

A N N U A L R E P O R T
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CARBON
EVERFLOW

CARBON EVERFLOW LIMITED

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
- iv) POWER DIVISION :
Plot No. 88, MIDC Industrial Area
Satpur, Nasik - 422 007

FINANCIAL STATISTICS (10 YEARS AT A GLANCE)

(Rs. in Lacs)

Years	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Sales & Other Income	4020.11	4570.04	5032.79	6318.42	8609.68	11521.36	11051.56	12496.50	13148.09	14970.02
Profit before Interest, Depreciation and Taxation	579.22	652.18	660.50	874.58	1442.87	2572.24	1775.95	2419.54	3154.65	3190.33
Interest	221.67	221.43	215.16	198.51	241.50	386.71	651.63	669.36	631.48	732.87
Depreciation	136.03	129.74	132.71	152.73	310.54	350.78	453.07	456.24	419.36	415.94
Taxation	—	115.00	117.00	56.13	115.00	375.00	86.59	116.50	350.00	340.00
Profit after Taxation	221.52	186.01	195.63	467.21	775.83	1459.75	584.66	1177.44	1753.81	1701.52
Dividend (including Dividend Tax)	57.75	56.98	59.64	86.52	185.17	302.00	326.48	412.06	415.80	415.80
Retained Earnings	163.77	129.03	135.99	380.69	590.66	1157.75	258.18	765.38	1338.01	1285.72
Fixed Assets (Net)	918.72	854.06	947.66	3601.78	4271.97	5667.04	5697.43	5395.66	5232.34	8611.56
Investments	0.39	0.39	0.39	0.47	0.75	600.45	2352.25	2350.45	2500.11	2500.06
Net Current Assets	1633.91	1533.50	1572.90	3011.04	3525.14	3894.03	4214.90	5933.44	6978.01	8322.27
Share Capital (Equity & Preference)	384.63	378.38	372.13	634.08	748.09	892.09	1248.72	1248.72	1248.72	1248.72
Reserves & Surplus	419.20	648.23	684.22	2913.42	3684.06	5409.81	6728.51	7471.69	8809.70	10095.42
Borrowings	1824.47	1509.52	1512.04	3271.98	3485.95	3998.40	4334.49	5001.70	6279.73	8134.05
Book Value (Rs.)	20.90	27.13	28.39	55.95	59.25	70.64	63.89	69.84	80.55	90.86
EPS (Rs.)	6.16	5.17	5.44	7.44	10.37	16.37	4.68	9.43	14.05	13.63
Dividend (%)	15%	15%	16%	20%	25%	35%	25%	30%	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-fifth ANNUAL GENERAL MEETING of CARBON EVERFLOW LIMITED will be held on Thursday the 31st day of August, 2000 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, 2000 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, 2000.
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 fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 309 of the Companies Act, 1956 ("the Act") or any modification or re-enactment thereof, the Company hereby authorises, subject to necessary approvals, payment of remuneration by way of commission at the discretion of the Board of Directors of the Company ("the Board") to one or more or all the Directors who are neither in the whole-time employment nor Managing/Whole-time Director(s) of the Company for a period of 5 years for each of the financial years of the Company commencing from 1st April, 2000.

RESOLVED FURTHER THAT the amount to be distributed as commission shall not exceed in the aggregate such per cent of the net profits of the Company in any financial year for all such Directors as prescribed in Section 309(4) of the Act computed in the manner specified in Section 198(1) of the Act.

RESOLVED FURTHER THAT the Board may, at its discretion, decide on the amount to be paid to any particular Director."

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

"RESOLVED THAT the Company hereby approves payment of increased remuneration to Shri P. C. Lakhotia, Whole-time Director of the Company, (designated as "Executive Director") from April 1, 2000 till November 30, 2001, being the remainder term of his office, upon the terms and conditions set out in the letter dated May 3, 2000 issued by the Company to Shri P. C. Lakhotia, a copy of which initialled by the Chairman for the purpose of identification is placed before the meeting."

