

CARBON EVERFLOW LIMITED

ANNUAL REPORT 1998-99



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)

Years	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Sales & Other Income	3558.49	4020.11	4570.04	5032.79	6318.42	8609.68	11521.36	11051.56	12496.50	13148.09
Profit before Interest, Depreciation and Taxation	615.89	579.22	652.18	660.50	874.58	1442.87	2572.24	1775.95	2419.54	3154.65
Interest	225.15	221.67	221.43	215.16	198.51	241.50	386.71	651.63	669.36	631.48
Depreciation	248.35	136.03	129.74	132.71	152.73	310.54	350.78	453.07	456.24	419.36
Taxation	19.00	-	115.00	117.00	56.13	115.00	375.00	86.59	116.50	350.00
Profit after Taxation	123.39	221.52	186.01	195.63	467.21	775.83	1459.75	584.66	1177.44	1753.81
Dividend	57.75	57.75	56.98	59.64	86.52	185.17	302.00	296.80	374.60	374.60
Retained Earnings	65.64	163.77	129.03	135.99	380.69	590.66	1157.75	258.18	765.38	1338.02
Fixed Assets (Net)	1003.94	918.72	854.06	947.66	3601.78	4271.97	5667.04	5697.43	5395.66	5232.34
Investments	0.39	0.39	0.39	0.39	0.47	0.75	600.45	2352.25	2350.45	2500.11
Net Current Assets	1496.13	1633.91	1533.50	1572.90	3011.04	3525.14	3894.03	4214.90	5933.44	6978.01
Share Capital (Equity & Preference)	384.62	384.63	378.38	372.13	634.08	748.09	892.09	1248.72	1248.72	1248.72
Reserves & Surplus	255.43	419.20	648.23	684.22	2913.42	3684.06	5409.81	6728.51	7471.69	8809.70
Borrowings	1929.86	1824.47	1509.52	1512.04	3271.98	3485.95	3998.40	4334.49	5001.70	6279.73
Book Value (Rs.)	16.64	20.90	27.13	28.39	55.95	59.25	70.64	63.89	69.84	80.55
EPS (Rs.)	3.43	6.16	5.17	5.44	7.44	10.37	16.37	4.68	9.43	14.05
Dividend (%)	15%	15%	15%	16%	20%	25%	35%	25%	30%	30%

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

NOTICE

CARBON EVERFLOW LIMITED

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

NOTICE is hereby given that the Twenty-fourth ANNUAL GENERAL MEETING of CARBON EVERFLOW LIMITED will be held on Tuesday the 31st day of August, 1999 at 11.30 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 Directors' Report and Audited Profit & Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare a dividend on Equity Shares for the year ended 31st March, 1999.
3. To appoint a Director in place of Mr. Shardul S. Shroff who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. K.K. Bangur 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 the following resolution with or without modification, as an Ordinary Resolution.

"RESOLVED THAT consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and or charging by the Board of Directors (Board) of the Company by way of a charge of all or any of the immovable properties of the Company wheresoever situated, present and future and the whole undertaking of the Company together with power to take over management of the business and concern of the Company in certain events, to or in favour of Exim Bank Ltd, IDBI or any other financial institutions/banks or their Agent/s or Trustee/s, if any from whom financial assistances are/would be availed by the Company to secure amounts lent and advanced/ agreed to be lent and advanced to the Company by them either severally or jointly upto a limit of Rs.200 crore, together with interest thereon at the respective agreed rates, compounded interest, additional interest, commitment charges, guarantee commission, remuneration payable to the Trustees, if any, costs, charges, expenses and other monies payable to the financial institutions/banks under the financial assistance in respect of financial assistance availed/to be availed from them or to the Trustees.

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

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

7. To consider and if thought fit, to pass the following resolution with or without modification, as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and are hereby, altered as follows -

- A. Article 2 shall be altered to include/substitute the following definitions at appropriate places :

'Beneficial Owner' shall mean beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996;

'Depositories Act, 1996' shall include any statutory modification or re-enactment thereof;

'Depository' shall mean a Depository as defined in clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996;

'Member' means the duly registered holder from time to time of the shares of the Company and includes the subscribers to the Memorandum of the Company and the beneficial owner as defined above & vice versa.

