

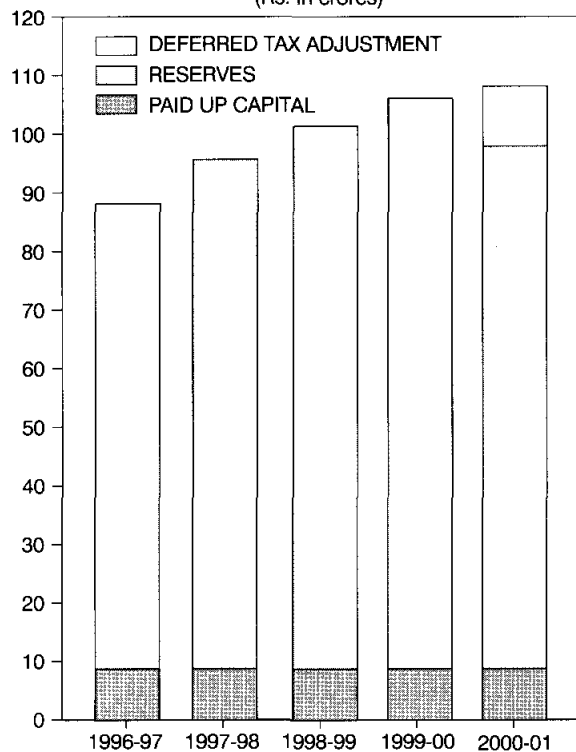


39th Annual Report
Year 2001

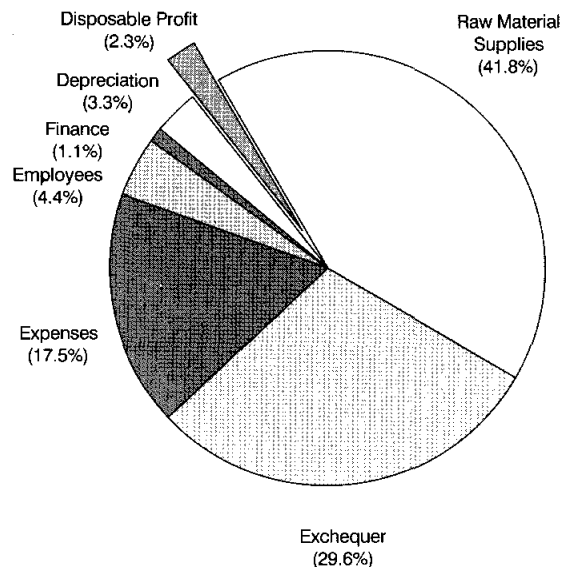
Cabot India Limited
30th September 2001

Shareholders' Fund

(Rs. in crores)

