



HEG/SECTT/2016

4<sup>th</sup> October, 2016

**BSE Limited**  
25<sup>th</sup> Floor, P J Towers  
Dalal Street  
MUMBAI - 400 001.  
Scrip Code : 509631

Dear Sir,

**Sub: Submission of Annual Report under Regulation 34 (1) of SEBI (LODR) Regulations, 2015.**

Please find attached duly approved and adopted Annual Report of the Company for the Financial Year 2015-16 as per the Regulation 34 (1) of SEBI (LODR) Regulations, 2015.

The Annual General Meeting of the Company was held on Wednesday, the 28<sup>th</sup> September, 2016.

We request you to kindly take note of the same.

Thanking You,

Yours faithfully,  
For **HEG LIMITED**

(Ashish Sabharwal)  
Company Secretary  
ashish.sabharwal@lnjbhilwara.com

#### HEG LIMITED

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Certification



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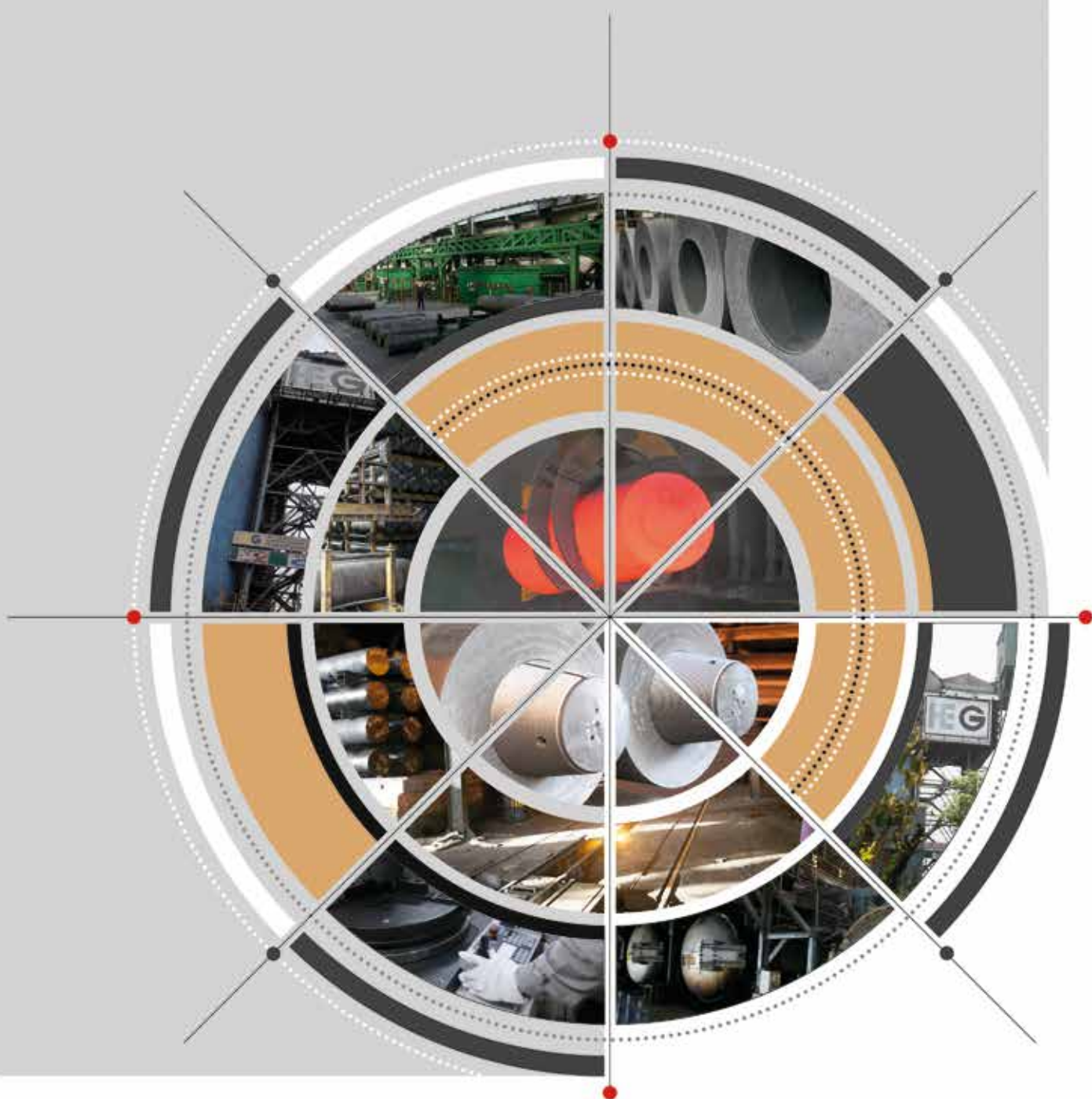


Corporate Identification No.: L23109MP1972PLC008290

# core strength



HEG Limited  
Annual Report 2015-16



828

Revenues, FY 2015-16  
(₹ crore)

129

EBIDTA, FY 2015-16  
(₹ crore)

182

Free cash flow generation,  
FY 2015-16 (₹ crore)

923

Networth as on  
March 31, 2016 (₹ crore)

559

Market capitalisation as on  
March 31, 2016 (₹ crore)

0.28

Debt-equity ratio as on  
March 31, 2016

231

Book value per share as on  
March 31, 2016 (₹)

4

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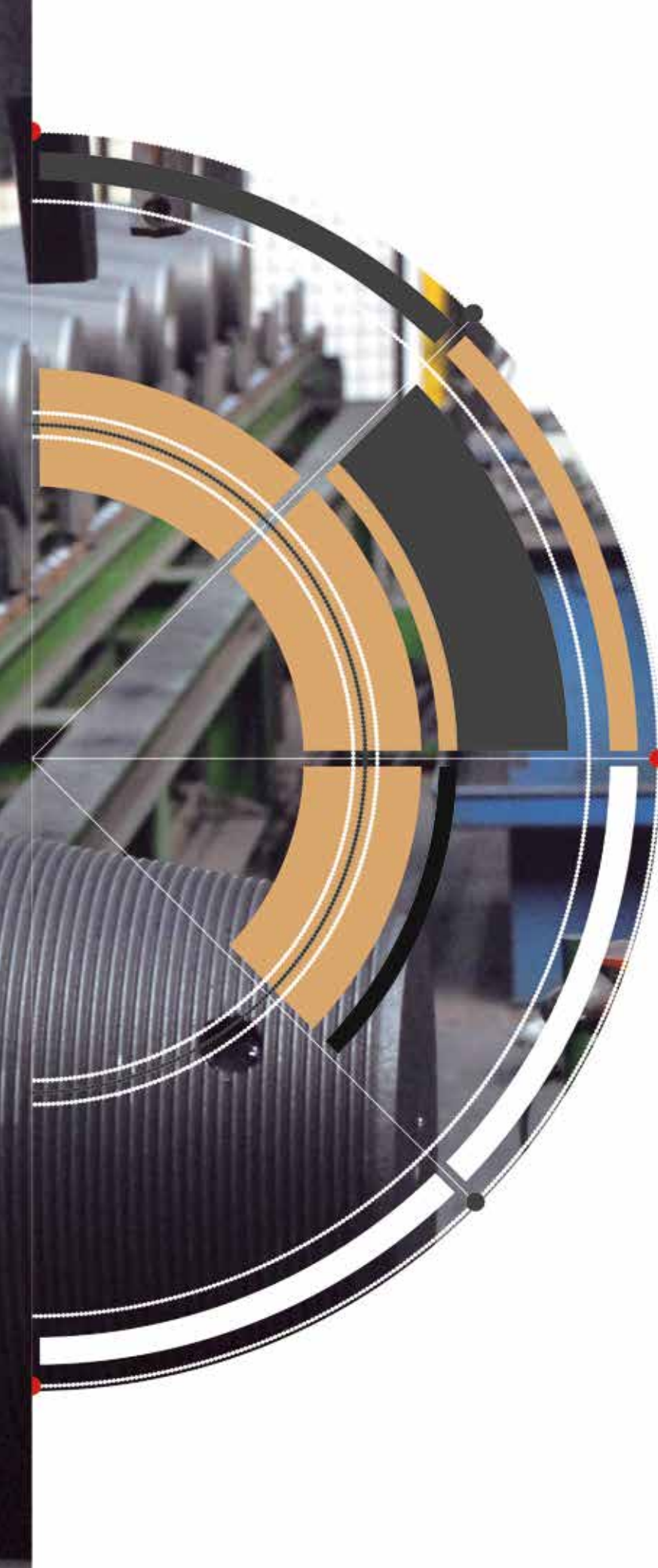
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Financial section





Fiscal 2015-16 was the most challenging in recent history for the global graphite electrodes industry.

The steel industry faced excessive capacity surplus, reduced steel demand coupled with an onslaught by Chinese steel exports.

The EAF based steel industry struggled to compete with BOF steel due to a drop in iron ore and coal prices vis-à-vis scrap prices. Making BOF steel more cost-competitive compared to EAF steel.

The above resulted in reduced graphite electrode demand globally with all major global graphite electrode leaders reporting sizable losses.

HEG reported a relatively marginal loss emphasising its position as a competitive graphite electrode manufacturers in the world.



# Being one of the leaders in the Industry is never enough... ...for there is always something more to be achieved.

IT WOULD HAVE BEEN EASY TO DISMISS A DISHEARTENED PERFORMANCE TO DEPRESSED EXTERNAL CONDITIONS.

At HEG, we selected to strengthen our operations through diverse initiatives instead.

**Streamlined** operations to reduce wastages by about 50% of our earlier benchmark.

**Invested** in operational automation; procured productivity-enhancing equipment; invested in intellectual capital to enhance man-machine productivity.

**Introduced** the coveted machining chain technology in India and enhanced customer delight.

**Maintained** adequate connecting pin inventory (a time-consuming

operation) leading to customised output and timely delivery.

**Generated** free cash flow of ₹182 crore, which helped in reducing equivalent debt during the year.

**Mobilised** lower-cost commercial paper over conventional alternatives to address short-term fund requirements.

**Addressed** new geographies and customers.

**Initiated** developing graphite products (referred to as specialities) with applications in diverse sectors (chemicals, urban infrastructure and heat exchangers).

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The result is that we are more future-ready than ever before and we de-risked our business from an excessive dependence on any one product.

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# HEG Limited.

With a passion to 'Go beyond'

With the determination to 'Challenge the odds'

With a resolve that 'Yes, we can!'

## Vision

A VIBRANT GLOBALLY-ACKNOWLEDGED TOP LEAGUE PLAYER IN GRAPHITE ELECTRODES AND ALLIED BUSINESS WITH COMMITMENT TO GROWTH, INNOVATION, QUALITY AND CUSTOMER FOCUS.

## Mission

TO BECOME A LEADING INTERNATIONAL PLAYER IN GRAPHITE ELECTRODES AND ALLIED BUSINESS BY LEVERAGING OUR CORE COMPETENCE AND THEREBY ENHANCING VALUE TO OUR CUSTOMERS, SHAREHOLDERS, EMPLOYEES AND SOCIETY.

## Snapshot

HEG LIMITED IS INDIA'S LEADING GRAPHITE ELECTRODE MANUFACTURER.

With the capacity of 80,000 MT per annum, it is the largest single-location Graphite Electrode plant. The facility at Mandideep (Madhya Pradesh) is certified as a ISO 9001:2008, ISO 14001:2015 and OHSAS 18000:2007.

The Company has three captive power generating facilities to address its entire power requirement.

The Company enjoys a global marketing presence in more than 30 countries.

The Company's shares are listed on BSE Limited and National Stock Exchange of India Limited.





### Key customers



### OPERATIONAL INFORMATION

Graphite electrode capacity: 80,000 tonnes per annum

Power generating capacity: 76.5 MW

Team: 1,000+ members

Client base: 100+ customers globally

### SHAREHOLDER INFORMATION

Face value per share: ₹10

Market capitalisation: ₹559 crore

Net worth: ₹923 crore

Promoters' holding: 58.79%

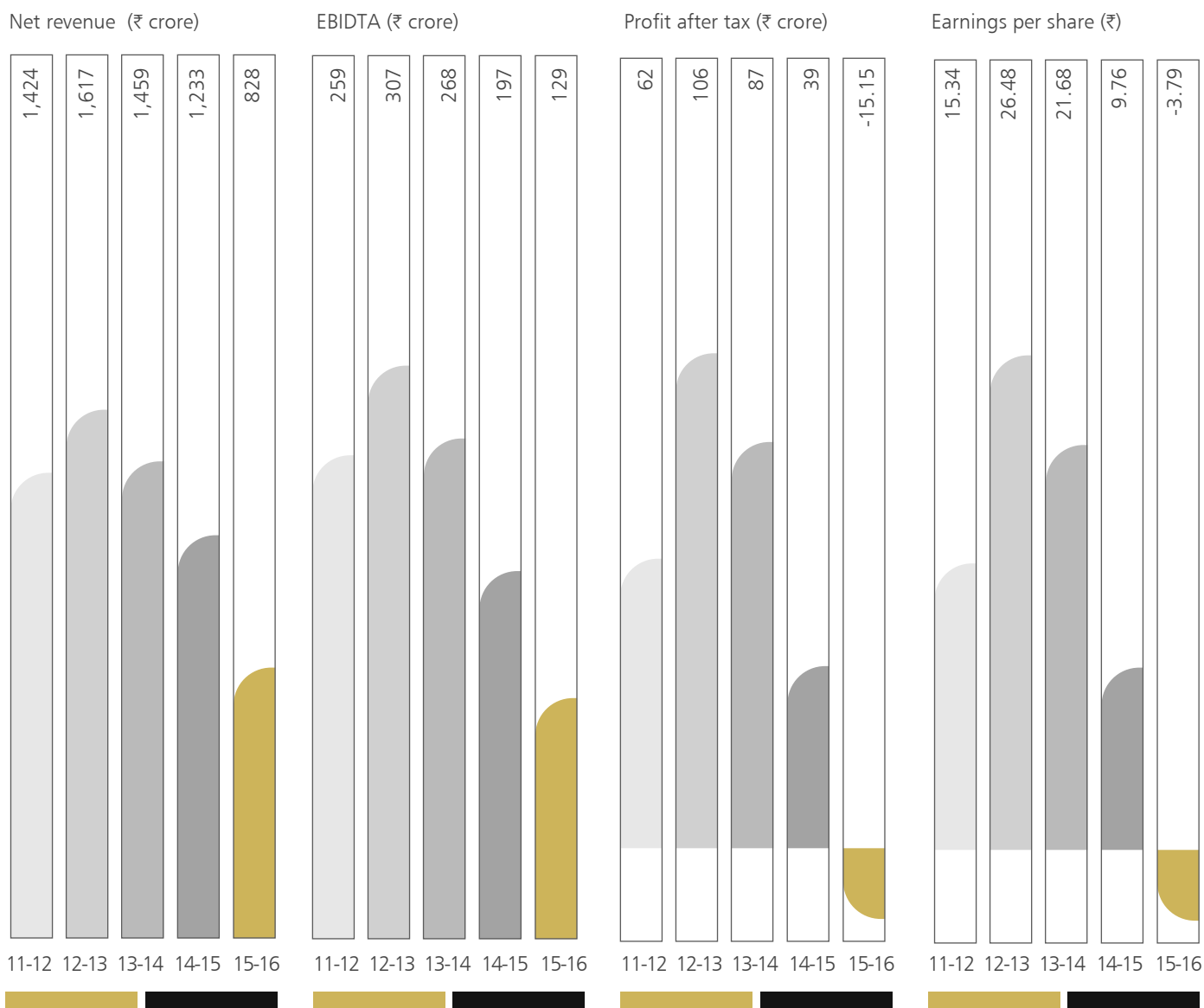
BSE code: 509631

NSE code: HEG

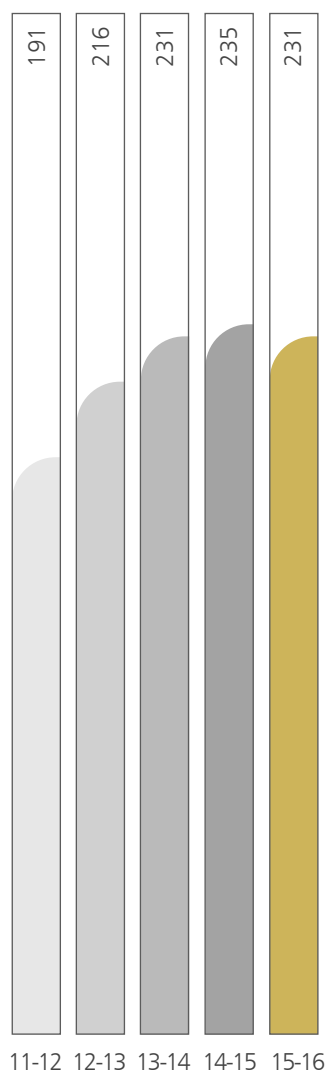


# Maybe down now.

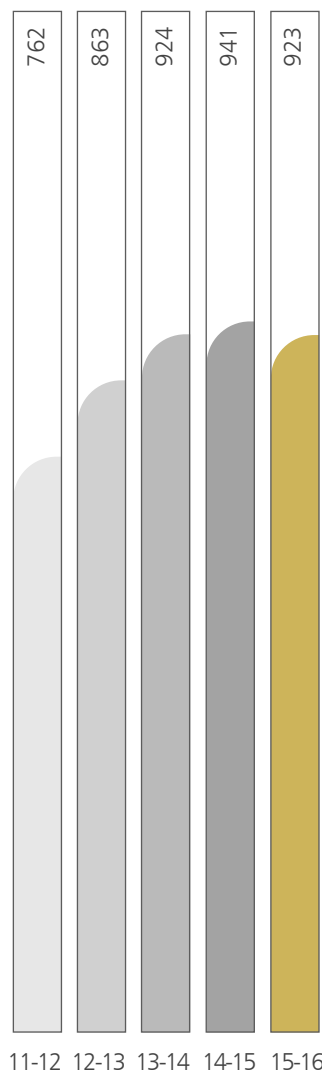
But will be the fastest to rebound!



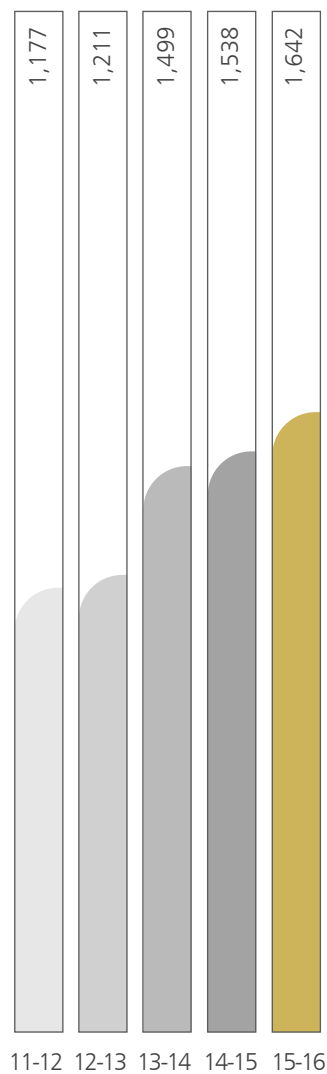
Book value per share (₹)



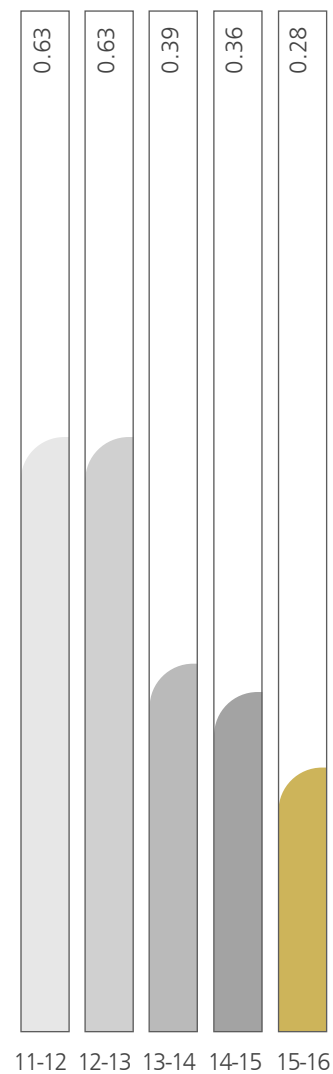
Net worth (₹ crore)



Gross block (₹ crore)



Debt-equity ratio





From the Chairman's desk

## The art of survival...

and how we lived to tell the story.

*Dear Shareholders,*

For the graphite electrode industry, 2015-16 was the most challenging in history.

However, the financial year under review was the most enriching for us.

When the customer turned hesitant, we learnt what it means to find new ones.

When sectors turned sluggish, we created new products to address others.

When prices nosedived, we pruned costs to maintain viability.

The result is that, in a year when most global graphite electrode manufacturers encountered substantial losses leading to closure, we remained steadfast despite reporting marginal losses.

This vindicates our long-term positioning to emerge as the last man standing in our space the world over.

### Subdued business environment

**Steel sector:** Global crude steel production for 2015 declined by 2.8% (Source: World Steel Association). Players across the world registered negative growth; in



China, steel production actually declined by 2.3% – for probably the first time ever.

Since China temporarily had more steel than it required, the country exported about 112 million tonnes in 2015 (compared with India's steel production of 89 million tonnes during this period), affecting prospects of steel companies worldwide.

The result was that a number of global steel plants were compelled to cease their melting operations and buy Chinese billets instead. Besides, the steep decline in oil prices forced oil-producing nations to slash their infrastructure budgets, affecting steel demand.

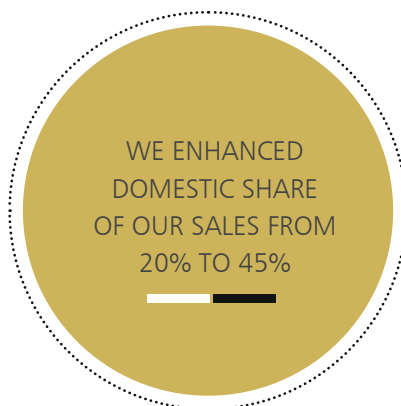
**Electric arc furnace sector:** The year 2015 was one when the demand and price of virtually all commodities – oil, iron ore, coke, steel, copper and aluminium, among others – took a beating following a slowdown in China. Commodity prices declined by 25-45%; while iron ore prices (a key input in blast furnaces) collapsed from US\$135 in January 2014 to about US\$45, scrap (key input in electric arc furnaces) declined from US\$285 to about US\$220. The result was that the blast furnace sector was placed advantageously; shutting electric arc furnaces proved simpler and relatively more cost-effective than shutting blast furnaces. This became evident in the numbers: as global steel volumes declined by 2.8%, steel production through electric arc furnaces declined by more than 8%, affecting graphite electrode manufacturers like us.

**Graphite electrodes sector:** The steep reduction in EAF steel production affected the demand and prices of graphite electrodes. In the past two years, graphite

electrode manufacturing capacities reduced by about 200,000 MT. Despite these capacity closures the current capacity utilisation of the electrodes industry is still close to 70% showing continued pressure.

### Our decisive response

The challenging global environment affected our exports, with only about 55% of our production being exported. To protect our market position and



competitiveness, we enhanced the domestic share of our sales from 20% to 45% (Indian steel production increased by 2.6% in 2015). To counter volume erosion, we added international customers in existing and new geographies.

Besides, we scaled our power business, strengthened plant availability, procured cheaper coal and reduced in-house consumption (with the objective to increase merchant sales), thereby strengthening our profitability.

### Going forward

**Market dynamics:** Globally, the steel industry recovery will be delayed even as global prices of iron ore and steel

have improved marginally. The electric arc furnace space will take even longer to recover, considering the large gap between iron ore and scrap prices. The Chinese government has stated to close 150 million MT excess steel capacity by 2020. But how much of it will actually materialise remains to be seen.

Against this background, graphite electrode capacities are expected to continue languishing.

Since 2013, mainly 55,000 MT capacity closed in North America, 30,000 MT in Brazil, 30,000 MT in South Africa, 55,000 MT in Europe and 20,000 MT in Japan.

We expect this trend to sustain through 2016, marked by closures / consolidations, resulting in correcting demand-supply situation.

**Our strategy:** HEG Limited is among the lowest-cost producers of graphite electrodes in the world. Our 2016 objective is to tighten operations, strengthen processes, enhance productivity and address untapped opportunities to maximise revenues and margins. We are diversifying into a synergic vertical – specialties – for which successful product trials could lead to a growing market share in 2-3 years.

### Message to shareholders

I must caution shareholders that 2016-17 will be even more challenging. Nevertheless, I must assure them that we will see these challenges through and rebound to attractive profitability at the first sign of a sectoral improvement.

Warm regards

**Ravi Jhunjhunwala**  
A fellow shareholder

# Competitive advantages

## Operational excellence

- About 4 decades of sectoral experience
- One of the lowest-cost global producer of graphite electrodes globally
- Largest operating capacity under one roof
- Captive power generation facilities; providing cost competitive reliable power.

## Marketing reach

- Strong domestic presence
- Globally-pervasive presence across 30+ countries
- More than 50% of the customers have been associated with the Company for more than five years
- Enduring relationship with top-20 global steel manufacturers

## Financial stability

- Attractive gearing of 0.80 as on March 31, 2016
- Replacement gross block valued at ₹962 crore
- Generated free cash flow of ₹182 crore

## De-risked model

- Power sales providing supplementary revenues
- Distinctive presence in the ₹400 crore high-margin speciality graphite space





- ENDURING RELATIONSHIP WITH TOP 20 GLOBAL STEEL MANUFACTURERS
- DISTINCTIVE PRESENCE IN THE ₹400 CRORE HIGH-MARGIN SPECIALITY GRAPHITE SPACE





# Management discussion and analysis

## GLOBAL ECONOMIC OVERVIEW

Global growth again fell short of expectations in 2015, decelerating to 2.4% from 2.6% in 2014. A further deceleration of activity in key emerging and developing economies overshadowed a modest recovery in major high-income countries in 2015. This deceleration was accompanied by further declines in commodity prices, subdued global trade, bouts of financial market volatility, and weakening capital flows.

In developing countries, growth in 2015 was estimated at a post-crisis low of 4.3%, down from 4.9% in 2014. The economic rebalancing in China is continuing and accompanied by slowing growth. Brazil and Russia

have been going through severe adjustments in the face of external and domestic challenges. On average, activity in emerging and developing commodity exporters stagnated in 2015, as they continued to be hard hit by declining commodity prices. As a result, the contribution to global growth from these economies has declined substantially.

Worsening prospects for developing countries have coincided with a sharp slowdown in global trade, a rise in financial market volatility, and a substantial decrease in capital inflows. In anticipation of tighter American monetary policies, currency pressures have intensified and borrowing costs have increased, particularly for a number of commodity exporters. Significant nominal currency

depreciations against the US dollar are straining balance sheets in countries with elevated dollar-denominated liabilities.

In contrast to developing countries, the recovery in major high-income countries gained traction in 2015 and has been increasingly driven by stronger domestic demand as labour markets healed and credit conditions improved.

Going forward, global growth should pick up, albeit at an appreciably slower pace than previously projected, reaching 2.9% in 2016 and 3.1% in 2017-18. Global inflation is expected to increase moderately in 2016 as commodity prices level off, but will remain low by historical standards. A modest upturn in global activity

in 2016 and beyond is predicated on a continued recovery in major high-income countries, a gradual slowdown and rebalancing in China, a stabilisation of commodity prices, and an increase in global interest rates that is gradual and stays well contained. All of these projections, however, are subject to substantial downside risks (*Source: Global Economic Prospects Spillovers amid Weak Growth, A World Bank Group Flagship Report*).

## INDIAN ECONOMIC OVERVIEW

India's economy expanded at a faster pace in 2015-16 despite a slowdown in GDP expansion in the third quarter of the fiscal under review. India's GDP

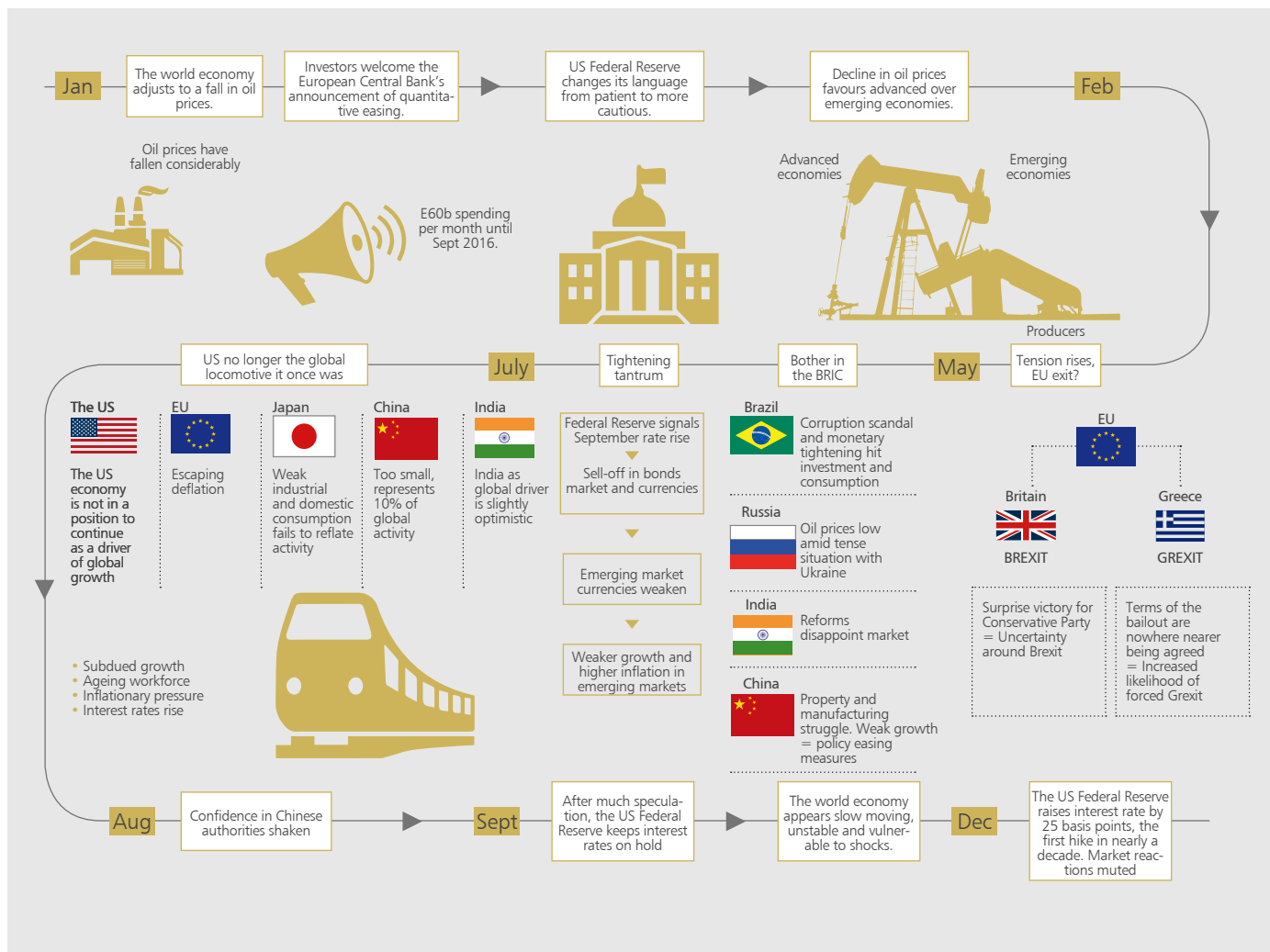
growth stood at 7.6% in 2015-16 against 7.2% in 2014-15 – this jump was primarily catalysed by a sharp rise in manufacturing sector (9.5% growth in 2015-16 against 5.5% in 2014-15).

The superior performance of the manufacturing sector was due to a significant fall in inputs costs following the collapse of global commodity prices. India's economy recovery was also facilitated by other factors namely a large terms of trade gain (about 2.5% of the GDP), positive policy actions, and reduced external vulnerabilities.

RBI policies helped contain demand pressures created a buffer against external shocks and kept a check on the volatility of the rupee and inflation.

According to the Economic Survey 2015-16, inflation measured by the CPI, which averaged 6.5% in 2014-15 could decline to 5.0-5.5% in 2015-16. The slide in global oil prices since late 2014 boosted economic activity in India and underpinned a further improvement in the current account and fiscal positions.

Looking ahead, the Economic Survey 2015-16 has projected GDP growth of 7-7.75% in 2016-17. According to the IMF, India continues to be the bright spot in an otherwise slowing global economy. It forecasts India's GDP growth at 7.5% in FY2016-17 supported by stronger domestic demand (*Source: Economic Review, 2015-16*).



## INDUSTRY OVERVIEW

### Global perspective

According to the World Steel Association, global steel production in 2015 was estimated at 1,623 million tonnes, indicating a decrease of 2.8% over 2014. World steel production (barring China) declined by 3.4% in 2015. Chinese steel production too dropped for the first time in decades by 2.3% to 804 million tonnes. Regions across the world registered a year-on-year de-growth, case in point: North America (8.6%), South America (2.5%), the European Union (1.8%), Middle East (0.5%) and Asia (2.3%). While almost all major steel producing countries registered a decline in steel production, India was the only country in the top-10 to have registered a positive growth of 2.6%.

International data from different sources indicate that there is an excess capacity estimated at ~500 million tonnes, equivalent to almost 25% of the global capacity. The rapid growth in Chinese export of steel is impacting production in rest of the steel-producing countries and putting tremendous pressure on steel companies. Case in point: Chinese steel exports touched a record 112.4 million metric tonnes in 2015 vis-à-vis 94 million metric tonnes in CY2014, disrupting global steel prices. The prices of commodities like crude oil, iron ore, natural gas and HRC fell by 41-49% in 2015. The devaluation of the yuan led to the acceleration in steel exports from the country amid waning demand at home.

### Outlook

Beleaguered by challenges like falling prices, economic slowdown, dumping of excess Chinese stock, and acute levels of debt, the global steel industry remained stuck in a rut. In this background, the World Steel Association has forecasted a demand growth of 0.4% during 2016. China announced the shutdown of 100-150 million tonnes of steel manufacturing capacities by 2020. However, it's probably an instance of too little too late.

### India's performance and prospects

India continues to hold onto its position as the third largest steel making nation in the world. During the fiscal gone by, India's steel imports rose by 20.2% to 11.21 million tonnes, while steel consumption grew by 4.3%. As most of the incremental demand was met through cheaper imports, India's production stood at 89.3 million tonnes.

Unsupportive pricing policies and excessive imports have put at risk billions worth of loans raised by the domestic steel companies for capacity expansion at risk. This in turn will impact the financial health of some of the largest banks in India. The steel sector is a major contributor to the bad loan woes of the public sector banks who are already burdened with gross NPAs of around ₹3 lac crore.

In a bid to arrest rising imports, India imposed a provisional safeguard duty of 20% on certain imported steel products in September 2015 for 200 days. In March 2016, the safeguard duty was further extended up to March 2018. The Central Government has also imposed the MIP condition on imports of 173 steel items. This notification covers all major flat and long steel products. It is believed that the cumulative impact of these two recent and other upcoming policy measures would lead to reduction in imports in short to medium term.

The Indian steel industry is betting big on rising domestic demand during the financial year as it tries to counter the threat posed by falling prices and increasing imports. Analysts predict an even tougher 2016 for the industry worldwide but expect India to remain more profitable than its Asian peers helped by higher domestic economic growth and rising demand supported by favourable policy measures.

## GRAPHITE ELECTRODE SPACE

### Overview

The graphite electrodes market is passing through its toughest phase ever. In 2013 the global capacity was estimated at about 1.1 million tonnes, comprising of about 800,000 tonnes of UHP grade graphite electrodes and the rest of non-UHP grade, mainly produced by Chinese manufacturers. In the last two years, falling electrode demand has seen the closure of about 200,000 metric tonnes of high-cost, non-competitive UHP capacities in the European Union, the US and Japan.

### Performance in 2015

2015 was a challenging year for the graphite electrode market with demand remaining subdued due to a contraction in the EAF steel sector. Three leading graphite electrodes producers saw major capacity closures with one of them now having their electrode business into a separate legal entity to evaluate other strategic options. Among raw material, needle coke accounted for the single largest direct cost in the manufacture of graphite electrodes. Needle coke prices have been declining since 2013 through 2015 due to widening gap between demand and supply resulting from reduced production levels of electrodes. HEG increased domestic sales volumes by 53% facilitated by imposition of anti-dumping duty on Chinese imports, appreciating US dollar and steady electrode demand.

### Outlook, 2016-17

Prices will continue to remain under pressure due to subdued demand for electrodes. Capacity utilisation for 2016 is expected to stay at similar levels. Chinese blast furnace steel production is more cost-competitive compared to EAF steel due to a steeper fall in iron ore prices compared to scrap. Increase in steel exports from China is reducing the demand for graphite electrodes and putting pressure on electrodes prices.





HEG INCREASED DOMESTIC  
SALES VOLUMES BY 53%  
FACILITATED BY IMPOSITION  
OF ANTI-DUMPING DUTY  
ON CHINESE IMPORTS,  
APPRECIATING US DOLLAR  
AND STEADY ELECTRODE  
DEMAND.



## SEGMENTAL OVERVIEW

### GRAPHITE ELECTRODES

The graphite electrodes industry is going through a challenging period as its fortunes are intimately intertwined with that of the steel industry. Electrode industry thus is suffering from reduced demand, declining prices and erosion of margins. The Company, by reformulating its operational management discipline and undertaking several cost-cutting measures was able to reduce the impact of declining margins.

#### Competitive Advantages

- The Company operates the largest single location graphite electrode facility in the world.
- The Company is India's largest graphite electrode exporter with a presence in 30+ countries.
- The Company's revenues are driven by enduring relationships with leading global steel producers.
- The Company's captive power generation capability enables cost effective power generation throughout the year.

#### Input Costs

Crude oil prices which started its downward descent towards end-2014 hit bottom towards the end of CY 2015. As envisaged, this had favourable impact on input prices including raw material and fuel and helped the Company rein in costs. As far as coal linkages in India were concerned, the situation improved significantly during the year and is expected to remain so in the coming year as well.

#### Initiatives, 2015-16

Reduced capacity utilisation as a result of reduced demand, provided the time and space to the management to figure out ways and means to efficiently utilise the capacities at its disposal. New recipes for both electrodes and nipples were introduced for better quality. A keen emphasis was laid on optimising costs across all operational and commercial areas. The Company's effort to match reduced levels of capacity utilisation with corresponding reduction in working capital paid off. With the electrode demand and prices remaining under

pressure, measures like these would allow HEG to mitigate on operating margins.

#### Outlook, 2016-17

Despite the bleak global environment, the Company is hopeful of building a healthier order book. Pricing for graphite electrodes will remain under pressure, though there is hope for some respite due to the softening of needle coke prices. A reduction in working capital, cost reduction and reduced debt has strengthened the Company during the by gone fiscal and will lend it a first-mover's benefit when the tide turns.

### POWER GENERATION

#### Overview

The power generation business continues to bear the brunt of demand slowdown. Consequently, the Company has channelised the bulk of the power generated towards captive usage. Hydroelectric power generation has also lowered due to insufficient precipitation. The forecast of monsoon for 2016 is expected to be above normal.

#### Initiatives, 2015-16

HEG's thermal plant continued to operate at significantly reduced levels during the year. The Company continued to optimise coal consumption and usage of power. However, on the flip side, the Company will be impacted by completion of the exemption period of duties on captive generation in future. HEG registered significant improvements across all operating areas and performance parameters. Lowered fuel costs and increased usage of low-cost hydro power will add strength to this segment's margins. Employee costs are also being reined in.

#### Outlook, 2016-17

Efforts are on towards optimal utilisation of available power generation facilities which are linked to the production of graphite electrodes. Hydro-generation is also expected to be higher with more-than-average rainfall being forecasted in the country during the forthcoming year. This coupled with government initiative of rationalising tariff will ease down cost of transmitting power to the point of use.







## DRIVERS OF EXCELLENCE

### 1. QUALITY ASSURANCE

Having made a name for itself on the back of its qualitative consistency, HEG is now undertaking decisive measures to extend the technical expertise to super-sized electrodes. The Company is trying to foray into newer segments by fabricating high-quality, customised speciality products. The Company has tasted some early success on these newer application products and is in the process of enhancing its market spread.

The Company's focus on continual training has borne fruit. In-process checks and balances have improved delivery rates and Critical processes strengthened with marked improvement in delivery to customers. TQM principles have been inculcated across-the-table and have had a positive bearing on all operational, safety and environmental parameters. Reduced energy consumption has shaved off operational costs and contributed towards improved carbon footprint.

### 2. RESEARCH AND DEVELOPMENT

The R&D centre at HEG aims to improve the competitiveness of the Company by conducting regular trials. The introduction of a modified recipe has led to significant improvements. The Company has been able to further improve key technical parameters including flexural strength and coefficient of thermal expansion.

HEG has also taken rapid strides towards the development of advanced carbon materials. Large-area porous conducting carbon papers have been fabricated, in line with the specifications pertaining to the gas diffusion layers used in fuel cells. Significant progress has also been made towards minimising the corrosiveness and poisonous nature of the material. This will allow the Company to make its presence felt in the water treatment applications space which is currently flooded with impervious products. HEG's environment-friendliness was further underscored via the usage of regenerative carbon feedstocks.

### 3. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

With each passing year, the management is faced with newer challenges making it

imperative to adopt newer and innovative strategies for maintaining profitability. The Company's HR team looks into four key areas: attract, develop, engage, and inspire talent.

- Attract the best talent available in the industry.
- Develop talent by entrusting of roles / responsibilities and honing skills.
- Engage talent by improving standards and inculcating problem-solving techniques, and
- Inspire talent by embracing the vision and mission of the Company.

The Company's 1,051-member team, combined youthful energy with in depth experience.

### Training and development

In 2015-16, need-based training and skill development exercises were held for the benefit of the employees of the Company. Adhering to the comprehensive talent management programme – the Company provided the necessary platform to every employee for skill development through in-house and external training drills. Career progression of employees was ensured through a transparent performance management system which aims to fill gaps, hone skills and improve communication.

An engaged employee is not only more productive but his goals are more aligned with the organisational vision. Employee engagement is deeply embedded in our organisation's DNA where the focus has always been laid on bringing out the best out of employees – from the shopfloor to the top floor. Quality circle drives, group activities, suggestion schemes are held regularly. Periodic employee engagement surveys are followed by the formulation of corrective plans and their efficacy is closely monitored through sustained feedback generation.

Employees are kept abreast of changing business realities and emerging organisational challenges so that the same can be addressed in unison. Industrial relations remained cordial throughout the year.

## OPPORTUNITIES AND THREATS

As mentioned above the performance of graphite electrode sector is heavily dependent on the rate of the growth of the steel industry and more particularly, EAF steelmaking.

### OPPORTUNITIES

The imposition of anti-dumping duty on the import of graphite electrodes from China, effective February 13, 2015, has helped HEG increase domestic sales. Many countries around the world have imposed similar duties on Chinese imports. This is putting pressure on the Chinese Government to shut down excess steel capacity and thus correct the demand-supply skew to some extent.

Over the long-term this would mean reduction in Chinese steel exports thus improving the prospects of local steel industries worldwide which are currently suffering the onslaught of the cheap Chinese steel. Over the long-term, recovery in the EAF steel vertical is expected to be better than that in the BOF steel vertical.

