GRAPHITE INDIA LIMITED

ANNUAL REPORT 2011-12

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. J. D. Curravala
Mr. N. Venkataramani
Mr. M. B. Gadgil, Executive Director

COMPANY SECRETARY

Mr. B. Shiva

AUDITORS

Price Waterhouse

SOLICITORS

Khaitan & Co.
Orr, Dignam & Co.

BANKERS

Bank of India
Canara Bank
Citibank N.A.
Corporation Bank
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
ING Vysya Bank Limited
Punjab National Bank
State Bank of India
The Hongkong and Shanghai Banking Corporation Limited
UCO Bank

REGISTERED OFFICE

31, Chowringhee Road, Kolkata 700 016
Phone No. : +9133 22265755/2334/4942, 40029600
Fax No. : (033)22496420
Email : corp_secy@graphiteindia.com
Website : www.graphiteindia.com

NOTICE

NOTICE is hereby given that the Thirty Seventh ANNUAL GENERAL MEETING of Graphite India Limited will be held on Friday, the 3rd day of August, 2012 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, 2012 and the Balance Sheet as at that date.
2. To declare dividend on Equity Shares for the year ended 31st March, 2012.
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. N Venkataramani who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. M B Gadgil who retires by rotation and being eligible offers himself for re-appointment.
6. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution-

   RESOLVED THAT Mr. Bhaskar Mitter, a Director liable to retire by rotation, who does not seek re-appointment be not re-appointed as a Director of the Company and the vacancy so caused on the Board of the Company be not filled up.
7. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

8. 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 309 of the Companies Act, 1956 ("the Act") or any modification or re-enactment thereof, the Company hereby authorizes, 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 five financial years commencing from 1st April, 2012.

   RESOLVED FURTHER THAT the amount to be distributed as commission shall not exceed in the aggregate such percent 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.
9. 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/ movable 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 the consortium of banks financing the working capital requirements of the Company and/ or any other financial institutions/investment 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 ` 1500 crore by way of loan (Foreign Currency or Rupee), subscription to debentures, any other instruments etc., together with interest thereon at the respective agreed rates, compound interest, additional interest, commitment charges, guarantee commission, remuneration payable to the Trustees, if any, costs, charges, expenses and other monies payable to all such financial institutions/investment institutions/banks in respect of financial assistance availed/to be availed from them or to the Trustees.

RESOLVED FURTHER THAT the charge in favour of the consortium of banks/financial institutions/investment 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 the consortium of banks/financial institutions/investments institutions/Debenture 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, the debenture-holders, 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.

By Order of the Board
For Graphite India Limited

Kolkata
May 11, 2012

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 Friday, the 20th July, 2012 to Friday, the 3rd August, 2012 (both days inclusive).

d. No Director is related to any other Director on the Board in terms of the definition of ‘relative’ given under Companies Act, 1956. At the ensuing General Meeting Dr. R Srinivasan, Mr. N Venkataramani, and Mr. M B Gadgil, 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:

Dr. R. Srinivasan aged 80 years, has more than 40 years of experience in the banking industry. He held various positions in banks and finally as Chairman and Managing Director of New Bank of India, Allahabad Bank and Bank of India. He has been a director of the Company since October, 1993. He was Chairman of Indian Banks Association for several years, a director of IDBI, Discount & Finance House of India, New India Assurance Co. Ltd. & ECGC. He was also on various high level Committees constituted by RBI. He is a member of the Audit Committee and Remuneration Committee of the Company. He does not hold any shares of the Company.

Other Directorships

	Name of the Company	**Position**
1	J Kumar Infraprojects Limited	Director
2	Elder Pharmaceuticals Limited	Director
3	McLeod Russel India Limited	Director

	Name of the Company	Position
4	Goldiam International Limited	Director
5	Shalimar Paints Limited	Director
6	Williamson Magor & Co. Limited	Director
7	Hi Tech Pharmaceuticals Pvt. Ltd.	Chairman
8	JM Financial Trustee Co. Pvt. Ltd. (SEBI approval awaited)	Director
9	Nayamode Solutions Pvt. Ltd.	Chairman
10	Snowcem Paints Pvt. Ltd.	Director
11	Suchirindia Developers Private Ltd.	Director
12	Shubhalaxmi Polyesters Ltd.	Director

