

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 | | No. of Board Meetings attended | Whether Attended the last AGM Yes/No |
|---------------------------|---|--|--|----------|--------------------------------|--------------------------------------|
| | | | Member | Chairman | | |
| Shri L. N. Jhunjhunwala## | Chairman Emeritus-Promoter Non-Executive | 6 | 2 | 0 | 0 | No |
| Shri Ravi Jhunjhunwala | Chairman and Managing Director-Promoter Executive | 12 | 1 | 2 | 5 | Yes |
| Shri Shekhar Agarwal | Vice-Chairman-Promoter Non-Executive | 5 | 3 | 0 | 4 | No |
| Shri D. N. Davar | Non-Executive and Independent | 12 | 5 | 4 | 5 | No |
| Dr. Kamal Gupta | Non-Executive and Independent | 6 | 3 | 5 | 5 | No |
| Shri P. Murari # | Non-Executive and Independent | 10 | 6 | 3 | 1 | No |
| Shri Lalit Mohan Lohani | Non-Executive and Independent (LIC nominee) | 0 | 0 | 0 | 5 | No |
| Dr. O. P. Bahl | Non-Executive and Independent | 1 | 0 | 0 | 4 | Yes |
| Smt. Vinita Singhania*** | Non-Executive and Independent | 3 | 0 | 0 | 1 | No |
| Shri Riju Jhunjhunwala | Director -Promoter – Non-Executive | 9 | 6 | 0 | 3 | No |

* Excludes directorships in private limited companies, foreign companies and companies incorporated under Section 25 of the Companies Act, 1956.

** Only Audit Committee and Shareholders' Grievance/Stakeholders Relationship Committee have been considered.

*** Appointed as Additional Director on 12.11.2013.

Shri P. Murari has resigned from the Directorship of the Company w.e.f. 14th April, 2014.

Shri L. N. Jhunjhunwala has resigned from the Directorship of the Company w.e.f. 21st April, 2014.

Note: Shri L. N. Jhunjhunwala, Shri Ravi Jhunjhunwala, Shri Shekhar Agarwal and Shri Riju Jhunjhunwala 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* | 1,79,740 |
| Shri D. N. Davar | 1,500 |
| Dr. Kamal Gupta | 200 |
| Shri Riju Jhunjhunwala | 2,33,290 |

* Shri L. N. Jhunjhunwala has resigned from the Directorship of the Company w.e.f. 21st April, 2014.

(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 ever necessary. Five Board Meetings were held during the financial year ended 31st March, 2014. These were held on 15th April, 2013, 3rd May, 2013, 13th August, 2013, 12th November, 2013 and 4th February, 2014.

3. Audit Committee**(i) Broad Terms of Reference**

The terms of reference of the Audit Committee are as per the provisions of the Companies Act 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 |

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 31st March, 2014, four meetings were held on 3rd May, 2013, 13th August, 2013, 12th November, 2013 and 4th February, 2014.

The attendance at the above Meetings 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. | Dr. O.P. Bahl | 3 |

4. Nomination and Remuneration Committee ******(i) Broad Terms of Reference**

The Nomination and Remuneration Committee shall identify persons who are qualified to become Directors and key managerial personnel and persons who may be appointed in senior positions i.e. one level below the Managing Director, recommend to the Board their appointment and removal and also to evaluate their performance.

The Nomination and Remuneration Committee will formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

The Nomination and Remuneration Committee will, while deciding the remuneration ensure inter-alia that—

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, key managerial personnel and senior management of the quality required to run the Company successfully;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- Remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

(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 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) Meeting and Attendance

During the financial year ended 31st March, 2014, one meeting was held on 4th February, 2014 which was attended by all Committee members.

(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 if any, 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 Nomination and Remuneration Committee and thereafter approved by the shareholders.

(v) Details of Remuneration to the Directors for the year ended 31st March, 2014

[Amount in ₹]

| Name of Director | Salary | Benefits | Commission | Sitting Fee | Total |
|-------------------------|-----------|-----------|-------------|-------------|-------------|
| Shri L. N. Jhunjunwala* | - | - | - | - | - |
| Shri Ravi Jhunjunwala | 88,71,429 | 84,16,996 | 2,21,56,182 | - | 3,94,44,607 |
| Shri Shekhar Agarwal | - | - | - | 2,20,000 | 2,20,000 |
| Shri D. N. Davar | - | - | - | 4,40,000 | 4,40,000 |
| Dr. Kamal Gupta | - | - | - | 5,20,000 | 5,20,000 |
| Shri P. Murari # | - | - | - | 20,000 | 20,000 |
| Shri Lalit Mohan Lohani | - | - | - | 1,00,000 | 1,00,000 |
| Dr. O.P. Bahl | - | - | - | 4,00,000 | 4,00,000 |
| Smt. Vinita Singhania | - | - | - | 20,000 | 20,000 |
| Shri Riju Jhunjunwala | - | - | - | 1,20,000 | 1,20,000 |

**** The Remuneration Committee of the Company was renamed as Nomination and Remuneration Committee w.e.f. 4th February, 2014.

