

REPORT

AND

ACCOUNTS

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1998-99



**Phillips
Carbon
Black
Limited**

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Phillips Carbon Black Limited

Mr R P Goenka

Chairman Emeritus

Board of Directors

Mr Sanjiv Goenka

Chairman

Mr B M Khaitan

Mr P V Gandhi

Mr Amiya Gooptu

Mr C R Paul

Dr Ram S Tarneja

Mr K S B Sanyal

Mr Paras K Chowdhary

Mr H L Mundra

Mr O P Malhotra

Mr S Sahgal

Managing Director

Secretary

Mr T K Banerjee

Auditors

Price Waterhouse

B3/1 Gillander House

Netaji Subhas Road

Calcutta 700 001

Solicitors

Khaitan & Co.

9 Old Post Office Street

Calcutta 700 001

Registered Office

31 Netaji Subhas Road

Calcutta 700 001

Notice

Notice is hereby given that the Thirty-ninth Annual General Meeting of the members of Phillips Carbon Black Limited will be held in the Williamson Magor Hall (1st Floor) of The Bengal Chamber of Commerce & Industry, 6, Netaji Subhas Road, Calcutta 700 001 on Monday, the 6th day of March, 2000 at 10.30 A.M. to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Profit & Loss Account for the year ended 30th September, 1999, the Balance Sheet as at that date and the Reports of the Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Sanjiv Goenka who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. B. M. Khaitan who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. H. L. Mundra who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and to authorise the Board to fix their remuneration.

As Special Business :

To consider, and if thought fit, to pass with or without modification(s), the following resolutions :

7. (As an Ordinary Resolution)
"Resolved that Mr. Paras Kumar Chowdhary be and is hereby appointed a Director of the Company".
8. (As an Ordinary Resolution)
"Resolved that Mr. Sudhir Sahgal be and is hereby appointed a Director of the Company".
9. (As an Ordinary Resolution)
"Resolved that subject to the approval of the Central Government under Sections 198, 310, 387 of the Companies Act, 1956, read with Schedule XIII thereto and subject further to such modifications and variations as the Central Government may suggest or prescribe which the Board be and is hereby authorised to accept, the Company hereby approves the variation in terms of remuneration paid to Mr. Sudhir Sahgal as Manager (designated as 'President') of the Company from 1st April, 1999 to 30th June, 1999, as set out in the Explanatory Statement attached to this Notice.
10. (As an Ordinary Resolution)
"Resolved that in accordance with the provisions of Sections 198, 310, 311, 387 read with Schedule XIII thereto and other applicable provisions if any, of the Companies Act, 1956, any amendment or modification thereof, and subject to the approval of the Central Government, the Company hereby approves the re-appointment of Mr. Sudhir Sahgal as Manager (designated as 'President') of the Company for a period of 6 months with remuneration as set out in the letter issued by the Company to Mr. Sudhir Sahgal, a copy of which is laid on the table and for the purpose of identification initialled by the Chairman".

11. (As an Ordinary Resolution)

"Resolved that pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII thereto and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, consent be and is hereby accorded to the appointment of Mr. Sudhir Sahgal as Managing Director of the Company with effect from 1st January, 2000 to 31st December, 2004 on the terms and conditions as set out in the agreement executed by the Company with Mr. Sudhir Sahgal, a copy of which is laid on the table and for the purpose of identification initialled by the Chairman".

12. (As a Special Resolution)

'Resolved that' pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent as set out below –

- (i) Insert new definitions and modify existing definitions in Articles as under :

'Beneficial owner' shall mean the beneficial owner as defined in Section 2 (1) (a) of Depositories Act, 1996.

'Depositories Act' shall mean the Depositories Act, 1996 and includes any statutory modification, alteration or re-enactment thereof for the time being in force.

'Depository' shall mean a depository as defined in Section 2 (1) (e) of Depositories Act, 1996.

'Members' means the subscribers to the Memorandum of Association of the Company and registered shareholders of the Company and shall include in case of shares held by a depository the beneficial owners whose names are recorded as such with a depository.

'Security' means such security as may be specified by SEBI.

'SEBI' means Securities & Exchange Board of India.

