



# Q1 FY15 Investor Update Presentation

# HEG Limited - Profile

HEG Limited (henceforth HEG) is a leading graphite electrode manufacturer & exporter

HEG produces two grades of graphite electrodes - High Power & Ultra High Power - used in manufacturing steel through the Electric Arc Furnace (EAF) route

Exports over 75% of its production to more than 25 countries of the world

Diversified customer portfolio - ArcelorMittal, Nucor, POSCO, Emirate Steel Ind, Dongkuk Steel, 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 76.5 mw (thermal power - 63 mw & hydro power - 13.5 mw)

# Global Steel Industry

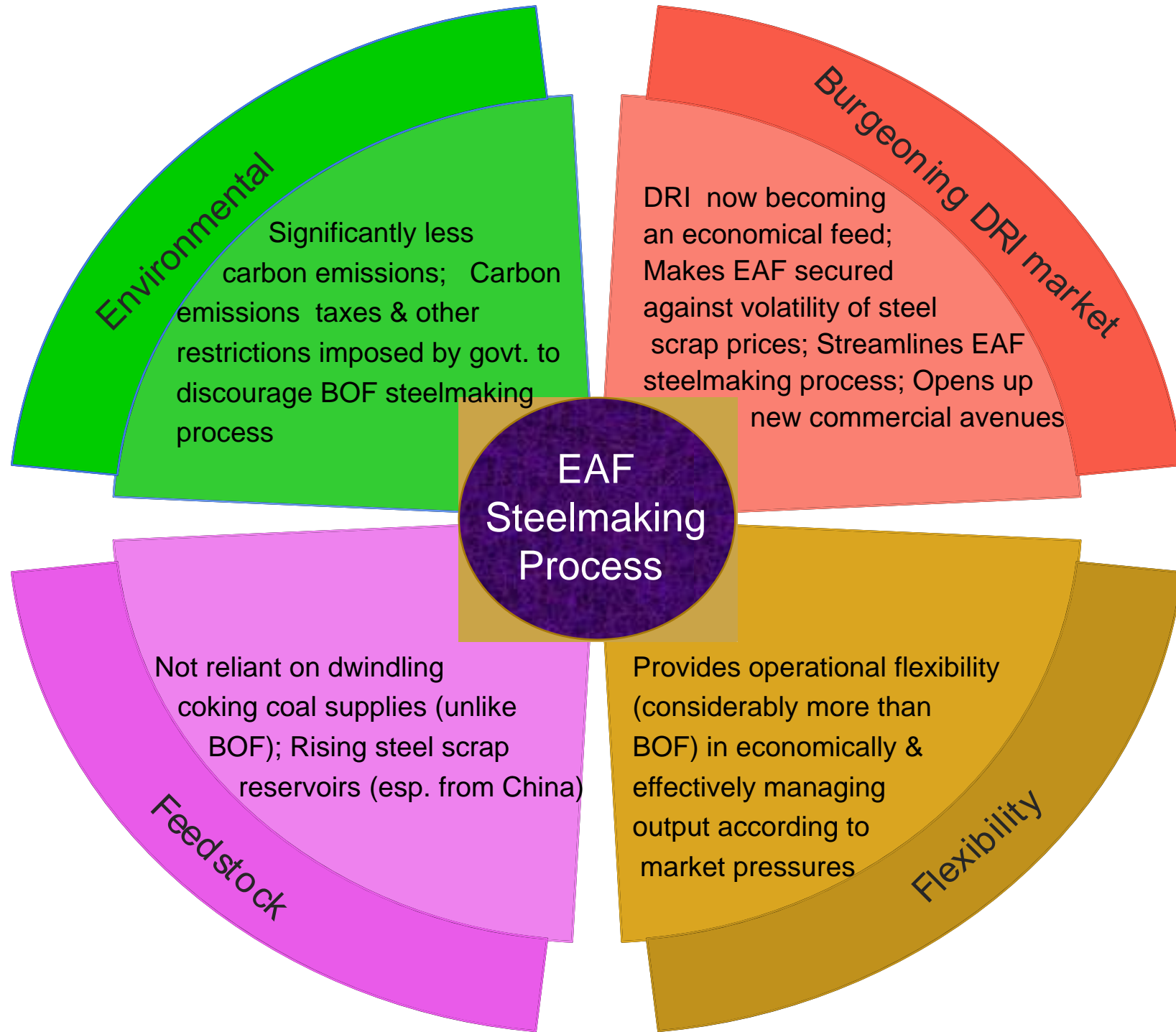
- **World crude steel production for the 65 countries, which produces 99 % of the alloy, during first 6 months of 2014 was up by 2.5 % to 821.4 MT. Only in June, the production rose by 3.1% to 137 MT.**
- The EU showed an increase of 3.8% while Asia and North America reported growth of 2.9% and 1.7% respectively in the first half of 2014. South America and C.I.S. produced -1.0% and -2.6% less each.
- China's, which produces around half the world's steel, crude steel production for June this year was 69.3 MT, up by 5.6% compared to June 2013.
- According to the WSA's **Short Range Outlook for 2014 and 2015, the global steel use will increase by 3.1% to 1,527 MT in 2014 following growth of 3.6% in 2013.**
- In India steel demand expected to grow by 3.3% to 76 Million tons in 2014 against an actual growth of only 1.8% in 2013.



