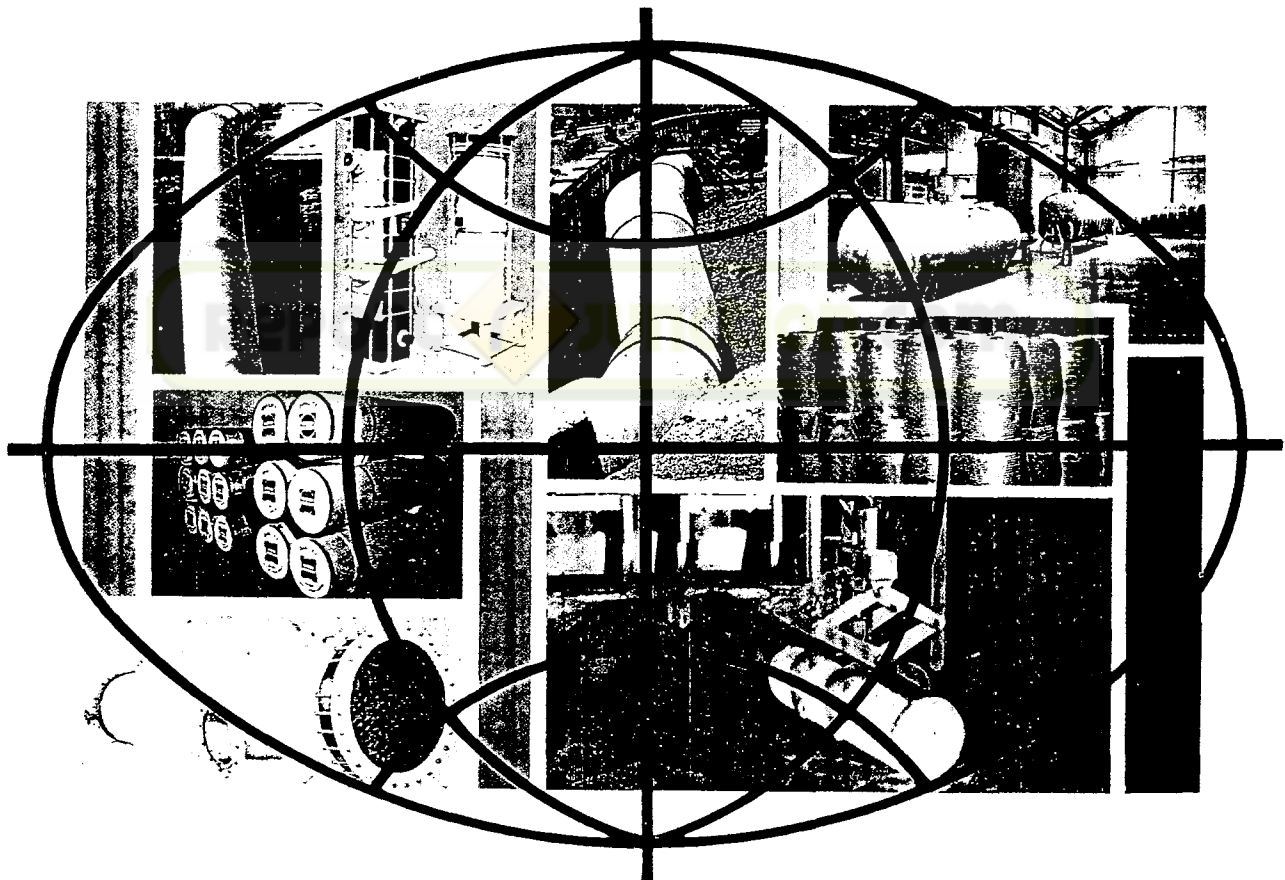




CARBON EVERFLOW LIMITED

ANNUAL REPORT 1996-97

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		



Indian Vision, Global Standards



CARBON EVERFLOW LIMITED

BOARD OF DIRECTORS

MR. K. K. BANGUR, *Chairman*
MR. N. S. DAMANI
MR. A. V. LODHA
DR. R. SRINIVASAN
MR. SHARDUL S. SHROFF
MR. AGNAR GILBU
MR. K. B. KRISHNAMOORTHY, *LIC Nominee*
MR. P. C. LAKHOTIA, *Executive Director*

COMPANY SECRETARY

MR. B. SHIVA

SOLICITORS

AMARCHAND & MANGALDAS & SURESH A. SHROFF & COMPANY
KHAITAN & CO.

