

FINANCIAL HIGHLIGHTS:

- Net Sales in Q1 FY2012 at ₹ 279.5 crore as compared to ₹ 222.1 crore in Q1 FY2011
- EBIDTA at ₹ 46.7 crore in Q1 FY2012 from ₹ 59.1 crore in Q1 FY2011
- EBIT at ₹ 33 crore in Q1 FY2012 from ₹ 43.6 crore in Q1 FY2011
- EBT at ₹ 25 crore in Q1 FY2012 from ₹ 34.5 crore in Q1 FY2011
- PAT in Q1 FY2012 reported at ₹ 19.8 crore from ₹ 26.6 crore in Q1 FY2011
- EPS (Basic) in Q1 FY2012 at ₹ 4.66 from ₹ 6.20 in Q1 FY2011
- Buy-back of fully paid equity shares at a price not exceeding ₹ 350 per share, announced in Q4 FY2011
- Total buyback not to exceed ₹ 67.5 crore being 9.95% of total paid up capital and free reserves as on March 31, 2010
- Last date for buyback – March 13, 2012
- Buyback completed to the extent of 60%.

SECTOR HIGHLIGHTS:

- H1CY2011 world crude steel production higher by 7.6% as compared to H1CY2010
(Source: World Steel Association)
- 2011 world steel demand expected to increase 5.9%; 2012 growth rate to accelerate 6%

- Strong economic growth in India expected to fuel high domestic steel demand; 2011 demand to be higher by 13.3% and 2012 growth rate expected to increase by 14.3%

(Source: World Steel Association)

- Initial data for 2011 shows worldwide EAF steel production has come back very close to its peak levels of 2007 and expected to go beyond this in 2012

OPERATIONAL HIGHLIGHTS:

- Performance for Q1 FY2012 tempered with one-off process loss in graphite electrodes. Production normalizing since then
- Annual capacity utilization rate to pick pace; expected to rise going forward
- Growing steel demand expected to support graphite electrode production
- Thermal plants operated below par on account of maintenance shut down.
- Needle coke requirements for CY 2011 adequately booked at approximately similar levels as last year
- Adequate power requirements for 80,000 tons graphite electrodes production level
 - 2 thermal power plants of total ~63.5 MW benefit from coal linkages
 - ~ 13.5 MW Hydel-power plant operations provide low-cost power
- Significant presence in international as well as domestic markets; increased focus on market expansion

CAPACITY EXPANSION OF GRAPHITE ELECTRODES:

- Phase I of capacity expansion from 66,000 TPA to 80,000 TPA which commenced in March, 2010 is operational
- Full capacity commercial production is expected to be operational by Q3 FY2012
 - Expansion anchored by revival in demand growth of graphite electrodes due to higher production of steel through the EAF route
- 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 steel up cycle as volume visibility is strong going forward

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

“ The market for steel continues to grow from strength to strength. Expectations are that steel volumes will scale record highs this year. We are seeing a commensurate increase in the requirement of graphite electrodes as there is a matching higher production of steel through the EAF route.

Barring certain production hic-cups that we saw this quarter, that we believe is one off and behind us, we are set to scale up our graphite electrode production to a high level of capacity utilization. There is good level of demand to support our targeted production going forward. We are a bit cautious about realizations where the trend has turned positive and we believe that HEG is well-positioned to capture the upside effectively.

Needle Coke which is one of our key inputs is in ample supply and we are comfortably placed to attain a volume ramp-up following our expansion. HEG as you are aware has embarked on a capacity expansion to 80,000 TPA and by the end of this fiscal we shall be able to see the full benefits of this increase in volumes. We are strengthening our quality focus and expect to deliver a suitably improved performance that is in line with our objectives. ”

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

“ We faced temporary and one-off production loss this quarter which has brought down our operating performance in graphite electrodes. We have since, remedied the same and believe, going forward, HEG will continue to match its production upside to the uptick in demand.

Another factor was lower power generation due to maintenance shutdown in our captive thermal plants. This reduced the captive supply of power for production of graphite electrodes although we had uninterrupted supply from the grid. We also had to contend with higher input costs domestically which have muted our margins in graphite electrodes.

We continue to observe good traction in order book and are fully equipped to deliver a healthy capacity utilisation progressively. Adequate supplies of needle coke have been secured for the year, encompassing the additional requirements post capacity expansion.

Our graphite electrode operation is gradually scaling up post the production loss and is moving in line with the expected increase in graphite electrode realisations. We believe that we have a strong base in the market and the expertise required to leverage upcoming growth opportunities, which would favour us in enhancing our financial performance going forward.”

Q1 FY2012 review

Net Revenues stood at ₹ 279.5 crore in Q1 FY2012 as compared to ₹ 222.1 crore in Q1 FY2011. Revenues in graphite electrode division stood at ₹ 277.3 crore in Q1 FY2012 as compared to ₹ 208.7 crore in Q1 FY2011. Power division, which includes 30 MW and 33 MW thermal power plants at Mandideep and 13.5 MW hydel plant at Tawa, had revenues at ₹ 40.8 crore in Q1 FY2012 from ₹ 47.5 crore in Q1 FY2011. Performance influenced by higher input prices, thereby increasing generation related costs. Irregular rains and insufficient water reserves impacted power generation from hydroelectric power plant.

Capacity expansion from 66,000 TPA to 80,000 TPA which commenced in March 2010, is operational. Full capacity commercial production is expected to commence from Q3 FY2012. The expansion is anchored by revival in demand growth of graphite electrodes due to higher production of steel through the EAF route

EBIDTA stood at ₹ 46.6 crore in Q1 FY2012 from ₹ 59.1 crore in Q1 FY2011. Margins in Q1 FY2012 were shaped by lower realisations and production loss of graphite electrodes and higher domestic input costs. Interest cost has reduced by 13%, due to continued optimization in borrowing arrangements.

PBIT from the graphite segment in Q1 FY2012 PBIT was at ₹ 16.8 crore from ₹ 24.8 crore.

In Q1 FY2011, the Company reported a forex gain of ₹ 2.36 crore. Profit Before Tax in Q1 FY2012 at ₹ 25 crore as compared to ₹ 34.5 crore in Q1 FY2011. The Company's Net Profit was ₹ 19.8 crore in Q4FY2011 as compared to ₹ 26.6 crore in Q1 FY2011. The Net Profit gave a basic EPS of ₹ 4.66 for Q1 FY2012 as compared to ₹ 6.20 of Q1 FY2011.

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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 is expanding its capacity to 80,000 MT of Graphite Electrodes by second quarter of FY 2012 making it by far the largest single-site integrated graphite electrode facility in the world.

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