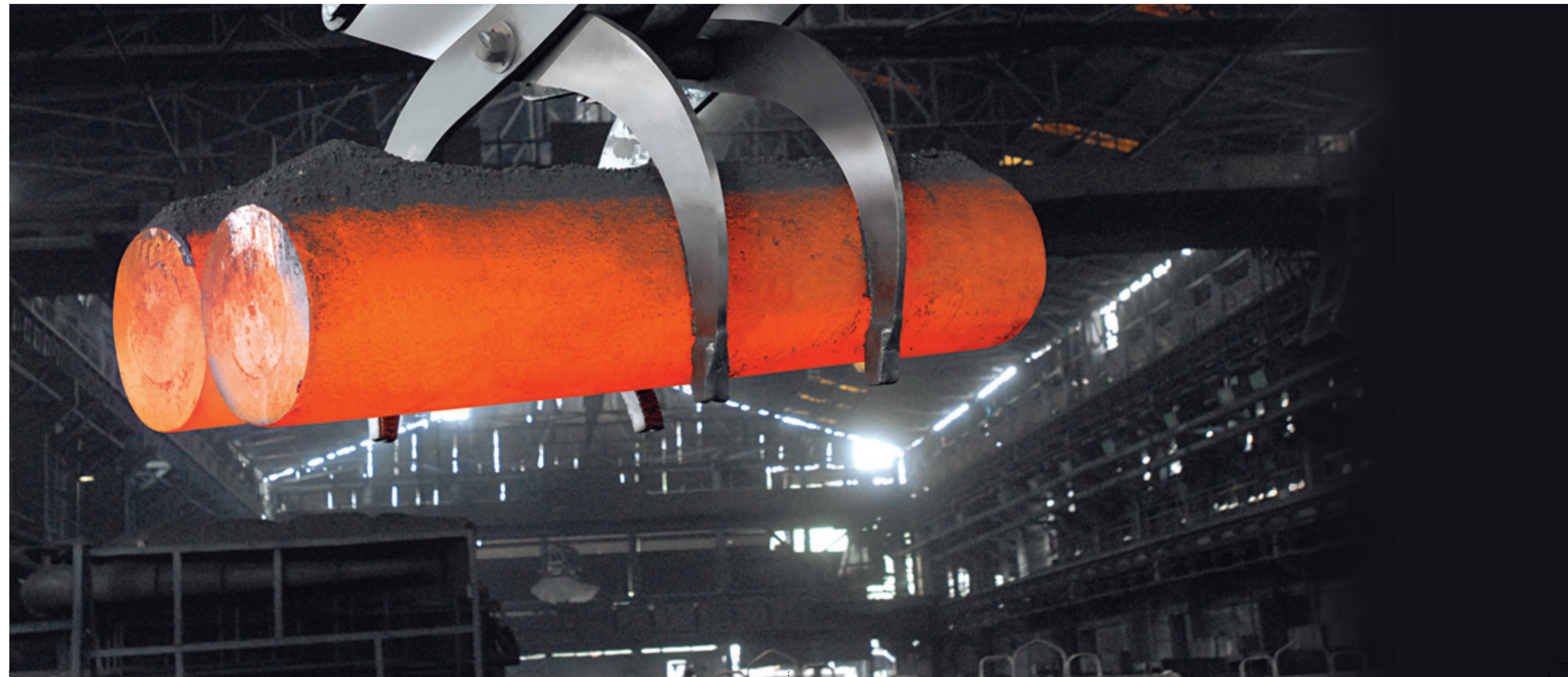




Passion to excel

HEG Limited | Annual report 2010-11



Registered Office:
Mandideep (Near Bhopal)
Distt. Raipur - 462046, Madhya Pradesh, India
website: www.heg ltd.com/www.lnjbhilwara.com



A TRISYS PRODUCT • info@trisyscom.com



The LNJ Bhilwara Group.

*Established in 1961 *A USD 1-billion conglomerate *Among the leading business groups in India *Diversified interests in textiles, graphite electrodes, power generation, power engineering, ITes and consultancy services *Promoted by Shri L. N. Jhunjhunwala.

Pioneering pedigree

- Possesses India’s second-largest spindle capacity
- Largest Indian producer and exporter of polyester/viscose blended yarn
- Provides largest range in grey, dyed and mélangé yarn
- Possesses the world’s largest single-location plant for graphite electrodes with an installed capacity of 66,000 TPA
- Commissioned India’s first hydropower project financed by the International Finance Corporation, Washington
- Emerged as the first merchant power producer in India’s hydro sector

Awards and recognition

- Winner of the SRTEPC (The Synthetic and Rayon Textiles Export Promotion Council) award for exports for the last 17 years – a record in the Indian textiles space and Rajiv Gandhi National Quality Award (RSWM Ltd.)
- Recipient of the CAPEXIL award for 19 consecutive years and the prestigious Rajiv Gandhi National Quality award (HEG Ltd.)
- Awarded the Greentech Environment Excellence Award (Malana Power Company Ltd)

50 glorious years

A journey that began in 1961 with a single textile unit in the lesser known region of Bhilwara, Rajasthan has, over five decades, created one of India’s leading business conglomerates, firmly etching itself in the global space.

Group statistics

Number of Companies	Number of Manufacturing facilities	Human capital
14	24	25,000
March 31, 2011	March 31, 2011	March 31, 2011

Business verticals

Graphite electrodes

- The Group operates in this business through HEG Ltd, India’s leading manufacturer and exporter of graphite electrodes
- The Group is one of the lowest cost producers of graphite electrodes in the world with a strong presence in the value-added ultra high power (UHP) segment

	(₹ cr)	
Metric	2010-11	2009-10
Sales	1,300	1,279
EBIDTA	262	354
Profit after tax	129	171
Capital employed	1,092	915

Textiles

- The Group manufactures India’s largest range of yarns through six companies
- Its fabrics include polyester, denim, worsted, automotive fabric and technical textiles, among others
- RSWM Ltd is the flagship of the business and the Group
- Other business entities include BSL Ltd, Maral Overseas Ltd, BMD Pvt. Ltd, Cheslind Textiles Ltd and BTTL Ltd

	(₹ cr)	
Metric	2010-11	2009-10
Sales	3,166	2,450
EBIDTA	499	323
Profit after tax	174	63
Capital employed	2,384	2,075

Power

- The Group possesses expertise in thermal and hydropower generation with an installed capacity of 412 MW in India (120 MW for thermal and 292 MW for hydro power) and power consultancy
- It provides 100% of its power requirements
- The Group has five companies in this vertical – Bhilwara Energy Ltd, Malana Power Company Ltd, AD Hydro Power Ltd, NHPL and ICCS Ltd

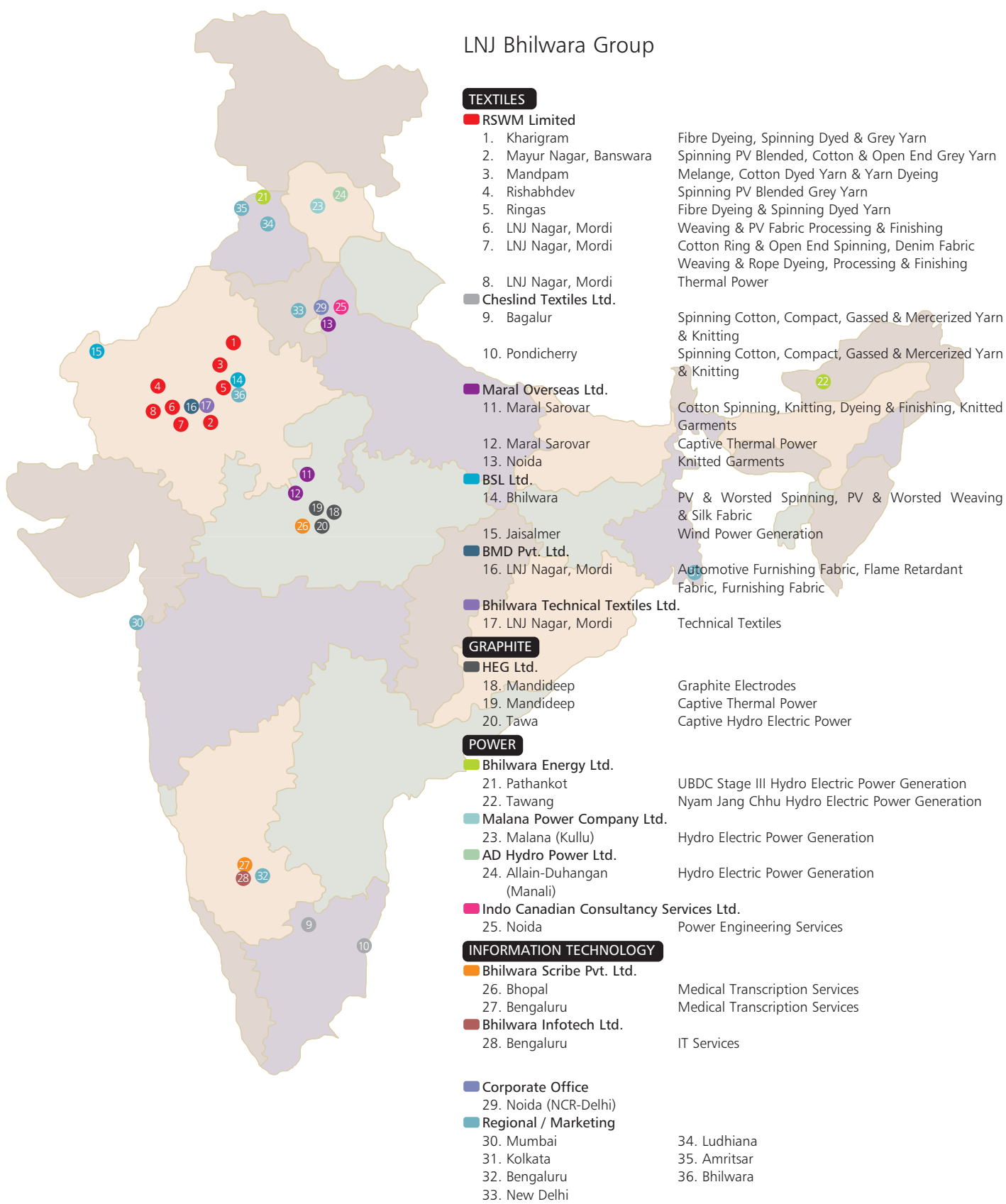
	(₹ cr)	
Metric	2010-11	2009-10
Sales	241	215
EBIDTA	119	181
Profit after tax	(79)	98
Capital employed	3,518	3,335

ITes

- The Group has two companies in this business vertical, Bhilwara Infotech Ltd and Bhilwara Scribe Pvt. Ltd
- The Group provides services in IT consultancy and healthcare BPO

	(₹ cr)	
Metric	2010-11	2009-10
Sales	19	13
EBIDTA	3	2
Profit after tax	2	(4)
Capital employed	7	4

LNJ Bhilwara Group



This is an indicative map only.

'Passion to excel!'

This organisational DNA inspires out-of-the-box thinking, challenging the status quo and walking the road not traveled.

The result: We have grown our business every single year since 1977.



Passion to excel



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Corporate Information

Board of Directors

L. N. Jhunjhunwala, *Chairman-Emeritus*

Ravi Jhunjhunwala, *Chairman & Managing Director*

Shekhar Agarwal, *Vice-Chairman*

D. N. Davar, *Director*

K. N. Memani, *Director*

Kamal Gupta, *Director*

P. Murari, *Director*

Lalit Mohan Lohani, *Nominee Director - LIC*

O. P. Bahl, *Director*

Riju Jhunjhunwala, *Director*

Chief Operating Officer

K. Vaidyanathan

Chief Strategy & Project Officer

Jacob Mani

Chief Financial Officer

Manvinder Singh Ajmani

Chief Human Resource Officer

T. Dev Joshi

Company Secretary

Ashish Sabharwal

Bankers

State Bank of India

Punjab National Bank

HDFC Bank Ltd

The Hongkong &

Shanghai Banking Corp.

IDBI Bank Ltd

DEG, Germany

Central Bank of India

Kotak Mahindra Bank

Standard Chartered Bank

Auditors

Doogar & Associates

S. S. Kothari Mehta & Co.

Registrar

M/s. MCS Ltd

F-65, First Floor,

Okhla Industrial Area,

Phase-I, New Delhi – 110020

Stock Exchanges where the Company's shares are listed:

Bombay Stock Exchange Ltd

National Stock Exchange of India Ltd

Madhya Pradesh Stock Exchange Ltd

Corporate Office

Bhilwara Towers, A-12, Sector-1

Noida - 201301, U.P., India

Phone: +91 (0120) 4390300

Fax: +91 (0120) 2531648

Registered Office

Mandideep (Near Bhopal)

Distt. Raisen - 462046

Madhya Pradesh, India

Phone: +91 (07480) 233524, 233527,

Fax: +91 (07480) 233522

Works

Graphite Electrodes & Thermal Power Plant

Mandideep (Near Bhopal)

Distt. Raisen - 462046

Madhya Pradesh, India

Phone: +91 (07480) 233524, 233527,

Fax: +91 (07480) 233522

Hydro Electric Power

Village Ranipur, Tawa Nagar

Distt. Hoshangabad - 461001

Madhya Pradesh, India

Phone: +91 (07572) 272810, 272859

Fax: +91 (07572) 272849

Passion to excel

Right product

At HEG, our passion to excel is highlighted in our proactive ability to identify long-term opportunities and capitalise on them with speed.

- We recognised that as customer preferences became more demanding, graphite electrode technologies would need to evolve to meet emerging standards.
- As the steel industry moved towards bigger and better electric arc furnaces using UHP electrodes, we made corresponding investments in capacity, capable of producing 100% UHP electrodes.



100,000

The projected demand addition
of UHP grade graphite electrodes
(tonnes) over the next five years

- Our product basket comprises graphite electrodes ranging from 12 to 30 inches in diameter and lengths of 72" to 110", addressing a wide spectrum of users

The result: Our sales volume grew 9.5% CAGR over the five years leading to 2010-11.

Passion to excel

Growing capacity

At HEG, we demonstrated our business commitment through a willingness to expand capacities in good markets and bad.

- We increased our installed capacity from 24,000 MT in 2000-01 to 66,000 MT in 2010-11 for a cumulative investment of over Rs 600 crore; an average 4,200 MT was added every year across the last decade; we multiplied our capacity 2.5x in the last decade in line with the steel sector uptrend, the fastest capacity growth in our sector; we are investing Rs 225 crore in production capacity enhancement to 80,000 TPA (first phase commenced in 2010-11)



8%

The percentage of the global graphite electrode supply provided by HEG

- We invested Rs 73 crore in technologically-efficient equipment in our current capacity expansion
- We operated our manufacturing plants at about 85% capacity utilisation; significantly higher than the global average, even in adverse market conditions

The result: We possess the world's largest single-site graphite electrode plant.

Passion to excel

Cost advantage

At HEG, our competitive advantage is derived from our positioning as one of the world's lowest cost graphite electrode manufacturers.

- We have completed successive project expansion at competitive costs.
- We invested in global capacities, resulting in attractive economies of scale
- We optimised raw material use and facilities to achieve cost-competencies
- We invested in a 77-MW captive power generation capacity (includes 13.5-MW hydroelectric power), enhancing our competitiveness in a power-intensive business (a tonne of output needs about 5,000-6,000 units of power); the incremental power generated provides stable revenues



250bps

Reduction in the average debt cost over
2009-10 in an environment of rising interest rates

- We significantly optimised our finance costs from 5.24% to 3.29% of net revenues.

The result: Business grew continuously since 1977. EBITDA grew at 16.64% CAGR over the last five years.

Passion to excel

Expansive reach

At HEG, we strive to achieve just-in-time delivery to customers worldwide, resulting in dependability and repeat business.

- We created an expansive footprint across more than 80 countries; we enjoy a large and growing customer base in the US, Europe, CIS, the Middle east and Southeast Asia
- Our key export clients include Arcelormittal, Nucor (US), Posco (Korea), Megasa (Spain), Evraz (Russia) Sidenor (Greece), Ezz group (Egypt), Hyundai Steel (South Korea) and Tata Steel, among others.
- We widened our global footprint through several new export destinations in 2010-11



80%

The proportion of exports in our net sales, 2010-11

- We catered to about 50 domestic customers, accounting for about 20% of our business volumes; some key domestic clients include SAIL, Tata Steel and Jindal
- We sold 38% of our products to the world's top 20 steel companies.

The result: Exports increased from Rs 290.52 crore in 2005-06 to Rs 854.31 crore in 2010-11 at a 24.08% CAGR over the same period.

Passion to excel

Statement strength

At HEG, we successfully translated our competitive positioning into our financial performance

- We maintained a prudent balance between rewarding shareholders and business reinvestment
- We grew our reserves from Rs 533.70 crore as in 2009 to Rs 773.47 crore as in 2011
- We strengthened our financial statements through an attractive overall gearing of 1.12 as on 31st March, 2011



0.34

Long-term debt equity as on 31st March, 2011

- We announced a buy-back of Rs 67.50 crore worth of shares, amounting to 9.95% of our total paid-up capital and free reserves

The result: A strong Balance Sheet facilitates the Company in undertaking future growth initiatives

Chairman's Message

Dear Shareholders,

Fiscal 2011 was a significant year for global economic recovery, showing noteworthy turnaround over the previous years' performance.

Despite various challenges, like economic uncertainty and natural disasters, the world economy as a whole was successful in retracing growth. The financial crisis has not left a deep impact on growth in developing economies, as they continue to make good progress compared with the developed world. A double-dip scenario was evaded and we are experiencing the positives of increased global economic activity.

The Indian economy displayed a certain degree of insulation against negative global developments, and benefited from sustainable growth, primarily based on domestic demand. Though we are facing a high inflationary pressure, our economy is treading a positive direction with gross domestic product expected to grow at a rate of over 8% in 2011-12. With greater government impetus on economic progress, we are hopeful that the Indian economy will



continue to be one of the best performers worldwide.

In such an environment, the global steel industry posted impressive growth, both in value and volume terms. In CY2010, the steel industry achieved peak production levels of over 1.4 billion tonnes. Growth since then has been encouraging. The current year started on an encouraging note, with performance expected to surpass earlier record levels.

Our products find applications in steel making through the EAF route and overall growth naturally results in the growth of the EAF segment, to comply with better environment standards, thereby providing fillip to graphite electrode consumption. Steel production through the EAF route, is expected to touch a new peak in the short-term, implying robust demand. We are observing that new capacities are being established and many steel giants are converting their existing conventional steel production facilities into EAF plants to comply with better environment standards. We believe this will drive greater demand for graphite

electrodes, going forward.

We, at HEG Limited, are proud to be a part of few global organisations who manufacture graphite electrodes. The Company built its successful growth story over the past few decades through the implementation of a focused strategy which resulted in cost consciousness, international quality, integrated manufacture and strong customer relations.

Further, I am glad to share that we are expanding our graphite electrode capacity from 66,000 tonnes to 80,000 tonnes per annum. The first phase of the expansion is operational and full-capacity commercial production is expected to be on stream by October 2011. We have invested around ₹ 225 crore towards this expansion, through a combination of internal accruals and debt. This capacity expansion is being carried out at a relatively low capital investment which we believe will translate into lucrative payback in the near future.

With this expansion, we will be successful in consolidating our position

We are expanding our graphite electrode capacity from the current rate of 66,000 tonnes to 80,000 tonnes per annum. The first phase of the expansion is operational and full-capacity commercial production is expected to be on stream by October 2011.

₹ 225 crore

We invested around towards this expansion through a combination of internal accruals and debt.

as the world's largest single-site producer of graphite electrodes. Such a large single-site facility benefits us significantly, owing to better cost containment, greater quality control and easier operations management. We expect this expansion to benefit us as demand is continuously improving, evident from the strengthening of our order book. Capacity utilisation levels are rising throughout the industry, driven by higher demand, which should lead to a better pricing of graphite electrodes. With larger capacity, post the expansion, we will derive greater benefits from a conducive operating scenario.

While demand and pricing scenarios seem encouraging, let me briefly discuss the manufacturing side of our business. Manufacturing graphite electrodes involves two main cost components – needle coke and power. Needle coke for CY 2011 was booked at competitive rates and we tied up with our suppliers for the entire requirement, keeping in view our expanded capacity.

The other important cost component is power. Your Company is well-positioned in this regard, as we have three captive power plants with a total rated capacity of 77 MW. Around 64 MW capacity comes from two thermal power plants whereas the hydel power plant

contributes 13.5 MW. All three power plants operated optimally during the year. The total power generation capacity is sufficient even for our expanded graphite electrode capacity.

Your Company lays strong emphasis on providing the best service and product experience to its global customer base. Quality of graphite electrodes remained a focal point of our operations and we continue to deliver products of international standards.

No business would be successful unless supported by quality committed talent. We believe that we engaged some of the best talent in the industry. We provide superior training programmes and lay emphasis on developing our human resources to drive organisational growth.

Business growth and societal progress go hand in hand. As a successful company, we believe in sharing what we create. Towards that end, we continued to implement initiatives and demonstrate our corporate social responsibility. We adopted a few villages in Madhya Pradesh, with an aim to improve their lifestyle. We focused on higher education, granting scholarships, improving infrastructure and maintaining higher standards of living,

Your Company is well-positioned in this regard, as we have three captive power plants with a total rated capacity of 77 MW. Around 64 MW capacity comes from two thermal power plants whereas the hydel power plant contributes towards the remaining 13.5 MW capacity.



among others. Additionally, we emphasise community healthcare and family welfare. To create social capital and deliver our CSR activities, we have formed the Graphite Education and Welfare Society, a non-profit trust.

As I look ahead, I foresee the graphite electrode industry being on a high-growth path. With the Company's inherent advantages that include a large single-site facility, low-cost production, world-class products, broad client base and growing business prospects, we are confident of capturing opportunities which will take the Company to the next level of success.

