



**38<sup>TH</sup> ANNUAL REPORT  
2005-06**



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## CPC Plant Locations of Goa Carbon Group





#### **BOARD OF DIRECTORS**

Mr. Shrinivas V. Dempo *Chairman*  
Mr. Dara P. Mehta  
Dr. W. R. Correa  
Mr. P. G. Kakodkar  
Mr. Soiru V. Dempo  
Mr. Keki M. Elavia  
Mr. Alban F. Couto  
Dr. A. B. Prasad *Managing Director (upto 30-11-2006)*  
Mr. S. Ramachandran *Executive Director (from 01-12-2006)*

#### **COMPANY SECRETARY**

Mr. P. S. Mantri

#### **GENERAL MANAGER (Finance)**

Mr. K. Balaraman

#### **SR. GENERAL MANAGER (Works) - Goa Unit**

Mr. A. S. Sardessai

#### **VICE PRESIDENT (Operations) - Paradeep Unit**

Mr. Rakesh Garg

#### **GENERAL MANAGER (Works) - Bilaspur Unit**

Mr. B. Ramakrishna

#### **REGISTERED OFFICE**

Dempo House, Campal  
Panaji, Goa – 403 001

#### **REGISTRARS & SHARE TRANSFER AGENTS**

Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills Compound  
LBS Marg, Bhandup (West)  
Mumbai – 400 078

#### **WORKS**

1. St. Jose de Areal, Margao, Goa – 403 601
2. 34 - 40, Sector B, Sirgitti Industrial Area  
Bilaspur, Chhattisgarh 495 004
3. Vill Udayabata, P.O. Paradeepgarh  
Dist. Jagatsinghpur, Orissa 754 142

#### **BANKERS**

Bank of India  
Bank of Baroda

#### **AUDITORS**

M/s. Fraser & Ross, Chennai

#### **SOLICITORS**

M/s. Little & Co., Mumbai



## Notice

**NOTICE** is hereby given that the 38th Annual General Meeting of the Members of Goa Carbon Limited will be held at the Registered Office of the Company at **Dempo House, Campal, Panaji-Goa 403 001**, on **Saturday, the 30th December, 2006** at **10.00 a.m.** to transact the following business:-

### **AS ORDINARY BUSINESS :**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 30th June 2006 and Profit and Loss Account for the period ended on that date as also the reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Dara P. Mehta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. W. R. Correa who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### **AS SPECIAL BUSINESS :**

6. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an **Ordinary Resolution**:

“RESOLVED THAT Mr. Shrinivas V. Dempo, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, read with Article 136 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company.”

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

“RESOLVED THAT Dr. A. B. Prasad, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, read with Article 136 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as Director of the Company.”

8. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of and consents to the appointment of Mr. S. Ramachandran as Director in Whole-time employment of the Company (designated as “Executive Director”) for a period of five years with effect from December 1, 2006, not liable to retire by rotation, upon the terms and conditions including payment of remuneration, perquisites and benefits as are set out in the draft of the Agreement to be entered into between the Company and Mr. S. Ramachandran and main terms of which are set out hereunder, which draft Agreement is hereby approved, with liberty and powers to the Board of Directors (including its Committee appointed for the purpose) to grant increments in salary and to alter and vary from time to time the amount and type of perquisites and allowances to be provided to Mr. S. Ramachandran, within the applicable limits as specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto;

#### **I. Salary:**

- i) Basic:

Rs.65,000/- (Rupees Sixty five thousand only) per month.



ii) Allowances:

Not exceeding Rs. 45,500/- (Rupees Forty five thousand five hundred only) per month. In addition to this monthly allowance, Soft Furnishing Allowance not exceeding Rs.40,000/- (Rupees Forty thousand only) per annum.

iii) Bonus:

As may be declared by the Company for its employees subject to maximum limit of 20% of salary.

**II. Perquisites:**

In addition to the above salary Mr. S. Ramachandran shall be entitled to the following perquisites:

**Housing I:**

The Company shall provide suitable furnished, residential accommodation and the expenditure by the Company on hiring such furnished accommodation shall be subject to a ceiling of Rs.30,000/- per month.

**Housing II:**

In case, no accommodation is provided by the Company, the Executive Director shall be entitled to House Rent/ Maintenance Allowance not exceeding Rs.30,000/- per month.

**Medical Reimbursement:**

Medical expenses incurred by the Executive Director for self and family, will be reimbursed by the Company subject to a ceiling of Rs.65,000/- per annum or Rs.1,95,000/- for a block of three years.

Over and above the reimbursement of medical expenses as above, the Executive Director shall be entitled for coverage under the hospitalization Medclaim Scheme of a General Insurance Company for a policy with a premium not exceeding Rs.5,000/- per annum.

**Leave Travel Concession:**

For self and family once in a year, incurred as per rules of the Company, subject to a ceiling of Rs.65,000/- per annum or Rs.1,95,000/- for a block of three years.

**Club Fees:**

The Company shall reimburse actual and reasonable cost of membership during the term hereof in not more than one-private Club in Goa. This facility shall not include admission/life membership fees.

**Personal Accident Insurance:**

Premium not to exceed Rs.1,000/- per annum.

**Communications:**

Telephone facility at residence for the conduct of the Company's business.

**Car:**

Free use of Company's car for official purposes and reimbursement of expenditure incurred in connection with the running and maintenance thereof and the salary for the driver as per Rules of the Company.

**Leave:**

One month's leave (30 days) with full pay for every 11 months of service, subject to the condition of leave accumulation/encashment as per the Scheme of the Company but restricted to a maximum accumulation of 150 days at any time.

**Provident Fund:**

Company's contribution to the Provident Fund shall be as per the Scheme of the Company.



**Pension/Superannuation:**

Company's contribution to Pension/Superannuation Fund shall be in accordance with the Scheme of the Company. Such contributions together with contribution towards Provident Fund shall not exceed the tax free limit laid down under the Income Tax Act, 1961.

**Gratuity:**

Gratuity is payable in accordance with the Scheme of the Company.

**Encashment of Leave:**

Unavailed accumulated earned leave encashable at the conclusion of the contract period.

The remuneration/perquisites of the Executive Director under this Agreement will be subject to tax applicable under the provisions of the Income-Tax Act, 1961.

**MINIMUM REMUNERATION:**

Notwithstanding anything to the contrary herein contained, if in any financial year during the currency of the tenure of the said Executive Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowance as specified above, subject to the limits specified in Section II Part II of the Schedule XIII to the Companies Act, 1956, and amendments, if any.

He will be subject to the other Rules and Regulations of the Company which may be in force from time to time.

He shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company in future, without the prior approval of the Central Government.

Mr. S. Ramachandran shall subject to the superintendence, control and direction of the Board of Directors of the Company perform the duties of a Director in Whole-time employment with regard to all work and business of the Company and manage and superintend such business and carry out all orders and directions of the Board of Directors subject to the terms of the agreement entered into with him.

The agreement may be terminated by either party hereto giving to the other, six months notice in writing of its or his intention, as the case may be, so to do.

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business is annexed hereto.
3. The Register of Members and Share Transfer Books in respect of Equity Shares of the Company will remain closed from **Thursday, the 21st December 2006 to Saturday, the 30th December 2006** (Both days inclusive)
4. Members are requested to notify immediately any change of address to their Depository Participants (DP's) in respect of their electronic share accounts and to the Company's Share Transfer Agent, Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup(West), Mumbai 400 078.
5. The dividend on equity shares, as recommended by the Board if approved at the ensuing Annual General Meeting of the Company, will be paid within 30 days from the date of declaration to those members or their mandatees whose names appear on the Company's Register of Members:
  - a) as beneficial owners as at the end of business on **20th December 2006**, as per the lists to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited, in respect of shares held by electronic form, and
  - b) as members in the Register of Members of the Company after giving effect of valid share transfers in physical form lodged with the Company on or before **20th December 2006**.





6. Facility of electronic credit of dividend directly to the respective bank accounts of our shareholders through Electronic Clearing Service (ECS), is available. This facility is currently at the locations specified in the Mandate Form separately enclosed in this Annual Report. This is in addition to the Bank Mandate Facility that already exists whereby bank account details are printed on the dividend warrants. Shareholders who would like to avail of the ECS Mandate Facility or the Bank Mandate Facility (if not done earlier) are requested to complete and submit the Mandate form that is separately enclosed with this Annual Report, so as to reach the Company's Share Transfer Agent **latest by 20th December 2006**. Kindly note that shareholders holding shares in dematerialized form would receive their dividend directly to the bank account nominated by them to their Depository Participant, as per SEBI directives.
7. Those Members who have so far not encashed their dividend warrants for the below mentioned financial years are requested to claim or approach the Company for the payment as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to the introduction of Section 205C by the Companies (Amendment) Act, 1999 on the dates as mentioned thereagainst.

Financial year ended	Due date of transfer
31.03.2000	11.06.2007
31.03.2001	23.10.2008
31.12.2001	30.07.2009
31.03.2003	20.10.2010
31.03.2004	22.10.2011
30.06.2005	14.01.2013

Pursuant to Section 205C of the Companies Act, 1956, all unclaimed dividends for the financial years ended 31st March, 1996 to 31st March, 1999 have been transferred to the Investors Education and Protection Fund.

Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period(s) are requested to claim the same from the Central Government in the prescribed form.

#### Directors

Mr. Dara P. Mehta and Dr. W. R. Correa are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. Shrinivas V. Dempo who was appointed as Additional Director of the Company by the Board of Directors is proposed for appointment at the ensuing Annual General Meeting as Director of the Company. Mr. Dempo has disclosed that he holds 29,400 equity shares of the Company.

Dr. A. B. Prasad who was appointed as Additional Director of the Company by the Board of Directors is proposed for appointment at the ensuing Annual General Meeting as Director of the Company.

Approval and consent of the members is sought at the ensuing Annual General Meeting to the appointment of Mr. S. Ramachandran who was appointed as a Director in Whole-time employment of the Company by the Board of Directors. Mr. S. Ramachandran has disclosed that he holds 1,500 equity shares of the Company.

The information to be provided for these directors under the Corporate Governance Code of the Listing Agreement, is given in the Corporate Governance Section of this Annual Report.

By Order of the Board of Directors

#### Registered Office:

Dempo House, Campal  
Panaji, Goa – 403 001

Dated : November 25, 2006

**P. S. MANTRI**  
Company Secretary



## **Annexure to the Notice**

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS MENTIONED IN THE ACCOMPANYING NOTICE DATED NOVEMBER 25, 2006.**

#### **ITEM 6**

Mr. Shrinivas V. Dempo whose term as a Whole-time Director expired on March 31, 2006, was appointed as an Additional Director of the Company by the Board of Directors with effect from April 1, 2006 under Section 260 of the Companies Act, 1956 read with Article 136 of the Articles of Association of the Company. He holds office upto the date of the ensuing Annual General Meeting and is eligible for appointment as a Director of the Company.

Mr. Shrinivas V. Dempo aged 37 years is an M. Com and MBA from Carnegie Melon University, U.S.A. and holds many important positions in various economic, social and industrial development organizations.

Further details relating to Mr. Shrinivas V. Dempo including his other Directorships of other companies are given in the Corporate Governance of this Annual Report.

As required under Section 257 of the Companies Act, 1956, the Company has received a notice alongwith requisite deposit, from a member proposing the candidature of Mr. Shrinivas V. Dempo as a Director of the Company.

The Board recommends the resolution appearing at Item No. 6 of the accompanying Notice seeking your approval to the appointment of Mr. Shrinivas V. Dempo as Director of the Company.

Mr. Shrinivas V. Dempo is deemed to be concerned and interested in this resolution as it relates to him. No other director is concerned and interested in the said resolution.

#### **ITEM 7**

Dr. A. B. Prasad whose term as Managing Director expires on November 30, 2006, has been appointed as an Additional Director of the Company by the Board of Directors effective from December 1, 2006 under Section 260 of the Companies Act, 1956 read with Article 136 of the Articles of Association of the Company. He holds office upto the date of the ensuing Annual General Meeting and is eligible for appointment as a Director of the Company.

Dr. A. B. Prasad is a Chemical Engineer with Masters and Ph.D. Degree and has extensive experience in the operation of process, plants and project engineering. He was earlier an Executive Director of the Company from December 1995 to November 2000 and the Managing Director of the Company from December 2000 to November 2006.

Further details relating to Dr. A. B. Prasad including his other Directorships of other companies are given in the Corporate Governance of this Annual Report.

As required under Section 257 of the Companies Act, 1956, the Company has received a notice alongwith requisite deposit, from a member proposing the candidature of Dr. A. B. Prasad as a Director of the Company.

The Board recommends the resolution appearing at Item No. 7 of the accompanying Notice seeking your approval to the appointment of Dr. A. B. Prasad as Director of the Company.

Dr. A. B. Prasad is deemed to be concerned and interested in this resolution as it relates to him. No other director is concerned and interested in the said resolution.

#### **ITEM 8**

Mr. S. Ramachandran joined the Company on January 20, 2006 as President of the Company. In view of the overall increase in the operations of the Company, the Board at its meeting held on November 25, 2006, appointed Mr. S. Ramachandran as Director in Whole-time employment of the Company (designated as "Executive Director").



