PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

CHALLENGES INSPIRE NEW OPPORTUNITIES.

Annual Report 2008-2009

HEG Limited

PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

Group Salient Features

- The exports constitute 46% of the total turnover.
- The Group's Textile Business has 4.83 lacs spindleage.
- HEG Ltd. has undertaken a capacity expansion to raise its production to 66,000 TPA.
- The Power Generation up from 90 crore units to 113 crore units during the year because of RSWM TPP and Maral TPP being fully operational.
- RSWM's 46 MW and Maral's 10 MW capacity Thermal Power plants running successfully.
- HEG's additional 33 MW Captive Thermal Power Plant commissioned in May, 2009.
- AD Hydro Power Ltd. 192 MW Hydro Power Project at Manali (H.P.) scheduled to be commissioned by the end of 2009.
- The Group is committed to achieve over 3,000 MW of Power Generation by the year 2017.
- Bhilwara Energy Ltd. collaborated with Mannvit Engineering, Iceland for developing Geothermal Power Projects in India and Nepal.
- The Group employing over 25,000 people and poised to establish its presence in a leadership position in its businesses.
- HEG has won Dun & Bradstreet Corporate Award, 2008 for the best category in Graphite Electrodes.
- RSWM was felicitated with the 14th Rajiv Gandhi National Quality Award and "Niryat Shree" and SRTEPC Awards during the year.

LNJ Bhilwara Group Companies

Group Brands

HEG Limited

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
R. C. Surana	Executive Director & CEO
Riju Jhunjhunwala	Executive Director
N. Mohan Raj	Nominee Director - LIC
O. P. Bahl	Director
N. Mehta	Alternate to V. K. Mehta

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.
ICICI Bank Ltd.
Landesbank Baden Wurttemberg, Germany
DEG, Germany
Central Bank of India
Kotak Mahindra Bank

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. Raisen - 462046
Madhya Pradesh, India
Phone: +91 (07480) 233524 to 233527
Fax: +91 (07480) 233522

Works

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

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

Registrar

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

List of Stock Exchanges where the Company's shares are listed:

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

Contents

Message from the Chairman & Managing Director

Ravi Jhunjhunwala
Chairman & Managing Director

Dear Shareholders,

This has been an extra ordinary year for the global economy. The financial contagion which originated in the housing / financial market spread across developed and emerging markets. In FY2008-09, the global market saw its worst crisis of the last sixty years. Though India was comparatively shielded from the effects of the ensuing recession, we experienced a relative slowdown of business activities. A number of economists estimate that the worse is behind us and there are signs of global recovery. Economically, FY2009-10 is expected to be a much better year and will see an improvement in the global demand and growth patterns. Governments across nations worldwide came up with rescue packages to bail out their financial systems. The Indian Government and the Reserve Bank of India that cushioned the impact and created a platform for sustained growth also took various initiatives and prompt actions.

HEG's performance in the given condition has been enduring. We continue to be a leading global player in the graphite electrode industry and we have used our superior operating efficiencies to deliver incremental margins. In FY2008-09, we delivered 9% revenue growth at Rs. 1,029 crore.

The graphite electrode industry witnessed demand slowdown on account of external challenging environment. The financial year 2008-09 saw major steelmakers engaging in a mass de-stocking process and lower capacity utilizations across steel units. EAF route provides greater efficiency and operating flexibilities for which reason it was lesser impacted by global steel production cuts. The graphite electrode industry although closely related to the steel sector, is not as cyclical as compared to steel industry, as it has operating dynamics of its own. Moreover, the graphite electrodes quality is critical to steel producing and the overall manufacturing cost accounted by graphite electrodes is relatively low at around 2 to 3 percent, which does not make it a major cost focus item for the steel producers.

HEG's state-of-art manufacturing facility, which is one of the largest single-sited graphite electrode plants in South East Asia located in Mandideep is based on best-in-class technology available in the international market. The demand-supply disparity for superior quality graphite electrodes is expected to continue on long term basis because of high entry barriers for any new player in the market – both in terms of technological competence and the long gestation to win customer confidence and their business orders in a sustained manner.

Graphite electrode manufacturers in Asian countries have a competitive cost advantage over other international players, because of efficient operations, modern facilities coupled with strategically located plants which benefit in economies of scale and minimum operational costs. HEG's position in this scenario is evidently strong since it operates a modern, technologically advanced operation from India. HEG has its core competency in manufacturing UHP grade products for which its cost of production is the lowest in the world. The Company has thus been able to benefit from this opportunity by having long term relationships with well respected customers such as Arcelor Mittal, POSCO, Krupp Thyssen, Nucor, and Usinor.

During the year, HEG arrived at a decision to align its production volumes to market conditions. At that time, our key focus was to optimize on cost efficiencies and maintain margins. In addition to this, during H2 FY2009, the Company also took a proactive decision to moderate its plans to expand the capacity of graphite electrodes to 66,000 tons. The initial expansion plan was to expand the capacity from 60,000 to about 80,000 tons. The expansion to 66,000 tons is being implemented as per schedule and should be ready for operations by the end of FY2009-10. I would like to add that should the opportunity arise again, HEG is strongly placed to invest for growth through expansions at very contained costs.

HEG is well placed to participate in any upsurge in the graphite electrodes industry at this stage. At expanded capacity of 66,000 TPA, our focus is to optimize our product mix across key categories of graphite electrodes with a continued focus on high-grade value-added UHP products. With the commencement of operations of the new captive power plant with a capacity of 33 MW, the total plant capacity reaches to about 77 MW and the new plant will support increased capacity utilization from graphite electrodes at economical costs. In the interim, when the capacity utilization of the graphite electrode plant is low, we will sell excess power on a merchant basis, where the realizations have been very attractive. This will add to better the overall performance for the Company.

We expect that the major de-stocking process is over and demand from steel majors will gradually pick up going forward. HEG is a strong and a focused player. Its products find acceptance to all topmost steel players and we see demand coming from diversified geographies of Asia Pacific, Middle East, CIS and Latin America.

Operationally we will continue to focus on better operating efficiencies. We are strategically well placed in terms of key raw material including power for captive requirements. In addition, this business remains strong and will continue to deliver healthy revenue and earnings performance in addition to merchant power sales in times of excess power generation. We are also sufficiently placed for sourcing of our key raw material, needle coke for CY2009 on the basis of strong relationship with suppliers.

It will be our endeavor to maintain a healthy growth performance. HEG is well placed to leverage growth in demand from EAF products. Given our strategic intent to drive the graphite electrode business, we are confident of being able to deliver higher revenues and earnings going forward.

With a view of sharing our growth performance with our shareholders, the Board of Directors is please to recommend a dividend of Rs. 6.50 per share for the FY2008-09. The percentage of payout is 30 percent.

On behalf of the Board of Directors, I take this opportunity to express gratitude to all our customers, suppliers, employees, lenders and shareholders who have supported us in our endeavors over the past years.

With best wishes,

Ravi Jhunjhunwala
Chairman & Managing Director

Message from the Executive Director & CEO

R. C. Surana
Executive Director & CEO

Dear Shareholders,

We have delivered a strong performance during FY2008-09 given our strong operational capabilities and cost efficiency measures. Revenues from the graphite electrode segment continued to contribute at healthy growth levels, on the back of stabilized capacities. Interestingly, despite moderate volume levels, we were able to sustain our operating profits given the cost efficiency measures combined with improved realization trends.

HEG posted a revenue growth of about 9% to Rs. 1,029 crore in FY2008-09 from Rs. 946 crore, in a subdued demand environment. Our exports performance grew by 15% to Rs. 832 crore from Rs. 727 crore last year. EBIDTA (Before Exceptional Items) enhanced by 30% at Rs. 393 crore despite moderated volumes in H2 FY2008-09. FY2008-09 Profit Before Interest & Exceptional Items has been strong at Rs. 346 crore, higher by 35%.

During FY2008-09, HEG achieved a production volume of 50,226 MT. We were able to maintain a production and sales balance as per the prevailing global standards given our cost reduction and rationalization measures which improved operating and efficiency matrices of the Company. We also decided to moderate our expansion plans from present 60,000 TPA to 66,000 TPA at a contained cost of Rs. 42.50 crore. This will free up cash resources in the Company and the present enhancement comes with an extremely attractive pay-back period.

HEG has a strategic advantage of having access to cheap and economical captive power requirements for the graphite electrode capacities. With the new power plant of 33 MW being operational, we are strategically well positioned to meet additional power requirements even at expanded graphite electrode capacities. At moderated graphite electrode capacity utilization, we expect to get benefits from selling excess power on merchant basis at attractive realizations, which would further enhance earnings contribution from this division.

Our single site location also adds advantage to economies of scale and we believe that we are one of the lowest cost producers of high grade graphite electrode products. Order booking during FY2008-09 was largely open on account of certain ambiguities in the steel production. However, we expect that the order book will start picking up as the steel majors come out from the de-stocking cycle. Hence, for CY2009 booking orders for graphite electrodes are gradually filling in.

Given the rising prices of needle coke we have been able to partially mitigate the impact through a combination of operating level gains and better realizations. While we are comfortably placed in needle coke supplies, needle coke pricing for the coming year is market determined and remains a cost challenge for the Company.

We are strategically well placed over other players within the industry because of our power operations, which also constitutes almost one third of our input costs for producing graphite electrodes. We enjoy benefits of access to economical and reliable power all through the year. Currently, almost 90% of our power requirements are sufficed by captive generation.

Our focus will be on keeping HEG operationally and financially strong. Based on the measures we have taken so far, the momentum for growth has been maintained. The Company has also worked on various initiatives to keep-up the morale of its Human Resources and has used the opportunity for further enhancing our in-house capabilities. We will be in an advantageous position to drive growth when the overall economy and the steel sector picks up.

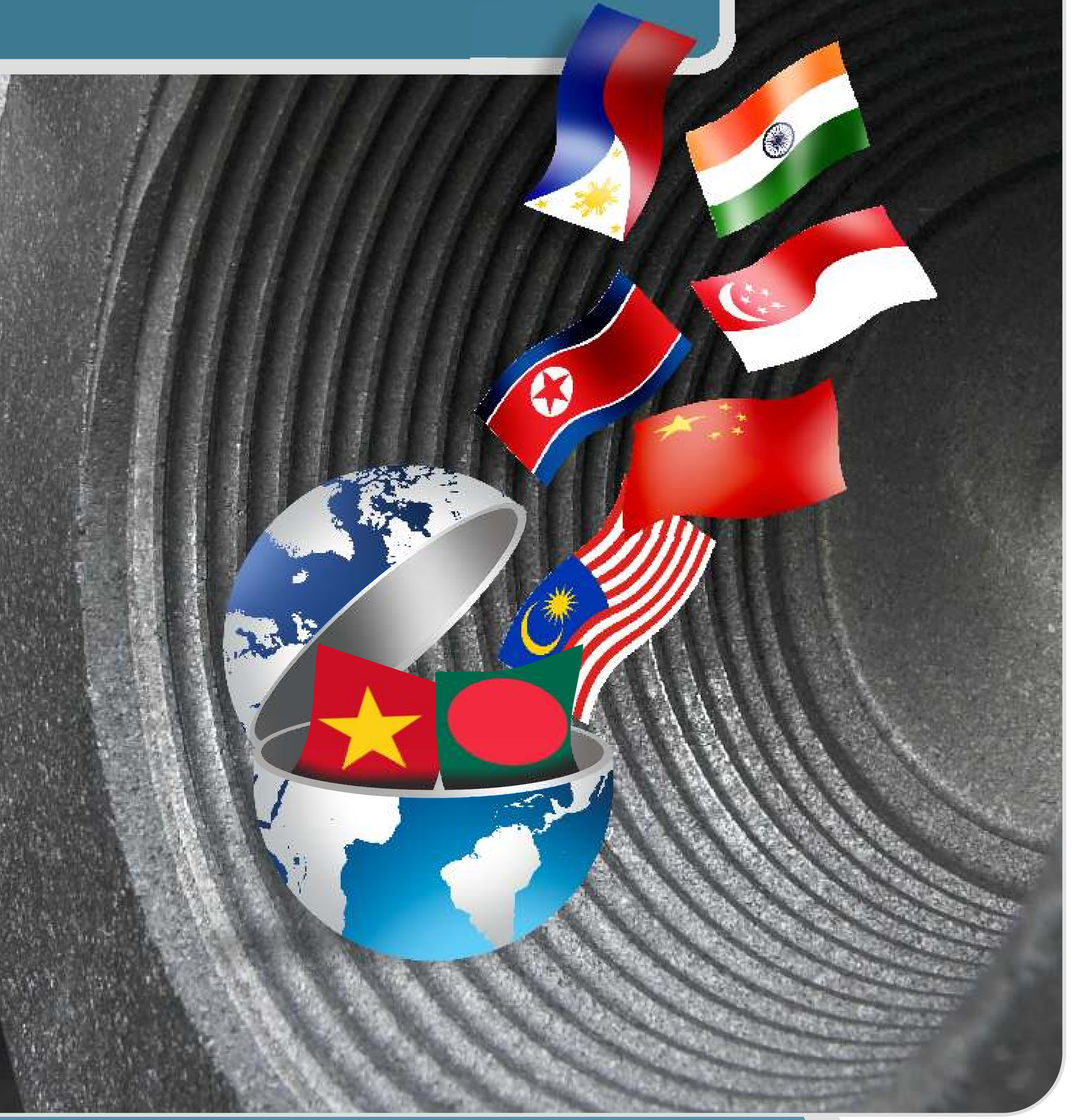
To sustain the progress it is must to have an inclusive growth and this is possible only by taking care of the interests of all the stakeholders. Hence with the focus on Environment and Energy conservations, HEG has been promoting its CSR activities and has recently adopted 2 villages near its plant in Mandideep for social upliftment. The work is in its nascent stage but already we have been able to make a difference to the life of about 150 families residing there.

I would like to take this opportunity to thank all our directors, employees and business associates for their continuous support and efforts in making HEG a leading global graphite player in domestic as well as international markets.

With best wishes,

R. C. Surana
Executive Director & CEO

Management Discussion & Analysis



Overview of the Economic Environment

The year 2008 saw unprecedented times in the global economy, which was subject to financial crisis and sharp increase in prices of primary goods, particularly those of crude petroleum and food. According to the April 2009 World Economic Outlook Report by Indian Monetary Fund (IMF), the advanced economies experienced an unprecedented 7.5 percent decline in real GDP during the fourth quarter of 2008, and output is estimated to have continued to fall almost as fast during the first quarter of 2009. Although the U.S. economy may have suffered most from intensified financial strains and the continued fall in the housing sector, Western Europe and advanced Asian were hit hard by the collapse in global trade, as well as by rising financial problems of their own and housing corrections in some national markets. Emerging economies too suffered badly and contracted 4 percent in the fourth quarter of 2008.

A crisis of such magnitude in developed countries is bound to have an impact around the world. For the developing countries, the rise in food prices combined with some unforeseen effects from the financial instability and uncertainty in industrialized nations have had a compounding effect. The damage has been inflicted through both financial and trade channels. Activity in East Asian economies with heavy reliance on manufacturing exports has fallen sharply, although the downturns in India was somewhat muted given the lower shares of the export sectors in domestic production and more resilient domestic demand.

Indian economy is mainly a domestic-demand driven economy. It's recent growth has been driven predominantly by domestic consumption and domestic investment. There has been a slowdown in the Indian economy despite mitigating factors, clearly because of India's rapid and growing integration into the global economy.

To counter the negative fallout of the global slowdown on the Indian economy, the Government took prompt actions by providing substantial fiscal stimulus. The Government announced two stimulus packages, which provided tax relief to boost demand and aim at increasing expenditure on public projects to create employment and public assets. The Government renewed its efforts to increase infrastructure investments. The RBI also took a number of monetary easing and liquidity enhancing measures including reduction in cash reserve ratio, statutory liquidity ratio and key policy rates with an objective to facilitate flow of funds from the financial system to meet the needs of productive sectors.

The world outlook remains cautious. Though the economy will still see some effects of the damage caused by the crisis, the worse is definitely over. Several economies, including USA, Europe have started recovering and the stock markets are not erratic anymore. With determined policy actions and anticipating a moderation in the rate of contraction from the second quarter 2009 onward, global activity is now projected to decline 1.3 percent in 2009. Growth is projected to re-emerge in 2010, but at 1.9 percent it would be sluggish relative to past recoveries (Source: World Outlook Report by IMF). Although conditions are expected to improve moderately in 2010, the availability of external financing to emerging and developing economies will remain highly curtailed.

Summary of Crude Steel Production Forecast (millions tonnes)

Region	2008	2009	2013
Europe	229.8	189.3	238
C.I.S	114.1	91	125
NAFTA	124.5	97.5	128
South America	47.5	39.3	53.5
Africa/Middle East	33.7	30.7	40.5
PR China	500.5	508	589
Japan	118.7	99.8	114
Other Asia	148.8	137.7	178.5
Oceania	8.4	6.8	8.5
World	1326.1	1200	1475

Source: MEPS- Global Iron & Steel Production to 2013

Robust long term outlook – Backed by fundamental sectoral strength

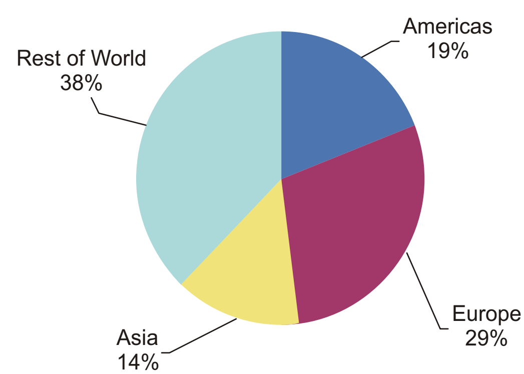
HEG Limited is a leading player in the manufacturing of world-class graphite electrodes, which are primarily used to produce steel from scrap by Electric Arc Furnace (EAF) technology, vis-à-vis the conventional iron-ore based process that uses the Basic Oxygen Furnace (BOF) route. Amidst the recent US financial crisis progressing into a global economic debacle during the year 2008-09, the global steel industry witnessed a massive and regionally synchronized global decline in output since August 2008. In light of this, world crude steel production dropped and global steel majors underwent a critical inventory de-stocking process. For 2009 the global steel production is forecast to be approximately 1,200 million tonnes, representing almost 10 percent reduction from the last year (Source: MEPS International Report titled 'Global Iron and Steel Production to 2013'). While MEPS predicts the steel output to improve by 5 percent in 2010, further growth in steel making is forecast for the following three years as the global economy improves.

Graphite electrode finds its application in steel making through Electric Arc Furnace (EAF) and is non-substitutable Consumable. Each tonne of steel requires about 2.5 kg of graphite electrodes, thus, demand for graphite electrodes is dependent on steel production through EAF. Even in the slowdown scenario, the EAF method of steel production continues to enjoy favour amongst most of the global steel majors vis-à-vis the blast furnace route and the total share of EAF route of steel production is estimated to recover at a much faster pace than the conventional blast furnace route. China produces about 10 per cent EAF steel, while US accounts for more than 58 per cent of the total production. Considering that the quality of iron ore is depleting globally, and coking coal (required for reduction of iron ore in blast furnace) is getting scarce – the EAF method of steel production will be beneficial over the long term perspective.

