

# AUDITORS' REPORT

## on the Consolidated Financial Statements

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

1. We have audited the attached Consolidated Balance Sheet of Graphite India Limited and its subsidiary as at 31st March, 2003, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date, all of which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the Graphite India Limited's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are 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 Carbon Enterprises Limited (CEL), a subsidiary company, whose financial statements reflect total assets of Rs.1393.32 lakh as at 31st March, 2003 and total revenue of Rs. 6.88 lakh for the year ended on that date. These financial statements of CEL for the year ended 31st March, 2003 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 the aforesaid subsidiary, is based solely on the report of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Graphite India Limited and its subsidiary included in the Consolidated Financial Statements.
5. On the basis of the information and explanations given to us, and on consideration of the separate audit reports on individual audited financial statements of Graphite India Limited and its aforesaid subsidiary, in our opinion, the aforesaid 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 consolidated state of affairs of Graphite India Limited and its subsidiary as at 31st March, 2003;
  - b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Graphite India Limited and its subsidiary for the year ended on that date; and
  - c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Graphite India Limited and its subsidiary for the year ended on that date.

Kolkata,  
Dated : 7th May, 2003

P. Law  
Partner  
For and on behalf of  
PRICE WATERHOUSE  
Chartered Accountants

CONSOLIDATED BALANCE SHEET  
of Graphite India Limited and its subsidiary as at 31st March, 2003

	Schedule	As at 31st March, 2003	(Rs. in Lakh) As at 31st March, 2002
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	3,188.09	3,438.09
Reserves and Surplus	2	31,508.46	29,054.16
		<u>34,696.55</u>	<u>32,492.25</u>
<b>LOAN FUNDS</b>			
Secured Loans	3	13,871.14	17,656.48
Unsecured Loans	4	4,195.68	2,720.76
		<u>18,066.82</u>	<u>20,377.24</u>
<b>TOTAL</b>		<u>52,763.37</u>	<u>52,869.49</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	49,665.51	49,108.38
Less : Depreciation		15,317.16	13,364.21
Net Block		34,348.35	35,744.17
Capital Advances/Work-in-Progress - at cost		1,158.70	728.34
		<u>35,507.05</u>	<u>36,472.51</u>
<b>INVESTMENTS</b>			
	6	968.51	983.94
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	14,691.39	13,853.58
Sundry Debtors	8	9,086.62	7,555.14
Cash and Bank Balances	9	176.39	296.06
Other Current Assets	10	840.48	857.04
Loans and Advances	11	3,791.98	3,013.98
		<u>28,586.86</u>	<u>25,575.80</u>
Less :			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	12	7,415.77	5,704.05
Provisions	13	1,925.05	1,447.36
		<u>9,340.82</u>	<u>7,151.41</u>
<b>NET CURRENT ASSETS</b>		<u>19,246.04</u>	<u>18,424.39</u>
DEFERRED TAX LIABILITY (NET)	14	(3,051.27)	(3,063.72)
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off or adjusted)			
Payments under Voluntary Retirement Scheme		93.04	52.37
<b>TOTAL</b>		<u>52,763.37</u>	<u>52,869.49</u>
Capital Commitments (Net of Advances)			
Estimated amount of contracts remaining to be executed		322.83	764.91
<b>NOTES ON ACCOUNTS</b>	21		

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

P. Law  
Partner

For and on behalf of  
PRICE WATERHOUSE  
Chartered Accountants  
Kolkata : 7th May, 2003

K. C. Parakh  
Sr. Vice President-Finance

B. Shiva  
Company Secretary

N. Venkataramani  
Executive Director

K. K. Bangur  
Chairman

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
of Graphite India Limited and its subsidiary for the year ended 31st March, 2003