'Register' means the Register of Members kept pursuant to Section 150 of the Act and unless it be repugnant to the context or otherwise, the Register of beneficial owners in case of shares held in a depository.

- (ii) Delete Article 47B and substitute new Article 3 in place of present Article 3.

Power of Company to purchase its own securities – The Company shall be entitled to purchase its own shares or other securities subject to the limits and upon such terms and conditions and subject to such approvals as required under Section 77A and other applicable provisions, rules, regulations and bye-laws and any amendments, modifications, re-promulgations or re-enactment thereof.

- (iii) Insert the following after Article 15 –

'Provided that no share certificate shall be issued in respect of shares held in dematerialised form'.

- (iv) Reference to Sections 370 & 372 of the Act appearing in Articles 60, 116, 127, 128, 171(7), 172 be replaced by reference to Section 372A of the Act.

- (v) Substitute Article 64 by the following :

Save as provided in Section 108 of the Act and subject to the

provisions of Article 13A, no transfer of debentures shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificate or certificates of the debentures.

- (vi) Insert the following heading and Article alongwith marginal notes as Article 13A after Article 13.

Dematerialisation of Securities –

Dematerialisation of Securities (1) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depositories and/or offer its fresh securities in a dematerialised form pursuant to the Depositories Act, 1996, any rules framed thereunder, and any amendments, modifications, re-promulgation or re-enactment thereof.

Option for Investors (2) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is a beneficial owner of the securities can at any time opt out of a depository, if permitted and in the manner provided by law and the Company shall in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the securities.

Securities in Depositories to be in (3) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of Depositories and Beneficial owners

- (4) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above the depository as the registered owner of the securities shall not have any voting rights or other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a depository.

Service of Documents (5) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository the record of the beneficial owner may be served by such

depository on the Company by means of electronic mode or by floppies or discs.

Transfer of Securities (6) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of Securities effected by a transferor or transferee both of whom are entered as beneficial owners in record of depository.

Allotment of Securities held with a depository (7) Notwithstanding anything in the Act or these Articles where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Distinctive Nos. of Securities held in a Depository (8) Nothing contained in these Articles regarding the necessity of having distinctive number of securities issued by the Company shall apply to securities held with a depository.

Register and Index of Beneficial owners (9) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of members and security holders for the purpose of such securities.

- (vii) Insert the following headings and Article as Article 44A after Article 44.

Nomination of Shares/Debentures

Right of Nomination

- (1) Notwithstanding anything to the contrary in these Articles, every share/debenture holder may at any time nominate a person to whom his shares/debentures shall vest in the event of his death, in the manner prescribed under the Act and any rules, regulations made thereunder for the time being in force.
- (2) A member may revoke or vary his nomination at any time by notifying the Company to this effect.
- (3) Where the shares/debentures of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the shares/debentures shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act, any rules and regulations made thereunder for the time being in force.
- (4) Notwithstanding anything contained in any other law for the time being in force or in any disposition whether testamentary or otherwise where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares/debentures of the Company, the nominee shall, on death of the holders, or as the case may be as death of last of the joint-holders be entitled to all the rights in the shares/debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled.
- (5) Any person who becomes a nominee by virtue of the aforesaid provisions, upon the production of such evidence as required by the Board or the Committee thereof and subject as hereinafter provided, elect either,

- a) to be registered as a holder of shares/debentures or
 - b) to make such transfer as the deceased holder could have made.
- (6) If the nominee elects to be registered as holder of the shares/debentures, he shall submit to the Company a notice in writing signed by him, to such effect, accompanied with the death certificate of the deceased holder.
 - (7) The Board shall have the same right to decline or suspend registration, as it would have had if the deceased holder had effected such transfer.
 - (8) No person shall be recognized by the Company as a nominee unless the holder had during his lifetime, given an intimation to the Company of having appointed a nominee in the manner prescribed in the law for the time being in force.
 - (9) A nominee shall be entitled to the dividend and other advantages to which he would be entitled if he were the registered holder of such shares/debentures provided that he shall not before being registered as a member be entitled to exercise any right conferred by membership in relation to the Company. Provided further that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the shares/debentures and if the notice is not complied with within 90 days, the Board may thereafter withhold payment of all dividends, bonus shares, or other moneys payable in respect of shares/debentures until the requirements of the notice have been complied with.
 - (10) The provisions of this Article shall apply *mutatis mutandis* to a deposit of money made with the Company as per Section 58A of the Act.
5. Members are informed that dividends remaining unclaimed/unpaid over a period of 7 years have to be transferred by the Company to the Investors Education and Protection Fund (IEPF) constituted by the Central Government under Sections 205A and 205C of the Act. No claims can be made by the shareholders in respect of such dividend transfer by the Company to the IEPF of the Central Government under Section 205B. This provision has been introduced by the Company's Amendment Act, 1999.

