



PROUD TO BE INDIAN  
PRIVILEGED TO BE GLOBAL

HEG/SECTT/2018

11<sup>th</sup> May, 2018

1	<b>BSE Limited</b> 25 <sup>th</sup> Floor, P J Towers Dalal Street MUMBAI - 400 001. <b>Scrip Code : 509631</b>	2	<b>National Stock Exchange of India Limited</b> Exchange Plaza, 5th Floor Plot No.C/1, G Block, Bandra - Kurla Complex Bandra (E), MUMBAI - 400 051. <b>Scrip Code : HEG</b>
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**Sub: Investors presentation on the Audited Financial Results of the Company for the quarter & financial year ended 31<sup>st</sup> March, 2018.**

Dear Sir,

Please find enclosed a copy of Investors Presentation on the Audited financial results of the Company for the quarter & financial year ended 31<sup>st</sup> March, 2018 for your information and record please.

Thanking you,

Yours faithfully,  
For **HEG LIMITED**

VIVEK C

Signature of VIVEK C  
ISO 9001:2015 Certified  
BUREAU VERITAS  
Certification

**(VIVEK CHAUDHARY)**  
**COMPANY SECRETARY**

heg.investor@lnjbhilwara.com

Encl : as above

## HEG LIMITED

### Corporate Office :

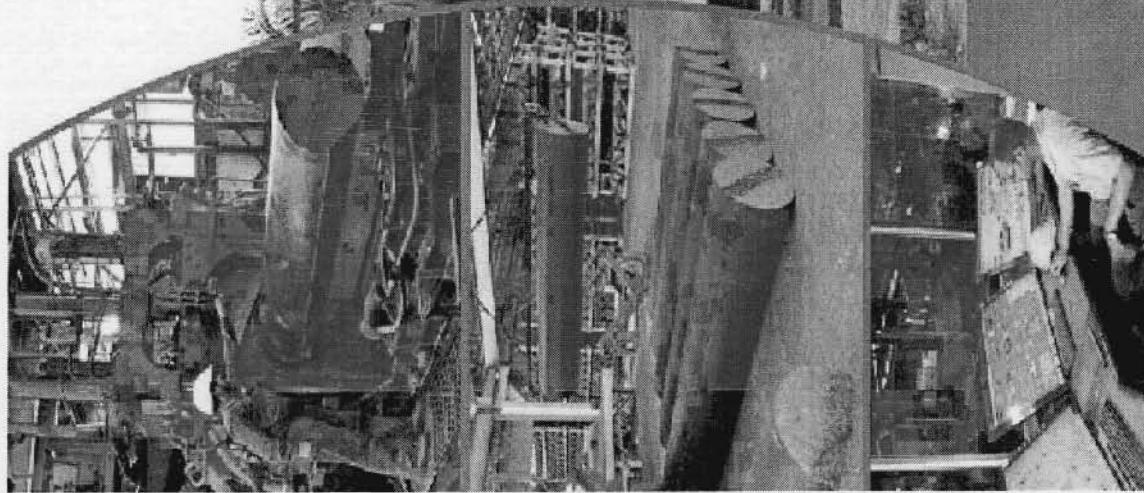
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Website : www.heg ltd.com

Corporate Identification No.: L23109MP1972PLC008290





## Q4 & FY18 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 70% 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

- ❖ World Steel Association (WSA), reported a growth of 4.1 % in world crude steel production to 425 million tons for Apr-Mar' 18 period.

Crude Steel Production	2015	2016	2017	Change 2017 vs.2016	Jan-Mar 2018	Change (Jan-Mar ) 2018 vs.2017	Growth Areas	% ↑	% of world pdn
World	1620	1606	1691	5.3%	425	4.1%	Middle East	24.4	2.2
China	803	787	832	5.7%	211	5.4%	Africa	9.1	0.9
World without China	817	819	859	4.9%	214	2.8%	Asia	4.6	68.8
							S. America	6.8	2.6
							N. America	1.9	6.9
							EU	0.9	10.1
							CIS	-4.4	5.6

