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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. J. D. Curavala
Mr. B. B. Das, LIC Nominee
Mr. N. Venkataramani, Executive Director (up to 30.06.09)
Mr. M. B. Gadgil, Executive Director (from 01.07.09)

COMPANY SECRETARY

Mr. B. Shiva

AUDITORS

Price Waterhouse

SOLICITORS

Khaitan & Co.
Orr, Dignam & Co.

BANKERS

Bank of India
Canara Bank
Corporation Bank
Citibank N.A.
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
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 Fourth ANNUAL GENERAL MEETING of Graphite India Limited will be held on Friday, the 31st day of July, 2009 at 10.00 A.M. at Kala Kunj Auditorium (Sangit Kala Mandir Trust) 48, Shakespeare Sarani, Kolkata- 700 017 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt Directors' Report and Audited Profit & Loss Account for the year ended 31st March, 2009 and the Balance Sheet as at that date.
2. To declare dividend on Equity Shares for the year ended 31st March, 2009.
3. To appoint a Director in place of Mr. K. K. Bangur who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. R. Srinivasan who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Bhaskar Mitter 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 an Ordinary Resolution.
RESOLVED THAT Mr. N.Venkataramani be and is hereby appointed as director of the Company.
8. To consider and if thought fit, to pass the following resolution with or without modification, as an Ordinary Resolution.
RESOLVED THAT Mr. M. B. Gadgil be and is hereby appointed as director of the Company.
9. To consider and if thought fit, to pass the following resolution with or without modification, as an Ordinary Resolution.
RESOLVED THAT Mr. J. D. Curavala be and is hereby appointed as director of the Company.
10. To consider and if thought fit, to pass the following resolution with or without modification, as an Ordinary Resolution.
RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment and remuneration of Mr. M. B. Gadgil as Whole-time Director of the Company (designated as "Executive Director") for a period of five years commencing from July 1, 2009 to June 30, 2014 on terms and conditions including remuneration as stated in the explanatory statement and set out in the Letter of Appointment dated June 9, 2009 issued to him, a copy whereof duly initialled by the Chairman for the purposes of identification is placed before this meeting.

By Order of the Board
For Graphite India Limited

Kolkata
July 01, 2009

B. Shiva
Company Secretary

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 Thursday 23rd July, 2009 to Friday 31st July, 2009 (both days inclusive).
- d. No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 1956. At the ensuing General Meeting Mr. K. K. Bangur, Mr. Bhaskar Mitter and Dr. R. Srinivasan, Directors, retire by rotation and being eligible offer themselves for re-appointment. A brief resume, their shareholding in the Company and names of other companies in which they hold directorships and similar details of Mr. N.Venkataramani, Mr. J. D. Curavala and Mr. M. B. Gadgil are given below:

Mr. K. K. Bangur aged 49 years, Chairman of the Company is an industrialist of repute. He has been exposed to business and industry at an early age and has around 25 years of experience in managing the affairs of companies and its business activities. He has been a director of the Company since July 1988 and Chairman since July 1993. He is a past President of Indian Chamber of Commerce, Kolkata and Executive Committee member of FICCI. He is Chairman of the

Shareholders / Investors Grievance Committee and 'Committee for Borrowings' of the Company. He holds 509,550 Shares of the Company.

Other Directorships

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

Committee Membership of other companies - NIL

Dr. R. Srinivasan aged 78 years, has more than 40 years of experience in the banking industry. He held various positions in banks and finally as Chairman and Managing Director of New Bank of India, Allahabad Bank and Bank of India. He has been a director of the Company since October 1993. He was Chairman of Indian Banks Association for several years, a director of IDBI, Discount & Finance House of India, New India Assurance Co. Ltd. & ECGC. He was also on various high level Committees constituted by RBI. He is a member of the Audit Committee and Remuneration Committee of the Company. He holds 500 Shares of the Company.

Other Directorships

	Name of the Company	Position
1	McLeod Russel India Ltd.	Director
2	Williamson Magor & Co. Ltd.	Director
3	Goldiam International Ltd.	Director
4	Elder Pharmaceuticals Ltd.	Director
5	Shalimar Paints Ltd.	Director
6	J Kumar Infraprojects Ltd.	Director
7	XL Telecom & Energy Ltd.	Chairman
8	J M Financial Asset Management Pvt. Ltd.	Director
9	Hi-Tech Pharmaceuticals Pvt. Ltd.	Director
10	NayaMode Solutions Pvt. Ltd.	Chairman
11	Snowcem Paints Pvt. Ltd.	Director
12	Suchirindia Developers Pvt. Ltd.	Director

Other Committee Memberships

	Name of the Company	Committee	Position
1	J Kumar Infraprojects Ltd.	Audit Committee	Member
2	Elder Pharmaceuticals Ltd.	Investor Grievance Audit Committee	Chairman Member
3	McLeod Russel India Limited	Remuneration Committee Audit Committee	Member Chairman
4	Goldiam International Limited	Remuneration Committee Audit Committee	Member Member
5	Shalimar Paints Limited	Audit Committee	Chairman
6	Williamson Magor & Co. Limited	Remuneration Committee Audit Committee	Chairman Member
7	XL Telecom & Energy Ltd.	Audit Committee Remuneration Committee	Chairman Chairman

Mr. Bhaskar Mitter aged 89 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 share 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 Memberships

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

Mr. N. Venkataramani aged 63 years, is a qualified engineer with rich experience in managing business enterprises. He was associated with the Company from October, 1988 till September 1995, was thereafter with GKW Ltd. as President of a division and then joined the erstwhile Graphite India Limited in June, 2001. He was elevated to the post of Executive Director in September, 2001 which he held till his retirement on June 30, 2009. He is a member of Shareholders'/Investors' Grievance Committee and 'Committee for Borrowings' of the Company. He holds 7000 shares in the Company.

Other Directorships – Carbon Finance Ltd. – Director

Other Committee membership – Carbon Finance Ltd. – Chairman – Audit Committee.

Mr. M. B. Gadgil aged 56 years is a qualified engineer and has completed business management studies. He has been with the Company since 1978 and has a rich experience in the graphite electrode industry. He holds 2500 equity shares of the Company. He was the 'President' of the Company prior to his elevation as Executive Director.

Other Directorships/ Committee membership – NIL

Mr. J. D. Curavala, aged 69 years is a qualified Chartered Accountant and a Law graduate having wide experience in Finance, Administration, Corporate Management and Business Operations. He holds 4750 equity shares of the Company.

Other Directorship – GKW Ltd.- Managing Director

Other Committee membership – NIL

- e. Dividend on Equity Shares when sanctioned will be made payable to those shareholders whose names stand on the Company's Register of Members on 31st July, 2009 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 22nd July, 2009 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 / unencashed dividend declared by the Company for the year ended 31st March, 2002 would be transferred to the said fund in the third week of September, 2009.

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, 2001 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, Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mill Compound, L B S Marg, Bhandup (W), Mumbai 400 078 or to their Kolkata office at 59C Chowringhee Road, 3rd Floor, Kolkata 700 020.

By Order of the Board
For Graphite India Limited

Kolkata
July 1, 2009

B. Shiva
Company Secretary

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

ITEM NO. 7 & 8

Mr. N. Venkataramani and Mr. M. B. Gadgil have been appointed as additional directors by the Board of Directors of the Company w.e.f. July 1, 2009. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 177 of the Articles of Association of the Company, they hold office upto the date of ensuing Annual General Meeting. The Company has received notice in writing U/s 257 of the Companies Act, 1956 from member signifying intention to propose their appointment as Directors of the Company.

Your Directors feel that the services of Mr. N.Venkataramani and Mr. M. B. Gadgil will be valuable and useful to the Company and hence they recommend that they be appointed as Directors of the Company.

ITEM NO. 9

Mr. J. D. Curralava has been appointed as an additional director by the Board of Directors of the Company on 30th June, 2009. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 177 of the Articles of Association of the Company, Mr. J. D. Curralava holds office upto the date of ensuing Annual General Meeting. The Company has received notice in writing U/s 257 of the Companies Act, 1956 from a member signifying his intention to propose the appointment of Mr. J. D. Curralava, as Director of the Company.

Your Directors feel that the services of Mr. J. D. Curralava will be valuable and useful to the Company and hence they recommend that he be appointed as a Director of the Company.

ITEM NO. 10

The Board of Directors of the Company vide resolution dated May 7, 2009 appointed Mr. M. B. Gadgil as the Whole-time Director of the Company designated as "Executive Director" for a period of five years with effect from July 1, 2009 at the remuneration and on the terms and conditions as contained in the Letter of Appointment dated June 9, 2009, copy of which would be placed before the meeting.

The approval of the members is accordingly being sought for appointment and payment of remuneration to Mr. M. B.

Gadgil as the Whole-time Director as per the resolution. Copy of the Letter of Appointment is open for inspection at the Registered Office of the Company on all working days of the Company between 10.00 a.m. and 12 noon upto the date of the meeting and also at the meeting.

The abstract of the terms and conditions of appointment of Mr. M. B. Gadgil as Executive Director as contained in the said letter with memorandum of interest is set out below:

1. The appointment of Mr. M. B. Gadgil as a Whole-time Director designated as 'Executive Director' of the Company is for a period of five years w.e.f. July 1, 2009.

Mr. M. B. Gadgil shall devote the whole of his time and attention to his services as Whole-time Director of the Company and shall under the superintendence, control and direction of the Board perform the duties and exercise the powers as may from time to time be entrusted to or conferred upon by the Board.

2. In consideration of his services as Executive Director, Mr. M. B. Gadgil shall receive the following by way of remuneration:

- (i) Salary : At the rate of Rs.150,000/- (Rupees One Lac Fifty Thousand only) per month or such sum as may from time to time be determined by the Remuneration Committee/ Board.
- (ii) Perquisites : Such perquisites and allowances as are or may from time to time be allowed to senior Executives of the Company or as may from time to time be determined by the Remuneration Committee/ Board.

Provided that if in any financial year during his term of appointment hereunder, the Company has no profit or its profits are inadequate, he shall for that year be entitled to the above remuneration or such lower remuneration as may from time to time be determined and allocated by the Remuneration Committee/ Board depending upon the effective capital of the Company for the time being as per Explanation I to Part II of Schedule XIII of the Act or any statutory modification or amendment thereof.

Provided further that the following perquisites shall not be included in the computation of the ceiling on remuneration in any financial year if the Company has no profit or its profits are inadequate in that financial year-

- a. contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961,
 - b. gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
 - c. encashment of leave at the end of the tenure.
- (iii) In addition to the above, he shall also be entitled to such commission, if any, as may be determined by the Remuneration Committee / Board provided the aggregate of the salary, perquisites and commission for any financial year shall not exceed 5% of the net profits of the Company for that year computed in the manner referred to in Section 198(1) of the Act.
3. He shall be entitled to earned/ privilege leave on full pay and allowances as per the Rules of the Company.
 4. Notwithstanding anything herein contained either party, shall be entitled to determine his appointment by giving three months' notice in writing in that behalf to the other party and on the expiry of the period of such notice, his appointment shall stand terminated. The Company shall also be entitled to terminate his appointment on giving him three months' salary as specified in clause 2(i) above in lieu of three months' notice required to be given under this clause.
 5. The appointment and remuneration of Mr. M. B. Gadgil as the Whole-time Director of the Company (designated as "Executive Director") requires the approval of the members of the Company in general meeting in terms of paragraph (1) of Part III of Schedule XIII to the Act.
 6. This may also be treated as an abstract of the agreement to be entered into between Mr. M. B. Gadgil and the Company pursuant to Section 302 of the Companies Act, 1956.
 7. Mr. M. B. Gadgil as Whole-time Director is concerned or interested in the resolution. No other Director is concerned or interested.

By Order of the Board
For Graphite India Limited

Kolkata
July 1, 2009

B. Shiva
Company Secretary

DIRECTORS' REPORT

The Directors have pleasure in presenting their Thirty-Fourth Annual Report together with the audited statement of accounts of the Company for the year ended 31st March, 2009.

FINANCIAL RESULTS

Rs. in Crore

Particulars	2008-09	2007-08	2008-09	2007-08
	Graphite India Limited		Graphite India Limited Consolidated	
Sales / Income from Operations – (Gross)	1182.73	1155.87	1557.86	1388.36
Profit for the year after charging all expenses but before providing interest, depreciation and tax	261.04	276.19	332.91	307.00
Less : Interest	25.94	35.70	35.10	42.90
Profit before depreciation and tax	235.10	240.49	297.81	264.10
Less : Depreciation	34.35	33.50	44.04	41.03
Profit before taxation	200.75	206.99	253.77	223.07
Less : Provision for taxation				
Current	23.50	58.00	34.87	65.63
MAT Credit	(23.50)	—	(23.50)	—
Earlier years	13.78	8.44	13.79	8.42
Deferred	(7.25)	6.20	(7.56)	5.98
Fringe Benefit	0.65	0.70	0.65	0.70
Profit for the year	193.57	133.65	235.52	142.34
Add : Balance brought forward from the previous year	10.83	41.46	67.67	89.66
	<u>204.40</u>	<u>175.11</u>	<u>303.19</u>	<u>232.00</u>
Which has been appropriated as under :				
Transfer to Debenture Redemption Reserve	—	11.25	—	11.25
Proposed Dividend on Equity Shares	51.29	45.33	51.29	45.33
Dividend Tax	8.72	7.70	8.72	7.70
Transfer to General Reserve	100.00	100.00	100.00	100.00
Reserve Fund	—	—	0.21	0.05
Balance carried forward	44.39	10.83	142.97	67.67
	<u>204.40</u>	<u>175.11</u>	<u>303.19</u>	<u>232.00</u>

BUSINESS REVIEW

The consistent growth performance of the Indian economy seen during the past years continued into the first six months of the financial year 2008-09. The performance was very much in line with the projections and was commendable. However, since October-2008, the global

recession started impacting the Indian economy severely and the performance during the second half of the financial year had a major set back. What started as a financial crisis in US, snowballed into a global economic recession, spreading swiftly across continents. Without exception, every conceivable industry segment was hit, banks went into liquidation and auto majors in US went into

Chapter 11. The developed economies of US, Europe and Japan were the worst hit. Every government tried its best to arrest the immediate financial crisis by pumping in huge sums of relief money into their respective economies and others as well. Trillions of dollars have been channelised into the global economy by the world majors to arrest the rapid decline.

When market demand is decimated across industries by severe recession, it takes time to revive the demand for products and services. The relief measures have to percolate into the grassroots of the major industrial segments before the revival of demand can start. In the interim, the chain reaction of supplier industries getting impacted when a major industry is hit by recession has happened simultaneously. For instance, when demand for steel collapses, the demand for consumables like electrodes and ferro alloys used in the manufacture of steel also drops. The net cumulative effect of a simultaneous drop in demand across industries has a multiplier effect and the recession continues unabated.

According to the Economic Survey, the projected GDP growth for 2008-09 was 7.1%. The estimate as per Reserve Bank of India on the actual GDP growth for 2008-09 is expected to be in the region of 6.5-6.7 per cent. Going forward, the fiscal and monetary stimulus measures initiated during 2008-09 coupled with lower commodity prices will cushion the downturn by stabilising domestic economic activity. On balance, with the assumption of a normal monsoon, for budgeting purposes real GDP growth for 2009-10 is placed at around 6.0 per cent.

The current crisis in the world economy is truly global in as much as it has affected all the major economies, irrespective of whether industrialized, developed or developing.

The global economic slowdown has hit Indian exporters hard. At the beginning of the FY 2008-09, encouraged by the robust export performance of the recent years, the GOI set an ambitious target for export for FY 2008-09. Exports remained strong in the first half of FY 2008-09, surging by 30% in April-September, 2008. However, during the second half, global financial crisis and recession in major economies have adversely affected the performance. The Indian Government has already announced several relief measures to stimulate the demand by cutting interest rates, reducing duties, extending interest-subsidy and other trade-facilitation measures. More measures are required to facilitate improvements in the exports.

GRAPHITE INDIA

The gross and net sales of the Company during April-September, 2008 was better than April-September, 2007

by 36% and 37% respectively. But, during the second half, the Company's export of Graphite Electrodes dropped significantly due to postponement / cancellation of shipments by customers. However, sale of electrodes in domestic market increased and the domestic turnover improved by 29% year-on-year. But in case of IGE and the GRP Divisions, the turnover dropped by 24% and 30% respectively.

Despite significant challenges in the market due to economic downturn, gross sales achieved for the period 2008-09 were Rs.1183 crore as against Rs. 1156 crore in the previous year; and Profit after tax was Rs. 194 crore for the current year as against Rs. 134 crore in the previous year.

The virtual absence of demand due to the global recession, has led to a downward correction in the commodity prices, the sole exception being the price of Needle Coke (one of our key raw-materials) that continues to remain high, despite the sharp fall in crude price from a peak of USD 140 per barrel. The Company was able to maintain its performance through cost saving measures and better realisations.

The USD 40 Million raised by way of Foreign Currency Convertible Bonds in October, 2005 (due for repayment in October-2010) has been used to fund capital expenditure requirements of projects across different product segments and investments in overseas subsidiaries. Further to the relaxation of rules by the RBI for buy back of FCCB, the Company could make limited headway in buying back the FCCBs to an extent of USD 3.875 mn. As a result of the conversion and pre-mature buy back, the principal amount has come down to USD 30.875 mn.

The German operations have also been affected adversely by the global downturn, with the EU having been hit harder than its peers in the western hemisphere.

With the global recession continuing unabated and the world trade expected to register its worst decline since World War II, it is somewhat difficult to give a forecast for the FY 2009-10. In view of the reduction in demand for Graphite Electrodes, the company and its subsidiaries adopted a more resilient and dynamic production programme giving it the flexibility for altering the production plans so as to optimize the performance and capital management. Several cost reduction measures have been implemented.

During the year, Powmex Steel, an undertaking of GWK Limited, was merged with the Company, with effect from February 1, 2009.

The Scheme of Arrangement for de-merger of Powmex Steels Undertaking (Powmex) of GWK Ltd and merging it with the Company was sanctioned by the Hon'ble High Court at Calcutta on 22-May-2009. The appointed date was 01-February-2009.

The ordinary shareholders of GWK Ltd would receive

one equity share of Rs.2/- each of the Company for every three ordinary shares of Rs.10/- each held by them in GKW Ltd.

DIVIDEND

The Directors are pleased to recommend the payment of Dividend @ Rs.3/- per equity share on 17,09,73,137 equity shares of Rs.2/- each (including 1,98,88,336 equity shares of Rs.2/- each to be allotted pursuant to the Scheme of Arrangement as mentioned above).

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 mills for conducting current and is a consumable item for the steel industry. The estimated world capacity for manufacture of Graphite Electrode in EAF is over 1 million metric tonnes. The principal manufacturers are based in USA, South America, Europe, Japan, India and China.

Graphite Electrode demand is primarily linked with the global production of steel in electric arc furnaces. The global production of steel estimated at about 1.304 billion MT in 2008 was less by 1.6% MT as compared with 2007, and now the production has further gone into a tailspin during 2009, and the situation seems to be regressing with planned production cuts and closure of steel plants by global steel majors. It is becoming evident that the EAF Steel Plants world over are resorting to extensive cut in production on the face of a steady fall in demand.

Graphite Electrodes remain the main source of income and profits for the Company, accounting for around 85% of the total revenues.

Between the two basic routes for steel production - (1) Blast Furnace (BF); and (2) Electric Arc Furnace (EAF) - the EAF route to steel production has increased over the last two decades from 26% to about 32% at the global level. The share of EAF is expected to grow further in years to come due to its inherent positive characteristics of (a) an environment friendly less polluting production process; (b) low capital cost; and (c) faster project commissioning time. Fresh investments in EAF steel mills are characterised by large furnace capacities requiring large diameter UHP Electrodes. It is expected that the demand for UHP Electrodes will grow in proportion.

