

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr K K Bangur, Chairman
Mr B Mitter
Mr P K Khaitan
Mr S Goenka
Mr N Suchanti
Mr N S Damani
Mr A V Lodha
Dr R Srinivasan
Mr A Gilbu
Mr K B Krishnamoorthi, LIC Nominee
Mr N Venkataramani, Executive Director

COMPANY SECRETARY

Mr B Shiva

AUDITORS

Price Waterhouse

SOLICITORS

Khaitan & Co.
Orr, Dignam & Co.

BANKERS

Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
Corporation Bank
Punjab National Bank
State Bank of India
The Vysya Bank Limited
UCO Bank

REGISTERED OFFICE

31, Chowringhee Road, Kolkata 700 016

NOTICE

NOTICE is hereby given that the Twenty-Eighth ANNUAL GENERAL MEETING of Graphite India Limited will be held on Thursday, the 31st day of July, 2003 at 10.00 A.M. at Kalakunj 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, 2003 and the Balance Sheet as at that date.
2. To declare dividend on Equity Shares for the year ended 31st March, 2003.
3. To appoint a Director in place of Mr. Agnar Gilbu who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. A.V. Lodha who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. N.S. Damani 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 consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging by the Board of Directors (Board) of the Company by way of a charge of all or any of the immovable properties of the Company wheresoever situated, present and future and the whole undertaking of the Company to or in favour of the consortium of banks financing the working capital requirements of the Company and/or any other financial institutions/investment institutions/banks or their Agent/s or Trustee/s, if any from whom financial assistances are/would be availed by the Company to secure amounts lent and advanced/agreed to be lent and advanced to the Company by them either severally or jointly upto a limit of Rs.500 crore by way of loan (Foreign Currency or Rupee), subscription to debentures, any other instruments etc., together with interest thereon at the respective agreed rates, compound interest, additional interest, commitment charges, guarantee commission, remuneration payable to the Trustees, if any, costs, charges, expenses and other monies payable to all such financial institutions/investment institutions/banks in respect of financial assistance availed/to be availed from them or to the Trustees.

RESOLVED FURTHER THAT the charge in favour of the consortium of banks/financial institutions/investment institutions/banks as aforesaid shall rank pari-passu or subordinate or subservient to the existing or future charges already created/to be created in favour of the consortium of banks/financial institutions/investments institutions/Debtenture Trustees/banks/any other authority as may be decided by the Board in consultation with the said lenders.

RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with the lenders, the debenture-holders, their Agents or Trustees, the deeds and documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the aforesaid resolution.

By Order of the Board
For Graphite India Limited

Kolkata
May 7, 2003

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 the July 10, 2003 to Thursday the July 31, 2003 (both days inclusive).
- d. At the ensuing General Meeting Mr. Agnar Gilbu, Mr.A.V. Lodha and Mr.N. S. Damani, Directors retire by rotation and being eligible offer themselves for re-appointment. As per Clause 49 of the Listing Agreement on Corporate Governance, the Company is required to provide a brief resume and names of companies in which the proposed Directors hold the Directorship. Accordingly, the information is given below :

Mr. Agnar Gilbu aged 65 years is a Norwegian and was a representative of an erstwhile foreign collaborator. He has several decades of experience in the GRP industry.

Other Directorships – NIL

Mr. A V Lodha aged 37 years, is a Chartered Accountant and a partner of Lodha & Co., Chartered Accountants, one of India's leading accountancy and consulting firms. He is the first person in recent history of Indian Chamber of Commerce, Kolkata (ICC) to have been elected twice as President. He presently chairs ICC's Economic Affairs Task Force and also the Steering Committee of the South Asian Sub-regional Economic Corporation. He is also a member of the National Council of CII. He was appointed by the Govt. of India as a member of the high powered Naresh Chandra Committee. He is presently the Chairman of the Audit Committee and member of the Remuneration Committee of the Board of Directors of the Company.

Other Directorships

Name of the Company	Position
1. Alfred Herbert (India) Ltd.	Director
2. Cescon Limited	Director
3. Herbert Holdings Ltd.	Director
4. Mahamaya Properties Pvt. Ltd.	Director
5. Shalimar Paints Ltd.	Director
6. Upper Ganges Sugar & Industries Ltd.	Director

Other Committee Memberships

Name of the Company	Committee	Position
1. Shalimar Paints Ltd.	Audit	Member
2. Upper Ganges Sugar & Industries Ltd.	Investors Grievance	Member

Mr. N S Damani aged 51 years is an industrialist and is presently Chairman & Managing Director of The Simplex Mills Company Ltd. He is a science graduate and has completed business management studies. He has more than 25 years experience in business and industry.