In view of the amended provisions of the Act, shareholders are advised to send their requests for duplicate/re-validated dividend warrants and/or any unclaimed/unpaid dividend to the Company before the expiry of the statutory period of 7 years.

All unclaimed/unpaid dividends upto the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Concerned shareholders are requested to claim the amount from the Registrar of Companies, West Bengal, 'Nizam Palace', 2nd M. S. O. Building, 2nd Floor, 234/4, A. J. C. Bose Road, Calcutta 700 020.
 6. Members are requested to inform the Company of any change in their addresses immediately so as to enable the Company to despatch dividend warrants and any future communication at their correct addresses.
 7. With a view to provide protection against fraudulent encashment of dividend warrants, the members may alongwith the existing facilities of bank mandate avail at their option, ECS facility by furnishing the ECS mandate in the form attached hereto. The members may also continue to avail the existing facility of bank mandate on incorporation of bank details in the dividend warrant if they so desire by providing their bank account number, names of the banks and addresses of the branches. The mandates should reach the Company latest by 12th April, 2000. Members will appreciate that the Company will not be responsible for any loss arising out of any fraudulent encashment of dividend warrants.
 8. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Share Department enclosing their certificates to enable the Company to consolidate their holdings in one folio.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item Nos. 7 & 8

Messrs Paras Kumar Chowdhary and Sudhir Sahgal were appointed Additional Directors of your Company with effect from 24th December, 1999, in terms of Section 260 of the Companies Act, 1956. They hold office upto the date of the forthcoming Annual General Meeting.

Notices under Section 257 of the Companies Act, 1956 have been received from two individual members of your Company, alongwith a deposit of Rs. 500 each signifying their intention to propose the new appointees as Directors of your Company.

Mr. Paras Kumar Chowdhary is currently President and Chief Executive Officer of RPG's Communication Group. He was earlier President and Wholetime Director of Apollo Tyres Ltd. Mr. Sudhir Sahgal is the Manager (designated as 'President') of the Company since July 1996.

The Directors feel that it will be in the interest of your Company to appoint them on the Board and recommend the resolution for your approval.

Registered Office :

31 Netaji Subhas Road,
Calcutta 700 001.

Dated : 24th December, 1999

By Order of the Board

T. K. Banerjee
Secretary

NOTES :

1. The Register of Members and Share Transfer Books of the Company will remain closed from 1st March, 2000 to 6th March, 2000 both days inclusive.
2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and, on poll, to vote in his stead. A proxy need not be a member of the Company. Proxy should be lodged with the Company 48 hours before the date of the meeting.
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed to this notice.
4. Dividend, if declared, will be paid within 12th April, 2000 to those members whose names appear on the Register of Members of the Company as on 6th March, 2000 or to their mandatees.

Messrs Paras Kumar Chowdhary and Sudhir Sahgal are concerned and interested in the respective resolutions relating to their appointments.

Item Nos. 9, 10 & 11

The term of Mr. Sudhir Sahgal as the Manager (designated as 'President') of the Company expired on 30th June, 1999. The Shareholders had at their last Annual General Meeting held on 22nd March, 1999 approved his remuneration for the period of one year i.e. 1st April, 1998 to 31st March, 1999. The Company revised the remuneration payable to Mr. Sudhir Sahgal for the remaining period of 3 months starting from 1st April, 1999 as under :

- | | | |
|----------------|---|--|
| 1. Salary | : | Rs. 54,100/- p.m. |
| 2. Allowance | : | Rs. 55,500/- p.m. |
| 3. Perquisites | : | Mr. Sudhir Sahgal will be entitled to the existing perquisites payable to him as approved by the Shareholders at their last Annual General Meeting held on 22nd March, 1999. |

The above remuneration was paid to Mr. Sudhir Sahgal as minimum remuneration in absence or inadequacy of net profit.

