

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr K K Bangur, Chairman
Mr Bhaskar Mitter
Mr P K Khaitan
Mr S Goenka
Mr N S Damani
Mr A V Lodha
Dr R Srinivasan
Mr. D J Balaji Rao
Mr B B Das, LIC Nominee
Mr N Venkataramani, Executive Director

COMPANY SECRETARY

Mr B Shiva

AUDITORS

Price Waterhouse

SOLICITORS

Khaitan & Co.
Orr, Dignam & Co.

BANKERS

Bank of India
Canara Bank
Corporation Bank
Export Import Bank of India
HDFC Bank Ltd.
ICICI Bank Ltd.
Punjab National Bank
State Bank of India
ING Vysya Bank Limited
UCO Bank

REGISTERED OFFICE

31, Chowringhee Road, Kolkata 700 016

NOTICE

NOTICE is hereby given that the Thirty First ANNUAL GENERAL MEETING of Graphite India Limited will be held on Monday, the 31st day of July, 2006 at 10.00 A.M. at Gorky Sadan, 3, Gorky Terrace, Kolkata 700 017 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt Directors' Report and Audited Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date.
2. To declare dividend on Equity Shares for the year ended 31st March, 2006.
3. To appoint a Director in place of Mr. N S Damani who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. K K Bangur who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. R Srinivasan who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors of the Company and fix their remuneration.

By Order of the Board
For Graphite India Limited

Kolkata
16th May, 2006

B. Shiva
Company Secretary

SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolution with or without modification, as an Ordinary Resolution :-
"RESOLVED THAT consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and or charging by the Board of Directors (Board) of the Company by way of a charge of all or any of the immovable properties of the Company wheresoever situated, present and future and the whole undertaking of the Company together with power to take over management of the business and concern of the Company in certain events, to or in favour of the consortium of banks financing the working capital requirements of the Company and/ or any other financial institutions/investment institutions/banks or their Agent/s or Trustee/s, if any from whom financial assistances are/would be availed by the Company to secure amounts lent and advanced/agreed to be lent and advanced to the Company by them either severally or jointly upto a limit of Rs.1000 crore by way of loan (Foreign Currency or Rupee), subscription to debentures, any other instruments etc., together with interest thereon at the respective agreed rates, compound interest, additional interest, commitment charges, guarantee commission, remuneration payable to the Trustees, if any, costs, charges, expenses and other monies payable to all such financial institutions/investment institutions/banks in respect of financial assistance availed/to be availed from them or to the Trustees.
RESOLVED FURTHER THAT the charge in favour of the consortium of banks/financial institutions/investment institutions/banks as aforesaid shall rank pari-passu or subordinate or subservient to the existing or future charges already created/to be created in favour of the consortium of banks/financial institutions/investments institutions/Debenture Trustees/banks/any other authority as may be decided by the Board in consultation with the said lenders.
RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with the lenders, the debenture-holders, their Agents or Trustees, the deeds and documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the aforesaid resolution."
8. To consider and if thought fit, to pass the following resolution with or without modification, as an Ordinary Resolution :-
"RESOLVED THAT consent of the Company be and is hereby accorded under the provisions of Section 293(1) (d) of the Companies Act, 1956, to the Board of Directors of the Company borrowing from time to time of such further sums of money as they may deem requisite for the purposes of the business of the Company, notwithstanding that monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount upto which monies may be borrowed by the Board of Directors and outstanding shall not exceed the sum of Rs.1000 crore at any one time."

NOTES :

- a. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act,1956 is annexed hereto.
- b. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- c. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 17th July, 2006 to Monday, 31st July, 2006 (both days inclusive).
- d. At the ensuing General Meeting Mr. N S Damani, Mr. K K Bangur and Dr. R Srinivasan, Directors retire by rotation and being eligible offer themselves for re-appointment. As per Clause 49 of the Listing Agreement on Corporate Governance, the Company is required to provide a brief resume, their shareholding in the Company, names of companies in which the proposed Directors hold the Directorship. Accordingly, the information is given below:

Mr. N S Damani aged 54 years is an industrialist and is presently Chairman & Managing Director of Simplex Realty Limited. He is a science graduate and has completed business management studies. He has more than 25 years experience in business and industry. He does not hold any Shares of the Company.

Other Directorships

	Name of the Company	Position
1	Simplex Realty Ltd.	Director
2	The Nav Bharat Refrigeration & Industries Ltd.	Director
3	New Textiles Ltd.	Director
4	Shreelekha Global Finance Ltd.	Director
5	Lucky Vyapaar & Holdings Pvt. Ltd.	Director
6	Travelvoyages (I) Pvt. Ltd.	Director

Other Committee Membership

	Name of the Company	Committee	Position
1	Simplex Realty Ltd.	Share Committee	Chairman

Mr.K.K.Bangur aged 46 years, Chairman of the Company is an industrialist of repute. He has been exposed to business and industry at an early age and has around 22 years of experience in managing the affairs of companies and it's business activities. He has been a director of the Company since July 1988 and Chairman since July 1993. He is a past President of Indian Chamber of Commerce, Kolkata and Executive Committee member of FICCI. He is Chairman of the Shareholders/ Investors Grievance Committee and 'Committee for Borrowings' of the Company. He holds 40973 Shares of the Company including shares held in beneficiary capacity.

Other Directorships

	Name of the Company	Position
1	The Bond Company Limited	Chairman
2	Carbon Finance Limited	Chairman
3	The Emerald Company Limited	Chairman
4	H.L.Investment Co. Limited	Chairman
5	Laxmi Asbestos Products Limited	Director
6	RPG Enterprises Limited	Director
7	Shree Laxmi Agents Limited	Chairman
8	West Bengal Properties Limited	Director
9	Innovative Properties Pvt. Limited	Director
10	The Marwar Textiles (Agency) Pvt. Limited	Director

Committee Membership of other companies - NIL

Dr.R.Srinivasan aged 75 years, has more than 40 years of experience in the banking industry. He held various positions in banks and finally as Chairman and Managing Director of New Bank of India, Allahabad Bank and Bank of India. He has been a director of the Company since October 1993. He was Chairman of Indian Banks Association for several years,

a director of IDBI, Discount & Finance House of India, New India Assurance Co. Ltd. & ECGC. He was also on various high level Committees constituted by RBI. He is a member of the Audit Committee and Remuneration Committee of the Company. He holds 100 Shares of the Company.

Other Directorships

	Name of the Company	Position
1	Beeyu Overseas Ltd.	Director
2	McLeod Russel India Ltd.	Director
3	Williamson Magor & Co. Ltd.	Director
4	Goldiam International Ltd.	Director
5	J M Financial Asset Management P. Ltd.	Director
6	Elder Pharmaceuticals Ltd.	Director
7	Shalimar Paints Ltd.	Director
8	Hi-Tech Pharmaceuticals P. Ltd.	Director
9	StorePerform Technologies India P. Ltd.	Director
10	NayaMode Solutions Pvt. Ltd.	Director
11	Solar Explosives Ltd.	Director

Other Committee Membership

	Name of the Company	Committee	Position
1	Beeyu Overseas Ltd.	Audit Committee Remuneration Committee	Chairman Member
2	McLeod Russel India Ltd.	Audit Committee Remuneration Committee	Chairman Member
3	Williamson Magor & Co. Ltd.	Audit Committee Remuneration Committee	Member Member
4	Goldiam International Ltd.	Audit Committee	Member
5	J M Financial Asset Management P. Ltd.	Inv. Advisory	Member
6	Elder Pharmaceuticals Ltd.	Audit Committee Shareholders' Grievance Committee	Member Chairman
7	Shalimar Paints Ltd.	Audit Committee	Member

- e. Dividend on Equity Shares when sanctioned will be made payable to those shareholders whose name stand on the Company's Register of Members on 31st July, 2006 and to whom dividend warrants will be posted. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished as on 15th July, 2006 by the depositories for this purpose.
- f. Unclaimed dividend amounts upto the financial years ended 31st March, 1995 declared by the Company have been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Members who have not encashed the dividend warrants are requested to prefer their claim to the Office of Registrar of Companies, West Bengal, Nizam Palace, 234/4, A.J.C. Bose Road, Kolkata-700 020. Members can obtain details of the transfers made to the Central Government from the Company.
- g. Members are hereby informed that dividends which remain unclaimed/ unencashed over a period of 7 years have to be transferred by the Company to the Investor Education & Protection Fund (IEPF) established by the Central Government under Sec. 205(C) of the Companies Act, 1956. Unclaimed/ un-encashed dividend declared by the Company for the year ended 31st March, 1999 would be transferred to the said fund in the last week of October, 2006. Unclaimed/ un-encashed dividend declared by the erstwhile Graphite India Limited for the year ended 31st March, 1999 would be transferred to the said fund in the last week of October, 2006 .

It may be noted that no claim of the shareholders will be entertained for the unclaimed dividends which have been transferred to the credit of the IEPF under the provisions of Sec. 205(B) of the Companies Act, 1956. In view of the above, the shareholders are advised to send all the unencashed dividend warrants to the Registered Office/ Mumbai office of the Company for revalidation and encash them immediately.

Dividends that remained unclaimed/ unencashed for the year ended 31st March, 1998 of the Company and that of erstwhile Graphite India Limited have already been transferred to the IEPF.

- h. The Company has entered into agreements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). Shares of the Company are under the compulsory demat settlement mode from May 8,2000 and can be traded only in demat mode. Members are advised to send the shares of the Company held in physical form through their Depository Participant for demat purposes to the Company's Registrars and avail the benefits of paperless trading.
- i. Members are requested to affix their signature at the space provided in the attendance slip with complete details including the Folio No. annexed to the proxy form and hand over the slip at the entrance of the place of meeting.
- j. Members are requested to notify change in their address, if any, immediately to the Company's Registrar, MCS Limited, "Harmony", 1st Floor, Sector 1, Khanda, New Panvel (West), Dist. Raigad, Maharashtra 410 206.

By Order of the Board
For Graphite India Limited

Kolkata
16th May, 2006

B. Shiva
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 7

Approval of the members of the Company was obtained to create security on the Company's fixed assets in favour of its lenders under Section 293(1) (a) of the Companies Act, 1956 upto a limit of Rs.500 crore in the Annual General Meeting held on 31.07.2003. On the Company deciding to implement expansion/ growth activities, it would become necessary for the Company to borrow from lenders. Security on the fixed assets of the Company in favour of the lenders would have to be created. It is therefore proposed to obtain members approval U/s 293 (1) (a) of the Companies Act, 1956, authorizing the Board to create security on its fixed assets upto a limit of Rs.1000 crore in favour of its lenders. The resolution is proposed accordingly.

None of the Directors of the Company is in any way concerned or interested in the resolution.

ITEM NO. 8

Pursuant to Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid-up share capital of the Company and its free reserves at any one time except with the consent of the shareholders of the Company in a General Meeting. At the Extra Ordinary General Meeting of the Company held on the 06.02.2002, consent of the members was obtained for the Directors to borrow up to a maximum amount of Rs.500 crore, irrespective of the fact that such amount together with the moneys already borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) exceeded the aggregate of the paid-up capital and free reserves of the Company as on that date. With the Company focusing on expansion/ growth, there would arise a need to borrow in excess of the aforesaid limit. The resolution seeking members approval authorizing the Board of Directors to borrow upto a limit of Rs.1000 crore is proposed accordingly.

None of the Directors of the Company is in any way concerned or interested in the resolution.

By Order of the Board
For Graphite India Limited

Kolkata
16th May, 2006

B. Shiva
Company Secretary

DIRECTORS' REPORT

The Directors have pleasure in presenting their Thirty First Annual Report together with the audited statement of accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

	Rs. In lakh	
	2005-06	2004-05
Sales / Income from Operations	64940.38	54596.86
Profit for the year after charging all expenses but before providing interest, depreciation and tax	12875.33	9432.37
Less : Interest	2000.96	1063.43
Profit before depreciation and tax	10874.37	8368.94
Less : Depreciation	2476.29	2068.71
Profit before taxation	8398.08	6300.23
Less : Provision for taxation	2103.23	1500.00
Profit for the year	6294.85	4800.23
Add : Balance brought forward from the previous year	3363.03	3527.28
Transfer from Investment Allowance (utilised) Reserve	—	168.00
	9657.88	8495.51
Which has been appropriated as under :		
Transfer to Debenture Redemption Reserve	2409.80	625.00
Proposed Dividend on -		
Equity Shares	1762.75	1322.06
Dividend Tax	247.22	185.42
Transfer to General Reserve	3000.00	3000.00
Balance carried forward	2238.11	3363.03
	9657.88	8495.51

BUSINESS REVIEW

World economy was buoyant in 2005 and grew at a rate of 3.1%. Global Trade Growth was in the region of 7.3%. Despite steep increases in oil prices and some natural calamities, inflation and price levels were relatively stable indicating a robust world economy. GDP growth was consistent in the major trading economies of the world.

The Indian economy is projected to register a GDP growth of 12.5% (at current prices) and 8.1% (at 1999-00 prices) during the year under review. Robust growth in the manufacturing sector (9.01%) and continued buoyancy in the services sector (9.8%) bolstered the overall GDP growth. India leads the world as numero uno in IT and ITeS in the services sector, though China is rapidly catching up as the close second. Indian auto-components industry is rapidly

achieving global competitiveness both in terms of cost and quality. Several overseas acquisitions by Indian companies in India and abroad has positioned India as a major force to reckon with and an emerging leader in the process of global consolidation in several core sector industries.

In this buoyant economic backdrop, your Company too surged ahead and surpassed previous records. The year was good for the Company in many respects. Expansion of Durgapur Plant to 34,000 MT of Graphite Electrodes became fully operational during the fourth quarter of the financial year. The Hon. Chief Minister of West Bengal, Mr Buddhadeb Bhattacharya, inaugurated the state of the art new module of 20,000 MT on 12 January 2006 at our Durgapur Plant. This is a crowning landmark event in the 40-year history of GIL.

In Nashik, the new module of Graphite Tube Production Line facility, and Flexible graphite continuous roll production line, were commissioned. These initiatives will augment the sales of speciality products over the next 3 years. Further, major capital investment is planned in Graphite Products, Impervious Graphite Equipment and GRP Divisions as an integral part of upgrading production technologies as well as towards augmenting production capacities in order to meet the growing demand in most of our product lines.

The Company raised USD 40 Million by way of Foreign Currency Convertible Bonds at a competitive YTM of 5% for a five-year maturity.

All units have surpassed their previous production figures. This year recorded a hatrick of sorts, being the third year in succession of buoyant worldwide steel demand and prices. Consequently, sales both in quantity and value terms were higher. As a result of well planned projects, significant operational cost saving was achieved in graphite products. The German operations led by Graphite Cova GmbH have turned out positive growth for the first full year of operation and is now on the consolidation phase. Adequate and timely availability of all input materials was ensured at all the three plants.

However the year had its share of problems too. The rising prices of raw materials and power did impact the profitability of the Company.

Your Management is focused on enhancing shareholder value. To contain the cost of power and sharpen its competitive edge, the Company has proposed to make further investment in the power sector.

DIVIDEND

The Directors are pleased to recommend the payment of dividend @ 60% on 293,79,245 Equity Shares of Rs. 10 each for the financial year ended March 31, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(i) Industry's structure and developments

A. GRAPHITE ELECTRODE BUSINESS

Graphite Electrode is used in electric arc furnace (EAF) based steel industry for conducting current and is a consumable item for the steel industry. The estimated world capacity for manufacture of Electrode is over 1.0 Million M.T. The principal manufacturers are based in USA, South America, Europe, Japan, India and China.

The global demand for graphite electrodes, estimated at 1.02 million tonnes in 2001, is set to increase to 1.34 million tonnes by 2010. On the supply side, the present global capacity of graphite electrodes is estimated to be around 1 million tonnes. Against this backdrop the Company's decision to upgrade and augment its capacity augurs well.

The past year marked the third year in succession of buoyant global steel demand and prices. The steel industry witnessed major acquisitions and consolidation across continents on the expectation of continued demand buoyancy. The Indian economy stayed on track with brisk industrial growth in major steel consuming sectors like automobile and consumer durables. Following recent developments of signing several MOUs for huge investment plans by global steel majors in India, it is believed that the steel industry in India will continue to maintain its robust growth trajectory in the near to medium term. Steel capacity in India is expected to double in the next 4 to 5 years.

The DEPB-rate was further reduced during the financial year to 6% from 11% effective 26 May 2005. This huge reduction in the DEPB rate is most debilitating since it is not accompanied by a proportionate reduction in the plethora of taxes imposed on the exporting industries, and is a glaring contradiction to the governments frequently stated policy that 'taxes are not to be exported'.

The imposition of countervailing duties by the European Commission (effective 13 September 2004) exclusively on Electrodes originating from India continues without respite. Appeal against this Regulation filed in the Court of European Communities, has not yet come up for hearing.

In spite of these odds, the Indian Graphite Electrode industry has improved its export performance (outside Europe) and enhanced its competitiveness by several measures, principal ones being technology upgradation and expansion of installed capacity towards achieving economies of scale and reinforcing its cutting edge competitive cost structure and world class quality products.

Expansion of capacity

The expansion module of 20,000 MT of Graphite Electrodes with the state-of-the-art technology was fully commissioned in the fourth quarter of financial year, and as a result of this the production capacity of Durgapur Plant has risen to 34,000 MT from 14,000 MT.

This facility will play a crucial role in raising the export thrust for the larger diameter electrodes.

The Company has also taken up a programme for augmenting Baking / Impregnation / Re-baking facility and Machine Shop facilities at its Graphite Electrode Plant at Satpur, Nashik.

Overseas Operations

The Company can justifiably look back with satisfaction on its strategic acquisition of August 2004, when the Company bought over the assets of the erstwhile Conradty group of companies, relating to production of graphite electrodes, coating of electrodes and speciality business units in Germany. The progress made in turning around this insolvent outfit has been truly remarkable and swift. The German operations have stabilized and are now on an expansion mode towards enhancing its capacity and productivity. This investment will not only help the Company to maintain and enhance its strong presence in the lucrative European markets; but shall also accrue significant benefits arising from the synergetic support systems, logistics and technological advancement at the international plane.

Coke Division

The Coke Division in Barauni, engaged in the manufacture of Calcined Petroleum Coke (CPC), Electrode Paste and Tamping Paste is one of the backward integration initiatives of the Company. Two grades of CPC - aluminium and graphite - are produced here. CPC is a raw material used in the manufacture of regular and high power grade Graphite Electrodes. This is also a critical raw material for fine grained high density mold stock used in speciality graphite products and Impervious Graphite Equipment. Electrode Paste is used in ferro alloy smelters and Tamping Paste is used as a lining material in steel and aluminium smelters.

Production of CPC was adversely impacted by severe restrictions in supply of RPC. Despite this, both CPC and Paste sales have shown marginal increase in a very competitive market environment. With the anticipated shortage of raw materials, the situation will remain challenging in the short term. Import of RPC and CPC is under consideration to overcome the availability constraints.

