

# 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 and Independent Directors. The Independent Directors on the Board are experienced, competent and highly reputed persons from 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		No. of Board Meetings attended	Whether attended the last AGM Yes/No
			Member	Chairman		
Shri L N Jhunjunwala	Chairman Emeritus-Promoter Non-Executive	06	02	0	0	No
Shri Ravi Jhunjunwala	Chairman & Managing Director-Promoter Executive	12	01	02	04	Yes
Shri Shekhar Agarwal	Vice-Chairman-Promoter Non-Executive	05	03	0	04	No
Shri D N Davar	Non-Executive & Independent	13	05	04	04	Yes
Dr. Kamal Gupta	Non-Executive & Independent	06	02	05	04	No
Shri K N Memani	Non-Executive & Independent	12	05	05	01	No
Shri P Murari	Non-Executive & Independent	09	04	03	02	No
Shri Lalit Mohan Lohani	Non-Executive & Independent (LIC Nominee)	0	0	0	03	No
Dr. O. P. Bahl	Non-Executive & Independent	01	0	0	03	Yes
Shri Riju Jhunjunwala	Director-Promoter – Non-Executive	07	03	0	03	No

\* Only Audit Committee and Shareholders Grievance Committee have been considered.

Note: Shri L N Jhunjunwala, Shri Ravi Jhunjunwala, Shri Shekhar Agarwal and Shri Riju Jhunjunwala are relatives.

## (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 L N Jhunjhunwala	179740
Shri D N Davar	1000
Dr. Kamal Gupta	200
Shri Riju Jhunjhunwala	233290

## (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 31st March, 2012. These were held on 29th April, 2011, 29th July, 2011, 4th November, 2011 and 3rd February, 2012.

## 3. Audit Committee

### (i) Broad Terms of Reference

The terms of reference of the Audit Committee are as per Section 292 A of the Companies Act, 1956 and the guidelines set out in the listing agreements with the Stock Exchanges that inter-alia include overseeing financial reporting processes, reviewing periodic financial results, reviewing with the management the financial statements and adequacy of internal control systems, reviewing the adequacy of internal audit function, risk management, discussions with the Internal and Statutory Auditors about the scope of audit including the observations of the auditors and discussion with them on any significant findings.

### (ii) Composition of the Committee

The composition of the Audit Committee is as under:-

Sl No.	Name of Director	Designation	Category
1.	Shri D.N. 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. O.P. Bahl*	Member	Non-Executive Independent Director

\*The Board of Directors at their meeting held on 10th May, 2012 approved the reconstitution of the Audit Committee by inclusion of Dr. O.P. Bahl, Independent Director as a member of the Committee.

All these Directors possess knowledge of Corporate Finance, Accounts & 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 Secretary of the Committee.

### (iii) Meetings and Attendance

During the financial year ended 31st March, 2012, four meetings were held on 29th April, 2011, 29th July, 2011, 4th November, 2011 and 3rd February, 2012.

The attendance at the above Meeting was as under: -

Sl No.	Name of Director	No. of meetings attended
1.	Shri D.N. Davar	4
2.	Shri Shekhar Agarwal	4
3.	Dr. Kamal Gupta	4

## 4. Remuneration Committee

### i) Broad Terms of Reference

To review & decide the policy on specific remuneration package of Managing Director and other whole time Directors.

### ii) Composition of the Committee

The composition of the Remuneration Committee is as under:-

Sl No.	Name of Director	Designation	Category
1.	Shri D.N. Davar	Chairman	Non-Executive Independent Director
2.	Dr. Kamal Gupta	Member	Non-Executive Independent Director
3.	Dr. O.P. Bahl	Member	Non-Executive Independent Director

The Company Secretary acts as Secretary of the Committee.

### iii) Meetings and Attendance

During the financial year ended 31st March, 2012, no meeting of Remuneration Committee took place.

### iv) Remuneration Policy

The Company's remuneration policy is based on the principles of (i) pay for responsibility (ii) pay for performance and potential and (iii) pay for growth. The Company pays remuneration to the Chairman & Managing Director and Executive Directors while Non Executive Directors are paid sitting fees only. The remuneration of Chairman & Managing Director and Executive Directors is decided by the Board of Directors, on recommendations of the Remuneration Committee and thereafter approved by the shareholders.