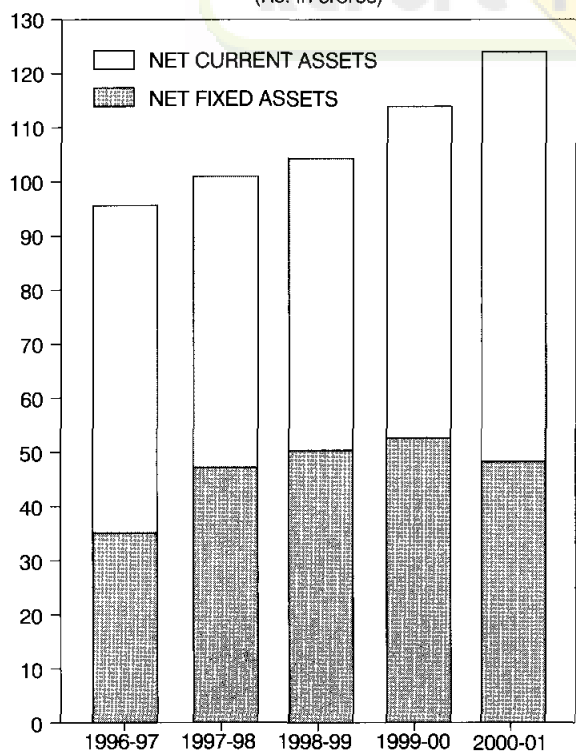


Distribution of Income



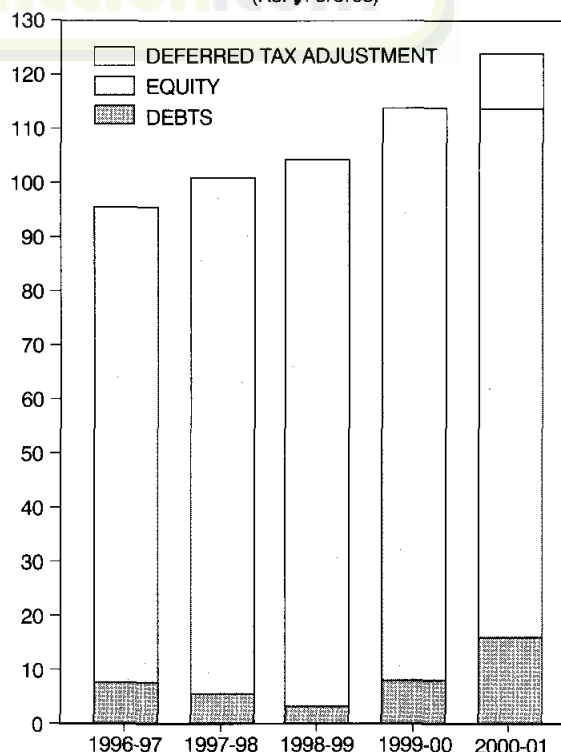
Capital Employed

(Rs. in crores)



Debt Equity

(Rs. in crores)





Cabot India Limited

BOARD OF DIRECTORSH N Sethna *Chairman*

M Varadarajan

K F Burnes

Ho-il Kim *Alternate for K F Burnes*

Y H Malegam

C R Dua

Arie van der Heijden

Nicholas Ballas

Alok Gupta *Managing Director***COMPANY SECRETARY**

P Ramanathan

SOLICITORS

Little & Co.

AUDITORSLovelock & Lewes, *Chartered Accountants***BANKERS**

Union Bank of India

Corporation Bank

Citibank N.A.

REGISTRARS & SHARE TRANSFER AGENTS

IIT Corporate Services Limited

Protoprima Chambers, 2nd Floor, Suren Road,
Andheri (East), Mumbai 400 093.

Tel: 830 6790, 830 6791 and 834 9976 • Fax: 821 5352

E-Mail: iitcsl@bom3.vsnl.net.in

REGISTERED OFFICEN. K. M. International House,
178, Backbay Reclamation,
Mumbai 400 020.

Tel: 202 7846, 287 5960

FACTORYMIDC, Plot No. 3, Trans-Thane Creek Area,
Thane-Belapur Road, Post Ghansoli,
Thane 400 701.
Maharashtra.**CONTENTS**

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NOTICE

NOTICE IS HEREBY GIVEN THAT the THIRTY-NINETH Annual General Meeting of the Company will be held at Sunflower I, 30th floor, MVIRDC, World Trade Centre, Cuffe Parade, Mumbai 400 005 on Friday, January 18, 2002, at 3.00 p.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit & Loss Account for the Financial Year ended September 30, 2001 and Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend
3. To elect a Director in place of Dr. H N Sethna, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To elect a Director in place of Mr. Arie van der Heijden, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and for such purpose to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Messrs. Lovelock & Lewes, Chartered Accountants, Mumbai, be and are hereby re-appointed as Auditors of the Company to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 4,00,000/- per annum and in addition they be reimbursed all out-of pocket expenses and service tax that may be imposed on the fees from time to time".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things as may be necessary to implement this resolution".

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. Nicholas Ballas, who was appointed to fill the casual vacancy under Article 110 of the Articles of Association of the Company, with effect from April 25, 2000 and whose term expires at the Annual General Meeting scheduled to be held on January 18, 2002, be and is hereby appointed as a Director of the Company whose period of office will be liable to determination by retirement by rotation."

By Order of the Board

P RAMANATHAN
Company Secretary

Mumbai,
November 23, 2001

Registered Office :
NKM International House,
178, Backbay Reclamation,
Mumbai-400 020

NOTICE (Contd.)**Notes :**

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.

PROXIES IN ORDER TO BE EFFECTIVE, MUST BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

- (2) The Dividend as recommended by the Board, if sanctioned at the Meeting, will be payable on and after January 18, 2002, to those Members whose names are on the Company's Register of Members on January 18, 2002. Dividend will be paid by warrants crossed "Account Payee".