B. GRAPHITE EQUIPMENT BUSINESS

The Impervious Graphite Equipment (IGE) Division is engaged in manufacturing and marketing of heat exchangers, ejectors, pumps and turnkey plants at its Nashik Works. The Graphite Equipment has wide application in corrosive chemicals industries such as pharmaceutical, agro-chemical, chloro alkali and fertilizer industries. The Company supplied about 70% of the total domestic requirement. At the global level, there are about 4 to 5 suppliers and the Company is poised well to enhance its global market share by direct supply to its prospective customers as an OEM through technical visits, detailed engineering and design of large capacity heat exchangers and also by participating in industrial exhibitions and increasing its net work of qualified agents.

The gross sales turnover of 2005-06 increased by 43% y-o-y. Commensurate with the anticipated growth in market demand, it is planned to significantly increase the production capacity of this Division.

C. NON-GRAPHITE BUSINESS (GRP- P&T)

Glass Reinforced Plastic (GRP) Pipes and Tanks Division is engaged in manufacturing and marketing of GRP Pipes and Tanks. The Company converts users of conventional pipes to GRP through intelligent marketing, superior product quality, competitive pricing and value-added services. The entry of private sector in retailing of India's petroleum products has greatly enhanced the opportunities for GRP Tanks. The Company is confident of a good growth for its GRP division.

Sales during the current Financial Year registered a growth of 43% in quantity and 15% in value terms over 2004-05.

With the growing acceptance of GRP pipes as an eminently more efficient alternative medium of construction, several state Water Boards, Sewage Boards as also the Industrial Development Corporations have included GRP in all their tenders. As a result, the demand for GRP pipes has grown substantially in the last 2 years. The trend of growth is expected to clearly accelerate in the coming years. Likewise, the fiberglass tank business is also growing. In addition, many of the captive power plants - particularly hydel based - located in remote areas, have found GRP to be a preferred option for use in the penstock pipes to convey water from the point of origin up to the turbine. The cumulative effect of these developments has positioned the gross industry demand for pipes and tanks at a phenomenal level of over Rs.1000 Crore over the next 3 years.

As on 31 March 2006 our order book was over Rs.75 Crore. The Company is exploring the viability of establishing additional capacity to meet the growing demand. Along with the investment in a new line, additional capital outlay is envisaged for infrastructure facilities required in the plant to cope with more than double the current level of production capacity. The working capital requirements will increase significantly as receivables take a longer time to come in since the payment is linked to defined stages of project progress at site and the system of approvals by government agencies have to be processed through several hierarchical levels of clearances before the cheque is issued.

D. POWER

Power is a major input in the manufacturing of Graphite Electrode. As part of its cost reduction initiatives, besides ensuring adequate availability of quality power; the Company has made significant investment in this segment.

The Company has an installed capacity of 33 MW of power generation through Hydel and Multi-fuel routes and has also invested in an exclusive transmission line to get the benefit of low cost power in one of its plants. In the medium term, the Company has plans to increase its competitive edge through further investments in conventional and non-conventional routes of power generation.

The total generation of power has also marginally increased as compared to the previous year by virtue of good monsoon rains. Generation from the 6MW DG set at Bangalore was curtailed as a planned measure in order to consume the accumulated energy units banked by CCKT (Chunchanakatte Hydel Power Plant of 18 MW capacity), before expiry of the water year in May 2006. Power sale during the period under review was 3.15 MU from link canal generation to KPTCL.

The Company is exploring major investment in power sector to enhance its competitive edge.

Summing up, the Company's goal is to achieve major cost reductions in all its product groups, invest efficiently to be among the best in technology, benchmark its product quality and process capability with the best in the industry so as to stay at the top of the pack and be well equipped to meet the increasingly demanding requirement of its customers in all its product divisions.

(ii) Opportunities and threats

The Management stays focussed in its growth plans. The Company's priorities will continue to remain in Graphite and Graphite Products and drive its future growth. Graphite Electrodes, an essential consumable in electric arc furnaces, constitute a major portion of our revenue. High density, fine grain Synthetic Graphite with its inherent strengths of distinctive physical and chemical properties, has found widespread use in several industries. Such characteristics as good electrical conductivity, chemical inertness, high strength at high temperatures and fine finish machinability, has ranked it as the chosen material of construction (MOC) in diverse fields, such as metallurgical applications, chemical industries for machinery and apparatus, engineering and other uses such as ceramic applications, electrical/electronic and communications engineering, heavy current engineering, nuclear applications, aerospace applications, etc. The manufacturing facilities of the Company are so designed to provide easy flexibility in transiting seamlessly from one product group to another depending upon changing market requirements.

The Company will endeavour to turn out more products with graphite as the base material of construction and this would enable it to improve its profitability. The GRP Pipes and Tanks division has also shown good potential for significant growth.

Many of the multinationals are moving their manufacturing bases to Asia. Keen interest is evinced in China to obtain cost competitiveness.

However, the Company is equipped and geared to face these usual business challenges and is confident of achieving its business goals.

The management remains focused on the key areas of cost effectiveness, excellence in product quality and customer service, operational productivity and efficiency.

(iii) Segment-wise Performance

TOTAL SALES OF THE COMPANY

The Company achieved a new record turnover of Rs.62,101 Lakh during the year under review as against Rs.51,432 Lakh in the previous year representing an increase of 21%.

All product Divisions of the Company recorded increased turnover.

Aggregate Export Sales of all divisions were Rs.34,681 Lakh during the year under review as against Rs.27,319 Lakh in the previous year.

(a) Graphite and Carbon Division

Production of Graphite Electrodes, Anodes and Other Miscellaneous Carbon and Graphite Products during the year under review was 59,022 M T against 48,155 M T in the previous year.

Production of Calcined Petroleum Coke during the year was 30,678 MT as against 33,024 MT in the previous year.

(b) Power Division

Generation from hydel power plant – 18 MW at Chunchanakatte (CCKT) in the State of Karnataka – was quite good due to a favourable monsoon.

Total power generated was 147 million units from Hydel Power Plants and Multi Fuel Power Generating Sets during the period under review, as against 138 million units in the previous year, registering a growth of 7% year-on-year.

(c) Others

Production in the Impervious Graphite Equipment (IGE) Division and spares at 520 MT was higher as compared to that of 386 MT in the previous year.

Pharmaceuticals, chloro-alkali industries, organic chloride and fertilizer industries are doing well in the domestic market and continued buoyancy is expected in the years to come.

The Glass Reinforced Plastic Pipes (GRP) Division produced 2844 MT as against 2,257 MT in the previous year. This Division has improved its production by 46% year-on-year. However due to a combination of factors like product mix and realization per MT, the sales turnover has gone up by 18% only on y-o-y.

(iv) Outlook

The International Monetary Fund (IMF) has forecasted that the GDP of world economy is expected to accelerate in 2006, despite the setbacks caused by recent natural disasters and fears over the surging price of crude. In its latest analysis of global growth, the IMF forecast that the world economy would grow by 4.9% this year.

Recent macroeconomic trends reflect that economic growth (GDP) in India is reaching sustainable levels. Consumption-led-growth balanced by a strong contribution from investment is a sure sign of recovery in the economy. Industrial production remained healthy with the index for industrial production growing at 8.3% in January 2006.

This projection coupled with the accelerated growth trend of the steel industry augurs well for the Company.

The export market for mold stock is vibrant. The market sentiment for speciality products in the domestic and export markets is positive. Major customers in the domestic market are conducting trial runs with Flexible Graphite Rolls and it is expected that its average sales would reach optimum level in the current year.

In the background of this general economic upturn and in conjunction with the other expansion activities undertaken by the Company along with planned measures towards quality improvement, cost reduction and higher plant productivity, the Company is optimistic and looks forward to higher growth in the future.

(v) Risks and Concerns

It is undeniable that business projections have an inherent element of uncertainty of unknown factors like sudden reversal of positive trends leading to economic slowdown resulting in negative growth in steel, automotive and infrastructure industries which will adversely impact prospects of our industry. Declining prices will affect operating margins.

Disproportionate increase in taxes and other levies imposed by State Governments from time to time, especially on essential inputs, increase the cost of manufacture and reduces the margin of profitability.

Any economic slowdown can adversely impact the demand-supply dynamics and profitability and our Company too is vulnerable to these changes.

Main input raw materials for the manufacture of Graphite Products being petroleum based, rising oil price leading to increased Needle Coke price is a matter of concern, and so too is the reducing availability of Needle Coke.

However, the Company's operations have historically shown robust resilience to such fluctuations in demand. When the domestic demand was flat and even negative, the Company was well prepared to focus on exports, and retain its eminent status as a steady player over several years. This is a testimony to the Company's ability to weather any storm, and stay afloat and swim ashore.

With the global majors, setting up manufacturing capacities in India in Impervious Graphite Equipment and GRP Pipes and Tanks segments, the competition is certainly heating up in the domestic market and is sure to intensify in the coming years. The Company is geared to meet these business challenges.

(vi) Internal control systems and their adequacy

The Company has proper and adequate system of internal controls. Internal audit is conducted by outside auditing firms at all locations of the Company. The Internal audit reports are reviewed by the top management and adequate remedial measures taken and in time.

(vii) Discussion on financial performance with respect to operational performance

On the back of increased economic activity in both developed economies and developing economies, reflecting an upturn in global output and further supported by increased commodity prices, the Company's gross turnover registered a 20% growth y-o-y. The favourable environment in user industries encouraged establishment of additional facilities and close to 100% utilization of existing capacities. All these factors have collectively resulted in the Company posting ever best results.

On the negative side was the continuous increase in crude oil prices and its adverse impact on all aspects of our operations. This scenario triggered the process of increasing the imbalance between the demand vs capacity equation for Needle Coke supplies and its natural effect of rapidly pushing up the price of needle coke to unprecedented levels. The net effect of these two factors is a huge increase in needle coke prices.

On a year-on-year comparison, the profitability during the current year was adversely impacted by the reduction of DEPB rate in the current year in place of 11% in the previous year.

Despite these adverse factors, the increased operating profit was achieved by higher realization per MT, higher volume and the on going cost saving measures.

Income from Operations amounted to Rs.64,940 lakh as against Rs. 54,597 Lakh in the previous year.

Borrowing at Rs.52,493 lakh was higher than Rs.25,867 lakh in the previous year, mainly due to the expansion of Durgapur Plant which was completed during the year.

Capital expenditure in plant and equipment including overseas subsidiaries amounted to Rs.120 Crore approximately.

The rise in Interest cost is due to higher level of borrowings mainly for Durgapur expansion; besides increased borrowings for working capital and rise in interest rate. The company is engaged in liability management transactions and had entered into other structured derivative arrangements such as interest rate and currency swaps.

The Company's long-term debt rating has been reaffirmed as 'LAA-' (pronounced L double A minus) by ICRA. This rating indicates High Safety. The short-term debt programme rating has been reaffirmed as 'A1+' (pronounced A One plus). This rating indicates Highest Safety. For Fixed Deposits, ICRA reaffirmed 'MAA' (pronounced M double A) which indicates High Safety.

The Company's Return on Capital Employed (ROCE) has shown an improvement over the last three years reflecting efficient capital management by gradual capacity expansions, through new capacity investments and de-bottlenecking initiatives. ROCE has also turned favourable by contribution to assets through internal accruals, rather than by increased long term borrowings.

The Company is also exploring avenues to unlock the value bottled up in its dormant assets and utilize the proceeds to meet its future expansion plans.

All commitments relating to repayment of Loan installments were honoured in time.

The Company is a net foreign exchange earner.

(viii) Material developments in human resources/ industrial relations front, including number of people employed

In keeping with the commitment of continuously improving its HRD policy as well as evolving Succession Planning, the Company is in the process of finalizing a 'Career Advancement Scheme' founded on a 'Competency based performance management' system, and duly supported by attendant sub-systems including need based training and skills development programs. This will help in maximizing the effectiveness and efficiency levels of officers to be at par with global standards as also in economising on overall costs.

Towards integrating IT into the Company's systems and procedures, SAP has already been implemented in all the plants and has gone alive in most modules, except the modules for PP, QA and Costing in the Electrode Plants which will be implemented in the second phase. Recruitment for SAP has been completed and the operating personnel, as identified from within have been fully trained.

The total number of people employed in the organization was 2651 as on 31 March 2006. Employee relations are good and cordial at all locations of the Company. The Board wishes to place on record its appreciation of the contribution made by all employees in ensuring high levels of performance and growth.

Cautionary Note

Certain statements in the 'Management Discussion and Analysis' section may be more optimistic, and as perceived in the present situation and are stated as required by relevant prescriptions. Many factors may affect the actual results, which could be different from what the Directors' contemplated in respect of future performance and outlook.

Additional Disclosures

In line with the requirements of the Listing Agreements and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in respect of consolidated financial statements, related party transactions and segmental reporting.

Research & Development

New investments in the form of technology and equipments were made in R&D to reinforce and expand its research in the area of Carbon - Carbon composites, which heralds the Company's entry into a potential growth area of carbon technology

New thrust was given to the existing technologies in the form of trials at customer's end to introduce new products.

Fixed Deposits

The Company has not accepted / renewed any fixed deposits during the past two years.

Deposits amounting to Rs. 1.20 lakh (previous year Rs.1.64 lakh) due for repayment remained unclaimed.

Subsidiary Companies

Carbon Finance Limited is an Indian Subsidiary. Graphite International BV in The Netherlands and Carbon International Holdings NV in Netherlands Antilles are the overseas subsidiaries of the Company.

The Overseas subsidiaries clocked a turnover of Euro 36.42 mn as compared with Euro 13.77 mn in the previous period, i.e. 13 August 2004 to 31 March 2005. The profit before tax of these overseas subsidiaries was Euro 2.81 mn (equivalent to Rs.1513 lakh) and profit after tax was Euro 1.79 mn (equivalent to Rs. 964 lakh). As against this, the net profit reflected in the consolidated financial statement was lower due to elimination of profit on inter-company transactions and exchange rate adjustments.

The Company earned Rs.186 lakh by way of Royalty and Rs.54 lakh by way of Dividend from overseas subsidiaries.

During the year, the Company contributed an additional Euro 4 mn to the share capital of Graphite International BV to fund the increased manufacturing activities of its subsidiary.

The Company has obtained exemption from the provisions of Section 212(1) of the Companies Act, 1956 relating to the attachment of the accounts, reports, etc. of its subsidiaries to its Accounts. The same would be made available to the Company's investors on request. The annual report and accounts of the subsidiary companies will be kept for inspection at the Company's registered office along with that of the subsidiary companies.

The Consolidated financial statement of the Company along with those of its subsidiaries prepared as per AS-21 forms part of the Annual Report.

Information pursuant to Section 217 of the Companies Act, 1956

Information in accordance with clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2006 are given in Annexure 'A'.

Particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the year ended 31st March, 2006 are given in Annexure 'B'.

DIRECTORS

Mr Angar Gilbu resigned as director of the Company with effect from 20th March 2006. The Directors placed on record their deep appreciation of the services rendered by Mr Gilbu during his tenure as a director of the Company.

Mr N S Damani, Mr K K Bangur and Dr R Srinivasan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Recognition/Award

The company received for the second year in a row, the Top Exporter Award (in the Graphite Electrodes panel) for its export performance during 2004-05 from the Government of India.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors state -

1. that in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
2. that 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 as at March 31, 2006 and of the profit of the Company for the year ended March 31, 2006.
3. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that they have prepared the annual accounts on a going concern basis.

Corporate Governance Report

A Report on Corporate Governance along with a Certificate of Compliance from the Auditors forms part of this Report.

Auditors

Price Waterhouse, Chartered Accountants, Auditors of the Company retire and are eligible for re-appointment.

Acknowledgement

Your directors place on record their appreciation of the assistance and support extended by all government authorities, financial institutions, banks, consultants, solicitors and shareholders of the Company. The directors express their appreciation of the dedicated and sincere services rendered by employees of the Company.

On behalf of the Board

Kolkata
Date : 16th May, 2006

K. K. Bangur
Chairman

ANNEXURE to the Directors' Report

ANNEXURE - A

Particulars pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report.

	Graphite Electrode Division	Impervious Graphite Equipment Division	Glass Reinforced Plastic Pipe Division
A CONSERVATION OF ENERGY			
a) Energy Conservation measures taken	<ol style="list-style-type: none"> 1) Use of fuel additives 2) New high capacity energy efficient Furnaces 3) Improvement in Power factor 4) Use of low cost fuel 5) Waste recovery from hot lube oil in captive power plant 	<ol style="list-style-type: none"> 1) Installation of smaller Cranes to optimize the overall utilization of installed crane capacity 	<ol style="list-style-type: none"> 1) Modification in the Resin Plant to improve productivity and energy consumption 2) Rationalising pipe line specifications to optimize transfer time and save energy
b) Additional measures proposed to be taken	<ol style="list-style-type: none"> 1) Use of new types of fuel additives 2) Rationalisation of capacities in green shop to optimize the gross capacity 3) Improvement in power factor 	—	Investment in factory services like Compressor, DG Set, etc. towards reducing the energy cost and improve the equipment life
c) Impact of measures of (a) & (b) above-	Reduction in specific energy consumption/cost of production	Reduction in the cost of production	Increased production rate and reduced power consumption.
B. TECHNOLOGY ABSORPTION			
a) Research and Development Specific area in which R & D was carried out	<ol style="list-style-type: none"> 1) Successful production of Carbon Composites. 2) Development of new Speciality Products. 3) Successful modification in equipment design to improve fuel consumption and energy efficiency 	—	—
Benefits Derived	<ol style="list-style-type: none"> 1) Quality Improvement 2) Improved process yields 3) Cost reduction 	—	—
Future plan of action	To bring down cost of production by introducing better techniques and processes.	—	—
Recurring Expenditure in R & D	Rs. 65.00 lakh	—	—
R& D Expenditure as Percentage of total turnover	0.10%	—	—

	Graphite Electrode Division	Impervious Graphite Equipment Division	Glass Reinforced Plastic Pipe Division
b) Technology Absorption, Adaptation and Innovation			
Efforts made	1) Continuous roll production for flexible graphite sheets is successfully commissioned	CNC Drilling Machine for improving productivity	Introduction of pneumatic tools instead of electric tools to save energy and improve productivity
	2) Manufacturing long graphite tubes		
	3) Electronically operated Cranes equipped with material handling system installed in Furnace Hall		
	4) Multi column electrode loading system installed in Furnace Hall		
Benefits	1) Expansion of product range in Graphite Speciality business	Improved quality of blocks and productivity.	Improvement in production and savings in cost.
	2) Better environment friendly operating systems for Furnaces.		
Technology Imported during the last five years	NIL	NIL	NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Rs. in lakh
Earnings	32964
Outgo	16430

By Order of the Board

Kolkata,
May 16, 2006

K. K. Bangur
Chairman

ANNEXURE - B

STATEMENT 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, 2006

Sr. No.	Name of the Employee	Age	Designation/ Nature of Duties	Remuneration/ Salary Rs. in Lakh	Qualification	Date of commencement of Employment / Total Experience (Years)		Previous Employment
1.	Mr N Venkataramani	60	Executive Director	53.47	B.Sc., B.E., M.Tech	14.06.2001	35	GKW Limited

Notes : 1. Remuneration has been calculated on the basis of Section 198 of the Companies Act, 1956.
2. The employment is contractual in nature.
3. The above employee is not related to any Director of the Company.

