



HEG/SECTT/2019

23rd September, 2019

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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Reg: Intimation of Schedule of Analyst / Institutional Investor Meeting and a Presentation to be made at the Investors meet, under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sirs,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that Senior Management of the Company is scheduled to meet Analysts / Investors on Wednesday, 25th September, 2019 at Mumbai, as organized by Emkay Global Financial Services Limited.

The schedule is subject to changes due to any exigencies on behalf of the Investors or the Company.

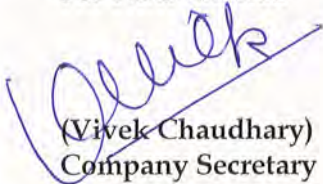
We would like to inform further that the presentation to be made in the aforesaid meeting is attached herewith for your reference.

The same is also being uploaded on the Company website i.e. www.hegltd.com

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,
For HEG Limited


(Vivek Chaudhary)
Company Secretary

heg.investor@lnjbhilwara.com

Encl : as above.

HEG LIMITED

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Website: www.hegltd.com



Corporate Identification No.: L23109MP1972PLC008290





**PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL**



Investors Presentation

September 2019

HEG is part of LNJ Bhilwara group a diversified, reputed and large Indian business house having more than five decades of industrial experience and presence in



PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

Textiles



Graphite Electrodes



Power Generation &
Power Consultancy



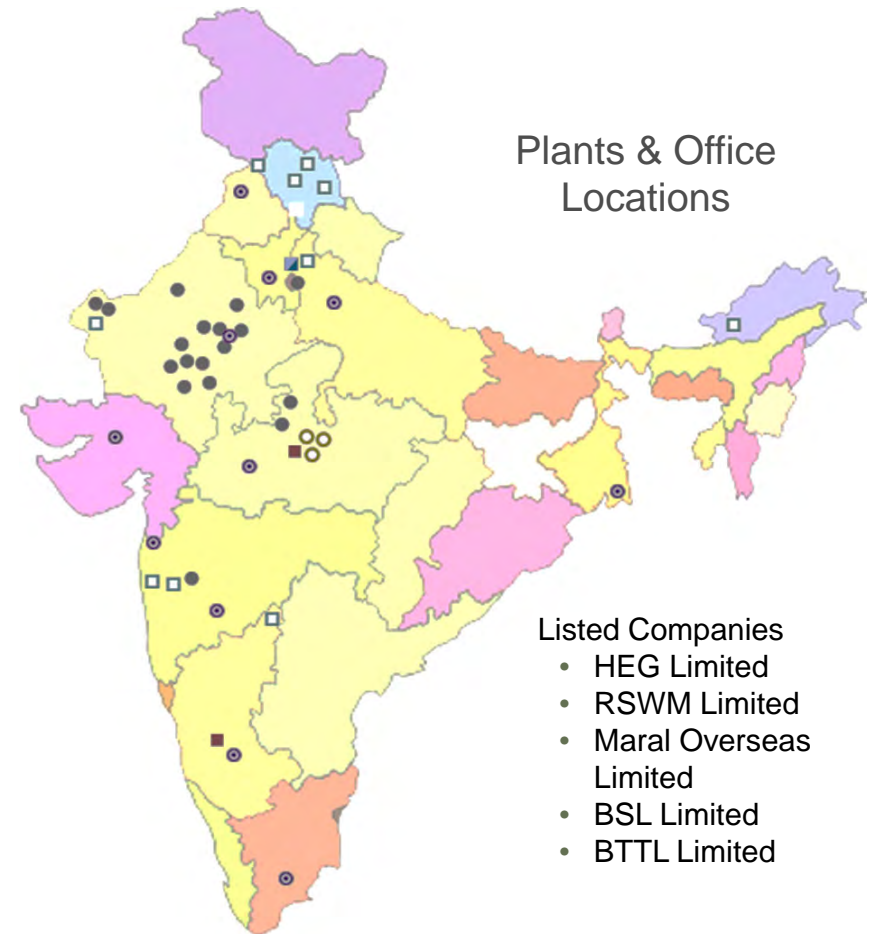
IT Enabled Services



Nationwide Presence



- Group has 5 of its companies listed on Indian Stock Exchanges, with over one million stakeholders.
- Corporate office & Production units at 37 locations with over 25,000 workforce.