BANKERS

CENTRAL BANK OF INDIA
BANK OF INDIA
BANK OF BARODA
DENA BANK

REGISTERED OFFICE

88, MIDC Industrial Area
Satpur,
Nasik - 422 007

WORKS

- i) GE DIVISION :
Plot No. 88, MIDC Industrial Area
Satpur, Nasik - 422 007
- ii) IGE DIVISION :
C-7, Ambad Industrial Area
Nasik - 422 010
- iii) GRP DIVISION :
Village Gonde,
Nasik - 422 403.

FINANCIAL STATISTICS (10 YEARS AT A GLANCE)

	1986-87	1987-89 (17 MTHS)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Years	31.10.87	31.03.89	31.03.90	31.03.91	31.03.92	31.03.93	31.03.94	31.03.95	31.03.96	31.03.97
Sales & Other Income	2361.65	4119.20	3558.49	4020.11	4570.04	5032.79	6318.42	8609.68	11521.36	11051.56
Profit before Interest										
Depreciation and taxation	470.06	753.24	615.89	579.22	652.18	660.50	874.58	1442.87	2572.24	1775.95
Interest	332.22	411.69	225.15	221.67	221.43	215.16	198.51	241.50	386.71	651.63
Depreciation	135.04	231.85	248.35	136.03	129.74	132.71	152.73	310.54	350.78	453.07
Taxation	0.42	14.75	19.00	-	115.00	117.00	56.13	115.00	375.00	86.59
Profit after Taxation	2.38	94.95	123.39	221.52	186.01	195.63	467.21	775.83	1459.75	584.66
Dividend	-	52.26	57.75	57.75	56.98	59.64	86.52	185.17	302.00	326.48*
Retained Earning	2.38	42.69	65.64	163.77	129.03	135.99	380.69	590.66	1157.75	258.18
Fixed Assets (Net)	1348.70	1156.07	1003.94	918.72	854.06	947.66	3601.78	4271.97	5667.04	5697.43
Investments	0.40	0.39	0.39	0.39	0.39	0.39	0.47	0.75	600.45	2352.25
Net Current Assets	1328.30	1279.21	1496.13	1633.91	1533.50	1572.90	3011.04	3525.14	3894.03	4214.90
Share Capital										
(Equity & Preference)	384.49	384.56	384.62	384.63	378.38	372.13	634.08	748.09	892.09	1248.72
Reserves & Surplus	147.10	189.79	255.43	419.20	648.23	684.22	2913.42	3684.06	5409.81	6728.51
Borrowings	2228.56	1950.88	1929.86	1824.47	1509.52	1512.04	3271.98	3485.95	3998.40	4334.49
Book Value (Rs.)	13.83	14.94	16.64	20.90	27.13	28.39	55.95	59.25	70.64	63.89
EPS (Rs.)	0.07	2.64	3.43	6.16	5.17	5.44	7.44	10.37	16.37	4.68
Dividend (%)	-	12%	15%	15%	15%	16%	20%	25%	35%	25%

1993-94 includes results of the merged operation of GVIL from 1.1.94 to 31.3.94

* including Tax on Dividend of Rs. 29.68

NOTICE

CARBON EVERFLOW LIMITED

Regd. Off : Plot No. 88, MIDC Industrial Area, Satpur, Nashik 422 007

NOTICE is hereby given that the Twenty-Second ANNUAL GENERAL MEETING of CARBON EVERFLOW LIMITED will be held on Wednesday the 10th day of September, 1997 at 10.00 a.m. at the Registered office of the Company at 88 MIDC Industrial Area, Satpur, Nashik 422 007 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt Audited Profit & Loss Account for the year ended 31st March, 1997 and the Balance Sheet as at that date together with Directors' and Auditors' Report thereon.
2. To declare a dividend on Equity Shares for the year ended 31st March, 1997.
3. To appoint a Director in place of Mr. A. V. Lodha who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. S. Damani who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.