The Register of Members and the Transfer Books of the Company will remain closed from Friday, January 11, 2002 to Friday, January 18, 2002 (both days inclusive).

Members holding shares in electronic form may please note that their Bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrant as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members, therefore should give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.

- (3) UNCLAIMED DIVIDENDS FOR AND UPTO FINANCIAL YEAR ENDED MARCH 1993 HAS ALREADY BEEN TRANSFERRED TO THE GENERAL REVENUE ACCOUNT OF CENTRAL GOVERNMENT IN TERMS OF THE PROVISIONS OF SECTION 205 OF THE COMPANIES ACT, 1956.

Those members who have so far not claimed dividends for the said period may claim the same from the Registrar of Companies, Maharashtra, Hakoba Mills Compound, Dattaram Lad Marg, Kalachowkie, Mumbai-400 033.

No Dividend was declared for the Financial Years ended March 31, 1994 & March 31, 1995.

- (4) In respect of unclaimed dividend for the Financial Years ended on 31.3.1996, 30.9.1996, 30.9.1997, 30.9.1998, 30.9.1999 & 30.9.2000 pursuant to Section 205A(5) of the Companies Act, 1956 as amended, any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the unpaid dividend account shall be transferred by the Company to the Investor Education and Protection Fund.
- (5) Members are requested to intimate immediately change of address, if any, to the Company or its Registrars and Share Transfer Agents, IIT Corporate Services Limited, Protoprima Chambers, 2nd floor, Suren Road, Andheri East, Mumbai-400 093 (Tel: 8349976). Kindly quote the Registered Folio Number in all your correspondence.
- (6) Members who are holding shares in more than one folio are requested to intimate the Registrars and Transfer agents the details of all their holdings for consolidation into a single folio.
- (7) MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF THE ANNUAL REPORT ALONG WITH THEM AS COPIES OF THE REPORT WILL NOT BE DISTRIBUTED AT THE MEETING.
- (8) THE RELEVANT EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 IS ANNEXED HERETO.



NOTICE (Contd.)**EXPLANATORY STATEMENT**

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts to the Special Business mentioned in the accompanying Notice dated November 23, 2001.

Item No. 6 :

The Board appointed Mr Nicholas Ballas, as a Director on 25.4.2000. Under section 262 of the Companies Act, 1956 (the Act), Mr Ballas will hold the office only upto the date of 39th Annual General Meeting.

Mr. Nicholas Ballas is the Regional General Manager for Asia Pacific Region of Cabot Corporation, U.S.A. and has been nominated on the Company's Board by Cabot, the Principal Shareholder in the Company.

The Board considers that the Company would be benefited by his varied experience, valuable guidance and advice to the Company from time to time.

The Appointment of Mr. Ballas, as a Director of the Company is commended for approval by the Members.

Mr. Ballas is concerned or interested in the resolution since it relates to his own appointment.

By Order of the Board

P RAMANATHAN
Company Secretary

Mumbai,
November 23, 2001

Registered Office :

NKM International House,
178, Backbay Reclamation,
Mumbai-400 020.

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FINANCIAL HIGHLIGHTS AT A GLANCE