LNJ Group - Key Financials	2018-19
Turnover	USD 1750 mn
Net Fixed Assets	USD 625 mn
Networth	USD 1099 mn
EBITDA	USD 778 mn

World's Largest Single Site Graphite Electrode Plant





- ❖ 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 70% 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)



Highlights

- ❖ 1977 - Established in Financial (appx 25% equity) / Technical participation of Pechiney, France
- ❖ 1992 - Pechiney sold their Graphite business to SGL, Germany & Indian Promoters bought these shares in HEG
- ❖ 1995 / 2011 – Kept expanding from 10,000 mt in small tranches & in 2011 took a quantum leap from 60,000 to 80,000 mt
- ❖ Single largest Graphite plant in the world under one roof.
- ❖ Consistently exporting appx 65-70% of production to more than 30 countries and to more than 100 customers around the world incl ArcelorMittal, Nucor, Posco, Tata, Sail, Jindals, Sabc, Gerdau, Ferroatlantica, Celsa etc.
- ❖ Capacity Expansion to 100,000 mt in next 24-30 months.

Graphite Electrode (GE) Industry – Our Unique Strengths



- ❖ GE- An indispensable material for Electric Arc Furnaces (EAF) for Steel production
- ❖ EAF accounts for approx 45% of total World Steel Production (Without China)
- ❖ High Entry Barrier – HEG the last new entrant in the world -1977
- ❖ State of the art manufacturing facility – due to constant expansions & investments
- ❖ Capable of producing 100% UHP Electrodes
- ❖ Facilities suitable for manufacturing up to 32” electrodes





