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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.
IDBI Bank Ltd.
ING Vysya Bank Limited
Punjab National Bank
State Bank of India
UCO Bank

REGISTERED OFFICE

31, Chowringhee Road, Kolkata 700 016

NOTICE

NOTICE is hereby given that the Thirty Second ANNUAL GENERAL MEETING of Graphite India Limited will be held on Wednesday, the 1st day of August, 2007 at 10.00 A.M. at Williamson Magor Hall of The Bengal Chamber of Commerce & Industry, 6, Netaji Subhas Road, Kolkata- 700 001 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,2007 and the Balance Sheet as at that date.
2. To declare dividend on Equity Shares for the year ended 31st March, 2007.
3. To appoint a Director in place of Mr. Bhaskar Mitter who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. D J Balaji Rao who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. P K Khaitan who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolution with or without modification, as a Special Resolution.
RESOLVED THAT pursuant to the provisions of Section 309 of the Companies Act, 1956 ("the Act") or any modification or re-enactment thereof, the Company hereby authorises, payment of remuneration by way of commission at the discretion of the Board of Directors of the Company ("the Board") to one or more or all the Directors who are neither in the whole-time employment nor Managing / Whole-time Director(s) of the Company for a period of five financial years, commencing from 1st April, 2007.

FURTHER RESOLVED THAT the amount to be distributed as commission shall not exceed in the aggregate such percent of the net profits of the Company in any financial year for all such directors as prescribed in Section 309(4) of the Act computed in the manner specified in Section 198(1) of the Act.

FURTHER RESOLVED THAT the Board may, at its discretion, decide on the amount to be paid to any particular Director.

By Order of the Board
For Graphite India Limited

B. Shiva
Company Secretary

Kolkata
15th June, 2007

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 Wednesday, 18th July, 2007 to Wednesday, 1st August, 2007 (both days inclusive).
- d. At the ensuing General Meeting Mr. Bhaskar Mitter, Mr. D J Balaji Rao and Mr. P K Khaitan, 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. Bhaskar Mitter aged 87 years, Bar-at-law from London, has expertise in laws governing companies. He is intimately connected with the business world and has acquired vast experience over the whole range of business operations. He is a

past President of Associated Chamber of Commerce & Industry of India and was a Director amongst others of Reserve Bank of India, Life Insurance Corporation of India, Unit Trust of India and former ICICI Limited. He is a member of the Audit Committee and 'Committee for Borrowings' of the Company. He does not hold any equity shares in the Company.

Other Directorships

	Name of the Company	Position
1	Eveready Industries India Ltd.	Director
2	Exide Industries Ltd.	Director
3	Gloster Jute Mills Ltd.	Director

Other Committee Membership

	Name of the Company	Committee	Position
1	Eveready Industries India Ltd.	Remuneration Committee Shareholders'/ Investors' Grievances Committee Audit Committee	Chairman Chairman Member
2	Exide Industries Ltd.	Shareholders Grievances Redressal Committee Remuneration Committee Audit Committee	Chairman Member Member

Mr. D J Balaji Rao aged 67 years has around 30 years of experience in finance. He was holding various positions and finally was Deputy Managing Director (Operations & Human Resources Development) of the former ICICI Ltd. Prior to his retirement, he was Managing Director of Infrastructure Development Finance Co. Ltd. Mr. D J Balaji Rao is on the Board of several well-known companies in India. He does not hold any equity shares in the Company.

Other Directorships

	Name of the Company	Position
1	Ashok Leyland Ltd.	Director
2	Bajaj Auto Ltd.	Director
3	3 M India Ltd.	Director
4	Ennore Foundries Ltd.	Director
5	J S W Energy Ltd.	Director
6	ICICI Prudential Trust Ltd.	Director

Other Committee Membership

	Name of the Company	Committee	Position
1	Ashok Leyland Ltd.	Audit Committee Shareholders/ Investors Grievance Committee Remuneration Committee	Member Member Chairman
2	Bajaj Auto Ltd.	Audit Committee Shareholders Grievance Committee Remuneration Committee	Member Chairman Chairman
3	Ennore Foundries Ltd.	Audit Committee	Chairman
4	3M India Limited	Shareholders Grievance Committee Audit Committee	Chairman Member
5	ICICI Prudential Trust Ltd.	Audit Committee	Member

Mr. Pradip Kumar Khaitan aged 67 years, B.Com, L.L.B., Attorney-at-Law (Bell Chambers Gold Medalist) is an eminent legal personality in the country. He is a member of the Bar Council of India, Bar Council of West Bengal and Indian Council of Arbitration, New Delhi. His areas of specialization are Commercial and Corporate Laws, Tax Laws, Arbitration, Intellectual Property, Foreign Collaboration, Mergers and Acquisition, Restructuring and De-mergers. Mr. Khaitan is on the Board of several well-known Companies in India. He is the Chairman of the 'Remuneration Committee' and member of the 'Committee for Borrowings' of the Company. He does not hold any equity shares in the Company.

Other Directorships

	Name of the Company	Position
1	CESC Limited	Director
2	Dalmia Cement (Bharat) Limited	Director
3	Electrosteel Castings Limited	Director
4	Gillanders Arbuthnot & Co. Ltd.	Director
5	Hindustan Motors Limited	Director
6	India Glycols Limited	Director
7	Lanco Industries Limited	Director
8	OCL India Limited	Director
9	Pilani Investment & Industries Corpn. Ltd.	Director
10	South Asian Petrochem Ltd.	Director
11	Suzlon Energy Limited	Director
12	Visa Steel Limited	Director
13	Woodlands Medical Centre Limited	Director

Other Committee Membership

	Name of the Company	Committee	Position
1	CESC Limited	Finance & Forex Committee Remuneration Committee	Member Chairman
2	Hindustan Motors Limited	Executive Committee Investors Grievances Committee Remuneration Committee	Member Member Member
3	South Asian Petrochem Ltd.	Remuneration Committee	Member
4	Suzlon Energy Limited	Audit Committee Remuneration Committee Investor Relations Committee	Member Member Member
5	Visa Steel Limited	Remuneration Committee Finance & Banking Committee	Member 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 1st August, 2007 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 17th July, 2007 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, 2000 would be transferred to the said fund in the last week of June, 2007. Unclaimed/ un-encashed dividend declared by the erstwhile Graphite India Limited for the year ended 31st March, 2000 would be transferred to the said fund in the last week of June, 2007.

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, 1999 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, Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mill Compound, L B S Marg, Bhandup (W), Mumbai 400 078.

By Order of the Board
For Graphite India Limited

Kolkata
15th June, 2007

B. Shiva
Company Secretary

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

ITEM NO. 7

Section 309 of the Companies Act, 1956 ("the Act") enables the Company to authorise payment of remuneration by way of commission on net profits to Directors of the Company who are neither in the whole-time employment nor Managing Director(s) of the Company. Since such directors devote their time and attention to the business of the Company and the Company benefits from their expertise and mature advice, it is desirable that they be paid some remuneration by way of commission.

In terms of Section 309(4) of the Act, remuneration by way of commission payable to such directors shall not exceed –

- i) One percent of the net profits of the Company, if the Company has a Managing or Whole-time director or Manager.
- ii) Three percent of the net profits of the Company, in any other case.

Such payment of commission however requires approval of the members of the Company by way of special resolution. It is proposed that the Board be authorised to pay commission not exceeding in the aggregate such per cent of the net profits of the Company as prescribed in Section 309(4) of the Act in such proportion and to such one or more directors who are neither the Managing Director nor the Whole-time director, as the Board in its discretion may decide, subject to necessary approvals.

Approval from members is accordingly sought for payment of remuneration by way of commission to directors of the Company who are neither in the whole-time employment nor Managing Director of the Company for a period of five financial years, commencing from 1st April 2007.

A copy of the Article of Association of the Company is available for inspection at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

All the directors (except Mr. N. Venkataramani) may be deemed to be concerned or interested in the resolution.

By Order of the Board
For Graphite India Limited

Kolkata
15th June, 2007

B. Shiva
Company Secretary

DIRECTORS' REPORT

The Directors have pleasure in presenting their Thirty Second Annual Report together with the audited statement of accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

Rs. in Crore

Particulars	2006-07	2005-06	2006-07	2005-06
	Graphite India Limited		Graphite India Limited Consolidated	
Sales / Income from Operations (Gross)	900.01	649.40	1170.94	805.83
Profit for the year after charging all expenses but before providing interest, depreciation, tax and non-recurring income	203.79	128.76	259.73	150.60
Less : Interest	32.15	20.01	37.05	23.38
Profit before depreciation, tax and non-recurring income	171.64	108.75	222.68	127.22
Less : Depreciation	29.93	24.76	37.71	32.10
Profit before taxation and non-recurring income	141.71	83.99	184.97	95.12
Add : Non-recurring income	96.24	—	96.24	—
Profit before taxation	237.95	83.99	281.21	95.12
Less : Provision for taxation	44.08	21.04	58.85	26.77
Profit for the year	193.87	62.95	222.36	68.35
Add : Balance brought forward from the previous year	22.38	33.63	42.20	48.24
	<u>216.25</u>	<u>96.58</u>	<u>264.56</u>	<u>116.59</u>
Which has been appropriated as under :				
Transfer to Debenture Redemption Reserve	24.10	24.10	24.10	24.10
Interim Dividend	29.38	—	29.38	—
Proposed Dividend on Equity Shares	14.69	17.63	14.69	17.63
Dividend Tax	6.62	2.47	6.62	2.47
Transfer to General Reserve	100.00	30.00	100.00	30.00
Reserve Fund	—	—	0.11	0.19
Balance carried forward	41.46	22.38	89.66	42.20
	<u>216.25</u>	<u>96.58</u>	<u>264.56</u>	<u>116.59</u>

BUSINESS REVIEW

India Inc have many reasons to celebrate this financial year. In the global business perspective, it was a watershed year. It heralded the arrival of India as a big player in the globalisation game.

The Indian economy is setting new records – growing at its second fastest pace ever. The gross domestic product (GDP) growth for 2006-07 is 9.4%. There is just one instance in the past of the economy growing faster – when it grew at 10.5% in 1988-89. But, that came after the low 3.6% rise in GDP in 1987-88, while this time, the 9.4% growth is on the back of a solid 9% increase in GDP in 2005-06.

According to the Economic Survey 2006-07, the aggregate growth index for six core industries – electricity, coal, steel,

crude oil, petroleum refinery products and cement, all of which have a direct bearing on infrastructure - registered a growth of 8.3% in April-December 2006 as compared to 5.5 percent registered during corresponding period of last year. The Survey mentions that India's Telecom sector has been one of the biggest success stories of the market oriented reforms and the country is now amongst the fastest growing telecom markets in the world. The Survey mentions that the constraints, which inhibited the growth performance of the economy, appear to be easing. There are signs of tangible progress in areas such as power, roads, ports and airports. Merchandise export has touched USD 125 billion in 2006-07. An export target of USD 160 billion has been set for 2007-08, 28% more than that achieved in 2006-07. India continues to be a favourable destination for IT and the

manufacturing hub for automobile industries, auto components and telecom equipment. The resurgence of manufacturing, bodes well for employment generation.

India's significant export growth in recent years was on account of a host of favourable external developments and domestic policy initiatives. Improved global growth and recovery in world trade aided the growth of Indian exports.

In the favourable environment, the top line growth, year-on-year has been maintained. Both Operating margins and PAT margins are robust. Profit from Operations has registered increase, without considering the profit of Rs.96.24 crore (which has been shown separately as Non-Recurring Item) derived from sale of surplus land, during the year. Production and Sales have recorded improvement over the previous year's figures. Higher volumes and operational efficiency have resulted in improvement in profit. Both domestic and export sales of Graphite Electrodes as well as those of Impervious graphite equipment have gone up. Capacity utilization levels at all plants was nearly 100%. Rising raw material, manpower, fuel and interest costs did dent the margins to some extent. But, two factors – namely tight regimen of improved cost efficiencies and favorable product prices – helped in supporting the margins. To sum up, capacity creation ahead of demand and being proactive were the attributes for the achievement.

The USD 40 Million raised by way of Foreign Currency Convertible Bonds last year has been judiciously used to fund the on going capital expenditure across several new projects encompassing all segments.

The German operations led by Graphite Cova GmbH is on a consolidation phase primed by the assets acquired two years ago. The Net Profit has risen almost two-fold y-o-y.

The Merger and Acquisition (M&A) process of the steel sector, particularly the EAF mills, of direct relevance to Graphite Electrode industry, continues unabated after the takeover of Arcelor by Mittal and Corus Group by Tata Steel. The Company shall leverage opportunity to attain the status of a preferred partner of its large global customers.

SHARE CAPITAL

Equity Shares of nominal value of Rs.10/- each fully paid up in the capital of the Company was split into five equity share of Rs.2/- each fully paid up, pursuant to the resolution adopted by the members in the Extra-Ordinary General Meeting held on 1st December 2006.

The Authorised Share Capital is amended to 20,00,00,000 (Twenty crore) Equity Shares of Rs.2/- each instead of 400,00,000 (Forty Crore) Equity Shares of Rs.10/- each.

DIVIDEND

Pursuant to a decision by the Directors in the Board meeting held on 12th March 2007, Interim dividend @ 100% was paid on 14,68,96,225 equity shares of Rs.2/- each for FY 2006-07.

The Directors are pleased to recommend payment of 'Special and Final Dividend' at the rate of 50% on the aforesaid equity shares for FY 2006-07.

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 million metric ton. The principal manufacturers are based in USA, South America, Europe, Japan, China.

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

Graphite Electrode demand is primarily linked with the global production of steel in electric arc furnaces. The global economic conditions remained buoyant during the year. The year continued to witness robust global steel demand and stable prices for the fourth year in succession. World crude steel production during the calendar year 2006 amounted to a record 1.24 billion metric tons approx. The prices of steel products have been rising in tandem across regions of the world. Demand has been robust in Western Europe and North America. Inventories have declined, in terms of number of months cover and many mills are planning to step up the ordering cycle to raise inventory levels over the coming months. Production of steel has picked up in Europe and North America.

Steel sector in India during the past few years, has consistently proved its solid and strong fundamentals and is set on a high trajectory of growth. All signals are positive : Production is growing; New capacities – Greenfield and brownfield – are lined up; Steel consumption is increasing driven by sustained investments in infrastructure sector and consumer durables; large infrastructure projects, be it in power sector, roads or airports, are being conceived, planned or being implemented. According to CRISIL, steel consumption in India is all set to increase from 38.3 million metric tons in 2005-06 to 57.4 million metric tons in 2010-11, registering a compounded annual growth rate of 8.33 per cent.

Projections based on surveys of reputed country analysts, indicate a continuation of the robust world economic growth in the BRIC countries in 2007 as well.

Compared with the financial year 2005-06, finished Electrode production was higher, the increased quantity coming mainly from the Durgapur Plant which attained the capability to

produce 34,000 MT (an increase of 20,000 MT) of Graphite Electrode at the end of 2005-06; and the increased sale figure is primarily due to higher realization and better product mix.

Production and sale of Graphite Electrodes, and other Speciality Miscellaneous Graphite Products was also higher during the financial year; and keeping up the momentum, the overseas subsidiary also posted much better results, aided by a resurgent European market.

In tune with the growing potential for Speciality Graphite Products, a new facility has been added. This segment had to face aggressive price competition, from producers in China.

The DEPB-rate further reduced during the financial year to 5% effective 3rd July, 2006. This reduction coming on top of the earlier reductions is most debilitating since it is not accompanied by a corresponding reduction in the plethora of taxes imposed on exporting industries, and is a glaring contradiction to the Government's 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 change. Appeal against this Regulation filed in the European Court of Justice (ECJ), has not come up for hearing as yet.

On top of it, the European Commission has recently initiated an investigation on circumvention of the countervailing duty imposed against Indian exports only. The Company has complied with the requirements of the European Commission (EC) and awaits the EC's verdict in this respect.

In spite of such 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 reinforcing its competitive cost structure and delivering world class quality products.

Barring unforeseen circumstances, Graphite Electrode production and sale is expected to rise in the current year too, following stabilization of the production process in Durgapur Plant; and supported by our growing share in the niche markets of the Middle East and west of Europe.

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 graphite 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.

As in the previous years, this unit faced uncertainties in the availability of RPC - the raw material. The demand for Carbon Paste was lower during the year owing to problems faced by ferro alloy industry. Availability constraints, rising costs and cheaper imports were the main constraints of this Division.

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 well poised as an OEM to enhance its global market share by direct supply to its prospective customers strategically through technical visits, detailed engineering and design of large capacity heat exchangers and also by participating in industrial exhibitions and increasing its network of qualified agents.