As I conclude, I would like to thank you for the continued trust and support extended by you in our Management and the Board of Directors. I take this opportunity to also thank our customers, employees, suppliers, service providers, financial institutions and bankers for their contribution towards the Company's success. Let us all reaffirm our commitment towards the growth of HEG Limited as the industry leader.

Best wishes,

Ravi Jhunjhunwala
Chairman and Managing Director

Management Discussion and Analysis



8.5%

The GDP growth rate improved in FY 2011 as compared with 8% in FY 2010, even as fiscal deficit reduced to 4.8% of GDP.

The macroeconomic scenario

The year 2010 witnessed a significant turnaround in terms of strengthening economic conditions, supported by global activity growth. Though this recovery is gaining pace, it continues to remain fragile, as large fiscal and monetary adjustments work their way through the system.

Advanced economies are witnessing sluggish growth rates, touching only around 3.5% during the first half of 2010. For the years 2011 and 2012, growth rates are forecasted at around 4.5%, with developed economies growing at only 2.5%, whereas

developing economies are expected to grow 6.5%. This is due to the developed world being laced by high unemployment, a surge in inventory levels and low financial stability. Concrete steps are being taken by way of proactive policies to achieve internal and external rebalancing.

As most developing countries continue to pose a stronger, balanced and sustained performance, the recent Middle East crisis betrayed an unsettling reality. As the crisis continues to escalate, significant and sustained instability in this region is sending crude oil prices on a march. Oil, being the backbone of the world economy, concerns over resolving the crisis are

gaining paramount importance to maintain the global economic growth balance.

The Indian economic outlook continues to be robust despite the existing challenges. The GDP growth rate improved to 8.5% in FY 2011 as compared with 8% in FY 2010, even as fiscal deficit reduced to 4.8% of GDP. These healthy growth rates were supported by the booming domestic capital markets, better than expected monsoons, boosted growth of the agricultural sector and strong performances by the manufacturing, construction, trade, hotel, transport and communication, insurance, real estate sectors. Amidst this economic growth,

there continues to be concerns over rising inflation, which are expected to moderate going forward.

Encouraging sectoral outlook

A new record for global crude steel production was set in the year 2010, making it a historic year for the steel industry.

As per World Steel Association, world crude steel production in 2010 measured 1,414 mmt, 15% higher than the corresponding period. Asia attributed to a lion's share of the total production at 897.9 mmt, with China marking 626.7 mmt. Over 50% growth was contributed by China, Japan and the US, followed by Russia and India.

Capacity utilisation remained close to 75% in the fourth quarter of 2010, with an annual rate of around 77%. World crude steel production in 2011 was also on an uptick, with the first quarter marking 8.8% higher as compared with the corresponding period of 2010.

Steel prices are on the rise, but as the graphite electrodes business is sensitive to volumes and not prices of steel, price fluctuations do not affect the graphite electrodes business directly.

The 2011 steel production outlook remains optimistic, supported by an

expected growth in demand. Though there are dampeners to this forecast, the overall expectation is cautiously optimistic.

Growth in the steel industry fuels Electric Arc Furnace industry growth. The EAF industry too, performed well, with earlier record levels expected to be surpassed soon. Hence, the outlook for the graphite electrode industry looks positive.

HEG Limited manufactures international grade Ultra High Power (UHP) graphite electrodes which are used in Electric Arc Furnaces. The Company is one of the few global players manufacturing graphite electrodes and has formed a unique position in the industry.

Despite rising demands, realisations remain muted. This trend is expected to change going forward, with margins projected to enhance. Being an established player in this market, we expect to capitalise on a significant share of the expected demand growth. This will prove beneficial in terms of higher market share, and in turn, will raise performance margins.

Operating perspectives Graphite electrodes

HEG Limited is the world's largest single-site manufacturer of graphite electrodes.

Established over 30 years ago, as part of the LNJ Bhilwara group, the Company focuses on manufacturing international quality UHP (Ultra High Power) grade of graphite electrodes. The Company's manufacturing facility, with a rated capacity of 66,000 tonnes (soon to be expanded to 80,000 tonnes) of graphite electrodes, is located at Mandideep, near Bhopal in Madhya Pradesh.

During the year under review, a part of the proposed capacity expansion from the earlier 66,000 tonnes to current 80,000 tonnes was executed. This achievement further sharpened HEG Limited's focus on state-of-the-art technology, higher quality, cost-efficiencies and economies of scale. As the Electric Arc Furnace (EAF) industry is taking significant steps towards growth, the capacity expansion is in line with the expected demand rise.

HEG Limited, being a key exporter of graphite electrodes, caters to global demand, with a presence in the US, Europe, Russia, the Middle east and Southeast Asia. The Company's client base is impressive and spread over more than 25 countries, with reputed steel producers like Arcelor Mittal, POSCO, Krupp Thyssen, Nucor, SAIL, TISCO, Jindal and Hyundai, among others, as clients.

During the downturn, the customers who were then cautious and adopted a wait-and-watch attitude, began contributing to the Company's operational performance, as business visibility improved. With its endeavour to scale new heights, the Company is assertively working towards expanding its client base, thus opening new avenues for growth and profitability.

Capacity utilisation was in the high eighties, and the Company aims to improve utilisation levels as demand increases. Margins were at moderate levels, due to muted realisations and additional costs. The two main inputs in this industry are needle coke and power. Needle coke costs for CY 2011 were frozen, with rates more or less similar to those of the previous year. Power being captive, the Company had access to reliable, dependable and low cost supply.

As the industry witnessed an uptick in performance, order booking firmed up, and the Company started booking orders on a half-yearly basis compared with previous orders, which were dominantly on a quarterly rolling basis.

Power

For HEG Limited, power is a key business vertical, as it is a major input and cost component. The Company has a total rated captive power generation capacity of around 77 MW, of which 64 MW is generated through two thermal power plants, and around 13.5 MW through the hydroelectric power plant.

The three captive power plants are strategically placed, with regard to the graphite electrode manufacturing facility, strengthening HEG Limited's unique business model.

As the Company increases the annual manufacturing capacity of graphite electrodes from 66,000 tonnes to 80,000 tonnes, the power requirement will also increase to support additional production. HEG's foresighted planning ensured that even at expanded electrode capacities, the Company has sufficient power resources to meet additional requirements.

The two thermal power plants performed at optimum capacity during a major part of the year. The hydroelectric power plant also operated at an ideal capacity, due to sufficient water reserves in the catchment area.

The Company continues to sell power on a merchant sales basis and due to excess capacities some of the surplus power is sold on a daily basis until full capacity production at expanded levels is reached.

Review of financial performance

During the year under review, revenues increased marginally by 2% at ₹1,299.3 crore, from ₹1,268.5 crore in the previous year. The EBITDA for the year was at ₹262.3 crore as compared with ₹354.0 crore in the previous year. The profit before tax was ₹168.1 crore (₹242.3 crore in FY 2010), and the net profit from ordinary activities after tax was ₹128.9 crore (₹171.1 crore in FY 2010).

Segment-wise performance

The graphite electrode division revenue was marginally higher by 2% in FY 2011 at ₹1,079.4 crore as compared with ₹1,062.8 crore in FY 2010. PBIT was at ₹155.2 crore as compared with ₹256

crore in the previous year. The return on sales was 14% during the year under review.

In the power division, revenue was higher by 7% at ₹196.7 crore as compared with ₹183.8 crore in the previous year. The PBIT of the power division was higher by 14% at ₹46.6 crore compared with ₹41.9 crore in the previous year. The return on sales was 24% as compared with 23% in the previous year.

A strong balance sheet

HEG Limited continues to portray a strong, stable and sustainable balance sheet. Largely on account of internal accruals, net worth increased to ₹816.3 crore in FY 2011 from ₹730.6 crore last year. As on 31st March, 2011, the long-term debt was ₹275.41 crore, resulting in a debt equity ratio of 0.34. The return on net worth and capital employed were 16% and 12% respectively.

In March 2011, the Company announced an offer of buy-back of equity shares. The buy-back will take place at a price not exceeding ₹350.0 per share. The total buy-back will not exceed ₹67.5 crore, 9.95% of the total paid up capital and free reserves as on 31st March, 2010. The last date for buy-back is 13th March, 2012.

Opportunities and threats

HEG Limited continues to deliver superior performance as one of the world's leading graphite electrode manufacturers. The Company, with its manufacturing facility at Mandideep, Madhya Pradesh, the largest single-site manufacturing unit globally, is rapidly expanding capacities and developing capabilities across functions.



During 2010, the steel industry reached record production of 1.4 billion tonnes, an increase of 15% compared with the corresponding period. The recovery of the steel industry continues to be rapid, despite the current economic and political instability in a few countries across the world. The Company's presence in one of the fastest-growing industries poses huge opportunities for growth. Supported by overall industry growth, electric arc furnace production is expected to grow at a faster pace, with 2010 production clocking higher by around 20% than 2009 levels. 2011 production is expected close to the peak levels of 2007, and 2012 production is expected to surpass earlier peak levels.

With higher environmental awareness, there is an increased interest in steel production through the electric arc furnace route. This mounting interest provides enormous opportunities for the Company to augment its business and escalate the investment scale.

To support the expected growth in demand, HEG Limited is in the process

of expanding the graphite electrode manufacturing facility capacity. The Company is steadily expanding its capacity from 66,000 tonnes to 80,000 tonnes, with the first phase of expansion already operational, and the second and final phase expected to be completed in the near future.

HEG Limited has always invested in expanding internal capabilities towards building high-performance production levels. The Company took advantage of market opportunities by way of increasing technological sophistication, enhancing capacities, efficiencies, productivity and quality improvement.

Regarding the key raw materials used to manufacture graphite electrodes – needle coke and power – the Company is secure. Needle coke prices were frozen for the entire year and supplies are expected to be sufficient in the near future. Power, being captive, is also sufficient for the expanded production capacity of graphite electrodes. Realisations were muted for most part of year however, with increased activity in



the industry expected to improve realisation levels.

With regards to competition, the Company operates in an oligopolistic market, comprising few major players. Due to the business being technologically advanced, with a long gestation period, few new greenfield plants are expected to be established, though brownfield expansions like HEG's are a trend throughout the industry.

Risks and concerns

Economic recovery during the year under review was positive, but was affected by political unrest and natural disasters. The protests, which resulted in political instability in the Middle East and North African nations, were crucial in determining crude oil dynamics, which is the engine of economic growth. With oil prices soaring, the world is facing a great threat, due to most developed nations having a high dependency on this resource.

The tragic events in Japan shook the



foundation of the global economy, but are not expected to spurt recessionary conditions again. This incident was one of the world's biggest disasters to have affected such an advanced nation like Japan, that the effects of this disaster on the world economy are yet unknown.

HEG Limited's clientele is diverse and spread globally. The Company is exposed to some risk, as economies all over the world are affected by such events and disasters, resulting in market fluctuations. In the near future, negative effects on a few orders will not affect the Company's performance to a great extent, but continued undesirable effects on the order book could prove

detrimental.

Due to its international transactions, the Company is also exposed to foreign currency fluctuation risk. Hence, conscious efforts are made towards mitigating volatility risks by employing prudent hedging policies.

An operating concern for the Company is working capital requirements. The production process for graphite electrodes is spread over a few months. Difficulty in sourcing the right working capital mix may affect operational functioning and growth.

Another big challenge for the Company is employee recruitment and retention.

Efforts are made to upskill people capability, recognise the right talent and appropriately reward them for their contribution. The Company's key focus area is to build and maintain a healthy and progressive work environment.

Research and Development

Research and development continues to be one of HEG Limited's key focus areas. Research is aimed at identifying ways to develop and sharpen technology, improve operational practices, maximise raw material utilisation from captive sources, introduce advanced quality control standards and preserve the environment.

₹67.5 crore

In March 2011, the Company announced an offer of buy-back of equity shares. The buy-back will take place at a price not exceeding ₹350.0 per share. The total buy-back will not exceed ₹67.5 crore, 9.95% of total paid up capital and free reserves as on March 31, 2010.



Building on the experience gained since inception, the Company established teams to ensure that process technology is implemented in-line with the best practices followed throughout the industry. The Company entered into collaborations with leading institutions across India, like IIT Kanpur and RRL, Bhopal, with an aim towards achieving research and development goals.

Human Resource

In the current competitive and global business environment, HEG believes that people are the key enablers for organisational success. The Company aims at developing progressive human resource values, with the aim to improve performance orientation, increase transparency, professionalism and accountability, and sharpen skills and competency development.

Based on our long-term business plans, we aim to identify, induct and train the most appropriate human resources with the latest techniques. Our existing work force clearly defined growth and business delivery models, charted as per

their performances, competencies and scope of growth. Moreover, the Company adopted mechanisms like Balanced Score Card, towards improving individual and macro-level performances. We continuously work towards introducing newer techniques, with the aim to improve human resource potential.

During 2010-11, employee strength decreased to 1,049 as compared with 1,079 employees in the previous year.

There is adequate management bandwidth commensurate with the size of the operations, with responsibilities shared appropriately and not dependent on a single person. We have a team of professionals who steer the operations and monitor the Company's growth plans.

Industrial relations

As in the past, industrial relations across the Company were cordial, with no labour unrests or strikes during the period under review. This was the result of the management's and employee's

continuous efforts to adopt a work culture which suits the ever changing needs of the people. As always, we continue to emphasise on transparency and boost ideas and innovations, which provide a stimulus to the entire organisation. We truly believe that people are the core strength of any organisation.

Fostering a quality-conscious organisational structure

Focus on quality is of utmost priority at HEG Limited. Quality consciousness gained prominence over the years, not only in the production process, but also in organisational functioning.

Being a global manufacturer of graphite electrodes, the Company initiated many high-level processes to ensure superior quality of products manufactured. Our efforts over the years resulted in the creation of non-lapsable, secure and superior production at the Mandideep facility, the largest, single site manufacturing facility of graphite electrodes in the world.



The Company, while working towards capacity expansion from 66,000 tonnes to 80,000 tonnes during the period under review, revised the allocated budget and infused an additional investment, dedicated towards capturing enhanced quality of processes to ensure superior end results. This emphasises the importance given to increased technological sophistication aimed at enhancing execution quality.

Apart from the above, the Company's workforce is continuously educated and trained towards maintaining and enhancing the quality of services delivered. Measures such as comprehensive Statistical Process Control (SPC) systems and Six Sigma are woven into various processes to ensure systems strengthening. As a step towards increasing automation of functions, real time assessment was incorporated via Electronic Data Capture System, specifically designed to suit

organisational requirements.

Hence, the Company continues to be recognised for its quality consciousness and ability to deliver as per customer needs.

Environmental and social initiatives

Ecological Impact

HEG developed world-class practices by nurturing sustainability and protecting the environment. We responded to the emerging expectations of environmental safety standards, giving it the utmost importance. HEG Limited strictly adheres to compliances and ensures minimal harm to the environment.

As a step towards the same, we increased our focus on recycling by-products and waste at our manufacturing facility. At the facility, we give paramount importance to reduction of energy consumption and pollution emission. In fact, graphite electrodes are

used in electric arc furnaces, which are in turn used for steel-making by melting steel scrap. Hence, the entire cycle of the EAF industry also focuses on environmental conservation.

An integral part of HEG Limited's Corporate Social Responsibility initiative is taking care of local community needs. We adopted a few villages near Mandideep as part of our CSR, where we focus on macro and micro development. Efforts are aimed towards improving the standard of living and providing impetus to growth. With the idea that the youth is our future, we initiated efforts towards enhancing their skills and talents, providing them with a better platform going forward.

Further, our education initiative took the shape of the Graphite Education and Welfare Society. Through this organisation, we provide a high level of education with an emphasis on growth in technology and the importance of

Information Technology in current times. Hence, we have started 'Smart Classes' to assist us deliver the same, with the response being overwhelming.

During the year, we also allocated a substantial budget towards medical camps and associations with NGO's. These efforts were made towards rendering meaningful assistance to the common man, thereby strengthening the fabric of society.

Internal Control Systems and Risk Management

The Company has a strong and adequate internal control system to ensure safeguarding of assets, maintenance of financial records, due compliance of all applicable laws and effective risk monitoring and maintenance of management information systems.

Risk management is affected through an integrated process, with a formal system established for regulatory and risk management.

The organisational structure is well-planned and ensures clear functional authority limits aimed towards effective authorisation of transactions. The management closely tracks the Company's functioning through a strong and effective reporting system, established via the internal audit cell, thereby enabling the management to make informed decisions well in time.

Modern IT-enabled systems assist in complete functioning and maintenance of the reporting process in all divisions

of the offices, as well as the manufacturing facility. This enables a high degree of transparency to flow through the reporting process, thereby enabling a sound system of internal controls. It also supports monitoring of operating parameters, indicating any material deviation from annual plans, budgets and capital expenditure.

An independent check on the management is established through audit procedures, which the Board duly recognises, further improving the Company's functioning.

Outlook

Considering HEG Limited's success story so far, the outlook continues to be equally strong and bright. The Company has great potential for growth in the UHP grade graphite electrodes market, which is growing from strength to strength. The growth in the Electric Arc Furnace route of steel production is fuelled by the steel industry growth, which is on an uptick, with production nearly outperforming earlier record levels.

HEG is well-equipped to meet and take advantage of the industry's rising demand. The Company is in the process of expanding its capacity from the earlier rated 66,000 tonnes to 80,000 tonnes. With the first phase of expansion in operation, the total capacity expansion to 80,000 tonnes is expected by October 2011.

Trade opportunities are increasing due to excellent export prospects at competitive prices. The Company's

diverse global customer base helps mitigate concentration risks. We continue to focus on growing economies and aim to maximise favorable business opportunities.

HEG believes that it is well poised to leverage its strengths and achievements as a preferred global manufacturer of UHP grade graphite electrodes, and take bigger strides with favourable market support going forward.

Cautionary statement

Statements in this document that are not historical facts are 'forward-looking' statements. These 'forward-looking' statements may include the Company's objectives, strategies, intentions, projections, expectations, and assumptions regarding the business and the markets in which the Company operates. The statements are based on information which is currently available to us, and the Company assumes no obligation to update these statements as circumstances change. There may be a material difference between actual results and those expressed herein. The risks, uncertainties and important factors that could influence the Company's operations and business are the global and domestic economic conditions, the market demand and supply for products, price fluctuations, currency and market fluctuations, change in Government's regulations, statutes and tax regimes, and other factors not specifically mentioned herein but those that are common to the industry.

Directors' Report

Dear members -

Your Directors have pleasure in presenting their 39th annual report and audited statements of accounts for the year ended 31st March, 2011.

1. (i) Financial results

(₹ in crore)

	2010-11	2009-10
Turnover :		
Domestic	444.95	461.17
Export	854.31	807.27
Less : Excise Duty	22.71	21.15
: Inter Division Sales	162.90	115.89
Net Sales	1,113.65	1,131.40
Other Income	38.43	14.99
Total Income	1,152.08	1,146.39
Profit before Interest, Depreciation and Amortisation	262.35	354.00
Interest	36.62	59.26
Profit before Depreciation and Amortisation	225.73	294.74
Depreciation and Amortisation	57.65	52.41
Profit Before Tax	168.07	242.32
Provision for Taxation:-		
Current year	42.97	70.48
Deferred	(1.28)	(0.09)
Fringe Benefit Taxes	-	(0.01)
Income Tax for earlier years	(2.48)	0.88
Net Profit for the Period	128.86	171.06
EPS (Basic)	30.08	41.10
EPS (Diluted)	30.08	40.91
(ii) Appropriations		
Amount available for appropriation	362.62	316.94
Dividend :		
a) On Equity Shares		
i) Interim Dividend	21.42	-
ii) Proposed Dividend	21.42	42.83
b) Corporate Dividend Tax		
i) On Interim Dividend	3.41	-
ii) On final Dividend	3.48	7.28
Transfer to :		
a) General Reserve	25.00	25.00
b) Capital Redemption Reserve	-	3.30
c) Debenture Redemption Reserve	19.04	4.77
Balance carried forward	268.85	233.76

2. Overall Performance

The Company recorded Net Sales ₹1113.65 crore as compared with ₹1131.40 crore in the previous year. The Net Profit was at ₹128.86 crore as compared with ₹171.06 crore in 2009-10 translating to basic earning per share at ₹30.08 as against ₹41.10 in FY 2009-10.

3. Subsidiary Company & Consolidated Financial Statements

The statement pursuant to Section 212 of the Companies Act, 1956 relating to the Subsidiary Company 'M/s HEG Graphite Products and Services Ltd' is annexed. Also, the consolidated financial statements along with the Auditors Report thereon, form part of the Annual Report.

In terms of the Circular of the Ministry of Corporate Affairs dated 8th February, 2011, the Board of Directors has decided not to annex the annual accounts of the Subsidiary company in this Annual Report. The annual accounts of the Subsidiary company and the related detailed information shall be made available to the shareholders of the Company and the Subsidiary company seeking such information at any point of time. The annual accounts of the Subsidiary Company shall also be kept for inspection by any shareholder at the registered office of the Company and of the Subsidiary Company. The Company shall furnish a hard copy of details of accounts of Subsidiary Company to any shareholder on demand.

4. Dividend

The Board of Directors had approved the payment of Interim-Dividend @ ₹5/- per Equity Share of ₹10/- each at its meeting held on the 7th February, 2011.

The Board, has recommended a final dividend at the rate of ₹5/- per share on Equity Shares of ₹10/- each for the financial year ended 31st March, 2011, subject to your approval at the Annual General Meeting.

5. Operations

Graphite Electrodes

During the year under review, the production volumes of Graphite Electrodes were higher as compared with the last financial year. Growth in volumes was offset by moderation in realisations which contributed to lower margins.

Power Generation

HEG's strategic planning resulted in reliable captive power generation of about 77 MW. The current capacity of power will be self-sufficient even at expanded graphite electrode capacity levels of 80,000 TPA.

6. Capacity Expansion of the Graphite Electrode Plant at Mandideep

The expansion plan of graphite electrode manufacturing capacity of the Company to 80,000 TPA from current level of 66,000 TPA is progressing as per schedule.

Phase I of the capacity expansion is operational, with full capacity commercial production expected to be operational by October 2011.

