

Weak quarter amid challenging macro

Metals & Mining ▶ Result Update ▶ May 04, 2026

CMP (Rs): 616 | TP (Rs): 750

HEG reported a weak Q4. Revenue declined 8% QoQ due to ~1,000 tonnes lower Middle-East shipments despite higher utilization (95% vs 85% QoQ). EBITDA turned negative (Rs1.5bn loss) due to a Rs1.9bn fair-value hit on GrafTech. While GrafTech has announced a USD600-1,200/t price hike, a similar move by HEG appears imminent, albeit with uncertainty around quantum. However, benefits are likely to be back-ended given the 3-6M order cycle. In the near term, we expect the ongoing West Asia conflict and elevated costs to weigh on 1HFY27E performance, prompting us to cut FY27/FY28E EBITDA by 21%/5%. Nevertheless, we remain constructive on the structural recovery of the graphite electrode (GE) industry, and retain BUY with an unchanged TP of Rs750.

Loss on FV loss of investment drags Q4 earnings

HEG reported a weak Q4, missing estimates due to an 8% QoQ revenue decline. This was primarily driven by 1,000 tonnes lower shipments to the Middle East amid ongoing disruptions, despite higher utilization of 95% (vs 85% in Q3). EBITDA came in below expectations, with HEG reporting a loss of Rs1.5bn (vs profit of Rs1.4bn in Q3), hurt by a Rs1.9bn fair-value loss on its investment in GrafTech. Adjusting for this, EBITDA stood at Rs458mn (7.6% margin vs 13.8% in Q3), reflecting sharp increases in freight and fuel costs. PAT declined to a loss of Rs1.2bn (vs profit in Q3), weighed down by lower operating performance, a decline in other income (Rs399mn vs Rs1,019mn in Q3), and reduced associate income from the hydel portfolio.

Price hikes gaining traction; earnings upside back-ended

GrafTech has announced a price increase of USD600-1,200/t for GE, effective 26-Mar, aimed at offsetting unsustainably high input costs. We believe the push for higher realizations is supported by sustained industry-wide losses over the past 2-3 years, along with rising input costs driven by energy, freight, and crude-linked raw materials. In tandem, a price hike for HEG appears imminent, although the final quantum remains uncertain and will depend on regional demand conditions, customer acceptance, and peer pricing discipline. Assuming a relatively conservative price increase of USD300-600/t for HEG, we believe EBITDA/t could expand by USD200-400. However, given the 3-6M order cycle, the benefits of these hikes are likely to fructify from 2HFY27 onward.

Near-term headwinds, structural positives intact; retain BUY

The escalation of the West Asia conflict since late-Feb-26 has posed meaningful challenges for HEG, driven by a sharp increase in freight and fuel costs along with continued disruption to shipments to the Middle East (accounting for 20-25% of volumes), which weighed on Q4 results. We expect these to put further pressure on EBITDA in 1HFY27E. Accordingly, we cut FY27/FY28E EBITDA by 21%/5%, respectively. However, despite these near-term headwinds, we remain positive on the structural turnaround of the GE industry, and maintain BUY with an unchanged TP of Rs750.

Target Price – 12M	Mar-27
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	21.8

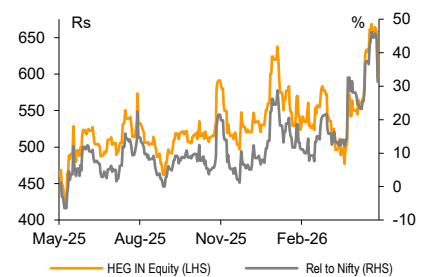
Stock Data	HEG IN
52-week High (Rs)	690
52-week Low (Rs)	416
Shares outstanding (mn)	193.0
Market-cap (Rs bn)	119
Market-cap (USD mn)	1,250
Net-debt, FY27E (Rs mn)	15,704.9
ADTV-3M (mn shares)	2.9
ADTV-3M (Rs mn)	1,871.0
ADTV-3M (USD mn)	19.7
Free float (%)	44.2
Nifty-50	24,119.3
INR/USD	95.1