Other Directorships

Name of the Company	Position
1. The Simplex Mills Co. Ltd.	Director
2. The Nav Bharat Refrigeration & Industries Ltd.	Director
3. Damani Sons Pvt. Ltd.	Director
4. New Textiles Ltd.	Director
5. Multimetals Ltd.	Director
6. Simplex Paper & Pulp Ltd.	Director
7. Shreelekha Global Finance Ltd.	Director
8. Lucky Vyapaar & Holding Pvt. Ltd.	Director
9. Arteel Speciality Papers Ltd.	Director

Other Committee Membership

Name of the Company	Committee	Position
1. The Simplex Mills Co. Ltd.	Share Committee	Chairman

- e. Dividend on Equity Shares when sanctioned will be made payable to those shareholders whose name stand on the Company's Register of Members on July 31, 2003 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 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 established by the Central Government under Sec. 205(C) of the Companies Act, 1956. Unclaimed/ un-encashed dividend declared by the Company for the year ended 31st March, 1996 would be transferred to the said fund in the first week of September, 2003. Unclaimed/ un-encashed dividend declared by the erstwhile Graphite India Limited for the year ended 31st March, 1996 would be transferred to the said fund in the second week of January, 2004.
- 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 Investor Education & Protection Fund of the Central Government 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 of the Company for revalidation and encash them immediately.
- 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 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, IIT Corporate Services Limited, Protoprma Chambers, 2nd Floor, Suren Road, Andheri (East) Mumbai 400 093.

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

ITEM NO. 7

The Company has availed Term Loan of around Rs.20 crore from a financial institution. The Company has also received in-principle approval from an investment institution for subscription towards N C Debentures aggregating Rs. 50 crore. Further, the fund based/ non fund based working capital limits of the Company would reach the Rs.200 crore mark in the near future. The Company would also be approaching institutions/ banks to fund its capital expenditure requirements. In respect of all such borrowings, security by way of charge on the Company's fixed assets would have to be created.

Section 293 (1) (a) of the Companies Act, 1956, provides inter-alia that the Board of Directors of a public limited Company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose off the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking. Though the Company is required to create only security on its assets, the resolution as set out in the notice is commended for approval of the members as a matter of abundant caution. Copies of letters of sanction received are open for inspection by the members at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m. on any working day upto the date of the meeting.

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

Kolkata
May 7, 2003

By Order of the Board
For Graphite India Limited
B. Shiva
Company Secretary

DIRECTORS' REPORT

The Directors have pleasure in presenting their Twenty-eighth Annual Report together with the audited statement of accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	Rs. in Lakh	
	2002-2003	2001-2002
Sales/ Income from Operations	41008.17	36844.22
Profit for the year after charging all expenses but before providing interest, depreciation and tax	7943.61	8297.23
Less : Interest	2315.77	2797.19
Profit before depreciation and tax	5627.84	5500.04
Less : Depreciation	1986.51	1750.93
Profit before taxation	3641.33	3749.11
Less : Provision for taxation - Current	315.00	515.00
- Deferred	(12.45)	(135.69)
Profit for the year	3338.78	3369.80
Add : Balance brought forward from the previous year	5482.03	585.71
Balance incorporated on amalgamation	—	2613.23
Transfer from Investment Allowance (utilised) Reserve	13.98	185.00
Transfer from Debenture Redemption Reserve	800.00	55.00
	9634.79	6808.74
Which has been appropriated as under :		
Transfer to Debenture Redemption Reserve	—	187.50
Transfer to Capital Redemption Reserve	250.00	—
Proposed Dividend on -		
— 12.5% on Preference Shares	46.75	62.50
— 25% on Equity Shares	734.48	734.48
Dividend Tax	100.10	—
Transfer to General Reserve	390.27	342.23
Balance carried forward	8113.19	5482.03
	9634.79	6808.74

SHARE CAPITAL

168,93,696 Equity Shares of Rs. 10 each and 5,00,000 – 12.5% Preference Shares of Rs.100 each were allotted to shareholders of erstwhile Graphite India Limited pursuant to the Scheme of Amalgamation.

During the year under review, the Company has redeemed 50% of the face value of above Preference Shares and the balance is redeemable on 29th September 2003.

DIVIDEND

Payment of Interim dividend @ 12.5% on 500,000 Redeemable Cumulative Preference Shares for the financial year ended 31st March 2003 has been approved. The same shall be treated as final dividend.

The Directors are pleased to recommend dividend @ 25% on Equity Shares of Rs. 10 each for the financial year ended March 31, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry's structure and developments

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

Global steel consumption is an index of the world economy. GDP growth trends of some of the major economies are USA 2.3%; Germany 0.2%; Italy 0.3%; Spain 1.8%; Japan (0.7%) and India 4.4%. China has posted a solid 8% and shows strong trends. Steel demand has reached 900 Million plus for 2002 as against 840 Million M T of 2001, registering a 6.6% growth, despite the trade barriers imposed by USA. China has driven this growth with a 58% share of the global growth. In 2003, China's Steel demand is expected to grow by 11%.

The global electrode industry too has been resilient and responsive to the exacting demands on high performance levels and uncompromising prices.