The Indian steel industry breathed a sigh of relief due to the imposition of a safeguard duty and minimum import prices on Chinese products by the Government of India. It is expected to foster stable growth in domestic production of steel over the long-term and in turn Graphite electrodes industry.

### THREATS

The slowdown in Chinese economy has resulted in drop in domestic steel consumption and increase in Chinese steel exports across the globe, resulting in reduced electric arc furnace (EAF) production leading to reduction in electrode demand. Steep fall in international prices of iron ore as compared to scrap has made blast furnaces more cost-competitive vis a vis EAF. This trend, if persists, would further impact volume and prices over the short to medium term. How successful



China would be in shutting down excess capacity is something only time will tell.

### INTERNAL CONTROLS

The Company has a sound system of internal controls in place to ensure the achievement of goals, evaluation of risks and reliable financial and operational reporting. This efficient internal control procedure is driven by a robust system of checks and balances that ensures safeguarding of assets, compliance with all regulatory norms and procedural and systemic improvements on a periodic basis. The Company uses an ERP (Enterprise Resource Planning) package supported by in-built controls. This guarantees well-timed financial reporting. The audit system periodically reviews the control mechanism and legal, regulatory and environmental compliances. The internal audit team also checks the effectiveness of internal controls and initiates necessary changes arising out of inadequacies, if any. All financial and audit controls are also reviewed by the Audit Committee of the Board of Directors.

### FINANCIAL PERFORMANCE

Net sales decreased by 33.17% from ₹1227.18 crore in 2014-15 to ₹820.14 crore in 2015-16 and EBITDA declined from ₹196.80 crore to ₹128.62 crore during the corresponding period.

The Company focused on improving operating and cost parameters to counter the impact of fall in prices. The Company had a net loss of ₹15.15 crore in financial year 2015-16 as compared to net profit of ₹39.00 crore in financial year 2014-15 and there was a corresponding decrease in EPS from ₹9.76 to ₹3.79.

The extreme mismatch between demand and supply during the last couple of years has forced global players to shut down some of their high-cost facilities. We expect more sectoral restructuring in graphite electrodes space. In this backdrop, HEG's proven capability to remain as the one of the lowest-cost producer of graphite electrodes will allow it to sustain itself during these challenging times. In view of improved operating efficiencies and lower commodity cycle, the cost outlook appears encouraging over the short to medium-term.



# Risk management

Irrespective of bullish and bearish markets, every corporate is always under the threat of unforeseen contingencies. At HEG, we recognise the impact of industry uncertainties and their outcomes. We leverage our deep knowledge to engage in counter-measures that strengthen viability across verticals, products, geographies and market cycles.

## Economic risk

An economic slowdown could adversely impact the demand for steel and hence offtake of graphite electrodes

**Risk mitigation:** Economists suggest that the worst is over for global and Indian economies. The US is expected to report growth in 2016 however Europe will continue to witness negative economic growth. In India, a dynamic Central Government is taking a host of decisive steps to improve sectoral prospects. It is expected that majority of the steel capacity addition, especially in the China, the US and the Middle East, would be through the EAF route, catalysing the demand for graphite electrodes.

## Overcapacity risk

Sizeable overcapacity in the global graphite electrode sector could have significant impact on business viability over the medium-term.

**Risk mitigation:** A slow down in the global steel sector since 2014 adversely impacted the fortunes of global graphite electrode manufacturers, consequently leading to capacity closures. More restructuring is already on the cards, which will eventually balance the demand supply gap and strengthen graphite electrode prices. Moreover, signs of further softening of needle coke prices (key raw material for graphite electrodes) could facilitate in sustaining, if not expanding, margins.

## Geographic risk

An over dependence on a single geography could adversely impact the Company's growth prospects.

**Risk mitigation:** HEG enjoys an active presence in more than 30+ countries and healthy relationships with the top-20 global steel manufacturers. The Company's superior value proposition and customer service has helped it carve a sizeable share of the market. The Company's order book position in the domestic market has improved and the growth is expected to continue, keeping in view higher GDP growth projection of 7.5% in 2016 and also imposition of anti-dumping duty on Chinese imports, into India.

## Foreign currency risk

Adverse foreign currency movement could considerably impact business profitability

**Risk mitigation:** About 55% of HEG's revenues are derived from exports. The impact of a strengthening rupee on export realisations are expected to be partly neutralised by raw material (needle coke) imports, repayment commitments towards long-term ECBs, foreign currency denominated working capital borrowings and selective use of hedging tools.

## Funding risk

Inability to garner adequate low-cost funding could impede day-to-day business operations.

**Risk mitigation:** The graphite electrode business warrants timely working capital infusion. Since the last couple of years, the Company has institutionalised a stringent inventory and debtor management protocol, which on an overall basis has sustained the working capital cycle in times affected by weak demand and when all the industry players are focused on improving volumes, offering soft payment terms.



## Responsibly social. Socially responsible.

At HEG, corporate social responsibility represents an integral part of the business and extends beyond statutory obligations. HEG's efforts are primarily mediated towards improving the quality of life of the people living in and around its facilities. HEG has been conducting these activities directly and through a dedicated trust – LNJ Bhilwara HEG Lok Nyas. The key areas of focus include healthcare, education, community development and environmental conservation.

### HEALTHCARE

- Provided medical consultation to general public at the OPD centre in Mandideep and Tawanagar and distributed free medicines among BPL-category patients.
- Conducted medical health camps and distributed medicines in villages and to economically weaker sections, in collaboration with Sewa Bharati, Bhopal.
- Provided clean drinking water at Mandideep and nearby areas by installing water coolers with reverse osmosis filters in public places like bus stops and temples.
- Conducted vaccination and artificial insemination camps for cows and buffaloes in 12 villages in collaboration with Shanti Gram Sansthan.

### COMMUNITY DEVELOPMENT

- Provided computers, stitching and interlocking machines to the Swarojgar Training Centre for women run by the Bhojpuri Samaj Sewa Samiti, Mandideep
- Provided potable water at Ekant Park, Bhopal

### EDUCATION

- Contributed to local literacy requirement, the school decided to run two shifts for serving more than 1250 students during the academic year.

- Established a new building to accommodate the additional students.
- Subsidised school fees for more than 200 BPL-category students.
- Renovated labs, libraries and equipped them with modern facilities.
- Got the school affiliated with the CBSE board.

- Started Computer centre at Tawa Nagar to provide basic computer education to disadvantaged students and completed two batches.
- Provided hostel fees, as well as books and uniforms to few hearing-impaired students at the Asha Niketan School for Deaf and Dumb, Bhopal.

### ENVIRONMENTAL CONSERVATION

- Conducted an afforestation drive at Tawa Nagar along the NH#12 near Mandideep to combat air pollution.

# Directors' Report

*Dear members*

Your Directors have the pleasure of presenting their 44<sup>th</sup> Annual Report and audited statements of accounts for the year ended 31<sup>st</sup> March, 2016.

(₹ in crore)

1. (i) FINANCIAL RESULTS	2015-16	2014-15
Net sales	820.14	1,227.18
Other operating income	7.40	5.89
<b>Total income from operations (Net)</b>	<b>827.54</b>	<b>1,233.07</b>
Other income	4.17	15.16
<b>Total income</b>	<b>831.71</b>	<b>1,248.23</b>
<b>Profit/(Loss) before finance cost, depreciation and amortisation</b>	<b>128.62</b>	<b>196.80</b>
Finance cost	59.94	77.13
Profit before depreciation and amortisation	68.68	119.67
Depreciation and amortisation	79.22	75.36
<b>Profit/(Loss) before tax</b>	<b>(10.54)</b>	<b>44.32</b>
Provision for taxation:-		
Current year	1.81	5.32
Income tax for earlier years	2.80	-
<b>Net profit/(loss) for the period</b>	<b>(15.15)</b>	<b>39.00</b>
EPS (Basic) ₹	(3.79)	9.76
<b>(ii) Appropriations</b>		
Amount available for appropriation	421.43	457.80
Dividend :		
a) On Equity Shares		
Proposed dividend	-	11.99
b) Dividend distribution tax		
On proposed dividend	-	2.40
Transfer to:		
General reserve	-	3.90
Balance carried forward	421.43	439.52

## 2. OVERALL PERFORMANCE

The Company recorded net sales of ₹820.14 crore during the financial year 2015-16 as compared to ₹1227.18 crore in the previous financial year. The net loss during the financial year 2015-16 was at ₹15.15 crore as compared to a net profit of ₹39.00 crore in financial year 2014-15 translating to basic earning per share at ₹(3.79) for the financial year 2015-16 as against ₹9.76 in financial year 2014-15.

## 3. STATE OF COMPANY'S AFFAIRS

The analytical review of the Company's performance and its businesses, including initiatives in the areas of Human Resources and Corporate Social Responsibility have been presented in the section of Management Discussion and Analysis of this Annual Report.

### Graphite Electrodes

Significant reduction in EAF denominated steel making globally during the year under review coupled with increased exports of steel from China, forced the pertinent industry players to operate below 55% capacity. This resulted in fierce competition amongst players to hold on to their respective market share. The year witnessed a steep fall in prices thereby affecting the bottom line negatively.

Continuing efforts towards qualitative improvement and costs across all operational and commercial areas could not fully nullify the impact of fall in prices, which was more severe.

There has been signs of demand outlook improving, specially in China and efforts of various governments in providing local protection is also expected to give a boost to the steel prices and in turn profitability of the industry at large.

Being one of the lowest cost producer in the world, we are ready to reap the first mover benefit, as the tide turns favourable.

### Power Generation

Power business comprises of facilities, which are primarily run for meeting captive requirement of manufacturing graphite electrodes and in the process, also sell surplus power in the open market.

The power segment went through a challenging phase and the Company continue to utilise bulk of the power generated for captive purposes. Hydro power generation was also lower due to insufficient rains in the region.

The effect of reduced operating levels in Graphite Electrode segment have been countered by alternate but full usage of one of the thermal facilities. This has not only optimised the SHR of coal, but also helped improve this segment's results for the year under review.

## 4. MATERIAL CHANGES AND COMMITMENTS DURING THE YEAR

No material changes and commitments, affecting the financial position of the Company have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

## 5. CHANGE IN THE NATURE OF BUSINESS

There is no change in the nature of business during the financial year 2015-16.

## 6. SUBSIDIARY, ASSOCIATE COMPANIES OR JOINT VENTURES

### (i) Subsidiary Company

In terms of provisions of Section 136(1) of the Companies Act, 2013, the audited financial statements of HEG Graphite Products and Services Ltd, subsidiary Company of the HEG Ltd, have been placed on the website of the Company and are not being annexed in this Annual Report.

The financial statements of the subsidiary Company are kept for inspection by the shareholders at the registered office of the Company. The Company shall provide, the copy of the financial statements of its subsidiary Company to the shareholders upon their request.

There were no business operations in the subsidiary Company. The subsidiary Company reported a net loss of ₹47,311 in the financial year 2015-16.

The Managing Director of the Company does not receive any remuneration or commission from its subsidiary.

### (ii) Associate Companies or Joint Ventures

There are two Associates of the Company namely Bhilwara Infotechnology Ltd. and Bhilwara Energy Ltd. Bhilwara Infotechnology Ltd. had a turnover of ₹40.32 crore and Net Profit was ₹6.00 crore in the financial year 2015-16. Bhilwara Energy Ltd had a consolidated turnover of ₹391.49 crore and Net Profit (after minority interest) was ₹29.52 crore as per their



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financial statements (audited & consolidated) for the financial year 2015-16. The Company has no Joint Ventures.

No Company has become/ceased to be a Subsidiary, Associate or Joint venture during the financial year 2015-16.

A report on the performance and financial position of Subsidiary and Associate Companies as per the Companies Act, 2013 is annexed in the Form AOC-1 to the consolidated financial statements and hence not repeated here for the sake of brevity.

## 7. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by the Company in accordance with the applicable Accounting standards. The audited consolidated financial statements together with Auditors' Report form part of the Annual Report.

## 8. DIVIDEND

In view of absence of net profits, no dividend is being recommended for the financial year 2015-16.

## 9. CORPORATE GOVERNANCE

A report on Corporate Governance forms part of the Annual Report along with the Auditors' Certificate on Corporate Governance as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Auditors' Certificate for financial year 2015-16 does not contain any qualifications, reservations or adverse remarks.

## 10. MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report.

## 11. INTERNAL CONTROL / INTERNAL FINANCIAL CONTROL SYSTEMS AND ADEQUACY THEREOF

The Company has an adequate internal control system commensurate with the size and nature of its business. An internal audit programme covers various activities and periodical reports are submitted to the management. The Company has a well-defined organisational structure, authority levels and internal rules and guidelines for conducting business transactions.

Besides, the Companies Act, 2013 has put primary responsibility of implementing a robust Internal Financial Control framework and is under consistent supervision of Audit Committee, Board

of Directors and also independent Statutory Auditors. During the year, no reportable material weakness in the design or operation were observed.

## 12. PERSONNEL

### a) Industrial relations

The industrial relations during the period under review generally remained cordial at all the plants of the Company.

### b) Particulars of employees

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed herewith as Annexure I.

## 13. PUBLIC DEPOSITS

Your Company has not invited any deposits from public/ shareholders in accordance with Chapter V of the Companies Act, 2013.

## 14. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There were no significant material orders passed by the Regulators/ Courts/ Tribunals during the financial year 2015-16 which would impact the going concern status of the Company and its future operations.

## 15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information with regard to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo in accordance with the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is given as Annexure II forming part of this Report.

## 16. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Your Directors inform you about the resignation of Shri Lalit Mohan Lohani w.e.f. 25<sup>th</sup> May, 2015. The Board appreciates the valuable contribution and guidance extended by Shri Lalit Mohan Lohani during his tenure as a Director of the Company.

One of your Directors namely Shri Riju Jhunjhunwala, shall retire by rotation at the ensuing Annual General Meeting and

being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

Shri Dantuluri Satyanarayana Ravindra Raju has been appointed as an Additional Director w.e.f. 27<sup>th</sup> May, 2016. The Board on the recommendation of Nomination and Remuneration Committee of the Company has also appointed him as an Executive Director w.e.f. the same date for a period of three years.

The Company has received a notice under Section 160 of the Companies Act, 2013 along with the requisite deposit proposing the candidature of Shri Dantuluri Satyanarayana Ravindra Raju for the office of Executive Director of the Company. The proposal for confirmation of his appointment as an Executive Director for a period of three years w.e.f. 27<sup>th</sup> May, 2016 shall be put up before the ensuing Annual General Meeting for approval.

The brief profile pursuant to the provisions of Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 of the Directors eligible for appointment/ re-appointment forms part of the Corporate Governance Report.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## 17. BOARD EVALUATION

The Board has carried out an annual evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. The exercise covered various aspects of the Board's functioning such as composition of the Board & Committee(s), their functioning & effectiveness, contribution of all the Directors and the decision making process by the Board.

The Directors express their satisfaction with the evaluation process.

## 18. NOMINATION AND REMUNERATION POLICY

The Nomination & Remuneration Policy of the Company is in place and is attached as Annexure III to this Report.

## 19. MEETINGS OF THE BOARD

The Board of Directors met 4 (four) times in the financial year 2015-16. The details of the Board Meetings and the attendance of the Directors are provided in the Corporate Governance Report.

## 20. CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

All related party contracts/arrangements/transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business.

All Related Party Transactions are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee was obtained for the transactions which are of a foreseen and repetitive nature. The statement of transactions entered into pursuant to the omnibus approval so granted is placed before the Audit Committee for approval on a quarterly basis. The statement is supported by a Certificate from the CFO.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website, the weblink of which is as under:

[http://www.heg ltd.com/pdf/Policy\\_on\\_Related\\_Party\\_Transactions\\_HEG\\_Limited.pdf](http://www.heg ltd.com/pdf/Policy_on_Related_Party_Transactions_HEG_Limited.pdf)

There are no pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company that have a potential conflict with the interests of the Company.

No material Related Party Transactions i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements were entered during the year by the Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134 (3) (h) of the Companies Act, 2013 in Form AOC-2 is not applicable.

## 21. AUDIT COMMITTEE

The composition of the Audit Committee is stated in the Corporate Governance Report. All the recommendations of the Audit Committee were accepted by the Board during the financial year 2015-16.

## 22. AUDITORS

M/s. Doogar & Associates, Chartered Accountants and M/s. S.S. Kothari Mehta & Co., Chartered Accountants, Auditors of the Company, will retire from their office at the ensuing Annual General Meeting. They are, however, eligible for re-appointment. They have furnished a Certificate to the effect that their re-appointment will be in accordance with the applicable provisions of the Companies Act, 2013. You are requested to consider their re-appointment. The Auditors' Report read along

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with notes to accounts is self-explanatory and therefore does not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

### 23. BUSINESS RISK MANAGEMENT

The objective of risk management at the Company is to protect shareholders value by minimising threats or losses, and identifying and maximising opportunities. An enterprise-wide risk management framework is applied so that effective management of risk is an integral part of every employee's job.

The Risk Management Policy of the Company is in place. The Company's risk management strategy is integrated with the overall business strategies of the organisation and is communicated throughout the organisation. Risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

The annual strategic planning process provides the platform for identification, analysis, treatment and documentation of key risks. It is through this annual planning process that key risks and risk management strategies are communicated to the Board. The effectiveness of risk management strategies is monitored both formally and informally by management and process owners. There is no major risk which may threaten the existence of the Company.

### 24. COST AUDITORS

The Cost Audit for financial year ended 31<sup>st</sup> March, 2015 was conducted by M/s. N.D. Birla & Co. (M. No. 7907). The said Cost Audit Report was filed on 17<sup>th</sup> September, 2015.

Based on the Audit Committee recommendations at its meeting held on 27<sup>th</sup> May, 2016, the Board has approved the re-appointment of M/s. N.D. Birla & Co. (M. No. 7907), as the Cost Auditors of the Company for the financial year 2016-17 on a remuneration of ₹2 lakhs plus service tax and out of pocket expenses that may be incurred by them during the course of audit. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for

their ratification. Accordingly, a Resolution seeking Member's ratification for the remuneration payable to M/s. N.D. Birla & Co., Cost Auditors is included in the Notice convening the Annual General Meeting.

### 25. SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. GSK & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the financial year 2015-16. The Secretarial Audit Report is annexed herewith as Annexure IV. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark. The Board has re-appointed M/s. GSK & Associates, Company Secretaries in practice as Secretarial Auditor of the Company for the financial year 2016-17.

### 26. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As part of its initiatives under Corporate Social Responsibility (CSR), the Company has undertaken projects in the areas of promotion of education, eradicating hunger & poverty, initiatives towards Community Service and rural development, Healthcare, Plantation & Environment Development, Protection of National heritage, art, culture etc. These projects were in accordance with the CSR Policy of the Company and Schedule VII of the Companies Act, 2013.

The CSR Committee comprises Shri Ravi Jhunjhunwala (Chairman), Shri Dharmendar Nath Davar and Smt. Vinita Singhania.

The CSR policy may be accessed on the Company's website at the link mentioned below:

[http://www.hegltd.com/pdf/Corporate\\_Social\\_Responsibility\\_Policy.pdf](http://www.hegltd.com/pdf/Corporate_Social_Responsibility_Policy.pdf)

The Annual Report on CSR activities is enclosed as Annexure V, forming part of this report.

### 27. INTERNAL AUDITORS

Based on the Audit Committee recommendation at its meeting

held on 27<sup>th</sup> May, 2016, the Board has approved the re-appointment of M/s. S.L. Chhajed & Co, as the Internal auditors of the Company for the financial year 2016-17.

## 28. DIRECTORS RESPONSIBILITY STATEMENT

### The Directors confirm that:

- i) In preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> March, 2016 and of the loss of the Company for the year under review;
- iii) They have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safe guarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv) They have prepared the annual accounts on a going concern basis;
- v) They have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- vi) They have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## 29. VIGIL MECHANISM /WHISTLE BLOWER POLICY

The Company has a vigil mechanism named "Whistle Blower Policy" in place. The details of the Whistle Blower Policy are explained in the Corporate Governance Report and the policy is also posted on the website of the Company, the weblink of which is as under:

<http://www.heg ltd.com/pdf/whistle.pdf>

## 30. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 form part of the notes to the financial statements provided in the Annual Report.

## 31. EXTRACT OF ANNUAL RETURN

The extract of the Annual Return in form MGT-9 as required under Section 92(3) and Rule 12 of the Companies (Management and Administration) Rules, 2014 is appended as Annexure VI to this Report.

## 32. GENERAL DISCLOSURE

The Company has a group policy in place against sexual harassment in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. No complaint of sexual harassment was received during the financial year 2015-16.

## 33. ACKNOWLEDGEMENTS

Your Directors wish to place on record, their appreciation for the valuable assistance and support received by your Company from banks, financial institutions, the Central Government, the Government of Madhya Pradesh, the Government of Uttar Pradesh and their departments. The Board also thanks the employees at all levels, for the dedication, commitment and hard work put in by them.

For and on behalf of the Board of Directors

Place: Noida (U.P.)

**Ravi Jhunjunwala**

Dated: 27<sup>th</sup> May, 2016

*Chairman, Managing Director & CEO*



## Annexure – I to the Directors' Report

I. The information required pursuant to Section 197 read with Rule 5 sub rule - 1 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

(i) a. Remuneration paid to Chairman, Managing Director & CEO and Key Managerial Personnel's

Sr. No.	Name of Director/KMP and Designation	Remuneration of Director/KMP for financial year 2015-16 (in ₹)	% increase in Remuneration in the financial year 2015-16	Ratio of remuneration of each Director/ to median remuneration of employees
1	Ravi Jhunjunwala (Chairman, Managing Director & CEO)*	72,19,540**	-32.81%#	74.75#
2	Raju Rustogi (Chief Financial Officer)	73,35,222	-0.96%	NA
3	Ashish Sabharwal (Company Secretary)	40,38,936	13.40%	NA

\*An application to Central Government has been made for payment of his full remuneration as approved by the shareholders.

\*\* worked out as per Section II of Part II of schedule V of the Companies Act, 2013.

# Calculated on the assumption of payment of full remuneration as approved by the shareholders.

(i) b. Remuneration paid to Non-Executive and Independent Directors\*

Sr. No.	Name of Director	Remuneration of Non- Executive & Independent Director for financial year 2015-16 (in ₹)	% increase in Remuneration* in the Financial Year 2015-16
1	Riju Jhunjunwala (Non-Executive)	4,00,000	37.93%
2	Shekhar Agarwal (Non-Executive)	4,70,000	11.90%
3	Dharmendar Nath Davar (Non-Executive & Independent Director)	10,85,000	48.63%
4	Kamal Gupta (Non-Executive & Independent Director)	11,25,000	8.70%
5	Satyendra Nath Bhattacharya (Non-Executive )	75,000	**
6	Om Parkash Bahl (Non-Executive & Independent Director)	10,65,000	9.23%
7	Vinita Singhania (Non-Executive & Independent Director)	3,75,000	120.59%
8	Shri Lalit Mohan Lohani (Non-Executive)	75,000	#

\* The Non-Executive Directors including Independent Directors are only paid sitting fee for attending meetings of the Board of Directors, Independent Directors and various Committee of Directors, hence the ratio of remuneration of such Directors to median remuneration of employees has not been given.

\*\* Details are not given as Shri Satyendra Nath Bhattacharya was appointed as Director on 22<sup>nd</sup> September, 2015.

# Shri Lalit Mohan Lohani has resigned from the Directorship of the Company w.e.f. 25<sup>th</sup> May, 2015.

- (ii) The median remuneration of the employees of the Company for the financial year is ₹3,06,389 per annum.
- (iii) Percentage increase in the median remuneration of employees in the financial year was 11%.
- (iv) Number of permanent employees on the rolls of the Company were 1051 as on 31<sup>st</sup> March, 2016.
- (v) The average increment of employees (other than Chairman, Managing Director & CEO) was at the rate of 15% per annum. The increase in remuneration to artisans is as per 3 year wage settlement of 2013. For other employees, the increase is a result of individual's performance viz a viz his KRA's, locational industry norms and inflation. The annual net loss of the Company stood at ₹15.15 crore, which was mainly due to fall in demand and prices of graphite electrodes, towards the later half of FY 2015-16.
- (vi) The net Loss of the Company for the FY 2015-16 was ₹15.15 crore and the overall Remuneration of KMP's mentioned herein above reflected this trend. The remuneration of Chairman, Managing Director & CEO includes variable component in the form of commission at the rate not exceeding 2.5% of the profits, if any, of the Company calculated as per Section 198 of the Companies Act, 2013. The key parameters for the variable component of remuneration availed by the directors are considered by the Board of Directors based on the profits of the Company and recommendations of the Nomination and Remuneration Committee.
- (vii) Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase or decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer:

**Market Capitalisation and Price Earnings Ratio:**

Date	Market Capitalisation	Price Earnings Ratio
31 <sup>st</sup> March, 2016	₹558.63 Cr.	-36.89
31 <sup>st</sup> March, 2015	₹868.71 Cr.	22.27

**Variation in Market Capitalisation and Price Earnings Ratio:**

% of variation	-35.69%	-265.65%
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**Market quotation of equity share of the Company in comparison to the rate at which the Company came out with the last public offer:**

Closing price as on 31 <sup>st</sup> March, 2016	₹139.80
Price at which last public offer was made#	₹40.00

#The Company came out with its last public offer in the year 1991 at a premium of ₹30 per equity share of face value of ₹10 per equity share. The percentage increase in the market quotation of the equity shares since the last public offer is 599%, adjusted for bonus shares to date.

**Note:**

Closing price of share of the Company as on 31 <sup>st</sup> March, 2016 :	₹139.80
Closing price of share of the Company as on 31 <sup>st</sup> March, 2015 :	₹217.40

Source: NSE

- (viii) The average percentage increase in the salaries of employees other than the managerial personnel in the last financial year was at 15%, as compared to decrease of 32.81% in the remuneration of Chairman, Managing Director and CEO.
- (ix) The Chief Financial Officer (CFO) received a remuneration of ₹73.35 Lacs, which is higher than the minimum remuneration paid to Chairman, Managing Director and CEO (CMD and CEO) in terms of Section II of Part II of Schedule V of the Companies Act, 2013. However an application has been made to the Central Government for payment of full remuneration to CMD and CEO as was approved by the shareholders. If approval from the Central Government is received then, in that case CMD and CEO shall be the highest paid director and there would be no employees who are not directors but receive remuneration in excess of the highest paid director during the year.
- (x) It is affirmed that the remuneration paid is as per the Nomination and Remuneration Policy of the Company.

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II. The information of employees receiving salary in excess of the limits as prescribed under the provisions of Section 197 read with Rule 5, sub rule 2 & 3 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 under the Companies Act, 2013, who were employed throughout or for a part of the financial year under review is given as under:

Sr. No.	Name of Employee	Designation	Remuneration (₹ in lacs)	Qualification	Experience	Age	Date of Commencement of Employment	Last Employment held, Organisation, Designation & Duration
1	Shri Ravi Jhunjhunwala*	Chairman, Managing Director & CEO	72.20**	B.Com. (Hons.), MBA	36	61	08.09.1979	–
2	Shri K. Vaidyanathan ^	Chief Operating Officer	72.01	BE-Chemical	35	56	13.03.2009	SRF Ltd, Vice President, 3 years
3	Shri Raju Rustogi	Chief Financial Officer	73.35	FCA	24	49	16.04.2013	SRF Ltd, Sr. Vice President, 6 years 5 months

\*An application to Central Government has been made for payment of his full remuneration as approved by the shareholders.

\*\*worked out as per Section II of Part II of Schedule V of the Companies Act, 2013.

^ Shri K. Vaidyanathan (COO) has resigned from the services of the Company on 22<sup>nd</sup> April, 2016.

**Note:**

1 Shri Ravi Jhunjhunwala is relative of Shri Riju Jhunjhunwala.

2 As per records of the Company, no employee is holding more than 2% of the paid-up Share Capital of the Company.

3 All appointments are contractual in nature.

## Annexure – II to the Directors' Report

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014

(A)	CONSERVATION OF ENERGY
(a)	the steps taken or impact on conservation of energy;
1	Invested ₹5 Lacs on equipment for cleaning of Thermic Fluid oil used for heating of pitch circuit in GEP / Impregnation, thus resulted in reducing LNG consumption from 3489922 MMBtu / MT to 3236243 MMBtu / MT of Production (7.2% saving in energy).
2	Installed 65 Nos 28 watt LED lights in new canteen in place of tube lights for energy saving
3	At Captive Power plant, we replaced 36 W conventional type tube light with 20 W LED based tube light for energy saving.
4	Replaced 200 watt HPSV lamps near Canteen area boundary with 8 Nos 50 watt LED lights to save energy.
5	Reviewed all throttle dampers of fans in Reid hammer shop and used VFD's for energy savings.

(b)	the steps taken by the Company for utilising alternate sources of energy; Installed 18 nos Solar LED Lights in one of our open warehouses in place of electrical power, thereby saving ₹1.5 Lac per annum.	
(c)	the capital investment on energy conservation equipments; Nil	
<b>(B)</b>	<b>TECHNOLOGY ABSORPTION</b>	
(i)	the efforts made towards technology absorption	R&D trials with modified recipe led to significant improvement in the technical properties of Graphite Electrodes. Efforts were also made to improve properties by using carbon nanotubes. Towards developing advanced carbon material, large-area porous conducting carbon papers (PCCP) were fabricated and supplied with the specifications of gas diffusion layer (GDL) used in fuel cell. Significant progress is also made for graphite products catering to corrosive and poisonous material. Impervious products are being supplied in the market. The team is also in advanced stage for offering solutions to water treatment applications. We are committed to using environment-friendly approaches and finding alternative/regenerative carbon feed stocks for sustainable industry.
(ii)	the benefits derived like product improvement, cost reduction, product development or import substitution;	Improved the quality of Graphite Electrodes and Nipples and development of new products.
(iii)	in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) –	
(a)	the details of technology imported;	–
(b)	the year of import;	–
(c)	whether the technology been fully absorbed;	–
(d)	if not fully absorbed, areas where absorption has not taken place and the reasons thereof; and	–
(iv)	the expenditure incurred on Research and Development	₹176.73 lacs
<b>(C)</b>	<b>FOREIGN EXCHANGE EARNINGS &amp; OUTGO</b>	
1	Activities relating to export, initiatives to increase exports, Development of new export markets for Products and services and Export Plans: The Company has continued to maintain focus and avail of export opportunities based on economic considerations.	
2	Total foreign exchange used and earned	(₹ in lacs)
(i)	Foreign Exchange Earned	49,850.26
(ii)	Foreign Exchange used	16,155.33



# Annexure – III to the Directors' Report

## Nomination and Remuneration Policy

### 1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 under the Listing Agreement.

#### The Key Objectives of the Committee would be:

- a) to advise the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- b) to evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c) to recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

### 2. DEFINITIONS

- (a) "Act" means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- (b) "Board" means Board of Directors of the Company.
- (c) "Key Managerial Personnel" (KMP) means—
  - (i) Chief Executive Officer or the Managing Director or the Manager;
  - (ii) Company Secretary;
  - (iii) Whole-time director;
  - (iv) Chief Financial Officer; and
  - (v) such other officer as may be prescribed.
- (d) "Senior Management" means personnel of the Company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads.

### 3. ROLE OF COMMITTEE

The role of the Committee inter-alia will be the following:

- a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's

corporate strategy, with the objective to diversify the Board;

- b) to recommend to the Board the appointment and removal of Director or KMP or Senior Management Personnel;
- c) to carry out evaluation of Director's performance;
- d) assessing the independence of Independent Directors;
- e) to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- f) making recommendations to the Board on the remuneration/ fee payable to the Directors/ KMPs/Senior Officials so appointed/re-appointed;
- g) ensure that level and composition of remuneration of Directors, KMP's and Senior Management is reasonable and sufficient. The relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- h) to devise a policy on Board diversity;
- i) to develop a succession plan for the Board and Senior Management and to regularly review the plan;
- j) such other key issues/matters as may be referred by the Board or as may be necessary in view of the Listing Agreement and provision of the Companies Act, 2013 and Rules thereunder.

### 4. MEMBERSHIP

- a) The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.

However, the Chairperson of the Company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee, but shall not chair such Committee.

- b) Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee shall be disclosed in the Annual Report.

- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

## 5. CHAIRMAN

- a) Chairman of the Committee shall be an Independent Director.
- b) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- c) Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member or any other Director to answer the shareholders' queries.

## 6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

## 7. COMMITTEE MEMBERS' INTERESTS

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

## 8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

## 9. VOTING

- a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed as decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

## 10. POLICY ON BOARD DIVERSITY

The Nomination and Remuneration Committee shall ensure that Board of Directors have the combination of Directors from different areas /fields or as may be considered appropriate in the best interest of the Company. The Board shall have atleast one Board member who has accounting/ financial management expertise.

## 11. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

1. Ensuring that there is an appropriate induction & training programme in place for new Directors, Key Managerial Personnel's and members of Senior Management and reviewing its effectiveness;
2. Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013;
3. Determining the appropriate size and composition of the Board;
4. Follow a formal and transparent procedure for selecting new Directors for appointment to the Board, Key Managerial Personnel's and Senior Management Personnel;
5. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
6. Evaluating the performance of the Board members in the context of the Company's performance from business and compliance perspective;
7. Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
8. Delegating any of its powers to one or more of its members or the Secretary of the Committee;
9. Considering any other matters as may be requested by the Board.

## 12. REMUNERATION DUTIES

The Committee will recommend the remuneration/fee to be paid to the Managing Director, Whole-time Director, other Directors, Key Managerial Personnel and Senior Management Personnel to the Board for their approval.

The level and composition of remuneration/fee so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and Senior Management of the quality required to run the Company successfully. The relationship of remuneration/fee to performance should be clear and meet appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

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### 1. Director/ Managing Director

Besides the above Criteria, the Remuneration/ compensation/ commission/fee to be paid to Director/ Managing Director/ Whole Time Director shall be governed as per the provisions of the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

### 2. Non-Executive / Independent Directors

The Non-Executive / Independent Directors may receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

### 3. Key Managerial Personnel's /Senior Management Personnel etc

The Remuneration to be paid to Key Managerial Personnel's/ Senior Management Personnel shall be based on the experience, qualification, performance and expertise of the related personnel and governed by the limits, if any prescribed under the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

### 4. Directors and officers' insurance

Where any insurance is taken by the Company on behalf of its Directors, Key Managerial Personnel's/ Senior Management Personnel etc. for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

## 13. EVALUATION/ ASSESSMENT OF DIRECTORS OF THE COMPANY

The evaluation/assessment of the Director of the Company is to be conducted on an annual basis.

The following criteria may assist in determining how effective the performances of the Directors have been:

- Contributing to clearly defined corporate objectives & plans
- Obtain adequate, relevant & timely information from external sources
- Review of strategic and operational plans, objectives and budgets
- Regular monitoring of corporate results against projections
- Identify, monitor & take steps for mitigation of significant corporate risks
- Assess policies, structures & procedures

- Review management's succession plan
- Effective meetings
- Assuring appropriate board size, composition, independence, structure
- Clearly defining roles & monitoring activities of committees

Additionally, for the evaluation/assessment of the performances of Managing Director(s)/ Whole Time Director(s) of the Company, following criteria may also be considered:

- Leadership abilities
- Communication of expectations & concerns clearly with subordinates
- Direct, monitor & evaluate KMPs, senior officials

Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Non-Independent Directors in a separate meeting of the Independent Directors.

The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

## 14. DISCLOSURE

The Remuneration policy and the evaluation criteria shall be disclosed in the Board's Report.

## 15. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

## 16. DEVIATIONS FROM THIS POLICY

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case. However this shall be subject to the approval of Board of Directors on the recommendation of Nomination and Remuneration Committee of the Company.

## Annexure – IV to the Directors' Report

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule no. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
**HEG Limited**  
Mandideep,  
Near Bhopal, Dist Raipur  
Madhya Pradesh - 462046

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practice by HEG LIMITED (CIN: L23109MP1972PLC008290) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the financial year ended on 31<sup>st</sup> March, 2016 (the audit period), complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 (the audit period), according to the provisions of:

I.

- The Companies Act, 2013 (the Act) and the rules made thereunder.
- The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder.

- The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder.
- Foreign Exchange Management Act, 1999 and rules and regulations made thereunder to the extent of External Commercial Borrowings.
- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time;
  - c. The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client;
  - d. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
  - e. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the audit period);
  - f. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase



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Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28<sup>th</sup> October, 2014 (Not applicable to the Company during the audit period);

- g. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the audit period);
- h. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the audit period); and
- i. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the audit period).

During the year under review the Company has complied with the provisions of the Act, Rules, Regulations, etc. mentioned above.

## II.

- The Water (Prevention and Control of Pollution) Act, 1974 and rules made thereunder
- The Air (Prevention and Control of Pollution) Act, 1981 and rules made thereunder
- The Environment (Protection) Act 1986 and amended upto 1991) and The Environment (Protection) Rules 1986 & Amendment Rules, 2006
- The Hazardous Waste (Management Handling and Transboundary Movement) Rules, 2008 and amendment up to 2010
- Indian Boiler Act No. V of 1923 & amended 1960
- The Indian Electricity Act 2003, amendment up to 2007 and The Indian electricity rule 1956 amended up to 2000
- Central Sales Tax, 1956 as amended from time to time and rules made thereunder
- Entry Tax Act, 1976 (Madhya Pradesh Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhiniyam, 1976)
- Factories Act, 1948 as amended in 1987 along with Madhya Pradesh Factories Rules, 1962
- Workmen's Compensation Act, 1923 and Workmen's Compensation (Madhya Pradesh) Rules, 1962 and Madhya Pradesh Workmen's Compensation (Occupational Diseases) Rules, 1963
- Employees' Provident Funds And Miscellaneous Provisions

Act, 1952 as amended from time to time and rules made thereunder

- Employees' State Insurance Act, 1948 as amended from time to time and rules made thereunder
- Contract Labour (Regulation and Abolition) Act, 1970 as amended from time to time and rules made thereunder
- The Maternity Benefit Act, 1961 as amended from time to time and rules made thereunder
- Payment of Wages Act, 1936 as amended from time to time and rules made thereunder
- Minimum Wages Act, 1948 as amended from time to time and rules made thereunder
- The Payment of Bonus Act, 1965 as amended from time to time and rules made thereunder
- Madhya Pradesh VAT Act, 2002 as amended from time to time and rules made thereunder
- Manufacture, Storage and Import of Hazardous Chemicals Rules 1989 and Amendment Rules, 2000
- Public Liability Insurance Act 1991 amended upto 1992 & Rules 1991 amended upto 2003
- Sexual harassment of women at the workplace (Prevention, Prohibition, Redressal) Act, 2013
- Private Security Agencies (Regulation) Act, 2009

During the year under review the Company has filed periodical return and has not received any show cause notice and has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We have relied on the representation made by the Company and its officers on systems and mechanism formed by the Company for compliance under other Act, Laws and Regulations to the Company.

We have also examined compliance with the applicable clauses of the following:

- Secretarial Standards issued by The Institute of Company Secretaries of India and notified by Central Government.
- The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while there has been no member dissenting from the decisions arrived.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company has not taken any corporate actions having a major bearing on the Company's affairs.

For GSK & Associates  
(Company Secretaries)

Saket Sharma  
Partner

(Membership No.: F4229)  
(CP No.: 2565)

Date: 27<sup>th</sup> May, 2016  
Place: Noida

## Annexure – V to the Directors' Report

Annual Report on Corporate Social Responsibility (CSR) Activities for the Financial Year 2015-2016

### PART-A

1	A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs and the Composition of the CSR Committee.	Refer to Point No 26 on Corporate Social Responsibility in Directors' Report.
2	Average Net Profit of the Company for last three financial years:	₹9,057.09 Lacs
3	Prescribed CSR Expenditure (two percent of the amount as in item 2 above):	₹181.14 Lacs
4	Details of CSR spent during the financial year 2015-16:	
	a. Total amount to be spent for the financial year 2015-16:	₹263.43 Lacs
	b. Total amount spent during the financial year 2015-16:	₹209.72 Lacs
	c. Amount unspent, if any:	₹53.71 Lacs
	d. Manner in which the amount spent during the financial year:	As detailed below

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**Manner in which the amount spent during the financial year 2015-16**

Sr. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programs 1. Local Area or other 2. Specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise (₹ in lacs)	Amount spent on the projects or programs. (₹ in lacs) Subheads: I. Direct expenditure on projects or programs. II. Overheads.	Cumulative expenditure upto the reporting period (₹ in lacs)	Amount spent Direct or through implementing agency
<b>I</b>							
1	Carrying on construction activity in the building of Graphite Higher Secondary School including unspent amount of the year 2014-15.	Promotion of Education	Mandideep, Dist. Raisen (M.P.) / Tawa Nagar, Dist. Hoshangabad (M.P.)	155.00	156.00	156.00	Directly to Graphite Education and Welfare Society
2	Promotion of Education by renovating class rooms/ toilets/ labs and providing furniture to Govt. Schools & Graphite School at Mandideep. Free education to BPL Category students.	Promotion of Education	Mandideep, Dist. Raisen (M.P.)	25.00	16.26	16.26	Through Implementing Agency - LNJ Bhilwara HEG Lok Nyas*
3	Providing support thru Shanti Gram Sansthan for Live stock development & providing clean drinking water & Community development.	Eradicating hunger and poverty, initiatives towards Community Service and rural development	Berkhera Setu / Mandideep, Dist. Raisen (M.P.)	14.13	6.71	6.71	Through Implementing Agency - LNJ Bhilwara HEG Lok Nyas*
4	Providing medical facilities / medicines to BPL Category patients / Tribals at door step. Medical check up & medicines to school children for Malaria / Typhoid & other diseases. Reducing child mortality & improving maternal health by providing expertise through lady doctor.	Healthcare	Mandideep, Dist. Raisen, (M.P.) / Tawa Nagar, Dist. Hoshangabad (M.P.)	40.00	11.09	11.09	Through Implementing Agency-LNJ Bhilwara HEG Lok Nyas*
5	Ensuring Environment Sustainability & ecological balance by planting trees for sustaining green cover in Mandideep & Tawa.	Plantation & Environment Development	Tawa nagar, Dist. Hoshangabad/ Mandideep, Dist. Raisen(M.P.)	9.00	2.57	2.57	Through Implementing Agency -LNJ Bhilwara HEG Lok Nyas*
6	Restoration & maintenance of Vivekananda Museum.	Protection of National heritage, art, culture etc	Shri Ramkrishna Mission, New Delhi	8.00	8.00	8.00	Through Implementing Agency-LNJ Bhilwara HEG Lok Nyas*
<b>II</b>							
	Overheads			12.30	9.09	9.09	
	<b>Total</b>			<b>263.43</b>	<b>209.72</b>	<b>209.72</b>	

\*LNJ Bhilwara HEG Lok nyas is a Public Charitable Trust promoted by the Company to undertake activities of community development, social development, rural development and related subjects for the welfare of society, any where in India but more specifically in MP, Bhopal and District of Raisen.

**PART-B**

Reason for not spending the entire amount as given in point no. 4(a) of (PART-A) above:

Company identified promotion of education as the main theme of CSR in 2015-16, which has been achieved with the provision of CBSE affiliated school to the local community within the budgetary amount. Company deliberated on studying & identifying skill development of local community in line with Government of India's initiatives. This process took time and hence could not utilise the full allocation under the Act. Your Company plans to spend this unspent amount alongwith the new allocation in FY 2016-17.

**RESPONSIBILITY STATEMENT**

The Responsibility Statement of the Corporate Social Responsibility Committee of the Board of Directors of the Company, is reproduced below:

The implementation and monitoring of projects and activities, are in compliance with CSR objectives and policy of the Company.

