

*Immediate Release*

*Noida, Tuesday, July 27, 2010*

## **FINANCIAL HIGHLIGHTS:**

- Revenues in Q1FY2011 at Rs.222.1 crore as compared to Rs.232.2 crore
- EBIDTA (After Exceptional Items) at Rs.59.1 crore from Rs.86.1 crore
- EBIT (After Exceptional Items) at Rs.43.6 crore from Rs.73.9 crore
- EBT (After Exceptional Items) at Rs.34.5 crore from Rs.56.1 crore
- PAT reported at Rs.26.6 crore from Rs.41.9 crore
- EPS (Basic) at Rs.6.20 from Rs.9.96
- Muted realizations have influenced margins
- Rupee appreciation y-o-y also contributed to decline in margins
- Expansion of Graphite Electrode capacities from current rated 66,000 TPA to 80,000 TPA is on schedule, at a much contained cost of Rs.225 crore

## **OPERATIONAL HIGHLIGHTS:**

- Graphite Electrode revenues in Q1FY11 were marginally lower on account of lower sales volumes
- Graphite Electrode margins in Q1FY11 somewhat muted on account of lower realizations and increase in other raw material costs
- Power revenues in Q1FY11 increased on the back of higher sales volumes
- Volume performance in the current quarter is much stronger and volume visibility for the rest of the year is very strong

## **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 and is to be supported by increased demand of steel produced through the EAF route
- Expansion is expected to be completed by September, 2011
- An investment of approximately Rs. 225 crore earmarked for the expansion
- 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
- Expansion to be funded through a combination of debt and internal accruals
- Timing of capacity expansion is well positioned for the next up cycle as volume visibility is strong going forward

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

*"We are witnessing a strong revival in steel and are hopeful of easing the pressure on Graphite Electrode prices. Going forward we are optimistic about the outlook towards the graphite electrode and power divisions. The progress on the graphite electrode capacity expansion is positive as it is on schedule and is expected to be completed towards the end of the first half of FY2012. We are confident of delivering a better earnings performance in the current year given the improving global scenario and strong volume visibility in our business."*

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

*"HEG has witnessed stable operations and strives to achieve further progress in this field. We are continuously working towards productivity enhancement measures supported by cost efficiency measures and are well placed as regards our core raw materials, needle coke and power. The order book is steadily firming up considering the visibility of increasing demand for graphite electrodes. Moving forward, we aim at improving the margins, achieving sustainable capacity utilization levels and thereby add value to our stakeholders."*

## ***Q1 FY2011 review***

Net Sales for Q1 FY2011 stood at Rs. 222.13 crore as compared to Rs. 232.18 crore in the corresponding quarter last year due lower sales volumes in the graphite electrodes division. Contribution from exports was Rs. 155.33 crore versus Rs. 152.08 crore last year, a marginal growth of 2%, while domestic sales dipped by 17% at Rs. 66.80 crore as against Rs.80.10 crore. Revenues from graphite electrode division were Rs. 208.74 crore from Rs. 212.46 crore. Power division, which includes 30 MW and 33 MW thermal power plants at Mandideep and 13.5 MW hydel plant at Tawa grew by 25%, reporting Rs. 47.50 crore towards revenues from Rs. 37.99 crore of the corresponding quarter last year.

Capacity expansion from 66,000 TPA to 80,000 TPA is on schedule and is expected to be completed by September, 2011. This expansion is anchored by revival in demand growth of graphite electrodes and remains supported by increased demand of steel produced through the EAF route

Power and fuel costs increased by 5% to Rs. 15.46 crore from Rs. 14.78 crore. The power plant at Tawa was non-operational due to its seasonal nature, but with the advent of the monsoon, operating levels are expected to stabilize soon. EBIDTA was at Rs. 59.07 crore as compared to Rs. 86.10 crore in the corresponding quarter last year. Interest / finance cost reduced by 49% to Rs. 9.08 crore from Rs. 17.77 crore, given repayment of debt, negotiation of term rates to fixed lower levels and lower working capital costs.

PBIT from the graphite segment stood at Rs. 33.84 crore from Rs. 59.99 crore on account of lower sales volumes and muted realisations. PBIT in the power segment stood at Rs. 9.26 crore as compared to Rs. 13.45 crore in the corresponding quarter last year due to subdued merchant power realisations. The expanded power capacity is likely to be close to self-sufficient for 80,000 TPA of graphite electrodes production.

In Q1 FY2011, the Company reported a forex gain of Rs. 2.14 crore. Q1 FY2011 Profit Before Tax stood at Rs. 34.53 crore as compared to Rs. 56.13 crore. The Company's Net Profit stood at Rs. 26.55 crore as compared to Rs. 41.86 crore in Q1 FY2010. The Net Profit translated to a basic EPS of Rs. 6.20 for Q1 FY2011 as compared to Rs. 9.96 of Q1 FY2010.

**Encl: Results Table**

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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 Rs. 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 Rs.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.

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