HEG Limited

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FINANCIAL HIGHLIGHTS:

- **Net Sales in FY2011 at ₹ 1,113.7 crore as compared to ₹ 1,131.4 crore in FY2010**
- **EBIDTA at ₹ 262.0 crore in FY2011 from ₹ 354.0 crore in FY2010**
- **EBIT at ₹ 204.7 crore in FY2011 from ₹ 301.6 crore in FY2010**
- **EBT at ₹ 168.1 crore in FY2011 from ₹ 242.3 crore in FY2010**
- **PAT in FY2011 reported at ₹ 128.9 crore from ₹ 171.1 crore in FY2010**
- **EPS (Basic) in FY2011 at ₹ 30.1 from ₹ 41.1 in FY2010**
- **Buy-back of fully paid equity shares at a price not exceeding ₹ 350 per share, announced in Q4FY2011**
- **Total buyback not to exceed ₹ 67.5 crore being 9.95% of total paid up capital and free reserves as on March 31, 2010; last date for buyback – March 13, 2012**
- **Board declared an interim dividend of 50% (₹ 5 per equity share of Rs.10 each)**
- **Board recommends final dividend of 50% (₹ 5 per equity share of Rs.10 each)**

SECTOR HIGHLIGHTS:

- **Q1 CY2011 world crude steel production higher by 8.8% as compared to Q1 2010**
- **2011 world steel demand forecasted to increase by 5.9%; 2012 growth rate to accelerate by 6%**
- **Strong economic growth in India expected to fuel high domestic steel demand; 2011 demand to be higher by 13.3% and 2012 growth rate expected to increase by 14.3%**

(Source: World Steel Association)

- **Initial data for 2011 shows worldwide EAF steel production has come back very close to its peak levels of 2007 and expected to go beyond this in 2012**

OPERATIONAL HIGHLIGHTS:

- **Performance for FY2011 equated with sustained operational growth**
- **Annual capacity utilization rate at high eighties levels; expected to rise going forward**
- **Needle coke requirements for CY 2011 adequately booked at approximately similar levels as last year**
- **Adequate power requirements for 80,000 tons graphite electrodes production level**
    - **2 thermal power plants of total ~63.5 MW benefit from coal linkages**
    - **~ 13.5 MW Hydel-power plant operations provide low-cost power**
- **Significant presence in international as well as domestic markets; increased focus on market expansion**

CAPACITY EXPANSION OF GRAPHITE ELECTRODES:

- **Phase I of capacity expansion from 66,000 TPA to 80,000 TPA which commenced in March, 2010 is operational**
- **Full capacity commercial production is expected to be operational by Q3FY2012**
    - **Expansion anchored by revival in demand growth of graphite electrodes due to higher production of steel through the EAF route**
- **An investment of approximately ₹ 275 crore earmarked for the expansion**
    - **Total expansion capex being funded through debt and internal accruals**
- **Expansion will consolidate HEG's position as the largest single-site producer of Graphite Electrodes in the world**
    - **Low cost, Brownfield expansion**
    - **Economies of scale to improve further**
- **Timing of capacity expansion is well positioned for the next steel up cycle as volume visibility is strong going forward**

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

"Over the last year, the steel sector has delivered impressive growth rates, thereby supporting operations in the EAF sector. The growth in the sector coupled with the challenges faced during the fiscal year has resulted in sustained operational performance of HEG Limited.

I am pleased to share that the Phase I of our graphite electrodes capacity expansion is operational and the final full capacity expansion is expected to be operational by Q3FY2012. Focusing on increasing the international footprint, HEG has been relentlessly working towards expanding capacities in line with expected growth in demand for graphite electrodes. This initiative, in turn aims at further development of the order book and achieving the planned growth trajectory.

A strong business model, sustainable operational performance, continued focus on growth opportunities and a well –established and experienced organization, provides us the necessary platform to enhance revenue and profitability in the future, thereby increasing stakeholders value going forward."

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

"For the current fiscal, operationally, both our segments, graphite electrodes and power, delivered sustainable performance.

Annual capacity utilization rate has been maintained in the high 80s', thereby reflecting our efforts towards the Company's growth strategy. Our expanding order book and the rate of execution are supported by an uptick in demand. We have secured adequate needle coke supplies for the current year, bearing in mind the additional requirements post capacity expansion.

