

Immediate Release

Noida, Friday, January 29, 2010

FINANCIAL HIGHLIGHTS:

- Q3 FY2010 revenues at Rs. 290.3 crore versus Rs. 242.7 crore
- Strong earnings contribution in Q3 FY2010 – driven by healthy contribution from core graphite electrode division:
 - EBIDTA higher by 53.2% at Rs. 95.8 crore from Rs. 62.5 crore
 - EBT rises 125.3 % to Rs. 67.8 crore from Rs. 30.1 crore
 - PBIT in graphite electrode division enhances by 104% to Rs. 75.0 crore from Rs. 36.8 crore
 - PAT reported at Rs. 45.7 crore from Rs. 21.9 crore – 109.1% higher vis-à-vis last year
 - EPS more than doubles to Rs.11.14 from Rs. 4.98

OPERATIONAL HIGHLIGHTS:

- Demand for graphite electrode stabilizing to normalized levels:
 - Steel production is gaining traction in demand
- Revenue contribution from stabilized capacities in power division enhances revenues
- Realizations from selling power on merchant basis moderated at lower levels

CAPACITY EXPANSION OF GRAPHITE ELECTRODES:

- **Decision to expand the capacity for Graphite Electrodes from the present 66,000 MT to 80,000 MT**
- **Expansion to be completed in 18-21 months**
- **Expansion at an attractive payback**
- **Expansion to further improve the economies of scale already enjoyed as the largest single-site producer of Graphite Electrodes**
- **Decision on the back of imminent revival of demand**
- **Expansion to be largely internally funded and supplemented with limited debt**
- **Low present financial leverage to aid in the raising of required debt**
- **Overall financial leverage expected to remain low during project implementation**

Commenting on these results, Mr. Ravi Jhunjhunwala, Chairman and Managing Director, HEG Limited, said:

“HEG has demonstrated a buoyant growth in performance driven by a healthy display in our graphite operations. Given the improving trend in the market outlook, we have decided to re-initiate our plans to expand capacity to 80,000 TPA. We are confident, that going forward, the market dynamics will get better with further demand for graphite electrodes from different geographies. It is our endeavour to strengthen our position as one of the leading graphite electrode manufacturers with a balanced product mix, thereby accruing real value to our stakeholders.”

Commenting on these results, Mr. R.C. Surana, Executive Director and CEO, HEG Limited, said:

“HEG has embarked a strong operating performance on the back of a healthy growth in revenues in the graphite electrode and power divisions. Our operating strength lies in our integrated facilities of graphite electrodes, and given the advantages of a single site location, self sufficient power and products that match to international standards, we are well positioned to garner better performance in this reviving demand scenario.”

Q3 FY2010 review

Net Sales for Q3 FY2010 stood at Rs 290.28 crore from Rs. 242.67 crore in Q3 FY2009, higher by 19.62%. This was contributed by higher volumes in the graphite and power divisions. Exports grew by 5.95% to Rs. 201.94 crore as compared to Rs. 190.60 crore last year, while domestic sales grew by 42.38% at Rs. 123.62 crore as against Rs. 86.83 crore. Revenues from graphite electrode division stood at Rs. 270.86 crore from Rs. 241.87 crore, which was higher by 11.99% on the back of higher volume sales. Power division, which now includes 30 MW and 33 MW thermal power plants at Mandideep and 13.5 MW hydel plant at Tawa reported Rs. 49.03 crore towards revenues from Rs. 29.02 crore of the corresponding quarter last year, implying a 68.95% increase. Sales in this division augmented on the back of increased production from the new 33 MW thermal power capacity, which was commissioned in May 2009, combined with contribution from the 13.5 MW hydel power plant in Tawa which was operational in Q3 FY2010, given adequate rainfalls in the catchment area.

Given the demand growth in graphite electrodes set to revive further, the Company has decided to re-initiate plans to expand capacity from present 66,000 TPA to 80,000 TPA at a cost of Rs. 206 crore.

Power and fuel costs reduced by 28.40% to Rs. 11.57 crore from Rs. 16.16 crore on the back of additional power from the new 33 MW captive power plant and better generation of power from the hydel unit. EBIDTA improved by 53.24% at Rs. 95.76 crore – on the back of contained power & fuel costs and cost efficiency measures implemented in the operations. Margins sustained given better realizations. Interest / finance cost reduced by 29.36% to Rs. 14.71 crore from Rs. 20.82 crore, given repayment of debt, negotiation of rates to lower levels and better working capital management.

Earnings from the graphite segment increased by 104% to Rs. 74.97 crore from Rs. 36.75 crore, while margins were better at 27.68% because of improved realizations and a low base effect of last year. PBIT in the power segment stood at Rs. 5.92 crore as compared to Rs. 10.08 crore in the corresponding quarter last year – this was on the back of subdued realizations. However, the averaged-out realizations for 9M FY2010 remained healthy. The expanded power capacity is likely to be close to self-sufficient for 80,000 TPA of graphite electrodes production.

