



Q3 FY15 Investor Update Presentation

HEG Limited - Profile



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

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

Exports over 75% of its production to more than 25 countries around 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 around 76.5 mw (2 thermal power plants & 1 hydro power plant)

Global Steel Industry

- World crude steel production reached 1662 million tons for 2014, growing by 1.2% as compared to 1642 million ton in 2013.
- The EU showed an increase of 1.7% in 2014, whereas Asia and North America reported growth of 1.4% and 2.0% respectively. Steel production in South America and C.I.S. declined by 1.4% and 2.8% respectively.
- Middle east has registered robust growth of 7.7%.
- China's crude steel production stood at 823 million tons, an increase of only 0.9% over 2013, a significant decline from 11.5% growth in 2013 over 2012.
- World excluding China produced 839 million tons, growing by 1.5% over 2013.

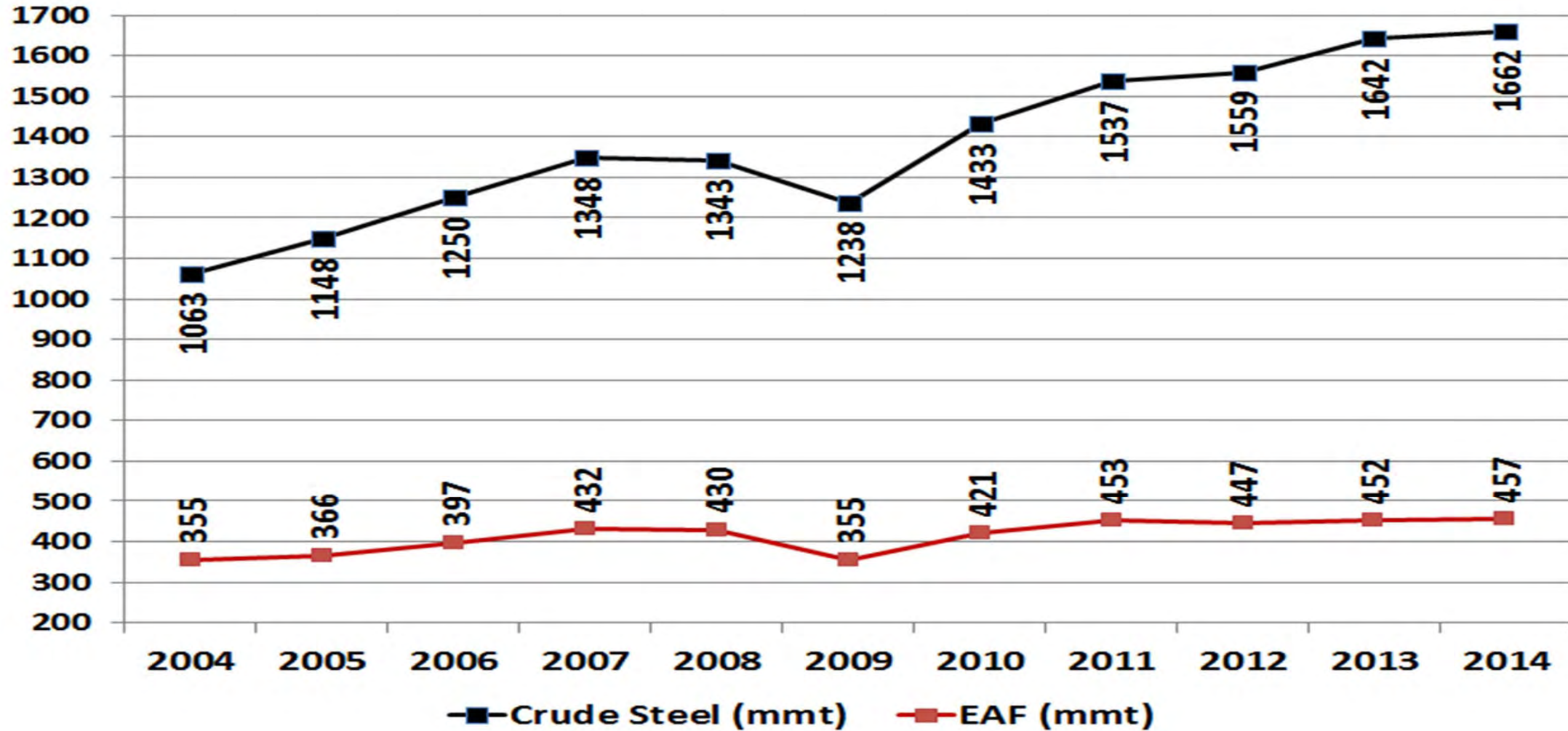
Graphite Electrodes Market & EAF



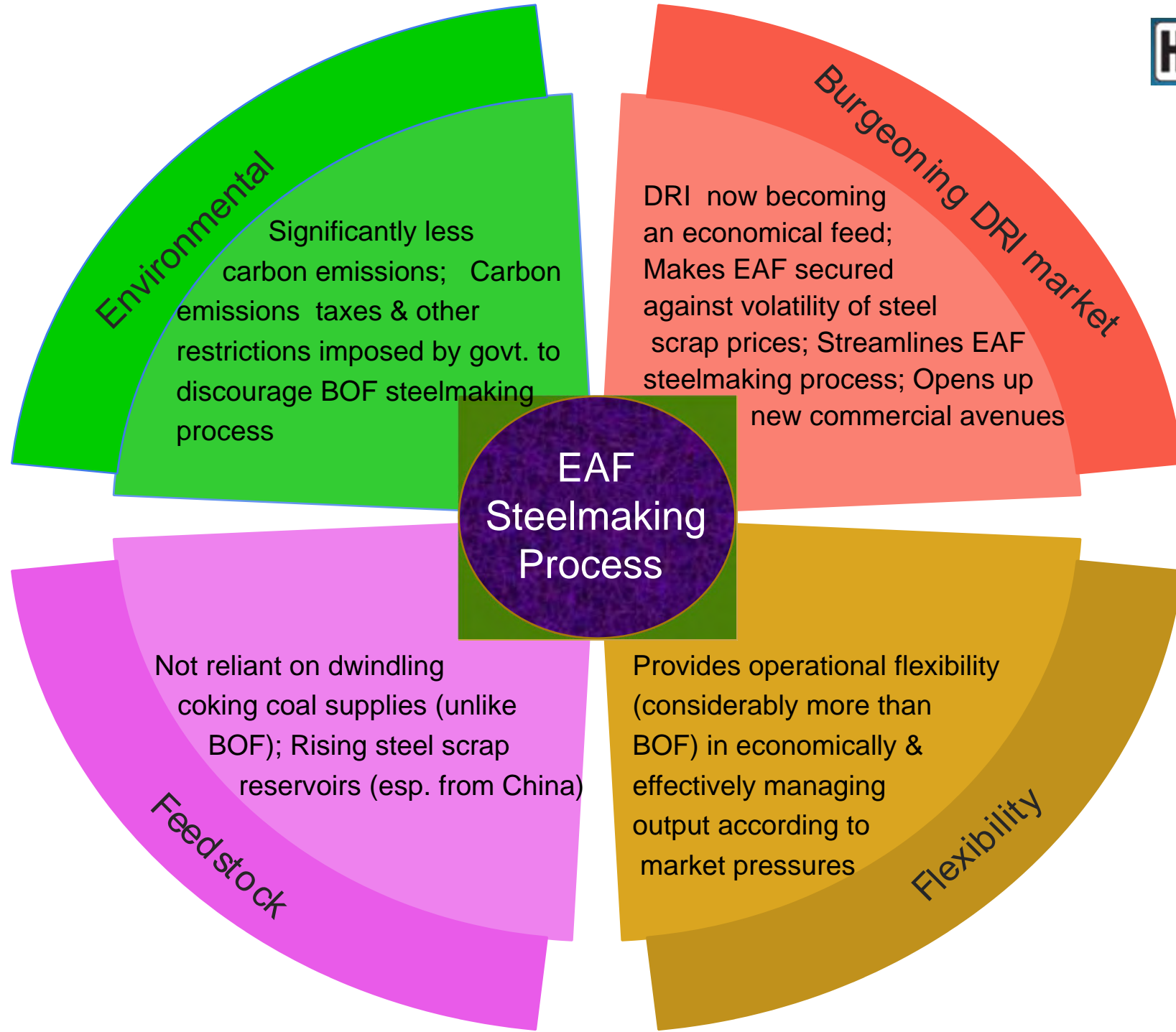
- Graphite electrodes find their biggest industrial use in Electric Arc Furnace (EAF) used in steel plants to melt steel scrap.
- Share of EAF in the global steel production is around 29-30%.
- EAF steel has been growing at the rate of 1% for the last 4 years.
- Graphite Electrode Industry is still passing through challenging environment.

