GRAPHITE INDIA LIMITED

ANNUAL REPORT 2007-08

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. K K Bangur, Chairman
Mr. Bhaskar Mitter
Mr. P K Khaitan
Mr. S Goenka
Mr. N S Damani
Mr. A V Lodha
Dr. R Srinivasan
Mr. D J Balaji Rao
Mr. B B Das, LIC Nominee
Mr. N Venkataramani, Executive Director

COMPANY SECRETARY

Mr. B Shiva

AUDITORS

Price Waterhouse

SOLICITORS

Khaitan & Co.
Orr, Dignam & Co.

BANKERS

Bank of India
Canara Bank
Corporation Bank
CITI BANK N.A.
HDFC Bank Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.
ING Vysya Bank Limited
Punjab National Bank
State Bank of India
UCO Bank

REGISTERED OFFICE

31, Chowringhee Road, Kolkata 700 016

NOTICE

NOTICE is hereby given that the Thirty Third ANNUAL GENERAL MEETING of Graphite India Limited will be held on Monday, the 28th day of July, 2008 at 10.00 A.M. at Kala Kunj Auditorium (Sangit Kala Mandir Trust) 48, Shakespeare Sarani, Kolkata- 700 017 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt Directors' Report and Audited Profit & Loss Account for the year ended 31st March, 2008 and the Balance Sheet as at that date.
2. To declare dividend on Equity Shares for the year ended 31st March, 2008.
3. To appoint a Director in place of Mr. Sanjiv Goenka 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 under the provisions of Section 293(1) (d) of the Companies Act, 1956, to the Board of Directors of the Company borrowing from time to time of such further sums of money as they may deem requisite for the purposes of the business of the Company, not withstanding that monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount upto which monies may be borrowed by the Board of Directors and outstanding shall not exceed the sum of Rs.1500 crore at any one time.
8. To consider and if thought fit, to pass the following resolution with or without modification, as an Ordinary Resolution.

   RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby accorded to the re-appointment and remuneration of Mr.N.Venkataramani as Whole-time Director of the Company (designated as "Executive Director") for a further period of one year commencing from October 19, 2008 to October 18, 2009 on terms and conditions including remuneration as stated in the explanatory statement and set out in the draft letter to be issued, a copy whereof duly initialled by the Chairman for the purposes of identification is placed before this meeting.

By Order of the Board
For Graphite India Limited

Kolkata
May 12, 2008

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 Tuesday 15th July, 2008 to Monday 28th July, 2008 (both days inclusive).

   At the ensuing General Meeting Mr. Sanjiv Goenka, Mr. A V Lodha and Mr. N S Damani, Directors retire by rotation and being eligible offer themselves for re-appointment. A brief resume, their shareholding in the Company and names of other companies in which they hold directorships are given below:

   Mr. Sanjiv Goenka aged 47 years, is Vice Chairman of RPG Enterprises, one of India's top industrial group(turnover USD 3 billion), involved in power, transmission, tyres, entertainment, organized retailing, IT, lifescience etc. Mr. Goenka has been President of CII and Indian Chamber of Commerce and Chairman, Board of Governors, IIT Kharagpur.

Mr. Goenka is member of Indo-French Forum and India-China Eminent Persons Group. Mr. Goenka is also a member of the National Integration Council and of Board of Governors, International Management Institute, New Delhi. He is Honorary Consul of Canada in Kolkata. He does not hold any shares in the Company.

Other Directorships

	Name of the Company	Position
1	RPG Enterprises Ltd.	Vice Chairman
2	CESC Ltd.	Vice Chairman
3	Phillips Carbon Black Ltd.	Chairman
4	Spencer International Hotels Ltd.	Chairman
5	Spencer and Company Ltd.	Chairman
6	Spencer's Travel Services Ltd.	Chairman
7	Harrisons Malayalam Ltd.	Chairman
8	Noida Power Company Ltd.	Director
9	RPG Cellucom India Pvt. Ltd.	Director
10	Saregama India Limited.	Director
11	Eveready Industries India Ltd.	Director
12	Woodlands Medical Centre Ltd.	Chairman

Other Committee Membership

	Name of the Company	Committee	Position
1	CESC Limited	Audit Committee Investor Grievance Committee Finance & Forex	Member Chairman Member
2	Saregama India Ltd.	Shareholder Grievance Committee	Chairman
3	Eveready Industries India Ltd.	Audit Committee Remuneration Committee	Member Member

Mr. A V Lodha, aged 42 years, is a Chartered Accountant & Country Managing Partner of Lodha & Co., a leading accounting and consulting firm in India. Mr. Lodha was President of the Indian Chamber of Commerce, Kolkata, twice and was a Member of National Council of CII. He has chaired various National Committees of CII. He was appointed as a member of the Governing Council of Central Manufacturing Technology Institute, Bangalore, and has served as a member of the high level Naresh Chandra Committee constituted by the Government of India. He does not hold any shares in the Company.

Other Directorships

	Name of the Company	Position
1	Alfred Herbert (India) Ltd.	Director
2	Herbert Holdings Ltd.	Director
3	Shalimar Paints Ltd.	Director

Other Committee Membership

	Name of the Company	Committee	Position
	Shalimar Paints Ltd.	Shareholders' Grievance Committee Audit Committee Remuneration Committee	Chairman Member Member

Mr. N S Damani aged 56 years is an industrialist and is presently Chairman & Managing Director of Simplex Reality Limited. He is a science graduate and has completed business management studies. He has around 30 years experience in business and industry. He does not hold any shares in the company.

Other Directorships

	Name of the Company	Position
	Simplex Realty Limited	Chairman & M D
	The Nav Bharat Refrigeration & Industries Limited	Director
	New Textiles Limited	Director
	Shreelekha Global Finance Limited	Director
	Laucky Vyapaar & Holdings Pvt. Limited	Director
	Travel Voyages (I) Pvt. Limited	Director
	Enas Foundation (U/s 25)	Director

Other Committee Membership

	Name of the Company	Committee	Position
	Simplex Realty Limited	Share Committee of Directors	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 28th July, 2008 and to whom dividend warrants will be posted. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished as on 14th July, 2008 by the depositories for this purpose.

f. Unclaimed dividend amounts upto the financial years ended 31st March, 2000 declared by the Company have been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Members who have not encashed the dividend warrants are requested to prefer their claim to the Office of Registrar of Companies, West Bengal, Nizam Palace, 234/4, A.J.C.Bose Road, Kolkata-700 020. Members can obtain details of the transfers made to the Central Government from the Company.

g. Members are hereby informed that dividends which remain unclaimed/ unencashed over a period of 7 years have to be transferred by the Company to the Investor Education & Protection Fund (IEPF) established by the Central Government under Sec. 205(C) of the Companies Act, 1956. Unclaimed/ un-encashed dividend declared by the Company for the year ended 31st March, 2001 would be transferred to the said fund in the last week of September, 2008.

   It may be noted that no claim of the shareholders will be entertained for the unclaimed dividends which have been transferred to the credit of the IEPF under the provisions of Sec. 205(B) of the Companies Act, 1956. In view of the above, the shareholders are advised to send all the unencashed dividend warrants to the Registered Office/ Mumbai office of the Company for revalidation and encash them immediately.

   Dividends that remained unclaimed/ unencashed for the year ended 31st March, 2000 of the Company and that of erstwhile Graphite India Limited have already been transferred to the IEPF.

h. The Company has entered into agreements with National Securities Depository Ltd, (NSDL) and Central Depository Services (India) Ltd (CDSL). Shares of the Company are under the compulsory demat settlement mode from May 8,2000 and can be traded only in demat mode. Members are advised to send the shares of the Company held in physical form through their Depository Participant for demat purposes to the Company's Registrars and avail the benefits of paperless trading.

i. Members are requested to affix their signature at the space provided in the attendance slip with complete details including the Folio No. annexed to the proxy form and hand over the slip at the entrance of the place of meeting.

j. Members are requested to notify change in their address, if any, immediately to the Company's Registrar, Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mill Compound, L B S Marg, Bhandup (W), Mumbai 400 078.

By Order of the Board
For Graphite India Limited

Kolkata
May 12, 2008

B. Shiva
Company Secretary

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

ITEM NO. 7

Pursuant to Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid-up share capital of the Company and its free reserves at any one time except with the consent of the shareholders of the Company in a General Meeting. At the Annual General Meeting of the Company held on the 31.07.2006, consent of the members was obtained for the Directors to borrow up to a maximum amount of Rs.1000 crore, irrespective of the fact that such amount together with the moneys already borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) exceeded the aggregate of the paid-up capital and free reserves of the Company as on that date. With the Company focusing on expansion/ growth, there would arise a need to borrow in excess of the aforesaid limit. The resolution seeking members approval authorizing the Board of Directors to borrow upto a limit of Rs.1500 crore is proposed accordingly.

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

ITEM NO. 8

At a meeting of the Board of Directors of the Company held on 12th May, 2008, Mr.N.Venkataramani was re-appointed as the Whole-time Director of the Company designated as "Executive Director" for a further period of one year with effect from 19th October, 2008 at the remuneration and on the terms and conditions as contained in the draft letter of re-appointment which would be placed before the meeting.

The approval of the members is accordingly being sought for re-appointment and payment of remuneration to Mr.Venkataramani as the Whole-time Director as per the resolution. Copy of the draft letter is open for inspection at the Registered Office of the Company on all working days of the Company between 10.00 a.m. to 12 noon upto the date of the meeting and also at the meeting.

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

1. The re-appointment of Mr.N.Venkataramani as a Whole-time Director designated as 'Executive Director' of the Company is for a further period of one year w.e.f. 19th October, 2008.

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

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

   (i) Salary : At the rate of Rs.250,000/- (Rupees Two Lacs Fifty Thousand only) per month or such higher sum as may from time to time be determined by the Remuneration Committee/ Board.

   (ii) Perquisites : Such perquisites and allowances as are or may from time to time be allowed to senior Executives of the Company or as may from time to time be determined by the Remuneration Committee/ Board.

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

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

a. contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961,

b. gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and

c. encashment of leave at the end of the tenure

(iii) In addition to the above, he shall also be entitled to such commission, if any, as may be determined by the Board provided the aggregate of the salary, perquisites and commission for any financial year shall not exceed 5% of the net profits of the Company for that year computed in the manner referred to in Section 198(1) of the Act.

3. He shall be entitled to earned/ privilege leave on full pay and allowances as per the Rules of the Company.

4. Notwithstanding anything herein contained either party, shall be entitled to determine his appointment by giving three months' notice in writing in that behalf to the other party and on the expiry of the period of such notice, his appointment shall stand terminated. The Company shall also be entitled to terminate his appointment on giving him three months' salary as specified in clause 2(i) above in lieu of three month's notice required to be given under this clause.

5. The re-appointment and remuneration of Mr.N.Venkataramani as the Whole-time Director of the Company (designated as "Executive Director") requires the approval of the members of the Company in general meeting in terms of paragraph (1) of Part III of Schedule XIII to the Act.

6. This may also be treated as an abstract of the agreement to be entered into between Mr.N.Venkataramani and the Company pursuant to Section 302 of the Companies Act, 1956.

7. Mr.N.Venkataramani as Whole-time Director is concerned or interested in the resolution. No other Director is concerned or interested.

By Order of the Board
For Graphite India Limited

Kolkata
May 12, 2008

B. Shiva
Company Secretary

DIRECTORS' REPORT

The Directors have pleasure in presenting their Thirty Third Annual Report together with the audited statement of accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

Rs. in Crore

Particulars	2007-08	2006-07	2007-08	2006-07
	Graphite India Limited		Graphite India Limited Consolidated	
Sales / Income from Operations – (Gross)	1155.87	900.01	1388.36	1170.94
Profit for the year after charging all expenses but before providing interest, depreciation, tax and non-recurring income	276.19	203.79	307.00	259.73
Less : Interest	35.70	32.15	42.90	37.05
Profit before depreciation, tax and non-recurring income	240.49	171.64	264.10	222.68
Less : Depreciation	33.50	29.93	41.03	37.71
Profit before taxation and non-recurring income	206.99	141.71	223.07	184.97
Add: Non-Recurring Income	—	96.24	—	96.24
Profit before taxation	206.99	237.95	223.07	281.21
Less : Provision for taxation	73.34	44.08	80.73	58.85
Profit for the year	133.65	193.87	142.34	222.36
Add :Balance brought forward from the previous year	41.46	22.38	89.66	42.20
	175.11	216.25	232.00	264.56
Which has been appropriated as under :				
Transfer to Debenture Redemption Reserve	11.25	24.10	11.25	24.10
Interim Dividend	—	29.38	—	29.38
Proposed Dividend on Equity Shares	45.33	14.69	45.33	14.69
Dividend Tax	7.70	6.62	7.70	6.62
Transfer to General Reserve	100.00	100.00	100.00	100.00
Reserve Fund	—	—	0.05	0.11
Balance carried forward	10.83	41.46	67.67	89.66
	175.11	216.25	232.00	264.56

BUSINESS REVIEW

India Inc has performed well this financial year too and Indian companies continue to shine in the global market. The recent years emphasize the high growth trajectory.

With GDP at market prices exceeding 8 per cent, every year since 2003-04, the prospects seem good. According to the Economic Survey 2007-08 the projected GDP growth of 8.7% for FY-2007-08 is fully in line with this growth trend. Macroeconomic fundamentals inspire investor confidence and the investment climate is one of optimism.

Economic growth continued to be driven mainly by growth in industrial and services sectors. Ably supported by the strong domestic demand, though the domestic investment and saving rates point towards a sharp economic growth in the coming years, some element of cyclical fluctuations may interject due to the retarding trends noticeable in the world economy. The growth target for the Eleventh Five Year Plan (2007-12) has been set at a challenging 9%. The emergence of India as a preferred global hub for auto component industry has provided a definite impetus to the economy.

The International Monetary Fund (IMF) views the rising of rupee vis-à-vis the USD (during the financial year) as a reflection of the strength of the Indian economy, which is amongst the world's fastest growing economies, today. The rupee appreciation against the US dollar however has adversely affected India's export revenues.

According to the IMF, the world economy grew by 4.9% last year (2007) and is projected to grow by 3.7% in 2008 and 3.8% in 2009 (a reduction from earlier projections), following slow economic growth in the US.

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

Worldwide, manufacturers have been witnessing a growth in global demand. Thus, in the backdrop of yet another favourable global business environment, the year was a good year. All the three segments recorded year-on-year growth. The Company achieved its highest ever growth in its turnover. This was facilitated by increased volumes in all segments following stabilization of expanded capacities, de-bottlenecking and improved product mix. Domestic turnover increased by 22.51% y-o-y. Export business had a good year growing by 33.18%. The growth in export turnover (as compared with that of the previous year) has predominantly come from increased volumes of Graphite Electrodes sold with full stabilization of new/additional production capacities installed earlier and supported by higher realisation. The turnover in rupee terms would have been significantly higher, but for the impact of the rupee appreciation.

There has been a major increase in the prices of raw materials, and other costs of production following steep increase in the price of crude. It seems, there is no respite as crude oil price continues to touch new heights with the passing of every day. Despite the steep increase in the cost of inputs, the Company has so far been able to maintain its performance through cost saving measures and better realisations.

The USD 40 Million raised by way of Foreign Currency Convertible Bonds in October 2005 has been judiciously used to fund the on going capital expenditure requirements of several new projects across different product segments.

Due to a combination of operational factors, including less than expected efficiency and productivity, the performance of the German operations was less than planned. However, these causes have since been addressed and issues have been resolved.

SHARE CAPITAL

41,88,576 Equity Shares Rs.2/- each pari passu in all respects with the existing equity shares of the Company, were issued and allotted to FCCB-holders who had exercised their conversion option. Accordingly, the total number of equity shares issued by the Company has gone up to 15,10,84,801 from 14,68,96,225 equity shares.

With this, the issued and paid-up equity capital of the Company has gone up to Rs.30,21,69,602 comprising 15,10,84,801 Equity Shares of Rs.2/- each.

DIVIDEND

The Directors are pleased to recommend the payment of Dividend at the rate of 150% on 15,10,84,801 Equity Shares of Rs.2/- each for the financial year ended March 31, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(i) Industry's structure and developments

A. GRAPHITE ELECTRODE BUSINESS

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

Graphite Electrode demand is primarily linked with the global production of steel in electric arc furnaces. The overall output of steel remained high in 2007 too. The International Iron and Steel Institute (IISI) has announced that world crude steel output reached 1,343.5 million metric tons in 2007. This is an increase of 7.5% on 2006. The total represents the highest level of crude steel output in history and it is the fifth consecutive year that world crude steel production grew by more than 7%. China continued to remain the driving force behind the strong world production figures. Other BRIC countries namely Brazil, Russia and India also maintained a relatively high growth rate, with India and Brazil recording 7.3% and 9.3% increases respectively. Steel Production has significantly increased in the Middle East which is of particular importance as the Company could increase sale of Electrodes substantially in this region.

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

The domestic steel industry is poised for major expansion, and expectation of substantial consumption growth has stimulated huge expansion plans. The national steel policy has set a higher target of 150 million metric tons steel production by 2015 and major steel producers in India are planning to expand their capacities in tune with the National Steel Policy formulations. With the massive infrastructure development plans calling for huge requirement of steel, the growing demand for steel will be met by the new steel capacities coming on stream in Eastern Region. In turn the demand for Graphite Electrodes will also increase and the Company is well positioned to leverage this growth cycle.

The cost of all major raw materials and supplementary materials, as also fuel and energy, has gone up significantly. By efficiency / productivity improvements and through higher realization, the Company is confident of addressing the challenge of high costs and maintaining operational performance.

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

In Speciality Graphite products, a modern new machine shop has been set up in India to supply speciality products in a cost efficient structure to improve the synergy between the two operations.

The steep appreciation of the rupee with respect to the US Dollar has hit all exporting industries. The Company too has been affected. With a view to mitigate the effect of the rupee appreciation, the GOI increased the export incentive rate (DEPB) to 8%, but within a few months for reasons best known to the Government, the DEPB rate was reduced to 6% for a handful of industries including the Graphite Industry. The inclusion of fuel on the negative list in the Value Added Tax Act (VAT) added to the list of woes of the industry.

The investigation initiated by the European Commission (EC) based on allegation by the community industry of a possible circumvention of countervailing duty imposed earlier, has since been terminated by the EC after due process of scrutiny and verification, by a Regulation dated 19 October, 2007.

Despite these challenges, the Indian Graphite Electrode industry has performed well in exports by remaining keenly competitive through several strategic measures, such as upgradation of technology, expansion of capacity brininging in economies of scale and recording its credibility by delivering world class quality products, promptly, and equally well along with an efficient follow through of excellent after-sales-service.

Barring unforeseen circumstances, Graphite Electrode production and sale is expected to rise in the current year too on the back of the projected growth in the steel industry.

Coke Division

The Coke Division in Barauni, engaged in the manufacture of Calcined Petroleum Coke (CPC), Electrode Paste and Tamping Paste is one of the many backward integration initiatives of the Company. Two grades of CPC - aluminium and graphite – are produced here. CPC is a raw material used in the manufacture of regular and high power grade Graphite Electrodes. This is also a critical raw material for fine grained high density graphite used in speciality graphite products and Impervious Graphite Equipment. Electrode Paste is used in ferro alloy smelters and Tamping Paste is used as a lining material in steel and aluminium smelters.

