

Immediate Release

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FINANCIAL HIGHLIGHTS:

- Revenues in Q3FY2011 at ₹ 310.3 crore as compared to ₹ 290.3 crore in Q3FY2010
- EBIDTA at ₹ 72.7 crore in Q3FY2011 from ₹ 95.8 crore in Q3FY2010
- EBIT at ₹ 58.4 crore in Q3FY2011 from ₹ 82.5 crore in Q3FY2010
- EBT at ₹ 48.4 crore in Q3FY2011 from ₹ 67.8 crore in Q3FY2010
- PAT in Q3FY2011 reported at ₹ 38.2 crore from ₹ 45.7 crore in Q3FY2010
- EPS (Basic) in Q3FY2011 at ₹ 8.92 from ₹ 11.14 in Q3FY2010

SECTOR HIGHLIGHTS:

- World crude steel output higher by 15% as compared to 2009; driven by Asian economies.
- Graphite Electrode production driven by steel production through EAF route; EAF steel production volumes witnessing sustained improvement

OPERATIONAL HIGHLIGHTS:

- Robust operational performance witnessed during the quarter
- Capacity utilisation at 85-90% plus range; volume visibility for the rest of the year is encouraging on the back of improved steel demand
- Adequate needle coke supplies envisaged for existing capacities; negotiations with suppliers for CY2011 requirement, in process; no major cost inflation foreseen
- Captive power of 77 MW supporting production ramp-up and adequately covers expanded capacities

- Muted realizations and higher input costs have influenced margins in both, the graphite electrode and power divisions
- Stable performance of the hydro power plant during the quarter.

CAPACITY EXPANSION OF GRAPHITE ELECTRODES:

- Capacity expansion from 66,000 TPA to 80,000 TPA which commenced in March, 2010 is on schedule
 - Expansion anchored by revival in demand growth of graphite electrodes due to higher production of steel through the EAF route
- Expansion is expected to be completed by Q2FY2012
 - First phase of production expected to commence from Q1FY2012; full capacity commercial production expected to commence from Q2FY2012
- An investment of approximately ₹ 275 crore earmarked for the expansion. Total expansion capex being funded through debt and internal accruals
- Expansion will consolidate HEG's position as the largest single-site producer of Graphite Electrodes in the world
 - Low cost, Brownfield expansion
 - Economies of scale to improve further
- Timing of capacity expansion is well positioned for the next up cycle as volume visibility is strong going forward

Commenting on the results, Mr. Ravi Jhunjunwala, Chairman and Managing Director, HEG Limited, said:

"I am pleased to share that the steel industry has achieved output at new record levels in calendar year 2010 and the EAF steel production is also closing in on peak levels. This bodes well for HEG Limited too, indicating higher demand visibility for graphite electrodes; thereby supporting our capacity expansion from 66,000 tons to 80,000 tons.

Moreover, I am glad to report that this capacity expansion is progressing on schedule and the first phase is expected to be operational by early Q1 FY12.

Given our unique operating strengths and business advantages, we are optimistic about delivering better performance."

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

“The Company has delivered decent operational and financial performance during the quarter under review; for both the graphite electrodes and power businesses.

With our judicious capex initiatives towards capacity expansion, we aim to further consolidate our position as one of the most integrated players in the graphite electrode industry.

We will continue our concerted efforts towards further optimizing our earnings and enhancing operational efficiencies, thereby aiming towards the next level of growth.”

Q3FY2011 review

Net Sales for Q3FY2011 were higher by 7% at ₹ 310.3 crore from ₹ 290.3 crore in Q3FY2010 on the back of uptick in sales volumes. Revenues from graphite electrode division were higher by 11% at ₹ 301.9 crore from ₹ 270.9 crore due to healthy sales volumes. Power division, which includes 30 MW and 33 MW thermal power plants at Mandideep and 13.5 MW hydel plant at Tawa, witnessed a marginal rise of 2% rise in Q3FY2011 revenues at ₹ 50.2 crore from ₹ 49.0 crore in Q3FY2010. The power plants operated optimally during the quarter. The hydroelectric power plant witnessed stable operations.

Capacity expansion from 66,000 TPA to 80,000 TPA which commenced in March 2010, is on schedule and is expected to be completed within timelines, by September, 2011. First phase of production is expected to commence towards the end of Q1FY2012; full capacity commercial production is expected to commence from Q2FY2012. The expansion is anchored by revival in demand growth of graphite electrodes and remains supported by increased demand of steel produced through the EAF route.

Q3FY2011 EBIDTA was at ₹ 72.7 crore as compared to ₹ 95.8 crore in Q3FY2010. Margins in Q3FY2011 muted on account of lower realisations in both graphite electrodes and in power (merchant sales portion) and higher expenditure. Interest / finance cost reduced by 32% in Q3FY2011 to ₹ 10.0 crore from ₹ 14.7 crore, due to continued optimization in borrowing arrangements.

PBIT from the graphite segment in Q3FY2011 was at ₹ 43.7 crore from ₹ 75.0 crore in Q3FY2010. PBIT of the power segment in Q3FY2011 was at ₹ 13.9 crore in Q3FY2011 as compared to ₹ 5.9 crore in Q3FY2010.

The Company reported a forex gain of ₹ 6.4 crore in Q3FY2011. Profit Before Tax in Q3FY2011 stood at ₹ 48.4 crore as compared to ₹ 67.8 crore in Q3FY2010. The Company's Net Profit was ₹ 38.2 crore in Q3FY2011 as compared to ₹ 45.7 crore in Q3FY2010. The Net Profit translated to a basic EPS of ₹ 8.92 for Q3FY2011 as compared to ₹ 11.14 of Q3FY2010.

9MFY2011 review

For the first nine months of FY2011, the Company's net sales were higher by 5% at ₹ 832.1 crore from ₹ 795.6 crore. Graphite division sales were higher by 9% at ₹ 804.3 crore from ₹ 741.2 crore. The Company's power division revenues grew by 11%, at ₹ 143.0 crore from ₹ 129.3 crore.

For 9MFY11 the EBITDA was at ₹ 196.3 crore as compared to ₹ 276.6 crore in 9MFY10. The graphite division's PBIT for 9MFY11 was ₹ 122.9 crore from ₹ 207.1 crore while earnings in power division for 9MFY11 were ₹ 27.8 crore as against ₹ 28.6 crore in the corresponding period. During 9MFY2011, the Company reported a gain of ₹ 13.52 crore on account of foreign exchange.

Interest/Finance cost reduced by 43% in 9MFY11 to ₹27.6 crores from ₹48.7 crores, due to continued optimization in borrowing arrangements. 9MFY11 PBT stood at ₹ 125.4 crore as compared to ₹ 189.3 crore in 9MFY10, while PAT for 9MFY11 was reported at ₹ 94.5 crore as compared to ₹ 131.8 crore in 9MFY10, implying a basic EPS (not annualised) of ₹ 22.05.

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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.

HEG Limited currently operates a 66,000 MT graphite electrode plant at Mandideep, near Bhopal. The company has earlier invested ₹ 725 crore between 2002-09 in upgrading graphite electrode production capacity and setting up its own captive power plants.

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.

Statements in this document pertaining to future status, events, or circumstances, including but not limited to statements about plans and objectives, potential product characteristics and uses, product sales potential and target dates for product launch are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are based on management's current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. HEG Limited is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise. The Company may, from time to time, make additional written and oral forward looking statements, including statements contained in its filings with the regulatory bodies and reports to shareholders