



HEG/SECTT/2012/

3rd February, 2012

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

Bombay Stock Exchange 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: Press Release and Investors presentation on the Unaudited Financial Results
for the quarter & nine months period ended 31st December, 2011.**

Dear Sir,

Further to our letter dated 3rd February, 2012, intimating you the unaudited Financial results for the quarter & nine months period ended 31st December, 2011 alongwith the Limited Review Report and outcome of Board Meeting of the Company held today, please find enclosed a copy of Press Release and Investors presentation giving details of the working results of the Company for your information and record please.

Thanking you,

Yours faithfully,
For **HEG Limited**

(ASHISH SABHARWAL)
COMPANY SECRETARY

Encl: as above.

HEG LIMITED



Corporate Office :
Bhilwara Towers, A-12, Sector-1
Noida - 201 301 (NCR-Delhi), India
Tel. : +91-120-4390000 (EPABX)
Fax : +91-120-4277841
Website : www.lnjbhilwara.com

Registered Office :
Mandideep (Near Bhopal) Distt. Raissen - 462046
(Madhya Pradesh), India
Tel. : +91-7480-233524 to 233527
Fax : +91-7480-233522
Website : www.hegltd.com



HEG Limited

Q3 & 9M FY2012 Results Presentation



Introduction

- ✦ **Leading manufacturer** and exporter of graphite electrodes in India
- ✦ One of the **lowest cost** producers of graphite electrodes
- ✦ Strong presence in value added **Ultra High Power (UHP)** segment
- ✦ Diversified **customer portfolio** - POSCO, US Steel, Arcelor Mittal and Nucor Corp
- ✦ **Graphite electrodes manufacturing plant** in Mandideep – Rated capacity at 80,000 MT
- ✦ The **largest single-site graphite electrodes manufacturer in the world**
- ✦ **Captive power** generation of **77 MW** provides **reliability & self-sufficiency**



Sector Perspective

- ✦ **CY 2011 world crude steel production increased by 6.8% at record levels of 1,527 Mt**
(Source: World Steel Association)
- ✦ **2012 expected to witness strong rise in steel demand**
 - 2012 growth rate expected to be at 6%
(Source: World Steel Association)
- ✦ **Steel growth may moderate on account of global economic situation in the short run**
- ✦ **Graphite Electrodes demand based on steel produced via the EAF route**
 - Continued growth trajectory expected for steel produced through the EAF route in the long run

Sector Perspective

- ✦ Graphite Electrode Pricing – Healthy price increase being realized
- ✦ Graphite Electrode price increase expected to add to margins after absorption of cost increases
- ✦ Needle Coke – Contracts for CY 2012 finalized at increased but competitive pricing
- ✦ Healthy Needle Coke stocks at old prices to add to bottom line going forward
- ✦ Domestic input costs expected to see moderate increase



Expansions – Graphite Electrodes

- ✦ **Graphite Electrodes capacity expansion to 80,000 tons completed**
 - HEG becomes the world's largest single-site producer
 - ◊ Low cost, Brownfield expansion
 - ◊ State-of-art, integrated facility
 - ◊ Economies of scale to improve further
 - Commercial production to commence post trial runs
 - Adequate needle coke supplies available for expanded capacities
 - Captive power of total rated capacity of 77MW to support additional production
 - ◊ 2 thermal power plants of total ~63.5 MW benefit from coal linkages
 - ◊ ~ 13.5 MW Hydel-power plant operations provide low-cost power
 - Strong graphite electrodes demand trajectory to support higher volumes
 - ◊ Production of steel through the EAF route is on the rise



Performance Perspectives

☀ Growth and solid operational performance in Q3 FY2012 attributed towards:

- Optimized product mix leading to record capacity utilization over 100%
- High capacity utilization rates expected to sustain
- Expected growth in steel demand to support graphite electrode production
- Exports witnessed significant growth momentum
- Improved Graphite Electrode pricing to drive increase in margins
- Accelerated power division performance