Mr. S. Ramachandran is a Mechanical Engineering graduate from IIT, Madras and is a post graduate from Indian Institute of Management (IIM), Ahmedabad and brings with himself over 27 years of industry experience. Prior to joining Goa Carbon, Mr. S. Ramachandran was working with Ion Exchange (India) Limited.

Further details relating to Mr. S. Ramachandran are given in the Corporate Governance of this Annual Report. Mr. S. Ramachandran is not on the Board of any other public limited company in India.

The Board strongly believes that Mr. S. Ramachandran possesses the necessary expertise and experience to speedily grow the Company's business and achieve the Company's vision to become a leading global player and hence recommends the resolution appearing at Item 8 of the accompanying Notice for your approval.

The terms and conditions, including remuneration payable to Mr. S. Ramachandran as contained in the draft of the Agreement to be entered into by the Company with Mr. S. Ramachandran, are set out in the resolution at Item no. 8 of the accompanying Notice. This may be treated as the requisite abstract under Section 302 of the Companies Act, 1956.

The said draft of the Agreement is open for inspection of the members of the Company, on all working days upto December 29, 2006, between 11.00 a.m. to 5.00 p.m. at the Registered Office of the Company.

Mr. S. Ramachandran is deemed to be concerned and interested in this resolution as it relates to him. No other director is concerned and interested in the said resolution.

By Order of the Board of Directors

**Registered Office:**

Dempo House, Campal  
Panaji, Goa – 403 001

Dated : November 25, 2006

**P. S. MANTRI**

*Company Secretary*



# Directors' Report

Your Directors have pleasure in presenting the 38th Annual Report and Audited Statement of Accounts of the Company for the year ended 30th June 2006.

## AMALGAMATION:

By an Order pronounced by the Hon'ble High Court of Bombay (Goa Bench), sanctioning the Scheme of Amalgamation of Paradeep Carbons Limited with the Company on November 24, 2006, the Company's Wholly-owned Subsidiary, Paradeep Carbons Limited was amalgamated with the Company effective July 1, 2005. Hence, all the figures and data for the financial year ended on June 30, 2006 include data for the Paradeep unit together with Goa and Bilaspur units. This is the first consolidated financial statement that includes all the three units of the Company.

## OPERATING RESULTS :

The Company's performance for the year under review was satisfactory considering the challenges and sluggish market conditions. Your Company's performance during the year under review is summarized below:

## FINANCIAL RESULTS :

	<b>*12 Months ended 30-6-2006 Rs. in Lacs</b>		<b>15 Months ended 30-6-2005 Rs. in Lacs</b>	
Profit/(Loss) before tax for the year		<b>356.93</b>		(141.24)
Less : Provision for Tax				
Current – for the year	<b>40.00</b>		3.25	
– relating to earlier years	-		(9.73)	
Deferred Tax	<b>(100.29)</b>		(58.54)	
Fringe Benefit Tax	<b>11.28</b>		2.38	
		<b>(49.01)</b>		(62.64)
Profit/(Loss) for the year after tax		<b>405.94</b>		(78.60)
Add: Balance b/f from P & L A/c of previous years	<b>109.65</b>		214.48	
Less: Balance accumulated loss of Paradeep Carbons Limited as on 30.06.2005 after adjustment against General Reserve	<b>178.00</b>		-	
		<b>(68.35)</b>		214.48
Available for appropriations		<b>337.59</b>		135.88
Appropriations :				
General Reserve		<b>50.00</b>		-
Proposed Dividend		<b>137.27</b>		23.00
Corporate Tax on Dividend		<b>19.25</b>		3.23
Balance carried to Balance Sheet		<b>131.07</b>		109.65
		<b>337.59</b>		135.88

\* Figures include erstwhile Paradeep Carbons Limited consequent to amalgamation with the Company.

**RIGHTS ISSUE:**

During the year under review, your Company had made a Rights Issue of 46,00,000 Equity Shares at a price of Rs. 80/- per share, in the ratio of 1 equity share for every 1 equity share held on the record date, which was March 27, 2006. The Issue was subscribed to the extent of 98.94%. Accordingly, 45,51,052 equity shares were allotted on June 15, 2006. The shares were listed for trading on the Bombay Stock Exchange Limited ("BSE") with effect from June 22, 2006 and the Mangalore Stock Exchange ("MgSE") with effect from June 26, 2006.

By an Order dated 4th October 2006 passed by the Hon'ble Securities Appellate Tribunal, Mumbai, the Mangalore Stock Exchange (MgSE) has been de-recognised, hence, the listing on MgSE stands automatically cancelled. However, your company's shares remain listed on the Bombay Stock Exchange Limited.

**DIVIDEND:**

Your Directors recommend a dividend at the rate of 15 percent (Rs.1.50 per Equity Share) for the 12 months period ended 30th June 2006 as compared to 5 percent (Re. 0.50 per Equity Share) for the 15 months ended 30th June 2005.

**OPERATIONS:**

The sales turnover of the Company for the period under review was Rs. 23007.28 lacs (12 months) as compared to Rs. 12103.08 lacs (15 months) during the previous year. Production of Calcined Petroleum Coke ("CPC") was 196987 MT (12 months) compared to 122294 MT (15 months) during the previous year.

The sales of CPC was 201813 MT (including exports 103913 MT) for the 12 months period under review as compared to 121796 MT (including exports 89258 MT) for the 15 months of the previous year. The export turnover of the Company was Rs. 10666.39 lacs in the 12 months period under review as against 6213.38 lacs in the 15 months of the previous year.

Figures for 12 months period under review, include those relating to erstwhile Paradeep Carbons Limited consequent to amalgamation with the Company.

**DIVERSIFICATION AND EXPANSION:**

Your Directors have in principle decided that the Company should diversify into the business of power generation by utilizing the waste heat from its present business and accordingly, the installation of necessary plant and equipments in order to generate power from the waste heat recoveries at all the three plants of the Company located at Goa, Bilaspur and Paradeep has been approved.

Your Directors have also in principle decided to expand the Company's Calcined Petroleum Coke (CPC) plant at Paradeep, Orissa in order to meet the rising demand for CPC.

**ENVIRONMENT AND SOCIAL CONCERN:**

Your Company continues its efforts for the betterment of environment through energy conservation, waste minimization and by installing modern devices for pollution control. Incinerator/Combustion Chamber of the kiln has been enlarged, modified and upgraded. This has resulted in much lower level of emission, better combustion and reduction in furnace oil per MT of CPC produced. The Company has recently received the ISO 14001:2004 accreditation.

**PUBLIC DEPOSITS:**

The Company has not accepted any public deposits during the year under review.

**HUMAN RESOURCES:**

Industrial relations continue to be cordial throughout the year under review.

Your Directors wish to place on record their appreciation of the contributions made by the employees and workers of your Company at all levels during the year under review

**DIRECTORS:**

Mr. Dara P. Mehta and Dr. W. R. Correa retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment, which the Board recommends.



Mr. Shrinivas V. Dempo whose term as “Whole-time Director” expired on March 31, 2006, was appointed as an Additional Director with effect from April 1, 2006. Mr. Dempo holds office upto the date of the ensuing Annual General Meeting (AGM). Your approval is sought for his appointment vide resolution set out in the accompanying AGM Notice.

Dr. A. B. Prasad whose term as “Managing Director” expires on November 30, 2006, has been appointed as an Additional Director effective from December 1, 2006. Dr. Prasad holds office upto the date of the ensuing Annual General Meeting (AGM). Your approval is sought for his appointment vide resolution set out in the accompanying AGM Notice.

Mr. S. Ramachandran has been appointed as Director in Whole-time employment designated as Executive Director effective from December 1, 2006. Your approval to the said appointment and payment of remuneration to him is sought vide resolution set out in the accompanying Annual General Meeting Notice.

**DIRECTORS’ RESPONSIBILITY STATEMENT:**

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors based on the information and representations received from the operating management confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with the proper explanation relating to material departures;
- (ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability;
- (iv) the directors have prepared the annual accounts on a going concern basis.

**AUDITORS:**

You are requested to appoint Auditors for the current financial year and fix their remuneration. The retiring Auditors, M/s. Fraser & Ross, Chartered Accountants, are eligible for re-appointment.

**AUDITORS’ REPORT:**

The observations made in the Auditors’ Report are dealt with in notes forming part of the accounts, which are self-explanatory and therefore, do not call for any further comments or explanations.

**PARTICULARS OF EMPLOYEES:**

The Company has no employee in the category specified under Section 217 (2A) of the Companies Act, 1956.

**PARTICULARS OF CONSERVATION OF ENERGY ETC:**

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo required under Section 217 (1) (e) of the Companies Act, 1956 is set out in Annexure of this Report and forms part of it.

**CORPORATE GOVERNANCE:**

Pursuant to Clause 49 of the Listing Agreement a Management Discussion and Analysis Report and a report on Corporate Governance are annexed.

Auditors Certificate certifying the company’s compliance with the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement is annexed.

In compliance with the new Corporate Governance requirements, the Company has implemented a Code of Conduct for all its Board members and senior management of the Company, who have affirmed compliance thereto. The said Code of Conduct has been posted on the Company’s website.



**ACKNOWLEDGEMENT:**

Your Directors wish to acknowledge and thank the Central Government, Government of Goa, Orissa and Chhattisgarh and all regulatory bodies for their support and guidance.

Your Directors thank the esteemed shareholders, customers, business associates, Bankers and other business constituents of the Company for their co-operation.

Your Directors also wish to place on record their appreciation of the dedication and contribution of all the employees of the Company.

For and on behalf of the Board of Directors

**SHRINIVAS V. DEMPO**  
*Chairman*

Panaji, Dated: 2nd day of December, 2006



## Annexure to the Directors' Report

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY ETC. AS PER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

(A) Conservation of Energy	Goa Plant	Bilaspur Plant	Paradeep Plant
(a) energy conservation measures	<p>Consumption of Electrical energy per metric ton of Calcined Petroleum Coke produced during the period 01.07.2005 to 30.06.2006 has been lower to 15.68 kwh/ton of CPC as against 17.63 kwh/MT of previous year. In addition to this power factor rebate of 50257 kwh unit obtained for the year by monitoring the power factor (5% Max).</p> <p>Furnace oil consumption per ton of CPC produced is 3.88 ltr./MT. Total furnace oil used per MT is lowered to 3.88 ltr/MT as against 9.8 ltr/MT during previous year. This has been achieved with enhanced process control.</p> <p>Consumption of energy is being regularly monitored and reviewed.</p>	<p>Consumption of electrical energy per MT of Calcined Petroleum Coke produced has been slightly increased from 18.21 units in the previous year to 19.06 units during the year. Higher consumption was primarily due to installation of pollution control equipments.</p> <p>Furnace oil consumption per MT of Calcined Petroleum Coke produced has been slightly decreased from 11.44 ltr./MT of CPC produced to 10.37 ltr/MT. Further measures are being initiated for reduction of Furnace Oil consumption.</p>	<p>The Electrical energy consumption during the year 2005-06 was 18.38 kwh p/mt of CPC as compared to 16.34 kwh of the previous year. The cost of electrical energy per mt of CPC was Rs.80.82 as compared to the previous year cost of Rs.70.92. (The increase is due to high running time of DG set i.e. more number of power failure, hike in diesel price and more number of addition of motors in plant because of Pollution control measures taken by us). If we considered the performance of 15 months i.e. for the period from 1st April 2005 to 30th June 2006 then the electrical energy consumption works out to be 17.14 kwh p/mt of CPC and Power cost p/mt of CPC Rs. 75.11 inspite of hike in diesel price.</p> <p>The consumption of fuel i.e. F.O. P/MT of CPC during the year 2005-06 was 10.29 ltr. as compared to the previous year consumption of 10.76 ltr. The consumption of F.O. for 15 months i.e. for the period from April 2004 to 30th June 2005 was 8.78 ltrs. As such the consumption of energy has been reduced considerably.</p> <p>The consumption of energy is being monitored regularly.</p>



## Annexure to the Directors' Report (Contd.)

- (b) additional investment and proposals, if any, being implemented for reduction of consumption of energy.
- 1) Higher energy efficient motors installed at some listed continuous operation places in April 2006. Energy Conservation Unit has been installed in April 2006 at a cost of Rs.38251.00 which resulted in reduction of lighting load by about 15-20 %.
  - 2) Star / delta / star starter provided for some conveyor to reduce electricity consumption.
  - 3) CFL lamp and sodium vapour lamp provided at listed places
- The proposal to have an independent dedicated 11KVA feeder line has been kept on hold, as the proposal for power generating unit by using the waste heat generated by the kiln is in an advanced stage. The DPR is awaited. Once it is approved then the final action will be finalized.
- (c) impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
- Above motor replacement etc. are expected to save around 4 to 5 % of electrical energy consumption on current connected load. Significant impact on energy consumption is expected. We hope to reduce furnace oil consumption substantially next year.
- The energy consumption is expected to be reduced further after having the proposed power generating unit / independent feeder.
- (d) total energy consumption and energy consumption per unit of production as per Form-A of the Annexure in respect of industries specified in the schedule thereto.
- Not applicable to our industry.
- (B) Technology Absorption**
- (e) efforts made in technology absorption as per Form-B of the Annexure.
- Please refer to the enclosure.
- (C) Foreign Exchange Earnings and Outgo.**
- (f) activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans.
- The Company's export to internationally renowned aluminium majors as per long term contract still continue.
- (g) total foreign exchange used and earned.
- Foreign Exchange used for importing raw material, interest on foreign currency loans and travel expenses of all employees for official work, etc. was equivalent to Rs.165.49 crores. Foreign Exchange earned during the year 2005-2006 by exporting finished product was equivalent to Rs.106.66 crores.