Total global market for various items of graphite equipment is believed to be of the order of Rs.700-Rs.800 crore. Against this the Division secures today a small turnover of Rs.45 crore commensurate with its installed capacity. The Company intends to follow a gradual course of adding capacity and with this objective the Division has undertaken a modernization-cum-expansion plan during the year involving a modest capital outlay.

A strong base is being established in the global market and export business is expected to grow in coming years.

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 re-engineering, 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.

Competition is acute in this line of business. The competition is both from small and big players. Following unprecedented demand, this Division really experienced capacity crisis during the year, leading to delays in execution of some orders. To overcome this, a beginning has been made to increase the production capacity.

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.

Total generation of power in the aggregate was lower at 118 MU as compared to 147 MU in the previous year. Reduced water flows in the upstream river led to lower generation at 18 MW Chunchanakatte Hydel Power Plant (CCKT). Cost of generation in the DG set in Bangalore was uneconomic due to high Furnace Oil cost and generation through the DG set was cut down in a planned manner. As a result the entire generation at CCKT was wheeled into the Bangalore plant.

Generation at 1.5 MW - Link Canal Mini Hydel Plant (LCMHP) was comparatively better during 2006-07 due to better regulation of water flow in the link canal.

The Company is examining various options for investing further in power plants.

(ii) Opportunities and threats

Modernisation-cum-Expansion-cum-conservation (of inputs like power and raw materials) projects are important prerequisites for delivering year-on-year growth in manufacturing. Growth momentum in production has been sustained over a long period, driven by increased demand in domestic and export markets. The top line growth so essential for maintaining profitability, particularly in a period of rising input RM costs, and other operations costs, has been realized to some extent through an aggressive marketing strategy.

It is this philosophy that has helped the company grow year-on-year in all its Divisions, since many years. To a great extent it is the increased demand generated by penetrating into new markets, enlisting new customers and increasing the market share, that contribute to this good growth.

In this respect, the Company is alive to the potential opportunities through both organic and inorganic growth. The Company continues to look for M&A opportunities.

Speciality Graphite business experienced serious competition from low cost producers, particularly from China.

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 record turnover of Rs.87,698 lakh during the year under review as against Rs. 62,101 lakh in the previous year representing an increase of 41%.

All product Divisions of the Company recorded increased turnover.

Aggregate Export Sales of all divisions were Rs.49,906 lakh during the year under review as against Rs.34,681 Lakh in the previous year, representing an increase of 44%.

(a) Graphite and Carbon Division

Production of Graphite Electrodes, Anodes and Other Miscellaneous Carbon and Graphite Products during the year under review was 67,576 MT against 59,022 MT in the previous year.

Production of Calcined Petroleum Coke during the year was 29,563 MT as against 30,678 MT in the previous year.

Raw materials and energy costs have risen worldwide and so the Company could pass on a portion of the increases to its customers. The higher realisation and a favourable product mix of high value products, along with regular products, contributed to the increase in revenue during the year.

(b) Power Division

Generation from hydel power plant-18 MW at Chunchanakatte (CCKT) in the State of Karnataka - was not as good as the previous year due to a relatively weaker monsoon.

Total power generated was 118 million units from Hydel Power Plants and Multi Fuel Power Generating Sets during the period under review, as against 147 million units in the previous year.

(c) Others

Production in the Impervious Graphite Equipment (IGE) Division and spares at 810 MT was higher as compared to that of 520 MT in the previous year.

Realisation was also higher during the year for products of this Division. The delay in the issue of export licence by DGFT for export of equipment hindered the adherence to delivery commitments and has many a times placed the Company in the awkward position of a defaulter with its customers.

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 5759 MT as against 2,844 MT in the previous year. This Division has improved its production by 102% year-on-year. However

due to a combination of factors like product mix and realization, the sales turnover has gone up by 87% y-o-y.

(iv) Outlook

The general upward swing in the macro-economic fundamentals of the Indian Economy as also major industrial economies across the five continents sets the expectations profile for 2007-08 to be termed as "very positive". Euro-zone GDP Growth entered into a steady recovery in early 2005 and the pace continues to be sustainable, reaching a robust 4 per cent annualized growth rate in the second quarter of 2006.

Several infrastructure projects have been initiated in India, besides those that are already under implementation. The major expansion of Paradip Port in Orissa, New alumina refineries, several large capacity thermal power plants to bridge the gap between demand and supply, petrochemical complexes with downstream industries - all these reflect a substantially higher level of growth in infrastructure activities. Parallely, the demand for steel is also growing. Steel prices have increased in the international market driven by higher demand as well as higher cost of inputs. Steel production and capacity utilization levels have also registered a steady growth during the last few years. In India, there is a sudden spurt in the number of greenfield steel projects and expansion of existing capacities. Amongst several new plants that are coming up, the 10 million metric tons steel plant in Orissa and another 10 million metric tons plant scheduled to come up in Jharkhand/Orissa, are worth mentioning. Demand for speciality steel is also increasing at a significant pace. Bulk of the speciality steel flat products go into the manufacture of automobile components and here again India has emerged as a major outsourcing hub for the global auto manufacturers. It is noteworthy that the Indian auto industry is also growing at an unprecedented pace. The power sector too requires a huge quantity of speciality steel.

In the background of this general economic buoyancy 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 the Central Government and 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.

Exports to specific regions may get severely affected by trade barriers in the form of crippling import duties or anti dumping duties or countervailing duties as the case may be and our export volumes to specific markets could get affected by such protectionist measures.

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 equally there is the limiting availability of Needle Coke, and other primary raw materials.

With global majors setting up manufacturing capacities in India, Malaysia and in other low cost locations, particularly in Asia, the competition is likely to intensify in Asia and Far East.

Foreign exchange rate volatility has an impact on the business and on foreign currency debt portfolio. Export turnover constitutes major part of the total turnover. An appreciating trend of INR may substantially impact the earnings of the Company.

The trend of interest rate is upwards, after a brief regime of soft interest rates. The increase in the interest rate coupled with the increased requirement of working capital, may impact margin.

However, the Company's operations have historically shown remarkable 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.

(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 measure taken and in time.

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

On the back of increased economic activity in both developed and developing economies, reflecting an upturn in global output and further supported by increased commodity prices, the Company's gross turnover registered a 38.59% 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 good results.

During the year, the Company sold surplus factory land which

helped the Company to unlock unproductive assets and enhance long term shareholder value.

Out of USD 40 million raised by way of FCCB in October 2005, USD 23.24 approx. has been utilized to part finance capital projects and investment in overseas subsidiaries.

On the negative side was the continuous increase in crude oil prices and its adverse impact on several aspects of our operations. This triggered the process of tilting adversely the balance between the demand vs capacity equation for Needle Coke and other raw materials with its natural consequence of rapidly pushing up the price of needle coke to unprecedented levels. The net effect of these factors is a huge increase in raw material prices and energy costs.

Since the cost increase in raw materials and energy costs was almost universal in its impact, we were able to secure a nearly matching price increase in the sale price of electrodes and other products and thus were able to largely mitigate the effect of huge increase in input costs.

Sales/Income from Operations amounted to Rs.90,001 lakh as against Rs. 64,940 lakh in the previous year.

Borrowing at Rs.58,180 lakh was higher than Rs. 52,493 lakh in the previous year, mainly due to increase in working capital requirement following expansion of capacity.

After a brief period of soft interest regime, the interest rate has shot up right from the beginning of the financial year.

The rise in Interest cost is also due to higher level of borrowings for reasons explained above.

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.

There is an increase in staff cost due to the revision in salary of management staff, wage revision agreements signed with labour unions and fresh recruitments to support the growing activity levels in all the plants as also to enable the seamless transition of work responsibilities as an integral part of succession planning at various levels in the organization.

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

Pursuant to our avowed Corporate HRD policy and commitment to achieving higher levels of organizational excellence, the Company has been steadily progressing a wide range of skills developments, with a view to raising the performance benchmarks to be matching with those of a trans continental global major.

Developmental need-analysis of the management personnel, followed by capability enhancement programmes is being designed and tailor-made to suit specific needs.

SAP Implementation is in progress. Some divisions of the company have implemented most of the operations related modules of SAP and others are still in different stages of the process. The HR module of SAP is planned to be taken up after completing the core modules of the production processes.

The total number of people employed in the organization was 2,653 as on 31 March 2007. Employee relations are good and cordial at all locations of the Company. The Board places on record its sincere appreciation of the contribution made by all employees in ensuring high levels of performance and growth of the Company.

Cautionary Note

Certain statements in the 'Management Discussion and Analysis' section may be more than optimistic, and are 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

Regular production for orders in hand for Carbon based Composites is streamlined and efforts are on to scale up the production levels towards increased requirements.

Research and Development initiatives continue to be the driving force of the company in the areas of new product development, process technology and field trials for acceptance of new products by the customer.

Technology development will be the key enabler for the existing and emerging businesses to sustain and secure further competitive advantage in the global market.

Renewed thrust was given to enhancing the range and application of existing technologies in plants to introduce and establish the satisfactory performance of recent product developments.

Public Deposits

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

Deposits amounting to Rs. 0.97 lakh (previous year Rs.1.20 lakh) due for repayment remained unclaimed.

Subsidiary Companies

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

The overseas subsidiaries clocked a turnover of Euro 58.54 mn as compared with Euro 36.42 mn in the previous period. The profit before tax of these overseas subsidiaries was Euro 7.23 mn and profit after tax was Euro 4.72 mn.

The Company earned by way of Royalty Rs. 380 lakh during the year and Rs. 58 lakh by way of Dividend, from overseas subsidiaries.

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, statement in terms of section 212(1)(e), etc. of its subsidiaries to its Accounts. All these subsidiaries are 100% wholly owned by the Company. In terms of the Approval of the Ministry of Company Affairs, it is stated here that, the Annual Accounts of subsidiary companies and the related detailed information will be made available to the holding and subsidiary company investors seeking such information at any point of time. 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 parent company.

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, 2007 is 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, 2007 are given in Annexure 'B'.

DIRECTORS

Approval of the members of the Company for re-appointment of Mr. N Venkataramani as Executive Director of the Company for a period of 2 years w.e.f. 19th October, 2006 was obtained in Extra-Ordinary General Meeting held on 1st December, 2006.

Mr. Bhaskar Mitter, Mr. D J Balaji Rao and Mr. P K Khaitan retire by rotation as Directors, at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Recognition/Award

The Company received for the third year in a row, the TOP EXPORTER AWARD (in the Graphite Electrodes panel) of Capexil, for its export performance during 2005-06 from the Govt 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, 2007 and of the profit of the Company for the year ended March 31, 2007.
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 : 15th June, 2007

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	1) Use of fuel additives 2) Installation of energy efficient pumps and power pack; 3) Improvement in Power factor 4) Rationalization of capacities in Green Shop to optimize gross capacity	Automation of Multi Spindle drilling machines resulting in improved accuracy and speed of drilling and reduction in energy cost.	Installation of screw compressor
b) Additional measures proposed to be taken	1) Further significant improvements in power factor 2) Use of fuel additives in DG Set; 3) Reduction in compressed air consumption;	—	Installation of power back-up for continuously operated equipments
c) Impact of measures of (a) & (b) above-	Reduction in specific energy consumption/cost of production	Reduction in energy cost and the cost of production	Reduction in cost of production
B. TECHNOLOGY ABSORPTION			
a) Research and Development Specific area in which R & D was carried out	1) Optimising specification of furnace packing materials; 2) Development of new Speciality Products. 3) Developing more cost effective process cycles;	—	—
Benefits Derived	1) Quality Improvements 2) Improved yield 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. 51.68 lakh	—	—
R& D Expenditure as Percentage of total turnover	0.06%	—	—

	Graphite Electrode Division	Impervious Graphite Equipment Division	Glass Reinforced Plastic Pipe Division
b) Technology Absorption, Adaptation and Innovation			
Efforts made	1) Manufacturing of special type of fine grained mold stock; 2) Installation of a large extrusion press;	Optimisation of existing drilling machine for improving productivity;	Various innovative modification in plant and machinery;
Benefits	1) Expansion of product range in Graphite Speciality business 2) Capability to manufacture bigger electrodes;	Improved quality of blocks and productivity.	Reduction in scrap and breakdows
Technology Imported during the last five years	NIL	NIL	NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO	Rs. in lakh
Earnings	48353
Outgo	22872

Kolkata,
June 15, 2007

By Order of the Board

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, 2007

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	61	Executive Director	87.63	B.Sc., B.E., M.Tech	14.06.2001	36	GKW Limited President - Bolt & Nut Division

- 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
June 15, 2007

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, 2007

The strength of the Board of Directors as on 31st March, 2007 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 ^ positions held As Chairman	As Member (including Chairmanship)
K K Bangur	Chairman, Non-Executive	8	—	—
N S Damani	NED *	4	—	—
A V Lodha	NED *	3	1	2
Dr. R Srinivasan	NED *	8	5	9
Bhaskar Mitter	NED *	3	2	4
P.K.Khaitan	NED *	13	—	3
Sanjiv Goenka	NED *	11	2	4
D J Balaji Rao	NED *	7	4	10
B B Das	LIC Nominee * @	—	—	—
N Venkataramani	Executive Director	1	—	—

* also independent.

@ as lender

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, 2006, 31st July, 2006, 30th October, 2006, 29th January, 2006 and 12th March, 2007. The applicable information as per Annexure I-A forming part of Clause 49 of the Listing Agreement has been made available to the Board. 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 2006 to March 2007		Attended last Annual General Meeting (AGM) held on 31st July, 2006
	Held	Attended	
K K Bangur	5	5	Yes
N S Damani	5	2	Yes
A V Lodha	5	4	Yes
R Srinivasan	5	4	Yes
Bhaskar Mitter	5	4	Yes
P. K.Khaitan	5	2	Yes
Sanjiv Goenka	5	—	No
D J Balaji Rao	5	3	Yes
B B Das	5	5	Yes
N Venkataramani	5	5	Yes

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 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, 2006, 31st July, 2006, 30th October, 2006 and 29th January, 2007

Name	Position in the Audit Committee	Meetings	
		Held	Attended
Mr. A. V. Lodha	Chairman	4	3
Mr Bhaskar Mitter	Member	4	4
Dr R Srinivasan	Member	4	4

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, 2006 to review and approve the draft annual accounts of 2005-2006 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 acts as the Secretary to the Audit Committee. However, in the absence of the Company Secretary the Manager (Secretarial) acted as the Secretary to the Audit Committee at the meetings held on 16th May, 2006 and 31st July, 2006.

The Chairman of the Audit Committee, Mr. A V Lodha attended the last Annual General Meeting (AGM) held on 31st July, 2006.

IV. Remuneration Committee

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 twice during the year on 16th May, 2006 and 31st July, 2006 which was attended by all the 3 members.

The Committee at its meeting held on 31st July, 2006 decided to recommend to the Board, re-appointment of Mr. N Venkataramani as the Executive Director of the Company w.e.f. 19th October, 2006 for a period of 2 years upon the same terms and conditions (including remuneration), subject to approval of the members of the Company. Approval of the members of the Company was obtained on 1st December, 2006.

Remuneration 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 27th August, 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.

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, 2007 *
	Rs.	Rs.	Rs.	Rs.	Rs.	
K K Bangur	—	—	—	1,21,00,000	2,40,000	163280
N S Damani	—	—	—	2,00,000	40,000	—
A V Lodha	—	—	—	3,00,000	1,50,000	—
Dr R Srinivasan	—	—	—	3,00,000	1,70,000	500
Bhaskar Mitter	—	—	—	3,00,000	3,10,000	—
P. K.Khaitan	—	—	—	2,00,000	80,000	—
Sanjiv Goenka	—	—	—	2,00,000	—	—
D J Balaji Rao	—	—	—	2,00,000	50,000	—
B B Das	—	—	—	2,00,000	90,000	—
N Venkataramani	15,00,000	5,29,950	22,32,560	45,00,000	—	N A

* 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: Two years from the date of appointment with effect from October 19, 2006 with a notice period of three months from either side.

Severance Fees Three months salary in lieu of notice

Stock Option No stock option has been given.

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, 28 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
31st	2005 - 2006	Gorky Sadan, 3, Gorky Terrace, Kolkata 700 017	31.07.2006	10.00 a.m.
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.

ii. Special Resolution passed in previous 3 AGMs

AGM	Details of Special Resolution passed
31st	None
30th	None
29th	Delisting of equity shares from Calcutta Stock Exchange

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. 12 of Schedule 31 to the Accounts for the year ended 31st March, 2007 may be referred.

- B. In terms of Clause 49 (IV) (F) (i) 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 I D 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.

The Company has a separate e-mail ID, investorgrievance@graphiteindia.com, for investors to intimate their grievances, if any.

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)(i) of the Listing Agreement has been included in the Directors' Annual Report to the Shareholders.