# Graphite Electrodes Market & EAF

- Graphite electrodes find their biggest industrial use in Electric Arc Furnace (EAF) used in steel plants to melt steel scrap
- Graphite electrodes market has a current market size of over 1.1 million tonnes per year (US\$ 3.5 billion); with the steel industry being the largest consumer
- The demand for graphite electrodes is therefore sensitive to steel production via EAF
- Efficiency, feedstock flexibility and environmental advantages make EAFs a much more attractive investment for future capacities
- Share of EAF in the global steel production is currently around 30%
- EAF's share of crude steel making likely to grow exponentially and is estimated to overtake BOF steelmaking routes by 2030

# Factors leading to rise of EAF capacities



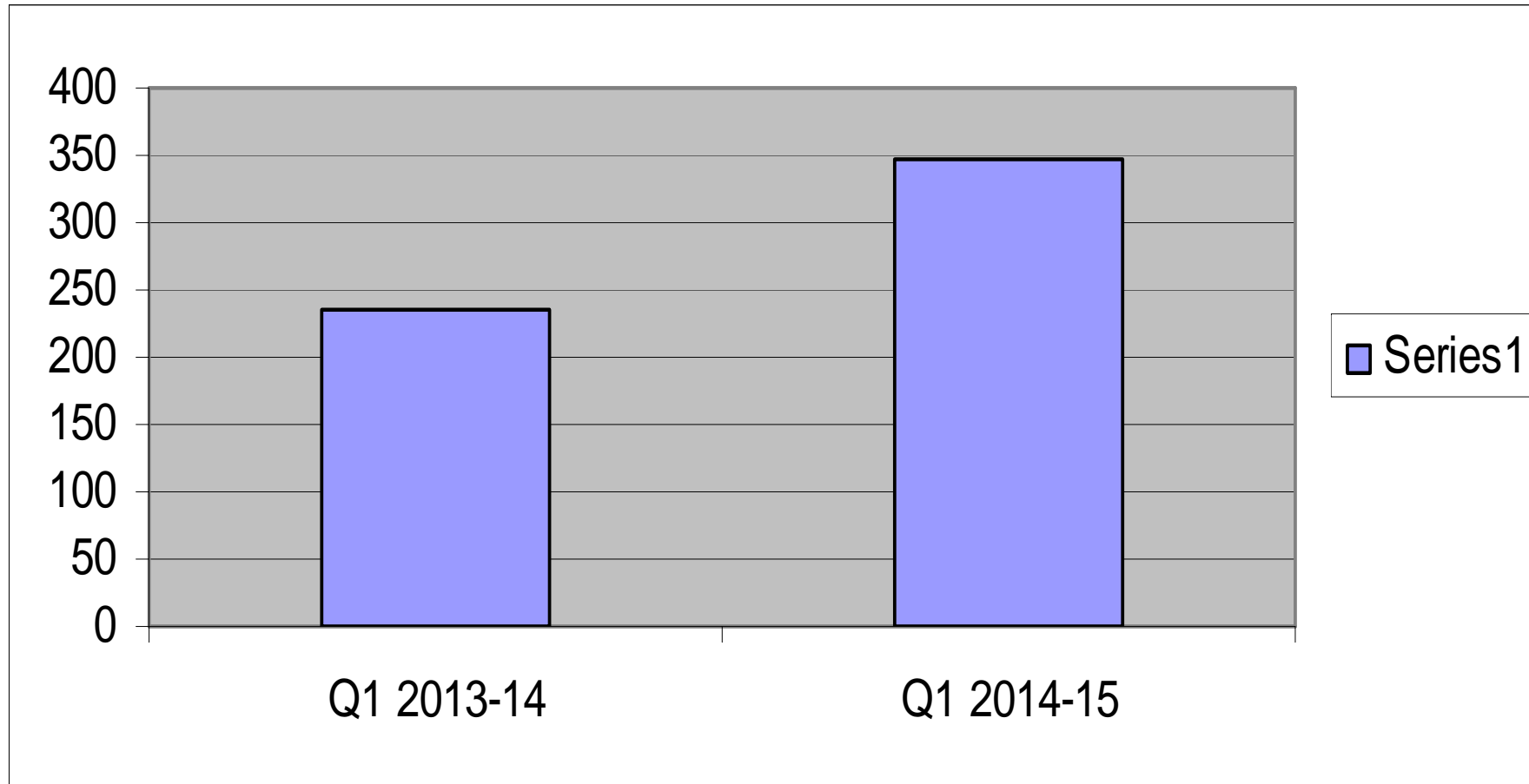
# Financial Snapshot (comparison quarter-on-quarter)

In Rs. Crore (except EPS)

