

Annual Report
1999-2000



The Reflection of Success!

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HEG HEG Limited



- 🏠 Textiles
- Graphite Electrodes
- Sponge Iron
- ⊕ Co-Power Generation
- ⊙ Hydro Electric Power
- ⦿ Telecommunication
- ✕ Information Technology
- Corporate Office
- ★ Regional Office

The Rs. 1,579 crore LNJ Bhilwara Group is a diversified group with interests in Textiles, Graphite Electrodes, Sponge Iron, Power Generation, Telecommunication, Information Technology and Financial Services. Headquartered in Noida (New Delhi), the Group employs 20,000 people.

The Group boasts of some well-known brands which include Mayur Suitings, BSL Suitings, La Italia Trousers, Buddy Davis Leisurewear and Champs undergarments. These products are manufactured at sixteen units spread across the country.

In its three-decade long existence, the LNJ Bhilwara Group has come to be identified with quality and technology. Six of the Group companies have been awarded ISO 9002 certification for their exemplary quality standards. The fact that export earnings comprise as much as forty percent of the Group's turnover underlines its high quality standards.



GROUP SALIENT FEATURES

Particulars	(Rs. Crores)	
	1998-99	1999-2000
Turnover	1426	1579
Export Sales	544	617
PBIDT	262	274
PBDT	150	161
PBT	69	71
PAT	65	70
Gross Fixed Assets	1403	1516
Net Worth	670	762



HEG LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in Crores)

Particulars	1997-98	1998-99	1999-2000
Turnover	415.51	426.12	465.93

Exports	202.68	193.71	219.67
PBIDT	97.38	100.35	87.61
Interest	45.73	43.78	38.01
PBDT	51.65	56.57	49.60
Depreciation	18.51	19.19	19.58
Taxation	2.63	1.22	(0.37)
PAT	30.51	36.16	30.39

Net Worth	180.96	218.38	237.43
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EPS (Rs.)	7.49	8.80	7.22
CEPS (Rs.)	12.08	13.56	12.08
Book Value per share (Rs.)	43.43	50.25	55.80



BOARD OF DIRECTORS

CHAIRMAN – EMERITUS

Shri L.N. Jhunjhunwala

CHAIRMAN CUM MANAGING DIRECTOR

Shri Ravi Jhunjhunwala

VICE CHAIRMAN

Shri Shekhar Agarwal

DIRECTORS

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. P. Paniyadi (Nominee ICICI)

KEY EXECUTIVES

Corporate Office

Shri V. P. Singh

Executive Director

Shri B. P. Singh

Advisor (Technical)

Shri R. C. Surana

President

Shri S. K. Kapoor

Sr. Group Vice President

Plants

Shri Prakash Maheshwari

President (Rishabhdev Unit)

Shri K. N. Mathur

Sr. Vice President (Tawa Unit)

Shri Prasad L

Sr. Vice President (Graphite Unit)

Shri M. L. Gulati

Vice President (Rishabhdev Unit)

Shri Anil Gandotra

Vice President (Jammu Unit)

COMPANY SECRETARY

Shri Ramesh Gupta

Vice President (F & C) -cum-
Company Secretary

CORPORATE OFFICE

Bhilwara Towers,

A-12, Sector-1,

Noida-201 301

Ph. : 91-4541810 (EPABX)

Fax : 91-4531648, 4531745

E-mail : hegltd@vsnl.com

REGISTERED OFFICE

Mandideep, (Near Bhopal),

Distt. Raisen, M. P.-462 046

Phone : 07480-33524 to 33527

Fax : 07480-33523

Cable : HEGCARBONS

E-mail : hegmddp@bom6.vsnl.net.in

WEB SITE :

www.bhilwara.com

www.hegltd.com

AUDITORS

M/s Doogar & Associates

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

UTI Bank Ltd.

