

# 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 Meeting attended	Whether Attended the last AGM Yes/No
			Member	Chairman		
Shri L. N. Jhunjhunwala	Chairman Emeritus-Promoter Non-Executive	7	2	-	-	No
Shri Ravi Jhunjhunwala	Chairman & Managing Director-Promoter Executive	9	1	2	5	No
Shri Shekhar Agarwal	Vice-Chairman-Promoter Non-Executive	6	3	-	6	No
Shri D. N. Davar	Non-Executive & Independent	13	4	4	6	Yes
Dr. Kamal Gupta	Non-Executive & Independent	6	3	5	6	No
Shri K. N. Memani	Non-Executive & Independent	9	2	4	3	No
Shri P. Murari	Non-Executive & Independent	10	5	-	1	No
Shri V. K. Mehta	Non-Executive & Promoter	-	-	-	-	No
Shri Mohanraj Nair	Non-Executive & Independent (LIC Nominee)	1	1	-	4	No
Shri Niket A R Mehta (Alternate to Shri V K Mehta)	Non-executive & Promoter	-	-	-	1	No
Dr. O. P. Bahl	Non-Executive & Independent	1	-	-	4	No
Shri Riju Jhunjhunwala	Executive Director Promoter	3	3	-	4	No
Shri R.C. Surana**	Executive Director & CEO	-	-	-	5	No

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

\*\* Shri R.C Surana has ceased by way of premature retirement to be the Executive Director, Director and Employee of the Company in accordance with a mutual agreement between Shri R.C. Surana and the Company w.e.f. 30th April 2010.

**(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

**(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. Six Board Meetings were held during the financial year ended 31<sup>st</sup> March, 2010. These were held on 30<sup>th</sup> April, 2009, 19<sup>th</sup> May, 2009, 31<sup>st</sup> July, 2009, 5<sup>th</sup> September, 2009, 30<sup>th</sup> October, 2009 and 29<sup>th</sup> January, 2010.

**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:-

SI No.	Names of Director	Designation	Category
1.	Shri D. N. Davar	Chairman	Non-Executive Independent Director
2.	Dr. Kamal Gupta	Member	Non-Executive Independent Director
3.	Shri Mohanraj Nair	Member	Non-Executive Independent Director

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 31<sup>st</sup> March, 2010, four meetings were held on 30<sup>th</sup> April, 2009, 31<sup>st</sup> July, 2009, 30<sup>th</sup> October, 2009 and 29<sup>th</sup> January, 2010.

The attendance at the above Meeting was as under: -

SI No.	Name of Director	No. of Meetings Attended
1.	Shri D. N. Davar	4
2.	Dr. Kamal Gupta	4
3.	Shri Mohanraj Nair	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:-

SI 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.	Shri Mohanraj Nair	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, 2010, two meetings were held on 30th April, 2009 and 29th January, 2010.

The attendance at the above Meeting was as under: -

Sl. No.	Name of the Director	No. of Meetings attended
1.	Shri D. N. Davar	2
2.	Dr. Kamal Gupta	2
3.	Shri Mohanraj Nair	2

**(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 31<sup>st</sup> March, 2010**

(Amount in Rupees)

Name of Director	Salary	Benefits	Commission	Sitting Fee	Total
Shri Ravi Jhunjunwala	50,77,143	42,93,184	5,03,91,791	-	5,97,62,118
Shri Riju Jhunjunwala	22,00,000	22,61,147	76,84,748	-	1,21,45,895
Shri R. C. Surana	30,60,000	31,52,290	83,90,233	-	1,46,02,523
Shri L. N. Jhunjunwala	-	-	-	-	-
Shri Shekhar Agarwal	-	-	-	1,20,000	1,20,000
Shri V. K. Mehta	-	-	-	-	-
Shri D. N. Davar	-	-	-	5,00,000	5,00,000
Shri K. N. Memani	-	-	-	60,000	60,000
Dr. Kamal Gupta	-	-	-	5,00,000	5,00,000
Shri P. Murari	-	-	-	20,000	20,000
Shri Mohanraj Nair	-	-	-	2,00,000	2,00,000
Dr. O.P. Bahl	-	-	-	1,20,000	1,20,000
Shri Niket A R Mehta (Alternate to Shri V.K. Mehta)	-	-	-	20,000	20,000

**5. Shareholders'/Investors' Grievance Committee****(i) Composition of the Committee**

The composition of the Committee is as under:-

Sl. No.	Names of Directors	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 Ashish Sabharwal, Company Secretary is the Compliance Officer.

