

Transcript of 48th Annual General Meeting of HEG Limited held on Friday, 11th September, 2020

Company Secretary (CS): Good Afternoon, I am Vivek Chaudhary, participating from Noida, welcome you all in the 48th Annual General Meeting (“AGM”) of the Company.

As you are aware that in view of continuing COVID-19 pandemic and pursuant to MCA & SEBI circulars, the AGM is being held through VC/OAVM facility provided by NSDL, without the physical presence of the Members at the venue. The venue of the annual general meeting shall be deemed to be the Registered Office of the Company at Mandideep (Near Bhopal), Distt. Raisen - 462046, Madhya Pradesh.

Now I request all the Directors, Group CFO, CFO, Statutory Auditors & Secretarial Auditors to say their name & place from where they are participating from. Thank you. Over to Dr. Kamal Gupta Ji.

Kamal Gupta: I am Dr. Kamal Gupta, an Independent Director of the Company and Chairman of Nomination and Remuneration Committee and Member of Audit Committee & Stakeholders Relationship Committee of the Company. I am speaking from Noida.

CS: Over to Mehta Ji.

Satish Mehta: I am Satish Chand Mehta, Independent Director of the Company and Chairman of Audit Committee and member of CSR Committee of the Company. I am participating from Jaipur.

CS: Thank you. Over to Shri Shekhar Agarwal

Shekhar Aggarwal: I am Shekhar Agarwal, Director & Member of Audit Committee and participating from Delhi NCR.

CS: Thank you. Over to you Mr. Jayant Davar.

Jayant Davar: Good afternoon this is Jayant Davar, Independent Director and participating from Delhi.

Vinita Singhania: Good afternoon this is Vinita Singhania, Director and Member of CSR Committee and participating from Delhi.

Dr. O.P. Bahl: Good afternoon this is Dr. O.P. Bahl, Independent Director of the Company and member of Audit Committee, Nomination & Remuneration Committee & Stakeholders Relationship Committee & also authorized by Chairman of this committee to attend the AGM. I am participating from Noida

CS: Thank You, Over to Ms. Ramni Nirula.

Ramni Nirula: Good afternoon this is Ramni Nirula, Independent Director and Member of Nomination & Remuneration Committee and participating from Delhi.

CS: Thank You, Over to Mr. Manish Gulati

Manish Gulati: Good afternoon, I am Manish Gulati, Executive Director of the Company and participating from Mandideep.

CS: Over to O.P Ajmera ji

O. P. Ajmera: Good Afternoon. I am O.P Ajmera, Group CFO. I am participating from Noida.

CS: Over to Gulshan Ji.

Gulshan Sakhuja: I am Gulshan Kumar Sakhuja, CFO, participating from Noida.

CS: Over to Statutory Auditor, Shri Sanjiv Mohan.

Sanjiv Mohan: I Sanjiv Mohan representing SCV & Co LLP, Statutory Auditors of the Company; and participating from Ludhiana

CS: Over to the Secretarial Auditor, Shri Saket Sharma.

Saket Sharma: Good afternoon. This is Saket Sharma, Partner of GSK & Associates, representing Secretarial Auditors of the Company and we are also appointed as the scrutinizer to scrutinize the remote e-voting process and voting at Annual General Meeting in a fair and transparent manner.

CS: Thank You.

In compliance of provisions of the Companies Act, 2013, Secretarial Standard-2 and SEBI (LODR) Regulations, 2015, the Remote e-voting facility was provided by the Company from Monday, 7th September 2020, 9:00 a.m. till Thursday, 10th September 2020 at 5:00 p.m. The Company is also providing e-voting facility during the proceedings of AGM to enable Members to cast their vote who have not done through remote e-voting.

Members may note that all the documents referred to in the accompanying notice and explanatory statements, shall be available for inspection during the Annual General Meeting.

The Register of Directors and Key Managerial Personnel and their Shareholding maintained under Section 170 of the Act, the Register of Contracts or arrangements in which Directors are interested under Section 189 of the Act shall also be available for inspection during the AGM.

