

NOTICE

Regd. Off: Mandideep (Near Bhopal), Distt. Raisen – 462046, (Madhya Pradesh)
Corporate Office: Bhilwara Towers, A-12, Sector – 1, Noida – 201 301 (U.P.)

NOTICE

NOTICE is hereby given that the 38th Annual General Meeting of HEG LIMITED will be held on Monday, the 20th September, 2010 at 2.00 P.M. at the Registered Office of the Company at Mandideep (Near Bhopal), Distt. Raisen – 462046, Madhya Pradesh to transact the following business :-

1. To receive, consider and adopt the audited Balance Sheet as at the 31st March, 2010, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri D. N. Davar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri K.N. Memani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Shekhar Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring auditors M/s S.S. Kothari Mehta & Co., Chartered Accountants and M/s Doogar & Associates, Chartered Accountants, are however eligible for re-appointment.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the remuneration paid/payable to Shri Riju Jhunjunwala, as Executive Director of the Company for the period 1st May, 2010 to 27th July 2010 be and is hereby approved and ratified per terms enumerated hereunder:-

Salary : Rs. 2,00,000/- p.m.

Commission : Not more than 0.333% of the net profits of the Company as computed in the manner laid down in Section 309(5) of the Companies Act, 1956.

Perquisites: In addition to the salary and commission, Shri Riju Jhunjunwala is entitled to the following perquisites:

Category 'A'

- i) Housing:
 - a) The expenditure incurred by the Company on hiring unfurnished accommodation for him subject to a ceiling, namely (for residence in Delhi/outside Delhi), 60% of the salary, over and above 10% payable by him, or
 - b) In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company, or
 - c) In case no accommodation is provided by the Company, a house rent allowance subject to a ceiling of 60% of the salary.

The expenditure incurred by the Company on Gas, Electricity, Water and Furnishing shall be valued as per Income-tax Rules, 1962 and will be subject to a ceiling of 10% of the salary.

- ii) Medical Reimbursement:

For self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

- iii) Leave Travel Concession:

For self and family once in a year incurred in accordance with the Rules specified by the Company.

- iv) Club Fees:

Fees, subject to a maximum of two clubs will be allowed. This will not include admission and life membership fees.

- v) Personal Accident Insurance:

Of an amount, the annual premium of which not to exceed Rs. 10,000/-.

For the purpose of this category, "family" means the spouse, dependent children and dependent parents.

Category 'B'

- i) Provident Fund:

Company's contribution to provident fund shall be as per the scheme of the Company.

- ii) Superannuation / Annuity Funds:

Company's contribution to superannuation/ annuity fund shall be in accordance with the scheme of the Company.

iii) Gratuity:

As per Rules of the Company, payable in accordance with the approved fund at the rate of half a month's salary for each completed year of service.

Category 'C'

i) Car:

Provision of car for use on company's business. A car for personal use would be provided by the Company and the valuation of the perquisites of the same would be as per Income Tax Rules.

ii) Telephone:

Telephone at residence. Personal long distance calls shall be billed by the Company.

iii) Soft furnishing allowance of Rs.3,000/- per month."

BY ORDER OF THE BOARD
For **HEG LIMITED**

Place: Noida (U.P.) **(ASHISH SABHARWAL)**
Date : 27th July, 2010 **COMPANY SECRETARY**

NOTES:

1. A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business under Item No. 7 of the Notice is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from the 10th September, 2010 to 20th September, 2010, both days inclusive.
5. The dividend on equity shares, if declared at the Annual General Meeting, shall be paid to those Members whose names appear in the Register of Members on the date of the Annual General Meeting and in case of shares held in electronic form appear as Beneficial Owners at the close of the business hours on Thursday, the 9th September, 2010.
6. In order to avoid fraudulent encashment of Dividend Warrant(s), members are advised to inform any change in their Bank A/c No., name and address of the Bank etc. to their Depository Participant (in case of holding in electronic form) and to the Registrar & Transfer Agent of the Company (in case of holding in physical form) for incorporating the same on Dividend Warrants.