IX. General Shareholder Information

AGM Date, Time and Venue	1st August, 2007 at 10.00 A.M. at Williamson Magor Hall of The Bengal Chamber of Commerce & Industry 6, Netaji Subhas Road, Kolkata- 700 001
Financial Year	1st April to 31st March
Date of Book Closure	18th July, 2007 to 1st August, 2007 (both days inclusive)
Dividend Payment Date	By 29th August, 2007
Listing on Stock Exchanges	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 National Stock Exchange of India Ltd. (NSE) Exchange Plaza, 5th Floor, Bandra-Kurla Complex Bandra (E), Mumbai 400 051 Delisting application was lodged on 27th August, 2004 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, 2007 to March, 2008 to BSE & NSE.

Stock Code

509488 on Bombay Stock Exchange Limited
GRAPHITE on National Stock Exchange

Demat ISIN Number for NSDL and CDSL

INE 371A01025

High, Low of market price of the Company's shares traded on National Stock Exchange of India Limited is furnished below:

Period	High	Low	Period	High	Low
	Rs	Rs		Rs	Rs
April, 2006	328.00	267.10	November, 2006	319.00	268.00
May, 2006	312.30	241.15	1st to 10th December, 2006	325.00	294.00
June, 2006	275.00	195.00	11th to 31st December, 2006*	64.00	54.00
July, 2006	244.45	190.00	January, 2007	64.95	55.15
August, 2006	270.00	221.00	February, 2007	65.00	47.05
September, 2006	297.00	240.00	March, 2007	56.35	47.00
October, 2006	324.00	270.00			

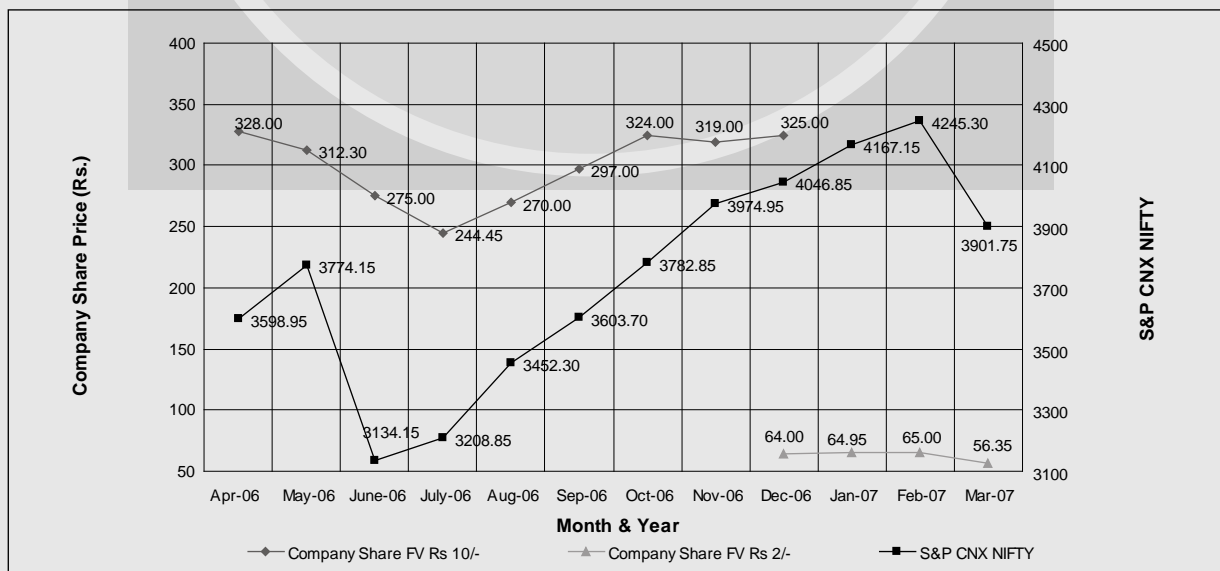
NOTE :

* Pursuant to split of Face Value of equity shares of the Company from Rs.10/- to Rs.2/- each, trading in equity shares of Rs.2/- had commenced from December 11, 2006.

S&P CNX NIFTY

Period	High	Period	High
April, 2006	3598.95	October, 2006	3782.85
May, 2006	3774.15	November, 2006	3974.95
June, 2006	3134.15	December, 2006	4046.85
July, 2006	3208.85	January, 2007	4167.15
August, 2006	3452.30	February, 2007	4245.30
September, 2006	3603.70	March, 2007	3901.75

Stock Performance of the Company in comparison to S&P CNX NIFTY



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

Intime Spectrum Registry Ltd
C-13 Pannalal Silk Mills Compound,
LBS Marg, Bhandup(W)
Mumbai 400 078
Phone: 022-25963838
Fax : 022- 25946969
E-mail: mail@intimespectrum.com

Intime Spectrum Registry Limited
59-C Chowringhee Road,
(Barlow House), 3rd Floor,
Kolkata 700 020
Tel: 033 22890540
Fax: 033 22890539
Email: kolkata@intimespectrum.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, 2007

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
1 – 500	16175	75.18	3388358	2.31
501 – 1000	2589	12.03	2064911	1.40
1001 – 2000	1344	6.25	1984777	1.35
2001 – 3000	531	2.47	1319636	0.90
3001 – 4000	202	0.94	725454	0.49
4001 – 5000	205	0.95	980930	0.67
5001 – 10000	210	0.98	1589891	1.08
10001 – 30000	136	0.63	2363989	1.61
30001 – 50000	23	0.11	937844	0.64
50001 – 100000	33	0.15	2363891	1.61
100001 and above	66	0.31	129176544	87.94
Total	21514	100.00	146896225	100.00
No. of shareholders in physical mode	8879	41.27	4168545	2.84
Electronic Mode	12635	58.73	142727680	97.16
Total	21514	100.00	146896225	100.00

Shareholding Pattern as on 31st March, 2007

Category	No. of Shares	%
Promoters' Holding		
Promoters		
Indian Promoters	78032145	53.12
Foreign Promoters	—	
Persons acting in concert		
Sub-Total	78032145	53.12
Non-Promoters' Holding		
Institutional Investors		
Mutual Fund and UTI	11222449	7.64
Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions)	8309913	5.66
FII's	4927247	3.35
Sub-Total	24459609	16.65
Others		
Private Corporate Bodies	9701791	6.60
Indian Public	20414542	13.90
NRI / OCBs	2292513	1.56
Any Other (Foreign Companies)	11995625	8.17
Sub-Total	44404471	30.23
Grand Total	146896225	100.00
Total Foreign Shareholding		
Foreign Promoters	—	—
FII's	4927247	3.35
NRIs / OCBs	2292513	1.56
Foreign Companies	11995625	8.17
Total	19215385	13.08

Dematerialisation of shares and liquidity

As on 31st March 2007, 142727680 shares of the Company representing 97.16% 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 had 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, 2007.

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 Area, Satpur, Nashik 422 007, Phone : (0253) 2203300 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 Link Canal Mini Hydel Plant, Peehalli, Srirangapatna Taluk, Mandya Dist 571415 Visveswaraya Industrial Area, Whitefield Road, Bangalore 560 048 Phone : (080) 28524061 – 71 88 MIDC Industrial Area, Satpur, Nashik 422 007, Phone : (0253) 2203300	
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@giacsl01.vsnl.net.in	Intime Spectrum Registry Ltd. C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup (W) Mumbai 400 078 Phone: 022-25963838, Fax : 022-25946969 E-mail: mail@intimespectrum.com

On behalf of the Board

Kolkata
15th June, 2007

K. K. Bangur
Chairman

Declaration

All the Board Members and the Senior management Personnel have as on 31.03.07 affirmed their compliance of the “Code of Conduct for Directors/Senior Management Personnel dated 27.01.06” in terms of Clause 49(I)(D)(ii) of the Listing Agreement.

Kolkata
15th June, 2007

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 2007, as stipulated in Clause 49 of the Listing Agreements 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; though the Company's established internal control system for financial reporting is in the process of being formalised/ documented.

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.

P. Law

Partner

Membership No. 51790

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Place : Kolkata

Dated: 15th June, 2007

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, 2007 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 generally 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, 2007, 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 9 on Schedule 31 to the Accounts.
- x) The Company has no accumulated losses as at 31st March, 2007, 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 in earlier 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 10 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, 2007 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, 2007;
 - (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
15th June, 2007

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

BALANCE SHEET as at 31st March, 2007

GRAPHITE INDIA LIMITED

	Schedule	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,938.09	2,938.09
Reserves and Surplus	2	56,480.76	42,461.48
		<u>59,418.85</u>	<u>45,399.57</u>
LOAN FUNDS			
Secured Loans	3	27,256.40	28,139.38
Unsecured Loans	4	30,923.63	24,353.94
		<u>58,180.03</u>	<u>52,493.32</u>
DEFERRED TAX LIABILITY (NET)	5	6,381.21	4,682.76
TOTAL		<u>123,980.09</u>	<u>102,575.65</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	75,306.01	65,963.74
Less : Depreciation		24,366.35	21,511.51
Net Block		50,939.66	44,452.23
Capital Work-in-Progress		848.51	2,897.26
		<u>51,788.17</u>	<u>47,349.49</u>
INVESTMENTS	7	14,707.29	5,007.29
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	31,062.34	21,948.92
Sundry Debtors	9	25,985.38	22,011.38
Cash and Bank Balances	10	8,257.97	14,261.53
Other Current Assets	11	1,044.41	552.14
Loans and Advances	12	11,274.00	8,777.70
		<u>77,624.10</u>	<u>67,551.67</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	13	18,238.35	14,547.97
Provisions	14	1,901.12	2,798.27
		<u>20,139.47</u>	<u>17,346.24</u>
NET CURRENT ASSETS		<u>57,484.63</u>	<u>50,205.43</u>
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
Payments under Voluntary Retirement Scheme		—	13.44
TOTAL		<u>123,980.09</u>	<u>102,575.65</u>
Capital Commitments (Net of Advances)			
Estimated amount of contracts remaining to be executed		701.37	1,495.59

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. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 15th June, 2007

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, 2007

GRAPHITE INDIA LIMITED

	Schedule	Year ended 31st March, 2007	(Rs. in Lakh) Year ended 31st March, 2006
INCOME			
Sales/Income from Operations (Gross)	20	90,001.33	64,940.38
Less: Excise Duty on Sales		5,016.64	3,540.78
Sales/Income from Operations (Net)		<u>84,984.69</u>	<u>61,399.60</u>
Other Income	15	3,833.09	1,727.96
		<u>88,817.78</u>	<u>63,127.56</u>
EXPENDITURE			
Raw Materials Consumed	21	38,556.15	26,703.84
Payments to and Provisions for Employees	16	6,341.85	4,933.05
Other Manufacturing, Selling and Administrative Expenses	17	30,626.69	23,233.50
(Increase)/Decrease in Work in Process and Finished Goods	18	(7,085.42)	(4,618.16)
		<u>68,439.27</u>	<u>50,252.23</u>
PROFIT BEFORE INTEREST, DEPRECIATION AND NON-RECURRING ITEM		20,378.51	12,875.33
Interest	19	3,214.98	2,000.96
PROFIT BEFORE DEPRECIATION AND NON-RECURRING ITEM		<u>17,163.53</u>	<u>10,874.37</u>
Depreciation		2,992.88	2,476.29
PROFIT BEFORE TAXATION AND NON-RECURRING ITEM		<u>14,170.65</u>	<u>8,398.08</u>
Add : Non-recurring Item [Note 2(d) on Schedule 31]		9,623.88	—
PROFIT BEFORE TAXATION		<u>23,794.53</u>	<u>8,398.08</u>
Provision for Taxation			
Current Tax		2,750.00	732.61
Less : MAT Credit		(90.00)	(190.33)
For earlier years		(177.03)	260.95
Fringe Benefit Tax		75.00	65.00
Deferred Tax		<u>1,850.00</u>	<u>1,235.00</u>
PROFIT AFTER TAXATION		<u>19,386.56</u>	<u>6,294.85</u>
Balance brought forward from earlier year		2,238.11	3,363.03
PROFIT AVAILABLE FOR APPROPRIATION		<u>21,624.67</u>	<u>9,657.88</u>
TRANSFER TO			
Debenture Redemption Reserve		2,409.80	2,409.80
General Reserve		10,000.00	3,000.00
Dividend-on Equity Shares			
Interim		2,937.92	—
Proposed Special and Final		1,468.96	1,762.75
Dividend Tax		661.69	247.22
Balance carried forward		<u>4,146.30</u>	<u>2,238.11</u>
		<u>21,624.67</u>	<u>9,657.88</u>
EARNINGS PER SHARE			
Basic (Rs.)	22	13.20	4.29
Basic excluding Non-recurring Item (Rs.)		7.38	4.29
Diluted (Rs.)		10.90	4.29
Diluted excluding Non-recurring Item (Rs.)		6.10	4.29

NOTES ON ACCOUNTS

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

31

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. 51790

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Kolkata : 15th June, 2007

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, 2007	(Rs.in Lakh) As at 31st March, 2006
1. SHARE CAPITAL		
Authorised		
20,00,00,000 (Previous Year 4,00,00,000) Equity Shares of Rs.2/- each (Previous Year Rs. 10/- each)	4,000.00	4,000.00
	<u>4,000.00</u>	<u>4,000.00</u>
Issued, Subscribed and Paid-up		
14,68,96,225 (Previous Year 2,93,79,245) Equity Shares of Rs.2/- each (Previous Year 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>

Notes :

- Out of the above Equity Shares, 9,55,70,150 (Previous Year 1,91,14,030) Equity Shares of Rs. 2/- each (Previous Year Rs. 10/- each) have been allotted as fully paid up pursuant to Schemes of Amalgamation, without payment being received in cash.
- In terms of the resolution passed at the Extraordinary General Meeting held on 1st December, 2006 the Company has sub-divided each of the equity share of the nominal value of Rs. 10/- each fully paid-up in the Capital of the Company into five equity shares of Rs. 2/- each fully paid-up.

	As at 31st March, 2006	Additions during the year	Withdrawals during the year	(Rs. in Lakh) As at 31st March, 2007
2. RESERVES AND SURPLUS				
Capital Reserve	45.86	—	—	45.86
Capital Redemption Reserve	575.00	—	—	575.00
Securities Premium Account	4,862.47	—	—	4,862.47
Debenture Redemption Reserve	3,659.80	2,409.80	—	6,069.60
General Reserve	31,080.24	10,000.00	298.71 @	40,781.53
Profit and Loss Account	2,238.11	1,908.19	—	4,146.30
	<u>42,461.48</u>	<u>14,317.99</u>	<u>298.71</u>	<u>56,480.76</u>

@ Refer Note 6(II) on Schedule 31.

	Note	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
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)	816.94	2,286.60
Rupee Term Loans from Banks	1(b)	7,387.50	5,137.50
Working Capital Loans from Banks and Financial Institutions (includes Foreign Currency Loan Rs.3178.40 Lakh; Previous Year:Rs. 8792.89 Lakh)	1(c)	14,051.96	15,715.28
		<u>27,256.40</u>	<u>28,139.38</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 pari-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 installments commencing from 19th May, 2007.