	Schedule	Year ended 31st March, 2003	(Rs. in Lakh) Year ended 31st March, 2002
<b>INCOME</b>			
Sales/Income from Operations		41,012.11	36,903.68
Other Income	15	826.81	761.65
		<u>41,838.92</u>	<u>37,665.33</u>
<b>EXPENDITURE</b>			
Raw Materials Consumed		15,062.24	13,640.41
Payments to and Provisions for Employees	16	3,714.71	3,517.43
Other Manufacturing, Selling and Administrative Expenses	17	13,901.27	13,676.74
Excise Duty		2,149.00	2,062.24
(Increase)/Decrease in Work in Process and Finished Goods	18	(928.74)	(3,583.92)
		<u>33,898.48</u>	<u>29,312.90</u>
PROFIT BEFORE INTEREST AND DEPRECIATION		7,940.44	8,352.43
Interest	19	2,315.81	2,797.19
PROFIT BEFORE DEPRECIATION		5,624.63	5,555.24
Depreciation		1,986.51	1,750.93
PROFIT BEFORE TAXATION		3,638.12	3,804.31
Provision for Taxation			
Current Tax		314.94	515.00
Deferred Tax		(12.45)	(135.69)
PROFIT AFTER TAXATION		3,335.63	3,425.00
Balance brought forward from earlier year		5,537.23	585.71
Balance incorporated on amalgamation		—	2,613.23
Transfer from Investment Allowance (Utilised) Reserve		13.98	185.00
Transfer from Debenture Redemption Reserve		800.00	55.00
PROFIT AVAILABLE FOR APPROPRIATION		<u>9,686.84</u>	<u>6,863.94</u>
<b>TRANSFER TO</b>			
Debenture Redemption Reserve		—	187.50
General Reserve		390.27	342.23
Capital Redemption Reserve		250.00	—
Proposed Dividend on			
12.5% Preference Shares		46.75	62.50
Equity Shares		734.48	734.48
Dividend Tax		100.10	—
Balance carried forward		8,165.24	5,537.23
		<u>9,686.84</u>	<u>6,863.94</u>
BASIC AND DILUTED EARNINGS PER SHARE (RS.)	20	11.17	11.45
NOTES ON ACCOUNTS	21		

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

P. Law

Partner

For and on behalf of  
PRICE WATERHOUSE  
Chartered Accountants  
Kolkata : 7th May, 2003

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K. K. Bangur  
Chairman

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

Schedules to Consolidated Financial Statements

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2003 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

		As at 31st March, 2003	(Rs. in Lakh) As at 31st March, 2002
<b>1. SHARE CAPITAL</b>			
Authorised			
3,00,00,000	Equity Shares of Rs.10/- each	3,000.00	3,000.00
5,00,000	Preference Shares of Rs.100/-each	500.00	500.00
		<u>3,500.00</u>	<u>3,500.00</u>
Issued, Subscribed and Paid-up			
2,93,79,245	(Previous year 1,24,85,549) Equity Shares of Rs.10/- each fully paid up	2,937.92	1,248.55
	Add: Forfeited Shares	0.17	0.17
		<u>2,938.09</u>	<u>1,248.72</u>
5,00,000	(Previous year - Nil) 12.5% Redeemable Cumulative Preference Shares of Rs.50/- each (Face value of Rs.100/- each)	250.00	—
Share Capital Suspense Account			
1,68,93,696	Equity Shares of Rs.10/- each to be issued as fully paid up pursuant to the Scheme of Amalgamation, without payment being received in cash	—	1,689.37
5,00,000	12.5% Redeemable Cumulative Preference Shares of Rs.100/- each to be issued as fully paid up pursuant to the Scheme of Amalgamation, without payment being received in cash	—	500.00
		<u>3,188.09</u>	<u>3,438.09</u>

Notes :

1. Out of the above Equity Shares, 1,91,14,030 Equity Shares have been allotted as fully paid up pursuant to Schemes of Amalgamation, without payment being received in cash.
2. 12.5% Redeemable Cumulative Preference Shares of Rs.100/- each have been allotted as fully paid up pursuant to a Scheme of Amalgamation, without payment being received in cash.
3. 12.5% Redeemable Cumulative Preference Shares have been redeemed during the year to the extent of Rs. 50/- each and the balance is redeemable on 29th September, 2003.