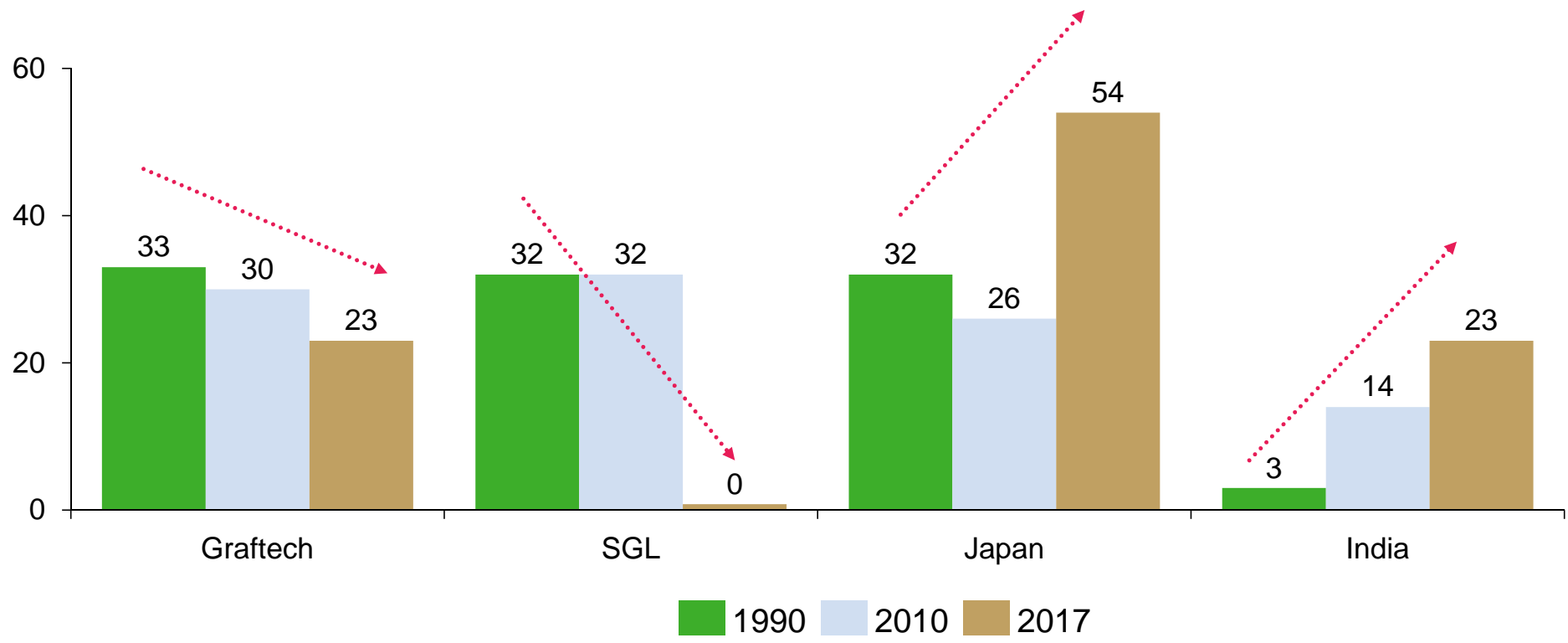
R&D Center

- ❖ R&D set up to corroborate the Quality & Improvement Drives with small scale production facilities
- ❖ The focus is also on development of new product lines
- ❖ Development is focused towards Carbon



Graphite Electrode (GE) Industry

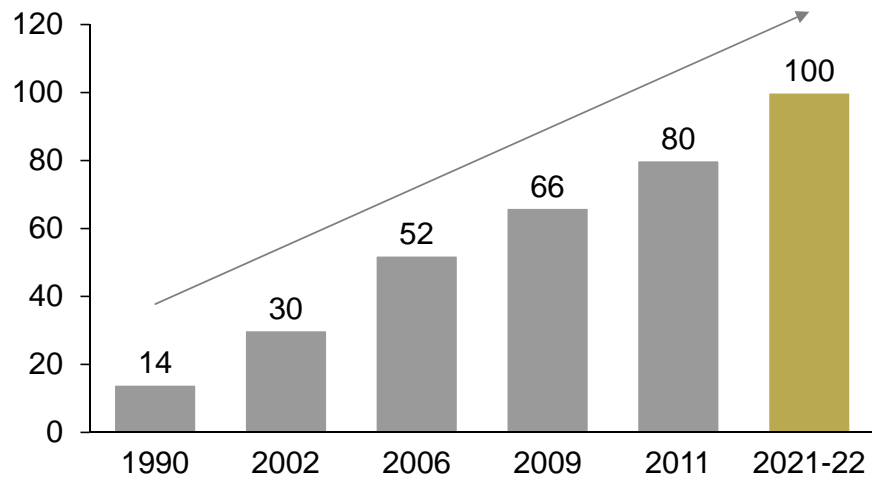
Industry Overview – India’s Rising Share (w/o China & Russia)



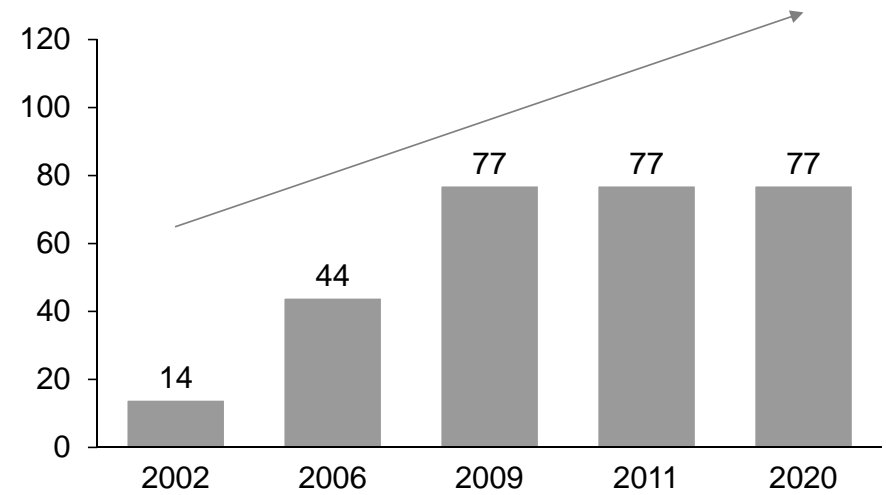
Capacity Build up



Graphite Electrode (In '000 tonne)



Captive Power (MW) (In '000 tonne)



GE Capacity Evolution (w/o China & Russia)