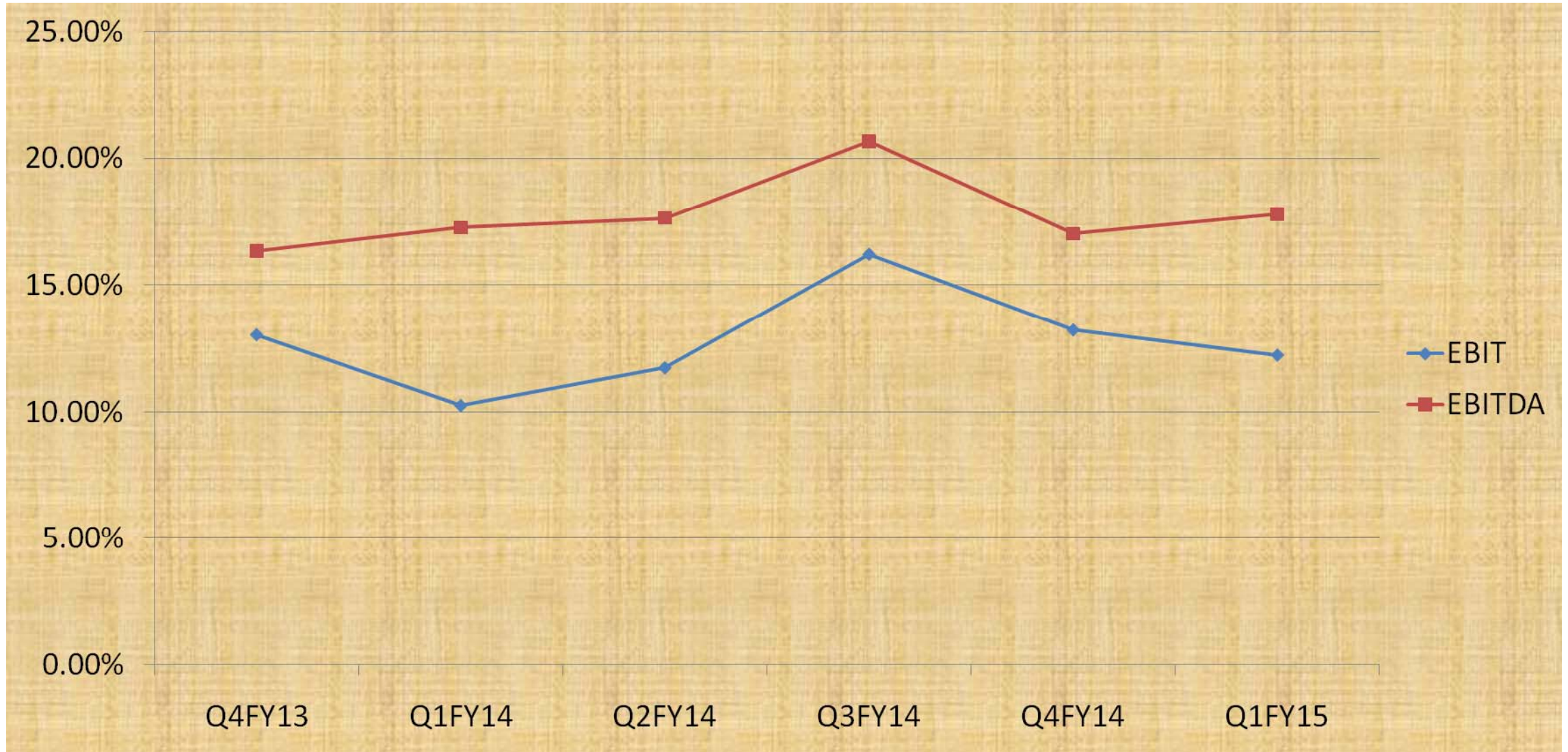
	Q1 FY14	Q1 FY15
Net Operating Income	235.27	347.31
EBITDA*	40.63	61.85
EBITDA Margin	17.26%	17.80%
EBIT	24.12	42.50
EBIT Margin	10.25%	12.23%
Forex gains/(loss)	(15.32)	(2.15)
PAT	(9.32)	18.94
PAT Margin	-	5.45
EPS	(2.33)	4.74