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
4. UNSECURED LOANS		
Short Term Loans from Banks (Including Foreign Currency Loan Rs. 6503.64 Lakh, Previous Year Rs. Nil)	13,493.64	6,500.00
Other Loans from Banks (Repayable within one year Rs. Nil, Previous Year Rs. 1.80 Lakh)	—	1.80
1.00 per cent Convertible Bonds due 2010 of US\$ 1000 each (‘Bonds’) aggregating US\$ 40,000,000 (Note below)	17,428.00	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.0.43 Lakh, Previous Year Rs. 2.15 Lakh)	1.99	4.14
	<u>30,923.63</u>	<u>24,353.94</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	6,755.78	5,100.48
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Less :

Assets

Expenses allowable for tax purpose on payment	278.31	302.46
Others	96.26 @	115.26
	<u>374.57</u>	<u>417.72</u>
	<u>6,381.21</u>	<u>4,682.76</u>

@ After considering Rs. 151.55 Lakh being tax effect of expenses relating to employee benefits adjusted against General Reserve (Schedule 2)

Schedules to Accounts

6. FIXED ASSETS

Description	GROSS BLOCK – AT COST				DEPRECIATION				(Rs. in Lakh) NET BLOCK	
	As at 31st March 2006	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31st March 2007	Up to 31st March 2006	For the year	On Sales/ Adjustments	Up to 31st March 2007	As at 31st March 2007	As at 31st March 2006
	TANGIBLE ASSETS									
Freehold Land	3,541.27	—	1,320.43	2,220.84	—	—	—	—	2,220.84	3,541.27
Leasehold Land	62.32	—	—	62.32	19.00	0.77	—	19.77	42.55	43.32
Buildings	12,813.59	2,287.18	91.17	15,009.60	2,647.32	378.32	57.28	2,968.36	12,041.24	10,166.27
Plant and Machinery	48,043.96	8,203.01	88.40	56,158.57 (a)&(b)	18,034.02	2,461.52	55.47	20,440.07	35,718.50	30,009.94
Machinery Spares	68.19	—	—	68.19	67.65	—	—	67.65	0.54	0.54
Office Equipment	445.64	96.80	4.26	538.18	240.54	53.13	2.71	290.96	247.22	205.10
Furniture and Fittings	499.28	33.54	—	532.82	284.67	25.98	—	310.65	222.17	214.61
Vehicles	489.49	69.60	28.71	530.38	218.31	37.66	22.58	233.39	296.99	271.18
INTANGIBLE ASSETS										
Computer Softwares acquired	—	185.11	—	185.11	—	35.50	—	35.50	149.61	—
TOTAL	65,963.74	10,875.24	1,532.97	75,306.01	21,511.51	2,992.88	138.04	24,366.35	50,939.66	44,452.23
Previous Year	56,106.11	9,983.36	125.73	65,963.74	19,085.09	2,476.29	49.87	21,511.51	848.51	2,897.26
Add: Capital Work-in-Progress – at cost (b), (c) & (d)									51,788.17	47,349.49

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. (73.18) Lakh (Previous Year Rs. 49.36 Lakh) being adjustment of exchange gain/(Loss) arising from fluctuation of exchange rate.
- Includes acquired intangible assets - Computer Software under implementation Rs. Nil (Previous Year Rs. 130.41 Lakh).
- Includes Capital Advances Rs. 220.84 Lakh (Previous Year Rs. 369.13 Lakh) - Unsecured, Considered Good.

7. INVESTMENTS

	Number	Unit Face Value	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
LONG TERM (AT COST OR UNDER)				
UNQUOTED				
TRADE				
IN SUBSIDIARY COMPANIES				
Fully paid up Shares				
Graphite International B.V.	65,00,000	Euro 1	3,544.14	3,544.14
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
Fully paid up Non-Convertible Redeemable Taxable Bonds with benefits under Section 54EC of the Income Tax Act., 1961				
National Highways Authority of India	10,000	10000	1,000.00	—
Rural Electrification Corporation Limited	87,000	10000	8,700.00	—
			14,707.29	5,007.29
AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS :			14,707.29	5,007.29

Note:

Current Investments acquired and sold during the year
Units of HDFC Cash Management Fund - Saving Plan

— Daily Dividend Reinvestment	18,821,045.599	Rs.10
Previous Year	(11,288,931.307)	

Schedules to Accounts

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
8. INVENTORIES		
– AT LOWER OF COST AND NET REALISABLE VALUE		
Stores and Spare Parts	1,285.58	1,022.87
Loose Tools	80.15	82.35
Raw Materials	9,488.71	7,721.22
Work-in-Process (including Contract Work-in-Progress)	15,626.70	11,020.21
Finished Goods	4,581.20	2,102.27
	<u>31,062.34</u>	<u>21,948.92</u>
9. SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months –		
Considered Good	862.44	742.31
Considered Doubtful	29.05	3.55
Other Debts-		
Considered Good	25,122.94	21,269.07
	<u>26,014.43</u>	<u>22,014.93</u>
Less : Provision for Doubtful Debts	29.05	3.55
	<u>25,985.38</u>	<u>22,011.38</u>
10. CASH AND BANK BALANCES		
Cash in hand	23.71	20.40
With Scheduled Banks on-		
Current Accounts (Note (a) below)	561.81	298.95
Unpaid Dividend Accounts	518.41	39.59
Fixed Deposit Accounts (Notes (a) and (b) below)	7,154.04	13,902.59
	<u>8,257.97</u>	<u>14,261.53</u>
Notes:		
(a) Current Accounts and Fixed Deposit Accounts include Rs.238.73 Lakh (Previous Year Rs. 77.48 Lakh) and Rs.6978.07 Lakh (Previous Year Rs. 13706.41 Lakh) respectively representing unutilised proceeds of the Convertible Bonds referred to in Schedule -4.		
(b) Includes Rs.2.42 Lakh (Previous Year Rs. 2.42 Lakh) lodged with Government Authority.		
11. OTHER CURRENT ASSETS		
Unsecured - Considered Good		
Accrued Income on Investments from a Subsidiary Company	58.05	54.09
Accrued Interest on Deposits with Banks and Others	618.72	192.03
Security and Other Deposits		
Deposit with Electricity Authorities	279.16	228.83
Others	88.48	77.19
	<u>1,044.41</u>	<u>552.14</u>

Schedules to Accounts

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
12. LOANS AND ADVANCES		
Unsecured - Considered Good		
Loans to Subsidiary Companies	1,044.90	1,003.17
Advances recoverable in cash or in kind or for value to be received (includes Rs.430.41 Lakh, Previous Year Rs.115.98 Lakh, due from Subsidiary Companies)	6,929.03	4,621.09
Accrued Export Entitlement	3,019.74	2,963.11
MAT Credit Entitlement	280.33	190.33
	<u>11,274.00</u>	<u>8,777.70</u>
13. LIABILITIES		
Acceptances *	6,775.88	5,204.95
Sundry Creditors-		
Small Scale Units (Refer Note 2(e) on Schedule 31)	158.66	129.87
Others (includes Rs. 38.46 Lakh, Previous Year Rs. 269.70 Lakh, due to Subsidiary Companies)	10,128.97	8,319.64
Advance from Customers	206.90	341.98
Other Liabilities	166.77	261.30
Investors Education and Protection Fund shall be credited by the following amounts namely:**		
(a) Unpaid Dividends	518.41	39.59
(b) Unpaid Matured Deposits	0.97	1.20
(c) Unpaid Matured Debentures	0.43	5.91
(d) Unpaid Interest on above	0.75	0.98
Interest Accrued but not due on loans	280.61	242.55
	<u>18,238.35</u>	<u>14,547.97</u>
* Secured by way of hypothecation of stocks and book debts in favour of the Company's Bankers to the extent of	4,221.04	2,282.55
** No amount is due for actual credit at the Balance Sheet date		
14. PROVISIONS (Net of payments)		
Income Tax	148.11	775.11
Wealth Tax	8.40	7.19
Fringe Benefit Tax	26.00	6.00
Proposed Special and Final Dividend	1,468.96	1,762.75
Tax on Dividend	249.65	247.22
	<u>1,901.12</u>	<u>2,798.27</u>

Schedules to Accounts

	2006-2007	(Rs. in Lakh) 2005-2006
15. OTHER INCOME		
Income from Investments		
Long Term		
Trade		
Dividend from a Subsidiary Company	58.05	54.09
Other than Trade		
Interest	388.46	1.38
Current Investments		
Dividend	2.20	0.74
Royalty	380.22	186.30
Interest on loans, deposits etc. *	913.77	463.90
Claims	30.43	142.51
Sales Tax / Octroi Incentive	502.07	0.67
Rent Receipt	0.72	0.60
Liabilities no longer required written back	679.23	259.74
Exchange Gain (Net)	677.56	—
Profit on disposal of Fixed Assets (Net)	—	110.68
Bad Debts recovery	4.65	2.06
Rebate on prepayment of Loans	54.64	90.21
Option Fees	—	240.00
Miscellaneous Receipts	141.09	175.08
	<u>3,833.09</u>	<u>1,727.96</u>
* Includes tax deducted at source	59.37	6.01
16. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus	5,246.29	4,137.06
Contribution to Provident and Pension Funds	298.76	241.46
Contribution to Superannuation Fund	161.20	44.45
Contribution to Gratuity Fund	254.36	111.55
Staff Welfare Expenses	381.24	398.53
	<u>6,341.85</u>	<u>4,933.05</u>

Schedules to Accounts

	(Rs. in Lakh)	
	2006-2007	2005-2006
17. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores and Spare Parts Consumed	9,982.78	7,540.36
Power and Electricity Charges	8,657.31	6,162.03
Repairs and Maintenance -		
Plant and Machinery	785.56	548.55
Buildings	230.21	203.98
Others	244.93	139.81
Rent	31.61	14.18
Rates and Taxes	69.92	160.60
Insurance	475.25	417.35
Commission to Selling Agents	1,386.28	995.92
Travelling and Conveyance	427.28	493.20
Directors' Remuneration (other than Executive Director)	151.30	89.60
Auditors' Remuneration (Refer Note 2(b) on Schedule 31)		
Audit Fee	12.00	12.00
Other Matters	9.90	7.30
Out of Pocket Expenses	0.53	0.39
Sales Tax	45.08	5.71
Excise Duty on Stocks etc. - Charge/(Credit)	298.72	52.65
Bad Debts/Advances Written off (Net of Provision for Doubtful Debts Written Back)	84.48	39.05
Freight and Transport	3,917.52	3,019.11
Processing Charges	133.45	151.01
Contractors' Labour Charges	1,677.65	931.11
Amortisation of Payment under Voluntary Retirement Scheme	13.44	26.54
Exchange Loss (Net)	—	451.68
Loss on Disposal of Fixed Assets (Net)	41.50	—
Miscellaneous Expenses (Refer Note 2(c) on Schedule 31)	1,949.99	1,771.37
	<u>30,626.69</u>	<u>23,233.50</u>
18. (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED GOODS		
Work-in-Process (Including Contract Work-in-Progress)		
Closing Stock	15,626.70	11,020.21
Deduct: Opening Stock (Net of VAT Credit available on Opening Stock Rs. Nil, Previous Year Rs. 13.78 Lakh)	11,020.21	7,202.38
	<u>(4,606.49)</u>	<u>(3,817.83)</u>
Finished Goods		
Closing Stock	4,581.20	2,102.27
Deduct: Opening Stock (Net of VAT Credit available on Opening Stock Rs. Nil, Previous Year Rs. 5.29 Lakh)	2,102.27	1,301.94
	<u>(2,478.93)</u>	<u>(800.33)</u>
	<u>(7,085.42)</u>	<u>(4,618.16)</u>
19. INTEREST ON		
Debentures/Bonds	564.74	418.36
Term Loans	1,398.73	941.29
Others	1,273.72	744.91
	<u>3,237.19</u>	<u>2,104.56</u>
Less : Interest capitalised	22.21	103.60
	<u>3,214.98</u>	<u>2,000.96</u>

Schedules to Accounts

	2006-2007		2005-2006	
	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	64,588	74,301.97	56,681	52,812.18
Carbon Paste	4,830	1,312.81	7,057	1,213.65
Calcined Petroleum Coke	15,892	2,675.39	15,513	2,291.41
Electricity (MU)	5	144.46	3	91.37
Impervious Graphite Equipment and Spares	746	4,744.67	527	3,192.14
GRP/FRP Pipes and Tanks (Including Installations) *	5,126	4,395.08	2,904	2,354.58
Others		124.04		145.89
		<u>87,698.42</u>		<u>62,101.22</u>
Processing/Service Charges		30.70		9.87
Export Entitlement		2,272.21		2,829.29
		<u>90,001.33</u>		<u>64,940.38</u>
*Refer Note 5 on Schedule-31				
21. RAW MATERIALS CONSUMED				
Raw Petroleum Coke	34,817	3,309.12	39,938	3,432.87
Calcined Petroleum Coke	56,915	20,495.24	44,803	13,904.89
Pitch	25,956	9,092.86	23,195	4,431.90
Extrusion Oil (Kilo Litres)	441	198.41	375	119.89
Furnace Oil (Kilo Litres)	15,250	2,587.69	21,096	3,138.71
Fibreglass	1,436	979.73	839	516.61
Resin Chemicals	1,877	1,126.69	1,046	576.50
Others		938.57		866.18
		<u>38,728.31</u>		<u>26,987.55</u>
Less : Materials Capitalised		172.16		283.71
		<u>38,556.15</u>		<u>26,703.84</u>

Schedules to Accounts

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
22. EARNINGS PER SHARE		
(A) Basic		
i) Number of Equity Shares at the beginning of the year	146,896,225	146,896,225
ii) Number of Equity Shares at the end of the year	146,896,225	146,896,225
iii) Weighted average number of Equity Shares outstanding during the year	146,896,225	146,896,225
iv) Face value of each Equity Share (Rs.)	2.00	2.00
v) Profit after Tax available for Equity Shareholders	19,386.56	6,294.85
vi) Basic Earnings per Share (Rs.) [(v)/(iii)]	13.20	4.29
vii) Profit after tax excluding Non-recurring Item (Refer Note 3 below)	10,842.48	6,294.85
viii) Basic Earnings per Share excluding Non-recurring Item (Rs.) [(vii)/(iii)]	7.38	4.29
(B) Diluted		
i) Number of dilutive potential Equity Shares resulting from exercise of options	31,279,436	—
ii) Weighted average number of dilutive potential Equity Shares outstanding during the year	31,279,436	—
iii) Aggregate of A(iii) and B(ii)	178,175,661	146,896,225
iv) Face value of each Equity Share (Rs.)	2.00	2.00
v) Adjusted Profit after Tax that would have been available to Equity Shareholders had conversion taken place (Refer Note 4 below)	19,419.67	6,294.85
vi) Diluted Earnings per Share (Rs.) [(v)/(iii)]	10.90	4.29
vii) Adjusted Profit after Tax excluding Non-recurring Item that would have been available to Equity Shareholders had conversion taken place (Refer Note 5 below)	10,875.59	6,294.85
viii) Diluted Earnings per Share excluding Non-recurring Item (Rs.) [(vii)/(iii)]	6.10	4.29
Notes :		
1. Pursuant to sub-division of Equity Shares during the year as indicated in Note 2 on Schedule 1, earnings per share for the year ended 31st March, 2006 have been restated based on the revised number of shares together with comparative figures relating to number of shares		
2. In view of the average market price (fair value) of Equity Shares of the Company relevant for the year being more than the applicable conversion price, the conversion options embedded in Bonds (1.00 per cent Convertible Bonds of US\$ 1000 each) as indicated in Schedule 4, is considered as dilutive and accordingly has been taken into account for computation of diluted earnings per share.		
3. Profit after Tax excluding Non-recurring Item		
Profit after Tax	19,386.56	6,294.85
Less : Non-recurring Item (Net of tax)	8,544.08	—
	<u>10,842.48</u>	<u>6,294.85</u>
4. Adjusted Profit after Tax		
Profit after Tax	19,386.56	6,294.85
Add Interest Expenses (Net of tax)	185.81	—
Less : Exchange Gain (Net of tax)	152.70	—
	<u>19,419.67</u>	<u>6,294.85</u>
5. Adjusted Profit after Tax excluding Non-recurring Item		
Adjusted Profit after Tax (Refer 4 above)	19,419.67	6,294.85
Less : Non-recurring Item (Net of tax)	8,544.08	—
	<u>10,875.59</u>	<u>6,294.85</u>

Schedules to Accounts

	2006-2007		(Rs. in Lakh) 2005-2006	
23. C.I.F. VALUE OF IMPORTS				
Raw Materials	18,888.37		13,030.86	
Components and Spare parts	113.85		121.60	
Capital Goods	1,666.48		1,433.05	
24. EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF				
Travelling	110.19		130.50	
Commission	1,061.53		710.61	
Export Sales Expenses	101.18		226.90	
Interest	381.17		80.19	
Technical know-how	137.58		30.48	
Professional Fees	230.97		86.37	
Convertible Bonds Issue Expenses	—		426.55	
Others	18.97		31.06	
25. EARNINGS IN FOREIGN CURRENCY				
Export of Goods on F.O.B. Basis	47,297.33		32,380.73	
Royalty	380.22		186.30	
Interest	609.55		333.34	
Dividend	58.05		54.09	
Others	8.24		10.01	
	2006-2007		2005-2006	
	(Rs. in Lakh)	%	(Rs. in Lakh)	%
26. CONSUMPTION OF				
a) Raw Materials				
Imported	19,827.04	51	13,643.79	51
Indigenous	18,729.11	49	13,060.05	49
	<u>38,556.15</u>	<u>100</u>	<u>26,703.84</u>	<u>100</u>
b) Stores and Spares				
Imported	49.35	1	128.44	2
Indigenous	9,933.43	99	7,411.92	98
	<u>9,982.78</u>	<u>100</u>	<u>7,540.36</u>	<u>100</u>
			<u>2006-2007</u>	<u>2005-2006</u>
			For 2005-2006	For 2004-2005
27. AMOUNT REMITTED IN FOREIGN CURRENCY				
On account of Dividend excluding payments to mandatees in India (Rs.in Lakh)			161.84	121.71
Number of shares of Rs. 10/- each held by Non-Resident Shareholders in respect of which dividends were remitted			2,697,370	2,704,636
Number of Non-Resident Shareholders			42	45