Central Bank of India

OFFICES

Mumbai

62/63, Maker Chambers No.6

Nariman Point, Mumbai-400021

Phone : 022-2838891, 2831712

Cable : HEGCARBONS

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

Fax : 022-2870375

Calcutta

604, Central Plaza,

Block-4, 6th Floor

2/6, Sarat Bose Road

Calcutta-700 020

Phone : 033-4759963, 4745803

Cable : HEGCARBONS

Bangalore

1-1304-04 (13th Floor)

Brigade Tower,

135, Brigade Road,

Bangalore - 560 025

Phone : 080-2271067

Cable : HEGCARBONS

Fax : 080-2218940

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 : 0788-467215-647207-208

Fax : 0788-647207, 647248,

Hydel Power

Village Rainpur,

Tawa Nagar,

Distt. Hoshangabad,

M.P. 461 001

Telefax : 07572-32590

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DIRECTORS' REPORT

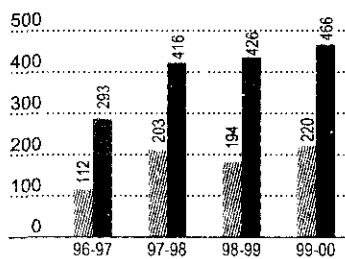
TO THE MEMBERS

Your Directors are pleased to present the 28th Annual Report together with the Audited statement of Accounts for the year ended the 31st March, 2000, as follows:-

Turnover

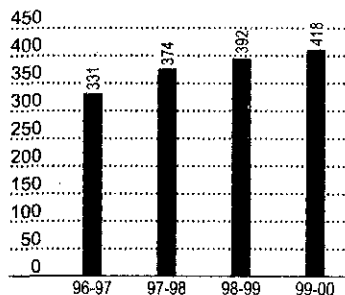
(Rs. in Crores)

■ Turnover ■ Exports



Gross Block

(Rs. in Crores)



A. Financial Results :-

(Rs. in Crores)

	THIS YEAR	PREVIOUS YEAR
Turnover		
– Domestic	246.26	232.41
– Export	219.67	193.71
Total	465.93	426.12
Profit Before Interest, Depreciation and Taxes	87.61	100.35
Interest	38.01	43.78
Profit Before Depreciation and Taxes	49.60	56.57
Depreciation	19.58	19.19
Profit Before Tax	30.02	37.38
Taxes	(0.37)	1.22
Net Profit (Including Profit on sale of Rig)	30.39	36.16
Net Profit (Excluding Profit on sale of Rig)	30.39	26.63
Gross Block	417.81	392.09
Net Worth	237.43	218.38

The economy which was sluggish during earlier part of the year, made a significant recovery during the later part. This enabled the Company to post an increase of 9.34% in sales and 14.08% in profitability (after adjusting profit on sale of Oil Rig) respectively.

B. Appropriations :-

(Rs. in Crores)

	THIS YEAR	PREVIOUS YEAR
Amount available for appropriation	133.81	117.28
Dividend :-		
a) On Equity Shares	7.26	7.26
b) On Preference Shares	1.16	0.62
c) Corporate Dividend Tax	0.93	0.86
Transfer to:-		
a) Debenture Redemption Reserve	2.16	1.50
b) General Reserve	80.00	3.62
Balance carried forward	42.30	103.42



DIVIDEND

The Board, in its meeting dated 29th March, 2000 approved the payment of an Interim Dividend. The dividend for equity shares will be at the rate of 18% amounting to Rs 726 lacs, 14% and 11.50% on Preference Shares aggregating Rs 116 lacs, while the Corporate Dividend Tax amounts to Rs 93 lacs.

The Board has decided not to recommend any further dividend.

GRAPHITE DIVISION

Exports

All the major Graphite Electrode producers of the world had to decrease production during the year on account of steep fall in steel production. Despite such adverse market conditions, your company was not only able to increase its total production from 18683 tons to 19176 tons but the export has also increased by 14% from 13302 tons to 15148 tons. The Exports accounted for 79% of Graphite Electrodes production. In value terms it increased from Rs. 169 Crores to Rs. 174 Crores.

The company's increased emphasis on quality paid off and with the ongoing process of improvement in the quality of products, the company was able to successfully penetrate into the highly quality conscious markets of USA and Europe, wherein the exports increased by over 50%. The company has also started supplying its products to Japan, besides regular supplies to over 25 countries around the globe.

After two consecutive years of negative growth in International Steel production, the last six months have shown a turn around with an increase of approximately 10%. The company is now well poised to take advantage of this upturn in the increased demand for Graphite Electrodes.