In Q3 FY2010, the Company reported a forex loss of Rs. 1.54 crore, reflected as Exceptional Items. Q3 FY2010 Profit Before Tax stood strong at Rs. 67.8 crore as compared to Rs. 30.1 crore. The Company's

Net Profit registered a 109.24% growth to Rs. 45.69 crore as compared to Rs. 21.85 crore in Q3 FY2010. The net profit translated to a basic EPS of Rs. 11.14 for Q3 FY2010.

9M FY2010 review

For the first nine months of FY2010, the Company's net sales stood at Rs. 795.59 crore from Rs. 775.35 crore. Better capacity utilization in Q4 FY2010 is expected to improve volumes in graphite electrode division further. Graphite segment sales stood at Rs. 741.23 crore from Rs. 772.55 crore. Export revenues stood at Rs. 544.48 crore as compared to 619.08 crore in 9M FY2010, given the lower demand from international markets. The Company's power segment reported revenues at Rs. 129.28 crore from Rs. 72.38 crore.

PBIT in the graphite segment stood at Rs. 207.07 crore from Rs. 143.79 crore, implying 44.01% growth. Earnings in power segment stood at Rs. 28.62 crore as against Rs. 20.74 crore in 9M FY2009. During 9M FY2010, the Company reported a profit of Rs. 1.17 crore on account of foreign exchange, reflected as Exceptional Item.

PBT for the nine month period increased by 53.58% to Rs. 189.33 crore as compared to Rs. 123.28 crore, while PAT was up by 59.07% at Rs. 131.79 crore as compared to Rs. 82.85 crore in 9M FY2009 resulting to an EPS of Rs. 32.13.

Encl: Results Table

For further information, please contact:

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About HEG Limited

HEG Limited, a premier company of the LNJ Bhilwara Group, is Asia's leading graphite electrodes manufacturer and India's largest graphite electrodes exporter. Established in 1977 in technical and financial collaboration with Societe Des Electrodes Et Refractaires Savoie (SERS), a subsidiary of Pechiney of France, HEG has the largest integrated graphite plant in the World, located at Mandideep near Bhopal (Madhya Pradesh), with a capacity of 66,000 MT per annum.

HEG's graphite division has facilities for production of graphite electrodes and graphite specialties. The Company also operates three power generation facilities with a total rated capacity of about 77 MW. The hydroelectric power plant at Tawa near 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.

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 is fast growing. The manufacture of graphite electrodes requires a high degree of technical competence and expertise, as it is a technology-intensive process that involves heat-treating non-graphitic carbon to temperatures upto 3000°C, with quality of output being a key success factor. HEG is one of the few players that cater to the graphite electrode market worldwide, supplying its products to leading steel makers globally.

Graphite is a crystalline form of the element carbon. As against natural graphite, which is a mineral form of graphite that occurs in nature, synthetic or artificial graphite is a man-made form and exhibits an exceptional combination of physical and chemical characteristics, permitting an extensive range of applications in many different areas. It possesses a very low electrical resistivity and has very high thermal shock resistance, making it the most suitable material for use as electric arc furnace electrodes.