(v) Details of Remuneration to the Directors for the year ended 31st March, 2012

(Amount in ₹)

Name of Director	Salary	Benefits	Commission	Sitting Fee	Total
Shri L. N. Jhunjhunwala		–	–	–	–
Shri Ravi Jhunjhunwala	8400000	7707297	4608338	–	20715635
Shri Shekhar Agarwal	–	–	–	240000	240000
Shri Riju Jhunjhunwala	–	–	–	120000	120000
Shri D. N. Davar	–	–	–	320000	320000
Shri K. N. Memani	–	–	–	20000	20000
Dr. Kamal Gupta	–	–	–	340000	340000
Shri P. Murari	–	–	–	40000	40000
Shri Lalit Mohan Lohani	–	–	–	60000	60000
Dr. O.P. Bahl	–	–	–	320000	320000

## 5. Shareholders' / Investors' Grievance Committee

### (i) Composition of the Committee

The composition of the Committee is as under:-

Sl No.	Name of Director	Designation	Category
1.	Shri L.N. Jhunjhunwala	Chairman	Non Executive Promoter Director
2.	Shri Ravi Jhunjhunwala	Member	Executive Promoter Director
3.	Dr. Kamal Gupta	Member	Non Executive Independent Director

Shri Ashish Sabharwal, Company Secretary is the Compliance Officer.

### (ii) Meetings and Attendance

During the financial year ended 31st March, 2012, two meetings were held on 4th November, 2011 and 26th March, 2012.

The attendance at the above Meetings was as under: -

Sl No.	Name of the Director	No. of Meetings attended
1.	Shri L.N. Jhunjhunwala	–
2.	Shri Ravi Jhunjhunwala	2
3.	Dr. Kamal Gupta	2

The Company received 41 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 31.03.2012.

## 6. General Body Meetings

### (a) Annual General Meeting:

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
19th September, 2009	2008-2009	Mandideep, (Near Bhopal), Distt. Raisen – 462 046 (Madhya Pradesh)	12.30 P.M.	No
20th September, 2010	2009-2010	Mandideep, (Near Bhopal), Distt. Raisen – 462 046 (Madhya Pradesh)	2.00 P.M.	No
16th September, 2011	2010-2011	Mandideep, (Near Bhopal), Distt. Raisen – 462 046 (Madhya Pradesh)	2.00 P.M.	No

### **(b) Extra Ordinary General Meeting:**

No Extra Ordinary General Meeting took place during the financial year 2011-12.

There were no matters required to be passed by the shareholders through postal ballot, in any of the aforesaid meetings, as required under the provisions of Section 192A of the Companies Act, 1956.

There are no matters proposed to be passed by the Company through postal ballot in the ensuing Annual General Meeting.

## **7. Disclosures**

(i) There are no materially significant transactions with the related parties viz. Promoters, Director or the Management, their Subsidiaries or relatives conflicting with Company's interest. Suitable disclosure as required by the Accounting Standard (AS18) has been made in the Annual Report.

(ii) 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.

(iii) No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during last three years.

(iv) The Company has complied with the mandatory requirements and complied with the non-mandatory requirements relating to the remuneration committee to the extent detailed above.

(v) No personnel has been denied any access to the Audit Committee of the Company.

(vi) The Company has complied with all the applicable Accounting Standards.

(vii) The Chairman & Managing Director 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 Clause 49(V) of the Listing Agreement, for the year ended 31.03.2012.

## **8. 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 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 2011-12."

## **9. Means of Communication**

The Company publishes its quarterly results in leading national newspapers as per the requirements of listing agreement. These results are displayed along with other news releases and presentations, if any, made to institutional investors or to analysts etc and all other vital information are placed on the website of the Company.

## 10. Disclosures regarding appointment or re-appointment of Directors

Name of Director	Shri Riju Jhunjhunwala	Dr. O.P. Bahl
Date of Birth	13.01.1979	05.10.1939
Date of Appointment	30.04.2009	30.04.2009
Qualification	Degree in Business Management studies.	M.Sc., Ph.d.
Expertise in Specific functional areas	He is an Industrialist with diversified business experience.	He retired from National Physical Laboratory, New Delhi as Director Grade Scientist in 1999. He has expertise in Carbon Technology.
List of other Public Ltd. Companies in which directorships held.	1. Bhilwara Energy Ltd 2. Bhilwara Infotechnology Ltd 3. Bhilwara Technical Textiles Ltd 4. Cheslind Textiles Ltd 5. Bhilwara Green Energy Ltd 6. NJC Hydro Power Ltd 7. Chango Yangthang Hydro Power Ltd	HEG Graphite Products and Services Limited
Chairman / Member of the Committees of the Board of Directors of the Company.	–	*
Chairman / Member of the Committee of Directors of other Companies.		
a) Audit Committee	1. Cheslind Textiles Limited – Member 2. Bhilwara Technical Textiles Limited – Member	–
b) Shareholders'/ Investors' Grievance Committee	1. Bhilwara Technical Textiles Limited – Member	–
No. of Equity Shares held in the Company	233290	–

\* The Board of Directors at their meeting held on 10th May, 2012 approved the reconstitution of the Audit Committee by inclusion of Dr. O.P. Bahl, Independent Director, as a member of the Committee.