Sd/-  
**Ravi Jhunjhunwala**  
*Chairman, Managing Director & CEO*  
*Chairman, CSR Committee*  
 27<sup>th</sup> May, 2016

## Annexure – VI to the Directors' Report

### FORM NO. MGT-9 EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.03.2016

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies  
(Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

1	CIN	L23109MP1972PLC008290
2	Registration Date	27/10/1972
3	Name of the Company	HEG Limited
4	Category / Sub-Category of the Company	Company Limited by Shares
5	Address of the Registered office and contact details	Mandideep, Near Bhopal, Dist. Raisen, Madhya Pradesh - 462046 Phone: 91(07480) 233524 to 233527 Fax: 91(07480) 233522 Email: heg.investor@lnjbhilwara.com Website: www.hegltd.com
6	Whether listed company	Yes
7	Name, Address and Contact details of Registrar and Transfer Agent	MCS Share Transfer Agent Ltd., F-65, First Floor, Okhla Industrial Area, Phase -I, New Delhi – 110020, Phone: 011 -41406149, Fax: 011-41709881 E- mail: mcssta@rediffmail.com



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## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the Company
1	Graphite Electrode	329	98.21%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/ GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1	HEG Graphite Products and Services Ltd Mandideep, Near Bhopal Madhya Pradesh - 462046.	U31908MP2009PLC022414	Subsidiary	100%	2(87)
2	Bhilwara Energy Ltd Bhilwara Bhawan 40-41, Community Centre New Friends Colony New Delhi - 110065.	U31101DL2006PLC148862	Associate	29.49%	2(6)
3	Bhilwara Infotechnology Ltd 40-41, Community Centre New Friends Colony New Delhi - 110065.	U74899DL2000PLC104401	Associate	38.59%	2(6)

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (as on 01.04.2015)				No. of Shares held at the end of the year (as on 31.03.16)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a. Individual/ HUF	12,77,588	0	12,77,588	3.20	12,77,588	0	12,77,588	3.20	0
b. Central Govt.	0	0	0	0	0	0	0	0	0
c. State Govt. (s)	0	0	0	0	0	0	0	0	0
d. Bodies Corp.	1,03,97,055	0	1,03,97,055	26.02	1,03,97,055	0	1,03,97,055	26.02	0
e. Banks/ FI	0	0	0	0	0	0	0	0	0
f. Any Other.	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (1)</b>	<b>1,16,74,643</b>	<b>0</b>	<b>1,16,74,643</b>	<b>29.22</b>	<b>1,16,74,643</b>	<b>0</b>	<b>1,16,74,643</b>	<b>29.22</b>	<b>0</b>
(2) Foreign									
a. NRIs Individuals	0	0	0	0	0	0	0	0	0
b. Other Individuals	0	0	0	0	0	0	0	0	0
c. Bodies Corp.	1,18,18,107	0	1,18,18,107	29.58	1,18,18,107	0	1,18,18,107	29.58	0
d. Banks / FI	0	0	0	0	0	0	0	0	0
e. Any Other.	0	0	0	0	0	0	0	0	0
<b>Sub-total (A)(2)</b>	<b>1,18,18,107</b>	<b>0</b>	<b>1,18,18,107</b>	<b>29.58</b>	<b>1,18,18,107</b>	<b>0</b>	<b>1,18,18,107</b>	<b>29.58</b>	<b>0</b>
<b>Total shareholding of Promoter (A) = (A)(1)+ (A)( 2)</b>	<b>2,34,92,750</b>	<b>0</b>	<b>2,34,92,750</b>	<b>58.79</b>	<b>2,34,92,750</b>	<b>0</b>	<b>2,34,92,750</b>	<b>58.79</b>	<b>0</b>
<b>B. Public Shareholding</b>									

Category of Shareholders	No. of Shares held at the beginning of the year (as on 01.04.2015)				No. of Shares held at the end of the year (as on 31.03.16)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(1) Institutions</b>									
a. Mutual Funds	13,986	5,150	19,136	0.05	17,084	5,150	22,234	0.06	0.01
b. Banks/FI	3,49,388	222	3,49,610	0.87	3,55,268	222	3,55,490	0.89	0.02
c. Central Govt	0	0	0	0	0	0	0	0	0
d. State Govt(s)	0	0	0	0	0	0	0	0	0
e. Venture Capital Funds	0	0	0	0	0	0	0	0	0
f. Insurance Companies	38,86,797	0	38,86,797	9.73	38,86,797	0	38,86,797	9.73	0
g. FIs	5,30,081	0	5,30,081	1.33	3,36,898	0	3,36,898	0.84	-0.48
h. Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i. Others (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(1)</b>	<b>47,80,252</b>	<b>5,372</b>	<b>47,85,624</b>	<b>11.98</b>	<b>45,96,047</b>	<b>5,372</b>	<b>46,01,419</b>	<b>11.52</b>	<b>-0.46</b>
<b>(2) Non-Institutions</b>									
a. Bodies Corp. Indian	32,75,891	14,028	32,89,919	8.23	31,13,932	14,028	31,27,960	7.83	-0.41
b. Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	37,51,089	10,15,843	47,66,932	11.93	39,82,863	9,82,678	49,65,541	12.43	0.50
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	5,97,374	0	5,97,374	1.49	7,21,950	0	7,21,950	1.81	0.31
c. Others (specify)									
Foreign Corporate Body	28,93,888	0	28,93,888	7.24	28,93,888	0	28,93,888	7.24	0
NRI	1,18,008	1,745	1,19,753	0.30	1,40,837	1,745	1,42,582	0.36	0.06
Trusts	12,702	200	12,902	0.03	12,852	200	13,052	0.03	0.00
<b>Sub-total (B)(2)</b>	<b>1,06,48,952</b>	<b>10,31,816</b>	<b>1,16,80,768</b>	<b>29.23</b>	<b>1,08,66,322</b>	<b>9,98,651</b>	<b>1,18,64,973</b>	<b>29.69</b>	<b>0.46</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>1,54,29,204</b>	<b>10,37,188</b>	<b>1,64,66,392</b>	<b>41.21</b>	<b>1,54,62,369</b>	<b>10,04,023</b>	<b>1,64,66,392</b>	<b>41.21</b>	<b>0</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total (A+B+C)</b>	<b>3,89,21,954</b>	<b>10,37,188</b>	<b>3,99,59,142</b>	<b>100</b>	<b>3,89,55,119</b>	<b>10,04,023</b>	<b>3,99,59,142</b>	<b>100</b>	<b>0</b>

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ii. Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Norbury Investments Ltd	53,62,991	13.42	0	53,62,991	13.42	0	0
2	Microlight Investments Ltd	46,65,579	11.68	0	46,65,579	11.68	0	0
3	Bharat Investments Growth Ltd	26,09,598	6.53	0	26,09,598	6.53	0	0
4	Purvi Vanijya Niyojan Ltd	17,45,350	4.37	0	17,45,350	4.37	0	0
5	Raghav Commercial Ltd	15,33,166	3.84	0	15,33,166	3.84	0	0
6	Mekima Corporation	17,89,537	4.48	0	17,89,537	4.48	0	0
7	RSWM Ltd	9,78,000	2.45	0	9,78,000	2.45	0	0
8	LNJ Financial Services Ltd	13,08,798	3.28	0	13,08,798	3.28	0	0
9	Shashi Commercial Company Ltd	7,15,187	1.79	0	7,15,187	1.79	0	0
10	Giltedged Industrial Securities Ltd	5,04,668	1.26	0	5,04,668	1.26	0	0
11	Riju Jhunjunwala	2,33,290	0.58	0	2,33,290	0.58	0	0
12	Rita Jhunjunwala	2,24,312	0.56	0	2,24,312	0.56	0	0
13	India Texfab Marketing Ltd	2,18,851	0.55	0	2,18,851	0.55	0	0
14	Ravi Jhunjunwala –HUF	2,14,710	0.54	0	2,14,710	0.54	0	0
15	Rishabh Jhunjunwala	1,86,126	0.47	0	1,86,126	0.47	0	0
16	Lakshmi Niwas Jhunjunwala	1,79,740	0.45	0	1,79,740	0.45	0	0
17	Ravi Jhunjunwala	1,36,060	0.34	0	1,36,060	0.34	0	0
18	Mani Devi Jhunjunwala	1,03,350	0.26	0	1,03,350	0.26	0	0
19	Nivedan Vanijya Niyojan Ltd	70,597	0.18	0	70,597	0.18	0	0
20	Investors India Ltd	38,382	0.10	0	38,382	0.10	0	0
21	Sandhu Auto Deposits Ltd	4,31,365	1.08	0	4,31,365	1.08	0	0
22	M.L. Finlease Pvt Ltd	2,43,093	0.61	0	2,43,093	0.61	0	0
Total		2,34,92,750	58.79	0	2,34,92,750	58.79	0	0

iii. Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1	At the beginning of the year	2,34,92,750	58.79	2,34,92,750	58.79
2	At the End of the year	2,34,92,750	58.79	2,34,92,750	58.79

There is no change in Promoters' shareholding during the financial year 2015-16.

## iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Name	Shareholding		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No of shares at beginning (01-04- 15) / end of the year (31-03-16)	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	Life Insurance Corporation of India	33,94,285	8.49	01.04.15	0	Nil movement during the year	33,94,285	8.49
		33,94,285	8.49	31.03.16			33,94,285	8.49
2.	GPC Mauritius II LLC	28,93,888	7.24	01.04.15	0	Nil movement during the year	28,93,888	7.24
		28,93,888	7.24	31.03.16			28,93,888	7.24
3	Pacific Management Pvt Ltd	5,58,526	1.40	01.04.15	0	Nil movement during the year	5,58,526	1.40
		5,58,526	1.40	31.03.16			5,58,526	1.40
4	The New India Assurance Company Ltd	4,92,362	1.23	01.04.15	0	Nil movement during the year	4,92,362	1.23
		4,92,362	1.23	31.03.16			4,92,362	1.23
5	Apex Holdings Ltd*	4,39,726	1.10	01.04.15				
				29.05.15	-1,00,000	Transfer	3,39,726	0.85
				18.12.15	-3,30,000	Transfer	9,726	0.02
		9,726	0.02	31.03.16			9,726	0.02
6	Life Insurance Corporation of India P & GS Fund	3,42,383	0.86	01.04.15	0	Nil movement during the year	3,42,383	0.86
		3,42,383	0.86	31.03.16			3,42,383	0.86
7	Kotyark Distributors Pvt Ltd	3,03,363	0.76	01.04.15	0	Nil movement during the year	3,03,363	0.76
		3,03,363	0.76	31.03.16			3,03,363	0.76
8	Sarita Computers Pvt Ltd	2,28,333	0.57	01.04.15	0	Nil movement during the year	2,28,333	0.57
		2,28,333	0.57	31.03.16			2,28,333	0.57
9	JDM financial Services Ltd*	1,95,530	0.49	01.04.15				
				26.06.15	10,000	Transfer	2,05,530	0.51
				25.09.15	1,000	Transfer	2,06,530	0.52
				26.02.16	-1,50,000	Transfer	56,530	0.14
				04.03.16	-10,000	Transfer	46,530	0.12
				11.03.16	-17,500	Transfer	29,030	0.07
				18.03.16	-25,000	Transfer	4,030	0.01
		4,030	0.01	31.03.16			4,030	0.01
10	Dimensional Emerging Markets Value Fund*	1,76,205	0.44	01.04.15				
				09.10.15	-4,084	Transfer	1,72,121	0.43
				30.10.15	-3,845	Transfer	1,68,276	0.42
				06.11.15	-4,600	Transfer	1,63,676	0.41
				13.11.15	-4,917	Transfer	1,58,759	0.40
				27.11.15	-4,790	Transfer	1,53,969	0.39
				04.12.15	-4,820	Transfer	1,49,149	0.37
				18.12.15	-11,215	Transfer	1,37,934	0.35
				25.12.15	-4,665	Transfer	1,33,269	0.33
				18.03.16	-13,793	Transfer	1,19,476	0.30
				25.03.16	-817	Transfer	1,18,659	0.30



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Sl. No.	Name	Shareholding		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No of shares at beginning (01-04- 15) / end of the year (31-03-16)	% of total shares of the Company				No. of Shares	% of total shares of the Company
		1,18,659	0.30	31.03.16			1,18,659	0.30
11	Inter Globe Infralog Ltd.#	60,139	0.15	01.04.15				
				10.04.15	22,232	Transfer	82,371	0.21
				17.04.15	47,494	Transfer	1,29,865	0.32
				24.04.15	12,009	Transfer	1,41,874	0.36
				01.05.15	13,728	Transfer	1,55,602	0.39
				08.05.15	8,096	Transfer	1,63,698	0.41
				15.05.15	12,961	Transfer	1,76,659	0.44
				22.05.15	15,123	Transfer	1,91,782	0.48
				29.05.15	15,116	Transfer	2,06,898	0.52
				05.06.15	11,177	Transfer	2,18,075	0.55
				12.06.15	12,132	Transfer	2,30,207	0.58
				19.06.15	11,868	Transfer	2,42,075	0.61
				26.06.15	14,849	Transfer	2,56,924	0.64
				30.06.15	4,513	Transfer	2,61,437	0.65
				03.07.15	3,058	Transfer	2,64,495	0.66
		2,64,495	0.66	31.03.16			2,64,495	0.66
12	Apex Holdings Ltd.#	0	0	01.04.15				
				29.05.15	1,00,000	Transfer	1,00,000	0.25
				03.07.15	-9,600	Transfer	90,400	0.23
				10.07.15	-6,000	Transfer	84,400	0.21
				17.07.15	-4,800	Transfer	79,600	0.20
				24.07.15	-6,000	Transfer	73,600	0.18
				31.07.15	-3,600	Transfer	70,000	0.18
				07.08.15	-4,800	Transfer	65,200	0.16
				14.08.15	-7,400	Transfer	57,800	0.14
				21.08.15	-15,000	Transfer	42,800	0.11
				28.08.15	-9,450	Transfer	33,350	0.08
				16.10.15	-4,000	Transfer	29,350	0.07
				23.10.15	-7,000	Transfer	22,350	0.06
				30.10.15	-1,000	Transfer	21,350	0.05
				04.12.15	-3,800	Transfer	17,550	0.04
				11.12.15	-2,000	Transfer	15,550	0.04
				18.12.15	3,30,000	Transfer	3,45,550	0.86
				25.12.15	-6,400	Transfer	3,39,150	0.85
		3,39,150	0.85	31.03.16			3,39,150	0.85
13	Anjaney Stock Broking Ltd.#	0	0	01.04.15				
				26.02.16	2,40,000	Transfer	2,40,000	0.60
		2,40,000	0.60	31.03.16			2,40,000	0.60

\*Ceased to be in the list of top 10 shareholders as on 31-03-2016. The same is reflected above since the shareholder was one of the top 10 shareholders as on 01-04-2015.

#Not in the list of top 10 shareholders as on 01-04-2015. The same is reflected above since the shareholder was one of the top 10 shareholders as on 31-03-2016. Shareholder appearing at Sl. no. 12 is having another DPID / CLID other than the shareholder appearing at sl. no. 5.

## v. Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Name of Directors / KMPs	Shareholding		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding	
		No. of shares at beginning (01-04-15)/ end of the year (31-03-16)	% of total shares of the Company				No. of shares	% of total shares of the Company
1	Shri Ravi Jhunjhunwala Chairman, Managing Director & CEO	3,50,770*	0.88	01.04.2015	0	Nil Movement during the year	3,50,770*	0.88
		3,50,770	0.88	31.03.2016			3,50,770	0.88
2	Shri Dharmendar Nath Davar, Non Executive Director	1,500	0.00	01.04.2015	0	Nil Movement during the year	1,500	0.00
		1,500	0.00	31.03.2016			1,500	0.00
3	Dr. Kamal Gupta, Non Executive Director	200	0.00	01.04.2015	0	Nil Movement during the year	200	0.00
		200	0.00	31.03.2016			200	0.00
4	Shri Riju Jhunjhunwala, Non Executive Director	2,33,290	0.58	01.04.2015	0	Nil Movement during the year	2,33,290	0.58
		2,33,290	0.58	31.03.2016			2,33,290	0.58

\* Includes 2,14,710 Equity Shares of Ravi Jhunjhunwala (HUF).

Note: Except as mentioned in the above table, no other Director/KMP of the Company holds any Equity Shares in the Company.

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in crore)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	788.16	129.00	-	917.16
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	2.06	-	-	2.06
<b>Total (i+ii+iii)</b>	<b>790.22</b>	<b>129.00</b>	<b>-</b>	<b>919.22</b>
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	83.53	98.16	-	181.68
Net Change	-83.53	-98.16	-	-181.68
Indebtedness at the end of the financial year				
i) Principal Amount	705.00	30.85	-	735.85
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1.69	-	-	1.69
<b>Total (i+ii+iii)</b>	<b>706.69</b>	<b>30.85</b>	<b>-</b>	<b>737.54</b>

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## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of Chairman, Managing Director & CEO
		Shri Ravi Jhunjunwala*
1	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	₹62,14,000
	(b) Value of perquisites under section 17(2) of the Income-tax Act, 1961	₹10,05,540
	(c) Profits in lieu of salary under section 17(3) of the Income- tax Act, 1961	
2	Stock Option	-
3	Sweat Equity	-
4	Commission	-
	- as % of profit	
	- others, specify	
5	Others, please specify	-
	Total (A)	₹72,19,540 **
	Ceiling as per the Act	10 % of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013 or in terms of Schedule V of the Companies Act, 2013.

\*An application to Central Government has been made for payment of his full remuneration as approved by the shareholders.

\*\* worked out as per Section II of Part II of Schedule V of the Companies Act, 2013.

### B. Remuneration to other Directors:

#### 1. Independent Directors

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount in ₹
		Shri Dharmendar Nath Davar	Dr. Kamal Gupta	Dr. Om Parkash Bahl	Smt. Vinita Singhania	
1	Fee for attending board committee meetings	10,85,000	11,25,000	10,65,000	3,75,000	36,50,000
2	Commission	-	-	-	-	-
3	Others, please specify	-	-	-	-	-
4	Total (1)					36,50,000

#### 2. Other Non-Executive Directors

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount in ₹
		Shri Shekhar Agarwal	Shri Riju Jhunjunwala	Shri Satyendra Nath Bhattacharya	Shri Lalit Mohan Lohani#	
1	Fee for attending board committee meetings	4,70,000	4,00,000	75,000	75,000	10,20,000
2	Commission	-	-	-	-	-
3	Others, please specify	-	-	-	-	-
	Total (2)					10,20,000
	Total (B) = (1 + 2)					46,70,000
	Total Managerial Remuneration & Overall Ceiling as per the Act					*

\* The Non-Executive Directors including Independent Directors are only paid sitting fee for attending meetings of Board of Directors, Independent Directors and various Committees of Directors.

#Shri Lalit Mohan Lohani has resigned from the Directorship of the Company w.e.f. 25<sup>th</sup> May, 2015.

## C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Shri Ashish Sabharwal Company Secretary	Shri Raju Rustogi Chief Financial Officer	Total Amount in ₹
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	39,45,540	71,32,304	1,10,77,844
	(b) Value of perquisites under section 17(2) of the Income-tax Act, 1961	93,396	2,02,918	2,96,314
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-
2.	Stock Option	NA	NA	-
3.	Sweat Equity	NA	NA	-
4	Commission	-	-	-
	- as % of profit			
	- others, specify...			
5	Others, please specify	-	-	-
	Total	40,38,936	73,35,222	1,13,74,158

## VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty					
Punishment			None		
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment			None		
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment			None		
Compounding					



# Corporate Governance Report

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and all its interactions with the stakeholders including shareholders, employees, customers, government, suppliers and lenders and to build the confidence of the society in general. The Company believes in adopting the philosophy of professionalism, transparency and accountability in all areas and is committed to pursue growth by adhering to the highest national and international standards of Corporate Governance.

## 2. BOARD OF DIRECTORS

### (i) Composition

The Board has an appropriate composition of Executive, Non-Executive and Independent Directors. The Independent Directors on the Board are experienced, competent and reputed names in their respective fields. The Independent Directors take active part at the Board and Committee Meetings, which adds value in the decision-making process of the Board of Directors. The details of composition of the Board, number of other Directorship, Chairmanship/Membership of Committee of each Director in other Companies, attendance of Directors at the Board Meetings and last Annual General Meeting are given below:

Name of Director	Category of Directorship	No. of other Directorships* in public Ltd. Companies	Board Committees** in other Companies in which Member / Chairman		No. of Board Meetings attended	Whether Attended the last AGM Yes/No
Shri Ravi Jhunjunwala	Chairman, Managing Director & CEO -Promoter Executive	8	2	1	4	Yes
Shri Shekhar Agarwal	Vice-Chairman-Promoter Non-Executive	5	3	0	3	No
Shri Dharmendar Nath Davar	Non-Executive and Independent	8	4	4	4	Yes
Dr. Kamal Gupta	Non-Executive and Independent	6	3	5	4	No
Shri Satyendra Nath Bhattacharya#	Non-Executive	1	0	0	1	No
Dr. Om Parkash Bahl	Non-Executive and Independent	1	0	0	4	No
Smt. Vinita Singhania	Non-Executive and Independent	3	0	0	4	No
Shri Riju Jhunjunwala	Director -Promoter – Non-Executive	8	2	0	4	No
Shri Lalit Mohan Lohani##	Non-Executive	0	0	0	1	No

\*Excludes Directorships in Private Limited Companies, Foreign Companies and Section 8 Companies.

\*\* Only Audit Committee and Stakeholders Relationship Committee have been considered in terms of Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

# Shri Satyendra Nath Bhattacharya was appointed on 22<sup>nd</sup> September, 2015 as a Director of the Company.

## Shri Lalit Mohan Lohani has resigned from the Directorship of the Company w.e.f. 25<sup>th</sup> May, 2015.

Note: 1. Shri Ravi Jhunjunwala and Shri Riju Jhunjunwala are relatives.

2. Smt. Vinita Singhania is the Woman Director on the Board.

## (ii) Shareholding of Non-Executive Directors

The number of Equity Shares of the Company held by Non-Executive Directors of the Company are as under:

Name of Director	No. of Equity Shares Held
Shri Dharmendar Nath Davar	1,500
Dr. Kamal Gupta	200
Shri Riju Jhunjhunwala	2,33,290

## (iii) Board Meetings

The Board meets at least once in every quarter to review quarterly results and other items on agenda. Additional meetings are held when necessary. Four Board Meetings were held during the financial year ended 31<sup>st</sup> March, 2016. These were held on 14<sup>th</sup> May, 2015, 29<sup>th</sup> July, 2015, 7<sup>th</sup> November, 2015 and 27<sup>th</sup> January, 2016. However, in case of a special and urgent business need, the Board's approval is taken by passing resolution by circulation, as permitted by law which is noted and confirmed in the subsequent Board Meeting.

## 3. AUDIT COMMITTEE

### (i) Terms of Reference

1. The audit committee at its discretion shall invite the finance Director or head of the finance function, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the committees;

Provided that occasionally the audit committee may meet without the presence of any executives of the Company.

2. The audit committee shall have the power to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it consider necessary;

3. The chairperson of the audit committee shall be an Independent Director and shall be present at Annual general meeting to answer shareholders queries;

4. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;

5. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

6. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

7. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

a. Matters required to be included in the Director's

Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013

b. Changes, if any, in accounting policies and practices and reasons for the same

c. Major accounting entries involving estimates based on the exercise of judgment by management

d. Significant adjustments made in the financial statements arising out of audit findings

e. Compliance with listing and other legal requirements relating to financial statements

f. Disclosure of any related party transactions

g. Modified opinion(s) in the draft audit report.

8. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;

9. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

10. Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process;

11. Approval or any subsequent modification of transaction of the Company with related party;

12. Scrutiny of inter-corporate loans and investments;

13. Valuation of undertakings or assets of the Company, wherever it is necessary;

Where a valuation is required to be made in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provision of this Act, it shall be valued by a person having such qualifications and experience and registered as a valuer in such manner, on such terms and conditions as may be prescribed and appointed by the audit committee or in its absence by the Board of Directors of the Company.

14. Evaluation of internal financial controls and risk management systems;

15. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

16. Reviewing the adequacy of internal audit function, if

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any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audits.

17. Discussion with internal auditors of any significant findings and follow up there on;

18. Reviewing the findings of any internal investigations by the internal auditors into matter where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Boards;

19. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

20. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

21. To review the functioning of the Whistle Blower mechanism;

22. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background etc. of the candidate; and

23. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

24. The Audit Committee of the Company shall mandatorily review the following information:

- i. management discussion and analysis of financial condition and results of operations;
- ii. statement of significant related party transactions (as defined by the audit committee), submitted by management;
- iii. management letters/ letters of internal control weaknesses issued by the statutory auditors;
- iv. internal audit reports relating to internal control weaknesses; and
- v. the appointment removal and terms of remuneration of the chief internal auditors shall be subject to review by the audit committee.
- vi. statement of deviations:
  - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations.
  - (b) annual statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice in terms of Regulation 32(7) of the Listing Regulations.

25. The internal auditors may report directly to the audit committee.

26. The audit committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.

27. All related party transactions shall require approval of the Audit committee and the Committee may make omnibus approval for related part transactions proposed to be entered into by the Company on yearly basis.

28. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval.

29. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given.

## (ii) Composition of the Committee

The composition of the Audit Committee is as under:

Sl. No.	Name of Director	Designation	Category
1	Shri Dharmendar Nath Davar	Chairman	Non-Executive Independent Director
2	Shri Shekhar Agarwal	Member	Non-Executive Promoter Director
3	Dr. Kamal Gupta	Member	Non-Executive Independent Director
4	Dr. Om Parkash Bahl	Member	Non-Executive Independent Director

All these Directors possess knowledge of corporate finance, accounts and corporate laws. The Statutory Auditors, Internal Auditors and Senior Executives of the Company are invited to attend the meetings of the Committee, whenever necessary. The Company Secretary acts as the Secretary of the Committee.

## (iii) Meetings and Attendance

During the financial year ended 31<sup>st</sup> March, 2016, four meetings were held on 14<sup>th</sup> May, 2015, 29<sup>th</sup> July, 2015, 7<sup>th</sup> November, 2015 and 27<sup>th</sup> January, 2016.

The attendance at the above Meetings was as under:

Sl. No.	Name of Director	No. of Meetings Attended
1	Shri Dharmendar Nath Davar	4
2	Shri Shekhar Agarwal	3
3	Dr. Kamal Gupta	4
4	Dr. Om Parkash Bahl	4

#### 4. NOMINATION AND REMUNERATION COMMITTEE

##### (i) The terms of reference of the Committee as per the Nomination and Remuneration Policy of the Company inter-alia includes the following:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
  - to recommend to the Board the appointment and removal of Director or KMP or Senior Management Personnel;
  - to carry out evaluation of Director's performance;
  - assessing the independence of Independent Directors;
  - to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
  - making recommendations to the Board on the remuneration/ fee payable to the Directors/ KMPs/Senior Officials so appointed/re-appointed;
  - ensure that level and composition of remuneration of Directors, KMP's and Senior Management is reasonable and sufficient. The relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
  - to devise a policy on Board diversity;
  - to develop a succession plan for the Board and Senior Management and to regularly review the plan; and
- j) such other key issues/matters as may be referred by the Board or as may be necessary in view of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provision of the Companies Act, 2013 and Rules thereunder.

##### (ii) Composition of the Committee

The composition of the Nomination and Remuneration Committee is as under:

Sl. No.	Name of Director	Designation	Category
1	Shri Dharmendar Nath Davar	Chairman	Non-Executive Independent Director
2	Dr. Kamal Gupta	Member	Non-Executive Independent Director
3	Dr. Om Parkash Bahl	Member	Non-Executive Independent Director

The Company Secretary acts as the Secretary of the Committee.

##### (iii) Meeting and Attendance

During the financial year ended 31<sup>st</sup> March, 2016, two meetings were held on 29<sup>th</sup> July, 2015 and 27<sup>th</sup> January, 2016.

The attendance at the above Meetings was as under:

Sl. No.	Name of Director	No. of Meetings Attended
1	Shri Dharmendar Nath Davar	2
2	Dr. Kamal Gupta	2
3	Dr. Om Parkash Bahl	2

##### (iv) Details of Remuneration to the Directors for the year ended 31<sup>st</sup> March, 2016

(Amount in ₹)

Name of Director	Salary	Benefits	Commission	Sitting Fee	Total
Shri Ravi Jhunjhunwala*	62,14,000	10,05,540	-	-	72,19,540**
Shri Shekhar Agarwal	-	-	-	4,70,000	4,70,000
Shri Dharmendar Nath Davar	-	-	-	10,85,000	10,85,000
Dr. Kamal Gupta	-	-	-	11,25,000	11,25,000
Shri Satyendra Nath Bhattacharya##	-	-	-	75,000	75,000
Dr. Om Parkash Bahl	-	-	-	10,65,000	10,65,000
Smt. Vinita Singhania	-	-	-	3,75,000	3,75,000
Shri Riju Jhunjhunwala	-	-	-	4,00,000	4,00,000
Shri Lalit Mohan Lohani^	-	-	-	75,000	75,000

## Shri Satyendra Nath Bhattacharya was appointed on 22<sup>nd</sup> September, 2015 as a Director of the Company.

^ Shri Lalit Mohan Lohani has resigned from the Directorship of the Company w.e.f. 25<sup>th</sup> May, 2015.

\* An application to Central Government has been made for payment of his full remuneration as approved by the shareholders.

\*\* worked out as per Section II of Part II of Schedule V of the Companies Act, 2013.



The appointment of Executive Directors, Key Managerial Personnel and other Employees is by virtue of their employment with the Company therefore, their terms of employment vis-a-vis salary, variable pay, service contract, notice period and severance fee, if any, are governed by the applicable policies at the relevant point in time.

#### (v) Criteria of making payments to Non-Executive Directors

The criteria of making payments to Non- Executive Directors is appearing on the website of the Company and the web link of the same is as under:

[www.hegltd.com/pdf/criteria\\_of\\_making\\_payments\\_to\\_Non\\_Executive\\_Directors.pdf](http://www.hegltd.com/pdf/criteria_of_making_payments_to_Non_Executive_Directors.pdf)

### 5. PERFORMANCE EVALUATION CRITERIA OF INDEPENDENT DIRECTORS

Pursuant to the Regulation 17 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, evaluation of Independent Directors was carried out by entire Board. Only the Independent Director being evaluated did not participate in the said evaluation discussion.

The Evaluation criteria for Independent Directors forms part of Nomination and Remuneration Policy of the Company which is annexed in the Directors' Report.

### 6. FAMILIARISATION PROGRAMME

The Familiarisation Programmes imparted to Independent Directors of the Company has been disclosed on its website and a web link thereto is as under:

[http://www.hegltd.com/pdf/Details\\_of\\_Familiarisation\\_Programmes\\_for\\_Independent\\_Directors.pdf](http://www.hegltd.com/pdf/Details_of_Familiarisation_Programmes_for_Independent_Directors.pdf)

### 7. STAKEHOLDERS RELATIONSHIP COMMITTEE

#### (i) Broad Terms of Reference

The Stakeholders Relationship Committee shall consider and resolve the grievances of various security holders of the Company. It shall specifically look into the redressal of stakeholders/ investors complaints in a timely and proper manner.

#### (ii) Composition of the Committee

The composition of the Committee is as under:

Sl. No.	Name of Director	Designation	Category
1	Shri Riju Jhunjunwala	Chairman	Non-Executive Promoter Director
2	Shri Ravi Jhunjunwala	Member	Executive Promoter Director
3	Dr. Kamal Gupta	Member	Non-Executive Independent Director

Shri Ashish Sabharwal, Company Secretary is the Compliance Officer.

#### (iii) Meetings and Attendance

During the financial year ended 31<sup>st</sup> March, 2016, Four meetings were held on 14<sup>th</sup> May, 2015, 29<sup>th</sup> July, 2015, 7<sup>th</sup> November, 2015 and 27<sup>th</sup> January, 2016.

The attendance at the above Meetings was as under:

Sl. No.	Name of Director	No. of Meetings Attended
1	Shri Riju Jhunjunwala	4
2	Shri Ravi Jhunjunwala	4
3	Dr. Kamal Gupta	4

The Company received 20 complaints during the year and all were resolved to the satisfaction of the shareholders. There was no valid request for transfer of shares pending as on 31.03.2016.

### 8. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

#### (i) Broad Terms of Reference

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- Recommend and monitor the amount of expenditure to be incurred on the activities referred to in clause (a); and
- Monitor the Corporate Social Responsibility Policy of the Company from time to time.

#### (ii) Composition of the Committee

The composition of the Corporate Social Responsibility Committee is as under:

Sl. No.	Name of Director	Designation	Category
1	Shri Ravi Jhunjunwala	Chairman	Executive Promoter Director
2	Shri Dharmendar Nath Davar	Member	Non- Executive Independent Director
3	Smt. Vinita Singhania	Member	Non- Executive Independent Director

#### (iii) Meetings and Attendance

During the financial year ended 31<sup>st</sup> March, 2016, Four meetings were held on 14<sup>th</sup> May, 2015, 29<sup>th</sup> July, 2015, 7<sup>th</sup> November, 2015 and 27<sup>th</sup> January, 2016.

The attendance at the above Meetings was as under:

Sl. No.	Name of Director	No. of Meetings Attended
1	Shri Ravi Jhunjhunwala	4
2	Shri Dharmendar Nath Davar	4
3	Smt. Vinita Singhania	4

## 9. INDEPENDENT DIRECTORS' MEETING

As stipulated by the Code of Independent Directors under the Companies Act, 2013 and also as per the Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of the Independent Directors of the Company was held on 27<sup>th</sup> January, 2016 to review the performance of Non-independent Directors (including the

Chairman, Managing Director & CEO) and the Board as a whole. The Independent Directors also reviewed the quality, content and timeliness of the flow of information between the Management and the Board and its Committees which is necessary to effectively and reasonably perform and discharge their duties.

## 10. VIGIL MECHANISM /WHISTLE BLOWER POLICY

The Board on the recommendation of Audit Committee has adopted a Whistle Blower Policy. The details of the same is disclosed on the website of the Company and a weblink thereto is as under:

<http://www.heg ltd.com/pdf/whistle.pdf>

## 11. GENERAL BODY MEETINGS

The last three Annual General Meetings were held as per detail below:

Date of AGM	Relevant financial year	Venue/Location where held	Time of Meeting	Whether any special resolution passed
21 <sup>st</sup> September, 2013	2012-2013	Mandideep, (Near Bhopal), Distt. Raisen, Madhya Pradesh – 462 046	1.30 P.M.	Yes
30 <sup>th</sup> August, 2014	2013-2014	Mandideep, (Near Bhopal), Distt. Raisen, Madhya Pradesh – 462 046	1.30 P.M.	Yes
22 <sup>nd</sup> September, 2015	2014-2015	Mandideep, (Near Bhopal), Distt. Raisen, Madhya Pradesh – 462 046	11.30 A.M.	No

There was no resolution passed by the shareholders through postal ballot in the financial year 2015-16.

No special resolution proposed to be passed by the Company through postal ballot at the ensuing Annual General Meeting.

## 12. DISCLOSURES

a) There are no materially significant transactions with the related parties viz. Promoters, Directors or the Management, their Subsidiaries or relatives conflicting with Company's interest. Suitable disclosure as required by the Accounting Standard (AS)-18 (Related Party Disclosures), has been made in the Annual Report.

A web link for policy on dealing with related party transactions is as under:

[http://www.heg ltd.com/pdf/Policy\\_on\\_Related\\_Party\\_Transactions\\_HEG\\_Limited.pdf](http://www.heg ltd.com/pdf/Policy_on_Related_Party_Transactions_HEG_Limited.pdf)

a) There are no pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company that have a potential conflict with the interests of the Company.

b) No penalties or strictures have been imposed on

the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during last three years.

c) The Company has complied with the requirements of the Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

d) The Company has complied with the Corporate Governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

e) Disclosure of Commodity Price Risks and Commodity hedging activities: In the recent times sale and purchase of Graphite Electrodes have more or less Commoditised, with customers preferring price as a key driver. The key

raw material for the same is petroleum based by product. There is a clear relationship in the Price movement of both, though with a small lead and lag effect. Both sourcing and sale contracts are short term these days and therefore offer ample opportunities for matching the Price movement on either side.

- f) The Company has a Policy for Determining Material Subsidiaries and the same is available on the Company's website and a web link thereto is as under:

[http://www.hegltd.com/pdf/Policy\\_for\\_Determining\\_Material\\_Subsiary.pdf](http://www.hegltd.com/pdf/Policy_for_Determining_Material_Subsiary.pdf)

- g) No personnel have been denied any access to the Audit Committee of the Company.
- h) The Company has complied with all the applicable Accounting Standards.
- i) The Chairman, Managing Director & CEO and Chief Financial officer have certified to the Board, inter-alia the accuracy of financial statements and adequacy of Internal Controls for the financial reporting purpose as required under Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, for the year ended 31.03.2016. The annual Certificate given by the Chairman, Managing Director & CEO and the Chief Financial Officer is published in this report.
- j) The Internal Auditor directly reports to the Audit Committee.

### 13. CODE OF CONDUCT

There is a Code of Conduct for the Directors and Senior Management Personnel. This Code is a comprehensive code applicable to all Directors and members of the Senior Management. A copy of the Code has been put on the Company's website [www.hegltd.com](http://www.hegltd.com).

The Code has been circulated to all the Members of the Board and Senior Management Personnel and compliance of the same has been affirmed by them. A declaration signed by the Chairman & Managing Director & CEO in this regard is given below:

"I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management Personnel of the Company, affirmation that they have complied with the Code of Conduct framed for Directors and Senior Management Personnel in respect of the financial year 2015-16."

### 14. MEANS OF COMMUNICATION

The Company publishes its quarterly results in leading national newspapers as per the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These results are displayed on the website of the Company along with other news releases and presentations, if any, made to institutional investors or to analysts among others. All other vital information is also placed on the website of the Company.

### 15. DISCLOSURES REGARDING APPOINTMENT OR RE-APPOINTMENT OF DIRECTORS

Name of Director	Shri Riju Jhunjhunwala	Shri Dantuluri Satyanarayana Ravindra Raju
Date of Birth	13/01/1979	19/07/1961
Date of Appointment	30/04/2009	27/05/2016
Qualification	Degree in Business Management studies.	B. Tech (Chemical), MS (Chemicals-IIT Chennai), PGCBM-XLRI
Expertise in specific functional areas	He is an Industrialist with diversified business experience. He is the Managing Director of RSWM Ltd and Bhilwara Energy Ltd	31 years of rich experience in Bulk Chemicals, Speciality Chemicals, Fertilisers, Gypsum Boards/Plasters, Sugar, Power and Alcohol Industries.
List of other Public Ltd. Companies in which directorships held.	1. RSWM Ltd. 2. Bhilwara Infotechnology Limited 3. Bhilwara Green Energy Limited 4. LNJ Power Ventures Limited 5. Bhilwara Energy Limited 6. Bhilwara Technical Textiles Limited 7. NJC Hydro Power Limited 8. Chango Yangthang Hydro Power Limited	-

Chairman/Member of the Committees of the Board of Directors of the Company.	Stakeholder Relationship Committee - Chairman	-
Chairman/Member of the Committee of Directors of other Companies.		
a) Audit Committee	Bhilwara Technical Textiles Limited- Member	-
b) Stakeholders Relationship Committee	Bhilwara Technical Textiles Limited- Member	-
No of Equity Shares held in the Company	2,33,290	-

## 16. SHAREHOLDERS INFORMATION

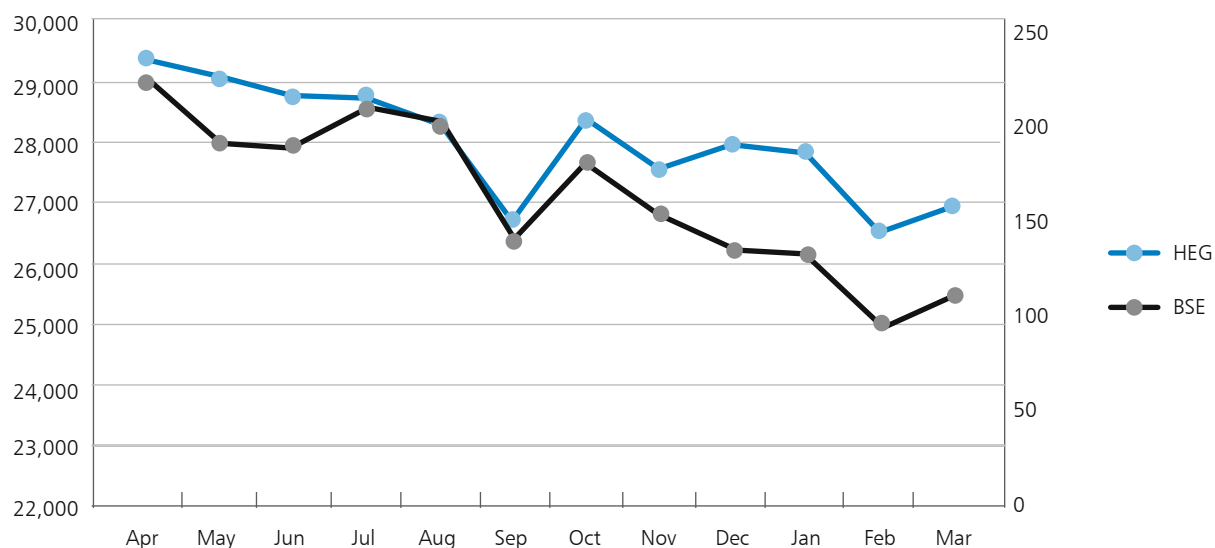
a) Annual General Meeting: Date & Time, Venue	28 <sup>th</sup> September, 2016 at 11.30 A.M. at the registered office of the Company at Mandideep, Near Bhopal, Distt. Raisen, Madhya Pradesh – 462 046.	
b) Financial Calendar:	Financial Year: 1 <sup>st</sup> April, 2016 – 31 <sup>st</sup> March, 2017. Reporting:	
	a) First quarter results	Within 45 days of end of the 1 <sup>st</sup> Qtr
	b) Second Quarter Results	Within 45 days of end of the 2 <sup>nd</sup> Qtr
	c) Third Quarter Results	Within 45 days of end of the 3 <sup>rd</sup> Qtr
	d) Results for Fourth Quarter & the FY	Within 60 days of end of the FY
c) Date of Book Closure	22 <sup>nd</sup> September, 2016 to 28 <sup>th</sup> September, 2016 (both days inclusive)	
d) Dividend payment date:	N.A.	
e) Listing of Shares on Stock Exchanges	<p>1.BSE Limited  <b>BSE- Corporate Office</b>  Phiroze Jeejeebhoy Towers  Dalal Street  Mumbai- 400001  Tel no : (022) 22721233/4, (022) 66545695 (Hunting)  Fax no : (022) 22721919</p> <p>2.National Stock Exchange of India Limited  <b>NSE – Corporate Office</b>  Exchange Plaza, C-1, Block G,  Bandra Kurla Complex,  Bandra (E)  Mumbai – 400 051  Tel No: (022) 26598100 – 8114  Fax No: (022) 26598120</p>	
f) Payment of Listing Fees	Listing fees as applicable have been duly paid	
g) Stock Code / ISIN No.	Equity Shares: BSE: 509631 NSE: HEG ISIN No .: INE545A01016	

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h. i) Market Price Data: Monthly High Low values (in ₹) at NSE & BSE and comparison with BSE Sensex.