7. Buyback of its 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 meeting held on the 14th March, 2011. The Buyback was approved for an aggregate amount upto ₹67.50 Crores. The Buyback of shares commenced on the 11th April, 2011.

8. Corporate Governance

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

9. Management Discussion and Analysis

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

10. 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 organisational structure, authority levels and

internal rules and guidelines for conducting business transactions.

11. Personnel

a) Industrial Relations

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 receiving salary in excess of the limits as prescribed 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.

12. Public Deposits

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

13. 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.

14. Directors

a) Shri Riju Jhunjunwala at his request was relieved from the position of Executive Director w.e.f. 27th July, 2010 and continues to be a Non-Executive Director

b) Three of your Directors namely Shri L.N. Jhunjunwala, Dr. Kamal Gupta and Shri P. Murari shall retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their reappointment.

c) LIC nominated Shri Lalit Mohan Lohani as its nominee on the Board of the Company in place of Shri Mohanraj Nair. His appointment was approved w.e.f. 27th July, 2010. The Board appreciates the services rendered by Shri Mohanraj Nair during his tenure as Director of the Company.

d) Your Directors inform you about the sad demise of Shri V.K. Mehta, who was Director on the Board of the Company and appreciate the valuable services rendered by Shri V K Mehta during his tenure as a Director of the Company. Shri Niket A.R.

Mehta, who was Alternate Director to Shri V.K. Mehta, consequently ceased to be the Alternate Director.

15. 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 (1B) 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.

16. Directors Responsibility Statement

The Directors confirm that:

(i) in preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures 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 31st March, 2011 and of the profit of the Company for the year under review;

(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.

17. 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 the Company's achievements.

For and on Behalf of the Board of Directors

Place : Noida
Dated: April 29, 2011

Ravi Jhunjunwala
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, 2011.

S. No.	Name of Employee	Designation	Nature of Duties	Remuneration (₹ lacs)	Qualification	Experience (Yrs.)	Age (Yrs.)	Date of Commencement of Employment	Last Employment held, Organisation, Designation & Duration
1.	Shri Ravi Jhunhunwala	Chairman & Managing Director	Managerial	481.81	B.Com. (Hons.), MBA	31	56	8th September, 1979	-
2.	Shri Riju Jhunhunwala	Director	Managerial	36.02	Graduate in Business Management Studies	10	32	30th April, 2009	RSWM Ltd, Joint Managing Director, 6 years
3.	Shri R C Surana *	Executive Director & CEO	Managerial	265.65	BBA, MBA, DFT	32	58	1st March, 1987	Bhilwara Services Pvt Ltd, Manager, 6 months.

Notes:

1. Shri R.C. Surana* had ceased, by way of premature retirement, to be the Executive Director, Director and Employee of the Company in accordance with a mutual agreement between Shri R.C. Surana and the Company on 30th April, 2010, with effect from that date.
2. Appointment of Shri Ravi Jhunhunwala, Shri Riju Jhunhunwala, and Shri R.C. Surana is/was in accordance with Schedule XIII of the Companies Act, 1956. The same was approved by Board of Directors and subsequently approved by the Shareholders at the General Meeting.
3. Shri Riju Jhunhunwala at his request was relieved from the position of Executive Director w.e.f. 27th July, 2010 and continues to be a non-Executive Director.
4. Shri L N Jhunhunwala, Shri Ravi Jhunhunwala, Shri Shekhar Agarwal and Shri Riju Jhunhunwala are relatives.
5. As per Company records, none of the employee is holding more than 2% of the paid up Share Capital 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 VFD in SA fan at CPP unit 1 & 2.
2. Installation of FRP blades in cooling tower fans of CPP.

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

1. Installation of new lighting transformer. Initial investment cost would be about ₹ 12 lacs.
2. Install/use thermostatic controllers for cooling tower.
3. Replacement of AI blade of cooling tower of hall#5 by FRP blade.
4. Installation of optimum rating energy efficient motors in CW pump

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

1. The saving in electrical energy consumption on account of the above implemented measure is in range of 13.61 lacs kwh per year .
2. The proposed saving (1,2,3,4) for the project which is being implemented would be about in the range of 2.0 lacs kwh/ year.

Information as Prescribed in Form A

Particulars	Graphite	
	2010-11	2009-10
Electricity		
Purchased		
Units (lacs)	3243.44	2585.76
Total amount (₹ lacs)	17462.08	13055.52
Rate / Unit (₹)	5.38	5.05
Own Generation		
Generated Units	-	-
Units / Litre of fuel oil	-	-
Cost of generation / Unit (₹)	-	-
Fuel Consumption		
Quantity (KL)	16115.135	11033.00
Total amount (₹ lacs)	5118.90	3027.67
Average rate per KL (₹)	31765	27442
Computation / Unit of Production		
Product description / Unit – MT	Graphite Electrode	
Electricity Consumed / Unit	5823	5897
Fuel Oil consumed (KL) / Unit	0.289	0.252

(B) Technology Absorption

The particulars with respect of absorption in the prescribed form are given below:-

i) Research & Development (R & D)

1. Specific areas in which R&D carried out by the Company	1. Use of Advance characterisation techniques for understanding the properties of raw materials as well as finished products. 2. Exploring alternative methods & formulations to improve quality of graphite electrodes. 3. Development of Carbon / Graphite products for various applications such as Gas & Water filters, Cryosorption pump, Fuel cell, Quick heat removal etc.
2. Benefits derived as a result of the above R&D	1. Stringent quality control for raw materials. 2. Quality Improvement in Graphite Electrodes. 3. Carbon / Graphite products development used for Thermal, Energy, Environment and Electronics Applications.
3. Future plan of action	1. Development of Specialty products like carbon / graphite rods and blocks and carbon-carbon composites. 2. Development of Graphite based conductive coating material. 3. Development of Impregnated Activated Carbon Fabric (ACF) suitable for removal of Pollutants and Toxic Gases.

4. Expenditure incurred on R&D	(₹ in lacs)	
	2010-11	2009-10
a) Capital	46.05	5.77
b) Recurring	118.13	173.43
c) Total	164.18	179.20
d) Total R&D expenditure as a percentage of total turnover	0.15	0.16

ii) Technological Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaption and innovation	1. Efforts made to develop high surface area ACF / ACS for various adsorption applications. 2. Efforts made to develop 100% mesophase pitch from coal tar pitch. 3. Efforts made to scale-up know how (taken from National Research Development Corporation, New Delhi) for development of Porous Conducting Carbon Paper for fuel cell application.
2. Benefits derived as a result of the above efforts	Scope for new business in Carbon / Graphite specialties.
3. In case of recently imported technology the requisite information, in brief	Nil. All our efforts are made through in house R&D activities and collaborative research in India.

(C) Export & Foreign Exchange Earnings and Outgo

(₹ in Lacs)

Earnings : 80457.61

Outgo : 4060.98

Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

1	Name of the subsidiary company	HEG Graphite Products and Services Limited
2	Financial year of the subsidiary company	Year ended 31st March, 2011
3	Extent of the interest of holding company in the subsidiary company	100% (wholly owned subsidiary)
4	Total advances made by the holding company to the subsidiary company stood as at the close of financial years ended 31st March, 2011	Nil
5	Net aggregate amount of subsidiary's Profit / (Losses) so far as they concern members of holding company and not dealt within the holding company's account :	
	i) For subsidiary financial year	(67,575)
	ii) For subsidiary's previous financial years since it became subsidiary	(48,680)
6	Net Aggregate amount of subsidiary's Profit / (Losses) so far as they concern members of holding company and dealt within the holding company's account :	
	i) For subsidiary Financial Year	Nil
	ii) For subsidiary's Previous Financial years since it became subsidiary	Nil
7	As the financial year of the subsidiary company does not coincide with the financial year of the holding Company, information u/s 212 (5) of the Companies Act, 1956 is given below:-	
	a) Is there any changes in the holding company's interest in the subsidiary company between the end of the financial year of the subsidiary company and the holding Company	N.A.
	b) Is there any material changes which have occurred between the ended of financial year of subsidiary company and end of financial year of holding company	N.A.
	i) Fixed Assets of subsidiary company	N.A.
	ii) Investments of subsidiary company	N.A.
	iii) Money lent by the subsidiary Company	N.A.
	iv) Total advances made by the holding company as on 31st March, 2011	N.A.



The expansion plan of graphite electrode manufacturing capacity of the Company to 80,000 TPA from current level of 66,000 TPA is progressing as per schedule. Phase I of the capacity expansion is operational, with full capacity commercial production expected to be operational by October 2011.

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 Meetings attended	Whether attended the last AGM Yes/No
			Member	Chairman		
Shri L N Jhunjunwala	Chairman Emeritus-Promoter Non-Executive	06	02	0	0	No
Shri Ravi Jhunjunwala	Chairman & Managing Director-Promoter Executive	09	01	02	07	No
Shri Shekhar Agarwal	Vice-Chairman-Promoter Non-Executive	05	03	0	07	No
Shri D N Davar	Non-Executive & Independent	14	05	04	07	Yes
Dr. Kamal Gupta	Non-Executive & Independent	06	02	05	06	No
Shri K N Memani	Non-Executive & Independent	12	05	05	03	No
Shri P Murari	Non-Executive & Independent	09	05	01	01	No
Shri Lalit Mohan Lohani	Non-Executive & Independent (LIC Nominee)	0	0	0	03	No
Dr. O. P. Bahl	Non-Executive & Independent	01	0	0	06	No
Shri Riju Jhunjunwala	Director-Promoter-Non-Executive	04	04	0	07	No

* Only Audit Committee and Shareholders Grievance Committee have been considered.

Note: Shri L N Jhunjunwala, Shri Ravi Jhunjunwala, Shri Shekhar Agarwal and Shri Riju Jhunjunwala are relatives.

(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 D N Davar	1000
Dr. Kamal Gupta	200
Shri Riju Jhunjhunwala	233290

(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. Seven Board Meetings were held during the financial year ended 31st March, 2011. These were held on 8th April, 2010, 30th April, 2010, 27th July, 2010, 28th October, 2010, 1st February, 2011, 7th February, 2011 and 14th March, 2011.

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 discussion with them on any significant findings.

(ii) Composition of the Committee

The composition of the Audit Committee is as under:-

Sl No.	Name of Director	Designation	Category
1.	Shri D.N. Davar	Chairman	Non-Executive Independent Director
2.	Shri Shekhar Agarwal	Member	Non-Executive Promoter Director
3.	Dr. Kamal Gupta	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, 2011, four meetings were held on 30th April, 2010, 27th July, 2010, 28th October, 2010 and 1st February, 2011.

The attendance at the above Meeting was as under: -

Sl No.	Name of Director	No. of meetings attended
1.	Shri D.N. Davar	4
2.	Shri Shekhar Agarwal *	2
3.	Dr. Kamal Gupta	4
4.	Shri Mohanraj Nair *	1

* Shri Mohanraj Nair, was Nominee Director of LIC and also a Member of Audit Committee. He ceased to be Director in the Company w.e.f. 27th July, 2010. Shri Shekhar Agarwal was inducted as member of the Audit Committee w.e.f. 27th July, 2010.

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.	Dr. O.P. Bahl	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, 2011, two meetings were held on 30th April, 2010 and 1st February, 2011.

The attendance at the above Meeting was as under: -

Sl No.	Name of the Director	No. of Meetings attended
1.	Shri D.N. Davar	2
2.	Dr. Kamal Gupta	2
3.	Dr. O.P. Bahl *	1
4.	Shri Mohanraj Nair *	1

* Shri Mohanraj Nair, was Nominee Director of LIC and also a Member of Remuneration Committee. He ceased to be Director in the Company w.e.f. 27th July, 2010. Dr. O P Bahl, was inducted as member of the Remuneration Committee w.e.f. 27th July, 2010.

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 and Executive Directors while Non Executive Directors are paid sitting fees only. The remuneration of Chairman & Managing Director and Executive Directors is decided by the Board of Directors, on recommendations of the Remuneration Committee and thereafter approved by the shareholders.

(v) Details of Remuneration to the Directors for the year ended 31st March, 2011

(Amount in ₹)

Name of Director	Salary	Benefits	Commission	Sitting Fee	Total
Shri Ravi Jhunjunwala	6418571	6117785	35644690	-	48181046
Shri Riju Jhunjunwala	774194	806076	1901376	120000	3601646
Shri R C Surana *	20255000	6310188	-	-	26565188
Shri L. N. Jhunjunwala	-	-	-	-	-
Shri Shekhar Agarwal	-	-	-	220000	220000
Shri D. N. Davar	-	-	-	460000	460000
Shri K. N. Memani	-	-	-	60000	60000
Dr. Kamal Gupta	-	-	-	420000	420000
Shri P. Murari	-	-	-	20000	20000
Shri Mohan Raj Nair **	-	-	-	80000	80000
Shri Lalit Mohan Lohani **	-	-	-	60000	60000
Dr. O.P. Bahl	-	-	-	400000	400000

* Shri R C Surana had ceased by way of premature retirement to be the Executive Director, Director and Employee of the Company in accordance with a mutual agreement between Shri R C Surana and the Company w.e.f. 30th April, 2010.

** Shri Lalit Mohan Lohani was nominated by Life Insurance Corporation of India, as its Nominee Director in place of Shri Mohan Raj Nair with effect from 27th July, 2010.

5. Shareholders' / Investors' Grievance Committee

(i) Composition of the Committee

The composition of the Committee is as under:-

Sl No.	Name of Director	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, 2011, two meetings were held on 28th October, 2010 and 25th March, 2011.

The attendance at the above Meetings was as under: -

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

The Company received 43 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 31.03.2011.

6. General Body Meetings

a. Annual General Meeting

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
27th Sept, 2008	2007-2008	Mandideep, (Near Bhopal) Distt Raisen (M.P.) Pin – 462046	12.30 P.M.	No
19th Sept, 2009	2008-2009	Mandideep, (Near Bhopal) Distt Raisen (M.P.) Pin – 462046	12.30 P.M.	No
20th Sept, 2010	2009-2010	Mandideep, (Near Bhopal) Distt Raisen (M.P.) Pin – 462046	2.00 P.M.	No

b. Extraordinary General Meeting

Two Extraordinary General Meetings were held during the financial year 2010-11 as per detail below:

Date of EOGM	Relevant Financial Year	Venue/Location where held	Time of Meeting	Whether any special resolution passed
7th May, 2010	2010-11	Mandideep, (Near Bhopal), Distt Raisen (M.P.) Pin – 462046	2.00 P.M.	Yes
11th March, 2011	2010-11	Mandideep, (Near Bhopal), Distt Raisen (M.P.) Pin – 462046	2.00 P.M.	Yes

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 mandatory requirements and 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 Chairman & Managing Director and Chief Financial Officer have certified to the Board, interalia 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 31.03.2011.

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 Chairman & Managing Director 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 2010-11.

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.

10. Disclosures regarding appointment or reappointment of Directors

Name of Director	Shri L N Jhunjhunwala	Dr. Kamal Gupta	Shri P Murari
Date of Birth	18th October, 1928	12th February, 1946	19th August, 1934
Date of Appointment	27th October, 1972	10th November, 1994	30th March, 1996
Qualification	B.A (Math. Hons).	FCA, FICWA, Ph. D.	M.A. (Eco.)
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.	Consultant in the areas of finance, accounting and corporate laws. Former Technical Director of the Institute of Chartered Accountants of India. He has authored various books on auditing and other subjects.	Industry, Health, Energy & General Administration. He joined IAS in the year 1957. He retired as Secretary to the President of India. Besides this, he has vast experience of different Ministries and Commissions etc. in the capacity of Secretary or Chairman in State as well as Central Govt. Presently he is Adviser to President, FICCI.
List of other Public Ltd. Companies in which directorships held.	1. RSWM Ltd 2. Maral Overseas Ltd 3. Malana Power Company Ltd 4. Indo Canadian Consultancy Services Ltd 5. LNJ Financial Services Ltd 6. AD Hydro Power Ltd	1. RSWM Ltd 2. Maral Overseas Ltd 3. Malana Power Company Ltd 4. PNB Gilts Ltd 5. AD Hydro Power Ltd 6. Bhilwara Energy Ltd	1. Aban Offshore Ltd 2. Adayar Gate Hotel Ltd 3. Aditya Birla Nuva Ltd 4. Xpro India Ltd 5. Great Eastern Energy Corporation Ltd 6. IDEA Cellular Ltd 7. Bajaj Holdings and Investments Ltd 8. Bajaj Auto Ltd 9. Fortis Malar Hospitals Ltd
Chairman / Member of the Committees of the Board of Directors of the Company.	Shareholders' / Investors' Grievance Committee – Chairman	1. Audit Committee – Member 2. Shareholders' / Investors' Grievance Committee - Member	–
Chairman/Member of the Committee of Directors of other Companies.			
a) Audit Committee	1. RSWM Ltd -Member 2. Maral Overseas Ltd - Member	1. Maral Overseas Ltd – Chairman 2. PNB Gilts Ltd – Chairman 3. RSWM Ltd – Chairman 4. AD Hydro Power Ltd – Member 5. Malana Power Company Ltd - Member	1. Adayar Gate Hotel Ltd - Chairman 2. Aban Offshore Ltd - Member 3. Aditya Birla Nuvo Ltd - Member 4. Fortis Malar Hospitals Ltd - Member 5. Xpro India Ltd - Member 6. Great Eastern Energy Corporation Ltd - Member
b) Shareholders'/ Investors' Grievance Committee	–	1. Maral Overseas Ltd - Chairman 2. RSWM Ltd - Chairman	–
No. of Equity Shares held in the Company	179740	200	Nil

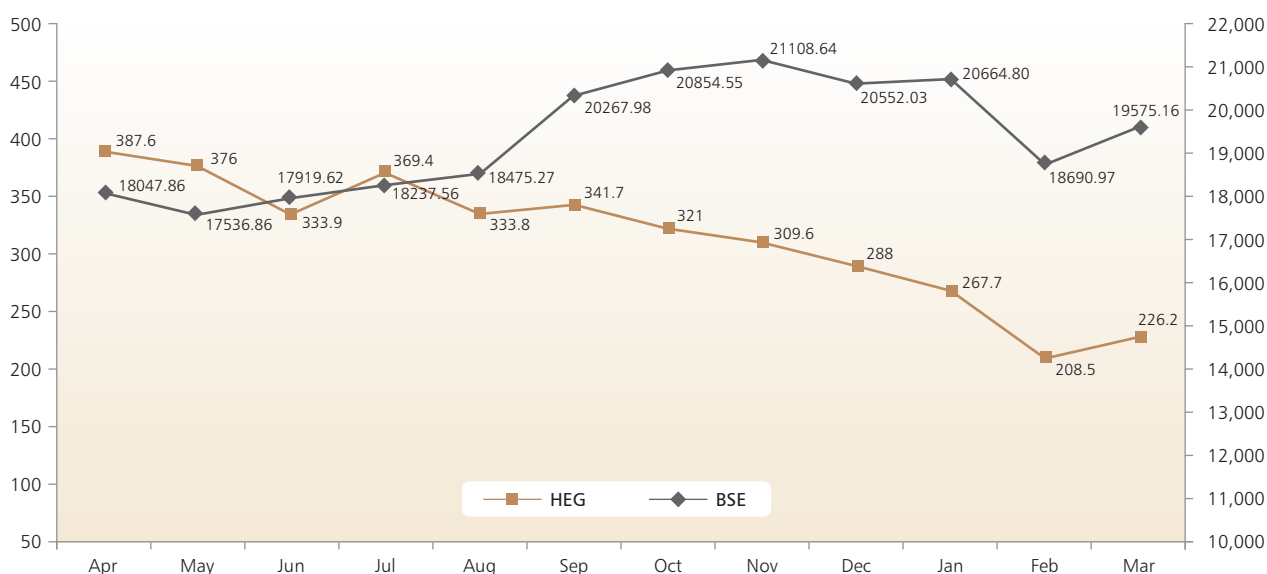
11. Shareholders Information

a) Annual General Meeting: Date & Time, Venue	16th September, 2011 at 2.00 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, 2011 – 31st March, 2012. Reporting:
	(a) First Quarter Results - Within 45 days of end of the 1st Qtr (b) Second Quarter Results - Within 45 days of end of the 2nd Qtr (c) Third Quarter Results - Within 45 days of end of the 3rd Qtr (d) Results for the FY - Within 60 days of end of the FY
c) Date of Book Closure	6th September, 2011 to 16th September, 2011 (both days inclusive)
d) Dividend payment date	The dividend, if declared, shall be paid/dispatched to the shareholders between September 26, 2011 and September 29, 2011.
e) Listing of :	
(i) Shares on Stock Exchanges	(i) 1. Bombay Stock Exchange Ltd. 2. National Stock Exchange of India Ltd. 3. Madhya Pradesh Stock Exchange Ltd.
(ii) Non-convertible Debentures	(ii) WDM segment of Bombay Stock Exchange Ltd.
	Listing Fee, as prescribed has been duly paid.
f) Stock Code/ISIN No.	(i) Equity Shares: BSE: 509631 NSE: HEG ISIN No.: INE 545A01016 (ii) Non-convertible Debentures: ISIN No.: INE545A07039, INE545A07047, INE545A07054

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

Month	NSE		BSE		BSE SENSEX	
	High	Low	High	Low	High	Low
April, 2010	388.00	341.00	387.60	340.10	18047.86	17276.80
May, 2010	376.00	307.00	376.00	307.15	17536.86	15960.15
June, 2010	333.65	301.30	333.90	302.00	17919.62	16318.39
July, 2010	366.00	305.45	369.40	306.20	18237.56	17395.58
August, 2010	334.00	306.60	333.80	306.00	18475.27	17819.99
September, 2010	341.50	297.10	341.70	298.00	20267.98	18027.12
October, 2010	326.00	270.00	321.00	270.50	20854.55	19768.96
November, 2010	308.40	245.50	309.60	245.00	21108.64	18954.82
December, 2010	305.45	233.00	288.00	235.50	20552.03	19074.57
January, 2011	288.00	200.00	267.70	199.00	20664.80	18038.48
February, 2011	209.75	171.70	208.50	176.40	18690.97	17295.62
March, 2011	226.20	199.00	226.20	197.10	19575.16	17792.17

ii) Comparative chart of Company's share price movement vis-à-vis the movement of BSE Sensex during FY 2010-11:



h) Registrar or Transfer Agent	M/s. MCS Ltd. F-65, 1st 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, 2011.

