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22nd November, 2021

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Sub: Q 2 FY22 Earnings Conference Call Transcript

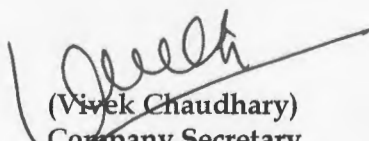
Dear Sirs,

With reference to captioned subject, we hereby enclose the transcript of conference call regarding Q2FY22 results which was hosted by the Company on 12th November, 2021.

Kindly take the above information on record and acknowledge the same.

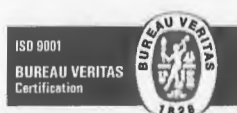
Thanking you,

Yours faithfully,
For **HEG Limited**


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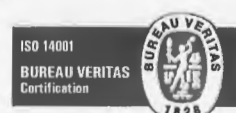
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Corporate Identification No.: L23109MP1972PLC008290



“HEG Limited Q2 FY-22 Earnings Conference Call”

November 12, 2021



MANAGEMENT: **MR. MANISH GULATI – EXECUTIVE DIRECTOR, HEG LIMITED**
MR. OM PRAKASH AJMERA – GROUP CHIEF FINANCIAL OFFICER, HEG LIMITED
MR. GULSHAN SAKHUJA – CHIEF FINANCIAL OFFICER, HEG LIMITED

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



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Moderator: Ladies and gentlemen, good day and welcome to HEG Limited Q2 FY22 earnings conference call. As a reminder, all participants lines will be in 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 this conference is being recorded. I now hand the conference over 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 is 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 limited. We have with us Mr. Manish Gulati - Executive Director; Mr. Om Prakash Ajmera - Group CFO; and Mr. Gulshan Sakhujja – CFO.

We will have the opening remarks from Mr. Gulati, followed by a Q&A session. Over to you, Mr. Gulati. Thank you.

Manish Gulati: Yes. Friends, good afternoon, and welcome to our Q2 financial results call for the year 2021-22. As you can see, this quarter's profits were higher than the previous quarters and among the best in the industry. Thanks to strong global steel demand was through steel output increased by 7.9% in the first nine months of this calendar year, including China, while steel production in the rest of the world, excluding China increased by 15.5%.

If we compare China's steel production of quarter two with quarter one, there has been a steep decline in steel production from 292 million metric tons level 244 million metric tons, which is 49 million metric tons lower. This is due to their drive to lower carbon emission levels. And moreover, from November, they will be having winter cuts where they are supposed to be cutting 30% of their production.

This will result in reduced Chinese steel exports, enabling the rest of the world to make more steel, as you know 47% to 48% of which is from the electric arc furnace route, where graphite electrodes are used. In fact, if you look at the monthly production of China, the September was probably the lowest monthly production in 33 years, and October registered even 3% lower than September.

Coming to our country, Indian crude steel production increased by 23.3% for the nine months January to September this year, compared to the previous year. Despite the second wave of COVID-19 Indian steel industry performed exceptionally well in the last two, three quarters with very high-capacity utilization, and record margins. According to WSA's latest short-range outlook steel demand would expand by 4.5% in 2021, reaching 1185 million metric tons, up from 0.1% growth in 2020.



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And further steel demand is expected to increase by 2.2% to 1,896 million metric tons in 2022. In comparison with the last quarter's results HEG's performance this quarter was much stronger, supported by improved global demand for graphite electrodes and firming up of prices. In Q2, FY21-22 electrode prices improved for both UHP and non-UHP grades, and we expect them to keep strengthening in the following quarters.

Our high-cost inventory of electrodes as well as high cost needle coke have all been liquidated. As we talk, the needle coke costs are also rising in tandem with electrode prices and the scarcity of needle coke due to increased demand could keep supply tight for the foreseeable future. Our ongoing capacity expansion from 80,000 tons to 100,000 tons is in full swing.

And we hope to be in the market with these new products by end 2022 or early 2023. This will bring our capacity under one roof to 100,000 metric tons, which is almost 40% more than the next largest plant. With our four decades of experience in business, we expect to be a supplier of choice to our global and Indian customers. And with this, I will now hand over the floor to our CFO, Mr. Gulshan Sakhuja to take you through all the financial numbers. And then we will be very happy to answer any queries that you have. Over to you.