**(ii) Meetings and Attendance**

During the financial year ended 31st March, 2010, two meetings were held on 30th October, 2009 and 25th March, 2010.

The attendance at the above Meeting was as under: -

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



The Company received 46 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 31.03.2010.

## 6. 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
29 <sup>th</sup> September, 2007	2006-2007	Mandideep, (Near Bhopal)	11.00 A.M.	Yes
27 <sup>th</sup> September, 2008	2007-2008	Mandideep, (Near Bhopal)	12.30 P.M.	No
19 <sup>th</sup> September, 2009	2008-2009	Mandideep, (Near Bhopal)	12.30 P.M.	No

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 (AS-18) 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 31.03.2010.

## 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 Shri Ravi Jhunjunwala, 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 2009-10."

## 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 reappointment of Directors**

Name of Director	Shri D.N. Davar	Shri K.N. Memani	Shri Shekhar Agarwal
Date of Birth	08.08.1934	01.01.1939	09.10.1952
Date of Appointment	10.11.1994	30.04.2004	15.07.1996
Qualification	B. com (Hons.), M.A. (Eco.) CAIIB, Fellow of the Economic Development Institute of the World Bank.	B.Com., FCA	B.Tech (Mech), IIT Kanpur, Master of Science Degree in Industrial & Systems Engineering from Illinois Institute of Technology, Chicago, USA.
Expertise in Specific functional areas	Shri D.N. Davar worked in Senior Managerial positions with Punjab National Bank from 1958-68 and with IFCI from 1968-1992. He took retirement from IFCI in 1992 as Executive Chairman, a position he held for 8 years. Presently, besides Directorships in many well known Companies, he is a part time Consultant to the World Bank, UNIDO and Kreditanstalt fur Weideraufbau (KfW) and also associated with professional and social organizations in various capacities.	Shri K.N. Memani was Chairman & CEO, Ernst & Young, India until 31st March, 2004. He was member of Ernst & Young Global Council for 10 years. He specializes in Business & Corporate Advisory, Foreign Taxation, Financial Consultancy etc. He was a member of The National Advisory Committee on Accounting Standards (NACAS) and member of Accounting Standard Board of ICAI. For two consecutive years, Shri Memani was on the External Audit Committee (EAC) of the IMF and was appointed the Chairman of EAC for the year 1999-2000.	Industrialist with a rich business experience and well know name in Textile Industry.
List of other Public Ltd. Companies in which directorships held.	<ol style="list-style-type: none"> <li>Sandhar Technologies Ltd</li> <li>Sandhar Infosystems Ltd</li> <li>Maral Overseas Ltd</li> <li>RSWM Ltd</li> <li>OCL India Ltd</li> <li>Indo Continental Hotels &amp; Resorts Ltd</li> <li>Ansal Properties &amp; Infrastructure Ltd</li> <li>Hero Honda Finlease Ltd</li> <li>Adayar Gate Hotel Ltd</li> <li>Titagarh Wagons Ltd</li> <li>Landmark Property Development Co. Ltd</li> <li>Parsvnath Hotels Ltd</li> <li>Parsvnath SEZ Ltd</li> </ol>	<ol style="list-style-type: none"> <li>Aegon Religare Life Insurance Co. Ltd</li> <li>Chambal Fertilisers and Chemicals Ltd</li> <li>DLF Ltd</li> <li>Emami Ltd</li> <li>Great Eastern Energy Corporation Ltd</li> <li>HT Media Ltd</li> <li>ICICI Venture Funds Management Company Ltd</li> <li>J K Lakshmi Cement Ltd</li> <li>National Engineering Industries Ltd</li> </ol>	<ol style="list-style-type: none"> <li>RSWM Ltd</li> <li>Maral Overseas Ltd</li> <li>Essay Marketing Company Ltd</li> <li>BSL Ltd</li> <li>Bhilwara Technical Textiles Ltd</li> <li>APPTEx Manpower Development Services Ltd</li> </ol>
Chairman/ Member of the Committees of the Board of Directors of the Company.	Audit Committee - Chairman Remuneration Committee - Chairman		
Chairman/ Member of the Committee of Directors of other Companies.			

