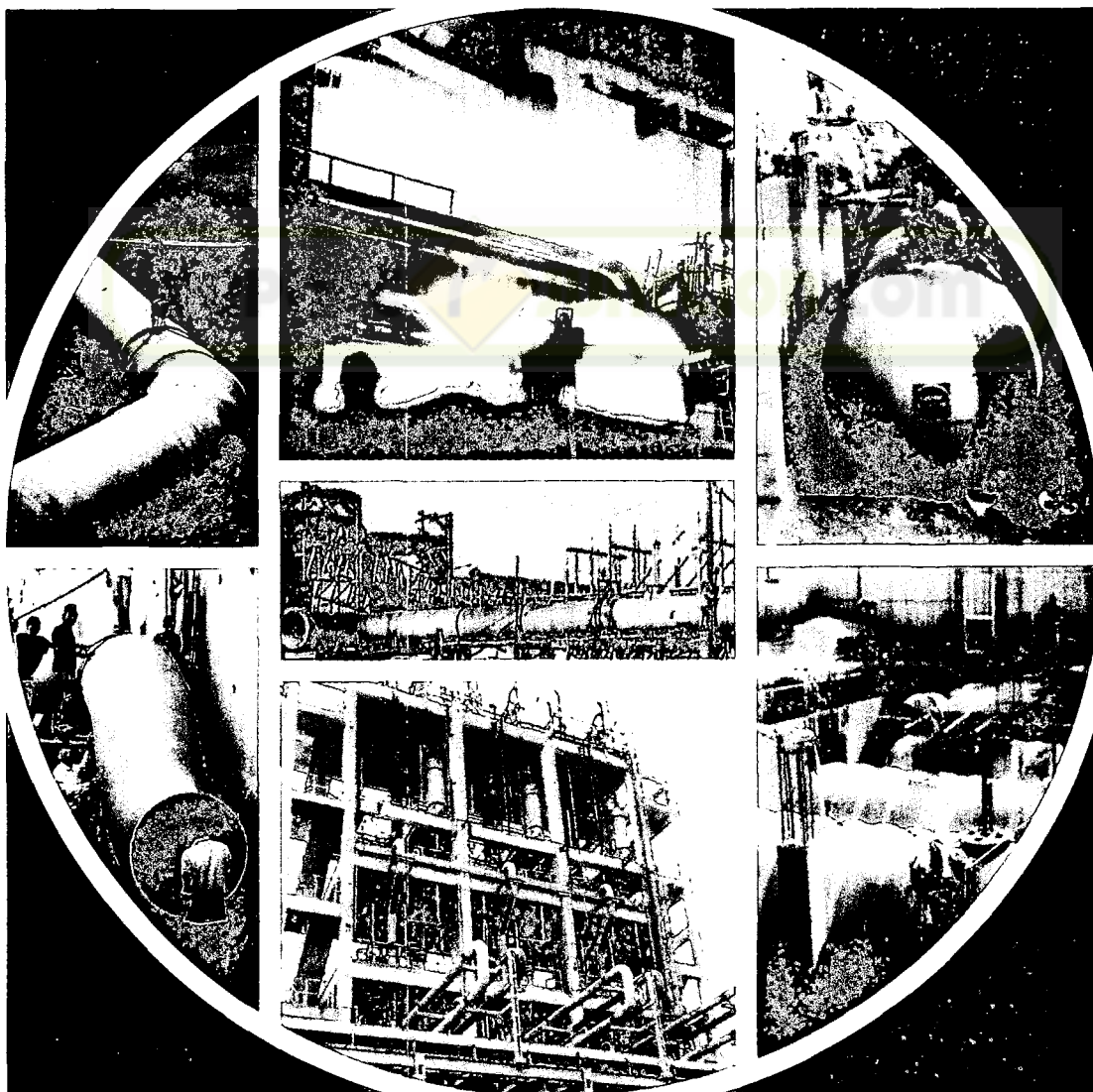




MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked=""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

CARBON EVERFLOW LIMITED

ANNUAL REPORT 1997-98



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

AUDITORS

PRICE WATERHOUSE

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)