Shareholding, Mar-26

Promoters (%)	56.3
FPIs/MFs (%)	10.2/8.6

Price Performance

(%)	1M	3M	12M
Absolute	12.0	13.7	33.7
Rel. to Nifty	5.4	21.5	35.0

1-Year share price trend (Rs)**HEG: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	21,527	25,685	30,288	40,636	51,895
EBITDA	2,598	288	5,135	9,263	13,312
Adj. PAT	1,186	(315)	4,008	4,757	7,139
Adj. EPS (Rs)	6.1	(1.6)	20.8	24.6	37.0
EBITDA margin (%)	12.1	1.1	17.0	22.8	25.7
EBITDA growth (%)	(32.1)	(88.9)	1,682.5	80.4	43.7
Adj. EPS growth (%)	(61.9)	0	0	18.7	50.1
RoE (%)	2.7	(0.7)	8.2	9.1	12.7
RoIC (%)	1.1	(8.9)	5.2	7.3	10.3
P/E (x)	100.2	(377.1)	29.7	25.0	16.7
EV/EBITDA (x)	47.4	427.6	24.0	13.3	9.3
P/B (x)	2.7	2.5	2.4	2.2	2.0
FCFF yield (%)	0.8	(2.4)	(7.0)	(3.1)	3.5

Source: Company, Emkay Research

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Key takeaways from conference call

Middle-East crisis disrupting near-term volumes and logistics

- HEG's ~20% of sales exposure is to the Middle East; orders were delayed due to logistics disruptions.
- Freight costs surged sharply (from ~USD20-30/t to ~USD300/t), impacting near-term margins.
- Some shipments were rerouted, limiting volume impact (~1kt QoQ), but geographical mix turned adverse.
- Disruption is seen as temporary; pent-up demand is likely to normalize once routes reopen.

Price hikes underway, but realization to lag

- The industry has initiated price hikes for uncommitted volumes.
- The quantum is uncertain, dependent on regional demand, customer acceptance, and peer discipline.
- Price hikes have been driven by:
 - Sustained industry losses over the last 2-3 years.
 - Cost push from energy/freight/crude.
- Given the 3-6M order cycle, benefits are expected to flow meaningfully from H2FY27.

Crude-led cost inflation building up (lagged impact)

- Needle coke (oil derivative) + energy + freight costs rising amid crude price spike.
- The company is protected on needle coke till Sep-26 (inventory + contracts).
- However, full cost inflation impact is expected to reflect with a lag (H2FY27).
- Near-term margin pressure is likely, before pricing fully catches up.

Guidance: Stable near-term margins; recovery in H2

- HEG guided H1FY27 margins at 17-18%, reflecting cost pressures. Full-year margins expected at >20%, supported by price hikes, implying H1 margin compression → H2 recovery trajectory.

Structural demand intact – EAF shift gaining momentum

- CBAM and decarbonization policies are accelerating shift to EAF steelmaking.
- HEG expects ~100mt of EAF capacity additions ex-China by 2030; this implies ~150kt incremental GE demand.
- Structural demand outlook remains strong, despite near-term volatility.

Needle coke supply remains a structural bottleneck

- There are limited global suppliers (3-4 players) and no major capacity additions.
- Battery demand risk is manageable as substitution is possible in battery chemistry (not in electrodes).
- Tightness could re-emerge in the upcycle, supporting pricing.

