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PRIVILEGED TO BE GLOBAL

HEG/SECTT/2013/ 14th November, 2013

Madhya Pradesh Stock Exchange,
201, Palika Plaza-II,
MTH Compound,
INDORE - 452001 Fax No. # 0731 2432849

BSE Ltd, Mumbai (Fax No.022-22723121/3719/2039/2041/2061
25th Floor, P J Towers
Dalal Street
MUMBAI - 400 001

National Stock Exchange of India Ltd. (Fax No. 022-2659 8237/38) 26598347/48
Exchange Plaza, 5th Floor
Plot No.C/1, G Block, Bandra - Kurla Complex
Bandra (E), MUMBAI - 400 051

Dear Sir,

Sub: Investors presentation on the unaudited Financial Results of the Company for the quarter ended 30th September, 2013.

Please find enclosed a copy of Investors presentation on the unaudited financial results of the Company for the quarter ended 30th September, 2013 for your information and record please.

Thanking you,

Yours faithfully,
For **HEG Limited**

(ASHISH SABHARWAL)
COMPANY SECRETARY

Encl: as above.









Q2 FY14 Investor Update Presentation

HEG Limited - Profile

- HEG Limited (henceforth HEG) is a leading graphite electrode manufacturer & exporter
- HEG produces two grades of graphite electrodes - High Power & Ultra High Power - used in manufacturing steel through the Electric Arc Furnace (EAF) route
- Exports over 75% of its production to more than 25 countries of the world
- Diversified customer portfolio - ArcelorMittal, Nucor, POSCO, Emirate Steel Ind, Dongkuk Steel, Severstal, SAIL, Tata Steel, Jindal Group etc.
- Graphite electrodes manufacturing plant (capacity of 80,000 tons per annum) located at Mandideep in Madhya Pradesh - is the largest single-site facility in the world
- Captive power generation capacity of around 77 mw (thermal power - 64 mw & hydro power - 13.5 mw)

Global Steel Industry

- Major steelmaking overcapacity of more than 300 million tons (mt) at the global level
  - Average utilization rate of less than 80%
  - Steel prices are down by 10% in the year to mid-2013 squeezing the margins of manufacturers
- Global steel production for the first nine months of 2013 higher by 2.7% y-o-y at 1,186 mt
  - However, excluding China, the year to date production is down by 2%
- Global steel production for 2013 is estimated to be 1,590 mt - compared to 1,547 mt in 2012
- Despite challenging economic conditions, global steel demand to grow in 2014
  - US is expected to resolve its fiscal constraints while improvement in EU economies is likely to continue
  - Steel demand from developed economies is expected to return to positive growth in 2014
  - Chinese demand is expected to grow slowly. Demand in rest of the emerging economies remains uncertain due to unresolved structural issues, political instability and volatile financial markets