Schedules to Accounts

	2006-2007		2005-2006	
	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		55,000
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 *		67,576		59,022
Carbon Paste		5,106		6,473
Impervious Graphite Equipment and Spares		810		520
GRP/FRP Pipes and Tanks		5,759		2,844
Calcined Petroleum Coke *		29,563		30,678
Electricity (MU) *		118		147
* Includes captive consumption				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products		1,331		605
Calcined Petroleum Coke		13,671		15,165
Electricity (MU)		117		136
		2006-2007		2005-2006
		M.T. (Rs. in Lakh)		M.T. (Rs. in Lakh)
iv) Opening 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>
v) Closing Stock				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	4,518	3,751.91	2,861	1,763.03
Carbon Paste	567	102.79	291	46.77
Impervious Graphite Equipment and Spares	68	295.09	4	10.64
GRP/FRP Pipes and Tanks	913	339.54	280	164.45
Electricity (MU)	8	89.22	12	116.92
Others		2.65		0.46
		<u>4,581.20</u>		<u>2,102.27</u>

Schedules to Accounts

	2006-2007	(Rs. in Lakh) 2005-2006
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		
Profit before taxation as per Profit and Loss Account	23,794.53	8,398.08
Add: Managerial Remuneration	238.93	143.07
Amortisation of Expenditure under Voluntary Retirement Scheme	13.44	26.54
Provision for Wealth Tax	6.00	5.00
Provision for Doubtful Debts (Net)	25.50	—
	<u>24,078.40</u>	<u>8,572.69</u>
Less: Capital Profit on sale of fixed assets	9,633.24	127.11
Provision for Doubtful Debts no longer required written back (Net)	—	2.50
Net Profit under Section 198	<u>14,445.16</u>	<u>8,443.08</u>
DIRECTORS' REMUNERATION		
Executive Director		
Salary	15.00	12.00
Commission @ 5% of Net profit under Section 198 Restricted to	45.00	25.00
Contribution to Provident and Other Funds	5.30	4.24
Other Benefits	22.33	12.23
Sub-total	<u>87.63</u>	<u>53.47</u>
Other Directors		
Sitting fees	11.30	6.10
Commission @ 1% of Net profit under Section 198 Restricted to	140.00	83.50
Sub-total	<u>151.30</u>	<u>89.60</u>
Total for the year	<u>238.93</u>	<u>143.07</u>

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, 2007
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 *		144,119.56
Total Assets		144,119.56
Sources of Funds		
Paid-up Capital		2,938.09
Reserves and Surplus		56,480.76
Secured Loans		27,256.40
Unsecured Loans		30,923.63
Application of Funds		
Net Fixed Assets		51,788.17
Investments		14,707.29
Net Current Assets		57,484.63
Miscellaneous Expenditure		Nil
Accumulated Losses		Nil
* Includes Owners' Funds - Rs. 59,418.85 Lakh		
Deferred Tax Liability (Net) Rs. 6,381.21 Lakh		
4. PERFORMANCE OF COMPANY (AMOUNT IN RUPEES LAKH)		
Turnover (including Other Income and Non-recurring Item)		98,441.66
Total Expenditure		74,647.13
Profit before Tax		23,794.53
Profit before Tax excluding Non-recurring Item		14,170.65
Profit after Tax		19,386.56
Profit after Tax excluding Non-recurring Item		9,762.68
Earnings per share		
Basic (Rs.)		13.20
Basic excluding Non-recurring Item (Rs.)		7.38
Diluted (Rs.)		10.90
Diluted excluding Non-recurring Item (Rs.)		6.10
Dividend Rate %		150
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	

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31. 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 includes amortisation. Depreciation on tangible 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 on straight-line basis over the primary lease period. Intangible assets (Computer Softwares) are amortised over a period of five years.
- (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 are 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. EMPLOYEE BENEFITS:

a) Short-term Employee Benefits :

The undiscounted amount of Short-term Employee Benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service.

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

b) Post Employment Benefit Plans :

Contributions under Defined Contribution Plans payable in keeping with the related schemes are recognised as expenses for the year.

For Defined Benefit Plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

c) Other Long-term Employee Benefits (unfunded) :

The cost of providing long-term employee benefits is determined using Projected Unit Credit Method with actuarial valuation being carried out at each Balance Sheet date. Actuarial gains and losses and past service cost are recognised immediately in the Profit and Loss Account for the period in which they occur. Other long term employee benefit obligation recognised in the Balance Sheet represents the present value of related obligation.

J. PAYMENTS UNDER VOLUNTARY RETIREMENT SCHEME (VRS):

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

K. 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.

L. MATERIAL EVENTS:

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

M. 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.

N. 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.88.73 lakh (Previous year Rs.40.18 lakh), Contribution to Provident and Pension Fund Rs. Nil (Previous year Rs.1.55 lakh), Staff Welfare Expenses Rs.0.10 lakh (Previous year Rs.0.09 lakh), Stores and Spare Parts Consumed Rs.310.14 lakh (Previous year Rs.45.65 lakh), Power and Electricity Charges Rs.0.03 lakh (Previous year Rs.7.06 lakh), Insurance Rs.10.25 lakh (Previous year Rs.4.45 lakh), Contract Labour Charges Rs.23.22 lakh (Previous year Rs.50.18 lakh), Travelling and Conveyance Rs.38.62 lakh (Previous year Rs.5.35 lakh), Bank Charges Rs.0.12 lakh (Previous year Rs.11.55 lakh), Communication Expenses Rs.0.70 lakh (Previous year Rs.1.38 lakh), Rent Rs. 1.70 lakh (Previous year Rs. Nil), Rates and Taxes Rs. 2.05 lakh (Previous year Rs. Nil), Repairs and maintenance Rs. 11.01 lakh (Previous year Rs. Nil) and Miscellaneous Expenses Rs.33.50 lakh (Previous year Rs.16.76 lakh).
- b) Auditors' Remuneration (Schedule 17) does not include Rs. Nil (Previous year Rs. 5.50 lakh) being fees paid in connection with issue of the Convertible Bonds and Service Tax Rs. 2.75 lakh (Previous year Rs. 1.56 lakh) not routed through Profit and Loss Account.

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

- c) Miscellaneous Expenses (Schedule 17) includes Bank Charges Rs.286.00 lakh (Previous year Rs.225.20 lakh), Communication Expenses Rs.142.62 lakh (Previous year Rs.114.29 lakh) and Levy on Exports Rs. Nil (Previous year Rs.256.80 lakh).
- d) Non-recurring Item represents profit (Net) arising from the sale of a part of land at Bangalore of Graphite and Carbon division.
- e) Amount due to Small Scale Industrial Undertakings include the following parties to whom the Company owes a sum for more than thirty days:
Divine Mechanical & Engg. Co. (P) Ltd., Paul Engineering Products, Quick Electrical Services, Soham Enterprises & Vir Electro Engineering Pvt. Ltd. (Previous year - Accurate Engineers, Eastern Tar Private Limited, Eastern Coating Services Private Limited, Jayvecons, M.M.Equipments, R.I.Engineering (India) Pvt. Ltd., Rajamane & Hegde Services Pvt. Ltd., S.R.Enterprises, Orion Shoes, Thermowell Insulations).
- f) The year-end balance of Short Term Loans from Banks (Schedule 4) includes Rs. 3,000 Lakh (Previous year Rs. Nil) which was originally obtained during the year from a bank and assigned subsequently in favour of a party by the said bank.

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

	As at 31st March, 2007	As at 31st March, 2006
I) Claims not acknowledged as debts		
i) Disputed Income Tax demand for which appeals are pending	2,238.04	854.94
ii) Disputed Excise Duty for which appeals are pending	63.61	59.10
iii) Disputed Sales Tax demand for which appeals preferred by the Company	36.07	21.35
iv) Disputed Claim from a customer	451.04	—
v) Others	107.28	59.41
II) Corporate Guarantees given to banks to secure the financial assistance/ accommodation extended to Subsidiary Companies	7,836.75	10,826.00
(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

4. Research and Development Expenditure of revenue nature of Rs.51.68 Lakh (Previous year Rs. 65.00 Lakh)

5. Particulars relating to Construction Contracts:

	2006-07	(Rs. in Lakh) 2005-06
a) Contract revenues recognised as revenue.	2114.65	1377.08
	As at 31st March 2007	As at 31st March 2006
b) Other information relating to Contract Work-in-Progress		
i) Aggregate amount of cost incurred and recognised profits	2889.12	1596.55
ii) The amount of retentions due from customers	108.92	28.87
iii) Gross amount due from customers for contract work as an asset (i.e. Contract Work-in-Progress)	133.88	260.18

6. Employee Benefits

(I) Defined Benefit Plans

Gratuity

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees. As per the scheme, the Gratuity Fund Trusts, administered and managed by the Life Insurance Corporation of India (LIC), makes payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as set out in Note 1(I) (b) above, based upon which, the Company makes contributions to the Employees' Gratuity Funds.

Provident Fund

Certain employees of the Company receives benefits from provident fund, which is a defined benefit plan and administered by the Trusts set up by the Company. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employees and the Company make monthly contributions at specified percentage of

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

the employee's salary to such Provident Fund Trusts. The Company has an obligation to fund any shortfall in return on plan assets over the interest rates prescribed by the authorities from time to time.

The following Table sets forth the particulars in respect of the Defined Benefit Plans (funded) of the Company for the year ended 31st March, 2007 :

Description	(Rs. in Lakh)	
	Gratuity Fund	Provident Fund
(a) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation		
Present Value of Obligation at the beginning of the year	1214.10	655.58
Current Service Cost	77.09	90.70*
Interest Cost	84.41	55.72
Actuarial (Gains) / Losses	219.97	(1.99)
Benefits Paid	(177.29)	(79.43)
Present Value of Obligation at the end of the year	<u>1418.28</u>	<u>720.58</u>
(b) Reconciliation of the Opening and Closing balances of the Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning of the year	1217.00	660.53
Expected Return on Plan Assets	97.36	52.84
Actuarial Gains/(Losses)	29.75	(1.67)
Contributions	249.82	90.70*
Benefits paid	(177.29)	(79.43)
Fair Value of Plan Assets at the end of the year	<u>1416.64</u>	<u>722.97</u>
(c) Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets		
Present Value of Obligation at the end of the year	1418.28	720.58
Fair Value of Plan Assets at the end of the year	1416.64	722.97
Assets/(Liabilities) recognised in the Balance Sheet	<u>(1.64)</u>	<u>2.39</u>
(d) Expense recognised in the Profit and Loss Account		
Current Service Cost	77.09	90.70*
Interest Cost	84.41	55.72
Expected Return on Plan Assets	(97.36)	(52.84)
Actuarial (Gains) / Losses	190.22	(0.32)
Total Expense recognised	<u>254.36</u>	<u>93.26</u>
*Includes employees statutory contributions, voluntary contributions etc.		
The expenses for the above mentioned benefits have been disclosed under the following line items :-		
Gratuity - under 'Contribution to Gratuity Fund'		
Provident Fund - under 'Contribution to Provident and Pension Funds' other than employees' statutory contributions, voluntary contributions etc. which are recovered from their salaries, as included under 'Salaries, Wages and Bonus'		
(e) Category of Plan Assets :		
Fund with LIC	1373.57	—
Central Government securities	—	121.69
State Government securities	—	124.66
Bonds/Term Deposits	—	162.81
Special Deposit Schemes	—	286.15
Others (including bank balances)	43.07	27.66
Total	<u>1,416.64</u>	<u>722.97</u>
(f) Actual Return on Plan Assets	127.11	51.17

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31. NOTES ON ACCOUNTS (contd.)

Description	Gratuity Fund	(Rs. in Lakh)	
		Provident Fund	
(g) Principal Actuarial Assumptions			
Discount Rate	7.50%		N.A.
Salary Escalation	5.00%		N.A.
Inflation Rate	5.00%		N.A.
Expected Return on Asset	8.00%		8.00%

The estimate of future salary increases take into account inflation, seniority, promotion and other relevant factors.

The expected return on plan assets is determined after taking into consideration composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets, the Company's policy for plan asset management and other relevant factors.

Note : This being the first year of disclosure, previous year figures have not been furnished.

(II) Effective 1st April, 2006 the Company has adopted the revised Accounting Standard (AS) 15 on 'Employee Benefits' issued by the Institute of Chartered Accountants of India and revised its accounting policy in respect of employee benefits. Pursuant to the adoption of AS 15, an amount of Rs. 298.71 Lakh (Net of tax effect of Rs. 151.55 Lakh), arising upon remeasurement of certain employee benefit obligations, as on 1st April, 2006 has been recognised with corresponding adjustment against General Reserve in keeping with transitional provisions of the aforesaid AS.

7. 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.1.18 Lakh (Previous year Rs. 4.81 Lakh).

8. 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 Limited
Loan outstanding as at 31st March, 2007	Rs.1044.90 lakh (Rs.703.17 lakh)	—	Rs. Nil (Rs. 300.00 lakh)
Rate of interest on above	Euribor plus 250 basis point	—	7.60/10.0% P.A.
Maximum amount outstanding during the year ended 31st March, 2007	Rs.1053.90 lakh (Rs.1994.70 lakh)	Rs. Nil (Rs.519.50 lakh)	Rs.2800.00 lakh (Rs.300.00 lakh)

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, 2007 is Rs.126.91 Lakh, Previous year Rs. 98.39 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.

9. Disclosure of dues which have not been deposited as at 31st March, 2007 on account of disputes

Name of statute	Amount Rs.in Lakh	Forum where dispute is pending
I. Income Tax Act	2752.06	Commissioner of Income Tax (Appeals)
II. Central Excise Act	25.50	Assistant Commissioner of Central Excise
	5.12	Joint Commissioner of Central Excise
	20.02	Custom, Excise & Service Tax Appellate Tribunal
	11.79	Mumbai High Court
III. Central and State Sales Tax Acts	1.71	West Bengal Taxation Tribunal
	21.47	Deputy Commissioner of Commercial Tax
	10.60	Mumbai High Court

10. 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:

	(Rs. in Lakh)	
	2006-07	2005-06
Expansion and modernisation of existing production units	7064.25	1625.57
Investment by way of equity/ loan in wholly owned subsidiary	272.11	2120.87

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31. NOTES ON ACCOUNTS (contd.)

11. 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, 2007

(Rs.in Lakh)

	Graphite and Carbon		Power		Others		Total of Reportable Segments	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Sales/Income from Operations (Gross)								
External Sales	78,414.21	56,463.13	144.46	91.37	9,139.75	5,546.72	87,698.42	62,101.22
Inter Segment Sales	1,870.47	864.45	6,569.00	7,193.26	23.16	57.23	8,462.63	8,114.94
Income from Operations (External)	2,275.39	2,830.04	—	—	27.52	9.12	2,302.91	2,839.16
Segment Revenues	82,560.07	60,157.62	6,713.46	7,284.63	9,190.43	5,613.07	98,463.96	73,055.32
Segment Results	21,536.43 @	6,732.54	3,024.64	2,958.74	1,381.39	986.97	25,942.46	10,678.25
Segment Assets	98,012.52	80,697.33	8,932.23	9,539.87	10,013.93	6,935.30	116,958.68	97,172.50
Segment Liabilities	14,338.36	11,731.62	836.64	923.43	1,656.33	1,289.75	16,831.33	13,944.80
Capital Expenditure	7,265.43	8,043.27	25.42	—	1,462.24	130.72	8,753.09	8,173.99
Depreciation and Amortisation	1,995.81	1,590.74	618.03	617.85	312.65	201.29	2,926.49	2,409.88
Non-cash Expenses other than Depreciation and Amortisation (Net)	51.91	21.60	—	—	19.70	33.14	71.61	54.74

@ After considering a Non-recurring income of Rs. 9623.88 lakh referred to in note 2(d) above.