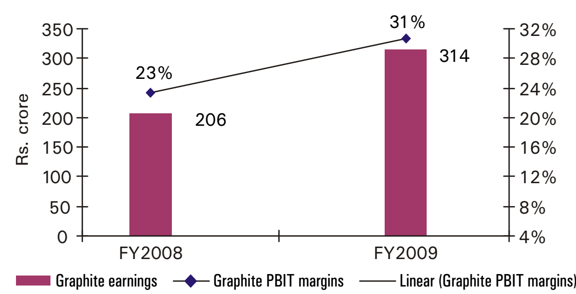
In view of the current economic constraints, the Company aligned its production capacities to market realities. Demand for graphite electrodes largely comes from overseas, like the US, South America, Europe, Japan, Middle East and China. HEG exports over 80 percent of its total graphite electrode production.

HEG now operates one of the largest single site plants in the world to produce electrodes at probably amongst the lowest costs. Considering the high technological and cost entry barriers, there are very few companies who have the expertise and technical know-how to manufacture superior grade electrodes. The Company continues its dominance in terms of technological capabilities for manufacturing of Ultra High Power (UHP) grade graphite electrode, which meet requirements of international standards. The Company also stands to have an advantage of a balanced product mix which results in better realizations and meeting customer requirements. HEG's operating focus is to optimize on the best product mix so as to maintain profitability at healthy levels.

Location Wise Sales Volumes Break-up for 2009



Graphite Segment Earnings (PBIT) and Margins



Quarter Wise Production and Sales Volume

Review of Operations

HEG enjoys technology advantage to produce high quality graphite electrodes, with an accent on larger diameter products with better margins. The Company operates state-of-art, integrated single site manufacturing facility at Mandideep (Bhopal), which makes it one of the largest single site graphite electrodes manufacturing plants in the world. HEG also runs two power plants which is an added advantage to its overall graphite electrodes operations. Further HEG expects to successfully commission its second thermal power unit to add 33 MW to its power portfolio in May 2009.

Graphite Electrode

HEG's core competency lies in manufacturing of graphite electrodes, with focus on UHP (Ultra High Power) grade of electrodes. Presently, HEG produces almost 70% of the UHP grade out of the total Graphite production, the demand for which is increasing worldwide. HEG has the largest integrated graphite electrode plant in South Asia & Middle East, located at Mandideep near Bhopal (Madhya Pradesh), with a rated capacity of 60,000 MT per annum. This makes it possible for the Company to be one of the lowest cost producers of electrodes worldwide. HEG's focus lies in its competitive operating advantages in terms of cost efficiencies and economies of scale.

HEG is one of the key exporters of graphite electrodes, having a number of respected steel producers as their clients like Arcelor Mittal, POSCO, Krupp Thyssen, Nucor, and Usinor. It has been HEG's endeavor to deliver the most superior quality of graphite electrode products, which meet the global standards and customer requirements across the world. The Company not only delivers the best quality products, but also focuses on international tie-ups with existing and new customers by way of providing continuous value added technical services that benefit in better productivity levels for the customers.

During FY2009, the total production of graphite electrodes was 50,226 MT and the production was at an overall capacity utilization of 86%. Sales volumes were also in line with the production. Even at moderate production levels, HEG demonstrated strong operating capabilities and better integration of the existing capacities. The Company was able to maintain its margins on the back of increased realizations as compared to the last year.

For FY2009, net revenues in the graphite electrode segment were at Rs. 1,024.1 crore, higher by 16.5% as compared to Rs. 878.9 crore in FY2008. Growth in revenues from the graphite electrodes division was on the back of stable capacities and enhanced realizations. Increase in needle coke prices was more than compensated by improved realisations of graphite electrode prices.

Capacity Expansion of Graphite Electrode Plant at Mandideep

In light of the slowdown in economic environment and steel industry that the global industry faced in 2008, HEG announced in August 2008 to moderate the expansion plans from current 60,000 MT to 66,000 MT (as against 80,000 MT planned earlier) in graphite electrodes at a contained cost of Rs. 42.50 crore as against Rs. 190 crore. This initiative was undertaken as per the market conditions and also keeping in mind HEG consolidating its manufacturing lead in graphite electrodes segment. The expansion will result in high levels of operating efficiencies and production cost benefits, and will result in improved volumes and realisations, which match the global demand situation. This capacity expansion will be done by way of Brownfield expansion and de-bottlenecking of the existing capacities, the new capacity is expected to be operational by the end of the current FY 2010.

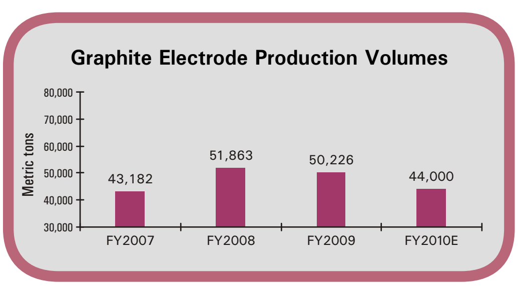
The Company is well placed to take advantage to any rise in global demand in graphite electrodes and HEG can further expand the capacity to 80,000 TPA, as originally planned at a very contained cost, which will have a healthy payback period.

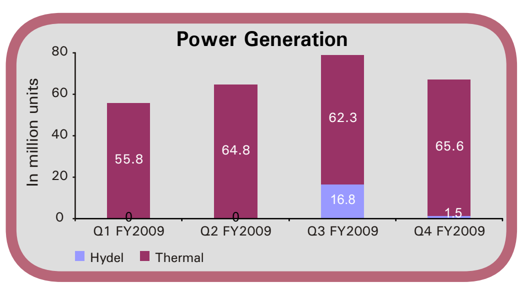
Power Generation

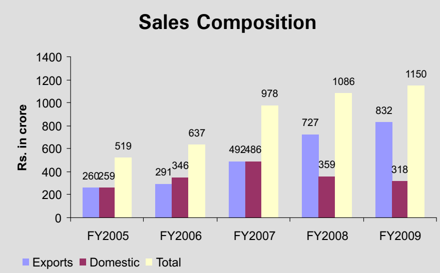
HEG enjoys having a strategic advantage because of the availability of two economical, captive power plants of hydro-electrical and thermal nature, with total capacities of over 43 MW. The 30 MW Thermal Power Plant which is located at Mandideep gives HEG access to cheap and dependable power supply throughout the year. The hydro-electric power unit has a rated capacity of 13.5 MW is located at Tawa. The operation of this plant is seasonal as it depends on rainfall in its catchment area. In FY2009, when the monsoon was below average, which led to lesser power production from this unit.

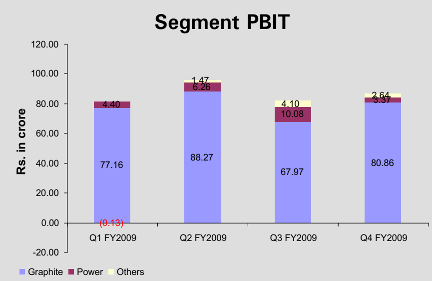
The Company's new 33 MW coal-based thermal plant shall commence operations in May 2009. With this the total rated capacity of all three power plants adds to about 77 MW and the Company is well positioned in terms of resourceful and economical power when the graphite capacity further increases. In the interim, when there is excess power generated, the Company expects to sell it to the third parties at fairly attractive prices. The Company is allowed to sell surplus power to the extent of 49%, on merchant basis to the third parties at market determined prices. This will result to enhanced margins from this division.

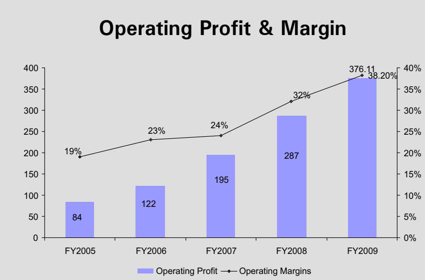
For FY2009, power revenues stood at Rs. 100.79 crore as compared to Rs. 112.76 crore in the previous year. Due to the seasonal nature of the 13.5 MW hydroelectric power plant at Tawa, it operated at lower levels due to inadequate rainfalls in FY2009. HEG generated 2667 lacs kwh of power, at an average cost of less than Rs.2.97/ kwh unit. For the year, earnings from the power business stood at Rs.24.11 crore, from Rs. 44.16 crore in FY2008.






Sales Composition
Rs. in crore
1400
1200
1000
800
600
400
200
0
260 259 519
291 346 637
492 486 978
727 359 1086
832 318 1150
FY2005
FY2006
FY2007
FY2008
FY2009
Exports Domestic Total


Segment PBIT
Rs. in crore
120.00
100.00
80.00
60.00
40.00
20.00
0.00
-20.00
4.40
77.16
(0.13)
1.47
6.26
88.27
4.10
10.08
67.97
2.64
3.37
80.86
Q1 FY2009
Q2 FY2009
Q3 FY2009
Q4 FY2009
Graphite Power Others


Operating Profit & Margin
400
350
300
250
200
150
100
50
0
40%
35%
30%
25%
20%
15%
10%
5%
0%
84
122
195
287
376.11
19%
23%
24%
32%
38.20%
FY2005
FY2006
FY2007
FY2008
FY2009
Operating Profit Operating Margins

Review of Financial Performance

HEG has delivered steady operating results during the year under review despite a softened global steel environment, given higher realizations in the graphite electrode segment.

Operating Highlights

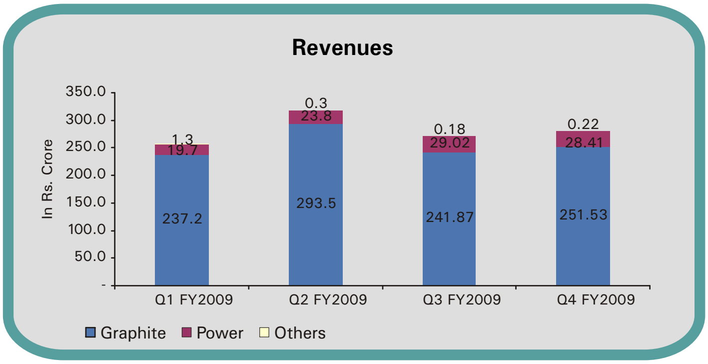
Figures for the corresponding periods of FY2008 includes operations related to steel unit which has been hived off effective August 2007, hence FY2009 versus FY2008 are not strictly comparable.

During FY2009, HEG crossed the Rs.1,000-crore mark at Rs.1,029 crore as compared to Rs. 946 crore implying a growth of 9%. This was on the back of sustained contribution from the graphite electrode segment. revenues from graphite Electrode segment stood at Rs.1,024 crore as compared to Rs. 879 crore last year. Growth in this division was on the back of improved realization as compared to last year levels. The power segment contributed Rs.101 crore towards revenues in FY2009. During FY2009, EBITDA before exceptional items stood at Rs. 393 crore from Rs. 303 crore, higher by 30% despite moderate volumes in FY2009. Stabilized capacity and cost efficiency measures led to growth in the EBITDA during the year under review. PBIT in the graphite electrode segment enhanced by 53% to Rs. 314 crore as compared to Rs. 206 crore on the back of better realization and optimum capacity utilization. PBIT in the power segment stood at Rs. 24.1 crore. In FY2009 Profit Before Interest and Exceptional Items stood at Rs.347 crore higher by 35%.

During FY2009 the Company reported a loss on account of foreign exchange of Rs.118 crore which has been reflected as exceptional items. This was primarily due to the forward booking of export earnings and re-statement of foreign currency on assets and liabilities. The Company has taken several cost reduction and rationalization measures that would improve operating efficiency and margins going forward and has been benchmarked to best global standards. This impacted the overall PAT (after exceptional items) of the Company, which was reported at Rs. 106.99 crore for FY2009 as compared to Rs. 146.36 crore in FY2008. EPS (diluted, after exceptional items) for FY2009 stood at Rs. 24.36 from Rs. 31.39 in the corresponding period last year.

A strong Balance Sheet position

The Company continues to maintain a healthy Balance Sheet position. HEG's Net worth has increased from Rs. 542.8 crore to 592.1 primarily through internal accruals. The long term debt (excluding FCCB) as on March 31, 2009 stood at Rs. 269.4 crore, implying debt to equity ratio of 0.45. HEG's Return on Net Worth (RoNW) and Return on Capital Employed (RoCE) were 18% and 11.7% respectively.



Opportunities and Threats

HEG's state-of-art manufacturing facility, which is one of the largest single-sited graphite electrode plants in South East Asia located in Mandideep is based on best-in-class technology available in the international market. The Company is well placed to participate in any upsurge in the demand from graphite electrodes at this stage with attractive pay-back period.

With the recovery in the steel industry, the EAF route is expected to grow at a much faster pace than the blast furnace route mainly due to its operational efficiencies and cost advantages. HEG is comfortably placed in needle coke supplies – its pricing for the coming year is market determined and remains a cost challenge for the Company. However, owing to market dynamics, realizations of graphite electrode products are expected to increase from previous levels due to favourable market dynamics. HEG will be able to offset the effect of the decline in volumes and higher raw material prices by higher realizations combined with operating level gains and aggressive marketing strategy in the graphite electrode division.

HEG is strategically well placed with access to economical and cheap power all year round from the captive power generation units. With the commissioning of the new thermal based power plant of 33 MW, HEG has adequate supply of this key raw material even on increase capacity utilization of the graphite electrode plants.

The Company will remain focused on achieving its business goals given its best-in-class facilities and quality driven processes. It is HEG's endeavour to deliver the best quality products and enhancing customer service at all times.

Risks and Concerns

The economic outlook remains uncertain given the sudden setbacks of turnaround of unforeseen positive trends in the global environment. Given the timely interventions by the Government worldwide, the economy is expected to revive from the previous levels. However, further slowdown in the steel or infrastructure sector could impact growth performance of the Company.

Needle coke, which is a key raw material used in the manufacture of graphite electrodes, is a by-product of oil refineries. Hence, its prices are governed by crude oil prices which have been rising over the past few years. This can impact the input cost, further softening the operating margins of the Company. However, the graphite electrode prices are anticipated to rise from previous levels, which will enable the Company to partially mitigate the rising input costs.

HEG's exports turnover constitutes a major share in the total revenues. There is an increased risk in managing the foreign exchange currency fluctuations, which could dampen the Company's profitability.

However, even in fluctuating demand-supply scenario, the Company's operations have delivered an enduring performance. HEG is poised to have a sustained growth level, with focus on cost efficiencies and enhancing its profitability.

Research & Development

Research and Development has been a key focus area for HEG throughout the years. Since the initiation of the new State-of-the-Art R & D setup in 2006, HEG has expanded the facilities to meet its needs. The state-of-the-art set-up that has been equipped with a pilot plant for testing has contributed substantially in value addition and development of new products. It has also helped in cost optimization resulting from specialized research in the field of Carbon and Graphite. By identifying the role of certain characteristics of raw materials, it has immensely aided in improving the quality of the finished products. Even though the R&D set-up is relatively new, it has given new and valuable insights to HEG. Projects related to new product development are progressing as per project plans and expectations.

New Technology Center

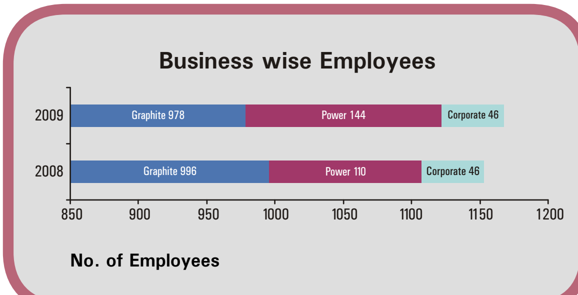
HEG has a separate unit for technological related activities located at Mandideep with a sole purpose of generating revenues by offering technical expertise in the field of Carbon/Graphite. Its core competency lies in utilizing knowledge base that it has created over the last 30 years since inception. The New Technology Centre has delivered successful outcomes in its endeavors and has a 100% EOU (Export Oriented Unit) status. The centre operates with full fledged infrastructure facilities and resources which independently overlooks all engineering related projects.

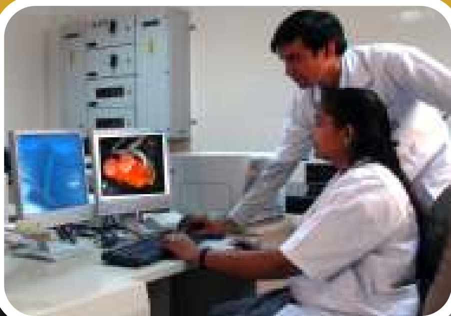
Human Resource Management

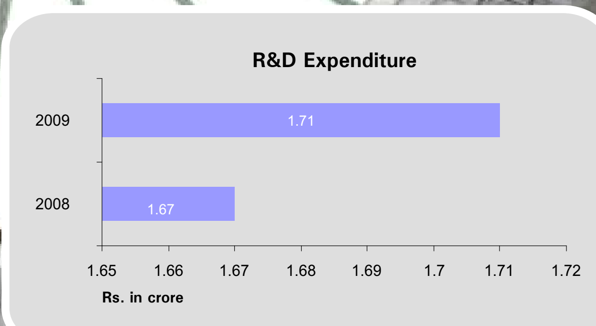
HEG has successfully been employing comprehensive HR policies and practices in the past years in partnership with leading HR consultants like M/s. Hewitt Associates, CHR Global etc to help in aligning its policies with the best in the world and to achieve an outstanding standard in human resource development. The management of HEG realizes that it is important to give employees the right environment and incentive to deliver results. Some initiatives that have helped create a favorable atmosphere at work are performance measurement, competency assessment and development and reward management. The Company is thus creating an environment in which its employees can fully utilize their abilities and can have a bigger part to play in the development and advancement of the organization. The total number of employees in the Company as on 31st March, 2009 are 1168.

Training and Development

HEG has always strived to sustain the superior standards of productivity and efficiency that it has achieved by providing it's workforce with the latest techniques and trainings and development opportunities. In the last year, HEG has been able to achieve a target of 7 Man days training on various Technical and Soft skills for the Identified target group. The programs were conducted by expert faculty from institutions and agencies of repute in the field. The training programs are re-inforced by constant monitoring and feedback systems as well as by on the job application through real life projects






R&D Expenditure
2009
1.71
2008
1.67
1.65
1.66
1.67
1.68
1.69
1.7
1.71
1.72
Rs. in crore

Performance Metrics and Remuneration

HEG uses performance measurement metrics based on Balanced Score Card which not only motivates the Company's pool of talented employees, but also helps in attracting bright and competent employees to the Company. Enumerating the key initiatives of the company the Balance Score Card helps in cascading the Corporate Objectives and target down the line in the form of KRAs (Key Results Areas) for the individuals which ensures alignment of the Individual goals with that of the corporate. The outcome of the BSC is linked to the performance based incentives for the personnel.

