HEG/SECTT/2023 20th November, 2023

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

Sub: Transcript of Earnings Conference Call on Q2 FY24 of HEG Limited

Dear Sir/Madam,

Please refer to our Earnings Conference Call scheduled on 16th November, 2023 intimated vide our letter dated 10th November, 2023. 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
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Encl: as above

"HEG Limited

Q2 FY'24 Earnings Conference Call"

November 16, 2023

MANAGEMENT: **MR. RAVI JHUNJHUNWALA – CHAIRMAN, MANAGING DIRECTOR AND 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 AGARWAL – HEAD INSTITUTIONAL EQUITIES – SKP SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to HEG Limited Q2 FY '24 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Navin Agarwal: 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. 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; 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, Raviji.

Ravi Jhunjhunwala: Thank you, Navin -- and welcome to our financial results conference call for the second quarter '23-'24. As per World Steel Association's data, the steel production in the world outside of China went down by about 3.7% between the second and third quarters of this calendar year and by about 2% in the first 9 months of 2023 compared to 2022.

The global economic uncertainties continues to limit steel demand and consequently steel production. However, India has registered a significant surge of about 11.6% in steel production in the first 9 months of current year. Simultaneously, the Middle East and Africa have also witnessed a modest upswing of 1.2%, whereas North American steel production reduced by about 3.3%, Europe and Turkey by about 8.8% and a whopping 10.1%.

Persistent low domestic demand within China has resulted in increased Chinese steel exports outside. This trend is expected to exert ongoing downward pressure on production, particularly in Europe and US and obviously, a little bit elsewhere also.

The World Steel Association has revised their earlier projections downwards for steel demand in 2023 and 2024 in EU by 5% and in US by 4%. In our last call, we talked about steel industry alone accounting for about 7% of the total global carbon emission in the world and around 23% of total industrial carbon emissions.

The Western world, especially the US and the Western Europe are making serious efforts to decarbonize the steel industry in the near future, while some other countries have also started announcing, establishing new electric arc furnace. As we mentioned last time, the steel produced through blast furnace emits about 4x more carbon than the same steel produced through the electric arc furnaces. And this is giving rights to more and more new greenfield electric arc furnaces plants being set up all over the world, mainly in the US and Europe and more recently in Turkey and in the Gulf countries, where a large majority of steel is even currently produced through electric arc furnaces.

We have seen announcements of over 85 million tons of such new electric arc furnace capacities in just the last 12 to 15 months' time, which has never been seen in the past. We continue to track and see more and more such announcements practically every month. The world steel production through electric arc furnace minus China, which used to be around 44% in 2015, has now reached 50% in 2022, going up by about 78 million tons from 357 million tons to about 435 million tons currently.

This is expected to further increase by the new announcements and the new plants which are being established, most of which are projected to go into production by 2030, of which 85 million tons is already announced, taking the electric arc furnace production from its current level of 435 million tons to around 535 million tons by 2030. This would mean a substantial increase in the demand of our products all over the world. And since we have been exporting about 2/3 of our production to some 30-plus countries for a long time, we are well set to meet this demand from HEG.

You would have seen by now our announcement with regards to expansion of our plant capacity to 100,000 tons being fully completed and implemented under one roof. All the production facilities are fully and satisfactorily operating now. We have taken care to buy some of the latest and most modern equipments and technologies available to graphite industry, making us the -- not only the single largest plant under one roof, but having most of the latest equipments and technologies at one place.

Special focus has been given this time to choose environmental-friendly equipments keeping our sustainability goals in focus. While we remain solidly and firmly upbeat about the continuous growth of electric arc furnace steel production in the coming decade, resulting in the continuous rise in electrode demand, we, at present, are seeing a period of subdued steel production due to several global factors, which are known to everyone, which is likely to continue through the end of 2023 and could be in the first half of 2024, resulting into subdued demand of our products for the next few quarters.

We believe electric arc furnace will henceforth grow at a CAGR of about 3% in the next decade, which would directly translate into a substantial increase in electrode demand. All this sounds very exciting for us at HEG, as no new capacity in the electrode industry have been announced by any other graphite company.