	Rs. in lakhs									
	2000-2001	1999-2000	1998-99	1997-98	1996-97	SEPT-96†	1995-96	1994-95	1993-94	1992-93
A. CAPITAL ACCOUNTS										
1. What the Company Owned :										
Fixed Assets :										
Gross Block	8369.96	8241.56	7480.18	6781.87	5456.40	5395.74	5344.22	5332.71	4980.44	3809.96
Depreciation	3546.75	2986.54	2445.65	2063.39	1951.67	1649.85	1503.16	1200.22	1054.85	956.96
Net Block	4823.21	5255.02	5034.53	4718.48	3504.73	3745.89	3841.06	4132.49	3925.59	2853.00
Investments	22.48	22.48	22.48	318.36	522.48	22.48	22.48	22.48	18.43	13.39
Net Current Assets	6517.52	6105.90	5370.93	5059.16	5530.78	4317.88	3808.54	2379.45	2670.08	2605.69
	11363.21	11383.40	10427.94	10096.00	9557.99	8086.25	7672.08	6534.42	6614.10	5472.08
2. What the Company Owed :										
Borrowings :										
Secured Loans	43.27	707.71	208.19	395.80	524.60	2926.39	3101.58	3906.29	3892.40	2817.01
Unsecured Loans	1548.30	85.35	103.34	149.45	235.04	270.37	624.89	734.62	718.08	278.20
	1591.57	793.06	311.53	545.25	759.64	3196.76	3726.47	4640.91	4610.48	3095.21
3. Shareholders' Funds :										
Equity Share Capital	873.84	873.84	873.84	873.84	873.84	713.34	713.34	582.56	582.56	582.56
Reserves & Surplus	8897.80 [§]	9716.50	9242.57	8676.92	7924.51	4176.15	3232.27	1310.95	1421.06	1794.31
	9771.64	10590.34	10116.41	9550.76	8798.35	4889.49	3945.61	1893.51	2003.62	2376.87
B. REVENUE ACCOUNTS										
Sales	16967.47	14080.98	11275.66	11614.56	12878.21	6522.06	10322.38	8007.15	4990.37	6860.66
Other Income	49.85	102.42	111.33	219.01	153.68	21.79	46.66	99.16	86.18	50.43
	17017.32	14183.40	11386.99	11833.57	13031.89	6543.85	10369.04	8106.31	5076.55	6911.09
Manufacturing Expenses	11340.84	8572.68	6251.58	6258.15	7074.54	3091.80	6012.14	4933.04	4429.45	5574.70
Other Expenses	4295.47	3879.91	3325.55	3585.70	3360.95	1781.34	2578.44	2255.39	690.22	659.96
Gross Operating Profit/(Loss)	1381.01	1730.81	1809.86	1989.72	2596.40	1670.71	1778.46	917.88	-43.12	676.43
Financial Charges	184.20	93.57	85.01	85.45	376.92	324.95	763.81	825.78	666.12	342.69
Depreciation	565.15	555.86	485.84	355.02	305.17	151.07	303.79	274.63	105.31	88.40
	631.66	1081.38	1239.01	1549.25	1914.31	1194.69	710.86	-182.53	-814.55	245.34
Pre-Operative Expenses Capitalised	—	—	—	—	—	—	—	70.17	428.72	165.35
Profit/(Loss) Before Tax	631.66	1081.38	1239.01	1549.25	1914.31	1194.69	710.86	-112.36	-385.83	410.69
Tax	240.56	285.00	385.00	509.00	500.60	140.70	1.40	0.60	0.20	222.00
Profit/(Loss) After Tax	391.10	796.38	854.01	1040.25	1413.71	1053.99	709.46	-112.96	-386.03	188.69
C. EQUITY SHAREHOLDERS'										
EARNINGS RS. :										
1. Earnings per Equity Share	4	9	10	12	16 [#]	148	99 [@]	(19)	(66)	32 ^{**}
2. Dividend per Equity Share	2	3	3	3	3	15	20	NIL	NIL	20
3. Book Value per Equity Share	112 [§]	121	116	109	101	685	553	325	344	408
[#] On Enlarged Capital Consequent upon allotment of new Shares on April 11, 1997 on Preferential Basis and Subdivision of Shares from face value of Rs. 100 each to Rs. 10 each.										
[@] On Enlarged Capital Consequent upon allotment of New Shares on October 1, 1995 on Preferential Basis.										
^{**} On Enlarged Capital Consequent upon allotment of Rights Shares on June 19, 1992 in the Ratio of 1:1.										
[†] For six month period.										
[§] The Company has given effect to Deferred Tax Accounting. The Reserves are net of Deferred Tax Liabilities of Rs. 10.15 Crores upto 30/9/2000, impacting the Book Value per Share.										



DIRECTORS' REPORT

To the Members,

Your Directors hereby present the Thirty-Ninth Annual Report together with the Audited Accounts of the Company for the Financial Year ended September 30, 2001.

FINANCIAL RESULTS :

	Rs. in Lakhs	
	2000-2001	1999-2000
Sales & Other Income	17017.33	14183.40
Operating Profit (Before Interest, Depreciation & Tax)	1381.01	1730.81
Less :		
(i) Interest	184.21	93.57
(ii) Depreciation & Amortisation	565.15	555.86
Profit Before Taxation	631.65	1081.38
Taxation (Including Deferred Tax charge of Rs. 10.84 lakhs)	240.55	285.00
Profit After Taxation	391.10	796.38
Surplus brought forward	408.27	534.34
Disposable Profit :	799.37	1330.72
which has been appropriated as under :		
(i) Proposed Dividend	174.77	262.15
(ii) Provision for Tax on Dividend (including Rs. 1.5 lakhs for earlier year)	19.40	60.30
(iii) General Reserve	300.00	600.00
(iv) Surplus carried forward	305.20	408.27
	799.37	1330.72

REVIEW OF OPERATIONS :

During the year under review, the Company continued to experience very weak market conditions. Domestic demand for Carbon Black was lower than the previous year. This coupled with volatility in crude price and US\$/Rupee exchange rate impacted the profitability for the year.