Competency Sustenance

Leaders are a product of great perseverance and knowledge. At HEG, there is a strong belief that the future of the Company depends on the future of its leaders. Precedence is given to evolving competent leaders and nurturing the Company's talent pool. HEG, as an organization has implemented the concept of succession planning. The succession-planning model not only takes into account the senior management but also gives equal consideration to all the important job positions across departments. This facilitates the Company in creating a talent pool that can seamlessly handle organizational change at any time in the future.

Industrial Relations

HEG management is proud to share a strong bond of trust and understanding with it's employees. Fostering a relationship with the workforce has been the emphasis of the Company over the years. Employees are encouraged to talk to the management about any issues that are relevant to their cause. The management has maintained cordial relations with the unions and the labor force. It has made it a point to consult them on any major changes that would directly affect them using forums of joint meetings. These efforts have ensured sustained cordial industrial relations.

Employee Engagement & HR practices Survey

HEG had participated in the IMARS (Indian Market Attrition and Retention Survey) in 2008 – conducted by the leading management consultancy firm M/s Grant Thornton. The white collar employees of the company had participated in the survey The survey results showed an engagement level of 84% and an E+ score of 91%. Studies have shown a direct relationship of proportion of engaged employees to the business results in terms of Total Shareholder Returns and usually the same starts reflecting in an engagement score of 65% and above, The engagement Plus score reflects the proportion of personnel with a "Happy state of Mind' emerging from the individual perception about not only his job and profile but also about the Organization's image and his avertions to the market pulls.

Alongwith the employee engagement surveys, HEG had also participated in surveys to benchmark its HR policies and practices with the "best in class' - including the ones conducted by M/s Grant Thornton and NHRD – the National HRD network. The outcome and inferences from these studies helps in keeping the HR practices robust and in tune with times and also keeps the HR fully equipped to meet the ever increasing demands of the key resource of the company.

Fostering a Quality - Conscious Organisational Culture

HEG has always looked upon 'Quality' as a catalyst for furthering business growth. That is why; it has made it a point to maintain superior quality standards not just for its products but also for its workforce. Techniques like training and evaluation programs are applied to improve the quality of the workforce. It is constantly engaged in various initiatives to enhance quality in its processes, through measures such as comprehensive Statistical Process Control system (SPC). HEG has also focused its efforts on implementing Automation and installing Data Capturing system which minimizes manual interventions as well as facilitates real time analysis and assessments. The result is that productivity is enhanced and HEG has met world-class quality standards. Other than the above-mentioned initiatives, HEG invites international consultants from time to time, to seek assistance in its efforts to constantly upgrade its processes.

Environmental & Social Initiatives

Ecological Impact

Going with the need of the hour to save the environment, HEG is actively implementing and encouraging environment-friendly initiatives. It has supported a major initiative to save the forests and prevent the falling of trees. As an assurance of its efficient operation systems, it has obtained an ISO-14001 certification. The Mandideep facility reiterates the Company's effort in being eco-friendly. It is considered one of the cleanest graphite electrode plants in the world, when seen in the light of the materials used and the products manufactured. The Company emphasizes on recycling and reusing any byproducts from its manufacturing processes.

Community Outreach

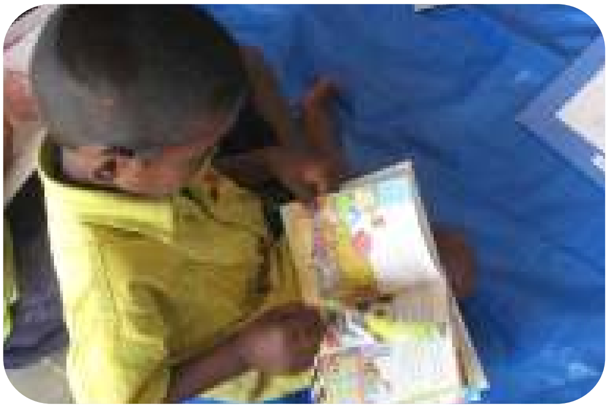
HEG recognizes the role of local communities in the creation of wealth and overall well being. It has actively worked on the cause of developing the local society and has tried to improve the standard of living of the residents. A non-profit body Graphite Education & Welfare Society was established in 1981 to encourage education and the general welfare of people in Mandideep and its surroundings. The Company also promotes a Graphite Higher Secondary School in HEG, Mandideep. Recently HEG ' School has been the pioneer in implementing "Smart Classes ' an IT enable learning module.

HEG and its employees have been frequently taking initiatives to conduct medical camps, socio-cultural activities and other community work, often in partnership with local authorities and NGOs In the last year, HEG has adopted 2 village in the near by remote areas and have taken up the various projects for up-liftment of the people and improving their sustenance. These were covered under the wide gamut of activities including chanelizing the government resources, motivating the residents for self help through training, information sharing the community developments. The response so far has been excellent and HEG has already decided to create a CSR Foundation to bring in more focus into these activities.

Internal Control Systems and Risk Management

Risk management has resumed importance in today's world. HEG believes in strong internal audit control systems and transparent procedures and this helps in maintaining internal controls on all operational and financial functions. The company realizes that it is important to identify weaknesses and work on them for survival in a competitive business environment. The management team works hard to supervise the adequacy of internal control systems and risk management and mitigation efforts at HEG . It closely scrutinizes the operating environment and internal control systems, to identify and assess possible risks and carry out counter measures quickly. The Board of Directors and the audit committee provides prompt guidance to help the management with its task.

The Company has installed modern IT-enabled systems across all its offices and manufacturing units to reinforce its financial reporting processes. HEG's Management team also takes care of the operational risk factors relating to its product portfolio, raw material supplies, and customer profile as well as foreign currency volatility and environmental issues and takes suitable measures on an ongoing basis.



Outlook

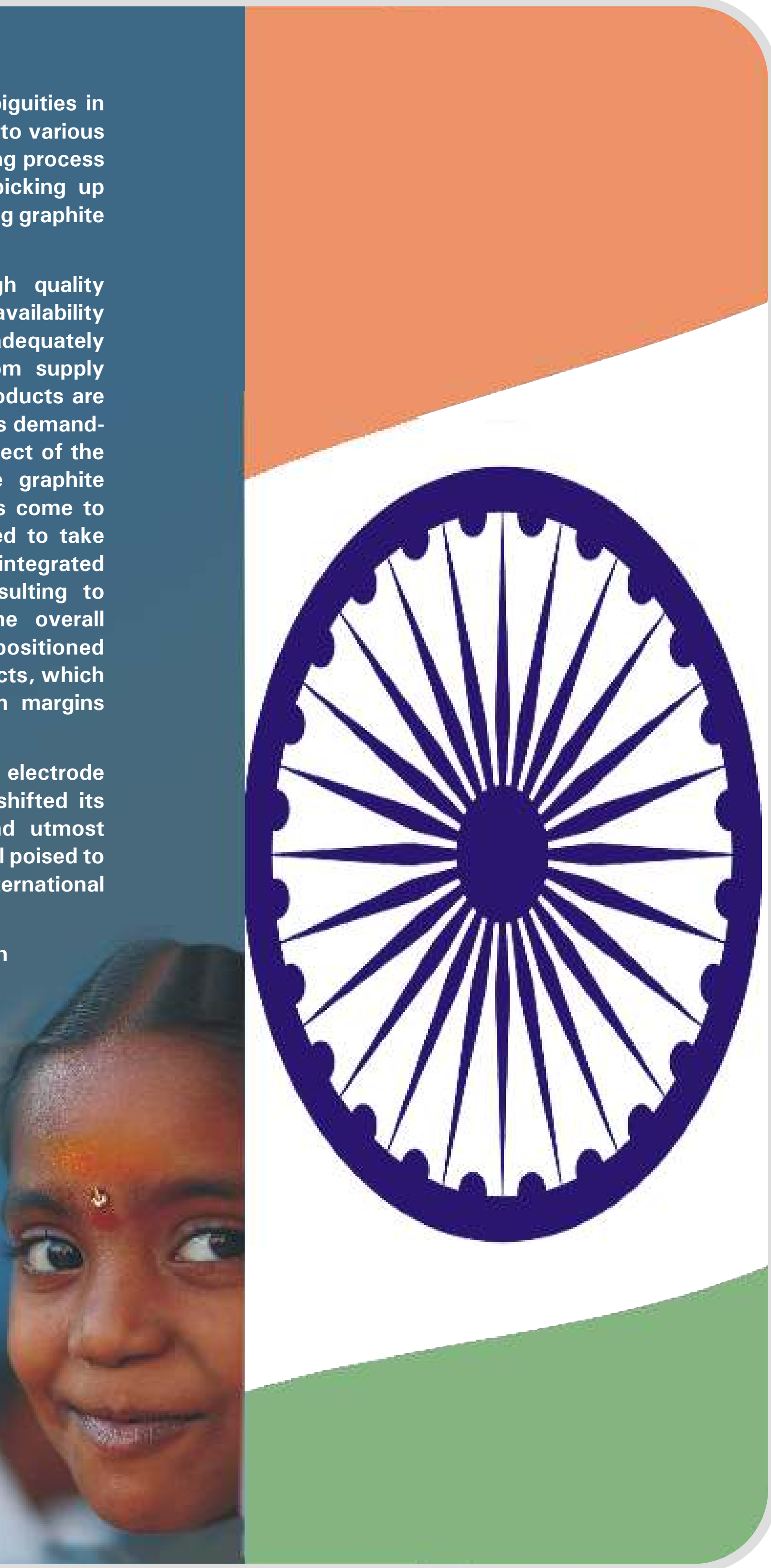
The outlook remains undefined due to various ambiguities in the global economy and the steel sector. According to various estimates the worst is over, and the steel de-stocking process has decelerated. The steel majors are gradually picking up production and are taking a steady approach of buying graphite electrodes.

The global demand-supply situation for the high quality graphite electrodes will be limited due to the scarce availability of the key raw material, needle coke. HEG has adequately secured the needle coke supply for CY2009 from supply contracts. Realizations of the graphite electrode products are expected to increase from previous levels due to this demand-supply imbalance and HEG is likely to offset the effect of the decline in volumes by higher realizations in the graphite electrode division. Bulk of incremental demand has come to Asian countries, particularly in India. HEG is poised to take advantage of any sign of demand spurt due to its integrated production capacity at a single-site location, resulting to economies of scale and cost efficiencies in the overall operations. The Company also is a well positioned manufacturer of UHP grade graphite electrode products, which command higher realizations resulting to premium margins delivery.

HEG moderated its expansion plans in the graphite electrode segment according to market alignment and has shifted its strategic focus to cost operating efficiencies and utmost utilization of existing capacities. The Company is well poised to take advantage when the demand picks up in international markets.

HEG stands to benefit from captive power generation from its rated capacity of 44MW power units. With the new power plant (33 MW capacity) expected to become operational in May, 2009, the Company has access to additional power. The Company expects augmentation of earnings through optimization of power utilization and sale excess power on merchant basis in FY2010 at attractive realizations. This will further add to the benefit of the Company's earnings performance going forward.

Going forward, HEG's performance will be based on strong traction in graphite electrodes division, complemented by good results in power business.



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their 37th Annual Report and audited statements of accounts for the year ended the 31st March, 2009. Our graphite electrode segment continued to contribute strongly towards revenue growth, primarily driven by improved operating efficiencies, cost effectiveness measures and a better product mix.

1) (i) FINANCIAL RESULTS **(Rs. in Crore)**

	2008-09	2007-08
Turnover :		
Domestic	**317.59**	359.13
Export	**832.35**	726.75
Less : Excise Duty	**23.98**	33.02
: Inter Division Sales	**96.96**	106.88
Net Sales	**1029.00**	945.98
Other Income	**16.94**	30.56
Total Income	**1045.95**	976.53
Profit before Interest, Depreciation and Amortization	**274.73**	303.90
Interest	**66.75**	50.57
Profit before Depreciation and Amortization	**207.98**	253.33
Depreciation and Amortization	**46.60**	46.13
Profit Before Tax	**161.39**	207.20
Provision for Taxation:-		
Income Tax – Current Year	**46.95**	67.67
– Deferred	**1.37**	(9.88)
– Fringe Benefit Tax	**0.48**	0.43
Income Tax for earlier Years	**5.60**	2.62
Net Profit for the Period	**106.99**	146.35
EPS (Basic)	**24.36**	35.17
(ii) APPROPRIATIONS		
Amount available for appropriation	**202.97**	186.28
Dividend :		
a) On Equity Shares		
i) Interim Dividend	**–**	30.46
ii) Proposed Dividend	**27.43**	13.29
b) Corporate Dividend Tax	**4.66**	7.44
Transfer to :		
a) General Reserve	**25.00**	25.00
b) Transfer to Capital Reserve	**–**	14.11
c) Balance carried forward	**145.87**	95.98

2. OVERALL PERFORMANCE

The Company recorded Net Sales of Rs. 1029 crore as compared to Rs. 945.98 crore in the previous year. Contribution from exports grew from the previous year to 80.9%. The core graphite electrodes segment was on a strong growth trajectory, with improved realizations as compared to last year. The Net Profit stood at Rs. 106.99 as compared to Rs. 146.35 in 2007-08 translating to earning per share at Rs. 24.36 (as against Rs. 35.17 in FY2008).

3. DIVIDEND

The Board is pleased to recommend a dividend at the rate of Rs 6.50 per share on Equity Shares for the financial year ended March 31, 2009. Your Directors have proposed the dividend keeping in mind the Company's capital expenditure undertaken which are as per HEG Limited's strategic initiatives.

4. OPERATIONS

GRAPHITE ELECTRODES

During the year under reporting, the production of Graphite Electrodes was at 50,226 MT as compared to 51,863 MT in 2007-08. HEG operates the largest single site Graphite Electrode Manufacturing facility in SE Asia at Mandideep. The total production for FY2009 was in line with market demand, which thus led HEG to consolidate its manufacturing lead in the graphite electrodes segment.

POWER GENERATION

HEG has a strategic advantage in the form of availability of economical captive power from hydro-electrical and thermal capacities of about 44 MW. The 33 MW Second Unit of the coal-based thermal power plant set up at an investment of Rs.90 crore is expected to commence operations in May 2009. This will augment the Captive power Generation capacity to about 77 MW which will match the increased graphite electrode capacity. The surplus power, if any will be sold to third parities as per the regulatory approvals received under the Government's "open access' policy.

5. CAPACITY EXPANSION OF GRAPHITE ELECTRODE PLANT AT MANDIDEEP

Your Company had on the 5th June, 2008 announced expansion plans of its graphite electrodes capacity to about 80,000 TPA from current level of about 60,000 TPA at a cost of Rs. 190 crore. However, in view of the slowdown in economic environment and steel industry, which began in September-October 2008, your Company at its Board meeting held on the 30th January, 2009, approved plans to moderate the expansion plan to 66,000 MT at a reduced cost of Rs. 42.50 crore. This is in line with current market conditions and will help HEG consolidate its manufacturing lead in graphite electrodes segment at the shortest schedule and optimum cost.

6. BUYBACK OF EQUITY SHARES BY THE COMPANY

The Board of Directors of the Company approved the Buyback of its Equity Shares from open market through Stock Exchanges vide a resolution passed at its Board Meeting dated the 19th August, 2008. The Buyback was approved for an amount not exceeding Rs. 48.50 crore. The Buyback of Equity Shares commenced on the 13th October, 2008. As on the 31st March, 2009, 1,744,978 Equity Shares were bought back, out of which 1,503,059 Equity Shares had been extinguished till that date.

7. CORPORATE GOVERNANCE

A report on Corporate Governance forms part of the Annual Report along with the Auditors' Certificate on its compliance.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion & Analysis Report as required under the Listing Agreements with the Stock Exchanges forms part of the Annual Report.

9. INTERNAL CONTROL SYSTEMS AND ADEQUACY THEREOF

The Company has an adequate internal control system commensurate with the size and nature of its business.

Internal audit programme covers various areas of activities and periodical reports are submitted to the management. The Audit Committee reviews financial statements and internal audit reports along with internal control systems. The Company has a well-defined organizational structure, authority levels and internal rules and guidelines for conducting business transactions.

10. PERSONNEL

A) INDUSTRIAL RELATIONS

The industrial relations during the period under review generally remained cordial at all the plants of the Company.

B) PARTICULARS OF EMPLOYEES

The information of employees getting salary in excess of the limits as specified under the provisions of sub section (2A) of Section 217 of the Companies Act,1956, who were employed throughout or for a part of the financial year under review is given as an annexure forming part of this Report.

11. PUBLIC DEPOSITS

Your Company has not invited any deposits from public / shareholders in accordance with Section 58A of the Companies Act, 1956.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

The information with regard to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988, is given as an annexure forming part of this Report.

13. DIRECTORS

a) The Board of Directors had re-appointed Shri Ravi Jhunjhunwala, as Chairman & Managing Director of the Company at its meeting held on the 30th January, 2009, for a period of 5 years w.e.f. 13th February,2009 on terms and conditions enumerated in the resolution being put up for your approval.

b) Shri Om Parkash Bahl and Shri Riju Jhunjhunwala have been appointed as Additional Directors on the Board of Directors of the Company and they shall hold office up to the ensuing Annual General Meeting. The Company has received two separate notices u/s 257 of the Companies Act, 1956 from shareholders, proposing the candidature of these two persons for the office of Director of the Company.

c) The Board of Directors have also appointed Shri Riju Jhunjhunwala, as Executive Director of the Company at its meeting held on the 30th April, 2009, for a period of 5 years w.e.f. 1st May, 2009 on terms and conditions enumerated in the resolution being put up for your approval.

d) Two of your Directors namely Shri L.N. Jhunjhunwala and Shri V.K. Mehta shall retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The Board recommends their appointment.

14. AUDITORS

M/s Doogar & Associates, Chartered Accountants and M/s S.S. Kothari Mehta & Co., Chartered Accountants, Auditors of the Company, will retire from their office at the ensuing Annual General Meeting. They are, however, eligible for re-appointment. They have furnished a Certificate to the effect that their appointment will be in accordance with limits specified in sub-section (IB) of Section 224 of the Companies Act, 1956. You are requested to consider their appointment.

The Auditors' Report read alongwith notes to accounts is self explanatory and therefore does not call for any further comments.

15. DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm that:

(i) in preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

(ii) they have selected such accounting policies and applied them consistently and made judgments 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 the financial year ended the 31st March, 2009 and of the profit of the Company for that year;

(iii) they have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and

(iv) they have prepared the annual accounts on a going concern basis.

16. ACKNOWLEDGEMENTS

Your Directors wish to place on record, their appreciation for the valuable assistance and support received by your Company from Banks, Financial institutions, Central Government, Govt. of Madhya Pradesh, Govt. of Uttar Pradesh and their departments. The Board also thanks the employees at all levels, for the dedication, commitment and hard work put in by them for Company's achievements.