		As at 31st March, 2002	Additions during the year	Withdrawals during the year	(Rs. in Lakh) As at 31st March, 2003
<b>2. RESERVES AND SURPLUS</b>					
	Capital Reserve	45.86	—	—	45.86
	Capital Redemption Reserve	75.00	250.00	—	325.00
	Securities Premium Account	5,179.18	—	—	5,179.18
	Debenture Redemption Reserve	800.00	—	800.00	—
	Investment Allowance (Utilised) Reserve	181.98	—	13.98	168.00
	General Reserve	17,234.91	390.27	—	17,625.18
	Profit and Loss Account	5,537.23	2,628.01	—	8,165.24
		<u>29,054.16</u>	<u>3,268.28</u>	<u>813.98</u>	<u>31,508.46</u>

Schedules to Consolidated Financial Statements

	As at 31st March, 2003	(Rs. in Lakh) As at 31st March, 2002
<b>3. SECURED LOANS</b>		
15% Secured Redeemable Non - Convertible		
Debentures of Rs.100/- each	—	1,500.00
17% Secured Redeemable Non-Convertible		
Debentures of Rs.100/- each	—	94.52
Rupee Term Loans from Financial Institutions	3,628.00	4,769.27
Foreign Currency Loan from a Financial Institution	1,979.27	—
External Commercial Borrowings from Banks	127.56	749.36
Rupee Term Loan from Banks	4,041.67	4,760.00
Short Term Foreign Currency Loan from a Financial Institution	489.35	522.00
Working Capital Loans from Banks (includes Foreign Currency Loan Rs.238.30 Lakh; Previous Year:Rs. 859.21 Lakh)	3,605.29	5,259.96
Interest accrued and due on above	—	1.37
	<u>13,871.14</u>	<u>17,656.48</u>
Notes :		
Particulars of securities have been indicated in Schedule 3 to the Accounts for the year ended 31st March, 2003 of Graphite India Limited i.e. Parent Company.		

<b>4. UNSECURED LOANS</b>		
Fixed Deposits (Due within one year Rs. 34.53 Lakh, Previous year Rs. 154.84 Lakh)	58.96	212.37
Short Term Loan from Banks	1,000.00	—
Short Term Foreign Currency Loan from a Financial Institution	—	553.19
Short Term Rupee Loan from a Financial Institution	1,000.00	1,000.00
Commercial Paper	1,000.00	—
Hire Purchase Liability (Repayable within one year Rs. 0.82 Lakh, Previous year Rs. 11.80 Lakh)	0.82	25.41
Interest free loans from		
State Industrial and Investment Corporation of Maharashtra Limited under - Sales Tax Incentive Scheme (Repayable within one year Rs. 31.95 Lakh, Previous year Rs.9.91 Lakh)	69.55	103.80
Capital Incentive Scheme (Repayable within one year Rs. 1.87 Lakh, Previous year Rs.11.48 Lakh)	1,066.35	825.99
	<u>4,195.68</u>	<u>2,720.76</u>

