



PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

HEG/SECT1/2018

5th November, 2018

1	BSE Limited 25 th 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
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Sub: Investors presentation on the Unaudited Financial Results of the Company for the quarter & half year ended 30th September, 2018.

Dear Sir,

Please find enclosed a copy of Investors Presentation on the Unaudited financial results of the Company for the quarter & half year ended 30th September, 2018 for your information and record please.

Thanking you,

Yours faithfully,
For **HEG LIMITED**

(VIVEK CHAUDHARY)
COMPANY SECRETARY

heg.investor@lnjbhilwara.com

Encl : as above

HEG LIMITED

Corporate Office :

Bhilwara Towers, A-12, Sector-1
Noida - 201 301 (NCR-Delhi), India
Tel. : +91-120-4390300 (EPABX)
Fax : +91-120-4277841
Website : www.lnjbhilwara.com

Regd. Office :

Mandideep (Near Bhopal) Distt. Raisen - 462046
(Madhya Pradesh), India
Tel. : +91-7480-405500, 233524 to 233527
Fax : +91-7480-233522
Website : www.heg ltd.com



Corporate Identification No.: L23109MP1972PLC008290



**PROUD TO BE INDIAN
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Q2 of FY19 Investor Update Presentation

HEG is part of LNJ Bhilwara group a diversified, reputed and large Indian business house having more than five decades of industrial experience and presence in



PROUD TO BE INDIAN
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Textiles



Graphite Electrodes



Power Generation & Power Consultancy



IT Enabled Services

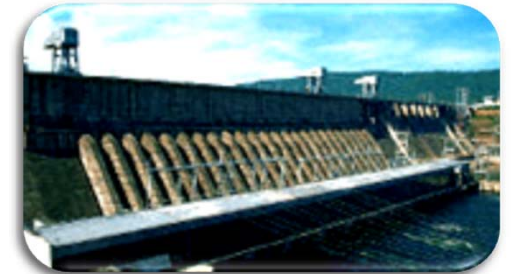




- **HEG Limited is a leading graphite electrode manufacturer & exporter Globally**
- **The company produces two grades of graphite electrodes - Ultra High Power (UHP) & High Power (HP) - used in producing steel through the Electric Arc Furnace (EAF) route.**
- **Exports approximately 70% of its production to about 30 countries around the world.**
- **Diversified customer portfolio –supplying large proportion of our volumes to top 20 steel companies of the world.**
- **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)**



World's Largest Single Site Graphite Electrode Plant





R&D Center



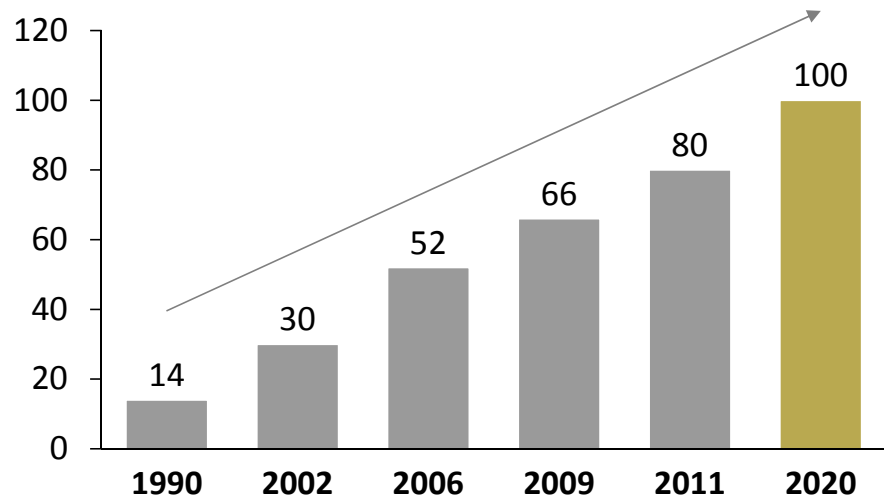
- R&D set up to corroborate the Quality & Improvement Drives with small scale production facilities
- The focus is also on development of new product lines
- Development is focused towards Carbon