\* EBITDA includes Other Income & excludes Exceptional Items

# Net Operating Income (Rs. Crore)



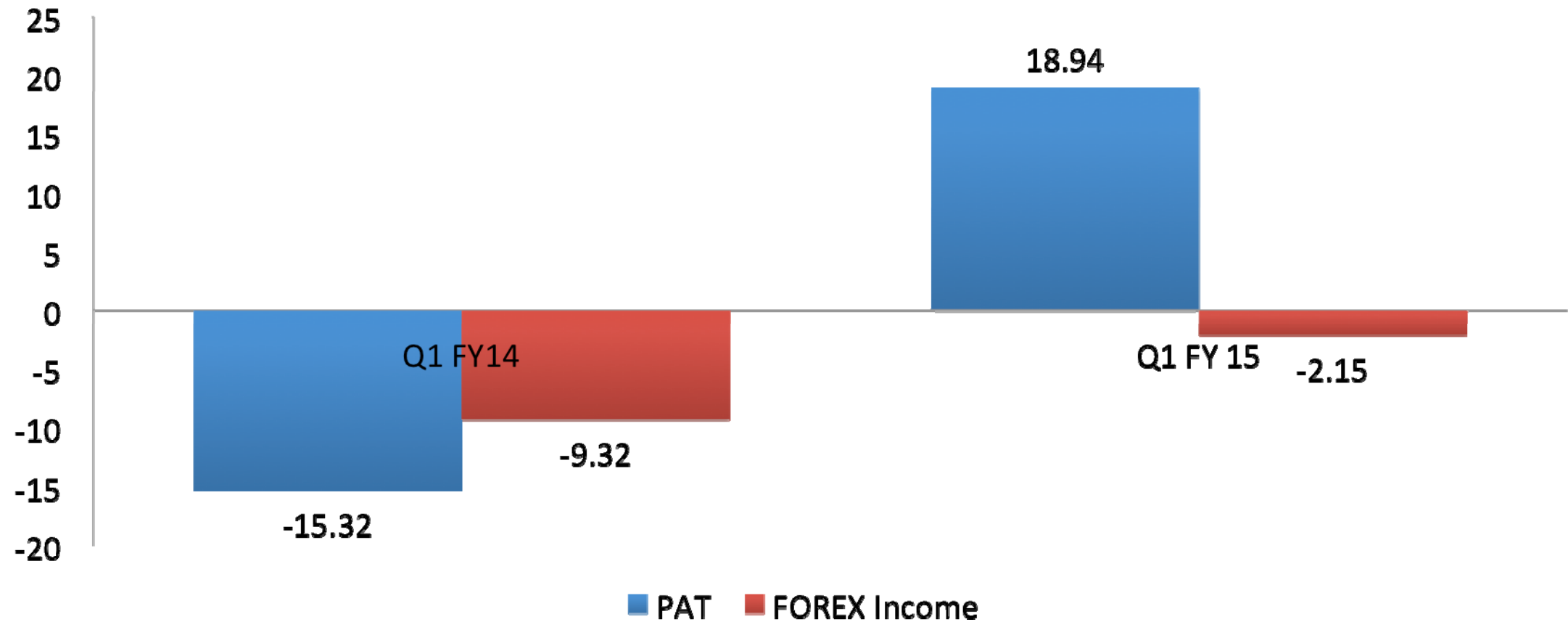