Production and sale of Graphite Electrodes, and other Speciality Miscellaneous Graphite Products were marginally lower during the financial year.

The current economic decline and its related impact on

the steel industry in particular, may have an adverse effect on the sale of Graphite Electrodes in the FY 2009-10.

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 many 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.

Production and sale of Calcined Petroleum Coke and Carbon Paste were lower in volume terms during the year in comparison with that of the previous year; but the sale in value terms was higher. This unit continues to be affected by erratic supply of Raw Petroleum Coke.

B. GRAPHITE EQUIPMENT BUSINESS

The Impervious Graphite Equipment (IGE) Division is engaged in manufacturing and marketing 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 order book of this business division is comfortable, both domestic and export. Orders received during FY 2008-09 are more by 14% than that were booked in the previous year. However, the on going downturn may dampen the pace of setting up of new projects. In the domestic market, the Equipment Division has maintained its leadership status by virtue of its competitive pricing, timely delivery and increasing ability to deliver large capacity heat exchangers. Modernisation and expansion work of this Division to improve overall manufacturing efficiency has been progressing as per plan.

The regulatory requirement of export licences and the delay in obtaining the same, has to some extent affected the delivery lead times resulting in delayed deliveries and consequent loss of some credibility.

C. GRP PIPES & TANKS BUSINESS

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, strategic marketing, superior product quality, competitive pricing and value-added services.

All the planned initiatives required to overcome production hold ups and to improve the production process reliability systems, were completed during the year. Order book is satisfactory.

D. POWER

Power is a major cost 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 investment in this segment.

The Company has an installed capacity of 33 MW of power generation through Hydel and Multi-fuel routes. 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.

As part of the on-going process of reducing the cost of electrical energy, the Company has entered into a long term agreement with a power producer in the private sector to obtain guaranteed power at a fixed cost for 25 years.

E. POWMEX STEELS DIVISION (PSD)

Powmex steels is engaged in the business of manufacturing high speed steel and alloy steel having its plant at Titlagarh in the State of Orissa. PSD is the single largest manufacturer of High Speed Steel (HSS) in the country. Its current market share is estimated at around 60%. HSS is used in the manufacture of cutting tools such as drills, taps, milling cutters, reamers, hobs, broaches and special form tools. HSS cutting tools are essentially utilized in – (a) automotive; (b) machine tools; (c) aviation; and DIY market. The industry is categorized by one dominant quality manufacturer of HSS viz. PSD and other small manufacturers who cater to the lower end of the quality spectrum in the retail segment. On the demand side, the industry is broadly divided into large and small cutting tool manufacturers who use both domestic and imported HSS. PSD faces competition from small domestic producers and imports from large overseas manufacturers.

(ii) Opportunities and threats

Trade has significantly decreased in both volume and value as a result of the worldwide recession and may get reduced further. With declining demand, steel mills have planned substantial cuts in production and even closures.

The Company's turnover comprises exports to an extent of 54%. Driven by increased demand in domestic and export markets, there was all round growth in the past years and the Company thus benefited from the opportunities. To a great extent the increased sales captured by penetrating into new markets, enlisting new customers and increasing the market share in its existing markets, have contributed to this steady growth.

With downward forecasts for every major economy and

looming evidence of a major slowdown, the prospect is that of a demand shrinkage, and is likely to affect the performance during FY 2009-10. As a fallout of recession, the regression from free trade to protectionism is a major threat to free trade.

The Company is well equipped and geared to face even these unusual business challenges and is hopeful of realising its business goals.

(iii) Segment-wise Performance

TOTAL SALES OF THE COMPANY

The Company achieved a turnover of Rs. 1149 crore during the year under review as against Rs. 1121 crore in the previous year, representing an increase of 21.50%.

Aggregate Export Sales of all divisions were Rs. 615 crore during the year under review as against Rs. 665 crore in the previous year.

(a) Graphite and Carbon Division

Production of Graphite Electrodes, Anodes and Other Miscellaneous Carbon and Graphite Products during the year under review was 67,813 MT against 74,414 MT in the previous year.

Production of Calcined Petroleum Coke during the year was 28,348 MT as against 36,746 MT in the previous year.

The price of Needle Coke remained high throughout the year despite substantial fall in the price of crude, in the latter part of the year. The cost of energy has also risen steeply, due to increase in the cost of furnace oil.

(b) Power Division

Generation from hydel power plant – 18 MW at Chunchanakatte (CCKT) in the State of Karnataka – was less as compared to the previous year due to inadequate monsoon in the Kaveri basin.

Due to increase in crude prices, operation of Multi-fuel Power Generating Sets became uneconomical, during the year under review. However, after correction in crude prices, the cost of generation through this mode has come at par with that of the grid price.

Total power generated was 91 million units from Hydel Power Plants and Multi Fuel Power Generating Sets during the period under review, as against 133 million units in the previous year.

(c) Others

Production in the Impervious Graphite Equipment (IGE) Division and spares at 686 MT was lower as compared to that of 817 MT in the previous year.

The Glass Reinforced Plastic Pipes (GRP) Division produced 4429 MT as against 6,121 MT in the previous year.

(d) POWMEX STEELS DIVISION (PSD)

Production of HSS and Alloy Steels was 245 M.T. for the two months of February and March 2009.

(iv) Outlook

Given that exports are expected to be quite weak and domestic demand to be subdued in the short term, the outlook for FY 2009-10 is one of guarded skepticism.

With the global Steel majors implementing cut backs in production and closures, the demand for Graphite Electrodes will be impacted, accordingly.

It is believed that rapid contraction in the industrial output in India has been arrested to a certain extent. Modest improvement in demand in sectors such as cement, steel, consumer durables, auto and capital goods can be viewed as slow but steady incipient signals of stability returning to the Indian economy. Easing of liquidity conditions and falling interest rates in the domestic and international markets should provide some support to investment and industrial activity.

With the de-stocking of inventory and the expected revival of demand for steel, the demand for graphite electrodes is also expected to improve during the second half of 2009-10.

(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 possible negative growth for steel, automotive and infrastructure industries which in turn may adversely impact the prospects for 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 reduce the profit margins.

Economic slowdown and/or cyclical recession in certain industry can adversely impact the demand-supply dynamics and profitability and the 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.

The main raw materials are petroleum based or coal based. The increasing price of crude and coal and its direct impact on its derivative materials like Needle Coke, Pitch, Furnace Oil, Met Coke, etc. all tend to rise in Unison. They will inflate the input cost in a major way.

The Company has a mixed exposure of exports, imports and foreign currency debt portfolio. So, volatility in foreign currency market directly impacts the company's prospects. Inherent natural hedge of various exposures mitigate the same up to an extent.

(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. The Internal audit reports are reviewed by the top management and adequate remedial measures are taken and in time.

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

The robust performance during the first half of the financial year under review was significantly impacted in the second half by the recession. However, the overall performance of the Company was satisfactory.

This has been a turbulent year in a financial perspective. The sub-prime crisis that blew up the US, and shook the Western Europe, impacted heavily the global financial system, resulting in a significant cut back in investment/money flow and the availability of funds. As a result, interest rates soared; and despite the collective intervention of governments of the leading Nations, it will take a long time to return to the pre-crisis levels of global financial health and activity.

Rupee depreciation led to higher export realization, which was offset to some extent by higher import costs.

The Company had also booked losses on foreign exchange debts, due to steep depreciation of rupee.

Sales/Income from Operations recorded Rs.1183 crore as against Rs.1156 crore in the previous year.

The price of Needle Coke remained high throughout the year, despite steep fall in the price of crude. As a fallout of economic downturn, prices of other raw material have softened. The cost of power has also risen 15% year-over-year.

Borrowings declined to Rs.352 crore during the year as compared to Rs. 473 crore in the previous year.

The Company's long-term debt rating has been reaffirmed 'LAA' (pronounced L double A) by ICRA. This rating indicates high-credit-quality. The short-term debt programme rating has been reaffirmed as 'A1+' (pronounced A One plus). This rating indicates highest-credit-quality.

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

Over the years, the Company has pursued in enriching its intellectual human capital through low attrition levels, further strengthened through a work environment that is rewarding, conducive, yet challenging and providing the employees with high levels of work satisfaction and a feeling of security. The Company is simultaneously putting in place a balanced succession plan so that there is seamless transition from the old guard to the new. On the ERP front, SAP has been established in the Company and whatever teething problems were experienced are being ironed out.

The total no. of people employed in the Company was 2614 as on March 31, 2009.

In view of the steep fall in demand and the poor capacity utilization, production of Graphite electrodes has been rationalized across the three electrode plants in due consideration of optimizing the cost of production, inventory dilution and freight / logistics cost reduction. Production cuts have been effected in all these plants to varying extents.

The Board wishes to place on record its appreciation of the contribution made by all the employees in ensuring high levels of performance and growth.

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

Research & Development initiatives were carried out in the areas of raw materials, productivity, process development, process improvement, reduction in carbon emission, etc. Many of the cost savings achieved and significant improvement in compliance to the pollution control and clean environment norms, were the results of these efforts. These efforts are continual and efficiencies of manufacturing facilities at different locations were compared and steps taken for process improvement and achieving synergies. The focus is towards further development and improvement of standards.

Besides, the activities of R&D in areas of new product development, special products and Carbon-Carbon Composite Brake Discs for defence aircraft application, continues.

Public Deposits

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

Deposits amounting to Rs. 42,000 (previous year Rs. 90,000) 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 72.82 mn as compared with Euro 62.46 mn in the previous period. The profit before tax of these overseas subsidiaries was Euro 6.23 mn and profit after tax was Euro 4.58 mn.

The Company earned by way of Royalty Rs. 5.70 crore during the year and Rs. 1.35 crore by way of Dividend, as against Rs.4.05 crore and Rs. 1.26 crore in the previous year, 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

The prescribed Form 'A' relating to conservation of energy in the Company's Powmex Steels Division at Titilagarh in Orissa is annexed.

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, 2009 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, 2009 are given in Annexure 'B'.

DIRECTORS

The Board of Directors of the Company accepted Mr. N. Venkataramani's request to retire as Director and Whole-time Director, designated as 'Executive Director' on 30-June-2009. The Directors placed on record their sincere appreciation of the valuable services rendered by Mr. N. Venkataramani during his tenure as Executive Director of the Company.

Consequently Mr. M. B. Gadgil, hitherto President of the Company has been appointed as an additional director and Whole-time Director of the Company designated as the 'Executive Director' of the Company for a period of 5 years with effect 01-July-2009, subject to the approval of the members of the Company. The matter is being placed before the members in the ensuing Annual General Meeting (AGM) and is recommended for approval.

Mr. N. Venkataramani has been appointed as an additional director of the company with effect from 01-July-2009 and holds office up to the date of the ensuing AGM. The Company has received notice in writing u/s 257 of the Companies Act 1956 from a member signifying his intention to propose the appointment of Mr. N. Venkataramani as a Director of the Company. Your Directors recommend his appointment.

Mr. J. D. Curavala has been appointed as an additional director of the Company on 30-June-2009 and holds office up to the date of the ensuing AGM. The Company has received notice in writing u/s 257 of the Companies Act 1956 from a member signifying his intention to propose the appointment of Mr. J. D. Curavala as a Director of the Company. Your Directors recommend his appointment.

Mr. K. K. Bangur, Mr. Bhaskar Mitter and Dr. R. Srinivasan, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Recognition/Award

This year too, the Company received for the fourth year in a row, the TOP EXPORTER AWARD (in the Graphite Electrodes panel) of CAPEXIL for its export performance during 2007-08. The Company has been accorded the status of a Star Trading House for a period of five years

effective 01-April-2009 till 31-March-2014.

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, 2009 and of the profit of the Company for the year ended March 31, 2009.
3. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting 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 : 30th June, 2009

K. K. Bangur
Chairman

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.

A. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken –

Graphite Electrode Division –

Installed Temperature controllers for cooling tower fan operation;
Use of energy efficient pumps;
Job oriented lighting scheme to reduce lighting load in Extrusion section;
Reduction in Auxiliary power consumption;

Impervious Graphite Equipment Division –

Extended use of controller for cooling tower fans;
Use of energy efficient pumps.

GRP Division -

Automatic Power factor correction equipment installed for PF improvement;
Optimization of motor capacity in Resin Plant;

Steel Division -

To improve the power factor of LT Feeder, 12 Nos. of 75 KVAR Capacitor Bank has been installed.

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

Graphite Electrode Division -

Redesigning Dust Collector Ducting System to optimize load;
Inter locking line equipment to avoid idle running;
Additional capacitors to improve PF;

GRP Division –

Reduction in Resin batch time;
Replacing compressed air cooling with energy efficient Blown air system;

Steel Division –

It is proposed to install 3 nos. of HT capacitor bank of 85 KVAR in Steel Melting Shop (SMS) Arc Furnace to improve the PF and to stabilize the voltage of the 2.5 MVA SMS transformer.

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

The continued focus on energy conservation has helped alleviate the pressures of higher costs of energy to some extent.

(d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule

Refer Form A attached

B. TECHNOLOGY ABSORPTION

(e) Refer Form B attached

C. Foreign exchange earnings and outgo

(f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans

Export sales constituted around 52% of the total turnover of the Company. Initiatives for increasing exports receive constant focus.

(g) Total foreign exchange used and earned

	Rs. in lakh
Earnings	60,141
Outgo	32,118

By Order of the Board

Kolkata,
30-June-2009

K K Bangur
Chairman

FORM A
Relating to Steel Division

Form for disclosure of particulars with respect to conservation of energy

(A) POWER & FUEL CONSUMPTION	CURRENT YEAR ENDED 31-03-2009
(1) Electricity	
(a) Purchased -	
Unit (KWH Million)	0.96
Total Amount (Rs crore)	0.47
Rate / Unit (Rs)	4.91
(b) Own Generation	Nil
(i) Through Diesel Generator	
(ii) Through steam turbine / generator	
(2) Coal (specify quality and where used)	Nil
(3) Furnace Oil / HSD	
Purchased – Kilo Litres	251
Total Amount (Rs crore)	0.70
Average Rate / KL	28,082
(4) Others / internal generation (please give details)	Nil
(B) Consumption per unit of production (MT)	
Products (with details) unit	
Electricity (KWH/MT)	
Melting	1,077
Black Bar	900
Bright Bar	34
Heat Treatment	126
HSD / FO (LTR/MT)	
Rolled Product	387

Note: The current year figures are for two months only.

FORM B
Form for disclosure of particulars with respect to absorption

Research and development (R & D)

- | | |
|---|---|
| 1. Specific area in which R&D carried out by the Company | <ul style="list-style-type: none"> • Development of new products; • Extension of existing product range; • Development of product for import substitution; • Process simplification; |
| 2. Benefits derived as a result of the above R & D | <ul style="list-style-type: none"> • Wider product range; • Improved quality; • Cost Reduction; • Improvement in the quality and performance of products; • Efficient utilization of raw materials |
| 3. Future plan of action | |
| 4. Expenditure on R & D | |
| (a) Capital | — |
| (b) Recurring | Rs. 22.19 lakh |
| (c) Total | Rs. 22.19 lakh |
| (d) Total R & D expenditure as a percentage of total turnover | 0.02% |

Technology Absorption, Adaptation and Innovation

- | | |
|---|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation | <p>Innovation of process of manufacture is a continual process in all the Divisions of the Company.</p> <p>In IGE Division- optimization of existing special purpose drilling machine to improve productivity.</p> <p>In GRP Division- Automation of resin feed system to ensure quality and reduce wastage.</p> |
|---|--|

- In the Steel Division –
- developed new high speed steel grade M52 for the domestic market; and
 - successfully put to production 21 mm square section in the rolling mill.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc. Improved quality of the product; Improved productivity; and Reduction in the cost of production.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished : NOT APPLICABLE
- (a) Technology imported
 - (b) Year of import
 - (c) Has technology been fully absorbed ?
 - (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action

On behalf of the Board

Kolkata
30-June-2009

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, 2009

Sl. No.	Name of the Employee	Age	Designation/ Nature of Duties	Remuneration/ Salary Rs. in Lakh	Nature of Employment	Qualification	Date of commencement of Employment / Total Experience (Years)		Previous Employment and Designation
1.	Mr. N. Venkataramani	63	Executive Director, Management	117.86	Contractual	B.Sc., B.E., M.Tech	14.06.2001	38	GKW Limited President - Bolt & Nut Division
2.	Mr. M. B. Gadgil	56	President, Management	32.55	Non- Contractual	B. Tech (Mech.),MBA (Operation Research)	06.02.1978	33	Motor Industries Company Limited, Bangalore Asst. Officer - Materials Planning
3.	Mr. V. P. Benjamin	55	Sr. Vice- President – Marketing, Marketing	24.60	Non- Contractual	B.Sc., Engg. (Met.), M.Tech (S & M)	01.02.2002	28	Ambadi Enterprises (Murugappa Group) Divisional Manager– International Marketing/Trading

- Notes : 1. Remuneration has been calculated on the basis of Section 198 of the Companies Act, 1956.
2. None of the employees mentioned is related to any Director, nor hold directly or indirectly 2% or more of the equity shares of the Company.

On behalf of the Board

Kolkata
30-June-2009

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, 2009

The strength of the Board of Directors as on 31st March, 2009 was ten comprising the non-executive Chairman (promoter director), seven non-executive directors who are independent (of whom one is a nominee director) one non-executive director who is not independent 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	4	9
Bhaskar Mitter	NED *	3	2	6
P. K. Khaitan	NED	13		4
Sanjiv Goenka	NED *	11	2	4
D. J. Balaji Rao	NED *	10	3	10
B. B. Das	LIC Nominee * @	—	—	—
N. Venkataramani	Executive Director	1	1	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 12th May, 2008, 28th July, 2008, 24th October, 2008, 30th January, 2009 and 27th March, 2009. The requisite 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 2008 to March 2009		Attended last Annual General Meeting (AGM) held on 28th July, 2008
	Held	Attended	
K. K. Bangur	5	5	Yes
N. S. Damani	5	3	Yes
A. V. Lodha	5	5	Yes
R. Srinivasan	5	5	Yes
Bhaskar Mitter	5	4	Yes
P. K. Khaitan	5	5	Yes
Sanjiv Goenka	5	2	No
D. J. Balaji Rao	5	5	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 and 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 12th May, 2008, 28th July, 2008, 24th October, 2008 and 30th January, 2009.

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

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, 29 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 generally, once in a fortnight, 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
33rd	2007-2008	Kala Kunj Auditorium (Sangit Kala Mandir Trust) 48, Shakespeare Sarani Kolkata 700 017	28.07.2008	10.00 a.m.
32nd	2006-2007	Williamson Magor Hall of The Bengal Chamber of Commerce & Industry, 6, Netaji Subhas Road, Kolkata 700 001	01.08.2007	10.00 a.m.
31st	2005-2006	Gorky Sadan, 3, Gorky Terrace, Kolkata 700 017	31.07.2006	10.00 a.m.

ii. Special Resolution passed in previous 3 AGMs

AGM	Whether Special Resolution passed	Details of Special Resolution
33rd	None	
32nd	Yes	Payment of Remuneration by way of commission to Directors
31st	None	

There was no special resolution passed last year through postal ballot.

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

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

VII. Disclosure

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

However, the related party relationships and transactions as required under Accounting Standard (AS) 18 on Related Party Disclosures prescribed under the Companies Act, 1956 disclosed in Note No. 14 of Schedule 31 to the Accounts for the year ended 31st March, 2009 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, qualification and experience.
 - 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.