On behalf of the Board

Kolkata
May 16, 2006

K. K. Bangur
Chairman

Report on CORPORATE GOVERNANCE

I. Corporate Governance Philosophy

The Company believes that the governance process must aim at managing the affairs without undue restraints for efficient conduct of its business, so as to meet the aspirations of shareholders, employees and society at large.

II. Board of Directors

Composition, category, other directorships, other Committee Positions held as on 31st March, 2006

The strength of the Board of Directors as on 31st March, 2006 was ten comprising the non-executive Chairman (promoter director), eight non-executive independent directors (of whom one is a nominee director), and one Executive Director.

Name	Category	Directorships in other Public Limited Companies incorporated in India	Other# Committee ^ As Chairman	As Member (including Chairmanship)
K K Bangur	Chairman, Non-Executive	8	—	—
N S Damani	NED *	4	—	—
A V Lodha	NED *	3	—	1
Dr. R Srinivasan	NED *	7	3	7
Bhaskar Mitter	NED *	5	2	5
P K Khaitan	NED *	12	—	3
Sanjiv Goenka	NED *	12	2	4
D J Balaji Rao	NED *	7	4	10
B B Das	LIC Nominee *	—	—	—
N Venkataramani	Executive Director	1	—	—

* also independent.

excluding private companies, foreign companies and companies under Section 25 of the Companies Act, 1956.

^ only the two Committees, viz. the Audit and the Shareholders' Grievances Committee are considered

NED – Non-Executive Director

Attendance of the Directors at the Board Meetings and at the last AGM

Five meetings of the Board of Directors were held during the year on 16th May, 2005, 28th July, 2005, 26th August, 2005, 28th October, 2005 and 27th January, 2006. The information to be made available to the Board as per Annexure I-A forming part of Clause 49 of the Listing Agreement has been complied with. The Board periodically has reviewed compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances.

Attendance Record

Names of Directors	Number of Board Meetings during April 2005 to March 2006		Attended last Annual General Meeting (AGM) held on 28th July, 2005
	Held	Attended	
K K Bangur	5	5	Yes
N S Damani	5	2	No
A V Lodha	5	5	Yes
Dr. R Srinivasan	5	2	No
Bhaskar Mitter	5	5	Yes
P. K. Khaitan	5	3	Yes
Sanjiv Goenka	5	3	No
Agnar Gilbu *	5	None	No
D J Balaji Rao	5	4	No
B B Das	5	5	Yes
N Venkataramani	5	5	Yes

* resigned as director w.e.f. 20th March, 2006

Code of Conduct

The Board has laid a Code of Conduct (Code) for all Board Members and Senior Management of the Company. The Code has been posted on the website of the Company. All Board Members and Senior Management personnel have affirmed compliance of the Code.

III. Audit Committee

Composition & Scope of Activity

The Audit Committee of the Company comprises Mr. A. V. Lodha as its Chairman with Mr. Bhaskar Mitter and Dr. R. Srinivasan as its members.

The terms of reference of the Audit Committee include the powers as laid down in Clause 49 II (C) of the Listing Agreement and the role as stipulated in the Clause 49 II (D) of the Listing Agreement of the Company with the Stock Exchanges. The scope of activity of the Committee is also in consonance with the provisions of Section 292A of the Companies Act, 1956.

Committee Meetings held and attendance during the year

Four meetings of the Audit Committee were held during the year on 16th May, 2005, 27th July, 2005, 28th October, 2005 and 27th January, 2006

Name	Position in the Audit Committee	Meetings	
		Held	Attended
Mr. A. V. Lodha	Chairman	4	4
Mr Bhaskar Mitter	Member	4	4
Dr R Srinivasan	Member	4	2

All members of the Audit Committee are non-executive independent directors who are financially literate and persons of repute and erudition. Mr. A. V. Lodha and Dr R Srinivasan are experts in finance and accounting.

The Executive Director and Sr. Vice President (Finance) remained present at all meetings of the Audit Committee.

The Audit Committee invites, as and when it considers appropriate, the statutory auditors and the internal auditors to be present at the meetings of the Committee.

An Audit Committee meeting was held on 16th May, 2005 to review and approve the draft annual accounts of 2004-2005 for recommendation to the Board. The Audit Committee had also reviewed the unaudited quarterly results during the year before recommending the same to the Board of Directors for adoption and required publication.

The Company Secretary is the Secretary to the Audit Committee.

The Chairman of the Audit Committee, Mr. A V Lodha attended the last Annual General Meeting (AGM) held on 28th July, 2005.

IV. Remuneration to Directors

The "Remuneration Committee" comprises Mr.P.K.Khaitan as its Chairman with Mr. A V Lodha and Dr. R Srinivasan as its members. The Committee is authorised to decide on the remuneration package for executive director/s, including annual increment, pension rights, compensation payment, if any. The Committee met once on 16th May, 2005 during the year which was attended by all the 3 members.

Policy : Remuneration to non-executive directors is decided by the Board as authorised by the Articles of Association of the Company and are within the limits set out in Section 309 and 198 of the Companies Act, 1956. The members of the Company have in their meeting held on 27.08.2002 authorised the Board of Directors of the Company to pay commission to non-executive directors within the limits set out in Section 309 (4) of the Companies Act, 1956 for a period of five years w.e.f.1st April, 2002. The Board of Directors of the Company determine the commission payable to non-executive directors depending upon the time and effort devoted by a director in the business affairs of the Company.

Fees to non-executive directors for attending Board Meetings are within limits prescribed by the Central Government. No Stock Options have been granted to any non-executive director.

The remuneration of Executive Director is approved by a resolution of the members in the General Meeting.

Details of Remuneration paid/payable during the year by the Company and directors shareholdings (in individual capacity)

Name	Salary	Contribution to Provident and Other Funds	Other Benefits	Commission*	Sitting Fees *	No. of Shares held as on 31st March, 2006 *
	Rs.	Rs.	Rs.	Rs.	Rs.	
K K Bangur	—	—	—	70,00,000	1,20,000	23,410
N S Damani	—	—	—	1,50,000	20,000	—
A V Lodha	—	—	—	2,00,000	1,10,000	—
Dr R Srinivasan	—	—	—	2,00,000	50,000	100
Bhaskar Mitter	—	—	—	2,00,000	1,40,000	—
P K Khaitan	—	—	—	1,50,000	50,000	—
Sanjiv Goenka	—	—	—	1,50,000	30,000	—
Agnar Gilbu	—	—	—	—	—	—
D J Balaji Rao	—	—	—	1,50,000	40,000	—
B B Das	—	—	—	1,50,000	50,000	—
N Venkataramani	12,00,000	4,24,000	12,22,586	25,00,000	—	NA

* Other than above there is no other pecuniary relationship or transactions with any of the non-executive directors.

None of the Directors hold 1% Convertible Bonds, the only convertible instruments issued by the Company.

Contract period of Mr N Venkataramani, Executive Director: Five years from the date of appointment with effect from October 19, 2001 with a notice period of three months from either side.

Severance Fees	NIL
Stock Option	NIL

V. Shareholders Committee

The Shareholders/Investors Grievances Committee looks into the redressal of shareholders and investors grievances relating to transfer of shares, non-receipt of declared dividend, non-receipt of balance sheet, etc. The Committee comprises - Mr. K. K. Bangur as its Chairman with Mr. Bhaskar Mitter and Mr. N. Venkataramani as its members.

Mr B Shiva, the Company Secretary is the Compliance Officer.

During the year, 35 complaints were received from the shareholders, all of which were attended to. The details of shareholders/investors grievances are placed before the Shareholders' Grievances Committee. Four meetings of the Committee were held during the year.

The Company has delegated the power of share transfers to the Company Secretary, Mr. B Shiva, vide Board Resolution dated 17th January, 2001. The share transfers are approved by the Company Secretary, the details of which are noted by the Board.

VI. General Body Meetings

i. Details of last three Annual General Meetings (AGM)

AGM	Year	Venue	Date	Time
30th	2004-2005	Gorky Sadan, 3, Gorky Terrace, Kolkata 700 017	28.07.2005	10.00 a.m.
29th	2003 -2004	Kalakunj Auditorium (Sangit Kala Mandir Trust), 48, Shakespeare Sarani, Kolkata 700 017	27.07.2004	11.30 a.m.
28th	2002 -2003	Kalakunj Auditorium (Sangit Kala Mandir Trust), 48, Shakespeare Sarani, Kolkata 700 017	31.07.2003	10.00 a.m.

ii. Special Resolution passed in previous 3 AGMs

AGM	Details of Special Resolution passed
30th	None
29th	Delisting of equity shares from Calcutta Stock Exchange
28th	None

There was no special resolution passed last year through postal ballot

In the forthcoming AGM, there is no special resolution on the agenda that needs approval through postal ballot.

Resume and other information regarding the directors seeking reappointment as required by revised Clause 49 IV (G) (i) of the Listing Agreement has been given in the Notice of the Annual General Meeting annexed to this Annual Report.

VII. Disclosure

- A. There were no materially significant related party transactions that may have potential conflict with the interests of the Company at large.

However, the related party relationships and transactions as required under Accounting Standard (AS) 18 on Related Party Disclosures issued by the ICAI disclosed in Note No. 11 of Schedule 31 to the Accounts for the year ended 31st March, 2006 may be referred.

- B. In terms of Clause 49 (IV) (F) (ii) of the Listing Agreement, the senior management have disclosed to the Board that they have no personal interest in material, financial and commercial transactions of the Company, that may have a potential conflict with the interest of the Company at large.
- C. During the last three years, there were no strictures or penalties imposed by SEBI, Stock Exchanges or any statutory authorities for non-compliance of any matter related to the capital markets.
- D. (i) The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement.
- (ii) Non-Mandatory requirements
- a. The Company maintains a Chairman office at its expense.
 - b. Remuneration Committee has been constituted, as detailed in Section IV of this Report.
 - c. The audit report on the financial statements of the Company for the previous year has no qualifications.
 - d. Of the non-mandatory requirements as mentioned in Annexure ID of Clause 49 of the Listing Agreement, the Company has not adopted the following.
 - i. Term of independent directors
 - ii. Sending half yearly declaration of financial performance including summary of significant events in last 6 months to each household of shareholders.
 - iii. Training of Board members.
 - iv. Mechanism for evaluating non executive Board members.
 - v. Whistle Blower Policy.

VIII. Means of Communication

In compliance with the requirements of Clause 41 of the Listing Agreement, the Company regularly intimates unaudited quarterly results as well as audited financial results to the stock exchanges immediately after the same are approved by the Board. Further, coverage is given for the benefit of the shareholders and investors by publication of the financial results in the Business Standard and Aajkal.

The Company's results are displayed on the Website www.graphiteindia.com

The Company's quarterly results and shareholding pattern, have also been posted on the EDIFAR website of SEBI.

There were no presentations made to the Institutional Investors or to the Analysts.

The Management Discussion and Analysis Section setting out particulars in accordance with Clause 49 (IV) (F) of the Listing Agreement has been included in the Directors' Annual Report to the Shareholders.

IX. General Shareholder Information

AGM Date, Time and Venue	31st July, 2006 at 10.00 A.M. at Gorky Sadan, 3, Gorky Terrace, Kolkata 700 017
Financial Year	1st April to 31st March
Date of Book Closure	17th July, 2006 to 31st July, 2006 (both days inclusive)

Dividend Payment Date

By 29th August, 2006

Listing on Stock Exchanges

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

National Stock Exchange (NSE), Exchange Plaza, 5th Floor,
Bandra-Kurla Complex, Bandra (E), Mumbai 400 051

Delisting application was lodged on 27.08.04
with The Calcutta Stock Exchange Association Limited.
No reply has still been received inspite of reminders.

The Company has paid the listing fees for the period
April, 2006 to March, 2007 to BSE & NSE.

Stock Code

509488 on Bombay Stock Exchange Limited
GRAPHITE on National Stock Exchange
10013095 on Calcutta Stock Exchange

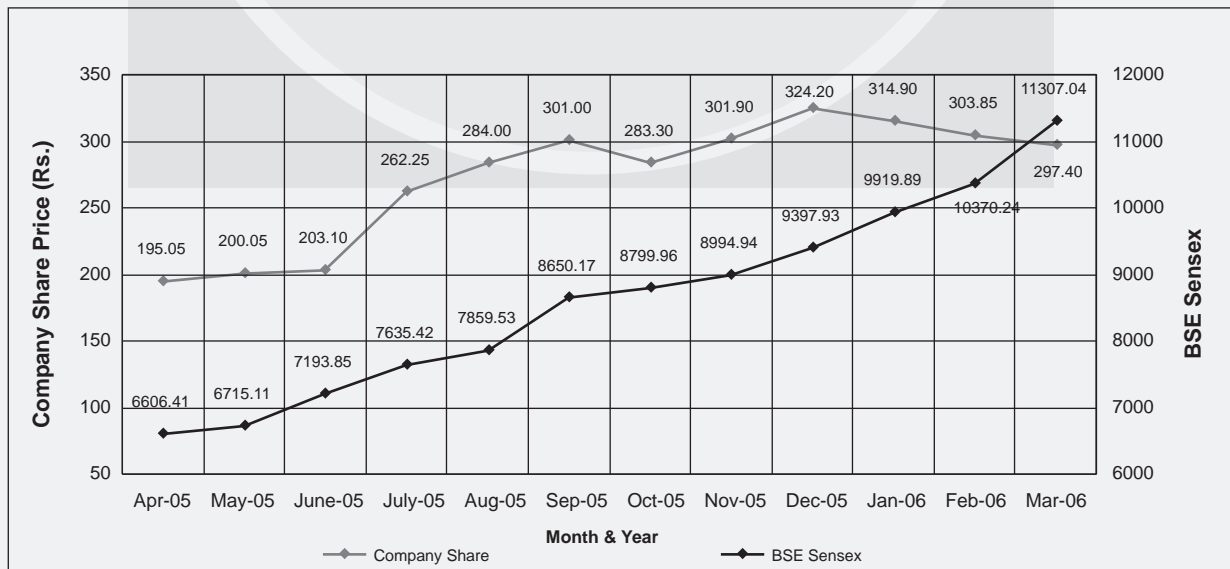
Demat ISIN Number for NSDL and CDSL

INE 371A01017

High, Low of market price of the Company's shares traded on The Stock Exchange, Mumbai during the year is furnished below:

Period	High	Low	Period	High	Low
	Rs	Rs		Rs	Rs
April, 2005	195.05	187.00	October, 2005	283.30	252.20
May, 2005	200.05	189.20	November, 2005	301.90	258.65
June, 2005	203.10	192.45	December, 2005	324.20	284.20
July, 2005	262.25	195.00	January, 2006	314.90	294.75
August, 2005	284.00	241.25	February, 2006	303.85	293.00
September, 2005	301.00	275.80	March, 2006	297.40	275.05

Stock Performance of the Company in comparison to BSE Sensex



Registrar and Share Transfer Agents
(For both Demat and Physical modes)

MCS Limited
Harmony, 1st Floor, Sector 1, Khanda, New Panvel (West)
Dist. Raigad Maharashtra 410 206
Phone : 022-27492003-10 Fax : 022-27492005
E-mail : mcsnum@vsnl.com

Share Transfer System

All the transfers received are processed by the Registrar and Transfer Agents and are approved by the Company Secretary, who has been authorised by the Board of Directors in this regard. Share Transfers are registered and returned within 30 days from the date of lodgment, if documents are complete in all respects.

Distribution of Shareholding as on 31st March, 2006

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
1 - 500	17339	94.99	1527150	5.20
501 - 1000	504	2.76	389305	1.32
1001-2000	173	0.95	255515	0.87
2001 - 3000	70	0.38	177807	0.61
3001 - 4000	25	0.14	88812	0.30
4001 - 5000	23	0.13	112073	0.38
5001 - 10000	29	0.16	212769	0.72
10001 - 30000	36	0.20	610225	2.08
30001 - 50000	6	0.03	254831	0.87
50001 - 100000	15	0.08	1059705	3.61
100001 and above	33	0.18	24691053	84.04
Total	18253	100.00	29379245	100.00
No. of shareholders in physical mode	10300	56.43	1212991	4.13
Electronic Mode	7953	43.57	28166254	95.87
Total	18253	100.00	29379245	100.00

Shareholding Pattern as on 31st March, 2006

Category	No. of Shares	%
Promoters' Holding		
Promoters		
Indian Promoters	15439661	52.55
Foreign Promoters	250000	0.85
Persons acting in concert	—	—
Sub-Total	15689661	53.40
Non-Promoters' Holding		
Institutional Investors		
Mutual Fund and UTI	1279595	4.35
Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions)	2179122	7.42
FII's	1292519	4.40
Sub-Total	4751236	16.17
Others		
Private Corporate Bodies	2489012	8.47
Indian Public	3213435	10.94
NRI/OCBs	436776	1.49
Any Other (Foreign Companies)	2799125	9.53
Sub-Total	8938348	30.43
Grand Total	29379245	100.00
Total Foreign Shareholding		
Foreign Promoters	250000	0.85
FII's	1292519	4.40
NRIs / OCBs	436776	1.49
Foreign Companies	2799125	9.53
Total	4778420	16.27

Dematerialisation of shares and liquidity

As on 31st March 2006, 28166254 shares of the Company representing 95.87% of the total shares are in dematerialised form.

As per agreements of the Company with NSDL and CDSL the investors have an option to dematerialize their shares with either of the depositories.

Outstanding GDRs / ADRs/ Warrants/ Convertible Instruments

The Company has issued 1% Convertible Bonds (Bonds) of USD 40 million on 19th October, 2005 due for redemption on 20th October, 2010. The Bonds are convertible at the option of the bondholders into equity shares, at any time on or after 29th November, 2005 till 13th October, 2010, unless previously redeemed, converted or purchased and cancelled. The aforesaid Bonds are outstanding as at 31st March, 2006.

The Company has not issued any GDRs / ADRs / Warrants nor any other convertible instruments.

Plant Locations

Graphite	P.O. Sagarbhanga Colony, Dist –Burdwan Durgapur 713211 Phone : (0343) 2556641 – 45 88 MIDC Industrial AreaSatpur, Nashik 422 007, Phone : (0253) 2351081-88 Visveswaraya Industrial Area, Whitefield Road, Bangalore 560 048 Phone : (080) 28524061 – 71
Coke	Phulwaria, Barauni 851 112, Phone : (06279) 232252
Impervious Graphite Equipment	C-7 Ambad Industrial Area, Nashik 422 010, Phone : (0253) 2302100
Glass Reinforced Pipes/ Tanks	Gut No. 523/524, Village Gonde, Taluka – Igatpuri, Nashik 422 403 Phone : (02553) 225038/225039
Power	Chunchanakatte, K R Nagar Taluk, Mysore 571 617, Phone : (0821) 323182/681116 Visveswaraya Industrial Area, Whitefield Road, Bangalore 560 048 Phone : (080) 28524061 – 71 88 MIDC Industrial AreaSatpur, Nashik 422 007, Phone : (0253) 2351081-88
R & D Centre	Visveswaraya Industrial Area, Whitefield Road, Bangalore 560 048 Phone : (080) 28524061 – 71
Sales Office	407 Ashoka Estate, 24 Barakhamba Road, New Delhi 110 001 Phone : (011) 23314364

Address for Correspondence

Bakhtawar, 2nd Floor Nariman Point Mumbai 400 021 Phone : (022) 22886418-21 Fax : (022) 22028833 E-Mail ID gilbakt@graphiteindia.com	31, Chowringhee Road Kolkata 700 016 Phone : (033) 22265755/2334/4942 Fax : (033) 22496420 E-Mail ID graphite@giascl01.vsnl.net.in	MCS Limited Harmony, 1st Floor, Sector 1, Khanda, New Panvel (West), Dist. Raigad Maharashtra 410 206 Phone: 022-27492003-10, Fax : 022-27492005 E-mail: mcsmum@vsnl.com
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On behalf of the Board

Kolkata
16th May, 2006

K. K. Bangur
Chairman

Declaration

All the Board Members and the Senior management Personnel have affirmed their compliance of the “Code of Conduct for Directors/Senior Management Personnel dated 27.1.06” for the period since it became effective till 31st March, 2006 in terms of Clause 49(I)(D)(ii) of the Listing Agreement.