7. Members are requested to bring their copies of the Annual Report at the Meeting.

8. Members, who hold shares in Physical/ Dematerialised Form, are requested to bring their Folio No./ DP ID Number and Client ID Number for identification at the Meeting.

9. Members desiring to seek any information on the Annual Accounts are requested to write to the Company so that the query reaches to the Company at least one week in advance of the Annual General Meeting.

10. As required under Clause 49 of the Listing Agreement with Stock Exchanges, brief profiles of Directors seeking appointment / re-appointment at the Annual General Meeting are given in the Corporate Governance Report forming part of the Annual Report of the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:-

ITEM No.7:-

Shri Riju Jhunhunwala was appointed as a Whole-time Director of the Company designated as Executive Director for the period of 5 years effective from the 30th April, 2009. His remuneration was approved for a period of one year w.e.f. the 1st May, 2009. The Board had at its meeting held on 30th April, 2010 approved the remuneration of Shri Riju Jhunhunwala for the period of next two years only w.e.f. 1st May, 2010 to 30th April, 2012. However, on 27th July, 2010, on the request of Shri Riju Jhunhunwala, he was relieved from the position of Executive Director of the company. He shall continue as a non-executive director of the company retiring by rotation. Hence his remuneration for the period 1st May, 2010 to 27th July 2010 needs to be approved/ratified by the shareholders.

Accordingly, the resolution at Item No. 7 is commended for your approval in terms of schedule XIII of the Companies Act, 1956.

The particulars set out in the resolution may be treated as an abstract in terms of Section 302(2) of the Companies Act, 1956.

None of the Directors may be deemed to be concerned or interested in the proposed Resolution except Shri L.N. Jhunhunwala, Shri Ravi Jhunhunwala and Shri Riju Jhunhunwala himself.

BY ORDER OF THE BOARD
For **HEG LIMITED**

Place: Noida (U.P.) **(ASHISH SABHARWAL)**
Date : 27th July, 2010 **COMPANY SECRETARY**



HEG LIMITED

Regd. Off: Mandideep (Near Bhopal), Distt. Raisen – 462046 (Madhya Pradesh)

PROXY FORM

DP ID/CL ID/Folio No. No. of Shares held

I/We of being a member/members of HEG Limited, hereby appoint of or failing him/her of as my/our proxy in my/our absence to attend and vote on my/our behalf at the 38th Annual General Meeting of the Company to be held on Monday, the 20th September, 2010 at 2.00 P.M. at the Registered Office of the Company at Mandideep (Near Bhopal), Distt. Raisen - 462 046 (Madhya Pradesh) and/or at any adjournment thereof.

Signed this day of 2010.

Signature

Please affix
Re. 1/-
Revenue
Stamp here

NOTE: The Proxy Form, duly completed, must reach the Registered Office of the Company, not less than forty-eight hours before the time of holding this Meeting.

HEG LIMITED

Regd. Off: Mandideep (Near Bhopal), Distt. Raisen – 462046, Madhya Pradesh

ATTENDANCE SLIP

DP ID/CL ID/Folio No. No. of Shares held

Full name of shareholder

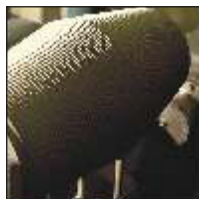
Full name of Proxy / Representative

I hereby record my presence at the 38th Annual General Meeting of the Company being held on Monday, the 20th September, 2010, at 2.00 P.M. at the Registered Office of the Company at Mandideep (Near Bhopal), District Raisen - 462 046 (Madhya Pradesh).

Signature of the shareholder / proxy / representative*

Note: Please fill in this attendance slip and hand over at the entrance of the Meeting hall.

