, but we will be doing money and deployment once the scheme is implemented.

**Varun Pinto:** Thank you.

**Moderator:** The next question is from Ahmed Madha from Unifi Capital. Please go ahead.

**Ahmed Madha:** Yes, thanks for the opportunity again. My question was on your remarks regarding the Chinese supply, right? I mean, if I quote from GrafTech's concall, they spoke about two and a half, three lakh tons of UHP coming out of China. So, in our conversation, we have always spoken about five major suppliers probably having about six, six and a half lakh tons. What are your thoughts on the Chinese supply, which probably we should account for in terms of supply dynamics? So, are we not competing with Chinese players in Europe and other markets?

**Ravi Jhunjhunwala:** Manish, will you take that?

**Manish Gulati:** Yes, sir. Let me answer this. Actually, most of the capacity which is in China is geared towards a non-UHP grade. We agree, yes, there are one or two companies which are now making UHP products. But to achieve that kind of consistency and reliability does take time. And at the same time, China is definitely working towards increasing their own electric arc furnace production. So, some of this capacity, we hope, will be absorbed inside China and outside China. As you have seen from our results itself, that HEG is also a very competitive company. So, we are not as much worried about the impact of their UHP on us, because we can also see the commensurate demand coming. So, it is not that the electrode demand is going to be stagnant and Chinese will eat into everybody's share, that we do not really agree. There is a demand also coming within China and from outside China to the extent of 200,000 tons.



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- Ahmed Madha:** If I just look at the segmental profitability of the electrode business, excluding the other income, etc., the margins have improved over the last three quarters. I am assuming there is a component of operating leverage with higher production. Is there any advantage on raw material cost?
- Manish Gulati:** Not really. It is very, very marginal because the key raw material is needle coke and prices have been pretty much consistent, but takes a while for a slightly higher cost inventory to go away. So, there is a marginal drop in the consumed raw material. And what you see improvement in margins is basically coming from our operating levels, nothing else.
- Ravi Jhunjhunwala:** And the size. I mean, now, now that we can add another 20,000 tons from 80,000 tons to 100,000 tons, that gives us a cost advantage.
- Ahmed Madha:** Okay. Sure. Got it. Thank you.
- Moderator:** The next question is from Amit Lahoti from Emkay. Please go ahead.
- Amit Lahoti:** Yes. Hi. Thanks for the opportunity and congratulations on a good set of numbers. Many of my questions have been answered. So, as we have settled contract for half of the volumes for this year, would it be fair to take third quarter spreads as the baseline assumption for electrode and needle coke pricing? So, basically, just in terms of gross splits, if they can sustain in the coming quarter?
- Manish Gulati:** Amit, for the next two quarters, you can just assume a similar price. Do not expect any uptick in that. So, it is just going to be very, very similar. Of course, everybody hopes for a price increase. But for the next two quarters, we do not see it happening.
- Amit Lahoti:** Right. Got it. And then we did of course have about 50% tariff impact to US. Even if we take, let us say, 10% as the share of your exports into US, there has been a significant impact from that perspective. So, now with that going down to 18%, how much of incremental delta are we looking at, if you can quantify some numbers in terms of how much the impact was, and then how much it will be in the coming quarter?
- Ravi Jhunjhunwala:** In fine prints, if you see the tariff, how it is applied, there is a provision that, let us say, I am just giving you an example, if you are selling electrodes to somebody in America at X-dollars, and if you are buying your raw material or anything from America for Y-dollars, so that the value of Y-dollars will be reduced than the X-dollars. So, for duty calculation, they are exempting the portion of the cost that you have already imported from the US. So, whatever is the selling price of electrode, that portion will be reduced. So, to that extent, you save the duty. And now that duty has come down from 50% to 18%, we are quite alright. I mean, of course, if this was the case of 50%, then it will have a severe hit on our bottom line. But, with 18%, of course, it will hit the profit, but it is not going to be significant.



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**Amit Lahoti:** Okay. But even with the duty hit, which was clearly there for the third quarter in entirety, and given that the performance of our peers like Graphite India and GrafTech, it has been affected by prices, our performance has been pretty resilient. So, to that extent, how much of the tariff impact goes away now, if we can quantify that bit?