This unit continues to be affected by erratic supply of Raw Petroleum coke. Capacity utilization was higher as compared to the previous year as the previous year was afflicted by shortage of Raw Petroleum Coke. Production and sale of Calcined Petroleum coke and Carbon Paste have increased. Price of raw material continues to rise unabated, and on introduction of quota system, the availability has also suffered.

B. GRAPHITE EQUIPMENT BUSINESS

The Impervious Graphite Equipment (IGE) Division is engaged in manufacturing and marketing of heat exchangers, ejectors, pumps and turnkey plants at its Nashik Works. The Graphite Equipment has wide application in corrosive chemicals industries such as pharmaceutical, agro-chemical, chloro alkali and fertilizer industries.

In the domestic market, the Equipment Division has maintained its leadership status by virtue of its competitive pricing, timely delivery and increasing ability to deliver large capacity heat exchangers.

In the international market, the volumes have grown through the appointment of a network of qualified agents to address the growing demand in the niche markets. Participation in industrial exhibitions, direct technical discussion with OEM customers and further strategic measures were implemented to enhance the presence in the global market.

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

C. GRP PIPES & TANKS BUSINESS

Glass Reinforced Plastic (GRP) Pipes and Tanks Division is engaged in manufacturing and marketing of GRP Pipes and Tanks. The Company converts users of conventional pipes to GRP through re-engineering, strategic marketing, superior product quality, competitive pricing and value-added services. The entry of private sector in the retailing of India's petroleum products has greatly enhanced the opportunities for GRP Tanks. The Company is confident of a good growth for its GRP division.

Following good demand, this Division experienced some capacity crisis during the year, leading to delays in execution of some orders. To overcome this in future, a beginning has been made to improve the production planning systems and perhaps at a later date, enhance the production capacity.

D. POWER

Power is a major input in the manufacturing of Graphite Electrode. As part of its cost reduction initiatives, besides ensuring adequate availability of quality power ; the Company has made significant investment in this segment.

The Company has an installed capacity of 33 MW of power generation through Hydel and Multi-fuel routes and has also invested in an exclusive transmission line to get the benefit of low cost power in one of its plants. In the medium term, the Company has plans to increase its competitive edge through further investments in conventional and non-conventional routes of power generation.

As part of the ongoing process of reducing the cost of electrical energy, the Company has entered into a long term agreement with a power producer in the private sector to obtain power at lower cost as compared to the grid cost.

(ii) Opportunities and threats

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

It is this philosophy that has helped the Company grow year-on-year in all its Divisions, over the years. To a great extent it is the increased demand captured by penetrating into new markets, enlisting new customers and increasing the market share, that has contributed to this steady growth.

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

The Company is well equipped and geared to face these usual business challenges and is confident of achieving its business goals.

The management remains focused on the key areas of cost effectiveness, excellence in product quality, and customer service, operational productivity and efficiency.

(iii) Segment-wise Performance

TOTAL SALES OF THE COMPANY

The Company achieved a record turnover of Rs.1121 crore during the year under review as against Rs. 877 crore in the previous year representing an increase of 27.81%.

All product Divisions of the Company recorded increased turnover.

Aggregate Export Sales of all divisions were Rs.665 crore during the year under review as against Rs. 499 crore in the previous year, representing an increase of 33.18%.

(a) Graphite and Carbon Division

Production of Graphite Electrodes, Anodes and Other Miscellaneous Carbon and Graphite Products during the year under review was 74,414 MT against 67,576 MT in the previous year.

Production of Calcined Petroleum Coke during the year was 36,746 MT as against 29,563 MT in the previous year.

The cost of raw materials, supplementary materials and energy has risen very steeply. However, the Company is confident of meeting these challenges through cost reduction achieved by improvement in productivity, efficiency, optimal product mix of high end products and through improved realization.

(b) Power Division

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

Total power generated was 133 million units from Hydel Power Plants and Multi Fuel Power Generating Sets during the period under review, as against 118 million units in the previous year.

(c) Others

Production in the Impervious Graphite Equipment (IGE) Division and spares at 817 MT was higher as compared to that of 810 MT in the previous year.

The growth of organic, chloro alkali and fertilizer industries contributed to the growth in domestic market and the same trend is expected to continue in 2008-09.

The Glass Reinforced Plastic Pipes (GRP) Division produced 6,121 MT as against 5,759 MT in the previous year. This Division has improved its production by 6.29% year-on-year.

(iv) Outlook

The outlook of the global steel industry appears to be good for the steelmakers. Global steel production is projected to grow moderately in 2008 by about 4 percent versus the average gain of 8 percent since 2001. The BRIC countries which accounted for about 41% percent of global steel demand in 2006 will again be leading the growth with an expected increase of 12.8% for 2007 and 11.1 percent in 2008. The domestic demand is currently growing at 12.5% per cent with supply lagging at five per cent. On the back of this development, the Company can look forward to drive sustainable Graphite Electrode business in FY 2008-09.

Following good economic growth in the country with GDP growth projected at 8.7%, the prospects of Graphite Equipment business in the domestic market continues to look good. The potential for growth in the export market is also promising.

The demand for GRP Pipes is growing annually at the rate of 20%-30% and preference has shifted to GRP over other MOC's for corrosive applications and due to the longer gestation period of MS & DI Pipes. This Division has the advantage of captive supply of Resin, besides favourable locational advantage.

(v) Risks and Concerns

It is undeniable that business projections have an inherent element of uncertainty of unknown factors like sudden reversal of positive trends leading to economic slowdown resulting in possible negative growth for steel, automotive and infrastructure industries which will adversely impact prospects of our industry. Declining prices will affect operating margins.

Disproportionate increase in taxes and other levies imposed by the Central Government and State Governments from time to time, especially on essential inputs, increases the cost of manufacture and reduces the profit margins.

Any economic slowdown can adversely impact the demand-supply dynamics and profitability and our Company too is vulnerable to these changes.

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

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

Foreign exchange rate volatility impacts the Company's business prospects directly through its foreign currency debt portfolio. Export turnover constitutes major part of the total turnover. An appreciating trend in INR may substantially impact the earnings of the Company.

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

However, the Company's operations have historically shown remarkable resilience to such fluctuations in demand. When the domestic demand was flat and even negative, the Company was well prepared to focus on exports, and retain its eminent status as a steady player over several years. This is a testimony to the Company's ability to weather any storm, and stay afloat and swim ashore.

(vi) Internal control systems and their adequacy

The Company has proper and adequate system of internal controls. Internal audit is conducted by outside auditing firms at all locations of the Company. The Internal audit reports are reviewed by the top management and adequate remedial measures are taken and in time.

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

The healthy environment and good performance of customer industries like steel, chemicals, infrastructure, etc. enabled 100% capacity utilization in all product lines.

Sales/Income from Operations recorded Rs. 1156 crore, registering a 28% growth over the previous year figure of Rs. 900 crore. As a result, the liquidity position during the year improved significantly, supported by timely receipts, higher volumes and higher realization.

Due to this, internal accruals improved and borrowings declined to Rs. 473 crore during the year as compared to Rs. 582 crore in the previous year.

On the negative side, it was the continuous increase in crude oil prices that resulted in huge increase in raw material prices and energy costs.

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

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

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

All commitments relating to repayment of Loan installments were honoured in time.

The Company is a net foreign exchange earner.

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

Several HRD programmes being relentlessly pursued in all locations, aiming at creating a truly 'Learning organization', have significantly raised the level of excellence amongst the cross section of employees. These enabling programmes commensurate with the desired managerial competencies in terms of global standards, will eventually help in developing the skills of the fast-track employees. In due course, they will also be groomed to assume higher roles and responsibilities for catering to the growing needs of the Company. The strategy also includes enabling the 'Succession Planning' being put in place as well as overcoming the prevailing crisis of non-availability of qualified and experienced manpower across the Company.

On the ERP front, SAP has been established in the Company with a purpose. The implementation of PP, PM, QA & CO modules of SAP for the electrode plants which was targeted in the second phase will go live in early next year. The SAP team has been strengthened and in-house expertise has been fully achieved to support and maintain the SAP system.

The total no. of people employed in the organization was 2961 as on 31.03.2008.

Employee relations are good and cordial at all locations of the Company. The Board wishes to place on record its appreciation of the contribution made by all the employees in ensuring high levels of performance and growth.

Cautionary Note

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

Additional Disclosures

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

Research & Development

The main thrust in the R&D activities during the year continued to be in the area of Carbon – carbon composites for Defence aircraft application. Emphasis was on scaling up of process equipment, introducing improvements in processing to increase productivity and upgradation of quality of carbon composites. Processing of carbon composites for space application was also initiated.

New product and process technology upgradation also received greater importance in lieu of increased requirement in unexplored specialty applications of graphite.

Public Deposits

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

Deposits amounting to Rs. 90,000 (previous year Rs. 97,000) due for repayment remained unclaimed.

Subsidiary Companies

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

The overseas subsidiaries clocked a turnover of Euro 62.46 mn as compared with Euro 58.54 mn in the previous period. The profit before tax of these overseas subsidiaries was Euro 4.95 mn and profit after tax was Euro 3.66 mn.

The Company earned by way of Royalty Rs. 4.05 crore during the year and Rs. 1.26 crore by way of Dividend, as against Rs.3.80 crore and Rs. 0.58 crore in the previous year, from overseas subsidiaries.

The Company has obtained exemption from the provisions of Section 212(1) of the Companies Act, 1956 relating to the attachment of the accounts, reports, statement in terms of Section 212(1)(e), etc. of its subsidiaries to its Accounts. All these subsidiaries are 100% wholly owned by the Company. In terms of the approval of the Ministry of Company Affairs, it is stated here that, the Annual Accounts of subsidiary companies and the related detailed information will be made available to the holding and subsidiary company investors seeking such information at any point of time. The annual report and accounts of the subsidiary companies will be kept for inspection at the Company's registered office along with that of the parent company.

The Consolidated financial statement of the Company along with those of its subsidiaries prepared as per AS-21 forms part of the Annual Report.

Information pursuant to Section 217 of the Companies Act, 1956

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, 2008 is given in Annexure 'A'.

Particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the year ended 31st March, 2008 are given in Annexure 'B'.

DIRECTORS

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

Mr N Venkataramani has been reappointed as the Whole-time Director of the Company, designated as 'Executive Director' for a further period of one year with effect from 19 October, 2008.

Recognition / Award

This year too, the Company received for the fourth year in a row, the TOP EXPORTER AWARD (in the Graphite Electrodes panel) of CAPEXIL for its export performance during 2006-07; and Top Exporters award in the Large Enterprise category for 2005-06 of Eastern Region of

EEPC. The Company enjoys the status of a Three Star Export House.

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, 2008 and of the profit of the Company for the year ended March 31, 2008.
3. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that they have prepared the annual accounts on a going concern basis.

Corporate Governance Report

A Report on Corporate Governance along with a Certificate of Compliance from the Auditors forms part of this Report.

Auditors

Price Waterhouse, Chartered Accountants, Auditors of the Company retire and are eligible for re-appointment.

Acknowledgement

Your directors place on record their appreciation of the assistance and support extended by all government authorities, financial institutions, banks, consultants, solicitors and shareholders of the Company. The directors express their appreciation of the dedicated and sincere services rendered by employees of the Company.

On behalf of the Board

Kolkata
Date : 12th May, 2008

K. K. Bangur
Chairman

ANNEXURE - A

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

	Graphite Electrode Division	Impervious Graphite Equipment Division	Graphite Reinforced Plastic Pipe Division
A. CONSERVATION OF ENERGY			
a) Energy Conservation measures taken	1) Power factor improvement 2) Installation of Energy efficient pumps 3) Waste tar generated being used in place of Fuel	Further automation of Multi Spindle drilling machines resulting in improved accuracy, productivity and energy consumption	Installation / modification of equipments to reduce compressed air / energy consumption. This has been done in the areas of material transfer and heating systems.
b) Additional measures proposed to be taken	1) Further improvements in power factor 2) Use of fuel additives in DG Set	—	Improvement in power factor
c) Impact of measures of (a) & (b) above	Reduction in specific energy consumption/cost of production	Reduction in specific energy consumption	Reduction in specific energy consumption
B. TECHNOLOGY ABSORPTION			
a) Research and Development			
Specific area in which R & D was carried out	1) Development of new Speciality Products. 2) Developing more cost effective process cycles 3) Process modification to yield better quality	—	—
Benefits Derived	1) Quality Improvements 2) Cost Reduction 3) Wider product range	—	—
Future plan of action	To bring down cost of production by using better techniques and processes	—	—
Recurring Expenditure in R & D	Rs. 29.64 lakh	—	—
R & D Expenditure as Percentage of total turnover	0.027%	—	—

		Graphite Electrode Division	Impervious Graphite Equipment Division	Graphite Reinforced Plastic Pipe Division
b)	Technology Absorption, Adaptation and Innovation			
	Efforts made	Manufacturing of special type of fine grained mold stock	Development of more accurate drilling machines to improve quality	Various innovative modification in plant and machinery
	Benefits	Expansion of product range	Improved quality of blocks and productivity	Reduction in scrap and breakdowns
	Technology Imported during the last five years	NIL	NIL	NIL

		Rs. in lakh
C.	FOREIGN EXCHANGE EARNINGS AND OUTGO	
	Earnings	64497
	Outgo	26088

By Order of the Board

Kolkata,
12th May, 2008

K. K. Bangur
Chairman

ANNEXURE - B

STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008

Sl. No.	Name of the Employee	Age	Designation/ Nature of Duties	Remuneration/ Salary Rs. in Lakh	Nature of Employment	Qualification	Date of commencement of Employment / Total Experience (Years)		Previous Employment
1.	Mr N Venkataramani	62	Executive Director	116.42	Contractual	B.Sc., B.E., M.Tech	14.06.2001	37	GKW Limited President - Bolt & Nut Division
2.	Mr M B Gadgil	55	President	32.08	Non-Contractual	B. Tech (Mech.), MBA (Operation Research)	06.02.1978	32	Motor Industries Company Limited, Bangalore Asst. Officer - Materials Planning

Notes :
1. Remuneration has been calculated on the basis of Section 198 of the Companies Act, 1956.
2. Nature of employment is contractual or as per Agreement wherever applicable. Other terms and conditions applicable to them are as per the Company's rules. None of the employees mentioned is related to any Director of the Company.

On behalf of the Board

Kolkata
12th May, 2008

K. K. Bangur
Chairman

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, 2008

The strength of the Board of Directors as on 31st March, 2008 was ten comprising the non-executive Chairman (promoter director), eight non-executive independent directors (of whom one is a nominee director), and one Executive Director.

Name	Category	Directorships in other Public Limited Companies incorporated in India	Other# Committee ^ positions held As Chairman	As Member (including Chairmanship)
K K Bangur	Chairman, Non-Executive	8	—	—
N S Damani	NED *	4	—	—
A V Lodha	NED *	3	1	2
Dr. R Srinivasan	NED *	8	4	10
Bhaskar Mitter	NED *	3	2	4
P K Khaitan	NED *	14	1	6
Sanjiv Goenka	NED *	11	2	4
D J Balaji Rao	NED *	8	3	10
B B Das	LIC Nominee * @	—	—	—
N Venkataramani	Executive Director	1	—	—

* also independent.

@ as lender

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

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

NED – Non-Executive Director

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

Four meetings of the Board of Directors were held during the year on 15th June, 2007, 31st July, 2007, 29th October, 2007 and 23rd January, 2008. 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 2007 to March 2008		Attended last Annual General Meeting (AGM) held on 1st August, 2007
	Held	Attended	
K K Bangur	4	4	Yes
N S Damani	4	3	Yes
A V Lodha	4	4	Yes
R Srinivasan	4	4	Yes
Bhaskar Mitter	4	4	Yes
P K Khaitan	4	4	Yes
Sanjiv Goenka	4	2	No
D J Balaji Rao	4	4	Yes
B B Das	4	4	Yes
N Venkataramani	4	4	Yes

Code of Conduct

The Board has laid a Code of Conduct (Code) for all Board Members and Senior Management of the Company. The Code has been posted on the website of the Company. All Board Members and Senior Management personnel have affirmed compliance of the Code.

III. Audit Committee

Composition & Scope of Activity

The Audit Committee of the Company comprises Mr. A V Lodha as its Chairman with Mr. Bhaskar Mitter and Dr. R Srinivasan as its members.

The terms of reference of the Audit Committee include the powers as laid down in Clause 49 II (C) of the Listing Agreement and the role as stipulated in Clause 49 II (D) of the Listing Agreement of the Company with the Stock Exchanges. The scope of activity of the Committee is also in consonance with the provisions of Section 292A of the Companies Act, 1956.

Committee Meetings held and attendance during the year

Four meetings of the Audit Committee were held during the year on 15th June, 2007, 31st July, 2007, 29th October, 2007 and 23rd January, 2008

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

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

The Executive Director remained present at all meetings of the Audit Committee. The Sr. Vice President (Finance) remained present in three 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 15th June, 2007 to review and approve the draft annual accounts of 2006-2007 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 1st August, 2007.

IV. Remuneration Committee

The "Remuneration Committee" comprise 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 once during the year on 15th June, 2007 which was 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 Sections 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, 2008 *
	Rs.	Rs.	Rs.	Rs.	Rs.	
K K Bangur	—	—	—	175,00,000	220,000	161550
N S Damani	—	—	—	2,50,000	60,000	—
A V Lodha	—	—	—	3,50,000	220,000	—
Dr R Srinivasan	—	—	—	3,50,000	180,000	500
Bhaskar Mitter	—	—	—	3,50,000	240,000	—
P. K.Khaitan	—	—	—	2,50,000	140,000	—
Sanjiv Goenka	—	—	—	2,50,000	40,000	—
D J Balaji Rao	—	—	—	2,50,000	80,000	—
B B Das	—	—	—	2,50,000	80,000	—
N Venkataramani	24,00,000	8,48,000	28,94,438	55,00,000	—	N A

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

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

Contract period of Mr N Venkataramani, Executive Director: Two years from the date of appointment with effect from October 19, 2006 with a notice period of three months from either side.

Severance Fees	Three months salary in lieu of notice
Stock Option	No stock option has been given.

V. Shareholders Committee

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

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

During the year, 40 complaints were received from the shareholders, all of which were attended to. The details of shareholders/investors grievances are placed before the Shareholders' Grievances Committee. Four meetings of the Committee were held during the year.

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

VI. General Body Meetings

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

AGM	Year	Venue	Date	Time
32nd	2006-2007	Williamson Magor Hall of The Bengal Chamber of Commerce & Industry, 6, Netaji Subhas Road, Kolkata 700 001	01.08.2007	10.00 a.m.
31st	2005-2006	Gorky Sadan, 3, Gorky Terrace, Kolkata 700 017	31.07.2006	10.00 a.m.
30th	2004-2005	Gorky Sadan, 3, Gorky Terrace, Kolkata 700 017	28.07.2005	10.00 a.m.

ii. Special Resolution passed in previous 3 AGMs

AGM	Details of Special Resolution passed
32nd	None
31st	None
30th	None

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

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

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

VII. Disclosure

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

However, the related party relationships and transactions as required under Accounting Standard (AS) 18 on Related Party Disclosures prescribed under the Companies Act, 1956 disclosed in Note No. 11 of Schedule 31 to the Accounts for the year ended 31st March, 2008 may be referred.

