



CABOT

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45th Annual Report
Year 2007

Cabot India Limited

30th September 2007
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VALUES

As Cabot Employees

We Value Integrity.

We demand adherence to the highest ethical standards. We demand personal integrity, compliance with all laws and regulations, unwavering efforts toward the highest quality in all areas, and indisputable respect for safety, health and the environment.

We Value Respect

We must be open, honest, straightforward and trustworthy. We listen and learn from each other, our customers and the outside world, and share our learnings generously.

We Value Innovation

We work urgently and intensely to create new ways to bring more value to our customers and to open new markets for our products. We continuously improve by understanding successes and failures — our own and others.

We Value Competitiveness

To be the best, we strive for excellence in everything we do. We listen to our customers, owners and markets, and we compete aggressively to exceed their expectations using teamwork, leadership and self-confidence. We seize opportunities with urgency, persistence and courage.



Cabot India Limited

BOARD OF DIRECTORSH N Sethna *Chairman*

K F Burnes

Ho-il Kim *Alternate for K F Burnes*

C R Dua

Nicholas Ballas

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

Ms. Malati Kumar

SOLICITORS

Little & Co.

AUDITORSDeloitte Haskins & Sells, *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-FIFTH ANNUAL GENERAL MEETING of the Company will be held at Vista Room, 30th Floor, MVIRDC, World Trade Centre, Cuffe Parade, Mumbai - 400005 on Monday, March 31, 2008, at 10.00 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, 2007 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. C. R. Dua, who retires by rotation, and being eligible, offers himself for re-appointment.
3. Mr. K. F. Burnes who retires by rotation, does not seek reappointment. It is proposed not to fill the vacancy at present.
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 Deloitte, Haskins & Sells 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 service tax and reimbursement of all out-of-pocket expenses, 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".

By Order of the Board

Ms. Malati Kumar
Company Secretary

Mumbai, March 3, 2008

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 30-9-2000 & 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, Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West) Mumbai - 400 078, Tel: 2596 3838. 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.

By Order of the Board

Ms. Malati Kumar
Company Secretary

Mumbai, March 3, 2008

Registered Office:

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



FINANCIAL HIGHLIGHTS AT A GLANCE

Rs in Lakhs

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
A. CAPITAL ACCOUNTS										
1. What The Company Owned :										
Fixed assets:										
Gross Block	12,745.29	11,417.43	10,137.75	9,025.95	8,579.22	8,536.61	8,369.96	8,241.56	7,480.18	6,781.87
Depreciation	6,594.36	5,582.49	5,785.86	5,184.29	4,678.85	4,125.40	3,546.75	2,986.54	2,445.65	2,063.39
Net Block	6,150.93	5,834.94	4,351.89	3,841.66	3,900.37	4,411.21	4,823.21	5,255.02	5,034.53	4,718.48
Investments	—	—	—	—	—	18.22	22.48	22.48	22.48	318.36
Net Current Assets	7,165.09	9,829.57	7,690.88	8,095.33	8,628.88	7,553.58	6,517.52	6,105.90	5,370.93	5,059.16
Total	13,316.02	15,664.51	12,042.77	11,936.99	12,529.25	11,983.01	11,363.21	11,383.40	10,427.94	10,096.00
2. What the Company Owed :										
Borrowings:										
Secured Loans	—	3,404.56	13.31	84.61	151.47	—	43.27	707.71	208.19	395.80
Unsecured Loans	5,342.56	4,759.65	2,959.65	1,459.65	1,459.65	1,459.65	1,548.30	85.35	103.34	149.45
Total	5,342.56	8,164.21	2,972.96	1,544.26	1,611.12	1,459.65	1,591.57	793.06	311.53	545.25
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	7,099.62	6,626.46	8,195.97	9,518.89	10,044.29	9,649.52	8,897.80	9,716.50	9,242.57	8,676.92
Total	7,973.46	7,500.30	9,069.81	10,392.73	10,918.13	10,523.36	9,771.64	10,590.34	10,116.41	9,550.76
B. REVENUE ACCOUNT:										
Sales	26,971.82	22,160.88	16,984.33	18,389.69	17,825.98	16,647.50	16,967.47	14,080.98	11,275.66	11,614.56
Other Income	332.90	446.57	31.75	158.98	95.15	115.22	49.85	102.42	111.33	219.01
Total Income	27,304.72	22,607.45	17,016.08	18,548.67	17,921.13	16,762.72	17,017.32	14,183.40	11,386.99	11,833.57
Manufacturing Expenses	16,298.74	16,084.31	12,205.00	11,670.34	11,075.48	10,472.90	11,340.84	8,572.68	6,251.58	6,258.15
Other Expenses	8,992.21	7,109.34	5,013.80	7,006.11	5,557.06	4,342.55	4,295.47	3,879.91	3,325.55	3,585.70
Gross Operating Profit/(Loss)	2,013.77	(586.20)	(202.72)	(127.78)	1,288.59	1,947.27	1,381.01	1,730.81	1,809.86	1,989.72
Financial Charges	484.34	355.49	149.53	114.51	115.85	176.96	184.20	93.57	85.01	85.45
Depreciation	1,048.54	995.03	1,042.01	548.56	590.81	584.00	565.15	555.86	485.84	355.02
Profit/(Loss) Before Tax	480.89	(1,936.72)	(1,394.26)	(790.85)	581.93	1,186.31	631.66	1,081.38	1,239.01	1,549.25
Tax	7.74	(367.21)	(71.34)	(265.45)	187.16	434.59	240.56	285.00	385.00	509.00
Profit/(Loss) After Tax	473.15	(1,569.51)	(1,322.92)	(525.40)	394.77	751.72	391.10	796.38	854.01	1,040.25
C. EQUITY SHAREHOLDERS EARNINGS Rs.										
1. Earnings per Equity Share	5.41	(18)	(15)	(6)	5	9	4	9	10	12
2. Dividend Per Equity Share	0	0	0	0	0	0	2	3	3	3
3. Book Value Per Equity Share	91	86	104	119	125	120	112	121	116	109

