



PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

HEG/SECTT/2016

10th November, 2016

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 and six months period ended 30th September, 2016

Dear Sir,

Please find enclosed a copy of Investors presentation on the unaudited financial results of the Company for the quarter and six months period ended 30th September, 2016 for your information and record please.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For HEG Limited

(Ashish Sabharwal)
Company Secretary

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Encl: as above.

HEG LIMITED

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Corporate Identification No.: L23109MP1972PLC008290



Q2 & H1 of FY17 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, Emirates 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

- ❖ IMF downgraded Global growth to slow down to 3.1 percent in 2016 before recovering to 3.4 percent in 2017.
- ❖ World Steel Association (WSA), reported a decline of 0.5 % in world crude steel production to 1197 million tons for Jan – Sept'16.
- ❖ Almost all major steel producing regions registered a negative growth - EU(28) (-4.8%), North America (-1.4 %), South America (-11.4%), Asia (-0.6%), Middle East (-0.8%), Africa (-11.6%), CIS (-0.1%) etc.
- ❖ Chinese production registered a positive growth of 0.4% to 604 million tons in 9M of 2016.
- ❖ India's steel production increased by 5.9% to 71 million tons.
- ❖ Chinese steel export in first 9 months were up 2.4 percent year on year at 85.1 million tons, the highest ever for the period

Indian Steel Industry

- ❖ India registered a growth of 7.6% in Crude steel production during H1 compared to the same period of last year. Total Crude steel production for H1 is 48 million tons.
- ❖ MIP helped domestic industry to improve their realizations and extend their reach to segments which were mainly captured by low priced imports.
- ❖ Imports during Jan/June 16 were 3.60 mmt compared to 5.50 mmt last year, lower by 37 %
- ❖ As per WSA, Indian steel demand is expected to report show a solid growth in 2016-2017 backed by consumption-boosting reforms and infrastructure investment, but its sustainability is under question as key levels of investment are being provided by the government while private investment remains weak.

Financial Snapshot (under Ind.AS)

in Rs. Crore (except EPS)

	Q2 FY17	Q1 FY17	H1 FY17
Net Operating Income	199.77	170.85	370.63
EBITDA*	22.24	4.25	26.49
EBITDA Margin	11.13%	2.49%	7.15%
EBIT	3.97	(14.87)	(10.90)
EBIT Margin	1.99%	(8.70%)	(2.94%)
PAT	(13.47)	(28.92)	(42.40)
PAT Margin	(6.74%)	(16.93%)	(11.44%)
EPS	(3.37)	(7.27)	(10.61)

* EBITDA includes Other Income

Segmental Performance–Graphite Electrodes

in Rs. Crore

	Q2 FY17	Q1 FY17	H1 FY17
Net Sales	192.70	161.45	361.84
Export (% of sales)	53.21%	59.28%	56.00%
EBITDA Margin	(2.00%)	(9.90%)	(5.70%)
EBIT Margin	(10.11%)	(19.58%)	(14.53%)

- Capacity utilisation at around 65% and expected to go up in the forthcoming quarters, reflected by healthier order book.
- Graphite electrode prices seems to have bottomed out and have flattened since past 2 qtrs.
- Part impact of the cheaper raw material contracted during 2016, realized in Q2.

Segmental Performance – Power

in Rs. Crore

	Q2 FY17	Q1 FY17	H1 FY17
Net Sales	58.14	36.33	94.47
EBITDA Margin	44.32%	52.34%	47.42%
EBIT Margin	38.72%	43.34%	40.50%

- Power margins have been adversely impacted as the electricity duty exemption available to one of the two thermal units, expired in June 2016.
- Revenue is higher as hydro power plant started power generation during the quarter. It runs full capacity during the 3rd Qtr.

Future Outlook - Steel

- ❖ World Steel Association forecasts global steel demand to increase by merely 0.2% to 1,501 Mt in 2016 vs (-) 3.0% in 2015. In 2017, demand could grow by 0.5% to reach 1,510 Mt.
- ❖ Steel Demand in emerging & developing economies (excluding China) to expand by 2.0% in 2016 and 4.0% in 2017. In developed economies demand to increase by 0.20% in 2016 and 1.10% in 2017
- ❖ Demand in Brazil will start a moderate recovery in 2017. Minor rebound in oil prices helped to stabilise decline in Russia, prevent further deterioration of the Mexican, South American and GCC economies. Lower, unstable oil prices & geopolitical instability undermine outlook for the MENA region.
- ❖ Steel demand in China is projected to decline by -1.0% in 2016 and by -2.0% in 2017

Future Outlook- Graphite Electrode

- ❖ The graphite electrode business of SGL Carbon, one of the industry leaders, have been acquired by SDK, Japan which is expected to be a major positive for the industry.
- ❖ Favourable impact of industry consolidation is expected in short to medium term, once the acquisition process is complete for SDK.
- ❖ HEG order book for H2 is healthier compared to first half.
- ❖ Imported needle coke prices showing signs of increase and is in turn expected to jack up the graphite electrode prices in 2017.

Thank You



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