Source: World Steel Association

Graphite Electrodes Market & EAF

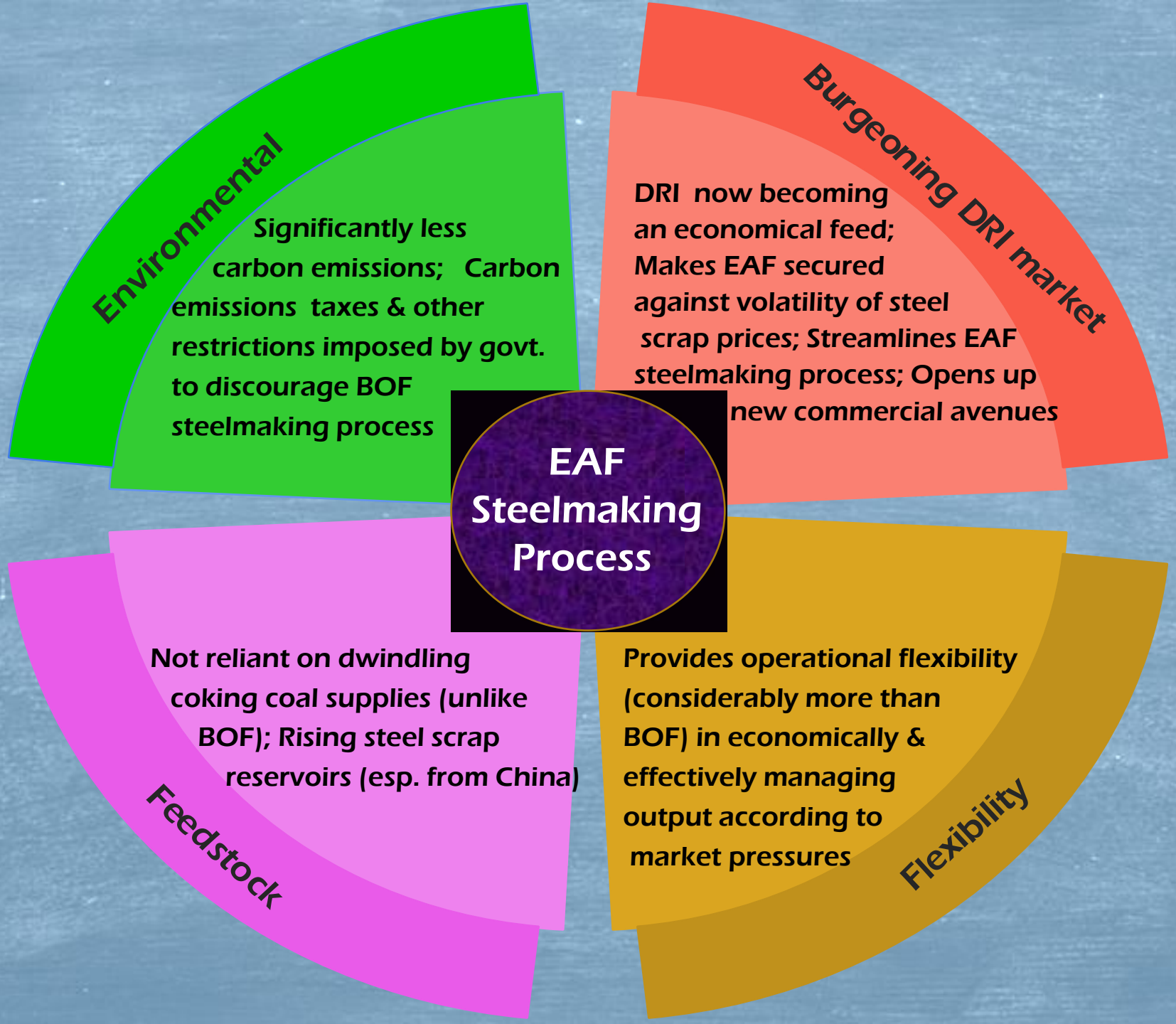
- Graphite electrodes find their biggest industrial use in Electric Arc Furnace (EAF) used in steel plants to melt steel scrap
- Graphite electrodes market has a current market size of over 1.1 million tonnes per year (US$ 3.5 billion); with the steel industry being the largest consumer
- The demand for graphite electrodes is therefore sensitive to steel production via EAF
- Efficiency, feedstock flexibility and environmental advantages make EAFs a much more attractive investment for future capacities
- Share of EAF in the global steel production is currently 31%
- EAF's share of crude steel making likely to grow exponentially and is estimated to overtake BOF steelmaking routes by 2030

Source: World Steel Association

Factors leading to rise of EAF capacities

- Environmental
  - EAF route generates significantly less carbon emissions than BOF route (both in actual production process & also because EAF predominantly utilize and recycle ferrous scrap)
  - As more carbon emission taxes and restrictions are being enforced by governments across the globe, EAF will only grow in importance
- Flexibility
  - EAFs can economically and efficiently reduce their output and capacity according to market pressures
  - Volatility of raw material prices and slackening of global steel demand makes the flexibility of EAFs even more important.
- Feedstock
  - The traditional BF and BOF route are reliant on coking coal supplies which are beginning to tighten
  - EAFs do not have any coal requirements and are therefore unaffected from the dwindling coking coal availability

