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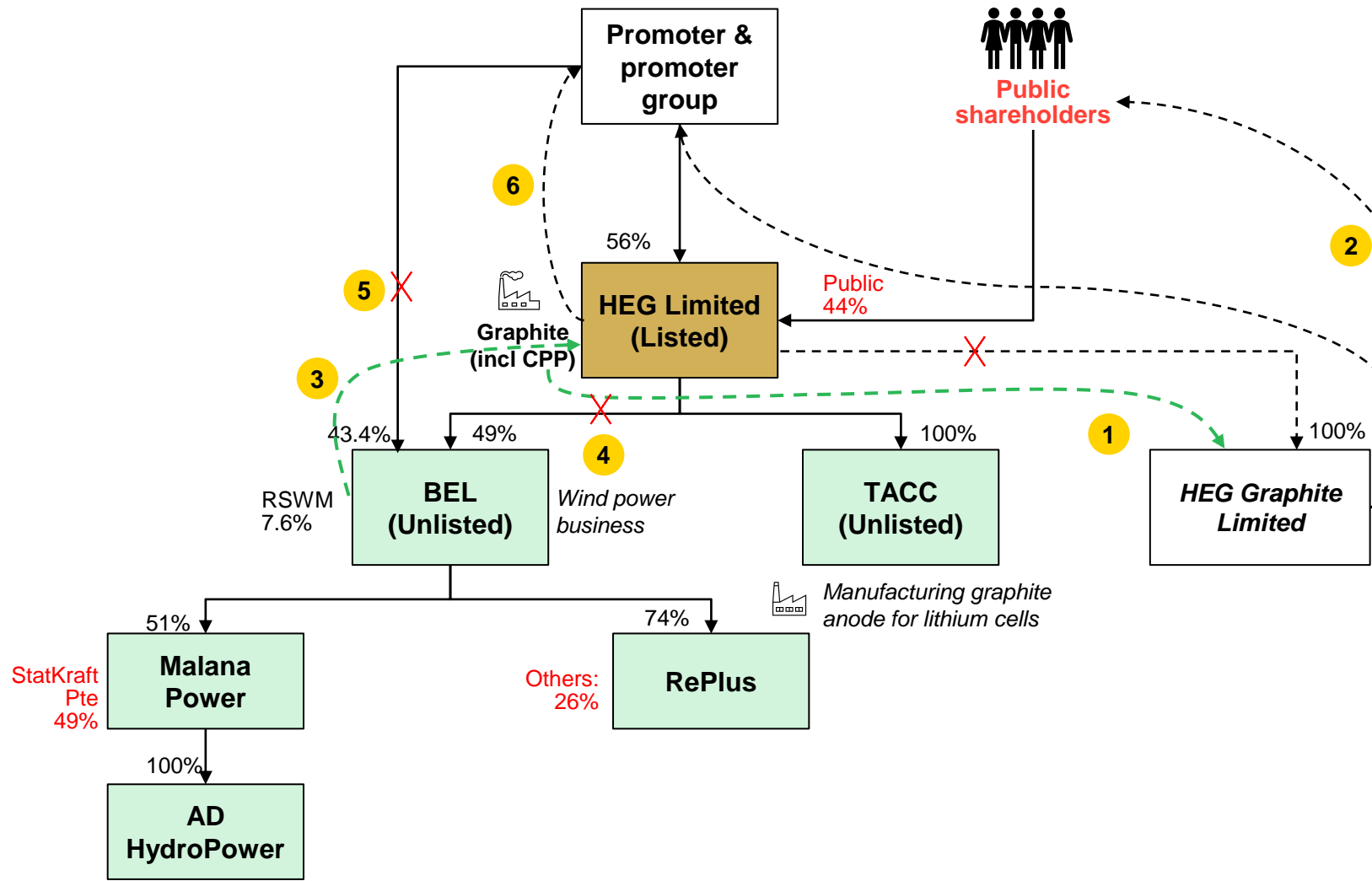


HEG LIMITED

11 June 2024

**Demerger of Graphite business and Merger
of New Age Business**

Composite Scheme of Arrangement - Demerger of Graphite Business and Merger of BEL



