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HEG/SECTT/2012/ 8th August, 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 ended 30th June, 2012.

Further to our letter dated 8th August, 2012, intimating you the unaudited Financial results of the Company for the quarter ended 30th June, 2012, 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.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For **HEG Limited**

(ASHISH SABHARWAL)
COMPANY SECRETARY

Encl: as above.

Immediate Release *Noida, Wednesday, August 08, 2012*

FINANCIAL HIGHLIGHTS:

- **Net Sales in Q1 FY2013 increase by 38% at ₹ 384.3 crore as compared to ₹ 279.5 crore in Q1 FY2012**
- **EBIDTA (before exceptional items) in Q1 FY2013 higher by 140% at ₹ 105.5 crore from ₹ 43.9 crore in Q1 FY2012**
- **EBIT (before exceptional items) in Q1 FY2013 rises by 197% at ₹ 89.5 crore from ₹ 30.1 crore in Q1 FY2012**
- **EBT (before exceptional items) in Q1 FY2013 increases by 225% at ₹ 73.8 crore from ₹ 22.7 crore in Q1 FY2012**
- **PAT in Q1 FY2013 higher by 17% at ₹ 23.2 crore from ₹ 19.8 crore in Q1 FY2012**
- **In Q1 FY2013, there was a FX loss of ₹ 48.4 crore attributable to FX losses on account of Hedging positions taken and FX fluctuations on borrowings**
- **EPS (Basic) in Q1 FY2013 at ₹ 5.8 from ₹ 4.7 in Q1 FY2012**
- **Graphite electrode prices continue to show marginal increase, partially offsetting the Needle Coke price increase**
- **Lower cost Needle Coke inventory helps margins rise strongly**
- **Power division profits higher as compared to corresponding period**
- **Exceptional items represent FX losses on account of Hedging positions taken and FX fluctuations on borrowings**
- **Balance sheet continues to remain strong and sustainable**

SECTOR HIGHLIGHTS:

- **World crude steel production in the first six months of 2012 was 766.9 Mt, a slight increase of 0.9% compared to the same period of 2011**
    - **Production during April-June 2012 was higher as compared to the corresponding period**

(Source: World Steel Association)

- **Global apparent steel use will increase by 3.6% to 1,422 Mt in 2012, following growth of 5.6% in 2011**

(Source: World Steel Association)

- **World steel demand in 2013 is expected to grow further by 4.5 % to around 1,486 Mt**

(Source: World Steel Association)

- **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**

OPERATIONAL HIGHLIGHTS:

- **HEG displays strong operational performance**
- **Capacity utilization at around 75% for the quarter**
- **Going forward capacity utilization rates expected to sustain in high 80% range**
- **Graphite electrode demand expected to be supported by positive steel demand**
- **Exports continue to maintain momentum**
- **HEG consolidates position as world's largest single site plant of Graphite Electrodes**

- **Domestic input costs continue to increase**
- **Coal costs contained; trend expected to continue going forward mitigated by better availability of linkage coal**

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

"The economic scenario continues to be challenging with recovery in developed economies progressing at sluggish pace. Effects of the debt crisis in Euro zone continue to engulf majority of the global economies.

The steel industry performance has been muted during the quarter. Forecasts for the global steel sector suggest better growth and this would bode well for the EAF sector and in turn the graphite electrodes sector, in which we operate.

Overall, the Company's operations during the quarter have improved with good volumes and favorable exchange rates. Continued efforts towards optimizing our operations have resulted in robust capacity utilization rates over the long run and we expect to set the benchmark and better the industry in this aspect going forward.

It continues to be our endeavor to deliver better operational and financial performance and thereby strengthen our position as one of the leading global graphite electrode manufacturers."

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

"We are pleased with the operating progress made during the current quarter, despite the challenging business environment. The Company has achieved a resilient operating performance, portrayed by growth in revenues and margins in both the graphite electrode and power divisions.

The graphite electrodes division has shown good improvement with better cost management and good realizations, driven by better exchange rates. Volume growth has been significant and we expect to increase the volume run-rate by further sharpening our processes and efficiencies. We continue to be well placed as regards our key raw materials, needle coke and power.

Operations in the power division have also shown improvement during the quarter under review. I am pleased to share that coal availability through the linkage route has improved significantly, thereby benefitting operations.

Moving forward, we aim at further improving margins and thereby adding value to our stakeholders."

Q1 FY2013 review

Q1 FY2013 Net Revenues increased by 37.5% at ₹ 384.6 crore as compared to ₹ 279.7 crore in Q1 FY2012. Revenues in graphite electrode division were higher by 37.3% at ₹ 380.8 crore in Q1 FY2013 as compared to ₹ 277.3 crore in Q1 FY2012. For Q1 FY2013 Power division revenues rose by 37.4% at ₹ 56.2 crore from ₹ 40.9 crore.

