

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 Jhunjunwala	Chairman Emeritus-Promoter Non-Executive	6	2	0	0	No
Shri Ravi Jhunjunwala	Chairman & Managing Director-Promoter Executive	12	1	2	5	No
Shri Shekhar Agarwal	Vice-Chairman-Promoter Non-Executive	5	3	0	5	No
Shri D N Davar	Non-Executive & Independent	13	5	4	5	Yes
Dr. Kamal Gupta	Non-Executive & Independent	6	3	5	5	No
Shri P Murari	Non-Executive & Independent	9	4	3	0	No
Shri Lalit Mohan Lohani	Non-Executive & Independent (LIC Nominee)	0	0	0	5	No
Dr. O. P. Bahl	Non-Executive & Independent	1	0	0	5	Yes
Shri Riju Jhunjunwala	Director -Promoter – Non-Executive	8	6	0	3	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	1,79,740
Shri D N Davar	1,000
Dr. Kamal Gupta	200
Shri Riju Jhunjhunwala	2,33,290

The Board meets at least once in every quarter to review quarterly results and other items on agenda. Additional meetings are held when necessary. Five Board Meetings were held during the financial year ended 31st March, 2013. These were held on 10th May, 2012, 8th August, 2012, 25th October, 2012, 24th January, 2013 and 11th March, 2013.

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.	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, 2013, four meetings were held on 10th May, 2012, 8th August, 2012, 25th October, 2012 and 24th January, 2013.

The attendance at the above Meetings was as under:

SI 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. Remuneration Committee

(i) Broad Terms of Reference

To review and decide the policy on specific remuneration package of the 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.	Dr. O.P. Bahl	Member	Non-Executive Independent Director

The Company Secretary acts as the Secretary of the Committee.

(iii) Meetings and Attendance

During the financial year ended 31st March, 2013, 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 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 Remuneration Committee and thereafter approved by the shareholders.

(v) Details of Remuneration to the Directors for the year ended 31st March, 2013

(Amount in ₹)

Name of Director	Salary	Benefits	Commission	Sitting Fee	Total
Shri L. N. Jhunjhunwala	-	-	-	-	-
Shri Ravi Jhunjhunwala	84,00,000	78,36,367	3,20,41,886	-	4,82,78,253
Shri Shekhar Agarwal	-	-	-	2,20,000	2,20,000
Shri Riju Jhunjhunwala	-	-	-	80,000	80,000
Shri D. N. Davar	-	-	-	4,20,000	4,20,000
Shri K. N. Memani**	-	-	-	60,000	60,000
Dr. Kamal Gupta	-	-	-	5,00,000	5,00,000
Shri P. Murari	-	-	-	-	-
Shri Lalit Mohan Lohani	-	-	-	1,00,000	1,00,000
Dr. O.P. Bahl	-	-	-	4,40,000	4,40,000

**Shri K N Memani has resigned from the Directorship of the Company w.e.f. 19th March, 2013.

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, 2013, Three meetings were held on 8th August, 2012, 25th October, 2012 and 24th January, 2013.

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	3
3.	Dr. Kamal Gupta	3

The Company received 38 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 31.03.2013.

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

(b) Extra Ordinary General Meeting:

No Extra Ordinary General Meeting took place during the financial year 2012-13.

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, 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.

(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 the Stock Exchanges 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 31.03.2013.

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.heg ltd.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 2012-13."

9. Means of Communication

The Company publishes its quarterly results in leading national newspapers as per the requirements of the Listing Agreement. 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 etc. All other vital information are also placed on the website of the Company.