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
1-500	36766	94.95	3849106	8.98
501-1000	1064	2.75	808835	1.89
1001-2000	441	1.14	657098	1.53
2001 – 3000	152	0.39	381719	0.89
3001 – 4000	52	0.13	184561	0.43
4001 – 5000	43	0.11	201330	0.47
5001 – 10000	77	0.20	566990	1.32
10001 and above	127	0.33	36195268	84.48
Total	38722	100.00	42844907	100.00

k) Category of Shareholders

Category	No. of shareholders	% of shareholders	No. of shares held	%age of shareholding
Promoters and Promoter Group	25	0.06	22396508	52.27
Mutual Funds / UTI	10	0.03	1159834	2.71
Financial Institutions / Banks	11	0.03	8152	0.02
Insurance Companies	5	0.01	4356875	10.17
Foreign Institutional Investors	31	0.08	1170658	2.73
Bodies Corporate	936	2.42	3399305	7.93
Individuals	37215	96.11	6857308	16.00
Others:				
I) Trusts	5	0.01	25283	0.06
II) Foreign Corporate Bodies	2	0.01	3266762	7.62
III) NRI Individuals	482	1.24	204222	0.48
Total	38722	100.00	42844907	100.00

l) Dematerialisation of shares and liquidity.	4,12,90,017 shares were dematerialised till 31.3.2011 which was 96.37% of the total paid up Equity Share Capital of the Company on that date. 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.	There are no such instruments outstanding as on 31st March, 2011.
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 Phone: 0120-4390300, 4390000 Fax: 0120-2531648, 2531745 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, 2011, 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
Firm Regn. No. 000756N

For Doogar & Associates
Chartered Accountants
Firm Regn. No.000561N

Arun K Tulsian
Partner
Membership No. 089907

Mukesh Goyal
Partner
Membership No. 081810

Place: Noida (U.P.)
Date: 29th April, 2011

Auditors' Report

To the members of
HEG Limited

We have audited the attached Balance Sheet of HEG Limited as at 31st March, 2011 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 (Auditor's 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, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 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, 2011;
 - 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
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

Place: Noida (U.P.)
Dated: 29th April, 2011

For S. S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

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) Verification of the fixed assets is being conducted based on a programme by the management designed to cover all assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and nature of its business. Discrepancies noticed on such verification as compared to book records were not material and have been properly adjusted in the books of account.
- c) No Substantial part of the fixed assets was disposed off during the year.
2. a) The inventory has been physically verified during the year by the management at all its locations, except stocks 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 not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses 4 (iii) (b) to (d) of the Order are not applicable.
- b) 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 lacs 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 its 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 examination of 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 from the date they became payable 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 :

(₹ in Lacs)

Name of the Statute	Nature of Dues	Year to which amount pertains	Forum	Amount
Income Tax Act, 1961	Income Tax	2007-08	CIT (Appeals), Bhopal	110.00
		2003-04, 2004-05	High Court, Jabalpur	516.00
Central Excise Act, 1944	Excise Duty	1999-2003, 2002-03, 2004-06, 2004-07, 2005-06, 2006-07, 2007-08	Tribunal, New Delhi	592.00
		2004-05	High Court, Jabalpur	1.42
Central Sales Tax Act, 1956	Central Sales Tax	2002-03, 2003-04	Tribunal, Bhopal	49.17
Madhya Pradesh Parvesh Kar Adhiniyam, 1976	Entry Tax	2007-08	CIT (Appeals), Bhopal	181.99
		2005-06, 2006-07	CIT (Appeals), Raipur	14.00
		2002-03, 2003-04, 2006-07	Tribunal, Bhopal	75.87
		1997-98	High Court, Jabalpur	9.94
Chattisgarh Commercial Tax	Local Sales Tax	2005-06	CIT (Appeals), Raipur	42.63
		1992-93	Tribunal, Raipur	1.12

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 debenture holders.

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 another company to a financial institution for loans taken by others from that financial institution, the terms and 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 other parties covered in the register maintained under section 301 of the Companies Act, 1956.

19. The Company has created necessary securities and other charges for the debentures issued in the current financial year.

20. The Company has not raised any money through public issues during the year.

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

Firm Regn. No. 000561N

Mukesh Goyal

Partner

Membership No. 081810

Place: Noida (U.P.)

Dated: 29th April, 2011

For S. S. Kothari Mehta & Co.

Chartered Accountants

Firm Regn. No. 000756N

Arun K. Tulsian

Partner

Membership No. 089907

Balance Sheet

As at March 31, 2011

(₹ in Lacs)

	Schedules	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	4,284.53	4,260.76
Reserves & Surplus	2	77,346.80	68,828.50
		81,631.33	73,089.26
Loan Funds			
Secured Loans	3	76,833.73	71,608.64
Unsecured Loans		14,198.31	1,471.66
		91,032.04	73,080.30
Deferred Tax Liability	4	7,360.71	7,488.78
Total		180,024.09	153,658.34
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	104,416.54	99,463.71
Less: Depreciation		38,556.14	33,676.21
Net Block		65,860.40	65,787.50
Capital Work in Progress		7,858.25	5,809.91
		73,718.64	71,597.41
Investments	6	10,187.55	6,699.61
Current Assets, Loans & Advances			
Inventories	7	50,952.18	34,281.79
Sundry Debtors		39,529.35	44,023.97
Cash & Bank Balances		1,178.40	449.36
Loans and Advances		19,185.75	12,447.77
		110,845.68	91,202.89
Less : Current Liabilities and Provisions	8		
Liabilities		13,226.33	10,128.65
Provisions		1,501.46	5,747.69
		14,727.79	15,876.34
Net Current Assets		96,117.89	75,326.55
Miscellaneous Expenditure	9	–	34.77
(to the extent not written off or adjusted)			
Total		180,024.09	153,658.34
Notes to Accounts	15		

Signed in terms of our report of even date

For Doogar & Associates
Chartered Accountants
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

Ravi Jhunjhunwala
Chairman & Managing Director
Shekhar Agarwal
Vice Chairman
D.N. Davar
Director
Riju Jhunjhunwala
Director
Manvinder Singh Ajmani
Chief Financial Officer
Ashish Sabharwal
Company Secretary

Place : Noida (U.P.)
Dated : 29th April, 2011

Profit and Loss Account

For the year ended March 31, 2011

(₹ in Lacs)

Schedules	Year ended March 31, 2011	Year ended March 31, 2010
INCOME		
Gross Turnover	129,925.87	126,844.58
Less: Inter divisional Sales	(16,289.55)	(11,589.13)
Less: Excise Duty	(2,271.50)	(2,115.48)
Net Turnover	111,364.82	113,139.97
Other Income 10	3,842.73	1,499.02
Increase/(Decrease) in Stocks 11	11,772.82	(703.42)
	126,980.37	113,935.57
EXPENDITURE		
Consumption of Materials 12	61,297.67	47,356.60
Manufacturing and Other Expenses 13	55,737.24	42,768.55
Less: Inter divisional Purchases	(16,289.55)	(11,589.13)
Total Expenditure	100,745.35	78,536.02
Profit before Interest, Depreciation and Amortisation	26,235.02	35,399.55
Financial Expenses 14	3,662.28	5,925.82
Profit before Depreciation and Amortisation	22,572.73	29,473.73
Depreciation 5	5,730.52	5,137.06
Amortisation - Misc. Expenditure written off 9	34.77	104.30
Profit before Tax	16,807.45	24,232.37
Less: Taxation - Current	4,297.50	7,048.03
- Deferred	(128.07)	(9.06)
- Fringe Benefit Tax	—	(1.11)
- Earlier Years	(248.20)	87.97
Profit after Tax	12,886.22	17,106.54
Balance brought forward from previous year	23,376.02	14,587.48
Amount available for appropriation	36,262.24	31,694.02
APPROPRIATIONS		
General Reserve	2,500.00	2,500.00
Capital Redemption Reserve	—	329.57
Debenture Redemption Reserve	1,904.49	477.13
Interim Dividend on Equity Shares	2,142.25	—
Corporate Dividend Tax on Interim Dividend	340.58	—
Proposed Dividend on Equity Shares	2,142.25	4,283.36
Corporate Dividend Tax on Proposed dividend	347.53	727.96
Balance Carried Forward	26,885.16	23,376.02
Notes To Accounts 15		
Earning Per Share (₹) See Note No. 19 (F) of Schedule 15		
- Basic	30.08	41.10
- Diluted	30.08	40.91

Signed in terms of our report of even date

For Doogar & Associates
Chartered Accountants
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

Ravi Jhunjhunwala
Chairman & Managing Director
Shekhar Agarwal
Vice Chairman
D.N. Davar
Director
Riju Jhunjhunwala
Director
Manvinder Singh Ajmani
Chief Financial Officer
Ashish Sabharwal
Company Secretary

Place : Noida (U.P.)
Dated : 29th April, 2011

Schedules annexed to and forming part of the accounts

(₹ in Lacs)

			As at March 31, 2011	As at March 31, 2010
Schedule 1	SHARE CAPITAL			
Authorised				
5,50,00,000	(5,50,00,000)	Equity Shares of ₹10/- each	5,500.00	5,500.00
15,00,000	(15,00,000)	Preference shares of ₹100/- each	1,500.00	1,500.00
			7,000.00	7,000.00
Issued & Subscribed & Paid Up				
4,26,07,174	(4,25,73,005)	Equity Shares of ₹10/- each fully paid up	4,260.72	4,257.30
Nil	(15,50,725)	Less: Shares bought back and extinguished	–	155.07
2,37,733	(15,84,894)	Add: Shares issued on FCCB conversion	23.77	158.49
		Add : Forfeited Equity Shares	0.04	0.04
4,28,44,907	(4,26,07,174)		4,284.53	4,260.76

Of the above ;

- 2,21,96,821 (2,21,96,821) Equity shares have been issued as fully paid up bonus shares by capitalisation of Reserves.
- 3,00,000 (3,00,000) Equity shares have been issued as fully paid up pursuant to a contract without payment being received in cash.
- 10,700 (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.
- 58,30,144 (55,92,411) Equity shares have been issued as fully paid up shares upon conversion of Foreign Currency Convertible Bonds.(FCCBs)

Figures in paranthesis represent previous year figures

	March 31, 2010	Additions	Deductions	March 31, 2011
Schedule 2	RESERVES AND SURPLUS			
Capital Reserve (1)	3138.24 (1411.79)	0.00 (1726.45)	– –	3138.24 (3138.24)
Debenture Redemption Reserve	477.13 0.00	1904.49 (477.13)	– –	2381.62 (477.13)
Capital Redemption Reserve	1604.99 (1449.92)	0.00 (155.07)	– –	1604.99 (1604.99)
Share Premium (2)	7414.95 (5693.32)	604.66 (3228.71)	– (1507.08)	8019.61 (7414.95)
General Reserve	32817.18 (30227.40)	2500.00 (2589.78)	– –	35317.18 (32817.18)
Profit & Loss Account	23376.02 (14587.48)	12886.22 (17106.54)	9377.08 (8318.02)	26885.16 (23376.02)
	68828.50 (53369.90)	17895.37 (25283.69)	9377.08 (9825.10)	77346.80 (68828.50)

- 1) Addition in the previous year represents preferential warrants money forfeited.
- 2) Additions represent share premium on conversion of FCCBs ₹446.39 Lacs and ₹158.27 Lacs on account of write back of provision of premium on redemption of FCCB created out of this account in earlier periods.

Schedules annexed to and forming part of the accounts

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Schedule 3 LOANS		
Secured Loans		
Secured Redeemable Non-Convertible Debentures	15,000.00	15,000.00
Term Loans		
- From Banks	12,540.74	6,042.23
Short Term Working Capital Borrowings		
- From Banks	49,292.99	50,566.41
	76,833.73	71,608.64
Unsecured Loans		
Foreign Currency Convertible Bonds	—	471.66
Term Loans		
- From Banks	—	—
Short Term Borrowings from Banks	14,198.31	1,000.00
	14,198.31	1,471.66
Total Loans	91,032.04	73,080.30

1. Secured redeemable Non-Convertible Debentures (NCD) of ₹15,000 Lacs have been allotted on private placement basis. These NCDs aggregating to ₹10,000 Lacs allotted on 17th December, 2009 shall fall due for redemption in two equal installments after a period of two years and three years respectively and NCDs aggregating to ₹5,000 Lacs allotted on 30th October, 2009 shall fall due for redemption after a period of three years from its date of allotment. The NCDs have been issued in demat mode and are listed in Wholesale Debt Segment of Bombay Stock Exchange.
2. Term loans from Financial Institutions and Banks and redeemable Non Convertible Debentures stated as above are/shall be 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 movable assets in respect of working capital borrowings.
3. 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, bills 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 bank 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.
4. The Company had issued unsecured 1% Foreign Currency Convertible Bonds (FCCBs) in July 2005 due for redemption in 2010 amounting to USD 28.75 million convertible at the option of the bondholders into Equity Shares of ₹10/- each at a conversion price of ₹192.06 per share. FCCBs amounting to USD 25.75 million have been converted into Equity Shares out of which FCCBs amounting to USD 1.05 million were converted during the financial year (previous year USD 7 Million). FCCBs amounting to USD 3 million were bought back in the earlier period in accordance with guidelines issued by the Reserve Bank of India.

Schedule 4 DEFERRED TAX LIABILITY		
Opening Balance	7,488.78	7,497.84
Addition / (deduction) during the year	(128.07)	(9.06)
Closing Balance	7,360.71	7,488.78

(Refer note no. 4 of schedule 15B)

Schedules annexed to and forming part of the accounts

(₹ in lacs)

Schedule 5 FIXED ASSETS											
SL No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 31.03.2010	Additions during the year	Sale/ Adjustments	Cost as at 31.3.2011	Up to 31.03.2010	Adjustments on deduction	Gross Provision for the year	Up to 31.3.2011	As at 31.3.2011	As at 31.3.2010
A	Tangible Assets										
1.	Free Hold Land	68.44	37.59	–	106.03	–	–	–	–	106.03	68.44
2.	Lease Hold Land	464.51	–	–	464.51	88.91	–	9.52	98.43	366.07	375.60
3.	Building	13,484.57	1,848.50	265.73	15,067.34	4,560.90	131.45	817.99	5,247.44	9,819.90	8,923.66
4.	Plant & Machinery	81,379.20	3,431.69	625.47	84,185.42	27,001.45	520.85	4,429.74	30,910.34	53,275.08	54,377.75
5.	Railway Sidings	418.99	–	–	418.99	100.37	–	19.90	120.27	298.72	318.62
6.	Furniture & Fixtures	453.21	37.74	3.75	487.20	290.95	1.99	33.65	322.61	164.59	162.27
7.	Office Equipment	882.22	130.20	72.23	940.19	618.11	68.82	106.37	655.66	284.53	264.10
8.	Electrical Installation	1,193.02	203.57	9.37	1,387.22	432.40	3.11	122.16	551.45	835.77	760.61
9.	Vehicles	841.02	280.95	180.35	941.62	357.64	124.38	148.35	381.61	560.01	483.38
B	Intangible Assets										
1	Software (Bought out)	278.54	139.48	–	418.02	225.48	–	42.85	268.33	149.69	53.06
		99,463.71	6,109.72	1,156.90	104,416.54	33,676.21	850.60	5,730.52	38,556.14	65,860.40	65,787.50
	Capital Work In Progress	–	–	–	–	–	–	–	–	7,858.25	5,809.91
	Total	99,463.71	6,109.72	1,156.90	104,416.54	33,676.21	850.60	5,730.52	38,556.14	73,718.65	71,597.41
	Previous Year	85,346.09	14,787.43	669.81	99,463.71	28,943.62	404.46	5,137.06	33,676.21	71,597.41	69,825.18

Notes

- Assets amounting to ₹83.13 lacs (₹83.13 lacs) (Gross) are owned jointly with RSWM Ltd.
- Capital Work In Progress includes ₹607.42 (Previous year ₹167.53 Lacs) being pre-operative expenditure and ₹3,840.31 Lacs (Previous year ₹2,113.47 Lacs) being capital stores
- Freehold land includes agricultural land in village Kirat Nagar, District Raisen, Madhya Pradesh measuring 0.26 acre in the Company's possession pending registration in favour of the Company.

		As at March 31, 2011	As at March 31, 2010
Schedule 6 INVESTMENTS (Non-Trade)			
A Long Term Investments			
i) Quoted - Fully Paid			
18 (18) Equity Shares of ₹2/-each of Ballarpur Ind. Ltd.		0.01	0.01
Total of quoted investment		0.01	0.01
Investment In Associates			
ii) Unquoted - Fully Paid			
4,190,000 (4,190,000) Equity Shares of ₹10/- each of Bhilwara Infotech Ltd.		419.00	419.00
39,190,500 (39,190,500) Equity Shares of ₹10/- each of Bhilwara Energy Ltd.(*).		2,612.70	2,612.70
400,000 (400,000) 0.01% Preference Shares of ₹100/- each of Bhilwara Energy Ltd.		4,000.00	4,000.00
iii) Investment In Subsidiary Unquoted - Fully Paid			
50,000 (50,000) Equity Shares of ₹10/- each of HEG Graphite Products & Services Ltd. (Includes 6 Shares held by the nominees of the Company.)		5.00	5.00
B Current Investment In Mutual Funds			
250,000 (250,000) Units of LIC Mutual Fund Dhan Smriddhi of ₹10/- each		25.00	25.00
Nil (150,000) Units of SBI One India -Growth of ₹10/-each		–	15.00
24,927,240.29 (0) Units of SBI Premier Liquid Fund-Super Institutional - Daily Dividend		2,500.82	–
9,988,718.25 (0) Units of SBI Premier Liquid Fund- Institutional - Daily Dividend		1,002.12	–
		3,527.94	40.00
Total		10,564.65	7,076.71
Less: Provision for diminution in value of investments		377.10	377.10
		10,187.55	6,699.61
Aggregate Market Value of Quoted Investments		0.01	0.01

(*) Includes 1,30,63,500 Equity Shares received as bonus shares in the previous year.

Schedules annexed to and forming part of the accounts

	Units	Value	Total value
Schedule 6 INVESTMENTS (Contd...)		(per unit)	(₹ in lacs)
During the year, the Company has purchased the following investment			
I) Birla Sun Life Saving Fund - Instl - Daily Dividend-Reinvestment	10,040,591.69	10.0068	1,004.74
II) Reliance Money Manager Fund - Institutional Option-Daily Dividend Plan	330,695.42	1,001.3715	3,311.49
III) JP Morgan India Liquid Fund-Super Inst. Daily Dividend Plan-Reinvest	50,154,319.09	10.0079	5,019.39
IV) Kotak Floater Long Term - Daily Dividend	39,772,320.05	10.0798	4,008.97
V) Reliance Liquid Fund - Cash Plan Daily Dividend Option	22,476,705.45	11.1415	2,504.24
VI) SBI Premier Liquid Fund - Institutional - Daily Dividend	9,988,718.25	10.0325	1,002.12
VII) SBI Premier Liquid Fund - Super Institutional - Daily Dividend	24,927,240.29	10.0325	2,500.83
During the year, the Company has sold the following investment			
I) Birla Sun Life Saving Fund - Instl - Daily Dividend-Reinvestment	10,040,591.69	10.0068	1,004.74
II) Reliance Money Manager Fund - Institutional Option-Daily Dividend Plan	330,695.42	1,001.3715	3,311.49
III) JP Morgan India Liquid Fund-Super Inst. Daily Dividend Plan-Reinvest	50,154,319.09	10.0079	5,019.39
IV) Kotak Floater Long Term - Daily Dividend	39,772,320.05	10.0798	4,008.97
V) Reliance Liquid Fund - Cash Plan Daily Dividend Option	22,476,705.45	11.1415	2,504.24

Figures in parenthesis represent previous year figures.