* *Strike out whichever is not applicable.*



LEADING BY EXAMPLE



ANNUAL REPORT 2009-10





PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

Group Salient Features

- The Group has a turnover of Rs. 4,000 crore - Export constitutes 46% (Rs. 1,840 crore).
- One of the largest textile houses in the country with a turnover of over Rs. 2,450 crore - Export constitutes 42% (Rs. 1,025 crore).
- One of leading manufacturer and exporter of Graphite Electrodes in the country with turnover of Rs. 1,084 crore - Export constitutes 74% (Rs. 807 crore).
- Largest producer and exporter of Synthetic Blended Yarn and largest range in Greige, Dyed and Mélange Yarn with total spindleage capacity of nearly 5 Lacs.
- Manufacturer of Wool Blended and Premium Light Weight Fabrics, Worsted Fabric, Silk Synthetic fashion Fabric and Denim Fabric.
- India's one of the largest vertically integrated Knitwear Company.
- Manufacturer of Flame Retardants, Air – texturized Yarn and Automotive Furnishing Fabric.
- World's largest single site plant of Graphite Electrodes with a production capacity of 66,000 TPA.
- The Group has 120 MW Thermal Power Plants, approx. 300 MW Hydro Power Plants & 60 MW HFO based Captive Power Plants.
- The Group generated 1,300 Million power units in the year 2009-10.
- A consulting Company providing engineering consultancy services for Hydro Power Projects.

Group Companies



Corporate Information

BOARD OF DIRECTORS

| | |
|--------------------|------------------------------|
| L. N. Jhunjhunwala | Chairman-Emeritus |
| Ravi Jhunjhunwala | Chairman & Managing Director |
| Shekhar Agarwal | Vice-Chairman |
| V. K. Mehta | Director |
| D. N. Davar | Director |
| K. N. Memani | Director |
| Kamal Gupta | Director |
| P. Murari | Director |
| Mohanraj Nair | Nominee Director - LIC |
| O. P. Bahl | Director |
| N. Mehta | Alternate to V. K. Mehta |
| Riju Jhunjhunwala | Executive Director |

Chief Operating Officer

K. Vaidyanathan

Chief Strategy & Project Officer

Jacob Mani

Chief Financial Officer

Manvinder Singh Ajmani

Company Secretary

Ashish Sabharwal

Bankers

State Bank of India
Punjab National Bank
HDFC Bank Ltd.
The Hongkong & Shanghai Banking Corp. Ltd.
IDBI Bank Ltd.
Landesbank Baden Wurttemberg, Germany
DEG, Germany
Central Bank of India
Kotak Mahindra Bank
Standard Chartered Bank

Auditors

Doogar & Associates
S. S. Kothari Mehta & Co.

Registrar

M/s. MCS Ltd.
F-65, First Floor, Okhla Industrial Area,
Phase-I, New Delhi - 110020

Note : Mr. V. K. Mehta : Deceased on 24-07-2010, Mr. N. Mehta : Consequently ceased to be Alternate Director, Mr. Riju Jhunjhunwala : At his request relieved from the position of Executive Director w.e.f. 27-07-2010 and continues as a Non-Executive Director, Mr. L. M. Lohani is the nominee Director of LIC in place of Mr. Mohanraj Nair w.e.f. 27-07-2010.

Stock Exchanges where the Company's shares are listed:

Bombay Stock Exchange Ltd.
National Stock Exchange of India Ltd.
Madhya Pradesh Stock Exchange Ltd.