For and on behalf of the Board,

Place : Noida (U.P.)
Dated : April 30, 2009

(RAVI JHUNJHUNWALA)
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE I TO THE DIRECTORS' REPORT

Information pursuant to Section 217 (2A) of the Companies Act,1956, read with Companies (Particulars of Employees) Rules 1975 and forming part of the Directors' Report for the year ended 31st March, 2009

S. No	Name of Employee	Designation	Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment held, rganisation, Designation & Duration
1.	Mr. Ravi Jhunjhunwala	Chairman & Managing Director	Managerial	24071929	B.Com.(Hons.), MBA	29	54	01.03.1982	–
2.	Mr. R. C. Surana	Executive Director & CEO	Managerial	10911404	BBA, MBA,DFT	31	56	01.03.1987	Bhilwara Services Pvt Ltd., Manager, 6 Months
3.	Mr. Ashish Tandon*	Chief Financial Officer	Finance Head	124171	B.Com., ACA	25	48	01.02.2007	Sona Koyo Steering Systems Ltd. Finance Controller, 3 Years
4.	Mr. Jacob Mani	Chief Operating Officer	Plant Head	2507003	BE-MECH	32	59	15.11.1976	Carborandum Universal, Jr. Suptt., 4 Years
5.	Mr. K. Vaidyanathan*	Executive Vice President	Operational Activities (Plant)	112745	BE-CHEM ENGG	28	49	13.03.2009	SRF Ltd., Vice President, 3 Years
6.	Mr. V Sukumar	Vice President	Domestic Marketing Head	2736993	BE, MBA	30	57	01.06.1979	Planning Commission, Consultant, 2 Years
7.	Mr. Manvinder Singh Ajmani*	Chief Financial Officer	Finance & Accounts Head	2143285	FCA, ACS, ACTM	22	44	13.06.2008	International Tractors Ltd., Vice President (Finance), 1½ Years

* Employed for part of the year.

Note: Appointment of Sh. Ravi Jhunjhunwala, Chairman & Managing Director and Sh. R.C. Surana, Executive Director & CEO is for a period of Five years in accordance with Schedule XIII of the Companies Act, 1956. All other aforesaid employees are in non-contractual employment of the Company.

ANNEXURE II TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

(A) CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:

1. Installation of Variable Frequency Drive (VFD) in ID Fan in Riedhammer 3 resulted in the improvement of operating efficiency of the fan.
2. Relocated the lights for proper illumination & remove the unnecessary lights resulted in the reduction of energy consumption due to lighting load.

3. The under loaded motor of Graphite Hall 5 IGT plant of rating 210 HP is replaced with a lower rating motor of 150 HP.

(b) Additional investment & proposals, if any, being implemented for reduction of consumption of energy :

Cost of ID FAN VFD is about Rs 3.5 lacs, proposed to be installed at Riedhammer - 4.

(c) Impact of the measures at (a) & (b) for reduction of energy consumption and consequent impact on the cost of production of goods :

The saving in Electrical energy consumption on account of the above implemented measures is in the range of 5.95 Lacs Kwh per year.

INFORMATION AS PRESCRIBED IN FORM A

PARTICULARS	Graphite	
	2008-09	2007-08
ELECTRICITY		
Purchased		
Units (Lacs)	**2940.80**	3063.19
Total Amount (Rs Lacs)	**13849.28**	13499.69
Rate /Unit (Rs)	**4.71**	4.41
OWN GENERATION		
Generated Units (Lacs)		
Units/Litre Of Fuel Oil		
Cost Of Generation / Unit (Rs)		
FUEL COMSUMPTION		
Quantity (MT)	**11629.00**	18319.00
Total Amount (Rs Lacs)	**3340.98**	3701.33
Average Rate Per Kl (Rs)	**28730**	20204
CONSUMPTION / UNIT OF PRODUCTION		
Product Description/Unit - MT	**Graphite Electrode**	
Electricity Consumed / Unit	**5855**	5874
Fuel Oil Consumed (MT) /Unit	**0.232**	0.306

(B) TECHNOLOGY ABSORBTION

i) RESEARCH & DEVELOPMENT (R&D)

Specified areas in which R&D carried out by the company	1. Simulation exercises for optimizing Process parameters to improve quality of Graphite Electrodes.
	2. Study of raw materials and its effect on quality of Graphite Electrodes.
	3. Study of use of additives to improve Graphite Electrode quality.
	4. Development of Carbon/Graphite specialties like Porous Conducting Carbon Paper, Activated Carbon Spheres, Graphite Foam, Mesophase Pitch.
	5. Development of carbon-carbon composites.

Benefits derived as a result of the above R&D	1. New testing parameters for quality control of Raw Materials.
	2. Quality Improvement in Graphite Electrodes.
	3. Carbon/Graphite products development used for thermal, energy and environment management.
Future plan of action	1. Development of variety of carbon/Graphite specialties and composites.
	2. Commercial production of in-house developed products.
	3. Exploring methods for cost cutting to improve productivity.
	4. Development of thermo-oxidative coating on Graphite material.
	5. Development of Graphite based conductive coating material.

ii) TECHNOLOGICAL ABSORPTION, ADAPTATION AND INNOVATION

1	Efforts, in brief, made towards technology absorption, adoption and innovation	1. Application of Dilatometer to understand the thermal behavior of Carbon/Graphite & Carbon composites on heating.	
		2. Efforts made to scale up know how (taken from National Physical Laboratory, New Delhi) for development of Porous Conducting Carbon Paper for fuel cell application.	
2	Benefits derived as a result of the above efforts	1. Improvement in Graphite Electrode properties based on lab scale experiments.	
		2. Scope for new business in Carbon/Graphite specialties.	
3	In case of recently imported technology the requisite information, in brief	1. Nil All our efforts are made through in house R&D activities and collaborative research in India.	
4	Expenditure incurred on R&D		(Rs. in Lac)
		Current Year	Previous year
	(a) Capital	**18.12**	19.14
	(b) Recurring	**153.13**	147.99
	(c) Total	**171.25**	167.13
	(d) Total R&D expenditure as Percentage of total turnover	**0.16**	0.19

(C) FOREIGN EXCHANGE EARNING AND OUTGO

		(Rs. in Lac)
Earnings	:	79,439.20
Outgo	:	2,769.35

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and all its interactions with the stakeholders including shareholders, employees, customers, government, suppliers and lenders and to build the confidence of the society in general. The Company believes in adopting the philosophy of professionalism, transparency and accountability in all areas and is committed to pursue growth by adhering to the highest national and international standards of Corporate Governance.

2. Board of Directors

(i) Composition

The Board has an appropriate composition of Executive and Independent Directors. The Independent Directors on the Board are experienced, competent and highly reputed persons from their respective fields. The Independent Directors take active part at the Board and Committee Meetings, which adds value in the decision making process of the Board of Directors.

The details of composition of the Board, number of other Directorship, Chairmanship/ Membership of Committee of each Director in other Companies, attendance of Directors at the Board Meetings and last Annual General Meeting are given below:

Name of Director	Category of Directorship	No. of other Directorships in public Ltd. Companies	Board Committees* in other Companies in which		No. of Board Meeting attended	Whether Attended the last AGM Yes/No
			Member	Chairman		
Shri L. N. Jhunjhunwala	Chairman Emeritus-Promoter Non-Executive.	7	2	–	6	No
Shri Ravi Jhunjhunwala	Chairman& Managing Director-Promoter Executive	10	1	2	6	No
Shri Shekhar Agarwal	Vice Chairman-Promoter Non-Executive	9	2	–	5	No
Shri R. C. Surana	Executive Director & CEO	–	–	–	5	No
Shri D. N. Davar	Non-Executive & Independent	13	4	4	5	Yes
Dr. Kamal Gupta	Non-Executive & Independent	5	2	5	6	No
Shri K. N. Memani	Non-Executive & Independent	9	1	4	3	No
Shri P. Murari	Non-Executive & Independent	14	5	–	–	No
Shri V. K. Mehta	Non-Executive & Promoter	–	–	–	–	No
Shri N. Mohan Raj	Non-Executive & Independent (LIC Nominee)	1	1	–	3	No
Shri Niket A. R. Mehta (Alt. to Shri V. K. Mehta)	Non-executive & Promoter	–	–	–	1	No
Shri Riju Jhunjhunwala **	Executive Director Promoter	5	2	_	_	N.A.
Shri O. P. Bahl **	Non-Executive & Independent	–	–	–	–	N.A.

* Only Audit Committee and Shareholders Grievance Committee have been considered.
** Appointed on 30.04.2009.

(ii) Shareholding of Non-Executive Directors

The number of Equity Shares of the Company held by Non-Executive Directors of the Company are as under:-

Name of Director	No. of Equity Shares Held
Shri L. N. Jhunjhunwala	179740
Shri Shekhar Agarwal	10314
Shri D. N. Davar	1000
Dr. Kamal Gupta	200

(iii) Board Meetings

The Board meets at least once in every quarter to review quarterly results and other items on agenda. Additional meetings are held when necessary. Six Board Meetings were held during the financial year ended the 31st March, 2009. These were held on 5th June, 2008, 13th June, 2008, 31st July, 2008, 19th August, 2008, 23rd October, 2008, and 30th January, 2009.

3. Audit Committee

(i) Broad Terms of Reference

The terms of reference of the Audit Committee are as per Section 292 A of the Companies Act,1956 and the guidelines set out in the listing agreements with the Stock Exchanges that inter-alia include overseeing financial reporting processes, reviewing periodic financial results, reviewing with the management the financial statements and adequacy of internal control systems, reviewing the adequacy of internal audit function, risk management, discussions with the Internal and Statutory Auditors about the scope of audit including the observations of the auditors and discussions with them on any significant findings.

(ii) Composition of the Committee

The composition of the Audit Committee is as under:-

Sl No.	Names of Director	Designation	Category
1.	Shri D.N. Davar	Chairman	Non-Executive Independent Director
2.	Dr. Kamal Gupta	Member	Non-Executive Independent Director
3.	Shri N. Mohan Raj	Member	Non-Executive Independent Director

All these Directors possess knowledge of Corporate Finance, Accounts & Corporate Laws. The Statutory Auditors, Internal Auditors and Senior Executives of the Company are invited to attend the meetings of the Committee, whenever necessary. The Company Secretary acts as Secretary of the Committee.

(iii) Meetings and Attendance

During the financial year ended 31st March, 2009, five meetings were held on 16th May, 2008, 13th June, 2008, 31st July, 2008, 23rd October, 2008 and 30th January, 2009.

The attendance at the above Meeting was as under: -

Sl No.	Name of Director	No. of Meetings Attended
1.	Shri D.N. Davar	5
2.	Dr. Kamal Gupta	5
3.	Shri N. Mohan Raj	3

4. Remuneration Committee

i) Broad Terms of Reference

To review & decide the policy on specific remuneration package of Managing Director and other whole time Directors.

ii) Composition of the Committee

The composition of the Remuneration Committee is as under:-

Sl No.	Name of Director	Designation	Category
1.	Shri D.N. Davar	Chairman	Non-Executive Independent Director
2.	Dr. Kamal Gupta	Member	Non-Executive Independent Director
3.	Shri N. Mohan Raj	Member	Non-Executive Independent Director

The Company Secretary acts as Secretary of the Committee.

(iii) Meetings and Attendance

During the financial year ended 31st March, 2009, one meeting was held on 30th January, 2009.

The attendance at the above Meeting was as under: -

Sl. No.	Name of the Director	No. of Meetings attended
1.	Shri D.N. Davar	1
2.	Dr. Kamal Gupta	1
3.	Shri N. Mohan Raj	1

(iv) Remuneration Policy

The Company's remuneration policy is based on the principles of (i) pay for responsibility (ii) pay for performance and potential and (iii) pay for growth. The Company pays remuneration to the Chairman & Managing Director, Executive Director & CEO and Executive Director while non executive Directors are paid sitting fees only. The remuneration of Chairman & Managing Director and Executive Director & CEO and Executive Director is decided by the Board of Directors, on recommendations of the Remuneration Committee and thereafter approved by the shareholders of the Company.

(iv) Details of Remuneration to the Directors for the year ended 31st March, 2009

(Amount in Rupees)

Sl. No	Name of Director	Salary	Benefits	Commission	Sitting Fee	Total
1	Shri Ravi Jhunjhunwala	3981429	3779063	16311437	–	24071929
2	Shri R. C. Surana	2762903	2765727	5382774	–	10911404
3	Shri L. N. Jhunjhunwala	–	–	–	160000	160000
4	Shri Shekhar Agarwal	–	–	–	100000	100000
5	Shri V. K. Mehta	–	–	–	–	–
6	Shri D. N. Davar	–	–	–	440000	440000
7	Shri K. N. Memani	–	–	–	60000	60000
8	Dr. Kamal Gupta	–	–	–	480000	480000
9	Shri P. Murari	–	–	–	–	–
10	Shri N. Mohan Raj	–	–	–	140000	140000
11	Shri Niket A. R. Mehta	–	–	–	20000	20000

5. Shareholders'/Investors' Grievance Committee

(i) Composition of the Committee

The composition of the Committee is as under:-

Sl. No.	Names of Directors	Designation	Category
1.	Shri L.N. Jhunjhunwala	Chairman	Non Executive Promoter Director
2.	Shri Ravi Jhunjhunwala	Member	Executive Promoter Director
3.	Dr. Kamal Gupta	Member	Non Executive Independent Director

Shri Ashish Sabharwal, Company Secretary is the Compliance Officer.

(ii) Meetings and Attendance

During the financial year ended 31st March, 2009, two meetings were held on 23rd October, 2008 and 17th March,2009.

The attendance at the above Meeting was as under: -

Sl. No.	Name of the Director	No. of Meetings attended
1.	Shri L.N. Jhunjhunwala	2
2.	Shri Ravi Jhunjhunwala	1
3.	Dr. Kamal Gupta	2

The Company received 46 complaints during the year and all were resolved to the satisfaction of the shareholders. There was no valid request for transfer of shares pending as on the 31st March, 2009.

6. General Body Meetings

The last three Annual General Meetings were held as per detail below:

Date of AGM	Relevant Financial Year	Venue/Location where held	Time of Meeting	Whether any special resolution passed
22nd September, 2006	2005-2006	Mandideep, (Near Bhopal)	11.30 A.M.	Yes
29th September, 2007	2006-2007	Mandideep, (Near Bhopal)	11.00 A.M.	Yes
27th September, 2008	2007-2008	Mandideep, (Near Bhopal)	12.30 P.M.	No

There were no matters required to be passed by the shareholders through postal ballot, in any of the aforesaid meetings, as required under the provisions of Section 192A of the Companies Act, 1956.

There are no matters proposed to be passed by the Company through postal ballot in the ensuing Annual General Meeting.

7. Disclosures

(i) There are no materially significant transactions with the related parties viz. Promoters, Director or the Management, their Subsidiaries or relatives conflicting with Company's interest. Suitable disclosure as required by the Accounting Standard (AS18) has been made in the Annual Report.

(ii) There are no pecuniary relationships or transactions of non-executive directors vis-à-vis the Company that have a potential conflict with the interests of the Company.

(iii) No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during last three years.

(iv) The Company has complied with the non-mandatory requirements relating to the remuneration committee to the extent detailed above.

(v) No personnel has been denied any access to the Audit Committee of the Company.

(vi) The Company has complied with all the applicable Accounting Standards.

(vii) The Executive Director & CEO and Chief Financial Officer have certified to the Board, inter-alia the accuracy of financial statements and adequacy of Internal Controls for the financial reporting purpose as required under Clause 49(v) of the Listing Agreement, for the year ended the 31st March, 2009.

8. Code of Conduct

There is a Code of Conduct for the Directors and Senior Management Personnel. This Code is a comprehensive code applicable to all Directors and members of the Senior Management. A copy of the Code has been put on the Company's website www.hegltd.com.

The Code has been circulated to all the members of the Board and Senior Management Personnel and compliance of the same has been affirmed by them. A declaration signed by the Executive Director & CEO in this regard is given below:

"I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management Personnel of the Company, affirmation that they have complied with the Code of Conduct framed for Directors and Senior Management Personnel in respect of the financial year 2008-09.

R.C. Surana
(Executive Director & CEO)

9. Means of Communication

The Company publishes its quarterly results in leading national newspapers as per the requirements of listing agreement. These results are displayed along with other news releases and presentations, if any, made to institutional investors or to analysts etc and all other vital information are placed on the website of the Company. All the required informations are placed on the site http://sebiedifar.nic.in developed by NIC within the stipulated time.

10. Disclosures regarding appointment or reappointment of Directors

Name of Director	Shri L. N. Jhunjhunwala	Shri V. K. Mehta	Shri Riju Jhunjhunwala	Shri Om Parkash Bahl
Date of Birth	17.10.1928	28.10.1931	13.01.1979	05.10.1939
Date of Appointment	27.10.1972	08.09.1979	30.04.2009	30.04.2009
Expertise in Specific functional areas	He graduated from the Calcutta University in 1946 and was awarded Gold Medal in Mathematics (Honours). The Bhilwara Group, as it is today, is the result of his vision and dedicated work. He has more than five decades experience in various industries and business.	He is a very established businessman. He has considerable experience in various areas of industry and business.	He holds a degree in Business Management Studies. He is an Industrialist with diversified business experience.	He is M.Sc., Ph.D., from Sardar Patel University. He retired from National Physical Laboratory, New Delhi as Director Grade Scientist in 1999. He has expertise in Carbon Technology.
List of other Public Ltd. Companies in which directorships held	1. RSWM Ltd. 2. Maral Overseas Ltd. 3. Bhilwara Spinners Ltd. 4. LNJ Financial Services Ltd. 5. Indo Canadian Consultancy Services Ltd. 6. Malana Power Co. Ltd. 7. AD Hydro Power Ltd.	Nil	1. BSL Ltd. 2. Bhilwara Infotech Ltd. 3. Bhilwara Technical Textiles Ltd. 4. Cheslind Textiles Ltd. 5. LNJ Bhilwara Textiles Anusehandhan Vikas Kendra	Nil
Chairman/ Member of the Committees of the Board of Directors of the Company	Investors Grievance Committee-Chairman.	–	–	–
Chairman/ Member of the Committee of Directors of other Companies a) Audit Committee	1. RSWM Ltd. - Member 2. Maral Overseas Ltd. - Member	–	1. BSL Ltd. - Member 2. Cheslind Textiles Ltd. - Member	–
b) Shareholders/ Investors Grievance Committee	–	–	–	–
c) Remuneration Committee	–	–	–	–

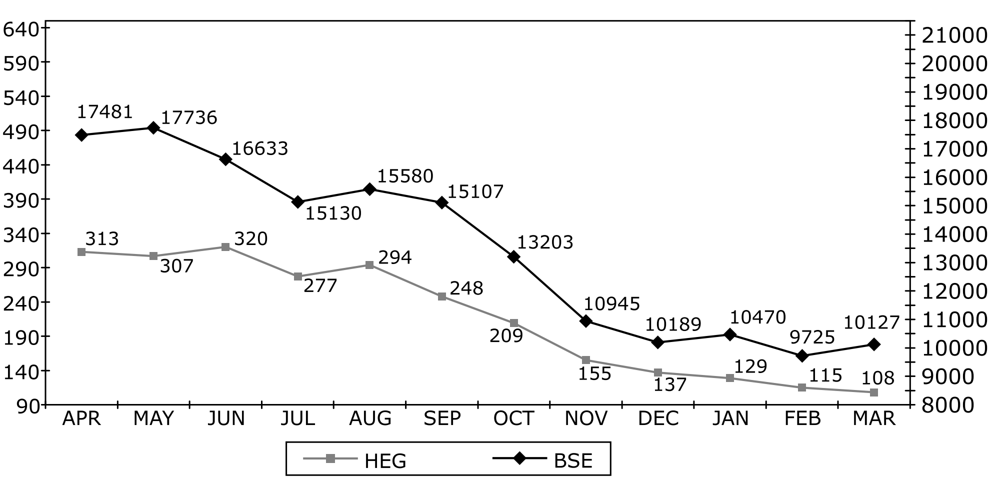
11. Shareholders Information

a)	Annual General Meeting: Date & Time, Venue	19th September, 2009 at 12.30 p.m. at the Registered Office of the Company at Mandideep. Near Bhopal, Distt. Raisen, Madhya Pradesh - 462 046.
b)	Financial Calendar:	Financial Year : 1st April, 2009 – 31st March, 2010. Reporting: (a) First Quarter Results - By end of July, 2009 (b) Second Quarter Results - By end of October, 2009 (c) Third Quarter Results - By end of January 2010 (d) Results for the FY - By end of June 2010
c)	Date of Book Closure	10th September, 2009 to 19th September, 2009 (both days inclusive)
d)	Dividend payment date	Within 30 days from the date of Annual General Meeting.
e)	Listing of : (i) Shares on Stock Exchanges (ii) Foreign Currency Convertible Bonds	(i) 1. Bombay Stock Exchange Ltd. 2. National Stock Exchange of India Ltd. 3. Madhya Pradesh Stock Exchange Ltd. Listing Fee, as prescribed has been duly paid. (ii) Singapore Stock Exchange
f.	Stock Code	(i) BSE: 509631 NSE: HEG ISIN No.: INE 545A01016 (ii) Singapore Stock Exchange: XS0225589869

g. i) **Market Price Data:** Monthly High Low values (in Rs.) at NSE & BSE and comparison with BSE Sensex.