Capacity Build Up



Graphite Electrode

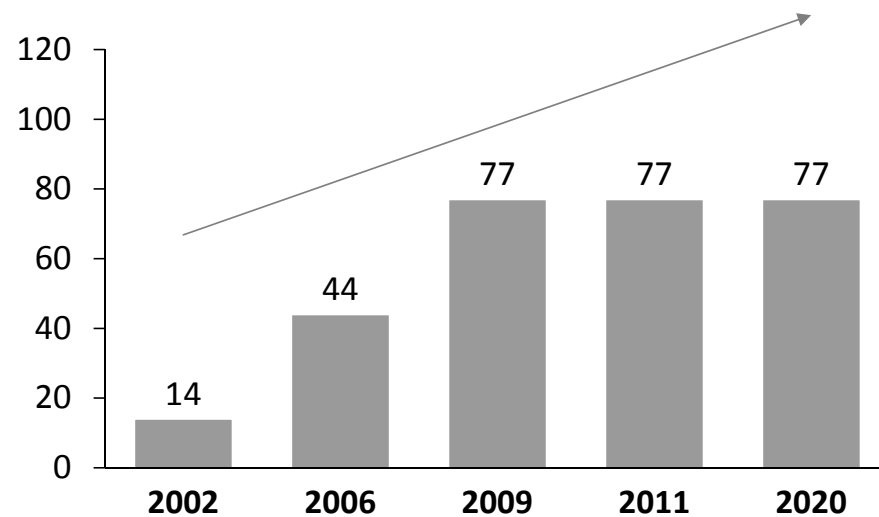
(In '000 tonne)



 Probable

Captive Power (MW)

(In '000 tonne)



Graphite Electrode (GE) Industry – Our Unique Strengths



- **GE- An indispensable material for Electric Arc Furnaces (EAF) for Steel production**
- **EAF accounts for appx 45% of total World Steel Production (Without China)**
- **High Entry Barrier – HEG the last new entrant in the world -1977**
- **Uses 100 % Captive Power**
- **State of the art manufacturing facility – due to constant expansions & investments**
- **Capable of producing 100% UHP Electrodes**
- **Facilities suitable for manufacturing up to 32” electrodes**