No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 1956.

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	31st July, 2009 at 10.00 A.M. at Kala Kunj, Auditorium (Sangit Kala Mandir Trust) 48, Shakespeare Sarani, Kolkata 700 017
Financial Year	1st April to 31st March
Date of Book Closure	23rd July, 2009 to 31st July, 2009 (both days inclusive)
Dividend Payment Date	By 27th July, 2009
Listing on Stock Exchanges	Bombay Stock Exchange Limited (BSE) 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 The Company has paid the listing fees for the period April, 2009 to March, 2010 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

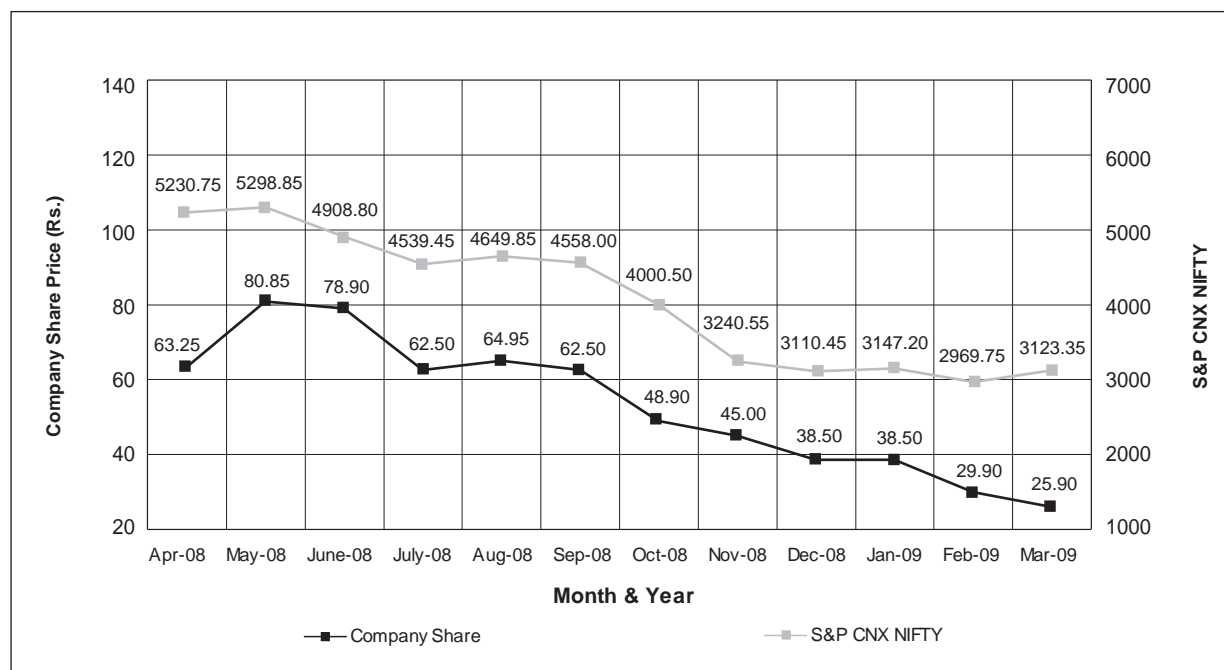
High, Low of market price of the Company's shares traded on National Stock Exchange of India Limited is furnished below:

Period	High	Low	Period	High	Low
	Rs	Rs		Rs	Rs
April, 2008	63.25	48.75	October, 2008	48.90	33.00
May, 2008	80.85	58.05	November, 2008	45.00	33.00
June, 2008	78.90	52.70	December, 2008	38.50	32.50
July, 2008	62.50	50.15	January, 2009	38.50	25.70
August, 2008	64.95	57.55	February, 2009	29.90	23.20
September, 2008	62.50	44.05	March, 2009	25.90	20.05

S&P CNX NIFTY

Period	High	Period	High
April, 2008	5230.75	October, 2008	4000.50
May, 2008	5298.85	November, 2008	3240.55
June, 2008	4908.80	December, 2008	3110.45
July, 2008	4539.45	January, 2009	3147.20
August, 2008	4649.85	February, 2009	2969.75
September, 2008	4558.00	March, 2009	3123.35

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



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

Link Intime India Pvt. Ltd.
C-13 Pannalal Silk Mills Compound,
LBS Marg, Bhandup(W)
Mumbai 400 078
Phone: 022-25963838
Fax : 022- 25946969
E-mail: rnt.helpdesk@linktime.co.in

Link Intime India Pvt. Ltd.
59C Chowringhee, 3rd Floor
Kolkata -700020
Tele fax. : 033 22890539/40
E-mail: kolkata@linktime.co.in

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 one month from the date of lodgment, if documents are complete in all respects.

Distribution of Shareholding as on 31st March, 2009

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
1 – 500	29051	80.39	5217884	3.45
501 – 1000	3642	10.08	2980060	1.97
1001-2000	1727	4.78	2603554	1.72
2001 – 3000	638	1.77	1617301	1.07
3001 – 4000	253	0.70	913674	0.60
4001 – 5000	233	0.64	1112987	0.74
5001 – 10000	280	0.77	2095658	1.39
10001 – 30000	195	0.54	3347447	2.22
30001 – 50000	28	0.08	1126502	0.75
50001 – 100000	33	0.09	2437913	1.61
100001 and above	57	0.16	127631821	84.48
Total	36137	100.00	151084801	100.00
No. of shareholders in physical mode	7192	19.90	3419132	2.26
Electronic Mode	28945	80.10	147665669	97.74
Total	36137	100.00	151084801	100.00

Shareholding Pattern as on 31st March, 2009

Category	No. of Shares	%
Promoters' Holding		
Promoters		
Indian Promoters	80304197	53.15
Foreign Promoters	—	—
Persons acting in concert	—	—
Sub-Total	80304197	53.15
Non-Promoters' Holding		
Institutional Investors		
Mutual Fund and UTI	2484282	1.65
Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions)	7929007	5.25
FII's	12330177	8.16
Sub-Total	22743466	15.06
Others		
Private Corporate Bodies	9796433	6.48
Indian Public	23915967	15.83
NRI / OCBs	2329113	1.54
Any Other (Foreign Company)	11995625	7.94
Sub-Total	48037138	31.79
Grand Total	151084801	100.00
Total Foreign Shareholding		
Foreign Promoters	—	—
FII's	12330177	8.16
NRIs / OCBs	2329113	1.54
Foreign Companies	11995625	7.94
Total	26654915	17.64

Dematerialisation of shares and liquidity

As on 31st March 2009, 14,76,65,669 shares of the Company representing 97.74% 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 40,000, 1% Convertible Bonds (Bonds) aggregating 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. After buyback of 3875 Bonds during the year, 30875 Bonds are outstanding as at 31st March, 2009.

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
Powmex Steels	Village Turla, Taluq - Titilagarh, District - Bolangir, Orissa 767 033
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) 43473300
Sales Office	407 Ashoka Estate, 24, Barakhamba Road, New Delhi 110 001 Phone : (011) 23314364

Address for Correspondence

Graphite India Limited Bakhtawar, 2nd Floor Nariman Point Mumbai 400 021 Phone : (022) 22886418-21 Fax : (022) 22028833 E-Mail ID: gilbakt@graphiteindia.com investorgrievance@graphiteindia.com	Graphite India Limited 31, Chowringhee Road Kolkata 700 016 Phone : (033) 22265755/2334/4942 Fax : (033) 22496420 E-Mail ID: corp_secy@graphiteindia.com	Link Intime India Pvt. Ltd. C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup(W) Mumbai 400 078 Phone : 022-25963838 Fax : 022- 25946969 E-mail: rnt.helpdesk@linktime.co.in
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On behalf of the Board

Kolkata
June 30, 2009

K. K. Bangur
Chairman

Declaration

All the Board Members and the Senior Management Personnel have as on 31.03.09 affirmed their compliance of the “Code of Conduct for Directors/Senior Management Personnel dated 27.1.06” in terms of Clause 49(I)(D)(ii) of the Listing Agreement.

Kolkata
June 30, 2009

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 2009, 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 abovementioned 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.

Place : Kolkata
Date : 30th June, 2009

S. K. Deb
Partner
Membership No. 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

AUDITORS' REPORT

To the members of
Graphite India Limited

1. We have audited the attached Balance Sheet of Graphite India Limited as at 31st March, 2009 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.
 - (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.
- 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 and manufacture of steel where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under Clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion, that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has been regular in depositing during the year undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us as at 31st March, 2009, there were no dues of Wealth Tax, Income Tax and Cess which have not been deposited on account of any dispute other than certain disputed Customs Duty, Sales Tax, Service Tax and Excise Duty dues, in respect of which amounts involved and forums at which dispute is pending have been indicated in Note 11 on Schedule 31 to the Accounts.
- x) The Company has no accumulated losses as at 31st March, 2009, 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, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- 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 12 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, 2009 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, 2009;
- (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
30th June, 2009

S. K. Deb
Partner
Membership No. 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

	Schedule	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	3,419.63	3,021.87
Reserves and Surplus	2	98,419.37	66,768.67
		<u>101,839.00</u>	<u>69,790.54</u>
LOAN FUNDS			
Secured Loans	3	16,937.61	25,035.24
Unsecured Loans	4	18,286.09	22,269.37
		<u>35,223.70</u>	<u>47,304.61</u>
DEFERRED TAX LIABILITY (NET)	5	6,276.21	7,001.21
TOTAL		<u>143,338.91</u>	<u>124,096.36</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	88,548.84	76,444.30
Less : Depreciation		39,583.27	27,562.84
Net Block		48,965.57	48,881.46
Capital Work-in-Progress		1,396.63	945.11
		<u>50,362.20</u>	<u>49,826.57</u>
INVESTMENTS	7	16,641.53	14,707.29
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	53,063.22	33,757.06
Sundry Debtors	9	19,991.36	36,657.02
Cash and Bank Balances	10	14,408.99	4,836.41
Other Current Assets	11	1,057.27	955.50
Loans and Advances	12	14,224.82	11,693.50
		<u>102,745.66</u>	<u>87,899.49</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	13	18,978.57	21,938.21
Provisions	14	7,431.91	6,398.78
		<u>26,410.48</u>	<u>28,336.99</u>
NET CURRENT ASSETS		<u>76,335.18</u>	<u>59,562.50</u>
TOTAL		<u>143,338.91</u>	<u>124,096.36</u>
Capital Commitments (Net of Advances)			
Estimated amount of contracts remaining to be executed		399.60	847.20
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.	
S. K. Deb Partner Membership No. 13390 For and on behalf of PRICE WATERHOUSE Chartered Accountants Kolkata : 30th June, 2009		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, 2009

GRAPHITE INDIA LIMITED

	Schedule	Year ended 31st March, 2009	(Rs. in Lakh) Year ended 31st March, 2008
INCOME			
Sales/Income from Operations (Gross)	20	118,273.04	115,587.34
Less: Excise Duty on Sales		5,685.30	5,681.95
Sales/Income from Operations (Net)		112,587.74	109,905.39
Other Income	15	2,890.50	3,620.92
		<u>115,478.24</u>	<u>113,526.31</u>
EXPENDITURE			
Raw Materials Consumed	21	49,576.32	47,406.39
Payments to and Provisions for Employees	16	7,498.72	7,593.54
Other Manufacturing, Selling and Administrative Expenses	17	43,810.58	34,289.33
(Increase)/Decrease in Work in Process and Finished Goods	18	(11,511.37)	(3,381.75)
		<u>89,374.25</u>	<u>85,907.51</u>
PROFIT BEFORE INTEREST AND DEPRECIATION		26,103.99	27,618.80
Interest	19	2,593.44	3,569.94
PROFIT BEFORE DEPRECIATION		23,510.55	24,048.86
Depreciation		3,435.20	3,349.60
PROFIT BEFORE TAXATION		<u>20,075.35</u>	<u>20,699.26</u>
Provision for Taxation			
Current Tax		2,350.00	5,800.00
Less : MAT Credit		(2,350.00)	—
For earlier years		1,378.42	844.73
Fringe Benefit Tax		65.00	70.00
Deferred Tax		(725.00)	620.00
PROFIT AFTER TAXATION		<u>19,356.93</u>	<u>13,364.53</u>
Balance brought forward from earlier year		1,083.48	4,146.30
PROFIT AVAILABLE FOR APPROPRIATION		<u>20,440.41</u>	<u>17,510.83</u>
TRANSFER TO			
Debenture Redemption Reserve		—	1,124.50
General Reserve		10,000.00	10,000.00
Proposed Dividend on Equity Shares		5,129.19	4,532.54
Dividend Tax		871.71	770.31
Balance carried forward		4,439.51	1,083.48
		<u>20,440.41</u>	<u>17,510.83</u>
EARNINGS PER SHARE			
Basic (Rs.)	22	12.55	9.03
Diluted (Rs.)		12.55	7.02
NOTES ON ACCOUNTS			
	31		
This is the Profit and Loss Account referred to in our report of even date.		The Schedules referred to above together with Schedules 23 to 29 form an integral part of the Profit and Loss Account.	
S. K. Deb Partner Membership No. 13390 For and on behalf of PRICE WATERHOUSE Chartered Accountants Kolkata : 30th June, 2009		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, 2009	(Rs. in Lakh) As at 31st March, 2008
1. SHARE CAPITAL			
Authorised			
20,00,00,000	Equity Shares of Rs.2/- each	4,000.00	4,000.00
		<u>4,000.00</u>	<u>4,000.00</u>
Issued, Subscribed and Paid-up			
15,10,84,801	Equity Shares of Rs.2/- each fully paid up (Note below)	3,021.70	3,021.70
	Add : Forfeited Shares	0.17	0.17
		<u>3,021.87</u>	<u>3,021.87</u>
Share Capital Suspense Account [Note 2(b) on Schedule 31]			
1,98,88,336	Equity Shares of Rs.2/- each to be issued as fully paid up pursuant to the Scheme of Arrangement, without payment being received in cash	397.76	—
		<u>3,419.63</u>	<u>3,021.87</u>

Note :

Out of the above Equity Shares, 9,55,70,150 Equity Shares of Rs. 2/- each have been allotted as fully paid up pursuant to the Schemes of Amalgamation, without payment being received in cash.

		As at 31st March, 2008	Additions during the year	Withdrawals during the year	(Rs. in Lakh) As at 31st March, 2009
2. RESERVES AND SURPLUS					
	Capital Reserve	45.86	—	—	45.86
	Capital Redemption Reserve	575.00	—	—	575.00
	Securities Premium Account	7,088.70	—	—	7,088.70
	Debenture Redemption Reserve	7,194.10	—	—	7,194.10
	General Reserve	50,781.53	28,294.67*	—	79,076.20
	Profit and Loss Account	1,083.48	3,356.03	—	4,439.51
		<u>66,768.67</u>	<u>31,650.70</u>	<u>—</u>	<u>98,419.37</u>

*Includes Rs. 18,294.67 Lakh arising on giving effect to a sanctioned Scheme of Arrangement
[Refer Note 2(d) on Schedule 31]

		Note	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
3. SECURED LOANS				
7.21% Secured Redeemable Non-Convertible				
	Debentures (Face Value Rs. 10 Lakh each)	1(a), 2	1,666.67	3,333.33
	Foreign Currency Loan from a Financial Institution	1(b)	190.61	449.55
	Rupee Term Loans from Banks	1(b)	4,420.83	5,904.17
	Working Capital Loans from Banks (includes Foreign Currency Loan Rs. 1582.27 Lakh; Previous Year : Rs. 1294.19 Lakh)	1(c)	10,659.50	15,348.19
			<u>16,937.61</u>	<u>25,035.24</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 from Banks 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 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 have been redeemed at par on due date 19th May, 2009.

	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
4. UNSECURED LOANS		
Short Term Foreign Currency Loans from Banks	2,592.33	8,381.05
Other Loans from		
1.00 per cent Convertible Bonds due 2010 of US\$ 1000 each ('Bonds') aggregating US\$ 30,875,000 (Previous Year US\$ 34,750,000) (Note below)	15,693.76	13,886.10
Temporary overdraft from a Bank	—	2.22
	<u>18,286.09</u>	<u>22,269.37</u>

Note:

The Bonds are convertible into Equity Shares of the Company at any time before 13th October, 2010 at a price to be determined from time to time in keeping with the Offering Circular dated 18th October, 2005 at the option of the bondholders. The Company also has the option of early redemption of the Bonds at any time 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. During the year Bonds aggregating US\$ Nil (Previous Year US\$ 5,250,000) have been converted into Equity Shares and US\$ 3,875,000 (Previous Year Nil) have been bought back and cancelled.

5. DEFERRED TAX LIABILITY (NET)

Deferred Tax Liabilities and Assets are attributable to the following items

Liabilities

Depreciation

7,950.62

7,240.71

Less :

Assets

Expenses allowable for tax purpose on payment

146.03

148.81

Unabsorbed Depreciation

1,451.96

—

Others

76.42

90.69

1,674.41

239.50

6,276.21

7,001.21

Schedules to Accounts

6. FIXED ASSETS

Description	GROSS BLOCK - AT COST					DEPRECIATION					(Rs. in Lakh)	
											NET BLOCK	
	As at 31st March 2008	Acquired during the year pursuant to a sanctioned Scheme of Arrangement	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31st March 2009	Up to 31st March 2008	Additions during the year pursuant to a sanctioned Scheme of Arrangement	For the year	On Sales/ Adjustments	Up to 31st March 2009	As at 31st March 2009	As at 31st March 2008
	Refer Note: 2 on Schedule 31					Refer Note: 2 on Schedule 31						
TANGIBLE ASSETS												
Freehold Land	2,220.84	31.70	-	12.45	2,240.09	-	-	-	-	2,240.09	2,220.84	
Leasehold Land	77.84	30.76	-	-	108.60	20.66	-	1.14	-	21.80	57.18	
Buildings	15,274.68	1,646.21	363.86	1,806.31	15,478.44	3,409.87	690.17	421.86	257.96	4,263.94	11,864.81	
Plant and Machinery	56,935.56	11,774.99	489.63	627.06	68,573.12(a)	23,071.69	8,489.22	2,843.98	427.03	33,977.86	33,863.87	
Machinery Spares	68.19	-	-	-	68.19	67.65	-	-	-	67.65	0.54	
Office Equipment	560.07	116.71	19.02	46.62	649.18	319.75	108.41	50.96	39.35	439.77	240.32	
Furniture and Fittings	544.88	48.45	44.55	7.18	630.70	337.03	48.45	29.51	5.46	409.53	207.85	
Vehicles	559.48	13.78	62.81	41.56	594.51	261.38	13.78	46.60	35.00	286.76	298.10	
INTANGIBLE ASSETS												
Computer Softwares acquired	202.76	-	3.25	-	206.01	74.81	-	41.15	-	115.96	127.95	
TOTAL	76,444.30	13,662.60	983.12	2,541.18	88,548.84	27,562.84	9,350.03	3,435.20	764.80	39,583.27	48,965.57	
Previous Year	75,306.01	-	1,330.32	192.03	76,444.30	24,366.35	-	3,349.60	153.11	27,562.84	48,881.46	
Add: Capital Work-in-Progress - at cost (b) & (c)											1,396.63	
											945.11	
											50,362.20	
											49,826.57	

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. Written down value of said assets as on 31st March, 2009 is Rs.329.30 Lakh (Previous Year Rs. 363.52 Lakh).
 (b) Includes Capital Advances Rs.146.33 Lakh (Previous Year Rs.160.50 Lakh) - Unsecured, Considered Good.
 (c) Includes acquired intangible assets - Computer Software under implementation - Rs. 45 Lakh (Previous Year Rs. Nil).