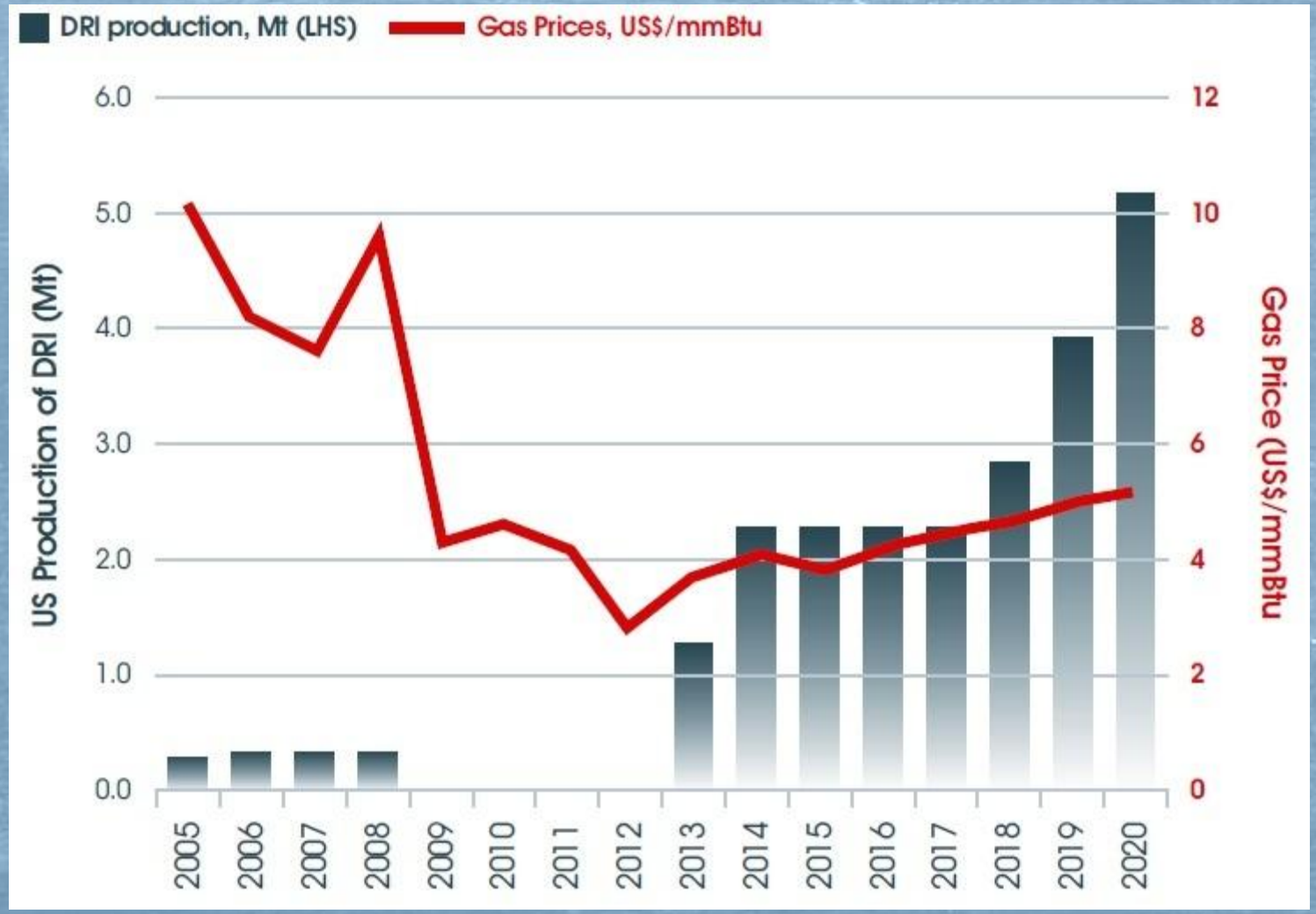
Changing Dynamics of EAF Steelmaking



Economics turning favourable for EAF

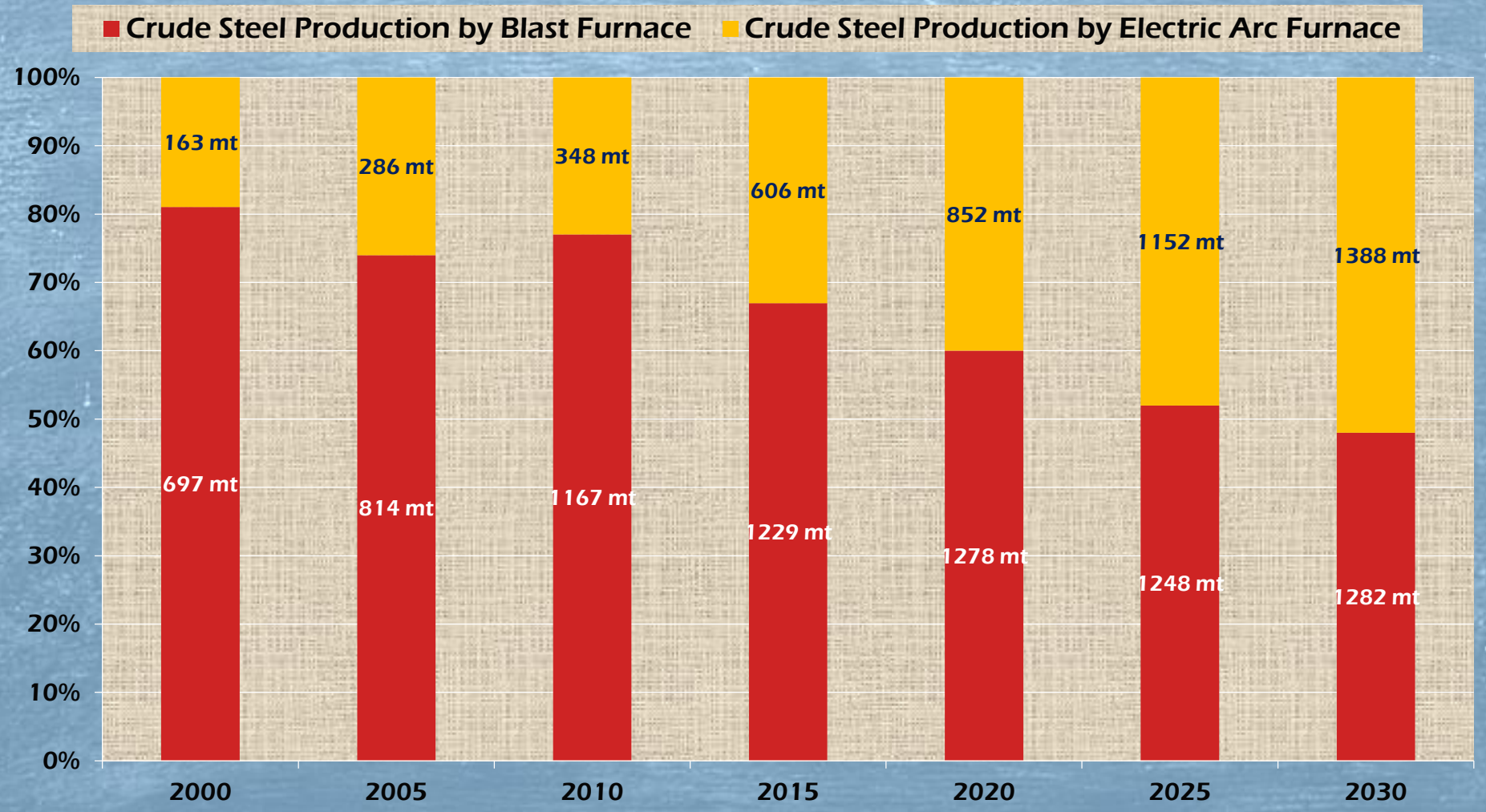
- In production of steel through EAF route – scrap steel is primarily used as feedstock. However Direct reduced iron (DRI), if available economically, can be used as furnace feed
- The shale gas revolution & the resultant affordable natural gas has revived DRI production & capacity additions
- DRI to streamline the EAF steel making process in terms of efficiency, cost & finished product markets
  - EAF steel makers to tap into the iron ore market & protect against the volatility of the steel scrap market
  - Prove to be one of the most influential shifts in the steel industry for decades
  - Have ramifications across the entire supply chain
- DRI based EAF steel production is likely to remain an attractive, cost effective option