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Schedule 7 CURRENT ASSETS, LOANS AND ADVANCES		
Current Assets		
Inventories		
(As taken, valued and certified by the Management)		
Stock-in-trade	8,697.20	3,773.06
Work-in-process	24,742.11	17,893.43
Raw Materials [incl in-transit / Third Parties ₹3,477.13 lacs (₹4,890.76 lacs)]	12,752.98	9,750.70
Stores & Spares / Loose Tools (Incl in-transit/Third Parties ₹135.89 Lacs (₹158.45 Lacs))	4,759.89	2,864.60
	50,952.18	34,281.79
Sundry Debtors (Unsecured)		
Due for a period exceeding six months		
- Considered good	9,018.82	6,632.55
- Considered doubtful	—	13.96
	9,018.82	6,646.51
Less : Provision for doubtful debts	—	13.96
	9,018.82	6,632.55
Others (Considered good)	30,510.53	37,391.42
	39,529.35	44,023.97
Cash & Bank Balances :		
Cash in hand (including stamp & hundi papers)	13.48	7.83
Cheques in hand	90.46	36.20
With scheduled banks		
- Current Accounts	856.49	255.96
- Fixed Deposits / Margin money accounts	0.29	0.29
- Dividend / Special purpose accounts	217.68	149.08
	1,178.40	449.36
Loans and advances (Refer Note 13 of Schedule 15-B)		
Loans (Secured, considered good)	119.19	91.88
Loans (Unsecured, considered good)	111.64	100.52
Advances recoverable in cash or kind or for value to be received	13,300.36	9,775.94
Advances for Capital Expenditure	3,503.16	622.79
Balance with Excise Department including Cenvat Credit	1,681.09	1,289.91
Deposit with Government Deptt. and others	470.31	566.73
Considered doubtful	—	—
Less : Provision for doubtful advances	—	—
	19,185.75	12,447.77
	110,845.68	91,202.89

Schedules annexed to and forming part of the accounts

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Schedule 8 CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors - Micro and Small Enterprises (Refer Note no. 14 of Schedule 15 B)	26.28	–
Sundry Creditors - Other than Micro and Small Enterprises	4,362.69	4,797.99
Sundry Creditors for Capital Expenditure	125.67	200.40
Other Liabilities	4,526.56	3,896.13
Unclaimed Dividend**	217.68	149.08
Sundry Deposits	488.37	445.96
Advances from Customers	2,980.14	174.18
Interest accrued but not due on loans	498.94	464.91
	13,226.33	10,128.65
Proposed Dividend Including Corporate Dividend Tax	2,489.77	5,011.32
Provision for Taxation (Net of Advance Tax ₹26,185.61 lacs (₹22,167.16 lacs))	(988.32)	578.10
Provision for premium on redemption of FCCBs	–	158.27
	1,501.46	5,747.69
	14,727.79	15,876.34

** 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)		
Opening Balance	34.77	139.07
Less: Charged off to Profit and Loss account	34.77	104.30
Closing Balance	0.00	34.77

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 10 OTHER INCOME		
Foreign Currency Fluctuation (Net)	2,348.05	479.95
Accrued Redemption Premium on Non Trade Investment	475.73	373.70
Miscellaneous Sales / Receipts	145.09	4.46
Write-back of Provision on Investments Sold	–	180.08
Profit on Sale of Investments	1.38	9.95
Rent Receipts	242.54	204.84
Interest [Including TDS Nil (₹9.04 Lacs)]	127.42	74.20
Dividend Income from Investment in Mutual fund schemes	51.78	9.75
Liabilities / provisions no longer required, written back	443.83	157.41
Profit on sale of Fixed Assets	6.90	4.68
	3,842.73	1,499.02

Schedule 11 INCREASE/(DECREASE) IN STOCKS		
Closing Stock		
Stock-in-trade	8,697.20	3,773.06
Work-in-Process	24,742.11	17,893.43
	33,439.31	21,666.49
Less: Opening Stock		
Stock-in-trade	3,773.06	6,603.20
Work-in-Process	17,893.43	15,766.71
	21,666.49	22,369.91
Increase/(Decrease) in Stocks	11,772.82	(703.42)

Schedules annexed to and forming part of the accounts

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 12 CONSUMPTION OF MATERIALS		
Opening Stock	4,859.95	14,165.27
Add : Purchases	65,713.56	38,051.27
	70,573.51	52,216.54
Less: Closing Stock	9,275.84	4,859.94
Consumption of Materials *	61,297.67	47,356.60

(*) Includes loss of material on account of theft - Exceptional item ₹360.85 Lacs in the previous year

(*) Net of DEPB Accrued

Schedule 13 MANUFACTURING AND OTHER EXPENSES		
Manufacturing Expenses		
Consumption of Stores & Spares including Refractory blocks	8,824.91	5,071.44
Excise duty on Increase / (Decrease) in Finished Stock	(38.64)	23.72
Power & fuel	23,118.90	16,828.11
Repairs and Maintenance of :		
Plant & Machinery	3,083.64	1,908.90
Building	603.77	323.47
Others	251.53	116.59
Job/Process Charges	254.98	199.05
Power generation charges	111.01	75.78
Payment to and Provision for Employees		
Salary, Wages and Bonus etc.	3,494.54	3,086.60
Contribution to Provident, Gratuity and other Funds	431.25	421.72
Workmen & Staff Welfare & Safety measures expenses	481.52	393.88
Selling Expenses		
Freight and forwarding and other selling expenses	7,494.94	6,841.11
Packing Expenses (including Packing material consumption)	1,567.20	1,144.60
Commission	1,569.16	1,578.18
Claims, Rebates and Discount	1,174.06	1,654.03
Administrative & Other Expenses		
Insurance	284.50	232.26
Rent	106.43	130.67
Rates & Taxes	78.38	102.17
Directors' Remuneration including sitting fees & incidental expenses	791.60	880.51
Donations	30.12	3.62
Loss on fixed assets sold / discarded	214.74	188.82
Provision for - Diminution/(Restatement of diminution) in value of Investments	—	(15.31)
Provision for doubtful debts & advances	—	13.96
Travelling Expenses	189.21	206.79
Postage & Communication	72.56	70.02
Legal & Professional Expenses	775.93	595.62
Vehicle Running & Maintenance	107.26	92.47
Miscellaneous Expenses	663.75	599.77
	55,737.24	42,768.55

Schedules annexed to and forming part of the accounts

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 14 FINANCIAL EXPENSES		
Interest on		
Debentures	1,347.50	527.44
Term Loans	185.35	1,591.23
Working Capital Borrowings	1,785.56	3,489.41
Foreign Currency Convertible Bonds	–	24.30
Bank Charges	343.87	293.44
Total (Net of Financial Expenses Capitalised ₹341.24 Lacs (previous year ₹37.74 Lacs))	3,662.28	5,925.82

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended and as applicable from time to time) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. Accounting policies not specifically referred to otherwise are consistent and in consonance with the generally accepted accounting principles in India.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements that are based upon management's best knowledge of current events and actions. Difference between the actual result and estimates are recognised in the period in which the results are known/ materialised.

3. Revenue recognition

Sale of goods

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- Revenue is recognised 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.
- Domestic Sales includes excise duty. However, excise duty on sales is reduced from gross turnover for disclosing net turnover.
- 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:
 - Power generated at Hydel Power unit at Tawa and Thermal Power unit at Mandideep are transferred to Graphite unit at MPEB rate.
 - Excess power generated is sold to SEB's at rate stipulated by SEB's.
- Inter-divisional sales comprising of sale of power from power plants to Graphite unit is reduced from gross turnover in deriving net turnover.
- Income and Export Incentives / benefits are accounted for on accrual basis and as per principles given under AS-9 – Revenue Recognition.

Dividends

Revenue in respect of dividends is recognised when the shareholders' right to receive payment is established by the balance sheet date.

4. Valuation of inventories

- Finished goods and work in progress are valued at lower of historical cost or net realisable value. Cost of inventories comprises

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. By products are valued at net realisable value. Cost of finished goods and by-products includes excise duty. Cost is determined on a weighted average basis.

- b) Stores, Spares and Raw Materials are valued at lower of historical cost or net realisable value. However materials & other items held for use in the production of inventories are not written below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
- c) Historical cost is determined on the basis of weighted average method.
- d) Obsolete stocks are identified once every year on the basis of technical evaluation and are charged off to revenue.
- e) Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

5. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost individually. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments in case of long term investments.

6. Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment loss if any. 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.

7. Intangible assets

Capital Expenditure on purchase and development of identifiable non-monetary assets without physical substance is recognised 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 amortised over their respective expected useful lives.

8. 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 capitalised upto the date of commissioning of the project as the cost of respective assets.

9. 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, which are as follows:

Sl. No.	Description of Asset	Rate of Depreciation (%)
1	Land	5.00
2	Factory Building	3.02
3	Non Factory Building	3.02
4	Plant & Machinery	
	i) Dams, Spillways weirs, canals, reinforced concrete Flumes and symphons	1.95
	ii) Hydraulic control valves and other hydraulic works	3.40
	iii) Transformers having a rating of 100 KVA and over	7.81
5	Electrical Installation	
	i) Batteries	33.40
	ii) Lines on Fabricated steel operating at normal voltages higher than 66 kv	5.27
	iii) Residual	7.84
6	Furniture and Fixtures	12.77
7	Office Equipment and other assets	12.77
8	Vehicles	33.40

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

- 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 amortised 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 ₹5,000 are fully depreciated in the year of purchase.

10. 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 recognised 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 recognised 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 recognised. A reversal of an asset impairment loss is limited to its carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years.

11. 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 recognised in the profit and loss account.
- b) Pursuant to The 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 in earlier financial years, 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, the value thereof is taken to profit & loss Account.

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 materialises,
- 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.

12. 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.

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

13. Employees benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 – Employee Benefits.

a) Provident fund & ESI

The Company makes contribution to statutory provident fund and Employee State Insurance in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952 and Employee State Insurance Act, 1948 which is a defined contribution plan and contribution paid or payable is recognised 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 unrecognised actuarial gains or losses and past service costs. The defined benefit/obligation is calculated at or near the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from 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 sheet 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 recognised 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.

14. Leases

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight line basis over the lease term.

Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

15. Segment accounting & reporting

Identification of segments

The Company's operating businesses are organised and managed separately according to the nature of products manufactured and services provided, with each segment representing a strategic business unit that offers different products.

Allocation of common costs

Common allocable costs are allocated to each segment on reasonable basis.

Unallocated items

Unallocable assets and liabilities represents the assets and liabilities not allocable to any segment as identified as per the Accounting Standard.

Segment policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

16. Taxes on income

Tax expense comprises of current and deferred. Provision for Current Tax is made in accordance with the provisions of Income Tax Act, 1961.

In accordance with Accounting Standard AS-22 'Accounting for Taxes on Income' as notified by Companies Accounting Standard Rules, 2006 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 crystallise in later years. However, deferred Tax Assets are recognised only if there is a reasonable/ virtual certainty of realisation thereof. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

17. Government grant & subsidies

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset.

18. Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

19. Provisions, contingent liabilities and contingent assets

A provision is recognised when there is a present obligation as a result of a past event and 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 obligation. A contingent liability is recognised for:

- a) a present obligation that arises from past events but is not recognised 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.
- c) Contingent assets are neither accounted for nor disclosed in the financial statements.

20. Miscellaneous expenditure

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

21. Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

22. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and cheques in hand.

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

B. NOTES TO ACCOUNTS

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
1 Contingent liabilities		
a) Claims against the Company not acknowledged as debts :		
i) Excise duty under appeal	509.90	564.05
ii) Other matters	1,619.23	1,008.56
b) Bank Guarantees	8,895.31	4,094.70
c) The Company has provided Guarantee in favour of International Finance Corporation (IFC) with M/s RSWM Ltd. on joint and several basis on behalf of M/s AD Hydro Power Ltd.	600.00	600.00
d) Bills discounted with bankers	1,524.83	4,833.79
e) Pending export obligation against Advance Licences & EPCG Licences	952.59	2,118.78
2 Estimated amount of contracts remaining to be executed on capital account, not provided for (net of advances of ₹3503.16 Lacs (₹622.79 Lacs))	7,020.77	704.30

3 There are no present obligations requiring provisions in accordance with the guiding principles as enunciated in Accounting Standard (AS)-29 'Provisions, Contingent Liabilities & Contingent Assets'

4 As per Accounting Standard 22 "Accounting for Taxes on Income", required disclosures are given below:

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Deferred Tax Liabilities		
Arising on Account of timing difference		
- Accumulated Depreciation	7,789.76	7,809.65
Deferred Tax Assets		
Arising on Account of timing difference		
- Due to section 43B of the Income Tax Act	303.79	192.70
- Others	125.26	128.18
Net Deferred Tax Liability	7,360.71	7,488.78
5 Work in process includes Refractory Blocks and other consumable stores lying at shop floor.	25.31	93.18

6 In accordance with the provisions of Accounting Standard on impairment of Assets, (AS-28), the management has made assessment of assets in use & considering the business prospects related thereto, no provision is considered necessary in these accounts on account of impairment of assets.

7 Auditors' remuneration paid / payable during the year included in miscellaneous expenses :

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Statutory Audit Fee	19.00	18.00
Other services	7.35	1.31
Reimbursement of expenses	2.49	2.88
	28.84	22.19

8 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

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Profit for the year before taxation as per Profit and Loss account	16,807.45	24,232.37
Add: Directors' Remuneration	772.28	865.11
Miscellaneous Expenditure written off / provisions	34.77	104.30
	17,614.50	25,201.78
Less: Profit /(Loss) on sale of Fixed Assets (Net)	(207.85)	(184.14)
Less: Profit /(Loss) on sale of Investment (Net)	1.38	9.95
Write-back of Diminution in Value of Investments sold	—	180.08
Net Profit on which commission is payable	17,820.96	25,195.89
Commission of net profit	375.46	664.67

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

b) Details of remuneration & perquisites of managerial personnel : (₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Salary (*)	274.48	103.37
Commission	375.46	664.67
Other perquisites	112.23	81.67
	762.17	849.71
Provident Fund	8.94	12.40
Superannuation	11.17	3.00
Total	782.28	865.11

(*) Apart from above, Keyman Insurance policy valuing ₹11.71 Lacs has been assigned during the year to Shri R.C. Surana (Previous year ₹190.16 Lacs to Shri Ravi Jhunjhunwala) in accordance with their terms of engagement.

	As at March 31, 2011	As at March 31, 2010
c) Sitting fee to non executive directors	18.40	15.40

As the liabilities for gratuity and leave encashment are provided on an actuarial valuation basis for the Company as a whole, the amount pertaining to the directors are not included above.

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

- Claims lodged with insurance companies.
- 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.

10 Term loans, Bonds and Debentures falling due in next 12 months ₹6,536 Lacs (previous year ₹2,904 Lacs).

11 Capitalisation of pre-operative expenditure

The following expenditure has been capitalised / included under Capital work in progress: (₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
a) Insurance Expenses	24.83	23.48
Financial Expenses	341.24	37.74
Administrative Overheads & Other Cost	533.92	560.64
Total	900.00	621.86
b) The same has been capitalised / is lying under Capital work in progress as under:		
Building	41.74	71.06
Plant & Machinery	250.64	383.28
Capital work in progress	607.62	167.53
Total	900.00	621.87

12 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.

b) Loans and advances include : (₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
i) Due from officers of the Company	—	—
ii) the maximum amount at any time during the year	—	—

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

- 13 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 under:

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
a) Delayed payments due as at the end of each accounting year on account of principal and interest due 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.	—	—

- 14 a) The Company has following foreign currency exposures outstanding as on balance sheet date:

Sl. No.	Particulars	Purpose	Amount	Amount
(i)	Plain Vanilla Forwards	Hedging	\$ 26.5 mn.	\$ 19.0 mn.
(ii)	Cross Currency Forwards	Hedging	€ 10.0 mn.	€ 4.5 mn.

- b) The foreign currency exposures that are not hedged by derivative instruments or otherwise are as under:

	As at March 31, 2011 Amount (FC Million)	As at March 31, 2010 Amount (FC Million)	As at March 31, 2011 Amount (₹ in Lacs)	As at March 31, 2010 Amount (₹ in Lacs)
a) Secured Loan				
USD	117.39	61.10	52,343.44	27,829.33
Euro	17.48	24.94	11,043.45	15,127.85
GBP	0.11	0.00	81.61	—
b) Unsecured Loan USD	23.80	1.05	10,614.38	471.66
c) Debtors (Net of Advances)				
USD	16.54	71.30	7,375.19	35,158.83
Euro	12.86	35.59	9,194.90	21,586.89
GBP	0.11	0.00	81.61	—
AED	(3.86)	0.00	(468.02)	—
d) Creditors (Net of Advances)				
USD	(0.14)	0.52	(61.81)	224.96
Euro	(2.52)	0.00	(1,593.83)	—
GBP	(0.00)	0.00	(0.13)	—
Total USD	157.84	133.98	70,271.19	63,684.78
Total EURO	27.82	60.53	18,644.52	36,714.74
Total GBP	2.28	0.00	163.09	—
Total AED	(3.86)	0.00	(468.02)	—

- 15 The Company had allotted 47,30,000 Preferential Warrants of ₹365/- each on 5th June, 2008. These Warrants were convertible into equity shares within 18 months from the date of allotment. Since no warrant had been converted till 4th December, 2009, the aggregate amount of ₹1726.45 lacs received in respect of the same has been forfeited by the Company in the previous year. The funds had been utilised for long term working capital requirement.

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

16 Related party disclosure as required by Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India :

A List of Related Parties & Relationships

	As at March 31, 2011	As at March 31, 2010
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).		
i) HEG Graphite Products & Services Ltd.	Subsidiary	Subsidiary
b) Associates and joint ventures		
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.	Shri L.N. Jhunjhunwala Shri Ravi Jhunjhunwala Shri Riju Jhunjhunwala	Shri L.N. Jhunjhunwala Shri Ravi Jhunjhunwala Shri Riju Jhunjhunwala
d) Key Management Personnel and their relatives	Shri Ravi Jhunjhunwala Shri Riju Jhunjhunwala	Shri Ravi Jhunjhunwala Shri Riju Jhunjhunwala Shri 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 Hydropower Limited		
iv) Delhi Knits Pvt Ltd		
v) Bhilwara Scribe Pvt. Ltd.		
vi) Ganga Yamuna Auto Pvt Ltd		
vii) Deepak Knits & Texturise Pvt. Ltd.		
viii) Maral Overseas Ltd.		
ix) LNJ Financial Services Ltd		
x) Investors India Ltd		
xi) Indo Canadian Consultancy Services Limited		
xii) Bhilwara Technical Textiles Ltd.		
xiii) BMD Pvt Ltd		
xiv) Bhilwara Services Pvt Ltd.		
xv) LNJ Bhilwara Textile Anusandhan Vikas Kendra		
xvi) Niviedan Vanijya Niyojan Ltd		
xvii) NJC Power Ltd		
xviii) Balephi Jalbidhyut Company Ltd, Nepal		
xix) Green Ventures Pvt Ltd, Nepal		
xx) Bhilwara Green Energy Ltd		
xxi) Agarwal Finestate Pvt Ltd		

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

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

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
1 With parties referred to in (a) above.		
i) Investment in Equity of HEG Graphite Products & Services Limited	5.00	5.00
2 With parties referred to in (b) above.		
i) Investment in Cumulative Redeemable Preference shares of Bhilwara Energy Ltd	4,000.00	4,000.00
ii) Investment in Equity of Bhilwara Energy Limited	2,612.70	2,612.70
iii) Investment in Equity of Bhilwara Infotech Limited	419.00	419.00
iv) Share Application money refund from Bhilwara Infotech Limited	—	62.08
v) Redemption premium accrued on Preference Shares	849.43	373.70
3 With parties referred to in (c) above.		
i) Sitting fees paid to Sh. L N Jhunjhunwala	—	—
ii) Salaries, Perquisites and Commission paid during the year to Sh. Ravi Jhunjhunwala(*)	481.81	597.62
iii) Salaries, Perquisites and Commission paid during the year to Sh. Riju Jhunjhunwala	34.82	121.46
4 With parties referred to in (d) above.		
i) Salaries, Perquisites and Commission paid during the year to Sh. Ravi Jhunjhunwala (*)	481.81	597.62
ii) Salaries, Perquisites and Commission paid during the year to Sh. Riju Jhunjhunwala	34.82	121.46
iii) Salaries, Perquisites and Commission paid during the year to Sh. R.C. Surana	265.65	146.03
(*) Apart from above, Keyman Insurance policy valuing ₹11.71 Lacs has been assigned during the year to Shri R.C.Surana (Previous year ₹190.16 Lacs to Shri Ravi Jhunjhunwala) in accordance with their terms of engagement.		
5 With parties referred to in (e) above.		
a) Purchase of consumables	11.57	4.64
b) Rent Received	32.54	32.82
c) Rent Paid	115.14	115.14
d) Consultancy charges paid	13.84	2.10
e) Purchase of Machinery	—	—
f) Guarantee given to IFC for AD Hydro Power Limited	600.00	600.00

17 One case of loss of material, by theft, was detected during the previous year involving an amount of ₹360.85 lacs which has been shown as "Loss of material by theft" and is included in Schedule 12 : Consumption of materials in the Profit & Loss account in the previous year

18 AS - 15 'EMPLOYEE BENEFITS'

The Company has adopted Revised Accounting Standard - 15 'Employee Benefits' and the required disclosures are given hereunder:

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year are as under :

(₹ in Lacs)

	FY 2010-11	FY 2009-10
Employer's contribution to Provident Fund	175.96	168.31
Employer's contribution to Superannuation Fund	107.95	106.58
Employer's contribution to ESI	39.17	15.89

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

Defined Benefit Plan

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity. The Company has maintained a fund with LIC.