And a word about our new subsidiary, TACC. Due to economies of scale and considering the huge demand expected in the EV sector, the Board has recently approved the decision to start with a 20,000 tons graphite anode plant in one go, which initially was being planned to do in two phases of 10,000 tons each. The land is already acquired, and the construction is likely to begin fairly soon, and we intend to complete this plant by about mid-2025. We will obviously keep you informed about the progress every quarter.

In conclusion, our second quarter of 2023-'24 has been satisfactory given the tough market. Our second quarter 2023-'24 is going to be a tough quarter given the market conditions. And the next 2, 3 quarters may see margins coming under some pressure, but we are looking at a bright future

for HEG, with some of the very large new capacities of electric arc furnaces which are being implemented currently all over the world.

Friends, with this, I'll pass on the floor to our CFO, Gulshan Sakhuja, who will take us through the financial figures. Following that, our Vice Chairman, Riju, and our Executive Director, Manish, along with myself, will be delighted to address any queries and inquiries that you have regarding electrodes and graphite and our businesses. Over to Gulshan.

Gulshan 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 September 30, 2023.

For the quarter ended September 30, 2023, HEG recorded revenue from operations of INR614 crores as against INR598 crores in the corresponding quarter of the previous financial year. During the quarter ended September 2023, the company delivered EBITDA of INR130 crores as against INR198 crores in the corresponding quarter of the previous year.

The company, on a stand-alone basis, recorded a net profit after tax of INR62 crores in Q2 FY 2024 as against INR130 crores in the corresponding quarter of the previous year. And on a consolidated basis, the net profit after tax is INR96 crores in Q2 FY 2024 as against INR169 crores in the corresponding quarter of the previous financial year. The company is a long-term debt free and had a treasury size of nearly about INR1,010 crores as on 30 September 2023.

Now to take more questions from the participants, a detailed presentation has been uploaded on the company's website and on the stock exchange. Now we would like to address any questions or queries you have in your mind. Thank you. Over to Navin.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vipraw Srivastava from InCred Capital.

Vipraw Srivastava: Yes. So just had a question on the European business of HEG. So, there is a duty right on import of graphite electrodes in Europe, but the structure is different for HEG -- so I want to understand how does the duty affect you? And Europe is also coming up with this carbon border tax thing, obviously, which will result in a reduction of blast furnaces. But then will the duty hinder your business in Europe? How do you see it? So just some thoughts on that.

Ravi Jhunjhunwala: No, this antidumping duty in Europe has been around for the last 15, 16 years now. And we have not lost the market share. We took a very, I mean, careful decision long back, that we will pay the 7% duty. The duty is 7%. So, we keep paying that duty and -- but we have not lost the market share. So, we will continue to sell whatever we are selling now and a little more. And -- so that is as far as Europe is concerned, but the major positive that we have seen in our industry in the last 12, 15 months is given this euphoria about carbon emission and control and all that, this has been known to everybody for a very long time that blast furnace emits about 4x the carbon compared to electric arc furnace steel.

So, there has been continuous announcements of new electric arc furnace plants by some of the large and some of the best-known names in the steel industry in the world. And as I just mentioned, I mean, we've seen announcements of about 85 million to 90 million tons already all

in the last 12, 18 months. And we keep seeing a couple of announcements like these every month now.

Until 3 to 6 months ago, all these were happening within US and Europe. But in the last 4, 5 months, 6 months, we have seen many, many announcements on similar lines in the Turkey, Iran and the Gulf countries. And with no one -- nobody else having put any additional capacity on the contrary, because of the COVID, a couple of Western plants have closed down in the last 2 years or so. And while at the same time, we have expanded.

So as soon as some of these electric arc furnace capacities, the new ones start operations, and some of them have already started operations in the last about 12 to 18 months. That will be about 8 million to 10 million tons already. In '23 and '24, we expect another 10 million to 15 million tons of these new capacities starting to operate.