Reconciliation of Reportable Segments with the Financial Statements

	Revenues		Results Net Profit		Assets		Liabilities*	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Total of Reportable Segments	98,463.96	73,055.32	25,942.46	10,678.25	116,958.68	97,172.50	16,831.33	13,944.80
Corporate - Unallocated /								
Others (Net)	—	—	1,067.05	(279.21)	27,160.88	22,749.39	67,869.38	60,577.52
Inter Segment Sales	(8,462.63)	(8,114.94)	—	—	—	—	—	—
Interest Expenses	—	—	(3,214.98)	(2,000.96)	—	—	—	—
Taxes (Net)	—	—	(4,407.97)	(2,103.23)	—	—	—	—
	90,001.33	64,940.38	19,386.56	6,294.85	144,119.56	119,921.89	84,700.71	74,522.32

* Excluding Shareholders Funds

B. Secondary Segment (Geographical)

	Domestic		Export		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Revenues-Gross	40,095.69	30,259.77	49,905.64	34,680.61	90,001.33	64,940.38
Total Assets	116,958.68	97,172.50	—	—	116,958.68	97,172.50
Capital Expenditure	8,753.09	8,173.99	—	—	8,753.09	8,173.99

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

12. RELATED PARTY DISCLOSURES:

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

i) Related Parties

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, 2007

	2006-07	2005-06
A. Key Management Personnel		
a. Directors' Remuneration	87.63	53.47
B. Subsidiary Companies		
a. Sales of Goods		
Graphite Cova GmbH	7,127.42	3,882.92
Bavaria Electrodes GmbH	—	19.35
b. Purchase of Goods		
Graphite Cova GmbH	138.65	93.81
Bavaria Electrodes GmbH	0.14	—
c. Purchase of Capital Goods		
Graphite Cova GmbH	—	247.92
Graphite International B.V.	715.42	—
d. Royalty Income		
Graphite Cova GmbH	380.22	186.30
e. Interest Income		
Graphite International B.V.	59.95	89.65
Carbon International Holdings N.V.	—	15.79
Carbon Finance Ltd.	264.33	2.51
f. Dividend Income		
Carbon International Holdings N.V.	58.05	54.09
g. Investment in Shares		
Graphite International B.V.	—	2,120.87
h. Loans and Advances given		
Graphite International B.V.	272.11	—
Carbon Finance Ltd.	4,000.00	300.00

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31. NOTES ON ACCOUNTS (contd.)

	2006-07	2005-06
i. Corporate guarantees given (Refer Note 3(a)(II) on Schedule 31)	6,095.25	2,706.50
j. Recoveries / (Reimbursement) of Expenses (Net)		
Graphite Cova GmbH	0.37	23.31
k. Balance outstanding at the year end		
Sundry Debtors		
Graphite Cova GmbH	2,298.50	2,237.85
Bavaria Electrodes GmbH	—	1.89
Investments in Shares		
Graphite International B.V.	3,544.14	3,544.14
Carbon International Holdings N.V.	56.46	56.46
Carbon Finance Ltd.	1,393.76	1,393.76
Other Current Assets		
Carbon International Holdings N.V.	58.05	54.09
Loans and Advances (including Charges Recoverable)		
Graphite International B.V.	1,093.28	767.23
Graphite Cova GmbH	382.03	49.97
Carbon Finance Ltd.	—	301.95
Sundry Creditors		
Key Management Personnel	45.00	25.00
Graphite Cova GmbH	38.32	269.70
Bavaria Electrodes GmbH	0.14	—
Corporate Guarantees	7,836.75	10,826.00

13. 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, 2007

	2006-2007	(Rs. in Lakh) 2005-2006
A. Cash Flows from Operating Activities		
Profit before Taxation and Non-recurring Item	14,170.65	8,398.08
Adjustments for :		
Depreciation	2,992.88	2,476.29
Foreign Exchange (Net)	(474.39)	119.38
Investment Income	(60.25)	(54.83)
Interest Expense	3,214.98	2,000.96
Interest Income	(1,302.23)	(465.28)
(Profit)/Loss on Disposal of Fixed Assets (Net)	41.50	(110.68)
Bad Debts/Advances written off (Net of Provision for Doubtful Debts Written Back)	84.48	39.05
Liability no Longer Required Written Back	(679.23)	(259.74)
Provisions	120.58	52.58
Amortisation of Expenditure	13.44	26.54
Rebate on Prepayment of Loans	(54.64)	(90.21)
Option Fees	—	(240.00)
Operating Profit before Working Capital changes	18,067.77	11,892.14
Adjustments for :		
(Increase)/Decrease in Trade and Other Receivables	(6,575.41)	(8,678.29)
(Increase)/Decrease in Inventories	(9,113.42)	(6,511.02)
Increase/(Decrease) in Trade Payables	3,997.80	2,955.62
Cash generated from Operations	6,376.74	(341.55)
Taxes (Paid)/Refund (Net)		
Tax paid including Fringe Benefit Tax	(3,254.98)	(1,266.04)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	<u>3,121.76</u>	<u>(1,607.59)</u>
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(9,366.09)	(7,147.22)
Proceeds on Disposal of Fixed Assets (Net)	33.00	186.54
Proceeds on Disposal of Fixed Assets - Net (Non-recurring)	10,944.31	—
Investment in Subsidiaries	—	(2,120.87)
Loans to Subsidiaries	(4,272.11)	(300.00)
Repayment of Loans by Subsidiaries	4,300.00	1,777.11
Option Fees Received	—	240.00
Purchase of Long Term Investments	(9,700.00)	—
Purchase of Current Investments	(2,001.88)	(1,200.13)
Sale of Current Investments	2,001.88	1,200.13
Interest Received	875.54	282.39
Dividend Received	56.29	0.74
NET CASH USED IN INVESTING ACTIVITIES	<u>(7,129.06)</u>	<u>(7,081.31)</u>

CASH FLOW STATEMENT (Contd.)

	2006-2007	(Rs. in Lakh) 2005-2006
C. Cash Flows from Financing Activities		
Proceeds from Borrowings		
Long term	3,075.13	18,183.75
Short term	9,579.64	12,834.18
Repayment of Borrowings		
Long term	(2,224.41)	(645.31)
Short term	(4,082.93)	(3,626.80)
Interest Paid (including interest capitalised Rs. 22.21 Lakh; Previous Year Rs. 103.60 Lakh)	(3,199.13)	(2,013.95)
Convertible Bonds Issue Expenses	—	(378.90)
Dividend Paid (including tax thereon Rs.659.27 Lakh; Previous Year Rs.185.41 Lakh)	(4,881.13)	(1,503.05)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	<u>(1,732.83)</u>	<u>22,849.92</u>
D. Exchange Differences on Translation of Foreign Currency		
Cash and Cash equivalents	(263.43)	(137.46)
Net Cash Inflow/(Outflow)	<u>(6,003.56)</u>	<u>14,023.56</u>
Cash and Cash equivalents - Opening (Schedule 10)	14,261.53	237.97
Cash and Cash equivalents - Closing (Schedule 10)	8,257.97	14,261.53
Net Cash Inflow/ (Outflow)	<u>(6,003.56)</u>	<u>14,023.56</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. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 15th June, 2007

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)					
	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Sales/Income from operations	90001	64940	54597	54930	41008	36844
Sales(excluding Excise Duty)	82682	58560	48258	47868	35264	31896
Operating Profit	16546	11147	8265	8518	7117	7535
Other Income	3833	1728	1167	1360	827	762
Interest	3215	2001	1063	1284	2316	2797
Gross Profit	17164	10874	8369	8594	5628	5500
Depreciation	2993	2476	2069	2057	1986	1751
Provision for Taxation	4408	2103	1500	1405	303	379
Profit After Tax before Non-recurring Item	9763	6295	4800	5132	3339	3370
Non-recurring Item	9624	—	—	—	—	—
Profit After Non-recurring Item	19387	6295	4800	5132	3339	3370
Equity Dividend per Share - Rs.*	3.00	1.20	0.90	0.80	0.50	0.50
Equity Dividend Amount (including Dividend Tax)	5069	2010	1507	1326	829	734
EPS Basic (Excluding Non-recurring Item) - Rs.*	7.38	4.29	3.27	3.48	2.24	2.25
Debt Equity Ratio (Term Debt)	0.74:1	0.81:1	0.42:1	0.23:1	0.38:1	0.44:1
Debt Equity Ratio(Total Debt)	0.98:1	1.16:1	0.62:1	0.43:1	0.52:1	0.64:1
Fixed Assets	51788	47349	41475	35244	35452	36417
Investments	14707	5007	2886	1407	1434	1445
Current Assets	77624	67552	39400	31936	28123	25114
Total Assets	144119	119908	83761	68587	65009	62976
Loan Funds	58180	52493	25867	16230	18067	20377
Current liabilities	20139	17346	12912	10984	9340	7151
Deferred Tax liability	6381	4683	3590	3256	3051	3063
Share Capital						
Equity	2938	2938	2938	2938	2938	2938
Preference	—	—	—	—	250	500
Reserves and Surplus (Net of Misc. Expenditure)	56481	42448	38454	35179	31363	28947
Net Worth	59419	45386	41392	38117	34301	31885
Total Liabilities	144119	119908	83761	68587	65009	62976
Number of Employees	2653	2651	2240	2306	2257	2294

* Consequent upon sub-division of the nominal value of equity share of Rs. 10/- each w.e.f. 1st December, 2006, previous years figures of equity dividend per share and EPS have been restated based on revised number of shares.

RATIOS

Key Ratios	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
EBIDT/Total Income - percent	22.94	20.40	17.94	18.47	20.05	23.23
Interest/Total Income - percent	3.62	3.17	2.02	2.40	5.84	7.83
Net profit/Total Income - percent	10.99	9.97	9.13	9.60	8.43	9.44
Return on capital employed - percent	17.33	13.15	14.02	18.15	15.07	15.07
Interest cover-times	6.34	6.43	8.87	7.69	3.43	2.97
Debt-equity	0.74	0.81	0.42	0.23	0.38	0.44
Book-value-Rs.*	40.45	30.90	28.18	25.95	23.35	21.70
EPS-Basic (excluding non-recurring item) - Rs.*	7.38	4.29	3.27	3.48	2.24	2.25
Cash-EPS-(excluding non-recurring item) - Rs.*	9.42	5.97	4.68	4.88	3.59	3.44
Financial Performance Ratio	Percent	Percent	Percent	Percent	Percent	Percent
Domestic Turnover/Total Sales	43.09	44.15	46.88	42.88	45.01	41.79
Export Turnover/Total Sales	56.09	55.85	53.12	57.12	54.99	58.21
Other Income/Total Income	4.32	2.74	2.22	2.54	2.09	2.13
Raw material costs/Net Sales	46.63	45.35	41.00	38.20	42.71	42.77
Manpower costs/Total Income	7.14	7.81	8.27	7.83	9.37	9.85
Excise/Gross Sales	5.72	5.70	6.17	5.53	5.89	5.60
Interest/Total Income	3.62	3.17	2.02	2.40	5.84	7.83
PBDT/Total Income	19.32	17.23	15.91	16.07	14.20	15.40
Depreciation/Total Income	3.37	3.92	3.93	3.84	5.01	4.90
Net Profit/Total Income	10.99	9.97	9.13	9.60	8.43	9.44
Cash flow/Total Income	14.36	13.89	13.06	13.44	13.44	14.34
RONW/(PAT/Net Worth)	16.43	13.87	11.60	13.46	9.73	10.56
Balance Sheet Ratios						
Debtors Turnover-days	107	128	111	103	87	81
Inventory Turnover - days	128	127	108	87	141	148
Per-Share data Ratios						
Earnings (excluding non-recurring item) - Rs.*	7.38	4.29	3.27	3.48	2.24	2.25
Cash earnings-Rs.*	9.42	5.97	4.68	4.88	3.59	3.44
Dividend-Rs.*	3.00	1.20	0.90	0.80	0.50	0.50

* Consequent upon subdivision of the nominal value of equity share of Rs. 10/- each into five equity shares of Rs. 2/- each w.e.f. 1st December, 2006, previous years figures of equity dividend per share, book value, Cash-EPS and EPS have been restated based on revised number of shares.

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, 2007, 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 34,648.83 Lakh as at 31st March, 2007 and total revenue of Rs. 35,061.72 Lakh and net cash outflow amounting to Rs. 35.44 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 to 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, 2007;
 - 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 : 15th June, 2007

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

CONSOLIDATED BALANCE SHEET
of Graphite India Limited and its subsidiaries as at 31st March, 2007

	Schedule	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,938.09	2,938.09
Reserves and Surplus	2	61,408.52	44,712.71
		<u>64,346.61</u>	<u>47,650.80</u>
LOAN FUNDS			
Secured Loans	3	39,638.87	33,589.63
Unsecured Loans	4	30,923.63	28,030.79
		<u>70,562.50</u>	<u>61,620.42</u>
DEFERRED TAX LIABILITY (NET)	5	6,381.21	4,682.76
TOTAL		<u>141,290.32</u>	<u>113,953.98</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	81,460.15	71,918.19
Less : Depreciation		26,193.21	22,611.77
Net Block		55,266.94	49,306.42
Capital Work-in-Progress		848.51	2,754.93
		<u>56,115.45</u>	<u>52,061.35</u>
INVESTMENTS			
	7	11,063.46	1,286.57
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	43,932.20	32,688.91
Sundry Debtors	9	34,355.67	24,188.61
Cash and Bank Balances	10	9,166.44	15,164.52
Other Current Assets	11	1,388.91	884.90
Loans and Advances	12	10,437.00	8,065.14
		<u>99,280.22</u>	<u>80,992.08</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	13	21,473.86	16,990.89
Provisions	14	3,694.95	3,408.57
		<u>25,168.81</u>	<u>20,399.46</u>
NET CURRENT ASSETS		74,111.41	60,592.62
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)			
Payments under Voluntary Retirement Scheme		—	13.44
TOTAL		<u>141,290.32</u>	<u>113,953.98</u>

Capital Commitments (Net of Advances)

Estimated amount of contracts remaining to be executed

701.37

1,495.59

NOTES ON ACCOUNTS

21

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. 51790

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Kolkata : 15th June, 2007

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, 2007

	Schedule	Year ended 31st March, 2007	(Rs. in Lakh) Year ended 31st March, 2006
INCOME			
Sales/Income from Operations (Gross)		117,094.46	80,583.45
Less: Excise Duty on Sales		5,016.64	3,540.78
Sales/Income from Operations (Net)		112,077.82	77,042.67
Other Income	15	3,509.40	1,735.66
		<u>115,587.22</u>	<u>78,778.33</u>
EXPENDITURE			
Raw Materials Consumed		43,089.61	30,627.03
Payments to and Provisions for Employees	16	11,716.33	9,591.39
Other Manufacturing, Selling and Administrative Expenses	17	42,104.97	31,314.90
(Increase)/Decrease in Work in Process, Finished Goods and Trading Items	18	(7,297.24)	(7,814.59)
		<u>89,613.67</u>	<u>63,718.73</u>
PROFIT BEFORE INTEREST AND DEPRECIATION		<u>25,973.55</u>	<u>15,059.60</u>
Interest	19	3,705.05	2,338.45
PROFIT BEFORE DEPRECIATION		<u>22,268.50</u>	<u>12,721.15</u>
Depreciation		3,771.37	3,210.32
PROFIT BEFORE TAXATION AND NON-RECURRING ITEM		<u>18,497.13</u>	<u>9,510.83</u>
Add : Non-recurring Item (Note 7 on Schedule 21)		9,623.88	—
PROFIT BEFORE TAXATION		<u>28,121.01</u>	<u>9,510.83</u>
Provision for Taxation			
Current Tax		4,227.31	1,305.55
Less: MAT Credit		(90.00)	(190.33)
For earlier years		(177.38)	260.95
Fringe Benefit Tax		75.00	65.00
Deferred Tax		1,850.00	1,235.00
PROFIT AFTER TAXATION		<u>22,236.08</u>	<u>6,834.66</u>
Balance brought forward from earlier year		4,220.35	4,824.68
PROFIT AVAILABLE FOR APPROPRIATION		<u>26,456.43</u>	<u>11,659.34</u>
TRANSFER TO			
Debenture Redemption Reserve		2,409.80	2,409.80
General Reserve		10,000.00	3,000.00
Reserve Fund		11.58	19.22
Dividend on - Equity Shares			
Interim		2,937.92	—
Proposed Special and Final		1,468.96	1,762.75
Dividend Tax		661.69	247.22
Balance carried forward		8,966.48	4,220.35
		<u>26,456.43</u>	<u>11,659.34</u>
EARNINGS PER SHARE			
	20		
Basic (Rs.)		15.14	4.65
Basic excluding Non-recurring Item (Rs.)		9.32	4.65
Diluted (Rs.)		12.50	4.65
Diluted excluding Non-recurring Item (Rs.)		7.70	4.65

NOTES ON ACCOUNTS

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

P. Law

Partner

Membership No. 51790

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Kolkata : 15th June, 2007

21

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

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

Schedules to Consolidated Financial Statements

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
1. SHARE CAPITAL		
Authorised		
20,00,00,000 (Previous Year 4,00,00,000) Equity Shares of Rs. 2/- each (Previous Year Rs. 10/- each)	4,000.00	4,000.00
	<u>4,000.00</u>	<u>4,000.00</u>

Issued, Subscribed and Paid-up

14,68,96,225 (Previous Year, 2,93,79,245) Equity Shares of Rs.2/- each (Previous Year 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>

Notes :