In this background, the Indian Graphite industry has too performed satisfactorily. The Company has also been able to post a satisfactory performance. It is noteworthy that this was possible by timely investments in modernization of plant

facilities, technological upgradation, setting up of captive power plants, focusing on value added products, improvement in operational efficiencies, all round reduction of costs and several other cost containment measures. The Company will continue to focus on productivity, quality and cost effectiveness as the key areas for remaining competitive and driving its volumes. The emphasis on investment in power will continue to receive priority attention since this constitutes a major portion of the total cost of electrode manufacture.

The global majors in the electrode industry have also been focusing on consolidation of production capacities and moving towards low cost destinations like Mexico and China which offer relatively cheaper labour and power. About 68,000 M T of unviable capacities have shut and this to some extent will balance between demand and supply and also help stabilize the price levels. Our strategy during this phase of global consolidation shall be to gain volumes with keen prices, contain costs and enhance the capacity in convenient modules which are very cost effective too.

Opportunities and threats

The Company continues with its two-pronged strategy of - (1) increasing volumes through wider spread and deeper penetration in the global market at most competitive prices; and (2) provide high quality products with a shift towards larger diameter Electrodes at higher realisation.

The Company also expects to enhance value by enlisting in its product portfolio more value added products through progressive product development and commercialization over the foreseeable future.

Threats come from fierce competition in the export market where leading manufacturers have larger installed capacities and have the advantage of economies of scale. The Company's performance is naturally dependent on the performance of the steel industry.

PERFORMANCE

Graphite and Carbon Division

Production of Graphite Electrodes, Anodes and other Miscellaneous Carbon and Graphite Products during the year under review was 37,769 M T as against 35,447 M T in the previous year.

Strategically, the Company operated its manufacturing facilities at 90% of their installed capacities (in spite of low demand during the first 7-8 months) and built up inventories. This

decision has helped to meet the demand in later part of the year.

Production of Calcined Petroleum Coke during the year was 30,707 M T as against 26,212 M T in the previous year.

Power Division

Generation of hydel power at CCKT was severely affected by poor monsoon during the current year. Total gross power generated was 115 MU against 134 MU in the previous year.

The 1.5 MW Link Canal Project in Mandya District in Karnataka will be commissioned and synchronized with the on set of monsoon season.

Others

The Impervious Graphite Equipment (IGE) Division produced equipment and spares of 287 M T as against 255 M T in the previous year. By sourcing its main input stocks from another unit of the Company, IGE Division has become more competitive.

The domestic market is showing signs of growth through expansion projects in the organic chemical industries, caustic chlorine and phosphoric acid sectors. The pharmaceutical industry has also registered growth in demand. This Division is also faced with competition from overseas manufacturers.

The Glass Reinforced Plastic Pipes (GRP) Division produced 703 M T as against 368 M T in the previous year. The performance of this Division has thus shown some improvement.

SALES

The Company has achieved a turnover of Rs. 37,470 lakh during the year under review as against Rs. 33,787 lakh in the previous year registering an increase of 11%.

Export Sales were Rs. 20,603 lakh during the year under review as against Rs. 19,668 lakh during the previous year.

Export Sales accounted for 58% of turnover.

There were significant increase in volumes (both domestic and export) during the period under review. However, due to lower realization / M T this did not reflect in proportionate increase in value terms.

Outlook

The clear signs of revival of domestic demand and the buoyancy

in economic activity, enhance India's growth prospects and these are positive signals.

The Indian steel industry continues to perform consistently. The rise in production, rising price trends and continued export growth augur well for the electrode industry.

The market for Impervious Graphite Equipment (IGE) is good, but the requirement of export licence is a serious impediment. The Company has taken up this issue with Ministry of Commerce, Delhi. The high quality standards demanded and accomplished in the export market along with timely deliveries will help this Division to take on competition effectively.

The governments' increased emphasis on developmental activities in core sectors like infrastructure projects is expected to give added momentum and increase the demand for GRP products. The positive response of the Water and Sewerage Boards towards GRP Pipes as a long term, cost effective and efficient alternative to conventional CI, DI and PSC Pipes will increase the usage and boost the demand for GRP Pipes. The Company is today producing good quality pipes which are well received in the market. Several key measures have been taken to reduce the operations cost, improve efficiencies so as to remain competitive and increase volumes.

Further, the opening of the petroleum products distribution network to private sector will also give a boost to GRP tanks and this will give a good impetus to our tank business.

The Company's goal is to achieve improved quality and cost reduction, in all its product groups and technologically be well equipped to meet the challenges of the future. The Company makes other value added speciality products which cater to the needs of many industries other than steel. Increase of these speciality products will contribute additionally to the bottomline. With positive growth trends seen in the economy, infrastructure development should accelerate leading to greater demand for steel, and the Company is quite hopeful of improving its performance in the coming years.

Risks and Concerns

It is true that business prospects have the element of uncertainty and shall remain challenging depending on economic slowdown resulting in negative growth in steel, automotive and infrastructure industries which will adversely impact our industry. Decreased demand in the world market will raise liquidity issues and naturally buyers will exercise all options to gain maximum credit advantage. This phenomenon is being experienced by all industries, and it

is in this context that shorter / firmer payment terms will immensely help industries to survive through the phase of liquidity crisis. The declining prices could affect operating margins.