1 Reconciliation of opening and closing balances of Defined Benefit Obligation.

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10	Leave encashment (unfunded) FY 2010-11	Leave encashment (Unfunded) FY 2009-10
Defined Benefit obligation at the beginning of the year	997.95	886.71	275.05	237.28
Current Service Cost	52.00	48.95	30.20	25.51
Interest Cost	79.84	62.07	22.00	16.61
Actuarial (gain)/loss	4.79	52.62	32.68	15.13
Past Service Cost	—	33.26	—	—
Benefits Paid	(103.42)	(127.99)	(30.76)	(19.47)
Settlement cost	—	—	—	—
Defined Benefit obligation at the end of the year	1,031.15	955.62	329.17	275.06

2 Reconciliation of opening and closing balances of Fair Value of Plan Assets

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10
Fair value of plan assets as at the beginning of the year	906.29	834.08
Expected Return	90.63	83.41
Actuarial (gain)/loss	31.05	59.50
Contribution by Employer	97.78	51.09
Benefits Paid	(103.42)	(127.99)
Settlement cost	—	—
Fair value of plan assets as at the end of the year	960.22	900.09
Actual return on plan assets	59.58	123.86

3 Reconciliation of amount recognised in Balance Sheet

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10	Leave encashment (unfunded) FY 2010-11	Leave encashment (Unfunded) FY 2009-10
Fair Value of Plan Assets as at 31st March, 2011	960.22	900.09	—	—
Present value of obligation as at 31st March, 2011	1,031.15	955.61	329.17	275.05
Net asset/(liability) recognised in the Balance Sheet	(70.93)	(55.52)	(329.17)	(275.05)

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

4 Expense recognised during the year under the heads

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10	Leave encashment (unfunded) FY 2010-11	Leave encashment (Unfunded) FY 2009-10
Current Service Cost	52.00	48.95	30.20	25.51
Past Service Cost		33.26		–
Interest Cost	79.84	62.07	22.00	16.61
Expected return on plan assets	(90.63)	(83.41)		–
Net Actuarial (gain)/ loss recognised during the period	35.84	(6.88)	32.68	15.13
Expenses recognised in the statement of Profit & Loss	77.05	53.99	84.88	57.25

5 Actual Return on Plan Assets

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10
Expected Return on Plan Assets	90.63	82.02
Actuarial (gain)/ loss	31.05	43.92
Actual return on plan assets	59.58	125.94

6 Principal Actuarial Assumptions

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10	Leave encashment (unfunded) FY 2010-11	Leave encashment (Unfunded) FY 2009-10
Mortality Table (LIC)	1994-96 duly modified	1994-96 duly modified	1994-96 duly modified	1994-96 duly modified
Discount rate as at 31st March, 2011	8.00%	7.00%	7.00%	7.00%
Future Salary Increase	5.50%	4.50%	4.50%	4.50%
Expected rate of return on plan assets	10.00%	10.00%	0.00%	0.00%
Retirement Age	60 years	60 years	60 years	60 years

Withdrawal Rates

(₹ in Lacs)

	FY 2010-11		FY 2009-10	
	Age	Withdrawal rates	Age	Withdrawal rates
	Upto 30 years	3.00%	Upto 30 years	3.00%
	From 31 to 44 years	2.00%	Upto 44 years	2.00%
	Above 44 years	1.00%	Above 44 years	1.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

Amounts for the current and previous three periods in respect leave encashment are as follows

(₹ in Lacs)

Particulars	Leave encashment			
	2010-11	2009-10	2008-09	2007-08
PBO (C)	329.17	275.05	237.28	239.08
Plan assets	—	—	—	—
Net Assets/ (Liability)	(329.17)	(275.05)	(237.28)	(239.08)
Experience adjustment on plan assets	—	—	—	—
Experience adjustment on plan liabilities	(35.29)	(15.13)	—	—

Amounts for the current and previous three periods in respect of gratuity are as follows

(₹ in Lacs)

Particulars	Gratuity			
	2010-11	2009-10	2008-09	2007-08
PBO (C)	1,031.15	997.95	886.71	902.81
Plan assets	960.22	900.09	834.08	893.10
Net Assets/ (Liability)	(70.93)	(55.52)	(52.64)	9.71
Experience adjustment on plan assets	(12.59)	(46.30)	27.62	—
Experience adjustment on plan liabilities	(31.05)	92.86	(78.56)	—

Provident Fund

The Guidance note issued by Accounting Standard Board (ASB) on implementation AS-15. Employee Benefit (Revised 2005) states that provident funds set up by the employers, which require interest shortfall to be met by the employer, needs to be treated as defined benefit plan.

The funds does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall (ie government interest to be paid on provident fund scheme exceeds rate of interest earned on investment), pending the issuance of Guidance Note from the actuarial society of India, the Company's actuary has expressed his inability to reliably measure the same.

19 Additional Information

(₹ in Lacs)

		FY 2010-11	FY 2009-10
A) Installed capacity (as certified by the Management, being a technical matter relied upon by Auditors)			
i) Graphite Electrodes & Anodes	MT	66,000	66,000
ii) Thermal Power	MW	63.00	63.00
iii) Hydel Power	MW	13.50	13.50
B) Value of Imports (CIF basis) in respect of :			
Raw Materials		38,364.35	21,287.04
Components & spare parts		431.74	445.93
Capital goods		3,292.21	342.27
C) Expenditure in Foreign Currency (Cash basis) on account of :			
Commission, Consultancy, Travelling, Interest and Others.		1,884.89	2,151.41
D) Amount remitted in foreign currency on account of dividend		1,354.70	1,039.97
Number of NRI / OCB shareholders		276	225
Number of shares held by above shareholders		13,547,024	15,999,470
Year to which the dividend relates		2009-10	2008-09
Amount remitted in foreign currency on account of interim dividend		821.39	—
Number of NRI / OCB shareholders		386	—
Number of shares held by above shareholders		16,427,876	—
Year to which the dividend relates		2010-11	—

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

	No. of shareholders	No. of shares held	(₹ in Lacs) Amount in equivalent INR
As at 31.03.2011			
i) Dividend for the year 2009-10			
a) Amount remitted directly by the Company in foreign currency to non-resident shareholders	4	11,853,067	1,185.31
b) Amount paid in rupee to non-resident shareholders on repatriation basis	272	1,693,957	169.40
Total of (a) & (b)	276	13,547,024	1,354.70
ii) Interim Dividend for the year 2010-11			
a) Amount remitted directly by the Company in foreign currency to non-resident shareholders	5	14,746,955	737.35
b) Amount paid in rupee to non-resident shareholders on repatriation basis	381	1,680,921	84.05
Total of (a) & (b)	386	16,427,876	821.39
As at 31.03.2010			
Dividend for the year 2008-09			
a) Amount remitted directly by the Company in foreign currency to non-resident shareholders	5	14,746,955	958.55
b) Amount paid in rupee to non-resident shareholders on repatriation basis	220	1,252,515	81.41
Total of (a) & (b)	225	15,999,470	1,039.97

	(₹ in Lacs)	
	FY 2010-11	FY 2009-10
E) Earnings in Foreign currency :		
i) Export of goods calculated on FOB basis	80,457.61	76,375.18
F) Earnings Per Share as required by Accounting Standard (AS -20) :		
The basic and diluted Earning Per Share is as under :		
Net Profit After Tax	12,886.22	17,106.54
Weighted average no. of Equity Shares outstanding(*)	42,837,805	43,252,479
Basic Earning Per Share (₹) Weighted equity Shares 42,837,805 (previous year 41,621,334)	30.08	41.10
Diluted Earning Per Share (₹) Potential equity Shares 42,837,805 (previous year 42,281,957)	30.08	40.91

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

- G) 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 sub-judice.

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

H) Segment Reporting

(₹ in Lacs)

	Graphite	Power	Unallocable items / others	Total
A Business Segments				
Segments Revenue				
External Sales / other income (Net of Excise Duty)	111,010.45 (106,970.56)	19,683.11 (18,386.66)	803.54 (870.91)	131,497.10 (126,228.12)
Inter Segment Transfers		16,289.55 (11,589.13)		16,289.55 (11,589.13)
Total Revenue	111,010.45 (106,970.56)	35,972.66 (29,975.78)	803.54 (871.91)	147,786.66 (137,817.25)
Segment Result				
Segment Results	15,515.82 (25,241.13)	4,654.94 (4,185.80)	298.98 (731.27)	20,469.74 (30,158.19)
Less: Financial Expenses				3,662.28 (5,925.82)
Profit Before Tax				16,807.45 (24,232.37)
Less: Income Tax (incl Deferred)				3,921.22 (7,125.83)
Net Profit For the year				12,886.22 (17,106.54)
Other Information				
Unallocated Assets			(91.13) (8,318.93)	(91.13) (8,318.93)
Segment Assets	158,209.41 (136,345.65)	24,395.57 (24,870.09)		182,604.99 (161,215.74)
Total Assets	158,209.41 (136,345.65)	24,395.57 (24,870.09)	(91.13) (8,318.93)	182,513.86 (169,534.67)
Segment Liabilities	101,897.30 (81,654.24)	329.42 (488.26)		102,226.71 (82,142.50)
Unallocated Liabilities			1,043.35 (1,802.81)	1,043.35 (1,802.81)
Total Liabilities	101,897.30 (81,654.24)	329.42 (488.26)	1,043.35 (1,802.81)	103,270.06 (83,945.31)
Capital Employed	77,979.93 (63,353.00)	22,581.66 (21,795.67)	11,100.26 (6,313.15)	111,661.85 (91,462.82)
Capital Exp.incurred during the year	7,030.58 (5,429.00)	1,072.15 (1,699.83)	55.32 (45.79)	8,158.06 (7,174.62)
Depreciation	4,226.83 (3,685.26)	1,446.00 (1,378.52)	57.69 (73.27)	5,730.52 (5,137.05)
Other Non Cash Expenses	— —	— —	34.77 (104.30)	34.77 (104.30)

Schedules annexed to and forming part of the accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd...)

	Graphite	Power	Unallocable items / others	(₹ in Lacs) Total
B Geographical Segment				
Segment Revenue				
Based on Location of Customers				
Domestic	25,579.15 (26,243.36)	18,310.08 (18,386.66)	1,373.03 (870.91)	45,262.26 (45,500.92)
Export	85,431.30 (80,727.20)		– –	85,431.30 (80,727.20)
Segment Assets				
Based on Location of assets				
In India	151,178.83 (130,916.65)	23,323.42 (23,170.25)	(146.45) (8,273.15)	174,355.80 (162,360.05)
Cost to acquire assets by location	7,030.58 (5,429.00)	1,072.15 (1,699.83)	55.32 (45.79)	8,158.06 (7,174.62)

I) In terms of Notification No.S.O.301(E) dated 8th February, 2011, issued by Ministry of Corporate Affairs, the Board of Directors of the Company has given its consent at the Board Meeting held on 29th April 2011 for non-disclosure of information contained in para 3(i)(a), 3(ii)(a), 3(ii)(b), 3(ii)(d), of Part II of Schedule VI.

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

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

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
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

Ravi Jhunjhunwala
Chairman & Managing Director
Shekhar Agarwal
Vice Chairman
D.N. Davar
Director
Riju Jhunjhunwala
Director
Manvinder Singh Ajmani
Chief Financial Officer
Ashish Sabharwal
Company Secretary

Place : Noida (U.P.)
Dated : 29th April, 2011

Cash Flow Statement

For the year ended March 31, 2011

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	16,807.45	24,232.40
Add: Depreciation	5,730.52	5,137.05
Misc. Exps. Written off	34.77	104.30
Interest Paid	3,662.28	5,925.82
Net Loss on fixed assets sold / discarded	207.85	184.14
Diminution in value of Investments (net)	–	(205.34)
Less: Dividend received	51.78	9.75
Interest received	127.42	74.20
Operating Profit before working capital changes	26,263.66	35,294.42
Working capital		
Trade receivables	4,494.61	(11,169.67)
Inventories	(16,670.38)	6,690.62
Loans & advances / Other current assets	(3,857.61)	2,768.56
Liabilities and provisions	(1,073.82)	3,917.63
Cash from operating activities	6,666.69	37,501.56
Income / Wealth Tax	3,892.50	7,134.89
Net Cash from operating activities	2,774.19	30,366.67
B CASH FLOW FROM INVESTING ACTIVITIES		
Addition in Fixed Assets	(8,158.06)	(7,174.62)
Sale of Fixed Assets	98.46	81.21
Advances for Capital Expenditure	(2,880.37)	1,052.76
Sundry Creditors for Capital Expenditure	(74.73)	(817.19)
Investments	(3,487.94)	1,859.82
Dividend Received	51.78	9.75
Interest received	127.42	74.20
Net Cash from investing activities	(14,323.44)	(4,914.07)

Cash Flow Statement (Contd...)

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
C CASH FROM FINANCING ACTIVITIES		
Long term borrowings - Term Loans / NCD's / Bonds	8,918.00	1,963.76
Repayment of Term loans	(2,419.49)	(9,775.00)
Short term borrowings (working capital)	11,924.89	(4,095.62)
Conversion of Foreign Currency Convertible Bond's	471.16	3,212.70
Less: Transfer to Share Capital Account	(23.77)	(158.49)
Less: Transfer to Share Premium Account	(447.39)	(3,054.21)
Buy Back of Shares	—	(2,797.54)
Interest Paid	(3,662.28)	(5,925.82)
Dividend paid	(4,284.50)	(4,283.36)
Corporate Dividend Tax	(688.10)	(727.96)
Net Cash from financing activities	12,278.29	(25,641.54)
Increase in cash or cash equivalents	729.04	(188.94)
Opening cash or cash equivalents	449.36	638.30
Closing cash or cash equivalents	1,178.40	449.36

Signed in terms of our report of even date

For Doogar & Associates
Chartered Accountants
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

Ravi Jhunjunwala
Chairman & Managing Director
Shekhar Agarwal
Vice Chairman
D.N. Davar
Director
Riju Jhunjunwala
Director
Manvinder Singh Ajmani
Chief Financial Officer
Ashish Sabharwal
Company Secretary

Place : Noida (U.P.)
Dated : 29th April, 2011

Balance Sheet Abstract

Balance Sheet Abstract and Company's General Business Profile For the year ended March 31, 2011
(as per part (iv) of Schedule VI of the Companies Act, 1956)

I. Registration Details

Balance Sheet Date

0	8	2	9	0
---	---	---	---	---

Balance Sheet Date

3	1	0	3	2	0	1	1
---	---	---	---	---	---	---	---

State Code

1	0
---	---

II. Capital raised during the year (amount in ₹ Thousands)

Public issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus issue

						N	I	L
--	--	--	--	--	--	---	---	---

Rights issue

						N	I	L
--	--	--	--	--	--	---	---	---

Private placement

						N	I	L
--	--	--	--	--	--	---	---	---

III. Position of mobilisation and deployment of funds (amount in ₹ Thousands)

Total liabilities

		1	8	0	0	2	4	0	9
--	--	---	---	---	---	---	---	---	---

Total assets

		1	8	0	0	2	4	0	9
--	--	---	---	---	---	---	---	---	---

Sources of Funds

Paid-up capital

				4	2	8	4	5	3
--	--	--	--	---	---	---	---	---	---

Secured loans

			7	6	8	3	3	7	3
--	--	--	---	---	---	---	---	---	---

Deferred tax

			7	3	6	0	7	1
--	--	--	---	---	---	---	---	---

Reserves and surplus

			7	7	3	4	6	8	0
--	--	--	---	---	---	---	---	---	---

Unsecured loans

			1	4	1	9	8	3	1
--	--	--	---	---	---	---	---	---	---

Application of Funds

Net fixed assets

			7	3	7	1	8	6	4
--	--	--	---	---	---	---	---	---	---

Net current assets

			9	6	1	1	7	8	9
--	--	--	---	---	---	---	---	---	---

Accumulated Losses

						N	I	L
--	--	--	--	--	--	---	---	---

Investments

			1	0	1	8	7	5	5
--	--	--	---	---	---	---	---	---	---

Miscellaneous expenditure

						N	I	L
--	--	--	--	--	--	---	---	---

IV. Performance of the Company (amount in ₹ Thousands)

Turnover

		1	2	9	9	2	5	8	7
--	--	---	---	---	---	---	---	---	---

Profit / loss before tax
(+/-) +

1	6	8	0	7	4	5
---	---	---	---	---	---	---

Earnings per share (₹)

				3	0	.	0	8
--	--	--	--	---	---	---	---	---

Total expenditure

		1	0	0	7	4	5	3	5
--	--	---	---	---	---	---	---	---	---

Profit / loss after tax
(+/-) +

1	2	8	8	6	2	2
---	---	---	---	---	---	---

Dividend @ %

						1	0	0	%
--	--	--	--	--	--	---	---	---	---

V. Generic Names of three principal products/services of Company (as per monetary terms)

Item Code No. (ITC code)

8	5	4	5	1	1	1			
---	---	---	---	---	---	---	--	--	--

Product descriptions

G	R	A	P	H	I	T	E	E	L	E	C	T	R	O	D	E
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Signed in terms of our report of even date

For Doogar & Associates
Chartered Accountants
Firm Regn. No. 000561N

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Mukesh Goyal
Partner
Membership No. 081810

Arun K. Tulsian
Partner
Membership No. 089907

Ravi Jhunjhunwala
Chairman & Managing Director
Shekhar Agarwal
Vice Chairman
D.N. Davar
Director
Riju Jhunjhunwala
Director
Manvinder Singh Ajmani
Chief Financial Officer
Ashish Sabharwal
Company Secretary

Place : Noida (U.P.)
Dated : 29th April, 2011

Auditors' Report on Consolidated Financial Statement

To the Board of Directors,
HEG Limited

We have audited the attached consolidated Balance Sheet of HEG LIMITED and its Subsidiary and Associates (Collectively "the Group") as at 31st March, 2011, and also the consolidated Profit and Loss account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated 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 conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with identified financial reporting framework and are free of material misstatements. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary, whose adjusted financial statements reflect total assets of ₹4.32 lacs (previous year ₹4.51 lacs) and total liabilities of ₹5.00 lacs (previous year ₹5.00 lacs) as at 31st March, 2011 and total revenues of ₹ NIL (previous year ₹ NIL), total expenses of ₹0.19 lacs (previous year ₹0.49 lacs) and net cash flows of ₹4.43 lacs (previous year ₹4.62 lacs) for the year then ended. These financial statements have been audited by other auditor whose report have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.

The financial statements of the Associates and Subsidiaries of the Associates are Unaudited / provisional and have been approved/ acknowledged by the Board of Directors of the respective Associates, whose certificates have been furnished to us, and our opinion, in so far as it relates to these amounts included in respect of Associates and Subsidiaries of the

Associates are based solely on these certification.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) - 21, 'Consolidated Financial Statements' and Accounting Standard (AS) - 23, 'Accounting for Investment in Associate in Consolidated Financial Statement's notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Group included in the Consolidated Financial Statements.

Based on our audit and on consideration of the report of other auditor on separate financial statement and on the other financial information of the subsidiary and associates, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of Consolidated Balance Sheet, of the consolidated state of affairs of The Group as at 31st March, 2011;
- ii) In the case of Consolidated Profit & Loss account, of the consolidated results of operations of The Group for the year ended on that date; and
- iii) In the case of Consolidated Cash Flow Statement, of the consolidated cash flows of The Group for the year ended on that date.

For Doogar & Associates
Chartered Accountants
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

Place: New Delhi
Dated: 29th April, 2011

For S. S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

Consolidated Balance Sheet

As at March 31, 2011

(₹ in Lacs)

	Schedules	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	4,284.53	4,260.76
Reserves & Surplus	2	86,759.39	78,990.86
		91,043.92	83,251.62
Loan Funds			
	3		
Secured Loans		76,833.73	71,608.64
Unsecured Loans		14,198.31	1,471.66
		91,032.04	73,080.30
Deferred Tax Liability	4	7,360.71	7,488.78
Total		189,436.67	163,820.70
APPLICATION OF FUNDS			
Fixed Assets			
	5		
Gross Block		104,416.54	99,463.71
Less: Depreciation		38,556.14	33,676.21
Net Block		65,860.40	65,787.50
Capital Work in Progress		7,858.25	5,809.91
		73,718.64	71,597.41
Investments	6	19,595.81	16,857.46
Current Assets, Loans & Advances			
	7		
Inventories		50,952.18	34,281.79
Sundry Debtors		39,529.35	44,023.97
Cash & Bank Balances		1,182.84	453.98
Loans and Advances		19,185.75	12,447.77
		110,850.11	91,207.51
Less : Current Liabilities and Provisions	8		
Liabilities		13,226.44	10,128.76
Provisions		1,501.46	5,747.69
		14,727.90	15,876.45
Net Current Assets		96,122.22	75,331.06
Miscellaneous Expenditure	9	–	34.77
(to the extent not written off or adjusted)			
Total		189,436.67	163,820.70
Notes to Accounts	15		

Signed in terms of our report of even date

For Doogar & Associates
Chartered Accountants
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

Ravi Jhunjhunwala
Chairman & Managing Director
Shekhar Agarwal
Vice Chairman
D.N. Davar
Director
Riju Jhunjhunwala
Director
Manvinder Singh Ajmani
Chief Financial Officer
Ashish Sabharwal
Company Secretary

Place : Noida (U.P.)
Dated : 29th April, 2011

Consolidated Profit and Loss Account

For the year ended March 31, 2011

(₹ in Lacs)

Schedules	Year ended March 31, 2011	Year ended March 31, 2010
INCOME		
Gross Turnover	129,925.87	126,844.58
Less: Inter divisional Sales	(16,289.55)	(11,589.13)
Less: Excise Duty	(2,271.50)	(2,115.48)
Net Turnover	111,364.82	113,139.97
Other Income 10	3,842.73	1,499.02
Increase/(Decrease) in Stocks 11	11,772.82	(703.42)
	126,980.37	113,935.57
EXPENDITURE		
Consumption of Materials 12	61,297.67	47,356.60
Manufacturing and Other Expenses 13	55,737.42	42,769.03
Less: Inter divisional Purchases	(16,289.55)	(11,589.13)
Total Expenditure	100,745.54	78,536.50
Profit Before Interest, Depreciation and Amortisation	26,234.84	35,399.07
Financial Expenses 14	3,662.29	5,925.83
Profit Before Depreciation and Amortisation	22,572.54	29,473.24
Depreciation 5	5,730.52	5,137.06
Amortisation - Misc. Expenditure written off 9	34.77	104.30
Profit Before Tax	16,807.26	24,231.88
Less: Taxation - Current	4,297.50	7,048.03
- Deferred	(128.07)	(9.06)
- Fringe Benefit Tax	—	(1.11)
- Earlier Years	(248.20)	87.97
Profit After Tax	12,886.03	17,106.05
Share in Result of Associates	(749.59)	1,402.02
Balance brought forward from previous year	24,777.54	14,587.48
Amount available for appropriation	36,913.98	33,095.55
APPROPRIATIONS		
General Reserve	2,500.00	2,500.00
Capital Redemption Reserve	—	329.57
Debenture Redemption Reserve	1,904.49	477.13
Interim Dividend on Equity Shares	2,142.25	
Corporate Dividend Tax on Interim Dividend	340.58	
Proposed Dividend on Equity Shares	2,142.25	4,283.36
Corporate Dividend Tax on Proposed dividend	347.53	727.96
Balance Carried Forward	27,536.89	24,777.53
Notes to accounts 15		
Earning Per Share (₹) See Note No. 18 (a) of Schedule 15		
- Basic	28.33	44.47
- Diluted	28.33	44.25

Signed in terms of our report of even date

For Doogar & Associates
Chartered Accountants
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

Ravi Jhunjhunwala
Chairman & Managing Director
Shekhar Agarwal
Vice Chairman
D.N. Davar
Director
Riju Jhunjhunwala
Director
Manvinder Singh Ajmani
Chief Financial Officer
Ashish Sabharwal
Company Secretary

Place : Noida (U.P.)
Dated : 29th April, 2011

Schedules annexed to and forming part of the consolidated accounts

(₹ in Lacs)

			As at March 31, 2011	As at March 31, 2010
Schedule	1	SHARE CAPITAL		
Authorised				
5,50,00,000	(5,50,00,000)	Equity Shares of ₹10/- each	5,500.00	5,500.00
15,00,000	(15,00,000)	Preference shares of ₹100/- each	1,500.00	1,500.00
			7,000.00	7,000.00
Issued & Subscribed & Paid Up				
4,26,07,174	(4,25,73,005)	Equity Shares of ₹10/- each fully paid up	4,260.72	4,257.30
Nil	(15,50,725)	Less: Shares bought back and extinguished	–	155.07
2,37,733	(15,84,894)	Add: Shares issued on FCCB conversion	23.77	158.49
		Add : Forfeited Equity Shares	0.04	0.04
4,28,44,907	(4,26,07,174)		4,284.53	4,260.76

Of the above ;

- 2,21,96,821 (2,21,96,821) Equity shares have been issued as fully paid up bonus shares by capitalisation of Reserves.
- 3,00,000 (3,00,000) Equity shares have been issued as fully paid up pursuant to a contract without payment being received in cash.
- 10,700 (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.
- 58,30,144 (55,92,411) Equity shares have been issued as fully paid up shares upon conversion of Foreign Currency Convertible Bonds.(FCCBs)

Figures in paranthesis represent previous year figures

	March 31, 2010	Additions	Deductions	March 31, 2011
Schedule	2	RESERVES AND SURPLUS		
Capital Reserve (1)	3138.24 (1411.79)	0.00 (1726.45)	– –	3138.24 (3138.24)
Debenture Redemption Reserve	477.13 0.00	1904.49 (477.13)	– –	2381.62 (477.13)
Capital Redemption Reserve	1604.99 (1449.92)	0.00 (155.07)	– –	1604.99 (1604.99)
Share Premium (2)	7414.95 (5693.32)	604.66 (3228.71)	– (1507.07)	8019.61 (7414.95)
General Reserve	32817.18 (30227.40)	2500.00 (2589.78)	– –	35317.18 (32817.18)
Profit & Loss Account	23375.52 (14587.48)	12886.03 (17106.05)	9377.08 (8318.02)	26884.49 (23375.54)
	68828.01 (53369.90)	17895.18 (25283.19)	9377.08 (9825.09)	77346.13 (68828.01)
Add: Share in Reserve of Associates				
Capital Reserve	6631.43 (8273.43)	0.00 0.00	0.00 (1642.00)	6631.43 (6631.43)
Profit and Loss Account	3531.42 (2129.40)	188.09 (1402.02)	937.68 0.00	2781.83 (3531.42)
	78990.86 (63772.72)	18083.27 (26685.21)	10,314.76 (11467.09)	86759.39 78990.86

- 1) Addition in the previous year represents preferential warrants money forfeited.
- 2) Additions represent share premium on conversion of FCCBs ₹446.39 Lacs and ₹158.27 Lacs on account of write back of provision of premium on redemption of FCCBs created out of this account in earlier periods.