Place : Kolkata
Date : 9th May, 2006

N. Venkataramani
CEO, Graphite India Limited

**AUDITORS' CERTIFICATE
REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

To the Members of
Graphite India Limited

We have examined the compliance of conditions of Corporate Governance by Graphite India Limited, for the year ended 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

Kolkata,
Dated: 16th May, 2006

P. Law
Partner
Membership No.F51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

AUDITORS' REPORT

To the members of
Graphite India Limited

1. We have audited the attached Balance Sheet of Graphite India Limited as at 31st March, 2006 and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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.
2. We 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 management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we report that:
 - i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - (b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion the frequency of verification is reasonable.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not disposed of a substantial part of its fixed assets during the year.
- ii) (a) The inventory of the Company has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii) (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 Act. Accordingly, the clauses (iii)(b), (iii)(c) and (iii)(d) of the paragraph 4 of the Order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the clauses (iii)(f) and (iii)(g) of the paragraph 4 of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements

referred to in Section 301 of the Act have been entered in the register required to be maintained under the Section.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of each party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provision of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company in respect of generation of power where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed 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 have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has been regular in depositing during the year undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us as at 31st March, 2006, there were no dues of Wealth Tax, Service Tax, Customs Duty and Cess which have not been deposited on account of any dispute other than certain disputed Income Tax, Sales Tax and Excise Duty dues, in respect of which amounts involved and forums at which dispute is pending have been indicated in Note 8 on Schedule 31 to the Accounts.
- x) The Company has no accumulated losses as at 31st March, 2006, and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or to debenture holders during the year.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv) In our opinion and according to the information and explanations given to us, terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
- xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained other than a part of unutilised proceeds of Convertible Bonds, issued during the year, lying in bank accounts.

- xvii) On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on short-term basis which have been used for long-term investment.
 - xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
 - xix) The Company has created security or charge in respect of debentures issued and outstanding at the year-end.
 - xx) The management has disclosed the end use of money raised by public issue vide Note 9 on Schedule 31 to the Accounts and the same has been verified by us.
 - xxi) 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 and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in paragraph 3 above, we report that:
- (i) 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;
 - (ii) 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;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kolkata
16th May, 2006

P. Law
Partner
Membership No.F 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

	Schedule	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,938.09	2,938.09
Reserves and Surplus	2	42,461.48	38,493.31
		<u>45,399.57</u>	<u>41,431.40</u>
LOAN FUNDS			
Secured Loans	3	28,139.38	21,212.41
Unsecured Loans	4	24,353.94	4,655.07
		<u>52,493.32</u>	<u>25,867.48</u>
DEFERRED TAX LIABILITY (NET)	5	4,682.76	3,590.34
TOTAL		<u>102,575.65</u>	<u>70,889.22</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	65,963.74	56,106.11
Less : Depreciation		21,511.51	19,085.09
Net Block		<u>44,452.23</u>	<u>37,021.02</u>
Capital Work-in-Progress		2,897.26	4,454.48
		<u>47,349.49</u>	<u>41,475.50</u>
INVESTMENTS	7	5,007.29	2,886.42
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	21,948.92	15,437.90
Sundry Debtors	9	22,011.38	15,878.52
Cash and Bank Balances	10	14,261.53	237.97
Other Current Assets	11	552.14	265.10
Loans and Advances	12	8,777.70	7,580.31
		<u>67,551.67</u>	<u>39,399.80</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	13	14,547.97	10,409.36
Provisions	14	2,798.27	2,503.12
		<u>17,346.24</u>	<u>12,912.48</u>
NET CURRENT ASSETS		50,205.43	26,487.32
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
Payments under Voluntary Retirement Scheme		13.44	39.98
TOTAL		<u>102,575.65</u>	<u>70,889.22</u>
Capital Commitments (Net of Advances)			
Estimated amount of contracts remaining to be executed		1,495.59	4,779.27

NOTES ON ACCOUNTS

31

This is the Balance Sheet referred to in our report of even date.

The Schedules referred to above form an integral part of the Balance Sheet.

P. Law
Partner
Membership No. F51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 16th May, 2006

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2006

GRAPHITE INDIA LIMITED

	Schedule	Year ended 31st March, 2006	(Rs. in Lakh) Year ended 31st March, 2005
INCOME			
Sales/Income from Operations (Gross)	20	64,940.38	54,596.86
Less: Excise Duty on Sales		3,540.78	3,174.40
Sales/Income from Operations (Net)		61,399.60	51,422.46
Other Income	15	1,727.96	1,167.06
		<u>63,127.56</u>	<u>52,589.52</u>
EXPENDITURE			
Raw Materials Consumed	21	26,560.02	19,783.34
Payments to and Provisions for Employees	16	4,933.05	4,350.56
Other Manufacturing, Selling and Administrative Expenses	17	23,377.32	18,917.38
(Increase)/Decrease in Work in Process and Finished Goods	18	(4,618.16)	105.87
		<u>50,252.23</u>	<u>43,157.15</u>
PROFIT BEFORE INTEREST AND DEPRECIATION		12,875.33	9,432.37
Interest	19	2,000.96	1,063.43
PROFIT BEFORE DEPRECIATION		10,874.37	8,368.94
Depreciation		2,476.29	2,068.71
PROFIT BEFORE TAXATION		8,398.08	6,300.23
Provision for Taxation			
Current Tax		732.61	1,140.00
Less : MAT Credit		(190.33)	—
For earlier years		260.95	—
Fringe Benefit Tax		65.00	—
Deferred Tax		1,235.00	360.00
PROFIT AFTER TAXATION		6,294.85	4,800.23
Balance brought forward from earlier year		3,363.03	3,527.28
Transfer from Investment Allowance (Utilised) Reserve		—	168.00
PROFIT AVAILABLE FOR APPROPRIATION		9,657.88	8,495.51
TRANSFER TO			
Debenture Redemption Reserve		2,409.80	625.00
General Reserve		3,000.00	3,000.00
Proposed Dividend on Equity Shares		1,762.75	1,322.06
Dividend Tax		247.22	185.42
Balance carried forward		2,238.11	3,363.03
		<u>9,657.88</u>	<u>8,495.51</u>
BASIC AND DILUTED EARNINGS PER SHARE (Rs.)	22	21.43	16.34
NOTES ON ACCOUNTS	31		

This is the Profit and Loss Account referred to in our report of even date.

The Schedules referred to above together with Schedules 23 to 29 form an integral part of the Profit and Loss Account.

P. Law
Partner
Membership No. F51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 16th May, 2006

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

Schedules to Accounts

		As at 31st March, 2006	(Rs.in Lakh) As at 31st March, 2005
1. SHARE CAPITAL			
Authorised			
4,00,00,000	(Previous Year 3,00,00,000) Equity Shares of Rs.10/- each	4,000.00	3,000.00
—	(Previous Year 5,00,000) Preference Shares of Rs.100/-each	—	500.00
		<u>4,000.00</u>	<u>3,500.00</u>
Issued, Subscribed and Paid-up			
2,93,79,245	Equity Shares of Rs.10/- each fully paid up	2,937.92	2,937.92
	Add : Forfeited Shares	0.17	0.17
		<u>2,938.09</u>	<u>2,938.09</u>

Note :

Out of the above Equity Shares, 1,91,14,030 Equity Shares have been allotted as fully paid up pursuant to Schemes of Amalgamation, without payment being received in cash.

		As at 31st March, 2005	Additions during the year	Withdrawals during the year	(Rs. in Lakh) As at 31st March, 2006
2. RESERVES AND SURPLUS					
Capital Reserve		45.86	—	—	45.86
Capital Redemption Reserve		575.00	—	—	575.00
Securities Premium Account		5,179.18	—	316.71 @	4,862.47
Debenture Redemption Reserve		1,250.00	2,409.80	—	3,659.80
General Reserve		28,080.24	3,000.00	—	31,080.24
Profit and Loss Account		3,363.03	—	1,124.92	2,238.11
		<u>38,493.31</u>	<u>5,409.80</u>	<u>1,441.63</u>	<u>42,461.48</u>

@ On account of expenses (net of tax effect) relating to issue of Convertible Bonds.

		As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
3. SECURED LOANS			
7.21% Secured Redeemable Non-Convertible Debentures of Rs.10 Lakh each	1(a),2	5,000.00	5,000.00
Foreign Currency Loan from a Financial Institution	1(b)	2,286.60	2,772.50
Rupee Term Loans from Banks	1(b)	5,137.50	5,088.15
Working Capital Loans from Banks and Financial Institutions (includes Foreign Currency Loan Rs.8792.89 Lakh; Previous Year:Rs. 6981.86 Lakh)	1(c)	15,715.28	8,351.76
		<u>28,139.38</u>	<u>21,212.41</u>

(Contd.)

Schedules to Accounts

3. SECURED LOANS (Contd.)

Notes:

1. Nature of Security

- (a) 7.21% Secured Redeemable Non-Convertible Debentures are secured by way of first mortgages/ charges over certain immovable properties, both present and future, and also by way of hypothecation of the Company's certain movable assets (except book debts), both present and future, in favour of the trustees for debentureholders ranking parri-passu with mortgages/ charges created and/ or to be created in favour of the existing first chargeholders, subject to prior charge created/ to be created in favour of the Company's bankers on specific movable assets for working capital requirements.
- (b) Rupee Term Loans and Foreign Currency Loan from a Financial Institution are secured/ to be secured by way of first mortgages/charges over certain immovable properties, both present and future, and also by way of hypothecation of the Company's certain movable assets, both present and future, ranking pari-passu with the mortgages/charges created and/or to be created in favour of the related first chargeholders subject to prior charges created/to be created in favour of the Company's bankers on specific movable assets for working capital requirements.
- (c) Working Capital Loans from Banks and Financial Institution are secured by way of hypothecation of stocks and book debts, both present and future, and secured/to be secured by creation of second charge by way of mortgage/charge on certain other movable and immovable assets, ranking pari-passu amongst related second chargeholders.

2. Terms of Redemption

7.21% Secured Redeemable Non-Convertible Debentures are redeemable at par in three equal annual instalments commencing from 19th May, 2007.

	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
4. UNSECURED LOANS		
Loans from Banks		
Short Term	6,500.00	2,875.60
Others (Repayable within one year Rs.1.80 Lakh, Previous Year Rs.10.90 Lakh)	1.80	12.70
Short Term Foreign Currency Loan from Financial Institution	—	1,751.20
1.00 per cent Convertible Bonds due 2010 of US\$ 1000 each ('Bonds') aggregating US\$ 40,000,000 (Note below)	17,848.00	—
Interest free loans from State Industrial and Investment Corporation of Maharashtra Limited under -		
Sales Tax Incentive Scheme (Repayable within one year Rs.2.15 Lakh, Previous Year Rs.6.08 Lakh)	4.14	10.22
Capital Incentive Scheme	—	5.35
	<u>24,353.94</u>	<u>4,655.07</u>

Note:

The Bonds are convertible into Equity Shares of the Company at any time before 13th October, 2010 at a price to be determined from time to time in keeping with the Offering Circular dated 18th October, 2005 at the option of the bondholders. The Company also has the option of early redemption of the Bonds at any time on or after 20th July, 2006 as per terms and conditions specified in the said Offering Circular. Outstanding Bonds, if any, will be due for redemption on 20th October, 2010 at 122.116 per cent of the principal amount of US\$ 1000 per Bond.

5. DEFERRED TAX LIABILITY (NET)

Deferred Tax Liabilities and Assets are attributable to the following items

Liabilities

Depreciation

5,100.48

3,855.40

Less :

Assets

Expenses allowable for tax purpose on payment

302.46

258.46

Others

115.26 @

6.60

417.72

265.06

4,682.76

3,590.34

@ After considering Rs. 142.58 Lakh being tax effect of expenses relating to issue of Convertible Bonds adjusted against Securities Premium Account (Schedule 2)

Schedules to Accounts

6. FIXED ASSETS

Description	GROSS BLOCK - AT COST				DEPRECIATION				(Rs. in Lakh) NET BLOCK	
	As at 31st March 2005	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31st March 2006	Up to 31st March 2005	For the year	On Sales/ Adjustments	Up to 31st March 2006	As at 31st March 2006	As at 31st March 2005
	Freehold Land	3,541.27	—	—	3,541.27	—	—	—	—	3,541.27
Leasehold Land	62.32	—	—	62.32	18.23	0.77	—	19.00	43.32	44.09
Buildings	10,880.71	1,983.12	50.24	12,813.59	2,332.23	318.09	3.00	2,647.32	10,166.27	8,548.48
Plant and Machinery	40,295.61	7,776.64	28.29	48,043.96 (a)&(b)	15,986.39	2,060.50	12.87	18,034.02	30,009.94	24,309.22
Machinery Spares	68.19	—	—	68.19	67.65	—	—	67.65	0.54	0.54
Office Equipment	368.68	84.79	7.83	445.64	210.68	34.09	4.23	240.54	205.10	158.00
Furniture and Fittings	441.11	58.57	0.40	499.28	258.07	26.87	0.27	284.67	214.61	183.04
Vehicles	448.22	80.24	38.97	489.49	211.84	35.97	29.50	218.31	271.18	236.38
TOTAL	56,106.11	9,983.36	125.73	65,963.74	19,085.09	2,476.29	49.87	21,511.51	44,452.23	37,021.02
Previous Year	50,620.02	5,760.32	274.23	56,106.11	17,133.66	2,068.71	117.28	19,085.09		
Add: Capital Work-in-Progress - at cost (c) & (d)									2,897.26 (b)	4,454.48
									47,349.49	41,475.50

Notes:

- Includes Rs. 720.35 Lakh (Previous Year Rs. 720.35 Lakh) being expenditure in respect of Outdoor Transmission Lines not owned by the Company.
- Net of Rs. 49.36 Lakh (Previous Year Rs. 16.86 Lakh) being adjustment of exchange gain / (loss) arising from fluctuation of exchange rate.
- Includes acquired intangible assets - Computer Software under implementation Rs. 130.41 Lakh (Previous Year Rs. Nil).
- Includes Capital Advances Rs. 369.13 Lakh (Previous Year Rs. 928.02 Lakh) - Unsecured, Considered Good.

7. INVESTMENTS

	Number	Unit Face Value	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
LONG TERM (AT COST OR UNDER)				
UNQUOTED				
TRADE				
IN SUBSIDIARY COMPANIES				
Fully paid up Shares				
Graphite International B.V. (Acquired 40,00,000 Shares during the year)	65,00,000	Euro 1	3,544.14	1,423.27
Carbon International Holdings N.V.	1,00,000	Euro 1	56.46	56.46
OTHER THAN TRADE				
IN SUBSIDIARY COMPANY				
Fully paid up Equity Shares				
Carbon Finance Limited	30,00,000	Rs.10	1,393.76	1,393.76
OTHERS				
6.75% Tax free US64 Bonds	20,428	Rs.100	12.87	12.87
6 Year National Savings Certificate (Deposited with Sales Tax Authority)			0.06	0.06
			<u>5,007.29</u>	<u>2,886.42</u>
AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS:			<u>5,007.29</u>	<u>2,886.42</u>

Note:

Current Investments acquired and sold during the year

Units of HDFC Cash Management Fund - Saving Plan

— Daily Dividend Reinvestment 11,288,931.307 Rs.10

Schedules to Accounts

	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
8. INVENTORIES		
– AT LOWER OF COST AND NET REALISABLE VALUE		
Stores and Spare Parts	1,022.87	873.48
Loose Tools	82.35	61.93
Raw Materials	7,721.22	5,979.10
Work-in-Process (including Contract Work-in-Progress)	11,020.21	7,216.16
Finished Goods	2,102.27	1,307.23
	<u>21,948.92</u>	<u>15,437.90</u>
9. SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months –		
Considered Good	742.31	1,307.47
Considered Doubtful	3.55	6.05
Other Debts-		
Considered Good	21,269.07	14,571.05
	<u>22,014.93</u>	<u>15,884.57</u>
Less : Provision for Doubtful Debts	3.55	6.05
	<u>22,011.38</u>	<u>15,878.52</u>
10. CASH AND BANK BALANCES		
Cash in hand	20.40	19.69
With Scheduled Banks on-		
Current Accounts (Note (a) below)	298.95	156.73
Unpaid Dividend Accounts	39.59	35.15
Fixed Deposit Accounts (Notes (a) and (b) below)	13,902.59	26.40
	<u>14,261.53</u>	<u>237.97</u>
Notes:		
(a) Current Accounts and Fixed Deposit Accounts include Rs.77.48 Lakh (Previous Year Rs. Nil) and Rs.13706.41 Lakh (Previous Year Rs. Nil) respectively representing unutilised proceeds of the Convertible Bonds referred to in Schedule -4.		
(b) Includes Rs.2.42 Lakh (Previous Year Rs. 2.00 Lakh) lodged with Government Authority.		
11. OTHER CURRENT ASSETS		
Unsecured - Considered Good		
Accrued Income on Investments from a Subsidiary Company	54.09	—
Accrued Interest on Deposits with Banks and Others	192.03	9.14
Security and Other Deposits		
Deposit with Electricity Authorities	228.83	188.60
Others	77.19	67.36
	<u>552.14</u>	<u>265.10</u>

Schedules to Accounts

	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
12. LOANS AND ADVANCES		
Unsecured - Considered Good		
Loans to Subsidiary Companies	1,003.17	2,514.20
Advances recoverable in cash or in kind or for value to be received (includes Rs.115.98 Lakh, Previous Year Rs.186.90 Lakh, due from Subsidiary Companies)	4,621.09	2,881.92
Accrued Export Entitlement	2,963.11	2,184.19
MAT Credit Entitlement	190.33	—
	<u>8,777.70</u>	<u>7,580.31</u>
13. LIABILITIES		
Acceptances *	5,204.95	2,845.97
Sundry Creditors-		
Small Scale Units (Refer Note 2(d) on Schedule 31)	129.87	35.01
Others	8,319.64	6,888.29
Advance from Customers	341.98	215.64
Other Liabilities	261.30	228.38
Investors Education and Protection Fund shall be credited by the following amounts namely:**		
(a) Unpaid Dividends	39.59	35.15
(b) Unpaid Matured Deposits	1.20	1.64
(c) Unpaid Matured Debentures	5.91	6.33
(d) Unpaid Interest on above	0.98	1.02
Interest Accrued but not due on loans	242.55	151.93
	<u>14,547.97</u>	<u>10,409.36</u>
* Secured by way of hypothecation of stocks and book debts in favour of the Company's Bankers	2,282.55	1,247.14
** No amount is due for actual credit at the Balance sheet date		
14. PROVISIONS (Net of payments)		
Income Tax	775.11	988.59
Wealth Tax	7.19	7.05
Fringe Benefit Tax	6.00	—
Proposed Dividend	1,762.75	1,322.06
Tax on Dividend	247.22	185.42
	<u>2,798.27</u>	<u>2,503.12</u>