EBIDTA increased by 140.3% to ₹ 105.5 crore in Q1 FY2013 from ₹ 43.9 crore in Q1 FY2012. PBIT of the graphite division rose by 203.2% in Q1 FY2013 at ₹ 66.4 crore from ₹ 21.9 crore and PBIT for the power division was higher by 222.7% at ₹ 21.3 crore from ₹ 6.6 crore.

In Q1 FY2013, the Company reported a forex loss of ₹ 48.4 crore attributable to FX losses on account of hedging positions taken and FX fluctuations on borrowings. In Q1 FY2013 Profit Before Tax was higher by 225.1% at ₹ 73.8 crore as compared to ₹ 22.7 crore in Q1 FY2012. The Company's Net Profit increased by 17.2% from ₹ 23.2 crore in Q1 FY2013 as compared to ₹ 19.8 crore in Q1 FY2012. The Net Profit gave a basic EPS of ₹ 5.8 for Q1 FY2013 as compared to ₹ 4.7 of Q1 FY2012

For further information, please contact:

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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% if 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.

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

HEG Limited

Q1 FY2013 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

- **World crude steel production in the first six months of 2012 was 766.9 Mt, a slight increase of 0.9% compared to the same period of 2011**
  - Production during April-June 2012 was higher as compared to the corresponding period

(Source: World Steel Association)

- **Global apparent steel use will increase by 3.6% to 1,422 Mt in 2012, following growth of 5.6% in 2011**

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- **World steel demand in 2013 is expected to grow further by 4.5 % to around 1,486 Mt**

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- **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

Performance Perspectives

- **HEG displays strong operational performance**
- **Capacity utilization at around 75% for the quarter**
  - Going forward capacity utilization rates expected to sustain in high 80% range
- **Graphite electrode demand expected to be supported by positive steel demand**
- **Exports continue to maintain momentum**
- **HEG consolidates position as world's largest single site plant of Graphite Electrodes**

Performance Perspectives

- **Financial highlights**
  - Graphite electrode prices continue to show marginal increase, partially offsetting the Needle Coke price increase
  - Lower cost Needle Coke inventory helps margins rise strongly
  - Power division profits higher as compared to corresponding period
  - Exceptional items represent FX losses on account of Hedging positions taken and FX fluctuations on borrowings
- Balance sheet continues to remain strong and sustainable

Highlights

- Net Sales in Q1 FY2013 increase by 38% at ₹ 384.3 crore as compared to ₹ 279.5 crore in Q1 FY2012
- EBIDTA (before exceptional items) in Q1 FY2013 higher by 140% at ₹ 105.5 crore from ₹ 43.9 crore in Q1 FY2012
- EBIT (before exceptional items) in Q1 FY2013 rises by 197% at ₹ 89.5 crore from ₹ 30.1 crore in Q1 FY2012
- EBT (before exceptional items) in Q1 FY2013 increases by 225% at ₹ 73.8 crore from ₹ 22.7 crore in Q1 FY2012
- PAT in Q1 FY2013 higher by 17% at ₹ 23.2 crore from ₹ 19.8 crore in Q1 FY2012
- EPS (Basic) in Q1 FY2013 at ₹ 5.8 from ₹ 4.7 in Q1 FY2012

Management views

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

"The economic scenario continues to be challenging with recovery in developed economies progressing at sluggish pace. Effects of the debt crisis in Euro zone continue to engulf majority of the global economies.

The steel industry performance has been muted during the quarter. Forecasts for the global steel sector suggest better growth and this would bode well for the EAF sector and in turn the graphite electrodes sector, in which we operate.

Overall, the Company's operations during the quarter have improved with good volumes and favorable exchange rates. Continued efforts towards optimizing our operations have resulted in robust capacity utilization rates over the long run and we expect to set the benchmark and better the industry in this aspect going forward.

It continues to be our endeavor to deliver better operational and financial performance and thereby strengthen our position as one of the leading global graphite electrode manufacturers."

Management views

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

"We are pleased with the operating progress made during the current quarter, despite the challenging business environment. The Company has achieved a resilient operating performance, portrayed by growth in revenues and margins in both the graphite electrode and power divisions.

The graphite electrodes division has shown good improvement with better cost management and good realizations, driven by better exchange rates. Volume growth has been significant and we expect to increase the volume run-rate by further sharpening our processes and efficiencies. We continue to be well placed as regards our key raw materials, needle coke and power.

Operations in the power division have also shown improvement during the quarter under review. I am pleased to share that coal availability through the linkage route has improved significantly, thereby benefitting operations.

Moving forward, we aim at further improving margins and thereby adding value to our stakeholders."