Shale Gas & DRI Production



Source: MetalsBulletin Research

EAF steelmaking route to overtake BOF by 2030



Source: MetalsBulletin Research

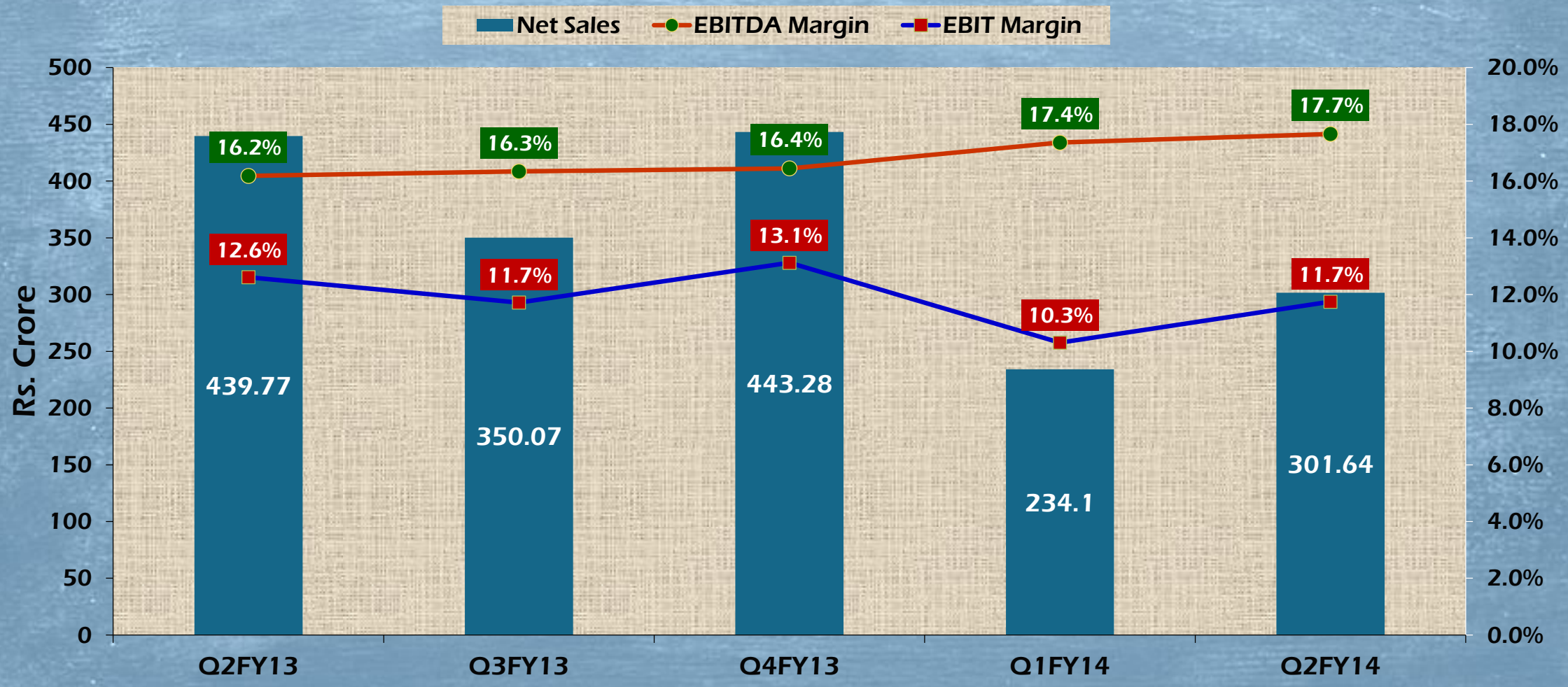
Financial Snapshot (over last 5 quarters)