Gulshan Sakhuja:

Yes, thank you, sir. Good afternoon, friends. I will now briefly take you through your company's operating and financial performance for the quarter and a half year ended 30th September 2021. For the quarter ended September 2021 HEG recorded a revenue from operation of Rs. 518 crores as against Rs. 414 crores in the previous quarter, and Rs. 323 crores in the corresponding quarter of the last financial year. Revenue for the quarter saw an increase of 25% on QoQ basis, while it witnessed an increase of 60% in comparison to the corresponding quarter of the last financial year.

The upswing in the prices have led to the encouragement in the performance of the quarter. During the quarter ended 30th September 2021, the company has delivered an EBITDA including other income of Rs. 167 crores in the quarter as against Rs. 94 crores. The company recorded a net profit after tax of Rs. 113 crores in the quarter as against Rs. 56 crores in the previous quarter and against a loss of Rs. 34 crores in the corresponding quarter of last financial year.

Further during the quarter ended 30th September 2021, the rates and the other guidelines have been notified under the remission of duties and taxes on exported product scheme wide notification dated 17th of August 2021. Accordingly, the company has accrued the benefits amounting to Rs. 4.85 crores under the aforesaid scheme on the eligible export sales for the period from January 1 to September 2021. Out of which Rs. 3.24 crores pertains to the eligible export sales for the period from January 1 to June 30, 2021.



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The expansion plan that is increasing the capacity from 80k to 100k is going on a full swing. There was a few months delays due to COVID, and we expect the expansion project to be completed in the quarter, October to December 2022. And we will be ready with the commercial production from early 2023.

The company is a long-term debt free and having a treasury size of nearly Rs. 1,500 crores as on 30th September yielding an average return of approximately 5.5% per annum. Now, we would like to address any questions or queries you have in your mind. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, if you could tell what is the capacity utilization in this quarter from that 80,000 tons?

Manish Gulati: 90% it has been for Q1 as well as similar for Q2.

Pritesh Chheda: Okay. So sir, I was just doing the math, because I was actually doing at 100% only. We are at about let us say \$1,000 EBITDA type number. We have fond memory of this industry even recording, you know, for few quarters in excess of \$5,000 not now, but in that golden period of 18, right?

I just wanted to understand the dynamics of the industry then for recording those kinds of EBITDA and dynamics of the industry now, and do you see upside to this \$ 1000 EBITDA which you are recording and how has the business working changed, because that was a phase where we gained on prices with stable needle coke, then came a phase where we booked all the needle coke. So, there was a phase of, you know, operational losses.

And now how in the cycle is the business being done? So, if you could help us understand this part?

Manish Gulati: Yes, sure. Let me distinguish between those times and these times. In those times you will recall in early 17, the preceding six years were actually quite bad for the industry where margins were under pressure and there was excess supply in the market and less demand due to which about six major plants have closed down in the Western world.

So, by the time we came to early 2017 the demand and supply of graphite industry were all quite balanced. And then came a sudden shocker from the Chinese side that they put an immediate clamp down on their polluting steel industry, the blast furnaces, etc, and their steel exports to the rest of the world declined from a level of 112 and within two years they were at a level of 60



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million metric tons. So, that is a huge number. I am just to emphasize what that number that is, Indian total steel production is 112.

So, suddenly 60 million metric tons going out of the market actually made the rest of the world make more steel. And rest of the world makes 48% of the steel through the electric arc furnace route. So, there was a sudden spurt in the demand of graphite electrodes that came so sudden that the graphite industry was not ready to cope up with that.

So, by the time, everybody turned out extra production incrementally, the market was on fire. See for a steel company, electrodes are just 3% of their cost. So, nobody wants to take a risk of, you know, losing out on their steel production, just for electrodes. So, everybody tried to in the later months, everybody tried to stock up more than what they needed, which is, and you know, a company, let us say, in Middle East, a company which was happy working with two months of physical stock of graphite electrodes at that plant, knowing that region does not have any electrode plant s suddenly wanted to have six months stock.

So, everybody stocked more and more and more. There was a fear psychosis in the market and the prices shot up like anything from a level of let us say \$2,500 to a level of \$15,000 happened in a matter of just two, three quarters. And everybody overbought, and then there was a period of correction, which followed later.