	NSE		BSE		BSE SENSEX	
Month	**High**	**Low**	**High**	**Low**	**High**	**Low**
April, 2008	320.00	242.55	313.00	253.00	17480.74	15297.96
May, 2008	306.55	265.05	307.00	265.10	17735.70	16196.02
June, 2008	338.85	211.00	320.00	206.00	16632.72	13405.54
July, 2008	275.60	174.05	276.50	174.00	15130.09	12514.02
August, 2008	293.00	231.00	293.75	231.20	15579.78	14002.43
September, 2008	248.65	181.00	247.90	185.50	15107.01	12153.55
October, 2008	208.05	112.05	209.00	113.05	13203.86	7697.39
November, 2008	156.00	112.00	154.70	113.00	10945.41	8316.39
December, 2008	129.95	104.10	137.00	104.25	10188.54	8467.43
January, 2009	128.50	103.00	128.70	102.10	10469.72	8631.60
February, 2009	114.65	100.25	114.95	100.00	9724.87	8619.22
March, 2009	106.00	94.00	108.00	94.00	10127.09	8047.17

ii) Comparative chart of Company's share price movement vis-à-vis the movement of BSE Sensex:



h) Registrar or Transfer Agent — M/s. MCS Ltd. F-65, Ist Floor,Okhla Industrial Area, Phase-I, New Delhi-110020.
E-mail for Investor Grievances: mcscomplaintsdel@mcsdel.com

i) Share Transfer System: — Share Transfers are attended and registered on fortnightly basis and the same are returned within 30 days from the date of receipt, if the documents are in order in all respects.

j) Distribution of shareholding as on 31st March, 2009.

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% of sharehoding
1-500	32244	95.46	3645787	8.52
501-1000	877	2.44	670283	1.57
1001-2000	367	1.02	539408	1.26
2001 – 3000	111	0.31	275276	0.64
3001 – 4000	49	0.14	175255	0.41
4001 – 5000	38	0.11	173292	0.40
5001 – 10000	66	0.18	503711	1.18
10001 and above	120	0.33	36831912	86.03
Total	35872	100.00	42814924	100.00

k) Category of Shareholders

Catagory	No. of shareholders	% of shareholders	No. of shares held	% of sharehoding
Promoters and Promoter Group	34	0.09	22044261	51.49
Mutual Funds / UTI	10	0.03	652965	1.53
Financial Institutions / Banks	10	0.03	62107	0.15
Insurance Companies	6	0.02	4442493	10.38
Foreign Institutional Investors	16	0.04	2202572	5.14
Bodies Corporate	839	2.34	3713035	8.67
Individuals	34678	96.67	6025356	14.07
Others				
I) Trusts	3	0.01	4325	0.01
II) foreign Corp. bodies	2	0.01	3549755	8.29
III) NRI individuals	274	0.76	118055	0.28
Total	35872	100.00	42814924	100.00

l) Dematerialization of shares and liquidity. — 40093050 shares were dematerialized till 31.3.2008 which is 93.64% of the total paid up Equity Share Capital of the Company. Trading in shares of the Company is permitted in dematerialised form only.

m) Outstanding GDRs/ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity:

1) The Company had issued unsecured 1% Foreign Currency Convertible Bonds (FCCB) due for redemption in 2010 amounting to US$ 28.75 Million convertible at the option of the bond holder into Equity Shares at an initial price of Rs. 192.06 per share. Of the above, upto March 31, 2009, 61.57% of the FCCB's amounting to USD 17.70 Million have been converted into 40,07,517 equity shares of the Company.
2) The Company had allotted 47,30,000 Preferential Warrants of Rs.365/- each on 5th June, 2008. These Warrants are convertible into equity shares within 18 months from the date of allotment. No warrant has been converted till date.

n) Plant Locations

a) Mandideep (Near Bhopal), Distt. Raisen, Madhya Pradesh -462 046.
b) Village Ranipur, Tawa Nagar, Distt. Hoshangabad - 461 001.

o) Address for correspondence:

HEG Ltd.
Secretarial Department
Bhilwara Towers, A-12, Sector -1, NOIDA - 201301 (U.P.)
Phone:0120-4390300, 4390000 Fax:0120-2531648/1745
E-mail: Investor.complaints@hegltd.com
Website: www.hegltd.com

COMPLIANCE CERTIFICATE

To the Members of HEG Limited,

We have reviewed the implementation of Corporate Governance procedures by the Company during the year ended 31st March, 2009, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of the above and according to the information and explanations given to us, in our opinion, the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

We further state that our examination of such compliance is neither an assurance as to the viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. S. KOTHARI MEHTA & CO.**
Chartered Accountants

ARUN K TULSIAN
Partner
Membership No. 089907

For **DOOGAR & ASSOCIATES**
Chartered Accountants

MUKESH GOYAL
Partner
Membership No. 081810

Place : Noida (U.P.)
Date : 30th April, 2009

AUDITORS' REPORT

To the members of HEG Limited

We have audited the attached Balance Sheet of HEG Limited as at 31st March, 2009 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004 (Collectively the Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956.

e) On the basis of written representations received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read with the Accounting policies and Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;

   ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and

   iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **Doogar & Associates** Chartered Accountants	**For S. S. Kothari Mehta & Co.** Chartered Accountants
Mukesh Goyal Partner Membership No. 081810	**Arun K. Tulsian** Partner Membership No. 089907

Place : Noida (U.P.)
Dated : 30th April, 2009

ANNEXURE TO AUDITORS' REPORT
(Annexure referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has physically verified certain fixed assets during the year in accordance with the programme. Discrepancies noticed on such verification as compared to book records were not material and have been properly adjusted in the books of accounts.

   (c) No Substantial part of the fixed assets was disposed off during the year.

2. (a) The management during the year has physically verified the inventory, except material lying with third parties and in transit which have been verified with reference to correspondence of third parties or subsequent receipts of goods. In our opinion, the frequency of such verification is reasonable.

   (b) The procedures for the physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.

   (c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.

3. (a) The Company has granted unsecured loan during the year to one of its associate companies listed in the register maintained under section 301 of the Companies Act, 1956. Apart from this loan, the company has not granted any other loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

   (b) The maximum amount outstanding during the year is Rs. 100 Crore and year end balance of such loan is Rs. Nil. In our opinion, the rate of interest and other terms & conditions of such loan are, prima facie, not prejudicial to the interest of the company.

   (c) In respect of the aforesaid loan, the borrower company was regular in payment of interest. We are explained that this loan was repayable on demand and, therefore, there are no overdue amounts at the year end.

   (d) The company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses 4 (iii) (f) and (g) of the Order are not applicable.

4. In our opinion, and according to the information and explanations given to us during the course of audit, there are adequate internal control systems commensurate with size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books & records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.

5. (a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements referred to in section 301 of the Act, have been entered in the register required to be maintained under that section.

   (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year to Rupees five lakhs or more in respect of each party have been made at prices which are reasonable having regard to market prices for such transactions, prevailing at the relevant time, where such market prices are available.

6. The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposit) Rules, 1975.

7. In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.

8. We have broadly reviewed the Cost Accounting records, maintained by the Company pursuant to the Rules prescribed by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We are, however, not required to make a detailed examination of such books and records.

9. (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and

Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth-tax, Service tax, Custom Duty, Excise Duty, Cess and other material statutory dues, as applicable, have been generally regularly deposited with the appropriate authorities during the year. There are no such dues outstanding for more than six months as on the date of balance sheet.

(b) According to the information and explanations given to us and as per the books and records examined by us, there are no dues of custom duty, service tax, wealth tax, and cess that have not been deposited on account of any dispute except the following dues of income tax, sales tax and excise duty along with the forum where the dispute is pending :

(Rupees in Lacs)

Name of the Statue	**Nature of Dues**	**Departmental Appellate Authorities/Jurisdictional High Court**			
		Commissioner	**Tribunal**	**High Court**	**Supreme Court**
		Amount	**Amount**	**Amount**	**Amount**
Income Tax Act, 1961	Income Tax	16.72	–	–	–
Central Excise Act,1944	Excise Duty	39.76	16.09	–	–
Central Sales Tax Act, 1956	Central Sales Tax	34.94	49.18	–	–
M.P.Parvesh Kar Adhiniyam, 1976	Entry Tax	152.15	26.07	5.58	–
M.P.C.T.	Local Sales Tax	–	7.96	–	–

10. There are no accumulated losses of the Company as at the end of the financial year. There are no cash losses during the financial year and in the immediately preceding financial year.
11. According to the information and explanations given to us and as per the books and records examined by us, the Company has not defaulted in repayment of dues to any financial institution or bank or debentureholders.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company does not fall within the category of Chit Fund / Nidhi / Mutual Benefit Fund / Society and hence the related reporting requirements of the Order are not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments and hence the related reporting requirements of the Order are not applicable.
15. The Company has given a guarantee jointly with a company to a financial institution for loans taken by others from that financial institution, the terms & conditions of which are not, prima facie, prejudicial to the interest of the company.
16. In our opinion, and according to the information and explanations given to us, the term loans raised during the year by the Company have been applied for the purpose for which the said loans were obtained, where such end use has been stipulated by the lender.
17. According to the information and explanations given to us and as per the books and records examined by us, as on the date of balance sheet, the funds raised by the Company on short term basis have not been applied for long term investment.

18 The Company has not made any preferential allotment of shares, during the year, to companies and parties covered in the register maintained under Section 301 of the Act. However, amount received against preferential warrants in the previous year have been allotted during the year (refer note no 16 of Schedule 15).

19. The Company has created necessary securities and other charges for the debentures issued in earlier years. There are no secured debentures outstanding at the year end.
20. Out of the funds raised through FCCB issue in earlier years, an amount of Rs.2005.75 lacs lying in short term fixed deposit pending final utilization at the beginning of the year, has been utilized for the purpose for which the funds were raised.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed and reported during the year, nor have we been informed of such case by the management.

For **Doogar & Associates** Chartered Accountants	**For S. S. Kothari Mehta & Co.** Chartered Accountants
Mukesh Goyal Partner Membership No. 081810	**Arun K. Tulsian** Partner Membership No. 089907

Place : Noida (U.P.)
Dated : 30th April, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in Lac)

	Schedule	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	**4,257.34**	4,431.84
Reserves & Surplus	2	**53,369.90**	48,343.87
Preferential Warrants Application Money		**1,726.45**	1,743.97
(See Note no. 16 of Schedule 15-B)			
		59,353.69	54,519.68
Loan Funds :	3		
Secured Loans		**66,408.91**	61,745.22
Unsecured Loans		**21,795.51**	9,432.71
		88,204.42	71,177.93
Deferred Tax Liability	4	**7,497.84**	7,361.27
TOTAL		**155,055.95**	133,058.88
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		**85,346.09**	79,502.16
Less: Depreciation		**28,943.62**	24,625.74
Net Block		**56,402.46**	54,876.42
Capital Work in Progress		**13,422.72**	5,647.11
		69,825.18	60,523.52
Investments	6	**8,354.09**	3,031.76
Current Assets, Loans & Advances	7		
Inventories		**40,972.41**	27,337.87
Sundry Debtors		**32,854.30**	28,835.42
Cash & Bank Balances		**638.30**	4,319.00
Loans and Advances		**16,269.09**	21,204.71
		90,734.11	81,697.00
Less : Current Liabilities and Provisions	8		
Liabilities		**8,953.65**	8,888.52
Provisions		**5,042.84**	3,548.24
		13,996.49	12,436.76
Net Current Assets		**76,737.62**	69,260.23
Miscellaneous Expenditure	9	**139.07**	243.37
(to the extent not written off or adjusted)			
TOTAL		**155,055.95**	133,058.88
Notes to Accounts	15		

Signed in terms of our Report of even date

For **DOOGAR & ASSOCIATES**
Chartered Accountants

MUKESH GOYAL
Partner

Membership No. 081810

For **S. S. KOTHARI MEHTA & CO.**
Chartered Accountants

ARUN K TULSIAN
Partner

Membership No. 089907

Place : Noida (U.P.)
Dated : 30th April, 2009

RAVI JHUNJHUNWALA
Chairman & Managing Director

SHEKHAR AGARWAL
Vice Chairman

D. N. DAVAR
Director

R. C. SURANA
Executive Director & CEO

MANVINDER SINGH AJMANI
Chief Financial Officer

ASHISH SABHARWAL
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in Lac)

	Schedule		2008-09	2007-08
INCOME				
Gross Turnover			**114,994.35**	108,587.51
Less: Interdivisional Sales			**(9,696.23)**	(10,688.33)
Less: Excise Duty			**(2,397.73)**	(3,302.40)
Net Turnover			**102,900.39**	94,596.79
Other Income	10		**1,694.13**	3,056.23
Increase/(Decrease) in Stocks	11		**5,620.07**	2,515.40
			110,214.60	100,168.41
EXPENDITURE				
Consumption of Materials	12		**36,488.73**	39,605.69
Purchases of Goods traded			**70.44**	266.73
Manufacturing and Other Expenses	13		**55,878.61**	40,594.18
Less: Inter-divisional Purchases			**(9,696.23)**	(10,688.33)
TOTAL EXPENDITURE			**82,741.55**	69,778.27
PROFIT BEFORE INTEREST, DEPRECIATION AND AMORTISATION			**27,473.05**	30,390.14
Financial Expenses	14		**6,674.77**	5,057.46
PROFIT BEFORE DEPRECIATION AND AMORTISATION			**20,798.28**	25,332.68
Depreciation	5		**4,555.31**	4,508.81
Amortisation - Misc. Expenditure Written Off	9		**104.30**	104.30
PROFIT BEFORE TAX			**16,138.67**	20,719.57
Profit from continuing operations before Tax		16,138.67		19,140.10
Less: Taxation – Current		4,694.68		5,389.05
– Deferred		136.57		395.45
– Fringe Benefit Tax		47.94		40.58
– Earlier Years		560.30		261.96
PROFIT FROM CONTINUING OPERATIONS AFTER TAX - A			**10,699.18**	13,053.05
Profit from discontinuing operations before Tax			**–**	1,579.47
Less: Taxation – Current			**–**	1,378.16
– Deferred			**–**	(1,383.51)
– Fringe Benefit Tax			**–**	2.42
PROFIT FROM DISCONTINUING OPERATIONS AFTER TAX - B			–	1,582.40
PROFIT AFTER TAX - (A+B)			**10,699.18**	14,635.45
Balance brought forward from previous year			**9,597.70**	3,992.35
Amount available for appropriation			**20,296.88**	18,627.80
APPROPRIATIONS				
General Reserve			**2,500.00**	2,500.00
Capital Reserve			**–**	1,410.94
Interim Dividend on Equity Shares			**–**	3,046.00
Proposed Dividend on Equity Shares			**2,743.19**	1,329.54
Corporate Dividend Tax			**466.21**	743.62
Balance Carried Forward			**14,587.48**	9,597.70
NOTES TO ACCOUNTS	15			
Earning Per Share (Rs.)				
– Basic			**24.36**	35.17
– Diluted			**24.36**	31.39

Signed in terms of our Report of even date

For **DOOGAR & ASSOCIATES**
Chartered Accountants

MUKESH GOYAL
Partner

Membership No. 081810

For **S. S. KOTHARI MEHTA & CO.**
Chartered Accountants

ARUN K TULSIAN
Partner

Membership No. 089907

Place : Noida (U.P.)
Dated : 30th April, 2009

RAVI JHUNJHUNWALA
Chairman & Managing Director

SHEKHAR AGARWAL
Vice Chairman

D. N. DAVAR
Director

R. C. SURANA
Executive Director & CEO

MANVINDER SINGH AJMANI
Chief Financial Officer

ASHISH SABHARWAL
Company Secretary

SCHEDULES

SCHEDULE 1 : SHARE CAPITAL

(Rs. in Lac)

	As at 31.03.2009	As at 31.03.2008
AUTHORISED		
5,50,00,000 Equity Shares of Rs. 10/- each	**5,500.00**	5,500.00
15,00,000 Preference shares of Rs. 100/- each	**1,500.00**	1,500.00
	7,000.00	7,000.00
ISSUED & SUBSCRIBED		
4,43,17,983 Equity Shares of Rs.10/- each fully paid up	**4,431.80**	4,431.80
PAID UP		
4,43,17,983 Equity Shares of Rs.10/- each fully paid up	**4,431.80**	4,431.80
15,03,059 Less: Shares bought back and extinguished	**150.31**	–
2,41,919 Less: Shares bought back but not extinguished	**24.19**	–
(Refer note no. 18 of schedule 15 B)		
4,25,73,005 Equity Shares of Rs.10/- each fully paid up	**4,257.30**	4,431.80
Add : Forfeited Equity Shares	**0.04**	0.04
	4,257.34	4,431.84
	4,257.34	4,431.84

(1) Of the above ;

- (i) 2,21,96,821 Equity shares have been issued as fully paid up bonus shares by Capitalisation of Reserves.
- (ii) 3,00,000 Equity shares have been issued as fully paid up pursuant to a contract without payment being received in cash.
- (iii) 10,700 Equity shares have been issued at par as fully paid up to the members of erstwhile subsidiary company Bhilwara Viking Petroleum Limited pursuant to amalgamation.
- (iv) 40,07,517 Equity shares have been issued as fully paid up shares upon conversion of FCCBs

(2) Holders of FCCBs have a right to convert the bonds into equity shares at an initial agreed price of Rs. 192.06 as per terms of the issue.

