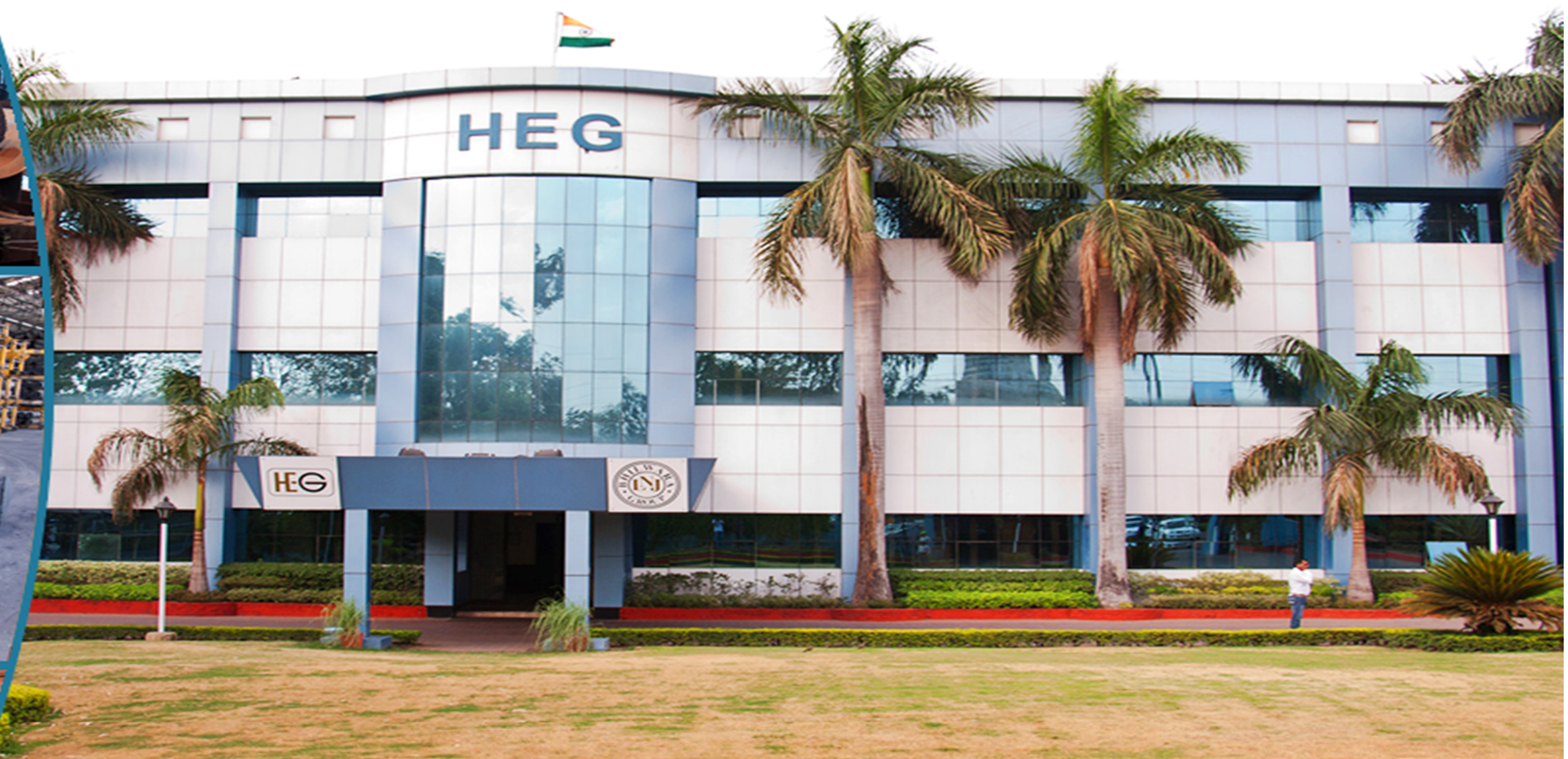
HEG Limited
World Winning Quality



Q3 - FY16 Investor Update Presentation

HEG Limited – Profile

- HEG Limited is a leading graphite electrode manufacturer & exporter Globally.
- HEG produces two grades of graphite electrodes - Ultra High Power (UHP) & High Power (HP) - used in manufacturing steel through the Electric Arc Furnace (EAF) route.
- Exports approximately 65% of its production to about 30 countries around the world.
- Diversified customer portfolio - ArcelorMittal, Nucor, POSCO, Dongkuk Steel, Hyundai Steel, Saudi Basic Industries, Emirate Steel Industries , Severstal, SAIL, Tata Steel, Jindal Group etc.
- 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