DIRECTORS' REPORT

To the Members

Your Directors' hereby present the Forty-Fifth Annual Report together with the Audited Accounts of the Company for the Financial Year ended September 30, 2007.

FINANCIAL RESULTS :

	(Rupees in lakhs)	
	2006-07	2005-06
Sales & Other Income	27,304.72	22,607.45
Operating Profit/(Loss) (Before Interest, Depreciation & Tax)	2,013.77	(586.20)
Less/(Add):		
(i) Financial Charges	484.34	(355.49)
(ii) Depreciation & Amortization	1,048.54	(995.03)
Profit/(Loss) Before Taxation	480.89	(1,936.72)
(Provision)/Deferred Tax credit	(7.74)	367.21
Profit/(Loss) After Taxation	473.15	(1,569.51)
(Loss)/Surplus brought forward	(2,196.13)	(626.62)
(Loss) carried to Balance Sheet	(1,722.98)	(2,196.13)

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. Prices were increased to offset the impact of these cost increases and profitability was maintained.

To reduce the impact of rapidly increasing energy cost, the Company is putting up a Power Plant based on waste gases available. This will be commissioned in the current Financial year.

In view of the large capital expenditure and future plans, the Directors do not recommend any dividend.

SHAREHOLDING :

As on date, Cabot Corporation, USA (Cabot) through its holding companies owns 97.79% of the paid up capital of the Company. Cabot is interested in acquiring the balance 2.21% as per the law of the land.

FIXED DEPOSIT :

The Company has not accepted/renewed Fixed Deposit during the year under review. Rs. 5,000/- which had remained unclaimed for quite sometime despite reminders to the deposit holders has been transferred to the Investor Education and Protection Fund on the due date.

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, 2007;



DIRECTORS' REPORT (Contd.)

- 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 :

- In keeping with the high corporate priority accorded to Safety, Health and Environmental by Cabot Corporation, the Company has continued to improve the performance in this area.
- This was well recognised by Cabot Corporation internally as also by various Industrial and Government bodies.

ENERGY CONSERVATION/ RESEARCH AND DEVELOPMENT :

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

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. C R Dua who retires by rotation and being eligible offers to be re-appointed at the ensuing Annual General Meeting.

Mr. K F Burnes who retires by rotation does not seek re-appointment and the vacancy caused by the retirement is not sought to be filled up.

During the year under review;

- Mr. Y H Malegam has resigned on August 30, 2007.
- Mr. Arie van der Heijden has retired from Cabot Corporation and hence resigned as director of Cabot India Limited with effect from August 1, 2007.

AUDITORS :

Deloitte, Haskins & Sells, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

FUTURE OUTLOOK :

The performance continues to be satisfactory. However, uncertainty in the petroleum prices which directly affects the input cost, may impact the Company's performance in the current year.

For and on behalf of the Board

H N Sethna
Chairman

Mumbai
March 3, 2008

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, 2007.

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

The Company is focussed on energy conservation through improved operational and maintenance practices. Use of LDO was discontinued. 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 '06 to September '07	October '05 to September '06
A. Power & Fuel Consumption		
1. Electricity		
(a) Electricity units (Kwh)	20,095,640	20,609,434
(b) Total Amount (Rs. in lakhs)	778.99	772.72
(c) Rate per Unit (Rs.)	3.81	3.75
(d) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others :		
(a) Light Diesel Oil (LDO) Qty. (K. Ltrs.)	91.000	215.000
Total Amount (Rs. in lakhs)	22.86	57.03
Average Rate (Rs./K. Ltr.)	25,120.88	26,525.00
(b) Liquefied Petroleum Gas Qty. (M. Tons)	154.000	170.560
Total Amount (Rs. in lakhs)	54.06	62.46
Average Rate (Rs.)	35,103.90	36,622.00
B. Consumption per Unit of Production :		
(i) Electricity (Kwh/Mt.)	464.38	457.00
(ii) LDO (Ltr./Mt.)	2.10	4.77
(iii) LPG (Kg./Mt.)	3.56	3.782