So -- and we -- as I said, we have been exporting about 2/3 of our production to more than 30 countries. So, we are fairly well entrenched in these 30, 35 countries wherever there's a consumption of electrodes. And so, we are looking forward to this sudden spurt of demand, which is likely to happen not too far away.

Vipraw Srivastava: Right. Right. Right. So just a follow-up on this. So, your peer in US, that's GrafTech, so they disclosed their selling realization prices every quarter. So, what I've realized is that the price with seller electrodes, it's very high compared to what HEG and other player sell. So due to this price difference, are we gaining market share in US or Europe? How is this shaping up? Or do this offer something incremental, that's why they're charging a higher price? Just wanted to have some thoughts on that.

Ravi Jhunjhunwala: Two things. You're right. But if you go back to the history about 5 years ago, GrafTech was -- GrafTech is in a very unique position that they have about 135,000, 140,000 tons, which is about 60%, 65% of their graphite capacity. They are the only ones in the graphite industry to have their own needle coke plant. They have captive diesel coke capacity of about 60%, 65% of their requirement.

And with that in their hand and they have done something very smart 5, 7 years ago, they had booked -- they've forward booked their raw material for a fairly long time at a very attractive price. I'm basically talking about the oil. So, with that background, they went out and they sold about 60%, 65% of their next 5 years' electrode production at a fixed price.

So having their own captive needle coke and that too hedged for the next 5 years, which is an unique situation. And obviously, they took advantage of that by having a long-term agreement for 5 years.

So, a very large majority of that has already been implemented by now. I don't remember the number, but still some maybe 10%, 15% of that is still in the pipeline, actually still going on. So, except that, I don't think we are selling cheaper electrodes anywhere else. I mean we are not selling anything cheaper than most of our competitors. So, the only difference is this, nothing else.

Vipraw Srivastava: Just one final question. So, with this ban on exports of anodes, graphite anodes by China for lithium-ion batteries, so obviously, our facility is coming up in '25 -- CY '25. So that's a positive development, right? I mean, if China controls the supply chain and we can set up our own facility, we can create domestic demand also. So, you will take it as a positive, right?

Ravi Jhunjhunwala: Yes. Absolutely. Absolutely. Riju, if you want to add anything?

Riju Jhunjhunwala: No, I think absolutely correct. I mean -- and as is it the world was looking at being more graphite from outside China. Today, China controls more than 92% of the world graphite. And with this happening, obviously, it added to our confidence of going in for the larger size projects.

Moderator: Next question is from the line of Gourab Paul from Techsellence Financial Services. Please go ahead.

Gourab Paul: Okay. Sir I'm really excited about your anode plant and the project that's going on. My first question is -- or the questions around this are what percentage of processes are common between your normal electrode versus your anode plant? I mean, are there any synergies over there?

Ravi Jhunjhunwala: Not so much. In terms of similarity, it's a totally different product. It's a totally different plant, except that in one of our processes of electrodes, we are handling the temperature of about 2,800 degrees centigrade, which is more or less similar to one of the processes involved in the powder business. So, except that there is nothing in common.

Gourab Paul: Okay. A follow-up question just to that is how much energy is needed to graphitize like 1 ton of such material to...

Ravi Jhunjhunwala: In terms of cost? In terms of megawatt?

Gourab Paul: Megawatt would be good.

Riju Jhunjhunwala: It would be the same as graphite electrodes, exactly the same.

Gourab Paul: And I mean, have you also started with the environment clearances for this new plant?

Riju Jhunjhunwala: So, we've -- the land we have acquired already and we've got all the state environment clearances ready. And now we are just doing the central environment study, which should be complete by November or December. But that doesn't stop you. Once you get a license to operate, you can start the -- some part of the construction activity already, which we already have over there of levelling, etcetera, and all of that.

Gourab Paul: Okay. And finally, just a light on this one. So, what would be the difference in cost between, say, a natural graphite versus an artificial graphite that you're producing? Any light on that?