**FORM - B**  
(See Rule 2)

**Form for disclosure of particulars with respect to Technology Absorption**

**Research and Development (R & D)**

1. Specific area in which R & D carried out by the Company
2. Benefits derived as a result of the above R & D
3. Future plan of action
4. Expenditure on R & D
  - a) Capital
  - b) Recurring
  - c) Total
  - d) Total R & D expenditure as a percentage of total turnover

The Company has been able to achieve reduction in energy consumption and higher product recovery with efforts towards continuous and consistent reviews of all processes & operations and consequent improvement actions.

**Technology absorption, adaptation and innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.
3. In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.
  - a) Technology Imported
  - b) Year of Import
  - c) Has Technology been fully absorbed ?
  - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

The Company is trying to improve the production efficiency as an ongoing exercise and has been able to achieve an improvement during the period under review.

Not applicable



# Management Discussion and Analysis

## **BUSINESS OUTLOOK**

International competitive market environment continues to put pressure on the company's selling prices of products. The sharp increase in Raw Material prices consequent upon the price movement of crude oil and steep increase in freight rates will affect the margin of the company's products adversely. The company is making concerted effort to contain overhead cost and improve efficiencies.

## **KEY STRENGTHS AND GROWTH DRIVERS**

The Company is a very well established and reliable manufacturer of Calcined Petroleum Coke in the market through its sustained efforts and emphasizes on product quality, continuing improvements and competitive pricing. Research and Development is on going process resulting in discovering and implementation of new and improvised methods, concepts so as to improve the product quality, achieve cost effectiveness and optimum utilization of capacity.

Although the market environment remains to be challenging, the Company through its continuous customer centric initiative, is confident of driving growth to maintain its leadership in the industry. Operational efficiency, Cost effectiveness, increase in export market and optimum utilization of production capacity will be major factors for the business growth and profitability for the year ahead.

## **FINANCE AND FINANCIAL RISKS**

Financial risks could include high foreign currency exposure arising from payment for raw materials vis-à-vis export earnings. The company being a net user of foreign exchange is vulnerable to depreciation in the value of the rupee.

As a measure of prudent foreign exchange management and as a matter of policy, the company does not speculate on foreign currencies except booking for forward cover for import payments. Imports on revenue account are paid, as and when due, by market purchase of foreign exchange and also partially out of export earnings.

## **RISKS AND CONCERN**

The company being manufacturer of Calcined Petroleum Coke has its usual risks associated with hazardous operations. The company endeavors to keep its safety standards at peak level.

## **FINANCIAL PERFORMANCE FOR THE 12-MONTHS PERIOD ENDED 30TH JUNE 2006 COMPARED TO 15 MONTHS PERIOD ENDED 30TH JUNE 2005 (considering figures relating to wholly owned subsidiary Paradeep Carbons Limited amalgamated with the Company effective from 1-7-2005).**

### **REVENUES**

The gross turnover for the 12 months period ended 30th June 2006 was Rs.25,061.47 lacs as compared to Rs.24,409.22 lacs for the 15 months period ended 30th June 2005. The total quantity sold during 12 months period ended 30th June 2006 was 2,01,813 MT as compared to 2,15,773 MT sold for the 15 months period ended 30th June 2005. The Company as usual has been able to attain its production targets as well as sales targets.

### **OTHER INCOME**

The other Income for the 12 months period ended 30th June 2006 was Rs.343.76 lacs as against Rs.499.45 lacs for the 15 months period ended 30th June 2005. The other income mainly comprises of interest income and profit on sale of raw material.

### **RAW MATERIAL CONSUMED**

During the 12 months period ended 30th June 2006, the total production of CPC was 1,96,987 MT as compared to 2,21,748 MT for 15 months period ended 30th June 2005. The raw material consumed was 2,70,916 MT as compared to 3,04,346 MT for the 15 months period ended 30th June 2005.

The cost of raw material consumed for 12 months period ended 30th June 2006 was Rs.17,127.19 lacs as compared to Rs.20,471.30 lacs for the 15 months period ended 30th June 2005.



#### **MANUFACTURING AND OTHER EXPENSES**

The total manufacturing and other expenses which constitutes 16.87% of the net turnover amounting to Rs.3,881.85 lacs for 12 months period ended 30th June 2006 as compared to 13.17% on the net turnover amounting to Rs.2,891.30 lacs for the 15 months period ended 30th June 2005.

#### **INTEREST**

Interest on Term Loan and Working Capital for the 12 months period ended on 30th June 2006 was Rs.1,144.51 lacs as compared to Rs.1,030.97 lacs for the 15 months period ended 30th June 2005.

#### **DEPRECIATION**

Depreciation for the 12 months period ended 30th June 2006 was Rs.248.55 lacs as compared to Rs.461.19 lacs for the 15 months period ended 30th June 2005.

#### **PROFITABILITY**

The basic raw material required for the manufacture of final product Calcined Petroleum Coke is the by-product of refining process and consequent to the increase in crude oil price in the international market, the price of basic raw material and the freight has gone up. Due to the better blending of raw material and the product mix, raw material cost for the 12 months period ended 30th June 2006 has come down significantly. This resulted in profit before tax of Rs.356.93 lacs for the 12 months period ended 30th June 2006 as compared to loss of Rs.903.63 lacs for the 15 months period ended 30th June 2005.

#### **INTERNAL CONTROL AND ADEQUACY**

Company has an adequate internal control system commensurate with its size. Our Company's systems and control address

- Implementation of management policies to ensure that the transactions have been accurately recorded and promptly reported.
- Reviews compliance with statutes.
- Operational efficiency

The Internal Audit Department carries out the Audit in the above areas and also Post Audit checks and ensures the adequacy of internal control through reviews. Their reports are submitted to and discussed with the Audit Committee of Directors.

#### **SIGNIFICANT ECONOMIC CHANGES THAT MATERIALLY AFFECT OR (ARE LIKELY TO) AFFECT INCOME FROM CONTINUING OPERATIONS.**

The Company's raw material prices are driven by international crude oil prices as the sourcing of raw materials is from local/ imports from refineries / international trades. The prices are prone to fluctuations due to crude oil prices and foreign exchange fluctuations. Similarly, the prices of finished product of the company, Calcined Petroleum Coke are also driven by international prices and import tariff structures. The margins on these products vary widely without any consistency; the revenues of the company will therefore fluctuate from year to year. These economic changes could significantly affect income from continuing operations.

#### **KNOWN TRENDS OR UNCERTAINTIES THAT HAVE HAD OR EXPECTED TO HAVE A MATERIAL ADVERSE IMPACT ON SALES, REVENUES, OR INCOME FROM CONTINUING OPERATIONS.**

Uncertainty prevails in availability of continuous supply of raw material to the company. Occasionally, few raw materials though available are at uneconomical prices, which result in severe pressure on margins and values.

In addition to the above, high foreign currency exposure which is vulnerable to depreciation of Rupee and expected hardening of interest rates may affect Company's operations, margins and profits.

#### **FUTURE CHANGES IN RELATIONSHIP BETWEEN COSTS AND REVENUES**

The recent trend in continuous increase in international prices of raw materials compared to the prices of finished products may further shrink margins in future. Following the steep increase in price of crude oil during the past years, the cost of raw material also rose substantially.



With reduction of custom duty and by entering long-term contract with the raw petroleum coke suppliers for supply of raw material, the reasonable portion of such increase will be curtailed by the company. On the financial front the company is taking steps towards better working capital management and financial re-structuring for reducing the interest cost.

#### **STATE OF ANY PUBLICLY ANNOUNCED NEW PRODUCT OR BUSINESS SEGMENT**

There has been no announcement of any new products or business segment.

#### **THE EXTENT TO WHICH THE BUSINESS IS SEASONAL**

The business carried out by the company is not seasonal.

#### **ANY SIGNIFICANT DEPENDENCE ON A SINGLE OR FEW SUPPLIERS OR CUSTOMERS.**

Most of the raw materials and consumables are procured by the company both from domestic and international sources and from manufacturers who are dominant suppliers. Domestic supply of Raw Petroleum Coke includes Indian Oil Corporation, Barauni and Bongaigaon Refinery and Petrochemicals Ltd.

From Goa Plant the company is supplying major portion of finished product to Aluminium Pechiney, France based on the long-term contract entered with the company.

#### **COMPETITIVE CONDITION**

The company is in business of manufacture and sale of Calcined Petroleum Coke. The Calcined Petroleum Coke is also manufactured by Rain Calcining Limited, India Carbon Limited and other small regional players. In addition to the above there are 3 refineries integrated calciners, Barauni, Bongaigaon and Numaligarh also manufacturing Calcined Petroleum Coke and it affects the domestic CPC markets with its lower price strategy. The competition also comes from imports by the traders.

#### **EXPORTS**

Your Company is continuously exploring opportunities in the global market for exporting its products. During the period under review the export turnover of Rs.10,666.39 lacs accounts for 42.56% of the gross turnover. Your Company has identified the key growth global markets and is exploring for opportunities in those countries. Your Company's state-of-the-art manufacturing facilities present opportunities for leading global aluminium smelters to out source part of their requirements from the Company.

#### **OUTLOOK FOR 2006-07**

Although the market environment remains to be challenging, the Company, through its continuous customer centric initiative, is confident of driving growth to maintain its leadership in the industry. Operational efficiency, cost effectiveness, increase in export market and optimum utilization of production capacity will be major factors for the business growth and profitability for the year ahead.

#### **CAUTIONARY STATEMENT**

Some of the statements given in the above management discussions & analysis about company's projections, estimates or expectations may be 'forward looking statement' within the meaning of local laws and regulations. Actual results may differ substantially from those expressed or implied statements. The major forces which can affect the company's operations include a down trend in the industry, Mega Merger/take over/consolidation of Aluminium majors and subsequently their policies for resourcing CPC, significant changes in political and economic policies as well as tax laws, import duties, litigations or labour relations.



# Report on Corporate Governance

## Introduction

Your Company has complied in all material respects with the features of Corporate Governance Code as per the revised Clause 49 of the Listing Agreement with the Stock Exchange.

A report on the implementation of the Corporate Governance Code by the Company is furnished below.

## A. MANDATORY REQUIREMENTS

### 1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance envisages the attainment of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders, towards the ultimate goal of creating wealth and enhancing shareholders value.

### 2. Board of Directors

The Board of Directors consists of nine directors including one Managing Director<sup>#</sup>, an Executive Director and seven non-executive directors, with five of them being Independent Directors.

The constitution of the Board is given below :

Name of Director	Executive/Non-Executive/ Independent	No. of other Directorships	Membership of other Board Committees
Shrinivas V. Dempo*	Chairman, Non-Executive	29 <sup>1</sup>	–
Dara. P. Mehta	Independent Director	15 <sup>2</sup>	–
Dr. W. R. Correa	Independent Director	–	–
P. G. Kakodkar	Independent Director	13	8
Soiru V. Dempo	Non-Executive Director	12	–
Keki M. Elavia	Independent Director	10	8
Alban F. Couto	Independent Director	–	–
Dr. A. B. Prasad <sup>#</sup>	Managing Director – Executive	2	–
S. Ramachandran**	Executive Director	–	–

\* Mr. Shrinivas V. Dempo has been appointed as Additional Director and Chairman w.e.f. April 1, 2006.

<sup>#</sup> The term of Dr. A. B. Prasad as Managing Director expires on November 30, 2006. Dr. Prasad has been appointed as an Additional Director effective from December 1, 2006.

\*\* Mr. S. Ramachandran has been appointed as a Director in Whole-time employment (designated "Executive Director") w.e.f. December 1, 2006.

<sup>1</sup> Includes directorships held in 27 private limited companies.

<sup>2</sup> Includes 7 companies in which Mr. Dara P. Mehta is an Alternate Director.

### Attendance of Directors at Board Meetings and Annual General Meeting

During the period under review, five (5) Board Meetings were held on July 23, 2005, October 21, 2005, December 10, 2005, February 22, 2006 and April 24, 2006.

The Company placed before the Board the relevant information including those specified under Annexure-IA of the Listing Agreement.



The attendance at the Board Meetings and last Annual General Meeting (AGM) were as under:

Name of Director	Board Meetings Attended	AGM
Shrinivas V. Dempo	5	✓
Dara P. Mehta	4	✓
Dr. W. R. Correa	5	✓
P. G. Kakodkar	5	✓
Soiru V. Dempo	5	✓
Keki M. Elavia	5	✓
Alban F. Couto	4	✓
Dr. A. B. Prasad*	5	✓
S. Ramachandran**	–	N.A.

\* The term of Dr. A. B. Prasad as Managing Director expires on November 30, 2006. Dr. Prasad has been appointed as an Additional Director effective from December 1, 2006.

\*\* Mr. S. Ramachandran has been appointed as a Director in Whole-time employment (designated “Executive Director”) w.e.f. December 1, 2006.