Key steps

1. Demerger of the Graphite Business from HEG Limited into HEG Graphite Limited through a NCLT approved Composite Scheme of Arrangement ('Scheme')
2. Cancellation of original nominal capital and Issue of shares by HEG Graphite Limited to shareholders of HEG Limited in 1:1 ratio – Mirror shareholding
3. As a part of the Composite Scheme, Bhilwara Energy Limited shall merge with HEG Limited
4. HEG Limited to issue shares to the shareholders of Bhilwara Energy Limited basis swap ratio given by the valuers and commented upon by Merchant Bankers
5. Cancellation of 49% of Bhilwara Energy Limited stake held by HEG Limited pursuant to the merger.
6. Additional shares issued on the stock exchanges

Background of all entities involved in the scheme

1. **HEG Limited (“Company” or “Demerged Company” or “Transferee Company” or “Demerged/Transferee Company”)** is a company incorporated under the provisions of the Companies Act, 1956. The Demerged/ Transferee Company is, *inter alia*, engaged in the business of manufacturing and exporting of graphite electrodes and operates world’s largest single-site integrated graphite electrodes plant. The Demerged/ Transferee Company also operates three power generation facilities with a total capacity of about 76.5 MW. The equity shares of the Demerged/ Transferee Company are listed on the Stock Exchanges. The registered office of the company is situated at Mandideep Near Bhopal Dist Raisen, Bhopal, Madhya Pradesh – 462046.
2. **HEG Graphite Limited (“Resulting Company”)** is a company incorporated under the provisions of the Companies Act, 2013 (“Act”). The Resulting Company has been incorporated to carry on the Graphite Business (*as defined in the Scheme*) proposed to be demerged under the Scheme. The registered office of the company is situated at Mandideep Near Bhopal Dist Raisen, Bhopal, Madhya Pradesh – 462046.
3. **Bhilwara Energy Limited (“Transferor Company”)** is a company incorporated under the provisions of the Companies Act, 1956. The Transferor Company is, *inter alia*, engaged in the business of establishment, operation and maintenance of power generating stations and tie-lines, sub-stations and main transmission lines connected therewith. Currently, the Transferor Company is engaged in generation of wind power through 14 MW wind power project situated in Maharashtra. The Transferor Company is in the process of shifting its registered office from its current address to C/O HEG Limited, NH-12, Dist Raisen, Near Bhopal, Mandideep, Bhopal - 462046, Huzur, Madhya Pradesh, India.

Detailed Objectives/ Rationale of the scheme

1. Over the course of time, core businesses of the Demerged Company viz., manufacturing graphite electrodes (including other carbon products) and generation of thermal and hydel power have acquired critical mass. Each of the said businesses require flexibility and independence to grow faster in the fast-changing technology and innovation driven environment.
2. Each of the core businesses mentioned above has a differentiated strategy, different industry specific risks and operate inter alia under different market dynamics and growth trajectory. The nature and competition involved in each of the businesses is distinct from others and consequently each business or undertaking is capable of attracting a different set of investors, strategic partners, lenders and other stakeholders. Further, it is important to create a structure which is amenable for future growth keeping in view different growth trajectory for each business segment.
3. In view thereof, it is proposed to segregate the core businesses of the Demerged Company pursuant to the Scheme. The said segregation, is expected, *inter alia*, to result in following benefits :
 - (a) unlocking the value of each of the businesses for the shareholders of the Demerged Company, attracting different sets of investors, strategic partners, lenders and other stakeholders having a specific interest in the respective businesses and providing better flexibility in accessing capital;
 - (b) segregating different businesses having different risk and return profiles, and providing investors with better flexibility to select investments which best suit their investment strategies and risk profile;
 - (c) enabling focused growth strategy for each of the businesses for opportunities specific to each business;
 - (d) creating greater visibility on performance of each of the businesses;
 - (e) providing a separate growth path and focussed management for each of the businesses;
 - (f) enhancing operational efficiency; and
 - (g) pursuing growth in the respective business verticals with focused management approach and de-risking the businesses from each other.

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Detailed Rationale of the scheme.