Riju Jhunjhunwala: No. These are two very, very different products. I mean it's like -- Graphite, over there, you don't need to graphitize that particular product. And then in this particular thing, the additional cost from graphitization is there. But I think -- I mean more or less; our focus is on the synthetic graphite. Although -- I mean, if there is some part of natural graphite also to be done, we can

probably do that. But costs are more or less the same because cost of natural graphite, purchasing natural graphite covers up for that additional cost of graphitization.

Moderator: This next question is from the line of Amol Rao from Kitara Capital. Please go ahead.

Amol Rao: Yes. Sir, usually, you always shed a light on what's the utilization rate for the quarter and how we are faring on inventory. Sir, any colour on that, sir, for this quarter, please?

Ravi Jhunjhunwala: Manish, would you take that?

Manish Gulati: Yes, sir, I'll take this question. See, for the Q1, it was close to 90%. For Q2, it's close to 85%. And these 2 quarters, which are expected to be probably the toughest quarters, we should be around 75% of capacity utilization.

Amol Rao: All right. And sir, just for the sake of clarification, because we have commissioned our additional 20,000 tons also. This is the 75% on the -- including the 20,000 tons that have come in, right? So, 100,000 tons roughly...

Manish Gulati: Yes. Yes. So let me explain this point once. See, we have started the green shop, which was -- where the electrode starts from. We have commissioned that. It came into commercial production 1st November. That's the date we mentioned in our release also. So -- and it takes, of course, 5 months to make the labels and 2 months to make the electrodes. So effectively, if something is starting on 1st November, we would consider arrival of this 100,000-ton capacity in Q4. The plant has started, everything is fine. So, this 75% is on that basis for Q3 as well as Q4. In the Q4, we will count it as 100,000-ton capacity.

Amol Rao: That is very helpful, sir. And sir, just -- I mean you all have mentioned that there is some bit of tightness in the market regarding demand. Sir, this demand, I mean if you see the World Steel data that is coming out on a monthly basis, so production seems to be picking up quite a bit in our target markets. So, I mean, the US has shown an improvement, if I remember correctly, some 3% to 4%. Turkey showed an improvement of almost, I think, 8% or 10%. Korea was around 18%. So, I mean, still you expect some amount of tightness in the second half of the year?

Manish Gulati: No, no. I mean, again, I can offline, of course, send you the World Steel data, but we don't think that there's an improvement. From 9 months to 9 months, it's also decline. There's a decline quarter-to-quarter. I can, of course, send my sheet to you in which we have tabulated all these countries. So just let me repeat the phrase up for you. Other than this China and let's say, exclude Iran, which is under sanctions, also Russia where we do not do much. Actually, it's a decline of 2.7%. So, I will send you my figures.

Amol Rao: Done, sir, done, done. This is most helpful. Sir, last one question. Sir, we were sitting on some amount of inventory of, if I remember correctly, INR1,400-odd crores 6 months back. The number says that it's around INR1,300 crores. So, you're not running down this inventory? Or we plan -- this is what we plan to sell in the next half of the year?

Manish Gulati: See, we have, I mean, run down the needle coke inventory to a very large extent. Today, we are just have the normal operating levels. As regards to finished good inventory, we have, let's say,

2.5 months of production. Normally, which would be 1 month of -- worth of production. It is, let's say, close to 2.5. And we don't want to run it down any further because passing -- by passing these 2, 3 quarters and the good things we are hearing from the market with electric arc steel coming up, it is only a matter of time. It can take 2 quarters. It can take 3, but it will turn around. So, at that point in time, we are just keeping the extra 1.5 months of inventory for those days when there's an uptick in demand.

Amol Rao: Got it, sir. So after around 2 quarters, we should see these levels coming down and the production from the EAF side starts picking?

Manish Gulati: Yes, yes, absolutely. You see basically you look at the World Steel figures, you will yourself find out when the steel production starts to grow up, and then EAF will be the major beneficiary of that.

Moderator: Next question is from the line of Ajit from Nirzar Securities.

Ajit: Congratulations on commissioning of the new expanded capacity. Sir, I just have two questions. First one is, sir, recently, Government of India -- there is news that Government of India is to invite bids for 20 critical minerals, including lithium and graphite. So, sir, are you planning to bid for those mines, sir?