## Schedules to Consolidated Financial Statements

Description	GROSS BLOCK – AT COST			DEPRECIATION					(Rs. in Lakh) NET BLOCK	
	As at 31st March 2002	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31st March 2003	Up to 31st March 2002	During the year	On Sales/ Adjustments	Up to 31st March 2003	As at 31st March 2003	As at 31st March 2002
<b>5. FIXED ASSETS</b>										
Goodwill	55.20	—	—	55.20	—	—	—	—	55.20	55.20
Freehold Land	3,549.19	—	—	3,549.19	—	—	—	—	3,549.19	3,549.19
Leasehold Land	62.32	—	—	62.32	15.93	0.77	—	16.70	45.62	46.39
Buildings	9,372.52	98.54	5.24	9,465.82	1,551.16	262.57	0.82	1,812.91	7,652.91	7,821.36
Plant and Machinery	34,851.05	436.27	10.08	35,277.24 (a,b)	11,160.72	1,627.73	9.53	12,778.92	22,498.32	23,690.33
Machinery Spares	68.19	—	—	68.19	40.91	13.64	—	54.55	13.64	27.28
Office Equipment	375.35	31.29	17.11	389.53	240.73	29.57	10.12	260.18	129.35	134.62
Furniture and Fittings	450.83	4.22	2.57	452.48	205.20	23.08	1.92	226.36	226.12	245.63
Vehicles	323.73	41.52	19.71	345.54 (c)	149.56	29.15	11.17	167.54	178.00	174.17
<b>TOTAL</b>	<b>49,108.38</b>	<b>611.84</b>	<b>54.71</b>	<b>49,665.51</b>	<b>13,364.21</b>	<b>1,986.51</b>	<b>33.56</b>	<b>15,317.16</b>	<b>34,348.35</b>	<b>35,744.17</b>
Previous Year	13,345.66	35,871.58 (d)	108.86	49,108.38	11,701.11 (e)	1,750.93	87.83	13,364.21		
Add: Capital Advances/Work-in-Progress – at cost									1,158.70	728.34
									<b>35,507.05</b>	<b>36,472.51</b>
Notes :										
(a) Includes Rs. 628.19 Lakh (Previous year Rs. 628.19 Lakh) being expenditure in respect of Outdoor Transmission Lines not owned by the Company.										
(b) Includes Rs. Nil (Previous year Rs. 69.25 Lakh) being adjustments in rupee equivalent of long term loans arising from change in exchange rates.										
(c) Includes Rs. 5.00 Lakh (Previous year Rs. 40.64 Lakh) being assets acquired under Hire Purchase Scheme prior to 1st April, 2001.										
(d) Includes Rs. 35183.55 Lakh acquired on amalgamation.										
(e) Includes Rs. 6635.08 Lakh incorporated on amalgamation.										

	As at 31st March, 2003	(Rs. in Lakh) As at 31st March, 2002
<b>6. INVESTMENTS</b>		
<b>LONG TERM (AT COST OR UNDER)</b>		
Fully paid up Equity Shares in Companies	326.38	329.93
Units of Mutual Funds	629.20	641.08
<b>OTHERS</b>		
Units 1964 Scheme of Unit Trust of India	12.87	12.87
6 Year National Savings Certificate (Deposited with Sales Tax Authority)	0.06	0.06
	<b>968.51</b>	<b>983.94</b>
<b>AGGREGATE AMOUNT OF INVESTMENTS :</b>		
Quoted	253.68	264.45
Unquoted	714.83	719.49
	<b>968.51</b>	<b>983.94</b>
<b>AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS</b>	254.62	297.18
<b>REPURCHASE PRICE OF UNITS 1964 SCHEME IN</b>		
UNIT TRUST OF INDIA	11.08	12.83
<b>NET ASSETS VALUE OF UNITS OF MUTUAL FUNDS</b>	698.99	626.59

Schedules to Consolidated Financial Statements

	As at 31st March, 2003	(Rs. in Lakh) As at 31st March, 2002
<b>7. INVENTORIES</b>		
– AT LOWER OF COST AND NET REALISABLE VALUE		
Stores and Spare Parts	654.95	739.77
Loose Tools	57.98	58.64
Raw Materials	2,210.87	2,216.32
Work-in-process	8,314.30	6,307.20
Finished Goods	3,453.29	4,531.65
	<u>14,691.39</u>	<u>13,853.58</u>
<b>8. SUNDRY DEBTORS</b>		
Unsecured		
Debts outstanding for a period exceeding six months –		
Considered Good	961.31	1,556.72
Considered Doubtful	575.60	572.57
Other Debts –		
Considered Good	8,125.31	5,998.42
Considered Doubtful	—	186.29
	<u>9,662.22</u>	<u>8,314.00</u>
Less: Provision for doubtful debts	575.60	758.86
	<u>9,086.62</u>	<u>7,555.14</u>
<b>9. CASH AND BANK BALANCES</b>		
Cash in hand	40.16	21.11
With Scheduled Banks on–		
Current Accounts	83.11	111.58
Unpaid Dividend Accounts	27.43	26.87
Fixed Deposit Accounts	25.69	132.23
Margin Money Account	—	4.27
	<u>176.39</u>	<u>296.06</u>
<b>10. OTHER CURRENT ASSETS</b>		
Unsecured - Considered Good		
Security and Other Deposits		
Deposit with Electricity Authorities	219.56	217.97
Others	614.76	628.54
(Including Rs.0.50 Lakh in Post Office Savings Bank Account - lodged with Excise Authority)		
Interest Accrued on Deposits	6.16	10.53
	<u>840.48</u>	<u>857.04</u>

