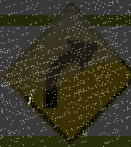




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HEG Limited

Annual Report 2000-2001

The LNJ Bhilwara Group is committed to always satisfy its customers, stakeholders, partners, suppliers and employees alike, by adopting world-class practices in all facets of its businesses.

To achieve its objectives, the Group has leveraged its collective resources and capabilities of product designing, creativity, innovation and work practices.

The Group's goals of achieving global standards of productivity, efficiency, quality, customer satisfaction, empowering and involving of people at all levels, have together guided its conduct and action both with internal and external interfaces.

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GROUP SALIENT FEATURES

(Rs. in Crores)

Particulars	1999-2000	2000-2001
Turnover	1538	1687
Export Sales	617	750
PBIDT	274	271
PBDT	161	167
PBT	71	71
PAT	70	69
Gross Fixed Assets	1516	1768
Net Worth	762	851

The LNJ Bhilwara Group is a diverse, multi-location and multi-product conglomerate established in 1961, having business interests in Textiles, Graphite Electrodes, Power Generation, Sponge Iron, Information Technology & IT Enabled Services. Headquartered at Noida (near New Delhi), the Group employs 20,000 people and has 18 production units spread across the country. The fact that export earnings comprise as much as 45% of the groups' turnover of Rs.1687 crores during 2000-2001 underlines its high quality standards.

The Groups' plants are all state-of-the-art and having the latest technology from world leaders.

The Group manufactures a complete range of yarns, fabrics, knitted fabrics and knitwears. In the recent past, the group has also launched new range of fabrics: Flame Retardant, Lycra, Polynosic and Tencel.

The Group has also ventured into international quality Specialised Automotive Fabrics and is currently supplying to the major automobile companies in India. The group has been servicing world class customers and leading several global brands for their knitted garments. The domestic brands, 'Mayur Suitings', 'BSL Suitings', 'La Italia' Trousers & Shirts and 'Buddy Davis' Leisurewears are well respected by the customers.

The Graphite exports constitute about 80% of total sales volumes of graphite division.

In its four-decade long existence, the group has come to be identified with quality and world-class technologies. Seven Group companies have been awarded ISO 9002 certification for their exemplary quality services.



HEG LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in Crores)

Particulars	1998-99	1999-2000	2000-2001
Turnover	426.12	465.93	545.03

Exports	193.71	219.67	303.54
PBIDT	100.35	87.61	97.60
Interest	43.78	38.01	35.08
PBDT	56.57	49.60	62.52
Depreciation	19.19	19.58	20.28
Taxation	1.22	(0.37)	2.13
PAT	36.16	30.39	40.11

Net Worth	218.38	237.42	257.65
-----------	--------	--------	--------

EPS (Rs.)	8.80	7.22	9.80
CEPS (Rs.)	13.56	12.08	14.70
Book Value per share (Rs.)	50.25	55.80	63.67



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 V. K. Mehta	
Shri D. N. Davar	
Shri B. V. Bhargava	
Shri Kamal Gupta	
Shri P. Murari	
Shri S.L. Rao	
Shri E.I. Thomas	(Nominee LIC)
Shri K. M. Agarwal	(Nominee UTI)
KEY EXECUTIVES	
Shri V. P. Singh	Executive Director
Shri R. C. Surana	President
Shri Prakash Maheshwari	President (Rishabhdev Unit)
Shri Anil Gandotra	President (Jammu Unit)
Shri R. K. Panagariya	Vice President (Durg Unit)
COMPANY SECRETARY	
Shri Ramesh Gupta	Vice President (F & C) -cum- Company Secretary
CORPORATE OFFICE	REGISTERED OFFICE
Bhilwara Towers, A-12, Sector-1, Noida-201 301 (U.P.) Ph. : 91-4541810 (EPABX) Fax : 91-4531648, 4531745 E-mail : hegltd@vsnl.com	Mandideep, (Near Bhopal), Distt. Raisen, M. P.-462 046 Phone : 07480-33524 to 33527 Fax : 07480-33522 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	WORKS
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	Graphite Mandideep, (Near Bhopal) Distt. Raisen M.P., Pin : 462046 Phone : 07480-33524 to 33526 Fax : 07480-33522
Calcutta 604, Central Plaza, Block-4, 6 th Floor 2/6, Sarat Bose Road Calcutta-700 020 Phone : 033-4759963, 4745803 Cable : HEGCARBONS	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
Bangalore 1-1304-04 (13 th Floor) Brigade Tower, 135, Brigade Road, Bangalore - 560 025 Phone : 080-2271067 Cable : HEGCARBONS Fax : 080-2218940	Sponge Iron and Waste Heat Recovery System (Power Plant) Industrial Growth Centre, Borai, Distt. Durg (M.P.) Phone : 0788-467215-647207-208 Fax : 0788-647201/208, 647248, Hydel Power Village Ranipur, Tawa Nagar, Distt. Hoshangabad, M.P. 461 001 Telefax : 07572-32590, 72849
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DIRECTORS' REPORT