Month	NSE		BSE		BSE Sensex	
	High	Low	High	Low	High	Low
April, 2015	231.40	210.00	230.90	210.90	29,094.61	26,897.54
May, 2015	222.90	193.25	223.00	192.50	28,071.16	26,423.99
June, 2015	209.50	180.05	209.50	180.00	27,968.75	26,307.07
July, 2015	211.00	184.00	211.00	184.10	28,578.33	27,416.39
August, 2015	199.00	140.00	198.00	142.00	28,417.59	25,298.42
September, 2015	149.00	134.20	149.00	134.70	26,471.82	24,833.54
October, 2015	199.00	138.20	198.60	138.80	27,618.14	26,168.71
November, 2015	174.65	156.00	174.50	157.80	26,824.30	25,451.42
December, 2015	186.60	163.00	186.40	164.00	26,256.42	24,867.73
January, 2016	183.00	134.65	183.30	135.00	26,197.27	23,839.76
February, 2016	143.00	115.00	142.30	116.10	25,002.32	22,494.61
March, 2016	154.40	118.00	154.80	120.50	25,479.62	23,133.18

ii) Comparative chart of Company's share price movement vis-à-vis the movement of BSE Sensex during FY 2015-16:



i) Registrar and Transfer Agent	MCS Share Transfer Agent Limited F-65, Okhla Industrial Area, Phase-I, New Delhi-110020 Phone : 011-41406149 – 52 Fax : 011-41709881 E-mail Id: helpdeskdelhi@mcsregistrars.com
j) Share Transfer System:	Share Transfers are attended and registered on fortnightly basis and the same are returned within 30 days from the date of receipt, if the documents are in order in all respects.



k) Distribution of shareholding as on 31<sup>st</sup> March, 2016.

No. of Equity Shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
1-500	29,537	94.52	31,97,803	8.00
501-1000	937	3.00	7,21,236	1.80
1001-2000	396	1.27	5,68,194	1.42
2001-3000	136	0.44	3,38,178	0.85
3001-4000	61	0.20	2,18,519	0.55
4001-5000	30	0.10	1,37,055	0.34
5001-10000	64	0.20	4,64,204	1.16
10001 and above	88	0.28	3,43,13,953	85.87
<b>Total</b>	<b>31,249</b>	<b>100.00</b>	<b>3,99,59,142</b>	<b>100.00</b>

## l) Category of Shareholders

Category	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
Promoters and Promoter Group	22	0.07	2,34,92,750	58.79
Mutual Funds / UTI	9	0.03	22,234	0.06
Financial Institutions / Banks	10	0.03	3,55,490	0.89
Insurance Companies	3	0.01	38,86,797	9.73
Foreign Institutional Investors	21	0.07	3,36,898	0.84
Bodies Corporate	585	1.87	31,27,960	7.83
Individuals	30,269	96.86	56,87,491	14.23
<b>Others:</b>				
I) Trusts	3	0.01	13,052	0.03
II) Foreign Corporate Bodies	1	0.00	28,93,888	7.24
III) NRI Individuals	326	1.04	1,42,582	0.36
<b>Total</b>	<b>31,249</b>	<b>100.00</b>	<b>3,99,59,142</b>	<b>100.00</b>

m) Dematerialisation of shares and liquidity.	3,89,55,119 shares were dematerialised till 31.03.2016 which was 97.49% of the total paid-up Equity Share Capital of the Company on that date. Trading in shares of the Company is permitted in dematerialised form only.
n) Commodity price risk or foreign exchange risk and hedging activities	Please refer Point No.4 under the head Risk Management, which forms part of Management Discussion and Analysis.
o) Outstanding GDRs/ADRs/warrants or any Convertible instruments, conversion date and likely impact equity.	There are no such instruments outstanding as on 31 <sup>st</sup> March, 2016.
p) Plant locations	a) Mandideep (Near Bhopal), Distt. Raisen- 462046, Madhya Pradesh.  b) Village Ranipur, Tawa Nagar, Distt. Hoshangabad – 461001 Madhya Pradesh.
q) Address for correspondence:	HEG Limited Secretarial Department Bhilwara Towers, A-12, Sector –1, Noida - 201301 Phone:0120-4390300, 4390000 Fax:0120- 4277841 E-mail: heg.investor@lnjbhilwara.com

# CEO/CFO Certificate

## Under Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,  
The Board of Directors  
HEG Limited

- (a) We have reviewed financial statements and the cash flow statement for the Financial Year ended 31<sup>st</sup> March, 2016 and that to the best of our knowledge and belief:
- i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting in the Company and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
- i. Significant changes in internal control over financial reporting during the year;
  - ii. Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
  - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**Ravi Jhunjunwala**  
*Chairman, Managing Director & CEO*

**Raju Rustogi**  
*Chief Financial Officer*

Noida (U.P.)  
27<sup>th</sup> May, 2016

# Compliance Certificate

To,  
The Members of  
HEG Limited

We have examined the compliance of conditions of Corporate Governance by HEG Limited ('the Company') for the financial year ended 31<sup>st</sup> March, 2016 as stipulated in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S. S. KOTHARI MEHTA & CO.  
*Chartered Accountants*  
Firm Regn. No. 000756N

For DOOGAR & ASSOCIATES  
*Chartered Accountants*  
Firm Regn. No.000561N

SUNIL WAHAL  
*PARTNER*  
Membership No. 087294

M.K. DOOGAR  
*PARTNER*  
Membership No. 080077

Place: Noida (U.P.)  
Date: 27<sup>th</sup> May, 2016

## INDEPENDENT AUDITORS' REPORT

To The Members of  
HEG LIMITED

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of HEG Limited ("the Company") which comprise the balance sheet as at 31st March, 2016, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation, and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial

statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016 and its loss and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure "A" a statement on the matters specified in paragraphs 3 and 4 of the Order;
2. As required by section 143(3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The balance sheet, statement of profit and loss and cash flow statement dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - e. On the basis of written representations received from the directors as on 31st March 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2016, from being appointed as a director in terms of section 164(2) of the Act;
  - f. With respect to the adequacy of the internal financial

controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure "B" to this report; and

g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 31 & 32 to the financial statements;
- ii) As explained to us, the Company did not have any long term contracts including derivative contracts, therefore the Company was not required to make any provision

for material foreseeable losses required under the applicable law or accounting standards; and

- iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For Doogar & Associates**  
Chartered Accountants  
Firm Regn. No. 000561N

**For S.S. Kothari Mehta & Co**  
Chartered Accountants  
Firm Regn. No. 000756N

**M.K. Doogar**  
Partner  
M.No. 080077  
Place: Noida (U.P)  
Date: 27th May, 2016

**Sunil Wahal**  
Partner  
M. No. 087294

## Annexure A to the Independent Auditor's Report to the members of HEG Ltd dated 27th May 2016

Report on the matters specified in paragraph 3 of the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of section 143(11) of the Companies Act, 2013 ("the Act") as referred to in paragraph 1 of 'Report on Other Legal and Regulatory Requirements' section

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.</li> <li>(b) Physical verification of fixed assets is being conducted by the management based on a program designed to cover all assets over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and nature of its business. Discrepancies noticed on such verification as compared to book records were not material and have been properly adjusted in the books of account.</li> <li>(c) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deed of immovable properties are held in the name of the Company.</li> </ul> | <p>noticed in respect of such confirmations.</p>   |
| <ul style="list-style-type: none"> <li>(ii) The inventories have been physically verified by the management during the year at all its locations, except stocks located outside India, lying with third parties and in transit which have been verified with reference to correspondence of third parties or subsequent receipt of goods. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at year end and no material discrepancies were</li> </ul>   | <ul style="list-style-type: none"> <li>(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to Companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a) to (c) of the Order are not applicable to the Company and hence not commented upon.</li> <li>(iv) In our opinion and according to the information and explanations given to us, the company has given a guarantee jointly with another Company to a financial institution for loan taken by others and made investments which are covered under the provisions of section 185 and 186 of the Companies Act 2013, the terms and conditions of which are prima facie not prejudicial to the interest of the company.</li> <li>(v) The Company has not accepted any deposits from the public within the meaning of directives issued by the Reserve Bank of India and provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder are not applicable.</li> <li>(vi) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company as specified by the Central Government of India</li> </ul> |



01-11	12-20	21-58	59-130
Corporate Overview	Management Review	Statutory Reports	Financial Statements

under section 148(1) of the Companies Act, 2013 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate and complete.

- (vii) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, cess and other material

statutory dues as applicable with the appropriate authorities. Further, there were no undisputed amounts outstanding at the year-end for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of Custom Duty, which have not been deposited on account of any dispute, except the following in respect of Income Tax, Excise Duty, Service Tax and Sales Tax which have not been deposited on account of any dispute, are as follows: -

S. No.	Name of the Statute	Nature of Dues	Amount (₹ in Lacs)	Period Assessment to which the amount relates	Forum where the dispute is pending
1	Central Excise Act, 1944	Excise Duty	299.61	2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08	CESTAT, New Delhi
			1.42	2004-05	Hon'ble High Court, Jabalpur
			2.15	2013-14	Commissioner (Appeal), Bhopal
2	Income Tax Act, 1961	Income Tax	1064.75	Assessment year 2014-15, 2013-14, 2012-13, 2008-09	CIT (Appeals), Bhopal
			516.00	Assessment year 2003-04, 2004-05	Hon'ble High Court, Jabalpur
		Income Tax Penalty	20.00	Assessment year 2011-12	CIT (Appeals), Bhopal
		Income Tax Penalty	20.00	Assessment year 2010-11	CIT (Appeals), Bhopal
3	Finance Act, 1994	Service Tax and penalty	1640.39	2006-07, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14	CESTAT, New Delhi
		Service Tax and penalty	109.64	2012-13	Commissioner of Excise and Customs, Bhopal
4	Central Sales Tax Act, 1956	Central Sales Tax	20.89	2002-03	Sales Tax Tribunal, Bhopal
	Central Sales Tax Act, 1956		21.30	2003-04	Hon'ble High Court, Jabalpur
5	Madhya Pradesh Parvesh Kar Adhiniyam, 1976	Entry Tax	311.54	2010-11, 2011-12 and 2012-13	Commissioner (Appeals), Bhopal
			131.09	2002-03, 2006-07, 2007-08, 2008-09, 2009-10	Appellate Tribunal, Bhopal
			20.11	1997-98, 2003-04	Hon'ble High Court, Jabalpur
6	Chhattisgarh Commercial Tax	VAT	3.03	2006-07	Commissioner (Appeals), Raipur
			1.51	1992-93	Appellate Tribunal, Raipur
		Entry Tax	9.79	2005-06	Appellate Tribunal, Raipur
		Entry Tax	12.00	2007-08	Commissioner (Appeals), Raipur

(viii) According to the records of the Company examined by us and the information and explanations given to us, in our opinion, the Company has not defaulted in repayment of its dues to Governments, banks and financial institutions. The Company has not taken any loans from debenture holders.	information and explanations given to us, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
(ix) Based on our audit procedures and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer / further public offer. Further, based on our audit procedures and according to the information and explanations given to us and on an overall examination of the balance sheet, we report that monies raised by way of term loans were applied for the purposes for which those were raised.	(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
(x) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company by its officer or employees noticed or reported during the year, nor have we been informed of such case by the management.	(xv) Based on our audit procedures and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.
(xi) Based on our audit and according to the information and explanations given to us, we report that the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.	(xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.
(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.	<div> <div> <b>For Doogar&amp; Associates</b>  <i>Chartered Accountants</i>  Firm Regn. No. 000561N </div> <div> <b>For S.S. Kothari Mehta &amp; Co</b>  <i>Chartered Accountants</i>  Firm Regn. No. 000756N </div> </div> <div> <div> <b>M.K. Doogar</b>  <i>Partner</i>  M.No. 080077  Place: Noida (U.P)  Date: 27th May, 2016 </div> <div> <b>Sunil Wahal</b>  <i>Partner</i>  M. No. 087294 </div> </div>
(xiii) Based on our audit procedures and according to the	

## Annexure 'B' to the independent Auditor's Report to the Members of HEG Limited dated May 27, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act") as referred to in paragraph 2(f) of 'Report on other legal and regulatory requirements' section

We have audited the internal financial controls over financial reporting of HEG Limited ("the Company") as of 31st March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and

maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were

operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that,

in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Doogar & Associates**  
Chartered Accountants  
Firm Regn. No. 000561N

**M.K. Doogar**  
Partner  
M.No. 080077  
Place: Noida (U.P)  
Date: 27th May, 2016

**For S.S. Kothari Mehta & Co**  
Chartered Accountants  
Firm Regn. No. 000756N

**Sunil Wahal**  
Partner  
M. No. 087294

## Balance Sheet as at 31st March, 2016

		(₹ in Lacs)	
	Note	As at 31st March, 2016	As at 31st March, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
(a) Share capital	3	3,995.95	3,995.95
(b) Reserves and surplus	4	88,267.34	90,076.52
<b>2. Non-current liabilities</b>			
(a) Long-term borrowings	5	15,655.33	25,237.17
(b) Deferred tax liabilities (Net)	6	9,915.75	9,734.27
(c) Other long term liabilities	7	81.54	105.11
(d) Long-term provisions	8	306.59	300.26
<b>3. Current liabilities</b>			
(a) Short-term borrowings	9	47,376.88	57,591.74
(b) Trade payables:-	10		
– Total outstanding dues of micro enterprises and small enterprises		200.39	-
– Total outstanding dues of creditors other than micro enterprises and small enterprises		4,971.31	12,892.56
(c) Other current liabilities	11	17,271.81	15,742.20
(d) Short-term provisions	8	176.70	1,617.74
<b>TOTAL</b>		<b>1,88,219.59</b>	<b>2,17,293.52</b>
<b>II. ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	12	93,274.48	90,639.99
(ii) Intangible assets	13	4.64	13.84
(iii) Capital work-in-progress	14	2,935.72	10,774.86
(iv) Intangible assets under development		-	-
(b) Non-current investments	15	14,930.89	14,930.89
(c) Long-term loans and advances	16	8,164.01	8,194.01
(d) Other non-current assets	17	-	180.08
<b>2. Current assets</b>			
(a) Current investments	18	25.00	25.00
(b) Inventories	19	32,219.91	40,190.48
(c) Trade receivables	20	32,490.55	40,546.40
(d) Cash and bank balances	21	511.78	406.43
(e) Short-term loans and advances	16	2,858.98	9,336.51
(f) Other current assets	17	803.63	2,055.03
<b>TOTAL</b>		<b>1,88,219.59</b>	<b>217,293.52</b>
Summary of significant accounting policies	2		

The accompanying notes (1-50) form an integral part of these financial statements

Signed in terms of our report of even date

For **Doogar & Associates**  
Chartered Accountants  
Firm Regn. No. 000561N

For **S.S. Kothari Mehta & Co.**  
Chartered Accountants  
Firm Regn.No. 000756N

**Ravi Jhunjhunwala**  
Chairman & Managing Director  
DIN No.00060972

**Shekhar Agarwal**  
Vice Chairman  
DIN No.00066113

**M.K.Doogar**  
Partner  
Membership No. 080077

**Sunil Wahal**  
Partner  
Membership No. 087294

**D.N.Davar**  
Director  
DIN No.00002008

**Riju Jhunjhunwala**  
Director  
DIN No.00061060

Place : Noida (U.P.)  
Dated: 27th May,2016

**Raju Rustogi**  
Chief Financial Officer

**Ashish Sabharwal**  
Company Secretary

## Statement of Profit and Loss for the year ended 31st March, 2016

		(₹ in Lacs)	
	Note	Year ended 31st March, 2016	Year ended 31st March, 2015
<b>I. Revenue from operations</b>			
Sale of products	22	86,028.65	125,550.29
Other operating Income		740.09	588.53
Less: Excise duty		4,014.82	2,831.85
Revenue from operations (Net)		82,753.92	123,306.97
<b>II. Other income</b>	23	416.70	1,516.06
<b>III. Total revenue (I + II)</b>		<b>83,170.62</b>	<b>124,823.03</b>
<b>IV. Expenses:</b>			
Cost of materials consumed	24	31,880.59	59,315.80
Changes in inventories of finished goods work-in-progress and stock-in-trade	25	4,807.66	2,425.08
Employee benefit expenses	26	6,324.15	6,107.16
Finance costs	27	5,994.46	7,712.65
Depreciation and amortization expenses	28	7,921.90	7,535.72
Other expenses	29	27,295.85	37,294.95
<b>Total expenses</b>		<b>84,224.61</b>	<b>120,391.36</b>
<b>V. Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>(1,053.99)</b>	<b>4,431.67</b>
<b>VI. Exceptional items</b>		-	-
<b>VII. Profit before extraordinary items and tax (V - VI)</b>		<b>(1,053.99)</b>	<b>4,431.67</b>
<b>VIII. Extraordinary Items</b>		-	-
<b>IX. Profit before tax (VII- VIII)</b>		<b>(1,053.99)</b>	<b>4,431.67</b>
<b>X. Tax expense:</b>			
(1) Current tax			
Current tax		-	963.18
Mat credit entitlement		-	(963.18)
Net current tax		-	-
Income tax -previous year		279.61	(2.91)
Mat credit previous year		-	2.91
(2) Deferred tax		181.48	531.51
<b>XI. Net profit (loss) for the year from continuing operations (IX-X)</b>		<b>(1,515.09)</b>	<b>3,900.16</b>
<b>XII. Net profit (loss) for the year</b>		<b>(1,515.09)</b>	<b>3,900.16</b>
<b>XIII. Earnings per equity share: (Par value of ₹10 each)</b>			
(1) Basic (₹)	30	(3.79)	9.76
(2) Diluted (₹)	30	(3.79)	9.76

The accompanying notes (1-50) form an integral part of these financial statements

Signed in terms of our report of even date

For Doogar & Associates  
Chartered Accountants  
Firm Regn. No. 000561N

For S.S. Kothari Mehta & Co.  
Chartered Accountants  
Firm Regn.No. 000756N

Ravi Jhunjunwala  
Chairman & Managing Director  
DIN No.00060972

Shekhar Agarwal  
Vice Chairman  
DIN No.00066113

M.K.Doogar  
Partner  
Membership No. 080077

Sunil Wahal  
Partner  
Membership No. 087294

D.N.Davar  
Director  
DIN No.00002008

Riju Jhunjunwala  
Director  
DIN No.00061060

Place : Noida (U.P.)  
Dated: 27th May,2016

Raju Rustogi  
Chief Financial Officer

Ashish Sabharwal  
Company Secretary



## Notes to the financial statements for the year ended 31st March, 2016

### Note:1 BASIS OF PREPARATION

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The financial statements have been prepared to comply in all material respects with the accounting standards prescribed under the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

### Note:2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

#### 2.2 Revenue Recognition

##### Sale of goods

Revenue is recognized to the extent that it is probable, that the economic benefits will flow to the Company and the revenue can be reliably measured.

- (i) Revenue is recognized in respect of export sales on the basis of shipment of goods to customer and in respect of domestic sales on dispatch from factory. Quality rebates, claims and other discounts are disclosed separately.
- (ii) Domestic sales includes excise duty. However, excise duty on sales is reduced from gross turnover for disclosing net turnover.
- (iii) Power generated at the power plants is primarily consumed by the manufacturing units and excess power is sold to SEBs/ IEX which is included in the sales as below:
  - i) Power transferred to Graphite unit at MPEB rate.
  - ii) Excess power generated is sold to SEB's at rate stipulated by SEB's and/or IEX at market rate.
- iv) Inter-divisional sales comprising of sale of power from power plants to Graphite unit is reduced from gross turnover in deriving net turnover.
- v) Income and export incentives / benefits are accounted for on accrual basis and as per principles given under AS-9 – Revenue Recognition.
- vi) Entitlement to Renewal Energy Certificates owing to generation of power at hydel plant are recognized to the extent sold at actual rate of net realization.

##### Dividends

Revenue in respect of dividends is recognised when the shareholders' right to receive payment is established by the balance sheet date.

##### Interest Income

Interest income is recognised on time proportion basis taking into account the amount outstanding and the applicable interest rate.

#### 2.3 Inventories

- i) Finished goods and work-in-progress are valued at lower of historical cost or net realizable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. By products are valued at net realisable value. Cost is determined on a weighted average basis.
- ii) Stores, spares and raw materials are valued at lower of historical cost or net realisable value. However materials & other items held for use in the production of inventories are not written below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
- iii) Cost is determined on the basis of weighted average method.
- iv) Obsolete stocks are identified every year on the basis of technical evaluation and are charged off to revenue.
- v) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

#### 2.4 Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All

## Notes to the financial statements for the year ended 31st March, 2016

other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost individually. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments in case of long term investments.

### 2.5 Fixed & Intangible Assets

#### Fixed Assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment loss if any. Historical cost comprises the purchase price (net of CENVAT / duty credits wherever applicable) and all direct costs attributable to bringing the asset to its working condition for intended use.

#### Intangible Assets

Capital expenditure on purchase and development of identifiable assets without physical substance is recognized as intangible assets in accordance with principles given under AS-26 Intangible Assets. These are grouped and separately shown under the schedule of fixed assets.

### 2.6 Expenses Incurred During Construction Period

Preliminary project expenditure, capital expenditure, indirect expenditure incidental and related to construction / implementation, interest on borrowings to finance fixed assets and expenditure on start-up / commissioning of assets forming part of a composite project are capitalized upto the date of commissioning of the project as the cost of respective assets.

### 2.7 Depreciation & Amortisation

Based on internal assessment and independent technical evaluation carried out by external valuers the management believes that the useful lives as given below best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Assets description	Useful life
Building	30-60 Years
Plant & machinery	9-20 Years
Railway siding	9 Years
Office equipment(includes computers & data processing units)	6-20 Years
Electrical installation	20 Years
Furniture & fixtures	15 Years
Vehicles	10 Years

Depreciation is charged on the following basis:-

(i) On plant & machinery and other assets of hydel power project at tawa are as follows:

Sl. No.	Description of Asset	Rate of depreciation (%)
1	Land	5.00
2	Factory building	3.02
3	Non factory building	3.02
4	Plant & machinery	
	i) Dams, spillways weirs, canals, reinforced concrete flumes and symphons	1.95
	ii) Hydraulic control valves and other hydraulic works	3.40
	iii) Transformers having a rating of 100 kva and over	7.81
5	Electrical installation	
	i) batteries	33.40
	ii) lines on fabricated steel operating at normal voltages higher than 66 kv	5.27
	iii) residual	7.84
6	Furniture and fixtures	12.77
7	Office equipment and other assets	12.77
8	Vehicles	33.40

(ii) a) On plant & machinery other than those mentioned at (i) above, on straight line method,

b) On other fixed assets, on written down value method, in the manner as prescribed in part C of schedule II of the Companies Act, 2013 and rate as per assessed useful life.

(iii) Cost of acquisition & improvement of lease hold land is amortized over the lease period.

## Notes to the financial statements for the year ended 31st March, 2016

- (iv) Assets costing upto ₹5,000 are fully depreciated in the year of purchase.
- (v) Intangible assets are amortised over a period of 3-5 years on a straight line basis.

### 2.8 Impairment of Assets

Assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash generating units), for the purpose of assessing impairment at each balance sheet date. Assets within a Cash Generating Unit (CGU) are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount at which the assets under individual CGU are carried in the books exceeds its recoverable amount being the higher of the assets net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the assets.

Previously recognized impairment losses, relating to assets other than goodwill, are reversed where the recoverable amount increases because of favourable changes in the estimates used to determine the recoverable amount since the last impairment was recognized. A reversal of an asset impairment loss is limited to its carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in prior years.

### 2.9 Foreign Exchange Transactions/Translation

- a)
  1. Export and import transactions are accounted for at the prevailing conversion rates.
  2. Monetary items denominated in foreign currencies (except financial instruments designated as Hedging Instruments) and outstanding at the year end are translated at year end conversion rates.
  3. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the statement of profit and loss.
  4. The Company has opted to avail the choice provided under paragraph 46A of AS11: The Effects of Changes in Foreign Exchange Rates inserted vide notification No GSR 914(E) dated December 29,2011 issued by the Ministry of Corporate Affairs. Consequently, the exchange differences on long term foreign currency monetary items are being dealt with in the following manner:
    - Foreign exchange difference on acquisition of a depreciable asset, is adjusted in the cost of the depreciable asset, which would be depreciated over the balance life of the asset.
    - In other cases, the foreign exchange difference is accumulated in Foreign Currency Monetary Item Translation Difference Account, and amortised over the balance period of such long term assets/ liability.
- b) Pursuant to The Institute of Chartered Accountants of India (ICAI) announcement "Accounting for Derivatives" on the early adoption of Accounting Standard AS 30 "Financial Instruments: Recognition and Measurement", the Company had early adopted the AS-30 in earlier financial years, to the extent that such adoption does not conflict with existing mandatory Accounting Standards and other authoritative pronouncements, Company Law and other regulatory requirements.

The Company uses various financial instruments to hedge its exposure to movements in foreign exchange rates. A financial instrument is designated as an effective hedge after the management objectively evaluates at the inception of each contract as to whether the instrument is effective in offsetting the cash flows attributable to the hedged risk. The same evaluation is carried out at the end of each reporting period. In the absence of such hedge being identified or being continued to be identified as an effective hedge, the value thereof is taken to statement of profit & loss.

Exchange differences relating to cash flow hedge are accumulated in a hedging reserve account. Amounts from hedging reserve account are transferred to statement of profit & loss when :

- (a) the forecast transaction materializes,
- (b) the hedging instrument expires or is sold, terminated or exercised (except for the replacement or rollover of a hedging instrument into another hedging instrument where such replacement or rollover is part of the Company's hedging strategy),
- (c) The hedge no longer meets the criteria for Hedge accounting in AS-30,
- (d) The Company revokes the designation.

Hedge effectiveness of financial instruments designated as hedging instruments is evaluated at the end of each financial reporting period.

### 2.10 Research and Development

Revenue expenditure on research and development including salaries, consumables and power & fuel is charged to statement of profit and loss under respective heads of expenditure. Capital expenditure is shown as addition to fixed assets.

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## Notes to the financial statements for the year ended 31st March, 2016

### 2.11 Employee Benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 – Employee Benefits.

#### (i) Provident Fund & ESI

The Company makes contribution to statutory Provident Fund and Employee State Insurance in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952 and Employee State Insurance Act, 1948 which is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

#### (ii) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit/obligation at the balance sheet date less the fair value of plan assets, together with adjustment for unrecognized actuarial gains or losses and past service costs. The defined benefit/obligation is calculated at or near the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year to which they occur.

#### (iii) Compensated Absences

Liability in respect of compensated absence becoming due or expected after the balance date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

#### (iv) Superannuation Benefit

The Company makes contribution to superannuation fund which is a post employment benefit in the nature of a defined contribution plan & contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

#### (v) Other Short Term Benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

### 2.12 Leases

#### Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### Where the company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

### 2.13 Segment Accounting & Reporting

#### Identification of Segments

The Company's operating businesses are organized and managed separately according to the nature of products manufactured and services provided, with each segment representing a strategic business unit that offers different products.

#### Allocation of Common Costs

Common allocable costs are allocated to each segment on reasonable basis.

#### Unallocated Items

Unallocable assets and liabilities represent the assets and liabilities not allocable to any segment as identified as per the Accounting Standard.

#### Segment Policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

### 2.14 Taxes on Income

Tax expense comprises of current and deferred tax. Provision for current tax is made in accordance with the provisions of income tax act, 1961.

## Notes to the financial statements for the year ended 31st March, 2016

In accordance with Accounting Standard AS-22 'Accounting for Taxes on Income' as notified by Companies (Accounting Standards) Rules, 2006 Deferred Tax Liability/ Asset arising from timing differences between book and income tax profits is accounted for at the current rate of tax to the extent these differences are expected to crystallize in later years. However, deferred tax assets are recognized only if there is a reasonable/ virtual certainty of realization thereof. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the minimum alternative tax (mat) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the institute of chartered accountants of india, the said asset is created by way of a credit to the statement of profit and loss and shown as mat credit entitlement. The company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal income tax during the specified period.

### 2.15 Government Grants & Subsidies

Grants and subsidies from the Government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset.

### 2.16 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.17 Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. A contingent liability is recognized for:

- (i) a present obligation that arises from past events but is not recognized as a provision because either the possibility that an outflow of resources embodying economic benefits will be required to settle the obligation is remote or a reliable estimate of the amount of the obligation cannot be made; and
- (ii) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent assets are neither accounted for nor disclosed in the financial statements.

### 2.18 Earning Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 2.19 Cash and Cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.



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## Notes to the financial statements for the year ended 31st March, 2016

Note:3 SHARE CAPITAL (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
<b>Authorised</b>		
5,50,00,000 (Previous year 5,50,00,000) equity shares of ₹10/- each	5,500.00	5,500.00
15,00,000 (Previous year 15,00,000) preference shares of ₹100/- each	1,500.00	1,500.00
	<b>7,000.00</b>	<b>7,000.00</b>
<b>Issued, subscribed &amp; fully paid-up</b>		
3,99,59,142 (Previous year 3,99,59,142) equity shares of ₹10/- each	3,995.91	3,995.91
1,150 (Previous year 1,150) Forfeited equity shares	0.04	0.04
<b>Total</b>	<b>3,995.95</b>	<b>3,995.95</b>

### Of the above

- 2,21,96,821 (Previous year 2,21,96,821) equity shares have been issued as fully paid up bonus shares by capitalisation of reserves.
- 3,00,000 (Previous year 3,00,000) equity shares have been issued as fully paid up pursuant to a contract without payment being received in cash.
- 10,700 (Previous year 10,700) equity shares have been issued at par as fully paid up to the members of erstwhile subsidiary company Bhilwara Viking Petroleum Limited pursuant to scheme of amalgamation.

### a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	2015-16		2014-15	
	No. of shares	₹ in lacs	No. of shares	₹ in lacs
<b>Equity shares</b>				
At the beginning of the year	3,99,59,142	3,995.91	3,99,59,142	3,995.91
Changes during the year	-	-	-	-
Outstanding at the end of the year	3,99,59,142	3,995.91	3,99,59,142	3,995.91

### b) Terms/Rights attached to equity shares

Company has only one class of equity shares having a par value of ₹10/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

During the year ended 31st March, 2016, the amount of dividend per share recognized as distribution to equity shareholders was NIL (Previous year ₹3 per equity share).

### c) Detail of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31st March, 2016		As at 31st March, 2015	
	No. of shares held	% of Holding	No. of shares held	% of Holding
<b>Equity shares</b>				
Norbury Investments Limited	53,62,991	13.42	53,62,991	13.42
Microlight Investments Limited	46,65,579	11.68	46,65,579	11.68
Life Insurance Corporation of India	33,94,285	8.49	33,94,285	8.49
GPC mauritius II LLC	28,93,888	7.24	28,93,888	7.24
Bharat Investments Growth Limited	26,09,598	6.53	26,09,598	6.53

As per records of the Company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

## Notes to the financial statements for the year ended 31st March, 2016

### Note:3 SHARE CAPITAL (contd...)

(₹ in Lacs)

- d) Aggregate number of equity shares issued for consideration other than cash and shares bought during the period of five years immediately preceding the reporting date.

	Aggregate No. of shares				
	2015-16	2014-15	2013-14	2012-13	2011-12
Shares bought back	-	-	-	-	28,85,765
Closing balance	3,99,59,142	3,99,59,142	3,99,59,142	3,99,59,142	3,99,59,142

### Note:4 RESERVES AND SURPLUS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Capital reserves</b>		
Balance as per the last financial statements	3,138.24	3,138.24
Changes during the year	-	-
<b>Closing balance</b>	<b>3,138.24</b>	<b>3,138.24</b>
<b>Capital redemption reserve</b>		
Balance as per the last financial statements	1,893.57	1,893.57
Changes during the year	-	-
<b>Closing balance</b>	<b>1,893.57</b>	<b>1,893.57</b>
<b>Securities premium account</b>		
Balance as per the last financial statements	1,269.61	1,269.61
Changes during the year	-	-
<b>Closing balance</b>	<b>1,269.61</b>	<b>1,269.61</b>
<b>Hedging reserve</b>		
Balance as per the last financial statements	-	795.97
Add: Amount utilized on settlement of hedged instrument	-	-
Add/(less): Transfer during the year	-	(795.97)
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>General reserve</b>		
Balance as per the last financial statements	39,823.38	39,433.36
Add: Transfer from statement of profit and loss during the year	-	390.02
<b>Closing balance</b>	<b>39,823.38</b>	<b>39,823.38</b>
<b>Surplus balance in statement of profit and loss</b>		
Balance as per the last financial statements	43,951.72	41,880.07
Add: Amount of profit/(loss) transferred from statement of profit and loss	(1,515.09)	3,900.16
Less: Adjustment of depreciation (a)	(294.09)	-
Amount available for appropriation	42,142.54	45,780.23
Less: Proposed dividend	-	1,198.77
Less: Dividend distribution tax on proposed dividend	-	239.72
Less: Amount transferred to general reserve	-	390.02
<b>Closing balance</b>	<b>42,142.54</b>	<b>43,951.72</b>
<b>Total</b>	<b>88,267.34</b>	<b>90,076.52</b>

- a) During the year company revised the useful life of its fixed assets in keeping with the provision of Schedule II. Accordingly, depreciation of ₹294.09 Lakhs on account of assets whose useful life was already exhausted on 01st April, 2015 has been adjusted against reserves

## Notes to the financial statements for the year ended 31st March, 2016

### Note:5 LONG TERM BORROWINGS

(₹ in Lacs)

Particulars	Non Current Portion		Current maturities	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
<b>Secured</b>				
Term loans				
Rupee loans from banks	5,775.00	12,500.00	1,925.00	2,261.56
Foreign currency loans from banks	9,880.33	12,737.17	8,627.59	5,125.33
Rupee loans from others	-	-	-	1,500.00
	15,655.33	25,237.17	10,552.59	8,886.89
Amount disclosed under the head:- "Other Current Liabilities""(Note No-11)"			10,552.59	8,886.89
<b>Total</b>	<b>15,655.33</b>	<b>25,237.17</b>	<b>-</b>	<b>-</b>

Terms of repayment / details of security are as follows:

Lending institution	Rate of interest	No. of Installments	Outstanding as at 31.03.2016	Annual repayment schedule	
				2016-17	2017-18
From Banks – Term loans					
Kotak Mahindra Bank	Libor linked rate	7-Quarterly	4,212.08	1,745.00	2,467.08
IDBI Bank	Base rate linked	4-Quarterly	7,700.00	1,925.00	5,775.00
State Bank of India	Libor linked rate	4-Quarterly	5,009.23	2,504.62	2,504.62
DBS-ECB	Libor linked rate	2-Yearly	9,286.61	4,377.97	4,908.63
Total			26,207.92	10,552.59	15,655.33

Term loans from financial institutions and banks/other lending institutions are/shall be secured by way of joint equitable mortgage of all the immovable properties (present and future) of Graphite & Thermal Power units at Mandideep and Hydel unit at Tawa Nagar ranking on pari-passu basis and hypothecation of all movable assets of the Company subject to prior charge of the Company's bankers on specified movable assets in respect of working capital borrowings.

### Note:6 DEFERRED TAX LIABILITIES (NET)

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
<b>Deferred tax liabilities</b>		
Arising on account of timing difference		
Accumulated depreciation	10,766.84	10,189.60
<b>Deferred tax assets</b>		
Arising on account of timing difference	-	-
Due to Section 43B of the Income Tax Act	459.93	280.08
Others	391.15	175.25
<b>Net deferred tax liability</b>	<b>9,915.75</b>	<b>9,734.27</b>
<b>Movement</b>		
Opening balance	9,734.27	9,202.76
Addition/(deduction) during the year	181.48	531.51
<b>Closing balance</b>	<b>9,915.75</b>	<b>9,734.27</b>

## Notes to the financial statements for the year ended 31st March, 2016

### Note:7 OTHER LONG TERM LIABILITIES (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Security received	81.54	105.11
	<b>81.54</b>	<b>105.11</b>

### Note:8 PROVISIONS (₹ in Lacs)

	Long Term		Short Term	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
<b>Provision for employee benefits</b>				
Compensated absences	306.59	300.26	106.08	59.67
Gratuity	-	-	70.62	45.90
<b>Others</b>				
Provision for proposed dividend on equity shares	-	-	-	1,198.77
Provision for dividend distribution tax	-	-	-	239.72
Provision for income tax (Net of advance tax of ₹425 lacs (Prevoius year ₹900 lacs)	-	-	-	63.18
Provision for wealth tax	-	-	-	10.50
<b>Total</b>	<b>306.59</b>	<b>300.26</b>	<b>176.70</b>	<b>1,617.74</b>

### Note:9 SHORT TERM BORROWINGS (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
<b>Secured</b>		
Loans repayable on demand		
Working capital loans from banks	44,292.00	44,691.17
<b>Unsecured</b>		
Short term borrowings from banks	3,084.88	12,900.57
<b>Total</b>	<b>47,376.88</b>	<b>57,591.74</b>

Working capital borrowings from banks are secured by hypothecation of all stocks present and future, stores, spare parts, packing materials, raw materials, finished goods, goods in transit / process, book debts, outstanding monies receivable, claims, bills etc. and second charge by way of joint equitable mortgage of immovable properties of the Company in respect of Graphite & Thermal Power units at Mandideep and Hydel unit at Tawanagar. The said second charge in favour of bank shall rank sub-ordinate and subservient to the existing charges created by the Company in favour of financial institutions and banks for their term loans.

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### Note:10 TRADE PAYABLES (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
(A) Total outstanding dues of micro enterprises and small enterprises	200.39	-
(B) Total outstanding dues of creditors other than micro enterprises and small enterprises	4,971.31	12,892.56
	<b>5,171.70</b>	<b>12,892.56</b>

The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 ("the Act") has been determined to the extent such parties have been identified by the Company, on the basis of information and records available with them. This information has been relied upon by the auditors. Disclosure in respect of interest due on delayed payment has been determined only in respect of payments made after the receipt of information, with regards to filing of memorandum, from the respective suppliers. Disclosure as required under section 22 of the Act, is as under:

	As at 31st March, 2016	As at 31st March, 2015
(1) Principal amount remaining unpaid as at end of the year	200.39	-
(2) Interest due on above	-	-
a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year (1+2);	200.39	-
b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-	-
d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

### Note:11 OTHER CURRENT LIABILITIES (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
(a) Current maturities of long-term borrowings (Note-5)	10,552.59	8,886.89
(b) Interest accrued but not due on borrowings	169.30	206.77
(c) Unpaid dividends-Unclaimed*	225.40	223.72
(d) Advance from Customers	65.86	125.43
(e) Deposits from employees against various scheme	270.19	274.23
(f) Other payables		
Employees related	687.99	697.86
Statutory dues payable (Including PF and TDS)	2,129.89	1,892.94
Others	3,170.59	3,434.36
	<b>17,271.81</b>	<b>15,742.20</b>

\* Investor Education & Protection Fund is credited by unclaimed dividend amounts outstanding on expiry of seven years from dividend declaration.

## Notes to the financial statements for the year ended 31st March, 2016

Note:12 TANGIBLE ASSETS (₹ in Lacs)

	Land		Buildings	Plant & equipment	Railway sidings	Office equipment	Electrical installation	Furniture & fixtures	Vehicles	Total
	Freehold	Leasehold (a)								
<b>Gross Block</b>										
At 1st April 2014	316.69	724.36	25,334.77	116,775.69	921.69	1,130.84	3,029.69	616.83	1,003.25	149,853.81
Additions	-	38.04	85.91	4,632.86	-	88.37	176.06	37.42	225.60	5,284.26
Disposals	-	-	(60.17)	(86.53)	-	(15.30)	(12.75)	(4.27)	(152.64)	(331.66)
Adjustment (b)	-	-	(307.57)	(720.41)	-	0.69	(23.93)	(0.01)	-	(1,051.23)
At 31st March 2015	316.69	762.40	25,052.94	120,601.61	921.69	1,204.60	3,169.07	649.97	1,076.21	153,755.18
Additions	1.11	14.92	150.84	9,013.10	-	102.31	44.71	8.37	193.97	9,529.35
Disposals	(14.92)	-	-	(133.88)	-	(164.63)	(23.24)	(6.19)	(236.80)	(579.66)
Adjustment (b)	-	-	147.21	1,310.39	-	0.30	18.23	-	-	1,476.13
At 31st March 2016	302.88	777.32	25,350.99	130,791.22	921.69	1,142.58	3,208.77	652.15	1,033.38	164,180.98
<b>Depreciation</b>										
At 1st April 2014	-	94.06	8,191.05	44,700.69	192.33	814.68	979.77	397.62	476.29	55,846.49
Charge for the year	-	14.79	1,388.83	5,528.60	42.79	101.76	285.81	42.43	156.46	7,561.47
Disposals	-	-	(24.59)	(76.57)	-	(13.33)	(6.00)	(2.48)	(108.04)	(231.01)
Adjustment (b)	-	-	(26.40)	(33.85)	-	0.30	(1.84)	-	-	(61.79)
At 31st March 2015	-	108.85	9,528.89	50,118.87	235.12	903.41	1,257.74	437.57	524.71	63,115.16
Charge for the year (c) & (d)	-	14.27	1,278.33	5,927.10	42.62	93.83	254.24	37.69	158.95	7,807.03
Disposals	-	-	-	(77.15)	-	(152.64)	(15.30)	(3.64)	(166.74)	(415.47)
Adjustment (b)	-	-	15.83	86.01	-	0.32	3.52	-	-	105.68
Charge for exhausted assets(e)	-	-	-	294.09	-	-	-	-	-	294.09
At 31st March 2016	-	123.12	10,823.05	56,348.92	277.74	844.92	1,500.20	471.62	516.92	70,906.49
<b>Net block</b>										
At 31st March 2015	316.69	653.55	15,524.05	70,482.73	686.57	301.18	1,911.32	212.40	551.49	90,639.99
At 31st March 2016	302.88	654.20	14,527.94	74,442.30	643.95	297.66	1,708.57	180.53	516.46	93,274.48

- a) Assets amounting to ₹83.13 Lacs (Previous Year ₹83.13 Lacs) (Gross) are owned jointly with RSWM Ltd.
- b) The Company has exercised the option made available by the Notification No GSR 914(E) dated 29th December 2011 issued by the Ministry of Corporate Affairs. Accordingly, an amount of ₹1476.14 Lacs (Unrealized Loss) & ₹62.21 Lacs (realized loss) being adjusted against respective assets (Previous Year ₹1051.23 Lacs (unrealized gain) & ₹70.11 Lacs (realized loss) being adjusted against respective assets), being exchange difference arising on reporting of long term foreign currency loans availed for acquisition of depreciable Fixed assets have been taken to respective assets and ₹200.42 Lacs, (Previous Year ₹732.89 lacs) to capital work-in-progress.
- c) During the year Company revised the useful life of its fixed assets in keeping with the provision of Schedule II. Accordingly, depreciation for the year is lower by ₹372.40 Lacs.
- d) The Company has reviewed its tangible fixed assets as at 1st April, 2015 and identified significant component with different useful life from the remaining parts of the assets in keeping with the provisions of Schedule II to the Companies Act, 2013. The depreciation has been computed for such components separately effective 1st April, 2015. As a result, the depreciation expense for the financial year is higher by ₹552.93 Lacs.
- e) During the year company revised the useful life of its fixed assets in keeping with the provision of Schedule II. Accordingly, depreciation of ₹294.09 Lakhs on account of assets whose useful life was already exhausted on 1st April, 2015 has been adjusted against reserves.