B. In terms of Clause 49 (IV) (F) (i) of the Listing Agreement, the senior management have disclosed to the Board that they have no personal interest in material, financial and commercial transactions of the Company, that may have a potential conflict with the interest of the Company at large.

C. During the last three years, there were no strictures or penalties imposed by SEBI, Stock Exchanges or any statutory authorities for non-compliance of any matter related to the capital markets.

D. (i) The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement.

(ii) Non-Mandatory requirements

a. The Company maintains a Chairman office at its expense.

b. Remuneration Committee has been constituted as detailed in Section IV of this Report.

c. The audit report on the financial statements of the Company for the previous year has no qualifications.

d. Of the non-mandatory requirements as mentioned in Annexure I D of Clause 49 of the Listing Agreement, the Company has not adopted the following-

i. Term of independent directors

ii. Sending half yearly declaration of financial performance including summary of significant events in last 6 months to each household of shareholders.

iii. Training of Board members.

iv. Mechanism for evaluating non-executive Board members.

v. Whistle Blower Policy.

VIII. Means of Communication

In compliance with the requirements of Clause 41 of the Listing Agreement, the Company regularly intimates unaudited quarterly results as well as audited financial results to the stock exchanges immediately after the same are approved by the Board. Further, coverage is given for the benefit of the shareholders and investors by publication of the financial results in the Business Standard and Aajkaal.

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

The Company's quarterly results and shareholding pattern, have also been posted on the EDIFAR website of SEBI.

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

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

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

IX. General Shareholder Information

AGM Date, Time and Venue	28th July, 2008 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	15th July, 2008 to 28th July, 2008 (both days inclusive)
Dividend Payment Date	By 25th August, 2008
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 Delisting application was lodged on 27th August, 2004 with The Calcutta Stock Exchange Association Limited. No reply has still been received inspite of reminders. The Company has paid the listing fees for the period April, 2008 to March, 2009 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

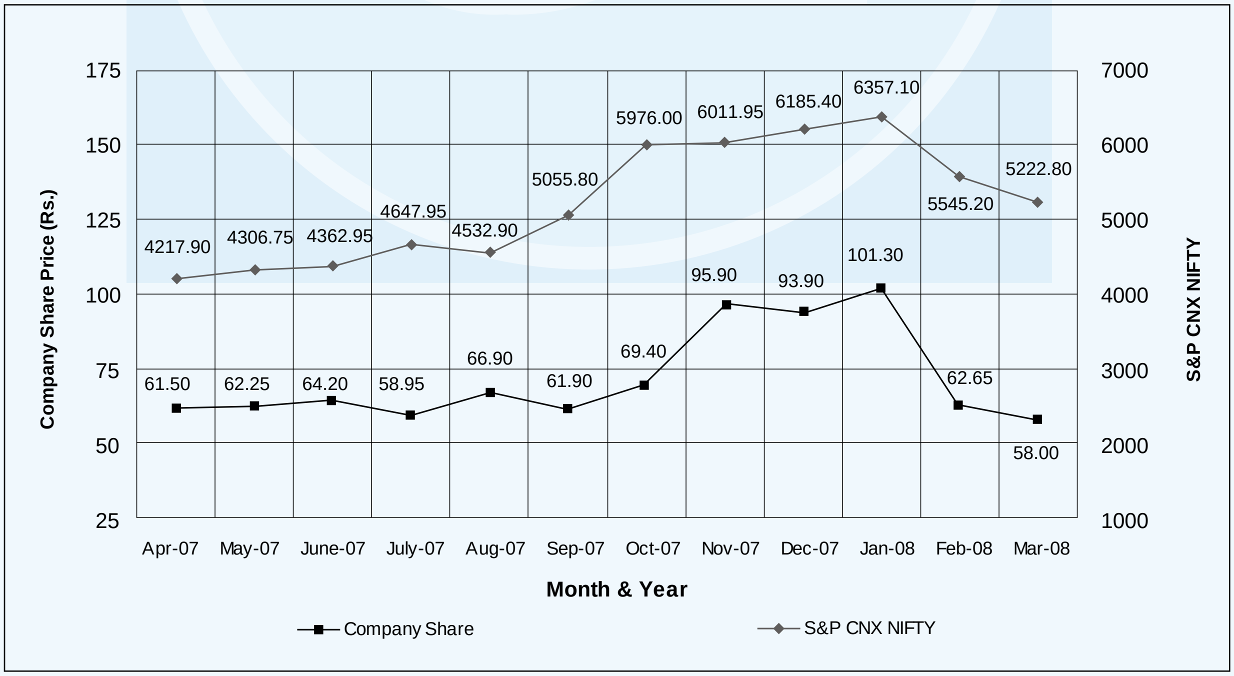
High, Low of market price of the Company's shares traded on National Stock Exchange of India Limited is furnished below:

Period	High	Low	Period	High	Low
	Rs	Rs		Rs	Rs
April, 2007	61.50	48.50	October, 2007	69.40	54.05
May, 2007	62.25	47.50	November, 2007	95.90	59.10
June, 2007	64.20	51.00	December, 2007	93.90	81.00
July, 2007	58.95	53.00	January, 2008	101.30	50.50
August, 2007	66.90	52.00	February, 2008	62.65	49.00
September, 2007	61.90	53.75	March, 2008	58.00	39.05

S&P CNX NIFTY

Period	High	Period	High
April, 2007	4217.90	October, 2007	5976.00
May, 2007	4306.75	November, 2007	6011.95
June, 2007	4362.95	December, 2007	6185.40
July, 2007	4647.95	January, 2008	6357.10
August, 2007	4532.90	February, 2008	5545.20
September, 2007	5055.80	March, 2008	5222.80

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



Registrar and Share Transfer Agents

(For both Demat and Physical modes)

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

Intime Spectrum Registry Ltd
59C Chowringhee, 3rd Floor
Kolkata -700020
Tele fax. : 033 22890539/40
E-mail: kolkata@intimespectrum.com

Share Transfer System

All the transfers received are processed by the Registrar and Transfer Agents and are approved by the Company Secretary, who has been authorised by the Board of Directors in this regard. Share Transfers are registered and returned within one month from the date of lodgment, if documents are complete in all respects.

Distribution of Shareholding as on 31st March, 2008

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
1 – 500	26939	80.76	4844452	3.21
501 – 1000	3288	9.86	2676767	1.77
1001 – 2000	1581	4.74	2376076	1.57
2001 – 3000	584	1.75	1479809	0.98
3001 – 4000	222	0.67	795268	0.53
4001 – 5000	226	0.68	1081308	0.72
5001 – 10000	241	0.72	1758104	1.16
10001 – 30000	154	0.46	2637894	1.75
30001 – 50000	32	0.09	1290849	0.85
50001 – 100000	32	0.09	2280242	1.51
100001 and above	59	0.18	129864032	85.95
Total	33358	100.00	151084801	100.00
No. of shareholders in physical mode	7588	22.75	3622916	2.40
Electronic Mode	25770	77.25	147461885	97.60
Total	33358	100.00	151084801	100.00

Shareholding Pattern as on 31st March, 2008

Category	No. of Shares	%
Promoters' Holding		
Promoters		
Indian Promoters	78198786	51.76
Foreign Promoters	—	—
Persons acting in concert	—	—
Sub-Total	78198786	51.76
Non-Promoters' Holding		
Institutional Investors		
Mutual Fund and UTI	6761447	4.48
Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions)	8072045	5.34
FIIs	10915587	7.22
Sub-Total	25749079	17.04
Others		
Private Corporate Bodies	9217779	6.10
Indian Public	22554815	14.93
NRI / OCBs	2295885	1.52
Any Other (Foreign Companies)	13068457	8.65
Sub-Total	47136936	31.20
Grand Total	151084801	100.00
Total Foreign Shareholding		
Foreign Promoters	—	—
FIIs	10915587	7.22
NRIs / OCBs	2295885	1.52
Foreign Companies	13068457	8.65
Total	26279929	17.39

Dematerialisation of shares and liquidity

As on 31st March 2008, 147461885 shares of the Company representing 97.60% 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) agreegating USD 40 million on 19th October, 2005 due for redemption on 20th October, 2010. The Bonds are convertible at the option of the bondholders into equity shares, at any time on or after 29th November, 2005 till 13th October, 2010, unless previously redeemed, converted or purchased and cancelled. After conversation of 5250 Bonds during the year, 34750 Bonds are outstanding as at 31st March, 2008.

The Company has not issued any GDRs / ADRs / Warrants nor any other convertible instruments.

Plant Locations

Graphite	P.O. Sagarbhanga Colony, Dist –Burdwan Durgapur 713211 Phone : (0343) 2556641 – 45
	88 MIDC Industrial Area Satpur, Nashik 422 007, Phone : (0253) 2203300
	Visveswaraya Industrial Area, Whitefield Road, Bangalore 560 048 Phone : (080) 28524061 – 71
Coke	Phulwaria, Barauni 851 112, Phone : (06279) 232252
Impervious Graphite Equipment	C-7 Ambad Industrial Area, Nashik 422 010, Phone : (0253) 2302100
Glass Reinforced Pipes/ Tanks	Gut No. 523/524, Village Gonde, Taluka – Igatpuri, Nashik 422 403 Phone : (02553) 225038 / 225039
Power	Chunchanakatte, K R Nagar Taluk, Mysore 571 617 Phone : (0821) 323182/ 681116
	Link Canal Mini Hydel Plant, Peehalli, Srirangapatna Taluk Mandya Dist 571415
	Visveswaraya Industrial Area, Whitefield Road, Bangalore 560 048 Phone : (080) 28524061 – 71
	88 MIDC Industrial Area, Satpur, Nashik 422 007, Phone : (0253) 2203300
R & D Centre	Visveswaraya Industrial Area, Whitefield Road, Bangalore 560 048 Phone : (080) 28524061 – 71
Sales Office	407 Ashoka Estate, 24, Barakhamba Road, New Delhi 110 001 Phone : (011) 23314364

Address for Correspondence

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

Graphite India Limited
31, Chowringhee Road
Kolkata 700 016
Phone : (033) 22265755/2334/4942
Fax : (033) 22496420
E-Mail ID graphite@giascl01.vsnl.net.in

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

On behalf of the Board

Kolkata
12th May, 2008

K. K. Bangur
Chairman

Declaration

All the Board Members and the Senior Management Personnel have as on 31.03.08 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
12th May, 2008

N. Venkataramani
CEO, Graphite India Limited

AUDITORS' CERTIFICATE
REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of
Graphite India Limited

We have examined the compliance of conditions of Corporate Governance by Graphite India Limited, for the year ended 31st March 2008, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements; though the Company's established internal control system for financial reporting is in the process of being formalised/ documented.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Place : Kolkata
Date : 12th May, 2008

AUDITORS' REPORT

To the members of
Graphite India Limited

1. We have audited the attached Balance Sheet of Graphite India Limited as at 31st March, 2008 and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we report that:

i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

(b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion the frequency of verification is reasonable.

(c) In our opinion and according to the information and explanations given to us, the Company has not disposed of a substantial part of its fixed assets during the year.

ii) (a) The inventory of the Company has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the clauses (iii)(b), (iii)(c) and (iii)(d) of the paragraph 4 of the Order are not applicable.

(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the clauses (iii)(f) and (iii)(g) of the paragraph 4 of the Order are not applicable.

iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under the Section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of each party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provision of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

viii) We have broadly reviewed the books of account maintained by the Company in respect of generation of power where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under Clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion, that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has been regular in depositing during the year undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us as at 31st March, 2008, there were no dues of Wealth Tax, Customs Duty and Cess which have not been deposited on account of any dispute other than certain disputed Income Tax, Sales Tax, Service Tax and Excise Duty dues, in respect of which amounts involved and forums at which dispute is pending have been indicated in Note 8 on Schedule 31 to the Accounts.

x) The Company has no accumulated losses as at 31st March, 2008, and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.

xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or to debenture holders during the year.

xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.

xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained other than a part of unutilised proceeds of Convertible Bonds, issued in earlier year, lying in bank accounts.

xvii) On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on short-term basis which have been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

xix) The Company has created security or charge in respect of debentures issued and outstanding at the year-end.

xx) The management has disclosed the end use of money raised by public issue vide Note 9 on Schedule 31 to the Accounts and the same has been verified by us.

xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

4. Further to our comments in paragraph 3 above, we report that :

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

(iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Act;

(v) On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;

(b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Kolkata
12th May, 2008

BALANCE SHEET as at 31st March, 2008

(Rs. in Lakh)

	Schedule	As at 31st March, 2008	As at 31st March, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,021.87	2,938.09
Reserves and Surplus	2	66,768.67	56,480.76
		69,790.54	59,418.85
Loan Funds			
Secured Loans	3	25,035.24	27,256.40
Unsecured Loans	4	22,269.37	30,923.63
		47,304.61	58,180.03
Deferred Tax Liability (Net)	5	7,001.21	6,381.21
TOTAL		124,096.36	123,980.09
APPLICATION OF FUNDS			
Fixed Assets	6		
Gross Block		76,444.30	75,306.01
Less : Depreciation		27,562.84	24,366.35
Net Block		48,881.46	50,939.66
Capital Work-in-Progress		945.11	848.51
		49,826.57	51,788.17
Investments	7	14,707.29	14,707.29
Current Assets, Loans And Advances			
Inventories	8	33,757.06	31,062.34
Sundry Debtors	9	36,657.02	25,985.38
Cash and Bank Balances	10	4,836.41	8,257.97
Other Current Assets	11	955.50	1,044.41
Loans and Advances	12	11,693.50	11,274.00
		87,899.49	77,624.10
Less :			
Current Liabilities And Provisions			
Liabilities	13	21,938.21	18,238.35
Provisions	14	6,398.78	1,901.12
		28,336.99	20,139.47
Net Current Assets		59,562.50	57,484.63
TOTAL		124,096.36	123,980.09
Capital Commitments (Net of Advances)			
Estimated amount of contracts remaining to be executed		847.20	701.37
NOTES ON ACCOUNTS	31		

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

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

P. Law
Partner
Membership No. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 12th May, 2008

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2008

(Rs. in Lakh)

	Schedule	Year ended 31st March, 2008	Year ended 31st March, 2007
INCOME			
Sales/Income from Operations (Gross)	20	115,587.34	90,001.33
Less: Excise Duty on Sales		5,681.95	5,016.64
Sales/Income from Operations (Net)		109,905.39	84,984.69
Other Income	15	3,620.92	3,836.64
		113,526.31	88,821.33
EXPENDITURE			
Raw Materials Consumed	21	47,406.39	38,556.15
Payments to and Provisions for Employees	16	7,593.54	6,341.85
Other Manufacturing, Selling and Administrative Expenses	17	34,289.33	30,630.24
(Increase)/Decrease in Work in Process and Finished Goods	18	(3,381.75)	(7,085.42)
		85,907.51	68,442.82
PROFIT BEFORE INTEREST, DEPRECIATION AND NON-RECURRING ITEM		27,618.80	20,378.51
Interest	19	3,569.94	3,214.98
PROFIT BEFORE DEPRECIATION AND NON-RECURRING ITEM		24,048.86	17,163.53
Depreciation		3,349.60	2,992.88
PROFIT BEFORE TAXATION AND NON-RECURRING ITEM		20,699.26	14,170.65
Add : Non-recurring Item [Note 2(c) on Schedule 31]		—	9,623.88
PROFIT BEFORE TAXATION		20,699.26	23,794.53
Provision for Taxation			
Current Tax		5,800.00	2,750.00
Less : MAT Credit		—	(90.00)
For earlier years		844.73	(177.03)
Fringe Benefit Tax		70.00	75.00
Deferred Tax		620.00	1,850.00
PROFIT AFTER TAXATION		13,364.53	19,386.56
Balance brought forward from earlier year		4,146.30	2,238.11
PROFIT AVAILABLE FOR APPROPRIATION		17,510.83	21,624.67
TRANSFER TO			
Debenture Redemption Reserve		1,124.50	2,409.80
General Reserve		10,000.00	10,000.00
Dividend on Equity Shares			
Interim		—	2,937.92
Proposed		4,532.54	1,468.96
Dividend Tax		770.31	661.69
Balance carried forward		1,083.48	4,146.30
		17,510.83	21,624.67
EARNINGS PER SHARE	22		
Basic (Rs.)		9.03	13.20
Basic excluding Non-recurring Item (Rs.)		9.03	7.38
Diluted (Rs.)		7.02	10.90
Diluted excluding Non-recurring Item (Rs.)		7.02	6.10
NOTES ON ACCOUNTS	31		

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

The Schedules referred to above together with Schedules 23 to 29 form an integral part of the Profit and Loss Account.

P. Law
Partner
Membership No. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 12th May, 2008

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

	(Rs. in Lakh) As at 31st March, 2008	As at 31st March, 2007
1. SHARE CAPITAL		
Authorised		
20,00,00,000 Equity Shares of Rs.2/- each	4,000.00	4,000.00
	4,000.00	4,000.00
Issued, Subscribed and Paid-up		
15,10,84,801 (Previous Year 14,68,96,225) Equity Shares of Rs.2/- each fully paid up	3,021.70	2,937.92
Add : Forfeited Shares	0.17	0.17
	3,021.87	2,938.09

Notes :

1. Out of the above Equity Shares, 9,55,70,150 Equity Shares of Rs. 2/- each have been allotted as fully paid up pursuant to Schemes of Amalgamation, without payment being received in cash.
2. In terms of the Offering Circular dated 18th October, 2005, 41,88,576 (Previous Year Nil) Equity Shares of Rs. 2/- each at a premium of Rs. 53.15 per Share have been allotted as fully paid up during the year ended 31st March, 2008 upon conversion of 5250 Foreign Currency Convertible Bonds aggregating US$ 5,250,000.

(Rs. in Lakh)

	As at 31st March, 2007	Additions during the year	Withdrawals during the year	As at 31st March, 2008
2. RESERVES AND SURPLUS				
Capital Reserve	45.86	—	—	45.86
Capital Redemption Reserve	575.00	—	—	575.00
Securities Premium Account	4,862.47	2,226.23 @	—	7,088.70
Debenture Redemption Reserve	6,069.60	1,124.50	—	7,194.10
General Reserve	40,781.53	10,000.00	—	50,781.53
Profit and Loss Account	4,146.30	—	3,062.82	1,083.48
	56,480.76	13,350.73	3,062.82	66,768.67

@ Refer Note 2 on Schedule 1.

	Note	(Rs. in Lakh) As at 31st March, 2008	As at 31st March, 2007
3. SECURED LOANS			
7.21% Secured Redeemable Non-Convertible Debentures of Rs. 6.67 Lakh (Previous Year Rs. 10 Lakh) each	1(a), 2	3,333.33	5,000.00
Foreign Currency Loan from a Financial Institution	1(b)	449.55	816.94
Rupee Term Loans from Banks	1(b)	5,904.17	7,387.50
Working Capital Loans from Banks and Financial Institution (includes Foreign Currency Loan Rs. 1294.19 Lakh; Previous Year : Rs. 3178.40 Lakh)	1(c)	15,348.19	14,051.96
		25,035.24	27,256.40

(Contd.)