### Remuneration of Directors

Details of remuneration paid/payable to directors for the 12 months ended June 30, 2006 are as follows:

Name of Director	Salary (Rs.)	Benefits (Rs.)	Bonus/ Commission	Performance linked incentive (along with criteria)	Sitting fees <sup>o</sup> (Rs.)	Total (Rs.)	Stock Options	Service Contract/ Notice period/ Severance fees/ Pension
Shrinivas V. Dempo	–	–	12,46,876	–	7,500	7,500	–	*
Dara. P. Mehta	–	–	–	–	37,500	37,500	–	Retirement by Rotation
Dr. W. R. Correa	–	–	–	–	40,000	40,000	–	Retirement by Rotation
P. G. Kakodkar	–	–	–	–	90,000	90,000	–	Retirement by Rotation
Soiru V. Dempo	–	–	–	–	95,000	95,000	–	Retirement by Rotation
Keki M. Elavia	–	–	–	–	47,500	47,500	–	Retirement by Rotation
Alban F. Couto	–	–	–	–	35,000	35,000	–	Retirement by Rotation
Dr. A. B. Prasad	9,36,500	3,94,705	1,10,800	–	Nil	14,42,005	–	**
S. Ramachandran <sup>#</sup>	–	–	–	–	–	–	–	***

<sup>o</sup> includes sitting fees paid for Committee Meetings

\* Mr. Shrinivas V. Dempo who was appointed as Additional Director of the Company by the Board of Directors w.e.f. April 1, 2006, is proposed for appointment at the ensuing Annual General Meeting as Director of the Company.

\*\* As Managing Director: 1 year w.e.f. December 1, 2005/notice period 6 months/N.A./N.A. Dr. A. B. Prasad who has been appointed as an Additional Director of the Company by the Board of Directors effective from December 1, 2006, is proposed for appointment at the ensuing Annual General Meeting as Director of the Company.

\*\*\* 5 years w.e.f. December 1, 2006/notice period 3 months/N.A./N.A.

<sup>#</sup> Mr. S. Ramachandran has been appointed as a Director in Whole-time employment (designated “Executive Director”) w.e.f. December 1, 2006.

### Notes:

1. Mr. Dara P. Mehta is a senior partner of Little & Co., Solicitors and Advocates, who have a professional relationship with the Company. The quantum of professional fees received by Little & Co. from the Company is less than 2% of the total revenues of the legal firm. The Board of Directors is of the view that the association of the legal firm, with the Company is not material. The professional fees of Rs. 89,935/- paid to the legal firm during the 12 months period ended 30.06.2006 are not considered material enough to affect on the independence of Mr. Dara P. Mehta.



2. Apart from the above, the Company does not have any other pecuniary relationship or transactions with the Directors.

**Note on Directors appointment / re-appointment:**

Mr. Dara P. Mehta and Dr. W. R. Correa are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. Shrinivas V. Dempo, whose term as “Whole-time Director” of the Company expired on March 31, 2006, has been appointed on the Board as an Additional Director w.e.f. April 1, 2006. He holds office upto the date of the ensuing Annual General Meeting and is proposed for appointment as Director at the said meeting.

Dr. A. B. Prasad, whose term as “Managing Director” of the Company expires on November 30, 2006, has been appointed on the Board as an Additional Director effective from December 1, 2006. He holds office upto the date of the ensuing Annual General Meeting and is proposed for appointment as Director at the said meeting.

Approval and consent of the members is sought at the ensuing Annual General Meeting to the appointment of Mr. S. Ramachandran who was appointed as a Director in Whole-time employment of the Company by the Board of Directors.

**Brief details concerning these Directors are given below:**

**Mr. Dara P. Mehta**

Mr. Dara P. Mehta is B.A., LL.B. and LL.M. from Harvard University. Mr. Mehta has been a Solicitor of the Bombay High Court since 1957 and an Advocate, Supreme Court of India since 1958. He is a Senior Partner of Little & Co. since 1962. Mr. Mehta is associated with a number of Professional and Charitable Institutions / Associations. He is Hon. Secretary, India. Law Institute, Maharashtra Unit since 1960, Member of the Governing Body of the Indo-French Chamber of Commerce & Industry, apart from various honorary positions in a number of other Associations. Mr. Mehta has authored several papers on the subject of law. Presently, he is on the Board of the following other companies:

Sr. No.	Name of the Company	Designation / Membership of Board Committees
1.	Bloomberg Data Services (India) Pvt. Ltd.	Director
2.	Bloomberg Television Production Services India Pvt. Ltd.	Director
3.	Clancey Precision Components Pvt. Ltd.	Alternate Director
4.	DME Company (India) Pvt. Ltd.	Alternate Director
5.	Emerson Electric Co. (India) Pvt. Ltd.	Director
6.	Emerson Network Power (India) Pvt. Ltd.	Alternate Director
7.	Foseco India Ltd.	Director
8.	Flowserve India Controls Pvt. Ltd.	Alternate Director
9.	GKN Driveline (India) Ltd.	Director
10.	Global Dolphin Drilling Company Pvt. Ltd.	Alternate Director
11.	Grolier International Pvt. Ltd.	Director
12.	Insilco Ltd.	Director
13.	JT International (India) Pvt. Ltd.	Alternate Director
14.	Kirloskar Copeland Ltd.	Director
15.	Tata BP Solar India Ltd.	Alternate Director

**Dr. W. R. Correa**

Dr. W. R. Correa is Ph. D. in Electronic Engineering. He has been on the Board of the Company since September 27, 1987 and is the only directorship held by him.





### Mr. Shrinivas V. Dempo

Mr. Shrinivas V. Dempo holds a Masters Degree in Business Administration (MBA) from the Carnegie Melon University in the United States, with specialisation in Corporate Finance & Industrial Administration. He holds many important positions in various economic, social and industrial development organizations.

Mr. Dempo has been playing a key role in major Business Associations/Chambers in India and Goa such as the Confederation of Indian Industry (CII) and Goa Chamber of Commerce & Industry (GCCCI). He is on the Board of Economic Development Corporation, (EDC) at the local level, President of Goa Cancer Society. Also, he is a Member of Governing Council of Shipbuilding Industry Society of Goa, Goa Institute of Management (GIM), Member of Goa University 6<sup>th</sup> Executive Council, and Federation of Indian Mineral Industries (FIMI).

He has also held other positions such as Member on the Advisory Committees of Financial Institutions such as Industrial Development Bank of India (IDBI) and Life Insurance Corporation of India (LIC) to name a few.

Presently, he is on the Board of the following other companies:

Sr. No.	Name of the Company	Designation/Membership of Board Committees
1.	V. S. Dempo & Co. Pvt. Ltd.	Chairman & Managing Director
2.	Dempo Mining Corporation Pvt. Ltd.	Director
3.	Aparant Iron & Steel Pvt. Ltd.	Director
4.	Anant Infomedia Pvt. Ltd.	Director
5.	Dempo Brothers Pvt. Ltd.	Director
6.	Dempo Marketing Co. Pvt. Ltd.	Director
7.	Dempo Shipbuilding & Engineering Pvt. Ltd.	Director
8.	Devashri Investments Pvt. Ltd.	Director
9.	Dempo Travels Pvt. Ltd.	Director
10.	Dempo Industries Pvt. Ltd.	Director
11.	Dempo Shipyard Pvt. Ltd.	Director
12.	Sindhudurg Mining Corporation Pvt. Ltd.	Director
13.	Marmagoa Shipping & Stevedoring Co. (P) Ltd.	Director
14.	Hindustan Foods Ltd.	Director
15.	Goa Paints & Allied Products Pvt. Ltd.	Director
16.	Esmeralda Investments Pvt. Ltd.	Director
17.	Ratnaprabha Investments Pvt. Ltd.	Director
18.	Jaiprabha Investments Pvt. Ltd.	Director
19.	Motown Investments Pvt. Ltd.	Director
20.	Lazio Investments Pvt. Ltd.	Director
21.	Rio Investments Pvt. Ltd.	Director
22.	West Coast Hotels Pvt. Ltd.	Director
23.	Ameya Investments Pvt. Ltd.	Director
24.	Jaico Investments Pvt. Ltd.	Director
25.	Troy Investments Pvt. Ltd.	Director
26.	Suhas Investments Pvt. Ltd.	Director
27.	Economic Development Corporation Ltd.	Director
28.	Goa Maritime Pvt. Ltd.	Director
29.	Vipulam Coke Co. Pvt. Ltd.	Director

**Dr. A. B. Prasad**

Dr. A. B. Prasad is a Chemical Engineer with Masters and Ph. D. Degree and has extensive experience in the operation of process, plants and project engineering. He was earlier an Executive Director of the Company from December 1995 to November 2000 and the Managing Director of the Company from December 2000 to November 2006. He is on the Board of M/s. V. S. Dempo & Co. Pvt. Ltd. and M/s. Hindustan Foods Ltd.

**Mr. S. Ramachandran**

Mr. S. Ramachandran is a Mechanical Engineering graduate of IIT, Madras and a post-graduate from the Indian Institute of Management (IIM), Ahmedabad and brings with himself over 27 years of industry experience. His experience covers several sectors of industry with emphasis on Water Treatment and Industrial Fibres. He has spent considerable time in the business-to-business space. He has been involved in turn around & growth in competitive markets. His last employment was with Ion Exchange (India) Limited (till 2006) and before that SRF Limited (till 1994).

Mr. Ramachandran is not a Director in any public limited company in India, other than Goa Carbon Limited.

**Shareholding of Directors:**

As on June 30, 2006, Mr. Shrinivas V. Dempo holds 29,400 equity shares, Mr. Dara P. Mehta holds 4,000 equity shares, Dr. W. R. Correa holds 1,500 equity shares and Mr. S. Ramachandran holds 1,500 equity shares in the Company. None of the remaining directors hold any shares in the Company.

**Code of Conduct:**

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the Code has been made by the Directors and Senior Management of the Company.

The declaration of the Managing Director is given below:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, I, Dr. A. B. Prasad, Managing Director of Goa Carbon Limited, declare that all Board Members and Senior Executives of the Company at its Corporate Office have affirmed their compliance with the Code of Conduct during the financial year ended June 30, 2006.

Panaji-Goa.  
August 7, 2006

**Dr. A. B. Prasad**  
Managing Director

**Committee of Directors:**

- (a) The Company had constituted a Committee of Directors on January 24 2005, to look into the future business outlook for the Company including its subsidiaries, to suggest various proposals to the Board including restructuring, mergers, acquisitions, new investment avenues etc. and to monitor & ensure the implementation of the accepted suggestions.

The members of the Committee are Mr. Dara P. Mehta, Mr. Keki M. Elavia and Dr. A. B. Prasad. The Committee is chaired by Mr. Dara P. Mehta.

No meeting of the Committee was held during the period under review.

- (b) The Company had also constituted a Committee of Directors on July 23, 2005, for the purpose of the Company's Rights Issue of 46,00,000 equity shares.

The members of the Committee were Mr. Shrinivas V. Dempo, Mr. P. G. Kakodkar, Mr. Keki M. Elavia and Mr. Alban F. Couto. The Committee is chaired by Mr. Shrinivas V. Dempo.

Two (2) meetings of the Committee were held on March 29, 2006 and June 15, 2006 during the year under review. Mr. Shrinivas V. Dempo attended the meeting held on March 29, 2006. Mr. P. G. Kakodkar and Mr. Alban F. Couto attended both the meetings, and Mr. Keki M. Elavia was granted leave of absence for both the meetings.



### 3. Audit Committee

During the year under review, the Committee held four meetings, one of which was before the finalisation of the accounts and the others before the approval of the Quarterly Financial Results by the Board. The dates on which the said meetings were held are as follows:

July 22, 2005      October 20, 2005      February 22, 2006      April 24, 2006

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name	Designation	Non-Executive/ Independent	Profession	Committee Meetings Attended
Dara P. Mehta	Chairman	Independent Director	Solicitor	3
Keki M. Elavia	Member	Independent Director	Chartered Accountant	4
P. G. Kakodkar	Member	Independent Director	Banking Consultant	3

The terms of reference of the Audit Committee are in accordance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges and inter alia includes the following:

- a) Overseeing the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statement is correct, sufficient and credible;
- b) Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services;
- c) Approving fees for non-audit consulting/services provided by the firms of Statutory Auditors;
- d) Reviewing with Management the periodic financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices;
  - Major accounting entries based on exercise of judgement by management;
  - Significant adjustments arising out of audit;
  - The going concern assumption;
  - Compliance with accounting standards;
  - Compliance with stock exchange and legal requirements concerning financial statements;
  - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large;
- e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems and recommending improvements to the management;
- f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- g) Discussing with internal auditor and significant findings and follow-up thereon;
- h) Reviewing the findings of any internal investigations by the internal auditor into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- i) Discussing with external auditors before the audit commences, the nature and scope of audits as well as conduct post-audit discussions to ascertain any area of concern;
- j) Reviewing the Company's financial and risk management policies;
- k) Initiating investigations into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

### 4. Remuneration Committee:

The Remuneration Committee comprises of 3 non-executive Directors viz. Mr. P. G. Kakodkar (Chairman), Dr. W. R. Correa and Mr. Soiru V. Dempo.