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 1: HEG missed Q4 EBITDA estimates by a sizable margin

Consolidated	Units	Q4 FY25A	Q1 FY26A	Q2 FY26A	Q3 FY26A	Q4 FY26A	Q4 FY26E	Q4 FY26 Consensus	vs Emkay	vs		QoQ	YoY
										Consensus	Consensus		
Production	kt	19.3	21.8	23.3	21.3	23.8	22.5	-	5.6%	na	11.8%	23.4%	
Revenue	Rs mn	5,422.5	6,169.3	6,992.2	6,556.6	6,032.1	7,486.7	7,487.0	-19.4%	-19.4%	-8.0%	11.2%	
EBITDA	Rs mn	445.1	1,054.3	1,183.5	1,425.3	-1,482.9	1,665.4	1,665.0	-189.0%	-189.1%	-204.0%	-433.2%	
EBITDA spread	USD/t	267.0	566.4	582.9	752.8	-682.2	808.8	-	-184.4%	na	-190.6%	-355.5%	
Net profit	Rs mn	-689.7	1,048.3	1,433.3	2,072.5	-1,188.0	2,303.0	2,303.0	-151.6%	-151.6%	-157.3%	-72.2%	
EPS	Rs	-3.82	5.43	7.43	10.72	-6.14	11.93	na	-151.5%	na	-157.3%	-60.9%	

Source: Company, Emkay Research

Exhibit 2: EBITDA estimates for FY27 change materially, as we incorporate Q4 results and management guidance

	Units	FY26E			FY27E			FY28E		
		New	Old	Chg	New	Old	Chg	New	Old	Chg
Financial metrics										
Net sales	Rs mn	25,685.0	26,875.4	-4.4%	30,288.1	30,101.8	0.6%	40,636.0	39,816.0	2.1%
EBITDA	Rs mn	3,983.0	5,255.1	-24.2%	5,135.3	6,472.1	-20.7%	9,262.7	9,740.3	-4.9%
EBIT	Rs mn	3,260.7	5,920.5	-44.9%	5,285.5	6,309.8	-16.2%	7,746.5	7,865.8	-1.5%
Net profit	Rs mn	3,379.7	5,681.5	-40.5%	4,008.2	4,609.2	-13.0%	4,757.1	4,598.2	3.5%
EPS	Rs	17.5	29.4	-40.5%	20.8	23.9	-13.0%	24.6	23.8	3.5%
DPS	Rs	3.4	8.8	-61.5%	6.2	7.2	-13.0%	7.4	7.1	3.5%
Net debt / (cash)	Rs mn	5,431.5	11,026.0	50.7%	15,704.9	17,782.8	11.7%	22,928.1	24,383.2	6.0%
Production	tonnes	90.0	88.8	-1.4%	90.0	87.0	-3.4%	90.0	90.0	0.0%
Utilization	%	90.0%	88.8%	1.4%	90.0%	87.0%	3.4%	90.0%	90.0%	0.0%

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 3: HEG – Summary of estimates