Overall capacity utilization of Graphite Electrode producers around the world is now touching 95%. This is likely to put some pressure on electrodes supplies in the near future. Encouraged by this and the strong demand, the International Graphite Electrode producers have announced an increase in the selling price by about 6%. This will benefit your company also.

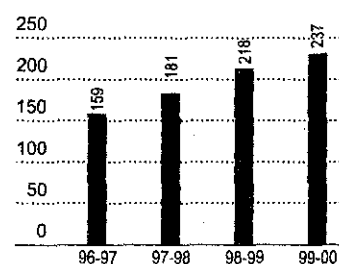
Domestic

After nearly three years of negative growth, domestic demand for Graphite Electrodes also increased during 1999-2000. As a result, the company's sales in the domestic market increased by approximately 14% from 4504 tons to 5118 tons. (Steel industry witnessed a steady revival in production and demand, especially in the flat products and alloy steel segments.) Additional demand for graphite electrodes has also arisen due to its increased usage in Ladle Furnaces. The trend is likely to continue in the current year as well.

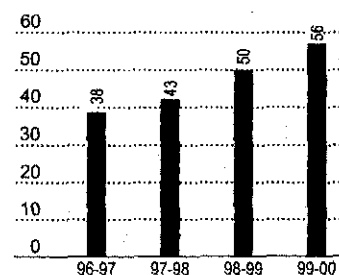
Expansion-cum-modernisation

Encouraged by improved export performance of the Division, coupled with a near full capacity utilization worldwide, the company has decided to expand / modernize its Graphite facilities. Upon completion, the capacity of this Division will go up to approximately 28,000 tons from the current level of 22,000 tons.

Net Worth
(Rs. in Crores)



Book Value
(In Rupees)



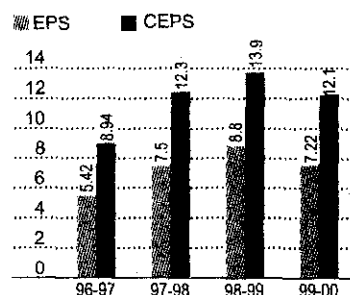


This would make the company's Graphite facilities amongst the largest in the world giving rise to substantial economies of scale. This would also result in increased competitiveness in the export market.

An investment of Rs 55 Crores has been earmarked for this purpose. This expansion cum modernization would be partly commissioned during the current year while the full commissioning is slated for middle of 2001. Apart from an increase in the capacity, this would also allow the company to make a total switch over to the fast growing larger size Ultra High Power products.

Earning Per Share

(In Rupees)



Business process Re-engineering (BPR) and cost reduction initiative:

The Company engaged the services of Price Waterhouse Coopers (PWC) for BPR, Supply Chain and Cost Reduction measures at the Graphite Plant. The steps suggested by them together with the company's own initiatives resulted in a saving of Rs 4.00 Crores during the year. The Company is presently implementing BPR and will also undertake Enterprise Resource Planning (ERP) in due course.

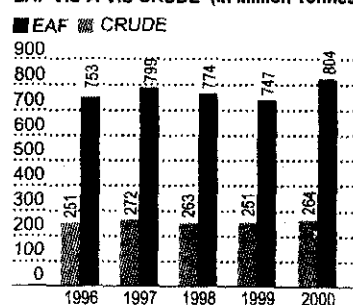
POWER DIVISION

The decision to install Captive Power Plants proved to be a far sighted one. It has helped the Company produce electrical energy at a price far below that charged by the State Electricity Board, thereby significantly boosting the profitability. Fuel consumption of the two power plants—hydro & waste heat recovery is minimal. Interest and depreciation constitute bulk of the cost of generation. The advantage lies in the fact that while the interest cost keeps going down with the passage of time due to the repayment of loans, the price of energy from State Electricity Board continues to rise year after year.

This division will also benefit from the proposed expansion of the graphite facility. Presently the Graphite Division is not in a position to consume the entire energy produced by the Captive Power Plants forcing the company to sell surplus power to State Electricity Board at a reduced price. With the expansion of capacity of the graphite division, the Company will be able consume the entire output generated by the power plants thereby further improving the profitability.