	(Rs. in Lacs)									
	1987-89 (17 MNTHS)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Years	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	31.03.98
Sales & Other Income	4119.20	3558.49	4020.11	4570.04	5032.79	6318.42	8609.68	11521.36	11051.56	12496.50
Profit before Interest										
Depreciation and taxation	753.24	615.89	579.22	652.18	660.50	874.58	1442.87	2572.24	1775.95	2419.54
Interest	411.69	225.15	221.67	221.43	215.16	198.51	241.50	386.71	651.63	669.36
Depreciation	231.85	248.35	136.03	129.74	132.71	152.73	310.54	350.78	453.07	456.24
Taxation	14.75	19.00	-	115.00	117.00	56.13	115.00	375.00	86.59	116.50
Profit after Taxation	94.95	123.39	221.52	186.01	195.63	467.21	775.83	1459.75	584.66	1177.44
Dividend	52.26	57.75	57.75	56.98	59.64	86.52	185.17	302.00	296.80	374.60
Retained Earning	42.69	65.64	163.77	129.03	135.99	380.69	590.66	1157.75	258.18	765.38
Fixed Assets (Net)	1156.07	1003.94	918.72	854.06	947.66	3601.78	4271.97	5667.04	5697.43	5395.66
Investments	0.39	0.39	0.39	0.39	0.39	0.47	0.75	600.45	2352.25	2350.45
Net Current Assets	1279.21	1496.13	1633.91	1533.50	1572.90	3011.04	3525.14	3894.03	4214.90	5933.44
Share Capital										
(Equity & Preference)	384.56	384.62	384.63	378.38	372.13	634.08	748.09	892.09	1248.72	1248.72
Reserves & Surplus	189.79	255.43	419.20	648.23	684.22	2913.42	3684.06	5409.81	6728.51	7471.69
Borrowings	1950.88	1929.86	1824.47	1509.52	1512.04	3271.98	3485.95	3998.40	4334.49	5001.70
Book Value (Rs.)	14.94	16.64	20.90	27.13	28.39	55.95	59.25	70.64	63.89	69.84
EPS (Rs.)	2.64	3.43	6.16	5.17	5.44	7.44	10.37	16.37	4.68	9.43
Dividend (%)	12%	15%	15%	15%	16%	20%	25%	35%	25%	30%

Figures for 1993-94 include results of the merged operations of the Company with Graphite Vicarb India Limited from 1.1.94 to 31.3.94

NOTICE

NOTICE is hereby given that the Twenty-third ANNUAL GENERAL MEETING of CARBON EVERFLOW LIMITED will be held on Wednesday the 5th day of August, 1998 at 10.00 a.m. at the Registered office of the Company at 88 MIDC Industrial Area, Satpur, Nasik 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, 1998 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, 1998.
3. To appoint a Director in place of Dr. R. Srinivasan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Agnar Gilbu who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications the following Resolutions :—

6. (As a Special Resolution)
 "RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such consents, approvals, permissions and sanctions, as may be required and subject to such conditions and modifications as may be prescribed or imposed while granting such consents, approvals, permissions and sanctions which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buy-back fully paid shares and/or other securities of the Company from the holders thereof from out of its free reserves or out of the share premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, on such terms, conditions and in such manner as may be prescribed by law from time to time.
 RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and execute all such documents, deeds, papers and writings as may be required for the aforesaid purpose and deal with all such matters and things and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper".

By Order of the Board

for **CARBON EVERFLOW LIMITED**

B. SHIVA

Company Secretary

Calcutta
8th May, 1998

NOTES:

1. 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.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday the 15th July, 1998 to Wednesday the 5th August, 1998 (both days inclusive).
3. Members are requested to notify change in their address, if any, immediately to the Company's Registrars IIT CORPORATE SERVICES LTD, IIT House, Near Vazir Glass Works, Off. M.V. Road, J.B. Nagar, Andheri(East), Mumbai 400 059.
4. The Unclaimed dividend amounts for the financial year/s ended 31st March, 1994 & 31st March, 1995 would be transferred to the General Revenue Account of the Central Government during end June 1998 & mid October, 1998 respectively. 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 provision 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 flr., Hakoba Mills Compound, Dattaram Lad Marg, Kalachowki, Mumbai 400 033.
5. 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(2) of the Companies Act, 1956.

