



HEG/SECTT/2013/

24th January, 2013

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, 2012.**

Further to our letter dated 24th January, 2013, intimating you the unaudited Financial results of the Company for the quarter & nine months period ended 31st December, 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.

HEG LIMITED

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Immediate Release

Noida, Thursday, January 24, 2013

FINANCIAL HIGHLIGHTS:

- Total income in 9M FY2013 higher by 16% at ₹ 1,182.7 crore as compared to ₹ 1,017.0 crore in 9M FY2012
- EBIDTA (before exceptional items) in 9M FY2013 rises by 29% at ₹ 233.8 crore from ₹ 181.00 crore in 9M FY2012
- EBIT (before exceptional items) in 9M FY2013 increases by 34% at ₹ 185.9 crore from ₹ 138.6 crore in 9M FY2012
- EBT in 9M FY2013 higher by 22% at ₹ 81.3 crore from ₹ 66.9 crore in 9M FY2012
- PAT in 9M FY2013 rises by 23% at ₹ 70.7 crore from ₹ 57.3 crore in 9M FY2012
- EPS (Basic) in 9M FY2013 at ₹ 17.7 from ₹ 14.0 in 9M FY2012
- Graphite electrode prices display nominal downward bias
- Needle coke price movement in line with movement in graphite electrode prices, thus far
- Power division performance superior as compared to corresponding period
- Exceptional item represents FX loss of ₹ 13.0 crore
- Balance sheet continues to remain strong and robust

SECTOR HIGHLIGHTS:

- World crude steel production reached record levels of 1,548 Mt for the year 2012, up by 1.2% compared to 2011

(Source: World Steel Association)

- Growth led by China, India, Middle East and North America while Europe and South America registered negative growth.

(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
- In spite of Industry majors having announced price hikes of 8-9% for new orders, prices expected to remain moderate given the market situation
- Corresponding pressure on Needle Coke prices observed

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

“The year 2012 saw the world economy further weakening. A growing number of developed economies are witnessing sustained recession which is having a negative impact on the global economic growth outlook.

Though the steel industry has moderately grown during 2012, visibility for the future is still not very clear. On the other hand, the EAF route of steel production has witnessed better growth as there is a clear shift to EAFs from blast furnaces.

Being a well established and experienced organization, HEG Limited continues to be a reputable producer of graphite electrodes, which are used in EAFs around the world. The prices of graphite electrodes are showing a moderating trend and we expect a similar trend in raw material prices. We are in the process of entering into further supply and procurement contracts for graphite electrodes and our key raw materials, and should have greater clarity on the outlook a few months down the line.”

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

“In the year to date period, HEG Limited has delivered moderate operational and financial performance. The quarter under review has seen some decline in capacity utilization and a shift of sales from the current quarter to the next quarter.

The Power division performed well during the quarter. Operationally the quarter under review is considered as the best quarter for the power plant at Tawa, due to effect of seasonality, and the same has contributed in improvement of margins.

Our focus is on aligning costs and productivity metrics so as to improve our margin profile going forward. We remain confident that for the year as a whole, we should be able to maintain our utilisation levels at over 75%.”

Q3 FY2013 review

Q3 FY2013 Net Revenues were at ₹ 358.1 crore as compared to ₹ 418.0 crore in Q3 FY2012. In Q3 FY2013 revenues in graphite electrode division were at ₹ 337.9 crore as compared to ₹ 404.0 crore in Q3 FY2012. Revenues in the Power division were at ₹ 64.2 crore from ₹ 64.6 crore.

EBIDTA was at ₹ 57.2 crore in Q3 FY2013 from ₹ 90.1 crore in Q3 FY2012. PBIT of the graphite division was ₹ 13.4 crore from ₹ 51.7 crore and PBIT for the power division was ₹ 25.4 crore from ₹ 20.7 crore.

