

A momentous past A success in present An exciting future

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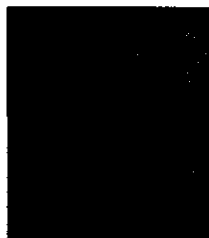
HEG **HEG Limited**
Annual Report 1998-99



We, the LNJ Bhilwara Group, are a multi-product Group with interests in diverse fields. With over three decades of experience, production units spread across the country at 19 locations and the prestigious ISO 9002 certification for five of our Group companies, quality comes to us naturally !



Yarns and Fabrics



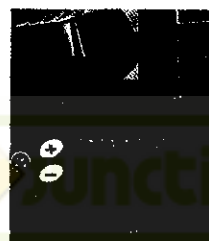
Knitwears



Graphite Electrodes



Power Generation



Telecommunications



Sponge Iron

Indeed, quality manifests itself in various forms. Excellence, leadership status and rapid growth being some important benchmarks. Hallmark brand names such as Mayur Suitings, BSL Suitings, La Italia Trousers, Buddy Davis T-Shirts & Polos, range of knitwears, Champs & Bhilwara Classique men's undergarments are from the house of Bhilwara.

Consistent efforts have led us to coveted top export awards in different fields for several years in a row. Conforming to international standards in quality and technology, have led us to prestigious overseas collaborations.

Almost a third of our turnover comes from exports, which stands as a unique distinction !

Textiles

Graphite Electrodes

Power Generation

Telecommunications

Sponge Iron

Financial Services



GROUP SALIENT FEATURES

Particulars	(Rs. Crores)	
	1997-98	1998-99
Turnover	1353	1426
Export Sales	516	544
PBIDT	250	262
PBDT	150	150
PBT	83	69
PAT	77	65
Gross Fixed Assets	1275	1403
Net Worth	610	670



HEG LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in Crores)

Particulars	1996-97	1997-98	1998-99
Turnover	293.00	415.51	426.12

Exports	112.37	202.68	193.71
PBIDT	64.89	97.38	100.35
Interest	25.32	45.73	43.78
PBDT	39.57	51.65	56.57
Depreciation	14.14	18.51	19.19
Taxation	3.26	2.63	1.22
PAT	22.17	30.51	36.16

Net Worth	158.75	180.96	218.38
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EPS (Rs.)	5.50	7.49	8.80
CEPS (Rs.)	9.00	12.08	13.56
Book Value per share (Rs.)	38.43	43.43	50.25



HEG LIMITED

BOARD OF DIRECTORS**CHAIRMAN EMERITUS**

Shri L.N. Jhunjhunwala

CHAIRMAN CUM MANAGING DIRECTOR

Shri Ravi Jhunjhunwala

VICE CHAIRMAN

Shri Shekhar Agarwal

DIRECTORS

Shri A.de. Lastours

Shri V.K. Mehta

Shri D.N. Davar

Shri B.V. Bhargava

Shri Kamal Gupta

Shri P. Murari

Shri E.I. Thomas (Nominee LIC)

Shri K.M. Agarwal (Nominee UTI)

Shri S.C. Nanda (Nominee ICICI)

KEY EXECUTIVES**Corporate Office**

Shri B.P. Singh Advisor (Technical)

Shri R.C. Surana President

Shri S.K. Kapoor Vice President (Development)

Shri A.K. Saxena Vice President (Projects & Developments)

Plants

Shri V.P. Singh Executive Director

Shri Prakash Maheshwari President (Rishabhdev Unit)

Shri M.L. Gulati Vice President (Rishabhdev Unit)

Shri Anil Gandotra Vice President (Jammu Unit)

Shri K.N. Mathur Vice President (Tawa Unit)

Shri Prasad L Vice President (Graphite Unit)

Shri Ashok Mehta Vice President (Graphite Unit)

Shri Ramesh Gupta Vice President (Graphite Unit)

Shri M.C. Soni Advisor

COMPANY SECRETARY

Shri S.M. Bagga

CORPORATE OFFICE

Bhilwara Towers,

A-12, Sector-1,

Noida-201 301

Ph. : 91-541810 (EPABX)

Fax : 91-531648, 531745

E-mail : hegld@vsnl.com

REGISTERED OFFICE

Mandideep, (Near Bhopal),

Distt. Raisen, M.P.-462 046

Phone : 07480-33524 to 33527

Fax : 07480-33522

Cable : HEGCARBONS

E-mail : hegmdp@bom4.vsnl.net.in

WEB SITES :

www.bhilwara.com

www.hegld.com

AUDITORS

M/s M.C. Bhandari & Co.