Crude Steel & EAF Growth Chart

Source: WSA



Factors leading to rise of EAF capacities



Financial Snapshot

In Rs. Crore (except EPS)

	Q3 FY15	Q2 FY15	Q3 FY14
Net Operating Income	279.74	323.41	428.19
EBITDA*	51.49	53.44	88.55
EBITDA Margin	18.41%	16.52%	20.68%
EBIT	32.19	34.71	69.40
EBIT Margin	11.5%	10.7%	16.2%
Forex gains/(loss)	(9.39)	(8.53)	(2.33)
PAT	10.45	5.57	44.31
PAT Margin	3.74%	1.72%	10.35
EPS	2.62	1.40	11.09

* EBITDA includes Other Income & excludes Exceptional Items

Segmental Performance – Graphite Electrodes



In Rs. Crore

	Graphite Electrodes			
	Q3 FY15	Q2 FY15	Q1 FY15	Q4 FY14
Net Sales	271.17	319.47	342.61	494.31
Export (% of sales)	74%	77%	83%	84%
EBITDA Margin	8.14%	8.79%	10.30%	9.70%
EBIT Margin	2.34%	4.14%	5.76%	6.60%
Capital Employed	928.90	880.63	914.85	979.97

- Capacity utilisation of around 68% during the quarter.
- Graphite electrode prices continues to be under pressure, effecting rupee realisation, partly offset by depreciating rupee.
- Lower sale volume is specific to the quarter, as delivery deferred to suit customer's inventory position.
- Significant movement in Euro Dollar pair, adversely affected margins in European Market.
- Softening of input prices as a result of crude price reduction has begun with a lag and full impact of the same to be realized in the following Quarter.

Segmental Performance – Power



In Rs. Crore

	Power			
	Q3 FY15	Q2 FY15	Q1 FY15	Q4 FY14
Net Sales	60.64	56.45	56.14	69.16
EBITDA Margin	46.32%	43%	44%	52%
EBIT Margin	40.56%	37%	38%	47%
Capital Employed	172.26	173.04	183.23	190

- Tawanagar’s hydro facility operating at capacity during the Qtr, favorably affecting the top line and also the bottom-line vis a vis previous Qtr.
- Lower realization vis a vis previous Qtr, in the Western region merchant power, affected margins.
- Impact of higher coal prices, partly offset by improved coal ratio and therefore the margins.
- Linkage coal supplies continue to pose challenges, to the domestic power industry.

Future Outlook



Stable Outlook envisaged in the forthcoming year, likely to have a favorable impact on industry's cost structures.



With drop in Crude Oil prices and with no clear indications on demand growth, Needle coke and commodity prices expected to soften in the coming year.



Expected notification of anti – dumping duty on import of Chinese electrodes into India, to provide level playing field to domestic players.



Hopes of industry friendly interest rate regime improved, with Central Bank of India, taking the first step in this direction.



Efforts of the Indian 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



For investor
enquiries, please
contact:

Mr. Raju Rustogi – Chief Financial Officer
HEG Limited
Ph: +91 120 244 4541
Fax: +91 120 254 1575
Email: r.rustogi@lnjbhilwara.com