Members may note that pursuant to provisions of our Articles of Association of the Company, if the Chairman of our Board is not present in the AGM, the Board members present themselves shall choose one of their Director to be Chairman of the meeting. Therefore, with consent of all

directors present, I request Dr. O.P. Bahl, Independent Director of the Company to kindly chair the proceedings of the Meeting and start the meeting. Thank you. Over to Dr. OP Bahl ji.

Chairman: Thank you so much indeed. I especially welcome Dr. Kamal Gupta, Mr. Satish Chand Mehta, Mr. Shekhar Agarwal, Mr. Jayant Davar, Mrs. Vinita Singhanian, Mrs. Ramini Narula, Mr. Manish Gulati, Mr. O.P Ajmera, Mr. Gulshan Kumar Sakhuja, as well as Mr. Vivek Chaudhary.

Good afternoon ladies and gentlemen, all the shareholders, a very warm welcome to each and every one who is present today at the 48th Annual General Meeting of the Company. I hope you and your loved ones are well and safe during this tough period of the Covid-19 pandemic.

Since the requisite quorum is present, I declare the meeting as open.

Well, I must bring to the attention of the shareholders that our Chairman, Managing Director & CEO of the Company Shri Ravi Jhunjhunwala Ji has not been present in the meeting due to health reasons. He has sent his good wishes/ greetings to all the Directors/KMP's as well as members present in the meeting.

The other Directors could not be present at the meeting due to their preoccupation but have sent their greetings for all the shareholders of the Company.

Now, we start with the business.

Notice of AGM dated 10th August 2020, Report of Board of Directors, and the Financial Statements for the financial year 2019-20 are taken as read as the same had already been circulated to all the members. There were no disqualifications in the Auditor's Report and the report of Secretarial Auditor of the Company and accordingly these reports were not required to be read during this meeting.

The Company has received requests from a few members to register themselves as speakers in this meeting. Accordingly, the floor is open for these members to ask questions or express their views. Members can also post their views or questions through the chat box facility. If any Member faces any technical issue, kindly contact helpline numbers of NSDL as mentioned in the Notice of the AGM.

Members are now requested to keep their questions brief and specific and I must mention for the benefit of the members here that:

The Company reserves the right to restrict the number of questions and number of speakers, as appropriate for smooth conduct of the AGM.

I will bring to the attention of all the speakers that when I take your name, your mic will be opened by the moderator of this meeting. You will have to also unmute mic from your end and express your views or ask questions.

I will start now with the first name.

I now invite Shri Manoj Kumar Gupta who has registered himself as a speaker to express his views and ask questions. Please go ahead and ask your questions Mr. Manoj Gupta.

Manoj Gupta: Respected, Chairman Can you hear my voice?

Chairman: Yes, I can.

Manoj Gupta: Respected Chairman of the meeting, board of directors, fellow shareholders, my name is Manoj Gupta. I am attending this meeting from Kolkata and this is my first meeting at HEG Limited. I thank your secretarial department who has helped me to join the meeting through VC. Just now you have informed us that due to health reasons our beloved CMD could not attend and I convey our best wishes to our CMD that we pray to God for his prosperous, safe, long life. Thanks for your excellent dividend Sir, what is the Covid Impact on our company? What is your future plan with CAPEX and special thanks to Mr. Jhunjhunwala family as you have given good return to investors before the lockdown? Our prices have gone up to and crossed Rs 2500/- and the investors have got a good return. It shows that the company is being handled by the professional manner and good hands and your CSR is very good, and continue your CSR, whenever I will come to Delhi I will meet the Company Secretary, if he gives me time so I will discuss on the CSR front, thank you chairman, thank you very much.

Chairman: Thank you Mr. Gupta, I will now request to Mr. Manish Gulati to respond to his question.

Manish Gulati: Thank you for joining. You asked for two questions. First is how is the company doing now and you asked the status of our expansion. Is that correct?

Chairman: Yes, go ahead please.

