

## 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, 2010

The strength of the Board of Directors as on 31st March, 2010 was eleven comprising the non-executive Chairman (promoter director), seven non-executive directors who are independent, two non-executive directors who are not independent and one Executive Director.

Name	Category	Directorships in other Public Limited Companies incorporated in India	Other# Committee ^	
			As Chairman	As Member (including Chairmanship)
K. K. Bangur	Chairman, Non-Executive	9	–	–
N. S. Damani	NED *	4	–	1
A. V. Lodha	NED *	3	1	2
Dr. R. Srinivasan	NED *	7	4	8
Bhaskar Mitter	NED *	3	2	5
P. K. Khaitan	NED	13	–	5
Sanjiv Goenka	NED *	11	2	4
D. J. Balaji Rao	NED *	9	4	9
N. Venkataramani	NED	1	–	–
J. D. Curavala	NED *	1	–	–
M. B. Gadgil	Executive Director	–	–	–

NED – Non-Executive Director

\* also independent.

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

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

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

Four meetings of the Board of Directors were held during the year on 30th June, 2009, 31st July, 2009, 23rd October, 2009 and 28th January, 2010. 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 2009 to March 2010		Attended last Annual General Meeting (AGM) held on 31st July, 2009
	Held	Attended	
K. K. Bangur	4	4	Yes
N. S. Damani	4	2	Yes
A. V. Lodha	4	4	Yes
R. Srinivasan	4	4	Yes
Bhaskar Mitter	4	3	Yes
P. K. Khaitan	4	2	No
Sanjiv Goenka	4	1	No
D. J. Balaji Rao	4	3	Yes
B. B. Das	4	2	Yes
N. Venkataramani	4	4	Yes
J. D. Curavala	4	4	Yes
M. B. Gadgil	4	3	Yes

### Notes :

1. Mr. N. Venkataramani was Executive Director of the Company till 30.06.09. The Board appointed him as an additional director w.e.f. 01.07.09. The members in the AGM held on 31.07.09 appointed him as director of the Company.
2. Mr. M. B. Gadgil was appointed as an additional director and Executive Director from 01.07.09. The members in the AGM held on 31.07.09 approved and appointed him as director and Executive Director of the Company.
3. Mr. B. B. Das tendered his resignation vide letter dated 22.09.09 and the same was received by us through LIC vide their letter dated 30.09.09 informing us of withdrawal of its nomination of Mr. B B Das from the Board of Directors of the Company.
4. Mr. J. D. Curavala was appointed as an additional director of the Company w.e.f. 30.06.09. The members in the AGM held on 31.07.09 approved and appointed him as director of the Company.

### 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, Dr. R. Srinivasan and Mr. N. Venkataramani (appointed by the Board of Directors w.e.f. 01.07.09) 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 30th June, 2009, 31st July, 2009, 23rd October, 2009 and 28th January, 2010.

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

All members of the Audit Committee (except Mr. N. Venkataramani) are non-executive independent directors. All members 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.

An Audit Committee meeting was held on 30th June, 2009 to review and approve the draft annual accounts of 2008-2009 for recommendation to the Board. The Audit Committee had also reviewed the unaudited quarterly results during the year before recommending the same to the Board of Directors for adoption and required publication.

The Company Secretary acts as the Secretary to the Audit Committee.

The Chairman of the Audit Committee, Mr. A. V. Lodha attended the last Annual General Meeting (AGM) held on 31st July, 2009.

#### IV. Remuneration Committee

The "Remuneration Committee" comprises Mr. P. K. Khaitan as its Chairman with Mr. A. V. Lodha and Dr. R. Srinivasan as its members. The Committee is authorised to decide on the remuneration package for executive director/s, including annual increment, pension rights, compensation payment, if any. The Committee met twice during the year on 30th April, 2009 and 30th June, 2009 which were attended by all the 3 members.

##### Remuneration Policy

Remuneration to non-executive directors is decided by the Board as authorised by the Articles of Association of the Company and are within the limits set out in Section 309 and 198 of the Companies Act, 1956. The members of the Company have in their meeting held on 1st August, 2007 authorised the Board of Directors of the Company to pay commission to non-executive directors within the limits set out in Section 309 (4) of the Companies Act, 1956 for a period of five years w.e.f. 1st April, 2007. The Board of Directors of the Company determine the commission payable to non-executive directors depending upon the time and effort devoted by a director in the business affairs of the Company.