Import of graphite electrodes from China, Europe, North and South America, especially Brazil continues without respite. The Indian electrode industry has taken up with the Government of India for renewing the anti dumping levy for imports from China, Europe and USA.

An economic slowdown can adversely impact demand-supply dynamics and profitability including our Company.

However, the Company's operations have historically shown significant resilience to the fluctuations in demand. In the past, when the domestic demand was flat and even negative on certain occasions, the Company was well prepared to shift its focus to exports, and retain its eminent status and as a steady player. This in itself is a testimony to its capacity to withstand and weather any storm.

Internal control systems and their adequacy

The Company has proper and adequate system of internal controls to ensure that its assets are safeguarded and protected against loss and that transactions are authorized, recorded and reported correctly. The internal controls system is supplemented by an extensive review by management and documented policies, guidelines and procedures.

Business and Financial Review

The first year of the new top management team, constituted after the effective date of amalgamation, has been a tough one. Major tasks included identifying strong and weak areas of individual units and this was followed by bold reallocation and fresh induction of talented manpower. Each plant now focuses on its core competence rather than manufacturing the entire product range, leading to product specialization. There is superior negotiating ability and improved financial management following centralization of purchase and finance functions.

What is comforting is the fact that the Indian economy has held on relatively well in the face of global uncertainties, a very poor monsoon and escalating oil prices during the year under review. Going by the Economic Survey 2002 – 03, the industrial performance was buoyant; underlining a broad-based recovery. A key feature of the recovery being the turnaround by capital goods which despite increased import of capital goods, points to strong revival of domestic investment demand.

The steel industry posted striking recovery and higher export demand has also been instrumental in this recovery. The domestic demand which remained almost flat for past several years showed significant improvement, and this revival led to increased domestic sales.

During the year, to strengthen presence in the export front, various measures were taken. Apart from regular follow up visits, attention was focused on technically supporting customers. New markets were explored. New customers have been added. Orders on trial basis were accepted which yielded better results. With the international steel situation going through major realignment with mergers and acquisitions, marketing strategy also underwent a change so as to address centralized purchasing needs. The Company rose to the occasion in forging direct relationships with the Central Purchasing heads of global steel majors.

Coming to the financial side, easy liquidity conditions characterized the year under review and short-term interest rate was at its lowest.

The Ratings for long term debt were reaffirmed at 'LAA-' (pronounced LAA minus indicating high safety) from ICRA, for medium term debt 'MAA' (signifying high degree of safety) and short term 'A1+' signifying high safety.

Financial portfolio was continually changed to take advantage of declining interest rate environment in the country. Long term debts were pre-maturely repaid and replenished by loans carrying lower rate of interest. Interest cost was Rs. 2316 lakh during the current year as against Rs.2797 lakh in the previous year in spite of increase in activities.

Better utilization of resources, cost control, operational efficiencies and savings on account of power were the main initiatives for achieving this level of Gross Profit despite lower realisation.

There has been a saving in interest cost during the year under review mainly by replacement of expensive loans, better management of working capital and reduction in interest rates.

All commitments relating to payment of Loan installments were honoured.

In coming years, finance cost reduction and working capital management will continue to be the thrust areas for improving profitability.

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

Rapid advancements in the Information Technology field has

caused a sea change in the way business is translated. The Company has been steadily working on imparting specific upgradation of job oriented skills to its employees to equip them to do their jobs better.

It has retained its workforce and has endeavoured in retraining its non-professionals. The total number of people employed in the organization is about 2257.

Employee-relations continue to be cordial at all locations of the Company. The Company takes this opportunity to record their sincere appreciation of their dedicated efforts.

Cautionary Note

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

Additional Disclosures

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

Capital Expenditure / Expansion

The de-bottlenecking exercise has raised the installed capacity by 2000 M T to 35,000 M T of Graphite Electrodes per annum.

Research & Development

The R & D activities continue to support the organization's progress. In the development of new products, this Centre has helped the Company enter new and strategic areas in graphite and carbon.

Many related projects are also undertaken by co-sponsoring with leading research institutions in the country. Commercialisation of developed technologies for certain critical applications of graphite based products is underway.

Progress has also taken place in the development and commercialization of promising value added futuristic products which will lead to entering avant-grade areas and put the company in a technologically superior position.

Fixed Deposits

The Company stopped accepting / renewing fixed deposits from August 2002.

The total amount of fixed deposits as on 31st March, 2003 was Rs. 60.15 lakh. Deposits amounting to Rs. 1.19 lakh due for repayment remained unclaimed.

Subsidiary Companies

As required under Section 212 of the Companies Act, 1956, the particulars relating to the subsidiary company are annexed to the accounts.

Information pursuant to Section 217 of the Companies Act, 1956

Information in accordance with clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2003 are given in Annexure 'A'.

