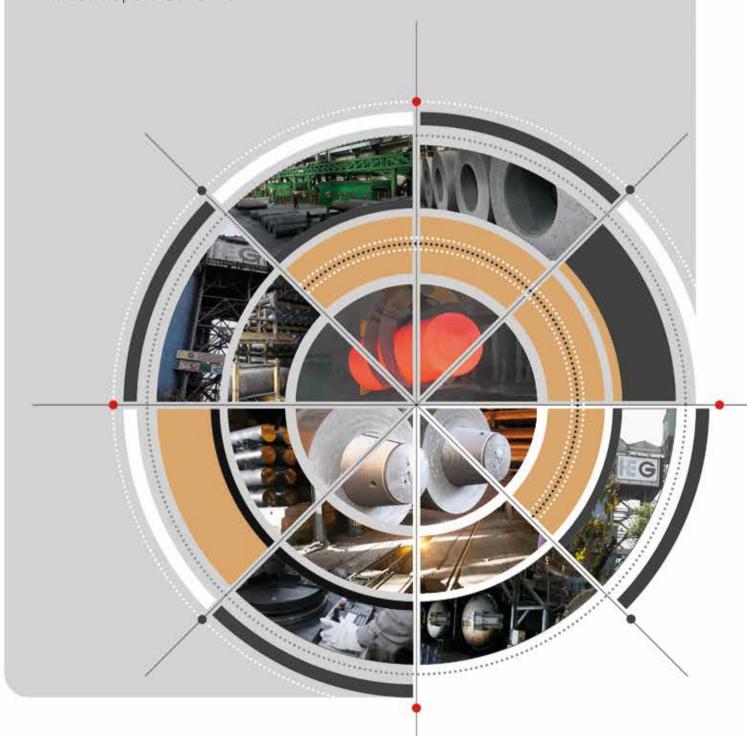
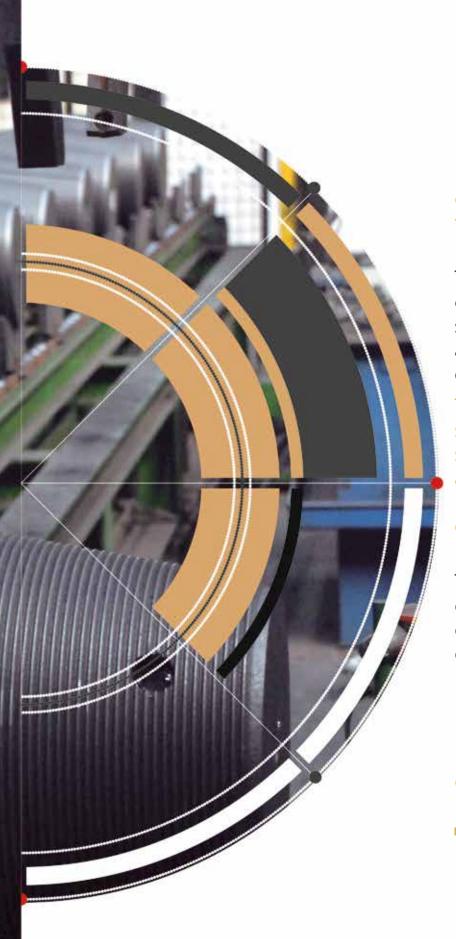
## core strength



HEG Limited Annual Report 2015-16



Free cash flow generation, FY 2015-16 (₹ crore) (₹ crore) (₹ crore) 559 0.28 923 Networth as on March 31, 2016 (₹ crore) Market capitalisation as on March 31, 2016 (₹ crore) Debt-equity ratio as on March 31, 2016 Book value per share as on March 31, 2016 (₹) 8 From the Chairman's desk (4) Corporate snapshot Financial progress Management discussion and analysis (10) Competitive advantages 20 Corporate social responsibility 21 Director Report Directors' Corporate 59 Financial section Governance Report



Fiscal 2015-16 was the most challenging in recent history for the global graphite electrodes industry.

The steel industry faced excessive capacity surplus, reduced steel demand coupled with an onslaught by Chinese steel exports.

The EAF based steel industry struggled to compete with BOF steel due to a drop in iron ore and coal prices vis-à-vis scrap prices. Making BOF steel more cost-competitive compared to EAF steel.

The above resulted in reduced graphite electrode demand globally with all major global graphite electrode leaders reporting sizable losses.