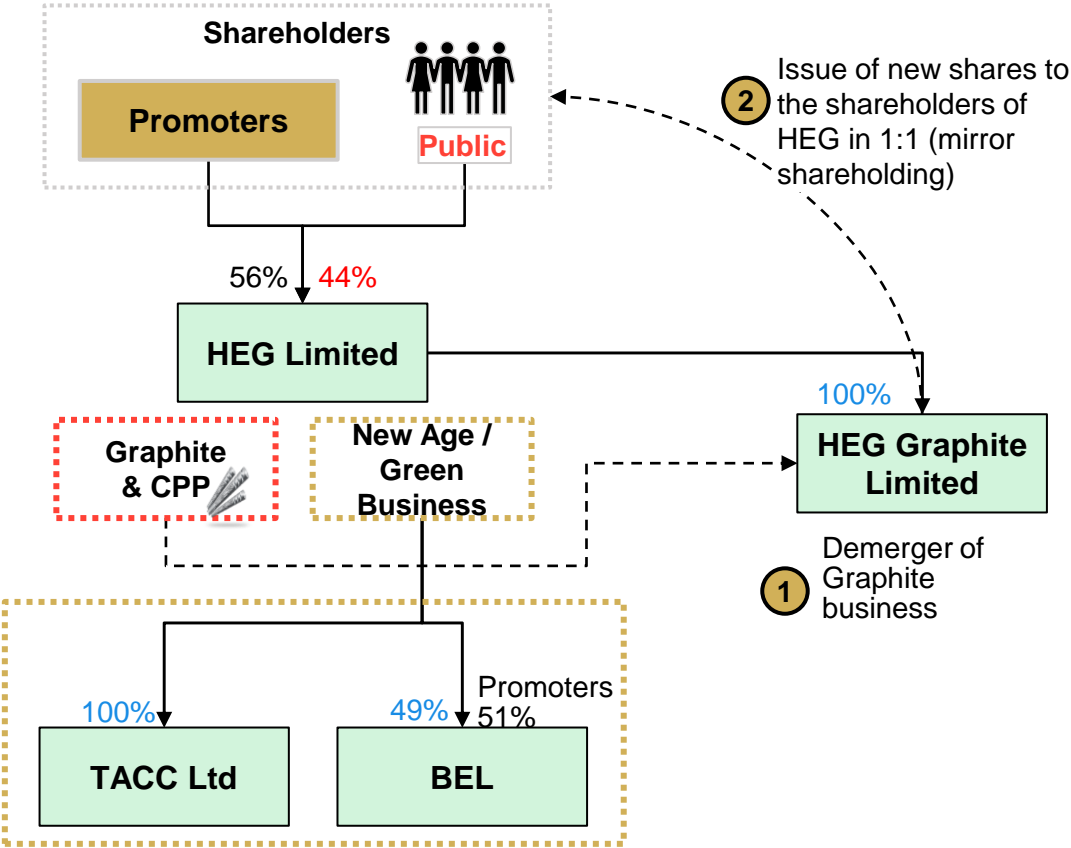
4. The Transferee Company is desirous of consolidating the assets and liabilities of the Transferor Company pursuant to amalgamation. Consolidating the assets and liabilities of the Transferor Company and the Transferee Company would streamline the corporate structure by consolidating multiple entities and enable efficiency in operations and processes through reduction in legal and regulatory compliances and related administrative costs.
5. The amalgamation will also result in the following benefits:
 - (a) establishing independent brand identity of future oriented and new-age business;
 - (b) combining resources, creating synergies, optimally utilising resources and greater economies of scale and deriving operating efficiencies from adoption of existing technology-enabled processes of the Transferor Company; and
 - (c) eliminating multiple entities, legal and regulatory compliances and reduction of administrative costs.

The Scheme is in the interests of all stakeholders of each of the Demerged/ Transferee Company, the Transferor Company and the Resulting Company.