M/s S.S. Kothari & Co.

BANKERS

State Bank of India

State Bank of Patiala

State Bank of Bikaner & Jaipur

The Bank of Rajasthan Ltd.

Bank of Baroda

Standard Chartered Bank

Central Bank of India

OFFICES**Mumbai**

62/63, Maker Chambers No.6

Nariman Point, Mumbai-400021

Phone : 022-2836664, 2831712

Fax : 022-2870375

Cable : HEGCARBONS

E-mail : hegld@bom7.vsnl.net.in

Calcutta

604, Central Plaza,

Block-4, 6th Floor

2/6, Sarat Bose Road

Calcutta-700 020

Phone : 033-4759963

Cable : HEGCARBONS

Bangalore

1-1304-04 (13th Floor)

Brigade Tower,

135, Brigade Road,

Bangalore - 560 025

Phone : 080-2271067

Cable : HEGCARBONS

Fax : 080-2218940

Rajahmundry

Door No. 24-14-1 & 1/5

Naga Vihar, RV Nagar

Rajahmundry-533 105,

Phone : 0883-61047

Fax : 0883-461047

WORKS**Graphite**

Mandideep,

(Near Bhopal)

Distt. Raisen M.P.,

Pin : 462046

Phone : 07480-33524 to 33527

Fax : 07480-33522

Textile

i) SIDCO Industrial Complex

Bari Brahmana

Jammu 181133

Phone : 01923-20441, 20203

Fax : 01923-20442

Cable : HEGTE

ii) Rishabhdev

Distt. Udaipur (Rajasthan)

Pin - 313802

Phone : 02907 - 30322 to 30325

Fax : 02907-30320

**Sponge Iron and
Waste Heat Recovery System
(Power Plant)**

Industrial Growth Centre,

Borai, Distt. Durg (M.P.)

Phone : 0788-647218, 647215

Fax : 0788-647201, 647248,

Hydel Power

Village Ranipur,

Tawa Nagar,

Distt. Hoshangabad,

M.P. 461 001

Telefax : 07572-32590

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DIRECTORS' REPORT

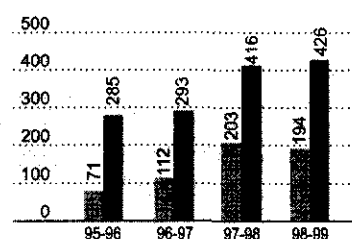
TO THE MEMBERS

The Directors are pleased to present the 27th Annual Report together with the Audited statement of Accounts for the year ended 31st March 1999, as follows:-

Turnover

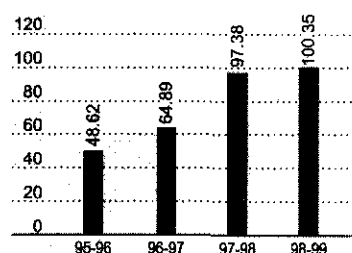
(Rs. in Crores)

■ Turnover ■ Exports



PBIDT

(Rs. in Crores)



A. Financial Results :-

(Rs. in crores)

	THIS YEAR	PREVIOUS YEAR
Turnover :		
– Domestic	232.41	212.83
– Export	193.71	202.68
Total	426.12	415.51
Profit before Interest,		
Depreciation and Taxes	100.35	97.38
Interest	43.78	45.73
Profit before Dep. and Taxes	56.57	51.65
Depreciation	19.19	18.51
Profit Before Tax	37.38	33.14
Taxes	1.22	2.63
Net Profit	36.16	30.51
Gross Block	392.09	374.23
Net Worth	218.38	180.96

In spite of unfavourable economic conditions continuing in the domestic market, the effects of the South East Asian and Russian crisis is also having a negative impact on the world business in general, your Company is able to post satisfactory results wherein the total turnover, operating profits and profit after tax have increased by 2.55 %, 9.52 % and 18.52 % respectively.