Manish Gulati: The answer to first question is that the scenario of the first quarter April to June, we ran at 50% of the capacity, and we had to closed down the plant for a month and we began around the 23rd of April. After that, when we come to the July- September we are going to do better in volume terms and possibility will be around the capacity utilization of more than 60 percent or rather around 65 percent. This is what we are expecting, better volumes as compared to the last quarter. As regards to the prices, they still continue to be under pressure because all the graphite players in the Industry are underutilized and about the expansion, we had already committed to doing this expansion and all the long lead equipment were ordered in 2019 itself. Before this Covid and all this thing happened. So yes, the plan is very much there. Items are already ordered but we have temporarily put a hold on this because we were getting 1000 workers inside our premises. Also because of Covid and to time it correctly with the market, right now we have put the civil work on hold.

Chairman: Thank you so much Mr. Manish Gulati. Now I will move on the next question. I now invite Shri J.S Patel, who has registered himself as a speaker to express his views and ask questions. Please go-ahead Mr. J.S. Patel.

CS: Sir, we can move on to the next speaker as he has not joined us as of now.

Chairman: OK. We move to the next speaker, thank you Mr. Vivek Chaudhary,

I now invite Shri Krishan Lal Chadha who has also registered himself as a speaker to express his views and ask questions. Go ahead Mr. Chadha.

CS: Sir, he has also not joined.

Chairman: The next speaker is Shri Himanshu Chadha. Please go-ahead Mr. Himanshu Chadha with your questions or your views.

CS: Sir, he has also not joined us.

Chairman: Oh. Then we have the last registered speaker Shri Amol Sukharam Kulkarni. Please go-ahead Mr. Amol Sukhram Kulkarni with your question.

CS: Mr. Kulkarni have joined. Please go ahead with your question

Amol Kulkarni: Good afternoon Sir, panelist, and dignitaries on the dais. Are you getting my voice?

Chairman: Yes, we are getting your voice, go ahead.

Amol Kulkarni: I have already posted my queries through the chat. My only one concern is that the performance of the company is deteriorating because as per the financial report which you are seeing, there is an increase in revenue and EBIDTA and profit is decreasing. So that is our main concern because that is also affecting the market capitalization of the company because you can already see in the market. So if you could throw some light on this, what are the main problems in this and how we are going to correct this performance in the future, because even though we are minor shareholders but we definitely concerned about the performance of the company. So that will be highly appreciable if experts throw light on this.

Chairman: Yes, thank you so much for showing your interest Mr. Kulkarni and it is a question which can be jointly answered by Mr. Manish Gulati and Mr. Sakhuja. Maybe we start with Mr. Manish Gulati.

Manish Gulati: Thank you Mr. Kulkarni for joining us today. Certainly, we will answer this question. See the two years when we have seen these record prices, the years of 2017 and 2018, there was so much of fear psychosis in the market that there will be no electrodes. Most of the steel companies of the world over bought those electrodes. So, any company which was happy keeping 1-3 months of inventory suddenly wanted to keep 3-6 months of inventory.

Now, that shortage which gave us those record high prices and record high volumes, when we came to 2019 all graphite companies increased their production, and the Chinese also started making more lower grade electrodes so things started to get corrected. We were expecting that this inventory overhang should be over by beginning of this year but because of this Covid 19 pandemic coming in, the steel production worldwide have dropped. If you look at the figures, most of that, other than China, the rest of the world, that is the market we serve, is down by 25

percent in terms of steel production and electric arc furnace steel production is even more down because electric arc furnaces are easier to regulate. When you talk about our company performance, see performance is all relative. We have to see how we are faring among other players of the Industry. I am very happy to share with you that if you look at HEG and compare with all the players, you will find that HEG's performance is one of the best. You can look at our competitor in India. Just see the amount of NRV Impact that they have taken in their books. You can look at a global leader, which we call SDK, which has plants in several countries. They have taken a hit of Rs 1500 crores. So this is inventory valuation. So, this is what is concerning you. But if you look at the fundamentals, you see, the Industry leaders are working at 30% and we worked at 50% in the first quarter and maybe we will be around 65% in the second quarter. So, these figures are not accurate as September is still not over, but we should be doing much better in terms of volume as compared to the first quarter. Gulshan, if you want to add something to these points, please go ahead.

Chairman: Would you like to add Mr. Sakhuja?