Schedules to Consolidated Financial Statements

	As at 31st March, 2003	(Rs. in Lakh) As at 31st March, 2002
11. LOANS AND ADVANCES		
Unsecured - Considered Good		
Advances recoverable in cash or in kind or for value to be received	1,737.97	1,469.04
Accrued Export Entitlement	2,054.01	1,544.94
	<u>3,791.98</u>	<u>3,013.98</u>

12. LIABILITIES		
Acceptances	2,060.97	874.20
Sundry Creditors –		
Small Scale Units	19.99	36.15
Others	4,909.69	4,237.24
Advance from Customers	117.48	179.28
Other Liabilities	102.57	71.15
Investor Education and Protection Fund		
shall be credited by the following amounts namely :		
(a) Unpaid dividends	27.43	26.87
(b) Unpaid application money received by the companies for allotment of securities and due for refund	0.38	0.44
(c) Unpaid Matured Deposits	1.19	1.43
(d) Unpaid Matured Debentures	7.61	6.02
(e) Unpaid Interest on above	0.91	0.88
Interest Accrued but not due on loans	167.55	270.39
	<u>7,415.77</u>	<u>5,704.05</u>

13. PROVISIONS		
Current Tax (Net of payments)	1,043.72	650.38
Proposed Dividend	781.23	796.98
Tax on Dividend	100.10	—
	<u>1,925.05</u>	<u>1,447.36</u>

Schedules to Consolidated Financial Statements

	As at 31st March, 2003	(Rs. in Lakh) As at 31st March, 2002
<b>14. DEFERRED TAX LIABILITY (NET)</b>		
Deferred Tax Liabilities and Assets are attributable to the following items		
Liabilities		
Depreciation	3,425.78	3,509.47
	3,425.78	3,509.47
Less		
Assets		
Expenses allowable for tax purpose on payment	130.53	111.47
Cost of Voluntary Retirement Schemes	22.62	34.76
Cost of Merger	14.61	19.96
Provision for Doubtful Debts	206.42	278.88
Others	0.33	0.68
	374.51	445.75
	3,051.27	3,063.72

	2002-2003	(Rs. in Lakh) 2001-2002
<b>15. OTHER INCOME</b>		
Dividend on Long Term Investments from		
Trade Investments	—	16.58
Other than Trade Investments	0.16	3.72
Interest on loans, deposits and others	29.58	22.63
Claims Received	16.41	98.31
Sales Tax Incentive	137.67	101.80
Rent Receipt	36.88	36.88
Liabilities no longer required written back	95.68	215.40
Exchange Gain (Net)	172.07	149.08
Profit on sale of Investment	0.93	37.49
Profit on sale of Fixed Assets (Net)	52.76	5.98
Provision for Doubtful Debts written back	211.29	—
Bad Debts recovery	5.07	—
Miscellaneous Receipts	68.31	73.78
	826.81	761.65

<b>16. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages and Bonus	2,716.92	2,622.54
Contribution to Provident and Pension Funds	190.12	186.46
Contribution to Superannuation Fund	144.86	47.03
Contribution to Gratuity Fund	167.39	134.95
Staff Welfare Expenses	495.42	526.45
	3,714.71	3,517.43