# EBITDA & EBIT MARGINS



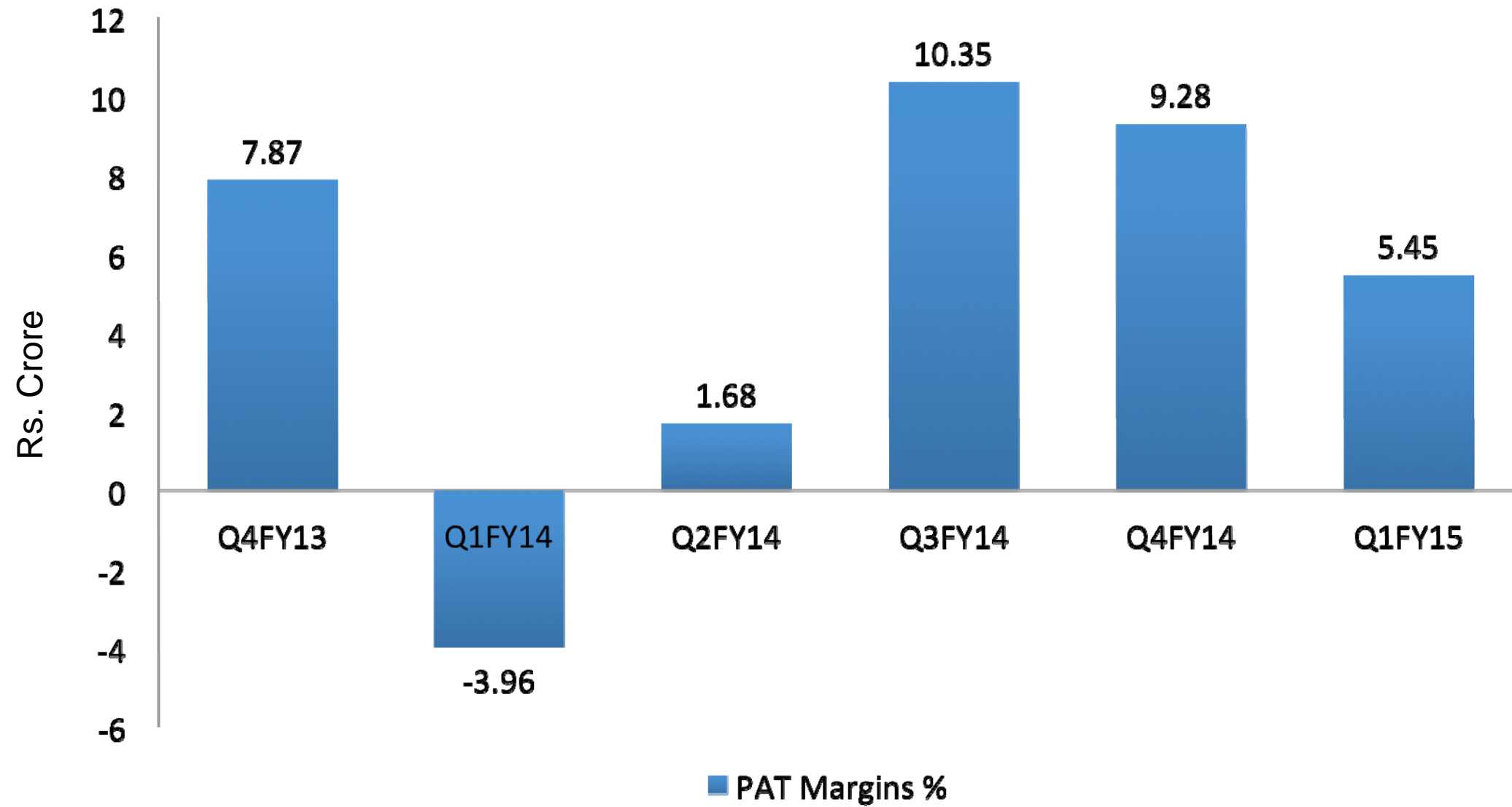
Note - EBITDA includes Other Income & excludes Exceptional Items