And then by the time before the inventories got over the COVID thing struck. So, the inventories took a little more time to liquidate. There was so much of excess material in the supply chain, that it took a while, almost year-and-a-half or two years for that to correct. And that is what you saw in our results also that we had two bad years or rather six bad quarters, trying to, live with those high costs inventories, revaluing them. Now the times are quite different than before.

Now, the times are such that we are getting a real demand from the world. After all these corrections after there is no excess inventories of electrodes, either with customers nor with manufacturers. Now, it is a more stable regime, that we are actually catering to the real demand coming in the world whatever 2% / 3% electric arc furnaces growing. Also in the past two, three years, the clampdown on carbon emissions is increasing more and more, and China is continues to be very serious about it.

I mean, as I said in my opening remarks, the September monthly production of China is the lowest in 33 years. So, this is like making history because they are truly clamping down on their production. What will be the benefit of this for the other rest of the world is that their steel gets consumed domestically, so they would not have steel to export. In fact, they are discouraging export by taking out the VAT and even thinking of putting export duty on some of the grades of steel they export.



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So that bodes well for the rest of the world because rest of the world can make more steel through electric arc furnace. Also in China, they continues to give emphasis on more and more electric arc furnace steel production which is right now at a level of let us say 12%. And we expect in two, three years; three, four years maybe it has to go to a level of 20% And anyways, the scrap generation in China is also increasing.

So, these times are different than those times because those came a bit too sudden while this is more stable. Now, this is a much better scenario, than that all the graphite companies like ours, have almost reached the level of 90% capacity utilizations. So, this is more stable than before and prices are firming up quarter by quarter. That is how I look at it.

Pritesh Chheda: Okay. But as the industry of electrodes supply is now kept up with the pace of supply additional capacity or there is no additional CAPEX?

Manish Gulati: In the Western world, right now, as I just said that I think all of the graphite industry is already at a level of 90%. We are doing an expansion of let say another 20,000 tons. There is no other capacity announcement which has come by other than China. China as you know has lot of graphite companies making mainly non-UHP electrodes. So, they are there but UHP supply tightness has now started to happen among the graphite supplier in the Western world.

Pritesh Chheda: Okay and format of doing business, earlier we had to book needle coke for a slightly longer supply. And hence we saw also that one year and even in this call, you first mentioned that you have exhausted the old price needle coke, last call also you mentioned, right?

Manish Gulati: Yes.

Pritesh Chheda: So, now how does the business work? We have a more back-to-back way of pricing needle coke and pricing electrode that is a three-monthly basis. Then there is a spread always in mind, is that the way of doing or we still have to go the old way?

Manish Gulati: No, we are electrodes people as well as the needle coke people are working quarter by quarter. If we have a customer asking for, let us say a yearly price, we are unable to give a yearly price. So, I just count what we have in stock, what is in the transit, what we have booked. So, we always know our cost.

So, we are booking business quarter by quarter, and needle coke is also available quarter by quarter. But we always know our costs. We know the spread.

Pritesh Chheda: Okay. Can you comment on the spread now? What were they running?



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Manish Gulati: It is not difficult for you to make some rough back of the envelope calculation, but I will not give in a number, please.

Pritesh Chheda: No problem, sir. But do you think that the spread will be more consistent now? Unlike last time, which went through a haywire?

Manish Gulati: Yes. Because this is what I completely believe that the spread in at least in the next two quarters, which I can foresee where we have an order book also and we know what is the needle coke price so both the spread should be consistent. But again, I am talking about only two, three quarters ahead, not more than that.

Pritesh Chheda: So, you see a upside to this \$1,000 EBITDA, which is reported, \$1,000 plus EBITDA, which is reported in this quarter basically?

Manish Gulati: No, I will not say in dollar terms, I would rather say the margins, which you are seeing are going to be. You will see similar margins in the next two, three quarters. Reason being that all the costs are simultaneously going up. It is not only about needle coke, it is about pitch, it is about metallurgical coke, it is about freights, fuel, everything.

All the costs are going up. And having said that, if we say that we are able to have, maybe we expect similar margins, that means at least we are able to take care of all the incremental costs from all other materials.

Pritesh Chheda: And sir, this 80,000-ton capacity, you can use that 80,000 higher than 80, or lower than 80?

Manish Gulati: See this 80,000 is under certain conditions that we use, I mean, we make certain products, certain size of products, it is like an ideal thing.