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## Notes to the financial statements for the year ended 31st March, 2016

### Note:13 INTANGIBLE ASSETS (₹ in Lacs)

	Computer Software
<b>Gross block</b>	
At 1st April 2014	451.37
Additions	-
Disposals	-
At 31st March 2015	451.37
Additions	-
Disposals	-
At 31st March 2016	451.37
<b>Amortisation</b>	
At 1st April 2014	401.51
Charge for the year	36.02
Disposals	-
At 31 March 2015	437.53
Charge for the year	9.19
Disposals	-
At 31st March 2016	446.73
<b>Net block</b>	
At 31 March 2015	13.84
At 31st March 2016	4.64

### Note:14 CAPITAL WORK IN PROGRESS

Capital work in progress includes ₹772.11 Lacs (Previous Year ₹2257.56 Lacs) being preoperative expenditure and ₹103.46 Lacs (Previous Year ₹40.03 Lacs) being capital stores.

### Note:15 NON CURRENT INVESTMENTS (₹ in Lacs)

		As at 31st March, 2016	As at 31st March, 2015
	<b>Long term Investments (valued at cost, except for diminution in value other than temporary)</b>		
	<b>Investments in equity instruments</b>		
	<i>Unquoted-investment in subsidiary</i>		
	HEG Graphite Products and Services Ltd		
50,000	(Previous Year 50,000) equity shares of ₹10 each fully paid up (Includes 6 shares held by the nominees of the Company)	5.00	5.00
	<i>Unquoted-investment in Associates</i>		
4,88,81,556	(Previous Year 4,88,81,556) equity shares of ₹10/- each fully paid up of Bhilwara Energy Ltd	14,506.88	14,506.88
12,62,048	(Previous Year 12,62,048) equity shares of ₹10/- each fully paid up of Bhilwara Infotechnology Ltd (erstwhile Bhilwara Infotech Ltd)	419.00	419.00
	<i>Quoted-investment in others</i>		
18	(Previous Year 18) equity shares of ₹2/-each of Ballarpur Ind. Ltd.	0.01	0.01
	<b>Total</b>	<b>14,930.89</b>	<b>14,930.89</b>
	Aggregate amount of quoted investments	0.01	0.01
	Market value of quoted investments	**	**
	Aggregate amount of unquoted investments	14,930.88	14,930.88
	Aggregate provision for diminution in value of investments	-	-
	(**)Amount is below the Rounding off norm adopted by the Company		

## Notes to the financial statements for the year ended 31st March, 2016

### Note:16 LOANS AND ADVANCES

(₹ in Lacs)

	Long Term		Short Term	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
<b>Unsecured, considered good unless stated otherwise</b>				
Capital advances	-	30.35	-	-
Security deposits	394.79	543.40	-	-
Other loans and advances				
Advances for goods / services	-	-	-	-
unsecured considered good	-	-	172.83	1,227.28
Doubtful	-	-	-	-
Balances with statutory authorities	-	-	303.89	1,579.96
Loans and advances to employees-secured	55.41	85.92	41.57	51.49
unsecured considered good	-	-	124.98	264.29
Prepaid expenses	-	-	270.01	193.96
Excise rebates / refunds receivable	-	-	1,918.80	5,475.45
Direct taxes refundable (net of provisions ₹25,595 Lacs, Previous Year ₹30,715.21 Lacs)	2,261.45	1,865.71		
MAT credit entitlement	4,968.29	5,259.59	-	-
Mark to Market on derivative	-	-	26.90	544.08
Other receivables	-	-	-	-
Payments under protest	484.07	409.04	-	-
	<b>8,164.01</b>	<b>8,194.01</b>	<b>2,858.98</b>	<b>9,336.51</b>

Detail of payments under protest is as follows:

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Entry tax	308.54	237.62
Central sales tax	32.66	32.66
Excise duty/service tax	142.41	138.30
MPST/MPCT	0.46	0.46
	<b>484.07</b>	<b>409.04</b>

Detail of Tax Expenses / (Benefit)

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Current income tax	-	963.18
MAT credit entitlement	-	(963.18)
Deferred tax charge / credit	181.48	531.51
Tax- earlier years	279.61	(2.91)
Previous year MAT credit entitlement	-	2.91
	<b>461.09</b>	<b>531.51</b>

- a) Based on legal advice, discussions with the solicitors, etc., the management believes that there are fair chances of decisions in the Company's favour in respect of all the items listed above and no value adjustment is considered necessary.

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### Note:16 LOANS AND ADVANCES (contd...)

- b) Direct taxes refundable represent amounts recoverable from the Income Tax Department for various assessment years. In respect of disputed demands, Company has filed appeals which are pending at various levels and for assessment years where the issues have been decided in favour of the Company, the Company is in the process of reconciling / adjusting the same with the department. Necessary value adjustments shall be made on final settlement by the department.
- c) Provision for income tax for earlier years has been made based on income tax assessment cases pending at Appellate Jurisdictions on which income tax demand has arisen and the cases are sub-judice.
- d) Loans & advances include :

	As at 31st March, 2016	As at 31st March, 2015
(i) Due from officers of the Company	7.43	7.08
(ii) The maximum amount at any time during the year	13.69	12.08

### Note:17 OTHER ASSETS (₹ in Lacs)

	Non Current		Current	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
Export benefits receivable	-	-	795.77	2,035.38
Interest/dividend accrued, not due	-	-	7.86	19.65
Non-current bank balance (note no-21)	-	180.08	-	-
	-	180.08	803.63	2,055.03

### Note:18 CURRENT INVESTMENTS (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Current Investment (valued at lower of cost or fair value, unless stated otherwise)		
Investments in Mutual Funds		
2,50,000 (Previous year 2,50,000) units of LIC Mutual Fund Dhan Samriddhi of ₹10/- each	25.00	25.00
	25.00	25.00
Aggregate amount of quoted investments	25.00	25.00
Market value of quoted investments	47.12	52.77

### Note: 19 INVENTORIES (valued at lower of cost and net realizable value) (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Raw materials (Refer note No 24.) [Includes material in transit ₹762.89 lacs; (Previous Year: ₹1,251.91 lacs)]	5,143.28	7,597.49
Finished goods (Refer note no-25)	10,675.20	6,953.15
Work-in-progress (Refer note no-25)	12,886.93	21,416.64
Stores and spares	3,509.79	4,219.05
[Includes stores in transit ₹10.48 ; (Previous Year: ₹51.35)]		
Others	4.71	4.15
	32,219.91	40,190.48

## Notes to the financial statements for the year ended 31st March, 2016

### Note: 20 TRADE RECEIVABLES

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Unsecured, considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	9,944.06	4,343.87
Doubtful	-	-
	9,944.06	4,343.87
Age-based provision in respect of debtors outstanding for more than one year net of ECGC cover	(1,130.24)	(506.35)
(A)	8,813.82	3,837.52
Other receivables		
Unsecured, considered good	23,676.73	36,708.88
Doubtful	-	-
	23,676.73	36,708.88
Provision for doubtful receivable	-	-
(B)	23,676.73	36,708.88
Total (A+B)	32,490.55	40,546.40

### Note: 21 CASH AND BANK BALANCES

(₹ in Lacs)

	Non Current		Current	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
Cash and cash equivalents				
Balances with banks				
In current accounts	-	-	192.16	162.54
In cash credit accounts	-	-	-	-
In unpaid dividend accounts	-	-	225.40	223.72
Cheques, drafts on hand	-	-	82.78	5.69
Cash on hand (Including foreign currency notes)	-	-	11.41	14.39
Others	-	-	-	-
Postage and Stamps	-	-	0.03	0.09
	-	-	511.78	406.43
Other bank balances				
Held as margin money	-	-	-	-
Fixed deposits with maturity more than one year*	-	180.08	-	-
	-	180.08	-	-
Less: Amount disclosed under the head "other non current assets" (Note no-17)	-	180.08		
Total	-	-	511.78	406.43

\*Pledged with Bank against Bank Guarantee to Shipping line

## Notes to the financial statements for the year ended 31st March, 2016

### Note:22 REVENUE FROM OPERATIONS

(₹ in Lacs)

	Year ended 31st March, 2016		Year ended 31st March, 2015	
<b>Sale of Products</b>				
Manufactured goods				
Graphite electrodes	85,220.58		123,785.00	
Power [Net of inter-divisional sales of ₹19,216.26 Lacs, Previous Year ₹20,452.57 Lacs]	808.07	86,028.65	1,765.29	125,550.29
<b>Other Operating Income</b>				
REC sales	495.97		319.84	
Fly ash income	244.12		268.69	
		740.09		588.53
Less: Excise duty		4,014.82		2,831.85
		<b>82,753.92</b>		<b>123,306.97</b>

### Note: 23 OTHER INCOME

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Interest income	36.77	309.68
Accrued redemption premium on non trade investment	-	80.48
Rent receipts	19.75	140.25
Liabilities / provisions no longer required, written back	155.77	65.65
Profit on sale of fixed assets	-	320.59
Miscellaneous sales / receipts	204.41	599.41
	<b>416.70</b>	<b>1,516.06</b>

### Note: 24 COST OF MATERIAL CONSUMED

(₹ in Lacs)

	Year ended 31st March, 2016		Year ended 31st March, 2015	
<b>Raw material consumed</b>				
Opening stock	6,345.58		8,681.15	
Add : Purchases	29,915.40		56,980.23	
	36,260.98		65,661.38	
Less: Closing stock	4,380.39		6,345.58	
Cost of material consumed [net of export incentive ₹1,343.44 Lacs, (Previous Year ₹ 1,691.75)]		<b>31,880.59</b>		<b>59,315.80</b>

The above consumption figures are disclosed on the basis of derived figures and are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

#### Breakup of raw material consumption is as under

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Calcined petroleum coke	17,235.00	36,860.74
Pitch	6,614.01	11,972.74
Coal	7,819.41	10,125.41
Others	212.17	356.91
	<b>31,880.59</b>	<b>59,315.80</b>

#### Breakup of raw material inventory is as under

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Calcined petroleum coke	1,737.34	4,413.78
Pitch	164.37	487.98
Coal	2,434.29	1,390.28
Others	44.39	53.54
	<b>4,380.39</b>	<b>6,345.58</b>

## Notes to the financial statements for the year ended 31st March, 2016

### Note: 25 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
<b>Inventories (at close)</b>		
Finished goods	10,675.20	6,953.15
Work-in-progress	12,886.93	21,416.64
	<b>23,562.13</b>	<b>28,369.79</b>
<b>Inventories (at opening)</b>		
Finished goods	6,953.15	8,491.57
Work-in-progress	21,416.64	22,303.30
	<b>28,369.79</b>	<b>30,794.87</b>
<b>(Increase) / decrease</b>	<b>4,807.66</b>	<b>2,425.08</b>

#### Breakup of finished goods is as under

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Finished Goods		
a) Graphite electrodes nipples and specialities	10,253.00	6,421.53
b) By-products etc.	422.20	531.62
	<b>10,675.20</b>	<b>6,953.15</b>

#### Breakup of work in progress is as under

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Work-in-progress		
a) Intermediary products at various stages	8,305.32	11,142.64
b) Intermediary products in furnaces	4,581.61	10,270.47
c) Refractory blocks & sengries	-	3.53
	<b>12,886.93</b>	<b>21,416.64</b>

Note- Work in progress includes refractory blocks lying at shop floor NIL Lacs (Previous Year ₹0.99 Lacs)

### Note: 26 EMPLOYEE BENEFIT EXPENSES (₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Salaries and wages	4,895.39	4,880.70
Contribution to provident and other Funds	809.09	571.78
Staff welfare	619.67	654.68
	<b>6,324.15</b>	<b>6,107.16</b>

### Note: 27 FINANCE COST (₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Interest Expense		
Term Loans#	1,694.47	1,681.93
Working Capital Borrowings	2,740.33	4,824.93
Applicable loss on foreign currency transaction and translation	1,557.42	1,136.33
Others	2.24	69.47
	<b>5,994.46</b>	<b>7,712.65</b>

#Interest expenses are net of interest capitalised of ₹67.94 Lacs (Previous Year ₹137.45 Lacs)



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Note: 28	DEPRECIATION AND AMORTISATION	(₹ in Lacs)	
		Year ended 31st March, 2016	Year ended 31st March, 2015
	Depreciation of tangible assets*	7,912.71	7,499.70
	Amortisation of intangible assets	9.19	36.02
		<b>7,921.90</b>	<b>7,535.72</b>

\* Refer note 12 (c) & 12 (d)

Note: 29	OTHER EXPENSES	(₹ in Lacs)	
		Year ended 31st March, 2016	Year ended 31st March, 2015
	Consumption of stores and spare parts (including refractory blocks)	6,716.61	9,164.54
	Job/process charges	243.11	344.69
	Power & fuel	23,985.49	27,812.01
	Less: interdivisional purchases	(19,216.26)	(20,452.57)
	Repairs and maintenance		
	Plant & machinery	3,119.74	3,921.24
	Building	442.35	543.95
	Others	601.62	479.88
	Insurance	302.71	368.24
	Rent#	94.02	89.83
	Rates and taxes, excluding taxes on income	72.13	62.99
	Directors' sitting fees & incidental expenses	49.82	41.80
	Freight & forwarding	5,546.10	7,318.30
	Packing expenses (including packing material consumption)	1,261.80	1,601.81
	Commission	698.48	1,538.05
	Claims, rebates and discount	413.90	501.31
	Donations	3.96	-
	Power generation charges	140.76	120.86
	Travelling expenses	328.90	319.36
	Postage & communication	64.58	68.24
	Payment to auditors (refer details below*)	26.47	39.06
	Expenditure on csr activities (**)	209.72	114.68
	Legal & professional expenses	498.34	591.10
	Vehicle running & maintenance	143.54	148.73
	Provision for doubtful debts & advances	623.89	101.82
	Bad debts	48.68	465.51
	Excise duty (inc adjustment on stocks)	682.13	9.54
	Loss on sale/discard of fixed assets (net)	36.98	-
	Foreign currency fluctuation (net)	(516.01)	1,081.38
	Miscellaneous expenses	672.29	898.60
		<b>27,295.85</b>	<b>37,294.95</b>

\*Payments to the statutory auditors (excluding service tax)

## Notes to the financial statements for the year ended 31st March, 2016

### Note: 29 OTHER EXPENSES (contd...)

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
As auditor		
Statutory audit	18.00	30.00
Other services		
Other services	2.00	3.65
Certification fees	0.18	0.68
Reimbursement of expenses	6.29	4.73
	<b>26.47</b>	<b>39.06</b>

\*\* Corporate Social Responsibility (CSR)

(a) Gross amount required to be spent by the Company during the year ₹181.14 Lacs (₹196.46 Lacs)

(b) Amount spent during the year :

(₹ in Lacs)

CSR Activities	In cash	Yet to be paid in cash	Total
(i) Construction/acquisition of any assets	156.00	-	156.00
	(47.31)	-	(47.31)
(ii) On purpose other than (i) above	53.72	-	53.72
	(67.37)	-	(67.37)

(Figures in brackets pertain to 2014-15)

#Rent payment made in respect of operating lease of premises. These leasing arrangements are not non-cancellable, range between 3 to 5 years and usually renewable by mutual consent on mutually agreeable terms.

### Note: 30 EARNINGS PER SHARE

	As at 31st March, 2016	As at 31st March, 2015
The basic and diluted earning per share is as under :		
Net profit after tax (₹ in lacs)	(1,515.09)	3,900.16
Weighted average number of equity shares outstanding	3,99,59,142	3,99,59,142
Basic earning per share (₹)	(3.79)	9.76
Diluted earning per share (₹)	(3.79)	9.76
Face value per equity share (₹)	10	10

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## Notes to the financial statements for the year ended 31st March, 2016

**Note: 31** CONTINGENT LIABILITIES NOT PROVIDED FOR (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
<b>For Taxation matters</b>		
a) Excise duty under appeal	264.12	265.09
b) service tax	2,095.55	1,040.51
c) income tax	7,465.93	4,805.62
d) sales tax	552.37	1,439.70
<b>Other than taxation matters</b>		
a) electricity charges	5,276.36	4,945.38
b) RPO obligation [(Net of REC certificate benefit Current Year ₹963.80 lacs (Previous Year ₹686.05)]	372.54	750.62
c) Advance & EPCG license	-	232.62
Labour related matters	38.10	42.37

Based on legal advice, discussions with the solicitors, etc., the management believes that there is a fair chance of decisions in Company's favour in respect of all the items listed above and hence no provision is considered necessary against the same. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

**Note: 32** OBLIGATIONS AND COMMITMENTS OUTSTANDING: (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
a) Estimated value of contracts remaining to be executed on capital account and not provided for [net of advances of NIL, (previous year ₹30.35 Lacs.)]	-	29.67
b) Bills discounted with bankers.	4,622.96	2,462.80
c) Liability on EPCG license pending export fulfillment*	-	-
d) The Company has with RSWM Ltd. on joint and several basis provided guarantee in favour of International Finance Corporation (IFC) on behalf of AD Hydro Power Ltd.	600.00	600.00

\*This excludes an amount of ₹6,004 lacs (previous year ₹6,004 lacs) for which the application for closure have been lodged.

**Note: 33** DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

**a) Foreign currency forward contracts outstanding** (₹ in Lacs)

Category	Currency	Nature	As at 31st March, 2016		As at 31st March, 2015		Purpose
			(USD million)	(INR)	(USD million)	(INR)	
Plain Vanilla Forwards (Sold)	USD/ INR	Sold	2.10	1,455.83	5.60	3,630.69	Hedging
Plain Vanilla Forwards (Bought)	USD/ INR	Bought	-	-	3.15	1,992.47	Hedging
Plain Vanilla Forwards	EURO/ INR	Sold	-	-	3.00	2,454.89	Hedging
Cross Currency Forward	EURO/ USD	Sold	1.00	USD 1.11 Mn	1.50	USD 1.85 Mn	Hedging
USD-INR Full Currency Forwards	USD				3.40	1,711.9	Hedging

## Notes to the financial statements for the year ended 31st March, 2016

### Note: 33 DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE (contd...)

#### b) Particulars of unhedged foreign currency exposure

(₹ in Lacs)

	Currency	As at 31st March, 2016		As at 31st March, 2015	
		Amount in FC (Million)	Amount in INR (₹ in Lakhs)	Amount in FC (Million)	Amount in INR (₹ in Lakhs)
Secured loan	USD	35.04	23,240.00	63.34	39,646.00
	Euro	7.91	5,939.26	4.63	3,128.52
Unsecured loan	USD	4.65	3,084.88	14.05	8,791.53
	EURO	-	-	-	-
Creditors (net of advances)	USD	4.14	2,746.73	13.12	8,211.67
	Euro	0.20	156.44	0.16	130.07
Other payables	USD	4.30	2,851.89	1.01	632.84
	Euro	2.30	1,724.40	0.57	383.98
<b>Total</b>	USD	<b>48.13</b>	<b>31,923.51</b>	<b>91.52</b>	<b>57,282.04</b>
<b>Total</b>	EURO	<b>10.41</b>	<b>7,820.10</b>	<b>5.36</b>	<b>3,642.57</b>
Debtors (net of advances)	USD	18.76	12,443.67	31.06	19,439.49
	Euro	8.96	6,734.56	14.56	9,576.27
	GBP	-	-	0.28	259.43
	CAD	0.01	3.59	-	-

### Note: 34

Inventories, loans & advances, trade receivables and other current / non-current assets are reviewed annually and in the opinion of the Management do not have a value on realization in the ordinary course of business, less than the amount at which they are stated in the Balance Sheet.

### Note: 35 AS - 15 'EMPLOYEE BENEFITS'

Accounting Standard - 15 'Employee Benefits' and the required disclosures are given hereunder:

#### Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year are as under :

(₹ in Lacs)

	FY 2015-16	FY 2014-15
Employer's contribution to Provident Fund	247.47	211.84
Employer's contribution to Superannuation Fund	171.01	164.16
Employer's contribution to ESI	38.88	36.16

#### Defined Benefit Plan

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity. The Company has maintained a fund with LIC, ICICI Prudential Life Insurance Company Ltd. and Reliance Insurance Company Ltd.

## Notes to the financial statements for the year ended 31st March, 2016

Note: 35 AS - 15 'EMPLOYEE BENEFITS' (contd...)

### 1. Reconciliation of opening and closing balances of Defined Benefit Obligation. (₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15	Leave encashment (Unfunded) FY 2015-16	Leave encashment (Unfunded) FY 2014-15
Defined benefit obligation at the beginning of the year	988.50	901.81	359.92	225.28
Current service cost	60.14	55.19	37.02	33.69
Interest cost	79.08	76.65	28.79	19.15
Actuarial (gain)/loss	(25.95)	(33.89)	25.23	96.82
Past service cost	0	-	-	-
Benefits paid	(1.55)	(11.26)	(38.30)	(15.02)
Settlement cost	-	-	-	-
Defined benefit obligation at the end of the year	1,100.22	988.50	412.67	359.92

### 2. Reconciliation of opening and closing balances of Fair Value of Plan Assets (₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15
Fair value of plan assets as at the beginning of the year	944.15	823.74
Expected return	94.42	82.37
Actuarial (gain)/loss	53.31	23.35
Contribution by employer	45.90	72.65
Benefits paid	(1.55)	(11.26)
Settlement cost	-	-
Fair value of plan assets as at the end of the year	1,029.60	944.15
Actual return on plan assets	41.10	59.02

### 3. Reconciliation of amount recognised in Balance Sheet (₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15	Leave encashment (Unfunded) FY 2015-16	Leave encashment (Unfunded) FY 2014-15
Fair value of plan assets as at 31st March, 2016	1,029.60	944.15	-	-
Present value of obligation as at 31st March, 2016	1,100.22	988.50	412.67	359.92
Net asset/(liability) recognised in the Balance Sheet	(70.62)	(44.35)	(412.67)	(359.92)

### 4. Expense Recognised during the year under the head (₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15	Leave encashment (Unfunded) FY 2015-16	Leave encashment (Unfunded) FY 2014-15
Current service cost	60.14	55.19	37.02	33.69
Past service cost	-	-	-	-
Interest cost	79.08	76.65	28.79	19.15
Expected return on plan assets	(94.42)	(82.37)	-	-
Net actuarial (gain)/ loss recognised during the year	27.36	(10.54)	25.23	96.82
Expenses recognised in the statement of profit & loss	72.17	38.93	91.05	149.65

## Notes to the financial statements for the year ended 31st March, 2016

Note: 35 AS - 15 'EMPLOYEE BENEFITS' (contd...)

### 5. Actual Return on Plan Assets

(₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15
Expected return on plan assets	94.42	82.37
Actuarial (gain)/ loss	53.31	23.35
Actual return on plan assets	41.10	59.02

### 6. Principal actuarial assumptions

(₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15	Leave encashment (Unfunded) FY 2015-16	Leave encashment (Unfunded) FY 2014-15
Mortality table (LIC)	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)
Discount rate	8.00%	8.00%	8.00%	8.00%
Future salary increase	4.5%/5.5%	5.50%	4.5%/5.5%	5.50%
Expected rate of return on plan assets	10.00%	10.00%	0.00%	0.00%
Retirement age	58/60 years	60 years	58/60 years	60 years

#### Withdrawal rates

	FY 2015-16		FY 2014-15	
	Age	Withdrawal rates	Age	Withdrawal rates
Withdrawal rates	Upto 30 years	3.00%	Upto 30 years	3.00%
	From 31 to 44 years	2.00%	From 31 to 44 years	2.00%
	Above 44 years	1.00%	Above 44 years	1.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

#### Amounts for the current and previous four periods in respect of leave encashment are as follows

(₹ in Lacs)

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
PBO (C)	412.67	359.92	225.28	226.80	238.89
Plan assets	-	-	-	-	-
Net Assets/ (Liability)	(412.67)	(359.92)	(225.28)	(226.80)	(238.89)
Experience adjustment on plan assets	-	-	-	-	-
Experience adjustment on plan liabilities	(28.22)	(97.16)	(3.70)	4.60	112.40

#### Amounts for the current and previous four periods in respect of gratuity are as follows

(₹ in Lacs)

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
PBO (C)	1,100.22	988.50	901.81	969.72	1,050.51
Plan assets	1,029.60	944.15	823.74	904.36	966.61
Net Assets/ (Liability)	(70.62)	44.35	(78.07)	(65.40)	(83.90)
Experience adjustment on plan assets	(53.31)	(23.35)	(16.68)	(16.00)	(25.86)
Experience adjustment on plan liabilities	(38.70)	(35.66)	(23.60)	(4.11)	(17.51)

#### Provident Fund

The Guidance note issued by Accounting Standard Board (ASB) on implementation of AS-15, "Employee Benefit" states that provident funds set up by the employers, which require interest shortfall to be met by the employer, needs to be treated as defined benefit plan.

The fund does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall (i.e. Government interest to be paid on provident fund scheme exceeds rate of interest earned on investment), pending the issuance of Guidance Note from the actuarial society of India, the Company's actuary has expressed his inability to reliably measure the same.



## Notes to the financial statements for the year ended 31st March, 2016

### Note: 36 RELATED PARTY DISCLOSURE

Related party disclosure as required by Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India :

#### A. List of related parties & relationships

	As at 31st March, 2016	As at 31st March, 2015
a) Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by or are under common control with the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries).		
(i) HEG Graphite Products and Services Ltd.	Subsidiary	Subsidiary
b) Associates and joint ventures		
(i) Bhilwara Energy Limited (BEL)	Associate	Associate
(ii) Bhilwara Infotechnology Limited	Associate	Associate
c) Individuals owning directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.	Sh. L.N. Jhunjhunwala	Sh. L.N. Jhunjhunwala
	Sh. Ravi Jhunjhunwala	Sh. Ravi Jhunjhunwala
	Sh. Riju Jhunjhunwala	Sh. Riju Jhunjhunwala
d) Key management personnel and their relatives	Sh. Ravi Jhunjhunwala	Sh. Ravi Jhunjhunwala
	Sh. Riju Jhunjhunwala	Sh. Riju Jhunjhunwala
	Sh. Raju Rustogi	Sh. Raju Rustogi
	Sh. Ashish Sabharwal	Sh. Ashish Sabharwal

#### e) Enterprises over which any person described in (c) or (d) is able to exercise significant influence.

- (i) RSWM Ltd
- (ii) Malana Power Company Ltd
- (iii) Aadi Marketing Company Pvt Ltd
- (iv) Bhilwara Energy Ltd
- (v) Bhilwara Services Pvt Ltd
- (vi) Essay Marketing Company Ltd
- (vii) Glorious Commodeal Pvt Ltd
- (viii) Giltedged Industrial Securities Ltd
- (ix) India Texfab Marketing Ltd
- (x) Investors India Ltd
- (xi) Kalati Holdings Pvt Ltd
- (xii) LNJ Financial Services Ltd
- (xiii) Modify Distributors Pvt Ltd
- (xiv) Nikita Electrotrades Pvt Ltd
- (xv) Nivedan Vanijya Niyojan Ltd
- (xvi) Purvi Vanijya Niyojan Ltd
- (xvii) Raghav Commercial Ltd
- (xviii) Raghav Knits and Textiles Pvt Ltd
- (xix) Shashi Commercial Co Ltd
- (xx) Veronia Tie-Up Pvt Ltd
- (xxi) Zongoo Commercial Co. Pvt Ltd

## Notes to the financial statements for the year ended 31st March, 2016

Note: 36 RELATED PARTY DISCLOSURE (contd...)

**B The following transactions were carried out / outstanding with related parties in the ordinary course of business** (₹ in Lacs)

		As at 31st March, 2016	As at 31st March, 2015
<b>1</b>	<b>With parties referred to in (a) above.</b>		
(i)	Investment in equity of HEG Graphite Products and Services Limited	5.00	5.00
<b>2</b>	<b>With parties referred to in (b) above.</b>		
(i)	Investment in equity of Bhilwara Energy Limited (BEL)	14,506.88	14,506.88
(ii)	Conversion of preference shares of BEL into equity shares	-	6,720.00
(iii)	BEL rights issue subscription	-	1,096.14
(iv)	Investment in equity of Bhilwara Infotechnology Limited	419.00	419.00
(v)	Redemption premium accrued on preference shares of Bhilwara Energy Limited	-	80.48
(vi)	Amount received for property sale from Bhilwara Infotechnology Limited	-	111.11
(vii)	Interest received from Bhilwara Infotechnology Limited	-	4.77
(viii)	Reimbursement of security deposit paid on behalf of Bhilwara Infotechnology Limited	-	2.04
<b>3</b>	<b>With parties referred to in (c) above.</b>		
(i)	Sitting fees paid to		
-	Sh. Riju Jhunjhunwala-Director	4.00	2.90
(ii)	Remuneration paid to		
-	Sh. Ravi Jhunjhunwala-CMD		
	Salaries & allowances (Including perquisites)	61.53	198.45
	Contribution to PF & Superannuation	10.67	32.40
	Commission (Provision)	-	110.00
(iii)	Compensation for equilisation of Cost of Bhilwara Energy Limited shares to the Company	-	53.41
	Remuneration does not Include provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole		
<b>4</b>	<b>With parties referred to in (d) above.</b>		
(i)	Remuneration paid to		
-	Sh. Ravi Jhunjhunwala-CMD		
	Salaries & Allowances (Including Perquisites)	61.53	198.45
	Contribution to PF & Superannuation	10.67	32.40
	Commission(Provision)	-	110.00
-	Sh. Raju Rustogi-CFO	73.35	74.06
-	Sh. Ashish Sabharwal-CS	40.39	35.62
	Remuneration does not Include provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole		
<b>5</b>	<b>With parties referred to in (e) above.</b>		
(a)	Purchase of fabrics		
-	RSWM Ltd	-	9.37
(b)	Rent received		
-	RSWM Ltd	11.24	10.56
(c)	Rent paid		
-	RSWM Ltd	50.92	50.24
	-Shashi Commercial Co. Ltd.	30.27	27.12
	-Purvi Vanijya Niyojan Ltd.	3.17	2.89
	-Giltedged Industrial Securities Ltd.	19.61	18.10
d)	Sale of SHIS license to RSWM Ltd.	-	398.23

## Notes to the financial statements for the year ended 31st March, 2016

### Note: 36 RELATED PARTY DISCLOSURE (contd...)

**B The following transactions were carried out / outstanding with related parties in the ordinary course of business** (₹ in Lacs)

		As at 31st March, 2016	As at 31st March, 2015
<b>5</b>	<b>With parties referred to in (e) above. (contd...)</b>		
e)	Reimbursement of expenses incurred by Company		
	-Malana Power Co. Ltd.	5.76	5.14
	-RSWM Ltd	65.97	31.52
	-Raghav Commercial Ltd.	0.13	-
	-Bhilwara Energy Ltd.	0.58	-
f)	Reimbursement of expenses incurred on behalf of Company		
	-RSWM Ltd.	291.43	37.19

**Outstanding balance** (₹ in Lacs)

Sl.No.	Related party	As at 31st March, 2016	As at 31st March, 2015
1	RSWM Ltd	0.03	0.03
2	Malana Power Co. Ltd	5.76	-
3	Bhilwara Energy Ltd	0.11	0.11
	<b>TOTAL</b>	<b>5.90</b>	<b>0.14</b>

### Note: 37 SEGMENT REPORTING

**1) Primary segment information (by business segment) :** (₹ in Lacs)

	Graphite		Power		Unallocable items/ others		Total	
	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15
<b>a) Segment revenue</b>								
External turnover	85,216.43	123,776.13	20,764.41	22,806.40	4.16	8.86	105,985.00	146,591.39
Less: Inter segment turnover	-	-	19,216.26	20,452.57	-	-	19,216.26	20,452.57
Turnover	85,216.43	123,776.13	1,548.15	2,353.83	4.16	8.86	86,768.74	126,138.82
Less: excise duty	4,014.36	2,831.47	-	-	0.46	0.38	4,014.82	2,831.85
Net turnover	81,202.07	120,944.66	1,548.15	2,353.83	3.70	8.48	82,753.92	123,306.97
<b>b) Segment result before interest &amp; taxes</b>	(3,974.84)	3,507.61	8,930.23	8,579.11	(14.92)	57.60	4,940.47	12,144.32
Less: Financial expenses							5,994.46	7,712.65
Profit before tax							(1,053.99)	4,431.34
Less: Income tax (including deferred tax)							461.09	531.51
Net profit for the year							(1,515.09)	3,900.16
<b>c) Other information</b>								
Segment assets	153,796.28	181,785.52	18,637.55	19,927.16	15,785.75	15,580.84	188,219.59	217,293.52
Segment liabilities	84,733.60	110,814.92	784.43	554.52	10,438.26	11,851.63	95,956.29	123,221.06
Capital exp. incurred during the year	2,857.55	2,918.72	7.22	156.42	301.56	63.01	3,166.34	3,138.15
Depreciation	6,549.83	6,112.49	1,336.23	1,386.53	35.84	36.70	7,921.90	7,535.72
Other non cash expenses other than depreciation and amortization								

## Notes to the financial statements for the year ended 31st March, 2016

### Note: 37 SEGMENT REPORTING (contd...)

#### 2) Secondary Segment Information (By Geographical Location) :

(₹ in Lacs)

	Within Indian		Outside India		Total	
	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15
a) Segment revenue	36,498.45	31,647.99	50,270.29	94,490.83	86,768.74	126,138.82
b) Segment assets	188,219.59	217,293.52	-	-	188,219.59	217,293.52
c) Capital expenditure	3,166.34	3,138.15	-	-	3,166.34	3,138.15

### Note: 38 VALUE OF IMPORTS CALCULATED ON CIF BASIS IN RESPECT OF

(₹ in Lacs)

Particulars	Year ended 31st March, 2016	Year ended 31st March, 2015
Raw materials	11,146.44	29,355.26
Components & spare parts	233.51	310.10
Capital goods	197.25	107.18

### Note: 39 EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS) ON ACCOUNT OF

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Commission, consultancy, travelling, interest and others.	4,118.55	4,429.43

### Note: 40 EARNINGS IN FOREIGN CURRENCY

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Export of goods calculated on FOB basis	49,850.26	91,841.92

### Note: 41 AMOUNT REMITTED IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Amount paid on repatriation basis on account of dividend* (₹)	459.58	913.68
Number of NRI / OCB shareholders (No.)	232	257
Number of shares held by above shareholders (No.)	15,319,412	15,228,055
Year to which the dividend relates	2014-15	2013-14

\*The Company has paid dividend in respect of shares held by non-residents on repatriation basis. The exact amount of dividend remitted in foreign currency cannot be ascertained. An amount equivalent to ₹3,54,54,321 was paid in foreign currency by the Company, whereas amount ₹1,05,03,915 was paid to non-residents in INR during the financial year 2015-16.

### Note: 42 CAPITALIZATION OF PRE-OPERATIVE EXPENDITURE

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
The following expenditure has been capitalised / included under capital work in progress:		
Insurance expenses	2.03	0.97
Financial expenses - interest on term loans	1,684.12	329.59
Administrative overheads & other cost	524.81	249.96
Foreign currency fluctuation	1,565.39	3,465.86
<b>Total</b>	<b>3,776.35</b>	<b>4,046.38</b>
The same has been capitalised / is lying under capital work in progress as under:		
Building	-	28.72
Plant & machinery	3,004.24	1,760.10
Capital work in progress	772.11	2,257.56
<b>Total</b>	<b>3,776.35</b>	<b>4,046.38</b>

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## Notes to the financial statements for the year ended 31st March, 2016

### Note: 43

The Company has opted to avail the choice provided under paragraph 46A of AS 11: The effects of changes in foreign exchange rates inserted vide Notification No 914 (E) dated December 29, 2011 issued by the Ministry of Corporate Affairs, Government of India. The exchange differences on long term foreign currency monetary items are being dealt with in the following manner:

- Foreign exchange difference on acquisition of a depreciable asset, is adjusted in the cost of the depreciable asset, which would be depreciated over the balance life of the asset.
- It has transferred the difference arising out of foreign currency translation in respect of acquisition of depreciable capital assets to the respective assets account/capital work-in-progress. In case this accounting practice had not been adopted, the pre-tax profit for the financial year ended 31st March 2016 would have been lower by ₹1,060.00 Lacs (Loss) ((Previous year ₹248.22 (Gain)) with a consequential impact on both the Basic and Diluted EPS.

### Note: 44

There are no present obligations requiring provisions in accordance with the guiding principles as enunciated in Accounting Standard (AS)- 29 'Provisions, Contingent Liabilities & Contingent Assets'

### Note: 45 ADDITIONAL INFORMATION

(₹ in Lacs)

		Year ended 31st March, 2016	Year ended 31st March, 2015
<b>Installed capacity (as certified by the Management, being a technical matter relied upon by Auditors)</b>			
Graphite Electrodes & Anodes	MT	80,000	80,000
Thermal Power	MW	63.00	63.00
Hydel Power	MW	13.50	13.50

### Note: 46

In accordance with the provisions of Accounting Standard on Impairment of Assets, AS-28, the Management has made assessment of assets in use & considering the business prospects related thereto, no provision is considered necessary in these accounts on account of impairment of assets.

### Note: 47

The following transactions are accounted for on the basis of estimates / available data, with final adjustments being carried out in the year of settlement.

- Claims lodged with insurance companies
- Interest on income tax refunds granted on summary basis, pending finalization of assessments is treated as income in the year of accrual. Final adjustments are carried out in the year of completion of assessment.

### Note: 48 DETAILS OF IMPORTED AND INDIGENOUS RAW MATERIAL, STORES & SPARE PARTS CONSUMED

	Year ended 31st March, 2016		Year ended 31st March, 2015	
	₹ in Lacs	%	₹ in Lacs	%
<b>Raw materials (including purchases for consumption)</b>				
Imported	12,842.09	40.28	31,609.21	53.29
Indigenous	19,038.50	59.72	27,706.60	46.71
<b>Stores &amp; spare parts</b>				
Imported	236.28	4.10	481.72	7.91
Indigenous	5,523.91	95.90	5,611.72	92.09

## Notes to the financial statements for the year ended 31st March, 2016

### Note: 49 DETAILS OF LOANS GIVEN, INVESTMENTS MADE AND GUARANTEE GIVEN COVERED U/S 186(4) OF THE COMPANIES ACT, 2013

	Amount outstanding As at 31st March, 2016	Amount outstanding As at 31st March, 2015
Loan given		
Guarantee given	600 Lacs	600 Lacs
Investment made	14,955.88 Lacs	14,955.88 Lacs

#### Loan, guarantee and investments made during the Financial Year 2015-16

The Company has not given any loan, guarantee and not made any investments during the financial year 2015-16.

### Note: 50

Previous year figures have been regrouped/reclassified, wherever necessary to conform to current year classification.

Signed in terms of our report of even date

For Doogar & Associates  
Chartered Accountants  
Firm Regn. No. 000561N

For S.S. Kothari Mehta & Co.  
Chartered Accountants  
Firm Regn.No. 000756N

Ravi Jhunhunwala  
Chairman & Managing Director  
DIN No.00060972

Shekhar Agarwal  
Vice Chairman  
DIN No.00066113

M.K.Doogar  
Partner  
Membership No. 080077

Sunil Wahal  
Partner  
Membership No. 087294

D.N.Davar  
Director  
DIN No.00002008

Riju Jhunhunwala  
Director  
DIN No.00061060

Place : Noida (U.P.)  
Dated: 27th May, 2016

Raju Rustogi  
Chief Financial Officer

Ashish Sabharwal  
Company Secretary



## Cash Flow Statement for the year ended 31st March, 2016

Particulars	(₹ in Lacs)	
	Year ended 31st March, 2016	Year ended 31st March, 2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	(1,053.99)	4,431.67
<b>Add:</b> Depreciation	7,921.90	7,535.72
Interest paid	5,994.46	7,712.65
(Profit)/loss on fixed assets sold / discarded	36.98	(320.59)
Provision for doubtful debts/age base provisions	623.89	101.82
Transfer to hedging reserves	-	(795.97)
Bad debts	48.68	465.51
<b>Less:</b> Interest received	36.77	309.68
<b>Operating profit before working capital changes</b>	<b>13,535.16</b>	<b>18,821.12</b>
<b>Working capital</b>		
Trade receivables	7,383.28	11,274.35
Inventories	7,970.56	9,209.98
Loans & advances / Other current assets	7,689.80	4,489.74
Liabilities and provisions	(9,058.45)	(15,615.37)
Cash from operating activities	27,520.35	28,179.82
Income tax	461.09	531.51
<b>Net Cash from operating activities</b>	<b>27,059.26</b>	<b>27,648.32</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition in fixed assets (net)	(3,166.34)	(3,138.15)
Sale of fixed assets	127.20	421.25
Advances for capital expenditure	(30.35)	27.79
Sundry creditors for capital expenditure	204.28	(720.43)
Investments	-	(5,164.56)
Interest received	36.77	309.68
<b>Net cash outflow from investing activities</b>	<b>(2,828.44)</b>	<b>(8,264.41)</b>
<b>C. CASH FROM FINANCING ACTIVITIES</b>		
Long term borrowings - term loans / NCD's / Bonds	-	16,700.00
Repayment of term loans/NCD's/Bonds	(7,916.14)	(18,879.13)
Short term borrowings (working capital)	(10,214.86)	(8,849.49)
Interest paid	(5,994.46)	(7,712.65)
Dividend paid	-	(1,198.77)
Corporate dividend tax	-	(239.72)
<b>Net cash outflow from financing activities</b>	<b>(24,125.47)</b>	<b>(20,179.77)</b>
<b>INCREASE IN CASH OR CASH EQUIVALENTS</b>	<b>105.34</b>	<b>(795.87)</b>
Opening cash or cash equivalents	406.43	1,202.30
Closing cash or cash equivalents	511.78	406.43

Signed in terms of our report of even date

For **Doogar & Associates**  
Chartered Accountants  
Firm Regn. No. 000561N

**M.K.Doogar**  
Partner  
Membership No. 080077

Place : Noida (U.P.)  
Dated: 27th May,2016

For **S.S. Kothari Mehta & Co.**  
Chartered Accountants  
Firm Regn.No. 000756N

**Sunil Wahal**  
Partner  
Membership No. 087294

**Ravi Jhunjunwala**  
Chairman & Managing Director  
DIN No.00060972

**D.N.Davar**  
Director  
DIN No.00002008

**Raju Rustogi**  
Chief Financial Officer

**Shekhar Agarwal**  
Vice Chairman  
DIN No.00066113

**Riju Jhunjunwala**  
Director  
DIN No.00061060

**Ashish Sabharwal**  
Company Secretary

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# CONSOLIDATED

## FINANCIAL STATEMENTS

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## Independent Auditors' Report

To The Members of  
HEG LIMITED

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of HEG Limited (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") and its associates, comprising of the consolidated balance sheet as at 31st March, 2016, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

### Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence

about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the group as at 31st March, 2016, and their consolidated loss and their consolidated cash flows for the year ended on that date.

### Other Matters

We did not audit the financial statements of a subsidiary whose financial statement reflects total assets of Rs. 2.99 lacs as at 31st March, 2016, total revenue of NIL and net cash outflows amounting to Rs 0.47 lacs for the year ended 31st March, 2016 and as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Rs. 231.53 lacs for the year ended 31st March, 2016, as considered in the consolidated financial statements, in respect of one of the associates whose financial statements have not been audited by us. These financial statements and other financial information have been audited by other auditors whose audit reports for the year ended 31st March, 2016 have been furnished to us, and our opinion on the consolidated financial results for the year ended 31st March, 2016 is based solely on the reports of the other auditors.

The consolidated financial statements also includes the Groups share of net loss of Rs 139.66 lacs (net) (includes profit for the year 870.59 lacs and unadjusted losses for the previous year of Rs. 1010.30 lacs) for the year ended 31st March 2016 as considered in the consolidated financial statements, in respect of one associate whose consolidated financial statements have been audited by one

of the joint auditors and our opinion on the consolidated financial statements, in so far as it relates the aforesaid associate is based solely on such reports.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditors.