The Remuneration Committee has been constituted to recommend/review the remuneration package of the Executive Directors.

The Remuneration Committee met once on October 21, 2005 during the year under review. All the members attended the meeting.

#### 5. Share Transfer and Investors' Grievance Committee

The Share Transfer and Investor Grievance Committee approves the transmission/ transfer of shares, issue of new/duplicate share certificates and oversees and reviews all matters connected with securities transfer. The Committee also looks into the redressal of shareholders' and investors' complaints/grievances. The Share Transfer & Investor Grievance Committee met 22 times during the year under review and the constitution of the Committee and attendance of each member at the meetings was as follows:

Name of the Member	Status	Number of meetings attended
P. G. Kakodkar	Chairman	15
Soiru V. Dempo	Member	22
Dr. A. B. Prasad	Member	19

The total number of letters / complaints received and replied to the satisfaction of shareholders during the year under review were 535. There were no outstanding letters / complaints as on June 30, 2006.

Mr. P. S. Mantri, Company Secretary is the Compliance Officer under Clause 47 of the Listing Agreement with Stock Exchanges.

#### 6. General Meetings:

The last three Annual General Meetings (AGM's) of the Company were held as under:

Particulars	Date	Time	Venue
35 <sup>th</sup> AGM *	September 20, 2003	10.00 a.m.	All three Annual General Meetings were held at Dempo House, Campal, Panaji-Goa 403 001
36 <sup>th</sup> AGM	September 16, 2004	10.30 a.m.	
37 <sup>th</sup> AGM	December 10, 2005	10.30 a.m.	

\* A special resolution under Section 372 A of the Companies Act, 1956 for approval of investment in the Equity Share Capital of Paradeep Carbons Limited (PCL), Corporate Guarantees and Loans given to PCL was passed through Postal Ballot. The Board appointed Mr. S. V. Shet, Practising Company Secretary as the scrutinizer for the purpose. The Company received a total of 353 postal ballot forms. After weeding out 18 forms on technical grounds, out of total valid 335 postal ballot forms for 25,98,219 equity votes, 307 forms consisting of 25,94,049 equity votes representing 99.84% of valid votes were in favour of the resolution. Accordingly, based on the report of the scrutinizer, the resolution was declared as passed as special resolution at the Annual General Meeting held on September 20, 2003.

- Person who conducted the postal ballot exercise:  
Mr. S. V. Shet, Practising Company Secretary.
- Whether special resolutions are proposed to be conducted through postal ballot:  
Shall be conducted as per the provisions of the Companies Act, 1956 as and when situations arise.
- The Procedure for postal ballot:  
Shall be as per the provisions of the Companies Act, 1956 and rules made there under.

#### 7. Disclosures:

- During the year under review, besides transactions reported elsewhere in the Annual Report, there were no transactions between the Company and Promoters, Directors or Management, their subsidiaries or relatives, etc. that had a potential conflict with the interests of the Company at large. The Register of Contracts containing transactions in which directors are interested is placed before the Board regularly.
- The Company has complied with the requisite regulations relating to capital markets. There were no penalties or strictures imposed on the Company by any of the Stock Exchanges or Securities and Exchange



Board of India (SEBI) or any other Statutory authority, on any matter related to capital markets, during the last three years.

- Pursuant to sub-clause VII(2) of Clause 49, the Company confirms that it has complied with all mandatory requirements prescribed in Clause 49 of the Listing Agreement.

#### 8. Means of Communication:

The quarterly unaudited financial results were published in the Financial Express / Economic Times / Navhind Times (English Dailies) and Navprabha (Marathi Daily). The results were also displayed on the Company's web-site at [www.goacarbon.com](http://www.goacarbon.com). The shareholders can visit the Company's web-site for financial information, shareholding information etc.

The Company has also posted information relating to its financial results and shareholding pattern on Electronic Data Information Filing and Retrieval (EDIFAR) at [www.sebidifar.nic.in](http://www.sebidifar.nic.in).

No presentations have been made to institutional investors or to analysts.

The Management Discussion & Analysis Report is provided separately as a part of this Annual Report.

#### 9. General Shareholder Information:

##### a) Annual General Meeting

- Date and Time 30th December, 2006 at 10.00 a.m.
- Venue Dempo House, Campal, Panaji-Goa 403 001

##### b) Financial Calendar

- Financial reporting for
- Quarter ending June 30, 2006 July 2006
  - Quarter ending September 30, 2006 October 2006
  - Quarter ending December 31, 2006 January 2007
  - Quarter ending March 31, 2007 April 2007
  - Annual General Meeting for the year ending March 31, 2007 In September 2007

##### c) Date of Book Closure

Thursday, the 21<sup>st</sup> December, 2006 to Saturday, 30<sup>th</sup> December, 2006 (both days inclusive), for payment of dividend

##### d) Dividend Payment Date

Within the statutory time limit of 30 days from the date of the Annual General Meeting.

##### e) Listing on Stock Exchanges at

The Bombay Stock Exchange Ltd.  
Consequent to the de-recognition of the Mangalore Stock Exchange (MgSE), the shares of the Company stand automatically delisted on MgSE.

##### f) Stock Code – Physical

509567

##### Demat ISIN Number for NSDL & CDSL

INE426D01013



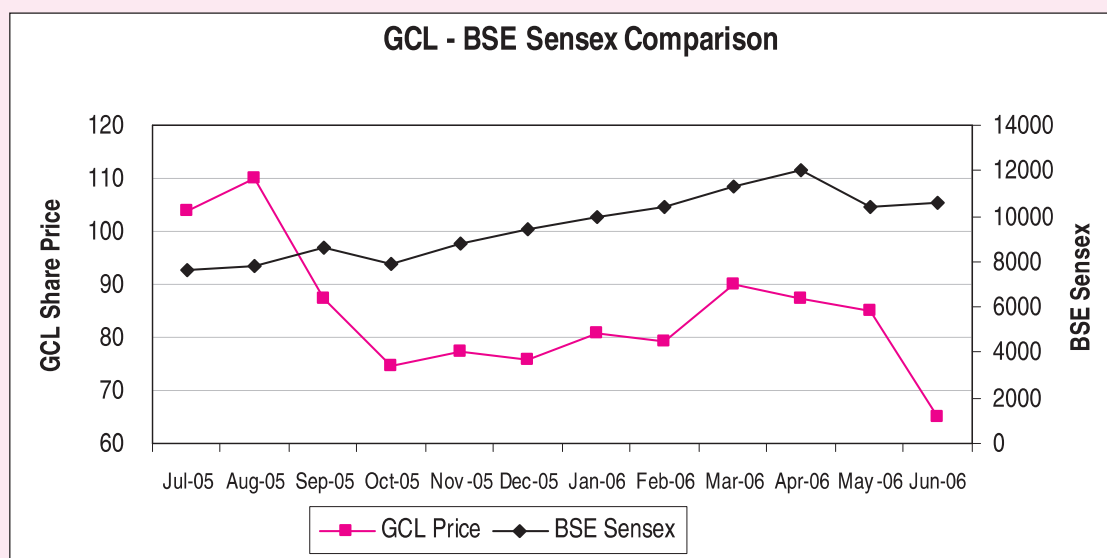
g) **Stock market data:**

Monthly high and low of closing quotations and volume of shares traded on the Bombay Stock Exchange Limited (BSE) are given below:

	High (Rs.)	Low (Rs.)	Volume (Nos.)
July 2005	171.70	106.10	757581
August 2005	137.00	116.35	211710
September 2005	142.00	106.35	176178
October 2005	112.90	77.40	93615
November 2005	110.05	91.00	59650
December 2005	99.00	84.00	80777
January 2006	105.50	85.00	112090
February 2006	101.90	86.80	60516
March 2006	134.30	88.00	365299
April 2006	96.00	85.60	184406
May 2006	114.75	78.80	343595
June 2006	86.00	54.10	114114

h) **Stock performance vs BSE Sensex:**

The performance of the Company's Equity Shares relative to the BSE Sensitive Index (BSE Sensex) is given in the chart below:



i) **Registrar & Share Transfer Agents:**

Intime Spectrum Registry Ltd.  
 C-13, Pannalal Silk Mills Compound,  
 LBS Marg, Bhandup (West),  
 Mumbai 400 078  
 Ph.: (022) 2596 3838  
 Fax: (022) 2594 6969  
 Email: [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com)

j) **Share Transfer System:**

The Company's shares which are in compulsory dematerialized (demat) list, are transferable through the



depository system. Shares in physical form are processed by the Registrars and Share Transfer Agents, M/s. Intime Spectrum Registry Limited and approved by the Share Transfer and Investors Grievance Committee of the Company, usually at fortnightly intervals. Transfer of shares is effected and the share certificates are sent to the transferees within 20 days from the date of receipt of transfer documents by M/s. Intime Spectrum Registry Limited, provided the relevant documents are complete in all respects. Total number of shares (physical form) transferred during the period under review was 22,265. As at June 30, 2006 no equity shares were pending for transfer.

The Company conducts a Secretarial Audit on a quarterly basis in accordance with SEBI requirements. M/s. Ranjeet Agrawal, Practising Company Secretary has been assigned the task of conducting such audit. The Secretarial Audit Reports of M/s. Ranjeet Agrawal, Practising Company Secretary, which have been submitted to the Stock Exchanges within the stipulated period, inter alia confirms that the equity shares of the Company held in dematerialized form and in physical form tally with the issued and paid-up equity share capital of the Company.

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, Certificates on half-yearly basis, have been issued by M/s. Ranjeet Agrawal, Practising Company Secretary for due compliance of share transfer formalities by the Company.

k) **Distribution of Shareholding as on June 30, 2006**  
**Distribution of equity shares according to size of holding**

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% to Total
Upto 500	13,048	93.03	13,44,155	14.69
501 to 1000	533	3.80	4,17,404	4.56
1001 to 2000	233	1.66	3,46,466	3.79
2001 to 3000	65	0.46	1,63,229	1.78
3001 to 4000	41	0.29	1,47,659	1.61
4001 to 5000	25	0.18	1,16,883	1.28
5001 to 10000	47	0.34	3,50,821	3.83
10001 and above	34	0.24	62,64,435	68.46
<b>TOTAL</b>	<b>14,026</b>	<b>100.00</b>	<b>91,51,052</b>	<b>100.00</b>

**Distribution of equity shares by categories of shareholders**

Category	No. of shareholders	No of Shares held	% of share-holding
Promoters, Directors, their relatives & Associates	13	51,66,740	56.4606
Mutual Funds / UTI	1	550	0.0060
Financial Institutions / Banks	11	1,055	0.0115
Bodies Corporate	200	5,94,843	6.5003
Non-Resident Indians (NRI's)	41	18,436	0.2015
Resident Individuals	13,746	33,57,359	36.6882
Clearing Members	14	12,069	0.1319
<b>TOTAL</b>	<b>14,026</b>	<b>91,51,052</b>	<b>100.0000</b>

l) **Dematerialisation of shares and liquidity:**

As on June 30, 2006, 92.08% of the Company's paid-up capital representing 84,26,456 shares were held in dematerialized form as compared to 29.23% of the Company's paid-up capital representing 13,44,801 shares as on June 30, 2005.



m) **Outstanding GDRs/ADRs/Warrants or any convertible instruments:**

There are no outstanding convertible warrants/instruments.

n) **Plant Locations:**

**Goa Plant :-**

St. Jose de Areal,  
Goa 403 730

**Bilaspur Plant :-**

34-40, Sector B, Sirgitti Industrial Area,  
Bilaspur, Chhattisgarh 495 004

**Paradeep Plant :-**

Vill. Udayabata, P.O. Paradeepgarh,  
Dist. Jagatsinghpur,  
Orissa 754 142

o) **Address for Correspondence:**

(i) **For correspondence/queries relating to shares**

Correspondence/queries relating to transfer / dematerialisation of shares and all other matters relating to shares should be addressed to the Company's Registrars & Share Transfer Agents at the following address:

Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West)  
Mumbai – 400 078  
Ph.: (022) 2596 3838  
Fax: (022) 2594 6969  
Email: [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com)

(ii) **For correspondence/queries relating to dividend**

Correspondence/queries relating to dividend payment/revalidation on shares should be addressed to:

Secretarial Department,  
Goa Carbon Limited,  
Dempo House, Campal,  
Panaji, Goa – 403 001  
Tel.: (0832) 2441458  
Fax : (0832) 2427192  
Email: [legal@goacarbon.com](mailto:legal@goacarbon.com)

**B. NON-MANDATORY REQUIREMENTS**

Clause 49 of the Listing Agreement also requires disclosures of adoption by the Company of non-mandatory requirements specified in the said clause, the implementation of which is discretionary on the part of the Company. Accordingly, the adoption of non-mandatory requirements is given below:-

**1. The Board**

Has a non-executive Chairman, and his office with required facilities is maintained at his own expense and is not provided and maintained by the Company.

No policy has been fixed on tenure of Independent Directors.

**2. Remuneration Committee:**

The Company has constituted a Remuneration Committee consisting of only non-executive Directors. A detailed note on the Remuneration Committee is provided elsewhere in this report.





**3. Shareholders Rights:**

The half yearly financial results were published in the Economic Times, Financial Express, Navhind Times (English Dailies) & Navprabha (Marathi Daily) and are also displayed on the Company's website [www.goacarbon.com](http://www.goacarbon.com) and thus separately not circulated to the shareholders.