The approval of members is being sought for payment of above increased remuneration, including perquisite to Mr. Sudhir Sahgal for the remaining period of 3 months i.e. from 1st April, 1999 to 30th June, 1999 as per Resolution No. 9.

Although the Board of Directors of the Company at its meeting held on 26th September, 1999, re-appointed Mr. Sudhir Sahgal as Manager (designated as 'President') of the Company for a period of 3 years with effect from 1st July, 1999 to 30th June, 2002, it was decided at a subsequent meeting of the Board held on 24th December, 1999 to appoint him as Managing Director from 1st January, 2000. The remuneration including minimum remuneration payable to Mr. Sudhir Sahgal for 6 months with effect from 1st July, 1999 is the same as under the previous Item No. 9.

Your Directors therefore require your approval for re-appointment of Mr. Sudhir Sahgal as Manager of the Company for a period of 6 months from 1st July, 1999 to 31st December, 1999 as per Resolution No. 10.

The Board of Directors of the Company at its Meeting held on 24th December, 1999 decided to appoint Mr. Sudhir Sahgal as Managing Director of the Company for a period of 5 years with effect from 1st January, 2000 to 31st December, 2004. The remuneration payable to him is the same as in Item No. 9 including minimum remuneration. The terms and conditions as set out in the agreement executed by the Company with Mr. Sudhir Sahgal are available for inspection to members at the registered Office of the Company between the hours 10.00 A.M. to 12.00 noon on any working day of the Company and also available at the meeting. The approval of members is being sought for appointment of Mr. Sudhir Sahgal as the Managing Director of the Company for a period of 5 years from 1st January,

2000 to 31st December, 2004 and to the payment of remuneration including minimum remuneration as above as per Resolution No. 11.

Your Directors recommend the three resolutions set out at Item Nos. 9, 10 and 11 of the notice be passed in the interest of the Company.

None of the Directors other than Mr. Sudhir Sahgal is interested in these resolutions.

Item No. 12

The Equity Shares of your Company have been identified by SEBI for compulsory trading in dematerialised segment with effect from 29th November, 1999 for institutional investors. Your Company has entered into an agreement with National Securities Depositories Limited (NSDL) for giving effect to demat trading in depository system. The depository system has several inherent advantages notably elimination of possibility of loss of scrips in transit, speedy transfer of securities, reduction of chances of introduction of fake scrips in the system, reduction in paper works and reduction of possibility of bad deliveries etc. The Depository system is investor friendly and market oriented.

Although not compulsory, members may hold shares of the Company if they so desire in electronic form and trade the same in the depository system, without existence of physical scrips. However, the members may decide not to have their securities dematerialised and continue to hold the same in physical form. In view of the introduction of the Depositories Act, 1956 and amendments thereof from time to time, some of the provision of the Companies Act, 1956 and amendments thereof from time to time, some of the provisions of the Companies Act, 1956, relating to issue, holding, transfer and transmissions of securities have been amended to facilitate the implementation of the new system.

The Companies (Amendment) Act, 1999 has introduced several important changes of vital consequences.

The new Section 77A permits companies to buy-back their own shares and other specified securities.

The holders of securities, have been given an option, to nominate the persons to whom the rights in respect of such securities shall vest in the event of death of the holder, by introduction of Sections 109A and 109B.

The amendment Act has introduced a new Section 372A, in respect of intercorporate investments, and has deleted the existing Sections 370 and 372.

Some of the Articles of Association of your Company are either in conflict with the aforesaid provisions or are inadequate to meet the requirements of the same.

Hence it is proposed to alter the Articles as proposed in the resolution set out in Item No. 12, to give effect to dematerialisation and to bring them in line with the Depositories Act, 1996 and the amendment made by the Companies (Amendment) Act, 1999.