7. INVESTMENTS

	Number	Unit Face Value	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
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
IN OTHER THAN SUBSIDIARY COMPANY				
Partly paid up Equity Shares				
Wardha Power Company Limited (Refer Note 4 on Schedule 31) Class A Equity Shares, Re. 1 paid up (Acquired during the year)	24,76,558	Rs. 10	24.77	—
Fully paid up Preference Shares				
Wardha Power Company Limited (Refer Note 4 on Schedule 31) 0.01% Class A Redeemable Preference Shares (Subscribed during the year)	31,23,442	Rs. 10	312.34	—
OTHER THAN TRADE				
IN SUBSIDIARY COMPANY				
Fully paid up Equity Shares				
Carbon Finance Limited (Subscribed 23,00,000 Shares during the year)	53,00,000	Rs. 10	3,003.76	1,393.76
OTHERS				
6.75% Tax free US64 Bonds (Redeemed during the year)	20,428	Rs. 100	—	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	Rs. 10000	1,000.00	1,000.00
Rural Electrification Corporation Limited	87,000	Rs. 10000	8,700.00	8,700.00
			16,641.53	14,707.29
AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS :			16,641.53	14,707.29

(Contd.)

Schedules to Accounts

7. INVESTMENTS (Contd.)

	<u>Unit Face Value</u>	<u>Number</u>	(Rs. in Lakh) <u>Cost</u>
Current Investments acquired and sold during the year			
OTHER THAN TRADE			
Units of HDFC Cash Management Fund - Saving Plan - Daily Dividend Reinvestment	Rs. 10	9,412,237.122 (-)	1,001.12 (-)
Units of HDFC Cash Management Fund - Saving Plus Plan - Wholesale - Daily Dividend Reinvestment	Rs. 10	1,998,374.958 (-)	200.47 (-)
(Figure in bracket relate to previous year)			

8. INVENTORIES

- AT LOWER OF COST AND NET REALISABLE VALUE

	<u>As at 31st March, 2009</u>	<u>(Rs. in Lakh) As at 31st March, 2008</u>
Stores and Spare Parts	1,099.04	1,174.47
Loose Tools	78.03	91.77
Raw Materials	14,088.56	8,901.17
Work-in-Process (including Contract Work-in-Progress)	25,382.50	18,657.95
Finished Goods	12,415.09	4,931.70
	<u>53,063.22</u>	<u>33,757.06</u>

9. SUNDRY DEBTORS

Unsecured

Debts outstanding for a period exceeding six months -

Considered Good	2,145.89	539.62
Considered Doubtful	140.10	97.39
Other Debts-		
Considered Good	17,845.47	36,117.40
	<u>20,131.46</u>	<u>36,754.41</u>
Less : Provision for Doubtful Debts	140.10	97.39
	<u>19,991.36</u>	<u>36,657.02</u>

10. CASH AND BANK BALANCES

Cash in hand	21.35	18.25
With Scheduled Banks on-		
Current Accounts [Note (a) below]	629.80	198.16
Margin Money Accounts	150.06	—
Call Account [Note (a) below]	3,076.33	—
Unpaid Dividend Accounts	99.96	71.81
Fixed Deposit Accounts [Notes (a) and (b) below]	10,430.75	4,548.19
With other Banks on -		
Current Account [Note (c) below]	0.74	—
	<u>14,408.99</u>	<u>4,836.41</u>

Notes:

- Current Accounts, Call Account and Fixed Deposit Accounts include Rs.22.35 Lakh (Previous Year Rs.Nil), Rs.3076.33 Lakh (Previous Year Rs.Nil) and Rs.250.00 Lakh (Previous Year Rs.4362.83 Lakh) respectively representing unutilised proceeds of the Convertible Bonds referred to in Schedule -4.
- Includes Rs.30.62 Lakh (Previous Year Rs.185.36 Lakh) lodged with Government Authority/others.
- Represents balance lying with Hong Kong and Shanghai Banking Corporation, New York, USA. Maximum amount outstanding during the year Rs.1623.03 Lakh (Previous Year Rs.Nil)

Schedules to Accounts

	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
11. OTHER CURRENT ASSETS		
Unsecured - Considered Good		
Accrued Income on Investments from a Subsidiary Company	134.68	126.26
Accrued Interest on Deposits with Banks and Others	430.57	435.40
Security and other Deposits		
Deposit with Electricity Authorities	369.90	282.53
Others	122.12	111.31
	<u>1,057.27</u>	<u>955.50</u>
12. LOANS AND ADVANCES		
Unsecured - Considered Good		
Loans to Subsidiary Companies	1,212.12	1,136.34
Advances recoverable in cash or in kind or for value to be received (includes Rs.446.01 Lakh, Previous Year Rs. 201.04 Lakh, due from Subsidiary Companies)	8,471.40	7,368.16
Advance against Investment (Refer Note 4 in Schedule 31)	222.89	—
Accrued Export Entitlement	1,968.41	3,189.00
MAT Credit Entitlement	2,350.00	—
	<u>14,224.82</u>	<u>11,693.50</u>
13. LIABILITIES		
Acceptances *	6,482.55	10,691.69
Sundry Creditors-		
Total Outstanding dues of Micro and Small Enterprises [Refer Note 5 (c) on Schedule 31]	174.30	69.95
Total Outstanding dues of creditors other than Micro and Small Enterprises (includes Rs. 62.06 Lakh, Previous Year Rs. 47.78 Lakh, due to Subsidiary Companies)	10,761.92	10,125.84
Advance from Customers	1,094.56	514.06
Other Liabilities	217.67	241.24
Investors Education and Protection Fund shall be credited by the following amounts namely:**		
(a) Unpaid Dividends	99.96	71.81
(b) Unpaid Matured Deposits	0.42	0.90
(c) Unpaid Matured Debentures	0.31	0.35
(d) Unpaid Interest on above	0.24	0.50
Interest Accrued but not due on loans	146.64	221.87
	<u>18,978.57</u>	<u>21,938.21</u>
* Secured by way of hypothecation of stocks and book debts in favour of the Company's Bankers to the extent of	3,612.11	2,923.57
** No amount is due for actual credit at the Balance Sheet date		

Schedules to Accounts

	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
14. PROVISIONS (Net of payments)		
Income Tax (Net of Mat Credit Entitlement - Rs. Nil, Previous Year Rs. 280.33 Lakh)	1,386.84	1,044.77
Wealth Tax	6.50	8.49
Fringe Benefit Tax	37.67	42.67
Proposed Dividend	5,129.19	4,532.54
Tax on Dividend	871.71	770.31
	<u>7,431.91</u>	<u>6,398.78</u>
15. OTHER INCOME	2008-2009	(Rs. in Lakh) 2007-2008
Income from Investments		
Long Term		
Trade		
Dividend from a Subsidiary Company	134.68	126.26
Other than Trade		
Interest	533.73	534.88
Profit on Redemption of Investments	7.56	—
Current Investments - Other than Trade		
Dividend	1.59	—
Royalty	569.54	404.77
Interest on loans, deposits etc. *	659.71	651.18
Claims	23.20	11.95
Rent Receipt	0.73	0.72
Liabilities no longer required written back	355.96	281.52
Exchange Gain (Net)	—	1,443.51
Bad Debts recovery	11.30	5.59
Provision For Doubtful Debts written back	53.97	9.85
Discount on Buy Back of FCCB	414.85	—
Miscellaneous Receipts	123.68	150.69
	<u>2,890.50</u>	<u>3,620.92</u>
* Includes tax deducted at source	68.22	70.33
16. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus	6,493.55	6,456.60
Contribution to Provident and Pension Funds	327.52	328.19
Contribution to Superannuation Fund	154.89	150.24
Contribution to Gratuity Fund	94.33	216.87
Staff Welfare Expenses	428.43	441.64
	<u>7,498.72</u>	<u>7,593.54</u>

Schedules to Accounts

	2008-2009	(Rs. in Lakh) 2007-2008
17. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores and Spare Parts Consumed	14,336.04	12,104.81
Power and Electricity Charges	10,349.76	9,071.08
Repairs and Maintenance -		
Plant and Machinery	858.34	850.18
Buildings	288.61	217.87
Others	230.01	208.11
Rent	78.72	7.47
Rates and Taxes	96.50	102.03
Insurance	422.01	447.95
Commission to Selling Agents	1,920.26	1,831.31
Travelling and Conveyance	492.53	465.25
Directors' Remuneration (other than Executive Director)	210.00	210.60
Auditors' Remuneration - (Refer Note 5(b) on Schedule 31)		
As Auditors		
Audit Fees	15.00	15.00
For Certificates etc.	13.50	10.30
Out of Pocket Expenses	0.45	0.54
Sales Tax	89.56	34.11
Excise Duty on Stocks etc. - Charge	266.16	29.57
Bad Debts/Advances Written off	61.90	95.56
Provision for Doubtful Debts	73.94	78.19
Freight and Transport	3,886.46	4,723.07
Processing Charges	241.89	160.62
Contractors' Labour Charges	1,411.91	1,231.21
Exchange Loss (Net)	6,269.68	—
Loss on Disposal of Fixed Assets (Net)	166.96	15.95
Cash Discount	3.73	—
Miscellaneous Expenses	2,026.66	2,378.55
	<u>43,810.58</u>	<u>34,289.33</u>
18. (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED GOODS		
Work-in-Process (Including Contract Work-in-Progress)		
Closing Stock	25,382.50	18,657.95
Deduct: Opening Stock*	20,994.07	15,626.70
	<u>(4,388.43)</u>	<u>(3,031.25)</u>
Finished Goods		
Closing Stock	12,415.09	4,931.70
Deduct: Opening Stock*	5,292.15	4,581.20
	<u>(7,122.94)</u>	<u>(350.50)</u>
	<u>(11,511.37)</u>	<u>(3,381.75)</u>

* Opening Stock of Work-in-Process and Finished Goods include Rs.2,336.12 Lakh and Rs.360.45 Lakh respectively acquired pursuant to a sanctioned Scheme of Arrangement (Refer Note 2 in Schedule 31).

Schedules to Accounts

19. INTEREST ON	(Rs. in Lakh)	
	<u>2008-2009</u>	<u>2007-2008</u>
Debentures/Bonds	367.12	614.41
Term Loans	541.74	1,308.42
Others	1,684.58	1,647.11
	<u>2,593.44</u>	<u>3,569.94</u>

20. SALES/INCOME FROM OPERATIONS (GROSS)	2008-2009		2007-2008	
	M.T.	(Rs. in Lakh)	M.T.	(Rs. in Lakh)
Sales including excise duty				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	62,389	98,091.73	73,320	95,059.52
Carbon Paste	5,843	1,948.95	6,264	1,577.59
Calcined Petroleum Coke	13,465	3,963.34	16,795	2,910.63
Electricity (MU)	4	163.89	3	243.86
Impervious Graphite Equipment and Spares	681	5,001.61	869	6,076.01
GRP/FRP Pipes and Tanks (Including Installations) *	4,116	4,215.79	6,550	5,904.61
High Speed Steel	156	819.45	—	—
Alloy Steel	108	160.38	—	—
Others		570.89		313.35
		<u>114,936.03</u>		<u>112,085.57</u>
Processing/Service Charges		56.87		35.03
Export Entitlement		3,280.14		3,466.74
		<u>118,273.04</u>		<u>115,587.34</u>

*Refer Note 8 on Schedule-31

21. RAW MATERIALS CONSUMED				
Raw Petroleum Coke	33,638	4,862.46	43,426	4,216.74
Calcined Petroleum Coke	50,332	30,110.78	57,083	27,105.96
Pitch	24,299	8,250.98	28,631	8,542.16
Extrusion Oil (Kilo Litres)	370	217.84	483	181.37
Furnace Oil (Kilo Litres)	12,139	2,941.85	16,594	3,429.94
Fibreglass	2,798	740.13	6,328	1,315.67
Resin Chemicals	3,120	1,003.37	4,322	1,313.42
Melting Scrap	300	287.90	—	—
Ferro Alloys, fluxes and other materials	43	88.14	—	—
Others		1,072.87		1,301.13
		<u>49,576.32</u>		<u>47,406.39</u>

Schedules to Accounts

	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
22. EARNINGS PER SHARE		
(A) Basic		
(i) Number of Equity Shares at the beginning of the year	151,084,801	146,896,225
(ii) Number of Equity Shares at the end of the year [Refer Note 2(g) on Schedule 31]	170,973,137	151,084,801
(iii) Weighted average number of Equity Shares outstanding during the year	154,299,628	147,980,971
(iv) Face value of each Equity Share (Rs.)	2.00	2.00
(v) Profit after Tax available for Equity Shareholders	19,356.93	13,364.53
(vi) Basic Earnings per Share (Rs.) [(v)/(iii)]	12.55	9.03
(B) Diluted		
(i) Weighted average number of dilutive potential Equity Shares resulting from exercise of options outstanding during the year (Refer Note 1 below)	—	30,828,218
(ii) Aggregate of A(iii) and B(i)	154,299,628	178,809,189
(iii) Face value of each Equity Share (Rs.)	2.00	2.00
(iv) Adjusted Profit after Tax (Refer Note 2 below)	19,356.93	12,548.19
(v) Diluted Earnings per Share (Rs.) [(iv)/(ii)]	12.55	7.02
Notes :		
1. In view of the average market price (fair value) of Equity Shares of the Company relevant for the current year being less 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 anti dilutive and accordingly has not been taken into account for computation of diluted earnings per share. For 2007-08, the conversion option has been considered as dilutive since the average market price was more than applicable conversion price.		
2. Adjusted Profit after Tax		
Profit after Tax	19,356.93	13,364.53
Add : Interest Expense (Net of tax)	—	110.37
Less : Exchange Gain (Net of tax)	—	926.71
	<u>19,356.93</u>	<u>12,548.19</u>

Schedules to Accounts

	<u>2008-2009</u>	<u>(Rs. in Lakh)</u> <u>2007-2008</u>
23. C.I.F. VALUE OF IMPORTS		
Raw Materials	29,225.36	22,747.53
Components and Spare parts	86.72	124.18
24. EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF		
Travelling	97.66	113.19
Commission	1,649.16	1,605.36
Export Sales Expenses	109.81	50.46
Interest	398.83	871.02
Professional Fees	112.40	193.56
Bank Charges	62.37	—
Others	8.58	15.86
25. EARNINGS IN FOREIGN CURRENCY		
Export of Goods on F.O.B. Basis	58,811.47	63,527.33
Royalty	569.54	404.77
Interest	205.60	374.28
Dividend	134.68	126.26
Sale of Carbon Credit	—	48.30
Service Charges	5.21	15.62
Discount on Buyback of FCCB	414.85	—

	<u>2008-2009</u>		<u>2007-2008</u>	
	(Rs. in Lakh)	%	(Rs. in Lakh)	%
26. CONSUMPTION OF				
a) Raw Materials				
Imported	27,519.67	56	26,070.65	55
Indigenous	22,056.65	44	21,335.74	45
	<u>49,576.32</u>	<u>100</u>	<u>47,406.39</u>	<u>100</u>
b) Stores and Spares				
Imported	85.22	1	64.66	1
Indigenous	14,250.82	99	12,040.15	99
	<u>14,336.04</u>	<u>100</u>	<u>12,104.81</u>	<u>100</u>

	<u>2008-2009</u> For 2007-2008	<u>2007-2008</u> For 2006-2007	Interim	Special and Final
27. AMOUNT REMITTED IN FOREIGN CURRENCY				
On account of Dividend excluding payments to mandatees in India (Rs. in Lakh)	367.11	244.74	244.74	122.37
Number of shares of Rs. 2/- each held by Non-Resident Shareholders in respect of which dividends were remitted	12,236,850	12,236,850	12,236,850	12,236,850
Number of Non-Resident Shareholders	41	41	41	41

Schedules to Accounts

28. PARTICULARS REGARDING CAPACITY, PRODUCTION AND STOCKS	2008-2009		2007-2008	
	M.T.		M.T.	
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	
High Speed Steel	3,000		—	
Alloy Steel	3,000		—	
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	
High Speed Steel	3,750		—	
Alloy Steel	3,000		—	
iii) Actual Production/Generation				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products *	67,813		74,414	
Carbon Paste	5,683		6,439	
Impervious Graphite Equipment and Spares	686		817	
GRP/FRP Pipes and Tanks	4,429		6,121	
Calcined Petroleum Coke *	28,348		36,746	
Electricity (MU) *	91		133	
High Speed Steel	136		—	
Alloy Steel	109		—	
* Includes captive consumption				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	1,605		1,540	
Carbon Paste	27		—	
Calcined Petroleum Coke	14,883		19,951	
Electricity (MU)	90		130	
iv) Opening Stock	M.T.	2008-2009 (Rs. in Lakh)	M.T.	2007-2008 (Rs. in Lakh)
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	4,072	4,401.45	4,518	3,751.91
Carbon Paste	742	164.54	567	102.79
Impervious Graphite Equipment and Spares	16	67.41	68	295.09
GRP/FRP Pipes and Tanks	484	204.64	913	339.54
Electricity (MU)	8	93.09	8	89.22
Others		0.57		2.65
		<u>4,931.70</u>		<u>4,581.20</u>
Acquired pursuant to the sanctioned Scheme of Arrangement (Refer Note 2 in Schedule 31)				
High Speed Steel	55	339.01		—
Alloy Steel	10	21.44		—
		<u>360.45</u>		<u>—</u>
		<u>5,292.15</u>		<u>4,581.20</u>

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28. PARTICULARS REGARDING CAPACITY, PRODUCTION AND STOCKS (Contd.)	2008-2009		2007-2008	
	M.T.	(Rs. in Lakh)	M.T.	(Rs. in Lakh)
v) Closing Stock				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	7,891	11,528.82	4,072	4,401.45
Carbon Paste	555	123.00	742	164.54
Impervious Graphite Equipment and Spares	21	34.51	16	67.41
GRP/FRP Pipes and Tanks	797	452.04	484	204.64
Electricity (MU)	5	74.29	8	93.09
High Speed Steel	35	188.51		—
Alloy Steel	11	13.22		—
Others		0.70		0.57
		<u>12,415.09</u>		<u>4,931.70</u>

29. COMPUTATION OF NET PROFITS UNDER SECTION 198 READ WITH SECTION 309 OF THE COMPANIES ACT, 1956 FOR THE PURPOSE OF COMMISSION PAYABLE TO THE EXECUTIVE DIRECTOR AND OTHER DIRECTORS	(Rs. in Lakh)	
	<u>2008-2009</u>	<u>2007-2008</u>
Profit before taxation as per Profit and Loss Account	20,075.35	20,699.26
Add: Managerial Remuneration	327.86	327.02
Provision for Wealth Tax	4.00	6.00
Provision for Doubtful Debts	73.94	78.19
	<u>20,481.15</u>	<u>21,110.47</u>
Less: Capital Profit on sale of Fixed Assets	20.07	0.93
Discount on Buy back of FCCB	414.85	—
Provision for Doubtful Debts written back	53.97	9.85
Profit on Redemption of Investments	7.56	—
Net Profit under Section 198	<u>19,984.70</u>	<u>21,099.69</u>

DIRECTORS' REMUNERATION

Executive Director

Salary	25.20	24.00
Commission @ 5% of Net profit under Section 198		
Restricted to	55.00	55.00
Contribution to Provident and Other Funds	8.90	8.48
Other Benefits	28.76	28.94
Sub-total	<u>117.86</u>	<u>116.42</u>

Other Directors

Sitting fees	13.00	12.60
Commission @ 1% of Net profit under Section 198		
Restricted to	197.00	198.00
Sub-total	<u>210.00</u>	<u>210.60</u>

Total for the year

327.86 327.02

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

1. REGISTRATION DETAILS		
State Code		21
Registration No.		94602
Balance Sheet Date		31st March, 2009
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 *		169,749.39
Total Assets		169,749.39
Sources of Funds		
Paid-up Capital**		3,419.63
Reserves and Surplus		98,419.37
Secured Loans		16,937.61
Unsecured Loans		18,286.09
Application of Funds		
Net Fixed Assets		50,362.20
Investments		16,641.53
Net Current Assets		76,335.18
Miscellaneous Expenditure		Nil
Accumulated Losses		Nil
* Includes Owners' Funds - Rs. 101,839.00 Lakh		
Deferred Tax Liability (Net) Rs. 6,276.21 Lakh		
**Refer Note 2 (b) on Schedule 31.		
4. PERFORMANCE OF COMPANY (AMOUNT IN RUPEES LAKH)		
Turnover (including Other Income)		115,478.24
Total Expenditure		95,402.89
Profit before Tax		20,075.35
Profit after Tax		19,356.93
Earnings per share		
Basic (Rs.)		12.55
Diluted (Rs.)		12.55
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 currencies are recorded at exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the exchange rate prevailing on the Balance Sheet date. Foreign currency non-monetary items carried in terms of historical cost are reported using the exchange rate at the date of transactions. Exchange differences arising on settlement of transactions and/or restatements are dealt with in the Profit and Loss Account.