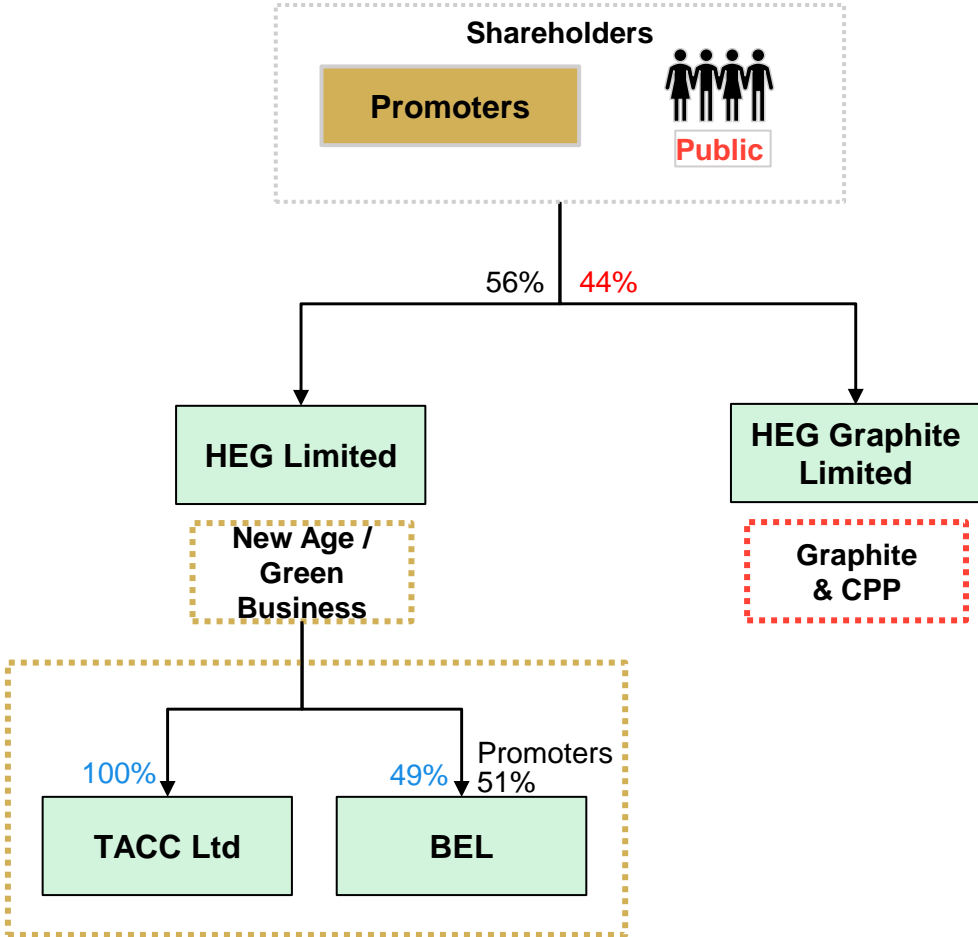
Proposed Demerger of Graphite business – Part A