As per Section 31 of the Act, the Articles can be altered only by a special resolution at a general meeting.

None of the Directors of the Company are interested in this resolution.

Directors' Report

Your Directors have pleasure in submitting their report and accounts for the year ended 30th September, 1999.

Financial Highlights

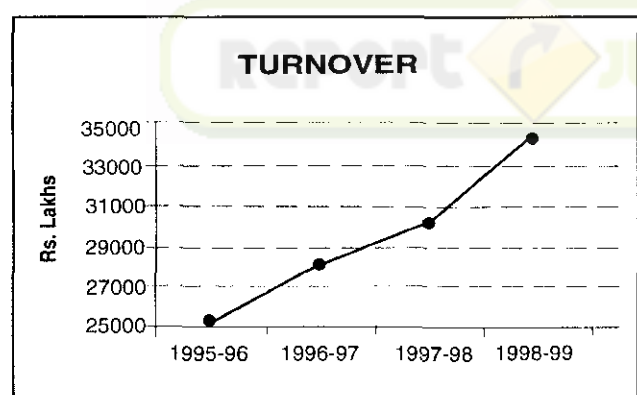
Salient features of the financial performance during the year ended 30th September, 1999 are summarised below :

	(Rs. in Lakhs)	
	For the Year ended 30.09.99	For the Year ended 30.09.98
Turnover	34,138.37	30,169.95
Profit before Interest, Depreciation & Taxes	4,222.81	3,635.37
Gross Profit	1,327.76	1,010.62
Less :		
Depreciation	851.12	723.54
Profit before Tax	476.64	287.08
Provision for Taxation	95.00	28.50
Profit after Tax	381.64	258.58
Surplus brought forward	351.77	432.84
Transfer from Debenture Redemption Reserve	251.25	—
Transfer to Debenture Redemption Reserve	—	44.37
Profit available for Appropriation	984.66	647.05
Proposed Dividend @ Re. 1.00 per Equity Share (previous year Re.1.00 per Equity Share)	177.53	177.53
Tax on Proposed Dividend	19.53	17.75
Transfer to General Reserve	100.00	100.00
Balance carried forward to next year	687.60	351.77

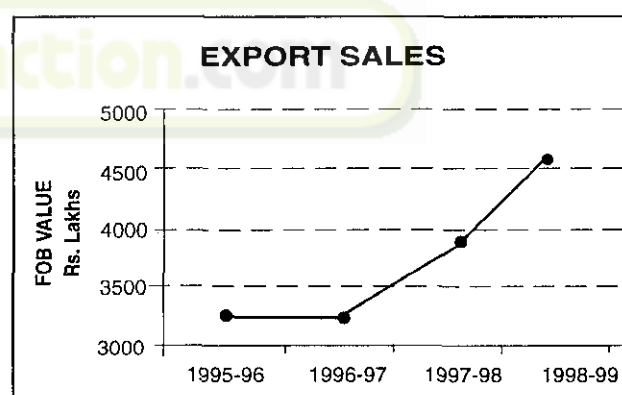
eager to protect market shares. As a result, there was heavy discounting and erosion of margins. The slackening of demand in the Indian tyre sector led to perceptible under-utilisation of capacity. Around the same time margins came under further pressure because of rising feed stock cost. That your Company could compete successfully in such an environment is a reflection of its inherent strength. Prudent investments made by your Company over the years helped it to withstand rough weather and fight competition. Broadly, there were several achievements to the credit of your Company :

- * At a difficult time, sales volume went up by 18.6% to 116952 MT, while turnover from operations registered a rise of 13%.
- * The all-round effort to improve cost effectiveness, under the active involvement of Andersen Consulting, yielded encouraging results. Operating expenses, as a percentage of turnover, were down by 6.5%.
- * The cost of financing per ton of production was reduced by 5%.
- * In terms of factory productivity, the overall yield improved by a healthy 5%.
- * Simultaneously, a 13% reduction in power consumption per ton of carbon black was achieved to contain costs.

However, unit price realisation suffered a set back in the first half and recovered partially during the second part of the year. To partially offset the depression in the domestic market, your Company launched a special export drive. As a result nine new countries were added to the Company's export list and export sales went up by 18% to Rs. 4,576.97 lakhs. The Company now exports to 24 countries. Some of the biggest names in tyre manufacturing are on the Company's export list.