S. No.	Company Name	2010	2014	2017	No. of plants
1	SDK	105	105	225 (incl. SGL)	5
2	Tokai	100	100	95	4
3	NCK / SEC	60	60	60	2
Sub-Total Japan		265	265	380	11
4	Graftech	245	185	167	3
5	SGL	230	180	0 (sold to SDK)	0
Sub-Total USA/Europe		475	365	167	3
6	HEG	60	80	80	1
7	GIL	60	98	98	4
Sub-Total India		120	178	178	5
Grand Total		860	808	725	19

- 1) HEG's 80,000 tons plant is the largest single site integrated GE plant in the world.
- 2) Six plants of Graftech & SGL with a combined capacity of appx.200,000 mt shut down between 2012-16.



8 GE plants got closed between 2010 and 2016 , 20% of world capacity due to demand supply imbalance.



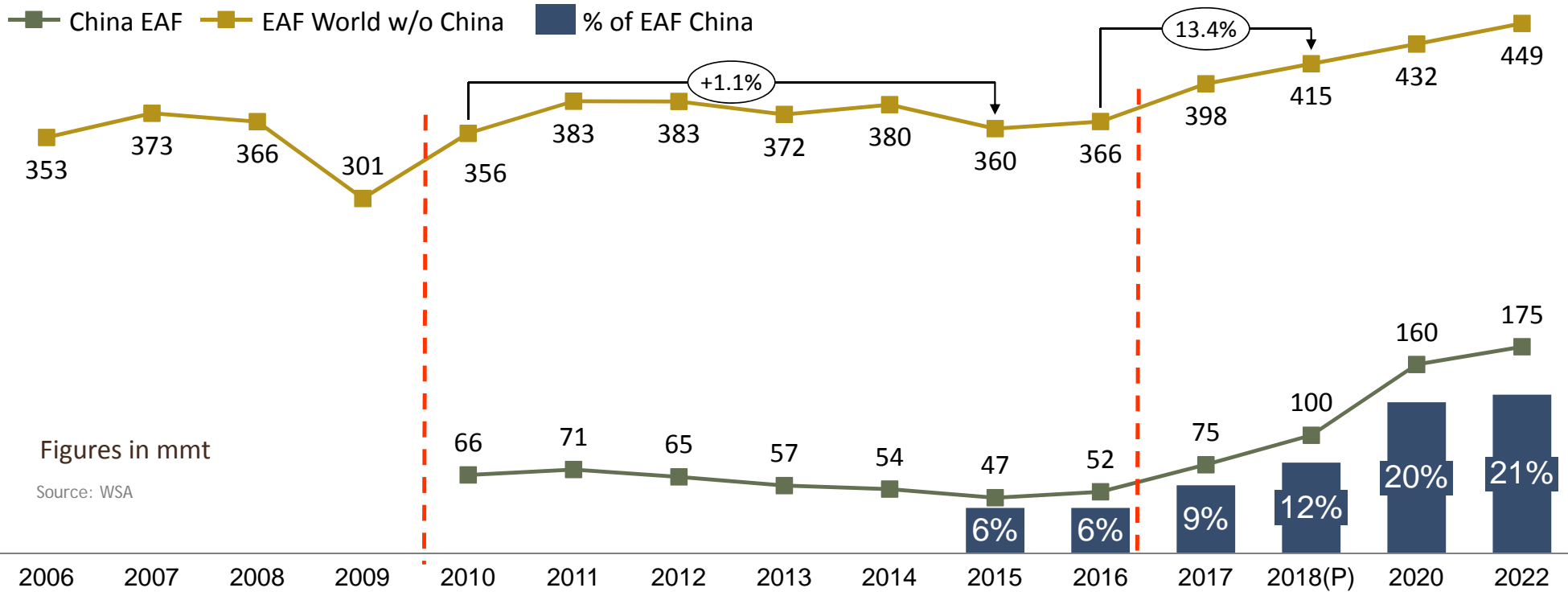
Currently 19 plants in 15 countries comprising 725,000 tons capacity are working at 85-90% capacity utilization & are unable to cope with the additional demand due to rise in EAF steel production causing shooting up of GE prices.



Almost 300,000 tons of inefficient/polluting GE capacity in China has been shut down thereby causing shortage of GE within China & reduction of Chinese exports further contributing to price rise of GE.