Schedules to Consolidated Financial Statements

	2002-2003	(Rs. in Lakh) 2001-2002
<b>17. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES</b>		
Stores and Spare Parts Consumed	4,276.70	4,006.93
Power, Electricity and Water Charges	4,083.70	3,690.68
Repairs and Maintenance -		
Plant and Machinery	306.31	325.08
Buildings	77.45	128.07
Others	88.82	112.06
Rent	16.15	17.82
Rates and Taxes	136.03	127.81
Insurance	341.75	310.33
Commission to Selling Agents	787.66	740.50
Travelling and Conveyance	325.74	306.50
Directors' Remuneration (other than Executive Director)	35.18	45.95
Auditors' Remuneration -		
Audit Fee	6.60	6.60
Tax Audit Fee	0.04	0.66
Other Matters	3.11	4.00
Service Tax	0.67	0.49
Out of Pocket Expenses	0.41	0.36
Sales Tax	91.92	96.22
Provision for Doubtful Debts	28.02	758.86
Bad Debts/Advances Written off	268.29	180.38
Freight and Transport	1,459.37	1,254.85
Bank Charges	178.37	202.82
Communication Expenses	104.19	125.64
Processing Charges	58.96	69.24
Contractors' Labour Charges	426.42	339.25
Amortisation of Expenditure under		
Voluntary Retirement Scheme	26.53	13.09
Miscellaneous Expenses	772.88	812.55
	<u>13,901.27</u>	<u>13,676.74</u>

<b>18. (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED GOODS</b>		
Work-in-Process		
Closing stock	8,314.30	6,307.20
Deduct: Opening stock	6,307.20	5,201.66
	<u>(2,007.10)</u>	<u>(1,105.54)</u>
Finished Goods		
Closing stock	3,453.29	4,531.65
Deduct: Opening stock	4,531.65	2,053.27
	<u>1,078.36</u>	<u>(2,478.38)</u>
	<u>(928.74)</u>	<u>(3,583.92)</u>

## Schedules to Consolidated Financial Statements

	(Rs. in Lakh)	
	2002-2003	2001-2002
19. INTEREST ON		
Debentures	166.42	249.75
Term Loans	1,493.46	1,755.51
Others	655.93	791.93
	<u>2,315.81</u>	<u>2,797.19</u>

	As at 31st March, 2003	As at 31st March, 2002
20. BASIC AND DILUTED EARNINGS PER SHARE		
Basic		
Number of Equity Shares at the beginning of the year	29,379,245	29,379,245
Number of Equity Shares at the end of the year	29,379,245	29,379,245
Weighted average number of Equity Shares outstanding during the year	29,379,245	29,379,245
Face value of each Equity Share (Rs.)	10	10
Profit after Tax available for Equity Shareholders		
Profit after Taxation (Rs.in Lakh)	3,335.63	3,425.00
Less: Preference Dividend (Rs.in Lakh)	52.74	62.50
	<u>3,282.89</u>	<u>3,362.50</u>
Basic Earnings per Share (Rs.)	11.17	11.45
Diluted Earnings per Share (Rs.)	11.17	11.45

## 21. NOTES ON ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

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

- i) The financial statements of the Parent Company and its Subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating inter-company balances and transactions, if any.
- 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 subsidiary over the parent's portion of equity of the subsidiary at the date it became subsidiary is recognised in the financial statements as goodwill.

(b) OTHER SIGNIFICANT ACCOUNTING POLICIES are set out in the Notes on Accounts of the respective financial statements of the Parent Company and Carbon Enterprises Limited (CEL), the subsidiary.

2. The Consolidated Financial Statements represent consolidation of accounts of the Parent Company with its wholly owned Subsidiary, CEL, incorporated in India.

## Schedules to Consolidated Financial Statements

### 21. NOTES ON ACCOUNTS (contd.)

3. Contingent Liabilities not provided in respect of :	As on 31st March, 2003	As on 31st March, 2002 (Rs.in Lakh)
A. Claims not acknowledged as debts		
a) Disputed Excise Duty for which appeals are pending	123.81	124.02
b) Disputed Sales Tax demand for which appeals preferred by the Company	123.58	133.25
c) Others	174.73	209.32
B. Bill discounted	3,555.09	2,227.18

### 4. Particulars of Cancellable Operating Leases :

The Group has operating lease arrangements for certain office accommodation, furniture and fittings etc. with tenures ranging between one and three years. Terms of such leases include option for renewal on mutually agreed terms, security deposit etc. Operating lease rentals for the year debited to Profit and Loss Account amount to Rs.22.80 Lakh.