- World crude steel production for CY 2015 reached 1623 million tons, a decline of 2.8% as compared to 1670 million ton in the same period in 2014.
- All regions have registered a negative growth - North America (-8.6 %) , South America (-2.5%), EU(28) (-1.8%), Asia (-2.3%), CIS (-4.3%), Middle East (-0.5%), Africa (-0.2%).
- World excluding China produced 819 million tons, declining by 3.4 % over 2014.
- China continues to decelerate and dropped by 2.3%.
- Production of top 10 Steel Producing Countries at 1349 million tons decreased by 3%.
- EAF segment of Steel, which is our customer base continues to be severely impacted due to disproportionate fall in the prices of Iron Ore and Coke, the two main raw materials to blast furnace industry as compared to Steel Scrap, the main raw material to EAF steel industry.

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Global Graphite Industry

- Chinese exports are expected to touch record of 110 mmt in 2015 vs. 94 mmt in CY 2014 destroying the global steel prices.
- Due to steep fall in oil prices, budget of oil producing countries has been drastically reduced. Thereby reducing expenditure on projects resulting in reduced consumption of steel, slowing down production.
- Many steel plants are stopping/reducing steel melting & procuring Chinese billets to process resulting in reduced electrode demand. The impact of this is being felt drastically in SE Asian countries & Middle East besides India.
- However Indian Steel production defying the trend grew by 2.6% in CY 15 vs. CY 14 despite rising imports from China, Japan and Korea which are expected to touch 15 million tons in 20-15-16.

Financial Snapshot

in Rs. Crore (except EPS)

	FY 15	Q3 FY16	Q2 FY16	Q1 FY16	Q3FY15
Net Operating Income	1236.91	178.59	240.20	249.27	279.10
EBITDA*	196.78	40.18	53.93	25.15	46.13
EBITDA Margin	15.91%	22.50%	22.45%	10.09%	16.53%
EBIT	121.43	20.06	33.74	6.28	26.83
EBIT Margin	9.82%	11.23%	14.05%	2.52%	9.61%
PAT	39.00	6.49	14.66	(10.55)	10.45
PAT Margin	3.15%	3.63%	6.10%	(4.23%)	3.74%
EPS	9.76	1.62	3.67	(2.64)	2.62

* EBITDA includes Other Income

Segmental Performance – Graphite Electrodes

in Rs. Crore

	FY 15	Q3 FY16	Q2 FY16	Q1 FY16	Q3FY15
Net Sales	1213.28	172.05	237.58	247.73	270.54
Export (% of sales)	76.84%	54.31%	64.34%	65.38%	72.30%
EBITDA Margin	8.79%	5.68%	10.80%	2.03%	6.16%
EBIT Margin	3.77%	(3.97%)	3.77%	(4.16%)	0.36%
Capital Employed	974.50	913.67	919.69	927.80	928.90

- Capacity utilisation at around 55% during the quarter.
- Graphite electrode volume and prices continue to be under pressure. Company is able to increase its market share in the relatively profitable domestic market.
- Impact of improved operational efficiencies and lower input cost are majorly offset by lower volumes and relatively stable fixed cost.

Segmental Performance – Power

in Rs. Crore

	FY 15	Q3 FY16	Q2 FY16	Q1 FY16	Q3 FY15
Net Sales	228.07	59.56	57.64	46.73	60.64
EBITDA Margin	43.70%	51.29%	49.22%	43.83%	47.73%
EBIT Margin	37.62%	45.65%	43.40%	35.71%	41.96%
Capital Employed	174.00	168.68	176.58	170.54	172.26

- Thermal Margins improved with adequate availability and usage of linkage coal.
- Generation from the captive thermal facilities are directly related to graphite manufacturing requirement.
- Hydro generation reached its peak during the quarter, adding strength to the segment’s results.

Future Outlook

- Overall steel scenario and particularly the EAF segment, which is relevant to us, largely affected by heavy Chinese exports and higher reduction in prices of Iron Ore and coke, vis a vis Steel scrap, benefitting blast furnace route. Demand situation likely to remain subdued in near future.

- Domestic Steel Industry continue to grow, though slowly. HEG has been able to replace reduced Chinese imports. We would consolidate further on the strength of our product quality and lowest cost of operations.

- Depreciation of Rupee is expected to make imports less viable, thus helping domestic suppliers.

- Slowing down of world economy and weak oil prices, likely to hold fresh capital investment and in turn steel consumption in the developing world. Graphite industry to see re-structuring in the near future, to correct the demand supply imbalance.

Thank You

Mr. Raju Rustogi – Chief Financial Officer
HEG Limited
Ph: +91 120 244 4541
Fax: +91 120 254 1575
Email: r.rustogi@lnjbhilwara.com