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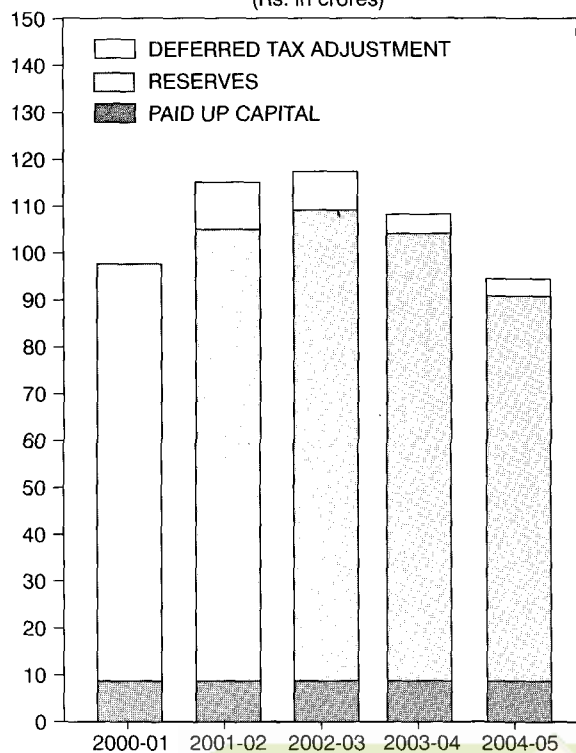
43rd Annual Report  
Year 2005

**Cabot India Limited**

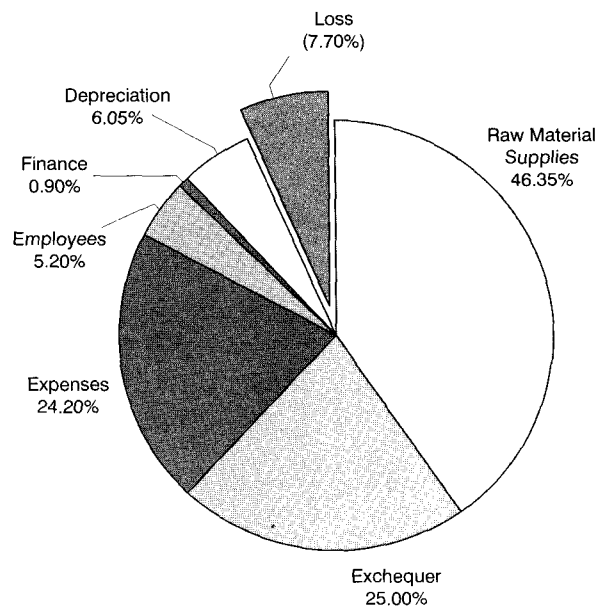
30th September 2005  
[www.reportjunction.com](http://www.reportjunction.com)

### Shareholders' Fund

(Rs. in crores)

