

# 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 Jhunjhunwala	Chairman Emeritus-Promoter Non-Executive	06	02	0	0	No
Shri Ravi Jhunjhunwala	Chairman & Managing Director-Promoter Executive	09	01	02	07	No
Shri Shekhar Agarwal	Vice-Chairman-Promoter Non-Executive	05	03	0	07	No
Shri D N Davar	Non-Executive & Independent	14	05	04	07	Yes
Dr. Kamal Gupta	Non-Executive & Independent	06	02	05	06	No
Shri K N Memani	Non-Executive & Independent	12	05	05	03	No
Shri P Murari	Non-Executive & Independent	09	05	01	01	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	06	No
Shri Riju Jhunjhunwala	Director-Promoter-Non-Executive	04	04	0	07	No

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

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	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. Seven Board Meetings were held during the financial year ended 31st March, 2011. These were held on 8th April, 2010, 30th April, 2010, 27th July, 2010, 28th October, 2010, 1st February, 2011, 7th February, 2011 and 14th March, 2011.

## 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

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, 2011, four meetings were held on 30th April, 2010, 27th July, 2010, 28th October, 2010 and 1st February, 2011.

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 *	2
3.	Dr. Kamal Gupta	4
4.	Shri Mohanraj Nair *	1

\* Shri Mohanraj Nair, was Nominee Director of LIC and also a Member of Audit Committee. He ceased to be Director in the Company w.e.f. 27th July, 2010. Shri Shekhar Agarwal was inducted as member of the Audit Committee w.e.f. 27th July, 2010.

#### 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, 2011, two meetings were held on 30th April, 2010 and 1st February, 2011.

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.	Dr. O.P. Bahl *	1
4.	Shri Mohanraj Nair *	1

\* Shri Mohanraj Nair, was Nominee Director of LIC and also a Member of Remuneration Committee. He ceased to be Director in the Company w.e.f. 27th July, 2010. Dr. O P Bahl, was inducted as member of the Remuneration Committee w.e.f. 27th July, 2010.

##### 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, 2011

(Amount in ₹)

Name of Director	Salary	Benefits	Commission	Sitting Fee	Total
Shri Ravi Jhunjunwala	6418571	6117785	35644690	-	48181046
Shri Riju Jhunjunwala	774194	806076	1901376	120000	3601646
Shri R C Surana *	20255000	6310188	-	-	26565188
Shri L. N. Jhunjunwala	-	-	-	-	-
Shri Shekhar Agarwal	-	-	-	220000	220000
Shri D. N. Davar	-	-	-	460000	460000
Shri K. N. Memani	-	-	-	60000	60000
Dr. Kamal Gupta	-	-	-	420000	420000
Shri P. Murari	-	-	-	20000	20000
Shri Mohan Raj Nair **	-	-	-	80000	80000
Shri Lalit Mohan Lohani **	-	-	-	60000	60000
Dr. O.P. Bahl	-	-	-	400000	400000

\* Shri R C Surana had 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.

\*\* Shri Lalit Mohan Lohani was nominated by Life Insurance Corporation of India, as its Nominee Director in place of Shri Mohan Raj Nair with effect from 27th July, 2010.

## 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, 2011, two meetings were held on 28th October, 2010 and 25th March, 2011.

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 43 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 31.03.2011.

## 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
27th Sept, 2008	2007-2008	Mandideep, (Near Bhopal) Distt Raisen (M.P.) Pin – 462046	12.30 P.M.	No
19th Sept, 2009	2008-2009	Mandideep, (Near Bhopal) Distt Raisen (M.P.) Pin – 462046	12.30 P.M.	No
20th Sept, 2010	2009-2010	Mandideep, (Near Bhopal) Distt Raisen (M.P.) Pin – 462046	2.00 P.M.	No

### b. Extraordinary General Meeting

Two Extraordinary General Meetings were held during the financial year 2010-11 as per detail below:

Date of EOGM	Relevant Financial Year	Venue/Location where held	Time of Meeting	Whether any special resolution passed
7th May, 2010	2010-11	Mandideep, (Near Bhopal), Distt Raisen (M.P.) Pin – 462046	2.00 P.M.	Yes
11th March, 2011	2010-11	Mandideep, (Near Bhopal), Distt Raisen (M.P.) Pin – 462046	2.00 P.M.	Yes

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 31.03.2011.