**Ravi Jhunjunwala:** You know more or less how many tons we are selling in America, you know more or less the price. And I gave you the formula, if you are importing something from the US, that is exempted. So, 18% is still 18%, but that number is not staggering. I mean, of course, it will hit the bottom line to some extent, but we can very easily absorb that. We are a long-term player, we are not looking at next 12-months only. I mean, we do not want to vacate the market just because there is a duty.

**Amit Lahoti:** Right. And then just one housekeeping question is on other expenses. There is a positive delta sequentially with cost reduction in other expenses. So, what exactly is it coming from? And then is it sustainable going forward?

**Ravi Kant Tripathi :** In other expenses, as compared to previous quarter, it is reduced mainly because of the slightly sales reduced. In that proportion, the selling cost is also reduced. That is why the other expenses is lower than the previous quarter.

**Manish Gulati:** Yes, because you are selling also as a cost by way of commissions and all that. So, as you can see, the reduction in top line, there are slight less volumes is translated into sale. And that is what you see the corresponding difference in the other expenses also.

**Amit Lahoti:** Thank you.

**Moderator:** The next question is from Satyan Wadhva from Profusion Investment Advisors. Please go ahead.

**Satyan Wadhva:** I have two questions. One, like you were talking about China, so, how competitive are their prices versus ours, and what is their cost structure like, I am sure you would know? And secondly, how are the contracts for needle coke structured? So, if tomorrow electrode prices were to go up 20%, would the needle coke companies try and claim their pound of flesh or is that a contract linked to oil price?

**Manish Gulati:** See, the needle coke is being contracted quarter-by-quarter, and it is a process of two months for making an electrode. So, whatever we book in the market, we make sure that the cost of that required needle coke is already locked. If the prices go up and down, so, we do not take a hit. So, that is, let us say, generally, we would like to take a call for more than six months. But yes, some markets we can. So, that we take care of making sure that the cost is frozen. We know it exactly. Of course, when prices go up for everybody, then the graphite electrode industry will make money, of



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course, needle coke suppliers will not be left behind, they will also increase. But first, it has to come from the market. First, electrode prices have to go up.

**Satyan Wadhva:** Right. I am really just trying to understand, like, the last cycle that happened in 2017-18, right, when electrode prices just shot up, then needle coke lagged quite a lot and then they kind of went up. So, you had this supernormal margins for a little while and then they compressed because needle coke prices shot up despite oil prices?

**Manish Gulati:** So, supernormal margins came for the simple fact that this is the kind of product we have which takes two months to make, so, there are certain inventories in the system, certain finished goods, certain work-in progress, certain raw material waiting because it is all getting imported coming from outside India, something on high seas. So, when electrode prices suddenly shot up, we did get a question. And it worked the other way around. Two years later, when the electrode markets fell, everybody in the graphite industry had to take a big NRV hit. That was the nature of the product.

**Satyan Wadhva:** Okay, understood. And what about the Chinese UHP makers? Like, in the last cycle, they were not really doing any UHP. So, now they have got into the UHP market. How competitive is that cost versus our cost in India?

**Manish Gulati:** See, I mean, no one else outside China has been able to really explain how Chinese price their products. Because if you sit with a piece of paper, it does not work out for any product. So, we cannot help it. We can just speak for ourselves that we are a competitive company, a large plant, and we have all the wherewithal, the quality, the customer base, the costing, and we can fight it out.

**Satyan Wadhva:** Okay, fair enough. All right. Thank you.

**Moderator:** The next question is from Rohit Prakash from Marshmellow Capital. Please go ahead.

**Rohit Prakash:** Thank you for the opportunity. It is a fantastic set of numbers. And I always enjoy your calls, given how detailed and how patient you answer all our questions. So, my question is on the steel capacity that you mentioned is coming up in Europe and US over the next five years, right? I am not able to reconcile that data with the current capacity utilization there. So, the capacity utilization of steel is, I believe, between 50,000 to 55,000 right now, which means you have a lot of capacity lying idle. And even though new capacity will come and the numbers that we are discussing is, let us say quite large in context the current capacity already there. We are talking about 10% to 15% capacity coming. But where will the demand come from, right? Without the steel demand coming through, we will not be able to utilize the incremental electrode capacity also or the incremental electrode demand would not come. So, the capacity addition is fine, but it is coming at a time when the utilization itself is low. So, how sure are we of the utilization for the new capacity and the existing capacity is a question that I am not able to reconcile with the capacity coming on line?



