

## **FINANCIAL HIGHLIGHTS:**

- Net Sales in FY2012 higher by 27.9% at ` 1,424.0 crore as compared to ` 1,113.7 crore in FY2011
- EBIDTA (before exceptional items) in FY2012 rises by 4.9% at ` 258.6 crore from ` 246.9 crore in FY2011
- EBIT (before exceptional items) in FY2012 increases by 5.9% at ` 200.7 crore from ` 189.5 crore in FY2011
- EBT (before exceptional items) in FY2012 at ` 160.0 crore from ` 168.0 crore in FY2011
- PAT in FY2012 at ` 62.3 crore from ` 128.9 crore in FY2011
- EPS (Basic) in FY2012 at ` 15.3 from ` 30.1 in FY2011
- Needle Coke pricing for CY 2012 fixed at an increased but competitive price
- Graphite electrode prices have shown some increase, partially offsetting the Needle Coke price increase
- Domestic input costs show an increasing trend
- Exceptional items represents FX realization losses of ` 48.2 crore attributable to FX losses on account of Hedging positions taken and FX fluctuations on borrowings
- Hedging reserve represents foreign currency fluctuations on unmatured hedging positions
- Balance sheet continues to remain strong and sustainable

## **SECTOR HIGHLIGHTS:**

- **CY 2011 World crude steel production for Q1 CY2012 was 377 Mt, 1.1% higher than Q1 CY2011**

**(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)**

- **Major risk factors which may affect forecasts are**
  - **The uncertain Euro-zone debt crisis and slow growth in USA**
  - **High oil prices and the geopolitical tensions in the oil producing regions**

**(Source: World Steel Association)**

## **OPERATIONAL HIGHLIGHTS:**

- **HEG displays healthy operational performance**
- **Capacity utilization in the high 80% range for the quarter**
  - **Annual capacity utilization in the 90 % range**
- **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**
- **Challenges in the power division during the quarter include**
  - **Rise in coal costs**

- Lower coal available through the linkage route
- Hydel power plant subjected to seasonality

### **CAPACITY EXPANSION OF GRAPHITE ELECTRODES:**

- Commercial production has commenced on the expanded capacity; 80,000 tons rated capacity fully functional
  - HEG is the world's largest single-site producer
    - Low cost, Brownfield expansion
    - State-of-art, integrated facility
    - Economies of scale to improve further
- Adequate needle coke supplies available for expanded capacities
- Captive power of total rated capacity of 77MW to support additional production
  - 2 thermal power plants of total ~63.5 MW benefit from coal linkages
  - ~ 13.5 MW Hydel-power plant operations provide low-cost power
- Strong graphite electrodes demand trajectory to support higher volumes
- Production of steel through the EAF route is on the rise

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

*"I am very proud to share that LNJ Bhilwara Group has completed 50 successful years, marking its Golden Jubilee celebrations.*

*HEG Limited, which has been part of the LNJ Bhilwara group since 1972, also completes 40 years since incorporation. Since 1977, when the facility was set up, the Company has grown into a successful, leading, global graphite electrode manufacturing company. Today, we have developed, mature relations with a prestigious list of global customers. We also transact with the best global suppliers to source our key raw materials.*

*Over time, the Company has gradually expanded its graphite electrode capacity from 10,000 tons to the current rated capacity of 80,000 tons. With the first expansion in the 80's till the current expansion in 2012, we have continually aimed at improving our technology at every stage towards developing world class graphite electrodes.*

*I take this opportunity to thank all those who have stood by us and supported us through this glorious journey. It is our endeavor to continue our journey and follow greater paths of success."*

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

*“The steel sector is portraying a stable growth rate in a challenging and uncertain environment while the EAF sector growth continues to be very encouraging.*

*The quarter under review exhibited salient operational performance. The core business of graphite electrodes has shown considerable expansion in sales. While margins remained stable, we do expect improvement going forward.*

*The power division has been under pressure during the quarter due to a few reasons. Firstly the hydel power plant at Tawa was operational only for one month, due to its seasonal nature. Secondly the coal costs have been on the rise and thirdly, coal supply from the linkage route was lower than usual levels.*

*Overall, the graphite electrodes environment is improving, with prices and realizations exhibiting a moderate upward trend. We have secured our needle-coke supplies for the whole year at competitive rates, taking into account the expanded capacity.”*

**Q4 FY2012 review**

Q4 FY2012 Net Revenues were higher by 44.7% at ` 407.4 crore as compared to ` 281.6 crore in Q4 FY2011. Revenues in graphite electrode division increased by 45.5% at ` 400.3 crore in Q4 FY2012 as compared to ` 275.1 crore in Q4 FY2011. For Q4 FY2012 Power division revenues were stable at ` 54.0 crore from ` 53.7 crore.

EBIDTA increased by 18.4% to ` 76.8 crore in Q4 FY2012 from ` 64.9 crore in Q4 FY2011. PBIT of the graphite division rose by 54.9% in Q4 FY2012 at ` 48.8 crore from ` 31.5 crore and PBIT for the power division was at ` 9.2 crore from ` 18.7 crore.

In Q4 FY2012, the Company reported a forex loss of ` 48.2 crore attributable to FX losses on account of hedging positions taken and FX fluctuations on borrowings. In Q4 FY2012 Profit Before Tax was higher by 13.6% at ` 48.5 crore as compared to ` 42.7 crore in Q4 FY2011. The Company's Net Profit was ` 5.0 crore in Q4 FY2012 as compared to ` 34.4 crore in Q4 FY2011. The Net Profit gave a basic EPS of ` 1.2 for Q4 FY2012 as compared to ` 8.0 of Q4 FY2011

## **FY2012 review**

Net Revenues for FY2012 were higher by 27.9% at ` 1,424.0 crore from ` 1,113.7 crore in FY2011. Graphite division revenues increased by 29.2% in FY2012 at ` 1,394.7 crore from ` 1,079.4 crore in FY2011. Power division revenues rose by 9.7%, at ` 215.8 crore from ` 196.7 crore.

FY2012 EBITDA was higher by 4.9% at ` 258.6 crore as compared to ` 246.9 crore in FY2011. The graphite division's PBIT for FY2012 was ` 142.4 crore from ` 140.1 crore while earnings in power division for FY2011 were at ` 48.7 crore as against ` 46.5 crore in the corresponding period.

FY2012 PBT stood at ` 160.0 crore as compared to ` 168.0 crore in FY2011, while PAT for FY2012 was reported at ` 62.3 crore as compared to ` 128.9 crore in FY2011, implying a basic EPS of ` 15.3.

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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.

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.

*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*