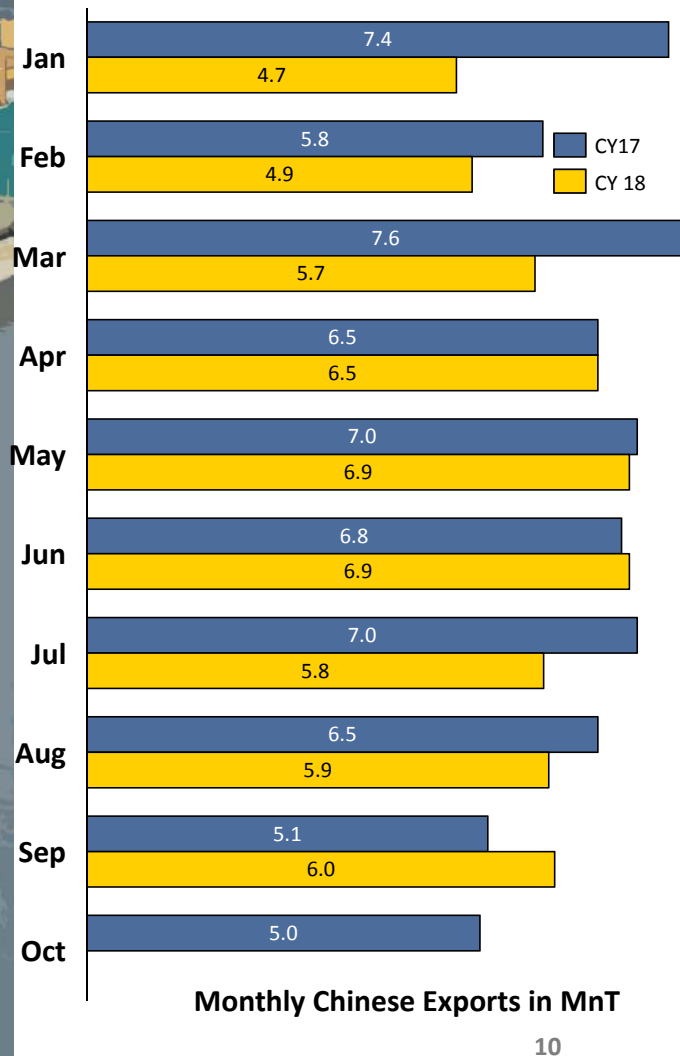
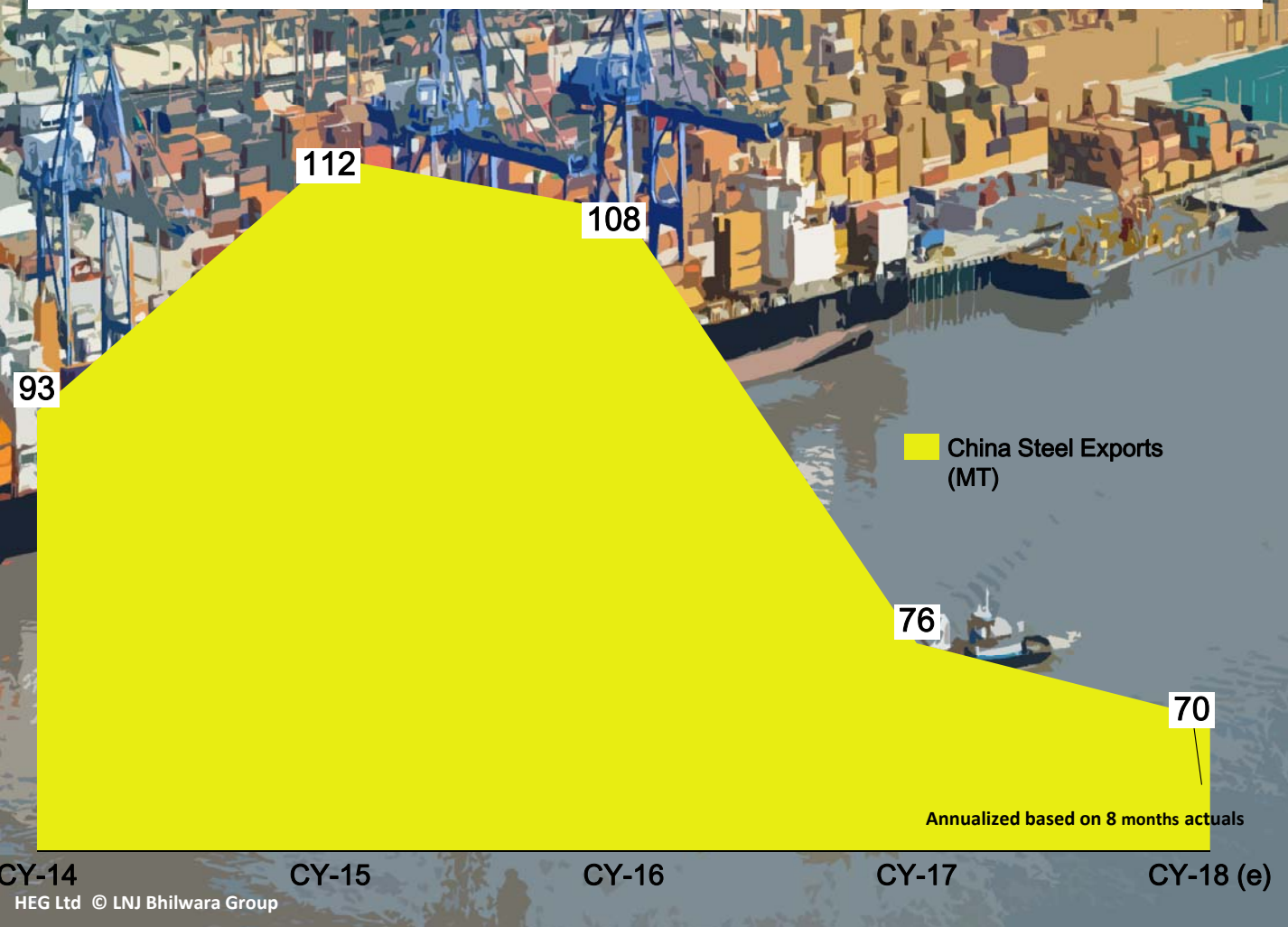


- ❖ This year the application of the restriction will be **more rigid & strict.** & have been advanced from 1 Oct to 31 Mar compared to 15 Oct to 15 Mar last year
- ❖ Export of Steel is likely to keep falling in near future.
- ❖ China likely to add around 200 million tons scrap per annum for the next few years.
- ❖ In order to discourage export of scrap they have imposed a 40% export duty
- ❖ Central Government has given limits on Environment and **if limits are breached Governors will be removed.**
- ❖ 50% of Chinese steel is produced within 700-800 kms radius of Beijing

- ❖ 2017 environment control was not very serious – being first year , allowed 60-65% capacity utilization against 50% orders. **but this year it will be much more stringent & the impact may be higher.**
- ❖ Last year Environmental Policy affected 28 cities within China this year **more than 80 cities may be affected.**
- ❖ EAF carbon emissions is 86% less than BOF gas & 72% less than BOF solid gas.
- ❖ China's Hebei Province Gets Tough on Steel Mills to **Meet Low Emissions Targets until 31 Oct'18** ,in case of failure to meet the targets companies will be ordered to shut down.
- ❖ **Two Chinese Cities of Hebei Province Set to Observe 50% Production Cuts during Winter Heating Season**