World Steel Production

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



(a) HYDRO-ELECTRIC POWER PLANT : TAWA

The generation during the year was 8.42 Crores KWH as compared to 6.09 Crores in the preceding year. This was in fact the highest ever production achieved since the commencement of operations and is substantially higher than the rated capacity.

(b) WASTE HEAT RECOVERY PLANT : DURG

The unit mostly uses the waste gas released from the Sponge Iron Plant to generate power. The unit produced 8.21 Crores KWH as compared to 8.16 Crores KWH during the preceding year.

(c) RISHABHDEV (WARTSILA DG SET)

The 4.2 MW unit set up for captive consumption of the Textile plant generated 2.81 Crores KWH at a cost much lower than that of power from the State Electricity Board.



SPONGE IRON DIVISION

Continued focussed attention had enabled this division to achieve a production of 70,080 MT in 1998-99 compared to 65753 MT in 1997-98 and 60646 MT in 1996-97. This year production increased further to 70,500 MT and capacity utilisation was 117.5%.

Despite the fluctuation in the price realisation and the recessionary conditions prevailing, the unit showed a cash profit against cash loss during the preceding year. This was achieved by better price realisation, cost reduction and improved productivity in all spheres of operations.

TEXTILES

a) RISHABHDEV UNIT

The unit registered an impressive turn around by posting a cash profit as compared to cash loss during the preceding year.

The unit produced 10855 MT Polyester, Viscose, Polyester / Viscose and other blended yarn during 1999-2000 compared to 9809 MT during the preceding year, thereby recording a growth of almost 11%. Export sales at 4554 MT (Rs 42.00 Crores) is more than double (2289 MT – Rs 22.27 Crores) of the previous year. All this has been possible with the rationalisation of machinery and manpower utilisation and development of higher valued added products. The increase in export production and sales also helped the unit to improve its bottom line.

b) JAMMU UNIT

This division recorded an improved export performance of Rs 3.85 Crores as against Rs 2.67 crores during the preceding year.

CURRENT YEAR OUTLOOK

The Graphite division is expected to post higher volume due to a healthy order book position. The profitability is also expected to be higher due to commissioning of the partially expanded capacity during the later half of the year. The increase in international demand coupled with the recent price increase announced by the International Producers will also help. The Power division is likely to maintain its performance. Sponge Iron production and profitability is also expected to be better than the preceding year. The operations of the textile divisions have been turned around and are expected to make a positive contribution to the bottom line during the current year.

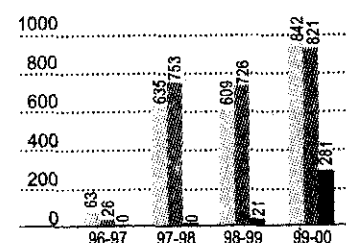
HUMAN RESOURCES DEVELOPMENT

The Directors take pride in the harmonious & cordial relations between the Company and employees at all levels in various units. The Company organised various training programmes, workshops, seminars etc., during the year with the intention of infusing technical skills and quality consciousness in a bid 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.

Power Generation

(Lacs KWH)

■ HYDEL ■ WHRS ■ R'DEV





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 Kamal Gupta, Shri B. V. Bhargava and Shri V. K. Mehta, Directors, retire by rotation and being eligible, offer themselves for reappointment. The Board recommends their reappointment.

During the year ICICI Ltd. nominated, on the Board, Shri S. P. Paniyadi in place of Shri S. C. Nanda. The Board welcomes Shri Paniyadi and places on record its appreciation for the valuable contribution made by Shri Nanda during his tenure as Director.

AUDITORS

The term of appointment of M/s Doogar & Associates and M/s S. S. Kothari & Company, expires on the conclusion of the forthcoming Annual General Meeting and being eligible, are recommended for reappointment.

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

Necessary steps were taken by your Company to ensure Y2K compliance by upgradation / replacement of hardware and software. Consequently, the Company had a smooth transition to the year 2000.

STOCK EXCHANGES.

Your Company is listed with Madhya Pradesh Stock Exchange, National Stock Exchange, Mumbai Stock Exchange, Delhi Stock Exchange, Calcutta Stock Exchange, Jaipur Stock Exchange and Bangalore Stock Exchange(s). The necessary listing fees have been duly paid.

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 : 8th May, 2000

Ravi Jhunjunwala
Chairman cum Managing Director