### 5. 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, and
- c) Other Segment, engaged in manufacturing of Impervious Graphite Equipment (IGE) and Glass Reinforced Pipes (GRP) and investing in Shares and Securities

##### ii) Inter Segment Transfer Pricing

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

##### iii) Segment Revenues, Results and Other Information

As at/ for the year ended 31st March, 2003

	Graphite and Carbon		Power		Others		Total of Reportable Segments	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
Sales/Income from Operations								
External Sales	34,785.05	31,403.41	433.35	441.16	2,251.52	1,942.14	37,469.92	33,786.71
Inter Segment Sales	416.24	224.84	5,633.93	5,526.56	1.20	—	6,051.37	5,751.40
Income from Operations (External)	3,525.92	3,051.44	—	—	16.27	65.53	3,542.19	3,116.97
Segment Revenues	38,727.21	34,679.69	6,067.28	5,967.72	2,268.99	2,007.67	47,063.48	42,655.08
Segment Results	3,956.87	4,053.06	2,497.82	2,910.43	229.56	298.35	6,684.25	7,261.84
Segment Assets	46,484.64	43,967.47	11,200.89	11,264.47	5,130.59	5,130.60	62,816.12	60,362.54
Segment Liabilities	6,210.20	4,505.39	482.31	323.74	368.40	383.76	7,060.91	5,212.89
Capital Expenditure	337.47	680.43	596.67	381.45	80.56	85.58	1,014.70	1,147.46
Depreciation and Amortisation	1,166.15	1,121.41	579.51	577.11	177.05	(1.86)	1,922.71	1,696.66
Non-cash Expenses other than Depreciation and Amortisation (Net)	68.12	929.49	—	—	16.90	9.75	85.02	939.24

Schedules to Consolidated Financial Statements (contd.)

21. NOTES ON ACCOUNTS (contd.)

iii) Segment Revenues, Results and Other Information (Contd.)

Reconciliation of Reportable Segments with the Financial Statements

(Rs.in Lakh)

	Revenues		Results Net Profit		Assets		Liabilities*	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
Total of Reportable Segments	47,063.48	42,655.08	6,684.25	7,261.84	62,816.12	60,362.54	7,060.91	5,212.89
Corporate - Unallocated /								
Others (Net)	—	—	(730.32)	(660.34)	2,339.34	2,722.08	23,398.00	25,379.48
Inter Segment Sales	(6,051.37)	(5,751.40)	—	—	—	—	—	—
Interest Expenses	—	—	(2,315.81)	(2,797.19)	—	—	—	—
Taxes (Net)	—	—	(302.49)	(379.31)	—	—	—	—
	<u>41,012.11</u>	<u>36,903.68</u>	<u>3,335.63</u>	<u>3,425.00</u>	<u>65,155.46</u>	<u>63,084.62</u>	<u>30,458.91</u>	<u>30,592.37</u>
* Excluding Shareholders Funds								

B. Secondary Segment (Geographical)

	Domestic		Export		Total	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
Revenues	20,407.51	17,232.87	20,604.60	19,670.81	41,012.11	36,903.68
Total Assets	65,155.46	63,084.62	—	—	65,155.46	63,084.62
Capital Expenditure	1,042.19	1,173.57	—	—	1,042.19	1,173.57

6. RELATED PARTY DISCLOSURES

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

(i) RELATED PARTIES

Name	Relationship
(a) Where Control exists Carbon Enterprises Limited	Subsidiary
(b) Others Mr. N Venkataramani, Executive Director	Key Management Personnel

(ii) PARTICULARS OF TRANSACTIONS DURING THE YEAR ENDED 31ST MARCH, 2003

(Rs. in Lakh)

Nature of Transactions	Key Management Personnel	
	2002-03	2001-02
Directors' remuneration	22.64	45.83