None of the employees are covered by the provisions contained in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

DIRECTORS

Mr A Gilbu, Mr A V Lodha and Mr N S Damani retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AWARD

The Company received the Certificate of Export Recognition from CAPEXIL for the year 2001-2002.

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, 2003 and of the profit of the Company for the year ended March 31, 2003.

3. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
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 for the dedicated and sincere services rendered by employees of the Company.

On behalf of the Board

Kolkata
May 7, 2003

K K Bangur
Chairman

Annexure to the DIRECTORS' REPORT

ANNEXURE - A

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

A. CONSERVATION OF ENERGY

- a) Energy Conservation measures taken —
Waste heat recovery in baking furnaces and impregnation units;
Better utilization of energy efficient furnaces;
Better fuel utilization due to improved heat loads;
Energy conservation due to optimization of heating cycles;
Improved design of baking furnace;
- b) Additional measures proposed to be taken —
Further efforts on waste recovery in furnaces and kilns;
Installation of energy efficient furnaces;
- c) Impact of measures of (a) & (b) above —
Reduction in specific energy consumption;

B. TECHNOLOGY ABSORPTION

- a) Research and development
Specific areas in which R & D was carried out :
Development of raw material for graphite electrodes;
Development of sizable raw materials for speciality products;
Development of larger sizes of PTFE impregnated equipments;
Development of improved resin for cost optimization;
Development of new speciality products;

Benefits derived :

- Quality improvement;
- Improved process yields;
- Reduction of cost;

Future Plan of action :

Further development in raw materials, design and processes will be pursued.

Expenditure in R & D :	Rs. in Lakh
Recurring	71.33
R & D expenditure on Percentage of total turnover -	0.19 %

- b) Technology Absorption, Adaptation and Innovation —

Efforts made —

Several research projects have been taken up in collaboration with Research and Development Institutions to induct recent technologies to facilitate tangible designs and introduction of new process / products;

Benefits —

Development of new products / cost savings.

Technology Imported during the last five years : NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Rs. in Lakh
Earnings	19926.19
Outgo	6518.87

On behalf of the Board

Kolkata
May 7, 2003

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, 2003

The strength of the Board of Directors as on 31st March, 2003 was eleven comprising the non-executive Chairman, nine non-executive independent directors (of whom one is a nominee director) and one Executive Director.

Name	Category	Directorships in other Public Limited Companies incorporated in India	Other# Committee ^ positions held	
			As Chairman	As Member
K K Bangur	Chairman Non-Executive	8	—	—
N S Damani	NED *	7	—	—
A V Lodha	NED *	5	—	2
Dr. R Srinivasan	NED *	5	—	5
Bhaskar Mitter	NED *	6	1	6
P K Khaitan	NED *	12	1	4
Sanjiv Goenka	NED *	12	2	4
Navin Suchanti	NED *	10	2	5
Agnar Gilbu	NED *	—	—	—
K B Krishnamoorthi	LIC Nominee *	1	—	1
N Venkataramani	Executive Director	—	—	—

* also independent

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

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

NED – Non-Executive Director

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

There were five meetings of the Board of Directors held during the year on 24th April, 2002, 8th June, 2002, 30th July, 2002, 29th October, 2002 and 22nd January, 2003. The information to be made available to the Board as per Annexure I forming part of Clause 49 of the Listing Agreement have been complied with.

Attendance Record

Names of Directors	Number of Board Meetings during April 2002 to March 2003		Attended last Annual General Meeting (AGM) held on 27th August, 2002
	Held	Attended	
K K Bangur	5	5	Yes
N S Damani	5	1	No
A V Lodha	5	3	No
R Srinivasan	5	5	No
Bhaskar Mitter*	5	4	Yes
P. K.Khaitan *	5	2	No
Sanjiv Goenka *	5	None	No
Navin Suchanti *	5	3	Yes
Agnar Gilbu	5	None	No
K B Krishnamoorthi	5	4	No
N Venkataramani	5	4	Yes

* appointed as additional directors on 8th June, 2002 and there-after appointed as directors in the AGM held on 27th August, 2002.

III. Audit Committee

The Audit Committee of the Company was re-constituted on 8th June, 2002 with Mr.A.V.Lodha, 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.

Composition of the Audit Committee, meetings held of the Committee and attendance during the year

There were three meetings of the Audit Committee held during the year on 8th June, 2002, 29th October, 2002 and 22nd January, 2003

Name	Position in the Audit Committee	Meetings	
		Held	Attended @
Mr. A. V. Lodha	Chairman *	3	2
Dr R Srinivasan	Member	3	3
Mr Bhaskar Mitter	Member	3	2

* elected as Chairman of the Audit Committee on 29th October, 2002.

@ Mr. K.B. Krishnamoorthi, member of the Audit Committee prior to its reconstitution had attended the Committee meeting held on 08.06.2002.

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

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

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

An Audit Committee meeting was held on 8th June, 2002 to review and approve the draft annual accounts of 2001-2002 for recommendation to the Board.

The Company Secretary is the Secretary to the Audit Committee.