SCHEDULE 2 : RESERVES AND SURPLUS

(Rs. in lac)

	As at 31.03.2008	Additions	Deductions	**As at 31.03.2009**
Capital Reserve	**1411.79** **(0.85)**	– (1410.94)	– –	**1411.79** **(1411.79)**
Debenture Redemption Reserve	**1500.00** **(3500.00)**	– –	1500.00 (2000.00)	**–** **(1500.00)**
Capital Redemption Reserve	**1275.42** **(1275.42)**	174.50 –	– –	**1449.92** **(1275.42)**
Share Premium*	**8331.56** **(1291.11)**	– (7337.77)	2638.24 (297.32)	**5693.32** **(8331.56)**
General Reserve	**26227.40** **(21727.40)**	4000.00 (4500.00)	– –	**30227.40** **(26227.40)**
Profit & Loss Account	**9597.70** **(3992.35)**	10699.18 (14635.45)	5709.40 (9030.10)	**14587.48** **(9597.70)**
	48,343.87 **(31787.13)**	14,873.68 (27884.16)	9,847.64 (11327.42)	**53,369.90** **(48343.87)**

* Deduction represents provision for premium on redemption of FCCBs Rs. 586.01 lacs (Rs. 297.32 lacs) and utilisation on account of buy back of shares Rs. 2,052.23 lacs (Rs. Nil)

SCHEDULE 3 : LOANS

(Rs in Lac)

	As at 31.03.2009	As at 31.03.2008
SECURED LOANS		
Secured Redeemable Non-Convertible Debentures	**–**	3,000.00
Term Loans from Financial Institutions / Banks	**21,938.93**	14,121.76
Short Term Working Capital Borrowings from Banks	**44,469.98**	44,623.47
	66,408.91	61,745.22
UNSECURED LOANS		
Foreign Currency Convertible Bonds	**5,603.46**	4,432.71
Term Loans from Banks	**5,000.00**	–
Other Short Term Borrowings from Banks	**9,192.05**	5,000.00
Other Short Term Borrowings - Commercial Paper	**2,000.00**	–
	21,795.51	9,432.71
	88,204.42	71,177.93

1. Term loans from Financial Institutions and Banks are secured by way of joint equitable mortgage of all the immovable properties (present and future) of graphite & thermal power units and hydel unit of the company situated at Mandideep and Tawanagar respectively ranking on pari-passu basis and hypothecation of all movable assets of the Company (except book debts) subject to prior charge of the Company's Bankers on specified moveable assets in respect of working capital borrowings.
2. Working Capital Borrowings from Banks are secured by hypothecation of all stocks present and future, stores, spare parts, packing materials, raw materials, finished goods, goods in transit / process, book debts, outstanding monies receivable, claims, bill etc. and second charge by way of joint equitable mortgage of immovable properties of the Company in respect of graphite & thermal power units at Mandideep and hydel unit at Tawanagar. The said charge in favour of banks shall rank sub-ordinate and subservient to the existing charges created by the Company in favour of Financial Institutions and Banks for their term loans.
3. The Company has issued unsecured 1% Foreign Currency Convertible Bonds (FCCBs) due in 2010 amounting to US$ 28.75 million convertible at the option of the bondholder into Equity Shares of Rs. 10/- each at an initial price of Rs.192.06 per share. FCCBs amounting to US$ 17.70 million have been converted into equity shares of face value of Rs.10/- upto 31st March, 2009.

SCHEDULE 4 : DEFERRED TAX LIABILITY

(Rs in Lac)

	As at 31.03.2009	As at 31.03.2008
Opening Balance	**7,361.27**	8,349.32
Addition / (deduction) during the year	**136.57**	(988.05)
Closing Balance	**7,497.84**	7,361.27
(Refer note no. 4 of Schedule 15B)		

Schedule 5 : FIXED ASSETS

(Rs in Lac)

S. NO	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		COST AS AT 31.03.08	ADDITION DURING THE YEAR	SALES/ ADJUST-MENTS	**COST AS AT 31.03.09**	UPTO 31.03.08	Deletion 08-09	Gross Provision 08-09	**UPTO 31.03.09**	**UPTO 31.03.09**	AS AT 31.03.08
1.	Land	446.14	70.88	–	**517.02**	51.21	–	15.37	**66.58**	**450.44**	394.93
2.	Building	10,100.10	1,535.39	17.12	**11,618.37**	3,154.22	6.35	671.44	**3,819.30**	**7,799.07**	6,945.88
3.	Plant & Machinery	66,338.23	3,489.45	104.48	**69,723.20**	20,012.94	84.72	3,480.24	**23,408.45**	**46,314.75**	46,325.29
4.	Railway Sidings	418.99	–	–	**418.99**	60.56	–	19.90	**80.47**	**338.52**	358.43
5.	Furniture & Fixtures	357.56	91.67	7.36	**441.88**	216.17	5.45	47.76	**258.47**	**183.41**	141.40
6.	Office Equipment	605.72	287.19	60.14	**832.77**	432.94	56.24	129.20	**505.90**	**326.86**	172.78
7.	Electrical Installation	446.63	389.21	10.19	**825.65**	290.82	5.64	47.83	**333.01**	**492.63**	155.81
8.	Vehicles	573.10	247.84	110.99	**709.96**	284.13	79.03	95.35	**300.46**	**409.50**	288.97
9.	Intangible Assets	215.68	42.57	–	**258.25**	122.75	–	48.22	**170.97**	**87.28**	92.92
		79,502.16	6,154.20	310.27	**85,346.09**	24,625.74	237.43	4,555.31	**28,943.62**	**56,402.46**	54,876.42
	Capital Work In Progress									**13,422.72**	5,647.11
	Total	79,502.16	6,154.20	310.27	**85,346.09**	24,625.74	237.43	4,555.31	**28,943.62**	**69,825.18**	60,523.53
	Previous Year	78,674.77	962.16	134.77	**79,502.16**	20,449.74	100.47	4,276.47	**24,625.74**	**60,523.53**	67,297.60

Assets amounting to Rs.83.13 lacs (Rs.83.13 lacs) (Gross) are owned jointly with RSWM Ltd.

SCHEDULE 6 : INVESTMENTS (Long Term, Non-Trade Investments)

(Rs. in Lac)

				As at 31.03.2009	As at 31.03.2008
A .	**QUOTED - FULLY PAID**				
(i)	29,41,000	(29,41,000)	Equity shares of Rs.10/- each of Maral Overseas Ltd.	**294.10**	294.10
(ii)	3,00,000	(3,00,000)	Equity Shares of Rs. 10/-each of Bhilwara Spinners Ltd.	**60.00**	60.00
(iii)	18	(6)	Equity Shares of Rs. 2/-each of Bilt Ltd. #	**0.01**	0.01
(iv)	2,50,000	(2,50,000)	Units of LIC Mutual Fund Growth Fund - Growth Plan of Rs. 10/- each	**25.00**	25.00
(v)	1,50,000	(1,50,000)	Units of SBI One India Plan	**15.00**	15.00
(vi)	19,964,096	(0)	Units of Birla Sunlife Cash Plus	**2,000.30**	–
(vii)	11,700,808	(0)	Units of Reliance Medium Term Fund	**2,000.31**	–
(viii)	8,229,887	(0)	Units of UTI Money Market Fund	**1,500.16**	–
	Total of quoted investment			**5,894.88**	394.11
B.	**UNQUOTED - FULLY PAID**				
(i)	4,190,000	(4,190,000)	Equity Shares of Rs.10/- each of Bhilwara Infotech Ltd.	**419.00**	419.00
(ii)	26,127,000	(2,61,27,000)	Equity Shares of Rs.10/- each of Bhilwara Energy Ltd.	**2,612.70**	2,612.70
	Total non-quoted Investments			**3,031.70**	3,031.70
	TOTAL			**8,926.58**	3,425.81
	Less: Provision for Diminution in Value of Investments			**572.49**	394.05
				8,354.09	3,031.76
	Aggregate Market Value of Quoted Investments			**5,699.48**	489.23

Received 18 shares of Rs. 2/- each on account of reorganisation of share capital Figures in bracket represent previous year figures.

HEG Limited

SCHEDULE 7: CURRENT ASSETS, LOANS AND ADVANCES

(Rs. in Lac)

	As at 31.03.2009	As at 31.03.2008
CURRENT ASSETS		
Inventories		
Stock-in-trade (as per para 19 J&K of part B of schedule-15)	**6,603.20**	1,909.15
Work-in-process	**15,766.71**	14,840.69
Raw Materials [including in-transit/Third Parties Rs. 1,932.33 lacs (Rs. 1,956.26 lacs)]	**16,097.60**	8,541.00
Stores & Spares/Loose Tools	**2,504.89**	2,047.03
	40,972.41	27,337.87
Sundry Debtors (Unsecured)		
Due for a period exceeding six months		
– Considered Good	**2,709.65**	2,474.46
– Considered Doubtful	**–**	17.79
	2,709.65	2,492.25
Less : Provision for Doubtful Debts	**–**	17.79
	2,709.65	2,474.46
Others (Considered good)	**30,144.65**	26,360.96
	32,854.30	28,835.42
Cash & Bank Balances :		
Cash in hand (including Stamp & Hundi Papers)	**13.65**	14.01
Cheques in hand	**24.06**	56.50
With scheduled banks		
– Current Accounts	**468.09**	2,108.51
– Fixed Deposits	**0.29**	2,006.04
– Dividend / Special Purpose Accounts	**132.21**	133.94
	638.30	4,319.00
Loans and Advances (Refer Note 13 of Schedule 15-B)		
Loans (Secured, considered good)	**92.35**	85.92
Loans (Unsecured, considered good)	**95.80**	452.68
Advances recoverable in cash or kind or for value to be received (net of provision)	**11,805.40**	15,240.13
Advances for Capital Expenditure	**1,675.55**	3,488.09
Balance with Excise Department including Cenvat Credit	**1,610.01**	982.96
Deposit with Government Deptt. and Others	**989.99**	954.93
	16,269.09	21,204.71
	90,734.11	81,697.00

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS

(Rs. in Lac)

	As at 31.03.2009	As at 31.03.2008
CURRENT LIABILITIES		
Sundry Creditors - Micro and Small Enterprises (Refer Note no. 14 of Schedule 15 B)	**5.33**	1.25
Sundry Creditors - Other than Micro and Small Enterprises	**5,985.19**	7,137.67
Sundry Creditors for Capital Expenditure	**1,017.59**	336.98
Other Liabilities	**1,245.73**	751.87
Unclaimed Dividend**	**132.21**	133.94
Sundry Deposits	**370.04**	387.36
Advances from Customers	**153.40**	120.95
Interest accrued but not due on Loans	**44.16**	18.50
	8,953.65	8,888.52
Proposed Dividend Including Corporate Dividend Tax	**3,209.40**	1,555.49
Provision for Taxation (Net of Advance Tax Rs. 3,800 lacs (Rs. 5,530 lacs))	**454.58**	1,199.89
Provision for Premium on Redemption on FCCB's	**1,378.86**	792.85
	5,042.84	3,548.24
	13,996.49	12,436.76

** Investor Education & Protection Fund is credited by unclaimed dividend amounts outstanding on expiry of seven years from dividend declaration.

SCHEDULE 9 : MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)

(Rs. in Lac)

Opening Balance	**243.37**	347.67
Less: Charged off to Profit and Loss account	**104.30**	104.30
Closing Balance	**139.07**	243.37

SCHEDULE 10 : OTHER INCOME

(Rs. in Lac)

	Current Year	Previous Year
Miscellaneous Sales / Receipts	**88.31**	267.38
Profit on Sale of Investments	**–**	164.32
Rent Receipts	**210.84**	184.89
Interest [Including TDS Rs 234.80 Lacs (Rs. 82.86 Lacs)]	**1,063.23**	775.75
Dividend Received	**18.15**	2.90
Liabilities / Provisions no Longer Required, Written Back	**30.58**	229.60
Profit on Sale of Fixed Assets	**283.03**	20.44
Gain on Sale of Durg Unit	**–**	1410.94
	1,694.13	3,056.23

SCHEDULE 11 : INCREASE/(DECREASE) IN STOCKS

(Rs. in Lac)

Closing Stock		
Stock-in-trade	**6,603.20**	1,909.15
Work-in-Process	**15,766.71**	14,840.69
	22,369.91	16,749.84
Less: Opening Stock		
Stock-in-trade	**1,909.15**	3,229.86
Work-in-Process	**14,840.69**	11,004.58
	16,749.84	14,234.44
Increase/(Decrease) in Stocks	**5,620.07**	2,515.40

(Rs. in Lac)

	As at 31.03.2009	As at 31.03.2008
SCHEDULE 12 : CONSUMPTION OF MATERIALS		
Opening Stock	**6,584.74**	8,696.71
Add : Purchases	**44,069.26**	38,105.95
	50,654.00	46,802.66
Less: Closing Stock	**14,165.27**	6,584.74
Less: Stock Transferred on Sale of Durg Unit	**–**	612.23
Consumption of Materials	**36,488.73**	39,605.69

SCHEDULE 13 : MANUFACTURING AND OTHER EXPENSES (Rs. in Lac)

MANUFACTURING EXPENSES		
Consumption of Stores & Spares including Refractory Blocks	**7,033.03**	4,147.38
Excise duty on Increase / (Decrease) in Finished Stock	**326.77**	(90.54)
Power & Fuel	**17,429.04**	18,120.66
Repairs and Maintenance of :		
Plant & Machinery	**1,782.61**	1,711.92
Building	**272.75**	198.50
Others	**115.92**	125.83
Equipment Hire Charges & Lease Rent	**–**	9.79
Job/Process Charges	**198.79**	399.74
Power Generation Charges	**71.09**	233.35
PAYMENT TO AND PROVISION FOR EMPLOYEES		
Salary, Wages and Bonus etc.	**2,951.52**	2,838.08
Contribution to Provident, Gratuity and other Funds	**378.35**	335.19
Workmen & Staff Welfare & Safety Measure Expenses	**377.72**	344.57
SELLING EXPENSES		
Freight and forwarding and other Selling Expenses	**6,608.86**	5,520.69
Packing Expenses (including Packing Material Consumption)	**1,393.54**	988.22
Commission	**1,910.50**	1,873.27
Claims, Rebates and Discount	**800.81**	369.75
ADMINISTRATIVE & OTHER EXPENSES		
Insurance	**234.55**	325.41
Rent	**142.75**	100.18
Rates & Taxes	**79.88**	174.16
Directors' Remuneration including Sitting Fees	**363.83**	377.84
Donations	**19.14**	4.69
Loss on Fixed Assets Sold / Discarded	**1.66**	–
Provision for Diminution in Value of Investments	**178.44**	–
Provision for Doubtful Debts & Advances	**–**	31.99
Travelling Expenses	**197.66**	213.21
Postage & Communication	**69.03**	73.03
Legal & Professional Expenses	**458.06**	357.32
Vehicle Running & Maintenance	**96.10**	101.78
Foreign Currency Fluctuation (Refer Note no. 15 (b) of Schedule 15 B)	**11,832.01**	1,292.48
Miscellaneous Expenses	**554.17**	415.70
	55,878.61	40,594.18

SCHEDULE 14 : FINANCIAL EXPENSES (Rs. in Lac)

Interest on		
Debentures	**139.87**	438.48
Term Loans	**2,043.00**	1,725.81
Working Capital Borrowings	**4,077.05**	2,873.45
Foreign Currency Convertible Bonds	**60.03**	88.57
Interest on Currency Swaps	**(21.02)**	(318.68)
Bank Charges	**375.84**	249.84
	6,674.77	5,057.46

SCHEDULE 15: SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

(a) The accounts are prepared on historical cost convention, on accrual basis and on the principle of going concern.

(b) Accounting policies not specifically referred to otherwise, are consistent and in accordance with Indian Generally Accepted Accounting Practices / principles comprising of the mandatory Accounting Standards, Guidance Notes and other pronouncements issued by ICAI and the provisions of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements requires estimates and assumptions that affect the reported amounts of income and expenses for the period, the reported amounts of assets and liabilities and disclosures relating to contingent liabilities as on the date of financial statements. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

3. REVENUE RECOGNITION

(a) Revenue is recognized in respect of export sales on the basis of shipment of goods to customer and in respect of domestic sales on dispatch from factory. Quality rebates, claims and other discounts are disclosed separately.

(b) Domestic Sales includes excise duty. However, excise duty on sales is reduced from gross turnover for disclosing net turnover.

(c) Power generated at the power plants is primarily consumed by the manufacturing units and excess power is sold to SEBs which is included in the sales as below:i) Power generated at Hydel Power unit at Tawa is transferred to Graphite unit at MPEB rate including wheeling charges. Power generated at Thermal Power unit at Mandideep is transferred to Graphite unit at MPEB rate. ii) Excess power generated is sold to SEB's at rate stipulated by SEB's.

(d) Inter-divisional sales comprising of sale of power from power plants to Graphite unit is reduced from gross turnover in deriving net turnover.

(e) Income and Export Incentives / benefits are accounted for on accrual basis and as per principles given under AS-9 – Revenue Recognition.

4. VALUATION OF INVENTORIES

(a) Inventories are valued at lower of historical cost or net realizable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition.

(b) Historical cost is determined on the basis of weighted average method.

(c) Excise duty is included in the valuation of finished goods and by-product inventory.

(d) Obsolete stocks are identified once every year on the basis of technical evaluation and are charged off to revenue.

5. INVESTMENTS

Long Term Investments are stated at cost. Provision for diminution in the value is made in accordance with AS-13 – Accounting for Investments if the decline/ diminution is other than temporary. Current investments are stated at lower of cost or market value.

6. FIXED ASSETS

(a) Fixed assets are stated at historical cost less accumulated depreciation. Historical cost comprises the purchase price (net of CENVAT / duty credits wherever applicable) and all direct costs attributable to bringing the asset to its working condition for intended use.

(b) Borrowing costs eligible for capitalization incurred, in respect of acquisition / construction of a qualifying asset, till the asset is substantially ready for use, are capitalized as part of the cost of that asset in accordance with AS-16 - Borrowing Costs.

7. EXPENSES INCURRED DURING CONSTRUCTION PERIOD

Preliminary project expenditure, capital expenditure, indirect expenditure incidental and related to construction / implementation, interest on borrowings to finance fixed assets and expenditure on start-up / commissioning of assets forming part of a composite project are capitalized upto the date of commissioning of the project as the cost of respective assets.