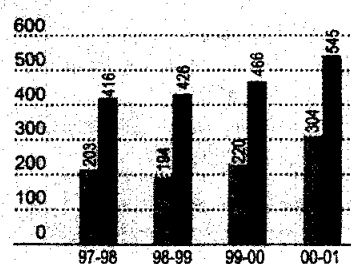
TO THE MEMBERS

The Directors are pleased to present the 29th Annual Report together with the Audited statement of Accounts for the year ended the 31st March 2001, as follows:-

A. Financial Results :-

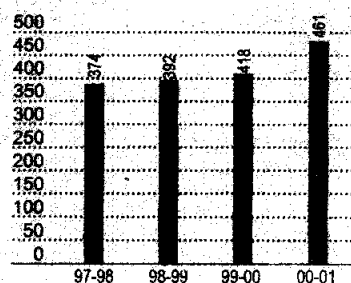
(Rs. in Crores)

Turnover
(Rs. in Crores)
■ Turnover ■ Exports



	THIS YEAR	PREVIOUS YEAR
Turnover		
– Domestic	241.49	246.26
– Export	303.54	219.67
Total	545.03	465.93
Profit Before Interest, Depreciation and Taxes	97.60	87.61
Interest	35.08	38.01
Profit Before Depreciation and Taxes	62.52	49.60
Depreciation	20.28	19.58
Profit Before Tax	42.24	30.02
Taxes	2.13	(0.37)
Net Profit (Including extra-ordinary items)	40.11	30.39
Net Profit (Excluding extra-ordinary items)	42.53	30.39
Gross Block	461.40	417.81
Net Worth	257.65	237.42
EPS	9.80	7.22

Gross Block
(Rs. in Crores)



B. Appropriations :-

Amount available for appropriation	82.41	133.81
Dividend :-		
a) On Equity Shares	8.06	7.26
b) On Preference Shares	0.82	1.16
c) Corporate Dividend Tax	1.00	0.93
Transfer to :-		
a) Debenture Redemption Reserve	6.70	2.16
b) General Reserve	40.00	80.00
c) Capital Redemption Reserve	10.00	–
Balance carried forward	15.83	42.30



TURNOVER & PROFITS

The Company's turnover improved by 17% mainly due to the higher volumes achieved by Graphite Division. Export turnover was up by 38% due to consistent quality and long term orders from customers. Export turnover constituted 56% of the total turnover of the Company.

The Company posted higher net profit of Rs 40.11 Crores (Rs 30.39 Crores). The profitability would have been even better had Tawa Hydro-Electric plant not been severely affected by failure of monsoon in Madhya Pradesh.

DIVIDEND

The Board, in its meeting held on 21st October, 2000 approved the payment of an Interim Dividend on 11.5% Preference Shares aggregating to Rs 82.88 lacs. These Preference Shares were fully redeemed on 17.12.2000.

The Board has also declared a dividend on equity shares at the rate of 20% amounting to Rs 806 lacs.

The corporate dividend tax on Preference Shares and Equity Shares shall amount to Rs 100 lacs,

Management Discussion & Analysis.

We are now focussed on increasing our export performance. We have become a global company serving all major geographic markets. Our worldwide market share being relatively small, tremendous opportunities exist to expand and capture a larger market share.

Graphite

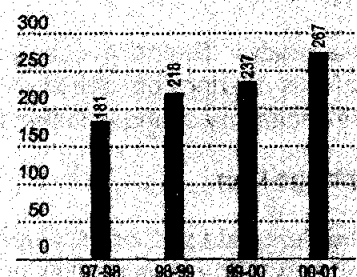
The Graphite Electrode market is dominated by MNCs and there are strong entry barriers in the form of access to technology. The demand for electrodes is derived from the steel production through the Electric Arc Furnace (EAF) route.

EAF steel after having witnessed a fall in two preceding years i.e. 1998 & 1999, posted a growth of 5.1% during 2000. The growth in EAF steel production is expected to be sustained in 2001 and we are confident of achieving a larger share of the world market with the help of our expanded capacity.

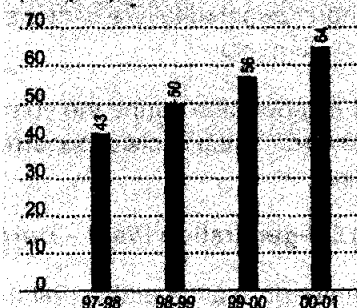
The quality parameters of our electrodes are now at par with the leading producers of the world. We continue to add new customers from the developed countries. The export growth during the year was 23% in volume terms and we expect to maintain similar growth in next year.