With a series of actions to improve cost and optimize the market mix, the Company achieved an operating profit of Rs. 1381.01 lakhs.

OPEN OFFER BY CABOT & DELISTING :

As the members are aware, through an open offer made in May 2001 by Cabot UK Holdings Limited, UK and Cabot Corporation, USA (collectively "the Acquirers") in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and all other relevant laws, the Acquirers' share-holding in the Company increased from 60% to 92.47%.

The Acquirers had also disclosed in the Letter of Offer that in the event of public share-holding being reduced to 10% or less, the Acquirers shall in accordance with Regulation 21(3)(a) make a subsequent offer, which closed on September 14, 2001. The Acquirers have undertaken to provide an option to the public shareholders of the Company to tender the shares for a period of 6 months (Exit Window). The Exit Window is open for the shareholders of the Company to tender their shares to the Acquirers at Rs. 100/- per Share till March 14, 2002.

DIRECTORS' REPORT (Contd.)

As Acquirers have confirmed their intention to buy out the entire public share-holding, the Company would be making an application to Bombay Stock Exchange and National Stock Exchange, where the Company's shares are presently listed, for delisting of the Company's shares on such terms and conditions that may be stipulated by the respective exchange for permitting de-listing.

DIVIDEND :

Based on the results of the year under review and having regard to all factors involved in your Company's operations including the changing market conditions, your Directors recommend for your approval a payment of dividend @ Rs. 2 per equity share (20%), as against 30% in the previous year.

The said dividend, if approved, will absorb Rs. 194.17 lakhs (previous year Rs. 322.45 lakhs) including tax on dividend of Rs. 19.40 lakhs (Previous year Rs. 60.30 lakhs) and will be paid to those members whose names appear on the Register of Members as on January 18, 2002.

FIXED DEPOSIT :

The Company has not accepted/renewed Fixed Deposit during the year under review. The entire Fixed Deposits amounting to Rs. 1.77 lakhs balance with the Company remain unclaimed for quite sometime despite reminders to the deposit holders. The Company has taken appropriate action in these matters as per the prevailing applicable law.

DIRECTORS' RESPONSIBILITY :

In compliance of Section 217 (2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors of the Company confirm :

- That the applicable accounting standards have been followed in the preparation of final accounts and that there are no material departures;
- That such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at September 30, 2001 and the profit of the Company for the year ended on that date;
- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE :

Though Corporate Governance is not mandatory till March 31, 2002, the status and some of the key requirements are as follows :

- (a) Composition of Board: In accordance with SEBI guidelines, the composition of the Board has more than 1/3rd of the members as independent Directors with Chairman being a Non-Executive Director.
- (b) Audit Committee: The Audit Committee is in place right from 1988 and currently Mr. Y. H. Malegam is the Chairman of the Committee. The Committee has been meeting quarterly and the last Meeting was held on November 23, 2001 for approval of final accounts and discussion on various operational issues based on the reports of the internal and external auditors and the outcome of these discussions were reported to the Board. The Committee has scheduled its meetings every quarter for fiscal 2002.
- (c) Share Transfer Committee: This Committee approves Transfer/Transmission of Shares, Issue of Duplicate Shares, Consolidated/Split etc. The Committee has designated the Company Secretary as the Compliance Officer to oversee the performance of the Registrar and overseeing the Investors' grievance.
- (d) Board Procedure: These are being followed as required for a well run company. Last year the Directors had 6 Meetings.

SAFETY, HEALTH & ENVIRONMENT :

The Company is strongly committed to industrial safety and environment protection and these are on going processes at the Company's Thane plant. For the second consecutive year, the Company was awarded a Merit certificate for meritorious performance in Industrial Safety during 2000 by National Safety Council - Maharashtra Chapter.