



# weathering challenges



ANNUAL REPORT  
**2014-15**

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## **In a sluggish business environment...**

The global economy underperformed. Geopolitical tensions increased. Business uncertainty deepened. Fresh infrastructure investments declined. Steel demand growth decelerated, more so for the EAF segment. Peripheral steel sectors struggled.

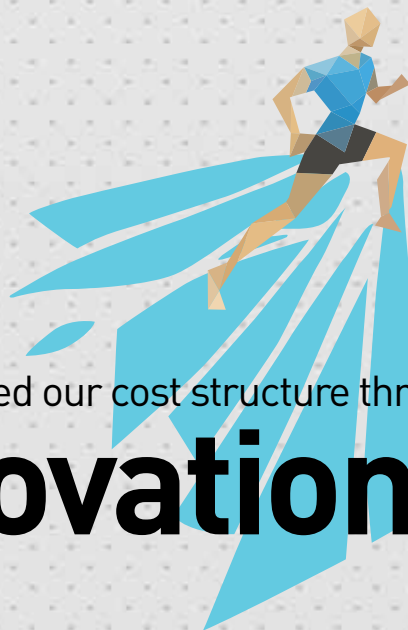
## **...graphite electrode demand remained weak ...**

Demand weakened. Prices dropped. Margins were affected. Global players shut high cost capacities.

## **...but the Company's strategy to counter operational challenges paid off.**

HEG Limited reported an EBIDTA of ₹208 crore and a net profit of ₹39 crore in 2014-15.





## We right-sized our cost structure through **innovation**

IT WOULD HAVE BEEN USUAL FOR A COMPANY TO BE AFFECTED BY FIXED COSTS AS SOON AS REVENUES DECLINED.

But at HEG, we used this slowdown to implement alternate strategies and processes, which have improved every element of costs.

- Optimised the product mix, leading to better cost management.
- Introduced innovative recipes, the output of which has stabilised during the year and is likely to have a positive impact over the coming years.
- Monitored process controls, which strengthened material consumption and reduced in-process wastage.











## We remained prudently **liquid**

ONE OF THE FIRST CASUALTIES IN A SLOWDOWN IS LIQUIDITY, WHICH AFFECTS A COMPANY'S ABILITY TO PROCURE RAW MATERIAL, ADDRESS OVERHEADS AND REPAY LENDERS.

At HEG, we selected to strengthen our cash resources in an increasingly cash-starved economy through the following initiatives:

- Liquidated export incentives through proactive preparation and continuous follow-ups; our related receivables declined significantly.
- Enhanced our focus on receivable management; streamlined our supply chain by reinforcing just-in-time input delivery; adjusted our production cycle to suit customer requirements, moderating the inventory cycle.

HEG generated ₹270 crore from operations in 2014-15, which facilitated an overall reduction in its debt that strengthened competitiveness and liquidity.





We ring-fenced our

# opportunities

A SIGNIFICANT CASUALTY DURING A SLOWDOWN IS NOT JUST AN OFFTAKE-DECLINE BY CUSTOMERS; IT IS CUSTOMER ATTRITION.

At HEG, as the market size shrank, we worked closer with all our customers with the objective to protect our market share. We did so through the following initiatives:

- Maintained close touch with key customers, which ensured steady volumes despite depressed conditions. Reopened product lines which helped in cushioning the impact of decline.
- Added 25 new customers in 2014-15.

The result was that HEG strengthened its hold in the market place despite challenging times.

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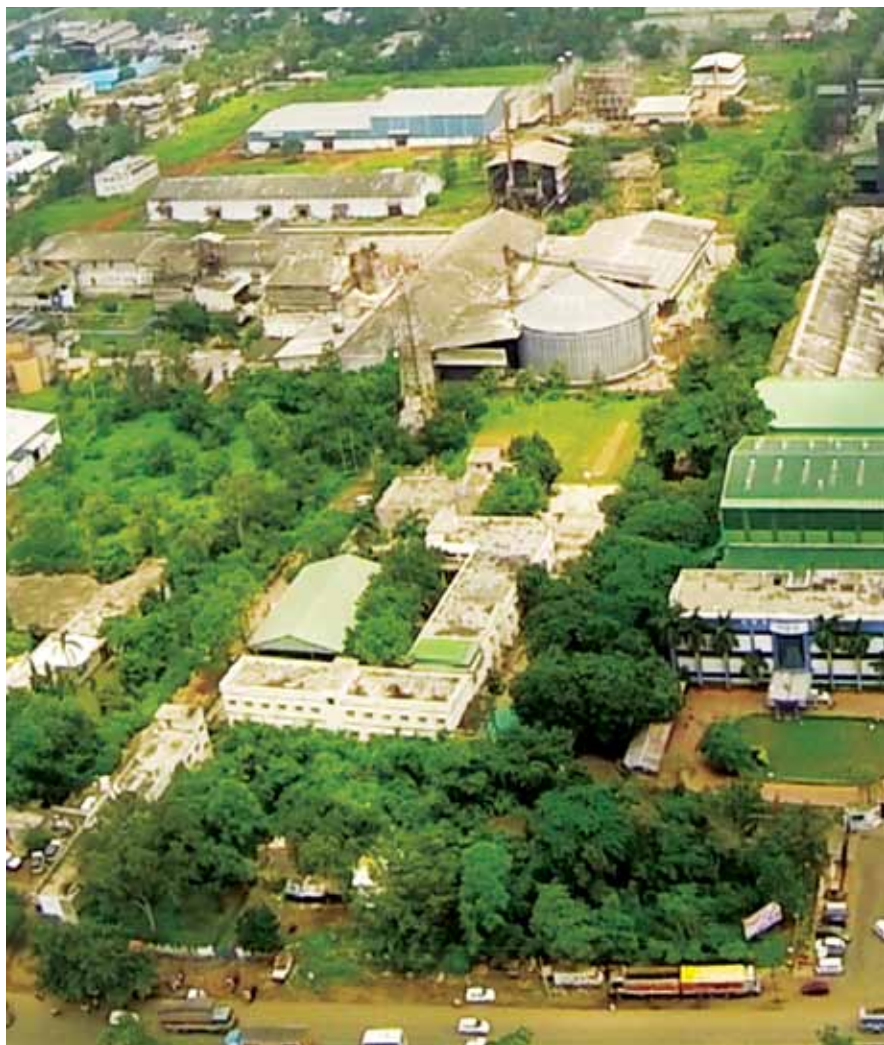




**HEG Limited.**

**Among the  
world's large  
manufacturers  
of graphite  
electrodes.**

**Operating the  
world's largest  
single-site  
integrated  
graphite  
electrodes plant.**



## VISION

A vibrant globally acknowledged top league player in graphite electrodes and allied business with a commitment to growth, innovation, quality and customer focus.

## MISSION

To become a leading international player in graphite electrodes and allied business by leveraging our core competence and thereby enhancing value to our customers, shareholders, employees and society.

## BACKGROUND

- Established technical and financial collaboration with Societe Des Electrodes Et Refractaires Savoie (SERS) in 1977.
- Leading manufacturer and largest exporter of graphite electrodes from India.

## STANDARDS

Certified for ISO 9001:2008, ISO 14001:2004 and OHSAS 18000:2007.