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HEG/SECTT/2016 30th May, 2016

1	**BSE Limited** 25th Floor, P J Towers Dalal Street MUMBAI - 400 001. **Scrip Code : 509631**	2	**National Stock Exchange of India Limited** Exchange Plaza, 5th Floor Plot No.C/1, G Block, Bandra - Kurla Complex Bandra (E), MUMBAI - 400 051. **Scrip Code : HEG**

Sub: Investors presentation on the Audited Financial Results of the Company for the quarter and year ended 31st March, 2016.

Dear Sir,

Please find enclosed a copy of Investors presentation on the audited financial results of the Company for the quarter and year ended 31st March, 2016 for your information and record please.

Thanking you,

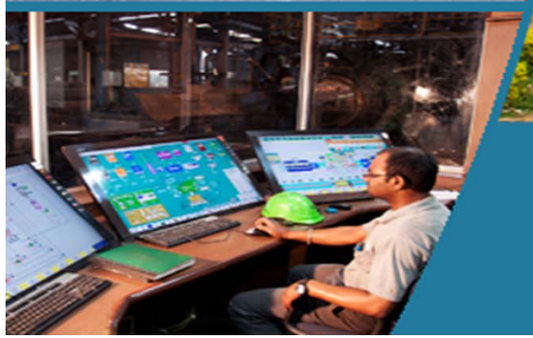
Yours faithfully,
For **HEG Limited**

(ASHISH SABHARWAL)
COMPANY SECRETARY

ashish.sabharwal@lnjbhilwara.com









HEG Limited
World Winning Quality

Q4 & 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

- As per the World Steel Association (WSA*), World crude steel production for Jan – April'16 declined by 2.8 % to 521 million tons.
- All regions registered a negative growth -North America (-1.3 %) , South America (-14.2%) , EU(28) (-6.5%), Asia (-2.1%), Middle East (-3.6%), Africa (-19.7%).
- World excluding China produced 819 million tons, declining by 3.4 % over 2014.
- Chinese production continues to slow down and dropped by 2.3%.
- While almost all major steel producing countries registered decline in steel production, India steel production grew by 2.3%
- Chinese Steel exports to the world touched an all time high of 112.5 mmt in 2015 to 212 countries.
- Chinese government is planning to shut down 100-150 MT of steel capacity by 2020.
- Steel industry continue to be plagued by extreme over capacity to the tune of 500-600 million tons, predominantly in China.
- Iron ore & coking coal prices have fallen much more in comparison to Scrap, in last few years making the BOF production route more competitive vis-à-vis EAF route, having a significant impact on electrodes demand.
- EAF share has fallen in last decade from 33% to 25% in 2015.

Indian Steel Industry

- 2015-16 has been a tough period as the prices of steel went down month after month.
- Indian steel faced oversupply below cost prices.
- In India, steel imports increased by 25.6% to 11.71 mmt in the last fiscal compared to 9.32-mt in 2014-15.
- Minimum Import Price (MIP) has been introduced on 173 varieties of flat steel products in India recently.
- Safeguard duty of 20% on flat steel products, levied in September 2015, extended in March 2016, valid till March 2018.

Financial Snapshot

in Rs. Crore (except EPS)

	FY 15	FY16	Q4 FY16	Q3 FY16	Q2 FY16	Q1 FY16	Q4FY15
Net Operating Income	1233.07	827.54	162.61	179.06	240.20	249.27	288.96
EBITDA*	196.78	128.62	9.35	40.18	53.93	25.15	43.85
EBITDA Margin	15.96%	15.54%	5.75%	22.44%	22.45%	10.09%	15.18%
EBIT	121.45	49.40	(10.70)	20.06	33.74	6.28	25.86
EBIT Margin	9.85%	5.97%	(6.58%)	11.21%	14.05%	2.52%	8.95%
PAT	39.00	(15.15)	(25.77)	6.49	14.66	(10.55)	4.01
PAT Margin	3.16%	(1.83%)	(15.85%)	3.63%	6.10%	(4.23%)	1.39%
EPS	9.76	(3.79)	(6.45)	1.62	3.67	(2.64)	1.00

* EBITDA includes Other Income

Segmental Performance – Graphite Electrodes

HEG Limited
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in Rs. Crore

	FY 15	FY 16	Q4 FY16	Q3 FY16	Q2 FY16	Q1 FY16	Q4FY15
Net Sales	1209.46	812.03	157.80	172.52	237.58	247.73	282.57
Export (% of sales)	77.33%	61.61%	57.59%	54.31%	64.34%	65.38%	79.05%
EBITDA Margin	7.87%	3.16%	(9.35%)	5.68%	10.80%	2.03%	8.34%
EBIT Margin	2.87%	(4.87%)	(19.83%)	(3.97%)	3.77%	(4.16%)	33.11%
Capital Employed	974.49	914.61	914.61	913.67	919.69	927.80	974.49

- Capacity utilisation at around 50% 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.
- Impact of improved operational efficiencies and lower input cost are majorly offset by lower sale volumes, prices and relatively stable fixed cost.

Segmental Performance – Power

in Rs. Crore

	FY 15	FY 16	Q4 FY16	Q3 FY16	Q2 FY16	Q1 FY16	Q4 FY15
Net Sales	228.07	207.63	43.70	59.56	57.64	46.73	54.84
EBITDA Margin	43.70%	49.42%	54.23%	51.29%	49.22%	43.83%	39.27%
EBIT Margin	37.62%	42.99%	46.64%	45.65%	43.40%	35.71%	33.11%
Capital Employed	174.00	157.03	157.03	168.68	176.58	170.54	174.00

- Thermal power margins improved with the increase in EB's tariff rates and also use of cheaper alternative coal as a percentage of total coal consumption.
- Revenue lower in the quarter as generation adjusted to suit graphite manufacturing requirement. Also, hydro facility closes towards feb 16 end due to seasonality.

Future Outlook

- IMF projects a Global growth in 2016 at modest 3.2%, a 0.2% downward revision from its January 2016 outlook.
- In the long term, EAF is expected to be more competitive than BOF as iron ore & coking coal expected to rebound, increased availability of scrap especially from China as huge volumes of scrap will be generated from the steel used in last couple of decades.
- Chinese Gov't has announced plans to close down 100-150 MT of steel capacity by 2020, but due to huge unemployment and social issues, how much will actually materialize is not certain.
- Chinese Gov't plans to modernize their steel industry by replacing old BOF furnaces with EAF furnaces, increasing EAF share in future.
- In India, due to low oil prices, reform momentum and policies to enhance infrastructure & manufacturing output expected to see steel demand increase by 5.5% in both 2016 & 2017 reaching 88.3 mn tonnes in 2017.

Thank You



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