**4. Audit Qualifications:**

The financial statement for the year 2005-06 has no audit qualifications.

**5. Training of Board Members:**

Not yet adopted by the Company.

**6. Mechanism for evaluating non-executive Board Members:**

Not yet adopted by the Company.

**7. Whistle Blower Policy:**

The Company does not have any Whistle Blower Policy. However any employee, if he / she so desires, would have free access to meet Senior Level Management and report any matter of concern.

**CERTIFICATE**

To the Members of Goa Carbon Limited

We have examined the compliance of conditions of Corporate Governance by Goa Carbon Limited as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholder Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For FRASER & ROSS  
*Chartered Accountants*

M. K. ANANTANARAYANAN  
*Partner*

Panaji, Dated: 2nd day of December, 2006.



### **CEO & CFO CERTIFICATION UNDER CLAUSE 49(V) OF THE LISTING AGREEMENT**

We, Dr. A. B. Prasad, Managing Director and K. Balaraman, General Manager (Finance) of Goa Carbon Limited, ("company") hereby certify that:-

- (a) We have reviewed financial statements and the cash flow statement of the company for the 12 months period ended June 30, 2006 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the period, which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee
  - (i) Significant changes in internal control over financial reporting during the year;
  - (ii) Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

DR. A. B. PRASAD  
*Managing Director*

K. BALARAMAN  
*General Manager (Finance)*

Place : Panaji-Goa.

Date : November 25, 2006.



# Report of the Auditors to the Shareholders

1. We have audited the attached Balance sheet of Goa Carbon Limited, as at 30th June 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii. In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books.
  - iii. The Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2006, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) In the case of the Balance sheet, of the state of affairs of the Company as at 30th June, 2006;
    - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For FRASER & ROSS  
*Chartered Accountants*

M.K.ANANTHANARAYANAN

Partner

Membership No. 19521

Place: Panjim

Date: 2nd day of December, 2006



## Annexure to the Auditors' Report

(Referred to in our report of even date)

1. In respect of fixed assets:
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, which is however pending updation in respect of the location of individual assets.
  - b) Physical verification of Fixed Assets has been carried out in a phased manner as determined by the management. The programme of verification is reasonable considering the nature of assets and size of the Company and no material discrepancies were noticed on such verification.
  - c) The fixed assets disposed off during the year, in our opinion do not constitute a substantial part of the fixed assets of the Company and such disposals has, in our opinion not affected the going concern status of the Company.
2. In respect of its inventories:
  - a) The Company has carried out a physical verification of raw materials, finished goods and stores & spares as at 30th June 2006. In our opinion, the frequency of verification is reasonable. The physical verification of raw materials and finished goods was carried out on technical measurement basis.
  - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories are reasonable and adequate in relation to the size of the Company and nature of its business.
  - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventory. The discrepancies noticed on verification, between the physical stocks and book records were not material and the same have been properly dealt with in the books of account.
3.
  - a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under the section 301 of the Companies Act, 1956.
  - b) In earlier years, the Company has taken loans from three Companies covered in the Register maintained under Section 301 of the Companies Act, 1956 which has been repaid during the year. In our opinion, the rate of interest and other terms and conditions on which these loans were taken are not prima facie prejudicial to the interest of the Company. The maximum amount involved during the year in respect of these loans was Rs. 1,864.05 lacs.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5.
  - a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the Register required to be maintained under that section.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. 5 lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public during the year.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of the Company's business.
8. According to the information and explanations given to us the Central Government has not prescribed the maintenance of the Cost Records under Section 209(1)(d) of the Companies Act, 1956 in respect of the Companies product.



9. Statutory and Other Dues

- a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Sales Tax, Customs Duty, Service tax, Excise Duty, Cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
  - b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth tax, Sales Tax, Customs Duty, Service tax, Excise Duty and Cess were in arrears, as at 30th June 2006 for a period of more than six months from the date they became payable.
  - c) According to the information and explanations given to us, there are no dues of Sales Tax, Wealth tax, Customs Duty, Service tax, Excise Duty and Cess that have not been deposited on account of any dispute except for the dues referred to in Note No.B(1) of Schedule 16.
10. As at the end of the year the company does not have accumulated losses and has not incurred cash loss during the current financial year. However, the Company has incurred cash losses during the immediately preceding financial year.
  11. According to the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks.
  12. According to the information and explanations given to us and based on our examination of documents and records, we are of the opinion that no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
  13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
  14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the companies (Auditor's Report) Order, 2003 are not applicable to the Company.
  15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
  16. According to the information and explanations given to us, in our opinion, the Company has not availed any term loan during the year.
  17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
  18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
  19. The Company has not issued any debentures during the year.
  20. During the year, the Company has raised money through rights issue and we have verified the end use of the money raised by rights issue as disclosed in the notes to the financial statement.
  21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For FRASER & ROSS  
Chartered Accountants

M.K.ANANTHANARAYANAN

Partner  
Membership No. 19521

Place: Panjim  
Date: 2nd day of December, 2006



## BALANCE SHEET AS AT 30TH JUNE, 2006

Rupees in lacs

	Schedule	As at 30-6-2006	As at 30-6-2005
<b>SOURCES OF FUNDS</b>			
SHAREHOLDERS' FUNDS			
Share Capital	1	915.11	460.00
Reserves and Surplus	2	3,787.46	1,900.58
		4,702.57	2,360.58
LOAN FUNDS	3		
Secured Loans		13,831.39	6,597.33
Unsecured Loans		-	1,758.11
Deferred Tax Liability		-	100.29
TOTAL		18,533.96	10,816.31
<b>APPLICATION OF FUNDS</b>			
FIXED ASSETS	4		
Gross Block		5,013.89	1,928.13
Less: Depreciation		1,997.66	1,203.19
Net Block		3,016.23	724.94
Capital work-in-progress		19.31	6.43
		3,035.54	731.37
INVESTMENTS	5	4.05	4,328.67
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	10,161.85	3,568.28
Sundry Debtors	7	4,089.65	763.30
Cash and Bank Balances	8	3,483.72	1,719.41
Loans and Advances	9	3,494.40	1,390.27
		21,229.62	7,441.26
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	10	5,314.54	1,455.52
Provisions	11	420.71	229.47
		5,735.25	1,684.99
NET CURRENT ASSETS		15,494.37	5,756.27
TOTAL		18,533.96	10,816.31
Accounting Policies & Notes to the Accounts	16		

Figures as at 30.06.2006 include those relating to amalgamating Company Paradeep Carbons Limited (NoteB-5) and hence are not comparable with previous year figures.

As per our Report of even date attached hereto

For and on behalf of the Board of Directors

For FRASER & ROSS  
Chartered Accountants

M. K. ANANTHANARAYANAN  
Partner  
Membership No. 19521

K. BALARAMAN  
General Manager – Finance

P. S. MANTRI  
Company Secretary

SHRINIVAS V. DEMPO  
Chairman

Dr. A. B. PRASAD  
Director

Panaji, Dated: 2nd day of December, 2006



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

Rupees in lacs

	Schedule	12 Months ended 30-6-2006	15 Months ended 30-6-2005
<b>INCOME</b>			
Sales		25,061.47	13,060.06
Less: Excise duty		2,054.19	956.98
		23,007.28	12,103.08
Increase/(Decrease) in stock of finished goods		(36.45)	678.03
Other Income	12	343.76	419.10
		23,314.59	13,200.21
<b>EXPENDITURE</b>			
Raw Material Consumed	13	17,127.19	10,372.97
Finished Goods purchases		555.56	631.94
Manufacturing and other expenses	14	3,881.85	1,638.97
Finance Charges	15	1,144.51	557.68
Depreciation		248.55	139.89
		22,957.66	13,341.45
<b>PROFIT/(LOSS) BEFORE TAX</b>		356.93	(141.24)
<b>Less: PROVISION FOR TAX</b>			
Current Tax – for the year		40.00	3.25
– relating to earlier years		-	(9.73)
Deferred Tax		(100.29)	(58.54)
Fringe Benefit Tax		11.28	2.38
		(49.01)	(62.64)
<b>PROFIT/(LOSS) FOR THE YEAR AFTER TAX</b>		405.94	(78.60)
Add: Balance brought forward from previous year		109.65	214.48
Less: Accumulated loss of Paradeep Carbons Limited as on 30.6.2005 (Refer Note No: B-5)		178.00	–
		(68.35)	214.48
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		337.59	135.88
<b>Less: Appropriations</b>			
General Reserve		50.00	–
Proposed Dividend		137.27	23.00
Corporate Tax on Dividend		19.25	3.23
		206.52	26.23
<b>Surplus carried to Schedule 2</b>		131.07	109.65
Earnings (Basic and diluted) per share (face value of Rs 10/- each) Rs. * Not annualised		6.14	(2.07)*
Accounting policies & Notes to the Accounts	16		

Figures for 12 months ended 30.06.2006 include those relating to amalgamating Company Paradeep Carbons Limited (NoteB-5) and hence are not comparable with previous year figures.

As per our Report of even date attached hereto

For and on behalf of the Board of Directors

For FRASER & ROSS  
Chartered Accountants

SHRINIVAS V. DEMPO  
Chairman

M. K. ANANTHANARAYANAN  
Partner  
Membership No. 19521

K. BALARAMAN  
General Manager – Finance

Dr. A. B. PRASAD  
Director

P. S. MANTRI  
Company Secretary

Panaji, Dated: 2nd day of December, 2006



## CASH FLOW STATEMENT FOR THE YEAR ENDED ENDED 30th JUNE 2006

Rupees in lacs

	12 Months ended 30-6-2006		15 Months ended 30-6-2005	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit/(Loss) before tax and extraordinary items		356.93		(141.24)
Adjustments for :				
Depreciation	248.55		139.89	
Finance charges	1,144.51		557.68	
Loss on assets sold/scrapped	2.65		1.17	
Bad debts written off	49.14		0.73	
Profit on sale of assets	(0.96)		(0.72)	
Interest income	(127.25)		(121.11)	
Rent income	(1.08)		(0.36)	
Sundry credit balances written back	(77.22)		–	
Unrealised Exchange (Gain) / Loss (net)	312.40		(25.22)	
Dividend income	(1.15)	1,549.59	(1.01)	551.05
Operating Profit before working capital changes		1,906.52		409.81
Adjustments for :				
(Increase) / Decrease in inventories	(3,196.87)		(703.02)	
(Increase) / Decrease in trade & other receivables	(2,888.07)		505.50	
Increase / (Decrease) in Current Liabilities	2,401.39	(3,683.55)	996.37	798.85
Cash flow from operations		(1,777.03)		1,208.66
Direct taxes (net)		(28.47)		8.53
Net cash inflow / (outflow) from operating activities		(1,805.50)		1,217.19
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(114.58)		(68.21)	
Sale of fixed assets	8.28		3.81	
Interest income	167.70		105.48	
Loan to subsidiary company (net)	–		(2,427.50)	
Rent income	1.08		0.36	
Dividend income	1.15		1.01	
Net cash used in investing activities		63.63		(2,385.05)





**CASH FLOW STATEMENT FOR THE YEAR ENDED ENDED 30th JUNE 2006**  
(contd..)

Rupees in lacs

	12 Months ended 30-6-2006	15 Months ended 30-6-2005
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Rights issue of Equity Shares	3,640.84	–
Expenses pertaining to Rights issue of Equity Shares	(54.72)	–
Proceeds from long/short term borrowings from Banks	3,015.37	763.63
Proceeds from unsecured borrowings	–	1,632.32
Repayment of long/short term borrowings from Banks	(1,013.45)	(275.46)
Repayment of unsecured borrowings	(1,732.32)	(400.00)
Finance charges paid	(1,147.17)	(519.28)
Dividends paid	(25.01)	(46.22)
Corporate tax on dividend paid	(3.23)	(6.01)
Net cash flow from financing activities	2,680.31	1,148.98
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS ( A + B + C )	938.44	(18.88)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	88.84	107.72
CASH AND CASH EQUIVALENTS OF THE AMALGAMATING COMPANY AT THE BEGINNING OF THE YEAR	15.71	104.55
CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR	1,042.99	88.84

**Note:** Cash and Cash Equivalents represent Cash and Bank balances in current accounts and deposit maturing within a period of 3 months.