Schedules to Accounts

	2005-2006	(Rs. in Lakh) 2004-2005
15. OTHER INCOME		
Income from Investments		
Long Term		
Trade		
Dividend from a Subsidiary Company	54.09	—
Other than Trade		
Interest	1.38	1.38
Current Investments		
Dividend	0.74	4.30
Royalty	186.30	19.62
Interest on loans, deposits etc. *	463.90	136.82
Claims	142.51	11.29
Sales Tax Incentive	0.67	183.58
Rent Receipt	0.60	0.62
Liabilities no longer required written back	259.74	99.05
Exchange Gain (Net)	—	274.35
Profit on disposal of Fixed Assets (Net)	110.68	106.65
Bad Debts recovery	2.06	12.35
Rebate on prepayment of Loans	90.21	194.41
Option Fees	240.00	—
Miscellaneous Receipts	175.08	122.64
	<u>1,727.96</u>	<u>1,167.06</u>
* Includes tax deducted at source	6.01	3.81
16. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus	3,930.26	3,300.39
Contribution to Provident and Pension Funds	241.46	211.58
Contribution to Superannuation Fund	44.45	38.70
Contribution to Gratuity Fund	111.55	234.51
Staff Welfare Expenses	605.33	565.38
	<u>4,933.05</u>	<u>4,350.56</u>

Schedules to Accounts

	(Rs. in Lakh)	
	2005-2006	2004-2005
17. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores and Spare Parts Consumed	7,684.18	5,967.53
Power and Electricity Charges	6,162.03	4,696.74
Repairs and Maintenance -		
Plant and Machinery	548.55	476.01
Buildings	203.98	140.58
Others	139.81	107.82
Rent	14.18	14.00
Rates and Taxes	160.60	182.91
Insurance	417.35	363.73
Commission to Selling Agents	995.92	770.92
Travelling and Conveyance	493.20	494.33
Directors' Remuneration (other than Executive Director)	89.60	65.80
Auditors' Remuneration (Refer Note 2(b) on Schedule 31)		
Audit Fee	12.00	8.00
Other Matter	7.30	6.65
Service Tax	—	0.46
Out of Pocket Expenses	0.39	0.42
Sales Tax	5.71	22.69
Excise Duty on Stocks etc. - Charge/(Credit)	52.65	(35.28)
Bad Debts/Advances Written off (Net of provision for Doubtful Debts Written Back)	39.05	89.44
Freight and Transport	3,019.11	2,435.54
Processing Charges	151.01	72.74
Contractors' Labour Charges	931.11	749.61
Amortisation of Payment under Voluntary Retirement Scheme	26.54	26.53
Exchange Loss (Net)	451.68	—
Miscellaneous Expenses (Refer Note 2(c) on Schedule 31)	1,771.37	2,260.21
	<u>23,377.32</u>	<u>18,917.38</u>
18. (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED GOODS		
Work-in-Process (Including Contract Work-in-Progress)		
Closing Stock	11,020.21	7,216.16
Deduct: Opening Stock (Net of VAT Credit available on Opening Stock Rs. 13.78 Lakh, Previous Year Rs. Nil)	7,202.38	7,086.72
	<u>(3,817.83)</u>	<u>(129.44)</u>
Finished Goods		
Closing Stock	2,102.27	1,307.23
Deduct: Opening Stock (Net of VAT Credit available on Opening Stock Rs. 5.29 Lakh, Previous Year Rs. Nil)	1,301.94	1,542.54
	<u>(800.33)</u>	<u>235.31</u>
	<u>(4,618.16)</u>	<u>105.87</u>
19. INTEREST ON		
Debentures/Bonds	418.36	379.24
Term Loans	941.29	403.48
Others	744.91	344.95
	<u>2,104.56</u>	<u>1,127.67</u>
Less : Interest capitalised	103.60	64.24
	<u>2,000.96</u>	<u>1,063.43</u>

Schedules to Accounts

	2005-2006		2004-2005	
	M.T.	(Rs. in Lakh)	M.T.	(Rs. in Lakh)
20. SALES/INCOME FROM OPERATIONS (GROSS)				
Sales including excise duty				
Graphite Electrodes, Anodes and				
Miscellaneous Graphite Products	56,681	52,812.18	47,732	43,570.47
Carbon Paste	7,057	1,213.65	5,788	991.26
Calcined Petroleum Coke	15,513	2,291.41	15,546	2,183.32
Electricity (MU)	3	91.37	6	218.29
Impervious Graphite Equipment and Spares	527	3,192.14	401	2,236.86
GRP/FRP Pipes and Tanks (Including Installations) *	2,904	2,354.58	2,033	2,045.42
Others		145.89		186.41
		<u>62,101.22</u>		<u>51,432.03</u>
Processing/Service Charges		9.87		8.24
Export Entitlement		<u>2,829.29</u>		<u>3,156.59</u>
		<u>64,940.38</u>		<u>54,596.86</u>
*Refer Note 5 on Schedule-31				
21. RAW MATERIALS CONSUMED				
Raw Petroleum Coke	39,938	3,432.87	43,187	3,580.12
Calcined Petroleum Coke	44,803	13,904.89	29,684	8,786.70
Pitch	23,195	4,431.90	18,500	3,487.33
Extrusion Oil (Kilo Litres)	375	119.89	319	84.07
Furnace Oil (Kilo Litres)	21,096	3,138.71	22,353	2,599.78
Others		1,815.47		1,352.37
		<u>26,843.73</u>		<u>19,890.37</u>
Less : Materials Capitalised		<u>283.71</u>		<u>107.03</u>
		<u>26,560.02</u>		<u>19,783.34</u>
		As at 31st	As at 31st	
		March, 2006	March, 2005	
22. BASIC AND DILUTED EARNINGS PER SHARE				
Basic				
Number of Equity Shares at the beginning of the year		29,379,245		29,379,245
Number of Equity Shares at the end of the year		29,379,245		29,379,245
Weighted average number of Equity Shares outstanding during the year		29,379,245		29,379,245
Face value of each Equity Share (Rs.)		10		10
Profit after Tax available for Equity Shareholders				
Profit after Taxation (Rs.in Lakh)		<u>6,294.85</u>		<u>4,800.23</u>
Basic Earnings per Share (Rs.)		21.43		16.34
Diluted				
Dilutive Potential Equity Shares (Note below)				
Diluted Earnings per Share (Rs.)		21.43		16.34
Note :				
In view of the average market price (fair value) of Equity Share of the Company being less than the applicable conversion price, the conversion option embedded in 1.00 per cent Convertible Bonds of USD 40,000,000 as indicated in Schedule 4, is considered as anti-dilutive and accordingly has not been taken into account for computation of diluted earnings per share.				

Schedules to Accounts

	(Rs. in Lakh)	
	2005-2006	2004-2005
23. C.I.F. VALUE OF IMPORTS		
Raw Materials	13,030.86	9,835.87
Components and Spare parts	121.60	20.05
Capital Goods	1,433.05	611.68
24. EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF		
Travelling	130.50	182.25
Commission	710.61	611.46
Export Sales Expenses	226.90	184.74
Interest	80.19	1.59
Technical know-how	30.48	118.35
Professional Fees	86.37	104.20
Convertible Bonds Issue Expenses	426.55	—
Others	31.06	83.02
25. EARNINGS IN FOREIGN CURRENCY		
Export of Goods on F.O.B. Basis	32,380.73	24,737.30
Royalty	186.30	19.62
Interest	333.34	87.55
Dividend	54.09	—
Others	10.01	4.42
	2005-2006	2004-2005
	(Rs. in Lakh)	(Rs. in Lakh)
	%	%
26. CONSUMPTION OF		
a) Raw Materials		
Imported	13,643.79	9,534.78
Indigenous	12,916.23	10,248.56
	<u>26,560.02</u>	<u>19,783.34</u>
	100	100
b) Stores and Spares		
Imported	128.44	12.94
Indigenous	7,555.74	5,954.59
	<u>7,684.18</u>	<u>5,967.53</u>
	100	100
	2005-2006	2004-2005
	For 2004-2005	For 2003-2004
27. AMOUNT REMITTED IN FOREIGN CURRENCY		
On account of Dividend excluding payments to mandatees in India (Rs.in Lakh)	121.71	95.38
Number of shares held by Non-Resident Shareholders in respect of which dividends were remitted	2,704,636	2,384,386
Number of Non-Resident Shareholders	45	49

Schedules to Accounts

	2005-2006		2004-2005	
	M.T.		M.T.	
28. PARTICULARS REGARDING CAPACITY, PRODUCTION AND STOCKS				
i) Capacity per annum as approved by Central Government				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products		57,000		57,000
Carbon Paste		15,000		15,000
Nuclear Graphite		3,162		3,162
Impervious Graphite Equipment and Spares		650		650
Metallic Heat Exchangers		2,000		2,000
GRP/FRP Pipes and Tanks (Refer Note below)		15,500		15,500
Calcined Petroleum Coke		Not applicable		Not applicable
Electricity (MU)		Not applicable		Not applicable
Note : Approved capacity of GRP/FRP Pipes and Tanks shown above covers registered capacity of 5,000 units per annum of Portable Water Filtration Units.				
ii) Installed Capacity per annum (As certified by Company's Technical Expert)				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products		55,000		36,500
Carbon Paste		25,000		25,000
Impervious Graphite Equipment and Spares		650		650
GRP/FRP Pipes and Tanks		10,000		10,000
Calcined Petroleum Coke		30,000		30,000
Electricity (MU)		144		144
iii) Actual Production/Generation				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products *		59,022		47,295
Carbon Paste		6,473		6,170
Impervious Graphite Equipment and Spares		520		386
GRP/FRP Pipes and Tanks		2,844		2,257
Calcined Petroleum Coke *		30,678		33,024
Electricity (MU) *		147		138
* Includes captive consumption				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products		605		232
Calcined Petroleum Coke		15,165		17,478
Electricity (MU)		136		128
iv) Opening Stock				
	M.T.	2005-2006 (Rs. in Lakh)	M.T.	2004-2005 (Rs. in Lakh)
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	1,125	864.25	1,794	1,333.49
Carbon Paste	875	132.19	493	78.11
Impervious Graphite Equipment and Spares	11	22.49	26	63.97
GRP/FRP Pipes and Tanks	340	239.77	116	62.94
Electricity (MU)	4	47.25	—	3.57
Others		1.28		0.46
		<u>1,307.23</u>		<u>1,542.54</u>
v) Closing Stock				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	2,861	1,763.03	1,125	864.25
Carbon Paste	291	46.77	875	132.19
Impervious Graphite Equipment and Spares	4	10.64	11	22.49
GRP/FRP Pipes and Tanks	280	164.45	340	239.77
Electricity (MU)	12	116.92	4	47.25
Others		0.46		1.28
		<u>2,102.27</u>		<u>1,307.23</u>

Schedules to Accounts

29. COMPUTATION OF NET PROFITS UNDER SECTION 198 READ WITH SECTION 309 OF THE COMPANIES ACT, 1956 FOR THE PURPOSE OF COMMISSION PAYABLE TO THE EXECUTIVE DIRECTOR AND OTHER DIRECTORS

	Rs. in Lakh	Rs. in Lakh
Profit before taxation as per Profit and Loss Account		8,398.08
Add: Managerial Remuneration	143.07	
Amortisation of Expenditure under Voluntary Retirement Scheme	26.54	
Provision for Wealth Tax	5.00	174.61
	<hr/>	<hr/>
		8,572.69
Less: Profit on sale of fixed assets	127.11	
Provision for Doubtful Debts no longer required written back (Net)	2.50	129.61
	<hr/>	<hr/>
Net Profit under Section 198		8,443.08
 DIRECTORS' REMUNERATION		
Executive Director		
Salary	12.00	
Commission @ 5% of Rs. 8,443.08 = 422.15 Restricted to maximum amount payable	25.00	
Contribution to Provident and Other Funds	4.24	
Other Benefits	12.23	53.47
	<hr/>	
Other Directors		
Sitting fees	6.10	
Commission @ 1% of Rs. 8,443.08 = 84.43 Restricted to maximum amount payable	83.50	89.60
	<hr/>	<hr/>
Total for the year		143.07

Schedules to Accounts

30. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS

State Code	21
Registration No.	94602
Balance Sheet Date	31st March, 2006

2. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RUPEES LAKH)

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RUPEES LAKH)

Total Liabilities *	119,921.89
Total Assets	119,921.89
Sources of Funds	
Paid-up Capital	2,938.09
Reserves and Surplus	42,461.48
Secured Loans	28,139.38
Unsecured Loans	24,353.94
Application of Funds	
Net Fixed Assets	47,349.49
Investments	5,007.29
Net Current Assets	50,205.43
Miscellaneous Expenditure	13.44
Accumulated Losses	Nil
* Includes Owners' Funds - Rs. 45,399.57 Lakh	
Deferred Tax Liability (Net) Rs. 4,682.76 Lakh	

4. PERFORMANCE OF COMPANY (AMOUNT IN RUPEES LAKH)

Turnover (including Other Income)	63,127.56
Total Expenditure	54,729.48
Profit before Tax	8,398.08
Profit after Tax	6,294.85
Earnings per Share in Rs.	21.43
Dividend Rate %	60

5. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)	854519.01
Product Description	Graphite Electrodes
Item Code No. (ITC Code)	841950.01
Product Description	Impervious Graphite Equipment and Spares
Item Code No. (ITC Code)	271312.00
Product Description	Calcined Petroleum Coke

Schedules to Accounts

31. NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. FIXED ASSETS :

- (a) FIXED ASSETS are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation. Pre-operative expenses for major projects are also capitalised, where appropriate.
- (b) DEPRECIATION on fixed assets including those utilised in RESEARCH AND DEVELOPMENT activities, is provided on straight line basis in accordance with Schedule XIV to the Companies Act, 1956. Leasehold land is amortised over the primary lease period.
- (c) MACHINERY SPARES which are irregular in use and associated with particular asset are treated as fixed asset and the cost is amortised over its utility period.
- (d) Impairment loss is recognised wherever the carrying amount of the fixed assets exceeds the recoverable amount i.e. the higher of the assets' net selling price and value in use.

B. INVESTMENTS :

- (a) LONG TERM INVESTMENTS are stated at cost less write down for any permanent diminution in carrying value. CURRENT INVESTMENTS are stated at lower of cost and fair value. Fair value is determined on the basis of realisable or market value.
- (b) EARNINGS FROM INVESTMENTS, where appropriate, are accrued or taken into revenue in full on declaration or receipts.

C. INVENTORIES:

Inventories are valued at lower of cost and estimated net realisable value. The costs are in general ascertained under weighted average formula.

D. FOREIGN CURRENCY TRANSACTIONS:

Transactions in Foreign currency outstanding at the Balance Sheet date(i.e.monetary items) are accounted for at the contracted rate when covered by forward contracts and at exchange rates prevailing on the Balance Sheet date in the case of others. Foreign currency non-monetary items carried in terms of historical cost are reported using the exchange rate at the date of the transactions. Exchange differences are dealt with in the Profit and Loss Account, other than those relating to acquisition of Fixed Assets which are capitalised. Such capitalisation is restricted to only acquisition of fixed assets from a country outside India in case related foreign currency transactions are entered into on/after 1st April, 2004.

E. REVENUE:

Revenue is recognised on completion of sale of goods and rendering of services. Sales are inclusive of excise duty less discounts as applicable. Export entitlements are recognised after completion of related exports on prudent basis.

F. CONSTRUCTION CONTRACTS:

Revenue in respect of construction contracts is recognised on the basis of percentage of completion method. Stages of completion is determined based on completion of a physical proportion of the contract work. Anticipated loss on such contracts is provided for in the period of incurrence.

G. BORROWING COSTS:

Borrowing costs attributable to the acquisition and construction of qualifying assets are added to the cost up to the date when such assets are ready for their intended use. Other borrowing costs are recognised as expense in the period in which these are incurred.

H. RESEARCH AND DEVELOPMENT EXPENDITURE (R & D):

Revenue expenditure on R & D is expensed in the period in which it is incurred. Capital expenditure on R & D is capitalised.

I. RETIREMENT BENEFITS:

Contributions under Defined Contribution Plan payable in keeping with the related schemes are funded and charged in the Profit and Loss Account. Contributions under Defined Benefit Plans as determined on the basis of actuarial valuation are funded and charged in the Profit and Loss Account.

J. LEAVE ENCASHMENT BENEFITS:

Provision is made for Leave Encashment Benefits based on actuarial valuation.

K. PAYMENTS UNDER VOLUNTARY RETIREMENT SCHEME (VRS):

Payments under VRS are expensed over the periods during which the benefits are estimated to accrue.

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

L. PRIOR PERIOD AND EXTRA ORDINARY ITEMS:

Prior period and extra ordinary items and changes in accounting policies having material impact on the financial affairs of the Company are disclosed.

M. MATERIAL EVENTS:

Material events occurring after Balance Sheet date are taken into cognisance.

N. PROVISIONS AND CONTINGENT LIABILITIES:

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure for contingent liability is made.

O. TAXATION:

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws. Deferred tax is recognised subject to consideration of prudence in respect of deferred tax asset, on timing difference, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are reviewed at each Balance Sheet date to re-assess realisation. Fringe Benefit tax is accounted for based on the estimation of the fringe benefit for the period as per the related provisions of the Income-tax Act, 1961.

2. a) Fixed Assets including Capital Work-In-Progress includes Pre-operative expenses: Salary, Wages and Bonus Rs.40.18 lakh (Previous year Rs.42.72 lakh), Contribution to Provident and Pension Fund Rs.1.55 lakh (Previous year Rs.2.82 lakh), Staff Welfare Expenses Rs.0.09 lakh (Previous year Rs.5.36 lakh), Stores and Spare Parts Consumed Rs.45.65 lakh (Previous year Rs.57.03 lakh), Electricity Charges Rs.7.06 lakh (Previous year Rs.13.52 lakh), Insurance Rs.4.45 lakh (Previous year Rs.14.44 lakh), Contract Labour Charges Rs.50.18 lakh (Previous year Rs.11.36 lakh), Travelling and Conveyance Rs.5.35 lakh (Previous year Rs.6.96 lakh), Bank Charges Rs.11.55 lakh (Previous year Rs.5.07 lakh), Communication Expenses Rs.1.38 lakh (Previous year Rs.1.88 lakh) and Miscellaneous Expenses Rs.16.76 lakh (Previous year Rs.20.01 lakh).
- b) Auditors' Remuneration (Schedule 17) does not include Rs.5.50 lakh (Previous year Rs. Nil) being fees paid in connection with issue of the Convertible Bonds and Service Tax Rs. 1.56 lakh (Previous year Rs. 0.92 lakh) not routed through Profit and Loss Account.
- c) Miscellaneous Expenses (Schedule 17) includes Bank Charges Rs.225.20 lakh (Previous year Rs.205.55 lakh), Communication Expenses Rs.114.29 lakh (Previous year Rs.118.42 lakh), Loss on sale of Investments Rs.Nil lakh (Previous year Rs.0.06 lakh) and Levy on Exports Rs.256.80 lakh (Previous year Rs.847.25 lakh).
- d) Amount due to Small Scale Industrial Undertakings include the following parties to whom the Company owes a sum for more than thirty days:

Accurate Engineers, Eastern Tar Private Limited, Eastern Coating Services Private Limited, Jayveecons, M.M.Equipments, R.I.Engineering (India) Pvt. Ltd., Rajamane & Hegde Services Pvt. Ltd., S.R.Enterprises, Orion Shoes, Thermowell Insulations.