Shri P. Murari has resigned from the Directorship of the Company w.e.f. 14th April, 2014.

* Shri L. N. Jhunjunwala has resigned from the Directorship of the Company w.e.f. 21st April, 2014.

5. Shareholders' Grievance/Stakeholders Relationship Committee*******(i) Broad Terms of Reference**

The Shareholders Grievance/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 L.N. Jhunjunwala* | Chairman | Non-Executive Promoter Director |
| 2. | Shri Ravi Jhunjunwala | Member | Executive Promoter Director |
| 3. | Dr. Kamal Gupta | Member | Non-Executive Independent Director |

* Shri L. N. Jhunjunwala has resigned from the Directorship of the Company w.e.f. 21st April, 2014 and Shri Riju Jhunjunwala has appointed as Chairman of Shareholders' Grievance/Stakeholders Relationship Committee of the Company w.e.f. 21st April, 2014.

Shri Ashish Sabharwal, Company Secretary is the Compliance Officer.

(iii) Meetings and Attendance

During the financial year ended 31st March, 2014, Four meetings were held on 3rd May, 2013, 13th August, 2013, 12th November, 2013 and 4th February, 2014.

The attendance at the above Meetings was as under:

| Sl. No. | Name of Director | No. of Meetings Attended |
|---------|------------------------|--------------------------|
| 1. | Shri L.N. Jhunjhunwala | - |
| 2. | Shri Ravi Jhunjhunwala | 4 |
| 3. | Dr. Kamal Gupta | 4 |

The Company received 39 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 31.03.2014.

***** The 'Shareholders Grievance/Stakeholders Relationship Committee' of the Company has been renamed as 'Stakeholders Relationship Committee' w.e.f. 21st April, 2014.

6. Corporate Social Responsibility Committee**(I) Broad Terms of Reference**

(a) 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.

- (b) Recommend and monitor the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) 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 Jhunjhunwala | Chairman | Executive Promoter Director |
| 2. | Shri D.N.Davar | Member | Non- Executive Independent Director |
| 3. | Smt. Vinita Singhania | Member | Non- Executive Independent Director |

The Corporate Social Responsibility committee of the Company was constituted on 4th February, 2014.

7. 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 |
|----------------------|-------------------------|---|-----------------|---------------------------------------|
| 16th September, 2011 | 2010-2011 | Mandideep, (Near Bhopal), Distt. Raisen, Madhya Pradesh - 462 046 | 2.00 P.M. | No |
| 21st September, 2012 | 2011-2012 | Mandideep, (Near Bhopal), Distt. Raisen, Madhya Pradesh - 462 046 | 1.30 P.M. | No |
| 21st September, 2013 | 2012-2013 | Mandideep, (Near Bhopal), Distt. Raisen, Madhya Pradesh - 462 046 | 1.30 P.M. | Yes |

(b) Extra- ordinary General Meeting:

No Extra-ordinary General Meeting took place during the financial year 2013-14.

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.

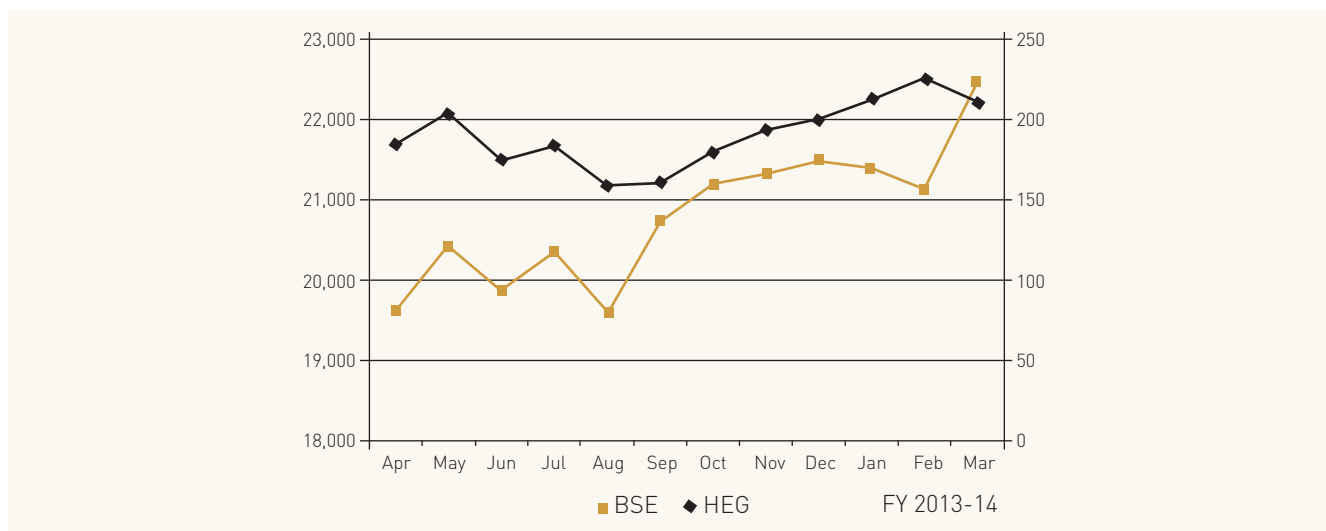
8. Disclosures

- 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.
- b) 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.