It is like a nameplate capacity, it is like saying a car would have an average of such and such under such and such condition. Of course, 80,000 is the real capacity we have. But when we work with all different grades, different sizes, catering to all kinds of demand, usually 90%, 92%. And that is what you will probably see with every graphite company.

Pritesh Chheda: So, you are saying about 90% to 92% of the rated capacity is what we use?

Manish Gulati: Is you can stretch it to provided you are taking care of all the variables of the product mix. See I have a product mix, it is not ideal to me, if I would have the right product mix exactly the sizes I want to make. And this happens because globally market also is like that, you know, if they are the electric arc furnace, we are also making some sizes for the ladle furnace for our years old customers who still want to buy the small sized electrode from us.



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So, it is but once you have a product mix, which is ideal, of course it is possible.

Pritesh Chheda: Okay, so I will just clarify, I got confused here. You can operate at 90% to 92% comfortably, but even 100% utilization, which is generating 80,000 tons output is possible. That is how you are putting, right?

Manish Gulati: It is possible, but it has certain, you know, fine print to it that I need to be making certain sizes more than the others. But if you want to cater to the market, your customers, your loyal customers who have been with you for 25 to 30 years, I cannot choose to make the sizes I want to because of plant capacity.

Pritesh Chheda: Which means you are running at optimal capacity as of now?

Manish Gulati: We can say that 90. Maybe we stretch it to 92 but that is where you know then those ideal situation comes at.

Moderator: Thank you. We have next question from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Sir, my first question is regarding China. You know, last quarter Q2, we saw power cuts in China. How do you see the entire situation evolving, and also impacting our demand versus pricing in the other global countries?

Manish Gulati: See what is happening in China, Sonali, you guys would know better than us. It is all in a state of turmoil. Now how it impacts HEG is just talk about graphite, and HEG. We are not supplying to China. All we are worried about all we are keep tracking is what is China's effect to the rest of the world? Like how much steel are they exporting? How much electrode are they exporting or importing? That is also, that is what we care about. You know, per se, we do not have any customers in China as such.

Sonali Salgaonkar: Right. So, I was asking from the indirect impact point of view. So, for example, if the EAF production in China starts scaling down due to power, how do you see the supply situation evolving in graphite electrodes?

Manish Gulati: See right now it is actually otherwise that we are seeing a lot of inquiries coming in from rest of the world for non-UHP, they are asking for non-UHP, so that somehow if we talk about electrical power cuts, then their graphite industry is impacted more than the electric arc furnace industry, because graphite is very power intensive.

In fact it is actually working out to be the other way. So, the power cuts are hurting their graphite industry also, other than the electric arc finance.



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Sonali Salgaonkar: The second question is regarding the demand, how are you witnessing the demand scenario in the rest of the world? You know, especially in Europe, or Middle East or US, and what is the current situation of the inventory? Are we at near normal inventory right now?

Manish Gulati: Sonali, I was answering the second question first. We are working at actually record low levels of inventory. We may not give a number but Yes, it is less than normal. I mean, the order book, the demand is good. We are seeing demand from US, from Europe, from Southeast Asia, virtually everywhere globally, steel industry is doing well. And you can see their margins for steel industry in India as well as globally. So, our inventory levels are pretty tight.

Sonali Salgaonkar: Sir, my third question is on the pricing. I understand you do not disclose the absolute pricing. But would you be able to articulate the quantum of price increase that we had in Q2? And how much do you foresee in the coming quarters? Just an approximate estimate could also do.

Manish Gulati: Yes, that I can do. Let us say Q2 versus Q1 let us say. I am just giving ballpark figures. We are talking in terms of 20% price increase Q2 over Q1. Going forward, we are able to see 8% to 10% price increases quarter by quarter.

Sonali Salgaonkar: So, 8% to 10% in Q3 over Q2, is that right?

Manish Gulati: Yes, and Q4 over Q3.

Sonali Salgaonkar: And my next question is regarding the capacity utilization. You did mention 90% utilization this quarter. Sir, how much was this last year same quarter and what is it currently even currently we are at 90 Plus as we speak in November?

Manish Gulati: Yes, we are consistently at 90% right from the last quarter of last year. So, since then we have been at 90% level. And for the next Q3 and Q4 also, we expect to be at 90%.