As per our Report of even date attached hereto

For and on behalf of the Board of Directors

For FRASER & ROSS  
Chartered Accountants

M. K. ANANTHANARAYANAN  
Partner  
Membership No. 19521

K. BALARAMAN  
General Manager – Finance

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Company Secretary

SHRINIVAS V. DEMPO  
Chairman

Dr. A. B. PRASAD  
Director

Panaji, Dated: 2nd day of December, 2006



## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE 1 : SHARE CAPITAL

Rupees in lacs

	As at 30-6-2006	As at 30-6-2005
Authorised:		
2,20,00,000 Equity Shares of Rs 10/- each	2,200.00	2,200.00
3,00,000 Preference Shares of Rs 100/- each	300.00	300.00
	2,500.00	2,500.00
Issued and Subscribed:		
91,51,052 (46,00,000) Equity Shares of Rs 10/- each fully paid up	915.11	460.00
Of the above shares:		
i) 34,50,000 shares were allotted by way of Bonus Shares by Capitalisation of Capital Redemption Reserve and General Reserve		
ii) 45,51,052 (Nil) shares were allotted during the year on Rights basis. (Refer Note B-4)		

### SCHEDULE 2: RESERVES AND SURPLUS

	As at 30-6-2006	As at 30-6-2005
Amalgamation Reserve (Refer Note No:B - 5 )	475.38	–
Share Premium Account		
Received during the year (Refer Note No: B - 4)	3,185.73	–
Less: Share Issue expenses	54.72	–
	3,131.01	–
General Reserve		
As per last Balance Sheet	1,790.93	1,790.93
Less: Accumulated loss of erstwhile Subsidiary Paradeep Carbons Ltd as on 30.6.2005 (Refer Note No: B - 5 )	1,790.93	–
	–	1,790.93
Add: Transfer from Profit & Loss Account	50.00	–
	50.00	1,790.93
Surplus as per Profit & Loss Account	131.07	109.65
	3,787.46	1,900.58

### SCHEDULE 3: LOAN FUNDS

	As at 30-6-2006	As at 30-6-2005
SECURED LOANS		
Term Loan from Bank of India		
Rupee Loan	0.01	7.24
Dual Currency Swing Loan (Secured by mortgage of all fixed assets including land and buildings and plant and machinery and hypothecation of movable assets)	563.08	563.09
		715.43
		722.67
Working capital advances from banks (Secured by hypothecation of all tangible movable assets, raw materials, finished goods, stores, spare parts and book debts and pledge of fixed deposit receipts)	13,268.30	
		5,874.66
	13,831.39	6,597.33
[Term loans include Rs. 173.67 lacs (Rs. 222.18 lacs) repayable within one year]		
UNSECURED LOANS		
Short term deposits from bodies corporate	–	1,732.32
Add: Interest accrued and due thereon	–	25.79
	–	1,758.11

**SCHEDULE 4: FIXED ASSETS**

Rupees in lacs

Description	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK			
	As at 30.6.2005	Taken over on Amalgamation (Refer Note No.B5)	Additions	Deductions	As at 30.6.2006	Upto 30.6.2005	Taken over on Amalgamation (Refer Note No.B5)	For the year	Deductions	Upto 30.6.2006	As at 30.6.2006	As at 30.6.2005
Land (Freehold)	5.00	-	8.58	-	13.58	-	-	-	-	-	13.58	5.00
Land (Leasehold)	17.26	82.21	1.36	-	100.83	2.85	6.40	1.42	-	10.67	90.16	14.41
Land (Leasehold) - Plot Development	-	96.35	5.60	-	101.95	-	5.56	10.24	-	15.80	86.15	-
Buildings	560.35	750.85	37.94	-	1,349.14	293.13	106.55	47.93	-	447.61	901.53	267.22
Plant and Machinery	1,040.80	1,895.63	17.00	12.22	2,941.21	709.92	405.45	151.95	11.99	1,255.33	1,685.88	330.88
Laboratory Equipments	43.22	26.43	3.34	0.03	72.96	30.76	6.21	3.03	0.04	39.96	33.00	12.46
Elect. Fittings & Equipments	107.93	74.35	0.90	0.07	183.11	66.72	10.71	9.53	0.07	86.89	96.22	41.21
Furniture, Office Equipments and Computers	108.22	50.79	14.52	7.35	166.18	81.35	22.49	13.02	4.60	112.26	53.92	26.87
Vehicles	45.35	18.31	39.91	18.64	84.93	18.46	10.89	11.43	11.64	29.14	55.79	26.89
<b>TOTAL</b>	<b>1,928.13</b>	<b>2,994.92</b>	<b>129.15</b>	<b>38.31</b>	<b>5,013.89</b>	<b>1,203.19</b>	<b>574.26</b>	<b>248.55</b>	<b>28.34</b>	<b>1,997.66</b>	<b>3,016.23</b>	<b>724.94</b>
Capital Work-in-progress at cost (including advances)											19.31	6.43
Previous Year Total	2,323.79	-	82.40	478.06	1,928.13	1,444.48	-	139.89	381.18	1,203.19	724.94	879.31

**Note:** Buildings include residential flats costing Rs 12.98 lacs ( Previous year Rs 12.98 lacs) in respect of which registration in the name of the Company is pending.




**SCHEDULE 5 : INVESTMENTS (Long term)**

Rupees in lacs

	As at 30-6-2006	As at 30-6-2005
Quoted (Non Trade):		
13,500 (13,500) Fully paid up Equity Shares of Rs 10/- each in ICICI Bank Limited	4.05	4.05
Unquoted (Trade):		
Nil (480,00,000) Fully paid up Equity shares of Rs 10/- each in Paradeep Carbons Limited (Amalgamated with Goa Carbon Ltd effective from 1.7.2005)	-	4,324.62
	4.05	4,328.67
Market Value of Quoted Investments	79.55	56.91

**SCHEDULE 6: INVENTORIES**

	As at 30-6-2006	As at 30-6-2005
Raw Materials [Including in-transit Rs 1054.84 lacs ( Rs 215.69 lacs )]	7,159.59	2,349.47
Finished goods [Including in-transit Rs 46.21 lacs ( Rs Nil )]	2,846.79	1,126.08
Stores & Spares	155.47	92.73
	10,161.85	3,568.28

**SCHEDULE 7: SUNDRY DEBTORS (Unsecured )**

	As at 30-6-2006	As at 30-6-2005
Outstanding for a period exceeding six months		
Considered good	33.33	3.57
Considered doubtful	7.81	7.81
	41.14	11.38
Other Debts		
Considered good	4,056.32	759.73
	4,097.46	771.11
Less: Provision for Doubtful Debts	7.81	7.81
	4,089.65	763.30


**SCHEDULE 8 : CASH AND BANK BALANCES**

Rupees in lacs

	As at 30-6-2006	As at 30-6-2005
Cash on hand	3.45	2.15
Balances with Scheduled Banks:		
On Current Accounts	439.54	86.69
On Unpaid Dividend Accounts	15.92	17.93
On Deposits Accounts (Fixed deposit of Rs 2424.81 lacs (1612.64 lacs) are pledged with the Banks as security for facilities availed from them)	3,024.81	1,612.64
	<b>3,483.72</b>	1,719.41

**SCHEDULE 9 : LOANS & ADVANCES (Unsecured, considered good)**

	As at 30-6-2006	As at 30-6-2005
Loan to subsidiary company Paradeep Carbons Limited [Amalgamated with the Company effective from 1.7.2005 (Refer Note No.B - 5)] [ Maximum amount due at any time during the year Nil (Rs 3,283.30 lacs)]	-	0.12
Advances recoverable in cash or in kind or for value to be received		
Considered good	3,353.47	1,226.68
Considered doubtful	2.34	-
	<b>3,355.81</b>	1,226.68
Less : Provision	2.34	-
	<b>3,353.47</b>	1,226.68
Interest accrued on Deposits	10.17	22.76
Advance payment of Income tax and tax deducted at source	130.74	131.73
Balance with Customs & Excise authorities	0.02	8.98
	<b>3,494.40</b>	1,390.27

**SCHEDULE 10 : CURRENT LIABILITIES**

	As at 30-6-2006	As at 30-6-2005
Sundry Creditors :		
Due to small scale industrial undertakings	-	-
Due to others	5,218.61	1,405.94
	<b>5,218.61</b>	1,405.94
Interest accrued but not due on loans	80.01	31.65
Unpaid Dividend (Represents dividend warrants issued but remained unpresented to the banks and there is no amount due and outstanding to be credited to Investor Education and Protection Fund)	15.92	17.93
	<b>5,314.54</b>	1,455.52




**SCHEDULE 14 : MANUFACTURING & OTHER EXPENSES**

Rupees in lacs

	12 Months ended 30-6-2006		15 Months ended 30-6-2005	
Salaries, Wages, Bonus & Commission		491.41		380.44
Contribution to Provident Fund, Superannuation Fund, Gratuity, Family Pension Fund and ESI		92.52		47.75
Staff Welfare Expenses		71.08		63.07
Excise duty		3.53		11.17
Fuel, Power and Water		393.86		264.15
Repairs & Maintenance:				
Plant & Machinery	168.60		83.19	
Buildings	38.52		14.19	
Others	21.42	228.54	11.64	109.02
Packing & Forwarding		1,149.50		377.95
Selling & Distribution expenses		41.48		43.77
Rent		84.63		32.61
Rates & Taxes		88.31		8.01
Travelling Expenses		122.61		88.09
Insurance		42.44		31.39
Loss on assets sold/scrapped		2.65		1.17
Bad debts written off		49.14		0.73
Auditors' Remuneration:				
Audit fees	4.25		2.25	
Tax Audit	1.00		0.50	
Certification & other matters	1.25		0.75	
Expenses	1.12	7.62	0.71	4.21
Directors' sitting fees		4.21		2.50
Exchange variation (net)		715.40		-
Miscellaneous expenses		292.92		172.94
		3,881.85		1,638.97

**SCHEDULE 15 : FINANCE CHARGES**

	12 Months ended 30-6-2006		15 Months ended 30-6-2005	
Interest on term loans		116.93		70.95
Interest on working capital borrowings/unsecured loans		835.64		343.24
Bank charges and commission		191.94		143.49
		1,144.51		557.68



**SCHEDULE 16 : ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2006**

**A. Significant Accounting Policies :**

- (1) System of Accounting :  
Financial statements are prepared on historical cost convention based on accrual basis of accounting and applicable Accounting Standards.
- (2) Fixed Assets :
  - (i) Fixed Assets are stated at cost less depreciation.
  - (ii) Depreciation is provided as follows:
    - (a) In respect of Goa and Bilaspur unit: On all assets other than leasehold land on the written down value method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
    - (b) In respect of Paradeep unit at Orissa: On all assets other than leasehold land on straight line method at the rates and in the manner specified in the manner specified in Schedule XIV of the Companies Act, 1956. Cost of construction of Stock Yard on land licenced to the company is amortised over the estimated period of utility.
    - (c) Cost of leasehold land is amortized over the period of lease.
- (3) Investments :  
Long term investments are stated at cost and provision for diminution is made if such diminution is other than temporary in nature.
- (4) Inventories:  
Inventories are valued at the lower of cost (net of cenvat where applicable) and net realisable value. Cost includes cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In respect of raw materials, cost is determined on specific identification method. In respect of stores and spares, cost is determined on First-in First-out basis. In the case of finished goods, cost includes appropriate production overheads and excise duty.
- (5) Revenue Recognition :  
Revenue from sales is recognised on despatch of goods and includes excise duty where applicable.
- (6) Retirement Benefits:  
Liability in respect of Gratuity to the employees determined by the Life Insurance Corporation of India (LIC) on the basis of actuarial valuation at the Balance Sheet date and contribution thereof is absorbed in the accounts. Contributions to Provident Fund, Superannuation and Pension Fund are charged to Profit and Loss account. Liability to leave encashment is computed on actual basis based on Company Policy and provided for.
- (7) Foreign Currency Transactions :
  - (i) Foreign currency transactions are recorded at the rate of exchange prevailing on the date of transaction. The transactions outstanding at the year end are translated at the rate of exchange prevailing at the year end and profit or loss other than that relating to fixed assets acquired from out-side India is recognised in the Profit and Loss Account.
  - (ii) The premium or discount arising at the inception of forward exchange contracts are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit & Loss Account in the reporting period in which the exchange rates changes.
- (8) Borrowing Costs :  
Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised. All other borrowing costs are charged to revenue.
- (9) Income Tax :  
Current tax is determined in accordance with Income Tax Act on the income for the period chargeable to tax. Deferred tax is recognised on all timing differences subject to consideration of prudence.





## SCHEDULE 16 (Contd.)

### B. Notes forming part of Accounts

1. No provision is considered necessary for disputed Income-tax demands and interest thereon as given below:

Nature of dues	As at 30-6-2006 Rs. in lacs	As at 30-6-2005 Rs. in lacs	Period to which the amount relates	Disputes pending with
Income-tax demand	1,458.59	1,107.62	AY 1990-91, 1993-94, 1994-95, 1997-98 to 2001-02 & 2003-04	Bombay High Court/Tribunal/ Commissioner of Income-tax

The above demands mainly relate to disallowance of claim of the Company for deduction under section 80 HHC of the Income Tax Act, 1961. The Company has been advised by its tax counsel that it has a fairly good case to get the favorable orders from Bombay High Court/Appellate Authorities. The amount of Rs.1103.20 lacs (Rs.945.08 lacs) paid against the above demand is included under Advances.

