

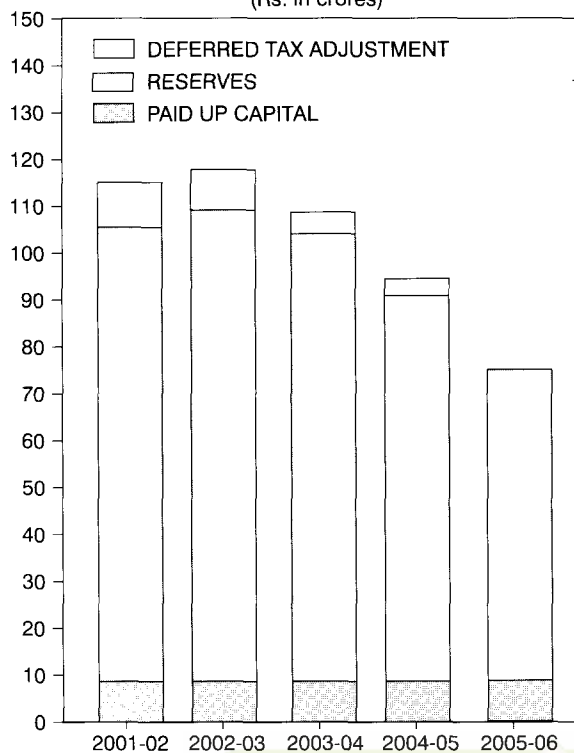
44th Annual Report
Year 2006

Cabot India Limited

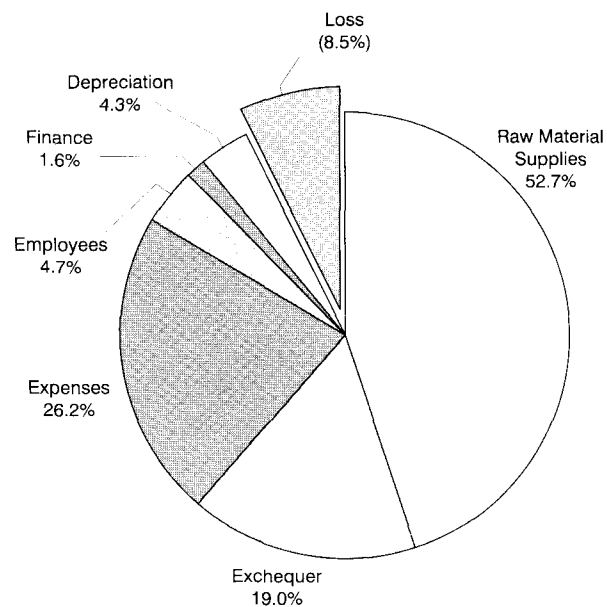
30th September 2006
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Shareholders' Fund

(Rs. in crores)

