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HEG/SECTT/2017

13th February, 2017

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 nine months period ended 31st December, 2016.

Dear Sir,

Please find enclosed a copy of Investors presentation on the unaudited financial results of the Company for the quarter and nine months period ended 31st December, 2016 for your information and record please.

Thanking you,

Yours faithfully,
For **HEG Limited**


(RAJU RUSTOGI)
CFO & COO

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HEG LIMITED

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Corporate Identification No.: L23109MP1972PLC008290



Q3 of FY17 Investor Update Presentation

HEG Limited – Profile

- ❖ 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 65% 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)

Global Steel Industry

- ❖ IMF reported Global GDP growth for 2016 estimated at 3.1%, and projected to be 3.4% and 3.6% in 2017 and 2018 respectively
- ❖ World Steel Association (WSA), reported a growth of 0.8 % in world crude steel production to 1628 million tons for Jan – Dec'16.

Crude Steel Production	2015	2016	Change 2016 vs. 2015
World	1615	1628	0.8 %
World without China	816	820	0.5 %
China	799	808	1.1 %

Growth Areas	% ↑	% of world pdn
Asia	1.4	69
N. America	0	6.9
CIS	0.8	6.3
Middle East	7.6	1.8
Decline Areas	% ↓	% of world pdn
EU	-2.3	10.1
S. America	-10.6	2.4
Africa	-4.7	0.8

- ❖ China steel export in 2016 stood at 112 million tons which is in line with the levels of 2014 and 2015.

Indian Steel Industry

- ❖ Crude Steel production grows 8.5% to 72 mmt from 66.5 mmt for Apr-Dec'16 period.
- ❖ Steel imports at 5.5 mmt in Apr-Dec'16 declined by 37.4% over same period of last year as a result of various duties imposed - MIP, Safeguard duty and Anti Dumping Duties.
- ❖ Steel consumption grew by 3.3% in Apr-Dec'16 (61.5 mmt) over same period of last year.
- ❖ With declining imports & surge in domestic consumption since imposition of MIP, Ministry of Steel has withdrawn the MIP while other measures like Safe Guard duty and Anti Dumping still continue.
- ❖ India expected to become World's second largest producer of steel in 2017 , moving up from the third position, ahead of Japan and USA as steel consumption expected to rise with increased infrastructure construction & thriving automobile & railways sectors

Financial Snapshot (under Ind.AS)

in Rs. Crore (except EPS)

	Q3 FY17	Q2 FY17	Q1 FY17
Net Operating Income	245.79	199.77	170.85
EBITDA*	30.65	22.24	4.25
EBITDA Margin	12.47%	11.13%	2.49%
EBIT	12.33	3.97	(14.87)
EBIT Margin	5.02%	1.99%	(8.70%)
PAT	(3.16)	(13.47)	(28.92)
PAT Margin	(1.28%)	(6.74%)	(16.93%)
EPS	(0.79)	(3.37)	(7.27)

* EBITDA includes Other Income

Segmental Performance – Graphite Electrodes

in Rs. Crore

	Q3 FY17	Q2 FY17	Q1 FY17
Net Sales	237.19	192.70	161.45
Export (% of sales)	64.63%	53.21%	59.28%
EBITDA Margin	(0.40%)	(2.00%)	(9.90%)
EBIT Margin	(7.05%)	(10.11%)	(19.58%)

- Capacity utilisation at around 75%. Order book healthy.
- Graphite electrode prices seems to have bottomed out.
- Improved working capital cycle and overall debt position vis a vis last year.
- Focus on controllable cost, yielding results.

Segmental Performance – Power

in Rs. Crore

	Q3 FY17	Q2 FY17	Q1 FY17
Net Sales	64.04	58.14	36.33
EBITDA Margin	47.72%	44.32%	52.34%
EBIT Margin	43.07%	38.72%	43.34%

- Achieved peak generation of hydel power during the Quarter.
- Increased direct selling as a percentage of total power sale resulting in improved realization.

Future Outlook - Steel

- ❖ Average Steel output to increase by a mere 0.5% p.a. between 2016-2020, significantly lower than the 2.5% p.a. achieved during 2011-2015.
- ❖ Average Steel consumption to increase by a mere 0.4% p.a. between 2016-2020, significantly lower than the 2.8% p.a. achieved during 2011-2015.
- ❖ China has pledged to cut about 150 mmt of capacity by 2020, appx 13% of the capacity, mainly some of the very old plants producing low quality Steel.
- ❖ Shutting down of steel capacity in china, unlikely to change global situation & is not going to bring material change to the global demand-supply equation of the commodity.

Future Outlook- Graphite Electrode

- ❖ Demand for graphite electrodes has started picking up. Inventory correction taking place at customers end.
- ❖ Electrode prices have bottomed out. Expect an uptrend in the near future.
- ❖ Raw material prices are also slated to go up.
- ❖ HEG order book for FY 17 healthier than previous year. Export as well as domestic sales by volume expected to be higher than FY16.
- ❖ Order building process on for FY18. Trend looks to be positive.

Thank You



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