E. DERIVATIVE INSTRUMENTS:

The Company uses derivative financial instruments such as forward exchange contracts, currency swaps etc. to hedge its risks associated with foreign currency fluctuations relating to the underlying transactions, highly probable forecast transactions and firm commitments. In respect of transaction covered by Forward Exchange Contracts, the premium or discount arising at the inception of such contract are amortised as expense or income over the life of contract.

Other Derivative contracts outstanding at the Balance Sheet date are marked to market and resulting loss, if any, is provided for in the financial statements.

Any profit or losses arising on cancellation of instruments are recognised as income or expenses for the period.

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.

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.

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31. NOTES ON ACCOUNTS (contd.)

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. 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, if any, 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) Pursuant to the Scheme of Arrangement (the Scheme) approved by the shareholders and sanctioned by the Hon'ble High Court at Calcutta vide Order of 22nd May, 2009, assets and liabilities of Powmex Steels Undertaking (engaged in the business of manufacturing high speed steel and alloy steel) of GKW Limited (GKW) were transferred to and vested in the Company with effect from 1st February, 2009 (appointed date) and accordingly, the Scheme has been given effect to in these accounts.
- b) Pursuant to the Scheme, 19,888,336 Equity Shares of Rs.2/- each fully paid ranking pari-passu are to be issued to the Ordinary Shareholders of GKW in the ratio of one Equity Share of Rs.2/- each of the Company credited as fully paid up for every three Ordinary Shares of Rs.10/- each fully paid held by them in GKW. Pending allotment of the Equity Shares at the year end, these shares have been shown in Schedule 1 as "Share Capital Suspense Account".
- c) In terms of the Scheme, assets and liabilities of Powmex Steels Undertaking of GKW have been incorporated in the books of the Company at their respective book values as at 31st January, 2009 based on a statement of accounts of the said Undertaking for the period ended 31st January, 2009 audited by a firm of chartered accountants.

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31. NOTES ON ACCOUNTS (contd.)

- d) Pursuant to the Scheme, Rs.18294.67 Lakh being the difference between the assets and liabilities so incorporated in the books of the Company as reduced by the aggregate face value of the shares of the Company to be issued and allotted to the shareholders of GKW has been credited to General Reserve Account.
- e) Pursuant to the Scheme, a specified part of the total carried forward business losses and unabsorbed depreciation of GKW under the Income-tax Act, 1961 as on 31st January, 2009 shall stand apportioned to the Powmex Steels Undertaking and be carried forward in the hands of the Company in terms of the Income-tax Act, 1961.
- f) Pending completion of the relevant formalities of transfer of certain assets and liabilities acquired pursuant to the Scheme, such assets and liabilities remain included in the books of the Company under the name of GKW (including another company, erstwhile Powmex Steels Limited, which was amalgamated with GKW in earlier year).
- g) Equity Shares to be issued pursuant to the Scheme as indicated in Note 2(b) above has been appropriately considered for the purpose of proposed dividend and earnings per share for the year.

3. Provision for current taxation represents Minimum Alternate Tax (MAT) in view of carry forward business losses / unabsorbed depreciation as referred in Note 2(e) above.

Based on profit trend for last couple of years and future plan of the Company, and its share in the domestic and global market, the management is confident of generating sufficient taxable income within the next few years against which the deferred tax assets of the Company (Schedule 5) would be realised. Accordingly, it has been considered prudent to recognise in these accounts deferred tax assets of Rs.1451.96 Lakh on account of unabsorbed depreciation as at 31st March, 2009.

4. The Company has entered during the year into a Power Delivery agreement with Wardha Power Company Limited (WPCL) for procurement of power for its manufacturing activity at the terms set out in the said agreement for twenty five years from the commencement of commercial operation of power plant (target dates for the purpose being July 2009 for Phase I and December 2009 for Phase II or dates declared by WPCL, whichever is later) by WPCL. As per the terms of another related agreement with WPCL, the Company has invested/ advanced Rs.247.66 Lakh in the Class A Equity Shares [Rs.24.77 Lakh shown under Investments (Schedule 7) and Rs.222.89 Lakh shown under Loans and Advances (Schedule 12)] and Rs.312.34 Lakh in 0.01% Class A Redeemable Preference Shares (shown under Investments in Schedule 7) of WPCL during the year and are required to subscribe Rs.350 Lakh to Class C Redeemable Preference Shares of WPCL prior to commencement of commercial operation of the said Power Plant. The aforesaid shares are/shall be under lien with WPCL.

Upon the expiry of Power Delivery agreement, Class A Equity Shares and Class A Redeemable Preference Shares will be bought back by WPCL for a total consideration of Re.1. One-tenth of Class C Redeemable Preference Shares will be redeemed on every anniversary from the date of issue at Re.0.01 per share.

5. a) Fixed Assets including Capital Work-In-Progress includes Pre-operative expenses: Salary, Wages and Bonus Rs.NIL (Previous year Rs.32.97 lakh), Insurance Rs.NIL (Previous year Rs.0.08 lakh), Contract Labour Charges Rs.3.41 lakh (Previous year Rs.0.02 lakh), Travelling and Conveyance Rs.NIL (Previous year Rs.1.53 lakh), Communication Expenses Rs.NIL (Previous year Rs.0.33 lakh), Rates and Taxes Rs.12.59 lakh (Previous year Rs.0.03 lakh), Professional Charges Rs.46.81 lakh (Previous year Rs.15.24 lakh), Stores and Spares Parts Consumed Rs.16.28 lakh (Previous year Rs.Nil) and Miscellaneous Expenses Rs.0.11 lakh (Previous year Rs.4.93 lakh).
- b) Auditors' Remuneration (Schedule 17) does not include Service tax Rs.3.58 lakh (Previous year Rs.2.82 lakh) not routed through Profit and Loss Account.
- c) Information relating to Micro and Small Enterprises (MSEs).

	As at 31st March, 2009	(Rs.in Lakh) As at 31st March, 2008
i. The Principal amount and interest due thereon remaining unpaid to any supplier		
Principal	160.59	69.95
Interest	13.71	—
	<u>2008-09</u>	<u>2007-08</u>
ii. The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 alongwith the amount of the payment made to the supplier beyond the appointed day during the year		
Principal	56.29	27.09
Interest	—	0.35

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31. NOTES ON ACCOUNTS (contd.)

The above particulars, as applicable, have been given in respect of MSEs to the extent they could be identified on the basis of the information available with the Company and pursuant to amendment of Schedule VI to the Companies Act, 1956 (the Act) vide Notification dated 16th November, 2007 issued by the Central Government of India.

- d) The year-end balance of Rupee Term Loans from Banks (Schedule 3) include Rs. 3000 Lakh which was originally obtained from a bank and assigned subsequently in favour of a party by the said bank.

6. Contingent Liabilities not provided in respect of

	As at 31st March, 2009	(Rs.in Lakh) As at 31st March, 2008
I) Claims not acknowledged as debts		
i. Disputed Income Tax demand for which appeals are pending	—	797.99
ii. Disputed Excise Duty for which appeals are pending	423.57	76.73
iii. Disputed Customs Duty for which appeals are pending	999.62	121.87
iv. Disputed Service Tax for which appeals are pending	309.76	2.95
v. Disputed Sales Tax for which appeals are pending	455.95	35.19
vi. Disputed Entry Tax for which appeals are pending	246.04	—
vii. Others	172.22	139.05
II) Corporate Guarantees given to banks to secure the financial assistance/accommodation extended to Subsidiary Companies	5,723.90	7891.25

7. Research and Development Expenditure of revenue nature of Rs.22.19 Lakh (Previous year Rs.29.64 Lakh)

8. Particulars relating to Construction Contracts:

	2008-09	(Rs.in Lakh) 2007-08
a) Contract revenues recognised as revenue	1396.44	720.06
	As at 31st March, 2009	As at 31st March, 2008
b) Other information relating to Contract Work-in-Progress		
i) Aggregate amount of cost incurred and recognised profits	2230.34	838.90
ii) The amount of retentions due from customers	—	3.14
iii) Gross amount due from customers for contract work as an asset (i.e. Contract Work-in-Progress)	276.13	275.63

9. Employee Benefits

(I) Post Employment 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(J)(b) above, based upon which, the Company makes contributions to the Employees' Gratuity Funds.

Provident Fund

Certain employees of the Company receive 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 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.

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31. NOTES ON ACCOUNTS (contd.)

The following Table sets forth the particulars in respect of the Defined Benefit Plans (funded) of the Company for the year ended 31st March, 2009:

GRATUITY FUND

	2008-09	2007-08	(Rs.in Lakh) 2006-07
(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	1577.53	1418.28	1214.10
Addition pursuant to the Scheme of Arrangement as referred to in Note 2 on Schedule 31 above	67.27	—	—
Current Service Cost	92.61	95.82	77.09
Interest Cost	112.24	112.43	84.41
Actuarial (Gains) / Losses	16.55	142.20	219.97
Benefits Paid	(180.18)	(191.20)	(177.29)
Present Value of Obligation at the end of the year	<u>1686.02</u>	<u>1577.53</u>	<u>1418.28</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	1417.70	1416.64	1217.00
Addition pursuant to the Scheme of Arrangement as referred to in Note 2 on Schedule 31 above	51.19	—	—
Expected Return on Plan Assets	114.16	113.33	97.36
Actuarial Gains / (Losses)	12.91	20.25	29.75
Contributions	197.61	58.68	249.82
Benefits Paid	(180.18)	(191.20)	(177.29)
Fair Value of Plan Assets at the end of the year	<u>1613.39</u>	<u>1417.70</u>	<u>1416.64</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	1686.02	1577.53	1418.28
Fair Value of Plan Assets at the end of the year	1613.39	1417.70	1416.64
Assets/(Liabilities) recognised in the Balance Sheet	<u>(72.63)</u>	<u>(159.83)</u>	<u>(1.64)</u>
(d) Expense recognised in the Profit and Loss Account			
Current Service Cost	92.61	95.82	77.09
Interest Cost	112.24	112.43	84.41
Expected Return on Plan Assets	(114.16)	(113.33)	(97.36)
Actuarial (Gains)/ Losses	3.64	121.95	190.22
Total Expense recognised	<u>94.33</u>	<u>216.87</u>	<u>254.36</u>
(e) Category of Plan Assets:			
Fund with LICI	1558.09	1410.00	1373.57
Others (including bank balances)	55.30	7.70	43.07
Total	<u>1613.39</u>	<u>1417.70</u>	<u>1416.64</u>
(f) Actual Return on Plan Assets	127.07	133.58	127.11
(g) Principal Actuarial Assumptions			
Discount Rate	7.50%/6.90%	8.50%	7.50%
Salary Escalation	5.00%	6.00%	5.00%
Inflation Rate	5.00%	6.00%	5.00%
Expected Return on Asset	8.00%	8.00%	8.00%

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

	2008-09	2007-08	(Rs.in Lakh) 2006-07
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	823.64	720.58	655.58
Current Service Cost *	81.57	91.26	90.70
Interest Cost	68.21	63.02	55.72
Actuarial (Gains) / Losses	(46.39)	(1.50)	(1.99)
Benefits Paid	(123.85)	(49.72)	(79.43)
Present Value of Obligation at the end of the year	<u>803.18</u>	<u>823.64</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	821.28	722.97	660.53
Expected Return on Plan Assets	65.70	57.84	52.84
Actuarial Gains / (Losses)	(3.84)	(1.07)	(1.67)
Contributions *	81.57	91.26	90.70
Benefits Paid	(123.85)	(49.72)	(79.43)
Fair Value of Plan Assets at the end of the year	<u>840.86</u>	<u>821.28</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	803.18	823.64	720.58
Fair Value of Plan Assets at the end of the year	840.86	821.28	722.97
Assets/(Liabilities) recognised in the Balance Sheet	<u>37.68</u>	<u>(2.36)</u>	<u>2.39</u>
(d) Expense recognised in the Profit and Loss Account			
Current Service Cost *	81.57	91.26	90.70
Interest Cost	68.21	63.02	55.72
Expected Return on Plan Assets	(65.70)	(57.84)	(52.84)
Actuarial (Gains)/ Losses	(42.55)	(0.43)	(0.32)
Total Expense recognised	<u>41.53</u>	<u>96.01</u>	<u>93.26</u>
* Includes employees' statutory contributions, voluntary contributions etc.			
(e) Category of Plan Assets:			
Central Government Securities	176.91	160.39	121.69
State Government Securities	133.87	151.69	124.66
Bonds / Term Deposits	249.60	208.81	162.81
Special Deposit Schemes	249.13	262.40	286.15
Others (including bank balances)	31.35	37.99	27.66
Total	<u>840.86</u>	<u>821.28</u>	<u>722.97</u>
(f) Actual Return on Plan Assets	61.86	56.77	51.17
(g) Principal Actuarial Assumptions			
Expected Return on Asset	8.00%	8.00%	8.00%

Notes:

(a) 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'

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

(c) The expected return on plan assets is determined after taking into consideration composition of the plan assets held, assessed

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31. NOTES ON ACCOUNTS (contd.)

risks of asset management, historical results of the return on plan assets, the Company's policy for plan asset management and other relevant factors.

(II) Post Employment Defined Contribution Plans

During the year an amount of Rs.450.83 Lakh (Previous Year Rs.443.04 Lakh) has been recognised as expenditure towards defined contribution plan of the Company.

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

a)	Name of Subsidiary	Graphite International B.V.
	Loan outstanding as at 31st March, 2009	Rs.1212.12 lakh (Rs.1136.34 lakh)
	Rate of interest on above	Euribor plus 250 basis point
	Maximum amount outstanding during the year ended 31st March, 2009	Rs.1229.94 lakh (Rs.1136.34 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, 2009 is Rs.161.61 Lakh (Previous year Rs.143.01 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.

11. Disclosure of dues which have not been deposited as at 31st March, 2009 on account of disputes

Name of statute	Amount (Rs.in Lakh)	Forum where dispute is pending
I Central Excise Act	29.85	Assistant/ Deputy Commissioner of Central Excise
	196.14	Custom, Excise & Service Tax Appellate Tribunal (CESTAT)
	31.07	High Court
	135.66	Commissioner, Central Excise & Customs (Appeals), Nasik
II Central and State Sales Tax Acts	8.47	Assistant Commissioner of Commercial Taxes
	0.25	Additional Commissioner of Commercial Taxes
	5.19	Joint Commissioner of Commercial Taxes
	263.58	Sales Tax Tribunal
	3.75	Sales Tax Officer
III Customs Act	10.60	High Court
	112.97	Custom, Excise & Service Tax Appellate Tribunal (CESTAT)
IV Service Tax	877.75	Commissioner of Customs
	70.48	The Commissioner (Appeals)
	5.18	Additional Commissioner Service Tax Commissionrate, Kolkata
	212.50	Custom, Excise & Service Tax Appellate Tribunal (CESTAT)
	7.98	Joint Commissioner Central Excise, Bolpur
	10.63	Commissioner/Asst. Commissioner Central Excise (Appeals)

12. 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:

	2008-09	(Rs.in Lakh) 2007-08
Expansion and modernisation of existing production units	594.79	511.55
General Corporate Purposes (upon conversion of convertible Bonds into Equity Shares)	—	2067.40
Buyback of FCCB	1560.63	—

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

13. 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,
- Steel Segment engaged in production of High Speed Steel and Alloy Steel, 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, 2009

(Rs. in Lakh)

	Graphite and Carbon		Power		Steel		Others		Total of Reportable Segments	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Sales/Income from Operations (Gross)										
External Sales	104,574.91	99,861.09	163.89	243.86	979.83	—	9,217.40	11,980.62	114,936.03	112,085.57
Inter Segment Sales	2,235.80	2,083.17	5,831.80	7,401.11	—	—	111.87	8.12	8,179.47	9,492.40
Income from Operations(External)	3,290.45	3,468.83	—	—	—	—	46.56	32.94	3,337.01	3,501.77
Segment Revenues	110,101.16	105,413.09	5,995.69	7,644.97	979.83	—	9,375.83	12,021.68	126,452.51	125,079.74
Segment Results	23,724.86	19,180.27	1,708.88	2,800.89	(154.21)	—	1,898.20	1,517.38	27,177.73	23,498.54
Segment Assets	103,721.66	109,761.82	7,568.46	8,327.16	20,266.26	—	11,806.72	11,057.15	143,363.10	129,146.13
Segment Liabilities	12,758.60	17,621.51	1,033.65	998.99	1,682.47	—	2,607.70	1,929.99	18,082.42	20,550.49
Capital Expenditure	1,168.89	825.08	—	—	0.41	—	193.81	561.55	1,363.11	1,386.63
Depreciation and Amortisation	2,395.02	2,380.21	618.91	618.93	104.42	—	256.78	269.28	3,375.13	3,268.42
Non-cash Expenses other than Depreciation and Amortisation (Net)	214.65	128.25	—	—	—	—	115.73	59.65	330.38	187.90

Reconciliation of Reportable Segments with the Financial Statements

	Revenues		Results Net Profit		Assets		Liabilities*	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Total of Reportable Segments	126,452.51	125,079.74	27,177.73	23,498.54	143,363.10	129,146.13	18,082.42	20,550.49
Corporate - Unallocated /								
Others (Net)	—	—	(4,508.94)	770.66	26,386.29	23,287.22	49,827.97	62,092.32
Inter Segment Sales	(8,179.47)	(9,492.40)	—	—	—	—	—	—
Interest Expenses	—	—	(2,593.44)	(3,569.94)	—	—	—	—
Taxes (Net)	—	—	(718.42)	(7,334.73)	—	—	—	—
	118,273.04	115,587.34	19,356.93	13,364.53	169,749.39	152,433.35	67,910.39	82,642.81
* Excluding Shareholders Funds								

B. Secondary Segment (Geographical)

	Domestic		Export		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Revenues-Gross	56,777.91	49,122.24	61,495.13	66,465.10	118,273.04	115,587.34
Total Assets	143,363.10	129,146.13	—	—	143,363.10	129,146.13
Capital Expenditure	1,363.11	1,386.63	—	—	1,363.11	1,386.63

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

14. RELATED PARTY DISCLOSURES :

(In accordance with Accounting Standard-18 prescribed under the Act)

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 Ltd.	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, 2009

	<u>2008-09</u>	<u>2007-08</u>
A. Key Management Personnel		
a. Directors' Remuneration	117.86	116.42
B. Subsidiary Companies		
a. Sale of Goods		
Graphite Cova GmbH	9,916.54	12,562.01
Bavaria Electrodes GmbH	—	2.49
b. Purchase of Goods		
Graphite Cova GmbH	461.32	182.15
c. Sale of Fixed Assets		
Carbon Finance Ltd.	1,573.82	—
d. Royalty Income		
Graphite Cova GmbH	569.54	404.77
e. Interest Income		
Graphite International B.V.	91.69	70.86
Carbon Finance Ltd.	—	229.91
f. Dividend Income		
Carbon International Holdings N.V.	134.68	126.26
g. Rent Paid		
Carbon Finance Ltd.	71.25	—
h. Loans and Advances given		
Carbon Finance Ltd.	—	2,800.00
i. Recoveries / (Reimbursement) of Expenses (Net)		
Graphite Cova GmbH	(41.53)	(19.98)
Carbon Finance Ltd.	0.57	—
j. Investments in Shares		
Carbon Finance Ltd.	1,610.00	—

Schedules to Accounts

31. NOTES ON ACCOUNTS (contd.)

	<u>2008-09</u>	<u>2007-08</u>
k. Balance outstanding at the year end		
Sundry Debtors		
Graphite Cova GmbH	2,592.75	6,077.02
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.	3,003.76	1,393.76
Other Current Assets		
Carbon International Holdings N.V.	134.68	126.26
Loans and Advances (including Charges Recoverable)		
Graphite International B.V.	1,284.60	1,183.16
Graphite Cova GmbH	373.53	154.21
Sundry Creditors		
Key Management Personnel	60.45	64.00
Graphite Cova GmbH	62.06	47.78
Outstanding Corporate Guarantees in favour of Graphite International B.V.	673.40	1,262.60
Graphite International B.V. and its subsidiaries, Graphite Cova GmbH, Bavaria Electrodes GmbH, Bavaria Carbon Holdings GmbH, and Bavaria Carbon Specialities GmbH	5,050.50	6,628.65

15. The Company has cancellable operating lease arrangements for certain accommodation with tenures of three years. Terms of such lease include option for renewal on mutual agreed terms. Operating lease rentals for the year debited to Profit and Loss Account amount to Rs.71.25 Lakh (Previous Year Rs.Nil).
16. Previous year's figures have been regrouped or rearranged, wherever necessary and are not strictly comparable in view of the assets, liabilities and business of Powmex Steels Undertaking taken over pursuant to a sanctioned Scheme of Arrangement as referred to in Note 2 in Schedule 31.