RESOLVED THAT the Company hereby approves the appointment of and the remuneration payable to Shri P. C. Lakhota as a Whole-time Director of the Company, designated as "Executive Director" for a period of five years from 1st December, 1996 upon the terms and conditions set out in the Letter of Appointment dated 22nd November, 1996 issued by the Company to Shri P. C. Lakhota, a copy of which initialed by the Chairman for the purpose of identification is placed before the meeting.

By Order of the Board
For **CARBON EVERFLOW LIMITED**

Mumbai
25th June, 1997

B. SHIVA
Company Secretary

NOTES :

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday the 26th August, 1997 to Wednesday the 10th September, 1997 (both days inclusive)
4. Members are requested to notify change in their address, if any, immediately to the Company's Registrars IIT CORPORATE SERVICE LIMITED, IIT House, Near Vazir Glass Works, Off, M. V. Road, J. B. Nagar, Andheri (East), MUMBAI 400 059.
5. The Unclaimed dividend amounts for the financial year ended 31st March, 1994 would be transferred to the General Revenue Account of the Central Government during September, 1997. The unclaimed dividend amounts for the previous years 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, 2nd floor, Hakoba Mills Compound, Dattaram Lad Marg, Kalachowki, Mumbai 400 033.
6. Members are requested to affix their signature at the space provided in the attendance slip annexed to the proxy form and hand over the slip at the entrance of the place of meeting.

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

ITEM NO. 6

1. The Board of Directors of the Company, (the 'Board') at its meeting held on 22nd November, 1996 appointed Shri. P. C. Lakhota as a Whole-time Director of the Company, (designated as Executive Director) for a period of five years with effect from 1st December, 1996. Immediately prior to his appointment as the Whole-time Director, Shri P. C. Lakhota was "Manager" within the meaning of the Companies Act, 1956 (designated as President) of the Company.
The terms and conditions of appointment of Shri P. C. Lakhota as a Whole-time Director of the Company are embodied in the Letter of Appointment dated 22nd November, 1996 (the said Letter) issued by the Company to him and an abstract of the terms of such appointment as contained in the said letter with memorandum of interest is set out below -
The appointment of Shri P. C. Lakhota as a Whole-time Director designed as "Executive Director" of the Company is from 1st December, 1996 till 30th November, 2001.
Shri P. C. Lakhota 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, Shri P. C. Lakhota shall receive the following by way of remuneration :
 - i) Salary : At the rate of Rs. 24,500/- (Rupees Twenty Four Thousand Five Hundred only) per month or such higher sum as may from time to time be determined by the Board, subject to a maximum of Rs. 50,000/- per month.
 - 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 Board, the monetary value of which in any financial year together with the salary for that year shall not exceed Rs. 87,500/- per month or Rs. 10,50,000/- per annum.
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 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 Companies Act, 1956 (hereinafter referred to as "the Act") or any statutory modification 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 that 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 to him three months' salary as specified in clause 2(i) above in lieu of three months' notice required to be given under this clause.
5. The appointment and remuneration of Shri. P. C. Lakhota 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.
The appointment of Shri. P. C. Lakhota as Whole-time Director of the Company on the terms proposed satisfies the conditions laid down in Part I and Part II of Schedule XIII to the Act.
The resolution set out in item 6 of the Notice convening the meeting has to be considered accordingly and the Board recommends the same.
6. A copy of the said Letter referred to in the Resolution will be available for inspection by the members of the Company at its Registered Office on any working day prior to the date of the meeting during usual business hours and will also be available at the meeting.
7. Shri P. C. Lakhota as Whole-time Director is concerned or interested in the resolution. No other Director is concerned or interested.