Other Committee Memberships

	Name of the Company	Committee	Position
1	J Kumar Infraprojects Ltd.	Audit Committee Remuneration Committee	Member Chairman
2	Elder Pharmaceuticals Ltd.	Investor Grievance Committee Audit Committee Remuneration Committee	Chairman Member Chairman
3	McLeod Russel India Limited	Audit Committee Remuneration Committee	Chairman Member
4	Goldiam International Limited	Audit Committee	Member
5	Shalimar Paints Limited	Audit Committee	Chairman
6	Williamson Magor & Co. Limited	Remuneration Committee Audit Committee	Chairman Member
7	Suchirindia Developers Private Ltd.	Audit Committee	Member

Mr. N. Venkataramani aged 66 years, is a qualified engineer with rich experience in managing business enterprises. He was associated with the Company from October, 1988 till September, 1995, was thereafter with GKW Ltd. as President of a division and then joined the erstwhile Graphite India Limited in June, 2001. He was elevated to the post of Executive Director in September, 2001 which he held till his retirement on June 30, 2009. He is a member of Audit Committee of the Company. He holds 7000 shares in the Company jointly with his wife.

Other Directorships – Carbon Finance Ltd. – Director

Other Committee membership – Carbon Finance Ltd. – Chairman – Audit Committee.

Mr. M. B. Gadgil aged 59 years is a qualified engineer and has completed business management studies. He has been with the Company since 1978 and has a rich experience in the graphite electrode industry. He holds 2000 equity shares of the Company. He was the 'President' of the Company prior to his elevation as Executive Director on July 1, 2009.

Other Directorships/ Committee Membership – NIL

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 3rd August, 2012 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 at the end of the business hours on 19th July, 2012 as per details furnished by the depositories for this purpose. Dividend on equity shares, if declared at the meeting will be paid/despatched on 13th/14th August, 2012.

f. 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, 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, 2005 would be transferred to the said fund in the last week of August, 2012.

   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. Unclaimed/ Unencashed dividend for the year ended 31st March, 2004 has 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, Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai 400 078 or to their Kolkata office at 59C Chowringhee Road, 3rd Floor, Kolkata 700 020.

k. The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies vide a circular dated April 21, 2011 stating that a company would have complied with Section 53 of the Act, if the service of document has been made through electronic mode.

   To take part in the said Green Initiative, we would send documents like the notice convening the General Meeting, Financial Statements, Annual Reports etc. and other communications in electronic form, to the email addresses of those members which are available in the Register of Members of the Company. In case you desire hence-forth to receive documents in the electronic form, kindly furnish your email address to the Company/ Registrars and participate in such initiatives.

By Order of the Board
For Graphite India Limited

Kolkata
May 11, 2012

B.Shiva
Company Secretary

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

ITEM NO. 8

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 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 percent of the net profits of the Company, if the Company has a Managing or Whole-time director or Manager.

ii) Three percent 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 the Managing Director nor the Whole-time director, as the Board in its discretion may decide, subject to necessary approvals.

Approval from members is accordingly sought for payment of remuneration by way of commission to directors of the Company who are neither in the whole-time employment nor Managing Director of the Company for a period of five financial years, commencing from 1st April, 2012.

A copy of the Articles of Association of the Company is available for inspection at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

All the directors (except Mr. M B Gadgil) may be deemed to be concerned or interested in the resolution.

ITEM NO. 9

Approval of the members of the Company was obtained to create security on the Company's fixed assets in favour of its lenders under Section 293(1) (a) of the Companies Act, 1956 upto a limit of ` 1000 crore in the Annual General Meeting held on 31.07.2006. The Company has to create charge on its assets favouring its consortium bankers in respect of working capital limits being availed. Further, as and when the Company decides to borrow from financial/ investment institutions or by way of issue of debentures, depending upon the need security on the fixed assets would have to be created. It is therefore proposed to obtain members approval u/s 293 (1) (a) of the Companies Act, 1956, authorizing the Board to create security on its fixed assets upto a limit of ` 1500 crore in favour of its lenders. The resolution is proposed accordingly.

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

By Order of the Board
For Graphite India Limited

Kolkata
May 11, 2012

B. Shiva
Company Secretary

The Directors have pleasure in presenting their Thirty Seventh Annual Report together with the audited statement of accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS

` in Crore

Particulars	2011-12	2010-11	2011-12	2010-11
	Graphite India Limited		Graphite India Limited Consolidated	
Revenue from Operations (Gross)	1742.03	1283.38	1983.63	1501.33
Profit for the year after charging all Expenses but before providing Finance Costs, Depreciation, Exceptional Item and Tax	**345.87**	**313.43**	**361.14**	**343.67**
Finance Costs	14.39	5.55	18.63	8.64
Profit before Depreciation, Exceptional Item and Tax	**331.48**	**307.88**	**342.51**	**335.03**
Depreciation and Amortisation Expense	40.44	39.33	48.74	48.62
Profit before Exceptional Item and Tax	**291.04**	**268.55**	**293.77**	**286.41**
Exceptional Item	(29.62)	12.73	(3.41)	12.73
Profit before Tax	**320.66**	**255.82**	**297.18**	**273.68**
Tax Expense for the Current Year				
Current Tax	82.20	94.24	83.77	96.29
Deferred Tax - Charge/(Credit)	7.80	(10.74)	8.14	(11.87)
Tax Expense - Write Back relating to Earlier Years (Net)	(7.23)	—	(7.21)	0.15
Profit for the Year	**237.89**	**172.32**	**212.48**	**189.11**
Balance as at the beginning of the Year	166.47	110.46	283.67	211.13
Transferred from Debenture Redemption Reserve	—	68.04	—	68.04
Amount available for appropriation	**404.36**	**350.82**	**496.15**	**468.28**
Appropriations :				
Transfer to General Reserve	100.00	100.00	100.00	100.00
Reserve Fund	—	—	0.12	0.26
Dividend Paid on Equity Shares	—	4.18	—	4.18
Proposed Dividend on Equity Shares	68.38	68.38	68.38	68.38
Dividend Tax	11.09	11.79	11.09	11.79
Balance as at the close of the Year	224.89	166.47	316.56	283.67
	404.36	**350.82**	**496.15**	**468.28**

BUSINESS REVIEW

The CSO (Central Statistical Organisation), has estimated that the Indian Economy is likely to register a modest growth of 6.9% in FY 2011-12 as compared with the robust growth of 8.4% registered in the two preceding years. It is further stated that the sharp decline in growth in the manufacturing industry has led to the significant slowdown in the National GDP growth rate. The economic / financial crisis in the Eurozone, the minimal growth in the other industrialised nations and the slow pace of recovery of the domestic sector, are all collectively responsible for the overall depressed performance of the Indian economy. It is however heartening to note that despite the challenging conditions faced by the global economy, Indian exports have continued to be steady in the current year and has registered a growth of 14.3% in real terms over and above 22.7% growth achieved in FY 2010-11 (as per advance estimates). The outlook for the global economy is neutral to cautiously positive, subject to a major upswing in the economic prospects of Europe and other large trading blocks.

GRAPHITE INDIA

The Company has repeated an impressive performance. Revenue from Operations for FY 2011-12 was ` 1742 crore as against ` 1283 crore in the previous year and PAT was ` 238 crore for the current year as against ` 172 crore in the previous year.

The Company's Graphite and Carbon Segment (Graphite Electrodes) continues to be the main source of income and profit for the Company, accounting for about 84% of the total revenues.

Higher levels of capacity utilisation backed by a strong volume growth, tighter cost control, along with a weaker rupee geared the Company to register a notable performance for the year, in spite of a miniscule price increase. The major players in their aggressive drive to pick up volumes, kept the pressure on selling prices through the year.

The performance of the subsidiary companies too improved during the year aided wholly by growth in volumes.

DIVIDEND

The Directors are pleased to recommend the payment of Dividend @ ` 3.50 per equity share on equity shares of ` 2 each.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(i) Industry's structure and developments

A. GRAPHITE ELECTRODE BUSINESS

Capacity utilisation of this segment was 96% compared to the previous year's 73%.

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 principal manufacturers are based in USA, South America, Europe, India, China, Malaysia and Japan.

Graphite Electrode demand is primarily linked with the global production of steel in electric arc furnaces. Between the two basic routes for steel production- (1) Blast Furnace (BF); and (2) Electric Arc Furnace (EAF) – the EAF route to 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 its inherent favourable characteristics of (a) an environment friendly and less polluting production process; (b) low capital cost; and (c) faster project (commissioning) time. Fresh investments in EAF steel mills are characterised by large furnace capacities requiring large diameter UHP Electrodes. It is expected that the demand for UHP Electrodes too will grow synchronously. These industry dynamics coupled with an increasing proportion of EAF steel share to total crude steel production will directly augment the graphite electrode industry's demand profile.

The global crude steel production during 2011 at 1.5 billion metric tonnes, was higher by 6.8% compared to 1.4 billion metric tonnes in 2010 and is yet another record for global crude steel production. The share of crude steel production through the EAF is estimated conservatively at 28%. Commensurate with this rise, there was significant revival in the demand for Graphite Electrodes with sales in volume terms registering a growth of 29% on a Y-O-Y basis.