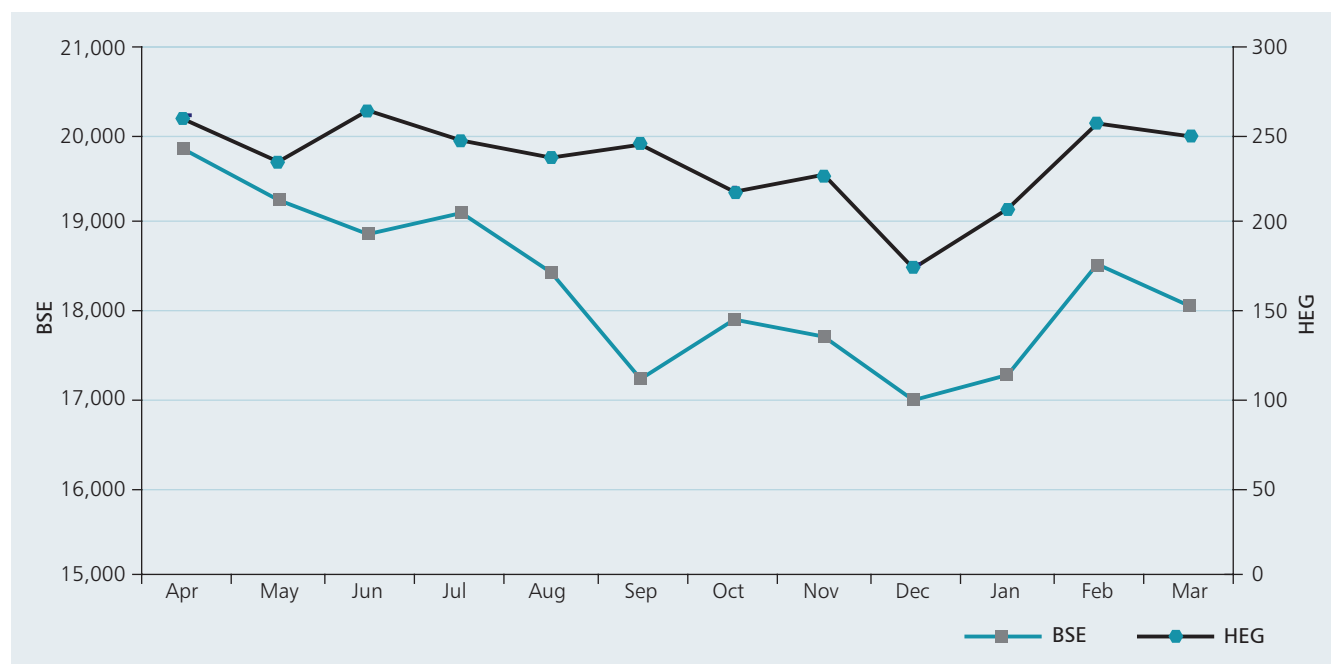
## 11. Shareholders Information

a) Annual General Meeting: Date & Time, Venue	21st September, 2012 at 1.30 P.M. at the Registered Office of the Company at Mandideep, Near Bhopal, Distt. Raisen- 462 046 (Madhya Pradesh).
b) Financial Calendar:	Financial Year: 1st April,2012 – 31st March,2013. Reporting:
	(a) First Quarter Results – Within 45 days of end of the 1st Qtr (b) Second Quarter Results – Within 45 days of end of the 2nd Qtr (c) Third Quarter Results – Within 45 days of end of the 3rd Qtr (d) Results for the FY – Within 60 days of end of the FY
c) Date of Book Closure	11th September, 2012 to 21st September, 2012 (both days inclusive)
d) Dividend payment date	Dividend if declared, shall be paid / dispatched to the shareholders between 3rd October, 2012 and 6th October, 2012.
e) Listing of :	
(i) Shares on Stock Exchanges	(i) 1. Bombay Stock Exchange Ltd. 2. National Stock Exchange of India Ltd. 3. Madhya Pradesh Stock Exchange Ltd.
(ii) Non-convertible Debentures	(ii) WDM segment of Bombay Stock Exchange Ltd.
	Listing Fee, as prescribed has been duly paid.
f) Stock Code/ISIN No.	(i) Equity Shares: BSE: 509631 NSE: HEG ISIN No.: INE545A01016 (ii) Non-convertible Debentures: ISIN No.: INE545A07039, INE545A07054