Manish Gulati: See, we are artificial graphite company. We make graphite starting from petroleum coke and process it. What they are talking about minerals, etcetera, that is purely for mining. So that's mining of natural graphite. I believe there are a few places in India where we have natural graphite. So it is for that purpose, not for synthetic graphite which we make. So, our anode will be synthetic graphite anode, not a mined product.

Ajit: Okay. Understood. And the second question is, sir, one of our competitors has entered into synthetic anode who also claim that it is more effective than the graphite one. So, I wanted to understand your thoughts on this.

Riju Jhunjhunwala: I tell you that is, I told you about Himadri, they took over the Australian company, which is into silicon anode. So that is still, I mean, largely an untested technology. Today, more than 90% of all lithium-ion batteries are made out of graphite. And now what has started happening is you are starting to mix 5% or 10% silicon in it. But according to all data, everything which is free at least till 2050, there is no chance that graphite as an anode product for lithium-ion batteries can be 100% effective -- you'll have certain variety...

Moderator: Thank you. Next question is from the line of Gourab Paul from Techsellence Financial Services. Please go ahead.

Gourab Paul: Sir, my second question was regarding the uptick of graphite -- I mean, uptick of battery production -- lithium-ion battery production in India. Are you seeing any interest from the people who are putting up capacity or companies like Ola, Reliance and others and Tata. Are you seeing some interest? Are they taking some portion of your powder to kind of test it out and make their own batteries?

Riju Jhunjhunwala: So of course, we are in touch with all these companies, whether you talk about Tata, Exide, Amara Raja, Ola, Reliance, we are in touch with all these companies, also because we already have our pilot plant for this anode reduction, which is 100% ready. So, and all these companies will have their battery production by anywhere middle to end of 2025. And there -- yes. So because of that, we are in touch with these companies and that -- it's over the next period of 2 years, we'll be working even more closely through our pilot plant to try and do the perfect permutation and combination because the idea is to sell as much to the Indian market as possible and then export whatever is left over.

Gourab Paul: Okay. And do you see any advantage of PLI coming through your way? Because what I understood was the government also wants to kind of help or support the EV producers sort of manufacturing things?

Riju Jhunjhunwala: So, we were trying very hard this year to get our product also in the whole this thing -- the PLI scheme. So, although cell production is covered under PLI, but raw material for cell have -- but next year onwards, we are quite confident that this will start happening. I mean we are trying very hard with the government to confirm for extending the PLI scheme to the raw materials also.

Moderator: Next follow-up question is from the line of Vipraw Srivastava from InCred Capital.

Vipraw Srivastava: I just had a follow-up regarding the anode part for lithium-ion battery. So can you tell what is roughly the realization in this space per kg?

Riju Jhunjhunwala: So difficult to say what is because there are different ranges ranging from $5,000 per ton to going up to $15,000 per ton, different ways of anode that you make for different applications. The lower grade ones, which are used for your things like stationary batteries, calculators, etcetera. They are $5,000 to $7,000. But the very high-end thing like producing for companies like, the auto companies like Mercedes, Tesla, etcetera, the batteries that they use, that is closer to between USD10,000 to USD15,000 as of today.

Vipraw Srivastava: You're talking about anode realization, right, this number...

Riju Jhunjhunwala: Yes. Yes. Yes. The anode realization, the graphite realization per ton. This is all data from China. Today, China is controlling 90% of the world's trade. So, I mean this is all the -- their selling rates today.

Vipraw Srivastava: Sure, sure. Noted, noted. I just had one final question. So GrafTech US, they in the con call told that they're also looking towards carbon-neutral graphite electrodes, which won't leave any carbon footprint as such. So, I mean, maybe not now, but in the future, will HEG look towards that because obviously, we know graphite anode is polluting as far as manufacturing is concerned. So, in future, any thoughts on that? Are you looking exploring that field, yes?

