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FINANCIAL HIGHLIGHTS:

- Revenues in Q2FY2011 improve by 10%, at ₹ 299.6 crore as compared to ₹ 273.1 crore in Q2FY2010; on the back of higher sales volumes of graphite electrodes and higher power generation
- EBIDTA at ₹ 64.6 crore in Q2FY2011 from ₹ 94.7 crore in Q2FY2010
- EBIT at ₹ 51.0 crore in Q2FY2011 from ₹ 81.6 crore in Q2FY2010
- EBT at ₹ 42.5 crore in Q2FY2011 from ₹ 65.4 crore in Q2FY2010
- PAT in Q2 FY11 reported at ₹ 29.7 crore from ₹ 44.2 crore in Q2FY2010
- EPS (Basic) in Q2FY2011 at ₹ 6.94 from ₹ 10.78 in Q2FY2010

SECTOR HIGHLIGHTS:

- Steel production and demand expected to reach record levels
- Graphite Electrode production driven by steel production through EAF route; EAF steel production volumes witnessing recovery though away from peak pre-crisis levels
- Graphite Electrode realisations treaded soft in earlier quarters; visibility of initial signs of uptick in price movement

OPERATIONAL HIGHLIGHTS:

- Operational performance is robust
- Capacity utilization levels in graphite electrodes in the 85-90% plus range; capacity utilization expected to further strengthen in H2FY2011
- Adequate needle coke supplies envisaged for existing capacities

- **Captive power of 77 MW supporting production ramp-up and adequately covers expanded capacities**
- **Muted realizations and higher costs have influenced margins in both, the graphite electrode and power divisions**
- **The Thermal power plant of 30MW underwent maintenance shut-down during the quarter**
- **Delay in resumption of operations of the hydel power plant; operations have since stabilized with sufficient water reserves in the catchment area**

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**
- **Expansion capex, by design, revised to approximately ₹ 275 crore from ₹ 225 crore; to be directed towards efficiency, productivity & quality enhancement initiatives**
  - **This additional investment of ₹ 50 crore is towards quality and efficiency; to generate its own payback**
- **Total expansion capex being funded through debt and internal accruals**
- **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**
- **Timing of capacity expansion is well positioned for the next up cycle as volume visibility is strong going forward**

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

"A global economic recovery is underway and though it is very evident, we are yet to witness operations, industry-wide returning to their pre-crisis levels.

Recovery of the steel sector has been good and steel production through the EAF route has also been on an uptick, though the peak levels have not yet been achieved.This is still encouraging for our Company which operates in the graphite electrode industry, as the EAF route presents new opportunities for growth, through a positive volume outlook.

The initial improvement for us has come in the shape of better volumes performance, which continues to improve. The pressure on graphite electrodes pricing has eased and we now have initial visibility of price improvement. This expected increase in prices will enable us to take further advantage of the opportunities that the sector offers.

We are encouraged by the improved scenario and look forward to improved results based on our quality of production and an expected, favourable sector scenario."

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

"I am pleased to share with you the Company's operational salience during the quarter. The graphite electrode environment is improving, driven first by volume pick up and supported by an expected increase in realisations trajectory. Though realisations in the quarter under review have been muted, our performance is expected to show stronger improvement in value when the current contracts are honoured, and as we enter new contracts with prices revised upward.

In the power division, we saw higher level of generation, given the full utilisation of the second thermal power plant. Muted merchant power realisations, maintenance shutdown of the first thermal power plant and delayed hydel-power operations put some pressure on performance of Power Division. Going forward we expect continued stable performance from the Power Division.

The current results have been achieved in a subdued economic scenario, and going forward, as the sentiment improves, we aim to further improve our operational performance and endeavour to match that with delivering higher returns."

Q2FY2011 review

Net Sales for Q2FY2011 were 10% higher at ₹ 299.62 crore as compared to ₹ 273.13 crore in the corresponding quarter last year due to increase in sales volumes in the graphite electrodes and power divisions. Revenues from graphite electrode division were higher by 14% at ₹ 293.68 crore from ₹ 257.90 crore on the back of healthy sales volumes. Power division, which includes 30 MW and 33 MW thermal power plants at Mandideep and 13.5 MW hydel plant at Tawa, saw revenues rise by 7%, reporting ₹ 45.27 crore towards revenues from ₹ 42.26 crore of the corresponding quarter last year. During the quarter, there was a maintenance shut-down of the 30MW thermal power plant and the hydel power plant resumed operations with a delay, which contributed to lower earnings performance in Q2FY2011. The loss of production during the maintenance shutdown period was partially offset by a higher utilization level post maintenance and the hydel power plant has started operations at an optimum level due to sufficient water reserves in the catchment area.

Capacity expansion from 66,000 TPA to 80,000 TPA which commenced in March 2010, is on schedule and is expected to be completed by September, 2011. Expansion capex, by design, was revised to approximately ₹ 275 crore from ₹ 225 crore; to be directed towards efficiency, productivity & quality enhancement initiatives The expansion is anchored by revival in demand growth of graphite electrodes and remains supported by increased demand of steel produced through the EAF route.

EBIDTA was at ₹ 64.56 crore as compared to ₹ 94.75 crore in the corresponding quarter last year. Margins in Q2FY2011 muted on account of lower realisations in both graphite electrodes and in power (merchant sales portion) and increase in expenditure. Interest / finance cost reduced by 47% to ₹ 8.55 crore from ₹ 16.20 crore, due to larger proportion of low cost borrowings and sustained improvement in working capital costs.

PBIT from the graphite segment stood at ₹ 45.32 crore from ₹ 72.11 crore. PBIT in the power segment stood at ₹ 4.71 crore as compared to ₹ 9.25 crore.

In Q2FY2011, the Company reported a forex gain of ₹ 4.96 crore. Q2FY2011 Profit Before Tax stood at ₹ 42.47 crore as compared to ₹ 65.37 crore. The Company's Net Profit during the quarter stood at ₹ 29.74 crore as compared to ₹ 44.24 crore in Q2FY2010. The Net Profit translated to a basic EPS of ₹ 6.94 for Q2FY2011 as compared to ₹ 10.78 of Q2FY2010.

H1FY2011 review

For H1FY2011, the Company's net sales were ₹ 521.75 crore from ₹ 505.31 crore, a marginal increase of 3%. Graphite division sales increased by 7% at ₹ 502.42 crore from ₹ 470.37 crore. The Company's power division revenues reported a healthy growth of 16%, at ₹ 92.78 crore from ₹ 80.25 crore.

For H1FY11 the EBITDA was at ₹ 123.65 crore as compared to ₹ 180.84 crore during the corresponding period last year. The graphite division's PBIT was ₹ 79.16 crore from ₹ 132.10 crore while earnings in power division were ₹ 13.97 crore as against ₹ 22.70 crore in H1FY2010. During H1FY2011, the Company reported a gain of ₹ 7.11 crore on account of foreign exchange.

PBT for the half-year was to ₹ 77.0 crore as compared to ₹ 121.51 crore, while PAT was reported at ₹ 56.29 crore as compared to ₹ 86.11 crore in H1FY2010, implying a basic EPS (not annualised) of ₹ 13.14

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 ₹ 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 ₹ 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% if 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