3. (a) Contingent Liabilities not provided in respect of

	As on 31st March, 2006	As on 31st March, 2005
	(Rs.in Lakh)	
i) Claims not acknowledged as debts		
a) Disputed Income Tax demand for which appeals are pending	854.94	1,422.96
b) Disputed Excise Duty for which appeals are pending	59.10	65.04
c) Disputed Sales Tax demand for which appeals preferred by the Company	21.35	89.01
d) Others	59.41	245.85
ii) Corporate Guarantees given to banks to secure the financial assistance/ accommodation extended to Subsidiary Companies	10,826.00	8,508.00
(b) Obligation under an Option Agreement to acquire Preference Shares of another company which is contingent upon exercise of the put option by the option buyer	8,180.33	—

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

4. Research and Development Expenditure of revenue nature of Rs.65.00 Lakh (Previous year Rs. 58.48 Lakh)

5. Particulars relating to Construction Contracts:

	2005-06	Rs. in Lakh 2004-05
a) Contract revenues recognised as revenue.	1377.08	974.98
	As at 31st March 2006	As at 31st March 2005
b) Other information relating to Contract Work-in-Progress		
i) Aggregate amount of cost incurred and recognised profits	1596.55	1176.44
ii) The amount of retentions due from customers	28.87	60.72
iii) Gross amount due from customers for contract work as an asset (i.e. Contract Work-in-Progress)	260.18	275.00

6. Particulars of Cancellable Operating Leases:

The Company has operating lease arrangements for certain office accommodations, furniture and fittings etc. with tenures ranging between one and three years. Terms of such leases include option for renewal on mutually agreed terms, security deposit etc. Operating lease rentals for the year debited to Profit and Loss Account amount to Rs.4.81 Lakh (Previous year Rs. 15.02 Lakh).

7. Disclosure pursuant to SEBI's circular No.SMD/POLICY/CIR-02/2003

a) Name of Subsidiary	Graphite International B.V.	Carbon International Holdings N.V.	Carbon Finance Ltd.
Loan outstanding as at 31st March, 2006	Rs.703.17 lakh (Rs.1994.70 lakh)	Rs. Nil (Rs.519.50 lakh)	Rs.300.00 lakh (Rs. Nil)
Rate of interest on above	Euribor plus 250 basis point	Euribor plus 250 basis point	7.60% P.A.
Maximum amount outstanding during the year ended 31st March, 2006	Rs.1994.70 lakh (Rs.3410.39 lakh)	Rs.519.50 lakh (Rs.573.68 lakh)	Rs.300.00 lakh (Rs.Nil)

Figures in bracket relate to previous year.

b) The Company has given loans and advances in the nature of loans to its employees for housing, medical etc. (balance outstanding as on 31st March, 2006 is Rs.98.39 Lakh, Previous year Rs. 115.82 Lakh) where, in some cases, the repayment schedule extends beyond seven years and interest is below the rate referred to in Section 372A of the Companies Act, 1956. In view of the voluminous data, furnishing of required particulars by name, amount and maximum amount due in respect of such loans is not considered practicable.

8. Disclosure of dues which have not been deposited as at 31st March, 2006 on account of disputes

Name of statute	Amount Rs.in Lakh	Forum where dispute is pending
I. Income Tax Act	375.28	Commissioner of Income Tax (Appeals)
II. Central Excise Act	28.22	Assistant Commissioner of Central Excise
	5.12	Joint Commissioner of Central Excise
	8.29	Custom, Excise & Service Tax Appellate Tribunal
	11.79	Mumbai High Court
III. Central and State Sales Tax Acts	1.71	West Bengal Taxation Tribunal
	10.60	Deputy Commissioner of Sales Tax (Appeals)
	6.74	Deputy Commissioner of Commercial Tax

9. The net proceeds upon issue of Convertible Bonds as referred to in Schedule 4 has been utilised partly during the year on overall basis as set out below:

	Amount Rs. in Lakh
Expansion and modernisation of existing production units	1625.57
Investment in wholly owned subsidiary	2120.87

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

10. SEGMENT INFORMATION

A. Primary Segment Reporting (by Business Segments)

i) Composition of Business Segments

The Company's operations predominantly related to the following segments:

- Graphite and Carbon Segment, engaged in the production of Graphite Electrodes, Anodes and other miscellaneous Carbon and Graphite Products,
- Power Segment engaged in generation of Power, and
- Other Segment, engaged in manufacturing of Impervious Graphite Equipment (IGE) and Glass Reinforced Pipes (GRP)

ii) Inter Segment Transfer Pricing

Inter Segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks.

iii) Segment Revenues, Results and Other Information

As at/ for the year ended 31st March, 2006

(Rs.in Lakh)

	Graphite and Carbon		Power		Others		Total of Reportable Segments	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Sales/Income from Operations (Gross)								
External Sales	56,463.13	46,931.47	91.37	218.29	5,546.72	4,282.27	62,101.22	51,432.03
Inter Segment Sales	864.45	473.25	7,193.26	6,026.32	57.23	4.36	8,114.94	6,503.93
Income from Operations(External)	2,830.04	3,157.13	—	—	9.12	7.70	2,839.16	3,164.83
Segment Revenues	60,157.62	50,561.85	7,284.63	6,244.61	5,613.07	4,294.33	73,055.32	61,100.79
Segment Results	6,732.54	5,389.60	2,958.74	2,061.63	986.97	436.10	10,678.25	7,887.33
Segment Assets	80,697.33	61,905.76	9,539.87	10,051.36	6,935.30	4,069.35	97,172.50	76,026.47
Segment Liabilities	11,731.62	8,620.54	923.43	832.38	1,289.75	585.04	13,944.80	10,037.96
Capital Expenditure	8,043.27	8,410.32	—	16.33	130.72	49.36	8,173.99	8,476.01
Depreciation and Amortisation	1,590.74	1,165.05	617.85	618.10	201.29	223.78	2,409.88	2,006.93
Non-cash Expenses other than Depreciation and Amortisation (Net)	21.60	24.69	—	—	33.14	91.37	54.74	116.06

Reconciliation of Reportable Segments with the Financial Statements

	Revenues		Results Net Profit		Assets		Liabilities*	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Total of Reportable Segments	73,055.32	61,100.79	10,678.25	7,887.33	97,172.50	76,026.47	13,944.80	10,037.96
Corporate - Unallocated /								
Others (Net)	—	—	(279.21)	(523.67)	22,749.39	7,775.23	60,577.52	32,332.34
Inter Segment Sales	(8,114.94)	(6,503.93)	—	—	—	—	—	—
Interest Expenses	—	—	(2,000.96)	(1,063.43)	—	—	—	—
Taxes (Net)	—	—	(2,103.23)	(1,500.00)	—	—	—	—
	64,940.38	54,596.86	6,294.85	4,800.23	119,921.89	83,801.70	74,522.32	42,370.30

* Excluding Shareholders Funds

B. Secondary Segment (Geographical)

	Domestic		Export		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Revenues-Gross	30,259.77	27,277.82	34,680.61	27,319.04	64,940.38	54,596.86
Total Assets	97,172.50	76,026.47	—	—	97,172.50	76,026.47
Capital Expenditure	8,173.99	8,476.01	—	—	8,173.99	8,476.01

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

11. RELATED PARTY DISCLOSURES:

(In accordance with Accounting Standard-18 issued by the Institute of Chartered Accountants of India)

i)	Name	Relationship
a.	Where control exists :	
	Bavaria Carbon Holdings GmbH	Subsidiary
	Bavaria Carbon Specialities GmbH	Subsidiary
	Bavaria Electrodes GmbH	Subsidiary
	Carbon Finance Limited	Subsidiary
	Carbon International Holdings N.V.	Subsidiary
	Graphite Cova GmbH	Subsidiary
	Graphite International B.V.	Subsidiary
b.	Others	
	Mr. N. Venkataramani, Executive Director	Key Management Personnel

ii) Particulars of Transactions during the year ended 31st March, 2006

	Subsidiary Companies (Rs. In Lakh)	Key Management Personnel (Rs. In Lakh)
a. Directors' Remuneration	—	53.47
	—	(39.72)
b. Sales of Goods	3,902.27	—
	(869.88)	—
c. Purchase of Goods	93.81	—
	(17.84)	—
d. Purchase of Capital Goods	247.92	—
	(Nil)	—
e. Royalty Income	186.30	—
	(19.62)	—
f. Interest Income	107.95	—
	(87.55)	—
g. Dividend Income	54.09	—
	(Nil)	—
h. Investment in Shares	2,120.87	—
	(1,479.74)	—
i. Loans and Advances given (Net of conversion into investments Rs.Nil, Previous Year Rs.1463.89 Lakh)	300.00	—
	(2,520.17)	—
j. Corporate guarantees given (Refer Note 3(ii) on Schedule 31)	2,706.50	—
	(8,508.00)	—
k. Recoveries / (Reimbursement) of Expenses (Net)	23.31	—
	(172.00)	—
l. Balance outstanding at the year end		
Sundry Debtors	2,239.74	—
	(736.98)	—
Investments in Shares	4,994.37	—
	(2,873.50)	—
Other Current Assets	54.09	—
	(Nil)	—
Loans and Advances (including Charges Recoverable)	1,173.24	—
	(2,701.10)	—
Sundry Creditors	269.70	25.00
	(Nil)	(17.50)
Corporate Guarantees	10,826.00	—
	(8,508.00)	—

iii) Figures in bracket relate to previous year

12. Previous year's figures have been regrouped or rearranged, wherever necessary.

PRICE WATERHOUSE

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

CASH FLOW STATEMENT for the year ended 31st March, 2006

	2005-2006	(Rs. in Lakh) 2004-2005
A. Cash Flows from Operating Activities		
Profit before taxation	8,398.08	6,300.23
Adjustments for :		
Depreciation	2,476.29	2,068.71
Foreign Exchange (Net)	119.38	(5.17)
Investment Income	(54.83)	(4.30)
Loss on Sale of Investments	—	0.06
Interest Expense	2,000.96	1,063.43
Interest Income	(465.28)	(138.20)
Profit on Disposal of Fixed Assets (Net)	(110.68)	(106.65)
Bad Debts/Advances written off (Net of Provision for Doubtful Debts Written Back)	39.05	89.44
Liability no Longer Required Written Back	(259.74)	(99.05)
Provisions	52.58	17.01
Amortisation of Expenditure	26.54	26.53
Rebate on Prepayment of Loans	(90.21)	(194.41)
Option Fees	(240.00)	—
Operating Profit before Working Capital changes	<u>11,892.14</u>	<u>9,017.63</u>
Adjustments for :		
(Increase)/Decrease in Trade and Other Receivables	(8,678.29)	(2,092.54)
(Increase)/Decrease in Inventories	(6,511.02)	(3,152.13)
Increase/(Decrease) in Trade Payables	2,955.62	1,598.04
Cash generated from Operations	<u>(341.55)</u>	<u>5,371.00</u>
Taxes (Paid)/Refund (Net)		
Tax paid including Fringe Benefit Tax	(1,266.04)	(1,311.79)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	<u>(1,607.59)</u>	<u>4,059.21</u>
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(7,147.22)	(8,062.16)
Proceeds on Sale of Fixed Assets	186.54	237.86
Investment in Subsidiaries	(2,120.87)	(15.84)
Loans to Subsidiaries (Net)	(300.00)	(3,984.07)
Repayment of Loans by Subsidiaries	1,777.11	—
Option Fees Received	240.00	—
Purchase of Current Investments	(1,200.13)	(4,677.99)
Sale of Current Investments	1,200.13	4,684.20
Interest Received	282.39	29.43
Dividend Received	0.74	0.24
NET CASH USED IN INVESTING ACTIVITIES	<u>(7,081.31)</u>	<u>(11,788.33)</u>

CASH FLOW STATEMENT (Contd.)

	2005-2006	(Rs. in Lakh) 2004-2005
C. Cash Flows from Financing Activities		
Proceeds from Borrowings (Net)		
Long term	18,183.75	6,777.34
Short term	12,834.18	5,897.66
Repayment of Borrowings		
Long term	(645.31)	(470.94)
Short term	(3,626.80)	(2,287.17)
Interest Paid (including interest capitalised Rs. 103.61 Lakh; Previous Year Rs.66.45 Lakh)	(2,013.95)	(1,103.69)
Convertible Bonds Issue Expenses	(378.90)	—
Dividend Paid (including tax thereon Rs.185.41 Lakh; Previous Year Rs.150.56 Lakh)	(1,503.05)	(1,319.88)
NET CASH FROM FINANCING ACTIVITIES	<u>22,849.92</u>	<u>7,493.32</u>
D. Exchange Differences on Transalation of Foreign Currency		
Cash and Cash equivalents	(137.46)	—
Net Cash Inflow/(Outflow)	<u>14,023.56</u>	<u>(235.80)</u>
Cash and Cash equivalents as at 31st March, 2005 (Schedule 10)	237.97	473.77
Cash and Cash equivalents as at 31st March, 2006 (Schedule 10)	14,261.53	237.97
Net Cash Inflow/ (Outflow)	<u>14,023.56</u>	<u>(235.80)</u>

Notes :

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. The Schedule referred to above forms an integral part of the Cash Flow Statement
3. Previous year's figures have been regrouped or rearranged, wherever necessary.

This is the Cash Flow Statement referred to in our report of even date

P. Law
Partner
Membership No. F51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 16th May, 2006

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

FINANCIAL DATA

Particulars	Rs. in Lakh				
	2005-06	2004-05	2003-04	2002-03	2001-02
Sales/Income from operations	64940	54597	54930	41008	36844
Sales(excluding Excise Duty)	58560	48258	47868	35264	31896
Operating Profit	11147	8265	8518	7117	7535
Other Income	1728	1167	1360	827	762
Interest	2001	1063	1284	2316	2797
Gross Profit	10874	8369	8594	5628	5500
Depreciation	2476	2069	2057	1986	1751
Provision for Taxation	2103	1500	1405	303	379
Profit After Tax	6295	4800	5132	3339	3370
Equity Dividend per Share - (Rs.)	6.00	4.50	4.00	2.50	2.50
Equity Dividend Amount (including Dividend Tax)	2010	1507	1326	829	734
EPS Basic(Rs.)	21.43	16.34	17.41	11.18	11.26
Debt Equity Ratio (Term Debt)	0.81:1	0.42:1	0.23:1	0.38:1	0.44:1
Debt Equity Ratio(Total Debt)	1.16:1	0.62:1	0.43:1	0.52:1	0.64:1
Fixed Assets	47349	41475	35244	35452	36417
Investments	5007	2886	1407	1434	1445
Current Assets	67552	39400	31936	28123	25114
Total Assets	119908	83761	68587	65009	62976
Loan Funds	52493	25867	16230	18067	20377
Current liabilities	17346	12912	10984	9340	7151
Deferred Tax liability	4683	3590	3256	3051	3063
Share Capital					
Equity	2938	2938	2938	2938	2938
Preference	—	—	—	250	500
Reserves and Surplus (Net of Misc. Expenditure)	42448	38454	35179	31363	28947
Net Worth	45386	41392	38117	34301	31885
Total Liabilities	119908	83761	68587	65009	62976
Number of Employees	2651	2240	2306	2257	2294

RATIOS

Key Ratios	2005-06	2004-05	2003-04	2002-03	2001-02
EBIDT/Total Income - percent	20.40	17.94	18.47	20.05	23.23
Interest/Total Income - percent	3.17	2.02	2.40	5.84	7.83
Net profit/Total Income - percent	9.97	9.13	9.60	8.43	9.44
Return on capital employed - percent	13.15	14.02	18.15	15.07	15.07
Interst cover-times	6.43	8.87	7.69	3.43	2.97
Debt-equity	0.81	0.42	0.23	0.38	0.44
Book-value-Rs.	154.48	140.89	129.74	116.75	108.52
EPS-Rs.	21.43	16.34	17.41	11.18	11.26
Cash-EPS-Rs.	29.85	23.38	24.41	17.95	17.22
Financial Performance Ratio	Percent	Percent	Percent	Percent	Percent
Domestic Turnover/Total Sales	44.15	46.88	42.88	45.01	41.79
Export Turnover/Total Sales	55.85	53.12	57.12	54.99	58.21
Other Income/Income	2.74	2.22	2.54	2.09	2.13
Raw materiel costs/Net Sales	45.35	41.00	38.20	42.71	42.77
Manpower costs/Total Income	7.81	8.27	7.83	9.37	9.85
Excise/Gross Sales	5.70	6.17	5.53	5.89	5.60
Interest/Total Income	3.17	2.02	2.40	5.84	7.83
PBDT/Total Income	17.23	15.91	16.07	14.20	15.40
Depreciation/Total Income	3.92	3.93	3.84	5.01	4.90
Net Profit/Total Income	9.97	9.13	9.60	8.43	9.44
Cash flow/Total Income	13.89	13.06	13.44	13.44	14.34
RONW/(PAT/Net Worth)	13.87	11.60	13.46	9.73	10.56
Balance Sheet Ratios					
Debtors Turnover-days	128	111	103	87	81
Inventory Turnover - days	127	108	87	141	148
Per-Share data Ratios					
Earnings-Rs.	21.43	16.34	17.41	11.18	11.26
Cash earnings-Rs.	29.85	23.38	24.41	17.95	17.22
Dividend-Rs.	6.00	4.50	4.00	2.50	2.50

AUDITORS' REPORT on the Consolidated Financial Statements

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GRAPHITE INDIA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GRAPHITE INDIA LIMITED AND ITS SUBSIDIARIES.