Financial performance – A review

Revenues:

- Net Revenues increased by 38% at ₹ 384.6 crore in Q1 FY2013 as compared to ₹ 279.7 crore in Q1 FY2012
- Volume growth to sustain as utilisation levels expected to be robust

Particulars (₹ crore)	Q1 FY2013	Q1 FY2012	Shift (%)
Net Revenues:	384.6	279.7	37.5

Financial performance – A review

Total Expenditure:

- Domestic input costs continue to increase
- Coal costs contained; trend expected to continue going forward mitigated by better availability of linkage coal
- Interest cost has increased due to:
  - Increased borrowings on account of recent expansion of the graphite electrode facility
  - Increased spreads due to tighter liquidity

Particulars (₹ crore)	Q1 FY2013	Q1 FY2012	Shift (%)
Total Expenditure	**281.6**	**238.3**	**18.2**
(Increase) / Decrease in Stocks	**(47.2)**	**(7.9)**	**NA**
Consumption of Raw Materials	**203.7**	**139.7**	**45.8**
Power & Fuel (Net of Interdivisional purchases)	**26.3**	**28.5**	**(7.7)**
Staff Cost	**13.6**	**12.2**	**11.5**
Other Expenditure	**85.2**	**65.8**	**29.5**

Financial performance – A review

EBIDTA:

- EBIDTA (before exceptional items) increased by 140.3 % at ₹ 105.5 crore in Q1 FY2013 from ₹ 43.9 crore in Q1 FY2012
- Q1FY2013 margins continue to be shaped by higher costs

Particulars (₹ crore)	Q1 FY2013	Q1 FY2012	Shift (%)
EBIDTA before exceptional items	105.5	43.9	140.3
EBIDTA Margins (%)	*27.5*	*15.7*	NA

Financial performance – A review

- Profit Before Tax in Q1 FY2013 rises by 225.1% at ₹ 73.8 crore as compared to ₹ 22.7 crore in Q1 FY2012
- In Q1 FY2013, there was a FX loss of ₹ 48.4 crore attributable to FX losses on account of Hedging positions taken and FX fluctuations on borrowings

Particulars (₹ crore)	Q1 FY2013	Q1 FY2012	Shift (%)
PBT before exceptional items	73.8	22.7	225.1
PAT	23.2	19.8	17.2
PAT Margins (%)	*6.0*	*7.1*	NA
EPS (Basic) not annualised	*5.8*	*4.7*	***23.4***
EPS (Diluted) not annualised	*5.8*	*4.7*	***23.4***

Segmental results – Graphite electrodes

- Q1 FY2013 revenues increase by 37.3% at ₹ 380.8 crore as compared to ₹ 277.3 crore in Q1 FY2012 due to
  - Higher sales volumes
  - Capacity utilization at a competitive level
  - Healthy realisations during the quarter enhanced further by better exchange rates
- PBIT reflects robust growth of 203.2% at ₹ 66.4 crore from ₹ 21.9 crore
  - Margins improve on the back of higher volumes
  - Volumes are expected to enhance further
- Order booking continues on an average of rolling 3-6 month basis

Particulars (₹ crore)	Q1 FY2013	Q1 FY2012	Shift (%)
Revenues	**380.8**	**277.3**	**37.3**
PBIT	**66.4**	**21.9**	**203.2**
Return on sales (%)	***17.4***	***7.9***	**NA**
Capital Employed	**1,042.2**	**878.0**	**18.7**

Segmental results - Power

- 3 power plants under operation with a total capacity of around 77 MW provide reliability and self-sufficiency
  - Two thermal power plants at Mandideep (30 MW+33 MW)
  - Hydroelectric power plant at Tawa (13.5 MW)
- Margins higher robustly as compared to corresponding period
- Quarterly performance influenced by:
  - The Hydroelectric power plant not being operational in Q1 FY2013 being seasonal in nature.
  - Coal costs have been on the rise for the thermal capacities; linkage coal availability has improved thus mitigating overall cost increase.

Particulars (₹ crore)	Q4 FY2012	Q4 FY2011	Shift (%)
Revenue	**56.2**	**40.9**	**37.4**
PBIT	**21.3**	**6.6**	**222.7**
Return on sales (%)	**37.9**	**16.1**	**NA**
Capital Employed	**210.5**	**228.6**	**(7.9)**

In summary

- **Volatility and uncertainty continue to grip global economic conditions**
  - Euro zone debt crisis affecting the world at large
  - Sluggish growth rate in USA
  - Slowdown of growth in most Emerging Markets
- **Cautious cost outlook to be maintained**
- **However operating enhancements expected to drive margin improvement on account of**
  - Expected steel sector demand increase giving impetus to the EAF sector and in turn the Graphite Electrodes market; hence demand expected to be higher
  - Graphite electrodes division to benefit from expected rise in volumes, prices and realizations
  - Power division margins expected to grow as linkage coal availability stands improved, thereby mitigating coal cost increase for the thermal power plants and expectations of adequate rainfall in catchment area to allow optimum functioning of the hydroelectric power plant

In summary

- **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 requirement is secured
    - Needle coke available in adequate supplies
    - Even at expanded capacity levels, captive power continues to provides to be sufficient

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Contact details

For further information, please contact:	
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