Rs mn	FY25	FY26	FY27E	FY28E	FY29E		FY25	FY26	FY27E	FY28E	FY29E
P&L						Operational metrics					
Net sales	21,527.1	25,685.0	30,288.1	40,636.0	51,894.7	GE Price (USD/t)	4,125.0	4,150.0	4,400.0	4,850.0	5,208.2
Operating expenses	18,929.0	21,702.0	25,152.8	31,373.4	38,582.4	Needle Coke (USD/t)	1,262.5	1,250.0	1,400.0	1,600.0	1,717.6
EBITDA	2,598.1	3,983.0	5,135.3	9,262.7	13,312.3	GE Capacity (kt)	100.0	100.0	100.0	100.0	115.0
Depreciation	2,005.5	2,132.1	1,849.7	3,516.1	4,244.2	Capacity Utilization	77.0%	90.0%	90.0%	90.0%	80.0%
EBIT	1,868.3	3,260.7	5,285.5	7,746.5	11,068.1	Production (kt)	77.0	90.0	90.0	90.0	92.0
Interest and taxes	857.0	1,036.1	1,811.5	3,539.3	4,467.0	Realization (USD/t)	3,255.9	3,183.4	3,600.0	4,150.0	4,508.2
Net earnings	1,186.1	3,379.7	4,008.2	4,757.1	7,138.7	Raw material cost (USD/t)	1,388.0	1,336.9	1,560.0	1,850.0	1,992.6
EPS (Rs)	6.0	17.5	20.8	24.6	37.0	Financial metrics					
Dividend (Rs/sh)	1.8	3.4	6.2	7.4	11.1	EBITDA margin	12.1%	15.5%	17.0%	21.7%	24.3%
Number of shares (mn)	193.0	193.1	193.1	193.1	193.1	Net margin	5.5%	13.2%	13.2%	11.7%	13.8%
Balance sheet						EBITDA spread (USD/t)	399.0	500.7	616.8	909.5	1,104.4
Gross block	33,934.2	34,578.7	47,628.7	57,028.7	61,078.7	ROE	2.7%	7.3%	8.2%	9.1%	12.7%
Inventories	12,546.4	11,337.4	13,277.0	17,813.1	22,748.4	ROCE	4.1%	6.9%	9.8%	12.1%	15.4%
Receivables	4,447.0	4,995.1	6,223.6	8,349.9	10,663.3	ROIC	3.2%	6.3%	8.0%	9.4%	12.0%
Payables	3,992.9	4,007.7	5,296.9	7,289.9	9,412.5	Gross debt (Rs mn)	5,848.6	7,932.8	19,017.8	26,047.8	27,832.8
Net working capital	13,000.5	12,324.8	14,203.6	18,873.0	23,999.1	Net debt/(cash) (Rs mn)	4,378.2	5,431.5	15,704.9	22,928.1	22,863.0
Cash	1,470.4	2,501.3	3,312.9	3,119.7	4,969.8	Net debt to EBITDA (x)	1.7	1.4	3.1	2.5	1.7
Total assets	56,481.5	61,657.5	76,837.4	89,190.4	98,095.1	Net debt to Equity	9.8%	11.4%	31.2%	42.7%	38.9%
Total liabilities	11,944.0	14,078.3	26,452.5	35,475.5	39,383.1	Valuation					
Total Equity	44,537.7	47,579.2	50,384.9	53,714.9	58,712.0	P/E (x)	74.2	29.7	29.7	25.0	16.7
Cash flow						EV/EBITDA (x)	34.6	26.5	26.2	15.3	10.6
Operating cash before WC	2,552.5	2,430.3	2,325.2	5,469.7	6,331.6	FCF yield	0.7%	-0.8%	-7.6%	-4.9%	1.9%
Working capital and other	244.4	-298.4	2,129.3	87.7	2,012.6	Dividend yield	0.4%	0.7%	1.0%	1.2%	1.8%
Operating cash flow	2,796.9	2,131.9	4,454.5	5,557.5	8,344.2	Methodology					
Capex	-1,822.3	-2,526.7	-13,050.0	-9,400.0	-4,050.0	Rs mn		Rs/sh			
Other investing items	-246.0	-675.7	0.0	0.0	0.0	EV/EBITDA	92,224.2	477.7			
Investing cash flow	-2,068.3	-3,202.4	-13,050.0	-9,400.0	-4,050.0	less net debt / (net cash)	-3,568.5	-18.5			
Borrowings/(repayments)	-381.5	1,728.9	11,085.0	7,030.0	1,785.0	GrafTech Inv @ 9.98%	3,592.8	18.6			
Equity changes	0.0	0.0	0.0	0.0	0.0	Graphite Business Equity Val	99,385.5	514.8			
Other financing items	-1,210.0	-760.1	-1,677.9	-3,380.7	-4,229.1	HEG Greentech	75,067.7	227.6			
Financing cash flow	-1,591.5	968.8	9,407.1	3,649.3	-2,444.1	Target price		750.0			
Net change in cash	-862.9	-101.7	811.6	-193.2	1,850.1	Current price		615.8			
Ending cash	507.6	405.9	1,217.5	1,024.3	2,874.4	Expected return		21.8%			
Free cash flow	637.1	-788.1	-9,070.9	-5,796.1	2,206.8						

