

## **FINANCIAL HIGHLIGHTS:**

- Net Sales in Q1 FY2013 increase by 38% at ₹ 384.3 crore as compared to ₹ 279.5 crore in Q1 FY2012
- EBIDTA (before exceptional items) in Q1 FY2013 higher by 140% at ₹ 105.5 crore from ₹ 43.9 crore in Q1 FY2012
- EBIT (before exceptional items) in Q1 FY2013 rises by 197% at ₹ 89.5 crore from ₹ 30.1 crore in Q1 FY2012
- EBT (before exceptional items) in Q1 FY2013 increases by 225% at ₹ 73.8 crore from ₹ 22.7 crore in Q1 FY2012
- PAT in Q1 FY2013 higher by 17% at ₹ 23.2 crore from ₹ 19.8 crore in Q1 FY2012
- In Q1 FY2013, there was a FX loss of ₹ 48.4 crore attributable to FX losses on account of Hedging positions taken and FX fluctuations on borrowings
- EPS (Basic) in Q1 FY2013 at ₹ 5.8 from ₹ 4.7 in Q1 FY2012
- Graphite electrode prices continue to show marginal increase, partially offsetting the Needle Coke price increase
- Lower cost Needle Coke inventory helps margins rise strongly
- Power division profits higher as compared to corresponding period
- Exceptional items represent FX losses on account of Hedging positions taken and FX fluctuations on borrowings
- Balance sheet continues to remain strong and sustainable

## **SECTOR HIGHLIGHTS:**

- World crude steel production in the first six months of 2012 was 766.9 Mt, a slight increase of 0.9% compared to the same period of 2011
  - Production during April-June 2012 was higher as compared to the corresponding period

(Source: World Steel Association)

- Global apparent steel use will increase by 3.6% to 1,422 Mt in 2012, following growth of 5.6% in 2011

(Source: World Steel Association)

- World steel demand in 2013 is expected to grow further by 4.5 % to around 1,486 Mt

(Source: World Steel Association)

- Graphite Electrodes demand based on steel produced via the EAF route
  - Continued growth trajectory expected for steel produced through the EAF route in the long run

## **OPERATIONAL HIGHLIGHTS:**

- HEG displays strong operational performance
- Capacity utilization at around 75% for the quarter
- Going forward capacity utilization rates expected to sustain in high 80% range
- Graphite electrode demand expected to be supported by positive steel demand
- Exports continue to maintain momentum
- HEG consolidates position as world's largest single site plant of Graphite Electrodes

- **Domestic input costs continue to increase**
- **Coal costs contained; trend expected to continue going forward mitigated by better availability of linkage coal**

**Commenting on the current scenario, Mr. Ravi Jhunjhunwala, Chairman and Managing Director, HEG Limited, said:**

*“The economic scenario continues to be challenging with recovery in developed economies progressing at sluggish pace. Effects of the debt crisis in Euro zone continue to engulf majority of the global economies.*

*The steel industry performance has been muted during the quarter. Forecasts for the global steel sector suggest better growth and this would bode well for the EAF sector and in turn the graphite electrodes sector, in which we operate.*

*Overall, the Company’s operations during the quarter have improved with good volumes and favorable exchange rates. Continued efforts towards optimizing our operations have resulted in robust capacity utilization rates over the long run and we expect to set the benchmark and better the industry in this aspect going forward.*

*It continues to be our endeavor to deliver better operational and financial performance and thereby strengthen our position as one of the leading global graphite electrode manufacturers.”*

**Commenting on the results, Mr. Manvinder Singh Ajmani, Chief Financial Officer, HEG Limited, said:**

*“We are pleased with the operating progress made during the current quarter, despite the challenging business environment. The Company has achieved a resilient operating performance, portrayed by growth in revenues and margins in both the graphite electrode and power divisions.*