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

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

Name	Salary	Contribution to Provident and Other Funds	Other Benefits	Commission*	Sitting Fees *	No. of Shares held as on 31st March, 2010*
	Rs.	Rs.	Rs.	Rs.	Rs.	
K. K. Bangur				3,00,00,000	2,20,000	509550
N. S. Damani				3,00,000	40,000	
A. V. Lodha				4,00,000	2,40,000	
Dr. R. Srinivasan				4,00,000	2,00,000	500
Bhaskar Mitter				4,00,000	2,20,000	

Name	Salary	Contribution to Provident and Other Funds	Other Benefits	Commission*	Sitting Fees *	No. of Shares held as on 31st March, 2010*
	Rs.	Rs.	Rs.	Rs.	Rs.	
P. K. Khaitan				3,00,000	1,00,000	
Sanjiv Goenka				3,00,000	20,000	
D. J. Balaji Rao				3,00,000	60,000	
B. B. Das					40,000	
N. Venkataramani	7,05,000	2,49,077	12,58,991	40,00,000	1,20,000	7000
J. D. Curravala				3,00,000	80,000	5083
M. B. Gadgil	13,50,000	4,76,955	17,22,549	40,00,000		2000

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

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

Contract period of Mr. N. Venkataramani, Executive Director was one year from the date of appointment with effect from October 19, 2008 with a notice period of three months from either side. Mr. N. Venkataramani requested for early retirement effective from 30th June, 2009 and the Board accepted the request.

Contract period of Mr. M. B. Gadgil, Executive Director – Five years from 01.07.09 with a notice period of three months from either side.

Severance Fees Three months salary in lieu of notice

Stock Option No stock option has been given.

#### V. Shareholders Committee

The Shareholders/Investors Grievances Committee looks into the redressal of shareholders and investors grievances relating to transfer of shares, non-receipt of declared dividend, non-receipt of balance sheet, etc. The Committee comprises - Mr. K. K. Bangur as its Chairman with Mr. Bhaskar Mitter and Mr. M. B. Gadgil (appointed in place of Mr. N. Venkataramani from 01.07.09) as its members.

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

During the year, 52 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 Board 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
34th	2008-2009	Kala Kunj Auditorium (Sangit Kala Mandir Trust) 48, Shakespeare Sarani, Kolkata 700 017	31.07.2009	10.00 a.m.
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.

ii. Special Resolution passed in previous 3 AGMs

AGM	Whether Special Resolution passed	Details of Special Resolution
34th	None	
33rd	None	
32nd	Yes	Payment of Remuneration by way of commission to Directors.

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. 13 of Schedule 31 to the Accounts for the year ended 31st March, 2010 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](http://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](mailto: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	29th July, 2010 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	16th July, 2010 to 29th July, 2010 (both days inclusive)
Dividend Payment Date	By 26th August, 2010
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, 2010 to March, 2011 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

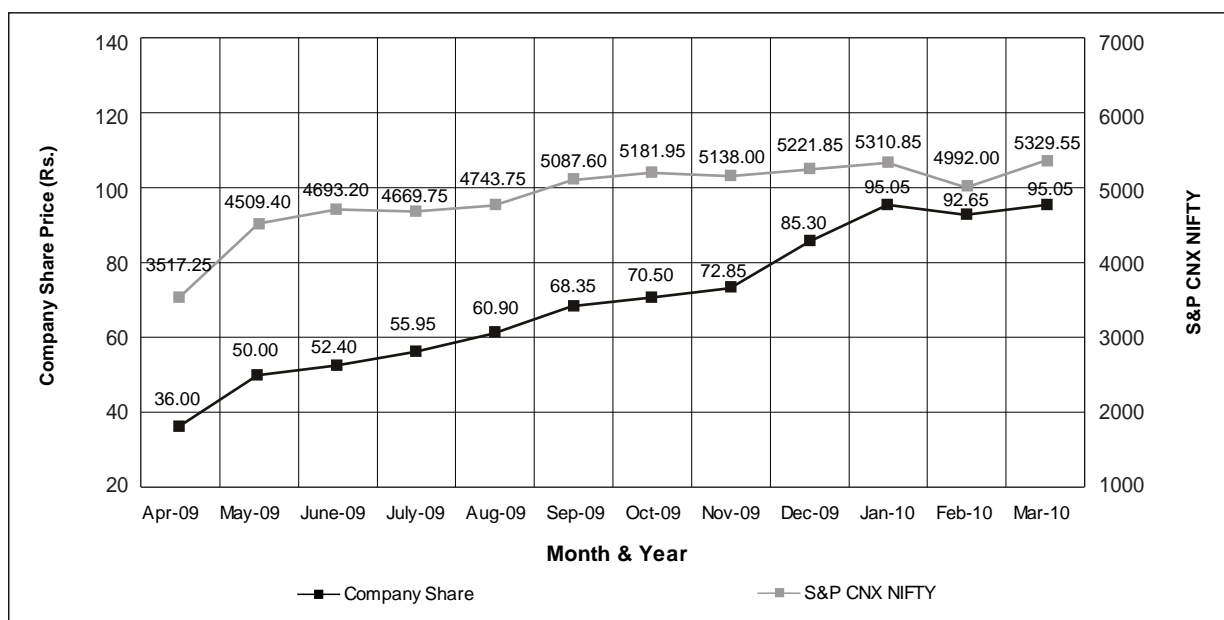
High, Low of market price of the Company's shares traded on National Stock Exchange of India Limited is furnished below:

Period	High	Low	Period	High	Low
	Rs	Rs		Rs	Rs
April, 2009	36.00	24.55	October, 2009	70.50	57.90
May, 2009	50.00	31.60	November, 2009	72.85	59.00
June, 2009	52.40	38.10	December, 2009	85.30	69.00
July, 2009	55.95	47.00	January, 2010	95.05	80.00
August, 2009	60.90	48.00	February, 2010	92.65	76.00
September, 2009	68.35	58.00	March, 2010	95.05	78.50

#### S&P CNX NIFTY

Period	High	Period	High
April, 2009	3517.25	October, 2009	5181.95
May, 2009	4509.40	November, 2009	5138.00
June, 2009	4693.20	December, 2009	5221.85
July, 2009	4669.75	January, 2010	5310.85
August, 2009	4743.75	February, 2010	4992.00
September, 2009	5087.60	March, 2010	5329.55

## 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 : 022-25946970, Fax : 022- 25946969  
E-mail : rnt.helpdesk@linktime.co.in

Link Intime India Pvt. Ltd.,  
59C Chowringhee Road, 3rd Floor, Kolkata -700020  
Tele fax. : 033 22890539/40  
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, 2010

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
1 – 500	109796	94.08	5727271	3.34
501 – 1000	3500	3.00	2819151	1.64
1001 – 2000	1662	1.42	2506448	1.46
2001 – 3000	598	0.51	1509527	0.88
3001 – 4000	274	0.24	988469	0.58
4001 – 5000	258	0.22	1228701	0.72
5001 – 10000	296	0.25	2189635	1.28
10001 – 30000	178	0.15	3073421	1.79
30001 – 50000	35	0.03	1431854	0.83

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
50001 – 100000	40	0.04	2843022	1.66
100001 and above	70	0.06	147192611	85.82
<b>Total</b>	<b>116707</b>	<b>100.00</b>	<b>171510110</b>	<b>100.00</b>
No. of shareholders in Physical mode	74565	63.89	7593082	4.43
Electronic Mode	42142	36.11	163917028	95.57
<b>Total</b>	<b>116707</b>	<b>100.00</b>	<b>171510110</b>	<b>100.00</b>

Shareholding Pattern as on 31st March, 2010

Category	No. of Shares	%
<b>Promoters' Holding</b>		
Promoters		
Indian Promoters	94001409	54.81
Foreign Promoters	15015450	8.75
Persons acting in concert	—	—
<b>Sub-Total</b>	<b>109016859</b>	<b>63.56</b>
<b>Non-Promoters' Holding</b>		
Institutional Investors	—	—
Mutual Fund and UTI	3286988	1.92
Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions)	9433280	5.50
FII's	11470078	6.69
<b>Sub-Total</b>	<b>24190346</b>	<b>14.11</b>
<b>Others</b>		
Private Corporate Bodies	11818680	6.89
Indian Public	24053467	14.02
NRI / OCBs	2430758	1.42
Any Other	—	—
<b>Sub-Total</b>	<b>38302905</b>	<b>22.33</b>
<b>Grand Total</b>	<b>171510110</b>	<b>100.00</b>
<b>Total Foreign Shareholding</b>		
Foreign Promoters	15015450	8.75
FII's	11470078	6.69
NRIs / OCBs	2430758	1.42
<b>Total</b>	<b>28916286</b>	<b>16.86</b>

Dematerialisation of shares and liquidity

As on 31st March 2010, 163917028 shares of the Company representing 95.57% 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. 30,200 Bonds are outstanding as at 31st March, 2010.

The Company has not issued any GDRs / ADRs / Warrants or 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 767033
Power	Chunchanakatte, K R Nagar Taluk, Mysore 571 617 Phone : (0821) 323182/ 681116 Link Canal Mini Hydrel 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: 022-25946970 Fax : 022- 25946969 E-mail: rnt.helpdesk@linktime.co.in
---	---	---

On behalf of the Board

Kolkata  
May 13, 2010

K. K. Bangur  
Chairman

#### Declaration

All the Board Members and the Senior management Personnel have as on 31.03.10 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  
May 13, 2010

M. B. Gadgil  
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, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

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

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

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.

For Price Waterhouse  
Firm Registration Number -301112E  
Chartered Accountants

S. K. Deb  
Partner  
Membership No. 13390

Place: Kolkata  
Date: 13th May, 2010