In Rs. Crore (except EPS)

	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14
Net Sales	439.77	350.07	443.28	234.10	301.64
EBITDA*	71.16	57.20	72.91	40.63	53.27
EBITDA Margin	16.2%	16.3%	16.4%	17.4%	17.7%
EBIT	55.46	41.02	58.15	24.12	35.43
EBIT Margin	12.6%	11.7%	13.1%	10.3%	11.7%
Forex gains/loss	-	(12.98)	2.58	(15.32)	(9.20)
PAT	35.91	11.52	35.14	(9.32)	5.06
PAT Margin	8.2%	3.2%	7.9%	N.A.	1.7%
EPS	8.99	2.88	8.80	(2.33)	1.27

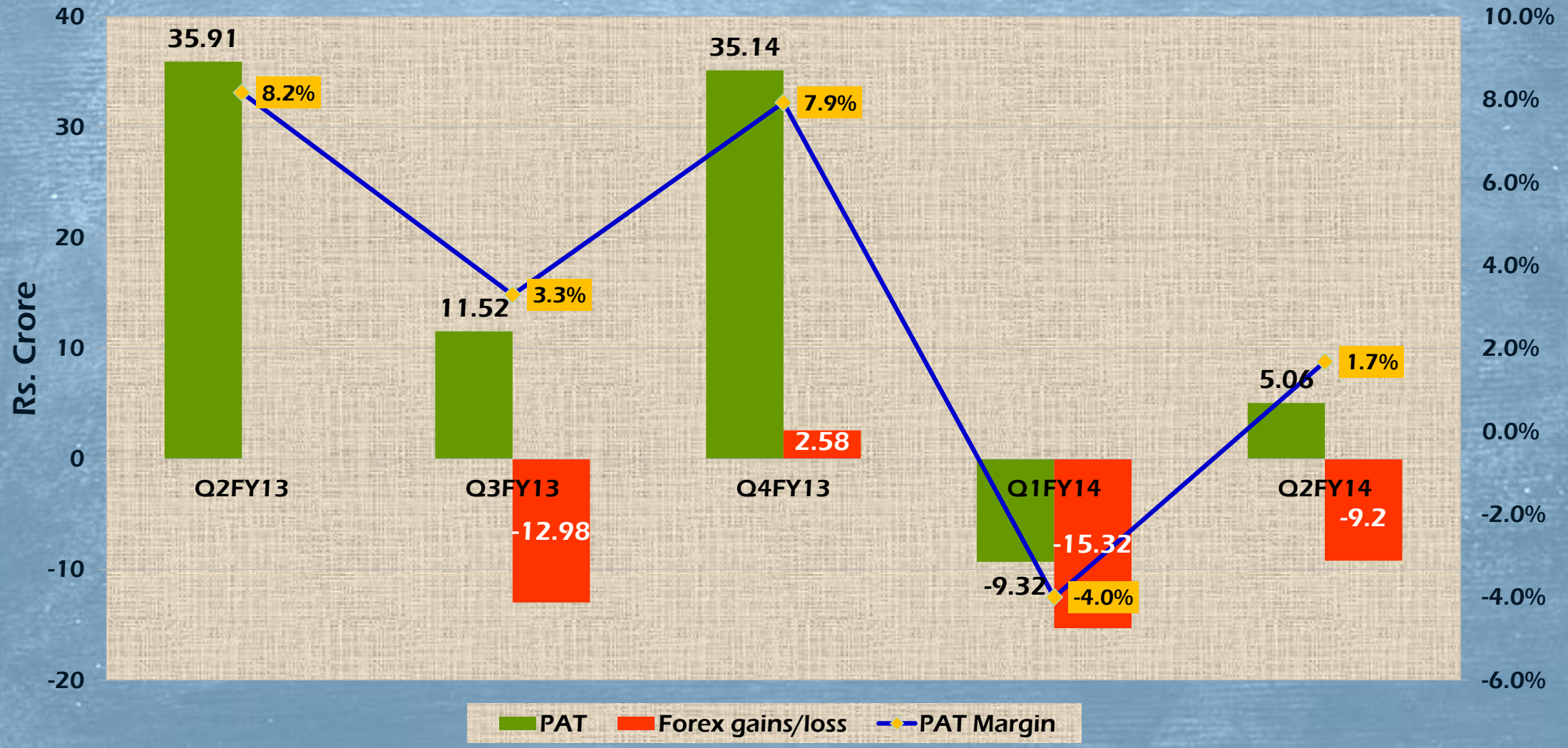
* EBITDA includes Other Income & excludes Exceptional Items