**India produced 27 million mt crude steel posting a growth of 3.7% in Apr-Mar'18 over the same period in 2017**

## China's Steel Capacity 2017

- ❖ In 2017, highly polluting unaccounted induction furnace capacity totalling 155 million mt was closed in China
- ❖ Besides above they have committed to close down an additional 150 million mt of Blast furnace capacity over the period of 5 years at the rate of 30 million mt/pa between 2016-20
- ❖ Most of this is being replaced by new electric arc furnaces
- ❖ 105 new EAFs, with capacity of 66 million mt have been installed or commenced construction in China in 2017.
- ❖ China steel exports in 2017 dropped by about 30% from 108 million mt to 75 million mt y-o-y

## Growth in Electric Arc Furnace (EAF) Steel Production

- ❖ In Q1 2018, Steel exports from China further fell down to annualized 60 million tons
- ❖ As China's steel exports keep dropping, the Rest of the World Steel production keeps increasing where EAF accounts for 45% of Steel Production.
- ❖ EAF Steel production is expected to grow at a faster pace in China and World outside China compared to Basic Oxygen Furnaces (BOF).
- ❖ EAF Share in China to grow from 6% in 2016 to 20% in 2020 will result in an additional demand of appx. 275,000 mt of GE in China.
- ❖ Chinese scrap availability to increase at the CAGR of 4% for the next 20-25 years
- ❖ We believe the Graphite Electrode demand will further increase due to above factors

## Needle Coke Scenario

- ❖ Strong demand of GE continues but needle coke supply continues to be tight.
- ❖ All coke suppliers are now offering prices valid for one quarter only which is a departure from past practice where they used to give prices valid for one year
- ❖ Reasonably large part of needle coke continues to be used in Lithium Ion batteries, which has limited the production capabilities of all the electrodes producers around the world

# Financial Snapshot

*in Rs. Crore (except EPS)*

	Q4 FY18	Q3 FY18	Q4 FY17	FY18	FY17
Net Operating Income	1292.45	842.71	267.19	2758.40	896.02
EBITDA*	954.74	562.80	31.32	1733.94	87.86
EBITDA Margin	73.87%	66.79%	11.72%	62.86%	9.81%
EBIT	937.07	543.92	13.11	1661.39	13.94
EBIT Margin	72.50%	64.54%	4.91%	60.23%	1.56%
PAT	634.01	342.11	(3.42)	1081.34	(50.05)
PAT Margin	49.05%	40.60%	(1.28)%	39.20%	(5.59)%
EPS	158.66	85.62	(0.86)	270.61	(12.52)

\* EBITDA includes Other Income



## Segmental Performance – Graphite Electrodes

*in Rs. Crore*

	Q4 FY18	Q3 FY18	Q4 FY17	FY18	FY17
Net Sales	1288.10	831.29	258.81	2738.83	870.25
Export (% of sales)	79%	65%	62%	71%	60%
EBITDA Margin	74%	65%	2%	61%	(2)%
EBIT Margin	73%	63%	(4)%	59%	(9)%

- Capacity utilisation at around 84% during the Qtr. Order book healthy.
- Majority of 4<sup>th</sup> Qtr supplies were at quarterly contracted prices and the price trend remains positive.
- Both imported and domestic raw material and input prices have increased significantly due to increased demand.
- Employee benefit expense have increased with the provisioning of profit related commission payable to CMD as per his terms of appointment.

## Segmental Performance – Power

in Rs. Crore

	Q4 FY18	Q3 FY18	Q4 FY17	FY18	FY17
Net Sales	40.66	69.32	58.42	213.80	216.93
EBITDA Margin	11%	35%	48%	28%	35%
EBIT Margin	4%	30%	43%	23%	29%

- Tawa nagar hydro facility is rain dependant and hence did not operate in Q4, affecting both top line and bottomline adversely (vis a vis previous Qtr).
- Fuel supply agreement with SECL for one of our two power plants, have ended on 30<sup>th</sup> Apr 2018.
- Inadequate supplies from SECL during the year, forced us to re-negotiate contract terms with govt utility. Since revenue is booked based on corresponding reduced utility prices (termed as transfer price) , the adverse effect in this segment is equally compensated in the results of graphite electrode segment.

## Future Outlook

- ❖ Consolidation in Graphite Electrode Industry coupled with rising demand will help in improving capacity utilization going forward. However availability of both needle coke and also other coke continues to be a limiting factor for now.
- ❖ Production through EAF route is expected to be higher in China as well as in the rest of the world.
- ❖ The company has rewarded the shareholders with a healthy dividend of 800% during the year.
- ❖ The company is actively evaluating expansion possibilities both for graphite electrodes and also other carbon adjacencies.



# *Thank You*



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