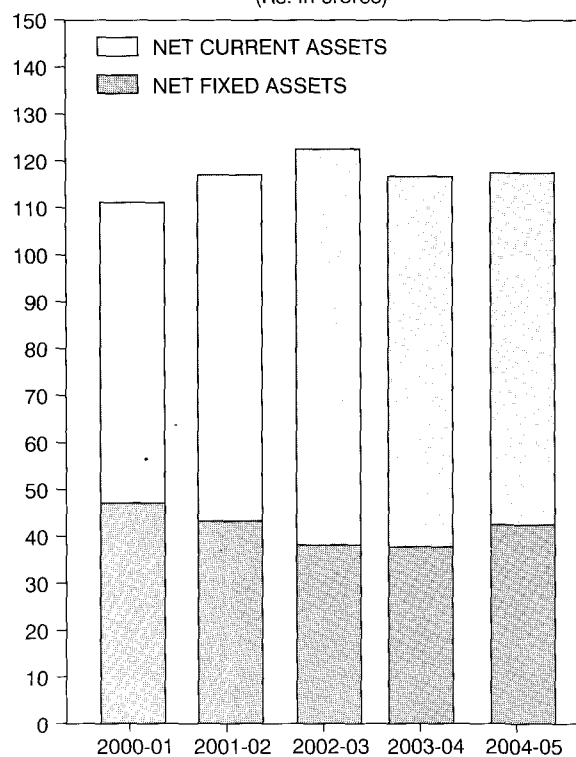


### Distribution of Income



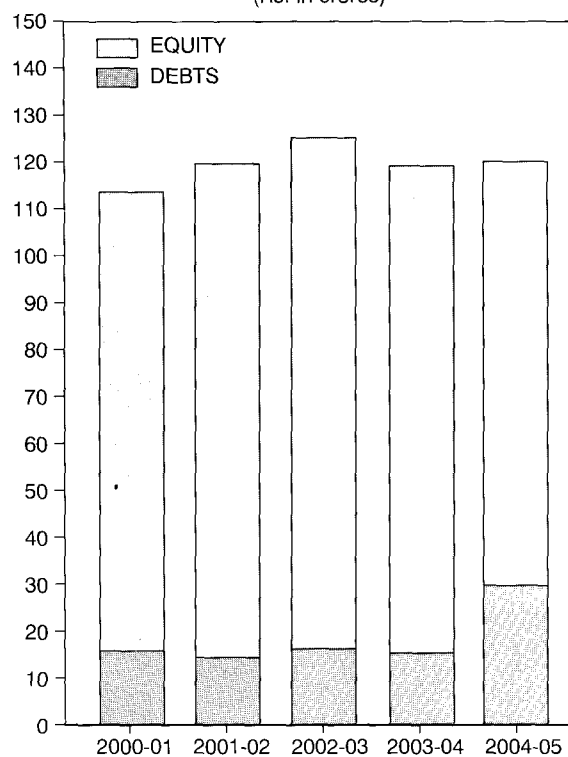
### Capital Employed

(Rs. in crores)



### Debt Equity

(Rs. in crores)






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**BOARD OF DIRECTORS**

H N Sethna	<i>Chairman</i>
K F Burnes	
Ho-il Kim	<i>Alternate for K F Burnes</i>
Y H Malegam	
C R Dua	
Arie van der Heijden	
Nicholas Ballas	
Alok Gupta	<i>Managing Director</i>

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**COMPANY SECRETARY**

P Ramanathan

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**SOLICITORS**

Little & Co.

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**AUDITORS**

Lovelock & Lewes, Chartered Accountants

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**BANKERS**

Union Bank of India  
Citibank N.A.

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**REGISTRARS & SHARE TRANSFER AGENTS**

MCS Limited  
Sri Venkatesh Bhavan,  
Plot No. 27, Road No. 11, M.I.D.C.,  
Andheri (E),  
Mumbai 400 093  
Tel. : 2821 5235

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**REGISTERED OFFICE**

N. K. M. International House,  
178, Backbay Reclamation,  
Mumbai 400 020.  
Tel: 2202 7846, 2287 5960

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**FACTORY**

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

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**CONTENTS**

Board of Directors	1
Notice of Annual General Meeting	2-5
Financial Highlights at a Glance	6
Directors' Report	7-11
Auditors' Report	12-15
Balance Sheet	16
Profit & Loss Account	17
Cash Flow Statement	18
Schedules Forming part of the Accounts	19-23
Notes to Accounts	24-30

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## NOTICE

NOTICE IS HEREBY GIVEN THAT THE FORTY-THIRD Annual General Meeting of the Company will be held at Vista Room, 30th Floor, MVIRDC, World Trade Centre, Cuffe Parade, Mumbai-400 005 on Thursday, December 15, 2005, at 11.30 a.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, 2005 and Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To elect a Director in place of Mr. K F Burnes, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To elect a Director in place of Mr. C R Dua, who retires by rotation, and being eligible, offers himself for re-appointment.
4. 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 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 such remuneration plus reimbursement all out-of pocket expenses, service tax, cess and other expenses as may be mutually agreed upon between the Board of Directors and the Auditors in connection with the work of Audit to be carried out by them".

"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

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act), consent of the Company be and is hereby accorded to the re-appointment of Mr. Alok Gupta as the Managing Director of the Company for a period of three years from October 4, 2005 to October 3, 2008 and to his receiving remuneration, benefits and amenities as Managing Director of the Company upon the terms, conditions and stipulations contained in the Agreement dated October 26, 2005 (the said Agreement) entered into between the Company and Mr. Alok Gupta".

"RESOLVED FURTHER that in the event of absence or inadequacy of profit during Mr. Alok Gupta's term of Office as Managing Director, the remuneration mentioned in the said Agreement shall be payable as minimum remuneration as permissible under Section II, Part II of Schedule XIII of the Act".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized and empowered to make such alterations and variations of the appointment and/or to the said Agreement, as it may in its discretion deemed fit within the maximum amount payable in accordance with Schedule XIII of the Act or any amendment made thereto".