Schedules annexed to and forming part of the consolidated accounts

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Schedule 3 LOANS		
Secured Loans		
Secured Redeemable Non-Convertible Debentures	15,000.00	15,000.00
Term Loans		
- From Banks	12,540.74	6,042.23
Short Term Working Capital Borrowings		
- From Banks	49,292.99	50,566.41
	76,833.73	71,608.64
Unsecured Loans		
Foreign Currency Convertible Bonds	—	471.66
Term Loans		
- From Banks	—	—
Short Term Borrowings from Banks	14,198.31	1,000.00
	14,198.31	1,471.66
Total Loans	91,032.04	73,080.30

1. Secured redeemable Non-Convertible Debentures (NCD) of ₹15,000 Lacs have been allotted on private placement basis. These NCDs aggregating to ₹10,000 Lacs allotted on 17th December, 2009 shall fall due for redemption in two equal installments after a period of two years and three years respectively and NCDs aggregating to ₹5,000 Lacs allotted on 30th October, 2009 shall fall due for redemption after a period of three years from its date of allotment. The NCDs have been issued in demat mode and are listed in Wholesale Debt Segment of Bombay Stock Exchange.
2. Term loans from Financial Institutions and Banks and redeemable Non Convertible Debentures stated as above are/shall be 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 movable assets in respect of working capital borrowings.
3. 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, bills 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 bank 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.
4. The Company had issued unsecured 1% Foreign Currency Convertible Bonds (FCCBs) in July 2005 due for redemption in 2010 amounting to USD 28.75 million convertible at the option of the bondholders into Equity Shares of ₹10/- each at a conversion price of ₹192.06 per share. FCCB's amounting to USD 25.75 million have been converted into Equity Shares out of which FCCBs amounting to USD 1.05 million were converted during the financial year (previous year USD 7 Million). FCCBs amounting to USD 3 million were bought back in the earlier period in accordance with guidelines issued by the Reserve Bank of India.

Schedule 4 DEFERRED TAX LIABILITY		
Opening Balance	7,488.78	7,497.84
Addition / (deduction) during the year	(128.07)	(9.06)
Closing Balance	7,360.71	7,488.78

(Refer note no. 4 of schedule 15B)

Schedules annexed to and forming part of the consolidated accounts

(₹ in lacs)

Schedule 5 FIXED ASSETS											
SL No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as at 31.03.2010	Additions during the year	Sale/ Adjustments	Cost as at 31.3.2011	Up to 31.03.2010	Adjustments on deduction	Gross Provision for the year	Up to 31.3.2011	As at 31.3.2010	As at 31.3.2010
A	Tangible Assets										
1.	Free Hold Land	68.44	37.59	–	106.03	–	–	–	–	106.03	68.44
2.	Lease Hold Land	464.51	–	–	464.51	88.91	–	9.52	98.43	366.07	375.60
3.	Building	13,484.57	1,848.50	265.73	15,067.34	4,560.90	131.45	817.99	5,247.44	9,819.90	8,923.66
4.	Plant & Machinery	81,379.20	3,431.69	625.47	84,185.42	27,001.45	520.85	4,429.74	30,910.34	53,275.08	54,377.75
5.	Railway Sidings	418.99	–	–	418.99	100.37	–	19.90	120.27	298.72	318.62
6.	Furniture & Fixtures	453.21	37.74	3.75	487.20	290.95	1.99	33.65	322.61	164.59	162.27
7.	Office Equipment	882.22	130.20	72.23	940.19	618.11	68.82	106.37	655.66	284.53	264.10
8.	Electrical Installation	1,193.02	203.57	9.37	1,387.22	432.40	3.11	122.16	551.45	835.77	760.61
9.	Vehicles	841.02	280.95	180.35	941.62	357.64	124.38	148.35	381.61	560.01	483.38
B	Intangible Assets										
1	Software (Bought out)	278.54	139.48	–	418.02	225.48	–	42.85	268.33	149.69	53.06
		99,463.71	6,109.72	1,156.90	104,416.54	33,676.22	850.60	5,730.52	38,556.14	65,860.40	65,787.49
	Capital Work In Progress	–	–	–	–	–	–	–	–	7,858.25	5,809.91
	Total	99,463.71	6,109.72	1,156.90	104,416.54	33,676.22	850.60	5,730.52	38,556.14	73,718.65	71,597.41
	Previous Year	85,346.09	14,787.43	669.81	99,463.71	28,943.61	404.46	5,137.06	33,676.21	71,597.41	69,825.18

Notes

- Assets amounting to ₹83.13 lacs (₹83.13 lacs) (Gross) are owned jointly with RSWM Ltd.
- Capital Work In Progress includes ₹607.42 (Previous year ₹167.53 Lacs) being pre-operative expenditure and ₹3840.31 Lacs (Previous year ₹2,113.47 Lacs) being capital stores.
- Freehold land includes agricultural land in village Kirat Nagar, District Raisen, Madhya Pradesh measuring 0.26 acre in the Company's possession pending registration in favour of the Company.

		As at March 31, 2011	As at March 31, 2010
Schedule 6 INVESTMENTS (Non-Trade)			
A Long Term Investments			
i) Quoted - Fully Paid			
18 (18) Equity Shares of ₹2/-each of Ballarpur Ind. Ltd.		0.01	0.01
Total of quoted investment		0.01	0.01
Investment In Associates			
ii) Unquoted - Fully Paid			
4,190,000 (4,190,000) Equity Shares of ₹10/- each of Bhilwara Infotech Ltd.		419.00	419.00
39,190,500 (39,190,500) Equity Shares of ₹10/- each of Bhilwara Energy Ltd. (*)		2,612.70	2,612.70
400,000 (400,000) 0.01% Preference Shares of ₹100/- each of Bhilwara Energy Ltd.		4,000.00	4,000.00
B Current Investment In Mutual Funds			
250,000 (250,000) Units of LIC Mutual Fund Dhan Smriddhi of ₹10/- each		25.00	25.00
Nil (150,000) Units of SBI One India -Growth of ₹10/-each		–	15.00
24,927,240.29 (0) Units of SBI Premier Liquid Fund-Super Institutional - Daily Dividend		2,500.82	–
9,988,718.25 (0) Units of SBI Premier Liquid Fund- Institutional - Daily Dividend		1,002.12	–
		3,527.94	40.00
Total		10,559.65	7,071.71
Less: Provision for diminution in value of investments		377.10	377.10
		10,182.55	6,694.61
Add : Increase in Value of Investment in Associates			
Opening Balance		10,162.85	8,760.83
Add: During the year		(749.59)	1,402.02
Closing Balance		9,413.26	10,162.85
		19,595.81	16,857.46
Aggregate Market Value of Quoted Investments		0.01	0.01

(*) Includes 1,30,63,500 Equity Shares received as bonus shares in the previous year.

Schedules annexed to and forming part of the consolidated accounts

	Units	Value	Total value
Schedule 6 INVESTMENTS (Contd...)		(per unit)	(₹ in lacs)
During the year, the Company has purchased the following investment			
I) Birla Sun Life Saving Fund - Instl - Daily Dividend-Reinvestment	10,040,591.69	10.0068	1,004.74
II) Reliance Money Manager Fund - Institutional Option-Daily Dividend Plan	330,695.42	1,001.3715	3,311.49
III) JP Morgan India Liquid Fund-Super Inst.Daily Dividend Plan-Reinvest	50,154,319.09	10.0079	5,019.39
IV) Kotak Floater Long Term - Daily Dividend	39,772,320.05	10.0798	4,008.97
V) Reliance Liquid Fund -Cash Plan Daily Dividend Option	22,476,705.45	11.1415	2,504.24
VI) SBI Premier Liquid Fund - Institutional - Daily Dividend	9,988,718.25	10.0325	1,002.12
VII) SBI Premier Liquid Fund - Super Institutional - Daily Dividend	24,927,240.29	10.0325	2,500.83
During the year, the Company has sold the following investment			
I) Birla Sun Life Saving Fund - Instl - Daily Dividend-Reinvestment	10,040,591.69	10.0068	1,004.74
II) Reliance Money Manager Fund - Institutional Option-Daily Dividend Plan	330,695.42	1,001.3715	3,311.49
III) JP Morgan India Liquid Fund-Super Inst.Daily Dividend Plan-Reinvest	50,154,319.09	10.0079	5,019.39
IV) Kotak Floater Long Term - Daily Dividend	39,772,320.05	10.0798	4,008.97
V) Reliance Liquid Fund - Cash Plan Daily Dividend Option	22,476,705.45	11.1415	2,504.24

Figures in parenthesis represent previous year figures.

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Schedule 7 CURRENT ASSETS, LOANS AND ADVANCES		
Current Assets		
Inventories		
(As taken, valued and certified by the Management)		
Stock-in-trade	8,697.20	3,773.06
Work-in-process	24,742.11	17,893.43
Raw Materials[incl in-transit / Third Parties ₹3477.13 lacs (₹4890.76 lacs)]	12,752.98	9,750.70
Stores & Spares / Loose Tools (Incl in-transit/Third Parties ₹135.89 Lacs (₹158.45 Lacs))	4,759.89	2,864.60
	50,952.18	34,281.79
Sundry Debtors (Unsecured)		
Due for a period exceeding six months		
- Considered good	9,018.82	6,632.55
- Considered doubtful	—	13.96
	9,018.82	6,646.51
Less : Provision for doubtful debts	—	13.96
	9,018.82	6,632.55
Others (Considered good)	30,510.53	37,391.42
	39,529.35	44,023.97
Cash & Bank Balances :		
Cash in hand (including stamp & hundi papers)	13.48	7.83
Cheques in hand	90.46	36.20
With scheduled banks		
- Current Accounts	860.92	260.59
- Fixed Deposits / Margin money accounts	0.29	0.29
- Dividend / Special purpose accounts	217.68	149.08
	1,182.84	453.99
Loans and advances (Refer Note 13 of Schedule 15-B)		
Loans (Secured, considered good)	119.19	91.88
Loans (Unsecured, considered good)	111.64	100.52
Advances recoverable in cash or kind or for value to be received	13,300.36	9,775.94
Advances for Capital Expenditure	3,503.16	622.79
Balance with Excise Department including Cenvat Credit	1,681.09	1,289.91
Deposit with Government Deptt. and others	470.31	566.73
Considered doubtful	—	—
Less : Provision for doubtful advances	—	—
	19,185.75	12,447.77
	110,850.11	91,207.52

Schedules annexed to and forming part of the consolidated accounts

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Schedule 8 CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors - Micro and Small Enterprises (Refer Note no. 14 of Schedule 15 B)	26.28	–
Sundry Creditors - Other than Micro and Small Enterprises	4,362.69	4,797.99
Sundry Creditors for Capital Expenditure	125.67	200.40
Other Liabilities	4,526.67	3,896.24
Unclaimed Dividend**	217.68	149.08
Sundry Deposits	488.37	445.96
Advances from Customers	2,980.14	174.18
Interest accrued but not due on loans	498.94	464.91
	13,226.44	10,128.76
Proposed Dividend Including Corporate Dividend Tax	2,489.77	5,011.32
Provision for Taxation (Net of Advance Tax ₹26,185.61 lacs (₹22,167.16 lacs))	(988.32)	578.10
Provision for premium on redemption on FCCBs	–	158.27
	1,501.46	5,747.69
	14,727.90	15,876.44

** 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)		
Opening Balance	34.77	139.07
Less: Charged off to Profit and Loss account	34.77	104.30
Closing Balance	0.00	34.77

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 10 OTHER INCOME		
Foreign Currency Fluctuation (Net)	2,348.05	479.95
Accrued Redemption Premium On Non Trade Investment	475.73	373.70
Miscellaneous Sales / Receipts	145.09	4.46
Write-back of Provision on Investments Sold	–	180.08
Profit on Sale of Investments	1.38	9.95
Rent Receipts	242.54	204.84
Interest [Including TDS Nil (₹9.04 Lacs)]	127.42	74.20
Dividend Income from Investment in Mutual fund schemes	51.78	9.75
Liabilities / provisions no longer required, written back	443.83	157.41
Profit on sale of Fixed Assets	6.90	4.68
	3,842.73	1,499.02

Schedule 11 INCREASE/(DECREASE) IN STOCKS		
Closing Stock		
Stock-in-trade	8,697.20	3,773.06
Work-in-Process	24,742.11	17,893.43
	33,439.31	21,666.49
Less: Opening Stock		
Stock-in-trade	3,773.06	6,603.20
Work-in-Process	17,893.43	15,766.71
	21,666.49	22,369.91
Increase/(Decrease) in Stocks	11,772.82	(703.42)

Schedules annexed to and forming part of the consolidated accounts

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 12 CONSUMPTION OF MATERIALS		
Opening Stock	4,859.95	14,165.27
Add : Purchases	65,713.56	38,051.27
	70,573.51	52,216.54
Less: Closing Stock	9,275.84	4,859.94
Consumption of Materials *	61,297.67	47,356.60

(*) Includes loss of material on account of theft- Exceptional item ₹360.85 Lacs in the previous year

(*) Net of DEPB Accrued

Schedule 13 MANUFACTURING AND OTHER EXPENSES		
Manufacturing Expenses		
Consumption of Stores & Spares including Refractory blocks	8,824.91	5,071.44
Excise duty on Increase / (Decrease) in Finished Stock	(38.64)	23.72
Power & fuel	23,118.90	16,828.11
Repairs and Maintenance of :		
Plant & Machinery	3,083.64	1,908.90
Building	603.77	323.47
Others	251.53	116.59
Job/Process Charges	254.98	199.05
Power generation charges	111.01	75.78
Payment to and Provision for Employees		
Salary, Wages and Bonus etc.	3,494.54	3,086.60
Contribution to Provident, Gratuity and other Funds	431.25	421.72
Workmen & Staff Welfare & Safety measures expenses	481.52	393.88
Selling Expenses		
Freight and forwarding and other selling expenses	7,494.94	6,841.11
Packing Expenses (including Packing material consumption)	1,567.20	1,144.60
Commission	1,569.16	1,578.18
Claims, Rebates and Discount	1,174.06	1,654.03
Administrative & Other Expenses		
Insurance	284.50	232.26
Rent	106.43	130.67
Rates & Taxes	78.38	102.17
Directors' Remuneration including sitting fees & incidental expenses	791.60	880.51
Donations	30.12	3.62
Loss on fixed assets sold / discarded	214.74	188.82
Provision for - Diminution/(Restatement of diminution) in value of Investments	—	(15.31)
Provision for doubtful debts & advances	—	13.96
Travelling Expenses	189.21	206.79
Postage & Communication	72.56	70.02
Legal & Professional Expenses	776.01	595.62
Vehicle Running & Maintenance	107.26	92.47
Miscellaneous Expenses	663.86	600.23
	55,737.42	42,769.03

Schedules annexed to and forming part of the consolidated accounts

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 14 FINANCIAL EXPENSES		
Interest on		
Debtentures	1,347.50	527.44
Term Loans	185.35	1,591.23
Working Capital Borrowings	1,785.56	3,489.41
Foreign Currency Convertible Bonds	–	24.30
Bank Charges	343.88	293.45
Total (Net of Financial Expenses Capitalised ₹341.24 Lacs (previous year ₹37.74 Lacs))	3,662.29	5,925.83

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis and Principles of Consolidation

The Consolidated Financial Statement (CFS) of the Company and its Subsidiaries are prepared under historical cost convention and on the accounting principles of going concern, in accordance with Generally Accepted Accounting Principles ('GAAP') applicable in India and in the same manner as the Company has followed for its separate financial statements, using uniform accounting policies for similar transaction. All significant Intra-group balances, Intra-group transactions, resulting unrealised profits have been eliminated on consolidation and the figures have been recast, rearranged or regrouped, wherever considered necessary.

The following Components considered in preparation of Consolidated Financial Statements:-

a) Subsidiary Companies.

Name	Country	Ownership (%)	Period Considered	Audited/Board Approved
HEG Graphite Products & Services Ltd.	India	100%	01.04.2010 to 31.03.2011	Audited

The consolidation of the financial statements of the Parent and its Subsidiaries has been done on line-by-line basis by adding together, like items of assets, liabilities, income and expenses as per AS 21.

b) Investment in Associates.

Name	Country	Ownership (%)	Period Considered	Audited/Board Approved
Bhilwara Infotech Ltd.	India	48.43%	01.04.2010 to 31.03.2011	Provisional
Bhilwara Energy Ltd.	India	25.8%	01.04.2010 to 31.03.2011	Provisional (Acknowledged by Board of BEL)
Indo Canadian Consultancy Services Ltd. (Subsidiary of BEL)	India	13.16%	01.04.2010 to 31.03.2011	Provisional (Acknowledged by Board of BEL)
Malana Power Corporation Limited (Subsidiary of BEL)	India	13.16%	01.04.2010 to 31.03.2011	Provisional (Acknowledged by Board of BEL)
AD Hydro Power Ltd. (Fellow Subsidiary of BEL)	India	11.58%	01.04.2010 to 31.03.2011	Provisional (Acknowledged by Board of BEL)
NJC Hydro Power Ltd. (subsidiary of BEL)	India	25.8%	01.04.2010 to 31.03.2011	Provisional (Acknowledged by Board of BEL)
Green Ventures Pvt.Ltd. (Subsidiary of BEL)	Nepal	16.34%	01.04.2010 to 31.03.2011	Provisional (Acknowledged by Board of BEL)
Balephi Jal Vidyut Co. Ltd	Nepal	15.48%	01.04.2010 to 31.03.2011	Provisional (Acknowledged by Board of BEL)
Bhilwara Green Energy Limited	India	25.8%	01.04.2010 to 31.03.2011	Provisional (Acknowledged by Board of BEL)

The Group's investment in Associates is accounted using Equity Method as per AS 23.

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

2. Accounting Policies

The Accounting Policies of the Parent and of its Subsidiaries are similar and in line with the Generally Accepted Principles ('GAAP') in India.

As the Accounting Policies of the Parent have been mentioned in the separate financial statements of the Parent, therefore the same has not been reproduced here.

3. Previous year figures

M/s HEG Graphite Products & Services Ltd. has become subsidiary of the Company w.e.f. 18.09.2009.

4. Goodwill / capital reserve

The excess of cost to the Company of its investment in the Subsidiaries and Joint Ventures over the Parent's position of equity of the subsidiary at the date on which investment is made, is described as 'Goodwill' on consolidation and recognised as an asset in the Consolidated Financial Statements.

5. Minority interest

Minority Interest in the Net Assets of the subsidiaries consist of the amount of equity attributable to Minorities at the date on which investment is made and Minorities' share of movements in equity since the date when Parent Subsidiary relationship came into existence, to the date of Balance Sheet.