Note : The erstwhile Chairman of the Audit Committee, Dr. R Srinivasan was unable to attend the last Annual General Meeting (AGM) held on 27th August, 2002. However, Mr Bhaskar Mitter, member of the re-constituted Audit Committee attended the AGM.

IV. Remuneration to Directors

The "Remuneration Committee" was constituted on 08.06.2002 with Mr.P.K.Khaitan as its Chairman and Mr. A V Lodha and Mr. Navin Suchanti as its members. The Committee is authorised to decide on the remuneration package for executive director/s, including annual increment, pension rights, compensation payment, if any. The Committee met once on 08.06.2002 during the year which was attended by all the three members.

Policy : Remuneration to the non-executive directors is decided by the Board as authorised by the Articles of Association of the Company and are within the limits set out in Section 309 and 198 of the Companies Act, 1956. The remuneration of Executive Director is approved by the resolution of the shareholders / members in the General Meeting.

Details of Remuneration paid / payable during the year by the Company —

Name	Salary	Contribution to Provident and Other Funds	Other Benefits	Commission	Sitting Fees
	Rs.	Rs.	Rs.	Rs.	Rs.
K K Bangur	—	—	—	2,920,000	32,000
N S Damani	—	—	—	60,000	4,000
A V Lodha	—	—	—	60,000	12,000
Dr R Srinivasan	—	—	—	60,000	18,000
Bhaskar Mitter	—	—	—	60,000	16,000
P. K.Khaitan	—	—	—	60,000	10,000
Sanjiv Goenka	—	—	—	60,000	—
Navin Suchanti	—	—	—	60,000	16,000
Agnar Gilbu	—	—	—	—	—
K B Krishnamoorthi	—	—	—	60,000	10,000
N Venkataramani	600,000	212,000	601,651	850,000	NIL

Sitting fees paid to the non-whole-time directors of the Company as mentioned above have been approved by the Board vide resolution dated 23rd June, 1995.

Contract period of Mr N Venkataramani : Five years from the date of appointment with effect from October 19, 2001 —

Severance Fees NIL

Stock Option NIL

V. Shareholders Committee

The Shareholder/Investors' Grievances Committee to look into the redressal of shareholders and investors' grievances relating to transfer of shares, non-receipt of declared dividend, non-receipt of balance sheet, etc., was re-constituted on 8th June, 2002.

The re-constituted Committee comprise —

Mr. K. K. Bangur Chairman

Mr. Navin Suchanti Member

Mr. N. Venkataramani Member

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

During the year, 65 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. There were five meetings of the Committee held during the year.

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

The Company had 7 transfers for 798 equity shares pending at the close of the financial year which were processed on 10.04.2003.

VI. General Body Meetings

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

AGM	Year	Venue	Date	Time
27th	2001-2002	Kalakunj Auditorium (Sangit Kala Mandir Trust), 48, Shakespeare Sarani, Kolkata 700 017	27.08.2002	10.00 a.m.
26th	2000-2001	88, MIDC Industrial area, Satpur, Nashik 422 007	30.08.2001	11.30 a.m.
25th	1999-2000	88, MIDC Industrial area, Satpur, Nashik 422 007	31.08.2000	11.30 a.m.

ii. In the 27th AGM, one resolution pertaining to remuneration by way of commission to non-executive directors for a period of five financial years commencing from 1st April, 2002, was proposed as a special resolution which was approved unanimously. There was no item on the agenda that needed approval through postal ballot.

- iii. An Extra Ordinary General Meeting (EGM) was convened on 6th February, 2002 at 11.00 a.m. at the aforesaid venue to obtain amongst other items, (a) approval of the members by way of special resolution for change of name of the Company from Carbon Everflow Limited to Graphite India Limited (after the Scheme of Amalgamation became effective) (b) Declaration of the results of the postal ballot conducted in January, 2002 for obtaining members approval for amendment to Clause II of the Memorandum of Association of the Company for shift of its Registered office from the 'State of Maharashtra' to the 'State of West Bengal'. The details of the voting pattern for the special resolution approved by postal ballot is as under —

	No. of ballots	No. of equity shares
'FOR' the proposed	1697	69,55,964
'AGAINST' the proposed	203	96,375
Invalid votes	56	7,056
	1956	70,59,395

Mr. P. N. Parikh, Company Secretary in practice conducted the postal ballot exercise.

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

Resume and other information regarding the directors appointed or reappointed as required by Clause 49 VI (A) of the Listing Agreement has been given in the Notice of the Annual General Meeting annexed to this Annual Report.

VII. Disclosure

- A. Whether there are any materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of company at large.

None. However, the related party relationships and transactions as required under Accounting Standard (AS) 18 on Related Party Disclosures issued by the ICAI disclosed in Note No.8 of Schedule 31 to the Accounts for the year ended 31st March, 2003 may be referred.

- B. The management has informed the Board as per requirements of Clause 49V(B) of the Listing Agreement that they have no personal interest in material financial and commercial transactions of the Company, which 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.