We are now amongst the best in the world and are exporting Graphite Electrodes to the largest steel mills in the world. Majority of our exports are made to the developed countries like USA, Canada, Germany, France, Italy, Japan, South Korea, Taiwan besides many other countries in the Middle East, Latin America, Africa and Asia. Our client list is impressive, consisting of some of the largest

Net Worth
(Rs. in Crores)



Book Value
(In Rupees)





and the best steel producers like POSCO (South Korea), Ispat International, Usinor (France), Riva (Italy), Nucor, North Star, Tiemkin (USA) etc.

The export competitiveness is based on the timely decision to invest in Hydro Electric and Co-generation Power Plants which were commissioned in early 1997. The nature of these two Power Projects is such that while the variable cost is negligible, the total cost, comprising largely of interest and depreciation, keeps reducing over the years. The expansion of capacity to 30,000 MT will further facilitate export competitiveness by achieving economies of scale.

The division has taken several steps to de-bottleneck operations, improve productivity and minimize costs. The division has adopted "Business Excellence Model" and has achieved substantial successes in areas of Human Resources, Technical, Commercial etc.

It was a satisfying year for the Division, wherein several new records were established. Production scaled a new high of 24,567 tons (19,176 tons, growth of 28%), and exports reached 18639 MT (15148 MT, growth of 23%).

Expansion

As already indicated, the company has undertaken the expansion of capacity to 30,000 MT at a cost of Rs.50 Crores which is nearing completion. Apart from adding volumes and achieving economies of scale, this would also facilitate the necessary changes in the product-mix as per requirements of the world market.

Sponge Iron

The demand for sponge iron is derived from the production of secondary steel which has been facing stagnant conditions due to general slowdown of the economy.

The division improved the production to a record high of 72541 MT with a capacity utilization of 121% as compared to 70,500 MT in 99-00 and continued the focus on cost reduction and improving operating efficiencies.

Power

Electrical power is a major raw material for company's products. The power division caters to the in-house demand of the Graphite division.

a) Hydro-Electric Power Plant – Tawa

While Hydro-electric power remains the most economical sources of power, it faces vagaries of nature from time to time. After an extremely high production last year, the division faced a severe crisis of water during the current year. Unprecedented failure of monsoon resulted in the water inflows, the source for power generation, being the lowest in last 23 years.

The generation during the year was only 1.97 Crores KWH as against 8.42 Crores KWH during the preceding year. However, such cyclical occurrences are normal in Hydro-electric projects. Hopefully the situation will improve this year.

b) Co-generation Plant – Durg

The performance of this unit has been continuously improving since it was commissioned in 1997. The generation touched an all time high of 8.60 Crores KWH (8.21 Crores KWH) and the entire excess power (after captive consumption in Sponge Iron unit) was wheeled to the Graphite Unit. The economies of power generation through waste gas continue to be extremely attractive.



Textiles

The profitability of the Textile division continued to be under pressure.

The Rishabdev unit recorded a higher production of 11842 MT (10,855 MT). The unit also increased its exports from 4554 MT to 6414 MT (up 41%). This was rendered possible with technological upgradation and increases in productivity.

The Jammu posted a lower production and sale of 1454 MT (1462 MT) and 1367 MT (1467 MT) during the year.

FINANCE

The Company funded the debt component of the Graphite expansion project at a competitive rate of 12.5% per annum. The modernisation of the Textile Division was funded by low cost funds obtained under the TUF scheme. The Company also substituted long term borrowings / Preference Shares to the extent of Rs 36 Crores with cheaper loans.

The above measures combined with the steps taken for tightening of working capital requirements, resulted in the lowering of finance cost from Rs 38.01 Crores to Rs 35.08 Crores (Reduction of 9%)

SALE OF INVESTMENTS

The Company exited from the telecom sector which was a joint venture with Motorola as the same was not germane to the existing businesses. In the process, the Company incurred a extra-ordinary, non-recurring loss of Rs 2.42 Crores.

HUMAN RESOURCES DEVELOPMENT

The Company has continued to give special attention to human resource development and total quality management at its different plants. Training programmes continued during the year aimed towards imparting technical skills and improved productivity. The information as per sub-section (2A) of Section 217 of the Companies Act 1956, for the financial year ended 31st March, 2001 is given in Annexure I to this Report. Total number of employees of the company is 2853.

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 D N Davar and Shri P Murari Directors, retire by rotation and being eligible, offer themselves for reappointment. The Board recommends their reappointment.

During the year Shri S L Rao was inducted to the Board as Additional Director, until the conclusion of the Annual General Meeting. The Board recommends his appointment and he shall be liable to retire by rotation.

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 Company has received letters from them to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.



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

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

- i) that in the preparation of Annual Accounts, the applicable accounting standards have been followed. There have been no material departures.
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year ended 31st March, 2001 and of the profit of the Company for that period.
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- iv) that the Directors have prepared the Annual Accounts on a going concern basis.

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.

ACKNOWLEDGEMENTS

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 : 5th May, 2001

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RAVI JHUNJHUNWALA
CHAIRMAN CUM MANAGING DIRECTOR