



Q4 & 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 400 million tons in Q1 2015, declining by 1.8% as compared to 407 million ton in Q1 2014.
- The EU showed a drop of 0.6% in Q1 2015, whereas Asia and North America declined by 1.1% and 6.4% respectively. CIS dropped by 5.9%. Steel production in South America grew only by 0.2%.
- Middle east has registered a growth of 7% in the Q1 2015 vis a vis same period last year.
- China's crude steel production stood at 200 million tons in Q1 2015, a decrease of 1.7% over Q1 2014.
- World excluding China produced 200 million tons in Q1 2015, declining by 1.9% over Q1 2014.

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 27-28%.
- EAF steel has been growing at the rate of 1% for the last 4 years.
- Graphite Electrode Industry is still passing through challenging environment.

Financial Snapshot

in Rs. Crore (except EPS)

	FY 15	FY 14	Q4 FY15	Q3 FY15	Q2 FY15	Q4FY14
Net Operating Income	1240.52	1466.81	290.03	279.74	323.41	501.43
EBITDA*	207.61	267.76	40.80	51.49	53.44	85.32
EBITDA Margin	16.74%	18.25%	14.07%	18.41%	16.52%	17.01%
EBIT	132.26	195.09	22.81	32.19	34.71	66.15
EBIT Margin	10.66%	13.30%	7.86%	11.5%	10.7%	13.19%
Forex gains/(loss)	(22.18)	(25.36)	(2.10)	(9.39)	(8.53)	1.48
PAT	39.0	86.62	4.01	10.45	5.57	46.56
PAT Margin	3.14%	5.91%	1.38%	3.74%	1.72%	9.28%
EPS	9.76	21.68	1.00	2.62	1.40	11.66

* EBITDA includes Other Income & excludes Exceptional Items

Segmental Performance – Graphite Electrodes

in Rs. Crore

	FY 15	FY 14	Q4 FY15	Q3 FY15	Q2 FY15	Q4 FY14
Net Sales	1216.89	1434.30	283.64	271.17	319.47	494.31
Export (% of sales)	78%	79%	77%	74%	77%	84%
EBITDA Margin	8.7%	10.10%	7.3%	8.14%	8.79%	9.70%
EBIT Margin	3.77%	6.17%	2.32%	2.34%	4.14%	6.60%
Capital Employed	974.50	979.97	974.50	928.90	880.63	979.97

- Capacity utilisation at approx. 70% during the quarter.
- Graphite electrode volume and prices continues to be under pressure.
- Significant movement in Euro Dollar pair, adversely affected margins in European Market.
- Higher maintenance and other fixed cost have affected EBIDTA margins in the quarter.

Segmental Performance – Power

in Rs. Crore

	FY 15	FY 14	Q4 FY15	Q3 FY15	Q2 FY15	Q4 FY14
Net Sales	228.07	229.49	54.84	60.64	56.45	69.16
EBITDA Margin	43.7%	49.5%	39.7%	46.3%	43%	52%
EBIT Margin	37.62%	43.42%	34.8%	40.56%	37%	47%
Capital Employed	174.0	190	174.0	172.26	173.04	190

- Lower generation in Thermal facility necessitated by lower graphite requirement, affecting bottom-line.
- Negligible availability of Linkage coal during the quarter, forced the company to source from open market, significantly affecting cost of generation and hence the margins. Availability normalized effective May 2015.
- Linkage coal supplies continue to pose challenges, to the domestic power industry.

Short Range Outlook 2015-2016: Regional Overview

Apparent Steel Use, finished steel products (SRO April 2015)

NAFTA	
2015	2016
143 Mt	145 Mt
	1.3%
-0.9%	

EUROPEAN UNION (28)	
2015	2016
150 Mt	154 Mt
2.1%	2.8%

CIS	
2015	2016
52 Mt	52 Mt
-7.3%	-0.3%

OTHER EUROPE	
2015	2016
38 Mt	39 Mt
2.8%	1.4%

ASIA and OCEANIA	
2015	2016
1 021 Mt	1 030 Mt
0.6%	0.9%

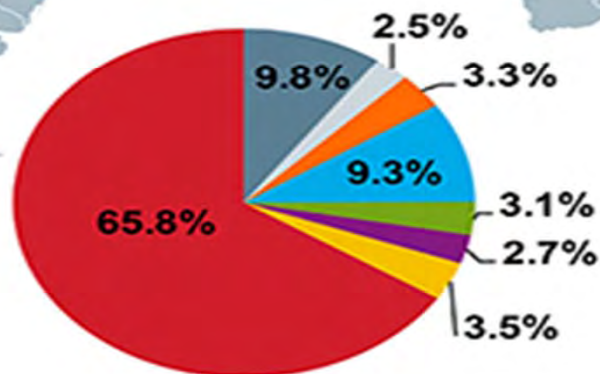
CENTRAL and SOUTH AMERICA	
2015	2016
46 Mt	48 Mt
	3.4%
-3.4%	

AFRICA	
2015	2016
40 Mt	42 Mt
7.4%	4.9%

MIDDLE EAST	
2015	2016
53 Mt	56 Mt
2.8%	4.2%

Share of ASU by regions in 2016, %

- European Union (28)
- Other Europe
- CIS
- NAFTA
- Central and South America
- Africa
- Middle East
- Asia and Oceania



WORLD	
2015	2016
1 544 Mt	1 565 Mt
0.5%	1.4%

Source: worldsteel

Future Outlook

- ➔ IMF has projected a moderate improvement in overall economic environment in 2015.
- ➔ Export pressure from Chinese blast furnace steel, affecting EAF industry world wide.
- ➔ Notification of anti – dumping duty on import of Chinese electrodes into India effective Feb 15, to help the company in increasing domestic sales.
- ➔ With crude stabilizing at current levels, cost of major input material is expected to stabilize at lower levels.
- ➔ Reduced rate of interest announced by Indian banks coupled with lower debt position, will bring down the cost of finance, going forward.

Thank You



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