In Q3 FY2013, the Company reported a forex loss of ₹ 13.0 crore. In Q3 FY2013 Profit Before Tax was ₹ 12.6 crore as compared to ₹ 27.3 crore in Q3 FY2012. The Company's Net Profit was ₹ 11.5 crore in Q3 FY2013 as compared to ₹ 24.0 crore in Q3 FY2012. The Net Profit gave a basic EPS of ₹ 2.88 for Q3 FY2013 as compared to ₹ 5.89 of Q3 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% of the world's steel 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

Q3 & 9M 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 reached record levels of 1,548 Mt for the year 2012, up by 1.2% compared to 2011**

(Source: World Steel Association)

- ✧ **Growth led by China, India, Middle East and North America while Europe and South America registered negative growth.**

(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

- ✧ **Inspite of Industry majors having announced price hikes of 8-9% for new orders a few months back, prices expected to remain moderate given the market situation**

- ✧ **Corresponding pressure on Needle Coke prices observed**

Performance Perspectives

☀ **Moderation in capacity utilization rates for the quarter**

- Going forward capacity utilization rates expected to improve

☀ **Graphite electrodes demand expected to be supported by steel demand**

- HEG consolidates position as world's largest single site plant of Graphite Electrodes

☀ **Financial highlights**

- Graphite electrode prices display nominal downward bias
- Needle coke price movement expected to be in line with movement in graphite electrode prices
- Power division performance superior as compared to corresponding period
- Exceptional item represents FX loss of ₹ 13.0 crore

☀ **Balance sheet continues to remain strong and robust**



Highlights

- ☀ Total income from operations in 9M FY2013 higher by 16% at ₹ 1,182.7 crore as compared to ₹ 1,017.0 crore in 9M FY2012
- ☀ EBIDTA (before exceptional items) in 9M FY2013 rises by 29% at ₹ 233.8 crore from ₹ 181.00 crore in 9M FY2012
- ☀ EBIT (before exceptional items) in 9M FY2013 increases by 34% at ₹ 185.9 crore from ₹ 138.6 crore in 9M FY2012
- ☀ EBT in 9M FY2013 higher by 22% at ₹ 81.3 crore from ₹ 66.9 crore in 9M FY2012
- ☀ PAT in 9M FY2013 rises by 23% at ₹ 70.7 crore from ₹ 57.3 crore in 9M FY2012
- ☀ EPS (Basic) in 9M FY2013 at ₹ 17.7 from ₹ 14.0 in 9M FY2012



Management views

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

“The year 2012 saw the world economy further weakening. A growing number of developed economies are witnessing sustained recession which is having a negative impact on the global economic growth outlook.

Though the steel industry has moderately grown during 2012, visibility for the future is still not very clear. On the other hand, the EAF route of steel production has witnessed better growth as there is a clear shift to EAFs from blast furnaces.

Being a well established and experienced organization, HEG Limited continues to be a reputable producer of graphite electrodes, which are used in EAFs around the world. The prices of graphite electrodes are showing a moderating trend and we expect a similar trend in raw material prices. We are in the process of entering into further supply and procurement contracts for graphite electrodes and our key raw materials, and should have greater clarity on the outlook a few months down the line.”



Management views

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

“In the year to date period, HEG Limited has delivered moderate operational and financial performance. The quarter under review has seen some decline in capacity utilization and a shift of sales from the current quarter to the next quarter.

The Power division performed well during the quarter. Operationally the quarter under review is considered as the best quarter for the power plant at Tawa, due to effect of seasonality, and the same has contributed in improvement of margins.

Our focus is on aligning costs and productivity metrics so as to improve our margin profile going forward. We remain confident that for the year as a whole, we should be able to maintain our utilisation levels at over 75%.”



Financial performance – A review

Revenues:

- ✧ 9M FY2013 Total Income rise by 16% at ₹ 1,182.7 crore as compared to ₹ 1,017.0 crore in 9M FY2012
- ✧ Q3 FY2013 Total Income at ₹ 358.1 crore as compared to ₹ 418.0 crore in Q2 FY2012
- ✧ Volume performance reflects lower utilisation levels

Particulars (₹ crore)	Q3 FY2013	Q3 FY2012	Shift (%)	9M FY2013	9M FY2012	Shift (%)
Total Income	358.1	418.0	(14.3)	1,182.7	1,017.0	16.3

Financial performance – A review

Total Expenditure:

- ✧ Domestic input costs continue to show an increasing trend
- ✧ Needle coke prices remain stable during the CY 2012. CY 2013 contract negotiations in process; prices expected to show nominal decline
- ✧ Interest cost higher due to:
 - Increased borrowings on account of recent expansion of the graphite electrode facility

Particulars (₹ crore)	Q3 FY2013	Q3 FY2012	Shift (%)	9M FY2013	9M FY2012	Shift (%)
Total Expenditure	304.7	333.9	(8.8)	958.1	848.3	12.9
<i>(Increase) / Decrease in Stocks</i>	(39.3)	25.2	NA	(81.1)	4.8	NA
<i>Consumption of Raw Materials</i>	211.7	173.3	22.2	643.1	494.4	30.1
<i>Power & Fuel (Net of Interdivisional purchases)</i>	29.5	24.1	22.3	88.2	72.5	21.7
<i>Staff Cost</i>	13.3	13.0	1.7	40.3	35.1	14.9
<i>Other Expenditure</i>	89.5	98.3	(8.9)	267.6	241.5	10.8