Mechanics

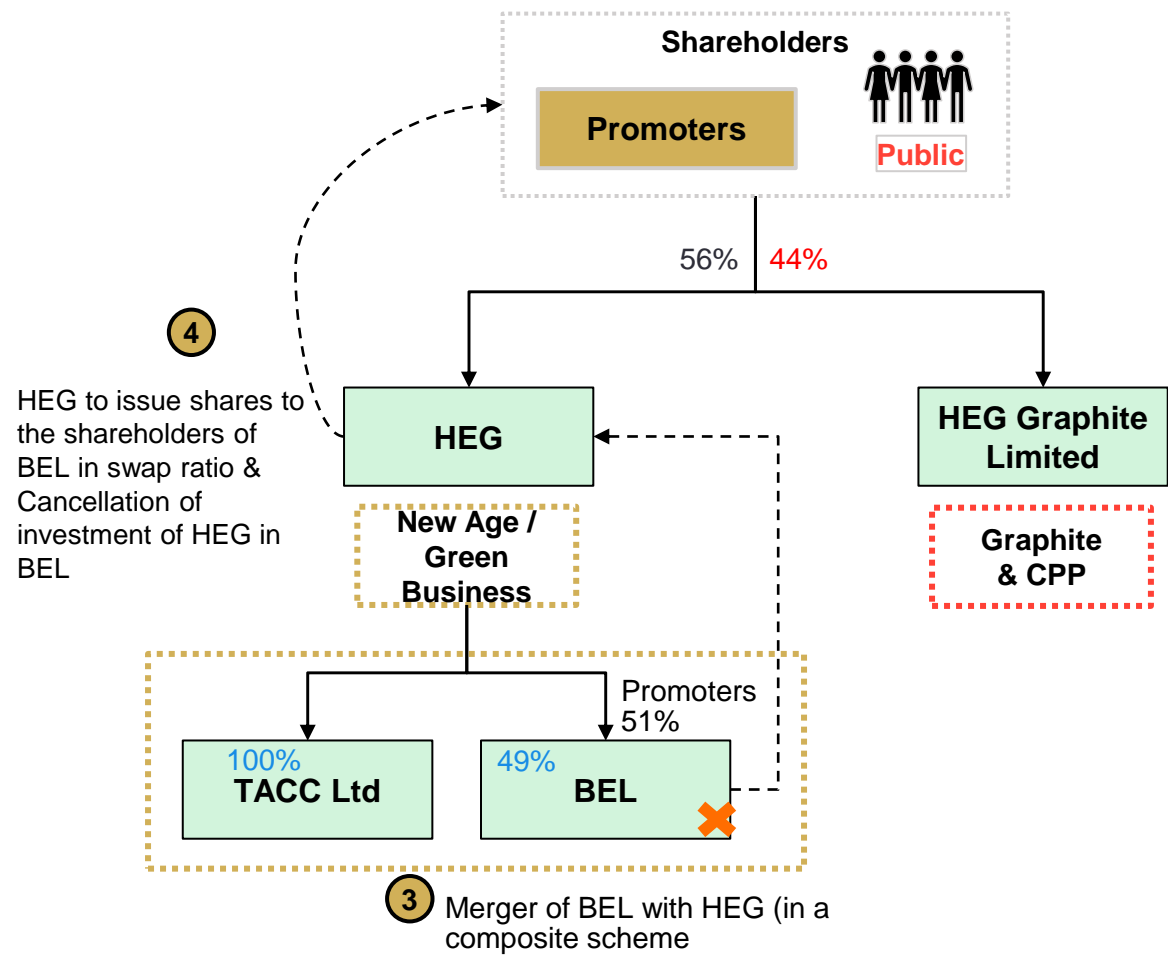


Interim Structure

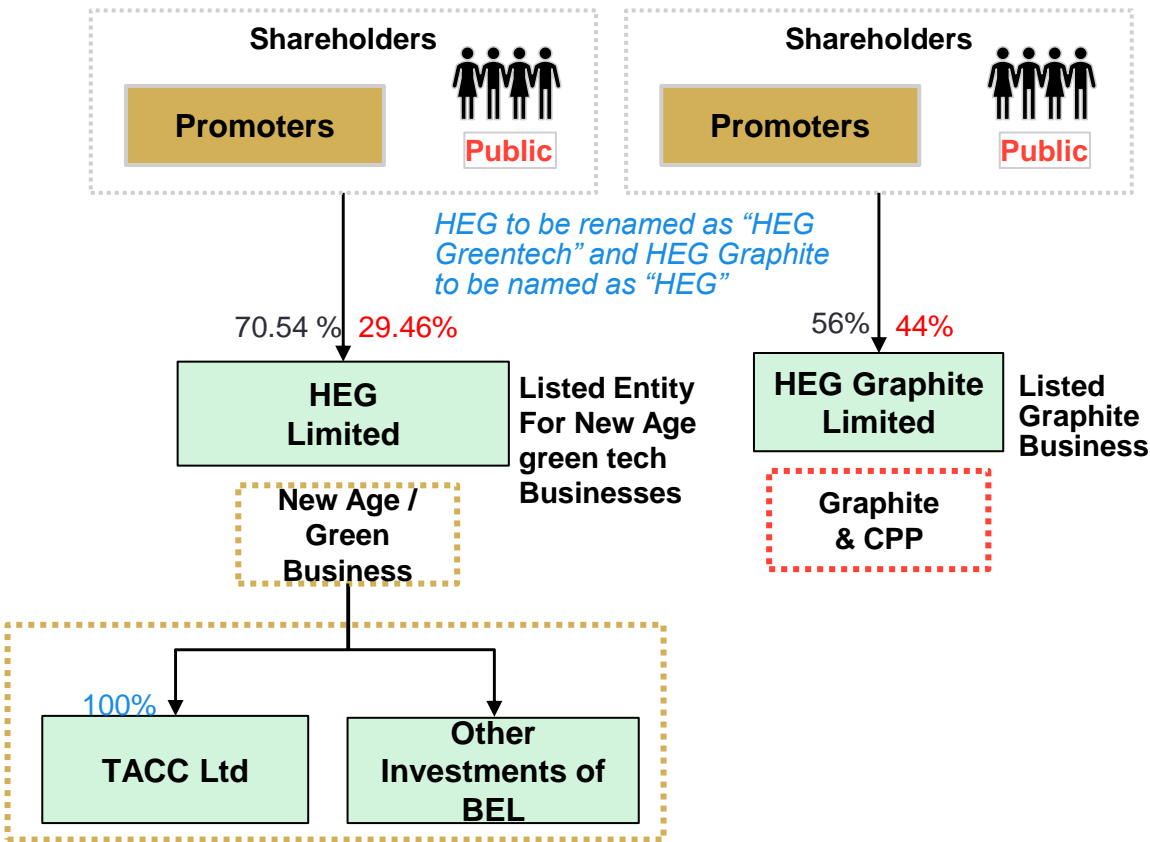




Mechanics



Final Structure



Existing and proposed Capital structure (shareholding pattern) of entities in scheme

Pre and Post Capital Structure/ Shareholding Pattern of the companies as on 31 March 2024