Performance Perspectives

☀ Financial highlights

- Realizations of graphite electrodes move upward, in line with expectations
- Needle Coke pricing fixed at increased but competitive pricing
- Exceptional items represents FX realization losses on Hedges and Foreign currency borrowings; trend to be determined by FX fluctuations
- Balance sheet remains strong and sustainable

Highlights

- ✿ Net Sales in Q3FY2012 enhance by 35% at ₹ 418.0 crore as compared to ₹ 310.3 crore in Q3 FY2011
- ✿ EBIDTA in Q3 FY2012 increases by 38% at ₹ 91.1 crore from ₹ 66.2 crore
- ✿ EBIT in Q3 FY2012 higher by 47% at ₹ 76.5 crore from ₹ 52.0 crore
- ✿ EBT (before exceptional items) in Q3FY2012 rises by 50% at ₹ 62.8 crore from ₹ 42.0 crore
- ✿ PAT in Q3 FY2012 at ₹ 24.0 crore from ₹ 38.2 crore
- ✿ EPS (Basic) in Q3 FY2012 at ₹ 5.89 from ₹ 8.92 in Q3 FY2011



Management views

Commenting on the results, Mr. Ravi Jhunjhunwala, Chairman and Managing Director, HEG Limited, said:

"I am pleased to share with you that we have successfully achieved our graphite electrode capacity expansion to 80,000 tons, making us the world's largest single-site manufacturing facility. We expect to commercialize the same shortly.

We have invested substantially in furthering our production capabilities to these levels, with an aim to increasing and optimizing our capacities, producing world-class products and satisfying the rapidly growing demand for graphite electrodes.

In recent times, steel production through the EAF route has been on the rise, placing us in a favourable situation to use our core competitiveness to achieve further success.

HEG continues to remain fully committed to the graphite electrodes industry in the long run and we remain optimistic about its future."



Management views

Commenting on the results, Mr. Manvinder Singh Ajmani, Chief Financial Officer, HEG Limited, said:

“The quarter under review displays a positive operating performance in both, the graphite electrodes and power divisions. Graphite electrodes volumes, pricing and realizations continue to display improvement. HEG has secured needle coke requirements for the current year at reasonable prices, besides having healthy inventory at old prices which are expected to reflect positively in future earnings performance.

We have a successful business model, the right strategy and sufficient manufacturing resources thereby providing a strong base towards sustaining our position as a leading provider of graphite electrodes. I would like to add however that our performance could be moderately tempered by the macro economic situation globally.”



Financial performance – A review

Revenues:

- ☀ Net Revenues increased by 35% at ₹ 418.0 crore in Q3 FY2012 as compared to ₹ 310.3 crore in Q3 FY2011
- ☀ Volumes expected to maintain momentum

Particulars (₹ crore)	Q3 FY2012	Q3 FY2011	Shift (%)	9M FY2012	9M FY2011	Shift (%)
Net Revenues:	418.0	310.3	35.0	1,016.6	832.1	22.2

Financial performance – A review

Total Expenditure:

- ☀ Needle coke prices remain stable during the CY 2011. Contract for 2012 finalized at increased but competitive prices
- ☀ Other raw material costs were also higher
- ☀ Interest cost has increased due to increased spreads; on account of tighter liquidity situation

Particulars (₹ crore)	Q3 FY2012	Q3 FY2011	Shift (%)	9M FY2012	9M FY2011	Shift (%)
Total Expenditure	332.9	247.1	34.7	845.7	656.5	28.8
<i>(Increase) / Decrease in Stocks</i>	25.2	(5.8)	NA	4.8	(75.5)	NA
<i>Consumption of Raw Materials</i>	173.3	159.9	8.38	494.4	450.7	10.0
<i>Power & Fuel (Net of Interdivisional purchases)</i>	24.1	15.4	56.5	72.5	51.5	40.8
<i>Staff Cost</i>	13.0	10.8	20.4	35.1	31.4	11.8
<i>Other Expenditure</i>	97.2	66.8	45.5	238.9	198.5	20.4

Financial performance – A review

EBIDTA:

- ☀ EBIDTA increased by 38% at ₹ 91.1 crore in Q3 FY2012 from ₹ 66.2 crore in Q3 FY2011
- ☀ Q3FY2012 margins sustained on back of higher sales

Particulars (₹ crore)	Q3 FY2012	Q3 FY2011	Shift (%)	9M FY2012	9M FY2011	Shift (%)
EBIDTA before exceptional items	91.1	66.2	37.6	183.3	182.8	0.3
EBIDTA Margins (%)	21.8	21.3	NA	18.0	22.0	NA

Financial performance – A review

- ✦ Profit Before Tax in Q3 FY2012 increased by 50% at ₹ 62.8 crore as compared to ₹ 42.0 crore in Q3 FY2011
- ✦ In Q3 FY2012, the Company reported a forex loss of ₹ 35.5 crore mainly on account of translation losses on hedges and foreign currency borrowings

Particulars (₹ crore)	Q3 FY2012	Q3 FY2011	Shift (%)	9M FY2012	9M FY2011	Shift (%)
PBT before exceptional items	62.8	42.0	49.5	111.6	111.9	0.3
PAT	24.0	38.2	(37.2)	57.3	94.5	(39.4)
PAT Margins (%)	5.8	12.3	NA	5.6	11.4	NA
EPS (Basic) not annualised	5.89	8.92	(34.0)	14.04	22.05	(36.3)
EPS (Diluted) not annualised	5.89	8.92	(34.0)	14.04	22.05	(36.3)

Segmental results – Graphite electrodes

- ✦ Revenues rose by 34% at ₹ 404.0 crore in Q3 FY2012 as compared to ₹ 301.9 crore in Q3 FY2011 due to higher volumes
 - Capacity utilization at all-time high on optimized product mix; in line with growing demand
 - Growth in steel production through the EAF continues to drive volumes
- ✦ PBIT higher by 41% at ₹ 52.7 crore from ₹ 37.3 crore
 - Margins show the impact of higher domestic input costs
 - Volume growth anticipated going forward
- ✦ Order booking on an average of rolling 3-6 month basis; optimal booking levels to be attained in the near term
- ✦ Needle coke procurement for CY 2012 finalized at increased but competitive prices

Particulars (₹ crore)	Q3 FY2012	Q3 FY2011	Shift (%)	9M FY2012	9M FY2011	Shift (%)
Revenues	404.0	301.9	33.8	994.3	804.3	23.6
PBIT	52.7	37.3	41.2	95.2	109.4	(13.0)
Return on sales (%)	13.0	12.4	NA	9.6	13.6	NA
Capital Employed	900.3	752.3	19.7	900.3	752.3	19.7



Segmental results - Power

- ✧ Revenues were higher by 29% at ₹ 64.5 crore in Q3 FY2012 from ₹ 50.2 crore in Q3 FY2011
- ✧ Earnings performance influenced by
 - Contained costs on account more efficient generation
 - Contribution from the hydel power plant at Tawa
- ✧ 3 power plants under operation with a total capacity of around 77 MW
 - Two thermal power plants at Mandideep (30 MW+33 MW)
 - Hydroelectric power plant at Tawa (13.5 MW)

Particulars (₹ crore)	Q3 FY2012	Q3 FY2011	Shift (%)	9M FY2012	9M FY2011	Shift (%)
Revenue	64.5	50.2	28.5	161.8	143.0	13.1
PBIT	20.7	13.9	48.9	39.6	27.9	41.9
Return on sales (%)	32.1	27.7	NA	24.5	19.5	NA
Capital Employed	225.4	230.5	(2.2)	225.4	230.5	(2.2)

In summary

- ✦ **Expansion to 80,000 MT capacity complete; test runs are being conducted**
 - To augment performance once implemented
- ✦ **Volatility in global macro economics to continue**
 - Uncertainty in Euro zone debt crisis impacts business visibility
- ✦ **Graphite Electrode outlook is encouraging**
 - Performance of the Steel and particularly EAF sector observed to be positive
 - Capacity expansion to accrue higher volumes going forward
 - Good improvement expected in realizations in 2012
- ✦ **Margin improvement expected going forward**
- ✦ **Cautious cost outlook**
 - Needle coke costs have increased at competitive prices; supply is adequate
 - Moderate pressure continues on domestic input prices



