



Q3 of FY17 Investor Update Presentation

HEG Limited – Profile

- ❖ 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 65% 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)

Global Steel Industry

- ❖ IMF reported Global GDP growth for 2016 estimated at 3.1%, and projected to be 3.4% and 3.6% in 2017 and 2018 respectively
- ❖ World Steel Association (WSA), reported a growth of 0.8 % in world crude steel production to 1628 million tons for Jan – Dec'16.

Crude Steel Production	2015	2016	Change 2016 vs. 2015
World	1615	1628	0.8 %
World without China	816	820	0.5 %
China	799	808	1.1 %

Growth Areas	% ↑	% of world pdn
Asia	1.4	69
N. America	0	6.9
CIS	0.8	6.3
Middle East	7.6	1.8
Decline Areas	% ↓	% of world pdn
EU	-2.3	10.1
S. America	-10.6	2.4
Africa	-4.7	0.8

- ❖ China steel export in 2016 stood at 112 million tons which is in line with the levels of 2014 and 2015.

Indian Steel Industry

- ❖ Crude Steel production grows 8.5% to 72 mmt from 66.5 mmt for Apr-Dec'16 period.
- ❖ Steel imports at 5.5 mmt in Apr-Dec'16 declined by 37.4% over same period of last year as a result of various duties imposed - MIP, Safeguard duty and Anti Dumping Duties.
- ❖ Steel consumption grew by 3.3% in Apr-Dec'16 (61.5 mmt) over same period of last year.
- ❖ With declining imports & surge in domestic consumption since imposition of MIP, Ministry of Steel has withdrawn the MIP while other measures like Safe Guard duty and Anti Dumping still continue.
- ❖ India expected to become World's second largest producer of steel in 2017 , moving up from the third position, ahead of Japan and USA as steel consumption expected to rise with increased infrastructure construction & thriving automobile & railways sectors

Financial Snapshot (under Ind.AS)

in Rs. Crore (except EPS)

	Q3 FY17	Q2 FY17	Q1 FY17
Net Operating Income	245.79	199.77	170.85
EBITDA*	30.65	22.24	4.25
EBITDA Margin	12.47%	11.13%	2.49%
EBIT	12.33	3.97	(14.87)
EBIT Margin	5.02%	1.99%	(8.70%)
PAT	(3.16)	(13.47)	(28.92)
PAT Margin	(1.28%)	(6.74%)	(16.93%)
EPS	(0.79)	(3.37)	(7.27)

* EBITDA includes Other Income

Segmental Performance – Graphite Electrodes

in Rs. Crore

	Q3 FY17	Q2 FY17	Q1 FY17
Net Sales	237.19	192.70	161.45
Export (% of sales)	64.63%	53.21%	59.28%
EBITDA Margin	(0.40%)	(2.00%)	(9.90%)
EBIT Margin	(7.05%)	(10.11%)	(19.58%)

- Capacity utilisation at around 75%. Order book healthy.
- Graphite electrode prices seems to have bottomed out.
- Improved working capital cycle and overall debt position vis a vis last year.
- Focus on controllable cost, yielding results.

Segmental Performance – Power

in Rs. Crore

	Q3 FY17	Q2 FY17	Q1 FY17
Net Sales	64.04	58.14	36.33
EBITDA Margin	47.72%	44.32%	52.34%
EBIT Margin	43.07%	38.72%	43.34%

- Achieved peak generation of hydel power during the Quarter.
- Increased direct selling as a percentage of total power sale resulting in improved realization.

Future Outlook - Steel

- ❖ Average Steel output to increase by a mere 0.5% p.a. between 2016-2020, significantly lower than the 2.5% p.a. achieved during 2011-2015.
- ❖ Average Steel consumption to increase by a mere 0.4% p.a. between 2016-2020, significantly lower than the 2.8% p.a. achieved during 2011-2015.
- ❖ China has pledged to cut about 150 mmt of capacity by 2020, appx 13% of the capacity, mainly some of the very old plants producing low quality Steel.
- ❖ Shutting down of steel capacity in china, unlikely to change global situation & is not going to bring material change to the global demand-supply equation of the commodity.

Future Outlook- Graphite Electrode

- ❖ Demand for graphite electrodes has started picking up. Inventory correction taking place at customers end.
- ❖ Electrode prices have bottomed out. Expect an uptrend in the near future.
- ❖ Raw material prices are also slated to go up.
- ❖ HEG order book for FY 17 healthier than previous year. Export as well as domestic sales by volume expected to be higher than FY16.
- ❖ Order building process on for FY18. Trend looks to be positive.

Thank You



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