Shareholding pattern	Pre		Post		Pre		Post	Pre		Post	
	No of shares	% of holding	No of shares	% of holding	No of shares	% of holding	Pursuant to the Scheme, Bhilwara Energy Limited will be dissolved without being wound up	No of shares	% of holding	No of shares	% of holding
Promoter	2,15,27,974	55.78	4,08,48,374	70.53	16,57,59,311	100		10,000	100	2,15,27,974	55.78
Public	1,70,67,532	44.22	1,70,67,532	29.47	0	0		0	0	1,70,67,532	44.22
QIB											
Total	3,85,95,506	100	5,79,15,906	100	16,57,59,311	100		10,000	100	3,85,95,506	100
No of Shareholders	1,29,905		1,29,907		16		0	7		1,29,905	



Pre and Post Network of the companies as on 31 March 2024

(All Amounts in INR Crores)

HEG Limited			HEG Graphite Limited			Bhilwara Energy Limited		
	Pre-Scheme	Post-Scheme		Pre-Scheme	Post-Scheme		Pre-Scheme	Post-Scheme
Equity	38.6	57.9	Equity	0.00	38.60	Equity	165.76	The company stands dissolved without winding up pursuant to the scheme.
Other Equity	4,106.5	1,297.2	Other Equity	0	2,942.14	Other Equity	341.89	
Networth	4,151.1	1,355.2	Networth	0.00	2,980.74	Net-worth	507.65	

The Scheme is pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Act read with Section 2(1B), Section 2(19AA) and other applicable provisions of the Income Tax Act 1961 and inter alia provides for:

- (a) The demerger, transfer and vesting of the Demerged Undertaking (*as defined in the Scheme*) from the Demerged Company into the Resulting Company on a *going concern* basis, and issue of equity shares by the Resulting Company to the shareholders of the Demerged Company, in consideration thereof;
- (b) the amalgamation of the Transferor Company with the Transferee Company; and
- (c) various other matters consequent and incidental thereto.

Consideration under the Scheme

- (a) For the demerger of the Demerged Undertaking of the Demerged Company into the Resulting Company on a going concern basis, the Resulting Company shall issue and allot on a proportionate basis to each shareholder of the Demerged Company whose name is recorded in the register of members and records of the depository as members of the Demerged Company as on the Record Date (as defined in the Scheme), as under:
 - 1 (One) fully paid up equity share of INR 10 (Indian Rupees Ten only) each of the Resulting Company, credited as fully paid up, for every 1 (One) equity share of INR 10 (Indian Rupees Ten only) each of the Demerged Company.

Consideration under the Scheme

(b) For the amalgamation of the Transferor Company with the Transferee Company, the Transferee Company shall issue and allot, on a proportionate basis to each shareholder of the Transferor Company (except for itself), whose name is recorded in the register of members as member of the Transferor Company as on the Effective Date (as defined in the Scheme), as under:

8 (Eight) fully paid-up equity shares of INR 10 (Indian Rupees Ten only) each of the Transferee Company, credited as fully paid up, for every 35 (Thirty Five) equity shares of INR 10 (Indian Rupees Ten only) each of the Transferor Company.

Stepwise Process in Scheme Implementation

Filing applications with Stock Exchanges along with Scheme and relevant documents



Filing of complaints report by the Company



Stock Exchanges to issue observation letter including comments from SEBI to the Company



Filing of Scheme with NCLT for seeking directions for convening/ dispensing meetings of shareholders and creditors of the companies



NCLT convened meetings of shareholders and creditors of the companies (as applicable)



Filing of petition with NCLT for sanction of the Scheme



NCLT Order approving the Scheme



Effectiveness of the Scheme and fixing of record date



Allotment of shares by the Resulting Company and the Transferee pursuant to the Scheme