3. SECURED LOANS *(Contd.)*

Notes:

1. Nature of Security
   (a) 7.21% Secured Redeemable Non-Convertible Debentures are secured by way of first mortgages/ charges over certain immovable properties, both present and future, and also by way of hypothecation of the Company's certain movable assets (except book debts), both present and future, in favour of the trustees for debentureholders ranking pari-passu with mortgages/ charges created and/ or to be created in favour of the existing first chargeholders, subject to prior charge created/ to be created in favour of the Company's bankers on specific movable assets for working capital requirements.
   (b) Rupee Term Loans from Banks and Foreign Currency Loan from a Financial Institution are secured/ to be secured by way of first mortgages/charges over certain immovable properties, both present and future, and also by way of hypothecation of the Company's certain movable assets, both present and future, ranking pari-passu with the mortgages/charges created and/or to be created in favour of the related first chargeholders subject to prior charges created/to be created in favour of the Company's bankers on specific movable assets for working capital requirements.
   (c) Working Capital Loans from Banks and Financial Institution are secured by way of hypothecation of stocks and book debts, both present and future, and secured/to be secured by creation of second charge by way of mortgage/charge on certain other movable and immovable assets, ranking pari-passu amongst related second chargeholders.
2. Terms of Redemption
   7.21% Secured Redeemable Non-Convertible Debentures are redeemable at par in two equal annual installments due on 19th May, 2008 and 19th May, 2009.

(Rs. in Lakh)

	As at 31st March, 2008	As at 31st March, 2007
4. UNSECURED LOANS		
Short Term Loans from Banks (including Foreign Currency Loan Rs.8381.05 Lakh, Previous Year Rs.6503.64 Lakh)	8,381.05	13,493.64
Other Loans from		
1.00 per cent Convertible Bonds due 2010 of US$ 1000 each ('Bonds') aggregating US$ 34,750,000 (Previous Year US$ 40,000,000) (Note below)	13,886.10	17,428.00
Interest free Loans from		
State Industrial and Investment Corporation of Maharashtra Limited under -		
Sales Tax Incentive Scheme (Repayable within one year Rs.Nil, Previous Year Rs.0.43 Lakh)	—	1.99
Temporary overdraft from a Bank	2.22	—
	22,269.37	30,923.63

Note:

The Bonds are convertible into Equity Shares of the Company at any time before 13th October, 2010 at a price to be determined from time to time in keeping with the Offering Circular dated 18th October, 2005 at the option of the bondholders. The Company also has the option of early redemption of the Bonds at any time as per terms and conditions specified in the said Offering Circular. Outstanding Bonds, if any, will be due for redemption on 20th October, 2010 at 122.116 per cent of the principal amount of US$ 1000 per Bond. During the year Bonds aggregating US$ 5,250,000 (Previous Year Nil) have been converted into Equity Shares.

	As at 31st March, 2008	As at 31st March, 2007
5. DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liabilities and Assets are attributable to the following items		
Liabilities		
Depreciation	7,240.71	6,755.78
Less :		
Assets		
Expenses allowable for tax purpose on payment	148.81	278.31
Others	90.69	96.26
	239.50	374.57
	7,001.21	6,381.21

6. FIXED ASSETS

(Rs. in Lakh)

Description	GROSS BLOCK – AT COST				DEPRECIATION				NET BLOCK	
	As at 31st March 2007	Additions / Adjustments during the year	Sales / Adjustments during the year	As at 31st March 2008	Up to 31st March 2007	For the year	On Sales / Adjustments	Up to 31st March 2008	As at 31st March 2008	As at 31st March 2007
TANGIBLE ASSETS										
Freehold Land	2,220.84	—	—	2,220.84	—	—	—	—	2,220.84	2,220.84
Leasehold Land	62.32	15.52	—	77.84	19.77	0.89	—	20.66	57.18	42.55
Buildings	15,009.60	267.03	1.95	15,274.68	2,968.36	441.52	0.01	3,409.87	11,864.81	12,041.24
Plant and Machinery	56,158.57	919.86	142.87	56,935.56 (a)&(b)	20,440.07	2,746.76	115.14	23,071.69	33,863.87	35,718.50
Machinery Spares	68.19	—	—	68.19	67.65	—	—	67.65	0.54	0.54
Office Equipment	538.18	47.61	25.72	560.07	290.96	50.32	21.53	319.75	240.32	247.22
Furniture and Fittings	532.82	12.99	0.93	544.88	310.65	27.22	0.84	337.03	207.85	222.17
Vehicles	530.38	49.66	20.56	559.48	233.39	43.58	15.59	261.38	298.10	296.99
INTANGIBLE ASSETS										
Computer Softwares acquired	185.11	17.65	—	202.76	35.50	39.31	—	74.81	127.95	149.61
TOTAL	75,306.01	1,330.32	192.03	76,444.30	24,366.35	3,349.60	153.11	27,562.84	48,881.46	50,939.66
Previous Year	65,963.74	10,875.24	1,532.97	75,306.01	21,511.51	2,992.88	138.04	24,366.35		
Add: Capital Work-in-Progress - at cost (c)									945.11	848.51
									49,826.57	51,788.17

Notes:

(a) Includes Rs. 720.35 Lakh (Previous Year Rs. 720.35 Lakh) being expenditure in respect of Outdoor Transmission Lines not owned by the Company.

(b) Net of Rs. Nil [Previous Year Rs.(73.18) Lakh] being adjustment of exchange gain / (loss) arising from fluctuation of exchange rate.

(c) Includes Capital Advances Rs.160.50 Lakh (Previous Year Rs.220.84 Lakh) - Unsecured, Considered Good

7. INVESTMENTS

(Rs. in Lakh)

	Number	Unit Face Value	As at 31st March, 2008	As at 31st March, 2007
LONG TERM (AT COST OR UNDER)				
UNQUOTED				
TRADE				
IN SUBSIDIARY COMPANIES				
Fully paid up Shares				
Graphite International B.V.	65,00,000	Euro 1	3,544.14	3,544.14
Carbon International Holdings N.V.	1,00,000	Euro 1	56.46	56.46
OTHER THAN TRADE				
IN SUBSIDIARY COMPANY				
Fully paid up Equity Shares				
Carbon Finance Limited	30,00,000	Rs.10	1,393.76	1,393.76
OTHERS				
6.75% Tax free US64 Bonds	20,428	Rs.100	12.87	12.87
6 Year National Savings Certificate (Deposited with Sales Tax Authority)			0.06	0.06
Fully paid up Non-Convertible Redeemable Taxable Bonds with benefits under Section 54EC of the Income Tax Act., 1961				
National Highways Authority of India	10,000	10000	1,000.00	1,000.00
Rural Electrification Corporation Limited	87,000	10000	8,700.00	8,700.00
			14,707.29	14,707.29
AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS :			14,707.29	14,707.29

	Unit Face Value	2007-08 Number	2006-07 Number
Current Investments acquired and sold :			
Other than Trade			
Units of HDFC Cash Management Fund - Saving Plan			
— Daily Dividend Reinvestment	Rs.10	—	18,821,045.599

	As at 31st March, 2008	(Rs. in Lakh) As at 31st March, 2007
8. INVENTORIES		
– AT LOWER OF COST AND NET REALISABLE VALUE		
Stores and Spare Parts	1,174.47	1,285.58
Loose Tools	91.77	80.15
Raw Materials	8,901.17	9,488.71
Work-in-Process (including Contract Work-in-Progress)	18,657.95	15,626.70
Finished Goods	4,931.70	4,581.20
	33,757.06	31,062.34
9. SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months –		
Considered Good	539.62	862.44
Considered Doubtful	97.39	29.05
Other Debts-		
Considered Good	36,117.40	25,122.94
	36,754.41	26,014.43
Less : Provision for Doubtful Debts	97.39	29.05
	36,657.02	25,985.38
10. CASH AND BANK BALANCES		
Cash in hand	18.25	23.71
With Scheduled Banks on-		
Current Accounts (Note (a) below)	198.16	561.81
Unpaid Dividend Accounts	71.81	518.41
Fixed Deposit Accounts (Notes (a) and (b) below)	4,548.19	7,154.04
	4,836.41	8,257.97

Notes:

(a) Current Accounts and Fixed Deposit Accounts include Rs. Nil (Previous Year Rs. 238.73 Lakh) and Rs. 4362.83 Lakh (Previous Year Rs. 6978.07 Lakh) respectively representing unutilised proceeds of the Convertible Bonds referred to in Schedule-4.

(b) Includes Rs.185.36 Lakh (Previous Year Rs. 2.42 Lakh) lodged with Government Authority/others.

	As at 31st March, 2008	As at 31st March, 2007
11. OTHER CURRENT ASSETS		
Unsecured - Considered Good		
Accrued Income on Investments from a Subsidiary Company	126.26	58.05
Accrued Interest on Deposits with Banks and Others	435.40	618.72
Security and Other Deposits		
Deposit with Electricity Authorities	282.53	279.16
Others	111.31	88.48
	955.50	1,044.41

	As at 31st March, 2008	(Rs. in Lakh) As at 31st March, 2007
12. LOANS AND ADVANCES		
Unsecured - Considered Good		
Loans to Subsidiary Companies	1,136.34	1,044.90
Advances recoverable in cash or in kind or for value to be received (includes Rs.201.04 Lakh, Previous Year Rs.430.41 Lakh, due from Subsidiary Companies)	7,368.16	6,929.03
Accrued Export Entitlement	3,189.00	3,019.74
MAT Credit Entitlement	—	280.33
	11,693.50	11,274.00
13. LIABILITIES		
Acceptances *	10,691.69	6,775.88
Sundry Creditors-		
Small Scale Units		158.66
Total Outstanding dues of Micro and Small Enterprises (Refer Note 2 (d) on Schedule-31)	69.95	
Total Outstanding dues of creditors other than Micro and Small Enterprises/ Small Scale Units (includes Rs. 47.78 Lakh, Previous Year Rs. 38.46 Lakh, due to Subsidiary Companies)	10,125.84	10,128.97
Advance from Customers	514.06	206.90
Other Liabilities	241.24	166.77
Investors Education and Protection Fund shall be credited by the following amounts namely:**		
(a) Unpaid Dividends	71.81	518.41
(b) Unpaid Matured Deposits	0.90	0.97
(c) Unpaid Matured Debentures	0.35	0.43
(d) Unpaid Interest on above	0.50	0.75
Interest Accrued but not due on loans	221.87	280.61
	21,938.21	18,238.35
* Secured by way of hypothecation of stocks and book debts in favour of the Company's Bankers to the extent of	2,923.57	4,221.04
** No amount is due for actual credit at the Balance Sheet date		
14. PROVISIONS (Net of payments)		
Income Tax (Net of Mat Credit Entitlement - Rs. 280.30 Lakh, Previous Year Rs. Nil)	1,044.77	148.11
Wealth Tax	8.49	8.40
Fringe Benefit Tax	42.67	26.00
Proposed Dividend	4,532.54	1,468.96
Tax on Dividend	770.31	249.65
	6,398.78	1,901.12

(Rs. in Lakh)

		2007-2008	2006-2007
15.	OTHER INCOME		
	Income from Investments		
	Long Term		
	Trade		
	Dividend from a Subsidiary Company	126.26	58.05
	Other than Trade		
	Interest	534.88	388.46
	Current Investments		
	Dividend	—	2.20
	Royalty	404.77	380.22
	Interest on loans, deposits etc. *	651.18	913.77
	Claims	11.95	30.43
	Sales Tax / Octroi Incentive	—	502.07
	Rent Receipt	0.72	0.72
	Liabilities no longer required written back	281.52	679.23
	Exchange Gain (Net) [Refer Note 2 (f) on Schedule 31]	1,443.51	677.56
	Bad Debts recovery	5.59	4.65
	Rebate on prepayment of Loans	—	54.64
	Provision For Doubtful Debts written back	9.85	3.55
	Miscellaneous Receipts	150.69	141.09
		3,620.92	3,836.64
	* Includes tax deducted at source	70.33	59.37

		2007-2008	2006-2007
16.	PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
	Salaries, Wages and Bonus	6,456.60	5,246.29
	Contribution to Provident and Pension Funds	328.19	298.76
	Contribution to Superannuation Fund	150.24	161.20
	Contribution to Gratuity Fund	216.87	254.36
	Staff Welfare Expenses	441.64	381.24
		7,593.54	6,341.85

	2007-2008	2006-2007
		(Rs. in Lakh)
17. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores and Spare Parts Consumed	12,104.81	9,982.78
Power and Electricity Charges	9,071.08	8,657.31
Repairs and Maintenance -		
Plant and Machinery	850.18	785.56
Buildings	217.87	230.21
Others	208.11	244.93
Rent	7.47	31.61
Rates and Taxes	102.03	69.92
Insurance	447.95	475.25
Commission to Selling Agents	1,831.31	1,386.28
Travelling and Conveyance	465.25	427.28
Directors' Remuneration (other than Executive Director)	210.60	151.30
Auditors' Remuneration - (Refer Note 2(b) on Schedule 31)		
Audit Fees	15.00	12.00
Other Matters	10.30	9.90
Out of Pocket Expenses	0.54	0.53
Sales Tax	34.11	45.08
Excise Duty on Stocks etc. - Charge/(Credit)	29.57	298.72
Bad Debts/Advances Written off	95.56	58.98
Provision for Doubtful Debts	78.19	29.05
Freight and Transport	4,723.07	3,917.52
Processing Charges	160.62	133.45
Contractors' Labour Charges	1,231.21	1,677.65
Amortisation of Payment under		
Voluntary Retirement Scheme	—	13.44
Loss on Disposal of Fixed Assets (Net)	15.95	41.50
Miscellaneous Expenses	2,378.55	1,949.99
	34,289.33	30,630.24
18. (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED GOODS		
Work-in-Process (Including Contract Work-in-Progress)		
Closing Stock	18,657.95	15,626.70
Deduct: Opening Stock	15,626.70	11,020.21
	(3,031.25)	(4,606.49)
Finished Goods		
Closing Stock	4,931.70	4,581.20
Deduct: Opening Stock	4,581.20	2,102.27
	(350.50)	(2,478.93)
	(3,381.75)	(7,085.42)
19. INTEREST ON		
Debentures/Bonds	614.41	564.74
Term Loans	1,308.42	1,398.73
Others	1,647.11	1,273.72
	3,569.94	3,237.19
Less : Interest capitalised	—	22.21
	3,569.94	3,214.98

	2007-2008 M.T.	2007-2008 (Rs. in Lakh)	2006-2007 M.T.	2006-2007 (Rs. in Lakh)
20. SALES / INCOME FROM OPERATIONS (GROSS)				
Sales including excise duty				
Graphite Electrodes, Anodes and				
Miscellaneous Graphite Products	73,320	95,059.52	64,588	74,301.97
Carbon Paste	6,264	1,577.59	4,830	1,312.81
Calcined Petroleum Coke	16,795	2,910.63	15,892	2,675.39
Electricity (MU)	3	243.86	5	144.46
Impervious Graphite Equipment and Spares	869	6,076.01	746	4,744.67
GRP / FRP Pipes and Tanks (Including Installations) *	6,550	5,904.61	5,126	4,395.08
Others		313.35		124.04
		112,085.57		87,698.42
Processing / Service Charges		35.03		30.70
Export Entitlement		3,466.74		2,272.21
		115,587.34		90,001.33

*Refer Note 5 on Schedule-31

	2007-2008 M.T.	2007-2008 (Rs. in Lakh)	2006-2007 M.T.	2006-2007 (Rs. in Lakh)
21. RAW MATERIALS CONSUMED				
Raw Petroleum Coke	43,426	4,216.74	34,817	3,309.12
Calcined Petroleum Coke	57,083	27,105.96	56,915	20,495.24
Pitch	28,631	8,542.16	25,956	9,092.86
Extrusion Oil (Kilo Litres)	483	181.37	441	198.41
Furnace Oil (Kilo Litres)	16,594	3,429.94	15,250	2,587.69
Fibreglass	6,328	1,315.67	1,436	979.73
Resin Chemicals	4,322	1,313.42	1,877	1,126.69
Others		1,301.13		938.57
		47,406.39		38,728.31
Less : Materials Capitalised		—		172.16
		47,406.39		38,556.15

(Rs. in Lakh)

	As at 31st March, 2008	As at 31st March, 2007
22. EARNINGS PER SHARE		
(A) Basic		
(i) Number of Equity Shares at the beginning of the year	146,896,225	146,896,225
(ii) Number of Equity Shares at the end of the year	151,084,801	146,896,225
(iii) Weighted average number of Equity Shares outstanding during the year	147,980,971	146,896,225
(iv) Face value of each Equity Share (Rs.)	2.00	2.00
(v) Profit after Tax available for Equity Shareholders	13,364.53	19,386.56
(vi) Basic Earnings per Share (Rs) [(v)/(iii)]	9.03	13.20
(vii) Profit after Tax excluding Non-recurring Item (Refer Note 2 below)	13,364.53	10,842.48
(viii) Basic Earnings per Share excluding Non-recurring Item (Rs) [(vii)/(iii)]	9.03	7.38
(B) Diluted		
(i) Weighted average number of dilutive potential Equity Shares resulting from exercise of options outstanding during the year	30,828,218	31,279,436
(ii) Aggregate of A(iii) and B(i)	178,809,189	178,175,661
(iii) Face value of each Equity Share (Rs.)	2.00	2.00
(iv) Adjusted Profit after Tax that would have been available to Equity Shareholders had conversion taken place (Refer Note 3 below)	12,548.19	19,419.67
(v) Diluted Earnings per Share (Rs.) [(iv)/(ii)]	7.02	10.90
(vi) Adjusted Profit after Tax excluding Non-recurring Item that would have been available to Equity Shareholders had conversion taken place (Refer Note 4 below)	12,548.19	10,875.59
(vii) Diluted Earnings per Share excluding Non-recurring Item (Rs.) [(vi)/(ii)]	7.02	6.10

Notes :

1. In view of the average market price (fair value) of Equity Shares of the Company relevant for the year being more than the applicable conversion price, the conversion options embedded in Bonds (1.00 per cent Convertible Bonds of US$ 1000 each) as indicated in Schedule 4, is considered as dilutive and accordingly has been taken into account for computation of diluted earnings per share.