a) Audit Committee	1. Hero Honda Finlease Ltd-Chairman 2. Titagarh Wagons Ltd-Chairman 3. OCL India Ltd-Chairman 4. Ansal Properties & Infrastructure Ltd-Chairman 5. Maral Overseas Ltd-Member 6. RSWM Ltd-Member	1. Great Eastern Energy Corporation-Chairman 2. HT Media Ltd - Chairman 3. National Engineering Industries Ltd.-Member 4. DLF Ltd-Chairman 5. ICICI Venture Funds Management Company Ltd-Chairman 6. Chambal Fertilisers and Chemicals Ltd-Member	BSL Ltd - Member
b) Shareholders/ Investors Grievance Committee	1. RSWM Ltd-Member 2. Maral Overseas Ltd - Member		1. RSWM Ltd - Member 2. Maral Overseas Ltd - Member

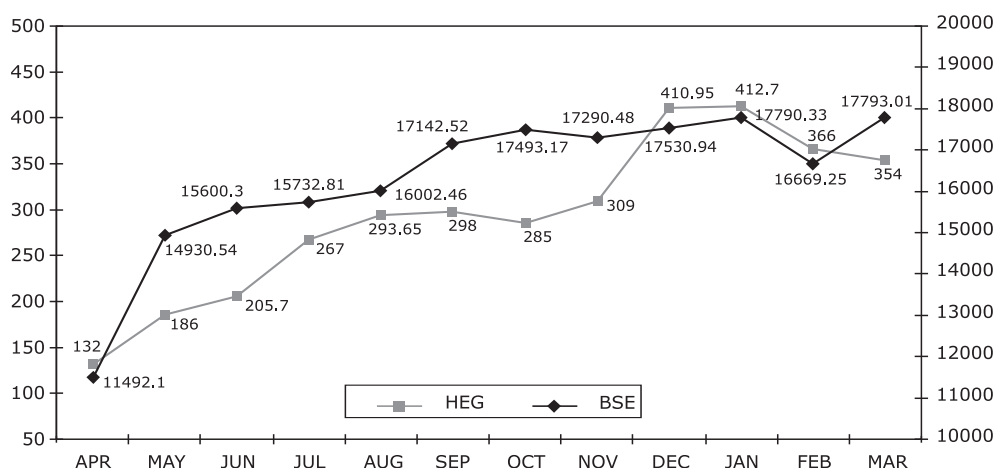
## 11. Shareholders Information

a) Annual General Meeting: Date & Time, Venue	20 <sup>th</sup> September, 2010 at 2.00 p.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, 2010 – 31 <sup>st</sup> March, 2011. 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	10 <sup>th</sup> September, 2010 to 20 <sup>th</sup> September, 2010 (both days inclusive)
d) Dividend payment date	Within 30 days from the date of Annual General Meeting.
e) Listing of : (i) Equity Shares on Stock Exchanges (ii) Non-convertible Debentures (iii) Foreign Currency Convertible Bonds	(i) 1. Bombay Stock Exchange Ltd. 2. National Stock Exchange of India Ltd. 3. Madhya Pradesh Stock Exchange Ltd. (ii) WDM segment of Bombay Stock Exchange Ltd. (iii) Singapore Stock Exchange Listing Fee, as prescribed has been duly paid.
f. Stock Code	(i) BSE: 509631 NSE: HEG ISIN No.: INE 545A01016 (ii) ISIN Nos.: INE545A07039, INE545A07047, INE545A07054 (iii) Singapore Stock Exchange: XS0225589869

- g. i) **Market Price Data:** Monthly High Low values (in Rs.) at NSE & BSE and comparison with BSE Sensex.