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

HEG: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	21,527	25,685	30,288	40,636	51,895
Revenue growth (%)	(10.1)	19.3	17.9	34.2	27.7
EBITDA	2,598	288	5,135	9,263	13,312
EBITDA growth (%)	(32.1)	(88.9)	1,682.5	80.4	43.7
Depreciation & Amortization	2,006	2,132	1,850	3,516	4,244
EBIT	593	(1,844)	3,286	5,747	9,068
EBIT growth (%)	(71.5)	0	0	74.9	57.8
Other operating income	-	-	-	-	-
Other income	1,276	1,410	2,000	2,000	2,000
Financial expense	392	372	475	1,954	2,087
PBT	1,476	(806)	4,810	5,793	8,981
Extraordinary items	0	0	0	0	0
Taxes	465	664	1,336	1,586	2,380
Minority interest	-	-	-	-	-
Income from JV/Associates	175	1,155	534	550	538
Reported PAT	1,186	(315)	4,008	4,757	7,139
PAT growth (%)	(61.9)	0	0	18.7	50.1
Adjusted PAT	1,186	(315)	4,008	4,757	7,139
Diluted EPS (Rs)	6.1	(1.6)	20.8	24.6	37.0
Diluted EPS growth (%)	(61.9)	0	0	18.7	50.1
DPS (Rs)	4.5	1.9	6.2	7.4	11.1
Dividend payout (%)	73.6	(116.4)	30.0	30.0	30.0
EBITDA margin (%)	12.1	1.1	17.0	22.8	25.7
EBIT margin (%)	2.8	(7.2)	10.8	14.1	17.5
Effective tax rate (%)	31.5	(82.4)	27.8	27.4	26.5
NOPLAT (pre-IndAS)	406	(3,363)	2,373	4,174	6,665
Shares outstanding (mn)	193	193	193	193	193

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	1,429	2,938	5,344	6,343	9,518
Others (non-cash items)	351	(75)	0	0	0
Taxes paid	(447)	(223)	(1,336)	(1,586)	(2,380)
Change in NWC	(737)	(5,591)	(1,879)	(4,669)	(5,126)
Operating cash flow	2,797	(446)	4,455	5,557	8,344
Capital expenditure	(1,822)	(2,527)	(13,050)	(9,400)	(4,050)
Acquisition of business	-	-	-	-	-
Interest & dividend income	301	132	0	0	0
Investing cash flow	(2,068)	(3,202)	(13,050)	(9,400)	(4,050)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(382)	1,729	11,085	7,030	1,785
Payment of lease liabilities	0	0	0	0	0
Interest paid	(338)	(393)	(475)	(1,954)	(2,087)
Dividend paid (incl tax)	(873)	(367)	(1,202)	(1,427)	(2,142)
Others	0	0	0	0	0
Financing cash flow	(1,592)	969	9,407	3,649	(2,444)
Net chg in Cash	(863)	(2,679)	812	(193)	1,850
OCF	2,797	(446)	4,455	5,557	8,344
Adj. OCF (w/o NWC chg.)	3,534	5,145	6,333	10,227	13,470
FCFF	975	(2,973)	(8,595)	(3,843)	4,294
FCFE	883	(3,213)	(9,071)	(5,796)	2,207
OCF/EBITDA (%)	107.7	(154.7)	86.7	60.0	62.7
FCFE/PAT (%)	74.5	1,019.2	(226.3)	(121.8)	30.9
FCFF/NOPLAT (%)	240.1	88.4	(362.2)	(92.1)	64.4