10. Disclosures regarding appointment or re-appointment of Directors

Name of Director	Shri D.N. Davar	Shri Shekhar Agarwal	Dr. Kamal Gupta
Date of Birth	08.08.1934	09.10.1952	12.02.1946
Date of Appointment	10.11.1994	15.07.1996	10.11.1994
Qualification	B.Com (Hons.), M.A. (Eco.), CAIIB, Fellow of the Economic Development Institute of the World Bank.	B. Tech (Mech), IIT Kanpur, Master of Science Degree in Industrial & Systems Engineering from Illinois Institute of Technology, Chicago, USA.	FCA, FICWA, Ph.D.
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 eight years. Presently, besides Directorship 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 organisations in various capacities.	Industrialist with a rich business experience and well known name in Textile Industry.	Consultant in the areas of Finance, Accounting and Corporate Laws. Former Technical Director of the Institute of Chartered Accountants of India. He has authored various books on auditing and other subjects.
List of other Public Ltd. Companies in which directorships held.	<ol style="list-style-type: none"> Sandhar Technologies Ltd Maral Overseas Ltd RSWM Ltd OCL India Ltd Indo Continental Hotels & Resorts Ltd Ansal Properties & Infrastructure Ltd Hero Fincorp Ltd Adayar Gate Hotel Ltd Titagarh Wagons Ltd Cimmco Ltd Landmark Property Development Co. Ltd Parsvnath Hotels Ltd Parsvnath SEZ Ltd 	<ol style="list-style-type: none"> RSWM Ltd Maral Overseas Ltd Essay Marketing Company Ltd BSL Ltd Bhilwara Technical Textiles Ltd 	<ol style="list-style-type: none"> RSWM Ltd Maral Overseas Ltd Malana Power Company Ltd PNB Gilts Ltd AD Hydro Power Ltd Bhilwara Energy Ltd
Chairman / Member of the Committees of the Board of Directors of the Company.	Audit Committee - Chairman Remuneration Committee - Chairman	Audit Committee - Member	<ol style="list-style-type: none"> Audit Committee - Member Shareholders'/ Investors' Grievance Committee – Member Remuneration Committee – Member
Chairman / Member of the Committee of Directors of other Companies.			
a) Audit Committee	<ol style="list-style-type: none"> Hero Fincorp Ltd-Chairman Titagarh Wagons Ltd- Chairman OCL India Ltd- Chairman Ansal Properties & Infrastructure Ltd- Chairman Maral Overseas Ltd- Member Cimmco Ltd-Member RSWM Ltd- Member 	BSL Ltd - Member	<ol style="list-style-type: none"> Maral Overseas Ltd - Chairman PNB Gilts Ltd – Chairman RSWM Ltd – Chairman AD Hydro Power Ltd – Member Malana Power Company Ltd - Member
b) Shareholders'/ Investors' Grievance Committee	<ol style="list-style-type: none"> RSWM Ltd- Member Maral Overseas Ltd- Member 	<ol style="list-style-type: none"> RSWM Ltd-Member Maral Overseas Ltd - Member 	<ol style="list-style-type: none"> Maral Overseas Ltd - Chairman RSWM Ltd – Chairman PNB Gilts Ltd- Member
No. of Equity Shares held in the Company	1000	-	200