B. Appropriations :-

(Rs. in crores)

	THIS YEAR	PREVIOUS YEAR
Amount available for appropriation	117.28	94.27
Dividend :-		
a) On Equity Shares	7.26	7.26
b) On Preference Shares	0.62	0.28
c) Corporate Dividend Tax	0.86	0.75
Transfer to:-		
a) Capital Redemption Reserve	–	0.29
b) Debenture Redemption Reserve	1.50	1.50
c) General Reserve	3.62	3.07
Balance carried forward	103.42	81.12
	117.28	94.27



DIVIDEND

The Board recommends a dividend on Equity Capital @ 18.00% amounting to Rs 726 lacs and on Preference Shares @ 14% and 11.5% (including interim dividend paid as per the terms of issue, on 11.5% Preference Shares privately placed with IDBI Bank Ltd.) aggregating Rs 62 lacs; the total outflow being Rs 874 lacs (including dividend tax).

GRAPHITE DIVISION

The severe economic crisis in South East Asian countries and Russia, coupled with recessionary conditions in Latin American countries had a negative impact on world crude steel production, which fell by 3% to 774 million tons. The share of electric steel also fell correspondingly to 264 million tons. Though the production and sales of major global graphite producers fell between 10 to 15%, your Company's production and sales fell by 3-4% only. The Division was also able to maintain an export turnover of Rs 168 Crores - same level as last year - accounting for 73% of total sales. Exports were made to more than 30 countries and the Company's products have now been established at some of the highly demanding steel works in the Western world.

The Division, by virtue of its export performance bagged the "National Award" instituted by the Govt of India and the same was presented by the Hon'ble Prime Minister, Shri Atal Behari Vajpayee. The Company also received the "Top Export Award" from CAPEXIL for the thirteenth year, consecutively.

The domestic steel market continues to reel under depressed conditions. The dumping of graphite electrodes and circumvention of anti-dumping duties continues, despite the Company's representations to the Govt. of India. Though some demand pick up is in sight, the pressure on prices remains unabated. The Company has initiated a number of cost reduction measures, the benefit of which is expected to be experienced during the following financial year.

The Division continues to get the benefits from the successful performance of the two captive power plants, which once again ensured not only an uninterrupted power supply, but also helped the Division in maintaining consistent quality of power throughout the year.

POWER DIVISION

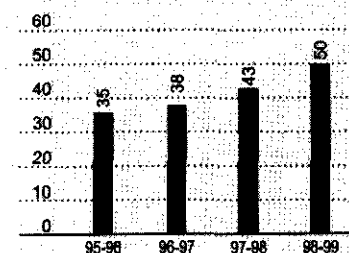
Operations of the two captive power plants not only enabled the Graphite Division to overcome the power shortages in the State, but also helped the Company to improve its profitability by producing energy at a price lower than the comparable buying prices from the State Electricity Board. The nature of the two power plants - Hydro Electric and Waste Heat Recovery is such that the direct cost of production is not very significant.

a) Tawa

The 13.5 MW Hydro electric plant has now completed two full years of operation. The plant once again generated energy, which was higher than its production capacity. The generation was 6.09 crores KWH which was all wheeled and sold to the Graphite Division. The generation would have been even higher, had there not been a delay in the onset of monsoons and also some heavy unseasonal rains during the winter months, leading to lower water requirement for irrigation.