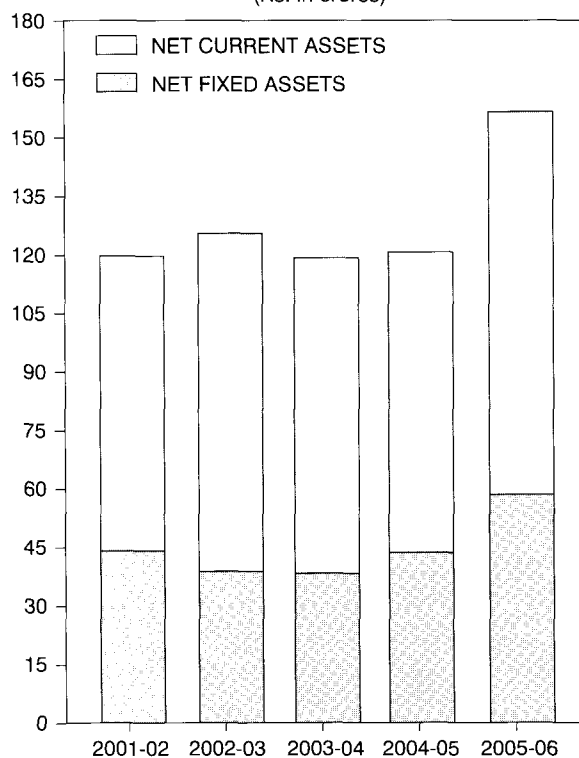


Distribution of Income



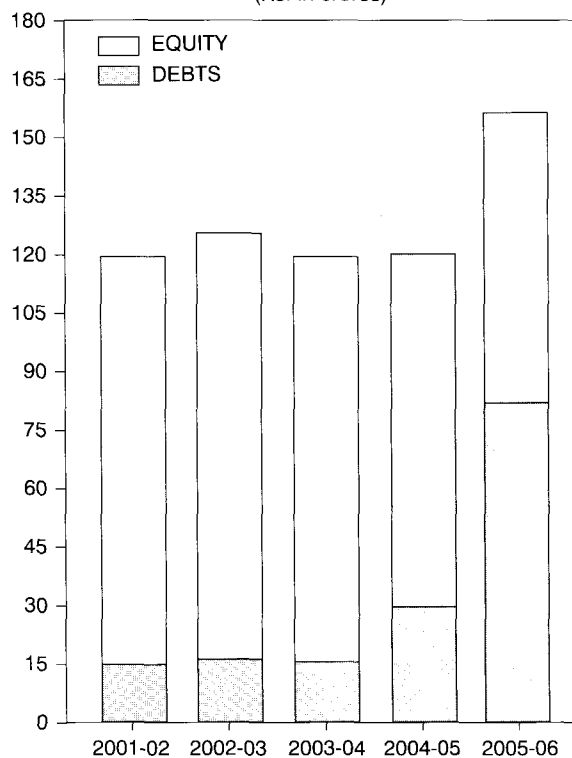
Capital Employed

(Rs. in crores)



Debt Equity

(Rs. in crores)



**BOARD OF DIRECTORS**H N Sethna *Chairman*

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

Citibank N.A.

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg,
Bhandup (W),
Mumbai 400 078
Tel. : 2596 3838

REGISTERED OFFICE

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

FACTORY

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

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE FORTY-FOURTH ANNUAL GENERAL MEETING of the Company will be held at Vista Room, 30th Floor, MVRDC, World Trade Centre, Cuffe Parade, Mumbai - 400 005 on Thursday, December 21, 2006, 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, 2006 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. Y. H. Malegam, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To elect a Director in place of Mr. Arie van der Heijden, 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 of 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(s), as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof), the Company hereby accords its consent to the Board of Directors for borrowing any sum or sums of money from time to time from any one or more of the Company's bankers and/or from any one or more persons, firms, bodies corporate or financial institutions, whether in India or abroad, and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties, whether immovable or movable or stock-in-trade and work-in-progress and all or any of the undertakings of the Company, notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, so that the total amount up-to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 150 crores (Rupees One hundred and Fifty crores only) and Board of Directors (including any committee/s thereof) are hereby authorized to execute such charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings containing such conditions and covenants as the Directors may deem fit."

By Order of the Board

P RAMANATHAN
Company Secretary

Mumbai, November 15, 2006

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) WITH EFFECT FROM JULY 1, 2006, THE COMPANY HAS APPOINTED INTIME SPECTRUM REGISTRY LIMITED, C-13, PANNALAL SILK MILLS COMPOUND, L. B. S. MARG, BHANDUP (W), MUMBAI-400 078 (TEL: 2596 3838), AS THE NEW REGISTRARS AND SHARE TRANSFER AGENTS.
- (4) In respect of unclaimed dividend for the Financial Years ended on 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.
- (5) Members are requested to intimate immediately change of address, if any, to the Company or its Registrars and Share Transfer Agents, Intime Spectrum Registry Limited, as per address and Telephone numbers given in 3 above. Kindly quote the Registered Folio Number in all your correspondence.
- (6) 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.
- (7) The relevant explanatory statement pursuant to Section 173 of Act is annexed herewith.

EXPLANATORY STATEMENT**Item No. 5 :**

At the 30th Annual General Meeting held on July 30, 1993, the members had given their consent to the Board of Directors (the Board) of the Company to borrow monies up-to a sum of Rs.75 cores (Rupees Seventy five cores). Since then the working capital requirements of the Company has continued to grow, particularly in view of the growth in Company's business as well as increase in cost of raw material and other inputs.

Further, the Company has also obtained external commercial borrowing from Cabot Corporation, USA to finance the ongoing projects.