g. 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, 2011	258.80	215.00	258.30	215.00	19811.14	18976.19
May, 2011	235.90	220.10	234.85	220.50	19253.87	17786.13
June, 2011	262.95	230.00	262.80	228.60	18873.39	17314.38
July, 2011	248.80	232.15	247.00	234.00	19131.70	18131.86
August, 2011	258.80	211.05	237.90	213.05	18440.07	15765.53
September, 2011	227.80	211.60	244.00	212.95	17211.80	15801.01
October, 2011	216.25	201.00	216.80	202.65	17908.13	15745.43
November, 2011	229.00	162.60	226.00	161.10	17702.26	15478.69
December, 2011	172.20	140.40	173.95	141.00	17003.71	15135.86
January, 2012	209.00	150.30	208.50	153.30	17258.97	15358.02
February, 2012	289.30	189.60	256.95	190.00	18523.78	17061.55
March, 2012	249.00	211.05	248.40	211.50	18040.69	16920.61

ii) Comparative chart of Company's share price movement vis-à-vis the movement of BSE Sensex during FY 2011-12:



h) Registrar or Transfer Agent	M/s. MCS Ltd. F-65, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi-110020. E-mail for Investor Grievances: mcscomplaintsdel@mcsdel.com
i) 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.

j) Distribution of shareholding as on 31st March, 2012.

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
1-500	33943	95.38	3547780	8.88
501-1000	920	2.59	705177	1.76
1001-2000	350	0.98	519872	1.30
2001-3000	129	0.36	326822	0.82
3001-4000	49	0.14	174496	0.44
4001-5000	32	0.09	147689	0.37
5001-10000	63	0.18	468392	1.17
10001 and above	101	0.28	34068914	85.26
<b>Total</b>	<b>35587</b>	<b>100.00</b>	<b>39959142</b>	<b>100.00</b>

k) Category of Shareholders

Category	No. of shareholders	% of shareholders	No. of shares held	%age of shareholding
Promoters and Promoter Group	23	0.06	22685458	56.77
Mutual Funds / UTI	8	0.02	14815	0.04
Financial Institutions / Banks	11	0.03	9698	0.02
Insurance Companies	4	0.01	4250770	10.64
Foreign Institutional Investors	23	0.06	402422	1.01
Bodies Corporate	734	2.06	3215794	8.05
Individuals	34333	96.48	6242312	15.62
Others:				
I) Trusts	4	0.01	16927	0.04
II) Foreign Corporate Bodies	1	0.00	2893888	7.24
III) Overseas Corporate Bodies	1	0.00	34960	0.09
IV) NRI Individuals	445	1.25	192098	0.48
<b>Total</b>	<b>35587</b>	<b>100.00</b>	<b>39959142</b>	<b>100.00</b>

l) Dematerialization of shares and liquidity.	3,87,42,635 shares were dematerialised till 31.3.2012 which was 96.96% 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.
m) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity.	There are no such instruments outstanding as on 31st March, 2012.
n) Plant Locations	a) Mandideep (Near Bhopal), Distt. Raisen – 462 046, Madhya Pradesh. b) Village Ranipur, Tawa Nagar, Distt. Hoshangabad – 461 001, Madhya Pradesh.
o) Address for correspondence:	HEG Ltd. Secretarial Department, Bhilwara Towers, A-12, Sector –1, Noida - 201301 Phone: 0120-4390300, 4390000 • Fax: 0120-2531648/2531745 E-mail: Investor.complaints@hegltd.com • Website: www.hegltd.com

# Compliance Certificate

To  
The Members of  
**HEG Limited**

We have reviewed the implementation of Corporate Governance procedures by the Company during the year ended 31st March, 2012, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of the above and according to the information and explanations given to us, in our opinion, the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

We further state that our examination of such compliance is neither an assurance as to the 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

**Arun K Tulsian**  
Partner  
Membership No. 089907

**Mukesh Goyal**  
Partner  
Membership No. 081810

Place: Noida (U.P.)  
Date: 10th May, 2012