- B. Existing Article 7(1) be substituted by the following :
- 7 (1) The Company shall cause to be kept a Register and Index of Members/ Debentureholders in accordance with all applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996, with details of shares/debentures held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Company shall be entitled to keep in any State or Country outside India, a branch/Foreign Register of Members/Debentureholders resident in that State or Country.
- C. A new Article 7 (2) shall be inserted after the new Article 7 (1) as under :
- 7 (2) The shares in the capital shall be numbered progressively according to their several denominations, provided however, that the provisions relating to progressive numbering shall not apply to the shares of the Company which are in dematerialised form.
- D. Existing Articles 7(2) & 7(3) be renumbered as 7(3) & 7(4) respectively.
- E. A new Article 7(5) shall be inserted in the Articles after the newly re-numbered Article 7(4) as under :
- 7(5) The Company shall be entitled to dematerialise its existing shares, debentures & other securities and rematerialise its shares, debentures & other securities held in the depositories and other securities in a dematerialised form pursuant to the Depositories Act, 1996, and the rules framed thereunder, if any.
- F. Existing Article 19 be substituted by the following :
19. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly, shall not, except as ordered by a Court of competent jurisdiction or as by law required, be bound to recognise any benami trust or equity or equitable, contingent, future or partial or other claim / claims or right to / interest in such share on the part of any other person, whether or not it shall have express or implied notice thereof.
- No notice of any trust, express, implied or constructive, shall be entered in the Register of Members or of Debentureholders.
- G. The existing Article 27(a) of the Articles shall be altered to include the following words at the end of the said article :
- "Provided however, that no share certificate(s) shall be issued in respect of the shares held in a depository".
- H. The existing Article 58 be substituted by the following and numbered as Article 58A :
- 58A. The Company shall keep a book to be called "Register of Transfer" and distinctly entered, particulars of every transfer or transmission of any share held in material form.
- I. A new Article 58B shall be inserted in the Articles of Association after the new Article 58A as under :
- 58 B. In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form in a depository, the provisions of the Depositories Act, 1996, shall apply."

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

Mumbai
4th May, 1999

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 IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 11th August, 1999 to 31st August, 1999 (both days inclusive).
4. Members are requested to notify change in their address, if any, immediately to the Company's Registrar IIT CORPORATE SERVICES LIMITED, IIT House, Near Vazir Glass Works, Off M.V. Road, J.B. Nagar, Andheri (East), MUMBAI 400 059.
5. Unclaimed dividend amounts upto the financial years ended 31st March, 1995 declared by the Company have been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Members who have not encashed the dividend warrants are requested to prefer their claim to the Office of Registrar of Companies, 2nd floor, Hakoba Mills Compound, Dattaram Lad Marg, Kalachowki, Mumbai 400 033.
6. Members are requested to affix their signatures at the space provided in the attendance slip annexed to the proxy form and handover the slip at the entrance of the place of meeting.

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

ITEM NO. 6

The Company has availed Rupee Term Loans of Rs.800 lacs each from IDBI & EXIM Bank. Further, EXIM Bank has sanctioned Rupee Loan of Rs.2000 lacs under its Production Equipment finance programme. First charge favouring IDBI has already been created on the Company's GE division's properties while similar charge on pari-passu basis will have to be created in favour of Exim Bank for its aforesaid two loans.

Section 293(1) (a) of the Companies Act, 1956, provides inter-alia that the Board of Directors of a public Company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose off the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking. Since mortgaging by the Company of its immovable properties in favour of the aforesaid banks may be regarded as disposal of the Company's properties/ undertakings, it is necessary for the members to pass a resolution under Section 293(1) (a) of the Companies Act, 1956 approving creation of the said mortgage/charge. The resolution as set out in the notice is therefore commended for approval of the members. Copies of letters of sanction received are open for inspection by the members at the Registered Office of the Company between 10.00 a.m. and 1 p.m. on any working day upto the date of the meeting.

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

ITEM NO. 7

Consequent to the passing of the Depositories Act, 1996, and the introduction of the depository system and your Company joining the National Securities Depository Limited (NSDL) to enable the members to hold the Company's shares in the electronic form, some of the provisions of the Articles of Association of the Company relating to the issue, transfer / transmission, dealing in shares, etc., are proposed to be amended to conform to the requirements of the Depositories Act, 1996.

A copy of the Articles of Association of the Company is available for inspection by the members between 10.00 a.m. and 1 p.m. on any working day, at the Registered Office of the Company, upto the date of the AGM.