Corporate Office

Bhilwara Towers, A-12, Sector-1
Noida - 201301, U.P., India
Phone: +91 (0120) 4390300
Fax: +91 (0120) 2531648

Registered Office

Mandideep (Near Bhopal)
Distt. Raissen - 462046
Madhya Pradesh, India
Phone: +91 (07480) 233524 to 233527
Fax: +91 (07480) 233522

Works

Graphite Electrodes & Thermal Power Plant
Mandideep (Near Bhopal)
Distt. Raissen - 462046
Madhya Pradesh, India
Phone: +91 (07480) 233524 to 233527
Fax: +91 (07480) 233522

Hydro Electric Power
Village Ranipur, Tawa Nagar
Distt. Hoshangabad - 461001
Madhya Pradesh, India
Phone: +91 (07572) 272810, 272859
Fax: +91 (07572) 272849

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Message from the **Chairman & Managing Director**

Dear Shareholders,

I am happy to write this at a time when we are in the midst of a significantly improved global economic situation compared to last year. The developing economies have shown tremendous resilience even as the downward spirals in the developed countries appear to have halted. There are some uncertainties in Europe and Japan, but USA is gradually showing some growth prospects.

Active steps taken by various Governments to provide stimulus packages have contributed a great deal in this recovery. In the Indian context, the steps taken by the Government and the RBI have not only insulated the Indian economy but have also provided growth incentives wherein we hope to achieve a 9-10% GDP growth for FY 2010-11.

HEG Limited is a leading global manufacturer of Graphite Electrodes, which find their biggest application in Electric Arc Furnaces (EAF) in steel plants. As you are aware, HEG Limited's customer base is spread across the world, and the global economic conditions had affected the business marginally during the year under review. However, in the backdrop of signs of recovery, sustainability and growth are returning to the steel and graphite electrode industry.

Given the gloom and associated anxieties during the year under review, we have performed fairly well. Largely on account of a satisfied strong customer base, quality, cost initiatives and improved realizations, our revenues for the current year have shown an increase of 10% over the preceding year. Concurrently we could achieve an EBITDA of Rs. 354 crore, an increase of 29% over the last financial year and increase in Profit After Tax of 60% at Rs. 171 crore.

We are also enthused at the prospects of Steel and Electric Arc Furnace manufacturing in the near future. Industry data suggests Global Steel production in 2010-11 is likely to reach an all time high at about 1400 million MTs, significantly above the previous year's level of 1220 million MTs and even higher than the peak levels achieved in 2007 & 2008. Electric Arc Furnace Steel production is also likely to see an equally good recovery. The uptrend is likely to continue as we move ahead in FY 2011-12. We have



diligently worked on improving operational efficiencies along with rational control on our costs all these years and would continue. This, along with improvement in the market conditions and increased production levels, has given us the conviction to project another sound performance in FY 2010-11.

Considering the improved scenario, we have expanded HEG's capacity from 60,000 tons to 66,000 tons in the year under review. With this, our plant has become the largest single-site facility for graphite electrode manufacturing in the world, a feat which bolsters our confidence. The expansion has helped us achieve optimization of costs and better operating efficiencies. The current sentiments also gives us the confidence to move ahead with the next phase of expansion to take the capacity to 80,000 MTs per annum. This expansion will require an investment of approximately Rs.206 crore and we hope to achieve this by September – October 2011. The financial requirement will be met by a combination of internal accruals and debt. Currently this expansion is on schedule.

During FY2009-10, the Company's production volume has been lower than the previous year's level as a result of the global meltdown. However, this is expected to rise considering the growth in global EAF capacities. Rising confidence in the economy and steel industry has also meant we witness an upsurge in order booking.

You will also be glad to know that there were no major fluctuations in prices of needle coke for calendar year 2010 as compared to 2009 and we have requisite stocks to meet our annual requirement for UHP grade electrode production.

You are aware, power is another major cost component for graphite electrode industry. HEG is well-placed with the strategic advantage it has built through the power segment. The total power capacity of around 77MW will be sufficient even at the expanded capacity levels of graphite electrodes. During the last year the Company received coal linkages for the thermal power plants. The hydel power plant at Tawa has performed well as a result of adequate rainfall in the catchment area and this has helped us further in lowering costs.