HEG reported a relatively marginal loss emphasising its position as a competitive graphite electrode manufacturers in the world.

HEG Limited Annual Report 2015-16

# Being one of the leaders in the Industry is never enough...

...for there is always something more to be achieved.

IT WOULD HAVE BEEN EASY TO DISMISS A DISHEARTENED PERFORMANCE TO DEPRESSED EXTERNAL CONDITIONS.

At HEG, we selected to strengthen our operations through diverse initiatives instead.

**Streamlined** operations to reduce wastages by about 50% of our earlier benchmark.

Invested in operational automation; procured productivity-enhancing equipment; invested in intellectual capital to enhance man-machine productivity.

Introduced the coveted machining chain technology in India and enhanced customer delight.

Maintained adequate connecting pin inventory (a time-consuming

operation) leading to customised output and timely delivery.

Generated free cash flow of ₹182 crore, which helped in reducing equivalent debt during the year.

Mobilised lower-cost commercial paper over conventional alternatives to address short-term fund requirements.

Addressed new geographies and customers.

Initiated developing graphite products (referred to as specialities) with applications in diverse sectors (chemicals, urban infrastructure and heat exchangers).

The result is that we are more future-ready than ever before and we derisked our business from an excessive dependence on any one product.



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HEG Limited Annual Report 2015-16

### HEG Limited.

With a passion to 'Go beyond'
With the determination to 'Challenge the odds'
With a resolve that 'Yes, we can!'

#### Vision

A VIBRANT GLOBALLY-ACKNOWLEDGED TOP LEAGUE PLAYER IN GRAPHITE ELECTRODES AND ALLIED BUSINESS WITH 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.

#### Snapshot

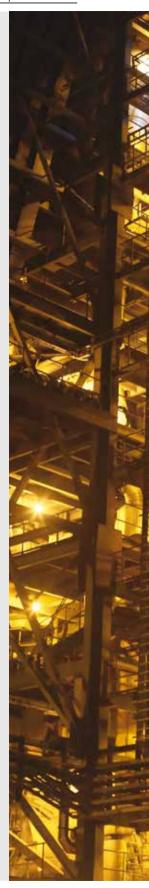
HEG LIMITED IS INDIA'S LEADING GRAPHITE ELECTRODE MANUFACTURER.

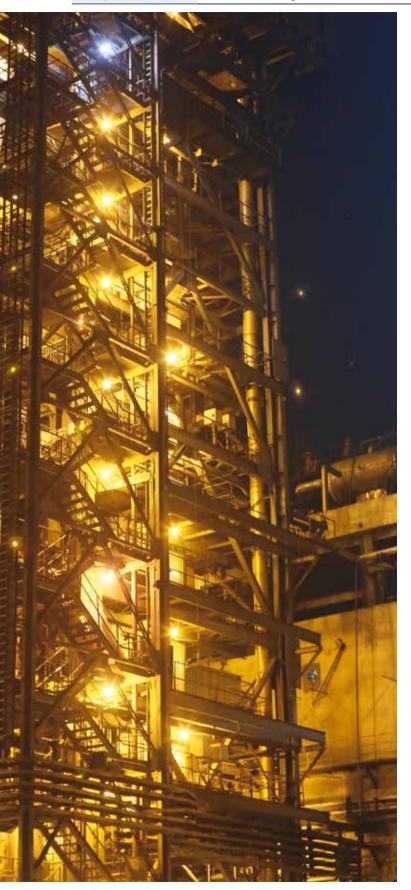
With the capacity of 80,000 MT per annum, it is the largest single-location Graphite Electrode plant. The facility at Mandideep (Madhya Pradesh) is certified as a ISO 9001:2008, ISO 14001:2015 and OHSAS 18000:2007.

The Company has three captive power generating facilities to address its entire power requirement.

The Company enjoys a global marketing presence in more than 30 countries.

The Company's shares are listed on BSE Limited and National Stock Exchange of India Limited.