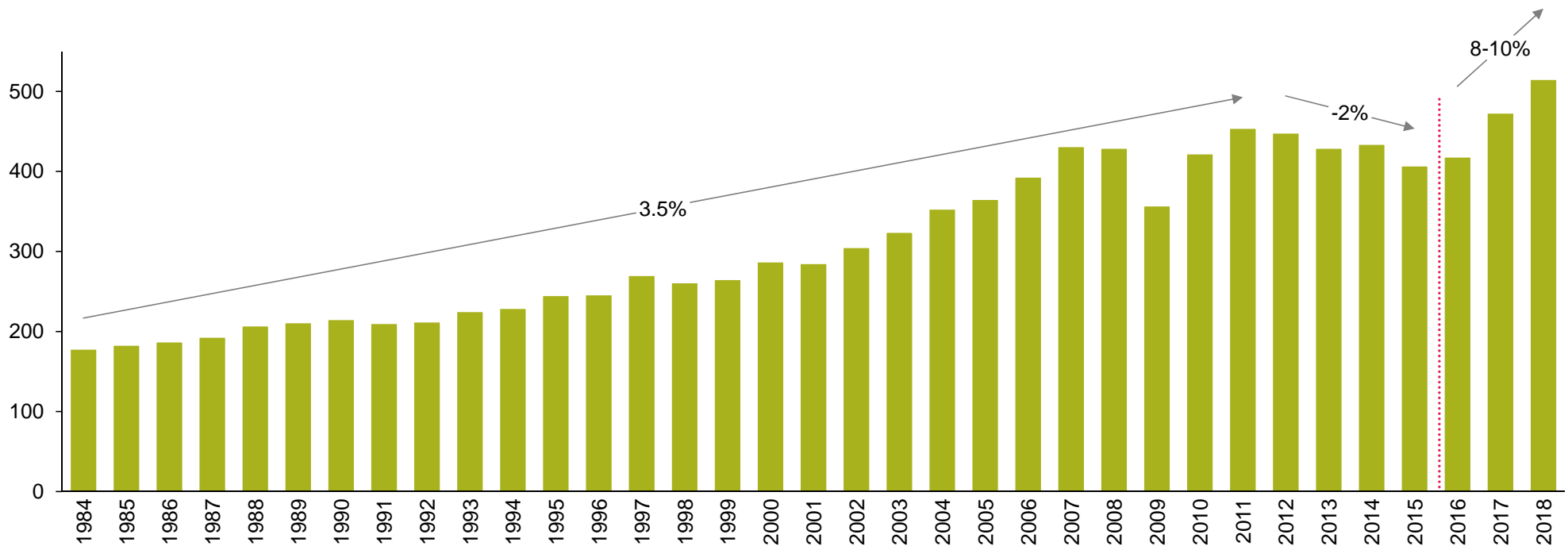
EAF Steel

EAF World Production –Without China & China



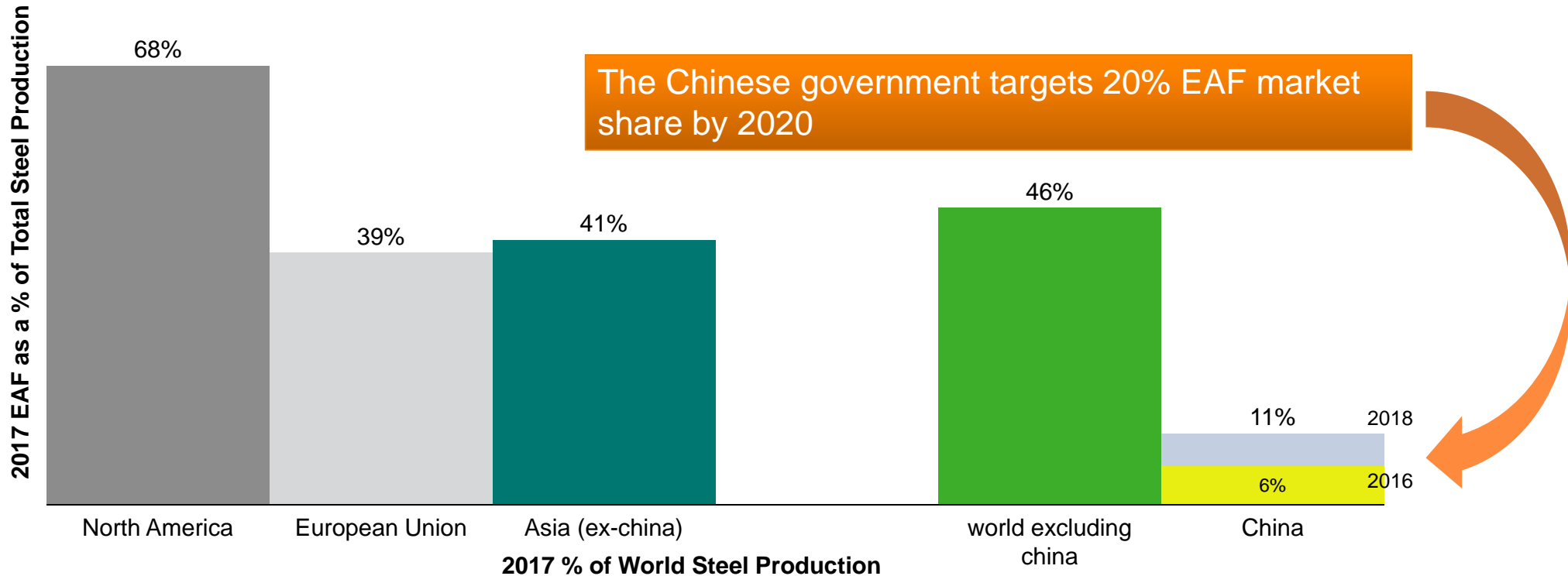
- The estimates between 2018 & 2022 are taken at growth rate of 3 % per annum for rest of the world
- Additional EAF capacity of 110 mmt between 2016 and 2020, would mean an additional demand of appx 275,000 mt of GE in China. Which may further go upto 310,000 mt by 2022
- There could be a window of opportunity for companies like us to export our non UHP electrodes to china in this period as new electrode capacities in china would take longer time to come up than steel capacity.

Global EAF steel production



- EAF steel production grew at the CAGR of 3.5% from 1984-2011
- Due to financial meltdown in 2009 and sudden surge of large BOF capacity built in China between 2010-15, EAF steel production dropped at the CAGR of 2% & now started to grow at the rate of about 8-10% from 2016 onwards.

Global Shift to EAF Steel Production



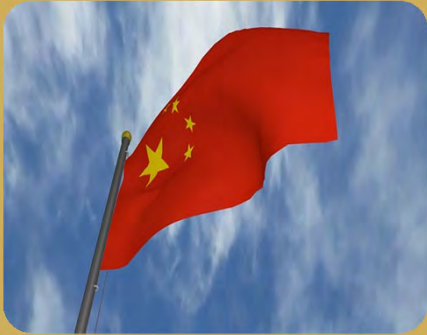
More than 3 times growth of EAF steel making in four years in china

Continuous Decline of Chinese Steel Exports



Annualized based on 4 months actuals

Blue Sky Policy



- ❖ This year the application of the restriction will be more rigid & strict. & have been advanced from 1 Oct to 31 Mar compared to 15 Oct to 15 Mar last year
- ❖ Export of Steel is likely to keep falling in near future.
- ❖ China likely to add around 200 million tons scrap per annum for the next few years.
- ❖ In order to discourage export of scrap they have imposed a 40% export duty
- ❖ Central Government has given limits on Environment and **if limits are breached Governors will be removed.**
- ❖ 50% of Chinese steel is produced within 700-800 kms radius of Beijing

