

# HEG Limited



Immediate Release

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## FINANCIAL HIGHLIGHTS:

- Net Sales in Q3FY2012 enhance by 35% at ₹ 418.0 crore as compared to ₹ 310.3 crore in Q3 FY2011
- EBIDTA in Q3 FY2012 increases by 38% at ₹ 91.1 crore from ₹ 66.2 crore
- EBIT in Q3 FY2012 higher by 47% at ₹ 76.5 crore from ₹ 52.0 crore
- EBT (before exceptional items) in Q3FY2012 rises by 50% at ₹ 62.8 crore from ₹ 42.0 crore
- PAT in Q3 FY2012 at ₹ 24.0 crore from ₹ 38.2 crore
- EPS (Basic) in Q3 FY2012 at ₹ 5.89 from ₹ 8.92 in Q3 FY2011
- Exceptional items represents FX realization losses of Rs.35.5 crore on account of Hedges and Foreign currency borrowings; trend to be determined by FX fluctuations

## SECTOR HIGHLIGHTS:

- CY 2011 world crude steel production increased by 6.8% at record levels of 1,527 Mt  
(Source: World Steel Association)
- Graphite Electrode Pricing – Healthy price increase being realized
- Graphite Electrode price increase expected to add to margins after absorption of cost increases
- Needle Coke – Contracts for CY 2012 finalized at increased but competitive pricing
- Healthy Needle Coke stocks at old prices to add to bottom line going forward
- Domestic input costs expected to see moderate increase

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**OPERATIONAL HIGHLIGHTS:**

- Growth and solid operational performance in Q3 FY2012 attributed towards:
  - Optimized product mix leading to record capacity utilization over 100%
  - High capacity utilization rates expected to sustain
  - Expected growth in steel demand to support graphite electrode production
  - Exports witnessed significant growth momentum
  - Improved Graphite Electrode pricing to drive increase in margins
  - Accelerated power division performance

**CAPACITY EXPANSION OF GRAPHITE ELECTRODES:**

- Graphite Electrodes capacity expansion to 80,000 tons completed
- HEG becomes the world's largest single-site producer
  - Low cost, Brownfield expansion
  - State-of-art, integrated facility
  - Economies of scale to improve further
- Commercial production to commence post trial runs
- 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

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

*"I am pleased to share with you that we have successfully achieved our graphite electrode capacity expansion to 80,000 tons, making us the world's largest single-site manufacturing facility. We expect to commercialize the same shortly*

*We have invested substantially in furthering our production capabilities to these levels, with an aim to increasing and optimizing our capacities, producing world-class products and satisfying the rapidly growing demand for graphite electrodes.*

*In recent times, steel production through the EAF route has been on the rise, placing us in a favourable situation to use our core competitiveness to achieve further success.*

*HEG continues to remain fully committed to the graphite electrodes industry in the long run and we remain optimistic about its future."*

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

*"The quarter under review displays a positive operating performance in both, the graphite electrodes and power divisions. Graphite electrodes volumes, pricing and realizations continue to display improvement. HEG has secured needle coke requirements for the current year at reasonable prices, besides having healthy inventory at old prices which are expected to reflect positively in future earnings performance.*

*We have a successful business model, the right strategy and sufficient manufacturing resources thereby providing a strong base towards sustaining our position as a leading provider of graphite electrodes. I would like to add however that our performance could be moderately tempered by the macro economic situation globally."*

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**Q3 FY2012 review**

Q3 FY2012 Net Revenues were higher by 35.0% at ₹ 418.0 crore as compared to ₹310.3 crore in Q3 FY2011. Revenues in graphite electrode division increased by 33.8% at ₹ 404.0 crore in Q3 FY2012 as compared to ₹ 301.9 crore in Q3 FY2011. For Q3 FY2012 Power division revenues were also higher by 28.9% at Rs. 64.5 crore from Rs. 50.2 crore.

EBIDTA increased by 37.6% to ₹ 91.1 crore in Q3 FY2012 from ₹ 66.2 crore in Q3 FY2011. Margins during the quarter sustained on the back of higher sales. PBIT from the graphite segment rose by 41.2% in Q3 FY2012 at ₹ 52.7 crore from ₹ 37.3 crore and PBIT for the power division rose by 48.9% to Rs. 20.7 crore from 13.9 crore.

In Q3 FY2011, the Company reported a forex loss of ₹ 35.5 crore mainly on account of translation losses on hedges and foreign currency borrowings. In Q3 FY2012 Profit Before Tax was higher by 49.5% at ₹ 62.8 crore as compared to ₹ 42.0 crore in Q3 FY2011. The Company's Net Profit was ₹ 24 crore in Q3 FY2012 as compared to ₹ 38.2 crore in Q3 FY2011. The Net Profit gave a basic EPS of ₹ 5.89 for Q3 FY2012 as compared to ₹ 8.92 of Q3 FY2011.

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#### About HEG Limited

HEG Limited, a listed company of the LNJBhilwara 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 LNJBhilwara 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.*