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, 2009

	<u>2008-2009</u>	(Rs. in Lakh) <u>2007-2008</u>
A. Cash Flows from Operating Activities		
Profit before Taxation	20,075.35	20,699.26
Adjustments for :		
Depreciation	3,435.20	3,349.60
Foreign Exchange (Net)	3,755.77	(1,034.50)
Dividend Income	(136.27)	(126.26)
Interest Expense	2,593.44	3,569.94
Interest Income	(1,193.44)	(1,186.06)
Loss on Disposal of Fixed Assets (Net)	166.96	15.95
Bad Debts/Advances Written Off	61.90	95.56
Provision for Doubtful Debts	73.94	78.19
Provision for Doubtful Debts Written Back	(53.97)	(9.85)
Liability no Longer Required Written Back	(355.96)	(281.52)
Profit on Redemption of Investments	(7.56)	—
Discount on Buy Back of FCCB	(414.85)	—
Operating Profit before Working Capital Changes	<u>28,000.51</u>	<u>25,170.31</u>
Adjustments for :		
(Increase)/Decrease in Trade and Other Receivables	19,459.05	(10,843.14)
(Increase)/Decrease in Inventories	(15,133.15)	(2,694.72)
Increase/(Decrease) in Trade Payables	(4,706.86)	4,862.25
Cash generated from Operations	<u>27,619.55</u>	<u>16,494.70</u>
Taxes (Paid)/Refund (Net)		
Tax paid including Fringe Benefit Tax	(3,456.34)	(5,521.07)
NET CASH FROM OPERATING ACTIVITIES	<u>24,163.21</u>	<u>10,973.63</u>
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(1,558.93)	(2,336.14)
Proceeds on Disposal of Fixed Assets	1,609.42	22.97
Loans to Subsidiaries	—	(2,800.00)
Repayment of Loans by Subsidiaries	—	2,800.00
Advance against Investments	(222.89)	—
Purchase of Long Term Investments	(337.11)	—
Sale of Long Term Investments	20.43	—
Purchase of Current Investments	(1,201.59)	—
Sale of Current Investments	1,201.59	—
Investment in Subsidiaries	(1,610.00)	—
Interest Received	1,198.27	1,369.38
Dividend Received	127.85	58.05
NET CASH USED IN INVESTING ACTIVITIES	<u>(772.96)</u>	<u>(885.74)</u>

CASH FLOW STATEMENT (Contd.)

	<u>2008-2009</u>	(Rs. in Lakh) <u>2007-2008</u>
C. Cash Flows from Financing Activities		
Proceeds from Borrowings		
Short Term	2,449.77	9,666.64
Repayment of Borrowings		
Long Term	(4,672.98)	(3,518.95)
Short Term	(13,339.02)	(13,493.64)
Interest Paid	(2,668.67)	(3,628.68)
Dividend Paid (including tax thereon Rs.770.31 Lakh; Previous year Rs 249.65 Lakh)	(5,274.70)	(2,165.21)
NET CASH USED IN FINANCING ACTIVITIES	<u>(23,505.60)</u>	<u>(13,139.84)</u>
D. Exchange Differences on Translation of Foreign Currency		
Cash and Cash Equivalents	(30.53)	(369.61)
Net Cash Inflow/(Outflow)	<u>(145.88)</u>	<u>(3,421.56)</u>
Cash and Cash Equivalents - Opening (Schedule 10)	4,836.41	8,257.97
Add: Cash and Cash Equivalents taken over pursuant to a sanctioned Scheme of Arrangement referred to in Note 2 on Schedule 31.	9,718.46	—
	<u>14,554.87</u>	<u>8,257.97</u>
Cash and Cash Equivalents - Closing (Schedule 10)	<u>14,408.99</u>	<u>4,836.41</u>
Net Cash Inflow/ (Outflow)	<u>(145.88)</u>	<u>(3,421.56)</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 prescribed under the Act.
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 and are not strictly comparable in view of the assets, liabilities and business of Powmex Steels Undertaking taken over pursuant to the sanctioned Scheme of Arrangement as referred to in Note 2 in Schedule 31.

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

S. K. Deb
Partner
Membership No. 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 30th June, 2009

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)							
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Sales/Income from operations	118273	115587	90001	64940	54597	54930	41008	36844
Sales(excluding Excise Duty)	109251	106404	82682	58560	48258	47868	35264	31896
Operating Profit	23213	23998	16546	11147	8265	8518	7117	7535
Other Income	2891	3621	3833	1728	1167	1360	827	762
Interest	2594	3570	3215	2001	1063	1284	2316	2797
Gross Profit	23510	24049	17164	10874	8369	8594	5628	5500
Depreciation	3435	3350	2993	2476	2069	2057	1986	1751
Provision for Taxation	718	7335	4408	2103	1500	1405	303	379
Profit After Tax before Non-Recurring Item	19357	13364	9763	6295	4800	5132	3339	3370
Non-Recurring Item	—	—	9624	—	—	—	—	—
Profit after Non- Recurring Item	19357	13364	19387	6295	4800	5132	3339	3370
Equity Dividend per Share - (Rs.)	3.00	3.00	3.00	1.20	0.90	0.80	0.50	0.50
Equity Dividend Amount (including Dividend Tax)	6001	5303	5069	2010	1507	1326	829	734
EPS -Basic (Excluding non-recurring Item)-Rs.	12.55	9.03	7.38	4.29	3.27	3.48	2.24	2.25
Debt Equity Ratio (Long Term Debt)	0.22:1	0.34:1	0.52:1	0.67:1	0.31:1	0.18:1	0.29:1	0.39:1
Debt Equity Ratio (Total Debt)	0.35:1	0.68:1	0.98:1	1.16:1	0.62:1	0.43:1	0.52:1	0.64:1
Fixed Assets	50362	49827	51788	47349	41475	35244	35452	36417
Investments	16641	14707	14707	5007	2886	1407	1434	1445
Current Assets	102746	87899	77624	67552	39400	31936	28123	25114
Total Assets	169749	152433	144119	119908	83761	68587	65009	62976
Loan Funds	35224	47304	58180	52493	25867	16230	18067	20377
Current liabilities	26410	28337	20139	17346	12912	10984	9340	7151
Deferred Tax liability	6276	7001	6381	4683	3590	3256	3051	3063
Share Capital								
Equity	3420	3022	2938	2938	2938	2938	2938	2938
Preference	—	—	—	—	—	—	250	500
Reserves and Surplus (Net of Miscellaneous Expenditure)	98419	66769	56481	42448	38454	35179	31363	28947
Total Liabilities	169749	152433	144119	119908	83761	68587	65009	62976
Net Worth	101839	69791	59419	45386	41392	38117	34301	31885
Number of Employees	2614	2961	2653	2651	2240	2306	2257	2294

Note :

Current year figures are not strictly comparable with previous years, in view of the assets, liabilities and business of Powmex Steels Undertaking taken over pursuant to the sanctioned Scheme of Arrangement.

RATIOS

Key Ratios	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
EBIDT/Total Income -percent	22.61	24.33	22.94	20.40	17.94	18.47	20.05	23.23
Interest/Total Income -percent	2.25	3.14	3.62	3.17	2.02	2.40	5.84	7.83
Net profit/Total Income -percent	16.76	11.77	10.99	9.97	9.13	9.60	8.43	9.44
Return on Capital Employed-percent	19.05	23.59	17.33	13.15	14.02	18.15	15.07	15.07
Interst cover-times	10.07	7.74	6.34	6.43	8.87	7.69	3.43	2.97
Debt-equity (Long Term Debt)	0.22	0.34	0.52	0.67	0.31	0.18	0.29	0.39
Book-value-Rs.	59.56	46.19	40.45	30.90	28.18	25.95	23.35	21.70
EPS- Basic (excluding non-recurring item)-Rs.	12.55	9.03	7.38	4.29	3.27	3.48	2.24	2.25
Cash-EPS (excluding non-recurring item)-Rs.	14.77	11.29	9.42	5.97	4.68	4.88	3.59	3.44
Financial Performance Ratio	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Domestic Turnover/Total Sales	46.50	40.70	43.09	44.15	46.88	42.88	45.01	41.79
Export Turnover/Total Sales	53.50	59.30	56.91	55.85	53.12	57.12	54.99	58.21
Other Income/Total Income	2.50	3.19	4.32	2.74	2.22	2.54	2.09	2.13
Raw material costs/Net Sales	45.38	44.55	46.63	45.35	41.00	38.20	42.71	42.77
Manpower costs/Total Income	6.49	6.69	7.14	7.81	8.27	7.83	9.37	9.85
Excise/Gross Sales	4.95	5.07	5.72	5.70	6.17	5.53	5.89	5.60
Interest/Total Income	2.25	3.14	3.62	3.17	2.02	2.40	5.84	7.83
PBDT/Total Income	20.36	21.18	19.32	17.23	15.91	16.07	14.20	15.40
Depreciation/Total Income	2.97	2.95	3.37	3.92	3.93	3.84	5.01	4.90
Net Profit/Total Income	16.76	11.77	10.99	9.97	9.13	9.60	8.43	9.44
Cash flow/Total Income	19.74	14.72	14.36	13.89	13.06	13.44	13.44	14.34
RONW/(PAT/Net Worth)	19.01	19.15	16.43	13.87	11.60	13.46	9.73	10.56
Balance Sheet Ratios								
Debtors Turnover-days	63	118	107	128	111	103	87	81
Inventory Turnover - days	166	108	128	127	108	87	141	148
Per-Share data Ratios								
Earnings (excluding non-recurring item)-Rs.	12.55	9.03	7.38	4.29	3.27	3.48	2.24	2.25
Cash earnings-Rs.	14.77	11.29	9.42	5.97	4.68	4.88	3.59	3.44
Dividend-Rs.	3.00	3.00	3.00	1.20	0.90	0.80	0.50	0.50

Note :

Current year figures are not strictly comparable with previous years, in view of the assets, liabilities and business of Powmex Steels Undertaking taken over pursuant to the sanctioned Scheme of Arrangement.

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, 2009, 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. 48,082.48 Lakh as at 31st March, 2009 and total revenue of Rs. 48,607.63 Lakh and net cash flow amounting to Rs. 1,386.57 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, as prescribed under the Companies Act, 1956 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, 2009;
 - 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 : 30th June, 2009

S. K. Deb
Partner
Membership No. 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

CONSOLIDATED BALANCE SHEET
of Graphite India Limited and its subsidiaries as at 31st March, 2009

	Schedule	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	3,419.63	3,021.87
Reserves and Surplus	2	108,456.94	72,497.95
		<u>111,876.57</u>	<u>75,519.82</u>
LOAN FUNDS			
Secured Loans	3	34,560.91	39,645.34
Unsecured Loans	4	18,286.09	22,269.37
		<u>52,847.00</u>	<u>61,914.71</u>
DEFERRED TAX LIABILITY (NET)	5	6,276.21	7,001.21
T O T A L		<u>170,999.78</u>	<u>144,435.74</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	99,461.82	83,447.57
Less : Depreciation		43,549.75	30,344.77
Net Block		55,912.07	53,102.80
Capital Work-in-Progress		1,396.63	945.11
		<u>57,308.70</u>	<u>54,047.91</u>
INVESTMENTS	7	10,097.33	10,573.09
DEFERRED TAX ASSET	8	57.39	24.09
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	9	69,485.65	53,380.81
Sundry Debtors	10	31,817.49	41,177.56
Cash and Bank Balances	11	17,708.31	6,638.09
Other Current Assets	12	1,393.87	1,280.19
Loans and Advances	13	13,189.06	10,833.27
		<u>133,594.38</u>	<u>113,309.92</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	14	22,009.77	25,599.60
Provisions	15	8,048.25	7,919.67
		<u>30,058.02</u>	<u>33,519.27</u>
NET CURRENT ASSETS		<u>103,536.36</u>	<u>79,790.65</u>
T O T A L		<u>170,999.78</u>	<u>144,435.74</u>
Capital Commitments (Net of Advances)			
Estimated amount of contracts remaining to be executed		399.60	847.20
NOTES ON ACCOUNTS	22		
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.	
S. K. Deb Partner Membership No. 13390 For and on behalf of PRICE WATERHOUSE Chartered Accountants Kolkata : 30th June, 2009			
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, 2009

	Schedule	Year ended 31st March, 2009	(Rs. in Lakh) Year ended 31st March, 2008
INCOME			
Sales/Income from Operations (Gross)		155,786.16	138,835.63
Less: Excise Duty on Sales		5,685.30	5,681.95
Sales/Income from Operations (Net)		150,100.86	133,153.68
Other Income	16	2,531.42	2,943.74
		<u>152,632.28</u>	<u>136,097.42</u>
EXPENDITURE			
Raw Materials Consumed		57,731.54	53,942.38
Payments to and Provisions for Employees	17	13,499.48	13,009.69
Other Manufacturing, Selling and Administrative Expenses (Increase)/Decrease in Work in Process,	18	57,099.50	45,582.06
Finished Goods and Trading Items	19	(8,988.89)	(7,136.08)
		<u>119,341.63</u>	<u>105,398.05</u>
PROFIT BEFORE INTEREST AND DEPRECIATION		33,290.65	30,699.37
Interest	20	3,510.14	4,289.75
PROFIT BEFORE DEPRECIATION		29,780.51	26,409.62
Depreciation		4,403.64	4,102.71
PROFIT BEFORE TAXATION		25,376.87	22,306.91
Provision for Taxation			
Current Tax		3,486.68	6,562.42
Less: MAT Credit		(2,350.00)	—
For earlier years		1,378.73	842.17
Fringe Benefit Tax		65.00	70.00
Deferred Tax (Net)		(755.60)	598.25
PROFIT AFTER TAXATION		23,552.06	14,234.07
Balance brought forward from earlier year		6,767.83	8,966.48
PROFIT AVAILABLE FOR APPROPRIATION		<u>30,319.89</u>	<u>23,200.55</u>
TRANSFER TO			
Debenture Redemption Reserve		—	1,124.50
General Reserve		10,000.00	10,000.00
Reserve Fund		21.05	5.37
Proposed Dividend on Equity Shares		5,129.19	4,532.54
Dividend Tax		871.71	770.31
Balance carried forward		14,297.94	6,767.83
		<u>30,319.89</u>	<u>23,200.55</u>
EARNINGS PER SHARE			
Basic (Rs.)	21	15.26	9.62
Diluted (Rs.)		15.26	7.50
NOTES ON ACCOUNTS			
	22		

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

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

S. K. Deb
Partner
Membership No. 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 30th June, 2009

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, 2009	(Rs. in Lakh) As at 31st March, 2008
1. SHARE CAPITAL		
Authorised		
20,00,00,000 Equity Shares of Rs. 2/- each	4,000.00	4,000.00
	<u>4,000.00</u>	<u>4,000.00</u>
Issued, Subscribed and Paid-up		
15,10,84,801 Equity Shares of Rs.2/- each fully paid up (Note Below)	3,021.70	3,021.70
Add: Forfeited Shares	0.17	0.17
	<u>3,021.87</u>	<u>3,021.87</u>
Share Capital Suspense Account [Note 3(b) on Schedule 22]		
1,98,88,336 Equity Shares of Rs. 2/- each to be issued as fully paid up pursuant to the Scheme of Arrangement, without payment being received in cash.	397.76	—
	<u>3,419.63</u>	<u>3,021.87</u>

Note :

Out of the above Equity Shares, 9,55,70,150 Equity Shares of Rs. 2/- each have been allotted as fully paid up pursuant to Schemes of Amalgamation, without payment being received in cash.

	As at 31st March, 2008	Additions during the year	Withdrawals during the year	(Rs. in Lakh) As at 31st March, 2009
2. RESERVES AND SURPLUS				
Capital Reserve	45.86	—	—	45.86
Capital Redemption Reserve	575.00	—	—	575.00
Securities Premium Account	7,088.70	—	—	7,088.70
Debenture Redemption Reserve	7,194.10	—	—	7,194.10
Reserve Fund	109.75	21.05	—	130.80
General Reserve	50,781.53	28,294.67 @	—	79,076.20
Foreign Currency Translation Adjustment Account	(64.82)	113.16	—	48.34
Profit and Loss Account	6,767.83	7,530.11	—	14,297.94
	<u>72,497.95</u>	<u>35,958.99</u>	<u>—</u>	<u>108,456.94</u>

@ Includes Rs. 18294.67 Lakh arising on giving effect to a sanctioned Scheme of Arrangement
[Refer Note 3 (d) on Schedule 22]

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

Schedules to Consolidated Financial Statements

	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
3. SECURED LOANS		
7.21% Secured Redeemable Non-Convertible Debentures (Face Value Rs. 10 Lakh each)	1,666.67	3,333.33
Term Loan from a Financial Institution	190.61	449.55
Term Loan from Banks	7,114.44	7,185.22
Term Loans from others	12.74	—
Working Capital Loans from Banks	25,576.45	28,677.24
	<u>34,560.91</u>	<u>39,645.34</u>

Note:

7.21% Secured Redeemable Non-Convertible Debentures have been redeemed at par on due date, 19th May, 2009.