Item 6

The resolution set out in item 6 of the convening Notice is an enabling provision aimed at facilitating the Company to buy-back its shares as and when legally permissible.

The Board is of the opinion that it will be in the interests of the Company if shareholders approve the said resolution. The Directors, therefore, recommend the above resolution for your approval.

None of the Directors of the Company is interested or concerned in passing of the above resolution.

DIRECTORS' REPORT

To
The Members,

The Directors have pleasure in presenting their Twenty-third Annual Report together with the Audited statement of accounts of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS :

	1997-98	(Rs. in lacs) 1996-97
Profit for the year after charging all expenses but before providing interest and depreciation	2419	1777
Less : Interest	669	652
Profit before Depreciation	1750	1125
Less : Depreciation	456	453
Profit before Taxation	1294	672
Less : Provision for Taxation	117	87
Net Profit for the year	1177	585
Add : Amount brought forward from last year	443	493
Total available for appropriation	1620	1078

APPROPRIATIONS :

Transfer from Debenture Redemption Reserve	(45)	(199)
Transfer to :		
Debenture Redemption Reserve	72	72
General Reserve (including Rs.45 from Debenture Redemption Reserve)	700	435

PROPOSED DIVIDEND :

On Equity Shares @ 30 %	375	297
Provision for tax on dividend	37	30
Balance in Profit and Loss Account	481	443
	<u>1620</u>	<u>1078</u>

DIVIDEND

The Directors recommend dividend @ 30% on 124,85,549 Equity Shares of Rs.10/- each for the year under report.

REVIEW OF OPERATIONS :**GRAPHITE ELECTRODE DIVISION (GE)**

The benefit of capital expenditure incurred by the Company for the preceding years is being amply reflected by growth in production. Production increased to 8784 MT as against 7243 MT in the previous year, an increase of around 21%.

With the continued thrust on exports, out of the total sales of 8458 MT, 6088 MT was exported as against 4368 MT last year, registering a 39% growth in exports. This was possible only because our product was able to meet the strict quality standards as are being demanded in the world markets. Existing markets are being nurtured and new markets in USA & Europe are being identified and developed. It would be the endeavour of the Company to expand its horizons and penetrate other overseas markets, since the quality of its products has been well accepted in the international markets. It is a matter of satisfaction that the Company continues to have the distinction of being a high net foreign exchange earner for the last several years. The net foreign exchange earned during the year was around Rs.57 crore.

Dumping of electrodes in the local market continues. This alongwith depressed conditions in the steel industry has affected local offtake. The government, after persistent follow up by the Indian Graphite Manufacturers Association, has levied provisional anti-dumping duty on graphite electrodes originating in or exported from USA, China PR and several European countries. Its impact on domestic offtake is yet to be felt.

IMPERVIOUS GRAPHITE EQUIPMENT DIVISION (IGE)

The general slowdown in the economy first witnessed during the later half of the previous year prevailed during the year under report and still continues. Quite a few projects in the chemical process industries were either deferred or shelved. With virtually no fresh investments forthcoming in the chemical and pharmaceutical sectors, orders for the division's products were not forthcoming.

Growth in the export market has been modest. Some trial orders have been executed in Europe and South East Asian countries. A new thrust to increase our presence in the export market is being made by enlarging the marketing network. Participation in international exhibitions has resulted in a number of enquiries from abroad. More business is expected, once the product quality is evaluated by the user industries.

GLASS REINFORCED PIPES (GRP)

The performance of this division was better as compared to the previous year, with a return to positive contribution towards profit. However, business in pipes was not upto expected levels, mainly because of stagnation in government and semi-government spending. What is needed is large scale investment in infrastructure and other related sectors. Recent pronouncements indicate that serious thought and attention are being focussed in these areas and it is hoped that the same would materialise soon. Of late, indications are forthcoming regarding tenders being floated for projects which were kept on hold. As a result, it is expected that the coming year should witness an increase in the capacity utilisation and its beneficial impact on the profitability of the division.

