



STRIVING FOR EXCELLENCE

ANNUAL REPORT 2018-19

CONTENTS

Striving for excellence	1
About us	10
Financial progress	12
Value Creation Model	14
From the Chairman's desk	16
Management Discussion and Analysis	18
Nurturing Inclusive Growth	38
Corporate Information	42
Board's Report	43
Business Responsibility Report	80
Corporate Governance Report	91
Standalone Financial Accounts	113
Consolidated Financial Accounts	178



Between the intent to excel and the final
consequence, there's always a journey
that must be covered.



The little developments which are made everyday, the strategies that are applied, the progress that is slow but quite sure.

It requires a tremendous amount of foresight to put in place the systems that you know will bring in the results, when it's time.

It takes a quiet yet steady persistence to believe that it is all taking shape, even if it's not obvious right now.

It takes an ironclad will to keep on striving for excellence, even when the results aren't immediate.



And why do so? Because excellence isn't really a destination; it is more of a mindset.

The mindset that acknowledges every progress – no matter how small.

That sees a scope of betterment, in everything.

That's committed to go beyond 'what has been' and improve 'what is', with eyes firmly on 'what can be'.

Striving for excellence

AT THE SHOPFLOOR

At HEG, we started the journey towards excellence when the sector was reeling under the pressure of over-supply, when peers were considering a shut down, and when our chips were down. But, we patiently persevered, determined to make our tomorrow better than our today.

- We infused the 'fire to perform' into our team by on-boarding enthusiasm, energy and passion.
- We altered man-machine performance monitoring system from a monthly basis to an hourly basis. We maintained disciplined control on achieving daily, weekly and monthly production targets.
- We continued to make small refinements to our processes to improve product quality and equipment productivity. We implemented innovative methods to reduce the production cycle time of nipples (a time guzzling process).
- We analysed our power requirement for every hour and made path-breaking alterations.
- We accorded the highest priority to preventive maintenance which optimised the baking cycle of the electrode and improved plant/equipment availability.
- We negotiated a mutually-beneficial term with the government utility company which optimised the Company's power cost.
- We continued to cement the TQM culture across the organisation, which delivered a positive bearing on product and process quality.

And when demand spiked, our plant operated at its peak.

Going forward, we are expanding our capacity by 20,000 TPA. This will catapult HEG into a new orbit.

1st

Largest single site graphite electrode plant in the world

90%

Capacity utilisation

3rd

Largest graphite electrodes producer in the world after expansion



Striving for excellence

AT THE CORPORATE OFFICE

At HEG, we initiated our journey towards liquidity when our cash reserves were particularly low and cash flow ebbed to a trickle, when profits turned to losses, and when each expense invoice assumed a 'larger than real' liability. Then, we resolved to strengthen our solidity by growing business liquidity - with each passing day.

- We transformed our paper wealth into liquid funds - liquidated export incentive claims into cash.
- We maintained a stable production regime which helped maintain predictable inventory - this moderated our working capital requirement.
- We negotiated with our funding partners, utilized low-cost funding options, replaced risky loans (dollar-denominated) with stable debt (rupee denominated) - this lowered our annual interest liability.
- We reduced our operating costs which strengthened cash flow from operations.
- We deployed organizational liquidity in strengthening our financial statements.

And when industry fortunes turned in our favour, we achieved what we had dreamt of.

Now that we have the luxury of liquidity, we are funding our investment through internal accruals. Something we had never envisaged even a couple of years ago.

0

A zero-debt position as on
March 31, 2019

1,200

Investment (₹ crore) for capacity
expansion



Striving for excellence

IN THE MARKET PLACE

At HEG, we began our journey towards volumes even when demand had dwindled, inventories piled, manufacturing units were shutting down and most felt that we would go the same way. But, we decided, that we would keep our operations running, come what may.

- We added new customers by entering new geographies even as we increased wallet share with existing clients
- We continued to cater to our clients' HP grade Graphite Electrode requirement, even when we focused on growing volumes of our value-added UHP grade.
- We zealously stuck by our commitments; this enabled us to modify the terms of trade with clients when the external ecosystem changed significantly
- We continued to keep a close watch on global ecosystem even as we sustained our efforts in strengthening business relations with all our customers.

And when winds of change altered the sagging sentiment into a burgeoning opportunity, we were able to maximise business profitability.

71%

EBIDTA margin in 2018-19

75%

Exports to more than 30 nations

As we move up the global ranking, we will be able to enhance the wallet share with leading global steel manufacturers, securing our growth momentum over the medium-term.