8. DEPRECIATION

Depreciation is charged on the following basis**:**

(a) On Plant & Machinery and other assets of Hydel Power Project at Tawa, at the rates notified under the Electricity Act as per approval of Department of Company Affairs.

(b) i) On Plant & Machinery other than those mentioned at (a) above, on straight line method,

ii) On other fixed assets, on written down value method, in the manner and as per rates prescribed in Schedule XIV of the Companies Act, 1956.

(c) Cost of acquisition & improvement of lease hold land is amortized over the lease period.

(d) The Thermal Power Plant and certain Plant & Machinery of Graphite Unit of the Company have been considered as Continuous Process Plant based on technical opinion and depreciation has been provided for accordingly.

(e) Assets costing upto Rs. 5,000 are fully depreciated in the year of purchase.

9. FOREIGN EXCHANGE TRANSACTIONS / TRANSLATION

(a) 1. Export and Import transactions are accounted for at the prevailing conversion rates.

2. Monetary items denominated in foreign currencies (except financial instruments designated as Hedging Instruments) and outstanding at the year end are translated at year end conversion rates.

3. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.

(b) Pursuant to Institute of Chartered Accountants of India (ICAI) announcement "Accounting for Derivatives" on the early adoption of Accounting Standard AS 30 "Financial Instruments: Recognition and Measurement", the Company had early adopted the AS-30 with effect from previous financial year, to the extent that such adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

The Company uses various financial instruments to hedge its exposure to movements in foreign exchange rates. A financial instrument is designated as an effective hedge after the management objectively evaluates at the inception of each contract as to whether the instrument is effective in offsetting the cash flows attributable to the hedged risk. The same evaluation is carried out at the end of each reporting period. In the absence of such hedge being identified or being continued to be identified as an effective hedge.

Exchange differences relating to cash flow hedge are accumulated in a hedging reserve account. Amounts from hedging reserve account are transferred to profit & loss account when

(i) the forecast transaction materializes,

(ii) the hedging instrument expires or is sold, terminated or exercised (except for the replacement or rollover of a hedging instrument into another hedging instrument where such replacement or rollover is part of the company's hedging strategy),

(iii) the hedge no longer meets the criteria for hedge accounting in AS 30,

(iv) the company revokes the designation.

Hedge effectiveness of financial instruments designated as Hedging instruments is evaluated at the end of each financial reporting period.

10. RESEARCH AND DEVELOPMENT

Revenue Expenditure on research and development including salaries, consumables and power & fuel is charged to Profit and Loss Account under respective heads of expenditure. Capital expenditure is shown as addition to fixed assets.

11. RETIREMENT BENEFITS

Expenses and liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 – Employee Benefits (Revised 2005) issued by the ICAI.

(a) Provident Fund

The Company makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952 which is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

(b) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit/obligation at the balance sheet date less the fair value of plan assets, together with adjustment for unrecognized actuarial gains or losses and past service costs. The defined benefit/obligation is calculated at or near the balance sheet date by and independent actuary using the projected unit credit method.

Actuarial gains and losses arising form past experience and changes in actuarial assumptions are charged or credited to the Profit and Loss Account in the year to which such gains or losses relate.

(c) Leave Encashment

Liability in respect of leave encashment becoming due or expected after the balance date is estimated on the basis of an actuarial valuation performed by an independent Actuary using the projected unit credit method.

(d) Superannuation Benefit

The Company makes contribution to superannuation fund which is a post employment benefit in the nature of a defined contribution plan & contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

(e) Other Short Term Benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

12. SEGMENT ACCOUNTING & REPORTING

Segmental accounting policies are in line with the accounting policies of the company. However, the following specific accounting policies have been followed for segment reporting:

(a) Segment revenue includes sales and other income directly identifiable with / allocable to the segment including inter-segment revenue.

(b) Expenses that are directly identifiable with / allocable to segments are considered for determining the segment results. The expenses / incomes, not allocable to any segments, are included under "Unallocable items / others".

(c) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable assets and liabilities represent the assets and liabilities not allocable to any segment.

13. TAXES ON INCOME

(a) Provision for Current Tax is made in accordance with the provisions of Income Tax Act, 1961.

(b) In accordance with the Accounting Standard AS-22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, Deferred Tax Liability / Asset arising from timing differences between book and income tax profits is accounted for at the current rate of tax to the extent these differences are expected to crystallize in later years. However, Deferred Tax Assets are recognized only if there is a reasonable / virtual certainty of realization thereof.

14. INTANGIBLE ASSETS

Capital Expenditure on purchase and development of identifiable non-monetary assets without physical substance is recognized as Intangible Assets in accordance with principles given under AS-26 – Intangible Assets. These are grouped and separately shown under the schedule of Fixed Assets. These are amortized over their respective expected useful lives.

15. IMPAIRMENT OF ASSETS

Assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash generating units). For the purpose of assessing impairment at each Balance Sheet date, Assets within a Cash Generating Unit are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount at which the assets under individual Cash Generating Unit are carried in the books exceeds its recoverable amount being the higher of the assets net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the assets.

Previously recognized impairment losses, relating to assets other than goodwill, are reversed where the recoverable amount increases because of favourable changes in the estimates used to determine the recoverable amount since the last impairment was recognized. A reversal of an asset impairment loss is limited to its carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in prior years.

16. PROVISIONS & CONTINGENT LIABILITIES

A provision is recognized when there is a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

A contingent liability is recognized for:

(a) a present obligation that arises from past events but is not recognized as a provision because either the possibility that an outflow of resources embodying economic benefits will be required to settle the obligation is remote or a reliable estimate of the amount of the obligation cannot be made.

(b) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

17. MISCELLANEOUS EXPENDITURE

Expenditure incurred on issuance of foreign currency convertible bonds are being amortized over a period of five years from the date of the issue of said bonds being the tenor of such bonds.

B. NOTES TO ACCOUNTS

(Rs. in Lac)

	As at 31.03.2009	As at 31.03.2008
1. Contingent Liabilities		
a) Claims against the company not acknowledged as debts :		
i) Excise Duty under appeal	**389.87**	59.22
ii) Other Matters	**366.02**	258.55
b) Bank Guarantees	**10,268.82**	7,130.92
c) Bills Discounted with Bankers	**4,001.94**	4,292.35
d) Pending Export Obligation against Advance Licences & EPCG Licences	**8,142.66**	6,536.64
2. Estimated amount of contracts remaining to be executed on capital account, not provided for (net of advances of Rs.5,253.25 Lacs (Rs.1,946.75 Lacs))	**1,362.12**	4,265.14

3. There are no present obligations requiring provisions in accordance with the guiding principles as enunciated in Accounting Standard (AS)-29.

4. As per Accounting Standard 22 "Accounting for Taxes on Income", required disclosures are given below:		
Deferred Tax Liabilities		
Arising on Account of timing difference		
– Accumulated Depreciation	**7,873.17**	7,595.72
Deferred Tax Assets		
Arising on Account of timing difference		
– Due to section 43B of the Income Tax Act, 1961	**180.75**	100.52
– Others	**194.59**	133.94
Net Deferred Tax Liability	**7,497.84**	7,361.27

5. The Company had in the previous financial year hived-off its Steel Division (including WHRS) situated at Borai, Durg (Chhatisgarh) to M/s Jai Balaji Industries Limited in accordance with and on receipt of approval of the Scheme of Arrangement by Hon'ble High Courts of Jabalpur and Calcutta vide their respective orders dated 16th May, 2008 and 9th May, 2008.

6. Work in process includes Refractory Blocks and other consumable stores lying at shop floor.	**51.42**	31.12
7. Prior period item include:-		
Income	**–**	0.26
8. Auditors' remuneration paid / payable during the year included in miscellaneous expenses :		
Statutory Audit Fee	**14.00**	12.00
Other services	**3.50**	2.00
Reimbursement of expenses	**1.76**	2.53
	19.26	16.53
9. (a) Computation of net profit in accordance with section 349 of the Companies Act, 1956 for the purpose of section 198 of the said Act		
Profit for the year before taxation as per Profit and Loss account	**16,138.67**	20,719.57
Add: Directors' Remuneration	**349.83**	360.44

(Rs. in Lac)

	As at 31.03.2009	As at 31.03.2008
Miscellaneous Expenditure written off / provisions	**104.30**	104.30
	16,592.80	21,184.31
Profit /(Loss) on sale of Fixed Assets (Net)	**281.36**	1,431.39
Profit /(Loss) on sale of Investment (Net)	**–**	164.32
Net Profit on which commission is payable	**16,311.44**	19,588.61
Commission @ 1.33 % of net profit (previous year @ 1.25%)	**216.94**	244.86
(b) Details of remuneration & perquisites of managerial personnel :		
Salary	**67.44**	58.76
Commission	**216.94**	244.86
Other perquisites	**47.24**	41.97
	331.62	345.59
Provident Fund	**8.09**	6.04
Superannuation	**10.12**	8.81
Total	**349.83**	360.44
(c) Sitting fee to non executive directors	**14.00**	17.40

10. The following transactions are accounted for on the basis of estimates / available data , with final adjustments being carried out in the year of settlement.

a) Graphite Export Development Trust subsidy.

b) Claims lodged with insurance companies.

c) Interest on income tax refunds granted on summary basis, pending finalisation of assessments is treated as income in the year of accrual. Final adjustments are carried out in the year of completion of assessment.

11. Term loans, Bonds and Debentures falling due in next 12 months Rs. 9,775 lacs (previous year Rs. 7,712 lacs).

12. CAPITALISATION OF PRE-OPERATIVE EXPENDITURE

The following expenditure has been capitalised / included under Capital work in progress:

(a)	Insurance Expenses	**30.77**	20.74
	Administrative Overheads & Other Cost	**710.54**	209.31
	Total	**741.31**	230.05
(b)	The same has been capitalised / is lying under Capital work-in-progress as under:		
	Building	**8.87**	–
	Plant & Machinery	**272.43**	–
	Capital work-in-progress	**460.01**	230.05
	Total	**741.31**	230.05

13. (a) In the opinion of the management and to the best of their knowledge and belief, the value on realisation of loans, advances and other current assets in the ordinary course of business will not be less than amount at which they are stated in the balance sheet.

(Rs. in Lac)

	As at 31.03.2009	As at 31.03.2008
(b) Loans and advances include :		
(i) Share application money pending allotment	**62.08**	112.08
(ii) Due from officers of the company	–	–
(iii) the maximum amount at anytime during the year	–	–

14. On the basis of information made available to the Company by its creditors regarding registration under the provisions of Micro, Small and Medium Enterprises Development Act, 2006 ("Act"), none of the dues outstanding to the enterprises which are defined under the said act are exceeding the limit of 45 days. Required disclosures are as:

a) Delayed payments due as at the end of each accounting year on account of principal and interest thereon.	–	–
b) Total interest paid on all delayed payments during the year under the provisions of the Act.	–	–
c) Interest due on principal amounts paid beyond the due date during the year but without the interest amounts under the Act.	–	–
d) Interest accrued but not due.	–	–
e) Total interest due but not paid.	–	–

15. a) The Company has following gross derivatives exposure outstanding as on balance sheet date:

Sl. No.	Particulars	Purpose	Amount	Amount
(i)	Plain Vanilla Forwards	Hedging	**$ 33.5 mn.**	$ 45.5 mn.
(ii)	Cross Currency Forwards	Hedging	**€ 2.0 mn.**	€ 31.8 mn.
(iii)	Options	Hedging	**$ 4.0 mn.**	$ 24.0 mn.
(iv)	Cross Currency Options	Hedging	**Nil**	$ 9.0 mn.
(v)	Cross Currency Swaps		**Nil**	$ 10.0 mn.

b) In accordance with the principles for prudence and the announcement on "Accounting for Derivatives" issued by the Institute of Chartered Accountants of India, the Company has accounted for a loss of Rs. 275 lacs (previous year Rs.2,443 lacs) on derivative instruments in the nature of net written options entered into for hedging purpose.

16. The Company had, in the previous financial year, received applications for issue of 47,78,000 Preferential warrants of Rs.365/- each alongwith Rs.1,743.93 lacs towards 10% of the face value of the Warrants i.e. @ Rs.36.50 per warrant in accordance with the approval of shareholders at their meeting held on March 3, 2008. The Company has allotted 47,30,000 warrants against the same on 5th June 2008. These warrants are convertible into one Equity Share of Rs.10/- each. The funds have been utilised for capital expenditure and long term working capital requirements.

None of the warrants have been converted into equity so far.

17. The Board of Directors of the Company had approved the Buyback of its Equity Shares by the Company from open market through Stock Exchanges vide a resolution passed at its Board Meeting dated 19th August, 2008. The Buyback was approved for an amount not exceeding Rs.48.50 Crores. The Buyback commenced on 13th October, 2008. As on 31st March, 2009, 17,44,978 Equity Shares were bought back, out of which 15,03,059 Equity Shares had been extinguished till that date.

18. Additional Information

A) Installed capacity (as certified by the Management, being a technical matter relied upon by Auditors)

(i)	Graphite Electrodes & Anodes	MT	**60,000**	52,000
(ii)	Thermal Power	MW	**30.00**	30.00
(iii)	Hydel Power	MW	**13.50**	13.50

(Rs. in Lac)

		As at 31.03.2009	As at 31.03.2008
B)	Value of Imports (CIF basis) in respect of :		
	Raw Materials	**26,091.69**	21,452.07
	Components & Spare Parts	**312.67**	386.85
	Capital goods	**753.66**	621.33
C)	Expenditure in Foreign Currency (Cash basis) on account of :		
	Commission, Consultancy, Travelling and Others.	**2,204.58**	2,109.99
D)	Amount remitted in foreign currency on account of dividend	**564.77**	806.48
	Number of NRI / OCB shareholders	**236**	119
	Number of shares held by above shareholders	**18,825,708**	16,129,550
	Year to which the dividend relates	**2007-08**	2006-07
	Amount remitted in foreign currency on account of interim dividend	**–**	1,299.62
	Number of NRI / OCB shareholders	**–**	151.00
	Number of shares held by above shareholders	**–**	18,566,011
	Year to which the dividend relates	**–**	2007-08
E)	Earnings in Foreign currency :		
	(i) Export of goods calculated on FOB basis	**79,413.72**	70,011.47
	(ii) Interest on Fixed Deposits	**25.48**	392.26
F)	Earnings Per Share		
	The basic and diluted Earning Per Share is as under :		
	Net Profit After Tax	**10,699.18**	14,635.45
	Weighted average no. of Equity Shares outstanding	**43,921,101**	41,614,137
	Basic Earning Per Share (Rs.)	**24.36**	35.17
	Diluted Earning Per Share (Rs.)	**24.36**	31.39

Weighted average no. of Equity Shares have been calculated on the basis of no. of days these shares were outstanding during the period.

In view of the average market price of the equity shares of the Company relevant for the current year being less than the applicable conversion price, the conversion option embedded in 1% Foreign Currency Convertible Bonds (FCCBs) and preferential warrants are considered as anti dilutive and accordingly have not been taken into account for computation of diluted earning per share for the period.

G) Related Party Transactions

a) Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by or are under common control with the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries).

	2009	2008
	None	None

b) Associates and joint ventures

	2009	2008
(i) Bhilwara Energy Limited	**Associate**	Associate
(ii) Bhilwara Infotech Ltd	**Associate**	Associate

c) Individuals owning directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.

Sh. L. N. Jhunjhunwala
Sh. Ravi Jhunjhunwala

(Rs. in Lac)

	As at 31.03.2009	As at 31.03.2008

d) Key Management Personnel and their relatives

Sh. Ravi Jhunjhunwala
Sh. R. C. Surana

e) Enterprises over which any person described in (c) or (d) is able to exercise significant influence.

(i) RSWM Ltd.
(ii) Malana Power Company Limited
(iii) A D Hydro Power Limited
(iv) Giltedged Industrial Securities Ltd.
(v) Bhilwara Scribe Pvt. Ltd.
(vi) Purvi Vanijya Niyojan Limited
(vii) Deepak Knits & Texturise Pvt. Ltd.
(viii) Maral Overseas Ltd.
(ix) BSL Ltd.
(x) Shashi Commercial Company Limited
(xi) Indo Canadian Consultancy Services Limited

f) The following transactions were carried out / outstanding with related parties in the ordinary course of business

1. With parties referred to in (b) above.		
(i) Investment in Equity of Bhilwara Energy Limited	**2,612.70**	2,612.70
(ii) Short term loan advanced to and received back from Bhilwara Energy Limited	**10,000.00**	–
(iii) Interest earned on the above	**874.04**	–
(iv) Investment in Equity of Bhilwara Infotech Limited	**419.00**	419.00
(v) Share Application money to Bhilwara Infotech Limited	**62.08**	112.08
(vi) Share Application money refund from Bhilwara Infotech Limited	**50.00**	–
2. With parties referred to in G (c) above.		
(i) Sitting fees paid to Sh. L N Jhunjhunwala	**1.60**	1.40
(ii) Salaries, Perquisites and Commission paid during the year to Sh. Ravi Jhunjhunwala	**240.72**	262.64
3. With parties referred to in G (d) above.		
Salaries, Perquisites and Commission paid during the year to Sh. Ravi Jhunjhunwala	**240.72**	262.64
Salaries, Perquisites and Commission paid during the year to Sh. R.C. Surana	**109.11**	97.80
4. With parties referred to in G (e) above.		
(a) Purchase of Consumables	**17.17**	10.16
(b) Rent Received	**34.98**	31.35
(c) Purchase of DEPB Certificates	**–**	6.02
(d) Rent Paid	**107.33**	74.50
(e) Consultancy Charges paid	**10.09**	6.91
(f) Purchase of Machinery	**36.46**	–

H) Provision for Income Tax for earlier years has been made based on Income Tax Assessment cases pending at Appellate Jurisdictions on which Income Tax Demand has arisen and the cases are subjudice.