B. NOTES TO ACCOUNTS

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
1 Contingent liabilities		
a) Claims against the Company not acknowledged as debts :		
i) Excise duty under appeal	509.90	564.05
ii) Other matters	1,619.23	1,008.56
b) Bank Guarantees	8,895.31	4,094.70
c) The Company has provided Guarantee in favour of International Finance Corporation (IFC) with M/s RSWM Ltd. on joint and several basis on behalf of M/s AD Hydro Power Ltd.	600.00	600.00
d) Bills discounted with bankers	1,524.83	4,833.79
e) Pending export obligation against Advance Licences & EPCG Licences	952.59	2,118.78
2 Estimated amount of contracts remaining to be executed on capital account, not provided for (net of advances of ₹3503.16 Lacs (₹622.79 Lacs))	7,020.77	704.30

3 There are no present obligations requiring provisions in accordance with the guiding principles as enunciated in Accounting Standard (AS)-29 'Provisions, Contingent Liabilities & Contingent Assets'

4 As per Accounting Standard 22 "Accounting for Taxes on Income", required disclosures are given below:

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Deferred Tax Liabilities		
Arising on Account of timing difference		
- Accumulated Depreciation	7,789.76	7,809.65
Deferred Tax Assets		
Arising on Account of timing difference		
- Due to section 43B of the Income Tax Act	303.79	192.70
- Others	125.26	128.18
Net Deferred Tax Liability	7,360.70	7,488.77
5 Work in process includes Refractory Blocks and other consumable stores lying at shop floor.	25.31	93.18

6 In accordance with the provisions of Accounting Standard on impairment of Assets, (AS-28), the management has made assessment of assets in use & considering the business prospects related thereto, no provision is considered necessary in these accounts on account of impairment of assets.

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

7 Auditors' remuneration paid / payable during the year included in miscellaneous expenses : (₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Statutory Audit Fee	19.00	18.00
Other services	7.35	1.31
Reimbursement of expenses	2.49	2.88
	28.84	22.19

8 a) Details of remuneration & perquisites of managerial personnel : (₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
Salary (*)	274.48	103.37
Commission	375.46	664.67
Other perquisites	112.23	81.67
	762.17	849.71
Provident Fund	8.94	12.40
Superannuation	11.17	3.00
Total	782.28	865.11

(*) Apart from above, Keyman Insurance policy valuing ₹11.71 Lacs has been assigned during the year to Shri R.C. Surana (Previous year ₹190.16 Lacs to Shri Ravi Jhunjhunwala) in accordance with their terms of engagement.

	As at March 31, 2011	As at March 31, 2010
b) Sitting fee to non executive directors	18.40	15.40

As the liabilities for gratuity and leave encashment are provided on an actuarial valuation basis for the Company as a whole, the amount pertaining to the directors are not included above.

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

- Claims lodged with insurance companies.
- 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.

10 Term loans, Bonds and Debentures falling due in next 12 months ₹6,536 Lacs (previous year ₹2,904 Lacs).

11 Capitalisation of pre-operative expenditure

The following expenditure has been capitalised / included under Capital work in progress: (₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
a) Insurance Expenses	24.83	23.48
Financial Expenses	341.24	37.74
Administrative Overheads & Other Cost	533.92	560.64
Total	900.00	621.86
b) The same has been capitalised / is lying under Capital work in progress as under:		
Building	41.74	71.06
Plant & Machinery	250.64	383.28
Capital work in progress	607.62	167.53
Total	900.00	621.87

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

- 12 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.

b) Loans and advances include :

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
i) Due from officers of the Company	—	—
ii) the maximum amount at any time during the year	—	—

- 13 a) The Company has following foreign currency exposures outstanding as on balance sheet date:

Sl. No.	Particulars	Purpose	Amount	Amount
(i)	Plain Vanilla Forwards	Hedging	\$ 26.5 mn.	\$ 19.0 mn.
(ii)	Cross Currency Forwards	Hedging	€ 10.0 mn.	€ 4.5 mn.

b) The foreign currency exposures that are not hedged by derivative instruments or otherwise are as under

	As at March 31, 2011 Amount (FC Million)	As at March 31, 2010 Amount (FC Million)	As at March 31, 2011 Amount (₹ in Lacs)	As at March 31, 2010 Amount (₹ in Lacs)
a) Secured Loan				
USD	117.39	61.10	52,343.44	27,829.33
Euro	17.48	24.94	11,043.45	15,127.85
GBP	0.11	0.00	81.61	—
b) Unsecured Loan				
USD	23.80	1.05	10,614.38	471.66
c) Debtors (Net of Advances)				
USD	16.54	71.30	7,375.19	35,158.83
Euro	12.86	35.59	9,194.90	21,586.89
GBP	0.11	0.00	81.61	—
AED	(3.86)	0.00	(468.02)	—
d) Creditors (Net of Advances)				
USD	(0.14)	0.52	(61.81)	224.96
Euro	(2.52)	0.00	(1593.83)	—
GBP	(0.00)	0.00	(0.13)	—
Total USD	157.84	133.98	70,271.19	63,684.78
Total EURO	27.82	60.53	18,644.52	36,714.74
Total GBP	2.28	0.00	163.09	—
Total AED	(3.86)	0.00	(468.02)	—

- 14 The Company had allotted 47,30,000 Preferential Warrants of ₹365/- each on 5th June, 2008. These Warrants were convertible into equity shares within 18 months from the date of allotment. Since no warrant had been converted till 4th December, 2009, the aggregate amount of ₹1726.45 lacs received in respect of the same has been forfeited by the Company in the previous year. The funds had been utilised for long term working capital requirement.

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

15 Related party disclosure as required by Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India :

A List of Related Parties & Relationships

	As at March 31, 2011	As at March 31, 2010
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).		
i) HEG Graphite Products & Services Ltd.	Subsidiary	Subsidiary
b) Associates and joint ventures		
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.	Shri L.N. Jhunjhunwala Shri Ravi Jhunjhunwala Shri Riju Jhunjhunwala	Shri L.N. Jhunjhunwala Shri Ravi Jhunjhunwala Shri Riju Jhunjhunwala
d) Key Management Personnel and their relatives	Shri Ravi Jhunjhunwala Shri Riju Jhunjhunwala	Shri Ravi Jhunjhunwala Shri Riju Jhunjhunwala Shri 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 Hydropower Limited		
iv) Delhi Knits Pvt Ltd		
v) Bhilwara Scribe Pvt. Ltd.		
vi) Ganga Yamuna Auto Pvt Ltd		
vii) Deepak Knits & Texturise Pvt. Ltd.		
viii) Maral Overseas Ltd.		
ix) LNJ Financial Services Ltd		
x) Investors India Ltd		
xi) Indo Canadian Consultancy Services Limited		
xii) Bhilwara Technical Textiles Ltd.		
xiii) BMD Pvt Ltd		
xiv) Bhilwara Services Pvt Ltd.		
xv) LNJ Bhilwara Textile Anusandhan Vikas Kendra		
xvi) Niviedan Vanijya Niyojan Ltd		
xvii) NJC Power Ltd		
xviii) Balephi Jalbidhyut Company Ltd, Nepal		
xix) Green Ventures Pvt Ltd, Nepal		
xx) Bhilwara Green Energy Ltd		
xxi) Agarwal Finestate Pvt Ltd		

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

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

(₹ in Lacs)

	As at March 31, 2011	As at March 31, 2010
1 With parties referred to in (a) above.		
i) Investment in Equity of HEG Graphite Products & Services Limited	5.00	5.00
2 With parties referred to in (b) above.		
i) Investment in Cumulative Redeemable Preference shares of Bhilwara Energy Ltd	4,000.00	4,000.00
ii) Investment in Equity of Bhilwara Energy Limited	2,612.70	2,612.70
iii) Investment in Equity of Bhilwara Infotech Limited	419.00	419.00
iv) Share Application money refund from Bhilwara Infotech Limited	—	62.08
v) Redemption premium accrued on Preference Shares	849.43	373.70
3 With parties referred to in (c) above.		
i) Sitting fees paid to Sh. L N Jhunjhunwala	—	—
ii) Salaries, Perquisites and Commission paid during the year to Sh. Ravi Jhunjhunwala(*)	481.81	597.62
iii) Salaries, Perquisites and Commission paid during the year to Sh. Riju Jhunjhunwala	34.82	121.46
4 With parties referred to in (d) above.		
i) Salaries, Perquisites and Commission paid during the year to Sh. Ravi Jhunjhunwala (*)	481.81	597.62
ii) Salaries, Perquisites and Commission paid during the year to Sh. Riju Jhunjhunwala	34.82	121.46
iii) Salaries, Perquisites and Commission paid during the year to Sh. R.C. Surana	265.65	146.03
(*) Apart from above, Keyman Insurance policy valuing ₹11.71 Lacs has been assigned during the year to Shri R.C.Surana (Previous year ₹190.16 Lacs to Shri Ravi Jhunjhunwala) in accordance with their terms of engagement.		
5 With parties referred to in (e) above.		
a) Purchase of consumables	11.57	4.64
b) Rent Received	32.54	32.82
c) Rent Paid	115.14	115.14
d) Consultancy charges paid	13.84	2.10
e) Purchase of Machinery	—	—
f) Guarantee given to IFC for AD Hydro Power Limited	600.00	600.00

16 One case of loss of material, by theft, was detected during the previous year involving an amount of ₹360.85 lacs which has been shown as "Loss of material by theft" and is included in Schedule 12 : Consumption of materials in the Profit & Loss account in the previous year

17 AS - 15 'EMPLOYEE BENEFITS'

The Company has adopted Revised Accounting Standard - 15 'Employee Benefits' and the required disclosures are given hereunder:

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year are as under :

(₹ in Lacs)

	FY 2010-11	FY 2009-10
Employer's contribution to Provident Fund	175.96	168.31
Employer's contribution to Superannuation Fund	107.95	106.58
Employer's contribution to ESI	39.17	15.89

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

Defined Benefit Plan

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity. The Company has maintained a fund with Life Insurance Corporation of India.

1 Reconciliation of opening and closing balances of Defined Benefit Obligation.

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10	Leave encashment (unfunded) FY 2010-11	Leave encashment (Unfunded) FY 2009-10
Defined Benefit obligation at the beginning of the year	997.95	886.71	275.05	237.28
Current Service Cost	52.00	48.95	30.20	25.51
Interest Cost	79.84	62.07	22.00	16.61
Actuarial (gain)/loss	4.79	52.62	32.68	15.13
Past Service Cost		33.26		–
Benefits Paid	(103.42)	(127.99)	(30.76)	(19.47)
Settlement cost	–	–	–	–
Defined Benefit obligation at the end of the year	1,031.15	955.62	329.17	275.06

2 Reconciliation of opening and closing balances of Fair Value of Plan Assets

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10
Fair value of plan assets as at the beginning of the year	906.29	834.08
Expected Return	90.63	83.41
Actuarial (gain)/loss	31.05	59.50
Contribution by Employer	97.78	51.09
Benefits Paid	(103.42)	(127.99)
Settlement cost	–	–
Fair value of plan assets as at the end of the year	960.22	900.09
Actual return on plan assets	59.58	123.86

3 Reconciliation of amount recognised in Balance Sheet

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10	Leave encashment (unfunded) FY 2010-11	Leave encashment (Unfunded) FY 2009-10
Fair Value of Plan Assets as at 31st March, 2011	960.22	900.09	–	–
Present value of obligation as at 31st March, 2011	1,031.15	955.61	329.17	275.05
Net asset/(liability) recognised in the Balance Sheet	(70.93)	(55.52)	(329.17)	(275.05)

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

4 Expense recognised during the year under the heads

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10	Leave encashment (unfunded) FY 2010-11	Leave encashment (Unfunded) FY 2009-10
Current Service Cost	52.00	48.95	30.20	25.51
Past Service Cost		33.26		–
Interest Cost	79.84	62.07	22.00	16.61
Expected return on plan assets	(90.63)	(83.41)		–
Net Actuarial (gain)/ loss recognised during the period	35.84	(6.88)	32.68	15.13
Expenses recognised in the statement of Profit & Loss	77.05	53.99	84.88	57.25

5 Actual Return on Plan Assets

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10
Expected Return on Plan Assets	90.63	82.02
Actuarial (gain)/ loss	31.05	43.92
Actual return on plan assets	59.58	125.94

6 Principal Actuarial Assumptions

(₹ in Lacs)

	Gratuity (Funded) FY 2010-11	Gratuity (Funded) FY 2009-10	Leave encashment (unfunded) FY 2010-11	Leave encashment (Unfunded) FY 2009-10
Mortality Table (LIC)	1994-96 duly modified	1994-96 duly modified	1994-96 duly modified	1994-96 duly modified
Discount rate as at 31st March, 2011	8.00%	7.00%	7.00%	7.00%
Future Salary Increase	5.50%	4.50%	4.50%	4.50%
Expected rate of return on plan assets	10.00%	10.00%	0.00%	0.00%
Retirement Age	60 years	60 years	60 years	60 years

Withdrawal Rates

(₹ in Lacs)

	FY 2010-11		FY 2009-10	
	Age	Withdrawal rates	Age	Withdrawal rates
	Upto 30 years	3.00%	Upto 30 years	3.00%
	From 31 to 44 years	2.00%	Upto 44 years	2.00%
	Above 44 years	1.00%	Above 44 years	1.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

Amounts for the current and previous three periods in respect of leave encashment are as follows (₹ in Lacs)

Particulars	Leave encashment			
	2010-11	2009-10	2008-09	2007-08
PBO (C)	329.17	275.05	237.28	239.08
Plan assets	—	—	—	—
Net Assets/ (Liability)	(329.17)	(275.05)	(237.28)	(239.08)
Experience adjustment on plan assets	—	—	—	—
Experience adjustment on plan liabilities	(35.29)	(15.13)	—	—

Amounts for the current and previous three periods in respect gratuity are as follows (₹ in Lacs)

Particulars	Gratuity			
	2010-11	2009-10	2008-09	2007-08
PBO (C)	1,031.15	997.95	886.71	902.81
Plan assets	960.22	900.09	834.08	893.10
Net Assets/ (Liability)	(70.93)	(55.52)	(52.64)	9.71
Experience adjustment on plan assets	(12.59)	(46.30)	27.62	—
Experience adjustment on plan liabilities	(31.05)	92.86	(78.56)	—

Provident Fund

The Guidance note issued by Accounting Standard Board (ASB) on implementation AS-15. Employee Benefit (Revised 2005) states that provident funds set up by the employers, which require interest shortfall to be met by the employer, needs to be treated as defined benefit plan.

The funds does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall (ie government interest to be paid on provident fund scheme exceeds rate of interest earned on investment), pending the issuance of Guidance note from the actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the same.

18 a) Earnings Per Share as required by Accounting Standard (AS-20) :

The basic and diluted Earning Per Share is as under :

	FY 2010-11	FY 2009-10
Net Profit After Tax	12,886.03	17,106.05
Weighted average no. of Equity Shares outstanding(*)	42,837,805	43,252,479
Basic Earning Per Share (₹) Weighted equity Shares 42,837,805 (previous year 41,621,334)	28.33	44.77
Diluted Earning Per Share (₹) Potential equity Shares 42,837,805 (previous year 42,281,957)	28.33	44.25

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

- b) 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 sub-judice.

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

c) Segment Reporting

(₹ in Lacs)

	Graphite	Power	Unallocable items / others	Total
A Business Segments				
Segments Revenue				
External Sales / other income (Net of Excise Duty)	111,010.45 (106,970.56)	19,683.11 (18,386.66)	803.54 (870.91)	131,497.10 (126,228.12)
Inter Segment Transfers		16,289.55 (11,589.13)		16,289.55 (11,589.13)
Total Revenue	111,010.45 (106,970.56)	35,972.66 (29,975.78)	803.54 (871.91)	147,786.66 (137,817.25)
Segment Result				
Segment Results	15,515.82 (25,241.13)	4,654.94 (4,185.80)	298.98 (731.27)	20,469.74 (30,159.00)
Less: Financial Expenses				3,662.29 (5,925.82)
Profit Before Tax				16,807.26 (24,231.88)
Less: Income Tax (incl Deferred)				3,921.22 (7,125.83)
Net Profit For the year				12,886.03 (17,106.05)
Other Information				
Unallocated Assets			(91.13) (8,318.93)	(91.13) (8,318.93)
Segment Assets	158,209.41 (136,345.65)	24,395.57 (24,870.09)		182,604.99 (161,215.74)
Total Assets	158,209.41 (136,345.65)	24,395.57 (24,870.09)	(91.13) (8,318.93)	182,513.86 (169,534.67)
Segment Liabilities	101,897.30 (81,654.24)	329.42 (488.26)		102,226.71 (82,142.50)
Unallocated Liabilities			1,043.35 (1,802.81)	1,043.35 (1,802.81)
Total Liabilities	101,897.30 (81,654.24)	329.42 (488.26)	1,043.35 (1,802.81)	103,270.06 (83,945.31)
Capital Employed	77,979.93 (63,353.00)	22,581.66 (21,795.67)	11,100.26 (6,313.15)	111,661.85 (91,462.82)
Capital Exp.incurred during the year	7,030.58 (5,429.00)	1,072.15 (1,699.83)	55.32 (45.79)	8,158.06 (7,174.62)
Depreciation	4,226.83 (3,685.26)	1,446.00 (1,378.52)	57.69 (73.27)	5,730.52 (5,137.05)
Other Non Cash Expenses	— —	— —	34.77 (104.30)	34.77 (104.30)

Schedules annexed to and forming part of the consolidated accounts

Schedule 15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS (Contd...)

(₹ in Lacs)

	Graphite	Power	Unallocable items / others	Total
B Geographical Segment				
Segment Revenue				
Based on Location of Customers				
Domestic	25,579.15 (26,243.36)	18,310.08 (18,386.66)	1,373.03 (870.91)	45,262.26 (45,500.92)
Export	85,431.30 (80,727.20)		– –	85,431.30 (80,727.20)
Segment Assets				
Based on Location of assets				
In India	151,178.83 (130,916.65)	23,323.42 (23,170.25)	(146.45) (8,273.15)	174,355.80 (162,360.05)
Cost to acquire assets by location	7,030.58 (5,429.00)	1,072.15 (1,699.83)	55.32 (45.79)	8,158.06 (7,174.62)

d) Information pertaining to Subsidiary Companies u/s 212 (8) of the Companies Act, 1956

(₹ in lacs)

Sl No.	Particulars	HEG Graphite Products and Services Ltd.
	Financial year ending on	31-03-2011
1	Share Capital	5.00
2	Reserve & surplus / (Accumulated Losses)	(0.68)
3	Total Assets	5.00
4	Total Liabilities	5.00
5	Details of Investments (except in case of investment in the subsidiaries)	–
6	Total Turnover	–
7	Profit / (Loss) before taxation	(0.68)
8	Taxation	–
9	Profit / (Loss) after taxation	(0.68)
10	Proposed Dividend	–

Note: The annual accounts of the subsidiary company and the related detailed information shall be made available to the shareholders of the Company and the subsidiary company seeking such information at any point of time. The annual accounts of the subsidiary company shall also be kept for inspection by any shareholder at the head office of the Company and of the subsidiary company. The Company shall furnish a hard copy of details of accounts of subsidiary company to any shareholder on demand.

Previous Year's figures have been regrouped and recast wherever considered necessary.

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

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
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

Ravi Jhunjunwala
Chairman & Managing Director
Shekhar Agarwal
Vice Chairman
D.N. Davar
Director
Riju Jhunjunwala
Director
Manvinder Singh Ajmani
Chief Financial Officer
Ashish Sabharwal
Company Secretary

Place : Noida (U.P.)
Dated : 29th April, 2011

Consolidated Cash Flow Statement

For the year ended March 31, 2011

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	16,807.26	24,232.88
Add: Depreciation	5,730.52	5,137.05
Misc. Exps. Written off	34.77	104.30
Interest Paid	3,662.29	5,925.82
Net Loss on fixed assets sold / discarded	207.85	184.14
Diminution in value of Investments (net)	—	(205.34)
Less: Dividend received	51.78	9.75
Interest received	127.42	74.20
Operating Profit before working capital changes	26,263.47	35,294.40
Working capital		
Trade receivables	4,494.61	(11,169.67)
Inventories	(16,670.38)	6,690.62
Loans & advances / Other current assets	(3,857.61)	2,768.56
Liabilities and provisions	(1,073.82)	3,917.63
Cash from operating activities	9,156.27	37,501.54
Income / Wealth Tax	3,892.50	7,134.89
Net Cash from operating activities	5,263.77	30,366.65
B CASH FLOW FROM INVESTING ACTIVITIES		
Addition in Fixed Assets	(8,158.06)	(7,174.62)
Sale of Fixed Assets	98.46	81.21
Advances for Capital Expenditure	(2,880.37)	1,052.76
Sundry Creditors for Capital Expenditure	(74.73)	(817.19)
Investments	(3,487.94)	1,864.82
Dividend Received	51.78	9.75
Interest received	127.42	74.20
Net Cash from investing activities	(14,323.44)	(4,909.07)

Consolidated Cash Flow Statement (Contd...)

(₹ in Lacs)

	Year ended March 31, 2011	Year ended March 31, 2010
C CASH FROM FINANCING ACTIVITIES		
Long term borrowings - Term Loans / NCD's / Bonds	8,918.00	1,963.76
Repayment of Term loans	(2,419.49)	(9,775.00)
Short term borrowings (working capital)	11,924.89	(4,095.62)
Conversion of Foreign Currency Convertible Bond's	471.16	3,212.70
Less: Transfer to Share Capital Account	(23.77)	(158.49)
Less: Transfer to Share Premium Account	(447.39)	(3,054.21)
Buy Back of Shares	—	(2,797.54)
Interest Paid	(3,662.28)	(5,925.82)
Dividend paid	(4,284.50)	(4,283.36)
Corporate Dividend Tax	(688.10)	(727.96)
Net Cash from financing activities	9,788.52	(25,641.54)
Increase in Cash or cash equivalents	728.86	(184.32)
Opening cash or cash equivalents	453.98	638.30
Closing cash or cash equivalents	1,182.84	453.98

Signed in terms of our report of even date

For Doogar & Associates
Chartered Accountants
Firm Regn. No. 000561N

Mukesh Goyal
Partner
Membership No. 081810

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No. 000756N

Arun K. Tulsian
Partner
Membership No. 089907

Ravi Jhunjunwala
Chairman & Managing Director
Shekhar Agarwal
Vice Chairman
D.N. Davar
Director
Riju Jhunjunwala
Director
Manvinder Singh Ajmani
Chief Financial Officer
Ashish Sabharwal
Company Secretary

Place : Noida (U.P.)
Dated : 29th April, 2011

NOTES

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This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.