Gulshan Sakhuja: Sir, if you see the strength of the balance sheet and the net worth, the company has been enjoying along with the treasury size and the cash that is sitting in the books of accounts makes it one of the strongest balance sheets. If you see in the market, how many players are there who are having cash in their balance sheet? So, these are the most important factors, the net-worth and the current ratios, plus the treasury size the company is having. You have to see the strength of the balance sheet also.

Chairman: Thank you so much Mr. Sakhuja. So, we come to the end of all the questions that speakers had asked.

Kulkarni: I have one suggestion. I appreciate the answers given by the panelist. I do appreciate. One query as an industry person myself, I had a 40 year of Industry experience. One thing I would like to mention that if we would be allowed to visit our plants, will it be possible? One thing, and another thing, if in any way if I can be useful to management of the company, I am available for that because if I am able to put my industry experience for use of the company I think that will be an opportunity for me also.

Chairman: Thank you so much Kulkarni for your offer. Mr. Manish Gulati is our COO as well, in addition to being an Executive Director. So, you can attend to his query about visiting our plant.

Manish Gulati: Mr. Kulkarni, we will be very happy to receive you at our plant. There is no doubt about it and if you are having an experience which can be useful for the company, we will be glad to look at it. So, you can just get in touch with me. I am sure you have my email-id, or you can find it on the website. Otherwise, it's very simple it is manish.gulati@lnjbhilwara.com. So just send over an email and certainly we will talk about it.

Kulkarni: Thank you Sir.

Chairman: So, I hope you are satisfied Mr. Kulkarni.

CS: Bahl Sir, we now have our speaker online shareholder Shri Chadha.

Chairman: Earlier he was not present, but he has checked in now. Is that right?

CS: Yes. He is now available.

Chairman: OK, now I invite Mr. Chadha to go ahead with his question.

Mr. Chadha: Hello, Mr. Moderator can you hear me?

Chairman: Yes, we can hear you go ahead.

Mr. Chadha: Hello. Thank You for giving me the opportunity. First of all, I have entered the portal earlier, but the moderator couldn't see me. I do not understand where the problem was. Sir, first of all I have to say that you are sharing DP ID or client ID numbers on this portal, this is not safe. We have already registered our email ID and DP ID with you. Second thing is what is the quorum of the meeting? you have not mentioned the quorum of the meeting. You only mentioned that the quorum is completed. When you start, you should say how many people are attending the AGM via VC. If you have said it, I was not able to understand.

सर मैं जानना ये चाहता हूँ, जो AGM में हर साल जो physical होती है तो उसमें कितने shareholder participate करते हैं every year? Second thing मैं ये कहना चाहता हूँ management से कि इस साल जो आपने buy back किया है कुछ shares की, Sir कुछ लोग की buy back आप लोगों ने नहीं avail की है और जो share के price की बात कर रहे हैं almost 400 रुपये के आस पास आ चुका था हमारा share price. अभी थोड़ी सी recovery हो चुकी है लेकिन Sir shareholder की देखी जाये तो इसमें काफी ज़्यादा loss हो चुका है। जहां तक हम बात कर रहे net profitability की 2015-16 की तो हमें 8 करोड़ रुपये का loss था जो 2018-19 की balance sheet के अंदर हमें 3050 करोड़ रुपये का हमें benefit था, जो 19-20 के sales के according हमें 1/3rd ही है। लेकिन जब हम profitability की बात करें तो वो हमारी 53 करोड़ रुपये की रह गयी है जब की sales हमारी सिर्फ 1/3rd हुई है। दूसरी बात कहना चाह रहा हूँ Sir जो हमारे झुनझुनवाला जी, कि जो net-worth की बात Mr. Gulshan Kumar जी कर रहे थे net-worth और cash flow की बात करें तो 3500 करोड़ रुपये आप cash in hand बहुत बढ़िया लेके चल रहे हैं लेकिन Sir जो आप की EPS की बात करें तो जहाँ last year 763 रुपये रखी थी इस साल 13 रुपये per share की EPS आ गयी है। यहाँ तक की management की बात करें तो management तो cash के साथ full flow enjoy कर रहा है Sir हर साल 10% की increment आप last 5 year से आप check करें तो, हर last 5 year के अंदर 10% का increment basically every year to every year ले रहे हैं जब की annually हमारे India की growth भी 10% नहीं आ रही है। Sir हमारे झुनझुनवाला Sir की salary 2.5 करोड़ रुपये हो चुकी है। CSR activity की बात करें तो इस साल भी आपने 42 करोड़ रुपये खर्च किये हैं जो आप ने page number 94 पर आप ने specifically दिया है। हमें इस बात से बड़ी खुशी है लेकिन shareholder के पैसे के ऊपर आप CSR activity के अंदर अपना नाम बना रहे हैं, Last 5 साल के अंदर अभी तक आपने shareholder को दिया ही क्या है? अगर dividend के according margin भी देखा जाये तो एक shareholder को 40 रुपये भी नहीं दिए जा रहे हैं।