Riju Jhunjhunwala: I can answer for the graphite anode plant since it's going to be a greenfield plant from the beginning. Our -- all our kind of environment approvals, etcetera, also cover a lot of this thing to try and be carbon neutral, which includes buying green electricity, green belts, etcetera, etcetera. So obviously, our idea May 1 is...

Moderator: Sorry, we are again losing your audio.

Manish Gulati: Shall I take this question?

Riju Jhunjhunwala: Yes, Manish. Yes, please.

Manish Gulati: Yes. Yes. Yes. See, what they are doing, GrafTech, because I was in Europe and I spoke to them also. I mean -- so they -- that would just have green colour electrodes. So initially, what they're trying to do is to take all renewable energy wherever possible. See they have plants in Europe. They have plants in US So that is -- that's step number one. And of course, for those other carbon-reduction initiatives, just like we are doing, they'll also be doing the same. I mean, I can also -- that the electrodes, which are made in HEG, HEG also has a hydroelectric power plant, and we use power and also we have solar plants. So, I see, every company is trying these initiatives, the sustainability goals, everybody is taking it seriously, and HEG is also taking it very seriously.

So, I have seen what you're saying is that they are seeing that maybe they will make a zero carbon this thing. So first, they will start with renewable energy, and then they'll do -- take some other initiatives. But of course, there has to be energy which is consumed to make graphite electrodes. And in turn, graphite electrodes is actually helping the world save on carbon emissions. So, I don't know how they'll put it -- put this all together. But eventually, that benefit should also come to graphite people because this is -- because of electrode that carbon emissions dropped by one fourth between blast furnaces and electric arc furnaces.

Moderator: Next question is from the line of Deep Mehta from Bank of India Mutual Fund. Please go ahead.

Deep Mehta: I had one question regarding our upcoming anode facility. What is the updated total capex requirement which we are planning for this newer capacity? And have we done some work on determining what -- how competitive will be this plant vis-à-vis our Chinese competitor in terms of cost of production?

Riju Jhunjhunwala: Yes. So, the -- on the capex front, we had assumed around INR1,000 crores for a 10,000-ton plant. So obviously, when we are looking at doubling the entire plant, we are not going to incur exactly double the cost. We'll be saving a lot of things like our power lines, some processes, etcetera. So, the capex would be between -- right now, we are still in the final phases of calculating it, but it will definitely be at least 10% lower of -- than INR2,000 crores if you see proportionality.

And on the operational front, it will be more or less similar as competitive to the Chinese prices because a lot of this price depends on the power price. And power price-wise, we are quite competitive in Madhya Pradesh. We are hopeful to get electricity between INR5.5 to INR6 for a period of 20 years. And with that, you become reasonably competitive because the cost of raw material, which is needle coke is the same, manpower cost is more or less the same. So, all other costs mainly become quite similar in our 20,000-ton plant.

Deep Mehta: That is very helpful. Just one follow-up. What kind of margins or ROC which we are targeting for this capacity?

Riju Jhunjhunwala: So, we currently are targeting kind of a 30% EBITDA margin. And so based on that -- I mean, one can do the calculation because here kind of capex to the turnover ratio will be more or less 1:2 or 1:1.2. And based on that selling prices, whatever we have prevailing in 2025, depending on that, you'll have your EBITDA margin safely between 25% to 35%. So -- should actually not be more than 5 to 6 years.

Moderator: Next question is from the line of Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: Sir, recently, this Epsilon Advanced Materials, they have done an MoU with Government of Karnataka. And I think they're going to invest some INR9,000 crores for this graphite anodes plant only. So, are we -- so what is our understanding, sir, they are also going to make the same graphite anode that we are going to make and we are going to compete with them heads on?

Riju Jhunjhunwala: Yes, it will be more or less similar because we have been seeing what they are doing. But now I think their plans have changed more to setting up a plant in the USA. And more or less settling for a smaller plant in India or more or less like this thing, your pilot plant in India. But their main plant that they've announced is now in America, with outlay of $650 million over a period of 10 years or something like that. But the product that they'll be making will be very similar to ours. The raw material could be different, but the end product will be more or less the same.