By Order of the Board

P RAMANATHAN  
Company Secretary

Mumbai, November 17, 2005

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.
- (2) PROXIES IN ORDER TO BE EFFECTIVE, MUST BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (3) In respect of unclaimed dividend for the Financial Years ended on 30-9-1998, 30-9-1999, 30-9-2000 & 30-9-2001 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 7 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.
- (4) Members are requested to intimate immediately change of address, if any, to the Company or its Registrars and Share Transfer Agents, MCS LIMITED, SRI VENKATESH BHAVAN, PLOT NO. 27, ROAD NO. 11 M.I.D.C. ANDHERI (EAST) MUMBAI-400 093 TEL: 2834 0660/2821 5235. Kindly quote the Registered Folio Number in all your correspondence.
- (5) 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.
- (6) The relevant explanatory statement pursuant to Section 173 of Act is annexed herewith.

**EXPLANATORY STATEMENT**

The Board of Directors Company at its meeting held on September 6, 2005 and the Remuneration Committee vide Circular Resolution dated September 14, 2005 have subject to the approval of the Members, in accordance with Sections 198, 269, 309, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 (The Act), re-appointed Mr. Alok Gupta as Managing Director of the Company for a period of three years with effect from October 4, 2005.

Considering the Company to be having inadequate profits, the Remuneration Committee have recommended the same remuneration as approved by the Members at the Annual General Meeting of the Company held on December 19, 2003.

An abstract of the terms of re-appointment of Mr. Alok Gupta, included in the Agreement entered into with him by the Company is given below:

1. Period:  
For 3 years from October 4, 2005 to October 3, 2008.
2. Salary:  
The Managing Director shall be paid a Salary in the scale of Rs. 2,00,000/- to Rs. 4,00,000/- per month with authority to the Board to fix his salary within the said scale from time to time, based on the Company's performance.
3. Perquisites and Allowances  
In addition to salary, the Managing Director shall also be entitled to the following:
  - (i) Rent free furnished accommodation, reimbursement of expenses or allowances for utilities, furnishings, medical and leave travel concession for himself and his family; club fees; medical insurance, annual leave and other perquisites and allowances as may be agreed to by the Board of Directors; use of the company car with driver for official purpose, telephone and other communication facilities at residence.

The above perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, they shall be evaluated at actual cost.





## NOTICE (Contd.)

- (ii) Contribution to Provident Fund, Superannuation fund, and encashment of any unavailed leave, as per the rules of the Company and payment of Gratuity at half a month's salary for each completed year of service.

### 4. Commission:

The Managing Director shall be paid commission as may be decided by the Board of Directors of the Company at the end of each Financial year subject to the overall ceilings stipulated in Sections 198 and 309 of the Act, but in any case not exceeding twice the Salary in the relevant Financial Year.

In the event of absence or inadequacy of profits in any financial year, the aforesaid salary, perquisites and allowances shall be payable to him as minimum remuneration for that year.

Mr. Alok Gupta is concerned or interested in his Agreement with the Company. Save as aforesaid, no Director of the Company is concerned or interested in the said Agreement.

An abstract containing the above details as required under Section 302 of the Act was mailed to all the members on September 26, 2005. The Agreement entered into between the Company and Mr. Alok Gupta is available for inspection by the Members at the Registered Office between 10.30 and 12.30 p.m. on any working day of the Company (Monday to Friday) upto December 14, 2005.

Given below is the information pursuant to sub-clause (iv) of clause (B) of para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956.

#### (I) General Information

- (i) Nature of Industry:  
Carbon Black.
- (ii) Date or expected date of commencement of commercial production:  
In commercial production since 1966.
- (iii) Financial performance as per published audited financial results for the year ended September 30, 2005 and September 30, 2004.

Particulars	Rs. in Lakhs	
	30/9/05	30/9/04
Sales and Other Income	17,016	18,549
(Loss)/Profit before tax	(1,394)	(791)
Provision/(Credit) - Deferred Tax	(71)	(265)
Profit/(Loss) after tax	(1,323)	(526)

- (iv) Export performance and foreign exchange earned for the financial year ended 30/9/05.  
No exports during the year
- (v) Foreign Investments or collaborations, if any  
The Company is 97.54% subsidiary of Cabot Corporation, USA (Cabot).  
Cabot is the Technical and Financial Collaborators of the Company since 1984.

#### (II) Information about the Appointees

##### (i) Background details

Mr. Alok Gupta, 48 years, B.Tech. (Mech.Eng.) from IIT, Delhi joined Cabot India Ltd. in June 1992 as General Manager – Technical. Prior to joining Cabot, he had worked with Hindustan Lever Ltd. for 13 years in various capacities.

He was appointed as Managing Director of the Company on October 4, 1995 and the current re-appointment is his second renewal.