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, 2013 | 182.00 | 160.30 | 185.00 | 159.60 | 19622.68 | 18144.22 |
| May, 2013 | 204.40 | 166.25 | 205.00 | 170.90 | 20443.62 | 19451.26 |
| June, 2013 | 179.60 | 154.00 | 174.85 | 155.00 | 19860.19 | 18467.16 |
| July, 2013 | 183.70 | 154.45 | 184.00 | 154.60 | 20351.06 | 19126.82 |
| August, 2013 | 159.00 | 139.90 | 159.10 | 140.20 | 19569.20 | 17448.71 |
| September, 2013 | 160.10 | 151.25 | 160.50 | 150.05 | 20739.69 | 18166.17 |
| October, 2013 | 180.00 | 152.00 | 179.90 | 152.05 | 21205.44 | 19264.72 |
| November, 2013 | 193.95 | 170.00 | 193.70 | 168.00 | 21321.53 | 20137.67 |
| December, 2013 | 201.30 | 180.25 | 201.00 | 181.00 | 21483.74 | 20568.70 |
| January, 2014 | 212.90 | 191.65 | 212.50 | 191.00 | 21409.66 | 20343.78 |
| February, 2014 | 226.00 | 192.05 | 226.00 | 191.05 | 21140.51 | 19963.12 |
| March, 2014 | 210.00 | 190.65 | 210.50 | 191.75 | 22467.21 | 20920.98 |

ii) Comparative chart of Company's share price movement vis-à-vis the movement of BSE Sensex during FY 2013-14:



| | |
|--|--|
| h) Registrar and Transfer Agent # | M/s. 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: mcssta@rediffmail.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. |

The Company had changed its Registrar & Share Transfer Agent (RTA) from M/s. MCS Limited to M/s. MCS Share Transfer Agent Limited w.e.f 21st March, 2014.

j) Distribution of shareholding as on 31st March, 2014.

| No. of Equity Shares held | No. of shareholders | % of shareholders | No. of shares held | % of shareholding |
|---------------------------|---------------------|-------------------|--------------------|-------------------|
| 1-500 | 30,429 | 95.17 | 32,10,884 | 8.04 |
| 501-1000 | 843 | 2.64 | 6,42,846 | 1.61 |
| 1001-2000 | 352 | 1.10 | 5,15,196 | 1.29 |
| 2001-3000 | 122 | 0.38 | 3,05,373 | 0.76 |
| 3001-4000 | 59 | 0.18 | 2,10,394 | 0.53 |
| 4001-5000 | 21 | 0.07 | 98,939 | 0.25 |
| 5001-10000 | 58 | 0.18 | 4,43,794 | 1.11 |
| 10001 and above | 88 | 0.28 | 3,45,31,716 | 86.42 |
| Total | 31,972 | 100.00 | 3,99,59,142 | 100.00 |

k) Category of Shareholders

| Category | No. of shareholders | % of shareholders | No. of shares held | % of shareholding |
|---------------------------------|---------------------|-------------------|--------------------|-------------------|
| Promoters and Promoter Group | 23 | 0.07 | 2,34,88,459 | 58.78 |
| Mutual Funds / UTI | 9 | 0.03 | 15,243 | 0.04 |
| Financial Institutions / Banks | 13 | 0.04 | 3,54,161 | 0.89 |
| Insurance Companies | 3 | 0.01 | 38,94,926 | 9.75 |
| Foreign Institutional Investors | 15 | 0.05 | 3,53,816 | 0.89 |
| Bodies Corporate | 676 | 2.11 | 33,84,737 | 8.47 |
| Individuals | 30,909 | 96.68 | 54,21,542 | 13.57 |
| Others: | | | | |
| I) Trusts | 4 | 0.01 | 19,723 | 0.05 |
| II) Foreign Corporate Bodies | 1 | 0.00 | 28,93,888 | 7.24 |
| III) NRI Individuals | 319 | 1.00 | 1,32,647 | 0.33 |
| Total | 31,972 | 100.00 | 3,99,59,142 | 100.00 |

| | |
|---|--|
| l) Dematerialisation of shares and liquidity. | 3,88,73,881 shares were dematerialised till 31.3.2014 which was 97.28% 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, 2014. |
| n) Plant Locations | a) Mandideep (Near Bhopal), Distt. Raisen - 462046, Madhya Pradesh. b) Village Ranipur, Tawa Nagar, Distt. Hoshangabad - 461001 Madhya Pradesh. |
| o) Address for correspondence: | HEG Limited. Secretarial Department Bhilwara Towers, A-12, Sector -1, Noida - 201301 Phone: 0120-4390300, 4390000 • Fax: 0120- 4277841 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, 2014, 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 : 21st April, 2014