Chetan Phalke: Okay. And sir, I mean, what is your take on this? I mean, why they have shifted to US? Is it more cost efficient? Or is it due to better raw material availability, closeness to customers, what is your assessment?

Riju Jhunjhunwala: So, it's a mix of everything because US is giving a very good this subsidy -- the Inflation Act that they have in which they give more or less the same kind of subsidy that you would have if you had put the plant in China in order to make it more competitive. So, I don't know what really led to their decision of putting the plant over there. But having said that, I mean, raw material would be same, manpower per costs definitely should be higher in the US And so -- but we expect our cost competitive to be, I mean, higher than them to start with at least.

Chetan Phalke: Okay. And do we see, sir -- I mean I just want to understand the demand side more closely. So, what is the existing demand of graphite anodes that we are importing into the country? And what kind of opportunity you see opening up over the next 7, 8, and 10 years in terms of tonnage, if you can...

Riju Jhunjhunwala: So today, it is zero because there is no cell manufacturing in India. And let's say when you have in 2025, 5-gigawatt of cells that will be requirement of around 5,000 ton by 2025. And this is expected to grow to around 1.5 lakh ton -- 1.2 lakh ton by 2030. So, the requirement-wise really, I mean, which is why we've taken this decision to be of a particular scale. Demand-wise, we don't really see any kind of problem. And technology-wise, also I mean you don't see much of a risk for graphite being -- players buying automotive diesel, etcetera. So even as early as 2025, we're talking about 35,000 tons a month and going up to 1.2 lakh tons of demand in India.

Chetan Phalke: And what would be the installed graphite anode capacity in China, any idea, sir?

Riju Jhunjhunwala: They talk about -- today, they're talking about 500,000 tons of graphite anodes capacity that is already existing. But we've been there, we've seen everything. The rate of their expansions are in -- we are talking about 20,000 tons, they talk about addition of 2 lakh ton, 3 lakh ton. So, their rate of expansion will be definitely much higher than that of India.

Chetan Phalke: Okay. Okay. And sir, this Chinese ban of certain grades of graphite, I mean -- because China also controls a large part of graphite mining as well. So, will it impact the pricing of natural graphite and essentially -- eventually, it will also impact the pricing environment for synthetic graphite?

Riju Jhunjhunwala: See, it will definitely be a big plus for us. It will be a big plus for a country like India because then your other battery manufacturers will not be -- cannot afford to be dependent only on China for their imports. So, what Chinese people want to do is they want to produce the battery themselves. Instead of exporting the graphite, they want to consume all the graphite within China.

But across the world, wherever there are battery companies coming up, they will either need to produce their own graphite, which is not possible in every case or they'll have import graphite from other countries or countries apart from China. So, for us -- because we, in any case, we're not planning to import any graphite from China to begin with.

Chetan Phalke: Okay. So, our imports of the raw materials would be mainly from which geography, sir?

Riju Jhunjhunwala: We will be using Indian raw material. We can also use the needle coke, and we can also use the Chinese pitch coke. So, all three raw materials, we have -- plants and all three raw materials give you different kinds of final product.

Chetan Phalke: Okay. Okay. So, sir, just last question on this. So apart from HEG, any other player -- apart from HEG and Epsilon, any other players who are planning to enter this field?

Riju Jhunjhunwala: Himadri, of course, they've also announced recently their plans to get into anode, but I don't know much about how much capacity, etcetera. So as of now, you see these three companies, which are clearly stated their plans HEG, Epsilon and Himadri.

Chetan Phalke: Okay. Particularly for graphite anode because I think Himadri...

Riju Jhunjhunwala: Yes, specifically for graphite anode.

Moderator: Thank you very much. That was the last question in queue. As there are no further questions, I would now like to hand the conference over to Mr. Jhunjhunwala for closing remarks.

Ravi Jhunjhunwala: Thank you, friends, and thank you for taking so much of interest in communicating with us, and I look forward to talking to you in the next 3 months. Thank you.

Moderator: Thank you very much. On behalf of SKP Securities. Thank you for joining us. You may now disconnect your lines. Thank you.