VIII. Means of Communication

In compliance with the requirements of Clause 41 of the Listing Agreement, the Company regularly intimates unaudited as well as audited financial results to the stock exchanges immediately after they are taken on record 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 Pratidin. However, half-yearly results are not sent to each household of shareholders.

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

The Company's quarterly results and shareholding pattern, beginning from the quarter ended 30th September, 2002 have also been posted on the EDIFAR website of SEBI.

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

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

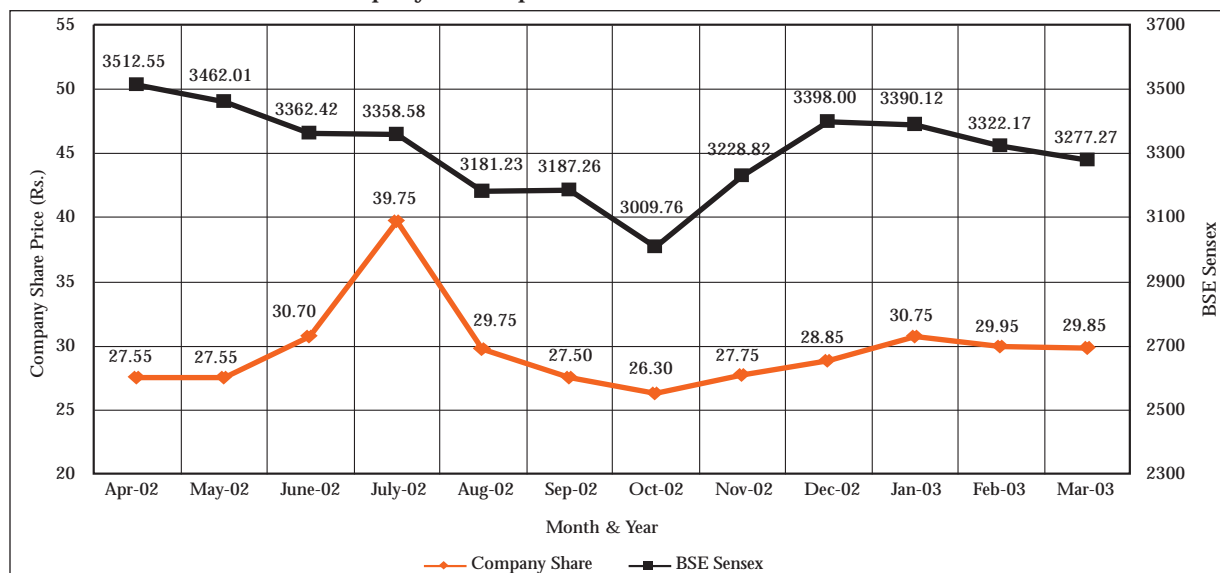
IX. General Shareholder Information

AGM Date, Time and Venue	July 31, 2003 at 10.00 A.M. at Kala Kunj Auditorium of Sangit Kala Mandir Trust, 48 Shakespeare Sarani, Kolkata 700 017
Financial Calendar	
Financial reporting for the quarter ending 30th June 2003	By end July 2003.
Limited Review Report for the quarter ending 30.6.2003	By end August 2003
Financial reporting for the quarter/ half year ending 30th September 2003	By end October 2003
Limited Review Report for the half year ending 30.9.2003	By end November 2003
Financial reporting for the quarter ending 31st December 2003	By end January 2004
Limited Review Report for the quarter ending 31.12.2003	By end February 2004
Annual Audited Results ending 31st March 2004	By June 2004
Date of Book Closure	July 10, 2003 to July 31, 2003 (both days inclusive)
Dividend Payment Date	By August 29, 2003
Listing on Stock Exchanges	The Calcutta Stock Exchange Association Limited, 7 Lyons Range, Kolkata 700 001 The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 National Stock Exchange, Exchange Plaza, 5th Floor, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051 The Company has paid the listing fees for the period April, 2003 to March, 2004.
Stock Code	10013095 on The Calcutta Stock Exchange. 509488 on The Stock Exchange, Mumbai. GRAPHITE on National Stock Exchange
Demat ISIN Number for NSDL and CDSL	INE 371A01017

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

Period	High	Low	Period	High	Low
	Rs	Rs	Rs	Rs	Rs
April 2002	27.55	21.15	October, 2002	26.30	24.50
May 2002	27.55	24.00	November, 2002	27.75	26.30
June 2002	30.70	25.50	December, 2002	28.85	27.35
July 2002	39.75	27.05	January, 2003	30.75	27.50
August 2002	29.75	27.50	February, 2003	29.95	28.50
September 2002	27.50	25.15	March, 2003	29.85	27.40

Stock Performance of the Company in comparison to BSE Sensex



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

IIT Corporate Services Limited, Protoprima Chambers, Suren Road,
Andheri (East), Mumbai 400 093, Tel No. (022) 26838240 / 41,
Tele Fax No. (022) 26836790 / 91, E-Mail ID : iitcs@bom3.vsnl.net.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 30 days from the date of lodgement, if documents are complete in all respects.