4. UNSECURED LOANS		
Short Term Loan from Banks	2,592.33	8,381.05
Other Loans from		
1.00 per cent Convertible Bonds due 2010 of US\$ 1000 each ('Bonds') aggregating US\$ 30,875,000 (Previous Year US\$ 34,750,000) (Note below)	15,693.76	13,886.10
Temporary overdraft from a Bank	—	2.22
	<u>18,286.09</u>	<u>22,269.37</u>

Note :

The Bonds are convertible into Equity Shares of the Company at any time before 13th October, 2010 at a price to be determined from time to time in keeping with the Offering Circular dated 18th October, 2005 at the option of the bondholders. The Company also has the option of early redemption of the Bonds at any time 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. During the year Bonds aggregating US\$ NIL (Previous Year US\$ 5,250,000) have been converted into equity shares and US\$ 3,875,000 (Previous Year NIL) have been bought back and cancelled.

5. DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liabilities and Assets are attributable to the following items		
Liabilities		
Depreciation	7,950.62	7,240.71
Less:		
Assets		
Expenses allowable for tax purpose on payment	146.03	148.81
Unabsorbed Depreciation	1,451.96	—
Others	76.42	90.69
	<u>1,674.41</u>	<u>239.50</u>
	<u>6,276.21</u>	<u>7,001.21</u>

Schedules to Consolidated Financial Statements

6. FIXED ASSETS

Description	GROSS BLOCK - AT COST					DEPRECIATION					(Rs. in Lakh)	
	NET BLOCK					As at 31st March 2009		As at 31st March 2008				
	As at 31st March 2008	Acquired during the year pursuant to a sanctioned Scheme of Arrangement	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31st March 2009	Up to 31st March 2008	Additions during the year pursuant to a sanctioned Scheme of Arrangement	For the year	On Sales/ Adjustments	Up to 31st March 2009	As at 31st March 2009	As at 31st March 2008
(Refer Note: 3 on Schedule 22)					(Refer Note: 3 on Schedule 22)							
A. Tangible Assets												
Freehold Land	2,387.94	31.70	104.85	—	2,524.49	—	—	—	—	2,524.49	2,387.94	
Leasehold Land	77.84	30.76	—	—	108.60	20.66	—	1.14	—	86.80	57.18	
Buildings	15,627.34	1,646.21	502.67	259.18	17,517.04	3,467.69	690.17	468.64	253.31	4,373.19	12,159.65	
Plant and Machinery	62,653.44	11,774.99	2,520.15	600.38	76,348.20 (a)	25,489.16	8,489.22	3,658.43	231.61	37,405.20	37,164.28	
Machinery Spares	68.19	—	—	—	68.19	67.65	—	—	—	67.65	0.54	
Office Equipment	1,141.30	116.71	80.45	66.56	1,271.90	568.75	108.41	137.83	27.89	787.10	572.55	
Furniture and Fittings	544.88	48.45	44.55	7.18	630.70	337.03	48.45	29.51	5.46	409.53	207.85	
Vehicles	600.11	13.78	65.52	41.56	637.85	267.77	13.78	52.42	34.36	299.61	332.34	
Total Tangible Assets	83,101.04	13,662.60	3,318.19	974.86	99,106.97	30,218.71	9,350.03	4,347.97	552.63	43,364.08	52,882.33	
B. Intangible Assets												
Goodwill (arising on consolidation)	67.75	—	—	—	67.75	—	—	—	—	67.75	67.75	
Patent (f)	6.31	—	0.42	—	6.73	4.58	—	1.30	(0.35)	6.23	1.73	
Trademark (f)	31.57	—	2.11	—	33.68	22.91	—	6.50	(1.76)	31.17	8.66	
Computer Software (f)	240.90	—	5.79	—	246.69	98.57	—	47.87	(1.83)	148.27	142.33	
Total Intangible Assets	346.53	—	8.32	—	354.85	126.06	—	55.67	(3.94)	185.67	220.47	
T O T A L	83,447.57	13,662.60	3,326.51 (b)	974.86	99,461.82	30,344.77	9,350.03	4,403.64	548.69(c)	43,549.75	53,102.80	
Previous Year	81,460.15	—	2,227.59	240.17	83,447.57	26,193.21	—	4,102.71	(48.85)	30,344.77	52,882.33	
Add : Capital Work-in-Progress - at cost (d) & (e)										1,396.63	945.11	
										57,308.70	54,047.91	

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. Written down value of said assets as on 31st March, 2009 is Rs. 329.30 Lakh (Previous Year Rs. 363.52 Lakh)
- Includes Rs. 535.79 Lakh (Previous Year Rs. 580.61 Lakh) on account of foreign exchange adjustment.
- Includes Rs. 220.73 Lakh (Previous Year Rs. 238.93 Lakh) on account of foreign exchange adjustment.
- Includes Capital Advances Rs. 146.33 Lakh (Previous Year Rs. 160.50 Lakh) - Unsecured, Considered Good
- Includes acquired intangible assets - Computer Software under implementation - Rs. 45 Lakh (Previous Year Rs. Nil)
- Represents acquired assets

7. INVESTMENTS

LONG TERM (AT COST OR UNDER)

	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
Fully paid up Equity Shares in a Company	7.48	7.48
Partly paid up Equity Shares in a Company (Acquired during the year) (Refer Note 5 on Schedule 22)	24.77	—
Fully paid up Redeemable Preference Shares in a Company (Subscribed during the year) (Refer Note 5 on Schedule 22)	312.34	—
Units of Mutual Funds	52.68	852.68
6.75% Tax free US64 Bonds (Redeemed during the Year)	—	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	1,000.00
Rural Electrification Corporation Ltd.	8,700.00	8,700.00
	<u>10,097.33</u>	<u>10,573.09</u>
AGGREGATE AMOUNT OF INVESTMENTS :		
Quoted	7.48	7.48
Unquoted	10,089.85	10,565.61
	<u>10,097.33</u>	<u>10,573.09</u>
AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS	172.06	610.00
NET ASSET VALUE OF UNITS OF MUTUAL FUNDS	52.62	852.66

Schedules to Consolidated Financial Statements

	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
8. DEFERRED TAX ASSET		
Pertaining to a foreign Subsidiary on account of carried forward tax benefit	57.39	24.09
Note :		
Deferred Tax charge (Net) for the year includes Rs 2.70 Lakh (Previous Year Rs.2.34 Lakh) on account of exchange fluctuations due to reinstatement of aforesaid deferred tax asset		
9. INVENTORIES		
- AT LOWER OF COST AND NET REALISABLE VALUE		
Stores and Spare Parts	1,511.71	1,506.57
Loose Tools	78.03	91.77
Raw Materials	19,630.70	15,202.72
Work-in-Process (including Contract Work-in-Progress)	30,041.93	24,529.12
Finished Goods	17,171.69	10,748.54
Trading Goods	1,051.59	1,302.09
	<u>69,485.65</u>	<u>53,380.81</u>
10. SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months-		
Considered Good	2,303.46	662.75
Considered Doubtful	140.10	97.39
Other Debts-		
Considered Good	29,514.03	40,514.81
	<u>31,957.59</u>	<u>41,274.95</u>
Less : Provision for Doubtful Debts	140.10	97.39
	<u>31,817.49</u>	<u>41,177.56</u>
11. CASH AND BANK BALANCES		
Cash in hand	23.83	20.48
With Banks on-		
Current Accounts	2,727.38	1,997.61
Margin Money Account	150.06	—
Call Account	3,076.33	—
Unpaid Dividend Accounts	99.96	71.81
Fixed Deposit Accounts (includes Rs. 30.62 Lakh, Previous Year Rs. 185.36 Lakh lodged with Government Authority/Others)	11,630.75	4,548.19
	<u>17,708.31</u>	<u>6,638.09</u>
12. OTHER CURRENT ASSETS		
Unsecured - Considered Good		
Accrued Interest on Deposits with Banks and Others	450.90	435.40
Security and other Deposits		
Deposit with Electricity Authorities	369.90	282.52
Others	573.07	562.27
	<u>1,393.87</u>	<u>1,280.19</u>

Schedules to Consolidated Financial Statements

	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
13. LOANS AND ADVANCES		
Unsecured - Considered Good		
Advances recoverable in cash or in kind or for value to be received	8,647.76	7,644.27
Advance against Investment (Refer Note 5 on Schedule 22)	222.89	—
Accrued Export Entitlement	1,968.41	3,189.00
MAT Credit Entitlement	2,350.00	—
	<u>13,189.06</u>	<u>10,833.27</u>
14. LIABILITIES		
Acceptances	6,482.55	10,691.69
Sundry Creditors	13,774.99	12,644.90
Advance from Customers	1,181.45	514.06
Other Liabilities	281.86	1,302.60
Investors Education and Protection Fund shall be credited by the following amounts namely:		
(a) Unpaid Dividends	99.96	71.81
(b) Unpaid Matured Deposits	0.42	0.90
(c) Unpaid Matured Debentures	0.31	0.35
(d) Unpaid Interest on above	0.24	0.50
Interest Accrued but not due on loans	187.99	372.79
	<u>22,009.77</u>	<u>25,599.60</u>
15. PROVISIONS (Net of Payments)		
Income Tax	2,000.08	2,565.66
(Net of MAT Credit Entitlement Rs. Nil, Previous Year Rs. 280.33 Lakh)		
Wealth Tax	9.60	8.49
Fringe Benefit Tax	37.67	42.67
Proposed Dividend	5,129.19	4,532.54
Tax on Dividend	871.71	770.31
	<u>8,048.25</u>	<u>7,919.67</u>
16. OTHER INCOME	<u>2008-09</u>	(Rs. in Lakh) <u>2007-08</u>
Income from Investments		
Long Term (Other than Trade)		
Interest	533.73	534.88
Profit on Redemption of Investments	7.56	—
Current Investments (Other than Trade)		
Dividend	1.59	—
Interest on loans, deposits etc.	599.13	398.45
Claims	23.20	11.95
Rent Receipt	133.34	81.69
Liabilities no longer required written back	387.93	281.52
Exchange Gain (Net)	—	959.72
Bad Debts recovery	12.16	5.59
Provision for doubtful debts written back	53.97	9.85
Discount on Buyback of FCCB	414.85	—
Miscellaneous Receipts	363.96	660.09
	<u>2,531.42</u>	<u>2,943.74</u>

Schedules to Consolidated Financial Statements

	(Rs. in Lakh)	
	<u>2008-09</u>	<u>2007-08</u>
17. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus	11,475.97	10,969.31
Contribution to Provident and Pension Funds	1,220.07	1,096.88
Contribution to Superannuation Fund	154.89	150.24
Contribution to Gratuity Fund	94.33	216.87
Staff Welfare Expenses	554.22	576.39
	<u>13,499.48</u>	<u>13,009.69</u>
18. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores and Spare Parts Consumed	18,033.58	14,829.30
Power and Electricity Charges	15,922.73	13,781.41
Repairs and Maintenance —		
Plant and Machinery	1,833.71	1,630.45
Buildings	372.83	287.97
Others	232.35	217.08
Rent	197.53	144.44
Rates and Taxes	158.89	153.30
Insurance	664.97	691.49
Commission to Selling Agents	3,064.46	2,734.64
Travelling and Conveyance	558.31	506.48
Directors' Remuneration (other than Executive Director)	210.04	210.63
Sales Tax	89.56	34.11
Excise Duty on Stocks etc. - Charge	266.16	29.57
Bad Debts/Advances Written off	62.89	133.33
Provision for Doubtful Debts	73.94	78.19
Freight and Transport	4,806.03	5,415.41
Processing Charges	247.87	166.33
Contractors' Labour Charges	1,411.91	1,231.21
Exchange Loss (Net)	5,667.44	—
Loss on Disposal of Fixed Assets (Net)	154.21	10.16
Cash Discount	3.73	—
Miscellaneous Expenses	3,066.36	3,296.56
	<u>57,099.50</u>	<u>45,582.06</u>

Schedules to Consolidated Financial Statements

	(Rs. in Lakh)	
	<u>2008-09</u>	<u>2007-08</u>
19. (INCREASE)/DECREASE IN WORK-IN-PROCESS, FINISHED GOODS AND TRADING ITEMS		
Work-in-Process (Including Contract Work-in-Progress)		
Closing Stock	30,041.93	24,529.12
Deduct: Opening Stock*	<u>26,865.24</u>	<u>22,225.23</u>
	(3,176.69)	(2,303.89)
Finished Goods		
Closing Stock	17,171.69	10,748.54
Deduct: Opening Stock*	<u>11,108.99</u>	<u>6,018.41</u>
	(6,062.70)	(4,730.13)
Trading Items		
Closing Stock	1,051.59	1,302.09
Deduct: Opening Stock	<u>1,302.09</u>	<u>1,200.03</u>
	250.50	(102.06)
	<u>(8,988.89)</u>	<u>(7,136.08)</u>

* Opening Stock of Work-in-Process and Finished Goods include Rs. 2336.12 Lakh and Rs. 360.45 Lakh respectively acquired pursuant to a sanctioned Scheme of Arrangement (Refer Note 3 in Schedule 22)

20. INTEREST ON		
Debentures/Bonds	367.12	614.41
Term Loans	619.49	1,393.67
Others	<u>2,523.53</u>	<u>2,281.67</u>
	<u>3,510.14</u>	<u>4,289.75</u>

Schedules to Consolidated Financial Statements

	As at 31st March, 2009	(Rs. in Lakh) As at 31st March, 2008
21. EARNINGS PER SHARE		
(A) Basic		
(i) Number of Equity Shares at the beginning of the year	151,084,801	146,896,225
(ii) Number of Equity Shares at the end of the year [Refer Note 3 (g) on Schedule 22]	170,973,137	151,084,801
(iii) Weighted average number of Equity Shares outstanding during the year	154,299,628	147,980,971
(iv) Face value of each Equity Share (Rs.)	2.00	2.00
(v) Profit after Tax available for Equity Shareholders	23,552.06	14,234.07
(vi) Basic Earnings per Share (Rs.) [(v)/(iii)]	15.26	9.62
(B) Diluted		
(i) Weighted average number of dilutive potential Equity Shares resulting from exercise of options outstanding during the year (Refer Note 1 below)	—	30,828,218
(ii) Aggregate of A(iii) and B(i)	154,299,628	178,809,189
(iii) Face value of each Equity Share (Rs.)	2.00	2.00
(iv) Adjusted Profit after Tax (Refer Note 2 below)	23,552.06	13,417.73
(v) Diluted Earnings per Share (Rs.) [(iv)/(ii)]	15.26	7.50
Notes :		
1. In view of the average market price (fair value) of Equity Shares of the Company relevant for the current year being less 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 anti dilutive and accordingly has not been taken into account for computation of diluted earnings per share. For 2007-08, the conversion option has been considered as dilutive since the average market price was more than applicable conversion price.		
2. Adjusted Profit after Tax		
Profit after Tax	23,552.06	14,234.07
Add : Interest Expense (Net of tax)	—	110.37
Less : Exchange Gain (Net of tax)	—	926.71
	<u>23,552.06</u>	<u>13,417.73</u>

22. 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 currencies are recorded at exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the exchange rate prevailing on the Balance Sheet date. Foreign currency non-monetary items carried in terms of historical cost are reported using the exchange rate at the date of transactions. Exchange differences arising on settlement of transactions and/or restatements are dealt with in the Profit and Loss Account.

F. DERIVATIVE INSTRUMENTS:

The Company uses derivative financial instruments such as forward exchange contracts, currency swaps etc. to hedge its risks associated with foreign currency fluctuations relating to the underlying transactions, highly probable forecast transactions and firm commitments. In respect of transaction covered by Forward Exchange Contracts, the premium or discount arising at the inception of such contract are amortised as expense or income over the life of contract.

Other Derivative contracts outstanding at the Balance Sheet date are marked to market and resulting loss, if any, is provided for in the financial statements.

Any profit or losses arising on cancellation of instruments are recognised as income or expenses for the period.

G. 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.

H. 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.

22. NOTES ON ACCOUNTS (contd.)

I. 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.

J. 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.

K. 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.

L. PRIOR PERIOD AND EXTRA ORDINARY ITEMS:

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

M. MATERIAL EVENTS:

Material events occurring after Balance Sheet date, if any, 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 Statements prescribed under the Companies Act, 1956 of India (the Act) 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

Schedules to Consolidated Financial Statements

22. NOTES ON ACCOUNTS (contd.)

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 Ltd.	India
Overseas:	
Graphite International B.V.	The Netherlands
Carbon International Holdings N.V.	Netherlands Antilles
Bavaria Electrodes GmbH	Germany
Bavaria Carbon Holdings GmbH	Germany
Bavaria Carbon Specialities GmbH	Germany
Graphite Cova GmbH	Germany

- 3. a) Pursuant to the Scheme of Arrangement (the Scheme) approved by the shareholders of the Parent Company and sanctioned by the Hon'ble High Court at Calcutta vide Order of 22nd May, 2009, assets and liabilities of Powmex Steels Undertaking (engaged in the business of manufacturing high speed steel and alloy steel) of GKW Limited (GKW) were transferred to and vested in the Parent Company with effect from 1st February, 2009 (appointed date) and accordingly, the Scheme has been given effect to in these accounts.
 - b) Pursuant to the Scheme, 19,888,336 Equity Shares of Rs.2/- each fully paid ranking pari- passu are to be issued to the Ordinary Shareholders of GKW in the ratio of one Equity Share of Rs.2/- each of the Parent Company credited as fully paid up for every three Ordinary Shares of Rs.10/- each fully paid held by them in GKW. Pending allotment of the Equity Shares at the year end, these shares have been shown in Schedule 1 as "Share Capital Suspense Account".
 - c) In terms of the Scheme, assets and liabilities of Powmex Steels Undertaking of GKW have been incorporated in the books of the Parent Company at their respective book values as at 31st January, 2009 based on a statement of accounts of the said Undertaking for the period ended 31st January, 2009 audited by a firm of chartered accountants.
 - d) Pursuant to the Scheme, Rs. 18294.67 Lakh being the difference between the assets and liabilities so incorporated in the books of the Parent Company as reduced by the aggregate face value of the shares of the Parent Company to be issued and allotted to the shareholders of the GKW has been credited to General Reserve Account.
 - e) Pursuant to the Scheme, a specified part of the total carried forward business losses and unabsorbed depreciation of GKW under the Income tax Act, 1961 as on 31st January, 2009 shall stand apportioned to the Powmex Steels Undertaking and be carried forward in the hands of the Parent Company in terms of the Income tax Act, 1961.
 - f) Pending completion of the relevant formalities of transfer of certain assets and liabilities acquired pursuant to the Scheme, such assets and liabilities remain included in the books of the Parent Company under the name of GKW (including another company, erstwhile Powmex Steels Limited which was amalgamated with GKW in earlier year).
 - g) Equity Shares to be issued pursuant to the Scheme as indicated in Note 3(b) above has been appropriately considered for the purpose of proposed dividend and earnings per share for the year.
4. Provision for current taxation includes Rs.2350 Lakh (Previous Year: Rs.Nil) representing Minimum Alternate Tax (MAT) in view of carry forward losses / unabsorbed depreciation as referred in Note 3 (e) above.

Based on profit trend for last couple of years and future plan of the Parent Company and its share in the domestic and global market, the management is confident of generating sufficient taxable income within the next few years against which the deferred tax assets of the Parent Company (Schedule 5) would be realised. Accordingly, it has been considered prudent to recognise in these accounts deferred tax assets of Rs. 1451.96 Lakh on account of unabsorbed depreciation as at 31st March, 2009.