## 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](http://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 2010-11.

## 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 L N Jhunjhunwala	Dr. Kamal Gupta	Shri P Murari
Date of Birth	18th October, 1928	12th February, 1946	19th August, 1934
Date of Appointment	27th October, 1972	10th November, 1994	30th March, 1996
Qualification	B.A (Math. Hons).	FCA, FICWA, Ph. D.	M.A. (Eco.)
Expertise in Specific functional areas	He graduated from the Calcutta University in 1946 and was awarded Gold Medal in Mathematics (Honours). The Bhilwara Group, as it is today, is the result of his vision and dedicated work. He has more than five decades experience in various industries and business.	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.	Industry, Health, Energy & General Administration. He joined IAS in the year 1957. He retired as Secretary to the President of India. Besides this, he has vast experience of different Ministries and Commissions etc. in the capacity of Secretary or Chairman in State as well as Central Govt. Presently he is Adviser to President, FICCI.
List of other Public Ltd. Companies in which directorships held.	1. RSWM Ltd 2. Maral Overseas Ltd 3. Malana Power Company Ltd 4. Indo Canadian Consultancy Services Ltd 5. LNJ Financial Services Ltd 6. AD Hydro Power Ltd	1. RSWM Ltd 2. Maral Overseas Ltd 3. Malana Power Company Ltd 4. PNB Gilts Ltd 5. AD Hydro Power Ltd 6. Bhilwara Energy Ltd	1. Aban Offshore Ltd 2. Adayar Gate Hotel Ltd 3. Aditya Birla Nuva Ltd 4. Xpro India Ltd 5. Great Eastern Energy Corporation Ltd 6. IDEA Cellular Ltd 7. Bajaj Holdings and Investments Ltd 8. Bajaj Auto Ltd 9. Fortis Malar Hospitals Ltd
Chairman / Member of the Committees of the Board of Directors of the Company.	Shareholders' / Investors' Grievance Committee – Chairman	1. Audit Committee – Member 2. Shareholders' / Investors' Grievance Committee - Member	–
Chairman/Member of the Committee of Directors of other Companies.			
a) Audit Committee	1. RSWM Ltd -Member 2. Maral Overseas Ltd - Member	1. Maral Overseas Ltd – Chairman 2. PNB Gilts Ltd – Chairman 3. RSWM Ltd – Chairman 4. AD Hydro Power Ltd – Member 5. Malana Power Company Ltd - Member	1. Adayar Gate Hotel Ltd - Chairman 2. Aban Offshore Ltd - Member 3. Aditya Birla Nuvo Ltd - Member 4. Fortis Malar Hospitals Ltd - Member 5. Xpro India Ltd - Member 6. Great Eastern Energy Corporation Ltd - Member
b) Shareholders'/ Investors' Grievance Committee	–	1. Maral Overseas Ltd - Chairman 2. RSWM Ltd - Chairman	–
No. of Equity Shares held in the Company	179740	200	Nil