Chinese Steel Exports Further Down 11 % Y-o-Y Jan-Sep'18



WORLD STEEL SCENARIO (JAN-SEPT) 2018, MMT

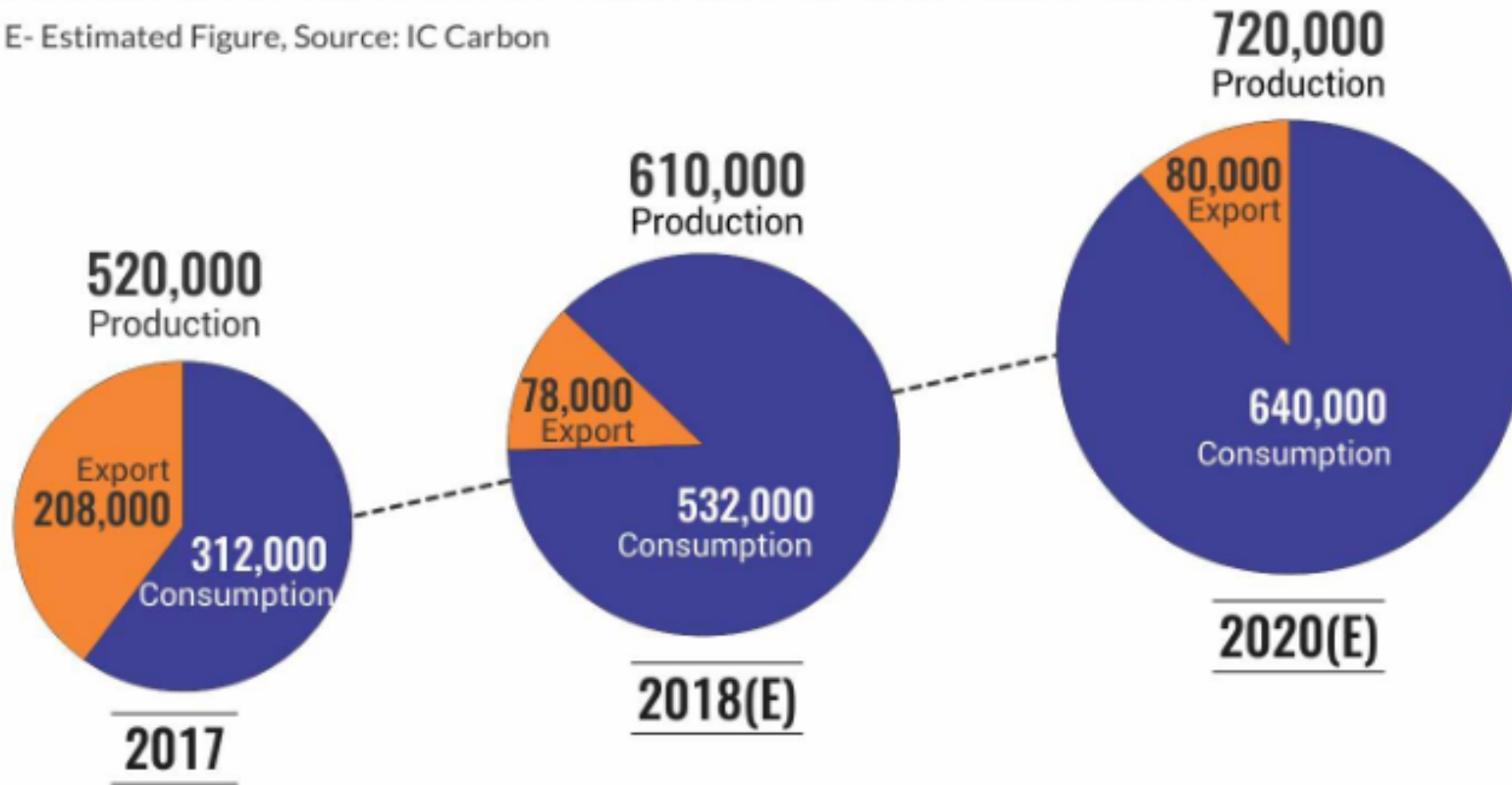
Crude Steel Production	% Change 2016 vs.2015	% Change 2017 vs.2016	(Jan-Sept) 2018	% Change (Jan-Sept) 2018 vs. 2017
World	-0.9%	5.3%	1347	4.7%
China	-2.0%	5.7%	699	6.1%
World without China	0.2%	4.9%	648	3.3%

Growth Areas	% ↑	% of world pdn
Middle East	13.4	2.0
Africa	7.8	0.8
Asia	5.5	70.3
N. America	3.4	6.7
S. America	2.5	2.5
CIS	1.8	5.7
EU	1.3	9.5