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**Ravi Jhunjhunwala:**

No, it is pretty clear. I will tell you what it is. I mean, basically, what is happening is, and as a preamble to that, see, the same steel which is produced through electric arc furnace and the same steel which is produced through the blast furnace, the carbon emission on the blast furnace steel is between 4-5x of the same steel which is produced through the electric arc furnace. So, now, for the last three, four years, ever since every country in the world, is concentrating very strongly, very seriously to reduce carbon emissions. So, there is this huge movement, which is happening for the last two, three years, and in which context I just said that about 20 million tons of steel capacity through electric arc furnaces that has come up in the last 12 months in the calendar year 2025. Another 50 million tons to 60 million tons are on the way between now and 2028. So, these are not additional capacities. So, they are coming in place of blast furnaces, because a country like America will not allow you to produce steel in huge volumes where the carbon emission is 5x compared to the same steel produced through electric arc furnace. So, they are replacing the old blast furnace route through the electric arc furnace. So, we are not saying demand of steel is going to go up by 2 million tons, 3 million tons. We are talking of demand of electrodes going up, because there will be more electric arc furnaces which will be replacing the existing blast furnaces.

**Rohit Prakash:**

So, do you mean to say that with this capacity addition that is coming for electric arc furnace across the western world, we are seeing an equivalent capacity of blast furnace shutting down as well, is it?

**Ravi Jhunjhunwala:**

That is exactly what is happening. If you go through some communication and on the websites of some of these companies like, let us say, ArcelorMittal, I do not remember the exact number, but they are doing exactly this. They are closing the blast furnaces and replacing them by the new electric arc furnaces, because there is a big carbon tax that every steel company has to pay to the government as a penalty if you keep polluting the atmosphere 5x more by producing that steel through blast furnaces. So, the steel capacity is not increasing but equivalent amount of blast furnace steel is being closed.

**Rohit Prakash:**

Understood. Okay. So, that was helpful, sir. And, I mean, given your exposure to the western steel companies, do you have any commentary on, because in your initial commentary you talked about how Chinese steel production is coming down, but the exports have gone up significantly, so, how do they see this anti-involution campaign that is happening there, do they see their impact and is there any thought on how that might evolve over the next couple of years?

**Manish Gulati:**

Can you repeat that?

**Rohit Prakash:**

So, over the last four years, we have seen the Chinese steel production coming down, but we have seen the exports go up over the last few years. So, in your conversation with your current customers, I mean, there is talk of anti-involution going on in China in terms of curbing destructive



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price reduction and you can see the impact in the chemicals. Is there any clarity on if you see export production or pricing improvement of steel coming from China?

**Manish Gulati:**

Okay. Now, I have clearly understood. You see that the last five years, the production has declined by 7.5% in China. The problem is, as you keep hearing in the news also and reading everywhere, that the housing demand has gone down a lot, that real estate consumption of steel has gone down. So, despite a reduction in their production, their exports have gone up by 78% from 67 million metric tons to 119 million metric tons, which are a record high. Now, about the destructive pricing, etc., you see, like, for example, US has a duty, you know that Sec. 232, they have a severe duty on Chinese steel. Now, EU has introduced a CBAM. So, a lot of this Chinese steel was finding its way into EU. EU was importing almost 27 million metric tons and obviously, most of that was blast furnace-based. So, if they put that additional carbon tax on that, to that extent, they will protect their EU industry. Similarly, there is some duty on Chinese imports into India. So, the other countries, when they are seeing low-priced steels hitting their own domestic industry, they are, of course, raising their safeguards in whatever way possible, like a Sec. 232 in US, like a CBAM in EU, like something like a Safeguard in India. So, I mean, whatever, we cannot say, but so far, we have not seen this destructive or the word which you use, involuntary, we have not seen that in steel, but yes, we are, of course, observing how each country is trying to protect their own industry from the onslaught of Chinese steel exports.