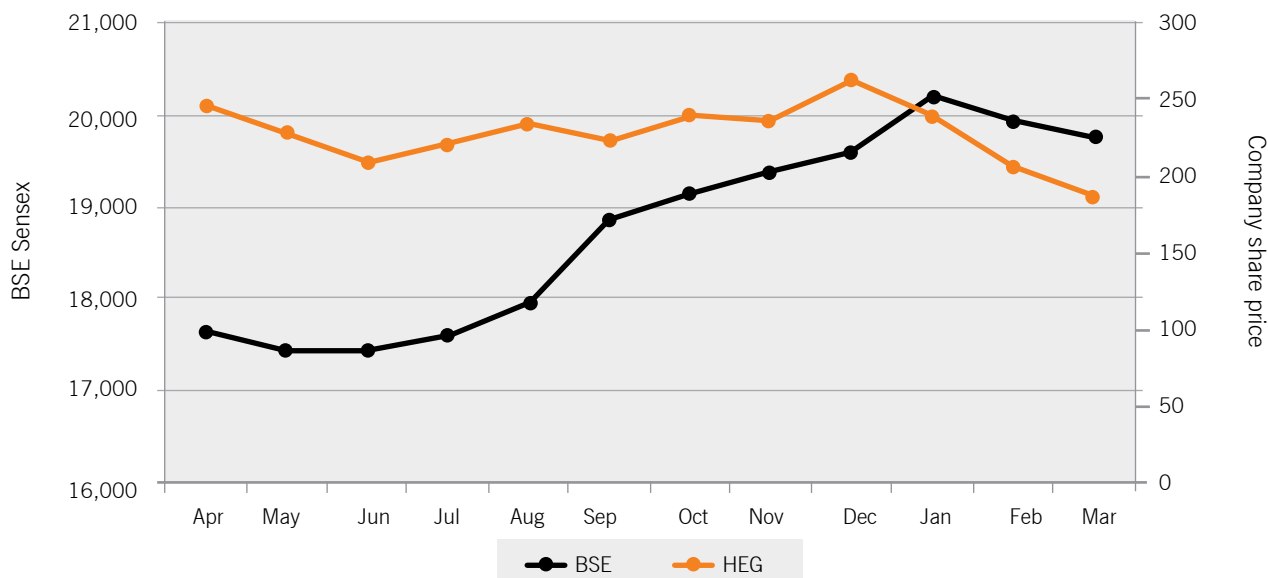
11. Shareholders Information

a) Annual General Meeting: Date & Time, Venue	21st September, 2013 at 1.30 P.M. at the Registered Office of the Company at Mandideep, Near Bhopal, Distt. Raisen, Madhya Pradesh - 462 046.
b) Financial Calendar:	Financial Year: 1st April, 2013 – 31st March, 2014. 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 Fourth Quarter & the FY - Within 60 days of end of the FY
c) Date of Book Closure	11th September, 2013 to 21st September, 2013 (both days inclusive)
d) Dividend payment date:	Dividend if declared, shall be paid / dispatched to the shareholders between 3rd October, 2013 and 7th October, 2013.
e) Listing of Shares on Stock Exchanges	1. BSE Limited. 2. National Stock Exchange of India Limited. 3. Madhya Pradesh Stock Exchange Limited.
f) Stock Code / ISIN No.	Equity Shares: BSE: 509631 NSE: HEG ISIN No.: INE 545A01016

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, 2012	245.00	214.00	245.00	214.95	17664.10	17010.16
May, 2012	230.00	170.65	229.00	194.00	17432.33	15809.71
June, 2012	213.00	191.00	209.35	192.05	17448.48	15748.98
July, 2012	221.75	203.00	221.00	201.00	17631.19	16598.48
August, 2012	234.90	192.60	234.00	196.10	17972.54	17026.97
September, 2012	223.50	193.75	223.20	195.80	18869.94	17250.80
October, 2012	241.35	209.00	239.85	211.00	19137.29	18393.42
November, 2012	239.90	225.00	238.00	227.00	19372.70	18255.69
December, 2012	262.80	225.50	262.50	226.90	19612.18	19149.03
January, 2013	238.90	198.00	239.95	198.00	20203.66	19508.93
February, 2013	208.75	182.00	206.50	181.05	19966.69	18793.97
March, 2013	188.50	162.10	187.50	162.00	19754.66	18568.43

ii) Comparative chart of Company's share price movement vis-à-vis the movement of BSE Sensex during FY 2012-13:



h) Registrar and Transfer Agent	M/s. MCS L.td. 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, 2013.

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
1-500	32,012	95.28	33,69,366	8.43
501-1000	877	2.61	6,69,506	1.68
1001-2000	352	1.05	5,26,365	1.32
2001-3000	113	0.34	2,89,136	0.72
3001-4000	62	0.18	2,22,016	0.56
4001-5000	25	0.07	1,15,582	0.29
5001-10000	62	0.18	4,77,153	1.19
10001 and above	96	0.29	3,42,900,18	85.81
Total	33,599	100.00	3,99,591,42	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	2,32,85,410	58.27
Mutual Funds / UTI	9	0.03	15,496	0.04
Financial Institutions / Banks	12	0.04	12,697	0.03
Insurance Companies	3	0.01	42,37,309	10.60
Foreign Institutional Investors	15	0.04	3,66,681	0.92
Bodies Corporate	708	2.11	33,05,037	8.27
Individuals	32,437	96.54	56,46,272	14.13
Others:				
I) Trusts	4	0.01	16,927	0.04
II) Foreign Corporate Bodies	1	0.00	28,93,888	7.24
III) NRI Individuals	387	1.15	1,79,425	0.45
Total	33,599	100.00	3,99,59,142	100.00

l) Dematerialisation of shares and liquidity.	3,88,23,858 shares were dematerialised till 31.3.2013 which was 97.16% 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, 2013.
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@heg ltd.com Website: www.heg ltd.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, 2013, 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: 3rd May, 2013