The Company has also introduced the transfer-cum-demat system whereby the shareholders have the option to get their shares dematerialised with either of the depositories, CDSL and NSDL.

Shareholding pattern as on 31st March, 2003

Slab	No. of Shareholders		No. of Ordinary Shares	
	Total	%	Total	%
1 – 500	22600	92.63	2408912	8.20
501 – 1000	1018	4.17	779726	2.65
1001 – 2000	417	1.71	606607	2.06
2001 – 3000	122	0.50	310636	1.06
3001 – 4000	49	0.20	175401	0.60
4001 – 5000	49	0.20	226473	0.77
5001 – 10000	63	0.26	480198	1.63
10001 – 30000	37	0.15	648131	2.21
30001 – 50000	8	0.03	320214	1.09
50001 – 100000	4	0.02	258292	0.88
100001 and above	31	0.13	23164655	78.85
Total	24398	100.00	29379245	100.00
No. of shareholders in physical mode	15776	64.66	4694544	15.98
Electronic Mode	8622	35.34	24684701	84.02
Total	24398	100.00	29379245	100.00

Distribution of Shareholding as on 31st March 2003

Category	No. of Shares	%
Promoters' Holding		
Promoters		
Indian Promoters	14761251	50.24
Foreign Promoters	250000	0.85
Persons acting in concert		
Sub-Total	15011251	51.09
Non-Promoters' Holding		
Institutional Investors		
Mutual Fund and UTI	17056	0.06
Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions)	3792503	12.91
FII's	5100	0.02
Sub-Total	3814659	12.99
Others		
Private Corporate Bodies	2853547	9.71
Indian Public	5089029	17.32
NRI / OCBs	537634	1.83
Any Other (Foreign Company)	2073125	7.06
Sub-Total	10553335	35.92
Grand Total	29379245	100%
Total Foreign Shareholding		
Foreign Promoters	250000	0.85
FII's	5100	0.02
NRIs / OCBs	537634	1.83
Foreign Company	2073125	7.06
Total	2865859	9.76

Dematerialisation of shares and liquidity

As on 31st March 2003, 246,84,701 shares of the Company representing 84.02% 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

The Company has not issued any GDRs / ADRs / Warrants or any 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) 2351081-88 Whitefield Road, Bangalore 560 048, Phone : (080) 8524061 – 71
Coke	Phulwaria, Barauni 851 112, Phone : (06279) 232252
Impervious Graphite Equipment	C-7 Ambad Industrial Area, Nashik 422 010, Phone : (0253) 2382385/382485

Glass Reinforced Pipes/ Tanks Gut No. 523/524, Village Gonde, Taluka – Igatpuri, Nashik 422 403,
Phone : (02553) 225038 / 25039 / 25248

Power Chunchanakatte, K R Nagar Taluk, Mysore 571 617, Phone : (08223) 81115-18
Whitefield Road, Bangalore 560 048, Phone : (080) 8524061 – 71
88 MIDC Industrial Area, Satpur, Nashik 422 007, Phone : (0253) 2351081-88

R & D Centre Whitefield Road, Bangalore 560 048, Phone : (080) 8524061 – 71

Sales Office 407 Ashoka Estate, 24 Barakhamba Road, New Delhi 110 001,
Phone : (011) 23314364

Address for Correspondence

Bakhtawar, 2nd Floor
Nariman Point
Mumbai 400 021
Phone : (022) 22886418-21
Fax : (022) 22028833
E-Mail ID gilbakt@graphiteindia.co.in

31 Chowringhee Road
Kolkata 700 016
Phone : (033) 22265755/2334/4942
Fax : (033) 22496420
E-Mail ID graphite@giacsl01.vsnl.net.in

IIT Corporate Services Limited
Protoprima Chambers, Suren Road
Andheri (East), Mumbai 400 093
Tel No. (022) 26838240 / 41
Tele Fax No. (022) 26836790 / 91
E-Mail ID : iitcsl@bom3.vsnl.net.in

On behalf of the Board

Kolkata
May 7, 2003

K K Bangur
Chairman

**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE
AS STIPULATED IN CLAUSE 49 OF THE LISTING AGREEMENT**

To the Members of Graphite India Limited

We have reviewed the compliance of conditions of Corporate Governance by Graphite India Limited for the year ended 31st March, 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges, with the relevant records and documents maintained by the Company and furnished to us.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination 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.

We further 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.

No investor grievance is pending as at 31st March, 2003, for a period exceeding one month against the Company as per the records maintained by the Company.

On the basis of our review and according to the information and explanations given to us, read with the Note under Section III of the Report on Corporate Governance issued by the Company on even date regarding the attendance of a member of the Audit Committee at the Annual General Meeting, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges have been complied with in all material respect by the Company.

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

Kolkata,
Dated: 7th May, 2003

Plot No. Y-14, Block-EP, Sector-V
Salt Lake Electronic Complex
Bidhan Nagar, Kolkata-700 091