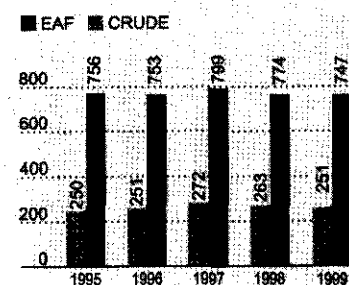
Book Value

(In Rupees)



World Steel Production

SAF VIS-A-VIS CRUDE (In Million Tonnes)





b) Waste Heat Recovery System

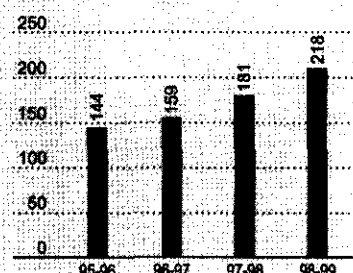
The 12 MW Co-generation plant also operated satisfactorily and generated 8.16 Crores KWH. A major portion of the energy was also wheeled and sold to the Graphite plant, besides meeting the entire captive requirement of the Sponge Iron unit. The optimum utilisation of gases for production of power, which would otherwise have gone waste, helped the Company to produce power at highly competitive prices.

c) Rishabhdev (Wartsila)

The unit successfully commissioned a 4.2 MW Wartsila Generating set for captive consumption of the Textile Division. During the year, it generated 2.10 Crores KWH, providing added advantage of uninterrupted power at competitive rates.

Net Worth

(Rs. in Crores)



SPONGE IRON DIVISION

Continued focussed attention has enabled the unit to achieve a production of 70080 MT in the year compared to 65753 MT and 60646 MT respectively in 1997-98 and 1996-97. The capacity utilisation for the year was 117%. Similarly the sales in the year rose to 70350 MT from 67153 MT of 1997-98 and 60913 MT of 1996-97. However the profitability continues to be under pressure due to reduced sales realisation of the finished product arising from the recessionary conditions prevailing in the steel industry coupled with the increase in the input costs of Coal & Iron ore. The Division has launched a number of cost reduction measures to improve the situation.

TEXTILES

a) Rishabhdev Unit

The unit produced 9809 MT Polyester/Viscose blended yarn during 1998-99 compared to 9332 MT in the preceding year, showing a growth of 5% without any addition to the spindleage. Export sales was 2223 Tons which is 23% of production. The realisation decreased substantially both in the domestic and export markets, due to bad market conditions. In the absence of corresponding decrease in raw material prices, the contribution was affected substantially.

The unit has received National Award from the Hon'ble Prime Minister of India for excellent performance in the field of exports during the year 1997-98.

b) Jammu Unit

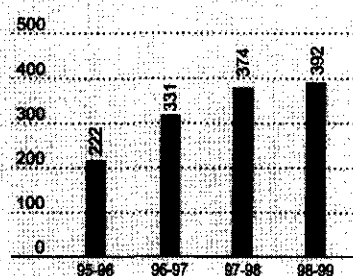
Though the production was around the same level as that of the preceding year, the quality has shown significant improvement. Export turnover was 163 MT against 150 MT during the previous year. The unit has also exported knitted garments/grey fabric worth Rs 147 lacs during the year. Cotton prices during major part of the year were on a higher side while the yarn prices did not pick up due to recessionary trends in the world market, adversely affecting the profitability of the unit.

CURRENT YEAR OUTLOOK

Graphite Division has a healthy order book position in the exports, but is facing stiff competition from international producers. Power Division is also likely to maintain its performance, while uncertainty continues with regard to Textile operations. Sponge Iron production shall be maintained but profitability will be governed largely by the fortunes of the steel industry.

Gross Block

(Rs. in Crores)





HUMAN RESOURCES DEVELOPMENT

The Directors inform with pleasure that the Company continued to have harmonious and cordial relations with the employees and executives at all levels in various units. The Company held, as hitherto, various training programmes, workshops, seminars etc., during the year with the intent of infusion of technical skills and quality consciousness in order to improve productivity, efficiency and quality. The information as per sub section 2A of section 217 of the Companies Act, 1956, is given in Annexure I to this Report.

PUBLIC DEPOSITS

Your Company did not accept any public deposit during the year. There were also no outstanding deposits on the date of the Balance Sheet.

DIRECTORS

Shri L N Jhunjhunwala, Shri Shekhar Agarwal and Shri A de Lastours, Directors, retire by rotation and being eligible, offer themselves for reappointment. The Board recommends their reappointment.

During the year under Report, Shri N V Khote resigned from the Directorship of your Company. The Board heartily appreciates the valuable contribution made by Shri Khote during the long spell of his association with the Company lasting nearly two decades.