Chairman: Mr. Chadha you are raising N number of questions. Please restrict yourself to one or two questions which can be answered extensively. Now regarding your quorum question, I request Mr. Vivek Chaudhary to reply that first. Then we will come to the balance sheet.

CS: Thank you Mr. Chadha, at the start our quorum was 65 to 70 members. Now we have 103 members present and also your query with regards to that you have been given a login ID, actually there are two things. One is shareholder and the other is speaker shareholder. As you have already registered with us, we have given you a separate link for joining this meeting, and to raise a question lively, in a two way communication and for that we have already contacted you for the last couple of days. We have given you a call and everything and that is why you have joined. Now your question is with regards to the quorum of the previous meeting. In the previous meeting also, we have roughly about 50 to 60 plus quorum every time. If you see our website, like on the BSE & NSE as well, where all the proceeding of the AGM of our last period have been available. You can see and get to know about the things. Like what are the business transacted in the AGMs, what are the items and everything.

Chairman: Now if that is over Mr. Sakhuja can you attend to his queries regarding the balance sheet and the EPS and everything?

GS: Yes, sir I am coming to that. चड्डा साहब आपने अभी एक question बोला कि CSR company क्यों कर रही है? Shareholders को पैसा तो कुछ देती नहीं है। If you see, CSR is a mandatory aspect of the companies act. If the company is making profit, the company has to spend 2% of the average profit of the last 3 years and has to spend as per the CSR provisions under the companies act 2013. अगर अब shareholder की बात करें कि shareholder को कुछ नहीं दिया है, if you see that, the company has done a buy back also and has given a dividend to the shareholders. If you see the history of the company, the pay-out ratio always remains in the range of 30-35 percent. When the company was making a profit Rs 50 crore, 5 years back, that time also the company was maintaining the pay-out ratio of 30-35 percent. When the company had profitability or PBT of Rs 4000+ crore in 2018-19, that year also the company maintained the same pay-out ratio. अब you cannot deny all such things on the basis that company ने shareholders के लिए कुछ नहीं किया है. You have to see all the things in totality. Each year is a different year, and based on the profitability, the company is distributing the pay-out to the shareholder, either in the form of dividend or in the form of buy back. Thank You

Chairman: Any other query Mr. Chadha?

CS: Thank you Mr. Chadha. Now we can move to the next

Chairman: I think he has nothing to say, now we come to the close of this question hour. Can we now move on to the next item on our agenda?

First of all, let me thank all the shareholders for asking very insightful questions on this virtual meeting for the first time. Now, I would take up items as set out in the notice convening the meeting. Members may note that E-voting module for voting during AGM is active. So, you are all urged, requested to give your vote on the item that are being taken up one by one.

The first item in this is regular business, for your consideration, to adopt the Audited Financial Statements of the Company for the Financial Year ended 31st March 2020. The Reports of the Board of Directors and Auditors thereon and Audited Consolidated Financial Statements of the Company for the Financial Year ended 31st March 2020 and the Report of Auditors thereon. The resolution regarding this is placed before the meeting to be passed as an Ordinary Resolution, which every member has already got a copy.

We move to the next item. The Second item for your consideration is to confirm the payment of the interim dividend of Rs. 25 per equity share of face value of Rs. 10 each for the financial year 2019-20. The resolution regarding this is placed before the meeting to be passed as an Ordinary Resolution.