Sonali Salgaonkar: And how much was the utilization same quarter last year?

Manish Gulati: Same quarter last year was 70%.

Management: Yes, approx. 70%.

Manish Gulati: 70%

Moderator: Thank you. We have the next question from the line of Veeral Gandhi from Ninety One. Please go ahead.



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Veeral Gandhi: I have got three questions. And the first is about coal. So, I had read that in October, many power plants in India had less than eight days of supply. What was the impact on your production? If there are, where there is loadshedding? And do you have anything in place to mitigate the risks around that?

Manish Gulati: Okay, so let me answer this for you. See, there was a lot of news everywhere that India is working with like four days of stock, three days of stock. But later, I mean, it was we did not see the impact anywhere. I mean, there were no load shedding, etcetera. And I think Coal India has done a wonderful job by ramping up production, that is why I think the government prevailed upon Coal India to push their own domestic supplies.

So far as we talk, we did not see any kind of load shedding not to the industry, not to residential. So, I mean, that is about it. And the way it has been proceeding since the last one month, the shrill of this coal shortage have gone down, and industry is working normally.

Veeral Gandhi: Do you get your all your power from the grid? Or do you have your own captive power plants?

Manish Gulati: We have captive power plants, which are also coal based, but we are not running them now for the past one year. We have 70 megawatts connection. And we are taking all the power from the grid from the state electricity board, like we say it in India.

Veeral Gandhi: Okay. All right. And the second question was, I saw that the spot price for electrodes in China fell from May this year to the end of September, and then rose sharply from that point on. Do you have any thoughts on what caused that movement?

Manish Gulati: Sorry, I did not get the last few words. You said I heard about China that prices shooting up after September 20? What is that you wanted to ask?

Veeral Gandhi: What caused that? What caused the fall from May to September, so there was a fall in the spot price from May to around September and then in September, it shot up very sharply back to the previous highs. And it was quite an interesting dynamic. I am just I would if you have any clues as to what caused that would be helpful?

Manish Gulati: Really the way Chinese have been working is demand and supply is very short term. There you see more spikes from their side. So, I mean, I really do not know why they had to go down to those crazy price levels in the 20s. And also, I would you can relate it to the steel industry capacity utilization and steel demand also. From October 20 you are seeing consistently, you know, rising production of steel companies and improving EBITDAs.

So, that is a time the April the period you are mentioning of April to September 20 even steel industry was not doing as good. Steel industry started to pick up only after October 20.



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Veeral Gandhi: Okay, great, thank you. And the last question I had was, I had read about the use of graphite electrodes in electric vehicle batteries. There is a Chinese company that produces this product. To what extent can production of electrodes for electric arc furnaces be converted to an electric vehicle battery or are they entirely separate markets?

Manish Gulati: These are separate markets, separate products. Now graphite electrode the primary use of that is in steel s-melting. Now the generic is graphite. So, what lithium battery they are using is an anode. In a cell there is an anode and anode is nothing but a graphite powder. Yes, it is graphite, but it is processed differently.

And anode can be made from 2, 3, 4 precursors like a natural mined graphite, like a pitch coke. And so, sometimes people do mix the two things that probably it is the same thing, but it is actually not the same thing. But yes, generic is graphite, but for anode the process is very different that product is very different from the graphite electrode which are used by steel companies.

Moderator: Thank you. We have next question from the line of Manish Sonthalia from Motilal Oswal Asset Management. Please go ahead.

Manish Sonthalia: Two questions. What is the situation of our Iranian exports? And second is if domestic production in China of steel is coming down, what are they doing with the graphite electrode capacity currently? Are they dumping it worldwide or how is the situation out there?

Manish Gulati: See, China the main production, as you know, 88% is from the blast furnace side. And only 12% is from the electric arc furnace side. So, even they are coming down actually. It is blast furnace side is impacted more than the electric arc furnace. Now, what they are doing with their electrodes? I would say, right now, the way power cuts are going on, even their graphite electrode production is impacted. About your first question, the Iran thing. No, we are not exporting anything to Iran, due to ongoing sanctions from the US side. It used to be a very good market for us.

But for the last two or rather three years, more than three years, there have been absolutely nil supplies to Iran. But maybe if sanctions are lifted, we might resume.