	As at 31st March, 2008	As at 31st March, 2007
2. Profit after Tax excluding Non-recurring Item		
Profit after Tax	13,364.53	19,386.56
Less : Non-recurring Item (Net of tax)	—	8,544.08
	13,364.53	10,842.48
3. Adjusted Profit after Tax		
Profit after Tax	13,364.53	19,386.56
Add : Interest Expense (Net of tax)	110.37	185.81
Less : Exchange Gain (Net of tax)	926.71	152.70
	12,548.19	19,419.67
4. Adjusted Profit after Tax excluding Non-recurring Item		
Adjusted Profit after Tax (Refer Note 3 above)	12,548.19	19,419.67
Less : Non-recurring Item (Net of tax)	—	8,544.08
	12,548.19	10,875.59

(Rs. in Lakh)

	2007-2008	2006-2007
23. C.I.F. VALUE OF IMPORTS		
Raw Materials	22,747.53	18,888.37
Components and Spare parts	124.18	113.85
Capital Goods	—	1,666.48
24. EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF		
Travelling	113.19	110.19
Commission	1,605.36	1,061.53
Export Sales Expenses	50.46	101.18
Interest	871.02	381.17
Technical know-how	—	137.58
Professional Fees	193.56	230.97
Others	15.86	18.97
25. EARNINGS IN FOREIGN CURRENCY		
Export of Goods on F.O.B. Basis	63,527.33	47,297.33
Royalty	404.77	380.22
Interest	374.28	609.55
Dividend	126.26	58.05
Sale of Carbon Credit	48.30	—
Service Charges	15.62	8.24

	2007-2008		2006-2007	
	(Rs. in Lakh)	%	(Rs. in Lakh)	%
26. CONSUMPTION OF				
a) Raw Materials				
Imported	26,070.65	55	19,827.04	51
Indigenous	21,335.74	45	18,729.11	49
	47,406.39	100	38,556.15	100
b) Stores and Spares				
Imported	64.66	1	49.35	1
Indigenous	12,040.15	99	9,933.43	99
	12,104.81	100	9,982.78	100

	2007-2008 For 2006-2007		2006-2007 For 2005-2006
27. AMOUNT REMITTED IN FOREIGN CURRENCY			
	Interim	Special and Final	
On account of Dividend excluding payments to mandatees in India (Rs.in Lakh)	244.74	122.37	161.84
Number of shares of Rs. 2/- each (Previous Year Rs. 10/- each) held by Non-Resident Shareholders in respect of which dividends were remitted	12,236,850	12,236,850	2,697,370
Number of Non-Resident Shareholders	41	41	42

	2007-2008 M.T.	2006-2007 M.T.
28. PARTICULARS REGARDING CAPACITY, PRODUCTION AND STOCKS		
i) Capacity per annum as approved by Central Government		
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	57,000	57,000
Carbon Paste	15,000	15,000
Nuclear Graphite	3,162	3,162
Impervious Graphite Equipment and Spares	650	650
Metallic Heat Exchangers	2,000	2,000
GRP/FRP Pipes and Tanks (Refer Note below)	15,500	15,500
Calcined Petroleum Coke	Not applicable	Not applicable
Electricity (MU)	Not applicable	Not applicable
Note : Approved capacity of GRP/FRP Pipes and Tanks shown above covers registered capacity of 5,000 units per annum of Portable Water Filtration Units.		
ii) Installed Capacity per annum (As certified by Company's Technical Expert)		
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	55,000	55,000
Carbon Paste	25,000	25,000
Impervious Graphite Equipment and Spares	650	650
GRP/FRP Pipes and Tanks	10,000	10,000
Calcined Petroleum Coke	30,000	30,000
Electricity (MU)	144	144
iii) Actual Production/Generation		
Graphite Electrodes, Anodes and Miscellaneous Graphite Products *	74,414	67,576
Carbon Paste	6,439	5,106
Impervious Graphite Equipment and Spares	817	810
GRP/FRP Pipes and Tanks	6,121	5,759
Calcined Petroleum Coke *	36,746	29,563
Electricity (MU) *	133	118
* Includes captive consumption		
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	1,540	1,331
Calcined Petroleum Coke	19,951	13,671
Electricity (MU)	130	117

	2007-2008 M.T.	2007-2008 (Rs. in Lakh)	2006-2007 M.T.	2006-2007 (Rs. in Lakh)
iv) Opening Stock				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	4,518	3,751.91	2,861	1,763.03
Carbon Paste	567	102.79	291	46.77
Impervious Graphite Equipment and Spares	68	295.09	4	10.64
GRP/FRP Pipes and Tanks	913	339.54	280	164.45
Electricity (MU)	8	89.22	12	116.92
Others		2.65		0.46
		4,581.20		2,102.27
v) Closing Stock				
Graphite Electrodes, Anodes and Miscellaneous Graphite Products	4,072	4,401.45	4,518	3,751.91
Carbon Paste	742	164.54	567	102.79
Impervious Graphite Equipment and Spares	16	67.41	68	295.09
GRP/FRP Pipes and Tanks	484	204.64	913	339.54
Electricity (MU)	8	93.09	8	89.22
Others		0.57		2.65
		4,931.70		4,581.20

		2007-2008	(Rs. in Lakh) 2006-2007
29.	COMPUTATION OF NET PROFITS UNDER SECTION 198 READ WITH SECTION 309 OF THE COMPANIES ACT, 1956 FOR THE PURPOSE OF COMMISSION PAYABLE TO THE EXECUTIVE DIRECTOR AND OTHER DIRECTORS		
	Profit before taxation as per Profit and Loss Account	20,699.26	23,794.53
	Add: Managerial Remuneration	327.02	238.93
	Amortisation of Expenditure under Voluntary Retirement Scheme	—	13.44
	Provision for Wealth Tax	6.00	6.00
	Provision for Doubtful Debts	78.19	29.05
		21,110.47	24,081.95
	Less: Capital Profit on sale of Fixed Assets	0.93	9,633.24
	Provision for Doubtful Debts no longer required written back	9.85	3.55
	Net Profit under Section 198	21,099.69	14,445.16
	DIRECTORS' REMUNERATION		
	Executive Director		
	Salary	24.00	15.00
	Commission @ 5% of Net profit under Section 198 Restricted to	55.00	45.00
	Contribution to Provident and Other Funds	8.48	5.30
	Other Benefits	28.94	22.33
	Sub -total	116.42	87.63
	Other Directors		
	Sitting fees	12.60	11.30
	Commission @ 1% of Net profit under Section 198 Restricted to	198.00	140.00
	Sub-total	210.60	151.30
	Total for the year	327.02	238.93

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

1. Registration details

State Code	21
Registration No.	94602
Balance Sheet Date	31st March, 2008

2. Capital raised during the year (amount in rupees lakh)

Public Issue*	83.78
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

*Refer Note 2 on Schedule 1.

3. Position of mobilisation and deployment of funds (amount in rupees lakh)

Total Liabilities *	152,433.35
Total Assets	152,433.35
Sources of Funds	
Paid-up Capital	3,021.87
Reserves and Surplus	66,768.67
Secured Loans	25,035.24
Unsecured Loans	22,269.37
Application of Funds	
Net Fixed Assets	49,826.57
Investments	14,707.29
Net Current Assets	59,562.50
Miscellaneous Expenditure	Nil
Accumulated Losses	Nil

* Includes Owners' Funds - Rs. 69,790.54 Lakh
Deferred Tax Liability (Net) Rs. 7,001.21 Lakh

4. Performance of company (amount in rupees lakh)

Turnover (including Other Income)	113,526.31
Total Expenditure	92,827.05
Profit before Tax	20,699.26
Profit after Tax	13,364.53
Earnings per share	
Basic (Rs.)	9.03
Diluted (Rs.)	7.02
Dividend Rate %	150

5. Generic names of three principal products/services of company (as per monetary terms)

Item Code No. (ITC Code)	854519.01
Product Description	Graphite Electrodes
Item Code No. (ITC Code)	841950.01
Product Description	Impervious Graphite Equipment and Spares
Item Code No. (ITC Code)	271312.00
Product Description	Calcined Petroleum Coke

31. NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. FIXED ASSETS :

(a) FIXED ASSETS (comprising both tangible and intangible items) are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation. Pre-operative expenses for major projects are also capitalised, where appropriate.

(b) DEPRECIATION includes amortisation. Depreciation on tangible fixed assets including those utilised in RESEARCH AND DEVELOPMENT activities, is provided on straight line basis in accordance with Schedule XIV to the Companies Act, 1956. Leasehold land is amortised on straight-line basis over the primary lease period. Intangible assets (Computer Softwares) are amortised over a period of five years.

(c) MACHINERY SPARES, which are irregular in use and associated with particular asset, are treated as fixed asset and the cost is amortised over its utility period.

(d) Impairment loss is recognised wherever the carrying amount of the fixed assets exceeds the recoverable amount i.e. the higher of the assets' net selling price and value in use.

B. INVESTMENTS :

(a) LONG TERM INVESTMENTS are stated at cost less write down for any permanent diminution in carrying value. CURRENT INVESTMENTS are stated at lower of cost and fair value. Fair value is determined on the basis of realisable or market value.

(b) EARNINGS FROM INVESTMENTS, where appropriate, are accrued or taken into revenue in full on declaration or receipts.

C. INVENTORIES :

Inventories are valued at lower of cost and estimated net realisable value. The costs are in general ascertained under weighted average formula.

D. FOREIGN CURRENCY TRANSACTIONS :

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

E. DERIVATIVE INSTRUMENTS :

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

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

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

F. REVENUE :

Revenue is recognised on completion of sale of goods and rendering of services. Sales are inclusive of excise duty less discounts as applicable. Export entitlements are recognised after completion of related exports on prudent basis.

G. CONSTRUCTION CONTRACTS :

Revenue in respect of construction contracts is recognised on the basis of percentage of completion method. Stages of completion are determined based on completion of a physical proportion of the contract work. Anticipated loss on such contracts is provided for in the period of incurrence.

31. NOTES ON ACCOUNTS (contd.)

H. BORROWING COSTS :

Borrowing costs attributable to the acquisition and construction of qualifying assets are added to the cost up to the date when such assets are ready for their intended use. Other borrowing costs are recognised as expense in the period in which these are incurred.

I. RESEARCH AND DEVELOPMENT EXPENDITURE (R & D) :

Revenue expenditure on R & D is expensed in the period in which it is incurred. Capital expenditure on R & D is capitalised.

J. EMPLOYEE BENEFITS :

(a) Short-term Employee Benefits :

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

(b) Post Employment Benefit Plans :

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

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

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

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

K. PRIOR PERIOD AND EXTRA ORDINARY ITEMS :

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

L. MATERIAL EVENTS :

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

M. PROVISIONS AND CONTINGENT LIABILITIES :

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, requires an outflow of resources. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure for contingent liability is made.

N. TAXATION :

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws. Deferred tax is recognised subject to consideration of prudence in respect of deferred tax asset, on timing difference, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are reviewed at each Balance Sheet date to re-assess realisation. Fringe Benefit tax is accounted for based on the estimation of the fringe benefit for the period as per the related provisions of the Income-tax Act, 1961.

31. NOTES ON ACCOUNTS (contd.)

2. a) Fixed Assets including Capital Work-In-Progress includes Pre-operative expenses: Salary, Wages and Bonus Rs.32.97 lakh (Previous year Rs.88.73 lakh), Staff Welfare Expenses Rs. NIL (Previous year Rs.0.10 lakh), Stores and Spare Parts Consumed Rs. NIL (Previous year Rs.310.14 lakh), Power and Electricity Charges Rs. NIL (Previous year Rs.0.03 lakh), Insurance Rs.0.08 lakh (Previous year Rs.10.25 lakh), Contract Labour Charges Rs.0.02 lakh (Previous year Rs.23.22 lakh), Travelling and Conveyance Rs.1.53 lakh (Previous year Rs.38.62 lakh), Bank Charges Rs.NIL (Previous year Rs.0.12 lakh), Communication Expenses Rs.0.33 lakh (Previous year Rs.0.70 lakh), Rent Rs NIL (Previous year Rs.1.70 lakh),Rates and Taxes Rs.0.03 lakh(Previous year Rs.2.05 lakh), Repairs and Maintenance Rs.NIL (Previous year Rs.11.01 lakh), Professional Charges Rs.15.24 lakh (Previous year Rs.NIL) and Miscellaneous Expenses Rs.4.93 lakh (Previous year Rs. 33.50 lakh).

b) Auditors' Remuneration (Schedule 17) does not include Service tax Rs. 2.82 lakh (Previous year Rs.2.75 lakh) not routed through Profit and Loss Account.

c) Non-recurring Item in previous year represents profit (Net) arising from the sale of a part of land at Bangalore of Graphite and Carbon division.

d) Information relating to Micro and Small Enterprises (MSEs)

		(Rs. in Lakh)
i.	The principal amount and interest due thereon remaining unpaid to any supplier as at 31st March, 2008	
	Principal	69.95
	Interest	Nil
ii.	The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 alongwith the amount of the payment made to the supplier beyond the appointed day during the year ended 31st March, 2008	
	Principal	27.09
	Interest	0.35

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

e) The year-end balance of Rupee Term Loans from banks (Schedule 3) include Rs. 3,000 Lakh which was originally obtained from a bank and assigned subsequently in favour of a party by the said bank.

f) Pursuant to the Announcement on Accounting for Derivatives issued by the Institute of Chartered Accountants of India in March, 2008, the Company has accounted for during the year losses amounting to Rs.501.41 Lakh in respect of outstanding derivative contracts at the balance sheet date by marking them to market as indicated in Note 1(E) above.

Such derivative loss has been netted off against exchange gain (net). (Schedule 15).

3. Contingent Liabilities not provided in respect of

(Rs. in Lakh)

		As at 31st March, 2008	As at 31st March, 2007
I)	Claims not acknowledged as debts		
i.	Disputed Income Tax demand for which appeals are pending	797.99	2238.04
ii.	Disputed Excise Duty for which appeals are pending	76.73	63.61
iii.	Disputed Customs Duty for which appeals are pending	121.87	—
iv.	Disputed Service Tax for which appeals are pending	2.95	—
v.	Disputed Sales Tax demand for which appeals preferred by the Company	35.19	36.07
vi.	Disputed Claim from a customer	—	451.04
vii.	Others	139.05	107.28

31. NOTES ON ACCOUNTS (contd.)

	As at 31st March, 2008	As at 31st March, 2007
		(Rs. in Lakh)
II) Corporate Guarantees given to banks to secure the financial assistance/accommodation extended to Subsidiary Companies	7891.25	7836.75

4. Research and Development Expenditure of revenue nature of Rs.29.64 Lakh (Previous year Rs. 51.68 Lakh)

5. Particulars relating to Construction Contracts : (Rs. in Lakh)

	2007-08	2006-07
a) Contract revenues recognised as revenue.	720.06	2114.65
	As at 31st March, 2008	As at 31st March, 2007
b) Other information relating to Contract Work-in-Progress		
i) Aggregate amount of cost incurred and recognised profits	838.90	2889.12
ii) The amount of retentions due from customers	3.14	108.92
iii) Gross amount due from customers for contract work as an asset (i.e. Contract Work-in-Progress)	275.63	133.88

6. Employee Benefits

(I) Post Employment Defined Benefit Plans

Gratuity

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

Provident Fund

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

The following Table sets forth the particulars in respect of the Defined Benefit Plans (funded) of the Company for the year ended 31st March, 2008 :

GRATUITY FUND (Rs. in Lakh)

	2007-08	2006-07
(a) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation		
Present Value of Obligation at the beginning of the year	1418.28	1214.10
Current Service Cost	95.82	77.09
Interest Cost	112.43	84.41
Actuarial (Gains) / Losses	142.20	219.97
Benefits Paid	(191.20)	(177.29)
Present Value of Obligation at the end of the year	1577.53	1418.28

31. NOTES ON ACCOUNTS (contd.)

(Rs. in Lakh)

GRATUITY FUND	2007-08	2006-07
(b) Reconciliation of the Opening and Closing balances of the Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning of the year	1416.64	1217.00
Expected Return on Plan Assets	113.33	97.36
Actuarial Gains / (Losses)	20.25	29.75
Contributions	58.68	249.82
Benefits Paid	(191.20)	(177.29)
Fair Value of Plan Assets at the end of the year	1417.70	1416.64
(c) Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets		
Present Value of Obligation at the end of the year	1577.53	1418.28
Fair Value of Plan Assets at the end of the year	1417.70	1416.64
Assets/(Liabilities) recognised in the Balance Sheet	(159.83)	(1.64)
(d) Expense recognised in the Profit and Loss Account		
Current Service Cost	95.82	77.09
Interest Cost	112.43	84.41
Expected Return on Plan assets	(113.33)	(97.36)
Actuarial (Gains)/ Losses	121.95	190.22
Total Expense recognised	216.87	254.36
(e) Category of Plan Assets:		
Fund with LICI	1410.00	1373.57
Others (including bank balances)	7.70	43.07
Total	1417.70	1416.64
(f) Actual Return on Plan Assets	133.58	127.11
(g) Principal Actuarial Assumptions		
Discount Rate	8.50%	7.50%
Salary Escalation	6.00%	5.00%
Inflation Rate	6.00%	5.00%
Expected Return on Asset	8.00%	8.00%

PROVIDENT FUND	2007-08	2006-07
(a) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation		
Present Value of Obligation at the beginning of the year	720.58	655.58
Current Service Cost *	91.26	90.70
Interest Cost	63.02	55.72
Actuarial (Gains) / Losses	(1.50)	(1.99)
Benefits Paid	(49.72)	(79.43)
Present Value of Obligation at the end of the year	823.64	720.58

31. NOTES ON ACCOUNTS (contd.)

(Rs. in Lakh)

PROVIDENT FUND	2007-08	2006-07
(b) Reconciliation of the Opening and Closing balances of the Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning of the year	722.97	660.53
Expected Return on Plan Assets	57.84	52.84
Actuarial Gains / (Losses)	(1.07)	(1.67)
Contributions *	91.26	90.70
Benefits Paid	(49.72)	(79.43)
Fair Value of Plan Assets at the end of the year	821.28	722.97
(c) Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets		
Present Value of Obligation at the end of the year	823.64	720.58
Fair Value of Plan Assets at the end of the year	821.28	722.97
Assets/(Liabilities) recognised in the Balance Sheet	(2.36)	2.39
(d) Expense recognised in the Profit and Loss Account		
Current Service Cost *	91.26	90.70
Interest Cost	63.02	55.72
Expected Return on Plan assets	(57.84)	(52.84)
Actuarial (Gains)/ Losses	(0.43)	(0.32)
Total Expense recognised	96.01	93.26
* Includes employees' statutory contributions, voluntary contributions etc.		
(e) Category of Plan Assets :		
Central Government securities	160.39	121.69
State Government securities	151.69	124.66
Bonds / Term Deposits	208.81	162.81
Special Deposit Schemes	262.40	286.15
Others (including bank balances)	37.99	27.66
Total	821.28	722.97
(f) Actual Return on Plan Assets	56.77	51.17
(g) Principal Actuarial Assumptions		
Expected Return on Asset	8.00%	8.00%

Notes :

(a) The expenses for the abovementioned benefits have been disclosed under the following line items:-

Gratuity – under 'Contribution to Gratuity Fund'

Provident Fund – under 'Contribution to Provident and Pension Funds' other than employees' statutory contributions, voluntary contributions etc. which are recovered from their salaries, as included under 'Salaries, Wages and Bonus'.

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

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

(II) Post Employment Defined Contribution Plans

During the year an amount of Rs. 443.04 Lakh (Previous Year Rs. 431.43 Lakh) has been recognised as expenditure towards defined contribution plan of the Company.