Along with deploying best industry practices, we are also critically aware of the need to be in harmonious sync with the communities with which we work. At HEG, we have adopted

a robust corporate social responsibility practices towards social welfare, environment, energy conservation and stakeholder interests. HEG has adopted two villages in Madhya Pradesh which are witnessing all round development. Realizing that the future lies in today's youth, we have created the Graphite Education and Welfare Society, a non-profit trust for improving educational awareness, health care, afforestation, drinking water, hygiene, sanitation, crafts and other community welfare work.

You are all aware graphite electrode industry is a capital and technologically intensive industry with a long gestation period. Our efforts in last 30 years have resulted in a world class, hi-technology and exclusive facility of international standards at Mandideep for manufacturing of graphite electrodes. It is no mean achievement that today our product is at par with products of other global players. Going ahead, we not only wish to sustain but also improve the quality of our products through continuous research and development activities. With substantial new capacities of the electric arc furnaces expected in the short to medium term, the demand for graphite electrodes is expected to improve and your Company is well positioned to take the leadership position in this upswing.

With a view to share our growth with our shareholders, the Board of Directors is pleased to recommend a dividend of Rs.10/- per share for the FY 2009-10.

On behalf of the Board of Directors, it gives me immense pleasure in thanking each one of you - our trusted customers, suppliers, service providers, employees, lenders and shareholders for your spirited support in our endeavours. I feel extremely humbled and honoured to be part of you all.

With best regards,

Ravi Jhunjunwala
Chairman & Managing Director

Management Discussion and Analysis

The Macro Economic Scenario

The year under review has seen significant improvement in the global economic sentiments. While the recovery has been uneven across various regions, the developing countries have contributed significantly to the overall growth. There is general unanimity that the worst of the crisis is behind us. While there are some uncertainties with regard to economies in Europe and Japan, USA seems to have stabilized and is gradually showing steady improvement. The active steps taken by various Governments to provide stimulus to their respective economies, have contributed significantly to this improved situation. Global capacity utilization levels have increased, thus indicating return to normalized levels. As per the WTO, world trade is slated to rebound in 2010 by growing by 9.5%. It is heartening to note that majority of the countries did not impose any additional trade barriers, and in fact reduced the number of barriers, which is going to prove advantageous for growth of global trade.



This financial crisis which began in the United States affected the Indian economy since the second half of 2008-09. As per the Economic Survey, India's fiscal deficit increased from the end of 2007-08, reaching 6.80% (budget estimate) of GDP in 2009-10. The exports were affected as the developed nations were struck by recessionary conditions. Timely steps were taken by the Indian Government and the RBI to somewhat insulate the Indian economy and these steps now give us the confidence to achieve 9-10% growth in FY 2010-11. The efforts of the Chinese Government too have resulted in an increase in the GDP growth of China, which has in turn significantly contributed to the global improvement.

Encouraging Sectoral Outlook

The steel industry achieved an estimated production volume of 1220 million MTs in 2009 which was significantly lower than the previous 2 years. However, the production trends for the current year globally are showing steady improvements and now there is general optimism to achieve a level of 1400 million MTs, which would be an all time high. The outlook is very optimistic and will be driven by most of the developing nations. Further, infrastructure activities globally are gaining importance through emphasis on projects like rail, roads and bridges. India is expected to become the second-largest steel producer by 2012, as a result of its increased focus on infrastructure. Currently China leads in steel production followed by Japan, South Korea and India.

This uptrend in the steel industry will drive production by Electric Arc Furnaces (EAF), thus increasing the demand for graphite electrodes that HEG manufactures. There is growing confidence that even for EAF steel by FY 2011-12, we would be back to previous best level. Most of the growth in the steel industry in general and EAF steel specifically is arising from Asian countries and we are strategically positioned to take advantage of that growth.

The graphite electrode industry being capital and technology incentive, we do not expect any new entrants into this business in the medium term. We are already an established player in this business and can therefore hope to benefit significantly from the overall growth that is expected in the medium term. Our ability to expand our customer base remains consistent with our past performance.