Balance Outstanding at the year-end

Sundry Creditors

– Others 11.22 9.72

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

PRICE WATERHOUSE K. C. Parakh Sr. Vice President-Finance B. Shiva Company Secretary N. Venkataramani Executive Director K. K. Bangur Chairman

CONSOLIDATED CASH FLOW STATEMENT  
of Graphite India Limited and its subsidiary for the year ended 31st March, 2003

	2002-2003	(Rs. in Lakh) 2001-2002
<b>A. Cash Flows from Operating Activities</b>		
Profit before taxation	3,638.12	3,804.31
Adjustments for :		
Depreciation	1,986.51	1,750.93
Foreign Exchange (Net)	(18.16)	(42.51)
Investment Income	(6.37)	(76.49)
(Profit) /Loss on Sale of Investments	1.99	(38.00)
Interest Expense	2,315.77	2,797.19
Interest Income	(29.58)	(22.63)
(Profit)/Loss on Sale of Fixed Assets (Net)	(52.76)	(5.98)
Bad Debts/Advances Written off	268.29	180.38
Provision for Doubtful Debts (Net)	(183.27)	758.86
Liability no Longer Required Written Back	(95.68)	(215.40)
Provisions	32.02	30.34
Amortisation of Expenditure	26.53	13.37
	<u>7,883.41</u>	<u>8,934.37</u>
Investment Income Received	6.21	48.58
Operating Profit before Working Capital changes	<u>7,889.62</u>	<u>8,982.95</u>
Adjustments for :		
(Increase)/Decrease in Trade and Other Receivables	(2,397.07)	2,770.69
(Increase)/Decrease in Inventories	(837.81)	(3,114.16)
Increase/(Decrease) in Trade Payables	1,858.78	(612.42)
Cash generated from Operations	<u>6,513.52</u>	<u>8,027.06</u>
Taxes (Paid)/Refund - Net	106.81	(190.91)
Payment made under Voluntary Retirement Scheme	(67.20)	(65.46)
NET CASH FROM OPERATING ACTIVITIES	<u>6,553.13</u>	<u>7,770.69</u>
<b>B. Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets	(1,041.00)	(1,197.59)
Proceeds from Sale of Fixed Assets	73.91	25.77
Investment in Securities	(1,154.27)	(2,171.71)
Sale of Investments	1,167.70	2,307.22
Interest Received	24.21	18.91
Dividend Received	0.14	20.30
NET CASH USED IN INVESTING ACTIVITIES	<u>(929.31)</u>	<u>(997.10)</u>

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

	2002-2003	(Rs. in Lakh) 2001-2002
<b>C. Cash Flows from Financing Activities</b>		
Redemption of Preference Shares	(250.00)	—
Proceeds from Borrowings		
Long Term	2,232.32	1,718.90
Short Term	3,497.52	2,035.60
Repayment of Borrowings		
Long Term	(4,117.69)	(4,199.02)
Short Term	(3,889.22)	(2,920.14)
Interest Paid	(2,420.00)	(2,905.70)
Dividend Paid (including tax thereon Rs.Nil – previous year Rs.68.99 Lakh)	(796.42)	(736.46)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5,743.49)</b>	<b>(7,006.82)</b>
Net Cash Inflow/(Outflow)	(119.67)	(233.23)
Cash and Cash equivalents - as at March 31,2002 (Schedule 9)	296.06	128.65
Add : Cash and Cash equivalents taken over consequent upon amalgamation	—	400.64
	296.06	529.29
Cash and Cash equivalents - as at March 31,2003 (Schedule 9)	176.39	296.06
Net Cash Inflow/ (Outflow)	(119.67)	(233.23)

Notes :

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

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

P. Law  
Partner  
For and on behalf of  
PRICE WATERHOUSE  
Chartered Accountants  
Kolkata : 7th May, 2003

K. C. Parakh  
Sr. Vice President-Finance

B. Shiva  
Company Secretary

N. Venkataramani  
Executive Director

K. K. Bangur  
Chairman