1. Out of the above Equity Shares, 9,55,70,150 (Previous year 1,91,14,030) Equity Shares of Rs. 2/- each (Previous year Rs. 10/- each) have been allotted as fully paid up pursuant to Schemes of Amalgamation, without payment being received in cash.
2. In terms of the resolution passed at the Extraordinary General Meeting held on 1st December, 2006 the Parent Company has sub-divided each of the equity share of the nominal value of Rs. 10/- each fully paid-up in the Capital of the Parent Company into five equity shares of Rs. 2/- each fully paid-up

	As at 31st March, 2006	Additions during the year	Withdrawals during the year	(Rs. in Lakh) As at 31st March, 2007
2. RESERVES AND SURPLUS				
Capital Reserve	45.86	—	—	45.86
Capital Redemption Reserve	575.00	—	—	575.00
Securities Premium Account	4,862.47	—	—	4,862.47
Debenture Redemption Reserve	3,659.80	2,409.80	—	6,069.60
Reserve Fund	92.80	11.58	—	104.38
General Reserve	31,080.24	10,000.00	298.71 @	40,781.53
Foreign Currency Translation Adjustment Account	176.19	(172.99)	—	3.20
Profit and Loss Account	4,220.35	4,746.13	—	8,966.48
	<u>44,712.71</u>	<u>16,994.52</u>	<u>298.71</u>	<u>61,408.52</u>

Note :

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

@ Refer Note 5(II) on Schedule 21

Schedules to Consolidated Financial Statements

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
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	816.94	2,286.60
Term Loan from Banks	9,144.00	10,587.75
Working Capital Loans from Banks and Financial Institutions	24,677.93	15,715.28
	<u>39,638.87</u>	<u>33,589.63</u>
Note:		
7.21% Secured Redeemable Non-Convertible Debentures are redeemable in three equal annual installments commencing from 19th May, 2007.		
4. UNSECURED LOANS		
Short Term Loan from Banks	13,493.64	10,176.85
Other Loans from-		
Banks (Repayable within one year Rs.Nil, Previous year Rs.1.80 Lakh)	—	1.80
1.00 per cent Convertible Bonds due 2010 of US\$ 1000 each ('Bonds') aggregating US\$ 40,000,000 (Note below)	17,428.00	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.0.43 Lakh, Previous year Rs.2.15 Lakh)	1.99	4.14
	<u>30,923.63</u>	<u>28,030.79</u>
Note:		
The Bonds are convertible into Equity Shares of the Parent 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 Parent 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	6,755.78	5,100.48
Less :		
Assets		
Expenses allowable for tax purpose on payment	278.31	302.46
Others	96.26 @	115.26
	<u>374.57</u>	<u>417.72</u>
	<u>6,381.21</u>	<u>4,682.76</u>

@ After considering Rs. 151.55 Lakh being tax effect of expenses relating to employee benefits adjusted against General Reserve (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 2006	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31st March 2007	Up to 31st March 2006	For the year	On Sales/ Adjustments	Up to 31st March 2007	As at 31st March 2007	As at 31st March 2006
	A. Tangible Assets									
Freehold Land	3,684.44	—	1,309.95	2,374.49	—	—	—	—	2,374.49	3,684.44
Leasehold Land	62.32	—	—	62.32	19.00	0.77	—	19.77	42.55	43.32
Buildings	13,042.98	2,349.68	91.17	15,301.49	2,663.43	395.38	56.10	3,002.71	12,298.78	10,379.55
Plant and Machinery	53,001.06	8,401.26	210.04	61,192.28(a)	19,009.54	3,117.88	111.49	22,015.93	39,176.35	33,991.52
Machinery Spares	68.19	—	—	68.19	67.65	—	—	67.65	0.54	0.54
Office Equipment	902.73	164.74	4.26	1,063.21	326.55	134.73	(3.51)	464.79	598.42	576.18
Furniture and Fittings	499.28	33.54	—	532.82	284.67	25.98	—	310.65	222.17	214.61
Vehicles	541.15	73.40	57.24	557.31	231.05	47.48	33.53	245.00	312.31	310.10
Total Tangible Assets	71,802.15	11,022.62	1,672.66	81,152.11	22,601.89	3,722.22	197.61	26,126.50	55,025.61	49,200.26
B. Intangible Assets										
Goodwill (arising on consolidation)	67.75	—	—	67.75	—	—	—	—	67.75	67.75
Patent(f)	5.41	—	(0.39)	5.80	0.67	1.16	(1.22)	3.05	2.75	4.74
Trademark(f)	27.05	—	(1.98)	29.03	3.41	5.81	(6.04)	15.26	13.77	23.64
Computer Softwares(f)	15.83	189.63	—	205.46	5.80	42.18	(0.42)	48.40	157.06	10.03
Total Intangible Assets	116.04	189.63	(2.37)	308.04	9.88	49.15	(7.68)	66.71	241.33	106.16
TOTAL	71,918.19	11,212.25 (b)	1,670.29	81,460.15	22,611.77	3,771.37	189.93 (c)	26,193.21	55,266.94	49,306.42
Previous Year	61,654.48	10,424.20	160.49	71,918.19	19,478.25	3,210.32	76.80	22,611.77	848.51	2,754.93
Add : Capital Work-in-Progress - at cost (b), (d) & (e)									56,115.45	52,061.35

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. 357.70 Lakh (Previous Year Rs. 201.90 Lakh) on account of foreign exchange adjustment.
 (c) Net of Rs. 79.99 Lakh (Previous Year Rs. 16.02 Lakh) on account of foreign exchange adjustment.
 (d) Includes acquired intangible assets — Computer Software under implementation Rs.Nil (Previous Year Rs. 130.41 Lakh).
 (e) Includes Capital Advances Rs.220.84 Lakh (Previous year Rs.369.13 Lakh) — Unsecured, Considered Good.
 (f) Represents acquired assets

7. INVESTMENTS

LONG TERM (AT COST OR UNDER)

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
Fully paid up Equity Shares in Companies	7.48	7.48
Units of Mutual Funds	193.05	116.16
Fully Paid up Unsecured Zero Coupon Optionally Convertible Debentures in a company	1,150.00	1,150.00
6.75% Tax free US64 Bonds	12.87	12.87
6 Year National Savings Certificate (Deposited with Sales Tax Authority)	0.06	0.06
Fully paid up Non-Convertible Redeemable Taxable Bonds :		
National Highways Authority of India	1,000.00	—
Rural Electrification Corporation Ltd.	8,700.00	—
	11,063.46	1,286.57
AGGREGATE AMOUNT OF INVESTMENTS :		
Quoted	7.48	7.48
Unquoted	11,055.98	1,279.09
	11,063.46	1,286.57
AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS :	240.63	274.61
NET ASSET VALUE OF UNITS OF MUTUAL FUNDS	203.00	154.20

Schedules to Consolidated Financial Statements

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
8. INVENTORIES		
– AT LOWER OF COST AND NET REALISABLE VALUE		
Stores and Spare Parts	1,521.57	1,256.01
Loose Tools	80.15	82.35
Raw Materials	12,886.81	9,204.12
Work-in-Process (including Contract Work-in-Progress)	22,225.23	17,499.74
Finished Goods	6,018.41	3,519.17
Trading Goods	1,200.03	1,127.52
	<u>43,932.20</u>	<u>32,688.91</u>
9. SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months-		
Considered Good	884.64	747.72
Considered Doubtful	29.05	3.55
Other Debts-		
Considered Good	33,471.03	23,440.89
	<u>34,384.72</u>	<u>24,192.16</u>
Less: Provision for Doubtful Debts	29.05	3.55
	<u>34,355.67</u>	<u>24,188.61</u>
10. CASH AND BANK BALANCES		
Cash in hand	26.57	22.56
With Banks on-		
Current Accounts	1,467.42	737.51
Unpaid Dividend Accounts	518.41	39.59
Fixed Deposit Accounts (including Rs.2.42 Lakh, Previous Year Rs.2.42 Lakh lodged with Government Authority)	7,154.04	14,364.86
	<u>9,166.44</u>	<u>15,164.52</u>
11. OTHER CURRENT ASSETS		
Unsecured - Considered Good		
Accrued Interest on Deposits with Banks and Others	570.34	127.97
Security and Other Deposits		
Deposit with Electricity Authorities	279.16	228.83
Others	539.41	528.10
	<u>1,388.91</u>	<u>884.90</u>

Schedules to Consolidated Financial Statements

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
12. LOANS AND ADVANCES		
Unsecured - Considered Good		
Advances recoverable in cash or in kind or for value to be received	7,136.93	4,911.70
Accrued Export Entitlement	3,019.74	2,963.11
MAT Credit Entitlement	280.33	190.33
	<u>10,437.00</u>	<u>8,065.14</u>
13. LIABILITIES		
Acceptances	6,775.88	5,204.95
Sundry Creditors	12,399.35	10,529.97
Advance from Customers	206.90	344.79
Other Liabilities	1,264.36	548.73
Investors Education and Protection Fund shall be credited by the following amounts namely:		
(a) Unpaid Dividends	518.41	39.59
(b) Unpaid Matured Deposits	0.97	1.20
(c) Unpaid Matured Debentures	0.43	5.91
(d) Unpaid Interest on above	0.75	0.98
Interest Accrued but not due on loans	306.81	314.77
	<u>21,473.86</u>	<u>16,990.89</u>
14. PROVISIONS (Net of Payments)		
Income Tax	1,941.94	1,385.41
Wealth Tax	8.40	7.19
Fringe Benefit Tax	26.00	6.00
Proposed Special and Final Dividend	1,468.96	1,762.75
Tax on Dividend	249.65	247.22
	<u>3,694.95</u>	<u>3,408.57</u>
15. OTHER INCOME	2006-2007	(Rs. in Lakh) 2005-2006
Income from Investments		
Long Term (Other than Trade)		
Interest	388.46	1.38
Current Investments		
Dividend	2.20	0.74
Interest on loans, deposits etc.	600.88	357.96
Claims	30.43	142.51
Sales Tax/Octroi Incentive	502.07	0.67
Rent Receipt	63.19	59.96
Liabilities no longer required written back	679.23	259.74
Exchange Gain (Net)	689.30	—
Profit on disposal of Fixed Assets (Net)	—	115.11
Bad Debts recovery	4.65	2.06
Rebate on prepayment of Loans	54.64	90.21
Option Fees	—	240.00
Miscellaneous Receipts	494.35	465.32
	<u>3,509.40</u>	<u>1,735.66</u>

Schedules to Consolidated Financial Statements

	(Rs. in Lakh)	
	2006-2007	2005-2006
16. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus	9,724.42	7,982.67
Contribution to Provident and Pension Funds	1,073.93	961.86
Contribution to Superannuation Fund	161.20	44.45
Contribution to Gratuity Fund	254.36	111.55
Staff Welfare Expenses	502.42	490.86
	<u>11,716.33</u>	<u>9,591.39</u>
17. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores and Spare Parts Consumed	13,081.62	10,183.88
Power and Electricity Charges	13,024.52	8,935.79
Repairs and Maintenance —		
Plant and Machinery	1,597.92	1,048.04
Buildings	300.61	278.70
Others	250.10	151.98
Rent	97.46	174.84
Rates and Taxes	122.98	239.79
Insurance	685.38	617.16
Commission to Selling Agents	2,228.32	1,504.51
Travelling and Conveyance	469.29	524.68
Directors' Remuneration (other than Executive Director)	151.34	89.63
Sales Tax	45.08	5.71
Excise Duty on Stocks etc. - Charge/(Credit)	298.72	52.65
Bad Debts/Advances Written off (Net of provision for Doubtful Debts Written Back)	131.74	41.29
Freight and Transport	4,604.99	3,457.80
Processing Charges	148.09	164.12
Contractors' Labour Charges	1,677.65	1,044.90
Amortisation of Payment under Voluntary Retirement Scheme	13.44	26.54
Exchange Loss (Net)	—	456.30
Loss on Disposal of Fixed Assets (Net)	26.64	—
Miscellaneous Expenses	3,149.08	2,316.59
	<u>42,104.97</u>	<u>31,314.90</u>

Schedules to Consolidated Financial Statements

	2006-2007	(Rs. in Lakh) 2005-2006
18. (INCREASE)/DECREASE IN WORK-IN-PROCESS, FINISHED GOODS AND TRADING ITEMS		
Work-in-Process (Including Contract Work-in-Progress)		
Closing Stock	22,225.23	17,499.74
Deduct: Opening Stock (Net of VAT Credit Available on Opening Stock Rs. Nil, Previous Year Rs. 13.78 Lakh)	<u>17,499.74</u>	<u>11,448.67</u>
	(4,725.49)	(6,051.07)
Finished Goods		
Closing Stock	6,018.41	3,519.17
Deduct: Opening Stock (Net of VAT Credit Available on Opening Stock Rs. Nil, Previous Year Rs. 5.29 Lakh)	<u>3,519.17</u>	<u>1,692.97</u>
	(2,499.24)	(1,826.20)
Trading Items		
Closing Stock	1,200.03	1,127.52
Deduct: Opening Stock	<u>1,127.52</u>	<u>1,190.20</u>
	(72.51)	62.68
	<u>(7,297.24)</u>	<u>(7,814.59)</u>
19. INTEREST ON		
Debentures/Bonds	564.74	418.36
Term Loans	1,888.79	1,372.52
Others	<u>1,273.73</u>	<u>651.17</u>
	3,727.26	2,442.05
Less : Interest capitalised	<u>22.21</u>	<u>103.60</u>
	<u>3,705.05</u>	<u>2,338.45</u>

Schedules to Consolidated Financial Statements

	As at 31st March, 2007	(Rs. in Lakh) As at 31st March, 2006
20. BASIC AND DILUTED EARNINGS PER SHARE		
(A) Basic		
(i) Number of Equity Shares at the beginning of the year	146,896,225	146,896,225
(ii) Number of Equity Shares at the end of the year	146,896,225	146,896,225
(iii) Weighted average number of Equity Shares outstanding during the year	146,896,225	146,896,225
(iv) Face value of each Equity Share (Rs.)	2.00	2.00
(v) Profit after Tax available for Equity Shareholders	22,236.08	6,834.66
(vi) Basic Earnings per Share (Rs.) [(v)/(iii)]	15.14	4.65
(vii) Profit after tax excluding Non-recurring Item (Refer Note 3 below)	13,692.00	6,834.66
(viii) Basic Earnings per Share excluding Non-recurring Item (Rs.) [(vii)/(iii)]	9.32	4.65
(B) Diluted		
(i) Number of dilutive potential Equity Shares resulting from exercise of options	31,279,436	—
(ii) Weighted average number of dilutive potential Equity Shares outstanding during the year	31,279,436	—
(iii) Aggregate of A(iii) and B(ii)	178,175,661	146,896,225
(iv) Face value of each Equity Share (Rs.)	2.00	2.00
(v) Adjusted Profit after Tax that would have been available to Equity Shareholders had conversion taken place (Refer Note 4 below)	22,269.19	6,834.66
(vi) Diluted Earnings per Share (Rs.) [(v)/(iii)]	12.50	4.65
(vii) Adjusted Profit after Tax excluding Non-recurring Item that would have been available to Equity Shareholders had conversion taken place (Refer Note 5 below)	13,725.11	6,834.66
(viii) Diluted Earnings per share excluding Non-recurring Item (Rs.) [(vii)/(iii)]	7.70	4.65
Notes :		
1. Pursuant to sub-division of Equity Shares during the year as indicated in Note 2 on Schedule 1, earnings per share for the year ended 31st March, 2006 have been restated based on the revised number of shares together with comparative figures relating to number of shares.		
2. In view of the average market price (fair value) of Equity Shares of the Company relevant for the year being more than the applicable conversion price, the conversion options embedded in Bonds (1.00 per cent Convertible Bonds of US\$ 1000 each) as indicated in Schedule 4, is considered as dilutive and accordingly has been taken into account for computation of diluted earnings per share.		
3. Profit after Tax excluding Non-recurring Item		
Profit after Tax	22,236.08	6,834.66
Less Non-recurring Item (Net of tax)	8,544.08	—
	<u>13,692.00</u>	<u>6,834.66</u>
4. Adjusted Profit after Tax		
Profit after Tax	22,236.08	6,834.66
Add Interest Expense (Net of tax)	185.81	—
Less Exchange Gain (Net of tax)	152.70	—
	<u>22,269.19</u>	<u>6,834.66</u>
5. Adjusted Profit after Tax excluding Non-recurring Item		
Adjusted Profit after Tax (Refer 4 above)	22,269.19	6,834.66
Less Non-recurring Item (Net of tax)	8,544.08	—
	<u>13,725.11</u>	<u>6,834.66</u>

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 includes amortisation. Depreciation on tangible 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 on straight line basis over the primary lease period. Intangible assets (Computer Softwares) are amortised over a period of five years.