#### Report on Other Legal and Regulatory Requirements

As required by Section 143 (3) of the Act, we report, to the extent applicable, that

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
- c) The consolidated balance sheet, the consolidated statement of profit and loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e) On the basis of the written representations received from the directors of the holding company as on 31st March, 2016 taken on record by the Board of Directors of the holding company and the reports of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the

Group companies incorporated in India is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

- f) With respect to the adequacy of the internal financial controls over financial reporting of the holding company, subsidiary company and its associate companies and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report; and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statement disclose the impact of pending litigations on its consolidated financial position of the group and its associates— Refer Note 31 & 32 to the consolidated financial statements;
  - ii. The group and its associates did not have any material foreseeable losses on long-term contracts including derivative contracts; and
  - iii. There has been no delay in transferring amounts, required to transferred, to be transferred, to the Investor Education and Protection Fund by the Holding Company, subsidiary companies and its associates incorporated in India.

**For Doogar & Associates**  
Chartered Accountants  
Firm Regn. No. 000561N

**For S.S. Kothari Mehta & Co**  
Chartered Accountants  
Firm Regn. No. 000756N

**M.K. Doogar**  
Partner  
M.No. 080077  
Place: Noida (U.P)  
Date: 27th May, 2016

**Sunil Wahal**  
Partner  
M. No. 087294

### Annexure A to the Independent Auditor's Report on the Consolidated Financial Statement to the Members of HEG Limited dated May 27, 2016.

#### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act") as referred to in paragraph 2(f) of 'Report on Other Legal and Regulatory Requirements' section

In conjunction with our audit of the consolidated financial statement of HEG Limited as of 31st March, 2016. We have audited the internal financial controls over financial reporting of HEG Limited (hereinafter referred to as the "Holding Company"), one subsidiary (the Holding Company and its subsidiary together referred to as "the Group") and its 2 associates companies incorporated in India, as of the date.

#### Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, subsidiary company and its associate companies, which are incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's

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policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit.

We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded

as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Opinion

In our opinion, the Holding Company, one subsidiary company and its two associate companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

#### Other matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to a subsidiary and its two associates which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies.

**For Doogar & Associates**  
Chartered Accountants  
Firm Regn. No. 000561N

**For S.S. Kothari Mehta & Co**  
Chartered Accountants  
Firm Regn. No. 000756N

**M.K.Doogar**  
Partner  
M.No. 080077  
Place: Noida (U.P)  
Date: 27th May, 2016

**Sunil Wahal**  
Partner  
M. No. 087294

## Consolidated Balance Sheet as at 31st March, 2016

		(₹ in Lacs)	
	Note	As at 31st March, 2016	As at 31st March, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
(a) Share Capital	3	3,995.95	3,995.95
(b) Reserves and Surplus	4	95,687.96	97,405.74
<b>2. Non-current liabilities</b>			
(a) Long-term borrowings	5	15,655.33	25,237.17
(b) Deferred tax liabilities (Net)	6	9,915.75	9,734.27
(c) Other long term liabilities	7	81.54	105.11
(d) Long-term provisions	8	306.59	300.26
<b>3. Current liabilities</b>			
(a) Short-term borrowings	9	47,376.89	57,591.74
(b) Trade payables:-	10		
- Total outstanding dues of micro enterprises and small enterprises		200.39	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises		4,971.42	12,892.68
(c) Other current liabilities	11	17,271.82	15,742.20
(d) Short-term provisions	8	176.70	1,617.74
<b>TOTAL</b>		<b>1,95,640.34</b>	<b>2,24,622.86</b>
<b>II. ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	12	93,274.48	90,639.99
(ii) Intangible assets	13	4.64	13.84
(iii) Capital work-in-progress	14	2,935.72	10,774.86
(iv) Intangible assets under development		-	-
(b) Non-current investments	15	22,348.66	22,256.76
(c) Long-term loans and advances	16	8,164.01	8,194.00
(d) Other non-current assets	17	-	180.08
<b>2. Current assets</b>			
(a) Current investments	18	25.00	25.00
(b) Inventories	19	32,219.91	40,190.48
(c) Trade receivables	20	32,490.55	40,546.40
(d) Cash and bank balances	21	514.77	409.90
(e) Short-term loans and advances	16	2,858.98	9,336.51
(f) Other current assets	17	803.63	2,055.03
<b>TOTAL</b>		<b>1,95,640.34</b>	<b>2,24,622.86</b>
Summary of significant accounting policies	2		

The accompanying notes (1-51) form an integral part of these financial statements

Signed in terms of our report of even date

For **Doogar & Associates**  
Chartered Accountants  
Firm Regn. No. 000561N

For **S.S. Kothari Mehta & Co.**  
Chartered Accountants  
Firm Regn.No. 000756N

**Ravi Jhunjhunwala**  
Chairman & Managing Director  
DIN No.00060972

**Shekhar Agarwal**  
Vice Chairman  
DIN No.00066113

**M.K.Doogar**  
Partner  
Membership No. 080077

**Sunil Wahal**  
Partner  
Membership No. 087294

**D.N.Davar**  
Director  
DIN No.00002008

**Riju Jhunjhunwala**  
Director  
DIN No.00061060

Place : Noida (U.P.)  
Dated: 27th May,2016

**Raju Rustogi**  
Chief Financial Officer

**Ashish Sabharwal**  
Company Secretary



## Consolidated Statement of Profit and Loss for the year ended 31st March, 2016

(₹ in Lacs)

	Note	Year ended 31st March, 2016	Year ended 31st March, 2015
<b>I. Revenue from operations</b>			
Sale of products	22	86,028.65	125,550.29
Other operating Income		740.09	588.53
Less: Excise duty		4,014.82	2,831.85
Revenue from operations(Net)		82,753.92	123,306.97
<b>II. Other income</b>	23	416.70	1,516.06
<b>III. Total revenue (I + II)</b>		<b>83,170.62</b>	<b>124,823.03</b>
<b>IV. Expenses:</b>			
Cost of materials consumed	24	31,880.59	59,315.80
Changes in inventories of finished goods work-in-progress and stock-in-trade	25	4,807.66	2,425.08
Employee benefit expenses	26	6,324.15	6,107.16
Finance costs	27	5,994.46	7,712.65
Depreciation and amortization expenses	28	7,921.90	7,535.72
Other expenses	29	27,296.32	37,295.25
<b>Total expenses</b>		<b>84,225.08</b>	<b>120,391.67</b>
<b>V. Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>(1,054.47)</b>	<b>4,431.36</b>
<b>VI. Exceptional items</b>		-	-
<b>VII. Profit before extraordinary items and tax (V - VI)</b>		<b>(1,054.47)</b>	<b>4,431.36</b>
<b>VIII. Extraordinary Items</b>		-	-
<b>IX. Profit before tax (VII- VIII)</b>		<b>(1,054.47)</b>	<b>4,431.36</b>
<b>X. Tax expense:</b>			
(1) Current tax			
Current tax		-	963.18
MAT credit entitlement		-	(963.18)
Net current tax		-	-
Income tax -previous year		279.61	(2.91)
MAT credit previous year		-	2.91
(2) Deferred tax		181.48	531.51
<b>XI. Net profit (loss) for the year from continuing operations (IX-X)</b>		<b>(1,515.56)</b>	<b>3,899.85</b>
<b>XII. Net Profit (loss) for the year</b>		<b>(1,515.56)</b>	<b>3,899.85</b>
Add : Share in Result of Associates		91.86	(257.35)
<b>Profit (Loss) for the period</b>		<b>(1,423.69)</b>	<b>3,642.50</b>
<b>XIII. Earnings per equity share: (Par value of ₹ 10 each)</b>			
(1) Basic (₹)	30	(3.56)	9.12
(2) Diluted (₹)	30	(3.56)	9.12

The accompanying notes (1-51) form an integral part of these financial statements

Signed in terms of our report of even date

For **Doogar & Associates**  
Chartered Accountants  
Firm Regn. No. 000561N

For **S.S. Kothari Mehta & Co.**  
Chartered Accountants  
Firm Regn.No. 000756N

**Ravi Jhunjhunwala**  
Chairman & Managing Director  
DIN No.00060972

**Shekhar Agarwal**  
Vice Chairman  
DIN No.00066113

**M.K.Doogar**  
Partner  
Membership No. 080077

**Sunil Wahal**  
Partner  
Membership No. 087294

**D.N.Davar**  
Director  
DIN No.00002008

**Riju Jhunjhunwala**  
Director  
DIN No.00061060

Place : Noida (U.P.)  
Dated: 27th May,2016

**Raju Rustogi**  
Chief Financial Officer

**Ashish Sabharwal**  
Company Secretary

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note:1 BASIS AND PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements (CFS) of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The financial statements have been prepared to comply in all material respects with the accounting standards prescribed under the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014. The financial statements have been prepared on an actual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

### Note:2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Components considered

The following Components considered in preparation of Consolidated Financial Statements:-

##### (a) Subsidiary Companies.

Name	Country	Ownership (%)	Period Considered	Audited/Board Approved
HEG Graphite Products and Services Ltd.	India	100%	Since the date of incorporation	Audited

The consolidation of the financial statements of the Parent and its Subsidiaries has been done on line-by-line basis by adding together, like items of assets, liabilities, income and expenses as per AS 21.

##### (b) Investment in Associates

Name	Country	Ownership (%)	Period Considered	Audited/Board Approved
Bhilwara Infotechnology Ltd.	India	38.59%	01.04.2015 to 31.03.2016	Audited
Bhilwara Energy Ltd.	India	29.49%	01.04.2015 to 31.03.2016	Audited
Indo Canadian Consultancy Services Ltd. (Subsidiary of BEL)	India	15.04%	01.04.2015 to 31.03.2016	Audited
Malana Power Company Limited (Subsidiary of BEL)	India	15.04%	01.04.2015 to 31.03.2016	Audited
AD Hydro Power Ltd. (Fellow Subsidiary of BEL)	India	13.23%	01.04.2015 to 31.03.2016	Audited
NJC Hydro Power Ltd. (subsidiary of BEL)	India	29.49%	01.04.2015 to 31.03.2016	Audited
Green Ventures Pvt.Ltd. (Subsidiary of BEL)	Nepal	24.97%	01.04.2015 to 31.03.2016	Audited
Balephi Jal Vidyut Co. Ltd	Nepal	28.27%	01.04.2015 to 31.03.2016	Audited
Bhilwara Green Energy Limited	India	29.49%	01.04.2015 to 31.03.2016	Audited
Chango Yangthang Hydro Power Ltd.	India	29.49%	01.04.2015 to 31.03.2016	Audited
LNJ Power Venture Ltd.	India	21.82%	01.04.2015 to 31.03.2016	Audited
BG Wind Power Limited (subsidiary of BGEL)	India	29.49%	01.04.2015 to 31.03.2016	Audited

The Group's investment in Associates is accounted using Equity Method as per AS 23.

#### 2.2 Accounting Policies

The accounting policies of the parent and of its subsidiaries are similar and in line with the Generally Accepted Principle ('GAAP') in India.

As the Accounting Policies of the parent have been mentioned in the separate financial statements of the parent, therefore the same has not been reproduced here.

##### Change in Accounting Policy

The Company has opted to avail the choice provided under paragraph 46A of AS 11: The Effects of Changes in Foreign Exchange Rates inserted vide Notification No. GSR 914(E) dated December 29, 2011 issued by the Ministry of Corporate Affairs. Consequently,

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## Notes to the consolidated financial statements for the year ended 31st March, 2016

the following exchange differences on long term foreign currency monetary items, which were until now being recognized in the Statement of Profit and Loss are now being dealt with the following manner :

- Foreign exchange difference on acquisition of a depreciable asset, is adjusted in the cost of the depreciable asset, which would be depreciated over the balance life of the asset
- In other cases, the foreign exchange difference is accumulated in a Foreign Currency Monetary Item Translation Difference Account, and amortised over the balance period of such long term asset/liability.

### 2.3 Goodwill / Capital Reserve

The excess of cost to the Company of its investment in the Subsidiaries and Joint Ventures over the Parent's position of equity of the subsidiary at the date on which investment is made, is described as 'Goodwill' on consolidation and recognized as an asset in the Consolidated Financial Statements.

### 2.4 Minority Interest

Minority Interest in the Net Assets of the subsidiaries consist of the amount of equity attributable to Minorities at the date on which investment is made and Minorities' share of movements in equity since the date when Parent Subsidiary relationship came into existence, to the date of Balance Sheet.

Note:3 SHARE CAPITAL		(₹ in Lacs)	
	As at 31st March, 2016	As at 31st March, 2015	
<b>Authorised</b>			
5,50,00,000 (Previous year 5,50,00,000) equity shares of ₹10/- each	5,500.00	5,500.00	
15,00,000 (Previous year 15,00,000) preference shares of ₹100/- each	1,500.00	1,500.00	
	<b>7,000.00</b>	<b>7,000.00</b>	
<b>Issued, subscribed &amp; fully paid-up</b>			
3,99,59,142 (Previous year 3,99,59,142) equity shares of ₹10/- each	3,995.91	3,995.91	
1,150 (Previous year 1,150) forfeited equity shares	0.04	0.04	
<b>Total</b>	<b>3,995.95</b>	<b>3,995.95</b>	

#### Of the above

- 2,21,96,821 (Previous year 2,21,96,821) equity shares have been issued as fully paid up bonus shares by capitalisation of reserves.
- 3,00,000 (Previous year 3,00,000) equity shares have been issued as fully paid up pursuant to a contract without payment being received in cash.
- 10,700 (Previous year 10,700) equity shares have been issued at par as fully paid up to the members of erstwhile subsidiary company Bhilwara Viking Petroleum Limited pursuant to scheme of amalgamation.

## Notes to the consolidated financial statements for the year ended 31st March, 2016

Note:3 SHARE CAPITAL (contd...)

(₹ in Lacs)

### a) Reconciliation of the Shares outstanding at the beginning and at the end of the reporting period

Particulars	2015-16		2014-15	
	No. of shares	₹ in lacs	No. of shares	₹ in lacs
<b>Equity shares</b>				
At the beginning of the year	3,99,59,142	3,995.91	3,99,59,142	3,995.91
Changes during the year	-	-	-	-
Outstanding at the end of the year	3,99,59,142	3,995.91	3,99,59,142	3,995.91

### b) Terms/Rights attached to equity shares

Company has only one class of equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

During the year ended 31st March, 2016, the amount of dividend per share recognized as distribution to equity shareholders was NIL Previous year (₹ 3 per equity share).

### c) Detail of shareholders holding more than 5% Shares in the Company

Name of the shareholder	As at 31st March, 2016		As at 31st March, 2015	
	No. of shares held	% of Holding	No. of shares held	% of Holding
<b>Equity Shares</b>				
Norbury Investments Limited	53,62,991	13.42	53,62,991	13.42
Microlight Investments Limited	46,65,579	11.68	46,65,579	11.68
Life Insurance Corporation of India	33,94,285	8.49	33,94,285	8.49
GPC mauritius II LLC	28,93,888	7.24	28,93,888	7.24
Bharat Investments Growth Limited	26,09,598	6.53	26,09,598	6.53

As per records of the Company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

### d) Aggregate number of equity shares issued for consideration other than cash and shares bought during the period of five years immediately preceding the reporting date.

	Aggregate No. of Shares				
	2015-16	2014-15	2013-14	2012-13	2011-12
Shares bought back	-	-	-	-	28,85,765
Closing balance	3,99,59,142	3,99,59,142	3,99,59,142	3,99,59,142	3,99,59,142

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note:4 RESERVES AND SURPLUS

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
<b>Capital reserves</b>		
Balance as per the last financial statements	3,138.24	3,138.24
Changes during the year	-	-
(-) Written back during the year	-	-
<b>Closing balance</b>	<b>3,138.24</b>	<b>3,138.24</b>
<b>Capital redemption reserve</b>		
Balance as per the last financial statements	1,893.57	1,893.57
Changes during the year	-	-
(-) Written back in current year	-	-
<b>Closing balance</b>	<b>1,893.57</b>	<b>1,893.57</b>
<b>Securities premium account</b>		
Balance as per the last financial statements	1,269.61	1,269.61
Changes during the year	-	-
Less: Utilised against premium on buyback	-	-
Less: Utilised for Issuing Bonus Shares	-	-
<b>Closing balance</b>	<b>1,269.61</b>	<b>1,269.61</b>
<b>Hedging Reserve</b>		
Balance as per the last financial statements	-	795.97
Add: Amount utilized on settlement of hedged instrument	-	-
Add/(Less): Transfer during the year	-	(795.97)
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>General reserve</b>		
Balance as per the last financial statements	39,823.38	39,433.36
Add: Transfer from statement of profit and loss during the year	-	390.02
(-) Written Back in Current Year	-	-
<b>Closing balance</b>	<b>39,823.38</b>	<b>39,823.38</b>
<b>Surplus balance in statement of profit and loss</b>		
Balance as per the last financial statements	43,950.06	41,878.72
Add: Amount of profit/(loss) transferred from statement of profit and loss	(1,515.56)	3,899.85
Less: Adjustment of depreciation (a)	(294.09)	-
Amount available for appropriation	42,140.41	45,778.58
Less: Proposed dividend	-	1,198.77
Less: Dividend distribution tax on proposed dividend	-	239.72
Less: Amount transferred to general reserve	-	390.02
<b>Closing balance</b>	<b>42,140.41</b>	<b>43,950.06</b>
<b>Total</b>	<b>88,265.20</b>	<b>90,074.84</b>
Add: Shares in reserves of associates	-	-
<b>(a) Opening balance</b>	<b>6,444.03</b>	<b>6,444.03</b>
Add : Current year transfer		
Less : written back in current year		
<b>Closing balance</b>	<b>6,444.03</b>	<b>6,444.03</b>
<b>(b) Statement of profit &amp; loss</b>		
Opening balance	886.87	1,144.22
Add : Current year transfer	91.86	-
Less : Written back in current year		257.35
<b>Closing balance</b>	<b>978.73</b>	<b>886.87</b>
<b>Total</b>	<b>95,687.96</b>	<b>97,405.74</b>

- a) During the year company revised the useful life of its fixed assets in keeping with the provision of Schedule II. Accordingly, depreciation of ₹294.09 Lakhs on account of assets whose useful life was already exhausted on 01st April, 2015 has been adjusted against reserves.

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note:5 LONG TERM BORROWINGS

(₹ in Lacs)

	Non Current Portion		Current portion	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
<b>Secured</b>				
Term loans				
Rupee loans from banks	5,775.00	12,500.00	1,925.00	2,261.56
Foreign currency loans from banks	9,880.33	12,737.17	8,627.59	5,125.33
Rupee loans from others	-	-	-	1,500.00
	15,655.33	25,237.17	10,552.59	8,886.89
Amount disclosed under the head:- "Other Current Liabilities""(Note No-11)"			10,552.59	8,886.89
<b>Total</b>	<b>15,655.33</b>	<b>25,237.17</b>	<b>-</b>	<b>-</b>

Terms of repayment / details of security are as follows:

Lending institution	Rate of interest	No. of Installments	Outstanding as at 31.03.2016	Annual repayment schedule	
				2016-17	2017-18
<b>From banks – Term loans</b>					
Kotak Mahindra Bank	Libor linked rate	7-Quarterly	4,212.08	1,745.00	2,467.08
IDBI Bank	Base rate linked	4-Quarterly	7,700.00	1,925.00	5,775.00
State Bank of India	Libor linked rate	4-Quarterly	5,009.23	2,504.62	2,504.62
DBS-ECB	Libor linked rate	2-Yearly	9,286.61	4,377.97	4,908.63
<b>Total</b>			<b>26,207.92</b>	<b>10,552.59</b>	<b>15,655.33</b>

Term loans from financial institutions and banks/other lending institutions are/shall be secured by way of joint equitable mortgage of all the immovable properties (present and future) of Graphite & Thermal Power units at Mandideep and Hydel unit at Tawa Nagar ranking on pari- passu basis and hypothecation of all movable assets of the Company subject to prior charge of the Company's bankers on specified movable assets in respect of working capital borrowings.

### Note:6 DEFERRED TAX LIABILITIES (NET)

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
<b>Deferred tax liabilities</b>		
Arising on account of timing difference		
Accumulated depreciation	10,766.84	10,189.60
<b>Deferred tax assets</b>		
Arising on account of timing difference	-	-
Due to Section 43B of the Income Tax Act	459.93	280.08
Others	391.15	175.25
<b>Net deferred tax liability</b>	<b>9,915.75</b>	<b>9,734.27</b>
<b>Movement</b>		
Opening balance	9,734.27	9,202.76
Addition/(deduction) during the year	181.48	531.51
<b>Closing balance</b>	<b>9,915.75</b>	<b>9,734.27</b>

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note:7 OTHER LONG TERM LIABILITIES (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Security received	81.54	105.11
	<b>81.54</b>	<b>105.11</b>

### Note:8 PROVISIONS (₹ in Lacs)

	Long Term		Short Term	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
<b>Provision for employee benefits</b>				
Compensated absences	306.59	300.26	106.08	59.65
Gratuity			70.62	45.90
<b>Others</b>				
Provision for proposed dividend on equity shares	-	-	-	1,198.77
Provision for dividend distribution tax	-	-	-	239.72
Provision for Income Tax (Net of advance tax of ₹425 lacs (Prevoius Year ₹900 lacs)	-	-		63.18
Provision for wealth tax	-	-	-	10.50
<b>Total</b>	<b>306.59</b>	<b>300.26</b>	<b>176.70</b>	<b>1,617.74</b>

### Note:9 SHORT TERM BORROWINGS (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
<b>Secured</b>		
Loans repayable on demand		
Working capital loans from banks	44,292.01	44,691.17
<b>Unsecured</b>		
Short term borrowings from banks	3,084.88	12,900.57
<b>Total</b>	<b>47,376.89</b>	<b>57,591.74</b>

Working capital borrowings from banks are secured by hypothecation of all stocks present and future, stores, spare parts, packing materials, raw materials, finished goods, goods in transit / process, book debts, outstanding monies receivable, claims, bills etc. and second charge by way of joint equitable mortgage of immovable properties of the Company in respect of Graphite & Thermal Power units at Mandideep and Hydel unit at Tawanagar. The said second charge in favour of bank shall rank sub-ordinate and subservient to the existing charges created by the Company in favour of financial institutions and banks for their term loans.



## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note:10 TRADE PAYABLES

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
(A) Total outstanding dues of micro enterprises and small enterprises	200.39	-
(B) Total outstanding dues of creditors other than micro enterprises and small enterprises	4,971.42	12,892.68
	<b>5,171.81</b>	<b>12,892.68</b>

The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 ("the Act") has been determined to the extent such parties have been identified by the Company, on the basis of information and records available with them. This information has been relied upon by the auditors. Disclosure in respect of interest due on delayed payment has been determined only in respect of payments made after the receipt of information, with regards to filing of memorandum, from the respective suppliers. Disclosure as required under section 22 of the Act, is as under:

	As at 31st March, 2016	As at 31st March, 2015
(1) Principal amount remaining unpaid as at end of the year	200.39	-
(2) Interest due on above	-	-
a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year (1+2);	200.39	-
b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-	-
d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

### Note:11 OTHER CURRENT LIABILITIES

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
(a) Current maturities of long-term borrowings (Note-5)	10,552.59	8,886.89
(b) Interest accrued but not due on borrowings	169.30	206.77
(c) Unpaid dividends-Unclaimed*	225.40	223.72
(d) Advance from customers	65.86	125.43
(e) Deposits from employees against various scheme	270.19	274.23
(f) Other payables		
Employees Related	687.99	697.86
Statutory dues payable (Including PF and TDS)	2,129.89	1,892.94
Others	3,170.60	3,434.36
	<b>17,271.82</b>	<b>15,742.20</b>

\* Investor Education & Protection Fund is credited by unclaimed dividend amounts outstanding on expiry of seven years from dividend declaration.

## Notes to the consolidated financial statements for the year ended 31st March, 2016

Note:12 TANGIBLE ASSETS (₹ in Lacs)

	Land		Buildings	Plant & equipment	Railway sidings	Office equipment	Electrical installation	Furniture & fixtures	Vehicles	Total
	Freehold	Leasehold (a)								
<b>Gross Block</b>										
At 1st April 2014	316.69	724.36	25,334.77	116,775.69	921.69	1,130.84	3,029.69	616.83	1,003.25	149,853.81
Additions	-	38.04	85.91	4,632.86	-	88.37	176.06	37.42	225.60	5,284.26
Disposals	-	-	(60.17)	(86.53)	-	(15.30)	(12.75)	(4.27)	(152.64)	(331.66)
Adjustment (b)	-	-	(307.57)	(720.41)	-	0.69	(23.93)	(0.01)	-	(1,051.23)
At 31st March 2015	316.69	762.40	25,052.94	120,601.61	921.69	1,204.60	3,169.07	649.97	1,076.21	153,755.18
Additions	1.11	14.92	150.84	9,013.10	-	102.31	44.71	8.37	193.97	9,529.35
Disposals	(14.92)	-	-	(133.88)	-	(164.63)	(23.24)	(6.19)	(236.80)	(579.66)
Adjustment (b)	-	-	147.21	1,310.39	-	0.30	18.23	0.00	-	1,476.13
At 31st March 2016	302.88	777.32	25,350.99	130,791.22	921.69	1,142.58	3,208.77	652.15	1,033.38	164,180.98
<b>Depreciation</b>										
At 1st April 2014	-	94.06	8,191.05	44,700.69	192.33	814.68	979.77	397.62	476.29	55,846.49
Charge for the year	-	14.79	1,388.83	5,528.60	42.79	101.76	285.81	42.43	156.46	7,561.47
Disposals	-	-	(24.59)	(76.57)	-	(13.33)	(6.00)	(2.48)	(108.04)	(231.01)
Adjustment (b)	-	-	(26.40)	(33.85)	-	0.30	(1.84)	-	-	(61.79)
At 31st March 2015	-	108.85	9,528.89	50,118.87	235.12	903.41	1,257.74	437.57	524.71	63,115.16
Charge for the year	-	14.27	1,278.33	5,927.10	42.62	93.83	254.24	37.69	158.95	7,807.03
(c) & (d)	-	-	-	(77.15)	-	(152.64)	(15.30)	(3.64)	(166.74)	(415.47)
Disposals	-	-	-	(77.15)	-	(152.64)	(15.30)	(3.64)	(166.74)	(415.47)
Adjustment (b)	-	-	15.83	86.01	-	0.32	3.52	-	-	105.68
Charge for exhausted assets(e)	-	-	-	294.09	-	-	-	-	-	294.09
At 31st March 2016	-	123.12	10,823.05	56,348.92	277.74	844.92	1,500.20	471.62	516.92	70,906.49
<b>Net block</b>										
At 31st March 2015	316.69	653.55	15,524.05	70,482.73	686.57	301.18	1,911.32	212.40	551.49	90,639.99
At 31st March 2016	302.88	654.20	14,527.94	74,442.30	643.95	297.66	1,708.57	180.53	516.46	93,274.48

- a) Assets amounting to ₹83.13 Lacs (Previous Year ₹83.13 Lacs) (Gross) are owned jointly with RSWM Ltd.
- b) The Company has exercised the option made available by the Notification No GSR 914(E) dated 29th December 2011 issued by the Ministry of Corporate affairs. Accordingly, an amount of ₹ 1476.14 Lacs (unrealized loss) & ₹ 62.21 Lacs (realized loss) being adjusted against respective assets), Previous Year ₹ 1051.23 Lacs (unrealized gain) & ₹ 70.11 Lacs (realized loss being adjusted against respective assets) being exchange difference arising on reporting of long term Foreign currency loans availed for acquisition of depreciable Fixed assets have been taken to respective assets and ₹ 200.42 Lacs,(Previous Year ₹ 732.89 Lacs) to capital work-in-progress.
- c) During the year company revised the useful life of its fixed assets in keeping with the provision of Schedule II. Accordingly, depreciation for the year is lower by ₹372.40 Lacs.
- d) The Company has reviewed its tangible fixed assets as at 1st April, 2015 and identified significant component with different useful life from the remaining parts of the assets in keeping with the provisions of Schedule II to the Companies Act, 2013. The depreciation has been computed for such components separately effective 1st April, 2015. As a result, the depreciation expense for the financial year is higher by ₹552.93 Lacs.
- e) During the year Company revised the useful life of its fixed assets in keeping with the provision of Schedule II. Accordingly, depreciation of ₹294.09 Lacs on account of assets whose useful life was already exhausted on 1st April,2015 has been adjusted against reserves.

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note:13 INTANGIBLE ASSETS

(₹ in Lacs)

	Computer Software
<b>Gross block</b>	
At 1st April 2014	451.37
Additions	-
Disposals	-
At 31st March 2015	451.37
Additions	-
Disposals	-
At 31st March 2016	451.37
<b>Amortisation</b>	
At 1st April 2014	401.51
Charge for the year	36.02
Disposals	-
At 31 March 2015	437.53
Charge for the year	9.19
Disposals	-
At 31st March 2016	446.73
<b>Net block</b>	
At 31 March 2015	13.84
At 31st March 2016	4.64

### Note:14 CAPITAL WORK IN PROGRESS

Capital work in progress includes ₹772.11 Lacs (Previous Year ₹2257.56 Lacs) being preoperative expenditure and ₹103.46 Lacs (Previous year ₹40.03 Lacs) being capital stores.

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Note:15 NON-CURRENT INVESTMENTS (₹ in Lacs)

		As at 31st March, 2016	As at 31st March, 2015
	<b>Long term Investments (valued at cost, except for diminution in value other than temporary)</b>		
	<b>Investments in equity instruments</b>		
	<i>Unquoted-investment in associates</i>		
48,881,556	(Previous year 4,88,81,556) equity shares of ₹10/- each fully paid up of Bhilwara Energy Ltd.	14,506.88	14,506.88
12,62,048	(Previous year 12,62,048) equity shares of ₹10/- each fully paid up of Bhilwara Infotechnology Ltd (erstwhile Bhilwara Infotech Ltd.)	419.00	419.00
	<i>Quoted-investment in others</i>		
18	(Previous year 18) equity shares of ₹2/-each of Ballarpur Ind. Ltd.	0.01	0.01
	<b>Total</b>	<b>14,925.89</b>	<b>14,925.89</b>
	(*) Includes 7,86,895 equity shares allotted in Right Issue, 9,84,152 transfer from promoters, 11,36,364 purchased from NYLIM in the year 2014-15 and, Preference share of Bhilwara Energy Ltd. is converted into 48,24,120 equity shares.		
	Aggregate amount of quoted investments	0.01	0.01
	Market value of quoted investments	**	**
	Aggregate amount of unquoted investments	14,925.88	14,925.88
	Aggregate provision for diminution in value of investments	-	-
	Add/(Less) : Increase in value of investment in Associates		
	Opening Balance	7,330.90	7,588.25
	Add : Increase in value of investments	91.86	(257.35)
	Closing Balance	7,422.76	7,330.90
		<b>22,348.66</b>	<b>22,256.76</b>
	(**)Amount is below the Rounding off norm adopted by the Company		

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note:16 LOANS AND ADVANCES

(₹ in Lacs)

	Long Term		Short Term	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
<b>Unsecured, considered good unless stated otherwise</b>				
Capital advances	-	30.35	-	-
Security deposits	394.79	543.40	-	-
Other loans and advances				
Advances for goods / services	-	-	-	-
Unsecured, considered good	-	-	172.83	1,227.28
Doubtful	-	-	-	-
Balances with statutory authorities	-	-	303.89	1,579.96
Loans and advances to employees-secured	55.41	85.92	41.57	51.49
unsecured, considered good			124.98	264.29
Prepaid expenses	-	-	270.01	193.98
Excise rebates / refunds receivable	-	-	1,918.80	5,475.45
Direct taxes refundable (net of provisions ₹25,595 Lacs, Previous Year ₹30,715.21 Lacs)	2,261.45	1,865.71		
MAT credit entitlement	4,968.29	5,259.59	-	-
Mark to Market on derivative	-	-	26.90	544.08
Other receivables	-	-	-	-
Payments under protest	484.07	409.04	-	-
	<b>8,164.01</b>	<b>8,194.01</b>	<b>2,858.98</b>	<b>9,336.51</b>

Detail of payments under protest is as follows:

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Entry tax	308.54	237.62
Central sales tax	32.66	32.66
Excise duty/service tax	142.41	138.30
MPST/MPCT	0.46	0.46
	<b>484.07</b>	<b>409.04</b>

Detail of Tax Expenses /(Benefit)

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Current income tax	-	963.18
MAT credit entitlement	-	(963.18)
Deferred tax charge / credit	181.48	531.51
Tax- earlier years	279.61	(2.91)
Previous year MAT credit entitlement	-	2.91
	<b>461.09</b>	<b>531.51</b>

- a) Based on legal advice, discussions with the solicitors, etc., the management believes that there are fair chances of decisions in the Company's favour in respect of all the items listed above and no value adjustment is considered necessary.

01-11	12-20	21-58	59-130
Corporate Overview	Management Review	Statutory Reports	Financial Statements

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note:16 LOANS AND ADVANCES (contd...)

- b) Direct taxes refundable represent amounts recoverable from the Income Tax Department for various assessment years. In respect of disputed demands, Company has filed appeals which are pending at various levels and for assessment years where the issues have been decided in favour of the Company, the Company is in the process of reconciling / adjusting the same with the department. Necessary value adjustments shall be made on final settlement by the department.
- c) Provision for income tax for earlier years has been made based on income tax assessment cases pending at Appellate Jurisdictions on which income tax demand has arisen and the cases are sub-judice.
- d) Loans & advances include :

	As at 31st March, 2016	As at 31st March, 2015
(i) Due from officers of the Company	7.43	7.08
(ii) The maximum amount at any time during the year	13.69	12.08

### Note:17 OTHER ASSETS (₹ in Lacs)

	Non Current		Current	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
Export benefits receivable	-	-	795.77	2,035.38
Interest/dividend accrued, not due	-	-	7.86	19.65
Non-current bank balance (note no-21)	-	180.08	-	-
	-	180.08	803.63	2,055.03

### Note:18 CURRENT INVESTMENTS (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Current Investment (valued at lower of cost or fair value, unless stated otherwise)		
Investments in Mutual Funds		
2,50,000 (Previous year 2,50,000) units of LIC Mutual Fund Dhan Samriddhi of ₹10/- each	25.00	25.00
	25.00	25.00
Aggregate amount of quoted investments	25.00	25.00
Market value of quoted investments	47.12	52.77

### Note: 19 INVENTORIES (VALUED AT LOWER OF COST AND NET REALIZABLE VALUE) (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Raw materials (Refer note No 24.) [Includes material in transit ₹762.89 lacs; (Previous year: ₹1,251.91 lacs)]	5,143.28	7,597.49
Finished goods (Refer note no-25)	10,675.20	6,953.15
Work-in-progress (Refer note no-25)	12,886.93	21,416.64
Stores and spares	3,509.79	4,219.05
[Includes stores in transit ₹10.48 ; (Previous Year: ₹51.35)]		
Others	4.71	4.14
	32,219.91	40,190.48

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 20 TRADE RECEIVABLES

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Unsecured, considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	9,944.06	4,343.87
Doubtful	-	-
	9,944.06	4,343.87
Age-based provision in respect of debtors outstanding for more than one year net of ECGC cover	(1,130.24)	(506.35)
<b>(A)</b>	<b>8,813.82</b>	<b>3,837.52</b>
Other receivables		
Unsecured, considered good	23,676.73	36,708.88
Doubtful	-	-
	23,676.73	36,708.88
Provision for doubtful receivable	-	-
<b>(B)</b>	<b>23,676.73</b>	<b>36,708.88</b>
<b>Total (A+B)</b>	<b>32,490.55</b>	<b>40,546.40</b>

### Note:21 CASH AND BANK BALANCES

(₹ in Lacs)

	Non Current		Current	
	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2016	As at 31st March, 2015
<b>Cash and cash equivalents</b>				
Balances with banks				
In current accounts	-	-	195.14	166.01
In cash credit accounts	-	-	-	-
In unpaid dividend accounts	-	-	225.40	223.72
Cheques, drafts on hand	-	-	82.78	5.69
Cash on hand (Including foreign currency notes)	-	-	11.41	14.39
Others	-	-	-	-
Postage and Stamps	-	-	0.03	0.09
	-	-	514.77	409.90
<b>Other bank balances</b>				
Held as margin money	-	-	-	-
Fixed deposits with maturity more than one year*	-	180.08	-	-
	-	180.08	-	-
Less: Amount disclosed under the head "other non current assets" (Note no-17)	-	180.08		
<b>Total</b>	<b>-</b>	<b>-</b>	<b>514.77</b>	<b>409.90</b>

\*Pledged with Bank against Bank Guarantee to Shipping line



## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note:22 REVENUE FROM OPERATIONS

(₹ in Lacs)

	Year ended 31st March, 2016		Year ended 31st March, 2015	
<b>Sale of Products</b>				
Manufactured goods				
Graphite electrodes	85,220.58		123,785.00	
Power [Net of inter-divisional sales of ₹19,216.26 Lacs, (Previous Year ₹20,452.57 Lacs) ]	808.07	86,028.65	1,765.29	125,550.29
<b>Other Operating Income</b>				
REC sales	495.97		319.84	
Fly ash income	244.12		268.69	
		740.09		588.53
Less: Excise duty		4,014.82		2,831.85
		<b>82,753.92</b>		<b>123,306.97</b>

### Note: 23 OTHER INCOME

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Interest income	36.77	309.68
Accrued redemption premium on non trade investment	-	80.48
Rent receipts	19.75	140.25
Liabilities / provisions no longer required, written back	155.77	65.65
Profit on sale of fixed assets	-	320.59
Miscellaneous sales / receipts	204.41	599.40
	<b>416.70</b>	<b>1,516.06</b>

### Note: 24 COST OF MATERIAL CONSUMED

(₹ in Lacs)

	Year ended 31st March, 2016		Year ended 31st March, 2015	
<b>Raw material consumed</b>				
Opening stock	6,345.58		8,681.15	
Add : Purchases	29,915.40		56,980.24	
	36,260.98		65,661.38	
Less: Closing stock	4,380.39		6,345.58	
Cost of material consumed [Net of export incentive ₹1,343.44 Lacs, (Previous Year ₹ 1,691.75)]		<b>31,880.59</b>		<b>59,315.80</b>

The above consumption figures are disclosed on the basis of derived figures and are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

#### Breakup of raw material consumption is as under

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Calcined petroleum coke	17,235.00	36,860.74
Pitch	6,614.01	11,972.74
Coal	7,819.41	10,125.41
Others	212.17	356.91
	<b>31,880.59</b>	<b>59,315.80</b>

#### Breakup of raw material inventory is as under

(₹ in Lacs)

Particulars	Year ended 31st March, 2016	Year ended 31st March, 2015
Calcined petroleum coke	1,737.34	4,413.78
Pitch	164.37	487.98
Coal	2,434.29	1,390.28
Others	44.39	53.55
	<b>4,380.39</b>	<b>6,345.58</b>

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 25 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
<b>Inventories (at close)</b>		
Finished goods	10,675.20	6,953.15
Work-in-progress	12,886.93	21,416.64
	<b>23,562.13</b>	<b>28,369.79</b>
<b>Inventories (at opening)</b>		
Finished goods	6,953.15	8,491.57
Work-in-progress	21,416.64	22,303.30
	<b>28,369.79</b>	<b>30,794.87</b>
<b>(Increase) / decrease</b>	<b>4,807.66</b>	<b>2,425.08</b>

#### Breakup of finished goods is as under

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Finished Goods		
a) Graphite electrodes nipples and specialties	10,253.00	6,421.53
b) By-products etc.	422.20	531.62
	<b>10,675.20</b>	<b>6,953.15</b>

#### Breakup of work in progress is as under

(₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
Work-in-progress		
a) Intermediary products at various stages	8,305.32	11,142.64
b) Intermediary products in furnaces	4,581.61	10,270.47
c) Refractory blocks & senglries	-	3.53
	<b>12,886.93</b>	<b>21,416.64</b>

Note- Work in Progress includes refractory blocks lying at shop floor NIL (Previous Year ₹0.99 Lacs)

### Note: 26 EMPLOYEE BENEFIT EXPENSES (₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Salaries and wages	4,895.39	4,880.70
Contribution to provident and other Funds	809.09	571.78
Staff welfare	619.67	654.68
	<b>6,324.15</b>	<b>6,107.16</b>

### Note: 27 FINANCE COST (₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Interest Expense		
Term Loans#	1,694.47	1,681.93
Working Capital Borrowings	2,740.33	4,824.93
Applicable loss on foreign currency transaction and translation	1,557.42	1,136.33
Others	2.24	69.47
	<b>5,994.46</b>	<b>7,712.65</b>

#Interest expenses are net of interest capitalised of ₹67.94 Lacs (Previous Year ₹137.45 Lacs)

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 28 DEPRECIATION AND AMORTISATION (₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Depreciation of tangible assets*	7,912.71	7,499.70
Amortisation of intangible assets	9.19	36.02
	<b>7,921.90</b>	<b>7,535.72</b>

\* Refer note 12 (c) & 12 (d)

### Note: 29 OTHER EXPENSES (₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Consumption of stores and spare parts (including refractory blocks)	6,716.61	9,164.54
Job/process charges	243.11	344.69
Power & fuel	23,985.49	27,812.01
Less: interdivisional purchases	(19,216.26)	(20,452.57)
Repairs and maintenance		
Plant & machinery	3,119.74	3,921.24
Building	442.35	543.95
Others	601.62	479.88
Insurance	302.71	368.24
Rent#	94.02	89.83
Rates and taxes, excluding taxes on income	72.13	62.99
Directors' sitting fees & incidental expenses	49.82	41.80
Freight & forwarding	5,546.10	7,318.30
Packing expenses (including packing material consumption)	1,261.80	1,601.81
Commission	698.48	1,538.05
Claims, rebates and discount	413.90	501.34
Donations	3.96	-
Power generation charges	140.76	120.86
Travelling expenses	328.90	319.36
Postage & communication	64.58	68.24
Payment to auditors (refer details below*)	26.70	39.28
Expenditure on csr activities (**)	209.72	114.68
Legal & professional expenses	498.58	591.17
Vehicle running & maintenance	143.54	148.73
Provision for doubtful debts & advances	623.89	101.82
Bad debts	48.68	465.51
Excise duty (inc adjustment on stocks)	682.13	9.54
Loss on sale/discard of fixed assets (net)	36.98	-
Foreign currency fluctuation (net)	(516.01)	1,081.38
Miscellaneous expenses	672.29	898.61
	<b>27,296.32</b>	<b>37,295.25</b>

\*Payments to the statutory auditors (excluding service tax)

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 29 OTHER EXPENSES (contd...)

(₹ in Lacs)

	Year Ended 31st March, 2016	Year Ended 31st March, 2015
As auditor		
Statutory audit	18.12	30.11
Other services		
Other services	2.11	3.76
Certification fees	0.18	0.68
Reimbursement of expenses	6.29	4.73
	<b>26.70</b>	<b>39.28</b>

\*\* Corporate Social Responsibility (CSR)

(a) Gross amount required to be spent by the Company during the year ₹181.14 Lacs (₹196.46 Lacs)

(b) Amount spent during the year :

(₹ in Lacs)

CSR Activities	In cash	Yet to be paid in cash	Total
(i) Construction/acquisition of any assets	156.00	-	156.00
	(47.31)	-	(47.31)
(ii) On purpose other than (i) above	53.72	-	53.72
	(67.37)	-	(67.37)

(Figures in brackets pertain to 2014-15)

#Rent payment made in respect of operating lease of premises. These leasing arrangements are not non-cancellable, range between 3 to 5 years and usually renewable by mutual consent on mutually agreeable terms.