1. We have audited the attached Consolidated Balance Sheet of Graphite India Limited and its subsidiaries (the Group) as at 31st March, 2006, the Consolidated Profit and Loss Account for the year ended on that date and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, all of which we have signed under reference to this report. These financial statements are the responsibility of the Graphite India Limited's management (Graphite's management) and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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 the management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 25442.98 Lakh as at 31st March, 2006 and total revenue of Rs. 20321.66 Lakh and net cash outflow amounting to Rs.312.30 Lakh for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates the amounts included in respect of these subsidiaries is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Graphite's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of reports of other auditors referred to in paragraph 3 above on separate financial statements and other financial information and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2006;
 - b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Kolkata,
Dated : 16th May, 2006

P. Law
Partner
Membership No. F51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

CONSOLIDATED BALANCE SHEET
of Graphite India Limited and its subsidiaries as at 31st March, 2006

	Schedule	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,938.09	2,938.09
Reserves and Surplus	2	44,712.71	40,037.56
		<u>47,650.80</u>	<u>42,975.65</u>
LOAN FUNDS			
Secured Loans	3	33,589.63	26,944.24
Unsecured Loans	4	28,030.79	6,356.37
		<u>61,620.42</u>	<u>33,300.61</u>
DEFERRED TAX LIABILITY (NET)	5	4,682.76	3,590.34
TOTAL		<u>113,953.98</u>	<u>79,866.60</u>
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross Block		71,918.19	61,654.48
Less : Depreciation		22,611.77	19,478.25
Net Block		49,306.42	42,176.23
Capital Work-in-Progress		2,754.93	4,454.48
		<u>52,061.35</u>	<u>46,630.71</u>
INVESTMENTS	7	1,286.57	1,033.71
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	32,688.91	22,606.77
Sundry Debtors	9	24,188.61	16,911.79
Cash and Bank Balances	10	15,164.52	1,502.24
Other Current Assets	11	884.90	715.12
Loans and Advances	12	8,065.14	5,157.28
		<u>80,992.08</u>	<u>46,893.20</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	13	16,990.89	12,160.30
Provisions	14	3,408.57	2,570.70
		<u>20,399.46</u>	<u>14,731.00</u>
NET CURRENT ASSETS		60,592.62	32,162.20
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)			
Payments under Voluntary Retirement Scheme		13.44	39.98
TOTAL		<u>113,953.98</u>	<u>79,866.60</u>
Capital Commitments (Net of Advances)			
Estimated amount of contracts remaining to be executed		1,495.59	4,779.27

NOTES ON ACCOUNTS

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This is the Consolidated Balance Sheet referred to in our report of even date.

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

P. Law
Partner

Membership No. F51790
For and on behalf of
PRICEWATERHOUSE
Chartered Accountants
Kolkata : 16th May, 2006

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT
of Graphite India Limited and its subsidiaries for the year ended 31st March, 2006

	Schedule	Year ended 31st March, 2006	(Rs. in Lakh) Year ended 31st March, 2005
INCOME			
Sales/Income from Operations (Gross)		80,583.45	59,395.27
Less: Excise Duty on Sales		3,540.78	3,174.40
Sales/Income from Operations (Net)		77,042.67	56,220.87
Other Income	15	1,735.66	1,135.54
		<u>78,778.33</u>	<u>57,356.41</u>
EXPENDITURE			
Raw Materials Consumed		30,483.21	20,319.88
Purchase of Trading Items		—	1,481.94
Payments to and Provisions for Employees	16	9,591.39	7,255.78
Other Manufacturing, Selling and Administrative Expenses	17	31,458.72	22,762.52
(Increase)/Decrease in Work in Process, Finished Goods and Trading Items	18	(7,814.59)	(5,721.65)
		<u>63,718.73</u>	<u>46,098.47</u>
PROFIT BEFORE INTEREST AND DEPRECIATION		15,059.60	11,257.94
Interest	19	2,338.45	1,182.57
PROFIT BEFORE DEPRECIATION		<u>12,721.15</u>	<u>10,075.37</u>
Depreciation		3,210.32	2,465.73
PROFIT BEFORE TAXATION		9,510.83	7,609.64
Adjustment on acquisition of shareholding in subsidiaries		—	1.11
Provision for Taxation			
Current Tax		1,305.55	1,207.98
Less: MAT Credit		(190.33)	—
For earlier years		260.95	—
Fringe Benefit Tax		65.00	—
Deferred Tax		1,235.00	360.00
PROFIT AFTER TAXATION		<u>6,834.66</u>	<u>6,042.77</u>
Balance brought forward from earlier year		4,824.68	3,819.97
Transfer from Investment Allowance (Utilised) Reserve		—	168.00
PROFIT AVAILABLE FOR APPROPRIATION		<u>11,659.34</u>	<u>10,030.74</u>
TRANSFER TO			
Debenture Redemption Reserve		2,409.80	625.00
General Reserve		3,000.00	3,000.00
Reserve Fund		19.22	73.58
Proposed Dividend on Equity Shares		1,762.75	1,322.06
Dividend Tax		247.22	185.42
Balance carried forward		4,220.35	4,824.68
		<u>11,659.34</u>	<u>10,030.74</u>
BASIC AND DILUTED EARNINGS PER SHARE (RS.)	20	23.26	20.56
NOTES ON ACCOUNTS	21		

This is the Consolidated Profit and Loss Account referred to in our report of even date.

P. Law
Partner
Membership No. F51790
For and on behalf of
PRICEWATERHOUSE
Chartered Accountants
Kolkata : 16th May, 2006

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

Schedules to Consolidated Financial Statements

		As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
1. SHARE CAPITAL			
Authorised			
4,00,00,000	(Previous Year 3,00,00,000) Equity Shares of Rs.10/- each	4,000.00	3,000.00
—	(Previous Year 5,00,000) Preference Shares of Rs.100/- each	—	500.00
		<u>4,000.00</u>	<u>3,500.00</u>
Issued, Subscribed and Paid-up			
2,93,79,245	Equity Shares of Rs.10/- each fully paid up	2,937.92	2,937.92
	Add: Forfeited Shares	0.17	0.17
		<u>2,938.09</u>	<u>2,938.09</u>

Note :

Out of the above Equity Shares, 1,91,14,030 Equity Shares have been allotted as fully paid up pursuant to Schemes of Amalgamation, without payment being received in cash.

		As at 31st March, 2005	Additions during the year	Withdrawals during the year	(Rs. in Lakh) As at 31st March, 2006
2. RESERVES AND SURPLUS					
	Capital Reserve	45.86	—	—	45.86
	Capital Redemption Reserve	575.00	—	—	575.00
	Securities Premium Account	5,179.18	—	316.71 @	4,862.47
	Debenture Redemption Reserve	1,250.00	2,409.80	—	3,659.80
	Reserve Fund (Note below)	73.58	19.22	—	92.80
	General Reserve	28,080.24	3,000.00	—	31,080.24
	Foreign Currency Translation Adjustment Account	9.02	167.17	—	176.19
	Profit and Loss Account	4,824.68	—	604.33	4,220.35
		<u>40,037.56</u>	<u>5,596.19</u>	<u>921.04</u>	<u>44,712.71</u>

Note :

Reserve Fund has been created in the books of a subsidiary in accordance with the requirement of Section 45-1C of Reserve Bank of India Act, 1934.

@ On account of expenses (net of tax effect) relating of issue of Convertible Bonds.

Schedules to Consolidated Financial Statements

	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
3. SECURED LOANS		
7.21% Secured Redeemable Non-Convertible Debentures of Rs.10 Lakh each	5,000.00	5,000.00
Term Loan from a Financial Institution	2,286.60	2,772.50
Term Loans from Banks	10,587.75	10,819.98
Working Capital Loans from Banks and Financial Institutions	15,715.28	8,351.76
	<u>33,589.63</u>	<u>26,944.24</u>

Note:

7.21% Secured Redeemable Non-Convertible Debentures are redeemable in three equal annual instalments commencing from 19th May, 2007.

4. UNSECURED LOANS		
Loan from Banks		
Short Term	10,176.85	4,576.90
Others (Repayable within one year Rs.1.80 Lakh Previous year Rs.10.90 Lakh)	1.80	12.70
Short Term loan from Financial Institution	—	1,751.20
1.00 per cent Convertible Bonds due 2010 of US\$ 1000 each ('Bonds') aggregating US\$ 40,000,000 (Note below)	17,848.00	—
Interest free loans from		
State Industrial and Investment Corporation of Maharashtra Limited under -		
Sales Tax Incentive Scheme	4.14	10.22
(Capital Incentive Scheme)		
Capital Incentive Scheme	—	5.35
	<u>28,030.79</u>	<u>6,356.37</u>

Note:

The Bonds are convertible into Equity Shares of the Company at any time before 13th October, 2010 at a price to be determined from time to time in keeping with the Offering Circular dated 18th October, 2005 at the option of the bondholders. The Company also has the option of early redemption of the Bonds at any time on or after 20th July, 2006 as per terms and conditions specified in the said Offering Circular. Outstanding Bonds, if any, will be due for redemption on 20th October, 2010 at 122.116 per cent of the principal amount of US\$ 1000 per Bond.

5. DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liabilities and Assets are attributable to the following items		
Liabilities		
Depreciation	5,100.48	3,855.40
Less		
Assets		
Expenses allowable for tax purpose on payment	302.46	258.46
Others	115.26 @	6.60
	<u>417.72</u>	<u>265.06</u>
	<u>4,682.76</u>	<u>3,590.34</u>

@ After considering Rs. 142.58 Lakh being tax effect of expenses relating to issue of Convertible Bonds adjusted against Securities Premium Account (Schedule 2)

Schedules to Consolidated Financial Statements

6. FIXED ASSETS

Description	GROSS BLOCK - AT COST				DEPRECIATION				(Rs. in Lakh) NET BLOCK	
	As at 31st March 2005	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31st March 2006	Up to 31st March 2005	For the year	On Sales/ Adjustments	Up to 31st March 2006	As at 31st March 2006	As at 31st March 2005
	A. Tangible Assets									
Freehold Land	3,691.38	—	6.94	3,684.44	—	—	—	—	3,684.44	3,691.38
Leasehold Land	62.32	—	—	62.32	18.23	0.77	—	19.00	43.32	44.09
Buildings	10,923.91	2,169.31	50.24	13,042.98	2,337.64	329.01	3.22	2,663.43	10,379.55	8,586.27
Plant and Machinery	45,102.71	7,941.58	43.23	53,001.06(a)	16,329.95	2,708.52	28.93	19,009.54	33,991.52	28,772.76
Machinery Spares	68.19	—	—	68.19	67.65	—	—	67.65	0.54	0.54
Office Equipment	760.70	174.50	16.64	918.56	247.77	99.18	14.60	332.35	586.21	512.93
Furniture and Fittings	441.11	58.57	0.40	499.28	258.07	26.87	0.27	284.67	214.61	183.04
Vehicles	502.38	80.24	41.47	541.15	214.66	45.97	29.58	231.05	310.10	287.72
Total Tangible Assets	61,552.70	10,424.20	158.92	71,817.98	19,473.97	3,210.32	76.60	22,607.69	49,210.29	42,078.73
B. Intangible Assets										
Goodwill (arising on consolidation)	67.75	—	—	67.75	—	—	—	—	67.75	67.75
Patent(f)	5.67	—	0.26	5.41	0.70	—	0.03	0.67	4.74	4.97
Trademark(f)	28.36	—	1.31	27.05	3.58	—	0.17	3.41	23.64	24.78
Total Intangible Assets	101.78	—	1.57	100.21	4.28	—	0.20	4.08	96.13	97.50
TOTAL	61,654.48	10,424.20(b)	160.49	71,918.19	19,478.25	3,210.32	76.80(c)	22,611.77	49,306.42	42,176.23
Previous Year	50,675.22	11,253.49	274.23	61,654.48	17,133.66	2,465.73	121.14	19,478.25		
Add : Capital Work-in-Progress - at cost (d) & (e)									2,754.93 (b)	4,454.48
									52,061.35	46,630.71

Notes :

- (a) Includes Rs. 720.35 Lakh (Previous Year Rs. 720.35 Lakh) being expenditure in respect of Outdoor Transmission Lines not owned by the Company.
 (b) Net of Rs.201.90 Lakh (Previous Year Rs. 35.37 Lakh) on account of foreign exchange adjustment.
 (c) Net of Rs. 16.02 Lakh (Previous Year Rs. 3.86 Lakh) on account of foreign exchange adjustment.
 (d) Includes acquired intangible assets – Computer Software under implementation Rs.130.41 Lakh (Previous Year Rs. Nil).
 (e) Includes Capital Advances Rs.369.13 Lakh (Previous year Rs.928.02 Lakh) – Unsecured, Considered Good.
 (f) Represents acquired assets

7. INVESTMENTS

LONG TERM (AT COST OR UNDER)

	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
Fully paid up Equity Shares in Companies	7.48	94.90
Units of Mutual Funds	116.16	925.88
Fully Paid up Unsecured Zero Coupon Optionally Convertible Debentures in a Company	1,150.00	—

OTHERS

6.75% Tax free US64 Bonds	12.87	12.87
6 Year National Savings Certificate (Deposited with Sales Tax Authority)	0.06	0.06
	<u>1,286.57</u>	<u>1,033.71</u>

AGGREGATE AMOUNT OF INVESTMENTS :

Quoted	7.48	94.90
Unquoted	1,279.09	938.81
	<u>1,286.57</u>	<u>1,033.71</u>

AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS :

	274.61	190.27
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NET ASSET VALUE OF UNITS OF MUTUAL FUNDS

	154.20	923.70
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Schedules to Consolidated Financial Statements

	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
8. INVENTORIES		
– AT LOWER OF COST AND NET REALISABLE VALUE		
Stores and Spare Parts	1,256.01	1,069.58
Loose Tools	82.35	61.92
Raw Materials	9,204.12	7,124.36
Work-in-Process (including Contract Work-in-Progress)	17,499.74	11,462.45
Finished Goods	3,519.17	1,698.26
Trading Goods	1,127.52	1,190.20
	<u>32,688.91</u>	<u>22,606.77</u>
9. SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months-		
Considered Good	747.72	1,307.47
Considered Doubtful	3.55	6.25
Other Debts-		
Considered Good	23,440.89	15,604.32
	<u>24,192.16</u>	<u>16,918.04</u>
Less: Provision for Doubtful Debts	3.55	6.25
	<u>24,188.61</u>	<u>16,911.79</u>
10. CASH AND BANK BALANCES		
Cash in hand	22.56	25.01
Remittance In Transit	—	0.35
With Banks on-		
Current Accounts	737.51	1,413.52
Unpaid Dividend Accounts	39.59	35.15
Fixed Deposit Accounts (including Rs.2.42 Lakh, Previous Year Rs.2.00 Lakh lodged with Government Authority)	14,364.86	28.21
	<u>15,164.52</u>	<u>1,502.24</u>
11. OTHER CURRENT ASSETS		
Unsecured - Considered Good		
Accrued Interest on Deposits with Banks and Other	127.97	9.14
Security and Other Deposits		
Deposit with Electricity Authorities	228.83	188.60
Others	528.10	517.38
	<u>884.90</u>	<u>715.12</u>

Schedules to Consolidated Financial Statements

	As at 31st March, 2006	(Rs. in Lakh) As at 31st March, 2005
12. LOANS AND ADVANCES		
Unsecured - Considered Good		
Advances recoverable in cash or in kind or for value to be received	4,911.70	2,973.09
Accrued Export Entitlement	2,963.11	2,184.19
MAT Credit Entitlement	190.33	—
	<u>8,065.14</u>	<u>5,157.28</u>
13. LIABILITIES		
Acceptances	5,204.95	2,845.97
Sundry Creditors	10,529.97	7,852.66
Advance from Customers	344.79	219.45
Other Liabilities	548.73	1,009.43
Investors Education and Protection Fund shall be credited by the following amounts namely:		
(a) Unpaid Dividends	39.59	35.15
(b) Unpaid Matured Deposits	1.20	1.64
(c) Unpaid Matured Debentures	5.91	6.33
(d) Unpaid Interest on above	0.98	1.02
Interest Accrued but not due on loans	314.77	188.65
	<u>16,990.89</u>	<u>12,160.30</u>
14. PROVISIONS (Net of Payments)		
Income Tax	1,385.41	1,056.17
Wealth Tax	7.19	7.05
Fringe Benefit Tax	6.00	—
Proposed Dividend	1,762.75	1,322.06
Tax on Dividend	247.22	185.42
	<u>3,408.57</u>	<u>2,570.70</u>
15. OTHER INCOME	2005-2006	(Rs. in Lakh) 2004-2005
Income from Investments		
Long Term (Other than Trade)		
Interest	1.38	1.38
Current Investments		
Dividend	0.74	4.30
Interest on loans, deposits etc.	357.96	56.98
Claims	142.51	11.29
Sales Tax Incentive	0.67	183.58
Rent Receipt	59.96	15.08
Liabilities no longer required written back	259.74	99.93
Exchange Gain (Net)	—	278.43
Profit on disposal of Fixed Assets (Net)	115.11	106.65
Bad Debts recovery	2.06	12.35
Rebate on prepayment of Loans	90.21	194.41
Option Fees	240.00	—
Miscellaneous Receipts	465.32	171.16
	<u>1,735.66</u>	<u>1,135.54</u>

Schedules to Consolidated Financial Statements

	2005-2006	(Rs. in Lakh) 2004-2005
16. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus	7,775.87	5,599.36
Contribution to Provident and Pension Funds	961.86	801.02
Contribution to Superannuation Fund	44.45	38.70
Contribution to Gratuity Fund	111.55	234.51
Staff Welfare Expenses	697.66	582.19
	<u>9,591.39</u>	<u>7,255.78</u>
17. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores and Spare Parts Consumed	10,327.70	7,269.23
Power and Electricity Charges	8,935.79	5,857.57
Repairs and Maintenance –		
Plant and Machinery	1,048.04	624.88
Buildings	278.70	154.01
Others	151.98	109.54
Rent	174.84	86.69
Rates and Taxes	239.79	192.07
Insurance	617.16	440.43
Commission to Selling Agents	1,504.51	910.84
Travelling and Conveyance	524.68	500.63
Directors' Remuneration (other than Executive Director)	89.63	65.83
Sales Tax	5.71	22.69
Excise Duty on Stocks etc. - Charge/(Credit)	52.65	(35.28)
Bad Debts/Advances Written off (Net of provision for Doubtful Debts Written Back)	41.29	96.48
Freight and Transport	3,457.80	2,488.96
Processing Charges	164.12	86.48
Contractors' Labour Charges	1,044.90	755.44
Amortisation of Payment under Voluntary Retirement Scheme	26.54	26.53
Exchange Loss (Net)	456.30	—
Miscellaneous Expenses	2,316.59	3,109.50
	<u>31,458.72</u>	<u>22,762.52</u>

Schedules to Consolidated Financial Statements

	(Rs. in Lakh)	
	2005-2006	2004-2005
18. (INCREASE)/DECREASE IN WORK-IN-PROCESS, FINISHED GOODS AND TRADING ITEMS		
Work-in-Process (Including Contract Work-in-Progress)		
Closing Stock	17,499.74	11,462.45
Deduct: Opening Stock (Net of VAT Credit Available on Opening Stock Rs. 13.78 Lakh, Previous Year Rs. Nil)	<u>11,448.67</u>	<u>7,086.72</u>
	(6,051.07)	(4,375.73)
Finished Goods		
Closing Stock	3,519.17	1,698.26
Deduct: Opening Stock (Net of VAT Credit Available on Opening Stock Rs. 5.29 Lakh, Previous Year Rs. Nil)	<u>1,692.97</u>	<u>1,542.54</u>
	(1,826.20)	(155.72)
Trading Items		
Closing Stock	1,127.52	1,190.20
Deduct: Opening Stock	<u>1,190.20</u>	<u>—</u>
	62.68	(1,190.20)
	<u>(7,814.59)</u>	<u>(5,721.65)</u>
19. INTEREST ON		
Debentures/Bonds	418.36	379.24
Term Loans	1,372.52	522.28
Others	<u>651.18</u>	<u>345.29</u>
	2,442.06	1,246.81
Less : Interest capitalised	<u>103.61</u>	<u>64.24</u>
	<u>2,338.45</u>	<u>1,182.57</u>
	As at 31st March, 2006	As at 31st March, 2005
20. BASIC AND DILUTED EARNINGS PER SHARE		
Basic		
Number of Equity Shares at the beginning of the year	29,379,245	29,379,245
Number of Equity Shares at the end of the year	29,379,245	29,379,245
Weighted average number of Equity Shares outstanding during the year	29,379,245	29,379,245
Face value of each Equity Share (Rs.)	10	10
Profit after Tax available for Equity Shareholders		
Profit after Taxation (Rs.in Lakh)	<u>6,834.66</u>	<u>6,042.77</u>
Basic Earnings per Share (Rs.)	23.26	20.56
Diluted		
Dilutive Potential Equity Shares (Note below)		
Diluted Earnings per Share (Rs.)	23.26	20.56

Note:

In view of the average market price (fair value) of Equity Shares of the Company being less than the applicable conversion price, the conversion option embedded in 1.00 per cent Convertible Bonds of USD 40,000,000 as indicated in Schedule 4, is considered as anti-dilutive and accordingly has not been taken into account for computation of diluted earnings per share.