2. Contingent Liabilities not provided for:

	As at 30-6-2006	As at 30-6-2005
a) Demand raised by Collector of Stamps, Bilaspur towards stamp duty arising on amalgamation of Viswalakshmi Petro Products Ltd.	32.24	32.24
b) Corporate guarantees issued to Banks for the facilities availed by the erstwhile wholly owned subsidiary Company Paradeep Carbons Ltd	–	4,924.94
c) Customs duty payable in the event of non-fulfilment of export obligations	167.01	117.57

3. The amount of exchange variation in respect of forward contracts to be recognised in the Profit & Loss Account of subsequent period is loss of Rs 0.51 lacs ( Previous year Nil ).
4. During the year the Company had made Rights Issue and pursuant thereto allotted 45,51,052 Equity Shares of Rs 10/- each at a premium of Rs 70/-. The funds raised through this issue has been utilised for the purpose for which the issue was made i.e. for repayment of term/unsecured loans.
5. Amalgamation of Paradeep Carbons Ltd with the Company:
- Pursuant to the Scheme of Amalgamation of erstwhile wholly owned subsidiary, Paradeep Carbons Ltd with the Company, as approved by the Shareholders and subsequently sanctioned by the Honourable High Court of Bombay, (Goa Bench) on 24th November 2006, the assets and liabilities of erstwhile Paradeep Carbons Ltd were transferred to and vested in the Company with effect from the Appointed Date, 1st July 2005. The scheme has, accordingly been given effect to in these accounts.
  - Paradeep Carbons Limited is engaged in the business of production and sale of Calcined Petroleum Coke.
  - The amalgamation has been accounted for under the 'Pooling of interest' method, as prescribed by Accounting Standard (AS) 14 issued by the Institute of Chartered Accountants of India. Accordingly, the assets and liabilities of erstwhile Paradeep Carbons Ltd as at 1st July 2005 have been taken over at their book values.
  - Consequent to the Scheme of Amalgamation, 4,80,00,000 Equity Shares of Rs 10 each of Paradeep Carbons Ltd held by the Company stand cancelled. The excess of paid-up value of these shares over the cost of acquisition amounting to Rs 475.38 lacs has been credited to Amalgamation Reserve.
  - The accumulated loss of Paradeep Carbons Ltd as on 30.6.2005 to the extent of Rs 1790.93 lacs, being the balance in General Reserve as on that date has been adjusted against this Reserve. The balance accumulated loss of Rs.178.00 lacs has been adjusted against the Profit brought forward from previous year/Profit after tax for the year.
6. The unabsorbed depreciation and business loss of earlier years relating to erstwhile Paradeep Carbons Limited (Amalgamating Company - Refer Note No B-5) have given rise to net deferred tax asset amounting to Rs 547.29 lacs as at 30.06.2006. However, as a prudent policy the said deferred tax asset has been recognised only to the extent of the deferred tax liability amounting to Rs 100.29 lacs already created in the books resulting in Nil deferred tax asset/liability as on that date.



**SCHEDULE 16 (Contd.)**

7. Remuneration to Managing Director: Rs. in lacs

	12 months ended 30-6-2006 Rs. in lacs	15 months ended 30-6-2005 Rs. in lacs
Managing Director:		
Salary, allowances & bonus	10.47	7.50
Contribution to Provident and other funds	2.04	2.03
Perquisites	1.91	3.03
	<b>14.42</b>	<b>12.56</b>

8. Miscellaneous expenses includes donations given to political parties and details are as under: Rs. in lacs

Name of the Political Party	12 months ended 30-06-2006	15 months ended 30-6-2005
Bharatiya Janata Party	-	1.00
Goa Pradesh Congress Party	-	1.00

9. Figures in the Profit & Loss Account for the current year include those relating to erstwhile Paradeep Carbons Limited, while previous year figures relate to only Goa Carbon Ltd. Also, current year figures are for 12 months ended 30.06.2006, while previous year figures were for 15 months ended 30.06.2005. Hence current year figures are not comparable with previous year.

10. Previous year's figures have been regrouped wherever necessary to conform to the classification for the current year.

11. Additional information pursuant to the provisions of paragraph 3, 4C, and 4D of part II of Schedule VI to the Companies Act, 1956.

	12 months ended 30-6-2006		15 months ended 30-6-2005	
	Quantity MT	Rs. in lacs	Quantity MT	Rs. in lacs
a) Particulars of installed capacity, production, stocks and turnover of Calcined Petroleum Coke				
Installed Capacity (being a technical matter, accepted by auditors as certified by management)	284,000 (per annum)		1,40,000 (per annum)	
Production	196,987		122,294	
Opening Stock	11,901	1,126.08	4,039	448.05
Taken over on amalgamation (Refer Note No: B-5)	13,162	1,710.97	-	-
Purchases	4,548	555.56	7,364	631.94
Closing Stock	24,785	2,846.79	11,901	1,126.08
Turnover	201,813	23,007.28	121,796	12,103.08



**SCHEDULE 16 (Contd.)**

	12 Months ended 30-6-2006		%	15 months ended 30-6-2005		%
	Quantity MT	Rs. in lacs		Quantity MT	Rs. in lacs	
b) (i) Raw material consumed						
Imported	241,399	14,544.76	84.92	138,609	7,932.12	76.47
Indigenous	29,517	2,582.43	15.08	27,711	2,440.85	23.53
Total	270,916	17,127.19	100.00	166,320	10,372.97	100.00

(ii) Raw Petroleum Coke sold during the period 2,639 MT ( 9,546 MT) Rs 233.25 lacs (Rs 482.80 lacs)

	12 Months ended 30-6-2006 Rs. in lacs	%	15 Months ended 30-6-2005 Rs. in lacs	%
c) Value of stores & spare parts consumed for repair jobs				
Indigenous	96.69	100	58.72	100

Rs. in lacs

	12 Months ended 30-6-2006	15 Months ended 30-6-2005
d) Value of imports on CIF basis		
Raw material	16,093.90	7,318.21
Finished goods	467.80	–
e) Earnings in foreign currency (FOB value of exports)	10,666.39	6,213.38
f) Expenditure in foreign currency		
Travelling	29.85	13.32
Interest	604.02	232.93
Analysis fee, subscriptions etc.	21.66	24.77



**SCHEDULE 16 (Contd.)**

12. Disclosures in respect of Related Parties pursuant to Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India :

i) List of related parties:

**Names of the related parties**

V.S. Dempo & Co. Private Limited

**Nature of relationship**

Ownership, directly and indirectly of more than 50% of the voting power.

Marmagoa Shipping & Stevedoring Co. Pvt Ltd  
 Aparant Iron & Steel Pvt Ltd  
 Goa Paints & Allied Products Pvt. Ltd  
 Dempo Mining Corp. Pvt. Ltd  
 Dempo Brothers Pvt. Ltd  
 Dempo Travels Pvt Ltd  
 Hindustan Foods Ltd  
 Dempo Industries Pvt Ltd  
 Rio Investments Pvt. Ltd  
 Dempo Shipbuilding & Engineering Pvt. Ltd  
 Indo-Pacific Poly-fibers Pvt. Ltd  
 Sindhudurg Mining Corporation Pvt. Ltd  
 Jaico Investments Pvt. Ltd  
 Troy Investments Pvt. Ltd  
 Motown Investments Pvt. Ltd.  
 Devashri Real Estates Developers  
 Vasantrao Dempo Education and Research Foundation

Common Key Management Personnel

Mr. Shrinivas V. Dempo (Chairman)  
 Dr. A. B. Prasad (Managing Director)

Key Management Personnel

ii) Transactions with the related parties:

Rs. in lacs

	Enterprise having ownership of more than 50%	Enterprise with Common Key Management Personnel	Key Management Personnel
Loans:			
Taken during the period	– (1,590.00)	131.73 (42.32)	
Repaid during the period	1,390.00 (400.00)	474.05 (-)	
Interest Paid	110.36 (83.47)	34.48 (35.29)	
Purchase of Assets		– (16.85)	
Sale of Assets		3.38 (1.00)	
Purchase of goods		1.42 (0.46)	
Sale of goods		– (2.68)	



**SCHEDULE 16 (Contd.)**

Rs. in lacs

	Enterprise having ownership of more than 50%	Enterprise with Common Key Management Personnel	Key Management Personnel
Receiving of Services:			
Stevedoring and other related charges including reimbursements of port dues	124.54 (136.60)	336.65 (411.87)	
Rent	5.99 (8.75)		
Air travel Expenses		36.18 (27.45)	
Reimbursement of other expenses	12.18 (10.22)	3.40 (4.10)	
Reimbursement of salaries		6.91 (6.24)	
Others	1.00 (1.24)	0.03 (0.33)	
Rental income		1.08 (0.36)	
Security deposit paid		- (0.15)	
Donations		3.00 (2.00)	
Remuneration			14.82 (12.56)
Credit balances as at 30.6.2006	12.64 (1,432.43)	14.01 (349.94)	- -

13. Earnings per share:

	12 months ended 30-6-2006	15 months ended 30-6-2005
i) Profit after tax as per Profit/(Loss) Account (Rs. in lacs)	<b>405.94</b>	(78.60)
ii) Weighted Average number of Equity Shares outstanding during the year	<b>6,607,138</b>	3,797,101
iii) Basic and diluted earnings per share of Rs. 10/- each (in rupees) * Not annualised	<b>6.14</b>	(2.07)*

14. Segment reporting:

The Company is engaged in manufacture and sale (both domestic and export) of Calcined Petroleum Coke which constitutes single business segment. As per management's perspective, the risks and returns from its sales do not materially vary geographically. Accordingly there are no other business / geographical segments to be reported under Accounting Standard (AS) 17 issued by the Institute of Chartered Accountants of India.

Signatures to Schedule 1 to 16

As per our Report of even date attached hereto

For and on behalf of the Board of Directors

For FRASER & ROSS  
Chartered Accountants

SHRINIVAS V. DEMPO *Chairman*

M. K. ANANTHANARAYANAN  
*Partner*

K. BALARAMAN  
*General Manager – Finance*

Dr. A. B. PRASAD *Director*

P. S. MANTRI  
*Company Secretary*

Panaji, Dated: 2nd day of December, 2006



**Additional information pursuant to the provisions of Part – IV of Schedule VI of Companies Act, 1956  
Balance Sheet Abstract and Company's General Business Profile :**

**I. Registration Details :**

Registration No.                                State Code   

Balance Sheet Date       

**II. Capital raised during the year (Amount in Rs. thousands)**

Public Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Rights Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="4"/>
Bonus Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)**

<b>Sources of Funds</b>	Total Liabilities	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="6"/>	Total Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="6"/>
	Paid-up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="1"/>	Reserves & Surplus	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="6"/>
	Secured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="9"/>	Unsecured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/>
	Deferred Tax Liability	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/>		
<b>Application of Funds</b>	Net Fixed Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="4"/>	Investments	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="5"/>
	Net Current Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="7"/>	Misc. Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
	Accumulated Losses	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		

**IV. Performance of Company (Amount in Rs. thousands)**

Turnover (including other income)	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="4"/>	Total Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="1"/>
Profit/(Loss) Before Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="3"/>	Profit/(Loss) After Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="4"/>
Earning per share in Rs.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="."/> <input type="text" value="1"/> <input type="text" value="4"/>	Dividend Rate %	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/>

**V. Generic Names of Three Principal Products/Services of Company**

Item Code No. (ITC Code)   

Product description



## FINANCIAL HIGHLIGHTS FOR LAST FIVE YEARS

Rupees in lacs

	1-7-05 to 30-6-06	1-4-04 to 30-6-05	2003-04	1-1-02 to 31-3-03	1-4-01 to 31-12-01
Sales	23,007.28	12,103.08	9,348.15	10,891.20	3,754.29
Other Income	343.76	419.10	385.89	227.80	47.33
(A)	23,351.04	12,522.18	9,734.04	11,119.00	3,801.62
Raw materials & manufacturing expenses	21,601.05	11,965.85	9,057.18	10,003.45	3,387.21
Finance charges	1,144.51	557.68	418.50	431.33	84.11
(B)	22,745.56	12,523.53	9,475.68	10,434.78	3,471.32
Gross Profit/(Loss) (A – B) (C)	605.48	(1.35)	258.36	684.22	330.30
Depreciation	248.55	139.89	122.65	168.99	59.96
Provision for Taxation	(49.01)	(62.64)	54.25	95.92	53.99
(D)	199.54	77.25	176.90	264.91	113.95
Net Profit/(Loss) (C – D)	405.94	(78.60)	81.46	419.31	216.35
Dividend declared	15%	5%	10%	35%	17%

<b>WHAT THE COMPANY OWNED</b>					
Net Fixed Assets	3,035.54	731.37	899.93	1,245.61	654.07
Investments	4.05	4,328.67	1,028.67	880.75	1,452.81
Current Assets, Loans & Advances	21,229.62	7,441.26	8,150.14	6,928.33	4,942.40
Preliminary expenses to the extent not written off	–	–	–	1.31	–
	24,269.21	12,501.30	10,078.74	9,056.00	7,049.28
<b>WHAT THE COMPANY OWED</b>					
Secured Loans	13,831.39	6,597.33	6,136.25	3,854.13	1,856.10
Unsecured Loans	–	1,758.11	500.00	300.00	300.00
Deferred tax liability	–	100.29	158.83	174.44	57.09
Current Liabilities & Provisions	5,735.25	1,684.99	818.25	2,291.47	2,233.96
	19,566.64	10,140.72	7,613.33	6,620.04	4,447.15
<b>NET WORTH OF THE COMPANY</b>					
Equity Share Capital	915.11	460.00	460.00	460.00	460.00
Reserves & Surplus	3,787.46	1,900.58	2,005.41	1,975.96	2,142.13
	4,702.57	2,360.58	2,465.41	2,435.96	2,602.13

Figures for 12 months ended 30-6-2006 include those relating to amalgamating Company Paradeep Carbons Limited.