Filing listing application with the Stock Exchanges



Receipt of approvals from the Stock Exchanges for listing equity shares

Promoter shareholding details – pre Scheme and post Scheme

A) Pursuant to Demerger

Name of the Promoter/s and Promoter Group	Pre-Shareholding		Consideration as per the scheme				Indicative Post Shareholding	
	Demerged Company		Allotted Pursuant to Scheme		Cancelled Pursuant to Scheme		Resulting Company	
	No Of Shares	%	No Of Shares	%	No Of Shares	%	No Of Shares	%
Ravi Jhunjunwala	719	0.00%	719	0.00%			719	0.00%
Rishabh Jhunjunwala	1,807	0.00%	1,807	0.00%			1,807	0.00%
Rita Jhunjunwala	1,876	0.00%	1,876	0.00%			1,876	0.00%
Riju Jhunjunwala	1,356	0.00%	1,356	0.00%			1,356	0.00%
Bharat Investments Growth Ltd.	27,34,913	7.09%	27,34,913	7.09%			27,34,913	7.09%
Dreamon Commercial Private Ltd.	3,16,516	0.82%	3,16,516	0.82%			3,16,516	0.82%
Investors India Ltd.	36,254	0.09%	36,254	0.09%			36,254	0.09%
Shashi Commercial Co. Ltd.	6,75,536	1.75%	6,75,536	1.75%			6,75,536	1.75%
RLJ Family Trusteeship Pvt. Ltd. (Trustee Of Ravi Jhunjunwala Family Trust)	500	0.00%	500	0.00%			500	0.00%
Purvi Vanijya Niyojan Ltd.	18,68,583	4.84%	18,68,583	4.84%			18,68,583	4.84%
M.L. Finlease Pvt. Ltd.	3,46,461	0.90%	3,46,461	0.90%			3,46,461	0.90%
Raghav Commercial Ltd.	14,48,163	3.75%	14,48,163	3.75%			14,48,163	3.75%
RSWM Limited	3,18,391	0.82%	3,18,391	0.82%			3,18,391	0.82%

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Promoter shareholding details – pre Scheme and post Scheme



Name of the Promoter/s and Promoter Group	Pre-Shareholding		Consideration as per the scheme				Indicative Post Shareholding	
	Demerged Company		Allotted Pursuant to Scheme		Cancelled Pursuant to Scheme		Resulting Company	
	No Of Shares	%	No Of Shares	%	No Of Shares	%	No Of Shares	%
LNJ Financial Services Ltd.	16,48,323	4.27%	16,48,323	4.27%			16,48,323	4.27%
Jet (India) Pvt. Ltd.	10,05,599	2.61%	10,05,599	2.61%			10,05,599	2.61%
India Tefab Marketing Ltd.	2,06,718	0.54%	2,06,718	0.54%			2,06,718	0.54%
Giltedged Industrial Securities Ltd.	8,87,689	2.30%	8,87,689	2.30%			8,87,689	2.30%
Norbury Investments Limited	53,62,991	13.90%	53,62,991	13.90%			53,62,991	13.90%
Microlight Investments Ltd.	46,65,579	12.09%	46,65,579	12.09%			46,65,579	12.09%
Total	2,15,27,974	55.78%	2,15,27,974	55.78%			2,15,27,974	55.78%
Notes:								
The entire share capital of the Resulting Company is held by the Demerged Company along with its nominees Therefore, in terms of the Scheme, the entire pre Scheme equity share capital of the Resulting Company held by the Demerged Company itself along with nominees will stand reduced and cancelled								
Consideration - 1 (One) fully paid-up equity share of INR 10 (Indian Rupees Ten only) each of the Resulting Company, for every 1 (One) equity shares of INR 10 (Indian Rupees Ten only) each of the Demerged Company.								
Details of addition of promoters in the Resulting Company Post Sanction of Scheme – All (19) promoters of Demerged Company to be added as promoters in the Resulting Company Post Sanction of the Scheme (Ravi Jhunjunwala, Rishabh Jhunjunwala, Rita Jhunjunwala, Riju Jhunjunwala, Bharat Investments Growth Ltd., Dreamon Commercial Private Ltd., Investors India Ltd., Shashi Commercial Co. Ltd., RLJ Family Trusteeship Pvt. Ltd. (Trustee Of Ravi Jhunjunwala Family Trust), Purvi Vanijya Niyojan Ltd., M.L. Finlease Pvt. Ltd., Raghav Commercial Ltd., RSWM Limited, LNJ Financial Services Ltd., Jet (India) Pvt. Ltd., India Tefab Marketing Ltd., Giltedged Industrial Securities Ltd., Norbury Investments Limited, Microlight Investments Ltd.)								
Details of reclassification of existing promoters to public in the Resulting Company Post sanction of scheme in compliance with SEBI LODR Regulations, 2015.- Not Applicable								