In case of foreign subsidiaries, depreciation is provided on straight line basis. The assets acquired from the insolvency administrator are depreciated 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 are 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. EMPLOYEE BENEFITS:

(a) Short-term Employee Benefits :

The undiscounted amount of Short-term Employee Benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service.

(b) Post Employment Benefit Plans :

Contributions under Defined Contribution Plans payable in keeping with the related schemes are recognised as expense for the year.

For Defined Benefit Plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

(c) Other Long-term Employee Benefits (unfunded) :

The cost of providing long-term employee benefits is determined using Projected Unit Credit Method with actuarial valuation being carried out at each Balance Sheet date. Actuarial gains and losses and past service cost are recognised immediately in the Profit and Loss Account for the period in which they occur. Other long term employee benefit obligation recognised in the Balance Sheet represents the present value of related obligation.

K. PAYMENTS UNDER VOLUNTARY RETIREMENT SCHEME (VRS):

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

L. PRIOR PERIOD AND EXTRAORDINARY ITEMS:

Prior period and extraordinary 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.

P. 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

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

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.

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, 2007	As at 31st March, 2006
i) Claims not acknowledged as debts		
a) Disputed Income Tax demand for which appeals are pending	2238.04	854.94
b) Disputed Excise Duty for which appeals are pending	63.61	59.10
c) Disputed Sales Tax demand for which appeals preferred by the Company	36.07	21.35
d) Disputed Claim from a customer	451.04	—
e) Others	107.28	59.41
ii) Potential obligation under public law of Germany in respect of environment	1609.15	1499.37
iii) Countervailing duty on account of certain materials	193.62	—
(b) Corporate Guarantees	—	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:

	2006-07	(Rs. in Lakh) 2005-06
a) Contract revenues recognised as revenue.	2114.65	1377.08
	As at 31st March, 2007	As at 31st March, 2006
b) Other information relating to Contract Work-in-Progress		
i) Aggregate amount of cost incurred and recognised profits	2889.12	1596.55
ii) The amount of retentions due from customers	108.92	28.87
iii) Gross amount due from customers for contract work as an asset (i.e. Contract Work-in-Progress)	133.88	260.18

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

5. Employee Benefits

(I) Defined Benefit Plans

Gratuity

The Parent Company provides for gratuity, a defined benefit retirement plan covering eligible employees. As per the scheme, the Gratuity Fund Trusts, administered and managed by the Life Insurance Corporation of India (LIC), makes payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as set out in Note 1(J) (b) above, based upon which, the Parent Company makes contributions to the Employees' Gratuity Funds.

Provident Fund

Certain employees of the Parent Company receive benefits from provident fund, which is a defined benefit plan and administered by the Trusts set up by the Parent Company. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employees and the Parent Company make monthly contributions at specified percentage of the employee's salary to such Provident Fund Trusts. The Parent Company has an obligation to fund any shortfall in return on plan assets over the interest rates prescribed by the authorities from time to time.

Pension

Certain overseas subsidiaries provide for pension benefits to its employees, which are defined benefit retirement plans. Under such plans, the vested employees become entitled to a monthly pension at an agreed rate, upon retirement or disability. After the death of the vested employee, the spouse becomes entitled to monthly pension at a reduced rate. Vesting occurs upon completion of fifteen or twenty four years of service. Such plans are unfunded

The following Table sets forth the particulars in respect of the Defined Benefit Plans of the Group for the year ended 31st March, 2007 :

Description	Gratuity Fund (Funded)	Provident Fund (Funded)	(Rs. in Lakh)
			Pension (Unfunded)
(a) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation			
Present Value of Obligation at the beginning of the year	1214.10	655.58	111.32
Current Service Cost	77.09	90.70*	3.73
Interest Cost	84.41	55.72	4.72
Actuarial (Gains) / Losses	219.97	(1.99)	(9.89)
Benefits Paid	(177.29)	(79.43)	—
Present Value of Obligation at the end of the year	<u>1418.28</u>	<u>720.58</u>	<u>109.88</u>
(b) Reconciliation of the Opening and Closing balances of the Fair Value of Plan Assets			
Fair Value of Plan Assets at the beginning of the year	1217.00	660.53	—
Expected Return on Plan Assets	97.36	52.84	—
Actuarial Gains/(Losses)	29.75	(1.67)	—
Contributions	249.82	90.70*	—
Benefits paid	(177.29)	(79.43)	—
Fair Value of Plan Assets at the end of the year	<u>1416.64</u>	<u>722.97</u>	<u>—</u>
(c) Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets			
Present Value of Obligation at the end of the year	1418.28	720.58	109.88
Fair Value of Plan Assets at the end of the year	1416.64	722.97	—
Assets/(Liabilities) recognised in the Balance Sheet	<u>(1.64)</u>	<u>2.39</u>	<u>(109.88)</u>

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

Description	(Rs. in Lakh)		
	Gratuity Fund (Funded)	Provident Fund (Funded)	Pension (Unfunded)
(d) Expense recognised in the Profit and Loss Account			
Current Service Cost	77.09	90.70 *	3.73
Interest Cost	84.41	55.72	4.72
Expected Return on Plan Assets	(97.36)	(52.84)	—
Actuarial (Gains) / Losses	190.22	(0.32)	(9.89)
Total Expense recognised	<u>254.36</u>	<u>93.26</u>	<u>(1.44)</u>
* Includes employees' statutory contributions, voluntary contributions etc.			
The expenses for the abovementioned benefits have been disclosed under the following line items :			
Gratuity - under 'Contribution to Gratuity Fund'			
Provident Fund - under 'Contribution to Provident and Pension Funds'			
other than employees' statutory contributions, voluntary contributions, etc.			
which are recovered from their salaries, as included under 'Salaries, Wages and Bonus'			
(e) Category of Plan Assets :			
Description			
Fund with LICI	1373.57	—	—
Central Government securities	—	121.69	—
State Government securities	—	124.66	—
Bonds/Term Deposits	—	162.81	—
Special Deposit Schemes	—	286.15	—
Others (including bank balances)	43.07	27.66	—
Total	<u>1416.64</u>	<u>722.97</u>	<u>—</u>
(f) Actual Return on Plan Assets	127.11	51.17	—
(g) Principal Actuarial Assumptions			
Discount Rate	7.50%	N.A.	4.25%
Salary Escalation	5.00%	N.A.	1.75%
Inflation Rate	5.00%	N.A.	—
Expected Return on Asset	8.00%	8.00%	—

The estimate of future salary increases take into account inflation, seniority, promotion and other relevant factors.

The expected return on plan assets is determined after taking into consideration composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets, the Company's policy for plan asset management and other relevant factors.

Note : This being the first year of disclosure, previous year figures have not been furnished.

- (II) Effective 1st April, 2006 the Group has adopted the revised Accounting Standard (AS) 15 on 'Employee Benefits' issued by the Institute of Chartered Accountants of India and revised its accounting policy in respect of employee benefits. Pursuant to the adoption of AS 15, an amount of Rs. 298.71 Lakh (Net of tax effect of Rs. 151.55 Lakh), arising upon remeasurement of certain employee benefit obligations, as on 1st April, 2006 has been recognised with corresponding adjustment against General Reserve in keeping with transitional provisions of the aforesaid AS.

6. Particulars of Cancellable Operating Leases :

- (A) 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. 1.18 Lakh (Previous Year Rs. 4.81 Lakh).

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

(B) Particulars of Non-Cancellable Operating Leases :

- (a) The group has operating lease arrangements for certain vehicles and equipments. The future lease payments in respect of these are as follows:

Minimum lease payments	(Rs. in Lakh)
(i) Not later than one year	322.34
(ii) Later than one year but not later than five years	1634.91
(iii) Later than five years	46.32
Total	2003.57

- (b) The lease expenses recognized during the year amounted to Rs. 32.65 Lakh (Previous Year Rs. Nil.)

7. Non-recurring item represents profit (Net) arising from the sale of a part of land at Bangalore of Graphite and Carbon Division of the Parent company.
8. Depreciation for the year and year end accumulated depreciation includes Rs. 779.82 Lakh (Previous year Rs. 734.03 Lakh) and Rs. 1828.18 Lakh (Previous Year Rs. 1100.25 Lakh) respectively, computed by certain subsidiaries applying different depreciation rate as indicated in Note 1(A)(b) above.

9. 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, 2007

	Graphite and Carbon		Power		Others		Total of Reportable Segments	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Sales/Income from Operations (Gross)								
External Sales	105,167.44	71,978.57	144.46	91.37	9,139.75	5,546.72	114,451.65	77,616.66
Inter Segment Sales	1,870.47	864.45	6,569.00	7,193.26	23.16	57.23	8,462.63	8,114.94
Income from Operations(External)	2,275.39	2,830.03	—	—	367.42	136.76	2,642.81	2,966.79
Segment Revenues	109,313.30	75,673.05	6,713.46	7,284.63	9,530.33	5,740.71	125,557.09	88,698.39
Segment Results	26,860.74 @	8,056.46	3,024.64	2,958.74	1,717.74	1,113.29	31,603.12	12,128.49
Segment Assets	124,595.25	99,130.41	8,932.23	9,539.87	11,853.39	9,034.81	145,380.87	117,705.09
Segment Liabilities	29,950.36	14,173.85	836.64	923.43	1,710.69	1,290.45	32,497.69	16,387.73
Capital Expenditure	7,818.17	8,341.78	25.42	—	1,462.24	130.72	9,305.83	8,472.50
Depreciation and Amortisation	2,774.30	2,324.77	618.03	617.85	312.65	201.29	3,704.98	3,143.91
Non-cash Expenses other than Depreciation and Amortisation (Net)	99.17	21.60	—	—	19.70	33.14	118.87	54.74

@ After considering Non-recurring income of Rs. 9623.88 Lakh referred to in Note 7 above

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

Reconciliation of Reportable Segments with the Financial Statements

(Rs.in Lakh)

	Revenues		Results Net Profit		Assets		Liabilities*	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Total of Reportable Segments	125,557.09	88,698.39	31,603.12	12,128.49	145,380.87	117,705.09	32,497.69	16,387.73
Corporate - Unallocated / Others (Net)	—	—	222.94	(279.21)	21,078.26	16,648.35	69,614.83	70,314.91
Inter Segment Sales	(8,462.63)	(8,114.94)	—	—	—	—	—	—
Interest Expenses	—	—	(3,705.05)	(2,338.45)	—	—	—	—
Taxes (Net)	—	—	(5,884.93)	(2,676.17)	—	—	—	—
	<u>117,094.46</u>	<u>80,583.45</u>	<u>22,236.08</u>	<u>6,834.66</u>	<u>166,459.13</u>	<u>134,353.44</u>	<u>102,112.52</u>	<u>86,702.64</u>

* Excluding Shareholders Funds

B. Secondary Segment (Geographical)

	Domestic		Export		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Revenues	40,435.59	30,387.41	76,658.87	50,196.04	117,094.46	80,583.45
Total Assets	118,798.14	105,373.05	26,582.73	12,332.04	145,380.87	117,705.09
Capital Expenditure	8,753.09	8,031.66	552.74	440.84	9,305.83	8,472.50

10. 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, 2007

Nature of Transactions	Key Management Personnel (Rs. in Lakh)
Directors' Remuneration	87.63 (53.47)
Balance outstanding at the year end Sundry Creditors	45.00 (25.00)

iii) Figures in bracket relate to previous year

11. 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

CONSOLIDATED CASH FLOW STATEMENT
of Graphite India Limited and its subsidiaries for the year ended 31st March, 2007

	2006-2007	(Rs. in Lakh) 2005-2006
A. Cash Flows from Operating Activities		
Profit before Taxation and Non-recurring Item	18,497.13	9,510.83
Adjustments for :		
Depreciation	3,771.37	3,210.32
Foreign Exchange (Net)	(446.67)	121.08
Investment Income	(3.29)	(9.39)
Profit on Sale of Investments	(26.13)	(116.39)
Interest Expense	3,705.05	2,338.45
Interest Income	(989.34)	(359.34)
(Profit)/Loss on Disposal of Fixed Assets (Net)	26.64	(115.11)
Bad Debts/Advances written off (Net of Provision for Doubtful Debts Written Back)	131.74	41.29
Liability no Longer Required Written Back	(679.23)	(259.74)
Provisions	120.58	52.58
Amortisation of Expenditure	13.44	26.54
Rebate on Prepayment of Loans	(54.64)	(90.21)
Effect of changes in Foreign Currency Translation	(350.29)	106.08
Option Fees	—	(240.00)
	<u>23,716.36</u>	<u>14,216.99</u>
Investment Income Received	1.09	8.65
Operating Profit before Working Capital changes	<u>23,717.45</u>	<u>14,225.64</u>
Adjustments for :		
(Increase)/Decrease in Trade and Other Receivables	(12,670.41)	(10,060.45)
(Increase)/Decrease in Inventories	(11,243.29)	(10,082.14)
Increase/(Decrease) in Trade Payables	4,815.70	3,612.10
Cash generated from Operations	<u>4,619.45</u>	<u>(2,304.85)</u>
Taxes (Paid)/Refund (Net)		
Tax paid including Fringe Benefit Tax	(3,591.92)	(1,294.81)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	<u>1,027.53</u>	<u>(3,599.66)</u>
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(9,414.57)	(7,696.98)
Proceeds on Disposal of Fixed Assets	53.30	214.82
Proceeds on Disposal of Fixed Assets - Net (Non-recurring)	10,944.31	—
Option Fees Received	—	240.00
Purchase of Long Term Investments	(9,700.00)	—
Purchase of Current Investments	(2,199.41)	(3,353.01)
Sale of Current Investments	2,148.66	3,216.53
Interest Received	546.97	240.52
Dividend Received	2.20	0.74
NET CASH USED IN INVESTING ACTIVITIES	<u>(7,618.54)</u>	<u>(7,137.38)</u>

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

	2006-2007	(Rs. in Lakh) 2005-2006
C. Cash Flows from Financing Activities		
Proceeds from Borrowings		
Long term	3,075.13	18,183.75
Short term	19,452.30	14,888.34
Repayment of Borrowings		
Long term	(6,037.99)	(662.88)
Short term	(7,057.88)	(3,626.80)
Interest Paid (including interest capitalised Rs.22.21 Lakh; Previous year Rs.103.60 Lakh)	(3,735.22)	(2,315.94)
Convertible Bonds Issue Expenses	—	(378.90)
Dividend Paid (including tax thereon Rs.659.27 Lakh; Previous year Rs.185.41 Lakh)	(4,881.13)	(1,503.05)
NET CASH FROM FINANCING ACTIVITIES	<u>815.21</u>	<u>24,584.52</u>
D. Exchange Difference on Translation of Foreign Currency		
Cash and Cash equivalents	(222.28)	(185.20)
Net Cash Inflow/(Outflow)	<u>(5,998.08)</u>	<u>13,662.28</u>
Cash and Cash equivalents - Opening (Schedule 10)	15,164.52	1,502.24
Cash and Cash equivalents - Closing (Schedule 10)	<u>9,166.44</u>	<u>15,164.52</u>
Net Cash Inflow/(Outflow)	<u>(5,998.08)</u>	<u>13,662.28</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. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 15th June, 2007

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 31.03.2007	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	1553.12	1907.48	54.36	1350.53	339.90	72.02	14.14	57.88	—
Graphite International B.V. The Netherlands	58.05	3773.25	(289.00)	7963.10	4478.85	—	481.24	68.54	—	68.54	—
Carbon International Holdings N.V. Netherlands Antilles	58.05	58.05	2190.77	2317.70	68.88	—	249.77	231.22	5.45	225.77	58.05
Subsidiaries of Graphite International B. V.											
Graphite COVA GmbH, Germany	58.05	5758.56	2959.70	28219.10	19500.84	—	34595.11	3487.26	1297.36	2189.90	—
Bavaria Electrodes GmbH, Germany	58.05	58.05	339.49	1816.03	1418.49	—	11153.89	241.61	93.11	148.50	—
Bavaria Carbon Specialities GmbH, Germany	58.05	58.05	212.84	742.45	471.56	—	3614.40	154.01	61.69	92.32	—
Bavaria Carbon Holdings GmbH, Germany	58.05	159.64	38.37	733.28	535.27	—	199.94	6.27	1.65	4.62	—

* Details of Investments held by Carbon Finance Limited as at 31st March, 2007

(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 Debentures (Unsecured)	100.00	1,150,000	1,150.00
Sundaram Select Midcap-Dividend	Units	10.00	15,400	2.68
HDFC Floating Rate Income Fund-Short Term-Plan Growth	Units	10.00	5,94,510	70.00
Sundaram Floater ST Regular-Growth	Units	10.00	89,781	9.55
Birla Cash Plus-Retail-Growth	Units	10.00	5,66,290	109.34
Sundaram Money Fund-Appreciation	Units	10.00	9,686	1.48
				<u>1,350.53</u>