# PAT and FOREX Income (Rs crore)



# PAT Margin in last 6 Quarters



# Segmental Performance – Graphite Electrodes

In Rs. Crore

	Graphite Electrodes		
	Q1FY15	Q4FY14	Q3 FY14
Net Sales	342.61	494.31	414.55
Export (% of sales)	83%	84%	80%
EBITDA Margin	10.3%	9.7%	12%
EBIT Margin	5.2%	6.6%	8.4%
Capital Employed	914.85	979.97	1044.46

- Capacity utilisation at around 70% during the quarter.
- Graphite electrode prices continues to be under pressure. Needle coke price reduction, helped in maintaining margins
- Improved operating parameters, partly offset by unprecedented increase in domestic input prices.
- Repayment of long term loans improved capital employed in the business.

# Segmental Performance – Power

In Rs. Crore

		Power	
	Q1FY15	Q4FY14	Q3 FY14
Net Sales	56.14	69.16	71.78
EBITDA Margin	44%	52%	51%
EBIT Margin	38.1%	47.1%	46.6%
Capital Employed	188.23	190	201.17

- Reduced net sales in Qtr1, as hydro facility is practically closed in this Qtr. Also Thermal generation is primarily captive and related to Graphite volumes.
- Coal ratio, one of the best in the industry.
- Downward revision in allocation of linkage coal to the captive generators, affecting margins.



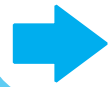
# Future Outlook



Overall optimism about the global steel industry would push the growth of graphite electrodes Industry outlook.



Robust order book position and relatively stable outlook envisaged in the year, to bring consistency in operations and improved performance.



Pressure on Needle coke - the key raw material, continues and prices, likely to remain subdued in FY15.



Closure of certain manufacturing facilities announced by global players, may have psychological positive effect in the market.



Recent efforts of the Govt. towards resumption of mining activities in Iron Ore and Coal, and focus on infrastructure development likely to improve prospects, for the steel Industry in India.

# Thank You



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