Promoter shareholding details – pre Scheme and post Scheme

B) Pursuant to Merger

Name of the Promoter/s and Promoter Group	Pre-Shareholding		Consideration as per the scheme				Indicative Post Shareholding	
	Transferor Company		Allotted Pursuant to Scheme		Cancelled Pursuant to Scheme		Transferee Company	
	No Of Shares	%	No Of Shares	%	No Of Shares	%	No Of Shares	%
Ravi Jhunjunwala	900	0.00%	206	0.00%			925	0.00%
Rishabh Jhunjunwala			-	0.00%			1,807	0.00%
Rita Jhunjunwala			-	0.00%			1,876	0.00%
Riju Jhunjunwala	3	0.00%	1	0.00%			1,357	0.00%
Bharat Investments Growth Ltd.	1,06,54,761	6.43%	24,35,374	12.61%			51,70,287	8.93%
Dreamon Commercial Private Ltd.	63,20,780	3.81%	14,44,750	7.48%			17,61,266	3.04%
Investors India Ltd.	1,50,000	0.09%	34,286	0.18%			70,540	0.12%
Shashi Commercial Co. Ltd.	12,43,900	0.75%	2,84,320	1.47%			9,59,856	1.66%
RLJ Family Trusteeship Pvt. Ltd. (Trustee Of Ravi Jhunjunwala Family Trust)			-	0.00%			500	0.00%
Purvi Vanijya Niyojan Ltd.	11,23,066	0.68%	2,56,701	1.33%			21,25,284	3.67%
M.L. Finlease Pvt. Ltd.			-	0.00%			3,46,461	0.60%
Raghav Commercial Ltd.	33,17,910	2.00%	7,58,379	3.93%			22,06,542	3.81%
RSWM Limited	1,25,24,960	7.56%	28,62,848	14.82%			31,81,239	5.49%
LNJ Financial Services Ltd.	61,16,253	3.69%	13,98,001	7.24%			30,46,324	5.26%
Jet (India) Pvt. Ltd.	23,82,400	1.44%	5,44,549	2.82%			15,50,148	2.68%
India Texfab Marketing Ltd.	34,35,313	2.07%	7,85,214	4.06%			9,91,932	1.71%

Promoter shareholding details – pre Scheme and post Scheme



Name of the Promoter/s and Promoter Group	Pre-Shareholding		Consideration as per the scheme				Indicative Post Shareholding	
	Transferor Company		Allotted Pursuant to Scheme		Cancelled Pursuant to Scheme		Transferee Company	
	No Of Shares	%	No Of Shares	%	No Of Shares	%	No Of Shares	%
Giltedged Industrial Securities Ltd.	69,973	0.04%	15,994	0.08%			9,03,683	1.56%
Norbury Investments Limited			-	0.00%			53,62,991	9.26%
Microlight Investments Ltd.			-	0.00%			46,65,579	8.06%
HEG Limited	8,12,32,560	49.01%	-	0.00%	8,12,32,560	49.01%	0	0.00%
LNJ Spark Advisory LLP	3,54,69,782	21.40%	81,07,379	41.96%			81,07,379	14.00%
Kalati Holdings Pvt. Ltd.	17,16,750	1.04%	3,92,400	2.03%			3,92,400	0.68%
Total	16,57,59,311	100.00%	1,93,20,400	100%	8,12,32,560	49.01%	4,08,48,374	70.53%

Notes:

No equity shares shall be issued by the Transferee Company in respect of the shares held by the Transferor Company in the Transferor Company and all such shares shall stand cancelled upon the Scheme becoming effective.

Consideration - 8 (Eight) fully paid-up equity share of INR 10 (Indian Rupees Ten only) each of the Transferee Company, for every 35 (Thirty Five) equity share of INR 10 (Indian Rupees Ten only) each of the Transferor Company

Details of addition of promoters in the Transferee Company Post Sanction of Scheme – Two promoters being shareholders of Transferor Company, to be added as promoters of Transferee Company: (i) LNJ Spark Advisory LLP and (ii) Kalati Holdings Pvt. Ltd.

Details of reclassification of existing promoters to public in the Transferee Company Post sanction of scheme in compliance with SEBI LODR Regulations, 2015.- Not Applicable

- The valuation report for the Scheme has been issued by PwC Business Consulting Services LLP. The Fairness opinion has been issued by ICICI Securities Limited.
- Based on the reports of the independent valuer and fairness opinion from the merchant banker, following consideration for the proposed scheme was approved by the board of directors:
 - **For Demerger:** 1 (One) fully paid-up equity share of INR 10 (Indian Rupees Ten only) each of the Resulting Company, for every 1 (One) equity shares of INR 10 (Indian Rupees Ten only) each of the Demerged Company.
 - **For Merger:** 8 (Eight) fully paid-up equity share of INR 10 (Indian Rupees Ten only) each of the Transferee Company, for every 35 (Thirty Five) equity share of INR 10 (Indian Rupees Ten only) each of the Transferor Company



Thank You