Accordingly, approval is being sought from members by way of enabling resolution to borrow an amount upto Rs. 150 cores to take care of the future requirement.

By Order of the Board

P RAMANATHAN
Company Secretary

Mumbai, November 15, 2006

Registered Office:

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



FINANCIAL HIGHLIGHTS AT A GLANCE

Rs in Lakhs

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
A. CAPITAL ACCOUNTS										
1. What The Company Owned :										
Fixed assets:										
Gross Block	12332.72	10137.75	9025.95	8579.22	8536.61	8369.96	8241.56	7480.18	6781.88	5456.40
Depreciation	6497.78	5785.86	5184.29	4678.85	4125.40	3546.75	2986.54	2445.65	2063.39	1951.67
Net Block	5834.94	4351.89	3841.66	3900.37	4411.21	4823.21	5255.02	5034.53	4718.49	3504.73
Investments	—	—	—	—	18.22	22.48	22.48	22.48	318.36	522.48
Net Current Assets	9829.57	7690.88	8095.33	8628.88	7553.58	6517.52	6105.90	5370.93	5059.16	5530.78
Total	15664.51	12042.77	11936.99	12529.25	11983.01	11363.21	11383.40	10427.94	10096.01	9557.99
2. What the Company Owed :										
Borrowings:										
Secured Loans	529.56	13.31	84.61	151.47	—	43.27	707.71	208.19	395.80	524.60
Unsecured Loans	7634.65	2959.65	1459.65	1459.65	1459.65	1548.30	85.35	103.34	149.45	235.04
Total	8164.21	2972.96	1544.26	1611.12	1459.65	1591.57	793.06	311.53	545.25	759.64
3. Shareholders' Funds :										
Equity Share Capital	873.84	873.84	873.84	873.84	873.84	873.84	873.84	873.84	873.84	873.84
Reserves & Surplus	6626.46	8195.97	9518.89	10044.29	9649.52	8897.80	9716.50	9242.57	8676.92	7924.51
Total	7500.30	9069.81	10392.73	10918.13	10523.36	9771.64	10590.34	10116.41	9550.76	8798.35
B. REVENUE ACCOUNTS:										
Sales	22160.88	16984.33	18389.69	17825.98	16647.50	16967.47	14080.98	11275.66	11614.56	12878.21
Other Income	446.57	31.75	158.98	95.15	115.22	49.85	102.42	111.33	219.01	153.68
Total Income	22607.45	17016.08	18548.67	17921.13	16762.72	17017.32	14183.40	11386.99	11833.57	13031.89
Manufacturing Expenses	16150.78	12205.00	11670.34	11075.48	10472.90	11340.84	8572.68	6251.58	6258.15	7074.54
Other Expenses	7042.87	5013.80	7006.11	5557.06	4342.55	4295.47	3879.91	3325.55	3585.70	3360.95
Gross Operating Profit/(–Loss)	– 586.20	– 202.72	– 127.78	1288.59	1947.27	1381.01	1730.81	1809.86	1989.72	2596.40
Financial Charges	355.49	149.53	114.51	115.85	176.96	184.20	93.57	85.01	85.45	376.92
Depreciation	995.03	1042.01	548.56	590.81	584.00	565.15	555.86	485.84	355.02	305.17
Profit/(–Loss) Before Tax	– 1936.72	– 1394.26	– 790.85	581.93	1186.31	631.66	1081.38	1239.01	1549.25	1914.31
Tax	– 367.21	– 71.34	– 265.45	187.16	434.59	240.56	285.00	385.00	509.00	500.60
Profit/(–Loss) After Tax	– 1569.51	– 1322.92	– 525.40	394.77	751.72	391.10	796.38	854.01	1040.25	1413.71
C. EQUITY SHAREHOLDERS EARNINGS Rs.:										
1. Earnings per Equity Share	(18)	(15)	(6)	5	9	4	9	10	12	16#
2. Dividend Per Equity Share	—	—	—	—	—	2	3	3	3	3
3. Book Value Per Equity Share	86	104	119	125	120	112	121	116	109	101

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.

\$ 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-fourth Annual Report together with the Audited Accounts of the Company for the Financial Year ended September 30, 2006.