31. NOTES ON ACCOUNTS (contd.)

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

a)

Name of Subsidiary	Graphite International B.V.	Carbon Finance Limited
Loan outstanding as at 31st March, 2008	Rs. 1136.34 lakh (Rs.1044.90 lakh)	Rs. Nil (Rs. Nil)
Rate of interest on above	Euribor plus 250 basis point	9% P.A.
Maximum amount outstanding during the year ended 31st March, 2008	Rs.1136.34 lakh (Rs.1053.90 lakh)	Rs. 2800.00 lakh (Rs. 2800.00 lakh)

Figures in bracket relate to previous year.

b) The Company has given loans and advances in the nature of loans to its employees for housing, medical etc. balance outstanding as on 31st March, 2008 is Rs 143.01 Lakh (Previous year Rs. 126.91 Lakh) where, in some cases, the repayment schedule extends beyond seven years and interest is below the rate referred to in Section 372A of the Companies Act,1956. In view of the voluminous data, furnishing of required particulars by name, amount and maximum amount due in respect of such loans is not considered practicable.

8. Disclosure of dues which have not been deposited as at 31st March, 2008 on account of disputes

	Name of statute	Amount Rs.in Lakh	Forum where dispute is pending
I	Income Tax Act	602.42	Commissioner of Income Tax (Appeals)
		433.27	Income Tax Appellate Tribunal
II	Central Excise Act	28.22	Assistant/ Deputy Commisioner of Central Excise
		5.12	Joint Commissioner of Central Excise
		12.80	Custom, Excise & Service Tax Appellate Tribunal
		11.79	Mumbai High Court
III	Central and State Sales Tax Acts	1.71	West Bengal Commercial Taxes Appellate and Revisional Board
		21.29	Commissioner/ Deputy Commissioner of Commercial Tax
		10.60	Mumbai High Court
IV	Customs Act	121.87	Custom, Excise & Service Tax Appellate Tribunal
V	Service Tax	2.95	The Commissioner (Appeals), Kolkata

9. The net proceeds upon issue of Convertible Bonds as referred to in Schedule 4 has been utilised partly during the year on overall basis as set out below:

(Rs. in Lakh)

	2007-08	2006-07
Expansion and modernisation of existing production units	511.55	7064.25
Investment by way of equity/loan in wholly owned subsidiary	—	272.11
General Corporate Purposes (upon conversion of Convertible Bonds into Equity Shares)	2067.40	—

10. SEGMENT INFORMATION

A. Primary Segment Reporting (by Business Segments)

i) Composition of Business Segments

The Company'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)

31. NOTES ON ACCOUNTS (contd.)

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, 2008

(Rs. in Lakh)

	Graphite and Carbon		Power		Others		Total of Reportable Segments	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Sales / Income from Operations (Gross)								
External Sales	99,861.09	78,414.21	243.86	144.46	11,980.62	9,139.75	112,085.57	87,698.42
Inter Segment Sales	2,083.17	1,870.47	7,401.11	6,569.00	8.12	23.16	9,492.40	8,462.63
Income from Operations(External)	3,468.83	2,275.39	—	—	32.94	27.52	3,501.77	2,302.91
Segment Revenues	105,413.09	82,560.07	7,644.97	6,713.46	12,021.68	9,190.43	125,079.74	98,463.96
Segment Results	19,180.27	21,536.43 @	2,800.89	3,024.64	1,517.38	1,381.39	23,498.54	25,942.46
Segment Assets	109,761.82	98,012.52	8,327.16	8,932.23	11,057.15	10,013.93	129,146.13	116,958.68
Segment Liabilities	17,621.51	14,338.36	998.99	836.64	1,929.99	1,656.33	20,550.49	16,831.33
Capital Expenditure	825.08	7,265.43	—	25.42	561.55	1,462.24	1,386.63	8,753.09
Depreciation and Amortisation	2,380.21	1,995.81	618.93	618.03	269.28	312.65	3,268.42	2,926.49
Non-cash Expenses other than Depreciation and Amortisation (Net)	128.25	51.91	—	—	59.65	19.70	187.90	71.61

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

Reconciliation of Reportable Segments with the Financial Statements

	Revenues		Results Net Profit		Assets		Liabilities*	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Total of Reportable Segments	125,079.74	98,463.96	23,498.54	25,942.46	129,146.13	116,958.68	20,550.49	16,831.33
Corporate - Unallocated / Others (Net)	—	—	770.66	1,067.05	23,287.22	27,160.88	62,092.32	67,869.38
Inter Segment Sales	(9,492.40)	(8,462.63)	—	—	—	—	—	—
Interest Expenses	—	—	(3,569.94)	(3,214.98)	—	—	—	—
Taxes (Net)	—	—	(7,334.73)	(4,407.97)	—	—	—	—
	115,587.34	90,001.33	13,364.53	19,386.56	152,433.35	144,119.56	82,642.81	84,700.71

* Excluding Shareholders Funds

B. Secondary Segment (Geographical)

	Domestic		Export		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Revenues-Gross	49,122.24	40,095.69	66,465.10	49,905.64	115,587.34	90,001.33
Total Assets	129,146.13	116,958.68	—	—	129,146.13	116,958.68
Capital Expenditure	1,386.63	8,753.09	—	—	1,386.63	8,753.09

31. NOTES ON ACCOUNTS (contd.)

11. RELATED PARTY DISCLOSURES :
(In accordance with Accounting Standard - 18 perscribed under the Act)

i) Related Parties

Name	Relationship
a. Where control exists :	
Bavaria Carbon Holdings GmbH	Subsidiary
Bavaria Carbon Specialities GmbH	Subsidiary
Bavaria Electrodes GmbH	Subsidiary
Carbon Finance Limited	Subsidiary
Carbon International Holdings N.V.	Subsidiary
Graphite Cova GmbH	Subsidiary
Graphite International B.V.	Subsidiary
b. Others	
Mr. N. Venkataramani, Executive Director	Key Management Personnel

ii) Particulars of Transactions during the year ended 31st March, 2008

	2007-08	2006-07
A. Key Management Personnel		
a. Directors' Remuneration	116.42	87.63
B. Subsidiary Companies		
a. Sales of Goods		
Graphite Cova GmbH	12,562.01	7,127.42
Bavaria Electrodes GmbH	2.49	—
b. Purchase of Goods		
Graphite Cova GmbH	182.15	138.65
Bavaria Electrodes GmbH	—	0.14
c. Purchase of Capital Goods		
Graphite International B.V.	—	715.42
d. Royalty Income		
Graphite Cova GmbH	404.77	380.22
e. Interest Income		
Graphite International B.V.	70.86	59.95
Carbon Finance Ltd.	229.91	264.33
f. Dividend Income		
Carbon International Holdings N.V.	126.26	58.05
g. Loans and Advances given		
Graphite International B.V.	—	272.11
Carbon Finance Ltd.	2,800.00	4,000.00
h. Corporate guarantees given (Refer Note 3(II) on Schedule 31)		
Graphite International B.V. and its subsidiries, Graphite Cova GmbH, Bavaria Electrodes GmbH, Bavaria Carbon Holdings GmbH, and Bavaria Carbon Specialities GmbH	—	6095.25

31. NOTES ON ACCOUNTS (contd.)

	2007-08	2006-07
i. Recoveries / (Reimbursement) of Expenses (Net)		
Graphite Cova GmbH	(19.98)	0.37
j Balance outstanding at the year end		
Sundry Debtors		
Graphite Cova GmbH	6,077.02	2,298.50
Investments in Shares		
Graphite International B.V.	3,544.15	3,544.15
Carbon International Holdings N.V.	56.46	56.46
Carbon Finance Ltd.	1,393.76	1,393.76
Other Current Assets		
Carbon International Holdings N.V.	126.26	58.05
Loans and Advances (including Charges Recoverable)		
Graphite International B.V.	1,183.16	1,093.28
Graphite Cova GmbH	154.21	382.03
Sundry Creditors		
Key Management Personnel	64.00	45.00
Graphite Cova GmbH	47.78	38.32
Bavaria Electrodes GmbH	—	0.14
Outstanding Corporate Guarantees in favour of Graphite International B.V.	1262.60	1741.50
Graphite International B.V. and its subsidieries, Graphite Cova GmbH Bavaria Electrode GmbH, Bavaria Carbon Holdings GmbH, and Bavaria Carbon Specialities GmbH	6628.65	6095.25

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

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

CASH FLOW STATEMENT for the year ended 31st March, 2008

		2007-2008	(Rs. in Lakh) 2006-2007
A.	Cash Flows from Operating Activities		
	Profit before Taxation and Non-recurring Item	20,699.26	14,170.65
	Adjustments for :		
	Depreciation	3,349.60	2,992.88
	Foreign Exchange (Net)	(1,034.50)	(474.39)
	Investment Income	(126.26)	(60.25)
	Interest Expense	3,569.94	3,214.98
	Interest Income	(1,186.06)	(1,302.23)
	Loss on Disposal of Fixed Assets (Net)	15.95	41.50
	Bad Debts/Advances Written Off	95.56	58.98
	Provision for Doubtful Debts	78.19	29.05
	Provision for Doubtful Debts Written Back	(9.85)	(3.55)
	Liability no Longer Required Written Back	(281.52)	(679.23)
	Amortisation of Expenditure	—	13.44
	Rebate on Prepayment of Loans	—	(54.64)
	Operating Profit before Working Capital Changes	25,170.31	17,947.19
	Adjustments for :		
	(Increase)/Decrease in Trade and Other Receivables	(10,843.14)	(6,575.41)
	(Increase)/Decrease in Inventories	(2,694.72)	(9,113.42)
	Increase/(Decrease) in Trade Payables	4,862.25	4,118.38
	Cash generated from Operations	16,494.70	6,376.74
	Taxes (Paid)/Refund (Net)		
	Tax paid including Fringe Benefit Tax	(5,521.07)	(3,254.98)
	NET CASH FROM OPERATING ACTIVITIES	10,973.63	3,121.76
B.	Cash Flows from Investing Activities		
	Purchase of Fixed Assets	(2,336.14)	(9,366.09)
	Proceeds on Disposal of Fixed Assets	22.97	33.00
	Proceeds on Disposal of Fixed Assets-Net (Non-recurring)	—	10,944.31
	Loans to Subsidiaries	(2,800.00)	(4,272.11)
	Repayment of Loans by Subsidiaries	2,800.00	4,300.00
	Purchase of Long Term Investments	—	(9,700.00)
	Purchase of Current Investments	—	(2,001.88)
	Sale of Current Investments	—	2,001.88
	Interest Received	1,369.38	875.54
	Dividend Received	58.05	56.29
	NET CASH USED IN INVESTING ACTIVITIES	(885.74)	(7,129.06)

CASH FLOW STATEMENT (Contd.)

	2007-2008	(Rs. in Lakh) 2006-2007
C. Cash Flows from Financing Activities		
Proceeds from Borrowings		
Long Term	—	3,075.13
Short Term	9,666.64	9,579.64
Repayment of Borrowings		
Long Term	(3,518.95)	(2,224.41)
Short Term	(13,493.64)	(4,082.93)
Interest Paid (including interest capitalised Rs. Nil; Previous year Rs.22.21 Lakh)	(3,628.68)	(3,199.13)
Dividend Paid (including tax thereon Rs.249.65 Lakh; Previous year Rs.659.27 Lakh)	(2,165.21)	(4,881.13)
NET CASH USED IN FINANCING ACTIVITIES	(13,139.84)	(1,732.83)
D. Exchange Differences on Translation of Foreign Currency		
Cash and Cash Equivalents	(369.61)	(263.43)
Net Cash Inflow/(Outflow)	(3,421.56)	(6,003.56)
Cash and Cash Equivalents - Opening (Schedule 10)	8,257.97	14,261.53
Cash and Cash Equivalents - Closing (Schedule 10)	4,836.41	8,257.97
Net Cash Inflow/ (Outflow)	(3,421.56)	(6,003.56)

Notes

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements prescribed under the Act.
2. Conversion of the Bonds into Equity Shares referred to in Note 2 on Schedule 1, being a non-cash transaction, has not been considered for the purpose of the Cash Flow Statement.
3. The Schedules referred to above form an integral part of the Cash Flow Statement.
4. Previous year's figures have been regrouped or rearranged, wherever necessary.

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

P. Law
Partner
Membership No. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 12th May, 2008

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

FINANCIAL DATA

(Rs. in Lakh)

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

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

RATIOS

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

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

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

1. We have audited the attached Consolidated Balance Sheet of Graphite India Limited and its subsidiaries (the Group) as at 31st March, 2008, the Consolidated Profit and Loss Account for the year ended on that date and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, all of which we have signed under reference to this report. These financial statements are the responsibility of the Graphite India Limited's management (Graphite's management) and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 43,883.31 Lakh as at 31st March, 2008 and total revenue of Rs. 36,213.61 Lakh and net cash flow amounting to Rs. 623.11 Lakh for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far, as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by the Graphite's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, as prescribed under the Companies Act, 1956 of India.

5. Based on our audit and on consideration of reports of other auditors referred to in paragraph 3 above on separate financial statements and other financial information and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

   a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2008;

   b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

   c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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

Kolkata
Dated : 12th May, 2008

CONSOLIDATED BALANCE SHEET
of Graphite India Limited and its subsidiaries as at 31st March, 2008

(Rs. in Lakh)

	Schedule	As at 31st March, 2008	As at 31st March, 2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	3,021.87	2,938.09
Reserves and Surplus	2	72,497.95	61,408.52
		75,519.82	64,346.61
LOAN FUNDS			
Secured Loans	3	39,645.34	39,638.87
Unsecured Loans	4	22,269.37	30,923.63
		61,914.71	70,562.50
DEFERRED TAX LIABILITY (NET)	5	7,001.21	6,381.21
TOTAL		144,435.74	141,290.32
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross Block		83,447.57	81,460.15
Less : Depreciation		30,344.77	26,193.21
Net Block		53,102.80	55,266.94
Capital Work-in-Progress		945.11	848.51
		54,047.91	56,115.45
INVESTMENTS	7	10,573.09	11,063.46
DEFFERED TAX ASSETS	8	24.09	—
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	9	53,380.81	43,932.20
Sundry Debtors	10	41,177.56	34,355.67
Cash and Bank Balances	11	6,638.09	9,166.44
Other Current Assets	12	1,280.19	1,388.91
Loans and Advances	13	10,833.27	10,437.00
		113,309.92	99,280.22
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	14	25,599.60	21,473.86
Provisions	15	7,919.67	3,694.95
		33,519.27	25,168.81
NET CURRENT ASSETS		79,790.65	74,111.41
TOTAL		144,435.74	141,290.32
Capital Commitments (Net of Advances)			
Estimated amount of contracts remaining to be executed		847.20	701.37
NOTES ON ACCOUNTS	22		

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

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

P. Law
Partner
Membership No. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 12th May, 2008

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT

of Graphite India Limited and its subsidiaries for the year ended 31st March, 2008

(Rs. in Lakh)

	Schedule	Year ended 31st March, 2008	Year ended 31st March, 2007
INCOME			
Sales/Income from Operations (Gross)		138,835.63	117,094.46
Less: Excise Duty on Sales		5,681.95	5,016.64
Sales/Income from Operations (Net)		133,153.68	112,077.82
Other Income	16	2,943.74	3,512.95
		136,097.42	115,590.77
EXPENDITURE			
Raw Materials Consumed		53,942.38	43,089.61
Payments to and Provisions for Employees	17	13,009.69	11,716.33
Other Manufacturing, Selling and Administrative Expenses	18	45,582.06	42,108.52
(Increase)/Decrease in Work in Process, Finished Goods and Trading Items	19	(7,136.08)	(7,297.24)
		105,398.05	89,617.22
PROFIT BEFORE INTEREST AND DEPRECIATION		30,699.37	25,973.55
Interest	20	4,289.75	3,705.05
PROFIT BEFORE DEPRECIATION		26,409.62	22,268.50
Depreciation		4,102.71	3,771.37
PROFIT BEFORE TAXATION AND NON-RECURRING ITEM		22,306.91	18,497.13
Add : Non-recurring Item		—	9,623.88
PROFIT BEFORE TAXATION		22,306.91	28,121.01
Provision for Taxation			
Current Tax		6,562.42	4,227.31
Less: MAT Credit		—	(90.00)
For earlier years		842.17	(177.38)
Fringe Benefit Tax		70.00	75.00
Deferred Tax (Net)		598.25	1,850.00
PROFIT AFTER TAXATION		14,234.07	22,236.08
Balance brought forward from earlier year		8,966.48	4,220.35
PROFIT AVAILABLE FOR APPROPRIATION		23,200.55	26,456.43
TRANSFER TO			
Debenture Redemption Reserve		1,124.50	2,409.80
General Reserve		10,000.00	10,000.00
Reserve Fund		5.37	11.58
Dividend on Equity Shares			
Interim		—	2,937.92
Proposed		4,532.54	1,468.96
Dividend Tax		770.31	661.69
Balance carried forward		6,767.83	8,966.48
		23,200.55	26,456.43
EARNINGS PER SHARE	21		
Basic (Rs.)		9.62	15.14
Basic excluding Non-recurring Item (Rs.)		9.62	9.32
Diluted (Rs.)		7.50	12.50
Diluted excluding Non-recurring Item (Rs.)		7.50	7.70
NOTES ON ACCOUNTS	22		

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

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

P. Law
Partner
Membership No. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 12th May, 2008

K. C. Parakh
Sr. Vice President-Finance

B. Shiva
Company Secretary

N. Venkataramani
Executive Director

K. K. Bangur
Chairman

(Rs. in Lakh)

		As at 31st March, 2008	As at 31st March, 2007
1.	**SHARE CAPITAL**		
	Authorised		
20,00,00,000	Equity Shares of Rs. 2/- each	4,000.00	4,000.00
		4,000.00	4,000.00
	Issued, Subscribed and Paid-up		
15,10,84,801	(Previous Year 14,68,96,225) Equity Shares of Rs.2/- each fully paid up	3,021.70	2,937.92
	Add: Forfeited Shares	0.17	0.17
		3,021.87	2,938.09

Notes :

1. Out of the above Equity Shares, 9,55,70,150 Equity Shares of Rs. 2/- each have been allotted as fully paid up pursuant to Schemes of Amalgamation, without payment being received in cash.
2. In terms of the Offering Circular dated 18th October, 2005, 41,88,576 (Previous Year Nil) Equity Shares of Rs. 2/- each at a premium of Rs. 53.15/- per Share have been allotted as fully paid up during the year ended 31st March, 2008 upon conversion of 5250 Foreign Currency Convertible Bonds aggregating US$ 5,250,000.

(Rs. in Lakh)

	As at 31st March, 2007	Additions during the year	Withdrawals during the year	As at 31st March, 2008
2. RESERVES AND SURPLUS				
Capital Reserve	45.86	—	—	45.86
Capital Redemption Reserve	575.00	—	—	575.00
Securities Premium Account	4,862.47	2,226.23 @	—	7,088.70
Debenture Redemption Reserve	6,069.60	1,124.50	—	7,194.10
Reserve Fund	104.38	5.37	—	109.75
General Reserve	40,781.53	10,000.00	—	50,781.53
Foreign Currency Translation Adjustment Account	3.20	(68.02)	—	(64.82)
Profit and Loss Account	8,966.48	—	2,198.65	6,767.83
	61,408.52	13,288.08	2,198.65	72,497.95

Note :

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

@ Refer Note 2 on Schedule 1.