**Moderator:**

Next question is from Vijay Kumar from Immersion Learning Limited. Please go ahead.

**Vijay Kumar:**

All my questions are answered. Basically, I wanted to ask something about company's interest to increase its stake in GrafTech, since Graphite is also having some stake in the company. Any view on that?

**Management:**

Can you repeat your question, please?

**Vijay Kumar:**

So, it is basically about GrafTech. We have some stake. Do we plan to increase since the prices come much lower? And even Graphite has taken some stake in that company since the prices crashed way off. Is there any scope of increasing the stake? Well, it is much cheaper.

**Puneet Anand:**

So, essentially, an investment committee takes the decision on these investments. Beyond that, we cannot discuss anything on it.

**Vijay Kumar:**

Sure. Thank you.

**Moderator:**

The next question is from Manan Poladia from MKP Securities. Please go ahead.



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**Manan Poladia:**

Hi, sir. Thank you for the opportunity. My question is on the graphite anode business. I think in the last call for the demerger, you had referred to some margins based on power costs and you had spoken about our power cost being significantly better than our competitors globally. I was wondering if you could throw some color on that and provide some clarity. I think that would be great, sir? Thank you.

**Riju Jhunjhunwala:**

So, hi, Riju this side. So, last time we had spoken in detail about that in the anode project, almost 30% of the cost is power cost. And the state government of MP has given us a real good deal in which our power prices will remain significantly probably lower than Rs.5 for at least five years from today. So, that itself, I mean, we do not see anywhere, whether it is China or anywhere else in the world, where you would find cheaper power than this today. So, that should be a good advantage to us. And that power subsidy for us starts from the day of commencement of operations, not from today. So, we will have a good five years to take advantage of that. Less than Rs.5.

**Moderator:**

The next question is from Rohit from iThought Portfolio Management. Please go ahead.

**Rohit:**

Yes, just one question. So, what is the peak utilization that we can do in terms of the capacity -- is it like 100% or I mean, what is the practical peak that we can do from the current capacity of 100,000 tons?

**Ravi Jhunjhunwala:**

I mean, obviously, theoretically, everybody can go to 100,000 tons. But you see, it is a very complicated technology. And that is the reason that our plant was established in 1976, exactly 50-years ago. And there has not been a new Greenfield plant of this product anywhere in the world except China. So, the technology is very, very complicated. And just to give you a feel of what the complexity that you are talking about, the minimum time that you take to produce a small size electrode, low grade electrode is five to seven weeks, and the longest time that you take is as high as five to six months. And so, that is the complexity of the technology. So, if you are producing something where the process is like two to five or six months, anything goes wrong on any particular day on any of the five or six different processes that we have to handle, it becomes a scrap. And that is the only reason that there has not been any new plant in the last 50-years.

**Manish Gulati:**

I just want to add one point here, that you see 100,000 tons, of course, can be made. But sometimes you do not get the ideal, the product mix you like from the market. Of course, if I limit ourselves to reduce a couple of sizes, we get of course 200,000 tons. But just to answer your question or try hazarding a guess, because I am also going to see next year, how far we can push ourselves. But probably 94, 95 might be, in real working conditions, that is I think, but we have to try, we are already at our 90-level. Now, we will see how far we can push ourselves to 94 or 95, subject to a certain product mix.



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**Rohit:** Awesome. Thank you very much. This is very helpful and all the very best for the coming year.

**Moderator:** Thank you very much. We will have to take that as the last question. I would now like to hand the conference over to Mr. Jhunjhunwala for any closing comments.

**Ravi Jhunjhunwala:** Thank you, friends for joining us on this call today. It has probably been the longest call in the last two, three, four years and a lot of probing questions, and all of you seem to be extremely well informed about this industry. So, thanks a lot and I look forward to meeting and speaking to you once again in three months' time. Thank you.

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