Sales & Operating Margins



Note - EBITDA includes Other Income & excludes Exceptional Items

Impact of Forex on PAT Margins



Segmental Performance – Graphite Electrodes

In Rs. Crore

	Graphite Electrodes		
	Q2 FY14	Q1 FY14	Q2 FY13
Net Sales	294.58	230.85	430.17
Export (% of sales)	77.3%	77.6%	79.7%
EBITDA Margin	10.6%	7.3%	10.1%
EBIT Margin	5.9%	1.7%	8.1%
Capital Employed	1028.73	1109.45	1042.22

- Capacity utilisation at 58% during the quarter
- Pressure on Graphite Electrode prices continues
- Though demand scenario remains subdued, HEG is able to build up its Order Book
  - To be able to substantially enhance its capacity utilisation in the rest of FY14
- Volatility in the forex market continues to affect the results adversely
- Focus on working capital management continues to improve capital employed in the business

Segmental Performance – Power

In Rs. Crore

	Power		
	Q2 FY14	Q1 FY14	Q2 FY13
Net Sales	41.72	46.83	67.73
EBITDA Margin	42.8%	45.0%	36.5%
EBIT Margin	37.8%	38.1%	34.1%
Capital Employed	208.86	200.96	210.02

- Generation continues to be affected by lower capacity utilisation in Graphite segment
- Period utilised for overhauling of plants, for optimum utilisation in rest of FY14
- Merchant power prices continue to remain under pressure

Future Outlook

1. Robust order book position, ensuring optimum capacity utilisation for rest of FY14. Positive impact of economies of scale, to improve bottom-line significantly in near future
2. Higher capacity utilization coupled with reduction in key raw material prices likely to improve net margins and cash generation significantly
3. Closure of certain manufacturing facilities announced by global players recently, offers opportunity of enhancing HEG 's market share in these geographies
4. Electrodes selling prices likely to stabilize or show some improvement in 2014
5. Use of gas as an alternate to fossil fuel, is showing positive results in operating parameters. Plans to achieve an overall capacity utilisation in the range of 70-75% during the year

Thank You



Mr. Raju Rustogi – Chief Financial Officer
HEG Limited
Ph: +91 120 244 4541
Fax: +91 120 254 1575
Email: r.rustogi@lnjbhilwara.com

Mr. Parin Narichania
ProActiv Teamwork
Mo: +91 99300 25733
Email: parin@outlook.com