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

HEG LTD											
Corporate Office : Bhilwara Towers, A-12, Sector -1, NOIDA - 201301											
Registered Office : Mandideep (Near Bhopal), Distt. Raisen, Madhya Pradesh-462046.											
STANDALONE UNAUDITED FINANCIAL RESULTS FOR THE QUARTER & NINE MONTHS ENDED 31ST DECEMBER, 2009						SEGMENTWISE REVENUE, RESULTS AND CAPITAL EMPLOYEE					
Particulars						Particulars					
Rs. in Crores						Rs. in Crores					
Quarter Ended						Quarter Ended					
Nine Months Ended						Nine Months Ended					
Year Ended						Year Ended					
Audited						Audited					
31.12.2009						31.12.2009					
31.12.2008						31.12.2008					
31.12.2009						31.12.2009					
31.12.2008						31.12.2008					
2009						2009					
1	Sales / Income from Operations						1 Segment Net sale / Income				
	Sales Gross-Domestic	123.62	86.83	342.51	247.27	317.59					
	-Export	201.94	190.60	544.48	619.08	832.35					
	-Gross Sales	325.56	277.43	886.99	866.35	1,149.94					
	Less: Interdivisional sales - Power	29.71	28.40	75.44	70.45	96.96					
	Less: Excise Duty	5.57	6.36	15.96	20.55	23.98					
	(a) Net Sales	290.28	242.67	795.59	775.35	1,029.00					
	(b) Other Operating Income	-	-	-	-	-					
	Total Income	290.28	242.67	795.59	775.35	1,029.00					
2	Total Expenditure						2 Segment Profit / (Loss) Before Tax				
	a) (Increase) / Decrease in Stock:	(25.64)	(33.56)	(8.38)	(46.77)	(56.20)					
	b) Consumption of Raw Material:	138.84	99.91	310.40	281.50	364.89					
	c) Purchase of Traded Goods:	-	-	-	-	0.70					
	d) Power & Fuel (Net of Interdivisional Purchases)	11.57	16.16	38.32	63.03	77.33					
	e) Staff Cost	9.93	9.42	29.43	27.61	37.08					
	f) Depreciation & Amortisation	13.22	11.56	38.59	33.74	46.60					
	g) Other Expenditure	60.91	61.90	155.47	166.35	229.09					
	Total	208.83	165.39	563.83	525.47	699.49					
3	Profit from Operations before Other Income, Interest & Exceptional Items						3 Capital Employed				
		81.45	77.28	231.76	249.88	329.51					
4	Other Income						Graphite				
		2.63	4.87	5.08	9.70	16.94					
5	Profit before Interest & Exceptional Items						Power				
		84.08	82.15	236.84	259.58	346.45					
6	Interest & finance charges						Others				
		14.71	20.82	48.68	46.68	66.74					
7	Profit after Interest but before Exceptional Items						Less:				
		69.37	61.33	188.17	212.90	279.71					
8	Exceptional Items -- Foreign Exchange Gain / (Loss)						Interest & finance charges				
		(1.54)	(31.22)	1.17	(89.62)	(118.32)					
9	Profit from Ordinary Activities before Tax						Exceptional Item - Foreign Exchange Gain/(Loss)				
		67.83	30.11	189.33	123.28	161.39					
10	Provision for Taxation - Current						Profit Before Tax				
		21.18	7.80	55.56	35.29	46.95					
	- Deferred	0.96	0.33	0.60	1.58	1.37					
	- Fringe Benefit Tax	-	0.13	-	0.36	0.48					
	- Earlier Year	0.00	(0.01)	1.38	3.19	5.60					
11	Net Profit from Ordinary Activities after Tax						Total				
		45.69	21.86	131.79	82.86	106.99					
12	Paid-Up Equity Capital (Face Value Rs.10/- per share)						Graphite				
		41.02	43.53	41.02	43.53	42.57					
13	Reserves (Excl. Revaluation Reserves)						Power				
		-	-	-	-	533.70					
14	Earning Per Share (Rs.) - Basic						Unallocable / Others				
	(not annualised)	11.14	4.98	32.13	18.75	24.36					
	- Diluted	10.99	4.98	31.71	17.81	24.36					
15	Public Shareholding						Total				
	- Number of Shares	18,585,272	21,548,118	18,585,272	21,548,118	20,770,663					
	- Percentage of Shareholding	45.31	49.43	45.31	49.43	48.51					
16	Promoters and Promoter Group Shareholding						Graphite				
	a) Pledged/Encumbered										
	-Number of Shares	440000		440000		4120000					
	-Percentage of Shares (as % of the total shareholding of promoter and promoter group)	1.96		1.96		18.69					
	-Percentage of Shares (as % of the total share capital of the company)	1.07		1.07		9.62					
	b) Non-encumbered										
	-Number of Shares	21,997,008		21,997,008		17,924,261					
	-Percentage of Shares (as % of the total shareholding of promoter and promoter group)	98.04		98.04		81.31					
	-Percentage of Shares (as % of the total share capital of the company)	53.62		53.62		41.86					
Notes:											
1 The figures of the corresponding previous period / year have been regrouped / recast wherever considered necessary to correspond to current period / year classification.											
2 Graphite Electrodes capacity expansion to 66,000 MT - completed in January, 2010.											
3 In view of the average market price of the Equity Shares of the Company relevant for the quarter ended 31.12.2009 being higher than the applicable conversion price, the conversion option embedded in 1% Foreign Currency Convertible Bonds (FCCB's) is considered as dilutive and has accordingly been taken into account for computation of diluted earning per share for the period.											
4 Out of total FCCB of USD 28.75 mn, USD 17.70 mn were converted resulting in allotment of 40,07,517 Equity Shares till the previous financial year. The Company had, in first quarter of current financial year, bought back FCCB of face value of USD 3 Million in accordance with the RBI regulations. None of the FCCB's were converted or bought back during the quarter under review. Subsequently, in the month of January 2010, till date, FCCB of face value USD 7 Million have been converted into 1584894 Equity Shares of Rs. 10 each on exercise of conversion option embedded therein											
5 In view of the non-exercise of embedded option therein, the Preferential Warrants as allotted on 05.06.2008 have expired on 04.12.2009 and the application money thereof amounting to Rs. 17.26 Crores has been forfeited.											
6 A total of 18 shareholders' complaints were received during the quarter and all of them have been resolved.											
7 The above financial results have been subjected to a limited review by the company's auditors and reviewed by the Audit Committee and approved & taken on record by the Board at their respective meetings held on the 29th January 2010.											
										For HEG Limited	
Place : Noida										Ravi Jhunjhunwala	
Dated : 29th January 2010										Chairman & Managing Director	