(ii) Past three years Managerial Remuneration drawn

Year	Rs. in Lakhs
2002-03	35.24
2003-04	50.05
2004-05	57.14

(iii) Job Profile and suitability

Mr. Alok Gupta with the background and expertise to derive full value of the business of the Company was appointed as the Managing Director of the Company on October 4, 1995. Over the years, the Company has under his leadership improved and delivered superior financial performance. He has effectively contributed towards bringing about reduction in costs, optimizing use of available resources as well as assets for the overall benefit of the Company.

(iv) Remuneration proposed

As detailed above on pages 3-4 as explanatory note to the Notice of this AGM.

(v) Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person.

Taking into consideration the size of the Company, the profile of Mr. Alok Gupta, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed, being minimum remuneration payable as per Schedule XIII of the Companies Act, 1956, is reasonable and commensurate with the remuneration package paid to similar senior level position in other companies.

(vi) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.

No pecuniary relationship other than the managerial remuneration proposed under item number 5 of the accompanying notice.

(III) Other Information

(1) Reasons for Loss or inadequate profits:

- The Sharp volatilities in raw material prices and increase in other input costs could not be fully passed on to customers resulting in pressure on margins.
- Change in method of depreciation.

(2) Steps taken by the Company to Improve performance and Expected increase in productivity etc.

A detailed plan is in place to replace critical equipment, optimize cost and de-bottleneck the manufacturing plant of the Company.

These measures will support the Company in increasing the plant's throughput and reliability, reduce costs and increase volumes and margins over the next two years.

Mumbai, November 17, 2005

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

By Order of the Board

P RAMANATHAN  
Company Secretary



## FINANCIAL HIGHLIGHTS AT A GLANCE

	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	SEPT-96†
	Rs. in lakhs									
<b>A. CAPITAL ACCOUNTS :</b>										
1. What the Company Owned :										
Fixed Assets :										
Gross Block	10137.75	9025.95	8579.22	8536.61	8369.96	8241.56	7480.18	6781.88	5456.40	5395.74
Depreciation	5785.86	5184.29	4678.85	4125.40	3546.75	2986.54	2445.65	2063.39	1951.67	1649.85
Net Block	4351.89	3841.66	3900.37	4411.21	4823.21	5255.02	5034.53	4718.49	3504.73	3745.89
Investments	—	—	—	18.22	22.48	22.48	22.48	318.36	522.48	22.48
Net Current Assets	7690.88	8095.33	8628.88	7553.58	6517.52	6105.90	5370.93	5059.16	5530.78	4317.88
Total	12042.77	11936.99	12529.25	11983.01	11363.21	11383.40	10427.94	10096.01	9557.99	8086.25
2. What the Company Owed :										
Borrowings :										
Secured Loans	13.31	84.61	151.47	—	43.27	707.71	208.19	395.80	524.60	2926.39
Unsecured Loans	2959.65	1459.65	1459.65	1459.65	1548.30	85.35	103.34	149.45	235.04	270.37
Total	2972.96	1544.26	1611.12	1459.65	1591.57	793.06	311.53	545.25	759.64	3196.76
3. Shareholders' Funds :										
Equity Share Capital	873.84	873.84	873.84	873.84	873.84	873.84	873.84	873.84	873.84	713.34
Reserves & Surplus	8195.97	9518.89	10044.29	9649.52	8897.80\$	9716.50	9242.57	8676.92	7924.51	4176.15
Total	9069.81	10392.73	10918.13	10523.36	9771.64	10590.34	10116.41	9550.76	8798.35	4889.49
<b>B. REVENUE ACCOUNTS :</b>										
Sales	16984.33	18389.69	17825.98	16647.50	16967.47	14080.98	11275.66	11614.56	12878.21	6522.06
Other Income	31.75	158.98	95.15	115.22	49.85	102.42	111.33	219.01	153.68	21.79
Total Income	17016.08	18548.67	17921.13	16762.72	17017.32	14183.40	11386.99	11833.57	13031.89	6543.85
Manufacturing Expenses	12205.00	11670.35	11075.48	10472.90	11340.84	8572.68	6251.58	6258.15	7074.54	3091.80
Other Expenses	5013.80	7006.10	5557.06	4342.55	4295.47	3879.91	3325.55	3585.70	3360.95	1781.34
Gross Operating Profit/(–Loss)	–202.72	–127.78	1288.59	1947.27	1381.01	1730.81	1809.86	1989.72	2596.40	1670.71
Financial Charges	149.53	114.51	115.85	176.96	184.20	93.57	85.01	85.45	376.92	324.95
Depreciation	1042.01	548.56	590.81	584.00	565.15	555.86	485.84	355.02	305.17	151.07
Profit/(–Loss) Before Tax	–1394.26	–790.85	581.93	1186.31	631.66	1081.38	1239.01	1549.25	1914.31	1194.69
Tax	–71.34	–265.45	187.16	434.59	240.56	285.00	385.00	509.00	500.60	140.70
Profit/(–Loss) After Tax	–1322.92	–525.40	394.77	751.72	391.10	796.38	854.01	1040.25	1413.71	1053.99
<b>C. EQUITY SHAREHOLDERS' EARNINGS Rs. :</b>										
1. Earnings per Equity Share	(15)	(6)	5	9	4	9	10	12	16*	148
2. Dividend per Equity Share	—	—	—\$	—	2	3	3	3	3	15
3. Book Value per Equity Share	104	119	125	120	112	121	116	109	101	685