The dull and depressed economic background posed several challenges to your Company during the year under review. In the international arena, the depressed market condition and the consequent idle capacity in the South East Asia precipitated a price war amongst carbon black producers



Overall, profit before tax went up by 66.2% to Rs. 4.77 crore from Rs. 2.87 crore. After providing Rs. 95 lakhs (Rs. 28 lakhs) for taxation, the net profit at Rs. 3.82 crore is up by 47.5% from Rs. 2.59 crore achieved in the previous year.

Dividends

Your Directors recommend for approval of members at the Annual General Meeting a net dividend of 10% (previous year 10%) which will absorb Rs. 177.53 lakhs. The tax on dividend, to be borne by the Company, amounts to Rs. 19.53 lakhs.

Manufacturing

The timely investment over the years on capacity expansion and modernization helped your Company at a difficult time, not only to retain, but also increase market share. Your Company's plant capacity utilisation went up to 66% from 57% in the previous year. The 2.5 MW captive co-generation power plant, installed at the Cochin factory, ensured uninterrupted power supply at a lower cost.

Research & Development

Your Company's Research & Development activities during the year were focused on development of new products in the non-tyre sector. Another area of success was improvement in product quality. R & D was also active in achieving higher plant yields and stricter quality control over products and processes. Research & Development is also helping your Company to adhere to pollution norms.

Your Company continued to enjoy ISO 9001 accreditation, covering the critical areas of plant design, manufacturing and marketing functions.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

A statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules 1988, is annexed. This forms an integral part of this Report.

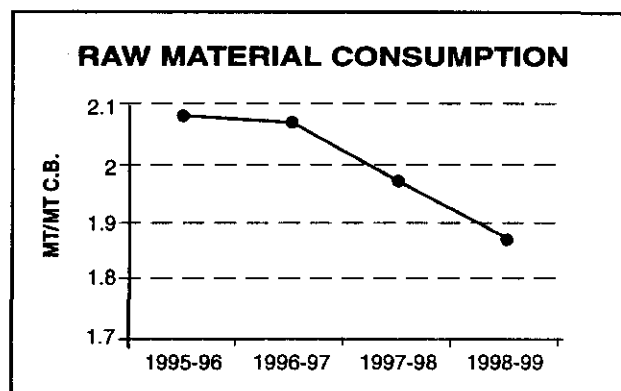
Subsidiary Companies and Investments

In compliance with the requirements of Section 212 (2) of the Companies Act, 1956, the Directors' Report, alongwith the Balance Sheets and Profit & Loss Accounts of Transmission Holdings Ltd. (for the year ended 30th April, 1999), Carniwal Investments Limited (for the year ended 31st May, 1999), South Asia Electricity Holdings Ltd. (for the year ended 31st March, 1999) and PCBL Industrial Finance Ltd. (for the year ended 31st March, 1999) are annexed to this Report.

During the year, the Company received from Ceat Limited, dividends totalling Rs. 16.68 lakhs.

Public Deposits

Fixed Deposits from the public, outstanding with the Company as at 30th September, 1999, amounted to Rs. 1332.12 lakhs. 384 deposits aggregating Rs. 41.42 lakhs due for repayment on or before 30th September, 1999, were not claimed by depositors. Out of these, 165 deposits,



totalling Rs. 23.17 lakhs have either been claimed and paid or renewed till the date of this Report.

Notes on Accounts

Regarding Auditor's comments on certain points, the Directors draw your attention to Notes 2.3, 10, 14 and 19 in Schedule 16 forming part of the account. The observations made by Auditors should be read together with the Notes referred to, which are self-explanatory.

Safety and Environment

Safety and environment continued to receive high priority. The accent was on observance of high standards, adopted to suit local conditions and requirements at various facilities of the Company. The Company's environment and safety policy stipulates, amongst others the following :

1. Sensitiveness to the concept of environment protection and use of available technologies to make the environment free of polluting emissions, as well as safe disposal and treatment of industrial wastes.
2. Regular safety inspection and audit of plants, with programmes for safety awareness amongst employees.
3. Environment audit and environment protection measures by installing plant and equipment to reduce emission and treating effluents.