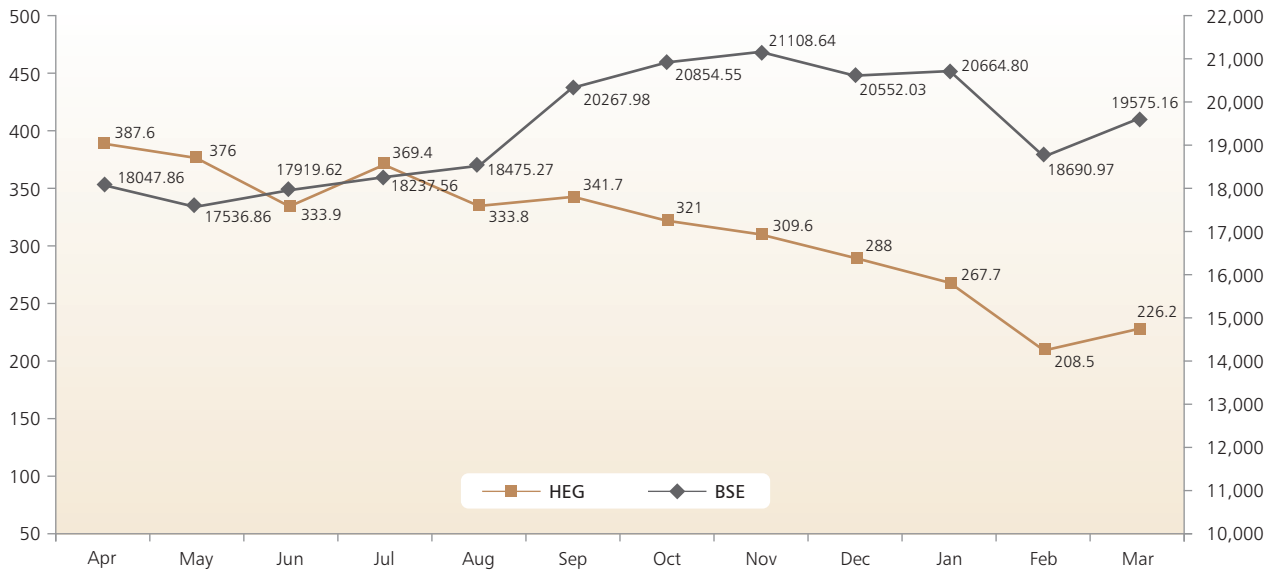
## 11. Shareholders Information

a) Annual General Meeting: Date & Time, Venue	16th September, 2011 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: 1st April, 2011 – 31st March, 2012. 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	6th September, 2011 to 16th September, 2011 (both days inclusive)
d) Dividend payment date	The dividend, if declared, shall be paid/dispatched to the shareholders between September 26, 2011 and September 29, 2011.
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.: INE 545A01016 (ii) Non-convertible Debentures: ISIN No.: INE545A07039, INE545A07047, 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, 2010	388.00	341.00	387.60	340.10	18047.86	17276.80
May, 2010	376.00	307.00	376.00	307.15	17536.86	15960.15
June, 2010	333.65	301.30	333.90	302.00	17919.62	16318.39
July, 2010	366.00	305.45	369.40	306.20	18237.56	17395.58
August, 2010	334.00	306.60	333.80	306.00	18475.27	17819.99
September, 2010	341.50	297.10	341.70	298.00	20267.98	18027.12
October, 2010	326.00	270.00	321.00	270.50	20854.55	19768.96
November, 2010	308.40	245.50	309.60	245.00	21108.64	18954.82
December, 2010	305.45	233.00	288.00	235.50	20552.03	19074.57
January, 2011	288.00	200.00	267.70	199.00	20664.80	18038.48
February, 2011	209.75	171.70	208.50	176.40	18690.97	17295.62
March, 2011	226.20	199.00	226.20	197.10	19575.16	17792.17

ii) Comparative chart of Company's share price movement vis-à-vis the movement of BSE Sensex during FY 2010-11:



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, 2011.

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
1-500	36766	94.95	3849106	8.98
501-1000	1064	2.75	808835	1.89
1001-2000	441	1.14	657098	1.53
2001 – 3000	152	0.39	381719	0.89
3001 – 4000	52	0.13	184561	0.43
4001 – 5000	43	0.11	201330	0.47
5001 – 10000	77	0.20	566990	1.32
10001 and above	127	0.33	36195268	84.48
<b>Total</b>	<b>38722</b>	<b>100.00</b>	<b>42844907</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	25	0.06	22396508	52.27
Mutual Funds / UTI	10	0.03	1159834	2.71
Financial Institutions / Banks	11	0.03	8152	0.02
Insurance Companies	5	0.01	4356875	10.17
Foreign Institutional Investors	31	0.08	1170658	2.73
Bodies Corporate	936	2.42	3399305	7.93
Individuals	37215	96.11	6857308	16.00
Others:				
I) Trusts	5	0.01	25283	0.06
II) Foreign Corporate Bodies	2	0.01	3266762	7.62
III) NRI Individuals	482	1.24	204222	0.48
<b>Total</b>	<b>38722</b>	<b>100.00</b>	<b>42844907</b>	<b>100.00</b>

l) Dematerialisation of shares and liquidity.	4,12,90,017 shares were dematerialised till 31.3.2011 which was 96.37% 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, 2011.
n) Plant Locations	a) Mandideep (Near Bhopal), Distt. Raisen, Madhya Pradesh - 462 046. b) Village Ranipur, Tawa Nagar, Distt. Hoshangabad – 461 001.
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, 2011, 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: 29th April, 2011