# On Enlarged Capital Consequent upon allotment of new Shares on April 11, 1997 on Preferential Basis and Sub-division of Share from face value of Rs. 100 each to Rs. 10 each.

† For six month period.

\$ The Company has given effect to Deferred Tax Accounting. The Reserves are net of Deferred Tax Liabilities, impacting the Book Value per Share.



## DIRECTORS' REPORT

To the Members,

Your Directors' hereby present the Forty-third Annual Report together with the Audited Accounts of the Company for the Financial Year ended September 30, 2005.

### FINANCIAL RESULTS :

	Rs. in Lakhs	
	<u>2004-2005</u>	<u>2003-2004</u>
Sales & Other Income	<u>17016.08</u>	<u>18548.67</u>
Operating Profit/(Loss) (Before Interest, Depreciation & Tax)	(202.72)	(127.78)
Less/(Add):		
(i) Financial Charges	(149.53)	114.51
(ii) Depreciation & Amortisation	<u>(1042.01)</u>	<u>(548.56)</u>
Profit/(Loss) Before Taxation	(1394.26)	(790.85)
(Provision)/Deferred Tax credit	71.34	265.45
Profit/(Loss) After Taxation	(1322.92)	(525.40)
Surplus brought forward	696.30	1221.70
(Loss)/Profit carried to Balance Sheet	<u>(626.62)</u>	<u>696.30</u>

### REVIEW OF OPERATIONS

During the year under review, the domestic business environment for carbon black remained tough and challenging. Crude oil prices touched all time high affecting the feedstock prices. The volatile feedstock prices and increase in other input costs put severe pressure on margins.

Internally, production volume remained restricted due to plant capability. For improving plant reliability and quality, the Company successfully replaced certain old critical equipment and is preparing itself for further cost optimization to meet the challenges in the market.

In spite of the increase in cost of inputs and challenges faced in the market, the Company focused on improvement of its market mix and on controlling its operating costs. This enabled the Company to contain its operating loss for the year at Rs. 2.03 crores.

The depreciation charge for the year is higher by Rs. 3.63 crores as the Company revised the useful life of certain assets based on the period over which they are expected to be used.

In view of the losses for the year, your Directors do not recommend dividend for the year under review.

### SHAREHOLDING

As on date, Cabot Corporation, USA (Cabot) through its holding companies hold 97.54% of the paid-up capital of the Company. Cabot is interested in acquiring the balance 2.46% in terms of the law of the land.



## DIRECTORS' REPORT (Contd.)

### FIXED DEPOSIT

The Company has not accepted/renewed Fixed Deposit during the year under review. Rs.14,000/- which has remained as unclaimed for quite sometime despite reminders to the deposit holders would be transferred to the Investor Education and Protection Fund on relevant due dates.

### 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, 2005 and the loss 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.

### SAFETY, HEALTH & ENVIRONMENT

In co-ordination with Cabot Corporation, USA (Cabot), the Company has in place standard procedures benchmarks and measurements so as to sustain improvement and continue to excel in Safety, Health and Environmental (SH&E) Management.

Behavioural Safety activities, Process Safety Management, Key Work Procedures and SH&E Compliance assurance process have been the vehicles for ensuring safety of employees, contractors, property and local ecology.

The Company took several initiatives and has improved the SH&E standard to substantially exceed the statutory standards. Housekeeping measures and continuous training to employees and contractors were considerably stepped up during the year.

### ENERGY CONSERVATION/RESEARCH AND DEVELOPMENT

Your Company continues to draw upon the R&D base of Cabot, to upgrade the operations in line with international practices.

A statement giving details of conservation of energy and research and development in accordance with Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms a part of this Report.

### HUMAN RESOURCE AND PARTICULARS OF EMPLOYEES

The Directors wish to place on record their appreciation for the wholehearted support extended by the employees at all levels.

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.