Your Company complies with statutory requirements regarding environment and safety. The Company obtained, during the year, environmental clearance certificates under The Water (Prevention and Control of Pollution) Act, 1974, The Air (Prevention and Control of Pollution) Act, 1981 and The Environment Protection Act, 1986. Efforts are being made to integrate health, safety and environment issues with the Company's business processes.

Human Resources

The Directors express their sincere thanks to employees for their commitment, team work and contribution towards achieving corporate objectives.

Information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (particulars of Employees) Rules 1975, is given in the Annexure forming part of this Report.

Corporate Governance

To accord top priority to good corporate governance, the Company adopted in July 1999 a comprehensive corporate governance policy.

Good corporate governance should not only maximize shareholder value, but also sharpen your Company's competitive edge. The corporate governance policy adopted by the Company also ensures (a) transparency and full disclosure of facts; (b) and a framework of ethical business conduct.

Corporate Citizen

Keeping in mind that the role of an organization transcends the boundaries of business and extends to national priorities, all employees donated a day's salary to the Prime Minister's Kargil Fund.

Auditors

The auditors, Messrs. Price Waterhouse, retire at the ensuing Annual General Meeting. The Board has proposed their re-appointment.

Directors

Mr. Paras Kumar Chowdhary and Mr. Sudhir Sahgal have been appointed Additional Directors of your Company with effect from 24th December, 1999. These appointments are pursuant to the provisions of Section 260 of the Companies Act, 1956. They hold office up to the date of the forthcoming Annual General Meeting. Notices proposing the appointments of Mr. Paras Kumar Chowdhary and Mr. Sudhir Sahgal have been received by the Company.

Mr. Sudhir Sahgal has been appointed Managing Director of the Company with effect from 1st January, 2000 pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII of the Companies Act, 1956. The appointment of Mr. Sudhir Sahgal and the terms of remuneration payable to him are proposed in the Notice for the forthcoming Annual General Meeting and require your approval. Approval of the Central Government has been sought to the appointment and payment of remuneration to Mr. Sudhir Sahgal under the provisions of the Companies Act, 1956.

Mr. Sanjiv Goenka, Mr. B. M. Khaitan and Mr. H. L. Mundra retire by rotation and, being eligible, offer themselves for re-election.

Future Outlook

The economy is again on the move, while industry shows signs of recovery, exports are picking up. The automobile industry being back to good health, the tyre industry is

picking up. As a result, the carbon black market shows signs of recovery – a double digit growth is expected during the current year. With the entry of new players in the automobile sector, the demand for tyres is poised for further growth, which in turn should broaden the carbon black market. With signs of recovery in South-East Asian economies, the pressure on domestic prices due to cheap imports is likely to be less. All these should lead to a healthy increase in demand both domestic and exports and better capacity utilisation.

The cost control exercise, being undertaken with the help of Andersen Consulting, is likely to contribute to overall cost savings. The Company expects continuous improvement in cost competitiveness through better capacity utilisation and higher operating efficiency.

Y2K Compliance

Your Company achieved Year 2000 (Y2K) compliance for all its internal systems.

All the IT system – software and hardware, factory/process systems, telecom systems and networking at all locations – are Y2K compliant.

The cost of the Y2K compliance exercise undertaken by the Company is not material.

The Company has contingency plans in place and is fully geared to meet any unforeseen problems, failures etc. that may arise due to the Y2K problem.

Depository System

In line with the decision of SEBI, delivery of equity shares of your Company in dematerialised form has been made compulsory for institutional investors only with effect from 29th November, 1999. Your Company has entered into an agreement with the National Securities Depository Limited, enabling all other investors to hold shares in dematerialised form at their option.

Acknowledgement

The Board places on record its appreciation of the co-operation and support received from shareholders, customers, business associates, financial institutions and bankers. The Directors also thank employees who made valuable contribution during the year. They also wish to thank the Central and State Governments for their valuable support.

For and on behalf of the Board



Sanjiv Goenka
Chairman

Calcutta,
24th December, 1999