India produced 79 mmt steel posting a growth of 6.1%

CHINA GRAPHITE ELECTRODE PRODUCTION VS CONSUMPTION VS EXPORTS INCLUDING PROJECTED

E- Estimated Figure, Source: IC Carbon





Financial Snapshot

in Rs. Crore (except EPS)

	Q2 FY19	Q1 FY19	Q2 FY18	FY18
REVENUE FROM OPERATION	1794	1587	410	2758
EBITDA*	1389	1197	192	1734
EBITDA Margin	76.57%	75%	46.66%	63%
EBIT	1371	1180	174	1661
EBIT Margin	76%	74%	43%	60%
PAT	889	770	114	1081
PAT Margin	50%	49%	28%	39%
EPS	222.45	192.77	28.44	270.61

* EBITDA includes Other Income



in Rs. Crore

Segmental Performance – Graphite Electrodes

	Q2 FY19	Q1 FY19	Q2 FY18	FY18
Net Sales	1793	1587	407	2739
Export (% of sales)	72%	69%	63%	71%
EBITDA Margin	77.20%	75.30%	42.36%	61%
EBIT Margin	76.37%	74.40%	38.68%	59%

- ❖ Capacity utilisation at around 85% during the Quarter.
- ❖ Realizations on QoQ basis are higher in Q2 vs. Q1 FY 19
- ❖ USD/INR favorable, as graphite electrode business is net exporting segment.



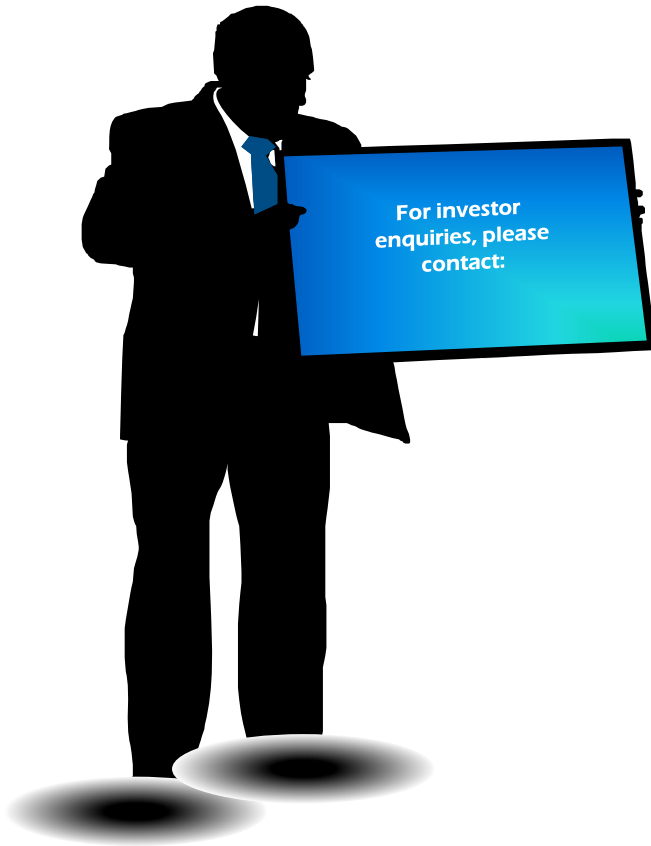
Segmental Performance – Power

in Rs. Crore

	Q2 FY19	Q1 FY19	Q2 FY18	FY18
Net Sales	28.85	27.88	54.56	213.80
EBITDA Margin	(16)%	(6)%	36%	28%
EBIT Margin	(26)%	(18)%	30%	23%

1. Coal availability under FSA with Coal India acutely short. Sourcing of coal from open market adversely affecting bottom line.
2. Net sales reduced in Q1 and Q2 of FY 19, as company has been able to negotiate a win win deal with state electricity board since Feb 2018. Hence, own generation reduced due to commercial reasons.
3. Power generated by coal based power plants fully used for captive use in graphite making. The pricing of the captive usage is done equivalent to supply from state electricity board. With improved terms of sourcing from state electricity board, power generated from this source is expensive for now.

Thank You



Ms Dimple Momaya

heg@adfactorspr.com

+91 98207 62036

Mr.R.Rustogi, CFO & COO

Mr. Gulshan Sakhuja, DGM-Corp.Finance

HEG Limited

Ph: +91 9910103865

Fax: +91 120 254 1575

Email: r.rustogi@lnjbhilwara.com

gulshan.sakhuja@lnjbhilwara.com