FIXED DEPOSITS

7 deposits totalling Rs.23,000 due for payment on or before 31st March, 1998 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 Dr.R.Srinivasan and Mr. Agnar Gilbu retire by rotation and being eligible offer themselves for re-appointment.

PERSONNEL

The Directors are happy to state that relations between the Company and it's 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 provision of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in 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 (I) 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 24th Annual General Meeting.

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

For and on behalf of the Board of Directors

Calcutta
8th May, 1998

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, 1998**

(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	Remuneration Rs.	Nature of Employment	Qualification & experience	Date of commencement of Employment	Age	Last Employment
1.	Mr. Lakhotia P.C.	Executive Director (Executive functions)	887442	Contractual	B. Sc. (Engg) M. I. E. 35 years	01-01-1984	55	Graphite India Ltd.
2.	Mr. Samanta A.	Sr. Vice President (Tech. & Engg)	482920	Non-Contractual	B. E. (Elect.) D. E. E. (Turin-Italy) 33 years	01-01-1984	56	Graphite India Ltd.
3.	Mr. Banerjee M. K.	Sr. Vice President (Marketing)	503095	Non-Contractual	B. Tech. (Chemical Engg) 22 years	18-07-1983	45	Graphite India 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. Joshi S.P	Gen. Manager (Maintenance & Safety)	244807	Non-Contractual	Marine Certificate Special TCE Engg. 35 years	06-01-1977	58	Devi Dayal Electronics & Wires 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.

Particulars as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1998.

	Graphite Electrode Division	Impervious Graphite Equipment Division	GRP Division
I. CONSERVATION OF ENERGY			
(a) Energy Conservation : Measures taken.	Burners and furnace oil heating system in baking department have been beefed up.	Operation of this division is not power intensive.	Operation of this division is not power intensive.
(b) Additional investment and proposal if any being implemented for reduction of energy.	Conversion of two conventional furnaces to energy efficient furnaces is being implemented this year.	—	—
(c) Impact of the measure at (a) & (b) for reduction of energy consumption and consequent impact on the cost of Production of goods.	Furnace oil consumption has come down as a result of above and reduction in specific electrical energy consumption will be achieved after conversion of these furnaces.	—	—
II. TECHNOLOGY ABSORPTION			
1. Research & Development (R & D)			
a) Specific areas in which R & D is carried out by the company.	<p>There is no separate R & D department. Work on R & D areas is being done continuously in house through joint efforts of the Technical and the Production Dept. at the plant</p> <p>i) A new type of refractory block has been developed for Graphitising furnaces.</p> <p>ii) A modified Jointing system for stock in graphite furnace has been developed.</p>	<p>During the year under review following design and development activities were carried out.</p> <ol style="list-style-type: none"> 1. Lower gas pressure HCl synthesis unit burner was developed and successfully tried. 2. Higher surface area per unit graphite volume block heat exchangers were designed, produced and tried successfully, adding to our product range. 3. Both side corrosive fluid heat exchanger was designed, manufactured & commissioned successfully in the field adding to our product range. 	Lamination of End caps to shell of UGST by machine instead of hand was developed which gives a uniform and better finish.

	Graphite Electrode Division	Impervious Graphite Equipment Division	GRP Division
(b) Benefits derived as a result of the above R & D	Refractory block consumption graphite fines and specific energy consumption has reduced.	Cost competitive equipment could be developed due to this and we hope to get better business in future.	Improved quality
(c) Further plan of action	One research instrument ordered last year has since been installed. Development work is continuing with the involvement of technical and production depts. for further improvement with various inputs to make quality product.	Further improvement in design and process will be pursued.	—
(d) Expenditure on R & D (Rs. in lacs)	i) Capital expenditure : Nil ii) Recurring : Rs. 18.41 iii) Total : Rs. 18.41 iv) Total R & D expenditure as % of total turnover.	— — — —	Nil Rs. 0.03 Rs. 0.03 Negligible

2. Technology Absorption, adaptation and Innovation

(a) Efforts in brief, made towards technology absorption, adaptation & innovation.	—	—	—
(b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.	—	—	—
(c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.	—	—	—