AUDITORS

The term of appointment of M/s M. C. Bhandari & Company and M/s S. S. Kothari & Company, expires on the conclusion of the forthcoming Annual General Meeting. M/s M C Bhandari & Co have expressed a desire against seeking reappointment. The Board accordingly recommends the appointment of M/s Doogar & Associates, Chartered Accountants as auditors along with the reappointment of M/s S S Kothari & Co.

The notes on accounts are self explanatory in relation to the comments of the auditors in their report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The information required pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure - II to this Report.

INFORMATION TECHNOLOGY

In order to achieve Y2K compliance, your Company has taken necessary steps by upgradation / replacement of Y2K non compliant hardware and software through in-house expertise and with the help of outside agencies.

ACKNOWLEDGMENTS

The Board places on record its appreciation for the continued co-operation it received from various Financial Institutions, Banks and Govt. Departments and Ministries of the Central as well as State Governments. The Directors also express their appreciation to the employees at all levels, for their dedicated services rendered to the Company.

For and on behalf of the Board

Place : Noida.

Dated : 14th May, 1999.

RAVI JHUNJHUNWALA
CHAIRMAN CUM MANAGING DIRECTOR



AUDITORS' REPORT

TO THE MEMBERS OF HEG LIMITED

We have audited the attached Balance Sheet of HEG LIMITED as at 31st March, 1999 and the Profit & Loss Account for the year ended on that date, annexed thereto.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give our comments on the matters specified in paras 4 & 5 of the said Order as under:

- i. The company is maintaining records showing particulars including quantitative details and situation of Fixed Assets. Major fixed assets have been physically verified by the Management during the year and there is a programme of verification which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. Discrepancies noticed on verification, which were not material, are properly adjusted in the books of accounts.
- ii. None of the Fixed Assets have been revalued during the year.
- iii. Physical verification has been conducted by the Management at reasonable intervals in respect of finished goods, stores, spare parts and raw-materials except material lying with third parties and in transit.
- iv. The procedure of physical verification of stocks followed by the Management is reasonable and adequate in relation to the size of the company and the nature of its business.
- v. No material discrepancy has been noticed on physical verification of stocks as compared to the book records and the same has been properly dealt with in the books of account.
- vi. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
- vii. The company has, during the year, not taken any loan from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- viii. In the case of Loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, the rate of interest and other terms & conditions, where available, are not prima facie prejudicial to the interest of the company.
- ix. Interest free loans and advances in the nature of loans have been given to employees, ancillaries, companies and other parties; the repayments thereof are generally regular, wherever stipulated.
- x. There are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of stores, machinery, equipment and other assets and with regard to sale of goods.
- xi. In our opinion and according to the information and explanations given to us, the prices paid for purchases of stores, raw-materials or components and sale of goods, material and services exceeding Rs. 50,000 in respect of each party from / to firms, companies or other parties in which Directors are interested, as listed in the register maintained under section 301 of the Companies Act 1956, are reasonable as compared to the prices of similar items supplied by/sold to the other parties or as available with the company.
- xii. As explained to us, the company has a regular procedure for determination of unserviceable and damaged stores, raw materials and finished goods. Provision for loss which was insignificant, wherever considered appropriate, has been duly made in the accounts.
- xiii. The company has not accepted deposits from the public.
- xiv. In our opinion, the company has maintained reasonable records for the sale and disposal of realisable by-products and production scrap.
- xv. In our opinion, the company has an internal audit system commensurate with the size and nature of its business except at Head Office.
- xvi. The Central Government has prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of Textile units at Jammu and Rishabhdev. We are of the opinion that, prima facie, the prescribed accounts and records have been maintained. We have, however, not made a detailed examination of such books and records to determine whether they are accurate or complete.
- xvii. The company is regular in depositing the Employees Provident Fund and Employees State Insurance Fund dues with the appropriate authorities.
- xviii. There were no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs duty and Excise Duty outstanding as at the last day of financial year, except for Rs. 814.68 lacs in respect of Sales tax, outstanding for