China Pollution Crack Down



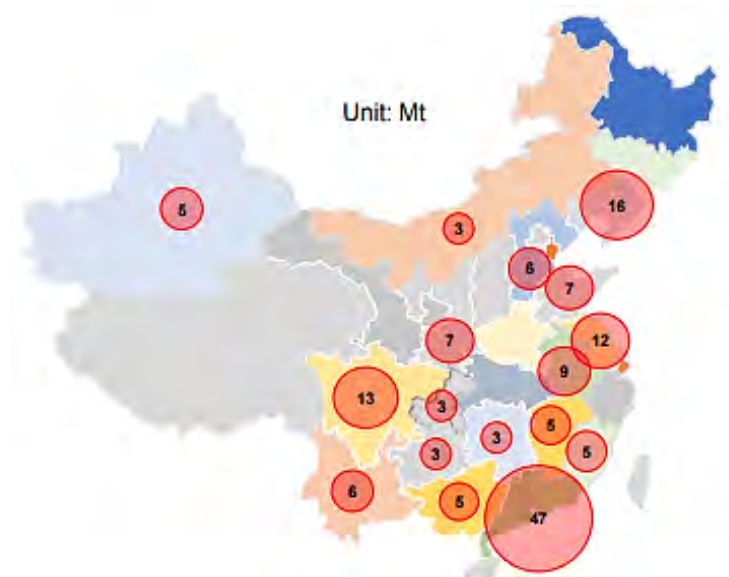
China is in the fifth year of a “war on pollution”



- ❖ 2017 environment control was not very serious – being first year , allowed 60-65% capacity utilization against 50% orders but this year it will be much more stringent & the impact may be higher.
- ❖ Last year Environmental Policy affected 28 cities within China this year more than 80 cities may be affected.
- ❖ EAF carbon emissions is 86% less than BOF gas & 72% less than BOF solid gas.
- ❖ China’s Hebei Province Gets Tough on Steel Mills to Meet Low Emissions Targets until 31 Oct’18 ,in case of failure to meet the targets companies will be ordered to shut down.
- ❖ Two Chinese Cities of Hebei Province Set to Observe 50% Production Cuts during Winter Heating Season

IF's capacity closure in Major Regions

- Capacity reduction ahead of expectations: net capacity reduction achieved 115 mmt vs. 150 mmt target. The balance is expected to close down in this year.
- Additional ~155 mmt illegal induction furnace capacity closed
- Many of these is being replaced by new electric arc furnaces
- 105 new EAFs, with capacity of 66 mmt have been installed or commenced construction in China in 2017
- Steel replacement policy in favour of EAF v BF; New measure requires capacity replacement in Beijing and 6 other provinces to keep the ratio at 1.25:1 level or more. For other regions the ratio become higher than 1:1, effectively reducing steel capacity
- As per CISA, China steel capacity to be brought below 1 bn mt by 2025



Source - WSA

Conclusion on EAF Steel

- EAF Steel production is expected to grow at a faster pace compared to BOF because of following reasons:
Replacement of Induction furnaces & polluting blast furnaces in China by EAFs
- EAF Share in China to grow from 6% in 2016 to 20% in 2020
- Chinese scrap availability to increase at the CAGR of 4% for the next 20-25 years.
- Continuous increase in share of EAF in rest of the world due to pollution concerns on BOF and less capital intensive nature of EAFs
- As China's steel exports keep dropping, the Rest of the World Steel production keeps increasing where EAF accounts for 45% of Steel Production.



Needle Coke Scenario

- Needle coke is the main raw material for GE production & is very critical for the growth of GE industry.
- Due to excess capacity of needle coke in the recent past, some of the needle coke producers have been trying to find a new application for coke in the Lithium Ion batteries.
- In the last couple of years needle coke has been successfully used in this application and a reasonably large part of needle coke is now being used in China in Lithium Ion batteries
- With the sudden increase in demand of GE, needle coke availability has become a bottleneck.
- All Global GE manufacturers are not able to operate beyond 85-90% capacity utilization.
- One of the largest producers of needle coke has debottlenecked its capacity enabling them to increase its production by around 50-60,000 mt.

Financial Snapshot



in Rs. Crore (except EPS)

	FY19	FY18	FY17
REVENUE FROM OPERATIONS	6593	2758	896
EBITDA*	4767	1734	88
EBIT	4695	1661	14
PAT	3050	1081	-50
EPS	763.60	270.61	(12.52)
EBITDA Margin (%)			
EBITDA Margin (%)	72%	63%	10%
EBIT Margin (%)			
EBIT Margin (%)	71%	60%	2%
PAT Margin (%)			
PAT Margin (%)	46%	39%	-6%

* EBITDA includes Other Income



Thank You