Schedules to Consolidated Financial Statements

22. NOTES ON ACCOUNTS (contd.)

5. The Parent Company has entered during the year into a Power Delivery agreement with Wardha Power Company Limited (WPCL) for procurement of power for its manufacturing activity at the terms set out in the said agreement for twenty-five years from the commencement of commercial operation of power plant (target dates for the purpose being July 2009 for Phase I and December 2009 for Phase II or dates declared by WPCL, whichever is later) by WPCL. As per the terms of another related agreement with WPCL, the Parent Company has invested/ advanced Rs.247.66 Lakh in the Class A Equity Shares [Rs.24.77 Lakh shown under Investments (Schedule 7) and Rs.222.89 Lakh shown under Loans and Advances (Schedule 13)] and Rs.312.34 Lakh in 0.01% Class A Redeemable Preference Shares (shown under Investments in Schedule 7) of WPCL during the year and are required to subscribe Rs.350 Lakh to Class C Redeemable Preference Shares of WPCL prior to commencement of commercial operation of the said Power Plant. The aforesaid shares are/shall be under lien with WPCL.

Upon the expiry of Power Delivery agreement, Class A Equity Shares and Class A Redeemable Preference Shares will be bought back by WPCL for a total consideration of Re.1. One-tenth of Class C Redeemable Preference Shares will be redeemed on every anniversary from the date of issue at Re.0.01 per share.

6. Contingent Liabilities not provided in respect of

	As at 31st March, 2009	As at 31st March, 2008
I) Claims not acknowledged as debts		
a) Disputed Income Tax demand for which appeals are pending	12.71	797.99
b) Disputed Excise Duty for which appeals are pending	423.57	76.73
c) Disputed Customs Duty for which appeals are pending	999.62	121.87
d) Disputed Service Tax for which appeals are pending	309.76	2.95
e) Disputed Sales Tax for which appeals are pending	455.95	35.19
f) Disputed Entry Tax for which appeals are pending	246.04	—
g) Others	172.22	139.05
II) Potential Obligation under Public law of Germany in respect of environment	1829.31	1749.96

7. Particulars relating to Construction Contracts:

	2008-09	2007-08
a) Contract revenues recognised as revenue	1396.44	720.06
	As at 31st March, 2009	As at 31st March, 2008
b) Other information relating to Contract Work-in-Progress.		
i) Aggregate amount of cost incurred and recognised profits	2230.34	838.90
ii) The amount of retentions due from customers.	—	3.14
iii) Gross amount due from customers for contracts work as an asset (i.e. Contract Work-in-Progress)	276.13	275.63

8. Employee Benefits

- (I) Post Employment 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(K)(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 are 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

Schedules to Consolidated Financial Statements

22. NOTES ON ACCOUNTS (contd.)

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 (funded) of the Group for the year ended 31st March, 2009:

GRATUITY FUND (Funded)	2008-09	2007-08	(Rs. in Lakh) 2006-07
(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.	1577.53	1418.28	1214.10
Addition pursuant to the Scheme of Arrangement as referred to in Note 3 on Schedule 22 above	67.27	—	—
Current Service Cost	92.61	95.82	77.09
Interest Cost	112.24	112.43	84.41
Actuarial (Gains) / Losses	16.55	142.20	219.97
Benefits Paid	(180.18)	(191.20)	(177.29)
Present Value of Obligation at the end of the year	<u>1686.02</u>	<u>1577.53</u>	<u>1418.28</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	1417.70	1416.64	1217.00
Addition pursuant to the Scheme of Arrangement as referred to in Note 3 on Schedule 22 above	51.19	—	—
Expected Return on Plan Assets	114.16	113.33	97.36
Actuarial Gains / (Losses)	12.91	20.25	29.75
Contributions	197.61	58.68	249.82
Benefits Paid	(180.18)	(191.20)	(177.29)
Fair Value of Plan Assets at the end of the year	<u>1613.39</u>	<u>1417.70</u>	<u>1416.64</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	1686.02	1577.53	1418.28
Fair Value of Plan Assets at the end of the year	1613.39	1417.70	1416.64
Assets/(Liabilities) recognised in the Balance Sheet	<u>(72.63)</u>	<u>(159.83)</u>	<u>(1.64)</u>
(d) Expense recognised in the Profit and Loss Account			
Current Service Cost	92.61	95.82	77.09
Interest Cost	112.24	112.43	84.41
Expected Return on Plan Assets	(114.16)	(113.33)	(97.36)
Actuarial (Gains)/ Losses	3.64	121.95	190.22
Total Expense recognised	<u>94.33</u>	<u>216.87</u>	<u>254.36</u>
(e) Category of Plan Assets:			
Fund with LICI	1558.09	1410.00	1373.57
Others (including bank balances)	55.30	7.70	43.07
Total	<u>1613.39</u>	<u>1417.70</u>	<u>1416.64</u>
(f) Actual Return on Plan Assets	127.07	133.58	127.11
(g) Principal Actuarial Assumptions			
Discount Rate	7.50%/6.90%	8.50%	7.50%
Salary Escalation	5.00%	6.00%	5.00%
Inflation Rate	5.00%	6.00%	5.00%
Expected Return on Asset	8.00%	8.00%	8.00%

Schedules to Consolidated Financial Statements

22. NOTES ON ACCOUNTS (contd.)	(Rs. in Lakh)		
	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
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.	823.64	720.58	655.58
Current Service Cost *	81.57	91.26	90.70
Interest Cost	68.21	63.02	55.72
Actuarial (Gains) / Losses	(46.39)	(1.50)	(1.99)
Benefits Paid	(123.85)	(49.72)	(79.43)
Present Value of Obligation at the end of the year	<u>803.18</u>	<u>823.64</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	821.28	722.97	660.53
Expected Return on Plan Assets	65.70	57.84	52.84
Actuarial Gains / (Losses)	(3.84)	(1.07)	(1.67)
Contributions *	81.57	91.26	90.70
Benefits Paid	(123.85)	(49.72)	(79.43)
Fair Value of Plan Assets at the end of the year	<u>840.86</u>	<u>821.28</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	803.18	823.64	720.58
Fair Value of Plan Assets at the end of the year	840.86	821.28	722.97
Assets/(Liabilities) recognised in the Balance Sheet	<u>37.68</u>	<u>(2.36)</u>	<u>2.39</u>
(d) Expense recognised in the Profit and Loss Account			
Current Service Cost *	81.57	91.26	90.70
Interest Cost	68.21	63.02	55.72
Expected Return on Plan Assets	(65.70)	(57.84)	(52.84)
Actuarial (Gains)/ Losses	(42.55)	(0.43)	(0.32)
Total Expense recognised	<u>41.53</u>	<u>96.01</u>	<u>93.26</u>
* Includes employees' statutory contributions, voluntary contributions etc.			
(e) Category of Plan Assets:			
Central Government Securities	176.91	160.39	121.69
State Government Securities	133.87	151.69	124.66
Bonds / Term Deposits	249.60	208.81	162.81
Special Deposit Schemes	249.13	262.40	286.15
Others (including bank balances)	31.35	37.99	27.66
Total	<u>840.86</u>	<u>821.28</u>	<u>722.97</u>
(f) Actual Return on Plan Assets	61.86	56.77	51.17
(g) Principal Actuarial Assumptions			
Expected Return on Asset	8.00%	8.00%	8.00%
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.	108.39	109.88	103.72
Exchange Rate Adjustment	7.00	8.53	7.60
Current Service Cost	3.31	3.32	3.73
Interest Cost	6.12	4.95	4.72
Actuarial (Gains) / Losses	(15.67)	(18.29)	(9.89)
Benefits Paid	—	—	—
Present Value of Obligation at the end of the year	<u>109.15</u>	<u>108.39</u>	<u>109.88</u>

Schedules to Consolidated Financial Statements

22. NOTES ON ACCOUNTS (contd.)	(Rs. in Lakh)		
	2008-09	2007-08	2006-07
(b) 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	109.15	108.39	109.88
Fair Value of Plan Assets at the end of the year	—	—	—
Assets/(Liabilities) recognised in the Balance Sheet	<u>(109.15)</u>	<u>(108.39)</u>	<u>(109.88)</u>
(c) Expense recognised in the Profit and Loss Account			
Current Service Cost	3.31	3.32	3.73
Interest Cost	6.12	4.95	4.72
Expected Return on Plan Assets	—	—	—
Actuarial (Gains)/ Losses	(15.67)	(18.29)	(9.89)
Exchange Rate Adjustment	7.00	—	—
Total Expense recognised	<u>(0.76)</u>	<u>(10.02)</u>	<u>(1.44)</u>
(d) Principal Actuarial Assumptions			
Discount Rate	6.00%	4.60%	4.25%
Salary Escalation	2.00%	1.75%	1.75%

Notes :

- (a) 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’
- (b) The estimate of future salary increases take into account inflation, seniority, promotion and other relevant factors.
- (c) 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.

(II) Post Employment Defined Contribution Plans

During the year an amount of Rs.1349.63 Lakh (Previous Year Rs. 1221.74 Lakh) has been recognised as expenditure towards defined contribution plan of the company.

9. 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)	
	2008-09	2007-08
i. Not later than one year	<u>256.17</u>	<u>421.38</u>
ii. Later than one year but not later five year	632.83	1966.98
iii. Later than five years	—	53.46
Total	<u>889.00</u>	<u>2441.82</u>

- b) The lease expenses recognised during the year amounted to Rs.175.02 Lakh (Previous Year Rs.103.79 Lakh).

10. Depreciation for the year and year end accumulated depreciation includes Rs. 954.86 Lakh (Previous Year Rs. 764.49 Lakh) and Rs. 3965.62 Lakh (Previous Year Rs. 2794.63 Lakh) respectively, computed by certain subsidiaries applying different depreciation rate as indicated in Note 1(A)(b) above.

11. Research and Development Expenditure of revenue nature of Rs.22.19 Lakh (Previous year Rs.29.64 Lakh)

12. SEGMENT INFORMATION

A. Primary Segment Reporting (by Business Segments)

i) Composition of Business Segments

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

- a) Graphite and Carbon Segment, engaged in the production of Graphite Electrodes, Anodes and other miscellaneous Carbon and Graphite Products,
- b) Power Segment engaged in generation of Power,
- c) Steel Segment engaged in production of High Speed Steel and Alloy Steel, and
- d) 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.

Schedules to Consolidated Financial Statements

21. NOTES ON ACCOUNTS (contd.)

iii) Segment Revenues, Results and Other Information as at/for the year ended 31st March, 2009

	Graphite and Carbon		Power		Steel		Others		Total of Reportable Segments	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Sales/Income from Operations (Gross)										
External Sales	142,125.15	123,358.77	163.89	243.86	979.83	—	9,073.13	11,463.72	152,342.00	135,066.35
Inter Segment Sales	2,235.80	2,083.17	5,831.80	7,401.11	—	—	256.14	525.02	8,323.74	10,009.30
Income from Operations(External)	3,290.45	3,468.83	—	—	—	—	153.71	300.45	3,444.16	3,769.28
Segment Revenues	147,651.40	128,910.77	5,995.69	7,644.97	979.83	—	9,482.98	12,289.19	164,109.90	148,844.93
Segment Results	30,717.85	22,636.64	1,708.88	2,800.89	(154.21)	—	1,861.86	1,106.47	34,134.38	26,544.00
Segment Assets	139,845.83	140,456.73	7,568.46	8,327.16	20,266.26	—	15,268.37	12,255.13	182,948.92	161,039.02
Segment Liabilities	33,379.82	35,695.80	1,033.65	998.99	1,682.47	—	2,583.58	1,976.87	38,679.52	38,671.66
Capital Expenditure	2,507.65	1,722.36	—	—	0.41	—	366.92	561.55	2,874.98	2,283.91
Depreciation and Amortisation	3,338.51	3,144.69	618.91	618.93	104.42	—	281.72	269.28	4,343.56	4,032.90
Non-cash Expenses other than Depreciation and Amortisation (Net)	215.64	166.02	—	—	—	—	115.73	59.65	331.37	225.67

Reconciliation of Reportable Segments with the Financial Statements

	Revenues		Results Net Profit		Assets		Liabilities *	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Total of Reportable Segments	164,109.90	148,844.93	34,134.38	26,544.00	182,948.92	161,039.02	38,679.52	38,671.66
Corporate - Unallocated / Others (Net)	—	—	(5,247.37)	52.66	18,108.88	16,915.99	50,501.71	63,763.53
Inter Segment Sales	(8,323.74)	(10,009.30)	—	—	—	—	—	—
Interest Expenses	—	—	(3,510.14)	(4,289.75)	—	—	—	—
Taxes (Net)	—	—	(1,824.81)	(8,072.84)	—	—	—	—
	155,786.16	138,835.63	23,552.06	14,234.07	201,057.80	177,955.01	89,181.23	102,435.19

* Excluding Shareholders Funds

B. Secondary Segment (Geographical)

	Domestic		Export		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Revenues	56,885.06	49,389.76	98,901.10	89,445.87	155,786.16	138,835.63
Total Assets	144,044.43	124,679.16	38,904.49	36,359.86	182,948.92	161,039.02
Capital Expenditure	1,536.22	1,386.63	1,338.76	897.28	2,874.98	2,283.91

13. RELATED PARTY DISCLOSURES

(In accordance with Accounting Standard - 18 prescribed under the Act)

i) Related Parties

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

ii) Particulars of Transactions during the year ended 31st March, 2009

Nature of Transactions	Key Management Personnel (Rs. in Lakh)
Directors' Remuneration	117.86 (116.42)
Balance outstanding at the year end	
Sundry Creditors	60.45 (64.00)

iii) Figures in bracket relate to previous year

14. Previous year's figures have been regrouped or rearranged, wherever necessary and are not strictly comparable in view of the assets, liabilities and business of Powmex Steels Undertaking taken over pursuant to a sanctioned Scheme of Arrangement as referred to in Note 3 in Schedule 22.

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, 2009

	2008-09	(Rs. in Lakh) 2007-08
A. Cash Flows from Operating Activities		
Profit before Taxation	25,376.87	22,306.91
Adjustments for :		
Depreciation	4,403.64	4,102.71
Foreign Exchange (Net)	3,765.34	(991.42)
Dividend Income	(1.59)	—
Profit on Sale of Investments	—	(17.05)
Interest Expense	3,510.14	4,289.75
Interest Income	(1,132.86)	(933.33)
Loss on Disposal of Fixed Assets (Net)	154.21	10.16
Bad Debts/Advances Written Off	62.89	133.33
Provision for Doubtful Debts	73.94	78.19
Provision for Doubtful Debts Written Back	(53.97)	(9.85)
Liability no Longer Required Written Back	(387.93)	(281.52)
Profit on Redemption of Investments	(7.56)	—
Discount on Buy Back of FCCB	(414.85)	—
Effect of changes in Foreign Currency Translation	815.69	354.15
Operating Profit before Working Capital Changes	<u>36,163.96</u>	<u>29,042.03</u>
Adjustments for :		
(Increase)/Decrease in Trade and Other Receivables	12,319.12	(7,050.44)
(Increase)/Decrease in Inventories	(11,931.84)	(9,448.61)
Increase/(Decrease) in Trade Payables	(5,193.11)	5,162.82
Cash generated from Operations	<u>31,358.13</u>	<u>17,705.80</u>
Taxes (Paid)/Refund (Net)		
Tax paid including Fringe Benefit Tax	(5,563.17)	(6,679.25)
NET CASH FROM OPERATING ACTIVITIES	<u>25,794.96</u>	<u>11,026.55</u>
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(3,366.48)	(2,652.81)
Proceeds on Disposal of Fixed Assets	51.23	39.93
Advance against Investments	(222.89)	—
Purchase of Long Term Investments	(387.11)	—
Sale of Long Term Investments	870.43	—
Purchase of Current Investments	(1,201.59)	(875.00)
Sale of Current Investments	1,201.59	1,382.42
Interest Received	1,117.36	1,068.27
Dividend Received	1.59	—
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,935.87)</u>	<u>(1,037.19)</u>

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

	2008-09	(Rs. in Lakh) 2007-08
C. Cash Flows from Financing Activities		
Proceeds from Borrowings		
Long Term	1,949.70	18.46
Short Term	3,774.94	15,348.34
Repayment of Borrowings		
Long Term	(5,329.58)	(4,114.47)
Short Term	(13,988.92)	(17,087.63)
Interest Paid	(3,694.94)	(4,223.77)
Dividend Paid (including tax thereon Rs.770.31 Lakh; Previous Year Rs. 249.65 Lakh)	(5,274.70)	(2,165.21)
NET CASH USED IN FINANCING ACTIVITIES	(22,563.50)	(12,224.28)
D. Exchange Differences on Translation of Foreign Currency		
Cash and Cash Equivalents	56.17	(293.43)
Net Cash Inflow/(Outflow)	1,351.76	(2,528.35)
Cash and Cash Equivalents - Opening (Schedule 11)	6,638.09	9,166.44
Add: Cash and Cash Equivalents taken over pursuant to a sanctioned Scheme of Arrangement referred to in Note 3 on Schedule 22.	9,718.46	—
	16,356.55	9,166.44
Cash and Cash Equivalents - Closing (Schedule 11)	17,708.31	6,638.09
Net Cash Inflow/ (Outflow)	1,351.76	(2,528.35)

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 prescribed under the Act.
2. The Schedules referred to above form an integral part of the Cash Flow Statement
3. Previous year's figures have been regrouped or rearranged, wherever necessary and are not strictly comparable in view of the assets, liabilities and business of Powmex Steels Undertaking taken over pursuant to the sanctioned Scheme of Arrangement as referred to in Note 3 in Schedule 22.

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

S. K. Deb
Partner
Membership No. 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 30th June, 2009

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 31.03.2009	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 dividend
Carbon Finance Limited	—	530.00	3065.18	3598.85	3.67	60.16	178.40	144.55	39.31	105.24	—
Graphite International B.V. The Netherlands	67.34	4377.10	(83.17)	8627.47	4333.54	—	938.58	152.52	(31.70)	184.22	—
Carbon International Holdings N.V. Netherlands Antilles	67.34	67.34	2639.85	2848.71	141.52	—	189.74	179.72	0.65	179.07	134.68
Subsidiaries of Graphite International B.V.											
Graphite COVA GmbH, Germany	67.34	6680.13	7611.68	39252.76	24960.95	—	50794.89	3654.71	989.79	2664.92	—
Bavaria Electrodes GmbH, Germany	67.34	67.34	824.06	1985.72	1094.32	—	13791.07	325.18	89.80	235.38	—
Bavaria Carbon Specialities GmbH, Germany	67.34	67.34	527.25	959.14	364.55	—	4472.94	194.73	52.57	142.16	—
Bavaria Carbon Holdings GmbH, Germany	67.34	185.18	70.08	712.75	457.49	—	305.43	9.83	1.55	8.28	—

* Details of Investments held by Carbon Finance Limited as at 31st March, 2009

(Rs. in Lakh)

Particulars	Nature of Investment	Face value Rs.	Number	Amount
GKW Limited	Equity Shares	10.00	623400	7.48
Sundaram BNP Paribas Select Midcap - Dividend	Units	10.00	15400	2.68
ICICI Prudential Income Plan - Growth	Units	10.00	52817	14.00
Reliance Liquid Fund - Treasury Plan - Retail Plan - Growth	Units	10.00	43219	9.00
ICICI Prudential Short Term Plan - Cumulative Option	Units	10.00	152910	27.00
				60.16