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

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

Mumbai
4th May, 1999

B. SHIVA
Company Secretary

DIRECTORS' REPORT

To
The Members,

The Directors have pleasure in presenting their Twenty-fourth Annual Report together with the Audited statement of accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

	1998-99	(Rs. in lacs) 1997-98
Profit for the year after charging all expenses but before providing interest and depreciation	3154	2419
Less : Interest	631	669
Profit before Depreciation	2523	1750
Less : Depreciation	419	456
Profit before Taxation	2104	1294
Less : Provision for Taxation	350	117
Net Profit for the year	1754	1177
Add : Amount brought forward from last year	481	443
Total available for appropriation	2235	1620

APPROPRIATIONS

Transfer from Debenture Redemption Reserve	—	(45)
Transfer to :		
Debenture Redemption Reserve	72	72
General Reserve	1000	700

PROPOSED DIVIDEND

On Equity Shares @ 30 %	375	375
Provision for tax on dividend	41	37
Balance in Profit and Loss Account	747	481
	2235	1620

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 division performed very well during the year under review, especially viewed against the backdrop of the slow-down of the Indian economy, the collapse of the South-East

Asian markets and its consequential effects in the global market. Though sales at 8280 M.T. was marginally lower as compared to the previous year, the division contributed significantly to the increase in profits, primarily due to improved realisation and the benefits of several cost reduction measures initiated during the year.

The Company's strategy of penetrating and establishing itself in the world graphite electrode markets has enabled it to be a performer during a generally difficult year for business and trade. However, caution needs to be exercised as the export markets are showing signs of weakness, as a fall-out of the South-East Asian market collapse and international recession in the steel industry. Local market offtake continues to be sluggish. Net foreign exchange earned during the year was around Rs. 4393 lacs.

In such circumstances, initiation of further cost-saving measures would be the key to performance during the current year. Electricity costs account for around 27% of the cost of production. Towards this end, the division has embarked upon installation of multi-fuel power generator sets, the commissioning of which is expected towards the end of first half of the year and significant savings are expected thereafter.

IMPERVIOUS GRAPHITE EQUIPMENT DIVISION (I G E)

The local market shows very little signs of recovery with no fresh investments in the chemical and pharmaceutical sectors. The division, over the last couple of years is trying to penetrate the highly specialised world markets and establish itself as a viable alternative to the global players. Results are visible in the form of increased enquiries, some of them being translated in the form of orders. The division is confident that its stress on total quality of its specialised products would enable the Company to make its presence felt in the world markets. The division has contributed in a modest way towards the Company's profits during the year.

GLASS REINFORCED PLASTIC PIPES DIVISION (G R P)

The division was expected to perform well, with talks of government spending in infrastructure and other related sectors. However, nothing significant has come about. Stagnation in government and semi-government spending continues. This has resulted in a small negative contribution from the division during the year. With very low fixed costs and being debt-free, it is expected that on new projects taking off in the related sectors, the division is expected to improve its performance.

FIXED DEPOSITS

7 deposits totalling Rs. 23,000 due for payment on or before 31st March, 1999 were not claimed by depositors on that date and are still outstanding as on date.

Y2K COMPLIANCE

The Company has in place a Year 2000 (Y2K) Project team with representatives from accounting and information system departments who are monitoring its Y2K compliance issues since August 1998. Most of the hardware and application software in use have been determined to be Y2K compliant and steps have been initiated to make the entire computer system and microprocessor based equipment Y2K compliant by June 1999. Initiative has also been taken by the Company to evaluate the systems operating with its business associates, vendors and customers, with a view to ensuring that the business continuity plans take account of Y2K problems.

In the opinion of the Management, expenditure/extra depreciation to make the Company Y2K compliant is not material and Y2K will not vitiate the assumption of going concern.

DIRECTORS

In accordance with the requirements of the Companies Act, 1956, Mr. Shardul S Shroff and Mr. K. K. Bangur retire by rotation and being eligible offer themselves for re-appointment.

PERSONNEL

The Directors are happy to state that relations between the Company and its employees generally 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.

DEMATERIALISATION OF SECURITIES

An agreement has been entered into with National Securities Depositories Ltd to enable the members of the Company dematerialise equity shares held by them and hold the same in electronic form.

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 25th 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

Mumbai
4th May, 1999

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, 1999**

Employed throughout the year and in receipt of remuneration aggregating not less than Rs. 6,00,000/- per annum								
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)	1140492	Contractual	B. Sc. (Engg) M. I. E. 36 years	01. 01. 1984	56	Graphite India Ltd.
2.	Mr. Samanta A.	Sr. Vice President (Tech. & Engg)	604295	Non-Contractual	B. E. (Elect.) D. E. E. (Turin-Italy) 34 years	01. 01. 1984	57	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.
- There was no employee who was employed for a part of the year and in receipt of remuneration aggregating not less than Rs.50,000 per month.