The Company's Order book for FY 2012-13 continues to be healthy despite the challenging economic environment.

Durgapur Plant Expansion: Part of the facilities of the capacity expansion module of 20,000 MT of Graphite Electrodes at Durgapur Plant has been commissioned and the balance is likely to be commissioned during the first half of FY 2012-13 in synchronisation with the manufacturing cycle. This module is characterised by cost / energy efficient production facilities - focused on strict compliance with latest pollution norms.

Coke Division

The Coke Division in Barauni, engaged in the manufacture of Calcined Petroleum Coke (CPC), is one of the several backward integration initiatives of the Company. The Division also makes Carbon Electrode Paste and Carbon Tamping Paste. 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. Carbon Electrode Paste is used in ferro alloy smelters and Carbon Tamping Paste is used as a lining material in submerged arc furnaces.

Production of CPC was adversely affected by the poor and unpredictable availability of RPC, leading to a lower capacity utilisation of 79% (97% in previous year). The shortage of RPC is likely to continue during FY 2012-13.

B. GRAPHITE EQUIPMENT BUSINESS

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

This Division continues to be under demand pressure due to low levels of fresh investment in new projects, both within the country and overseas. The effect of the economic slowdown is apparently fading and the order booking in the current year is better than the previous year.

This Division is adequately equipped to meet the challenges of competition from established European and Japanese producers.

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

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 pipe systems to GRP through re-engineering, strategic marketing, superior product quality, competitive pricing and value-added services.

Driven by strategic marketing initiatives, the division virtually doubled its turnover. While the division is strategically equipped and poised well to deliver the high end large diameter GRP pipes to the discerning customers of the power project segment, the industry is faced with aggressive price competition from several new entrants into the industry. The GRP Division is equipped well to perform well despite such routine challenges.

D. POWER

Power constitutes one of the major costs of Electrode production. The Company has an installed capacity of 33 MW of power generation through Hydel (19.5 MW) and Multi-fuel routes (13.5 MW).

Generation through hydel route was slightly less than the previous year, with normal rain.

The delay in supply of power from the Wardha Power Company, coupled with higher cost of grid power, has necessitated a review of the terms of the Power Purchase Agreement. The power supply is likely to commence as soon as the new agreement is in place.

E. POWMEX STEELS DIVISION (PSD)

Powmex Steels Division (PSD) is engaged in the business of manufacturing high speed steel and alloy steel having its plant at Titilagarh in the State of Orissa. PSD is the single largest manufacturer of High Speed Steel (HSS) in the country. Its current market share is estimated at around 60%. HSS is used in the manufacture of cutting tools such as drills, taps, milling cutters, reamers, hobs, broaches and special form tools. HSS cutting tools are essentially utilised in – (a) automotive; (b) machine tools; (c) aviation; and DIY market. The industry is categorised by one dominant quality manufacturer of HSS viz. PSD and several other small manufacturers who cater to the lower end of the quality spectrum in the retail segment. On the demand side, the industry is broadly divided into large and small cutting tool manufacturers who use both domestic and imported HSS. PSD faces competition from small domestic producers and imports from large overseas manufacturers.

(ii) Opportunities and threats

Generally, the Company's export turnover constitutes about 50% of its total turnover. Driven by increased demand in domestic and export markets, there was all round growth in the recent years and the Company thus captured the opportunities. Expansion of capacity brought economies of scale. There is a constant need for improvement in quality. To a large extent, the increased sales generated by penetrating into new markets, enlisting new customers in existing markets and increasing the market share in its existing customers, have all collectively contributed to this steady growth in volumes.

India, estimated to be the fourth largest producer of crude steel in the world in 2011, is expected to grow and become the world's second largest producer by 2015-16. India's crude steel production in 2011 reached 71.3 million tonnes, registering a growth of 4.4% (68.3 million tonnes) over 2010. MOUs have been signed by several states for planned capacity addition of around 276 million tonnes. The steel demand in India remains robust, led by strong demand from sectors like automobile and engineering services, and the steel consumption of the country grew during the year under review by 5.50% as compared to the previous year. This augurs well for the domestic Graphite Electrode industry. But the short-term challenges such as: (a) less than projected GDP growth leading to softening of demand for steel, (b) disruption in supply of primary inputs like scrap iron (to the EAF steel mills) due to its soaring prices may somewhat restrict the production of EAF steel mills as also put on hold their investment / expansion plans.

The Company is exposed to the threat of the cyclicality in the steel business and also to the risks arising from the volatility in the cost of input materials. The Company faces threats from imports given the relatively improved prospects of the Indian Steel industry.