By Order of the Board
For **CARBON EVERFLOW LIMITED**
B. SHIVA
Company Secretary

Mumbai
25th June, 1997

DIRECTORS' REPORT

To
The Members,

The Directors have pleasure in presenting their Twenty Second Annual Report together with the Audited statement of Accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS :

	(Rs. in lakhs)	
	1996-97	1995-96
Gross Profit after interest but before Depreciation and taxation	1125	2208
Less : Provision for leave encashment (earlier years)	—	22
Less : Depreciation	453	351
Less : Provision for Taxation	87	375
Net Profit after Tax	585	1460
Add : Amount brought forward from last year	493	207
Total available for appropriation	1078	1667

APPROPRIATIONS :

Transfer from Debenture Redemption Reserve	(199)	—
Transfer to :		
Debenture Redemption Reserve	72	72
General Reserve (including Rs. 199 from Debenture Redemption Reserve)	435	800

PROPOSED DIVIDEND :

On Equity Shares @ 25%	297	302
Provision for tax on dividend	30	—
Balance in Profit and Loss Account	443	493
	1078	1667

DIVIDEND

The Directors recommend dividend for the year under report as under :

- 25% on 89,19,199 Equity Shares of Rs.10/- each.
- Pro-rata Dividend @ 25% for the period 03.6.1996 to 31.3.1997 on 35,66,350 Equity Shares of Rs.10/- each.

REVIEW OF OPERATIONS :

GRAPHITE ELECTRODE DIVISION (GE)

The Division successfully launched 600 mm dia UHP electrodes during the year under report. Trials in the U.K. and Saudi Arabia proved the product to be at par with that of international suppliers, fetching repeat orders. Application in Saudi Arabia is considered one of the toughest in the world.

Import of normal grade electrodes from China PR and UHP electrodes from U.S. and European suppliers at much lower prices affected domestic off-take forcing the Division to produce

more UHP electrodes for the export market. Also Reidhammer Rebaking furnaces installed in the previous year took some time to stabilize on their full operations. Because of delay in stabilisation of Reidhammer furnace and processing of more UHP grade electrodes as compared to last year, the production for the year under review is lower at 7243 M.T. as against 7619 M.T. in the previous year. However, due to better price realisation for UHP electrodes as compared to normal grade electrodes, the sales value has increased by 14%. The margins came under tremendous pressure due to cost escalations, especially electricity costs which increased by around 18%. During the year under reference, 4368 M.T. was exported as against 3951 M.T. during the previous year. Export during the year as percentage of total production was 60% as against 52% of last year.

Considering the increasing demand of UHP electrodes, two more pitch impregnation systems of improved version have been installed during the year.

The domestic scenario is unlikely to change in the near future and hence our thrust will continue on the export front. Considering the quality of the electrodes manufactured by us and overseas customers developed over the last few years, the Division does not foresee any problem in increasing the exports.

The Indian Graphite Electrode Manufacturers Association on behalf of the domestic industry had filed an application alleging dumping of graphite electrodes originating in or exported from USA, China PR and several European countries. The designated authority has completed its preliminary investigation and has recommended provisional anti-dumping duties on graphite electrodes originating in or exported from the said countries.

IMPERVIOUS GRAPHITE EQUIPMENT DIVISION (IGE)

Growth in the Chemicals sector has slowed down over the past year. However, the Division has fared better as compared to the previous year due to better carry forward of orders from the previous year. A major thrust is being given in the international market particularly in South East Asia. Export enquiries are expected to increase this year.

GRP DIVISION

Due to lesser projects and projects being kept in abeyance in the Government sector, business for GRP pipes in the year under reference was minimal. However the situation will improve in the coming year. Projects which have been kept in abeyance are likely to take off this year.