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	386	386	386	386	386
Reserves & Surplus	44,152	47,193	49,999	53,329	58,326
Net worth	44,538	47,579	50,385	53,715	58,712
Minority interests	-	-	-	-	-
Non-current liab. & prov.	949	829	829	829	829
Total debt	5,849	7,933	19,018	26,048	27,833
Total liabilities & equity	51,481	56,492	70,382	80,742	87,524
Net tangible fixed assets	18,922	17,434	28,635	34,519	34,324
Net intangible assets	-	-	-	-	-
Net ROU assets	375	369	369	369	369
Capital WIP	709	2,236	2,236	2,236	2,236
Goodwill	-	-	-	-	-
Investments [JV/Associates]	10,136	10,810	10,810	10,810	10,810
Cash & equivalents	1,470	2,501	3,313	3,120	4,970
Current assets (ex-cash)	23,095	26,432	29,600	36,263	43,511
Current Liab. & Prov.	5,000	5,166	6,455	8,448	10,571
NWC (ex-cash)	18,095	21,266	23,145	27,814	32,940
Total assets	51,481	56,492	70,382	80,742	87,524
Net debt	4,378	5,432	15,705	22,928	22,863
Capital employed	51,481	56,492	70,382	80,742	87,524
Invested capital	37,043	38,726	51,805	62,358	67,290
BVPS (Rs)	230.8	246.5	261.0	278.2	304.1
Net Debt/Equity (x)	0.1	0.1	0.3	0.4	0.4
Net Debt/EBITDA (x)	1.7	18.9	3.1	2.5	1.7
Interest coverage (x)	4.8	(1.2)	11.1	4.0	5.3
RoCE (%)	3.7	(0.8)	8.5	10.4	13.3

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	100.2	(377.1)	29.7	25.0	16.7
EV/CE(x)	2.4	2.2	1.8	1.5	1.4
P/B (x)	2.7	2.5	2.4	2.2	2.0
EV/Sales (x)	5.7	4.8	4.1	3.0	2.4
EV/EBITDA (x)	47.4	427.6	24.0	13.3	9.3
EV/EBIT(x)	207.9	(66.8)	37.5	21.4	13.6
EV/IC (x)	3.3	3.2	2.4	2.0	1.8
FCFF yield (%)	0.8	(2.4)	(7.0)	(3.1)	3.5
FCFE yield (%)	0.7	(2.7)	(7.6)	(4.9)	1.9
Dividend yield (%)	0.7	0.3	1.0	1.2	1.8
DuPont-RoE split					
Net profit margin (%)	5.5	(1.2)	13.2	11.7	13.8
Total asset turnover (x)	0.4	0.5	0.5	0.5	0.6
Assets/Equity (x)	1.2	1.2	1.3	1.4	1.5
RoE (%)	2.7	(0.7)	8.2	9.1	12.7
DuPont-RoIC					
NOPLAT margin (%)	1.9	(13.1)	7.8	10.3	12.8
IC turnover (x)	0.6	0.7	0.7	0.7	0.8
RoIC (%)	1.1	(8.9)	5.2	7.3	10.3
Operating metrics					
Core NWC days	306.8	302.2	278.9	249.8	231.7
Total NWC days	306.8	302.2	278.9	249.8	231.7
Fixed asset turnover	0.7	0.7	0.7	0.8	0.9
Opex-to-revenue (%)	43.6	43.1	27.5	20.3	16.8

Source: Company, Emkay Research

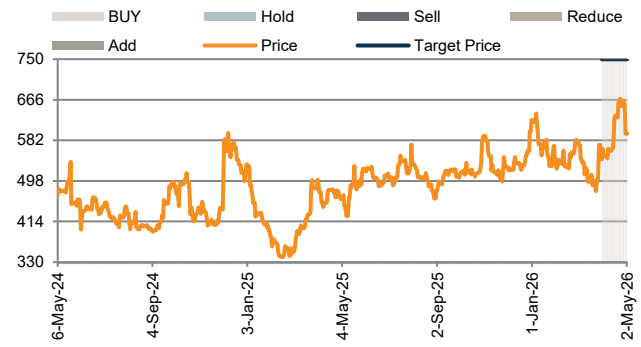
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
08-Apr-26	565	750	Buy	Akhilesh Kumar
31-Mar-26	542	750	Buy	Akhilesh Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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