Power being a key raw material, the power division remains a strong thrust area for HEG Limited. The captive supply of power will be sufficient even at expanded production levels of graphite electrodes.

Over most part of the year, we continued to face challenges of higher input costs and muted realizations in both, the graphite electrodes and power divisions. However the scenario is expected to improve going forward.

Overall, we are prioritizing on improving the financial performance, and we believe that we are well positioned to leverage growth opportunities which should assist us to achieve our goals"

Q4FY2011 review

Net Sales in Q4FY2011 were at ₹ 281.6 crore from ₹ 335.8 crore in Q4FY2010. Revenues from graphite electrode division were at ₹ 275.1 crore from ₹ 321.5 crore in Q4FY2010. Power division, which includes 30 MW and 33 MW thermal power plants at Mandideep and 13.5 MW hydel plant at Tawa, saw revenues drop marginally by 2% in Q4FY2011 at ₹ 53.7 crore from ₹ 54.6 crore in Q4FY2010. All the three power plants witnessed optimal operations during the quarter. With sufficient water reserves in the catchment area, the hydro electric power plant operated steadily during the quarter.

Capacity expansion from 66,000 TPA to 80,000 TPA which commenced in March 2010, is on schedule and is expected to be completed within timelines. First phase of capacity expansion has commenced operations; full capacity commercial production is expected to commence from Q3FY2012. The expansion is anchored by revival in demand growth of graphite electrodes and remains supported by increased demand of steel produced through the EAF route.

EBIDTA in Q4FY2011 was at ₹ 65.7 crore as compared to ₹ 77.4 crore in Q4FY2010. Margins in Q4FY2011 shaped by lower realizations of graphite electrodes, higher domestic input costs, and improved power realizations. Interest / finance cost reduced by 15% in Q4FY2011 to ₹ 9.0 crore from ₹ 10.6 crore in Q4FY2010, due to continued optimization in borrowing arrangements.

PBIT from the graphite segment in Q4FY2011 was at ₹ 32.3 crore from ₹ 48.9 crore in Q4FY2010. PBIT of the power segment increased by 41% in Q4FY2011 at ₹ 18.7 crore as compared to ₹ 13.2 crore in Q4FY2010.

In Q4FY2011, the Company reported a forex gain of ₹ 10.0 crore. Profit Before Tax in Q4FY2011 stood at ₹ 42.7 crore as compared to ₹ 53.0 crore in Q4FY2010. The Company's Net Profit was ₹ 34.4 crore in Q4FY2011 as compared to ₹ 39.3 crore in Q4FY2010. The Net Profit translated to a basic EPS of ₹ 8.0 for Q4FY2011 as compared to ₹ 9.3 of Q4FY2010.

FY2011 review

Net sales for FY2011 were ₹ 1,113.7 crore from ₹ 1,131.4 crore in FY2010, marginally lower by 2%. Graphite division sales were marginally higher by 2% in FY2011 at ₹ 1,079.4 crore from ₹ 1,062.8 crore in FY2010. Power division revenues increased by 7%, at ₹ 196.7 crore from ₹ 183.3 crore.

FY2011 EBITDA was at ₹ 262.0 crore as compared to ₹ 354.0 crore in FY2010. The graphite division's PBIT for FY2011 was ₹ 155.2 crore from ₹ 256.0 crore while earnings in power division for FY2011 were higher by 14% at ₹ 46.5 crore as against ₹ 41.9 crore in the corresponding period.

FY2011 PBT stood at ₹ 168.1 crore as compared to ₹ 242.3 crore in FY2010, while PAT for FY2011 was reported at ₹ 128.9 crore as compared to ₹ 171.1 crore in FY2010, implying a basic EPS of ₹30.1.

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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.

HEG Limited currently operates a 66,000 MT graphite electrode plant at Mandideep, near Bhopal. The company has earlier invested ` 725 crore between 2002-09 in upgrading graphite electrode production capacity and setting up its own captive power plants. The Company is expanding its capacity to 80,000 MT of Graphite Electrodes by second quarter of FY 2012 making it by far the largest single-site integrated graphite electrode facility in the world.

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