		As at 31st March, 2008	(Rs. in Lakh) As at 31st March, 2007
3.	SECURED LOANS		
	7.21% Secured Redeemable Non-Convertible Debentures of Rs. 6.67 Lakh (Previous Year - Rs. 10 Lakh) each	3,333.33	5,000.00
	Term Loan from a Financial Institution	449.55	816.94
	Term Loan from Banks	7,185.22	9,144.00
	Working Capital Loans from Banks and Financial Institutions	28,677.24	24,677.93
		39,645.34	39,638.87

Note:
7.21% Secured Redeemable Non-Convertible Debentures are redeemable at par in two equal annual installments due on 19th May, 2008 and 19th May, 2009.

4.	UNSECURED LOANS		
	Short Term Loan from Banks	8,381.05	13,493.64
	1.00 per cent Convertible Bonds due 2010 of US$ 1000 each ('Bonds') aggregating US$ 34,750,000 (Previous Year US$40,000,000) (Note below)	13,886.10	17,428.00
	Interest free loans from		
	State Industrial and Investment Corporation of Maharashtra Limited under -		
	Sales Tax Incentive Scheme (Repayable within one year Rs. Nil, Previous year Rs.0.43 Lakh)	—	1.99
	Temporary overdraft from a Bank	2.22	—
		22,269.37	30,923.63

Note:
The Bonds are convertible into Equity Shares of the Company at any time before 13th October, 2010 at a price to be determined from time to time in keeping with the Offering Circular dated 18th October, 2005 at the option of the bondholders. The Company also has the option of early redemption of the Bonds at any time as per terms and conditions specified in the said Offering Circular. Outstanding Bonds, if any, will be due for redemption on 20th October, 2010 at 122.116 per cent of the principal amount of US$ 1000 per Bond. During the year Bonds aggregating US$ 5,250,000 (Previous Year Nil) have been converted into equity shares.

5.	DEFERRED TAX LIABILITY (NET)		
	Deferred Tax Liabilities and Assets are attributable to the following items		
	Liabilities		
	Depreciation	7,240.71	6,755.78
	Less :		
	Assets		
	Expenses allowable for tax purpose on payment	148.81	278.31
	Others	90.69	96.26
		239.50	374.57
		7,001.21	6,381.21

6. FIXED ASSETS

(Rs. in Lakh)

Description	GROSS BLOCK – AT COST				DEPRECIATION				NET BLOCK	
	As at 31st March 2007	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31st March 2008	Up to 31st March 2007	For the year	On Sales/ Adjustments	Up to 31st March 2008	As at 31st March 2008	As at 31st March 2007
A. Tangible Assets										
Freehold Land	2,374.49	13.45	—	2,387.94	—-	—	—	—	2,387.94	2,374.49
Leasehold Land	62.32	15.52	—	77.84	19.77	0.89	—	20.66	57.18	42.55
Buildings	15,301.49	327.80	1.95	15,627.34	3,002.71	460.01	(4.97)	3,467.69	12,159.65	12,298.78
Plant and Machinery	61,192.28	1,609.18	148.02	62,653.44 (a)	22,015.93	3,382.52	(90.71)	25,489.16	37,164.28	39,176.35
Machinery Spares	68.19	—	—	68.19	67.65	—	—	67.65	0.54	0.54
Office Equipment	1,063.21	125.06	46.97	1,141.30	464.79	126.26	22.30	568.75	572.55	598.42
Furniture and Fittings	532.82	12.99	0.93	544.88	310.65	27.22	0.84	337.03	207.85	222.17
Vehicles	557.31	85.10	42.30	600.11	245.00	50.88	28.11	267.77	332.34	312.31
Total Tangible Assets	81,152.11	2,189.10	240.17	83,101.04	26,126.50	4,047.78	(44.43)	30,218.71	52,882.33	55,025.61
B. Intangible Assets										
Goodwill (arising on consolidation)	67.75	—	—	67.75	—	—	—	—	67.75	67.75
Patent (e)	5.80	0.51	—	6.31	3.05	1.14	(0.39)	4.58	1.73	2.75
Trademark (e)	29.03	2.54	—	31.57	15.26	5.70	(1.95)	22.91	8.66	13.77
Computer Software (e)	205.46	35.44	—	240.90	48.40	48.09	(2.08)	98.57	142.33	157.06
Total Intangible Assets	308.04	38.49	—	346.53	66.71	54.93	(4.42)	126.06	220.47	241.33
T O T A L	81,460.15	2,227.59 (b)	240.17	83,447.57	26,193.21	4,102.71	(48.85)(c)	30,344.77	53,102.80	55,266.94
Previous Year	71,918.19	11,212.25	1,670.29	81,460.15	22,611.77	3,771.37	189.93	26,193.21		
Add : Capital Work-in-Progress - at cost (d)									945.11	848.51
									54,047.91	56,115.45

Notes :

(a) Includes Rs. 720.35 Lakh (Previous Year Rs. 720.35 Lakh) being expenditure in respect of Outdoor Transmission Lines not owned by the Company.

(b) Net of Rs. 580.61 Lakh (Previous Year Rs.357.70 Lakh) on account of foreign exchange adjustment.

(c) Net of Rs.238.93 Lakh (Previous Year Rs. 79.99 Lakh) on account of foreign exchange adjustment.

(d) Includes Capital Advances Rs.160.50 Lakh (Previous Year Rs.220.84 Lakh) - Unsecured, Considered Good

(e) Represents acquired assets.

(Rs. in Lakh)

	As at 31st March, 2008	As at 31st March, 2007
7. INVESTMENTS		
LONG TERM (AT COST OR UNDER)		
Fully paid up Equity Shares in Companies	7.48	7.48
Units of Mutual Funds	852.68	193.05
Fully Paid up Unsecured Zero Coupon Optionally Convertible Debentures in a company	—	1,150.00
6.75% Tax free US64 Bonds	12.87	12.87
6 Year National Savings Certificate (Deposited with Sales Tax Authority)	0.06	0.06
Fully paid up Non-Convertible Redeemable Taxable Bonds		
National Highways Authority of India	1,000.00	1,000.00
Rural Electrification Corporation Ltd.	8,700.00	8,700.00
	10,573.09	11,063.46
AGGREGATE AMOUNT OF INVESTMENTS :		
Quoted	7.48	7.48
Unquoted	10,565.61	11,055.98
	10,573.09	11,063.46
AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS	610.00	240.63
NET ASSET VALUE OF UNITS OF MUTUAL FUNDS	852.66	203.00

		As at 31st March, 2008	As at 31st March, 2007
			(Rs. in Lakh)
8.	DEFFERED TAX ASSET		
	Pertaining to a foreign Subsidiary on account of carried forward tax benefit	24.09	—
	Note : Deffered Tax charge (Net) for the year includes Rs. 2.34 Lakh (Previous Year Rs. Nil) on account of exchange fluctuations due to reinstatement of aforesaid deffered tax asset		
9.	INVENTORIES – AT LOWER OF COST AND NET REALISABLE VALUE		
	Stores and Spare Parts	1,506.57	1,521.57
	Loose Tools	91.77	80.15
	Raw Materials	15,202.72	12,886.81
	Work-in-Process (including Contract Work-in-Progress)	24,529.12	22,225.23
	Finished Goods	10,748.54	6,018.41
	Trading Goods	1,302.09	1,200.03
		53,380.81	43,932.20
10.	SUNDRY DEBTORS		
	Unsecured		
	Debts outstanding for a period exceeding six months-		
	Considered Good	662.75	884.64
	Considered Doubtful	97.39	29.05
	Other Debts-		
	Considered Good	40,514.81	33,471.03
		41,274.95	34,384.72
	Less: Provision for Doubtful Debts	97.39	29.05
		41,177.56	34,355.67
11.	CASH AND BANK BALANCES		
	Cash in hand	20.48	26.57
	With Banks on-		
	Current Accounts	1,997.61	1,467.42
	Unpaid Dividend Accounts	71.81	518.41
	Fixed Deposit Accounts (includes Rs.185.36 Lakh, Previous Year Rs.2.42 Lakh lodged with Government Authority / others)	4,548.19	7,154.04
		6,638.09	9,166.44
12.	OTHER CURRENT ASSETS		
	Unsecured - Considered Good		
	Accrued Interest on Deposits with Banks and Others	435.40	570.34
	Security and Other Deposits		
	Deposit with Electricity Authorities	282.52	279.16
	Others	562.27	539.41
		1,280.19	1,388.91

		As at 31st March, 2008	(Rs. in Lakh) As at 31st March, 2007
13.	LOANS AND ADVANCES		
	Unsecured - Considered Good		
	Advances recoverable in cash or in kind or for value to be received	7,644.27	7,136.93
	Accrued Export Entitlement	3,189.00	3,019.74
	MAT Credit Entitlement	—	280.33
		10,833.27	10,437.00
14.	LIABILITIES		
	Acceptances	10,691.69	6,775.88
	Sundry Creditors	12,644.90	12,399.35
	Advance from Customers	514.06	206.90
	Other Liabilities	1,302.60	1,264.36
	Investors Education and Protection Fund shall be credited by the following amounts namely:		
	(a) Unpaid Dividends	71.81	518.41
	(b) Unpaid Matured Deposits	0.90	0.97
	(c) Unpaid Matured Debentures	0.35	0.43
	(d) Unpaid Interest on above	0.50	0.75
	Interest Accrued but not due on loans	372.79	306.81
		25,599.60	21,473.86
15.	PROVISIONS (Net of Payments)		
	Income Tax	2,565.66	1,941.94
	(Net of MAT Credit Entitlement Rs. 280.33 Lakh; Previous Year Rs. Nil)		
	Wealth Tax	8.49	8.40
	Fringe Benefit Tax	42.67	26.00
	Proposed Dividend	4,532.54	1,468.96
	Tax on Dividend	770.31	249.65
		7,919.67	3,694.95

		2007-08	(Rs. in Lakh) 2006-07
16.	OTHER INCOME		
	Income from Investments		
	Long Term (Other than Trade)		
	Interest	534.88	388.46
	Current Investments		
	Dividend	—	2.20
	Interest on loans, deposits etc.	398.45	600.88
	Claims	11.95	30.43
	Sales Tax/Octroi Incentive	—	502.07
	Rent Receipt	81.69	63.19
	Liabilities no longer required written back	281.52	679.23
	Exchange Gain (Net)	959.72	689.30
	Bad Debts recovery	5.59	4.65
	Rebate on prepayment of loans	—	54.64
	Provision for doubtful debts written back	9.85	3.55
	Miscellaneous Receipts	660.09	494.35
		2,943.74	3,512.95

(Rs. in Lakh)

	2007-08	2006-07
17. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus	10,969.31	9,724.42
Contribution to Provident and Pension Funds	1,096.88	1,073.93
Contribution to Superannuation Fund	150.24	161.20
Contribution to Gratuity Fund	216.87	254.36
Staff Welfare Expenses	576.39	502.42
	13,009.69	11,716.33

	2007-08	2006-07
18. OTHER MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores and Spare Parts Consumed	14,829.30	13,081.62
Power and Electricity Charges	13,781.41	13,024.52
Repairs and Maintenance —		
Plant and Machinery	1,630.45	1,597.92
Buildings	287.97	300.61
Others	217.08	250.10
Rent	144.44	97.46
Rates and Taxes	153.30	122.98
Insurance	691.49	685.38
Commission to Selling Agents	2,734.64	2,228.32
Travelling and Conveyance	506.48	469.29
Directors' Remuneration (other than Executive Director)	210.63	151.34
Sales Tax	34.11	45.08
Excise Duty on Stocks etc. - Charge/(Credit)	29.57	298.72
Bad Debts/Advances Written off	133.33	106.24
Provision for Doubtful Debts	78.19	29.05
Freight and Transport	5,415.41	4,604.99
Processing Charges	166.33	148.09
Contractors' Labour Charges	1,231.21	1,677.65
Amortisation of Payment under Voluntary Retirement Scheme	—	13.44
Loss on Disposal of Fixed Assets (Net)	10.16	26.64
Miscellaneous Expenses	3,296.56	3,149.08
	45,582.06	42,108.52

	2007-08	2006-07
		(Rs. in Lakh)
19. (INCREASE)/DECREASE IN WORK-IN-PROCESS, FINISHED GOODS AND TRADING ITEMS		
Work-in-Process (Including Contract Work-in-Progress)		
Closing Stock	24,529.12	22,225.23
Deduct: Opening Stock	22,225.23	17,499.74
	(2,303.89)	(4,725.49)
Finished Goods		
Closing Stock	10,748.54	6,018.41
Deduct: Opening Stock	6,018.41	3,519.17
	(4,730.13)	(2,499.24)
Trading Items		
Closing Stock	1,302.09	1,200.03
Deduct: Opening Stock	1,200.03	1,127.52
	(102.06)	(72.51)
	(7,136.08)	(7,297.24)

	2007-08	2006-07
20. INTEREST ON		
Debentures/Bonds	614.41	564.74
Term Loans	1,393.67	1,888.79
Others	2,281.67	1,273.73
	4,289.75	3,727.26
Less : Interest capitalised	—	22.21
	4,289.75	3,705.05

	As at 31st March, 2008	(Rs. in Lakh) As at 31st March, 2007
21. EARNINGS PER SHARE		
(A) Basic		
(i) Number of Equity Shares at the beginning of the year	146,896,225	146,896,225
(ii) Number of Equity Shares at the end of the year	151,084,801	146,896,225
(iii) Weighted average number of Equity Shares outstanding during the year	147,980,971	146,896,225
(iv) Face value of each Equity Share (Rs.)	2.00	2.00
(v) Profit after Tax available for Equity Shareholders	14,234.07	22,236.08
(vi) Basic Earnings per Share (Rs.) [(v)/(iii)]	9.62	15.14
(vii) Profit after Tax excluding Non-recurring Item (Refer Note 2 below)	14,234.07	13,692.00
(viii) Basic Earnings per Share excluding Non-recurring Item (Rs.) [(vii)/(iii)]	9.62	9.32
(B) Diluted		
(i) Weighted average number of dilutive potential Equity Shares resulting from exercise of options outstanding during the year	30,828,218	31,279,436
(ii) Aggregate of A(iii) and B(i)	178,809,189	178,175,661
(iii) Face value of each Equity Share (Rs.)	2.00	2.00
(iv) Adjusted Profit after Tax that would have been available to Equity Shareholders had conversion taken place (Refer Note 3 below)	13,417.73	22,269.19
(v) Diluted Earnings per Share (Rs.) [(iv)/(ii)]	7.50	12.50
(vi) Adjusted Profit after Tax excluding Non-recurring Item that would have been available to Equity Shareholders had conversion taken place (Refer Note 4 below)	13,417.73	13,725.11
(vii) Diluted Earnings per Share excluding Non-recurring Item (Rs.) [(vi)/(ii)]	7.50	7.70

Notes :

1. In view of the average market price (fair value) of Equity Shares of the Company relevant for the year being more than the applicable conversion price, the conversion options embedded in Bonds (1.00 per cent Convertible Bonds of US$ 1000 each) as indicated in Schedule 4, is considered as dilutive and accordingly has been taken into account for computation of diluted earnings per share.

2. Profit after Tax excluding Non-recurring Item		
Profit after Tax	14,234.07	22,236.08
Less : Non-recurring Item (Net of tax)	—	8,544.08
	14,234.07	13,692.00
3. Adjusted Profit after Tax		
Profit after Tax	14,234.07	22,236.08
Add : Interest Expense (Net of tax)	110.37	185.81
Less : Exchange Gain (Net of tax)	926.71	152.70
	13,417.73	22,269.19
4. Adjusted Profit after Tax excluding Non-recurring Item		
Adjusted Profit after Tax (Refer 3 above)	13,417.73	22,269.19
Less : Non-recurring Item (Net of tax)	—	8,544.08
	13,417.73	13,725.11

22. NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. FIXED ASSETS:

(a) FIXED ASSETS (comprising both tangible and intangible items) are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation. Pre-operative expenses for major projects are also capitalised, where appropriate.

(b) DEPRECIATION includes amortisation. Depreciation on tangible fixed assets including those utilised in RESEARCH AND DEVELOPMENT activities, is provided on straight line basis in accordance with Schedule XIV to the Companies Act, 1956. Leasehold land is amortised on straight-line basis over the primary lease period. Intangible assets (Computer Softwares) are amortised over a period of five years.

In case of foreign subsidiaries, depreciation is provided on straight line basis. The assets acquired from the insolvency administrator are depreciated assuming remaining life of assets to be seven years for plant and machinery, office equipment, furniture and fittings and ten years for buildings. Patent and Trade Marks are amortised over a period of five years. Other assets are depreciated according to the local fiscal regulation.

(c) MACHINERY SPARES, which are irregular in use and associated with particular asset, are treated as fixed asset and the cost is amortised over its utility period.

(d) Impairment loss is recognised wherever the carrying amount of the fixed assets exceeds the recoverable amount i.e. the higher of the assets' net selling price and value in use.

B. INVESTMENTS:

(a) LONG TERM INVESTMENTS are stated at cost less write down for any permanent diminution in carrying value. CURRENT INVESTMENTS are stated at lower of cost and fair value. Fair value is determined on the basis of realisable or market value.

(b) EARNINGS FROM INVESTMENTS, where appropriate, are accrued or taken into revenue in full on declaration or receipts.

C. INVENTORIES:

Inventories are valued at lower of cost and estimated net realisable value. The costs are in general ascertained under weighted average formula.

D. GOODWILL ON CONSOLIDATION:

Goodwill arising on consolidation are carried at cost.

E. FOREIGN CURRENCY TRANSACTIONS:

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

F. DERIVATIVE INSTRUMENTS:

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

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

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

G. REVENUE:

Revenue is recognised on completion of sale of goods and rendering of services. Sales are inclusive of excise duty less discounts as applicable. Export entitlements are recognised after completion of related exports on prudent basis.

H. CONSTRUCTION CONTRACTS:

Revenue in respect of construction contracts is recognised on the basis of percentage of completion method. Stages of completion are determined based on completion of a physical proportion of the contract work. Anticipated loss on such contracts is provided for in the period of incurrence.

22. NOTES ON ACCOUNTS (contd.)

I. BORROWING COSTS:

Borrowing costs attributable to the acquisition and construction of qualifying assets are added to the cost up to the date when such assets are ready for their intended use. Other borrowing costs are recognised as expense in the period in which these are incurred.

J. RESEARCH AND DEVELOPMENT EXPENDITURE (R & D):

Revenue expenditure on R & D is expensed in the period in which it is incurred. Capital expenditure on R & D is capitalised.

K. EMPLOYEE BENEFITS:

(a) Short-term Employee Benefits:

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

(b) Post Employment Benefit Plans:

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

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

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

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

L PRIOR PERIOD AND EXTRA ORDINARY ITEMS:

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

M. MATERIAL EVENTS:

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

N. PROVISIONS AND CONTINGENT LIABILITIES:

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure for contingent liability is made.

O. TAXATION:

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws. Deferred tax is recognised subject to consideration of prudence in respect of deferred tax asset, on timing difference, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are reviewed at each Balance Sheet date to re-assess realisation. Fringe Benefit tax is accounted for based on the estimation of the fringe benefit for the period as per the related provisions of the Income-tax Act, 1961.