In summary

☀ **Operational performance to continue to be positive**

- Volume growth is visible

☀ **Model remains focused and robust**

- HEG has secured its place as the world's largest single site producer of graphite electrodes
- Economies of scale and low cost production are the key points by which the Company benefits
- Key raw materials – needle coke and power
 - ⦿ Secured Needle coke requirement
 - ⦿ Even at expanded capacity levels, captive power continues to provides sufficient supply
- Market share improvement aimed for by expanding customer base



Disclaimer

Statements in this document pertaining to future status, events, or circumstances, including but not limited to statements about plans and objectives, potential product characteristics and uses, product sales potential and target dates for product launch are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are based on management's current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. HEG Limited is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise. The Company may, from time to time, make additional written and oral forward looking statements, including statements contained in its filings with the regulatory bodies and reports to shareholders



About HEG Limited

HEG Limited, a listed company of the LNJ Bhilwara Group, was established in 1977 in technical and financial collaboration with Societe Des Electrodes Et Refractaires Savoie (SERS), a subsidiary of Pechiney of France.

The Company has recently expanded Graphite Electrode capacities from 66,000 MT to 80,000 MT, consolidating its position as the largest single-site integrated graphite electrode facility in the world. The graphite electrode plant is located at Mandideep, near Bhopal.

The Company also operates three power generation facilities with a total rated capacity of about 77 MW. The hydroelectric power plant at Tawa near Itarsi, District Hoshangabad (Madhya Pradesh) has a rated capacity of 13.5 MW, while two captive thermal power plants located at Mandideep (Madhya Pradesh) have rated capacities of 30 MW and 33 MW respectively.

HEG Limited is a part of the ₹ 5,000 crore LNJ Bhilwara Group, which is a diversified conglomerate with business interests in power, graphite electrodes, textiles and IT services sector. The Group has 5 listed companies and wide range of stakeholders.



About Graphite electrodes

Graphite electrodes find their biggest industrial use in Electric Arc Furnaces (EAF) used in steel plants to melt steel scrap. The demand for graphite electrodes is therefore sensitive not to steel prices but to steel production volumes through the EAF route, which accounts for 31% of the world's steel production.

Graphite electrodes are manufactured using a closely guarded technology which is available with only 7-8 manufacturers globally. Globally USA, Europe, Middle East and South America have an EAF share of over 60%, 40%, 80% and 60% respectively. HEG Ltd., being one of the lowest cost but high quality producers of graphite electrodes, exports over 80% of its production.



Contact details

For further information, please contact:

Manvinder Singh Ajmani – CFO

HEG Limited

Ph: +91 120 244 4541, 439 0224

Fax: +91 120 254 1575

Email: manvinder.ajmani@lnjbhilwara.com

Janki Dholakia

Citigate Dewe Rogerson

Ph: +91 22 6645 1217

Fax: +91 22 6645 1213

Email: janki@cdr-india.com

Siddharth Rangnekar

Citigate Dewe Rogerson

Ph: +91 22 6645 1209

Fax: +91 22 6645 1213

Email: siddharth@cdr-india.com



Immediate Release

Noida, Friday, February 03, 2012

FINANCIAL HIGHLIGHTS:

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- EBIDTA in Q3 FY2012 increases by 38% at ₹ 91.1 crore from ₹ 66.2 crore
- EBIT in Q3 FY2012 higher by 47% at ₹ 76.5 crore from ₹ 52.0 crore
- EBT (before exceptional items) in Q3FY2012 rises by 50% at ₹ 62.8 crore from ₹ 42.0 crore
- PAT in Q3 FY2012 at ₹ 24.0 crore from ₹ 38.2 crore
- EPS (Basic) in Q3 FY2012 at ₹ 5.89 from ₹ 8.92 in Q3 FY2011
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SECTOR HIGHLIGHTS:

- CY 2011 world crude steel production increased by 6.8% at record levels of 1,527 Mt
(Source: World Steel Association)
- Graphite Electrode Pricing – Healthy price increase being realized
- Graphite Electrode price increase expected to add to margins after absorption of cost increases
- Needle Coke – Contracts for CY 2012 finalized at increased but competitive pricing
- Healthy Needle Coke stocks at old prices to add to bottom line going forward
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OPERATIONAL HIGHLIGHTS:

- Growth and solid operational performance in Q3 FY2012 attributed towards:
 - Optimized product mix leading to record capacity utilization over 100%
 - High capacity utilization rates expected to sustain
 - Expected growth in steel demand to support graphite electrode production
 - Exports witnessed significant growth momentum
 - Improved Graphite Electrode pricing to drive increase in margins
 - Accelerated power division performance

CAPACITY EXPANSION OF GRAPHITE ELECTRODES:

- Graphite Electrodes capacity expansion to 80,000 tons completed
- HEG becomes the world's largest single-site producer
 - Low cost, Brownfield expansion
 - State-of-art, integrated facility
 - Economies of scale to improve further
- Commercial production to commence post trial runs
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 - 2 thermal power plants of total ~63.5 MW benefit from coal linkages
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- Strong graphite electrodes demand trajectory to support higher volumes
 - Production of steel through the EAF route is on the rise

Commenting on the results, Mr. Ravi Jhunhunwala, Chairman and Managing Director, HEG Limited, said:

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HEG continues to remain fully committed to the graphite electrodes industry in the long run and we remain optimistic about its future."

Commenting on the results, Mr. Manvinder Singh Ajmani, Chief Financial Officer, HEG Limited, said:

"The quarter under review displays a positive operating performance in both, the graphite electrodes and power divisions. Graphite electrodes volumes, pricing and realizations continue to display improvement. HEG has secured needle coke requirements for the current year at reasonable prices, besides having healthy inventory at old prices which are expected to reflect positively in future earnings performance.

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Q3 FY2012 review

Q3 FY2012 Net Revenues were higher by 35.0% at ₹ 418.0 crore as compared to ₹310.3 crore in Q3 FY2011. Revenues in graphite electrode division increased by 33.8% at ₹ 404.0 crore in Q3 FY2012 as compared to ₹ 301.9 crore in Q3 FY2011. For Q3 FY2012 Power division revenues were also higher by 28.9% at Rs. 64.5 crore from Rs. 50.2 crore.

EBIDTA increased by 37.6% to ₹ 91.1 crore in Q3 FY2012 from ₹ 66.2 crore in Q3 FY2011. Margins during the quarter sustained on the back of higher sales. PBIT from the graphite segment rose by 41.2% in Q3 FY2012 at ₹ 52.7 crore from ₹ 37.3 crore and PBIT for the power division rose by 48.9% to Rs. 20.7 crore from 13.9 crore.

In Q3 FY2011, the Company reported a forex loss of ₹ 35.5 crore mainly on account of translation losses on hedges and foreign currency borrowings. In Q3 FY2012 Profit Before Tax was higher by 49.5% at ₹ 62.8 crore as compared to ₹ 42.0 crore in Q3 FY2011. The Company's Net Profit was ₹ 24 crore in Q3 FY2012 as compared to ₹ 38.2 crore in Q3 FY2011. The Net Profit gave a basic EPS of ₹ 5.89 for Q3 FY2012 as compared to ₹ 8.92 of Q3 FY2011.

For further information, please contact:

Manvinder Singh Ajmani

Chief Financial Officer

HEG Limited

Ph: +91 120 253 1647 / 4390 224

Fax: +91 120 254 1575

Email: manvinder.ajmani@lnjbhilwara.com

Janki Dholakia/Siddharth Rangnekar

Citigate Dewe Rogerson

Ph: +91 22 6645 1217/1209

Fax: +91 22 6645 1213

Email: janki@cdr-india.com

siddharth@cdr-india.com

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