I) **Segment Reporting** (Rs in Lac)

	Graphite	Steel/ Sponge	Power	Un-allocable items/ Others	Total
A Business Segments					
Segments Revenue					
External Sales / Other Income (Net of Excise Duty)	**102,877.41** (88,538.53)	**–** (7,578.80)	**388.69** (626.16)	**1,328.43** (909.53)	**104,594.52** (97,653.02)
Inter Segment Transfers			**9,696.23** (10,688.33)		**9,696.23** (10,688.33)
Total Revenue	**102,877.41** (88,538.53)	**–** (7,578.80)	**10,084.92** (11,314.49)	**1,328.43** (909.53)	**114,290.75** (108,341.35)
Segment Result					
Segment Results (Continuing)	**19,595.39** (20,178.17)	**–** –	**2,411.51** (4,406.14)	**806.54** (-512.07)	**22,813.44** (24,072.24)
Segment Results (Discontinuing)	**–** –	**–** (1,719.09)	**–** (-14.30)	**–** –	**–** (1,704.79)
Less: Financial Expenses					**6,674.77** (5,057.46)
Profit Before Tax					**16,138.67** (20,719.57)
Less: Income Tax (incl Deferred)					**5,439.49** (6,084.12)
Net Profit For the year					**10,699.18** (14,635.45)
Other Information					
Unallocated Assets				**11,101.71** (13,128.50)	**11,101.71** (13,128.50)
Segment Assets	**133,764.20** (115,166.29)	**–** –	**24,186.54** (17,200.85)		**157,950.74** (132,367.14)
Total Assets	**133,764.20** (115,166.29)	**–** –	**24,186.54** (17,200.85)	**11,101.71** (13,128.50)	**169,052.44** (145,495.64)
Segment Liabilities	**88,091.14** (69,257.25)	**–** –	**3,401.35** (5,879.80)		**91,492.49** (75,137.06)
Unallocated Liabilities				**10,708.42** (8,477.64)	**10,708.42** (8,477.64)
Total Liabilities	**88,091.14** (69,257.25)	**–** –	**3,401.35** (5,879.80)	**10,708.42** (8,477.64)	**102,200.91** (83,614.69)
Capital Employed	**63,997.70** (53,138.83)	**–** –	**21,906.80** (13,855.64)	**5,852.52** (8,836.31)	**91,757.02** (75,830.78)
Capital Exp.incurred during the year	**5,103.93** (4,028.85)	**–** (-388.96)	**8,745.16** (1,052.15)	**80.72** (43.21)	**13,929.81** (4,735.24)
Depreciation	**3,637.35** (3,379.99)	**–** (146.59)	**865.05** (924.94)	**52.92** (57.28)	**4,555.31** (4,508.81)
Other Non Cash Expenses	– –	–	–	**104.30** (104.30)	**104.30** (104.30)
B Geographical Segment					
Segment Revenue					
Based on Location of Customers					
Domestic	**19,642.40** (15,863.89)	**–** (7,578.80)	**10,084.92** (11,314.49)	**1,328.43** (909.53)	**31,055.74** (35,666.70)
Export	**83,235.01** (72,674.64)	–		**–** –	**83,235.01** (72,674.64)
Segment Assets					
Based on Location of Assets					
In India	**133,764.20** (119,022.03)	**–** –	**15,441.38** (13,345.11)	**11,020.99** (13,128.50)	**160,226.56** (145,495.64)
Cost to acquire Assets by Location	**5,103.93** (4,028.85)	**–** (-388.96)	**8,745.16** (1,052.15)	**80.72** (43.21)	**13,929.81** (4,735.24)

J) INFORMATION IN RESPECT OF TURNOVER (INCLUDING INTER DIVISIONAL TRANSFER), PRODUCTION & GOODS MANUFACTURED

	PARTICULARS	UNIT/VALUE	OPENING STOCK		PRODUCTION	TURNOVER		CLOSING STOCK	
			QTY.	VALUE	QTY	QTY	VALUE	QTY	VALUE
(a)	Graphite Electrodes, Anodes & Specialities*	MT/Rs Lac	821.82 (1,324.43)	1,075.02 (1,407.19)	50,226.25 (51,863.27)	47,246.25 (52,365.88)	99,113.61 (85,469.60)	3,801.82 (821.82)	5,760.90 (1,075.02)
(b)	Steel Billets**	MT/Rs Lac	– (1,306.60)	– (268.24)	– (21,853.04)	– (23,159.64)	– (5,491.16)	– –	– –
(c)	By Products/others	Units/Rs. Lac	– –	834.13 (1,471.16)	– –	– –	6,072.74 (6,541.92)	 –	842.30 (834.13)
(d)	**Inter-Divisional Sales**								
	(1) Thermal Power	Units/Rs. Lac	– –	– –	– (219,865,510)	202,373,500 (207,958,510)	8,981.36 (8,429.44)	– –	– –
	(2) WHRS-Power**	Units/Rs. Lac	– –	– –	– (24,819,000)	– (20,245,520)	– (556.75)	– –	– –
	(3) Hydel Power	Units/Rs. Lac	– –	– –	– (53,542,636)	15,381,550 (42,181,232)	714.87 (1,702.13)	– –	– –

K) INFORMATION IN RESPECT OF GOODS TRADED IN :

	PARTICUALRS		OPENING STOCK		PURCHASE		SALES		CLOSING STOCK	
			QTY.	VALUE	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE
(a)	Graphite Electrodes, Anodes & Specialities	MT/Rs. Lac	– (118.68)	– (77.54)	80.46 (293.45)	70.44 (266.73)	80.46 (412.13)	111.78 (396.51)	– –	– –
	Purchase of traded goods in Foreign Currency					67.31 (178.61)				

L) RAW MATERIAL CONSUMED

	PARTICULARS	UNIT / VALUE	QTY	AMOUNT
(a)	Calcined Petroleum Coke	MT/Rs. Lac	49,834.59 (61,084.70)	22,814.81 (22,455.90)
(b)	Pitch	MT/Rs. Lac	22,980.45 (25,182.08)	7,921.30 (7,243.08)
(c)	Iron Ore *	MT/Rs. Lac	– (48,550.07)	– (2,099.83)
(d)	Coal	MT/Rs. Lac	229,802.31 (268,034.16)	5,603.53 (4,989.82)
(e)	Others		– –	149.07 (2,817.06)

* Turnover includes captive consumption quantity of 637.34 MT (286.39 MT)

** Refer note no. 5 of Schedule 15 B

M) CONSUMPTION OF RAW MATERIAL AND SPARE PARTS & COMPONENTS

	Current Year		Previous Year	
	Rs. Lac	**%**	Rs. Lac	%
(a) Raw Material				
Imported	**16,755.79**	**45.92**	20,243.58	51.11
Indigenous	**19,732.93**	**54.08**	19,362.11	48.89
(b) Spare Parts & Components				
Imported	**370.68**	**5.27**	298.33	7.19
Indigenous	**6,662.35**	**94.73**	3,849.05	92.81

19 (a) Previous Year's figures have been regrouped and recast wherever considered necessary.

(b) Figures in amount have been rounded off to nearest lacs upto two decimals. Figures in bracket relate to the previous year.

(c) The Schedules referred to in the Balance Sheet and Profit and Loss Account form an integral part of the accounts.

Signed in terms of our Report of even date

For **DOOGAR & ASSOCIATES**
Chartered Accountants
MUKESH GOYAL
Partner
Membership No. 081810

For **S. S. KOTHARI MEHTA & CO.**
Chartered Accountants
ARUN K TULSIAN
Partner
Membership No. 089907

Place : Noida (U.P.)
Dated : 30th April, 2009

RAVI JHUNJHUNWALA
Chairman & Managing Director
SHEKHAR AGARWAL
Vice Chairman
D. N. DAVAR
Director
R. C. SURANA
Executive Director & CEO
MANVINDER SINGH AJMANI
Chief Financial Officer
ASHISH SABHARWAL
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rs. in Lac)

PARTICULARS	FY 2008-09	FY 2007-08
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	**16,138.67**	20,719.57
Add : Depreciation	**4,555.31**	4,508.81
Misc Expenses Written off	**104.30**	104.30
Interest Paid	**6,674.77**	5,057.46
Net Loss on fixed assets sold / discarded	**(281.36)**	(20.44)
Diminution in value of Investments (net)	**178.44**	(5.22)
Less : Dividend received	**18.15**	2.90
Interest received	**1,063.23**	775.75
Net Gain on sale of assets of Durg division	**–**	1,354.47
Income / Wealth Tax	**5,302.92**	7,072.18
Operating Profit before working capital changes	**20,985.83**	21,159.19
Working capital		
Trade receivables	**(4,018.88)**	(8,522.27)
Inventories	**(13,634.54)**	750.88
Loans & advances / Other current assets	**3,123.07**	(5,936.27)
Liabilities and provisions	**293.11**	1,467.56
Net Cash from operating activities	**6,748.59**	8,919.08
B CASH FLOW FROM INVESTING ACTIVITIES		
Addition in Fixed Assets (net)	**(13,929.81)**	(4,735.24)
Sale of Fixed Assets	**354.20**	7,020.96
Net Gain on sale of assets of Durg division	**–**	1,354.47
Advances for Capital Expenditure	**1,812.54**	(2,827.33)
Sundry Creditors for Capital Expenditure	**680.61**	(73.42)
Investments	**(5,500.77)**	2,620.00
Dividend Received	**18.15**	2.90
Interest received	**1,063.23**	775.75
Net Cash from investing activities	**(15,501.85)**	4,138.08
C CASH FROM FINANCING ACTIVITIES		
Allotment of Preferential Warrants	**(17.52)**	1,743.97
Long term borrowings - Term Loans / NCD's / Bonds (net of repayments)	**10,987.92**	(20,172.43)
Short term borrowings (working capital)	**6,038.56**	9,541.91
Conversion of Foreign Currency Convertible Bond's		6,974.05
Less: Transfer to Share Capital Account		(400.75)
Less: Transfer to Share Premium Account	**–**	(6,573.30)
Buy Back of Shares	**(2,052.23)**	–
Interest Paid	**(6,674.77)**	(5,057.46)
Dividend paid	**(2,743.19)**	(4,375.53)
Corporate Dividend Tax	**(466.21)**	(743.62)
Net Cash from financing activities	**5,072.56**	(19,063.18)
INCREASE IN CASH OR CASH EQUIVALENTS	**(3,680.70)**	(6,006.01)
Opening cash or cash equivalents	**4,319.00**	10,325.01
Closing cash or cash equivalents	**638.30**	4,319.00

Cash flows of continuing and discontinuing operations are: (Rs. in Lac)

	Continuing Operations		**Discontinuing Operations**		**Total**	
	2008-09	**2007-08**	**2008-09**	**2007-08**	**2008-09**	**2007-08**
Net cash from / (used in) operating activities	6,748.59	2,467.83	–	6,451.25	6,748.59	8,919.08
Net cash from / (used in) investing activities	(15,501.85)	(4,769.24)	–	8,907.31	(15,501.85)	4,138.08
Net cash from / (used in) financing activities	5,072.56	(13,911.08)	–	(5,152.10)	5,072.56	(19,063.18)

Signed in terms of our Report of even date

For **DOOGAR & ASSOCIATES**
Chartered Accountants

MUKESH GOYAL
Partner

Membership No. 081810

For **S. S. KOTHARI MEHTA & CO.**
Chartered Accountants

ARUN K TULSIAN
Partner

Membership No. 089907

Place : Noida (U.P.)
Dated : 30th April, 2009

RAVI JHUNJHUNWALA
Chairman & Managing Director

SHEKHAR AGARWAL
Vice Chairman

D. N. DAVAR
Director

R. C. SURANA
Executive Director & CEO

MANVINDER SINGH AJMANI
Chief Financial Officer

ASHISH SABHARWAL
Company Secretary

SCHEDULE - VI (PART - IV)
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS

Registration No.	08290	State Code	10
Balance Sheet Date	31 (Date) / 03 (Month) / 2009 (Year)		

2. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	15505595	Total Assets	15505595
SOURCES OF FUNDS			
Paid-up Capital	425734	Reserves and Surplus	5336990
Secured Loans	6640891	Unsecured Loans	2179551
Deferred Taxation	749784	Pref. Warrants App	172645
APPLICATION OF FUNDS			
Net Fixed Assets	6982518	Investments	835409
Net Current Assets	7673762	Misc. Expenditure	13907
Accumulated Losses	NIL		

4. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover	11499435	Total Expenditure	10054982
Profit/Loss before Tax	✓ 1613867	Profit/Loss after tax	✓ 1069918
Earning Per Share (in Rs.)	24.36	Dividend Per Share (in Rs.)	6.5

5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

Item Code No. (ITC Code)	8545111
Product Description	GRAPHITE ELECTRODE

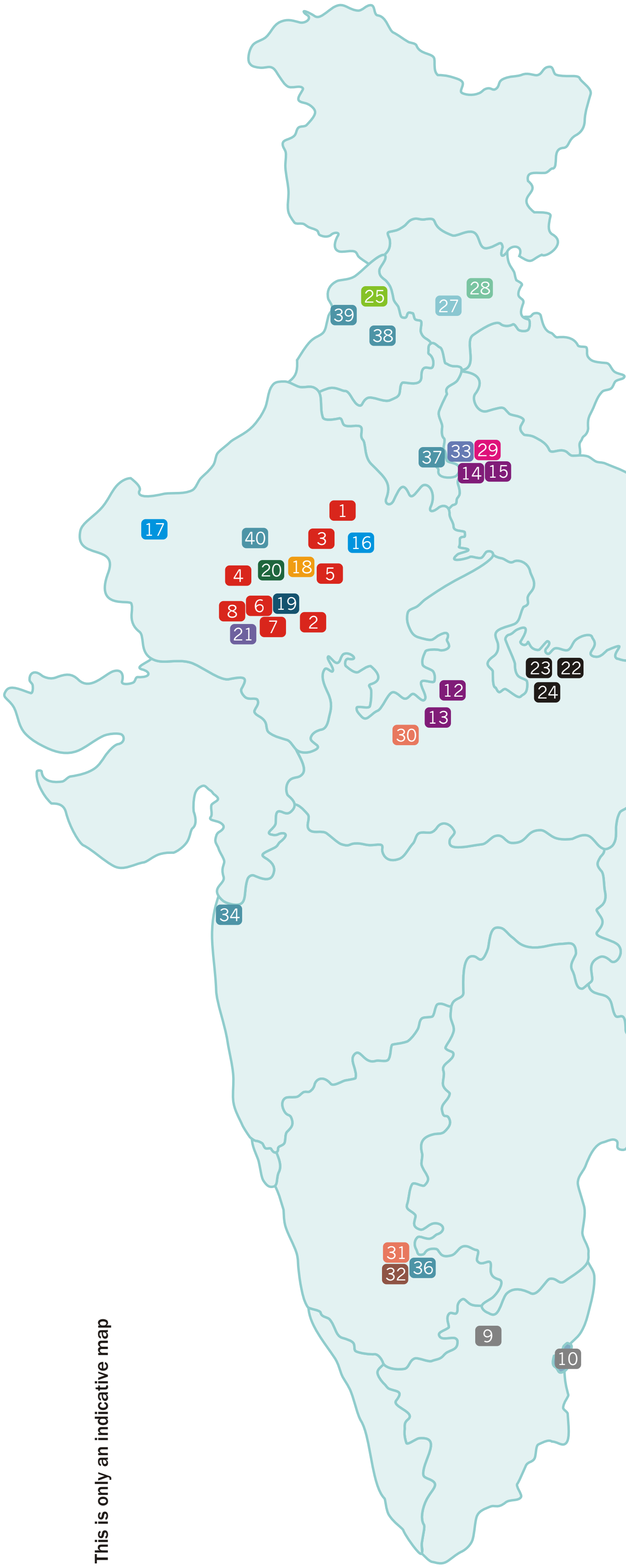
Signed in terms of our Report of even date

For **DOOGAR & ASSOCIATES**
Chartered Accountants
MUKESH GOYAL
Partner
Membership No. 081810

For **S. S. KOTHARI MEHTA & CO.**
Chartered Accountants
ARUN K TULSIAN
Partner
Membership No. 089907

Place : Noida (U.P.)
Dated : 30th April, 2009

RAVI JHUNJHUNWALA
Chairman & Managing Director
SHEKHAR AGARWAL
Vice Chairman
D. N. DAVAR
Director
R. C. SURANA
Executive Director & CEO
MANVINDER SINGH AJMANI
Chief Financial Officer
ASHISH SABHARWAL
Company Secretary



LNJ Bhilwara Group

TEXTILES

RSWM Limited

1. Kharigram	Fibre Dyeing, Spinning Dyed & Grey Yarn
2. Mayur Nagar, Banswara	Spinning PV Blended, Cotton & Open End Grey Yarn
3. Mandpam	Melange, Cotton Dyed Yarn & Yarn Dyeing
4. Rishabhdev	Spinning PV Blended Grey Yarn
5. Ringas	Fibre Dyeing & Spinning Dyed Yarn
6. LNJ Nagar, Mordi	Weaving & PV Fabric Processing & Finishing
7. LNJ Nagar, Mordi	Cotton Ring & Open End Spinning, Denim Fabric Weaving & Rope Dyeing, Processing & Finishing
8. LNJ Nagar, Mordi	Thermal Power

Cheslind Textiles Ltd.

9. Bagalur	Spinning Cotton, Compact, Gassed & Mercerized Yarn & Knitting
10. Pondicherry	Spinning Cotton, Compact, Gassed & Mercerized Yarn & Knitting

RSWM-SISA, S.A.

11. Barcelona, Spain	Spinning Cotton, Viscose & Acrylic Dyed Yarn

Maral Overseas Ltd.

12. Maral Sarovar	Cotton Spinning, Knitting, Dyeing & Finishing, Knitted Garments
13. Maral Sarovar	Captive Thermal Power
14. Noida	Knitted Garments
15. Noida	Knitted Garments

BSL Ltd.

16. Bhilwara	PV & Worsted Spinning, PV & Worsted Weaving & Silk Fabric
17. Jaisalmer	Wind Power Generation

Bhilwara Spinners Ltd.

18. Bhilwara	Spinning PV Blended Grey Yarn

BMD Pvt. Ltd.

19. LNJ Nagar, Mordi	Automotive Furnishing Fabric, Flame Retardant Fabric, Furnishing Fabric

Bhilwara Processors Ltd.

20. Bhilwara	Dyeing, Processing & Finishing of Fabric

Bhilwara Technical Textiles Ltd.

21. LNJ Nagar, Mordi	Technical Textiles

GRAPHITE

HEG Ltd.

22. Mandideep	Graphite Electrodes
23. Mandideep	Captive Thermal Power
24. Tawa	Captive Hydro Electric Power

POWER

Bhilwara Energy Ltd.

25. Pathankot	UBDC Stage III Hydro Electric Power Generation
26. Tawang	Nyam Jang Chhu Hydro Electric Power Generation

Malana Power Company Ltd.

27. Malana (Kullu)	Hydro Electric Power Generation

AD Hydro Power Ltd.

28. Allain-Duhangan (Manali)	Hydro Electric Power Generation

Indo Canadian Consultancy Services Ltd.

29. Noida	Power Engineering Services

INFORMATION TECHNOLOGY

Bhilwara Scribe Pvt. Ltd.

30. Bhopal	Medical Transcription Services
31. Bengaluru	Medical Transcription Services

Bhilwara Infotech Ltd.

32. Bengaluru	IT Services

OFFICES

Corporate Office

33. Noida (NCR-Delhi)

Regional / Marketing

34. Mumbai	38. Ludhiana
35. Kolkata	39. Amritsar
36. Bengaluru	40. Bhilwara
37. New Delhi	

HEG Limited

Registered Office :
Mandideep (Near Bhopal), Distt. Raisen - 426046, Madhya Predesh, India
Tel: +91 (07480) 233524 to 233527 Fax: +91 (07480) 233522
Website : **www.hegltd.com** / **www.lnjbhilwara.com**