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. FIXED ASSETS :

- (a) FIXED ASSETS (comprising both tangible and intangible items) are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation. Pre-operative expenses for major projects are also capitalised, where appropriate.
- (b) DEPRECIATION including amortisation on fixed assets including those utilised in RESEARCH AND DEVELOPMENT activities, is provided on straight line basis in accordance with Schedule XIV to the Companies Act, 1956. Leasehold land is amortised over the primary lease period.

In case of foreign subsidiaries, depreciation on assets acquired from the insolvency administrator is provided on straight line basis assuming remaining life of assets to be seven years for plant and machinery, office equipment, furniture and fittings and ten years for buildings. Patent and Trade Marks are amortised over a period of five years. Other assets are depreciated according to the local fiscal regulation.

- (c) MACHINERY SPARES which are irregular in use and associated with particular asset are treated as fixed asset and the cost is amortised over its utility period.
- (d) Impairment loss is recognised wherever the carrying amount of the fixed assets exceeds the recoverable amount i.e. the higher of the assets' net selling price and value in use.

B. INVESTMENTS:

- (a) LONG TERM INVESTMENTS are stated at cost less write down for any permanent diminution in carrying value. CURRENT INVESTMENTS are stated at lower of cost and fair value. Fair value is determined on the basis of realisable or market value.
- (b) EARNINGS FROM INVESTMENTS, where appropriate, are accrued or taken into revenue in full on declaration or receipts.

C. INVENTORIES:

Inventories are valued at lower of cost and estimated net realisable value. The costs are in general ascertained under weighted average formula.

D. GOODWILL ON CONSOLIDATION:

Goodwill arising on consolidation are carried at cost.

E. FOREIGN CURRENCY TRANSACTIONS:

Transactions in Foreign currency outstanding at the Balance Sheet date (i.e. monetary items) are accounted for at the contracted rate when covered by forward contracts and at exchange rates prevailing on the Balance Sheet date in the case of others. Foreign currency non-monetary items carried in terms of historical cost are reported using the exchange rate at the date of the transactions. Exchange differences are dealt with in the Profit and Loss Account, other than those relating to acquisition of Fixed Assets which are capitalised. Such capitalisation is restricted to only acquisition of fixed assets from a country outside India in case related foreign currency transactions are entered into on/after 1st April, 2004.

F. REVENUE:

Revenue is recognised on completion of sale of goods and rendering of services. Sales are inclusive of excise duty less discounts as applicable. Export entitlements are recognised after completion of related exports on prudent basis.

G. CONSTRUCTION CONTRACTS:

Revenue in respect of construction contracts is recognised on the basis of percentage of completion method. Stages of completion is determined based on completion of a physical proportion of the contract work. Anticipated Loss on such contracts is provided for in the period of incurrence.

H. BORROWING COSTS:

Borrowing costs attributable to the acquisition and construction of qualifying assets are added to the cost up to the date when such assets are ready for their intended use. Other borrowing costs are recognised as expense in the period in which these are incurred.

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

I. RESEARCH AND DEVELOPMENT EXPENDITURE (R & D):

Revenue expenditure on R & D is expensed in the period in which it is incurred. Capital expenditure on R & D is capitalised.

J. RETIREMENT BENEFITS:

Contributions under Defined Contribution Plan payable in keeping with the related schemes are funded and charged in the Profit and Loss Account. Contributions under Defined Benefit Plans as determined on the basis of actuarial valuation are funded and charged in the Profit and Loss Account.

K. LEAVE ENCASHMENT BENEFITS:

Provision is made for Leave Encashment Benefits based on actuarial valuation.

L. PAYMENTS UNDER VOLUNTARY RETIREMENT SCHEME (VRS):

Payments under VRS are expensed over the periods during which the benefits are estimated to accrue.

M. PRIOR PERIOD AND EXTRA ORDINARY ITEMS:

Prior period and extra ordinary items and changes in accounting policies having material impact on the financial affairs of the Company are disclosed.

N. MATERIAL EVENTS:

Material events occurring after Balance Sheet date are taken into cognisance.

O. PROVISIONS AND CONTINGENT LIABILITIES:

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure for contingent liability is made.

P. TAXATION:

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws. Deferred tax is recognised subject to consideration of prudence in respect of deferred tax asset, on timing difference, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are reviewed at each Balance Sheet date to re-assess realisation. Fringe Benefit tax is accounted for based on the estimation of the fringe benefit for the period as per the related provisions of the Income-tax Act, 1961.

Q. CONSOLIDATION:

(a) Consolidated financial statements relate to Graphite India Limited, the Parent Company and its subsidiaries (the Group). The consolidated financial statements are in conformity with the Accounting Standard – 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India (ICAI) and are prepared as set out below:

- i) The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after adjustments/elimination of inter-company balances, transactions including unrealised profits on inventories etc.
- ii) The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent required and possible, in the same manner as the Parent Company's separate financial statements.
- iii) The excess of cost to the Parent Company of its investment in the subsidiaries over the parent's portion of equity of the subsidiaries at the dates they became subsidiaries is recognised in the financial statements as goodwill.
- iv) The translation of the functional currencies into Indian Rupees (reporting currency) is performed for equity in the foreign subsidiary, assets and liabilities using the closing exchange rates at the balance sheet date, for revenues, costs and expenses using average exchange rates prevailing during the period. The resultant exchange difference arising out of such transactions is recognised as part of equity (Foreign Currency Translation Adjustment Account) by the Parent Company until the disposal of investment.

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

2. The Consolidated Financial Statements comprise the financial statements of the parent company and its wholly owned subsidiary companies as detailed below:

Name of the Company	Country of Incorporation
Domestic:	
Carbon Finance Limited	India
Overseas:	
Graphite International B.V.	The Netherlands
Carbon International Holdings N.V.	Netherlands Antilles
Bavaria Electrode GmbH.	Germany
Bavaria Carbon Holding GmbH.	Germany
Bavaria Carbon Specialities GmbH.	Germany
Graphite COVA GmbH.	Germany

3. (a) Contingent Liabilities not provided in respect of

	As at 31st March, 2006	As at 31st March, 2005
	(Rs. in Lakh)	
i) Claims not acknowledged as debts		
a) Disputed Income Tax demand for which appeals are pending	854.84	1422.96
b) Disputed Excise Duty for which appeals are pending	59.10	65.04
c) Disputed Sales Tax demand for which appeals preferred by the Company	21.35	89.01
d) Others	59.41	245.85
ii) Potential obligation under public law of Germany in respect of environment	1499.37	1572.00
(b) Corporate Guarantee	300.00	—
(c) Obligation under an Option Agreement to acquire Preference Shares of another company which is contingent upon exercise of the put option by the option buyer	8180.33	—

4. Particulars relating to Construction Contracts:

	Rs.in Lakh	
	2005-06	2004-05
a) Contract revenues recognised as revenue.	1377.08	974.98
	As at 31st March, 2006	As at 31st March, 2005
b) Other information relating to Contract Work-in-Progress		
i) Aggregate amount of cost incurred and recognised profits	1596.55	1176.44
ii) The amount of retentions due from customers	28.87	60.72
iii) Gross amount due from customers for contract work as an asset (i.e. Contract Work-in-Progress)	260.18	275.00

5. Particulars of Cancellable Operating Leases :

The Company has operating lease arrangements for certain office accommodations, furniture and fittings etc. with tenures ranging between one and three years. Terms of such leases include option for renewal on mutually agreed terms, security deposit etc. Operating lease rentals for the year debited to Profit and Loss Account amount to Rs. 68.49 Lakh (Previous year Rs. 81.45 Lakh).

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

6. SEGMENT INFORMATION

A. Primary Segment Reporting (by Business Segments)

i) Composition of Business Segments

The Group's operations predominantly related to the following segments:

- Graphite and Carbon Segment, engaged in the production of Graphite Electrodes, Anodes and other miscellaneous Carbon and Graphite Products,
- Power Segment engaged in generation of Power, and
- Other Segment, engaged in manufacturing of Impervious Graphite Equipment (IGE) and Glass Reinforced Pipes (GRP) and investing in shares and securities.

ii) Inter Segment Transfer Pricing

Inter Segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks.

iii) Segment Revenues, Results and Other Information

As at/ for the year ended 31st March, 2006

	Graphite and Carbon		Power		Others		Total of Reportable Segments	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Sales/Income from Operations (Gross)								
External Sales	71,978.57	51,657.16	91.37	218.29	5,546.72	4,354.99	77,616.66	56,230.44
Inter Segment Sales	864.45	473.25	7,193.26	6,026.32	57.23	4.36	8,114.94	6,503.93
Income from Operations(External)	2,830.03	3,157.13	—	—	136.76	7.70	2,966.79	3,164.83
Segment Revenues	75,673.05	55,287.54	7,284.63	6,244.61	5,740.71	4,367.05	88,698.39	65,899.20
Segment Results	8,056.46	6,748.40	2,958.74	2,061.63	1,113.29	505.85	12,128.49	9,315.88
Segment Assets	99,130.41	73,810.13	9,539.87	10,051.36	9,034.81	5,771.17	117,705.09	89,632.66
Segment Liabilities	14,173.85	10,369.92	923.43	832.38	1,290.45	586.60	16,387.73	11,788.90
Capital Expenditure	8,341.78	13,890.94	—	16.33	130.72	49.36	8,472.50	13,956.63
Depreciation and Amortisation	2,324.77	1,562.08	617.85	618.10	201.29	223.78	3,143.91	2,403.96
Non-cash Expenses other than Depreciation and Amortisation (Net)	21.60	31.73	—	—	33.14	91.37	54.74	123.10

Reconciliation of Reportable Segments with the Financial Statements

(Rs.in Lakh)

	Revenues		Results Net Profit		Assets		Liabilities*	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Total of Reportable Segments	88,698.39	65,899.20	12,128.49	9,315.88	117,705.09	89,632.66	16,387.73	11,788.90
Corporate - Unallocated / Others (Net)	—	—	(279.21)	(522.56)	16,648.35	4,964.94	70,314.91	39,833.05
Inter Segment Sales	(8,114.94)	(6,503.93)	—	—	—	—	—	—
Interest Expenses	—	—	(2,338.45)	(1,182.57)	—	—	—	—
Taxes (Net)	—	—	(2,676.17)	(1,567.98)	—	—	—	—
	80,583.45	59,395.27	6,834.66	6,042.77	134,353.44	94,597.60	86,702.64	51,621.95

* Excluding Shareholders Funds

B. Secondary Segment (Geographical)

	Domestic		Export		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Revenues - Gorss	30,387.41	27,350.54	50,196.04	32,044.73	80,583.45	59,395.27
Total Assets	105,373.05	77,728.29	12,332.04	11,904.37	117,705.09	89,632.66
Capital Expenditure	8,031.66	8,476.01	440.84	5,480.62	8,472.50	13,956.63

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

7. RELATED PARTY DISCLOSURES:

(In accordance with Accounting Standard 18 issued by the Institute of Chartered Accountants of India)

i) Related Parties

Name	Relationship
Mr. N. Venkataramani, Executive Director	Key Management Personnel

ii) Particulars of Transactions during the year ended 31st March, 2006

Nature of Transactions	Key Management Personnel (Rs. In Lakh)
Directors' Remuneration	53.47 (39.72)
Balance outstanding at the year end Sundry Creditors	25.00 (17.50)

iii) Figures in bracket relate to previous year

8. Previous year's figures have been regrouped or rearranged, wherever necessary.

PRICEWATERHOUSE

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

CONSOLIDATED CASH FLOW STATEMENT
of Graphite India Limited and its subsidiaries for the year ended 31st March, 2006

	2005-2006	(Rs. in Lakh) 2004-2005
A. Cash Flows from Operating Activities		
Profit before taxation	9,510.83	7,609.64
Adjustments for :		
Depreciation	3,210.32	2,465.73
Foreign Exchange (Net)	121.08	(8.94)
Investment Income	(9.39)	(54.80)
Profit on Sale of Investments	(116.39)	(21.98)
Interest Expense	2,338.45	1,182.59
Interest Income	(359.34)	(58.36)
Profit on Disposal of Fixed Assets (Net)	(115.11)	(106.65)
Bad Debts/Advances written off (Net of Provision for Doubtful Debts Written Back)	41.29	96.48
Liability no Longer Required Written Back	(259.74)	(99.93)
Provisions	52.58	17.01
Amortisation of Expenditure	26.54	26.53
Rebate on Prepayment of Loans	(90.21)	(194.41)
Increase in Shareholding in Subsidiaries	—	1.11
Effect of changes in Foreign Currency Translation	106.08	57.39
Option Fees	(240.00)	—
	<u>14,216.99</u>	<u>10,911.41</u>
Investment Income Received	8.65	50.50
Operating Profit before Working Capital changes	<u>14,225.64</u>	<u>10,961.91</u>
Adjustments for :		
(Increase)/Decrease in Trade and Other Receivables	(10,060.45)	(3,241.32)
(Increase)/Decrease in Inventories	(10,082.14)	(10,320.99)
Increase/(Decrease) in Trade Payables	3,612.10	3,304.52
Cash generated from Operations	<u>(2,304.85)</u>	<u>704.12</u>
Taxes (Paid)/Refund (Net)		
Tax paid including Fringe Benefit Tax	(1,294.81)	(1,311.47)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	<u>(3,599.66)</u>	<u>(607.35)</u>
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(7,696.98)	(13,595.03)
Proceeds on Sale of Fixed Assets	214.82	237.85
Option Fees Received	240.00	—
Purchase of Current Investments	(3,353.01)	(5,892.72)
Sale of Current Investments	3,216.53	5,898.42
Investment in Subsidiaries	—	(77.09)
Interest Received	240.52	36.90
Dividend Received	0.74	0.24
NET CASH USED IN INVESTING ACTIVITIES	<u>(7,137.38)</u>	<u>(13,391.43)</u>

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

	2005-2006	(Rs. in Lakh) 2004-2005
C. Cash Flows from Financing Activities		
Proceeds from Borrowings (Net)		
Long term	18,183.75	12,509.17
Short term	14,888.34	7,598.96
Repayment of Borrowings		
Long term	(662.88)	(470.94)
Short term	(3,626.80)	(2,287.17)
Interest Paid (including interest capitalised Rs.103.61 Lakh, Previous year Rs.66.45 Lakh)	(2,315.94)	(1,186.11)
Convertible Bonds Issue Expenses	(378.90)	—
Dividend Paid (including tax thereon Rs.185.41 Lakh, Previous year Rs.150.56 Lakh)	(1,503.05)	(1,319.88)
NET CASH FROM FINANCING ACTIVITIES	<u>24,584.52</u>	<u>14,844.03</u>
D. Exchange Difference on Transalation of Foreign Currency		
Cash and Cash equivalents	(185.20)	(0.05)
Net Cash Inflow/(Outflow)	<u>13,662.28</u>	<u>845.20</u>
Cash and Cash equivalents as at 31st March,2005 (Schedule 10)	1,502.24	591.17
Cash and Cash equivalents consequent upon acquisition of subsidiaries	—	65.87
	<u>1,502.24</u>	<u>657.04</u>
Cash and Cash equivalents as at 31st March,2006 (Schedule 10)	15,164.52	1,502.24
Net Cash Inflow/(Outflow)	<u>13,662.28</u>	<u>845.20</u>

Notes

1. The above Consolidated Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. The Schedule referred to above forms an integral part of the Cash Flow Statement
3. Previous year's figures have been regrouped or rearranged, wherever necessary.

This is the Consolidated Cash Flow Statement referred to in our report of even date

P. Law
Partner
Membership No. F51790
For and on behalf of
PRICEWATERHOUSE
Chartered Accountants
Kolkata : 16th May, 2006

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

STATEMENT REGARDING SUBSIDIARY COMPANIES

Rs. in Lakh

	Closing exchange rate against Indian Rupee as on 31.03.2006	Capital	Reserve	Total Assets	Total Liabilities	Investments (except in case of investment in Subsidiaries)*	Turnover	Profit before Tax	Provision for Taxation	Profit after Tax	Proposed/ Interim dividend
Carbon Finance Limited	—	300.00	1495.25	2099.52	304.27	1273.65	130.84	123.83	27.75	96.08	—
Graphite International B.V. The Netherlands	54.09	3515.85	(333.15)	7619.03	4436.33	—	281.83	(83.81)	—	(83.81)	—
Carbon International Holdings N.V. Netherlands Antilles	54.09	54.09	1885.04	2002.55	63.42	—	125.38	122.10	5.26	116.84	54.09
Subsidiaries of Graphite International B. V.											
Graphite COVA GmbH, Germany	54.09	5365.73	717.29	18341.47	12258.46	—	20129.67	1097.47	413.90	683.57	—
Bavaria Electrodes GmbH, Germany	54.09	54.09	177.96	1609.90	1377.85	—	8371.73	194.43	71.17	123.26	—
Bavaria Carbon Specialities GmbH, Germany	54.09	54.09	112.29	567.59	401.21	—	3094.34	129.72	47.69	82.03	—
Bavaria Carbon Holdings GmbH, Germany	54.09	148.75	31.44	627.55	447.36	—	78.43	46.48	12.59	33.89	—

* Details of Investments held by Carbon Finance Limited as at 31st March, 2006

Rs. in Lakh

Particulars	Nature of Investment	Face value Rs.	Number	Amount
GKW Limited	Equity Shares	10.00	623,400	7.48
Matrix Commercial Pvt.Ltd	Zero Coupon optionally Convertible Debeantures (Unsecured)	100.00	1,150,000	1,150.00
Sundaram Select Midcap-Dividend	Units	10.00	16,267	2.72
Birla Floating Rate Fund Short Term-Growth	Units	10.00	21,671	2.49
Birla India Gennext Fund Dividend-Payout	Units	10.00	977,995	100.00
Sundram Floater ST Regular-Growth	Units	10.00	103,083	10.96
				<u>1,273.65</u>