Manish Sonthalia: Okay. Just a follow up on the graphite capacity in China. So, with power cuts, etcetera are you seeing really Chinese exports of electrodes increasing over the last quarter or two?

Manish Gulati: No, not at. Rather I think I have a feeling from the market that the exports are actually coming down since the last quarter the export of graphite electrodes. But maybe when the data emerges from China, we will have a look at it. But right now, the feel I have from the market because I am in touch with customers on a daily basis.



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So, it seems to me that more inquiries are coming to our side for the sizes, for the non-UHP grade, which was earlier supplied by Chinese.

Manish Sonthalia: So, customers are now preferring more of UHP as opposed to HP?

Manish Gulati: No, I did not say that. It is not about UHP versus non-UHP. See we also have a certain product in our product mix, we also make about 30% non-UHP. So, the customers, our customers are aware that HEG also makes some non-UHP products.

So when they are not getting supply from China, they turn to HEG to ask if we have some availability. That is how I get a sense that let us say x, y or z customer, who was not checking with us for the non-UHP, suddenly they start checking with us or sending enquiries gives us an indication that probably they are unable to source it from China.

Manish Sonthalia: And just an additional question. What is the price difference between let us say an HP and a UHP for similar data? I mean just about, not the varying numbers but just what is that?

Manish Gulati: Actually it varies year-after-year, quarter-by-quarter because both have different costs in the sense. Here we have to use only needle coke and for the non-UHP we use Indian regular coke.

So, it depends upon their pricing and mostly non-UHP; UHP pricing is driven by the UHP demand in the world and what other graphite industry is doing. Non-UHP is mainly driven by how much supplies are coming out of China and their pricing. So, accordingly we have to price our products.

So, if you ask me singly what is the difference between the two? Then you know, it varies.

Manish Sonthalia: I just wanted the difference in prices for similar diameter. So, it can give some idea about the demand supply situation basically on the China side? If the gap has increased significantly or they compressed or is it stable?

Manish Gulati: I mean it varies from which point in time. Okay, if I have to answer this, let us say if I have to answer this today, what is the difference between UHP and non-UHP? I would say anywhere between \$1,500 to \$2,000 or something like that, but because the two different products are irreplaceable I mean you cannot use a non-UHP in place of a UHP.

Manish Sonthalia: I was just referring to the last cycle when we saw very steep J-curve in graphite electrode prices. At that point in time the UHP and the non the demand was so strong, the UHP and the non-UHP prices converged literally.

Manish Gulati: Literally converged, correct.



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- Manish Sonthalia:** So right now, that gap is standing at \$2,000?
- Manish Gulati:** No, I mean, it again, which point in time three months later you ask this question, I will give a different answer?
- Manish Sonthalia:** I have just given the point in time. Currently as we speak
- Manish Gulati:** Okay, if you are being so specific then let me hazard more accurate guess for you. Around 1,000 I would say \$1000, \$1,500; not \$1,500 to \$2,000; \$1,000 to \$1,500.
- Moderator:** Thank you. The next question from the line of Ravikant Aruna, an investor. Please go ahead.
- Ravikant Aruna:** Hi, I am Ravikant speaking. I am a retail investor, so I fairly lesser knowledge in this area, but I did my research a little bit. So, out of the points that you spoke, what I would like to know is you said there are power cuts in China that the production with the power cuts or whatever the production of graphite includes and also the steel making has reduced. And then there is we all know that China is one of the largest producer of the graphite electrode.
- So, will that reduction in supply costs any imbalance or increase in demand in the rest of the world, which could mean to say the other regions like Europe, US and the other Asian countries, this could propel the demand for the graphite electrode?
- Manish Gulati:** See what we are seeing I was mentioning we are seeing inquiries coming in for non-UHP electrodes also. UHP Of course they are coming. But non-UHP also from places like Europe. Europe has recently announced the anti-dumping duty against Chinese. That is one reason but even in other parts of the world, we are seeing more enquiries coming for non-UHP also. Those customers who are probably taking from Chinese earlier.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Gulati for closing comments. Over to you, sir.
- Manish Gulati:** Yes, thank you so much friends for attending this conference call. And we hope that the under times to come will be better than this and the demand for steel and electrodes will continue to grow. We look forward to meeting you in our next conference call. Thank you so much.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of SKP Securities Limited, that concludes this conference. Thank you for joining with us and you will now disconnect your lines.