PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

HEG/SECTT/2015/ 10th November, 2015

BSE Ltd, Mumbai
25th Floor, P J Towers
Dalal Street
MUMBAI - 400 001

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

Madhya Pradesh Stock Exchange Ltd,
201, Palika Plaza-II,
MTH Compound,
INDORE - 452001

Sub: Investors presentation on the Unaudited Financial Results of the Company for the quarter and half year ended 30th September, 2015.

Dear Sir,

Please find enclosed a copy of Investors presentation on the unaudited financial results of the Company for the quarter and half year ended 30th September, 2015 for your information and record please.

Thanking you,

Yours faithfully,
For **HEG Limited**

(ASHISH SABHARWAL)
COMPANY SECRETARY

ashish.sabharwal@lnjbhilwara.com

Encl: as above.

HEG Limited
World Winning Quality

Q2 - FY16 Investor Update Presentation

HEG Limited – Profile

- ❖ HEG Limited is a leading graphite electrode manufacturer & exporter Globally.
- ❖ HEG produces two grades of graphite electrodes - Ultra High Power (UHP) & High Power (HP) - used in manufacturing steel through the Electric Arc Furnace (EAF) route.
- ❖ Exports approximately 65% of its production to about 30 countries around the world.
- ❖ Diversified customer portfolio - ArcelorMittal, Nucor, POSCO, Dongkuk Steel, Hyundai Steel, Saudi Basic Industries, Emirate Steel Industries , 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 76.5 mw (2 thermal power plants & 1 hydro power plant)

Global Steel Industry

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- World crude steel production for Jan-Sept 2015 stood at 1212 million tons, a decline of 2.4% as compared to 1242 million ton in the same period in 2014.
- North America witnessed the largest decline of 6.8% followed by CIS dropping by 5.8%.
- EU dropped by 0.3% and Asia declined by 2.0%, South America too dropped by 1.4%.
- Only Middle East registered a moderate growth of 2.9% and Africa was stagnant with a growth of 0.5%.
- World excluding China produced 604 million tons in 9 months, declining by 2.7% over the same period in 2014.
- China continues to decelerate and dropped by 2.1%.
- Chinese steel reaches shores of 212 countries in 9 months of 2015 and is consistently increasing.
- World Steel industry is plagued by overcapacity of anywhere between 400 n 600 mmt, a very large part being in China.

Global Graphite Industry

- EAF segment of Steel, which is our customer base continues to be severely impacted due to disproportionate fall in the prices of Iron Ore and Coke, the two main raw materials to blast furnace industry as compared to Steel Scrap, the main raw material to EAF steel industry.

- Total Chinese exports in 9 M reach 83.1 million tons at a monthly average of 9.2 million tons. Annualized Basis – 110.8 million tonnes. 2014 exports stood at 94 million tons resulting in consequent production declining in the rest of the World.

- The above factors have resulted in production drop, in the EAF segment leading to decline in electrode demand. Capacity utilization in Graphite Electrode industry has fallen to around 60%. This continues to put prices, under pressure.

- Fall in the value of Indian rupee coupled with our willingness to compete with International counterparts is putting pressure on import of electrodes from other countries as well, besides China.

Financial Snapshot

HEG Limited
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in Rs. Crore (except EPS)

	FY 15	Q2 FY16	Q1 FY16	Q2FY15
Net Operating Income	1236.91	240.20	249.27	322.51
EBITDA*	196.78	53.93	25.15	46.81
EBITDA Margin	15.91%	22.45%	10.09%	14.51%
EBIT	121.43	33.74	6.28	28.08
EBIT Margin	9.82%	14.05%	2.5%	8.71%
PAT	39.0	14.66	(10.55)	5.58
PAT Margin	3.15%	6.10%	(4.23%)	1.73%
EPS	9.76	3.67	(2.64)	1.40

* EBITDA includes Other Income

Segmental Performance – Graphite Electrodes

HEG Limited
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in Rs. Crore

	FY 15	Q2 FY16	Q1 FY16	Q2FY15
Net Sales	1213.28	237.58	247.73	318.56
Export (% of sales)	78.2%	64.3%	65.8%	73.5%
EBITDA Margin	8.7%	10.8%	2.2%	6.7%
EBIT Margin	2.9%	3.8%	(4.2%)	2.04%
Capital Employed	974.50	919.69	927.80	880.63

- Capacity utilisation at around 60% during the quarter.
- Graphite electrode volume and prices continue to be under pressure. Company is able to increase its market share in the relatively profitable domestic market as a result of imposition of anti-dumping duty on Chinese imports. Also rupee depreciation vis a vis USD added to margins.
- High cost needle coke full exhausted. Increased usage of low cost needle coke and near benchmark performance levels in operations helped improving margins.

Segmental Performance – Power

HEG Limited
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in Rs. Crore

	FY 15	Q2FY16	Q1 FY16	Q2 FY15
Net Sales	228.07	57.64	46.73	56.45
EBITDA Margin	43.7%	49.2%	43.8%	42.8%
EBIT Margin	37.6%	43.4%	35.7%	36.7%
Capital Employed	174.0	176.58	170.54	173.04

- Generation (volume) from Thermal facility increased, to suit graphite electrode's power requirement.
- Thermal Margins improved with full availability and usage of linkage coal.
- With reduced coal consumption and operational efficiencies, current Inventory of low cost linkage coal adequate for next 12 months.
- Hydro facility began generation in the quarter, adding strength to the bottom-line.

Future Outlook

- Anti dumping duty on imports of Chinese electrodes in India has resulted in fall of Chinese imports from an average of 1104 mt per month to 170 mt between Apr-Aug'15.
- HEG has been able to replace this reduced Chinese and other imports, by increasing its market share in the domestic market.
- With crude stabilizing at current levels and overall economic slow down, cost of major input material are expected to remain stable or even lower, going forward.
- Nil requirement of high cost market coal for rest of 2015-16, as the availability of low cost linkage coal, substantially improved.
- Uncertainty continues regarding reversal of trend of slowing down of EAF production and export of steel from China.

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