#### Key customers































#### **OPERATIONAL INFORMATION**

Graphite electrode capacity: 80,000 tonnes per annum

Power generating capacity: 76.5 MW

Team: 1,000+ members

Client base: 100+ customers globally

#### SHAREHOLDER INFORMATION

Face value per share: ₹10

Market capitalisation: ₹559 crore

Net worth: ₹923 crore

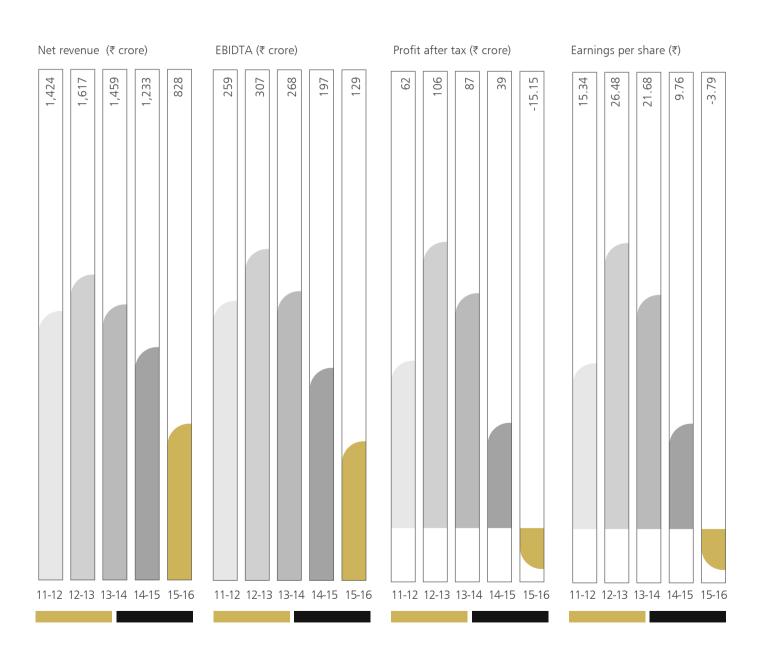
Promoters' holding: 58.79%

BSE code: 509631

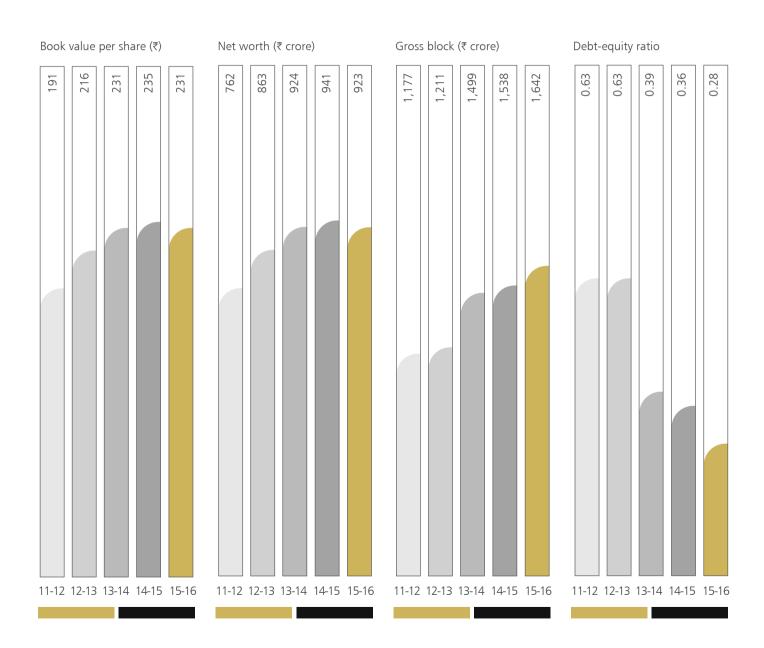
NSE code: HEG

## Maybe down now.

But will be the fastest to rebound!



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HEG Limited Annual Report 2015-16



From the Chairman's desk

# The art of survival...

and how we lived to tell the story.

#### Dear Shareholders

For the graphite electrode industry, 2015-16 was the most challenging in history.

However, the financial year under review was the most enriching for us.

When the customer turned hesitant, we learnt what it means to find new ones.

When sectors turned sluggish, we created new products to address others.

When prices nosedived, we pruned costs to maintain viability.

The result is that, in a year when most global graphite electrode manufacturers encountered substantial losses leading to closure, we remained steadfast despite reporting marginal losses.

This vindicates our long-term positioning to emerge as the last man standing in our space the world over.

#### Subdued business environment

**Steel sector:** Global crude steel production for 2015 declined by 2.8% (*Source: World Steel Association*). Players across the world registered negative growth; in