P. CONSOLIDATION:

(a) Consolidated financial statements relate to Graphite India Limited, the Parent Company and its subsidiaries (the Group). The consolidated financial statements are in conformity with the Accounting Standard – 21 on Consolidated Financial

22. NOTES ON ACCOUNTS (contd.)

Statements prescribed under the Companies Act, 1956 of India (the Act) and are prepared as set out below:

i) The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after adjustments/elimination of inter-company balances, transactions including unrealised profits on inventories etc.

ii) The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent required and possible, in the same manner as the Parent Company's separate financial statements.

iii) The excess of cost to the Parent Company of its investment in the subsidiaries over the parent's portion of equity of the subsidiaries at the dates they became subsidiaries is recognised in the financial statements as goodwill.

iv) The translation of the functional currencies into Indian Rupees (reporting currency) is performed for equity in the foreign subsidiary, assets and liabilities using the closing exchange rates at the Balance Sheet date, for revenues, costs and expenses using average exchange rates prevailing during the period. The resultant exchange difference arising out of such transactions is recognised as part of equity (Foreign Currency Translation Adjustment Account) by the Parent Company until the disposal of investment.

2. The Consolidated Financial Statements comprise the financial statements of the Parent Company and its wholly owned subsidiary companies as detailed below:

Name of the Company	Country of Incorporation
Domestic:	
Carbon Finance Limited	India
Overseas:	
Graphite International B.V.	The Netherlands
Carbon International GmbH	Netherlands Antilles
Bavaria Electrode GmbH	Germany
Bavaria Carbon Holdings GmbH	Germany
Bavaria Carbon Specialities GmbH	Germany
Graphite Cova GmbH	Germany

3. Contingent Liabilities not provided in respect of

	As at 31st March, 2008	As at 31st March, 2007
i) Claims not acknowledged as debts		
a) Disputed Income Tax demand for which appeals are pending	797.99	2238.04
b) Disputed Excise Duty for which appeals are pending	76.73	63.61
c) Disputed Custom Duty for which appeals are pending	121.87	—
d) Disputed Service Tax for which appeals are pending	2.95	—
e) Disputed Sales Tax demand for which appeals preferred by the company	35.19	36.07
f) Disputed Claim from a customer	—	451.04
g) Others	139.05	107.28
ii) Potential Obligation under Public law of Germany in respect of environment	1749.96	1609.15
iii) Countervailing duty on account of certain materials	—	193.62

4. Particulars relating to Construction Contracts:

(Rs. in Lakh)

	2007-08	2006-07
a) Contract revenues recognised as revenue.	720.06	2114.65

	As at 31st March, 2008	As at 31st March, 2007
b) Other information relating to Contract Work-in-Progress		
i) Aggregate amount of cost incurred and recognised profits	838.90	2889.12
ii) The amount of retentions due from customers	3.14	108.92
iii) Gross amount due from customers for contracts work as an asset (i.e. Contract Work-in-Progress)	275.63	133.88

22. NOTES ON ACCOUNTS (contd.)

5. Employee Benefits

(I) Post Employment Defined Benefit Plans

Gratuity

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

Provident Fund

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

Pension

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

The following Table sets forth the particulars in respect of the Defined Benefit Plans (funded) of the Group for the year ended 31st March, 2008:

GRATUITY FUND (Funded)

(Rs. in Lakh)

		2007-08	2006-07
(a)	Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation		
	Present Value of Obligation at the beginning of the year	1418.28	1214.10
	Current Service Cost	95.82	77.09
	Interest Cost	112.43	84.41
	Actuarial (Gains) / Losses	142.20	219.97
	Benefits Paid	(191.20)	(177.29)
	Present Value of Obligation at the end of the year	1577.53	1418.28
(b)	Reconciliation of the Opening and Closing balances of the Fair Value of Plan Assets		
	Fair Value of Plan Assets at the beginning of the year	1416.64	1217.00
	Expected Return on Plan Assets	113.33	97.36
	Actuarial Gains/(Losses)	20.25	29.75
	Contributions	58.68	249.82
	Benefits Paid	(191.20)	(177.29)
	Fair Value of Plan Assets at the end of the year	1417.70	1416.64
(c)	Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets		
	Present Value of Obligation at the end of the year	1577.53	1418.28
	Fair Value of Plan Assets at the end of the year	1417.70	1416.64
	Assets/(Liabilities) recognised in the Balance Sheet	(159.83)	(1.64)
(d)	Expense recognised in the Profit and Loss Account		
	Current Service Cost	95.82	77.09
	Interest Cost	112.43	84.41
	Expected Return on Plan Assets	(113.33)	(97.36)
	Actuarial (Gains)/ Losses	121.95	190.22
	Total Expense recognised	216.87	254.36

22. NOTES ON ACCOUNTS (contd.)

(Rs. in Lakh)

		2007-08	2006-07
(e)	Category of Plan Assets:		
	Fund with LICI	1410.00	1373.57
	Others (including bank balances)	7.70	43.07
	Total	1417.70	1416.64
(f)	Actual Return on Plan Assets	133.58	127.11
(g)	Principal Actuarial Assumptions		
	Discount Rate	8.50%	7.50%
	Salary Escalation	6.00%	5.00%
	Inflation Rate	6.00%	5.00%
	Expected Return on Asset	8.00%	8.00%

PROVIDENT FUND (Funded)

		2007-08	2006-07
(a)	Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation		
	Present Value of Obligation at the beginning of the year	720.58	655.58
	Current Service Cost *	91.26	90.70
	Interest Cost	63.02	55.72
	Actuarial (Gains) / Losses	(1.50)	(1.99)
	Benefits Paid	(49.72)	(79.43)
	Present Value of Obligation at the end of the year	823.64	720.58
(b)	Reconciliation of the Opening and Closing balances of the Fair Value of Plan Assets		
	Fair Value of Plan Assets at the beginning of the year	722.97	660.53
	Expected Return on Plan Assets	57.84	52.84
	Actuarial Gains / (Losses)	(1.07)	(1.67)
	Contributions *	91.26	90.70
	Benefits Paid	(49.72)	(79.43)
	Fair Value of Plan Assets at the end of the year	821.28	722.97
(c)	Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets		
	Present Value of Obligation at the end of the year	823.64	720.58
	Fair Value of Plan Assets at the end of the year	821.28	722.97
	Assets/(Liabilities) recognised in the Balance Sheet	(2.36)	2.39
(d)	Expense recognised in the Profit and Loss Account		
	Current Service Cost *	91.26	90.70
	Interest Cost	63.02	55.72
	Expected Return on Plan Assets	(57.84)	(52.84)
	Actuarial (Gains)/ Losses	(0.43)	(0.32)
	Total Expense recognised	96.01	93.26

* Includes employees statutory contributions, voluntary contributions etc.

		2007-08	2006-07
(e)	Category of Plan Assets:		
	Central Government securities	160.39	121.69
	State Government securities	151.69	124.66
	Bonds / Term Deposits	208.81	162.81
	Special Deposit Schemes	262.40	286.15
	Others (including bank balances)	37.99	27.66
	Total	821.28	722.97
(f)	Actual Return on Plan Assets	56.77	51.17
(g)	Principal Actuarial Assumptions		
	Expected Return on Asset	8.00%	8.00%

22. NOTES ON ACCOUNTS (contd.)

(Rs. in Lakh)

	2007-08	2006-07
PENSION (Unfunded)		
(a) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation		
Present Value of Obligation at the beginning of the year	109.88	103.72
Exchange Rate Adjustment	8.53	7.60
Current Service Cost	3.32	3.73
Interest Cost	4.95	4.72
Actuarial (Gains) / Losses	(18.29)	(9.89)
Benefits Paid	—	—
Present Value of Obligation at the end of the year	108.39	109.88
(b) Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets		
Present Value of Obligation at the end of the year	108.39	109.88
Fair Value of Plan Assets at the end of the year	—	—
Assets/(Liabilities) recognised in the Balance Sheet	(108.39)	(109.88)
(c) Expense recognised in the Profit and Loss Account		
Current Service Cost	3.32	3.73
Interest Cost	4.95	4.72
Actuarial (Gains)/ Losses	(18.29)	(9.89)
Total Expense recognised	(10.02)	(1.44)
(d) Principal Actuarial Assumptions		
Discount rate	4.60%	4.25%
Salary Escalation	1.75%	1.75%

Notes :

(a) The expenses for the above mentioned benefits have been disclosed under the following line items:-

Gratuity – under 'Contribution to Gratuity Fund'

Provident Fund – under 'Contribution to Provident and Pension Funds' other than employees' statutory contributions, voluntary contributions etc. which are recovered from their salaries, as included under 'Salaries, Wages and Bonus'

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

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

(II) Post Employment Defined Contribution Plans

During the year an amount of Rs. 1221.74 Lakh (Previous Year - Rs. 1208.03 Lakh) has been recognised as expenditure towards defined contribution plan of the Company.

6. Particulars of Non Cancellable Operating Leases:

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

Minimum lease payments: (Rs. in Lakh)

	2007-08	2006-07
i. Not later than one year	421.38	322.34
ii. Later than one year but not later five year.	1966.98	1634.91
iii. Later than five years	53.46	46.32
Total	2441.82	2003.57

b) The lease expenses recognised during the year amounted to Rs. 103.79 lakh (Previous year- Rs. 32.65 Lakh).

7. Non-recurring item in previous year represents profit (Net) arising from the sale of a part of land at Bangalore of Graphite and Carbon division.

8. Depreciation for the year and year end accumulated depreciation includes Rs. 764.49 Lakh (Previous year Rs. 779.82 Lakh) and Rs. 2794.63 Lakh (Previous year Rs. 1828.18 Lakh) respectively, computed by certain subsidiaries applying different depreciation rate as indicated in Note 1(A)(b) above.

22. NOTES ON ACCOUNTS (contd.)

9. Pursuant to the Announcement on Accounting for Derivatives issued by the Institute of Chartered Accountants of India in March, 2008, the Company has accounted for during the year losses amounting to Rs. 501.41 Lakh in respect of outstanding derivative contracts at the balance sheet date by marking them to market as indicated in Note 1(F) above.

Such derivative loss has been netted off against exchage gain (Net). (Schedule 16)

10. 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, 2008

	Graphite and Carbon		Power		Others		Total of Reportable Segments	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Sales/Income from Operations (Gross)								
External Sales	123,358.77	105,167.44	243.86	144.46	11,463.72	9,139.75	135,066.35	114,451.65
Inter Segment Sales	2,083.17	1,870.47	7,401.11	6,569.00	525.02	23.16	10,009.30	8,462.63
Income from Operations(External)	3,468.83	2,275.39	—	—	300.45	367.42	3,769.28	2,642.81
Segment Revenues	128,910.77	109,313.30	7,644.97	6,713.46	12,289.19	9,530.33	148,844.93	125,557.09
Segment Results	22,636.64	26,860.74 @	2,800.89	3,024.64	1,106.47	1,717.74	26,544.00	31,603.12
Segment Assets	140,456.73	124,595.25	8,327.16	8,932.23	12,255.13	11,853.39	161,039.02	145,380.87
Segment Liabilities	35,695.80	29,950.36	998.99	836.64	1,976.87	1,710.69	38,671.66	32,497.69
Capital Expenditure	1,722.36	7,818.17	—	25.42	561.55	1,462.24	2,283.91	9,305.83
Depreciation and Amortisation	3,144.69	2,774.30	618.93	618.03	269.28	312.65	4,032.90	3,704.98
Non-cash Expenses other than Depreciation and Amortisation (Net)	166.02	99.17	—	—	59.65	19.70	225.67	118.87

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

Reconciliation of Reportable Segments with the Financial Statements

	Revenues		Results Net Profit		Assets		Liabilities *	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Total of Reportable Segments	148,844.93	125,557.09	26,544.00	31,603.12	161,039.02	145,380.87	38,671.66	32,497.69
Corporate - Unallocated / Others (Net)	—	—	52.66	222.94	16,915.99	21,078.26	63,763.53	69,614.83
Inter Segment Sales	(10,009.30)	(8,462.63)	—	—	—	—	—	—
Interest Expenses	—	—	(4,289.75)	(3,705.05)	—	—	—	—
Taxes (Net)	—	—	(8,072.84)	(5,884.93)	—	—	—	—
	138,835.63	117,094.46	14,234.07	22,236.08	177,955.01	166,459.13	102,435.19	102,112.52

* Excluding Shareholders Funds

21. NOTES ON ACCOUNTS (contd.)

B. Secondary Segment (Geographical)

	Domestic		Export		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Revenues	49,389.76	40,435.59	89,445.87	76,658.87	138,835.63	117,094.46
Total Assets	124,679.16	118,798.14	36,359.86	26,582.73	161,039.02	145,380.87
Capital Expenditure	1,386.63	8,753.09	897.28	552.74	2,283.91	9,305.83

11. RELATED PARTY DISCLOSURES
(In accordance with Accounting Standard – 18 prescribed under the Act)

i) Related Parties

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

ii) Particulars of Transactions during the year ended 31st March, 2008

Nature of Transactions	Key Management Personnel (Rs. in Lakh)
Directors' Remuneration	116.42 (87.63)
Balance outstanding at the year end	
Sundry Creditors	64.00 (45.00)

iii) Figures in bracket relate to previous year

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

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

CONSOLIDATED CASH FLOW STATEMENT
of Graphite India Limited and its subsidiaries for the year ended 31st March, 2008

			(Rs. in Lakh)
		2007-08	2006-07
A.	Cash Flows from Operating Activities		
	Profit before Taxation and Non-recurring Item	22,306.91	18,497.13
	Adjustments for :		
	Depreciation	4,102.71	3,771.37
	Foreign Exchange (Net)	(991.42)	(446.67)
	Investment Income	—	(3.29)
	Profit on Sale of Investments	(17.05)	(26.13)
	Interest Expense	4,289.75	3,705.05
	Interest Income	(933.33)	(989.34)
	Loss on Disposal of Fixed Assets (Net)	10.16	26.64
	Bad Debts/Advances Written Off	133.33	106.24
	Provision for Doubtful Debts	78.19	29.05
	Provision for Doubtful Debts Written Back	(9.85)	(3.55)
	Liability no Longer Required Written Back	(281.52)	(679.23)
	Amortisation of Expenditure	—	13.44
	Rebate on Prepayment of Loans	—	(54.64)
	Effect of changes in Foreign Currency Translation	354.15	(350.29)
		29,042.03	23,595.78
	Investment Income Received	—	1.09
	Operating Profit before Working Capital Changes	29,042.03	23,596.87
	Adjustments for :		
	(Increase)/Decrease in Trade and Other Receivables	(7,050.44)	(12,670.41)
	(Increase)/Decrease in Inventories	(9,448.61)	(11,243.29)
	Increase/(Decrease) in Trade Payables	5,162.82	4,936.28
	Cash generated from Operations	17,705.80	4,619.45
	Taxes (Paid)/Refund (Net)		
	Tax paid including Fringe Benefit Tax	(6,679.25)	(3,591.92)
	NET CASH FROM OPERATING ACTIVITIES	11,026.55	1,027.53
B.	Cash Flows from Investing Activities		
	Purchase of Fixed Assets	(2,652.81)	(9,414.57)
	Proceeds on Disposal of Fixed Assets	39.93	53.30
	Proceeds on Disposal of Fixed Assets-Net (Non-recurring)	—	10,944.31
	Purchase of Long Term Investments	—	(9,700.00)
	Purchase of Current Investments	(875.00)	(2,199.41)
	Sale of Current Investments	1,382.42	2,148.66
	Interest Received	1,068.27	546.97
	Dividend Received	—	2.20
	NET CASH USED IN INVESTING ACTIVITIES	(1,037.19)	(7,618.54)

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

(Rs. in Lakh)

		2007-08	2006-07
C.	Cash Flows from Financing Activities		
	Proceeds from Borrowings		
	Long Term	18.46	3,075.13
	Short Term	15,348.34	19,452.30
	Repayment of Borrowings		
	Long Term	(4,114.47)	(6,037.99)
	Short Term	(17,087.63)	(7,057.88)
	Interest Paid (including interest capitalised Rs. Nil; Previous year Rs.22.21 Lakh)	(4,223.77)	(3,735.22)
	Dividend Paid (including tax thereon Rs.249.65 Lakh; Previous year Rs.659.27 Lakh)	(2,165.21)	(4,881.13)
	NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(12,224.28)	815.21
D.	Exchange Differences on Translation of Foreign Currency		
	Cash and Cash Equivalents	(293.43)	(222.28)
	Net Cash Inflow/(Outflow)	(2,528.35)	(5,998.08)
	Cash and Cash Equivalents - Opening (Schedule 11)	9,166.44	15,164.52
	Cash and Cash Equivalents - Closing (Schedule 11)	6,638.09	9,166.44
	Net Cash Inflow/ (Outflow)	(2,528.35)	(5,998.08)

Notes

1. The above Consolidated Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements prescribed under the Act.
2. Conversion of the Bonds into Equity Shares referred to in Note 2 on Schedule 1, being a non-cash transaction, has not been considered for the purpose of the Cash Flow Statements.
3. The Schedules referred to above form an integral part of the Cash Flow Statement.
4. Previous year's figures have been regrouped or rearranged, wherever necessary.

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

P. Law
Partner
Membership No. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata : 12th May, 2008

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

STATEMENT REGARDING SUBSIDIARY COMPANIES

(Rs. in Lakh)

	Closing exchange rate against Indian Rupee as on 31.03.2008	Capital	Reserve	Total Assets	Total Liabilities	Investments (except in case of investment in Subsidiaries)*	Turnover	Profit before Tax	Provision for Taxation	Profit after Tax	Proposed/ Interim dividend
Carbon Finance Limited	—	300.00	1579.94	1933.03	53.09	860.16	267.51	34.07	7.25	26.82	—
Graphite International B.V. The Netherlands	63.13	4103.45	(250.67)	8365.44	4512.66	—	463.13	39.53	(24.08)	63.61	—
Carbon International Holdings N.V. Netherlands Antilles	63.13	63.13	2433.19	2630.40	134.08	—	187.52	175.14	(1.82)	176.96	126.26
Subsidiaries of Graphite International B. V.											
Graphite Cova GmbH, Germany	63.13	6262.50	4953.14	36776.00	25560.36	—	40388.18	2458.35	723.91	1734.44	—
Bavaria Electrodes GmbH, Germany	63.13	63.13	551.87	1786.97	1171.97	—	12609.87	245.97	63.29	182.68	—
Bavaria Carbon Specialities GmbH, Germany	63.13	63.13	361.02	821.77	397.62	—	4182.99	169.72	40.17	129.55	—
Bavaria Carbon Holdings GmbH, Germany	63.13	173.61	57.93	698.64	467.10	—	296.58	17.70	1.49	16.21	—

* Details of Investments held by Carbon Finance Limited as at 31st March, 2008

(Rs. in Lakh)

Particulars	Nature of Investment	Face value Rs.	Number	Amount
GKW Limited	Equity Shares	10.00	623,400	7.48
Sundaram Select Midcap-Dividend	Units	10.00	15,400	2.68
Reliance Liquid Plus Fund-Institutional Fund-Growth	Units	1000.00	77,755	850.00
				860.16