Month	NSE		BSE		BSE SENSEX	
	High	Low	High	Low	High	Low
April, 2009	132.00	95.55	132.00	94.50	11492.10	9546.29
May, 2009	185.90	122.00	186.00	122.00	14930.54	11621.30
June, 2009	208.00	174.00	205.70	165.00	15600.30	14016.95
July, 2009	266.85	185.00	267.00	185.00	15732.81	13219.99
August, 2009	283.80	246.35	293.65	242.15	16002.46	14684.45
September, 2009	297.70	251.55	298.00	250.00	17142.52	15356.72
October, 2009	283.85	245.50	285.00	246.00	17493.17	15805.20
November, 2009	309.40	240.85	309.00	238.00	17290.48	15330.56
December, 2009	410.90	305.00	410.95	304.00	17530.94	16577.78
January, 2010	412.35	330.05	412.70	328.00	17790.33	15982.08
February, 2010	365.90	315.10	366.00	315.10	16669.25	15651.99
March, 2010	390.00	318.20	354.00	315.65	17793.01	16438.45

- ii) Comparative chart of Company's share price movement vis-à-vis the movement of BSE Sensex during FY 2009-10:



- 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 31<sup>st</sup> March, 2010.

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
1-500	34355	94.74	3738792	8.78
501-1000	1090	3.01	837403	1.97
1001-2000	432	1.19	624594	1.47
2001 - 3000	127	0.35	312620	0.73
3001 - 4000	54	0.15	191455	0.45
4001 - 5000	33	0.09	152571	0.36
5001 - 10000	50	0.14	366098	0.86
10001 and above	123	0.34	36383641	85.39
Total	36264	100.00	42607174	100.00

- k) Category of Shareholders

Category	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
Promoters and Promoter Group	25	0.07	22392508	52.56
Mutual Funds / UTI	18	0.05	1726360	4.05
Financial Institutions / Banks	10	0.03	6857	0.02
Insurance Companies	05	0.01	4276996	10.04
Foreign Institutional Investors	21	0.06	1213168	2.85
Bodies Corporate	1043	2.88	3786321	8.89
Individuals	34829	96.04	6246791	14.66
Others				
I) Trusts	4	0.01	12581	0.03
II) Foreign corp. Bodies	4	0.01	2781502	6.53
III) NRI Individuals	305	0.84	164090	0.39
Total	36264	100.00	42607174	100.00

- l) Dematerialization of shares and liquidity. 4,09,63,485 shares were dematerialized till 31.3.2010 which is 96.14% of the total paid up Equity Share Capital of the Company. Trading in shares of the Company is permitted in dematerialised form only.



HEG Limited

- m) Outstanding GDRs/ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity:
- 1) The Company had issued unsecured 1% Foreign Currency Convertible Bonds (FCCB) due for redemption in July, 2010 amounting to US\$ 28.75 Million convertible at the option of the bond holder into Equity Shares at an initial price of Rs. 192.06 per share. Of the above, upto March 31, 2010, FCCB's amounting to:
- a) USD 24.70 Million have been converted into 55,92,411 equity shares of the Company.
  - b) USD 3 Million have been bought back at discounted price during the year in terms of Guidelines issued by RBI in this regard.
- 2) The Company had allotted 47,30,000 Preferential Warrants of Rs.365/- each on 5th June, 2008. These Warrants were convertible into equity shares within 18 months from the date of allotment by payment of balance 90% amount. The Company did not receive any request for conversion during this period and the option for conversion expired on 4th December, 2009. Hence the same have been forfeited by the Company.
- 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 (U.P.)  
Phone:0120-4390300, 4390000 Fax:0120-2531648/1745  
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, 2010, 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 Registraion No. 000756N

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

**ARUN K TULSIAN**  
Partner  
Membership No. 089907

**MUKESH GOYAL**  
Partner  
Membership No. 081810

Place : Noida (U.P.)  
Date : 30<sup>th</sup> April, 2010