Financial performance – A review

EBIDTA:

- ☀ 9M FY2013 EBIDTA (before exceptional items) was higher by 29.2% at ₹ 233.8 crore as compared to ₹ 181.00 crore in 9M FY2012
- ☀ Q3 FY2013 EBIDTA (before exceptional items) was at ₹ 57.2 crore as compared to ₹ 90.1 crore in Q3 FY2012
 - Margins affected by lower sales volumes; moderation in capacity utilization rates
 - Certain sales estimated for the current quarter have shifted to the next quarter

Particulars (₹ crore)	Q3 FY2013	Q3 FY2012	Shift (%)	9M FY2013	9M FY2012	Shift (%)
EBIDTA before exceptional items	57.2	90.1	(36.5)	233.8	181.0	29.2
EBIDTA Margins (%)	16.0	21.5	NA	19.8	17.8	NA

Financial performance – A review

- ✦ 9M FY2013 Profit Before Tax higher by 22% at ₹ 81.3 crore as compared to ₹ 66.9 crore in 9M FY2012
- ✦ Q3 FY2013 Profit Before Tax at ₹ 12.6 crore as compared to ₹ 27.3 crore in Q3 FY2012
 - In Q3 FY2013, the Company reported a forex loss of Rs.13.0 crore

Particulars (₹ crore)	Q3 FY2013	Q3 FY2012	Shift (%)	9M FY2013	9M FY2012	Shift (%)
PBT	12.6	27.3	(53.9)	81.3	66.9	21.6
PAT	11.5	24.0	(52.1)	70.7	57.3	23.2
PAT Margins (%)	3.2	5.8	NA	6.0	5.6	NA
EPS (Basic) not annualised	2.9	5.9	(51.1)	17.7	14.0	25.9
EPS (Diluted) not annualised	2.9	5.9	(51.1)	17.7	14.0	25.9

Segmental results – Graphite electrodes

- ✴ 9M FY2013 revenue rises by 16% at ₹ 1,148.9 crore as compared to ₹ 994.3 crore in 9M FY2012
- ✴ Q3 FY2013 revenues were at ₹ 337.9 crore as compared to ₹ 404.0 crore in Q3 FY2012
 - PBIT was at ₹ 13.4 crore from ₹ 51.7 crore

Particulars (₹ crore)	Q3 FY2013	Q3 FY2012	Shift (%)	9M FY2013	9M FY2012	Shift (%)
Revenues	337.9	404.0	(16.4)	1,148.9	994.3	15.5
PBIT	13.4	51.7	(74.2)	111.1	92.9	19.6
Return on sales (%)	4.0	12.8	NA	9.7	9.3	NA
Capital Employed	1,063.7	900.3	18.1	1,063.7	900.3	18.1

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 as compared to corresponding period
- ✳ Quarterly performance influenced by:
 - Contribution from the hydel power plant at Tawa at peak levels following seasonal upside
 - Coal costs are stable for the thermal capacities; assured linkage coal available

Particulars (₹ crore)	Q3 FY2013	Q3 FY2012	Shift (%)	9M FY2013	9M FY2012	Shift (%)
Revenue	64.2	64.6	(0.6)	188.1	162.2	16.0
PBIT	25.4	20.7	22.7	69.8	39.6	76.5
Return on sales (%)	39.5	32.0	NA	37.1	24.4	NA
Capital Employed	214.4	225.4	(4.9)	214.4	225.4	(4.9)

In summary

- ✦ **The global financial situation continues to retard international economic growth**
 - Europe continues to face recessionary conditions due to fiscal and financial strains resulting from high unemployment, high public debt burdens and weak demand
 - USA has been expanding since mid-2009, but the pace of recovery continues to be slow
 - Emerging markets face major challenges related to exports, inflation, weak domestic demand
- ✦ **Cautious cost outlook to be maintained in view of the demand environment**
 - Graphite electrode prices are softening nominally
 - Needle coke prices expected to trend accordingly
- ✦ **Improvement in operational efficiency will be key to improving performance**
 - Margins expected to tread higher in line with restoration of volume momentum

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 be sufficient



Disclaimer

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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.



Contact details

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