### Note: 30 EARNINGS PER SHARE

Particulars	As at 31st March, 2016	As at 31st March, 2015
The basic and diluted earning per share is as under :		
Net profit after tax (₹ in lacs)	(1,423.69)	3,642.50
Weighted average number of equity shares outstanding	3,99,59,142	3,99,59,142
Basic earning per share (₹)	(3.56)	9.12
Diluted earning per share (₹)	(3.56)	9.12
Face value per equity share (₹)	10	10

## Notes to the consolidated financial statements for the year ended 31st March, 2016

**Note: 31** CONTINGENT LIABILITIES NOT PROVIDED FOR (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
<b>For Taxation matters</b>		
a) Excise duty under appeal	264.12	265.09
b) Service tax	2,095.55	1,040.51
c) Income tax	7,465.93	4,805.62
d) Sales tax	552.37	1,439.70
<b>Other than taxation matters</b>		
a) Electricity charges	5,276.36	4,945.38
b) RPO obligation (Net of REC certificate benefit Current Year ₹963.80 Lacs (Previous Year ₹686.05))	372.54	750.62
c) Advance & EPCG license	-	232.62
Labour related matters	38.10	42.37

Based on legal advice, discussions with the solicitors, etc., the management believes that there is a fair chance of decisions in Company's favour in respect of all the items listed above and hence no provision is considered necessary against the same. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

**Note: 32** OBLIGATIONS AND COMMITMENTS OUTSTANDING: (₹ in Lacs)

	As at 31st March, 2016	As at 31st March, 2015
a) Estimated value of contracts remaining to be executed on capital account and not provided for [net of advances of NIL, (previous year ₹30.35 Lacs.)]	-	29.67
b) Bills discounted with bankers.	4,622.96	2,462.80
c) Liability on EPCG license pending export fulfillment*	-	-
d) The Company has provided with RSWM Ltd. on joint and several basis guarantee in favour of International Finance Corporation (IFC) on behalf of AD Hydro Power Ltd.	600.00	600.00

\*This excludes an amount of ₹6,004 lacs (previous year ₹6,004 lacs) for which the application for closure have been lodged.

**Note: 33** DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

**a) Foreign currency forward contracts outstanding** (₹ in Lacs)

Category	Currency	Nature	As at 31st March, 2016		As at 31st March, 2015		Purpose
			(USD Million)	(INR)	(USD Million)	(INR)	
Plain Vanilla Forwards (Sold)	USD/ INR	Sold	2.10	1,455.83	5.60	3,630.69	Hedging
Plain Vanilla Forwards (Bought)	USD/ INR	Bought	-	-	3.15	1,992.47	Hedging
Plain Vanilla Forwards	EURO/ INR	Sold	-	-	3.00	2,454.89	Hedging
Cross Currency Forward	EURO/ USD	Sold	1.00	USD 1.11 Mn	1.50	USD 1.85 Mn	Hedging
USD-INR Full Currency Forwards	USD				3.40	1,711.9	Hedging

## Notes to the consolidated financial statements for the year ended 31st March, 2016

**Note: 33** DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE (contd...)

### b) Particulars of unhedged foreign currency exposure

(₹ in Lacs)

	Currency	As at 31st March, 2016		As at 31st March, 2015	
		Amount in FC (Million)	Amount in INR (₹ in Lakhs)	Amount in FC (Million)	Amount in INR (₹ in Lakhs)
Secured loan	USD	35.04	23,240.00	63.34	39,646.00
	Euro	7.91	5,939.26	4.63	3,128.52
Unsecured loan	USD	4.65	3,084.88	14.05	8,791.53
	EURO	-	-	-	-
Creditors (net of advances)	USD	4.14	2,746.73	13.12	8,211.67
	Euro	0.20	156.44	0.16	130.07
Other payables	USD	4.30	2,851.89	1.01	632.84
	Euro	2.30	1,724.40	0.57	383.98
<b>Total</b>	USD	<b>48.13</b>	<b>31,923.51</b>	<b>91.52</b>	<b>57,282.04</b>
<b>Total</b>	EURO	<b>10.41</b>	<b>7,820.10</b>	<b>5.36</b>	<b>3,642.57</b>
Debtors (net of advances)	USD	18.76	12,443.67	31.06	19,439.49
	Euro	8.96	6,734.56	14.56	9,576.27
	GBP	-	-	0.28	259.43
	CAD	0.01	3.59	-	-

### Note: 34

Inventories, loans & advances, trade receivables and other current / non-current assets are reviewed annually and in the opinion of the Management do not have a value on realization in the ordinary course of business, less than the amount at which they are stated in the Balance Sheet.

### Note: 35 AS - 15 'EMPLOYEE BENEFITS'

Accounting Standard - 15 'Employee Benefits' and the required disclosures are given hereunder:

#### Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year are as under :

(₹ in Lacs)

	FY 2015-16	FY 2014-15
Employer's contribution to Provident Fund	247.47	211.84
Employer's contribution to Superannuation Fund	171.01	164.16
Employer's contribution to ESI	38.88	36.16

#### Defined Benefit Plan

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity. The Company has maintained a fund with LIC, ICICI Prudential Life Insurance Company Ltd. and Reliance Insurance Company Ltd.

## Notes to the consolidated financial statements for the year ended 31st March, 2016

Note: 35 AS - 15 'EMPLOYEE BENEFITS' (contd...)

### 1. Reconciliation of opening and closing balances of Defined Benefit Obligation.

(₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15	Leave encashment (Unfunded) FY 2015-16	Leave encashment (Unfunded) FY 2014-15
Defined benefit obligation at the beginning of the year	988.50	901.81	359.92	225.28
Current service cost	60.14	55.19	37.02	33.69
Interest cost	79.08	76.65	28.79	19.15
Actuarial (gain)/loss	(25.95)	(33.89)	25.23	96.82
Past service cost	-	-	-	-
Benefits paid	(1.55)	(11.26)	(38.30)	(15.02)
Settlement cost	-	-	-	-
Defined benefit obligation at the end of the year	1,100.22	988.50	412.67	359.92

### 2.Reconciliation of opening and closing balances of Fair Value of Plan Assets

(₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15
Fair value of plan assets as at the beginning of the year	944.15	823.74
Expected return	94.42	82.37
Actuarial (gain)/loss	53.31	23.35
Contribution by employer	45.90	72.65
Benefits paid	(1.55)	(11.26)
Settlement cost	-	-
Fair value of plan assets as at the end of the year	1,029.60	944.15
Actual return on plan assets	41.10	59.02

### 3. Reconciliation of amount recognised in Balance Sheet

(₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15	Leave encashment (Unfunded) FY 2015-16	Leave encashment (Unfunded) FY 2014-15
Fair value of plan assets as at 31st March, 2016	1,029.60	944.15	-	-
Present value of obligation as at 31st March, 2016	1,100.22	988.50	412.67	359.92
Net asset/(liability) recognised in the Balance Sheet	(70.62)	(44.35)	(412.67)	(359.92)

### 4. Expense Recognised during the year under the head

(₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15	Leave encashment (Unfunded) FY 2015-16	Leave encashment (Unfunded) FY 2014-15
Current service cost	60.14	55.19	37.02	33.69
Past service cost	-	-	-	-
Interest cost	79.08	76.65	28.79	19.15
Expected return on plan assets	(94.42)	(82.37)	-	-
Net actuarial (gain)/ loss recognised during the year	27.36	(10.54)	25.23	96.82
Expenses recognised in the statement of profit & loss	72.17	38.93	91.05	149.65



## Notes to the consolidated financial statements for the year ended 31st March, 2016

Note: 35 AS - 15 'EMPLOYEE BENEFITS' (contd...)

### 5. Actual Return on Plan Assets

(₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15
Expected return on plan assets	94.42	82.37
Actuarial (gain)/ loss	53.31	23.35
Actual return on plan assets	41.10	59.02

### 6. Principal actuarial assumptions

(₹ in Lacs)

	Gratuity (Funded) FY 2015-16	Gratuity (Funded) FY 2014-15	Leave encashment (Unfunded) FY 2015-16	Leave encashment (Unfunded) FY 2014-15
Mortality table (LIC)	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)
Discount rate	8.00%	8.00%	8.00%	8.00%
Future salary increase	4.5%/5.5%	5.50%	4.5%/5.5%	5.50%
Expected rate of return on plan assets	10.00%	10.00%	0.00%	0.00%
Retirement age	58/60 years	60 years	58/60 years	60 years

#### Withdrawal rates

	FY2015-16		FY2014-15	
	Age	Withdrawal rates	Age	Withdrawal rates
Withdrawal rates	Upto 30 years	3.00%	Upto 30 years	3.00%
	From 31 to 44 years	2.00%	From 31 to 44 years	2.00%
	Above 44 years	1.00%	Above 44 years	1.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

#### Amounts for the current and previous four periods in respect of leave encashment are as follows

(₹ in Lacs)

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
PBO (C)	412.67	359.92	225.28	226.80	238.89
Plan assets	-	-	-	-	-
Net assets/ (liability)	(412.67)	(359.92)	(225.28)	(226.80)	(238.89)
Experience adjustment on plan assets	-	-	-	-	-
Experience adjustment on plan liabilities	(28.22)	(97.16)	(3.70)	4.60	112.40

#### Amounts for the current and previous four periods in respect of gratuity are as follows

(₹ in Lacs)

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
PBO (C)	1,100.22	988.50	901.81	969.72	1,050.51
Plan assets	1,029.60	944.15	823.74	904.36	966.61
Net assets/ (liability)	(70.62)	44.35	(78.07)	(65.40)	(83.90)
Experience adjustment on plan assets	(53.31)	(23.35)	(16.68)	(16.00)	(25.86)
Experience adjustment on plan liabilities	(38.70)	(35.66)	(23.60)	(4.11)	(17.51)

#### Provident Fund

The Guidance note issued by Accounting Standard Board (ASB) on implementation of AS-15, "Employee Benefit" states that provident funds set up by the employers, which require interest shortfall to be met by the employer, needs to be treated as defined benefit plan.

The fund does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall (i.e. Government interest to be paid on provident fund scheme exceeds rate of interest earned on investment), pending the issuance of Guidance Note from the actuarial society of India, the Company's actuary has expressed his inability to reliably measure the same.

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 36 RELATED PARTY DISCLOSURE

Related party disclosure as required by Accounting Standard (as-18) issued by the Institute of Chartered Accountants of India :

#### A. List of related parties & relationships

	As at 31st March, 2016	As at 31st March, 2015
a) Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by or are under common control with the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries).		
(i) HEG Graphite Products and Services Limited	Subsidiary	Subsidiary
b) Associates and joint ventures		
(i) Bhilwara Energy Limited	Associate	Associate
(ii) Bhilwara Infotechnology Limited	Associate	Associate
c) Individuals owning directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.	Sh. L.N. Jhunjhunwala Sh. Ravi Jhunjhunwala Sh. Riju Jhunjhunwala	Sh. L.N. Jhunjhunwala Sh. Ravi Jhunjhunwala Sh. Riju Jhunjhunwala
d) Key management personnel and their relatives	Sh. Ravi Jhunjhunwala Sh. Riju Jhunjhunwala Sh. Raju Rustogi Sh. Ashish Sabharwal	Sh. Ravi Jhunjhunwala Sh. Riju Jhunjhunwala Sh. Raju Rustogi Sh. Ashish Sabharwal

#### e) Enterprises over which any person described in (c) or (d) is able to exercise significant influence.

- (i) RSWM Ltd
- (ii) Malana Power Company Ltd
- (iii) Aadi Marketing Company Pvt Ltd
- (iv) Bhilwara Energy Ltd
- (v) Bhilwara Services Pvt Ltd
- (vi) Essay Marketing Company Ltd
- (vii) Glorious Commodeal Pvt Ltd
- (viii) Giltedged Industrial Securities Ltd
- (ix) India Texfab Marketing Ltd
- (x) Investors India Ltd
- (xi) Kalati Holdings Pvt Ltd
- (xii) LNJ Financial Services Ltd
- (xiii) Modify Distributors Pvt Ltd
- (xiv) Nikita Electrotrades Pvt Ltd
- (xv) Nivedan Vanijya Niyojan Ltd
- (xvi) Purvi Vanijya Niyojan Ltd
- (xvii) Raghav Commercial Ltd
- (xviii) Raghav Knits and Textiles Pvt Ltd
- (xix) Shashi Commercial Co Ltd
- (xx) Veronia Tie-Up Pvt Ltd
- (xxi) Zongoo Commercial Co. Pvt Ltd

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 36 RELATED PARTY DISCLOSURE (contd...)

#### B The following transactions were carried out / outstanding with related parties in the ordinary course of business

(₹ in Lacs)

		As at 31st March, 2016	As at 31st March, 2015
<b>1</b>	<b>With parties referred to in (a) above.</b>		
(i)	Investment in equity of HEG Graphite Products and Services Limited	5.00	5.00
<b>2</b>	<b>With parties referred to in (b) above.</b>		
(i)	Investment in equity of Bhilwara Energy Limited (BEL)	14,506.88	14,506.88
(ii)	Conversion of preference shares of BEL into equity shares	-	6,720.00
(iii)	BEL rights issue subscription	-	1,096.14
(iv)	Investment in equity of Bhilwara Infotechnology Limited	419.00	419.00
(v)	Redemption premium accrued on preference shares of Bhilwara Energy Limited	-	80.48
(vi)	Amount received for property sale from Bhilwara Infotechnology Limited	-	111.11
(vii)	Interest received from Bhilwara Infotechnology Limited	-	4.77
(viii)	Reimbursement of security deposit paid on behalf of Bhilwara Infotechnology Limited	-	2.04
<b>3</b>	<b>With parties referred to in (c) above.</b>		
(i)	Sitting Fees paid to		
-	Sh. Riju Jhunjunwala-Director	4.00	2.90
(ii)	Remuneration paid to		
-	Sh. Ravi Jhunjunwala-CMD		
	Salaries & allowances (Including perquisites)	61.53	198.45
	Contribution to PF & Superannuation	10.67	32.40
	Commission (provision)	-	110.00
(iii)	Compensation for equilisation of cost of Bhilwara Energy Limited shares to the Company	-	53.41
	Remuneration does not include provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole		
<b>4</b>	<b>With parties referred to in (d) above.</b>		
(i)	Remuneration paid to		
-	Sh. Ravi Jhunjunwala-CMD		
	Salaries & Allowances (Including Perquisites)	61.53	198.45
	Contribution to PF & Superannuation	10.67	32.40
	Commission (Provision)	-	110.00
-	Sh. Raju Rustogi-CFO	73.35	74.06
-	Sh. Ashish Sabharwal-CS	40.39	35.62
	Remuneration does not Include provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole		
<b>5</b>	<b>With parties referred to in (e) above.</b>		
(a)	Purchase of fabrics		
-	RSWM Ltd	-	9.37
(b)	Rent received		
-	RSWM Ltd	11.24	10.56
(c)	Rent paid		
-	RSWM Ltd	50.92	50.24
	-Shashi Commercial Co. Ltd.	30.27	27.12
	-Purvi Vanijya Niyojan Ltd.	3.17	2.89
	-Giltedged Industrial Securities Ltd.	19.61	18.10
d)	Sale of SHIS license to RSWM Ltd.	-	398.23

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 36 RELATED PARTY DISCLOSURE (contd...)

**B The following transactions were carried out / outstanding with related parties in the ordinary course of business** (₹ in Lacs)

		As at 31st March, 2016	As at 31st March, 2015
<b>5</b>	<b>With parties referred to in (e) above. (contd...)</b>		
e)	Reimbursement of expenses incurred by Company		
	-Malana Power Co. Ltd.	5.76	5.14
	-RSWM Ltd	65.97	31.52
	-Raghav Commercial Ltd.	0.13	-
	-Bhilwara Energy Ltd.	0.58	-
f)	Reimbursement of expenses incurred on behalf of Company		
	-RSWM Ltd.	291.43	37.19

**Outstanding balance** (₹ in Lacs)

Sl.No.	Related Party	As at 31st March, 2016	As at 31st March, 2015
1	RSWM Ltd	0.03	0.03
2	Malana Power Co. Ltd	5.76	-
3	Bhilwara Energy Ltd	0.11	0.11
	<b>TOTAL</b>	<b>5.90</b>	<b>0.14</b>

### Note: 37 SEGMENT REPORTING

**1) Primary segment information (by business segment) :** (₹ in Lacs)

	Graphite		Power		Unallocable items/ others		Total	
	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15
<b>a) Segment revenue</b>								
External turnover	85,216.43	123,776.13	20,764.41	22,806.40	4.16	8.86	105,985.00	146,591.39
Less: Inter segment turnover	-	-	19,216.26	20,452.57	-	-	19,216.26	20,452.57
<b>Turnover</b>	<b>85,216.43</b>	<b>123,776.13</b>	<b>1,548.15</b>	<b>2,353.83</b>	<b>4.16</b>	<b>8.86</b>	<b>86,768.74</b>	<b>126,138.82</b>
Less: Excise duty	4,014.36	2,831.47	-	-	0.46	0.38	4,014.82	2,831.85
<b>Net turnover</b>	<b>81,202.07</b>	<b>120,944.66</b>	<b>1,548.15</b>	<b>2,353.83</b>	<b>3.70</b>	<b>8.48</b>	<b>82,753.92</b>	<b>123,306.97</b>
<b>b) Segment result before interest &amp; taxes</b>	<b>(3,975.31)</b>	<b>3,507.30</b>	<b>8,930.23</b>	<b>8,579.11</b>	<b>(14.92)</b>	<b>57.60</b>	<b>4,940.00</b>	<b>12,144.01</b>
Less: Financial expenses							5,994.46	7,712.65
<b>Profit before tax</b>							<b>(1,054.47)</b>	<b>4,431.36</b>
Less: Income tax (including deferred tax)							461.09	531.51
<b>Net profit for the year</b>							<b>(1,515.56)</b>	<b>3,899.85</b>
<b>c) Other information</b>								
Segment assets	153,796.28	181,785.52	18,637.55	19,927.16	15,785.75	15,580.84	188,219.59	217,293.52
Segment liabilities	84,733.60	110,814.92	784.43	554.52	10,438.26	11,851.63	95,956.29	123,221.06
Capital exp. incurred during the year	2,857.55	2,918.72	7.22	156.42	301.56	63.01	3,166.34	3,138.15
Depreciation	6,549.83	6,112.49	1,336.23	1,386.53	35.84	36.70	7,921.90	7,535.72
Other non cash expenses other than depreciation and amortization								

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 37 SEGMENT REPORTING (contd...)

#### 2) Secondary Segment Information (By Geographical Location) :

(₹ in Lacs)

	Within Indian		Outside India		Total	
	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15
A) segment revenue	36,498.45	31,647.99	50,270.29	94,490.83	86,768.74	1,26,138.82
B) segment assets	1,95,640.34	2,24,622.86	-	-	1,95,640.34	2,24,622.86
C) capital expenditure	3,166.34	3,138.15	-	-	3,166.34	3,138.15

### Note: 38 VALUE OF IMPORTS CALCULATED ON CIF BASIS IN RESPECT OF

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Raw materials	11,146.44	29,355.26
Components & spare parts	233.51	310.10
Capital goods	197.25	107.18

### Note: 39 EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS) ON ACCOUNT OF

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Commission, consultancy, travelling, interest and others.	4,118.55	4,429.43

### Note: 40 EARNINGS IN FOREIGN CURRENCY

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Export of goods calculated on FOB basis	49,850.26	91,841.92

### Note: 41 AMOUNT REMITTED IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND

(₹ in Lacs)

	Year ended 31st March, 2016	Year ended 31st March, 2015
Amount paid on repatriation basis on account of dividend* (₹)	459.58	913.68
Number of NRI / OCB shareholders (No.)	232	257
Number of shares held by above shareholders (No.)	1,53,19,412	1,52,28,055
Year to which the dividend relates	2014-15	2013-14

\*The Company has paid dividend in respect of shares held by non-residents on repatriation basis. The exact amount of dividend remitted in foreign currency cannot be ascertained. An amount equivalent to ₹3,54,54,321 was paid in foreign currency by the Company, whereas amount ₹1,05,03,915 was paid to non-residents in INR during the financial year 2015-16.

### Note: 42 CAPITALIZATION OF PRE-OPERATIVE EXPENDITURE

(₹ in Lacs)

The following expenditure has been capitalised / included under capital work in progress:

	Year ended 31st March, 2016	Year ended 31st March, 2015
Insurance expenses	2.03	0.97
Financial expenses - interest on term loans	1,684.12	329.59
Administrative overheads & other cost	524.81	249.96
Foreign currency fluctuation	1,565.39	3,465.86
<b>Total</b>	<b>3,776.35</b>	<b>4,046.38</b>
The same has been capitalised / is lying under Capital work in progress as under:		
Building	-	28.72
Plant & machinery	3,004.24	1,760.10
Capital work in progress	772.11	2,257.56
<b>Total</b>	<b>3,776.35</b>	<b>4,046.38</b>

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 43

The Company has opted to avail the choice provided under paragraph 46A of AS 11: The effects of changes in foreign exchange rates inserted vide Notification No 914 (E) dated December 29, 2011 issued by the Ministry of Corporate Affairs, Government of India. The exchange differences on long term foreign currency monetary items are being dealt with in the following manner:

- Foreign exchange difference on acquisition of a depreciable asset, is adjusted in the cost of the depreciable asset, which would be depreciated over the balance life of the asset.
- It has transferred the difference arising out of foreign currency translation in respect of acquisition of depreciable capital assets to the respective assets account/capital work-in-progress. In case this accounting practice had not been adopted, the pre-tax profit for the financial year ended 31st March 2016 would have been lower by ₹1,060.00 Lacs (Loss) ((Previous year ₹248.22 (Gain)) with a consequential impact on both the Basic and Diluted EPS.

### Note: 44

There are no present obligations requiring provisions in accordance with the guiding principles as enunciated in Accounting Standard (AS)- 29 'Provisions, Contingent Liabilities & Contingent Assets'

### Note: 45 ADDITIONAL INFORMATION

(₹ in Lacs)

		Year ended 31st March, 2016	Year ended 31st March, 2015
<b>Installed capacity (as certified by the management, being a technical matter relied upon by auditors)</b>			
Graphite Electrodes & Anodes	MT	80,000	80,000
Thermal Power	MW	63.00	63.00
Hydel Power	MW	13.50	13.50

### Note: 46

In accordance with the provisions of Accounting Standard on Impairment of Assets, AS-28, the Management has made assessment of assets in use & considering the business prospects related thereto, no provision is considered necessary in these accounts on account of impairment of assets.

### Note: 47

The following transactions are accounted for on the basis of estimates / available data, with final adjustments being carried out in the year of settlement.

- Claims lodged with insurance companies
- Interest on income tax refunds granted on summary basis, pending finalization of assessments is treated as income in the year of accrual. Final adjustments are carried out in the year of completion of assessment.

### Note: 48 DETAILS OF IMPORTED AND INDIGENOUS RAW MATERIAL, STORES & SPARE PARTS CONSUMED

	Year ended 31st March, 2016		Year ended 31st March, 2015	
	₹ in Lacs	%	₹ in Lacs	%
<b>Raw materials (including purchases for consumption)</b>				
Imported	12,842.09	40.28	31,609.21	53.29
Indigenous	19,038.50	59.72	27,706.60	46.71
<b>Stores &amp; spare parts</b>				
Imported	236.28	4.10	481.72	7.91
Indigenous	5,523.91	95.90	5,611.72	92.09

## Notes to the consolidated financial statements for the year ended 31st March, 2016

### Note: 49 DETAILS OF LOANS GIVEN, INVESTMENTS MADE AND GUARANTEE GIVEN COVERED U/S 186(4) OF THE COMPANIES ACT, 2013

Particulars	Amount outstanding As at 31st March, 2016	Amount outstanding As at 31st March, 2015
Loan given		
Guarantee given	600 Lacs	600 Lacs
Investment made	14,950.88 Lacs	14,950.88 Lacs

#### Loan, Guarantee and Investments made during the Financial Year 2015-16

The Company has not given any Loan, Guarantee and not made any investments during the financial year 2015-16.

### Note: 50 FORM NO. AOC.1

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures  
(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

#### Part "A": Subsidiaries

(Amounts in ₹)

1.	Name of the subsidiary:	HEG GRAPHITE PRODUCTS AND SERVICES LIMITED
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period:	01.04.2015 to 31.03.2016
3.	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries:	N.A.
4.	Share capital:	5,00,000
5.	Reserves & surplus	(2,12,181)
6.	Total assets	2,99,319
7.	Total Liabilities	11,500
8.	Investments	—
9.	Turnover	—
10.	Profit before taxation	(47,311)
11.	Provision for taxation	—
12.	Profit after taxation	(47,311)
13.	Proposed Dividend	—
14.	% of shareholding	100%

#### Notes:

1. The aforesaid subsidiary is yet to commence operations.
2. No subsidiary has been liquidated or sold during the financial year.



## Notes to the consolidated financial statements for the year ended 31st March, 2016

Note: 50 FORM NO. AOC.1 (contd...)

### Part "B": Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

		Amount (₹ in Lacs)	
Name of Associates/Joint Ventures		Bhilwara Energy Ltd	Bhilwara Infotechnology Ltd
1	Latest audited Balance Sheet Date	31/03/2016	31/03/2016
2	Shares of Associate/Joint Ventures held by the company on the year end		
	No. of Shares	4,88,81,556	12,62,048
	Amount of Investment in Associates/ Joint Venture	14,506.88	419.00
	Extend of Holding %	29.49	38.59
3	Description of how there is significant influence	Due to percentage of share capital	Due to percentage of share capital
4	Reason why the associate/joint venture is not consolidated		
5	Networth attributable to Shareholding as per latest audited Balance Sheet	20,763.82	987.16
6	Profit / Loss for the year		
	i. Considered in Consolidation (₹ in Lacs)	-139.66	231.53
	ii. Not Considered in Consolidation		

- Names of associates or joint ventures which are yet to commence operations: N.A.
- Names of associates or joint ventures which have been liquidated or sold during the year: N.A.

Note: 51

Previous year figures have been regrouped/reclassified, wherever necessary to conform to current year classification.

Signed in terms of our report of even date

For Doogar & Associates  
Chartered Accountants  
Firm Regn. No. 000561N

For S.S. Kothari Mehta & Co.  
Chartered Accountants  
Firm Regn.No. 000756N

Ravi Jhunjunwala  
Chairman & Managing Director  
DIN No.00060972

Shekhar Agarwal  
Vice Chairman  
DIN No.00066113

M. K. Doogar  
Partner  
Membership No. 080077

Sunil Wahal  
Partner  
Membership No. 087294

D.N.Davar  
Director  
DIN No.00002008

Riju Jhunjunwala  
Director  
DIN No.00061060

Place : Noida (U.P.)  
Dated: 27th May,2016

Raju Rustogi  
Chief Financial Officer

Ashish Sabharwal  
Company Secretary

## Consolidated Cash Flow Statement for the year ended 31st March, 2016

Particulars	(₹ in Lacs)	
	FY 2015-16	FY 2014-15
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before Tax	(1,054.47)	4,431.36
<b>Add:</b> Depreciation	7,921.90	7,335.72
Interest paid	5,994.46	7,712.65
Net (Profit)/Loss on fixed assets sold / discarded	36.98	(320.59)
Diminution in value of investments (net)	-	0.00
Provision for doubtful debts/age base provisions	623.89	101.82
Transfer to Hedging reserves	-	(795.97)
Bad debts	48.68	465.51
<b>Less:</b> Interest received	36.77	309.68
<b>Operating Profit before working capital changes</b>	<b>13,534.69</b>	<b>18,820.81</b>
<b>Working capital</b>		
Trade receivables	7,383.28	11,274.35
Inventories	7,970.56	9,209.98
Loans & advances / other current assets	7,689.80	4,489.74
Liabilities and provisions	(9,058.46)	(15,615.37)
Cash from operating activities	27,519.86	28,179.52
<b>Less:</b> Income tax	461.09	531.51
<b>Net Cash from operating activities</b>	<b>27,058.77</b>	<b>27,648.01</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition in fixed assets (net)	(3,166.34)	(3,138.15)
Sale of fixed assets	127.20	421.25
Advances for capital expenditure	(30.35)	27.79
Sundry Creditors for capital expenditure	204.28	(720.43)
Investments	-	(5,164.56)
Interest received	36.77	309.68
<b>Net Cash from investing activities</b>	<b>(2,828.44)</b>	<b>(8,264.41)</b>
<b>C. CASH FROM FINANCING ACTIVITIES</b>		
Long term borrowings - Term Loans / NCD's / Bonds	-	16,700.00
Repayment of Term loans/NCD's/Bonds	(7,916.14)	(18,879.13)
Short term borrowings (working capital)	(10,214.85)	(8,849.49)
Interest paid	(5,994.46)	(7,712.65)
Dividend paid	-	(1,198.77)
Corporate dividend tax	-	(239.72)
<b>Net Cash outflow from financing activities</b>	<b>(24,125.46)</b>	<b>(20,179.77)</b>
<b>INCREASE IN CASH OR CASH EQUIVALENTS</b>	<b>104.87</b>	<b>(796.17)</b>
Opening cash or cash equivalents	409.90	1,206.07
<b>Closing cash or cash equivalents</b>	<b>514.77</b>	<b>409.90</b>

Signed in terms of our report of even date

For **Doogar & Associates**  
Chartered Accountants  
Firm Regn. No. 000561N

**M.K.Doogar**  
Partner  
Membership No. 080077

Place : Noida (U.P.)  
Dated: 27th May, 2016

For **S.S. Kothari Mehta & Co.**  
Chartered Accountants  
Firm Regn.No. 000756N

**Sunil Wahal**  
Partner  
Membership No. 087294

**Ravi Jhunjunwala**  
Chairman & Managing Director  
DIN No.00060972

**D.N.Davar**  
Director  
DIN No.00002008

**Raju Rustogi**  
Chief Financial Officer

**Shekhar Agarwal**  
Vice Chairman  
DIN No.00066113

**Riju Jhunjunwala**  
Director  
DIN No.00061060

**Ashish Sabharwal**  
Company Secretary

## NOTES

## NOTES

# CORPORATE INFORMATION

## Chairman-Emeritus

L. N. Jhunjunwala

## Board of Directors

Ravi Jhunjunwala,  
*Chairman, Managing Director & CEO*

Shekhar Agarwal, *Vice-Chairman*

D. N. Davar, *Director*

Kamal Gupta, *Director*

Vinita Singhanian, *Director*

S. N. Bhattacharya, *Director*

O. P. Bahl, *Director*

Satish Chand Mehta, *Director<sup>#</sup>*

Riju Jhunjunwala, *Director*

D. S. Ravindra Raju, *Executive Director<sup>##</sup>*

## Chief Financial Officer

Raju Rustogi

## Chief Human Resource Officer

T. Dev Joshi

## Vice President - Marketing

Manish Gulati

## Company Secretary

Ashish Sabharwal

## Bankers

State Bank of India

Punjab National Bank

HDFC Bank Ltd.

IDBI Bank Ltd.

Kotak Mahindra Bank Ltd.

DBS Bank Ltd.

Axis Bank Ltd.

YES Bank

ICICI Bank Ltd.

## Auditors

Doogar & Associates

S. S. Kothari Mehta & Co.

## Registrar & Share Transfer Agent

M/s. MCS Share Transfer Agent Ltd.,  
F-65, First Floor,

Okhla Industrial Area, Phase-I

New Delhi - 110020

Phone: 011-41406149-52

Fax: 011-41709881

E-mail: helpdeskdelhi@mcsregistrars.com

## Stock Exchanges where the Company's shares are listed:

BSE Ltd.

National Stock Exchange of India Ltd.

## Corporate Office

Bhilwara Towers, A-12, Sector-1

Noida - 201301, U.P., India

Phone: +91 (0120) 4390300

Fax: +91 (0120) 4277841

Website: www.heg ltd.com

E-mail: heg.investor@lnjbhilwara.com

## Registered Office

Mandideep (Near Bhopal)

Dist. Raisen - 462046

Madhya Pradesh, India

Phone: +91 (07480) 233524 to 233527

Fax: +91 (07480) 233522

CIN No.: L23109MP1972PLC008290

## Works

### Graphite Electrode & Thermal Power Plants

Mandideep (Near Bhopal)

Distt. Raisen - 462046

Madhya Pradesh, India

Phone: +91 (07480) 233524 to 233527

Fax: +91 (07480) 233522

### Hydro Electric Power

Village Ranipur, Tawa Nagar

Distt. Hoshangabad - 461001

Madhya Pradesh, India

Phone: +91 (07572) 272810, 272859

Fax: +91 (07572) 272849

# Appointed w.e.f. 23<sup>rd</sup> June, 2016

## Appointed w.e.f. 27<sup>th</sup> May, 2016

## CAUTIONARY STATEMENT

STATEMENTS IN THIS DOCUMENT THAT ARE NOT HISTORICAL FACTS ARE 'FORWARD-LOOKING' STATEMENTS. THESE 'FORWARD-LOOKING' STATEMENTS MAY INCLUDE THE COMPANY'S OBJECTIVES, STRATEGIES, INTENTIONS, PROJECTIONS, EXPECTATIONS, AND ASSUMPTIONS REGARDING THE BUSINESS AND THE MARKETS IN WHICH THE COMPANY OPERATES. THE STATEMENTS ARE BASED ON INFORMATION WHICH IS CURRENTLY AVAILABLE TO US, AND THE COMPANY ASSUMES NO OBLIGATION TO UPDATE THESE STATEMENTS AS CIRCUMSTANCES CHANGE. THERE MAY BE A MATERIAL DIFFERENCE BETWEEN ACTUAL RESULTS AND THOSE EXPRESSED HEREIN. THE RISKS, UNCERTAINTIES AND IMPORTANT FACTORS THAT COULD INFLUENCE THE COMPANY'S OPERATIONS AND BUSINESS ARE THE GLOBAL AND DOMESTIC ECONOMIC CONDITIONS, THE MARKET DEMAND AND SUPPLY FOR PRODUCTS, PRICE FLUCTUATIONS, CURRENCY AND MARKET FLUCTUATIONS, CHANGES IN THE GOVERNMENT'S REGULATIONS, STATUTES AND TAX REGIMES, AND OTHER FACTORS NOT SPECIFICALLY MENTIONED HEREIN BUT THOSE THAT ARE COMMON TO THE INDUSTRY.



PROUD TO BE INDIAN  
PRIVILEGED TO BE GLOBAL



**HEG LIMITED**

Registered Office:

Mandideep (Near Bhopal)

Distt. Raisen - 462046, Madhya Pradesh, India

Website: [www.hegltd.com](http://www.hegltd.com)/[www.lnjbhilwara.com](http://www.lnjbhilwara.com)

E-mail: [heg.investor@lnjbhilwara.com](mailto:heg.investor@lnjbhilwara.com)

CIN No. L23109MP1972PLC008290



## HEG LIMITED

CIN L23109MP1972PLC008290

**Registered Office:** Mandideep (Near Bhopal), Distt. Raigarh - 462 046, (M.P.), Phone: 07480-233524, 233525, Fax: 07480-233522

**Corporate Office:** Bhilwara Towers, A-12, Sector - 1, Noida - 201 301 (U.P.) Phone: 0120-4390300 (EPABX), Fax: 0120-4277841

**E-mail:** [heg.investor@lnjbhilwara.com](mailto:heg.investor@lnjbhilwara.com); **Website:** [www.hegltd.com](http://www.hegltd.com)

### NOTICE

NOTICE is hereby given that the 44th Annual General Meeting of HEG LIMITED will be held on Wednesday, the 28th September, 2016 at 11.30 A.M. at the Registered Office of the Company at Mandideep (Near Bhopal), Distt. Raigarh - 462046, Madhya Pradesh to transact the following business:-

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at the 31st March, 2016, the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Riju Jhunjhunwala (holding DIN 00061060), who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring auditors M/s S.S. Kothari Mehta & Co., Chartered Accountants (ICAI Registration No.000756N) and M/s Doogar & Associates, Chartered Accountants (ICAI Registration No.000561N) are however, eligible for re-appointment.

#### SPECIAL BUSINESS:

4. To adopt new Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013, and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification (s) or re-enactment thereof, for the time being in force), the draft Articles as contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the provisions contained in the existing Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 197 read with Schedule V and other applicable provisions of the Companies Act, 2013 and rules made thereunder, as may be amended from time to time and subject to such other government and regulatory approvals/consent as may be applicable/required, the remuneration (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) payable to Shri Ravi Jhunjhunwala (holding DIN 00060972), Chairman, Managing Director & CEO of the Company is hereby approved for a period of three years w.e.f. 13th February, 2016 to 12th February, 2019 as per terms and conditions enumerated hereunder:-

#### Basic Salary :

₹ 10,00,000/- per month.

#### Commission :

Not more than 2.50% of the net profits of the Company as computed in the manner laid down in Section 198 of the Companies Act, 2013.

#### Perquisites:

In addition to the basic salary and commission payable, Shri Ravi Jhunjhunwala, Chairman, Managing Director & CEO shall also be entitled to the following perquisites:

#### Category 'A'

##### i) Housing:

- a) The expenditure incurred by the Company on hiring unfurnished accommodation for him subject to a ceiling, namely (for residence in Delhi/outside Delhi), 60% of the basic salary; or
- b) In case the accommodation is owned by the Company, 10% of the basic salary shall be deducted by the Company; or
- c) In case no accommodation is provided by the Company, a house rent allowance subject to a ceiling of 60% of the basic salary.

##### ii) Gas, Electricity and Water:

The expenditure incurred by the Company on Gas, Electricity, Water and furnishing shall be valued as per Income-tax Rules, 1962 and will be subject to a ceiling of 10% of the basic salary.

##### iii) Medical Reimbursement:

For self and family subject to a ceiling of one month's basic salary in a year or three month's basic salary over a period of three years.

##### iv) Leave Travel Concession:

For self and family once in a year incurred in accordance with the rules specified by the Company.

##### v) Club Fees:

Fees, subject to a maximum of two clubs will be allowed. This will not include admission and life membership fees.

##### vi) Personal Accident Insurance:

Of an amount, the annual premium of which shall not exceed ₹10,000/-.

For the purpose of this category, “family” means the spouse, dependent children and dependent parents.

#### Category 'B'

##### i) Provident Fund:

Company's contribution to provident fund shall be as per the rules of the Company.

##### ii) Superannuation / Annuity Funds:

Company's contribution to superannuation/annuity fund shall be in accordance with the rules of the Company.



### iii) Gratuity:

As per the rules of the Company, payable in accordance with the approved fund at the rate of half a month's basic salary for each completed year of service.

### Category 'C'

#### i) Car:

Provision of car for use on Company's business. A car for personal use would be provided by the Company and valuation of the perquisites of the same would be as per Income Tax Rules.

#### ii) Telephone:

Telephone at residence. Personal long distance calls shall be billed by the Company.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits under Section 197 of the Companies Act, 2013 in any financial year or years during the currency of tenure of service of Shri Ravi Jhunjhunwala as Chairman, Managing Director & CEO, his remuneration shall be governed by the limits prescribed under Section II of Part II of the Schedule V and other applicable provisions of the Companies Act, 2013."

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Dantuluri Satyanarayana Ravindra Raju (holding DIN: 03274336), who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 27th May, 2016 in terms of Section 161 of the Companies Act, 2013, and who hold office as such up-to the date of this Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing under Section 160(1) of the Companies Act, 2013 from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule V of the Act and the rules made thereunder, as amended from time to time, the Company hereby approves the appointment and terms of remuneration (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) of Shri Dantuluri Satyanarayana Ravindra Raju (holding DIN: 03274336) as an Executive Director of the Company for a period of three years with effect from 27th May, 2016 at a remuneration enumerated hereunder:-

#### **Period of Appointment :**

3 years w.e.f. 27th May, 2016 to 26th May, 2019.

#### **Basic Salary:**

₹ 4,00,000/- per month.

#### **Personal Pay:**

₹ 2,00,000/- per month.

#### **Annual Increment:**

₹ 40,000/- per month on completion of every Financial Year.

#### **Perquisites:**

In addition to the salary, Shri Dantuluri Satyanarayana Ravindra Raju is entitled to the following perquisites:

### Category 'A'

#### i) Housing:

- a) The expenditure incurred by the Company on hiring unfurnished accommodation for him subject to a ceiling, namely, 40% of the basic salary or
- b) In case the accommodation is owned by the Company, 10% of the basic salary shall be deducted by the Company, or
- c) In case no accommodation is provided by the Company, a house rent allowance subject to a ceiling of 40% of the basic salary.

#### ii) Gas, Electricity and Water:

The expenditure incurred by the Company on Gas, Electricity and Water shall be valued as per Income-tax Rules, 1962 and will be subject to a ceiling of 10% of basic salary.

#### iii) Medical Reimbursement:

For self and family subject to a ceiling of one month's basic salary in a year.

#### iv) Leave Travel Assistance:

For self and family once in a year subject to a ceiling of one month basic salary in a year.

#### v) Club Fees:

For self, as per the policy of the Company.

#### vi) Personal Accident Insurance:

For self, as per the policy of the Company.

#### vii) Hospitalisation Coverage:

Hospitalisation coverage for self and spouse as per the policy of the Company.

### Category 'B'

#### i) Provident Fund:

Company's contribution to provident fund shall be as per the rules of the Company.

#### ii) Superannuation:

Company's contribution to superannuation fund shall be in accordance with the rules of the Company.

#### iii) Gratuity:

As per rules of the Company, payable in accordance with the approved fund at the rate of half a month's basic salary for each completed year of service.

### Category 'C'

#### i) Car:

Chauffeur driven Company vehicle with running and maintenance expenses on actuals for official purposes.

#### ii) Telephone and Mobile:

Reimbursement of residential telephone and mobile usage expenses for official purpose on actual basis.

#### iii) Furnishing and other Loans:

Furnishing and other Loans as per the policy of the Company.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits under Section 197 of the Companies Act, 2013 in any financial year or years during the currency of tenure of service of Shri Dantuluri Satyanarayana Ravindra Raju as an Executive Director of the Company, his remuneration shall be governed by the limits prescribed under Section II of Part II of the Schedule V and other applicable provisions of the Companies Act, 2013.

RESOLVED FURTHER THAT Shri Dantuluri Satyanarayana Ravindra Raju shall be a Director subject to retirement by rotation during his tenure as an Executive Director; AND THAT if he is re-appointed as Director immediately on retirement by rotation, he shall continue to hold office as an Executive Director and that the retirement by rotation and re- appointment shall not be deemed to constitute a break in his appointment as an Executive Director of the Company”.

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and the rules made thereunder, Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and other applicable SEBI Regulations, including any amendment, modification, variation or re-enactment thereof and the provisions of the Memorandum and Articles of Association of the Company and subject to such other approval(s), consent(s), permission(s) and sanction(s) as may be necessary, consent of the Members be and is hereby accorded to the Board of Directors (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) for issuing, making offer(s) or invitation(s) to subscribe to Redeemable Non-Convertible Debentures ('NCDs') on private placement basis, in one or more tranches, such that the total amount does not exceed ₹ 200 Crores during a period of one year from the date of passing of this resolution.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to determine the terms of issue, including the class of investors to whom the NCDs may be issued/offered, time, type, number of NCDs, tranches, issue/offer price, tenor, interest rates, premium/discount on redemption, listing and to appoint Debenture Trustees and/or Registrar & Transfer Agents, if necessary, and to do all such acts, deeds and things and deal with all such matters as may be necessary in this regard.”