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

Mumbai
4th May, 2000

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 OF THE COMPANY.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 17th August, 2000 to Thursday, the 31st August, 2000 (both days inclusive).
4. 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.
5. Members are requested to affix their signatures 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.
6. Members are requested to notify change in their address, if any, immediately to the Company's Registrars, IIT Corporate Services Limited, IIT House, Near Vazir Glass Works, Off M. V. Road, J. B. Nagar, Andheri (East), Mumbai 400059.
7. **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.**

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

ITEM NO. 6

Section 309 of the Companies Act, 1956 ("the Act") enables the Company to authorise payment of remuneration by way of commission on net profits to Directors of the Company who are neither in the whole-time employment nor Managing Director(s) of the Company. Since such directors devote their time and attention to the business of the Company and the Company benefits from their expertise and mature advice, it is desirable that they be continued to be paid some remuneration by way of commission. In terms of Section 309(4) of the Act, remuneration by way of commission payable to such directors shall not exceed —

- i) one per cent of the net profits of the Company, if the Company has a Managing or Whole-time Director or Manager.
- ii) three per cent of the net profits of the Company, in any other case.

Such payment of commission however requires approval of the members of the Company by way of special resolution. It is proposed that the Board be authorised to pay commission not exceeding in the aggregate such per cent of the net profits of the Company as prescribed in Section 309(4) of the Act in such proportion and to such one or more directors who are neither in the employment nor the Managing Director of the Company, as the Board in its discretion may decide, subject to necessary approvals. Approval of the members is sought for payment of commission for a period of five years commencing from 1st April, 2000.

All the directors may be deemed to be concerned or interested in the resolution save and except Shri P. C. Lakhotia, Executive Director of the Company.

ITEM NO. 7

The Board of Directors of the Company ("the Board") have, subject to approval of the members of the Company, approved increase in remuneration payable to Shri P.C. Lakhota, Executive Director from April 1, 2000 till November 30, 2001, being the remainder term of his office. Remuneration of Shri Lakhota shall be increased to the extent set out below :

- a) Shri P.C. Lakhota shall be paid such remuneration by way of salary, dearness allowance, perquisites, commission and other allowances as may be decided by the Board which shall not exceed five per cent of the net profits of the Company for that year computed in the manner referred to in Section 198(1) of the Company's Act, 1956 ("the Act").
- b) Where in any financial year during the currency of the tenure, the Company has no profits or its profits are inadequate, remuneration to Shri Lakhota by way of salary, dearness allowance, perquisites and any other allowances shall be as determined by the Board not exceeding the ceiling limit of Rs. 24 lacs per annum or Rs. 2 lacs per month. The said limit is applicable to the Company based on its effective capital as on 31st March, 2000 and in accordance with Schedule XIII of the Act. Contribution to provident fund, super annuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961, gratuity payable at a rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure, shall not be included in the computation of ceiling on remuneration in such circumstances.
- c) All other terms and conditions as contained in the Letter of Appointment dated November 22, 1996 shall remain unchanged.
- d) Copies of letters dated November 22, 1996 and May 3, 2000 are available for inspection by the members of the Company at the 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.
- e) Shri P. C. Lakhota as Whole-time Director & Executive Director, is concerned or interested in the resolution. No other Director is concerned or interested.
- f) The terms of appointment and remuneration set out herein above may be treated as abstract of the memorandum of interest of Shri P. C. Lakhota under Section 302 of the Act.

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

Mumbai
4th May, 2000

B. SHIVA
Company Secretary

DIRECTORS' REPORT

To
The Members,

The Directors have pleasure in presenting their Twenty-fifth Annual Report together with the Audited statement of accounts of the Company for the year ended 31st March, 2000.

FINANCIAL RESULTS

	(Rs. in lacs)	
	1999-2000	1998-1999
Profit for the year after charging all expenses but before providing interest and depreciation	3191	3154
Less : Interest	733	631
Profit before Depreciation	2458	2523
Less : Depreciation	416	419
Profit before Taxation	2042	2104
Less : Provision for Taxation	340	350
Net Profit for the year	1702	1754
Add : Amount brought forward from last year	747	481
Total available for appropriation	2449	2235

APPROPRIATIONS

Transfer from Debenture Redemption Reserve	(360)	—
Transfer to :		
Debenture Redemption Reserve	—	72
General Reserve (including Rs. 360 from Debenture Redemption Reserve)	1760	1000

PROPOSED DIVIDEND

On Equity Shares - Interim	375	—
- Final	—	375
Distribution Tax on Dividend	41	41
Balance in Profit and Loss Account	633	747
	2449	2235

DIVIDEND

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

REVIEW OF OPERATIONS :

GRAPHITE ELECTRODE DIVISION (GE)

The performance of the year under review was characterised by a couple of divergent factors, the net effect of which saw the division achieve profitability levels almost similar to

last year. The slowdown experienced in the global markets saw sales realisations falling as much as 15%, although the division was able to increase its export sales tonnage to 7353 M.T. a rise of around 26% as compared to the previous year. The fact that significant quantities were sold during the last quarter of the year, albeit at significantly lower prices and higher credit period, gives hope that the market has bottomed out. In spite of the above, the division was almost able to retain its profitability levels mainly due to -

a) higher capacity utilisation – Production at 10260 M. T. was 21% higher as compared to the previous year & b) benefits of all-round cost savings measures initiated during the year.