*The graphite electrodes division has shown good improvement with better cost management and good realizations, driven by better exchange rates. Volume growth has been significant and we expect to increase the volume run-rate by further sharpening our processes and efficiencies. We continue to be well placed as regards our key raw materials, needle coke and power.*

*Operations in the power division have also shown improvement during the quarter under review. I am pleased to share that coal availability through the linkage route has improved significantly, thereby benefitting operations.*

*Moving forward, we aim at further improving margins and thereby adding value to our stakeholders.”*

## **Q1 FY2013 review**

Q1 FY2013 Net Revenues increased by 37.5% at ₹ 384.6 crore as compared to ₹ 279.7 crore in Q1 FY2012. Revenues in graphite electrode division were higher by 37.3% at ₹ 380.8 crore in Q1 FY2013 as compared to ₹ 277.3 crore in Q1 FY2012. For Q1 FY2013 Power division revenues rose by 37.4% at ₹ 56.2 crore from ₹ 40.9 crore.

EBIDTA increased by 140.3% to ₹ 105.5 crore in Q1 FY2013 from ₹ 43.9 crore in Q1 FY2012. PBIT of the graphite division rose by 203.2% in Q1 FY2013 at ₹ 66.4 crore from ₹ 21.9 crore and PBIT for the power division was higher by 222.7% at ₹ 21.3 crore from ₹ 6.6 crore.

In Q1 FY2013, the Company reported a forex loss of ₹ 48.4 crore attributable to FX losses on account of hedging positions taken and FX fluctuations on borrowings. In Q1 FY2013 Profit Before Tax was higher by 225.1% at ₹ 73.8 crore as compared to ₹ 22.7 crore in Q1 FY2012. The Company's Net Profit increased by 17.2% from ₹ 23.2 crore in Q1 FY2013 as compared to ₹ 19.8 crore in Q1 FY2012. The Net Profit gave a basic EPS of ₹ 5.8 for Q1 FY2013 as compared to ₹ 4.7 of Q1 FY2012

**For further information, please contact:**

**Manvinder Singh Ajmani**

**Chief Financial Officer**

**HEG Limited**

**Ph: +91 120 253 1647 / 4390 224**

**Fax: +91 120 254 1575**

**Email: manvinder.ajmani@Injbhilwara.com**

### **About HEG Limited**

HEG Limited, a listed company of the LNJ Bhilwara Group, was established in 1977 in technical and financial collaboration with Societe Des Electrodes Et Refractaires Savoie (SERS), a subsidiary of Pechiney of France.

The Company has recently expanded Graphite Electrode capacities from 66,000 MT to 80,000 MT, consolidating its position as the largest single-site integrated graphite electrode facility in the world. The graphite electrode plant is located at Mandideep, near Bhopal.

The Company also operates three power generation facilities with a total rated capacity of about 77 MW. The hydroelectric power plant at Tawa near Itarsi, District Hoshangabad (Madhya Pradesh) has a rated capacity of 13.5 MW, while two captive thermal power plants located at Mandideep (Madhya Pradesh) have rated capacities of 30 MW and 33 MW respectively.

HEG Limited is a part of the ₹ 5,000 crore LNJ Bhilwara Group, which is a diversified conglomerate with business interests in power, graphite electrodes, textiles and IT services sector. The Group has 5 listed companies and wide range of stakeholders.

### **About graphite electrodes**

Graphite electrodes find their biggest industrial use in Electric Arc Furnaces (EAF) used in steel plants to melt steel scrap. The demand for graphite electrodes is therefore sensitive not to steel prices but to steel production volumes through the EAF route, which accounts for 31% of the world's steel production.

Graphite electrodes are manufactured using a closely guarded technology which is available with only 7-8 manufacturers globally. Globally USA, Europe, Middle East and South America have an EAF share of over 60%, 40%, 80% and 60% respectively. HEG Ltd., being one of the lowest cost but high quality producers of graphite electrodes, exports over 80% of its production.

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