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”) and the rules framed thereunder, read with Schedule IV of the Act, as amended from time to time, Shri Satish Chand Mehta (holding DIN: 02460558), who was appointed as an Additional Director (Independent Category) of the Company by the Board of Directors w.e.f. 23rd June, 2016 in terms of Section 161 of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting and who has also submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director alongwith the deposit of the requisite amount under Section 160 of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company for a period of 5 years i.e. up to 22nd June, 2021.”

10. To consider and if thought fit, to pass, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013, the

Companies (Audit and Auditors) Rules, 2014, M/s. N.D. Birla & Co., Cost Accountants who were appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending 31st March 2017, be paid the remuneration of ₹ 2,00,000/- (Rupees Two lakhs only) plus service tax and out of pocket expenses that may be incurred by them during the course of audit.”

11. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 197 read with Schedule V and other applicable provisions of the Companies Act, 2013 and rules made thereunder and such other regulatory approvals as may be applicable and further to the Ordinary Resolution passed by the shareholders at the Annual General Meeting held on 22nd September, 2015, the remuneration payable to Shri Ravi Jhunjhunwala (holding DIN 00060972), Chairman, Managing Director & CEO of the Company is hereby approved for the period 1st April, 2015 to 12th February, 2016 on the following terms:-

**Basic Salary:**

₹ 10,00,000/- per month.

**Commission :**

Not more than 2.50% of the profits of the Company as computed in the manner laid down in Section 198 of the Companies Act, 2013.

**Perquisites:**

In addition to the basic salary and commission payable to Shri Ravi Jhunjhunwala, Chairman, Managing Director & CEO, shall also be entitled to the following perquisites:

Category 'A'

**i) Housing:**

- The expenditure incurred by the Company on hiring unfurnished accommodation for him subject to a ceiling, namely (for residence in Delhi/outside Delhi), 60% of the basic salary ; or
- In case the accommodation is owned by the Company, 10% of the basic salary shall be deducted by the Company ; or
- In case no accommodation is provided by the Company, a house rent allowance subject to a ceiling of 60% of the basic salary.

**ii) Gas, Electricity and Water**

The expenditure incurred by the Company on Gas, Electricity, Water and furnishing shall be valued as per Income-tax Rules, 1962 and will be subject to a ceiling of 10% of the basic salary.

**iii) Medical Reimbursement:**

For self and family subject to a ceiling of one month's basic salary in a year or three month's basic salary over a period of three years.

**iv) Leave Travel Concession:**

For self and family once in a year incurred in accordance with the rules specified by the Company.

**v) Club Fees:**

Fees, subject to a maximum of two clubs will be allowed. This will not include admission and life membership fees.

**vi) Personal Accident Insurance:**

Of an amount, the annual premium of which shall not exceed ₹10,000/-.

For the purpose of this category, “family” means the spouse, dependent children and dependent parents.

Category 'B'

**i) Provident Fund:**

Company's contribution to provident fund shall be as per the rules of the Company.

**ii) Superannuation / Annuity Funds:**

Company's contribution to superannuation/annuity fund shall be in accordance with the rules of the Company.

**iii) Gratuity:**

As per rules of the Company, payable in accordance with the approved fund at the rate of half a month's basic salary for each completed year of service.

Category 'C'

**i) Car:**

Provision of car for use on Company's business. A car for personal use would be provided by the Company and valuation of the perquisites of the same would be as per Income Tax Rules.

**ii) Telephone:**

Telephone at residence. Personal long distance calls shall be billed by the Company.

RESOLVED FURTHER THAT in terms of provisions of Section 197 of the Companies Act, 2013, approval is hereby given that subject to the Company earning profits, the aforesaid remuneration for the period from 1st April, 2015 to 12th February, 2016 could be paid to Shri Jhunjhunwala even if the aggregate amount exceeds 5% of net profits, but shall be within the limit of 10% of net profits calculated in terms of Section 198 of the Companies Act, 2013.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits under Section 197 of the Companies Act, 2013 in any financial year or years during the currency of tenure of service of Shri Ravi Jhunjhunwala as Chairman, Managing Director & CEO, his remuneration shall be governed by the limits prescribed under Section II of Part II of the Schedule V and other applicable provisions of the Companies Act, 2013.”

BY ORDER OF THE BOARD OF DIRECTORS

For **HEG LIMITED**

Place: Noida (U.P.)  
Date : 10<sup>th</sup> August, 2016

**(ASHISH SABHARWAL)**  
**COMPANY SECRETARY**

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies submitted on behalf of the Companies, Societies etc., must be supported by an appropriate resolution/authority, as applicable.

2. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital

of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

3. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to the special businesses to be transacted at the Annual General Meeting is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from the 22nd September, 2016 to 28th September, 2016, both days inclusive.
5. Members are requested to bring their copies of the Annual Report, as the same will not be distributed again at the Meeting.
6. Members, who hold shares in Physical/Dematerialised Form, are requested to bring their Folio No./Depository Account Number and Client Id Number for identification.
7. Members desiring to seek any information on the Annual Accounts are requested to write to the Company so that the query reaches to the Company at least one week in advance of the Annual General Meeting.
8. The information required to be provided as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, for the Directors who are proposed to be appointed / re-appointed is annexed hereto.
9. Electronic copy of the Annual Report for 2015-16 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copy of the Annual Report for 2015-16 is being sent in the permitted mode.
10. Electronic copy of the Notice of the 44th Annual General Meeting of the Company inter-alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copy of the Notice of the 44th Annual General Meeting of the Company inter-alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
11. Voting through electronic means
  - I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 ('Amended Rules 2015') and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the 44th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
  - II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.

- III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on 25th September, 2016 (9:00 am) and ends on 27th September, 2016 (5:00 pm). During this period, members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 21st September, 2016, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- V. The process and manner for remote e-voting are as under:

A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)]:

(i)	Open email and open PDF file viz; "HEG remote e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
(ii)	Launch internet browser by typing the following URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.com/</a>
(iii)	Click on "Shareholder – Login".
(iv)	Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
(v)	Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
(vi)	Home page of "remote e-voting" opens. Click on remote e-Voting: Active Voting Cycles.
(vii)	Select "REVEN" of HEG Limited.
(viii)	Now you are ready for remote e-voting as "Cast Vote" page opens.
(ix)	Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
(x)	Upon confirmation, the message "Vote cast successfully" will be displayed.
(xi)	Once you have voted on the resolution, you will not be allowed to change/modify your vote.
(xii)	Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to <a href="mailto:saketfcs@gmail.com">saketfcs@gmail.com</a> with a copy marked to <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a>

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy]:

(i)	Initial password is provided in the attached sheet on the 'Process and manner for e-voting'.		
	REVEN (Remote E-voting Event Number)	USER ID	PASSWORD/PIN
(ii)	Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.		

- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and remote e-voting user manual for members available at the Downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990.
- VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IX. The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date of 21st September, 2016.
- X. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 21st September, 2016, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [admin@mcsregistrars.com](mailto:admin@mcsregistrars.com).
- XI. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XII. Mr. Saket Sharma, a Practicing Company Secretary (Membership No. FCS 4229), Partner, M/s. GSK & Associates has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIII. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XIV. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XV. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company [www.hegltd.com](http://www.hegltd.com) and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall be simultaneously forwarded to the Stock Exchanges where the shares of the Company are listed.

**Members holding Shares in physical form are requested to furnish their email ID by post or by emailing to [heg.investor@lnjbhilwara.com](mailto:heg.investor@lnjbhilwara.com) along with their Folio No. for sending necessary communication / information in future. The Annual Report of the Company will also be available on the website of the Company, [www.hegltd.com](http://www.hegltd.com). The members holding shares in electronic form may get their email ID's updated with their respective Depository participants.**

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013**

### **ITEM NO. 4**

The Articles of Association of the Company as currently in force was originally adopted when the Company was incorporated under the Companies Act, 1956 and further amendments were adopted from time to time, over the past several years. The references to specific Sections of the Companies Act, 1956 in the existing Articles of Association may no longer be in conformity with the Companies Act, 2013. Considering that substantive Sections of the Companies Act, 2013 which deal with the general working of the Companies stand notified, it is proposed to amend the existing Articles of Association to align it with the provisions of the Companies Act, 2013 including the Rules framed thereunder and adoption of specific Sections from Table "F" to Schedule I to the Companies Act, 2013 which sets out the model Articles of Association for a Company limited by shares.

Certain provisions of existing Articles of Association have been simplified by providing reference to relevant provisions of the Companies Act, 2013 and the Rules framed thereunder, to avoid repetition in its entirety.

The proposed new draft Articles of Association have been uploaded on the Company's website [www.hegltd.com](http://www.hegltd.com) for perusal by the Shareholders.

None of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the proposed Special Resolution set out at item No.4 of this Notice.

The Board recommends the Resolution at item No.4 for your approval as a Special Resolution.

### **ITEM NO. 5**

The members of the Company at the Annual General Meeting held on 30th August, 2014, had approved the appointment of Shri Ravi Jhunjunwala (holding DIN 00060972), as Chairman, Managing Director and CEO of the Company for a period of 5 years w.e.f. 13th February, 2014 and his remuneration was fixed for one year w.e.f. 13th February, 2014 and approved by the Shareholders at the Annual General Meeting held on 30th August, 2014, by an Ordinary Resolution.

Thereafter again, the Board of Directors ("Board") at its meeting held on 5th February, 2015, on the recommendation of Nomination and Remuneration Committee had fixed his remuneration for a further period of one year with effect from 13th February, 2015 and approved by the Shareholders at the Annual General Meeting held on 22nd September, 2015 by an Ordinary Resolution.

Further, the Board at its meeting held on 27th January, 2016, on the recommendation of Nomination and Remuneration Committee has fixed his remuneration for the remaining period of his tenure of three years i.e. from 13th February, 2016 to 12th February, 2019.

The provisions of Section 197 requires that where a Company earns profits, the remuneration payable to any Managing Director/Whole

Time Director may exceed 5% of the net profits of the Company as computed in the manner laid down in Section 198, with the approval of the Shareholders in General Meeting, however it shall be within the limit of 10% of net profits calculated in terms of Section 198 of the Companies Act, 2013.

In the event of loss or inadequacy of profits under Section 197 of the Companies Act, 2013 in any financial year or years during the currency of tenure of service of Shri Ravi Jhunjunwala as Chairman, Managing Director & CEO, his remuneration shall be governed by the limits prescribed under Section II of Part II of the Schedule V and other applicable provisions of the Companies Act, 2013.

A copy of memorandum containing terms of remuneration of Shri Ravi Jhunjunwala, Chairman, Managing Director and CEO of the Company shall be open to inspection by any members of the Company without payment of any fee at the registered office of the Company.

Disclosure as required under Schedule V of the Companies Act, 2013 (Annexure-I) and disclosure required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard -2 on General Meeting (Annexure-II) are annexed to this Notice of Annual General Meeting.

The Board recommends the resolution at Item No. 5 for your approval as a Special Resolution.

Shri Ravi Jhunjunwala and Shri Riju Jhunjunwala and their relatives to the extent of their shareholding interest, if any, in the Company may be deemed to be concerned or interested in the said resolution.

Save and except the above, none of the other Directors and Key Managerial Personnel of the Company and their relatives are in any way concerned or interested in the proposed resolution.

### **ITEM NOS. 6 & 7**

Shri Dantuluri Satyanarayana Ravindra Raju (holding DIN: 03274336) was co-opted as an Additional Director of the Company with effect from 27th May, 2016 and he ceases to hold office from the date of Annual General Meeting in terms of Section 161 of the Companies Act, 2013. The Company has received a notice in writing from a member along-with the deposit of requisite amount proposing the candidature of Shri Dantuluri Satyanarayana Ravindra Raju for the office of the Director of the Company, liable to retire by rotation. The Company has received consent in writing from Shri Dantuluri Satyanarayana Ravindra Raju to act as a Director and intimation to the effect that he is not disqualified from being a Director under Section 164 of the Companies Act, 2013.

Further, the Board of Directors ("Board") at its meeting held on 27th May, 2016, had, upon the recommendation of Nomination and Remuneration Committee, approved the appointment and terms of remuneration of Shri Dantuluri Satyanarayana Ravindra Raju as an Executive Director of the Company for a period of three years w.e.f. 27th May, 2016, in accordance with the provisions of the Companies Act, 2013 and rules made thereunder read with Schedule V thereto and it will therefore, require the approval of the Shareholders.

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of Shri Dantuluri Satyanarayana Ravindra Raju as an Executive Director, his remuneration shall be governed by the limits prescribed under Section II of Part II of the Schedule V and other applicable provisions of the Companies Act, 2013.

A copy of memorandum containing terms of remuneration of Shri Dantuluri Satyanarayana Ravindra Raju as an Executive Director of the Company shall be open to inspection by any members of the Company without payment of any fee at the registered office of the Company.

Disclosure as required under Schedule V of the Companies Act, 2013 (Annexure-I), and disclosure required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard -2 on General Meeting(Annexure-II) are annexed to this Notice of Annual General Meeting.

Shri Dantuluri Satyanarayana Ravindra Raju, will be appointed as an Executive Director of the Company liable to retire by rotation. Shri Dantuluri Satyanarayana Ravindra Raju shall continue to hold his office of Executive Director and his re-appointment as director retiring by rotation shall not be deemed to constitute a break in his office of Executive Director.

The Board commends the resolution at Item No. 6 as an Ordinary Resolution and at Item No.7 as a Special Resolution for your approval.

Save and except Shri Dantuluri Satyanarayana Ravindra Raju and his relatives, to the extent of their shareholding interest, if any, in the Company, none of the other Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, in the proposed resolution.

#### **ITEM NO. 8**

The Board of Directors ("Board") of the Company has been exploring various fund raising options, in order to augment the long-term resources of the Company. There is potential to raise resources through issue of Redeemable Non-Convertible Debentures ("NCDs") on private placement basis. Your Directors considered that the Company should broaden the base of resource mobilization to ensure availability of adequate funding for future business requirements and development and propose to raise these funds through issue of NCDs on private placement basis.

The funds raised through this Issue of NCDs will be utilised for various financing activities including repayment of existing liabilities or loans and towards the business operations including for capital expenditure and augmenting long term working capital requirements and general corporate purposes of the Company, after meeting the expenditures of and related to the issue.

As per Sections 42 and 71 of the Companies Act, 2013 ("the Act") read with the rules framed thereunder, a Company offering or making an invitation to subscribe to NCDs on private placement basis is required to obtain the prior approval of the Shareholders by way of a Special Resolution. Such an approval can be obtained once a year for all the offers and invitations made for such NCDs during the year.

The Board of Directors of the Company at its meeting held on 2nd August, 2016 has approved the issue of NCDs for an amount not exceeding ₹ 200 Crores, subject to the approval of the Shareholders of the Company. It is also proposed to issue NCDs in one or more tranches within a period of 1 (One) year from the date of passing the Special Resolution in this regard.

Further, the issue amount of NCDs will be within the overall borrowing limits of the Company, as approved by the Shareholders from time to time.

The Board commends the resolution at Item No. 8 for your approval as a Special Resolution.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are in any way concerned or interested in the aforesaid resolution.

#### **ITEM NO. 9**

The Board of Directors ("Board") of the Company appointed, Shri Satish Chand Mehta (holding DIN: 02460558) as an Additional Director (Independent Category) of the Company w.e.f. 23rd June, 2016.

In terms of the provisions of Section 161(1) of the Companies Act, 2013

("the Act") Shri Satish Chand Mehta would hold office up to the date of the ensuing Annual General Meeting.

The Company has received a notice in writing from a member along with the deposit of requisite amount proposing the candidature of Shri Satish Chand Mehta for the office of Director of the Company.

Shri Satish Chand Mehta is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

The Company has received a declaration from Shri Satish Chand Mehta that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and under Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In the opinion of the Board, Shri Satish Chand Mehta fulfills the conditions for his appointment as an Independent Director as specified in the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Shri Satish Chand Mehta is independent of the management.

The resolution seeks the approval of members for appointment of Shri Satish Chand Mehta as an Independent Director pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and rules made thereunder to hold office for a period of 5 years i.e. upto 22nd June, 2021.

Copy of the draft letter for appointment of Shri Satish Chand Mehta as an Independent Director setting out the terms and conditions of his appointment is available for inspection by members at the registered office of the Company.

The Board commends the resolution at Item No. 9 for your approval as an Ordinary Resolution.

Except Shri Satish Chand Mehta and his relatives, to the extent of their shareholding interest, if any, in the Company, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, in the proposed resolution.

#### **ITEM NO. 10**

The Board of Directors ("Board"), on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31<sup>st</sup> March, 2017.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor has to be approved by the members.

The Board commends the resolution at Item No. 10 for your approval as an Ordinary Resolution.

None of the Directors, Key Managerial Personnel of the Company, and/or their relatives may be deemed to be concerned or interested in the proposed resolution.

#### **ITEM NO. 11**

The members of the Company at the Annual General Meeting held on 30th August, 2014 had approved the appointment of Shri Ravi Jhunjunwala (holding DIN 00060972), as Chairman, Managing Director and CEO of the Company for a period of 5 years w.e.f. 13th February, 2014 and his remuneration was fixed for one year w.e.f. 13th February, 2014 and approved by the Shareholders at the Annual General Meeting held on 30th August, 2014 by an Ordinary Resolution .

Thereafter again, the Board of Directors ("Board") at its meeting held on 5th February, 2015, on the recommendation of Nomination and Remuneration Committee had fixed his remuneration for a further

period of one year with effect from 13th February, 2015 and approved by the Shareholders at the Annual General Meeting held on 22nd September, 2015 by an Ordinary Resolution.

The Company had made an application to the Central Government, Ministry of Corporate Affairs (MCA) for its approval of remuneration payable to Shri Ravi Jhunjunwala, Chairman, Managing Director & CEO of the Company, for the period 1st April, 2015 to 12th February, 2016 pursuant to Sections 196, 197, 200, 201 and 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 and rules thereunder.

The provisions of Section 197 requires that where a Company earns profits, the remuneration payable to any Managing Director/Whole Time Director may exceed 5% of the net profits of the Company as computed in the manner laid down in Section 198, with the approval of the Shareholders in General Meeting, however it shall be within the limit of 10% of net profits calculated in terms of Section 198 of the Companies Act, 2013.

In the event of loss or inadequacy of profits under Section 197 of the Companies Act, 2013 in any financial year or years during the currency of tenure of service of Shri Ravi Jhunjunwala as Chairman, Managing Director & CEO, his remuneration shall be governed by the limits prescribed under Section II of Part II of the Schedule V and other applicable provisions of the Companies Act, 2013.

The MCA has vide its letter dated 2nd August, 2016, intimated that the application cannot be accepted because the Company has not furnished a Special Resolution of members approving the remuneration of Shri Ravi Jhunjunwala, Chairman, Managing Director & CEO of the Company for the period 1st April, 2015 to 12th February, 2016. Accordingly, it is recommended to approve resolution at Item No. 11 as a Special Resolution.

A copy of memorandum containing terms of remuneration of Shri Ravi Jhunjunwala, Chairman, Managing Director and CEO of the Company shall be open to inspection by any members of the Company without payment of any fee at the registered office of the Company.

Disclosure as required under Schedule V of the Companies Act, 2013 (Annexure-I) and disclosure required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard -2 on General Meeting (Annexure-II) are annexed to this Notice of Annual General Meeting.

Shri Ravi Jhunjunwala and Shri Riju Jhunjunwala and their relatives to the extent of their shareholding interest, if any, in the Company may be deemed to be concerned or interested in the said resolution.

Save and except the above, none of the other Directors and Key Managerial Personnel of the Company and their relatives are in any way concerned or interested in the proposed resolution.

#### (Annexure- I to the Notice)

Disclosure as required under Schedule V of the Companies Act, 2013, is given hereunder:

#### I. General Information:

<b>Nature of industry</b>	The Company is engaged in manufacturing of Graphite Electrodes. Graphite Electrodes are used by manufacturers of Steel (who manufacture steel through Electric Arc Furnace route).
<b>Date of commencement of commercial production</b>	The Company commenced its business on 30th June, 1973 (certificate of commencement).
<b>In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus</b>	N.A.

#### Financial performance based on given indicators:

Particulars	Audited figure for the financial year ended 31st March, 2016 (₹ In Crores)	Audited figure for the financial year ended 31st March, 2015 (₹ In Crores)	Audited figure for the financial year ended 31st March, 2014 (₹ In Crores)
Revenue from operations (gross)	860.29	1255.50	1491.49
Profit/(Loss) Before Tax	(10.54)	44.32	97.44
Profit/(Loss) after Tax	(15.15)	39.00	86.62
Paid-up Capital	39.96	39.96	39.96
EPS (₹)	(3.79)	9.76	21.68

#### Foreign investments or collaborations, if any:

At present, the Company has not made any foreign investments and has not entered into any foreign collaborations.



## II. Information about the Appointees:

	<b>Shri Ravi Jhunjunwala</b>	<b>Shri Dantuluri Satyanarayana Ravindra Raju</b>
<b>Background details</b>	<p>Shri Ravi Jhunjunwala, age 61 years, is the Chairman, Managing Director and CEO of HEG Limited, which is one of the entities of LNJ Bhilwara Group. LNJ Bhilwara Group is a diversified conglomerate with interests in Textiles, Graphite Electrodes, Power and IT enabled services.</p> <p>Shri Ravi Jhunjunwala holds a B.Com (Hons.) Degree (1976 batch) from Hindu College and Masters in Business Administration (Corp. Finance) from the Centre D'etudes Industrielles (CEI), Geneva (1980-81).</p> <p>He is Director on Board of various Companies, mostly listed entities. He is also Independent Director on Board of two listed entities outside the group.</p> <p>Shri Ravi Jhunjunwala has been associated with the Company since 1979 when he was inducted in the Board of the Company. Shri Jhunjunwala became the Managing Director of the Company in 1989 and took over as Chairman of the Company in 1996. He has taken Company to greater heights since his association with the Company.</p>	<p>Shri Dantuluri Satyanarayana Ravindra Raju, age 55 years, is a professional with qualification of B.Tech(Chemicals), MS (Chemicals-IIT Chennai), PGCBM- XLRI. He has 31 years of rich experience in Bulk Chemicals, Speciality Chemicals, Fertilizers, Gypsum Board/Plasters, Sugar, Power and Alcohol Industry.</p> <p>Shri Dantuluri Satyanarayana Ravindra Raju holds various positions in Professional Bodies like CII, Odisha State Council (Chairman), Convenor of Agricultural Panel, CII Odisha, Member of Indian Chemical Council, Member of Utkal Chamber of Commerce, Bhubaneswar, Board Member on Fertilizer Association of India (FAI).</p> <p>Earlier he was the Whole-time Director of Paradeep Phosphates Ltd.</p>
<b>Past Remuneration</b>	₹ 72,19,540*	N.A. (As he was appointed as a Director and an Executive Director on 27th May, 2016).
<b>Recognition or awards</b>	Under his leadership the Company has been getting top export award from CAPEXIL (Ministry of Commerce, Govt. of India) for highest exports of Graphite Electrodes from India.	British safety 5 star award while in Navin Fluorine International. India Green Manufacturing Award at Paradeep Phosphates Limited. World Class Manufacturing Bronze Award at Saint Gobain. Certification to process Safety Management System, USA at coromandel. Awards from FAI for exemplary work in Farmer education.
<b>Job profile and his suitability</b>	Shri Ravi Jhunjunwala is the Managing Director of the Company since 1989. As of now, he is the Chairman, Managing Director and CEO of the Company and has been entrusted with the responsibility to manage the affairs of the Company. The Company has made lots of progress in the last 27 years. The Company has made major capacity expansions under his leadership. The Company has one of the largest integrated Graphite Electrode Plant in the World, processing sophisticated UHP (Ultra High Power) Electrodes.	He is an Executive Director of the Company and devotes whole-time attention to the management of the affairs of the Company and exercises powers under the supervision of the Board of the Company.
<b>Remuneration proposed</b>	As mentioned in the Resolution No.5 and 11.	As mentioned in the Resolution No.7.
<b>Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person</b>	Taking into account the size of the Company, industry benchmark in general, profile, position, responsibilities, capabilities and the involvement of Shri Ravi Jhunjunwala as Chairman, Managing Director & CEO in the	Taking into account the size of the Company, industry benchmark in general, profile, position, responsibilities, capabilities and the involvement of Shri Dantuluri Satyanarayana Ravindra Raju as an Executive

	Company, the proposed remuneration is reasonable and in line with the remuneration levels in the industry, across the country and benefits his position.	Director in the Company, the proposed remuneration to the appointee is reasonable and in line with the remuneration levels in the industry, across the country and benefits his position.
<b>Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel</b>	Apart from receiving remuneration as Chairman, Managing Director & CEO and dividend as a Member of the Company, Shri Ravi Jhunjunwala doesn't have any other pecuniary relationship with the Company. Shri Ravi Jhunjunwala is a relative of Shri Riju Jhunjunwala.	Apart from receiving remuneration, Shri Dantuluri Satyanarayana Ravindra Raju doesn't have any other pecuniary relationship with the Company.

\*Worked out as per Section II of Part II of Schedule V of the Companies Act, 2013.

### III. Other information:

#### i. Reasons for loss or inadequate profits:

Significant reduction in EAF denominated steel making globally during the year under review coupled with increased exports of steel from China forced the pertinent industry players to operate below 55% capacity. This resulted in fierce competition amongst players to hold on to their respective market share. The year witnessed a steep fall in prices thereby affecting the bottom line negatively.

#### ii. Steps taken or proposed to be taken for improvement:

Continuing efforts have been made towards qualitative improvement and costs across all operational and commercial areas which is expected to result in improvement in performance.

#### iii. Expected increase in productivity and profits in measurable terms:

There has been signs of demand outlook improving and efforts of various governments in providing local protection is also expected to give a boost to the steel prices and in turn profitability of the industry at large. In competitive environment, it is difficult to estimate the revenue or profit in measurable terms.

Being one of the lowest cost producer in the world, we are ready to reap the first mover benefit, as the tide turns favorable.

### IV. Disclosure:

The information and disclosures of the remuneration package of the managerial personnel have been mentioned in the Annual Report in the Corporate Governance Report under the heading details of Remuneration to the Directors for the year ended 31st March, 2016.

### (Annexure II to the Notice)

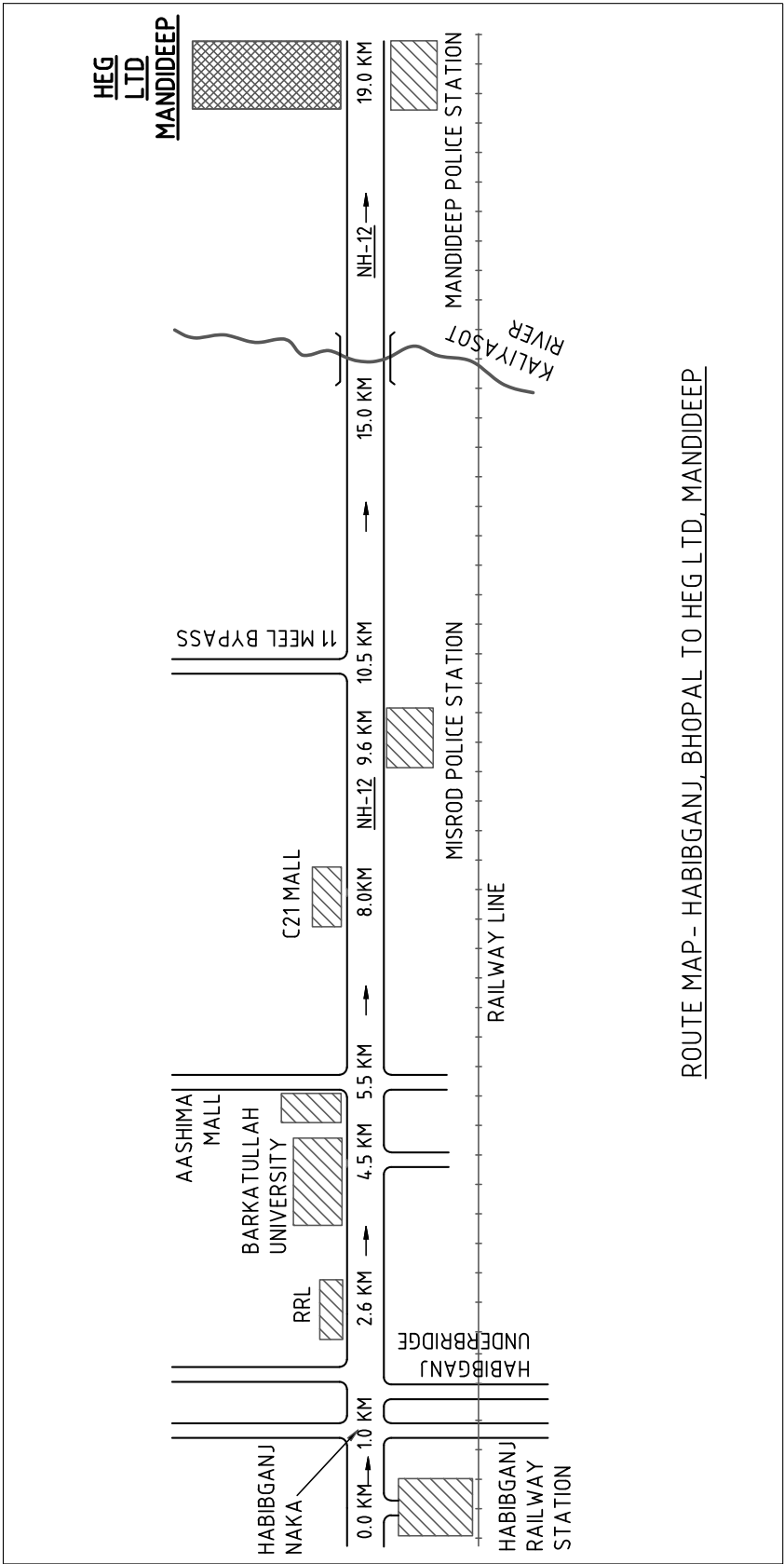
**Information pursuant to Secretarial Standard on General Meetings (SS-2) regarding Director seeking appointment / re-appointment and/or fixation of remuneration of Directors or variation of the terms of remuneration and Disclosure pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is given hereunder:**

Name of Director	Shri Ravi Jhunjunwala	Shri Riju Jhunjunwala	Shri Dantuluri Satyanarayana Ravindra Raju	Shri Satish Chand Mehta
Date of Birth	28/10/1955	13/01/1979	19/07/1961	02/09/1955
Age	60 years	37 years	55 years	60 years
Date of Appointment on the Board	08/09/1979	30/04/2009	27/05/2016	23/06/2016
Qualifications	B.Com. (Hons.), MBA	Degree in Business Management studies.	B.Tech( Chemicals), MS (Chemicals- IIT Chennai), PGCBM- XLRI	B. Com, Chartered Accountant, IFS(Retired)

Experience	36 years	12.5 years	31 years	35 years
Expertise in specific functional areas	He is an Industrialist with diversified business experience. He is the Chairman of LNJ Bhilwara Group- a diversified conglomerate with interests in Textiles, Graphite Electrodes, Power & IT enabled services.	He is an Industrialist with diversified business experience. He is the Managing Director of RSWM Ltd and Bhilwara Energy Ltd.	31 Years of rich experience in Bulk Chemical, Speciality Chemicals, Fertilizers, Gypsum Boards/ Plasters, Sugar, Power and Alcohol Industries.	32 years of rich experience of Indian Foreign Services(IFS). Prior to that he also served as an Officer of IPS for 3 years. He is also a qualified Chartered Accountant.
List of other Public Ltd. Companies in which directorships held.	<ol style="list-style-type: none"> <li>1. Malana Power Company Ltd.</li> <li>2. RSWM Ltd</li> <li>3. Maral Overseas Ltd.</li> <li>4. Bhilwara Energy Ltd.</li> <li>5. AD Hydro Power Ltd.</li> <li>6. BSL Ltd.</li> <li>7. India Glycols Ltd.</li> <li>8. JK Lakshmi Cement Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. RSWM Ltd.</li> <li>2. Bhilwara Infotech- nology Ltd.</li> <li>3. Bhilwara Green Energy Ltd.</li> <li>4. LNJ Power Ventures Ltd.</li> <li>5. Bhilwara Energy Ltd.</li> <li>6. Bhilwara Technical Textiles Ltd.</li> <li>7. NJC Hydro Power Ltd.</li> <li>8. Chango Yangthang Hydro Power Ltd.</li> </ol>	-	-
Chairman/Member of the Committees of the Board of Directors of the Company.	Stakeholders' Relationship Committee - Member	Stakeholders' Relationship Committee- Chairman	-	-
Chairman/Member of the Committee of Directors of other Companies.				
A) Audit Committee	<ol style="list-style-type: none"> <li>1. JK Lakshmi Cement Ltd. - Member</li> <li>2. AD Hydro Power Ltd. - Chairman</li> </ol>	Bhilwara Technical Textiles Limited - Member	-	-
B) Stakeholders Relationship Committee	BSL Ltd- Member	Bhilwara Technical Textiles Limited - Member	-	-
No of Equity Shares held in the Company	3,50,770 (Including 2,14,710 Equity Shares of Ravi Jhunjunwala (HUF).	2,33,290	-	-

Number of Board Meetings attended during the year	4/4	4/4	N.A. (As he was appointed as a Director on 27th May, 2016).	N.A. (As he was appointed as a Director on 23rd June, 2016).
Terms and conditions of appointment/ re-appointment along with remuneration sought to be paid	Mentioned in the resolution No. 5 of this Notice.	N.A. (As sitting fee is paid to Non-Executive Directors of the Company).	Mentioned in the resolution No.7 of this Notice.	N.A. (As sitting fee is paid to Non-Executive Directors of the Company).
The remuneration last drawn	₹ 72,19,540*		N.A. (As he was appointed as a Director on 27th May, 2016).	
Relationship with Other Directors, Manager and Key Managerial Personnel	Shri Ravi Jhunjhunwala is relative of Shri Riju Jhunjhunwala.	Shri Riju Jhunjhunwala is relative of Shri Ravi Jhunjhunwala.	No relationship with other Director, Manager and Key Managerial Personnel.	No relationship with other Director, Manager and Key Managerial Personnel.
Justification for choosing the appointee as Independent Director	N.A.	N.A.	N.A.	Shri Satish Chand Mehta retired from the Indian Foreign Service(IFS) in September, 2015. He is also a qualified Chartered Accountant. Besides having the honour of serving in the offices of two Indian Prime Ministers he has served inter-alia, in the Indian Mission to the United Nations and as an Indian Ambassador. He had also served on the Boards of various Companies as well. His rich experience of over three decades would add immense value to the decision making of Board of Directors of the Company

\*Worked out as per Section II of Part II of Schedule V of the Companies Act, 2013.



ROUTE MAP- HABIBGANJ, BHOPAL TO HEG LTD, MANDIDEEP

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## HEG LIMITED

CIN - L23109MP1972PLC008290

**Registered Office:** Mandideep (Near Bhopal), Distt. Raizen - 462 046, (M.P.), Phone: 07480-233524, 23325, Fax: 07480-233522

**Corporate Office:** Bhilwara Towers, A-12, Sector – 1, Noida – 201 301 (U.P) Phone: 0120-4390300 (EPABX), Fax:+0120-4277841

**E-mail:** heg.investor@lnjbhilwara.com; **Website:** www.hegltd.com

### ATTENDANCE SLIP

DP ID/CL ID/Folio No : ..... No. of Shares held .....

Full name of shareholder .....

Full name of Proxy / Representative .....

I/We hereby record my/our presence at the 44th Annual General Meeting of the Company to be held on Wednesday, the 28th September, 2016 at 11.30 A.M. at the Registered Office of the Company at Mandideep (Near Bhopal), District Raizen – 462046 (Madhya Pradesh).

Signature of the shareholder / proxy / representative\* .....

Note: Please fill in this attendance slip and hand over at the entrance of the Meeting hall.

\*Strike out whichever is not applicable



## HEG LIMITED

CIN - L23109MP1972PLC008290

**Registered Office:** Mandideep (Near Bhopal), Distt. Raizen - 462 046, (M.P.), Phone: 07480-233524, 23325, Fax: 07480-233522

**Corporate Office:** Bhilwara Towers, A-12, Sector – 1, Noida – 201 301 (U.P) Phone:0120-4390300 (EPABX), Fax:+0120-4277841

**E-mail:** heg.investor@lnjbhilwara.com; **Website:** www.hegltd.com

### PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of Member(s) :

Registered Address :

Email ID :

Folio No. / DP-ID Client ID :

I/We, being the member (s) of..... Shares of the above named Company, hereby appoint:

1. Name : ..... Address : .....  
E-mail Id : ..... Signature ....., or failing him / her
2. Name : ..... Address : .....  
E-mail Id : ..... Signature ....., or failing him / her
3. Name : ..... Address : .....  
E-mail Id : ..... Signature .....

as my/ our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 44th Annual General Meeting of the Company, to be held on Wednesday, the 28th September, 2016 at 11.30 A.M. at the Registered Office of the Company at Mandideep (Near Bhopal), Distt. Raizen – 462046, Madhya Pradesh and at any adjournment thereof in respect of such resolutions as are indicated below:







(\* Optional)

Resolution No.	Resolution	For	Against
1.	Consider and adopt the Audited Financial Statements, Reports of the Board of Directors and Auditors.		
2.	Re-appointment of Shri Riju Jhunjunwala, who retires by rotation.		
3.	Appointment of M/s S.S. Kothari Mehta & Co., Chartered Accountants and M/s Doogar & Associates, Chartered Accountants, as Auditors and fixing their remuneration.		
4.	Alteration to the Articles of Association by adoption of new set of Articles of Association of the Company.		
5.	Approval of remuneration of Shri Ravi Jhunjunwala, Chairman, Managing Director and CEO for a period of three years w.e.f. 13th February, 2016.		
6.	Appointment of Shri Dantuluri Satyanarayana Ravindra Raju, as a Director of the Company, retiring by rotation.		
7.	Approval of appointment and remuneration of Shri Dantuluri Satyanarayana Ravindra Raju, as Executive Director for a period of three years w.e.f. 27th May, 2016.		
8.	Approval of the issue of Redeemable Non-Convertible Debentures on private placement basis for an amount not exceeding ₹200 crores.		
9.	Appointment of Shri Satish Chand Mehta, as an Independent Director of the Company for a period of five years i.e. upto 22nd June, 2021.		
10.	Approval of the remuneration payable to M/s. N.D. Birla & Co., Cost Auditors of the Company for the financial year 2016-17.		
11.	Approval of remuneration of Shri Ravi Jhunjunwala, Chairman, Managing Director and CEO for the period 1st April, 2015 to 12th February, 2016.		

Signed this.....day of.....2016.

.....  
Signature of shareholder

.....  
Signature of Proxy holder(s)

Affix  
Revenue  
Stamp

**Notes:**

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 44th Annual General Meeting.
3. \*It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.



## HEG LIMITED

CIN L23109MP1972PLC008290

Registered Office: Mandideep (Near Bhopal), Distt. Raisen - 462 046, (M.P.), Phone: 07480-233524, 233525, Fax: 07480-233522

Corporate Office: Bhilwara Towers, A-12, Sector - 1, Noida - 201 301 (U.P) Phone: 0120-4390300 (EPABX), Fax: 0120-4277841

E-mail: heg.investor@lnjbhilwara.com; Website: www.hegltd.com

**Addendum to the Notice of the 44th Annual General Meeting ("AGM") of HEG Limited ("the Company") to be held on Wednesday, the 28th September, 2016 at 11.30 A.M. at the Registered Office of the Company at Mandideep (Near Bhopal), Distt. Raisen – 462046, Madhya Pradesh.**

This is to inform the shareholders of the Company that Shri Dantuluri Satyanarayana Ravindra Raju (holding DIN: 03274336), who was appointed as an Additional Director and Executive Director of the Company at the Meeting of Board of Directors held on 27th May, 2016, has resigned from the Directorship and Executive Directorship of the Company vide his letter dated 24th August, 2016 and shall be relieved from the services of the Company w.e.f. 31st August, 2016. The Item Nos. 6 and 7 for approval of his appointment and remuneration for period of three years w.e.f. 27th May, 2016 form part of the AGM Notice dated 10th August, 2016.

In view of the aforesaid subsequent developments, the shareholders are requested:

1. To take Resolution at Item No. 6 as dropped.
2. To grant their approval for appointment and remuneration of Shri Dantuluri Satyanarayana Ravindra Raju as Executive Director for the period from 27th May, 2016 to 31st August, 2016. Accordingly, the revised resolution for approval of members at Item No. 7 is as under:

**Item No. 7:**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:-

"RESOLVED THAT pursuant to the provisions of Sections 196, 197 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule V to the Act and

the rules made thereunder, as amended from time to time, the Company hereby approves the appointment and terms of remuneration (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) of Shri Dantuluri Satyanarayana Ravindra Raju (holding DIN: 03274336) as an Executive Director of the Company for the period 27th May, 2016 to 31st August, 2016 at a remuneration enumerated hereunder:-

**Basic Salary:**

₹ 4,00,000/- per month.

**Personal Pay:**

₹ 2,00,000/- per month.

**Perquisites:**

In addition to the salary, Shri Dantuluri Satyanarayana Ravindra Raju is entitled to the following perquisites:

Category 'A'

**i) Housing:**

- a) The expenditure incurred by the Company on hiring unfurnished accommodation for him subject to a ceiling, namely, 40% of the basic salary or
- b) In case the accommodation is owned by the Company, 10% of the basic salary shall be deducted by the Company, or
- c) In case no accommodation is provided by the Company, a house rent allowance subject to a ceiling of 40% of the basic

salary.

**ii) Gas, Electricity and Water:**

The expenditure incurred by the Company on Gas, Electricity and Water shall be valued as per Income-tax Rules, 1962 and will be subject to a ceiling of 10% of basic salary.

**iii) Medical Reimbursement:**

For self and family subject to a ceiling of one month's basic salary in a year.

**iv) Leave Travel Assistance:**

For self and family once in a year subject to a ceiling of one month basic salary in a year.

**v) Club Fees:**

For self, as per the policy of the Company.

**vi) Personal Accident Insurance:**

For self, as per the policy of the Company.

**vii) Hospitalisation Coverage:**

Hospitalisation coverage for self and spouse as per the policy of the Company.

Category 'B'

**i) Provident Fund:**

Company's contribution to provident fund shall be as per the rules of the Company.

**ii) Superannuation:**

Company's contribution to superannuation fund shall be in accordance with the rules of the Company.

**iii) Gratuity:**

As per rules of the Company, payable in accordance with the approved fund at the rate of half a month's basic salary for each completed year of service.

Category 'C'

**i) Car:**

Chauffeur driven Company vehicle with running and maintenance expenses on actual for official purposes.

**ii) Telephone and Mobile:**

Reimbursement of residential telephone and mobile usage expenses for official purpose on actual basis.

**iii) Furnishing and other Loans:**

Furnishing and other Loans as per the policy of the Company.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits under Section 197 of the Companies Act, 2013 in any financial year during the currency of tenure of service of Shri Dantuluri Satyanarayana Ravindra Raju as an Executive Director of the Company, his remuneration shall be governed by the limits prescribed under Section II of Part II of the Schedule V and other applicable provisions of the Companies Act, 2013".

Please treat the Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 for Item Nos. 6 and 7 modified to the extent of aforesaid subsequent developments and in terms of the aforesaid Resolution.

For HEG LIMITED

Sd/-

(ASHISH SABHARWAL)  
COMPANY SECRETARY

Place: Noida (U.P.)

Date: 24<sup>th</sup> August, 2016