Local market continues to be sluggish and is not expected to improve significantly. The division's consistent efforts in establishing itself in the export market has paid off and it is its intention to make its presence increasingly felt, backed by quality of its products and timely deliveries. Repetitive orders from customers and breaking into new territories against stiff international competition provides us the confidence that the division would be able to deliver in the coming years also. Net foreign exchange earned during the year was around Rs. 4371 lacs.

The division's effort to reduce electricity costs by installation of multi-fuel power generator sets has been negated to a very large extent by the steep increase in furnace oil prices. Significant savings expected at the time when the project was being implemented, would not be forthcoming. In addition, certain teething problems at the time of installation delayed the commissioning towards the end of the year. In such circumstances, better productivity and further cost saving measures would continue to be the focal point during the coming years.

IMPERVIOUS GRAPHITE EQUIPMENT DIVISION (I G E)

The chemical and pharmaceutical sectors continue to be starved of fresh investments, as a result of which the local market continues to be sluggish. The rayon and caustic chlorine industries also show no signs of recovery. Efforts to make a dent in the highly competitive global market showed encouraging signs. With no positive growth expected in the local user industries, the division would continue its efforts to penetrate markets globally. Given the quality of its products, the division is confident of making a niche for itself in the global markets. The division has contributed modestly towards the Company's profits during the year. Net foreign exchange earned during the year was around Rs. 263 lacs.

GLASS REINFORCED PLASTIC PIPES DIVISION (G R P)

The year started on a promising note with good response for its pipes from the Andhra Pradesh Government authorities. However, due to paucity of funds at the customers end, execution work has been stalled. Infrastructure continues to be the hot topic for discussion everywhere, but with no positive signs emerging and virtual stagnation in Government and semi-government spending in the relevant sector, performance of the division was affected, resulting in a small negative contribution during the year. Acceptance of GRP pipes as an alternative product by certain state governments and reduction in the excise duty are positive features, which could help the division realise much of its earnings potential in the coming years.

FIXED DEPOSITS

7 deposits totalling Rs.23,000 due for payment on or before 31st March,2000 were not claimed by depositors on that date and are still outstanding as on date.

Y2K COMPLIANCE

The Company did not encounter any Y2K related problems and the transition to the year 2000 was smooth.

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 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 also been entered into with Central Depository Services (India) Ltd., to enable the members of the Company dematerialise equity shares held by them and hold the same in electronic form, besides the NSDL. With effect from May 8, 2000, the shares of the Company are under the compulsory demat settlement mode and can be traded only in the demat mode. Members are requested to convert their shares held in physical form to the demat mode at the earliest.

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 26th Annual General Meeting.

The Auditors' observation contained in paragraph 2 of their Report refers to Note 16 on Schedule R to the Accounts, which is self-explanatory.

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

For and on behalf of the Board of Directors

Mumbai
4th May, 2000

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, 2000**

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	Remune- ration Rs.	Nature of Employment	Qualification & experience	Date of commencement of Employment	Age	Last Employment
1.	Mr. Lakhotia P. C.	Executive Director (Executive functions)	1326027	Contractual	B. Sc. (Engg) M. I. E. 37 years	01.01. 1984	57	Graphite India Ltd.
2.	Mr. Samanta A.	Sr. Vice President (Tech. & Engg)	644491	Non- Contractual	B. E. (Elect.) D. E. E. (Turin-Italy) 35 years	01.01. 1984	58	Graphite India Ltd.
3.	Mr. Banerjee M. K.	Sr. Vice President (Marketing)	649825	Non- Contractual	B. Tech (Chemical Engg.) 24 Years	18.07.1983	47	Graphite India Ltd.

NOTES :

- (a) 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.
- (b) 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.
- (c) None of the above employees hold 2% or more Equity Shares in the Company.
- (d) 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.