ISO 9000

GE and GRP Divisions were accredited with the ISO-9000 Certification during the year. With this, all three Divisions of the Company are ISO 9000 certified.

RIGHTS ISSUE

3566350 equity shares of Rs.10/- each issued at a premium of Rs. 30/- per share on rights basis were allotted effective from 3.6.1996. The funds so raised were utilised/reimbursed for the purpose stated in the Letter of Offer.

FIXED DEPOSITS

10 deposits totalling Rs.31,000/- due for payment on or before 31st March, 1997 were not claimed by depositors on that date and are still outstanding as on date.

DIRECTORS

In accordance with the requirements of the Companies Act, 1956, Shri A.V. Lodha and Shri N. S. Damani retire by rotation and being eligible offer themselves for re-appointment.

EXECUTIVE DIRECTOR

Shri P. C. Lakhotia was appointed as Whole-time Director designated as the 'Executive Director' of the Company for a period of five years from 1st December 1996. Members approval in this regard is being obtained at the ensuing 22nd Annual General Meeting.

PERSONNEL

The Directors are happy to state that relations between the Company and its employees remained cordial during the year. The Directors express their appreciation of the work of employees of the Company at all levels.

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in the annexure forming part of this report.

SUBSIDIARY COMPANY

As required U/s 212 of the Companies Act, 1956, the particulars relating to subsidiary Company is annexed to the accounts.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars prescribed by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 read with clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956, are furnished in the annexure to this report.

AUDITORS

The Directors recommend that Messrs. Price Waterhouse, Chartered Accountants, the retiring Auditors, be appointed as the Company's Auditors to hold office till the conclusion of the 23rd Annual General Meeting.

The Directors place on record their appreciation and acknowledge with gratitude the support and co-operation extended by financial institutions, banks, debenture trustees and MDC Norway for their continued guidance and support.

For and on behalf of the Board of Directors

Calcutta
26th June, 1997

K. K. BANGUR
Chairman

**INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES
(PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE REPORT OF THE
DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 1997**

(A) Employed throughout the year and in receipt of remuneration aggregating not less than Rs. 25,000/- per month								
Sr. No.	Name of the Employees	Designation/ Nature of Duties	Remune- ration Rs.	Nature of Employment	Qualification & experience	Date of commencement of Employment	Age	Last Employment
1.	Mr. Lakhota P. C.	Executive Director (Executive functions)	647923	Contractual	B. Sc. (Engg) M. I. E. 34 years	01-01-1984	54	Graphite India Ltd.
2.	Mr. Samanta A.	Sr. Vice President (Tech. & Engg)	379056	Non- Contractual	B. E. (Elect.) D. E. E. (Turin-Italy) 32 years	01-01-1984	55	Graphite India Ltd.
3.	Mr. Banerjee M. K.	Sr. Vice President (Marketing)	360172	Non- Contractual	B. Tech. (Chemical Engg) 21 years	18-07-1983	44	Graphite India Ltd.
4.	Mr. Shah C. S.	Sr. Vice President (Finance & Corporate)	420230	Non- Contractual	B. Com., AICWA A. C. A., M. F. M. 22 years	09-02-1978	43	Special Steels Ltd.
(B) Employed for the part of the year and in receipt of remuneration aggregating not less than Rs. 25,000/- per month.								
1.	Mr. Mehta A. K.	Sr. Vice President (Operations)	337832	Non- Contractual	B. Sc. (Engg) 31 years	01-06-1982	52	Graphite India Ltd.



NOTES :

- Remuneration includes Basic Salary, Allowances, Commission where applicable, Ex-gratia Payment, Leave Travel Assistance, Reimbursement of Medical Expenses, Contribution to Provident and Pension Funds, Group Gratuity Scheme and Monetary value of perquisites as per Income-tax Rules.
- Nature of employment is Contractual, wherever applicable. Other terms and conditions applicable are as per the company's rules. The above employees are not related to any Director of the Company.
- None of the above employees hold 2% or more Equity Shares in the Company.