We move on to the third item. The third item for your consideration is re-appointment of Smt. Vinita Singhania (holding DIN 00042983), who retires by rotation and being eligible, offers herself for re-appointment. The resolution is placed before the Meeting to be passed as an Ordinary Resolution.

The fourth item for your consideration is appointment of Shri Jayant Davar, holding (DIN: 00100801), as an Independent Director of the Company with effect from 14th August 2019. The resolution is placed before the Meeting to be passed as an Ordinary Resolution.

The fifth item for your consideration is to ratify and confirm the waiver of recovery of the remuneration amounting to Rs.87.57 lakhs being part of the minimum remuneration paid to Shri Ravi Jhunjhunwala bearing (DIN: 00060972), Chairman, Managing Director & CEO of the Company for the Financial Year 2019-20. The resolution is placed before the meeting to be passed as a Special Resolution.

The Sixth item for your consideration is approval for payment of remuneration to Shri Ravi Jhunjhunwala (DIN: 00060972), Chairman, Managing Director & CEO of the Company, for the period commencing from 1st April 2020 to 31st March 2022. The resolution is placed before the meeting to be passed as a Special Resolution.

The Seventh item for your consideration is appointment of Shri Manish Gulati holding (DIN: 08697512), Chief Operating Officer and Chief Marketing Officer as a Director of the Company, liable to retire by rotation in terms of Section 152(6) of the Companies Act, 2013. The resolution in this respect is also placed before the meeting to be passed as an Ordinary Resolution.

The Eight item for your consideration, shareholders, is to appoint Shri Manish Gulati (holding DIN: 08697512), as a Whole Time Director, designated as an Executive Director of the Company, liable to retire by rotation, for a period of five years with effect from 1st March, 2020 up to 28th February, 2025 and to approve remuneration for a period of 3 years, with effect from 1st March,

2020 up to 28th February, 2023. The resolution is placed before you in the meeting to be passed as a Special Resolution.

The Ninth and the last item of the meeting for your consideration is to ratify the remuneration payable to M/s. N.D. Birla & Co., Cost Auditors (FRN:000028) of the Company for the Financial Year 2020-21. The resolution is placed before the Meeting to be passed as an Ordinary Resolution.

I have to bring to the attention of the shareholders and all those who are present in the meeting that members who have not cast their vote through remote e-voting or e-voting during the proceedings of the AGM are now once again requested to kindly vote on the proposed resolutions i.e., resolution No. 1 to 9 on the notice of AGM. The voting module in the AGM is already active. The Icon for e-Voting is available on the screen, which will re-direct you onto a separate window to the e-Voting portal of NSDL. The e-Voting facility is active and will be closed along with the closure of the meeting.

Members may kindly note that the results of remote e-voting shall be downloaded by the scrutinizer and he would prepare its report on the same. Thereafter he will club the remote e-voting results, with the results of voting at the AGM. The scrutinizer shall submit his report to me, and I shall countersign the same. Thereafter, the combined results would be announced/ displayed through the website of the company (www.hegltd.com) and NSDL(www.evoting.nsdl.com) within 48 hours from the conclusion of the meeting and be intimated to Stock Exchanges where the securities of the company are listed. Further, a copy of same shall also be placed on the notice board at the registered office and the corporate office of the company. The combined results would be treated as part of proceedings.

At the end, Dear Members, as advised by the scrutinizers, all members who are participating in the Annual General Meeting have been given adequate and enough time and opportunity to vote at the AGM and this concludes the proceedings of the AGM. However, the e-Voting facility will be kept open for the next 15 minutes also, to enable shareholder to cast their votes, in case if they have not done so far.

I take this opportunity to thank you all for participating in this AGM. I hand over now the mic to Mr. Vivek Chaudhary, the company secretary

CS: Thank you Chairman Ji, Bahl Sir, all the Board members and dignitaries, our directors, our CFO, our group CFO and I also want to inform all the shareholders that we have received few questions in the chat box facility that will be answered to the respective shareholder on their email. I, on behalf of all, thank you all for attending this meeting through the VC in such a time. Hopefully, we will meet in the next year physically. Thank you everybody and the e-voting module is active. Please do vote.

Thank you.