FINANCIAL RESULTS :

	(Rupees in lakhs)	
	2005-06	2004-05
Sales & Other Income	22,607.45	17,016.08
Operating Profit/ (Loss)(Before Interest, Depreciation & Tax)	(586.20)	(202.72)
Less/(Add):		
(i) Financial Charges	(355.49)	(149.53)
(ii) Depreciation & Amortization	(995.03)	(1042.01)
Profit/(Loss) Before Taxation	(1936.72)	(1394.26)
(Provision)/Deferred Tax credit	367.21	71.34
Profit/(Loss) After Taxation	(1569.51)	(1322.92)
(Loss)/Surplus brought forward	(626.62)	696.30
(Loss) carried to Balance Sheet	(2196.13)	(626.62)

REVIEW OF OPERATIONS :

The year under review continued to witness rapidly increasing crude prices leading to large feedstock price increases exerting severe pressure on our margins and thus a depressing results for the year.

Though the Company achieved a volume growth of 11% and a revenue growth of 33%, the rapidly increasing feedstock prices could not be fully offset by price increases for our products.

Several initiatives were taken to increase prices during the year which resulted in largely offsetting the increase in cost. However, contribution to profitability continued to be inadequate.

During the year, as a part of the business regeneration initiatives, we have incurred large capital expenditure of Rs. 23 crores towards replacement of critical equipment which would now enable the Company to have cost savings, improved efficiency and increased volume. This coupled with the initiatives on price increases is expected to make the operations profitable during current the year.

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

SHAREHOLDING :

As on date, Cabot Corporation, USA (Cabot) through its holding companies hold 97.79% of the paid up capital of the Company. Cabot has intimated that they are interested in acquiring the balance 2.21% in terms of the law of the land.

FIXED DEPOSIT :

The Company has not accepted/renewed Fixed Deposit during the year under review. Rs. 5000/- 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' REPORT (Contd.)

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;
- 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, 2006 and the loss of the Company for the year ended on that date;
- 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;
- the accounts have been prepared on a going concern basis.

SAFETY, HEALTH & ENVIRONMENT :

Safety, Health and Environmental issues are high corporate priority for Cabot globally. The Company has implemented all systems and procedures as applicable in other Cabot facilities worldwide. There is a very effective SH&E management program in place covering all employees and contractors working at site and there is very good response amongst all the employees in the Company and the contractors. These initiatives and performance have been appreciated by the concerned regulatory authorities.

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.

DIRECTORS :

Mr. Y. H. Malegam and Mr. Arie van der Heijden would retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS :

Messrs Lovelock & Lewes, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

FUTURE OUTLOOK :

Sales volume continues to be strong. However, as oil prices has a large impact on the profitability of the Company, to that extent the outlook remains cautious.

For and on behalf of the Board

H N Sethna
Chairman

Mumbai
November 15, 2006

ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rule, 1988 and forming part of the Directors' Report for the year ended September 30, 2006.

FORM - A**CONSERVATION OF ENERGY :****(a) Energy conservation measures taken :**

The Company is engaged in the continuous process of energy conservation through improved operational and maintenance practices. Use of LDO was substantially reduced. Efforts were directed to maximization of production in the energy efficient Cabot Reactor, heat recovery of off gas and recycling of used water. The Company is in the process of further improving its plant efficiency for economic use of feedstock and reduction of power, fuel and water per unit of production:

	October '05 to September '06	October '04 to September '05
A. Power & Fuel Consumption :		
1. Electricity		
(a) Purchases units (Kwh)	20,609,434	20,707,760
(b) Total Amount (Rs. in lakhs)	772.72	732.66
(c) Rate per Unit (Rs.)	3.75	3.54
(d) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others:		
(a) Light Diesel Oil (LDO): Qty. (K. Ltrs.)	215.000	1408.140
Total Amount (Rs. in lakhs)	57.03	317.04
Average Rate (Rs.)	26,525.00	22,515.00
(b) Liquified Petroleum Gas: Qty. (M. Tons)	170.560	118.820
Total Amount (Rs. in lakhs)	62.46	36.98
Average Rate (Rs.)	36,622.00	31,121.00
B. Consumption per Unit of Production :		
(i) Electricity (Kwh/Mt.)	457.00	472.94
(ii) LDO (Ltr./Mt.)	4.77	32.16
(iii) LPG(Kg./Mt.)	3.782	2.714